



IGP Country Profile 2020

Japan

Prepared by:

The Dai-ichi Life Insurance Company, Limited



Preface

This Country Profile has been prepared by the **Dai-ichi Life Insurance Company, Limited** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in approximately 80 countries and territories throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston and our regional offices in Brussels, Singapore, Tokyo, and Waterloo, ON, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is part of John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

The information contained in the IGP Country Profiles is considered proprietary and any material extracted from a profile must be attributed to IGP.

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Your Local Link to IGP in Japan: The Dai-ichi Life Insurance Company, Limited

The Dai-ichi Life Insurance Company, Limited, founded in 1902, is the third-largest life insurance company in Japan, with total assets of JPY 49.9 trillion (USD 347.5 billion), and ANP (Annualized New Premium) from policies in force of JPY 3,396 billion (USD 32.3 billion).

The Dai-ichi is a leading underwriter of group retirement and severance benefit plans, as well as group term life insurance. The Dai-ichi is also known for its sophisticated financial services. All branch offices of the Dai-ichi have financial planners who are dedicated to providing advice to customers on insurance, retirement planning, asset management and tax planning.

The Dai-ichi also has a strong presence in the Japanese insurance and asset management markets through business alliances with Sompo Japan Nipponkoa Insurance Inc., AFLAC Japan, and the Mizuho Financial Group. The Dai-ichi has several affiliated companies as a result of these alliances, including DIAM Co., Ltd. and Mizuho-DL Financial Technology Co., Ltd.

In February 2015, Dai-ichi concluded an agreement with Protective Life Corporation, a U.S. life insurance group listed on the New York Stock Exchange, on the commencement of procedures to acquire 100% ownership of the company.

Dai-ichi Life joined the United Nations Global Compact, the largest voluntary corporate responsibility initiative in the world, working towards the vision of a sustainable and inclusive global economy.

Effective October 1, 2016, the Dai-ichi became a holding company with a new trade name, "Dai-ichi Life Holdings, Inc.", for the purpose of managing the group's operating companies. On the same day, the trade name of the successor was changed to "The Dai-ichi Life Insurance Company, Limited".

The Dai-ichi has been an IGP Network Partner since 1971.

Key Products

Life

- Life
- Permanent and Total Disability
- Life Cover for Retirees

Medical

- Hospitalization

Pensions

- Managed Funds

For more information, visit the Dai-ichi on-line at: <http://www.dai-ichi-life.co.jp/>
(Information is available in English and Japanese.)

Summary of Social Security Benefits:

- Health Insurance
 - Nursing Care Insurance
 - Employees' Pension Insurance
 - Employment Insurance
 - Workers' Compensation
- Mandatory enrollment required for all companies
 - Coverage fees are split between the employer and employees
 - Employee fee portion is deducted from gross salary

Social Security Contributions:

Benefit Plan	Outline of the coverage	Typical Contribution (% of the salary)
	Employer Covers 15.2% / Employee Covers 14.4% (approximately)	
Health Insurance	<ul style="list-style-type: none"> • Medical cost (70% coverage) • Dental cost (70% coverage) • Short Term Disability benefit (66.7% of previous income, up to 18 months) • Maternity benefit (fixed amount) 	<ul style="list-style-type: none"> • 10.00% (Average rate) Employer / Employee : 5% / 5%
Long Term Care Insurance	<ul style="list-style-type: none"> • Long term care cost for age 40+ (90% coverage) 	<ul style="list-style-type: none"> • 1.58% for age 40+ only Employer / Employee: 0.79% / 0.79%
Employees' Pension Insurance	<ul style="list-style-type: none"> • Old age pension (from age 65) • Disability benefit • Survivor's pension 	<ul style="list-style-type: none"> • 17.828% Employer / Employee: 08.914% / 8.914%
Employment Insurance	<ul style="list-style-type: none"> • Unemployment benefit (maximum 90 to 360 days, depends on one's condition) 	<ul style="list-style-type: none"> • Employer 0.85% • Employee 0.50%
Workers' Compensation Insurance	<ul style="list-style-type: none"> • Medical cost (100% coverage) • Disability benefit • Survivor's benefit 	<ul style="list-style-type: none"> • 0.25% to 8.80% Employer pays all

Typical Employee Benefits:

Type of benefit	Typical products
Death Benefit	Group Term Life Insurance
Medical Benefit	Group Medical Insurance
Disability Benefit	Long Term Disability Insurance(GLTD)
Accident Benefit	Group Accident Insurance
Retirement Benefit	Lump-sum Benefit (book reserve)
	SERAMA (Smaller Enterprise Retirement Allowance Mutual Aid)
	Defined Benefit Pension Plan
	Defined Contribution Pension Plan

LIFE BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p><i>Please see Survivors' Benefits</i></p>	<p>Group Life Insurance</p> <p>A provision to pay a lump sum benefit in the event of an employee's death is a standard employee benefit.</p> <p>Most companies have group life insurance to cover employees for that purpose. Benefits may be a flat amount for all or may be determined by rank or by seniority.</p> <p>Multinational companies generally have a group life insurance plan, the benefit of which is based on the employee's annual or monthly salary. Typically, the benefit is two times annual salary.</p> <p>The minimum number of participants is ten according to Dai-ichi's underwriting standards. The maximum amount of coverage is usually JPY 50 million per person. Employers generally pay all the premiums, which are fully tax-deductible.</p> <p>Group Term Life Insurance</p> <p>Group life insurance continues to gain popularity in Japan. However, in recent years, there has been a notable decline in both the number of policies and total sum insured.</p> <p>This is because many existing policies were combined when they were converted to the 'new' group term life policy starting in 1996.</p> <p>At the same time, many policyholders revised the sum insured to cope with corporate regulations that stipulate the bereaved family plan was to be the payee, resulting in an extraordinary decrease of total sum insured. (<i>Please see Reference Table E.</i>)</p> <p>The vast majority of group life policies in force are group term life insurance. The present group term life insurance product is called "General Welfare Group Term Life Insurance". It was put on the market on November 2, 1996.</p> <p>The old policy was converted into this new product.</p> <p>In 2017, due to increases in the average life expectancy, the Institute of Actuaries of Japan (IAJ) revised the Standard Mortality Table effective April 1, 2018. As a result, the Dai-ichi reduced its premium rate.</p> <p>Group Term Life Insurance</p> <p>The new group term life insurance policy consists of the "Main Policy", the "Human Value Rider", and the "New Accidental Injury & Hospitalization Rider." The employer is required to purchase these according to their real insurance purpose.</p>

