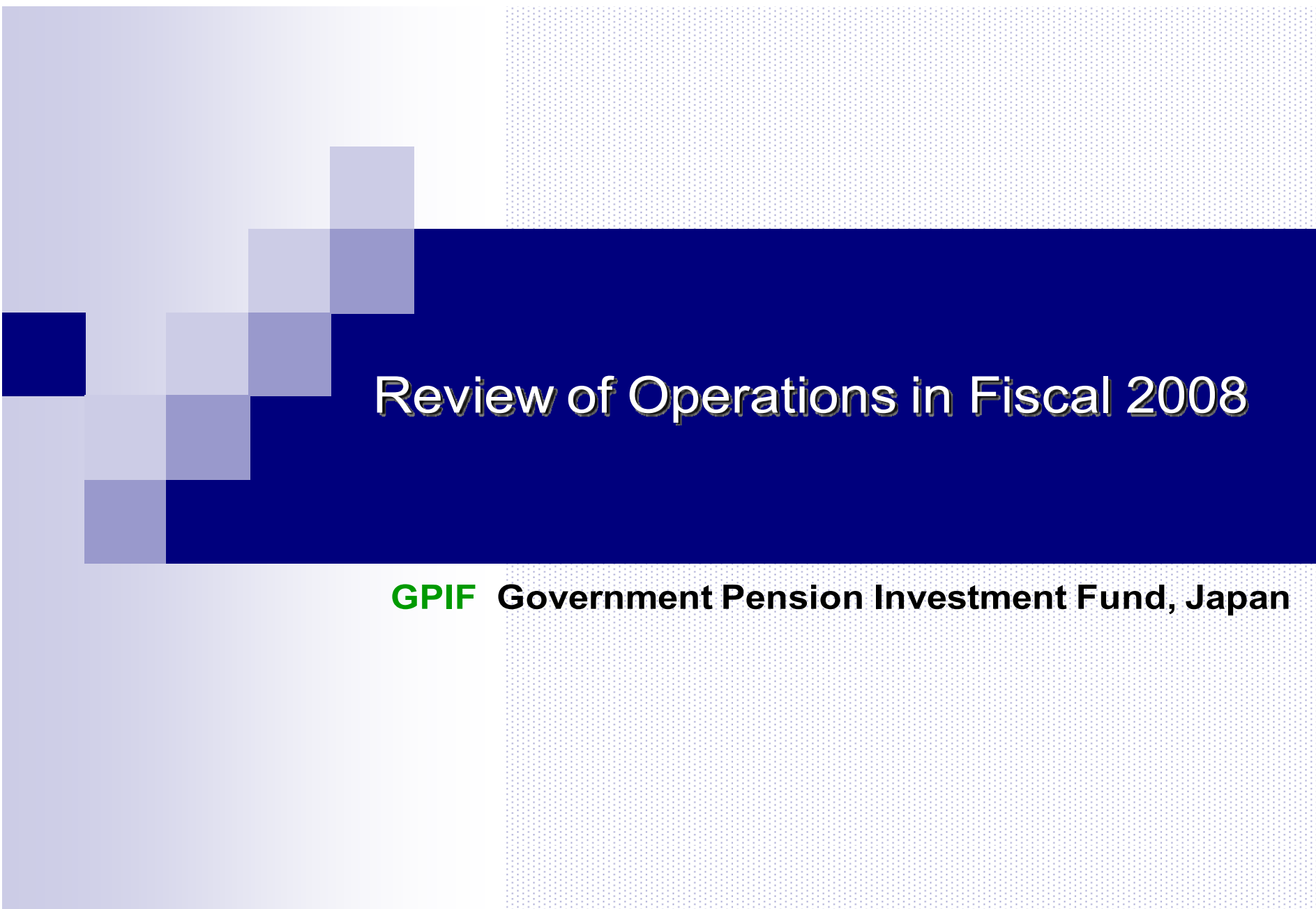




Review of Operations in Fiscal 2008

GPIF Government Pension Investment Fund, Japan

Contents

Message from President	1
Chapter 1: Investment Results	3
1. Investment Results in Fiscal 2008.....	3
(1) Rate of return	3
(2) Investment income/loss	5
(3) Asset allocation	7
(4) Achievement of the policy asset mix.....	9
2. Investment Results for the Last Five Fiscal Years.....	10
3. Performance Comparison with the Long-term Target Investment Yield	13
Chapter 2: Framework for Reserve Fund Investment and Roles of Government Pension Investment Fund	15
1. Framework for Reserve Fund Investment	15
(1) Significance of the reserve funds	15
(2) Basic approach to investment of the reserve funds.....	16
(3) Mechanism of reserve fund investment.....	18
2. Roles of Government Pension Investment Fund.	19
(1) Roles of Government Pension Investment Fund	19
(2) Governance structure of Government Pension Investment Fund.....	19
3. Basic Policy for Management and Investment of the Reserve Funds.....	22
(1) Creation and achievement of the policy asset mix	22
(2) Investment targets	24
(3) Investment strategies	25
(4) Risk management	26
(5) Formulation of the administrative policy on investment management	26

Chapter 3: Activities in Fiscal 2008	27
1. Allocation of Newly Entrusted Fund to Market Investments	27
2. Review of the Composition of External Asset Managers (Manager Structure).	28
(1) Domestic stock active investment with new manager composition	28
(2) Review of manager composition for international stock active investment	28
3. Exercise of Voting Rights	30
(1) Domestic stocks	30
(2) International stocks	31
4. Commission Costs	32
 Reference Data	 33
1. Investment Assets by Investment Method	33
2. Investment Assets by Manager	34
3. Number of External Managers by Asset and Passive/Active Style	37
4. Investment Performance by Manager	38
(1) Last three fiscal years	38
(2) Last five fiscal years	42

Message from President

The mission of Government Pension Investment Fund (GPIF) is to contribute to stability of Employees' Pension Insurance and National Pension by managing and investing the reserve funds that the Minister of Health, Labour and Welfare entrusts to us and by paying return on the reserve funds to the Pension Special Account.

The public pension scheme is firmly established across Japanese society as a foundation in support of the daily lives of the public. Because the reserve funds entrusted to us are valuable resources for future pension benefits, we think it as our duty to make every effort to fulfill our fiduciary duty for the benefits of all pension contributors and recipients.

We saw our investment performance for fiscal 2008, in which the financial crisis exacerbated by the events such as “Lehman Shock” pushed the real economy into a sharp downturn, continue to be negative after suffering a loss in 2007, due to a large decline in the global equity markets as well as a substantial appreciation of the yen primarily against Euro.

We believe, considering the nature of our funds, that our investment has to be made from a long term perspective, and will continue to make every effort to make our investment safer and more efficient through diversifying the assets and enhancing our risk management.

