

Farmers' Pension System

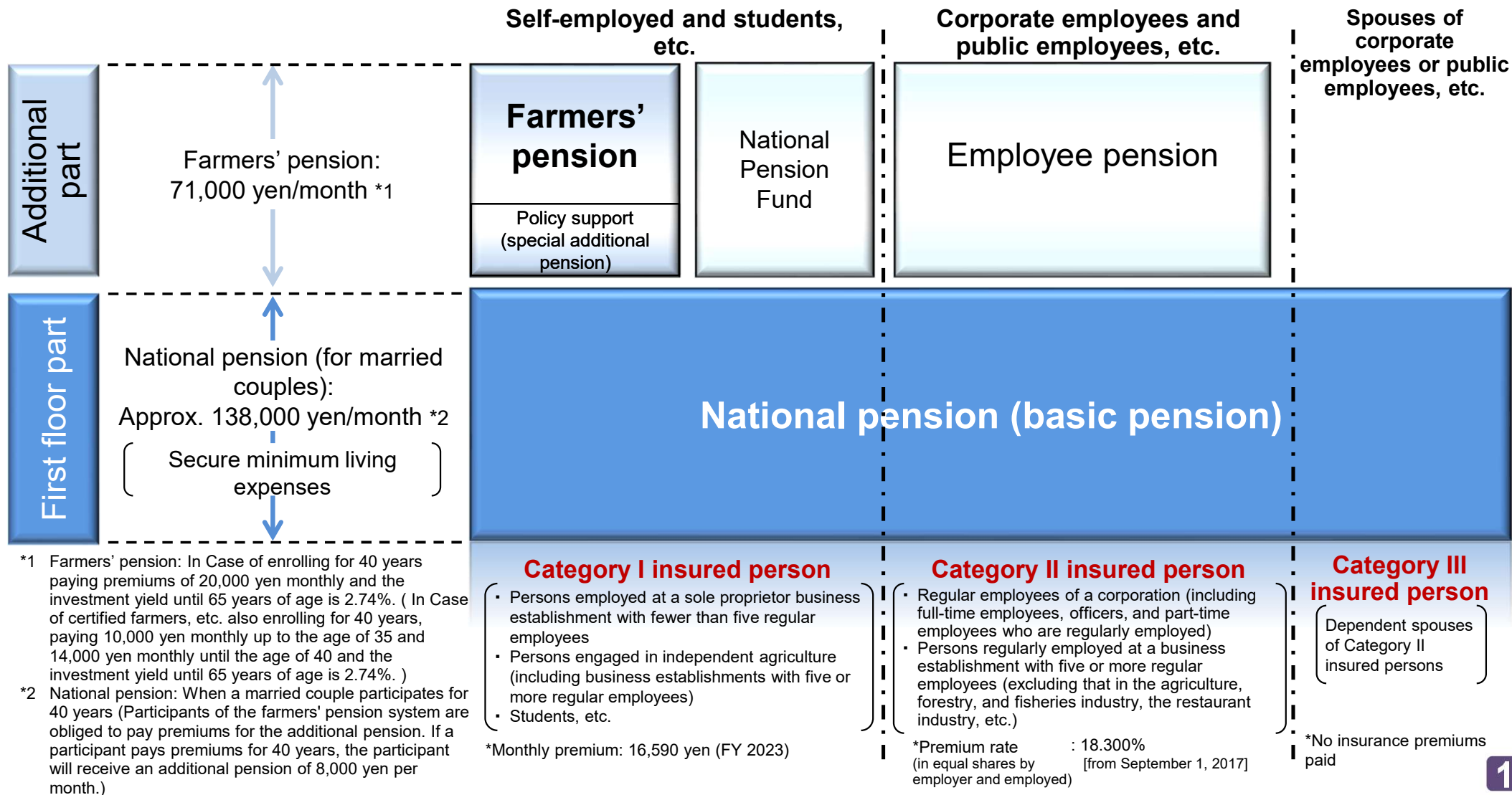
**Ministry of Agriculture,
Forestry and Fisheries
(MAFF)**

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Position of farmers' pension

- The farmers' pension is a pension system in which, of the persons engaged in agriculture, those engaged in independent agriculture can voluntarily participate. It is one of the additional pensions of the national pension (basic pension).
- If a person has incorporated farm management and has become engaged in agriculture as an officer or member, etc. of the corporation, the person is forced to participate in the employee pension system, which is an additional pension for corporate employees. (The person is not covered by the farmers' pension system.)



Overview of the current farmers' pension system

For the purpose of stabilizing the retirement life of farmers and contributing to the securing of farmers, the Farmers' Pension Fund has provided a service to set aside insurance premiums paid by participants, manage the reserves safely and efficiently, and provide pensions, etc.

Purpose

- Stabilizing the retirement life of farmers and securing farmers

Insured person

- Category I insured persons of the national pension system under 60 years of age who are engaged in agriculture (60 days or more per year) (for voluntarily insured persons in the national pension system, 65 years of age or under)

Insurance premium

- The insured person decides the amount to be paid on his/her own within the range of 20,000 yen* to 67,000 yen per month (can be changed after participation)
*10,000 yen or more for those under 35 years of age who meet certain requirements

Fund management

- Set aside insurance premiums paid by insured persons and make appropriate diversified investments in order to safely and efficiently manage the premiums as a source of benefits

Benefits (funded method, defined contribution type)

◎ Farmers' old-age pension

- Benefits begin at a point between the ages of 65 and 75 years ~~old~~ decided by the participant, and will be paid for life. (able to advance the time of receiving benefits to 60 years of age)
- The amount of pension is determined based on the reserve for insurance premiums and their investment profits.

