

1. Characterization of this projection

On the basis of “Specific measures, process, and estimated costs of the social security reform” submitted this time, we made future projections of benefits costs required for social security for reference so as to contribute to future discussion on the social security reform.

Assumptions and results of this projection are as follows; however, those were made briefly on the basis of a certain assumption and presumption in order to present the entire picture of the system, including the effects of enhancement and prioritization/rationalization required for social security, in line with the estimated costs described above. Therefore, we need to have a certain amount of latitude in our consideration with respect to the results of this projection.

It is desirable that this projection will be discussed and validated from various standpoints. For this reason, all data and hypothetical numerical value used for this projection are available on the Social Security Reform website.

2. Contents of projections

In light of the discussions in the Council for Intensive Discussion, we have made projections of social security benefits, government contribution, payment of insurance premium, and their share of GDP as an indicator showing the ratio to macroeconomic scale in Japan in FY 2015, FY 2020, and FY 2025, in order to contribute to future discussion on the social security reform.

3. Assumptions of projections

- Population assumptions

The National Institute of Population and Social Security Research “Population Projection for Japan (Estimated in December 2006)” High-variant fertility (Medium-variant mortality) assumption

(Note) Pension is projected with medium-variant fertility assumption based on the Financial Report on the Public Pension System FY 2009 (basic case). Because most of the insured persons and recipients up to FY 2025 have been already born at the start of projection, fertility assumptions have little effect on the projection results of pension.

Future projection of costs required for social security (2)

- Economic assumptions

Economic assumptions until FY 2023 shall be compliant with the Prudent Scenario of Cabinet Office “Economic and Fiscal Projections for Medium to Long Term Analysis (January 21, 2011)”. After FY 2024 exceeding the above projection period, the same economic assumptions as those in FY 2023 shall be applied.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 -
Economic Growth Rate (%)	1.0	1.3	1.3	1.5	1.3	1.5	1.8	1.8	2.0	1.8	1.7	1.8	1.7
Wage Growth Rate (%)	0.4	1.8	1.8	1.8	1.8	2.1	2.7	2.9	3.1	2.8	2.4	2.6	2.5
Inflation Rate (%)	0.0	0.5	0.7	0.8	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.2	1.2

[Reference] Macro economy as an assumption of projections (Cabinet Office “Economic and Fiscal Projections for Medium to Long Term Analysis (January 21, 2011)”)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nominal GDP (Trillion yen)	483.8	490.3	496.8	504.2	510.9	518.5	527.7	537.4	548.0	558.1	567.4	577.4	587.3
Real GDP Growth Rate (%)	1.5	1.8	1.5	1.4	1.0	1.0	1.1	1.2	1.3	1.1	1.0	1.1	1.1
Nominal Long-term Interest Rate (%)	1.4	1.6	1.7	1.9	2.1	2.3	2.5	2.7	2.9	3.2	3.3	3.5	3.7

- Method for estimating costs (How to estimate costs)

- Public pension: estimated on the basis of the Financial Report on the Public Pension System FY 2009 (basic case), etc.
- Medical and long-term care services: estimated on the basis of the same method as projected in Social Security National Convention
- Children and child rearing: estimated on the basis of the projections in the “Working Team for the New System of Children and Childcare” (Cabinet Office)
- Others: estimated in an automatic manner on the basis of the concept that the scale of benefits in relation to GDP will not change in the future

(We have made projections in the short term, taking into account the recent trend in budgets, etc.)