Furthermore, while taking advantage of the benefits that our status as an independent administrative agency offers, we will work to actively pursue efficient business management as well as active information disclosure to the public through our website (<http://www.gpif.go.jp/eng/index.html>) and the like.

Through management and investment of the reserve funds, we shall strive to gain the public trust by becoming an organization that steadfastly achieves its mission: contributing to the fiscal stability of the nation's pension schemes and, by extension, to stability in the daily lives of the public. All of us—regardless of position within the organization—are determined to make every effort to see that this goal is achieved. In this endeavor, I respectfully ask for your understanding and support.

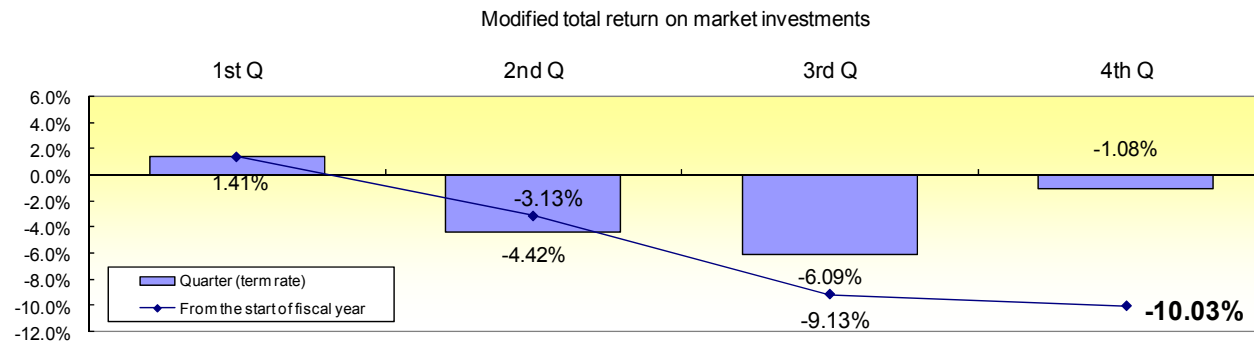
Takahiro Kawase
President
Government Pension Investment Fund

Chapter 1: Investment Results

1. Investment Results in Fiscal 2008

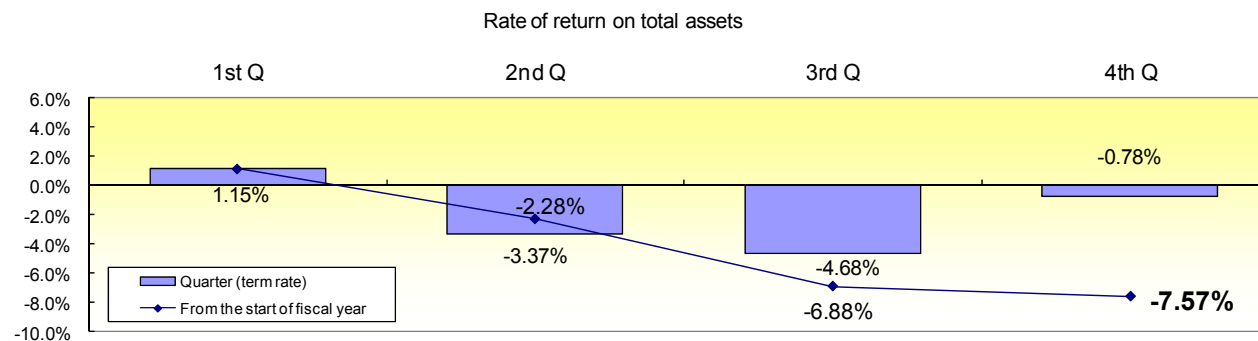
(1) Rate of return

The fee-included modified total return on market investments for fiscal 2008 was **-10.03%**.



Note: Modified total return figures are reported as gross of fees.

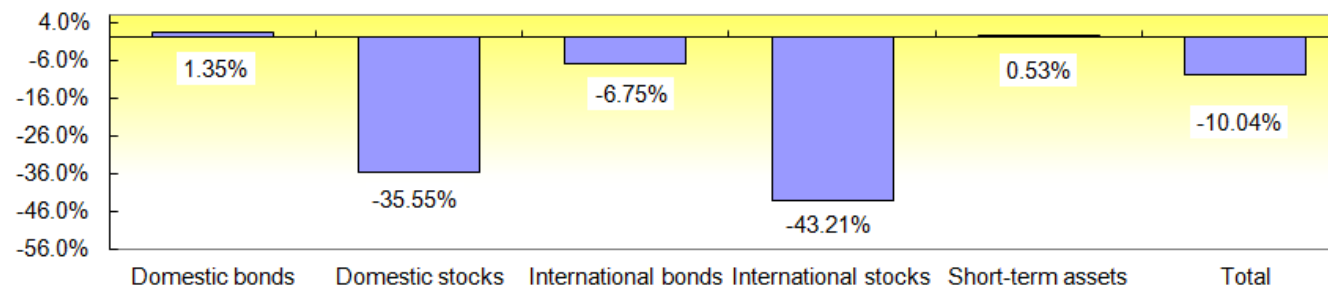
The return on FILP bonds underwritten in accordance with instructions from the Minister of Health, Labor and Welfare was 1.18% and the return on total assets including FILP bonds was **-7.57%**.



Note1: Although the returns on market investments were calculated with market values and the returns on FILP bonds were calculated with book values, the returns on total investment assets under GPIF's management were calculated as principal-weighted averages of them (gross of fees).

Note2: FILP bonds; Fiscal Investment and Loan Program bonds

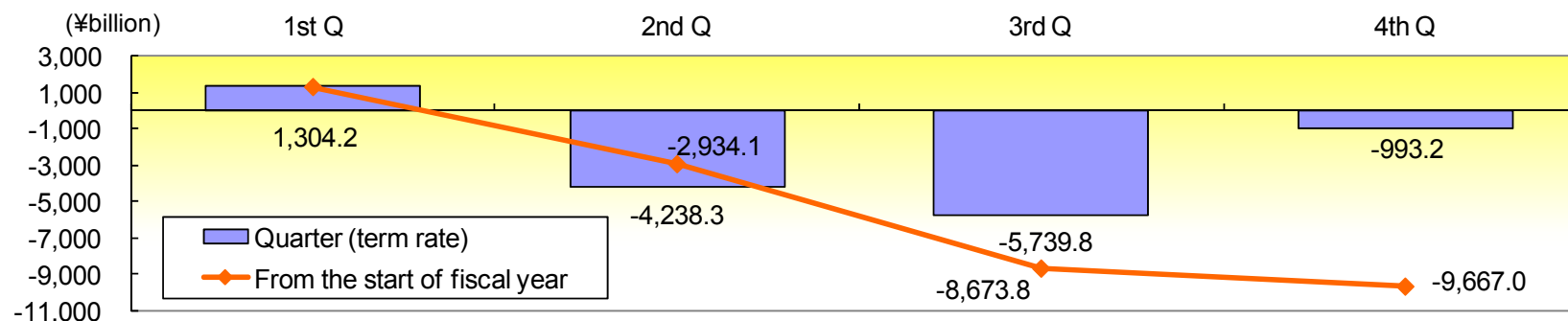
The time-weighted returns by asset class were as follows.



