

THE POINT OF THE PENSION PLAN



Ministry of Health, Labour and Welfare
Pension Bureau

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*The information in this brochure is correct as of June 1, 2010.

Chapter 1 Significance and Role of Public Pensions

1 Aging society with declining birthrate

Japan's average life expectancy has now reached the world's number one level. In the population structure, there is a higher proportion of elderly people while the number of newborn babies is decreasing, and that declining birthrate is continuing. The total population as of October 1, 2008 according to the "Population Estimates Year- book 2009" of the Ministry of Internal Affairs and Communication (which was

announced in April 2010) is 127,510,000, representing a 180,000 decrease in comparison with the population as of October 1, 2008 according to said survey, which shows that Japan is now obviously becoming a "population decreasing society".

<Table1-1>Movement and prospects of percentage of over 65 years population

	over 65 years population/ total population	over 65 years population/ population of over 20 but younger than 65 years
1960	5.7%	10.6% (one per 9.5 persons)
1970	7.1%	11.7% (one per 8.5 persons)
1980	9.1%	15.1% (one per 6.6 persons)
1990	12.0%	19.6% (one per 5.1 persons)
1995	14.5%	23.2% (one per 4.3 persons)
2000	17.3%	27.9% (one per 3.6 persons)
2005	20.2%	33.1% (one per 3.0 persons)
2009	22.7%	38.5% (one per 2.6 persons)
2030	31.8%	58.2% (one per 1.7 persons)
2055	40.5%	85.0% (one per 1.2 persons)

(Source) Statistics Bureau of the Ministry of Internal Affairs and Communication "National Census", "Population Estimates" National Institute of Population and Social Security Research, "Japan's Future Population Estimates"(Estimate at December 2006)

<Table 1 - 2> Movement of Average Life Expectancy
(Unit: Year)

	Average Life Expectancy	
	Male	Female
1960	65.32	70.19
1970	69.31	74.66
1980	73.35	78.76
1990	75.92	81.90
1995	76.38	82.85
2000	77.72	84.60
2005	78.53	85.49
2008	79.29	86.05

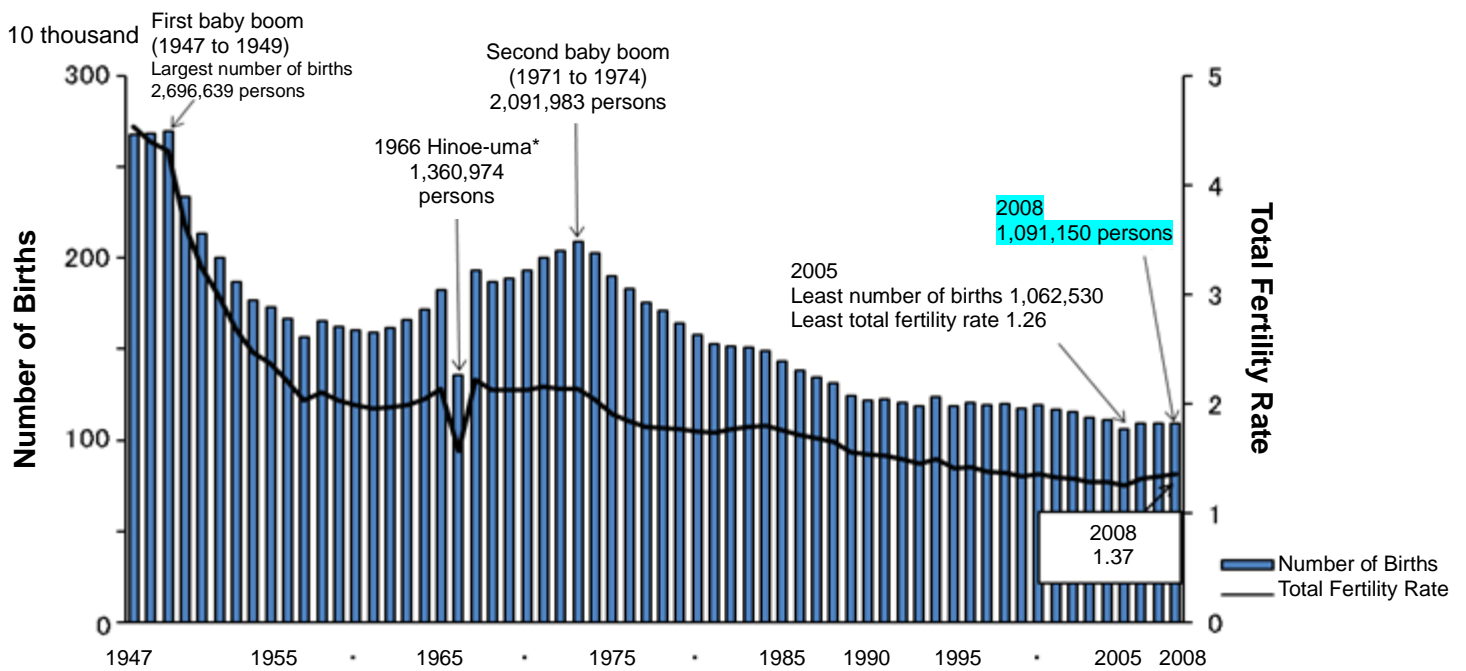
(Source) Statistics and Information Department of the Ministry of Health, Labor and Welfare, "Simple Life Table 2008"

<Table 1 - 3> International Comparison of Average Life Expectancy
(Unit: Year)

Country	Basic Period for Preparation	Average Life Expectancy	
		Male	Female
Japan	2008	79.29	86.05
U.S.A.	2006	75.1	80.2
Israel	2007	78.8	82.5
Korea	2007	76.15	82.7
France	2008	77.5	84.3
Iceland	2008	79.6	83.0
Italy	2006	78.44	83.98
Norway	2008	78.31	82.95
Sweden	2008	79.10	83.15
Switzerland	2007	79.4	84.2
Australia	2005-2007	79.0	83.7

(Source) Statistics and Information Department of the Ministry of Health, Labor and Welfare, "Average Life Expectancy of Japanese People"

Figure 1 Movement by Year of the Number of Births and Total Fertility Rate



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* The year 1966 fell under Hinoe-uma (which literally means fire and horse based on the Chinese calendar: there was a superstition that women born in this year were of strong personality and killed their husband: therefore, people avoided having babies this year).

2 Role of public pensions

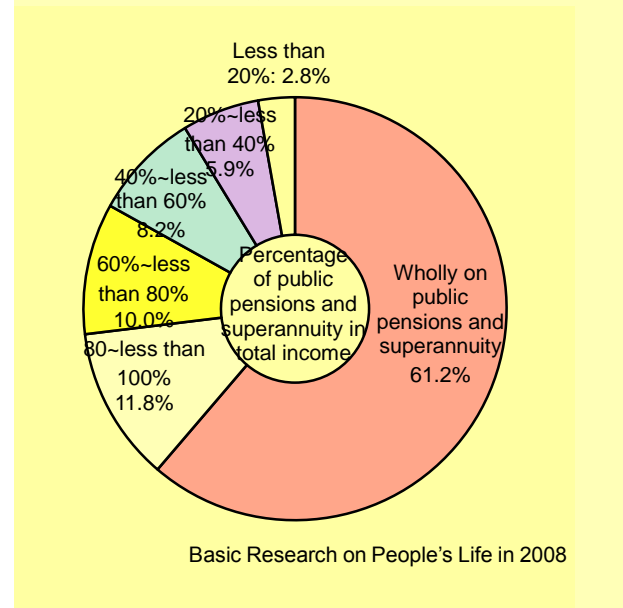
In addition to the extension of the senior life period of the people due to the increase in longevity, as a result of the following:

- Change in industrial structure (industrialization, etc.);
- Urbanization;
- Change in family type (households);
- Change in peoples' consciousness

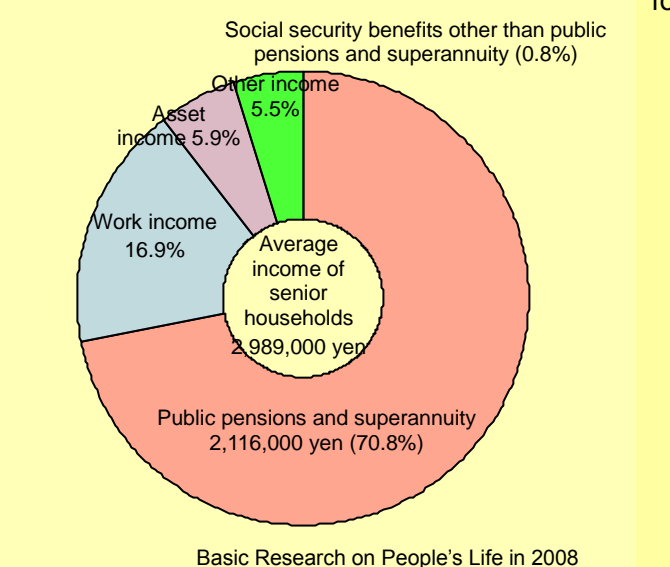
it has become difficult to live a senior life only on private support such as sending of money by one's children.

In such a situation, public pensions account for about 70% of the income of senior households, and one out of four of the population receives a pension. Now, it is fixed as a pillar of senior life, and plays an indispensable role in the life of the people.

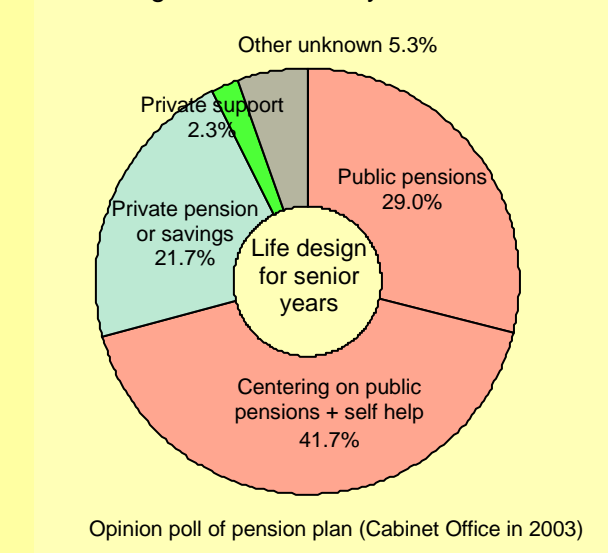
<Table 1- 6> 60% of senior households live on pension income only.



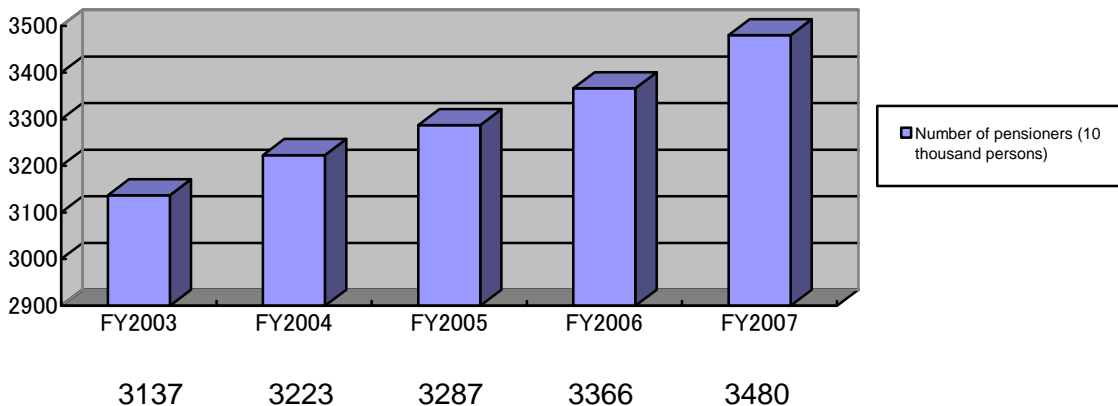
<Table 1- 5> Pension accounts for 70% of income of senior households.



<Table 1- 7> 70% of persons rely on pensions for life design of their senior years.



<Table 1 - 8> One out of four of the population receives a pension.



3 Basic concept of public pensions

(1) Mechanism of inter-generational support

Public pensions are built on “mutual support by generations”, the mechanism of inter-generational support, where pension benefits for present-day seniors are afforded by premiums paid by present working generations, not on the formula where premiums paid by individuals are accumulated and returned to the individuals with operating profit (= accumulation formula).

It is the mechanism of inter-generational support that makes the following possible:

- Sliding of the amount of benefit according to wages or prices
- Payment of lifelong pension until the death of beneficiaries
- Payment of disability and survivors pensions in cases of emergency

(2) Relationship of benefits and contributions over generations

Sometimes, the opinion is heard about public pensions that “as the amount paid is not returned, the contributions are nothing but a loss”.

Considering that public pensions are a mechanism of inter-generational support, gain or loss at the individual level should actually not be

taken into account, and it is necessary to note that the discussion of equality and inequality based only on the relationship of benefit and contribution in public pensions is not appropriate.

(3) Merit of public pensions

Public pensions by the mechanism of inter-generational support have merits as stated in (1), and, as they are a public program, the following advantageous measures, which are not found in private pensions, are taken for them:

- State contribution is made to benefits;
- Premiums paid are deducted from income entirely for tax purposes (deduction of social insurance premium)

Private pensions (personal annuity or savings) play a role of supplementing public pensions and of dealing with diversified needs for the senior life of individuals. Income in old age should be secured based on public pensions, and by combining the both.

The public pension plan is actually not a matter to be discussed on gain or loss. Even if it dares to calculate, it is not a loss.

(Table 1-9) Benefit and contribution by generations (considering sliding of contributions and pensions)
[Employees' Pension Insurance (including Basic Pension)]

	Born in 1940	Born in 1950	Born in 1960	Born in 1970	Born in 2000
Contribution	9 million yen	12 million yen	18 million yen	24 million yen	42 million yen
Benefit	44 million yen	42 million yen	50 million yen	59 million yen	97 million yen
Ratio	5.1 times	3.4 times	2.8 times	2.5 times	<u>2.3 times</u>

[National Pension (Basic Pension)]

	Born in 1940	Born in 1950	Born in 1960	Born in 1970	Born in 2000
Contribution	3 million yen	5 million yen	7 million yen	10 million yen	17 million yen
Benefit	14 million yen	13 million yen	14 million yen	15 million yen	25 million yen
Ratio	4.5 times	2.7 times	1.9 times	1.6 times	<u>1.5 times</u>

(Note 1) It is assumed that contributions are paid for 40 years from 20 years old until 59 years old.

(Note 2) It is assumed that pensions are received from 65 years old until the average life expectancy at 60 years old (for the past the complete life table, and for the future life table in the "Population Projections for Japan"; in the case of the national pension, the average of males and females).

(Note 3) Contributions and pension benefits represent the present value (FY2009 level) discounted by using the price increase rate. (economic assumptions (2016 onwards); wage growth rate 2.5%, price increase rate 1.0%)

(Note 4) For [Employees' Pension Insurance (including Basic Pension)], benefits and contributions (paid as principal) in standard pension-receiving households are estimated

Chapter 2 Outline of Public Pension Plan

1 Plan system of public pensions

(1) Universal pension coverage

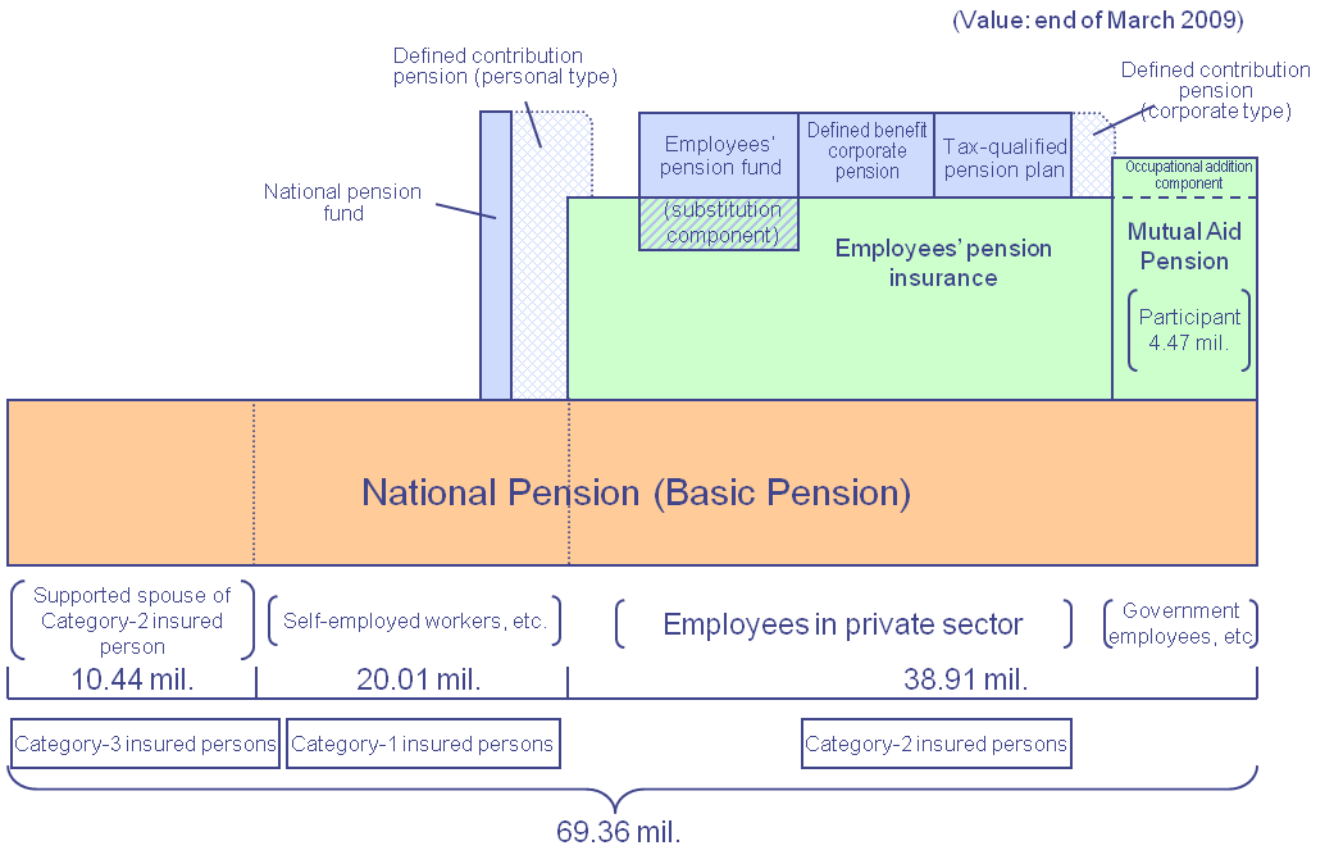
One of the characteristics of Japan's public pensions is that the system of "universal pension coverage" is adopted in which all people are covered by public pensions regardless of occupation, income or other factors. Such a system was established by the start of the national pension plan in 1961.

(2) "Two-story" plan system

Subsequently, the basic pension plan was introduced by a plan amendment in 1986.

Now, as a result, all working generations are insured by the national pension, and receive the benefits of a basic pension with a fixed amount according to their participation period when they become old. In addition, employees in the private sector, government employees or others participate in employees' pensions (mutual aid pensions), and receive an earnings-related pension, as a topping-up of the basic pension, according to their earnings and participation period in the past.

<Table 2-1> Breakdown of Public Pension Plan



* Category-2 insured persons means persons insured by the employees' pension (which includes Category-2 insured persons and persons who are 65 years or older, and have the right to receive pension benefit by reason of old-age or retirement).

