



**Changing Japan's FDI and
Business Environment
<itemized discussion topics>**



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International Harmonization of Accounting Standards

Background

- Internationalization of capital markets
- Accounting systems as important infrastructure of fair and effective capital and financial markets
- Transparency of accounting and disclosure systemsÅ@

Progress

ÅEffective from fiscal years beginning on or after 1 April 1999Å

- (1) Consolidated Accounting(Revised)
- (2) Deferred Tax
- (3) Cash Flow Statements(Revised)
- (4) Retirement and Benefit Accounting(Revised)
- (5) Accounting for Financial Instruments (Revised)
- (6) Accounting for Research and Development Cost, Software(Revised)

Features

(1) Consolidated Accounting (Revised)

Application of standards on substantial control and influence became mandatory.

(2) Deferred Tax

Interperiod allocation of income taxes and recognition of deferred tax assets and liabilities.

(3) Cash Flow Statements(Revised)

Obligation of preparing consolidated cash flow statements

(4) Retirement and Benefit Accounting (Revised)

Obligation is calculated by the accrued benefit method.

(5) Accounting for Financial Instruments(Revised)

Securities for trading purposes...Fair value measurement
Held-to-maturity debt securities...Amortization cost method
Stock securities that issued by subsidiaries and affiliates...cost method

Available-for-sale securities...Recognition and measurement by fair value on balance sheet

(Effective from fiscal years beginning on or after 1 April 2001Å

Derivatives...Recognition and measurement by fair value on balance sheet.

Hedge accounting...Deferral hedge accounting

Deferring the gains and losses on the hedging instruments as an assets or liability, until the gains and losses on hedged items are recognized.

(6) Accounting for Research and Development Costs, Software (Revised)

Research and development costs should be accounted for as expenses when incurred. Software is accounted for as an expense or an asset in according with the purpose of usage.

Revision of the Commercial Code for Improvement of Corporate Governance (1)

Background

- **As international competition among corporations intensifies, improvement in the efficiency of corporate management has become mandatory.**
- **Introduction of computerized corporate management system has become necessary in the era of the information technology revolution.**
- **As corporate internationalization progresses, the legal system for corporate governance must be harmonized with those of other countries.**

Measures already taken

- **September 2000**
The Legislative Council began deliberations for drastic revision of the corporate legal system.
- **April 2001**
The corporate law commission of the Legislative Council resolved on an “Interim Tentative Proposal for the outline of Partial Revision of the Commercial Code, etc. (the “Tentative Proposal”)”
Proceedings for public comments on the Tentative Proposal were begun.

Revision of the Commercial Code for Improvement of Corporate Governance (2)

Major items of the Tentative Proposal

- **For large companies, obligation to appoint outside director**

In a certain large company, one of the directors must be from outside the company.

- **Introduction of the legal alternative to adopt the U.S. model based corporate governance system**

Certain large companies can adopt an alternative corporate governance system comprised of directors, officers, a audit committee, a nomination committee and a remuneration committee. Those companies with such alternative system will not be required to appoint statutory auditors and may comprehensively authorize officers to decide numerous items to be resolved ordinarily by the board of directors.

In each of the committees, the majority of members must be directors from outside the company.

- **Computerization of corporate management system**

Companies may execute and maintain minutes of general shareholders' meeting, board of directors' meeting, financial statements and other corporate documents electronically.

Companies may prepare and publicize legal public notice electronically.

A company can send notices or peremptory notifications electronically to those shareholders and creditors who have given consent for the company to do so.

Those shareholders and creditors who have given consent for the company to the above notices may send their requests, etc, to the company by electronic media.

For those shareholders who cannot attend the general shareholders' meetings, a company can adopt the e-voting system.

