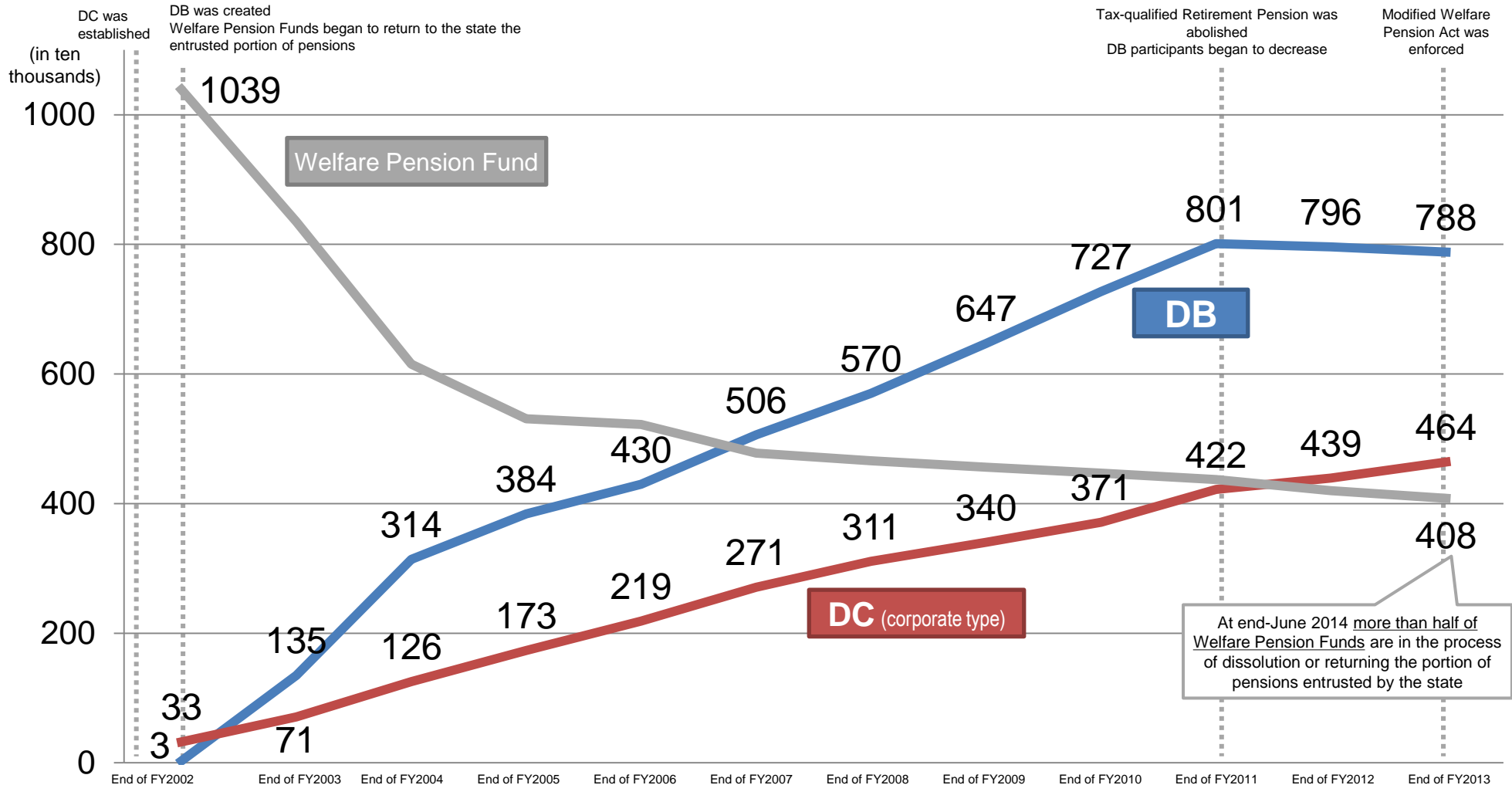


CORPORATE PENSION SYSTEM

Developments after implementation of DC and DB

- DB (defined-benefit plan) successfully increased the number of participants as a recipient plan for participants changing from Tax-qualified Retirement Pensions or Employee Pension Funds while DC (defined-contribution plan) saw participants increasing principally among medium-to small-size companies (SMEs).
- Over the recent years, however, while DC continues to enjoy an increasing number of participants, DB has been seeing participant numbers decrease.