(Points to remember)

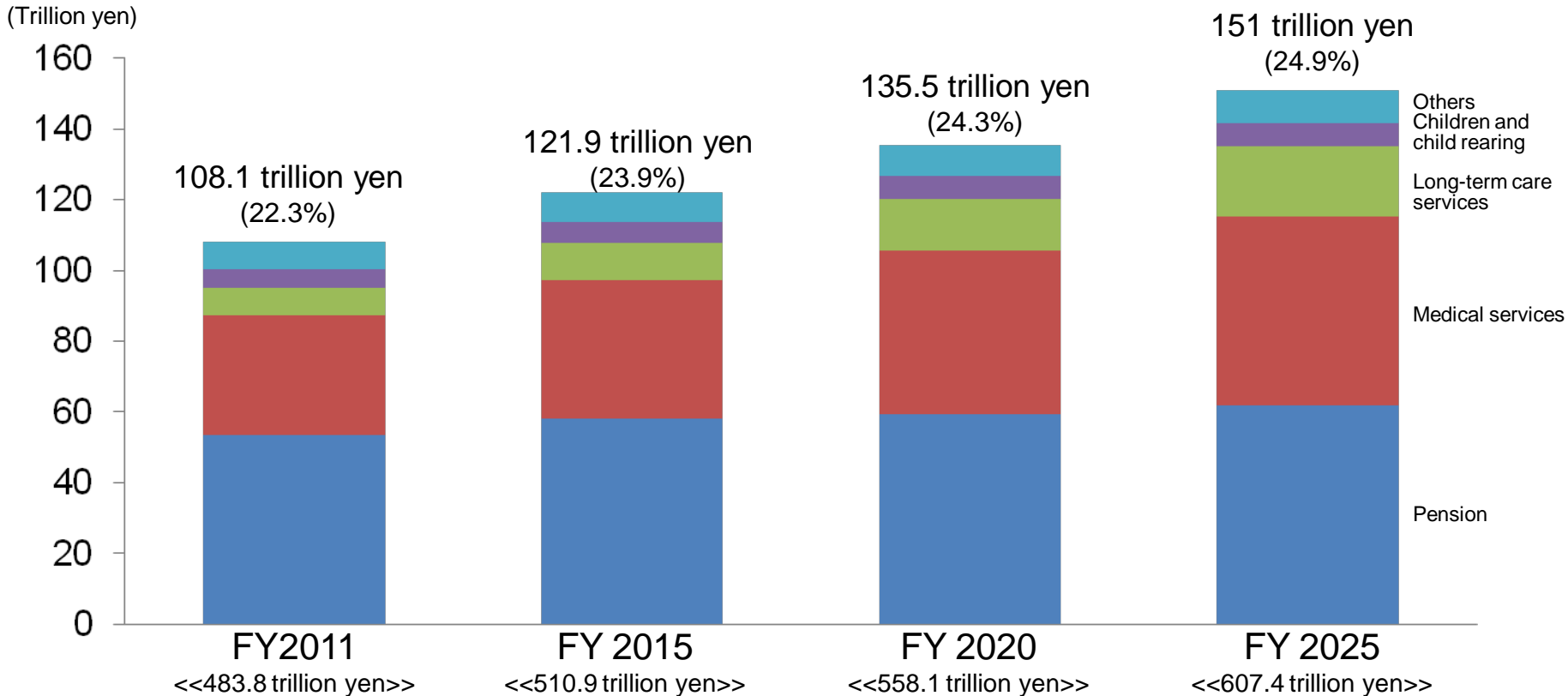
“II. Medical and long-term care services, etc. (2) ‘Strengthening of the safety-net functions and prioritization of benefits in medical and long-term care insurance systems through functional enhancement of the insurers, and measures for regressivity’” and “III. Pension” in the items of enhancement and prioritization/rationalization described in the schedule are not reflected in this projection on the grounds that

- it is necessary to design a detailed system for the specific framework in the future; and
- any matters that are not reflected in benefits are included.

Future projection of costs required for social security (3)

○ Prospect for Benefits

Benefits will increase from 108.1 trillion yen (22.3% of GDP) in FY 2011 to 151 trillion yen (24.9% of GDP) in FY 2025.



