

2015 Annual Report



ZENROSAI

National Federation of Workers and Consumers Insurance Co-operatives

Zenrosai is a Co-operative

Zenrosai stands for the National Federation of Workers and Consumers Insurance Co-operatives:

It is a not-for-profit organization, owned, managed, and utilized by its members.

Zenrosai provides both life and non-life insurance to improve members' security in life.

Mission Statement

“Towards a Safe and Affluent Society with Mutual Help”

Unchanging values that Zenrosai should share with its members

Safe

This refers to **the outcome of mutual help**. It also refers to the fact that overcoming social insecurity remains an essential, unchanging value from now into the future.

Affluent

This refers to **both economic and spiritual enrichment**. It also refers to the traditional role of the co-operative insurer enabling spiritual peace of mind by securing more economical coverage through the viewpoint in which Zenrosai started from: “affordable insurance for workers.”

Society

This refers to **the approach of not only improving the lives of individual members but also contributing to society as a whole** based on the historical process in which Zenrosai started out as a workers' welfare movement. It also refers to the intention of the co-operative movement—to expand the scope of helping each other through co-operative insurance and take action to realize a better society.

Mutual

This refers to **the members of Zenrosai as well as all employed people and consumers**. It also connotes the meaning of “all” in the ideal of co-operatives, “All for One.” Furthermore, it also incorporates the meaning of promoting voluntary participation by members.

Help

This refers to **the cornerstone of Zenrosai since it was founded for the purpose of workers helping each other**. It also expresses that the unchanging reason for the existence of Zenrosai lies in the continuation of its status as a co-operative insurer over the next 50 years and keeping its spirit of helping each other.

A Message from the President

Hoping to Pursue “Deepening” in FY2015

- For the first half of Full-scale Operation of Zetwork-60 -

I am honored to present this “Annual Report 2015” to provide an overview of our business, financial condition, and our various activities. We hope that this report will give you a better understanding of Zenrosai and that you will continue to support us.

FY2014 was the first fiscal year of Zetwork-60 (abbreviation: Z-60), our Mid-term Management Plan, which will end in FY2017, in which we will mark our 60th anniversary. In FY2014, we received a total of 595.9 billion yen in premiums, and the sum insured, which is a figure indicative of how much security we provide, amounted to a total of 767 trillion yen. We were able to achieve each goal through the Three Reforms (reform of business structure, organizational restructuring, and awareness raising), which is the main policy of Z-60. Also, a total of 321.7 billion yen in claim payments in more than 2 million cases financially supported our members in need. Additionally, our members received a total of 37.5 billion yen as dividends resulting from settlements of accounts in the previous year. Overall, in FY2014, we achieved concrete results, including progress in the ongoing Three Reforms, and gained huge momentum toward the crucial step of Z-60 in the future.

Meanwhile, FY2015, which has already begun, is the important second year of Z-60, for which we have set “business recovery” and “the establishment of a continuously sound business foundation” as our top priorities. Therefore, it is essential to evaluate the previous year and to reconsider various predetermined strategies carefully based on a change of circumstances during this term. In FY2015, we will pursue “deepening” into the genuine meanings and goals of our on-going reforms as a whole, and also into the mission of each employee as an individual.

In closing, through our efforts to implement Z-60, we promise to improve our members’ lives by utilizing the power of “mutual help,” which is the fundamental idea of workers’ welfare movement. We also promise to fulfill our social mission by striving to achieve our philosophy “Towards a Safe and Affluent Society with Mutual Help.”

I humbly ask for your continued support.



Hiroshi Nakaseko
President, Board of Directors



FY2014 in Brief

- In order to meet the needs of our members and affinity groups, Zenrosai has revised the Group Term Life Insurance (August 2014), and the Fire and Natural Disaster Insurance (February 2015).
- As for the Reform of Organization, we have restructured the Headquarters and Regional Head Offices. Also, we have implemented the reform of the entire organizational structure which will realize the maximum results with limited resources.
- We have undertaken HR development programs and systemized the PDCA cycles for the business goals.