◎ Lump-sum death benefit

- Provided to surviving family members of insured persons and eligible recipients, etc. who died before 80 years of age
- Provide the amount equivalent to the present value of the farmers' old-age pension to be received by 80 years of age

◎ Special additional pension (through policy support)

◎Policy support

In order to reduce the burden on agricultural workers, the government subsidizes insured persons' insurance premium contributions and provides a special additional pension based on the subsidy.

Requirements

- (1) Certified farmers or certified new farmers who file blue returns (including spouses and successors who conclude a family business agreement with these farmers and participate in management)
- (2) Participate by 39 years of age
- (3) Farm income, etc. is 9 million yen or less

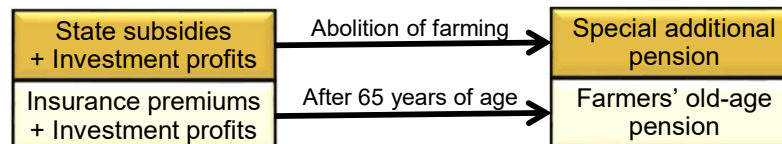
Details of support

Application of special insurance premiums (subsidies for insurance premium contributions)

- For the minimum amount of the monthly premium (20,000 yen), a special premium of 50 to 20% discount (10,000-16,000 yen) is applied, and the difference (10,000-4,000 yen) is subsidized by the national government.
- The support period is up to 20 years (maximum of 10 years for periods of 35 years and longer)

Provision of special additional pension

- For the subsidized portion of premiums, benefits are (subject to insurance premium subsidies) provided permanently after 65 years of age if satisfying the following requirements (able to advance the time of receiving benefits to 60 years of age):
 - (1) Total period of insurance premiums paid is 20 years or more
 - (2) Cease to be a farmer due to management succession, etc.
- The amount of pension is determined based on the reserve for insurance premium subsidies and their investment profits.



Status of implementing the farmers' pension service

- The current system operates a long-term stable system that is not affected by the number of participants or beneficiaries, adopting a “funded method, defined contribution type” system in which the amount of pension received in the future is determined based on the reserve for insurance premiums and their investment profits.

The number of insured persons and eligible recipients

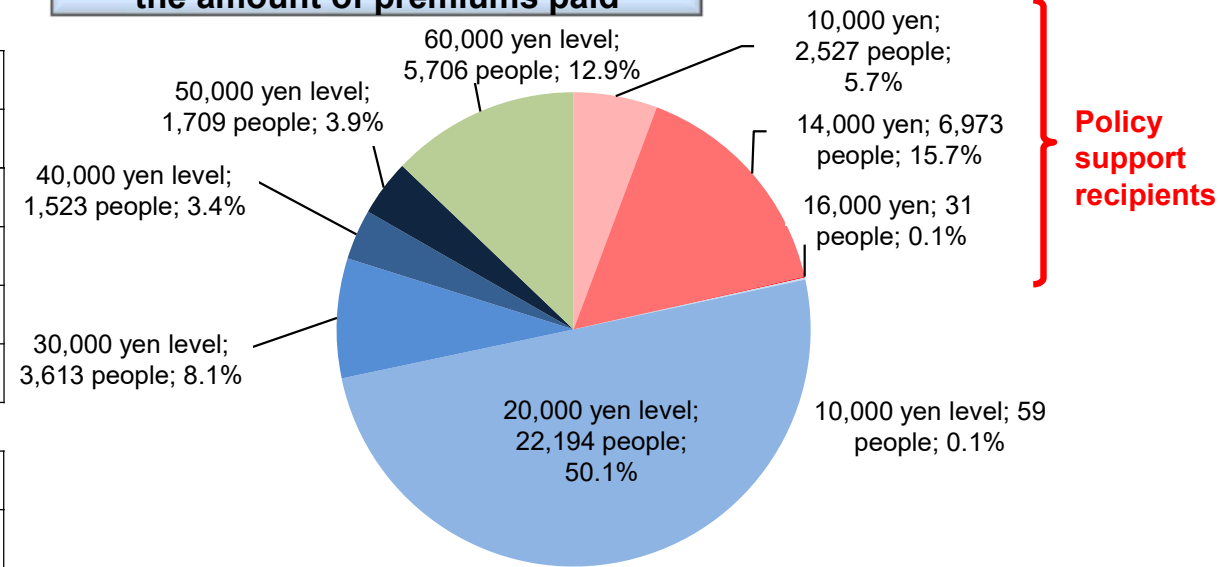
Current system (FY 2022)

	Total	Of them, the number of policy support recipients
The number of new participants	2,187	525 (special insurance premiums are applied)
The number of insured persons	44,576	9,531 (special insurance premiums are applied)
The number of eligible recipients	55,100	7,618 (eligible recipients of the special additional pension)
Those who have reached 60 years of age, etc.	34,276	—
Accumulated new participants	133,952	—

