



Annual Report 2016

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.”

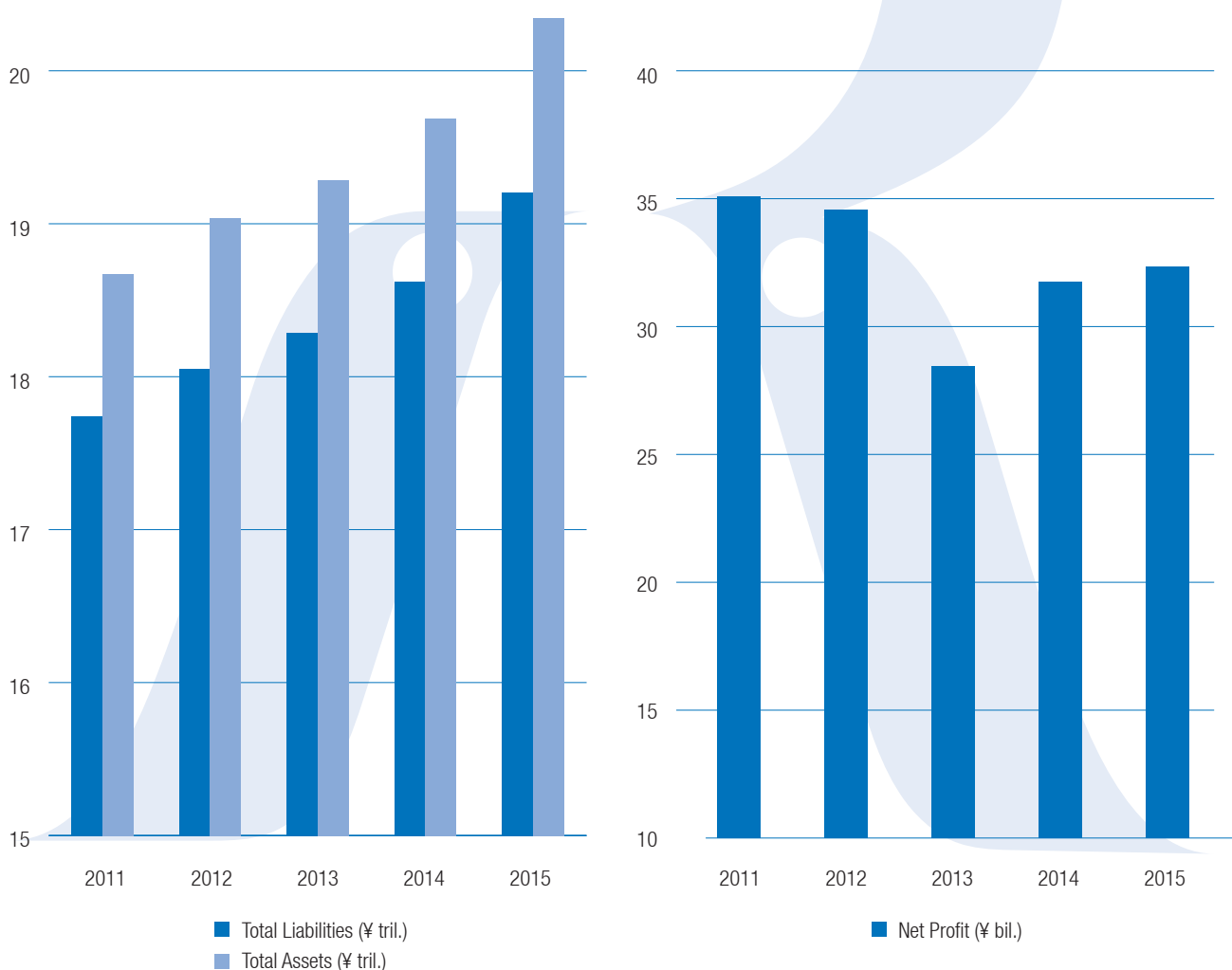
CONTENTS

Highlights of Fiscal 2015	<i>03</i>
Message from the President	<i>04</i>
Balance Sheet for All Labour Banks	<i>06</i>
Statements of Income for All Labour Banks	<i>07</i>
Balance Sheet for the Rokinren Bank	<i>08</i>
Statements of Income for the Rokinren Bank	<i>09</i>
Status of Individual Labour Banks	<i>10</i>
Profile	<i>11</i>
Services of Labour Banks	<i>12</i>
Officers of the National Association of Labour Banks	<i>14</i>

Highlights of Fiscal 2015

	2011	2012	2013	2014	(¥ mil.) 2015	(US\$ thous.) 2015
Total Assets	18,707,583	19,073,010	19,324,827	19,730,409	20,391,911	172,505,809
Total Liabilities	17,773,012	18,081,755	18,318,295	18,658,225	19,244,663	162,800,635
Ordinary Income	323,482	311,293	309,480	294,583	293,798	2,485,391
Operating Income	320,877	305,655	301,989	290,514	289,674	2,450,509
Net Profit	35,040	34,479	28,388	31,674	32,237	272,716

¥118.21=US\$1
Fiscal year ended March 31.



