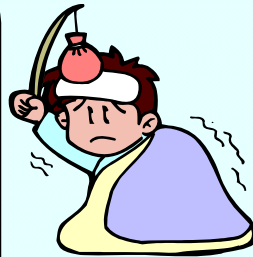


Overview of Medical Service Regime in Japan

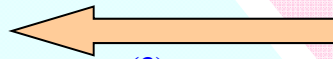
- 75 years or older
10% copayment
(Those with income comparable to current workforce have a copay of 30%)
- 70 to 74 years old
20% copayment*
(Those with income comparable to current workforce have a copay of 30%)
- Start of compulsory education to 69 years old
30% copayment
- Yet to start compulsory education
20% copayment

* Frozen at 10% for the 12-month period from April 2008

Patient (insured)



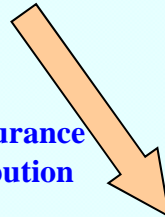
(2) Receive service & copayment



(3) Clinical service

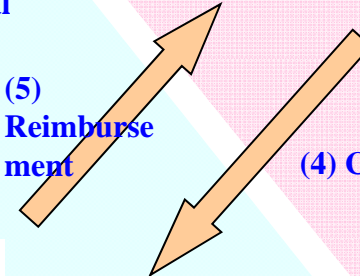


(1) Insurance contribution

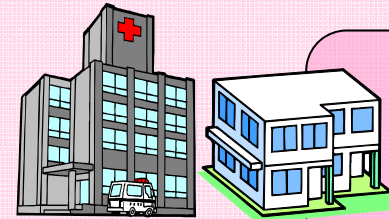


Insurer

(5) Reimbursement



[Medical Service Regime]



Hospital
Clinic } Medical Care Act



Physician



Medical Practitioners Act

Dentist

Dental Practitioners Act

Pharmacist

Pharmacists Act

Public health nurse
Midwife
Registered nurse

“Act on Public Health Nurses, Midwives and Nurses”

Other healthcare professionals

[Those with national qualification are governed by respective acts]

Administrative bodies



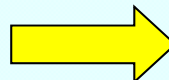
National
Prefectural
Municipal
governments

Public funding

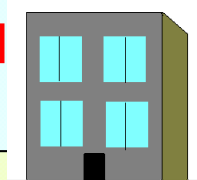
Public funding

Supportive contribution

Respective insurer



[Medical insurance system]



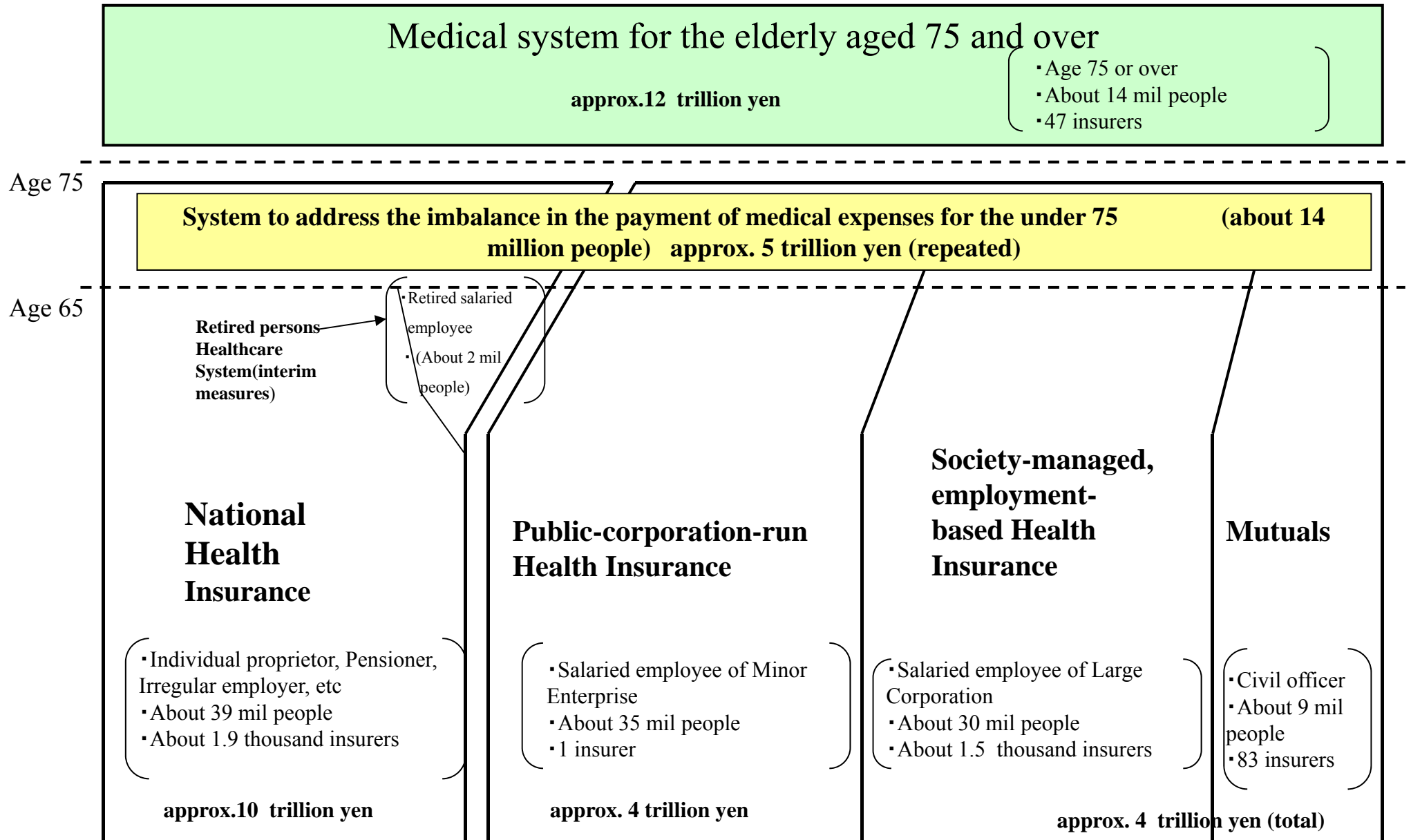
(Principle schemes)	(Number of insurers)	(Number of enrollment)
-National Health Insurance	1,888	Approx. 39,000,000
-Japan Health Insurance Association administered health insurance	1	Approx. 35,000,000
-Association/union administered health insurance	1,473	Approx. 30,000,000
-Mutual aid association	83	Approx. 9,000,000

* Numbers of insurer and the enrolled are as of end of March 2010

-Advanced Elderly Medical Service System 47 Approx. 14,000,000

* Number of those enrolled is as of end of March 2010

Outline of the Healthcare Insurance System



*1 Numbers of insurers and members are preliminary figures as of the end of March 2010

*2 Amounts are benefits based on the budget for FY2011.

