

The Norinchukin Bank

The background of the cover is a composite image. On the left, there is a circular inset showing a dense forest of tall, thin evergreen trees. Below the forest, there is a school of fish swimming in clear blue water. On the right, the background shows a bright blue sky with scattered white clouds. In the foreground, there is a field of young green crops planted in neat rows, with a line of trees in the distance.

Annual Report 2006

For the Year Ended March 31, 2006

Profile

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

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

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

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Forward-Looking Statements

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

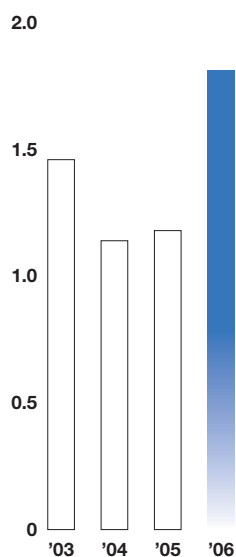
CONSOLIDATED FINANCIAL HIGHLIGHTS

The Norinchukin Bank Group
As of March 31, 2006 and 2005

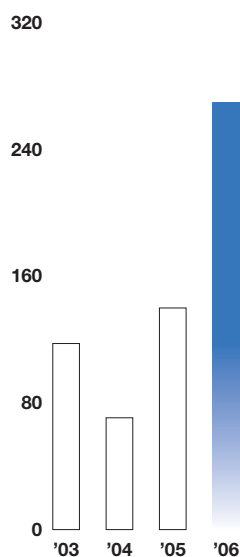
		Millions of Yen		Millions of U.S. Dollars (Note)
		2006	2005	2006
For the Year	Total Income	¥ 1,811,205	¥ 1,176,524	\$ 15,428
	Total Expenses	1,445,018	981,825	12,309
	Income before Income Taxes and Minority Interests	366,187	194,698	3,119
	Net Income	269,376	139,951	2,295
At Year-End	Cash and Due from Banks	1,328,936	2,385,245	11,320
	Securities	45,586,152	37,425,281	388,298
	Loans and Bills Discounted	11,963,996	15,692,220	101,908
	Total Assets	70,818,853	61,978,612	603,227
	Deposits	41,487,550	40,879,067	353,386
	Debentures	4,787,514	4,704,361	40,779
	Total Liabilities	66,850,625	59,071,763	569,426
	Paid-in Capital	1,465,017	1,224,999	12,479
	Total Shareholders' Equity	3,962,212	2,901,548	33,750
	Total Liabilities, Minority Interests and Shareholders' Equity	70,818,853	61,978,612	603,227
BIS Capital Adequacy Ratio (%)	12.14%	11.73%		

Note: Yen amounts have been translated, for convenience only, at ¥117.40 to U.S.\$1.00. Billion and trillion are used in the American sense of one thousand million and one million million, respectively.

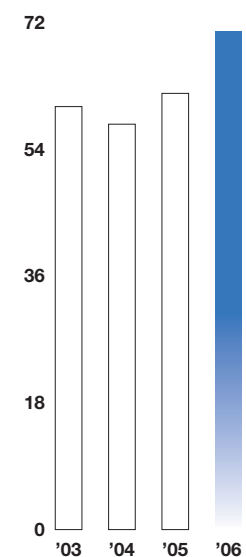
TOTAL INCOME (Trillion ¥)



NET INCOME (Billion ¥)



TOTAL ASSETS (Trillion ¥)



MANAGEMENT ISSUES FOR ATTENTION AND BASIC POLICY DIRECTIONS

The Fundamental Role of the Norinchukin Bank in the Agricultural, Forestry and Fishery Cooperative System

The Norinchukin Bank (“the Bank”) is a nationwide financial institution based on Japan’s agricultural, forestry and fishery cooperatives. The Bank is supported by a stable supply of funds procured from the Japan agricultural cooperatives (JA) and fishery cooperatives and conducts stable and efficient management of these financial resources by making loans and investing in securities and other financial instruments. The gains acquired through these activities are returned to agricultural, forestry and fishery cooperatives, which are the Bank’s shareholders and clients. Along with these activities, the Bank provides support for the cooperative credit businesses operated by JA and fishery cooperatives by providing a range of services, including the operation of a unified nationwide computer system (JASTEM System) and the development of financial products. The Bank also responds to the funding needs of cooperative members.

The Bank also advises JA and fishery cooperatives on matters regarding their cooperative credit business activities, within the context of relevant laws, and assists in the structuring and management of safety nets for the JA Bank, which refers to agricultural cooperatives, their Prefectural Credit Federations and the Bank, and the JF Marine Bank, which refers to fishery cooperatives, their Prefectural Credit Federations and the Bank. We are continuing to implement initiatives to heighten the reliability of the cooperative credit system and are fully aware that our role is essential in contributing to enhancing its competitiveness and profitability.

Basic Policy Directions

Japan’s financial system is in the midst of a transition from a focus on “stability” to an emphasis on “dynamism.” As this transition progresses, we understand the rising importance in the management of financial institutions of strengthening profitability and expanding our customer base.

The objective of the Bank is to maintain the continued stable position of the cooperative credit system as a whole within Japan’s financial system and enhance the credit cooperative system’s value to society. To this end, the Bank is addressing a range of issues related to the two goals of (1) implementing a growth strategy for the cooperative credit system as a whole and (2) maintaining as well as strengthening its profitability from a global perspective. Attaining these goals is predicated on the strengthening



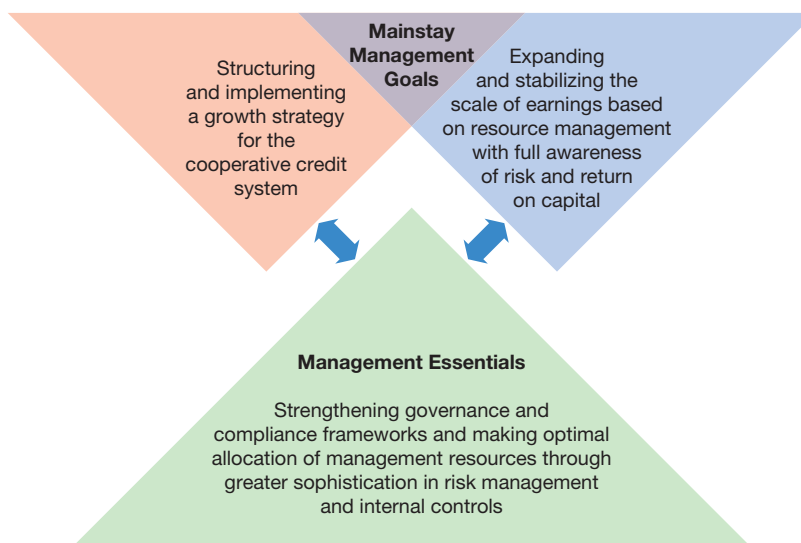
Hirofumi Ueno, President & CEO

of systems for risk management and internal controls, which are essential for the Bank's activities.

Since its sustainability as an organization depends on enhancing the value to society, we have integrated initiatives relating to economic, social and environmental issues in our operating plans. Through addressing these issues effectively, we are taking care to increase the satisfaction of our stakeholders.

Initiatives in Fiscal 2005

- Initiatives related to the growth strategy for the cooperative credit system as a whole have included the conclusion of a basic contract with Mitsubishi UFJ Financial Group, Inc. (MUFG), covering strategic operational and capital alliances, that will strengthen the cooperative credit system's retail operating base. Under this agreement, the credit cooperative system will be able to draw on MUFG's cutting-edge financial technologies and product development capabilities. Specific preparations are under way to enable the JA Bank to offer its cooperative members and other customers significantly more attractive products and services, including the issuance of IC cash cards and tie-up credit cards as well as adaptation of its ATM network for the use of IC cards and biometric identification. Moreover, based on the agreement with MUFG, Norinchukin Trust & Banking Co., Ltd., a subsidiary of the Bank, has begun to provide inheritance-related services, including testamentary trusts and estate settlement services.
- The Bank is also moving forward with measures to enhance the cooperative credit organization. The Miyagi Prefectural Credit Federation of Agricultural Cooperatives (Shinnoren) was integrated through the full transfer of all business operations in October 2005, and this was followed



in January 2006 by the integration through the same method of Okayama Shinnoren and Nagasaki Shinnoren. Also, in August 2005, JA took over the full rights and obligations of the Shinnoren and the Prefectural Marketing and Purchasing Federation of Agricultural Cooperatives (Keizairen) in Okinawa Prefecture, thus becoming the second prefecture, after Nara, where all JA, Shinnoren and Keizairen have been consolidated into one JA.

- Another recent development was the completion of the transition to the JASTEM System, which is the JA Bank's collective, nationwide online system. Now, JASTEM is in operation, linking JA Banks in all 47 prefectures.
- During the fiscal year under review, the Bank implemented initiatives founded on the basic principle of globally diversified investment to secure earnings, including taking risks appropriate to its financial position and strengthening and observing appropriate risk management methods, as well as structuring an investment portfolio of high-quality assets selected from a global perspective.

As a result of these and other initiatives, the Bank reported the highest levels of profitability in its history, with ordinary income of ¥317 billion, 48% higher than in the previous fiscal year and net income of ¥269 billion, 92% above the previous fiscal year.

On the other hand, to ensure the soundness of assets, the Bank wrote off and provisioned reserves based on rigorous self-assessment of its assets. The Bank also liquidated particular non-performing loans and recovered certain unsound loans. As a result, the balance of risk-managed loans declined ¥185 billion, to ¥305 billion, corresponding to 2.5% of total loans outstanding.

Key Management Indicators (Consolidated)

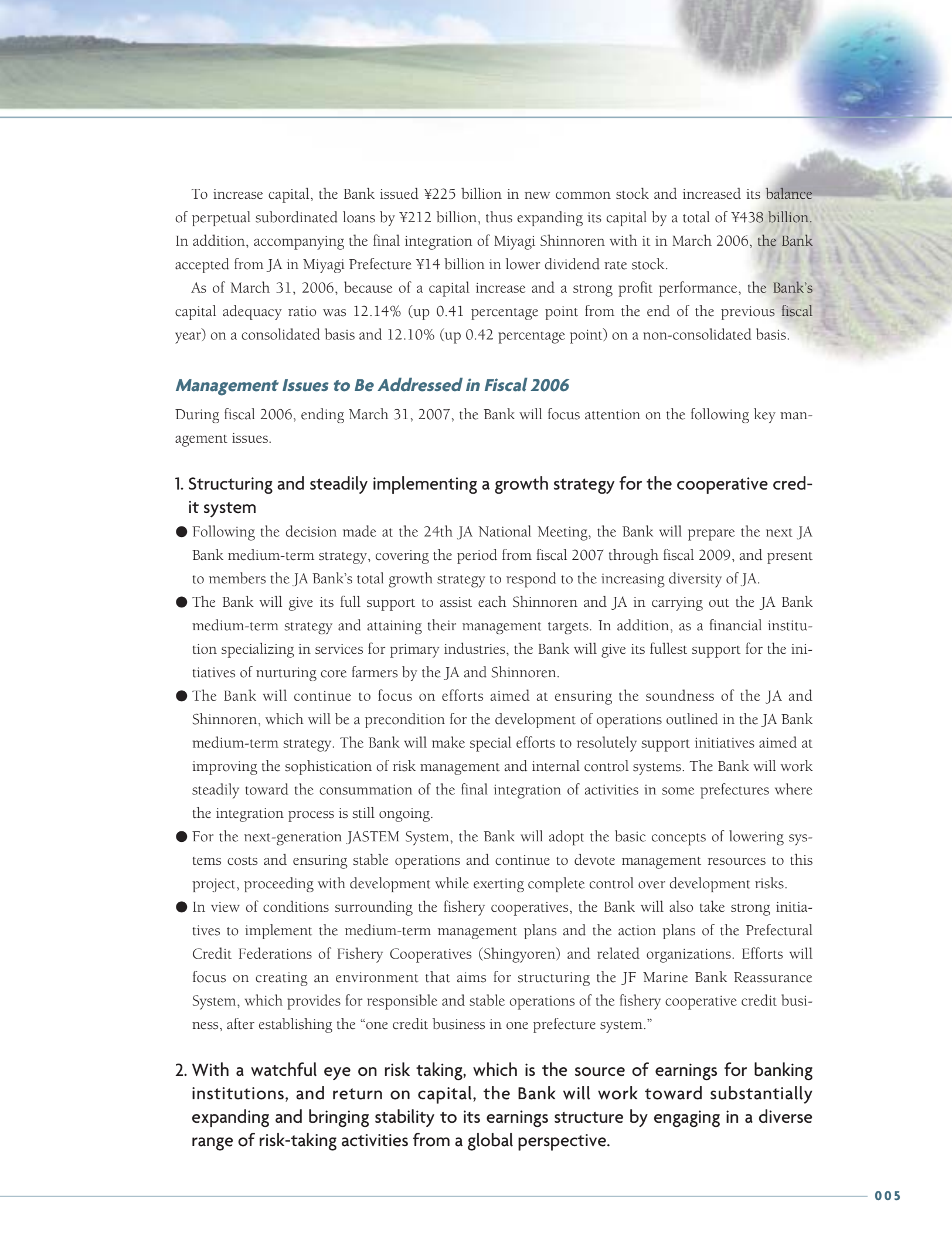
	Billions of Yen					Millions of U.S. Dollars (Note)
	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2005
Total Income	¥ 1,619	¥ 1,463	¥ 1,141	¥ 1,176	¥ 1,811	\$ 15,428
Total Expenses	1,528	1,367	953	981	1,445	12,309
Net Income	70	65	144	139	269	2,295
Total Shareholders' Equity	1,881	1,767	2,523	2,901	3,962	33,750
Total Assets	57,579	61,265	61,833	61,978	70,818	603,227
Deposits	38,255	40,421	41,099	40,879	41,487	353,386
Debentures	5,906	5,790	5,213	4,704	4,787	40,779
Loans and Bills Discounted	23,985	19,179	17,789	15,692	11,963	101,908
Securities	23,224	28,623	33,509	37,425	45,586	388,298
Capital Adequacy Ratio (BIS)	10.02%	9.87%	12.94%	11.73%	12.14%	

Note: Yen amounts have been translated, for convenience only, at ¥117.4 to U.S.\$1.00. "Billion" is used in the American sense of one thousand million.

Nonperforming Loans (Consolidated)

	Billions of Yen		Millions of U.S. Dollars
	Fiscal 2004	Fiscal 2005	Fiscal 2005
Loans to Borrowers under Bankruptcy Proceedings	¥ 2	¥ 13	\$ 113
Delinquent Loans	247	169	1,444
Loans with Principal or Interest Payment More than Three Months in Arrears	2	1	12
Restructured Loans	239	120	1,029
Total Risk-Managed Loans	490	305	2,599
Reserve for Possible Loan Losses	318	229	1,957

Note: Yen amounts have been translated, for convenience only, at ¥117.4 to U.S.\$1.00. "Billion" is used in the American sense of one thousand million.



To increase capital, the Bank issued ¥225 billion in new common stock and increased its balance of perpetual subordinated loans by ¥212 billion, thus expanding its capital by a total of ¥438 billion. In addition, accompanying the final integration of Miyagi Shinnoren with it in March 2006, the Bank accepted from JA in Miyagi Prefecture ¥14 billion in lower dividend rate stock.

As of March 31, 2006, because of a capital increase and a strong profit performance, the Bank's capital adequacy ratio was 12.14% (up 0.41 percentage point from the end of the previous fiscal year) on a consolidated basis and 12.10% (up 0.42 percentage point) on a non-consolidated basis.

Management Issues to Be Addressed in Fiscal 2006

During fiscal 2006, ending March 31, 2007, the Bank will focus attention on the following key management issues.

1. Structuring and steadily implementing a growth strategy for the cooperative credit system

- Following the decision made at the 24th JA National Meeting, the Bank will prepare the next JA Bank medium-term strategy, covering the period from fiscal 2007 through fiscal 2009, and present to members the JA Bank's total growth strategy to respond to the increasing diversity of JA.
- The Bank will give its full support to assist each Shinnoren and JA in carrying out the JA Bank medium-term strategy and attaining their management targets. In addition, as a financial institution specializing in services for primary industries, the Bank will give its fullest support for the initiatives of nurturing core farmers by the JA and Shinnoren.
- The Bank will continue to focus on efforts aimed at ensuring the soundness of the JA and Shinnoren, which will be a precondition for the development of operations outlined in the JA Bank medium-term strategy. The Bank will make special efforts to resolutely support initiatives aimed at improving the sophistication of risk management and internal control systems. The Bank will work steadily toward the consummation of the final integration of activities in some prefectures where the integration process is still ongoing.
- For the next-generation JASTEM System, the Bank will adopt the basic concepts of lowering systems costs and ensuring stable operations and continue to devote management resources to this project, proceeding with development while exerting complete control over development risks.
- In view of conditions surrounding the fishery cooperatives, the Bank will also take strong initiatives to implement the medium-term management plans and the action plans of the Prefectural Credit Federations of Fishery Cooperatives (Shingyoren) and related organizations. Efforts will focus on creating an environment that aims for structuring the JF Marine Bank Reassurance System, which provides for responsible and stable operations of the fishery cooperative credit business, after establishing the "one credit business in one prefecture system."

2. With a watchful eye on risk taking, which is the source of earnings for banking institutions, and return on capital, the Bank will work toward substantially expanding and bringing stability to its earnings structure by engaging in a diverse range of risk-taking activities from a global perspective.

3. The Bank will work to strengthen its corporate governance and compliance frameworks by striving for substantially greater sophistication in the operation of its risk management and internal control systems, which are essential for its management.

Also, to attain management objectives efficiently, the Bank will optimize allocation of its management resources.

- The Bank will work to enhance the sophistication of its risk management and monitoring methods, from a comprehensive risk management viewpoint, and respond to additional content requirements under the new BIS regulations.
- Along with measures to strengthen its overall capital, the Bank is aware that to advance further, strengthening its Tier I capital will be essential. Accordingly, the Bank will work to increase its retained earnings and begin by carrying out those measures that are considered as necessary and possible.
- In fiscal 2006, while reviewing the overlap of functions among the levels of the cooperative system and working toward an integration method of approach for the cooperative credit business, the Bank will make specific preparations for closing or consolidating certain branches and is scaling down its retail operations, with the aim of thoroughly rationalizing and increasing the efficiency of its operations. When implementing these measures, utmost efforts will be made to prevent any inconvenience for customers.

CSR Initiatives

We believe that in our corporate social responsibility (CSR) activities we should “strive to increase the satisfaction of investors (cooperative members), depositors, other corporate clients, employees, the communities we serve and other stakeholders by making our contributions to the economy, society and environmental preservation an integral part of our medium-term strategy.”

Translating this into specific action, we would like to make our CSR initiatives strategic and conduct them on a continuing basis from the viewpoints of (1) our role as a nationwide institution based on the cooperative system, (2) our role as a financial institution for the agricultural, forestry and fishery industries and as an institutional investor and (3) our roles as a corporate citizen. During fiscal 2006 in particular, we will emphasize activities related to the agricultural, forestry and fishery industries, including such areas as a financial lender to core farmers and as the founding institution of the Forest Rejuvenation Fund.

In Closing

The Bank will steadily address the management issues I have mentioned and will work toward increasing the satisfaction of its stakeholders. We look forward to your continued support and encouragement.

August 2006



Hirofumi Ueno
President and Chief Executive Officer

The Bank has structured and operates the JASTEM System, a unified nationwide computer system, to enable JA Bank to offer convenient and secure financial services. In addition, an agreement was concluded with the Mitsubishi UFJ Financial Group, Inc. (MUFG) in November 2005 to make the cutting-edge technological and product capabilities of MUFG available for use in JA Bank's financial services.

Going forward, the Bank will work to offer even more convenient and reliable products and services to cooperative members and other customers.

Transition to the Unified Nationwide Computer System

JASTEM System Links to All Prefectures Completed

In May 2006, the transition in Kanagawa, Nagano, Wakayama and Ehime prefectures from the JA and Shinnoren systems for each prefecture to the JA Bank unified nationwide computer system—the JASTEM System—was implemented. The transition to this system, which is the JA Bank's core computer system, has been progressing since October 1999, when operations in Shiga Prefecture were the first to be connected. With the linking of the previously mentioned four prefectures, the JA Bank operations in all 47 prefectures nationwide are now linked into the nationwide system.

With the JASTEM System now in full operation, approximately ¥79 trillion in deposits, about 45 million customers, approximately 10,800 branches, and about 12,400 ATMs are now linked online to a nationwide system.

Expected Strengthening of Financial Services

The JASTEM System is supported by an emergency backup center and various other security systems. The system is thus capable of performing its functions as an integral part of the social infrastructure and will make it possible to further improve the convenience of services for cooperative members and other customers.

Offering New Services

IC Cash Cards to Be Issued at All JA Nationwide

To eliminate unethical transactions, such as the fraudulent use and theft of cash cards, and offer greater security and peace of mind to customers, the JA Bank will begin to issue IC cash cards in October 2006, and in March 2007 these IC cash cards will be accepted at all JA nationwide. In addition, plans call for the gradual introduction of biometric identification through the use of palm scanners beginning in October 2006.

New Tie-Up Credit Cards to Be Issued

Along with IC cash cards, new tie-up credit cards will be issued jointly through an alliance with UFJ NICOS Co., Ltd., beginning in October 2006. In addition to the basic credit card services offered through the issuance of tie-up cards by individual JA on their own initiative, this new tie-up card will add original services of the JA Group and thereby help expand the base of JA cooperative members and other customers.

New Inheritance-Related Services (Will Trusts and Estate Settlements) Begin

The Norinchukin Trust & Banking Co., Ltd., a consolidated subsidiary of the Bank, began to offer inheritance-related services (will trusts and estate settlements) in October 2005. Through April 2006, within the JA Bank system, six Shinnoren and 23 JA, which is covering eight prefectures, began to offer inheritance-related services acting as an agency for the Norinchukin Trust & Banking. In addition, the Kanagawa Prefecture Shinnoren began to offer these services by itself, and 12 JA began to offer inheritance-related services acting as agents for the Kanagawa Prefecture Shinnoren.

Initiatives to Supply Financial Services to Core Farmers

Significance and Background of Activities

Nurturing core farmers is becoming increasingly important for Japan's farming industry and agricultural administration.

The JA Bank, which is composed of JA, Shinnoren and the Norinchukin Bank and pursues unified operations, prepared and issued a paper entitled "The JA Bank's Initiatives to Strengthen Financial Services to Core Farmers." These initiatives are focused on becoming more active in providing support for the development of regional agriculture as the main bank for core farmers.

Establishment of "JA Bank: Leader in Supplying Financial Services to Core Farmers" and Enhancement of Its Activities

The JA Bank is moving forward to establish practical financial leaders in supplying services to meet the needs of core farmers, with efforts to create systems to respond effectively to requests for funding, and, as of May 2006, it had appointed a total of 1,136 persons as financial service leaders.

Introduction of Customers for Agribusiness Loans

Wago

Wago Co., Ltd. (Wago Estates Group) is a corporate group that has established a vegetable supply chain that is integrated from farm production through processing and retail distribution. Wago has received the EUREP GAP* certification under international standards from the EU and is working to establish its value as a brand that can be trusted for the reliability and safety of its vegetable products.



* GAP (Good Agricultural Practice): GAP is a set of international standards established by EUREP GAP of the European Union (EU). Related activities include the preparation of a handbook on best practices in production and related implementation activities aimed at ensuring the safety and quality of agricultural food products and reducing the burden of agricultural activities on the natural environment.

Sugaya Farm

Sugaya Farm Co. is a private limited company engaged in integrated pig husbandry. The company has approximately 1,000 adult sows and raises their offspring to market stage. Sugaya Farm places special emphasis on feed quality and keeping its hogs in peak condition to provide consumers with safe and truly delicious pork.



Use of Agribusiness Loans and Funding from the Agribusiness Investment & Consultation Co., Ltd.

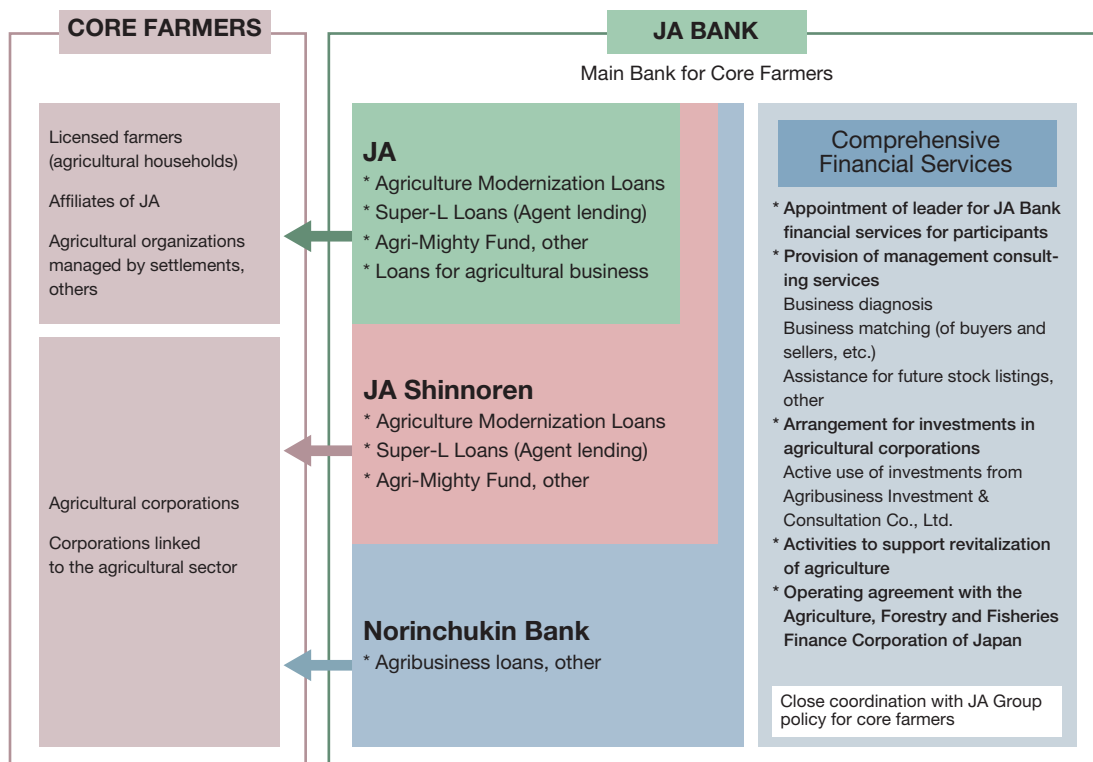
The Bank began to offer agribusiness loans in April 2005. Already, a wide range of agricultural corporations, including consolidators and sellers of rice, producers and processors of vegetables as well as livestock farmers, are drawing upon these financial services. In addition, the Bank is calling on the Agribusiness Investment & Consultation Co., Ltd., a member of the Norinchukin Group, to make investments in agricultural corporations and help to stabilize their financial positions.

Agribusiness Loans: To provide better services for participants in the agricultural sector, including financing for corporate entities, such as agricultural corporations, the Bank began to offer agribusiness loans in fiscal 2005. Depending on the credit standing of the borrower, the Bank is "providing working capital flexibly without excessive dependence on collateral or guarantees."

Operating Agreement with the Agriculture, Forestry and Fisheries Finance Corporation of Japan

In November 2005, the Bank concluded an agreement with the Agriculture, Forestry and Fisheries Finance Corporation of Japan (AFC) entitled "Agreement on Improving Finance for Agricultural-Sector Participants and Others." Under this agreement, the JA Bank will have access to the credit scoring service of the AFC to strengthen its financing activities and expand its co-financing for agricultural-sector participants. Exchange of personnel under the agreement has begun.

Initiatives to Strengthen JA Bank Financial Services for Core Farmers



Condition of Japan's Forests Threatened with Deterioration

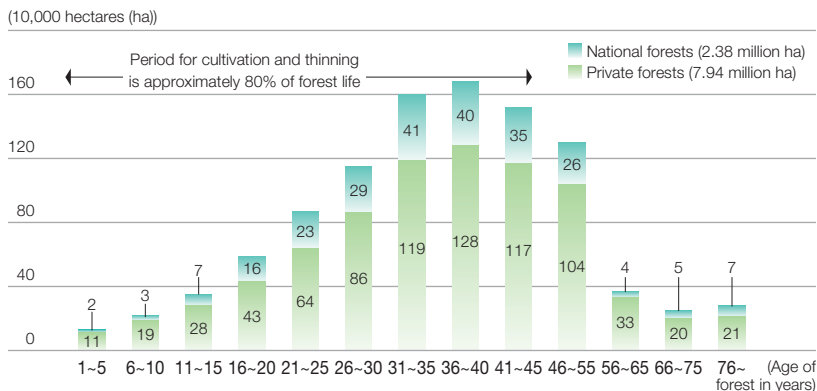
Forests Are National Assets

Forests are more than producers of raw materials that enable the forestry industry to supply lumber. Forests also play major roles as a base for the agriculture, forestry and fisheries industries by helping to create productive farmland for raising crops and by contributing to an abundant natural environment in the sea and waterway, which nurtures marine life and products. Forests also offer a wide range of other benefits that extend beyond the agriculture, forestry and fisheries industries, including contributing to the prevention of global warming by absorption of carbon dioxide, preventing environmental disasters by protecting soil and groundwater sources and contributing to health and human culture by creating ecologically balanced settings. Accordingly, forests should be treated as “national assets.”

The State of Forests in Japan

Forests cover about two-thirds of Japan's land mass or about 25 million hectares. About 70% of forestlands in Japan is owned by the private sector, including privately owned and communally owned areas. Along with the aging of Japan's population and the depopulation of rural towns, which have caused a declining interest in forestry development, much of Japan's forestland is not properly sustained and has become unproductive wilderness. This explains why, although the cedar and cypress trees that were planted after World War II are reaching maturity, they are unable to completely fulfill the multitude of functions they should.

Age of Japan's Forestlands (Time since planting)



Untended forestland becomes backwoods



A forest that has been thinned and well maintained

The Forest Rejuvenation Fund

Establishment of the Forest Rejuvenation Fund Public Trust

To provide support for activities directed at conservation efforts for privately owned forestlands that are at risk of becoming unsustainable and to help forests fulfill their roles beneficial to the public interest, the Bank established its Norinchukin 80th Anniversary Forest Rejuvenation Fund Public Trust in March 2005.

The objective of this fund is to offer support for forestry rejuvenation projects and related activities, which are recognized as highly effective and also to enable private and communal forests that are currently becoming unsustainable to once again fulfill their roles in the public interest. The initial amount placed in the fund was ¥1 billion, and ¥100 million is provided annually for such projects. Recipients of this support include various cooperative unions, including forestry cooperatives, NPOs and other non-profit foundations. During the scheduled 10-year term of the trust, the administrators of the fund are selecting several projects each year for support and thereby supporting rejuvenation of Japan's forests.

Results of the First Project Selection

The fund solicited proposals for projects between July and September 2005, and 93 applications were received. The final selection was conducted in two stages, with the first consisting of a review of written proposals and the second on-site inspection of the proposed sites for rejuvenation. At the end of this process, four projects were selected to receive support funding.

Follow-Up Activities of the Fund

The Bank's activities go beyond the establishment and administration of a public trust and provision of project funding and include activities to position the projects chosen for support as models for other areas nationwide. These have included sending specialists in the fields of forest ecology and forestry management to the project sites and offering other support needed for the successful completion of these rejuvenation programs.

Outline of Initial Forestry Rejuvenation Projects Selected

Recipient of Support	Outline of the Project
Ogachi Regional Forestry Cooperative (Akita Prefecture)	Solution of issues related to confirming forestland boundaries, which is one of the major problems in the forestry business (Confirmation of the boundaries of a communally owned area of about 260 hectares)
Kashimo Forestry Cooperative (Gifu Prefecture)	Implementation of a long-term forestry cultivation and rotation project, which is suitable for ownership in the form of relatively small forestland holdings going back many years
Miyoshi Area Forestry Cooperative (Hiroshima Prefecture)	Management of forestlands by a forestry cooperative after receiving a commission from the absentee members of the cooperative
Nii Forestry Cooperative (Ehime Prefecture)	Formation of a large-scale forest management area and carrying out low-cost thinning with the close supervision of specialists assigned by forestland owners, followed by activities for stable shipments of timber

Distinctive Characteristics of the Norinchukin Bank

The Norinchukin Bank is a nationwide cooperative financial institution that is funded by Japan's agricultural cooperatives (JA), fishery cooperatives, forestry cooperatives and their respective federations.

