

Message from the President



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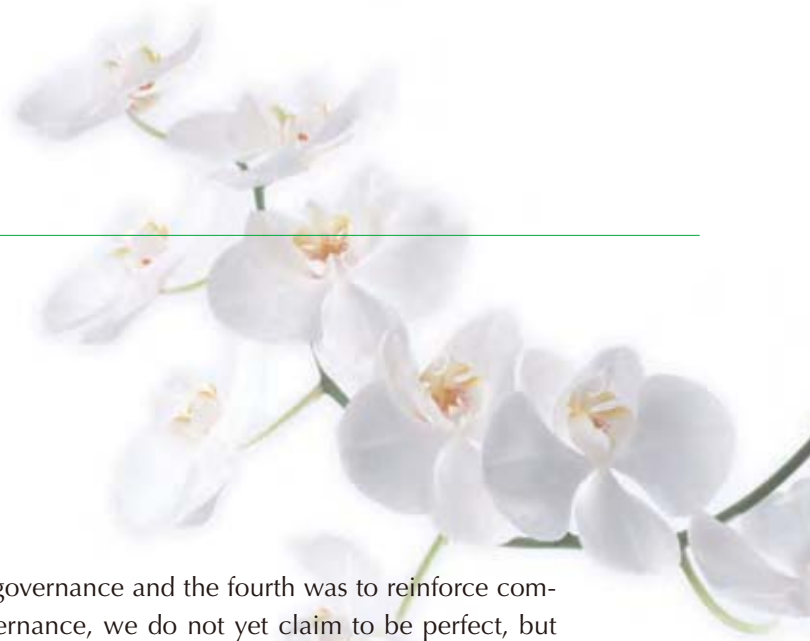
The combined balance of deposits at all Labour Banks in fiscal 2004 increased by ¥299.7 billion to ¥14,129.5 billion, while the combined balance of loans increased by ¥222.2 billion to ¥9,488.7 billion. Net profit for the term was ¥36.6 billion, an increase of ¥6.6 billion over the preceding year.

However, we don't think these results allow us to be optimistic about the future. Mega-banks are nearing the end of writing-off their nonperforming loans and will strengthen their offensive toward the retail market. The decline in the ratio of organized labor is also a cause of concern. We have to invigorate our marketing and business operations, but a more important problem is how to efficiently distribute our limited managerial resources and how best to build a management system that corresponds to that. We must continue with our attempts to build an efficient management system that will enable us to display our overall strength.

During the past one-year period, we uniquely formulated a plan to strengthen the functions of Labour Banks and undertook four tasks. Here we want to briefly make mention of the results of these endeavors.

First, we attempted to develop a safety net for workers. We consider the development of a safety net to be the way to "alleviate the pain felt by workers that is caused directly and indirectly by the prevailing bleak employment picture last year." From a macro perspective it has been said that last year the employment picture began to improve, but many workers feel that improvement is still far away. The measure we typically use is to ease repayment conditions for loans, so that the conditions reflect a decreased income, thus alleviating the debt burden for many workers. In addition, our consulting service for workers burdened with multiple debts has made advances. There are still a great many workers afflicted by high interest rates, and we will continue to take active measures to help them.

Second, we extended assistance to NPOs. In this regard, we appointed personnel to oversee NPOs and strengthened our tie-ups with local autonomies and organizations that support NPOs. All Labour Banks have begun to handle loans exclusively for NPOs. The framework for the system and institutions to back up NPOs has been completed, although it is slightly different from bank to bank.



The third project was to strengthen governance and the fourth was to reinforce compliance. Regarding strengthening governance, we do not yet claim to be perfect, but external directors and external auditors have been appointed at all member banks. Regarding compliance, all member banks are striving for perfection, considering compliance to be their most important task.

All told, we think we have generally attained the above four tasks. To make the results firmer, we will proceed with follow-up endeavors under the fourth medium-term management program which started in fiscal 2005.

Lastly, we want to mention the philosophy underlying the fourth medium-term management program.

First, we aim to overcome a changed environment and meet the financial needs of workers. The first wave of baby boomers will reach retirement age in fiscal 2007, the last year of the fourth medium-term management program. Under the revised Law Concerning the Stabilization of Employment of Older Persons, the mandatory retirement age is to be incrementally raised to 65. The changed business climate that may rock our member's foundations and the escalation of competition among financial institutions force us to change whether we like it or not. Labour Banks will perform their roles by strictly observing our three principles: non-profit, direct service to the members, and political neutrality.

Second, we are determined to defend the banner of Labour Banks in all 47 prefectures. Labour Banks are the only financial institutions in Japan that have the lofty mission of meeting the financial needs of workers and raising the economic status of all working people. What policy should be taken and what kind of reform should be carried out in order for us to perform the roles that we are expected to perform in all regions? Aware of this problem, we have compiled the fourth medium-term management program.

As long as there are financial needs that workers want us to meet and as long as there are expectations that we perform functions to promote the welfare of workers, Labour Banks have to continue growing as financial institutions that cover the entire country and satisfy their customers.

We believe that self-initiated attempts to meet diverse challenges will stimulate Labour Banks — which have a history of more than 50 years — to undertake efforts to further enhance their presence in society.

(This message was written on the basis of information available as of June 29, 2005.)

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