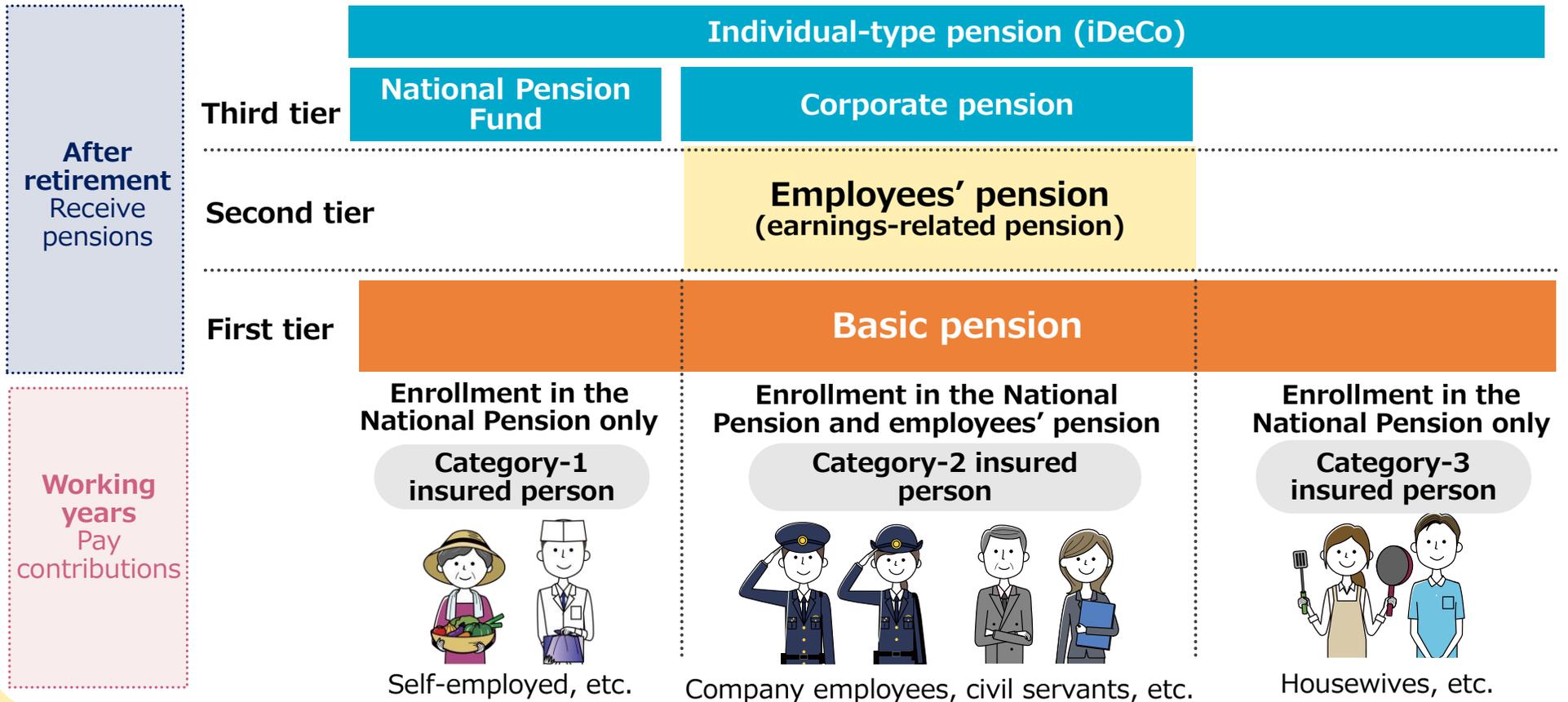


General Outline of Pension System

Basic Structure of Pension System

- ✓ Pension benefits have a three-tier structure. (basic pension, employees' pension (earnings-related pension), corporate pension and individual pension)
- ✓ The public pensions in the first and second tiers support the basic livelihoods of people in old age, and, together with the corporate and individual pensions in the third tier, address diverse needs in old age.

: *Voluntary coverage



Public Pension System and Life Course

Enrollment according to work style and lifestyle 

National Pension

Employees' pension + National Pension

National Pension

Category-1 insured person



(from age 20)

Category-2 insured person



(from employment)

Category-3 insured person



(from age 20)

Pay ¥17,510 per month
(fixed amount)
* Fiscal 2025

Pay 18.3% of monthly salary
(Half is borne by the company)

No burden
(borne collectively by Category-2 insured persons)

Job changes,
changes in living
circumstances,
etc.

(in principle, up to age 60)

(until retirement)

(up to age 60)

(from age 65)



**Employees' pension
(earnings-related pension)**

Basic pension

Period as a Category-1 insured person
Approximately ¥69,000 per month (full amount) Fiscal 2025

Period as a Category-2 insured person
Approximately ¥147,000 per month (average) As of the end of Fiscal 2023

Period as a Category-3 insured person
Approximately ¥69,000 per month (full amount) Fiscal 2025

(until death)

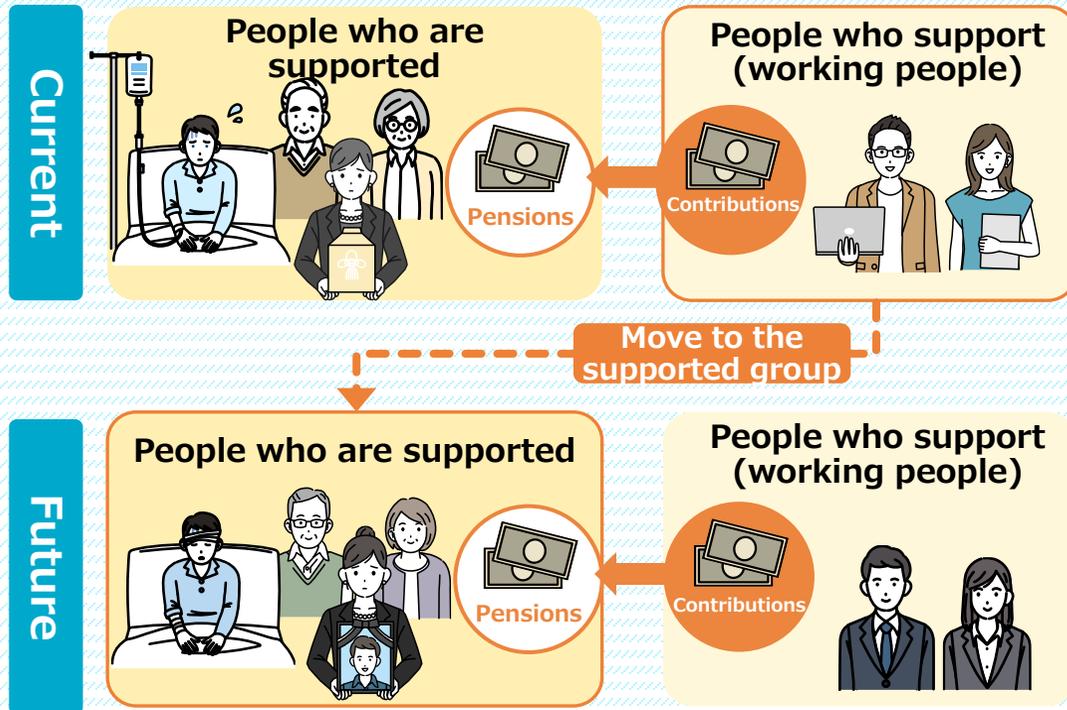
* Pension amounts on this page are rounded down to the nearest ¥1,000

Working years
Pay
contributions

After
retirement
Receive
pensions

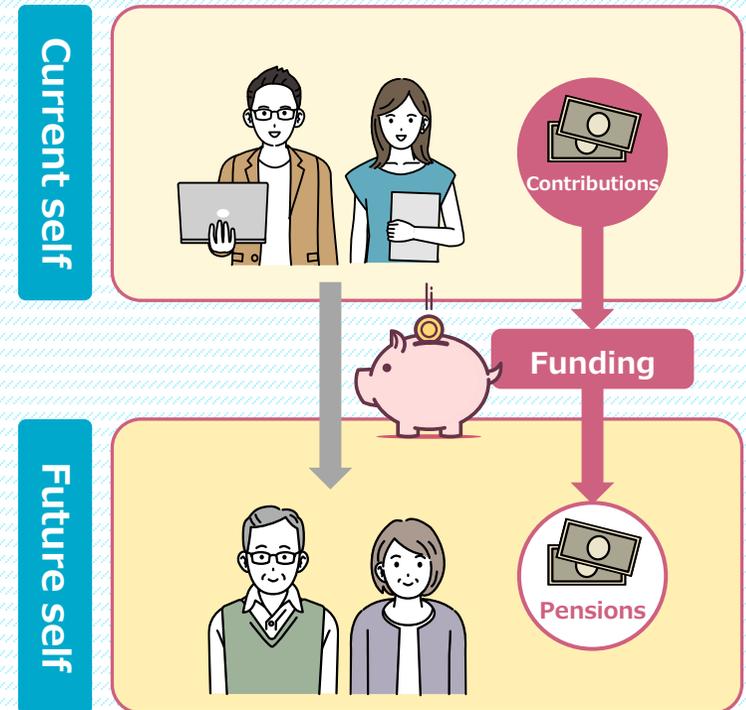
Pay-As-You-Go System and Funded System

Pay-as-you-go system



A system in which contributions paid by **those who support (working people)** are paid to **those who receive pensions (supported people)** at that time

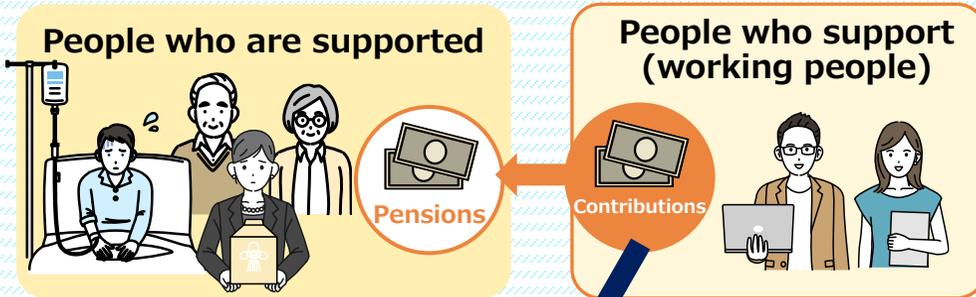
Funded system



A system in which **contributions are saved and invested**, and later received in the future through gradual withdrawals (such as iDeCo)

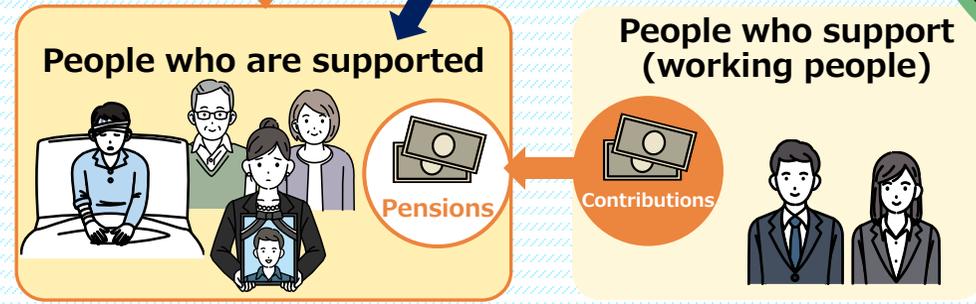
Japan's Public Pension System Is Hybrid

Past



There are reserves from the time when there were more people who supported, and therefore Japan's public pension system is a hybrid system that combines the pay-as-you-go and funded systems

Future



Long-term financial resources for pensions



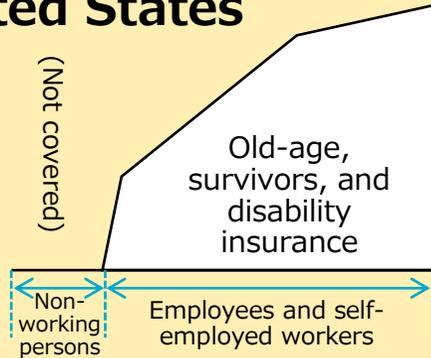
* In addition to contributions and reserves, benefits are also paid by national subsidy (taxes)

What Kinds of Pension Systems Do Major Countries Have?



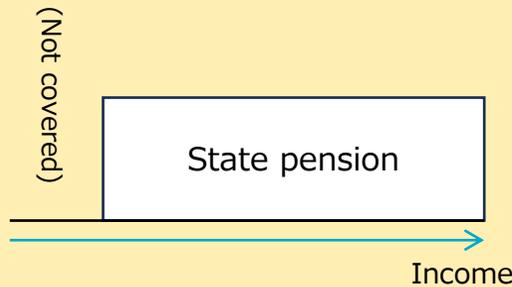
Pay-as-you-go system

United States



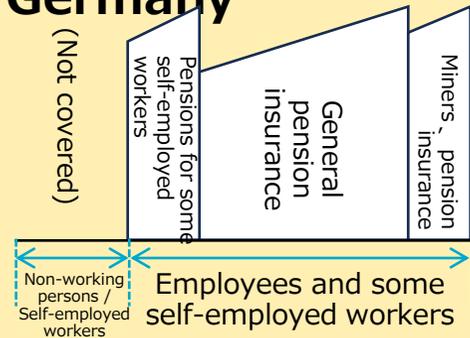
Pay-as-you-go system

United Kingdom



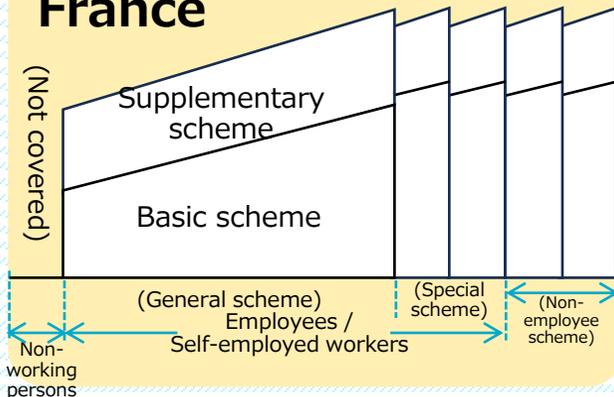
Pay-as-you-go system

Germany



Pay-as-you-go system

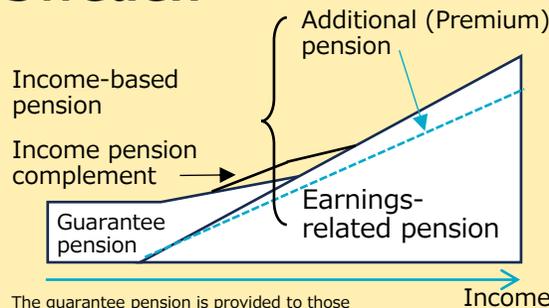
France



Pay-as-you-go system

Sweden

Premium pension operates under a funded system



The guarantee pension is provided to those with low or no pensions using tax resources
The income pension complement is provided to those with low pensions using tax resources



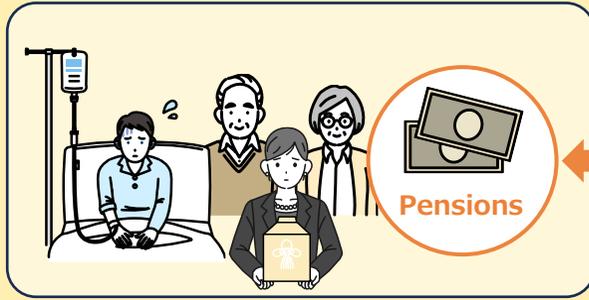
As of April 1, 2024 (United States, United Kingdom, Germany, France, Sweden)
Sources: Government publications and other materials

*1 Sweden describes the financial method of the income-based pension.
*2 In addition, countries that adopt a funded system include Singapore and Chile.