Note: The time-weighted return figures are reported as gross of fees.

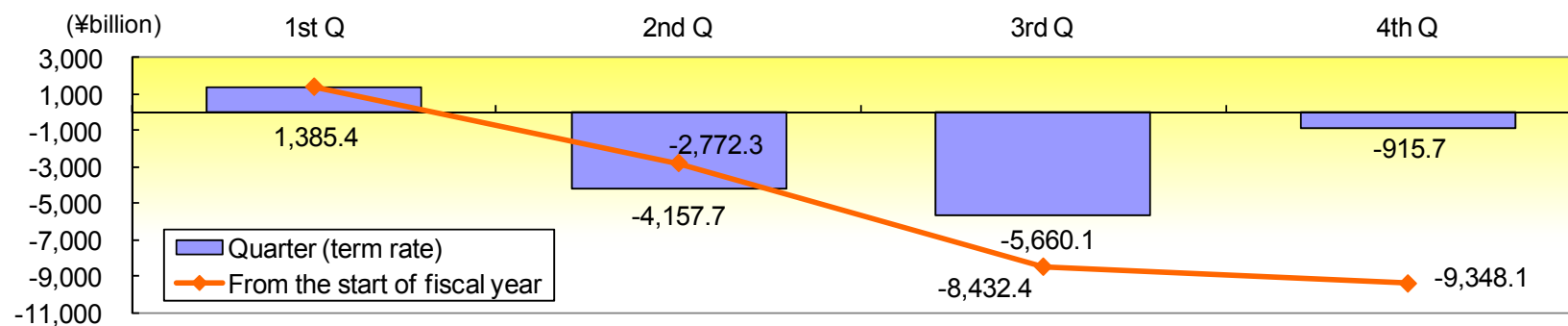
(2) Investment income/loss

Investment loss from market investments for fiscal 2008 was **¥9,667 billion**.



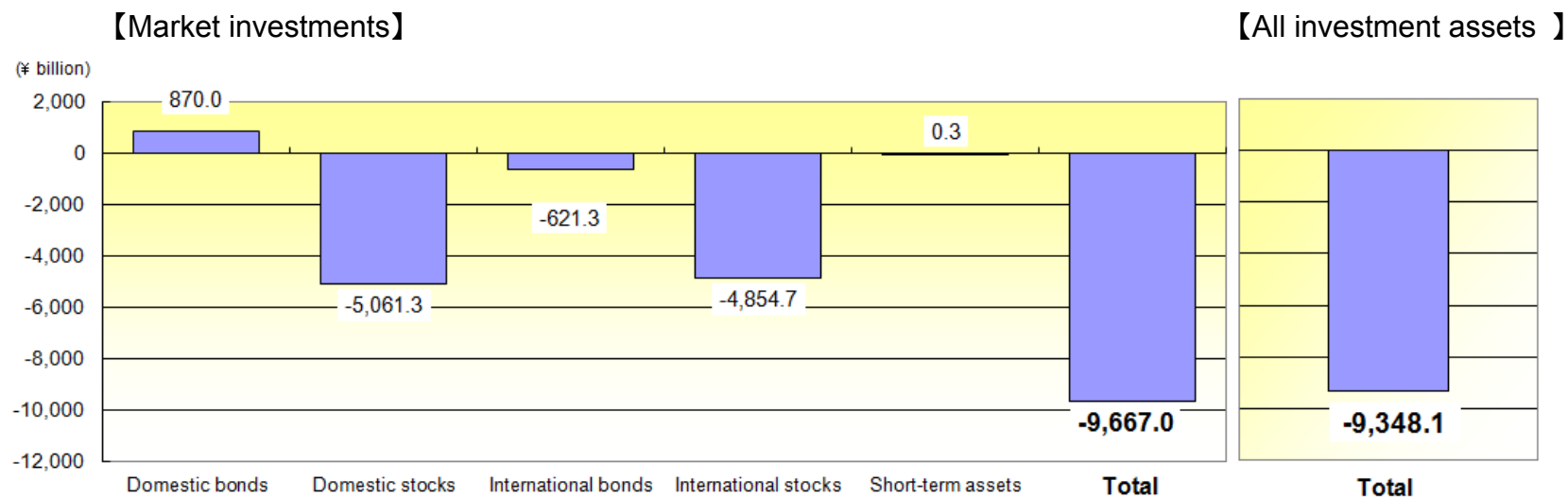
Note: Income/loss figures are reported as gross of fees.

Income from FILP bonds was ¥ 318.9 billion and total income from all investment assets (market investments + FILP bonds) was a loss of **¥9,348.1 billion**.



Note: Income/loss figures are reported as gross of fees.

Income/loss figures by asset class were as follows.



Note: Income/loss figures are reported as gross of fees.

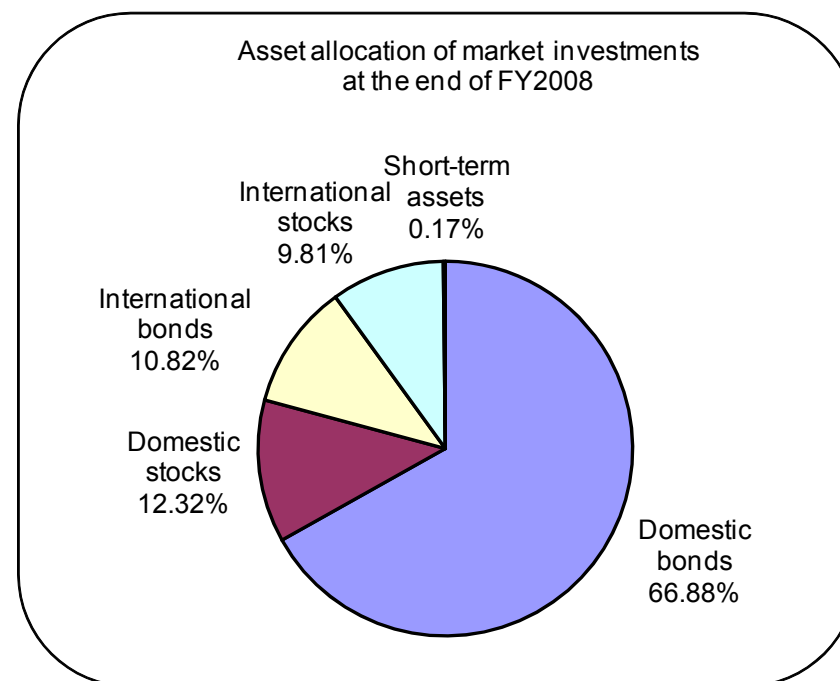
(3) Asset allocation

Market value of market investments was **¥92,539.7 billion**. The allocation of market investment was as follows.

