Financial Report on the Public Pension System
Fiscal Year 2004 (Summary)

1. Fiscal Revenue and Expenditure

❑ The Financial Status of Public Pension Plans as a whole - 41.6 trillion yen in Benefits

The financial status of public pension plans as a whole for FY2004 reveals that 25.7 trillion yen of revenue was income from contributions and 6.4 trillion yen was from subsidies by state etc., while 41.6 trillion yen of the expenditure was for pension benefits. The reserve at the end of FY2004 was 198.1 trillion yen at book value and 199.6 trillion yen at market value (Figure 1, Figure 2-1-1 in the report).

Figure 1 Financial Status (FY2004)

Classification		Public pension plans as a whole (Consolidated base)
		100 million yen
Total revenue	(book value)	424,171
	(market value)	[453,363]
Contributions		256,525
Subsidies by state etc.		63,838
Subsidies for "bestowals" payments of prior period		17,383
Investment income	(book value)	27,632
	(market value)	[56,471]
Payment of the cost for consolidation of former MAAs		1,374
Payment of the cost for the occupational portion exceed EPI		3,144
Payment of the cost for contracting back in to EPI of EPFs		53,854
Others		* 421
Total expenditure		420,610
Benefits		416,200
Others		4,410
Balance of revenues and expenditures	(book value)	3,561
	(market value)	[32,753]
Reserve at the end of fiscal year	(book value)	1,980,611
	(market value)	[1,996,378]

Note : To calculate revenue and expenditure in consolidated base, the following contributions and corresponding revenue are excluded from both revenue and expenditure summation because those contributions and income are paid from one public pension plan to other public pension plan: contribution to Basic Pension, contribution to the equivalent to benefits of Basic Pension (old law (pension law effective before FY1986)), contribution representing inter-plan fiscal adjustments between NPSP and LPSP and contribution to support JT MAA, JR MAA and NTT MAA that consolidated to EPI. Additionally the amount of transfer from the surplus of previous year (1,528.5 billion yen) in Basic Pension Account is excluded from "Others" (*) in revenue.

❑ Contributions – Increased for EPI, LPSP and PSP

Contributions of Employees' Pension Insurance (EPI) were 19.5 trillion yen, those of National Public Service Personnel Mutual Aid Association (NPSP) were 1.0 trillion yen, Local Public Service Personnel Mutual Aid Association (LPSP) were 3.0 trillion yen, Mutual Aid Corporation for Private School Personnel (PSP) were 0.3 trillion yen and National Pension (NP) were 1.9 trillion yen (Figure 2-1-4 in the report). In addition to the contributions of EPI, which had been in decline, contributions of PSP and LPSP also increased in FY2004. Contributions of NPSP and NP both deceased from the previous fiscal year.

❑ Pension Benefits – Increased at Employee Pension Plans (except NPSP) and Basic Pension

Benefits[1] of EPI were 21.5 trillion yen, those of NPSP were 1.7 trillion yen, LPSP were 4.3 trillion yen, PSP were 0.2 trillion yen, NP's National Pension Account were 2.1 trillion yen, and NP's Basic Pension Account were 11.8 trillion yen (Figure 2-1-12 in the report). Overall, benefits of employee pension plans continued to increase. With regard to NP, while Basic Pension Account continued to increase significantly, National Pention Account has tended to decrease.

Note 1: Benefits for each pension plan include benefits equivalent to Basic Pension (the amount of benefits under the old law regarded equivalent to Basic Pension). The benefits paid by the National Pension Account are mainly the benefits of the old National Pension Law. The benefits paid by the Basic Pension Account are the benefits of Basic Pension.

❑ Reserve - Growth is slowing down on the whole

Reserve[1] of EPI was 137.7 trillion yen (138.2 trillion yen), that of NPSP was 8.7 trillion yen (8.9 trillion yen), LPSP was 38.1 trillion yen (38.8 trillion yen), PSP was 3.2 trillion yen (3.3 trillion yen), NP's National

Pension Account was 9.7 trillion yen (9.7 trillion yen) and NP's Basic Pension Account was 0.7 trillion yen. (Figure 2-1-15 in the report). On the whole, growth is slowing down.