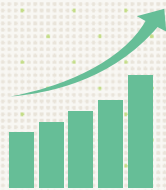


Zenrosai's Mid-term Management Plan from FY2014-FY2017

Marking our 60th anniversary in 2017, we have set **two priority goals** achieved by **three reforms** in Zetwork-60.

We aim to become a more appealing co-operative by earning the Sympathy, Participation, and Trust of our members and society.

The two goals

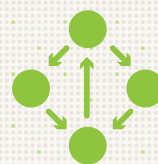


Business Recovery



Establishment of a Continuously Sound Business Foundation

The three reforms



Business Structure



Organizational Restructuring



Awareness Raising

This is Zenrosai

Insurance Business for Members

Zenrosai's business started from mutual assistance activities among members taking precautions against various risks to life and house. Since then it has developed into a modern security system: insurance.

Zenrosai now provides its members not only with financial indemnity but also overall livelihood security for a better life.



Toyohiko Kagawa, the Father of Japanese Co-operatives

As a Co-operative

Based on the co-operative principle, Zenrosai provides insurance and mutual help for its members under the supervision of the Ministry of Health, Labor and Welfare and the Consumers' Livelihood co-operative Society Law. Anyone can join the circle of mutual aid if they subscribe to this principle and pay the membership fee.

Promoting Workers' Welfare

Zenrosai has been working hand in hand with trade unions for the workers' welfare movement. The movement in Japan is organized by the voluntary activity of workers based on their own philosophy of mutual aid and solidarity. Zenrosai was organized and has been run mainly by trade union members: however, its service extends to all workers in the community now.



The Birth Place of Co-operatives: Rochdale Pioneers Museum (England)

Zenrosai Group

Zenrosai

National Federation of Workers and Consumers Insurance Co-operatives

Established in September 1957

Zenrosai underwrites insurance products for individuals directly. It comprises co-operatives of 55 societies and three federations.

Saikyosairen

Japan Reinsurance Federation of Consumers' Co-operatives

Established in January 1975

Saikyosairen underwrites reinsurance for workers' and consumers' co-operatives as well as many other co-operatives in Japan.

Zenrosai Kyokai

National Association for Workers Welfare and Co-operative Insurance

Established in June 2004

Zenrosai Kyokai provides guidance, coordination and liaison work for workers' welfare and co-operative insurance.