Message from the President



Kimito Nakae
President
National Association of Labour Banks

Labour Banks are the only financial cooperatives in Japan that exist for the welfare of workers, meeting the financial needs of workers and those of their organizations.

At the time they were founded, around sixty years ago, Labour Banks primarily provided financial support to workers who were suffering from high interest rates, supplied funding for living allowances when wages were delayed or unpaid, and furnished financial backing for mutual aid and welfare efforts by labour unions and consumer cooperatives. However, the financial needs of workers have diversified in tandem with economic growth, and increasing weight has been given to financing home acquisitions and purchases of consumer durables such as electrical appliances, as well as funding education, car purchases, overseas travel, etc.

Through their activities, Labour Banks have played an important role in developing and strengthening worker welfare projects in Japan, including the workers' mutual-aid movement, consumer housing cooperative movement and construction of welfare centers for workers. Labour Banks have also conducted various activities in close harmony with communities, such as encouraging asset formation through savings, promoting the resolution of the multiple debt problem, and publicly declaring their commitment to company-financed pensions to support workers after retirement. At present, the 13 Labour Banks nationwide have around 640 branches with a total deposit balance of around 19 trillion yen and a total loan balance of around 12 trillion yen, which includes housing, car and educational loans. In the area of asset formation through savings, particularly, Labour Banks are the top financial institutions in Japan in terms of contract numbers and savings deposits. Roughly ten million "constituents" (individual workers who make up member organizations) are now using Labour Banks.

Looking at the current circumstances surrounding workers, while some improvements can be seen in the overall employment situation, the proportion of non-regular workers is now about 40%, resulting in

instability in the income and employment situation. At the same time, as income disparities widen, child poverty and the student-loan crisis have become serious social problems. Moreover, the percentage of elderly households that regard “life planning for old age” as a source of anxiety in daily life now exceeds 70% for people in their 50s and 60% for those in their 60s, revealing that anxiety about future life is increasing.

In these circumstances, we must constantly be attentive to the voices of workers to know what they expect from Labour Banks, be sensitive to their feelings, and make firm efforts to respond to their needs. Recalling the origin of Labour Banks, it is clear that, we must extend our helping hand to the people who are in real need of Labour Banks, that is, the people who are in dire distress.

Labour Banks currently fulfill various needs of workers at every stage of their life by providing high-quality products and services, and continue to give priority to the support for workers throughout their lives. Centering on this “lifelong relationship” with workers, we will strengthen cooperation with our member organizations, and also develop businesses with our existing customers, particularly “constituents,” and further try to expand our services to comprehensive financial services covering each household.

In addition, we intended to promote the use of Labour Banks by non-regular workers and workers at small and medium enterprises to support their lives. Moreover, we will construct networks with other non-profit and cooperative sectors such as consumer cooperatives, social welfare corporations, NPOs and so forth, and further develop a framework for joint activities to resolve serious problems facing workers and communities.

Simply increasing deposits, expanding loans or making profits are not in themselves the goals for Labour Banks. A 2010 ILO (International Labour Organization) report describes Labour Banks in detail as financial institutions with a social conscience that is globally unique. Befitting this high rating, we will continue to provide high-quality products and services to become financial institutions that are the most accessible and trustworthy for all working people.

We would be grateful for your continued understanding and support.

中江公人

Balance Sheet for All Labour Banks

ASSETS

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2015	2014	2015
Cash	153,674	159,300	1,300,014
Due from banks	5,379,293	4,979,951	45,506,251
Call loans	-	20,000	-
Monetary claims purchased	57,637	58,080	487,587
Money in trusts	9,050	10,343	76,565
Securities	2,517,583	2,300,854	21,297,550
Loans	11,957,613	11,873,604	101,155,683
Others	163,901	169,132	1,386,528
Tangible fixed assets	147,324	150,360	1,246,296
Intangible fixed assets	1,677	1,590	14,190
Prepaid pension costs	976	122	8,263
Deferred tax assets	4,614	7,202	39,034
Deferred tax assets for land revaluation	-	-	-
Customers' liabilities for guarantees	10,675	12,680	90,308
Allowance for loan losses	-12,112	-12,815	-102,466
Other allowances	-	-	0
Total assets	¥20,391,911	¥19,730,409	\$172,505,809