If Shifting from a Pay-As-You-Go System to a Funded System

Pay-as-you-go system (current)

People who are supported



People who support (working people)



If changed to a funded system



As they cannot fund their pensions from now on, they will end up with **no or low pensions**



How to prevent people from having no or low pensions...?

A "double burden" arises, which is the funding of pensions for people who are currently supported as well as for their future selves

General Outline of the System Revision

Overview of Pension System Revision

Basic Concept

- Respond to the diversification of work styles, lifestyles, and family structures
- Strengthen the functions of stable living and income security in old age for both current and future beneficiaries



Major Revisions



Expansion of social insurance coverage

Enable part-time workers at small and medium-sized enterprises and other similar workers to enroll in the employees' pension and health insurance systems and to enjoy benefits such as increased pensions.



Reviewing the old-age pension for active employees

Make the reduction of pension benefits less likely for elderly people who work while receiving a pension so that they can work more.



Reviewing pensions for surviving family

Eliminate the gender disparity in the employees' pension for surviving family. Ease restrictions and increase cases when children can receive the basic pension for surviving family.



Raising of the upper limit on wages used to calculate contributions and pension amounts

Enable people with a monthly income above a certain level to receive a pension more commensurate with their wages during their working years by having them pay contributions in accordance with their wages.



Other reviews

Review the additional pension for children, etc., and review the lump-sum withdrawal payment.
Review private pension systems, including raising the upper age limit for enrollment in iDeCo.

- As a result of deliberations in the Diet, a provision was added to take measures, based on an assessment of the future socioeconomic conditions, to simultaneously terminate the modified indexation[†] of the basic pension and the employees' pension if the benefit level of the basic pension is projected to decline.

[†] a mechanism to automatically adjust benefit level within scope of financial resources

Effective Date of Pension System Revision



2026/4

2027/4

2028/4

2029/4

2030/4

2031/4

Expansion of social insurance coverage

Abolition of the wage requirement

From the date that falls within three years of promulgation, as specified by a Cabinet Order

Expansion of the scope of covered unincorporated places of business that employ five or more workers on a regular basis

From October 2029

Support for those newly covered under the expanded coverage

From October 2026

Abolition of the enterprise size requirement in stages

From October 2027 for enterprises with 36 to 50 employees, from October 2029 for enterprises with 21 to 35 employees, from October 2032 for enterprises with 11 to 20 employees, and from October 2035 for enterprises with 1 to 10 employees

Reviewing the old-age pension for active employees

Raising of the income threshold for suspension (¥500,000)

From April 2026

Reviewing pensions for surviving family

Elimination of the gender disparity in the employees' pension for surviving family

From April 2028 (in stages over 20 years)

Raising of the upper limit on wages used to calculate contributions and pension amounts

Raising of the upper limit (¥650,000)

From ¥650,000 to ¥680,000, from September 2027
From ¥680,000 to ¥710,000, from September 2028
From ¥710,000 to ¥750,000, from September 2029

Additional pension for children

Expansion of the scope of pension beneficiaries eligible for increased additional pension for raising children

From April 2028

- For the time being, existing places of business will not be subject to the expansion of the scope of covered unincorporated places of business that employ five or more workers on a regular basis.
- The expansion of the scope of children eligible for the basic pension for surviving family will come into effect in April 2028.
- The raising of the maximum age for enrollment in iDeCo will be effective from the date that falls within three years of promulgation, as specified by a Cabinet Order.
- The review of the lump-sum withdrawal payment system will be effective from the date that falls within four years of promulgation, as specified by a Cabinet Order.
- The simultaneous termination of the modified indexation[†] will be implemented based on the results of the next actuarial valuation (2029).
- [†] a mechanism to automatically adjust benefit level within scope of financial resources

Expansion of Social Insurance Coverage

The expansion of social insurance coverage for part-time workers will:

- Make the enrollment criteria for social insurance (employees' pension and health insurance) easier to understand, thereby **making it easier for them to choose a work style that suits their lifestyle**;
- **Enable more people to receive greater security resulting from their work**, such as increased pension amounts in the future.

Current enrollment criteria for part-time workers

Whether individuals enroll in social insurance depends on the entity they work for and their wages

Enterprises with 51 or more employees, or similar entities



20 or more working hours per week



* In principle, overtime hours are not included.

Salary of ¥88,000 or more per month



* In principle, overtime pay, bonuses, commuting allowances, and temporary allowances are not included.

* Students are not subject to this criteria.



After the review

If an individual works 20 hours or more per week, he/she will enroll in social insurance regardless of the entity he/she works for

Simplified enrollment criteria!

Enterprises with 51 or more employees, or similar entities



20 or more working hours per week



* In principle, overtime hours are not included.

Salary of ¥88,000 or more per month



* In principle, overtime pay, bonuses, commuting allowances, and temporary allowances are not included.

* Students are not subject to this criteria.

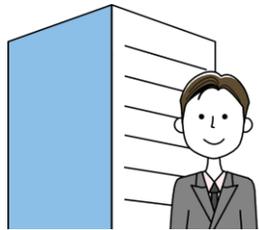
* Reviews will be implemented in stages

Enrollment Criteria for Part-Time Workers

Abolishing the Requirement of ¥88,000 or More per Month (Wage Requirement)

- The requirement will be abolished in light of factors, including the fact that it is recognized as the so-called “**1.06-million-yen barrier (threshold)**.”
- The timing of the abolition will be determined after assessing the progress of the nationwide minimum wage increase (within three years from promulgation of the Act).

Current



In 2024, for individuals who work at **¥951 per hour**, the lowest regional minimum wage...

Working 20 hours/week

results in **¥82,000/month**

✓ **20 or more working hours per week**



* In principle, overtime hours are not included.

Condition satisfied

✓ **Salary of ¥88,000 or more per month**



What is not included:
• Overtime pay
• Bonuses
• Commuting allowances

* In principle, overtime pay, bonuses, commuting allowances, and temporary allowances are not included.

Condition not satisfied

No enrollment in social insurance

minimum wage increase



Image of abolition of the wage requirement

In 20XX, if the lowest regional minimum wage exceeds **¥1,016 per hour**, in any prefecture...

Working 20 hours/week

will earn **¥88,000/month**

✓ **20 or more working hours per week**



* In principle, overtime hours are not included.

✓ **Salary of ¥88,000 or more per month**



What is not included:
• Overtime pay
• Bonuses
• Commuting allowances

* In principle, overtime pay, bonuses, commuting allowances, and temporary allowances are not included.

Working 20 hours per week automatically results in enrollment in social insurance

The requirement of ¥88,000 or more per month will be abolished

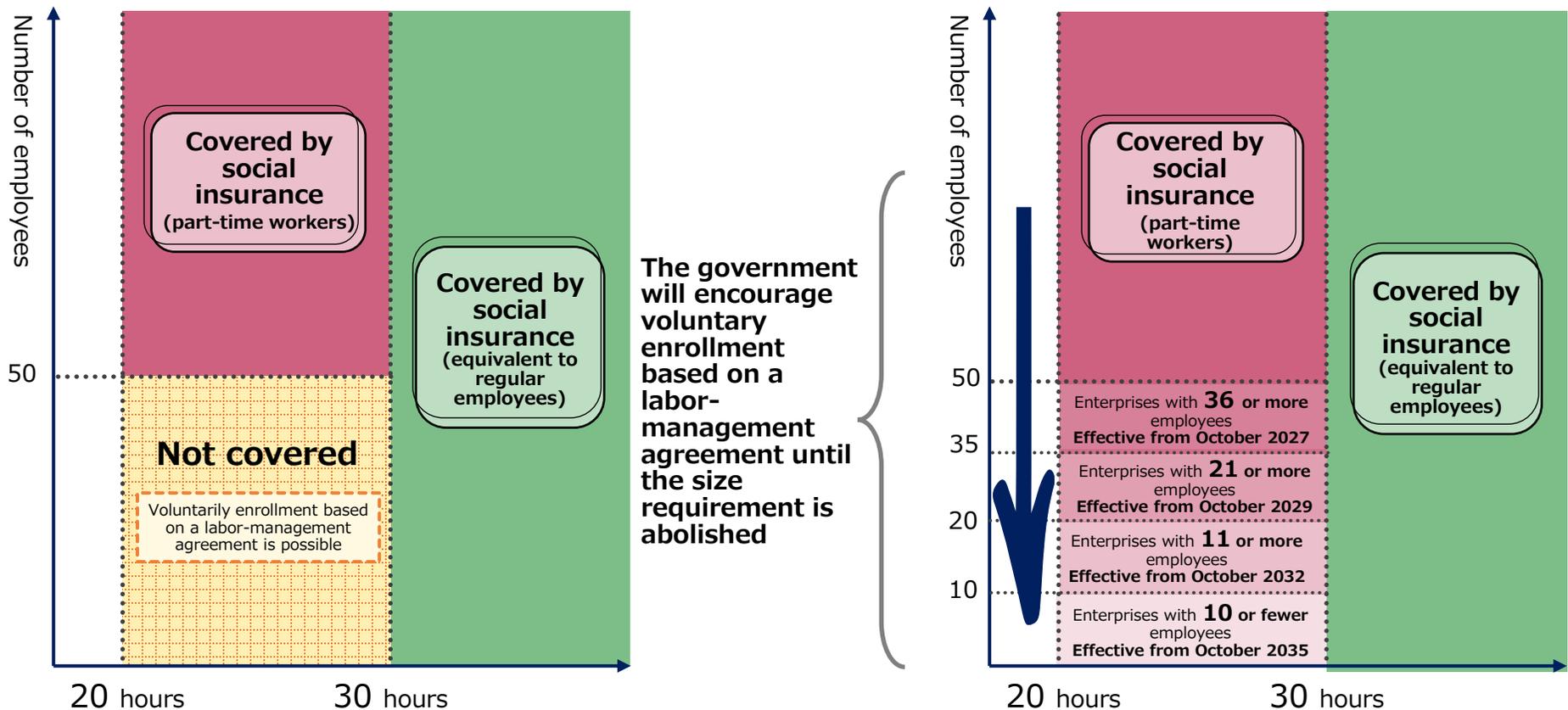
* The minimum wage is set for each prefecture

Enrollment Criteria for Part-Time Workers Enrollment Regardless of Size of Enterprise One Works for

- The enterprise size requirement will be reduced and abolished in stages over 10 years, so that if a part-time worker works at least 20 hours a week, he/she will be able to enroll in social insurance (employees' pension and health insurance) regardless of the entity he/she works for.

Current

Image of abolishing the enterprise size requirement



Expansion of Scope of Unincorporated Places of Business Covered by Social Insurance

- Make the enrollment criteria for social insurance (employees' pension and health insurance) easier to understand, thereby **making it easier for working people to choose a work style that suits their lifestyle.**
- **Enable more people to receive greater security resulting from their work,** such as increased pension amounts in the future.

Current		Unincorporated places of business	
		Unincorporated places of business employing five or more persons on a regular basis	Unincorporated places of business with fewer than five employees
17 business types specified by law		Covered	Not covered
Business types other than the above (business types not covered) Example: Agriculture, forestry, fisheries, accommodation, food and beverage services, laundry, barber and beauty services, public bath, entertainment, design, security, building maintenance, political, economic and cultural organizations, religion, etc.			<div style="border: 2px dashed #00AEEF; padding: 5px; width: fit-content; margin: 0 auto;"> Voluntary enrollment based on a labor-management agreement (voluntary comprehensive coverage) </div>

Image of expanding the scope of covered unincorporated places of business		Unincorporated places of business	
		Unincorporated places of business employing five or more persons on a regular basis	Unincorporated places of business with fewer than five employees
All types of businesses		Covered	Not covered
		<div style="border: 1px solid #A52A2A; padding: 5px; width: fit-content; margin: 0 auto;"> Places of business already existing as of October 2029 Not covered for the time being </div>	<div style="border: 2px dashed #00AEEF; padding: 5px; width: fit-content; margin: 0 auto;"> Voluntary enrollment based on a labor-management agreement (voluntary comprehensive coverage) </div>

The government will encourage voluntary enrollment based on a labor-management agreement for unincorporated places of business with fewer than five employees and for places of business that already exist before the Act comes into effect in October 2029.

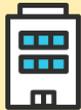
Expansion of Social Insurance Coverage Also Bringing Many Benefits to Category-1 Insured Persons!

A Category-1 insured person who works for a company bears the full amount of contributions, but upon becoming a Category-2 insured person, **half of the contributions will be borne by the company.**

In addition, **benefits will be enhanced, including payment of the employees' pension and entitlement to receive injury and sickness allowance, etc.**

Additionally, the insured can receive injury and sickness allowance and maternity allowance from the medical insurance.

Without changes in working conditions...



Enrollment in the employees' pension and health insurance

Category-2 insured person

Company
¥12,500/month

Insured person
¥12,500/month

Burden of contributions

Employees' pension (lifetime)

Basic pension (lifetime)

Benefits



Abolition of the enterprise size requirement

Employees with an annual income of ¥1.3 million and working 20 hours or more per week at enterprises with 50 or fewer employees



Enrollment in the National Pension and National Health Insurance

Category-1 insured person who works at a company

Insured person
¥23,600/month

Burden of contributions

Basic pension (lifetime)

Benefits

* Contributions on this page are rounded up to the nearest ¥100

Supporting Part-Time Workers Covered by Expanded Social Insurance Coverage

For part-time workers who become newly covered by social insurance (employees' pension and health insurance) due to reasons such as the review of the enterprise size requirement, **a special and time-limited measure will be implemented to reduce their social insurance contribution burden, under which the employers will bear an additional burden for three years.** The full amount of the contributions borne additionally by employers will be supported by the system as a whole.

Support process

① First, **an application from the company** is required. (Companies, etc. with 50 or fewer employees are eligible.)



② The company pays more of the contribution beyond the equal share between labor and management, in accordance with the burden ratio prescribed by law. As a result, **the insured person's burden will be reduced.** (eligible insured persons: part-time workers with a monthly income of ¥126,000 or less. For a maximum of three years, and the reduction rate is halved in the third year.)



③ **The full amount of excess** paid by employers **will be supported by the system as a whole.**



Though this support reduces the social insurance contribution burden, it does not reduce future pension amounts!

Specifically,

In the case of an annual income of ¥1.06 million (monthly income: ¥88,000)	Without the support measure
Burden ratio (workers: employers)	50:50
Insured person's burden	¥12,500
Employer's burden	¥12,500



With the support measure
25:75
¥6,250
¥12,500 + ¥6,250

Full amount supported by the system

Support for employers

- * The above support measure will also be made available when social insurance is applied voluntarily based on a labor-management agreement.
- As support for employers, the government is considering measures such as: support for employers that increase workers' income upon enrollment in social insurance; support for administrative work related to the expansion of coverage; and support that contributes to productivity improvement, etc.

