Chapter VI Social Security System

1 Subject of Japan's Social Security System

Dwindling Birthrates and Aging Population

The social security system draws upon tax and social insurance for its revenue, and is a system that carries out social welfare programs to cope with the various risks in life faced by people such as those whose health has been damaged by illness or disability, and those who have been deprived of their source of income as a result of job loss or retirement. Japan's social security system is similar to those in Europe and the U.S. in that, to satisfy each stage of people's lives, it is composed of such elements as medical insurance, public health services, social welfare services, income maintenance, and employment measures (see VI-1). Of these, medical insurances, health care programs for the elderly, long-term care insurance and pension systems, as well as unemployment insurance and industrial accident compensation insurance are the social insurances that are mainly financed by social insurance premiums and partly subsidized by the government revenues. In contrast, welfares for the child, for single mothers and widows, for the elderly, for persons with disabilities, and for the poor as well as public health services are all public policies provided with funds drawn from taxes.

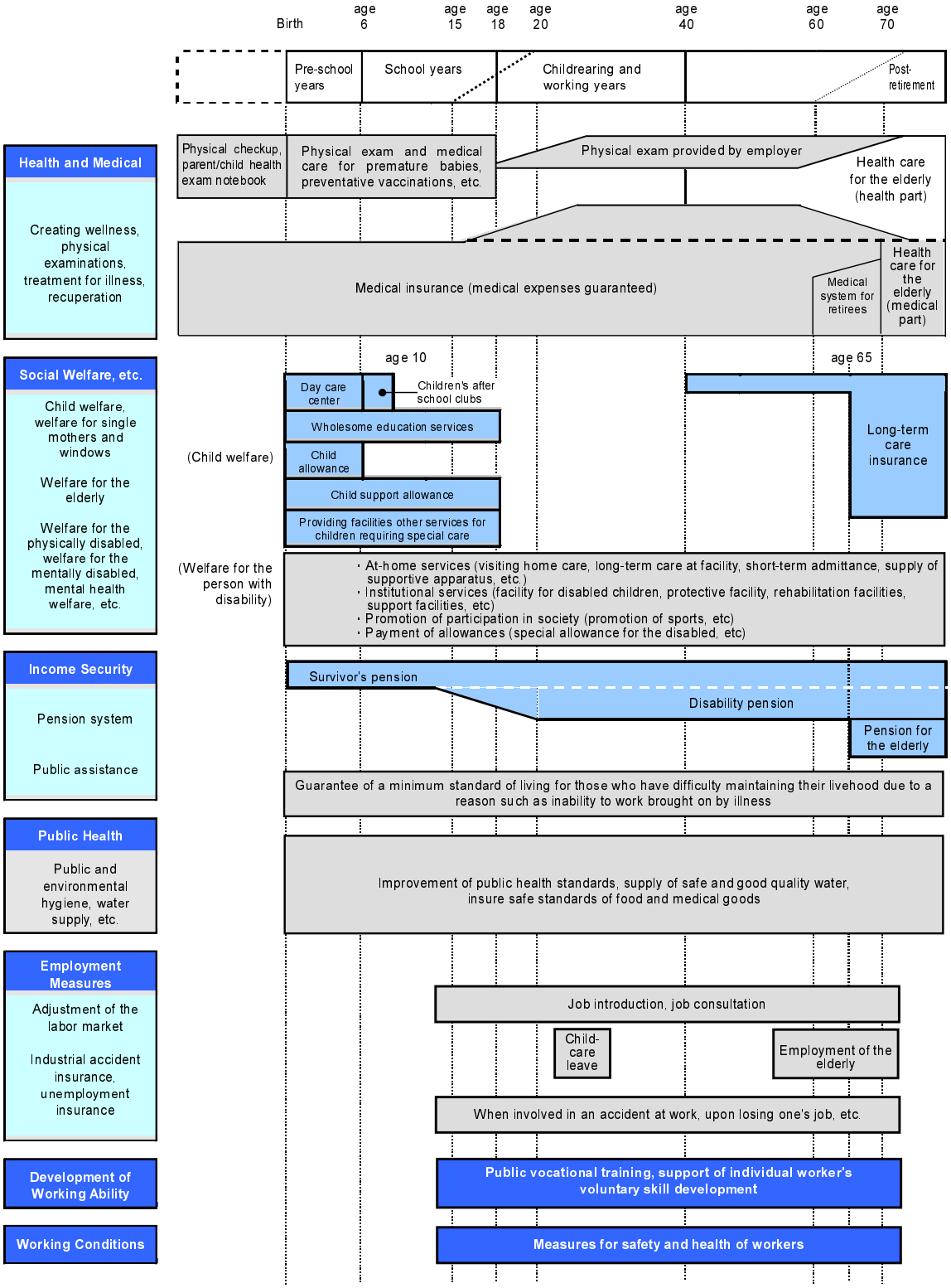
Internationally speaking, the characteristics of long-term care insurance and health care programs for the elderly in Japan is that they are half funded at public expense out of tax revenues although they are included in social insurance.