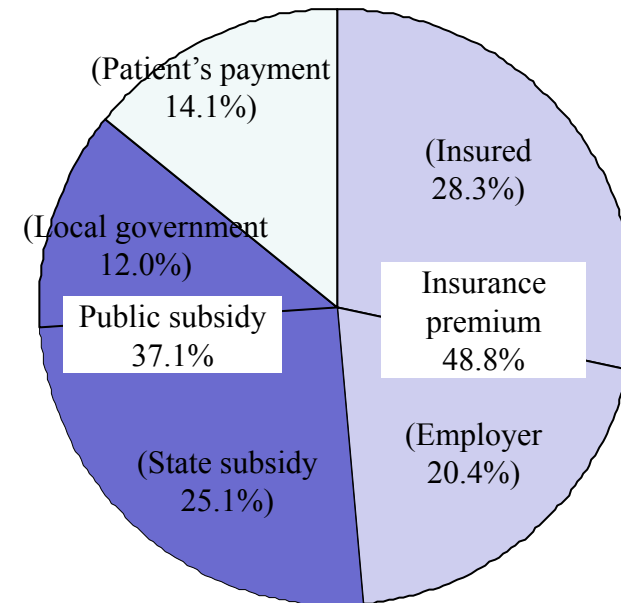
Meaning of the Universal Health Insurance System

- Our country has realized the world's highest level of life expectancy and healthcare standards through the universal health insurance system.
- It is necessary to ensure a safe and secure living of the citizens continuously by firmly maintaining the universal health insurance with the current social insurance system.

[Characteristics of Japanese universal health insurance system]

- 1. Covering all citizens by public medical insurance**
(In the U.S., about 18 million people are expected to be uninsured after health insurance reform by the Obama administration.)
- 2. Freedom of choice of medical institution (free access)**
- 3. High-quality medical services with low costs**
(In the U.S., medical expenses per person are more than double those in Japan. In case of the elderly in Japan, the amount paid at a medical institution is about 40,000 yen if he or she receives 10 million yen of medical services per month.)
- 4. Based on the social insurance system, spending the public subsidy to maintain the universal health insurance**

Proportion of the burden of national medical expenses in Japan (by resource) (FY 2008)



- Other countries such as Germany, France, and South Korea have adopted the social insurance system.
- In countries adopting a tax-financed system, it is pointed out that citizens can not choose a medical institution and waiting time to take medical care is long.

For example, general physicians (registered family physicians) perform primary medical care in the U.K. The problem is that it takes long time to take medical care. Enabling patients to consult a general physician within 48 hours is set as a goal. Average waiting time of patients from they are referred to a hospital until they are treated by a specialist: 8.6 weeks (2009)

Comparison of Each Insurer

	Municipality controlled National Health Insurance	National Health Insurance society	Public-corporation-run health insurance	Society-managed, employment-based health insurance	Mutual Aid Association	Medical system for the elderly aged 75 and over
Number of insurers (End of March 2010)	1,723	165	1	1,473	83	47
Number of members (End of March 2010)	35.66 mil. (20.33 mil. Households)	3.43mil.	34.83 mil. (The insured 19.52 mil. The insured 15.31 mil.)	29.95 mil. (The insured 15.72 mil. The insured 14.23 mil.)	9.12 mil. (The insured 4.47 mil. The insured 4.65 mil.)	13.89 mil.
Average age of members (FY2009)	49.5	38.9	36.2	33.9	33.4	81.9
Average income (total compensation) (FY2009) (* 1)	¥910,000 ¥1,580,000 per household	¥3,470,000 ¥7,430,000 per household (*2) (FY2010)	¥1,390,000 ¥2,450,000 per household (*3)	¥1,950,000 ¥3,700,000 per household (*3)	¥2,360,000 ¥4,790,000 per household (*3)	¥800,000 (FY2010)
Amount used to work out the premiums per member (FY2009)	(¥740,000 (*4) ¥1,290,000 per household)	- (*5)	(¥2,110,000 (*6) ¥3,740,000 per household (*3))	(¥2,800,000 (*6) ¥5,300,000 per household (*3))	(¥3,260,000 (*6) ¥6,660,000 per household (*3))	¥670,000 (*4) (FY2010)
Healthcare expenses per member (FY2009) (*7)	¥290,000	¥171,000	¥152,000	¥133,000	¥135,000	¥882,000
Average premium per member (FY2009) (*8) <amount including employers' contribution>	(¥83,000 ¥146,000 per household)	¥124,000	86,000 yen <171,000 yen> 152,000 yen <303,000 yen> per insured person Health insurance premium rate: 9.50% (FY2011)	90,000 yen <200,000 yen> 169,000 yen <376,000 yen> per insured person Health insurance premium rate: 7.67% (FY2010 audit estimate)	110,000 yen <220,000 yen> 224,000 yen <448,000 yen> per insured person Health insurance premium rate: 7.83%	¥63,000
Government subsidies (Fixed rate portion only)	50% of benefits, etc.	43% of benefits, etc. (*9)	16.4% of benefits (*10)	Fixed amount contribution to those associations that are in financial hardship	Nil	Approx. 50% of benefits
Amount of government subsidies (*11) (Average based on FY2011 budget)	3,441.1 billion yen	290 billion yen	1,110.8 billion yen	1.8 billion yen	Nil	5,800.6 billion yen

(*1) Means "total income, etc." (an amount worked out by subtracting work-related expenses, salary earners deduction, and public pension deduction and so on from the total earning).

Under the municipality-managed national health insurance scheme and medical care system for the latter-stage elderly people, this is "total income and forestry income" plus "brought-forward deduction in relation to miscellaneous income" and "amount of separate transfer income". The figure is worked out based on, in case of municipality-managed national health insurance scheme, "National Health Insurance Survey" and "Survey of Insured Persons under the Medical Care System for the Latter-stage Elderly People" in case of medical care system for the latter-stage elderly people.

The figures for national health insurance association are the data for your reference worked out by adding up the standard taxable income for municipal locality tax (total income after such deductions as basic deduction and income deduction including dependent family deduction and spouse deduction etc.), basic deduction, and "income deduction other than basic deduction (such as dependent family deduction, spouse deduction etc)" (an estimated amount calculated using the figure obtained by dividing the amount of income deduction for each bracket (excluding basic deduction) applicable to "standard taxable income for those who have salary income and businesses income etc" worked out from "FY2009 survey of the current taxation status etc with respect to municipal locality tax" conducted by Ministry of Internal Affairs and Communications by number of tax payers).

