

Part 1: Current Countermeasures against Declining Birthrate, and Tasks

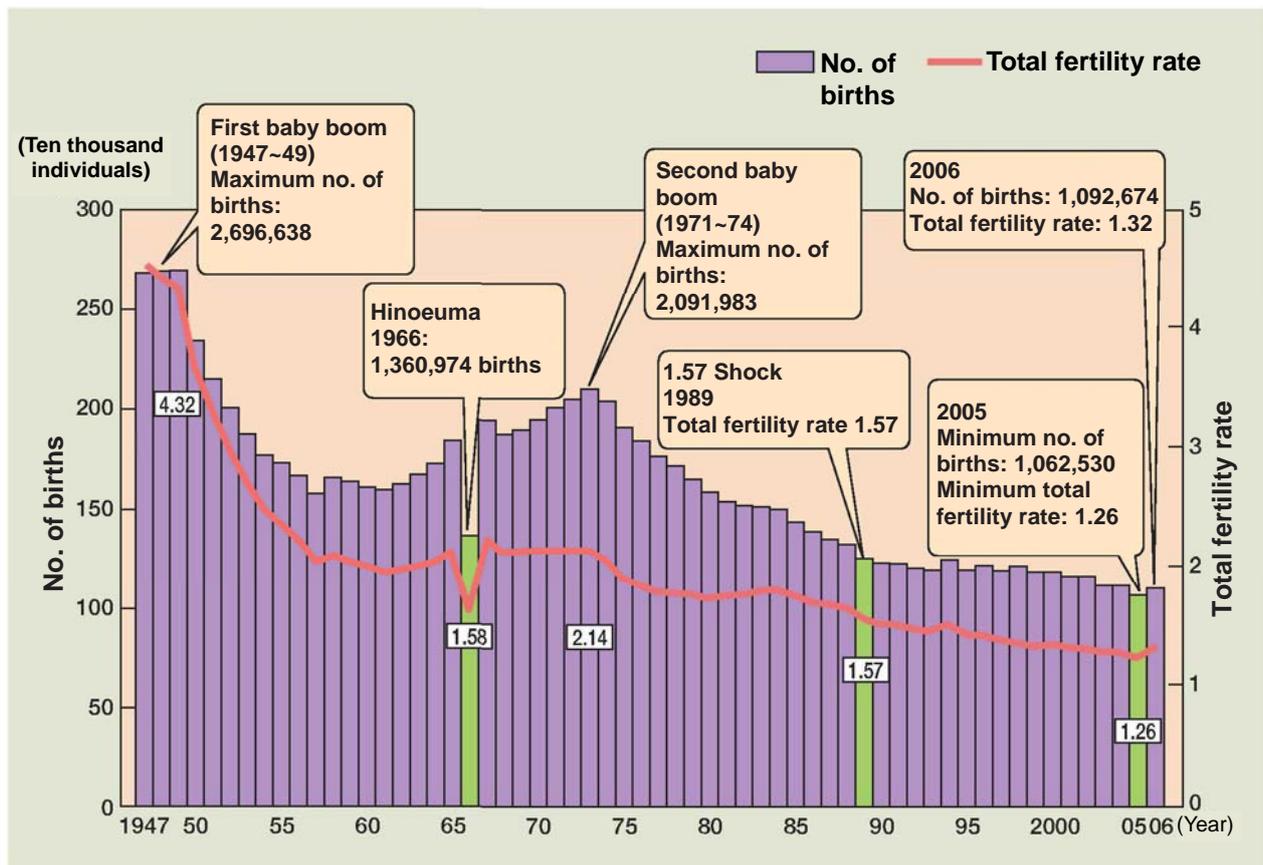
Chapter 1. Current Status of Low Birthrate

Section 1 Status of Declining Birthrate in Recent Years

1. Progress of Declining Birthrate

○ The number of births recorded in 2006 was 1,092,674 (1,062,530 in the previous year), and the total fertility rate was 1.32 (1.26 in the previous year): an increase for the first time in 6 years.

Diagram. Annual transition in the number of births and the total fertility rate



○ The percentage of youth (between ages 0~14 years old) in the population of our country is shrinking along with the number of births after the Second World War, and, in 1997, it became even less than the population of senior citizens (above 65 years old). According to the Ministry of Internal Affairs and Communications in the “Population Estimates as of October 1, 2007,” the youth population is 17,293,000 (accounting for 13.5 percent of the total population), while the elderly population is 27,464,000 (accounting for 21.5 percent of the total population). This indicates that the country is progressing towards being an aging society with a declining birthrate.