Main Policy

The payment of all the proceeds to the bereaved family must be stipulated in the corporate regulations. The maximum insurance amount per life is not legally regulated, but it is JPY 100 million for IGP clients according to the Dai-ichi's underwriting standards. (The policyholder or employer can become a beneficiary on the insurance contract, and this is a customary practice in Japan.)

Human Value Rider

The policyholder (employer) can have a "Human Value Rider" in addition to the main policy. The employer is allowed to retain the proceeds from this rider to make up for the financial loss caused by an employee's death.

The coverage amount must not be larger than that of the main policy, up to a maximum of JPY 20 million.

Comprehensive Accident Benefit Rider

This rider covers disability and hospitalization due to accidental causes. The Accidental Death benefit is not included.

Announcement and Agreement to and from Employees

The planned implementation of a group term life insurance plan must be announced to all the employees by a written document. A representative employee (e.g., chairman of the union) is required to acknowledge that the document has been distributed to all the employees.

Calculation of Benefits

Benefits may be the same for everyone, or they may be based on some objective criterion such as seniority, rank, or salary. Generally speaking, rank is the most common basis for calculation, but the Dai-ichi's foreign clients have chosen salary-based plans in the majority of cases.

In the Dai-ichi's survey, the most common plan implemented by multinational companies is two times annual salary, followed by one times annual salary.

Premiums

The premium of participating group term life is fixed given the Government approval, whereas that of non-participating GTL is competitive. Non-participating basis is much cheaper than participating basis

DISABILITY BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Disability Pension</p> <p><i>Eligibility</i></p> <p>If a participant becomes disabled due to sickness or injury, a disability benefit will be paid. Disability is categorized by three classes, depending on its seriousness. A participant cannot receive the benefit, if he/she did not pay contributions for one-third or more of one's previous participation period.</p> <p>Three classes of disability:</p> <p><u>Class 1:</u> Total disability requiring constant attendance</p> <p><u>Class 2:</u> Degree of disability restricting one's ability to live independently</p> <p><u>Class 3:</u> Degree of disability restricting one's ability to work</p> <p><i>Amount of Benefit:</i></p> <p><u>National Pension (basic pension):</u></p> <p>Basic disability pension will be paid if one's disability corresponds to Class 1 or 2. Amount of the basic disability pension is JPY 974,125 for Class 1 and JPY 779,300 for Class 2 (starting from April 2016). A supplementary pension will be paid if one has qualified dependent child(ren).</p> <p><u>Employee's Pension Insurance (welfare pension):</u></p> <p>Disability welfare pension will be paid if one's disability corresponds to Class 1, 2 or 3. Benefit formula is as follows:</p> <p><u>Class 1:</u></p> <p>AMS (Average monthly salary) x 0.7125% x number of months participated until March 2003 x 125%</p> <p>plus:</p> <p>AMS (Average monthly salary) x 0.5481% x number of months participated from April 2003 x 125%</p> <p>Supplementary pension will be paid if one has a dependent spouse.</p> <p><u>Class 2:</u></p> <p>AMS (Average monthly salary) x 0.7125% x number of months participated until March 2003</p> <p>plus:</p> <p>AMS (Average monthly salary) x 0.5481% x number of months participated from April 2003</p>	<p>Group Long-Term Disability (GLTD) Insurance</p> <ul style="list-style-type: none"> • Benefit Duration: Up to age 65 • Benefit Amount: 60%, 66%, 70% of salary • Waiting Period: 90 days, 180 days, 12 months, 18 months • Mental Illness: <ul style="list-style-type: none"> • Optional coverage • Maximum duration of benefits - typically, 2 years



Social Security Benefits and Customary Private Employee Benefits

Supplementary pension will be paid if one has a dependent spouse.

Class 3:

AMS (Average monthly salary) x 0.7125% x number of months participated until March 2003

Plus:

AMS (Average monthly salary) x 0.5481% x number of months participated from April 2003

A lump sum disability benefit will be paid if the participant has disability deemed to be less serious. The amount payable is equal to two times the annual pension benefit for those under Class 3, with a minimum of JPY 1,169,000.

If the actual number of months of participation is less than 300, then 300 will be used as a minimum figure.