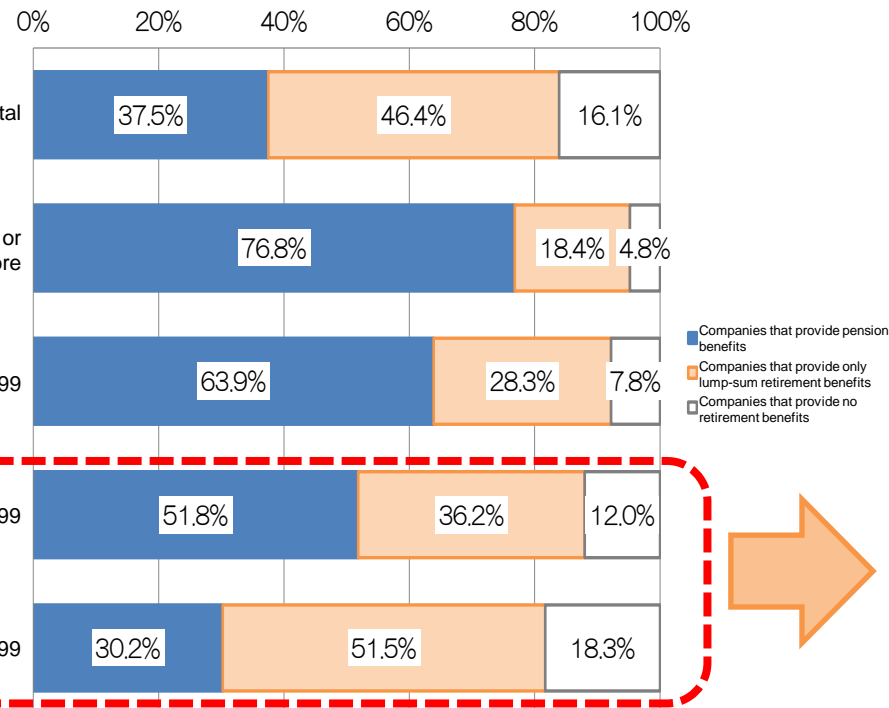


Percentage of SMEs that have Corporate Pension implemented

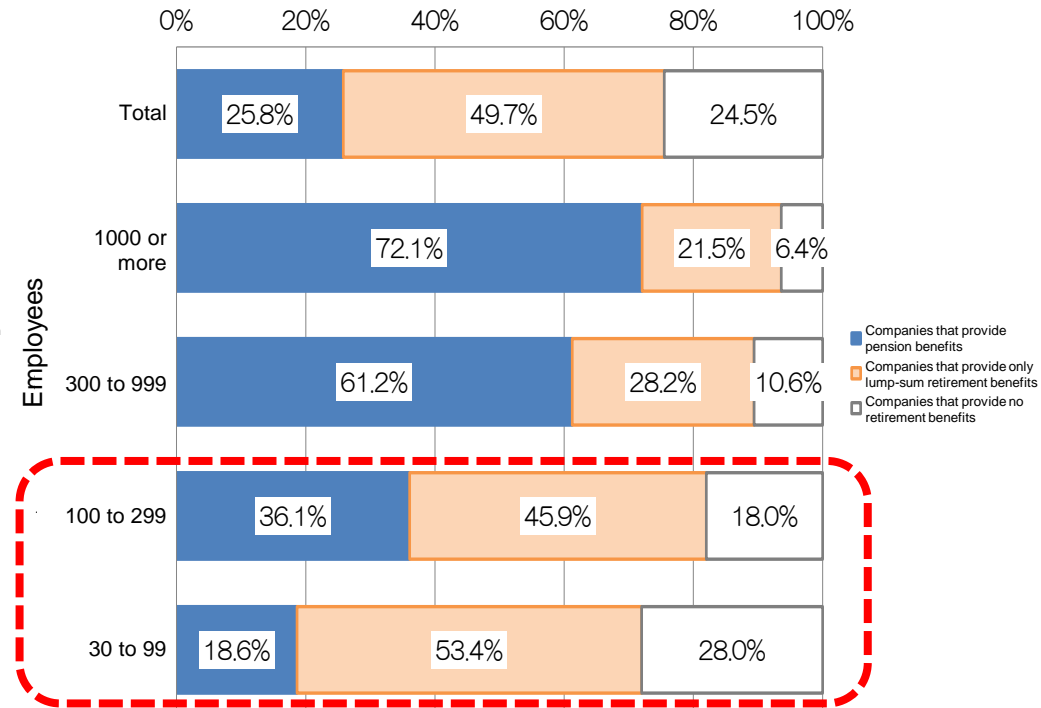
- Percentage of SMEs (having 300 or fewer employees) that have corporate pensions in place is lower than that of larger companies. Of the companies having 30 to 99 employees, 18.6% have corporate pensions in place.
- Trends since 2008 show a substantial decrease in the percentage of SMEs that have corporate pensions implemented

<Comparison of retirement benefits provided: 2008 (left) vs. 2013 (right)>

What retirement benefits were paid
(percentage of the companies that paid pension benefits,
or lump-sum benefits only, or none, as specified per size
for 2008)



What retirement benefits were paid
(percentage of the companies that paid pension benefits,
or lump-sum benefits only, or none, as specified per size
for 2013)



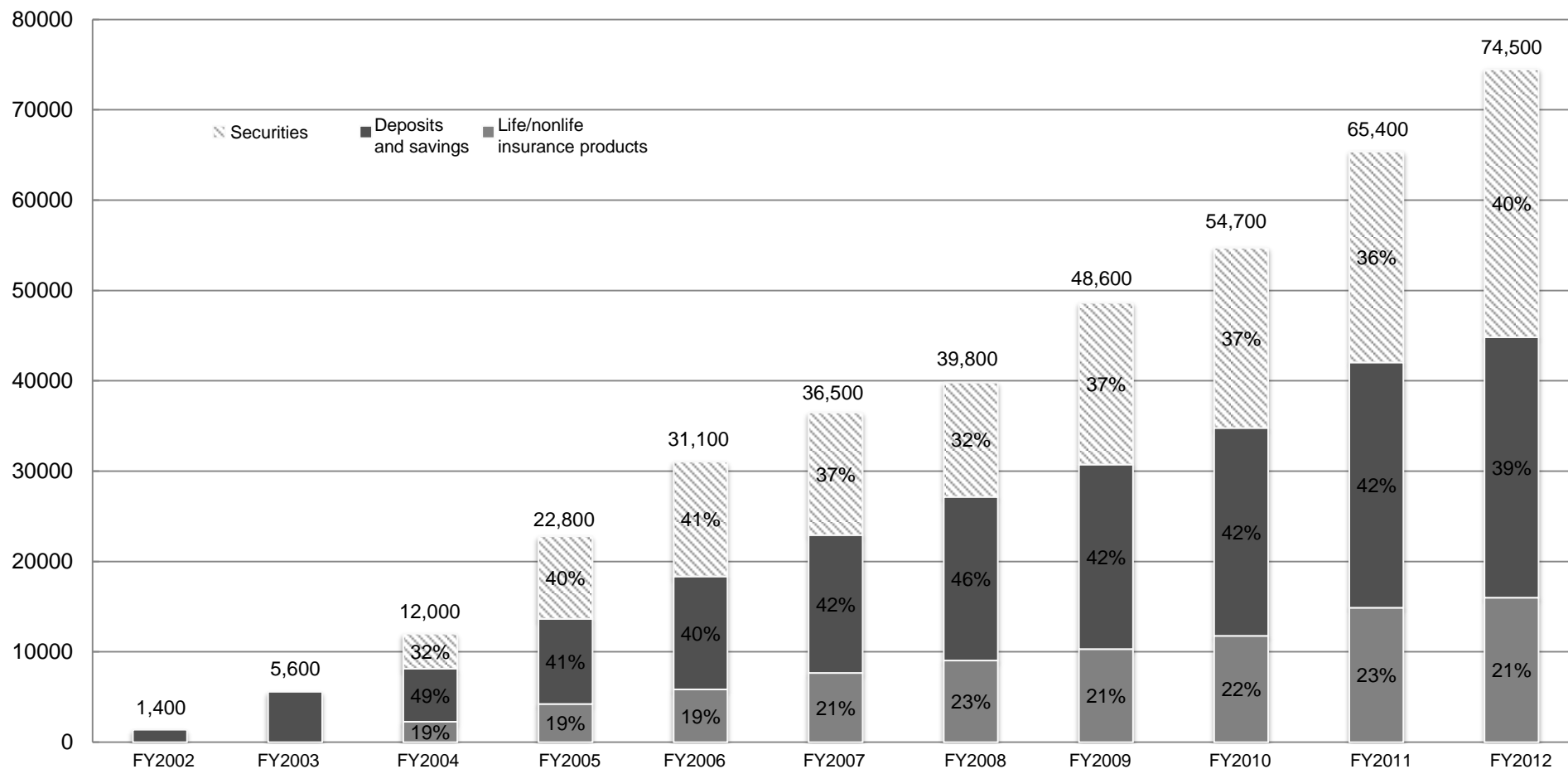
Source: "General survey on 2008 employment conditions," MHLW

Source: "General survey on 2013 employment conditions," MHLW

DC: Outstanding assets balance and investment products

Some 60% of DC's investment products are composed of principal-guaranteed products (40% being deposits and savings and 20% life/nonlife insurance products)

(in 100 millions of yen)