Basic Philosophy and Social Mission

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

The JA, fishery cooperatives and forestry cooperatives work to improve the economic and social positions of those engaged in the agricultural, forestry and fishery industries under the slogan "one for all and all for one." The Bank is a nationwide cooperative financial institution whose membership (shareholders) are composed of those municipal cooperatives, prefectural and national federations and other organizations. Moreover, under Article 1 of the Norinchukin Bank Law, the Bank performs a major role in society through contributing to the development of the nation's economy by supporting the advancement of the agricultural, forestry and fishery industries through providing financing for its members.

Capital

The Bank has a strong capital base by virtue of its membership in the cooperative organization. In fiscal 2005, ended March 31, 2006, the Bank reported a substantial increase in shareholders' equity by continuing to add to its retained earnings, and, with the cooperation of the membership of the Bank, which are cooperative organizations, the Bank raised ¥225 billion through the issuance of common stock and ¥212 billion in perpetual subordinated loans.

Fund Procurement

The Bank procures funds mainly through the acceptance of deposits and the issuance of Norinchukin Bank debentures. Deposits come mainly from savings received through JA and fishery cooperatives from their members.

Also, nearly all other deposits are from corporations related to the industries of farming, fisheries and forestry, local public bodies or other nonprofit organizations. This is given by the Bank's characteristic of being the national financial institution for the agricultural, fishery and forestry cooperatives.

In addition, under the Norinchukin Bank Law, the Bank is allowed to issue Norinchukin Bank debentures as a source of funding. These five-year coupon debentures and asset formation bonds are issued mainly through offerings to institutional investors.

Article 1 of the Norinchukin Bank Law

As a financial institution with its base in agricultural, forestry and fishery cooperatives as well as other members of the agricultural, forestry and fishery cooperative system, the Norinchukin Bank works to contribute to the development of the nation's economy by supporting the advancement of the agricultural, forestry and fisheries industries by facilitating financing for the member organizations of the cooperative system.

Through these fund-raising activities, the Bank has continued to augment its balance sheet, and, as of March 31, 2006, its total assets on a non-consolidated basis amounted to ¥70,764 billion, making it one of Japan's largest banks.

Deposits

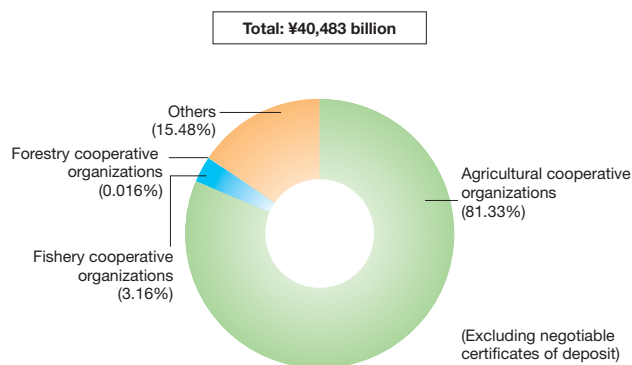
The savings deposited by members of JA and fishery cooperatives and other regional customers are used for providing financing to cooperative members and regional customers, industrial corporations and public organizations, and surplus funds will be distributed to Shinnoren and Shingyoren at the prefectural administrative level.

These funds are loaned by Shinnoren and Shingyoren to agricultural and fisheries groups, agricultural and fisheries related corporations and other regional public-sector groups. The excess funds are deposited with the Bank.

The Bank, as the nationwide financial institution for the cooperative organization, centralizes the management of this stable source of funds.

Furthermore, the JA, JF (fishery cooperatives), Shinnoren and the Bank at present are members of the Agricultural and Fishery Cooperative Savings Insurance System, which is a national organization for the purpose of safeguarding the valued savings of cooperative members and regional customers.

Balance of Norinchukin Bank Deposits (As of March 31, 2006)



Types of Deposits (Deposits from customers other than members conducting financial service businesses) (As of March 31, 2006)

Type of deposit	Terms available	Interest rates	Minimum deposit
Deposits with deregulated interest rates (Large amount time deposits)	One month or more to five years or less	Set individually depending on term and other factors	¥10 million
Deposits with deregulated interest rates (Super Deposits)	One month or more to five years or less	Set individually depending on term and other factors	¥100
Floating rate time deposits	Two years or three years	Set individually depending on term and other factors	¥100
Notice deposits	Seven days or more	0.001%	¥50,000
Regular deposits	No set terms	0.001%	¥1
Regular deposits (for monetary settlements)	No set terms	No interest	¥1
Current deposits	No set terms	No interest	¥1

Note: These deposits are eligible for deposit insurance coverage by the Agricultural and Fishery Cooperative Savings Insurance System and are guaranteed within the limits set by this system.

Distinctive Characteristics of the Norinchukin Bank

Debentures

As of March 31, 2006, the balance of Norinchukin Bank debentures outstanding was ¥4,787 billion. Of this amount, five-year coupon debentures issued to institutional investors accounted for about 80% of the total. Funds raised through the issuance of the debentures are used for lending and providing other finance to the agricultural, forestry and fishery industries and companies related to those industries.

Under the Agricultural and Fisheries Cooperative Saving Insurance Law, deposits, Ritsuno Wide, which are debentures issued to individuals and were suspended on March 27, 2006, as well as asset formation bonds are insured and protected up to ¥10 million. However, the debentures issued to corporations, mainly institutional investors, are not insured under this system.

Regarding Updates to Handling of Financial Products Offered to Individuals

Sales of the Norinchukin Bank debentures of best efforts issue, which are issued mainly for individuals, were suspended on March 27, 2006, and a review of the future handling of sales of other financial products to individuals is currently under way.

New acceptance of time deposits from individual customers and sales of Japanese government bonds (JGBs) through the Bank's offices will be suspended on April 2, 2007. In addition, the Bank will suspend further sales of JGBs to individuals subsequent to the March 2007 offering. Handling of these products via ATMs will also cease as of March 31, 2008^(*). Additionally, for those customers who have been issued a Norinchukin Card, usage of these cards will be suspended as of March 31, 2008.

Services related to investment trusts and JGBs will be transferred to the Head Office of the Norinchukin Bank as of March 2008^(*). Please note that despite these changes in the Bank's handling of these financial products, the Norinchukin Bank debentures and time deposits that have not reached maturity on these dates will all be repaid on the respective maturity dates. On the other hand, handling of the debentures issued through offerings to corporate customers as well as asset formation bonds and time deposits for corporate customers will continue as before.

** Handling of these financial products may vary in accordance with certain offices.*

Fund Management and Other Operations

The Bank provides loans to corporations engaged in the agricultural, forestry and fishery industries and to local governments and other entities. The Bank is also an active participant in securities markets as one of Japan's leading institutional investors based on its wealth of investable funds and sophisticated know-how. In addition, the Bank provides financial assistance to support the development of the overseas operations of its customers, provides domestic remittance and foreign currency

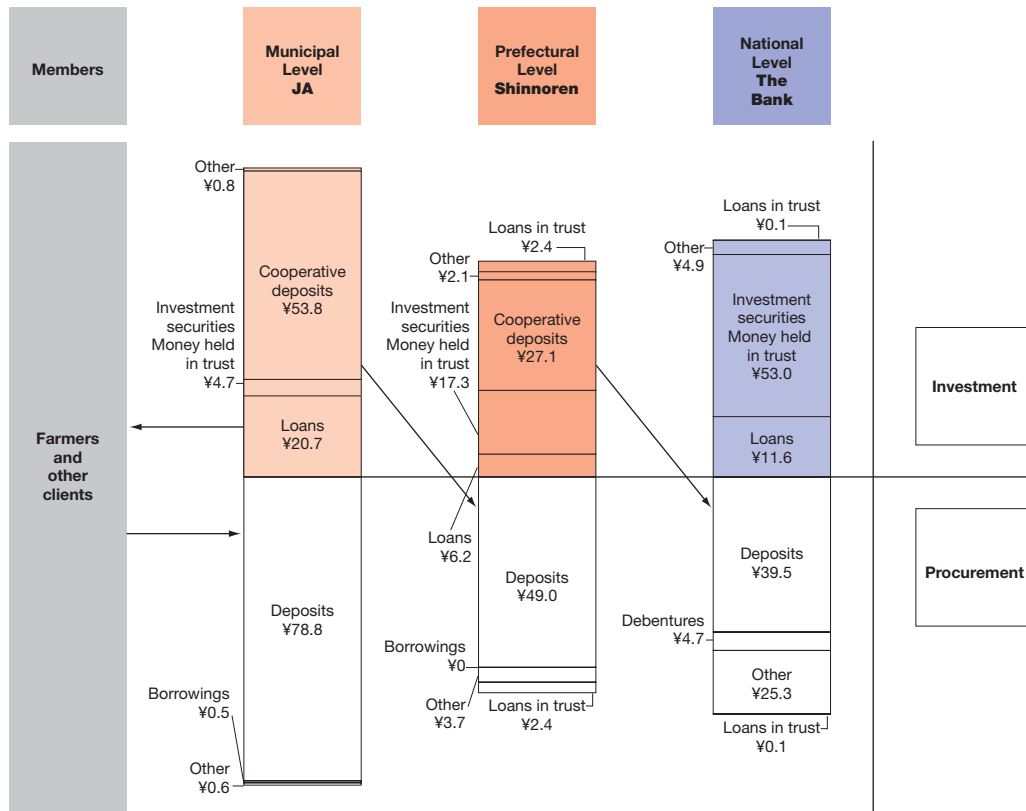
Principal Types of Norinchukin Bank Debentures (As of March 31, 2006)

Type	Features	Term	Interest rate	Yield to maturity	Available units
Coupon debentures	<ul style="list-style-type: none"> Fixed yield, with interest paid every six months Withholding tax of 20% is deducted from interest paid Issued once a month Not covered by the Agricultural and Fishery Cooperative Savings Insurance System 	5 years	1.15%	1.15% annual yield (0.92 after withholding tax)	¥10 million

exchange services, acts as a national agent for the Bank of Japan and handles loans in trust of the Agriculture, Forestry and Fisheries Finance Corporation of Japan.

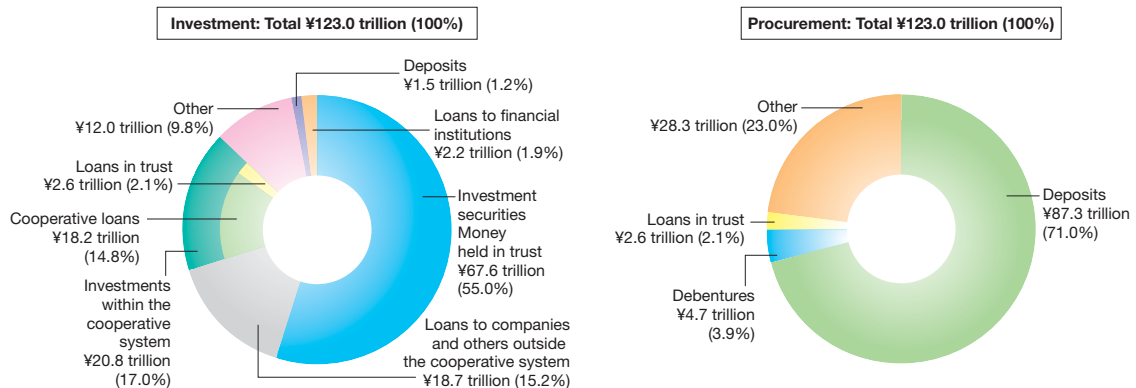
The Bank is dedicated to providing all its members with stable returns through the efficient management of funds. At the same time, it is committed to playing a vital role as a nationwide institution that provides its members with a wide range of financial services through a common national infrastructure.

Flow of Funds within JA Credit Business (As of March 31, 2006) (Trillions of Yen)



- Notes: 1. Excludes overseas accounts
- 2. In some prefectures, JA deposits funds directly with the Bank in some instances.
- 3. The balances for investment and procurement may not match because of rounding.

Overall Balance at the Three Levels of the JA Credit Business System (As of March 31, 2006)



The Cooperative Credit System

Through its collective nationwide framework, the cooperative credit business contributes to the development of the agricultural, forestry and fisheries industries in Japan, and helps financially support the livelihood of local citizens.

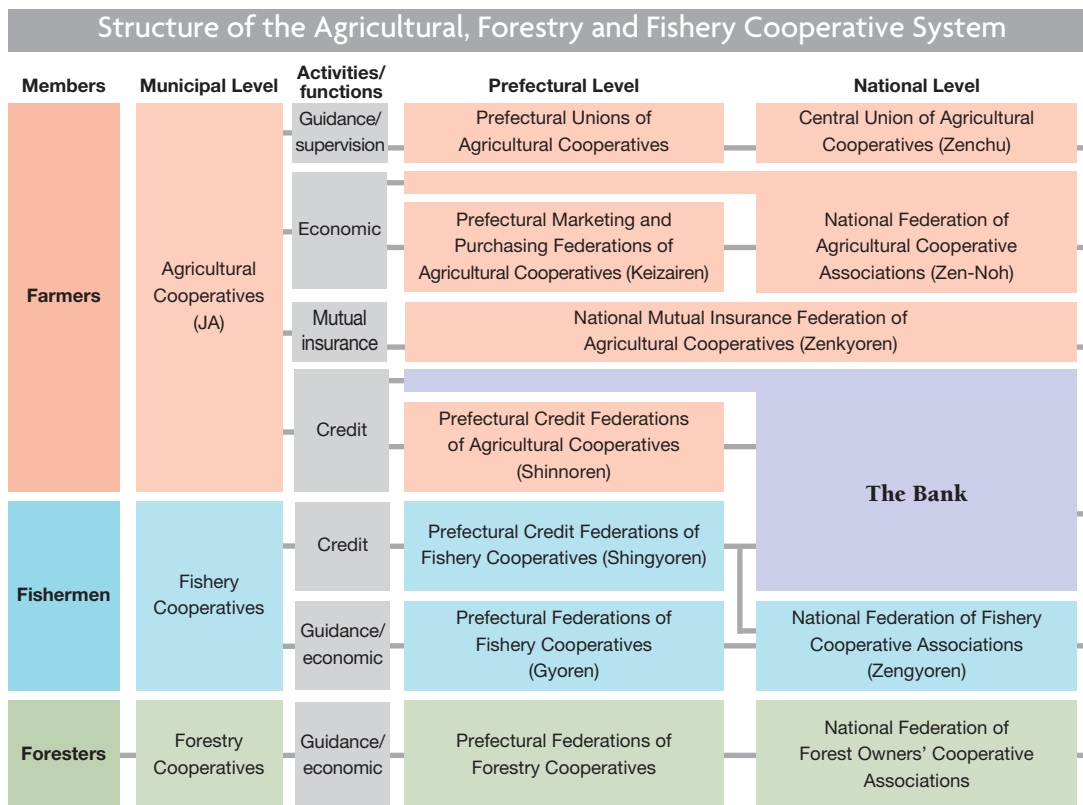
Cooperative System and the Cooperative Credit Business

In addition to the cooperative credit business, which includes taking deposits and making loans, the cooperative organizations engage in a number of other activities. These include providing “guidance” on business and daily affairs to farmers, fishermen and foresters; performing a “trading function” through the selling of agricultural, forestry and fisheries products and procuring of production materials; and engaging in “insurance business” to provide insurance coverage for various unforeseen events.

The various cooperative organizations, ranging from municipal level cooperatives, such as JA, fishery cooperatives and forestry cooperatives, which perform the previously mentioned functions, to the prefectural and national level federations for each function, are referred to as the “cooperative system.”

The framework and functions of the credit businesses of JA and fishery cooperatives at the municipal level, of the Prefectural Credit Federations of Agricultural Cooperatives (Shinnoren) and Prefectural Credit Federations of Fishery Cooperatives (Shingyoren) and of the Bank at the national level are referred to collectively as the “cooperative credit business.”

The Bank, as the national organization for the cooperative credit business, engages in a number of activities for strengthening the credit business operations of JA and fishery cooperatives.





Activities of the Cooperatives

• JA

The Japan agricultural cooperatives (JA) are organizations, established under the Agricultural Cooperative Law, that conduct a comprehensive range of businesses and activities in the spirit of mutual assistance. The principal businesses of the JA include offering guidance for improving the farm management of cooperative members and their standards of living; trading activities related to farming, including the gathering and sale of crops as well as the supply of materials needed for production and daily living; life insurance, automobile insurance and others; and credit-related business activities, such as accepting deposits, making loans, remitting funds and offering other financial services.

As of April 1, 2006, there were 851 JA throughout Japan that contribute to agriculture and the development of local communities through their various business and other activities.

• Fishery Cooperatives

The fishery cooperatives are organizations, established under the Fishery Cooperative Law, that have the objectives of protecting the operation of fisheries and the livelihood of participants in the fishery sector and contributing to members and local communities. The principal businesses of the fishery cooperatives include offering guidance for the control of marine resources, improving the management activities of cooperative members and improving the standards of living of members; trading activities related to the storage, processing and sale of fish catches and other produce of cooperative members, and supply of materials necessary for the business activities and daily lives of members; credit business services, such as acceptance of deposits and lending of necessary funds; and life insurance and property insurance.

As of April 1, 2006, there were 1,310 fishery cooperatives throughout Japan that contribute to the fisheries industry and to the development of fisheries communities through a wide range of activities.

There are 197 fishery cooperatives nationwide in Japan that conduct credit business activities on their own initiative. In addition to these fishery cooperatives, there are certain fishery cooperatives that provide credit business services acting as agents for the Shingyoren, thus providing these services for “coastal” communities throughout their respective prefectures.

• Forestry Cooperatives

The forestry cooperatives are organizations, established under the Forestry Cooperative Law, for the owners of forestlands. A high percentage of forestland owners in Japan possess small land parcels, and forestry cooperatives play an important role in organizing and representing the interests of these small forestland owners.

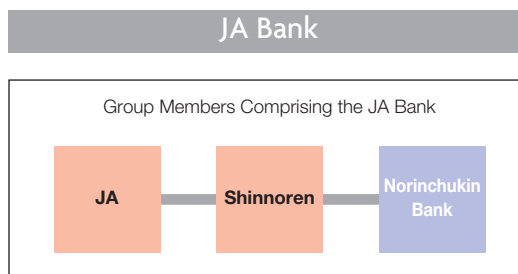
The principal businesses of forestry cooperatives are carrying out such operations as cultivation, removal of undergrowth and thinning of forestland owned by cooperative members and others as well as the sale of forest products, such as logs and other wood fiber obtained from cutting and thinning of forests. It is especially noteworthy that the forestry cooperatives business accounts for 67% of the forestry industry in terms of new forestland planted and 71% of forest-thinning operations (as of fiscal 2004).

As of March 31, 2006, there were 844 forestry cooperatives nationwide in Japan. As central participants in cultivating and improving forestlands, these cooperatives make a major contribution to enabling forests to perform their wide range of natural functions (including the preservation of national land resources, the formation of watersheds, the maintenance of the living environment, the provision of places for health and rest as well as the supply of lumber and other forest resources).

The Cooperative Credit System

The JA Bank

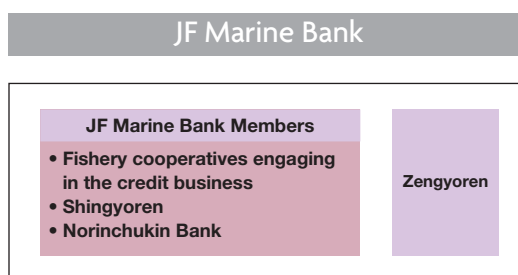
The JA Bank comprises the JA, Shinnoren and the Bank, and its name refers to a group that functions effectively as one financial institution. As of July 1, 2006, it had 847 JA, 42 Shinnoren and the Bank, bringing the total of the JA Bank members to 890.



Note: There were 890 members of the JA Bank as of July 1, 2006.

The JF Marine Bank

The JF Marine Bank comprises the fishery cooperatives, which are engaged in taking deposits, making loans and other activities, the Shingyoren and the Bank. As of July 1, 2006, the JF Marine Bank had 229 members, which included 196 fishery cooperatives and 32 Prefectural Credit Federations for Fishery Cooperatives (Shingyoren).



Note: There were 229 members of the JF Marine Bank as of July 1, 2006.

Networks

ONE OF THE LARGEST NETWORKS AMONG PRIVATE FINANCIAL INSTITUTIONS, WITH APPROXIMATELY 11,000 BRANCHES

Domestic Remittances

The cooperative credit business—comprising JA, Shinnoren, fishery cooperatives, Shingyoren and the Bank—has one of the largest networks among private financial institutions, with about 11,000 branches (as of March 31, 2006). At the core of this network is the Cooperative Settlement Data Transmission System, which is operated by the Bank, Shinnoren and Shingyoren and links the vast network of the cooperative credit system. Through this data system, the members can make and receive domestic remittances to other banks that are members of the Nationwide Bank Domestic Remittance System. Settlement of proceeds from the sale of agricultural, fisheries and forestry products, from the consuming areas, to the producing areas is made via this data system, allowing it to perform a major role in the agriculture, forestry and fisheries infrastructure.

CD and ATM Network

The cooperative credit business has a nationwide network of CDs and ATMs that operate through links provided by the Nationwide Agricultural Cooperative Savings Network Service and the Nationwide Fishery Cooperative Savings Network Service. In addition, the cooperative credit system participates in the MICS Nationwide Cash Service, which provides links to online CDs and ATMs

operated by financial institutions in various segments, including city banks, regional banks, trust banks, second-tier regional banks, credit associations, credit unions and labor credit associations. Through these systems, customers can access their accounts to make withdrawals, check their balances and receive other services, not only through the CDs and ATMs of cooperative credit business organizations nationwide but also through those of almost all other financial institutions in Japan. The cooperative credit business is also in online CD and ATM alignment with Japan Post, the postal network and Seven Bank, Ltd., which has ATMs in Seven & I Holdings' group stores nationwide.

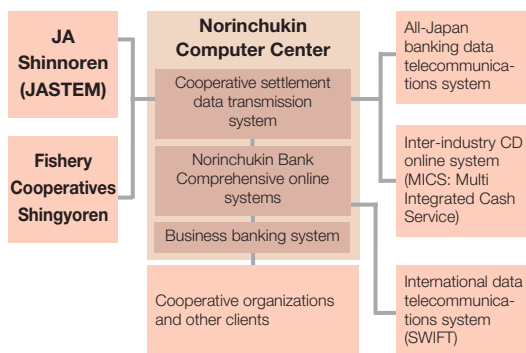
Money Transfers

The cooperative credit system utilizes its online links for making transfers into customer accounts, such as payroll and pension deposits, as well as transfers among accounts, such as those for the payment of public utility charges. These links encompass the unified nationwide system of the Cooperative Settlement Data Transmission System for each of the JA and fishery cooperatives, which allows for the rapid processing of vast amounts of account transfer data, as well as links with the Nationwide Bank Data Transmission System, which facilitates sending and receiving data related to payroll and other transfers.

Network for Domestic and International Transactions

In addition to cooperative credit business settlement networks, the Bank has arranged for network links with its customers, principally the Comprehensive Online System. Services offered include corporate electronic banking services, including funds transfer services, for customers among cooperative organizations and others. The Bank also makes use of a diverse range of sophisticated transfer services, including the SWIFT international data transmission system for settlements with foreign financial institutions.

Domestic and International Network Linking the Bank with Its Customers



Number of Branches and Cash Dispensers (CDs)/ATMs (As of March 31, 2006)

	Number of organizations*	Number of branches*	Number of CDs and ATMs installed
Norinchukin Bank	1	36	40
Shinnoren	42	72	136
JA	872	10,696	12,222
Shingyoren	33	222	256
Fishery cooperatives	205	361	86
Total	1,153	11,387	12,740

* Shows the number of organizations and branches handling domestic remittances, as of March 31, 2006

Safety Net

The JA Bank and JF Marine Bank have created a safety net consisting of Bankruptcy Prevention Systems and a Savings Insurance System for Agricultural and Fishery Cooperatives to assure dependable services for cooperative members and customers.

Bankruptcy Prevention Systems

The JA Bank and JF Marine Bank have developed their own respective systems for preventing management failures among the JA and fishery cooperatives.

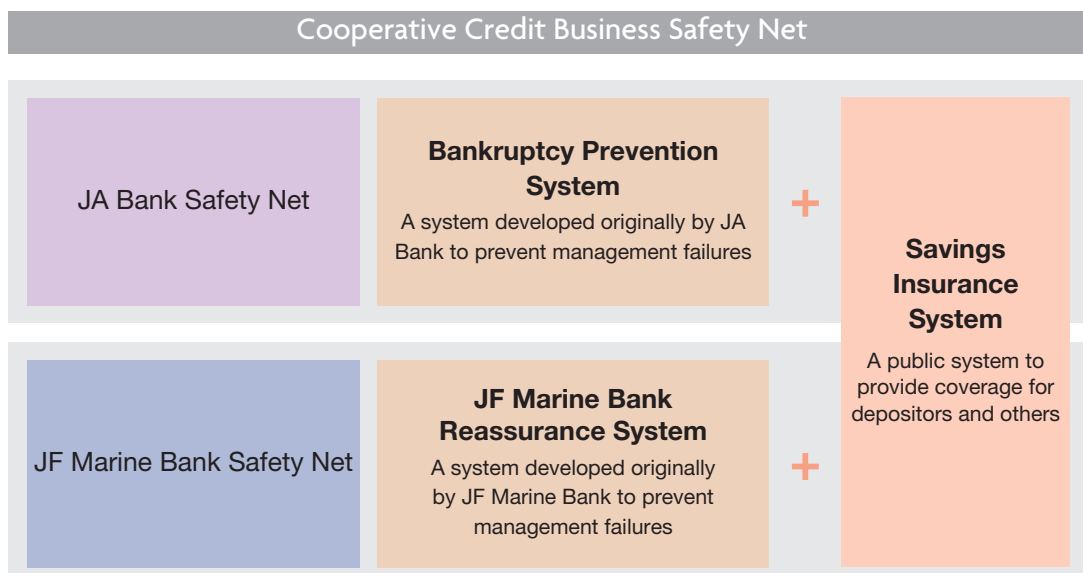
Specific functions of these systems include (1) monitoring of the management condition of individual JA and fishery cooperatives to identify any problems at an early stage, (2) implementing measures at the earliest possible time to prevent management failures and (3) infusing necessary funds drawn from the JA Bank Support Fund or the JF Marine Bank Support Fund* (which have been collected from members nationwide) to restore the management soundness of individual JA and fishery cooperatives.

** As of March 31, 2006, the balance of the JA Bank Support Fund was ¥127 billion and that of the JF Marine Bank Support Fund was ¥16 billion.*

The Savings Insurance System for Agricultural and Fishery Cooperatives

When a member organization of the cooperative credit system, such as a JA or fishery cooperative, is unable to reimburse deposited funds to its members and other users, this system provides policy coverage for depositors and ensures fulfillment of fund settlements, thereby contributing to the stability of the credit system. This system is similar to the Deposit Insurance System, whose members include banks, credit associations, credit unions, labor credit associations and other institutions.

The Savings Insurance System is provided for under the Agricultural and Fishery Cooperative Savings Insurance Law. Its functions are conducted by the Agricultural and Fishery Cooperative Savings Insurance Corporation, which was established through joint investments by the Japanese government, the Bank of Japan, the Norinchukin Bank, Shinnoren, Shingyoren and other entities.



When depositors place funds in agricultural or fishery cooperatives that are covered by the Savings Insurance System, their savings are automatically covered by this system.

Following the removal of blanket government guarantees on deposits received by financial institutions on April 1, 2005, the full amounts of deposits opened for settlement purposes (which are demand deposits, pay no interest and are to be used for settlements) are still covered by the system. However, all other types of deposits are covered only up to ¥10 million (per depositor for each agricultural or fishery cooperative) in addition to interest accrued.

As of March 31, 2006, the balance of the reserve fund of the Savings Insurance System was ¥227 billion.

Financial Institutions Covered by the Savings Insurance System and Extent of System Policy Coverage for Savings

• Agricultural and Fishery Cooperatives Covered

The following cooperative organizations are covered by the Savings Insurance System: Agricultural cooperatives (limited to those offering credit-related services), prefectural credit federations of agricultural cooperatives, fishery cooperatives (limited to those offering credit-related services), prefectural credit federations of fishery cooperatives, marine product processing cooperatives (limited to those offering credit-related services), credit federations of marine product processing cooperatives (limited to those offering credit-related services) and the Norinchukin Bank.

• Types of Savings Covered

Ordinary deposits, periodic time deposits, Norinchukin Bank debentures (limited to those issued solely to be held in custody) as well as periodic and asset formation deposit products received for savings deposits and periodic payments into defined contribution pension plans that are received for deposits

• Extent of Insurance Coverage

Classification of Savings and Other Deposits		Limit of Coverage
Savings covered	Settlement deposits	Deposits that satisfy the three conditions of no interest, payable on demand and intended for making monetary settlements Full amount is covered (indefinitely)
	Other types of deposits	All deposits other than those for settlements*1 Deposits up to ¥10 million in principal plus accrued interest*2 For deposits in excess of ¥10 million, recovery may be inclusive of the uncovered portion, depending on the condition of the assets of the agricultural or fishery cooperative in question (in some cases, reimbursement of the deposited principal exceeding ¥10 million may not be recovered).
Savings not covered	Foreign currency deposits, negotiable certificates of deposit, Norinchukin Bank debentures (other than those issued solely to be held in custody) and certain other deposits	Outside the limit of policy coverage Payments may be made for such deposits, depending on the condition of the assets of the agricultural or fishery cooperative in question (in some cases, reimbursement of a portion of such deposits may not be recovered).

Notes: *1: Deposits in preparation for tax payments as well as periodic and asset formation deposit products that are not covered by the Savings Insurance System fall into this category.

*2: Supplementary contributions made by employers, etc., in connection with periodic savings plans are also covered.

Operation of the JA Bank System

The members of JA Bank, JA, the Shinnoren, and the Bank work in concert in the conduct of business activities. We call this the “JA Bank System,” and our aim is to increase the confidence in and use of its services.

The JA Bank System

Framework for Integrated and Systematic Cooperation among JA Bank Members

To ensure that cooperative members and other customers place even stronger confidence in the cooperative credit system and make increased use of its services, we have prepared our JA Bank Basic Policy, based on the Reorganization and Strengthening Law (the law related to the reorganization and strengthening of the credit business by the Bank and specified agricultural and fishery cooperatives), with the consent of JA Bank members. The framework for integrated and systematic cooperation among the JA, Shinnoren, and the Norinchukin Bank is based on the JA Bank Basic Policy and is known as the JA Bank System.

The JA Bank System is founded on two basic elements. The first is “the bankruptcy prevention system,” which ensures the reliability of the JA Bank. The second is the “promotion of unified operations,” which aims to improve and augment the provision of financial services by taking advantage of economies of scale and finely tuned interfaces with our customers.

The Bank, as a national financial institution, implements active initiatives to ensure the reliability and soundness of the JA Bank and to improve and strengthen the financial services it provides.

Initiatives Aimed at Enhancing the Reliability of the JA Bank

Under the “bankruptcy prevention system,” the JA Bank System Headquarters receives management-related information from all JA Bank members and inspects those JA or others that meet specific criteria. This system makes it possible to recognize potential issues sufficiently in advance and provide guidance for management reforms prior to when the application of early-stage government measures is required.

In addition, the JA Bank Support Association has established the JA Bank Support Fund with financial resources contributed by JA Bank members. This fund makes possible the provision of capital infusions and other support from the association to the JA Bank members.

Through these initiatives, we are working to ensure that the JA Bank enjoys even more effective credibility and confidence among cooperative members and other customers. Please also note that the JA, Shinnoren and the Norinchukin Bank participate in the Savings Insurance System, which is a public system mandated by law.

