

Reorganization of the Cooperative System— Main Activities in Reorganization of Cooperative System

Reorganization in the JA Cooperative Credit Business

The JA Group has made progress in streamlining management, increasing efficiency and integrating JA to contend with the changing environments for the agricultural industry, cooperative members and JA. As a consequence, the number of JA across the country has declined from more than 3,000 at the end of March 1991 to 878 as of April 1, 2005.

In the credit business, the Group has studied concrete measures for reorganization in each prefecture since formulating the “basic philosophy on the reorganization of the credit business” in June 1998. Based on the results of this study, the Group has integrated the Bank and Shinnoren in nine prefectures (Miyagi, Akita, Yamagata, Fukushima, Tochigi, Toyama, Okayama, Nagasaki and Kumamoto prefectures). Of these, the Bank and Shinnoren in Fukushima and Toyama prefectures were integrated on October 12, 2004, and the Bank and Shinnoren in Kumamoto prefecture were merged on March 22, 2005.

In Okinawa, JA will assume all rights and obligations of Shinnoren and Keizairen in August 2005, with the goal of making it the second prefecture after Nara prefecture to have a single JA.

In pursuing the reorganization of the JA Group, plans are carried out in accordance with the situations in respective prefectures based on the target for increasing efficiency in the credit business. The Bank supports the enhancement of the functions and framework of JA while making steady efforts to streamline and increase the efficiency of its internal management as part of a broader effort to strengthen its own organizational structure. As a whole, these activities are aimed at building a cooperative credit business that is more trusted and utilized by its members and other clients.

Reorganization in the JF Cooperative Credit Business

The JF cooperative credit business is being reorganized to build a healthier and more efficient management system. Specifically, the “JF Marine Bank basic policy” formulated in 2003, calls for the establishment of a “one credit business in one prefecture system” to provide appropriate financing to its members and other clients while guaranteeing a high level of deposit protection.

The JF cooperative credit business is being reorganized through two methods: the merger and the transfer of credit business from JF to Shingyoren. These efforts have reduced the number of JF engaged in the credit business from 875 at the end of March 1999 to 326 as of April 1, 2005. Also, the credit businesses of JF in 20 prefectures have been shifted to “one credit business in one prefecture system.”

Looking ahead, policy calls for the further reorganization of the JF cooperative system to build a system in which there is one credit business per prefecture by the end of December 2005. The Bank is fully committed to supporting JF members to achieve this goal.

Supporting Efforts to Streamline and Increase the Efficiency of Cooperative Organizations

Activities in the Forestry Cooperative System

The forestry cooperative system is expected to play a central role in forest maintenance based on a new government plan that emphasizes the full demonstration of the multifaceted uses of forests.

Under these conditions, the “national forestry cooperatives system restructuring plan” was adopted at the national forestry cooperatives representatives meeting in November 2002. Actual organizational and operational restructuring efforts got under way in fiscal 2003. Under the plan, progress is being made in restructuring organizational frameworks and operations in each prefecture, with consideration given to actual conditions in respective areas. Measures include the merger of cooperatives to strengthen operating bases, the consolidation and closure of facilities, and the implementation of policies to increase the efficiency of forestry maintenance.