Note: This is a reference translation. In the event of any conflict between the original Japanese version and the English version, the text of the original Japanese version shall prevail.

Government Pension Investment Fund Medium-Term Plan

Approval of Ministry of Health, Labour and Welfare 0331 No. 5 dated March 31, 2025

Pursuant to the provisions of Article 30, Paragraph (1) of the Act on General Rules for Incorporated Administrative Agencies (Act No. 103 of 1999), a plan to achieve the Medium-Term Objectives (the "Medium-Term Plan") shall be established as follows in order to achieve the objectives concerning the operations to be achieved by the Government Pension Investment Fund (GPIF) during the period from April 2025 to March 2030 (the "Medium-Term Objectives") as instructed by the Minister of Health, Labour and Welfare as of March 7, 2025, pursuant to the provisions of Article 29, Paragraph (1) of the said Act.

March 24, 2025

Masataka Miyazono, President, Government Pension Investment Fund, Japan

Section 1 Measures to be taken to achieve the objectives concerning improving the quality of the services provided to the public and any other operations

1. Basic policy for management and investment of pension reserve funds

(1) Basic policy for management and investment of pension reserve funds

Any investment of the pension reserves is to be undertaken pursuant to the provisions of the related laws and regulations and the Medium-Term Objectives, with particular attention to the fact that the pension reserves are a part of the insurance premiums collected from insureds and that they are a valuable source of future pension benefits payments, and with the purpose of contributing to the sound management of pension services for years to come by safely and efficiently investing those reserves from a long-term perspective and for the sole benefit of the insureds.

In addition, GPIF shall manage and invest pension reserves in accordance with the provisions of the "basic policy meant to ensure that the reserves are managed and invested safely and efficiently from a long-term perspective" (Notification of the Ministry of Internal Affairs and Communications, Ministry of Finance, Ministry of Education, Culture, Sports, Science and Technology, and Ministry of Health, Labour and Welfare No. 1 of 2014).

Therefore, on the basis of investment diversification in multiple asset classes having different risk and return profiles, etc., the management and investment entities (meaning the Government Pension Investment Fund ("GPIF"), the Federation of National Public Service Personnel Mutual Aid Associations, the Pension Fund Association for Local Government Officials, and the Promotion and Mutual Aid Corporation for Private Schools of Japan; the same shall apply hereinafter) jointly establish the reference asset mix for reserves (the "Reference Asset Mix"), formulate the policy asset mix from a long-term perspective (the "Policy Asset Mix") after taking into consideration the Reference Asset Mix and invest the pension reserve funds.

In this regard, GPIF not only formulates and publishes the specific policies on the management and investment of the pension reserve fund but also reviews the policies in a timely and proper manner in light of drastic changes in the economic environment and revises them promptly as required.

(2) Matters to be observed for management and investment of pension reserve funds

[1] Thorough performance of fiduciary responsibility

GPIF thoroughly complies with the duty of care and duty of loyalty of prudent experts.

[2] Consideration of the impact on markets and private activities

When managing the pension reserve, GPIF pays close attention not to distort market price formation or private investment behavior, particularly by avoiding the extreme concentration of investing and withdrawing at one time, and also ensures to prevent it from suffering a disadvantage as a result of any excessive impact of its own actions, including information dissemination, on the market.

In addition, due consideration shall be given to the following points so as not to have a direct and excessive impact on corporate management and other operations.

- i There shall be a restriction on the holding of securities issued by the same company for each external asset manager (including in-house investment).
- ii Not to select individual stocks in equity investment.

(3) Cooperation with other management and investment entities

GPIF endeavors to cooperate in mutual coordination such as by providing other management and investment entities with necessary information.

2. Managing a sound organization worthy of trust from the Japanese public to steadily fulfill GPIF's mission

The Board of Governors, which is in charge of decision-making and supervision, the Audit Committee, which is in charge of audits, etc., and the President and other executives, which are in charge of execution, shall ensure sound organizational management to continue to respond to public trust and steadily fulfill GPIF's mission by ensuring the full functioning of an autonomous PDCA cycle while appropriately dividing roles and engaging in cooperation. In addition, GPIF shall continue to pursue efforts to contribute to improving transparency, such as by taking advantage of the accumulation of examples of the Board of Governors' judgments to organize the matters resolved by the Board of Governors and establish rules.

