

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

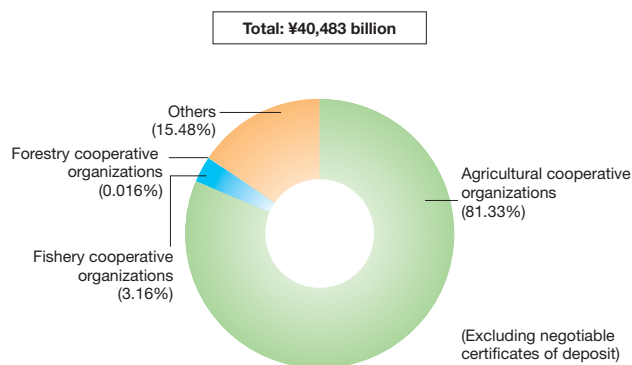
The savings deposited by members of JA and fishery cooperatives and other regional customers are used for providing financing to cooperative members and regional customers, industrial corporations and public organizations, and surplus funds will be distributed to Shinnoren and Shingyoren at the prefectural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

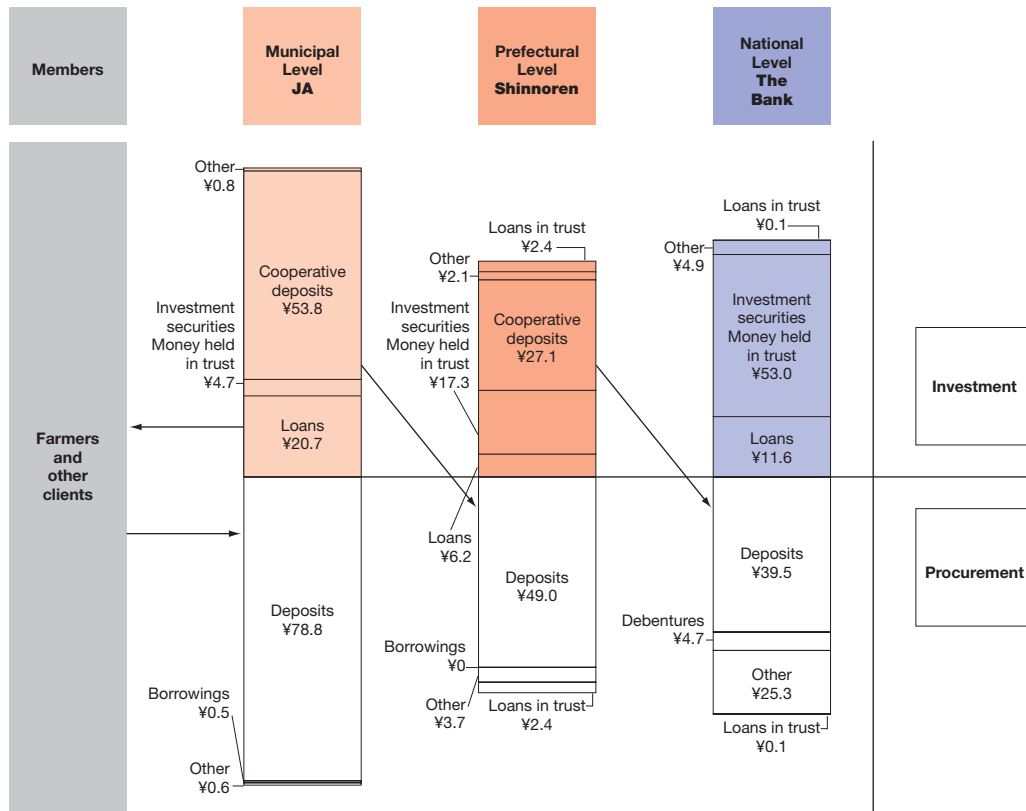
Principal Types of Norinchukin Bank Debentures (As of March 31, 2006)

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.