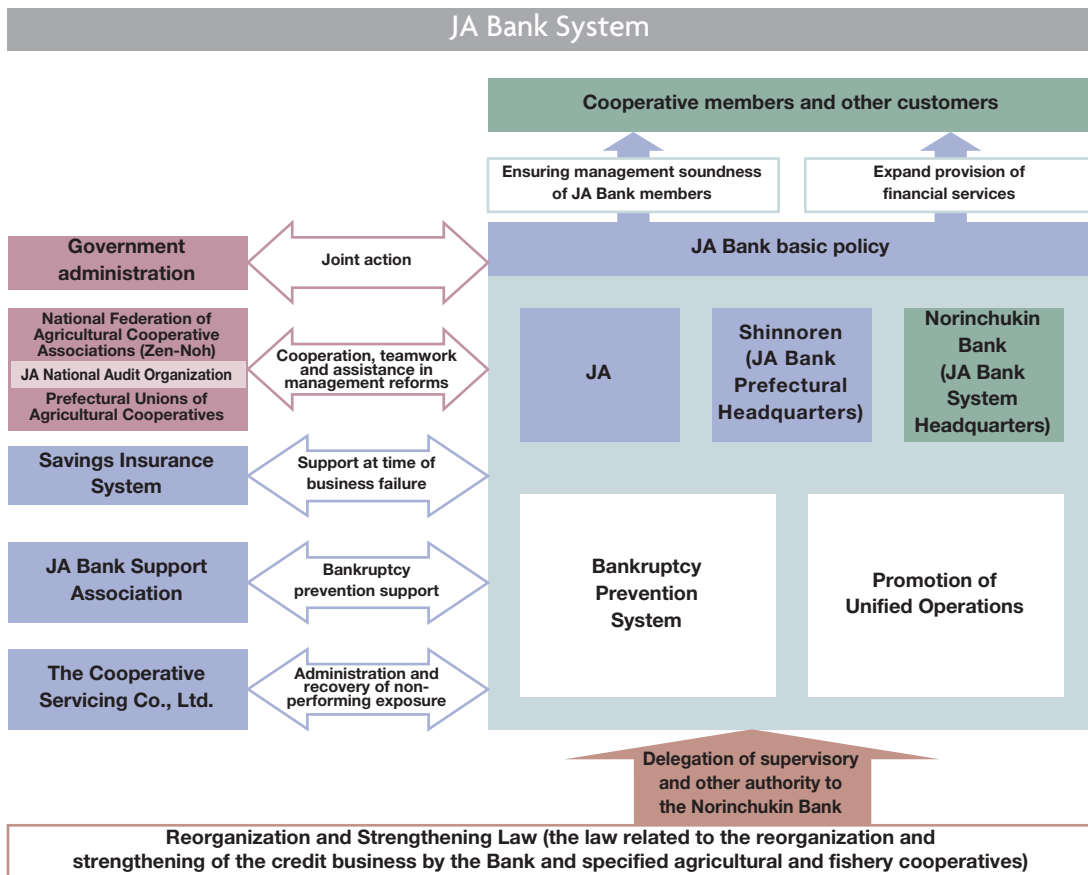
Activities for Enhancing and Strengthening Financial Services

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

In addition, to respond appropriately to the needs of cooperative members and other customers, the JA Bank is working to expand the services it offers while promoting management and operational efficiency. Services the JA Bank is endeavoring to expand and improve include support for core farmers; expanding the JA Bank loan portfolio; offering new card services, such as IC cash cards and new credit cards with tie-up partners; providing additional services related to inheritance and wills; and supplying services to senior citizens and those receiving pensions.

In addition to these activities, the JA Bank is working diligently to prevent criminal activities, such as theft and forgery of cash cards, as well as expand its disclosure of information regarding its activities. Through these and other initiatives, the JA Bank will continue to strive to ensure that it is a financial institution chosen proactively by cooperative members and other customers.

In May 2006, the JASTEM System, which is the uniform IT infrastructure platform for the JA cooperative credit business, linked JA Bank offices throughout Japan's 47 prefectures. The processing capacity of the JASTEM System is one of the most extensive among IT infrastructures in Japan, and also features a backup center to add support during times of disasters and effective information security capabilities. The system is expected to provide reliable support in expanding the financial services offered by the JA Bank, including the planning and development of a uniform lineup of financial products applicable throughout Japan that draws on the specialized capabilities of the JA Bank.



Conditions in the Agricultural Industry and Trends in Cooperative Finance

Agricultural industry

At the discussions held by the WTO, which is aiming to establish new rules for trade liberalization, conclusion of agreements scheduled for the end of April 2006 on modality (i.e., criteria for reducing protective measures that will apply to all nations), including figures for reduction in tariffs, was postponed. However, discussions are continuing, with the objective of reaching agreements at an early date. Also, to supplement the WTO negotiations, specific countries and regions are conducting Economic Partnership Agreement (EPA) and Free Trade Agreement (FTA) discussions on the elimination of tariffs and other measures. In the interest of political and diplomatic strategy, Japan is aiming to create a more favorable international environment by concluding trade agreements with specific countries. An agreement was signed and came into effect previously with Singapore, and it was followed by an agreement with Mexico signed in April 2005 and another with Malaysia in December 2005. Government-level discussions are currently under way with other East Asian countries.

In view of conditions, such as the increasingly fragile production structure in Japan's agricultural sector, growing pressures for international compliance accompanying the WTO negotiations, and increased concern about food safety and security, the Japanese government enacted the "Basic Plan for Food, Agriculture and Rural Areas" in March 2005. This new plan calls for implementing structural reforms in Japan's agricultural sector. The objectives set under the plan are to (a) attain greater concentration and focus on assistance to core farmers, (b) establish new targets for food self-sufficiency ratios, and (c) secure the safety of food supplies and the confidence of consumers as well as (d) maintain stable food supplies. To realize the objectives of the plan, an "Outline of Policies for Stabilizing Revenues" was approved in October 2005.

In response to the rapid changes in the operating environment surrounding the agricultural industry, rural areas and JA, the JA Group, under mandate from cooperative members, is doing its utmost to promote regional agriculture by nurturing and supporting core farmers, reforming JA's economic functions and upgrading the management of the JA organization. All of these activities are in accordance with the JA Group's "Basic Policies Regarding the Cooperative Organization, Business Activities and Guidance for Management."

Flow of Funds in JA Cooperatives

In fiscal 2005, JA deposits rose 1.5% over the previous fiscal year-end, to ¥78,865 billion. This increase occurred despite difficult conditions, including the decline in revenues from the sale of agricultural products because of unseasonable weather, and reflected mainly the stability of individual deposits owing to JA Bank initiatives to secure the trust of depositors following the removal of blanket government guarantees on deposits.

Total JA loans declined a marginal 0.2% from the previous fiscal year-end, to ¥20,746 billion at the end of the fiscal year under review. Demand in funds for agricultural and personal loans remained lackluster and continued on a gradual downward trend, but this was almost fully offset by further growth in housing and certain other types of loans. Securities at the fiscal year-end held at the JA level rose 12.9%, to stand at ¥4,759 billion at the end of fiscal 2005.

Deposits with Shinnoren rose in response to the stability in deposits at the JA level and were up 0.8% over the previous fiscal year-end, to ¥49,011 billion. The balance of loans made by Shinnoren expanded 1.9%, to ¥5,001 billion at the end of the fiscal year under review, owing to increased lending to corporations and local governments. Securities (including money trusts) held at the Shinnoren level at year-end rose 6.2% over the previous fiscal year-end and amounted to ¥17,348 billion, reflecting the Shinnoren policy of making steady additions to asset portfolios.

Reorganization of the JA Cooperative Credit Business

To deal effectively with change in the environments for the agricultural industry, cooperative members and JA, the JA Group has made progress in streamlining management, increasing efficiency and integrating. As a consequence, the number of JA nationwide was 851 as of April 1, 2006.

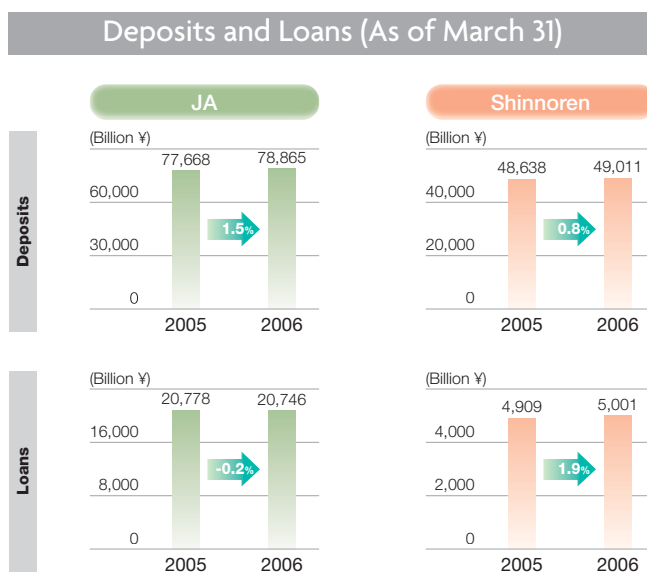
Since formulating its “basic philosophy on the reorganization of the cooperative credit business” in June 1998, in its credit business activities, the JA Group has thus far integrated the Bank and Shinnoren in nine prefectures (Miyagi, Akita, Yamagata, Fukushima, Tochigi, Toyama, Okayama, Nagasaki and Kumamoto). However, certain businesses have been left within the Shinnoren.

Businesses remaining within the Shinnoren are the cooperative settlement operations and government fiscal agent functions. The first instance of the integration of these businesses with the Bank was the Shinnoren of Miyagi Prefecture in October 2005. This was followed by integration of these businesses of the Shinnoren of Okayama Prefecture and the Shinnoren of Nagasaki Prefecture into the Bank in January 2006. As a result in these prefectures, the previous three-level structure of JA, Shinnoren and the Bank was realigned into a two-level structure comprising the JA and the Bank.

In addition, in August 2005, the JA took over all rights and duties of the Shinnoren and Prefectural Marketing and Purchasing Federation of Agricultural Cooperatives in Okinawa, thus realizing the goal of “one JA in each prefecture,” the second after that of Nara Prefecture.

In pursuing the reorganization of the JA Group, plans are carried out in accordance with the conditions in each prefecture, with the intent of working toward increasing efficiency in the cooperative credit business.

Going forward, the Bank is committed to creating the cooperative credit business structure that responds to the expectations and trust of cooperative members and other customers and steadily implementing initiatives to support the functions and systems of the JA while promoting efforts to streamline and improve the efficiency of its internal management.



Operation of the JF Marine Bank

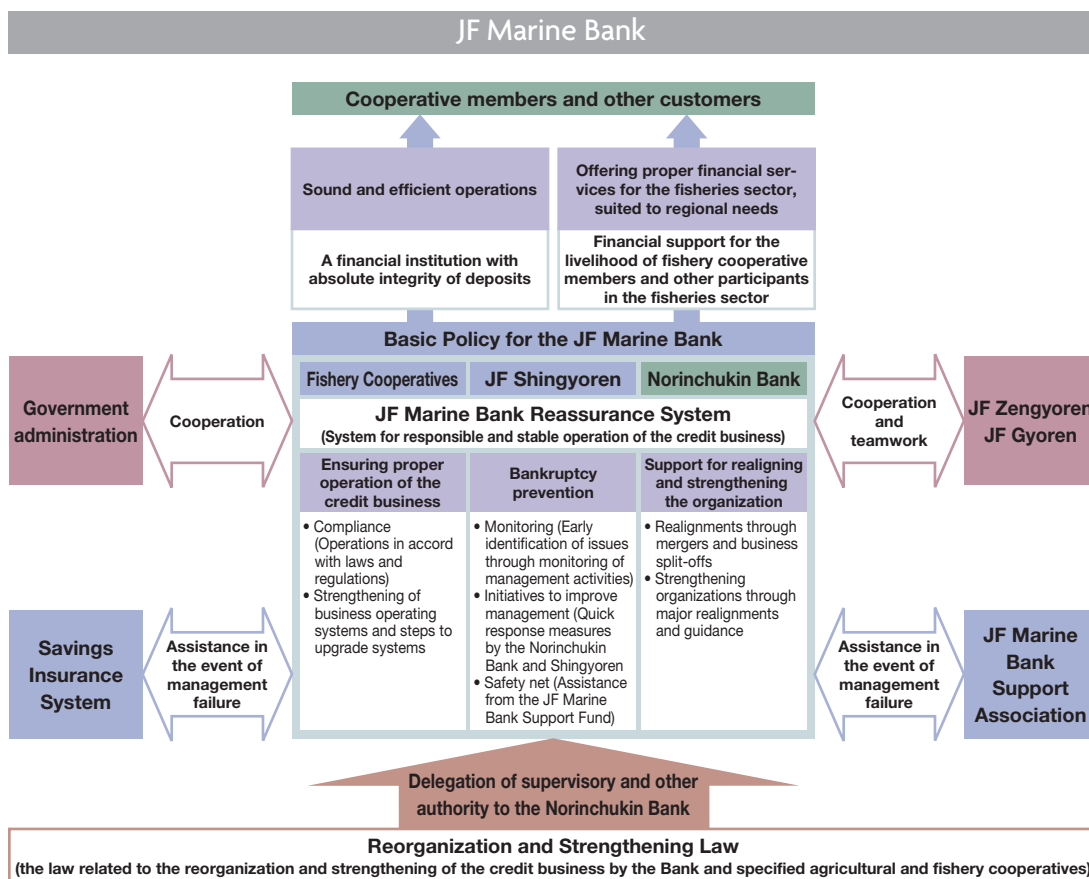
Financial Support Efforts for “Coastal Communities” and Ensuring Financial Functions for Fisheries

Directions for the JF Marine Bank

Basic Policy for the JF Marine Bank

The JF Marine Bank formulated its JF Marine Bank Basic Policy in January 2003, based on the provisions of the Reorganization and Strengthening Law. The objectives of this basic policy are, first, to protect depositors by ensuring the soundness of the activities of the JF Marine Bank and proper conduct of its business operations. The second objective is to respond appropriately to the financial needs of cooperative members and other customers by reforming the business activities, organization and management of the JF Marine Bank.

The Norinchukin Bank is working closely with the National Federation of Fishery Cooperative Associations to implement many initiatives, including operating the JF Marine Bank Headquarters, conducting corporate communications and public relations activities, responding to changes in various systems and supporting the development of the nationwide online computer center of fishery cooperatives.





Framework for Preventing Bankruptcy

In view of various changes in the financial environment, such as the removal of blanket government guarantees on deposits, and, in the interests of ensuring proper and sound operations, all members of the JF Marine Bank are required to provide management information to the JF Marine Bank Headquarters. Based on their examination of this information, the Headquarters identifies JF cooperatives and other related organizations that may confront management issues and takes anticipatory action to prevent financial failures, thus making it possible for depositors to place confidence in the system. These activities are undertaken with the guidance of the Norinchukin Bank and the Shingyoren.

JF Marine Bank Reassurance System

The JF Marine Bank provides financial services for participants in the fisheries industry in their local communities and assumes an essential role in coastal communities. To make improvements that will ensure the JF Marine Bank has management systems appropriate for a member of Japan's financial system, measures were implemented to establish a "one credit business for each prefecture system," with a launch date of December 31, 2005.

As a result of these initiatives, the credit businesses of fishery cooperatives in 34 of 38 prefectures achieved the objective of a "one credit business for each prefecture system."

In November 2005, the National Representatives Meeting for Fishery Cooperatives was convened, and its activities included approving a three-year management policy entitled "New Action Policies for Reforms in the Business Activities, Organization and Management of the Fishery Cooperatives Group: 2006 to 2008." One of the important changes in the action policies, as they relate to the operation of credit, was the introduction of a new concept for the realignment of the credit business. Previously, there were three realignment concepts: namely, the previously mentioned "one fishery cooperative for each prefecture," "integrate credit business into the Shingyoren" and "introduce a redeposit and on-lending system between the Shingyoren and the fishery cooperatives." The new action policies add a fourth realignment concept, "implement integration between Shingyoren across prefectural boundaries to create Shingyoren that cover a broader area." This new concept was positioned as a means to secure the JF Marine Bank Reassurance System, which provides for the responsible and stable operation of the fishery cooperatives credit business. Going forward, the fishery cooperatives credit business will be managed in accord with one of these four concepts.

Also, as part of initiatives related to credit business within the JF Marine Bank, a new "JF Marine Bank Medium-Term Business Promotion Policy" covering a three-year period has also been prepared. Under this policy, to promote the stable operation of the credit business system, as the financial credit provider for coastal communities, other activities will include the strengthening of risk tolerance and review of cost structures, based on the preparation of medium-term management and action plans.

These initiatives are expected to accommodate issues arising from the small scale of certain members and respond to the need for offering services for fisheries communities that meet local requirements.

In addition to the activities mentioned thus far, the fishery cooperatives, Shingyoren and the Bank have contributed jointly to create the JF Marine Bank Support Fund that also provides a framework to encourage autonomy by cooperative members aimed at organizational and business reforms.

Please also note that the fishery cooperatives, Shingyoren and the Bank participate in the Savings Insurance System, which is a public system mandated by the law.

Conditions in the Fisheries Industry and Trends in Cooperative Finance

Fisheries Industry

The management environment for the fisheries industry continues to be challenging, owing to falling catch volumes, depreciation of prices for marine products and declining workforce figures. Other issues include inflation of fuel prices due to crude oil price surges, the adverse impact from the bycatch of large jellyfish on fishing operations and other factors.

In response, the Japanese government has subsidized approximately ¥5 billion as an emergency measure in the supplementary budget for fiscal 2005, through a provision to the Comprehensive Measures Fund for Emergency Strengthening of Management Positions. This fund is a temporary measure applicable for only two years, fiscal 2005 and fiscal 2006, but in fiscal 2006 it has been positioned as a key policy and it is expected to be used to promote improvements in operating efficiency within the fishery cooperative system and encourage cooperative efforts.

Flow of Funds in Fishery Cooperatives

Deposits held with fishery cooperatives decreased 2.5%, to ¥2,303 billion, at the end of the fiscal year under review, reflecting a catch volume decrease, low prices for marine products and the cessation or transfer of credit businesses in some prefectures. The balance of loans at the fishery cooperatives fell 2.8%, to ¥810 billion, owing to the slackening of demand for new financing.

Reorganization of the Fishery Cooperative Credit Business

The fishery cooperative credit business is being reorganized to create a sounder and more efficient management system through two methods: one of these is through mergers and the other is by transfer of credit business from fishery cooperatives to Shingyoren. These efforts have reduced the number of fishery cooperatives engaged in the credit business from 875 as of March 31, 1999 to 197 as of April 1, 2006. The total number of JF cooperatives, including those that are not engaged in credit investment, was reduced by 134 in fiscal 2005, and, as of April 1, 2006, the number stood at 1,310, reflecting the progress toward merger and consolidation.

Looking ahead, policy calls for more active measures to strengthen and reorganize the fishery cooperative credit business within the framework of the new JF Marine Bank Reassurance System, a means for securing the responsible and stable operation of the credit business. The Bank supports these initiatives of the fishery cooperatives.

The Forestry Industry and the Cooperative System

Operating conditions for Japan's forestry industry continue to be burdensome with softness in prices and demand for lumber. Amid this business environment, government organizations are continuing to implement policies to enable forest resources to perform their many-faceted capacities and undergo sustainable and sound development of the forestry industry. Specifically, to actively promote the second stage of the "ten-year plan for combating global warming through forest absorption," a number of activities are in progress, such as the active thinning of forests to enhance the ecological health and sustainability of forest resources.

Under these conditions, forestry cooperatives are expected to be core players in regional activities for the improvement and preservation of forests. To respond to these expectations, the cooperatives have been working toward strengthening forest management through organizational and operational restructuring under the Forestry Cooperatives Restructuring Plan since 2003, the initial year of the plan. Moreover, at the National Forestry Cooperatives General Meeting in November 2005, the decision was made to organize a "movement for revitalizing forests, forestry and rural highland communities in support of the natural environment and the quality of human life," beginning in fiscal 2006.

The Bank is also actively supporting the organizational and operational restructuring of the forestry cooperatives.

Securities Investment

The Bank's Basic Stance for Securities Investment

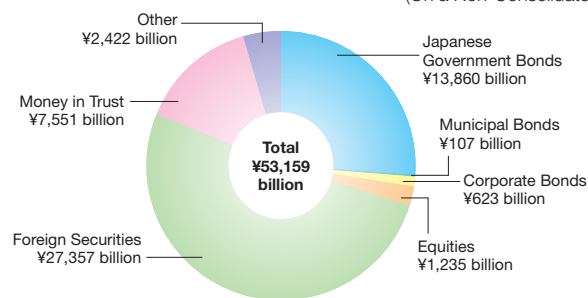
The Bank is one of the most prominent financial institutions in Japan and, at the same time, is one of Japan's leading institutional investors. The Bank's total balance of securities and money in trust has risen to approximately ¥53 trillion and accounts for a major portion of the Bank's total assets.

The most important basic concept in the Bank's management of securities is the "diversification of investments." The purpose of this investment approach is to build a diversified portfolio of various types of investments with a range of risk and return characteristics to minimize risks in any single year due to increasing interest rates, falling stock prices or other circumstances and realize a high return in the medium-to-long term. By geographical area, the Bank invests in Japan, the United States, Europe and certain other regions. According to the type of investment asset, the Bank divides assets generally into the categories of bonds, equities and credit assets, and conducts a sophisticated program of research. It maintains its stance of "diversification of investments" in all types of economic and financial environments while also reassessing and adjusting its asset allocation flexibly in response to changes in market conditions.

In pursuing returns on investments, the Bank does not exclusively manage all of its assets internally but takes a proactive stance toward having portions of its portfolio managed by other investment management companies. In selecting outside asset managers, the Bank carefully reviews the investment processes and the record of potential managers, and, after selection, closely monitors their performance from quantitative and qualitative perspectives. The Bank is constantly and systematically examining the performance of the investment management companies it employs, with an eye to decisions on whether or not to renew their mandates.

Breakdown of Securities by Type (As of March 31, 2006)

(On a Non-Consolidated Basis)



Note: The figures above, including the total, are subsequent to rounding of data on a confirmed basis. Accordingly, the sum of individual figures does not agree with the total, due to rounding.





Investment Stance by Type of Asset

Investment in bonds, a core management asset, accounts for a major portion of the assets of the Bank, due to their risk-return characteristics. When making investment decisions, the Bank addresses full attention not only to interest rate risk but also to credit and liquidity risks. The Bank has assembled an efficient bond portfolio, investing in a variety of bonds, including Japanese government bonds and those issued by other government entities, mortgage-backed bonds and bonds issued by foreign companies.

In equity investments, the Bank considers the characteristics of risk-return and correlations with other asset classes and manages its equity portfolio consistently with a long-term perspective. The Bank's strategy for equity investments focuses on passive investing linked to various stock indices. The Bank complements this strategy with active investing aimed at generating returns above those obtained from index-linked passive investing by making diversified investments in domestic and foreign stocks.

In recent years, the markets for asset-backed securities (ABS) and other marketable credit risk products have expanded. Based on the concept of internationally diversified investing, the Bank conducts an active program of investments in global credit instruments while implementing complete risk analysis. Moreover, the Bank invests in so-called alternative investments which have low correlations with conventional assets, such as stocks and bonds. Please note that in the management of foreign currency assets, the Bank takes measures to restrain foreign exchange risk of most of these investments by raising funds in foreign currencies.

System for Portfolio Management

Major decisions regarding the Bank's portfolios of market investments are reached systematically by the Market Risk Management Committee and the Credit Risk Management Committee, which are composed of members of top management and the heads of related departments. In addition, in the departments engaged in market transactions, the Bank has created a mutual checking system with systematically separated organizations, such as front sections (responsible for execution of transactions), middle sections (responsible for monitoring) and back sections (responsible for processing and settlements).

The front sections execute transactions based on the plans set by the Risk Management Committee. Their functions also include focusing on optimizing efficiency of transactions, close and constant monitoring of market trends and developing proposals for new transaction plans. The front sections are responsible for putting the Bank's concept of internationally diversified investment into practice, and, to this end, work to create a more efficient and effective management system where domestic and international investments are integrated within the categories of bonds, equities and other investment instruments.

The middle sections are responsible for monitoring the appropriateness of the activities of the front sections, as well as for quantitative measures of risk volumes, including stress testing.

Risk Management in Securities Investment

Together with growth of assets in the Bank's securities portfolio, risk management has become an increasingly important issue. To manage risk properly, related systems are constantly being reassessed and upgraded.


The Risk Monitoring Division, which is the middle section, monitors market portfolio risk on a continuing basis and makes reports to the Risk Management Committee. Related activities include the management of risk from an array of perspectives, such as computing risk volume taking into account the current portfolio and scheduled transactions, as well as the effect of diversified investing; confirming that the Bank's capital is sufficient for the estimated level of risk volume; conducting analyses of sensitivity to market trends, including interest rates, stock prices and foreign currency rates; and analyzing simulations according to various stress conditions.

Short-Term Money Market Transactions

As the nationwide financial institution for Japan's agricultural, forestry and fishery cooperatives, the Bank manages the cash, mainly deposits from cooperative credit organizations, in domestic money markets. As a result, the Bank is a leading and active participant in short-term, money market transactions in Japan. In addition, as a leading institutional investor, the Bank makes diversified investments in international capital markets and makes active use of foreign currency markets to fund these investments.

The operating environment in domestic and overseas short-term money markets is changing as policy interest rates are being raised in Europe and the United States, and, in Japan, the policy of monetary easing adopted to end deflation and bring economic recovery has been suspended after being in effect for five years. In view of these developments, the Bank is appropriating due consideration to the risks of rising interest rates and liquidity risk in the management of its short-term funds. The proper management of liquidity risk is a precondition for the conduct of the Bank's operations and for the stable management of its portfolio. Accordingly, the Bank is conducting activities while maintaining close attention to the cash flow of the cooperative credit system as a whole and trends in short-term money markets and other domestic and overseas financial markets.





In Japan's domestic market, the Bank is an active participant not only in the interbank market but also in the repo and other money markets; it also assumes a leadership position in these markets and undertakes major tasks in working to expand the functions of these markets. Through its participation in the Research Committee for Revitalization of Short-Term Financial Markets (which has its secretariat in the Japanese Bankers Association), the Bank also contributes to improvements in market practices.

In foreign currency markets, backed by a well-founded credit standing, the Bank conducts stable and efficient transactions, including those necessary for globally diversified investments. The management of foreign currency funds is conducted using a range of procuring tools through teamwork among the Bank's three overseas branches in New York, London and Singapore.

Additionally, the Bank accurately controls liquidity risk and settlement risk while simultaneously providing settlement functions at the Bank of Japan on behalf of cooperative organizations. The Bank also takes part in the Continuous-Linked Settlement (CLS) System, a new system for foreign currency settlements, and thus contributes to the creation of a network needed for managing settlements in U.S. dollars, euros and other major currencies.

Foreign-Exchange Transactions

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

Trading Operations

The Bank trades in various financial products, including Japanese government bonds, commercial paper (CP) and financial derivatives, to meet the needs of its customers. The Bank also works to increase its dealing profits through various methods, such as arbitrage transactions and options that involve the traded financial products.



THE BANK OFFERS A BROAD RANGE OF FINANCIAL SERVICES, PRINCIPALLY TO ENTERPRISES WITH LINKS TO THE AGRICULTURAL, FORESTRY AND FISHERIES INDUSTRIES.

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

The Bank's customer base is highly diverse, encompassing companies in the food product and the pulp and paper industry that process agricultural, forestry and fisheries products; the chemical and machinery industries that provide production goods for the agricultural, forestry and fisheries industries; trading companies that offer distribution services; and the supermarket and restaurant industries that supply these products to final consumers. The Bank's customer base also includes other industries as well, including the leasing, credit and IT/telecommunications sectors and wind power companies. The Bank's corporate finance departments provide a range of assistance to customers in these industries under its basic policy of contributing to the growth of Japan's agricultural, forestry and fisheries industries as well as the economy as a whole by supporting the growth and development of customers in these industries.

Support for Fund-Raising

To respond effectively to the increasingly diverse fund-raising requirements of its customers, the Bank draws on its strong funding base, backed by the cooperative organization, and its expertise cultivated as one of Japan's leading institutional investors to provide stable sources of funds to meet the needs of its customers. In parallel with changes in corporate finance, the Bank provides not only a diverse range of loans—such as long- and short-term loans, non-recourse loans, syndicated loans and project finance—but also commitment lines, securitization of accounts receivable and real estate and support in raising funds from capital markets through the issuance of corporate bonds and other financial instruments. Also, in its capacity as an institutional investor, the Bank invests proactively in these and other financial products.

Customer Service Network

The Bank offers these financing services to its customers through its corporate business divisions located in its Head Office and branches. The Head Office offers corporate finance services through a special division that is organized by industry to address customer needs most effectively. Branches work with the Head Office to arrange various corporate finance services and techniques and thereby address wide-ranging customer needs. Currently, the Bank has branches in Sapporo, Akita, Sendai, Utsunomiya, Kanazawa, Nagoya, Osaka, Hiroshima, Takamatsu, Fukuoka and Naha.

For customers with overseas operations, the Bank is positioned to meet customers' needs for foreign currency finance, backed by the top-tier ratings among Japanese banking institutions, through its offices in New York, London and Singapore.

Other Financial Services

The Bank provides a host of other financial services as well, including derivative-based interest rate risk hedging schemes, as well as the provision of information that leverages its business base among cooperative members and advice on initial public offerings (IPOs).

Cooperative Lending

THE BANK OFFERS FINANCIAL SUPPORT FOR THE DEVELOPMENT OF THE AGRICULTURAL, FORESTRY AND FISHERIES SECTORS.

Finance within the Cooperative Organizations: Basis of Lending Activities

As the principal financial institution for the agricultural, forestry and fisheries industries, the Bank has created a funding system unique to the cooperative framework, called Agricultural, Forestry and Fishery Support Funding. This system aims to nurture the participants in the agricultural, forestry and fisheries sectors while encouraging environmentally friendly agricultural practices, with the goal of promoting the development of Japan's agricultural, forestry and fisheries industry and their cooperative organizations.

Loans made within the cooperative framework are supplied mainly to the JA, fishery cooperatives and forestry cooperatives and enterprises that participate in the agricultural, forestry and fisheries industries. These loans are directly linked to the development of the agricultural, forestry and fisheries sectors and have been positioned as the base for the activities of the Bank since its establishment.

Loans to the Agricultural Sector

Japan's agricultural sector confronts a challenging operating environment, attributed to such trends as rising imports of agricultural products and instability in prices for its crops. In light of these developments, the Japanese government enacted the "Basic Plan for Food, Agriculture and Rural Areas" in March 2005. This plan focuses especially on developmental support for core farmers and promoting reforms in agriculture; it also places significantly greater emphasis on the importance of finance for the agricultural sector.

From its perspective, JA Bank plans to move forward with its ongoing initiatives and, as it comprises the JA, Shinnoren and the Norinchukin Bank, will work progressively to strengthen its efforts to meet the financial needs of core farmers.

Outline of Types of Loans (As of March 31, 2006)

	General Loan Funding	Funding under Institutional Arrangements
Agriculture	New Agriculture Promotion Fund (Agri-Mighty Fund) Agribusiness Loans Livestock, Fruit, Gardening and Related Agriculture Fund Agriculture and Livestock Processing Funds, Others	Agriculture Modernization Fund Agricultural Management Assistance Support Fund Agricultural Management Improvement Promotion Fund (Super-S Fund) Intermediate and Mountainous Region Revitalization Fund, Others
Fisheries	Fisheries Development Fund Fisheries Management Fund for Fishing Vessels, Nets, Tools and Landing Facilities Fisheries Processing and Distribution Fund for Processing, Refrigeration and Cold Storage, Others	Fisheries Modernization Fund Fisheries Management Improvement Promotion Fund Intermediate and Mountainous Region Revitalization Fund, Others
Forestry	Forestry Development Fund Forestry Management Fund for Afforestation, Tree Cultivation and Forest Product Cultivation Processing and Distribution Fund for Raw Materials, Lumber, Chips and Other Forest Products Mountain Village Environment Improvement Fund, Forestry Industry Participants Fund, Others	Forestry Development Promotion Fund Intermediate and Mountainous Region Revitalization Fund, Others

Cooperative Lending

The Norinchukin Bank has established the JA Bank Farm Leaders Finance Department to provide active support in developmental assurance for core farmers. The Bank also will provide support for the development of regional agriculture through participating in the planning and promotion of overall financing activities of JA Bank. In these activities, the Bank will make use of finance under institutional arrangements, including the Agriculture Modernization Fund, which receives funding from the cooperative system, and the New Agriculture Promotion Fund (also known as the Agri-Mighty Fund), which was established by the cooperative credit system.

Q&A

Q: What type of fund is the Agriculture Modernization Fund?

A: This is the most general form of funding made available through the cooperative organization to assist core farmers in enhancing the efficiency and stability of their business activities. The funds are lent by the cooperative organization, but public-sector organizations provide guarantees for payment of interest and principal.

Funding is made available for agricultural facilities, farming tools, long-term working capital, and certain other purposes. Beginning in fiscal 2006, agricultural organizations operated by agricultural settlements became eligible for financing.

Q: What kind of funding is made available by the New Agriculture Promotion Fund (Agri-Mighty Fund)?