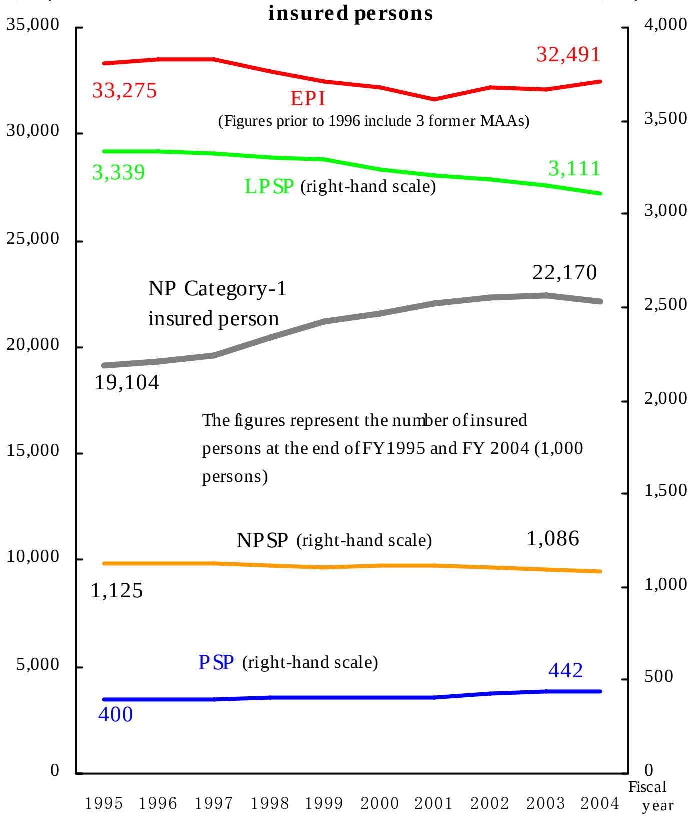
Note 1: The values are at book values. The values in parentheses are at market values. The method for market value assessment is as presented in Figure 2-1-17 in the report.

2. Insured Persons

❑ Number of Insured Persons - Increased for EPI and PSP

The total number of insured persons by employee pension plans was 37.13 million: 32.49 million by EPI, 1.09 million by NPSP, 3.11 million by LPSP and 0.44 million by PSP. In addition, the number of insured persons by NP Category-1 was 22.17 million and by NP Category-3 was 10.99 million. This brought the total number of participants in public pension plans as a whole to 70.29 million (Figure 2, Figure 2-2-1 in the report). In FY 2004, the numbers of insured persons by EPI and PSP increased, and the number of insured persons by employee pension plans increased by 0.9%. On the other hand, the number of insured persons by NP Category-1, which had been continually increasing, decreased by 1.0%.

Figure 2 Trends in the number of insured persons



❑ Standard Remuneration per Capita - Male-female differences were small for NPSP and LPSP

Standard monthly remuneration per capita (not including employee bonuses) was 314,000 yen for EPI, 407,000 yen for NPSP, 455,000 yen for LPSP and 370,000 yen for PSP (Figure 2-2-9 in the report). The differences of remuneration between male and female insured persons were smaller for NPSP and LPSP than EPI and PSP. Remuneration for PSP, which had been increasing continually, deceased in FY2004 (Figure 2-2-11 in the report). On the other hand, standard remuneration per capita including employee bonuses (total remuneration base; monthly amount) was 375,000 yen for EPI, 543,000 yen for NPSP, 604,000 yen for LPSP and 493,000 yen for PSP (Figure 2-2-10 in the report).

