



Annual Report 2014

The Principles of Labour Banks

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

“ **L**abour 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.”

“ **L**abour 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.”

“ **M**embers 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 2013

	2009	2010	2011	2012	(¥ mil.) 2013	(US\$ thous.) 2013
Total Assets	17,469,885	18,181,143	18,707,583	19,073,010	19,324,827	188,958,908
Total Liabilities	16,602,114	17,283,276	17,773,012	18,081,755	18,318,295	179,116,994
Ordinary Income	336,332	334,002	323,482	311,293	309,480	3,026,111
Operating Income	333,834	332,147	320,877	305,655	301,989	2,952,864
Net Profit	38,243	39,985	35,040	34,479	28,388	277,581

¥102.27=US\$1
Fiscal year ended March 31.



Message from the President



Kimito Nakae
President
National Association of Labour Banks

As stated in their principles, Labour Banks are the only financial institutions in Japan dedicated to workers by responding to their financial needs and those of their organizations.

At the time the Labour Banks were founded, their main activities consisted of providing loans to assist workers faced with then-high interest rates, loans for living assistance when paychecks were late or withheld, and funding for welfare and mutual-aid activities carried out by trade unions and consumer cooperatives. But as the financial needs of workers diversified under Japan's economic growth, the proportion of loans by Labour Banks for buying homes, durable goods like electronic products, and cars, for paying school tuition, and for traveling overseas grew.

Through their activities, the Labour Banks have played a major role in developing and strengthening worker welfare projects in Japan, such as promoting the worker mutual aid movement and housing cooperative association and building welfare facilities for workers. We are carrying out a variety of efforts so non-union workers, job-seekers, and pensioners can use the Labour Banks.

The number of Labour Bank members and indirect constituent members has grown to about 10 million. Still, this number is low compared with the 55 million workers employed in Japan.

Besides endeavoring so that even one more worker will use the Labour Banks, we are working hard to meet the diversified needs of today's workers.

Eighteen years have now passed since the Labour Banks' Reforms and Visions for the 21st Century was formulated in 1996. During this time, Japanese society has drastically changed, including dramatic advances by information technology and transformations in industrial structures. Furthermore, the envi-

ronment in which workers are involved has also undergone major changes with the declining and aging population, the increase in non-regular employment, and women's participation in society.

Based on these situations, we established a new Labour Bank vision, which includes the future business prospects of Labour Bank in its focus. As the economic society changes, the Labour Banks must continue to demonstrate their role as the welfare and mutual-aid financial institution that creates and shares in the dreams of workers, and as the bank that supports their lives.

The transition to the next-generation R-ONE system, begun in 2008, was successfully completed in January 2014. This transition was an extremely difficult project. It integrated all the systems of the 13 Labour Banks nationwide and the National Association of Labour Banks, and provided unified management of about 24 million accounts belonging to about 12 million customers in 638 branch locations around the country. We are working to improve convenience for our customers and to provide high-quality financial services by making maximum use of the R-ONE system going forward.

In fiscal year 2013, the 13 Labour Banks nationwide had total balance of 18.0142 trillion yen as of the end of March 2014, an increase of 1.5% from the previous year, and the first time the balance exceeded 18 trillion yen. The balance of loans was 11.8542 trillion yen, a year-over-year increase of 2.05%. The balance's growth rate greatly exceeded that of the previous year. In terms of revenue, the 13 Labour Banks nationwide had total net revenue of 28.3 billion yen, a decline of 6 billion yen compared with the previous year. In addition, the current net revenue of the National Association of Labour Banks was 15.9 billion yen, and its capital adequacy ratio was 23.85%, demonstrating that the National Association of Labour Banks is maintaining its operational soundness as the central institution of the Labour Banks, backing up the Labour Banks nationwide.

In the economic society from here on, the Labour Banks will continue to support working people by focusing the total power of our business capacities to realize the Labour Banks' vision. We will do this by again reflecting on the form that the Labour Banks should assume and sharing the Labour Banks' vision. More than ever, we ask for your strength in this endeavor.