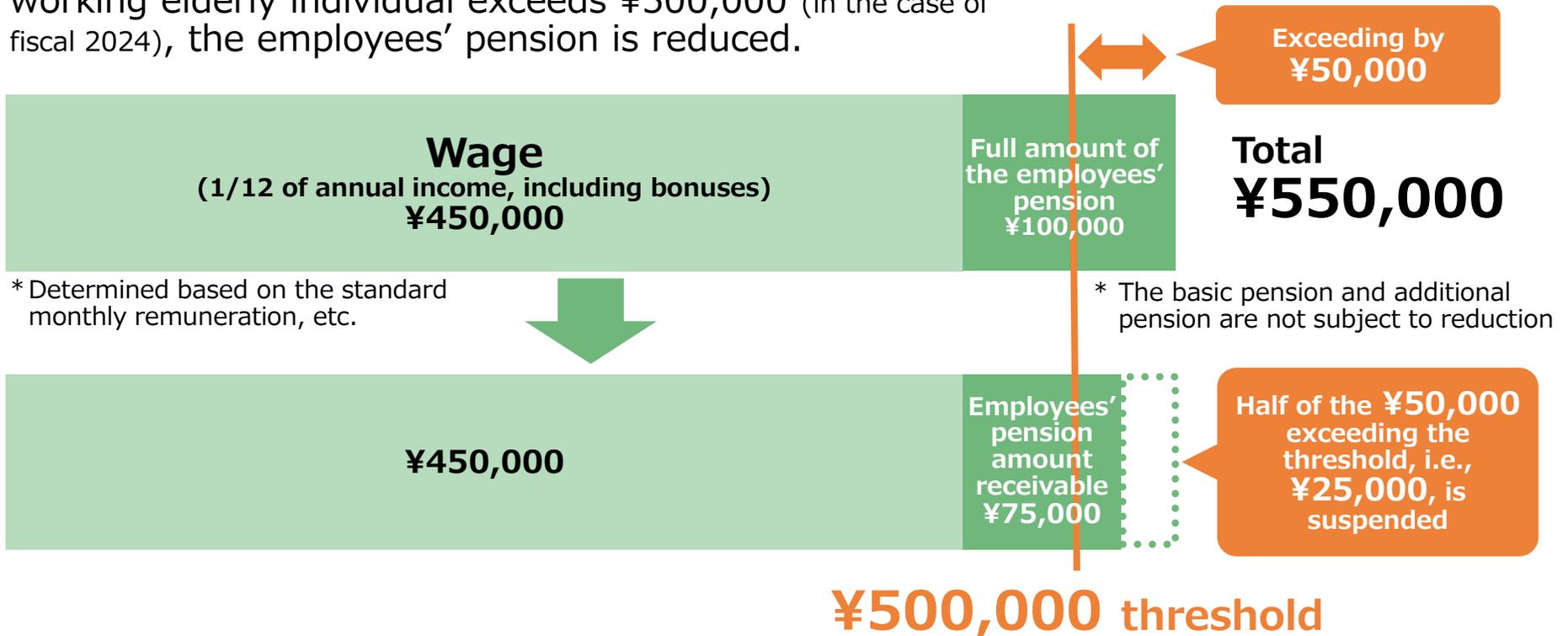
* Contributions on this page are rounded up to the nearest ¥100

Reviewing the Old-age Pension for Active Employees

About Current Old-age Pension System for Active Employees

The old-age pension for active employees is a system that limits the benefits otherwise receivable by elderly individuals who earn a certain amount of wages, based on the idea that those with earnings should be among those who support the pension system.

If the total of wages and the employees' pension of a working elderly individual exceeds ¥500,000 (in the case of fiscal 2024), the employees' pension is reduced.



Current Status of the Old-age Pension System for Active Employees for People Aged 65 or Older

As the average life expectancy and the healthy life expectancy increase, **more elderly people wish to continue working**. In addition, from the perspectives of securing human resources and passing on skills, **there is a growing social need for elderly people to play active roles**.

Life expectancy at age 65

1990

Male: 16.22 years, Female: 20.03 years

2070 (estimate)

Male: 23.14 years, Female: 28.36 years

Healthy life expectancy

2001

Male: 69.40 years, Female: 72.65 years

2019

Male: 72.68 years, Female: 75.38 years

Employment rate

Age 65-69: 38.7% (1990)

Age 65-69: 54.5% (2025)

Cabinet Statistics Bureau and Ministry of Health, Labour and Welfare, "Complete Life Tables" 2022

Ministry of Health, Labour and Welfare, "Abridged Life Tables" 2019

Ministry of Internal Affairs and Communications, "Labour Force Survey"

National Institute of Population and Social Security Research, "Population Projections for Japan" 2023 (2023 estimate [medium])

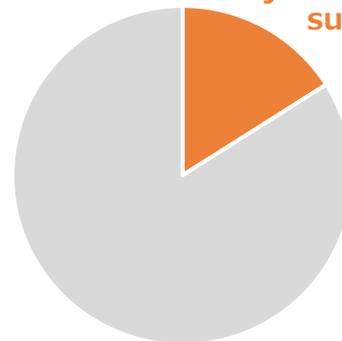
With increasing opportunities for elderly people to work, **16%** of the **3.08 million** working people who are entitled to pension benefits are subject to benefit suspension.

(Survey by the Pension Bureau at the end of fiscal 2022)

Working individuals aged 65 or older who are entitled to pension benefits

Working people subject to benefit suspension

16%

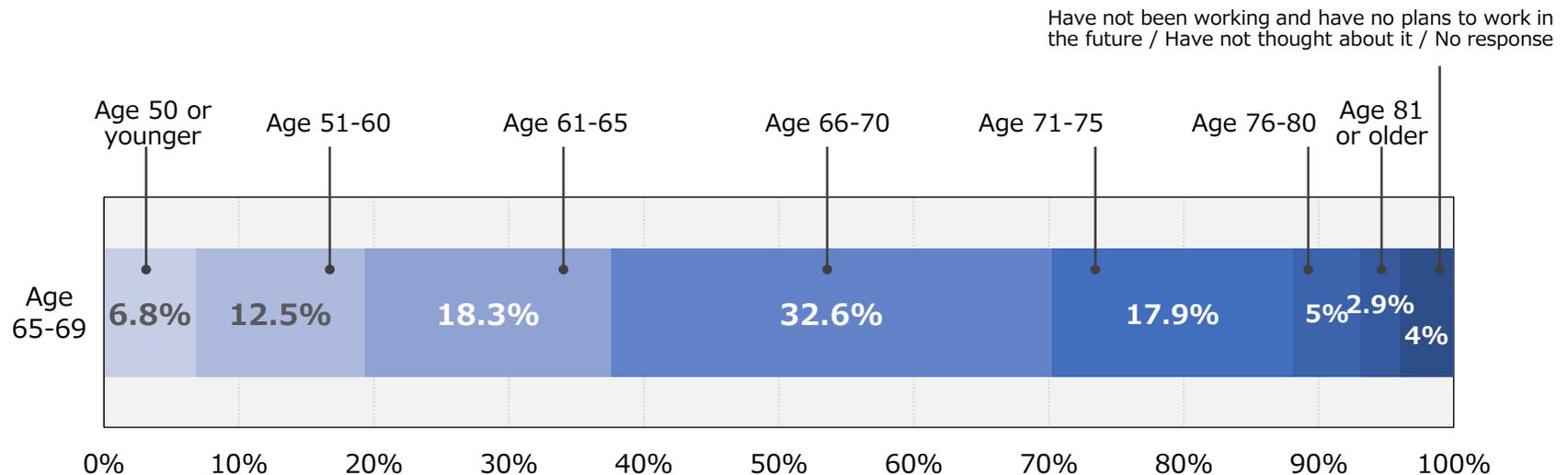


Environment Surrounding the Old-age Pension for Active Employees (1)



Intention of elderly people regarding the age until which they wish to work

Q. Until what age would you like to engage in paid work? If you have already retired and do not plan to work in the future, at about what age did you retire from paid work?



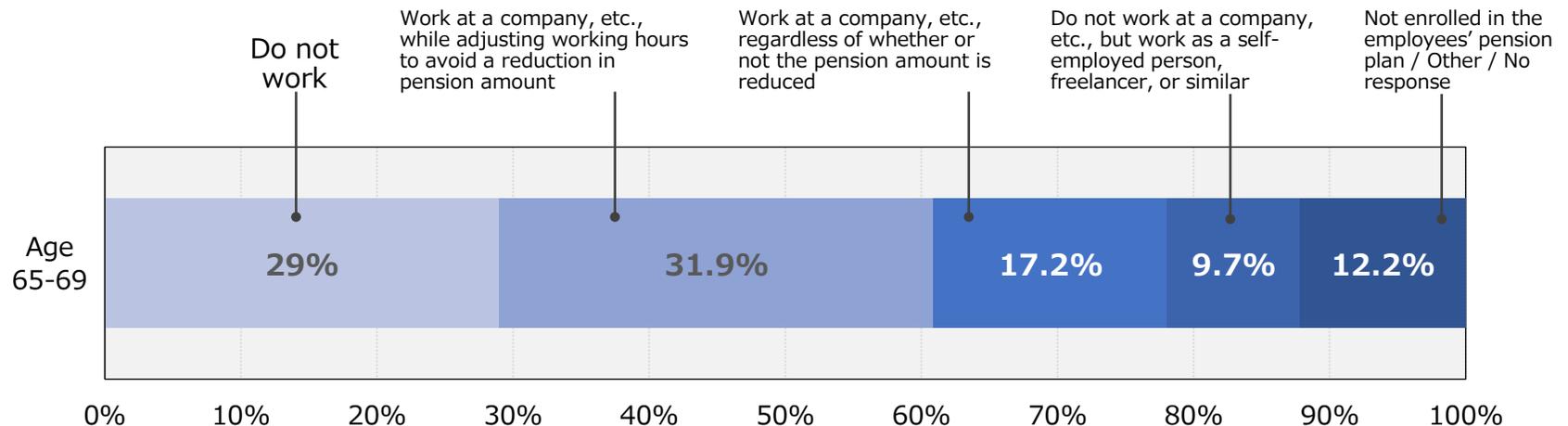
Source: Cabinet Office, "Public Opinion Survey on Life Planning and Pensions" 2024

Environment Surrounding the Old-age Pension for Active Employees (2)



Work styles when reaching the age where you can receive employees' pension benefits

Q. If you work at a company, etc. while receiving the employees' pension, the amount of pension you receive will decrease if you earn more than a certain amount. How would you like to work when you reach the age where you can receive an employee pension?



Source: Cabinet Office, "Public Opinion Survey on Life Planning and Pensions" 2024

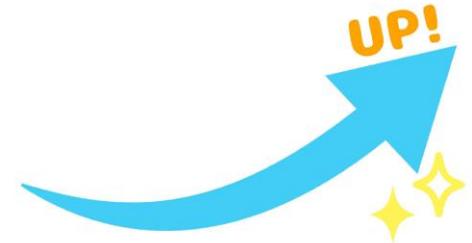
In order to improve the ease of working for elderly people, the structure and role of the old-age pension system for active employees have become an issue.

Regarding the Review of the Old-age Pension System for Active Employees

From the perspectives of encouraging elderly people to play active roles and creating a mechanism that enables those who wish to work to do so more easily, the income threshold for suspension under the old-age pension system for active employees is scheduled to be raised.

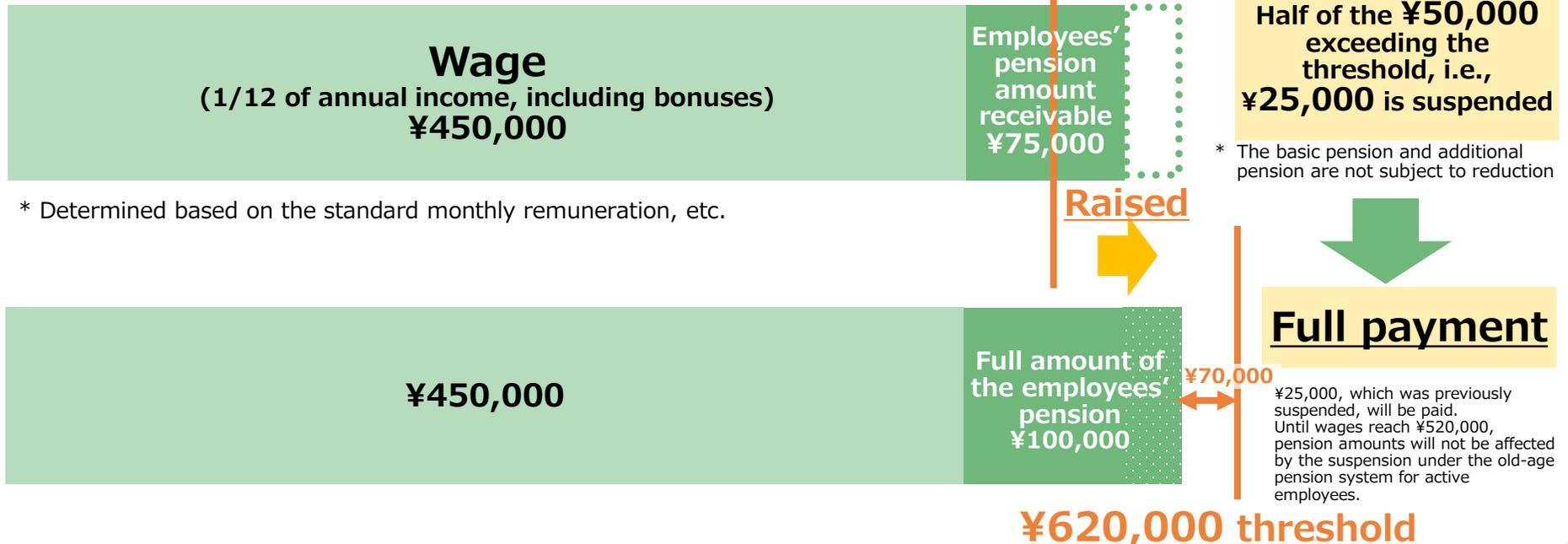
(¥500,000 → **¥620,000**)

* Amounts for fiscal 2024. Revised each fiscal year in accordance with wage changes.

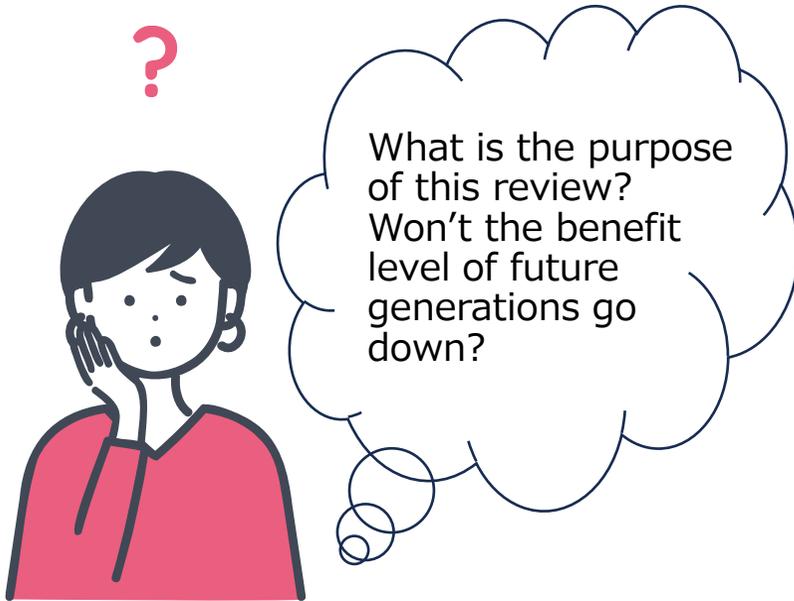


¥500,000 threshold

If the wage is ¥450,000 and the employees' pension is ¥100,000



Frequently Asked Questions



As labor shortage becomes more serious, it is increasingly important for the elderly to play active roles.

In some cases, the old-age pension system for active employees discourages elderly people from working and prevents their further participation in the labor force. Therefore, the government has decided to review the old-age pension system for active employees from the perspective of creating a framework that encourages elderly people to play active roles, minimizes the suppression of their labor participation to the extent possible, and enables those who wish to work to do so more easily.

The government understands that some people are of the opinion that the current system should be maintained because raising the income threshold for suspension under the old-age pension system for active employees will result in a decline in the benefit level for future generations.

However, the review is to make it easier to receive the full pension amount based on contributions, and considering the system revision as a whole, including the review of the old-age pension system for active employees, the future benefit level will rise.

Raising of the Upper Limit on Wages Used to Calculate Contributions and Pension Amounts

About Scope of Contribution Calculation Under Employees' Pension System

Contributions under the employees' pension system are calculated separately for remuneration (such as wages received monthly) and bonuses.

Remuneration (wages received monthly, etc.)

Standard Monthly Remuneration is calculated based on three months' remuneration (typically, April to June)

Monthly remuneration	Standard monthly remuneration
195,000 - 210,000	200,000
210,000 - 230,000	220,000
230,000 - 250,000	240,000
250,000 - 270,000	260,000

The contribution is determined by multiplying each of the above by the contribution rate (18.3%).
The insured person bears half of such contribution.