In order to promote the active involvement of executives and employees in operations, a survey on the attitudes of executives and employees is conducted once a year to continually improve the operation.

3. Basic investment methods and investment targets

(1) Investment based on Policy Asset Mix

The pension reserve funds are invested with the aim of achieving a long-term real return (net investment yield on the pension reserve fund less the nominal wage growth rate) of 1.9% with minimal risks. In order to achieve this return on investment, a Policy Asset Mix that takes a long-term perspective for the management and investment of pension reserve funds shall be established and appropriately managed.

GPIF shall obtain the long-term and stable gains from the fruits of global economic growth, including interest and dividend income, and basically make long-term international diversified investment, in which assets, regions, etc. are diversified, from a viewpoint of risk management.

In doing so, GPIF shall give consideration not to distort market price formation, private investment behavior, etc.

(2) Ensuring the achievements of the benchmark returns

From the perspective of securing market average returns, GPIF shall ensure the achievement of the composite benchmark return (meaning the weighted average of the benchmark returns for the individual asset classes, calculated according to the Policy Asset Mix allocation; the same shall apply hereinafter) for the entire portfolio during the Medium-term Objective period. In doing so, GPIF shall endeavor to ensure the achievement of the composite benchmark return for the entire portfolio and the benchmark returns for the individual asset classes for each fiscal year.

For benchmarks, appropriate market indicators shall be used, taking into account the fact that they reflect the market, that they consist of investable securities, that details of such indicators are disclosed, etc.

In evaluating the performance, appropriate methods shall be used based on the benchmark returns and the results shall be reported to the Board of Governors. At such time, from the perspectives of refining factor analysis, improving transparency, etc., GPIF shall analyze factors such as the effect of asset allocation, effect of benchmark selection, and effect of fund selection in accordance with investment behavior to the extent possible so that the PDCA cycle of investment behavior can be implemented.

(3) Formulation of Reference Asset Mix

GPIF shall formulate the Reference Asset Mix jointly with other management and investment entities.

(4) Review of Reference Asset Mix

When deemed necessary by the Board of Governors (e.g., if the investment environment that was assumed at the time of formulating the Reference Asset Mix may differ from reality or significantly change), GPIF shall examine and correct as necessary the Reference Asset Mix jointly with other management and investment entities. Such verification of the Reference Asset Mix is conducted when it is deemed necessary in the verification of the Policy Asset Mix.

(5) Basic concept of Policy Asset Mix

The Policy Asset Mix formulated by the Board of Governors shall take into consideration the Reference Asset Mix and its portfolio allocation shall be in line with the investment objectives. The Policy Asset Mix shall be formulated from a long-term perspective and it should incorporate generally recognized asset management and investment expertise as well as domestic and overseas economic trends, in light of forward-looking risk analysis.

In doing so, the downside risks of underperforming the nominal wage growth rate cannot exceed that of the portfolio comprised solely of domestic bonds, and appropriate consideration shall be given to the fact that the downside risks for equities may be larger than expected. In addition, the probability that reserves may fall shorter than originally planned shall be properly accounted for and analysis of risk scenarios and others shall be conducted, using more in-depth multi scenarios.

(6) Policy Asset Mix

[1] Target allocation and deviation limits of each asset class

The asset classes comprising the Policy Asset Mix are domestic bonds, domestic equities, foreign bonds and foreign equities, and the Policy Asset Mix and deviation limits are set as follows.

<table>
<tr><th></th><th>Domestic bonds</th><th>Foreign bonds</th><th>Domestic equities</th><th>Foreign equities</th></tr>
<tr><td>Target allocation</td><td>25%</td><td>25%</td><td>25%</td><td>25%</td></tr>
<tr><td rowspan="2">Deviation limits</td><td>±6%</td><td>±5%</td><td>±6%</td><td>±6%</td></tr>
<tr><td colspan="2">±9%</td><td colspan="2">±9%</td></tr>
</table>

(Note) JPY hedged foreign bonds and yen-denominated short-term assets are classified as domestic bonds, while foreign currency-denominated short-term assets are classified as foreign bonds.

[2] Concept of deviation limits

GPIF may carry out flexible investment based on a proper outlook for the market environments, within a deviation limit for the Policy Asset Mix, upon thorough analysis of the current trends marked by the fast-changing economic and market environments. However, the outlook must be based on reasonable grounds.