The Benefits and Cost Burden of Social Security

In order to make an international comparison on the trend of social security, the Organisation for Economic Co-operation and Development (OECD) is disclosing information on indices of social expenditure that includes pension funds, medical care and welfare for the poor, child allowance that gets transferred, social security benefits from expenditures on welfare services and expenditures such as expenses for facility development that do not get transferred directly to individuals (OECD Social Expenditure Database 2001). Looking at the percentage of social expenditure occupying the national income, Japan's ratio is lower than European countries, but higher than the U.S. (see upper section of VI-2). Futhermore, based on the figures in closely related years, the percentage of national income occupied by social security costs is low when compared with that in Germany, France, and Sweden, but higher than the U.S. and the U.K. (see lower section of VI-2).

Japan's expenditure on social security benefits is rising as the birthrate declines and the population ages. In 2008, the total population was 127.78 million, of whom 28.14 million were aged at least 65 (according to national population estimates by the Statistics Bureau of the Ministry of Internal Affairs and Communications). The aging rate (population aged 65 or over / total population) rose from 9.1% in 1980 to 12.1% in 1990 and 14.6% in 2000, and reached 22% in 2008.

VI-1 Social Security System by Life Stage



Souce: Ministry, of Health, Labour and Welfare, *Annual Reports on Health, Labour and welfare,* Figure 3-1-1, 2001

This population aging is causing the number of pensioners to grow, and is also a factor behind rising health care expenditures due to the fact that medical benefits per person are around five times higher for older persons than people of economically active age. While the rate of increase in health care expenditure has been slowed by the introduction of long-term care insurance, the upward trend continues fueled by population aging. As population aging is also leading to an increase in the number of older persons in need of care due to the increase in number of "old old," expenditure in long-term care insurance benefits is also rising. As a consequence, the rise in expenditure on social security benefits, including pension, health care, and long-term care insurance benefits, continues.

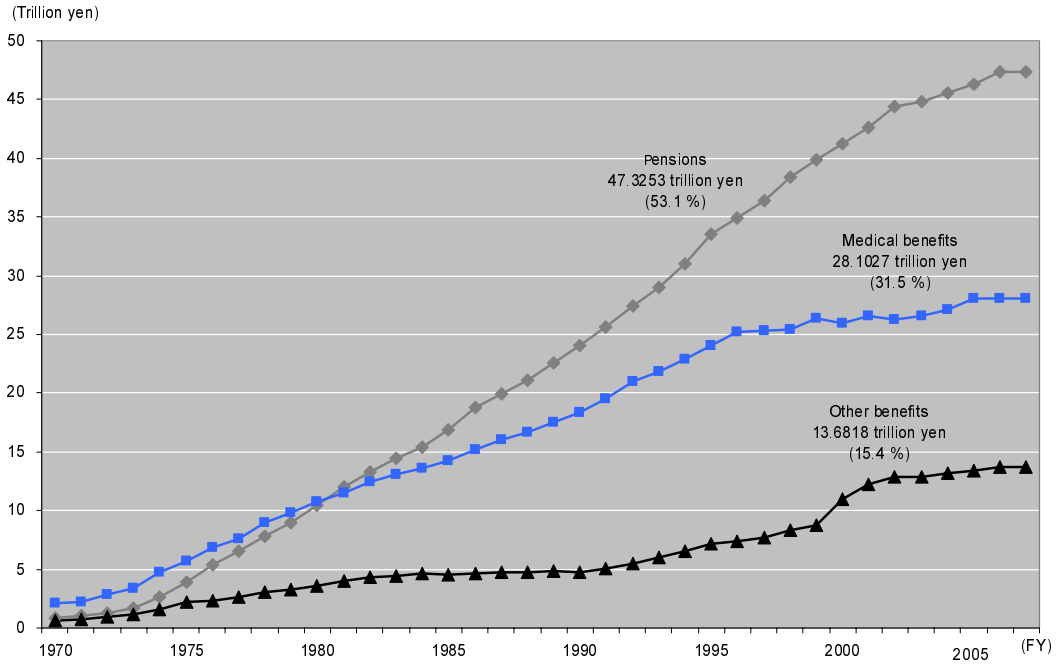
VI-2 International Comparison of Social Expenditures and National Burden Ratios

	Japan	United States	United Kingdom	Germany	France	Sweden
Social expenditure (% of national income)	26.2	20.3	28.2	36.7	40.7	42.3
Social income (% of GDP)	19.1	16.3	20.0	27.1	29.0	30.1
National burden ratio (% of national income)	38.3	34.5	48.3	51.7	62.2	70.7
Potential national burden ratio (% of GDP)	44.6	39.6	52.1	56.0	66.3	70.7

Source: 2006 Social Security Benefits (National Institute of Population and Social Security Research).
Data on the social expenditures of each country are based on OECD standards.

Notes: 1) (Potential) national burden ratio includes costs other than social security.
2) Data for countries other than Japan are from OECD Social Expenditure Database, 2008 edition.
Statistics for Japanese national income and GDP are from Cabinet Office Economic and Social Research Institute, 2008 National Accounts.
Figures for (potential) national burden ratios were calculated by the Ministry of Finance.

VI-3 Changes in Social Security Benefits by Category



Source: *Social Security Benefit Costs, 2006*, National Institute of Population and Social Security Research

While expenditure on benefits (especially for older people) has risen in response to population aging, expenditure on welfare-related benefits, including child welfare, continues to account for a small proportion of Japanese expenditure on social security benefits due to the insufficient expansion of child-care-related benefits compared with Scandinavia and France, for example, despite the importance attached to reversing the decline of the birthrate.

