

ANNUAL REPORT

2005

LABOUR BANKS

The Principle of Labour Banks

“Labour Banks are financial cooperatives that cultivate the dreams and ideals of our workers.”

“Labour Banks consider their objectives to be twofold: promoting economic, welfare, environmental and cultural activities by their members; and to create, by working together, a society in which all people can live in happiness.”

“Labour Banks are formed from worker-based organizations and organizations that keep their doors open to a wide range of citizens. This network of member organizations is the essence of the Labour Banks.”

“Members participate in the administration of Labour Banks as equals, seek to improve the activities and projects of the banks. Sincerity, fairness, and openness are key Labour Banks principles. By their commitment to sound management, Labour Banks will try to keep faith with their members.”

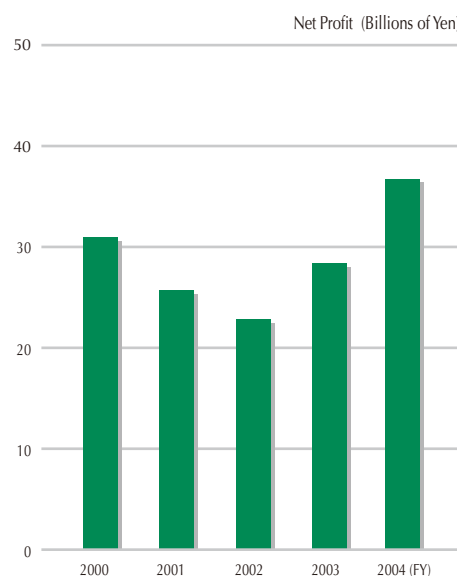
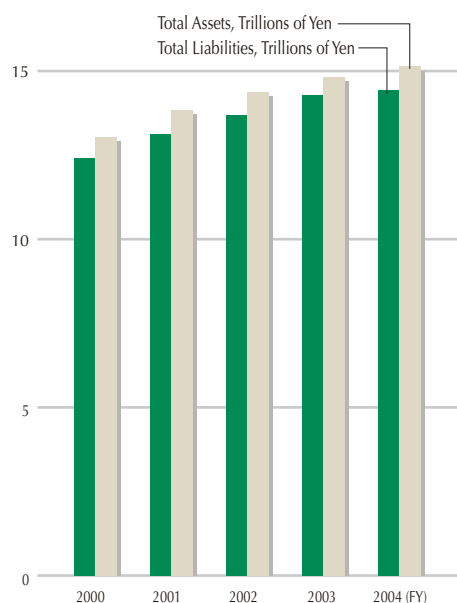
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Highlights of Fiscal 2004

	<i>Millions of yen</i>					<i>Thousands of U.S. dollars</i>
	2000	2001	2002	2003	2004	2004
Total Assets	¥13,047,453	¥13,842,476	¥14,375,617	14,818,365	¥15,129,590	¥141,437,692
Total Liabilities	12,409,618	13,189,724	13,692,413	14,111,929	14,380,557	134,435,421
Ordinary Income	314,379	284,157	287,717	268,141	284,596	2,660,521
Operating Income	309,648	282,320	285,623	266,120	282,036	2,636,589
Net Profit	31,002	25,782	22,946	28,219	36,622	342,357

¥106.97=US\$1
Fiscal year ended March 31.



