



Annual Report 2011

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 endeavor to keep faith with their members.”

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Highlights of Fiscal 2010

	(¥ mil.)					($\text{US\$ thous.}$)
	2006	2007	2008	2009	2010	2010
Total Assets	15,781,428	16,227,809	16,788,428	17,469,885	18,181,143	219,473,004
Total Liabilities	14,974,529	15,427,373	15,990,970	16,602,114	17,283,276	208,634,430
Ordinary Income	288,808	321,979	335,028	336,332	334,002	4,031,900
Operating Income	286,113	318,555	332,339	333,834	332,147	4,009,509
Net Profit	28,888	23,530	21,066	38,243	39,985	482,682

$\text{¥}82.84 = \text{US\$}1$
Fiscal year ended March 31.



Message from the President



Yoshito Ishibashi
President
National Association of Labour Banks

I would like to begin by offering prayers for those who lost their lives due to the Great East Japan Earthquake that occurred on March 11, 2011.

I would also like to express my deepest heartfelt sympathies to everyone who suffered as a result of the incidents that occurred after the earthquake (including the nuclear power plant accident), as well as to their families and other affected individuals. In Labour Banks throughout Japan, we have been doing our utmost to provide assistance for these persons through efforts such as offering previous loan repayment extensions, interest exemptions, refundable interest reprieves, special emergency financing policies, and consideration based upon personal arrangement guidelines. It is our sincere hope that the disaster-affected areas will recover as quickly as possible.

Within the Labour Banks, a medium-term management scheme titled the “Three-Year Management Reform Program” was completed at the end of March 2011. The deposit balances at the 13 Labour Banks nationwide increased 4.03% compared with the previous quarter to reach 17.0 trillion yen, with loan balances rising by 1.37% to stand at 11.3 trillion yen—thereby showing steady performances in both areas. Current net profit posted at 39.9 billion yen—an increase of 1.7 billion yen over the previous quarter.

The weighted average of the capital ratio following surplus disposal was 11.21% nationwide. While this standard clearly surpassed the 4% required of exclusively domestic financial institutions, it also eclipsed the 8% required of financial institutions who deal in international operations.

The Rokinren Bank, which serves as the central institution of the Labour Banks, has secured a current net profit of 7.5 billion yen, backing up the 13 Labour Banks nationwide by firmly maintaining steady operations with a capital ratio of 19.67%.

These results were possible thanks to the continuing cooperation received from nationwide Labour Bank customers, affiliates, indirect constituent members, and other related individuals. To you all, we extend our greatest thanks.

Following the 2011 general meeting held on June 28th, four major objectives were identified within our labor banking business operations.

The first focused upon solidarity for survivors of the Great East Japan Earthquake through assistance in putting their lives back in order, as well as reconstruction for affected areas. In other words, we would like to participate in the presently ongoing national reconstruction efforts for disaster victims and regions by providing assistance through financing. At the same time, we would like to utilize our networks in order to make sure that these disaster reconstruction efforts will help create communities that are rich in the spirit of mutual cooperation.

The second objective is that of strengthening our operating foundations within the context of an extremely severe business environment through comprehensive cost reductions and enhancing business management—thereby ensuring the long-term health of our business.

Thirdly, in addition to successfully constructing next-generation systems in our business operations, our aim is to firmly maintain and promote the same streamlining and collaboration within our 13 Labour Banks that we have been striving to achieve thus far. Since delays and failures with regard to this project are not an option, we must work together as a united whole in order to ensure its success.

The final objective identified was that of continuing to address the various issues that have arisen during the course of our constant negotiations with concerned authorities on the occasion of our recent nationwide merger.

The year 2012 has been named as the United Nations International Year of Cooperatives, meaning that great hopes will be placed not only upon cooperative-style organizations, but also upon the extremely important role to be played in reconstruction following the Great East Japan Earthquake. As Japanese society on the whole experiences great changes as a result of this disaster, Labour Banks will continue exploring our role as cooperative financial institutions while steadfastly addressing the four issues addressed above.

Finally, I would like to express great thanks for everyone's continued support.

石橋 嘉人

Balance Sheet for All Labour Banks

ASSETS

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2010	2009	2010
Cash	160,341	160,319	1,935,553
Due from banks	4,639,594	4,054,711	56,006,687
Call loans	-	20,000	-
Monetary claims purchased	64,207	65,511	775,079
Money in trusts	5,274	7,211	63,674
Securities	1,565,829	1,579,423	18,901,854
Loans	11,372,520	11,218,382	137,282,957
Others	194,746	188,532	2,350,872
Tangible fixed assets	145,548	140,884	1,756,981
Intangible fixed assets	1,816	1,931	21,926
Deferred tax assets	28,982	28,517	349,862
Deferred tax assets for land revaluation	-	-	-
Customers' liabilities for guarantees	24,374	29,364	294,240
Allowance for loan losses	-22,092	-24,906	-266,686
Other allowances	-	-	-
Total assets	¥18,181,143	¥17,469,885	\$219,473,004

