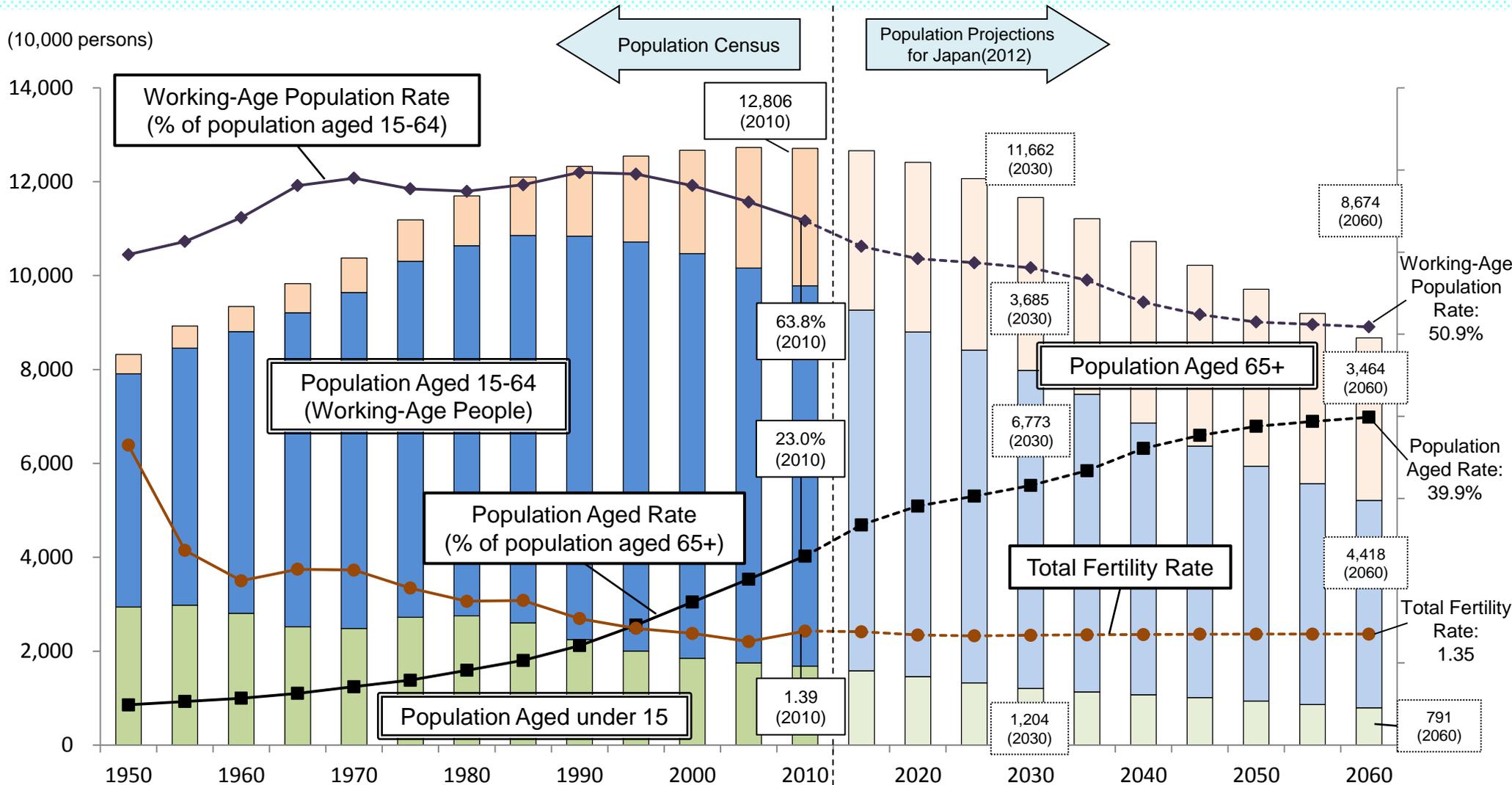


Demographic Change in Japan

Japanese population remained on the same level during recent years, but it is estimated to decline in the future. In 2060, Japanese Population is estimated to be 90 million and percentage of elderly people is estimated to be around 40%.

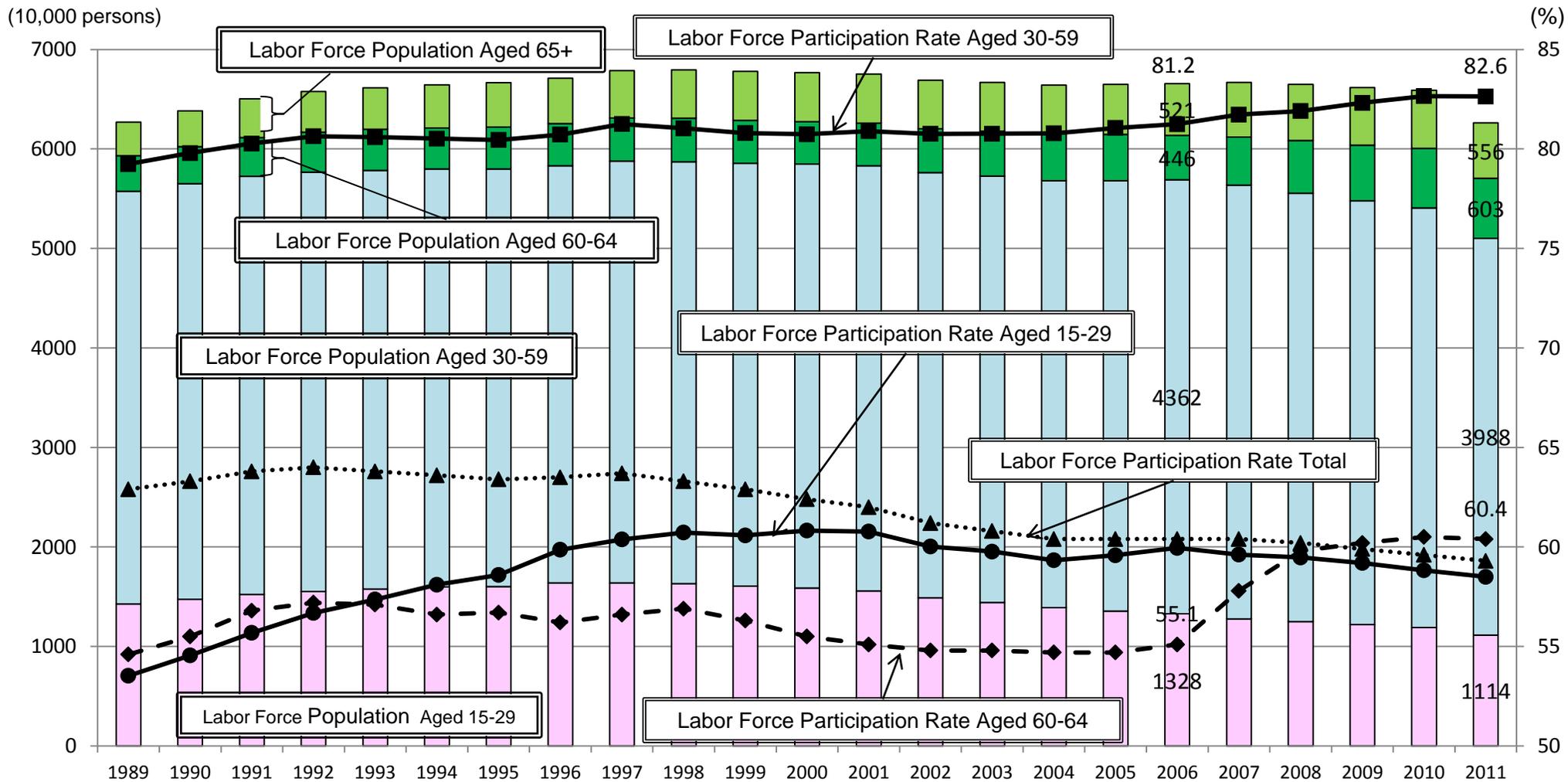


Source : "Population Census," Statistics Bureau, Ministry of Internal Affairs and Communications
 "Population Projections for Japan," January 2012, National Institute of Population and Social Security Research
 "Vital Statistics" Ministry of Health, Labour and Welfare

Change of Labor Force Population and Labor Force Participation Rate

Tentative Translation

Labor force participation rate of people aged from 60 to 64 was 55.1% in 2006, and it has been increased to be 60.4% in 2011.