LIABILITIES

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2015	2014	2015
Deposits (including NCDs)	18,791,227	18,354,263	158,964,790
Demand deposits	5,173,247	4,962,873	43,763,196
Time deposits	13,617,980	13,391,389	115,201,593
Borrowed money	227,652	91,284	1,925,828
Payables under securities lending transactions	48,199	45,000	407,741
Other liabilities	67,553	70,737	571,470
Reserve for bonus payments	5,626	5,775	47,600
Provision for employee retirement benefits	60,023	61,837	507,771
Provision for director retirement benefits	1,048	1,005	8,869
Other reserves	1,918	1,918	16,233
Reserves under the special laws	-	-	0
Deferred tax debt	27,424	10,253	231,996
Deferred tax debt related to revaluation	3,312	3,470	28,024
Guarantees	10,675	12,680	90,308
Total liabilities	¥19,244,663	¥18,658,225	\$162,800,635

MEMBERS' NET EQUITY

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2015	2014	2015
Capital	95,800	95,852	810,427
Capital surplus	-	-	-
Earned surplus	926,208	900,372	7,835,284
Of which, unappropriated surplus for the term	42,521	41,565	359,713
Unappropriated share	-57	-39	-486
Unrealized gains and losses on other securities	126,582	77,581	1,070,827
Deferred hedge gains and losses	-6,282	-6,022	-53,142
Land revaluation excess	4,996	4,438	42,263
Members' net equity	1,147,248	1,072,184	9,705,174
Total liabilities and members' net equity	¥20,391,911	¥19,730,409	\$172,505,809

Statements of Income for All Labour Banks

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2015	2014	2015
Ordinary Income	293,798	294,583	2,485,391
Interest income	263,213	267,633	2,226,656
Interest on loans	202,411	210,095	1,712,308
Interest on deposits with other financial institutions	22,830	24,436	193,137
Interest on call loans	10	16	91
Interest on receivables under securities borrowing transactions	0	0	7
Interest and dividends on securities	27,141	23,454	229,604
Interest on interest swaps	-	-	-
Other Interest	10,817	9,630	91,506
Fees and commissions	10,753	10,620	90,965
Other operating income	15,708	12,259	132,887
Other ordinary income	4,123	4,069	34,882
Special income	303	1,166	2,567
Total income	¥294,101	¥295,749	\$2,487,959

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2015	2014	2015
Ordinary expenses	245,585	249,954	2,077,536
Financing expenses	18,786	20,682	158,921
Interest on deposits (including NCDs)	16,249	18,166	137,461
Interest on borrowed money	96	53	816
Interest on payables under securities lending transactions	223	197	1,890
Interest on interest swaps	2,123	2,086	17,959
Other interest	93	178	793
Fees and commissions	37,204	36,083	314,731
Other operating expenses	2,979	1,662	25,209
General and administrative expenses	183,507	190,707	1,552,383
Other ordinary income	3,107	819	26,290
Special expenses	3,548	2,248	30,017
Total expenses	249,134	252,202	2,107,554
Net profit before tax	44,967	43,546	380,404
Corporate income, inhabitant, and business tax	11,806	11,171	99,873
Adjustment to income taxes and others	923	700	7,814
Total taxes	12,729	11,872	107,688
Net profit	¥32,237	¥31,674	\$272,716

Balance Sheet for the Rokinren Bank

ASSETS

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2015	2014	2015
Cash	0	0	0
Due from banks	1,806,011	1,360,082	15,277,995
Call loans	150,000	210,000	1,268,928
Monetary claims purchased	-	-	-
Money in trusts	9,965	9,965	84,299
Securities	4,724,057	4,888,737	39,963,263
Loans	427,540	130,586	3,616,786
Others	40,600	45,381	343,458
Tangible fixed assets	10,682	10,097	90,368
Intangible fixed assets	20,840	26,980	176,303
Deferred tax assets	-	-	-
Deferred tax assets for land revaluation	-	-	-
Customers' liabilities for guarantees	-	-	-
Allowance for loan losses	-12	-7	-104
Other allowances	-	-	-
Total assets	¥7,189,685	¥6,681,824	\$60,821,299

LIABILITIES

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2015	2014	2015
Deposits (including NCDs)	6,183,466	5,696,686	52,309,165
Demand deposits	444,091	412,274	3,756,798
Time deposits	5,739,375	5,284,412	48,552,366
Borrowed money	184,300	49,400	1,559,089
Payables under securities lending transactions	296,955	448,993	2,512,105
Other liabilities	30,197	28,151	255,458
Reserve for bonus payments	260	247	2,204
Provision for employee retirement benefits	2,365	2,281	20,011
Provision for director retirement benefits	41	23	351
Other reserves	-	-	-
Reserves under the special laws	-	-	-
Deferred tax debt	57,507	50,373	486,489
Deferred tax debt related to revaluation	-	-	-
Guarantees	-	-	-
Total liabilities	¥6,755,095	¥6,276,157	\$57,144,875

