



Annual Report 2010

The Principles 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: promote economic, welfare, environmental and cultural activities by their members; and 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, seeking to improve the activities and projects of the banks. Sincerity, fairness, and openness are key Labour Bank principles. By their commitment to sound management, Labour Banks will try to keep faith with their members.”

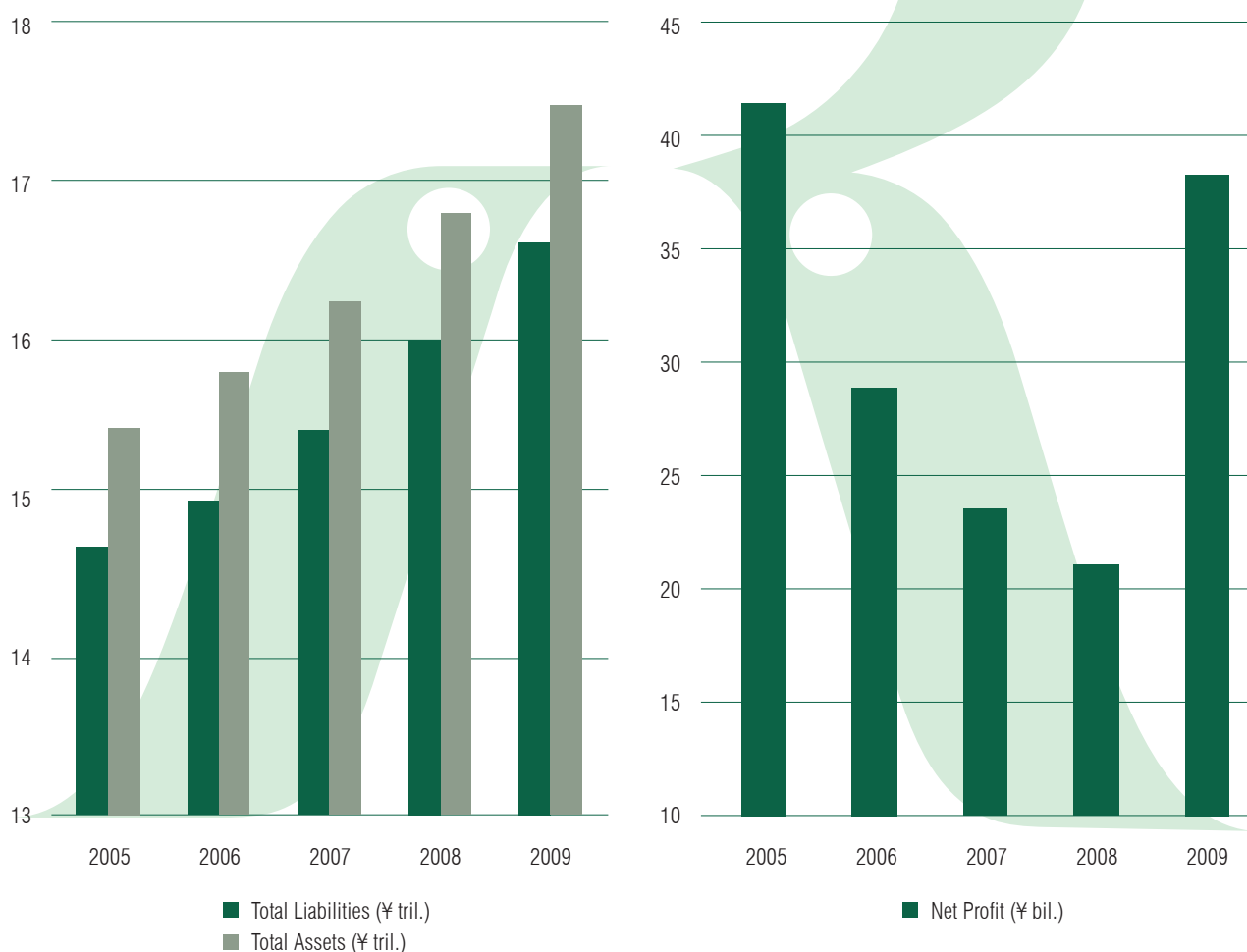
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Highlights of Fiscal 2009

	(¥ mil.)					(US\$ thous.)
	2005	2006	2007	2008	2009	2009
Total Assets	¥15,443,783	¥15,781,428	¥16,227,809	¥16,788,428	¥17,469,885	¥187,304,448
Total Liabilities	14,679,188	14,974,529	15,427,373	15,990,970	16,602,114	178,000,579
Ordinary Income	287,325	288,808	321,979	335,028	336,332	3,606,013
Operating Income	281,026	286,113	318,555	332,339	333,834	3,579,230
Net Profit	41,484	28,888	23,530	21,066	38,243	410,025

¥93.27=US\$1
Fiscal year ended March 31.



