Financial Report on the Public Pension System
Fiscal Year 2003 (Summary)

1. Fiscal Revenue and Expenditure

(1) The Financial Status of Public Pension Plans as a whole – 40.3 Trillion yen in Benefit Expenses

The financial status of public pension plans as a whole for FY2003 reveals that 25.5 trillion yen of revenue was income from contributions, and 6.1 trillion yen was from subsidies by state etc., while 40.3 trillion yen of the expenditure was for pension benefits. The reserve at the end of FY2003 was 197.0 trillion yen at book value and 195.6 trillion yen at market value (Figure 1, Figure 2-1-1 in the report).

Figure 1 Financial status (FY2003)

Classification		Public pension plans as a whole (Consolidated base)
		100 million yen
Total revenue	(book value)	409,499
	(market value)	[465,233]
Contributions		254,618
Subsidies by state etc.		61,227
Subsidies for "bestowals" payments of prior period		18,539
Investment income	(book value)	34,513
	(market value)	[89,879]
Payment of the cost for consolidation of former MAAs		1,727
Payment of the cost for the occupational portion exceed EPI		3,423
Payment of the cost for contracting back in to EPI of EPFs		34,965
Others		488
Total expenditure		407,566
Benefits		402,821
Others		4,745
Balance of revenues and expenditures	(book value)	1,933
	(market value)	[57,667]
Reserve at the end of fiscal year	(book value)	1,969,758
	(market value)	[1,956,334]

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.Additionally, the amount of transfer from the surplus of previous year in Basic Pension Account is excluded from others in revenue.

(2) Contributions– Increased except Employees' Pension Insurance

Contributions of Employees' Pension Insurance (EPI) were 19.2 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 2.0 trillion yen (Figure 2-1-4 in the report). While contributions of EPI have been in decline since peaking in FY1997, that of LPSP and NP which had been in decline since peaking in FY1999, and NPSP which decreased in FY2002 increased in FY2003.Meanwhile, PSP continues on the rise.

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

Benefits* of EPI were 20.8 trillion yen, those of NPSP were 1.7 trillion yen, LPSP were 4.3 trillion yen, PSP were 0.2 trillion yen, NP's National Pension Account were 2.2 trillion yen, and NP's Basic Pension Account were 11.1 trillion yen (Figure 2-1-11 in the report).Overall, 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 Account are the benefits of Basic Pension.*

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

Reserve* of EPI was 137.4 trillion yen (135.9 trillion yen), that of NPSP was 8.7 trillion yen (8.8 trillion yen), LPSP was 37.8 trillion yen (38.0 trillion yen), PSP was 3.2 trillion yen (3.2 trillion yen), and NP was 9.9 trillion yen (9.7 trillion yen) (Figure 2-1-16 in the report). Growth is slowing down on the whole.

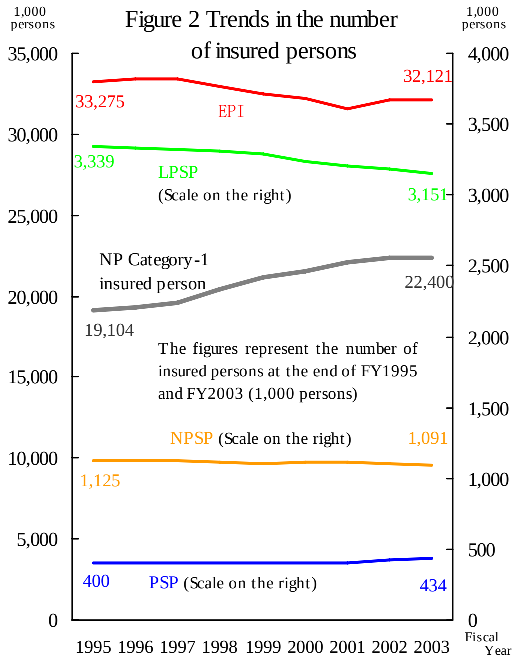
* *The values are at book values. The values in parentheses are at market values.*

