Overview of Japanese Public Pension System
Each member of the working generation becomes insured under the National Pension. Upon reaching an old age, he/she receives Basic Pension benefits. (1st Floor Program)

In addition to Basic Pension, a private-company or public employee participates in an Employee’s Pension Insurance or Mutual Aid Pension and receives benefits proportional to his/her pensionable remuneration on top of Basic Pension benefits. (2nd Floor Program)

(All figures valid as of end-March 2014)

*Cat 2 insured and some others* mean those covered by Employee Pension Insurance (including Cat 2 insured and those aged 65 and over or those entitled to pension benefits by reason of retirement).
Size and Role of Public Pensions

Participants in public pensions (at the end of 2013): 67,180,000
- Cat 1 insured: 18,050,000
- Cat 2 insured: 39,670,000
- Cat 3 insured: 9,450,000

Insured entitled to pension benefits (as the end of FY2013): 39,500,000

- Old-age Basic Pension
  - Average monthly benefits: ¥55,000
- Old-age Employee’s Pension Insurance
  - Average monthly benefits per person: ¥157,000 (includes Basic Pension)

Premium of National Pension: ¥15,590 (on and after April 2015)
Rate of Welfare Pension premium: 17.474% (in and after Sept. 2014)
(contributed equally by Employee and Employer)

Example) Insured who receives standard monthly remuneration of ¥340,000 will contribute a monthly insurance premium of ¥29,706 (¥340,000 x 17.474% x 1/2).

National Pension
Employee’s Pension Insurance
Mutual Aid Pension

Amount of public pension reserve assets (National Pension, Welfare Pension)
(At the end of FY2013) ¥160.4 trillion
(market value)
* Includes the portion invested/administered by the Welfare Pension Fund

$34.3$ trillion (on the FY2014 budgetary basis)

Pension Benefits

¥53.9$ trillion (on FY2014 budgetary basis)

State and Others

State’s contribution to pension benefits

$11.8$ trillion

On FY2014 budgetary basis

Role of Pensions

Pension benefits account for 70% of elderly households’ income

Average income per elderly household ¥3,091,000

Social security benefits other than public and government pension benefits ¥25,000 (0.8%)

60% of elderly households live only on pension benefits

Less than 20%
3.0%

20% to 40%
not inclusive 6.2%

40% to 60%
not inclusive 9.3%

60% to 80%
not inclusive 11.7%

80% to 100%
not inclusive 11.9%

All income comes from public pension and government pension benefits 57.8%

Ratio of public pension and government pension benefits to total income

20% to 40% (not inclusive) 6.2%
40% to 60% (not inclusive) 9.3%
60% to 80% (not inclusive) 11.7%
80% to 100% (not inclusive) 11.9%

Source: 2013 Comprehensive Survey of Living Conditions (MHLW)
(Note) Percentages shown in the two circular graphs have fractions rounded and they do not exactly add up to 100%.

Role to support regional economies (in some regions 20% of household consumption comes from pension benefits)
(7 top-ranking prefectures in terms of the ratio of pension benefits to prefectoral individual inhabitant’s income)

<table>
<thead>
<tr>
<th>Prefecture (Ratio of elderly)</th>
<th>Ratio of pension benefits to prefectoral individual inhabitant’s income</th>
<th>Ratio of pension benefits to prefectoral individual household’s final consumption expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shimane Prefecture (30.9%)</td>
<td>18.0%</td>
<td>24.9%</td>
</tr>
<tr>
<td>Tottori Prefecture (28.2%)</td>
<td>17.5%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Kochi Prefecture (31.1%)</td>
<td>17.4%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Akita Prefecture (31.6%)</td>
<td>16.4%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Yamaguchi Prefecture (30.2%)</td>
<td>16.0%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Nara Prefecture (26.7%)</td>
<td>15.9%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Yamagata Prefecture (29.1%)</td>
<td>15.5%</td>
<td>19.4%</td>
</tr>
</tbody>
</table>


Total Pension Amount by Prefecture, provided by Work Planning Division Research Office, Pension Bureau, Ministry of Health, Labour and Welfare (FY2011)

Pension Income per Capita and Household Final Consumption Expenditure from Prefectural Economic Accounts, the Cabinet Office (FY2011)
Burden of Insurance Premiums and Pension Benefits
(National Pension, Employee’s Pension Insurance)

- Pension amounts are calculated in accordance with the period of premium payment made by the Insured (number of months) and the amount of pensionable salary paid to the Insured while he/she was in service (standard monthly remuneration).

<table>
<thead>
<tr>
<th>National Pension System</th>
<th>Employee’s Pension Insurance System</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium</strong></td>
<td><strong>Remuneration for the month ( x )</strong></td>
</tr>
<tr>
<td><strong>¥15,590 per month</strong></td>
<td><strong>17.474%</strong> (\text{in and after September 2014})**</td>
</tr>
<tr>
<td>(in and after April 2015)</td>
<td>(equally contributed by Employee and Employer)</td>
</tr>
<tr>
<td>→ Being increased each year by ¥280 since FY2005</td>
<td>→ Being increased each year by 0.354% since FY2005</td>
</tr>
<tr>
<td>→ Will be fixed at ¥16,900 (FY2004 price) in and after 2017</td>
<td>→ Will be fixed at 18.30% in and after September 2017</td>
</tr>
<tr>
<td>* The Insured may be exempt from insurance premiums if his/her income is below a certain level.</td>
<td>* If the Insured earns ¥340,000 per month he/she will pay ¥29,706 per month (¥340,000 (\times) 17.474% (\times) 1/2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pension benefits</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Old-age) Basic Pension payable to those aged 65 and over</td>
<td>(Old-age) Welfare Pension payable to those aged 65 and over</td>
</tr>
<tr>
<td>The amount of benefits is decided in accordance with the period during which the Insured has contributed premium. (full amount is a fixed amount)</td>
<td>Amount of benefits is decided in accordance with the income earned by the Insured while in service and with the insured period (payable in proportion to pensionable remuneration)</td>
</tr>
<tr>
<td><strong>¥64,400 per month</strong> (full amount)</td>
<td><strong>Average amount per Insured:</strong> <strong>¥157,000 per month</strong> (including Basic Pension benefits)</td>
</tr>
<tr>
<td>(\times) Number of months for which the Insured paid insurance premium</td>
<td>(\div) 12</td>
</tr>
<tr>
<td><strong>480 months</strong></td>
<td><strong>5,481</strong> <strong>1,000</strong></td>
</tr>
<tr>
<td>* For each of the months in which the Insured is totally exempt from payment of insurance premium the Insured will receive only 1/2 or 1/3 of the benefits that should be payable if the Insured fully pays the premium.</td>
<td>Includes bonuses. Past wages are brought to present value (wages indexed to prices)</td>
</tr>
</tbody>
</table>

Average amount: **¥55,000 per month**