A: Agri-Mighty funding is the name of a form of agricultural finance derived from “Agri” and “Mighty,” or “Almighty.” This funding system was developed by the cooperatives themselves and it responds to a broad range of financing needs in the food product, agricultural, and farm town areas, including finance for crop production; processing, distribution and marketing; as well as funding for revitalizing agricultural towns. Like funds for the modernization of agriculture, agricultural settlements have also become eligible for funding under this system.



The Bank's Agency Lending Activities

The Bank acts as agent for the following funding sources:

- Agriculture, Forestry and Fisheries Finance Corporation of Japan
- Okinawa Development Finance Corporation
- Employment and Human Resources Development Organization
- Small Business Finance Corporation
- National Life Finance Corporation (Educational Loans)
- Housing Loan Corporation



Loans to the Fisheries Sector

The fisheries industry is faced with a challenging operating environment, owing to a range of factors, including the tightening of international standards aimed at preserving natural resources and the environment, a decline in fisheries resources in the territorial waters surrounding coastal Japan, declining prices for marine products, rising fuel costs and the adverse impact of excessive growth in the population of large jellyfish in waters near Japan. Amid these circumstances, the fishery cooperative organizations are expected to implement initiatives for conducting proper resource management in fisheries operations, as provided for under Japan's Basic Fisheries Law, and work toward the revitalization of fisheries operations.

The Bank offers financial support for the development of the fisheries industry. This includes providing financing for the production of marine products, including catching, aquatic farming and other activities for the processing and distribution of these products, as well as finance facilities for the modernization of the fisheries industry.

Loans to the Forestry Sector

Japan's forestry industry confronts difficult operating conditions because of market instability and a soft market for lumber products. On the other hand, interest among Japanese citizens in preserving the nation's forests is increasing because of the many roles forests play in providing sources of water and preserving the natural environment. Forests are considered to have an environmentally significant role in absorbing greenhouse gases and thus forestalling global warming. For these various reasons, proper management of forestlands has become an important issue.

The Bank provides support for the development of Japan's forestry and lumber industries. This includes supplying funds to the forestry cooperative organization and forest owners, which represent key agents in improving the conditions of forests in Japan, to finance the cultivation of forestland. The Bank also offers financing for the producers, processors and distributors of lumber.

Services Offered through Securities Subsidiaries

The securities related subsidiaries of the Norinchukin Bank Group carry on the asset management business and provide support for the retail banking activities of cooperative credit organizations. These subsidiaries are working to significantly enhance their capabilities in responding to the increasingly diverse and sophisticated needs of cooperative organizations, their members and other customers.

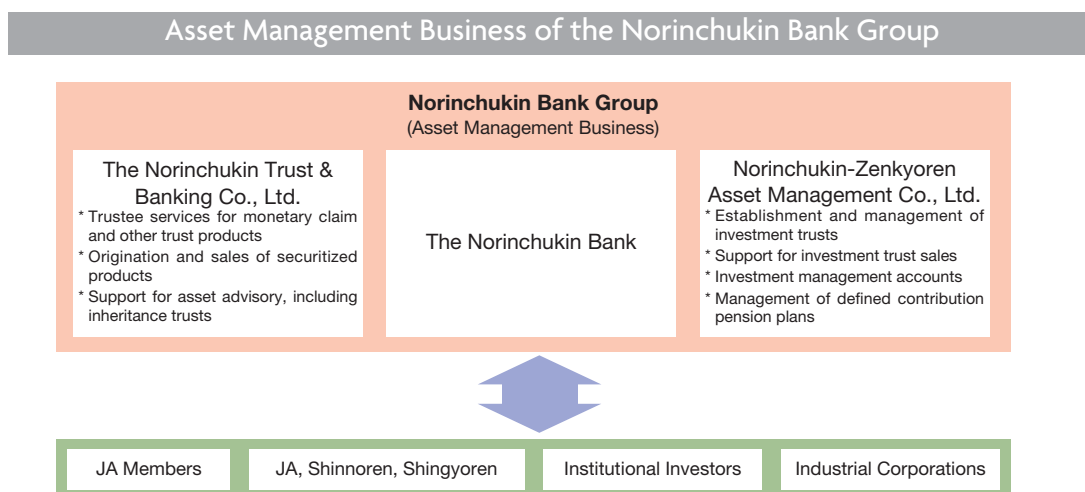
The Norinchukin Trust & Banking Co., Ltd., provides trust services for cooperative organizations, industrial corporations and other customers. Assets managed and administered by it exceed ¥11 trillion. The Norinchukin Trust & Banking also focuses on asset management services to cooperative members, including inheritance trust services which it began to offer in October 2005.

Norinchukin-Zenkyoren Asset Management Co., Ltd., develops and offers funds that meet the investment needs for many financial institutions and institutional investors, in addition to the members of cooperative organizations. Norinchukin-Zenkyoren Asset Management is the principal supplier of investment trusts that are sold through the cooperative system and is working to enhance its investment performance as well as its financial disclosure.

In March 2004, the Bank transferred the operations of Norinchukin Securities Co., Ltd., to Mizuho Securities Co., Ltd. Subsequently, in view of the satisfactory results of business of Mizuho Securities with the cooperative organizations, the Bank invested in Mizuho Securities in September 2004. The Bank and its securities subsidiaries are working closely with Mizuho Securities, which the Bank has positioned as the “first call” securities company for the Norinchukin Bank Group. Mizuho Securities provides a wide range of products and services to meet the needs of the cooperative organizations, including training sessions and lectures for cooperative organizations.

Support for Securities Investment of Cooperative Credit Organizations

Within the framework of the JA Bank System, the Norinchukin Bank provides guidance for upgrading asset-liability management (ALM) and risk management as well as a system of settlement and risk management related to the securities investments of JA and Shinnoren. These include a Shinnoren training program and exchange of personnel.



Approach to Risk Management

Changes in the economic and financial environments have had a major impact on financial institutions in recent years. Under these circumstances, as their operations have grown more diverse and complex, financial institutions have been obliged to develop effective risk management systems and enhance the sophistication of their capabilities for dealing with various types of risk to sustain the reliability and soundness of their business activities.

Discreetly aware of these developments, the Norinchukin Bank has established its Basic Policy for Risk Management, with the aim of further enhancing its risk management capabilities. This policy specifies the types of risks to be addressed as well as the appropriate management structures and mechanisms for risk management. Based on this policy, the Bank divides risks that must be managed into two broad categories, namely “risks that are taken actively to generate profits” (i.e., credit risk, market risk and liquidity risk) and “operational risks.” The Bank has prepared guidelines for managing each type of risk and is working toward the integrated management of risk on a Bank-wide basis.

To conduct risk management activities properly, the Bank has created systems for implementing these activities and clarified responsibilities for risk management, based on a full understanding of their importance. This system includes internal sections for decision making and organizational units that take charge of managing various forms of risk.

Also, in parallel with these comprehensive risk management activities, the Bank implements the regulatory capital management according to stipulated legal conditions to maintain the soundness of its activities as required under the provisions of the Norinchukin Bank Law.

Comprehensive Risk Management

In general, the Bank must deal with two types of risks. This first type includes market risk and credit risk, which are taken actively to generate profits, and the second is operational risk that arises passively in the course of carrying out operations. These various kinds of risk must be managed according to their specific characteristics. The Bank has structured its portfolio based on the concept of globally diversified investments and accordingly holds a diverse range of assets. The Bank considers the comprehensive management of the different types of risks inherent in this portfolio and the management of its assets to take risks appropriate to its capacity as one of its most important management issues and an essential factor in maintaining financial stability.

With this understanding, the Bank quantifies its exposure to various risks and constrains the aggregate risk volume to within its equity capital. To implement this approach, the Bank has adopted the concept of economic capital management and allocates risk capital to individual units engaging in risk-taking activities.

Under the concept of economic capital management, risk is categorized into three types—market risk, credit risk and operational risk. To implement the concept of globally diversified investments to the maximum extent possible, capital is allocated to and managed by the market-oriented divisions without regard for the type of assets or division in charge in accordance with the methods appropriate to the Bank’s business model. The Bank’s Board of Directors meets every six months to make decisions regarding the allocation of risk capital to the Market divisions, the Corporate Business divisions

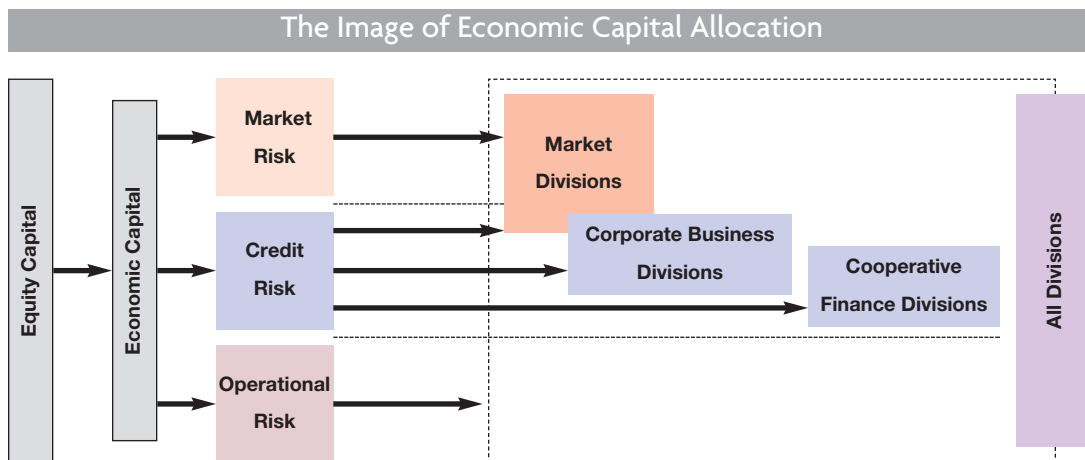
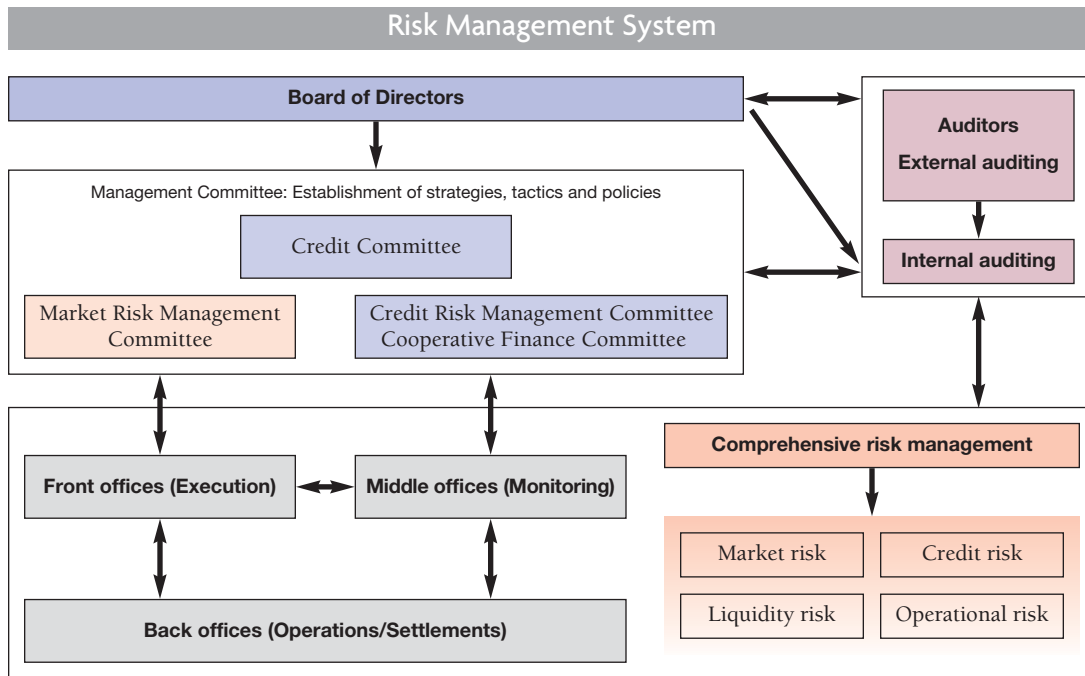
Risk Management

and the Cooperative Finance divisions as well as policies for the application of funds. In the interim, the middle office measures and monitors risk levels and makes periodic reports to management.

Through efforts such as these, progressive improvements will be made hereafter towards developing fully integrated risk management systems.

Credit Risk Management

For the Bank, transactions involving credit risk are one of the most important and strategic sources of earnings. In addition to assessments of the risks inherent in individual loans and other assets, the Bank conducts comprehensive risk management from the perspective of its overall credit risk portfolio. In this way, the Bank works to generate earnings commensurate with the level of credit risk it takes. Also, as a financial institution based on agricultural, forestry and fishery cooperatives, the Bank





aims to promote the development of these industries through “cooperative lending” while carrying out risk management appropriate to a private financial institution.

Credit Risk Management System

The Bank’s credit risk management system comprises three committees consisting of members of top management.

The Cooperative Finance Committee has the mission of assisting the Bank in fulfilling its mission of providing effective and efficient funding for cooperative members. To this end, it considers basic policies and strategies for cooperative lending and makes decisions on policies in response to important individual items and proposals for large financial commitments.

The Credit Risk Management Committee deliberates on specific strategies related to transactions involving credit risk other than those connected with cooperative lending. Its responsibilities also cover making decisions on policies related to important individual and major commitments of the Bank’s resources.

The Credit Committee conducts deliberations regarding the system and framework for credit risk management. The specific policies and other matters discussed and decided by the Cooperative Finance Committee and the Credit Risk Management Committee, as well as the Market Risk Management Committee—which is discussed later in this report—must be consistent with the basic framework set by the Credit Committee. The basic framework includes credit ceilings by country and individual company, the internal rating system and self-assessments. The Credit Committee is also responsible for deliberating basic directions for strengthening risk management, within this basic framework and in line with the concept of comprehensive risk management.

Monitoring of the credit risk portfolio is conducted by the Risk Monitoring Division, which is a middle office, independent of the front offices.

Credit Analysis System

While continually strengthening its credit analysis capabilities, the Bank conducts expert checks on the standing of borrowers, taking due account of their characteristics as cooperatives, private corporations, public entities, or non-residents. To conduct credit analysis on private corporations and public corporations, the Bank has established the Credit Risk Management Division, which is separate from the Corporate Business Management & Strategy Division, to prepare credit analyses by industry, drawing fully on the expertise the Bank has historically acquired. To achieve greater accuracy in assessments, each senior credit analyst in charge of a certain industry assesses each client and business through comparisons with competitors in the same business, making active use of industry research capabilities.

For credits extended to non-resident borrowers, the Bank adopts a country ceiling system that takes into account risks that differ from those of domestic loans, such as political and social conditions of the borrower’s country of origin. In addition to business-related credit analysis, the Bank appoints senior credit analysts specializing in various regions to evaluate loan applications and thereby carry out optimal risk management.

In addition, in view of the rapid expansion in recent years in markets for securitized and other asset-based investment products, including those linked to accounts receivable, real estate and other assets, in addition to credit risk analysis of individual borrowers, the Bank has created a specialized section in charge of analysis of investment product structures. This section focuses on obtaining a proper understanding of the risks associated with such products while conducting ongoing monitoring and reviews of these investment products.

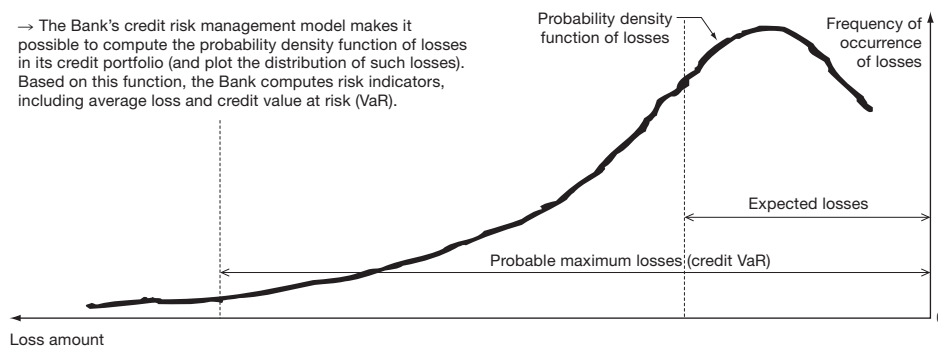
Under this credit analysis system, the Bank conducts sophisticated credit risk management based on strict screening standards and on its own methods for analyses of financial position and cash flow, as well as follow-up monitoring.

In addition to continuing to strengthen the previously mentioned analysis methods, the Bank has introduced management methods that aim to create an appropriate asset mix from a comprehensive portfolio perspective. To this end, the Bank sets credit limits based on internal ratings and monitors the ceilings on individual companies to control risk volume. Along with this, the Bank sets interest rates based on internal credit ratings and the security of principal to secure a return appropriate to the assumed risk.

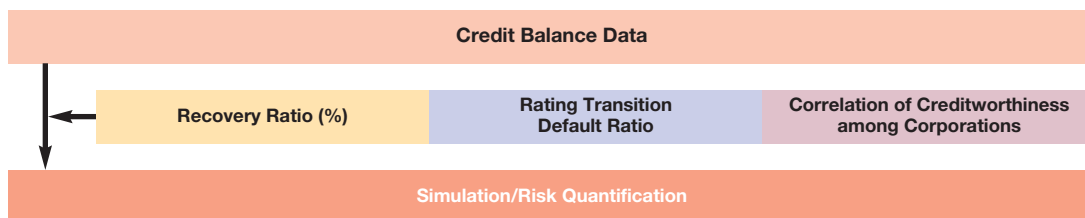
Quantifying Credit Risk

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

Basic Outline of the Bank's Credit Risk Management Model



Quantifying Credit Risk





Credit Risk Measurement Methods

Credit risk encompasses economic losses that may be incurred due to the decline of market prices for corporate bonds and losses in connection with the inability of borrowers to meet their interest and loan repayments as scheduled owing to deterioration in their corporate condition or other circumstances. The Bank works to measure the volumes of such credit risks.

Credit risk is measured for loans, guarantees, foreign exchange and securities, such as corporate bonds, as well as for swaps and other off-balance transactions. Measurement of risk volumes are conducted according to types of transactions partners, including domestic and overseas corporations and financial institutions.

Based on estimates of the total credit extended, the Bank uses information related to credit risk—such as rating transition ratios that measure the probability of rating changes and are computed based on background history and future business prospects, default ratios by rating, recovery ratios in the event of default and correlations among the creditworthiness of corporations and other entities to conduct tens of thousands of simulated scenarios, under various assumptions regarding defaults and rating changes for its customers and their products—to determine the distribution of potential losses.

For the estimated potential losses, the Bank calculates two risk volumes: the “expected loss” that corresponds to the loss that can be expected on average over the next year and the “probable maximum loss,” which is defined as losses that can be expected under the worst case scenario. This enables the Bank to check expected profitability against risk and determine the risk capital to be allocated for each business category.

Market Risk Management

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

To ensure the implementation of these management strategies regarding market risk, the Bank has created a mutual checking system where decision making, execution and monitoring functions are systematically separated and organized into independent units. This approach has been adopted to implement optimal risk management.

Going forward, the Bank aims to further enhance its technical capabilities, including personnel, systems and the quantitative analysis of risk volumes, to further enhance the sophistication of its risk management systems.

Banking Operations (ALM)

The appropriate management of market risks in banking operations is indispensable for the stable management of financial institutions.

The Bank introduced risk management methods at an early stage into its asset-liability management (ALM) that places emphasis on a balance of maintaining financial soundness and strengthening profitability. The Bank’s ALM system analyzes both static and dynamic interest rate sensitivities of cash flow and asset prices. Based on analyses from various perspectives, the Bank works to create a flexible financial position that will enable prompt responses to changes in financial conditions.

Market Portfolio Management

Within its banking operations, the Bank places special emphasis on analyzing and managing its portfolios of market instruments, including its marketable securities, in view of their importance. The framework for managing portfolio risk is described below.

Decision Making

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

When decisions are considered, in addition to examining the investment environment, including market trends and the economic outlook, the Market Risk Management Committee makes appropriate judgments giving due consideration to ALM and the Bank's securities portfolio. The Committee meets, in principle, once per month but, in practice, meetings are convened almost weekly. In addition, meetings are held on an ad-hoc basis when necessary to enable flexible responses to market trends and other such factors. Moreover, to facilitate the close exchange of day-to-day information related to market movements, management and the general managers of related divisions hold weekly meetings to share information and to be informed and ready to make swift and appropriate decisions.

Execution

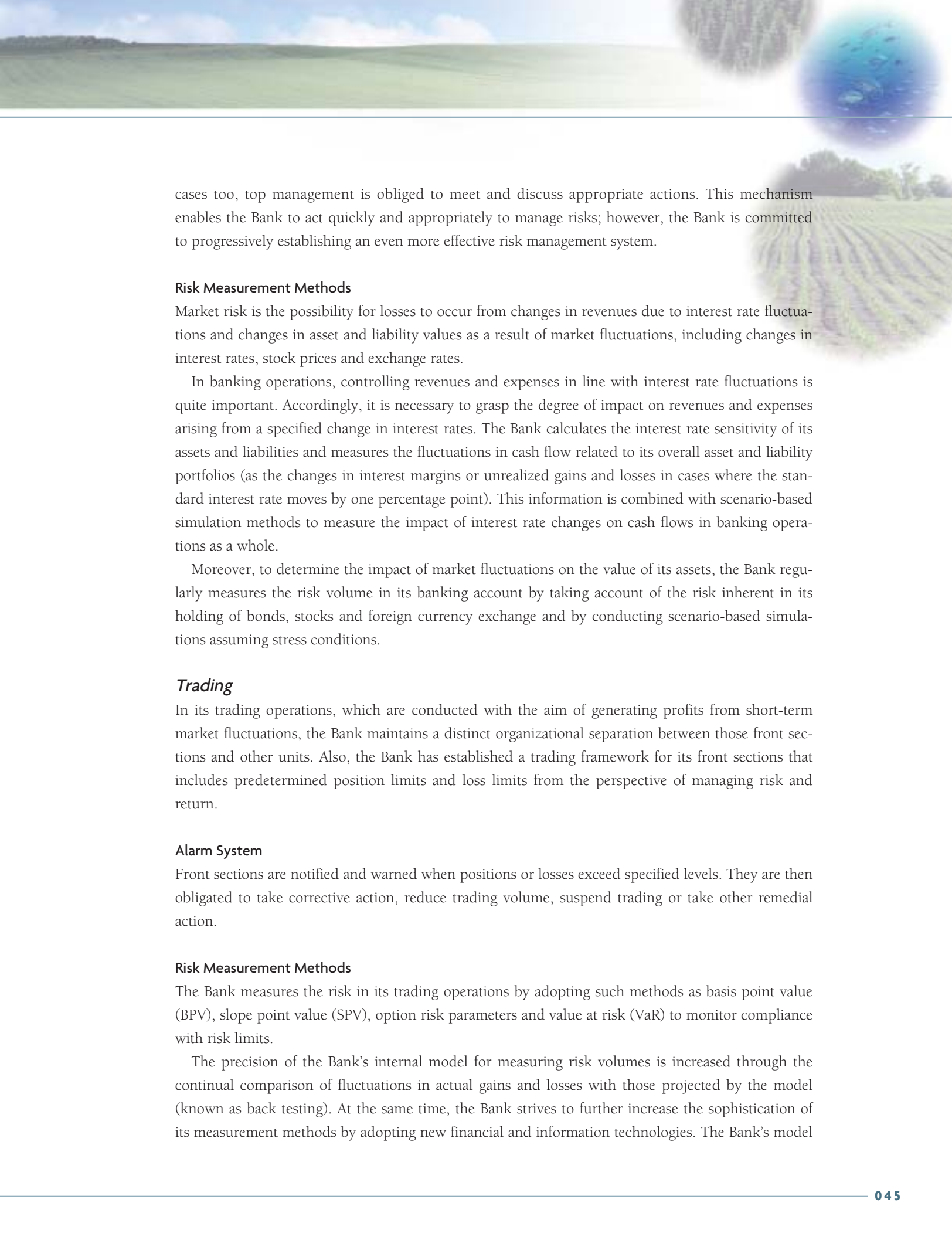
The departments in charge of portfolio management give orders for buying and selling securities as well as hedging risks based on policies set by the Market Risk Management Committee. Their orders for transactions are executed efficiently by the front sections, which also constantly monitor market trends and offer proposals for new investment strategies as well as other suggestions.

Monitoring

The monitoring functions include checking on whether the front sections are appropriately executing transactions based on the policies set by the Market Risk Management Committee and measuring risk volumes in the Bank's operations. These functions are performed by the Risk Monitoring Division, and the results of the monitoring are generally reported on a daily basis and, depending on the content, are also reported periodically to management. The reports on the activities of the Risk Monitoring Division are used by the Market Risk Management Committee as the basis for confirming the risk condition of the Bank's market portfolio and for exploring specific policies for the future.

Alarm System

The Bank has adopted an alarm system, called the "Checkpoint System," as a tool for risk management. This system requires the Market Risk Management Committee, which includes top management as previously mentioned, to discuss appropriate courses of action when the risk volume in the Bank's overall market portfolio reaches a certain level stipulated in the Bank's tolerance limits. An alarm is also activated when short-term changes in market indicators exceed a certain level. In such



cases too, top management is obliged to meet and discuss appropriate actions. This mechanism enables the Bank to act quickly and appropriately to manage risks; however, the Bank is committed to progressively establishing an even more effective risk management system.

Risk Measurement Methods

Market risk is the possibility for losses to occur from changes in revenues due to interest rate fluctuations and changes in asset and liability values as a result of market fluctuations, including changes in interest rates, stock prices and exchange rates.

In banking operations, controlling revenues and expenses in line with interest rate fluctuations is quite important. Accordingly, it is necessary to grasp the degree of impact on revenues and expenses arising from a specified change in interest rates. The Bank calculates the interest rate sensitivity of its assets and liabilities and measures the fluctuations in cash flow related to its overall asset and liability portfolios (as the changes in interest margins or unrealized gains and losses in cases where the standard interest rate moves by one percentage point). This information is combined with scenario-based simulation methods to measure the impact of interest rate changes on cash flows in banking operations as a whole.

Moreover, to determine the impact of market fluctuations on the value of its assets, the Bank regularly measures the risk volume in its banking account by taking account of the risk inherent in its holding of bonds, stocks and foreign currency exchange and by conducting scenario-based simulations assuming stress conditions.

Trading

In its trading operations, which are conducted with the aim of generating profits from short-term market fluctuations, the Bank maintains a distinct organizational separation between those front sections and other units. Also, the Bank has established a trading framework for its front sections that includes predetermined position limits and loss limits from the perspective of managing risk and return.

Alarm System

Front sections are notified and warned when positions or losses exceed specified levels. They are then obligated to take corrective action, reduce trading volume, suspend trading or take other remedial action.

Risk Measurement Methods

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

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

for measuring risk volume was developed internally, and it is used for calculating the required capital volume. The model has been certified by objective quantitative and qualitative audits conducted by an external audit corporation.

Glossary of Terms

- **BPV (basis point value)**

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

- **SPV (slope point value)**

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

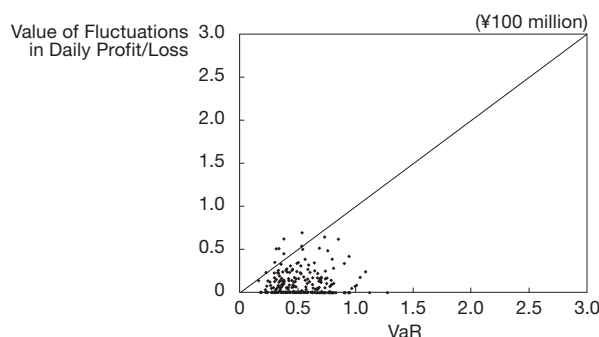
- **Option Risk Parameters**

Option risks occur, for example, when the volume and value of bond and other options change because of fluctuations in base interest rates or other indicators and owing to market volatility. The Bank uses delta (the ratio of changes in the level of indicators versus changes in the prices of such options), gamma (the ratio of changes in the level of indicators versus changes in the volume of option positions) and vega (changes in volatility versus changes in option prices) to evaluate the degree of correlation and sensitivity between the value of options and market indicators.

- **VaR (value at risk)**

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

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



From April 1, 2005, to March 31, 2006 (consisting of 246 business days), the negative value of fluctuations in daily profit and loss exceeded VaR (for a one-day holding period) eight times. Of this total, it was determined that special market conditions accounted for this result on four occasions and were not due to excesses resulting from the use of the model. The model is, therefore, deemed to have been proven valid within the specified probability range (one-tailed confidence interval of 99%).

Trends in Interest Rate Risk (for a one-day holding period) in the Trading Divisions

	VaR (¥100 million)
June 30, 2005	0.7
September 30, 2005	0.5
December 30, 2005	0.2
March 31, 2006	0.4



Liquidity Risk Management

The Bank manages liquidity risk as stipulated in its Policy and Procedures for Liquidity Risk Management using the following definitions: (1) Market liquidity risk—the risk that rapid changes in the market environment may prevent taking positions or liquidating positions quickly and at appropriate prices—and (2) cash flow risk—the risk of disrupting the settlement of transactions due to a reduced volume of liquidity or incurring losses as a result of having no alternative but to procure funds at interest rates much higher than normal.

The Bank regards market liquidity risk as a major factor in making its investment decisions and, after investigating the liquidity (marketability) of each investment product, takes market liquidity risk fully into account when formulating specific investment strategies.

Since adequate cash flow management is essential for ongoing operations and portfolio management, the Bank manages cash flow risk on a daily basis for each currency, product and office from the perspectives of both funds management and procurement. Based on daily and monthly cash flow planning, the Bank works to maintain a stable level of liquidity while taking into account market movements.

Operational Risk Management

The Bank defines operational risk to include all types of risk that arise in the course of business activities, after the exclusion of market risk, credit risk and liquidity risk, which are incurred when proactively seeking to generate profits. The Bank manages operational risk according to its Policy and Procedures for Operational Risk Management.

In managing operational risk, the Bank prioritizes operations, systems, legal and other forms of operational risk that occur passively in the course of conducting business to make it possible to allocate limited management resources rationally. The basic objective of operational risk management is to limit the possibilities of risks that are not incurred to make a profit and minimize the expected losses from such risks.

Operational risk management is divided into two areas: (1) management of risks where occurrence itself can be controlled, as in the cases of operations, legal and systems risk and (2) management of risks that must be controlled and contained after their occurrence, such as risk of the continuation of operations and certain other types of risks. Each of these types of risk is managed separately, depending on their special characteristics and the effectiveness of control measures, to secure appropriate risk management from an overall perspective.

In conducting such risk management activities, the Bank adopted the following approach:

- (1) Identification: Divisions in charge of risk management shall specifically identify the area of existing risks within the Bank's organization and the degree of such risks.
- (2) Analysis and evaluation: The diverse risks identified are then classified according to set criteria, and, after analysis of the characteristics of such risks and how they may arise, they are evaluated after establishing sets of assumptions. Evaluations include the measurement of the volume of these types of risk.

- (3) Risk control and/or mitigation: Following the analysis of risks mentioned previously, the relevant divisions consider such issues as whether the risk can be tolerated, and whether it should be controlled below a certain level, should be transferred or should be averted. Based on these considerations, appropriate control or mitigation measures on established objectives are implemented.
- (4) Monitoring: Monitoring is conducted to check whether objectives and policies are being appropriately implemented, and whether risk is being managed thoroughly.
- (5) Reporting: Reports are presented periodically on the current state of management of the various forms of operational risk. As necessary, the frameworks and procedures for operational risk management are reviewed and revised.
- (6) Internal review: The processes for management of operational risk are reviewed internally by an independent department.

Operations Risk Management

The Bank defines operations risk as the risk of losses arising when the activities of management and staff in the course of conducting operations are inappropriate. Specifically, operations risk may occur when there is a failure to process clerical matters according to established procedures, when losses are incurred because of accidents or unethical behavior, and when proper processing of operations matters cannot be carried out because procedural regulations are insufficient or there are faults in the prescribed operating processes themselves. The Bank manages operations risk according to its Policy and Procedures for Operations Risk Management.

Specific risk management activities include upgrading operations procedures, investigating the frequency of occurrence of accidents and clerical mistakes and adopting policies for preventing recurrences. Other activities to reduce operations risk include implementation of self-examinations, autonomous checks and risk assessments as well as conducting damage-control exercises. Through these activities as well as appropriate responses when there are changes in the operating environment that have an impact on processing operations, such as the changes in the Depositor Protection Law or implementation of final integration with the Shinnoren, the Bank aims at perfection of operations risk management.