【Asset allocation of market investments】

End of Fiscal 2008 (end of March 2009)

	Market value (¥ billion)	Portfolio allocation
Domestic bonds	61,888.7	66.88%
Domestic stocks	11,398.6	12.32%
International bonds	10,013.5	10.82%
International stocks	9,078.1	9.81%
Short-term assets	160.8	0.17%
Market investment total	92,539.7	100.00%



Note 1: The figures above are rounded, so the sums do not necessarily match with the total numbers.

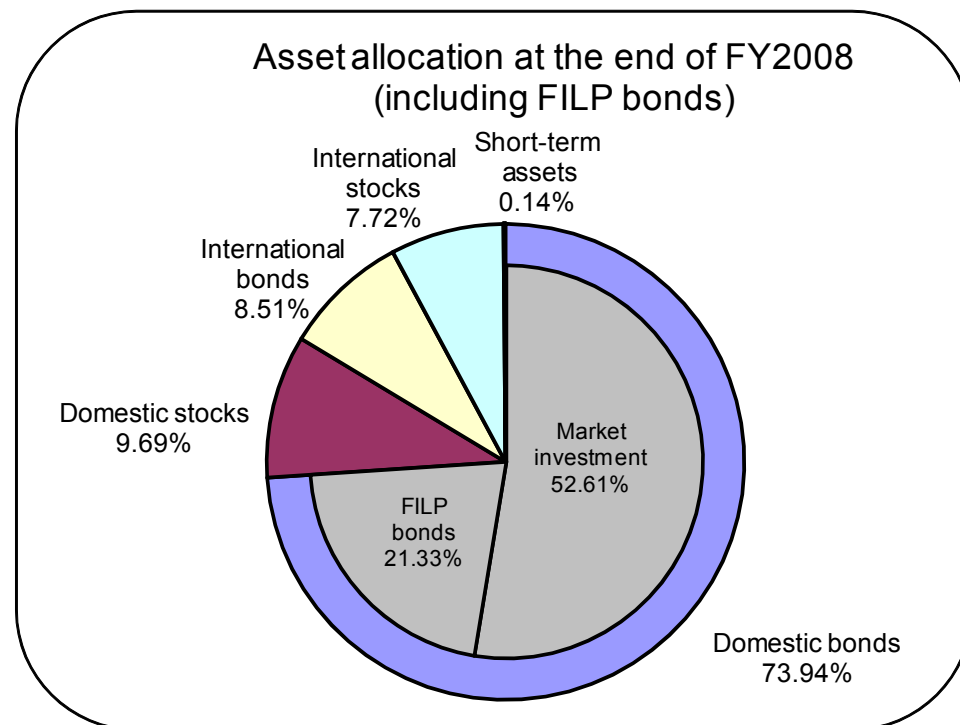
Note 2: The amounts in the MV column take account of accrued income and unpaid expenses.

Meanwhile, total investment assets, or the sum of market investments and ¥25,088.8 billion in FILP bonds were **¥117,628.6 billion**. The asset allocation of total investment assets, including FILP bonds, was as follows:

【Asset allocation of total investment assets, including FILP bonds】

End of Fiscal 2008 (end of March 2009)

		Market value (¥ billion)	Allocation
Domestic bonds		86,977.5	73.94%
Market investment		61,888.7	52.61%
FILP Bonds	Book value	25,088.8	21.33%
	(Market value)	(25,641.0)	–
Domestic stocks		11,398.6	9.69%
International bonds		10,013.5	8.51%
International stocks		9,078.1	7.72%
Short-term assets		160.8	0.14%
Total		117,628.6	100.00%



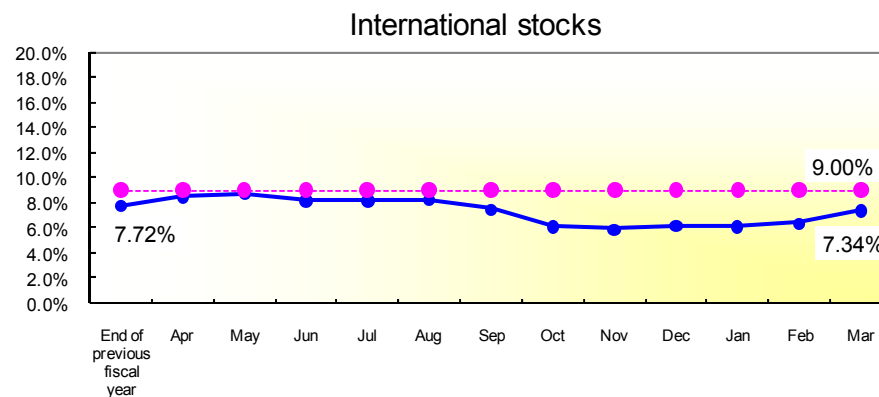
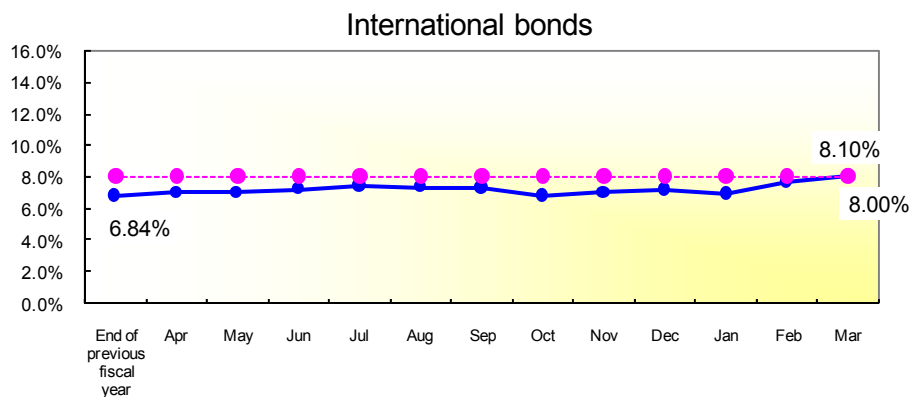
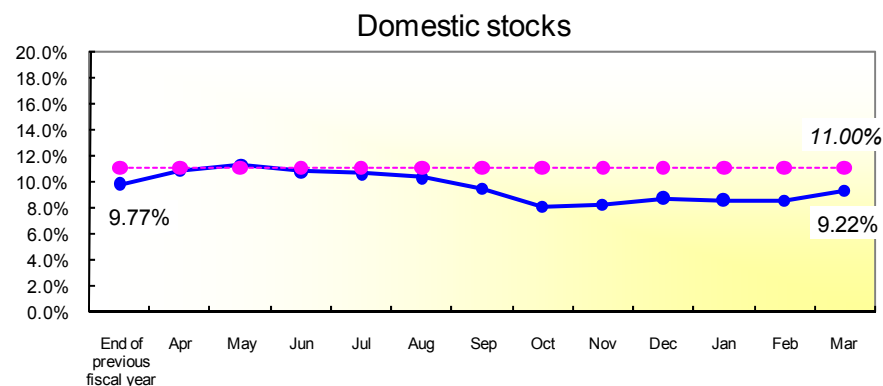
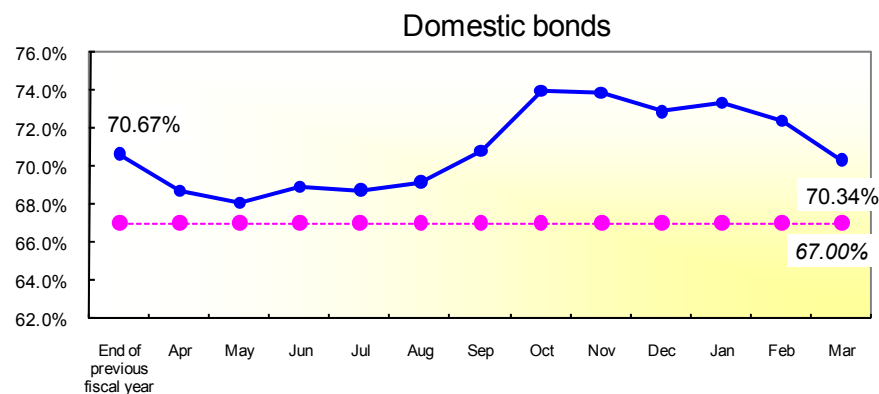
Note 1: The figures above are rounded, so the sums do not necessarily match with the total number.

