

Agricultural Field (Objectives and perspectives of regulatory reform)



Three pillars of agricultural reform

1. Review of the Agricultural Commission system

- Reviewing the election / appointment system for Agricultural Commission members
- Creating the post of the Optimized Farmland Use Promotion Commissioner
- Strengthening the secretariat of the Agricultural Commission
- Reviewing the prefectural and national Chambers of Agriculture



2. Review on corporate entities that can own farmlands (Agricultural Production Legal Person)

- Reviewing the requirements for Directors and members
- Response to business expansion

3. Reviewing agricultural cooperatives

- Shifting from the Chuokai-based system to a new system
- Reviewing the business and organizational system of Zen-Noh, etc.
- Promoting active and sound agricultural cooperatives
- Reviewing the Board of Directors
- Introducing flexibility to the organizational format



Effect of the reform

The combination of the three reforms will add competitiveness and appeal to Japanese agriculture, turning it into a growth industry.



Review of the Agricultural Commission System

【Current status】

Composition of the Agricultural Commission

Elected members

- Elected from among farmers

Appointed members

- Local Mayor appoints those recommended by agricultural organizations and local city assembly.

【After the review】

Composition of the Agricultural Commission

Appointed members

- Appointed by local Mayor upon approval from the local assembly.
- Majority of the members should be authorized (Nintei) farmers, and must include those who have no conflict of interest and are capable of making fair judgment.
- The Commission should actively include female and youth members.

Optimized Farmland Use Promotion Commissioner (tentative) * New

- To be appointed by the local Agricultural Commission

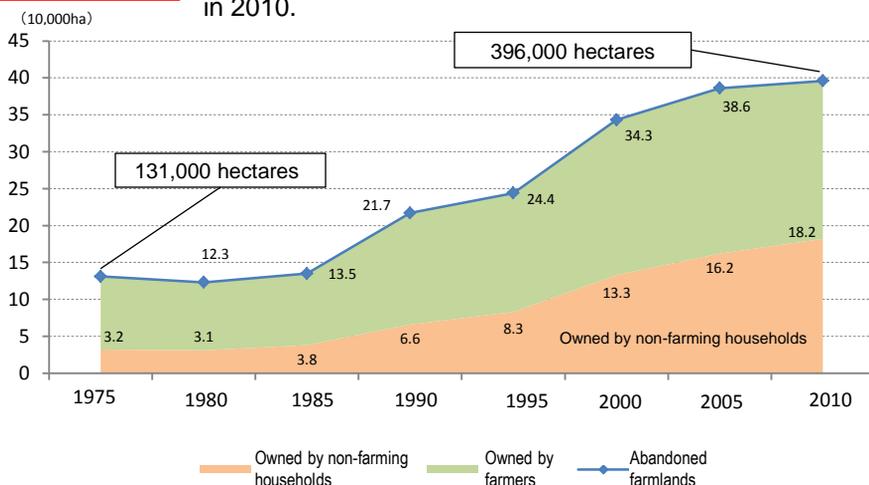
<Roles>

To promote the optimum use of farmland and develop future farmers through accumulating / concentrating farmlands to principal farmers, preventing / resolving the issue of cultivation abandonment at farming properties, and promoting the entry of new farmers.

Current status of abandoned farmlands

- The total area of abandoned farmlands has tripled in 2010 compared to the 1975 level.

- 46% of abandoned farmlands is owned by non-farming households in 2010.



Review on Corporate Entities that Can Own Farmlands (Agricultural Production Legal Person)

[Current status]

Directors' requirement

Majority of directors must engage in farming work

Expanding the business scale has increased management workload...

Directors involved in farming



We wish they could do more in business management...

Member requirements

- No less than 3/4 of the members must be involved in farming in principle.
- The ratio of non-farming members (continuous associates) must not exceed 1/4 in principle.

Farming members	Continuous associates
Members constantly involved in farming Those providing rights to farmlands Agricultural cooperatives Those who have outsourced farming work	Supermarket Food processing companies Agricultural produce couriers

[After the review]

Directors' requirement

At least one director or key member must engage in farming work.

We can focus on managing business and technological innovation!