From April 2006, "Measures for securing employment for elderly persons under 65" became mandatory due to the revised "the Act on Stabilization of Employment of Elderly Persons."

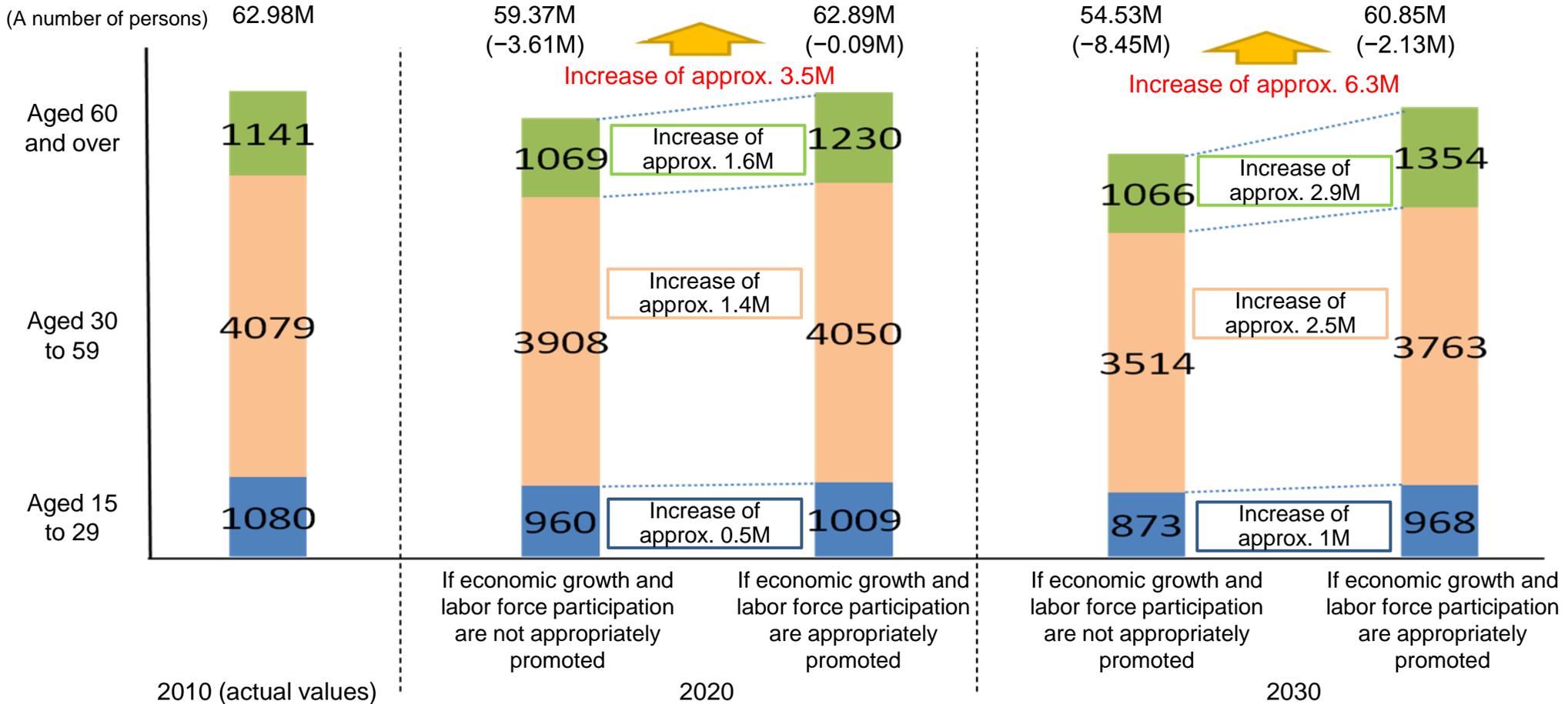
Source: "Labor Force Survey", Statistics Bureau, Ministry of Affairs and Communications

Note: Figures for 2011, the annual average value with the exception of Iwate Prefecture, Miyagi Prefecture and Fukushima Prefecture

Labor Force Simulation for 2010–2030 (Total Male and Female Labor Force)

If economic growth and labor force participation are not appropriately promoted, the labor force in 2030 is expected to be 8.45 million less than it was in 2010.

On the other hand, If they are appropriately promoted, the labor force is expected to be 6.3 million higher than it would be otherwise, resulting in the labor force in 2030 being only 2.13 million less than it was in 2010.



Source: The figures for 2010 are the actual values from the labor force survey conducted by the Ministry of Internal Affairs and Communications (2010-base intercensal-level adjustment). The figures for 2020 and 2030 are estimates produced by the Japan Institute for Labor Policy and Training.

* These estimates were produced by the Japan Institute for Labor Policy and Training using "Population Projections for Japan," a document published by the National Institute of Population and Social Security Research (estimates as of January 2012), etc.

* If economic growth and labor force participation are appropriately promoted: High growth is expected to be achieved based on the Comprehensive Strategy for the Rebirth of Japan and labor force participation is expected to increase.