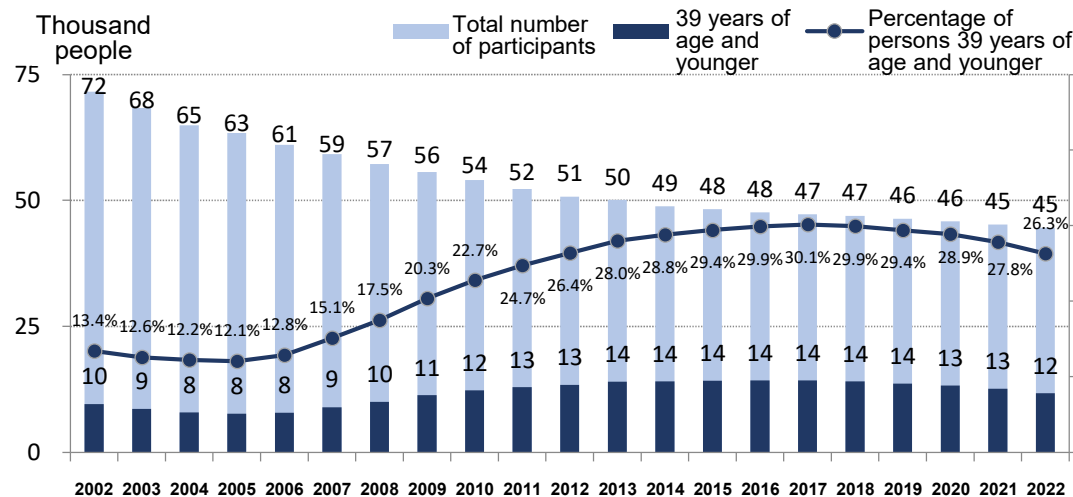
Former system (FY 2022)

	Total	Of them, the number of eligible recipients of the management transfer pension
The number of eligible recipients	223,084	143,687

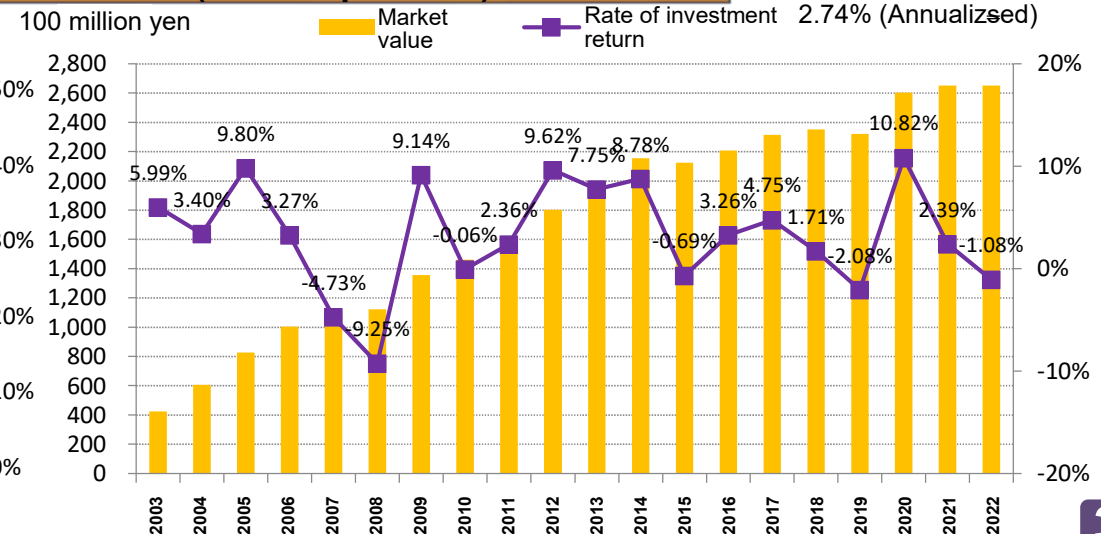
The number of insured persons by the amount of premiums paid



Change in the number of insured persons



Management of pension assets (insured portfolio)



Fundamental review of the farmers' pension system (revised in 2001)

- The former system, which adopted a "pay-as-you-go method" in which the pension benefits of the retired generation were supported by the working generation (participants), had a structure in which one participant supported three recipients amid the aging in rural areas, and the system became financially stagnant.
- For this reason, a fundamental revision of the system was made, including changing the financial source of the pension the participants receive after retirement to the "funded method," which is funded by insurance premiums paid by the participants when they are in the working generation. As a result, pension financing has been stable over the long term, regardless of the number of participants and recipients.

[Progress of aging and deterioration of pension finance]

(As of 1998)

	1965	2000
Percentage of persons engaged in agriculture who are 60 years of age and older	22.0%	65.9%
Farmer population	30.08 million people	13.46 million people
The number of commercial farmers	5.06 million farmers	3.12 million farmers

750,000 eligible recipients to 290,000 participants

169.9 billion yen in pension expenses compared to 53.5 billion yen in insurance premium income

Risk of bankruptcy

[Fundamental revision in 2001]

- (1) Change to a funded method that does not depend on the number of participants or recipients
- (2) Benefits during the participation period under the former system continue even after the transition to the new system (All benefit expenses are paid by the national treasury. However, the amount of management transfer pension to be paid by the national treasury was reduced by 9.8%.)
- (3) A special lump-sum withdrawal payment is provided to those who do not wish to undergo the transition to the new system (approximately 80% of the total amount of insurance premiums paid)

