Financial Report on the Public Pension System
Fiscal Year 2002 (Summary)

1. Fiscal Revenue and Expenditure

(1) The Financial Status of Public Pension Plans as a whole – 39.2 Trillion yen in Benefit Expenses

The financial status of public pension plans as a whole for FY2002 reveals that 26.4 trillion yen of revenue was income from contributions, and 6.0 trillion yen was from subsidies by state etc., while 39.2 trillion yen of the expenditure was for pension benefits. The reserve at the end of FY2002 was 196.9 trillion yen at book value and 190.0 trillion yen at market value* (Figure 1, Figure 2-1-1 in the report).

** After the FY2002 report, the market values of reserve have been reported from all public pension plans as reference.*

Figure 1 Financial status (FY2002)

Classification	Public pension plans as a whole (Consolidated base)
	100 million yen
Total revenue (book value)	418,827
Contributions	263,555
Subsidies by state etc.	59,982
Subsidies for “bestowals” payments of prior period	19,465
Investment income (book value)	42,742
Payment of the cost for consolidation of AFF etc.	17,243
Payment of the cost for the occupational portion exceed EPI	3,730
Others	12,111
Total expenditure	396,919
Benefits	391,711
Others	5,208
Reserve at the end of fiscal year (book value)	1,968,904
(market value)	[1,899,746]

Note: To calculate revenue and expenditure in consolidated base, contribution to Basic Pension, contribution to the equivalent to benefits of Basic Pension (old law (pension law effective before FY1986)) and contribution to support JT MAA, JR MAA and NTT MAA that consolidated to EPI and corresponding revenue are excluded from both revenue and expenditure because those contributions and income are paid from one public pension plan to other public pension plan.

(2) Contributions– Generally Tended to Decline. The Mutual Aid Corporation for Private School Personnel Tended to Increase

Contributions of Employees’ Pension Insurance (EPI) were 20.2 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, the 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). EPI increased in FY2002 as a result of the consolidation of Mutual Aid Association for Agricultural, Forestry and Fishery Organization Personnel (AFF), but except this its downward trend continues. LPSP and NP began declining after peaking in FY1999. NPSP began declining in FY2002. Meanwhile, PSP continues on the rise.

(3) Pension Benefits– Generally Increased at Employee Pension Plans and Basic Pension

Benefits* of EPI were 20.3 trillion yen, those of NPSP were 1.7 trillion yen, LPSP were 4.2 trillion yen, PSP were 0.2 trillion yen, NP’s National Pension Account were 2.4 trillion yen, and NP’s Basic Pension Account were 10.2 trillion yen (Figure 2-1-11 in the report). While NPSP decreased slightly in FY2002, other employee pension plans continued to increase. With regard to NP, while Basic Pension Account continued to increase significantly, National Pension Account has tended to decrease.

**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 National Pension Account are mainly the benefits of the old National Pension law. The benefits paid by Basic Pension Accounts are the benefits of Basic Pension.*

(4) Reserve– Growth is Slowing Down on the whole.

Reserve of EPI was *137.7 trillion yen (132.1 trillion yen), that of NPSP was 8.7 trillion yen (8.7 trillion yen), LPSP was 37.5 trillion yen (36.6 trillion yen), PSP was 3.1 trillion yen (3.2 trillion yen), and NP was 9.9 trillion yen (9.5 trillion yen) (Figure 2-1-16 in the report). Growth is slowing down on the whole.

