Financial Report on the Public Pension System Fiscal Year 2006 (Summary)

1. Fiscal Revenue and Expenditure

❑ The Financial Status of Public Pension Plans as a whole – 43.8 trillion yen in Benefits

The financial status of public pension plans as a whole for FY2006 reveals that 27.2 trillion yen of revenue was income from contributions and 7.2 trillion yen was from subsidies by state etc., while 43.8 trillion yen of the expenditure was for pension benefits. The reserve at the end of FY2006 was 191.5 trillion yen at book value and 204.7 trillion yen at market value (Figure 1, Figure 2-1-1 in the report).

Figure 1 Financial Status (FY2006)

Classification		Public pension plans as a whole
		100 million yen
Total revenue	(book value)	462,102
	(market value)	[478,505]
Contributions		272,435
Subsidies by state etc.		72,394
Subsidies for "bestowals" payments of prior period		15,914
Investment income	(book value)	47,289
(Remittances from the Government Pension Investment Fund)		(19,611)
	(market value)	[63,472]
Payment of the cost for consolidation of former MAAs		2,567
Payment of the cost for the occupational portion exceed EPI		2,762
Payment of the cost for contracting back in to EPI of EPFs		6,800
Transfer from the reserve		36,995
Others		* 4,948
Total expenditure		441,539
Benefits		437,809
Others		3,730
Balance of revenues and expenditures	(book value)	20,563
	(market value)	[36,966]
Reserve at the end of fiscal year	(book value)	1,914,928
	(market value)	[2,046,554]

Note : To calculate revenue and expenditure in consolidated base, the following contributions and corresponding revenue are excluded from both revenue and expenditure summation because those contributions and income are paid from one public pension plan to other public pension plan: contribution to Basic Pension, contribution to the equivalent to benefits of Basic Pension (old law (pension law effective before FY1986)), contribution representing inter-plan fiscal adjustments between NPSP and LPSP and contribution to support JT MAA, JR MAA and NTT MAA that consolidated to EPI. Additionally the amount of transfer from the surplus of previous year (1,414.2 billion yen) in Basic Pension Account is excluded from “Others” (*) in revenue. “Others” in revenue includes EPI/NP (National Pension Account) revenue from the transfer to the Special Pension Accounts of pension housing loan repayments following the dissolution of the former Government Pension Investment Fund.

❑ Contributions – Increased for Employee Pension Plans and decreased for NP

Contributions of Employees’ Pension Insurance (EPI) were 21.0 trillion yen, those of National Public Service Personnel Mutual Aid Association (NPSP) were 1.0 trillion yen, Local Public Service Personnel Mutual Aid Association (LPSP) were 3.0 trillion yen, Mutual Aid Corporation for Private School Personnel (PSP) were 0.3 trillion yen and National Pension (NP) were 1.9 trillion yen (Figure 2-1-4 in the report). In FY2006, contributions of all employee pension plans increased, while contributions of NP decreased.

❑ Pension Benefits – Increased for Employee Pension Plans (except NPSP) and Basic Pension

Benefits[1] of EPI were 22.3 trillion yen, those of NPSP were 1.7 trillion yen, LPSP were 4.3 trillion yen, PSP were 0.2 trillion yen, NP’s National Pension Account were 1.8 trillion yen, and NP’s Basic Pension Account were 13.5 trillion yen (Figure 2-1-12 in the report). Pensions benefits are increasing for all employee pension plans except NPSP. With regard to NP, while Basic Pension Account continued to increase significantly, National Pension Account has tended to decrease.

Note 1: Benefits for each pension plan include the equivalent to benefits of Basic Pension (the partial amount of benefits under the old law regarded equivalent to Basic Pension). The benefits paid by the National Pension Account are mainly those under the old National Pension Law. The benefits paid by the Basic Pension Account are those of Basic Pension.

❑ Reserve

Reserve[1] of EPI was 130.1 trillion yen (139.8 trillion yen), that of NPSP was 8.8 trillion yen (9.2 trillion yen), LPSP was 39.7 trillion yen (42.0 trillion yen), PSP was 3.4 trillion yen (3.6 trillion yen), NP's National Pension Account was 8.8 trillion yen (9.4 trillion yen) and NP's Basic Pension Account was 0.7 trillion yen. (Figure 2-1-15 in the report). Note that the reserve of EPI does not include that of the substitutional part of the Employees' Pension Fund.