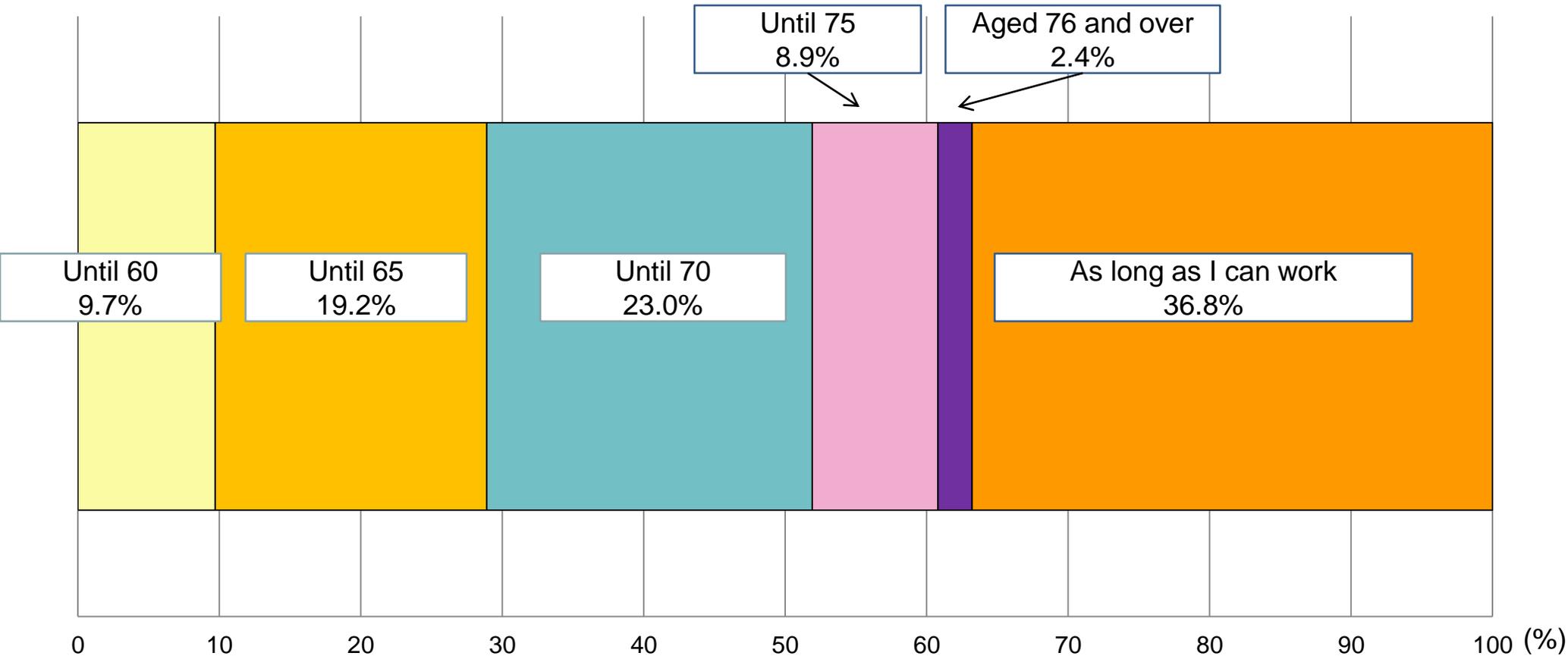
* If economic growth and labor force participation are not appropriately promoted: The economy is expected to grow a certain amount until 2015 due to demand fuelled by reconstruction projects, but from 2016 onwards, the rate of economic growth and changes in prices are expected to be zero and labor force participation is not expected to increase.

High Working Motivation among Elderly Persons

Tentative Translation

The working motivation of elderly persons in Japan is very high. More than 90% elderly persons think that they want to work until more than 65 years old.

Until when do you want to work? (Aged 60 and over)



Key Government Policies on Employment of the Elderly

Interim Report on Strategies to Revitalize Japan (Cabinet decision taken on August 5, 2011)

5. Encouraging a Growth-oriented Longevity Society and Regional Revitalization

(Where problems exist: regional revitalization and responses to the aging of society and diminishment of the population)

No other country in the world has ever had to grapple with an aging problem as serious as the one facing Japan. The downward population trend is expected to be strengthened going forward. The diminishment of the population, among other factors, is likely to continue to have a significant impact on Japanese society and the economy through the diminishment of the labor force, diversifying types of employment, changes in demand and in population segments in society, transformation of regional spaces such as towns and villages, and declining regional vitality.

It is important that new labor forces be created and that the rapid diminishment of the population be stopped in order to maintain sustainable growth and the vitality of Japanese society and the economy. Specific measures required in this respect include those to realize a society in which each and every person can play their roles by promoting the employment of everyone who is capable of working, including the young, women, the elderly, and persons with disabilities. It is also essential that the development of growing industries be promoted and that people enjoy their benefits in their daily lives by bringing about innovations contributing to Japan's longevity society. Such innovations can be realized by, among other steps, ensuring that each person can harness their abilities to the fullest extent.

Outline of the Comprehensive Reform of Social Security and Tax Systems (Cabinet decision taken on February 17, 2012)

5. Promoting Employment and Realizing Decent Work (work that fosters job satisfaction and personal wellbeing)

(1) **Measures aimed at employment of the elderly**, fixed-term employment contracts, part-time employment contracts, and an unemployment insurance system

- Strengthen the basis for the social security system by realizing a society in which each and every person can play a role, promoting decent work, and establishing multi-tiered safety nets, as well as review urgently required measures aimed at employment of the elderly, fixed-term employment contracts, part-time employment contracts, and an unemployment insurance system to rebuild a broad middle-class.

☆ **After discussions at the Labor Policy Council, the necessary bills are to be presented at an ordinary Diet session in 2012.**

Detailed measures:

- Measures aimed at employment of the elderly: **Develop a legal system regarding criteria for a continued employment system that will ensure employment is directly connected with the pension eligibility age and that no elderly households are without income. (It is necessary that such measures should be implemented by the time the eligibility age for old-age employee pensions is raised in 2013.)**

Major Revisions to the Act on Stabilization of Employment of Elderly Persons

Tentative Translation

Year of Revision	Public Pension Plan	Act on Stabilization of Employment of Elderly Persons
1985	<ul style="list-style-type: none"> ✓ Women's eligibility age for old-age employee pensions raised (from 55 to 60 from 1987 to 1999) 	
1986		<ul style="list-style-type: none"> ✓ Obligation to make an effort to promote a minimum mandatory retirement at the age of 60 (enforced October 1, 1986)
1994	<ul style="list-style-type: none"> ✓ Eligibility age for the fixed-amount component of old-age employee pensions raised (from 60 to 65 from 2001 to 2013) 	<ul style="list-style-type: none"> ✓ Promotion of minimum mandatory retirement at the age of 60 made obligatory (enforced April 1, 1998)
2000	<ul style="list-style-type: none"> ✓ Eligibility age for the earnings-related component of old-age employee pensions raised (from 60 to 65 from 2013 to 2025) 	<ul style="list-style-type: none"> ✓ Promotion of measures to secure elderly employment until the age of 65 by raising retirement age, etc., made obligatory (enforced October 1, 2000)
2004		<ul style="list-style-type: none"> ✓ Taking of measures to secure elderly employment made a legal obligation to employers (enforced April 1, 2006) ✓ Employable age raised from 60 to 65 by 2013
2012		<ul style="list-style-type: none"> ✓ Taking of measures to secure elderly employment for everyone who desires employment until the age of 65 made a legal obligation to employers (Enforced April 1, 2013) ✓ Abolished a scheme to set criteria that allowed employers to exclude some of employees from coverage of the continued employment system (with transitional measures for 12 years until 2025)

Outline of the Act to Partially Amend the Act on Stabilization of Employment of Elderly Persons [approved by the Diet on August 29, 2012]

Relative Translation

Given Japan's rapidly aging population and its low birth rate, it is necessary to promote the employment of all those who are capable of working—including the young, women, the elderly, and persons with disabilities—and to realize a society in which each and every person can play a role. As a measure that promotes employment of the elderly, this Act implements some necessary revisions to the Act on Stabilization of Employment of Elderly Persons by abolishing the provision regarding employers setting criteria for eligibility for the continued employment system and by enhancing measures to secure elderly employment.

1. Abolition of the scheme to exclude some of their employees from coverage of the continued employment system

- ✓ The Act abolishes the scheme that allows employers to exclude some of their employees from coverage of the continued employment system by means of criteria that they establish through a labor-management agreement, thereby ensuring that all elderly employees who wish to remain employed after the age of retirement are covered by the continued employment system.

2. Expansion of the scope of companies employing persons covered by the continued employment system

- ✓ The Act establishes a scheme that expands the scope of companies employing persons covered by the continued employment system so that not only the company itself, but also its group companies can reemploy elderly employees covered by the continued employment system.

3. Introduction of a provision to announce the name of companies in breach of the obligation

- ✓ The Act establishes a provision whereby the names of companies are announced by the government if they do not comply with recommendations regarding their obligation to take measures to secure elderly employment.

4. Establishment of guidelines for the implementation and operation of measures to secure elderly employment (amendment by the House of Representatives)

- ✓ The Act establishes the grounds for guidelines for employers regarding the implementation and operation of measures to secure elderly employment.