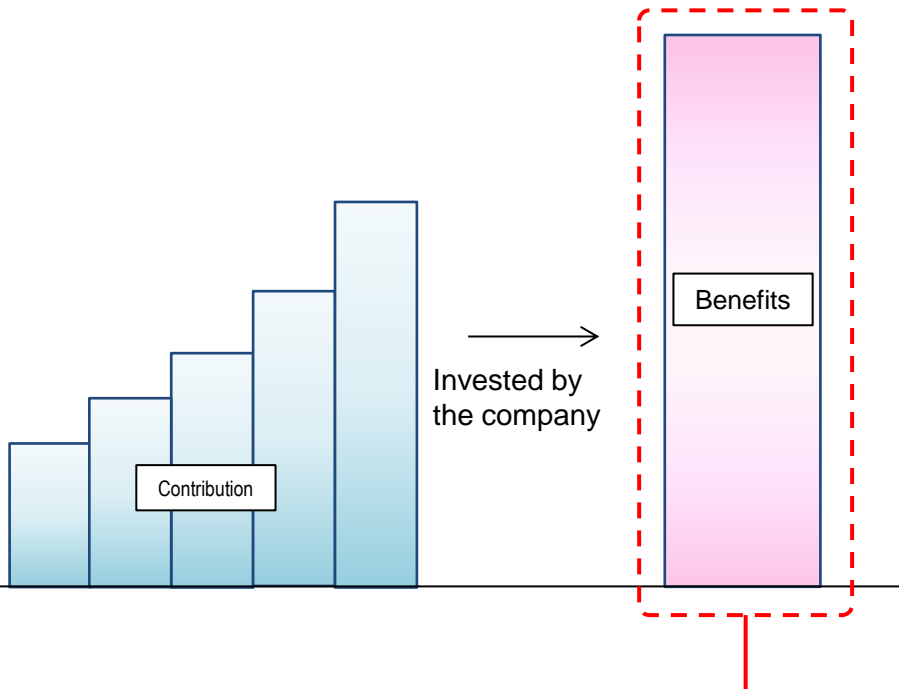


Note: For FY2002 and 2003 no breakdown of investment products is available.

Defined-benefit Corporate Pension (“DB”) and Defined-contribution Pension (“DC”)

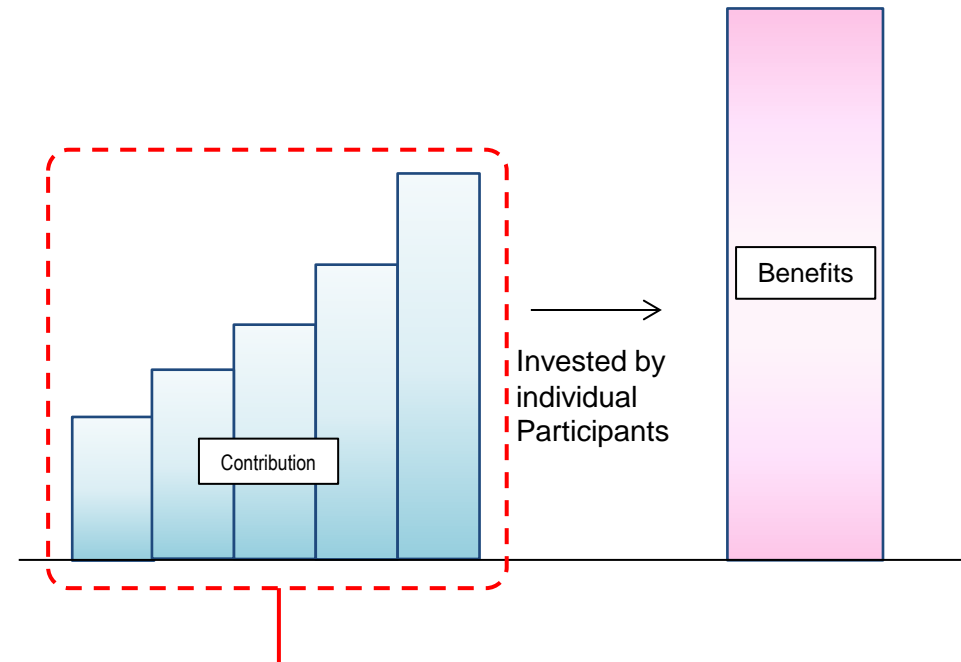
- ❑ In Japan, corporate pensions are managed pursuant to the Defined-benefit Corporate Pension Act and the Defined-contribution Pension Act.
- ❑ **Defined-benefit Corporate Pension** (hereinafter referred to as “DB”) is a system whereby pension benefits payable in the future to participants are predetermined. Pension assets are invested by the company.
- ❑ **Defined-contribution Corporate Pension** (hereinafter referred to as “DC”) is a system whereby the amount of pension contributions payable by Employer is predetermined. Each pension asset is invested by the individual participant (“Participant(s”).

Defined-benefit Corporate Pension (DB)



Amount of contribution is predetermined

Defined-contribution Pension (DC)



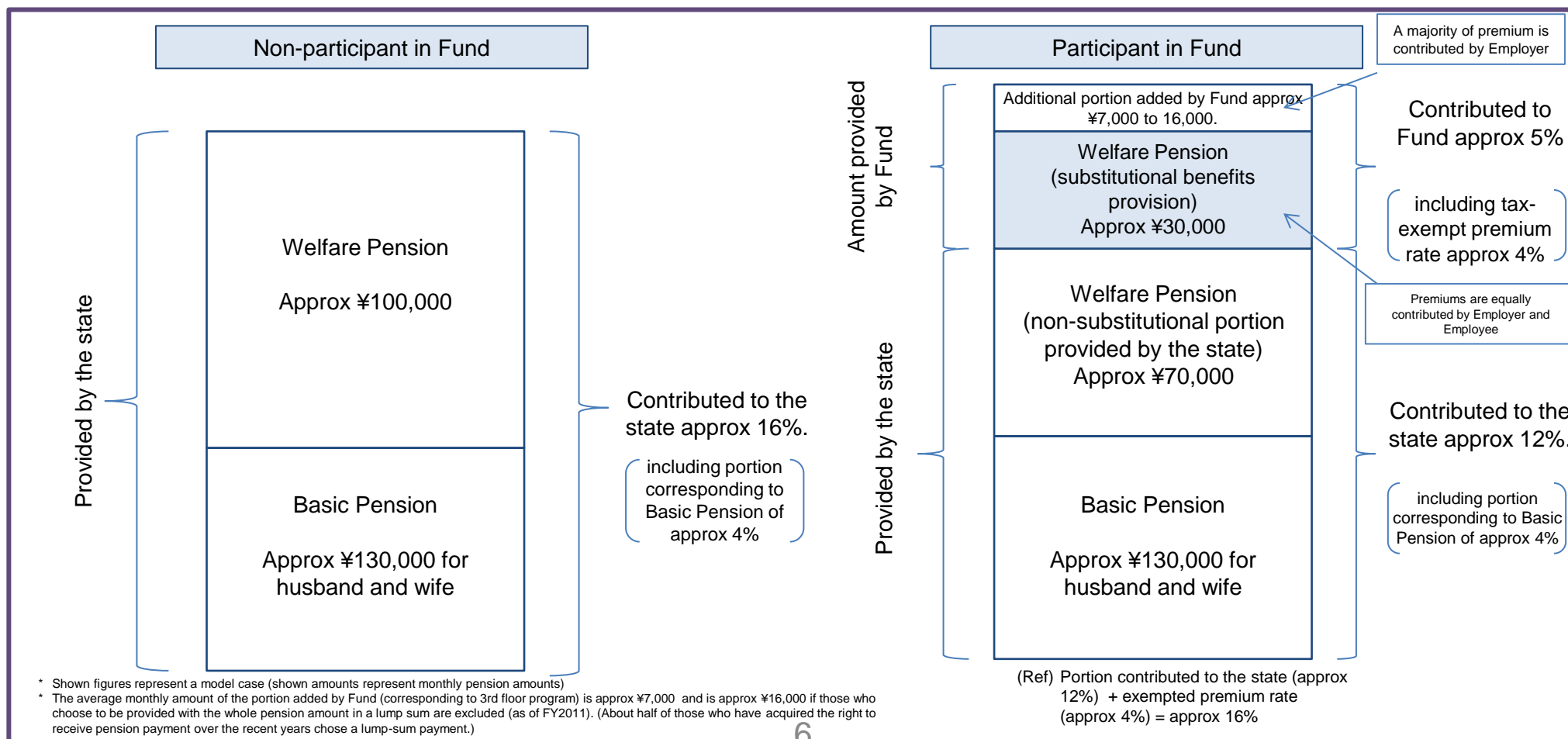
Method of calculating benefits is predetermined