Message from the President



Yasuhiko Okada
President
National Association of Labour Banks

Labour Banks are Japan's only specialized financial institutions set up to respond to the financial needs of workers and their organizations, as stated in the objectives of their establishment.

In their early years, Labour Banks mainly extended loans for the relief of workers burdened with high interest payments as well as loans for covering the living expenses of workers faced with arrears or non-payment of wages and salaries. They also provided funds for welfare and mutual-aid activities of trade unions and consumer livelihood cooperatives. With Japan's economic growth, however, workers' financial needs became diversified, and home acquisition, purchases of consumer durables such as electric appliances, educational funds, car purchases

and overseas travel, etc. now account for an increasing portion of loans.

Labour Banks, through their business operations, have played a major role in developing and reinforcing worker welfare projects in Japan, such as the workers' mutual-aid movement, consumer housing cooperatives movement and construction of welfare halls for working people. We have also been making various efforts to enable workers not organized under trade unions, people in search of employment and pensioners, and others, to use Labour Banks.

Labour Banks' constituents now stand at some 10 million. There are over 55 million employed workers in Japan.

We will continue to strive to provide as many workers as possible with opportunities to use Labour Banks and respond to workers' diversifying needs.

In order to further strengthen the management base and continue to offer the best services possible across Japan, Labour Banks have been implementing the Three-Year Management Reform

Program, a medium-term management plan covering fiscal 2008-2010. Fiscal 2009 was its mid-point.

Our balance sheets remained favorable in fiscal 2009. The combined balance of deposits at all Labour Banks stood at ¥16,362.4 billion as of the end of March 2010, an increase of 3.89% over the year before, while the combined balance of loans grew 4.64% year on year to ¥11,218.3 billion, with the loan-to-deposit ratio rising 0.5% to 68.56%. As a result, our performance topped the fiscal 2009 goals set under the Three-Year Management Reform Program. And we secured ¥38.2 billion in net profit for the year.

After the appropriation of the surplus, the capital adequacy ratio came to 11.15%, surpassing not only the ratio of 4% required of financial institutions with only domestic business operations, the category to which Labour Banks belong, but also the 8% required of financial institutions with international operations.

Federation of Labour Banks, the central bank of the Labour Banks, also maintained sound management, chalking up a net profit of ¥7.7 billion and an capital adequacy ratio of 19.16%, firmly backing up the 13 Labour Banks across the nation.

In light of the Three-Year Program's objectives of building a strong management and upgrading services to members, however, I have to point out that we are yet in the course of management reform in several areas, and it will still be some time before we achieve all the goals. In the remaining year, we will continue to exert efforts toward fulfilling the Three-Year Program from fiscal 2008 agreed upon and formulated by all Labour Banks.

Furthermore, we will move ahead with a plan to establish the "Japan Labour Bank" through the envisioned merger of all Labour Banks in the nation in April 2012.

岡田 康彦

Balance Sheet for All Labour Banks

ASSETS

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2009	2008	2009
Due from banks (excluding non-interest bearing deposits)	4,052,992	3,737,474	43,454,409
Call loans	20,000	30,000	214,431
Monetary claims purchased	65,511	62,057	702,383
Money in trusts	7,211	14,955	77,321
Securities	1,579,423	1,701,071	16,933,890
Loans	11,218,382	10,719,997	120,278,570
Others	120,992	120,945	1,297,223
Cash (including non-interest bearing deposits)	162,039	135,126	1,737,311
Other assets	67,540	71,797	724,135
Tangible fixed assets	140,884	140,119	1,510,505
Intangible fixed assets	1,931	1,954	20,712
Deferred tax assets	28,517	43,767	305,755
Deferred tax assets for land revaluation	-	-	-
Customers' liabilities for guarantees	29,364	34,498	314,833
Allowance for loan losses	-24,906	-25,253	-267,036
Other allowances	-	-83,619	-
Total assets	¥17,469,885	¥16,788,428	\$187,304,448