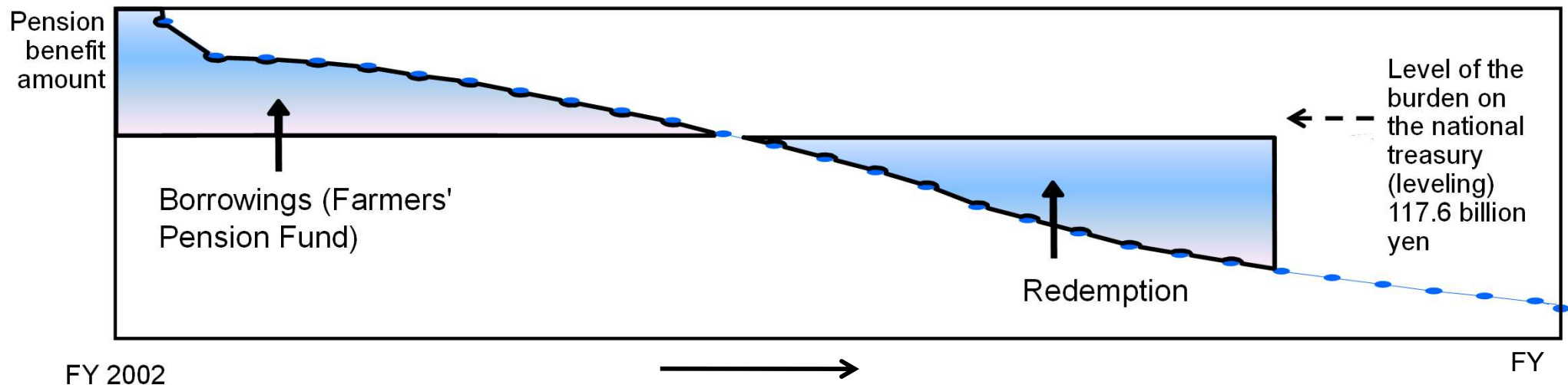
	Former system (1971-2001)	Current system (from 2002)
Structure	Pay-as-you-go method (with price slide), defined benefit type	Funded method (no price slide), defined contribution type
Purpose	Modernization of farm management and rationalization of farmland ownership (rejuvenation and scale expansion)	Securing farmers
Participation	Compulsory participation (agricultural managers whose right to farmland, etc. encompasses 50 ares or more) (*Voluntary participation for agricultural managers whose right to farmland, etc. encompasses 30-50 ares and their successors, etc.)	Voluntary participation (persons engaged in agriculture)
Insurance premium	Fixed amount [21,660 yen per month (legal amount from January to March 2001)]	Decided by the participant [20,000 yen (10,000 yen for those who meet certain requirements) to 67,000 yen]
Benefits	<ul style="list-style-type: none"> Those who have transferred management by age 65 years of age receive an increased pension (= management transfer pension) subsidized by the national treasury. Those who reach 65 years of age without transfer of management are provided a pension funded by insurance premiums (= farmers' old-age pension). 	<ul style="list-style-type: none"> The farmers' old-age pension funded by insurance premiums and investment profits is provided from 65 years of age in principle. When a person who received policy support abolishes agriculture, a special additional pension funded by state subsidies and investment profits is provided after 65 years of age in principle.
Policy support (State subsidies)	Subsidize management transfer pension benefits	Subsidize premium contributions

Budget overview (budget amount for FY 2023) *Budget amount for FY 2022 is shown in parentheses

(1) Contributions for farmers' pension benefits, etc. **75,384 (95,157) million yen [related to the former system]**

The full amount of benefits to recipients of the former system and insured persons under the new system who were participants of the former system is paid by the national treasury in accordance with the law.

In addition, in order to level the burden on the national treasury, a system to temporarily shoulder the burden through long-term borrowing of the Farmers' Pension Fund is implemented. (The State guarantees the debt pertaining to the borrowing and bears the redemption money and interest rate.)



(2) Special additional pension subsidies **880 (932) million yen [related to the new system]**

In order to reduce the burden on motivated farmers such as certified farmers, a part of insurance premiums is subsidized. Insurance premiums subject to subsidies are set aside to cover special additional pension benefits.

(3) Grant for operating expenses **4,707 (4,167) million yen [related to the new and former systems]**

Necessary expenses such as administrative expenses related to participation promotion and processing of various documents and personnel expenses are supported.

Overview of the corporation

➤Date of establishment	October 1, 2003
➤Law on which it is based	Act on the Independent Administrative Corporation Farmers Pension Fund (Act No. 127 of 2002)
➤Capital	None
➤Number of officers	5 (1 president, 2 directors, 2 auditors (including 1 part-time))
➤Number of employees	74 (as of October 1, 2023)
➤History	October 1, 1970: Established the Farmers' Pension Fund (public corporation) October 1, 2003: Shifted to the Independent Administrative Corporation Farmers' Pension Fund
➤Services	1 Farmers' pension service 2 Former farmers' pension service (a system prior to revision by the Act for Partial Revision of the Act on the Farmers Pension Fund (Act No. 39 of 2001))

