

Review of Fiscal 2004

1

Reinforcing the membership base and systematic business practices

Reinforcing systemic business practices

The National Association of Labour Banks formulated a plan to reinforce the business practices of Labour Banks so they can operate as an organization, and compiled a unified management by objective (MBO) as the first phase of the plan (trial implementation). MBO has been adopted and is being used by some Labour Banks. Moreover, we decided to start a “business reform study group” in fiscal 2005 to accelerate reform and to extend that reform to all Labour Banks.

Expansion of life-supporting activities

By strengthening its ties with organizations that are members of the Labour Bank Central Promotion Council — such as the Congress of Industrial Organizations (CIO) — the National Association of Labour Banks has detected problems that confront its members, and has offered facilities, systems and products and endeavored to solve the problems. To prepare for the enactment of the Personal Information Protection Law, we held meetings and lectures to help our member banks comply with the law.

2

Strengthening our activity foundations

Upgrading the activities and transactions of the Friendship Society

At the national meeting of the Friendship Society steps were taken to share information about the status of its activities. We conducted a survey on the current status of the society and clarified its tasks in order to devise guidelines on the society’s role and how to position it.

Development of good money (NPO measure)

We organized a meeting of the “NPO cooperation study group” to understand how Labour Banks throughout the country were tackling NPO activities, and exchanged experiences. We asked the government to amend the Cabinet order to make it possible to extend a loan with a third party’s deposit as security. We will continue to attempt to have legislation amended.



3

Strengthening our organizational foundations

Establishing a compliance setup

The National Association of Labour Banks periodically holds meetings during which officers and employees from each division and each level are able to discuss with one another. This creates a workplace ethos that allows open-minded discussion. It also finalized a setup for compliance and is endeavoring to ensure that it functions. The association called a meeting of officers in charge of compliance and, to help Labour Banks observe the laws and regulations, it compiled questions relating to the Labour Bank Law. At a meeting of directors in March 2005, we agreed anew to make thoroughgoing efforts to prevent scandals.

Observance of the Personal Information Protection Law

To help the Labour Banks handle personal information, the National Association of Labour Banks

established self-disciplinary rules to protect personal information and gathered information on cases related to privacy, collected sample consent forms that can be used to obtain personal information for deposit and loan transactions, and also materials and leaflets. In addition, the association explained the guidelines that Labour Banks will use when dealing with the Personal Information Protection, and assisted them in organizing seminars.

Crisis management

We organized two meetings between officers in charge of crisis management and media relations to ensure that everyone had the same information. We also amended the crisis management manual and strengthened the ability of Labour Banks to cope with emergencies.

4

Strengthening our financial foundations

Reviewing the policy of returning profits to members

In consultation with the Ministry of Health, Labour and Welfare, the association clarified the interpretation of the Labour Bank Law dealing with the utilization-based dividend (dividends paid on the basis of utilization by each member bank), and included the amount of utilization of indirect members with that of all members. As a result, the terms to return profits to the Labour Banks in the form of utilization-based dividend were met.

Assistance relating to the accounting system, etc.

We held a meeting to explain the asset impairment accounting system of fixed assets when it was introduced. We scheduled a lecture for an audit firm to review procedures for the new system and introduced cases where Labour Banks had quickly switched to the system to help promote understanding of the new accounting practice and ensure that information was exchanged among member banks. We also compiled a handbook for fixed asset impairment accounting (the first edition) and dis-

tributed it to Labour Banks. In addition, we returned to the government the task managing the pension fund association and assisted Labour Banks in their settlement of accounts, including the handling of accounts during the period of transition to the new corporate pension fund system and with calculations for retirement allowance liabilities for fiscal 2004 and fiscal 2005.

Re-examination of the credit guarantee system

We set up a subcommittee to study credit guarantee problems. The subcommittee discussed (1) how to determine the proper guarantee fee to establish credit risk management measures, (2) a guarantee system that contributes to the expansion of unsecured loans, and (3) measures to prevent arrears. It also compiled a report titled "For the reinforcement of the credit risk management system." In the report, we proposed a stratified tariff of guarantee fees, a variable guarantee fee for unsecured loans and a plan to revise the guarantee system for secured loans.

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1

Reinforcing our product base and channels

Establishing policies to handle IC cards

The damage caused by the use of forged cash cards has become a social problem. At its March 2005 meeting, the Board of Directors established a “policy of emergency measures against crimes committed by users of forged cash cards.” In addition, the National Association of Labour Banks has decided to issue IC cards during the first half of fiscal 2006.

Improving and expanding communication channels

We added functions to the Internet banking system and decided to study plans to structure the association’s system to allow for a flexible systems response.

2

Reinforcing our systems and clerical work

Accumulating and sharing know-how for systems utilization

We studied the service terms and systems conditions for new development projects, such as deposits without issuance of a passbook, deposits to settlement accounts, prevention of illegal payments, paperless transactions for asset formation, matters related to the Personal Information Protection Law, and measures to counter the use of forged cash cards.

Preparing to handle the expansion of the deposit insurance cap

We provided information about people have multiple account in the same name to foil computer-assisted name identification. We structured a system to handle such depositors and attempted to complete data for the period ending in March. We developed a current deposit account (deposits for the settlement of accounts) and began to handle these at the end of fiscal 2004.

Improving clerical work efficiency through standardization

We exchanged opinions with Labour Banks about measures to standardize, or improve the efficiency of, clerical work at Labour Banks throughout the country, such as starting a nationwide system to check seal impressions.



3

Reinforcing the personnel administration system

Reinforcing the managerial ability of officers and career employees

To bolster top management, we held six seminars for officers to study and discuss the managerial strategy of Labour Banks and related problems. We also held compliance training sessions, dealing, for example, with observing the Personal Information Protection Law.

Training to implement problem-solving management

We held workshops on a three-term system for business managers, researched various forms that Labour Banks should take and investigated concrete methods that would contribute to the activities of members. For persons in charge of business promotion at headquarters, we held training sessions to help implement problem-solving management.

Completion of an employee treatment system that properly evaluates goal attainment

The National Association of Labour Banks and Federation of Labour Bank Workers' Unions agreed to discuss and study the wage system, bonuses and various allowances that benefit Labour Banks, an ideal retirement allowance system in line with national policy, and how to respond to the policy of securing jobs for the elderly.

