

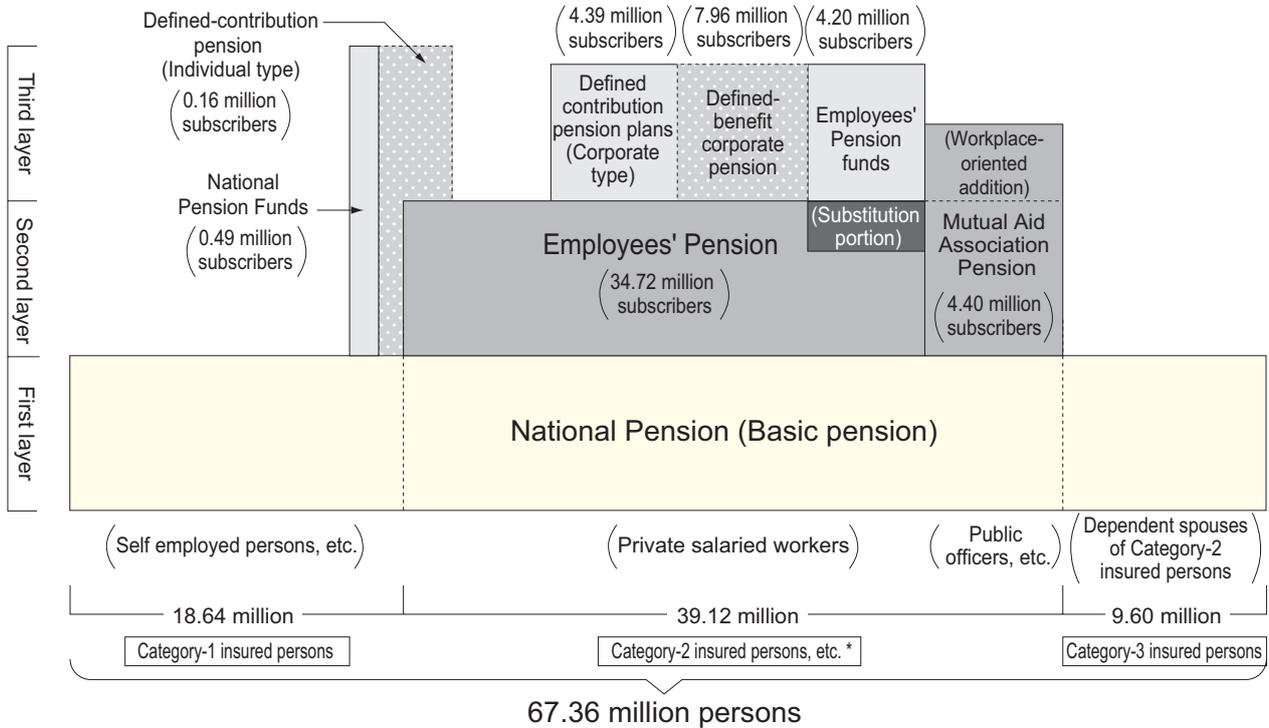
# [11] Pension Security

## Outline of Pension System

### Overview Japanese Pension system

- In Japan, every people of working-age population shall be an insured person of National Pension and receive a Basic pension in their older age. (First layer)
- Additionally private company workers and public officers shall join Employees' Pension or Mutual Aid Pension and receive pension, which are supplemental to the National Pension, in proportion to the individual's remuneration. (Second layer)
- In addition, Employees' Pension, etc. are available at the option of individuals and companies. (Third layer)

(The figures are as of the end of March 2013)



\* "Category-2 insured person, etc." indicates the insured of Employees' Pension schemes (in addition to Category-2 insured person, persons aged 65 or older who are eligible for pension benefits on the grounds of old-age and retirement are also included).

| Category-1 insured persons   | Category-2 insured persons   | Category-3 insured persons  |
|--|--|---|
| <ul style="list-style-type: none"> <li>○ Self-employed, farmers, and non-working persons, etc. aged 20-59</li> </ul>   | <ul style="list-style-type: none"> <li>○ Employees of private businessman and public officers</li> </ul>   | <ul style="list-style-type: none"> <li>○ Spouses of private businessman and public officers</li> </ul>  |
| <ul style="list-style-type: none"> <li>○ Premium is a fixed amount.</li> <li>• ¥15,250 a month as of April 2014</li> <li>• To be increased by ¥280 every year from April 2005. From FY2017 onward, the amount will be ¥16,900 (Based on the FY2004 value)</li> <li>* The amount of premiums and the level of increase each fiscal year vary according to trends with prices and wages</li> </ul> | <ul style="list-style-type: none"> <li>○ Premium is proportional to the amount of the reward. (Employees' Pension)</li> <li>• 17.120% as of September 2013</li> <li>• To be increased by 0.354% every year from October 2004. From September 2017 onward, the rate will be 18.30%.</li> <li>○ Premium is shared equally by an employee and an employer.</li> </ul> | <ul style="list-style-type: none"> <li>○ Contribution by the insured is not required.</li> <li>○ Borne by the insurer of the pension in which a spouse participates.</li> </ul> |

- Amounts of Old-Age Pension benefits (FY2014)
  - Self-employed (for an insured person with 40 years of participation) : ¥64,400/month
  - Married couple of private company workers: ¥226,925/month
    - Total of the benefits of the Category-2 insured persons of the Employees' Pension (40 years of participation with average wage) and the benefits for 2 persons (a couple) with the Basic Pension (40 years of participation)
- Number of public pension beneficiaries (end of March 2013): 39.42 million
- Total Pension benefits of public pension beneficiaries (end of March 2013): ¥53,239.7 billion

## List of Public Pension Schemes

### National Pension Scheme

(As of the end of FY2012 (the end of March 2013))

| Classification                            | Number of insured persons<br>[1] | Number of persons eligible for old-age basic pension, etc.<br>[2] | Pension support ratio<br>$\frac{[1]}{[2]}$ | Average monthly benefit for old-age basic pension (excluding advance or postponed payment)<br>¥10,000 | Total cost of real expenditure |            | Reserve fund at book value [at market value] |            | Ratio of reserve fund to benefit expenditure at book value [at market value] | Premium (as of Sep. 2013) | Pensionable age of old age basic pension |   |
|---|----------------------------------|---|--|---|--------------------------------|------------|--|------------|--|---------------------------|--|---|
|   |                                  |   |  |   | ¥ Trillion                     | ¥ Trillion | ¥ Trillion                                   | ¥ Trillion |  |                           |  |   |
| Category-1 insured persons                | 1,864                            | 2,970   | 2.23                                       | 5.8   | 4.2                            | 7.3        | [8.1]  | 3.9        | [3.9]  | ¥15,040                   | 65                                       |   |
| Category-2 insured persons                | 3,793                            |   |  |   | -                              | -          | -  | -          | -  | -                         |  | - |
| Category-3 insured persons                | 960                              |   |  |   | -                              | -          | -  | -          | -  | -                         |  | - |
| <b>Total</b>                              | <b>6,617</b>                     |   |  |   |                                |            |  |            |  |                           |  |   |
| (Ref) Total of public pension subscribers | 6,736                            |   |  |   |                                |            |  |            |  |                           |  |   |

- (Note) 1. The figures exclude old-age welfare pension (2,000 recipients).  
 2. Category-1 insured persons include voluntarily participating insured persons.  
 3. The number of persons eligible for old-age basic pension, etc. represents the sum of the number of persons eligible for old-age basic pension, the number of persons eligible for old-age pension under the former National Pension Law, and the number of persons eligible for the old-age (retirement) pension pursuant to the old law aged 65 or older of employees' pension plans.  
 4. Average monthly benefit for old-age basic pension represents the average monthly pension amount of persons eligible for old-age basic pension, excluding the benefits for those who selected advance or postponed payments. The average monthly benefit for old-age basic pension, etc., including advance or postponed payments and benefits for those eligible for old-age basic pension under the former National Pension Law, is ¥55,000.  
 5. Total cost of real expenditure is the amount after deducting the revenue from the basic pension account, from the benefits, plus transfers to the basic pension account.  
 6. Reserve fund [at market value] partly includes those evaluated based on book value.  
 7. Total of public pension subscribers represents the sum of the insured persons of Employees' Pension schemes and Category-1 and Category-3 insured persons.

### Employees' Pension Scheme

(As of the end of FY2012 (the end of March 2013))

| Classification  | Number of insured persons<br>[1] | Number of persons eligible for old-age (retirement) pension (corresponding to old-age, retirement pension)<br>[2] | Pension support ratio<br>$\frac{[1]}{[2]}$ | Average monthly benefit for old-age (retirement) pension (corresponding to old-age, retirement pension) (excluding advance or postponed payment)<br>¥10,000 | Total cost of real expenditure |              | Reserve fund at book value [at market value] |            | Ratio of reserve fund to benefit expenditure at book value [at market value] | Premium Rate (%) (as of Sep. 2013) | Pensionable age of old-age (retirement) pension (FY2013)   |
|---|----------------------------------|---|--|---|--------------------------------|--------------|--|------------|--|------------------------------------|--|
|   |                                  |   |  |   | ¥ Trillion                     | ¥ Trillion   | ¥ Trillion                                   | ¥ Trillion |  |                                    |  |
| Employees' Pension insurance                            | 3,472                            | 1,523   | 2.28                                       | 16.0  | 36.9                           | 105.0        | [117.9]                                      | 3.8        | [3.9]  | 17.120                             | Remuneration-based portion<br>General male/female: Age 61<br>Employees' female: Age 60<br>Miners/seamen: Age 60      |
| National public officers Mutual Aid associations (MAAs) | 106                              | 71  | 1.50                                       | 21.1  | 2.1                            | 7.6          | [7.7]  | 5.1        | [5.1]  | 16.570                             |  |
| Local public officers MAAs                              | 284                              | 199   | 1.43                                       | 21.9  | 5.7                            | 36.8         | [38.5]                                       | 9.1        | [8.8]  | 16.570                             |  |
| Private school teachers/employees MAAs                  | 50                               | 12  | 4.00                                       | 20.7  | 0.5                            | 3.4          | [3.6]  | 7.7        | [7.7]  | 13.646                             | Fixed-amount portion<br>General male/mutual aid female: Age 65<br>Employees' female: Age 63<br>Miners/seamen: Age 60 |
| <b>Total</b>  | <b>3,912</b>                     | <b>1,805</b>  | <b>2.17</b>                                | <b>16.8</b>   | <b>45.3</b>                    | <b>152.8</b> | <b>[167.7]</b>                               | <b>4.5</b> | <b>[4.6]</b>   | <b>-</b>                           |  |

- (Note) 1. Number of persons eligible for old-age (retirement) pension and the average monthly benefit for old-age (retirement) pension for Employees' Pension insurance include those for the persons confirmed as eligible for the pension before the mutual aid associations of three ex-public corporations (JR, JT and NTT) and agricultural, forestry and fishery cooperative employees MAAs were merged into the Employees' Pension scheme.  
 2. Number of persons eligible for mutual aid association old-age (retirement) pension includes that for the retirement pension with a decreasing amount (The same applies to the mutual aid associations of three ex-public corporations and former agricultural, forestry and fishery cooperative employees MAAs included in the Employees' Pension Insurance).  
 3. Average monthly benefit for old-age (retirement) pension includes benefits for old-age basic pension. The figure, however, excludes the benefits for those who selected advance or postponed payments (including decreasing amount retirement pension) and for those who have reached the pensionable age with regard to the remuneration-based portion but have not reached the pensionable age with regard to the fixed-amount portion. Estimation method has been altered to a stricter one to exclude advanced payment receivers since this fiscal year.  
 4. Total cost of real expenditure is the amount after deducting the amount to basic pension from the benefit, plus the basic pension contribution.  
 5. The premium rate of Employees' Pension Insurance for mineworkers and seamen is 17.440%.  
 6. Reserve fund of the Employees' Pension insurance does not include the reserve of the portion the Employees' Pension Fund substitutes for the Employees' Pension insurance.  
 7. Reserve fund [at market value] partly includes those evaluated based on book value.  
 8. Ratio of reserve fund to benefit expenditure represents an index showing that how many years of real total expenditure including state and public economy subsidies and additional spending is equivalent to the reserve fund held at the end of the previous fiscal year. (It is different from the reserve ratio representing that how many years of the expenditure financed with premium contribution of actual expenditure (the expenditure financed by other than state and public economy subsidies) is equivalent to the reserve fund held at the end of the previous fiscal year).