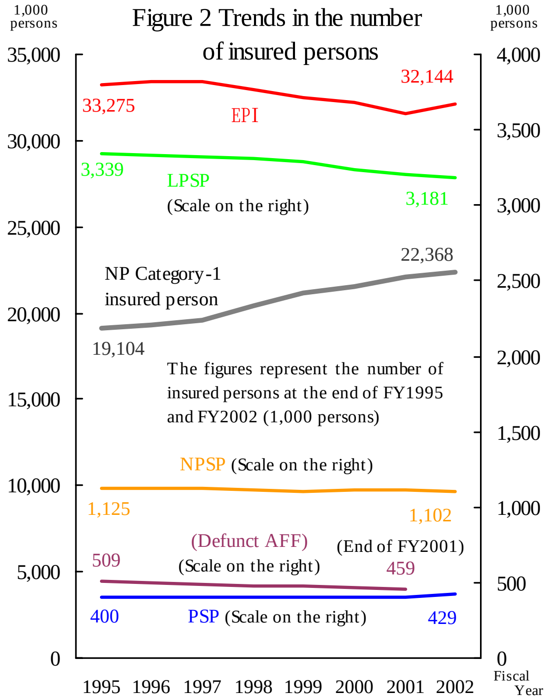
** The values are at book values. The values in parentheses are at market values.*

2. Insured Persons

(1) Insured Persons– Employee Pension Plans as a whole Increased in FY2002

The total number of insured persons by employee pension plans was 36.86 million. The number of insured persons by EPI was 32.14 million, by NPSP was 1.10 million, by LPSP was 3.18 million, by PSP was 0.43 million. In addition, the number of insured persons by NP Category-1 was 22.37 million and by Category-3 was 11.24 million, bringing the total number of participants in public pension plans as a whole to 70.46 million (Figure 2, Figure 2-2-1 in the report). While the number of insured persons to PSP increased, those contributing to other public pension plans decreased on the whole. In FY2002, the increase in the number of insured persons to PSP and to EPI was affected by the expansion of eligibility* and the consolidation of AFF with EPI. The number of insured persons to employee pension plans, which had been decreasing in recent years, has increased, while the number of NP Category-1 insured persons has continued to increase.

Figure 2 Trends in the number of insured persons



**Starting in April 2002, the age ceiling for eligibility under EPI and PSP was raised from 65 to 70. In the case of NPSP and LPSP, as before, there is no age ceiling.*

(2) Standard Monthly Remuneration Per Capita– High for National Public Service Personnel Mutual Aid Association and Local Public Service Personnel Mutual Aid Association. Except for the Mutual Aid Corporation for Private School Personnel, Per Capita Remuneration Decreased

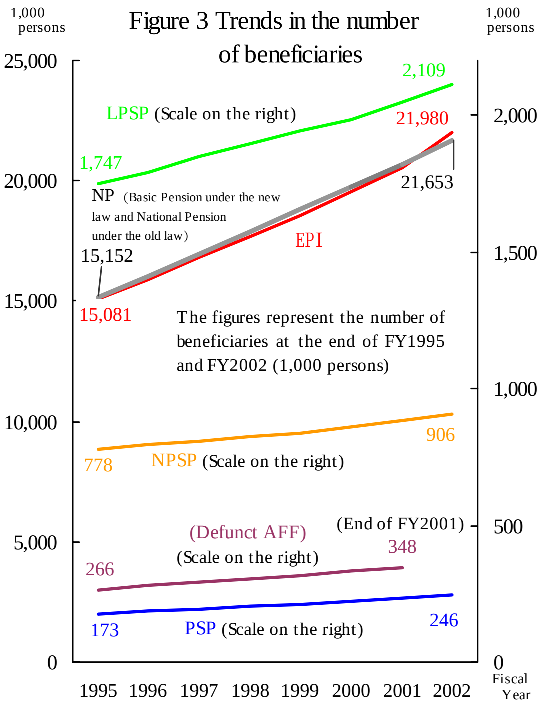
Standard monthly remuneration per capita was 314,000 yen for EPI, 406,000 yen for NPSP, 457,000 yen for LPSP, and 370,000 yen for PSP (Figure 2-2-9 in the report). The difference in remuneration between male and female insured persons is greater for EPI and PSP than NPSP and LPSP. Remuneration continued to increase for NPSP, LPSP and PSP, but in FY2002, it began to decrease for those participating in these pension plans except PSP (Figure 2-2-10 in the report).