Note 1: The values are at book values. The values in parentheses are at market values. The method for market value assessment is as presented in Figure 2-1-17 in the report.

❑ Adjusted Financial Status to observe the events related to the present year

Adjusted Financial Status to observe the events related to the present year is compared and analyzed in a cross-sectional way from the viewpoint of pension finances by Actuarial Subcommittee. It is calculated by excluding "transfer from the reserve" in EPI and NP (National Pension Account) and the amount of transfer from the surplus of previous year in Basic Pension Account. The total amount of revenue on the adjusted financial status base for public pension plans as a whole was 42.5 trillion yen at book value, 44.2 trillion yen at market value and the total amount of expenditure on the adjusted financial status base was 44.2 trillion yen (Figure 2, Figure 2-1-3 in the report).

Figure 2 Adjusted Financial Status to observe the events related to the present year (FY2006)

"The table compared and analyzed in a cross-sectional way from the viewpoint of pension finances by Actuarial Subcommittee"

Classification			Public pension plans as a whole
			100 million yen
Revenue (adjusted financial status base)	Total amount	(book value)	425,107
		(market value)	[441,511]
	Contributions		272,435
	Subsidies by state etc.		72,394
	Subsidies for "bestowals" payments of prior period		15,914
	Investment income	(book value)	47,289
	(Remittances from the Government Pension Investment Fund)		(19,611)
		(market value)	[63,472]
	Payment of the cost for consolidation of former MAAs		2,567
	Payment of the cost for the occupational portion exceed EPI		2,762
	Payment of the cost for contracting back in to EPI of EPFs		6,800
	Others		4,948
Expenditure (adjusted financial status base)	Total amount		441,539
	Benefits		437,809
	Others		3,730
	Balance of revenues and expenditures on the adjusted financial status base	(book value)	△ 16,432
		(market value)	[△ 28]
	Reserve at the end of fiscal year	(book value)	1,914,928
		(market value)	[2,046,554]

Note : To calculate revenue and expenditure in consolidated base, the following contributions and corresponding revenue are excluded from both revenue and expenditure summation because those contributions and income are paid from one public pension plan to other public pension plan: contribution to Basic Pension, contribution to the equivalent to benefits of Basic Pension (old law (pension law effective before FY1986)), contribution representing inter-plan fiscal adjustments between NPSP and LPSP and contribution to support JT MAA, JR MAA and NTT MAA that consolidated to EPI.

The balance of revenues and expenditures on the adjusted financial status base[1] was -1.6 trillion yen at book value and -2.8 billion yen at market value. Following the pension revisions in FY2004, public pension plans are now financed according to the closed-period-balancing method where both the investment income and capital of reserves can be used to pay benefits. These values should be evaluated by comparing with the future projections.