Revision of the Commercial Code for Improvement of Corporate Governance (3)



Future plan

- **The Legislative Council will review and finalize the Tentative Proposal based on public comments.**
- **The bill for computerization of corporate management system is now scheduled to be submitted to an extraordinary session of the National Diet in the autumn, if it is held.**
- **The bill for other revisions is now scheduled to be submitted to an ordinary session of the National Diet in spring 2002.**

Introduction and enhancement of stock option system

Background

- Incentive to raise the value of enterprises
- Promotion of mobility of competent executives and employees

Measures already taken

Law	Commercial Code	Law for facilitating the creation of New Business		Industrial Revitalization Law		Law for Promoting Creative Activities of SMEs
Time of adoption	June '97	April '99	March '00	October '00		February '99
Authorized Person	Directors & Employees	Directors & Employees	Directors & Employees & Outside supporter	Directors & Employees	Directors & Employees, including subsidiary (more than 95%)	Directors & Employees
Limit	1/10	1/5	1/3	1/4	1/10	1/5
Authorized Enterprise	All enterprises	Founder (within 5 years)	Authorized enterprises of this law (unlisted)	Applying enterprises of this law	Authorized enterprises of this law	Authorized enterprises of this law (unlisted)

The Progress of Deregulation (1)

Background

- Necessity to provide competitive environment
- To promote FDI toward Japan by eliminating regulations to access the market

Å@

Measures already taken

Measures under Three-Year Plan for Regulatory Reform

- Finance and Insurance
 - Liberalization of cross-border capital transactions Å'98Å
 - Å@Å -Deregulation of financial dealings commissions Å'98Å
- Broadcast and Communication
 - Å@Å -Removal of restriction on foreign capital for Type Ö telecommunications carriers Å'98Å
 - Å@Å -Removal of restrictions on foreign investment and foreign board membership for cable television Å'99Å
 - Elimination of foreign investment restrictions in KDD ('98Å
- Transportation
 - Removal of regulations of demand and supply adjustment in start-up
 - Å@Å -Marine transport industry Å'97Å
 - Domestic air flight industry Å'99Å
 - Taxi business Å'00Å
 - Å@Å -Harbor transport service Å'00Å
- Energy
 - Liberalization of retail supply of electricity to large-scale customers ('00)
 - Expansion of the scope of liberalization of retail supply of gas to large-scale customers Å'99Å

The Progress of Deregulation (2)



Measures already taken

- Distribution

Å@Å -Eliminate the use of demand/supply adjustment mechanism by Large-Scale Retail Stores Law Å'00Å

- Housing and LandÅ

Å@Å -Introducing fixed-term lease regimes as an alternative for housing leases Å'99Å

Å@Å -Disclosing the scheduled price for public works projects after the results of bids, introducing the Overall Greatest Value Methodology in local government procurement Å'98Åj

Å@Å@

- Medical and Welfare

Å@ -Liberalize Participation of private enterprises in specified nursing business Å'98Å

Å@Å@

- Public licenses

Å@ -Increasing the number of Lawyers, the number of successful applicants of the annual Bar Examination to about 1000

Å1990	500
1999	1,000
Future	3,000

- Competition policy

Å@Å -Liberalize establishment of holding company ('97)Å@Å@

Administrative Reform



Background

- Improvement of transparency of administration from the viewpoints of companies

Measures already taken

- Administrative Procedure Law ÅOctober 1994Å
Obligation to following provisions
Å ÅClarify judging standards for approval and permission to the public
Å@ÅEstablish and announce the standard processing term to the public
Å@ÅSecure the chance to make a statement in disadvantageous dealing
Å@ÅRestriction on administrative guidance (Clarification of the purposes, contents and person responsible)
- Obligation to Public Comments procedure in establishment, reform and abolition of regulationsÅApril 1999Å
- Law Concerning Access to Information Held by Administrative Organs ÅApril 2001Å

Introduction of No-Action Letter

Background

- **Necessity to increase the predictability as to whether or not the new products or services are against the law**
- **Necessity to increase transparency and fairness in approval and permission**
- **Necessity for clarifying the existing rules**

Measures already taken

- **November 2000**
Financial Service Agency introduced its own No-Action Letter system
- **December 2000**
New Action Plan (Cabinet decision) declared that in FY2001, the Japanese Government would introduce the No-Action Letter system in some fields

Draft of Japanese No-Action Letter

- **Field and extent of laws**
IT and finance fields, for the time being
- **Inquiries**
The inquirer should make written inquiries (including E-Mail) to the Ministries or Agencies concerned
- **Replies**
The Government should reply in 30 days within receiving the written enquiry
- **Official Announcement**
The Government should make an official announcement within 30 days in principle

Revision of the Commercial Code for Corporate Reorganization (1)

