

**Contd. Message:**

The year 2013 is the first year of our 12<sup>th</sup> three-year Plan, in which three challenges are projected.

The first is to "Take full advantage of our total power," which means creating the condition for each co-op member to participate in and use the services of co-op.

It is a year that we want to contribute to the improvement of members' livelihood through our businesses of retailing, insurance and welfare.

The second is to "Strengthen ties further." We place importance on ties at the national level for the reconstruction work aids, ties between local communities and local co-ops, and ties among various kinds of co-ops nurtured through the International Year of Cooperatives to pursue the goal to build a better society.

The third is to "Build up a sustainable management constitution." JCCU has to understand the severe business environment of the member co-ops and make further contribution to them.

We are to roll out our business operations and develop products in order to give backup to our member co-ops striving to support livelihood of co-op members in the critical condition.

The 12<sup>th</sup> three-year plan serves as a preparation period towards the crisis anticipated beyond 2015. JCCU and member co-ops should strive towards realization of targets set forth in the "Vision 2020".

Last year co-operators around the world tried earnestly to uplift the profile of co-op in the society and I acknowledge the effort. Let us all remain committed in fulfilling every need of our members.



## New Year's Message: ASADA Katsumi, President, JCCU

I would like to extend New Year Greetings to all Co-operative colleagues around the world.

**Review of 2012**

2012 was the year Japanese Consumer Co-ops' relief efforts towards the reconstruction of the Great East Japan Earthquake stricken areas were highly evaluated in the society.

The positive evaluation reminded co-op members and staff about the importance of their individual roles and the overall significance of Co-op as an organization of mutual help, and hence, they do not need any extra motivation besides this to talk about Co-op with more confidence and pride.

Throughout the year, there were several activities that strengthened ties between JCCU, consumer co-ops and members. One good example was seen during the investigation on "radioactive material intake from domestic meal" where JCCU's Product Test Laboratory made direct connections with co-op members to submit sample meals prepared from their (members) homes for the investigation. The survey report received greater recognition from both the government and the media.

Consolidation of co-op business was another area with great achievement. In March 2013, two large co-ops "Consumers Co-operative Mirai" and "Consumers Co-operative U Co-op," respectively will be born in the Tokyo Metropolitan. The birth of the two large co-ops will certainly be an epoch making point of relations between the primary co-ops and JCCU.

I cannot review the year without the topic of the International Year of Cooperatives. We have never experienced a year where Co-operatives in various sectors had come together with a

common interest to improve co-ops visibility, and joining effort in drafting "Co-operatives Charter" and together organizing a "Co-operative community contribution contest." It has indeed been an incredible and memorable year.

**Challenges in 2013**

Our first challenge in 2013 is to continue the relief activities in the East Japan Earthquake reconstruction work.

There are still overwhelming tasks to overcome especially in the Fukushima area. We are to continue the support being offered to Fukushima including producing map information regarding the level of contamination by radioactive materials of farmlands in the Fukushima area and providing the local children opportunities for recreation in low-dose radiation areas.

In addition, we must put emphasis on the issues such as supply, promotion and publicity of products from the Fukushima area.

The consumption tax rate, currently 5%, is to increase to 8% and 10% respectively in 2014 and 2015, which would certainly have negative impact on the livelihood of co-op members. We need to start preparation work with our member societies to support co-op members under the severe conditions.

At JCCU, development of Co-op brand products with values and themes must be advanced along with the renovation of the home delivery system.

To achieve the goals, it is essential to tighten relations between the member co-ops and JCCU and more cooperation throughout the internal divisions of JCCU.

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## 4. Recognition of Co-operative by the Government

Since there is no common law regulating co-operatives in general in Japan, there has been no section in the Government dealing with co-operatives issues in general.

Taking opportunity of IYC, the Japan Joint Committee of Co-operatives (JJC) appealed to the cabinet office to promote the status of co-ops in Japan, especially in the area of national and local administrations.

Based on this approach, there were some positive changes in the administration including the introduction of IYC on the official PR website of the Government and on a Government-sponsored radio program and the attendance of the Government representative to the ICA-AP General Assembly in Kobe.

## 5. Summing up the Year

Co-operatives provided so many topics in Japan as well as in the world. In Japan, Co-operatives in various sectors took advantage of IYC to get united, and collaborated in drafting the "Charter of Co-operatives."

The effects of the campaigns were so visible that representatives of all sectors of co-operatives in Japan agreed to continue joint efforts to promote co-operatives after the 2012 IYC.

The post-IYC action plan include:

- 1) Outreach to the enactment of the Charter petition of co-operatives to the government.
- 2) Continue to promote co-operatives through events, festivals and symposiums.
- 3) Strengthen publicity work for recognition of co-ops.

# Reflections & Achievements on IYC2012

Soon as the United Nations declared 2012 the International Year of Co-operatives, Japanese co-operatives recognized the importance of the year and quickly formed a Nationwide Planning Committee to act as spearhead of the campaign. Later, formation of Prefectural Committees followed suit.