## Detailed Information 1 Macro-Economic Slide Formula

With the 2004 revision, in calculating the amounts of pensions, and until benefits are balanced with the costs, a system where the growth of the amounts of pensions will be adjusted are utilized rather than direct use of wages and price increases. This system is invoked after exceptional levels are eliminated.

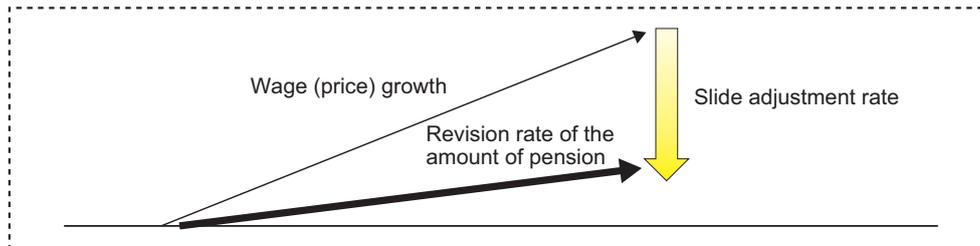
### New System of Adjusting the Amount of Pension (Macro-Economic Slide Formula)

People who newly start receiving pension (new decision recipients): wage growth - slide adjustment rate\*

People who are currently receiving pension (previous decision recipients): price growth - slide adjustment rate\*

\* Slide adjustment rate:

Decrease rate of the total number of people covered by public pensions + fixed rate with consideration of growth rate of average life expectancy



- Start the adjustment of the amount of benefits in the case where it is anticipated, in the actuarial verification that is held at least once every five years, that keeping the financial equilibrium of pension is difficult throughout the financial equilibrium period, even though keeping necessary amount of pension reserve (approximately one year of the amount of benefit) so as not to be detrimental to pension payment at the end of the approximately 100 years of the financial equilibrium period.
- The amount of pension usually increase in response to wage and price increase. However during adjustment period of pension benefit, the revision of pension benefit will be reflected in the decrease of the force that bears pension system and growth of average life expectancy so that the increase of the amount of pension shall be suppressed to be lower than the increase of wage and prices. (This system is called as "Macro-Economic Slide Formula")
- In subsequent actuarial verification, at a time when the financial equilibrium of pension is anticipated to be sustainable, those adjustment of the amount of benefits shall be concluded.

## Detailed Information 2 Elimination of Exceptional Level

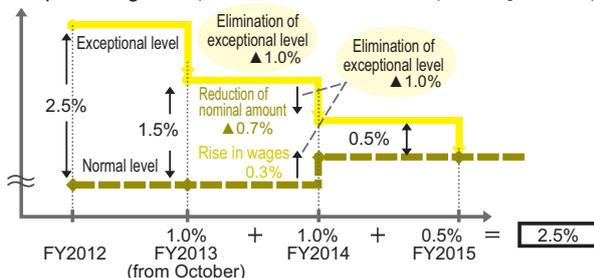
### Elimination of Exceptional Level

- In the past (2009-2011), the amount of pension payments remained unchanged without reduction by applying a price-growth slide adjustment, because of the Special Measures Act. The fall in prices continued and the amount of pension payments remained at 2.5% until September 2013, which was higher than the normal level.
- The existence of this exceptional level resulted in an increase in annual pension payments of approximately ¥1 trillion compared to the normal level, with the cumulative total being approximately ¥8 trillion (total of Basic Pension and Employees' Pension benefits payments). These pension benefits payments have been pointed to as being excessive.
- With the intention of promptly and systematically eliminating the exceptional level, it was decided to eliminate the exceptional level over the three year period of FY2013 to FY2015. The elimination measure for FY2013 was taken in October. (Elimination schedule: -1.0% in October 2013, -1.0% in April 2014, -0.5% in April 2015)

### Pension amount from April 2014 onward

- The second exceptional level elimination measure (-1.0%) was taken in April 2014.
- However, the pension amount is revised in April every year (\*) with the trends in prices/wages taken into consideration and thus the reduction rate may be reduced depending on the trends in prices/wages. (\*) Revised based on the smaller of: the rate of increase in prices and the rate of increase in wages, in principle
- Therefore the pension amount from April onward is revised by -0.7%, which is calculated from the exceptional level elimination of -1.0% and the rise in wages of +0.3%.

<Conceptual diagram> (case of no increase/decrease in prices/wages in 2014)



<Changes in pension amounts>

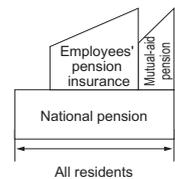
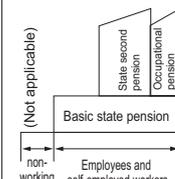
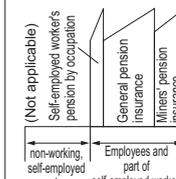
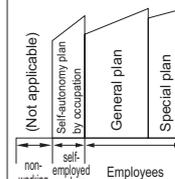
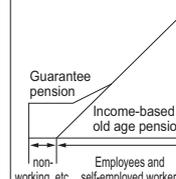
| Period                 | Basic Pension   | Employees' Pension (standard household*) |
|------------------------|-----------------|--|
| From Apr. 2013         | ¥65,541         | ¥230,940                                 |
| From Oct. 2013 (▲1.0%) | ¥64,875 (▲¥666) | ¥228,591 (▲¥2,349)                       |
| From Apr. 2014 (▲0.7%) | ¥64,400 (▲¥675) | ¥226,925 (▲¥1,666)                       |

(\*) A benefit level at which a household, consisting of a husband who worked 40 years for an average income (standard average wage ¥360,000) and a wife who was a full-time homemaker throughout the period, starts to receive pension benefits.

**Detailed Information 3**

**International Comparison of Pension Systems**

(As of January 2014)

|   | Japan   | U.S.A.  | U.K.   | Germany  | France  | Sweden   |
|---|---|---|--|--|---|--|
| Plan system   | Two-tiers<br>  | One-tier<br>   | Two-tiers<br>   | One-tier<br>                             | One-tier<br> | One-tier<br>  |
| Subject person for compulsory participation                       | All residents   | Employees and self-employed workers   | Employees and self-employed workers  | Employees of the private sector and self-employed workers engaged in specified occupation (lawyers, medical doctors, etc.) | Employees and self-employed workers   | Employees and self-employed workers  |
| Premium rate (end of 2013)  | [General employees] Employees' Pension: 17.120% (from Sept. 2013: Equally shared by an employee and an employer)<br>* Category-1 insured persons: fixed amount contributions (from April 2013: ¥15,040 per month) | 12.4%<br>Employee: 6.2%<br>Employer: 6.2%   | [General employees] 25.8%<br>Employee: 12.0%<br>Employer: 13.8%<br>* These contributions are also used as financial resources of industrial injury insurance and unemployment insurance  | [General employees] 18.9% (Equally shared by an employee and an employer)  | [General employees] 16.85%<br>Employee: 6.85%<br>Employer: 10.0%                                | 17.21%<br>Employee: 7.0%<br>Employer: 10.21%<br>* In addition, a premium of 1.17% for survivors' pension is imposed on employer (This is different from the old-age pension)                               |
| Pensionable age (end of 2013)                                     | National pension (basic pension): Age 65<br>Employees' pension: Male: Age 61<br>Females: Age 60<br>* The age will be raised to 65 by 2025 for males and by 2030 for females.                                      | Age 66<br>* The age will be raised to 67 by 2027  | Males: Age 65<br>Females: Age 61 and 11 months<br>* The age will be raised to 65 for females by 2018, and then to 66 for both males and females by 2020.<br>* The age will be further raised from 66 to 68 for both males and females from 2034 to 2046. | Age 65 and 2 months<br>* The age will be raised to 67 by 2029  | Age 61 and 2 months<br>* The age will be raised to 62 by 2017                                   | Selection by the person after his/her 61st birthday<br>(However, pensionable age for the guarantee pension is 65)  |
| Period of coverage required for entitlement to an old-age benefit | 25 years (scheduled to be reduced from 25 years to 10 years in October 2015)  | 40 quarters of plan participation (equivalent to 10 years)  | None   | 5 years  | None  | None<br>(As to the guarantee pension, it is required to reside in Sweden for more than 3 years for entitlement to that pension. and 40-year residence in Sweden is required for receiving the full amount) |
| National subsidies  | 1/2 for the benefit cost of the basic pension   | None, in principle<br>* In order to cover the shortage that resulted from the 2% reduction in the premium rate, the state subsidy was allotted as a temporary special measure in 2011 and 2012. | None, in principle   | 27.8% of benefit cost (2012)   | Approx. 31.4% (2012) by general tax and contributions by general community (CSG), etc.          | For the guarantee pension component  |

Source: • Social Security Programs Throughout the World : Europe, 2012 / The Americas, 2011  
 • Mutual Information System on Social Protection in the Member States of the European Union  
 • Social security in advanced countries (1) U.K., (4) Germany, (5) Sweden, (6) France, (7) U.S.A. (University of Tokyo Press)  
 • Documents published by the respective countries, and others

**Detailed Data 1****Changes in Number of Participants in Public Pension Schemes (as of the end of FY)**

(Unit: 1,000 persons)

| FY   | Total  | Categor-1 insured persons of National Pension | Insured persons of Employees' Pension (Category-2 insured persons of National Pension, etc.) |                        | Category-3 insured persons of National Pension |
|------|--------|---|--|------------------------|--|
|      |        |   | Employees' Pension   | Mutual aid association |  |
| 1987 | 64,105 | 19,292  | 28,216   | 5,299                  | 11,299   |
| 90   | 66,313 | 17,579  | 31,493   | 5,285                  | 11,956   |
| 95   | 69,952 | 19,104  | 33,275   | 5,372                  | 12,201   |
| 2000 | 70,491 | 21,537  | 32,192   | 5,231                  | 11,531   |
| 01   | 70,168 | 22,074  | 31,576   | 5,184                  | 11,334   |
| 02   | 70,460 | 22,368  | 32,144   | 4,712                  | 11,236   |
| 03   | 70,292 | 22,400  | 32,121   | 4,677                  | 11,094   |
| 04   | 70,293 | 22,170  | 32,491   | 4,639                  | 10,993   |
| 05   | 70,447 | 21,903  | 33,022   | 4,599                  | 10,922   |
| 06   | 70,383 | 21,230  | 33,794   | 4,569                  | 10,789   |
| 07   | 70,066 | 20,354  | 34,570   | 4,514                  | 10,628   |
| 08   | 69,358 | 20,007  | 34,445   | 4,471                  | 10,436   |
| 09   | 68,738 | 19,851  | 34,248   | 4,429                  | 10,209   |
| 10   | 68,258 | 19,382  | 34,411   | 4,418                  | 10,046   |
| 11   | 67,747 | 19,044  | 34,515   | 4,410                  | 9,778  |
| 12   | 67,356 | 18,637  | 34,717   | 4,399                  | 9,602  |

Source: "Annual Report", Pension Bureau, MHLW, etc.

(Note) 1. The category-1 insured persons under National pension include voluntary subscribers.

2. Persons insured by Employees' Pensions include, in addition to category-2 insured persons of the National Pension, insured persons aged 65 or older who are eligible for pension benefits on the grounds of old-age and retirement.