Message from the President



Yasuhiko Okada

*President
National Association of Labour Banks*

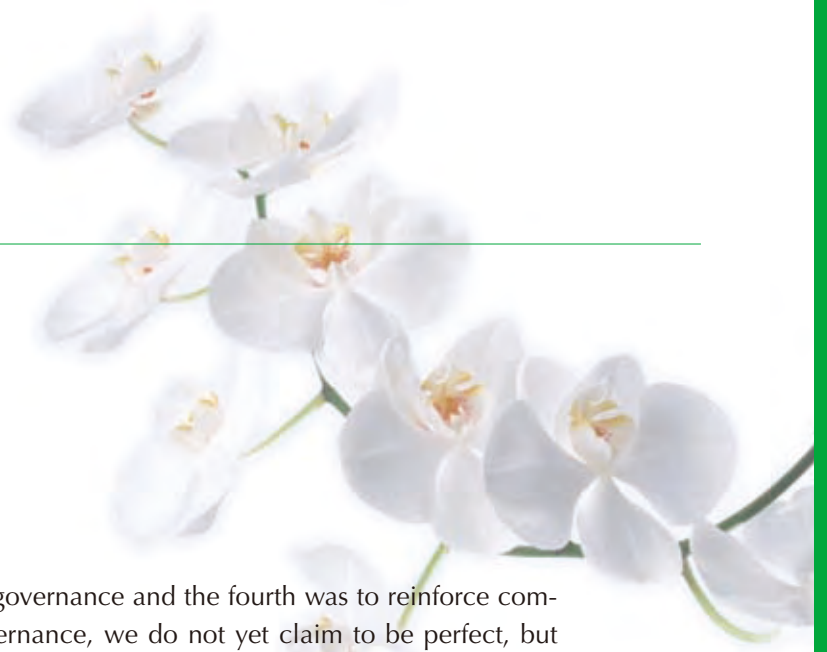
The combined balance of deposits at all Labour Banks in fiscal 2004 increased by ¥299.7 billion to ¥14,129.5 billion, while the combined balance of loans increased by ¥222.2 billion to ¥9,488.7 billion. Net profit for the term was ¥36.6 billion, an increase of ¥6.6 billion over the preceding year.

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.)

岡田 康彦

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.

Review of Fiscal 2004

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 who have multiple accounts 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.



Summary of Financial Conditions

1

Deposits

The balance of deposits at all Labour Banks throughout Japan (including negotiable certificates of deposits) at the end of fiscal 2004 stood at ¥14,129.5 billion, an increase of ¥299.7 billion over the end of the preceding year. But the rate of increase was 2.16%, down 1.09 percentage points from the growth rate the previous year.

By category, the balance of current deposits was ¥3,515.9 billion, an increase of 2.08%, and the balance of time and savings deposits (including negotiable certificates of deposits) stood at ¥10,613.5 billion, an increase of 2.19%.

2

Loans

The balance of loans at all Labour Banks throughout Japan at the end of fiscal 2004 totalled ¥9,488.7 billion, an increase of ¥222.2 billion over the end of the preceding year. The rate of growth was 2.39%, a drop of 3.79 percentage points from the preceding year.

The loan-deposit ratio at the end of fiscal 2004 was 67.15%, up 0.15 percentage points from the previous year.

Home mortgage loans for individuals continued to increase under the low interest rate policy. Such loans rose by 5.17% over the preceding year to ¥7,696.1 billion, and their balance represented 81.10% of all loans. Loans for living expenses declined 6.11% to ¥1,495.1 billion, the ninth consecutive yearly decrease.

NPO project supporting loans, begun in fiscal 2002, stood at approximately ¥500 million.

3

Profit and loss

Ordinary revenues of all Labour Banks throughout Japan in fiscal 2004 came to ¥284.5 billion, a increase of ¥16.4 billion from the preceding year, and ordinary expenses totaled ¥235.7 billion, a drop of ¥300 million. As a result, combined ordinary profits increased by ¥16.7 billion, or 52.14%, to ¥48.8 billion.

Net operating profits, a yardstick for the performance of the main line, increased by ¥9.2 billion, or 20.80% compared with the preceding year, to ¥53.7 billion.

As a result, net profits for the term under review rose ¥8.4 billion, or 29.77%, to ¥36.6 billion, the second term of continuous growth.

4

Capital adequacy ratios

The weighted average of all Labour Bank's nonconsolidated capital adequacy ratios as of March 31, 2005, was 9.84%, up 0.26 percentage points over the end of the preceding year. The highest nonconsolidated capital

adequacy ratio among Labour Banks was 15.64%. At six of the 13 Labour Banks, the capital adequacy ratio exceeded 10%.

5

Loan claims under special attention

Loan claims under special attention at all Labour Banks throughout Japan as of the end of March 31, 2005, totaled ¥114.3 billion, a drop of ¥4.2 billion over the end of the preceding year, and their percentage to the total loan balance also decreased by 0.07 percentage points to 1.20%.

Loan claims against insolvent borrowers totaled ¥12.0 billion, an increase of ¥2.6 billion; those in arrears amounted to ¥79.6 billion, a decrease of ¥7.9 billion; and those in arrears for three months or more came to ¥6.2 billion, a decrease of ¥100 million. Rescheduled loans totaled ¥16.3 billion, an increase of ¥1.2 billion.