○ The percentage of youth in the global population (U.N estimate) in 2005 was 28.3 percent. Our country, with 13.5

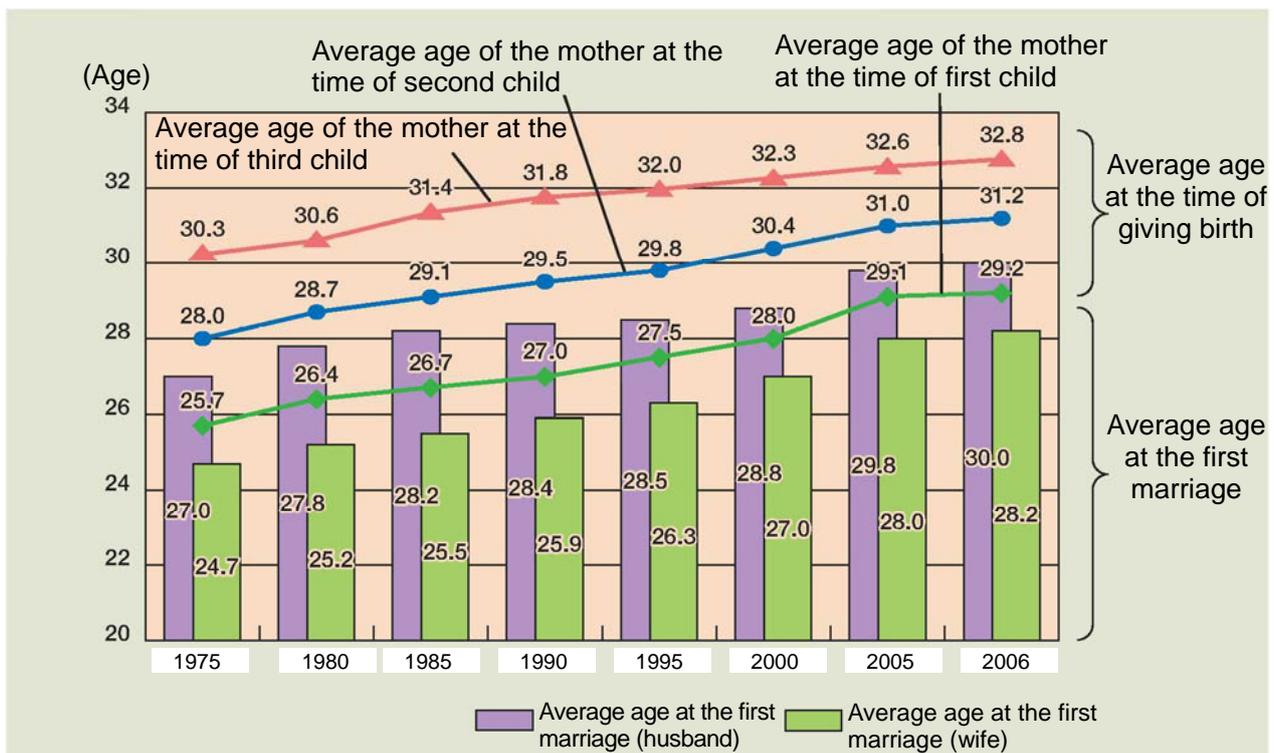
percent, was the lowest in the world.

- According to the annual projection of vital statistics for 2007, the number of births in 2007 is estimated to be 1.09 million (an approx. 3,000 decline compared to the previous year), while the number of deaths is estimated to be 1,106,000 (an approx. 22,000 increase compared to the previous year). A negative natural increase of 16,000 is also expected.
- The total fertility rate for the country in 2006 was 1.32. 34 prefectures exceeded this rate and 13 prefectures were below that level. Among all the prefectures, the highest total fertility rate was in Okinawa (1.74) while Tokyo had the lowest (1.02).

2. Unmarried Population/Trend towards Late Marriage

- In 2006, the number of married couples was 730,971 (increase by 16,706 couples compared to the previous year). It increased for the first time in 5 years. Although the marriage rate increased by 0.1 to 5.8 from the all time low of 5.7 in 2005, the marriage rate has dropped almost by half when compared to approx. 10.0 in the early 1970s. Further, the percentage of unmarried people in the age group 25~29 was 71.4 percent in males and 59.0 percent in females.
- In 2006, the average first time marriage age for Japanese men was 30.0 years (0.2 years older compared to the previous year) and that for women was 28.2 years old (0.2 years older compared to the previous year), showing a trend towards late marriage. Additionally, the average age of mothers giving birth to their first baby was 29.2 years old, the second, 31.2 years old, and the third, 32.8 years old. This indicates a trend towards late birth. As people tend to avoid having children when they get older, the trend of late marriage and late birth will cause a decrease in the birthrate.