**Detailed Data 2****Changes in Number of Public Pension Beneficiaries (as of the end of FY)**

(Unit: 1,000 persons)

| FY   | Total           | National Pension | (Included) Basic pension only/ former National Pension | Employees' Pension | Mutual Aid associations | Welfare pension |
|------|-----------------|------------------|--|--------------------|-------------------------|-----------------|
|      |                 |                  |  |                    |                         |                 |
| 90   | 25,014          | 11,001           | 10,841   | 10,023             | 3,027                   | 964             |
| 95   | 32,373 <29,479> | 14,751           | 11,667   | 13,621             | 3,602                   | 400             |
| 2000 | 40,790 <33,998> | 19,304           | 12,078   | 18,074             | 3,275                   | 137             |
| 01   | 42,731 <35,084> | 20,238           | 12,107   | 19,005             | 3,380                   | 107             |
| 02   | 44,748 <36,210> | 21,222           | 12,129   | 20,315             | 3,130                   | 82              |
| 03   | 46,771 <37,396> | 22,111           | 12,107   | 21,369             | 3,229                   | 62              |
| 04   | 48,710 <38,460> | 22,997           | 12,043   | 22,334             | 3,333                   | 47              |
| 05   | 50,566 <39,347> | 23,954           | 11,952   | 23,156             | 3,421                   | 34              |
| 06   | 52,542 <40,298> | 24,968           | 11,874   | 24,043             | 3,506                   | 24              |
| 07   | 54,797 <41,464> | 25,925           | 11,740   | 25,226             | 3,628                   | 17              |
| 08   | 57,435 <42,825> | 26,949           | 11,509   | 26,684             | 3,790                   | 12              |
| 09   | 59,883 <44,135> | 27,787           | 11,221   | 28,141             | 3,948                   | 8               |
| 10   | 61,882 <45,269> | 28,343           | 10,917   | 29,433             | 4,101                   | 5               |
| 11   | 63,841 <46,184> | 29,122           | 10,675   | 30,479             | 4,237                   | 3               |
| 12   | 66,216 <46,987> | 30,305           | 10,473   | 31,535             | 4,373                   | 2               |

Source: "Annual Report", Pension Bureau, MHLW, etc.

Note: 1. The figures in &lt; &gt; denote the numbers when a person receiving both Employees' Pension and Basic Pension benefits (same pension category) is counted as one beneficiary. However, from FY2002 to FY2011, a person receiving both old agriculture and forestry mutual aid and Basic Pension benefits (same pension category) is not counted as one beneficiary.

2. "Basic pension only/former National Pension" refers to beneficiaries of basic pensions who are not eligible to receive Employees' Pension (excluding former Mutual Aid associations) and beneficiaries of the National Pension as based on the former Act.

3. Including on duty and on public duty.

4. The figures for Mutual Aid associations up to FY1995 denote the number of persons eligible to receive the pension benefits.

**Detailed Data 3**
**Changes in Total Pension Amounts for Public Pension Beneficiaries  
(as of the end of FY)**

(Unit: ¥100 million)

| FY   | Total             | National Pension | (Included)                                     | Employees' Pension | Mutual Aid associations | Welfare pension |
|------|-------------------|------------------|--|--------------------|-------------------------|-----------------|
|      |                   |                  | Basic pension only/<br>former National Pension |                    |                         |                 |
| 1987 | 176,553           | 36,529           | 36,152   | 85,830             | 49,304                  | 4,892           |
| 90   | 216,399           | 43,368           | 42,319   | 110,826            | 58,847                  | 3,359           |
| 95   | 318,473 <313,430> | 77,456           | 55,852   | 163,958            | 75,694                  | 1,608           |
| 2000 | 388,411 <378,421> | 115,706          | 64,077   | 211,018            | 60,554                  | 563             |
| 01   | 401,904 <390,524> | 123,155          | 65,190   | 216,428            | 61,123                  | 442             |
| 02   | 421,316 <408,390> | 130,886          | 66,280   | 227,491            | 61,879                  | 337             |
| 03   | 434,056 <421,206> | 136,701          | 66,491   | 233,971            | 62,603                  | 254             |
| 04   | 442,774 <431,128> | 143,156          | 66,815   | 236,195            | 63,130                  | 190             |
| 05   | 455,700 <444,658> | 150,681          | 67,241   | 240,934            | 63,233                  | 138             |
| 06   | 465,444 <453,682> | 158,168          | 67,587   | 242,932            | 63,947                  | 98              |
| 07   | 474,395 <462,040> | 165,637          | 67,659   | 244,254            | 64,245                  | 69              |
| 08   | 488,658 <475,392> | 173,646          | 67,069   | 249,461            | 64,436                  | 47              |
| 09   | 502,554 <488,159> | 180,421          | 66,148   | 255,333            | 66,768                  | 32              |
| 10   | 511,332 <496,045> | 185,352          | 65,212   | 258,761            | 67,199                  | 21              |
| 11   | 522,229 <506,098> | 191,168          | 64,418   | 263,023            | 68,026                  | 13              |
| 12   | 532,397 <515,432> | 199,912          | 63,914   | 263,902            | 68,575                  | 8               |

Source: "Annual Report", Pension Bureau, MHLW, etc.

Note: 1. The figures in &lt; &gt; denote the total amounts excluding the benefits provided by the Employees' Pension fund in place of the Employees' Pension insurance.

2. The figures for FY1990 and earlier for Employees' Pension insurance are the total amounts excluding the benefits provided by the Employees' Pension fund in place of the Employees' Pension insurance.

3. "Basic pension only/former National Pension" refers to the total pension amounts for beneficiaries of basic pensions who are not eligible to receive Employees' Pensions (excluding former Mutual Aid associations) and beneficiaries of the National Pension as based on the former Act.

4. Including on duty and on public duty.

5. For the Mutual Aid Pension, the figures include workplace-oriented addition and the figures up to FY1995 denote the total pension amounts of persons eligible to receive the pension benefits.

**Detailed Data 4**
**Expenses Required for Public Pension Benefits**

(Unit: ¥100 million)

|  |   | 1987   | 90     | 95      | 00      | 01      | 02      | 03      | 04      | 05      | 06      | 07      | 08      | 09      | 10      | 11      | 12      |
|--|---|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Cost sharing                           | Total   | 56,108 | 71,948 | 109,779 | 142,140 | 148,173 | 154,563 | 159,559 | 163,886 | 169,246 | 174,536 | 181,518 | 188,821 | 197,400 | 199,701 | 200,615 | 206,258 |
|  | (Excluding special state subsidy)   | 52,150 | 67,563 | 104,865 | 137,307 | 143,255 | 149,653 | 154,692 | 159,044 | 164,416 | 169,862 | 176,893 | 184,065 | 193,998 | 196,401 | 197,382 | 203,015 |
|  | National Pension  | 16,500 | 18,921 | 26,690  | 32,779  | 34,236  | 35,783  | 36,477  | 37,034  | 37,107  | 37,151  | 36,800  | 37,242  | 36,802  | 36,149  | 35,194  | 36,540  |
|  | (Excluding special state subsidy)   | 12,542 | 14,536 | 21,777  | 27,946  | 29,319  | 30,873  | 31,610  | 32,192  | 32,276  | 32,477  | 32,175  | 32,486  | 33,400  | 32,849  | 31,961  | 33,298  |
|  | Employees' Pension insurance  | 32,292 | 44,106 | 69,866  | 93,633  | 97,575  | 102,730 | 106,850 | 110,314 | 115,207 | 119,991 | 126,842 | 133,101 | 140,933 | 143,640 | 145,301 | 149,213 |
| Mutual Aid associations, etc.          | 7,316   | 8,921  | 13,222 | 15,728  | 16,362  | 16,050  | 16,232  | 16,538  | 16,933  | 17,395  | 17,876  | 18,477  | 19,665  | 19,912  | 20,119  | 20,505  |         |
| Contributions unit price (monthly) (¥) |   | 7,691  | 9,519  | 14,111  | 19,149  | 20,149  | 21,450  | 22,239  | 22,924  | 22,986  | 24,626  | 25,734  | 27,057  | 29,212  | 29,947  | 30,587  | 31,301  |
| Pension benefits                       | Total   | 56,108 | 71,948 | 109,779 | 142,140 | 148,173 | 154,563 | 159,559 | 163,886 | 169,246 | 174,536 | 181,518 | 188,821 | 197,400 | 199,701 | 200,615 | 206,258 |
|  | Basic pension benefits  | 6,606  | 10,853 | 41,653  | 84,730  | 93,594  | 102,454 | 110,697 | 118,093 | 126,359 | 134,883 | 144,597 | 154,435 | 164,240 | 169,658 | 174,316 | 183,009 |
|  | Constructive basic pension benefits<br>(Corresponding to the amount<br>of basic pension contribution) | 49,502 | 61,095 | 68,126  | 57,410  | 54,579  | 52,110  | 48,862  | 45,793  | 42,887  | 39,653  | 36,922  | 34,385  | 33,160  | 30,043  | 26,298  | 23,248  |
|  | National Pension  | 27,120 | 31,296 | 31,507  | 25,588  | 24,251  | 22,916  | 21,378  | 19,957  | 18,583  | 17,197  | 15,896  | 14,766  | 13,675  | 12,358  | 10,855  | 9,564   |
|  | Employees' Pension insurance  | 17,469 | 22,584 | 25,986  | 24,234  | 23,059  | 22,638  | 21,428  | 20,145  | 18,923  | 17,395  | 16,241  | 15,178  | 15,244  | 13,864  | 11,971  | 10,551  |
| Mutual Aid associations, etc.          | 4,913   | 7,215  | 10,632 | 7,588   | 7,268   | 6,555   | 6,056   | 5,691   | 5,381   | 5,061   | 4,786   | 4,442   | 4,151   | 3,821   | 3,472   | 3,133   |         |

Source: "Annual Report", Pension Bureau, MHLW, etc.

(Note) One third of the basic pension contributions (except special state subsidy) is borne by state subsidy. However, 1/3 in addition to the fixed amount in FY2004, 11/1000 and 1/3 in addition to the fixed amount in FY2005, 25/1000 in addition to 1/3 in FY2006, 32/1000 in addition to 1/3 in FY2007 and FY2008, and in FY2009 and later 1/2 of the fund were covered by state subsidy.

## Changes in Pension Amounts/Premiums

### Detailed Data 1 Changes in Pension Amounts

[National Pension]

|                       | Old-age basic pension | Disability basic pension (1st degree) | Disability basic pension (2nd degree) | Survivors' basic pension (with one child) |
|-----------------------|-----------------------|---------------------------------------|---------------------------------------|---|
| FY2004                | ¥66,208               | ¥82,758                               | ¥66,208                               | ¥85,258                                   |
| FY2005                | ¥66,208               | ¥82,758                               | ¥66,208                               | ¥85,258                                   |
| FY2006                | ¥66,008               | ¥82,508                               | ¥66,008                               | ¥85,000                                   |
| FY2007                | ¥66,008               | ¥82,508                               | ¥66,008                               | ¥85,000                                   |
| FY2008                | ¥66,008               | ¥82,508                               | ¥66,008                               | ¥85,000                                   |
| FY2009                | ¥66,008               | ¥82,508                               | ¥66,008                               | ¥85,000                                   |
| FY2010                | ¥66,008               | ¥82,508                               | ¥66,008                               | ¥85,000                                   |
| FY2011                | ¥65,741               | ¥82,175                               | ¥65,741                               | ¥84,658                                   |
| FY2012                | ¥65,541               | ¥81,925                               | ¥65,541                               | ¥84,400                                   |
| Apr. - Sep. 2013      | ¥65,541               | ¥81,925                               | ¥65,541                               | ¥84,400                                   |
| Oct. 2013 - Mar. 2014 | ¥64,875               | ¥81,091                               | ¥64,875                               | ¥83,541                                   |
| FY2014                | ¥64,400               | ¥80,500                               | ¥64,400                               | ¥82,933                                   |

(Note) The figures for old-age basic pensions indicate amounts in the case where premiums were paid for 40 years (full amount).