The sum of loan claims against insolvent borrowers and loan claims in arrears totaled ¥91.7 billion. Of that figure, ¥88.3 billion were loan claims backed by collateral, guarantee or appropriations for dubious loans, i.e. ¥3.3 billion, or 0.03%, of the total loan balance.



All Labour Banks Balance Sheet

ASSETS

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Deposits with Other Financial Institutions (not including non-interest bearing deposits)	¥3,455,011	¥3,515,559	\$32,298,878
Loans to Financial Institutions	-	-	-
Monetary Claims Purchased	15,915	14,086	148,780
Money in Trusts	75,786	69,973	708,479
Securities	1,601,339	1,473,646	14,969,982
Loans	9,488,725	9,266,426	88,704,543
Others	120,046	120,023	1,122,239
Cash (including non-interest bearing deposits)	144,258	105,066	1,348,583
Plant & Equipment	131,732	136,933	1,231,485
Other Assets	49,867	53,560	466,177
Deferred Tax Assets	28,898	34,511	270,150
Deferred Tax Asset Related to Revaluation	-	-	-
Customers' Liabilities for Guarantees	66,148	87,919	618,378
Bad Debt Allowance	-48,107	-59,305	-449,724
Other Allowances	-32	-37	-299
Total Assets	¥15,129,590	¥14,818,365	\$141,437,692

LIABILITIES

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Deposits (including NCDs)	¥14,129,536	¥13,829,797	\$132,088,772
Demand Deposits	3,515,979	3,444,147	32,868,832
Time Deposits	10,613,556	10,385,650	99,219,930
Borrowed Money	42,269	40,567	395,148
Other	2	4	18
Other Liabilities	52,817	59,625	493,755
Accrued Bonuses	6,704	6,521	62,671
Retirement Benefit Allowance	79,116	82,817	739,609
Other Allowances	1,845	2,385	17,247
Allowances Set by Special Law	-	-	-
Deferred Tax Debt	-	-	-
Deferred Tax Debt Related to Revaluation	2,117	2,290	19,790
Guarantees	66,148	87,919	618,378
Total Liabilities	¥14,380,557	¥14,111,929	\$134,435,421

MEMBERS' NET EQUITY

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Capital	¥89,077	¥86,805	\$ 832,728
Legal & Other Reserves	641,868	608,892	6,000,448
Unappropriated Surplus for the Term	41,367	34,002	386,715
Land Revaluation Excess	4,712	5,098	44,049
Stock, etc. Evaluation Excess	13,388	5,643	125,156
Unappropriated Share	-13	-4	-121
Total Members' Net Equity	749,033	706,435	7,002,271
Total Liabilities and Members' Net Equity	¥15,129,590	¥14,818,365	\$141,437,692

All Labour Banks Statements of Income

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Ordinary Income	¥284,596	¥268,141	\$2,660,521
Operating Income	282,036	266,120	2,636,589
Interest on Loans	226,060	212,621	2,113,302
Interest on Deposits with Other Financial Institutions	21,331	20,065	199,411
Interest on Loans to Other Financial Institutions, etc.	-	-	-
Interest and Dividends on Securities	16,728	15,889	156,380
Other Interest	3,012	1,750	28,157
Other Operating Income	14,903	15,793	139,319
Nonrecurring Income	2,559	2,020	23,922
Special Income	10,565	13,283	98,766
Total Income	¥295,161	¥281,425	\$2,759,287

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Ordinary Expenses	¥235,703	¥236,005	\$2,203,449
Operating Expenses	228,316	221,671	2,134,392
Interest on Deposits (including NCDs)	8,445	9,735	78,947
Interest on Borrowed Money	49	71	458
Other Interest	1,333	1,375	12,461
General and Administrative Expenses	214,612	205,870	2,006,282
Other Operating Expenses	3,877	4,618	36,243
Nonrecurring Expenses	7,386	14,333	69,047
Special Expenses	7,067	3,996	66,065
Total Expenses	242,770	240,001	2,269,514
Net Profit Before Taxes	52,391	41,423	489,772
Net Profit	¥36,622	¥28,219	\$342,357