Background

- **As international competition among corporations intensifies, it must be possible for the corporation to implement corporate reorganizations swiftly and easily in order to escalate management efficiency and practical efficacy in corporate governance.**

Measures already taken

- **May 1997**
Revision of the Commercial Code for simplification and rationalization of corporate merger (Enforced from October 1997)
- **August 1999**
Revision of the Commercial Code for introduction of the legal framework for stock-for-stock transactions (Enforced from October 1999)
- **May 2000**
Revision of the Commercial Code for introduction of the new legal framework for the divestitures of a corporation including spin-offs and split-ups (Enforced from October 2000)

Revision of the Commercial Code for Corporate Reorganization (2)

Key points of Code revision for corporate reorganization

- **Simplification and rationalization of merger transactions**

When a large-scale corporation merges with and absorbs a small-scale corporation, it became unnecessary for the surviving corporation (i.e., such large-scale corporation) to hold a general shareholders' meeting to approve the merger. In order to enable companies to implement mergers swiftly with low costs and expenses, the requirements for holding general shareholders' meeting for reporting the completion of the merger and that for the foundation of the new-established company were abolished and the procedure for protecting creditors was rationalized.

Pre-closing disclosure requirement of merger information to shareholders and creditors was expanded and the requirement for post-closing disclosure was newly established.

- **Legal framework for stock-for stock transactions**

This new legal framework enables a company to establish or transform a holding company swiftly and easily.

By exchanging all shares owned by shareholders in A company with B company shares, B company becomes the sole parent company of A company. If B company already exists, the procedure is called as "*share exchange*"; if B company has been newly-established through this transaction, the procedure is called as "*share transfer*".

Even if any of the shareholders' in A company do not agree with the proposed stock-for-stock transaction, shares held by those shareholders will be also transferred to B company automatically by the resolution of the general shareholders' meeting of A company and that of B company (in the case of the "*share transfer*" transaction, that of A company only)

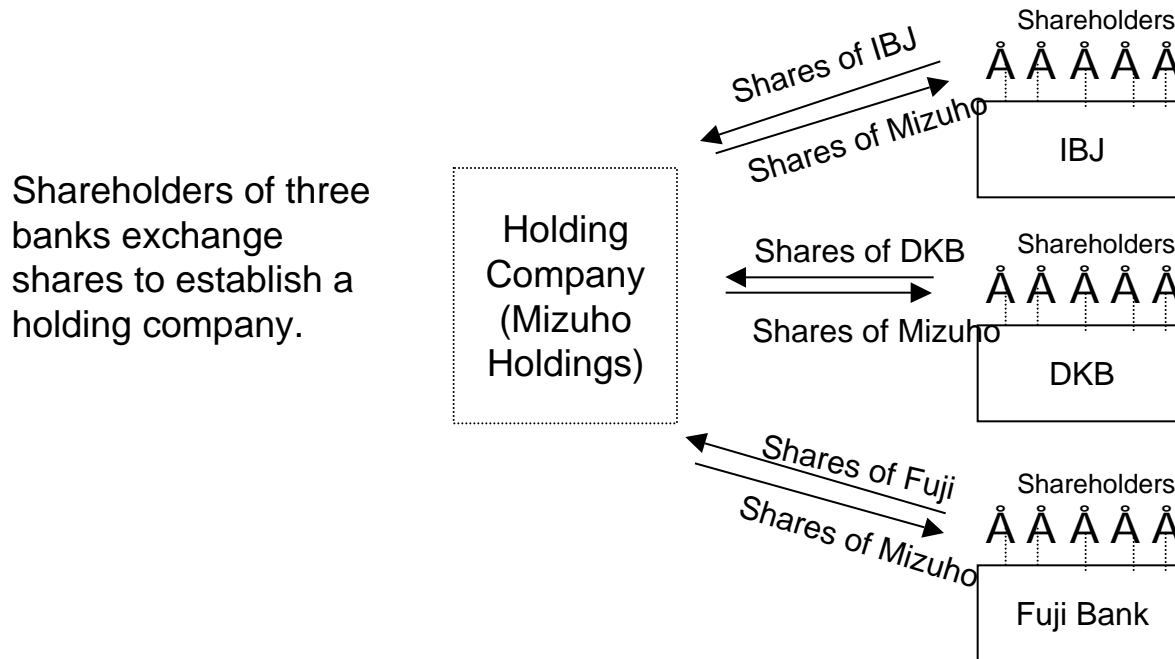
- **Legal framework for corporate divestitures**

This new legal framework enables a company to transfer all or part of C company's business to D company swiftly and easily. D company may be a newly established company (the "newly establishment separation") or an existing company (the "absorption separation").