3. Beneficiaries

(1) The Number of Beneficiaries– Continued to Increase for All Public Pension Plans

There were 21.98 million beneficiaries in EPI, 0.91 million beneficiaries in NPSP, 2.11 million beneficiaries in LPSP, 0.25 million beneficiaries in PSP, and 21.65 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). There were a total of 30.76 million beneficiaries in public pension plans. The number of beneficiaries continued to increase for all public pension plans.

Figure 3 Trends in the number of beneficiaries



(2) The Average Monthly Amount of Old-age (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 172,000 yen for EPI (including the portion paid by Employees' Pension Fund on behalf of EPI), 216,000 yen for NPSP, 231,000 yen for LPSP, 215,000 yen for PSP, and 52,000 yen for NP (old-age basic pension benefits under the new law and old-age pension benefits of National Pension under the old law) (Figure 2-3-13 in the report). While the average monthly amount of benefits for all employee pension plans decreased for three consecutive years, average monthly amount of benefits for NP continued to increase.

Note 1. "Old-age (for long-term contributors)" is the one under the new law, which requires the eligible period 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

(1) Pension Support Ratio– High in the Mutual Aid Corporation for Private School Personnel, Low in National Public Service Personnel Mutual Aid Association and Local Public Service Personnel Mutual Aid Association. The Ratio Decreased in All Public Pension Plans

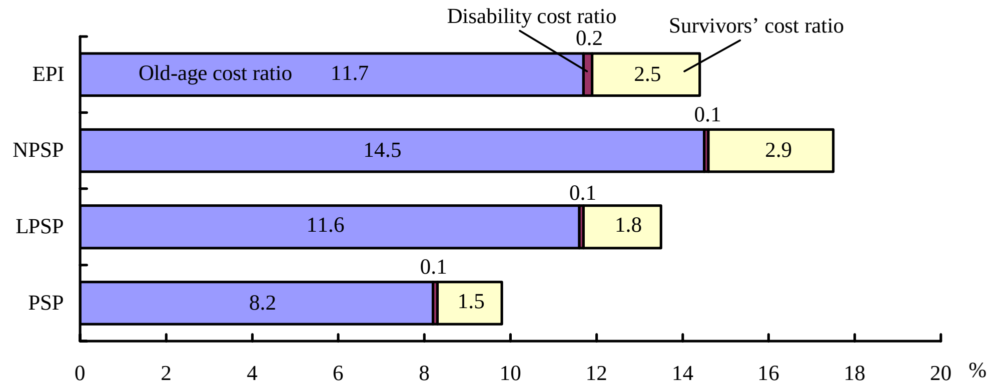
The pension support ratio[1] continued to decline in all public pension plans (Figure 2-4-2 in the report). It was 3.17 for EPI, 1.81 for NPSP, 2.16 for LPSP, 5.60 for PSP, and 3.16 for NP. The decline for PSP was smaller than in the past, because the age ceiling for eligibility under employee pension plans was raised to 70 in FY2002, resulting a rise in the number of insured persons to PSP.

In addition, to see the effect of not only Old-Age pension but also Disability and Survivors' pension, the cost ratios by type of pension[2], which complement the pension support ratio, are shown in Figure 4.

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

Note 2. The ratio of Old-age (Disability, Survivors') pension's "real" expenditure to the total standard monthly remuneration. This expenditure means the cost each plan should pay (i.e. expenditure minus subsidies by state etc., other subsidies and payment).