Note 2: The amounts in the MV column take account of accrued income and unpaid expenses.

Note 3: The FILP bond book value is on an amortized cost basis and includes accrued interest.

(4) Achievement of the policy asset mix

In fiscal 2008, deviations from the policy asset mix had been within the permissible range throughout the fiscal year and the goal to achieve the policy asset mix at the end of fiscal 2008 was met.



Note1: The solid line depicts the actual asset allocation at the end of month, while the dotted line depicts the weight of each asset in the policy asset mix.

Note2: Deposits in Fiscal Loan Fund were included in domestic bonds and short-term assets were assumed to be 5% of total assets in calculating the actual asset allocation.

Note3: The permissible range of deviations from the policy asset mix: domestic bonds $\pm 8\%$, domestic stocks $\pm 6\%$, international bonds $\pm 5\%$, international stocks $\pm 5\%$

2. Investment Results for the Last Five Fiscal Years

① Return on market investments

The fee-included modified total returns on market investments from fiscal 2004 to fiscal 2006 were plus figures but they were minus in fiscal 2007 and fiscal 2008. The average rate for the last five years was +1.08%.

Fiscal year	2004	2005	2006	2007	2008	Five-year total (Annualized)
Modified total return	4.60%	14.37%	4.75%	-6.41%	-10.03%	1.08%

Note 1: Modified total rates of return are reported as gross of fees.

Note 2: Five-year total return (annualized) is geometric mean of the last five year figures.

② Return on total investments

The average return on total investments including FILP bonds for the last five years was + 0.77%

Fiscal year	2004	2005	2006	2007	2008	Five-year total (Annualized)
Return	3.39%	9.88%	3.70%	-4.59%	-7.57%	0.77%

Note 1: Although the rates of return on market investments were calculated with market values and the rate of return on FILP bonds was calculated with book values, the rates of return on total investment assets under GPIF's management were calculated as principal-weighted averages of them (gross of fees).

Note 2: Five-year total return (annualized) is geometric mean of the last five year figures.

③ Return on market investments by asset class

Domestic bonds

Fiscal year	2004	2005	2006	2007	2008	Five-year total (Annualized)
Time-weighted return	2.13%	-1.40%	2.18%	3.31%	1.35%	1.50%
Benchmark return	2.09%	-1.40%	2.17%	3.36%	1.36%	1.50%
Excess return	0.04%	0.00%	0.01%	-0.05%	-0.01%	0.00%

Domestic stocks

Fiscal year	2004	2005	2006	2007	2008	Five-year total (Annualized)
Time-weighted return	1.64%	50.14%	0.47%	-27.97%	-35.55%	-6.57%
Benchmark return	1.42%	47.85%	0.29%	-28.05%	-34.78%	-6.73%
Excess return	0.22%	2.29%	0.18%	0.08%	-0.77%	0.16%

International bonds

Fiscal year	2004	2005	2006	2007	2008	Five-year total (Annualized)
Time-weighted return	11.42%	7.71%	10.19%	-0.32%	-6.75%	4.21%
Benchmark return	11.32%	7.73%	10.24%	-0.44%	-6.56%	4.22%
Excess return	0.10%	-0.02%	-0.04%	0.12%	-0.19%	-0.01%

International stocks

Fiscal year	2004	2005	2006	2007	2008	Five-year total (Annualized)
Time-weighted return	15.43%	28.20%	17.50%	-17.10%	-43.21%	-3.92%
Benchmark return	15.70%	28.52%	17.85%	-16.80%	-43.32%	-3.74%
Excess return	-0.27%	-0.31%	-0.35%	-0.30%	0.11%	-0.18%

Note: The return for five years is the geometric average of each fiscal year figures.

3. Performance Comparison with the Long-term Target Investment Yield

The 2004 actuarial valuation covering fiscal 2003 and onward expects the total reserve to yield an annual rate exceeding the rate of increase in nominal wages by 1.1%. For the six year period to fiscal 2008 covered by the above valuation, the rate of nominal wage income was -0.16% per annum. Therefore the nominal yield expected in the 2004 actuarial reform turned out to be 0.94% and it was exceeded by the nominal rate of return of GPIF's total investment (including FILP bonds) of 2.00%.

Fiscal year	2003	2004	2005	2006	2007	2008	Six-year total (Annualized)
Real investment yield assumed	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Actual nominal wage increase rates	-0.27	-0.20	-0.17	0.01	-0.07	-0.26	-0.16
Nominal investment yield of the 2004 actuarial valuation	0.83	0.90	0.93	1.11	1.03	0.84	0.94
Total return of the GPIF	8.40	3.39	9.88	3.70	-4.59	-7.57	2.00

Chapter 2: Framework for Reserve Fund Investment and Roles of Government Pension Investment Fund

1. Framework for Reserve Fund Investment

(1) Significance of the reserve funds

a. Public pension schemes and the reserve funds

Japan's public pension schemes are said to have three significant characteristics: a) universal pension coverage, b) a social insurance-type format (i.e., a framework in which contributors pay contributions and receive pension benefits proportionate with contributions paid), and c) intergenerational dependency (this is the so-called “pay-as-you-go” method in which, in principle, generations that are still working support the older generation with their contributions). Amid the rapid emergence of a society marked by a falling birthrate and an aging population, problems are emerging that include growing burden on currently working generations in terms of pension contributions. Thus, the building of public pension schemes that will be sustainable into the future has become an important issue.