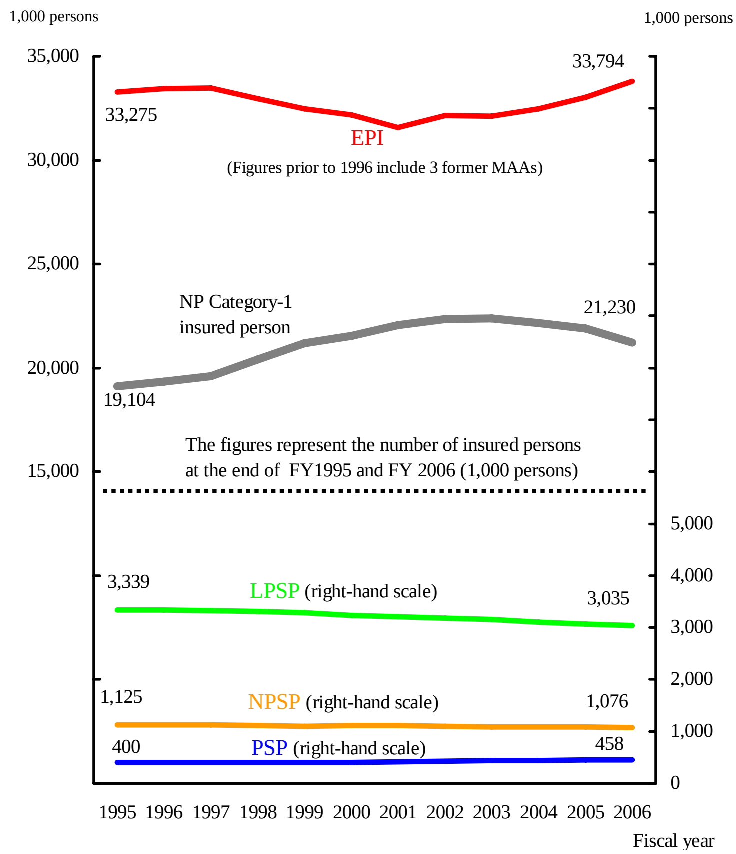
Note 1: The finances of public pension plans are managed by the closed-period-balancing method which makes use of reserves. In EPI and NP (National Pension Account), "transfer from the reserve" is recorded in the budget in advance if it is necessary, to ensure the expenditures such as pensions benefits. Therefore, the "balance of revenues and expenditures on the adjusted financial status base" (Figure 2) differs from the "balance of revenues and expenditures" (Figure 1) which shows the overall results of pension plan management including "transfer from the reserve" and so on.

2. Insured Persons

❑ Number of Insured Persons – Increased for EPI and PSP

The total number of insured persons by employee pension plans was 38.36 million: 33.79 million by EPI, 1.08 million by NPSP, 3.04 million by LPSP and 0.46 million by PSP. In addition, the number of insured persons by NP Category-1 was 21.23 million and by NP Category-3 was 10.79 million. These brought the total number of participants in public pension plans as a whole to 70.38 million (Figure 3, Figure 2-2-1 in the report). In FY 2006, the numbers of insured persons by EPI and PSP increased, and the number of insured persons by employee pension plans increased by 2.0%. On the other hand, the number of insured persons by NP Category-1 decreased by 3.1%, and the total number of participants in public pension plans as a whole decreased by 0.1%.

Figure 3 Trends in the number of insured persons



❑ Standard Remuneration per Capita – Male-female differences were smaller for NPSP and LPSP

Standard monthly remuneration per capita (not including employee bonuses) was 313,000 yen for EPI, 410,000 yen for NPSP, 451,000 yen for LPSP and 369,000 yen for PSP (Figure 2-2-9 in the report). On the other hand, standard remuneration per capita including employee bonuses (total remuneration base; amount per month) was 374,000 yen for EPI, 545,000 yen for NPSP, 600,000 yen for LPSP and 487,000 yen for PSP (Figure 2-2-10 in the report). For NPSP and LPSP, the differences of remuneration between male and female insured persons were smaller than those for EPI and PSP.

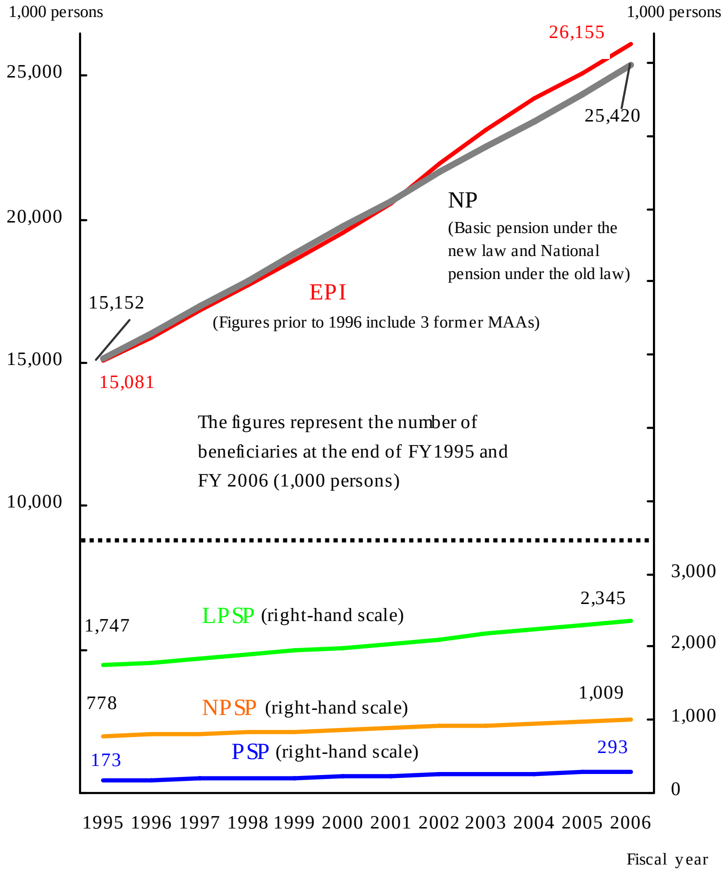
Note: Extension of remuneration calculations to cover bonuses began in FY2003.