[Pension Amount for Standard Beneficiary Household (basic pension of a husband and a wife plus Employees' Pension benefit of a husband)]

|                       | Old-age employees' pension |
|-----------------------|----------------------------|
| FY2004                | ¥233,299                   |
| FY2005                | ¥233,299                   |
| FY2006                | ¥232,591                   |
| FY2007                | ¥232,591                   |
| FY2008                | ¥232,591                   |
| FY2009                | ¥232,591                   |
| FY2010                | ¥232,591                   |
| FY2011                | ¥231,648                   |
| FY2012                | ¥230,940                   |
| Apr. - Sep. 2013      | ¥230,940                   |
| Oct. 2013 - Mar. 2014 | ¥228,591                   |
| FY2014                | ¥226,925                   |

(Note) A benefit level that a household consisting of a husband who worked 40 years for an average income (standard average wage ¥360,000) and a wife who was a full-time homemaker throughout the period starts to receive.

### Detailed Data 2 Changes in Premiums

[National Pension]

|        | National Pension premium |
|--------|--------------------------|
| FY2004 | ¥13,300                  |
| FY2005 | ¥13,580                  |
| FY2006 | ¥13,860                  |
| FY2007 | ¥14,100                  |
| FY2008 | ¥14,410                  |
| FY2009 | ¥14,660                  |
| FY2010 | ¥15,100                  |
| FY2011 | ¥15,020                  |
| FY2012 | ¥14,980                  |
| FY2013 | ¥15,040                  |
| FY2014 | ¥15,250                  |

[Employees' Pension]

|                | Employees' Pension premium rate |
|----------------|---------------------------------|
| From Oct. 2004 | 13.934%                         |
| From Sep. 2005 | 14.288%                         |
| From Sep. 2006 | 14.642%                         |
| From Sep. 2007 | 14.996%                         |
| From Sep. 2008 | 15.350%                         |
| From Sep. 2009 | 15.704%                         |
| From Sep. 2010 | 16.058%                         |
| From Sep. 2011 | 16.412%                         |
| From Sep. 2012 | 16.766%                         |
| From Sep. 2013 | 17.120%                         |
| From Sep. 2014 | 17.474%                         |

(Note) The amount of National Pension premium will be raised by ¥280 every year and fixed at ¥16,900 (\*) in FY2017.

(Note) Employees' Pension premium rate will be raised by 0.354% every year and fixed at 18.3% in Sep. 2017.

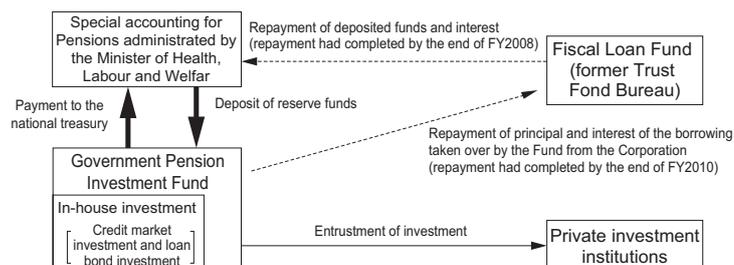
(\*) Calculated based on the wage level of FY2014.

## Management and Operation of Pension Reserve Funds

### Overview

### Fund Management Systems of Pension Reserve Funds

- Discretionary investment by Minister of Health, Labour and Welfare started in FY2001. Obligation to deposit to former Trust Fund Bureau was abolished by FY2000.
- The Minister of Health, Labour and Welfare invests the reserve funds by entrusting it with the Government Pension Investment Fund.



\* Fund management of the former Pension Welfare Service Public Corporation was succeeded by the Government Pension Investment Fund (the former Fund Investment Fund until FY2005) and continued as the succeeded fund management until FY2010

\* The Government Pension Investment Fund was established in April 2006 as the successor to the old Government Pension Investment Fund

### Detailed Data

### Changes in Accumulated Pension Reserves of Employees' Pension Insurance and National Pension

(Unit: ¥100 million)

| Year   | Employees' Pension | National Pension | Total     | Year            | Employees' Pension | National Pension | Total     |
|--------|--------------------|------------------|-----------|-----------------|--------------------|------------------|-----------|
| FY1989 | 702,175            | 32,216           | 734,391   | FY2002          | 1,377,023          | 99,108           | 1,476,132 |
| FY1990 | 768,605            | 36,317           | 804,922   | FY2003          | 1,374,110          | 98,612           | 1,472,722 |
| FY1991 | 839,970            | 43,572           | 883,542   | FY2004          | 1,376,619          | 96,991           | 1,473,610 |
| FY1992 | 911,340            | 51,275           | 962,615   | FY2005          | 1,324,020          | 91,514           | 1,415,534 |
| FY1993 | 978,705            | 58,468           | 1,037,174 | FY2006          | 1,300,980          | 87,660           | 1,388,640 |
| FY1994 | 1,045,318          | 63,712           | 1,109,030 | FY2007          | 1,270,568          | 82,692           | 1,353,260 |
| FY1995 | 1,118,111          | 69,516           | 1,187,628 | FY2008          | 1,240,188          | 76,920           | 1,317,108 |
| FY1996 | 1,184,579          | 78,493           | 1,263,072 | FY2009          | 1,195,052          | 74,822           | 1,269,874 |
| FY1997 | 1,257,560          | 84,683           | 1,342,243 | FY2010          | 1,134,604          | 77,333           | 1,211,937 |
| FY1998 | 1,308,446          | 89,619           | 1,398,065 | FY2011          | 1,085,263          | 77,318           | 1,162,581 |
| FY1999 | 1,347,988          | 94,617           | 1,442,605 | FY2012          | 1,050,354          | 72,789           | 1,123,143 |
| FY2000 | 1,368,804          | 98,208           | 1,467,012 | FY2013 (Budget) | 1,022,169          | 70,893           | 1,093,062 |
| FY2001 | 1,373,934          | 99,490           | 1,473,424 | FY2013 (Budget) | 977,151            | 67,234           | 1,044,385 |

- (Note) 1. The balances of the National Pension Fund are the amounts excluding the basic pension account amounts.  
 2. Reserves of Employees' Pension represent the special account reserves and do not include the portion paid by the Employees' Pension Fund.  
 3. Reserve fund in and after FY2001 include the fund entrusted with the Government Pension Investment Fund.  
 4. Reserve fund in and after FY2006 include the fund entrusted with the Government Pension Investment Fund.  
 5. The outstanding of reserve fund for each year includes the balance of revenue and expenditure for the respective year.  
 6. Part of totals may not agree because the figures have been rounded off.

### Detailed Information

### Medium-Term Plan of Government Pension Investment Fund (Investment part and outline)

\* The information is correct as of October 30, 2014.

- (1) Basic policies of pension reserve fund management and investment
  - Pension reserve fund investment shall be made by developing, based on diversifying investment, a proportion of asset allocation (hereinafter referred to as "basic portfolio") that is to be maintained in a long term.
- (2) A goal of investment
  - Since the drastic revision of the pension system is planned and the discussion on business operation of the Government Pension Investment Fund is being carried out, the basic portfolio of the 1st mid-term plan shall be regarded provisionally as the asset allocation ratio, and set up the basic portfolio in this mid-term plan and manage it appropriately.
  - Securing benchmark returns of each asset in the target period of the term.
- (3) Risk management
  - Diversified investment to multiple assets is the basics of risk management, and the risk management of all kinds shall be operated appropriately.
  - Intensifying the function of grasping and analysis of market trends for appropriate and smooth rebalance.
  - Analyzing the factor of deviation from the complex benchmark earnings of each fiscal year.
- (4) Investment method
  - Passive investment is the main one for each asset and active investment is limited to the care that high possibility of excess earnings is predicted.
  - While reviewing the investment method and taking measures to intensify selection and management of investment trustee institutions, review investment trustee institutions are re-examined.
- (5) Increase of transparency
  - Information disclosure and public relations shall be improved by disclosing information on selection of investment trustee institutions and on execution of stockholders' voting right.
  - Selection of investment trustee institutions and its process shall be deliberated by the investment committee. The investment committee shall deliberate on the management and investment commission fee standard and increase the transparency.
  - Investment committee shall disclose the minutes after a certain time as prescribed by the committee.
- (6) Basic portfolio
  - Assets allocation shall be categorized into domestic bonds, domestic stocks, foreign bonds, foreign stocks and the short-term assets and the allocation ratio and tolerance of deviation shall be as follows. (revised on June 7, 2013)

|                                   | Domestic bonds | Domestic stocks | Foreign bonds | Foreign stocks | Short-term assets |
|-----------------------------------|----------------|-----------------|---------------|----------------|-------------------|
| Percentage distributoin of assets | 60%            | 12%             | 11%           | 12%            | 5%                |
| Allowed ranges of deviation       | +/- 8%         | +/- 6%          | +/- 5%        | +/- 5%         | -                 |

- The allocation ratio before the revision was 67% for domestic bonds, 11% for domestic stocks, 8% for foreign bonds, 9% for foreign stocks, and 5% for short-term assets.
  - Appropriate risk management shall be carried out on the basis of market trends, and revision shall be discussed even during the period of the mid-term goal in case of drastic change in the market.
- (7) Items to be complied concerning management and investment
    - Considering impact on the market price formulation and on business management as well, direct execution of voting right of shareholders is avoided and leave it to decision of investment trustee institutions and request for report on the execution.
    - Securing liquidity necessary for pension benefits, grasping and analyzing market trends, intensifying function necessary for short-term loans utilization, etc.

