

[11] Pension Security

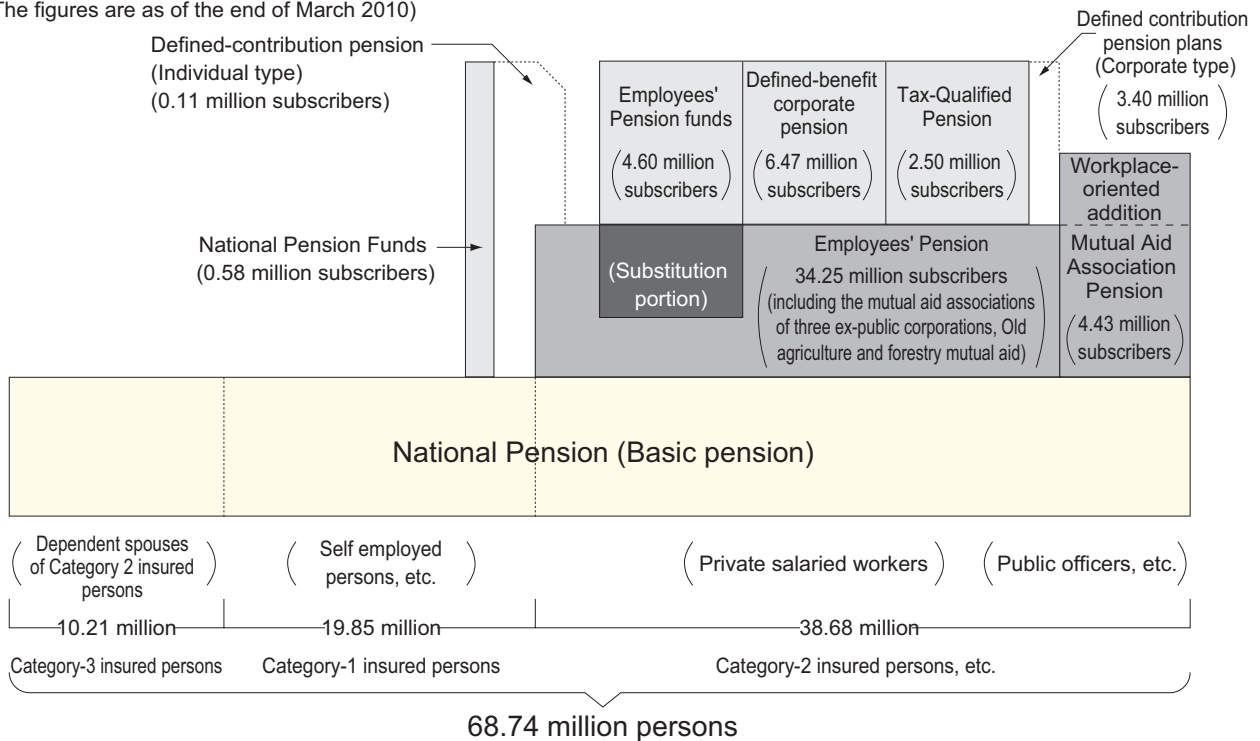
Outline of Pension System

Overview

Japanese Pension system

- In Japan, every people of working-age population shall be an insured person of National Pension and receive a Basic pension in their older age. (First layer)
- Additionally private company workers and public service employees shall join Employee' s Pension or Mutual Aid Pension and receive pension, which are supplemental to the National Pension, in proportion to the individual' s remuneration. (Second layer)
- In addition, Employee' s Pension, etc. are available at the option of individuals and companies. (Third layer)

(The figures are as of the end of March 2010)



- (Notes) 1. Defined contribution pension plans (corporate plan) is available to subscribers to Employees' Pension Funds, Defined-benefit Corporate pension and Private School teachers and employees MAAs.
 2. Defined contribution pension plans (individual plan) are available to subscribers to National Pension Fund.
 3. Tax-qualified pension plans will be shifted to new corporate pension plans, etc. by the end of FY 2011.
 4. "Secondary insured person, etc." indicates the insured of Employees' Pension schemes (in addition to secondary insured person, that includes persons aged 65 or older who are eligible for pension benefit on the grounds of old-age and retirement).