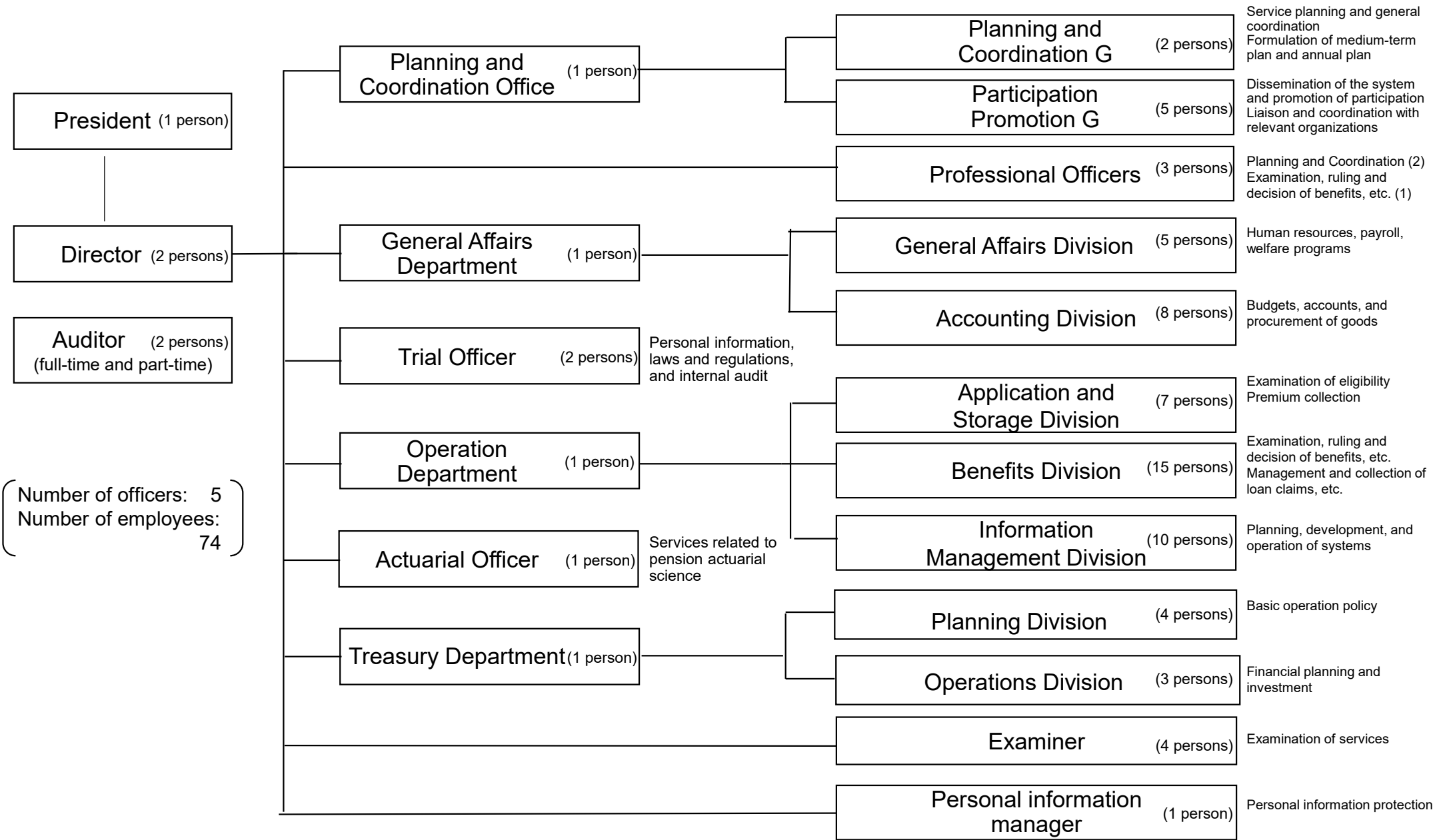
6. List of officers

(as of October 1, 2023)

Title	Name	Date of inauguration	Former post
President	Natsuki Kuroda	April 1 st, 2023	Managing Director, National Agricultural Cooperatives Guarantee Center
Director	Harunobu Nagai	October 1st, 2023	Attached to the Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries
Director	Katsuhiro Yamamura	October 1st, 2023	Director General and Information Business Division Director, National Chamber of Agriculture
Auditor	Nobuhisa Sakamoto	June 22 nd, 2023	Director, Public Relations Evaluation Division, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries
Auditor (part-time)	Keiko Kobayashi	October 1st, 2015 (reappointed on June 21, 2018 and on June 22, 2023)	Director, Kobayashi Certified Public Accountants Office

Organization chart of the Farmers' Pension Fund

As of October 1, 2023



Farmers' Pension System (Supplementary Materials)

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Policy support for farmers' pension

Special premiums and premium subsidies

Requirements Persons who fall under all of the following items

- (1) The expected period for which insurance premiums have been paid, etc. is 20 years or more by the time the participant reaches 60 years of age
- (2) Agricultural income (after deducting necessary expenses) is 9 million yen or less
- (3) The participant falls under any of the following categories

Category	Policy support recipients	State subsidies for insurance premium of 20,000 yen per month	
		Under 35 years of age	35 years of age and older
1	Certified farmers who file blue returns	10,000 yen (50%)	6,000 yen (30%)
2	Certified new farmers who file blue returns		
3	Spouses and successors of persons who fall under category 1 or 2 above (need to conclude a family business agreement and participate in management)		
4	Certified farmers or those who file blue returns who have committed to meet the requirements provided in category 1 above within three years	6,000 yen (30%)	4,000 yen (20%)
5	Agricultural successors who have committed to meet the requirements of category 1 by 35 years of age (within 10 years for those under 25)		—