## Financial Projection of Pension Schemes (Results of 2009 Financial Verification)

### Overview

### Financial Projection of Employees' Pension – 2009 Financial Verification –

| FY   | Premium rate<br>(to total remuneration) | Total revenue |            |               |                            | Total expenditure |            | Balance    | Reserve at the year end | Reserve at the year end<br>(FY2009 value) | Degree of funding |
|------|---|---------------|------------|---------------|----------------------------|-------------------|------------|------------|-------------------------|---|-------------------|
|      |   | Premium       | Investment | State subsidy | Basic pension contribution |                   |            |            |                         |   |                   |
|      | %                                       | ¥ Trillion    | ¥ Trillion | ¥ Trillion    | ¥ Trillion                 | ¥ Trillion        | ¥ Trillion | ¥ Trillion | ¥ Trillion              | ¥ Trillion                                |                   |
| 2009 | 15.704                                  | 34.9          | 23.8       | 2.1           | 7.2                        | 35.8              | 13.1       | -0.9       | 144.4                   | 144.4                                     | 4.1               |
| 2010 | 16.058                                  | 35.0          | 24.7       | 2.5           | 7.4                        | 36.7              | 13.5       | -1.7       | 142.6                   | 141.1                                     | 3.9               |
| 2011 | 16.412                                  | 36.7          | 26.2       | 2.7           | 7.5                        | 37.8              | 13.9       | -1.1       | 141.6                   | 141.7                                     | 3.8               |
| 2012 | 16.766                                  | 38.5          | 27.6       | 2.8           | 7.8                        | 39.2              | 14.4       | -0.7       | 140.9                   | 141.3                                     | 3.6               |
| 2013 | 17.120                                  | 40.4          | 28.9       | 3.1           | 8.1                        | 40.4              | 15.0       | -0.1       | 140.8                   | 138.3                                     | 3.5               |
| 2014 | 17.474                                  | 42.5          | 30.3       | 3.6           | 8.4                        | 41.3              | 15.7       | 1.2        | 142.0                   | 135.4                                     | 3.4               |
| 2015 | 17.828                                  | 44.8          | 31.7       | 4.1           | 8.7                        | 42.6              | 16.3       | 2.1        | 144.2                   | 132.5                                     | 3.3               |
| 2020 | 18.30                                   | 53.3          | 36.9       | 6.8           | 9.4                        | 45.7              | 18.1       | 7.6        | 172.5                   | 140.6                                     | 3.6               |
| 2025 | 18.30                                   | 59.5          | 40.8       | 8.6           | 9.9                        | 48.6              | 19.2       | 10.9       | 219.9                   | 158.5                                     | 4.3               |
| 2030 | 18.30                                   | 66.1          | 44.5       | 11.1          | 10.4                       | 52.3              | 20.5       | 13.8       | 284.2                   | 181.0                                     | 5.2               |
| 2040 | 18.30                                   | 78.5          | 49.1       | 16.5          | 12.8                       | 67.3              | 25.5       | 11.2       | 417.1                   | 207.5                                     | 6.0               |
| 2050 | 18.30                                   | 90.4          | 54.1       | 20.2          | 16.0                       | 82.9              | 31.9       | 7.5        | 507.7                   | 197.3                                     | 6.0               |
| 2060 | 18.30                                   | 101.2         | 59.8       | 22.5          | 18.8                       | 97.6              | 37.6       | 3.6        | 562.5                   | 170.8                                     | 5.7               |
| 2070 | 18.30                                   | 109.6         | 65.2       | 22.6          | 21.7                       | 112.8             | 43.4       | -3.3       | 561.3                   | 133.1                                     | 5.0               |
| 2080 | 18.30                                   | 116.7         | 72.4       | 20.3          | 23.9                       | 124.2             | 47.8       | -7.5       | 502.5                   | 93.1                                      | 4.1               |
| 2090 | 18.30                                   | 123.9         | 81.2       | 16.6          | 26.1                       | 135.6             | 52.3       | -11.7      | 406.4                   | 58.8                                      | 3.1               |
| 2100 | 18.30                                   | 129.9         | 90.7       | 10.3          | 28.9                       | 149.8             | 57.8       | -19.9      | 247.2                   | 28.0                                      | 1.8               |
| 2105 | 18.30                                   | 132.4         | 96.2       | 5.8           | 30.4                       | 157.5             | 60.8       | -25.1      | 132.4                   | 13.2                                      | 1.0               |

(Note) 1. The "degree of funding" is the percentage of the total expenditure for the current FY to the reserve fund at the end of previous FY.

2. "FY2009 value" is the converted figure at FY2009 value calculated using the wage increase rate.

3. The projection represents the future projection of pension finance for the entire Employees' Pension scheme, including the portion paid by the Employees' Pension Fund.

4. In "birth rate: medium case", total fertility rate is set as 1.26 in FY2055.

5. In "mortality rate: medium case", life expectancy at birth is set as 83.67 years for male, 90.34 years for female in FY2055.

#### (Remarks)

|                                       |             |
|---------------------------------------|-------------|
| Assumption: Basic case                |             |
| Birth rate:                           | Medium case |
| Mortality rate:                       | Medium case |
| Economy:                              | Medium case |
| Long-term economic assumptions        |             |
| Price increase rate                   | 1.0%        |
| Wage increase rate                    | 2.5%        |
| Investment yield                      | 4.1%        |
| Macro-economic slide formula          |             |
| Fiscal year of starting adjustment    | FY2012      |
| Fiscal year of ending adjustment      | FY2038      |
| Eventual replacement ratios of income | 50.1%       |
| (From FY2038 onward)                  |             |

**Financial Projection of National Pension – 2009 Financial Verification –**

| FY   | Monthly premium<br>(Note 1) | Total revenue |            |               |            | Total expenditure          |            | Balance    | Reserve at the year end | Reserve at the year end<br>(FY2009 value) | Degree of funding |
|------|-----------------------------|---------------|------------|---------------|------------|----------------------------|------------|------------|-------------------------|---|-------------------|
|      |                             | Premium       | Investment | State subsidy |            | Basic pension contribution |            |            |                         |   |                   |
|      | ¥                           | ¥ Trillion    | ¥ Trillion | ¥ Trillion    | ¥ Trillion | ¥ Trillion                 | ¥ Trillion | ¥ Trillion | ¥ Trillion              | ¥ Trillion                                |                   |
| 2009 | 14,700                      | 4.8           | 2.2        | 0.1           | 2.4        | 4.7                        | 4.5        | 0.1        | 10.0                    | 10.0                                      | 2.1               |
| 2010 | 14,980                      | 4.9           | 2.2        | 0.2           | 2.5        | 4.7                        | 4.5        | 0.2        | 10.2                    | 10.1                                      | 2.1               |
| 2011 | 15,260                      | 4.9           | 2.2        | 0.2           | 2.5        | 4.7                        | 4.5        | 0.1        | 10.3                    | 10.3                                      | 2.2               |
| 2012 | 15,540                      | 4.9           | 2.2        | 0.2           | 2.5        | 4.8                        | 4.6        | 0.1        | 10.4                    | 10.5                                      | 2.1               |
| 2013 | 15,820                      | 5.1           | 2.3        | 0.2           | 2.6        | 5.0                        | 4.8        | 0.1        | 10.5                    | 10.3                                      | 2.1               |
| 2014 | 16,100                      | 5.4           | 2.4        | 0.3           | 2.7        | 5.2                        | 5.0        | 0.1        | 10.7                    | 10.2                                      | 2.0               |
| 2015 | 16,380                      | 5.7           | 2.5        | 0.3           | 2.8        | 5.4                        | 5.2        | 0.2        | 10.9                    | 10.0                                      | 2.0               |
| 2020 | 16,900                      | 6.6           | 2.9        | 0.5           | 3.2        | 6.1                        | 5.9        | 0.5        | 13.0                    | 10.6                                      | 2.0               |
| 2025 | 16,900                      | 7.3           | 3.2        | 0.6           | 3.5        | 6.6                        | 6.4        | 0.7        | 16.3                    | 11.7                                      | 2.4               |
| 2030 | 16,900                      | 8.0           | 3.4        | 0.8           | 3.8        | 7.1                        | 6.9        | 0.9        | 20.6                    | 13.1                                      | 2.8               |
| 2040 | 16,900                      | 9.5           | 3.6        | 1.2           | 4.7        | 8.7                        | 8.5        | 0.8        | 29.9                    | 14.9                                      | 3.4               |
| 2050 | 16,900                      | 11.5          | 4.0        | 1.5           | 6.0        | 10.9                       | 10.8       | 0.5        | 36.6                    | 14.2                                      | 3.3               |
| 2060 | 16,900                      | 13.3          | 4.4        | 1.6           | 7.2        | 13.0                       | 12.9       | 0.3        | 40.6                    | 12.3                                      | 3.1               |
| 2070 | 16,900                      | 14.7          | 4.8        | 1.6           | 8.2        | 14.8                       | 14.7       | -0.2       | 40.8                    | 9.7                                       | 2.8               |
| 2080 | 16,900                      | 16.0          | 5.4        | 1.5           | 9.1        | 16.4                       | 16.2       | -0.4       | 37.8                    | 7.0                                       | 2.3               |
| 2090 | 16,900                      | 17.3          | 6.1        | 1.3           | 9.9        | 17.9                       | 17.8       | -0.6       | 33.0                    | 4.8                                       | 1.9               |
| 2100 | 16,900                      | 18.7          | 6.7        | 1.0           | 10.9       | 19.7                       | 19.6       | -1.0       | 25.1                    | 2.8                                       | 1.3               |
| 2105 | 16,900                      | 19.5          | 7.2        | 0.8           | 11.5       | 20.7                       | 20.6       | -1.2       | 19.5                    | 1.9                                       | 1.0               |

- (Note) 1. Monthly premium represents the amount of premium (at FY2004 value) set forth in Article 87-3 of the National Pension Act. Actual amount of premium shall be revised based on prices after the 2004 revision and wage growth; the amount of premium in FY2009 shows ¥14,660/month.
2. The “degree of funding” is the ratio of the total expenditure for the current FY to the reserve fund at the end of previous FY.
3. “FY2009 value” is the converted figure at FY2009 value calculated using the wage increase rate.
4. In “birth rate: medium case”, total fertility rate is set as 1.26 in FY2055.
5. In “mortality rate: medium case”, life expectancy at birth is set as 83.67 years for male, 90.34 years for female in FY2055.

(Remarks)

|                                    |             |
|------------------------------------|-------------|
| Assumption: Basic case             |             |
| Birth rate:                        | Medium case |
| Mortality rate:                    | Medium case |
| Economy:                           | Medium case |
| Long-term economic assumptions     |             |
| Price increase rate                | 1.0%        |
| Wage increase rate                 | 2.5%        |
| Investment yield                   | 4.1%        |
| Macro-economic slide formula       |             |
| Fiscal year of starting adjustment | FY2012      |
| Fiscal year of ending adjustment   | FY2038      |

# Corporate Pension Plans, etc.

## Overview

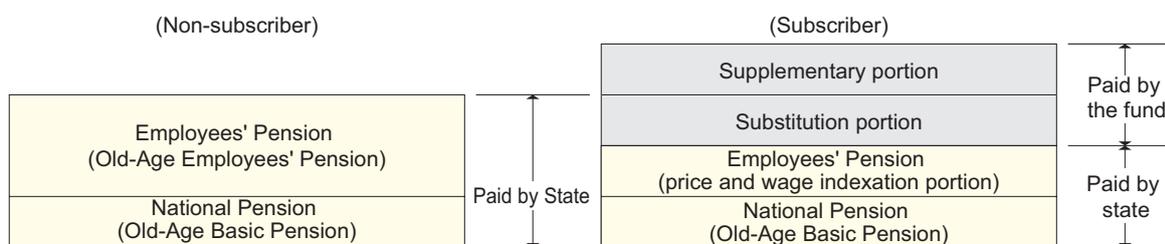
### Outline of Corporate Pension Plans, etc.

#### [Employees' Pension Funds]

The Employees' Pension funds are special corporations established with the approval of the Minister of Health, Labour and Welfare. The funds substitute a part of the Old-Age Employees' Pension (the portion excluding the indexed and sliding Pay scale portions) and pay their own supplementary benefits. Figure 1 shows the benefit to be provided to a subscriber of the Employees' Pension fund, compared to that to be paid to a non-subscriber.

Contributions necessary for benefits are collected by employers and borne by employers and subscribers. The employers who have established Employees' Pension funds are exempt from payment to the government of the premium of Employees' Pension insurance corresponding to the substitute benefits. The employers pay contributions necessary for benefits to be paid by the fund including the substitution portions. However, the Act for Partial Revision of the Social Pension Insurance Act to Ensure the Soundness and Reliability of the Public Pension System (Act No. 63 of 2013) disallowed establishment of new Employees' Pension Funds after the enforcement of the said Act (April 1, 2014).

**Figure 1: Structure of Employees' Pension Fund Benefits**



#### [Defined Benefits Corporate Pensions]

There are two forms of corporate pension plans: contract-type pensions and fund-type corporate pensions. Under Contract-type pensions, Pension funds are managed and invested outside of the mother company by concluding contracts between the employer and trust and life insurance companies, on the basis of mutual agreement between labour and management. Under fund-type Pension Plans, pension funds are managed and invested by the fund, with the benefits paid from the fund. (The fund will not substitute Employees' Pension businesses.)

The Defined Benefits Corporate Pension Law stipulates the following Provisions for the Protection of eligibility.

- Reserve obligations: A certain level of Pension assets has to be accumulated. Actuarial revaluation and validation is required. When there is a shortfall in pension reserves, this shortfall must be made up.
- Obligations of the trustee: In relation to the administrators and investment managers such as business owners, responsibilities to Participants and clear principles on actions are stipulated.
- Disclosure: The business owner is required to disclose the situation regarding investments to participants and to report the same to the Minister of Health, Labour and Welfare.