Legal Risk Management

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

As the Bank continues to provide conventional financial services and works toward the realignment of the cooperative credit system, offers new financial services and engages actively in investment activities, legal risk management has been positioned as a key management issue in all of its offices. Efforts are under way to continue to upgrade legal risk management procedures.

Specific activities include the creation of a database of all laws and regulations governing the Bank's business activities by division and type of operation. The Bank works to update the database to take account of enactment, revision and repeal of legislation and reflect these changes in its operations quickly and accurately. Moreover, to minimize legal risk, the Bank's legal divisions offer their full support to departments and offices of the Bank in conducting legal checks of individual deals as well as in preparing and reviewing contracts.

Systems Risk Management

The scope of systems risk management has gone beyond its original mission of assuring the stable provision of financial services as an integral part of the social infrastructure to include responding to more sophisticated requirements for security, such as the protection of personal information and development of countermeasures for counterfeit and stolen cash cards. Moreover, more stringent internal control systems have become necessary under new regulations issued by the Bank for International Settlements (the new BIS regulations) for managing operational risk and under such legal provisions as the U.S. Sarbanes-Oxley Act.

In view of these changing requirements of society, the Bank is continuing to review its risk management systems and practices and, along with its Policy and Procedures for Systems Risk Management, is working to upgrade its various other internal policies and procedures, with the aim of substantially strengthening its internal control systems.

In addition, the Bank conducts comprehensive assessments of all of its main IT systems based on safety criteria established by the Center for Financial Industry Information Systems (FISC) and, following the preparation of its Systems Risk Management Plan, which aims at the enhancement of its IT systems, is continuing to work toward further improvements.

Importance of Information Security

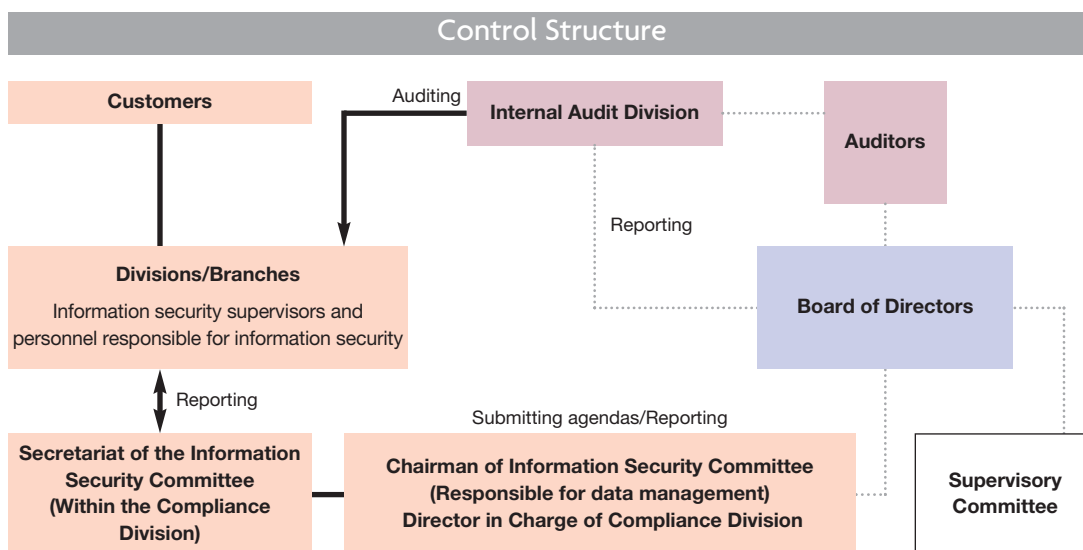
Along with the growing diversity of the activities of financial institutions, deregulation and rapid development of information technology, the appropriate storage, management and use of information assets (including both information and information systems) have become extremely important management issues.

In processing transactions for its customers, the Bank is in the position of being the recipient of information. It also possesses many kinds of its own information, including confidential data that is strategic from a managerial perspective, and uses this data in conducting its operations. On the other hand, the trend toward open information has proceeded, and exchanging data with individuals has become a daily matter. As a result of these and other developments, the environment for information processing and its objectives have become quite diverse. Accordingly, organized and systematic information security initiatives have become more important than in the past.

Control Structure

The Bank's Information Security Committee (chaired by the Director in charge of the Compliance Division), located in the Head Office, is the central body for overseeing the control structure for its information security. At the operational level, information security is handled by information security supervisors (division/branch general managers serving concurrently as data managers) or the personnel responsible for information security (designated by the division/branch general manager) stationed in all divisions, branches and offices.

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





Personal Data Protection

Japan's Personal Data Protection Law came into full effect in April 2005, and the Bank, as an institution responsible for processing personal information, created a new framework to facilitate the proper handling of personal information. Educational and training programs for employees were also instituted to ensure the effective and efficient operation of the framework.

In addition, the Bank has enhanced its capabilities for responding to inquiries and complaints related to the handling of personal information and has conducted appropriate reviews and made improvements in its measures to ensure the proper handling and secure management of personal information.

Moreover, the Bank cooperates with the Central Union of Agricultural Cooperatives (Zenchu), the National Federation of Fishery Cooperative Associations and other organizations that provide guidance to cooperative organizations to further improve systems for the protection of personal data for cooperative financial groups as a whole.

Declaration on the Protection of Personal Information (Excerpts)

Acquisition of Personal Data

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

Objective of Using Personal Data

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

Provision of Personal Data to Third Parties

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

Handling of sensitive information

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

Safekeeping of Personal Data

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

Disclosure, Amendment and Cessation of Usage of Personal Data

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

Response to Inquiries and Complaints

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

The Bank's Management System

The Bank is both the central bank for Japan's agricultural, forestry and fishery cooperatives and an institutional investor that plays a major role in the financial and capital markets through the investment of large amounts of funds both in Japan and abroad. In view of its position, the Bank adheres to decisions made at the Council of Delegates, which comprises representative members and substitutes for the general meetings of all shareholders. At the same time, the Supervisory Committee and the Board of Directors, as stipulated by the Norinchukin Bank Law, are organized to delegate or coordinate their duties among the cooperative organization, considering prevailing conditions inside and outside the organization.

Supervisory Committee

The Supervisory Committee is responsible for submitting agendas and reporting to the Council of Delegates as well as for making decisions on important issues related to the cooperative organization. The Supervisory Committee also has specific authority to oversee the execution of business policies by the Directors. This includes (1) the authority to request the board members to attend meetings to explain their execution of business activities and (2) the authority to request the Council of Delegates to seek the dismissal of board members.

Currently, the Supervisory Committee has 17 members, selected from among the board members of cooperative organizations, persons engaged in the agricultural, forestry and fishery sectors as well as individuals with an in-depth knowledge of finance. Supervisory Committee members are recommended by the Nomination Committee, which consists of representatives of cooperative members and others and then elected by the Council of Delegates.

Under the jurisdiction of the Supervisory Committee are the JA Bank System Headquarters Committee and the JF Marine Bank Headquarters Committee, which are composed of representative committee members of cooperative organizations and the Bank's Directors. These committees deliberate on the basic policies of the credit business conducted by the agricultural and fishery cooperatives as well as on operational guidance to be provided, acting under the name of the Headquarters, to cooperative members.

Board of Directors

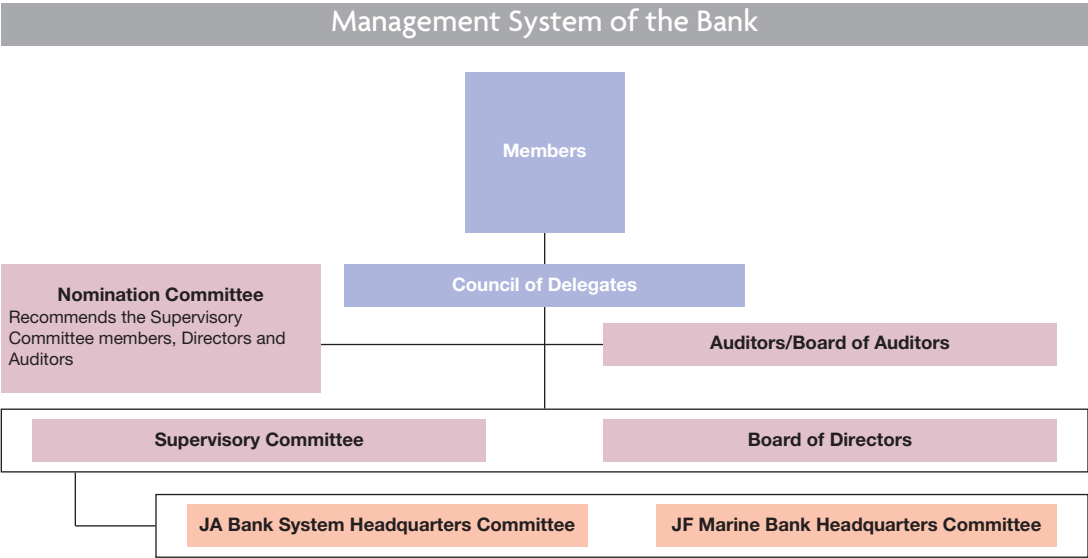
The Board of Directors makes decisions regarding the execution of business activities, excluding those matters under the jurisdiction of the Supervisory Committee, and performs a mutual cross-checking function on the execution of business affairs by the Directors. Members of the Board of Directors are elected by the Supervisory Committee and assume their position upon approval by the Council of Delegates. There are currently 13 full-time board members, and two of them are selected as the Representative Directors and as members of the Supervisory Committee. Consideration is given to preserving the mutual and close cooperation of the Supervisory Committee and the Board of Directors in making decisions.

Auditors/Board of Auditors

Auditors are elected directly by the Council of Delegates and are responsible for auditing decisions made by the Supervisory Committee and the Board of Directors as well as for general oversight of the execution of business affairs by board members. The Board of Auditors currently comprises 5 members (3 full-time auditors and 2 part-time auditors). Three auditors satisfy the conditions stated in Article 24-2 of the Norinchukin Bank Law,* and are the equivalent of external auditors in companies listing their shares.

* Under Article 24-2 of the Norinchukin Bank Law, one or more of the Auditors must satisfy the following conditions: Must not be a director or employee of a corporation that is a member of the Norinchukin Bank and must not have been, during the five years before being appointed as Auditor, (1) a Director, a member of the Supervisory Committee or employee of the Norinchukin Bank, or (2) a director, a participant in accounting matters (if the participant is a corporation, then an employee who performs such duties), an executive officer or employee of the Bank's subsidiaries.

The staff description mentioned in this article is accurate as of July 1, 2006.



Establishment of the Internal Audit Division

The Bank has established the Internal Audit Division as an internal auditing unit independent from other operations and business affairs of the Bank. The mission of the Internal Audit Division is to review and evaluate overall management activities and the conduct of operations from the perspective of the appropriateness and effectiveness of internal controls. Based on its audit results, the Division endeavors to maintain and improve the proper conduct of operations through the issuance of recommendations regarding issues for improvement.

Preparation of Audit Plans

The internal audits cover all operations of divisions and branches of the Bank and operations of its consolidated subsidiaries that are not forbidden under the laws and regulations. These audits are conducted in accordance with the Bank's medium-term and annual audit plans.

In preparing audit plans, the Internal Audit Division implements risk assessments of all operations and determines the key audit points and the frequency and depth of audits based on the types and volumes of risks to conduct its activities efficiently and effectively.

Reporting of Audit Results

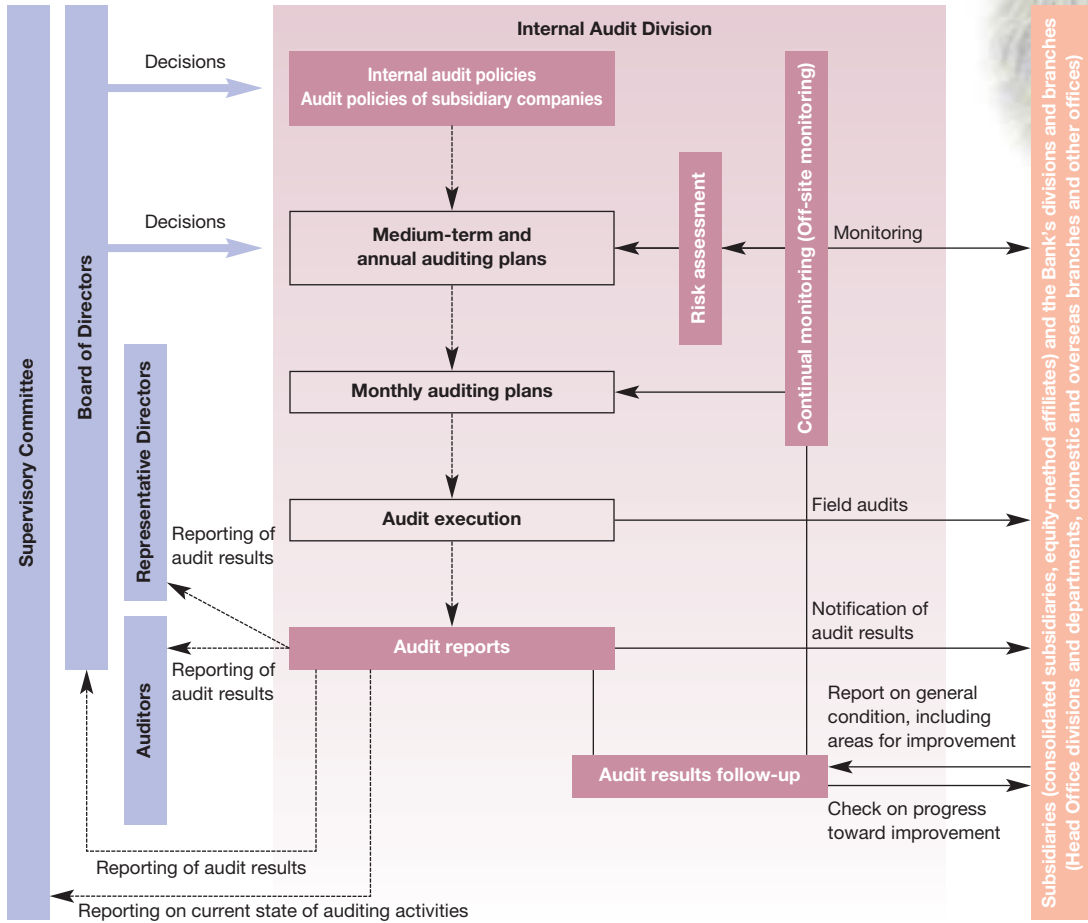
The results of audits are reported to the Representative Directors and the Auditors. Thereafter, divisions audited are then notified of the results by the Internal Audit Division, and periodic follow-up is conducted to assess the status of efforts addressing issues for improvement. Moreover, audit summaries are presented to the Board of Directors on a quarterly basis; in addition, periodic reports on the current state of auditing activities are presented to the Supervisory Committee. Particularly important findings are reported immediately to the Board of Directors, the Representative Directors and the Auditors and, when necessary, to the Supervisory Committee.

The Internal Audit Division, the Auditors and the independent auditing firm meet to exchange opinions and information periodically and as deemed necessary and work toward strengthening their cooperative efforts.

Auditing of Assets

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

Overview of Internal Audit System



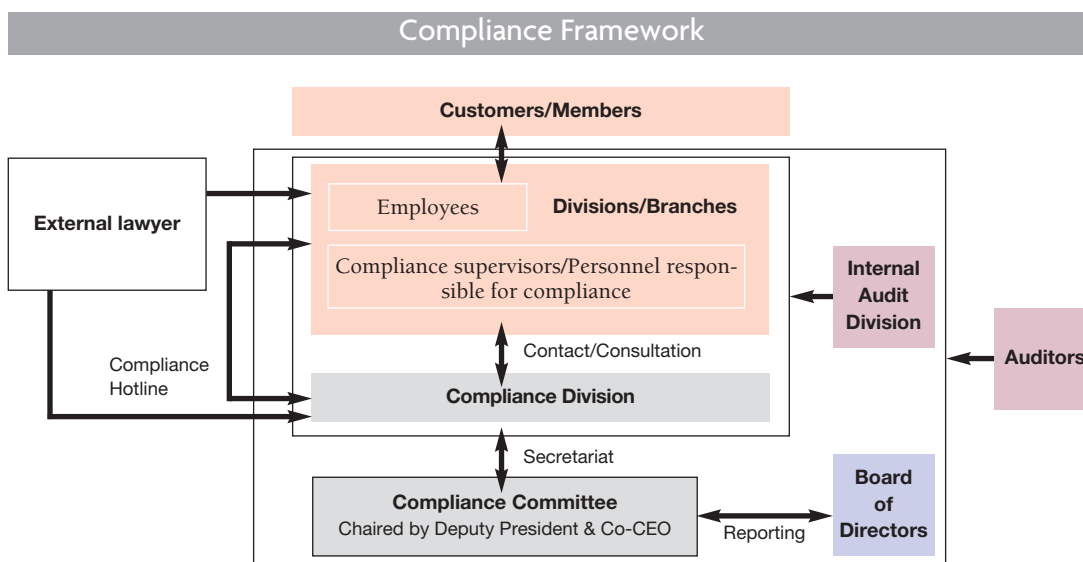
Continuing to Be a Financial Institution Trusted by Society

COMPLIANCE INITIATIVES

Basic Compliance Policies

Along with the rise in public demands for protection of customers, financial institutions have been obliged to place greater emphasis on accountability to stakeholders in the conduct of their activities and work toward substantially increasing the sophistication and effectiveness of their compliance frameworks. In addition, in view of the scathing public criticism of corporate improprieties, the issue of creating better and more effective compliance frameworks has been moved to the top of the management agenda. Especially for financial institutions, the very existence of which rests on effective compliance to maintain the trust and confidence of the general public, and particularly their customers, there is no exaggeration in mentioning that proactive compliance initiatives are necessary for securing the basis of corporate survival.

As a core member of Japan's financial system and as a nationwide financial institution of cooperative credit businesses, the Bank is committed to fulfilling its basic mission and social responsibilities and taking full account of changes in the social and management environment to respond to the trust of its customers and members. To this end, the Bank is complying fully with rules and regulations based on the principle of self-responsibility and is constantly working to achieve highly transparent management emphasizing proper disclosure and accountability.



Compliance Activities that Are Directly Linked to Management

The Bank is fully aware that strict adherence to compliance requirements in its day-to-day activities is particularly important for the conduct of its operations. Accordingly, in July 2005, the Bank created its Compliance Division by assigning specific staff from the Legal Division to this new organizational unit.

The Bank's compliance framework is composed of the Compliance Committee, the Compliance Division (which is in overall charge of compliance activities) and the compliance supervisors and other personnel responsible for compliance in its divisions and branches. The Compliance Committee (chaired by the Deputy President & Co-CEO) was created as a unit reporting directly to the Board of Directors that is responsible for considering basic issues and policies related to compliance. Items discussed by the Compliance Committee are then placed on the agenda and reported to the Board of Directors.



Compliance Arrangements within the Bank

The Compliance Division, as the compliance control unit of the Bank, acts as the secretariat for the Compliance Committee and serves as the contact point for and provides advice to the compliance supervisors and other personnel in charge of compliance stationed in each division and branch. In its compliance monitoring, the Division also provides guidance directly in interview meetings with general managers of branches and divisions as well as other managerial personnel. Other functions of the Division include providing lecturers for compliance workshops, as well as conducting compliance-related education and training programs within the Bank for all personnel.

The Division has also established the Bank's Compliance Hotline, which enables employees to receive advice from and to provide information to the Compliance Division and outside legal counsel. This hotline has been arranged to provide full protection from negative repercussions to those who provide information on compliance matters.

Compliance Program

Each fiscal year, the Bank formulates its Compliance Program to serve as the agenda for the execution of compliance measures that are aimed at systematically incorporating compliance as an integral part of Bank operations. The items covered by the Compliance Program include the upgrading of the compliance framework and compliance promotion and awareness activities. Additionally, individual divisions and branches establish their own compliance programs that contain specific policies for carrying out ongoing compliance activities.

Enhancing Disclosure

The Bank has formed the Information Disclosure Conference (chaired by the Director in charge of the Corporate Planning Division) to review and discuss the appropriateness of the Bank's information disclosure, beginning in fiscal 2006, ending March 31, 2007. The mission of this conference is to improve and strengthen the Bank's disclosure initiatives.

Firmly Integrating Compliance into the Bank's Corporate Mind-Set

In addition to the *Corporate Ethics* and *Code of Conduct*, the Bank distributes to all employees the *Compliance Manual*, including the *Employee's Guide to Regulatory Compliance* and the Bank's *Basic View on Compliance*. These materials are distributed to fully integrate compliance activities into the Bank's day-to-day operations and to firmly affix compliance in the Bank's corporate mind-set.

Corporate Ethics

The Bank's Fundamental Mission and Social Responsibility

1. Always cognizant of the importance of its fundamental mission and social responsibilities as a financial institution, the Bank is committed to building even stronger bonds of trust with society by fulfilling its mission and responsibilities through sound management policies.

Provision of High-Quality Financial Services

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

Continuing to Be a Financial Institution Trusted by Society

Strict Compliance with Laws and Regulations

3. The Bank complies with all relevant laws and regulations and conducts its operations in a fair and impartial manner in accord with social norms.

Prevention of Antisocial Behavior

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

Creating an Organizational Culture Committed to Highly Transparent Disclosure

5. The Bank continually strives to improve communication with parties inside and outside the cooperative system, beginning with proactive and fair disclosure of business information. The Bank also works to maintain effective relationships with these parties while maintaining an organizational culture that is amenable to a high degree of transparency based on respect for human rights.

Cooperation with Subsidiaries and Affiliates

The Bank communicates its stance on compliance to subsidiaries and affiliates as a group by holding periodic meetings for the personnel in charge of compliance at these associated companies. These meetings cover the Bank's compliance program and current compliance-related issues.

INQUIRY AND COMPLAINT PROCESSING SYSTEM

Enhancing the Bank's Capability for Addressing Customer Complaints

The Bank views customer complaints proactively and responds to them quickly and systematically. At the same time, the Bank is continuing efforts for improving its capabilities for addressing customer issues through the active implementation of corrective measures in its operations.

Designation of a Fair and Impartial Arbitration Organization

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

Publicizing Customer Complaint Resolution Channels

To make customers more aware of the channels available to them for issuing complaints (including contact points in each division and branch, the Head Office and the National JA Bank Consultation Office), the Bank places posters and other informative materials in its branches.

Offering Employees Opportunities to Excel

The Bank is the national financial institution for Japan's agricultural, forestry and fishery cooperative organizations and conducts a wide range of activities with a relatively limited number of personnel. For this reason, we believe that employees should be given the chance to draw on their capabilities to aptly benefit and that it is extremely essential for employees to work in an environment that is conducive to optimum performance.

Based on these premises, the Bank has implemented its "performance evaluation system" and "capability evaluation system." Both of these systems involve meetings between employees and their managers that emphasize setting objectives, confirming results and performance, reviewing competency as reflected in various work situations and reviewing other elements of employee performance. Through this approach, employees receive support that enables them to gain a heightened awareness of their contribution to the Bank's performance and the level of their capabilities.

Under the Bank's human resources policy, when allocating human resources and making assignments, employees are placed in positions consistent with their abilities, keeping in mind that they can receive multiple post reassignments over a set period of time to allow them to make a career. This job assignment system offers opportunities to excel for all individual employees, regardless of gender or age.

Additionally, in enabling employees to work with an improved sense of assurance, the Bank provides for periodic health examinations and health improvement programs, as well as mental health consultation. Through these activities as well, the Bank endeavors to promote the physical and mental well-being of employees, as well as offers an optimal working environment.

Training and Educational Programs

To respond appropriately to changes in the operating environment and attain its management goals, the Bank implements its "career development support system," which aims to enrich and support personnel who are ambitious and motivated to be "self-starting and self-improving professionals."

This system encourages individual employees to undertake progressive initiatives toward career development, taking consideration of the capability requirements in various types of careers. Through "career development consultation" with managers and "career development training," employees may become able to clarify personal career objectives.



Producing a Favorable Work Environment

Also, to promote strategic career development and improvement of capabilities needed for various positions, the Bank offers training in such areas as financial operations, business diagnosis, and management as well as support for obtaining professional qualifications and improving foreign language skills. Other programs include the sponsorship of study abroad and the interchange of personnel from companies in other industries.

In addition, to deepen understanding of the basic missions of the Bank, new employees are sent to the JA for training, and group instruction is conducted for differing seniority levels. Along with these various activities, the Bank is placing greater emphasis on training related to compliance, human rights and other issues. These initiatives are aimed at cultivating and supporting the people who, as members of the cooperative organizations, will be responsible for the Bank's operations going forward.

Encouraging Respect for Human Rights in the Workplace

The Bank abides by Japan's Human Rights Education and Human Rights Enlightenment Law and is working to create a highly transparent organizational culture based on the respect for human rights concepts included in the Bank's Ethical Code.

To this end, the Bank's Human Rights Education Promotion Conference has held discussions of various policies to instill respect for the dignity of human beings into corporate culture. Based on the results of these discussions, the Bank's Board of Directors has set human rights policies and these are implemented principally by the Human Rights Unit within the Personnel Division and by personnel in charge of human rights who are assigned to each of the Bank's divisions and branches.

Through human rights workshops held in the divisions and branches as well as other venues, the Bank works to encourage proper understanding and deepen awareness of human rights issues, while continuing various other related activities, including the establishment of an office to provide human rights consulting.

Moreover, as a member of the JA Group, the Bank works with the Central Union of Agricultural Cooperatives in implementing initiatives to substantially increase human rights awareness, including its activities within the Norinchukin Bank Group.



Contributing to the Natural Environment and Communities

Through various activities carried out by its branches and offices in Japan and overseas, the Bank contributes to creating an improved natural environment, making people's lifestyles better and enriching society.

CONTRIBUTING TO THE NATURAL ENVIRONMENT

Helping Preserve Forest Resources

Forests serve a multitude of ecological functions, including the conservation of national lands, the formation of watersheds, the prevention of global warming and the development of timber resources. In recent years, however, forests have become increasingly threatened with decline due to a number of causes.

In view of the importance of forests, the Bank proactively engages in activities on many fronts to promote the preservation of forest resources.

Establishment of the Public Trust to Promote Forest Rejuvenation

To offer assistance for activities aimed at rejuvenating privately owned forestlands in Japan that are threatened with decline, the Bank established the Norinchukin 80th Anniversary Forest Rejuvenation Fund Public Trust in March 2005.

This fund provides grants and other support for activities aimed at enabling private forests that are currently declining to perform once again their roles in the public interest, including rejuvenation projects. In view of the fund's objective of contributing to the preservation of forest resources, the Bank decided to establish the fund as a specified public trust and appointed the Norinchukin Trust & Banking Co., Ltd., as trustee; the fund has an initial endowment of ¥1 billion and a term of 10 years.

Donating Wood Pellet Stoves and Benches Using Thinned Timber

(Activities in the Nagano Branch and the Mito Branch)

Use of lumber obtained from thinning of timber stands plays an important role in maintaining and rejuvenating forest resources. The Nagano Branch initiated a project in 2004 to promote the use of thinned timber by donating stoves that burn wood pellets to the Nagano Prefectural Office and other facilities. During fiscal 2005, four wood pellet stoves were presented. Wood pellets obtained in the processing of timber from selective thinning is a form of reusable biomass resource, and the combustion of pellets made with this material is expected to contribute to the prevention of global warming. Continuing onward, the branch will work with the regional governments, forestry cooperatives and non-profit organizations (NPOs) to promote the understanding of the importance of using forest resources through the increased utilization of pellet stoves.

Also, as another measure to promote the use of timber from selective thinning, the Mito Branch has recently donated five benches made from this material, supplied from forests in Ibaragi Prefecture, to the Kairakuen Park, which is a well-known recreation spot for local residents and also popular among tourists from within and outside the prefecture.



Contributing to the Natural Environment and Communities

Effective Use of Other Forest Resources

To promote ecologically effective use of forest resources, the Bank uses recycled paper in its photocopier machines and print stock for its annual report. The Bank also promotes the use of employee business cards printed on stock made from thinned timber.



CONTRIBUTING TO LOCAL COMMUNITIES AND SOCIETY

Promoting the “Flower Campaign” to Communities Nationwide

The Bank sponsors a nationwide Flower Campaign, with the aims of promoting harmony among citizens, environment and industry; preserving the natural environment; and revitalizing community aesthetics. Through this campaign, the Bank works actively to protect the natural environment and promote greening through a range of community efforts. Promotional campaigns on the national and local levels include the distribution of flower seeds and bulbs at the Bank’s branches, donation of seeds, bulbs, seedlings, flower beds and other agricultural supplies to local government organizations, schools and other recipients, sponsoring civic gardening classes and cooperation with the sponsorship of contests and events related to flowers and greenery.



Sapporo Branch Activities

To contribute to the appearance of Odori Park, the Sapporo Branch has created and maintained a circular flower garden within the park since 1959. In addition, the branch has donated tulip bulbs to Sapporo since 1987. (In fiscal 2005, the branch donated 5,000 tulip bulbs to the city.)



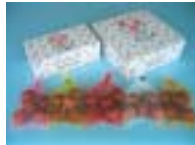
Fukushima Branch Activities

The Fukushima Branch has been a joint sponsor of the Prefectural Flower Campaign since 1968. The campaign motto is “fostering healthy and bright prefectural citizens who are brimming with humanity through nurturing of flowers and greenery.” Activities of the campaign include sponsoring flower-bed contests and civic gardening classes year round, donating flower seeds and building as well as maintaining flower beds in city parks.



Other activities sponsored include drawing contests for students of prefectural primary and secondary schools and distributing flower seeds to the participants. (In fiscal 2005, about 30,000 packets of seeds were donated and distributed.)

Niigata Branch Activities



Since 1995, the Niigata Branch has donated tulip bulbs to primary schools in Niigata City under the motto of “fostering children who will nurture flowers and recognize the important value of the natural environment.” The tulip is the designated flower of Niigata Prefecture and Niigata City. (In fiscal 2005, the branch donated 30,000 bulbs to 114 schools.)

The tulip bulbs donated and distributed by the Bank’s Head Office and branches were grown by the Niigata Flower Bulb Growers Cooperative.

Matsue Branch Activities

The Matsue Branch started to donate tulip bulbs to the Red Cross Blood Donor Center in Shimane Prefecture to provide cooperative assistance for blood drive donation activities in 2005. (In fiscal 2005, the branch donated 1,000 bulbs.) The Red Cross distributes these bulbs to blood donors; a reference to this incentive program is mentioned on the Website of the Japan Red Cross.

Matsuyama Branch Activities

Since 1999, the Matsuyama Branch has provided support for the flower-bed contest conducted as part of the city’s Flower Campaign and donated tulip bulbs and flower seeds. (In fiscal 2005, the branch donated 10,000 bulbs and 24,000 packets of flower seeds.)

Kagoshima Branch Activities

The Kagoshima Branch began to donate morning glory seeds to children in their first year of primary school in 1981, with the aim of “nurturing children’s hearts that cherish nature” (In fiscal 2005, the branch donated 6,000 packets of seeds to 81 schools). Each of the children grows the flowers in individual flowerpots and can enjoy them during the summer season. Seeds obtained after the blooming season are used in educational classrooms and presented to local communities.

Other activities of the Kagoshima Branch include cooperating with social welfare corporations in the creation and maintenance of flower beds in the vicinity of the branch to benefit the community in terms of aesthetic revitalization and social welfare.



Contributing to the Natural Environment and Communities

Other Donations

Each year, the Bank donates school bag covers and book covers to prefectural and municipal governments with the hope of contributing to children's traffic safety and education. These supplies are widely used by members of local communities.



Aomori Branch Activities

Since 1966, the Bank's Aomori Branch has donated school bag covers to first-year students in the cities of Aomori and Hiranai. (In fiscal 2005, the branch donated approximately 3,000.)

Morioka Branch Activities

Each year since 1992, the Morioka Branch has donated book bags to the city of Morioka to provide greater convenience for library users and encourage the greater use of the city's social and educational facilities. (In fiscal 2005, the Bank donated 2,000 book bags.) Also, in recognition of sustained support for this book bag donation effort over many years, the branch received the Award for Action from the Headquarters of the Small Kindness Movement.



Fund-Raising Activities

The Bank is engaged in many types of fund-raising activities through the initiatives of its employees.

Cooperation in Green Fund-Raising

The Bank raises funds for the protection of forest resources, which is managed mainly by the National Land Afforestation Promotion Organization.