LIABILITIES

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2010	2009	2010
Deposits (including NCDs)	17,023,247	16,362,427	205,495,503
Demand deposits	4,250,910	4,045,738	51,314,709
Time deposits	12,772,336	12,316,688	154,180,794
Borrowed money	1,743	1,745	21,050
Payables under securities lending transactions	15,000	15,000	181,072
Other liabilities	136,821	109,499	1,651,636
Reserve for bonus payments	6,207	6,210	74,936
Provision for employee retirement benefits	68,092	70,097	821,971
Provision for director retirement benefits	1,156	1,173	13,955
Other reserves	2,304	2,137	27,815
Reserves under the special laws	-	-	-
Deferred tax debt	-	-	-
Deferred tax debt related to revaluation	4,328	4,457	52,247
Guarantees	24,374	29,364	294,240
Total liabilities	¥17,283,276	¥16,602,114	\$208,634,430

MEMBERS' NET EQUITY

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2010	2009	2010
Capital	94,699	91,854	1,143,163
Capital surplus	-	-	-
Earned surplus	797,229	767,892	9,623,729
Unappropriated surplus for the term	47,821	48,021	577,277
Unappropriated share	-67	-60	-809
Unrealized gains and losses on other securities	5,280	5,839	63,744
Deferred hedge gains and losses	-4,153	-2,919	-50,135
Land revaluation excess	4,877	5,165	58,881
Members' net equity	897,867	867,771	10,838,574
Total liabilities and members' net equity	¥18,181,143	¥17,469,885	\$219,473,004

Statements of Income for All Labour Banks

	(\$ mil.)		(US\$ thous.)
	2010	2009	2010
Ordinary Income	334,002	336,332	4,031,900
Interest income	312,878	316,087	3,776,903
Interest on loans	246,276	251,665	2,972,922
Interest on deposits with other financial institutions	42,375	40,088	511,535
Interest on call loans	18	25	220
Interest on receivables under securities borrowing transactions	-	-	10
Interest and dividends on securities	18,810	19,561	227,071
Interest on interest swaps	1	0	19
Other Interest	5,394	4,744	65,123
Fees and commissions	9,677	9,578	116,819
Other operating income	9,591	8,169	115,786
Other ordinary income	1,854	2,498	22,390
Special income	2,136	678	25,788
Total income	¥336,138	¥337,011	\$4,057,689

	(\$ mil.)		(US\$ thous.)
	2010	2009	2010
Ordinary expenses	276,552	284,577	3,338,394
Financing expenses	45,980	53,579	555,051
Interest on deposits (including NCDs)	43,603	51,618	526,355
Interest on borrowed money	11	27	141
Interest on payables under securities lending transactions	258	259	3,121
Interest on interest swaps	1,873	1,421	22,620
Other interest	232	251	2,811
Fees and commissions	32,370	32,004	390,753
Other operating expenses	3,430	3,335	41,412
General and administrative expenses	192,366	191,413	2,322,148
Other ordinary income	2,404	4,245	29,028
Special expenses	3,363	1,623	40,596
Total expenses	279,915	286,201	3,378,991
Net profit before tax	56,223	50,809	678,697
Corporate income, inhabitant, and business tax	16,088	11,433	194,206
Adjustment to income taxes and others	149	1,133	1,807
Total taxes	16,237	12,566	196,014
Net profit	¥39,985	¥38,243	\$482,682

Balance Sheet for the Rokinren Bank

ASSETS

	(¥ mil.)		(US\$ thous.)
	2010	2009	2010
Cash	3	0	45
Due from banks	93,885	102,010	1,133,337
Call loans	320,000	290,000	3,862,868
Monetary claims purchased	-	-	-
Money in trusts	-	-	-
Securities	4,910,659	4,363,292	59,278,840
Loans	285,893	127,279	3,451,151
Others	18,328	19,421	221,246
Tangible fixed assets	12,031	12,896	145,240
Intangible fixed assets	20,231	15,028	244,228
Deferred tax assets	-	-	-
Deferred tax assets for land revaluation	-	-	-
Customers' liabilities for guarantees	-	-	-
Allowance for loan losses	-96	-122	-1,166
Other allowances	-	-	-
Total assets	¥5,660,937	¥4,929,806	\$68,335,792

LIABILITIES

	(¥ mil.)		(US\$ thous.)
	2010	2009	2010
Deposits (including NCDs)	5,077,069	4,502,301	61,287,657
Demand deposits	216,781	191,694	2,616,864
Time deposits	4,860,288	4,310,607	58,670,793
Borrowed money	122,200	30,000	1,475,132
Payables under securities lending transactions	123,481	65,719	1,490,602
Other liabilities	51,760	43,572	624,823
Reserve for bonus payments	330	283	3,993
Provision for employee retirement benefits	1,976	2,072	23,858
Provision for director retirement benefits	72	56	880
Other reserves	-	-	-
Reserves under the special laws	-	-	-
Deferred tax debt	11,979	12,825	144,611
Deferred tax debt related to revaluation	-	-	-
Guarantees	-	-	-
Total liabilities	¥5,388,871	¥4,656,830	\$65,051,561