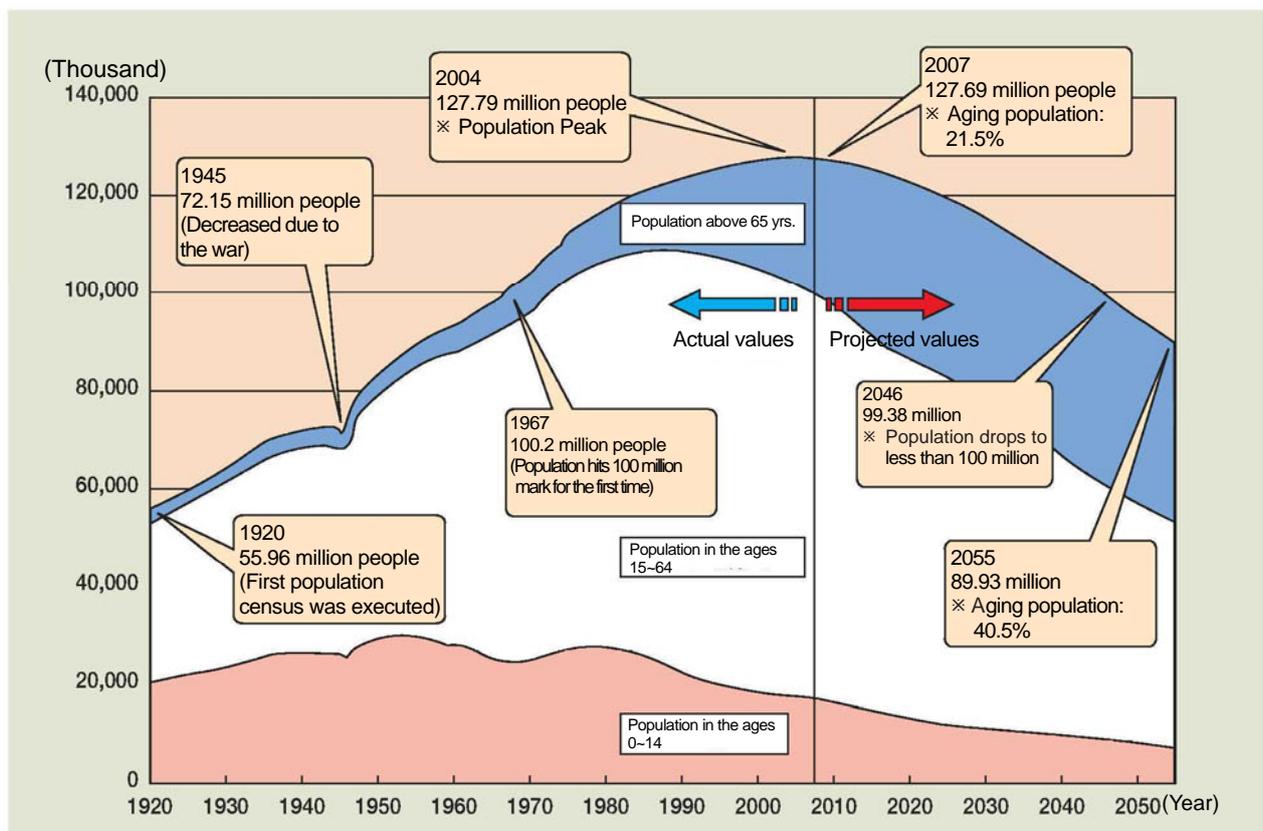
Diagram. Annual transition of the average age for first marriage and mother first giving birth



1. Future Population Projections

- According to the middle series of future population projections for Japan as of December 2006, it is estimated that the total fertility rate will be 1.26 in 2055. On the basis of this assumption, the population of our country is estimated to become 89.93 million in 2055 from 127.77 million in 2005. Due to the unmarried population and the trend towards late marriage, it has become all the more worse than the previous projection in January 2002. In 2055, the number of children born in the whole year is estimated to be less than 500,000.
- If we look at the size of population in three age categories and the overall transition (the middle series) of percentages in the total population, the youth population, estimated at 17.24 million for 2007 and occupying 13.5 percent of the total population, is expected to drop to 7.52 million in 2055, occupying 8.4 percent of the total population. The productive population for 2007 estimated at 83.01 million and accounting for 65.0 percent of the total population, will keep decreasing and is projected to drop to 45.95 million in 2055, accounting for 51.1 percent of the total population. Finally, people aged 65 years or older, estimated at 27.45 million for 2007 and comprising 21.5 percent of the total population, is projected to hit 36.46 million in 2055, comprising 40.5 percent of the total population.