Outline of DB and DC

		Defined-benefit Corporate Pension (DB)	Defined-contribution Pension (DC)
Brief description		DB is provided to Employees who are employed by a business to which Welfare Pension applies. Different from the Welfare Pension Fund, this pension does not invest or administer the Welfare Pension Fund on behalf of the state. It only provides pension benefits that are additional to Basic Pension.	DC is provided to Cat I insured under National Pension and Cat II insured exclusive of public employees. Each contribution is clearly separated per Participant individual. Amount of benefits is determined based on the sum of contributions and returns on their investment.
Who pays premium		As a general rule, Employer contributes premium. Contribution by Participant is permitted if he/she agrees.	In case of [corporate-type] DC: Payable by Employer (also Participant may contribute in an amount that does not exceed that of Employer or the upper limit of contribution) In case of [individual-type] DC: Payable by Participant
Benefits		[When benefits begin to be paid] At an age between 60 and 65 (both inclusive) set forth in the pension agreement between Employer and Employee [Payable as] Old-age Pension or Old-age Lump-sum Payment	[When benefits begin to be paid] At an age between 60 and 65 (both inclusive) (depends upon the period of participation) [Payable as] Old-age Pension or Old-age Lump-sum Payment
Applicable tax	At the time of contribution	[For Employer] Fully charged against revenue [For Participant] Deductible as life insurance premium (about ¥40,000 as a maximum per year)	[For Employer] Fully charged against revenue [For Participant] Deductible as Small Enterprise Mutual Aid Premium <up to upper limit permitted>
	At the time of investment	Special Corporate Tax (1.173%) is imposed on pension reserves Note: Taxation suspended until FY2016	Special Corporate Tax (1.173%) is imposed on pension reserves Note: Taxation suspended until FY2016
	At the time of contribution	[Old-age Pension] Taxable as miscellaneous income (after deducting public pensions and other items) [Old-age Lump-sum Payment] Taxable as retirement income (at the time of retirement only) or as occasional income	[Old-age Pension] Taxable as miscellaneous income (after deducting public pensions and other items) [Old-age Lump-sum Payment] Taxable as retirement income (only at the time of retirement) or as occasional income

(Ref) Scheme of Welfare Pension Fund System

- ❑ The system provides part of Welfare Pension as a public pension to Participants on behalf of the state (so-called substitutional benefits provision) and collects insurance premiums from Employer to cover costs required for such benefits payment.
- ❑ In addition, each Fund operating under the system provides additional benefits to Participants.
- ❑ If a Fund is dissolved, it must return to the state or the Pension Fund Association in a lump sum the reserves equivalent to insurance premiums collected from Participants on behalf of the state.



Issues subject to discussion and review relating to corporate pension system

<<Viewpoint for setting issues>>

- The public pension system that serves as a pillar of old-age income security will undergo medium-to long-term adjustment to its benefits level. Amid increasingly diverse ways of working, a system is required that supports old-age life planning suitable for each individual's lifestyle.
- Also in foreign countries trends prevail for ensuring old-age income by combining public pensions and private pensions in coping with financial problems faced by the public pension system and diversifying ways of working.
 - * Statistical data compiled by OECD and other organizations show the institutional income security level achieved by combining the income security provided by the public pension system and the income security provided by private pension systems which enjoy an appropriate percentage of participation and therefore are deemed in a way equivalent to public systems.
- It is high time that we should make an overall review of our corporate pension and other systems from such a perspective, taking into consideration the changes that have occurred in the relevant situations since the currently existing two corporate pension acts took effect and the revision made of the Welfare Pension Fund system and thereby coping with the changes that have occurred in the socioeconomic conditions.
 - * Now that more than ten years have passed since two corporate pension-related laws (Act on Defined-benefit Corporate Pension and Act on Defined-contribution Pension) took effect, we see substantial changes have occurred in the socioeconomic conditions and the situation that surrounds companies' management and labor.



<<Issues subject to discussion and review>>

I. How to disseminate and expand corporate pensions

(1) Efforts targeted at companies

- To provide equal footing between DB systems and DC systems

(2) Efforts targeted at SMEs

- To design a new scheme for reducing burden on the part of SMEs

II. How to address diversifying needs

(1) Designing a flexible, resilient system

- To design a system that is provided with characteristics of both DB and DC systems

(2) Coping with diversifying life courses

- To expand pension plans' portability, amplify the range where individual-type DC is applicable

III. How to ensure governance

IV. Other issues

(1) Improvement of the current systems

- To implement measures that serve for selection of appropriate DC investment assets in consideration of individual needs

(2) Relationships with public pension systems and tax system

Image: Simple-type DC System (tentative naming)

- ❑ The simple-type DC System is expected to be a system simply designed for use by SMEs. For such a purpose the system may predetermine amounts of contribution and eligible participants and thereby substantially simplify procedures necessary for its establishment, including reduction of necessary documents as well as of the burden imposed by its management.