Category-1 insured persons	Category-2 insured persons	Category-3 insured persons
<ul style="list-style-type: none"> ○ Self-employed persons and farmers, etc. 20 or older but younger than 60 ○ Insurance is a fixed amount. <ul style="list-style-type: none"> • ¥15,020 a month as of April, 2011 • To be increased by ¥280 every year from April 2005. From 2017 onward, the amount will be ¥16,900. (Based on the 2004 price) 	<ul style="list-style-type: none"> ○ Employees of private businessman and public service employees ○ Insurance is proportional to the amount of the reward. (Welfare annuity) <ul style="list-style-type: none"> • 16.058% as of Sep, 2010, • To be increased by 0.354% every year from October 2004. From 2017 onward, the rate will be 18.30%. ○ Premium is shared equally by an employee and an employer. 	<ul style="list-style-type: none"> ○ Spouses of private businessman and public service employees ○ Contribution by the insured is not required. ○ Borne by the insurer of the pension in which a spouse participates.

- Amounts of Old-Age Pension benefits (April 2011)
 - Self-employed (for an insured person with 40 years of participation) : ¥65,741/month
 - Married couple of private company workers: ¥231,648/month
 [Total of the benefits of the secondary insured persons of the Employees' Pension (40 years of participation with average wage) and the benefits for 2 persons (a couple) with the Basic Pension (40 years of participation)]
- Number of public pension beneficiaries (end of March 2010): 37.03 million
- Total Pension benefits of public pension beneficiaries (end of March 2010): ¥50,255.4 billion

List of Public Pension Schemes

National Pension Scheme

As of the end of FY2009 (as of March 31, 2010)

Classification	Number of insured persons [1]	Number of persons eligible for old-age basic pension, etc. [2]	Pension support ratio [1] [2]	Average monthly benefit for old-age basic pension (excluding advance or postponed payment) ¥10,000	Total cost of real expenditure		Reserve fund at book value [at market value]		Ratio of reserve fund to benefit expenditure at book value [at market value]	Pensionable age of old age basic pension (as of April 2011)	Pensionable age of old age basic pension
					¥ Trillion	¥ Trillion	¥ Trillion	¥ Trillion			
Category-1 insured persons	10,000 persons 1,985	10,000 persons 2,765	2.45	5.8	3.9	7.5	7.5	4.3	[4.0]	¥15,020	65
Category-2 insured persons	3,780				-	-	-	-	-		
Category-3 insured persons	1,021				-	-	-	-	-		
Total	6,786										
(Ref) Total of public pension subscribers	6,874										

- (Notes)
- In addition, there are 8,000 recipients of the old-age welfare pension.
 - Category-1 insured persons include voluntarily participating insured persons.
 - The number of persons eligible for old-age basic pension, etc. represents the sum of the number of persons eligible for old-age basic pension and the number of persons eligible for old-age pension under the former National Pension Law and the number of persons eligible for the old-age (retirement) pension pursuant to the old law, aged on and above 65 years old of employees' pension plans.
 - Average monthly benefit for old-age basic pension represents the average monthly pension amount of persons eligible for old-age basic pension, excluding the benefits for those who selected advance or postponed payments. The average monthly benefit for old-age basic pension, etc., including advance or postponed payments and benefits for persons eligible for old-age basic pension under the former National Pension Law, is ¥54,000.
 - Total cost of real expenditure is the amount after deducting the revenue from the basic pension account, from the benefits, plus transfers to the basic pension account.
 - Reserve fund at market value represents the market value results of the investment of the fund earmarked for market investment by the Government Pension Investment Fund, including the profits and losses of the assets inherited from the former Pension Welfare Service Corporation. The profits and losses of the inherited assets are distributed to the Employees' Pension and the National Pension in proportion to the average outstanding balance of respective reserve funds of the Employees' Pension and the National Pension.
 - Total of public pension subscribers represents the sum of the insured of Employees' Pension schemes and Category-1 and Category-3 insured persons.