Bonuses

Standard Bonus Amount is calculated at each bonus payment

Standard Bonus Amount is the amount rounded down to the nearest ¥1,000

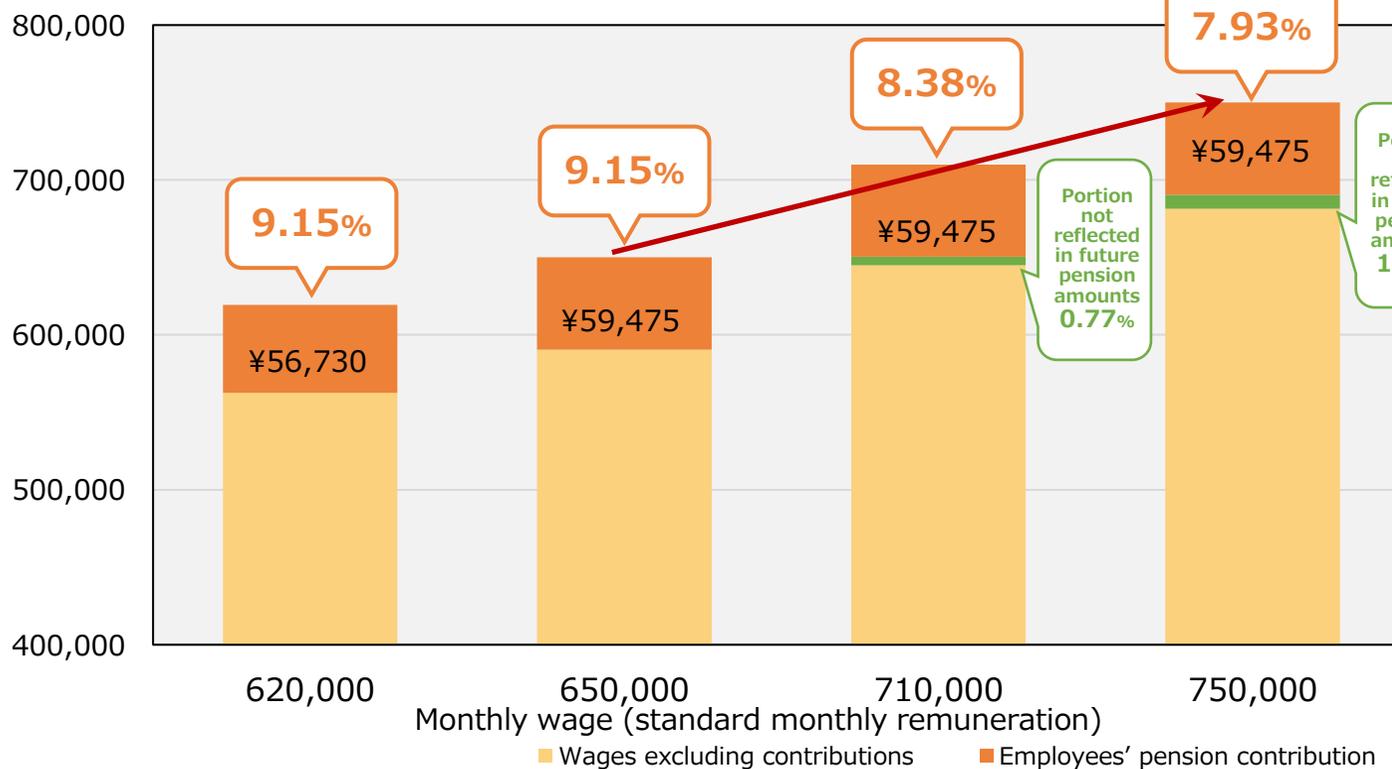
The upper limit per payment is set at ¥1.5 million



Ratio of Contributions to Actual Wages and Other Earnings

Currently, people who receive wages, etc., which exceed the current upper limit of the standard monthly remuneration (¥650,000) cannot receive pensions commensurate with their income because the ratio of contributions to actual wages, etc. is low.

Ratio of the employees' pension contributions (the insured person's burden) to actual wages, etc.



If wages exceed ¥650,000, contributions do not increase even if wages further increase



Benefits and Burdens When Upper Limit of Standard Monthly Remuneration Is Reviewed

Increase in contributions and pension amounts for **those whose monthly wages, etc. are ¥650,000 or more** (for one year)

Upper limit of standard monthly remuneration	Increase in contributions (Insured person's burden)	Increase in pension amounts
If revised to ¥680,000	¥33,000/year	¥37,000/year (lifetime)
If revised to ¥710,000	¥66,000/year	¥73,000/year (lifetime)
If revised to ¥750,000	¥110,000/year	¥122,000/year (lifetime)

* These are approximate amounts assuming a contribution period of 20 years with the same contribution amount

For those subject to the new upper limit and for enterprises, contributions will increase; however, **future pension amounts will also increase.**

Subject to the review are those who receive wages, etc. that exceed the current upper limit of the standard monthly remuneration (¥650,000). This is equivalent to an annual income of approximately ¥10 million, including bonuses.



Reviewing Pension for Surviving Family

What is Pension for Surviving Family?

(current system (no change after the revision))

In the case of a company employee
(Category-2 insured person)



Even in the case of
unexpected events...



Employees' pension for
surviving family

Employees'
pension

National
Pension

In the event of the death of a
person covered by the above

Both are provided if the requirements are met

Basic pension for surviving
family



If certain requirements are met,
**the survivor (bereaved family member) with
the highest priority will receive the benefits**

Who Can Receive Pension for Surviving Family?

(current system (before the revision by the 2025 Amendment Act))

The person with the highest priority among those whose livelihood was supported by the deceased insured person can receive the pension

Employees' pension for surviving family

High

Wife with children or husband aged 55 or older with children



Children



Wife without children or husband aged 55 or older without children



Parents aged 55 or older



Grandchildren



Grandparents aged 55 or older



Priority

Low

Basic pension for surviving family

High

Spouse with children



Or

Children



Low

- Child, grandchild: A person for whom the end of the fiscal year † in which they turn 18 years of age has not yet come, or who is under the age of 20 and has a disability
† Japanese fiscal year: April – March

How Much Is Paid in Pension for Surviving Family?

(current system (before the revision by the 2025 Amendment Act))

In the case of a company employee
(Category-2 insured person)



Even in the case of
unexpected events...



Employees' pension for surviving family

Deemed to have been **enrolled** in the employees' pension for **25** years
Amount equivalent to the employees' old-age pension for an average income of ¥350,000 and **25** years of enrollment x 3/4

≈ **¥431,600** per year *2

Both are provided if the requirements are met

Basic pension for surviving family

While there is the child *1...

¥816,000 per year + ¥234,800 per year
(fixed basic amount of pension (fiscal 2024)) (additional pension for children (fiscal 2024))

= **¥1,050,800** per year *2

*1 Child: A person for whom the end of the fiscal year[†] in which they turn 18 years of age has not yet come, or who is under the age of 20 and has a disability

[†] Japanese fiscal year: April - March

*2 Exempt from income tax, inhabitant tax, and social insurance contributions. Amounts less than ¥100 are rounded down

Employees' pension

National Pension

- A company employee enrolled in the National Pension and the employees' pension insurance
- With a wife and a two-year-old child *1
- Died at the age of 30
- **Eight** years of enrollment in the employees' pension (from age 22 to 30)
- The average income so far is ¥350,000

What Is Basic Pension for Surviving Family?

(current system (before the revision by the 2025 Amendment Act))

If the **deceased person** meets the requirements such as payment of contributions, the **surviving family** can receive the pension for surviving family.

Requirements for the deceased person



- Died while enrolled in the National Pension (*)
- Aged 60 to under 65, has a domicile in Japan, and has previously been enrolled in the National Pension (*)
- A total of 25 years or more of periods during which contributions were paid or exempted

* Certain contribution payment requirements need to be met

Surviving family members eligible for the pension

1



Wife / husband with children *1

2



Children *1, *3

*1 Child: A person for whom the end of the fiscal year † in which they turn 18 years of age has not yet come, or who is under the age of 20 and has a disability

† Japanese fiscal year: April – March

*2 Between ① and ②, priority is given to ① for payment

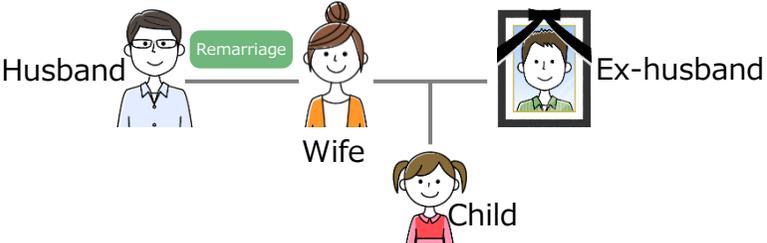
*3 Only if there are no parents living with them

More Children Will Become Eligible for Basic Pension for Surviving Family

The review enables **children to receive the basic pension for surviving family regardless of the circumstances of the person raising them.**

In this way, children will be able to receive the basic pension for surviving family without being affected by circumstances beyond their own choice.

For example, in the following cases, the child will be eligible to receive a basic pension for surviving family, for which the child was previously ineligible.

Conditions following the death of the insured person	Can the child receive the basic pension for surviving family?
When the spouse of the deceased insured person shares a livelihood with the child*.	The child cannot receive the pension because the parent can
<p>The spouse who supports the child's livelihood remarries after the death of the insured person</p>  <p>Husband Remarriage Wife Ex-husband</p> <p>Child</p>	<p>Neither the parent nor the child was eligible to receive the basic pension for surviving family; however, the child becomes eligible to receive it</p> <ol style="list-style-type: none"> (1) The spouse can receive the basic pension for surviving family until the spouse remarries (2) If the spouse remarries, the spouse's entitlement to the basic pension for surviving family is forfeited (3) The child can receive the basic pension for surviving family
The income of the spouse who supports the child's livelihood is ¥8.5 million or more	Becomes eligible to receive the basic pension for surviving family
The child is adopted by a lineal relative by blood (or a lineal relative by affinity)	Becomes eligible to receive the basic pension for surviving family
The ex-spouse who divorced the insured person takes custody of the child after the insured person's death	Becomes eligible to receive the basic pension for surviving family

* Child: A person for whom the end of the fiscal year † in which they turn 18 years of age has not yet come, or who is under the age of 20 and has a disability

† Japanese fiscal year: April – March

What Is Employees' Pension for Surviving Family?

(current system (before the revision by the 2025 Amendment Act))

If the **deceased person** meets the requirements such as payment of contributions, the **surviving family** can receive the pension for surviving family.

Requirements for the deceased person



- An active company employee died (*)
- Died within five years of retiring due to illness or injury (*)
- Has been receiving the disability employee's pension of disability grade 1 or 2
- A total of 25 years or more of periods during which contributions were paid or exempted

* Certain contribution payment requirements need to be met

Surviving family members eligible for the pension

1

Wife
with children *1



2

Children *1



3

Wife
without children
(fixed term benefits for persons
under 30)



1

(where there are children)

3

(where there are no children)

Husband
(aged 55 or older at
the time of the death)



4



Parents
(aged 55 or older at the
time of the death)

5



Grandchildren
*1

6



Grandparents
(aged 55 or older at the
time of the death)

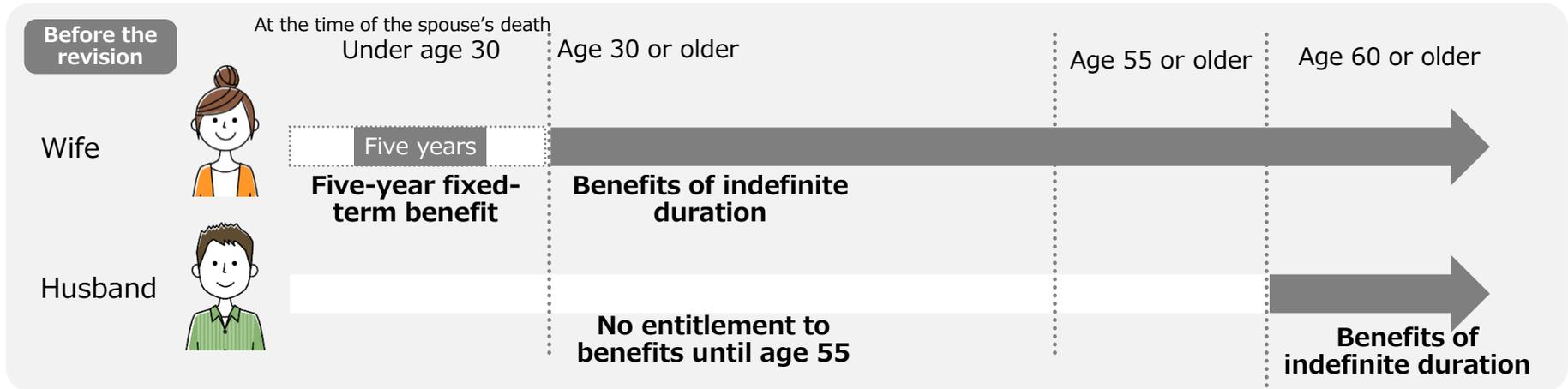
*1 A person for whom the end of the fiscal year † in which they turn 18 years of age has not yet come, or who is under the age of 20 and has a disability

† Japanese fiscal year: April – March

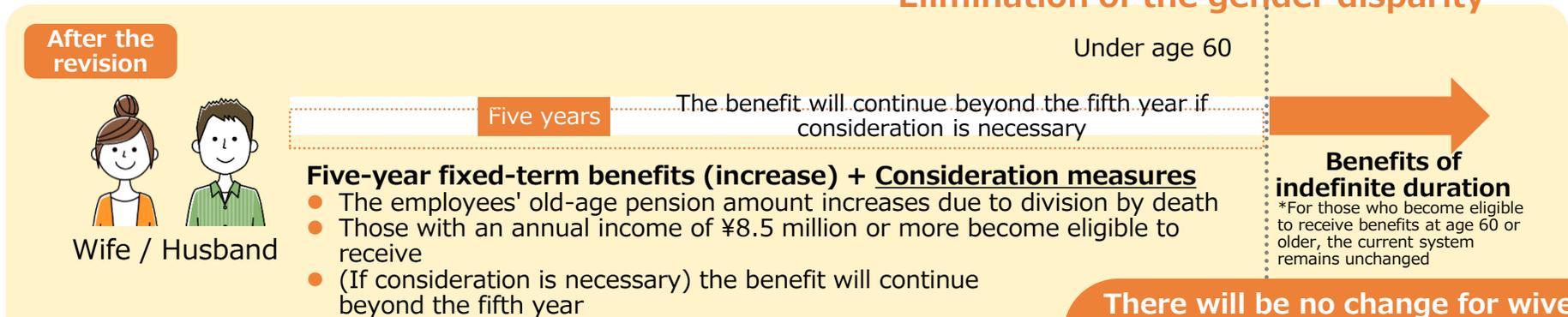
*2 The numbers indicate the order of priority among surviving family members eligible to receive the pension

Those Under Age 60 Without Children

What Will Change with the Revision of the Employees' Pension for Surviving Family?



**Purpose of the revision:
Elimination of the gender disparity**



There will be no change for wives who will be aged 40 years or older in fiscal 2028!

Parents / grandparents under age 60

- Prior to the revision, if they were aged 55 or older at the time of the death of their child or grandchild, the entitlement to benefits arose, and payments began at age 60. Following the revision, if they are aged 60 or older at the time of the death of their child or grandchild, the entitlement to benefits will arise, and payments will begin. (No change in the benefits being provided for an indefinite duration.)

Employees' Pension for Surviving Family for Wife / Husband Under Age 60* Without Children

* The age limit to be raised gradually over 20 years

Before the revision

At the time of the husband's death...



Wife under age 30
⇒ **eligible to receive benefits only for five years**



Wife aged 30 or older
⇒ Eligible to receive benefits for life

At the time of the wife's death...