- (Note 1) Based on “Specific measures, process, and estimated costs of the social security reform,” the effects of enhancement and prioritization/rationalization are reflected. (Provided that the effects of “II. Medical and long-term care services, etc. (2) ‘Strengthening of the safety-net functions and prioritization of benefits in medical and long-term care insurance systems through functional enhancement of the insurers, and measures for regressivity’” and “III. Pension” are not reflected.)
- (Note 2) The benefits for medical and long-term care services will be 120.7 trillion yen (FY 2015), 132.7 trillion yen (FY 2020), and 146.8 trillion yen (FY 2025), without implementation of enhancement and prioritization/rationalization and with projection of current status. In addition, the benefits required for children and child rearing without consideration of functional enhancement will be 119.9 trillion yen (FY 2015), 131.7 trillion yen (FY 2020), and 145.8 trillion yen (FY 2025).
- (Note 3) Children and child rearing in the above chart is counted, including childcare centers, kindergartens, overtime childcare, regional centers for child-rearing support, temporary childcare, child allowance, childcare leave benefits, maternity allowance, social care, and prenatal health examination, on the premise of implementation of the new system.
- (Note 4) Figures in parenthesis are the ratio to GDP. Figures in double parenthesis are the amount of GDP.

Future projection of costs required for social security (4)

○ Prospect for Benefits and Burdens

	2011		2015		2020		2025	
	Trillion yen	(Ratio to GDP)	Trillion yen	(Ratio to GDP)	Trillion yen	(Ratio to GDP)	Trillion yen	(Ratio to GDP)
Benefits	108.1	22.3	121.9 (120.7)	23.9 (23.6)	135.5 (132.7)	24.3 (23.8)	151.0 (146.8)	24.9 (24.2)
Pension	53.6	11.1	58.2	11.4	59.2	10.6	61.9	10.2
Medical services	33.6	6.9	38.9 (38.5)	7.6 (7.5)	46.3 (45.5)	8.3 (8.1)	53.3 (52.6)	8.8 (8.7)
Long-term care services	7.9	1.6	10.6 (9.8)	2.1 (1.9)	14.8 (12.9)	2.7 (2.3)	19.7 (16.2)	3.3 (2.7)
Children and child rearing	5.2	1.1	6.0	1.2	6.4	1.1	6.5	1.1
Others	7.9	1.6	8.2	1.6	8.9	1.6	9.6	1.6
Burdens	99.6	20.6	114.4 (113.2)	22.4 (22.2)	132.4 (129.6)	23.7 (23.2)	150.4 (146.2)	24.8 (24.1)
Pension	45.1	9.3	50.7	9.9	56.1	10.1	61.3	10.1
Medical services	33.6	6.9	38.9 (38.5)	7.6 (7.5)	46.3 (45.5)	8.3 (8.1)	53.3 (52.6)	8.8 (8.7)
Long-term care services	7.9	1.6	10.6 (9.8)	2.1 (1.9)	14.8 (12.9)	2.7 (2.3)	19.7 (16.2)	3.3 (2.7)
Children and child rearing	5.2	1.1	6.0	1.2	6.4	1.1	6.5	1.1
Others	7.9	1.6	8.2	1.6	8.9	1.6	9.6	1.6
(Reference) GDP	483.8		510.9		558.1		607.4	

(Note 1) Based on "Specific measures, process, and estimated costs of the social security reform," the effects of enhancement and prioritization/rationalization are reflected.

(Provided that the effects of "II. Medical and long-term care services, etc. (2) 'Strengthening of the safety-net functions and prioritization of benefits in medical and long-term care insurance systems through functional enhancement of the insurers, and measures for regressivity'" and "III. Pension" are not reflected.)

(Note 2) Figures in parenthesis are benefits without implementation of enhancement and prioritization/rationalization and with projection of current status.

(Note 3) Children and child rearing in the above chart is counted, including childcare centers, kindergartens, overtime childcare, regional centers for child-rearing support, temporary childcare, child allowance, childcare leave benefits, maternity allowance, social care, and prenatal health examination, on the premise of implementation of the new system.

(Note 4) Burdens of medical services include the amount correspondent to a supplementary budget: 0.3 trillion yen (FY 2011), 0.3 trillion yen (FY 2015), 0.4 trillion yen (FY 2020), and 0.5 trillion yen (FY 2025).