The Rokinren Bank Balance Sheet

ASSETS

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Deposits with Other Financial Institutions	¥133,310	¥227,377	\$1,246,237
Loans to Financial Institutions	303,800	282,400	2,840,048
Monetary Claims Purchased	224,721	155,186	2,100,785
Money in Trusts	75,589	76,505	706,637
Securities	3,118,145	3,009,028	29,149,714
Loans	401,443	542,627	3,752,855
Other	-	-	-
Cash	0	0	0
Plant & Equipment	12,086	14,144	112,984
Other Assets	27,816	30,276	260,035
Deferred Tax Assets	-	-	-
Deferred Tax Asset Related to Revaluation	-	-	-
Customers' Liabilities for Guarantees	25	25	233
Bad Debt Allowance	-291	-567	-2,720
Total Assets	¥4,296,646	¥4,337,003	\$40,166,831

LIABILITIES

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Deposits (including NCDs)	¥3,591,589	¥3,624,135	\$33,575,666
Demand Deposits	299,329	234,153	2,798,251
Time Deposits	3,292,259	3,389,981	30,777,404
Borrowed Money	401,102	421,297	3,749,668
Other Liabilities	48,660	56,005	454,893
Accrued Bonuses	195	180	1,822
Retirement Benefit Allowance	1,746	1,653	16,322
Directors' Severance Package Allowance	34	35	317
Allowances Set by Special Law	-	-	-
Deferred Tax Debt	11,838	7,926	110,666
Deferred Tax Debt Related to Revaluation	-	-	-
Guarantees	25	25	233
Total Liabilities	¥4,055,194	¥4,111,259	\$37,909,638

MEMBERS' NET EQUITY

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Capital	¥120,000	¥120,000	\$1,121,809
Legal & Other Reserves	91,238	84,140	852,930
Unappropriated Surplus for the Term	10,938	10,454	102,252
Land Reevaluation Excess	-	-	-
Stock, etc. Evaluation Excess	30,213	21,603	282,443
Total Members' Net Equity	241,451	225,744	2,257,184
Total Liabilities and Members' Net Equity	¥4,296,646	¥4,337,003	\$40,166,831

The Rokinren Bank Statement of Income

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Ordinary Income	¥53,964	¥54,883	\$504,477
Operating Income	53,551	54,747	500,616
Interest on Loans	1,531	1,615	14,312
Interest on Deposits with Other Financial Institutions	50	44	467
Interest on Loans to Other Financial Institutions, etc.	54	49	504
Interest on Bills Purchased	0	0	0
Interest and Dividends on Securities	38,551	38,683	360,390
Other Interest	122	81	1,140
Other Operating Income	926	1,355	8,656
Other Current Income	412	135	3,851
Special Income	301	2,347	2,813
Total Income	¥54,265	¥57,230	\$507,291

	<i>Millions of Yen</i>		<i>Thousands of US\$</i>
	2004	2003	2004
Ordinary Expenses	¥41,273	¥40,298	\$385,837
Operating Expenses	40,946	40,225	382,780
Interest on Deposits (including NCDs)	22,338	22,068	208,824
Interest on Borrowed Money	67	56	626
Other Interest	0	0	0
General and Administrative Expenses	15,697	15,708	146,742
Other Operating Expenses	2,843	2,392	26,577
Other Current Expenses	325	71	3,038
Special Expenses	74	3,263	691
Total Expenses	41,347	43,561	386,528
Net Profit Before Taxes	12,917	13,669	120,753
Net Profit	¥9,898	¥9,494	\$92,530

All Labour Banks

As of March 31, 2005 Millions of yen, %

BANK NAME	DEPOSITS		LOANS		RATIO OF LOANS TO DEPOSITS
	Balance	Annual Increase	Balance	Annual Increase	
Hokkaido	¥672,221	2.2	¥557,248	4.5	82.89
Tohoku	1,189,647	2.7	921,870	1.9	77.49
Chuo	4,097,512	0.5	2,778,423	2.2	67.80
Niigata-ken	634,169	4.0	373,388	1.6	58.87
Nagano-ken	443,409	2.1	241,328	1.6	54.42
Shizuoka-ken	834,689	2.3	496,134	0.9	59.43
Hokuriku	625,474	3.3	360,479	1.5	57.63
Tokai	1,057,279	3.7	741,883	1.9	70.16
Kinki	1,544,169	2.0	1,045,111	1.2	67.68
Chugoku	851,532	4.6	559,903	3.4	65.75
Shikoku	496,275	1.8	327,118	0.0	65.91
Kyushu	1,496,123	2.3	976,624	6.1	65.27
Okinawa-ken	187,030	3.5	109,211	-1.4	58.39
Total	¥14,129,536	2.1	¥9,488,725	2.3	67.15