2. Insured Persons

(1) Insured Persons– Decreasing in Employee Pension Plans Except for the Mutual Aid Corporation for Private School Personnel

The total number of insured persons by employee pension plans was 36.80 million. The number of insured persons by EPI was 32.12 million, by NPSP was 1.09 million, by LPSP was 3.15 million, by PSP was 0.43 million. In addition, the number of insured persons by NP Category-1 was 22.40 million and by Category-3 was 11.09 million, bringing the total number of participants in public pension plans as a whole to 70.29 million (Figure 2, Figure 2-2-1 in the report). While the number of insured persons by PSP has increased consecutively, those contributing to other employee pension plans decreased on the whole. The total number of insured persons to employee pension plans decreased in recent years, while the number of NP Category-1 insured persons has continued to increase.

Figure 2 Trends in the number of insured persons



(2) Standard 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 (not including employee bonuses) was 314,000 yen for EPI, 403,000 yen for NPSP, 453,000 yen for LPSP, and 371,000 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 had continued to increase for NPSP, LPSP and PSP, but from FY2002, it decreased for those participating in these pension plans except PSP (Figure 2-2-11 in the report). On the other hand, as for the standard remuneration per person including employee bonuses (total remuneration base; monthly amount), the above figures become 375,000 yen for EPI; 543,000 for NPSP; 602,000 yen for LPSP; and 498,000 yen for PSP (Figure 2-2-10 in the report).

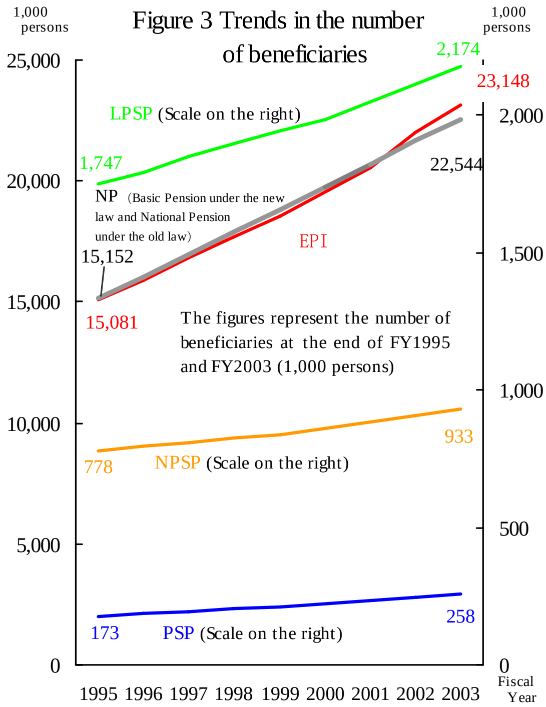
Note: Extension of remuneration to cover bonuses started from FY2003.

3. Beneficiaries

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

There were 23.15 million beneficiaries in EPI, 0.93 million beneficiaries in NPSP, 2.17 million beneficiaries in LPSP, 0.26 million beneficiaries in PSP, and 22.54 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 31.37 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 170,000 yen for EPI (including the portion paid by Employees' Pension Fund on behalf of EPI), 213,000 yen for NPSP, 228,000 yen for LPSP, 212,000 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 four 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

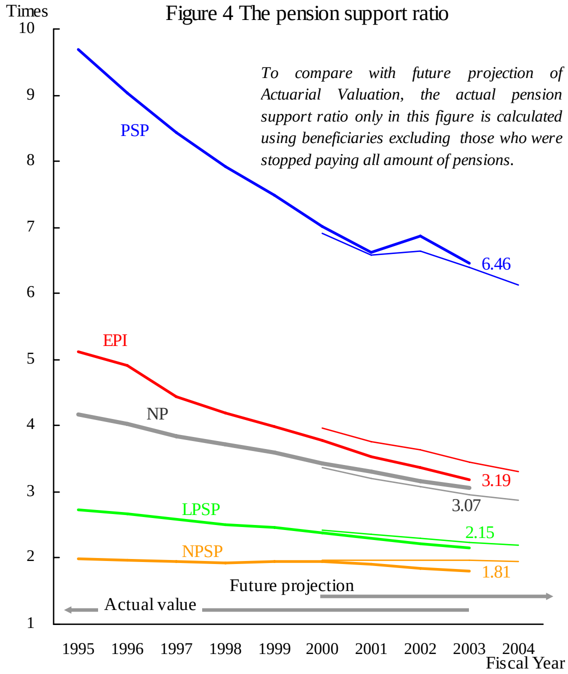
The pension support ratio* continued to decline in all public pension plans (Figure 4, Figure 2-4-2 in the report). It was 3.00 for EPI, 1.76 for NPSP, 2.09 for LPSP, 5.34 for PSP, and 3.05 for NP. PSP whose pension support ratio is high may be considered less mature than EPI. Conversely, NPSP and LPSP having low pension support ratios are considered mature plans.