MEMBERS' NET EQUITY

	(<i>¥ mil.</i>)		(<i>US\$ thous.</i>)
	2015	2014	2015
Capital	120,000	120,000	1,015,142
Capital surplus	-	-	-
Earned surplus	160,214	150,123	1,355,334
Of which, unappropriated surplus for the term	24,124	18,680	204,081
Unappropriated share	-	-	-
Unrealized gains and losses on other securities	154,374	135,545	1,305,935
Deferred hedge gains and losses	1	-2	11
Land revaluation excess	-	-	-
Members' net equity	434,590	405,666	3,676,423
Total liabilities and members' net equity	¥7,189,685	¥6,681,824	\$60,821,299

Statements of Income for the Rokinren Bank

	(¥ mil.)		(US\$ thous.)
	2015	2014	2015
Ordinary Income	83,966	81,639	710,316
Interest income	53,155	52,398	449,669
Interest on loans	698	740	5,907
Interest on deposits with other financial institutions	1,636	996	13,843
Interest on call loans	251	288	2,130
Interest on receivables under securities borrowing transactions	-	0	0
Interest and dividends on securities	50,568	50,373	427,787
Interest on interest swaps	-	-	-
Other Interest	-	-	-
Fees and commissions	29,283	27,635	247,727
Other operating income	1,352	1,523	11,442
Other ordinary income	174	81	1,477
Special income	-	-	0
Total income	¥83,966	¥81,639	\$710,316

	(¥ mil.)		(US\$ thous.)
	2015	2014	2015
Ordinary expenses	59,959	61,760	507,229
Financing expenses	24,397	26,009	206,390
Interest on deposits (including NCDs)	24,149	25,831	204,289
Interest on borrowed money	106	64	904
Interest on payables under securities lending transactions	141	113	1,193
Interest on interest swaps	-	-	-
Other interest	0	0	2
Fees and commissions	736	480	6,227
Other operating expenses	57	313	483
General and administrative expenses	34,393	34,819	290,954
Other ordinary income	375	138	3,173
Special expenses	9	67	78
Total expenses	59,968	61,828	507,307
Net profit before tax	23,997	19,811	203,009
Corporate income, inhabitant, and business tax	4,119	3,393	34,852
Adjustment to income taxes and others	-113	-122	-958
Total taxes	4,006	3,270	33,894
Net profit	¥19,991	¥16,540	\$169,114

Status of Individual Labour Banks

(¥ mil., %)

Bank Name	Deposits (including NCDs)	Annual Increase	Loans	Annual Increase	Ratio of Loans to Deposits
Hokkaido	936,112	0.92	670,580	1.21	71.63
Tohoku	1,797,224	3.64	1,107,900	0.40	61.64
Chuo	5,720,454	3.71	3,667,954	0.48	64.11
Niigata-ken	764,846	1.35	380,156	-0.36	49.70
Nagano-ken	608,675	3.34	314,523	0.05	51.67
Shizuoka-ken	1,009,565	1.94	660,944	2.65	65.46
Hokuriku	716,199	1.84	402,539	0.34	56.20
Tokai	1,531,922	4.57	1,214,803	4.17	79.29
Kinki	2,067,127	1.58	1,243,452	-0.22	60.15
Chugoku	1,075,534	-0.86	628,180	-0.17	58.40
Shikoku	579,859	-1.19	369,060	0.56	63.64
Kyushu	1,751,507	0.59	1,169,293	-0.52	66.75
Okinawa-ken	232,196	2.22	128,223	-3.23	55.22
Total	¥18,791,227	2.38	¥11,957,613	0.70	63.63

As of March 31, 2016

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 2016 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

Masakazu Yoshida

Executive Director

Yukihiro Kato

Managing Director

Eiji Ando

Managing Director

Mitsuyoshi Yoshida

Outside Director

Takamitsu Sawa

President of Hokkaido Labour Bank

Kazuo Kudo

President of Tohoku Labour Bank

Michiyuki Kageyama

President of Chuo Labour Bank

Takuo Matsusako

President of Niigata-ken Labour Bank

Kazuro Ebana

President of Nagano-ken Labour Bank

Seiichi Takahashi

President of Shizuoka-ken Labour Bank

Masaaki Furukawa

President of Hokuriku Labour Bank

Shuichi Baba

President of Tokai Labour Bank

Akihito Watarai

President of Kinki Labour Bank

Hiroshi Yamashita

President of Chugoku Labour Bank

Kazukiyo Ishii

President of Shikoku Labour Bank

Takashi Ogawa

President of Kyushu Labour Bank

Katsutoshi Muneyasu

President of Okinawa-ken Labour Bank

Yoichi Nishi

Auditors

Deputy President of Kinki Labour Bank

Tadayoshi Wakayama

Outside Auditor

Yoshifumi Takashima

Outside Auditor

Hiroshi Kimura

Advisors

President, Japanese Trade Union Confederation

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(As of June 26, 2016)



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