Zenrosai Executives



Hiroshi Nakaseko
President, Board of Directors



Hideo Hara
Senior Managing Director, Board of Directors



Hiroshi Sakita
Senior Managing Director, Board of Directors

Toshihiro Rikiishi *Vice President*

Masami Hirota *Vice President*

Shin Okayama *Vice President*

Kazuyuki Oda *Vice President*

Hideaki Tokunaga *Vice President*

Shuji Hada *Managing Director, Board of Directors*

Chihiro Ikusawa *Managing Director, Board of Directors*

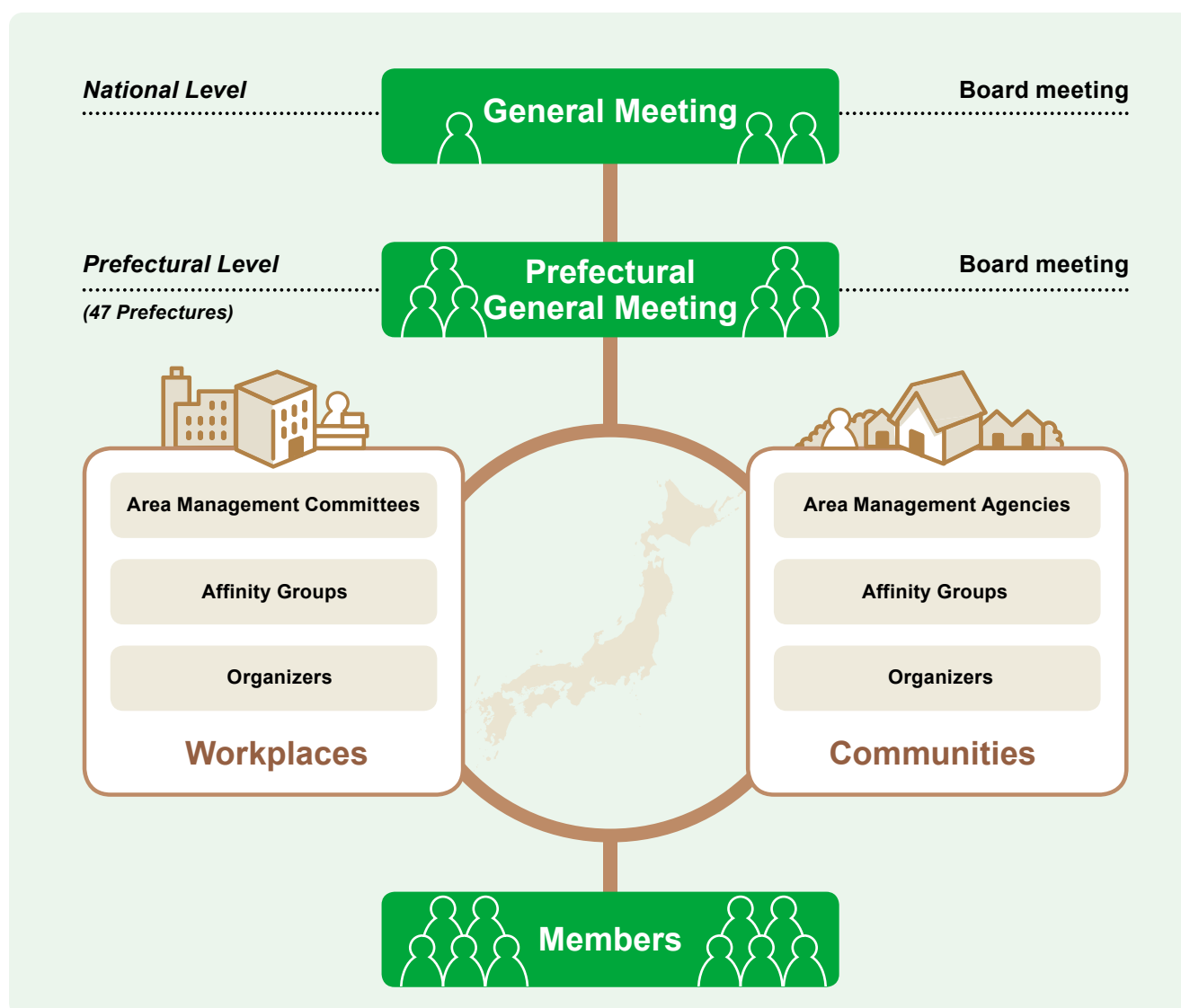
Democratic Management Structure

Zenrosai is owned, managed and utilized by its members. It is essential for us to maintain members' participation in its management.

In order to conform to those members' voices and hearts, and to enhance the co-operative movement, affinity groups and organizers form the Area Management Committees/Agencies on a district basis. The result is a democratic, integrated management structure. Zenrosai has General Meetings, Board Meetings and other meetings comprising representatives of the members in workplaces and communities, at national, regional and prefectural level.



General Meeting in 2015



Membership: Approximately half of the members are through affinity groups such as trade unions, and the others are through organizers or other channels such as banks.

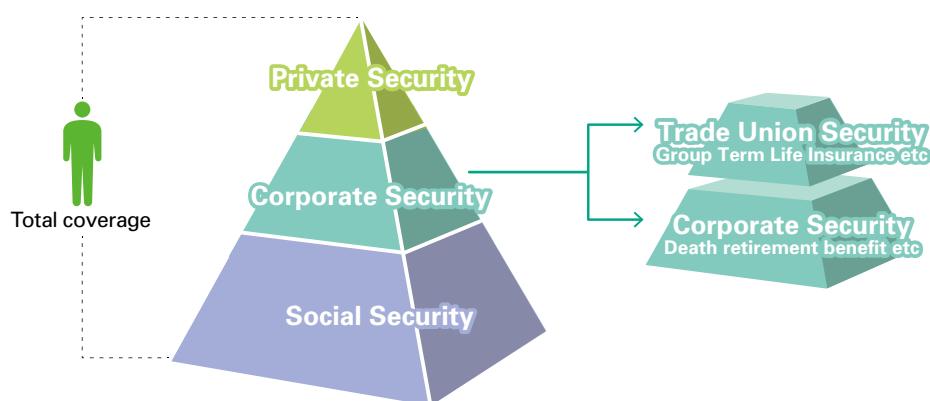
Affinity Groups: As of May 31, 2015, Zenrosai affinity groups total 31,098 throughout Japan: 30,406 trade unions and 697 community associations.

