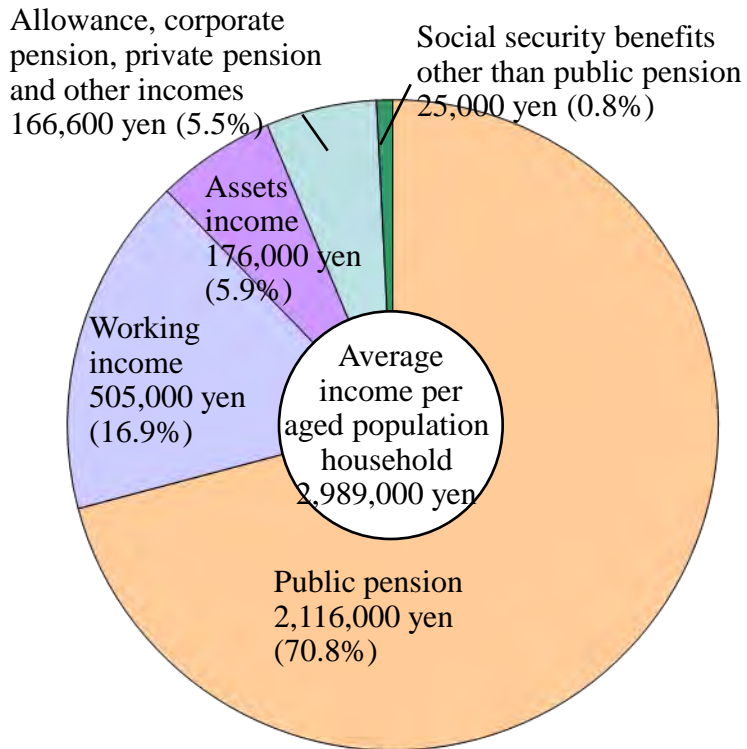


Overview of Pension System 1

General Affairs Division, Pension Bureau,
Ministry of Health, Labour and Welfare

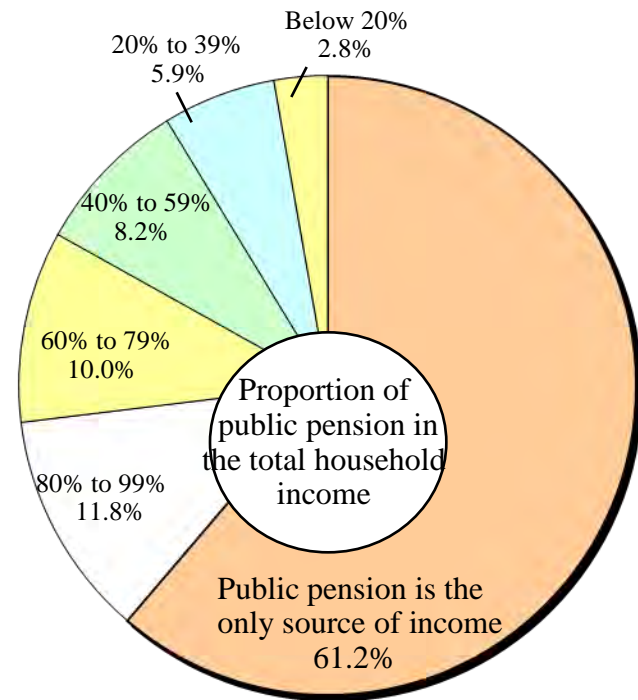
Roles of pension (1)

1) Pension makes up 70% of aged population's household income



Source: National Livelihood Survey 2008 (MHLW)

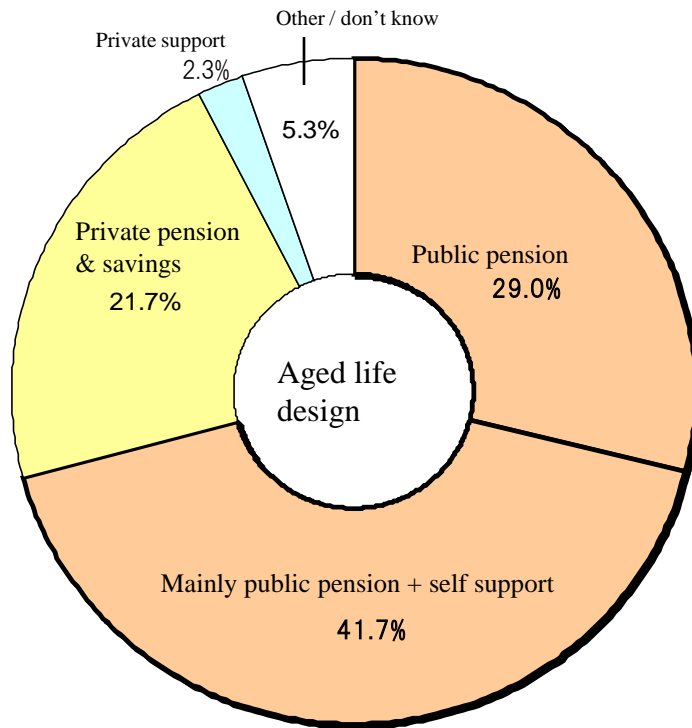
2) Pension is the only source of income for 60% of all aged population households