As for Kyokai Kenpo, association-managed health insurance, and mutual aid association, the figure is a reference value worked out by subtracting an amount equivalent to salary income deduction from "an amount to be used to work out the insurance premium per subscriber" (the amount obtained by dividing the total amount of standard remuneration with the number of subscribers).

(*2) The amount per household is worked out by multiplying the amount per subscriber with average number of person per household.

(*3) Means an amount per insured person.

(*4) This is the standard taxable amount (a base to calculate the insurance premiums) worked out by old provisory method. Being a method used to calculate the bases on which the insurance premiums of the medical care system for the latter-stage elderly people and most municipality-managed national health insurance schemes are worked out, the old provisory method calculates the amount by subtracting basic deduction etc from the amount of total income (the amount worked out by subtracting work-related expenses, salary earners deduction, and public pension deduction etc from the total amount of earning).

(*5) Not included because, with regard to national health insurance association scheme, the calculation method to work out the income and insurance premiums is widely different from one insurer to another. According to the data from 2009 income study, the standard trade-by-trade taxable incomes for municipal locality tax are 6.41 million yen for medical practitioners national health insurance association, 2.21 million yen for dentists national health insurance association, 2.18 million yen for pharmacists national health insurance association, 1.25 million yen for general trades national health insurance association, and 0.70 million yen for building industry related national health insurance association. The average amount of the whole sector, calculated based on the number of insured persons for each association, is worked out to be 2.15 million yen (no income study was conducted in 2010).

(*6) This is the amount obtained by dividing the whole amount of standard remuneration with the number of subscribers.

(*7) Figures for healthcare expenditure per subscriber for Kyokai Kenpo and association-managed health insurance scheme are preliminary ones. In addition, figures for mutual aid association are healthcare expenditure assessed by the assessment/payment agent.

(*8) The insurance premiums per subscriber for municipality-managed national health insurance scheme/medical care system for the latter-stage elderly people were estimated based on the insurance premiums arranged/set out for the year, and, premiums of employee insurance were estimated based on the insurance premiums cited in the final accounts of expenditures and revenues. The amount of insurance premiums does not include the portion for aged care.

(*9) Average based on FY2011 budget

(*10) The rate of government subsidies for Kyokai Kenpo to June 2010 in the FY2010 budget was 13.0% excluding the contribution to the latter-stage elderly people medical care system.

(*11) State subsidies and grants for the long-term care insurance levy, specified health examination/specified healthcare guidance, etc., are not included

Current Medical System for the Elderly

Outline of the system

- As increase in medical expenses are expected along with aging population, medical system for the elderly aged 75 and over has been implemented since April 2008 in order to clarify the burdens on the older and younger generations.
- Concurrently, the scheme for financial adjustment among insurers has been introduced in order to adjust the imbalance of burdens among insurers due to population imbalance of the elderly aged between 65 and 74.

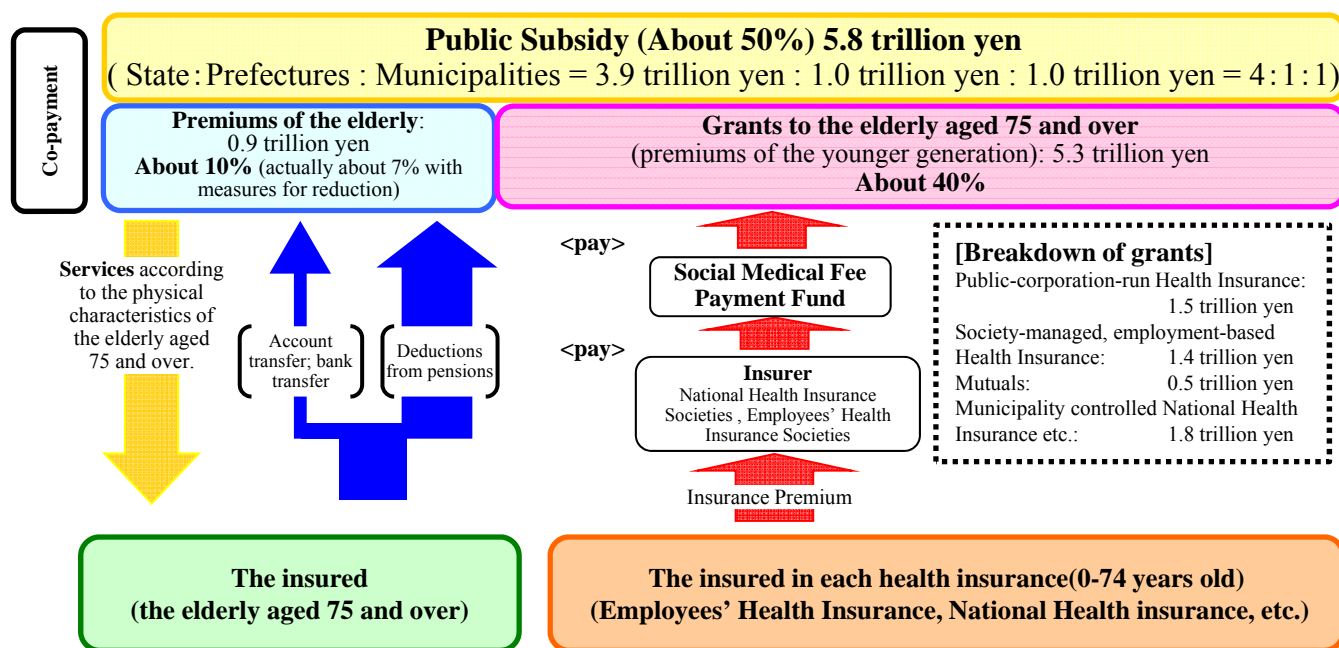
Scheme of medical system for the elderly aged 75 and over

[Insurer: Extended Association joined by all Municipalities in their Prefectures]

<Number of member>
The elderly aged 75 and over:
About 15 million people

< Medical expenses for the elderly aged 75 and over>
13.4 trillion yen (based on the budget for FY 2011)
Benefit: 12.3 trillion yen
Individual payment: 1.1 trillion yen

<Insurance premium (FY 2011)>
National average: About 63,300 yen/year
* People who receive only basic pension benefits: About 4,200 yen/year