Director involved in farming



Member requirements

- No less than 1/2 of the members must be involved in farming.
- No restrictions on the remaining members

Farming members	Non-farming members
Members constantly involved in farming Those providing rights to farmlands Agricultural cooperatives Those who have outsourced farming work	Non-farming businesses, etc. Let us invest in farming to support growth!

Regulatory reform content

- At least one director or key member must engage in farming.
*The directors' requirement in the case of lease entities should be similarly revised to cover directors and key members.
- As for member requirements, while at least 1/2 of capital participants with voting rights must be involved in farming, no restriction is to be imposed on the remaining members.
- Further easing of agricultural production corporation's requirements and review of the farmland system will be examined to coincide the review of the "Act on Regional Public Corporation for Farmland Consolidation to Core Farmers through Renting and Subleasing" in five years' time based on information of companies that participate in the system under the lease method.

Anticipated effect

- Achieving diverse innovation of business management and technology for local agriculture, and expanding added values
- Expanding business scale through investments from non-agricultural parties

Shifting from the Current Chuokai-based system to a More Self-regulating System

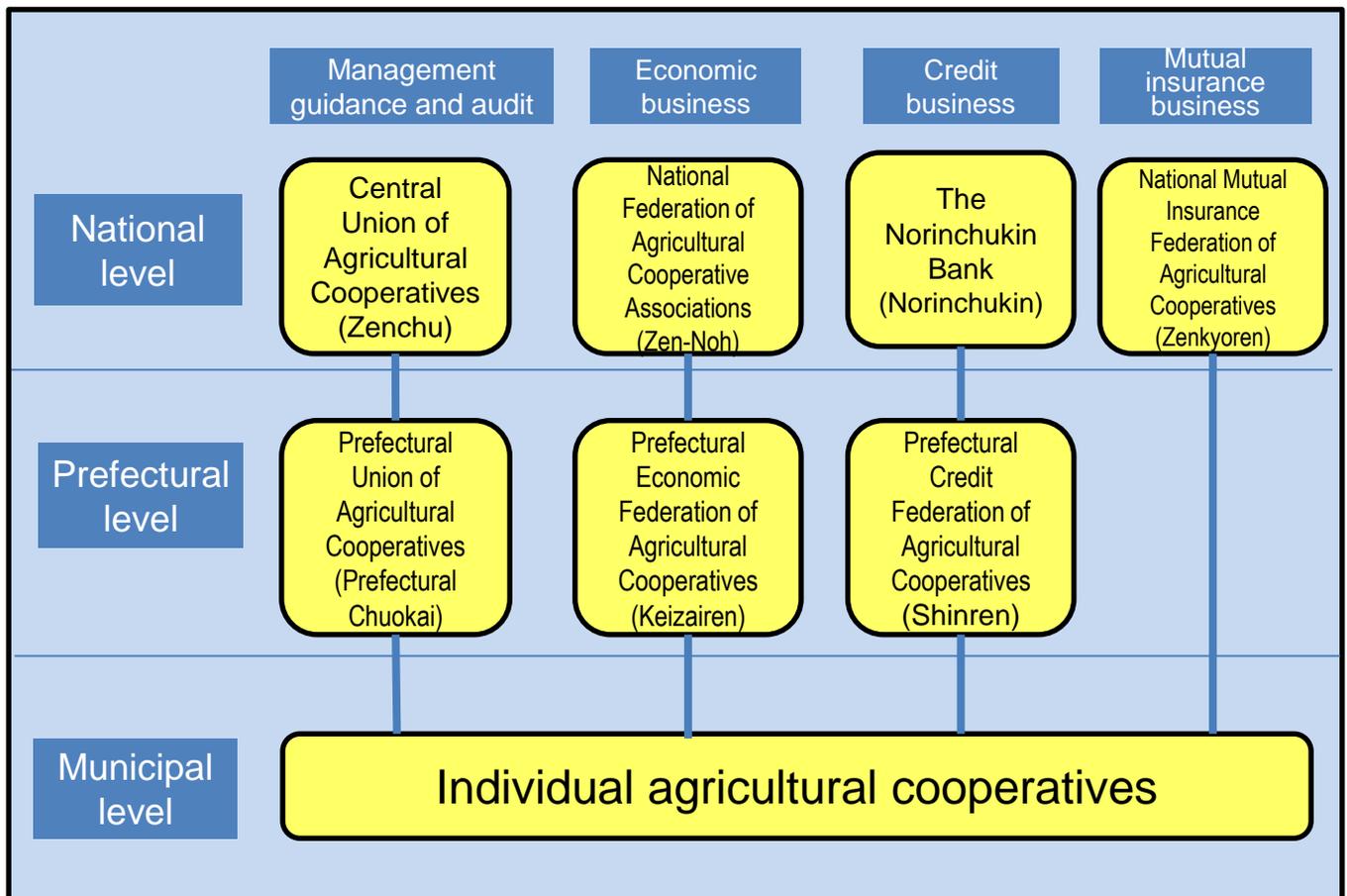
Reviewing the Business and Organizational Structures of Zen-noh, etc.