中江公人

Balance Sheet for All Labour Banks

ASSETS

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2013	2012	2013
Cash	149,101	142,852	1,457,919
Due from banks	4,958,092	5,011,887	48,480,419
Call loans	20,000	20,000	195,560
Monetary claims purchased	58,764	58,629	574,598
Money in trusts	10,026	11,396	98,038
Securities	1,938,093	1,861,821	18,950,749
Loans	11,854,256	11,615,038	115,911,378
Others	172,067	183,761	1,682,483
Tangible fixed assets	146,715	151,153	1,434,591
Intangible fixed assets	1,823	1,762	17,833
Prepaid pension costs	160	966	1,573
Deferred tax assets	15,123	13,572	147,879
Deferred tax assets for land revaluation	-	-	-
Customers' liabilities for guarantees	14,897	17,514	145,670
Allowance for loan losses	-14,296	-17,335	-139,788
Other allowances	-	-10	0
Total assets	¥19,324,827	¥19,073,010	\$188,958,908

LIABILITIES

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2013	2012	2013
Deposits (including NCDs)	18,014,205	17,747,789	176,143,597
Demand deposits	4,805,158	4,641,687	46,985,020
Time deposits	13,209,047	13,106,102	129,158,576
Borrowed money	115,497	113,716	1,129,338
Payables under securities lending transactions	15,000	15,000	146,670
Other liabilities	80,093	105,727	783,160
Reserve for bonus payments	5,956	5,948	58,239
Provision for employee retirement benefits	64,116	64,908	626,937
Provision for director retirement benefits	984	1,002	9,621
Other reserves	1,884	3,386	18,429
Reserves under the special laws	-	-	-
Deferred tax debt	2,093	3,080	20,473
Deferred tax debt related to revaluation	3,564	3,681	34,855
Guarantees	14,897	17,514	145,670
Total liabilities	¥18,318,295	¥ 18,081,755	\$179,116,994

MEMBERS' NET EQUITY

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2013	2012	2013
Capital	95,905	95,972	937,772
Capital surplus	-	-	-
Earned surplus	874,326	851,475	8,549,193
Unappropriated surplus for the term	38,284	41,182	374,347
Unappropriated share	-16	-88	-165
Unrealized gains and losses on other securities	38,059	46,873	372,148
Deferred hedge gains and losses	-6,389	-7,929	-62,476
Land revaluation excess	4,647	4,950	45,442
Members' net equity	1,006,532	991,254	9,841,914
Total liabilities and members' net equity	¥19,324,827	¥19,073,010	\$188,958,908

Statements of Income for All Labour Banks

	(¥ mil.)		(US\$ thous.)
	2013	2012	2013
Ordinary Income	309,480	311,293	3,026,111
Interest income	275,502	286,093	2,693,878
Interest on loans	216,662	225,403	2,118,531
Interest on deposits with other financial institutions	29,262	34,580	286,133
Interest on call loans	17	17	169
Interest on receivables under securities borrowing transactions	0	0	9
Interest and dividends on securities	21,763	21,069	212,806
Interest on interest swaps	-	-	-
Other Interest	7,795	5,021	76,228
Fees and commissions	10,391	10,073	101,605
Other operating income	16,095	9,487	157,381
Other ordinary income	7,490	5,638	73,246
Special income	377	588	3,692
Total income	¥309,858	¥311,881	\$3,029,804