Cooperation in Year-End Fund-Raising for the Foundation for Orphans of Marine Casualties

To provide assistance for families of individuals lost at sea, the Bank raises funds to contribute to the foundation for orphans of marine casualties.

Fund-Raising for the NHK Year-End and Overseas Charity Drives

In cooperation with the agricultural and fishery cooperatives, the Bank provides its cooperation and assistance in raising funds for the NHK year-end and overseas charity fund-raisers.





Cooperation in Various Events

To contribute to the preservation of the environment and the betterment of society, the Bank extends its cooperation for supporting various events.

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

The Bank cooperates with the “national convention for the promotion of an abundantly productive sea,” which has been held annually since 1981 and is the largest public event in the marine industry. (The main sponsor is the council for the promotion of an abundantly productive sea and the associate supporter of the event is the Ministry of Agriculture, Forestry and Fisheries.) Through these activities, the Bank aims to heighten awareness of the need to preserve the marine environment and to sustain marine resources, and supports the activities for deepening people’s understanding of the marine products industry.

Cooperation with the Wild Bird Society of Japan

As a special corporate member of the Wild Bird Society of Japan, the Bank supports activities aimed at preserving the natural environment, especially those related to avian wildlife, as well as related research and surveys.

Cooperation with Activities of the Traditional Culture Promotion Association

The Bank supports the promotion of traditional culture in Japan as a sponsoring member of the Traditional Culture Promotion Association.

Overseas Activities

Establishment of the “Norinchukin Fund”

The “Norinchukin Fund” was established by the Bank in 1994 to commemorate the 10th anniversary of the establishment of its New York Branch. Since then, proceeds from the fund’s investments have been contributed to organizations that promote preservation of the natural environment as well as educational and cultural programs. In fiscal 2005, the fund contributed to such cultural facilities as the Metropolitan Museum, Carnegie Hall and Lincoln Center, as well as to the New York City Restoration Project and made contributions to the activities to assist victims of Hurricane Katrina.

Status of Capital and Shareholders

Members and Share Ownership (As of March 31, 2006)

(1) Common Stocks (Excluding lower dividend rate stocks) The face value of one common stock is ¥100.

Type of Organization	Number of Members	Stocks Owned
Agricultural Cooperatives	1,079	746,386,790
Federations of Agricultural Cooperatives	127	3,051,161,220
Forestry Cooperatives	833	19,628,130
Forestry Production Cooperatives	11	14,650
Federations of Forestry Cooperatives	47	22,899,390
Fishery Cooperatives	1,358	42,296,891
Fishery Production Cooperatives	35	254,740
Federations of Fishery Cooperatives	101	343,812,699
Marine Products Processing Cooperatives	49	718,400
Federations of Marine Products Processing Cooperatives	6	672,650
Mutual Insurance Federation of Fishery Cooperative Associations	1	7,064,800
Agricultural Mutual Relief Insurance Associations	35	375,700
Federations of Agricultural Mutual Relief Insurance Associations	42	983,100
Fishing Boat Insurance Associations	20	2,454,350
Agricultural Credit Guarantee Fund Associations	10	139,650
Fishery Credit Guarantee Fund Associations	36	14,856,850
Fishery Mutual Relief Insurance Associations	26	132,000
Federation of Fishery Mutual Relief Insurance Associations	1	292,800
Land Improvement Districts	849	2,885,740
Federations of Land Improvement Districts	4	2,850
Medium and Small-sized Enterprise Cooperative Associations Related to Sericulture, Forestry or Salt Production	19	144,900
Total	4,689	4,257,178,300

(2) Lower Dividend Rate Stocks The face value of one stock is ¥100.

Type of Organization	Number of Members	Stocks Owned
Agricultural Cooperatives	130	1,590,960,000
Federations of Agricultural Cooperatives	36	8,204,590,000
Fishery Cooperatives	1	3,670,000
Federations of Fishery Cooperatives	33	343,780,000
Total	200	10,143,000,000

(3) Preferred Stocks The face value of one stock is ¥100.

Type of Organization	Number of Members	Stocks Owned
Financial Institutions	9	26,787,410
Securities Companies	3	4,462,160
Other Corporations	20	24,541,880
Total	32	55,791,450

Voting Rights of Members

The Norinchukin Bank is the central financial institution for Japan's agricultural, forestry and fishery cooperative system. The supreme management decision-making organization for the Bank is the Council of Delegates, which consists of representative members and substitutes for the general meetings of all shareholders. Unlike stock companies, where one share represents one vote, the voting rights of the members of the Council of Delegates are equal regardless of the number of investment units they own. For this reason, a list of major shareholders has not been included in this report.

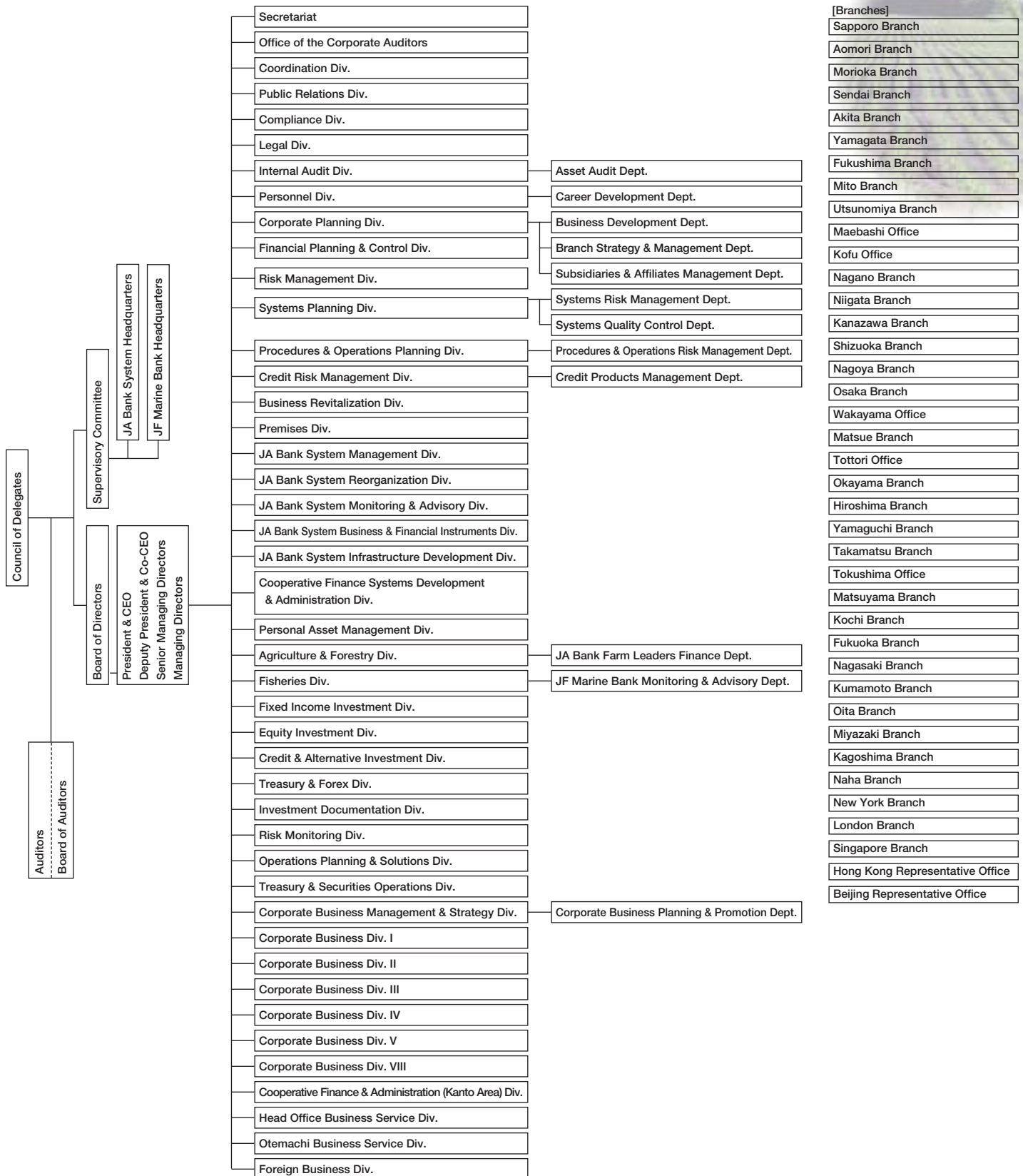
Trends in the Bank's Capital

Date	Increase in Capital	Capital after Increase	Method of Increase
November 30, 1983	15,000	45,000	Allotment
November 30, 1990	30,000	75,000	Allotment
November 30, 1992	25,000	100,000	Allotment
February 16, 1995	24,999	124,999	Private placement
September 25, 1997	150,000	274,999	Allotment
March 25, 1998	850,000	1,124,999	Allotment
November 29, 2002	100,000	1,224,999	Allotment
December 1, 2005	225,717	1,450,717	Allotment
March 30, 2006	14,300	1,465,017	Allotment

Millions of yen

Organizational Diagram

(As of August 1, 2006)



Milestones in the Bank's 82-Year History

- | | |
|---|---|
| <p>1923 • The Bank established with government funds under special legislation as the central bank for industrial cooperatives</p> <p>1938 • Gyokyo joins the Bank</p> <p>1943 • Forestry cooperatives (Shinrinkumiai) join the Bank</p> <p>• The Bank's name officially changed to the Norinchukin Bank</p> <p>1950 • The first Norinchukin Bank debentures issued</p> <p>1959 • Redemption of the government's equity stake completed, thereby becoming a private bank</p> <p>1974 • Foreign exchange operations begin</p> <p>1977 • Investment and trading in foreign currency denominated bonds begin</p> <p>1982 • A representative office opens in New York (the Bank's first overseas foothold)</p> <p>1984 • The New York Representative Office upgraded to branch status</p> <p>1985 • A representative office opens in London</p> <p>1986 • Fiduciary services for corporate bonds begin</p> <p>• Norinchukin International plc opens in London</p> <p>1989 • The Bank's U.S. dollar denominated notes issued in the Euromarket</p> <p>1990 • A representative office opens in Singapore</p> <p>1991 • The London Representative Office upgraded to branch status</p> <p>1993 • The Singapore Representative Office upgraded to branch status</p> <p>• Norinchukin Securities Co., Ltd., established</p> <p>• Norinchukin Investment Trust Management Co., Ltd., established</p> <p>1995 • Preferred stocks issued, opening the way for capital increases through the participation of ordinary investors</p> <p>• The Norinchukin Trust & Banking Co., Ltd., established</p> | <p>1996 • Laws concerning the integration of the Bank and Shinnoren enacted</p> <p>1998 • Issuance of ¥1 trillion in lower dividend rate stock to Shinnoren and Shingyoren and ¥0.5 trillion in subordinated loan transaction completed</p> <p>• Substantial reorganization of the market risk investment sections, updating these to match global asset management styles</p> <p>• Representative offices open in Hong Kong and Beijing</p> <p>2000 • Norinchukin-Zenkyoren Asset Management Co., Ltd., begin</p> <p>2001 • The Norinchukin Bank Law is revised</p> <p>• The law concerning the reorganization and strengthening of credit business by the Bank and specified cooperatives is revised</p> <p>2002 • The JA Banking System begins</p> <p>• A capital increase of ¥100 billion in common stock is conducted, and ¥183 billion in funds is procured through the issuance of perpetual subordinated loans</p> <p>• The consolidation of Shinnoren with the Bank begins</p> <p>2003 • JF Marine Bank implements fundamental policies (January)</p> <p>• Another ¥183 billion is procured through the issuance of perpetual subordinated loans</p> <p>2004 • Norinchukin Securities Co., Ltd., liquidated</p> <p>2005 • Integration of Shinnoren (total of nine)</p> <p>• Increase in capital of ¥225 billion in common stock and perpetual subordinated loans of ¥212 billion</p> <p>2006 • Issuance of lower dividend rate stock to JA in connection with the final integration of Miyagi Shinnoren, amounting to ¥14 billion</p> |
|---|---|

Employees of the Bank

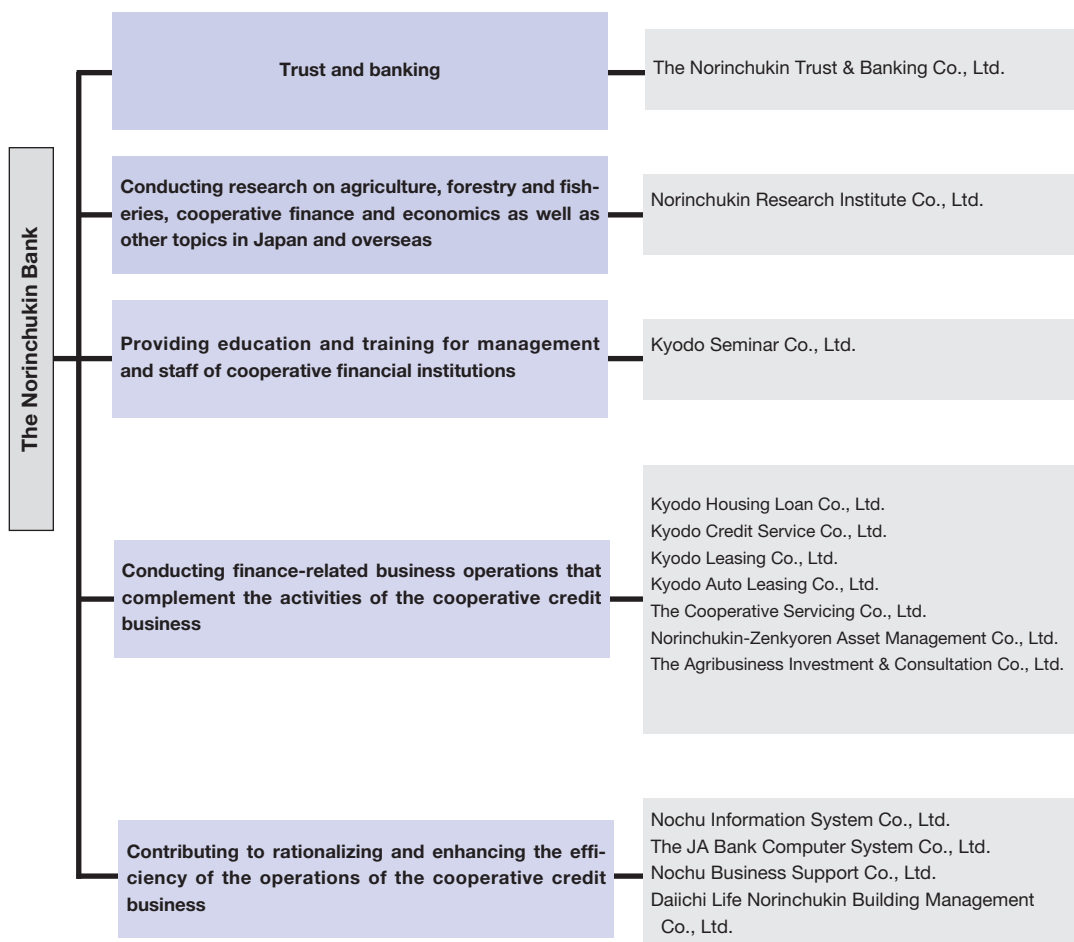
Employees of the Bank

		Fiscal 2004	Fiscal 2005
Number of employees	Administrative	2,651	2,703
	General affairs	79	75
	Total	2,730	2,778
Average age in years/months		38 years, 9 months	39 years, 5 months
Average number of years/months worked		16 years, 1 month	15 years, 8 months
Average monthly salary		¥529,810	¥510,818

Notes:

1. The number of personnel excludes a total of 525 staff (versus 575 in the previous fiscal year) who were employed on a contractual or temporary basis and employees hired overseas.
2. Average monthly salary includes overtime payments in March, but excludes bonus payments.

Diagram of Group Companies



List of Group Companies

As of March 31, 2006

Company Name	Address	Nature of Business	Date of Establishment	Capital (Millions of yen) Bank Ownership/ Group Ownership (%)
The Norinchukin Trust & Banking Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Trust & Banking	August 17, 1995	20,000 100.0/0.0
Kyodo Seminar Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Training	May 25, 1981	20 100.0/0.0
Nochu Information System Co., Ltd.	5-3, Musashino 3-chome, Akishima-City, Tokyo 196-0021, Japan	System Development & Maintenance	May 29, 1981	50 100.0/0.0
Norinchukin Research Institute Co., Ltd.	8-3, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan	Research	March 25, 1986	300 100.0/0.0
Nochu Business Support Co., Ltd.	8-3, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan	Operations for Property Accumulation Savings Various Operations Talent Provider on behalf of The Norinchukin Bank	August 18, 1998	100 100.0/0.0
Kyodo Housing Loan Co., Ltd.	15-3, Chuochu 1-chome, Meguro-ku, Tokyo 152-0001, Japan	Mortgage Loans	August 10, 1979	10,500 90.44/0.0
The JA Bank Computer System Co., Ltd.	East Net Building, 1-1, Toyo 7-chome, Kohto-ku, Tokyo 135-0016, Japan	System Development & Maintenance for JA Bank Group	March 25, 2002	100 60.0/0.0
Kyodo Credit Service Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Credit Card Service	February 1, 1983	200 51.8/0.0
Norinchukin-Zenkyoren Asset Management Co., Ltd.	2-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-0031, Japan	Asset Management & Investment Advice	September 28, 1993	1,920 50.91/0.0
Kyodo Leasing Co., Ltd.	9-17, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo 101-0062, Japan	Leasing	March 24, 1972	6,500 39.0/0.0
Kyodo Auto Leasing Co., Ltd.	9-17, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo 101-0062, Japan	Auto Leasing	September 13, 2005	300 0.0/100.0
The Cooperative Servicing Co., Ltd.	8-3, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan	Management of Non-Performing Loans	April 11, 2001	500 37.96/0.0
The Agribusiness Investment & Consultation Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Investment Consultation to the Agricultural Companies	October 24, 2002	3,400 21.56/0.0
Daiichi Life Norinchukin Building Management Co., Ltd.	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-8420, Japan	Building Maintenance	April 1, 1993	10 27.0/0.0

Notes: 1. The Group share ownership percentage is the percentage of shares owned by members of the Norinchukin Bank Group, excluding ownership by the concerned company itself.

2. Kyodo Auto Leasing Co., Ltd., was established in September 2005 as a wholly owned subsidiary of Kyodo Leasing Co., Ltd.

3. Liquidation procedures for Norinchukin International plc began in September 2004.

Global Network

(As of August 1, 2006)

Overseas Branches

New York Branch

Masanori Shoji, *General Manager*

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

London Branch

Masataka Nakayama, *General Manager*

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

Singapore Branch

Akira Kurihara, *General Manager*

80 Raffles Place, #53-01,
UOB Plaza 1, Singapore 048624
Telephone: 65-6535-1011
Fax: 65-6535-2883
SWIFT: NOCUSGSG
Telex: RS21461

Overseas Representative Offices

Hong Kong Representative Office

Akira Matsuo, *Chief Representative*

34th Floor, Edinburgh Tower,
The Landmark, 15 Queen's Road,
Central, Hong Kong
Telephone: 852-2868-2839
Fax: 852-2918-4430

Beijing Representative Office

Masato Inagaki, *Chief Representative*

Room 601, Chang Fu Gong Building,
Jia-26, Jianguo Men Wai St.,
Beijing, China 100022
Telephone: 86-10-6513-0858
Fax: 86-10-6513-0859

Norinchukin-Zenkyoren Asset Management Co., Ltd.

Yoshiyuki Hata, *President*

2-1, Kyobashi 1-chome,
Chuo-ku, Tokyo 104-0031,
Japan
Telephone: 81-3-5202-8700
Fax: 81-3-5202-0901

Norinchukin Research Institute

Iwao Ohtawa, *President*

8-3, Otemachi 1-chome,
Chiyoda-ku,
Tokyo 100-0004,
Japan
Telephone: 81-3-3243-7311
Fax: 81-3-3270-2870

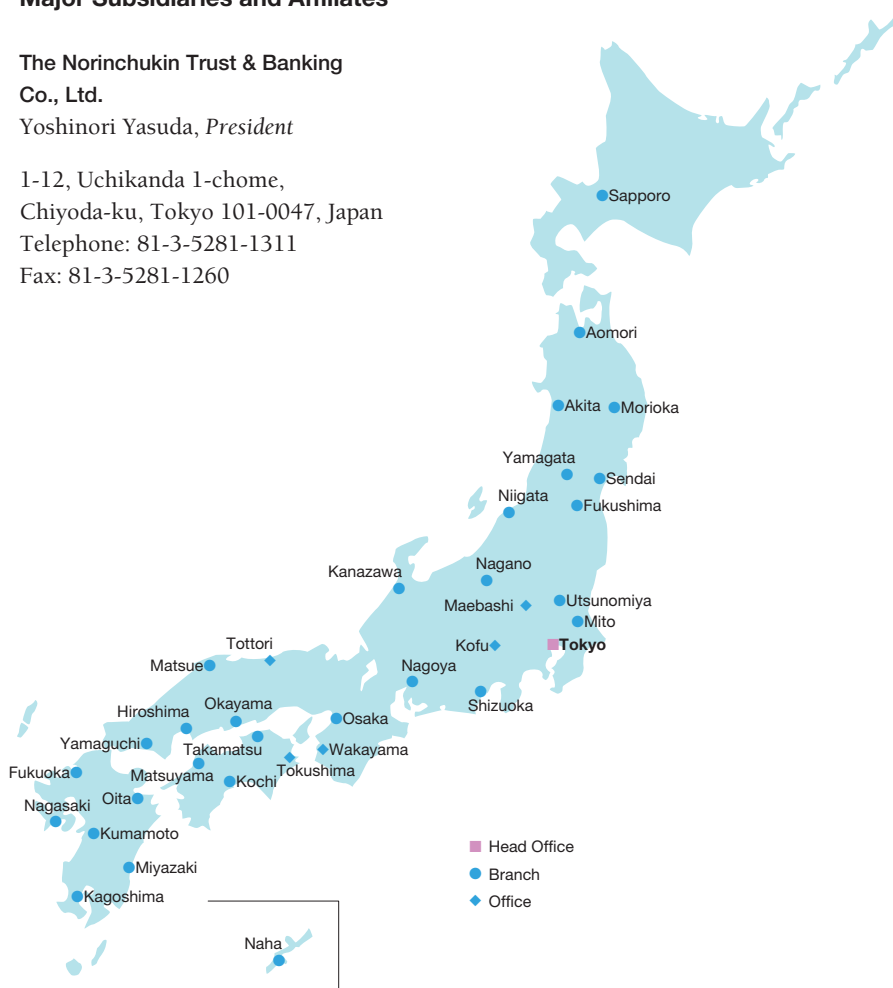


Major Subsidiaries and Affiliates

The Norinchukin Trust & Banking Co., Ltd.

Yoshinori Yasuda, *President*

1-12, Uchikanda 1-chome,
Chiyoda-ku, Tokyo 101-0047, Japan
Telephone: 81-3-5281-1311
Fax: 81-3-5281-1260



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



Hirofumi Ueno
President & Chief
Executive Officer



Junji Sato
Deputy President & Co-
Chief Executive Officer



Shizuharu Kubono
Senior Managing
Director



Yoshio Kono
Senior Managing
Director



Naoaki Yamazaki
Senior Managing
Director



Masanobu Takatani
Managing Director



Toshihiko Tajima
Managing Director

BOARD OF DIRECTORS

President

& Chief Executive Officer

Hirofumi Ueno

Deputy President

& Co-Chief Executive Officer

Junji Sato

Senior Managing Directors

Shizuharu Kubono

Yoshio Kono

Naoaki Yamazaki

Managing Directors

Takashi Kato

Masanobu Takatani

Masataka Miyazono

Hiroshi Matsumoto

Wataru Nemoto

Akira Ozaki

Shuzo Furuya

Toshihiko Tajima

**SUPERVISORY
COMMITTEE**

Isami Miyata

Kazu Kaida

Toshikazu Okawa

Shouji Uemura

Tsuneo Kunii

Katsuei Konno

Shinichi Kumazawa

Kazunori Ishihara

Toshirou Tsushio

Tamotsu Kuwada

Hisami Sunada

Tadashi Endou

Motonori Baba

Iehiro Honma

Mikio Wakatsuki

Hirofumi Ueno

Junji Sato

**BOARD OF
AUDITORS**

Hiroshi Nakagawa

Hideo Gamou

Toshiyuki Nagai

Masaoki Kojima

Yasuhiko Kishi

SUMMARY OF CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2006

In fiscal 2005 (ended March 31, 2006), the Bank's consolidated results encompassed nine consolidated subsidiaries (unchanged) and four equity-method affiliates (one more than in the previous fiscal year).

Below is a summary of the Bank's consolidated results for fiscal 2005.

Principal Balance Sheet Items

Total assets at the end of the fiscal year were at ¥70,818 billion (US\$603 billion), up ¥8,840 billion from the previous fiscal year-end.

On the procurement side, deposits amounted to ¥41,487 billion (US\$353 billion), up ¥608 billion, and reflect the procurement of funds from customers and the markets as well as funding trends at the JA and Shinnoren levels. Also, the balance of debentures totaled ¥4,787 billion (US\$40 billion), up ¥83 billion year to year.

In investing activities, the loan balance fell by ¥3,728 billion from the previous fiscal year-end, to ¥11,963 billion (US\$101 billion), while the balance of investment securities rose ¥8,160 billion, to ¥45,586 billion (US\$388 billion).

Principal Income Statement Items

Interest and dividend income rose ¥469 billion, to ¥1,406 billion (US\$11,978 million), mainly because of a higher average balance of investment securities. Other income rose ¥125 billion, to ¥263 billion (US\$2,244 million). As a result, total income rose ¥634 billion, to ¥1,811 billion (US\$15,428 million). On the other hand, total expenses rose ¥463 billion, to ¥1,445 billion (US\$12,309 million). In consequence, net income increased ¥129 billion from the previous fiscal year, to ¥269 billion (US\$2,295 million).

Capital Adequacy Ratio

The Bank's consolidated capital adequacy ratio calculated according to BIS standards was 12.14% as of March 31, 2006.

Fiscal years ended March 31	Billions of Yen					Millions of U.S. Dollars
	2002	2003	2004	2005	2006	2006
Total Income	¥ 1,619	¥ 1,463	¥ 1,141	¥ 1,176	¥ 1,811	\$ 15,428
Total Expenses	1,528	1,367	953	981	1,445	12,309
Net Income	70	65	144	139	269	2,295
Total Shareholders' Equity	1,881	1,767	2,523	2,901	3,962	33,750
Total Assets	57,579	61,265	61,833	61,978	70,818	603,227

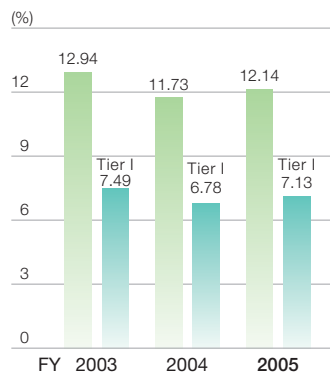
A STRONG CAPITAL BASE FOUNDED ON THE STRENGTH OF THE COOPERATIVE MEMBERSHIP

Capital Adequacy Ratio

The Bank has positioned the enhancement of its equity capital as a top management priority for two fundamental reasons. The first is to meet the diverse needs of cooperative organizations and other customers, and the second is to expand the scope and enhance the stability of earnings-generating activities, as the Bank expands its diverse asset management activities in global markets.

As of March 31, 2006, the Bank's consolidated capital adequacy ratio (based on the 13 consolidated entities) was 12.14% and on a non-consolidated basis stood at 12.10%.

Capital Adequacy Ratio (Consolidated)



Expanding the Bank's Capital and Base of Operations

During fiscal 2005, ended March 31, 2006, the Bank made a substantial increase in its capital. With the cooperation of cooperative organizations, which are the members and shareholders of the Bank, the Bank issued ¥225 billion in common stock and ¥212 billion in perpetual subordinated loans. Moreover, accompanying the integration of the Shinnoren of Miyagi Prefecture, the Bank accepted from JA ¥14 billion in lower dividend rate stock. Along with these increases in capital from outside sources, the Bank reported gains in retained earnings, thus leading to the rise in capital reported for the fiscal year under review.

With the goal of securing medium- to long-term sources of earnings, the Bank has been continuing to actively build its portfolio of high-quality assets. Moreover, together with the conclusion of strategic alliances, the Bank has invested in their equity. However, the Bank's capital adequacy ratio on a consolidated and non-consolidated basis increased over the previous fiscal year accompanying the increases in capital mentioned above.



The Bank regards further improvement in the quality and volume of its capital as a high priority task to secure management soundness going forward and to respond to the needs and trust of cooperative organizations, other customers as well as markets in Japan and overseas. Accordingly, while securing the understanding and cooperation of members of the cooperative organizations, the Bank will work to increase its retained earnings and implement measures to expand its capital, as opportunities present themselves.

Strong Capital Base

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

Major commercial banks in Japan have accepted injections of public funds to rejuvenate financial capabilities and to ensure the smooth provision of credit. In contrast, in view of its strong financial position, the Bank has never applied for the injection of public funds.

Equity Capital

Capital Adequacy Ratio (Consolidated) (As of March 31)

	Billions of Yen		Millions of U.S. Dollars
	2006	2005	2006
Tier I capital			
Capital stock	¥ 1,465	¥ 1,224	\$ 12,479
Included as non-cumulative, perpetual preferred stock	24	24	213
Capital surplus	25	25	213
Earned surplus	992	783	8,451
Minority interests of consolidated subsidiaries ^{(*)1}	5	5	51
Including preferred securities issued by overseas special-purpose corporations	—	—	—
Unrealized loss on other securities	—	—	—
Foreign currency translation adjustments	—	—	—
Goodwill and others	—	—	—
Subtotal (A)	2,488	2,039	21,194
Tier II capital			
45% of unrealized gains on other securities ^{(*)2}	892	498	7,606
45% of unrealized gains on land ^{(*)2}	33	35	282
General reserve for possible loan losses	122	150	1,046
Qualifying subordinated debt	1,101	888	9,383
Included as perpetual subordinated loans	579	367	4,940
Included as subordinated loans and preferred stock with maturity dates	521	521	4,443
Subtotal	2,150	1,573	18,317
Tier II capital included as qualifying capital (B)	2,150	1,573	18,317
Deductions (C)	402	87	3,430
Total capital			
(D) = (A) + (B) - (C)	4,235	3,525	36,081
Risk adjusted assets			
On-balance-sheet ^{(*)1}	30,989	26,574	263,966
Off-balance-sheet	1,007	1,000	8,579
Assets equivalent to market risk ((E)/8%)	2,883	2,465	24,563
(For reference: Actual market risk volume) (E)	230	197	1,965
Subtotal (F)	¥34,880	¥30,041	\$297,108
BIS Capital Adequacy Ratio (D)/(F)	12.14%	11.73%	

The Norinchukin Bank's capital adequacy ratio on a consolidated basis is computed based on the formula contained in Notification No. 7 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries (Standards for Judging the Soundness of Management of the Norinchukin Bank) issued in 2003 (referred to hereinafter as "the Notification"). The Bank for International Settlements (BIS) capital adequacy standards apply to the Norinchukin Bank, and it has introduced market risk restrictions.

In computing the Bank's consolidated capital adequacy ratio, based on Provisional Measures for Conduct of Outside Audits Related to the Computation of Capital Ratios Based on the "Practical Guidelines Related to Outside Audits of Internal Control Systems of Financial Institutions" (Report No. 30 of the By-Industry Audit Committee of the Japan Association of Certified Public Accountants), the Bank is audited by Chuo Aoyama & Co., an outside, independent accounting firm. This audit is an integral part of the agreed-upon examination procedures for internal control systems related to the computation of capital ratios and is not an audit of portions of the consolidated financial statements. Accordingly, the independent accounting firm is not in a position to express an opinion on the capital ratio.

Notes: *1: The figures for fiscal 2004 have been adjusted to be consistent with methods for computing capital ratios applied in fiscal 2005.

*2: This amount corresponds to the intended holding of fund-raising instruments of other financial institutions as defined in Article 7-1 of the Notification, and the holding of the fund-raising instruments of subsidiaries and affiliates engaged in the provision of financial services. The figures for fiscal 2004 have been adjusted appropriately to be consistent with methods for computing capital ratios applied in fiscal 2005.