LIABILITIES

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2009	2008	2009
Deposits (including NCDs)	16,362,427	15,748,781	175,430,766
Demand deposits	4,045,738	3,935,933	43,376,637
Time deposits	12,316,688	11,812,847	132,054,129
Borrowed money	1,745	8,730	18,714
Others	15,191	15,172	162,877
Other liabilities	109,307	98,210	1,171,947
Provision for bonuses	6,210	6,143	66,591
Provision for employee retirement benefits	70,097	71,843	751,557
Provision for directors' retirement benefits	1,173	1,010	12,580
Other reserves	2,137	2,066	22,917
Reserves under the special laws	-	-	-
Deferred tax debt	-	-	-
Deferred tax debt related to revaluation	4,457	4,513	47,792
Guarantees	29,364	34,498	314,833
Total assets	¥16,602,114	¥15,990,970	\$178,000,579

MEMBERS' NET EQUITY

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2009	2008	2009
Capital	91,854	90,437	984,825
Legal & other reserves	767,892	739,581	8,233,006
Unappropriated surplus for the term	48,021	27,070	514,869
Unappropriated share	-60	-58	-652
Unrealized gains and losses on other securities	5,839	-30,624	62,606
Deferred hedge gains and losses	-2,919	-3,166	-31,302
Land revaluation excess	5,165	1,288	55,385
Total members' net equity	867,771	797,458	9,303,869
Total liabilities and members' net equity	¥17,469,885	¥16,788,428	\$187,304,448

Statements of Income for All Labour Banks

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2009	2008	2009
Ordinary Income	336,332	335,028	3,606,013
Interest income	316,087	316,960	3,388,947
Interest on loans	251,665	249,022	2,698,248
Interest on deposits with other financial institutions	40,088	41,726	429,812
Interest on call loans	25	109	272
Interest and dividends on securities	19,561	21,449	209,732
Interest on interest swaps	0	8	10
Other Interest	4,744	4,644	50,870
Fees and commissions	9,578	9,639	102,695
Other operating income	8,169	5,740	87,587
Other ordinary income	2,498	2,689	26,782
Special income	678	938	7,271
Total assets	¥337,011	¥335,967	\$3,613,285

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2009	2008	2009
Ordinary expenses	284,577	304,708	3,051,115
Financing expenses	53,579	55,864	574,453
Interest on deposits (including NCDs)	51,618	54,528	553,432
Interest on borrowed money	27	45	292
Interest on interest swaps	1,421	760	15,241
Other interest	511	530	5,487
Fees and commissions	32,004	29,898	343,133
Other operating expenses	3,335	20,904	35,756
General and administrative expenses	191,413	189,166	2,052,251
Other ordinary expenses	4,245	8,873	45,520
Special expenses	1,623	1,703	17,408
Total expenses	286,201	306,412	3,068,524
Net profit before tax	50,809	29,554	544,760
Corporate income, inhabitant, and business tax	11,433	9,215	122,586
Adjustment to income taxes and others	1,133	-727	12,149
Total taxes	12,566	8,488	134,735
Net profit	¥38,243	¥21,066	\$410,025

Balance Sheet for the Federation of Labour Banks

ASSETS

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2009	2008	2009
Due from banks (excluding non-interest bearing deposits)	100,921	140,977	1,082,036
Call loans	290,000	390,000	3,109,252
Monetary claims purchased	-	-	-
Money in trusts	-	-	-
Securities	4,363,292	3,852,300	46,781,309
Loans	127,279	233,636	1,364,632
Other	-	-	-
Cash (including non-interest bearing deposits)	1,088	1,984	11,675
Other Assets	19,421	20,779	208,225
Tangible fixed assets	12,896	8,065	138,275
Intangible fixed assets	15,028	12,257	161,132
Deferred tax assets	-	3,993	-
Deferred tax assets for land revaluation	-	-	-
Customers' liabilities for guarantees	-	-	-
Allowance for loan losses	-122	-123	-1,316
Other allowances	-	-	-
Total assets	¥4,929,806	¥4,663,871	\$52,855,222

LIABILITIES

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2009	2008	2009
Deposits (including NCDs)	4,502,301	4,093,183	48,271,696
Demand deposits	191,694	222,188	2,055,259
Time deposits	4,310,607	3,870,994	46,216,436
Borrowed money	30,000	236,300	321,646
Others (bond borrowing and lending)	65,719	59,746	704,617
Other liabilities	43,572	42,889	467,163
Provision for bonuses	283	290	3,036
Provision for employee retirement benefits	2,072	2,133	22,220
Provision for directors' retirement benefits	56	39	601
Other reserves	-	-	-
Reserves under the special laws	-	-	-
Deferred tax debt	12,825	-	137,509
Deferred tax debt related to revaluation	-	-	-
Guarantees	-	-	-
Total liabilities	¥4,656,830	¥4,434,583	\$49,928,491