Organizers: Organizers are persons who introduce Zenrosai to communities and support members to participate various activities.

Lifestyle Security Design Program

Zenrosai provides its members with, what we call, the Lifestyle Security Design Program. It is important to prepare ourselves for risks by thinking about security, taking into consideration all the security we need.

The goal of the program is to enhance security and reduce household expenditure, and through consultation with our members, consider the insurance coverage they truly need to prepare for uncertainties in a reasonable way, through planning and implementing a life plan suited to their own needs.



Social security

Social Security programs are provided by the government. In Japan, we have comprehensive basic security, such as the national health insurance system, the public pension plan, and the national care insurance scheme for the elderly and disabled.

Corporate security

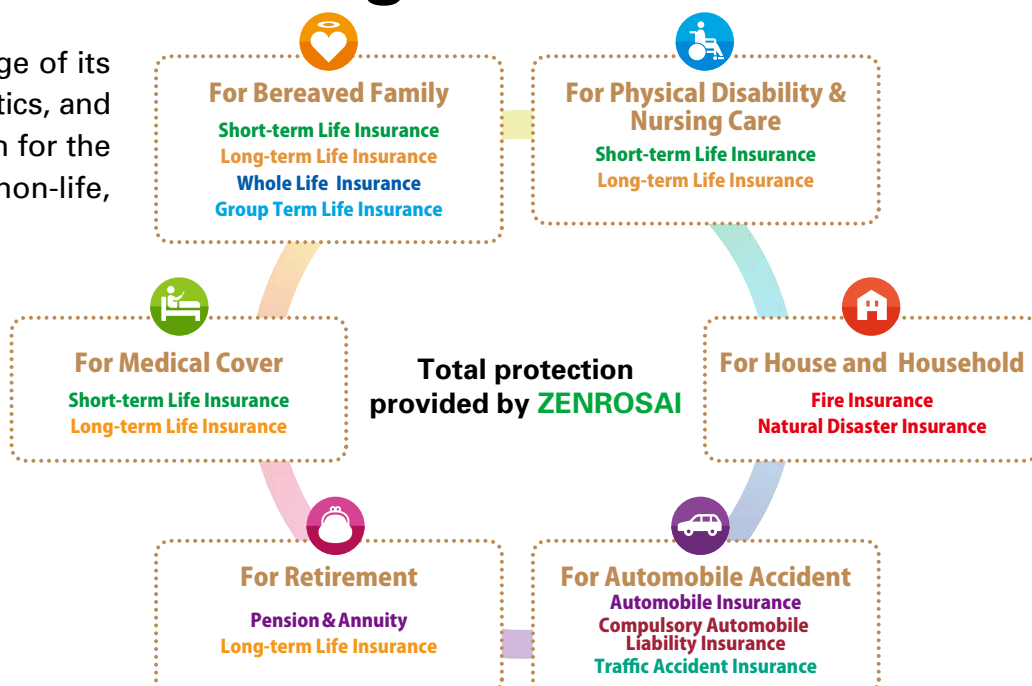
Corporate security can be provided by companies and/or their trade unions. Zenrosai promotes "Trade union security," ensuring the lives and livelihoods of the members of trade unions through various products such as Group term life, Fire, and Car insurances.

Private security

Private security indicates insurance, which is the amount of total coverage after deducting the amount of social and corporate securities.