Employees' Pension Scheme

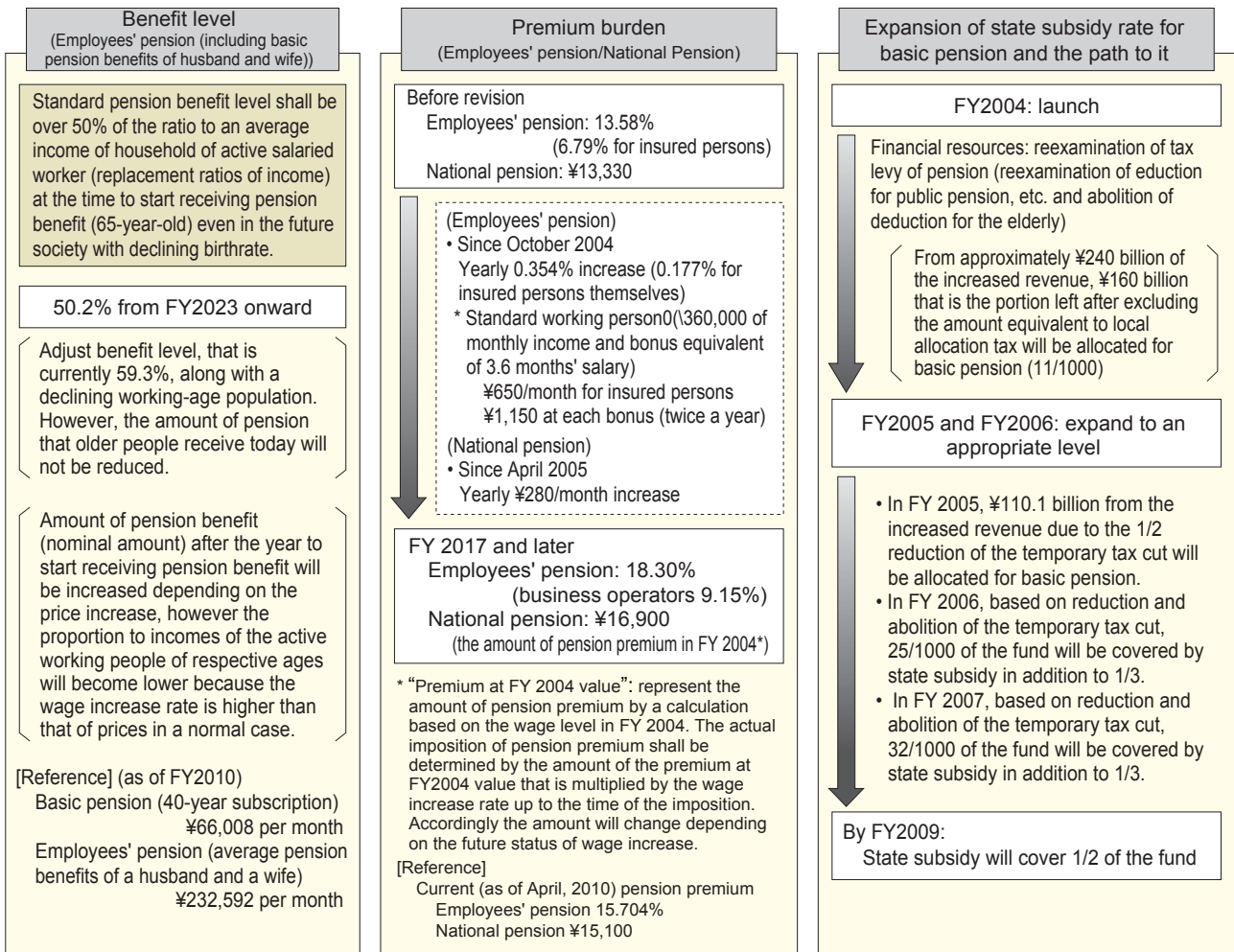
As of the end of FY2009 (as of March 31, 2010)