MEMBERS' NET EQUITY

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2009	2008	2009
Capital	120,000	120,000	1,286,587
Legal & other reserves	119,213	114,812	1,278,157
Unappropriated surplus for the term	9,023	8,481	96,749
Unappropriated share	-	-	-
Unrealized gains and losses on other securities	33,762	-5,524	361,989
Deferred hedge gains and losses	-0	-0	-3
Land revaluation excess	-	-	-
Total members' net equity	272,976	229,287	2,926,730
Total liabilities and members' net equity	¥4,929,806	¥4,663,871	\$52,855,222

Statements of Income for the Federation of Labour Banks

	(\$ mil.)		(US\$ thous.)
	2009	2008	2009
Ordinary Income	74,227	77,604	795,834
Interest income	58,221	59,333	624,222
Interest on loans	1,968	2,935	21,110
Interest on deposits with other financial institutions	6	7	70
Interest on call loans	688	2,589	7,380
Interest and dividends on securities	55,504	53,689	595,094
Interest on interest swaps	-	-	-
Other Interest	52	111	566
Fees and commissions	15,802	14,692	169,425
Other operating income	46	3,430	496
Other ordinary income	157	147	1,690
Special income	0	197	10
Total income	¥74,228	¥77,801	\$795,845

	(\$ mil.)		(US\$ thous.)
	2009	2008	2009
Ordinary expenses	63,639	66,770	682,313
Financing expenses	43,342	45,258	464,700
Interest on deposits (including NCDs)	43,230	44,248	463,493
Interest on borrowed money	82	660	887
Interest on interest swaps	-	-	-
Other interest	29	349	319
Fees and commissions	238	184	2,554
Other operating expenses	1,473	3,388	15,795
General and administrative expenses	18,373	17,622	196,987
Other ordinary expenses	212	316	2,276
Special expenses	407	29	4,365
Total expenses	64,046	66,799	686,679
Net profit before tax	10,181	11,002	109,165
Corporate income, inhabitant, and business tax	2,278	3,582	24,432
Adjustment to income taxes and others	201	80	2,162
Total taxes	2,480	3,663	26,595
Net profit	¥7,701	¥7,339	\$82,570

Status of Individual Labour Banks

(¥ mil., %)

Bank Name	Deposits (including NCDs)	Annual Increase	Loans	Annual Increase	Ratio of Loans to Deposits
Hokkaido	803,184	4.52	632,219	1.74	78.71
Tohoku	1,414,021	4.83	1,062,627	4.35	75.14
Chuo	4,752,062	3.99	3,533,966	6.51	74.36
Niigata-ken	696,282	2.28	372,424	0.35	53.48
Nagano-ken	500,027	2.53	305,348	6.37	61.06
Shizuoka-ken	926,318	1.52	559,730	3.55	60.42
Hokuriku	664,485	1.13	413,920	6.56	62.29
Tokai	1,302,809	2.85	966,950	5.39	74.22
Kinki	1,875,893	3.56	1,268,026	4.51	67.59
Chugoku	1,054,333	12.74	580,518	2.26	55.06
Shikoku	562,696	4.00	344,993	3.37	61.31
Kyushu	1,608,135	2.95	1,047,303	2.53	65.12
Okinawa-ken	202,176	-2.77	130,352	6.97	64.47
Total	¥16,362,427	3.89	¥11,218,382	4.64	68.56

As of March 31, 2010

Profile

History

The origins of the first two Labour Banks, founded in 1950 in Okayama and Hyogo prefectures, differ.

In the years following World War II, serious food shortages and other hardships made life difficult for workers. 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 that would finance the operations of these cooperatives. Okayama Labour Bank (currently known as Chugoku 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. When 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 Hyogo Labour Bank (currently known as 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 as a result of mergers that established Kinki Labour Bank in October 1998, the Tokai Labour Bank in October 2000, Chuo Labour Bank and Shikoku Labour Bank in April 2001, Hokuriku Labour Bank and Kyushu Labour Bank in October 2001, and 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. The number of business units in operation at the end of March 2010 totaled 665. In addition, the Federation of Labour Banks, the central bank of the 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 operate as financial cooperatives. Individual workers may, as constituents of the 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 and branches in carrying out stable execution of Labour Bank operations.