Future projection of costs required for social security (5)

○ Prospect for the Breakdown of Burdens

	2011		2015		2020		2025	
	Trillion yen	(Ratio to GDP)	Trillion yen	(Ratio to GDP)	Trillion yen	(Ratio to GDP)	Trillion yen	(Ratio to GDP)
Burdens	99.6	20.6	114.4	22.4	132.4	23.7	150.4	24.8
			(113.2)	(22.2)	(129.6)	(23.2)	(146.2)	(24.1)
Pension	45.1	9.3	50.7	9.9	56.1	10.1	61.3	10.1
Medical services	33.6	6.9	38.9	7.6	46.3	8.3	53.3	8.8
Long-term care services	7.9	1.6	10.6	2.1	14.8	2.7	19.7	3.3
Children and child rearing	5.2	1.1	6.0	1.2	6.4	1.1	6.5	1.1
Others	7.9	1.6	8.2	1.6	8.9	1.6	9.6	1.6
Payment of insurance premium	59.6	12.3	67.9	13.3	79.0	14.2	89.1	14.7
			(67.3)	(13.2)	(77.7)	(13.9)	(87.2)	(14.4)
Pension	32.9	6.8	37.1	7.3	42.7	7.7	47.2	7.8
Medical services	19.3	4.0	21.9	4.3	25.2	4.5	28.3	4.7
Long-term care services	3.4	0.7	4.6	0.9	6.5	1.2	8.7	1.4
Children and child rearing	0.9	0.2	0.9	0.2	1.0	0.2	1.0	0.2
Others	3.2	0.7	3.4	0.7	3.7	0.7	4.0	0.7
Government contribution	40.0	8.3	46.5	9.1	53.4	9.6	61.3	10.1
			(45.8)	(9.0)	(51.9)	(9.3)	(58.9)	(9.7)
Pension	12.3	2.5	13.5	2.6	13.4	2.4	14.1	2.3
Medical services	14.3	3.0	17.0	3.3	21.1	3.8	25.0	4.1
Long-term care services	4.5	0.9	6.0	1.2	8.3	1.5	11.1	1.8
Children and child rearing	4.3	0.9	5.1	1.0	5.4	1.0	5.5	0.9
Others	4.6	1.0	4.8	0.9	5.2	0.9	5.6	0.9
(Reference) GDP	483.8		510.9		558.1		607.4	

(Note 1) Based on "Specific measures, process, and estimated costs of the social security reform," the effects of enhancement and prioritization/rationalization are reflected. (Provided that the effects of "II. Medical and long-term care services, etc. (2) 'Strengthening of the safety-net functions and prioritization of benefits in medical and long-term care insurance systems through functional enhancement of the insurers, and measures for regressivity'" and "III. Pension" are not reflected.)

(Note 2) Figures in parenthesis are benefits without implementation of enhancement and prioritization/rationalization and with projection of current status.

(Note 3) Children and child rearing in the above chart is counted, including childcare centers, kindergartens, overtime childcare, regional centers for child-rearing support, temporary childcare, child allowance, childcare leave benefits, maternity allowance, social care, and prenatal health examination, on the premise of implementation of the new system.

(Note 4) Burdens of medical services include the amount correspondent to a supplementary budget: 0.3 trillion yen (FY 2011), 0.3 trillion yen (FY 2015), 0.4 trillion yen (FY 2020), and 0.5 trillion yen (FY 2025).

Required amount: About 0.7 trillion yen (public expenditures) (FY 2015)

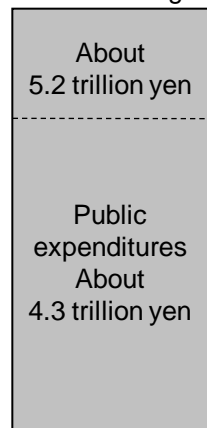
*Hereafter, we will consider the measures with about 1 trillion yen, including financial resources other than those from the Comprehensive Reform of the Tax.