National Health Insurance & Health Insurance Benefits

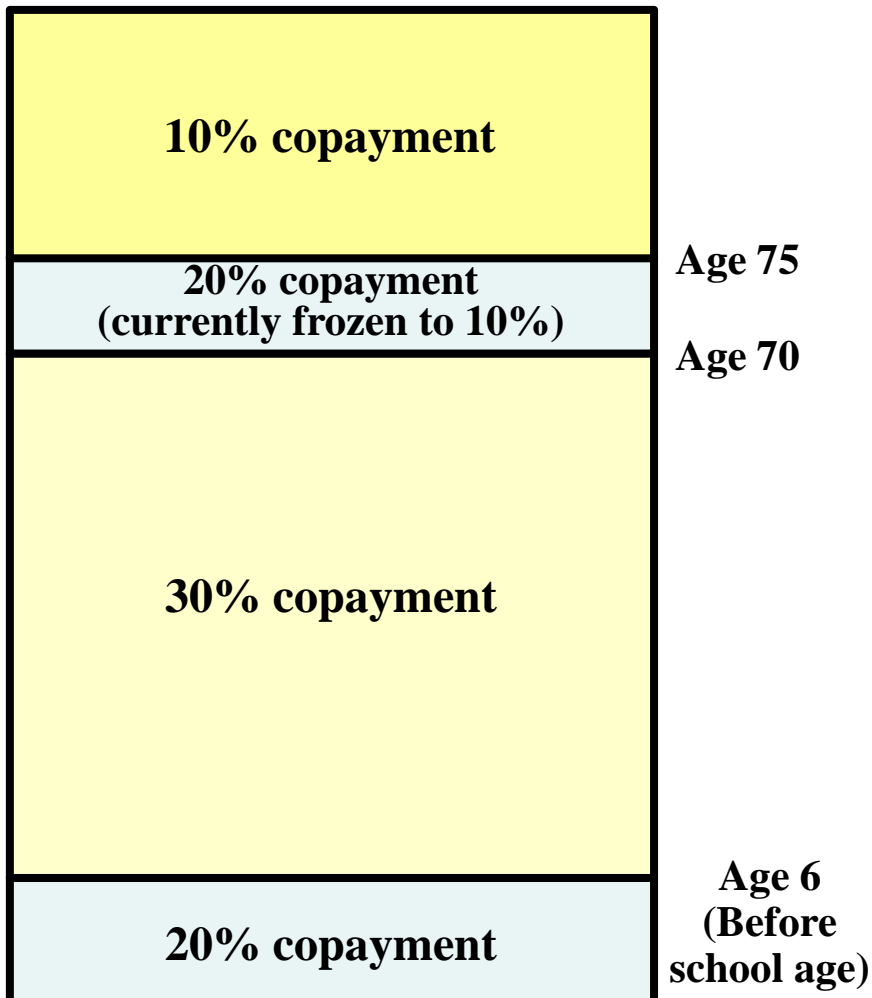
(As of April 2011)

	Payment	National healthcare insurance (local authority)	Healthcare insurance	
Healthcare payments	Healthcare Benefits Visiting nursing healthcare	Until the entry into primary school: 80% After junior high school to 69 years: 70% 70-74 years: 80%* (those whose taxable income is more than average taxable income of the active workforce (1,450,000 yen per year): 70%)		
	Meals during hospitalization expenses	Standard amount borne for meals: ¥260 per meal Low income persons after the 90 th day of hospitalization: ¥160 per meal	Low-income persons: Persons of particularly low income (70 years old and over):	¥210 ¥100 per meal
	Living care during hospitalization (65 years old and above)	Living care standard fee: ¥460 per meal (meal cost)* + ¥320 (residential cost) Particularly low-income persons: ¥130 per meal (meal cost) + ¥320 (residential cost) (* ¥420 at the insurance medical institutions that calculate living care during hospitalization (II))	Low-income persons: Persons receiving senior citizens welfare benefits:	¥210 per meal (meal cost) + ¥320 (residential cost) ¥100 per meal (meal cost) + ¥0 (residential cost) * The amount borne by patients with serious diseases will be the living care standard fee
	High-cost medical care expenses (with individual limit)	Aged under 70 years (High income) ¥150,000 + (medical expenses – 500,000) × 1% (¥83,400) (General) ¥80,100 + (medical expenses – 267,000) × 1% (¥44,400) (Low income) ¥35,400 (Figures in parenthesis are for the fourth month onwards)	Aged 70 to 74 years (Working income level) (General*) (Low income) (Particularly low income)	Hospitalization ¥80,100 + (medical expenses – 267,000) × 1% (¥44,400) ¥44,400 ¥24,600 ¥15,000
Cash payments	Lump-sum allowance for childbirth	Contents of benefits are decided by separate regulations. (Most insurers pay ¥420,000 (¥390,000 if the additional payment set out in the maternity medical care compensation scheme does not apply))	Lump-sum allowance for childbirth	¥420,000 paid in the instance of the insured person or their dependent giving birth (¥390,000 if the additional payment set out in the maternity medical care compensation scheme does not apply)
	Lump-sum funeral allowance, burial costs		Lump-sum allowance for childbirth and nursing	
	Invalidity benefit	Voluntary benefit (Not practiced by any local authorities)	Burial costs	Fixed amount of ¥50,000 paid in the instance of the insured person dying
			Family burial costs	Fixed amount of ¥50,000 paid in the instance of the insured person's dependent dying
Maternity allowance		In the case that the insured person becomes unable to work because of medical treatment being received for a cause not related to work, an amount approximate to two thirds of that persons standards daily wage will be paid daily for a maximum period of 1 year and 6 months. During the maternity leave taken by the insured person, an amount approximate to two thirds of that persons standards daily wage will be paid daily for a maximum period of from 42 days prior to the birth to 56 days after the birth.		

* Between April 2008 and March 2012, patients' on-the-spot copayment is left unchanged to be 10%; maximum monthly copayments of high-cost medical care are also left unchanged as shown in this table.

Patients Copayment for Medical Expenditure

[Ratio of patients copayment for medical expenditure]

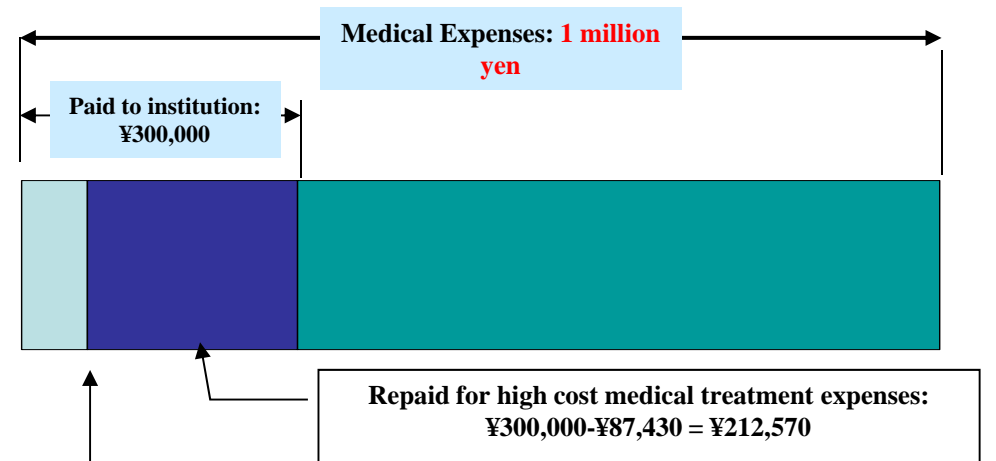


○ High Cost Medical Treatment System

After the fixed rate has been paid at the relevant medical institution, any amount that exceeds the fixed monthly limit will be paid ex post facto by the insurer, in order to ensure that the financial burden on the patient does not become too great.