Subsidy period

The maximum period for which participants can receive insurance premium subsidies is 20 years in total (up to 10 years after 35 years of age)

Special additional pension (pension to be provided from insurance premium subsidies)

Payment requirements Persons who fall under all of the following items

- (1) The period for which insurance premiums have been paid, etc. is 20 years or more
- (2) The participant must have reached 65 years of age (for those who are 60 years of age and older are able to advance the time of receiving benefits)
- (3) Retired from agriculture due to business succession, etc. (After 65 years of age and older is possible)

Management succession

When a participant retires from agriculture in order to receive a special additional pension, the participant is required to dispose of farmland and other management resources to a successor or a third party and have them succeed.

◎ Assets subject to management succession and disposal method

Subject Assets		Method of management succession
Farmland and meadow/pastureland		Transfer or establish (sell, provide, loan, etc.) rights to an eligible successor.
Agricultural facilities	Livestock barns/greenhouses with a remaining useful life of 10 years or more	
	Livestock barns/greenhouses and other production facilities with a remaining useful life of less than 10 years	Disposal of facilities (regardless of the destination), discontinuation of services, change of use, etc. (Note)
	Other than those above (storage facilities, processing facilities, collection and shipment facilities, sheds, etc.)	Disposal is not required
Spouses or successors who do not own farmland or production facilities		Leave agricultural management in accordance with a family business agreement

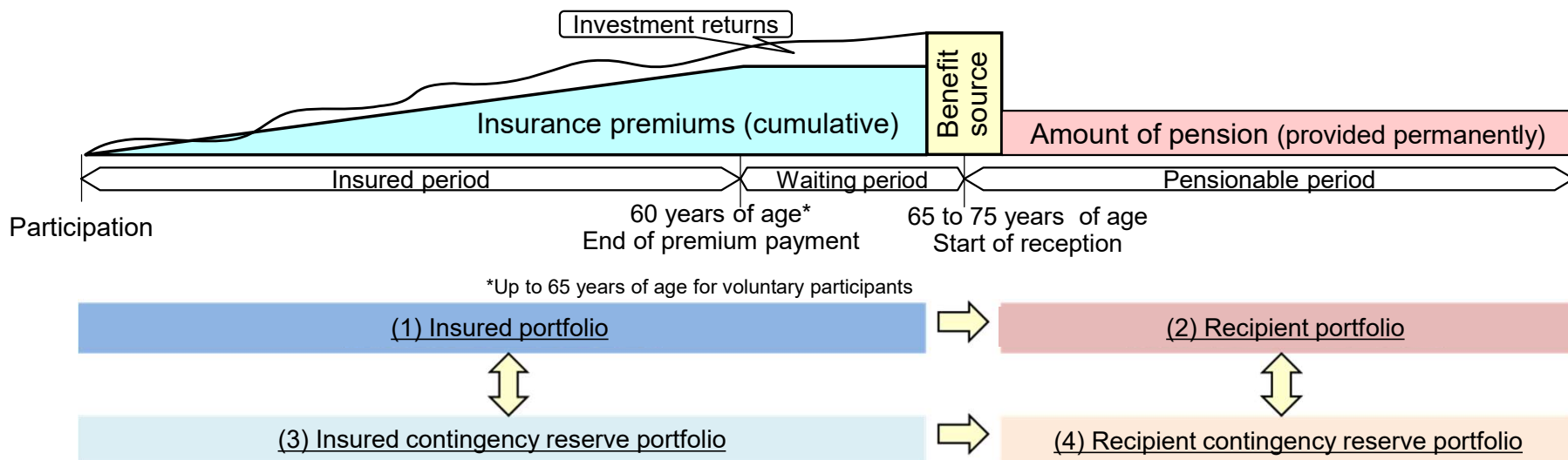
(Note) Need confirmation by the Board of Agriculture that there are no inventories in the facility

◎ **Eligible successors** (limited to farmland, meadow/pastureland, and livestock barns/greenhouses with a remaining useful life of 10 years or more).

- **Successor** A lineal descendant under 60 years of age and his/her spouse
- **Third party** Individual: Agricultural managers under 60 years of age and new farmers
Corporations: Agricultural corporations, farmland management organizations, agricultural cooperatives, etc. (Note)

(Note) In the case of disposal to a third party only, a private plot within 10 ares (20 ares in Hokkaido excluding the Donan area) can be left

Management of farmers' pension fund (4 portfolios)

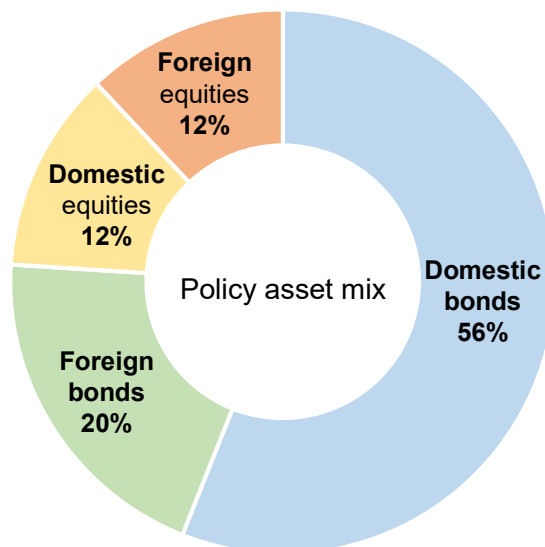


(1) Insured portfolio 265 billion yen

Benchmark for consignment management
(passive investment)