Figure 4 Cost ratios by type of pension (FY2002)



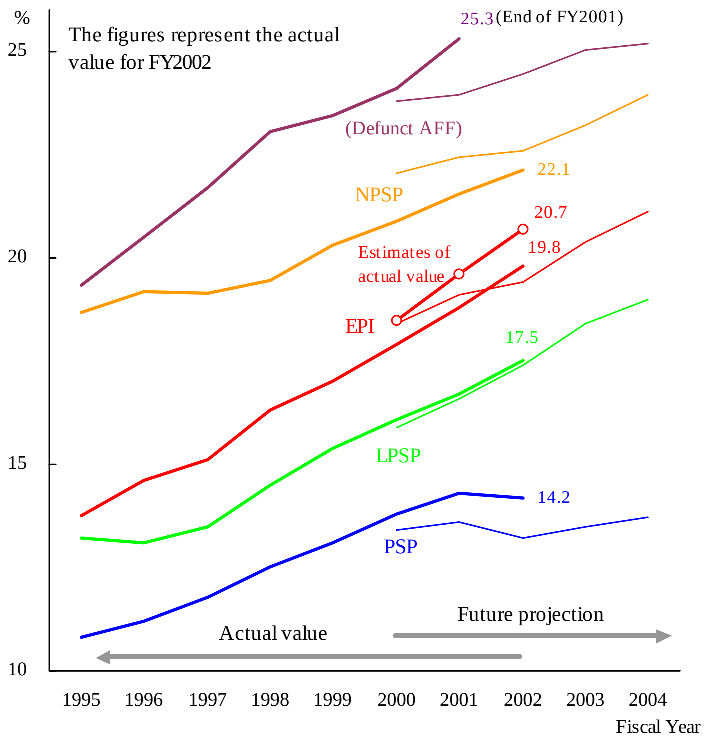
Note 1. Above figures are estimated by Actuarial Subcommittee.
Note 2. To calculate Old-age(Disability or Survivors') pension expenditure of EPI, we use expenditure including the portion paid by Employees' Pension Fund on behalf of EPI.

(2) Comprehensive Cost Ratio– Decreased in The Mutual Aid Corporation for Private School Personnel

The comprehensive cost ratio* was 19.8 percent for EPI, 22.1 percent for NPSP, 17.5 percent for LPSP, and 14.2 percent for PSP (Figure 5, Figure 2-4-6 in the report). While the ratio increased 1.0, 0.6, and 0.8 for EPI, NPSP and LPSP respectively, the comprehensive cost ratio declined 0.1 point for PSP as its increase of standard monthly remuneration.

** The ratio of real expenditure to the total standard monthly remuneration.*

Figure 5 The comprehensive cost ratio



Note: There are some differences of objects used by the actual and the future projection. The former is on account base and the latter on actuarial base. To compare both, we use "the Estimates of actual value", which is the actual value calculated like future projection, such as including the portion paid by Employees' Pension Fund in behalf of EPI and so on.

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

(1) Contributions– The Actual Contributions Were Less than the Future Projection for all Public Pension Plans

For each public pension plan, the actual contributions* were less than the future projection (Figure 3-2-1 in the report). EPI was 11.5 percent less than the future projection, NPSP was 3.8 percent less, LPSP was 11.3 percent less, PSP was 8.9 percent less, and NP was 5.2 percent less.

** EPI and NP are compared by using "estimates of actual value" (see note in Figure 5 and p. 71 of the report). Hereinafter the same.*

(2) Insured Persons– The Actual Insured Persons Were Less Than the Future Projection except for The Mutual Aid Corporation for Private School Personnel and National Pension

The actual number of insured persons was less than the future projection for EPI, NPSP and LPSP (Figure 3-2-2 in the report). The actual number was 8.3 percent less for EPI, 1.8 percent for NPSP and 4.4 percent for LPSP. On the other hand, the actual number was 1.4 percent and 0.8 percent higher for PSP and NP, respectively.