The decline in Japan's birthrate, which affects trends in social security benefit expenses, is forecast to continue. According to the National Institute of Population and Social Security Research's "December 2006 Future Population Projection," the proportion of the total population aged 65 or over will continue to grow, reaching 25.2% in 2013 and approximately 33% in 2035. It is thus forecast that one in three of the Japanese population will be aged 65 or over. To assist the Social Security Council in its deliberations, the Ministry of Health, Labour and Welfare produced a forecast of social security benefits and costs premised on trends in social security reform and economic factors in 2005 (upper section of VI-4). The question of how to adjust this growth in social security benefits and cost burden and balance Japan's economic growth and the social security system in the future as the relative size of the economically active population declines has become a policy concern. The National Council on Social Security was therefore established in the Prime Minister's Office in January 2008 to consider what direction the reform of pensions, health care, long-term care, childcare support, and so on should take and the funding of social security in order to ensure the system's sustainability. Regarding in particular health care and long-term care, which are projected to grow as the population ages, estimates of future expenditures were calculated for the National Council on Social Security's use (lower section of VI-4).

VI-4 Outlook on Social Security Benefits and Cost Burden

Ministry of Health, Labour and Welfare, Outlook on Social Security Benefits and Cost Burden (estimated May 2006)		
% of GDP	2006	2025
Pensions	9.3	8.7
Medical services	5.4	6.5
Long-term care	1.3	2.3
Medical/long-term care sub-total	6.7	8.7
Pension/medical/long-term care total	15.9	17.5
Final Report of National Council on Social Security		
	2008	2025
Medical/long-term care (now)	7.9	10.8
(after reform)		12.0

Notes: 1) The percentage is compared to the national income. Amounts are the nominal amounts from the respective years. (The future values are not shown in the current prices.)
2) The public expenses are calculated based on the assumption that the portion of the basic pension funded from tax revenues will be raised to 50% in FY 2009.

Social Security Cost Burden Based on the Increase in Income Difference and Burden Capacity

Looking at the trends in the Gini index, the index for measuring income inequality based on the Income Redistribution Survey, Ministry of Health, Labour and Welfare, due to the increase in income disparity in the 1990s (see Gini index of initial income in VI-5), the need to increase income redistri-

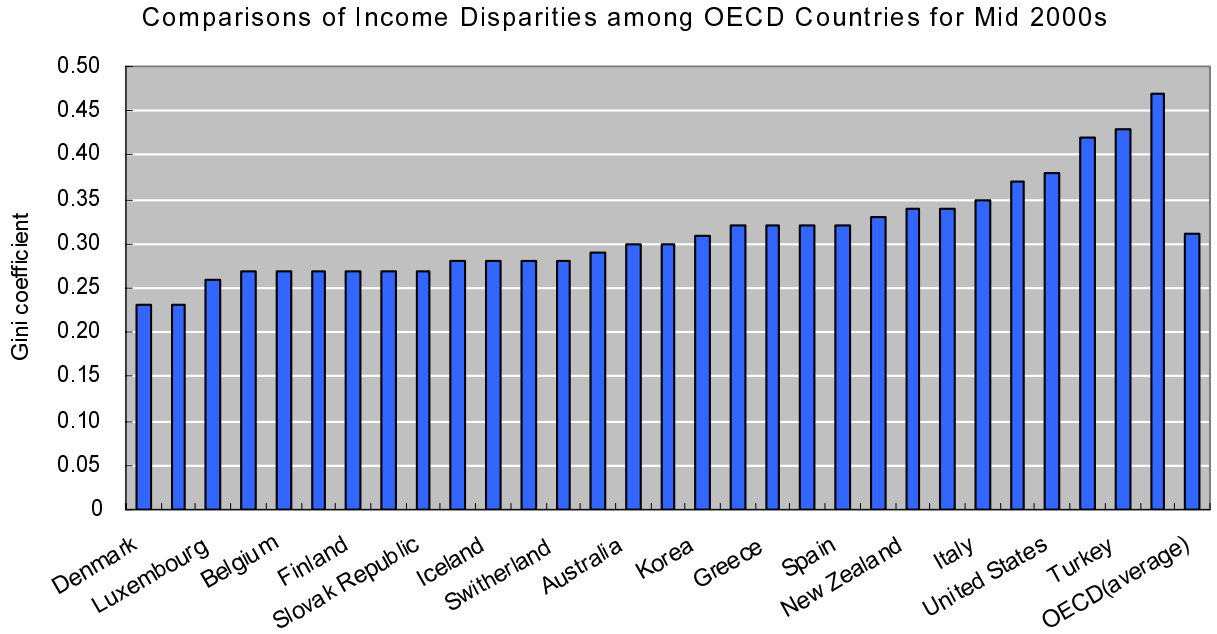
bution through social security in response to this has been heightening (see Redistribution Effects by Social Security in VI-5).
According to the OECD's international comparative study regarding income disparity, comparing the Gini index of the household equivalent disposable income, after-tax and social security (disposable) income (see VI-6), Japan's Gini index is larger than Western European countries, and smaller than the U.S. and U.K. Since there is a necessity to correct income disparity as the social security cost burden increases, the opinion report by the Advisory Council on Social Security (June 2003) points out that "there are disparities in income and property between each and every citizen, and a careful response based on such disparities is necessary", and "appropriate cost burdens should be even expected from elderly persons if they have income and property".