	(¥ mil.)		(US\$ thous.)
	2013	2012	2013
Ordinary expenses	267,949	260,900	2,620,020
Financing expenses	23,000	28,556	224,903
Interest on deposits (including NCDs)	20,639	25,881	201,817
Interest on borrowed money	55	56	544
Interest on payables under securities lending transactions	51	249	505
Interest on interest swaps	2,074	2,176	20,279
Other interest	179	193	1,755
Fees and commissions	34,945	33,879	341,700
Other operating expenses	4,343	2,915	42,471
General and administrative expenses	204,700	191,986	2,001,570
Other ordinary income	958	3,561	9,374
Special expenses	2,553	2,186	24,971
Total expenses	270,503	263,086	2,644,992
Net profit before tax	39,354	48,795	384,811
Corporate income, inhabitant, and business tax	10,805	13,203	105,652
Adjustment to income taxes and others	161	1,111	1,577
Total taxes	10,966	14,315	107,229
Net profit	¥28,388	¥34,479	\$277,581

Balance Sheet for the Rokinren Bank

ASSETS

	(¥ mil.)		(US\$ thous.)
	2013	2012	2013
Cash	3	3	38
Due from banks	445,545	197,572	4,356,570
Call loans	300,000	385,000	2,933,411
Monetary claims purchased	-	-	-
Money in trusts	9,965	19,954	97,438
Securities	5,217,457	5,306,761	51,016,496
Loans	388,244	293,138	3,796,268
Others	53,044	13,480	518,670
Tangible fixed assets	10,905	12,278	106,632
Intangible fixed assets	32,954	30,117	322,234
Deferred tax assets	-	-	-
Deferred tax assets for land revaluation	-	-	-
Customers' liabilities for guarantees	-	-	-
Allowance for loan losses	-83	-141	-812
Other allowances	-	-	-
Total assets	¥6,458,038	¥6,258,165	\$63,146,950

LIABILITIES

	(¥ mil.)		(US\$ thous.)
	2013	2012	2013
Deposits (including NCDs)	5,608,856	5,601,355	54,843,614
Demand deposits	345,786	179,818	3,381,114
Time deposits	5,263,069	5,421,536	51,462,499
Borrowed money	49,400	49,400	483,035
Payables under securities lending transactions	374,885	141,208	3,665,642
Other liabilities	29,635	81,118	289,781
Reserve for bonus payments	242	350	2,374
Provision for employee retirement benefits	2,182	2,177	21,339
Provision for director retirement benefits	85	59	832
Other reserves	-	-	-
Reserves under the special laws	-	-	-
Deferred tax debt	35,171	34,411	343,904
Deferred tax debt related to revaluation	-	-	-
Guarantees	-	-	-
Total liabilities	¥6,100,458	¥5,910,082	\$59,650,522

MEMBERS' NET EQUITY

	(¥ mil.)		(US\$ thous.)
	2013	2012	2013
Capital	120,000	120,000	1,173,364
Capital surplus	-	-	-
Earned surplus	142,282	133,182	1,391,247
Unappropriated surplus for the term	17,798	13,060	174,037
Unappropriated share	-	-	-
Unrealized gains and losses on other securities	95,289	94,900	931,746
Deferred hedge gains and losses	7	0	69
Land revaluation excess	-	-	-
Members' net equity	357,579	348,083	3,496,427
Total liabilities and members' net equity	¥6,458,038	¥6,258,165	\$63,146,950

Statements of Income for the Rokinren Bank

	(¥ mil.)		(US\$ thous.)
	2013	2012	2013
Ordinary Income	87,103	78,109	851,705
Interest income	54,946	53,420	537,273
Interest on loans	1,095	1,224	10,708
Interest on deposits with other financial institutions	340	20	3,334
Interest on call loans	413	485	4,048
Interest on receivables under securities borrowing transactions	0	1	0
Interest and dividends on securities	53,096	51,688	519,181
Interest on interest swaps	-	-	-
Other Interest	-	-	-
Fees and commissions	31,965	19,168	312,555
Other operating income	105	5,339	1,035
Other ordinary income	85	181	840
Special income	-	-	0
Total income	¥87,103	¥78,109	\$851,705