<Table 2-2> Details of public pension plan

○ National pension plan

As of the end of FY2008 (end of March 2009)

Category	Number of insured persons [1]	Number of beneficiaries for old-age public pension [2]	Pension support ratio [1] [2]	Average monthly amount for old-age basic pension (excluding early/deferred payment)	Substantial total cost for expenditure	Reserve fund		Reserve ratio		Premium (April 2009)	Pensionable age for old-age pension
						Book value basis [Market value basis]	Book value basis [Market value basis]	Book value basis [Market value basis]	Book value basis [Market value basis]		
Category-1 insured person	10 thousand 2,001	10 thousand 2,690	2.55	10 thousand 5.8	trillion yen 4.2	trillion yen 7.7	trillion yen [7.2]	3.5	[3.6]	yen 15,100	65 years old
Category-2 insured person	3,809										
Category-3 insured person	1,044										
Total	6,853										
(Reference) Total number of public pension participants	6,936										

(Note) 1. In addition to the foregoing, the number of beneficiaries of the old-age welfare pension is 10,000.

2. Category-1 insured persons include voluntarily participating insured persons.

3. The number of beneficiaries of the old-age basic pension, etc., is obtained by adding the number of beneficiaries of the old-age pension under the former national pension law and the number of beneficiary being 65 years old or older of the old-age (retirement) pension of the former law under the employees' pension plan, to the number of beneficiaries of the old-age basic pension.

4. The average monthly amount of the old-age basic pension is the average monthly pension amount for the beneficiary of the old-age basic pension excluding early/deferred payment. In addition, the average monthly amount of the old-age basic pension that includes the amount of early/deferred payment for the beneficiary of the old-age basic pension and the beneficiary of the old-age pension under the former national pension law is 54,000 yen.

5. The substantially total cost for expenditure is obtained by adding the amount transferred into the basic pension account to the amount obtained by deducting the amount transferred from basic pension account from the payment cost.

6. The reserve fund (market value basis) is the result of evaluation of the investment performance of market investment portion, including the profit and loss pertaining to the assets succeeded from the former Pension Welfare Service Public Corporation, by the Government Pension Investment Fund. The allocation of the profit and loss pertaining to the succeeded assets to the employees' pension and the national pension is conducted according to the average outstanding of principal of reserve fund in the employees' pension and the national pension respectively.

7. The total number of participants of the public pension is the total of the insured person of employees pension and Category-2 and Category-3 insured person.

○ Employees' pension plan

As of the end of FY2008 (end of March 2009)

Classification	Number of covered persons [1]	Number of beneficiaries of old-age (retirement) pension (corresponding to old-age, retirement) [2]	Pension support ratio [1] [2]	Average monthly pension amount of old-age (retirement) pension (corresponding to old-age, retirement) (excluding early/deferred payment)	Substantial total cost for expenditure	Reserve fund		Reserve ratio		Premium rate (April 2009)	Pensionable age for old-age (retirement) pension (FY2009)
						Book value basis [Market value basis]	Book value basis [Market value basis]	Book value basis [Market value basis]	Book value basis [Market value basis]		
Employees' pension	10 thousand 3,444	10 thousand 1,324	2.60	10 thousand 16.4	trillion yen 34.1	trillion yen 124.0	trillion yen [116.6]	4.5	[4.6]	% 15.704	Earnings-related component Ordinary men · women 60 Miners · seamen 59 Fixed-amount component Ordinary men · women for mutual aid 64 Women for employees' 62 Miners · seamen 59
National Government Employees' Mutual Aid Association	105	67	1.58	21.9	2.0	8.6	[8.2]	6.3	[6.4]	15.154	
Local Government Employees' Mutual Aid Association	295	175	1.69	22.7	5.3	39.5	[36.2]	10.1	[10.0]	15.154	
Private School Teachers' and Employees' Mutual Aid Association	47	11	4.49	21.4	0.4	3.4	[3.2]	9.9	[9.8]	12.584	
Total	3,892	1,576	2.47	17.4	41.8	175.5	[164.2]	5.3	[5.3]	—	

(Note) 1. The number of beneficiaries of the old-age (retirement) pension and the monthly average pension amount for the employees' pension insurance includes the number and amount pertaining to beneficiaries that were confirmed in respect of mutual aid associations for Japan Rail, Nippon Telephone and Telegraph, Japan Tobacco and Agricultural, Forestry and Fishery Institutions Employees' before they were integrated into the employees' pension insurance.

2. The number of beneficiaries of the old-age (retirement) pension of mutual aid associations includes those pertaining to the actuarially reduced retirement pension (the same applies to those pertaining to the former 3 public corporations' mutual aid associations and the Forestry and Fishery Institutions Employees' Mutual Aid Association).

3. The average monthly pension amount of the old-age (retirement) pension includes the old-age basic pension. However, persons who selected early/deferred payment (including the actuarially reduced retirement pension) and persons who have reached the pensionable age of earnings-related component but not reached the pensionable age of fixed-amount component, are excluded.

4. The substantial total cost for expenditure is obtained by adding the basic pension contribution to the amount obtained by deducting the basic pension subsidy from the payment cost.

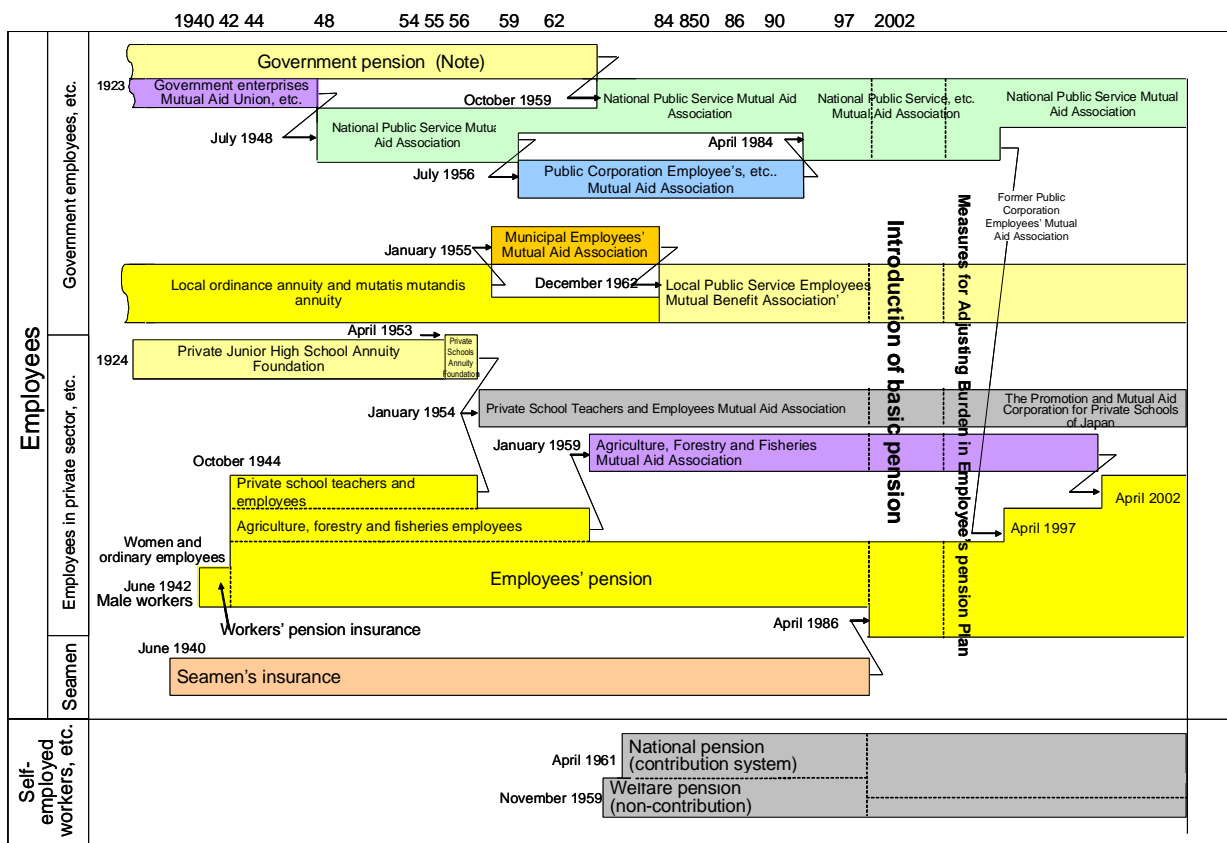
5. The premium rate for miners and seamen in employees' pension insurance is 16.448%.

6. The reserve fund of the employees' pension insurance does not include the reserve fund for the component for which the employees' pension fund substitutes.

7. The accumulated fund (market value basis) for employees' pension insurance is the result of evaluation of the investment performance of the market investment portion, including the profit and loss pertaining to the assets succeeding from the former Pension Welfare Service Public Corporation, by the Government Pension Investment Fund. The allocation of the profit and loss pertaining to the succeeding assets to the employees' pension and the national pension is conducted according to the average outstanding of the principal of reserve fund in the employees' pension and the national pension respectively.

8. Reserve ratio is an index that indicates the number of years in which substantial expenditure afforded by the premium contribution (excluding the component borne by national subsidies and public economy) are covered by

<Table 2-3> History of Public Pension Plan



(Note) The Navy Retirement Order was promulgated in 1875, the Army Annuity Order in 1876 and the Government Servant Annuity Order in 1884. These were integrated into the Military Personnel Annuity Law and the Government Servant Annuity Law in 1890, and further integrated into the Annuity Law in 1923.

<Table 2-4> History of Major Amendments to Pension Plan

Establishment of Plan	1942	Enactment of the Workers' Pension Insurance Act
	1944	Name was changed to the Employees' Pension Insurance Act
	1954	Overall amendment to the Employees' Pension Insurance Act
	1961	Full-fledged enforcement of the National Pension Act (universal pension coverage)
Enrichment of Plan	1965	¥10,000 pension
	1969	¥20,000 pension
	1973	¥50,000 pension; Introduction of price index adjustment system, Revaluation of pensionable remuneration
Response to Aging	1985	Introduction of the basic pension, optimization of benefit level, etc.
	1990	Start of cost burden adjustment project among employees' pensions
	1997	Raising of pensionable age for the employees' pension (fixed amount component), etc.
	1997	Integration of 3 mutual aids (JR Mutual Aid, JT Mutual Aid, NTT Mutual Aid) into the employees' pension
	2000	Optimization of benefit level of 5% for the employees' pension, and review of method of amending pension amount after confirmation of claim (from adjustment by wage to adjustment by prices), Raising of pensionable age for the employees' pension (fixed earnings-related component), etc.
	2002	Integration of Agricultural and Forestry Mutual Aid into the employees' pension
	2004	Step-by-step raising of premium rate with fixed ceiling, Introduction of adjustment by macro-economics, Raising of national subsidy percentage for the basic pension, Finite balance formula
2009	Realization of 50% national subsidy percentage for the basic pension	

2 Benefit of public pensions

<Table 2-5> Breakdown of pension amount for FY2009

Amount in [] is the amount converted into a monthly amount

	From April 2009
[National pension]	
Old-age basic pension	792,100 [66,008]
Disability basic pension(grade 1)	990,100 [82,508]
(grade 2)	792,100 [66,008]
Survivors' basic pension (1 child)	1,020,000 [85,000]
Basic	792,100 [66,008]
Supplementary	227,900 [18,992]
Old law 5 years pension	409,600 [34,133]
10 years pension	481,300 [40,108]
Disability pension (grade 1)	990,100 [82,508]
(grade 2)	792,100 [66,008]
Mothers' pension (1 child)	1,020,000 [85,000]
Basic	792,100 [66,008]
Supplement for widow	227,900 [18,992]
Old-age welfare pension	405,800 [33,817]
[Employees' pension]	
Standard pension amount	2,791,100 [232,592]
Old law Disability pension (Minimum guaranteed amount)	792,100 [66,008]
Old law Survivors' pension (2 children / Minimum guaranteed amount)	1,513,800 [126,150]
Basic	792,100 [66,008]
Supplement for widow	265,900 [22,158]
Supplement	455,800 [37,983]

<Table 2 - 6> Movement of recent adjustment by prices

Fiscal year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
National consumer price index vs. py (%)	Δ0.3	Δ0.7	Δ0.7	Δ0.9	Δ0.3	0.0	Δ0.3	0.3	0.0	1.4	Δ1.4	-
Adjustment ratio (%)	0.6	0.0	0.0	0.0	Δ0.9	Δ0.3	0.0	Δ0.3	0.0 (*)	0.0	0.0 (*)	0.0 (*)

←————→
Special measures for
adjustment by price index

- Exceptional measures, in which falling prices during FY1999 - 2001 were deferred, were taken for the pension amount for FY2000 – 2002 respectively (for aggregate minus 1.7%).
 - The 2004 adjustment specifies that, comparing the pension amount level for which falling prices are deferred (special level) with the original pension amount level if amended based on price index (original level), a higher pension amount is paid. For the pension amount in FY2009, the pension amount at the special level is paid, as the special level of deferred amount still exceeds the original level even if the original level is upwardly adjusted as stated in the following(*) (the pension amount at the special level is not upwardly adjusted if prices increase).
- * In FY2007, the pension amount was not adjusted as the fluctuation ratio of nominal take-home pay was 0.0%. Also, for FY 2009, the original level was adjusted by plus 0.9% as the fluctuation ratio of nominal take-home pay was plus 0.9. And, for FY 2010, the original level was adjusted by minus 2.6% fluctuation ration of nominal take-home pay was minus 1.4%.

3 Finance of public pensions

Revenue for Public Pension includes contributions, investment return from pension funds and the national subsidy (from tax revenue), and they cover the expenditure for public pension benefits.

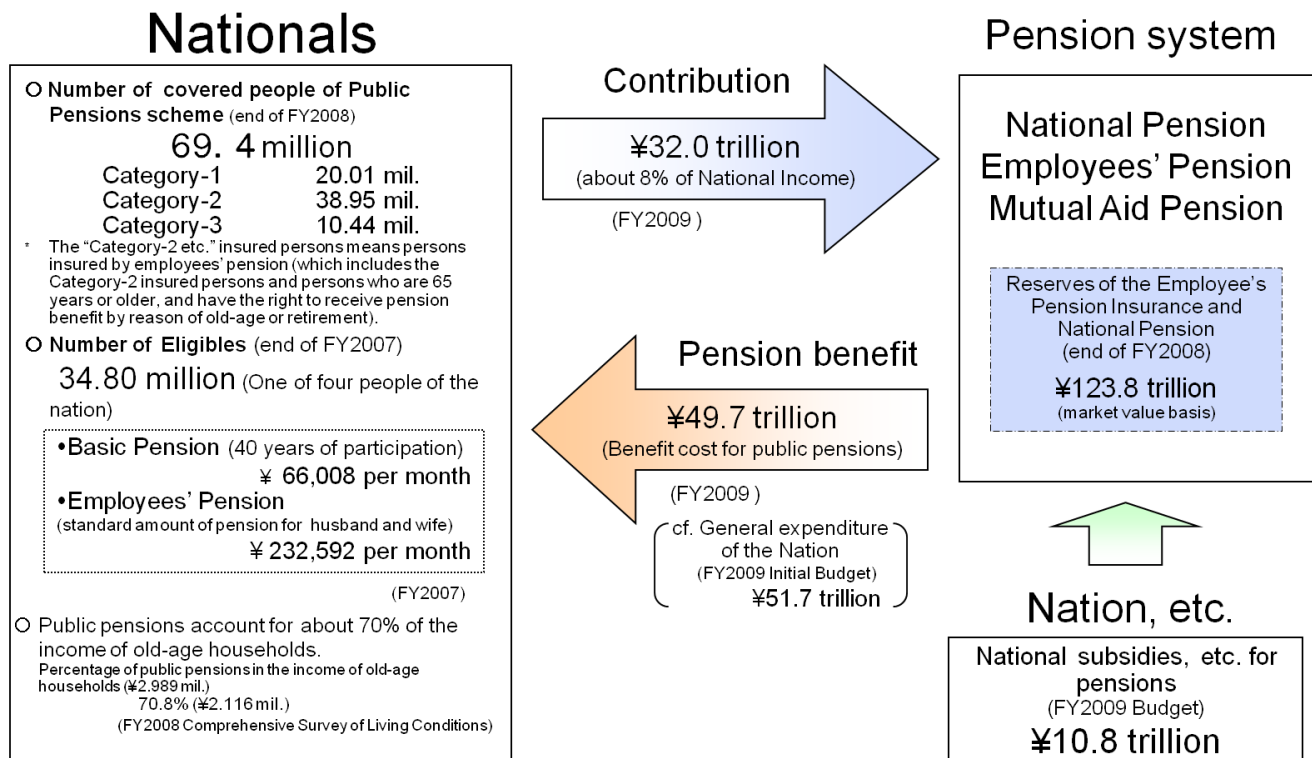
In particular, the Basic Pension which is common to all people has a mechanism in which the benefit fund each year is covered by the national subsidy and contributions borne equally by the respective system of the National Pension, Employees' Pension Insurance and Mutual Aid Associations Pension according to the number of participants.

With regard to this financing of public pensions, the **actuarial revaluation**, which has been done at least once every 5 years, considered long-term revenue and expenditure, tried to keep a balance, and reviewed benefits and costs as necessary until the 2004 Pension Reform.

The 2004 Pension Reform was undertaken to restore the sustainability of pension finances, which was to fix the contribution program, to introduce the automatic balancing mechanism, to re-define the period of financial equilibrium (around 100-year period) and to raise the national subsidy rate.

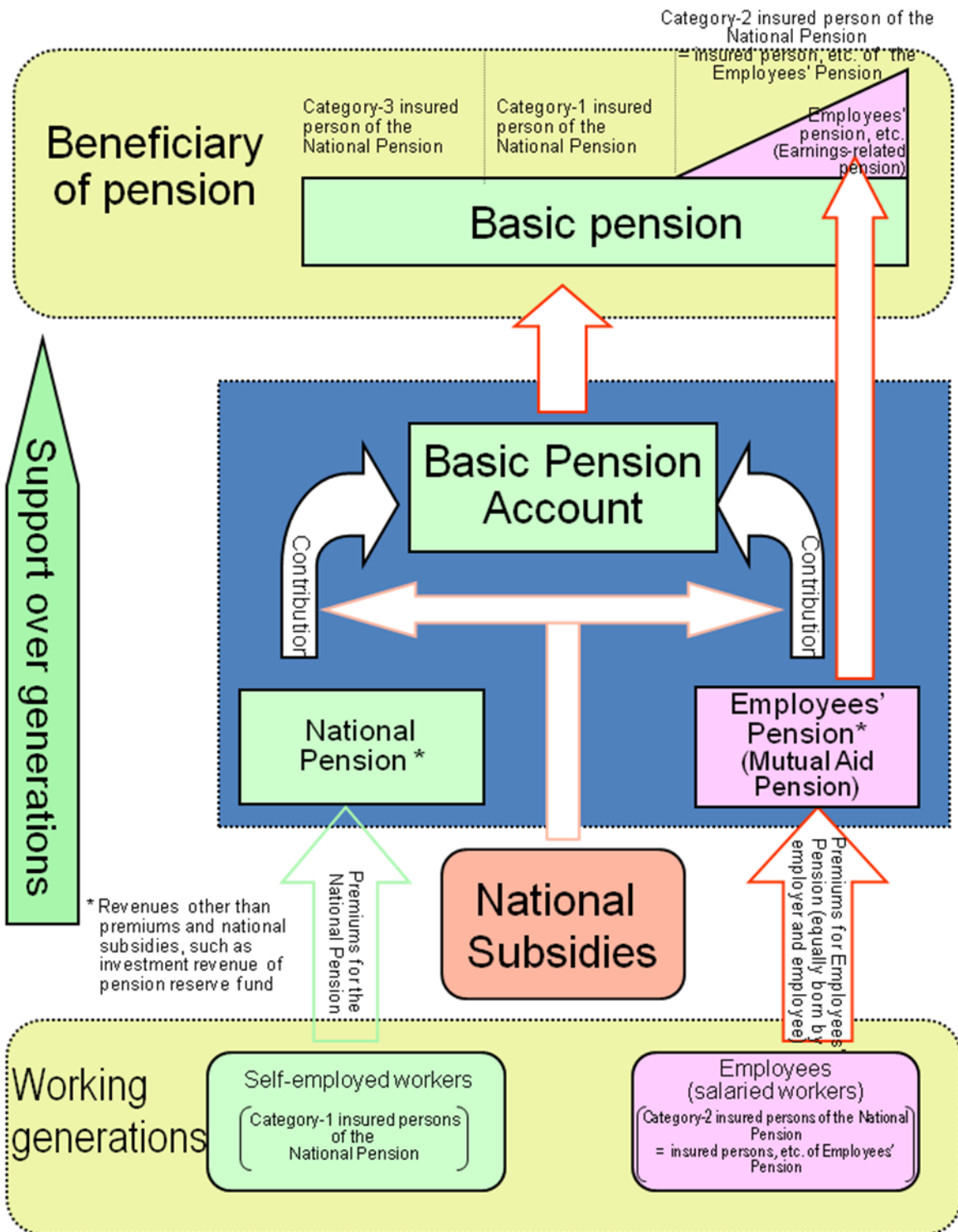
In this new pension system, the government should report "the current situation and future perspective of the financial conditions of the social security pension" at least once every five years instead of the previous **actuarial revaluation**.