Social Security Benefits and Customary Private Employee Benefits

SURVIVORS' BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Survivors' Pension:</p> <p><i>Eligibility</i></p> <p>If a participant with an eligible dependent dies, a survivors' pension will be paid to the dependent. If a participant did not pay contributions for one-third or more of his or her previous participation period, the survivors' pension will not be paid.</p> <p><i>Amount of Benefit</i></p> <p><u>National Pension (basic pension):</u></p> <p>If a participant with a dependent child under age 18 dies, a basic survivors' pension will be paid to the participant's wife or to the child(ren). The amount of basic survivors' pension is JPY 1,003,600 (starting from April 2017), plus an additional amount determined by the number of eligible child(ren).</p> <p><u>Employee's Pension Insurance (welfare pension):</u></p> <p>Survivors' welfare pension will be paid to the participant's eligible dependents. A child, a spouse, or a parent of a certain age may be considered as an eligible dependent. The benefit formula is as follows:</p> <p>AMS (Average monthly salary) x 0.7125% x number of months participated to March 2003 x three fourths plus: AMS (Average monthly salary) x 0.5481% x number of months participated from April 2003 x three fourths</p> <p>If the actual number of months of participation is less than 300, then 300 will be used as a minimum figure.</p>	<p><i>Please see Life Benefits.</i></p>

MEDICAL BENEFITS									
Social Security Benefits	Customary Private Employee Benefits								
<p>Medical Care Insurance</p> <p>In principal, all residents of Japan are eligible for medical care insurance.</p> <p>There are two major health insurance provisions:</p> <ul style="list-style-type: none"> • The National Health Insurance, mainly for the self-employed, retired individuals and their dependents, is managed by the local government. • The Health Insurance for Employees, which is for employees and their dependents, is managed by either the Japan Health Insurance Association or health insurance societies set up by larger companies or specific industries. <p>The description below principally outlines Health Insurance. Medical care insurance provided by Mutual Aid Associations and Seamen's Insurance is almost the same as the Health Insurance.</p> <p><i>Eligibility</i></p> <p>Employers with one or more employees are required to have the Health Insurance in principal. All full-time employees will be covered and become participants. Part-time workers are also included if their working time is more than three-quarters of the time worked by full-time employees.</p> <p><i>Management</i></p> <p>Either the Japan Health Insurance Association or a Health Insurance Society manages the Health Insurance. A Health Insurance Society is a special entity set up to manage the Health Insurance.</p> <p>It may be set up by an employer with more than 700 employees or by an association of employers with more than 3,000 employees in total.</p> <p>The advantages of having a Health Insurance Society are as follows:</p> <ul style="list-style-type: none"> • The rate of the contribution may be determined on a discretionary basis within certain limits; • Supplementary benefits may be provided in addition to standard benefits; • Specific facilities may be provided for the health care of the participants. <p><i>Medical Care Benefits:</i></p> <p>The Health Insurance covers non-occupational sickness or injuries of participants and their dependents. Occupational sickness or injuries are covered by the Workers' Compensation.</p>	<p>Group Medical Benefits</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 30%;">Hospitalization</td> <td> <ul style="list-style-type: none"> • 5,000 yen - 15,000 yen per day (flat amount) • Max 120 days per hospitalization </td> </tr> <tr> <td>Surgery Benefit</td> <td> <ul style="list-style-type: none"> • <u>Outpatient:</u> 5 times of hospitalization benefit • <u>Inpatient:</u> 20 times of hospitalization benefit </td> </tr> <tr> <td colspan="2"> <ul style="list-style-type: none"> • Advanced medical care may be covered with a rider. </td> </tr> <tr> <td colspan="2"> <ul style="list-style-type: none"> • Maternity and normal delivery are not covered. </td> </tr> </table>	Hospitalization	<ul style="list-style-type: none"> • 5,000 yen - 15,000 yen per day (flat amount) • Max 120 days per hospitalization 	Surgery Benefit	<ul style="list-style-type: none"> • <u>Outpatient:</u> 5 times of hospitalization benefit • <u>Inpatient:</u> 20 times of hospitalization benefit 	<ul style="list-style-type: none"> • Advanced medical care may be covered with a rider. 		<ul style="list-style-type: none"> • Maternity and normal delivery are not covered. 	
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- **Basic Coverage for Participants and their Dependents:**

In the event of sickness or injury due to non-occupational causes, the participant is entitled to receive necessary medical care, such as medical consultation, supply of medicines, medical treatments, surgery and hospitalization.

70% of such medical care expenses will be covered by the Health Insurance.

Participants are required to pay 30% of the medical care expenses.

Medical care benefits are also provided for dependents. The benefits cover 70% of medical care expenses.

- **Benefit for High-Cost Medical Care:**

In case the out-of-pocket medical expense in a particular month exceeds a certain limit, the excess amount will be reimbursed by the Health Insurance. Such limit, as described below, applies to each participant or dependent.

Under 70 years of age

Until December 2014

Section A	JPY 150,000 + (expense – JPY 500,000) x 1%
Section B	JPY 80,100 + (expense – JPY 267,000) x 1%
Section C	JPY 35,400

Section A: Those with a standard monthly remuneration of JPY 530,000 or over.

Section B: Other than A and C

Section C: Low-income person

Low-income persons: Those exempt from local residents' tax.

From January 2015

Section A	JPY 252,600 + (expense – JPY 842,000) x 1%
Section B	JPY 167,400 + (expense – JPY 558,000) x 1%
Section C	JPY 80,100 + (expense – JPY 267,000) x 1%
Section D	JPY 57,600
Section E	JPY 35,400

Section A: Those with a standard monthly remuneration of JPY 830,000 or over.

Section B: Those with a standard monthly remuneration of JPY 530,000 - JPY 790,000.

Section C: Those with a standard monthly remuneration of JPY 280,000 - JPY 500,000.

Section D: Those with a standard monthly remuneration of JPY 260,000 or less.

Section E: Low-income person

70 years of age or less than 75 years of age

No change from the practice of January 2015.

High-income persons	JPY 80,100 + (expense – JPY 267,000) x 1%
General	JPY 44,400
Low-income persons	JPY 15,000

- **Sickness and Injury Allowance:**

When a participant is unable to work due to the necessity of medical treatment and loses his/her remuneration, an amount equivalent to two-thirds of the standard daily remuneration will be paid per day up to 18 months, after a waiting period of three days.

- **Maternity Benefits:**

- **Delivery Benefit:**

Maternity is not considered as a sickness, and normal delivery expenses will not be covered. However, when a participant or a dependent gives birth, the participant receives a fixed amount of JPY 390,000 or JPY 420,000 per newborn child, depending on the type of medical facility.