VI-5 Closing of Income Gap through Income Redistribution (Gini Coefficient for Equivalent Incomes)

Year of survey	Gini coefficient				Rate of improvement in Gini coefficient (%)		
	Equivalent initial income	(1) + social security benefits - social security contributions	Equivalent disposal income [(2) – tax]	Equivalent income after redistribution [(3) + benefits in kind]	Rate of improvement due to redistribution	Rate of improvement due to social security	Rate of improvement due to taxation
	(1)	(2)	(3)	(4)	*1	*2	*3
1993	0.3703	0.3313	0.3097	0.3074	17.0	11.2	6.5
1996	0.3764	0.3273	0.3119	0.3096	17.7	13.7	4.7
1999	0.4075	0.3501	0.3372	0.3326	18.4	15.3	3.7
2002	0.4194	0.3371	0.3227	0.3217	23.3	19.9	4.3
2005	0.4354	0.3355	0.3218	0.3225	25.9	22.8	4.1

Source: Summary Findings of the 2005 Income Redistribution Survey (Ministry of Health, Labour and Welfare).
*1. Rate of improvement due to redistribution = 1 - (4) / (1)
*2. Rate of improvement due to social security = 1 - (2) / (1) x (4) / (3)
*3. Rate of improvement due to taxation = 1 - (3) / (2)
Notes: Benefits in kind are for medical care only up to 1999, and for medical care, long-term care, and childcare from 2002.

VI-6 International Comparisons of Income Disparities (Gini Coefficients of Equivalent Disposable Income)



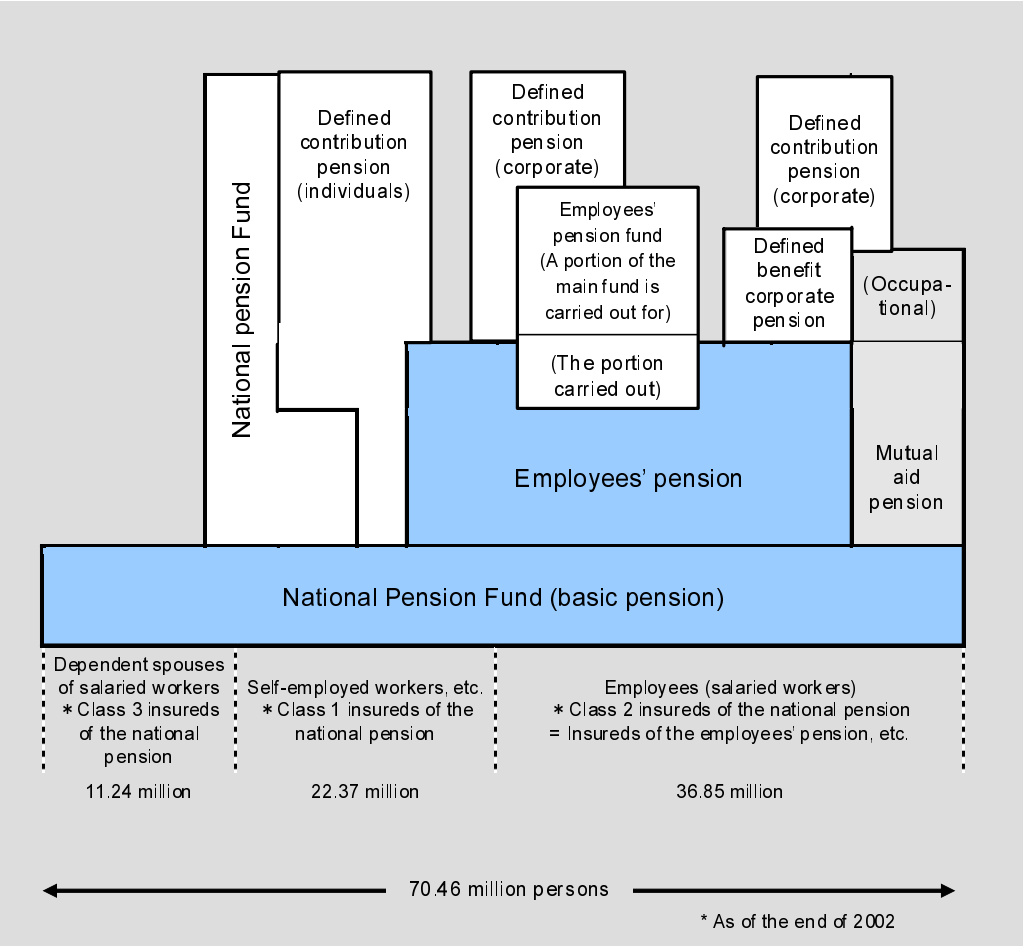
Source: Gini coefficient for mid 2000s: "Growing unequal?" OECD ELSA, 2008

2 Income Security System (Pensions, Public Assistance, and Child Allowances)

Pension System: Japan's pension, health care, and long-term care insurance systems provide universal coverage to all citizens, who receive medical services during sickness and pension benefits after retirement, and long-term care insurance benefits when long-term care benefits are required.