#### [Defined Contribution Pensions]

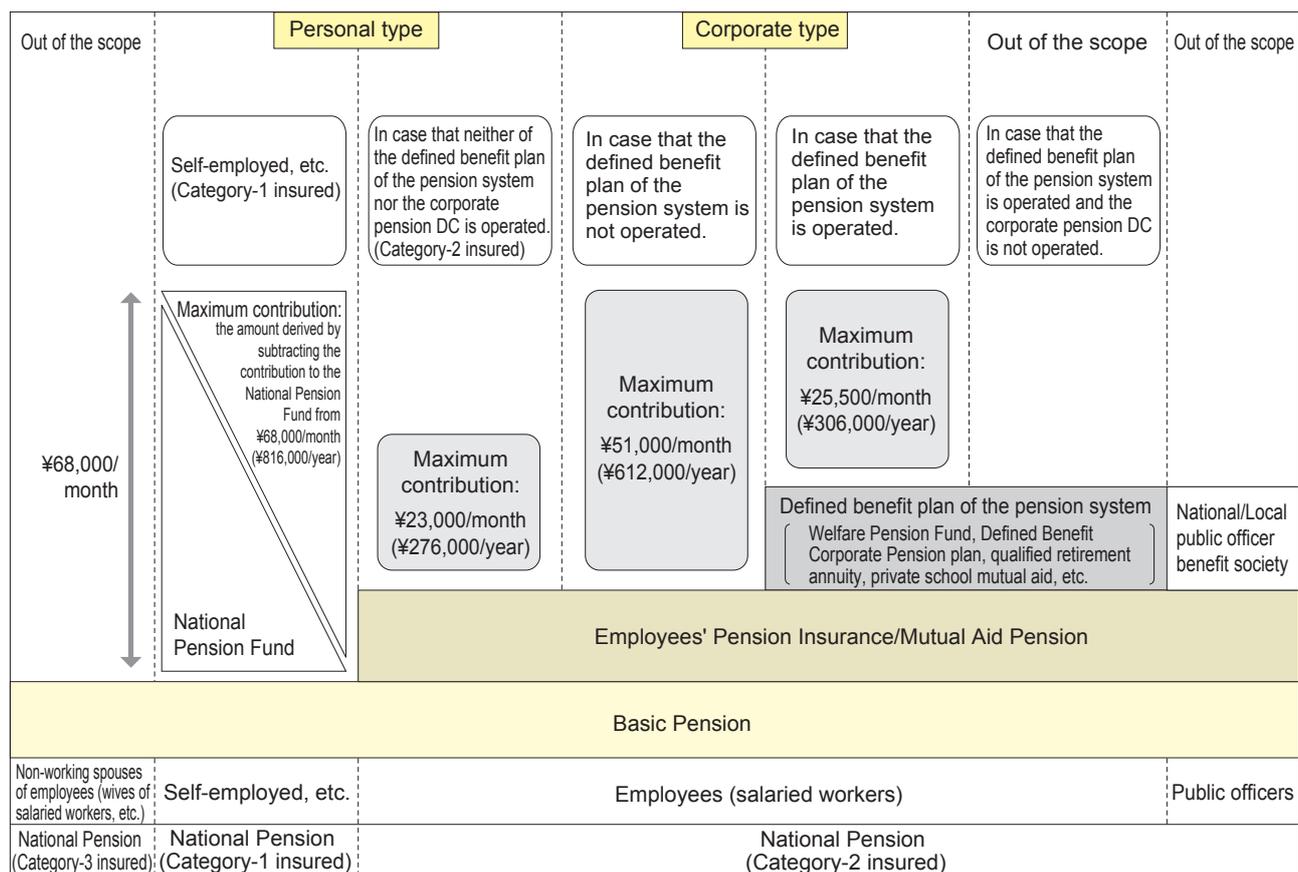
Under defined contribution Pension Plans, the contributions paid are clearly defined for each individual, assets are managed personally by a participant and the amount of benefits is determined according to the investment returns. This system consists of two types of Pension funds: The corporate-type pension funds managed by employers for their employees and the personal-type pension funds managed by the National Pension Fund Federation for the self-employed and employees of companies without corporate-type Pension plans.

Employers contribute installments (contributions by participants is also possible if provided for in their contracts) under corporate-type Pension schemes, whereas individual participants pay installments under Personal-type pension schemes within the limits set for their contribution. Contributions paid shall accumulate for each participant and the participants can provide individual instructions on investing their contributions. The amount of benefits administered is determined according to the amount of contributions and the investment returns. Benefits are paid in the form of old-age benefits and disability benefits.

#### [National Pension Funds]

The system under which self-employed persons voluntarily pay extra on the national pension premium to expand their income security after retirement was established as the National Pension Fund pursuant to the law revision in 1989 and has been implemented since April 1991. Category-1 insured persons of the National Pension Plan are eligible to participate in the National Pension Fund, categorizing into 2 types - the regional fund established in each region by the organization of those who live in the same prefecture and the vocational fund (one fund in the country) established by the organization of those who are engaged in the same type of industry or occupation.

**Figure 2: Defined Contribution (DC) Pension Participants and Maximum Contribution, and Its Relationship with Existing Pension Plans**



(\*) The general policies of FY2014 tax system reform provide that the maximum contribution shall be raised from ¥51,000/month to ¥55,000/month for the corporate type where the defined benefit plan of the pension system is not implemented and from ¥25,500/month to ¥27,500/month for the corporate type where the defined benefit plan of the pension system is implemented.

### Detailed Data 1

### Changes in Number of Funds and Participants of the Employees' Pension Fund

| FY     | Number of funds | Number of participants (1,000 persons) | Assets (¥ trillion) |
|--------|-----------------|--|---------------------|
| FY2001 | 1,737           | 10,871                                 | 57.0                |
| FY2002 | 1,656           | 10,386                                 | 51.2                |
| FY2003 | 1,357           | 8,351                                  | 48.6                |
| FY2004 | 838             | 6,152                                  | 36.8                |
| FY2005 | 687             | 5,310                                  | 37.3                |
| FY2006 | 658             | 5,221                                  | 38.8                |
| FY2007 | 626             | 4,782                                  | 32.5                |
| FY2008 | 617             | 4,663                                  | 25.5                |
| FY2009 | 608             | 4,562                                  | 29.0                |
| FY2010 | 595             | 4,467                                  | 27.8                |
| FY2011 | 577             | 4,366                                  | 26.7                |
| FY2012 | 560             | 4,203                                  | 28.7                |
| FY2013 | 531             | —                                      | —                   |

Source: Pension Bureau, MHLW

(Note) 1. Assets are evaluated at market value.

2. Asset balance includes the assets of the Employees' Pension Fund Association.

## Detailed Data 2 Number of Defined-Benefit Corporate Pension Plans

| FY     | Contract-based | Fund-based |
|--------|----------------|------------|
| FY2002 | 15             | 0          |
| FY2003 | 164            | 152        |
| FY2004 | 478            | 514        |
| FY2005 | 833            | 597        |
| FY2006 | 1,335          | 605        |
| FY2007 | 2,480          | 619        |
| FY2008 | 4,397          | 611        |
| FY2009 | 6,795          | 610        |
| FY2010 | 9,440          | 613        |
| FY2011 | 14,373         | 612        |
| FY2012 | 14,085         | 607        |
| FY2013 | 13,694         | 602        |

Source: Pension Bureau, MHLW

(Note) The Defined-Benefit Corporate Pension Act was enforced in April 2002.

## Detailed Data 3 Changes in Numbers of Contracts Approved and Participants of Defined Contribution Pension Plans

| FY     | Number of corporate-type plans approved | Number of participants in corporate plans (1,000 persons) | Number of participants in private plans (person) |
|--------|---|---|--|
| FY2001 | 70                                      | 88  | 443  |
| FY2002 | 361                                     | 325   | 13,995   |
| FY2003 | 845                                     | 708   | 28,225   |
| FY2004 | 1,402                                   | 1,255   | 46,066   |
| FY2005 | 1,866                                   | 1,733   | 63,303   |
| FY2006 | 2,313                                   | 2,187   | 80,081   |
| FY2007 | 2,710                                   | 2,711   | 93,036   |
| FY2008 | 3,043                                   | 3,110   | 101,201  |
| FY2009 | 3,301                                   | 3,404   | 111,056  |
| FY2010 | 3,705                                   | 3,713   | 124,906  |
| FY2011 | 4,135                                   | 4,218   | 138,575  |
| FY2012 | 4,247                                   | 4,394   | 158,209  |
| FY2013 | 4,434                                   | 4,642   | 183,543  |

Source: Pension Bureau, MHLW

(Note) The Defined Contribution Pension Act was enforced in October 2001. Private-type DC pension plans was introduced in January 2002.

## Detailed Data 4 Changes in Number of Funds and Participants of the National Pension Fund

| FY     | Number of funds | Number of participants (1,000 persons) | Assets (¥ trillion) |
|--------|-----------------|--|---------------------|
| FY2001 | 72 (25)         | 787 (127)                              | 1.5                 |
| FY2002 | 72 (25)         | 772 (124)                              | 1.4                 |
| FY2003 | 72 (25)         | 789 (126)                              | 1.8                 |
| FY2004 | 72 (25)         | 751 (121)                              | 2.1                 |
| FY2005 | 72 (25)         | 727 (117)                              | 2.7                 |
| FY2006 | 72 (25)         | 693 (112)                              | 2.9                 |
| FY2007 | 72 (25)         | 648 (106)                              | 2.7                 |
| FY2008 | 72 (25)         | 615 (103)                              | 2.2                 |
| FY2009 | 72 (25)         | 577 ( 97)                              | 2.6                 |
| FY2010 | 72 (25)         | 548 ( 92)                              | 2.6                 |
| FY2011 | 72 (25)         | 522 ( 87)                              | 2.7                 |
| FY2012 | 72 (25)         | 493 ( 82)                              | 3.2                 |

Source: Pension Bureau, MHLW. The figures in parentheses are included in the numbers on the left and represent the numbers of occupation-type funds.

(Note) 1. Assets are evaluated at market value.

2. Asset balance includes the assets of the National Pension Fund Federation.

# Pension Consultations

## Overview

## Pension Consultations

### 1. Type of consultation reception counters

- Pension consultations are available at “social insurance offices” and “pension consultation centers [see Attachment]” nationwide.
- For pension consultations over the phone, “Nenkin Dial” is available for general consultations and “Telephone Service for Nenkin Teiki Bin and Nenkin-Net” available for consultations over “Nenkin Teiki Bin (Pension Coverage Regular Notice : PCRN)”, “Nenkin-Net”, “Nenkin Tokubetsu Bin (Special Pension Notice)”, and “Notice on Employees’ Pension Participation Information”.
  - “Nenkin Dial” 0570-05-1165  
Please call “03-6700-1165” when using phones with numbers starting with 050 or 070.
  - “Telephone Service for Nenkin Teiki Bin (PCRN) and Nenkin-Net” 0570-058-555  
Please call “03-6700-1144” when using phones with numbers starting with 050 or 070.

### 2. Reception hours

- [1] Social insurance offices/pension consultation centers  
 Reception hours: 8:30-17:15 on workdays (Monday-Friday, non-holidays)  
 Extended hours: 17:15-19:00 on the first workday of the week  
 Weekend consultations: 9:30-16:00 every 2nd Saturday of the month  
 \* “Extended hours” and “weekend consultations” are not available from some pension consultation centers.  
 \* Not available on holidays (excluding the 2nd Saturday of the month) and the period between December 29 and January 3.
- [2] Nenkin Dial  
 Reception hours: 8:30-19:00 Monday  
 8:30-17:15 Tuesday-Friday  
 9:30-16:00 every 2nd Saturday of the month  
 \* Consultations available until 19:00 the first following workday if Monday is a holiday.  
 \* Not available on holidays (excluding the 2nd Saturday of the month) and the period between December 29 and January 3.
- [3] Telephone Service for Nenkin Teiki Bin and Nenkin-Net  
 Reception hours: 9:00-20:00 Monday-Friday  
 9:00-17:00 every 2nd Saturday of the month  
 \* Not available on holidays (excluding the 2nd Saturday of the month) and the period of between December 29 and January 3.