At the time of the divestiture, D company may issue and allot new shares either to C company or to the shareholders in C company. Almost same procedures as merger (such as the resolution of general shareholders' meeting and procedure for protecting creditors) must be conducted.

Share Transfer

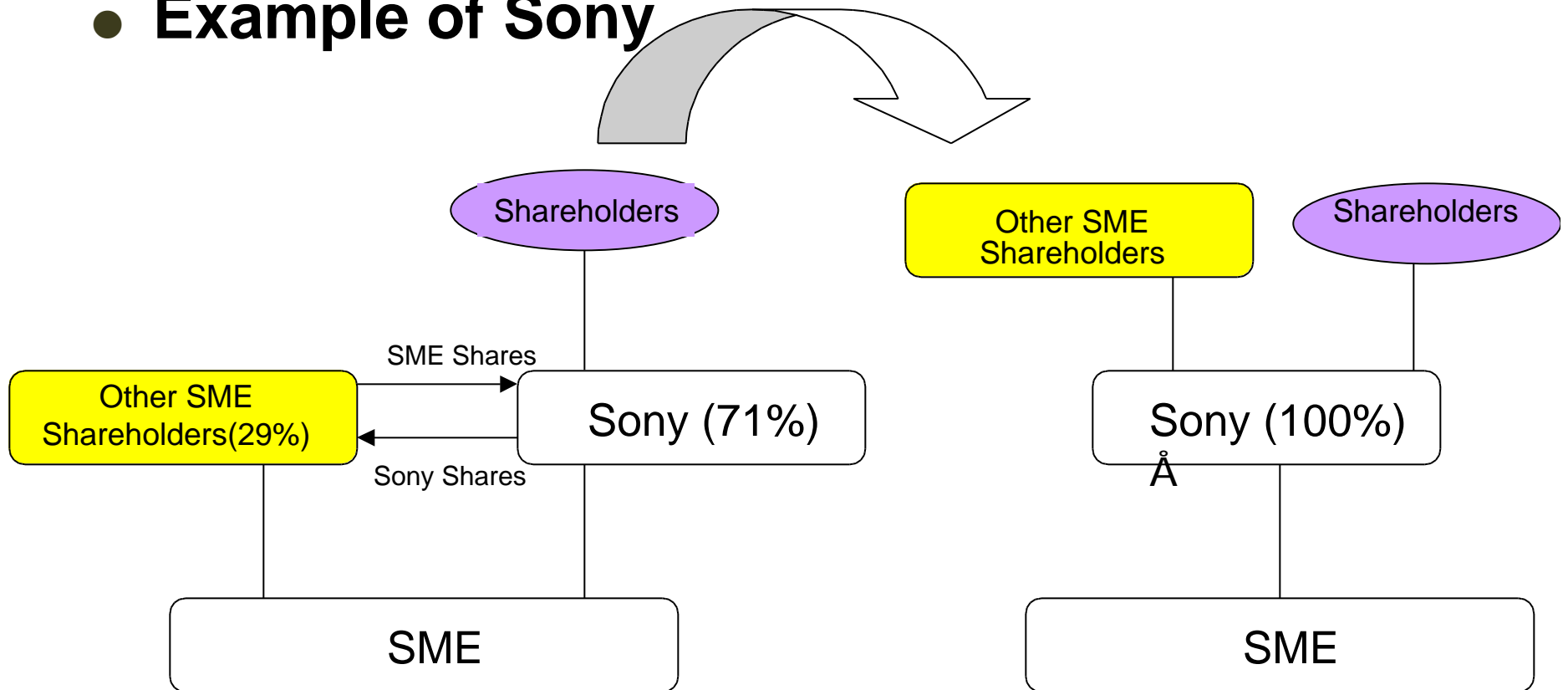
The case of integration of IBJ, Fuji Bank and DKB



(IBJ; Industrial Bank of Japan, DKB; Daiichi Kangyo Bank)

Share Exchange

- **Example of Sony**



Sony and Sony Music Entertainment ÅSMEÅ agreed to exchange Sony shares and SME shares with shareholders of SME.

