

Overview of Japan's Labor Insurance System

All companies that employ workers in Japan are required to enroll in the Labor Insurance (*Rodo Hoken*) system, which consists of Worker's Accident Compensation Insurance (*Rosai Hoken*) and Employment Insurance (*Koyo Hoken*).

■ Workers' Accident Compensation Insurance

This insurance provides benefits such as assistance with medical expenses, compensation for leave, disability benefits, survivors' compensation, and other coverage when employees are injured, become ill, or die due to work-related causes or commuting accidents. All employees who receive salaries and wages as compensation for their work are eligible for the benefits, regardless of their job title or employment type (e.g., regular employee, part-time employee, temporary or contract worker). The employer bears 100% of the insurance premiums, and the premium rates vary depending on the industry, from 0.25% to 8.8% of the salary or wages.

■ Employment Insurance

This insurance provides employees with various benefits in cases of unemployment, childcare, and family care leave. Employees are insured if they work 20 or more scheduled hours per week and are expected to be employed for at least 31 days, regardless of job title or employment type. Insurance premiums are shared between employers and employees. The employee's portion is calculated based on monthly gross earnings and bonuses and is withheld from salary and bonus payments. The combined premium rate is 1.45% (0.9% for the employer and 0.55% for the employee) through March 31, 2026. This will be reduced to 1.35% (a decrease of 0.05% for each party) on April 1, 2026.

■ Annual Reporting and Premium Calculation

Japan adopts a unique annual reporting method for labor insurance, called the Labor Insurance Premium Settlement Report ("the Settlement Report").

(1) Provisional payment of premiums (概算保険料)

- Calculated based on the total of estimated salaries and wages for the upcoming base year (April 1 to March 31).
- For new companies, the base year runs from the date of establishment to March 31.
- The annual premiums are prepaid in advance on a provisional basis for the coming year.

(2) Final premium (確定保険料)

- Determined based on the total of actual salaries and wages for the previous base year (April 1 to March 31).
- Differences between the provisional and final premiums are settled by filing the Settlement Report.
- The due date for filing the report is July 10 each year.

■ Types of Payments

The following payments are made at the time of filing the Settlement Report:

(1) Provisional payment of premiums

- Both the employer's and the employees' premiums are paid on a provisional basis for the upcoming base year.
- If the provisional premium exceeds the threshold, it can be paid over three installments during the year.

(2) Adjustment payment

- If the final premium exceeds the provisional premiums paid in the previous year, the shortage must be paid.
- If the final premium is less than the provisional amount, the excess is either refunded or carried over to the next year's provisional premium.

(3) General contribution

- The general contribution for asbestos-related health damage relief (0.002% of the actual salaries and wages) is borne by the employer in its entirety and paid all at once.