Husband under age 55
⇒ **Not eligible to receive benefits**



Husband aged 55 or older
⇒ Eligible to receive benefits for life
(**Payment is suspended until age 60**)

After the revision



Wife / husband under age 60
⇒ **Five-year fixed-term benefits (increase) + Consideration measures**

- The employees' old-age pension amount increases due to division by death
- Those with an annual income of ¥8.5 million or more become eligible to receive
- (If consideration is necessary) the benefit will continue beyond the fifth year

Persons who are eligible to receive benefits without change after this revision

- Persons who have been receiving the employees' pension for surviving family since before the revision
- Wife / husband aged 60 or older
- Benefits for those raising children under age 18
- Wife who will be aged 40 or older in fiscal 2028

Employees' Pension for Surviving Family for Wife / Husband Under Age 60* Without Children

*The age limit to be raised gradually over 20 years

Purpose of the revision

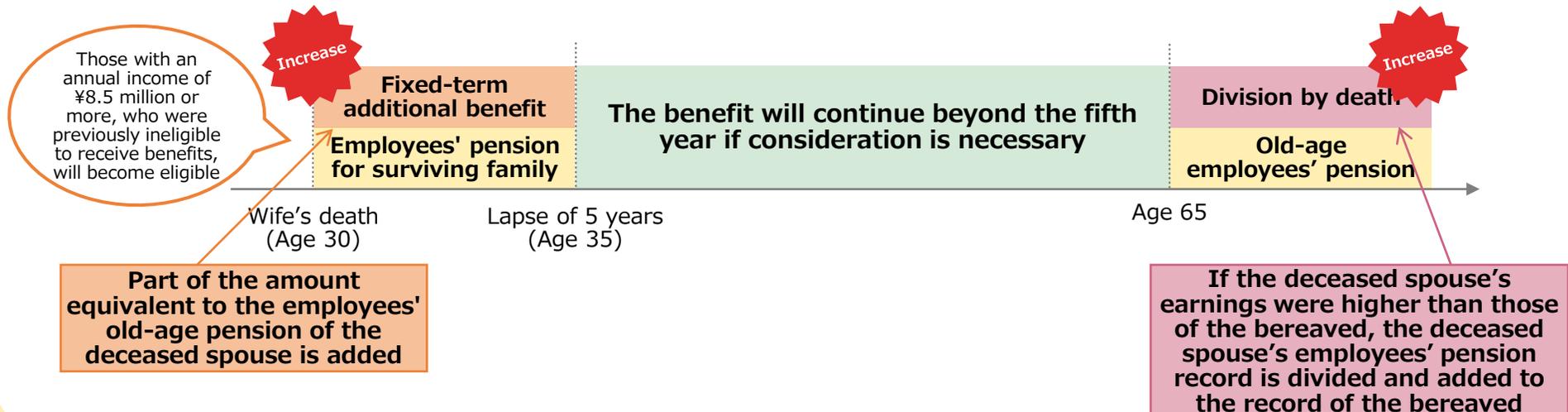
The objective is to eliminate the gender disparity

- Changed to five-year fixed-term benefits
- Men (under age 55) without children become eligible
- Increases in pension amounts for bereaved family members
(increase due to the fixed-term additional benefit + increase due to division by death)
- Abolishing the annual income requirement to allow people to receive benefits regardless of their income
- If consideration is necessary, the benefit will continue beyond the fifth year

For example, if a 30-year-old husband without children loses his wife

Persons who are eligible to receive benefits without change after this revision

- Persons who have been receiving the employees' pension for surviving family since before the revision
- Wife / husband aged 60 or older
- Benefits for those raising children under age 18
- Wife who will be aged 40 or older in fiscal 2028



Additional Pension Pertaining to Children

Review of Additional Pension for Cases Where There Are Children

The pension system includes a mechanism that provides additional pension to pension beneficiaries raising children.

Under this review, in addition to the increase in the additional pension amounts, the scope of qualifying individuals is scheduled to be expanded to include people such as those receiving only the old-age basic pension.

Eligible persons

✓ Receives a pension

(old-age basic pension, employees' old-age pension, disability basic pension, disability employees' pension (grade 1, grade 2), basic pension for surviving family, employees' pension for surviving family)

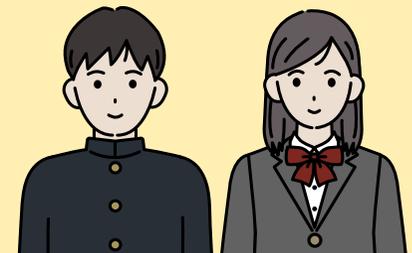
* The underlined parts indicate the pensions for which the additional pensions will be newly introduced in this revision.



✓ Has children

(until the end of the fiscal year † in which the child reaches age 18 (until age 20 in the case of a child with a certain degree of disability))

† Japanese fiscal year: April – March



Increasing Additional Pension Amounts for Cases Where There Are Children!

(Those who are currently receiving benefits are also eligible)

Current additional pension amounts

Per child
¥234,800 per year

Per child
¥78,300 per year



Increased

Additional pension amounts after the revision

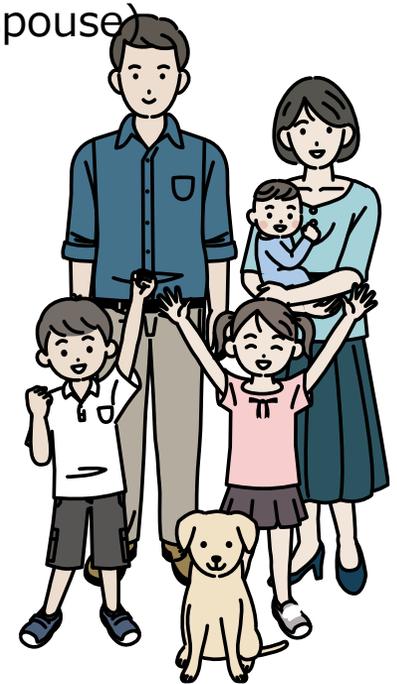
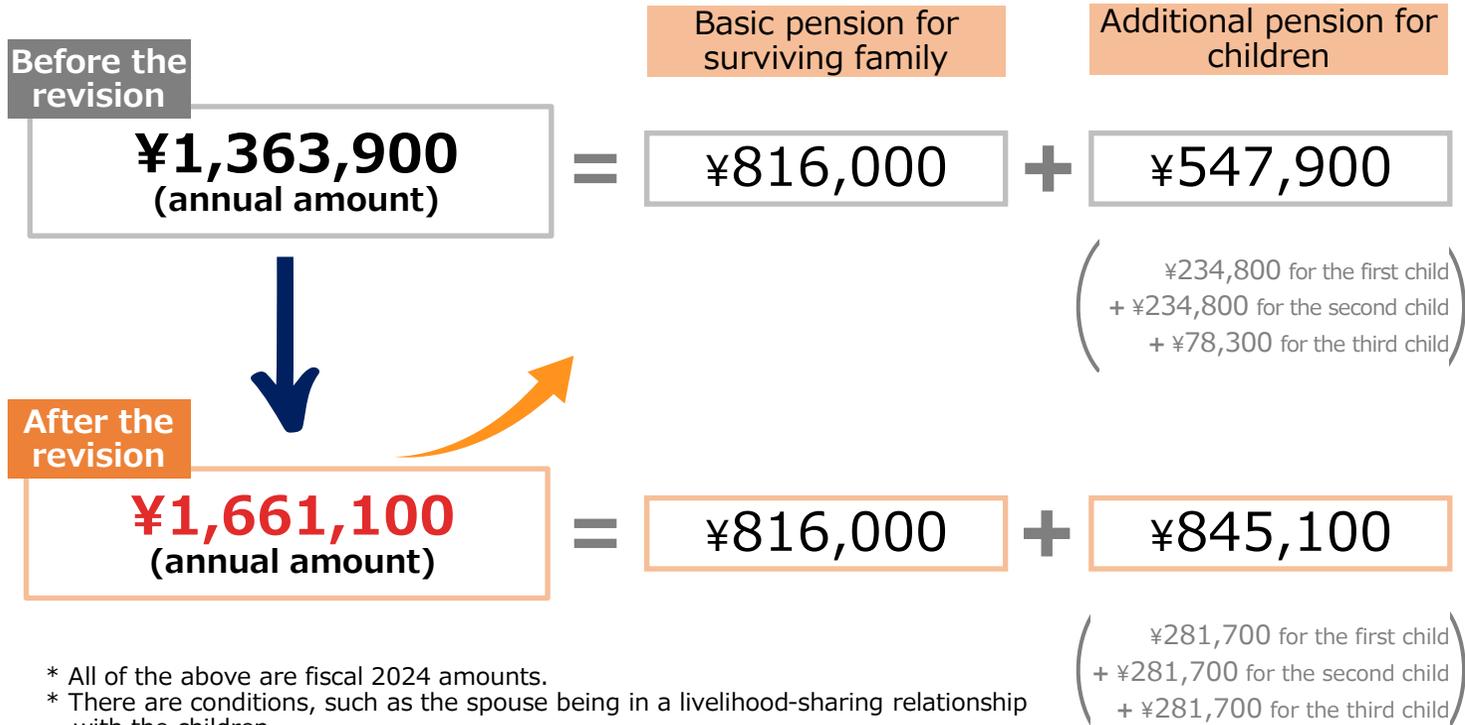
Per child
Increase to
¥281,700 per year

* The above amounts are annual amounts and in fiscal 2024 amounts.

Enhanced Pension Amount Receivable in Case of Unexpected Events

Sample case

Example: Died in an unexpected accident, leaving behind a spouse and three children.
(basic pension for surviving family paid to the spouse)

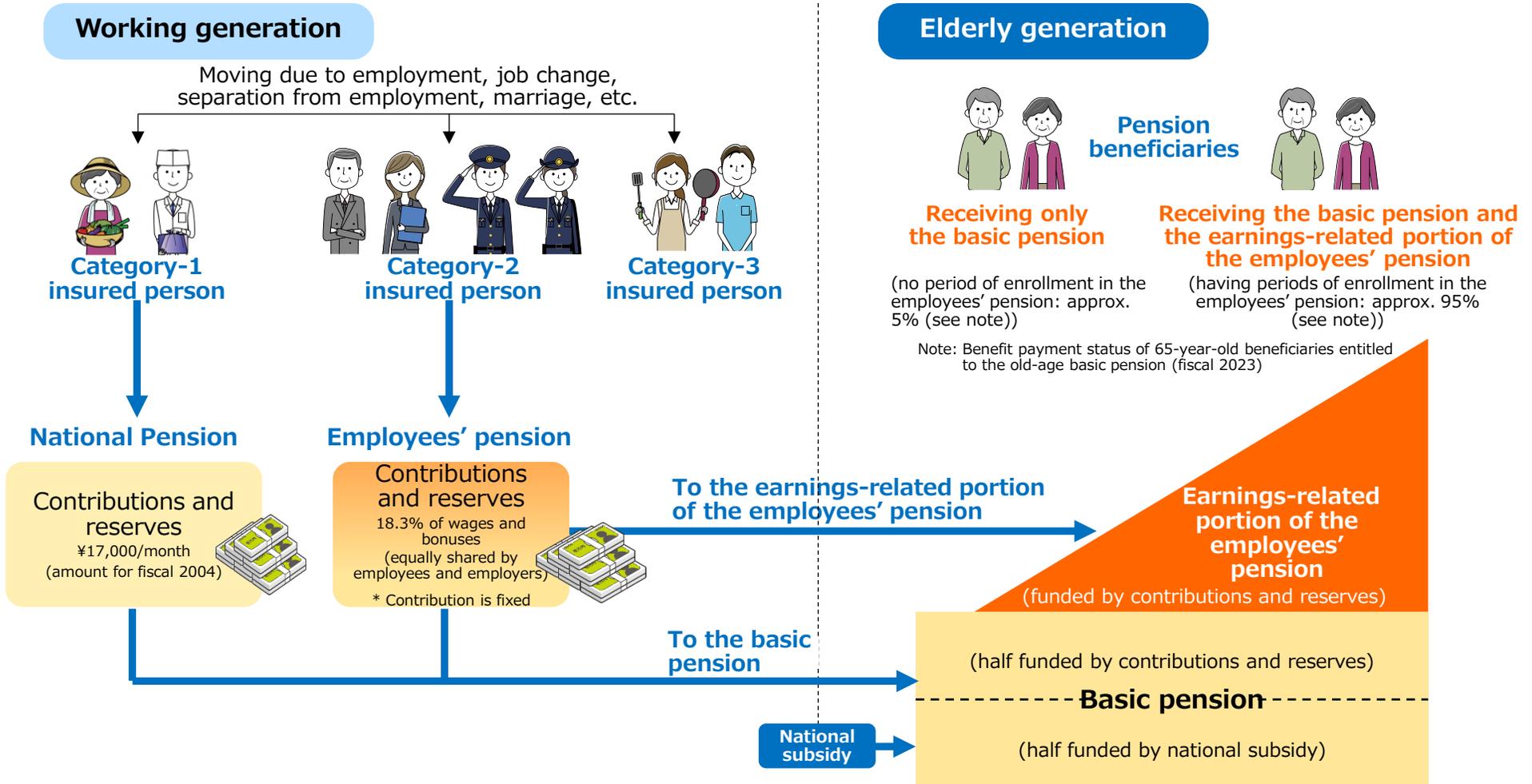


- * All of the above are fiscal 2024 amounts.
- * There are conditions, such as the spouse being in a livelihood-sharing relationship with the children.
- * The children need to meet requirements such as residing in Japan.
- * In some cases, the employees' pension for surviving family may be paid in addition to the basic pension for surviving family.

Raising of Overall Level of Future Basic Pension Benefits

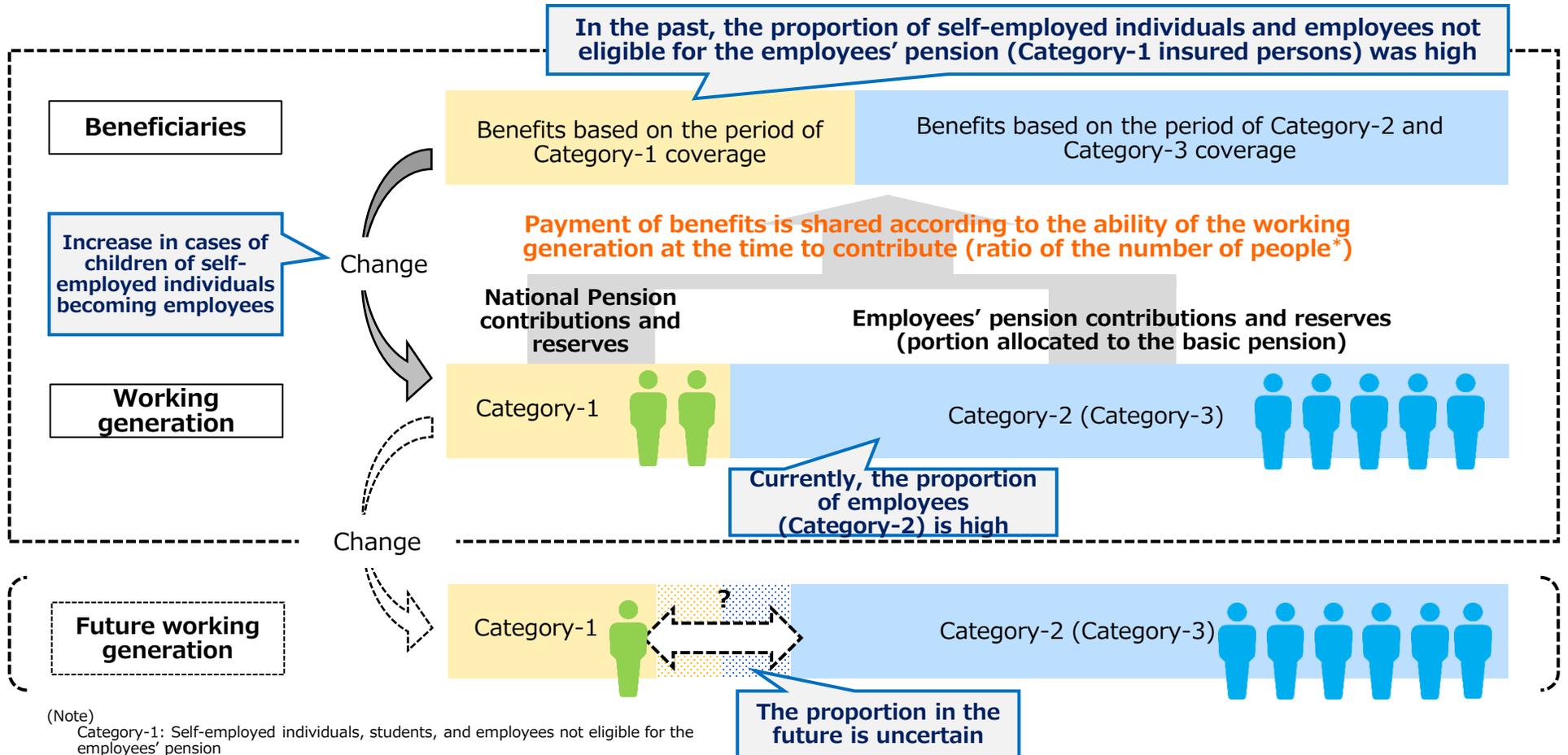
Current Structure of Basic Pension

- The basic pension is a system in which the National Pension participants and the employees' pension participants support each other according to their ability to contribute.
- The contributions and reserves of the employees' pension are allocated to both the basic pension and the earnings-related portion of the employees' pension, in accordance with the law.
- Those who were enrolled in the employees' pension during their working years (Category-2 insured persons) receive both the basic pension and the earnings-related portion of the employees' pension in old age.