Image of conditions required for establishing Simple-type DC

Item	Particulars
Amount of contribution	<ul style="list-style-type: none"> • Amount of contribution will be fixed at a low level (e.g., up to ¥5,000 per month)
Number of products to be provided	<ul style="list-style-type: none"> • Number of products to be provided will be fixed <ul style="list-style-type: none"> * The number will be limited, for instance, to “3” (legally required minimum)
Condition required of Employer	<ul style="list-style-type: none"> • Small-size business having not more than 100 employees
Requirement for establishment	<ul style="list-style-type: none"> • Only newly established pension systems can be implemented (transfer of assets from existing DB or other pension plans are not permitted)
Eligible participants	<ul style="list-style-type: none"> • Eligible participants are all of Cat 2 insured • The same conditions including contribution amounts apply to all Participants <ul style="list-style-type: none"> * It is not acceptable to determine whether or not to participate depending upon the type of job performed within the subject business
Transfer of assets	<ul style="list-style-type: none"> • If the participant business grows in size it may transfer pension assets to a conventional-type DC.

Advantages of the Simple-type DC

- ❑ Documents necessary for its implementation can greatly be simplified to “draft pension agreement,” “documents that accredit a business as eligible for Welfare Pension,” and “consent of trade union.” Thus, all the necessary clerical work can be performed by a financial institution, including preparation of documents, their submission to the competent administrative agency and other related matters.
 - Agreements with pension management agencies or pension assets management agencies can be submitted at a later date.
 - Documents such as brochures of the company and rules applied at transferee pension system are not necessary.
- ❑ The system can be managed at a lower cost in accordance with the predetermined system
- ❑ Burden of clerical work will be further reduced by jointly performing investment education

Image: "System whereby small-size Employers contribute premiums" to Individual-type DC

[Image of the system]

- A scheme whereby Employer can additionally contribute premiums to the premiums contributed by Employee who participates in the Individual-type DC
- Company that implements DC shall be a small-size Employer having not more than 100 employees
- Consideration shall be made to limit the total combined amount of contribution by Employee and Employer to the maximum amount of contribution to Individual-type DC
- Documents required for procedures include the consent of the trade union and other parties concerned and documents for verifying the range of eligible participants.

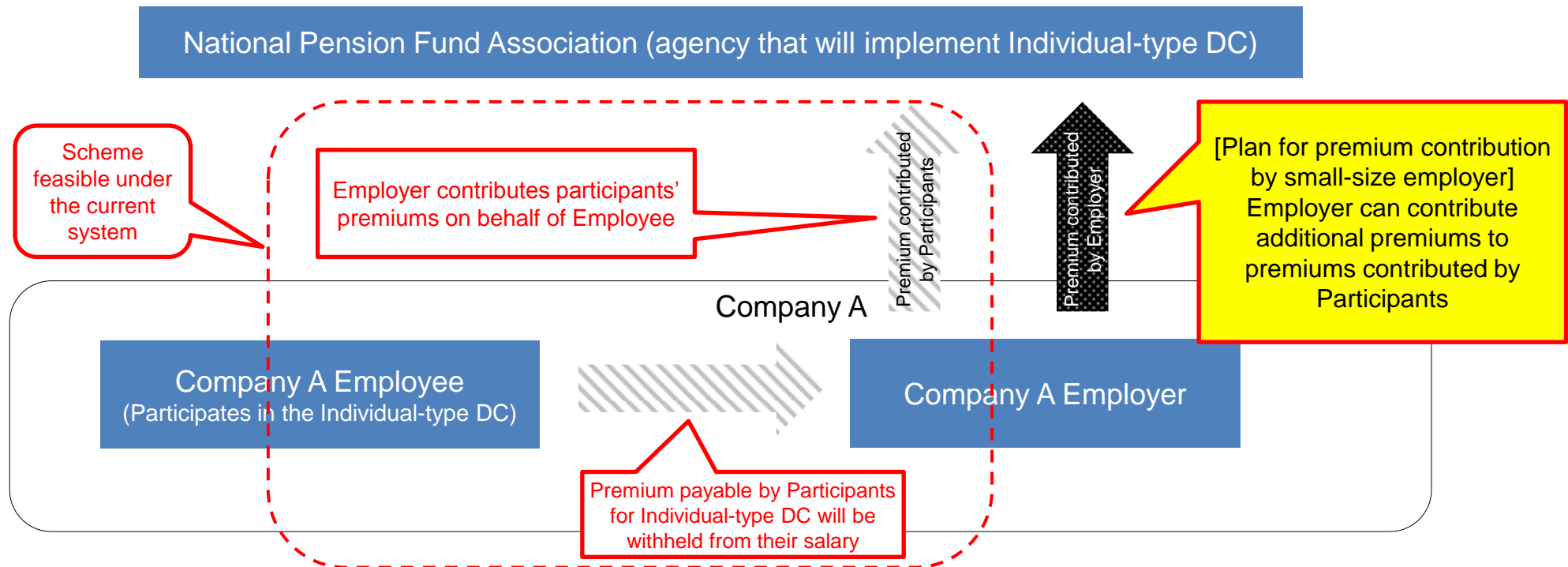
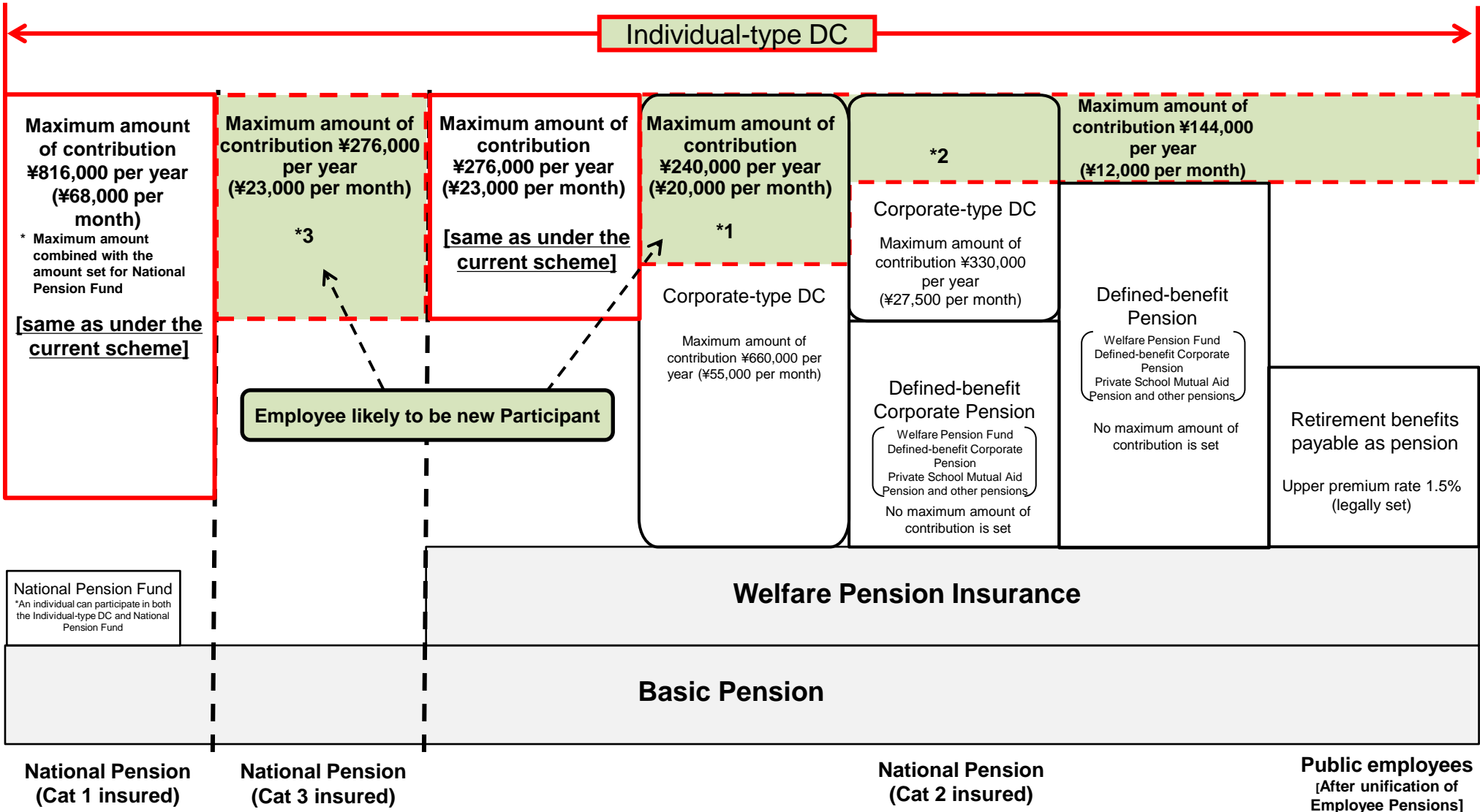