	(¥ mil.)		(US\$ thous.)
	2013	2012	2013
Ordinary expenses	67,514	64,321	660,157
Financing expenses	30,960	36,469	302,736
Interest on deposits (including NCDs)	30,780	36,353	300,975
Interest on borrowed money	57	54	566
Interest on payables under securities lending transactions	122	60	1,194
Interest on interest swaps	-	-	-
Other interest	-	-	-
Fees and commissions	438	406	4,290
Other operating expenses	763	3,891	7,467
General and administrative expenses	29,627	22,873	289,696
Other ordinary income	5,723	680	55,966
Special expenses	53	130	527
Total expenses	67,568	64,452	660,684
Net profit before tax	19,535	13,657	191,020
Corporate income, inhabitant, and business tax	2,966	3,188	29,001
Adjustment to income taxes and others	668	-652	6,539
Total taxes	3,634	2,536	35,541
Net profit	¥15,900	¥11,121	\$155,478

Status of Individual Labour Banks

(¥ mil., %)

Bank Name	Deposits (including NCDs)	Annual Increase	Loans	Annual Increase	Ratio of Loans to Deposits
Hokkaido	890,682	1.53	657,360	1.88	73.80
Tohoku	1,665,887	3.35	1,088,216	2.62	65.32
Chuo	5,367,654	2.22	3,676,049	0.53	68.48
Niigata-ken	744,998	1.32	386,447	1.08	51.87
Nagano-ken	569,888	2.91	314,109	1.75	55.11
Shizuoka-ken	980,779	-0.51	639,034	2.60	65.15
Hokuriku	693,975	0.66	409,581	0.34	59.01
Tokai	1,438,745	1.93	1,146,071	4.56	79.65
Kinki	2,016,138	0.84	1,243,193	-0.13	61.66
Chugoku	1,109,646	0.76	626,811	2.51	56.48
Shikoku	598,716	-2.12	363,403	2.20	60.69
Kyushu	1,712,991	0.85	1,169,704	7.07	68.28
Okinawa-ken	224,101	1.28	134,272	2.72	59.91
Total	¥18,014,205	1.50	¥11,854,256	2.05	65.80

As of March 31, 2014

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 the Kinki Labour Bank in October 1998, 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 2014 totaled 639. 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.
“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.
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.
“Zaikei” Deposit (property accumulation deposit)	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 deposit accounts. Non-fixed-date, specified-date and pension types are available.
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”
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.
Housing Loan	Can be used to build or purchase new housing or enlarge/rebuild housing.
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.
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 Telephone Banking	Transfer of funds and balance inquiries are possible via computers, smartphones, mobile phones, and other devices.
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.
OTC Sales of Mutual Assistance & Insurance	Zenrosai’s mutual assistance services and casualty and life insurances are sold over-the-counter at Labour Bank outlets.

Officers of the National Association of Labour Banks

Board of Directors

President

Kimito Nakae

Deputy President

Eihachiro Ookawa

Executive Director

Yukihiro Kato

Managing Director

Norio Saito

Managing Director

Eiji Ando

Outside Director

Takamitsu Sawa

President of Hokkaido Labour Bank

Kaoru Takayanagi

President of Tohoku Labour Bank

Hisashi Takahashi

President of Chuo Labour Bank

Masakazu Yoshida

President of Niigata-ken Labour Bank

Kazuro Ebana

President of Nagano-ken Labour Bank

Kazuyoshi Okuhara

President of Shizuoka-ken Labour Bank

Masaaki Furukawa

President of Hokuriku Labour Bank

Hiroshi Ueda

President of Tokai Labour Bank

Kazutoshi Iida

President of Kinki Labour Bank

Naganori Watakabe

President of Chugoku Labour Bank

Hiroyuki Kanao

President of Shikoku Labour Bank

Takashi Ogawa

President of Kyushu Labour Bank

Kazuyuki Kawano

President of Okinawa-ken Labour Bank

Yoichi Nishi

Auditors

Executive Director of Kyushu Labour Bank

Kazuhiro Tanaka

Outside Auditor

Yoshifumi Takashima

Outside Auditor

Hiroshi Kimura

Advisors

President, Japanese Trade Union Confederation

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(As of June 26, 2014)



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