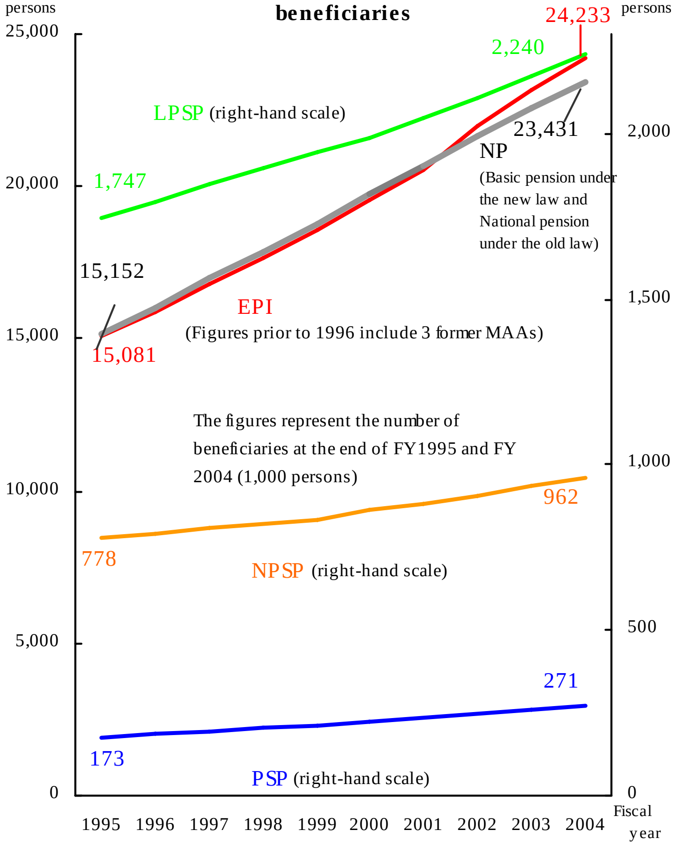
Note: Extension of remuneration calculations to cover bonuses began in FY2003.

3. Beneficiaries

❑ Number of Beneficiaries - Continued to Increase for all Public Pension Plans

There were 24.23 million beneficiaries in EPI, 0.96 million beneficiaries in NPSP, 2.24 million beneficiaries in LPSP, 0.27 million beneficiaries in PSP and 23.43 million beneficiaries in NP (both Basic Pension under the new law and National Pension under the old law) (Figure 3, Figure 2-3-1 in the report). The total number of people having pension benefit eligibilities for some sort of public pension was 32.25 million. The number of beneficiaries is continuing to increase for all public pension plans.

Figure 3 Trends in the number of beneficiaries



❑ Average Monthly Amount of Old-age pension (for Long-Term Contributors) – Decreased in Employee Pension Plans

The average amount of old-age (for long-term contributors)[1] per month[2] (including the amount of the old-age basic pension) was 165,000 yen for EPI (including portion paid by Employees' Pension Fund on behalf of EPI), 209,000 yen for NPSP, 223,000 yen for LPSP, 207,000 yen for PSP and 53,000 yen for NP (old-age basic pension benefits under the new law and old-age pension benefits of NP under the old law) (Figure 2-3-14 in the report). The average monthly amount of benefits for all employee pension plans decreased for the fifth consecutive year due to the influence of declining price indexation and payment rationalization. On the other hand, the average monthly amount of benefits for NP continued to increase (Figure 2-3-16 in the report).

Note 1: "Old-age (for long-term contributors)" is the one under the new law that requires fulfilment of the eligible period in one plan stipulated in the old-age basic pension (25 years; including 20 years of contributions in the interim measure and 15 years of contributions in the special measure for the middle and older age), as well as the one under the old law.

Note 2: At the comparison, besides that the Mutual Aid Associations (MAAs) has the occupational portion exceed EPI, it is necessary to bear in mind that there are differences on male-female ratio and average contribution period by the plan compared.