Establishment of new bankruptcy or reorganization proceedings (1)

Background

- With prolongation of the recession following the collapse of the “bubble” economy, the number of cases of bankruptcy has increased sharply.
- For these companies or individuals that can be rehabilitated, necessity for the establishment of new legal scheme for swift and equitable rehabilitation without bankruptcy proceedings has been increased.
- With the advance of internationalization of corporate activities, cases of international bankruptcy are increasing.
- Huge bankruptcy cases not anticipated at the time of the existing legislation for bankruptcy or reorganization are increasing.

Measures already taken

- December 1999
Enactment of the Civil Rehabilitation Law (Enforced from April 2000)
- November 2000
Partial revision of the Civil Rehabilitation Law establishing special procedures for individual debtors (Enforced from April 2001)
Enactment of legislation on assistance in recognition of overseas bankruptcy procedures (Enforced from April 2001)

Establishment of new bankruptcy or reorganization proceedings (2)

Key features of the new bankruptcy or reorganization proceedings

1. Civil rehabilitation procedures

- Procedures for basic reorganization-type bankruptcy covering all corporations and individuals.
- Equivalent of Chapter 11 procedures of the US Bankruptcy Reform Act of 1978.
- In principle, even after initiation of the procedures, debtors themselves are not deprived of the authority to manage and dispose of the business operation or assets.
- Powerful measures for rehabilitation, including the legal proceedings for divestitures of securing interests on the assets imperative for the business operations and comprehensive injunctions on compulsory executions, etc., has become available.

2. Individual rehabilitation procedures

- Debt adjustment procedures fostering swift and easy rehabilitation of individual debtors with regular income.
- (Special procedures among civil reorganization procedures)
- Equivalent of Chapter 13 procedures of the US Bankruptcy Reform Act of 1978
 - Procedures have also been made available to enable individual debtors strapped by housing loans to be rehabilitated without sacrificing their residences.

Establishment of new bankruptcy or reorganization proceedings (3)

3. Recognition and assistance procedures covering overseas bankruptcy procedures

- Procedures are in compliance with the UNCITRAL international bankruptcy model law.
- In the case of bankruptcy of a US corporation with branches or other assets in Japan, it has become possible for US bankruptcy procedures to be approved in Japan and for the company's operations and/or assets in Japan to be handled together with its operations and/or assets in the United States.

Future plans

- The Legislative Council is now reviewing the draft proposals for the revision of the Corporate Reorganization Law, the Bankruptcy Law, and so on.
- The bill for the revision of the Corporate Reorganization Law is now scheduled to be submitted to an extraordinary session of the National Diet in the autumn of 2002, if it is held. The bill for the revision of the Bankruptcy Law is now scheduled to be submitted to an ordinary session of the National Diet in the spring of 2004.

Securitization of Assets (1)

Background

- * Promoting securitization of assets is a pillar of the policy to enhance Japan's financial infrastructure to a level required by the demand of the 21st century.
- * It is expected that asset securitization can:
 - (A) Diversify the financial products available to investors.
 - (B) Improve the flow of funds by allowing companies to directly access capital markets.

Measures already taken

- September 1998
Implementation of the "Law on Securitization of Specified Assets by Special-Purpose Companies (SPC Law)."
- May 2000
The "Law Revising Part of the Law on Securitization of Specified Assets by Special-Purpose Companies," which revises the SPC Law and Law on Securities Investment Trusts and Companies, was passed by the National Diet and established (enforced from November).

Securitization of Assets (2)

Features

Law on Securitization of Assets (revised SPC Law)

Expansion of the range of assets

From real estate and money claims payable to a specific person, etc., to property rights in general

Simplification of SPC establishment procedures

- (1) Operations can be started by notification.
- (2) Minimum capital requirement was lowered from ¥3,000,000 to ¥100,000.

Establishment of a trust-type scheme

An asset securitization scheme using trusts, similar to the company-type scheme, will be developed.