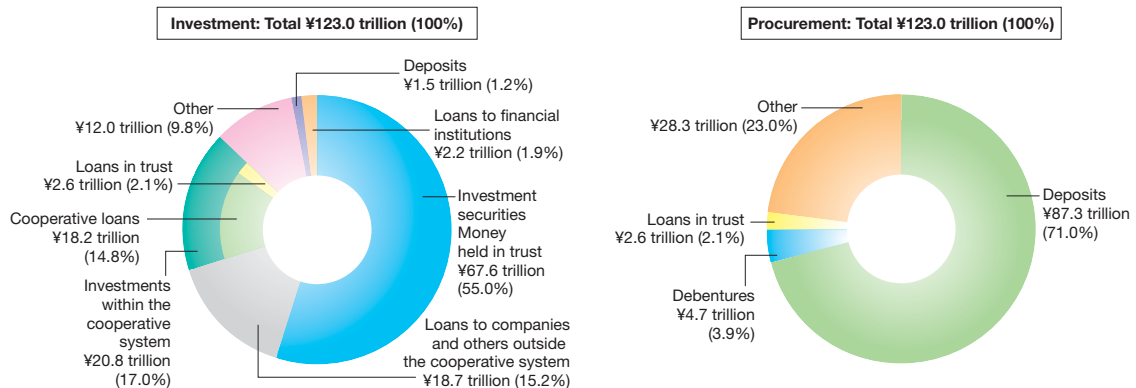
The Bank is dedicated to providing all its members with stable returns through the efficient management of funds. At the same time, it is committed to playing a vital role as a nationwide institution that provides its members with a wide range of financial services through a common national infrastructure.

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.

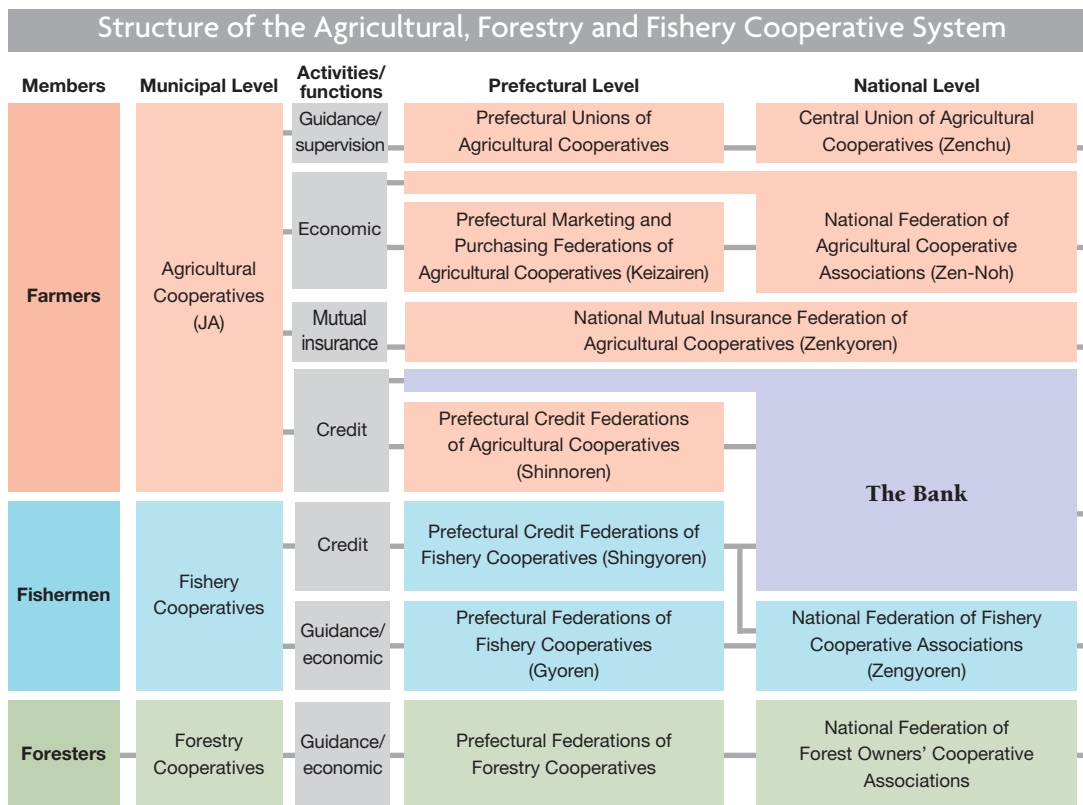
Cooperative System and the Cooperative Credit Business

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.