5. Other

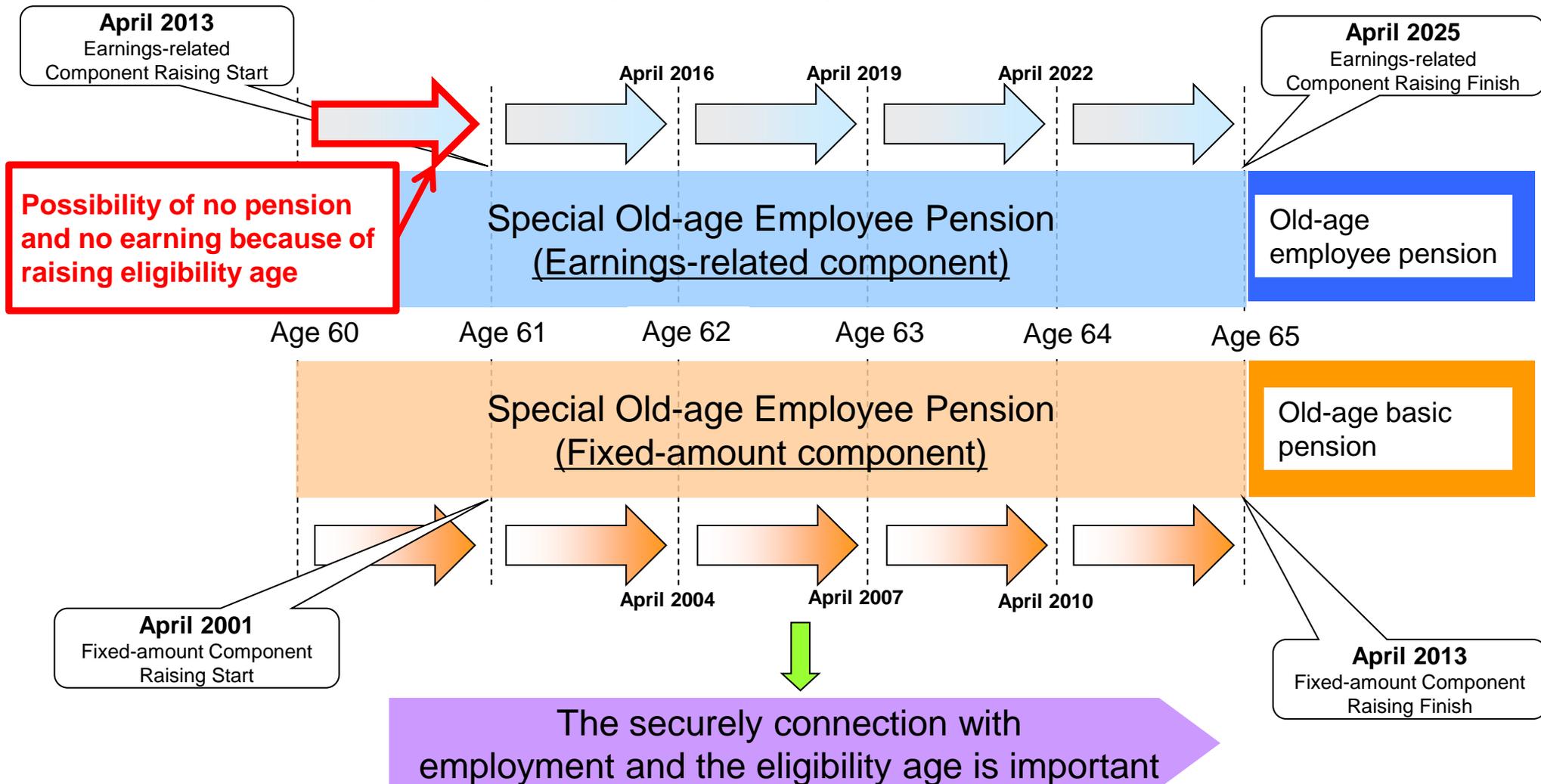
- ✓ The Act establishes a 12-year transitional measure that allows employers to continue to apply the criteria they have set for employees who have reached the eligibility age for old-age employee pensions (the earnings-related component) and to develop other necessary rules.

Enforcement : April 1, 2013

Raising of Eligibility Age for the Employee Pensions Tentative Translation

From April 2013, because of the raising of the eligibility age for old-age employee pensions, elderly persons who desire to continue working after their retirement age of 60 may be not employed by the exception of the continued employment system as well as not receive pension.

Gradually Raising of Eligibility Age for the Employee Pensions by the Pension Reform



Current Status of Companies' Employment System for the Elderly

Tentative Translation

As of June 1 2012, status of elderly employment measures of companies with more than 31 employees is below.

1 Status of measures to secure elderly employment

136,561 of the 140,367 companies, 97.3% (301 or more employees' company: 99.4%, 31-300 employees' company: 97.0%), have completed implementation of measures for securing employment for elderly employees in accordance with Article 9 of the Act on Stabilization of Employment of Elderly Persons amended on 2004.

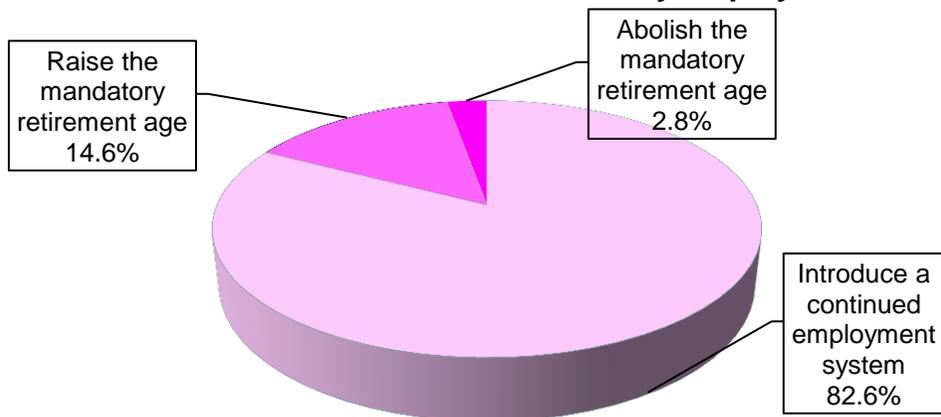
2 Details of measures to secure elderly employment

82.5% of companies have adopted the Continued employment system. On the other hand, few companies have taken measures to raise or abolish the mandatory retirement age system .

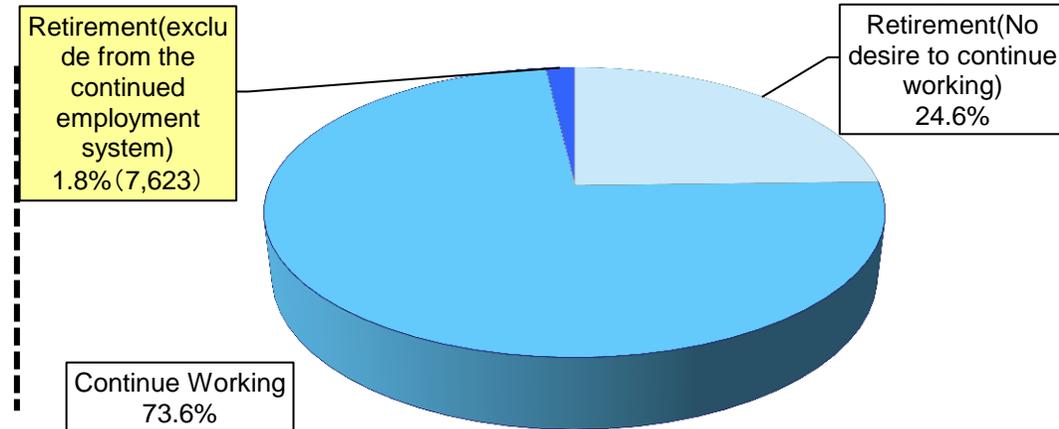
3 Trends of persons who have reached mandatory retirement age

Of approximately 430,000 persons who have reached mandatory retirement age, 24.8% persons did not desire to continue working under the Continued employment system, 73.6% persons desired to continue working and was employed by the Continued employment system, and 1.6% persons desired to continue working but was not employed by the exception of the Continue employment system.