Within Japan's pension system (see VI-7) is a basic pension; all citizens (persons aged 20 to 59) become members of this basic pension plan and receive pension benefits upon reaching the age for payment of benefits to begin (age 60 at present, age 65 for men from 2013, and age 65 for women from 2018). For salaried workers and government employees, respectively, there are employees' pensions and mutual aid pensions to provide pension benefits proportionate to salaries in addition to the basic pension.

VI-7 Pension System



Source: Ministry of Health, Labour and Welfare, *Revised Points of the Pension System* Pension Bureau, 2004

Japan's pension system is revised once every 5 years based on recalculations of pension financing. In the pension reform of 2004, it has been decided to adjust the benefits standards along with the economic situation and the progress of an aging society (however, it is aimed that the standards should not go below 50% of the income of the working generations), instead of fixing the future insurance burden to a certain level (18.3% after 2025, in the case for employees' pensions), drawing from Sweden's pension reform of 2001, etc. The basic pension premiums for the self-employed are a fixed amount (14,410 yen per month in 2008). On the other hand, the pension premiums for salaried workers and government employees are covered equally by the labor and management, and is 15.35% of the total compensation combining the salaries and bonuses (in 2008).

There is a survivors' pension for the bereaved of the subscriber and beneficiary of the pensions system, and in case the subscriber has or become physically disabled, a disability pension is provided under specific conditions. The trends of the number of beneficiaries of the pension and the amount of benefits paid can be seen in VI-8. As of 2008, the benefits for the basic pension has been 792,100yen per year, and the amount of old-age pension of employees' pension was 230,700 yen when combining the married couples' basic pension and the husbands' earnings-related component. The actuarial review for 2009 indicates that it will be possible to maintain pension finances combining old-age pensions, survivors' pensions, and disability pensions until 2100 following the above schedule for contributions.

VI-8 Annual Trends of the Number of Public Pension Subscribers and the Number of Public Pension Beneficiaries

(1,000 persons)

FY	Insured persons					Member of Beneficiaries				
	Total	Basic Pension (Self-employed workers, etc.: Class 1 insured	Basic Pension (Full-time house wife: Class3)	Employees' pension	Mutual aid association	Total	Basic pension	Basic pension by national pension before 1986	Employees' pension	Mutual aid association
1987	64,105	15,823	9,268	28,216	5,299	22,523	1,118	8,959	8,910	2,048
1990	66,313	17,579	11,956	31,493	5,285	25,001	1,905	9,096	10,647	2,390
1995	69,952	19,104	12,201	33,275	5,372	32,363	6,898	7,853	14,254	2,958
2000	70,491	21,537	11,531	32,192	5,231	40,906	13,070	6,234	13,070	3,392
2005	70,870	24,337	8,488	33,022	5,023	41,632	17,908	3,019	16,828	3,554

Source: Ministry of Health, Labour and Welfare, *Annual Reports on Health, Labour and Welfare-References*, 2008

The corporate pensions that supplement these public pensions consist of defined benefit and defined contribution corporate pensions (arrangements for which were instituted in 2001 to protect beneficiaries and ensure the portability of reserves) and employees' pension funds, which were established prior to 2001. For the self-employed and professionals, there is also a national pension fund for supplementing the basic pension.

The characteristic of Japan's pension system relating to the labor market is the point that it cooperates with unemployment

Insurance. In the case of older workers aged between 60 and 64, therefore, elderly employment continuation benefits and elderly reemployment benefits are provided when wages fall below 85% of the level immediately prior to retirement at 60. Further, to support female workers' combining of child-rearing and work activities, payment of employees' pension insurance premium is excused for both the worker and employer during the period of child care leave (For the Assistance Measures to Balance Work and Family and for the Gender Equal Employment Policies, see Chapter V).

Public Assistance: The public assistance system is designed to guarantee a minimum standard of living by providing benefits in kind according to need. These are provided by the Government through local governments when a person falls into poverty, despite employment, savings, assets, pensions, and allowances, etc., due to circumstances such as sickness, mental/physical disability, or unforeseen accident based on the principle of complementarity. In practice, the level of public assistance is determined based onthe minimum cost of living calculated according to standards laid down by the Government and relative to the income of the household concerned, the shortfall being covered by the provision of benefits in cash or in kind (such as medical benefits). As of December 2008, the number of people receiving public assistance had grown to 1.60 million, equivalent to 1% of the population. Expenditure on public assistance is growing by the year due to the recent economic recession and growing income gap, and has reached 2 trillion 70 billion yen in FY2009.

Child Allowances: The objective of the child allowance system is to contribute toward stable family life and invest in both quality improvements and the proper raising of children through the provision of cash benefits, funded at public expense by the Government and paid out by local governments, to households with children. Child allowances are income tested, and paid to applicants who have children of elementary school age or younger. The monthly child allowance is a uniform 10,000 yen for children under the age of 3, 5,000 yen for the first and second child aged 3 or over, and 10,000 for each subsequent child.