History

The origins of the first two Labour Banks, founded in 1950 in Okayama and Hyogo prefectures, differ. In the years following World War 2, a serious food shortage and other hardships made life difficult for workers, and numerous “consumer-livelihood cooperatives” began to be organized to ensure that high-quality consumer goods were available at low prices. However, the financial institutions at that time provided few loans to such cooperatives, and a movement began to establish financial institutions which would finance the operations of these cooperatives. The Okayama Labour Bank was born out of such a movement.

During this time, conventional banks and other financial institutions accepted deposits from workers, but would not extend loans to them. Consequently, workers who needed money were forced to rely on loan sharks, pawnshops and the like; they faced heavy interest payments and were exposed to merciless collection policies. Under these circumstances, workers organizations, such as trade unions, began to spring up in postwar Japan. If these unions went on strike, a financial institution providing loans to finance the daily needs of striking workers, such as foodstuffs and commodities, was necessary. It was situations such as these that made workers understand the necessity of having a financial institution they could call their own. This spurred the establishment of the Hyogo Labour Bank (currently known as the Kinki Labour Bank).

The founding of the Labour Banks in Okayama and Hyogo prefectures sparked the development of Labour Banks throughout the country. The founding of the Okinawa-ken Labour Bank in 1966 brought the total number of banks to 47. Currently, there are 13 Labour Banks, the result of mergers which have established the Kinki Labour Bank in October 1998, the Tokai Labour Bank in October 2000, the Chuo Labour Bank and Shikoku Labour Bank in April 2001, the Hokuriku Labour Bank and Kyushu Labour Bank in October 2001, and the Tohoku Labour Bank and Chugoku Labour Bank in October 2003.

Objectives

Labour Banks are organized and managed under the Labour Bank Law, enacted in 1953. Article 1 of the law stipulates:

“The objectives of this law are to establish a labour bank system jointly organized by trade unions, consumers’ livelihood cooperatives, and other worker’s organizations, to plan smooth financing of the welfare and mutual-aid activities of such organizations, thereby contributing to their healthy growth, as well as to improve the economic status of workers.”

The law also explains the principles of Labour Bank management: (1) activities geared toward reaping profit cannot be undertaken; (2) services are to be provided directly to members and not for the benefit of special members; and (3) Labour Banks must maintain a politically neutral position.

Management

Labour Banks are supervised by the Financial Services Agency and the Ministry of Health, Labour and Welfare. They are located in 13 districts across the country, and the number of business units in operation at the end of March 2005 totaled 686. In addition, the Rokinren Bank, a financial institution responsible for the fund management of Labour Banks, and the National Association of Labour Banks, a trade organization, were established as central administrative organs.

Labour Bank members consist mainly of trade unions and consumer livelihood cooperatives, in addition to organized workers’ groups, located within each Labour Bank district, and are operated as financial cooperatives. Individual workers may, as constituents of corporate members, use the services of a Labour Bank. Moreover, a promotional organization, voluntarily organized by corporate members, assists the small number of Labour Bank staff in effecting stable execution of Labour Bank operations.