<Table 2-7> Flow of funds in overall public pensions



* The national subsidy rate for the basic pension was raised to 50% from FY2009.

<Table 2-8>



Chapter 3 Coverage and Premium of Public Pensions

1 Coverage of public pensions

Persons under 70 years old employed by an establishment covered by the employees' pension are insured persons of the employees' pension. Also, public officials of the state and local municipal bodies and participants of the Private School Teachers' and Employees' Mutual Aid Association are association members, etc. of the mutual aid association. These employees in public and private sectors are, in principle, enrolled in the employees' pension or mutual aid pension (employees' pension) and, at the same time, are insured persons of the national pension (Category-2 insured persons).

Persons 20 years old or older and younger than 60 years old who are the spouse of a participant of the employees' pension and whose living is mainly supported by the income of the participant in the employees' pension are insured persons of the national pension (Category-3 insured persons).

Persons other than those in the foregoing categories, namely, self-employed workers or those engaging in agriculture, forestry or fisheries being 20 years old or older and younger than 60 years are insured persons of the national pension (Category-1 insured persons).

2 Premium of public pensions

Insured persons of the national pension (Category-1 insured persons) pay a premium of the specified amount every month to the national pension (¥15,100 for FY2010).

Insured persons of the employees' pension equally share the amount obtained by multiplying the specified premium rate (15.704% for the period from September 2009 until August 2010) on monthly paid salary or bonus with employers. Premiums of the employees' pension are payable by employers, and they pay premiums by withholding the amount to be borne by insured persons themselves from salary, etc., paid to employees.

Category-3 insured persons of the national pension do not pay premiums themselves. Premiums paid by their spouse are deemed to be paid jointly by the couple, and the cost of the basic pension to be paid to a Category-3 insured person in the future is afforded by the contribution from the plan in which their spouse is a participant.

Occupation, etc.		Participation plan	Premium
Self-employed workers, farmers, students, etc. (who are 20 years old or older and younger than 60 years old excluding the following)		National pension (Category-1 insured persons)	¥14,660 (per amount) *this is increased by ¥280 (price in FY2004*) each year and will be finally fixed at ¥16,900(*)
Employees	Persons under 70 years old employed by an establishment covered by the employees' pension (salaried workers or officer ladies, etc., in private sector)	National pension (Category-2 insured persons)	Employees' pension 15.704% of monthly income (which is shared equally by employees and employer): amount of contribution to be borne by the principal is 7.852%: *which is increased by 0.354% in September each year and will be finally fixed at 18.3%.
	Public officials, teachers and employees at private schools	National pension (Category-2 insured persons)	Mutual aid pension 12.230% - 15.154% of monthly income depending on mutual aid plan in which the principal participates (which is shared equally by employees and employer)
Housewives, etc. (spouse of an employee whose living is mainly supported by the income of the employee)		National pension (Category-3 insured persons)	Not required to pay premiums (premiums are paid by employees' pension plan in which the spouse participates (employees' pension or mutual aid pension))

* "Price in FY2004" represents the price on the basis of wage level in FY2004. The amount of premium actually imposed is obtained by multiplying the wage increase ratio until the imposition on the price in FY2004. The amount of the premium for the national pension in FY2010 is expected to be ¥15,100.

* Premium rate for the employees' pension for the period September 2010 to August 2011 is 16.058% (8.029% by the principal)

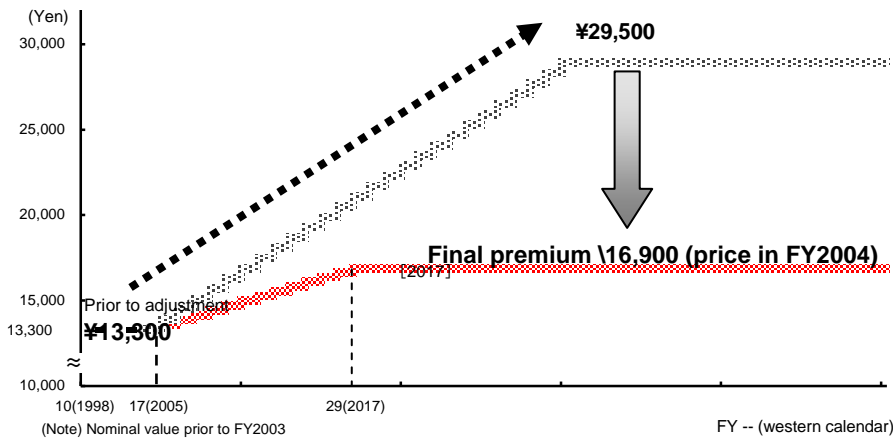
3 Fixing of premium level in the future

In the past, with respect to the setting of premiums (amount) of the national pension and employees' pension and based on the concept of the "stepwise premium", it was planned to raise premiums in the future by reviewing the benefit and contribution at the time of the financial revaluation which was

carried out at least once in 5 years so that the finance was balanced.

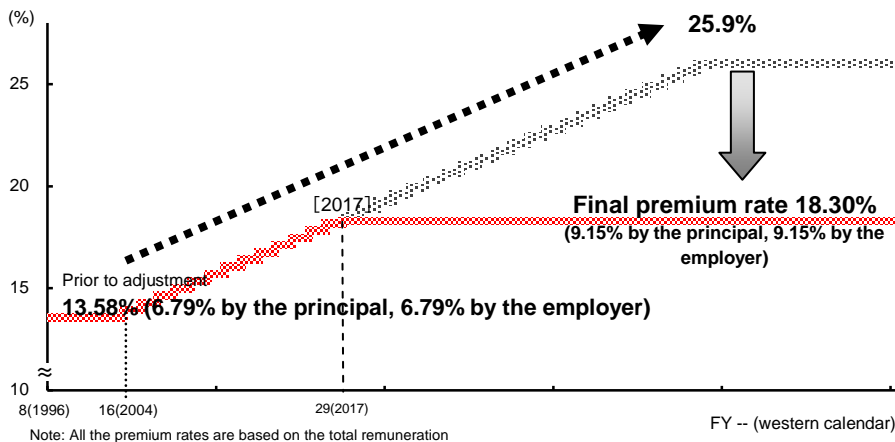
However, due to the rapid aging of the society, as it was felt that such a method would raise the premium limitlessly in the future, the 2004 adjustment of the pension plan adopted a new pension finance management method that fixed the premium level in the future while controlling future increases.

Premium of national pension



It was decided that the premium of the national pension would be raised by ¥280 (price in FY2004) each year from ¥13,300 in FY2004 and reach a ceiling of ¥16,900 (price in FY2004) in FY2017, and to maintain this level subsequently.
(Note) "Price in FY2004" represents the price on the basis of wage level in FY2004. The amount of premium actually imposed is obtained by multiplying the wage increase ratio until the imposition on the price in FY2004.

Premium rate for employees' pension



It was decided to raise the premium rate for employees' pension by 0.354% each year from 13.58% in 2004, to reach a ceiling of 18.3% in 2017, and to maintain said rate thereafter.

4 Exemption from contribution of premiums for national pension

Various persons are included in Category-1 insured persons of the national pension such as those who are deprived of their income by unemployment. As they are considered temporarily unable to pay the premium due to economic or other reasons, the national pension has detailed arrangements such as exemption of premium (subsequent payment may be made within the next 10 years)

Application for Exemption of Premium

If the income of the principal, head of a household or spouse in the previous year is less than the specified amount, the payment of a premium of 100%, 75%, 50% or 25% is exempted by application.

For the purpose of calculating the old-age basic pension amount, the period in which the exemption of premium by such application is granted is calculated as follows in comparison with the case of full payment:

<Period prior to March 2009>

100% exemption= 1/3, 75% exemption= 1/2, 50% exemption= 2/3, 25% exemption= 5/6

<Period after April 2009>

100% exemption= 1/2, 75% exemption= 5/8, 50% exemption=3/4, 25% exemption=7/8

Exempted premiums may be paid subsequently within the next 10 years.

● Criteria of income that is subject to exemption (FY2010)

	100% exemption	75% exemption	50% exemption	25% exemption
4 person household (husband, wife and 2 children)	¥1.62 mil.	¥2.30 mil.	¥2.82 mil.	¥3.35 mil.
2 person household (husband and wife only)	¥0.92 mil.	¥1.42 mil.	¥1.95 mil.	¥2.47 mil.
Single person household	¥0.57 mil.	¥0.93 mil.	¥1.41 mil.	¥1.89 mil.

Statutory exemption of premium

Those who fall under the following categories are exempted from premium payment obligation automatically without application:

- [1] Recipient of disability pension;
- [2] Those who receive livelihood assistance by the Livelihood Protection Law;
- [3] Those who are hospitalized in a leper house, etc.

For the purpose of calculating the old-age basic pension amount, the relevant period for which statutory exemption of premium is granted, is calculated in the same manner as the 100% exemption period.

The exempted premium may be paid subsequently within the next 10 years.

Further, the “Exceptional Plan for Payment by Students” is available for students, and the “Extension Plan for Payment by Young Persons” is available for Category-1 insured persons younger than 30 years old. In both plans for payment extension, the grace period is reflected into the qualification period of pension, but not in the calculation of pension amount.

Exceptional Plan for Payment by Students

Regardless of family income, if the income of a student himself/herself (who is enrolled in a university (graduate school), junior college, high school, specialized vocational high school, higher vocational school designated in the School Education Law and miscellaneous school or other educational institution designated by the School Education Law and similar to a higher vocational school) is less than the specified level (*), the payment of premium during the school period is extended.

The exempted premium may be paid subsequently within the next 10 years.

- * Income criteria for FY2010 (applicant itself only)
¥1.18 mil. + number of dependent family members × ¥0.38 mil. + social insurance premium withholding, etc.
The amount of income of family members is not queried.

Extension Plan for Payment by Young Persons

Regardless of the income of a head of a household living together, with respect to Category-1 insured persons younger than 30 years old, the payment of premium is extended if the income of the principal and his spouse is less than the specified level (*) (measures until June 2015).

The exempted premium may be paid subsequently within the next 10 years.

- * Income criteria (applicant himself and spouse)
(Number of dependent family members+1)× ¥0.35mil.+ ¥0.22mil.

Reference: Table of Monthly Amount of Pensionable Remuneration and Premium for Employees' Pension

The premium for employees' pension is stipulated to be calculated by using, in principle, the monthly amount of pensionable remuneration determined by the Minister for Health, Labor and Welfare on the basis of remuneration from April to June each year, for September of the year in question until August of the following year.

<Table 3-1>

Grade of Monthly Amount of Pensionable Remuneration	Monthly Amount of Pensionable Remuneration	Monthly Amount of Remuneration		Premium (monthly)		
				From September 2009 until August 2010 (15.704%)		
				Amount of premium	Amount to be borne by employee (to be equally shared by employer and employee)	
1	98,000	Equal to or more than -- yen	~	Less than -- yen 101,000	15,389.92	7,694.96
2	104,000	101,000	~	107,000	16,332.16	8,166.08
3	110,000	107,000	~	114,000	17,274.40	8,637.20
4	118,000	114,000	~	122,000	18,530.72	9,265.36
5	126,000	122,000	~	130,000	19,787.04	9,893.52
6	134,000	130,000	~	138,000	21,043.36	10,521.68
7	142,000	138,000	~	146,000	22,299.68	11,149.84
8	150,000	146,000	~	155,000	23,556.00	11,778.00
9	160,000	155,000	~	165,000	25,126.40	12,563.20
10	170,000	165,000	~	175,000	26,696.80	13,348.40
11	180,000	175,000	~	185,000	28,267.20	14,133.60
12	190,000	185,000	~	195,000	29,837.60	14,918.80
13	200,000	195,000	~	210,000	31,408.00	15,704.00
14	220,000	210,000	~	230,000	34,548.80	17,274.40
15	240,000	230,000	~	250,000	37,689.60	18,844.80
16	260,000	250,000	~	270,000	40,830.40	20,415.20
17	280,000	270,000	~	290,000	43,971.20	21,985.60
18	300,000	290,000	~	310,000	47,112.00	23,556.00
19	320,000	310,000	~	330,000	50,252.80	25,126.40
20	340,000	330,000	~	350,000	53,393.60	26,696.80
21	360,000	350,000	~	370,000	56,534.40	28,267.20
22	380,000	370,000	~	395,000	59,675.20	29,837.60
23	410,000	395,000	~	425,000	64,386.40	32,193.20
24	440,000	425,000	~	455,000	69,097.60	34,548.80
25	470,000	455,000	~	485,000	73,808.80	36,904.40
26	500,000	485,000	~	515,000	78,520.00	39,260.00
27	530,000	515,000	~	545,000	83,231.20	41,615.60
28	560,000	545,000	~	575,000	87,942.40	43,971.20
29	590,000	575,000	~	605,000	92,653.60	46,326.80
30	620,000	605,000	~		97,364.80	48,682.40

(Note) The premium rate for miners and seamen is 16.448%, and the premium pertaining to bonus is such an amount as is obtained by multiplying the amount obtained by cutting off a fraction less than ¥1,000 from the amount of bonus (standard amount of bonus has a ceiling of ¥1.50 mil. per month), by the premium rate.

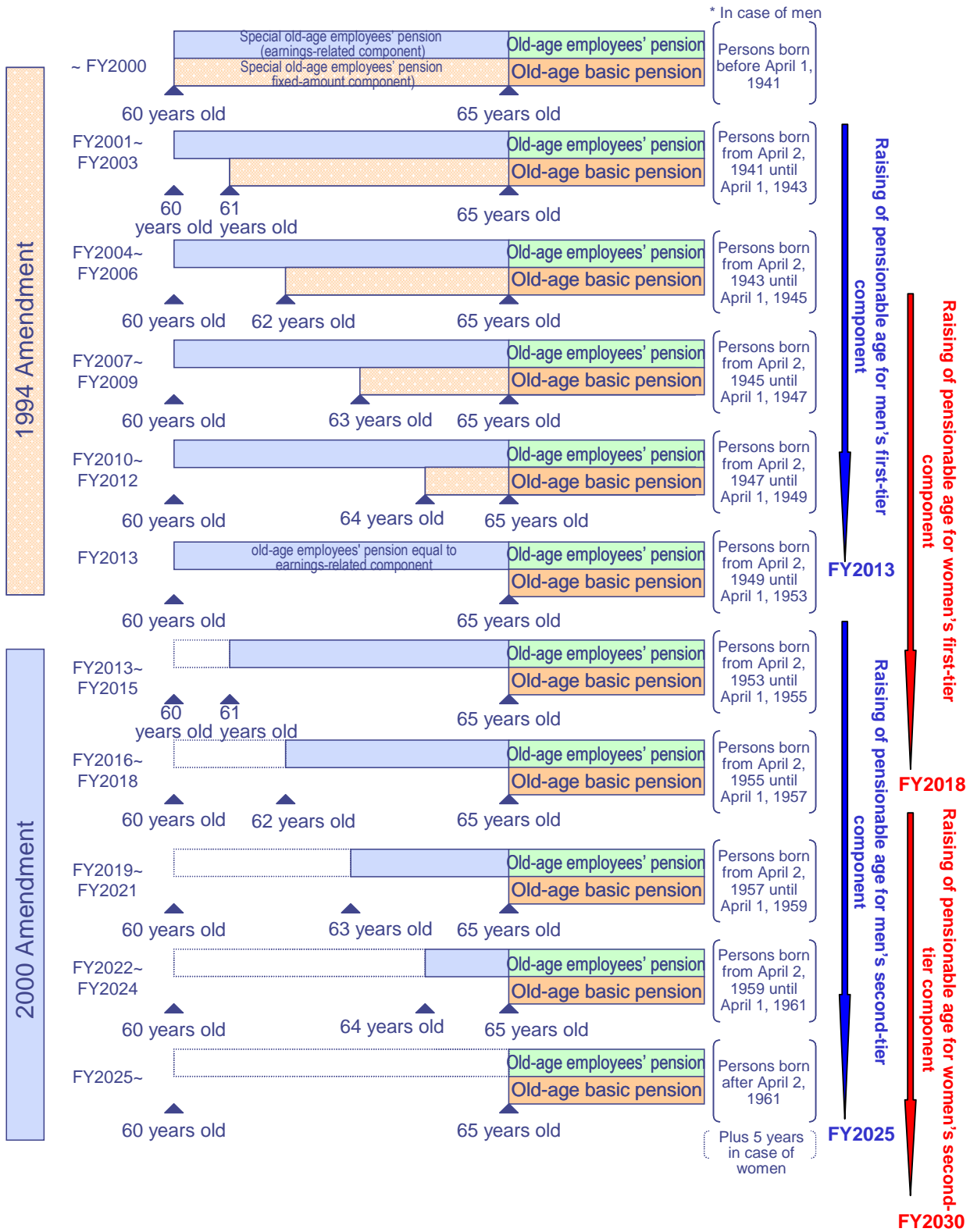
Chapter 4 Qualifications for Payment and Amount of Pension