- **Maternity Allowance:**

When a participant leaves work to give birth and loses her remuneration, she is entitled to receive the maternity allowance. She may receive two-thirds of the standard daily remuneration per day, from 42 days before the anticipated delivery date to 56 days after the actual date of delivery. If she receives partial pay, the allowance will be integrated.

National Health Insurance

The National Health Insurance offers benefits similar to those of the Health Insurance for employees. People not covered by another scheme must join the National Health Insurance. The coverage level is 70% of medical care expenses.

The contribution amount is determined by each local government, usually based on total income and number of persons in each household.

Social Security Benefits and Customary Private Employee Benefits

Long-Term Care Insurance:

With the impending problem of an aged society and an expected increase in demand for nursing and medical care for the aged, long-term care insurance started in Japan on April 1, 2000.

Insured:

All individuals age 40 or older are required to have long-term care insurance, regardless of the cause of the need for care. Insureds aged 40 to 64 are covered for care and services needed due to the symptoms of aging, such as dementia.

Individuals aged 65 and over are Class 1 insureds, and those aged 40 to 64 are Class 2 insureds.

Benefits:

The insured is able to receive long-term care services such as home-visit services by care attendants or care services at nursing homes. However, those who would like to receive these services should be registered as truly needing these services for support.

In order to receive long-term care benefits, it is necessary to obtain an authorization from the municipality stating that one is truly in need of care or support. The municipality will determine the degree of care necessary for each case. The benefit level will be determined by said degree. Thereafter, one may choose which service to receive. One must bear 10% of the actual cost of those services.

Contributions:

Contributions to the long-term care insurance start at age 40. They will be collected together with the Health Insurance contributions, or the insured must pay in directly. The contribution rate or amount varies for each health insurance. The contribution rate for the Health Insurance managed by the Japan Health Insurance Association is 1.58% (revised as of April 2015), borne equally by employers and employees.

Contributions paid by Class 1 insureds are collected by local governments, and the amount of contribution depends on their classification.

Contributions paid by Class 2 insureds are collected together with the health insurance contributions, and the contribution rate or the amount of contribution varies for each health insurance.

Longevity Healthcare System:

The Longevity Healthcare System (Healthcare System for Later-Stage Elderly Persons) was established through reforms to the national healthcare system as an easy-to-understand system for providing healthcare tailored to the physical and mental needs of elderly persons aged 75 years or older and for enabling the entire population to support the cost of providing such healthcare with a view to maintaining a system of insurance that can benefit everyone for many years to come.

General	10%	Cases not coming under the following: Where the income of any insured person belonging to the same household is subject to municipal residence tax of no more than JPY 1,450,000.
	20%	For those becoming 70 and older from this fiscal year.
Worker-Equivalent Income Earners	30%	Provided, however, that if the total earnings of insured persons is less than JPY 5,200,000 (or JPY 3,830,000 where there is only one insured person), the self-payment rate will be 10% by request.



Social Security Benefits and Customary Private Employee Benefits

Contributions:

Insurance premiums shall be equal to the sum of the per-capita-based amount to be assumed by all insureds and an income-based amount to be assumed in accordance with income level.

Social Security Benefits and Customary Private Employee Benefits

Retirement Benefits

Introduction

Retirement benefit payments are basic and standard employee benefits in Japan. The vast majority of Japanese companies have retirement benefit policies based on a labor-management agreement. Generally, these policies pay lump sum benefits to retired employees, based on a certain multiple of final basic monthly salary. Lower benefit rates are provided for voluntary severance.

Under traditional Japanese employment practice, an employer was morally bound to take care of the financial security of employees and their families. Employees had a strong sense of loyalty to their employer and stayed with the company until their retirement.

In recent years, such tradition has weakened, as people change jobs more often, and companies cut benefits due to financial difficulties. However, many aspects of the traditional practice still exist.

The following are typical employee benefits offered by Japanese companies, in addition to legal employee benefits:

- Retirement lump sum and/or pension benefit plans
- Survivors' benefit plans (death benefits)
- Housing assistance plans and company housing plans
- In-company saving plans
- In-company loan plans
- Company-owned recreational and sports facilities

Normal Retirement Age

Most business firms have a mandatory retirement system, in which an employment contract is automatically terminated when the employee reaches a certain age (usually age 60).

The Act on the Stabilization of Employment for Elderly Persons was partially amended in September of 2012 and enacted in April of 2013. Under the amended law, employers are basically requested to continue employing elderly employees who want to work after the mandatory retirement age.

The purpose of the amended law is to ensure the stable employment of employees until they reach age 65. The earliest eligible age for men to receive Employee's Pension Insurance was raised to age 61 in 2013 and will be increased by one year every three years until 2025 when the age to begin receiving this benefit will be age 65.