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

(2) Comprehensive Cost Rate– Increased in all Public Pension Plans

The comprehensive cost rate* was 17.3 percent for EPI, 17.4 percent for NPSP, 14.4 percent for LPSP, and 11.3 percent for PSP (Figure 5, Figure 2-4-6 in the report). Employee bonuses became to be included for remuneration from FY2003 by 2000 year amendment. It should be reminded that Comprehensive Cost Rate, which has remuneration in this formula, should not be connected directly before FY2003 and after.
Comparing by using standard monthly remuneration, Comprehensive Cost Rate of each plans have increased.

Figure 4 The pension support ratio



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

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

(1) Contributions– Except for National Pension, the Actual Contributions were Less than the Future Projection

For each public pension plan except NP, the actual contributions* were less than the future projection (Figure 3-2-1 in the report). EPI was 18.2 percent less than the future projection, NPSP was 4.9 percent less, LPSP was 12.9 percent less and PSP was 6.3 percent less. On the other hand, the actual number was 3.3 percent higher for NP.

* *EPI and NP are compared by using "estimates of actual value" which includes some portion of EPF and so on (see note in Figure 5 and p. 75 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 8.2 percent less for EPI, 2.8 percent for NPSP and 5.3 percent for LPSP. On the other hand, the actual number was 2.6 percent and 0.6 percent higher for PSP and NP, respectively.

(3) Expenditure– The Actual Expenditure was Less than the Future Projection except the Mutual Aid Corporation for Private School Personnel

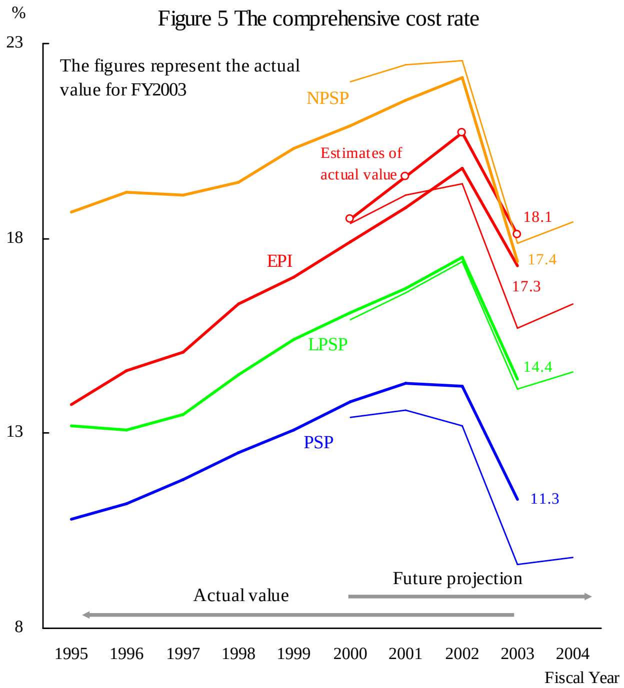
The actual expenditure* was less than the future projection for all pension plans except PSP (Figure 3-2-5 in the report). The actual expenditure was 7.9 percent less for EPI, 7.5 percent less for NPSP, 11.9 percent less for LPSP and 8.7 percent for NP. On the other hand, the actual number was 1.4 percent higher for PSP.