3. Beneficiaries

❑ Number of Beneficiaries – Continued to Increase for all Public Pension Plans

There were 26.16 million beneficiaries in EPI, 1.01 million beneficiaries in NPSP, 2.35 million beneficiaries in LPSP, 0.29 million beneficiaries in PSP and 25.42 million beneficiaries in NP (both Basic Pension under the new law and National Pension under the old law) (Figure 4, Figure 2-3-1 in the report). The total number of people having pension benefit eligibilities for some sort of public pension was 33.66 million. The number of beneficiaries is continuing to increase for all public pension plans.

Figure 4 Trends in the number of beneficiaries



❑ Average Monthly Amount of Old-age pension (for Long-Term Contributors)

The average amount of old-age (for long-term contributors)[1] per month[2] (including the amount of the old-age basic pension) was 163,000 yen for EPI (including portion paid by Employees' Pension Fund on behalf of EPI), 208,000 yen for NPSP, 221,000 yen for LPSP, 206,000 yen for PSP and 53,000 yen for NP (old-age basic pension benefits under the new law and old-age pension benefits of NP under the old law) (Figure 2-3-16 in the report). While the average monthly amount of benefits for all employee pension plans decreased, the scale of the decline was greater for EPI due to the raising of women's age at which payment of the fixed amount portion starts to 61 in FY2006.[3] On the other hand, the average monthly amount of benefits for NP is continuing to increase (Figure 2-3-18 in the report).

Note 1: "Old-age (for long-term contributors)" is the one under the new law that requires fulfilment of the eligible period in one plan stipulated in the old-age basic pension (25 years; including 20 years of contributions in the interim measure and 15 years of contributions in the special measure for the middle and older age), as well as the one under the old law.

Note 2: At the comparison, besides that the Mutual Aid Associations (MAAs) has the "occupational portion exceed EPI", it is necessary to bear in mind that there are differences on male-female ratio and average contribution period by the plan compared.

Note 3: In the case of MAAs, women's age at which payment of the fixed amount portion starts was raised at the same time as that for men. In the case of EPI, however, there is a five-year lag in the raising of the age at which payment of the fixed amount portion starts for women.

4. Financial Indicators

- **Pension Support Ratio – Higher for PSP, lower for NPSP and LPSP. Ratio decreased for all Public Pension Plans**

The pension support ratios[1] continued to decline in all public pension plans (Figure 2-4-2, 2-4-3 in the report). It was 2.82 for EPI, 1.68 for NPSP, 1.89 for LPSP, 4.88 for PSP and 2.77 for NP. PSP with higher pension support ratio may be considered less mature than EPI. Conversely, NPSP and LPSP with lower pension support ratios are considered mature plans.

Note 1: The ratio of insured persons to beneficiaries (only old-age (for long-term contributors)).

- **Comprehensive Cost Rate**

The comprehensive cost rate[1] was 17.8% for EPI, 17.6% for NPSP, 16.8% for LPSP, and 12.0% for PSP (Figure 2-4-8, 2-4-9 in the report). In FY2006, the rates rose for NPSP, LPSP, and PSP, and remained unchanged for EPI.

Note 1: The rate of real expenditure for which the plan must provide its own resources to the total standard remuneration. The comprehensive cost rate for EPI is calculated on the account base and does not include the portion paid by Employees' Pension Fund on behalf of EPI.