### 3. Items necessary in receiving consultations

You are hereby requested to bring something you can use to confirm your identity such as documents sent to insured persons from the Japan Pension Service, including pension handbooks, pension certificates, and notifications on revision of payment, etc. when coming to receive a pension consultation.

In addition, also bring along some documents recently sent by a pension office or the Headquarters of Japan Pension Service.

Furthermore, in order to avoid exploitation of items issued at reception counters the identity of the insured person himself/herself or his/her agent has to be confirmed using a facial photograph.

### 4. Consultations for family members, etc. of the insured person

Pension consultations are available to family members or friends of the insured person if they have commissioned them to do so. In that case a written commission document of the insured person needs to be presented.

There is no specific form for the commission. The following information should appear on the form, along with the authenticated signature of the insured person: the basic pension number written on the pension handbook of the insured person, and his/her address, name, date of birth, and a description of the commission as well as the address, name of the delegated person and his/her relationship to the insured person.

In addition, an identification card or driver’s license (a copy will suffice for pension consultations on documents) of the delegate will need to be presented.

A sample commission form is available for download from the Japan Pension Service website (<http://www.sia.go.jp/>).

### [Major documents that can be used as identification]

| Identification cards considered adequate<br>(no additional identification required)  | Identification cards that require additional identification<br>(combination of those marked with different “o”)  |
|--|--|
| <ul style="list-style-type: none"> <li>○ Driver’s license (driving record certificate)</li> <li>○ Basic resident registration card (with photograph)</li> <li>○ Passport</li> <li>○ Certificate issued by a government or local government agency (with photograph)               <ul style="list-style-type: none"> <li>• Mariner’s pocket-ledger</li> <li>• Seaman’s competency certificate</li> <li>• Boat operator’s certificate</li> <li>• Certificates for hunting rifle/air gun possession</li> <li>• War injury and sickness certificates</li> <li>• Real-estate transaction specialist certificate</li> <li>• Electrician’s license</li> <li>• Radiotelephone operator license</li> <li>• Certified electrical engineer certificate</li> <li>• Electrical specialist certificate</li> <li>• Certificate of designated airworthiness inspector</li> <li>• Airman competence certificate</li> <li>• Passing certificate of aircraft dispatcher competence examination</li> <li>• Driver’s license for power vehicle operators</li> <li>• Qualification certificate from training and examinations</li> <li>• Passing certificate (passing certificate of security guards)</li> <li>• Physically disabled certificate</li> <li>• Rehabilitation certificate</li> </ul> </li> <li>○ Alien registration certificate</li> <li>○ Special permanent resident certificate</li> <li>○ Residence card</li> </ul> | <ul style="list-style-type: none"> <li>○ Insurance card (National Health Insurance, health insurance, Seamen’s Insurance, health insurance for elderly in the latter stage of life, Long-Term Care Insurance, or Mutual Aid associations)</li> <li>○ Certificates for public pensions (excluding corporate pension, fund) or public officers pension</li> <li>○ Pension handbook</li> <li>○ Notification on revision (issued by agencies)</li> <li>○ Basic resident registration card (with no photograph)</li> <li>○ Deposit passbook, cash card, or credit card of financial institution or Japan Post Bank</li> <li>○ Seal registration certificate</li> <li>○ Student identification card (with photograph)</li> <li>○ Identification card issued by the government, a local government, or juridical person (with photograph)</li> <li>○ Certificate issued by the government or a local government (with photograph but excluding those in the left column)</li> </ul> |

\* “Alien registration certificates” shall be deemed equivalent to special permanent resident certificates or residence cards for a certain period (until July 8, 2015 at the latest).

## 5. Pension consultations over the phone

Consultations over the phone are limited to the insured person himself/herself.

However, inquiries on the content of notifications sent by the Japan Pension Service, etc. are available to relatives within the second degree of kinship provided that the insured person himself/herself would otherwise have difficulty directly making the consultation.

You are hereby requested to prepare items such as the pension handbook, pension certificate, and payment notice in advance as the following information shall be requested for a pension counseling over the phone in thus confirming the identity of the person wanting the consultation.

- In case the person wanting the consultation is the insured person:

Basic Pension Number, name, date of birth, address, etc.

- In the case of the person arranging the consultation being a relative of the insured person within a second degree of kinship (or their spouse) or a relative that they live with:

In addition to the above the Basic Pension Number, name, date of birth, address, relationship, and telephone number of the relative or spouse arranging the consultation, along with the reason that the insured person cannot come to the consultation themselves, etc.

It would be helpful if you would summarize and note the matters involved in the consultation and advance.

## List of Established Pension Counseling Centers

(As of June 2014)

| Prefecture | Center name          | Address  |
|------------|----------------------|--|
| Hokkaido   | Sapporo Ekimae       | Huyrikku NORTH 33 Bldg. 3F, 3-chome, Nishi, Kita 3-jo, Chuo-ku, Sapporo City               |
|            | Asabu                | 4-chome, Nishi, Kita 38-jo, Kita-ku, Sapporo City  |
| Iwate      | Morioka (Office)     | Seventy-seven-Nissei Morioka Bldg. 4F, 3-3-10, Odori, Morioka City                         |
| Miyagi     | Sendai               | Sendai Park Building 2F, 3-6-1, Kokubun-cho, Aoba-ku, Sendai City                          |
| Akita      | Akita (Office)       | Akita base center ALVE 2F, 4-1 Higashidorinaka-machi, Akita City                           |
| Yamagata   | Sakata               | Sakata Honmachi Bldg. 1F, 2-5-19, Nakamachi, Sakata City                                   |
| Fukushima  | Fukushima            | i*s*M37 2F, 7-5, Kitagorouuchi-machi, Fukushima City                                       |
| Ibaraki    | Mito                 | Sumitomo Life Insurance Mito Bldg. 1F, 3-4-10, Minami-machi, Mito City                     |
|            | Tsuchiura            | Sumitomo Life Insurance Tsuchiura Bldg. 3F, 1-16-12, Sakura-machi, Tsuchiura City          |
| Gunma      | Maebashi             | Gunma Prefecture JA Bldg. 3F, 1310, Kamesato-machi, Maebashi City                          |
| Saitama    | Omiya                | Omiya Nishiguchi Daiei Bldg. 3F, 2-287, Sakuragi-cho, Omiya-ku, Saitama City               |
|            | Kawaguchi            | Kawaguchi Center Bldg. 13F 4-1-8, Hon-cho, Kawaguchi City                                  |
|            | Kawagoe (Office)     | Kawagoe Station Bldg. 8F, 16-23, Wakitahon-cho, Kawagoe City                               |
| Chiba      | Chiba                | Sunlight Bldg. 1F 4-22, Nitta-cho, Chuo-ku, Chiba City                                     |
|            | Funabashi            | FACE Bldg. 7F, 1-3-1, Hon-cho, Funabashi City  |
|            | Kashiwa              | Kashiwa Higashiguchi Kaneko Bldg. 1F, 4-8-1, Kashiwa, Kashiwa City                         |
| Tokyo      | Ichikawa (Office)    | Aiai Bldg. 3F, 1-7-6, Ichikawa, Ichikawa City  |
|            | Shinjuku             | Matsuoka Central Bldg. 8F, 1-7-1, Nishi-Shinjuku, Shinjuku-ku                              |
|            | Machida              | Pario Bldg. 5F, 1-15-13, Morino, Machida City  |
|            | Tachikawa            | SUZuharu Bldg. 6F, 2-7-16, Akebono-cho, Tachikawa City                                     |
|            | Kokubunji            | Kokubunji Terminal Bldg. 8F, 3-20-3, Minami-cho, Kokubunji City                            |
|            | Omori                | Toshin Bldg. 5F, 2-8-26, Sanno, Ota-city   |
|            | Hachioji (Office)    | FT Bldg. Hachioji 3F, 22-1, Yokoyama-cho, Hachioji City                                    |
|            | Adachi (Office)      | Royal Ayase 2F, 2-24-1, Ayase, Adachi-ku   |
|            | Edogawa (Office)     | Kotsu Kaikan Ichinoe Bldg. 3F, 8-14-1, Ichinoe, Edogawa-ku                                 |
|            | Nerima (Office)      | WICS bldg. 1F, 6-52-1, Higashi-oizumi, Nerima-ku   |
| Kanagawa   | Musashino (Office)   | Mitaka Yamada Bldg. 3F, 1-6-4, Naka-cho, Musashino City                                    |
|            | Koto (Office)        | Nihon Seimei Kameido Bldg. 5F, 2-22-17, Kameido, Koto-ku                                   |
|            | Yokohama             | Sky Bldg. 18F, 2-19-12, Takashima, Nishi-ku, Yokohama City                                 |
|            | Totsuka              | N0.5 Yoshimoto Bldg. 3F, 498-11, Kamikurata-cho, Totsuka-ku, Yokohama City                 |
|            | Mizonokuchi          | Nocti Plaza 1 10F, 1-3-1, Mizonokuchi, Takatsu-ku, Kawasaki City                           |
|            | Sagami Ono           | Odakyu Sagami Ono Station Square.2-Bankan, Miro-do 1F, 3-8-1, Sagami Ono, Sagami-hara City |
| Niigata    | Fujisawa (Office)    | Fujisawa Morii Bldg. 6F, 496, Fujisawa, Fujisawa City                                      |
|            | Atsugi (Office)      | MY Atsugi Bldg. 6F, 3-11-18, Naka-cho, Atsugi-City   |
| Toyama     | Niigata              | Current Sakura Bldg. 1F, 5-1-35, Yoneyama, Niigata City                                    |
| Ishikawa   | Toyama               | Urban Place Bldg. 1F, 18-7, Ushijima-cho, Toyama City                                      |
| Nagano     | Kanazawa             | 1-17-30, Naruwa, Kanazawa City   |
| Gifu       | Nagano               | Sanno Bldg. 1F, 45-1, Nakaqosho, Nagano City   |
|            | Gifu                 | Orchid Park West Wing 3F, 2-23, Koran, Gifu City   |
| Shizuoka   | Shizuoka             | South Pot Shizuoka Bldg. 2F, 18-1, Minami-machi, Suruoa-ku, Shizuoka City                  |
|            | Numazu               | Nissei Star Bldg. 4F, 3-8-23, Ote-machi, Numazu City                                       |
|            | Hamamatsu (Office)   | Sala-Plaza Hamamatsu 5F, 200 Nishizuka-cho, Higashi-ku, Hamamatsu City                     |
| Aichi      | Nagoya               | Imon Nagoya Bldg. 2F, 1-16, Tsubaki-cho, Nakamura-ku, Nagoya City                          |
|            | Chikusa              | Sumitomo Life Insurance Chikusa Bldg. 6F, 3-15-31, Aoi, Higashi-ku, Nagoya City            |
| Mie        | Tsu (Office)         | Morinaga Mie Bldg. 1F, 4-1, Marunouchiyousei-cho, Tsu City                                 |
| Shiga      | Otsu                 | Shiga Bldg. 8F, 1-3-10, Bairin, Otsu City  |
| Kyoto      | Uji                  | 54-2, Nishiura, Hirono-cho, Uji City   |
|            | Kyoto (Office)       | Mew Hankyu Katsura (EAST) 5F, 17 Katsuranozato-cho, Sakyo-ku, Kyoto City                   |
| Osaka      | Tennoji              | ACTY Tennoji 2F, 10-17, Minami Kawabori-cho, Tennoji-ku, Osaka City                        |
|            | Suita                | Merode Suita 2-bankan 10F, 1-3-1, Katayama-cho, Suita City                                 |
|            | Sakai-Higashi        | Sakai-Higashi Hachiko Bldg. 7F, 1-1-21, NakaKawara-machi, Sakai City                       |
|            | Hirakata             | Urban Ace Hirakata Bldg. 2F, 5-23, Oka Higashi-cho, Hirakata City                          |
|            | Joto                 | Toyo Plaza Gamo Bldg. 1F, 1-8-24, Chuo, Joto-ku, Osaka City                                |
|            | Higashi Osaka        | NTT Nishi Nippon Higashi Osaka Bldg. 1F, 1-18-12, Eiwa, Higashiosaka City                  |
|            | Toyonaka             | The south of store under Toyonaka elevated block 1F, 1-1-3, Hon-machi, Toyonaka City       |
| Hyogo      | Nakamozu             | Sakai Chamber of Commerce and Industry 1F, 130-23, Nagasone-cho, Sakai City                |
|            | Kita Suma            | Myodani Center Bldg. 7F, 2-2-5, Nakaochiai, Suma-ku, Kobe City                             |
|            | Amagasaki            | Tsukaguchi Sun SunTown 2-Bankan 2F, 2-1-2-208, Minami-Tsukaguchi-cho, Amagasaki City       |
|            | Himeji               | Neo Office Himeji Minami 1F, 2-53, Nounen-cho, Himeji City                                 |
| Nara       | Nishonomiya (Office) | ACTA Nishinomiya East Bldg. 1F, 1-2, Kitaguchi-cho, Nishinomiya City                       |
| Okayama    | Nara                 | Shinomiya Center Bldg. 1F, 4-281 Omiya-cho, Nara City                                      |
| Hiroshima  | Okayama              | 4-55, Showa-cho, Okayama City  |
|            | Hiroshima            | Hiroshima Intesu Bldg 1F, 10-10, Hashimoto-cho, Naka-ku, Hiroshima City                    |
| Yamaguchi  | Fukuyama             | Esutoparuku 6F, 1-21, To-o-cho, Fukuyama City  |
|            | Hofu                 | Hofu Hirofusa No.3 Bldg. 3F, 1-8-25, Ebisu-machi, Hofu City                                |
| Kagawa     | Takamatsu (Office)   | Kagawa Sanyu Bldg. 5F, Kajiya-machi 3, Takamatsu City                                      |
| Ehime      | Matsuyama (Office)   | Nihon Seimei Matsuyama Station Building 5F, Hanazono-machi 1-3, Matsuyama City             |
| Fukuoka    | Kitakyushu           | Kurosaki Techno-plazal 1F, 2-1, Nishimagari-cho, Yawatanishi-ku, Kitakyushu City           |
| Saga       | Tosu (Office)        | Tosu City Office East Annex 1F, 1118, Shuku-machi, Tosu City                               |
| Kumamoto   | Kumamoto             | Taiyo Life Insurance Kumamoto No.2 Bldg. 3F, 4-1, Hanabatake-cho, Kumamoto City            |
| Oita       | Nakatsu (Office)     | Nakatsu City Office Annex 2F, 14-3, Toyoda-machi, Nakatsu City                             |
| Kagoshima  | Kagoshima (Office)   | Nansei Izuro Bldg. 6F, Daikoku-cho 2-11, Kagoshima City                                    |