As part of the 2004 Pension Reform (hereinafter the “2004 Reform”), a review was conducted toward eliminating concerns about endlessly rising contributions in the future, and toward building sustainable systems that are harmonized with the social economy, by combining the following four pillars:

i. Introduction of the fixed-level contribution approach

After phased increases through 2017, Employees' Pension Insurance contributions will be fixed at 18.3% and National Pension contributions will be fixed at ¥16,900 (at fiscal 2004 prices).

ii. Introduction of benefit level rebalancing based on macroeconomic slide

In principle, pension amounts are revised to correspond to increases in disposable per-capita income (wages) and rising prices. However, a framework (macroeconomic slide) has been introduced to rebalance contribution levels by reducing the rate of revision by a rate that combines the declining number of contributors for all public pension schemes with a set rate that takes into account the lengthening average life expectancy. This framework will remain in place until it can be expected that pension financing will stabilize within a scope of burden that is based on a final contribution level.

iii. Raising of the National Treasury's share of basic pensions

It was decided that the National Treasury's share of basic pensions would be raised from one-third to one-half by 2009.

iv. Utilization of the reserve funds

While maintaining the “pay-as-you-go” method as a foundation, the method for financing pensions was changed to reflect the idea that benefits and burden should be rebalanced within a period of roughly 100 years. Thus, the approach was switched to a limited rebalance method that would maintain the reserve funds at the level of a claim reserve (roughly one year of benefit expenses) when the financial rebalancing period is completed.

Of these, item iv “Utilization of the reserve funds” has the greatest impact on the form that the reserve funds will take. Prior to the reform, the thinking was that benefits and burden should be rebalanced permanently into the future (permanent rebalance method). However, after the reform, there was a shift toward a method in which roughly one-year of benefit expenses will be kept at the end of the financial balancing period. This is based on the idea that benefits and burden should be rebalanced within a period of roughly 100 years (limited rebalance method).

b. Significance of the reserve funds

Public pension schemes are supported by society as a whole and are administered on the basis of an intergenerational dependency approach whereby premium payments borne by the current working generation are used to support the older generation. However, given that the older generation’s share of the total population will continue to increase in the future, the portion of insurance premiums, not allocated to pension benefits and invested as a reserve fund, is used to stabilize pension financing. This is where the basic significance of the reserve funds is found within the public pension schemes.

The 2004 Reform can be considered to have firmly established intergenerational dependency in Japan’s public pension schemes and to have even more concretely clarified the significance of the reserve funds. In other words, the significance of reserve funds is concretely defined as contributing to stable pension financing through use of investment yield and the reserve funds while fixing the contribution levels as well as keeping benefits at the highest possible level.

Note: Article 3 of the Government Pension Investment Fund Law (hereinafter the “GPIF Law”) defines “the reserve funds” as funds entrusted by the Minister of Health, Labour and Welfare (hereinafter “entrusted funds”). However, Article 8, Article 10, and other items of the Supplementary Provisions of the GPIF Law state with regard to entrusted funds by the Minister of Health, Labour and Welfare and assets used in investment through borrowing of funds by the former Pension Welfare Service Public Corporation (hereinafter the “former Corporation”) from the former Trust Fund Bureau (currently the Fiscal Loan Fund) (hereinafter “succeeded funds”) that such funds shall be managed and invested together in the general account. Thus, unless otherwise stated, “the reserve funds” shall be defined as including succeeded funds that are added to entrusted funds.

(2) Basic approach to investment of the reserve funds

“Safe and efficient investment from a long-term perspective” is established within both the Employees’ Pension Insurance Law and National Pension Law for investment of the reserve funds. Moreover, “business management targets to be achieved by the Government Pension Investment Fund” (medium-term objectives) are set by the Minister of Health, Labour and Welfare based on the Law on the General Rules of Independent Administrative Agencies.

Among the medium-term objectives is the following: “Because pension financing is generally not affected if real investment yield (investment yield that surpasses the wage increase rate) is ensured, asset allocation (portfolio) to be maintained over the long term shall be established so as to ensure real investment yield in the various pension financing preconditions, and the reserve funds shall be managed based on this portfolio.” This is an approach that makes it possible to “ensure long-term real investment yield,” which is required in pension financing, by appropriately engaging in fund management and investment based on the portfolio.

During the 2004 Reform, the following items were established from a long-term perspective for the preconditions of price increase rate, wage increase rate, and the reserve fund investment yield. The price increase rate was set at 1.0% using the Cabinet Office forecasts and the average rate of increase in the consumer price index as a reference. For the wage increase rate, etc., the real wage increase rate (against the price increase rate) was set at 1.1%, using as a foundation the results of provisional calculations that applied macroeconomic models based on forecasts of productivity increases in the Japanese economy and forecasts pertaining to the labor force. Real investment yield (against the price increase rate) was set at 2.2% (nominal investment yield: 3.2%), and so-called real investment yield, which is the difference between investment yield and the wage increase rate, was set at 1.1%.

GPIF shall engage in management and investment based on asset allocation (hereinafter the “policy asset mix”) that was formulated to ensure real investment yield of 1.1% (nominal investment yield: 3.2%) in accordance with the above mentioned preconditions.