Securitization of Assets (3)

Features

Law on Investment Trusts and Companies

Relaxation of restrictions on investment

Assets in which funds are mainly invested has been expanded to securities, real estate, and other assets specified by government ordinance.

Provisions concerning investment trust managers

- Å Investment trust managers which manage real estate funds are required, to obtain
 - (a) a license under the Building Lots and Buildings Transaction Business Law, and
 - (b) an approval of the Minister of Construction for conducting discretionary transactions.
- Å Transactions between investment trust managers and funds are prohibited.
- Å Disclosure of specific details to investors is required when transactions between funds are conducted.
- Å Provisions has been laid down on [1] duty to act loyally for the investors, [2] duty to exercise the care of a good manager as a professional when conducting business, and [3] liability for damages when investment trust managers inflict damages on investors.

Provisions concerning trust schemes

The framework for trust companies themselves to manage entrusted assets has been stipulated.

Strengthening Worker Dispatching Undertakings and the Fee-charging Employment Placement Project (1)

Background

- Government policy of deregulation
- Necessity for smoother adjustment of supply and demand of labor

Measures already taken

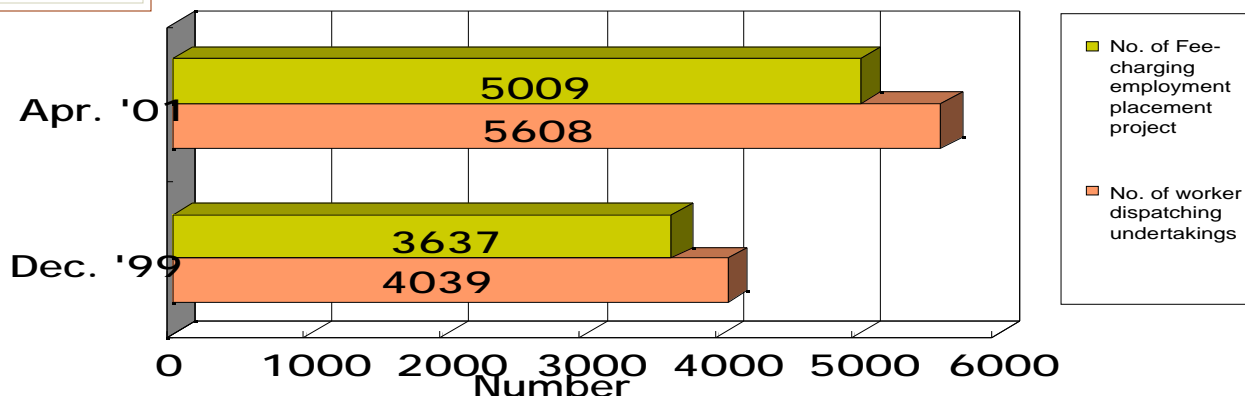
<Worker Dispatching Undertakings>

- Revision of the “Worker Dispatching Law (Enforced Dec. ‘99)
(Tremendous expansion in types of businesses allowed)
- Made possible to hire dispatch workers with the possibility of a full-time contract on completion of the dispatching period (Enforced Dec. ‘00)
(Diversification of employment methods)

<Fee-charging employment placement project>

- Revision of the Employment Security Law (Enforced Dec. ‘99)
(Expansion of range of jobs able to be covered by the Fee-charging employment placement project)

Effects of Revision of Laws



Businesses Allowed to be Covered by Worker Dispatching Undertakings

Before '97 revision of Law

Businesses allowed to be covered =16 *1

Before '99 revision of Law

Businesses allowed to be covered =26 *2

After '99 revision of Law

Businesses newly allowed to be covered by worker dispatching undertakings
ex. Operations, sales, general office work, vehicle operation, etc.

Businesses not allowed to be covered by worker dispatching undertakings
(1) harbor express, (2) construction, (3) security, (4) medical related, (5) manufacturing (with some exceptions)

Strengthening Worker Dispatching Undertakings and the Fee-charging Employment Placement Project (3)



*1: Businesses allowed to be covered before 1997 revision (16):

software development; machinery design; operation of broadcasting equipment; direction of broadcast programs; operation of office equipment; interpretation, translation, and shorthand; secretarial services; filing; surveys; financial processing; preparation of business documents; demonstrations; travel guides; building cleaning; operation of building facilities; inspection and maintenance; guide and reception services; and parking management services.