4. Financial Indicators

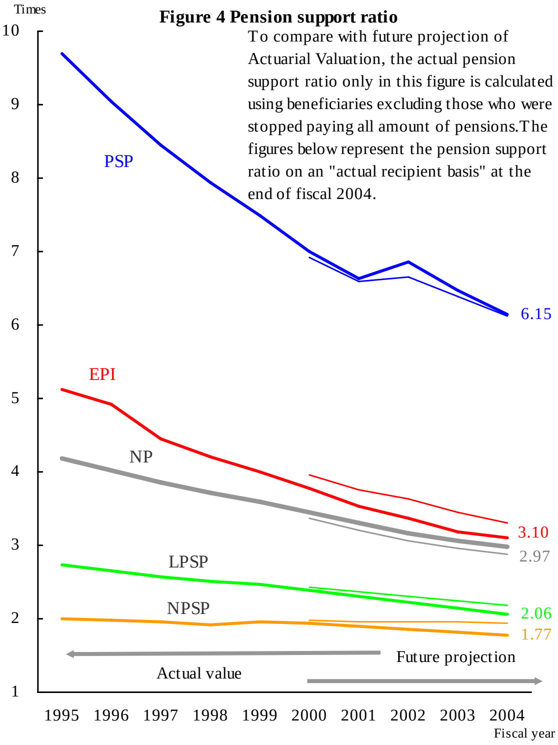


Figure 4 Pension support ratio

❑ Pension Support Ratio - High for PSP, low for NPSP and LPSP. Ratio decreased for all Public Pension Plans

The pension support ratios[1] continued to decline in all public pension plans (Figure 4, Figure 2-4-2 in the report). It was 2.91 for EPI, 1.73 for NPSP, 2.00 for LPSP, 5.14 for PSP and 2.96 for NP. PSP, which has a high pension support ratio, may be considered less mature than EPI. Conversely, NPSP and LPSP having low pension support ratios are considered mature plans.

Note 1: The ratio of insured persons to beneficiaries (only old-age (for long-term contributors)).

❑ Comprehensive Cost Rate - Increased in all plans except NPSP.

The comprehensive cost rate[1] was 17.8% for EPI, 17.1% for NPSP, 15.4% for LPSP, and 11.5% for PSP (Figure 5, Figure 2-4-7 in the report). Financial adjustments implemented with the integration of financial units for NPSP and LPSP from FY2004 cause the comprehensive cost rate for NPSP to decline. Employee bonuses became to be included for remuneration from FY2003. It should be reminded that comprehensive cost rate, which has remuneration in this formula, should not be connected directly before FY2003 and after.

Note 1: The rate of real expenditure for which the plan must provide its own resources to the total standard remuneration. The comprehensive cost rate for EPI is calculated on an accounts base and does not include the portion paid by Employees' Pension Fund on behalf of EPI.

5. Comparison between Actual Values and the Future Projections of the 1999 Actuarial Valuation

❑ Contributions - Except for NP, Actual Contributions were less than the Future Projections

Actual contributions[1] were less than the future projections[2] for pension plans except NP (Figure 3-2-1 in the report). The percentage of being less was 20.0% for EPI, 7.7% for NPSP, 16.6% for LPSP and 8.1% for PSP. This resulted partly from lower actual nominal wage growth rate than that used in the future projections (Figure 3-2-12 in the report). However, actual contributions of NP exceeded the future projection by 1.9%.

Note 1: For EPI, comparisons are made using "estimates of actual value" (see page 82 of the report). This definition also applies below.

Note 2: Future projection values were processed by reflecting the 2004 amendments into the future projections of the 1999 actuarial valuation (see page 83 of the report). This definition also applies below.

❑ The Number of Insured Persons - The Actual Numbers of Insured Persons were less than the Future Projections except for PSP and NP

The actual numbers of insured persons were less than the future projections for EPI, NPSP and LPSP

(Figure 3-2-2 in the report). The percentage of being less was 7.4% for EPI, 3.2% for NPSP, and 6.5% for LPSP. On the other hand, the actual numbers of insured persons for PSP and NP exceeded the future projections by 5.0% and 0.8% respectively.