1 Old-age basic pension, Old-age employees' pension

	Old-Age Basic Pension	Old-Age Employees' Pension																														
Qualifications for Payment	<p>(1) Period of qualification The total of the contribution-paid period and the contribution-exempt period is 25 years or longer (a period subject to aggregation for qualification is provided for which is not reflected in the amount of pension, but is aggregated into the period of qualification).</p> <p>(2) Pensionable age 65 years old (however, early payment from 60 years old and deferred payment after 66 years old may be applied for)</p>	<p>(1) Period of qualification Same as the old-age basic pension (if a person is qualified for the old-age basic pension, and if the person participates in the employees' pension even for one month, the person may receive this pension (provided, the person is required to participate in the employees' pension for more than one year in order to receive the old-age employees' pension in his early 60s).</p> <p>(2) Pensionable age Old-age employees' pension in early 60s: 60 years old (stepwise, raised by amendment in 1994 and 2000 (See Table 4-1)) Old-age employees' pension: 65 years old (provided, a person may apply for early payment from 60 years old or deferred payment after 66 years old)</p>																														
Amount of Pension (FY2009)	<p>Amount of pension = $792,100 \times \frac{((1)+(2)+(3)+(4)+(5))}{40 (\text{insurable period}^*) \times 12}$</p> <p>* The insurable period was shortened to 25 years for those who were born from April 2, 1926 until April 1, 1927, and subsequently shortened to 26 - 39 years according to date of birth for those who were born up to April</p> <p>(1) Number of contribution-paid months, (2) Number of contribution-100%-exempted months x 1/3 (x 1/2 for the period after April 2009), (3) Number of contribution-75%-exempted months x 1/2 (5/8), (4) Number of contribution-50%-exempted months x 2/3 (3/4), (5) Number of contribution-25%-exempted months x 5/6 (7/8)</p> <p>● Application for early payment and for deferred payment</p> <p>○ Persons who were born on and after April 2, 1941 (unit: month)</p> <table border="1"> <tr> <td> <p>Total early payment Rate of reduction = 0.5% x number of months from the month of application for early payment until the month previous to a month in which the person becomes 65 years old</p> </td> <td> <p>Application for deferred payment Rate of increase = 0.7% x number of months from the month in which the person becomes 65 years old until the month previous to a month of application for deferred payment</p> </td> </tr> </table> <p>Partial early payment (For men who were born from April 2, 1941 to until April 1, 1949 (for women who were born from April 2, 1946 to April 1, 1954) As the pensionable age of the fixed amount component of the old-age employees' pension is raised stepwise, a person may receive partial early payment of the old-age basic pension if the person applies for it before he/she reaches such pensionable age.</p> <p>○ Persons who were born before April 1, 1941 (unit: year)</p> <table border="1"> <tr> <th colspan="2">Application for early payment and the rate of reduction</th> <th colspan="2">Application for deferred payment and the rate of increase</th> </tr> <tr> <th>Age at the time of application</th> <th>Rate of reduction</th> <th>Period from the day when a person obtained the right to receive benefit until the day when the person applied for the deferred payment</th> <th>Rate of increase</th> </tr> <tr> <td>60 years old</td> <td>0.42</td> <td>Period longer than one year but shorter than 2 years</td> <td>12.0%</td> </tr> <tr> <td>61 years old</td> <td>0.35</td> <td>Period longer than 2 years but shorter than 3 years</td> <td>26.0%</td> </tr> <tr> <td>62 years old</td> <td>0.28</td> <td>Period longer than 3 years but shorter than 4 years</td> <td>43.0%</td> </tr> <tr> <td>63 years old</td> <td>0.20</td> <td>Period longer than 4 years but shorter than 5 years</td> <td>64.0%</td> </tr> <tr> <td>64 years old</td> <td>0.11</td> <td>Period longer than 5 years</td> <td>88.0%</td> </tr> </table>	<p>Total early payment Rate of reduction = 0.5% x number of months from the month of application for early payment until the month previous to a month in which the person becomes 65 years old</p>	<p>Application for deferred payment Rate of increase = 0.7% x number of months from the month in which the person becomes 65 years old until the month previous to a month of application for deferred payment</p>	Application for early payment and the rate of reduction		Application for deferred payment and the rate of increase		Age at the time of application	Rate of reduction	Period from the day when a person obtained the right to receive benefit until the day when the person applied for the deferred payment	Rate of increase	60 years old	0.42	Period longer than one year but shorter than 2 years	12.0%	61 years old	0.35	Period longer than 2 years but shorter than 3 years	26.0%	62 years old	0.28	Period longer than 3 years but shorter than 4 years	43.0%	63 years old	0.20	Period longer than 4 years but shorter than 5 years	64.0%	64 years old	0.11	Period longer than 5 years	88.0%	<p>60 – 64 years old: (1)+(2)+(3) 65 years old and older: (2)+(3)</p> <p>(1) Fixed amount component (¥1,676 ~ ¥3,143*) x (number of months of the insured period x 0.985)</p> <p>(2) Earnings-related component (monthly amount of average pensionable remuneration) x (10/1000 ~ 7.5/1000*) x (number of months of the insured period until March 2003) + (amount of average pensionable remuneration) x (7.692/1000 ~ 5.769/1000*) x (number of months of the insured period after April 2003) x 1.031 x 0.985 * Unit price and multiplication rate vary according to date of birth.</p> <p>(3) Additional pension (only in cases where the fixed amount component is added) - Spouse ¥227,900 - first and second child ¥227,900 - third child and thereafter ¥ 75,900 each Qualifications for payment of the additional pension are as follows: (1) The participation period of the principal in the employees' pension is longer than 20 years (15 years after 40 years old (35 years old for women)); (2) The participation period of the spouse in the employees' pension is shorter than 20 years; (3) The spouse is younger than 65 years old, and her livelihood is supported by the principal; (4) The annual income of the spouse is less than ¥8.5 million; Further, if the principal has a child (who does not pass the end of fiscal year to which its 18 year old birthday belongs, or who is disabled under Grade 1 or 2 and younger than 20 years old), the amount is added according to the number of children.</p> <p>● Suspension of the payment of pension</p> <p>○ 60 years old – 64 years old During the time when a person is employed, the payment is suspended wholly or partially (which is calculated as follows).</p> <ol style="list-style-type: none"> The full amount of pension is paid until the total of wages (monthly income including bonus: the same applies hereinafter) and pension reaches ¥280,000. If the total of wage and pension exceeds ¥280,000, the amount of pension is suspended by one half of the increased amount of wages until the wages reach ¥470,000. If the wage exceeds ¥480,000, the amount of pension is suspended by the increased amount of wages. <p>○ 65 years old and thereafter (this system starts to apply to those who reach 65 years old on and after April 2, 2002) The amount of pension after 65 years is also subject to the suspension, wholly or partially, during the time beneficiaries are employed (which is calculated as follows).</p> <ol style="list-style-type: none"> The full amount of employees' pension is paid until the total of wages (monthly income including bonus: the same applies hereinafter) and employees' pension (earnings-related component) reaches ¥470,000. If such total exceeds this threshold, the pension is suspended by one half of the increased amount of wages. The basic pension is not suspended and paid in full. <p>* The application of the foregoing plan has been extended to employees 70 years old or older from April 1, 2007. However, premiums are not collected from employees 70 years old or older as insured persons. Further, the foregoing plan does not apply to those who are 70 years old or older on the date of enforcement (persons who were born before April 1, 1937) (Note) The deferred payment of the old-age employees' pension was implemented on April 1, 2007. However, persons having the right to receive the benefit of the old-age employees' pension before the date of enforcement are not covered.</p>
<p>Total early payment Rate of reduction = 0.5% x number of months from the month of application for early payment until the month previous to a month in which the person becomes 65 years old</p>	<p>Application for deferred payment Rate of increase = 0.7% x number of months from the month in which the person becomes 65 years old until the month previous to a month of application for deferred payment</p>																															
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Table 4-1

Schedule for Raising Pensionable Age



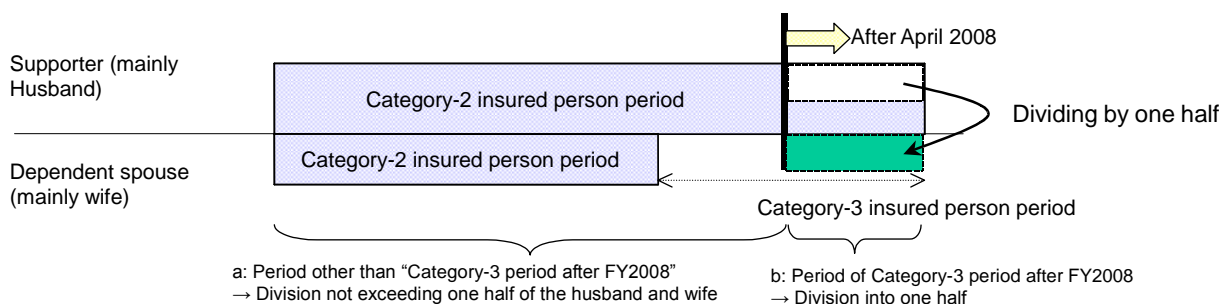
Division of employees' pension at divorce

- In case of divorce, the agreement of parties concerned or a decision by the court makes it possible to divide the employees' pension during the marriage period, including the period which is not eligible for division of Category-3 insured persons (such as the two-income period)
- The division percentage does not exceed one half of the total of contribution-paid records of husband and wife during the marriage period.
- Marriages effected after the date of enforcement (April 1, 2007) are covered, but contribution-paid records before the date of enforcement are subject to the division.

Division of employees' pension for Category-3 insured person period

- It is basically recognized that the premium paid by a Category-2 insured person having a dependent spouse (Category-3 insured person) is paid jointly by husband and wife. The law expressly provides such recognition.
- A Category-3 insured person (period after enforcement (after April 2008)) may divide the employees' pension of a Category-2 insured person (contribution-paid record) into one half in the following cases:
 - [1] If husband and wife divorce;
 - [2] If it is considered that the division needs to be applied (for example, cases in which the whereabouts of the spouse are unknown for a long time).

[Image of Division of Employees' Pension in case of Divorce]



2. Basic Disability Pension, Employees' Disability Pension

	Basic Disability Pension	Employees' Disability Pension
Qualifications for Payment	<p>(1) Premium payment requirements a) That there exists an insured period, on the day previous to the date of patient's first medical examination, before a month previous to the month to which the date of the patient's first medical examination belongs, and that the period obtained by aggregating the contribution-paid period and the contribution-exempted period accounts for 2/3 or longer of the insured period; b) That, if the day of the patient's first medical examination is before April 1, 2016, the payment of premium is not delinquent within one year before a month previous to the month to which the day of the patient's first medical examination belongs (= special exception to the immediately preceding one year requirement)</p> <p>(2) That a person is, or was, an insured person on the patient's first medical examination, and is a resident of Japan who is older than 60 years old but younger than 65 years old.</p> <p>(3) State of disability That a person falls under Grade 1 or Grade 2 on the date of recognition of disability (*). (However, if the person fails to fall under Grade 1 or Grade 2 on the date of recognition of disability, the person may apply for and receive the disability basic pension if his/her state of disability becomes serious and falls under Grade 1 or Grade 2 before the day previous to when he/she reaches 65 years old.)</p> <p>● Basic Disability Pension due to injury or sickness before 20 years old If a person who was younger than 20 years old on the date of patient's first medical examination and is in the state of Grade 1 or Grade 2 disability on the day when the person reaches 20 years old, or if the person falls under the state of Grade 1 or Grade 2 disability after the person reaches 20 years old, the Basic Disability Pension is paid: provided, such payment is subject to the restriction based on income.</p>	<p>(1) Premium payment requirements Same as Basic Disability Pension</p> <p>(2) That a person is an insured person on the date of the patient's first medical examination.</p> <p>(3) State of disability That a person falls under Grade 1 to Grade 3 on the date of recognition of disability.</p> <p style="border: 1px dashed black; padding: 5px; background-color: #ffffcc;">*Date of recognition of disability The date on which a period of one year and six (6) months elapses from the date of the patient's first medical</p>
Amount of pension (FY2009)	<p>Grade 1 ¥792,100 x 1.25 + additional amount for child Grade 2 ¥792,100 + additional amount for child</p> <p>● Additional amount for child First and second child: ¥227,900 each Third child and thereafter: ¥75,900 each *The definition of a child is limited to the following persons: - A person who has not passed the end of the fiscal year in which he/she had his/her 18th birthday; or, - A person who is disabled under Grade 1 or 2 and younger than 20 years old</p>	<p>Grade 1 [(monthly amount of average pensionable remuneration) x 7.5/1000 x (number of months of the insured period until March 2003) + (amount of average pensionable remuneration) x 5.769/1000] x (number of months of the insured period after April 2003)] x 1.031 x 0.985 x 1.25 + addition of amount for spouse (¥227,900)</p> <p>Grade 2 [(monthly amount of average pensionable remuneration) x 7.5/1000 x (number of months of the insured period until March 2003) + (amount of average pensionable remuneration) x 5.769/1000] x (number of months of the insured period after April 2003)] x 1.031 x 0.985 + addition of amount for spouse (¥227,900)</p> <p>Grade 3 [(monthly amount of average pensionable remuneration) x 7.5/1000 x (number of months of the insured period until March 2003) + (amount of average pensionable remuneration) x 5.769/1000] x (number of months of the insured period after April 2003)] x 1.031 x 0.985 ← Guaranteed minimum amount (¥594,200)</p> <p>(Note) If the insured period is shorter than 300 months (=25 years), it is deemed to be 300 months (=25 years).</p>

<Table 4-2> Concerning grade of disability

	State of Disability
Grade 1	Grade 1 means the state where a person can hardly take care of himself/herself without being assisted by other persons. (Specific cases) (1) the combined eyesight of both eyes is less than 0.04; (2) all fingers of both hands are lost; (3) both feet are lost beyond the ankles; (4) other cases
Grade 2	Grade 2 means the state where it is quite difficult, although the assistance of other persons is not necessarily required, for a person to take care of himself/herself in daily life, and the person cannot work. (Specific cases) (1) the combined eyesight of both eyes is greater than 0.05 but less than 0.08; (2) all fingers of one hand are lost; (3) one foot is lost beyond the ankles; (4) other cases
Grade 3 (applicable only to Employees' Disability Pension)	Grade 3 means the state where working of a person is seriously restricted. (Specific cases) (1) the eyesight of both eyes is less than 0.1; (2) serious disability remains on 2 out of 3 major articulations of one hand; (3) serious disability remains on 2 out of 3 major articulations of one leg; (4) other cases

Reference: Special disability benefit
 For persons with disability who do not receive Basic Disability Pension or other disbursements as they did not participate in the voluntary participation period of the national pension, the "Special Benefit Plan for Persons with Disability" was established in April 2005 as a welfare measure by taking into account special circumstances arising in the development of the national pension plan.
 Persons covered by the benefit are (1) students who were the subject of voluntary participation in the National Pension before March 1991 or (2) spouses of employees (participants in Employees' Pension, Mutual Aid Association or other schemes) who were the subject of voluntary participation in the National Pension before March 1986, who have the date of the first medical examination during the period in which they did not participate voluntarily at that time, and who have disability falling under the Grade 1 or Grade 2 Basic Disability Pension: provided, that the foregoing is applicable only to those who fell under the disability in question by the day previous to the day when they reach 65 years old.

The amount of payment for FY2009 is ¥50,700 a month for those who fall under the Grade 1 Basic Disability Pension and ¥40,560 for those who fall under Grade 2 Basic Disability Pension. The amount of payment is reviewed each fiscal year according to the fluctuation of prices. Also, the amount of payment may be limited in whole or in part according to the income of the principal.

<Table 4-3> Concurrent benefits of Basic Disability Pension and Employees' Old-Age Pension, and so on (enforcement: April 2006)

This is a project to establish, maintain and improve the environment that enables persons with disability to demonstrate their capabilities as much as possible, and work. In responding to such a trend, the pension plan has devised a system that enables the concurrent benefits of the Basic Disability Pension and Employees' Old-Age Pension or the Basic Disability Pension and Employees' Survivors Pension to evaluate the working of persons with disability for the purpose of the pension plan, and from the viewpoint of strengthening the economic base enabling self-reliant living in the community.

Employees' pensions	Employees' Old-Age Pension	Employees' Disability Pension	Employees' Survivors Pension
National pensions			
Basic Old-Age Pension	○	X	○
Basic Disability Pension	⊙	○	⊙
Basic Survivors Pension	X	X	○

(Note) ○: Combination in which concurrent benefits were possible even in the plan prior to the amendment

⊙: Combination by which the latest amendment makes concurrent benefits possible

X: Combination that does not allow concurrent benefits.

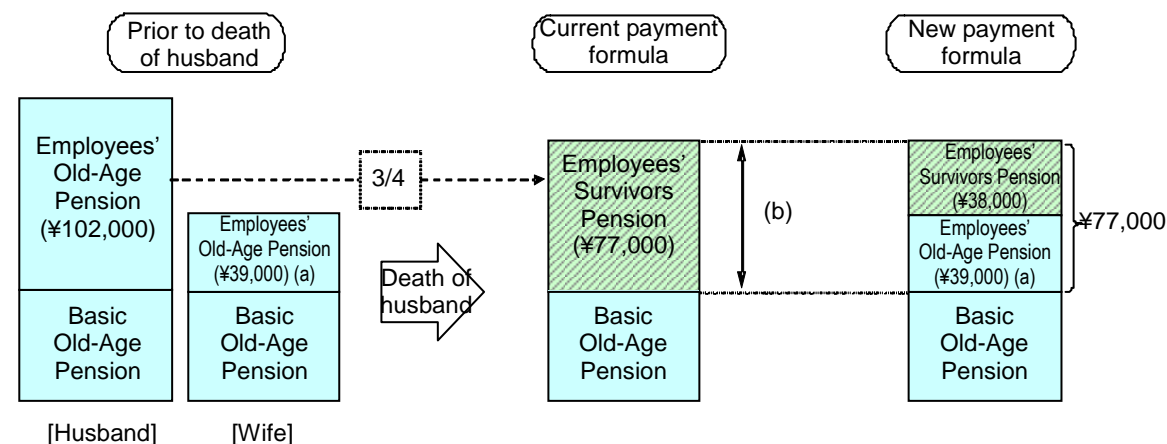
3. Basic Survivors Pension, Employees' Survivors Pension

	Basic Survivors Pension	Employees' Survivors Pension
Qualifications for Payment	<p>(1) Satisfaction of short-term requirements or long-term requirements</p> <p>a) Short-term requirements Death of an insured person or of a person who once had been an insured person being older than 60 years old but younger than 65 years old, and who has a place of residence in Japan</p> <p>b) Long-term requirements Death of a beneficiary, or a person who satisfies the qualification period, of the Basic Old-Age Pension</p> <p>(2) Premium payment requirements That, in case of the short-term requirements, there exists an insured period, on the day previous to the date of death, before a month previous to the month in which death occurred, and that the period obtained by combining the contribution-paid period and the contribution-exempted period accounts for 2/3 or longer of the insured period, which, however, is subject to the special exception to the immediately preceding one year requirement as in the case of the Basic Disability Pension.</p> <p>(3) Scope of survivors Payment is made to the following persons whose livelihood was supported by the deceased:</p> <p>(i) spouse having a child (ii) child</p> <p><i>*Age requirement of child:</i> - A child who has not passed the end of the fiscal year in which it had its 18th birthday; - A person who is disabled under Grade 1 or 2, and younger than 20 years old</p>	<p>(1) Satisfaction of short-term requirements or long-term requirements</p> <p>a) Short-term requirements (i) Death of an insured person; (ii) Death from injury or sickness, for which the first date of medical examination was during the insured period, within five (5) years after the first date of medical examination; (iii) Death of a beneficiary, or of a person who satisfies the qualification period, of the Grade 1 or Grade 2 Employees' Disability Pension</p> <p>b) Death of a beneficiary, or a person who satisfies the qualification period, of the Employees' Old-Age Pension</p> <p>(2) Premium payment requirements In case of the short-term requirements (i) and (ii), the same premium payment requirements as in the case of the Basic Survivors Pension must be satisfied.</p> <p>(3) Scope of survivors Payment is made to the following persons whose livelihood was supported by the deceased:</p> <p>(i) survivors covered by the Basic Survivors Pension; (ii) spouse having no child; (iii) husband, father and mother, grandfather and grandmother who are 55 years old or more (payment starts from 60 years old) (iv) grandchild (subject to the same age requirement as in the case of a child to whom the Basic Survivors Pension is paid)</p> <p>* After April 2007, the Employees' Survivors Pension paid to a wife having no child being younger than 30 years old at the time of death of a husband, has become a fixed-term benefit for five (5) years.</p>
Amount of pension (FY2009)	<p>¥792,100 + additional amount for child</p> <ul style="list-style-type: none"> Additional amount for child First and second child: ¥227,900 each Third child and thereafter: ¥75,900 each <p>(Note) Additional amount for child is paid to the second child and thereafter, and the amount of pension per child is the amount obtained by dividing the amount of pension so calculated by the number of children.</p>	<p>(monthly amount of average pensionable remuneration) x (10/1000~7.5/1000*) x (number of months of the insured period until March 2003) + (amount of average pensionable remuneration) x (7.692/1000~5.769/1000*) x (number of months of the insured period after April 2003) x 1.031 x 0.985 x 3/4</p> <p>* Multiplication rates vary according to the date of birth.</p> <p>(Note) If the insured period is shorter than 300 months (=25 years), it is deemed to be 300 months (=25 years).</p>

<Table 4-4> Concerning the review of the concurrent benefits formula of the Employees' Survivors Pension (enforcement: April 2007)
For the purpose of reflecting the premium paid by a person himself/herself into the amount of pension as much as possible, a mechanism has been introduced where the Employees' Old-Age Pension of the person is paid in full, and the difference from the current level is paid as the Employees' Survivors Pension.