Zenrosai Coverage

Zenrosai takes advantage of its co-operative characteristics, and provides total protection for the members, such as life, non-life, and liability insurances.



Co-operation among Co-operatives

Zenrosai thinks that cooperation and solidarity among not only Japanese co-operative societies but also those all over the world is essential. As we believe the development of co-operative movement contributes to the peace, enhances social justice and improves people's living and welfare, we affiliate to the co-operative bodies to participate in various activities.

ICA

ICA was established London in 1895, and became the largest non-governmental organization. Currently, the ICA has more than 270 member organizations from almost 100 countries, representing approximately 1 billion individuals worldwide.

ICMIF

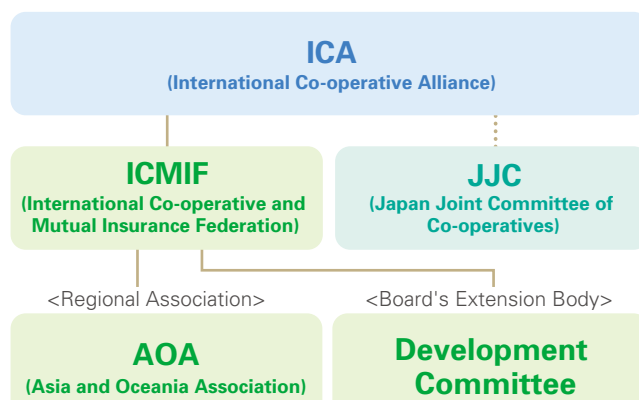
ICMIF is a specialized body of ICA for co-operative insurers. Zenrosai joined in 1962, and also became a member of its regional association AOA. We have started activities to deepen the co-operation with other insurers in the world through participating in the Board of Directors and its formal extension body the Development Committee. Currently, the ICMIF has more than 220 members from over 70 countries.

JJC

JJC was established in 1956 as a connecting body of co-operatives at national level from various fields to promote mutual alliance in Japan. Zenrosai has been a member society since 1992.

Business tie-up with Labour Bank and JCIF (Japan CO-OP Insurance Consumers' Co-operative Federation)

As voluntary organizations for workers' welfare, Labour Bank and Zenrosai have provided financial and insurance services over fifty years. In March 2009, the two organizations announced its joint declaration "New consumers' welfare." Labour Bank has been promoting "Mortgage fire insurance" since 2009, and started promoting "fire insurance" from 2010 as Zenrosai's agent. Also, we are conducting product tie-up and marketing activities for life and fire insurance business with JCIF.



Mr. Nakaseko, President of Zenrosai, at the ICMIF Conference 2015 in Minneapolis



JCIA (Japan Co-operative Insurance Association)

In Japan, co-operative insurers operate under different laws and supervising bodies according to their sectors, such as consumer, agricultural, and fisheries. JCIA was established to promote the sound development of co-operative insurance as a whole, regardless of the differences in sectors. Zenrosai has been one of the founding members of JCIA since 1992.

Social Contribution Activities

Zenrosai is carrying out activities to contribute actively to the community. Areas of 'Loss Prevention Activity,' 'Environmental Preservation Activity,' and 'Raising Healthy Children Activity' are designated as priority areas for building and passing on a safe and affluent society.



Major Activities in FY2014

Bosai Cafe

Zenrosai has been hosting the loss prevention events called "Bosai Cafe," which the Japanese Cabinet Office has recommended. It contains various programs such as tasting emergency provisions, quiz games, a dance to learn the protecting postures, and scientific experiment show. Such activities help to raise awareness of loss reduction strategies through enjoyable ways. Zenrosai provided this event 49 times nationwide during FY2014.



Forest Development Activities by Children

We have been supporting the Junior Green Friends Federation with our partner, the National Land Afforestation Promotion Organization since 2013. As a result of the tsunami which followed the Great East Japan Earthquake, the greenery of the coastal areas has decreased. The children have planted commemorative trees at schools and in their community areas, wishing for rich greenery again.