Classification	Number of insured persons [1]	Number of persons eligible for old-age (retirement) pension (corresponding to old-age, retirement pension) [2]	Pension support ratio [1] [2]	Average monthly benefit for old-age (retirement) pension (corresponding to old-age, retirement pension) (excluding advance or postponed payment) ¥10,000	Total cost of real expenditure ¥ Trillion	Reserve fund at book value [at market value]		Ratio of reserve fund to benefit expenditure at book value [at market value]	Premium Rate (%) (as of April 2011)	Pensionable age of old-age (retirement) pension (FY2011)	
						¥ Trillion	¥ Trillion				
Employees' Pension insurance	10,000 persons 3,425	10,000 persons 1,385	2.47	16.5	36.7	119.5	[120.8]	4.3	[4.1]	16.058	Remuneration-based portion General male/female: Age 60 Miners/seamen: Age 59
Mutual Aid associations (MAAs) for national public officials	104	68	1.53	21.7	2.0	8.4	[8.3]	6.3	[6.0]	15.508	
Local public service employees MAAs	291	182	1.60	22.5	5.5	38.9	[37.6]	10.0	[9.2]	15.508	Fixed-amount portion General male/mutual aid female: Age 64 Employee's female: Age 62 Miners/seamen: Age 59
Private school teachers/employees MAAs	48	11	4.32	21.2	0.4	3.4	[3.4]	9.9	[9.1]	12.938	
Total	3,868	1,646	2.35	17.4	44.6	170.2	[170.1]	5.1	[4.8]	-	

- (Notes)
- Number of persons eligible for old-age (retirement) pension and the average monthly benefit for old-age (retirement) pension for Employees' Pension insurance include those for the persons confirmed as eligible for the pension before the mutual aid associations of three ex-public corporations (JR, JT and NTT) and agricultural, forestry and fishery cooperative employees MAAs were merged into the Employees' Pension scheme.
 - Number of persons eligible for mutual aid association old-age (retirement) pension includes that for the retirement pension with a decreasing amount (The same applies to the mutual aid associations of three ex-public corporations and former agricultural, forestry and fishery cooperative employees MAAs included in the Employees' Pension Insurance).
 - Average monthly benefit for old-age (retirement) pension includes benefits for old-age basic pension. The figure, however, excludes the benefits for those who selected advance or postponed payments (including decreasing amount retirement pension) and for those who have reached the pensionable age with regard to the remuneration-based portion but have not reached the pensionable age with regard to the fixed-amount portion. Estimation method has been altered to a stricter one to exclude advanced payment receivers since this fiscal year.
 - Total cost of real expenditure is the amount after deducting the amount to basic pension from the benefit, plus the basic pension contribution.
 - The Employees' Pension Insurance rate for mineworkers and seamen is 16.696.
 - Reserve fund of the Employees' Pension insurance does not include the reserve of the portion the Employees' Pension Fund substitutes for the Employees' Pension insurance.
 - Reserve fund at market value of the Employees' Pension represents the market value results of the fund earmarked for market investment by the Government Pension Investment Fund, including the profits and losses of the assets inherited from the former Pension Welfare Service Corporation. The profits and losses of the inherited assets are distributed to the Employees' Pension and the National Pension in proportion to the average outstanding balance of respective reserve funds of the Employees' Pension and the National Pension.
 - Ratio of reserve fund to benefit expenditure represents an index showing that how many years of real total expenditure including state and public economy subsidies and additional spending is equivalent to the reserve fund held at the end of the previous fiscal year. (It is different from the reserve ratio representing that how many years of the expenditure financed with premium contribution of actual expenditure (the expenditure financed by other than state and public economy subsidies) is equivalent to the reserve fund held at the end of the previous fiscal year).