\* The Pension Consultation Center is run by All Japan Federation of Certified Social Insurance and Labour Consultation Associations as the "Pension Consultation Center on the Street Corner".

# Structural Reform of the former Social Insurance Agency

## Overview

### Abolition of the former Social Insurance Agency and Establishment of Two New Corporations of Non-Government Employee Type

#### [Services of the Nation]

- \* Financial and management responsibilities of public pension belong to the head office of the Ministry of Health, Labour and Welfare
- \* Supervision of medical facilities that provide insured services belongs to Regional Bureaus of Health and Welfare
- \* Compulsory collection from heinous delinquents can be delegated to the National Tax agency

#### [Present]



→ (January 2010)

#### [New organization]



Engage in operation services of public pension (application, collection, record keeping, counseling, judging, payment, etc.)  
\* Promote entrusting to private businesses, etc.

→ (October 2008)



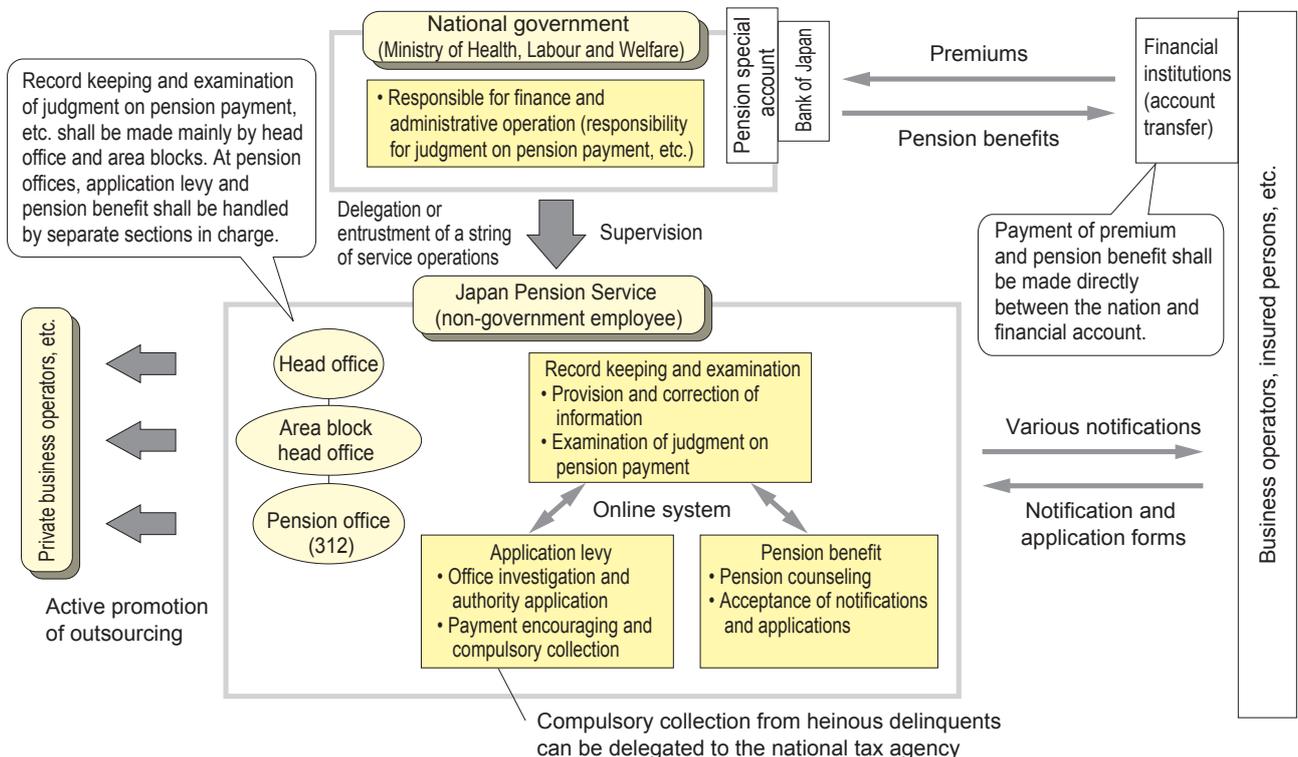
Engage in health insurance services (employees of small and medium enterprise)

Hereafter ...



|  |   |   |
|--|---|---|
| <p><b>1. "Officials" will change</b></p> <p>Officials of the two new corporations are not government but private employees.</p> <p>Carry out through changes in the consciousness of staff by human resources management based on ability and achievement.</p> | <p><b>2. "Services" will change</b></p> <p>Enhance service improvement by providing simple and user-friendly notice, telephone counseling, internet information service and others.</p> | <p><b>3. "Way of work" will change</b></p> <p>Enhance appropriate and effective operation of business such as renewal of outdated computer system, various checking structures, clerical process intensification, outsourcing and others.</p> |
|--|---|---|

### Japan Pension Service



# Points of Basic Plan for Immediate Service Operation of Japan Pension Service

- Abolish Social Insurance Agency and newly establish Japan Pension Service
- Determine a basic plan regarding immediate service operation of Japan Pension Service, in accordance with the provisions of Article 3 of the Supplementary Provisions of the Japan Pension Service Act, on the basis of final organizing by the public pension service and organizational renewal council, which is established in the cabinet secretariat.

## 1. Structure of the organization

- Force through a reform that sweep problems related to organizational structure and constitution by establishing department and the like that will handle internal control, internal audit and legal compliance.
- Establishing IT system is one of the high-priority issues. Authority, responsibility and human resources for clerical work regarding system development, administration and operation shall be centralized to Japan Pension Service. The nation will make necessity minimum engagement.
- Formulating a rule for leader development by collective recruitment at head quarter and nation-wide transfer, to sweep an issue of three-layer recruitment structure. Chief of pension offices shall be selected from competent young and middle career staff, being regarded as a post to be early experienced by future officer candidates. Recruitment of external personnel shall be actively carried out.
- In the case that a person from the Health, Labour and Welfare Ministry is appointed to officer or senior executive of the Japan Pension Service, basically no-return-rule shall be applied.

## 2. Basic idea of outsourcing promotion of business

- In addition to current services, outsourcing shall be newly made on these; primary screening of notification, etc., telephone inquiry about employees' pension and health insurance, encouraging exemption for national pension, encouraging payment of employees' pension, operation of pension counseling centers, back-office operation.
- Regarding public biddings and contracts, precise preliminary review and strict examination by inspector and accounting auditor shall be made.
- To construct an outsourcing management system, establish a section in charge of outsourcing and carry out monitoring, etc.
- Perform adequate information keeping regarding outsourcing. With regard to information of the outsourcing place concerning entrusted works, strive to fulfill disclosure of official information that follows an object of The Access to Government Information Act.
- Make positive use of comprehensive outsourcing, multi-year contract and others so that operations become easier to be entrusted by vendors.

## 3. Basic idea of staff adoption

- Members, etc. of a council for recruitment of official are all personnel from private sector. At screening, interview shall be required as far as it is necessary.
- For a recovery of trust in public pension service, a reprimanded person cannot be hired as neither full-time employee nor fix-time employee.
- In determination of adoption judgment of the Social Insurance Agency Staff, the council for recruitment of official shall examine results of personnel evaluation. Eventually the judging shall be made by the council itself.
- Among services assumed by permanent staff of Social Insurance Agency, personnel equivalent to the amount of works supposed to be reduced after establishment of the Japan Pension Service, shall be hired as fixed-term employee.
- Shifting fixed-term employee to full time employee is possible, even in this case, recruitment examination shall be carried out fairly and strictly by the Japan Pension Service.

## 4. Number of Necessary Staff of the Japan Pension Service

|   | Full time employee  | Fixed-term employee  | Total          |
|---|---|--|----------------|
| As of the foundation<br>(January 2010)  | Approx. 10,880<br>(approx. 1,000 are recruitment<br>from the outside) | Approx. 6,950<br>(approx. 1,400 are fixed-term<br>employees shifted from scheduled<br>number of reduction) | Approx. 17,830 |
| As of the time the reform is<br>accomplished (2 years after<br>the achievement of system<br>renovation) | Approx. 10,770  | Approx. 3,700  | Approx. 14,470 |

- Regarding the response to the pension record problems, assigned staff shall basically cope with it. Even in case there is a difficulty, it shall be handled by utilizing outsourcing, fixed-term employee and others as much as possible.