[3] Positioning of alternative asset investment

Alternative assets (infrastructures, private equities, real estates, and other assets determined through resolutions at the Board of Governors) are classified into domestic bonds, domestic equities, foreign bonds, and foreign equities based on their risk and return profiles, and are capped to 5% of total assets. However, if economic and market conditions prevent compliance with the 5% ceiling rule, this limit may be raised after deliberation and resolution by the Board of Governors.

(7) Review of Policy Asset Mix

GPIF shall conduct appropriate risk management, etc. in light of market trends and verify each fiscal year, in a timely and appropriate manner, matters such as whether there is a possibility that the investment environment presumed at the time of formulation may change significantly. If the Board of Governors deems it necessary, GPIF shall consider reviewing the Policy Asset Mix even during the Medium-Term Objective period, and promptly revise the Policy Asset Mix as necessary. If it is deemed necessary in view of the impact on the market, etc., a transitional asset mix (meaning the transitional composition of assets until the realization of the Policy Asset Mix) shall be formulated in order to smoothly make the transition to the revised Policy Asset Mix.

(8) Securing the liquidity for pension payout

GPIF shall secure the liquidity necessary for pension payouts, etc. and efficiently manage cash by taking into consideration the outlook for the pension finance and the status of revenue and expenditure.

At the same time, GPIF shall enhance the necessary functions, such as grasping and analyzing market trends and utilizing short-term borrowings, to sell assets in a smooth manner while giving consideration to market price formation and other factors and assure liquidity without shortages.

4. Diversified and sophisticated investment management

(1) Investment method

With respect to investment method, appropriate risk management shall be conducted under appropriate supervision by the Board of Governors such as through resolution after deliberation of matters which the Board of Governors deems to be important in association with the introduction of a new method, etc.

In principle, both passive investment and active investment aimed at capturing excess returns are used in making investment. However, GPIF shall make active investment based on a qualitative assessment that takes into account quantitative performance, on the premise that sufficient grounds which support the expectation of capturing excess returns are obtained, in consideration of an appropriate level of risk for the entire portfolio and with due regard for style diversification, etc. In doing so, GPIF shall strengthen the alignment with external asset managers, such as by deepening mutual understanding of the investment philosophy and investment methods.

Benchmarks shall be examined not only based on the traditional market capitalization-based index but also from a broad perspective, and with respect to alternative assets that are difficult to assess based on benchmarks, a method of assessing investment performance relative to traditional assets, etc. shall be developed based on generally accepted expertise in asset management and investment, and assessments shall be conducted while making improvements as necessary.

In addition, GPIF shall continually collect information on and make an analysis of various potential indexes that could be benchmarks through index posting.

(2) Diversified investments

Regarding the investment assets, GPIF shall attempt to diversify the investments such as by making alternative investments in order to promote investment diversification in accordance with the basic policy for the management and investment of pension reserve funds specified in Section 1, Paragraph 1. When adding an investment, the Board of Governors shall broadly examine on the premise that it will benefit the insureds.

In regard to alternative investments, they shall be made with a view to producing excess returns while improving investment efficiency, and based on the differences in investment methods from traditional assets and inherent risks such as marketability, profitability, individuality, transaction costs, and information disclosure status, GPIF shall enhance the ability to select high-quality investments such as by enhancing investment front office personnel with high expertise as well as personnel in charge of legal affairs, tax affairs, risk management, etc. and utilizing external advisors. At the same time, GPIF shall endeavor to improve its system by enhancing middle and back office functions, while continually conducting verifications from the perspectives of risk management and the securing of stable excess returns. Based fully on the results of such verifications, GPIF shall steadily proceed with measures, including examining new investment methods.

5. Selection, assessment, and management of external asset managers, etc.

Efforts shall be made to strengthen the selection and management of external asset managers, etc., and the external asset managers, etc. shall be periodically assessed and reviewed including their fund allocation in a timely manner. In this regard, the external asset managers, etc. shall be assessed in a comprehensive manner based not only on their past investment results, etc. but also on their approach to the selection of investment objectives, their risk management methods, and others. When selecting external asset managers, consideration shall be given not only to the assessment of each individual investment manager but also to the manager structure such as style diversification.