5. Comparison between Actual Values and Future Projections of the 2004 Actuarial Valuation

- **The Number of Insured Persons**

The actual numbers[1] of insured persons exceeded the future projections[2] for EPI, PSP and NP (Basic Pension), but were less than the future projections for NPSP&LPSP (Figure 3-2-1 in the report). The exceeding was 3.6% for EPI, 3.5% for PSP, and 0.8% for NP (Basic Pension). On the other hand, the percentage of being less was 0.1% for NPSP&LPSP.

Note 1: For EPI, comparisons are made using "estimates of actual value" (see page 98 of the report). This definition also applies below.

Note 2: The future projection values were processed by reflecting the increases in subsidies by state etc. for the Basic Pension resulting from the amendments after 2004 into the future projections of the 2004 actuarial valuation (see page 99 of the report). This definition also applies below.

Note 3: Following the integration of financial units for NPSP and LPSP, the actuarial valuation now shows the future projections which integrate the finances of both of these pension plans. The combined projections for NPSP and LPSP are shown as "NPSP&LPSP".

- **The Number of Beneficiaries**

The actual numbers of beneficiaries were less than the future projections for EPI, NPSP&LPSP and PSP, but exceeded the future projections for NP (Basic Pension (includes beneficiaries of benefits equivalent to the Basic Pension)) (Figure 3-2-3 in the report). The percentage of being less was 3.0% of the future projections for EPI, 3.7% for NPSP&LPSP and 0.5% for PSP. On the other hand, the exceeding was 1.3% for NP (Basic Pension).

❑ Contributions

Actual contributions exceeded the future projections for EPI, but were less than the future projections for NPSP&LPSP, PSP and NP (Figure 3-2-4 in the report). The exceeding was 1.3% for EPI. The percentage of being less was 5.0% for NPSP&LPSP, 0.3% for PSP, and 15.4% for NP.

❑ Expenditure

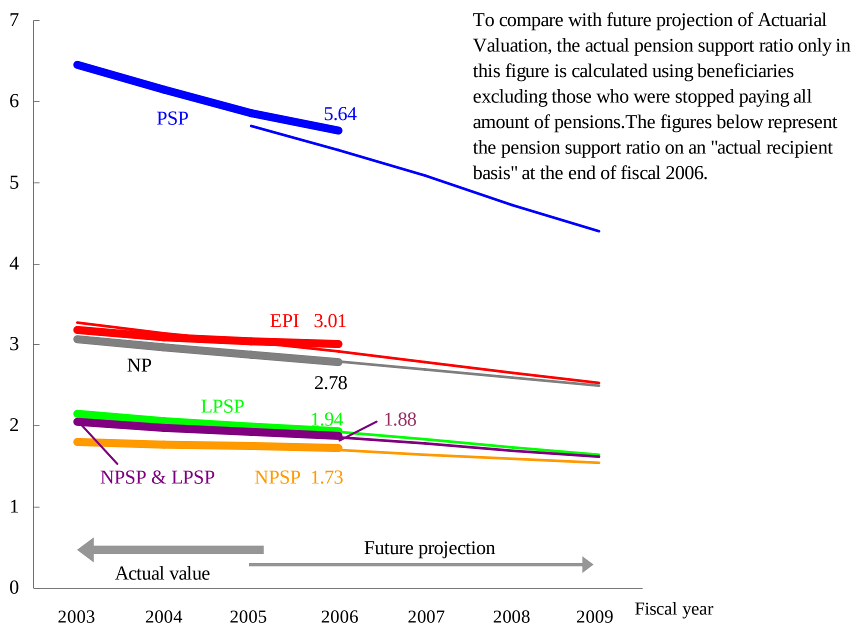
Actual expenditures[1] exceeded the future projections for EPI and PSP, but were less than the future projections for NPSP&LPSP and NP (Figure 3-2-7 in the report).The exceeding was 1.0% for EPI and 1.4% for PSP. On the other hand, the percentage of being less was 1.6% for NPSP&LPSP and 5.8% for NP.

Note 1: Portion of total expenditure as provided for by income from contributions, reserves, investment income and subsidies by state etc.