(3) Expenditure– The Actual Expenditure Was Less Than the Future Projection for all Public Pension Plans

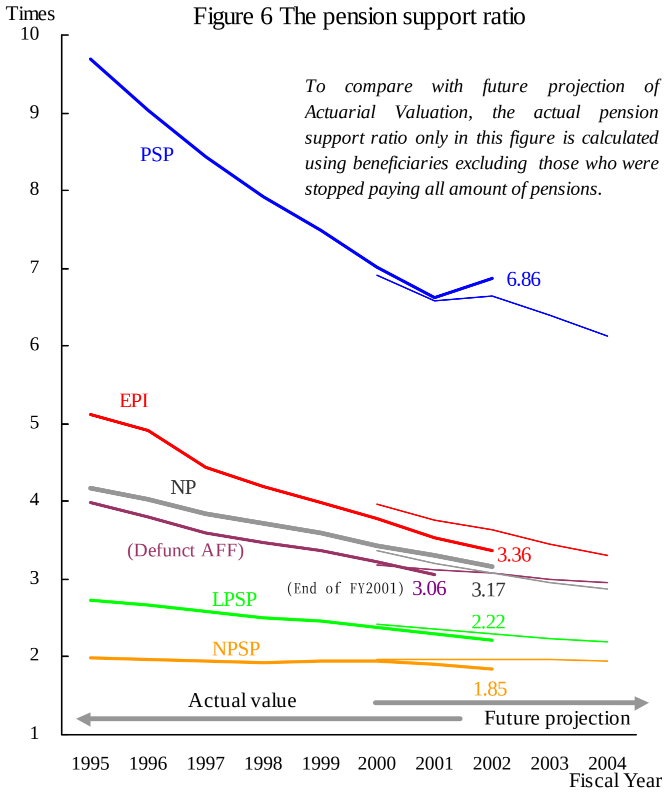
The actual expenditure* was less than the future projection for all pension plans (Figure 3-2-5 in the report). The actual expenditure was 5.1 percent less for EPI, 5.5 percent less for NPSP, 10.2 percent less for LPSP, 1.6 percent less for PSP, and 6.1 percent for NP.

**Of the total expenditures, the portion that is provided for by the income from contributions and investment income as well as by subsidies by state etc., hereupon.*

(4) Beneficiaries– Actual Beneficiaries Were Less Than the Future Projection for All Public Pension Plans except for Employees' Pension Insurance

While the number of beneficiaries (excluding those who were stopped paying all amount of pensions. Hereinafter the same.) in EPI, which consolidated with AFF, was slightly larger than the future projection (0.1% higher), the actual number of beneficiaries was smaller than the future projection in the other public pension plans(Figure 3-2-6 in the report). The number was 3.0 percent smaller for NPSP, 1.9 percent lower for LPSP, 17.4 percent lower for PSP, and 2.3 percent lower for NP.

Figure 6 The pension support ratio



(5) Pension Support Ratio– The Actual Pension Support Ratio was Lower than the Future Projection for All Public Pension plans except the Mutual Aid Corporation for Private School Personnel and National Pension

The actual pension support ratio was lower than the future projection for EPI, NPSP and LPSP (Figure 6, Figure 3-3-1 in the report). EPI's difference of 0.27 was large.

(6) Comprehensive Cost Ratio– The Actual Comprehensive Cost Ratio Was Higher Than the Future Projection for All Public Pension Plans except National Public Service Personnel Mutual Aid Association

The actual comprehensive cost ratio was higher than the future projection for all public pension plans except NPSP (Figure 5, Figure 3-3-6 in the report). The ratio was 1.3 higher for EPI, 0.1 higher for LPSP, and 1.0 higher for PSP. On the other hand, the actual comprehensive cost ratio was 0.5 lower than the future projection for NPSP.

6. Analysis of the Difference Between Actual Value and Future Projection Based on 1999 Actuarial Valuation

(1) Analysis of the Difference in Contributions

The actual contributions were less than the future projection for all employee pension plans. A main factor responsible for this was that the nominal wage growth rate was lower than the future projection (Figure 3-4-2 in the report).

(2) Analysis of the Difference in Benefits

The actual benefits were less than the future projection for all employee pension plans. For EPI and LPSP, a main factor responsible for this was that the per capita pension payment was less than the future projection. For NPSP and PSP, a main factor was that the number of beneficiaries was smaller than the future projection (Figure 3-4-7 in the report).