GPIF shall enhance the sophistication of assessment methods for the adoption of external asset managers, etc. with higher added value,such as the acquisition of excess returns or stewardship activities, and also promote the use of more flexible and high-quality custody service providers and the utilization of investment data in response to the sophisticated and diversified investment management.

In addition, GPIF shall strengthen the middle and back office systems to maximize the expertise of the investment front office.

6. Risk management

(1) Risk management for management and investment of pension reserve funds

GPIF adopts a basic principle for risk management of diversifying investment portfolios across multiple asset classes having different risk and return profiles, etc. and appropriately manages various risks associated with the management and investment of pension reserve funds. The President shall regularly, or promptly as necessary, report the status of risk management to the Board of Governors, and the Board of Governors shall appropriately monitor the status. In addition, GPIF shall examine the risk management system used outside of intraday trading hours in Japan.

In addition, specific risk management methods shall be as follows based on reports from external asset managers and custody service providers for the entire portfolio, each asset class, each external asset manager, each custody service provider, and in-house investment.

[1] Entire portfolio

In order to appropriately manage the Policy Asset Mix, GPIF shall, as appropriate, understand the deviation between the portfolio allocation of pension reserves and the Policy Asset Mix and appropriately manage the risk of deviation of the entire portfolio from the Policy Asset Mix after setting the reference value.

In addition, in order to carry out appropriate and smooth rebalancing, GPIF shall understand and analyze the market trends, manage the market risk, liquidity risk, credit risk, country risk, etc. for the entire portfolio, analyze and assess the degree of risk bearing (including factor analysis in accordance with investment behavior such as active management), and analyze factors for deviation from the composite benchmark return of each fiscal year.

[2] Each asset class

The risk of deviation between each asset class and the benchmark used to formulate the Policy Asset Mix shall be appropriately managed.

[3] Each external asset manager

GPIF shall present investment guidelines to external asset managers regarding investment objectives, investment methods, risk indicators, benchmarks, etc., and understand and appropriately manage and assess the investment status and risk bearing status of each company and changes in investment systems, etc. In addition, appropriate management of the manager structure, such as diversifying investment styles of external asset managers, shall be carried out.

[4] Each custody service provider

GPIF shall present trust and custody service guidelines to custody service providers regarding asset management objectives, management methods, systems, etc., and understand and appropriately manage and assess the asset management status of each provider and changes in asset management systems. In addition, from the perspective of BCPs (business continuity plans) and other considerations, GPIF shall continuously monitor the operational stability of custody service providers and also promote the development of asset management systems in response to the sophistication and diversification of investment management.

[5] In-house investment

GPIF shall establish investment guidelines with respect to investment objectives, investment methods, risk indicators, and benchmarks and manage them appropriately.

[6] Transition management

GPIF shall appropriately manage the cost of fund transfers arising from various investment motives such as asset allocation changes, benchmark changes, and manager changes.

(2) Development of systems to strengthen risk management and internal control, etc.

With the increase in assets under management and the diversification of investments, including the steady promotion of alternative investments, GPIF shall proceed the comprehensive and multifaceted risk management from perspective of appropriate risk management of the entire portfolio. At the same time, GPIF shall endeavor to further enhance the system for appropriately managing risks, such as by enhancing and strengthening middle and back office functions, as well as by enhancing the multi-tiered check system under the Three Lines Model framework.

In addition, in order to promote the sophistication of risk management, GPIF shall further develop its infrastructure utilizing various tools, including those for risk-return analysis. On the various risk management, GPIF shall endeavor to appropriately consider the impact of a wide range of risks such as geopolitical and climate change risks, on financial markets, etc., including the trading environment. GPIF shall also investigate and study risk management methods from the perspective of long-term investment.

Further, GPIF shall steadily implement the PDCA cycle for operational risks and compliance risks, encourage appropriate responses in the event of an incident and also strengthen the internal control.

7. Activities to fulfill stewardship responsibilities and investment considering non-financial factors such as ESG

(1) Activities to fulfill stewardship responsibilities

GPIF itself does not exercise voting rights and instead entrusts the external asset managers with the exercise of voting rights so as to avoid directly influencing corporate management, etc. However, from the viewpoint of further promoting its activities to fulfill its stewardship responsibilities (the "stewardship activities"), GPIF shall conduct effective engagement when entrusting an external asset manager, with an awareness of the materiality of sustainability, including ESG (environmental, social, and governance) factors that lead to long-term investment returns. When doing so, GPIF shall clarify that stewardship activities including the exercise of voting rights by external asset managers aim to improve long-term investment returns solely for the insureds. In addition, assessment of the effectiveness of Stewardship Activities will be considered through engagement, etc. via two-way communication between GPIF and external asset managers. GPIF shall compile a "Stewardship Activities Report" regarding the status of stewardship activities and report to the Board of Governors.