**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 Mutual Aid Association for Agricultural, Forestry and Fishery Organization Personnel in FY2002, was slightly larger than the future projection (0.2% 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 3.8 percent smaller for NPSP, 1.4 percent lower for LPSP, 17.1 percent lower for PSP, and 2.3 percent lower for NP.

Figure 5 The comprehensive cost rate



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) 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 4, Figure 3-3-1 in the report). EPI's difference of 0.26 was large.

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

The actual comprehensive cost rate was higher than the future projection for all public pension plans except NPSP (Figure 5, Figure 3-3-4 in the report). The ratio was 2.4 higher for EPI, 0.3 higher for LPSP, and 1.7 higher for PSP. On the other hand, the actual comprehensive cost rate 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 actual 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, LPSP and PSP, a main factor responsible for this was that the actual per capita pension payment was less than the future projection. For NPSP, a main factor was that the actual 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, NPSP and LPSP, but they exceeded the future projection for 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

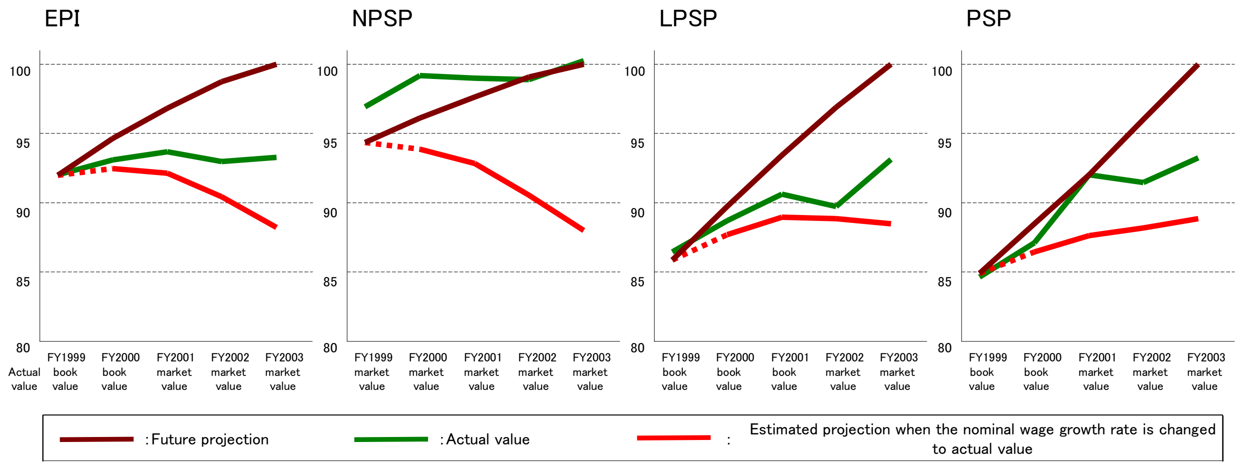
For all employee pension plans, the actual reserves were less than the future projection. An important contributing factor was that the actual nominal rate of return of investment until FY2002 was lower than the future projection (Figure 3-5-3 in the report). The fact that the nominal wage growth was lower than the future projection contributed to this (Figure 3-5-5 in the report). On the market value basis, the reserves for MAAs were more than their book value. The actual reserves were more than the future projection for NPSP, 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.

Comparing the value of the future projection calculated excluding the difference of the nominal wage growth rate and the actual values shows that the actual values for each plans were large. This means that actual values have better trend than the future projection from the stand point of pension financing. (Figure 6, Figure 3-5-6 in the report). However, although the effect may have been positive, it was generated only in four years from FY2000 to FY2003 and its long-term effect on pension financing is slight.

Figure 7 Difference between the actual amount of reserve and the future projection of 1999 Actuarial Valuation [expressed by using the future projection at the end of FY2003 as the standard (=100)]



(Reference) How to read the figure

- *The difference between the "actual reserve" and the "estimated reserve when the nominal wage growth rate is used as actual value" is the "positive effect" stated above.*