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>The pension scheme in Japan mainly consists of the National Pension and the Employees' Pension Insurance.</p> <p>The National Pension provides basic benefits to all Japanese citizens.</p> <p>Employees' Pension Insurance provides additional benefits to employees of private companies. Both programs are administered by the Japan Pension Service.</p> <p>The National Pension is common for all residents in Japan between the ages of 20 to 60. Participants are categorized by the following three classes:</p> <p><u>Class 1</u></p> <p>The Class 1 participants are those not categorized in Class 2 or 3, such as the self-employed.</p> <p><u>Class 2</u></p> <p>The Class 2 participants are participants of Employees' Pension Insurance or Mutual Aid Associations.</p> <p><u>Class 3</u></p> <p>The Class 3 participants are dependent spouses of Class 2 participants.</p> <p>The Employees' Pension Insurance is mandatory for employees of private companies. Part-time employees and temporary workers are excluded. Mutual Aid Associations, which provide benefits similar to the Employees' Pension Insurance, cover public servants.</p> <p>Old-Age Pension Benefit</p> <p><i>Eligibility</i></p> <p>Participants become eligible for the old-age pension benefit at age 65. A minimum participation period of 25 years to the National Pension is required.</p> <p><i>Amount of Benefit</i></p> <p><u>National Pension (Basic Pension):</u></p> <p>For participants with a full participation period of 480 months (from age 20 to 60), the basic old-age pension from the National Pension is JPY 779,300. It was reduced by 0.7% from October 2013, responding to the special adjustments made in the years between 2000 through 2002 with the change of commodity prices.</p>	<p>Lump Sum Retirement Benefits:</p> <p><i>Implementation</i></p> <p>Together with an age-limit system, a large majority of Japanese companies pay a lump sum benefit to those employees retiring at a certain retirement age (usually age 60-65). A lump sum benefit is also paid for voluntary severance, usually to those employees who served three years or more.</p> <p><i>Level of Benefits</i></p> <p>Lump sum benefits are usually calculated by multiplying a final base salary by an applicable figure. Such figures increase in proportion with the length of service, typically, one for each year of service.</p> <p>Applicable figures for voluntary severance are lower than those for retirement at the retirement age. (<i>Please See Reference Table A.</i>)</p> <p><i>Book Reserve</i></p> <p>On April 1, 1977, a law became effective that a company must make an effort to fund outside the company, or to otherwise secure or guarantee, at least 25% of voluntary severance benefit liabilities.</p> <p><i>Tax Benefit</i></p> <p>The tax benefit to set up a book reserve for voluntary severance benefit liabilities ended in 2002.</p> <p>Companies have to amortize the remaining balance of such non-taxable book reserves within four years (for smaller companies, within ten years).</p> <p>Defined Benefit Corporate (DB) Pension:</p> <p>The Defined Benefit Pension Law became effective on April 1, 2002. The Defined Benefit Corporate Pensions created via this law are intended to take the place of the Tax-Qualified Pension Plans (TQPP).</p> <p>Note: In March 2012, all the TQPP plans have ceased due to government legislation. Most were transferred to DB and DC, and the rest were abolished as of March 2012.</p> <p><i>Benefit Eligibility</i></p> <p>At the time of retirement, a lump sum benefit must be provided to employees who have worked for the company for three or more years. This will apply to involuntary retirements as well. If an employee has worked for over 20 years, he/she will be eligible to receive pension benefits.</p>

For participants with a shorter participation period, the amount will be reduced in proportion to one's participation period.

Employee's Pension Insurance (Welfare Pension):

The old-age welfare pension from the Employee's Pension Insurance is the total of earnings-related component and additional component as shown below.

Earnings-Related Component:

AMS (Average Monthly Salary) x 0.7125% x number of months participated until March 2003 x 0.95

plus

AMS (Average Monthly Salary) x 0.5481% x number of months participated from April 2003 x 0.7808

AMS (Average Monthly Salary) is the average amount of monthly salary for the period participated.

Additional Component:

This component is paid only if one has a dependent spouse under age 65 or a dependent child under age 19.

Special Old-Age Welfare Pension for Participants Under Age 65:

For those who were born before 1949 (for females, 1954), a special old-age welfare pension will begin before one reaches age 65. Amount of the special old-age welfare pension is almost the same as the aggregate old-age pension (basic + welfare) after age 65.

For those who were born before 1961 (for females, 1966), a special old-age welfare pension will begin before one reaches age 65, which consists of the old-age welfare pension part only.

Financial Regulations

Under the new DB pension regulations, the financial condition of the pension plan is checked once a year to ensure that the plan has a sufficient amount of assets to operate and has no problems in paying forthcoming benefit payments. When the amount of assets is determined to be insufficient, policyholders are required to increase their contributions in order to resolve the deficit within a certain period of time. If the pension plan has been over-funded, the surplus will be reserved in the plan, and a "contribution holiday" is awarded.

Taxation

Premiums paid by the employer are fully tax-deductible, and pension assets are subject to a special corporate tax (temporarily suspended until March 31, 2017).

Amendment:

An amendment to the DB Corporate Pension Act became effective on April 1, 2018. The Ministry of Health, Labor and Welfare announced the proposed revision of the defined benefit corporate pension enforcement regulations and related notice on September 15, 2017, and it was promulgated on November 8, 2017.

Listed below are the main contents and requirements of this amendment:

1. Formulation of [Basic Investment Policies] and Policy Asset Allocation
2. Stating the policy of diversified investment and concentrated investment on the [Basic Investment Policies]
3. Stating the policy of alternative investment on the [Basic Investment Policies]
4. Establishment of a pension committee
5. Reviewing the standards of selecting and evaluating investment managers
6. Points to be aware of when putting investment consultants to practical use
7. Factors to inform the employees
8. Stewardship Responsibility

Defined Contribution Pension (DC) Plans

Defined Contribution Pension law became effective as of October 2001. DC plans have characteristics that are similar to a 401(k) plan in the U.S.

There are two types of DC plans: A corporate DC plan and an individual DC plan. An employer can implement a corporate DC plan for employees. Employees and the self-employed may participate in an individual DC plan.

Under a corporate DC plan, employees are allowed to pay the contributions until age 65, which was extended from age 60 in 2014.

Under an individual DC plan, individuals are allowed to continue the payment until age 60.

Matching contribution (contribution from both employee and employer) has been allowed since January 2012. However, there are two restrictions: employee contributions cannot exceed employer's contributions, and combined employee and company contributions must be within the monthly contribution limit.

For either type of DC plan, participants have the right to choose the investment product. The employer must offer at least three types of investment or saving products for employees to choose from. Among them, at least one must be a principal protection type. Accumulated assets for each individual will be managed separately by the managing company.