The monthly individual limit is calculated according to the patient's income, which is classified as either high income, low income or general income.

<Common Example: Case of a person with Employee Insurance (30%) on a general income>



$$\text{Individual limit: } ¥80,100 + (¥1,000,000 - ¥267,000) \times 1\% = ¥87,430$$

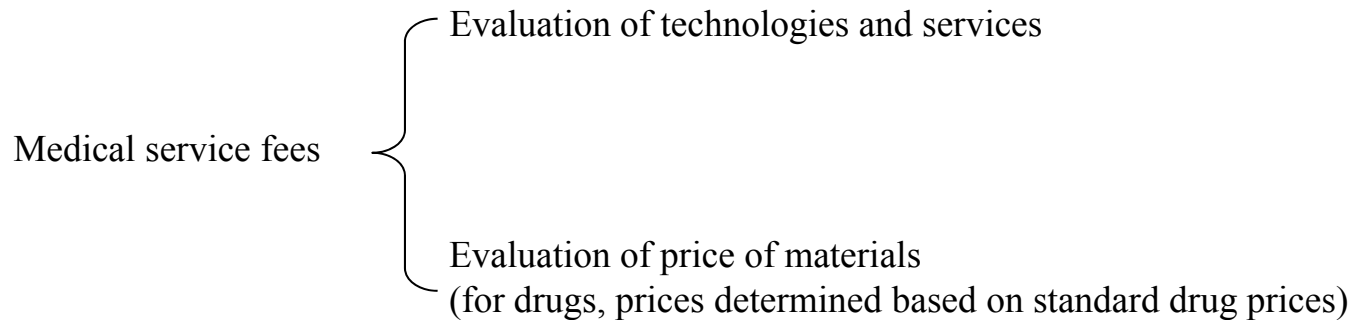
Note: There are three levels of maximum monthly copayment, i.e. standard, high-income earner and low-income earner, depending on the income of the insured person.

Medical Service Fees System

(1) Structure of medical service fees

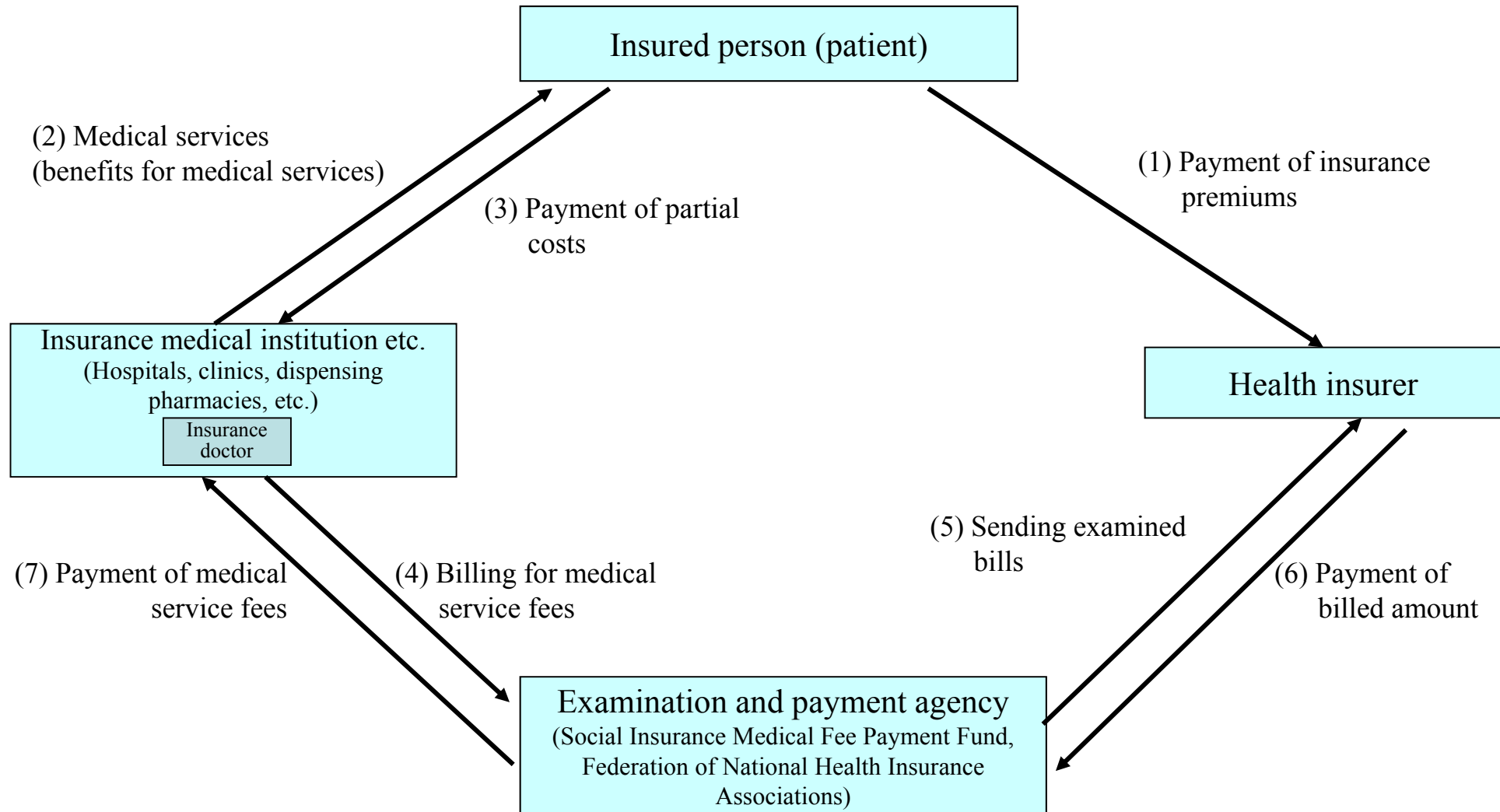
- Medical service fees are the fees received by medical institutions and pharmacies serving insured persons, as the price of insured medical services.
- Determined by the Minister of Health, Labour and Welfare based on discussions in the Central Social Insurance Medical Council (announced by the Minister of Health, Labour and Welfare)