Functions of Basic Pension (1) Function to Address Changes in Population and Employment Structures (Pay-As-You-Go System)

- **The basic pension common to all people** is a “scheme mutually supported by the National Pension system and the employees’ pension system,” in which the cost of benefits is shared according to the ability of the working generation at the time to contribute (ratio of the number of people), regardless of which system beneficiaries were enrolled in or the length of their enrollment.
- Amid changes in industrial and employment structures, the stable provision of the basic pension is made possible through mutual support by all people.

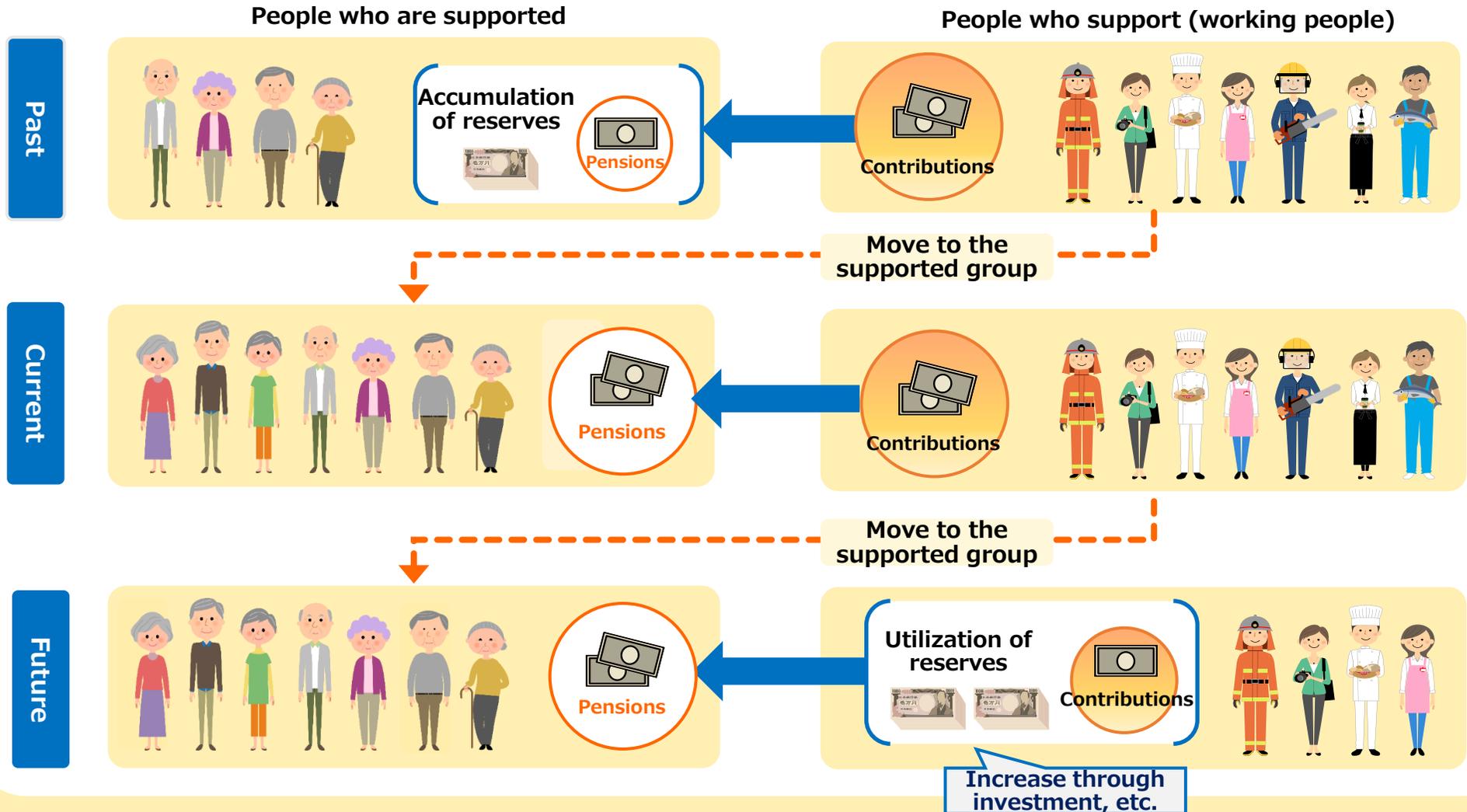


(Note)
 Category-1: Self-employed individuals, students, and employees not eligible for the employees’ pension
 Category-2: Employees enrolled in the employees’ pension
 Category-3: Dependent spouses of Category-2

* Prorated according to the ratio of the number of Category-1 insured persons (limited to contribution payers) to the number of Category-2 and Category-3 insured persons

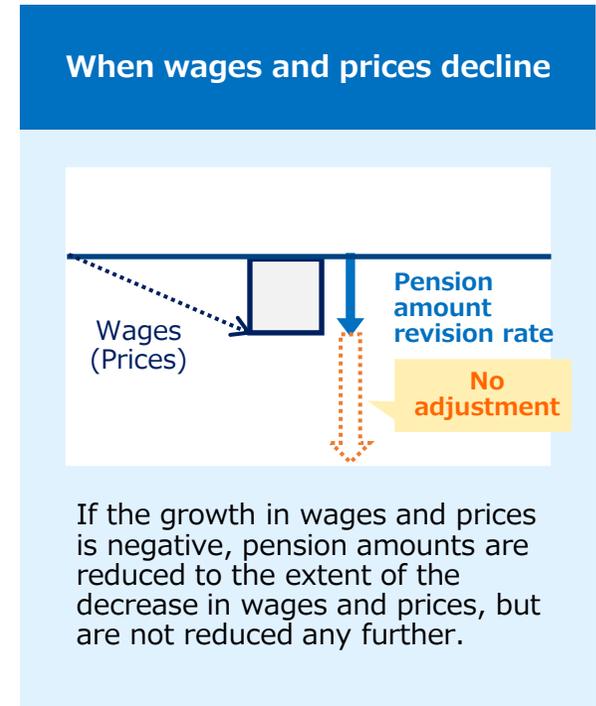
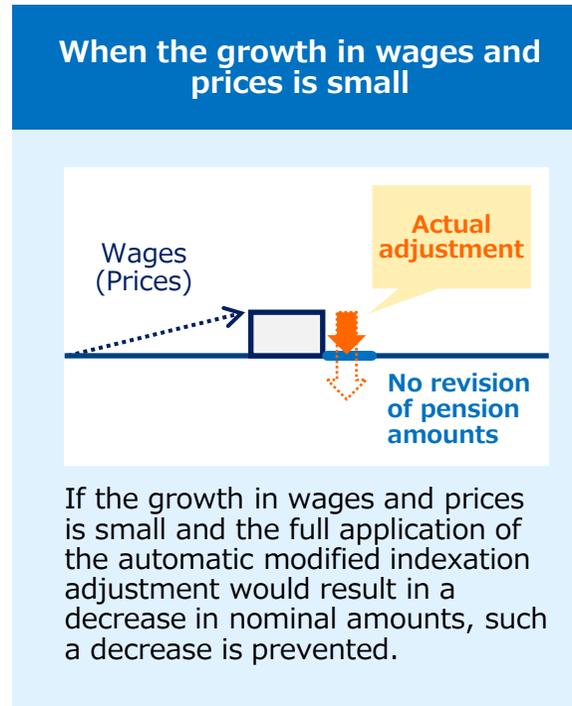
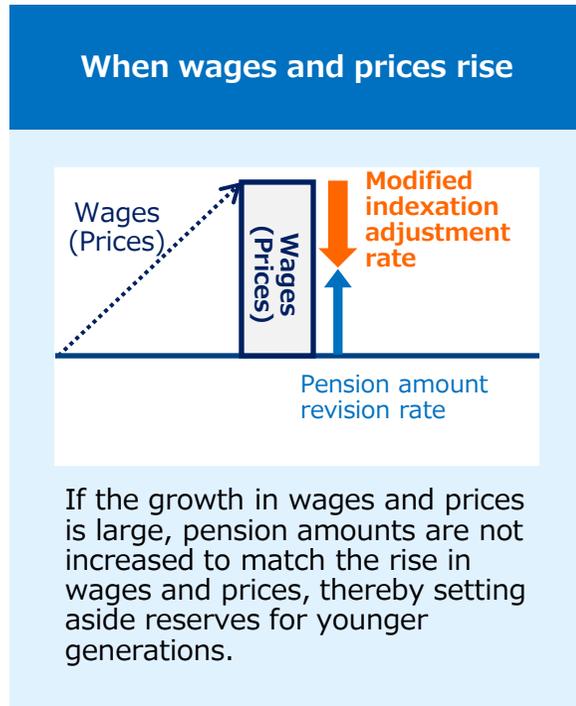
(Reference) Financing Method of Japanese Pension System (Pay-as-you-go system that also utilizes reserves)

- It is a **pay-as-you-go system** in which contributions paid by the working generation are allocated to the pension benefits of the beneficiaries at that time.
- **It secures future benefits by fixing contributions and suppressing increases in benefits for the current beneficiaries for a certain period.**
 - ⇒ The provision of benefits is secured by setting aside a portion of contributions when the number of beneficiaries was smaller, and by utilizing reserves accumulated in the past when the number of beneficiaries is larger, thereby limiting the burden of contributions on the younger generation, amid the ongoing decline in birthrates and aging of the population.



(Reference) Mechanism to Secure Benefit Levels for Future Generations Despite Declining Birthrate and Aging Population

- ✓ A mechanism is implemented to suppress increases in benefits for beneficiaries for a certain period when wages and prices rise (modified indexation †).
 - † a mechanism to automatically adjust benefit level within scope of financial resources
- ✓ This is a necessary mechanism to ensure sustainability (limiting the future increase in the burden of contributions on the working generation and securing future pension amounts) even as the birthrate continues to decline and the population continues to age.

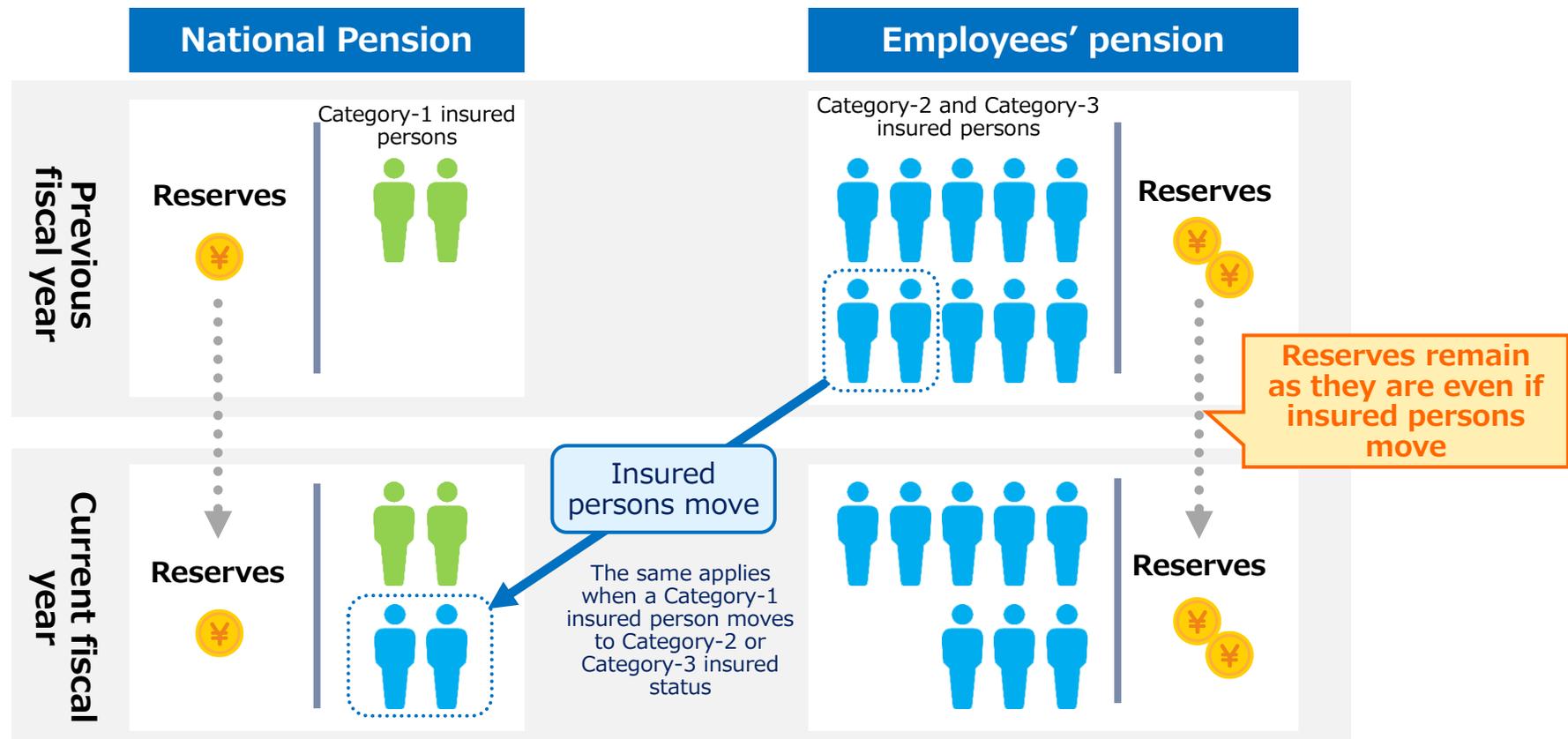


When revising pension amounts, a rule is applied to ensure that the modified indexation does not result in a decrease in pension amounts. This is called the nominal lower limit measure.