3 Medical Insurance and Long-term Care Insurance

Medical Insurance: Within Japan's medical insurance there is association-managed health insurance for employees (and their families) of workplaces of five or more workers, government-managed health insurance for employees (and their families) of workplaces with fewer than five workers, national health insurance for the self-employed, etc., and medical insurance provided by mutual aid associations for national government employees and local government employees (see VI-9). Subscribers in medical insurance programs pay the insurance premium themselves, but the subscribers themselves and their families may receive medical services at the medical institution of their choice by paying only a portion of the medical expense. Moreover, until March 2008, the health insurance association, government-managed health insurance association, and national health insurance had an elderly insurance system for elderly aged 65 or over requiring long-term care and for all elderly aged 70 or over. In this system (see VI-9, lower part), the medical cost burden borne by the elderly is mitigated by contributions from the respective insurance associations, according to the number of elderly subscribers to each system; the fewer the elderly subscribers, the greater the contributions. (This system was revised in 2008 to form what is now called the Medical Aid System for the Elderly, which is described in the next section.)

As seen in Figure VI-3, although medical expenses increased in the 1990s, the increase has become modest in recent years compared to that time (the ratio of national medical expenses to national income has been shifting between 8.0%-8.9% since 2003). However, because of the need to rethink continuing support for growth in expenditure on health care for the elderly as the population ages out of national health insurance and health insurance association contributions and public funds in view of declining growth in revenue from insurance contributions due to Japan's shrinking economic growth rate and the need to ensure intergenerational equity between the economically active and the elderly, the Medical Aid System for the Elderly (Medical Aid System for Old-Old) was introduced in April 2008. Under this system, insurance contributions are paid by older people, too, according to ability to pay, and, as in the case of the Medical Care System for the Elderly, reductions and exemptions from payment of contributions are provided for older people on low incomes.

Long-term care insurance: Long-term care insurance has been in operation since April 2000 to provide public assistance to lighten the care burden for long-term care recipients' families. This assistance makes it easier for bedridden elderly and other elderly requiring long-term care to receive this care at home, and for others to receive long-term care at a facility outside of home. Under the long-term care insurance system, citizens aged 40 and older pay long-term care insurance premium. In return, persons 65 and older who need long-term care may receive specific long-term care services, such as the dispatch of a home helper, according to the assessment of committees established locally to approve the necessity of long-term care. While the insurance premiums and standards for approval of long-term care necessity are determined uniformly by the national government, the above-mentioned local committees do the approving based on these standards.

VI-9 Medical Insurance System

Plan			Insurer (As of 31 March, 2008)	Subscribers (As of March 31, 2008) and subscriber's dependents (Unit:1,000 persons)	Insurance Benefits	
					Medical Benefits	
					Payment in part	High-Cost Medical Care Benefits, and the High-Cost Medical Care & Nursing Care Benefits Combination System
Health insurance	Ordinary employees	Kyokai Kenpo	Japan Health Insurance Association	36,294 (19,871 / 16,488)	After the commencement of compulsory education to those 69 years of age: 30% Prior to the commencement of compulsory education: 20% 70 to 74 years old: 20% (*) (Persons with income comparable with those of an active worker: 30%) (*) For those 70 to 74 years of age, the rate will be kept at 10% from April 2008 to March 2010.	**High-Cost Medical Care Benefits** • Maximum amount paid by the patient Under 70 years of age: High income persons: 150,000 yen＋（medical costs-500,000 yen）×1% Average income persons: 80,100 yen＋（medical costs-267,000 yen）×1% Low income persons: 35,400 yen From 70 to 74 years of age: With income comparative with those of an active worker: 80,100 yen + (medical costs-267,000 yen)×1%, Outpatient Treatment (for each patient): 44,400 yen Average income persons(*): 62,100 yen, Outpatient treatment (for each patient) 24,600 yen Low-income persons: 24,600 yen, Outpatient treatment (for each patient) 8,000 yen Low-income persons with especially low income: 15,000 yen. Outpatient treatment (for each patient) 8,000 yen • Standard amount for aggregation of households: For those under 70 years of age, if there are multiple payments of more than 21,000 yen in the same month, reimbursement is calculated on the basis of their sum. • Burden reduction for those with multiple cases: If a household has been eligible for reimbursement three times or more within a 12- month period, the amount of payment in part from the fourth time will be: Under 70 years of age: High-income persons: 83,400 yen Standard-income persons: 44,400 yen Low-income persons: 24,600 yen 70 years of age or older with income comparative with those of an active worker and standard income (*): 44,400 yen • Burden reduction for patients suffering from long-term and high-cost illness Self-pay limit for the patients suffering from hemophilia or chronic renal failure requiring artificial dialysis: 10,000 yen Self-pay limit for high-income persons receiving artificial dialysis: 20,000 yen (*) Burden reduction for multiple cases is not applicable to persons from 70 to 74 years of age classified as standard income class as the self-pay limit will be kept unchanged at 44,000 yen (12,000 yen for outpatient treatment) from April 2008 through March 2010. High-cost medical care and high-cost nursing care benefits combination system: Burden reduction system applicable in the instances where the total of the self-pay burden under the medical insurance and nursing care insurance paid in a year (from August to July next year) become extremely high. Self-pay limits will be fixed in high details according to the income and age of the patients.
		Association-managed	Health insurance associations 1,518	30,860 (15,871 / 14,989)		
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law		Japan Health Insurance Association	18 (11 / 7)		
Seamen's insurance			National government	157 (63 / 95)		
Mutual aid insurance	National government employees		Mutual aid associations (21)	9,374 (4,397 / 4,977)		
	Local government employees		Mutual aid associations (55)			
	Private school instructors		Mutual aid associations (1)			
National health insurance	Farmers, self-employed etc.		Municipalities 1,804	50,724 Municipalities 46,881 Health insurance associations 3,843		
			Health insurance associations 165			
	Retired workers eligible for employees insurance benefits		Municipalities 1,804			