*2: Businesses allowed to be covered before 1999 revision (26):

software development; machinery design; operation of broadcasting equipment; direction of broadcast programs; operation of office equipment; interpretation, translation, and shorthand; secretarial services; filing; surveys; financial processing; preparation of business documents; demonstrations; travel guides; building cleaning; operation of building facilities; inspection and maintenance; guide and reception services; parking management services; research and development; business system planning and proposals; book preparation and editing; advertising design; interior coordination; announcers; OA instruction; telemarketing; sales engineer operations; prop services in broadcast programs.

Strengthening Worker Dispatching Undertakings and the Fee-charging Employment Placement Project (4)

Range of Jobs Able to be Covered by Fee-charging Employment Placement Project

total about 18% Å[®] about 60%('97) Å about 93%('99)

Main classifications (number of employees) (total 52 million)	Jobs allowed to be handled (total about 18% ??about 60% ? about
A. Specialized and technical jobs (7.1 million)	about 60% *2 (4.3 million)(2.8 million)
B. Managerial jobs (2.8 million)	*3
C. Office jobs (11.7 million)	
D. Sales jobs (7 million)	
E. Service jobs (3.8 million)	about 66% *4 (2.5 million)(1.3 million)
F. Security jobs (950,000)	
G. Agricultural, forestry, and fishery jobs (400,000)	
H. Transportation and communications jobs (2.25 million)	
I. Skilled workers and excavation, manufacturing, and construction jobs (12.3 million)	Construction jobs (3.7 million)

(Note 1)

[Yellow] indicates jobs handled before and after the revision of system.

[Blue] indicates jobs added by revision of system in 1997.

[Red] indicates jobs newly added by 1999 revision of law.

(Note 2) Scientists and engineers, physicians, dentists, pharmacists, midwives, nurses, medical technicians, dental technicians, lawyers, certified public accountants, patent attorneys, artists, clothing designers, movie and theater technicians, actors, interpreters

(Note 3) Managers

(Note 4) Housekeepers, barbers, beauticians, kimono instructors, cleaning technicians, cooks, bartenders, waiters, models

IT in the Field of Employment

Background

- Spread of the Internet → Increased need for information provision in the field of employment
- Revision of Employment Security Law → Coexistence of both public and private employment agencies

Measures already taken

<“Hello Work Internet Service”>

(Service started in March 1999)

- Information on 180,000 job offers in metropolitan areas of Japan
- Information on labor market
- Information on employment insurance and subsidies

Job seekers and job offerers

"Hello Work" : Government run public employment security offices ...
615 offices throughout country

<Work Information Net>

(Service scheduled to start July 2001)

Listings and Search

•“Hello Work” Internet Service

Job Offer Information

- Fee-charging employment placement project
- Private job information provision agencies
- Economic organizations

Effects

- Simple and broad searches of information
- Promotion of use of private services

Strengthening of adjustment of supply and demand in labor market

Human Resources Development to Meet the Needs of Society



Changes in Medium and Long Term Policies

<Up to Now>

Promotion of human resources development conducted by employers predicated on long term employment

<Recent Changes>

- Change in employment structure Å Increase in labor mobility
- Change in the way of thinking of employers and workers

<Future>

Promotion of human resources development conducted on workers' own initiative as well as that conducted by employers predicated on long term employment

Short Term Priority Measures

- Addressing the mismatch in workforce supply and demand arising along with rapid introduction of IT
- IT training for total of 1.4 million workers (the fiscal year of 2000 and 2001 (for two years))
 - In public human resources development
 - In private sector education and training facilities consigned by public sector

Legal Measures Concerning Labor Issues Related to the Division of Companies

Background

- Introduction of company division system by the Commercial Code, etc.

Law concerning the Succession of Labor Contract upon the Divisive Reorganization of Company

(Main Content)

*Companies are obliged to notify all workers, etc. of any impending company segregation.