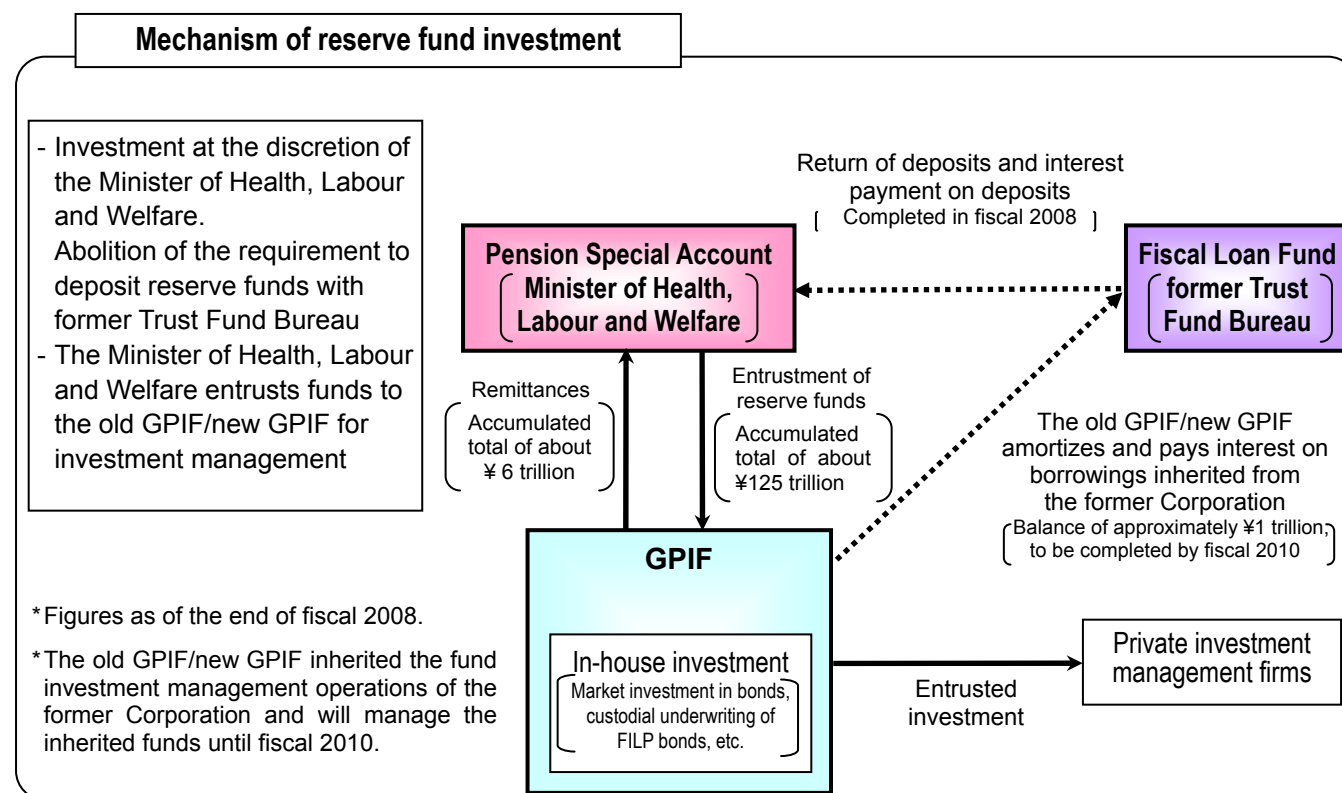
(3) Mechanism of the reserve fund investment

Until fiscal 2000, it was obligatory to deposit all reserve funds with the former Trust Fund Bureau of the Ministry of Finance. However, this obligation was abolished in the Reform of the Fiscal Investment and Loan Program of April 2001 (hereinafter the “FILP Reform”). Currently the reserve funds are invested at the discretion of the Minister of Health, Labour and Welfare.

Accordingly, the reform established that public reserve funds that were deposited in the former Trust Fund Bureau (hereinafter “deposits”) are to be sequentially returned, and that, with some exceptions, returned public reserve funds shall be entrusted by the Minister of Health, Labour and Welfare to GPIF (from fiscal 2001 to fiscal 2005, these funds were entrusted to the former GPIF; it was established that the reserve funds entrusted to the former GPIF would continue to be managed and invested by the GPIF). GPIF entrusts investment of these entrusted funds to private investment management institutions (GPIF also invests a portion of the managed funds on its own) and remits the investment returns to the Pension Special Account. Return of the deposits was completed in fiscal 2008.

It should be noted that, as a temporary element of the FILP Reform, GPIF had directly underwritten FILP bonds from fiscal 2001 to fiscal 2007.

Furthermore, from fiscal 1986 to fiscal 2000, the former Corporation engaged in fund investment management operations using funds borrowed from the former Trust Fund Bureau to operate fund investment projects. GPIF manages the assets and liabilities that it inherited from the old GPIF, and it invests these funds together with entrusted funds. Each year GPIF makes a repayment of said borrowings, as repayment is to be completed by fiscal 2010.



2. Roles of Government Pension Investment Fund

(1) Roles of Government Pension Investment Fund

GPIF is responsible for the management and investment of the reserve funds in accordance with the provisions of the GPIF Law and other relevant regulations. The object of GPIF is to contribute to the stability of Employees' Pension Insurance and National Pension by remitting a return on the reserve funds to the Pension Special Account and GPIF is taking following roles.

① **Portfolio-based investment**

Pension financing is thought to be safe as long as a real investment yield (an investment yield above the wage increase rate) is secured. GPIF is required to define and manage the asset allocation (portfolio)* for the bonds and stocks to be maintained over the long term so that the real investment yield can be ensured with regard to the preconditions in pension financing for the reserve funds.

Therefore, GPIF has defined and appropriately managed the portfolio in order to secure a real investment yield regarding various pension financing preconditions and control the variation risk (on variations in rate of return) within a certain range from the viewpoint of stabilizing pension financing.

Note: The investment conditions assumed at the time of defining the portfolio and the current conditions shall be verified, and the portfolio shall be revised as necessary.

② **Ensuring liquidity for pension benefit payment**

GPIF shall ensure the liquidity (cash) necessary for pension benefit payments, etc., in view of the pension financing perspective and income and expenditures, and conduct efficient cash management.

(2) Governance Structure of Government Pension Investment Fund

① **Outline of independent administrative agency system**

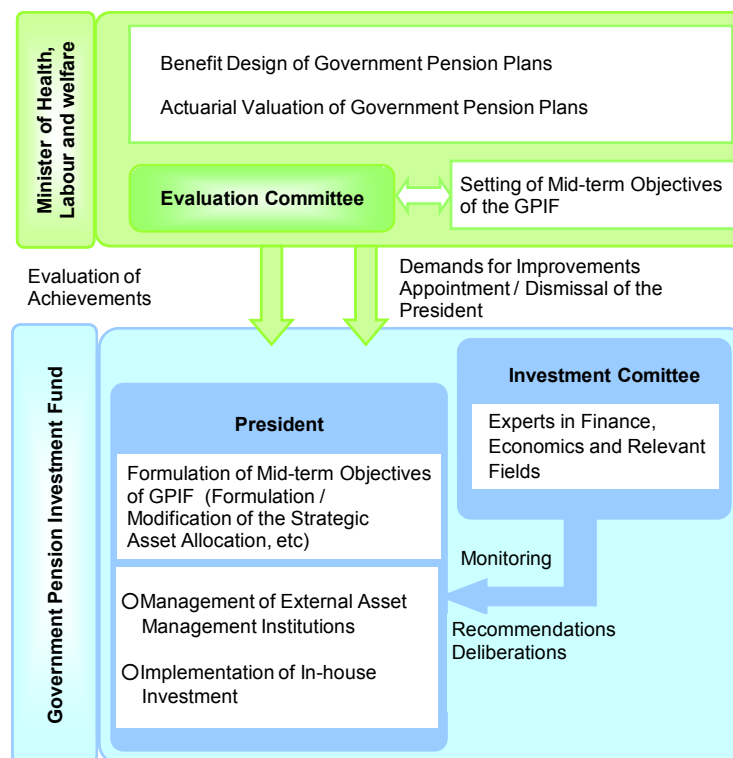
Government Pension Investment Fund was established on April 1, 2006, as an independent administrative agency to manage and invest the reserve funds. The independent administrative agency scheme—which focuses on those activities implemented by government that are highly public in nature but which, although not requiring direct government involvement, may not be realized if entrusted to the private sector—seeks to improve operational efficiency and quality, to ensure the autonomous operational management of those activities, and to maintain operational transparency by establishing independent administrative agencies whose corporate status differs from that of government and by having these institutions take on relevant activities. Supervising ministers (in the case of the GPIF, the Minister of Health, Labour and Welfare) establish “medium-term objectives” of three to five years (in the case of the GPIF, four years that will end in fiscal 2009) for independent administrative

