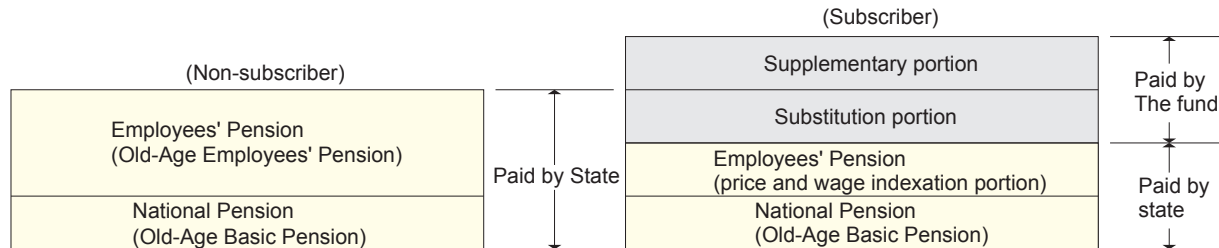


Outline of Corporate Pension Plans

[Employees' Pension Funds]

The Employees' Pension funds are special corporations established with the approval of the Minister of Health, Labour and Welfare. The funds substitute a part of the Old-Age Employees' Pension (the portion excluding the indexed and sliding Pay scale portions) and Pay their own supplementary benefits. Figure 1 shows the benefit to be provided to a subscriber of the Employees' Pension fund, compared to that to be Paid to a non-subscriber. Contributions necessary for benefits are collected by employers and borne by employers and subscribers. The employers who have established Employees' Pension funds are exempt from payment to the government of the premium of Employees' Pension insurance corresponding to the substitute benefits. The employers pay contributions necessary for benefits to be paid by the fund including the substitution portions.

Figure 1: Structure of Employees' Pension Fund Benefits



[Defined Benefits Corporate Pensions]

There are two forms of corporate pension plans: contract-type pensions and fund-type corporate pensions. Under Contract-type pensions, Pension funds are managed and invested outside of the mother company by concluding contracts between the employer and trust and life insurance companies, on the basis of mutual agreement between labour and management. Under fund-type Pension Plans, pension funds are managed and invested by the fund, with the benefits paid from the fund. (The fund will not substitute Employees' Pension businesses.)

The Defined Benefits Corporate Pension Law stipulates the following Provisions for the Protection of eligibility.

- Reserve obligations: A certain level of Pension assets has to be accumulated. Actuarial revaluation and validation is required. When there is a shortfall in pension reserves, this shortfall must be made up.
- Obligations of the trustee: In relation to the administrators and investment managers such as business owners, responsibilities to Participants and clear principles on actions are stipulated.
- Disclosure: The business owner is required to disclose the situation regarding investments to participants and to report the same to the Minister of Health, Labour and Welfare.

There is approval for plans to be shifted to new corporate benefits corporate Pension systems for the Employees' Pension. (There will be no agency function.) When pension assets will be returned to the state, redemptions by cash assets shall be possible under certain conditions.

[Defined Contribution Pensions]

Under defined contribution Pension Plans, the contributions paid are clearly defined for each individual, assets are managed personally by a participant and the amount of benefits is determined according to the investment returns. This system consists of two types of Pension funds: The corporate-type pension funds managed by employers for their employees and the personal-type pension funds managed by the National Pension Fund Federation for the self-employed and employees of companies without corporate-type Pension plans.

The employers pay contribution installments under corporate-type Pension schemes, whereas individual participants pay the installments under Personal-type pension schemes within the limits set for contribution. Contributions paid shall be accumulated for each participant and the Participants Personally give instructions on investment of the contributions. The amount administered of benefits is determined according to the amount of contribution and the investment returns. Benefits are paid in the forms of old-age benefits and disability benefits. Moreover, portability of Pension is assured. When a participant changes or leaves a job, his/her pension assets will be transferred to the corporate-type pension Plans of a new company or to the personal type pension plans by the National Pension Fund Federation (when no corporate-type plans are provided at a new company).

[Tax-Qualified Pension Plans]

This type of the pension Plans was established in 1962 as a system to provide Pension benefits to employees, by obtaining the approval of the Director General of the National Tax Agency that the contracts concluded between an employer of a company and trust and life insurance companies satisfy certain requirements. Pursuant to the Defined Benefits Corporate Pension Law enforced in 2002, no new contracts will be approved and existing contracts must be transferred to other schemes such as defined benefits corporate Pension plans within the next 10 years.

[National Pension Funds]

As a supplementary pension system to assure additional income security in old age for the self-employed, the National Pension fund system was established with the revision of related laws in 1989 and has been enforced since April 1991. Those eligible for participating in the National Pension fund are the No. 1 insured of the National Pension. There are two types of the pension funds: One is a regional fund organized by those residing in the same Prefecture and established in each prefecture. The other is an occupational fund organized by those engaged in the same industry or business. For this type of the funds, the single national organization is established for each industry or business.