Labour Bank Services

Item	Service
● Deposits	
Packaged Accounts	Combines ordinary and time deposits, and loans made available through the use of time deposits as security.
Ordinary Deposits	Deposits and withdrawals can be made anytime. Widely used for paying wages and direct payments.
Current Deposits	A deposit for check payments and used for settling accounts of group members.
Saving Deposits	Combines the convenience of ordinary deposits and the advantages of time deposits.
Deposits at Notice	Used to handle sizable funds for a short period.
Deposits for Tax Payments	Used to save funds for tax payments. Accrued interest is tax-exempt.
“Super” Time Deposits	The most widely used form of time deposit.
Maturity-Designated “Wide” Time Deposits	Deposits which can be withdrawn anytime after a lapse of one year. One-year compounded interest accrued.
“Hyper Σ ” Time Deposits	Deposits which can be withdrawn anytime after a lapse of six months. Six-month compounded interest accrued.
Floating-Rate Time Deposits	Time deposit to which a new interest rate is applied every six months.
Large-Scale Time Deposits	Used to operate funds over ¥10 million.
Installment Time Deposits	The period and the amount of savings can be determined based on individual needs.
“Zaikei” Savings (property accumulation savings)	Based on the laws for “Promoting Workers’ Property Accumulation,” and one of the Labour Banks’ main products. The types of accounts include General Zaikei, Zaikei Annuity and Zaikei Housing. Combined savings in Zaikei Annuity and Zaikei Housing accounts of up to ¥5.5 million are tax exempt.
“Ace” Deposits	An installment time deposit similar to the property-accumulation savings accounts. Non-fixed date, specified-maturity date and pension types are available.
Installment Savings	User pays a fixed amount monthly and, upon maturity, the Labour Bank will pay the deposit.
Negotiable Certificates of Deposits	Deposits with a high yield that can be opened with an initial amount exceeding ¥50 million. The savings certificate is negotiable.

Item	Service
● Loans	
Card Loan	
My Plan	Card loan combined with packaged accounts. Services are also available from “My Plan Club.”
Rokin Postal Savings Joint Card	A postal ATM card which has a Labour Bank’s low interest loan function. The card can be used nationwide.
Car Loan	Use of funds is not restricted to car purchases, but can be directed toward other purchases as long as they are car-related.
Educational Loan	Low-interest loan, available for any purpose related to education, such as enrollment fees and tuition.
Housing Loan	Can be used to build or purchase new housing, to enlarge/rebuild housing, or to purchase a condominium. A co-operative “Smile Package” loan is available through the Government Housing Loan Corporation.
“Rainbow” Loan	A low-interest loan available to those who have property accumulation savings.
Annuity Loan	Multi-purpose and low-interest loan allowing those who have established an account with a Labour Bank to receive annuity.
Salary and Allowance Fund	Loan system for group members.
Welfare and Mutual Aid Fund	Loan system for group members.
Consumers’ Cooperative Fund	Loan system for group members.
Housing Project Fund	Loan system for group members.
● Others	
Domestic Exchange	Remittance can be made to any financial institution within the country.
Direct Payment	Payments for utilities – such as electricity, gas, water, telephone, credit cards, various insurance premiums, etc. – can be automatically deducted from an ordinary deposit account.
Salary Deposit	Salaries can be withdrawn from the account the day they are to be paid from any Labour Bank cash dispenser or ATM, as well as from banks, post offices, and convenience stores around the country.
Annuity Receipt	Various public annuities, the mutual aid annuity, etc. can be paid into a designated account.
Cash Advance	Money deposited can be withdrawn with a Labour Bank cash card from a cash dispenser or an ATM installed at any Labour Bank, as well as from financial institutions and convenience stores across the country.
Credit Card	“Labour Bank UC Card” is a prominent credit card of the UC group. It is also linked to VISA and Mastercard.
Currency Exchange and Travelers Checks	Travelers checks are handled along with foreign currency exchange.
Agency Business (for Housing Loan Corporation, etc.)	This organization provides services for the Housing Loan Corporation and other public financial institutions.
Debit Card	This service is available at stores with the “J-Debit” mark. Expenses for shopping, dining, etc. can be paid by directly debiting your savings account by inserting your Labour Bank cash card in the terminal by the register and entering your PIN number.
Bonds	Several kinds of Japanese government bonds are sold over the counter at Labour Banks: long-term JGB (6- and 10-year), mid-term JGB (2-, 3- and 4-year), discount JGB (5-year) and government bonds for individuals. Government bonds for individuals are variable-interest bonds and are sold only to individuals. Their term is for 10 years, and the interest rate changes every six months.
Investment Trust	Labour Banks collect small-denomination funds from clients. An investment trust company manages the accumulated money through a trust bank.
Internet Banking	Transfer of funds and balance inquiries are possible 24 hours a day via computers and mobile phones.
Defined contribution pension plan	Manage and administer personal pensions. We also handle time deposits as an entity that furnishes products for corporate pension plans.

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Hideyuki Suzuki

Managing Director

Tsutomu Nakajima

Managing Director

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Outside Auditor

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