Capital Adequacy Ratio (Non-consolidated) (As of March 31)

	Billions of Yen		Millions of U.S. Dollars
	2006	2005	2006
Tier I capital			
Capital stock	¥ 1,465	¥ 1,224	\$ 12,479
Included as non-cumulative, perpetual preferred stock	24	24	213
Capital surplus	24	24	213
Other capital surplus	0	0	0
Earned surplus	324	269	2,760
Voluntary reserves	597	461	5,093
Earned surplus carried forward to next year	56	40	478
Unrealized loss on other securities	—	—	—
Goodwill	—	—	—
Subtotal (A)	2,468	2,021	21,023
Tier II capital			
45% of unrealized gains on other securities ^{(*)1}	892	498	7,606
45% of unrealized gains on land ^{(*)1}	33	35	282
General reserve for possible loan losses	121	148	1,033
Qualifying subordinated debt	1,101	888	9,383
Included as perpetual subordinated loans	579	367	4,940
Included as subordinated loans with maturity dates	521	521	4,443
Subtotal	2,148	1,571	18,304
Tier II capital included as qualifying capital (B)	2,148	1,571	18,304
Deductions ^{(*)1} (C)	388	74	3,308
Total capital			
(D) = (A) + (B) - (C)	4,228	3,518	36,019
Risk adjusted assets			
On-balance-sheet ^{(*)2}	31,050	26,651	264,483
Off-balance-sheet	1,006	1,000	8,577
Assets equivalent to market risk ((E)/8%)	2,883	2,465	24,563
(For reference: Actual market risk volume) (E)	230	197	1,965
Subtotal (F)	¥34,940	¥30,118	\$297,623
BIS Capital Adequacy Ratio (D)/(F)	12.10%	11.68%	

The Norinchukin Bank's capital adequacy ratio is computed based on the formula contained in Notification No. 7 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries (Standards for Judging the Soundness of Management of the Norinchukin Bank) issued in 2003 (referred to hereinafter as "the Notification"). The Bank for International Settlements (BIS) capital adequacy standards apply to the Norinchukin Bank, and it has introduced market risk restrictions.

In computing the Bank's non-consolidated capital adequacy ratio, based on Provisional Measures for Conduct of Outside Audits Related to the Computation of Capital Ratios Based on the "Practical Guidelines Related to Outside Audits of Internal Control Systems of Financial Institutions" (Report No. 30 of the By-Industry Audit Committee of the Japan Association of Certified Public Accountants), the Bank is audited by Chuo Aoyama & Co., an outside, independent accounting firm. This audit is an integral part of the agreed-upon examination procedures for internal control systems related to the computation of capital ratios and is not an audit of portions of the financial statements. Accordingly, the independent accounting firm is not in a position to express an opinion on the capital ratio.

Notes: *1: This amount corresponds to the intended holding of fund-raising instruments of other financial institutions as defined in Article 18-1 of the Notification. The figures for fiscal 2004 have been adjusted appropriately to be consistent with methods for computing capital ratios applied in fiscal 2005.

*2: Figures for fiscal 2004 have been adjusted to be consistent with methods for computing capital ratios applied in fiscal 2005.

TAKING STEADY MEASURES TO DEAL WITH NONPERFORMING EXPOSURE

Framework for Ensuring Asset Soundness

The Bank works to continually ensure the soundness of its assets by applying a three-step process to its loans and other credit exposure outstanding to each debtor. The three steps are (1) assigning internal credit ratings to obligors, (2) conducting self-assessments of its credit portfolio and (3) making reserve provisions and write-offs.

Internal Credit Ratings

The Bank assigns an internal credit rating to each obligor based on comprehensive qualitative and quantitative analysis of the obligor's financial condition. As part of this credit rating process, to ensure the Bank acts properly and in a timely fashion, internal ratings are reviewed "periodically" based on financial data when it is disclosed and reviewed on an "as needed" basis in consideration of a change in the status of an obligor's creditworthiness.

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

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

Self-Assessments

Self-assessments are conducted four times per year: in March, June, September and December.

The self-assessment process first involves categorizing debtors according to the Bank's internal ratings. There are five such categories: standard debtors, substandard debtors, doubtful debtors, debtors in default and debtors in bankruptcy. Next, within each of these categories, individual credit customer obligations are ranked according to the risk of impairment in one of four asset categories: I, II, III and IV.

Write-Offs and Reserve Provisions

Write-offs and reserve provisions are made in accordance with the standards set by the Bank for each category of obligors.

For claims on standard debtors and substandard debtors, the Bank makes provisions to the general reserve for possible loan losses based on the projected loss rate, which is calculated from historical data on losses, including defaults, for each group. In addition, for those debtors within the substandard category to which the Bank has substantial credit exposure and are classified as being in need of control, reserves are provisioned on an individual basis using the discounted cash flow (DCF) method. Moreover, for claims on doubtful debtors and below, reserves are provisioned for individual loans based on the calculation of the amount deemed necessary for exposure in Category III that are not covered by guarantees or collateral.

Method of Write-Offs and Reserve Provisions by Asset Category

Internal Ratings	Self-Assessments		Write-Off and Reserving Method	
	Debtor classification	Asset category		
1-1 1-2 2 3 4 5 6 7	Standard debtors	Category I	Provisions to the general reserve for possible loan losses based on projected loss amount, calculated as credit exposure multiplied by the historical loss ratio.	General Reserve for Possible Loan Losses
8-1 8-2 8-3 8-4	Substandard debtors • Other substandard debtors • Debtors under requirement of control	II	Provisions to the general reserve for possible loan losses based on the projected loss amount, calculated as credit exposure multiplied by the historical loss ratio for each group, which are categorized according to creditworthiness. Substandard group further segmented into “other substandard debtors” and “debtors under requirement of control,” with provisions based on the discounted cash flow (DCF) method for large loans to debtors, with additional consideration given to the financial condition and credit status of the latter subcategory.	
9	Doubtful debtors	III	Provisions to the specific reserve for possible loan losses in amounts as necessary for Category III loans (for the portion unlikely to be recovered through collateral or guarantees) for individual debtors.	Specific Reserve for Possible Loan Losses
10-1 10-2	Debtors in default Debtors in bankruptcy	IV	For Category IV loans (portions determined to have zero value and/or be irrecoverable), the entire amount is basically removed from the balance sheet through direct write-offs, even if there are no related tax benefits. For Category III loans, provisions to the specific reserve for possible loan losses are made to cover the entire amount.	

Debtor Classification

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

Asset Categories

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

Disposal of Nonperforming Loans

Credit costs in fiscal 2005 declined ¥53 billion from the level of the previous fiscal year, to a minus ¥42 billion. This was because of improvement in business conditions and repayments of claims, which reduced the balances of claims on substandard debtors and claims on doubtful debtors, thus leading to a marked decline in provisions to the general reserve for possible loan losses and the specific reserve for possible loan losses. As a result, total reserves for possible loan losses were ¥226 billion.

The Bank also continued to move nonperforming loans off its balance sheet, and, in fiscal 2005, a total of ¥121 billion in such loans were taken off the balance sheet through sales and recovery. Meanwhile, the application of stricter standards in determining debtor categories added ¥51 billion to the categories of doubtful debtors and below.

Credit Costs in Fiscal 2005 (On a Non-Consolidated Basis)

	Billions of Yen	Millions of U.S. Dollars
Loan write-offs	¥ 1	\$ 10
Provisions to specific reserve for possible loan losses	(16)	(139)
Provisions to general reserve for possible loan losses	(27)	(233)
Provisions to reserve for specified overseas debts	(0)	(1)
Other	0	1
Total credit costs	¥(42)	\$(362)

Note: Yen amounts have been translated, for convenience only, at ¥117.4 to U.S.\$1.00. "Billion" is used in the American sense of one thousand million.

Disclosure of Nonperforming Loans

Risk-Managed Loans

Risk-managed loans fall into one of four categories: (a) loans with principal or interest payments three months or more in arrears, (b) restructured loans (loans for which the terms and conditions of the original loan agreement have been redrawn in favor of the borrower, including reducing interest rates and/or exempting interest payments to support or help rehabilitate the obligor), (c) delinquent loans which are classified as non-accrual, other than (i) "Loans to debtors in legal bankruptcy" and (ii) loans for which the Bank has rescheduled interest payments, with the aim of providing restructuring assistance and support and (d) loans to borrowers under bankruptcy proceedings.

As of March 31, 2006, risk-managed loans totaled ¥291 billion, or 2.44% of total loans outstanding of the Bank. Compared with the previous fiscal year-end, total risk-managed loans declined ¥181 billion. Although loans to borrowers under bankruptcy increased ¥11 billion, the balance of claims classified as past due loans declined ¥76 billion, and the balance of restructured loans was down ¥116 billion, thus bringing an overall decline in risk-managed loans.

Loans to overseas borrowers accounted for 2% of risk-managed loans, with ¥1 billion in Europe and ¥4 billion in the United States.

Risk-Managed Loans by Industry

	Billions of Yen	Millions of U.S. Dollars	Percent of Total
Domestic	¥286	\$2,436	100.0%
Manufacturing	80	683	28.0%
Primary industries	54	464	19.0%
Construction	1	11	0.5%
Wholesale, retail and restaurants	83	710	29.2%
Finance and insurance	21	179	7.4%
Real estate	2	22	0.9%
Electric power, gas, heat supply and water	—	—	—
Transportation and communication	4	34	1.4%
Services	39	333	13.6%
Regional governments	—	—	—
Other	0	0	0.0%
International	5	50	100.0%
Governments, etc	—	—	—
Financial institutions	—	—	—
Other	5	50	100.0%

Claims Disclosed under the Financial Revitalization Law (For Reference)

Under Article 6 of the Law Concerning Emergency Measures for Early Stabilization of Financial Functions (Law No. 132, 1998), banks are required to disclose nonperforming loans according to the following classification: (a) Special attention (basically loans for which principal and/or interest payments are in arrears by three months or more and restructured assets with changes in terms and conditions); (b) Doubtful (loans to debtors who have not gone bankrupt but are in financial difficulties, and thus whose lenders are unlikely to receive the principal and interest concerned on the due dates); and (c) Bankrupt or De facto bankrupt (loans to debtors who are legally and formally bankrupt, i.e., in the process of liquidation, reorganization and rehabilitation, or virtually bankrupt with no prospect of rehabilitation).

“Bankrupt or De facto bankrupt” loans totaled ¥15 billion; “Doubtful” loans amounted to ¥166 billion; and “Special attention” loans totaled ¥114 billion, making a total of ¥296 billion, down ¥187 billion from the previous year.

The total coverage ratio for claims disclosed under the Financial Revitalization Law was 83.4% (calculated as the amount of coverage—provided by collateral, guarantees, the specific reserve for total loan losses and the portion of the general reserve for possible loan losses applicable to “Special attention”—divided by the total amount of disclosed claims).

Nonperforming Loans

Policy Going Forward

The Bank will continue to implement its credit management processes—namely, assigning internal ratings, conducting self-assessments of assets and making write-offs and reserve provisions—in a timely and thoroughgoing manner. In cases where the Bank determines that rehabilitation of a debtor would be difficult even with the concerted efforts of the debtor and the support of financial institutions, the Bank will carry out final disposals by selling such claims and other means.

The Program for Financial Revival, issued in October 2002, is a plan for the stabilization of Japan's financial system, and it calls for major banks to reduce their nonperforming loan ratios through the application of stricter assessments and other initiatives to achieve stability in the financial system. The Bank has worked to reduce its nonperforming loan ratio in line with the basic policy of the financial authorities. The Bank is committed to maintaining a low ratio of nonperforming loans and moving forward with the disposal of such exposure to further improve its nonperforming loan ratio.

Moreover, the Bank will pursue appropriate credit risk management and steadily move nonperforming loans off its balance sheet. In conjunction with these initiatives, the Bank will step up its efforts to generate returns commensurate with risk by implementing more-advanced risk management methods, while sustaining the soundness of its assets as well as its profit performance.

The Norinchukin Bank's Debtor Classification and Reserves for Possible Loan Losses (As of March 31, 2006)

(Billions of Yen)

Self-Assessments				Reserves for possible loan losses	Claims disclosed under the Financial Revitalization Law	Risk-managed loans (Note 2)	
Debtor classification	Category I	Category II	Category III				Category IV
Debtors in bankruptcy Debtors in default	Portion deemed to be recoverable through collateral or guarantees		Provisions are made to cover the entire amount.	Specific reserve for possible loan losses 104	Bankrupt or De facto bankrupt 15	Loans to borrowers under bankruptcy proceedings 12	
Doubtful debtors	Portion deemed to be recoverable through collateral or guarantees		Provision ratio: 84.1%		General reserve for possible loan losses 121 (Note 1)	Doubtful 166	Delinquent loans 165 (Note 3)
Substandard debtors	Special attention	Provision ratio of the uncovered portion: 47.4%				Special attention 114	Loans with principal or interest payments three months or more in arrears —
	(Claims on debtors under requirement of control)	Claims on substandard debtors other than "Special Attention"		Standard loans 11,893	Restructured loans 113		
Other substandard debtors							
Standard debtors							

Notes: 1. The expected default ratios for computing the provisions to the general reserve for possible loan losses are 0.53% for standard debtors, 11.48% for substandard debtors (excluding claims under requirement of control), and 15.01% 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.

3. The category of loans classified as delinquent loans includes ¥0.9 billion in claims for which the forestry cooperatives and others act as intermediaries for which the borrowers are classified as substandard debtors in the Bank's self-assessments in view of the credit condition of the borrowers.

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The Norinchukin Bank and Subsidiaries

Consolidated Balance Sheets
As of March 31, 2006 and 2005

As of March 31	Millions of Yen		Millions of U.S. Dollars (Note 1)	
	2006	2005	2006	
Assets				
Cash and Due from Banks (Note 31)	¥ 1,328,936	¥ 2,385,245	\$ 11,320	
Call Loans and Bills Purchased	1,051,567	429,463	8,957	
Receivables under Resale Agreements	601,187	-	5,121	
Collateral Deposited under Securities Borrowed	875,332	19,321	7,456	
Commercial Paper and Other Debt Purchased	755,291	837,847	6,434	
Trading Assets (Note 3)	69,309	383,701	590	
Money Held in Trust	7,551,691	4,154,667	64,324	
Securities (Note 4)	45,586,152	37,425,281	388,298	
Loans and Bills Discounted (Note 5)	11,963,996	15,692,220	101,908	
Foreign Exchange Assets (Note 6)	20,129	8,828	171	
Other Assets (Note 7)	847,400	588,069	7,218	
Premises and Equipment (Note 8)	165,210	173,641	1,407	
Deferred Debenture Discounts	132	180	1	
Deferred Tax Assets (Note 17)	2,780	3,377	24	
Customers' Liabilities for Acceptances and Guarantees (Note 18)	229,484	195,576	1,955	
Reserve for Possible Loan Losses	(229,748)	(318,809)	(1,957)	
Total Assets	¥ 70,818,853	¥ 61,978,612	\$ 603,227	
Liabilities, Minority Interests and Shareholders' Equity				
Liabilities				
Deposits (Note 10)	¥ 41,487,550	¥ 40,879,067	\$ 353,386	
Debentures (Note 11)	4,787,514	4,704,361	40,779	
Call Money and Bills Sold	5,043,340	3,892,447	42,959	
Payables under Repurchase Agreements	7,599,379	3,869,804	64,731	
Collateral Received under Securities Loaned	3,559,998	2,135,835	30,324	
Trading Liabilities (Note 12)	32,888	52,230	280	
Borrowings (Note 13)	1,101,537	888,638	9,383	
Foreign Exchange Liabilities (Note 14)	0	56	0	
Other Liabilities (Note 15)	2,434,661	2,186,707	20,738	
Reserve for Bonus Payments	5,052	4,769	43	
Reserve for Retirement Benefits (Note 16)	7,983	8,935	68	
Deferred Tax Liabilities (Note 17)	535,587	228,426	4,562	
Deferred Tax Liabilities Relating to Land Revaluation	25,647	24,906	218	
Acceptances and Guarantees (Note 18)	229,484	195,576	1,955	
Total Liabilities	66,850,625	59,071,763	569,426	
Minority Interests				
Minority Interests	6,015	5,300	51	
Shareholders' Equity				
Paid-in Capital (Note 21)	1,465,017	1,224,999	12,479	
Capital Surplus	25,020	25,020	213	
Retained Earnings	1,057,616	833,818	9,009	
Land Revaluation Reserve	47,974	55,050	409	
Net Unrealized Gains on Securities, net of taxes	1,366,583	762,659	11,640	
Total Shareholders' Equity	3,962,212	2,901,548	33,750	
Total Liabilities, Minority Interests and Shareholders' Equity	¥ 70,818,853	¥ 61,978,612	\$ 603,227	

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

The Norinchukin Bank and Subsidiaries

Consolidated Statements of Operations
For the fiscal years ended March 31, 2006 and 2005

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Income			
Interest and Dividend Income:			
Interest on Loans and Bills Discounted	¥ 109,422	¥ 120,714	\$ 932
Interest on, and Dividends from, Securities	1,240,014	772,320	10,562
Other Interest Income (Note 22)	56,858	44,032	484
Fees and Commissions	24,551	24,929	209
Trading Revenue (Note 23)	427	495	4
Other Operating Income (Note 24)	116,538	75,877	993
Other Income (Note 25)	263,392	138,153	2,244
Total Income	1,811,205	1,176,524	15,428
Expenses			
Interest Expense:			
Interest on Deposits	191,736	96,199	1,633
Interest on Debentures	25,884	31,342	221
Interest on Borrowings	7,876	7,257	67
Other Interest Expenses (Note 26)	975,479	542,055	8,309
Fees and Commissions	10,082	10,117	86
Trading Losses (Note 27)	280	165	2
Other Operating Expenses (Note 28)	100,791	85,341	859
General and Administrative Expenses	116,367	114,495	991
Other Expenses (Note 29)	16,519	94,849	141
Total Expenses	1,445,018	981,825	12,309
Income before Income Taxes and Minority Interests	366,187	194,698	3,119
Income Taxes:			
Current	63,636	46,271	542
Deferred	32,653	7,749	278
Minority Interests in Net Income	520	724	4
Net Income	¥ 269,376	¥ 139,951	\$ 2,295
	Yen		U.S. Dollars (Note 1)
	2006	2005	2006
Net Income per Share	¥ 94.21	¥ 64.81	\$ 0.80

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

The Norinchukin Bank and Subsidiaries

Consolidated Statements of Capital Surplus and Retained Earnings
For the fiscal years ended March 31, 2006 and 2005

	Millions of Yen		Millions of U.S. Dollars (Note 1)	
	2006	2005	2006	
Capital Surplus				
Balance at the Beginning of the Year	¥ 25,020	¥ 25,020	\$	213
Balance at the End of the Year	¥ 25,020	¥ 25,020	\$	213
Retained Earnings				
Balance at the Beginning of the Year	¥ 833,818	¥ 723,322	\$	7,102
Additions:				
Net Income for the Year	269,376	139,951		2,295
Transfer from Land Revaluation Reserve	4,362	20,270		37
Deductions:				
Dividends	49,940	48,212		425
Change due to exclusion of subsidiaries from consolidation	-	1,513		-
Balance at the End of the Year	¥ 1,057,616	¥ 833,818	\$	9,009

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

The Norinchukin Bank and Subsidiaries

Consolidated Statements of Cash Flows
For the fiscal years ended March 31, 2006 and 2005

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Cash Flows from Operating Activities:			
Income before Income Taxes and Minority Interests	¥ 366,187	¥ 194,698	\$ 3,119
Depreciation of Premises and Equipment	6,701	6,491	57
Losses on Impairment of Fixed Assets	1,596	29,488	14
Amortization of Goodwill	385	-	3
Share of Earnings of Affiliates	(198)	(641)	(2)
Net Decrease in Reserve for Possible Loan Losses	(89,060)	(49,677)	(759)
Net Increase in Reserve for Bonus Payments	282	346	2
Net Decrease in Reserve for Retirement Benefits	(951)	(428)	(8)
Interest and Divided Income	(1,406,295)	(937,067)	(11,979)
Interest Expense	1,200,977	676,854	10,230
Losses on Securities	349	111,377	3
Gains on Money Held in Trust	(60,091)	(20,214)	(512)
Foreign Exchange Gains	(1,867,922)	(427,161)	(15,911)
(Gains) Losses on Sales of Premises and Equipment	(2,547)	1,451	(22)
Net Decrease in Trading Assets	314,392	106,031	2,678
Net Decrease in Trading Liabilities	(19,341)	(15,630)	(165)
Net Decrease in Loans and Bills Discounted	3,728,223	2,106,860	31,757
Net Increase (Decrease) in Deposits	19,261	(518,901)	164
Net Increase in Negotiable Certificates of Deposit	589,221	106,112	5,019
Net Increase (Decrease) in Debentures	83,152	(509,454)	708
Net Decrease in Borrowings (Excluding Subordinated Borrowings)	(0)	(43)	(0)
Net Decrease in Interest-bearing Due from Banks	1,039,887	1,415,894	8,857
Net Increase in Call Loans and Bills Purchased and Other	(1,140,734)	(191,163)	(9,717)
Net (Increase) Decrease in Collateral Deposited under Securities			
Borrowed	(856,011)	308,165	(7,291)
Net Increase in Call Money and Bills Sold and Other	4,880,467	851,382	41,571
Net Decrease in Short-term Entrusted Fund	(26,364)	(143,238)	(224)
Net Increase in Collateral Received under Securities Loaned	1,424,162	26,358	12,131
Net (Increase) Decrease in Foreign Exchanges Assets	(11,301)	6,790	(96)
Net Decrease in Foreign Exchanges Liabilities	(55)	(272)	(0)
Interest Received	1,379,403	980,868	11,750
Interest Paid	(1,168,880)	(667,043)	(9,956)
Other, Net	22,707	353,030	194
Subtotal	8,407,599	3,801,263	71,615
Income Taxes	(46,983)	(48,292)	(400)
Net Cash Provided by Operating Activities	¥ 8,360,615	¥ 3,752,971	\$ 71,215

The Norinchukin Bank and Subsidiaries

Consolidated Statements of Cash Flows, continued
For the fiscal years ended March 31, 2006 and 2005

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Cash Flows from Investing Activities:			
Purchases of Securities	¥ (13,642,925)	¥ (11,395,880)	\$ (116,209)
Proceeds from Sales of Securities	4,350,801	5,034,461	37,060
Proceeds from Redemption of Securities	3,341,382	3,159,833	28,462
Increase in Money Held in Trust	(4,905,132)	(1,684,658)	(41,781)
Decrease in Money Held in Trust	2,073,390	1,410,722	17,661
Purchases of Premises and Equipment	(8,708)	(6,181)	(74)
Proceeds from Sales of Premises and Equipment	11,441	2,467	97
Purchases of Stocks of Subsidiaries (no effecting changes in the scope of consolidation)	(191)	-	(2)
Net Cash Used in Investing Activities	¥ (8,779,941)	¥ (3,479,235)	\$ (74,786)
Cash Flows from Financing Activities:			
Proceeds from Issuance of Subordinated Borrowings	¥ 212,900	¥ -	\$ 1,813
Proceeds from Issuance of Stock	240,017	-	2,044
Dividends Paid	(49,940)	(48,212)	(425)
Dividends Paid to Minority Interests	(9)	(9)	(0)
Net Cash Provided by (Used in) Financing Activities	¥ 402,967	¥ (48,222)	\$ 3,432
Effect of Exchange Rate Changes on Cash and Cash Equivalents	¥ -	¥ 0	\$ -
Net (Decrease) Increase in Cash and Cash Equivalents	(16,357)	225,514	(139)
Cash and Cash Equivalents at the Beginning of the Year	693,833	468,565	5,910
Net Decrease in Cash and Cash Equivalents due to exclusion of subsidiaries from consolidation	-	(246)	-
Cash and Cash Equivalents at the End of the Year	¥ 677,476	¥ 693,833	\$ 5,771

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

The Norinchukin Bank and Subsidiaries

Notes to the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

Amounts in U.S. dollars are included solely for the convenience of readers. The exchange rate of ¥117.40=U.S.\$1, the approximate rate of exchange prevailing on March 31, 2006, has been used for translation purposes. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been, or could be, readily converted, realized or settled in U.S. dollars at the aforementioned rate or at any other rate.

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

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

Scope of Consolidation

Subsidiaries

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

The number of subsidiaries as of March 31, 2006 was nine, all of which were consolidated.

The major consolidated subsidiaries are as follows:

The Norinchukin Trust & Banking Co., Ltd.

Norinchukin Business Support Co., Ltd.

All subsidiaries' fiscal year-ends are March 31.

Affiliates

Affiliates are, in general, the companies, other than subsidiaries, in which the Bank 1) holds, directly and/or indirectly, 20% or more of the voting shares; 2) holds, directly and/or indirectly, 15% or more of the voting shares and also is able to influence the decision-making body through sharing of personnel, provision of finance and technology, and other relationships; or 3) holds more than 20% of the voting shares together with those entities that would vote or agree to vote with the Bank due to their close

relationship with the Bank through sharing of personnel, provision of finance and technology and other relationships and, at the same time, is able to influence the decision-making body in a material degree, unless evidence exists which shows that the Bank does not have such influence.

The number of affiliates as of March 31, 2006 was five, four of which were accounted for under the equity method, while the remaining immaterial affiliate is carried at cost. The major affiliate accounted for under the equity method is as follows:

Kyodo Leasing Co., Ltd.

Kyodo Auto Leasing Co., Ltd., established as a wholly owned subsidiary of Kyodo Leasing Co., Ltd., was newly accounted for under the equity method.

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

(2) Transactions for Trading Purposes

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

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

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

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

(3) Financial Instruments

(a) Securities

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

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

(b) Derivatives

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

(c) Hedge Accounting

① Hedge of Interest Rate Risk

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

bucket. Hedge effectiveness of a cash flow hedge is assessed based on the correlation between the interest rate risk factor of the hedged items and that of the hedging instruments.

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

The unamortized balance of Deferred Hedge Losses and Deferred Hedge Gains under a macro hedging methodology as of March 31, 2006 and 2005 were ¥51,958 million (\$442 million) and ¥1,069 million, respectively.

②Hedge of Foreign Exchange Rate Risk

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

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

③Internal Derivative Transactions

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

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

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

(4) Premises and Equipment

①Depreciation

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

The useful lives of premises and equipment are as follows:

Buildings: 15~50 years

Equipment: 4~15 years

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

② Land Revaluation

In accordance with the Law Concerning the Revaluation of Land, effective as of March 31, 1998, land used for business purposes has been revalued as of March 31, 1998. Unrealized gains arising on revaluation, net of deferred tax, are disclosed as Land Revaluation Reserve and included in Shareholders' Equity on the consolidated balance sheets. The related deferred tax liability is included in Liabilities as Deferred Tax Liabilities Relating to Land Revaluation.

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

(5) Software

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

(6) Debentures

Debenture expenses are charged to income as incurred.

(7) Foreign Currency Translation

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

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

(8) Reserve for Possible Loan Losses

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

- a. The reserve for loans to debtors that are legally or substantially bankrupt is provided based on the remaining amount of the loans after the direct write-off described below and the deduction of the amount expected to be collected through the disposal of collateral or the execution of guarantees. With respect to loans to borrowers who are legally or substantially in bankruptcy that are secured with collateral or guarantees, the remaining amount of the loan, after the deduction of the amount of collateral or the execution of guarantees, is directly written off. Direct write-offs were ¥72,709 million (\$619 million) and ¥55,936 million for the fiscal years ended March 31, 2006 and 2005, respectively.
- b. The reserve for loans to debtors who are not currently bankrupt, but are likely to become bankrupt, is provided after taking into account an overall solvency assessment of the debtor and after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- c. The reserve for loans to debtors that have "Restructured Loans" (see Note 5(3)), and whose loans exceed a certain specific amount, is provided based on the Discounted Cash Flows Method if the future cash flows of the principal and interest can be reasonably estimated. Under the Discounted Cash Flows Method, the reserve is recognized as the difference between the book value of the loan and its present value of expected future cash flows, discounted by the contractual interest rate before the terms of the loan were restructured.
- d. The reserve for loans other than those indicated above, is provided primarily based on the default rate which the Bank has calculated based on actual defaults experienced in the past.
- e. The specific reserve for loans to countries with financial problems is provided based on the expected amount of losses taking into account the political, economic and other conditions in each country.

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

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

(9) Reserve for Bonus Payments

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

(10) Reserve for Retirement Benefits

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

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

(11) Accounting for Finance Leases

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

(12) Consumption Taxes

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

(13) Income Taxes

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

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

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

(15) Net Income per Share

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

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

3. Trading Assets

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	
As of March 31				
Trading Securities	¥ 14,210	¥ 21,916	\$	121
Derivatives of Trading Securities	9	-		0
Derivatives of Securities Related to Trading Transactions	10	57		0
Trading-related Financial Derivatives	34,080	52,863		290
Other Trading Assets	20,998	308,864		179
Total	¥ 69,309	¥ 383,701	\$	590

4. Securities

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	
As of March 31				
Japanese Government Bonds	¥ 13,879,074	¥ 12,889,388	\$	118,220
Municipal Government Bonds	107,083	198,696		912
Corporate Bonds	623,409	711,377		5,310
Stocks	1,195,909	623,829		10,187
Other	29,780,675	23,001,989		253,669
Total	¥ 45,586,152	¥ 37,425,281	\$	388,298

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

	Millions of Yen			
	1 Year or Less	Over 1 Year ~ 5 Years	Over 5 Years ~ 10 Years	Over 10 Years
As of March 31, 2006				
Bonds	¥ 1,200,869	¥ 3,715,264	¥ 3,666,468	¥ 6,026,964
Japanese Government Bonds	1,099,886	3,384,632	3,379,432	6,015,122
Municipal Government Bonds	34,747	69,500	2,073	762
Corporate Bonds	66,235	261,131	284,962	11,080
Other	252,625	2,988,201	6,209,742	4,737,406
Total	¥ 1,453,495	¥ 6,703,465	¥ 9,876,211	¥ 10,764,371

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

	Millions of U.S. Dollars			
	1 Year or Less	Over 1 Year ~ 5 Years	Over 5 Years ~ 10 Years	Over 10 Years
As of March 31, 2006				
Bonds	\$ 10,229	\$ 31,646	\$ 31,231	\$ 51,337
Japanese Government Bonds	9,369	28,830	28,786	51,236
Municipal Government Bonds	296	592	18	7
Corporate Bonds	564	2,224	2,427	94
Other	2,152	25,453	52,894	40,353
Total	\$ 12,381	\$ 57,099	\$ 84,125	\$ 91,690

5. Loans and Bills Discounted

	Millions of Yen		Millions of U.S. Dollars
	2006	2005	2006
As of March 31			
Loans on Deeds	¥ 9,811,923	¥ 13,169,684	\$ 83,577
Promissory Notes	206,710	241,819	1,761
Overdrafts	1,919,881	2,249,876	16,353
Bills Discounted	25,481	30,839	217
Total	¥ 11,963,996	¥ 15,692,220	\$ 101,908

	Millions of Yen		Millions of U.S. Dollars
	2006	2005	2006
As of March 31			
Loans to Borrowers under Bankruptcy Proceedings	¥ 13,313	¥ 2,093	\$ 113
Delinquent Loans	169,518	247,373	1,444
Loans with Principal or Interest Payments More Than Three Months in Arrears	1,477	2,141	13
Restructured Loans	120,847	239,058	1,029
Total	¥ 305,158	¥ 490,666	\$ 2,599

(1) The Bank does not accrue interest on “Loans to Borrowers under Bankruptcy Proceedings” and “Delinquent Loans”.

(2) “Delinquent Loans” are loans to borrowers who are substantially bankrupt, and loans to borrowers who are not currently bankrupt, but are likely to become bankrupt.

(3) “Loans with Principal or Interest Payments More Than Three Months in Arrears” are loans which are past-due by 3 months or more, other than “Loans to Borrowers under Bankruptcy Proceedings” and “Delinquent Loans”.

(4) “Restructured Loans” are loans whereby, in order to support the borrowers’ rehabilitation and facilitate the collection of the loan, the terms of the loans are restructured in favor of the borrowers by reducing the interest rate, suspending payments of interest or principal, waiving principal repayments, etc.