	Benchmark
Domestic bonds	NOMURA-BPI overall
Domestic equities	Tokyo Stock Price Index (TOPIX dividend included)
Foreign bonds	FTSE World Government Bond Index (excluding Japan, with foreign exchange hedging)
Foreign equities	MSCI-KOKUSAI (Before withholding tax exemption, dividend reinvestment, without foreign exchange hedging)

About half of domestic bonds are in-house investment (held to maturity)



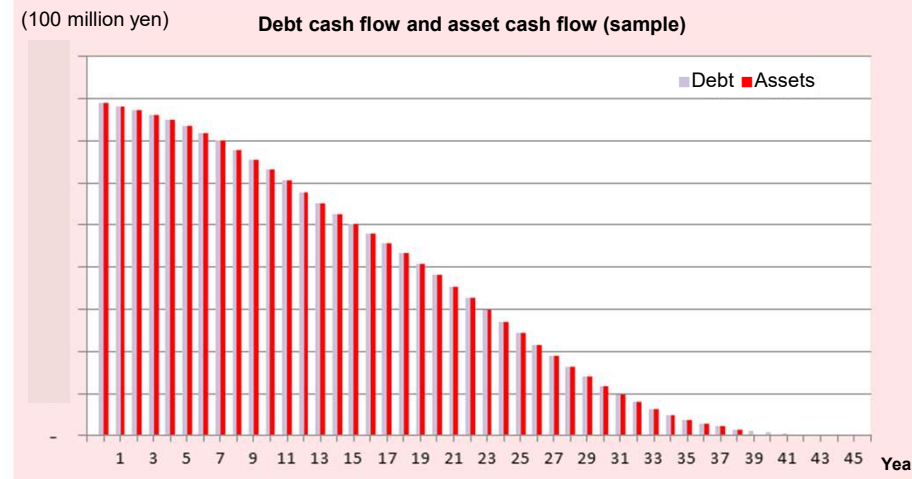
(3) Insured contingency reserve portfolio

13.5 billion yen (short-term assets)

(Interest reserve: 9.84 billion yen;

Adjustment reserve: 3.66 billion yen)

(2) Recipient portfolio: 106.2 billion yen (domestic bonds and short-term assets)



*Regarding domestic bonds, hold 10, 20, 30, and 40 year government bonds

(4) Recipient contingency reserve portfolio

3.9 billion yen (short-term assets)

(Adjustment reserve)

*The scales of assets in (1) to (4) are as of the end of March 2023.

(Reference) Calculation of the amount of farmers' pension

❑ New system (farmers' old-age pension and special additional pension)

$$\text{Amount of pension} = \frac{\text{Pension funds (Reserves + Investment profits)}}{\text{Actuarial present value*}}$$

* "Actuarial present value" is a coefficient that indicates how much more fund (pension fund) is required in advance in order to provide a pension annually over a period of time.

The actuarial present value is the sum of the present value of the amount of pension for each year (discounted by the assumed interest rate), taking into account that interest accrues during the annuity payment period. In the case of a lifetime pension, the assumed death rate is used to determine the age by which the pension is paid, in addition to the assumed interest rate.

◎Estimated interest rate of farmers' pension (from April 1, 2023)

Assumed interest rate	Assumed death rate	Actuarial present value
0.70%	(65 year-old man)	(65 year-old man, Farmers' old-age pension)
	0.00974	21.34353

❑ Former system (farmers' old-age pension and management transfer pension)

$$\text{Amount of pension} = \text{Unit pension price} \times \text{Months of premiums paid}$$

◎Unit pension price (if the pension starts to be provided at 65 years of age)

Year of birth	Age (End of FY 2022)	Management transfer pension		Farmers' old-age pension
		Addition	Basic amount	
1958	64	—	—	1,421 yen
59	63	—	—	1,482 yen
60	62	—	—	1,545 yen

*1 Those who were born on or before January 1, 1957 will receive the management transfer pension, and from then on, the pension is integrated into the farmers' old-age pension. The basic amount is already the same as the farmers' old-age pension.

*2 The additional management transfer pension is provided to those who meet the requirements for participation under the former system, such as a Category I insured person of the national pension system with managed farmland of 50 ares or more (insured persons equivalent) or when management is transferred to corporations, etc.