(*) Modified indexation adjustment rate = rate of decrease in the number of insured persons under the entire public pension system (average of the actual values for the last three fiscal years) + fixed rate taking into account the increase in average life expectancy (0.3%)

Functions of Basic Pension (2) Function to Address Changes in Population and Employment Structures (Reserves)

- There is **no concept of an individual's share in reserves** under the pay-as-you-go system. **Even if the system in which an individual is enrolled changes between the National Pension and the employees' pension, the reserves continue to remain with the original system.**
 - The current reserves are funds **accumulated from the surplus of contributions** paid by past generations **and increased through investment, etc.** The reserves under the employees' pension and the National Pension were not accumulated by the current insured persons.
- ⇒ Because of this characteristic, **reserves are utilized in a framework of mutual support through the pay-as-you-go system.**



Functions of Basic Pension (3) Function to Provide Relatively Greater Benefits to Those with Lower Income (Income redistribution function)

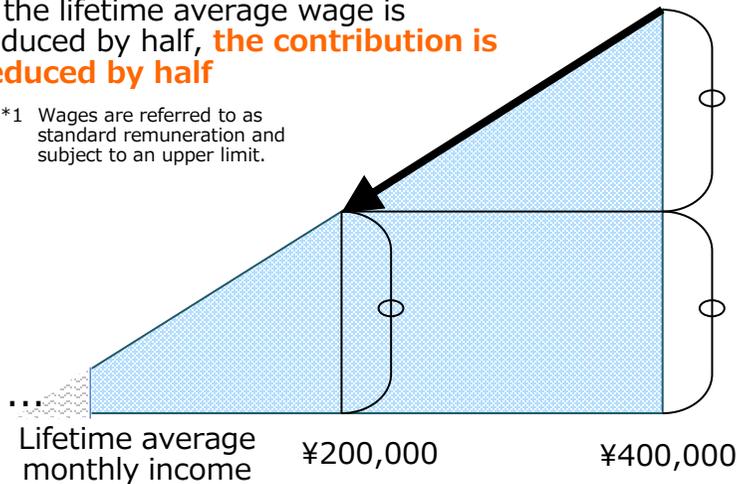
- **Over a long life, anyone is at risk of low income** due to events such as company bankruptcy and job loss.
- Considering this, **the public pension system includes a mutual support mechanism, in order to provide stable income security in old age, whereby relatively greater benefits are provided to those with lower income** (income redistribution function).

* Even if a person's contribution to the employees' pension is half, the pension the person receives is more than half because it includes the basic pension, the amount of which is fixed regardless of wage amounts.

Contribution = proportional to lifetime average wage *¹

If the lifetime average wage is reduced by half, **the contribution is reduced by half**

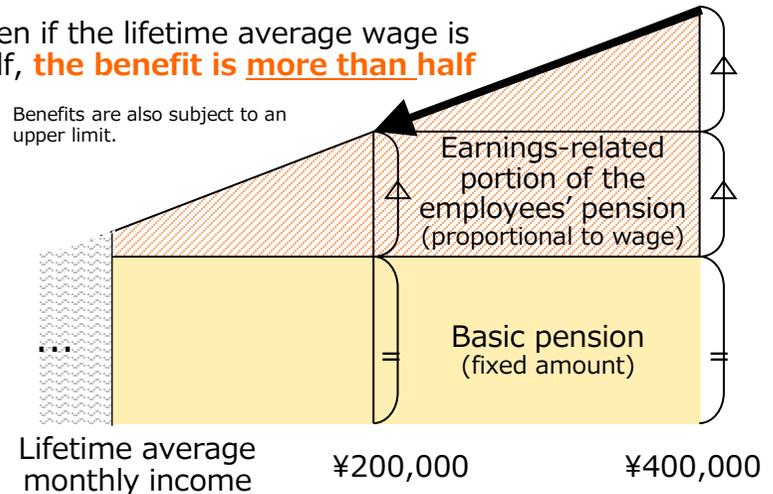
*¹ Wages are referred to as standard remuneration and subject to an upper limit.



Benefit = employees' pension (proportional to lifetime average wage *²) + basic pension (fixed amount)

Even if the lifetime average wage is half, **the benefit is more than half**

*² Benefits are also subject to an upper limit.

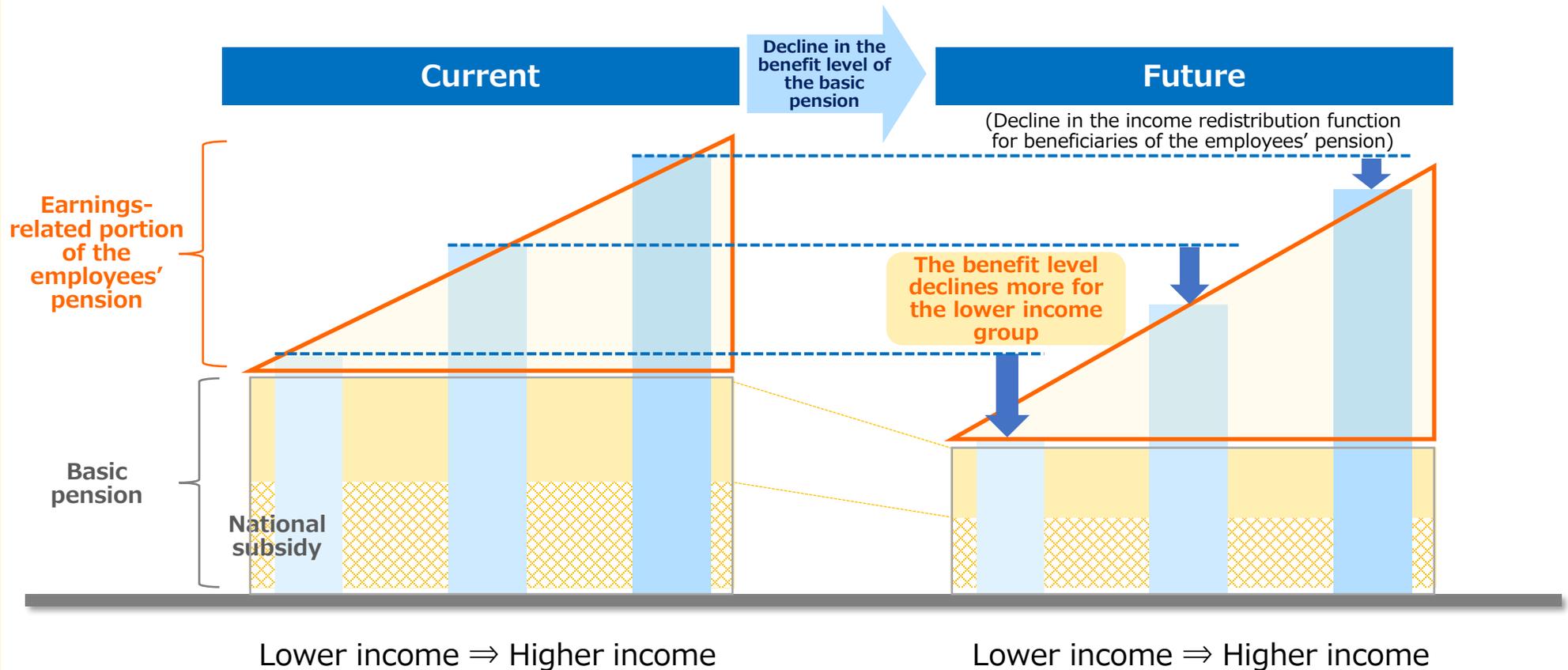


Lifetime average wage	¥400,000	50%	¥200,000
Pension amount (basic pension + earnings-related portion of employees' pension * ³)	¥149,000 (¥68,000 + ¥81,000) Fixed amount Proportional to lifetime average wage	73%	¥109,000 (¥68,000 + ¥41,000) Fixed amount Proportional to lifetime average wage

*³ The pension amounts are calculated for persons who reach the age of 65 in fiscal 2024 and begin receiving the old-age basic pension and the employees' old-age pension, assuming an insured period of 40 years and a benefit multiplying factor of 5.481/1000.

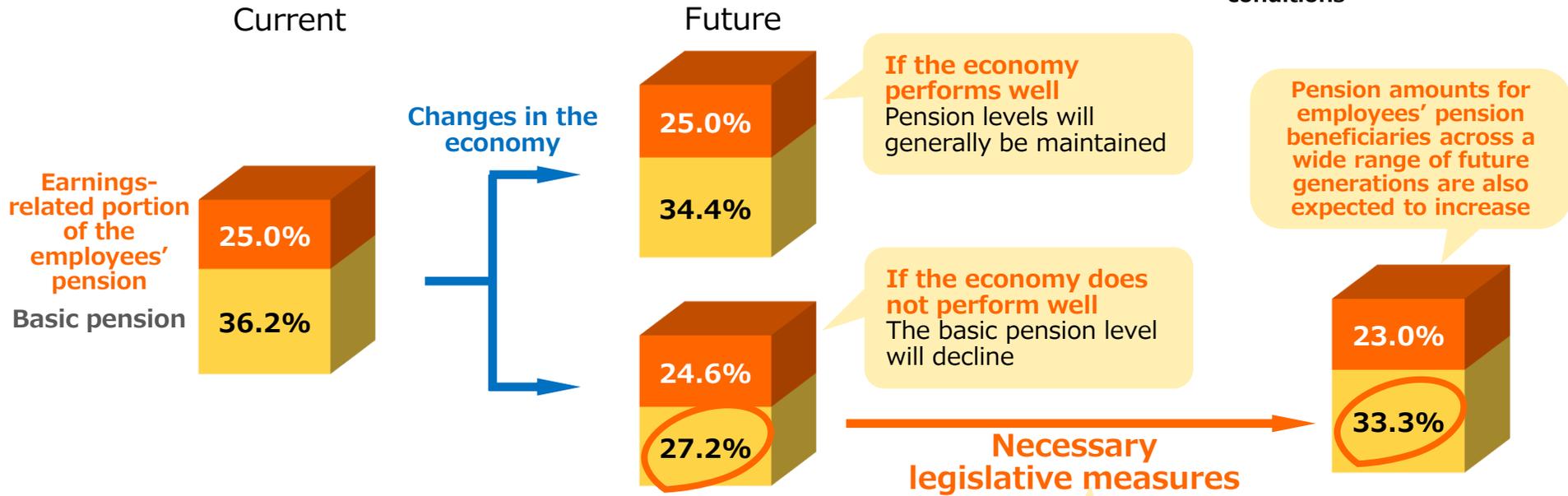
If the economy does not perform well and the modified indexation [†] of the basic pension continues for a prolonged period, the benefit level of those with lower income, including beneficiaries of the employees' pension, will decline
([†] a mechanism to automatically adjust benefit level within scope of financial resources)

- **The basic pension is a benefit common to all people**, and beneficiaries of the employees' pension also receive the basic pension.
- If the basic pension declines, **the benefit level declines, especially for those with lower income.**
(The income redistribution function for beneficiaries of the employees' pension declines.)



Response to Future Decline in Basic Pension Level

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions



- As prices and wages are rising and the economy is entering a new phase, the government will assess societal and economic changes and, if the level of basic pension benefits is projected to decline in the next actuarial valuation (scheduled for 2029), it will take **measures (*) to raise the future benefit level of the basic pension, which is also received by participants of the employees' pension plan**, while balancing benefits and burdens.
- If the implementation of such measures results in **a reduction in the total amount of the basic pension and the earnings-related portion of the employees' pension for any participants, measures will be taken to mitigate the impact.**

[These measures were added to the law by amendment in the House of Representatives.]

- In order to assess societal and economic changes, the measures for restricting the growth of pension amounts from the earnings-related portion of the employees' pension plan (modified indexation †) will continue through fiscal 2030. In doing so, the restriction on the growth will be moderated so that persons receiving the employees' pension will not be disadvantaged.
† a mechanism to automatically adjust benefit level within scope of financial resources

[Source] 2024 Actuarial Valuation : Financial Implications of the Reform Options(Expanded coverage (2))< Projection of past 30-year trends Case>

(*) As the implementation of these measures is expected to increase the government's fiscal burden in the future, it is necessary to secure stable financial resources to cover the increase.

Changes in Contributions and Benefits If Legislative Measures Are Taken

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions

Contributions

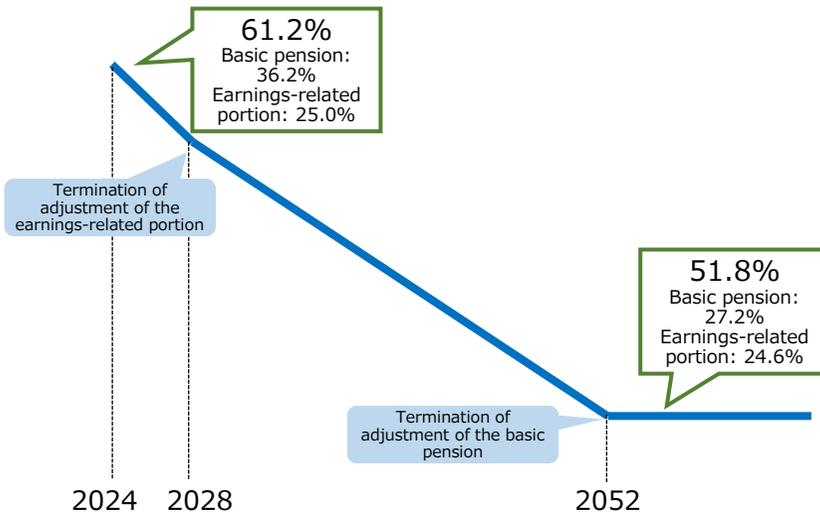
- **The level of public pension contributions is fixed and will not be changed by this measure** (See note).

Note: The National Pension contribution is fixed at ¥17,000 per month in 2004 value, and the employees' pension contribution is fixed at 18.3% in total for both employees and employers.

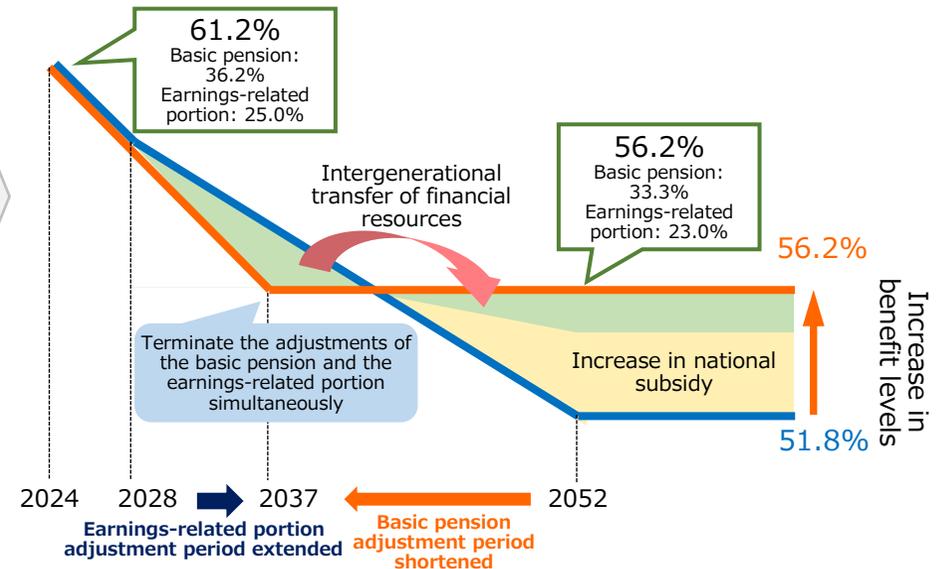
Benefits

- If the economy does not perform well, given the current mechanism, **the benefit level of the basic pension will decline over an extended period, with a greater impact on those receiving lower benefits from the earnings-related portion of the employees' pension.**
- However, if legislative measures are taken, **the future benefit level of the basic pension, which is also received by participants of the employees' pension, will increase, and the benefit level combining the basic pension and the earnings-related portion of the employees' pension will also increase for a wide range of future generations.**

Under the current mechanism (blue line)



If legislative measures are taken (orange line)