❑ Pension Support Ratio

The actual pension support ratios exceeded the future projections for EPI, NPSP&LPSP and PSP, but were less than the future projections for NP (Figure 5, Figure 3-3-1 in the report). The exceeding was 0.09 points for EPI, 0.01 points for NPSP&LPSP and 0.24 points for PSP. On the other hand, the actual ratio was 0.01 points less for NP (Figure 3-3-3 in the report).

Figure 5 Pension support ratio

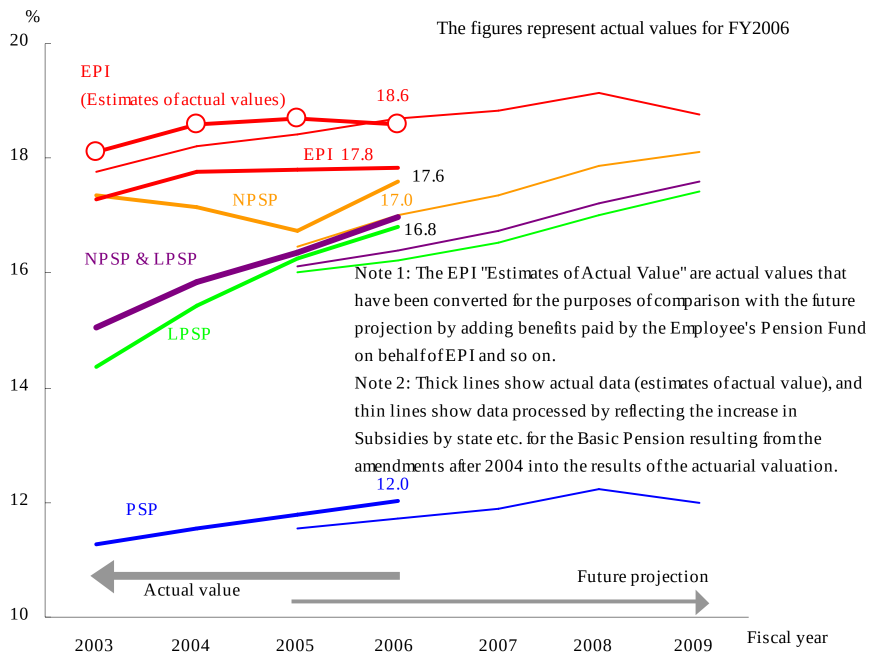


Note: Thick lines show actual data, and thin lines show actuarial valuation figures.

❑ Comprehensive Cost Rate

The actual comprehensive cost rates were less than the future projections for EPI, but exceeded the future projections for NPSP&LPSP and PSP (Figure 6, Figure 3-3-4 in the report). The actual rate was 0.1 points less for EPI, and the exceeding was 0.6 points for NPSP&LPSP and 0.3 points for PSP (Figure 3-3-6 in the report).

Figure 6 Comprehensive cost rate



6. Analysis of the Difference between Actual Values and Future Projections of the 2004 Actuarial Valuation

❑ Analysis of the Difference in Reserves

Actual reserves exceeded the future projections for all employee pension plans. A major reason for this is that the actual nominal rate of return on investment was higher than the future projection (Figure 3-4-3 in the report). A more detailed analysis reveals that the actual nominal wage growth rate was lower than the future projection, causing actual reserves to be less than the future projection (Figure 3-4-6 in the report). On the market value base, the reserve for each MAA was greater than its book value base, and the difference between actual market value and the future projections grew larger.

(Financial Status "in Real Terms")