Portability is also a major feature of a DC plan. Employees are able to bring their accumulated assets to their new employer's DC plan when changing jobs, or to an individual DC plan, if the new employer does not offer a corporate DC plan. Thus, job switching will not interrupt the accumulation.

Participants can claim their retirement allowance at age 60 or older, but before age 70. Benefits can be paid either as an annuity or lump sum. Benefit payments before age 60 are not permitted, except in case of death or severe disability of the participant.

The Japanese Diet passed the Defined Contribution (DC) Amendment Bill on May 2016, and the amendments will be rolled out beginning in January 1, 2017. This Bill represents some of the most significant changes to DC plans since their inception. These changes include expanding eligibility for participation and defining contribution limits on an annual basis rather than the current monthly basis.

An additional Defined Contribution Amendment Bill was passed by the Japanese Diet in the FY 2017 and 2018.

The main contents of this amendment are outlined below:

January 2017

- Extension of the range of application of Individual-Type DC

January 2018

- Change of DC contribution Period Unit
Able to make contribution on an annual basis, starting January 2018.

May 2018

- Establishment of simplified DC Plan and small to medium-sized business owner contribution payment system for Individual-Type DC Plan
- Expansion of portability
- Obligation to make efforts for continuous investment education and limit the number of investment products
- Abolition of default product and introduction of the operational investment method

Eligibility and Contribution Maximum

The following is a basic outline for eligibility and maximum contribution amounts to the DC plan. The maximum contribution limit was increased in January 2010:

Note 1: Matching contributions are allowed, but employee's contributions cannot exceed employer's contributions.

Note 2: Able to continue investment for the amount that was contributed during the time when eligibility requirement for making contribution had been met. A participant of DB will be able to contribute to individual DC from 2017, according to the revision of the DC regulations in 2016, with a maximum monthly contribution of JPY 12,000.

Type of DC Plan	Participation in EPF or new DB	Maximum Monthly Contribution
Corporate DC (Note 1)	Yes	JPY 27,500
	No	JPY 55,000
Individual DC (Individual contribution only)	No (employees of private company)	JPY 23,000
	No (self-employed)	JPY 68,000
	Yes	Cannot make contribution (Note 2)

Other Taxation

Balance of DC plan will be subject to special corporate tax. However, the special corporate tax has been suspended since April 2001.

The lump sum benefit provided by a DC plan is treated as retirement income, to which the retirement income deduction and separate tax rate applies. The annuity benefit is treated as a public pension, to which the public pension deduction applies.



Social Security Benefits and Customary Private Employee Benefits

Labor Insurance (Workers' Compensation and Employment Insurance)

Workers' Compensation:

Administration:	Administered by the Government.
Coverage:	Almost all employers must have the Workers' Compensation Insurance to cover their employees, whether full-time or part-time. Directors of the company are generally excluded from the coverage.
Workers' Compensation Benefits:	<p>Under the Workers' Compensation Insurance, benefits are provided for medical care, loss of income, disability or death of an employee due to occupational causes or accidents during the commute.</p> <ul style="list-style-type: none">• Medical Care Compensation<p>If an employee becomes sick or injured due to occupational causes or accidents during the commute, necessary medical care is provided. Out-of-pocket expenses by employees are not required if the accident or sickness resulted from occupational causes, and a nominal amount is required for accidents during the commute.</p>• Compensation for Loss of Income<p>If an employee cannot work because of sickness or injury due to occupational causes or accidents during the commute, which results in loss of his/her wages, 60% of his/her average daily wage will be granted. The average daily wage is calculated based on his/her wages paid during the previous three months. A three-day waiting period applies. The maximum payment period is 18 months. An additional special benefit up to 20% of the average daily wage may also be granted.</p>• Compensation for Continuous Medical Care<p>If an employee does not recover after 18 months from sickness or injury due to occupational causes or accidents during the commute and is still receiving medical care, and if such sickness or injury falls under a certain class, one may receive an annuity benefit. The amount of such annuity benefit is 131 to 313 times one's average daily wage, depending on the class.</p>• Pension and Lump Sum Compensation for Disability<p>If an employee becomes disabled due to occupational causes or accidents during the commute, one may receive a disability pension (131 to 313 times the average daily wage) or a lump sum disability benefit (56 to 503 times the average daily wage), depending on the degree of disability. An additional special lump sum benefit may also be paid.</p>• Compensation for Survivors<p>Survivors' benefits will be granted if the employee dies due to occupational causes or accidents during the commute.</p><p>The survivors' pension benefit will be granted to eligible dependents of the deceased employee. The amount of pension ranges from 153 to 245 times one's average daily wage, depending on the number of survivors.</p>

Social Security Benefits and Customary Private Employee Benefits

A survivors' lump sum benefit will be granted in case the deceased employee had no eligible dependents. The amount of the survivors' lump sum benefit is 1,000 times the average daily wage.

- **Funeral Expense Benefit**

If an employee dies due to occupational causes or an accident during the commute, JPY 315,000 plus 30 times the average daily wage, or 60 times the average daily wage, whichever is greater, will be paid as a funeral expense benefit to the one who administers the funeral.

- **Long-Term Care Benefits:**

If an employee is recognized as needing full-time nursing care, an amount from JPY 56,790 to JPY 104,570 is payable. If recognized as needing appropriate care, an amount from JPY 28,400 to JPY 56,790 is payable. However, these amounts are limited to actual expenses.

Contributions:

The contribution rate for Workers' Compensation Insurance ranges from 0.25% to 8.8% depending on the type of business and is based on the total remuneration paid to employees. The contribution is paid solely by the employer. A favorable contribution rate may apply to companies with a low loss ratio ("Merit System").

Index-Linking:

Pension benefits payable under Workers' Compensation Insurance may be subject to change in accordance with a change in the average wage.

Employment Insurance:

Administration:

Administered by the Government.