Based on Japan's Stewardship Code, which is the principles of "Responsible Institutional Investors," GPIF shall make responses in accordance with the "Policy for Fulfilling Stewardship Responsibilities." - Further, based on the Asset Owner Principles (formulated by the Cabinet Secretariat on August 28, 2024), and in line with the Policy on the Asset Owner Principles, GPIF shall pursue initiatives to further develop its stewardship activities, such as holding ongoing dialogue with various entities comprising the investment chain.

(2) Investment considering ESG

In investing pension reserves, from the viewpoint of securing long-term returns for the benefit of the insureds, GPIF shall promote investments that consider ESG (environmental, social, and governance) as non-financial factors in addition to financial factors based on the idea that sustainable growth of investments and the overall markets is necessary for the long-term expansion of investment returns on the assets under management, and proceed with initiatives that consider ESG while striving to achieve both the long-term expansion of investment returns and the securing of market average returns through the reduction of sustainability-related risks and the sustainable growth of overall markets.

In doing so, GPIF shall proceed with initiatives in accordance with the basic policy on investments that take sustainability (medium- to long-term sustainability including ESG factors) (the "Sustainability Investment Policy") into account, while paying due regard to the "basic policy for management and investment of pension reserve funds set forth in Section 1, Paragraph 1" and the "basic investment methods and investment targets set forth in Section 1, Paragraph 3", which provide, among other things, that the purpose of the investments is to secure long-term returns for the benefit of the insureds. Further, GPIF shall appropriately follow the PDCA cycle, continually verify its investments that take ESG into account, and use the results to improve initiatives, etc.

(3) Investment considering impact

From the perspective of securing long-term returns for the benefit of the insureds while securing market average returns, GPIF shall consider making investments that take into account the social and environmental impact of the business operations of portfolio companies as one of the non-financial factors in evaluating the sustainable growth potential of portfolio companies, and take necessary measures.

In doing so, GPIF shall proceed with initiatives in accordance with the Sustainability Investment Policy, while paying due regard to the "basic policy for management and investment of pension reserve funds set forth in Section 1, Paragraph 1" and the "basic investment methods and investment targets set forth in Section 1, Paragraph 3", which provide, among other things, that the purpose of the investments is to secure long-term returns for the benefit of the insureds. In addition, GPIF shall continuously verify whether initiatives are taken in accordance with the basic principles required for the investment by GPIF.

8. Securing, development, retention, etc. of human resources to support GPIF's operations

(1) Development of environment for securing, developing and retaining human resources

GPIF shall clarify the duties and career path required of human resources who support high-level operations expected of GPIF and develop an environment that promotes the employment of such human resources.

In addition, GPIF shall secure necessary human resources by effectively disseminating the experience and abilities acquired through the operations of GPIF and the social significance of such operations, and in order to maintain the contribution of these human resources to GPIF, human resources shall be allocated in a timely and appropriate way, for example, by periodically evaluating their performance.

Furthermore, GPIF aims to improve the operational capabilities by returning the know-how and achievements of human resources to the executives and employees of GPIF.

The appropriate way of remuneration system and levels for human resources, including a review thereof, shall be considered as necessary. This may include making the remuneration system performance-based and comparing the remuneration levels with those for human resources with similar skills in the private sector. The results shall be clearly explained to the public.

Through these efforts, GPIF shall secure, develop, and retain the human resources required to continue to proceed with sophisticated and diversified investment management, etc. and enhance functions to strategically advance the securing of human resources, etc. while making long-term globally diversified investments.