Source: National Livelihood Survey 2008 (MHLW)

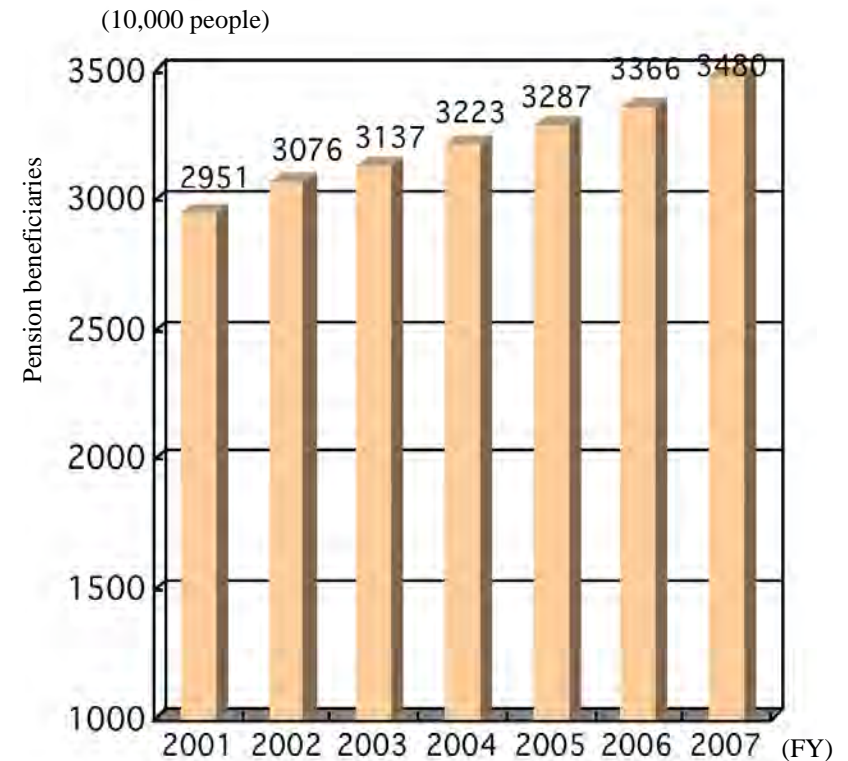
Roles of pension (2)

3) In the aged life design, 70% of the population depend on a pension



Source: poll on pension system (Cabinet Office, 2003)

4) One out of every four people receives a pension



Source: overview of social insurance service (Social Insurance Agency)

Roles of pension (3)

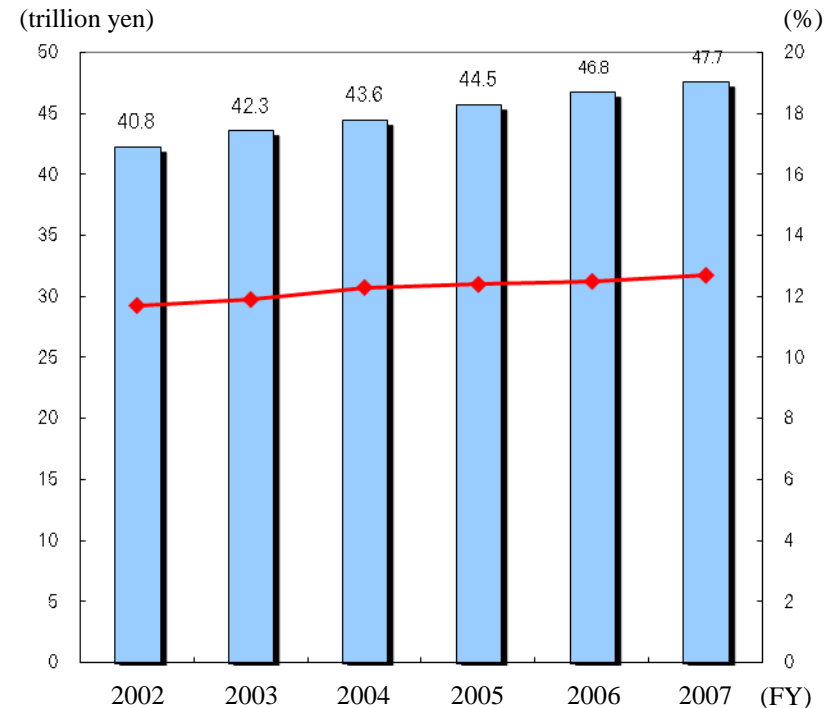
5) Support to local economies

- Pension supports 20% of Consumption of Households in some areas

Seven prefectures with the largest pension ratio in Prefectural Income

| Prefecture (Population aging rate) | Pension ratio in Prefectural Income | Pension ratio in Consumption of Households |
|------------------------------------|-------------------------------------|--|
| Shimane (27.1%) | 15.2% | 22.4% |
| Kochi (25.9%) | 15.4% | 18.4% |
| Ehime (24.0%) | 14.5% | 20.8% |
| Yamaguchi (25.0%) | 13.7% | 22.7% |
| Nagasaki (23.6%) | 14.2% | 21.0% |
| Tottori (24.1%) | 14.7% | 18.1% |
| Okayama (22.4%) | 13.7% | 19.8% |