Coverage:

Employment insurance covers basically all employees and provides an allowance in case of unemployment. Temporary workers who work more than 20 hours a week and plan to work more than 31 days are included. Directors of the company are generally excluded from the coverage.

An expatriate who is planning to return to his or her home country after termination of employment in Japan may be excluded from coverage.

Benefits:

Employees, who have been insured for 12 months or more within two years prior to the date of severance, shall be entitled to unemployment benefits.

When an insured becomes unemployed, approximately 50% to 80% of the average daily wage will be paid as the basic daily unemployment allowance for a certain period. Seven days' waiting period applies. Employees who left their employment voluntarily may have to wait for three months.

The average daily wage is the average of the wages of the last six months of employment. The minimum and maximum amount of the basic daily allowance is based on one's age.

The payment period for the basic daily allowance is 90 to 180 days, depending on the age and length of participation. For those with difficulty in getting employed for specific reasons, the payment period may be extended up to 360 days.

Other benefits, such as a grant for training and incentive for re-employment, are also provided.



Social Security Benefits and Customary Private Employee Benefits

Contributions:

The contribution rate for general industries is 1.35% of total remuneration paid to employees. 0.85% is borne by employers and 0.5% by employees. Higher contribution rates apply to some industries, such as construction, sake brewing and agriculture.

Summary of Taxation of Employee Benefits

Type of Insurance	Contributions	Benefits
Labor Insurance	Contributions are fully tax-deductible for both employers and employees.	Workers' insurance benefits are non-taxable, and employment insurance benefits may be taxable.
Group Life Insurance:	The premium for group term life insurance paid by an employer is fully tax-deductible.	A death benefit is subject to a special tax deduction of JPY 5 million times the number of legal heirs of the employee. Insurance payments made to the employee will not be taxed.
Pensions:	Employer's contributions to an employee's pension fund are fully tax-deductible. Such contributions will not be included in employee's income for tax purposes.	An annuity from such a pension plan is considered as taxable income for each year. A lump sum payment from such a plan is also taxable; however, some tax advantages apply. When a pension is taken out as a lump sum, it will be handled as a retirement income, and a separate taxation will be applied. When a pension is taken out as an annuity, it will be handled as miscellaneous income, and a consolidated taxation will be applied. These are typically taken out as a lump sum instead of an annuity because of tax reasons.

Contributory Pension Plan:

As a result of the amendments to the tax system in FY 2010, the deductible amount of insurance premium for individual pensions was changed. After the amendments, the maximum deductible amount for insurance premium for individual pensions decreased to JPY 40,000 for income tax and JPY 28,000 for residence tax, if the contract was made on and after January of 2012.

With regard to contracts made before January 2012, the maximum deductible amount for insurance premium for individual pensions is JPY 50,000 for income tax and JPY 35,000 for residence tax.

Deductions can be made on taxable income through year-end adjustments or a return on income tax and residence tax when filing the final income tax return.

The contributory corporate pension scheme supplements public pension schemes and company annuities. Therefore, an increasing number of companies are implementing this scheme.



Sample Employee Benefit Plans

Company 1:

Group Term Life Insurance Plan:

Life Insurance: An amount equal to 24 times monthly salary
Maximum: JPY 100,000,000
Minimum: JPY 1,000,000

Cash Balance Plan (New DB):

Types of Benefits: Annuity or Lump Sum Payment for Retirees
Withdrawal Benefits for Voluntary Severance
Survivors' Lump Sum Benefits

Basis for Calculation of Benefits: Individual Hypothetical Account Balance

Eligibility Requirements: Service length of 20 years or more and age 60 for annuity. More than 2 years of service for withdrawal of benefits for lump sum.

Benefits:

Retirement Pension:	Accumulated Individual Hypothetical Account Balance divided by present value of annuity based on the assumed interest rate, payable for 5, 10 or 15 years. Benefit can be converted to lump sum.
Withdrawal Benefits:	Lump sum payment. Calculation formula is almost the same as for the retirement pension.
Survivors' Benefits:	Annuity payments or lump sum payment. Calculation formula is almost the same as for the retirement pension.

Financing Method: Pension funds are managed by life insurance companies and/or trust banks.

Employee Contribution: None

Company 2:

Group Term Life Insurance Plan:

Life Insurance:	An amount equal to 2 times annual salary Maximum: JPY 50,000,000 Minimum: JPY 1,000,000
Disability due to Accident (Rider):	A lump sum payment up to 100% of the insurance amount (Maximum of JPY 10 million).

Cash Balance Plan (DB):

Types of Benefits:	Lump sum or Annuity Payments for Retirees Withdrawal Benefits for Voluntary Severance Survivors' Lump Sum Benefits
Basis for Calculation of Benefits:	Individual Hypothetical Account Balance
Eligibility Requirements:	<ul style="list-style-type: none"> • Lump Sum Payments: For the current staff, after 1 year of service for involuntary termination, 2 years of service for voluntary termination (For new staff, 2 years of service for any cause) • Annuity Payments: After 10 years of service (For new staff, 20 years of service)
Benefits:	<ul style="list-style-type: none"> • Retirement Pension: 7.2% of Base Salary is given to each employee's Individual Hypothetical Account Balance as a pay-credit per month, with interest added to the balance. The accumulated total of pay-credits and interest until termination is paid as a retirement benefit, payable as whole life with 15 years certain if paid as a pension. (Benefits can be converted to a lump sum.) • Withdrawal Benefits: Lump sum payments: The calculation formula is almost the same as for the retirement pension. • Survivors' Benefits: Lump sum payments: The calculation formula is almost the same as for the retirement pension.
Financing Method:	Pension funds are managed by life insurance companies (and/or trust banks).
Employee Contribution:	None

A. Current Model Retirement Lump Sum Benefit Level

Figures for male university graduate employees.