(2) Improvement of operational capabilities

By providing professional and practical training in areas such as asset management and actively supporting the acquisition of qualifications in those areas, etc., GPIF shall aim to improve the operational capabilities of executives and employees and employee engagement (to increase the willingness of staff to understand the social significance and roles of GPIF and to act voluntarily to that end). In particular, GPIF shall further strengthen its initiatives to promote the active participation of women, and advance the development of working environments in which diverse human resources can play an active role. In addition, based on the "Guidelines on the Establishment of Objectives for Incorporated Administrative Agencies" (Decision of the Minister of Internal Affairs and Communications dated September 2, 2014), GPIF shall formulate a policy for securing and developing human resources to strategically secure and develop necessary human resources and also develop and strengthen human resources by enhancing training systems and preparing a human resource map.

9. Promotion of digitalization of business operations, etc.

(1) Promotion of digitalization of business operations

GPIF shall promote the development of infrastructure to aggregate and analyze data that contributes to the diversification and sophistication of investment management and the sophistication of portfolio risk management by utilizing data science, etc., and establish cross-organizational data management methods. In addition, from the viewpoint of enhancing operational efficiency, GPIF shall promote the securing and development of specialized human resources in the IT field as well as the digitalization of business operations. Further, GPIF shall pursue the qualitative improvement of business operations by enhancing the information infrastructure for management and investment operations, developing information systems that contribute to the reduction and streamlining of clerical work, and actively utilizing external resources with specialized expertise. From the perspective of effectively and efficiently advancing these efforts, GPIF shall enhance functions as an organization to strategically promote the digitalization of business operations.

In addition, GPIF shall appropriately develop and manage information systems in accordance with the "Basic Policy for Development and Management of Information Systems" (Decision of the Minister for Digital Transformation dated December 24, 2021) established by the Digital Agency.

(2) Information security measures

GPIF shall strictly take information security measures based on the Information Security Management Rules, evaluate the effectiveness of information security measures taken by GPIF, and confirm that the measures are functioning sufficiently on a daily basis.

In accordance with the government's cloud-by-default principle, GPIF shall sophisticate the information security measures when using cloud services.

In addition, GPIF shall thoroughly evaluate the effectiveness of the information management system of not only the executives and employees of GPIF but also related institutions such as external asset managers, etc. outside GPIF.

10. Information dissemination, public relations, and ensuring transparency

In accordance with the interests of the public, etc., GPIF shall strategically consider the ideal approach of information dissemination and public relations activities, continue to further enhance information dissemination and public relations activities not only for experts but also for the public and the media. GPIF shall also endeavor to evaluate them and understand and analyze the effectiveness thereof.

With regard to the management and investment of pension reserve funds, GPIF shall promptly publish the status of management and investment performance for each fiscal year (including the status of the entire portfolio, the status of each asset class, the status of each external asset manager, etc., management and custodian fees, and the selection of external asset managers etc.) once a year (or with respect to the status of management and investment performance for each quarter (including the status of the entire portfolio and the status of each asset class), quarterly) on the website and others.

In addition, in light of the characteristics that GPIF is a super-long-term investor with an investment period of several decades and that there is a high possibility that the reserve fund will increase over the long term, GPIF shall deepen its consideration of the ideal approach to disseminating information in an easy-to-understand manner to facilitate public understanding from a multifaceted perspective (necessity of long-term global diversification, the significance of alternative investments, the concept of stewardship activities, investments considering ESG and impact, etc.).

In doing so, GPIF shall further enhance its website and Annual Report, etc. and devise effective means of information dissemination in accordance with the nature of the investment, including presentations and speeches by executives and employees.

Such public relations efforts shall be periodically verified, and the content of such efforts shall be continuously improved based on the results.

Furthermore, GPIF shall ensure the transparency of matters that the Board of Governors deems to be important under appropriate supervision by the Board of Governors, such as by resolving the matters after deliberation by the Board of Governors, and publicly disclose the minutes and an outline of the proceedings promptly after the lapse of the period specified in the Ordinance of the Ministry of Health, Labour and Welfare (Ministerial Ordinance on Business Operation, Finance, Accounting and Human Resources Management of the Government Pension Investment Fund (Ordinance of the Ministry of Health, Labour and Welfare No. 60 of 2006)) in order to ensure the transparency of the deliberation by the Board of Governors.

Moreover, in order to further enhance the transparency of the management and investment of pension reserve funds by GPIF, GPIF shall publicly announce the names of all securities it holds (for bonds, the names of the issuers) and the total market value of the securities and promote the disclosure of information on alternative investments as clearly as possible. Further, GPIF shall consider appropriate methods for the disclosure of information after grasping the actual expenses paid to asset managers, etc. in as much detail as possible. In doing so, consideration shall also be given to the content of the contract with asset managers, etc.

