

Section 2. Future Population Outlook

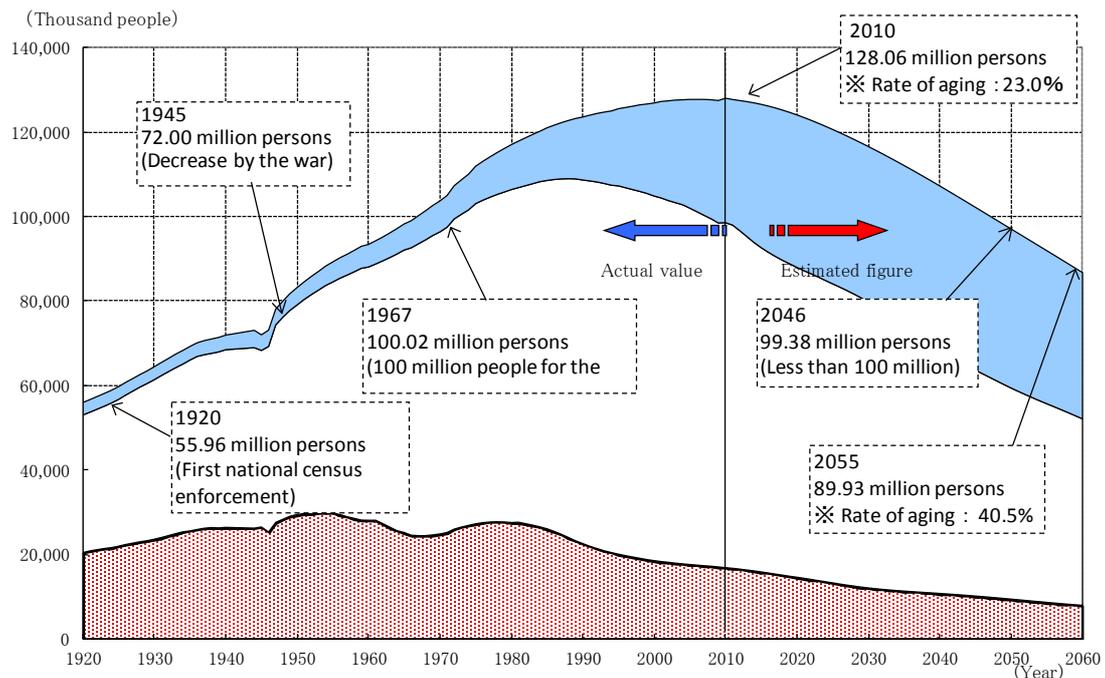
1. Decline in the Total Population and Change of Demographics

(Population of Japan after 50 years)

According to the middle series (birth and death 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.

If we look at the size of population in three age categories and the overall transition (the middle series) of percentage in the total population, the youth population (aged 0-14), estimated at 16.48 million for 2010 and occupying 12.8 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 (aged 15-64) for 2010 estimated at 81.02 million and accounting for 63.8 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 over, it is estimated at 29.70 million for 2011 and comprising 23.4 percent of the total population, is projected to hit 36.46 million in 2055, comprising 40.5 percent of the total population.

Figure 1-2-21: Changes and outlook of population structure in Japan



Source: Actual values (1920~2010) are from "Population Census", "Population Estimates" and "Population Survey in 1945" by the Ministry of Internal Affairs and Communications. Estimated records (2011~2055) are from intermediate estimated records of "Future Population Estimates (December 2006)" by the National Institute of Population and Security Research.

Note: From 1941 to 1943, interpolating population by 3 groups of age in 1940 and 1944. From 1945 to 1971, not including Okinawa. For national census years, apportioning the age unknown minute.

2. Impact of Decrease in Population

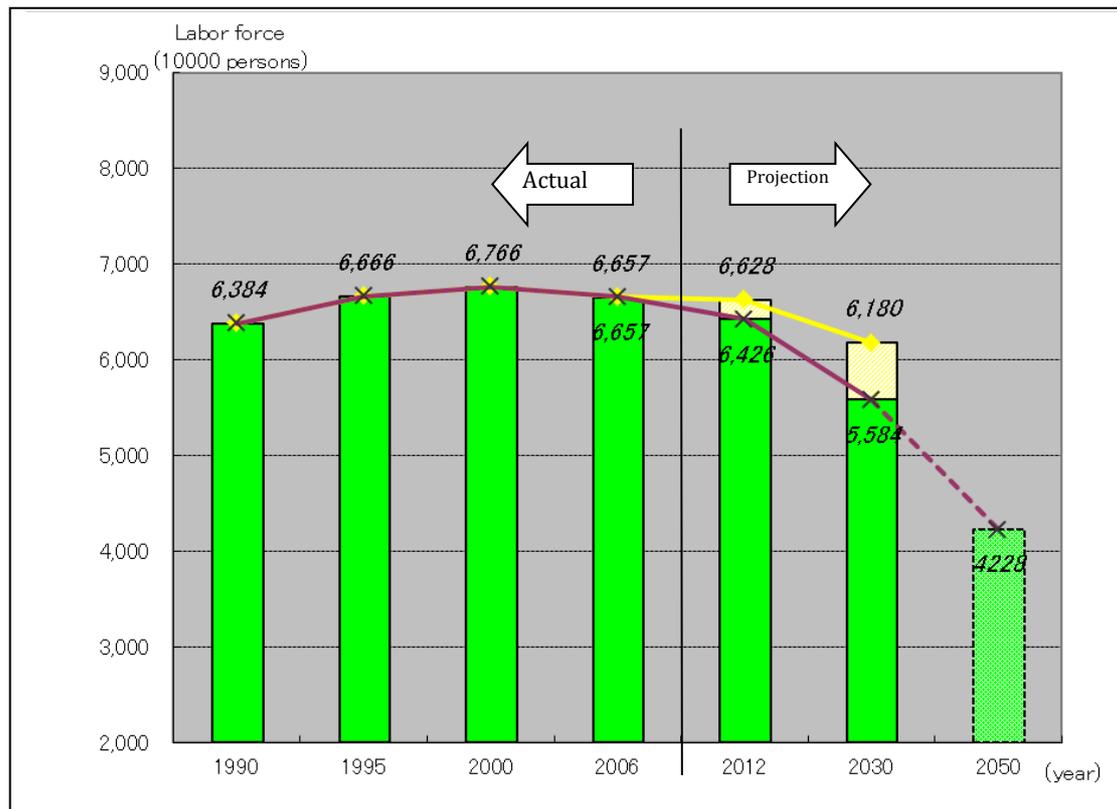
(Decline in labour population)