JCCU played an important role such as allowing its headquarters to be used as the seat of secretariat of the Nationwide Planning Committee and led in matters concerning public relations, launch of IYC events and symposiums.

## 1. Promotion of Products produced by Co-operatives

Japanese consumer co-ops have been collaborating with agriculture co-ops and fishery co-ops locally and nationally to promote commodities produced by co-ops. On the occasion of IYC, under the context of "Co-operation among Co-operatives", various kinds of tied-up promotions and campaigns took place throughout 2012, including promotion of products using DVDs, posters, demonstrations at co-op stores and local and national campaigns through the media.

Co-op members' visits to the production sites also increased to 200,000 in 2012 from 130,000 in 2010.



Members' visit to production site

As a symbol to feature the international presence and cooperation among co-operatives, JCCU in collaboration with National Federation of Italian Co-operative (Co-op Italy) developed "CO-OP Italian Wine" and "Italian cut-tomato" to symbolize inter-co-op partnership and global network of co-operatives.



Sales of these products are legacy initiatives that will live beyond the IYC year.

## 2. How the public was impacted under IYC 2012

### "Let's get connected Competition Award"

One of the greatest impact Japanese Co-ops exerted on the public to raise Co-ops visibility in accordance with UN declaration of IYC 2012 was the launch of the "Let's get connected competition award" organized by JCCU and four other national federations of consumer co-ops in retailing, insurance and medical services.

Through newspaper ads, co-operative newsletters and promotion tools to co-op members, the general public was invited to submit essays and paintings illustrating the many heartwarming connections taking place between people in every day life.

There was an overwhelming response from the public to the competition with entries totaling 2,245 (2,041 essays and 204 paintings).

The painting below drawn by an eleven-year-old girl was one of the entries that received award.



## 3. External Promotion

IYC and co-operatives have been featured through co-ops' internal communication tools such as member newsletters, catalogs, fliers, leaflets, posters etc.

Also we strengthened public relations activities to increase people's recognition of co-operatives through articles, radio and TV broadcastings and advertisements.

At every regular or special event of co-ops, such as a yearly festival, special corners featuring IYC and co-ops were set up.

Also, promotion of co-ops through academism played an important role. Many lectures, panel discussions participated by scholars and experts of co-op businesses were arranged nation wide and lots of report and thesis were published thorough the year.

## JCCU Business priority subject in the Fiscal 2013

2013 is the first year of the 12<sup>th</sup> three-year plan. JCCU would promote the expansion and reform of the personnel system, quality management system (QMS), the joint venture with the primary co-ops as well as advancing initiatives and support towards the consumption tax hike.

The development and redevelopment of CO-OP brand products will be doubled compared to the previous. The handling of SCM (Supply Chain management) items are also to be increased sharply.

CO-OP product quality assurance would be carried out as well as continued effort to monitor and measure the radioactive materials in food items to reduce members anxiety.

## Key Point in 2013 Budget

The turnover budget is to be set high with the base line 97% compared with the previous year while maintaining gross profit (GP).

We will continue to promote management restructuring by centering on cost reduction. Expenses is set to be reduced by 5%, while making effort to reduce total cost. We would pursue strategic investment for the development of human resources.

The ordinary surplus target is set above US\$44 million and that would be the resource fund for the support of the consumption tax hike.

We would continue to upgrade the level of SCM and EMS (Environmental Management System) especially in energy savings throughout our business operations as well as providing guidelines to help the power savings in members' homes.

## 2013 Fiscal Year Business Management Issues



YANO Kazuhiro  
Managing Director (General Affairs)

### Approach to challenges in the 12<sup>th</sup> three-year plan

"Co-ops vision 2020" underlines the baseline for setting up the subject for JCCU fiscal 2013. JCCU recognized the keynote in the first half of the 2013 fiscal year based on the prevailing economic situation in Japan.

#### In the background:

Japanese economy will not improve in three years after 2013 and business environment and members' living will continue to be severe. In addition, baby boomers will be over 65 years in 2015 resulting in the restructuring of the distribution industry and the food industry. Movement towards a new era has already begun with major retailers strengthening Private Brand products.

**Three main viewpoints** of the first half of the fiscal year are as follows:

- Exertion of total power  
Exercise total power through deepening the cooperation among businesses of co-op while keeping the framework of the existing home delivery business, welfare, mutual aid and store operation taking advantage of the high and cognitive performance of regional activities.

- Further strengthening of ties  
Challenge to promote co-operative as "an open organization" which does not only foster good network with the local community but also enhances its governance and the whole concept of doing business.

- Creating a sustainable management structure  
Business innovation is the key point here to ensure the continuous growth of the organization. Cross-sector partnerships are needed to enable a long-term guarantee of sustainable management. There is the need to strengthen solidarity with the regional federation through unification of policies regarding products development, merchandizing and sales promotion. We need to increase membership, as well as taken measures to increase market share in food.