(2) Breakdown of medical service fees



- The medical service fees grading table is used to evaluate costs by grading individual technologies and services (10 yen/point; covered in announcements)
Types of grading tables: medical, dental, prescription drugs

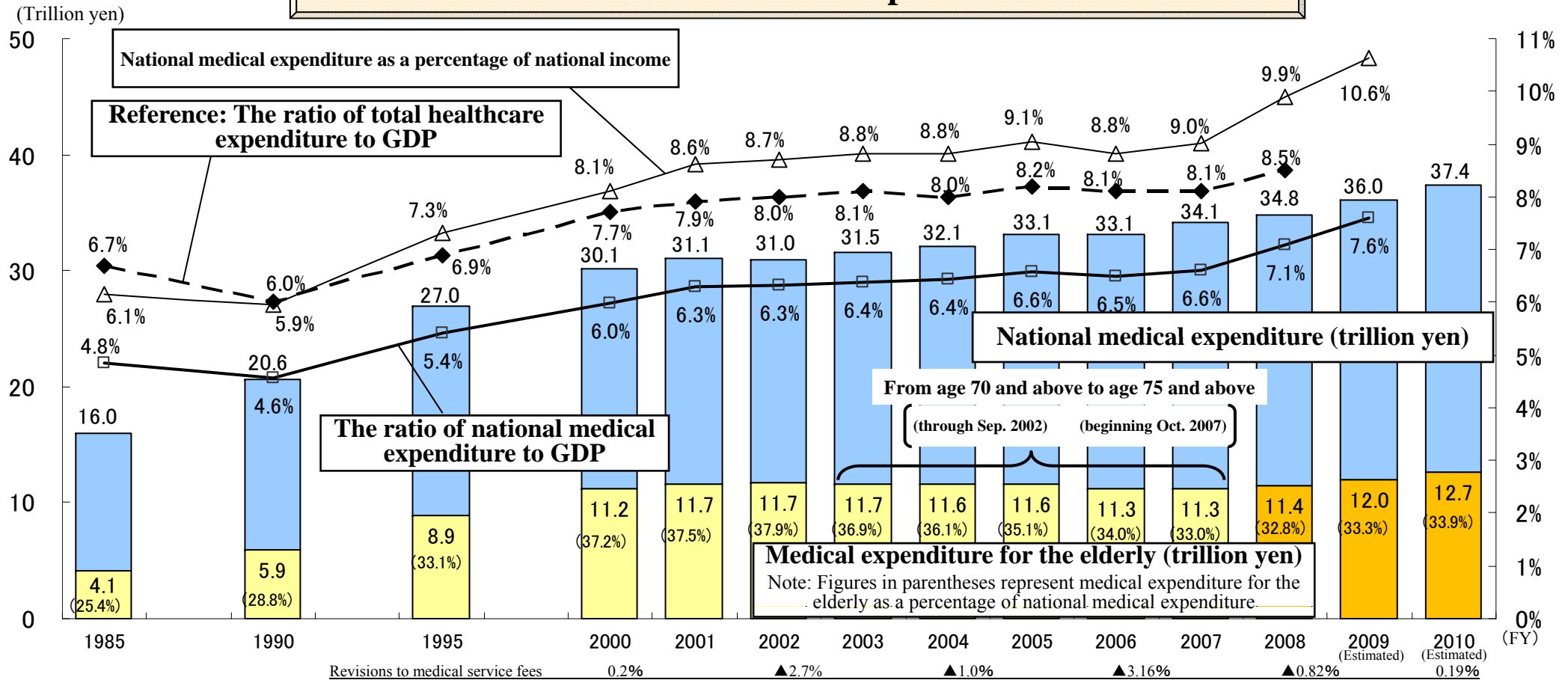
Outline of Insured Medical Treatment



Medical service fees first are categorized into medical, dental, and prescription drug fees.

Specific medical service fees are calculated at a cost of 10 yen/point, adding points corresponding to each item, in principle for each medical action conducted. (This is referred to as a fee-for-service system.) For example, when hospitalized for appendicitis, costs are totaled for initial examination, hospitalization fees for the number of days hospitalized, appendix surgery costs, testing costs, and prescription drug costs, and the insurance medical institution receives from the examination and payment agency the amount derived by subtracting from the total the patient copayment amount.

Trends in Medical Expenditure



Revisions to medical service fees: 0.2% (2000), 2.7% (2002), 1.0% (2004), 3.16% (2006), 0.82% (2008), 0.19% (2010)

Major system changes:

- Introduction of long-term care insurance system
- Introduction of 10% copay for the elderly
- Thorough application of 10% copay for the elderly
- 30% personal copay for employed persons etc.
- 30% copay for persons with income equivalent to employment income etc.
- Expansion of measures to reduce the burden of infant patients (less than 3 years of age → children before school age)

<Year-on year growth rates>

	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
National medical expenditure	6.1	4.5	4.5	▲1.8	3.2	▲0.5	1.9	1.8	3.2	0.0	3.0	2.0	3.5	3.9
Medical expenditure for the latter-stage elderly people	12.7	6.6	9.3	▲5.1	4.1	0.6	▲0.7	▲0.7	0.6	▲3.3	0.1	1.2	5.2	5.5
National income	7.2	8.1	▲0.3	2.0	▲2.8	▲1.5	0.7	1.6	0.5	2.6	0.9	▲7.1	▲3.6	-
GDP	7.2	8.6	1.7	0.9	▲2.1	▲0.8	0.8	1.0	0.9	1.5	1.0	▲4.6	▲3.7	-