Services of Labour Banks

Deposits

Item	Service
Packaged Account	Combines ordinary and time deposits, and loans made available through the use of time deposits as security.
Ordinary Deposit	Deposits and withdrawals can be made anytime. Widely used for paying wages and utility charges.
Current Deposit	Deposit for check payments and used for settling accounts of group members.
Saving Deposit	Combines the convenience of ordinary deposits and the advantages of time deposits.
Deposit at Notice	Used to handle sizable funds for a short period.
Deposit for Tax Payments	Used to save funds for tax payments. Accrued interest is tax-exempt.
“Super” Time Deposit	The most widely used form of time deposit at Labour Banks.
Maturity-Designated “Wide” Time Deposit	Deposit which can be withdrawn anytime after a lapse of one year. One-year compounded interest accrued.
“Hyper Sigma” Time Deposit	Deposit which can be withdrawn anytime after a lapse of six months. Six-month compounded interest accrued.
Floating-Rate Time Deposit	Time deposit to which a new interest rate is applied every six months.
Large-Scale Time Deposit	Used to operate funds over ¥10 million.
Installment Time Deposit	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” Deposit	An installment time deposit similar to the property-accumulation savings accounts. Non-fixed-date, specified-target-date and pension types are available.
Installment Savings	The user deposits a fixed amount monthly and, upon maturity, receives the deposit.
Negotiable Certificate of Deposit	Deposit with a high yield that can be opened with an initial amount exceeding ¥50 million. Such deposits are negotiable to a third party.

Loans

Item	Service
Card Loan	
My Plan	Card loan combined with packaged accounts. Services are also available from “My Plan Club”
Card Loan for Various Purposes	Card loans can be taken out up to the predetermined lending limits for various purposes such as car purchases and educational funds.
Car Loan	Use of funds is not restricted to purchase of cars, 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.
Rokin Child Care Support Loan	This is a low-interest loan to support child-raising, offered as part of corporate social responsibility (CSR) activities.
Housing Loan	Can be used to build or purchase new housing or enlarge/rebuild housing.
“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

Item	Service
Domestic Exchange	Remittance can be made to any financial institution within the country.
Account Transfer	Payments for utilities – such as electricity, gas, water, telephone, credit cards, and various insurance premiums – can be automatically deducted from an ordinary deposit account.
Salary Deposit	Account holders can receive salaries from private-sector companies or other employers in designated deposit accounts.
Annuity Receipt	Various public annuities, mutual aid annuities, etc. can be received through 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	Currencies can be exchanged.
Agency Business	This organization provides services on behalf of the Japan Housing Finance Agency 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 a savings account by inserting a Labour Bank cash card in the terminal by the register and entering the PIN number.
OTC Sales of Japanese Government Bonds	Japanese government bonds (JGBs) with two-year and 10-year maturities as well as JGBs for retail investors are sold over the counters (OTC) of Labour Bank outlets. JGBs for retail investors, which are sold only to individuals, come in maturities of 3, 5 and 10 years. Of these, 10-year JGBs carry variable coupon rates that are reviewed every six months.
OTC Sales of Investment Trusts	Investment trust instruments, established and managed by investment trust management companies, are sold over the counters of Labour Bank outlets in order to support asset management in accordance with life plans.
Internet Banking	Transfer of funds and balance inquiries are possible via computers and mobile phones.
Defined Contribution Pension Plan	Labour Banks operate as investment managers and administrators for defined contribution pension plans. As sellers of defined contribution pension plan products, Labour Banks also offer time deposits dedicated to defined contribution pension plans.

Officers of the National Association of Labour Banks

Board of Directors

President

Yasuhiko Okada

Deputy President

Hideyuki Suzuki

Executive Director

Eihachiro Ookawa

Managing Director

Kojiro Toga

Managing Director

Kumio Akiyama

Outside Director

Takamitsu Sawa

President of Hokkaido Labour Bank

Toshihiro Watanabe

President of Tohoku Labour Bank

Norio Tanji

President of Chuo Labour Bank

Shin Watanabe

President of Niigata-ken Labour Bank

Masaru Kaneko

President of Shizuoka-ken Labour Bank

Kazuaki Suzuki

President of Hokuriku Labour Bank

Norio Morita

President of Tokai Labour Bank

Takeshi Horishita

President of Kinki Labour Bank

Yoshito Ishibashi

President of Chugoku Labour Bank

Hiroyuki Kanao

President of Shikoku Labour Bank

Hideo Adachi

President of Kyushu Labour Bank

Noriyoshi Hori

Auditors

President of Nagano-ken Labour Bank

Kazuo Takizawa

President of Okinawa-ken Labour Bank

Haruki Ooshiro

Outside Auditor

Sojiro Takagaki

Outside Auditor

Koji Yamamoto

Advisors

President, Japanese Trade Union Confederation

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