<Table 4-4> Concerning the review of the concurrent benefits formula of the Employees' Survivors Pension (enforcement: April 2007)
For the purpose of reflecting the premium paid by a person himself/herself into the amount of pension as much as possible, a mechanism has been introduced where the Employees' Old-Age Pension of the person is paid in full, and the difference from the current level is paid as the Employees' Survivors Pension.

[Illustrative image of review: in a case where a wife's Employees' Old-Age Pension is ¥39,000, and the husband's Employees' Old-Age Pension is ¥102,000]



◆ For those who are 65 years old or older who receive the Employees' Survivors Pension due to the death of a spouse
When a person who is 65 years old and has the right to receive the Employees' Old-Age (Retirement Mutual Aid) Pension receives the Employees' Survivors Pension, the following values under (1) and (2) are compared, and the higher amount is the amount of the Employees' Survivors Pension:

(1) Amount according to the foregoing calculation method;
(2) Amount obtained by combining "2/3 of the amount according to the foregoing calculation method" and "1/2 of the amount of the Employees' Old-Age (Retirement Mutual Aid) Pension of the principal (excluding the additional pension amount)"

*For those who have the right to receive the Employees' Survivors Pension before April 1, 2007 and are already 65 years old or older on said date (persons who were born before April 1, 1942), the amount of (1) is paid.

◆ Concerning age addition for widows
The sum of ¥594,200 (yearly amount) is added to the Employees' Survivors Pension to be received by wives falling under either of the following during the period from 40 years old until 65 years old. This is called the age addition for widows.

- a wife who is 40 years or older but younger than 65 years old when her husband dies, and who has no child with whom she lives under the same household;
- when it becomes impossible for a wife having a child who has received the Employees' Survivors Pension and the Basic Survivors Pension (who are limited to those wives who had received the Basic Survivors Pension when they reached 40 years old as she had a child) to receive the Basic Survivors Pension, as the last day of a fiscal year in which the child reaches 18 years old comes (or such a child, if it is disabled, reaches 20 years old).

4. Other benefits of national pension and employees' pensions

In addition to the foregoing benefits, the following are other ones the public pension plan provides.

[Other benefits in the National Pension]

	Outline		Outline
Widow's pension	Widow's pension is paid to wives, when their husbands having 25 years or longer of combined contribution-paid period and contribution-exempted period as a Category-1 insured person dies, whose household was supported by the husband at the time of his death, and whose marriage relationship with the husband had continued 10 years or longer during the period from 60 years old until 65 years old.	Additional pension	Additional pension is paid to persons who have paid an additional premium of the National Pension, when they obtain the right to receive the Basic Old-Age Pension, by adding to the Basic Old-age Pension.
Lump sum death benefit	Lump sum death benefit is paid when persons having a total 36 months or longer consisting of the number of months in a contribution-paid period, number of months equal to 3/4 of the number of months in a contribution-25%-exempted period, number of months equal to 1/2 of the number of months in a contribution-50%-exempted period and number of months equal to 1/4 of the number of months in a contribution-75%-exempted period as Category-1 insured persons, die without receiving either the Basic Old-Age Pension and Basic Disability Pension, and if their survivors cannot receive the Basic Survivors Pension.	Lump sum withdrawal benefit	Lump sum withdrawal benefit is paid on application to foreigners who have a total 6 months or longer consisting of the number of months in a contribution-paid period, number of months equal to 3/4 of the number of months in a contribution-25%-exempted period, number of months equal to 1/2 of the number of months in a contribution-50%-exempted period and number of months equal to 1/4 of the number of months in a contribution-75%-exempted period as Category-1 insured persons, and who have not satisfied the qualifications for payment of the Basic Old-Age Pension, when they leave Japan without receiving a pension.

[Other benefits in the Employees' Pension]

	Outline		Outline
Disability allowance	Disability allowance is paid to persons who have the contribution-paid period necessary for receiving the Basic Disability Pension, if they became sick or were injured during the period while they are insured persons covered by the Employees' Pension, and if they recovered within five (5) years and are under a specified state of disability.	Lump sum withdrawal benefit	Lump sum withdrawal benefit is paid on application to foreigners who have a total 6 months or longer of insured period of the Employees' Pension and who have not satisfied the qualifications for payment of the Employees' Old-Age Pension, when they leave Japan without receiving a pension.

<Table 4-5> Concerning the amount of lump sum withdrawal benefit

Number of subject months	National Pension (FY2010)	Employees' Pension
Equal to or longer than 6 months – shorter than 12 months	¥45,300	Monthly amount of average pensionable remuneration x premium rate x 1/2 x 6
Equal to or longer than 12 months – shorter than 18 months	¥90,600	Monthly amount of average pensionable remuneration x premium rate x 1/2 x 12
Equal to or longer than 18 months – shorter than 24 months	¥135,900	Monthly amount of average pensionable remuneration x premium rate x 1/2 x 18
Equal to or longer than 24 months – shorter than 30 months	¥181,200	Monthly amount of average pensionable remuneration x premium rate x 1/2 x 24
Equal to or longer than 30 months – shorter than 36 months	¥226,500	Monthly amount of average pensionable remuneration x premium rate x 1/2 x 30
Equal to or longer than 36 months	¥271,800	Monthly amount of average pensionable remuneration x premium rate x 1/2 x 36

*Premium rates are specified as follows according to the last month (the last month of the insured period of the employees' pension insurance):

- Last month: January ~ August premium rate in October of the year before previous year
- Last month: September ~ December premium rate in October of the previous year

Chapter 5 Social Security Agreement




1. Purposes of Social Security Agreement

With the increase of the numbers of Japanese workers detached to foreign countries, it is recognized as important issue to solve the following problems.





- **Double coverage under the social security schemes of both Japan and a foreign country:** It is obliged for those workers to pay contributions to both schemes; and
- **Periods of coverage which do not result in establishment of entitlement to benefits:** If a requirement for a minimum period of coverage is not satisfied, any benefit may not be paid.

In order to address those problems, the Government of Japan is pursuing the conclusion of social security agreements whose purposes are to prevent the double coverage and to totalize the periods of coverage under the pension schemes of Japan and a foreign country for establishing entitlement to benefits.

• Countries with which agreements have already been signed: 3 countries

-  Spain Agreement was signed in November 2008
-  Italy Agreement was signed in February 2009
-  Ireland Agreement was signed in October 2009

• Countries with which negotiations are under way: 4 countries

-  Hungary Second negotiation was held in March 2010
-  Switzerland First negotiation was held in July 2009
-  Brazil First negotiation was held in January 2010
-  Luxembourg First negotiation was held in May 2010

• Countries with which preliminary negotiations are under way: 1 country

-  Sweden

2. Implementation of social security agreement

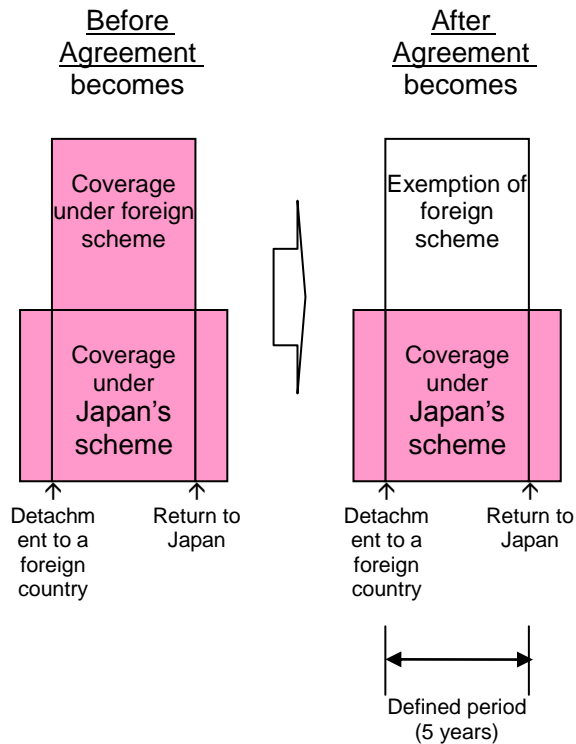
• Countries with which agreements have already become effective: 10 countries

-  Germany Agreement became effective in February 2000
-  U.K. Agreement became effective in February 2001
-  Korea Agreement became effective in April 2005
-  U.S.A. Agreement became effective in October 2005
-  Belgium Agreement became effective in January 2007
-  France Agreement became effective in June 2007
-  Canada Agreement became effective in March 2008
-  Australia Agreement became effective in January 2009
-  The Netherlands Agreement became effective in March 2009
-  Czech Republic Agreement became effective in June 2009

3. Prevention of Double Coverage

In order to prevent the double coverage under the social security schemes of both Japan and a foreign country, a social security agreement establishes rules to determine which social security scheme will be applied.

<Table 5-1> Image of preventing double contribution



4. Totalization of Periods of Coverage

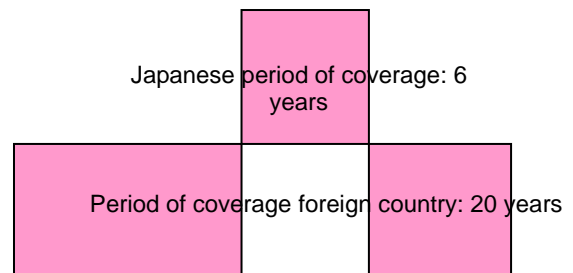
In order to establish entitlement to benefits, periods of coverage under the pension schemes of Japan and a foreign country will be totalized. In this case, the amount of pension to be paid under a pension scheme of a country is determined based on the periods of coverage under that country's pension scheme.

*No provisions concerning the totalization in the Agreement with the U.K., Korea and Italy.

<Table 5-2> Image of totalization of periods of coverage

[A case of a person who is detached from a foreign country to Japan]

Period of coverage necessary for entitlement to the Japanese old-age pension is 25 years.



Before Agreement becomes

6 years < 25 years
Japan's pension is **not paid.**

After Agreement becomes effective

26 years > 25 years
Japan's pension is **paid.**

* The amount of payment is for 6 years.

5. International Comparison of Pension Systems

(2010.6)

	Plan system	Subject person for compulsory participation	Premium rate (2009)	Pensionable age (2009)	National subsidies
Japan	<p>Two-tiers</p> <p>Employees' pension insurance</p> <p>Mutual aid pension</p> <p>National pension</p> <p>All resident</p>	All residents	<p>[Employees' pension insurance] 15.704%</p> <p>(September 2009~: Equally shared by employer and employee)</p> <p>* Fixed-amount for Class I insured person (April 2010~: ¥15,100 per month)</p>	<p>National pension (basic pension): 65 years old</p> <p>Employees' pension insurance: 60 years old</p> <p>* The age will be raised to 65 years old by 2025 for men and by 2030 for women.</p>	1/2 for the benefit cost of the basic pension
U.S.A.	<p>One-tier</p> <p>OASDI</p> <p>not applicable</p> <p>non working</p> <p>Employees and self-employed workers</p>	Employees and self-employed workers	<p>12.4%</p> <p>(Equally shared by employer and employee)</p>	<p>66 years old</p> <p>* The age will be raised to 67 years old by 2027</p>	None
U.K.	<p>Two-tiers</p> <p>National second pension</p> <p>Occupational pension</p> <p>Personal pension</p> <p>Basic pension</p> <p>not applicable</p> <p>non working etc.</p> <p>Employees and self-employed workers</p>	Employees and self-employed workers	<p>[General employees] 23.8%</p> <p>Employee: 11.0%</p> <p>Employer: 12.8%</p>	<p>Men: 65 years old</p> <p>Women: 60 years old</p> <p>* The age will be raised to 65 years old for women from 2010 to 2020.</p> <p>* The age will be further raised from 65 to 68 years old for both men and women from 2024 to 2046.</p>	None, in principle.
Germany	<p>One-tier</p> <p>Self-employed workers' pension by occupation</p> <p>General pension insurance</p> <p>Mines' pension insurance</p> <p>not applicable</p> <p>non working and self-employed workers</p> <p>Employees of the private sector and self-employed workers engaging in specified occupation</p>	Employees of the private sector and self-employed workers engaging in specified occupation (lawyers, medical doctors, etc.)	<p>[General employees] 19.9%</p> <p>(Equally shared by employer and employee)</p>	<p>65 years old</p> <p>* The age will be raised to 67 years old from 2012 to 2029.</p>	26.4% of benefit cost (2008)
France	<p>One-tier</p> <p>Self-autonomy plan by occupation</p> <p>General plan</p> <p>Special plan</p> <p>not applicable</p> <p>non working</p> <p>Employees</p>	Employees and self-employed workers	<p>[General employees] 16.65%</p> <p>Employee: 6.75%</p> <p>Employer: 9.9%</p>	60 years old	About 25.7% (2008) by general tax and contributions by general community (CSG, etc.)

Sweden	<p style="text-align: center;">One-tier</p>	Employees and self-employed workers	<p style="text-align: center;">17.21%</p> <p style="text-align: center;">Employee: 7.0%</p> <p style="text-align: center;">Employer: 10.21%</p> <p style="text-align: center;">* In addition, a premium of 1.7% for survivors' pension is imposed on employer. (this is different from the old-age pension)</p>	Selection by the person after his/her 61st birthday (however, pensionable age for the guaranteed pension is 65 years old)	For the guaranteed pension component
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<Source>

- Social Security Programs Throughout the World : Europe, 2008 / The Americas, 2007
- 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), and others

Chapter 6 Investment of Accumulated Pension Fund

1. Significance of investment of accumulated pension fund

The financial management of public pensions is conducted principally based on the concept of pay-as-you-go (mutual support over generations), and it is possible to alleviate the burden of premium in the future by holding accumulated fund and utilizing its investment return.

FY2004 pension plan adjustment requires managing pension finance by the so-called "limited balance formula". That is to say, the adjustment requires establishing a period until such time when almost all those generations which have already been born cease to receive pensions (i.e., about 100 years), as a period in which the balance between benefit and burden in the pension plan should be sought. Accordingly, it is sufficient to arrange that the target of the holding level of accumulated fund is a holding for about one year in the last period in which the balance between benefit and burden should be sought.

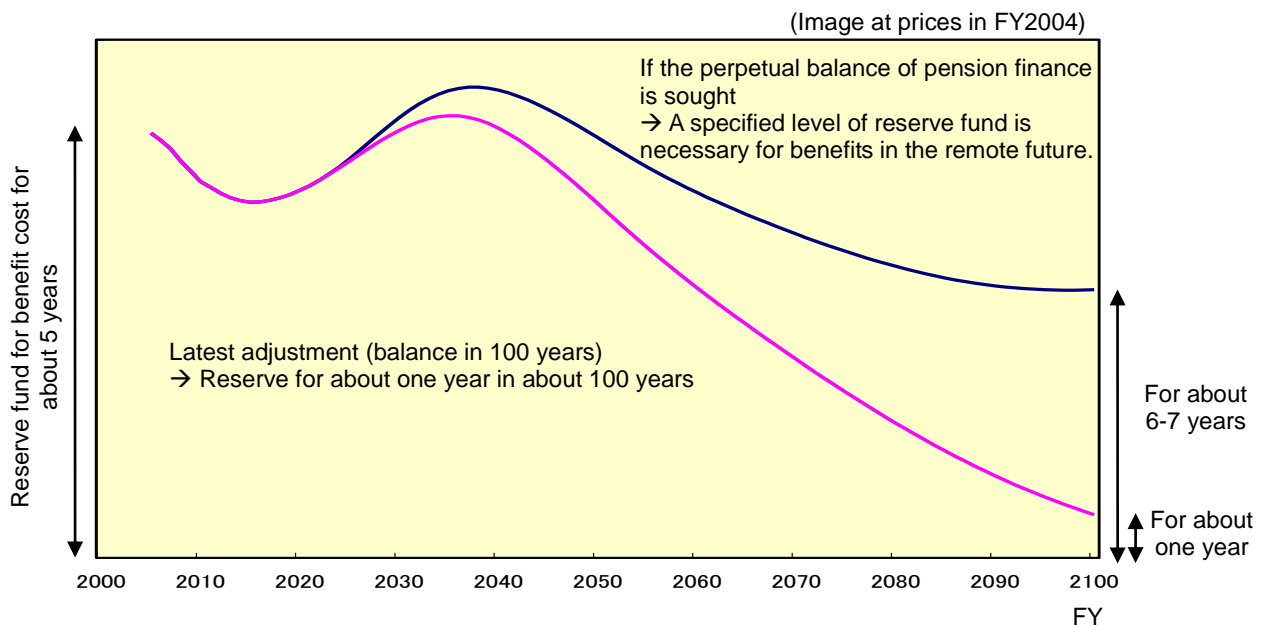
2. Mechanism, etc., of investment

(1) Investment mechanism

FY2004 pension plan adjustment abolishes a special corporation (the old Government Pension Investment Fund) that had engaged in the management and investment of the reserve fund in the past, and establishes a new Government Pension Investment Fund from the standpoint of pursuing professionalism in, and making clear the responsibility for, the investment of the reserve fund, and the adjustment requires said Fund to decide the assets allocation rate (basic portfolio) of bonds, stocks or other items for itself.

At present, the pension reserve fund is invested according to a mechanism in which the Minister of Health, Labor and Welfare invests independently, and the Minister of Health, Labor and Welfare invests by entrusting to the Government Pension Investment Fund.

<Table 6-1> Image of reserve fund prospects (Employees' Pension)



(2) Investment target

(1) Securing of actual rates of investment return

The reserve fund must be invested by establishing the basic portfolio to be kept from a long-term perspective and based on such portfolio, so that actual rates of investment return based on various assumptions of pension finance are secured.

(2) Securing of average market rates of return

When investing the reserve fund, efforts must be made to secure respective benchmark rates of return for each asset in each fiscal year, and to secure respective benchmark rates of return during the mid-term target period.

Further, with respect to benchmarks, appropriate market indexes must be used that satisfy conditions such as construction reflecting the market.

(3) Risk control

With respect to the pension reserve fund, investment must be controlled by dispersion investment, and various risks must be controlled with proper management and investment.

(4) Consideration of market impact, and activities in the private sector

When investing the pension reserve fund, taking the market size into account, market pricing and investment activities in the private sector must not be distorted, and the management of private enterprises must not be influenced.

(5) Securing of liquidity for paying pension benefits

The liquidity (cash income, etc.) necessary for paying pension benefits must be secured.