*Succession of labor contracts

- When labor contracts of workers mainly engaged in promotion of company activities are succeeded to the future company
 - >Agreement of the workers is not required
- When labor contracts of workers mainly engaged in promotion of company activities are not succeeded to the future company
 - >The workers may raise objections
 - >When the workers raise objections, the labor contracts will be succeeded to the future company

*Succession of labor agreements

- When labor contracts of union members are succeeded to the newly established company
 - >The labor agreement shall be deemed as having been concluded with the same content between the newly established company and labor union.
- Exception: Portions which labor and management agree may be excluded (labor conditions may not be excluded)

Effects

- Proper protections to workers affected by corporate divisions
 - > avoidance of unnecessary disputes
 - >Proper use of company division system

Prompt Settlement of Labor-Management Dispute

Background

Corporate restructuring and shift toward individualization in personnel and labor management

- > Increase in labor-management disputes between individual workers and employers regarding labor
- > Need for prompt and simple solution in accordance with situation of these disputes

Resolution

Bill concerning Promotion of Settlement of Individual Labor-Management Disputes (Scheduled to be enforced from October 2001)

(Main Content)

- **Advice and guidance by director-general of prefectural labor bureaus**
Provided when assistance is sought for settlement of individual labor-management disputes from one or both parties

Prefectural labor bureaus: Prefectural level organizations in labor administration of Ministry of Health, Labour, and Welfare. Cover labor standards, employment security, equal employment opportunity, and other areas.

- **Conciliation by dispute settlement committees**
 - **Dispute settlement committees will be established in the prefectural labor bureaus.**
 - **The director-general of each prefectural labor bureau will ask the dispute settlement committee for conciliation when deemed necessary based on an application for conciliation from one or both of the parties as to an individual labor-management dispute.**

Summary of Draft Law on Defined Contribution Pension System (1)

Background

- **A defined contribution pension is a pension where the contributed payments are separately managed for each individual and benefits are determined based on the total of the payments and profits from managing them.**
 - **Current corporate pensions, etc. are characterized by pledges of benefits, but suffer from the following problems. It is therefore necessary to introduce a defined contribution pension as a new option to supplement public pensions:**
- [1] **The current corporate pensions, etc. do not sufficiently cover small businesses and the self employed.**
- [2] **Portability of pension assets at the time of change of job is not sufficiently guaranteed. It is therefore difficult to deal with increasing labor mobility.**

Summary of Draft Law on Defined Contribution Pension System (2)

Summary of System

- **This system is based on the principle of self responsibility where the participant oneself decides on how assets are managed.**
- (1) Coverage (Persons Able to Participate in the System) and Limits on Contributions**
- [1] Corporate type pensions (only corporate contributions)... Company employees
 - [2] Individual pensions (Only participant contributions)
 - ... Self employed, etc.
 - ... Company employees (only persons not supported by companies)
 - [3] The subscriber must be less than 60 years old.
 - [4] The company or subscriber contributes payments up to the limit of contributions
- (2) Management**
- [1] The participant selects the method of management.
 - [2] The products for management include savings, public bonds, investment trusts, stocks, trusts, insurance products, etc.
 - [3] Standards are set such as offering of selection of at least three products.
- (3) Portability of Pension Assets in Case of Change of Job**
- [1] The balance of assets (total of payments and profits from operations) are recorded and managed for each participant.
 - [2] If a participant changes a job, the pension assets are transferred to the system of the new job

Summary of Draft Law on Defined Contribution Pension System (3)

Summary of System

(4) Benefits

- [1] Retirement benefits, disability benefits, and lump sum death payments. The retirement benefits and disability benefits may be received as pensions or lump sum payments
- [2] When a person is no longer able to participate in to the system, he or she may receive a lump sum withdrawal payment when contributing to the system for no more than 3 years.
- [3] The retirement benefits may be received from age 60 when at least 10 years have passed from the initial contribution. Benefits may be received from age 65 even when 10 years have not elapsed.

(5) Protection of Participants

- Fiduciary responsibility is set for companies and other related parties in the system in order to protect the participants.

(6) Tax System

- [1] Contribution stage: Participant's contributions are deducted from income and company contributions are included in expenses.
- [2] Operation stage: The special corporate tax is assessed on the pension assets (frozen until fiscal 2002)
- [3] Benefit stage: In the case of a pension, the deductions for public pensions etc. apply. In the case of a lump sum payment, the tax on retirement income applies.

Scheme of Defined Contribution Pension