(3) Analysis of the Difference in Contributions to Basic Pension

The actual contributions to Basic Pension were less than the future projection for EPI and NPSP, but they exceeded the future projection for LPSP and PSP. The fact that the rate of pension indexation was lower than that of the future projection was a negative contributing factor (Figure 3-4-10 in the report). Also, except for PSP, the fact that the number of people on whom their contribution to Basic Pension assessed was less than the future projection was also a negative contributing factor (Figure 3-4-11 in the report).

(4) Analysis of the Difference in Reserves

For all employee pension plans, the actual reserves were less than the future projection. An important contributing factor was that the actual nominal rate of return of investment was lower than the future projection (Figure 3-5-3 in the report). The fact that the nominal wage growth was lower than the future projection contributed to this (Figure 3-5-5 in the report). On the market value basis, the reserves for NPSP and PSP were more than their book value, thus slightly reducing the difference.

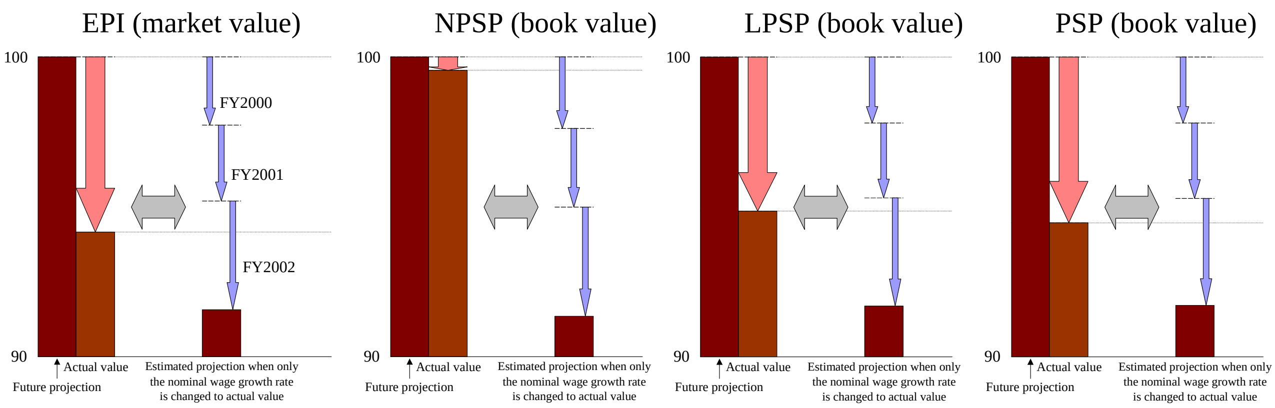
(Financial Status "in Real Terms")

Because both revenue and expenditure generally increase or decrease as the nominal wage growth rate increases or decreases in public pension plans, the difference between the actual nominal wage growth rate and the future projection may make a small impact on the financial status in the long run.

The results of the analysis indicates that "the difference caused by the difference between the actual nominal wage growth rate and the future projection" was greater than "the difference between the actual reserves and the future projection" (sum of "The thin three downward pointing arrows" shown in Figure 7 is longer than "the thick downward pointing arrows.") This difference is caused by factors other than the nominal wage growth rate, and as such serves to eliminate the difference caused by the nominal wage growth rate.

Financial status in real terms – which does not include the difference caused by the nominal wage growth rate – has a positive effect on reserve (Figure 7, Figure 3-5-6 in the report). However, although the effect may have been positive, it was generated only in three years from FY2000 to FY2002 and its long-term effect on pension financing is slight.

Figure 7 Difference between the actual amount of reserve at the end of FY2002 and the future projection of 1999 Actuarial Valuation [expressed by using the future projection as the standard (=100)]



(Reference) How to read the figure

- *The difference between the "actual reserve" and the "estimated reserve when only the nominal wage growth rate is used as actual value" is the "positive effect" stated above.*
- *The thin downward pointing arrow represents the share that is contributed each fiscal year when "the nominal wage growth rate differs from the future projection"*