[Enhancement]

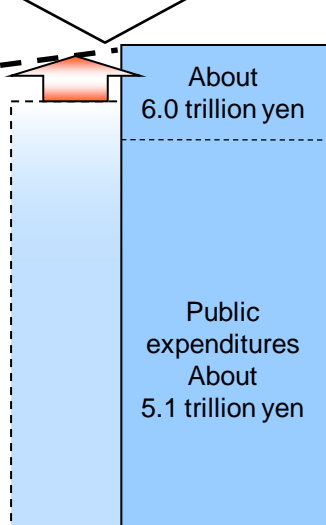
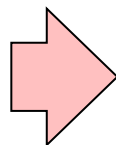
- Functional Enhancement such as quantitative expansion of childcare, etc., and integration of kindergartens and day nurseries, in line with implementation of the new system for children and childcare
 - Quantitative expanding and strengthening of the system, etc., of childcare for children 0 to 2 years old (Resolution of the problem of waiting-list children)
 - Realization of high-quality school education and childcare (Integration of kindergartens and day nurseries)
 - Enhancement of comprehensive support for child rearing (Support for children in families and local communities)

Etc.

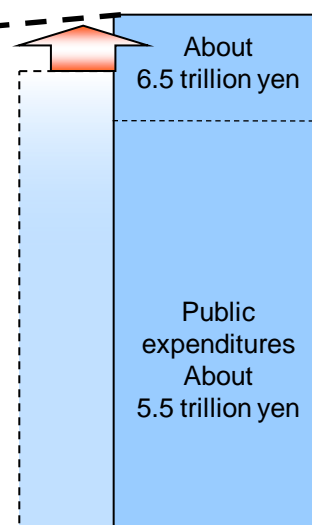
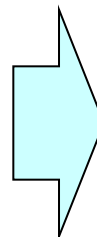
Current measures for children and child rearing



<FY 2011>



<FY 2015>



<FY 2025>

(Note) Children and child rearing in the above chart is counted, including childcare centers, kindergartens, overtime childcare, regional centers for child-rearing support, temporary childcare, child allowance, childcare leave benefits, maternity allowance, social care, and prenatal health examination, on the premise of implementation of the new system.

Structures of financial resources were estimated in an automatic manner on the assumption that the current structure would remain.

Future projection of costs required for social security (7)

Basic structure of estimated costs required for medical and long-term care services

Required amount:
Up to about 0.6 trillion yen (public expenditures) (FY 2015)