❑ Expenditure- Actual Expenditures were less than the Future Projections except for PSP

Actual expenditures[1] were less than the future projections for all plans except PSP (Figure 3-2-5 in the report). The percentage of being less was 8.9% for EPI, 9.0% for NPSP, 12.5% for LPSP and 9.4 % for NP. On the other hand, actual expenditure for PSP exceeded the projection by 0.9%.

Note1: Portion of total expenditure as provided for by income from contributions, investment income and subsidies by state etc.

❑ The Number of Beneficiaries - The Actual Numbers of Beneficiaries were less than the Future Projections except for EPI

The actual numbers of beneficiaries were less than the future projections for all pension plans except EPI, for which the actual number of beneficiaries just exceeded (0.2%) the future projection due to the consolidation in FY2002 of the Mutual Aid Association for Agricultural, Forestry and Fishery Organisation Personnel (Figure 3-2-6 in the report). The percentage of being less was 4.4% for NPSP, 1.9% for LPSP, 16.3% for PSP and 1.7% for NP.

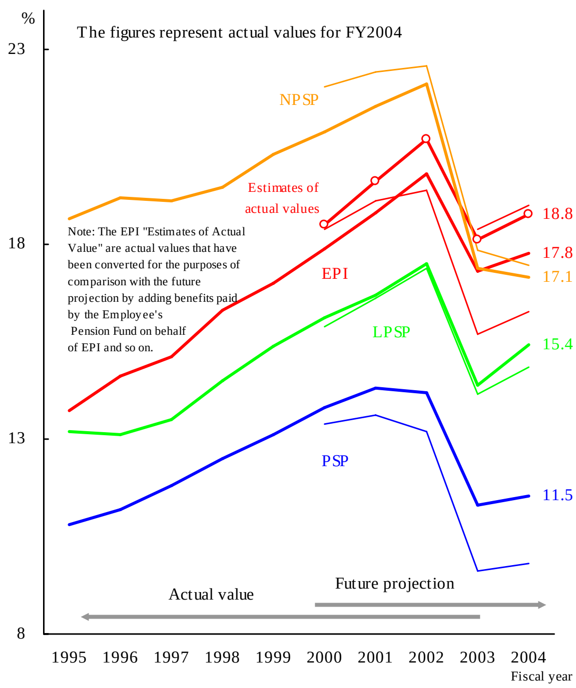
❑ Pension Support Ratio - The Actual Pension Support Ratios were lower than the Future Projections except for PSP and NP.

The actual pension support ratios were lower than the future projections for EPI, NPSP and LPSP (Figure 4, Figure 3-3-1 in the report). For EPI, percentage of being less was large at 0.20 points.

❑ Comprehensive Cost Rate - The Actual Comprehensive Cost Rates exceeded the Future Projections except for NPSP

The actual comprehensive cost rates exceeded the future projections for all pension plans except NPSP (Figure 5, Figure 3-3-4 in the report). The exceeding was 2.5 points for EPI, 0.6 points for LPSP and 1.7 points for PSP. On the other hand, the actual comprehensive cost rate for NPSP was lower than the future projection by 0.3 points.

Figure 5 Comprehensive cost rate



6. Analysis of the Difference between Actual Values and Future Projections of the 1999 Actuarial Valuation

❑ Analysis of the Difference in Reserves

Actual reserves were less than the future projections for all employee pension plans. A major reason for this is that the actual nominal rate of return on investment was lower than the future projection (Figure 3-4-3 in the report). A detailed analysis reveals that the actual nominal wage growth rate was lower than the future projection and this worked to reduce the reserves (Figure 3-4-6 in the report). On the market value base, the reserve for each MAA was in excess of its book value base, slightly reducing the difference with the future projection.