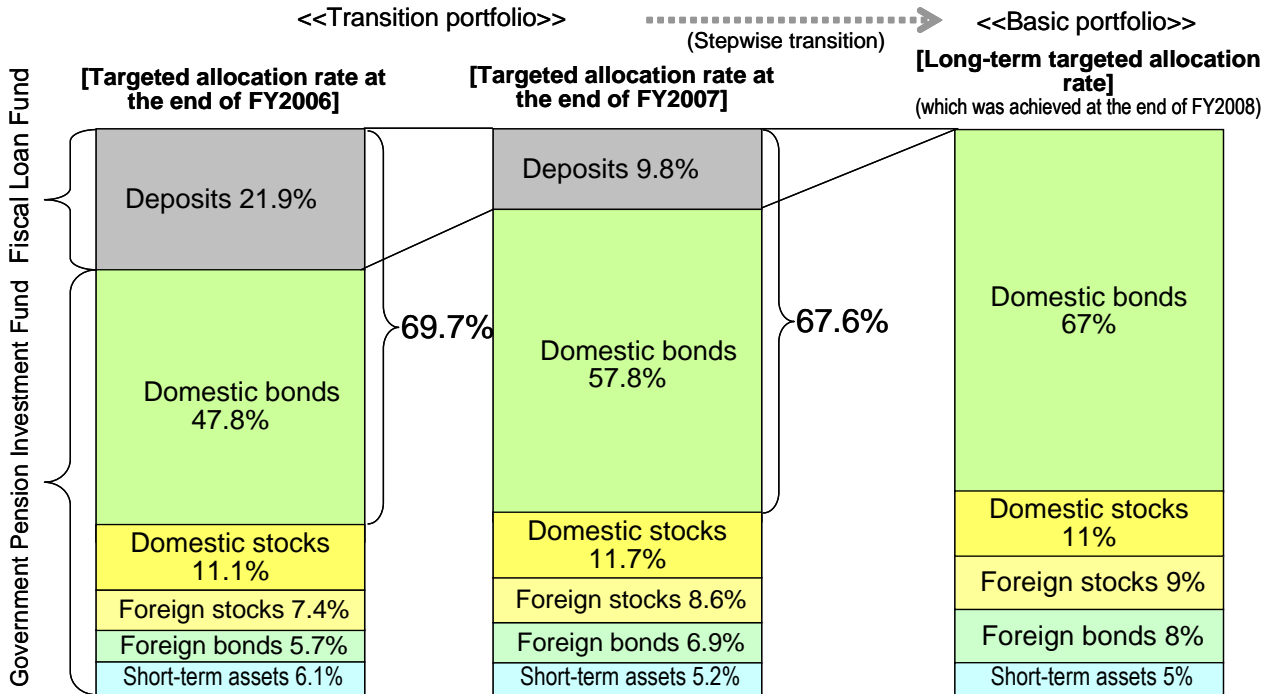
(6) Development of specific policy

The Government Pension Investment Fund, which manages and invests the pension reserve fund, is required to develop a specific management and investment policy.

<Table 6-2> Assets allocation rate (portfolio)

○ Assets allocation rate of pension reserve fund

The investment of the pension reserve fund is conducted based on the allocation rate of investment assets specified by the Government Pension Investment Fund which manages it.
 With respect to the assets allocation rate, all deposits with the former Trust Fund Bureau (the present Fiscal Loan Fund) were redeemed at the end of FY2008, and a long-term assets allocation rate (basic portfolio) was achieved.



<Table 6-3>

Investment return situation for overall pension reserve fund

Investment return situation for overall pension reserve fund

	Investment return by Government Pension Investment Fund					Investment return of deposit of overall pension reserve fund			(Reference)	
	Investment return	Accumulated return	Partly paid to Pension Special Account	Accumulated return for accounting purposes	Investment return of deposit (Pension Special Account)	Investment return of overall pension reserve fund	Investment return of overall pension reserve fund		Year-end asset amount of overall pension reserve fund	GPIF
							Rate of return	Accumulated return		
FY2001	-13,084	(Note 1) -29,976	(Payment in 4 FYs) 133	-30,109	40,870	27,787	1.94%	27,787	144.3trillion yen	38.6trillion yen
FY2002	-30,608	-60,584		-60,717	32,968	2,360	0.17%	30,146	141.5trillion yen	50.2trillion yen
FY2003	44,306	-16,278		-16,411	24,407	68,714	4.90%	98,860	145.6trillion yen	70.3trillion yen
FY2004	22,419	6,141		6,008	17,169	39,588	2.73%	138,448	148.0trillion yen	87.2trillion yen
FY2005	86,811	92,952	8,122	84,697	11,533	98,344	6.83%	236,792	150.0trillion yen	102.9trillion yen
FY2006	37,608	(Note 2) 30,562	19,611	102,697	8,061	45,669	3.10%	282,461	149.1trillion yen	114.5trillion yen
FY2007	-56,455	74,108	13,017	33,225	4,678	-51,777	-3.53%	230,684	138.6trillion yen	119.9trillion yen
FY2008	-94,015	-19,908	17,936	-78,727	839	-93,176	-6.86%	137,508	123.8trillion yen	117.6trillion yen
Total	(Note 3) -3,018 [-19,908]	-	58,819	-	140,526	137,508	(Past 5 years) 0.33% (8 years total) 1.07%	-		

(Note 1) The accumulated return of the Government Pension Investment Fund ("GPIF") for FY2001 includes the accumulated interest gain and loss of the former Pension Welfare Service Public Corporation (minus ¥1 trillion 702.5 billion), to which the payment to the pension special account for FY1992 (¥13.3 billion) is added.

(Note 2) The accumulated return of the GPIF for FY2006 includes the positive assessment of asset amount (¥0.3 billion) in connection with the preparation of financial statements based on the independent administrative corporation accounting standard when the Government Pension Investment Fund was established in April 2006.

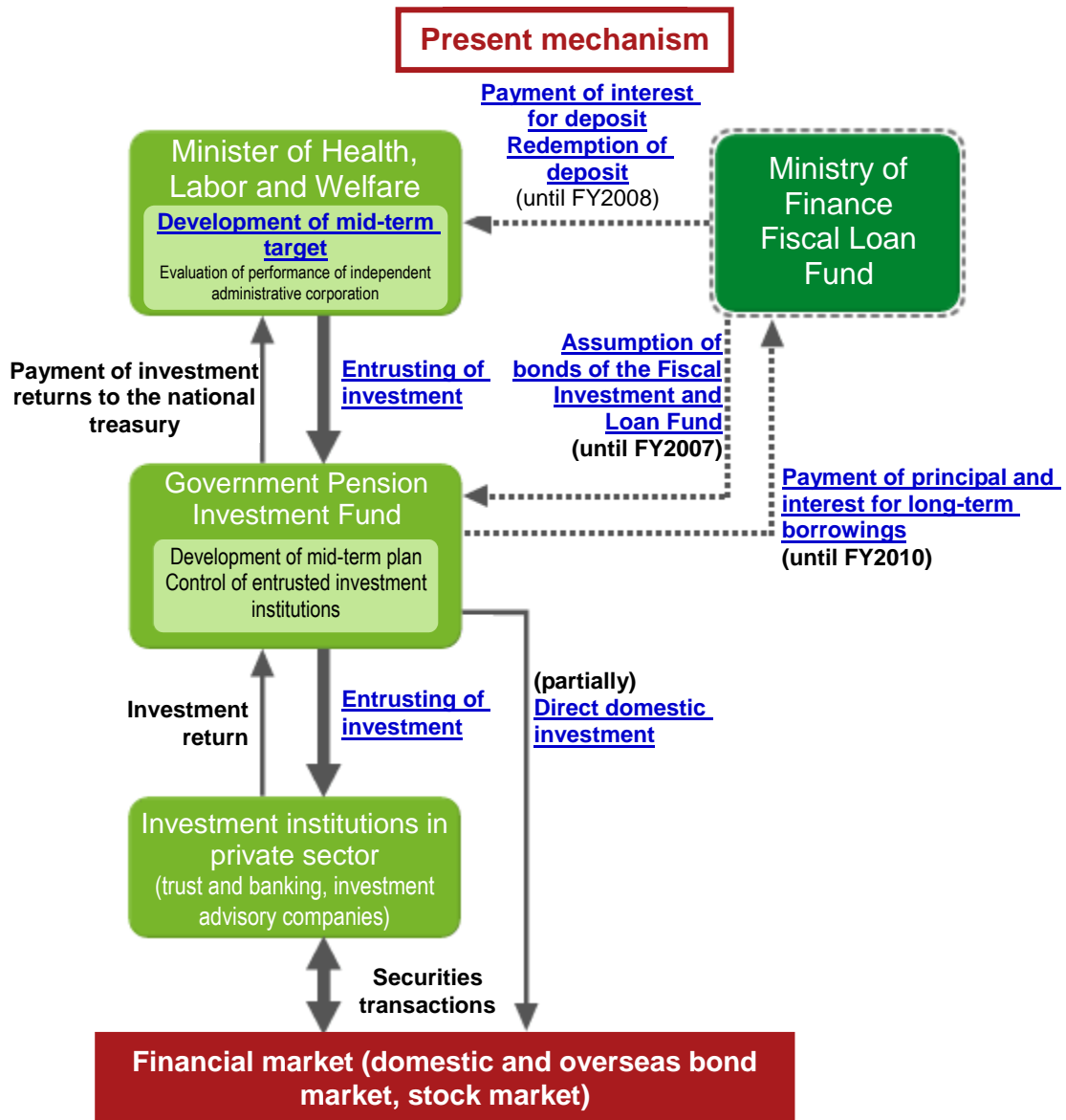
(Note 3) The total investment return of the GPIF for FY2001 through FY2008 is minus ¥301.8 billion. This amount plus (Note 1) and (Note 2) makes the amount of the accumulated return for FY2008 (minus ¥1 trillion 990. 8 billion).

(Note 4) The amount of market value of the pension reserve fund at the end of the fiscal year is the total amount of the pension special account (the Employees' Pension and the National Pension).

(Note 5) The amount of assets of the GPIF at the end of the fiscal year includes the amount of borrowings from the Fiscal Loan Fund.

(Note 6) As the foregoing values are rounded up/down, the total value may not be consistent.

<Table 6-4>



Chapter 7 Corporate Pension Plan, etc.

1. Significance of corporate pension, etc.

Corporate pensions, etc. respond to the diversified needs of people in old age by topping-up benefits over public pensions, and play an important role as a plan to allow people to live more affluently in their old age.

At present, there are a variety of corporate pension plans, etc., and there is a system in which corporations and individuals may select a plan conforming to their desires or needs from among them.

2. Defined benefit type and defined contribution type

The defined benefit type is a pension plan in which the amount of benefit is specified in advance based on the participation period, etc. In this case, it is easier for participants to design their old age, however, there is a problem that requires corporations, etc., to make additional contribution if the reserve level becomes insufficient due to stagnant investment, etc.

On the other hand, the defined contribution type is a pension plan in which the amount of benefit is determined based on the total amount of contributions and its investment return. It is not necessary for corporations to make additional contributions, however, participants assume risks of investment, and have difficulty in planning their old age.

<Table 7-1> Kinds of Corporate Pension, etc.

Kind	Type	Outline
Employees' pension fund [Employees' Pension Insurance Law]	Defined benefit type	An employees' pension fund, established by a single corporation (single-company fund), or jointly by a parent company and a subsidiary (-ies) (allied-companies fund), or jointly by many companies in the same business category or industry (multi-companies fund), pays benefits partly substituting the old-age employees' pension and independent topping-up benefits.
Defined benefit corporate pension (Fund type) [Defined Benefit Corporate Pension Law]		A fund having a separate juridical personality from a master company manages and invests pension assets, and pays topping-up benefits over the old-age employees' pension.
Defined benefit corporate pension (Rule type) [Defined Benefit Corporate Pension Law]		A company executes an agreement with trust companies and life insurance companies based on a pension rule agreed upon by the proprietor of a business and employees, manages and invests pension assets outside the master company, and pays topping-up benefits over the old-age employees' pension.
Defined contribution pension (Corporate type) [Defined Contribution Pension Law]	Defined contribution type	Contribution to a plan administrator by a company for its employees is reserved for each employee. Employees themselves direct, through the plan administrator, a plan assets administrator for investment. The reserve pays topping-up benefits over the old-age employees' pension.
Defined contribution pension (Personal type) [Defined Contribution Pension Law]		Voluntary contribution to the National Pension Fund Association by employees of companies having no corporate pension plan and self-employed workers, etc., is reserved for each participant. Participants themselves direct, through a plan administrator, financial institutions entrusted by said Association for investment. The reserve pays topping-up benefits over the old-age employees' pension.
National Pension Fund [National Pension Law]	Defined benefit type	Self-employed workers contribute to regional-type national pension funds established by prefectures, or to occupational-type national pension funds established by persons engaged in the same business category or industry. Such funds manage and invest pension funds, and pay topping-up benefits over the national pension.
Tax-qualified pension [Corporate Tax Law]	Defined benefit type	Companies execute an agreement with trust companies, etc., manage and invest funds outside the master company, and pay a pension of a retirement lump sum. The satisfaction of requirements provided for by the Corporate Tax Law makes it possible to write-off the contributions (this will be abolished by the end of FY2011).

<Table 7-2>

Comparison of Corporate Pension Plan, etc.

Plan	Defined contribution pension (pension by contribution)		Defined benefit pension (pension by benefit)		National Pension Fund
	Corporate-type	Personal-type	Employees' Pension Fund (Substitution and addition to Employees' Pension)	Defined contribution corporate pension (Simple corporate pension)	
Basic mechanism	Amount of contribution is guaranteed (benefits depend on investment results).		Amount of benefit is guaranteed.		Amount of benefit is guaranteed.
Subject of administration	Business owner	National Pension Fund Association	Employees' Pension Fund	Corporate pension fund or business owner	National Pension Fund
Participants, etc.	Persons insured by Employees' Pension 3.40 million persons (as of March 31, 2010)	Category-1 Self-employed workers, etc. (Category-1 insured persons in the National Pension) → Category-3, government employees are not covered. 41,000 persons (as of March 31, 2010) Category-2 Employees employed by companies that do not introduce other corporate pensions 71,000 persons (as of March 31, 2010)	Persons insured by Employees' Pension 4.60 million persons (as of March 31, 2010)	Persons insured by Employees' Pension 6.47 million persons (as of March 31, 2010)	Self-employed workers, etc. (Category-1 insured persons in the National Pension) 0.62 million persons (as of March 31, 2009)
Old-age benefit	(Period of benefit) Temporary life annuity of 5 years or longer or (contribution and investment return are made the source of pension)		Additional component 1/2 or more is whole life annuity Topping-up of 1/2 or more of substitution component Substitution component Whole life annuity	Temporary life annuity of 5 years or longer or whole life annuity	First account: lifetime Second account and thereafter: lifetime or fix-period pension
Contribution	Contribution by business owner only	Contribution by principal only • Additional component → mostly	Contribution by principal only • Additional component →	Contribution by business owner in principle	Contribution by principal only Determined on age at the

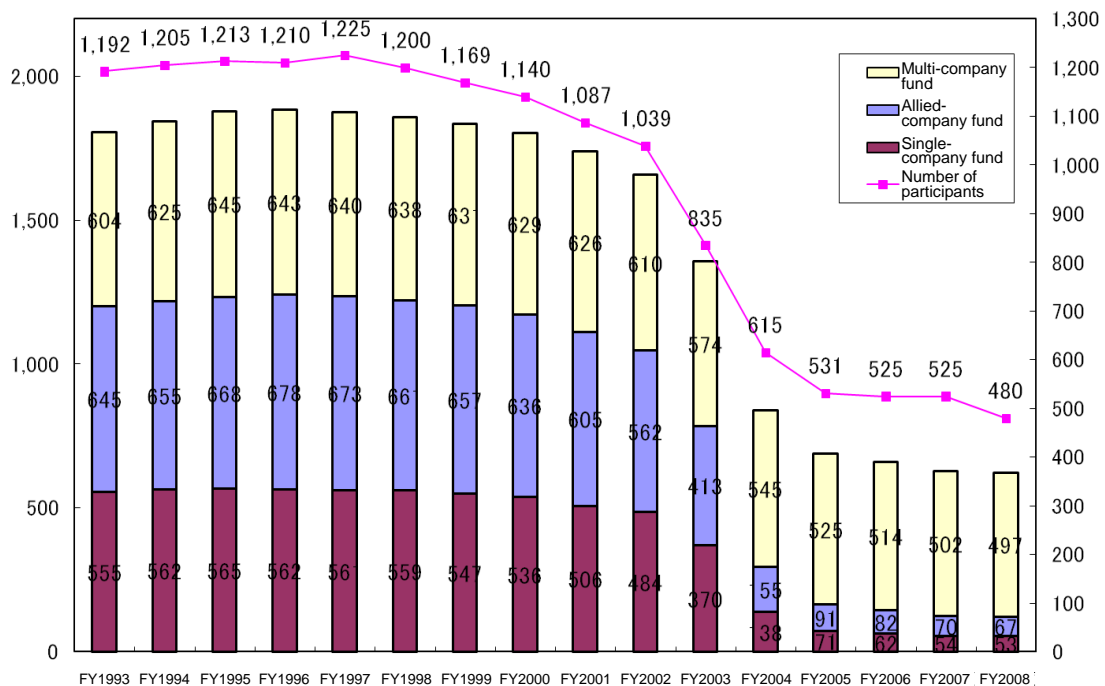
3. Present situation of Employees' Pension Fund

The Employees' Pension Fund has a long history dating back to 1966. It is a core plan for Japan's corporate pension that partly substitutes the benefit by the Employees' Pension, and is capable of paying independent topping-up benefits depending on the real circumstances of companies.

Recently, however, as the result of dissolution of funds due to deteriorating finances accompanied by environmental changes with the stagnant economy and investment climate, and transition to a defined contribution corporate pension plan which is free from restrictions (principle of whole life annuity, etc.) accompanied by substitution benefits (=return of substitution part), the number of funds and participants are decreasing.

<Table 7-3>

Number of Employees' Pension Funds and Participants



After FY 2002: Dissolution of 299 funds, Return of substitution part (past) 806 funds

<Table 7-4>

Movement of the number of dissolved Employees' Pension Funds, Average benefit of participants in Employees' Pension Fund

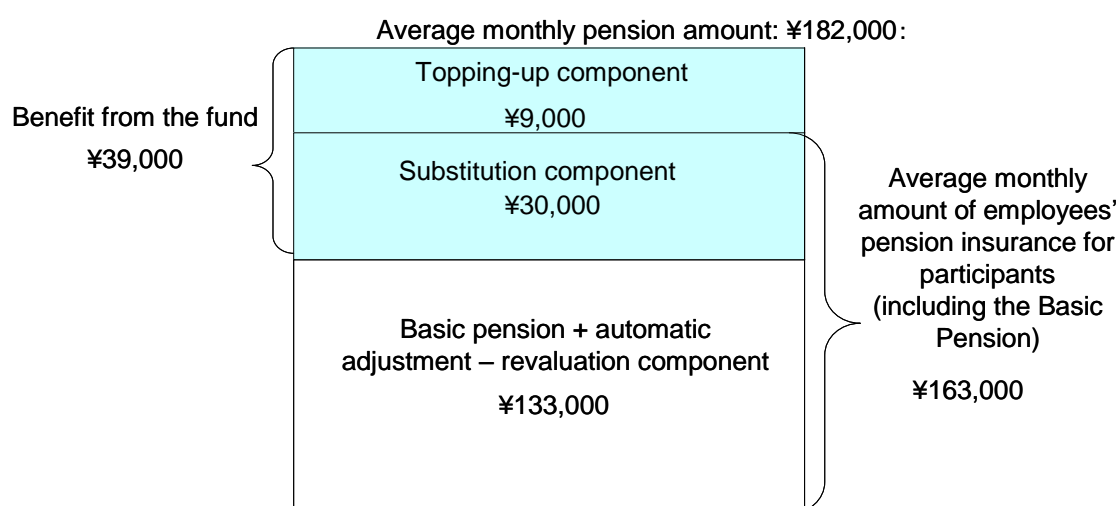
(1) Movement of the number of dissolved Employees' Pension Fund

FY	Until 1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	Total
Total number	26	14	18	16	29	59	73	92	81	30	8	11	4	2	463
Single-, allied-type	19	11	16	13	27	56	57	57	54	15	0	0	0	0	325
Multiple-type	7	3	2	3	2	3	16	35	27	15	8	11	4	2	138

Note: Values as of September 1, 2009 are used for FY2009.

(2) Average benefit of participants in Employees' Pension Fund

<As of the end of FY2006: monthly amount>



(Note) Benefit from the fund is the average amount of pension beneficiaries, excluding persons who select lump sum payment.