Other Activities



Public Performance for the children in Fukushima



Special Partner in the U-12 Soccer League



Zenrosai Culture Festival



Reading Relay Project for children's psychological care



Endowed Course at University

Voice of Member

We appreciate a word from our members. Since 2006, we have started storing the comments into our database so it can be shared with all staff nationwide.

It is an irreplaceable treasure for us when our members say with a smile, “Thank you” and “You reassured me.” To receive positive feedbacks from as many people as possible, we will be grateful for and continue to respond soundly to their comments.



A Voice from our Member

I have been carrying out the contract proceedings over the counter at one of Zenrosai shops. Every staff is generous, and I enjoy talking with them.

Also, when I had a car accident, the persons in charge responded to the accident promptly. I recognized that they took very good care of us not only when I bought insurances, but also when dealing with the claims. I will continue to be your member.



Thank You for “Thank You Comments” from the Staff Members of Zenrosai

All of our staff members try to respond with sincerity, and these appreciative comments actually encourage us. We will keep on striving to improve member satisfaction with our service.



Zenrosai shop

In Zenrosai, we have put a lot of effort into business improvement activities based on comments from our members. We have analyzed them, and have revised products and services.



A Voice from our Member

I received the requisition forms for claim payment, but I forgot to make a claim. It would have been good if Zenrosai had informed me of this.

Improved Content

We have started to check with people who have not made claims by writing to them six months after sending requisition forms for claim payments.



A Voice from our Member

I expect Zenrosai to consider providing elderly-friendly services.

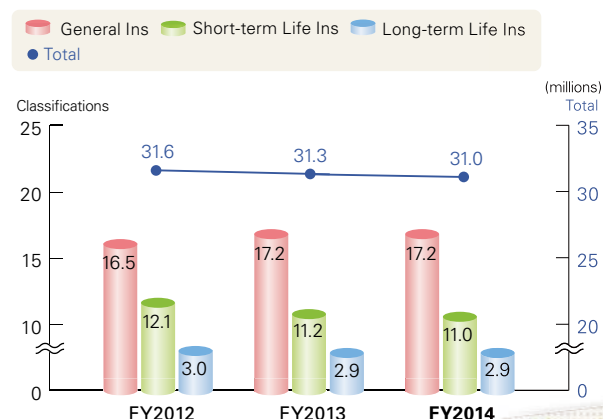
Improved Content

In Zenrosai, people aged 65 or over are considered to be elderly.

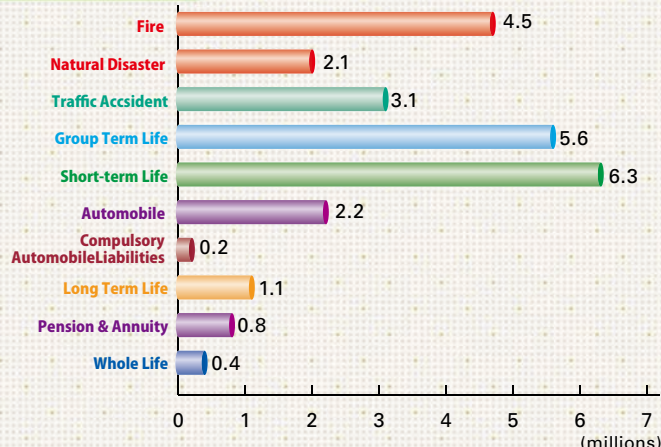
We have been conducting studies on improving the quality of handling such members at our shops or during phone conversations, creating reader-friendly brochures and business forms, and undertaking a review of procedures for making claims.

