

Retirement Allowance/Pension Plan at Matsushita Electric Industrial Co., Ltd.

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Matsushita Electric Industrial Co., Ltd. (MEI) has been reviewing its management strategy from various perspectives under the drastic social and economical changes and the Personnel system has been a part of this review.

In an effort to establish an entirely new Personnel system that brings about this situation, based on the new company/employee partnership. In which an independent individual and the company share a common purpose, and an independent individual with high level of expertise can contribute to the society and accomplish self-actualization through identifying with the company's value that pursues customer satisfaction.

In April 1998, we have made a concrete revision in our total Benefits system, proposing "New Business Results Sharing Plan". The aim of this revision is to make this new system well adapted to the social-economical environment and proportionate to global standards by realizing employees who seek a new company/employee partnership and at the same time, pursue the effectiveness of the total personnel cost and its distribution.

By introducing the cash balance plan, we have implemented a fundamental reform of retirement allowance and pension system that ensures 'Stability and Security' for post retirement years, and "Independence and Choice" to provide more satisfaction by making own choice. This implementation has become possible because of the enactment of defined benefit corporate pension plan and subsequent introduction of cash balance plan that became possible to implement after deregulation of employees' pension fund.

In the former retirement allowance and pension system, 50% of the portion of the accumulated fund before 60 years old, the so called retirement allowance that was

calculated by the final salary basis, was transferred to employees' pension fund to form the corporate pension. In the new system, the retirement allowance is divided into two parts and the first 50% is made to be the build up portion by point system and the latter 50% is the build up portion by cash balance plan that is the newly introduced system since April 2002.

Furthermore, from the viewpoint of transfer to pension, the whole retirement allowance is transferred to employees' pension fund based on the revision made this time and with regard to the newly built up cash balance plan portion that is transferred to pension, selectivity is extended and the fluctuation type pension in which the interest rate for pension fluctuates during entitlement has been introduced.