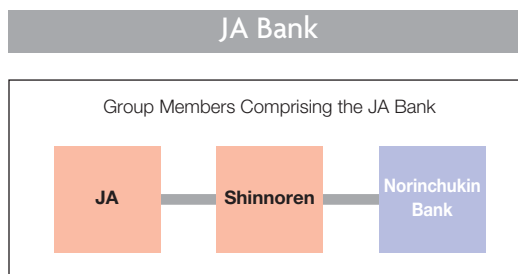
The principal businesses of forestry cooperatives are carrying out such operations as cultivation, removal of undergrowth and thinning of forestland owned by cooperative members and others as well as the sale of forest products, such as logs and other wood fiber obtained from cutting and thinning of 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

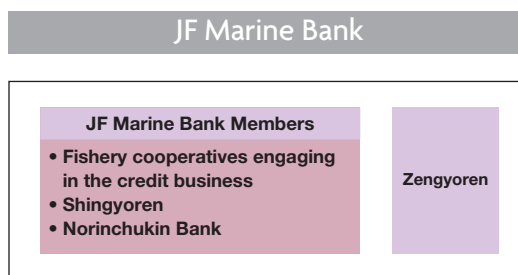
The JA Bank comprises the JA, Shinnoren and the Bank, and its name refers to a group that functions effectively as one financial institution. As of July 1, 2006, it had 847 JA, 42 Shinnoren and the Bank, bringing the total of the JA Bank members to 890.



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.

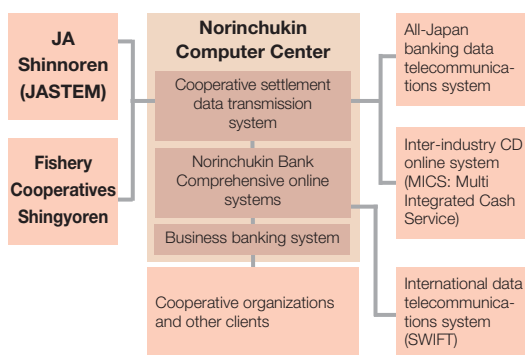
Money Transfers

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.

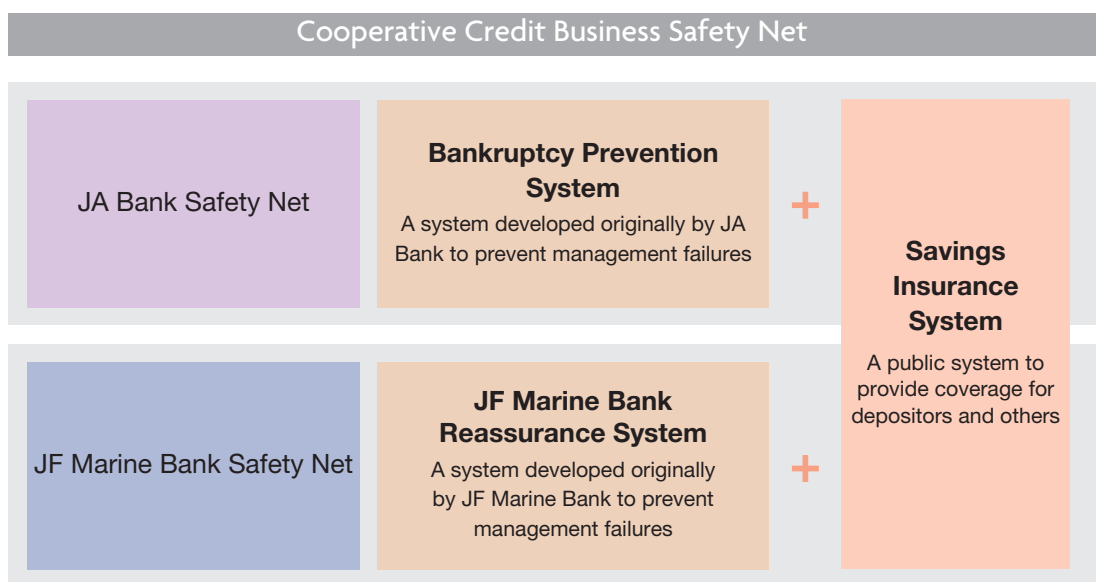
Specific functions of these systems include (1) monitoring of the management condition of individual JA and fishery cooperatives to identify any problems at an early stage, (2) implementing measures at the earliest possible time to prevent management failures and (3) infusing necessary funds drawn from 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.