6) Total pension value reaches 47.7 trillion yen, making up 12.7% of National Income



Source: overview of social insurance service (Social Insurance Agency)

Meaning of Public Pension

The public pension system is aimed at making up for a decrease in working income due to aging, disability, bereavement or other reasons, thereby securing the lives of the aged, disabled and bereaved in terms of income.

Basic concept of public pension

Public pension is ...

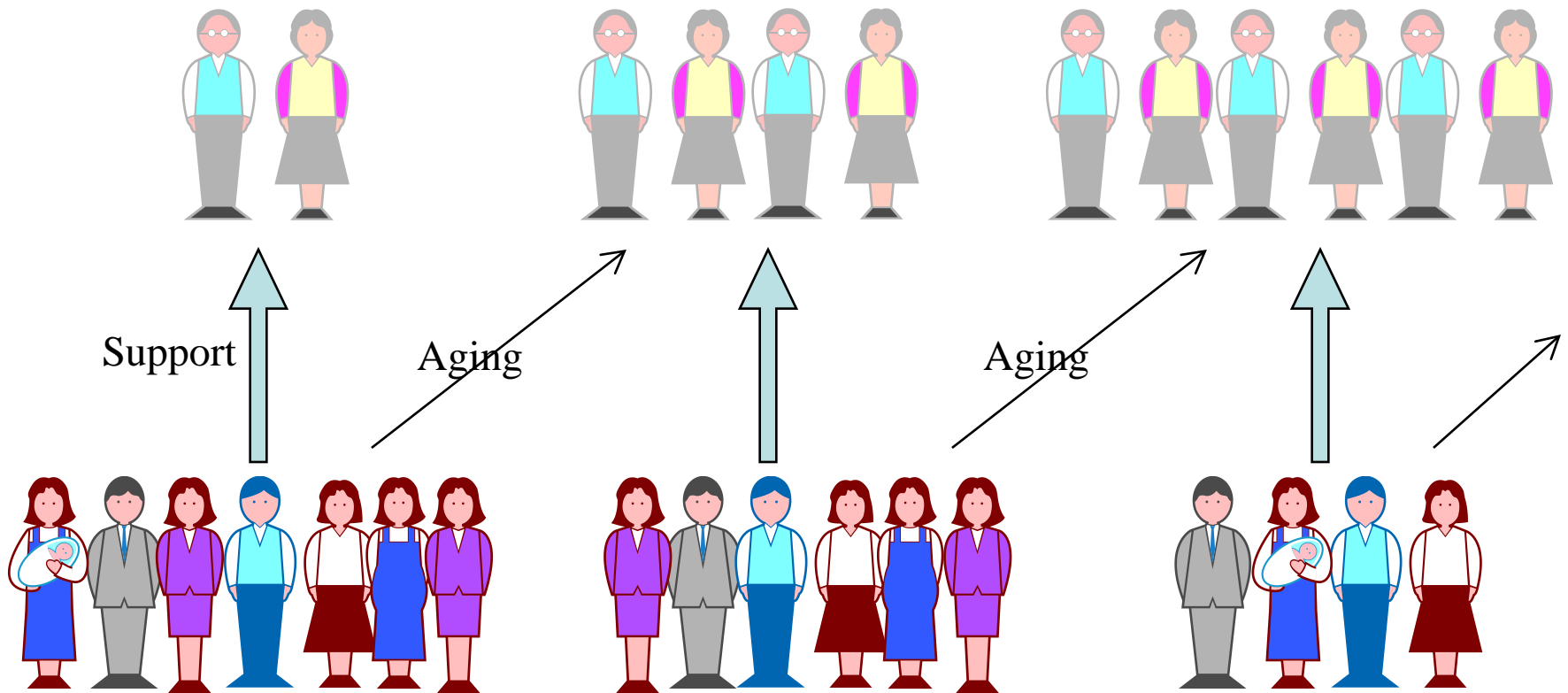
A scheme for inter-generation support

= Support by younger generations

= Socialized family support

= Financial management based on premium imposition

What is inter-generation support?



Strengths and weaknesses of inter-generation support

Strengths

Capable of preparing for unexpected risks

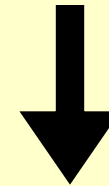
- Changes in living standards (wage and prices)
- Length of aged life

Income transfer scheme operated under the government's responsibility
= No risk of collapse

There is also a disabled pension and bereaved family pension

Weaknesses

Lower birth rate & aging population



Must review the burden on supporting generations and the benefit to supported generations