6. Foreign Exchange Assets

	Millions of Yen		Millions of U.S. Dollars
	2006	2005	2006
As of March 31			
Foreign Bills Purchased	¥ 0	¥ 123	\$ 0
Foreign Bills Receivable	-	5,979	-
Due from Foreign Banks	20,129	2,725	171
Total	¥ 20,129	¥ 8,828	\$ 171

7. Other Assets

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
As of March 31				
Prepaid Expenses	¥ 3,119	¥ 1,419	\$ 27	
Accrued Income	236,478	180,525	2,014	
Financial Derivatives	71,497	125,918	609	
Deferred Hedge Losses	97,813	84,716	833	
Other	438,491	195,489	3,735	
Total	¥ 847,400	¥ 588,069	\$ 7,218	

8. Premises and Equipment

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
As of March 31				
Land	¥ 98,081	¥ 106,061	\$ 835	
Buildings	52,129	56,191	444	
Equipment	9,545	5,626	81	
Other	5,454	5,762	47	
Total Net Book Value	¥ 165,210	¥ 173,641	\$ 1,407	
Accumulated Depreciation Deducted	¥ 98,340	¥ 98,690	\$ 838	

9. Assets Pledged

Assets pledged as collateral comprise the following:

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
As of March 31				
Trading Assets	¥ 20,998	¥ 38,996	\$ 179	
Securities	10,829,493	5,692,788	92,244	

Liabilities related to the above pledged assets are as follows:

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
As of March 31				
Call Money and Bills Sold	¥ 100,000	¥ -	\$ 852	
Payables under Repurchase Agreements	7,599,379	3,869,804	64,731	
Collateral Received under Securities Loaned	3,309,451	1,884,339	28,190	

In addition, as of March 31, 2006 and 2005, Securities totaling ¥4,797,733 million (\$40,867 million) and ¥2,700,860 million, respectively, and Loans and Bills Discounted totaling ¥5,029,930 million (\$42,844 million) and ¥7,332,995 million, respectively, were pledged as collateral for settlement of exchange and derivative transactions or as variation margin for futures transactions. Securities totaling ¥74,328 million (\$633 million) and ¥213,292 million as of March 31, 2006 and 2005, respectively, were pledged as collateral for third party borrowings by financial institutions.

Guarantee deposits totaling ¥5,454 million (\$47 million) as of March 31, 2006 were included in Premises and Equipment. Margin money for futures transactions totaling ¥1,146 million (\$10 million) as of March 31, 2006 and collateral pledged for derivative transactions totaling ¥244,251 million (\$2,081 million) as of March 31, 2006 were included in Other Assets.

10. Deposits

	Millions of Yen		Millions of
	2006	2005	U.S. Dollars
As of March 31			2006
Time Deposits	¥ 33,571,399	¥ 34,257,608	\$ 285,957
Notice Deposits	49,832	61,837	424
Ordinary Deposits	1,539,338	1,772,306	13,112
Current Deposits	111,837	98,734	953
Negotiable Certificates of Deposit	1,012,220	422,999	8,622
Other Deposits	5,202,921	4,265,581	44,318
Total	¥ 41,487,550	¥ 40,879,067	\$ 353,386

11. Debentures

	Millions of Yen		Millions of
	2006	2005	U.S. Dollars
As of March 31			2006
One-year Discount Debentures	¥ 419,594	¥ 534,260	\$ 3,574
Long-term Coupon Debentures	4,367,919	4,170,101	37,205
Total	¥ 4,787,514	¥ 4,704,361	\$ 40,779

12. Trading Liabilities

	Millions of Yen		Millions of
	2006	2005	U.S. Dollars
As of March 31			2006
Derivatives of Trading Securities	¥ -	¥ 282	\$ -
Derivatives of Securities Related to Trading Transactions	7	22	0
Trading-related Financial Derivatives	32,881	51,925	280
Total	¥ 32,888	¥ 52,230	\$ 280

13. Borrowings

Borrowings include subordinated loans of ¥1,101,532 million (\$9,383 million) and ¥888,632 million as of March 31, 2006 and 2005, respectively.

14. Foreign Exchange Liabilities

	Millions of Yen		Millions of
	2006	2005	U.S. Dollars
As of March 31			2006
Foreign Bills Sold	¥ -	¥ 0	\$ -
Foreign Bills Payable	0	33	0
Due to Foreign Banks	-	21	-
Total	¥ 0	¥ 56	\$ 0

15. Other Liabilities

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
As of March 31				
Short-term Entrusted Funds	¥ 1,582,927	¥ 1,609,292	\$ 13,483	
Accrued Expenses	94,036	60,239	801	
Income Taxes Payable	64,577	48,179	550	
Unearned Income	2,804	3,272	24	
Financial Derivatives	508,774	244,105	4,334	
Deferred Hedge Gains	38,228	52,406	325	
Other	143,313	169,212	1,221	
Total	¥ 2,434,661	¥ 2,186,707	\$ 20,738	

16. Retirement Benefit Plans

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

The reserve for retirement benefits as of March 31, 2006 and 2005, are analyzed as follows:

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
As of March 31				
Projected Benefit Obligations	¥ (79,010)	¥ (76,152)	\$ (673)	
Plan Assets	103,205	65,125	879	
Unfunded Retirement Benefit Obligations	24,195	(11,026)	206	
Unrecognized Transition Amount	-	-	-	
Unrecognized Prior Service Cost	-	-	-	
Unrecognized Actuarial Differences	(30,352)	2,870	(258)	
Net Amounts Reported in the Balance Sheets	(6,157)	(8,155)	(52)	
Prepaid Pension Cost	1,826	779	16	
Reserve for Retirement Benefits	¥ (7,983)	¥ (8,935)	\$ (68)	

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

Assumptions used in the above calculation are as follows:

	2006	2005
Discount Rate	2.0%	2.0%
Expected Rate of Return on Plan Assets	3.0%	3.0%
Method of Attributing the Projected Benefits to Periods of Service	Straight-line Basis	Straight-line Basis
Amortization of Unrecognized Prior Service Cost	Year incurred	Year incurred
Amortization of Transition Amount	Year incurred	Year incurred
Amortization of Unrecognized Actuarial Differences	10 years	10 years

17. Accounting for Income Taxes

The major components of Deferred Tax Assets and Deferred Tax Liabilities as of March 31, 2006 and 2005, are as follows:

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Deferred Tax Assets:				
Reserve for Possible Loan Losses	¥ 58,538	¥ 82,450	\$ 499	
Write-off of Loans	10,983	12,609	93	
Losses on Revaluation of Securities	8,289	6,020	71	
Reserve for Retirement Benefits	8,612	9,171	73	
Depreciation of Premises and Equipment	1,293	1,648	11	
Net Unrealized Losses on Securities	0	24	0	
Others	27,531	33,724	235	
Subtotal	115,247	145,650	982	
Valuation Allowance	(22,313)	(18,664)	(190)	
Total Deferred Tax Assets	92,934	126,985	792	
Deferred Tax Liabilities:				
Gain from Contribution of Securities to Employee Retirement Benefit Trust	(5,577)	(5,577)	(48)	
Net Unrealized Gains on Securities	(618,131)	(345,025)	(5,265)	
Others	(2,032)	(1,433)	(17)	
Total Deferred Tax Liabilities	(625,741)	(352,035)	(5,330)	
Net Deferred Tax Liabilities	¥ (532,807)	¥ (225,049)	\$ (4,538)	

18. Acceptances and Guarantees

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Acceptance of Bills of Exchange	¥ -	¥ 0	\$ -	
Letters of Credit	26,661	26,404	227	
Guarantees	202,822	169,170	1,728	
Total	¥ 229,484	¥ 195,576	\$ 1,955	

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

19. Commitments to Overdrafts and Loans

Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to a pre-agreed amount at the customer's request as long as no violation of the conditions stipulated in the commitment agreement exists. The amount of undrawn commitments in relation to such agreements is ¥4,400,460 million (\$37,483 million) and ¥4,615,830 million as of March 31, 2006 and 2005, respectively. The amount, which the Bank and its consolidated subsidiaries could cancel at any time without penalty, is ¥2,062,019 million (\$17,564 million) and ¥2,343,345 million as of March 31, 2006 and 2005, respectively.

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

condition of its customers based on its internal rules and acts to secure loans as necessary.

20. Securities Loaned

Securities Loaned under unsecured lending agreements (Saiken Taishaku Torihiki) totaling ¥53,035 million (\$452 million) and ¥59,989 million as of March 31, 2006 and 2005, respectively, are included in Japanese Government Bonds and Other in Securities.

Securities Borrowed under unsecured borrowing agreements (Saiken Taishaku Torihiki) and Securities Received under resale agreements and cash-collateralized borrowing agreements, which can be sold or repledged by the Bank, include securities repledged out totaling ¥249,463 million (\$2,125 million) and ¥250,704 million as of March 31, 2006 and 2005, respectively, and securities held totaling ¥2,215,193 million (\$18,869 million) and ¥925,354 million as of March 31, 2006 and 2005, respectively. No securities were re-loaned as of March 31, 2006 and 2005.

21. Paid-in Capital

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Common Stock	¥ 1,440,017	¥ 1,200,000	\$ 12,266	
Preferred Stock	24,999	24,999	213	
Total	¥ 1,465,017	¥ 1,224,999	\$ 12,479	

The Common Stock account includes Lower Dividend Rate Stock with a total par value of ¥1,014,300 million (\$8,640 million).

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

22. Other Interest Income

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Call Loans and Bills Purchased	¥ 1,403	¥ 1,182	\$ 12	
Receivables under Resale Agreements	72	62	1	
Collateral Deposited under Securities Borrowed	19	62	0	
Cash and Due from Banks	41,539	33,958	354	
Other	13,822	8,766	117	
Total	¥ 56,858	¥ 44,032	\$ 484	

23. Trading Revenue

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Revenue from Trading Securities and Derivatives	¥ -	¥ 191	\$ -	
Revenue from Securities and Derivatives Related to Trading Transactions	-	194	-	
Revenue from Trading-related Financial Derivatives	331	-	3	
Other Trading Revenue	96	109	1	
Total	¥ 427	¥ 495	\$ 4	

24. Other Operating Income

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Fiscal year ended March 31				
Gains on Sales of Bonds	¥ 46,497	¥ 32,857	\$ 396	
Gains on Redemption of Bonds	402	1,260	4	
Gains on Financial Derivatives	26,809	6,772	228	
Other	42,828	34,987	365	
Total	¥ 116,538	¥ 75,877	\$ 993	

25. Other Income

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Fiscal year ended March 31				
Gains on Sales of Stocks and Other Securities	¥ 10,526	¥ 3,406	\$ 90	
Gains on Money Held in Trust	198,982	109,799	1,695	
Share of Earnings of Affiliates	198	641	2	
Gains on Sales of Premises and Equipment	3,473	31	29	
Recoveries of Claims Written-off	4,676	1,139	40	
Other	45,535	23,135	388	
Total	¥ 263,392	¥ 138,153	\$ 2,244	

Note: Other includes gains on Transfer from Reserve for Possible Loan Losses of ¥42,422 million (\$361 million) and ¥10,723 million for the fiscal years ended March 31, 2006 and 2005, respectively.

26. Other Interest Expenses

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Fiscal year ended March 31				
Call Money and Bills Sold	¥ 1,505	¥ 1,553	\$ 13	
Payables under Repurchase Agreements	194,025	75,108	1,653	
Collateral Received under Securities Loaned	244	231	2	
Other	779,703	465,161	6,641	
Total	¥ 975,479	¥ 542,055	\$ 8,309	

27. Trading Losses

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Fiscal year ended March 31				
Losses on Trading Securities and Derivatives	¥ 162	¥ -	\$ 1	
Losses on Securities and Derivatives Related to Trading Transactions	118	-	1	
Losses on Trading-related Financial Derivatives	-	165	-	
Total	¥ 280	¥ 165	\$.2	

28. Other Operating Expenses

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Fiscal year ended March 31				
Amortization of Debenture Issuance Costs	¥ 521	¥ 334	\$ 5	
Losses on Foreign Exchange Transactions	2,412	192	21	
Losses on Sales of Bonds	51,563	42,582	439	
Losses on Redemption of Bonds	0	94	0	
Other Operating Expenses	46,294	42,137	394	
Total	¥ 100,791	¥ 85,341	\$ 859	

29. Other Expenses

	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Fiscal year ended March 31				
Write-off of Loans	¥ 1,373	¥ 1,010	\$ 12	
Losses on Sales of Stocks and Other Securities	54	145	0	
Losses on Revaluation of Stocks and Other Securities	646	717	6	
Losses on Money Held in Trust	7,513	11,955	64	
Losses on Disposals of Premises and Equipment	926	1,483	8	
Other	6,004	79,537	51	
Total	¥ 16,519	¥ 94,849	\$ 141	

Note: Other includes losses on impairment of fixed assets of ¥1,596 million (\$14 million) and ¥29,488 million for the fiscal years ended March 31, 2006 and 2005, respectively.

30. Losses on Impairment of Fixed Assets

The following losses on impairment of fixed assets were recognized during the fiscal year ended March 31, 2006 and are included in Other Expenses.

Use	Classification	Millions of Yen	Millions of U.S. Dollars
Business Premises and Equipment	Land and Building, etc.	¥ 1,596	\$ 14

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

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

The recoverable amount, which is used in the calculation of impairment losses for the fiscal year ended March 31, 2006, is the net realizable value. The net realizable value is calculated based on the appraisal value, etc.

As to consolidated subsidiaries, assets of each individual subsidiary are grouped as a unit.

31. Cash Flows

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

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	2005
Cash and Due from Banks	¥ 1,328,936	¥ 2,385,245	\$ 11,320	\$ 11,320
Less: Interest-bearing Due from Banks	(651,460)	(1,691,411)	(5,549)	(5,549)
Cash and Cash Equivalents at the End of the Year	¥ 677,476	¥ 693,833	\$ 5,771	\$ 5,771

32. Segment Information

(a) Segment Information by Type of Business

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

(b) Segment Information by Location

Fiscal year ended March 31, 2006	Millions of Yen						Elimination and Corporate Assets	Consolidated
	Japan	The Americas	Europe	Asia	Total			
I .Ordinary Income								
(1)Ordinary Income from Third-parties	¥ 1,689,900	¥ 22,740	¥ 32,439	¥ 15,062	¥ 1,760,142	¥ -	¥ 1,760,142	
(2)Inter-segment Ordinary Income	17,939	152,946	189,616	152,410	512,912	(512,912)	-	
Total	1,707,839	175,686	222,055	167,473	2,273,054	(512,912)	1,760,142	
Ordinary Expenses	1,401,527	167,189	219,593	167,067	1,955,377	(512,912)	1,442,465	
Ordinary Profit	¥ 306,312	¥ 8,496	¥ 2,462	¥ 405	¥ 317,677	¥ -	¥ 317,677	
II .Assets	¥ 76,553,179	¥ 6,642,232	¥ 5,885,329	¥ 4,241,807	¥ 93,322,549	¥ (22,503,695)	¥ 70,818,853	

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

Fiscal year ended March 31, 2006	Millions of U.S. Dollars						Elimination and Corporate Assets	Consolidated
	Japan	The Americas	Europe	Asia	Total			
I .Ordinary Income								
(1)Ordinary Income from Third-parties	\$ 14,395	\$ 194	\$ 276	\$ 128	\$ 14,993	\$ -	\$ 14,993	
(2)Inter-segment Ordinary Income	153	1,303	1,615	1,298	4,369	(4,369)	-	
Total	14,548	1,497	1,891	1,426	19,362	(4,369)	14,993	
Ordinary Expenses	11,939	1,424	1,870	1,423	16,656	(4,369)	12,287	
Ordinary Profit	\$ 2,609	\$ 73	\$ 21	\$ 3	\$ 2,706	\$ -	\$ 2,706	
II .Assets	\$ 652,071	\$ 56,578	\$ 50,131	\$ 36,131	\$ 794,911	\$ (191,684)	\$ 603,227	

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

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

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

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

(c) Ordinary Income from International Operations

Fiscal years ended March 31	Ordinary Income from International Operations	Consolidated Ordinary Income	Ratio of Ordinary Income from International Operations over Consolidated Ordinary Income
	Millions of Yen		Percentage
2006	¥ 1,372,462	¥ 1,760,142	77.9%
2005	¥ 862,623	¥ 1,164,532	74.0%
	Millions of U.S. Dollars		Percentage
2006	\$ 11,690	\$ 14,993	77.9%

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

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

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

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

33. Fair Value of Securities**For the Fiscal Year Ended March 31, 2006****Trading Securities**

	Millions of Yen		Millions of U.S. Dollars	
	Carrying Value	Unrealized Loss Recognized as expenses	Carrying Value	Unrealized Loss Recognized as expenses
March 31, 2006				
Trading Securities	¥35,208	¥(496)	\$300	\$(4)

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

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

	Millions of Yen				
	Carrying Value	Fair Value	Net Unrealized Loss		
			Gain	Loss	
March 31, 2006					
Japanese Government Bonds	¥18,131	¥18,027	¥(103)	¥1	¥104
Total	¥18,131	¥18,027	¥(103)	¥1	¥104

	Millions of U.S. Dollars				
	Carrying Value	Fair Value	Net Unrealized Loss		
			Gain	Loss	
March 31, 2006					
Japanese Government Bonds	\$154	\$153	\$(1)	\$0	\$1
Total	\$154	\$153	\$(1)	\$0	\$1

Note: Fair value is based on market prices or other prices as appropriate at the end of the fiscal year ended March 31, 2006.

Other Securities held at Fair Value

	Millions of Yen				
	Acquisition Cost	Carrying Value	Net Unrealized Gain/Loss		
			Gain	Loss	
March 31, 2006					
Stocks	¥ 511,968	¥ 926,117	¥ 414,149	¥ 414,372	¥ 223
Bonds	14,745,445	14,522,734	(222,711)	37,059	259,770
Japanese Government Bonds	14,085,543	13,860,943	(224,600)	32,159	256,760
Municipal Government Bonds	106,436	107,083	647	869	221
Corporate Bonds	553,465	554,707	1,241	4,030	2,788
Other	28,217,830	29,716,589	1,498,759	1,679,436	180,676
Total	¥ 43,475,244	¥ 45,165,442	¥ 1,690,197	¥ 2,130,868	¥ 440,670

March 31, 2006	Millions of U.S. Dollars				
	Acquisition Cost	Carrying Value	Net Unrealized Gain/Loss		
			Gain	Loss	
Stocks	\$ 4,361	\$ 7,889	\$ 3,528	\$ 3,530	\$ 2
Bonds	125,600	123,703	(1,897)	316	2,213
Japanese Government Bonds	119,979	118,066	(1,913)	274	2,187
Municipal Government Bonds	907	912	5	7	2
Corporate Bonds	4,714	4,725	11	35	24
Other	240,356	253,122	12,766	14,305	1,539
Total	\$ 370,317	\$ 384,714	\$ 14,397	\$ 18,151	\$ 3,754

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

Note: 2. Carrying values of securities held on the consolidated balance sheet are stated based on the quoted market price at the end of the fiscal year ended March 31, 2006.

Other Securities Sold during the Fiscal Year

March 31, 2006	Millions of Yen			Millions of U.S. Dollars		
	Sales Proceeds	Gains on Sales	Losses on Sales	Sales Proceeds	Gains on Sales	Losses on Sales
Other Securities	¥4,333,565	¥52,842	¥51,617	\$36,913	\$450	\$440

Carrying Value of Securities without a Fair Value

March 31, 2006	Millions of Yen	Millions of U.S. Dollars
Other Securities		
Unlisted Stocks (excluding Over-the-counter Stocks)	¥ 269,791	\$ 2,298
Foreign Securities	10,193	87
Other	139,519	1,188

For the Fiscal Year Ended March 31, 2005

Trading Securities

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

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

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

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

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

Note: Fair value is based on market prices or other prices as appropriate at the end of the fiscal year ended March 31, 2005.

Other Securities held at Fair Value

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

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

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

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

Other Securities Sold during the Fiscal Year

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

Carrying Value of Securities without a Fair Value

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

34. Fair Value of Money Held in Trust**For the Fiscal Year Ended March 31, 2006****Money Held in Trust for Trading Purpose**

March 31, 2006	Millions of Yen		Millions of U.S. Dollars	
	Carrying Value	Unrealized Loss Recognized as expenses	Carrying Value	Unrealized Loss Recognized as expenses
Money Held in Trust for Trading Purpose	¥102,120	¥(259)	\$870	\$(2)

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

March 31, 2006	Millions of Yen			
	Acquisition Cost	Carrying Value	Net Unrealized Gain	
			Gain	Loss
Other Money Held in Trust	¥7,155,434	¥7,449,570	¥294,135	¥339,735
				¥45,599

	Millions of U.S. Dollars				
	Acquisition Cost	Carrying Value	Net Unrealized Gain		
			Gain	Loss	
March 31, 2006					
Other Money Held in Trust	\$60,949	\$63,455	\$2,506	\$2,894	\$388

Note: Carrying values of Other Money Held in Trust disclosed on the consolidated balance sheet are based on the quoted market price of the underlying assets as at the end of the fiscal year ended March 31, 2006.

For the Fiscal Year Ended March 31, 2005

Money Held in Trust for Trading Purpose

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

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

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

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

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

35. Fair Value of Derivative Instruments

For the Fiscal Year Ended March 31, 2006

Interest Rate-Related Derivative Instruments

			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1 Year		
March 31, 2006						
Exchange-traded Transactions	Interest Rate Futures	Sold	¥2,512,648	¥ -	¥ 6,881	¥ 6,881
		Purchased	2,268,319	-	(4,412)	(4,412)
	Interest Rate Options	Sold	-	-	-	-
Purchased		-	-	-	-	
Over-the-counter Transactions	Forward Rate Agreements	Sold	-	-	-	-
		Purchased	-	-	-	-
	Interest Rate Swaps	Rec.:Fix.-Pay.: Flt.	2,118,348	1,678,819	(834)	(834)
		Rec.:Flt.-Pay.: Fix.	2,465,105	1,963,464	14,205	14,205
		Rec.:Flt.-Pay.: Flt.	-	-	-	-
Interest Rate Options	Sold	-	-	-	-	
	Purchased	25,000	15,000	371	367	
Other	Sold	10,000	-	-	3	
	Purchased	10,000	-	-	(1)	
Total			¥ /	¥ /	¥ 16,211	¥ 16,209

March 31, 2006			Millions of U.S. Dollars				
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss	
				Over 1 Year			
Exchange-traded Transactions	Interest Rate Futures	Sold	\$ 21,402	\$ -	\$ 59	\$ 59	
		Purchased	19,321	-	(38)	(38)	
	Interest Rate Options	Sold	-	-	-	-	
		Purchased	-	-	-	-	
Over-the-counter Transactions	Forward Rate Agreements	Sold	-	-	-	-	
		Purchased	-	-	-	-	
	Interest Rate Swaps	Rec.:Fix.-Pay.: Flt.		18,044	14,300	(7)	(7)
		Rec.:Flt.-Pay.: Fix.		20,997	16,725	121	121
		Rec.:Flt.-Pay.: Flt.		-	-	-	-
	Interest Rate Options	Sold		-	-	-	-
Purchased			213	128	3	3	
Other	Sold		85	-	-	0	
	Purchased		85	-	-	(0)	
Total			\$ /	\$ /	\$ 138	\$ 138	

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

Note: 2. Determination of fair value:

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

Currency-Related Derivative Instruments

March 31, 2006			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1 Year		
Over-the-counter Transactions	Currency Swaps		¥ 41,928	¥ 41,928	¥ 993	¥ 993
	Forwards	Sold	426,378	3,298	(19,965)	(19,965)
		Purchased	636,242	3,298	21,264	21,264
	Total			¥ /	¥ /	¥ 2,292

March 31, 2006			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1 Year		
Over-the-counter Transactions	Currency Swaps		\$ 357	\$ 357	\$ 8	\$ 8
	Forwards	Sold	3,632	28	(170)	(170)
		Purchased	5,419	28	181	181
	Total			\$ /	\$ /	\$ 19

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

Note: 2. Determination of fair value:

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

Stock-Related Derivative Instruments

			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1 Year		
March 31, 2006						
Exchange-traded Transactions	Equity Price Index Futures	Sold	¥ -	¥ -	¥ -	¥ -
		Purchased	-	-	-	-
	Equity Price Index Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Over-the-counter Transactions	Equity Options	Sold	-	-	-	-
		Purchased	-	-	-	-
	Equity Price Index Swaps	Rec.:Stock Index Pay.:Flt. Rate	-	-	-	-
		Rec.:Flt. Rate Pay.:Stock Index	-	-	-	-
Other	Sold	-	-	-	-	
	Purchased	1,000	1,000	-	-	
Total			¥ /	¥ /	¥ -	¥ -

			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1 Year		
March 31, 2006						
Exchange-traded Transactions	Equity Index Futures	Sold	\$ -	\$ -	\$ -	\$ -
		Purchased	-	-	-	-
	Equity Index Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Over-the-counter Transactions	Equity Options	Sold	-	-	-	-
		Purchased	-	-	-	-
	Equity Index Swaps	Rec.:Stock Index Pay.:Flt. Rate	-	-	-	-
		Rec.:Flt. Rate Pay.:Stock Index	-	-	-	-
Other	Sold	-	-	-	-	
	Purchased	9	9	-	-	
Total			\$ /	\$ /	\$ -	\$ -

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

Note: 2. Determination of fair value:

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

Note: 3. Derivative instruments without a fair value included in "Over-the-counter Transactions, Other" are valued at cost.

Bond-Related Derivative Instruments

			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1 Year		
March 31, 2006						
Exchange-traded Transactions	Bond Futures	Sold	¥ 59,242	¥ -	¥ 204	¥ 204
		Purchased	32,633	-	(188)	(188)
	Bond Futures Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Over-the-counter Transactions	Bond Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Total			¥ /	¥ /	¥ 16	¥ 16

			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1 Year		
March 31, 2006						
Exchange-traded Transactions	Bond Futures	Sold	\$ 505	\$ -	\$ 2	\$ 2
		Purchased	278	-	(2)	(2)
	Bond Futures Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Over-the-counter Transactions	Bond Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Total			\$ /	\$ /	\$ 0	\$ 0

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

Note: 2. Determination of fair value:

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

Commodities-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no commodities-related derivative instruments during the fiscal year ended March 31, 2006.

Credit Derivative Instruments

The Bank and its consolidated subsidiaries held no credit derivative instruments during the fiscal year ended March 31, 2006.

For the Fiscal Year Ended March 31, 2005

Interest Rate-Related Derivative Instruments

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

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

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

Note: 2. Determination of fair value:

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

Currency-Related Derivative Instruments

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

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

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

Note: 2. Determination of fair value:

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

Stock-Related Derivative Instruments

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

Bond-Related Derivative Instruments

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

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

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

Note: 2. Determination of fair value:

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

Commodities-Related Derivative Instruments

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

Credit Derivative Instruments

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

36. The Norinchukin Bank (Parent Company)

(a) Non-consolidated Balance Sheets

As of March 31	Millions of Yen		Millions of
	2006	2005	U.S. Dollars
			2006
Assets			
Cash and Due from Banks	¥ 1,286,457	¥ 2,374,629	\$ 10,958
Call Loans and Bills Purchased	1,049,567	417,463	8,940
Receivables under Resale Agreements	601,187	-	5,121
Collateral Deposited under Securities Borrowed	875,332	19,321	7,456
Commercial Paper and Other Debt Purchased	755,291	837,847	6,434
Trading Assets	69,309	383,701	590
Money Held in Trust	7,551,681	4,154,667	64,324
Securities	45,607,473	37,427,294	388,479
Loans and Bills Discounted	11,948,782	15,700,481	101,778
Foreign Exchange Assets	20,129	8,828	172
Other Assets	832,861	570,737	7,094
Premises and Equipment	163,183	171,167	1,390
Deferred Debenture Discounts	132	180	1
Customers' Liabilities for Acceptances and Guarantees	229,288	195,551	1,953
Reserve for Possible Loan Losses	(226,493)	(314,586)	(1,929)
Total Assets	¥ 70,764,183	¥ 61,947,285	\$ 602,761
Liabilities and Shareholders' Equity			
Liabilities			
Deposits	¥ 41,495,647	¥ 40,885,654	\$ 353,455
Debentures	4,787,716	4,704,414	40,781
Call Money and Bills Sold	5,043,340	3,892,447	42,959
Payables under Repurchase Agreements	7,599,379	3,869,804	64,731
Collateral Received under Securities Loaned	3,559,998	2,135,835	30,324
Trading Liabilities	32,888	52,230	280
Borrowings	1,101,532	888,632	9,383
Foreign Exchange Liabilities	0	56	0
Other Liabilities	2,394,273	2,168,489	20,394
Reserve for Bonus Payments	4,194	3,985	36
Reserve for Retirement Benefits	7,228	8,182	61
Deferred Tax Liabilities	535,251	228,007	4,559
Deferred Tax Liabilities Relating to Land Revaluation	25,647	24,906	218
Acceptances and Guarantees	229,288	195,551	1,953
Total Liabilities	66,816,385	59,058,199	569,134
Shareholders' Equity			
Paid-in Capital	1,465,017	1,224,999	12,479
Capital Surplus	25,020	25,020	213
Retained Earnings:			
Legal Reserve	269,566	237,366	2,296
Voluntary Reserves	461,525	388,120	3,931
Unappropriated Retained Earnings	312,469	195,968	2,662
Land Revaluation Reserve	47,974	55,050	409
Net Unrealized Gains on Securities, net of taxes	1,366,224	762,559	11,637
Total Shareholders' Equity	3,947,798	2,889,085	33,627
Total Liabilities and Shareholders' Equity	¥ 70,764,183	¥ 61,947,285	\$ 602,761

(b) Non-consolidated Statements of Operations

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2006	2005	2006	
Income				
Interest and Dividend Income:				
Interest on Loans and Bills Discounted	¥ 104,120	¥ 115,108	\$ 887	
Interest on and Dividends from Securities	1,240,061	774,647	10,563	
Other Interest Income	56,854	44,028	484	
Fees and Commissions	15,578	17,025	133	
Trading Revenue	427	495	3	
Other Operating Income	114,792	72,716	978	
Other Income	264,360	139,858	2,252	
Total Income	<u>1,796,195</u>	<u>1,163,879</u>	<u>15,300</u>	
Expenses				
Interest Expense:				
Interest on Deposits	191,738	96,200	1,633	
Interest on Debentures	25,884	31,361	221	
Interest on Borrowings	7,875	7,256	67	
Other Interest Expenses	975,479	542,054	8,309	
Fees and Commissions	10,458	8,703	89	
Trading Losses	280	165	2	
Other Operating Expenses	100,732	85,341	858	
General and Administrative Expenses	107,261	106,370	914	
Other Expenses	15,547	93,842	132	
Total Expenses	<u>1,435,258</u>	<u>971,297</u>	<u>12,225</u>	
Income before Income Taxes	360,937	192,581	3,075	
Income Taxes:				
Current	61,099	44,099	521	
Deferred	32,152	7,989	274	
Net Income	<u>¥ 267,685</u>	<u>¥ 140,492</u>	<u>\$ 2,280</u>	

	Yen		U.S. Dollars	
	2006	2005	2006	
Net Income per Share	¥ 93.60	¥ 65.08	\$ 0.80	

37. Appropriation of Retained Earnings

The following dividends were approved at the shareholders' meeting held on June 27, 2006.

	Millions of Yen		Millions of U.S. Dollars	
Cash Dividends:				
Special Dividends	¥ 44,053		\$ 375	
Dividends on Common Stock (at the rate of 4% of the ¥ 100 face value, or ¥ 4.00 per share)		10,993	94	
Dividends on Lower Dividend Rate Stock (at the rate of 1% of the ¥ 100 face value, or ¥ 1.00 per share)		10,000	85	
Dividends on Preferred Stock (at the rate of 11% of the ¥ 100 face value, or ¥ 11.00 per share)		444	4	

Report of Independent Auditors

To the Board of Directors of
The Norinchukin Bank

We have audited the accompanying consolidated balance sheets of The Norinchukin Bank and its subsidiaries (the "Bank") as of March 31, 2006 and 2005, and the related consolidated statements of operations, capital surplus and retained earnings, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 27, 2006

Name: The Norinchukin Bank

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

Date of establishment: December 20, 1923

President and Chief Executive Officer: Hirofumi Ueno

Paid-in capital:

¥1,465 billion (US\$12,479 million) (As of March 31, 2006)

**All capital is from private parties (members and investors in preferred securities).*

The Bank receives no public funding and has never accepted the injection of public funds.

Total assets (On a consolidated basis):

¥70,818 billion (US\$603 billion) (As of March 31, 2006)

Capital adequacy ratio (On a consolidated basis):

12.14% (As of March 31, 2006) (BIS standard)

Members:

Japan agricultural cooperatives (JA), fishery cooperatives, forestry cooperatives, and related associations, as well as organizations that have invested in the Bank, including other agricultural, forestry and fishery cooperatives (Number of shareholders: 4,689 (As of March 31, 2006))

Number of employees: 2,778 (As of March 31, 2006)

Offices:

Head Office (1)

Domestic branches and offices (34)

Domestic annexes (4)

Overseas branches (3)

Overseas representative offices (2)

Ratings:

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

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