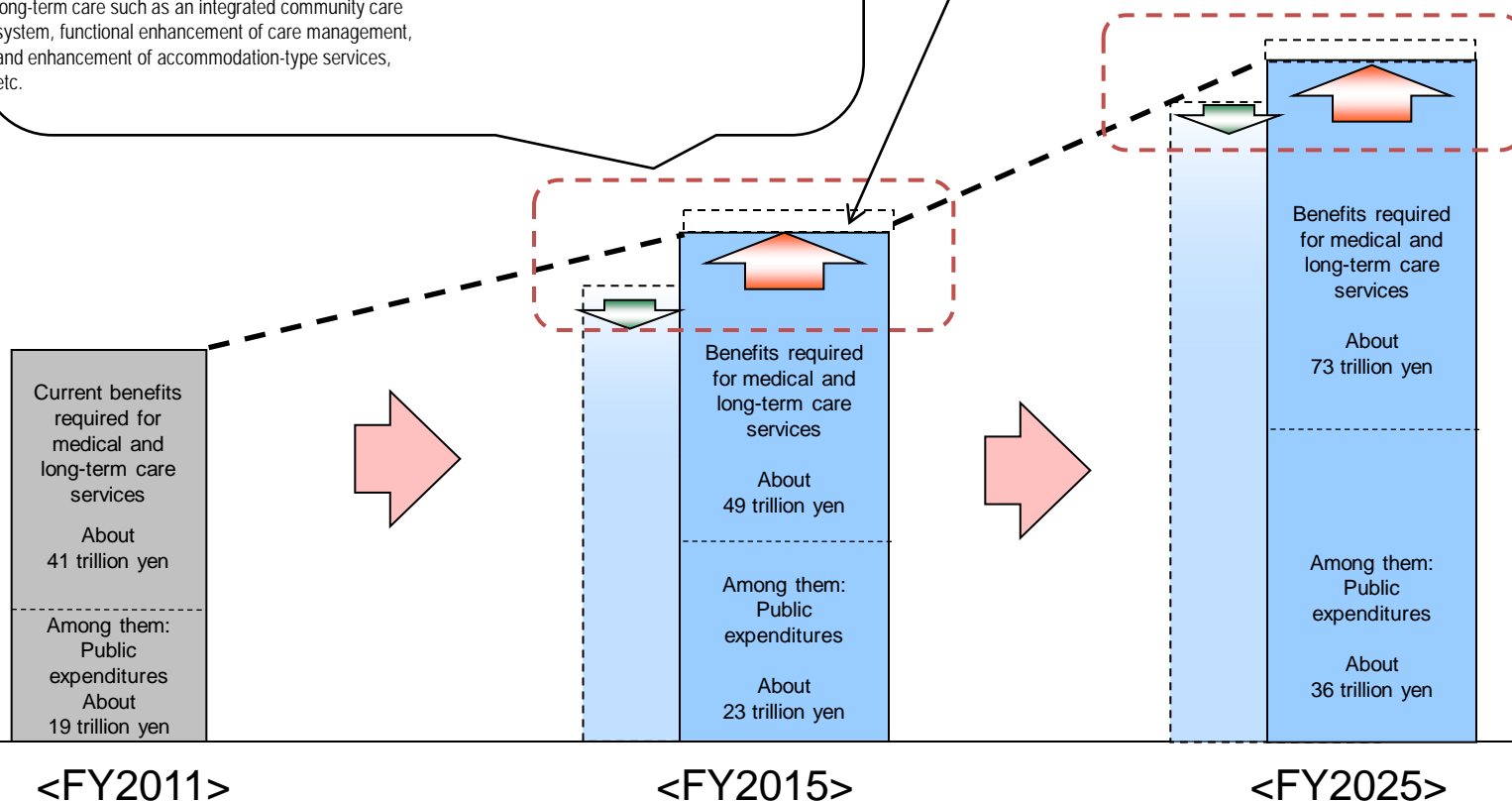
[Enhancement]

- Differentiation and strengthening of, and cooperation between, the functions of medical services
- Enhancement of in-house care, etc.
- Enhancement of in-house long-term care such as an integrated community care system, functional enhancement of care management, and enhancement of accommodation-type services, etc.

[Elements of prioritization/rationalization]

- Shortening average length of hospital stay, etc.
- Appropriation of outpatient consultation, etc.
- Preventive long-term care and prevention of aggravation, etc.

In addition to the items described on the left, there is the required amount (public expenditures) "About 1 trillion yen" (FY 2015) for "Strengthening of the safety-net functions and prioritization of benefits in medical and long-term care insurance systems through functional enhancement of the insurers, and measures for regressivity" as enhancement and prioritization/rationalization that have not been taken into account in the long-term projection.



(Note 1) National medical care expenditures and long-term care expenses-based benefits were added.

(Note 2) Public expenditures of medical services include the amount correspondent to a supplementary budget: 0.3 trillion yen (FY 2011), 0.3 trillion yen (FY 2015), 0.4 trillion yen (FY 2020), and 0.5 trillion yen (FY 2025).

Furthermore, medical services also include the benefits required for public health, etc. (about 0.2 trillion yen in FY 2011).

Future projection of costs required for social security (8)

Basic structure of estimated costs required for pension

Enhancement and prioritization/rationalization not described on the left are as follows:

- Enhancement
 - Expanding of the application of the employees' pension to part-time workers
 - Reviewing the system of No. 3 insured persons
 - Reviewing the old-age pension for active employees
 - Increasing the national government's burden of the basic pension to 50%, etc.
- Prioritization/Rationalization
 - Macroeconomic slide under deflation
 - Increase in the pension eligibility age
 - Increase in the upper limit of standard remuneration