Companies with 1,000 or more employees (JPY 10,000)

<u>Service Years</u>	<u>Lump Sum Only</u>	<u>Pension Only</u>	<u>Both</u>
20 - 24	854	1,100	1,255
25 - 29	801	1,864	1,514
30 - 34	1,610	1,984	2,377
Over 35	1,877	2,375	2,674

Companies with 300-999 employees (JPY 10,000)

<u>Service Years</u>	<u>Lump Sum Only</u>	<u>Pension Only</u>	<u>Both</u>
20 - 24	635	975	940
25 - 29	990	838	1,520
30 - 34	1,252	1,514	1,716
Over 35	1,526	1,913	2,211

Companies with 100-299 employees (JPY 10,000)

<u>Service Years</u>	<u>Lump Sum Only</u>	<u>Pension Only</u>	<u>Both</u>
20 - 24	656	607	538
25 - 29	848	NA	764
30 - 34	1,378	1,214	1,685
Over 35	1,185	1,352	1,912

Companies with 30-99 employees (JPY 10,000)

<u>Service Years</u>	<u>Lump Sum Only</u>	<u>Pension Only</u>	<u>Both</u>
20 - 24	602	NA	NA
25 - 29	661	NA	NA
30 - 34	NA	NA	NA
Over 35	1,182	1,287	2,597

Average of All Companies

<u>Service Years</u>	<u>(JPY 10,000)</u>	<u>Value Convertible to Monthly Salary</u>
20-24	826	18.5
25-29	1,083	21.8
30-34	1,856	34.4
Over 35	2,156	41.4

Source: Survey of companies with 30 or more employees conducted in October 2013 by the Ministry of Health, Labor and Welfare.

B. Retirement Lump Sum Benefits and Pension Plans

Year Survey Was Conducted	Lump Sum Only	Pension Only	Both
1978	62.1%	16.4%	21.5%
1981	55.4%	18.5%	26.2%
1985	51.9%	14.3%	33.8%
1989	49.3%	11.3%	39.3%
1993	47.0%	18.6%	34.5%
1997	47.5%	20.3%	32.2%
2003	46.5%	19.6%	33.9%
2008	55.3%	12.8%	31.9%
2013	65.8%	11.6%	22.6%
2014	N/A	N/A	N/A
2015	N/A	N/A	N/A

Number of Employees	Lump Sum Only	Pension Only	Both
1,000 or more	23.0%	28.9%	48.1%
300 – 999	49.9%	17.3%	32.8%
100 – 299	56.0%	14.0%	30.0%
30 – 99	74.1%	8.6%	17.3%

Note: The ratio of companies that only have lump sum retirement benefits is decreasing. Yet, the ratio of companies that have both lump sum and pension plans is increasing.

Source: *Survey of companies with 30 or more employees conducted in October 2013 by the Ministry of Health, Labor and Welfare.*

C. Employee's Pension Funds in Force

	<u>Number of Funds</u>	<u>Number of Persons Covered (thousand)</u>	<u>Funds (JPY trillion)</u>
March 1994	1,804	12,114	35.4
March 1995	1,842	12,233	38.4
March 1996	1,878	12,343	41.8
March 1997	1,883	12,100	45.0
March 1998	1,874	11,930	50.1
March 1999	1,858	12,110	53.3
March 2000	1,835	11,890	62.2
March 2001	1,801	11,546	58.0
March 2002	1,737	11,040	57.0
March 2003	1,656	10,385	51.2
March 2004	1,357	8,351	48.6
March 2005	838	6,152	36.8
March 2006	687	5,309	37.3
March 2007	658	4,740	38.8
March 2008	626	4,620	32.8
March 2009	617	4,390	25.6
March 2010	608	4,562	29.0
March 2011	595	4,510	27.9
March 2012	577	4,400	26.9
March 2013	560	4,260	28.9
March 2014	531	4,080	30.9
March 2015	444	3,630	31.3

Remarks: Includes funds with trust companies and life insurance companies.

Sources: *Ministry of Health, Labor and Welfare Pension Fund Association.*

D. Normal Retirement Age

<u>Age</u>	<u>%</u>
Others	2.0
60	82.3
61 – 64	3.7
65 or over	12.0

Source: Survey by the Tokyo Metropolitan Government in 2012

E. Group Insurance in Force

	<u>Number of Policies</u>	<u>Number of Insureds (thousands)</u>	<u>Total Sum Insured (JPY million)</u>
FY 1995	223,757	53,569	582,238,600
FY 1996	221,660	56,416	595,877,100
FY 1997	213,973	59,983	591,748,700
FY 1998	170,004	61,154	423,326,000
FY 1999	149,181	59,741	418,623,600
FY 2000	134,745	63,366	417,256,900
FY 2001	122,047	61,662	415,985,800
FY 2002	109,590	55,049	408,995,500
FY 2003	98,198	52,277	396,658,900
FY 2004	87,723	45,568	387,060,658
FY 2005	80,727	43,649	382,382,300
FY 2006	N/A	42,630	380,595,200
FY 2007	N/A	41,920	372,704,909
FY 2008	N/A	41,310	375,188,204
FY 2009	N/A	40,580	373,082,936
FY 2010	N/A	40,120	371,519,137
FY 2011	N/A	39,550	370,330,503
FY 2012	N/A	39,190	370,112,687
FY 2013	N/A	39,340	371,288,900
FY 2014	N/A	39,180	373,127,900

Source: Summary of Life Insurance Business conducted by Life Insurance Institute

Useful Links

Demographic information	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
Macro-Economic indicators	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
For more information on the Dai-ichi, please visit:	http://www.dai-ichi-life.co.jp/
English versions of the Dai-ichi's Annual Reports are available on:	http://www.dai-ichi-life.co.jp/english/investor/financial/annual_report/index.html



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