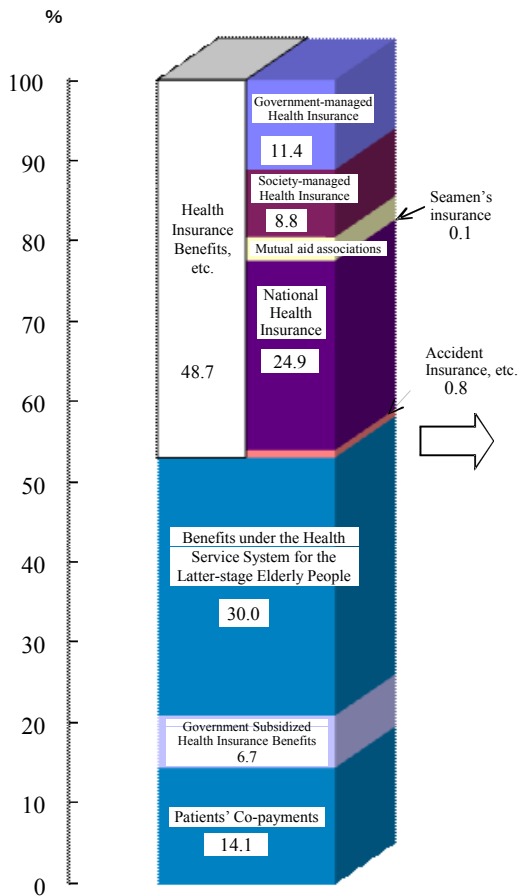
Note 1: National income and GDP are from "National economic accounting" published by Cabinet Office (Dec. 2010). Being used to compare the medical expenditure among OECD countries, total healthcare expenditure is a type of medical expenditure which covers wider areas such as preventative services and so on. The ratio of average medical expenditure of OECD countries to GDP was 9.5% in 2009.

Note 2: Figures for national medical expenditure in FY2009, national medical expenditure and medical expenditure for the latter-stage elderly people in FY2010 are estimated figures worked out by multiplying previous year's National medical expenditure and Medical expenditure for the latter-stage elderly people respectively with the rate of increase of approximate medical expenditure for the year in question; figures in italic represent the rate of increase of approximate medical expenditure.

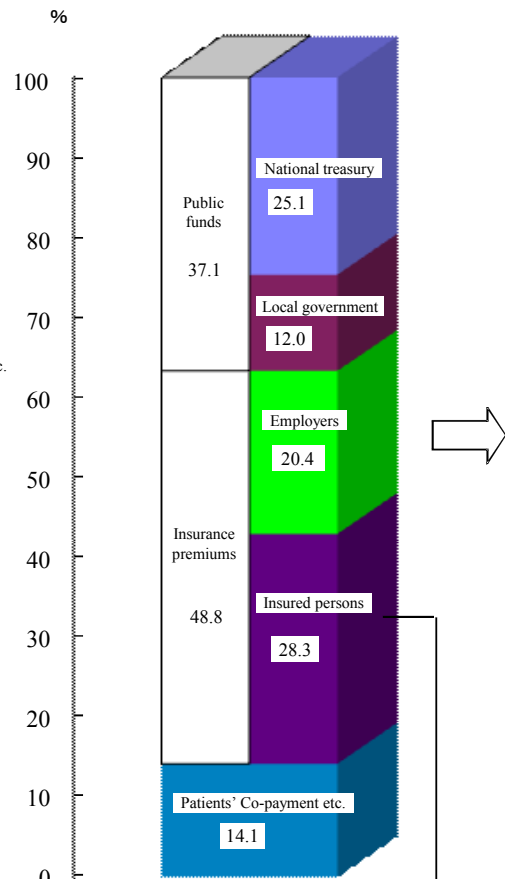
Structure of National Medical Expenditure (FY2008)

National Medical Expenditure 34.8084 trillion yen
Medical Expenditure per Capita 272,600 yen

Breakdown of National Medical Expenditure by System

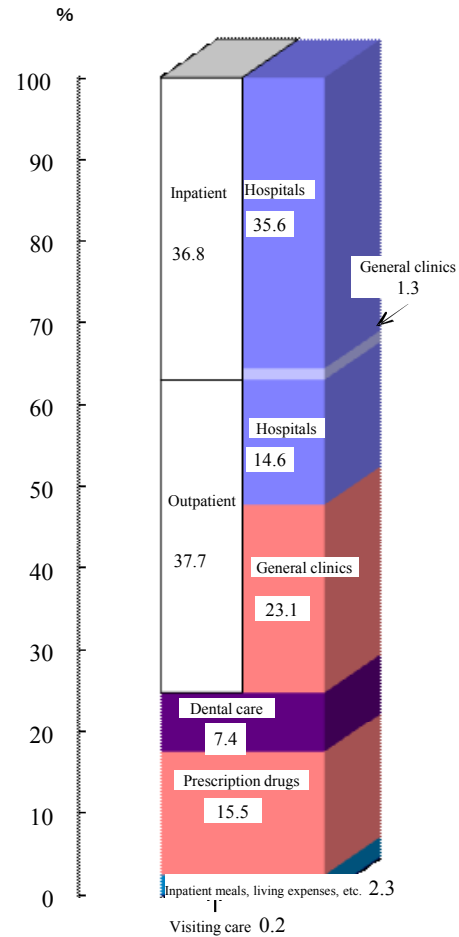


Coverage of National Medical Expenditure (by source of revenue)

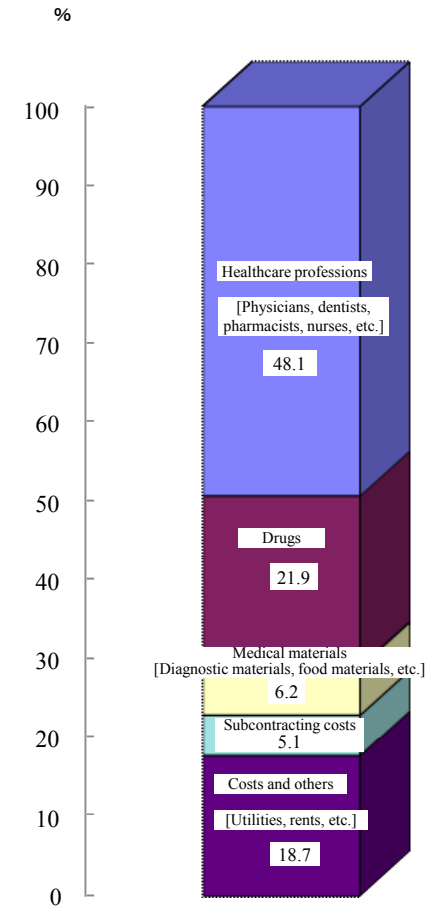


● Coverage by the insured persons includes National Healthcare Insurance premiums