Detailed Information 1

Adjustment of Benefits and Burdens in 2004 Revision of Pension Schemes



Detailed Information 2 Adopting a Macro-Economic Slide Formula

[Before the system revision]

- The amount of pension for those who newly start receiving pension is revised based on wage growth
- The amount of pension for those who are currently receiving pension is revised based on price growth

In calculating amount of pension, until balanced benefits come to be provided within burdens, the system that adjust growth of the amount of pension i.e. micro-economic slide formula is adopted, instead of direct use of wage and price growth.

New System of Adjusting the Amount of Pension (Macro-Economic Slide Formula)

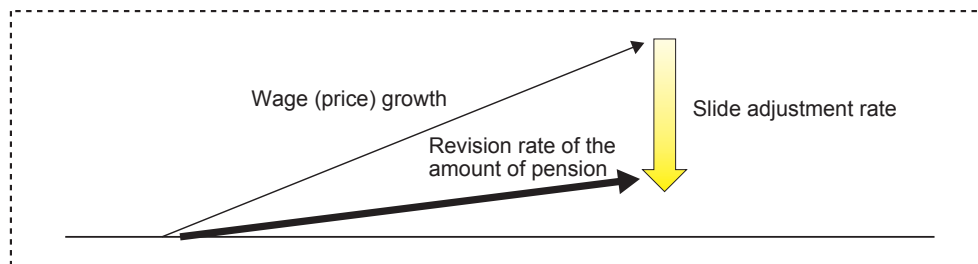
People who newly start receiving pension (new decision recipients): wage growth - slide adjustment rate*

People who are currently receiving pension (previous decision recipients): price growth - slide adjustment rate*

* Slide adjustment rate:

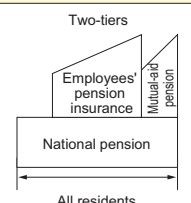

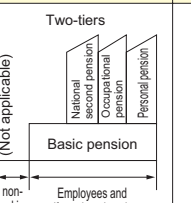
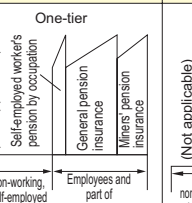
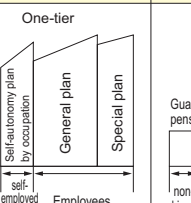
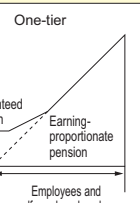
Increase rate of the total number of people covered by public pensions + fixed rate with consideration of growth rate of average life expectancy (total of approx. 0.8%)

* Annual average from FY2012 to FY2038



- Start the adjustment of the amount of benefits in the case where it is anticipated, in the actuarial verification that is held at least once every five years, that keeping the financial equilibrium of pension is difficult throughout the financial equilibrium period, even though keeping necessary amount of pension reserve (approximately one year of the amount of benefit) so as not to be detrimental to pension payment at the end of the approximately 100 years of the financial equilibrium period.
- The amount of pension usually increase in response to wage and price increase. However during adjustment period of pension benefit, the revision of pension benefit will be reflected in the decrease of the force that bears pension system and growth of average life expectancy so that the increase of the amount of pension shall be suppressed to be lower than the increase of wage and prices. (This system is called as AgMacro-Economic Slide FormulaAh)
- In subsequent actuarial verification, at a time when the financial equilibrium of pension is anticipated to be sustainable, those adjustment of the amount of benefits shall be concluded.