Future population projections in 2006 shows that in 2055 total fertility rate will be lower than 1.26, total number of population will be lower than 90 million, and 40 percent of total population (about 1 in 2.5 persons) will be elderly people.

Society which decreases in population is accompanied by the change in demographic structure, which is the increase in elderly people and decrease in productive workers (15~64 years). There is also a concern that this will have a major impact on our economic society.

If the participation of all the people with willingness and ability to work including youths, women, elderly people, disabled people, with willingness and ability to work, is achieved at the labour market, and if that participation progresses well enough, it is expected that the decline in the productive workers can be restrained to a standard of 6.18 million people in 2030.

Figure 1-2-22: Transition and prospect of labor force population



Data: Actual values are from "Labour Force Survey" by Ministry of Internal Affairs and Communications. Estimates for 2030 are estimated by the Institute for Labour Policy and Training Incorporated Administrative Agency (February, 2008 "The results of estimated future labor supply and demand model, estimates of labor supply and demand in 2007"). On the assumption that the labor force in 2050, after the year 2030 "Labor force participation rate by age group and sex" has not changed, based on the medium variant "Population Projections for Japan (December 2006 estimate)" of "estimated Social Security Office Counsellor Ministry of Health, in Labour and Welfare".

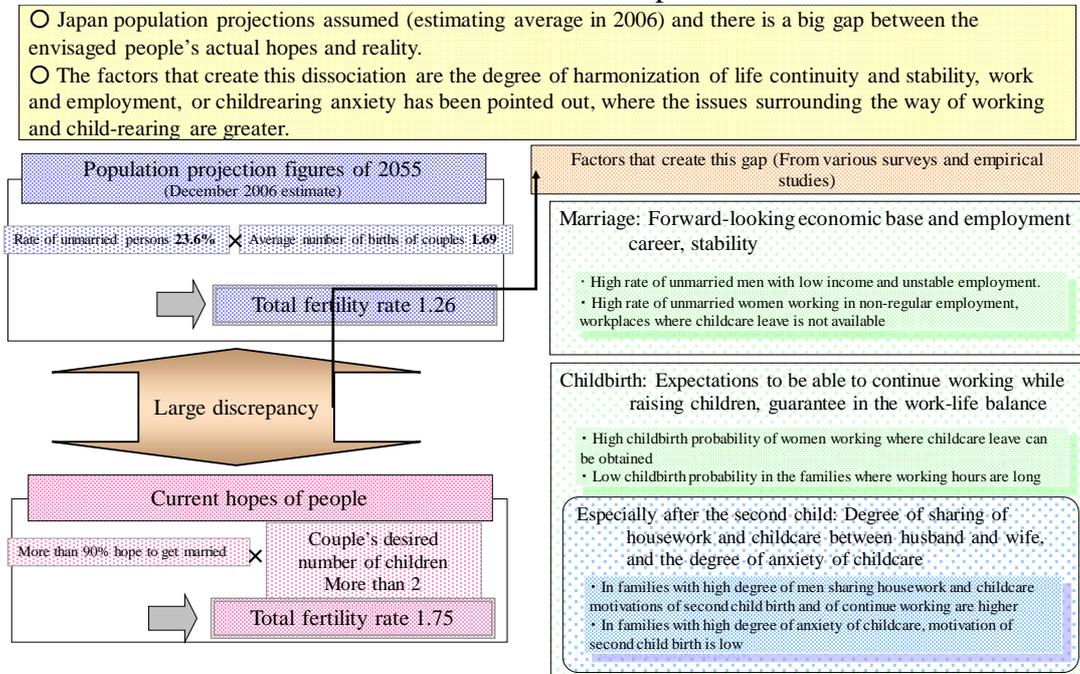
Note: "The case that participation in labor market does not advance". is case assumed that the labor force participation rate by age and sex to remain at the same level as in 2006. "The case of the participation in labor market advances". is case assumed that by taking a variety of employment policy, and implement youth participation in the labor market, women, and the elderly. About the impact of Labor supply and demand, such as tax and social security systems in this estimation to have not been fully considered necessarily, could be a significant impact on labor supply and demand by these systems will be changed must be noted that there.

(Population estimate which reflects the hopes of the people)

According to the result of 'basic survey for birth transition' etc., 90 percent of the unmarried want to marry someday. In addition, the number of children that both male and female married people and unmarried ones hoping to get marriage consider desirable is at least 2 on average. The Population Estimation Based on Hopes (January

2007), which was based on the assumption that the abovementioned people's hopes being realized to a certain degree, indicates that if all their hopes were to have been realized by 2040 the total fertility rate would increase to 1.75. It is considered that declining birthrate trend can be changed by removing the gap between hope and reality regarding marriage, birth and childcare.

Figure 1-2-23: Dissociation between wishes of a nation and real Social factors that have led to a sharp decline in the number of births



Source: Reference of "National Congress Regarding social security- Final Report" by the National Congress regarding social security