Long life medical care system (Medical care system for the latter-stage elderly people)	Management body: Extended associations for medical care for the latter-stage elderly people	13,075 (As of the end of April, 2008)	10% (Persons with income comparative with those of an active worker 30%)		Maximum amount of payment in part	Outpatient care (per person)
				(Persons with income comparable to that of an active worker)	80,100 yen＋(medical cost-267,000 yen)×1%	44,400 yen
				(Incase of frequent reimbursement)	44,400 yen	
				(Average income persons)	44,400 yen	12,000 yen
				(Low income persons)	24,600 yen	8,000 yen
				(Very low income among low income persons)	15,000 yen	8,000 yen

Plan			Insurance Benefits			Financial resources	
			Medical Benefits		Cash Benefits	Insurance premiums	Government subsidies
			Hospital Meal Charge Benefits	Hospitalized living expenses benefits			
Health insurance	Ordinary employees	Kyokai Kenpo	Standard payment amounts for dietary therapy: • Standard-income persons 260 yen per meal • Low-income persons Up to the first 90th day 210 yen per meal From the 91st day 160 yen per meal • Low-income person with especially low income 00 yen per meal	(Standard payment amounts for those living in hospitals) • Standard income persons (I) 460 yen per meal and 320 yen per day • Standard income persons (II) 420 yen per meal and 320 yen per day • Low income persons 210 yen per meal and 320 yen per day • Low income persons with specially low income 130 yen per meal and 320 yen per day • Applicable to persons 65 years of age or older hospitalized in the convalescent ward * For patients with greater needs for in-hospital treatment due to being obstinate or other diseases, the payment amount will be same as the standard payment amounts for dietary therapy.	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	8.2%	13.0% of benefits (contribution for latter-stage elderly people 16.4 %)
		Association-managed			Same as above (including additional Benefits)	Rates vary from one kind of health insurance to another.	Fixed amount (Budgetary aid)
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law				• Sickness benefits • Lump-sum payment for childbirth, child care etc.	Daily rate (class 1) 150 yen (class 13) 3,010 yen	13.0 % of benefits (contribution for the latter-stage elderly people 16.4 %)
Seamen's insurance					Same as above	9.1% (non-professional)	Fixed amount
Mutual aid insurance	National government employees				Same as above (including additional benefits)	—	None
	Local government employees					—	
	Private school instructors					—	
National health insurance	Farmers, self-employed etc.				• Lump-sum payment for childbirth, child care • Funeral services expenses	Each household is assessed a fixed amount and amount based on ability to pay Calculations vary somewhat according to insurer	43% of benefits etc.
							43% of benefits etc.
	Retired workers eligible for employees insurance benefits						None
Long life medical care system (Medical care system for the latter-stage elderly people)			Same as above	Same as above. • Persons on senior welfare pensions 100 yen per meal and 0 yen per day	Funeral services expenses etc.	Rates are fixed based on the equal amount per insured and the percentage of their income determined by the respective extended associations.	• Insurance premium 10% • Contribution Approximately 40% • Public Approximately 50% (Breakdown of public expenses) National : Prefectures : Municipals 4 : 1 : 1

Source: Ministry, of Health, Labour and Welfare, *Annual Reports on Health, Labour and welfare,* 2006

Notes: 1) Those insured by the long-life medical care system (medical care system for the latter-stage elderly people) comprises persons of 75 years of age or older and the 2) persons from 65 to 74 years of age certified by an extended association to have a certain degree of handicap.

2) Persons with income comparative with those of an active worker mean their taxable income is 1.45 million yen (0.28 million yen for monthly income) and annual income is more than 5.2 million yen [family including elderly person(s)]or 3.83 million yen (single-elderly person household).

3) The proportion of government subsidy provided to the subscribers and their families through the national health insurance association will be the same as that of government-managed health insurance if they have obtained approval for health insurance eligibility exemption and re-subscribed anew on 1 September 1997 onwards.