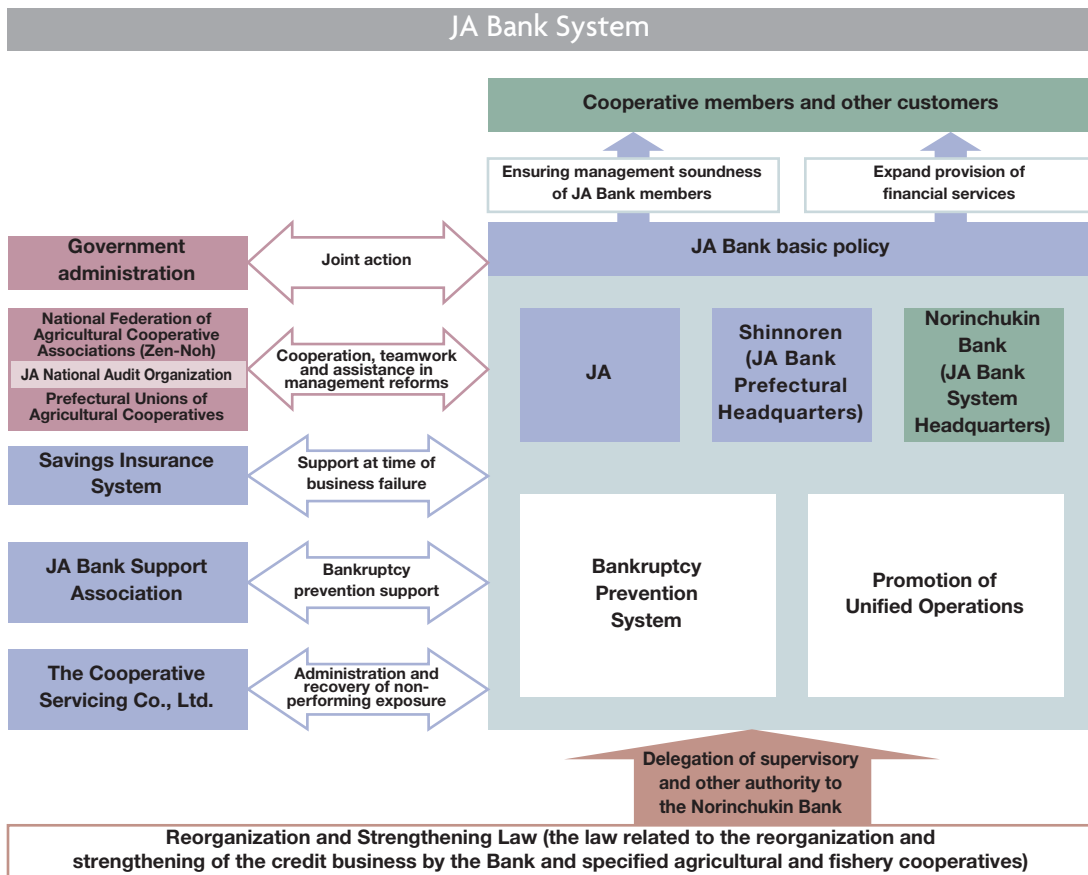
Activities for Enhancing and Strengthening Financial Services

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.