(As of June 2011)

	Japan	U.S.A.	U.K.	Germany	France	Sweden
Plan system	Two-tiers 	One-tier 	Two-tiers 	One-tier 	One-tier 	One-tier 
Subject person for compulsory participation	All residents	Employees and self-employed workers	Employees and self-employed workers	Employees of the private sector and self-employed workers engaged in specified occupation (lawyers, medical doctors, etc.)	Employees and self-employed workers	Employees and self-employed workers
Premium rate (2010)	[General employees] Employees' Pension: 16.058% (from Sept. 2010: Equally shared by an employee and an employer) * Category-1 insured persons: fixed amount contributions (from April 2011: ¥15,020 per month)	12.4% (Equally shared by an employee and an employer)	[General employees] 23.8% Employee: 11.0% Employer: 12.8% *These contributions are also used as financial resources of industrial injury insurance and unemployment insurance	[General employees] 19.9% (Equally shared by an employee and an employer)	[General employees] 16.65% Employee: 6.75% Employer: 9.9%	17.21% Employee: 7.0% Employer: 10.21% * In addition, a premium of 1.7% for survivors' pension is imposed on employer (This is different from the old-age pension)
Pensionable age (2010)	National pension (basic pension): Age 65 Employees' pension: Age 60 * The age will be raised to 65 by 2025 for males and by 2030 for females.	Age 66 * The age will be raised to 67 by 2027	Males: Age 65 Females: Age 60 * The age will be raised to 65 for females from 2010 to 2020. * The age will be further raised from 65 to 68 for both males and females from 2024 to 2046.	Age 65 * The age will be raised to 67 from 2012 to 2029.	Age 60 * The age will be raised to 62 by 2018	Selection by the person after his/her 61st birthday (However, pensionable age for the guaranteed pension is 65)
Period of coverage required for entitlement to an old-age benefit	25 years	40 quarters of plan participation (equivalent to 10 years)	None (Such requirement was abolished as a result of the law amendment in 2007. However, persons who are subject to the old law remains to be required to have 11 years of period of coverage (males) or 9.75 years of period of coverage (females))	5 years	None	None (As to the Guaranteed pension, it is required to reside in Sweden for more than 3 years for entitlement to that pension, and 40-year residence in Sweden is required for receiving the full amount)
National subsidies	1/2 for the benefit cost of the basic pension	None	None, in principle	27.6% of benefit cost (2009)	Approx. 26.7% (2009) by general tax and contributions by general community (CSG, etc.)	For the guaranteed pension component

Source: • Social Security Programs Throughout the World : Europe, 2010 / The Americas, 2009
• Mutual Information System on Social Protection in the Member States of the European Union
• Social security in advanced countries (1) U.K., (4) Germany, (5) Sweden, (6) France, (7) U.S.A. (University of Tokyo Press), and others

Detailed Data 1
Changes in Number of Participants in Public Pension Schemes (as of the end of FY)

(Unit: 1,000 persons)

FY	Total	Primary insured persons of National Pension	Tertiary insured persons of National Pension	Insured persons of Employees' Pension	
				Employees' Pension insurance	Mutual Aid association
1987	64,105	19,292	11,299	28,216	5,299
1989	65,678	18,155	11,788	30,433	5,302
1990	66,313	17,579	11,956	31,493	5,285
1995	69,952	19,104	12,201	33,275	5,372
1996	70,195	19,356	12,015	33,462	5,362
1997	70,344	19,589	11,949	33,468	5,339
1998	70,502	20,426	11,818	32,957	5,302
1999	70,616	21,175	11,686	32,481	5,273
2000	70,491	21,537	11,531	32,192	5,231
2001	70,168	22,074	11,334	31,576	5,184
2002	70,460	22,368	11,236	32,144	4,712
2003	70,292	22,400	11,094	32,121	4,677
2004	70,293	22,170	10,993	32,491	4,639
2005	70,447	21,903	10,922	33,022	4,599
2006	70,383	21,230	10,789	33,794	4,569
2007	70,066	20,354	10,628	34,570	4,514
2008	69,358	20,007	10,436	34,445	4,471
2009	68,738	19,851	10,209	34,248	4,429

Source: "Annual Report", Pension Bureau, MHLW, etc.