Image: Expansion of Participants eligible for individual-type DC and review of maximum amount of contribution



*1 If Employer implements only Corporate-type DC Employee will be permitted to participate in Individual-type DC only in the case where the pension agreement provides that the contribution by Employer to the Corporate-type DC shall not exceed ¥420,000 per year (¥35,000 per month).

*2 If Employer implements both Corporate-type DC and Defined-benefit Pension, Employee will be permitted to participate in Individual-type DC only in the case where the pension agreement provides that the contribution by Employer to Corporate-type DC shall not exceed ¥186,000 per year (¥15,500 per month).

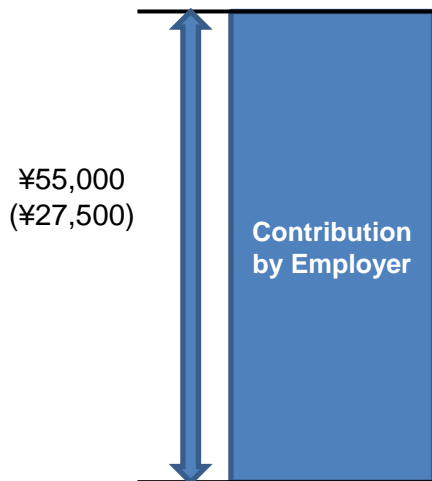
(Ref) Implementation of Individual-type DC in a business entity that has Corporate-type DC in place

❑ Company that has Corporate-type DC in place may choose one of the three alternatives below pursuant to the pension agreement. The company shall permit Employees who choose alternative (3) to participate in Individual-type DC.

Its pension agreement shall permit Employees to choose one of the three alternatives below.

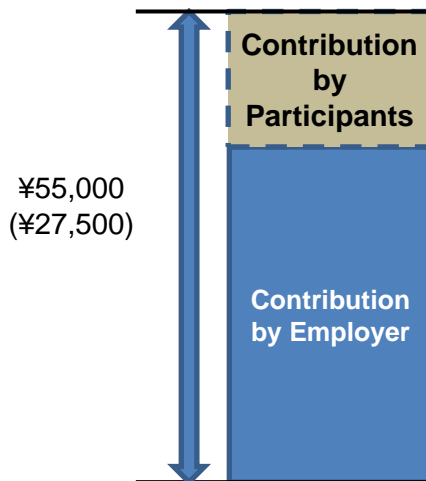
(1) Plan where only Employer contributes premium <currently in place>

- Monthly premium amount not exceeding ¥55,000 (¥27,500) fully contributed by Employer



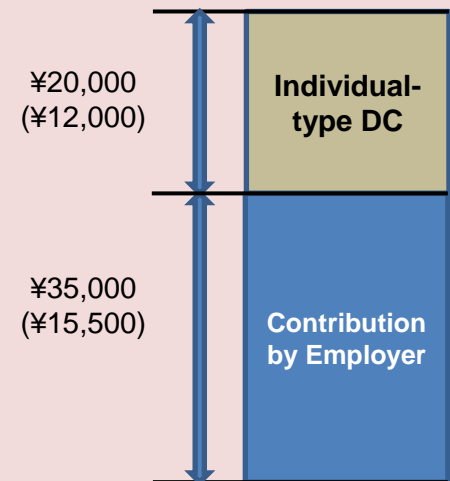
(2) Contribution by Employer + matching contribution by Employees <currently in place>

- Monthly premium amount not exceeding ¥55,000 (¥27,500) contributed jointly by Employer and Participants
- * Participants are permitted to contribute premiums within the amount contributed by Employer



(3) Contribution by Employer + Individual-type DC <newly implemented>

- Monthly premium amount not exceeding ¥35,000 (¥15,500) that can be contributed by Employer
- Employee can contribute premiums to Individual-type DC in an amount not exceeding ¥20,000 per month (¥12,000)