### Strengthening product competitiveness

JCCU product policy, such as the basic appeal of price and value does not change. However, we need to develop products and provide members with better understanding regarding the entire value-added chains.

There has been a growing concern among members about "health and beauty" products in recent times and JCCU has to meet those needs.

With that goal in mind, the JCCU is set out to become a marketplace for customer-members in this new field challenges.

We need to set up a product policy, produce reference manuals and try to develop CO-OP health and beauty products based on scientific knowledge.

In addition, there is an increasing expectations for low-priced products. Our Co-op Basic series is in pursuit of that while maintaining the quality of existing products.

We wouldn't change the framework of co-op product development. However, we would improve logistics and maintain strict quality control of CO-OP products.

### Responding to the rising consumption tax.

In preparation for the consumption tax hike which is scheduled to take effect from April 2014, JCCC as a business entity is taken measures to lower the cost price of our products to suppress selling price rise. By consumption tax increase, price competitions would intensify and JCCU aims to maintain affordability in the total display of our items.

In order to reduce the cost price, material integration as well as review of product specifications are essential.

### Retailing Business

Improve the profitability of the store is an urgent need to strengthen the sector, especially in the section of fresh foods.

In addition to skill improvement of store personnel, there is the need to improve the procurement mechanism as well as reviewing the policy regarding assortment procurement.

For the home delivery business, the present format of weekly supply would be maintained for the next three years.

### CO-OP Insurance Business

Although rapid expansion has been carried out in the medical insurance centered on women and children, competition with other insurance companies intensifies from now on.

## 2013 New Year Reception Held

The Japanese Consumers' Co-operative Union, Japan CO-OP Insurance Consumers' Co-operative Federation and the Japanese Health & Welfare Co-operative Federation (HeW Co-op Japan) co-organized a new year reception on January 15 as a means to raise co-ops visibility through the exchanges with the various participants.

More than 600 people, including co-op stakeholders, the media, academics, co-operative organizations, leaders from various institutions including political parties and representatives from the Member of Parliament attended.

In his opening address, ASADA Katsumi, President of JCCU, reminded the audience about the role of co-ops in the society such as the effort demonstrated in the areas devastated by the Great East Japan Earthquake and the agreement with the local government regarding "community watching".



Greetings by ASADA Katsumi, looking on from left and right are CEO's of CO-OP Insurance and HeW Co-op Japan



Mr. TAMURA Norihisa, Minister of Health, Labor and Welfare greeted the audience and expressed his recommendation for co-operative effort in the socio-economic development of Japan.



General scene of audience

## News in Brief

### JCCU supports Food Bank

JCCU announced on December 14, result of its support of the Food Bank for the year 2012.

Recently many people access food from food banks on regular basis and JCCU Food bank concept and role is to supply free food and commodities that co-op is unable to sell for some logistical reasons to people who need them.

JCCU started the support program in 2010 from the point of view of social disparity, poverty, issues on food, support for environmental issues and Co-op's social responsibility.

JCCU partners with NGOs and organizations and facilities in the field of welfare and through its logistic center the food items meant for the food bank is transported to the respective organizations for redistribution.

Products offered in fiscal 2012 (up to November) amounted to approximately 1.4 million items consisting mainly of confectioneries, cup noodles and beverages. JCCU food bank support extends to Okinawa, Hiroshima, Miyagi and Ibaraki prefectures.

### Co-op Kobe launches online Net Supermarket

Co-op Kobe has started "Net Super" home delivery business targeting approximately thirty-eight thousand households in the commercial areas of Nishi and Suma wards.

This is the first net supermarket store by Co-op Kobe. The system allows registered members to order goods from PC or smartphone terminals through Co-op Kobe's website. Orders received by 9:30 am from the previous day is delivered to members home between noon and 3pm of the same day. Again, orders received by noon are delivered between 3pm and 6pm.

Co-op Kobe's membership is facing aging problems and to increase younger member registration the net super is introduced as a new innovation.

This net super is also useful for members' especially senior citizens who live in the areas of inconvenience shopping as a result of limited shopping facilities.

Sales for the first year is expected to be about 65 million JPY, which is approximately US\$716,000.

A goal is set to expand the online supermarket store to about 20 in five years.

### Seminar on Farming Methods

Pal System Co-operative Federation held a seminar under the theme "radioactivity countermeasures" to share information with co-op members, the general public and *sanchoku* producers regarding farming methods on January 16. In 2012 the seminar was held in 8 different venues.

Four presentations from *sanchoku* experts were given, stressing on the reduction of use of fertilizers.

Best agricultural practices were shared making reference to a special method adopted by JA and the Co-op in the cultivation of rice, which takes measures against radioactivity by reducing the components of a fertilizer from 18 to 8.



The scene of the meeting

\* *Sanchoku* is a Japanese word translated as direct transaction or direct buying routes from producers to consumers.

\*JA=Japan Agricultural Co-operatives

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