Details of measures to secure elderly employment



Trend of persons who have reached mandatory retirement age



Mandatory Retirement System in Japan

Tentative Translation

- A mandatory retirement system is a system in which an employment contract is automatically terminated when the employee reaches a certain age.
- In the past, many companies tended to set a retirement age of 55, but an amendment of Japan's law in 1994 (enforced April 1, 1998) legally prohibited a company from setting a retirement age of lower than 60.
- Most Japanese companies employ a mandatory retirement system; the percentage of companies that have such a system is 92.9% for companies of all sizes, and 98.7% for companies with 1,000 or more employees (data source: 2011 General Survey on Working Conditions conducted by the Ministry of Health, Labour and Welfare).
- The traditional Japanese personnel system is based on long-term employment with a seniority wage system and a mandatory retirement system.

Reference: Act on Stabilization of Employment of Elderly Persons (extracts)

- Article 8

In cases where employers set the retirement age of their employees, such retirement age shall not be lower than 60.
(The rest of this article is omitted.)

- Article 9, Paragraph 1

Having set the retirement age (limited to an age lower than 65), the employer shall take any of the following measures to secure stable employment for their employees until the age of 65.

1. Raise the mandatory retirement age.
2. Introduce a continued employment system (a system that requires the continued employment of elderly employees beyond their retirement age if they so desire).
3. Abolish the mandatory retirement age.

Abolition of the Scheme to Limit the Elderly Person Covered by the Continued Employment System

Tentative Translation

- The current system of elderly employment under the Act on Stabilization of Employment of Elderly Persons prohibits the setting of a mandatory retirement age of lower than 60. (Article 8 of the Act)
- An **amendment to the Act in 2004 obliges** employers that have set a retirement age of lower than 65 to introduce any of the following measures (for the securement of elderly employment) so as to secure employment for employees until the age of 65. (Article 9 of the Act)

- (1) Raise the mandatory retirement age.
- (2) Introduce the continued employment system. (Criteria established through a labor-management agreement can exclude some persons from the system even if they desire to remain in employment.)
- (3) Abolish the mandatory retirement age.

Implementation of any of the measures is already obligatory.

* Companies are obliged to adopt any of these measures as their system; they are not obliged to employ each individual employee.

* Raising the mandatory retirement age is one of the options and is not obligatory.

**The underlined provision will be abolished from April 2013.
(Amendment to the Act in 2012.)**

- Percentage of companies that have introduced measures to secure elderly employment: 97.3%
- Percentage of all employees that, having reached the retirement age in the last year, retired as they failed to meet the standards (approx. 430,000 persons): 1.6% (approx. 6,800 persons)
(For both figures, the calculations were made based on companies that had 31 or more employees as of June 1, 2012)

Cases Where Continued Employment May Be Refused

Guidelines on the Implementation and Operation of Measures to Secure Elderly Employment (relevant part):

2. Implementation and operation of measures to secure elderly employment

2 Continued employment system

If a continued employment system is introduced, all employees who desire to remain in employment shall be covered by the system. If such employment is secured through a specially-related employer as set forth in Paragraph 2 of Article 9 of the Act on Stabilization of Employment of Elderly Persons, the company shall be mindful of the need to execute an agreement with the specially-related employer for the continued employment of the elderly person concerned by such employer.

Continued employment may be refused in cases where the grounds for dismissal or retirement set forth in the rules of employment, such as elderly employees are considered to be unable to perform the tasks required to them due to a mental or physical disorder or their performance is notably poor and they are unable to perform their duties as employees, have been met (excluding any grounds related to age; the same shall apply hereinafter).

The rules of employment may separately set forth grounds for refusing continued employment that are the same as those set forth for dismissal or retirement in such rules. A labor-management agreement may also include such grounds to ensure the smooth operation of the continued employment system. It should be noted, however, that the establishment of any standards that differ from the grounds for dismissal or retirement may violate the purpose of the amended Act.

It should also be noted that refusal of continued employment must be based on objectively reasonable grounds and be considered appropriate in general societal terms.

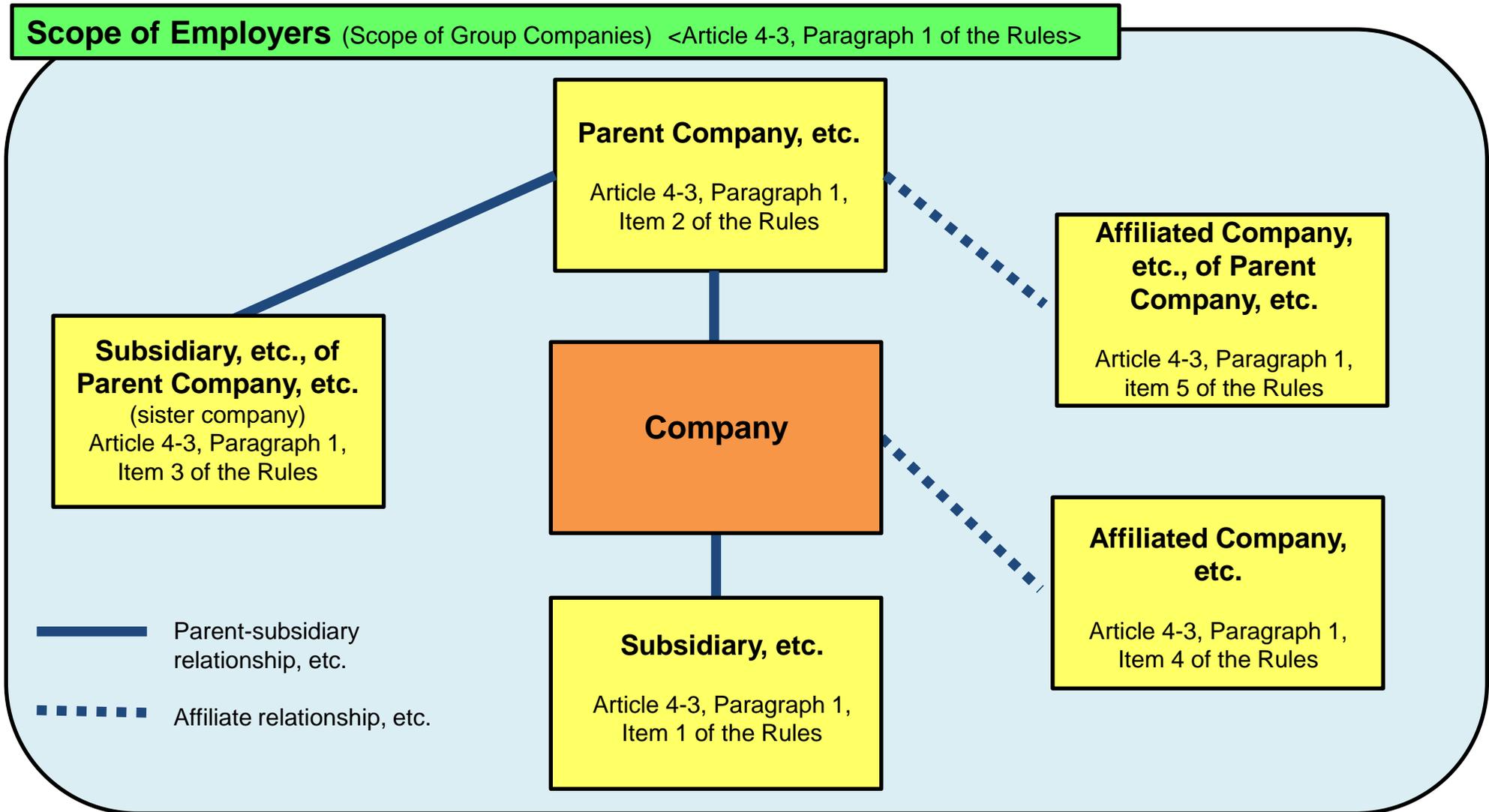
Reference:

- Article 9, Paragraph 3 of the Act on Stabilization of Employment of Elderly Persons
The Minister of Health, Labour and Welfare shall set forth guidelines (referred to in the following paragraph as the “Guidelines”) regarding the implementation and operation of measures to be taken by the employers described in Paragraph 1 in order to secure elderly employment (including treatment under the continued employment system of those not able to perform tasks due to mental or physical disorders).

Scope of Companies Employing Persons Covered by the Continued Employment System (Scope of Employers)

main translation

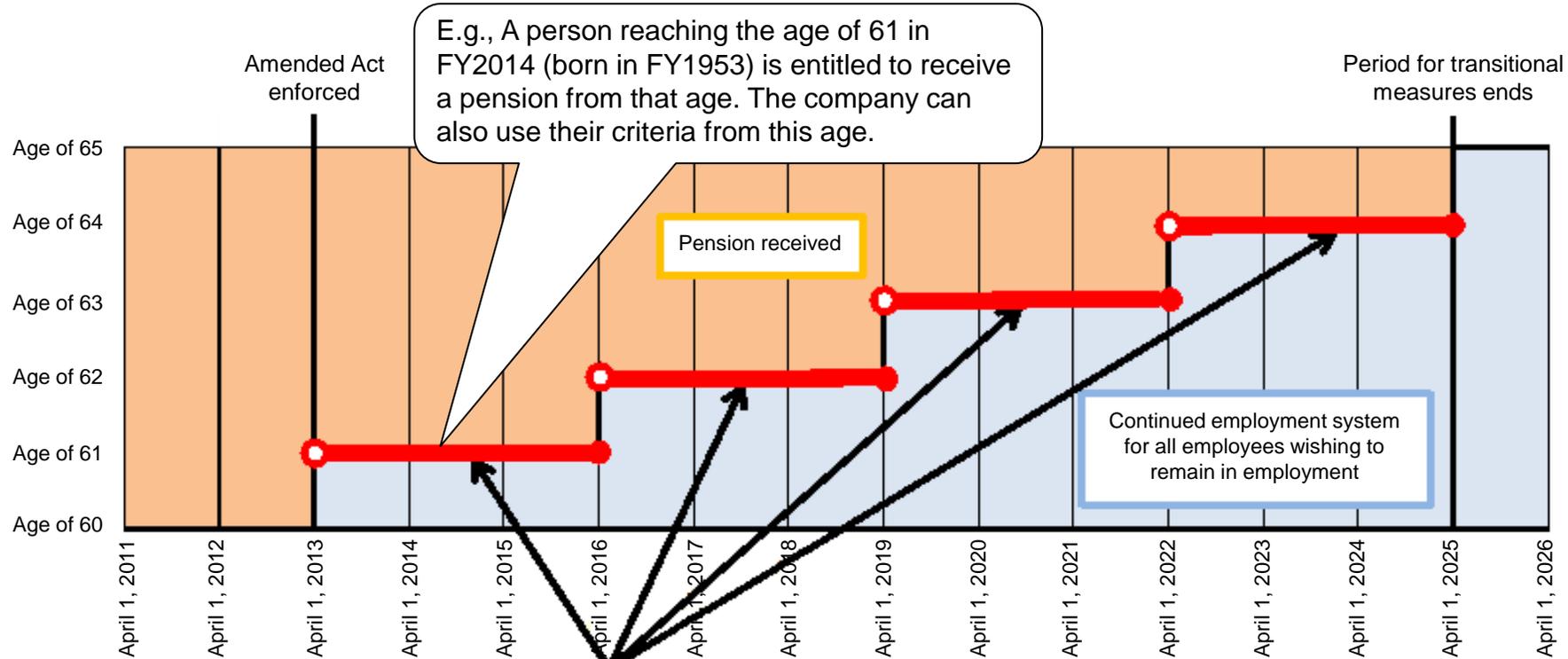
Establishment of a scheme that expands the scope of companies employing persons covered by the continued employment system so that not only the company itself, but also its group companies can employ elderly persons covered by the continued employment system.



*If the company is not the employer, it is required to execute an agreement with the employing company.

Frame of Transitional Measures

Employers who have established criteria to limit elderly persons covered (under Paragraph 2 of Article 9 of the Act on Stabilization of Employment of Elderly Persons) by the continued employment system shall establish a 12-year transitional measure that will allow them to continue to use the criteria they have set for persons who have reached the eligibility age for employee pensions (earnings-related component).



The employer can set and adopt a criteria for those reached eligible age for the employee pension. (Earning-related component)



After employees reach these ages, the standards for the continued employment system can be used.

Persons reaching the age of 58 or 59 in FY2012 will receive their pension at the age of 61.