Key Figures

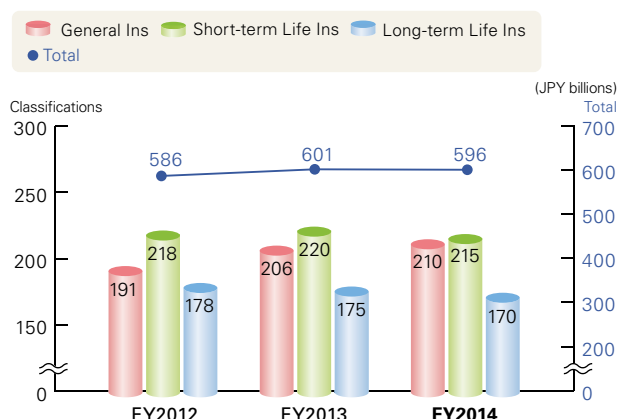
Number of Policies-in-Force



by Main Lines

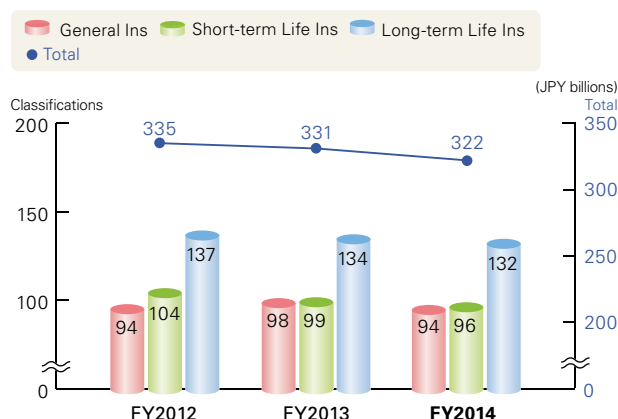


Premiums Received



The total number of policies-in-force decreased by 263,000 (0.8%) during FY2014. It was mainly due to the drop in Individual Short-term Life Insurance, Traffic Accident Insurance, and Group Term Life Insurance. Meanwhile, an increasing shift to direct writing as a result of the business merger of industrial insurance co-operatives, and the favorable promotion of the revised Fire Insurance and Natural Disaster Insurance led to an uptick in these numbers.

Claim Payments



Claim payments in FY2014 decreased by 2.8% due to relatively few natural disasters and matured endowment payments.

Zenrosai has continued calling to members who suffered from the Great East Japan Earthquake in 2011 to make claims. As a result, we made claim and ex-gratia payments of 800 million yen to them during FY2014, and the amount of the payment for the events in the end totaled to 126.5 billion yen.

Financial Highlights

Balance Sheet

	FY2013 May 31st 2014	FY2014 May 31st 2015	
	JPY billions	JPY billions	USD millions*
Assets			
Cash and deposits	167	151	1,220
Money-in-trust and Monetary Claims	225	279	2,259
Securities	2,576	2,651	21,426
Loans	8	7	55
Investment real estate	2	2	15
Others	422	425	3,435
Total Assets	3,400	3,515	28,410
Liabilities			
Policy Reserves	2,948	3,013	24,349
Reinsurance accounts payables	3	3	27
Other insurance business liabilities	34	30	239
Other liabilities	101	108	875
Total Liabilities	3,085	3,154	25,490
Net Assets			
Membership capital	305	336	2,719
Co-operative share	181	181	1,465
Surplus	125	155	1,255
Satutory reserve	37	42	337
Voluntary reserve	59	78	629
Unappropriated surplus for the period	29	36	288
Valuation and translation adjustment	9	25	200
Total Net Assets	315	361	2,920
Total Liabilities and Net Assets	3,400	3,515	28,410

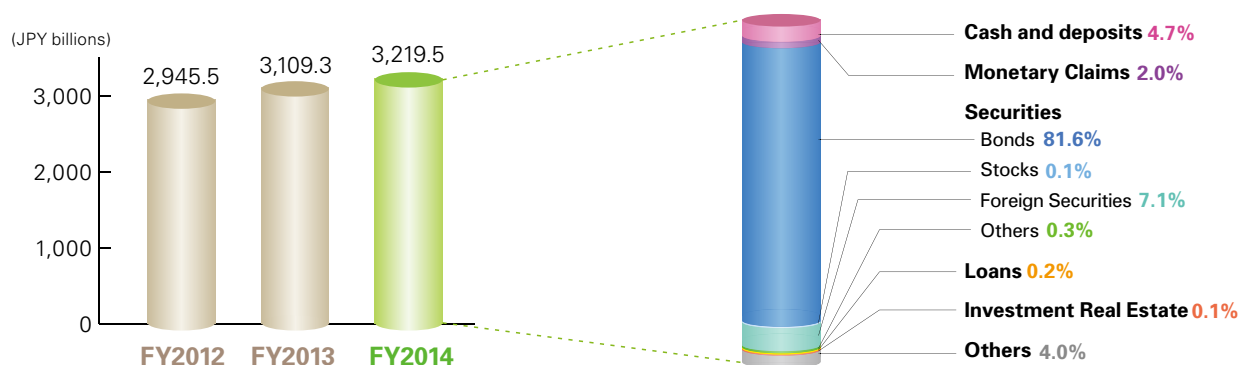
* Figures in US dollars are based on the interbank rate as of 29th May 2015: Japanese Yen 123.73 shall be a US dollar.