(Reference) Concept of the level of benefits under the former system

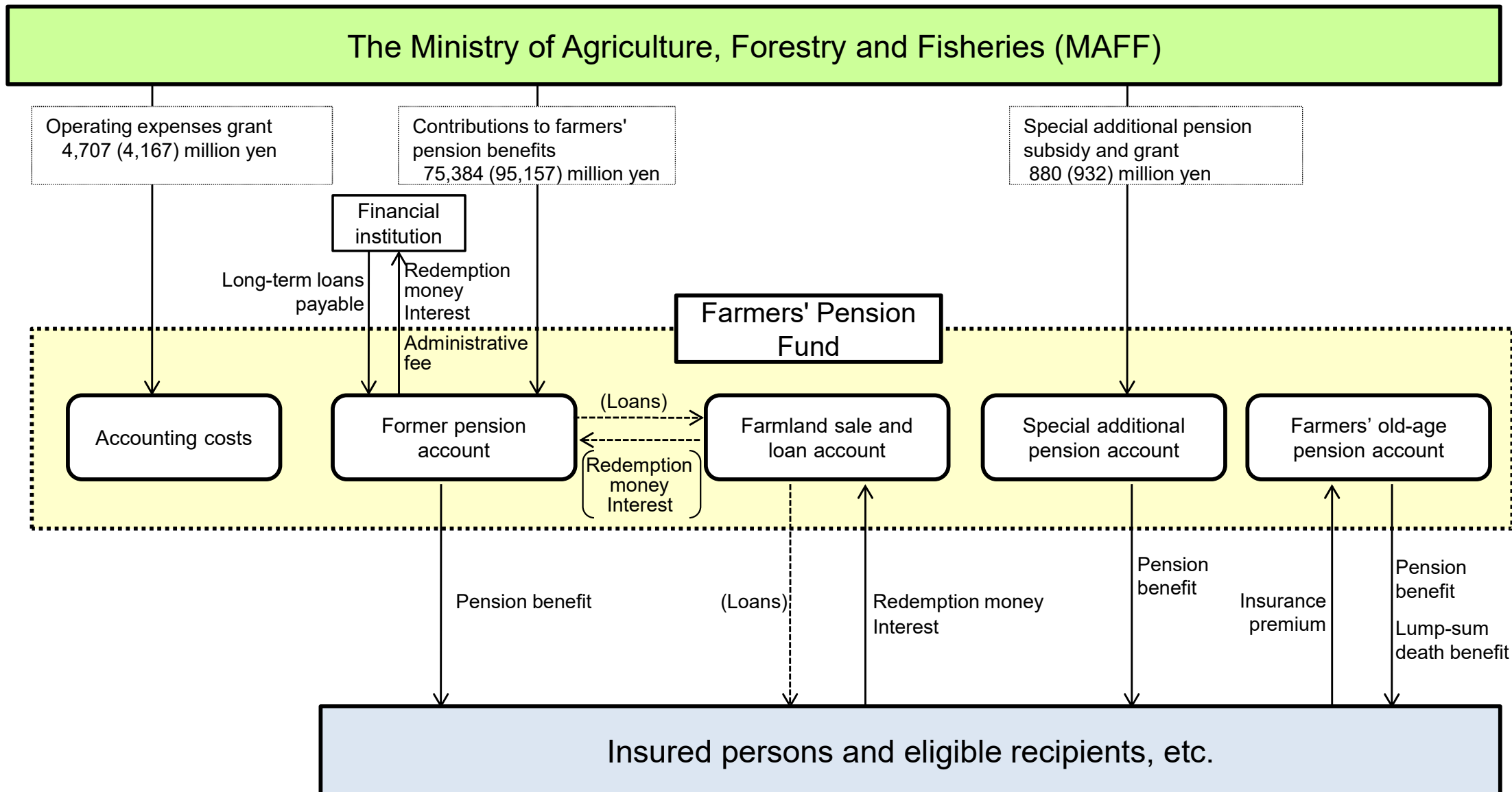
Under the former system, the unit price is set considering the average farm income as the average standard compensation, based on the concept of the old-age employee pension system (compensation proportionate part) when re-calculating government finances every five years.

○ Old-age employee pension (compensation proportional part) = Average standard monthly compensation × Multiplying factor × Period for which insurance premiums have been paid

○ Additional management transfer pension = Unit price (Average agricultural income × Multiplying factor) × Period for which insurance premiums have been paid

Flow of funds of the Farmers' Pension Fund

(Note) The amounts are budget amounts for FY 2023
Figures in parentheses are for FY 2022



Budget and accounts of the Farmers' Pension Fund

(Unit: million yen)

		FY 2022		FY 2023 Budget	Factors (difference between FY 2022 budget and financial results)
		Budget	Financial results		
Income	Operating expenses grant	4,167	4,167	4,707	
	State subsidy	932	692	880	The recipients of the subsidy fell below those expected
	State contribution	95,157	95,157	75,384	
	Loans	70,320	68,900	93,375	
	Premium income	14,893	14,814	15,202	
	Investment income	1,938	1,695	1,951	The actual revenue (amount) fell below the expected revenue (amount)
	Interest on loans	0	0	0	
	Income from sale of farmland	9	10	2	
	Other income	0	30	0	Outsourcing expenses were refunded
	Total	188,148	186,197	191,502	
Expenditure	Business expenses	77,553	73,978	73,536	
	Farmers' pension service benefits	7,051	6,649	7,592	
	Former pension benefits	68,141	65,242	63,811	
	Refund	286	230	271	The number of disqualifications of insured persons decreased
	Expenses related to long-term loans payable	34	14	45	The fees required for loans fell below those expected
	Other business expenses	2,042	1,843	1,816	Other business expenses fell below those expected
	Redemption of borrowing	97,300	97,300	104,900	
	General and administrative expenses	1,899	1,517	2,001	Expenditures for participation promotion measures fell below those expected
	Labor expenses	958	745	891	The percentage of labor costs fell below that expected
	Total	177,710	173,539	181,327	

*Breakdown may not exactly reflect the actual totals due to rounding off