(Note) The primary insured persons under National pension include voluntary subscribers.

Detailed Data 2
Changes in Number of Public Pension Beneficiaries (as of the end of FY)

(Unit: 1,000 persons)

FY	Total	National Pension			Employees' Pension insurance	Mutual Aid associations	Welfare pension
			Contributions pursuant to the old law	Basic pension			
1987	22,523	10,077	8,959	1,118	8,910	2,048	1,488
1990	25,001	11,001	9,096	1,905	10,647	2,390	964
1996	32,363 <29,479>	14,751	7,853	6,898	14,254	2,958	400
1996	33,940 <30,351>	15,611	7,543	8,067	14,956	3,044	329
1997	35,765 <31,397>	16,585	7,228	9,357	15,778	3,134	268
1998	37,404 <32,291>	17,469	6,892	10,576	16,503	3,218	215
1999	38,953 <33,001>	18,362	6,554	11,808	17,233	3,187	171
2000	40,790 <33,998>	19,304	6,234	13,070	18,074	3,275	137
2001	42,731 <35,084>	20,238	5,907	14,332	19,005	3,380	107
2002	44,748 <36,210>	21,222	5,578	15,643	20,315	3,130	82
2003	46,771 <37,396>	22,111	5,246	16,865	21,369	3,229	62
2004	48,710 <38,460>	22,997	4,917	18,080	22,334	3,333	47
2005	50,566 <39,347>	23,954	4,577	19,377	23,156	3,421	34
2006	52,542 <40,298>	24,968	4,257	20,711	24,043	3,506	24
2007	54,797 <41,464>	25,925	3,937	21,988	25,226	3,628	17
2008	57,435 <42,825>	26,949	3,638	23,311	26,684	3,790	12
2009	59,883 <44,135>	27,787	3,345	24,442	28,141	3,948	8

Source: "Annual Report", Pension Bureau, MHLW, etc.

Notes: 1. The figures in < > denote the numbers when a person receiving both Employees' Pension and Basic Pension benefits (same pension category) is counted as one beneficiary.

2. The FY1987 figures for Mutual Aid associations as well as those of ex-public corporations include the figures of public service and occupational beneficiaries.

3. The figures for Mutual Aid associations up to 1998 denote the number of persons eligible to receive the pension benefits.

4. Seamen's Insurance (pursuant to the new law) is excluded.

Detailed Data 3
**Changes in Total Pension Amounts for Public Pension Beneficiaries
(as of the end of FY)**

(Unit: ¥100 million)

FY	Total	National Pension	Contributions pursuant to the old law		Employees' Pension insurance	Mutual Aid associations	Welfare pension
				Basic pension			
1987	176,555	36,529	29,400	7,129	97,106	38,027	4,892
1990	216,138	43,368	31,963	11,405	122,701	46,710	3,359
1995	318,473 <313,400>	77,456	31,365	46,091	177,104	62,305	1,608
1996	331,086 <325,196>	84,028	30,080	53,948	182,716	63,016	1,326
1997	345,976 <339,062>	91,427	28,787	62,640	189,654	63,816	1,080
1998	364,695 <356,930>	100,117	27,909	72,208	198,126	65,573	879
1999	379,969 <365,205>	108,075	26,682	81,393	204,634	65,573	705
2000	388,411 <378,421>	115,706	25,363	90,343	211,018	60,554	563
2001	401,904 <390,524>	123,155	24,018	99,137	216,428	61,123	442
2002	421,316 <408,390>	130,886	22,676	108,209	227,491	61,879	337
2003	434,056 <421,206>	136,701	21,131	115,569	233,971	62,603	254
2004	442,774 <431,128>	143,156	19,747	123,409	236,195	63,130	190
2005	455,700 <444,658>	150,681	18,384	132,297	240,934	63,233	138
2006	465,444 <453,682>	158,168	17,076	141,092	242,932	63,947	98
2007	474,395 <462,040>	165,637	15,799	149,838	244,254	64,245	69
2008	488,658 <475,392>	173,646	14,552	159,094	249,461	64,436	47
2009	502,554 <488,159>	180,421	13,374	167,047	255,333	66,768	32

Source: "Annual Report", Pension Bureau, MHLW, etc.