Income Statement

	FY2013 May 31st 2014	FY2014 May 31st 2015	
	JPY billions	JPY billions	USD millions*
Income			
Premium and other income	611	605	4,893
Transfer from policy reserves	26	40	324
Investment income	52	55	441
Other ordinary income	1	1	10
Ordinary Income	690	701	5,668
Expenses			
Claims and Benefits	420	418	3,381
Transfer to policy reserves	60	68	547
Other ordinary expenses	123	124	1,004
Ordinary Expenses	602	610	4,932
Extraordinary Income	0	0	1
Extraordinary Expenses	8	10	83
Surplus before taxes	80	81	654
Corporate and other taxes and adjustments	16	12	98
Transfer to dividends reserves	38	37	303
Net surplus for the period	26	31	253
Other adjustments	1	4	35
Payments from voluntary reserves	2	2	18
Unappropriated surplus for the period	29	36	288

* Figures in US dollars are based on the interbank rate as of 29th May 2015: Japanese Yen 123.73 shall be a US dollar.

Asset Under Management



Zenrosai's asset management has been employed mainly on government and corporate bonds which promise stable and long-term profits, which is based on our management policies and the perspective of ALM (comprehensive assets and liabilities management).

Investment Profit

(JPY billions)

FY2012	FY2013	FY2014
47.5	50.7	53.3

Yield on Investment

FY2012	FY2013	FY2014
1.64%	1.68%	1.70%

Our net profit from asset management rose by JPY 2.6 billion from the previous year to JPY 53.3 billion, while our yield on investment was 1.70%.

Management Index

Basic Profit

(JPY billions)

FY2012	FY2013	FY2014
120.6	137.3	140.4

Basic profit increased by JPY 3.1 billion from the previous year to JPY 140.4 billion due to the improvement of risk premium profit or loss.

Solvency Margin Ratio

FY2012	FY2013	FY2014
1,389.3%	1,574.4%	1,434.7%

The ratio rose as a result of additional liability reserves and contingency reserves.

*Since Zenrosai provides both life and non-life insurance, our solvency margin ratio cannot be compared simply to those of other life or non-life insurers.

*The new calculation has been applied for FY2014 in order to improve reliability, so that standards are different from the previous years.

Adjusted Equity Capital

(JPY billions)

FY2012	FY2013	FY2014
550.7	650.0	729.5
17.0%	19.1%	20.8%

Due to the increase in equity capital and the reserves, the resulting adjusted equity capital increased by JPY 79.5 billion to JPY 729.5 billion, for an adjusted equity capital ratio of 20.8%.

*Adjusted equity capital includes the followings; equity capital, contingency reserves and price fluctuation reserves.

Net Worth

(JPY billions)

FY2012	FY2013	FY2014
989.7	1,152.2	1,402.7
30.6%	33.9%	39.9%

Net worth increased due to increases in additional liability reserves, which indicates a good financial state with a net surplus of assets.

*The net worth is the amount of equity broadly defined, including reserves, unrealized profit and loss. Put another way, it is the amount of total assets on a mark-to-market basis minus liabilities (not including those with the nature of capital).

Annual Report 2015

ZENROSAI

National Federation of Workers and Consumers Insurance Co-operatives

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