Current status

- The situations surrounding agricultural cooperatives have changed dramatically, e.g. trend toward amalgamation, compared to the conditions seen at the time when the Chuokai system was introduced in 1954.
- Swift partnership with the economic circle and entry into competition in the global market are desirable to boost benefits to farmers.

Regulatory reform content

- The Chuokai system under the Agricultural Cooperatives Act will be transformed into a new self-regulatory system after an appropriate transitional period.
- The reform will also implement legal measures to enable the incorporation of Zen-Noh and Keizairen entities capitalized by JA



Promoting Active and Sound Standalone Agricultural Cooperatives and Introducing Flexibility to their Organizational Format

Current status

- Agricultural cooperatives have drifted away from the way they were when the Agricultural Cooperative s Act was originally introduced as a result of an increase in non-farming associate members and expansion of the credit business.
- Under the current laws, individual agricultural cooperatives and federations cannot be divided or realigned into other organizations.

Regulatory reform content

- Promoting the use of the system defined in the JA Bank Act (transfer to the Norinchukin Bank or Credit Federation of Agricultural Cooperatives) with regard to the credit business
- Promoting the use of a business approach that reduces the administrative workload of individual agricultural cooperatives with respect to the mutual insurance business
- Enabling division, realignment and conversion into other organizations (e.g. joint-stock company)

Promoting active and sound agricultural cooperatives

Credit business



○ Allowing individual agricultural cooperatives to transfer the credit business to the Norinchukin Bank or Credit Federation of Agricultural Cooperatives, or become a gateway / agency

Mutual insurance business



○ Allowing individual agricultural cooperatives to use a business approach that reduces their administrative workload

Introducing flexibility to organizational format

Individual agricultural cooperatives and federations



○ Enabling division and realignment
○ Enabling conversion into a joint-stock company, cooperative society, social medical corporation, incorporated association, etc.

Norinchukin Bank, Shinren, Zenkyoren



○ Considering to allow conversion into a joint stock company

Anticipated effect

- Active and sound agricultural cooperatives: Reducing their unnecessary risk and administrative workload
- Flexible organizational format: Allowing agricultural cooperatives to address the needs of their members and local residents

Reviewing the Board of Directors and Membership Roles

Current status

- Full members represent the majority of the members of the Board of Directors.
- The number of non-farming associate members is greater than that of full members.

Regulatory reform content

- Ensuring that the majority of members of the Board of Directors are authorized farmers and professionals in agricultural produce sales and management. Actively seek the involvement of younger generation and women in the Board of Directors.
- Considering to introduce some rules on the business use of associate members

Current status

Board of Directors

- Up to 1/3 of members of the Board of Directors may be non-full members (associate members and non-members).

Membership roles

- No restriction on the business use of associate members

After the review

Board of Directors

- Majority of members of the Board of Directors should be:
 - Authorized farmers
 - Professionals in agricultural produce sales and management
- Promoting the involvement of younger generation and women on the Board

Membership roles

- Introducing some rules on the business use of associate members in relation to the privileges of full members

Anticipated effect

- Review of the Board of Directors: Ensuring response to farmers' needs, use of management know-how and diversity of members
- Membership roles: Ensuring that the agricultural cooperatives' role as a cooperative organization for farmers would not be compromised