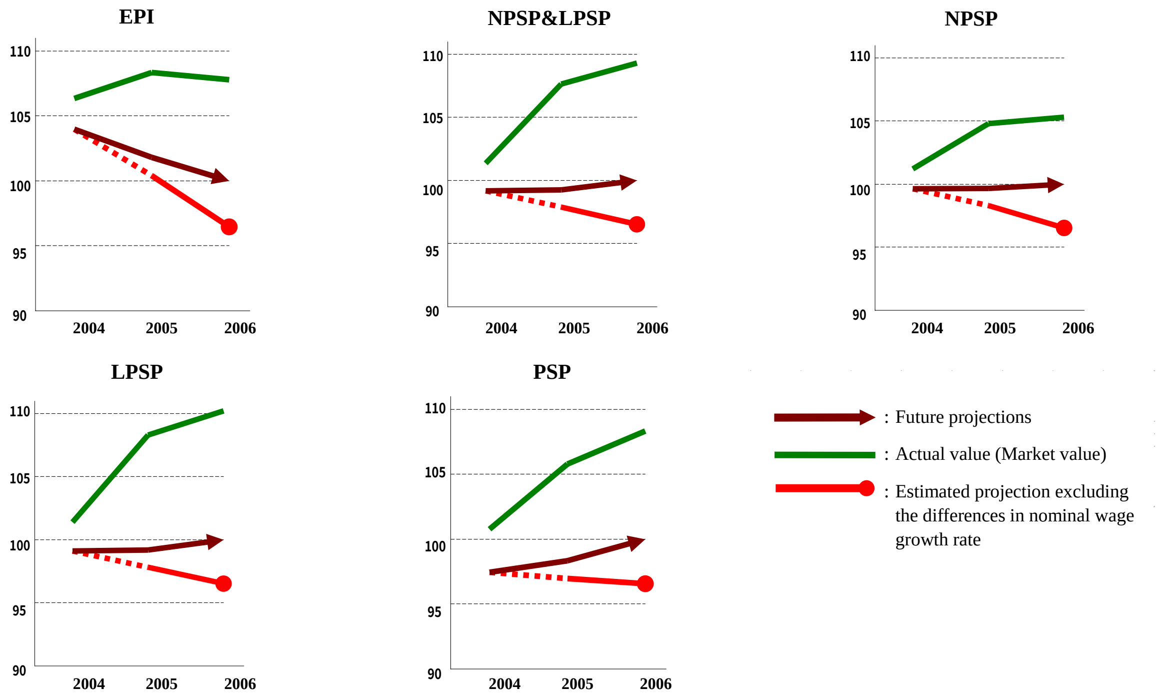
In public pension plan, both revenues (such as contributions) and expenditures (such as benefits) generally increase or decrease in response to the nominal wage growth rate over the long term. Therefore, even if the actual value and the future projection of the reserves diverge due to differences in the nominal wage growth rate as described above, the overall scale of pension finances will only similarly increase or decrease provided that the real wage growth rate, etc. remains the same, and the impact on financial status will be minor over the long-term.

Comparing "estimated projections excluding the differences in nominal wage growth rate"[1] with the actual reserves, the actual returns on investment for all plans exceed the future projection, and therefore, the differences of actual reserve over estimated projection are significantly positive (Figure 7, Figure 3-4-7 in the report). This shows that, from the viewpoint of pension finances, actual results are showing better performance than the future projections.

Note 1: The future projections in the 2004 actuarial valuations are estimated values calculated by replacing the nominal wage growth rates used in the original valuation with actual values.

Figure 7 Difference between Actual Reserves and Future Projections of 2004 Actuarial Valuation

[expressed using the future projection at the end of FY2006 as the standard (= 100)]



(Reference) How to read the figure

- The difference between the "actual value" of the reserves (green line) and the "estimated projection excluding the differences in nominal wage growth rate" (red line) shows that the "actual results are showing better performance than the future projections", as described above.

❑ Analysis of the Difference in Expenditure/Revenue Ratios[1]

For all employee pension plans, actual expenditure/revenue ratios were lower than the future projections (Figure 3-5-1 in the report). For all plans, the principal reason for the difference is that returns on investment in FY2006 exceeded the future projections (Figure 3-5-2 in the report).

Note 1: "Real expenditure minus Subsidies by state etc." expressed as a percentage against "Contributions plus investment revenue"

❑ Analysis of the Difference in Reserve Ratios[1]

For all employee pension plans, actual reserve ratios (market value) exceeded the future projections (Figure 3-5-5 in the report). For all plans, the principal reason for the difference is the difference for "Reserves at the end of the previous fiscal year (FY2005)" in FY2006, and the major reason for this is that the actual nominal rates of return on investment exceeded the future projections in FY2005 (Figure 3-5-7 in the report).

Note 1: "Reserves at the end of the previous fiscal year" expressed as a ratio against "Real Expenditure minus Subsidies by state etc." of the relevant fiscal year