Distribution of National Medical Expenditure



Structure of Expenditure of Medical Institution

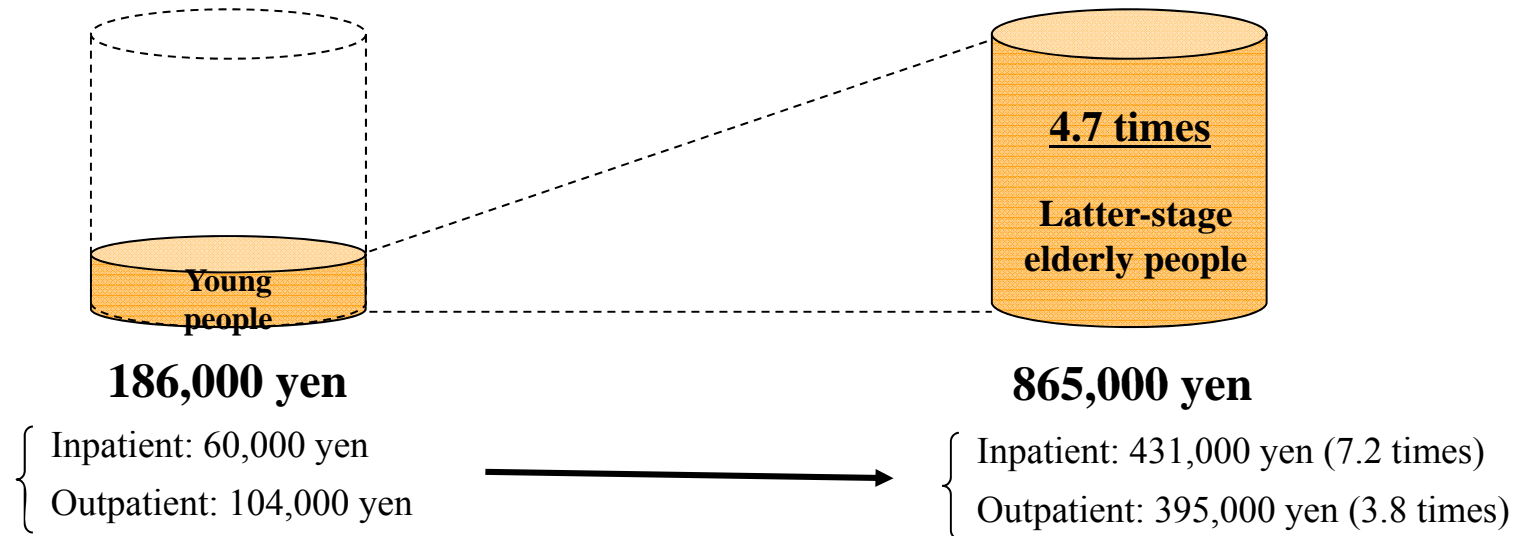


● Estimation based on the result of the substantial survey on the national medical expenditure and medical economy in FY2008 (June 2009)

Characteristics of Medical Expenditure for the Latter-stage Elderly People

- Per-person medical expenditure for the latter-stage elderly people, i.e. people aged 75 and over (medical care system for the latter-stage elderly people related medical expenditure) is 865,000 yen; that is 4.7 times as much as the medical expenditure for young people, i.e. less than 75 years old, which is 186,000 yen per person.

[Comparison of Health Expenditures per Person (2008)]



- ◆ When looking at the difference of medical expenditure between the elderly and the young in various countries, that for the elderly is something around 3-4 times as much as the young in the US and Europe.

[Germany: 3.7 times (2006), the US: 3.7 times (2004), and France: 3.3 times (2006)]

[Note: The definition of “the elderly” for these three countries mentioned above is “people aged 65 and over”]

Source: “Latter-stage elderly people medical care program yearbook”, “OECD Health Data 2010”, “Federal Republic of Germany/ Federal Statistics Agency Data,” etc.

Financial Situation of Health Insurance

○ **The financial situation of respective health insurer is very difficult because of deterioration in economic situation and increased ME/contribution due to aging of the population.**

(Unit: 100 million yen)

		FY2007	FY2008	FY2009	FY2010	Remarks
National health insurance	Income	127,797	124,589	125,915	/	<ul style="list-style-type: none"> • The following measures to reinforce the financial base of the national health insurance which initially were to be implemented until FY2009 were extended for 4 years to FY2013: <ul style="list-style-type: none"> i High cost medical care joint program (83 billion yen) ii Insurer support scheme (95 billion yen) iii Financial stabilization assistance program (100 billion yen) (Figures are government subsidies based on FY2011 budget) • In addition to the amount transferred to the general account, there is approximately 180 billion yen that was rolled back to/used in the previous year (FY2009) • Average insurance premium (tax) for municipality-managed national health insurance: Approx. 80,000 yen per year (FY2005) → 93,000 yen (FY2011 budget base)
	Expenditure	129,087	124,496	125,854	/	
	Balance	▲ 1,290	93	61	/	
	Balance in consideration of the amount transferred to the general account (deficit portion)	▲ 3,620	▲ 2,383	▲ 2,633	/	
Public-corporation-run health insurance scheme (formerly government-managed health insurance)	Income	71,052	71,357	69,735	78,172	<ul style="list-style-type: none"> • Figures for FY2010 is estimated figures based on audit released July 2011 • The following special measures is being implemented during the 3-year fiscal rehabilitation period starting from 2010: <ul style="list-style-type: none"> i Increase insurance premiums (8.2% → 9.34%: FY2010) ii Increase rate of government subsidies (13% → 16.4%) iii Installment redemption in 3 years of accumulated deficits • Average insurance premium in FY2011: 9.5%
	Expenditure	72,442	73,647	74,628	75,632	
	Balance	▲ 1,390	▲ 2,290	▲ 4,893	2,540	
	Remaining reserve fund	3,690	1,539	▲ 3,179	▲ 639	
Association-managed health insurance	Income	62,003	63,658	61,717	61,854	<ul style="list-style-type: none"> • Figures for FY2010 is estimated figures based on audit • Average insurance premium in FY2011: 7.9% (based on budget early stage calculation)
	Expenditure	61,403	66,847	66,952	67,008	
	Balance	600	▲ 3,189	▲ 5,235	▲ 6,621	
Medical system for the elderly aged 75 and over	Income	/	98,517	111,691	/	<ul style="list-style-type: none"> • The balance after subtracting the amount of settlement in relation to government expenditure, etc. for the year to be settled in the next year (159.9 billion yen) from FY2008 balance (300.7 billion yen) is 140.8 billion yen. • The balance after adding the difference between previous year's amount of settlement in relation to government expenditure, etc. (159.9 billion yen) and the amount of settlement in relation to government expenditure, etc. for the year (181.0 billion yen) to FY2009 balance (71.7 billion yen) is 50.5 billion yen. • The total balance for FY2008/2009 financial operating period worked out by combining the balance for 2008 and that of 2009 is 191.4 billion yen. Out of this amount, 113.9 billion yen was utilized to suppress the increase of insurance premium when the premium was revised for FY2010/2011 financial operating period
	Expenditure	/	95,510	110,974	/	
	Balance	/	3,007	717	/	