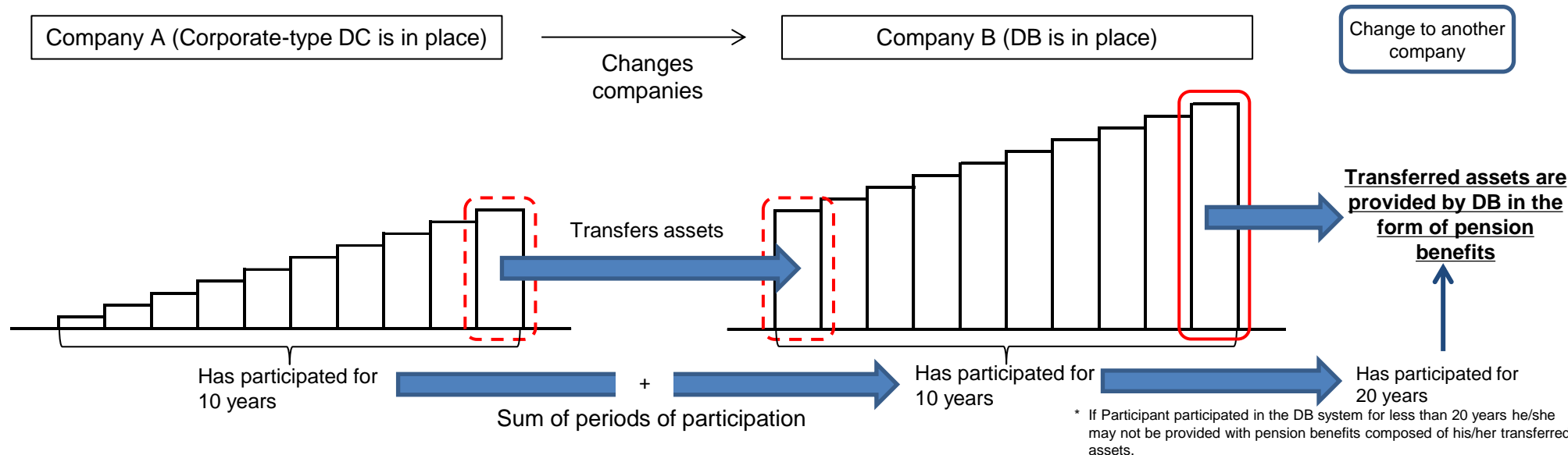


* Parenthesized figures represent the maximum amount of contribution in a case where the entity has in place a corporate pension plan other than DC (DB or other) in addition to Corporate-type DC

Inter-system portability and increased alternatives for Participants

- ❑ Inter-system portability is what enables Participant to transfer assets from one system to another (e.g., from DB to DC) when changing jobs.
 - * For instance, Participant can transfer his/her fund (assets) set aside by means of Corporate-type DC to the corporate pension in place at the new company (DC or other plan) in which Participant can participate by adding the transferred fund.
- ❑ Increased portability between a larger number of pension systems will help provide each Participant with more alternatives and create an environment that facilitates self-help efforts for ensuring his/her continued old-age income.

<Image> Case: Portability of pension assets from Corporate-type DC to DB is ensured.



⇒ If portability is assured, it will give Participant more alternatives as he/she takes into consideration the pension system in place at the new company or the possibilities below:

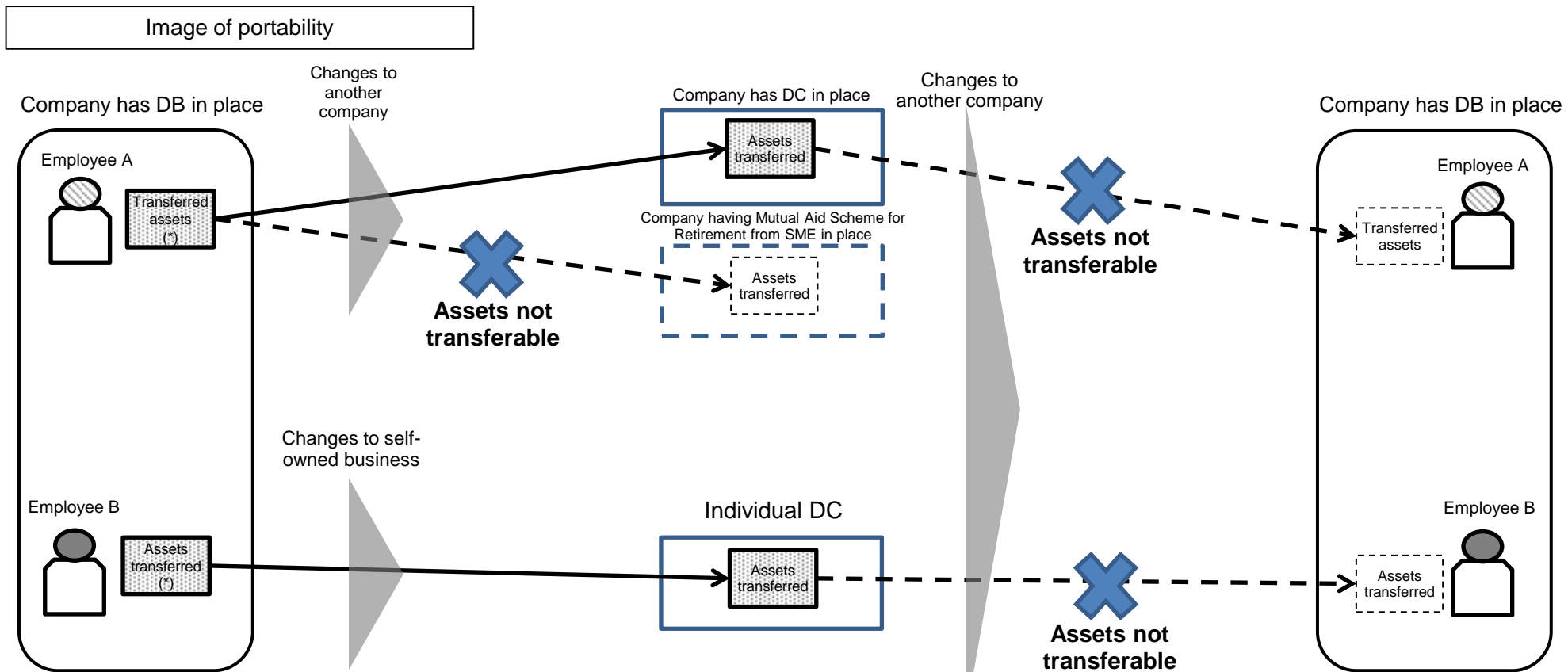
- By summing up all the periods of participation in different pension plans Participant who changed companies may be provided with pension benefits against transferred assets in the future.
- Transferred assets may be invested more efficiently.
- The burden of procedures that should be performed relating to multiple corporate pension systems may be reduced.

* Substantial needs exist for above-explained transfer assets especially in cases where Participants are transferred on loan to other companies.

Issue faced by inter-system portability

- Currently, the range of inter-system portability available for Employees changing companies is not capable of satisfying needs that arise in all cases of job changes.

* For instance, in a case where Employee A or B of a company that has DB in place changes to another company or job he/she may not transfer his/her pension assets if the new company or job is not capable of incorporating such assets in its own pension plan.



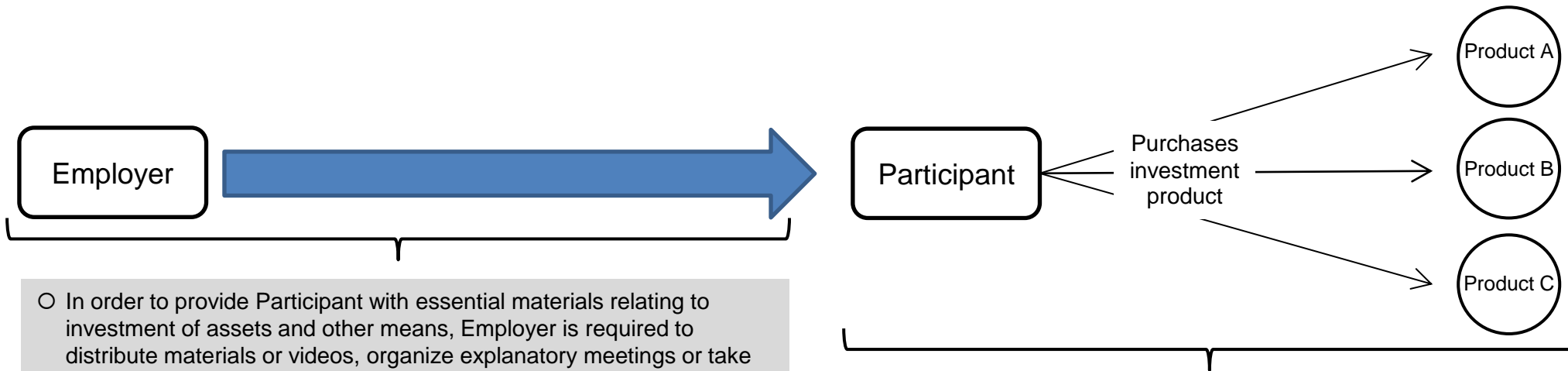
Note 1: Assets that could not be transferred are transferred to Individual-type DC as assets managed per individual. No more addition to the assets will be possible.