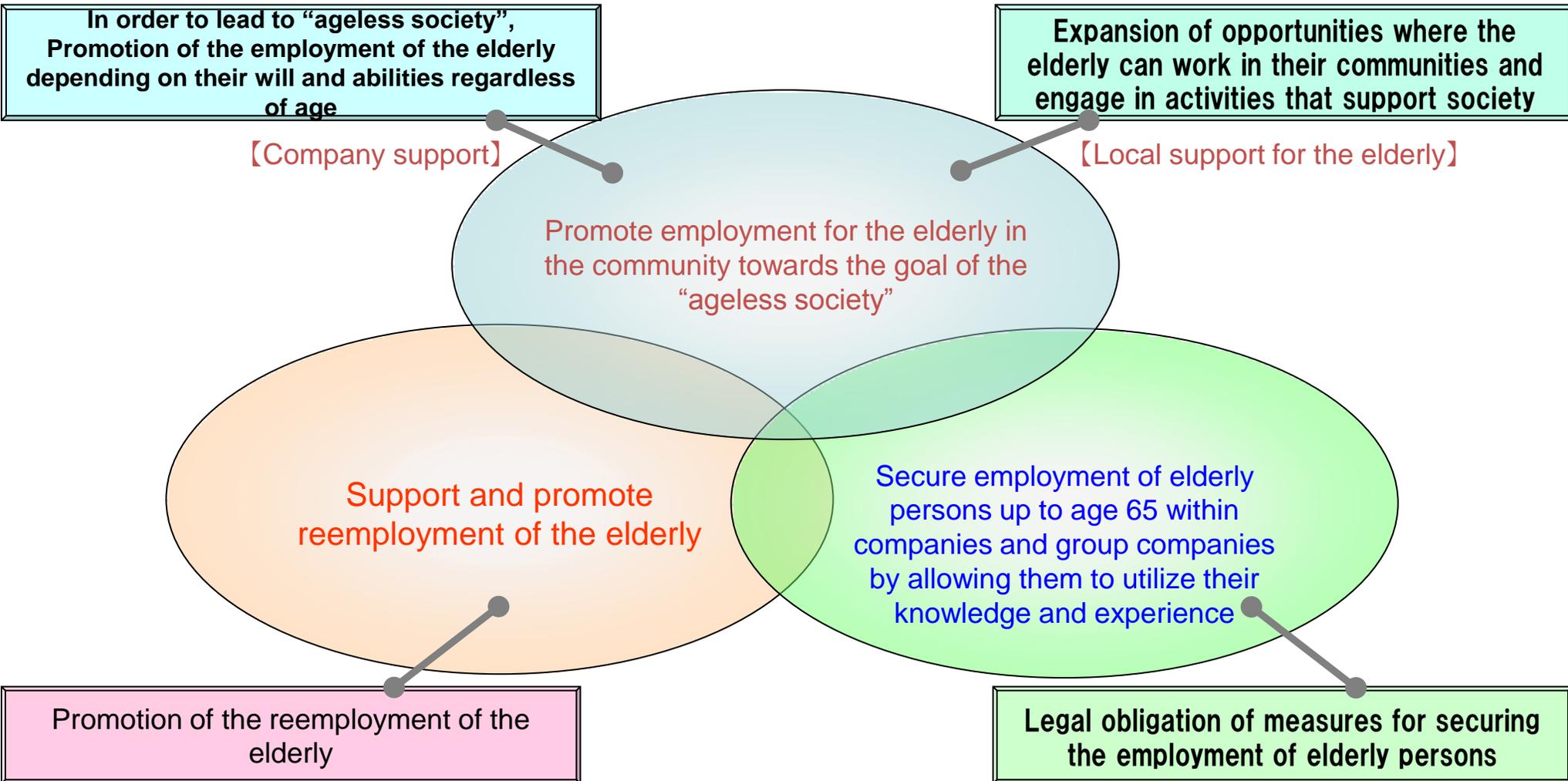
Persons reaching the age of 56 or 57 in FY2012 will receive their pension at the age of 62.

Persons reaching the age of 54 or 55 in FY2012 will receive their pension at the age of 63.

Persons reaching the age of 52 or 53 in FY2012 will receive their pension at the age of 64.

The structure of employment measures for elderly persons

While more and more people are expected to live to 100 in the near future, we need to consider ways to secure employment for the elderly, according to their various needs, and help them find their “places” and “chances to serve” in their communities, towards our goal of creating the “ageless society (where the elderly can stay in active service throughout their lives).”



○ Ensure that all employees who desire to work remain in the workforce until age 65, by raising the mandatory retirement age and introducing the continued employment program.

The Basic Policy of Employment Measures for the Elderly in FY2013

Tentative Translation

① Promote employment for the elderly for realization of an “ageless society (where older persons can stay in active service throughout their lives)” in accordance with their motivations and abilities regardless of age

- ◆ Development of a social momentum towards realization of the “ageless society” by enhancing support for the popularization of companies where people can work regardless of age and by encouraging them to review their lifestyles as they get to a later stage in life.
- **Implement community-based model projects for realization of the “ageless society” (New project, FY2013)**
(Develop the social momentum through the implementation of projects by core model companies in the community; offer advice to employers regarding the employment management for realization of the “ageless society”)
- **Subsidy for the employment security of the elderly (New project, FY2013)**
(Incentive subsidy for employers who improve the employment environment for the elderly)
- **Provision of relevant consultation and assistance for employers by the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED)**

② Expand opportunities where the elderly can work in their communities and engage in activities that support society

- ◆ Secure employment opportunities for the elderly after mandatory retirement by making use of the Silver Human Resource Centers and meeting their various employment needs.
- **Promote the Silver Human Resource Centers’ projects**
- **Conduct projects that improve the environment for realization of the “ageless society” (New project, FY2013)**
(Hold seminars on planning the vocational life in older age and support the vocational life planning for the elderly)
- **Implement the Senior Work Program (Expansion of the program)**
(Hold skill training courses, interviews, and internships in an integrated manner, in cooperation with employer organizations and public employment security offices)

③ Support and promote reemployment of elderly people

- ◆ In an effort to make them feel comfortable to get support for their reemployment, the major Hello Work offices boost reemployment support for the elderly through provision of support for redesigning their vocational lives and assignment of supervisors called ‘Navigators.’
- **Implement the general employment support project for elderly persons (New project, FY2013)**
(Set up employment consultation sections for the elderly in the major Hello Work offices to provide support to the older persons in replanning their vocational lives and finding jobs based on the ‘Navigator’ system)
- **Pay various subsidies (including Subsidy for Employment Development of Designated Job Seekers)**
- **Implement the Senior Work Program [same as in ②]**

④ Legal obligation of the implementation of measures for securing the employment of elderly persons

- Promptly enforce the revised Act on Stabilization of Employment of Elderly Persons (April 1,2013)
- Provide relevant consultation and support for employers by JEED [same as in ①]

An Outline of the Silver Human Resource Center

Tentative Translation

The Silver Human Resource Center

Objectives

The Silver Human Resource Centers offer community life-based jobs to elderly people hoping to get a temporary and short-term or light work after mandatory retirement, thus increasing employment opportunities for them, and contribute to revitalizing the community.

Business Structure

(1) Members

Elderly persons aged about 60 and over in good health and who desire to work

(2) Description of business

- The Silver Human Resource Centers are contracted community-based temporary and short-term work by households, corporations, and public organizations, and assign the job to its interested registered members.
- The members receive work compensation based on their performance.

【Examples of work offered at the Silver Human Resource Centers】

Cleanup, Weeding, Bicycle parking area management, Park management, Addressing letters/cards, Pruning garden plants, Papering *shoji/fusuma*, Tour guide, Welfare/housekeeping assistance services, etc.

【Current status】

Num. of groups: 1,294

Num. of members: 760,000

Num. of contracts: 3,490,000

Contract amount: 303.2 billion JPY

Total num. of employees:

69.8 million people/day

*As of the end of March 2012

Number of working days (monthly average): 9.2

Payment (dividend) (monthly average): 35,154 JPY

*Performance in FY2011

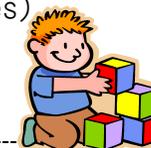
Developing opportunities where the elderly can engage actively to meet community needs

<Proposal-based Silver Human Resource Center (SC) projects : Examples >

- Temporary childcare (day-care) service (Chofu city SC, Tokyo)
 - Temporary childcare (day-care) service, targeting children aged 1 to 4, where female members engage.
- Tour guide (Takamatsu city SC, Kochi prefecture)
 - Tour guide for pilgrims; set up guest houses attached to tourist information offices (2 places)
- Tutoring school (Soka city SC, Saitama prefecture)
 - Small-scale tutoring schools for elementary school/junior high school students