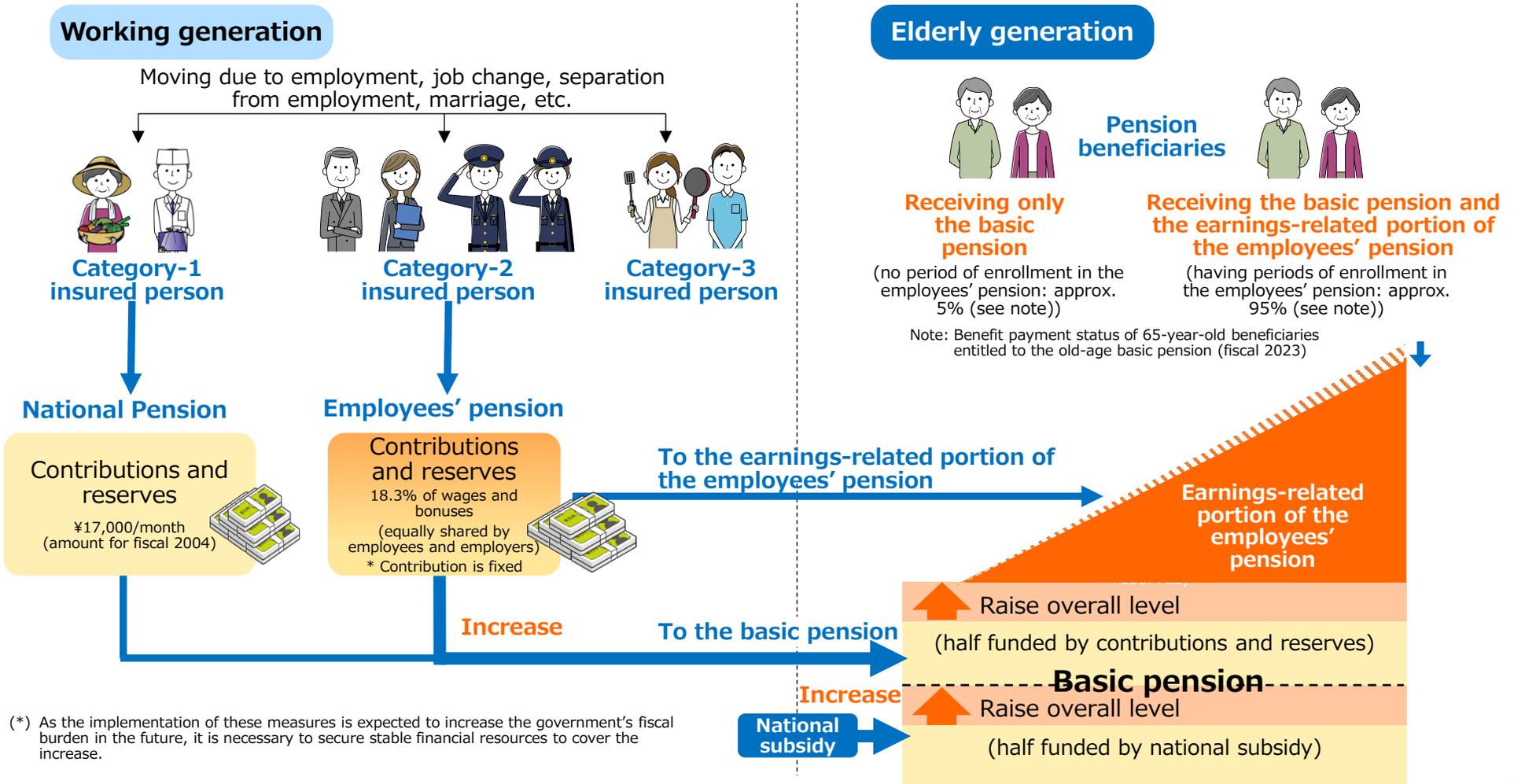
[Source] 2024 Actuarial Valuation : Financial Implications of the Reform Options(Expanded coverage (2))< Projection of past 30-year trends Case>

(*) As the implementation of these measures is expected to increase the government's fiscal burden in the future, it is necessary to secure stable financial resources to cover the increase.

Image of Raising of the Overall Level of Basic Pension

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions

- As one measure for raising the overall level of the basic pension, **the proportion of the employees' pension reserves allocated to the basic pension will be increased**, and **the national subsidy will also be increased** through the securing of stable financial resources, **thereby raising the future benefit level of the basic pension, which participants of the employees' pension also receive.**
⇒ **Increase in lifetime pension amounts received by beneficiaries of the employees' pension across a wide range of future generations** (greater increases, particularly for younger generations, those with lower income, and those living longer)



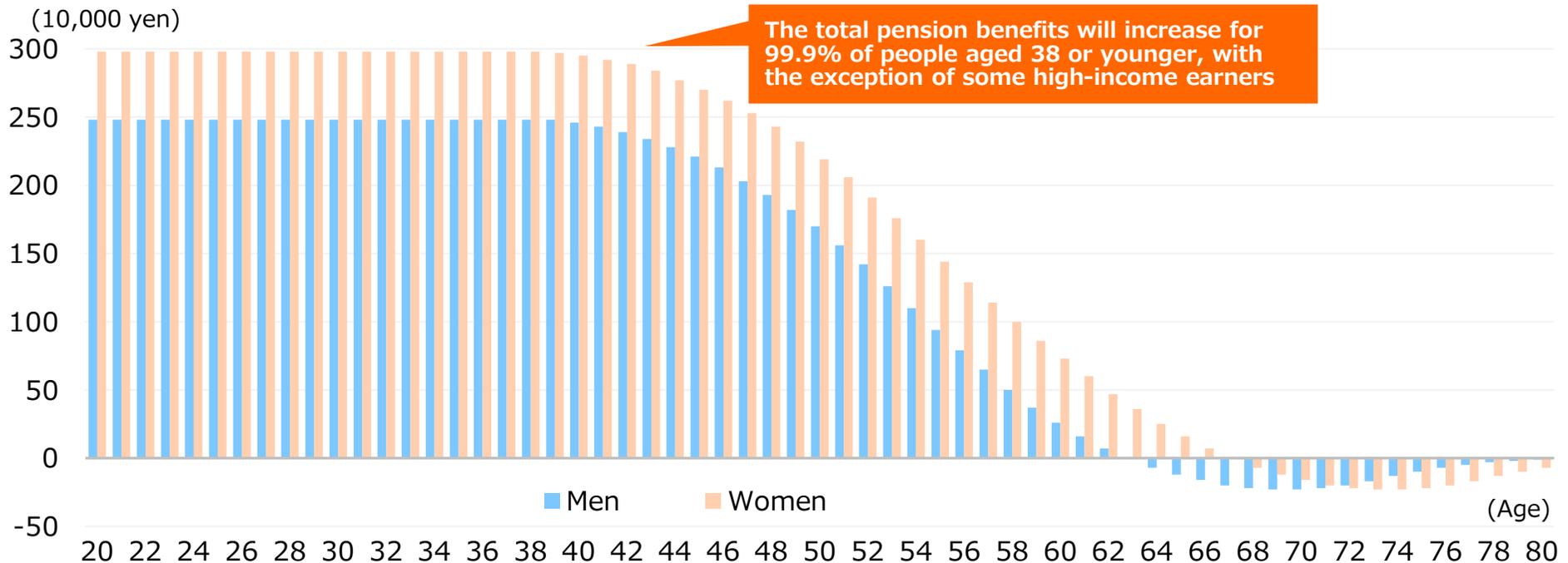
(*) As the implementation of these measures is expected to increase the government's fiscal burden in the future, it is necessary to secure stable financial resources to cover the increase.

Impact on Total Pension Benefits Received by Employees' Pension Beneficiaries in Their Lifetime (model pension benefits for one person)

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions

- Assuming the economy does not perform well and measures are taken to raise the level of future benefits of the basic pension, which is also received by employees' pension beneficiaries, a mechanical calculation, based on the 2024 actuarial valuation, of the model pension benefits for one person suggests that:
 - Men aged 62 or younger and women aged 66 or younger are expected to receive higher total pension benefits over their lifetime.
- If the pension amount falls below the amount that would have resulted without these measures, measures will be taken to mitigate the impact.

Model pension benefits for one person: Basic ¥67,000 + Earnings-related ¥46,000 (total ¥113,000)



[Source] 2024 Actuarial Valuation : Financial Implications of the Reform Options(Expanded coverage (2))< Projection of past 30-year trends Case>

(*1) Age as of fiscal 2025. The pension amounts are fiscal 2024 amounts.
 (*2) The Pension Amendment Act 2025 provides that, in the event that measures are taken to simultaneously terminate the modified indexation † of the basic pension and the earnings-related portion, if the pension amount combining the basic pension and the earnings-related portion falls below the amount that would have been paid had such measures not been taken, necessary measures shall be taken to mitigate the impact. Depending on the details of such mitigating measures, the decrease in the amount of the total lifetime pension benefit may vary.
 † a mechanism to automatically adjust benefit level within scope of financial resources
 (*3) As the implementation of these measures is expected to increase the government's fiscal burden in the future, it is necessary to secure stable financial resources to cover the increase.

Frequently Asked Questions and Comments (1)

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions

Q. Isn't it a diversion to use the employees' pension reserves to raise the overall level of the basic pension for people who have previously never been enrolled in the employees' pension?

A. As one measure for raising the overall level of the basic pension, the utilization of the employees' pension reserves is being considered.

The contribution for the employees' pension includes that for the basic pension, and **the contributions and reserves of the employees' pension have traditionally been allocated to the basic pension as well.**

In addition, **there is no specific share allocated to individuals in the reserves under the pay-as-you-go public pension system,** and the reserves of the employees' pension and the National Pension **are utilized for the basic pension according to their ability to contribute in a framework of mutual support under the pay-as-you-go system.** **There is no intention to change this basic concept.**

Furthermore, beneficiaries of the employees' pension also receive the basic pension, and the raising of the overall level of the basic pension through the utilization of the employees' pension reserves and additional national subsidy **will raise the overall level of pensions for beneficiaries of the employees' pension across a wide range of future generations (the total of the basic pension and the second-tier earnings-related portion).** Therefore, the government considers **this not to be a so-called "diversion."**

Frequently Asked Questions and Comments (2)

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions

Q. Is there any consideration given to the decrease in the benefit level for current beneficiaries of the employees' pension due to the raising of the overall level of the basic pension?

A. If the economy does not perform well and the measures for raising the overall level of the basic pension are implemented, the modified indexation † adjustment of the earnings-related portion of the employees' pension will be extended beyond the current projection, whereby the benefit level for beneficiaries of the employees' pension will temporarily decline.

† a mechanism to automatically adjust benefit level within scope of financial resources

However, it is provided that, if raising of the overall level of the basic pension is implemented, and if the pension amount combining the basic pension and the earnings-related portion falls below the amount that would have been payable had such measures not been taken, measures shall be taken to mitigate the impact.

* It is provided that whether the measures for raising the overall level of the basic pension are actually implemented shall be determined in five years, after assessment of future economic conditions and other factors and based on the results of the next actuarial valuation and other related matters. However, in order to prevent the benefit level of beneficiaries of the employees' pension from declining due to the continuation of the modified indexation adjustment of the earnings-related portion, such adjustment will be relaxed to one-third. Therefore, based on the assumptions in the 2024 actuarial valuation, there will be no employees' pension beneficiaries whose benefit level declines by fiscal 2030.

<Amendment by the House of Representatives> Supplementary Provisions, Article 3-2, Paragraph 2 of the 2025 Amendment Act

2If the legislative measures under the preceding paragraph are implemented, and if the total of the old-age basic pension amount and the employees' old-age pension amount falls below the total of the old-age basic pension amount and the employees' old-age pension amount that would have been payable had such measures not been implemented, the government shall take necessary legislative and other measures to mitigate the impact.

Frequently Asked Questions and Comments (3)

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions

Q. How will the financial resources required in the future for the national subsidy to raise the overall level of the basic pension be secured?

A. According to the case assuming zero real growth in the 2024 actuarial valuation, the additional national subsidy required for the measures for raising the overall level of the basic pension is expected to be incurred in fiscal 2038 and gradually increase in scale. Therefore, there is no immediate need for such financial resources.

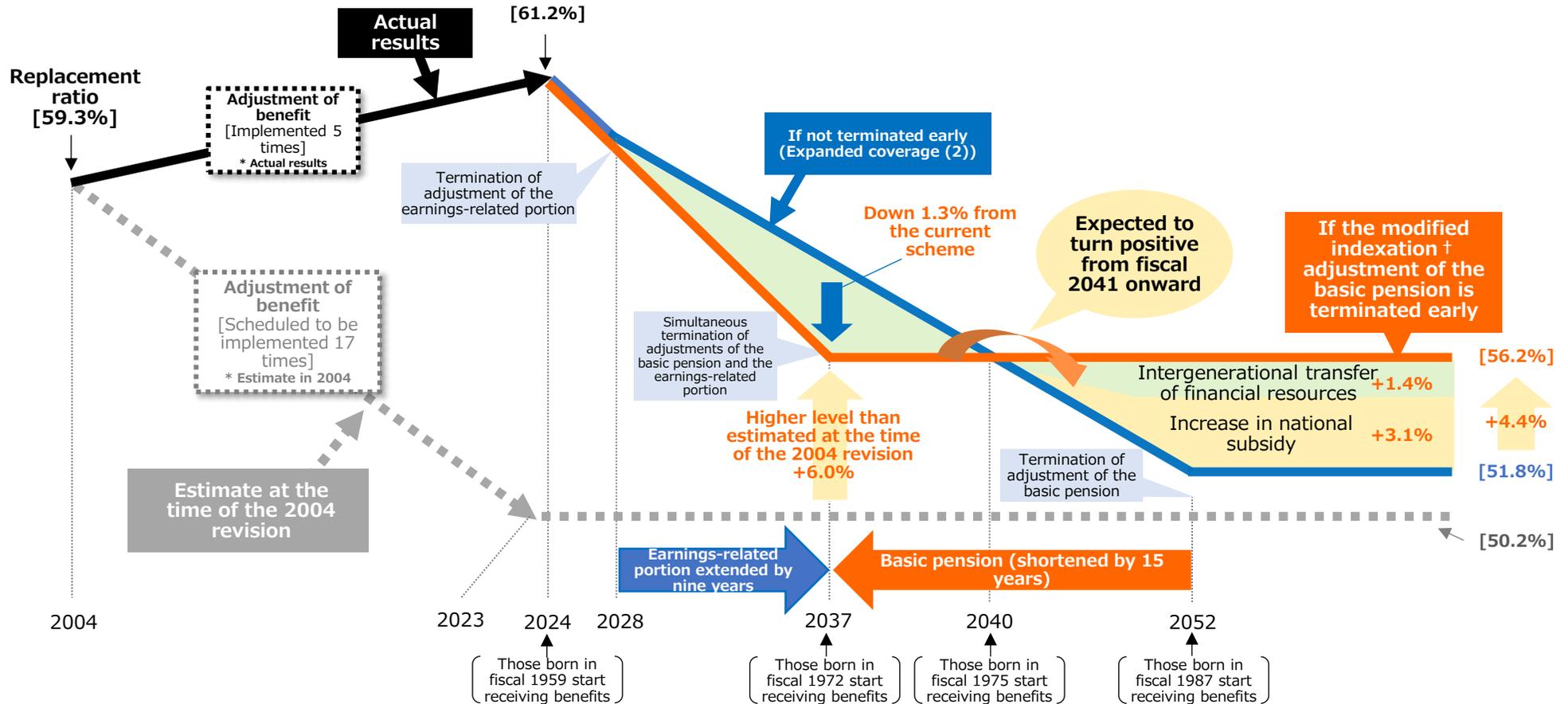
Given this, **it is provided that, the timing when this additional national subsidy is required and the amount vary due to socioeconomic conditions and other factors, an appropriate structure of stable financial resources for supporting the system shall be properly considered based on the results of the next actuarial valuation and other related factors.**

* According to the case assuming zero real growth in the 2024 actuarial valuation, the additional national subsidy is expected to be incurred in fiscal 2038 and gradually increase in scale from an initial ¥200 billion to approximately ¥2 trillion in fiscal 2052.

(Reference) Image of Transition in Replacement Ratio

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions

<<Projection of past 30-year trends Case>>



[Source] 2024 Actuarial Valuation : Financial Implications of the Reform Options(Expanded coverage (2))< Projection of past 30-year trends Case>

(*)As the implementation of these measures is expected to increase the government's fiscal burden in the future, it is necessary to secure stable financial resources to cover the increase.

† a mechanism to automatically adjust benefit level within scope of financial resources