When disclosing such information, the impact on the market should be taken into consideration.

Section 2 Measures to be taken to achieve the objectives concerning improving the efficiency of the operations

1. Establishment of efficient operation system

In order to carry out operations efficiently and effectively, GPIF shall review the organization and staffing of each division, including the administrative division, in line with actual circumstances while taking into account examples of other private financial institutions, etc., and actively utilize advanced technologies (such as document preparation support using AI) for the advancement and efficiency of operations. In doing so, if GPIF expands its organizational structure, including increasing its personnel, it shall proceed after thoroughly examining the necessity for such expansion, with the involvement of the Board of Governors.

In addition, GPIF shall appropriately conduct performance evaluations, etc. that reflect an awareness of cost savings, capabilities, and performance, while paying due regard to the perspective of appropriately securing a business operation system for the stable management and investment of pension reserve funds for the benefit of the insureds.

2. Cost savings associated with streamlining operations

The average cost savings during the Medium-Term Plan period shall be at least 1.33% per annum compared with the previous fiscal year, based on the fiscal 2024 level. The cost-saving target includes general administrative expenses (excluding expenses related to computer systems and personnel expenses) and operational expenses (excluding expenses related to computer systems, management and custodian fees, index fees, personnel expenses, and expenses related to short-term borrowings). Costs added or expanded to secure highly skilled human resources with expertise and respond to the sophistication and diversification of investment, etc. are excluded from the cost-saving target. The additions and expansions shall be subject to the 1.33% cost-saving target from the following fiscal year.

GPIF shall strengthen efforts in the PDCA cycle to ensure the proper implementation of budgets and appropriate reviews, as necessary, of overall expenses, including those added or expanded, and the Board of Governors shall regularly discuss and revise these efforts as necessary.

GPIF shall appropriately handle the personnel expenses in accordance with the policies of the government of Japan. In this regard, GPIF shall secure the necessary personnel structure so that GPIF can appropriately respond to the sophisticated and diversified investment management and the strengthening of risk management including the securing of highly skilled human resources with expertise.

In addition, GPIF shall make efforts to ensure the appropriateness of the salary levels after verifying the salaries of executives and employees, including allowances, taking into account the salaries of national public servants, the salaries of private companies such as financial institutions, the business performance of GPIF, the job characteristics of staff, etc. while paying due regard to the perspective of securing necessary human resources, etc. GPIF shall also publish the results of the verification and the status of the efforts. In this case, the level of remuneration for highly skilled human resources with expertise shall be addressed in accordance with Section 1, Paragraph 8.

GPIF shall endeavor to make the level of management and custodian fees efficient and reasonable by comparing changes in fees depending on the investment performance through the performance-based fee structure, as well as changes in asset sizes for each asset class in relation to returns or by analyzing factors.

3. Appropriate contracts

In order to realize appropriate, prompt, and effective procurement through fair and transparent procurement procedures, GPIF shall steadily take measures under the “Procurement

Rationalization Plan" formulated by GPIF in accordance with the "Promotion of Procurement Rationalization Measures by Incorporated Administrative Agencies" (Decision of the Minister of Internal Affairs and Communications dated May 25, 2015).

Section 3 Matters concerning improving the financial conditions

GPIF shall prepare a budget for the Medium-Term Plan in consideration of the matters specified in "Section 2. Measures to be taken to achieve the objectives concerning improving the efficiency of the operations," and conduct appropriate and efficient operations based on the budget.

Section 4 Budget, income and expenditure plan and financial plan

1. Budget

As per Schedule 1

2. Income and expenditure plan

As per Schedule 2

3. Financial plan

As per Schedule 3

Section 5 Upper limit of short-term borrowings

1. Upper limit of short-term borrowings

4 trillion yen

2. Assumed reason

To respond to a temporary shortage of funds due to unforeseeable reasons.