Note 2: Portability is assured between DBs, between DCs and between the pension systems of the same kind.

(*) Lump-sum money for withdrawal from DB can be transferred to DC at the request of the relevant Employee instead of being provided as benefits.

Investment education in DC

- ❑ DC is a scheme whereby Participants themselves invest their own pension assets. They will be provided with pension benefits that correspond to the result of such investment.
- ❑ For such a reason, Employer is legally obligated to provide Participants with so-called “investment education” thereby enabling them to select investment products appropriately in accordance with their own needs.



○ In order to provide Participant with essential materials relating to investment of assets and other means, Employer is required to distribute materials or videos, organize explanatory meetings or take other measures relating to the following:

- Specific content of DC scheme and related matters
- Mechanism and characteristics of financial products
- Essential knowledge about asset investment

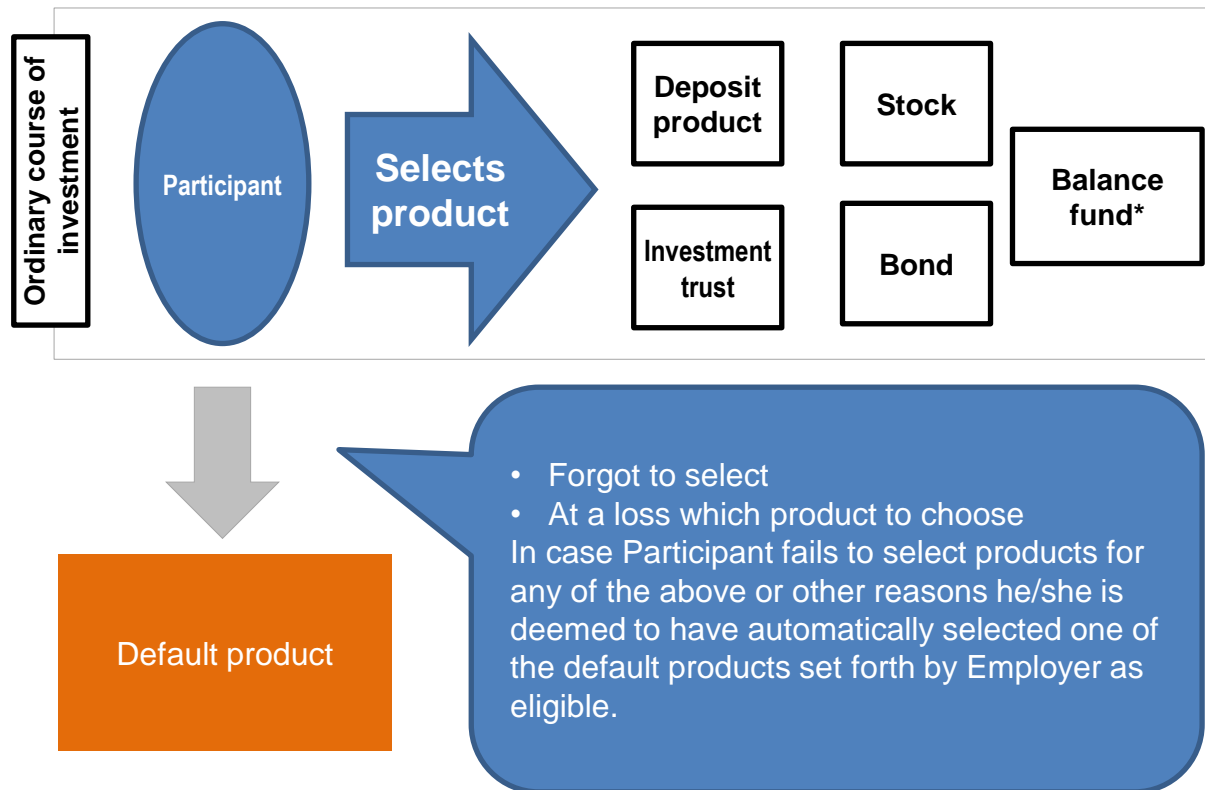
○ Drawing on the investment information provided by Employer Participant purchases investment products and thus invests his/her own pension assets by means of instructions to the relevant pension investment management agency.

All above efforts are called generally
“Investment Education.”

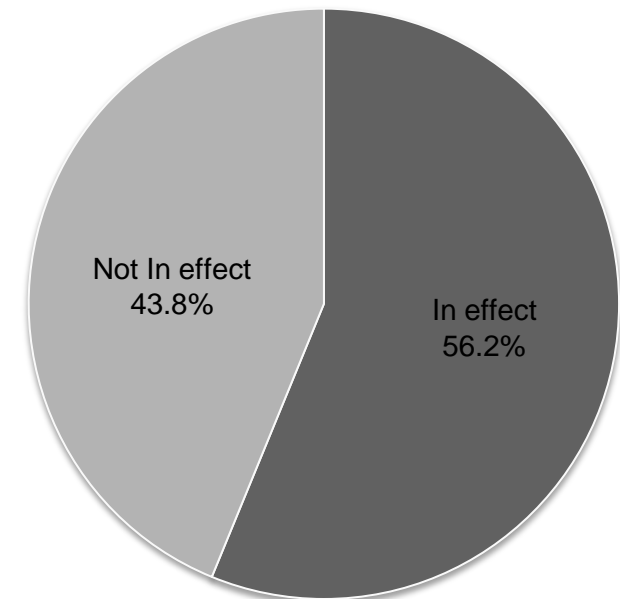
Predetermined investment method (by means of default products)

- ❑ Under the DC plan it is a general rule for a pension investment management agency to present a lineup of investment products for Participants to choose from. However, the notice issued by the Director-General of the Pension Bureau says that it is permitted to utilize “predetermined investment method (by means of default products).”
- ❑ More than half of companies utilize the investment method by means of such default products.

Image of investment method using default products



<<Default investment method is in effect/not in effect>>



Source: “Fourth Field Survey on Defined-contribution Scheme” conducted by the Pension Fund Association

*Investment product composed of multiple assets including stocks, bonds and other assets.