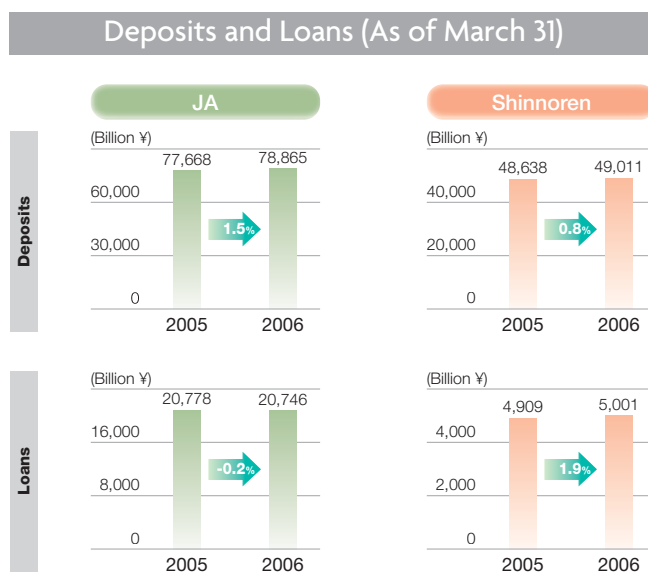
Since formulating its “basic philosophy on the reorganization of the cooperative credit business” in June 1998, in its credit business activities, the JA Group has thus far integrated the Bank and Shinnoren in nine prefectures (Miyagi, Akita, Yamagata, Fukushima, Tochigi, Toyama, Okayama, Nagasaki and 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

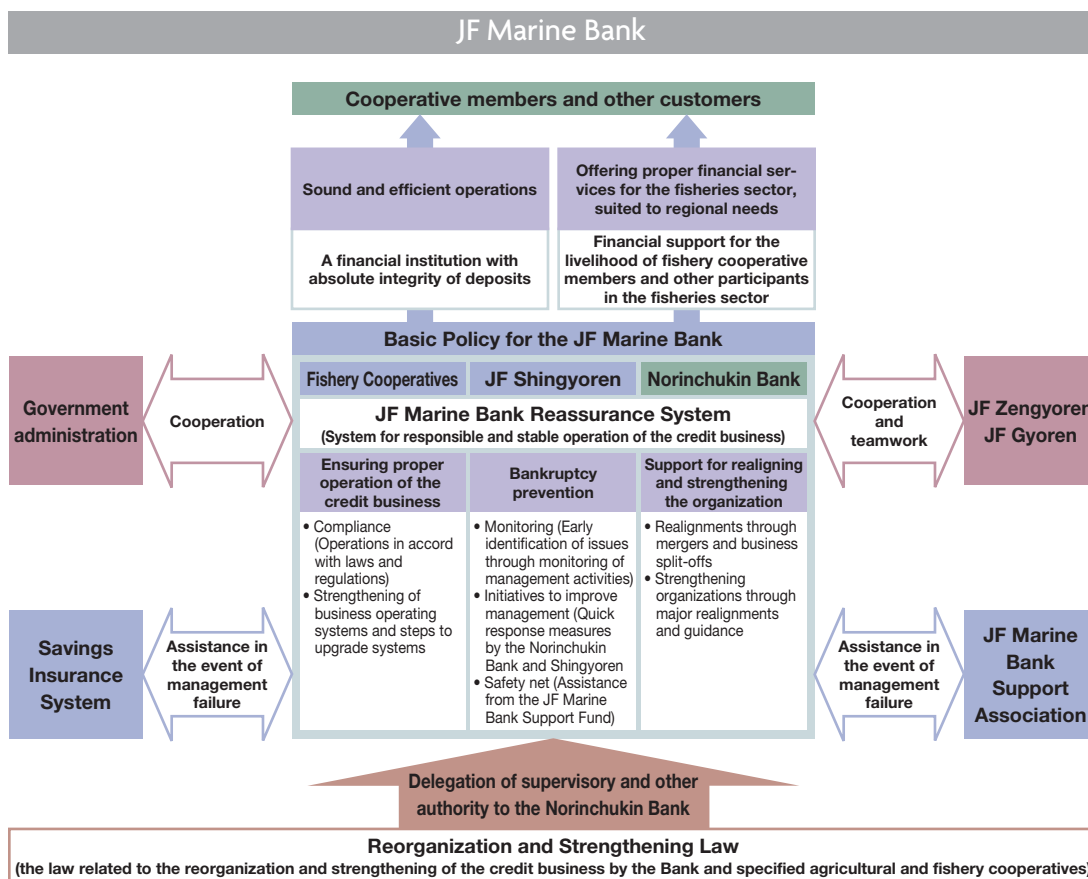
Financial Support Efforts for “Coastal Communities” and Ensuring Financial Functions for Fisheries

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.