Section 6 If GPIF has any unnecessary property or any property that is expected to be unnecessary property, a plan for disposal of such property

Not applicable

Section 7 If GPIF intends to transfer or provide as collateral any important property other than the property provided for in Section 6, a plan therefor

Not applicable

Section 8 Use of a surplus

Not applicable

Section 9 Other matters concerning the operations specified by order of the relevant ministry

1. Research

From the viewpoint of safe and efficient management and investment of pension reserve funds into the future, GPIF shall work on research based on the purpose, "for the sole benefit of the insureds," by utilizing external resources, including universities and think tanks, as well as opportunities for information exchange with domestic and foreign asset owners. In doing so, GPIF shall pay attention to the accumulation of know-how obtained through research within GPIF, and further promotion of the development of systems for research through the development of human resources within GPIF. GPIF shall thoroughly take measures to prevent information leakage, etc. when conducting research utilizing external resources.

Further, with the appropriate involvement of the Board of Governors, GPIF shall enhance its efforts for the PDCA cycle related to research activities, such as setting research themes, setting achievement objectives for research results, evaluation, and utilization of research results in operations. In that process, GPIF shall endeavor to set a wide variety of research themes, including basic research to be pursued from a long-term perspective, and strive to appropriately verify the cost-effectiveness of the research.

2. Strengthening the system to further strengthen internal control

Based on the “Basic Policies of Internal Control”, etc. established by the Board of Governors, GPIF shall strive to ensure compliance with laws and regulations as well as fiduciary responsibility, etc., comply with the Investment Principles and the Code of Conduct, aim to further strengthen the system of internal control, etc. while taking into account the examples of other private financial institutions, etc., and build an organization worthy of greater trust from the public.

Regarding investment and management of the pension reserves, GPIF strives to improve its expertise, clarify the system of accountability, and thoroughly disseminate and comply with the relevant laws and regulations, the Medium-Term Objectives, the Medium-Term Plan and the specific policies on the management and investment of pension funds set forth in Section 1, Paragraph 1 based on the duty of care and duty of loyalty of a prudent expert. Further, GPIF requests the external asset managers, etc. to thoroughly comply with the relevant laws and regulations, etc.

While aiming to improve operational capabilities, GPIF shall make further efforts to secure the transparency and fairness of operations, and in order to ensure a thorough internal control system and compliance and to more appropriately ensure compliance with laws and regulations, GPIF shall utilize highly objective and specialized legal experts, etc., and further expand, strengthen and utilize the legal system and functions. GPIF shall also ensure strict adherence to rules on the re-employment of executives and employees to prevent any suspicion of inappropriate relationships with external asset managers, etc.

3. Strengthening governance by strengthening the functions of the Audit Committee

(1) Strengthening the system to ensure the effectiveness of the duties of the Audit Committee

GPIF shall develop and improve the environment to enable the Audit Committee to fully perform its role, such as by strengthening the system to assist the Audit Committee and providing necessary expenses for audits by the Audit Committee.

(2) Audit and monitoring policies

The Audit Committee shall consider the Audit Committee Rules, the Rules on Implementation of Audit and Monitoring by the Audit Committee, and the Audit Committee Audit Implementation Standards for Internal Control as its audit policies, and audit and monitor the operations of GPIF in accordance with these policies.

GPIF shall revise the policies from time to time to respond to changes in circumstances during the Medium-Term Plan period and to conduct appropriate audits.

(3) Formulation of an audit plan and conduct of audits based on the plan

The Audit Committee shall prepare an audit report for each fiscal year based on the results of the operational and accounting audits for the relevant year, formulate an audit plan as the audit policy for the following year, present it to the Board of Governors and the Executive Office (the "Audited Subject"), and conduct audits in line with such plan.

The Audit Committee shall communicate with the Audited Subject, such as through the provision of feedback on the results of operational and accounting audits for each fiscal year to the Audited Subject, maintain close cooperation with the Internal Audit Department and other departments in charge of internal control functions, and participate in training sessions and liaison meetings for the Audit Committee members. The Audit Committee shall implement the audit PDCA cycle such as by reflecting the information and findings obtained from such activities to improve the effectiveness of audits.

(4) Inspection of operations pursuant to internal rules

The Audit Committee shall confirm through the operational audits whether the operations are being conducted in accordance with various internal rules and, if deemed necessary, submit its opinions to the Board of Governors, the President, or the Minister of Health, Labour and Welfare.

4. Plans for facilities and equipment

Not applicable

5. Debt burden beyond the Medium-Term Plan period

GPIF shall assume debts beyond the Medium-Term Plan period if deemed reasonable after taking into consideration the necessity and appropriateness of such assumption of debts in order to efficiently perform management and investment operations.