MEMBERS' NET EQUITY

	(¥ mil.)		(US\$ thous.)
	2010	2009	2010
Capital	120,000	120,000	1,448,575
Capital surplus	-	-	-
Earned surplus	122,757	119,213	1,481,864
Unappropriated surplus for the term	9,099	9,023	109,840
Unappropriated share	-	-	-
Unrealized gains and losses on other securities	29,309	33,762	353,805
Deferred hedge gains and losses	-1	-0	-14
Land revaluation excess	-	-	-
Members' net equity	272,065	272,976	3,284,231
Total liabilities and members' net equity	¥5,660,937	¥4,929,806	\$68,335,792

Statements of Income for the Rokinren Bank

	(\$ mil.)		(US\$ thous.)
	2010	2009	2010
Ordinary Income	75,589	74,227	912,480
Interest income	58,453	58,221	705,617
Interest on loans	1,498	1,968	18,094
Interest on deposits with other financial institutions	7	6	90
Interest on call loans	501	688	6,056
Interest on receivables under securities borrowing transactions	31	52	383
Interest and dividends on securities	56,413	55,504	680,993
Interest on interest swaps	-	-	-
Other Interest	-	-	-
Fees and commissions	16,562	15,802	199,931
Other operating income	421	46	5,084
Other ordinary income	153	157	1,847
Special income	2,555	0	30,847
Total income	¥78,145	¥74,228	\$943,327

	(\$ mil.)		(US\$ thous.)
	2010	2009	2010
Ordinary expenses	68,646	63,639	828,665
Financing expenses	45,034	43,342	543,634
Interest on deposits (including NCDs)	45,004	43,230	543,267
Interest on borrowed money	9	82	109
Interest on payables under securities lending transactions	18	25	227
Interest on interest swaps	-	-	-
Other interest	2	4	30
Fees and commissions	260	238	3,139
Other operating expenses	3,203	1,473	38,671
General and administrative expenses	19,819	18,373	239,253
Other ordinary income	328	212	3,966
Special expenses	689	407	8,319
Total expenses	69,335	64,046	836,984
Net profit before tax	8,809	10,181	106,343
Corporate income, inhabitant, and business tax	1,091	2,278	13,171
Adjustment to income taxes and others	174	201	2,105
Total taxes	1,265	2,480	15,277
Net profit	¥7,543	¥7,701	\$91,066

Status of Individual Labour Banks

(¥ mil., %)

Bank Name	Deposits (including NCDs)	Annual Increase	Loans	Annual Increase	Ratio of Loans to Deposits
Hokkaido	834,939	3.95	636,233	0.63	76.20
Tohoku	1,477,292	4.47	1,078,553	1.49	73.00
Chuo	4,994,434	5.10	3,640,433	3.01	72.88
Niigata-ken	712,481	2.32	377,506	1.36	52.98
Nagano-ken	520,311	4.05	307,856	0.82	59.16
Shizuoka-ken	955,407	3.14	567,720	1.42	59.42
Hokuriku	674,116	1.44	423,309	2.26	62.79
Tokai	1,341,980	3.00	981,785	1.53	73.15
Kinki	1,980,641	5.58	1,230,606	-2.95	62.13
Chugoku	1,080,146	2.44	591,051	1.81	54.71
Shikoku	607,197	7.90	349,355	1.26	57.53
Kyushu	1,633,618	1.58	1,056,806	0.90	64.69
Okinawa-ken	210,679	4.20	131,301	0.72	62.32
Total	¥17,023,247	4.03	¥11,372,520	1.37	66.80

As of March 31, 2011

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 2011 totaled 653. 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.
NPO Project Support Loan	Loan system for NPOs.

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	Foreign 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

Yoshito Ishibashi

Deputy President

Toshihiro Watanabe

Executive Director

Eihachiro Ookawa

Managing Director

Kumio Akiyama

Managing Director

Norio Saito

Outside Director

Takamitsu Sawa

President of Hokkaido Labour Bank

Kaoru Takayanagi

President of Tohoku Labour Bank

Norio Tanji

President of Chuo Labour Bank

Eiichi Ogawa

President of Niigata-ken Labour Bank

Masaru Kaneko

President of Shizuoka-ken Labour Bank

Yukihiro Kato

President of Hokuriku Labour Bank

Yasuharu Kusajima

President of Tokai Labour Bank

Kazutoshi Iida

President of Kinki Labour Bank

Teruo Shimada

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

Kazuyoshi Okuhara

President of Okinawa-ken Labour Bank

Yoichi Nishi

Outside Auditor

Koji Yamamoto

Outside Auditor

Yoshifumi Takashima

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