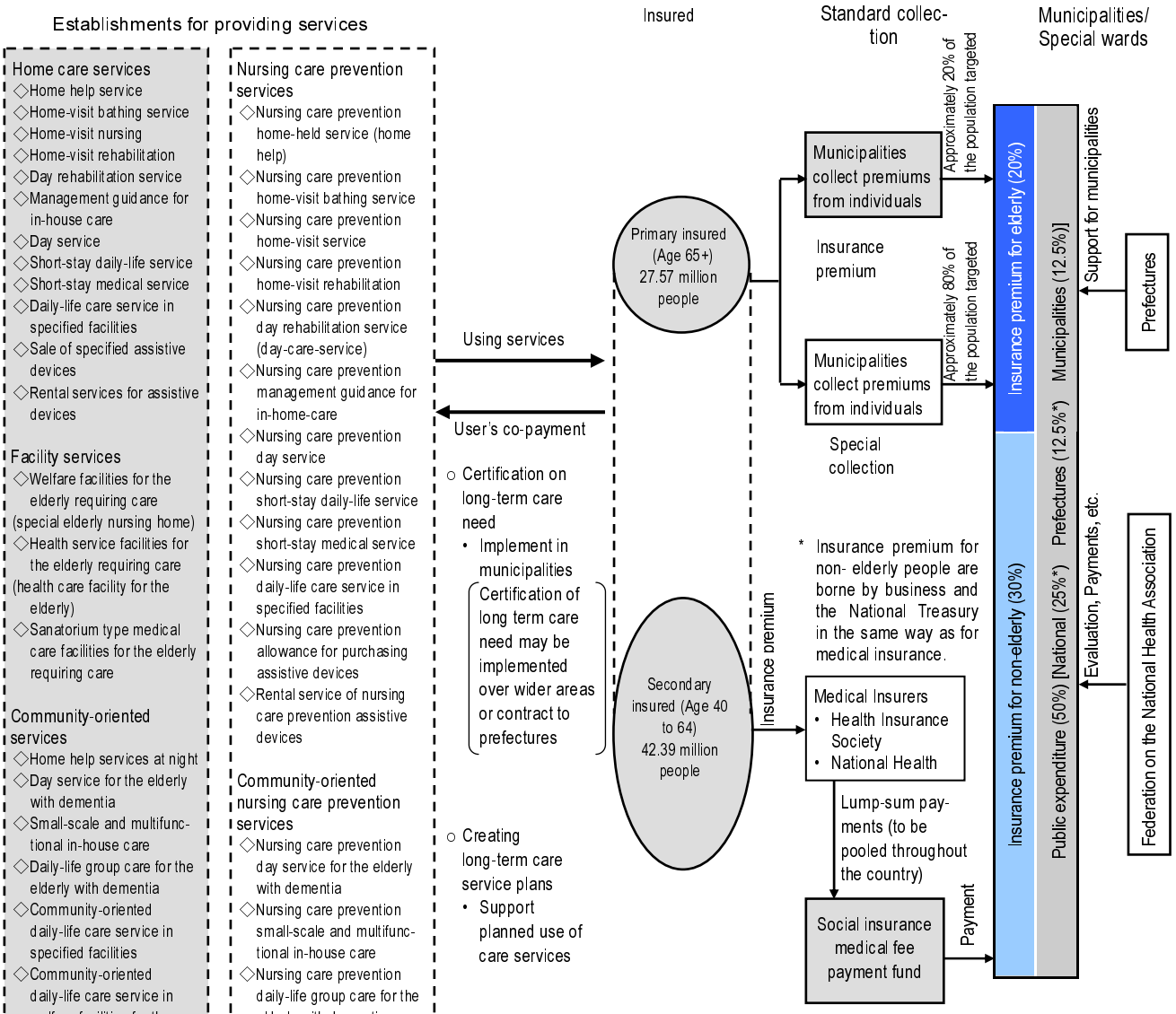
4) The memberships are a quick estimation, with the exception of the mutual aid associations, and the numbers as of end March 2008 include those scheduled to be transferred to the long-life (the latter-stage elderly people) medical care system in and after April 2008. Due to rounding off, the breakdown figures do not always add up to the total.

For the provision of long-term care services as benefits in kind, selection by the person requiring long-term care shall be regarded highly; services will be carried out by a provider chosen by the recipient of the care from a list of locally approved long-term care service providers (see VI-10). Users with certification of long-term care need are responsible for 10% of the care service expenses. However, there are limits to the amount for which the users are held responsible so that the burden does not become a significant amount, and for amounts exceeding this limit, the high long-term care service cost is provided by the municipalities, as their insurers.

The number of insured persons of the long-term care insurance as of the end of FY2002 was 42.65 million for those aged 40 to 64, and 28.63 million for those aged 65 and above. As of the end of FY2002, the number of recipients of long-term care (support) services at home was 2.32 million, and that of long-term care services at institutions was 750,000 persons. Since then, however, they have increased to 31.5 million and 9.83 million respectively as of FY2007.

While long-term care insurance has thus grown, the deterioration of long-term care insurance finances in municipalities with high proportions of older people prompted the revision of the Long-term Care Insurance Act in 2005. As a result, preventing people from requiring care and promoting the provision of community-based services through the establishment of regional comprehensive support centers were incorporated into the framework of long-term care insurance. In order to enable older people to receive care services while remaining in their own communities, the "Community Care Development Initiative" was announced in 2008. This calls for the use of diverse networks involved in the delivery of care, such as the involvement of NPOs as well as local medical institutions and the authorities in assisting people in need of care, and measures are now being implemented in accordance with the initiative in individual municipalities.

VI-10 Long-Term Care Insurance System



* 5% of cost sharing by the national government which is adjusting subsidy increases according to the number of persons at 75 year-old and over, and the income level of the elderly.

* Benefits for facilities (3 eldery care insurance related facilities and specified facilities) are undertaken 20% by the national government and 17.5 % by prefectures.

* The number of first insured person is based on Report of long-term care insurance (temporary), April, 2008.

* The number of second insured person is based on the report from medical insured persons to fix the amount of long-term care payment fee by Social Insurance Medical Fee Payment Fund and average in 2006.