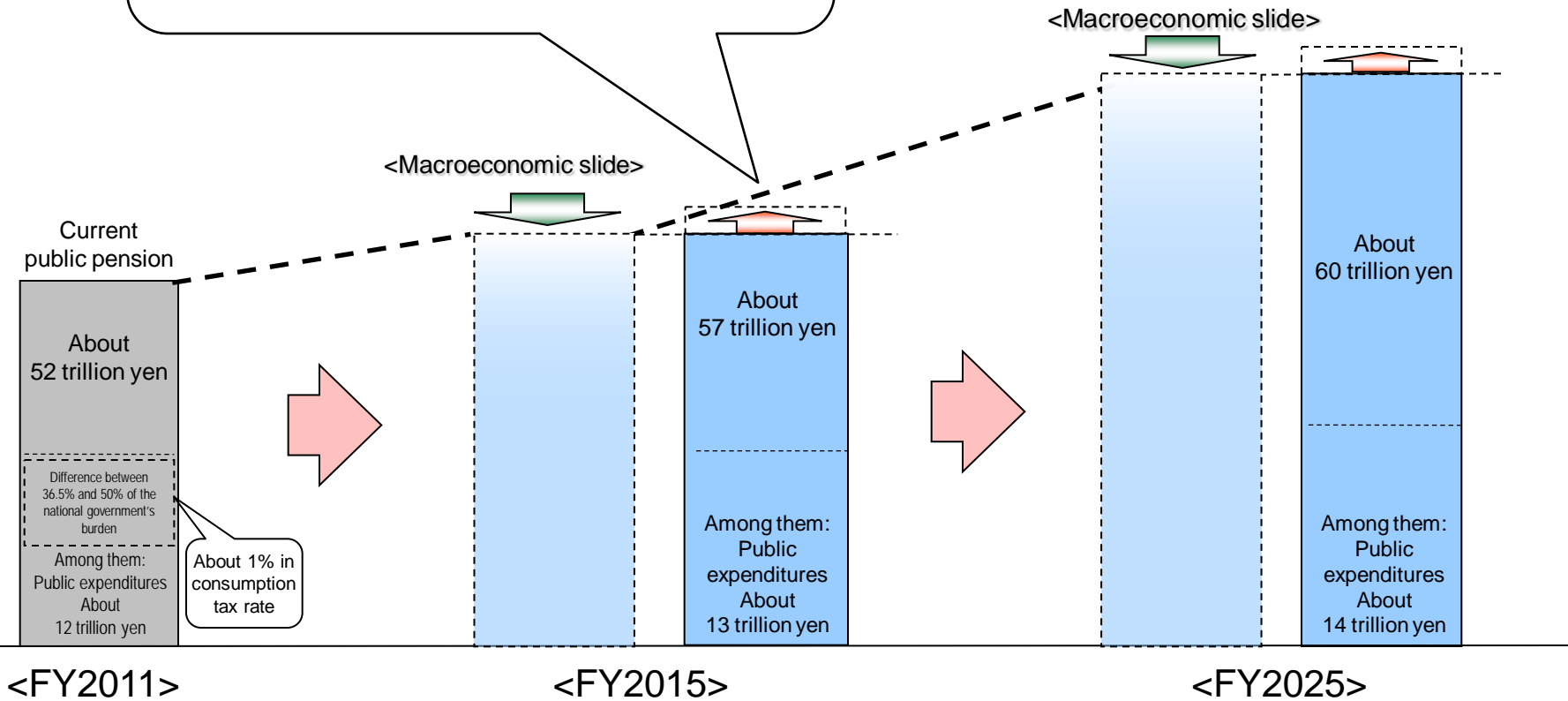
Required amount:
Up to about 0.6 trillion yen (public expenditures) (FY 2015)

[Enhancement]

- Strengthening of the minimum-guarantee function
 - Additional amount for low-income earners
 - Additional amount to the disability basic pension
 - Shortening of the eligibility period

[Elements of prioritization/rationalization]

- Reviewing of pension benefits for high-income earners



(Note) The costs associated with employees' pension, national pension, and mutual pension are counted. The whole amount includes employees' pension fund and costs required for governmental pension in addition to the costs described on the left.