4. Present situation of defined benefit corporate pension

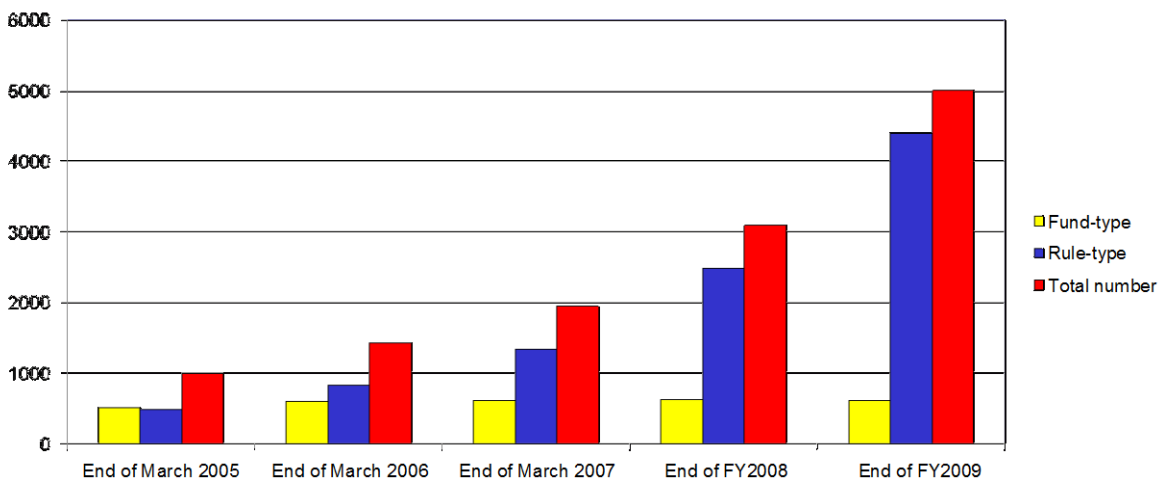
The defined benefit corporate pension is the latest plan and was implemented in 2002. It has such advantages that its plan can be designed relatively flexibly based on the agreement between the proprietor of a business and the employees as it does not pay substitution benefit, which is different from employees' pension funds, and that the protection of right to receive pension is secured.

There are two types of defined benefit corporate pension: fund-type and rule-type. Mainly for the fund-type, cases in which there is a transition from employees' pension funds to a defined benefit corporate pension by giving up substitution, are increasing.

<Table 7-5>

Implementation situation of defined benefit corporate pension

(Number of plans)

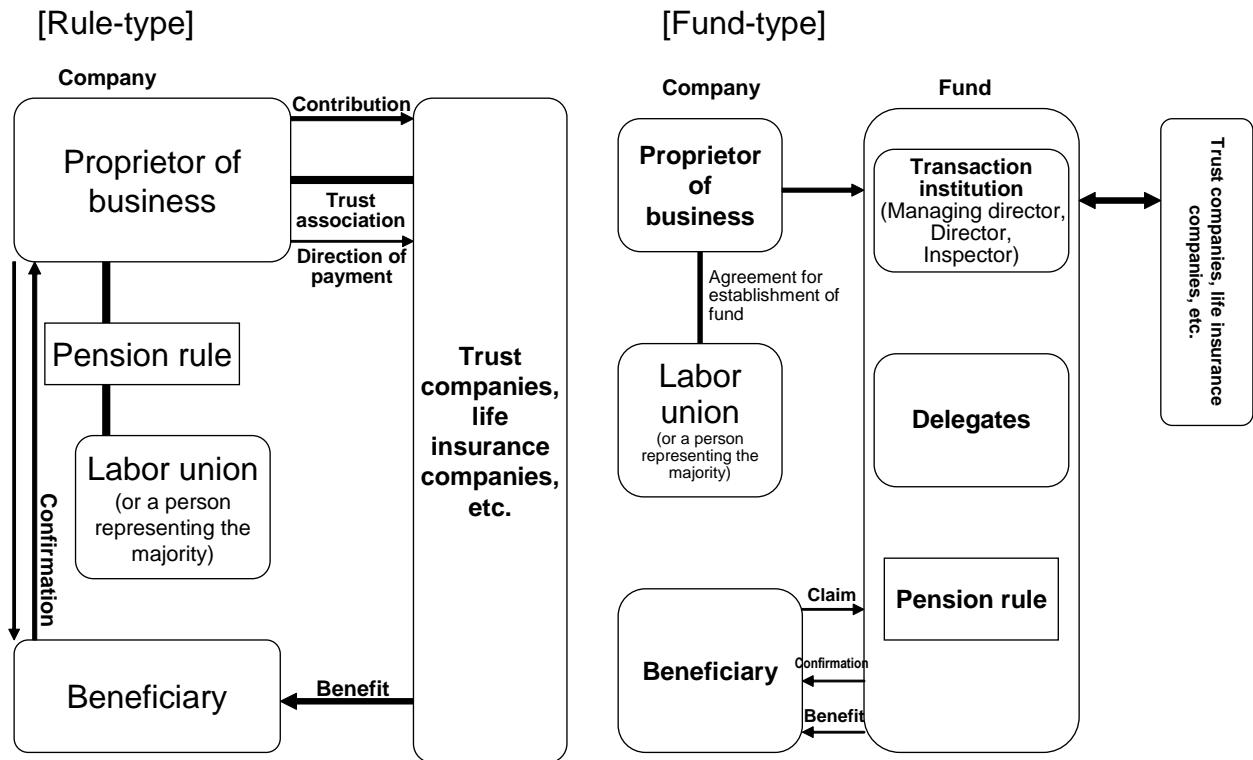


	Fund-type	Rule-type	Total number (cases)
End of March 2005	514	478	992
End of March 2006	597	833	1,430
End of March 2007	606	1,338	1,944
End of March 2008	619	2,480	3,009
End of March 2009	611	4,397	5,008

Source: Pension Bureau, Ministry of Health, Labour and Welfare

<Table 7-6>

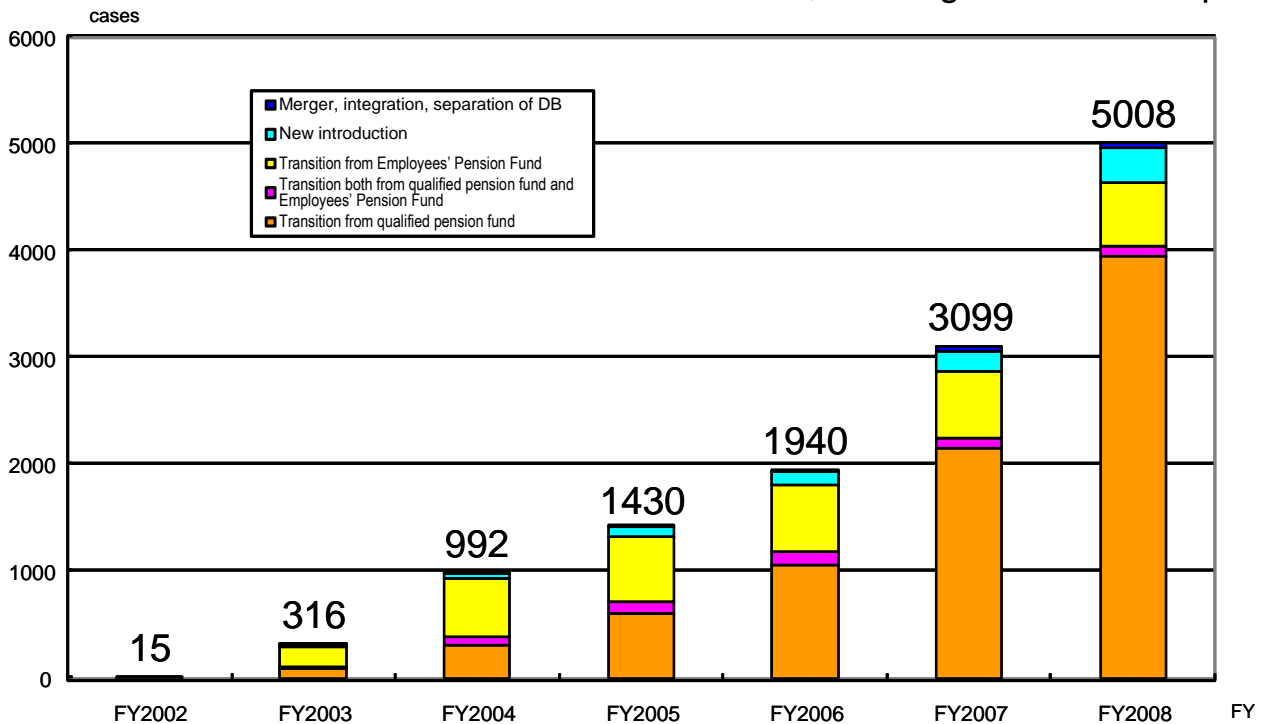
Illustrated Image of Rule-type and Fund-type



<Table 7-7>

<Defined Benefit Corporate Pension Plan>

Movement of transition at the time of establishment, and original number of plans



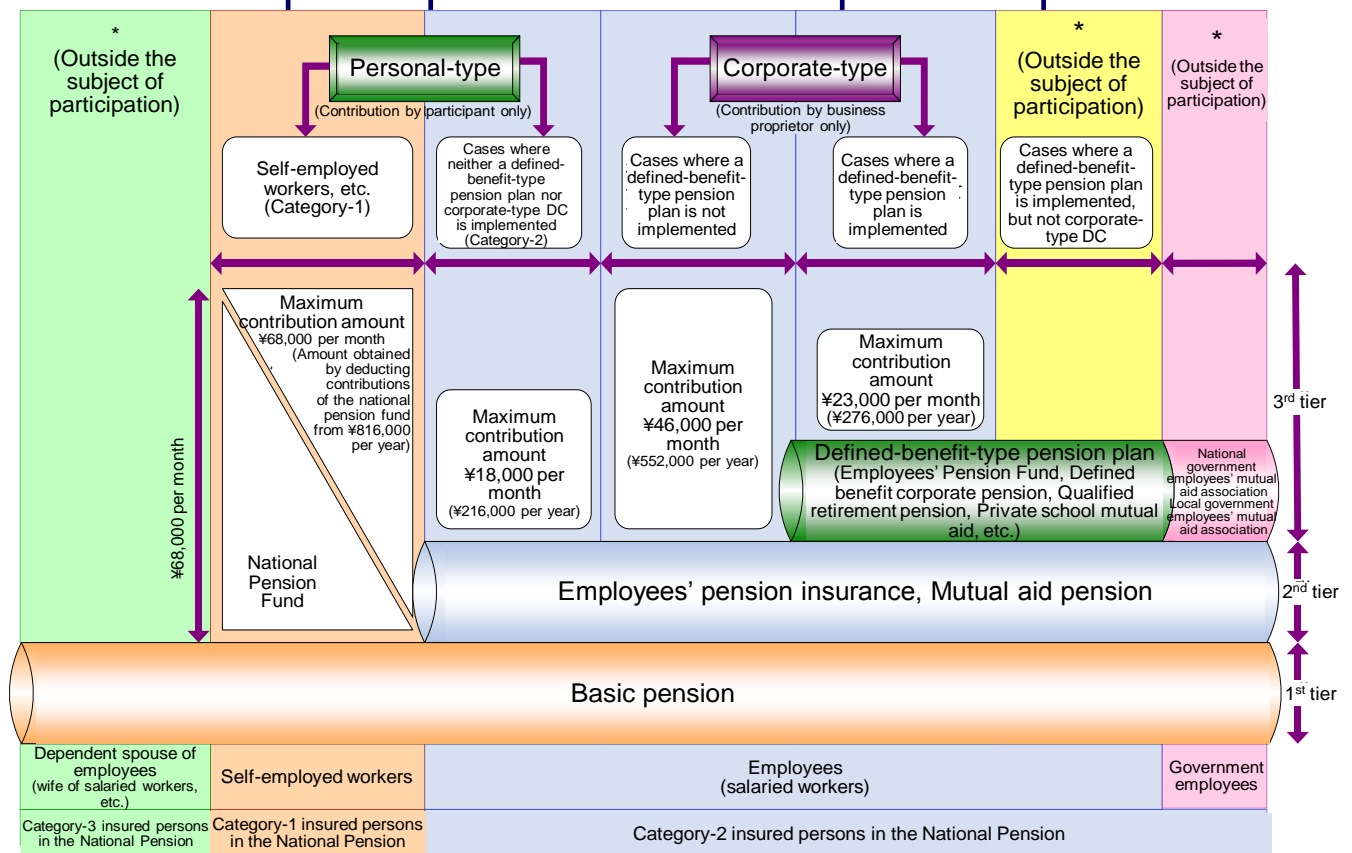
(Note) Number of cases in FY2008 is a quick estimate.

5. Present situation of defined contribution pension

The defined contribution pension is a pension plan in which contributions are separated into each participant, and the amount of benefit is determined on the basis of the total amount of such contribution and investment return in accordance with a direction for investment given by the participant at its own risk. It was established in October 2001 for the purpose of responding to the needs of employees of middle- and small-sized companies in which corporate pensions such as the Employees' Pension Fund were not introduced and of self-employed workers, etc., and to the opinion that the defined-benefit-type corporate pension has difficulty in dealing with turnover or career change.

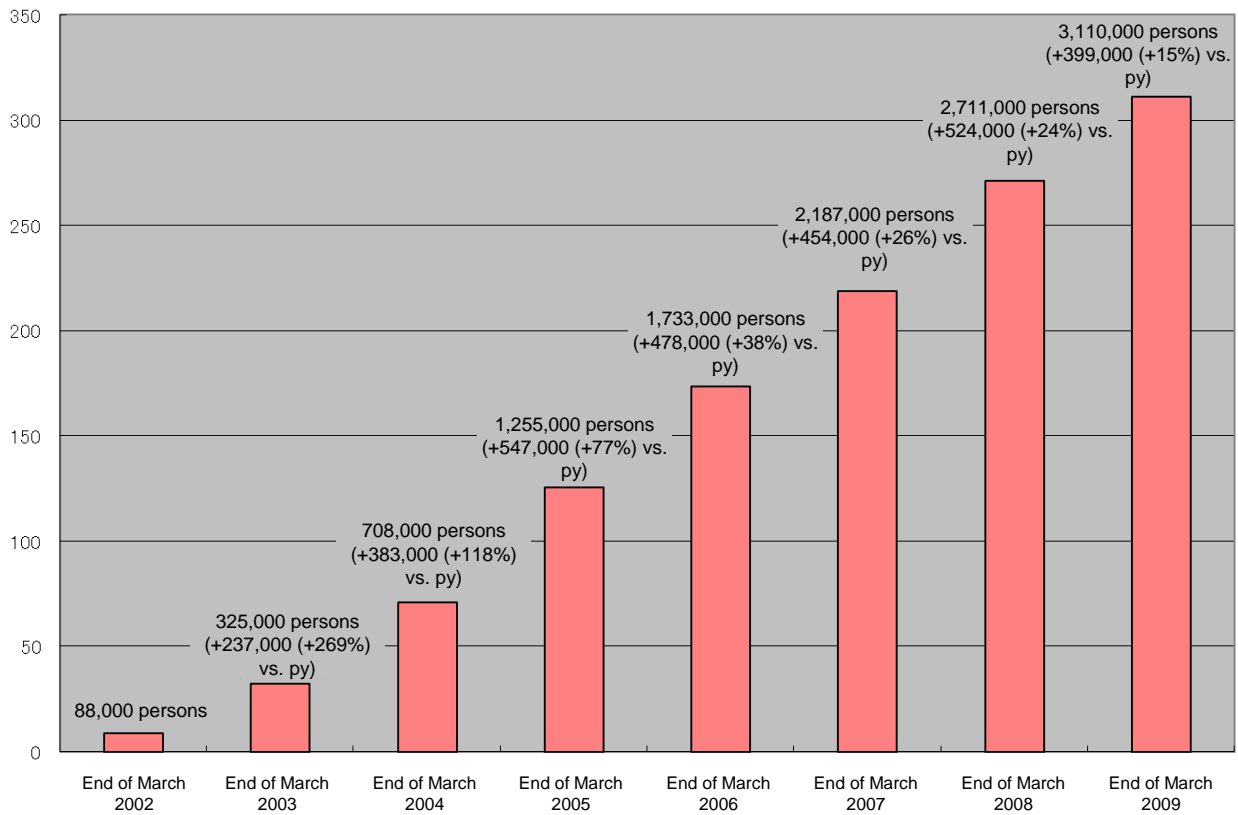
<Table 7-8>

Relationship of subject persons, maximum contribution amount and participation in another pension plan



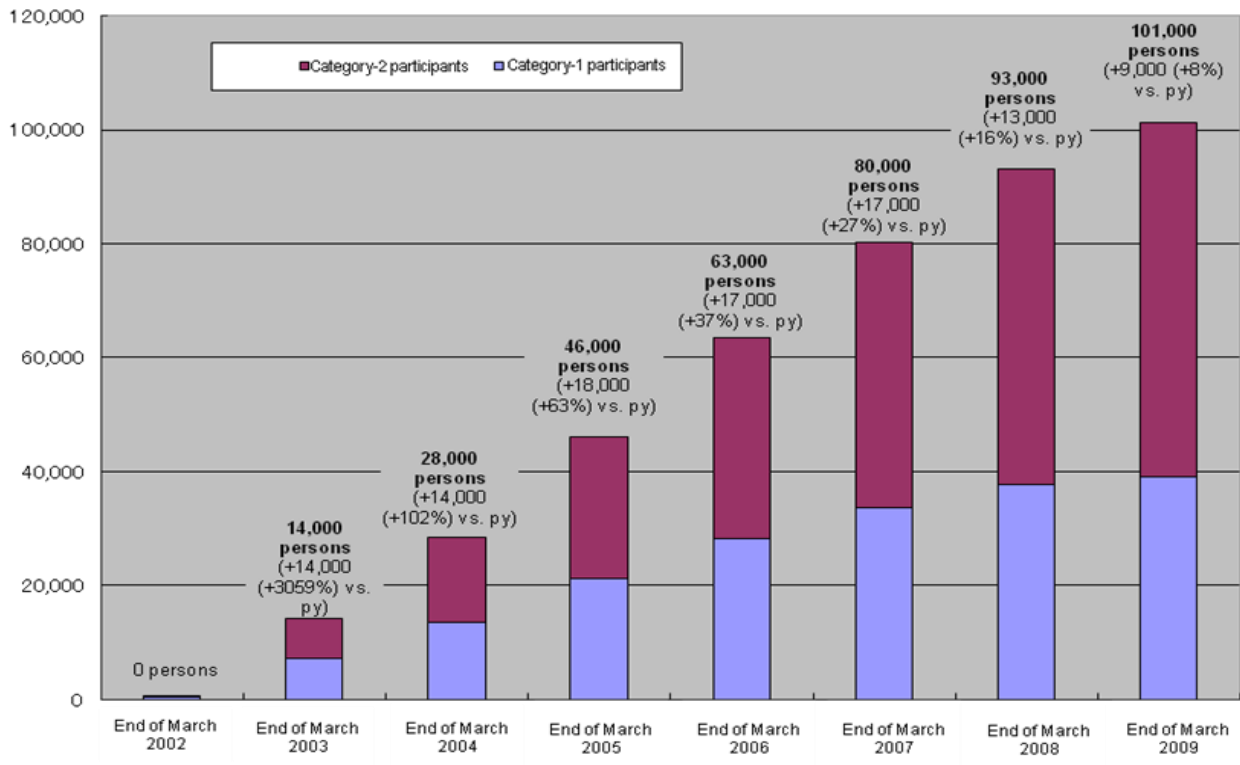
<Table 7-9>

Implementation situation of defined contribution pension plan



(1) Movement in the number of corporate-type participants

(2) Movement in the number of personal-type participants



6. Present situation of the National Pension Fund

The National Pension was established and improved in 1991 as a plan that allows self-employed workers (Category-1 insured persons in the National Pension), etc., to participate voluntarily according to their own choice, and enables them to receive topping-up benefits over the basic pension which guarantees a higher income in their old-age.