Diagram. Transition and Projections of Population Structure in Japan

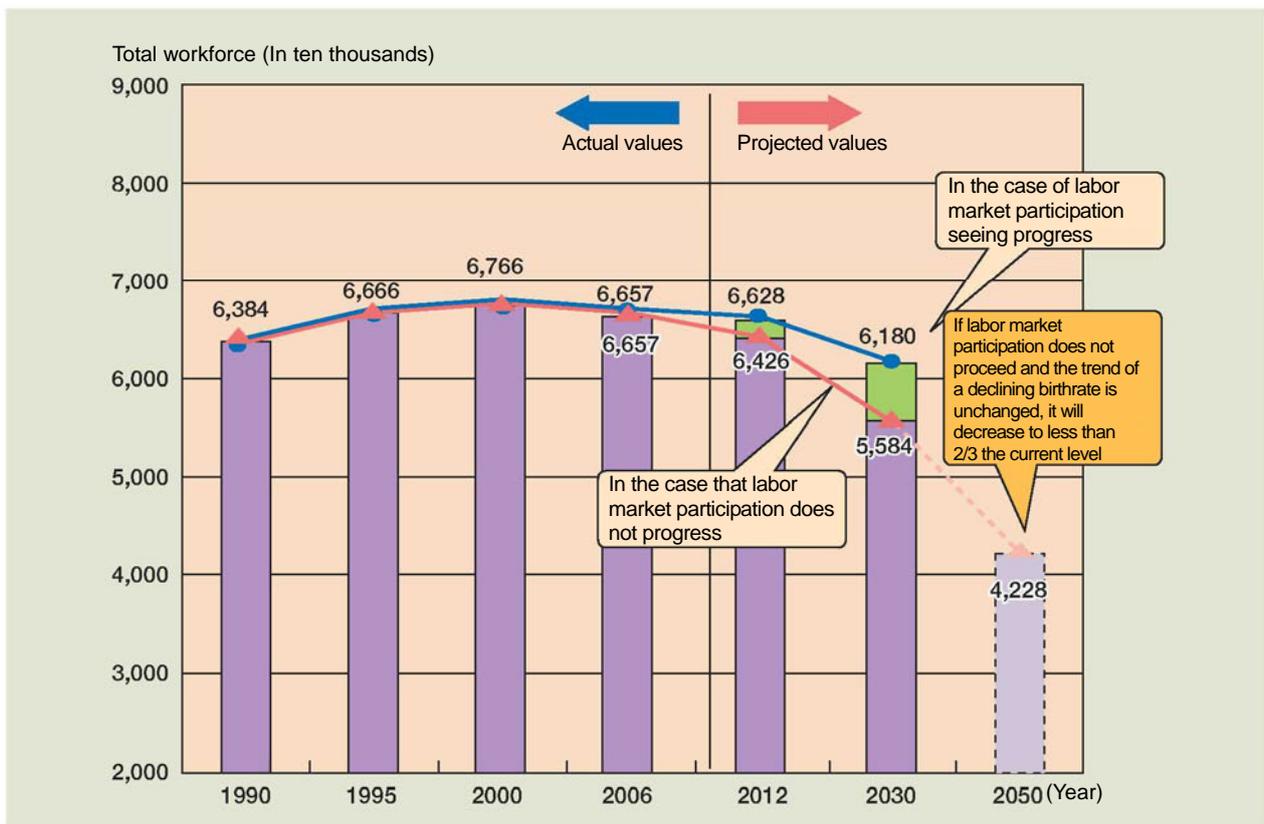


- Examining the future projection result of the population classified by each prefecture, it is estimated that from 2025 onwards, the population will continue to decrease in all prefectures. On the other hand, the percentage of elderly to the total population will show a consistent increase in each prefecture as the youth population and the productive population decrease. In 2035, the elderly population is projected to exceed 30 percent in all 44 prefectures.

2. Effects of the Decrease in Population

○ It is expected that, as the productive population decreases, the population of the total workforce will decline as it ages. So it is necessary to compile a plan to promote job opportunities for youths, females, and senior citizens. The labor force is expected to decline rapidly from 2030 onwards, resulting in the workforce dropping to less than two-thirds in year 2055 of the current 66.57 million (2006) to 42.28 million, given no increase in the participation of youths, females, and senior citizen in the labor market and no change in the trend of a declining birthrate.

Diagram. Change and perspective of labor force population



○ The rapid decline of productive population due to a low birthrate will negatively affect Japan's economy, and the increase in the population of senior citizens will largely affect the pension system, medical care and nursing expenses. With respect to social impact, fewer children and more elderly people, especially in sparsely populated areas, will lead to difficulties in maintaining activities that the local residents take initiatives in such as the fire service, and crime prevention. It will even become difficult to maintain communal settlements, and thus may create trouble in maintaining a local foundation.