Notes: 1. The figures in < > denote the total amounts excluding the benefits provided by the Employees' Pension fund in place of the Employees' Pension insurance.

2. The figures for FY 1990 and earlier for Employees' Pension insurance are the total amounts excluding the benefits provided by the Employees' Pension fund in place of the Employees' Pension insurance.

3. The FY 1987 figures for Mutual Aid associations include the figures of public service and occupational beneficiaries.

4. The figures for the Mutual Aid Pension up to 1998 denote the total pension amounts of persons eligible to receive the pension benefits.

5. Seamen's Insurance (pursuant to the new law) is excluded.

Detailed Data 4
Expenses Required for Public Pension Benefits

(Unit: ¥100 million)

		FY1987	FY1990	FY1995	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Cost sharing	Total	56,108	71,948	109,779	142,140	148,173	154,563	159,559	163,886	169,246	174,536	181,518	188,821	197,400
	(excluding special state subsidy)	52,150	67,563	104,865	137,307	143,255	149,653	154,692	159,044	164,416	169,862	176,893	184,065	193,998
	National Pension	16,500	18,921	26,690	32,779	34,236	35,783	36,477	37,034	37,107	37,151	36,800	37,242	36,802
	(excluding special state subsidy)	12,542	14,536	21,777	27,946	29,319	30,873	31,610	32,192	32,276	32,477	32,175	32,486	33,400
	Employees' Pension insurance	32,292	44,106	69,866	93,633	97,575	102,730	106,850	110,314	115,207	119,991	126,842	133,101	140,933
	Mutual Aid associations, etc.	7,316	8,921	13,222	15,728	16,362	16,050	16,232	16,538	16,933	17,395	17,876	18,477	19,665
	Contributions unit price (monthly) (¥)	7,691	9,519	14,111	19,149	20,149	21,450	22,239	22,924	22,986	24,626	25,734	27,057	29,212
Pension benefits	Total	56,108	71,948	109,779	142,140	148,173	154,563	159,559	163,886	169,246	174,536	181,518	188,821	197,400
	Basic pension benefits	6,606	10,853	41,653	84,730	93,594	102,454	110,697	118,093	126,359	134,883	144,597	154,435	164,240
	Constructive basic pension benefits (Corresponding to the amounts for Basic Pension)	49,502	61,095	68,126	57,410	54,579	52,110	48,862	45,793	42,887	39,653	36,922	34,385	33,160
	National Pension	27,120	31,296	31,507	25,588	24,251	22,916	21,378	19,957	18,583	17,197	15,896	14,766	13,765
	Employees' Pension insurance	17,469	22,584	25,986	24,234	23,059	22,638	21,428	20,145	18,923	17,395	16,241	15,178	15,244
		Mutual Aid associations, etc.	4,913	7,215	10,632	7,588	7,268	6,555	6,056	5,691	5,381	5,061	4,786	4,442

Source: "Annual Report", Pension Bureau, MHLW, etc.

(Note) One third of the basic pension contributions (except special state subsidy) is borne by state subsidy. However, 1/3 in addition to the fixed amount in FY 2004, 11/1000 and 1/3 in addition to the fixed amount in FY 2005, 25/1000 in addition to 1/3 in FY 2006, and in FY2007 and FY2008, 32/1000 in addition to 1/3 of the fund were covered by state subsidy.