The National Pension has the following two types of fund:

(1) Regional-type National Pension Fund

This is organized in each prefecture by more than 1,000 persons having residence in the prefecture (47 funds as of the end of FY2007).

(2) Occupational-type national pension fund

This is organized nationwide by more than 3,000 persons engaging in the same business category and industry (25 funds as of the end of FY2007).

Benefits and contributions of the National Pension Fund are specified in the rule for each type of fund. Self-employed workers, etc., participate by selecting the benefit for themselves, and pay a contribution in such amount as is specified based on the benefit selected, their age at the time of participation and other factors.

Participation situation of the National Pension Fund (Unit: 10,000 persons)

	FY1991	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Total	43.6	76.4	78.7	77.2	78.9	75.1	72.7	69.3	64.8
Regional-type	37.1	63.8	66.0	64.7	66.3	63.1	60.9	58.0	54.2
Occupational-type	6.6	12.6	12.7	12.4	12.6	12.1	11.7	11.2	10.6

Benefit payment situation of the National Pension Fund (average monthly pension amount)

	Grand total	Fund		Federation	
		Regional-type	Occupational-type		
Total	¥21,233	¥22,379	¥21,378	¥28,044	¥13,168
First account	¥10,270	¥10,795	¥10,632	¥11,700	¥6,425
Second account and thereafter	¥21,408	¥22,510	¥21,200	¥29,447	¥13,615

* Amount of the second account and thereafter is the average for persons who receive benefit for the second account and thereafter.

Old-age monthly amount of benefit of the National Pension Fund

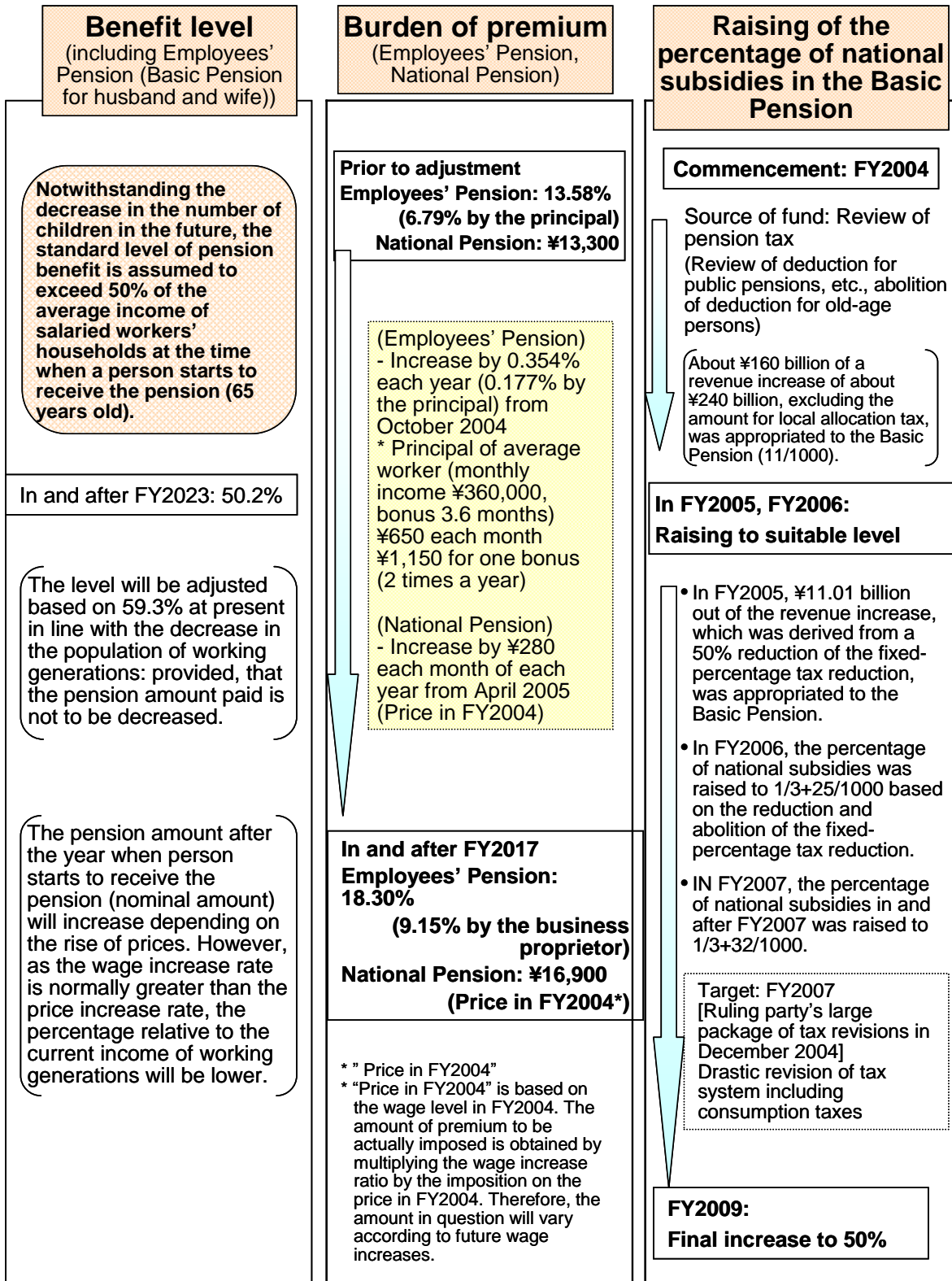
Participation age	35 years and 0 months	45 years and 0 months	50 years and 0 months	50 years and 1 month, and thereafter
First account	¥20,000	¥15,000	¥10,000	Amount of pension varies depending on the age of participation (unit: months).
Second account and thereafter	¥10,000	¥5,000	¥5,000	

(Note) Benefit of the fund is old-age pension and survivors' lump sum (if the principal dies during the guaranteed installment).

Reference Material

Results of Financial Verification in 2009

1. Prospect of benefit and burden in 2004 pension plan adjustment



2. Assumptions for Actuarial Valuation

(1) Demographic assumptions (situation of aging population combined with the diminishing number of children)

- The “Population Projection for Japan” (December 2006) published by the National Institute of Population and Social Security Research is used.
- Three cases are set as the intermediate, high and low total fertility rate and life expectancy, respectively.

Total fertility rate		Life expectancy	
2005 (Actual)	2055	2005 (Actual)	2055
1.26	→ { Fertility high :1.55 Fertility intermediate:1.26 Fertility low : 1.06	{ Male: 78.53 years Female: 85.49 years	→ Mortality intermediate { M: 83.67 years F: 90.34 years Mortality low { M: 84.93 F: 91.51 Mortality high { M: 82.41 F: 89.17

(2) Labor force assumptions

“The promoted participation scenario” by “the labor projections (in March 2008)” published by the Japan Institute for Labour Policy and Training are used as the basis.

(3) Economic assumptions

Three economic scenarios; namely, intermediate, optimistic, pessimistic are made based on “the range of economic assumptions in the 2009 Actuarial Valuation” (in November 2008) by the Special Committee for Economic Assumptions (SCEA) of the Pension Subcommittee of the Social Security Council and “The Medium- to Long-term Fiscal Policy and an Economic and Fiscal Outlook for the Next Ten Years” by the Cabinet Office (in January 2009).

- Long-term economic assumptions (FY2016 onwards) are set as median of each range(*) by the report from the SCEA.
- * The SCEA assumed the ranges of real economic growth rate and profit rate by using a basic relation formula in macro economics as well as actual data, prospects of potential economic growth and labor force.

Long-term economic assumption	CPI	Wage nominal (real to CPI)	Investment return nominal (real to CPI)	Note
Intermediate	1.0%	2.5% (1.5%)	4.1% (3.1%)	In case of TFP being 1.0%
Optimistic	1.0%	2.9% (1.9%)	4.2% (3.2%)	In case of TFP being 1.3%
Pessimistic	1.0%	2.1% (1.1%)	3.9% (2.9%)	In case of TFP being 0.7%

* The short-term economic assumptions (FY2009-FY2015) are based on “The Medium- to Long-term Fiscal Policy and an Economic and Fiscal Outlook for the Next Ten Years” by the Cabinet Office (in January 2009).

Intermediate scenario: World economy will recover smoothly by 2010 (case 1-1-1)
 Optimistic scenario: World economy will recover rapidly by 2010 (case 1-1-2)
 Pessimistic scenario: World economy will continue to stagnate (case 1-1-3)

* The real economic growth rate for FY2015 - FY2039 on average is estimated to be about 0.8% in case of economy middle, about 1.2% in case of economy high and about 0.4% in case of economy low.

* Nominal rate of investment return is set by taking, in addition to the foregoing, the impact of long-term increase of interest rate on domestic bonds into account. Further, the situation of stock prices, etc., at the end of December 2008 is reflected in FY2008.

(4) Other assumptions

- In addition to the foregoing assumptions, assumptions based on management plan achievements (occurrence rate of disability pension, etc.) are used. These assumptions were set based on the latest achievement data for insured persons and pension beneficiaries.
- The national subsidy rate for the Basic Pension is 50%.

3. Financial projection of the EPI

Financial Projection of the EPI (the 2009 Actuarial Valuation)

FY	Contribution rate (against annual income)	Total income ①				Total expenditure ②		Balance (① - ②)	Reserve at the end of the year (F)	(F) (in 2009 prices)	Reserve ratio
		Contributions	Investment return	National subsidy		Transfer to the basic pension					
	%	JPY in trillion				JPY in 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

(Note1) This is the case of Basic scenario, i.e. intermediate fertility, mortality, and economic scenario

(Note2) FY2009 prices represent the value converted into the FY2009 level by the wage growth rate.

(Note3) The reserve ratio represents the ratio of the reserve fund at the end of the preceding fiscal year to the expenditure of each fiscal year.

(Note4) The projection includes the benefits substituted by the Employees' Pension Funds.

(Remarks)

Assumptions: basic case Fertility : intermediate Mortality : intermediate Economy: intermediate	Long-term economic assumptions Price increase rate 1.0% Wage growth rate 2.5% Investment return 4.1%	Automatic balancing Mechanism Start year FY2012 End year FY2038	Ultimate replacement ratio 50.1% (FY2038 onwards)
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4. Financial projection of the NP

Financial Projection of the NP (the 2009 Actuarial Valuation)

FY	Monthly contribution rate (in 2004 prices)	Total income ①				Total expenditure		Balance (① - ②)	Reserve at the end of the year (F)	(F) (in 2009 prices)	Reserve ratio
		Contri- butions	Investment return	National subsidy	②	Transfer to the basic pension					
	JPY	JPY in trillion				JPY in 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

(Note1) This is the case of Basic scenario, i.e. intermediate fertility, death, and economic scenario

(Note2) Monthly contribution rate represents the value stipulated in the law. The actual contribution rate is to be decided by the wage growth rate after the 2004 pension reform.

The actual contribution rate for FY2009 is JPY14,600.

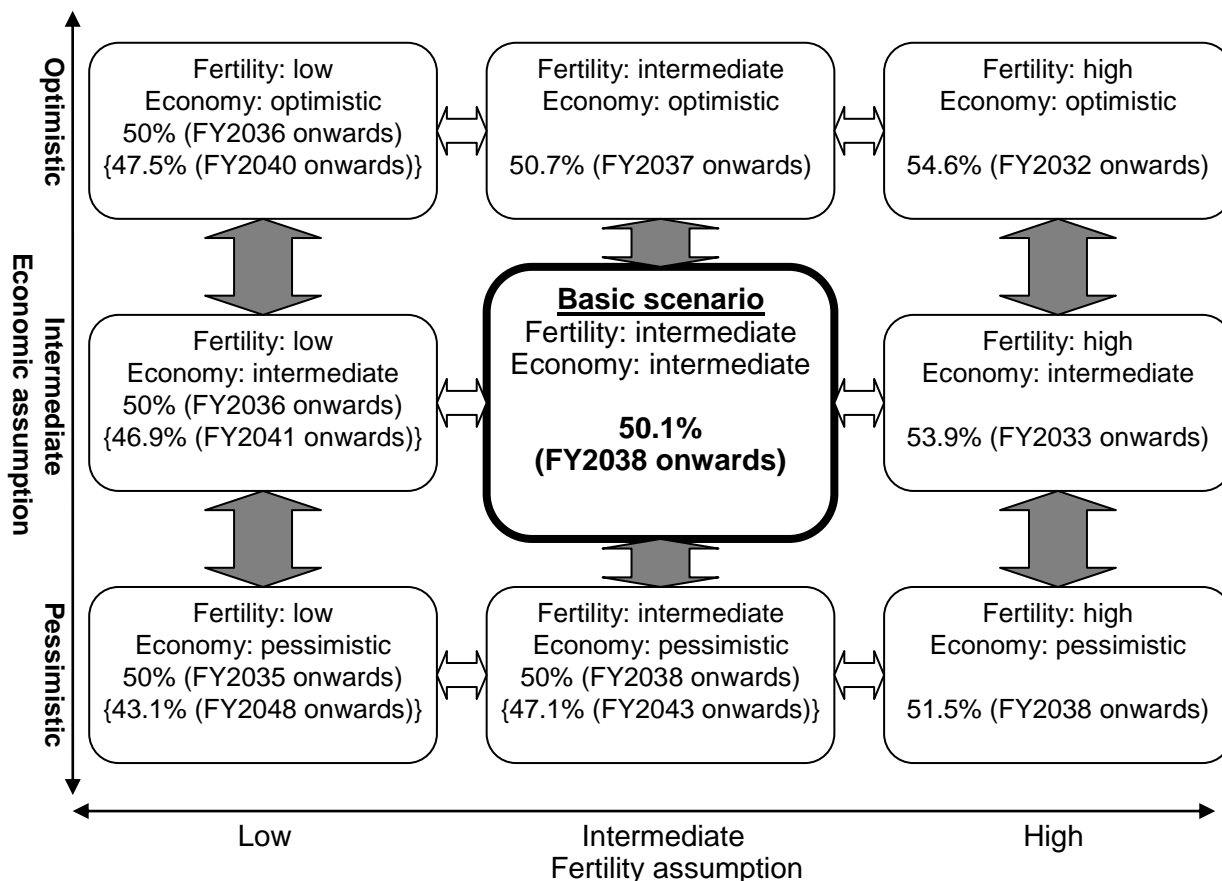
(Note3) The reserve ratio represents the ratio of reserve fund at the end of preceding fiscal year to expenditure of each fiscal year.

(Remarks)

Assumptions: basic case Fertility : intermediate Mortality : intermediate Economy: intermediate	Long-term economic assumptions		Automatic balancing Mechanism Start year FY2012 End year FY2038
	Price increase rate	1.0%	
	Wage growth rate	2.5%	
	Investment return	4.1%	

5. Benefit level projections

Projected ultimate replacement ratio by fertility and economic assumptions



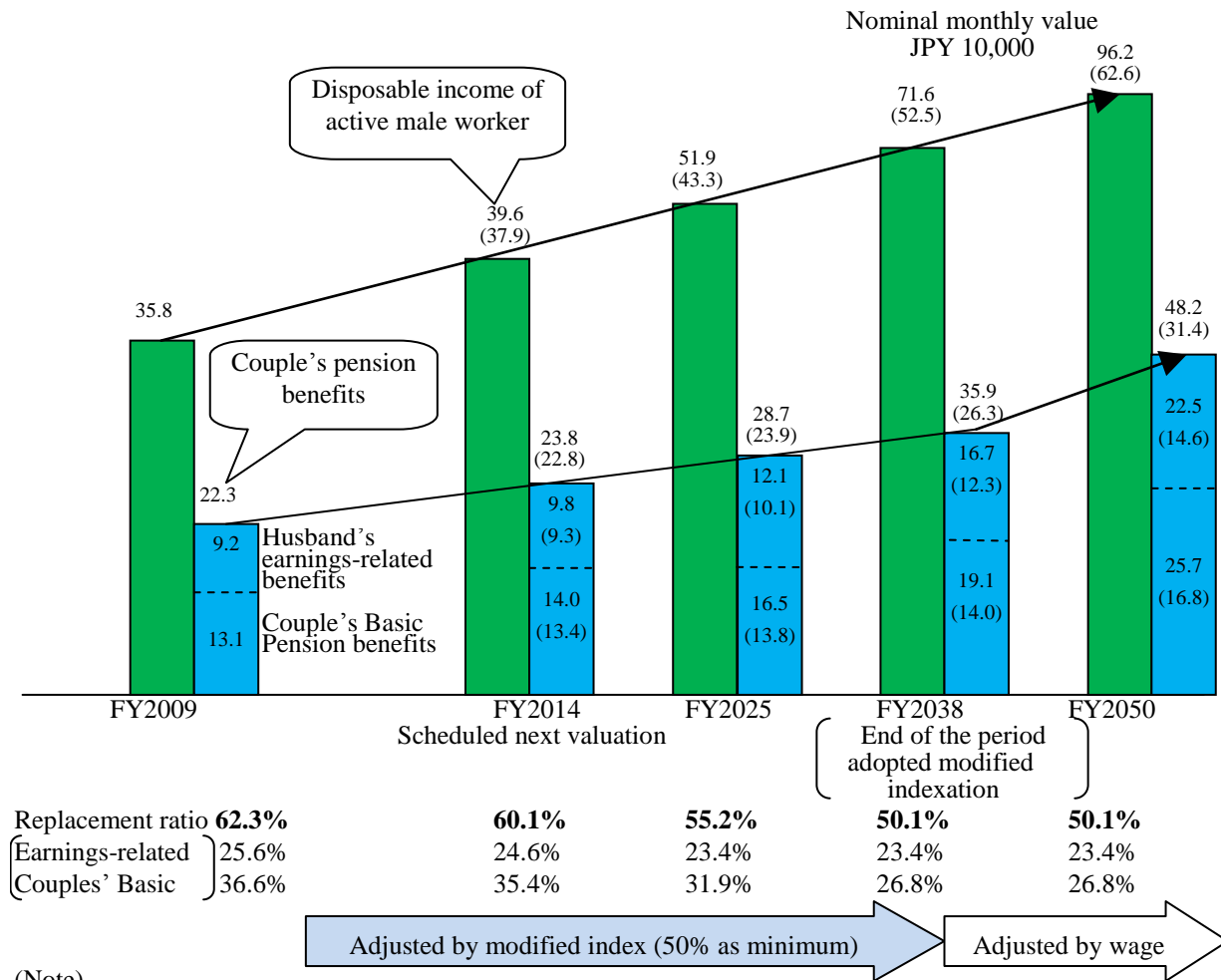
(Notes)

1. Values in parenthesis { } represent the value that would be attained if the automatic balancing mechanism were applied until the financial equilibrium were to be attained after the replacement ratio reached 50% with neglecting the minimum benefit provision.
2. All cases in this chart are based on the intermediate mortality scenario.
3. In the intermediate fertility scenario, the fiscal years when the application of the automatic balancing mechanism start are projected to be in FY2012, FY2012, and FY2014 in the intermediate, the optimistic, and the pessimistic economic scenarios, respectively.

6. Pension benefits and replacement ratio projections (standard household)

Results in the basic scenario (intermediate fertility and economic)

Projected monthly benefit levels in EPI
(Assuming the specified couple starts to receive pension benefits in each year)



(Note)

1. This is the case of Basic scenario (intermediate fertility, mortality, and economic scenario)
2. The adjustment of earnings-related benefit level is to be terminated in FY2019, earlier than FY2038 in this chart.
3. The couple's pension benefits in FY2009 are calculated neglecting the provisional treatment. Actual couple's Basic Pension benefits are JPY132,000 due to the provisional treatment.
4. The values in parentheses represent values converted into the current values based on the CPI.