(Financial Status “in Real Terms”)

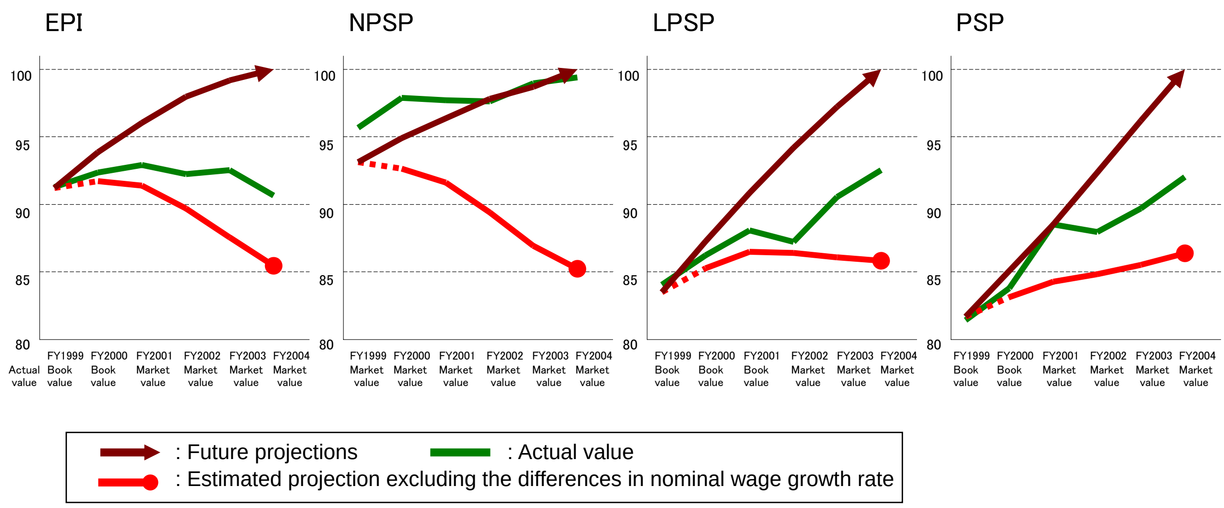
In public pension plans, both contributions and benefits generally increase or decrease in response to the nominal wage growth rate. Therefore, if the real wage growth rate does not change, any differences between the actual value and future projection of the reserve resulting from the nominal wage growth rate will only have a limited impact on financial status over the long-term.

Comparing estimated projections excluding the differences in nominal wage growth rate with the actual reserves, the actual returns on investment for all plans exceed the future projection, and therefore, the differences of actual reserve over estimated projection are significantly positive (Figure 6, Figure 3-4-7 in the report). This shows that, from the pensions financing point of view, actual results are showing better performance than the future projections.

Note: The future projections in the 1999 actuarial valuation are estimated values calculated by replacing the nominal wage growth rates used in the original valuation with the actual values.

Figure 6 Difference between Actual Reserves and Future Projections of 1999 Actuarial Valuation

[expressed using the future projection at the end of FY2004 as the standard (= 100)]



(Reference) How to read the figure

- The difference between the "actual value" of the reserve and the "estimated value excluding the differences in nominal wage growth rate" shows that the "actual results are showing better performance than the future projections" as described above.

❑ Analysis of the Difference in Expenditure/Revenue Ratios[1]

For employee pension plans, actual expenditure/revenue ratios were higher than the future projections projected values. The principal reason for the difference is, in the case of EPI and LPSP, that contributions differed from future projections and, in the case of NPSP and PSP, that returns on investment differed from future projections (Figure 3-5-2 in the report).

Note 1: "Real expenditure minus Subsidies by state etc." expressed as a percentage against "Contributions plus investment revenue"

❑ Analysis of the Difference in Reserve Ratios[1]

For both NPSP and LPSP, actual reserve ratios were higher than the future projections. The principal reason for the difference is that [Real expenditures – subsidies by state etc.] were less than the future projections. Further, in the case of PSP, the actual reserve ratio was lower than the future projection, and principal reason of this is that the reserve at the end of the previous fiscal year was less than the future projection (Figure 3-5-6 in the report).

Note 1: "Reserves at the end of the previous fiscal year" expressed as a ratio against "Real Expenditure minus Subsidies by state etc." of the relevant fiscal year