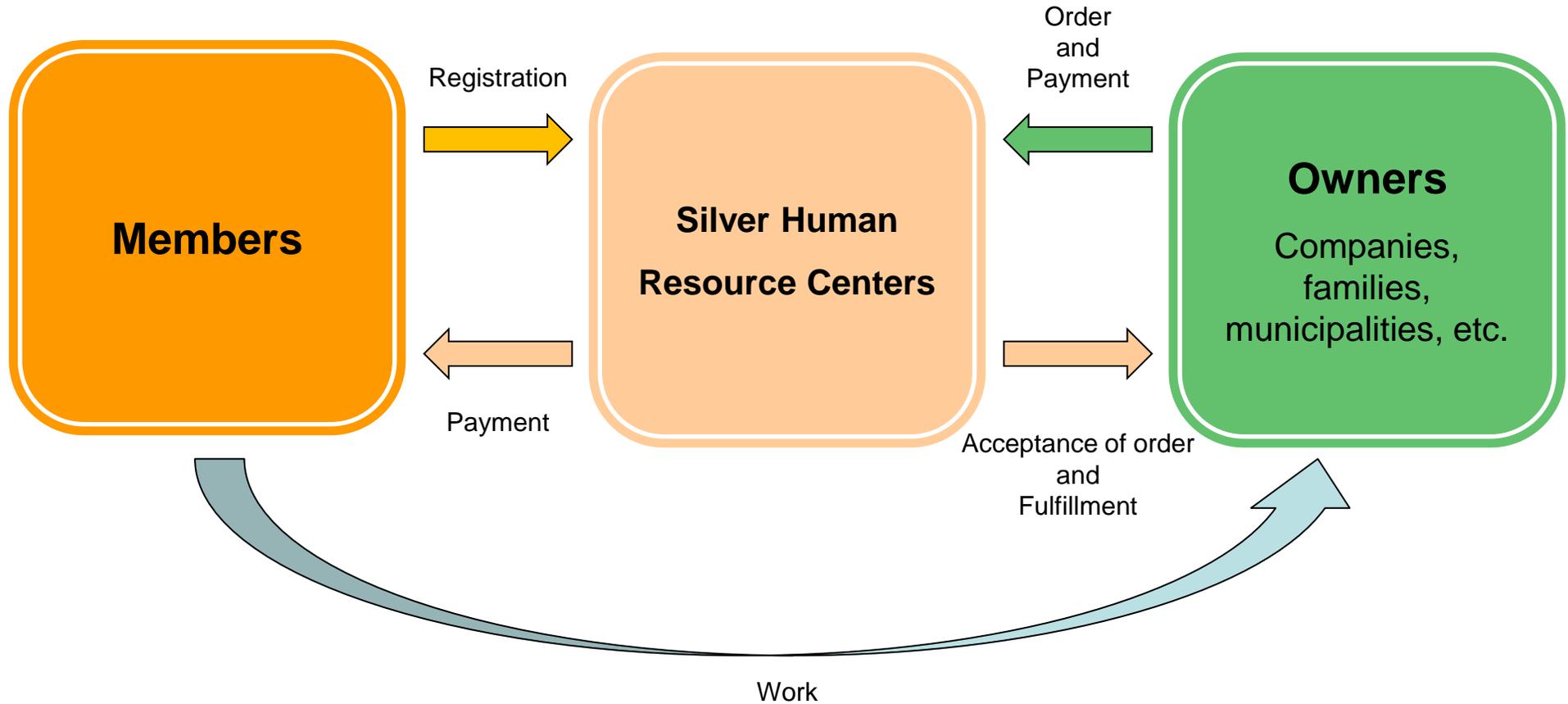


'Fureai Plaza' project (Pinocchio)
【Chofu city SC】



Business Scheme of Silver Human Resource Centers

Tentative Translation



Business Scheme of Silver Human Resource Centers

Increase job opportunities, create a purpose of life and revitalize the community for the elderly.



Municipal government Home Company

Offer jobs
Entrust
Contract for jobs

Silver Human Resource Centers



Offer community life-based jobs or light work on a temporary and short-term basis.

Members
Healthy persons aged about 60 and over who desire to work



PC instructor



Welfare/house work services



Tour guide



Child-raising assistance services

[Examples of jobs offered at Silver human resource center]

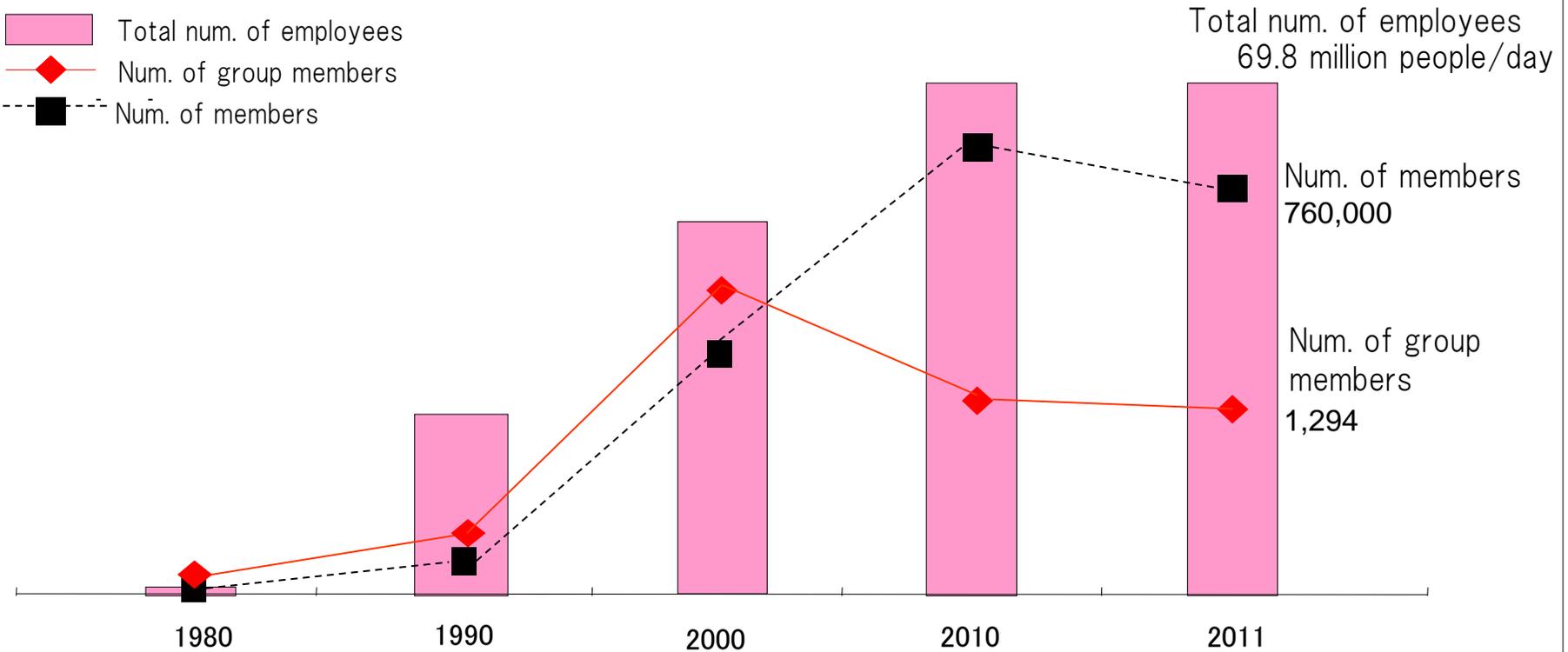
Addressing letters/cards, park/facility management, cleaning, tour guide, welfare services/house work services, child-raising assistance services, personal computer instructor, supplementary school teacher, etc.

* The members do other volunteer jobs including watching children on their way to and from school, patrolling, etc.

Changes in the Performance of Silver Human Resource Center's Program

Tentative Translation

- Total num. of employees
- Num. of group members
- Num. of members



	1980	1990	2000	2010	2011
Num. of group members	92	499	1,577	1,298	1,294
Num. of members (unit: thousand person)	46	226	642	787	763
Total num. of employees (unit: 10thousand people/day)	121	1,926	5,131	7,041	6,979

*Decline in the number of group members is due to municipal mergers.