agencies under their jurisdiction. After receiving these objectives, the directors of individual independent administrative agencies formulate “medium-term plans” to achieve the objectives. Each fiscal year and at the end of the medium-term objective period, an Evaluation Committee for Independent Administrative Agencies held in supervising government offices (in the case of the GPIF, the Ministry of Health, Labour and Welfare), which is made up of external experts evaluates each agencies performance in reaching the targets.

② Investment committee

The Investment Committee is established within GPIF. It consists of eleven or fewer members who are chosen from experts in finance, economics or other relevant fields and appointed by the Minister of Health, Labor and Welfare. The preparation of medium-term plans must be discussed by the Investment Committee. The committee is also entitled to monitor the implemented status of the reserve funds operated by GPIF, express opinions pertaining to important items in management and investment operations in response to inquiries from the President, and submit recommendations to the President pertaining to items deemed necessary.

Outline of the governance structure of GPIF



Investment Committee Members (As of March 31, 2009)

Masaharu Usuki	Principal, Senior Pension Economist, NLI Research Institute
○ Jun Uno	Professor; Graduate School of Finance, Accounting, and Law; Waseda University
Yuji Kage	Managing Director (CIO), Pension Fund Association
Tadayoshi Kusano	President, JTUC Research Institute for Advancement of Living Standards
Takao Komine	Professor, Hosei University Graduate School of Regional Policy Design
Hisae Sato	General Manager, Chief Investment Officer, Treasury Department, Nissan Motor Co., Ltd.
Kunio Tomita	Director, Mitsubishi Electric Corporation
Kimikazu Noumi	Chaired Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
Shigeru Hikuma	President, CRD Association
Toshiki Honda	Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
◎ Yasuhiro Yonezawa	Professor; Graduate School of Finance, Accounting, and Law; Waseda University

Note 1: Committee members are listed in order of the Japanese syllabary

Note 2: ◎ indicates Chairman, ○ indicates Vice Chairman

Note 3: Mr. Noumi joined the committee on July 11, 2008

3. Basic Policy for Management and Investment of the Reserve Funds

(1) Creation and achievement of the policy asset mix

① Creation of the policy asset mix

The reserve funds are to be invested in a “stable and efficient” manner over the long term for the sole benefit of persons covered by pension insurance (the Employees’ Pension Insurance Law, etc.) and diversified investments are effective in “stable and efficient” investment. Specifically, the asset allocation (called the policy asset mix) with the lowest possible overall portfolio risk in order to realize the target return is derived from the expected rate of return of each asset and estimates of return correlation among assets, and investment along this asset allocation is thought to be effective.

Market trends fluctuate over the short term but tactical asset allocation based on short term market trend forecasts is not thought to be an effective way.

Various considerations, including the following conditions, are made when actually formulating the policy asset mix:

- i. It can be expected that real investment yield is maintained at 1.1%, with nominal investment yield maintained at 3.2% in accordance with the investment yield of pension financing.
- ii. Estimates are made of the expected rate of return of each asset using the same economic preconditions as pension financing, with attention paid to consistency with pension financing.
- iii. The Sharpe ratio as the indicator expressing the relationship of expected rate of return over risk is maximized.
- iv. Long-term reserve fund downside risk is minimized in order to stabilize pension financing.

As a result, it was decided to create a policy asset mix, which combined domestic stocks, international bonds and international stocks with domestic bonds and had an expected rate of return (target return) of 3.37% and risk of 5.55% that could be expected to secure the nominal investment yield while controlling risk level to that roughly on par with the risk of market investment through domestic bonds.

It should be noted that, because the market value of assets that comprise the actual portfolio fluctuates from day to day, some deviation occurs between the actual asset allocation and the target asset allocation of the policy asset mix. It therefore becomes necessary to make frequent purchases and sales if we were to keep this deviation at zero, which in turn incurs costs that include trading commissions. On the other hand, however, because it is important to lower these costs as much as possible for the purpose of long-term investment, a permissible range of deviation is established for each asset. This is based on the thinking that a certain amount of deviation from the policy asset mix should be allowed.

		Domestic bonds	Domestic stocks	International bonds	International stocks	Short-term assets
Policy asset mix	Target allocation	67%	11%	8%	9%	5%
	Permissible range of deviation	±8%	±6%	±5%	±5%	-

Expected (target) rate of return: 3.37% Risk (standard deviation): 5.55%

② Achievement of the policy asset mix

The current policy asset mix was formulated based on the precondition that would come into effect at the end of fiscal 2008, when return of FLF deposit would be completed. The period until then was considered to be the transition period toward the policy asset mix. As such, until fiscal 2007 asset allocation was determined in the form of a transition portfolio for each fiscal year, and investment was made toward achieving this transition portfolio. For fiscal 2008 as the final transition year, the target of transition portfolio at the end of fiscal year was determined to be the policy asset mix, and as a result of investment and management toward achieving it, each asset fell into the permissible range of deviation from the policy asset mix, which therefore was achieved at the fiscal year end.

(2) Investment targets

If the expected rate of return for each asset can be secured over the long term as set forth in formulation of the policy asset mix by appropriately maintaining the policy asset mix asset allocation, it becomes possible to expect that real investment yield in the pension financing preconditions will be secured. For GPIF investment, the objective is to secure the rate of return of each benchmark (hereinafter “benchmark rate of return”) that is an index reflecting market movement for each asset.

Investment targets in the medium-term objectives are as follows:

- **An asset portfolio will be established to secure real investment yield in the pension financing preconditions, and investment management will be based on this asset portfolio (it corresponds to the policy asset mix).**
- **Each fiscal year, efforts will be made to secure benchmark rates of return for each asset; benchmark rates of return shall be secured during the medium-term objective period.**

Benchmarks are indicators that become standards when evaluating investment performance. A benchmark utilizes appropriate market indexes that meet certain conditions; e.g., it has a composition that reflects the market, it is composed of investable securities, the details of the index are disclosed, etc.

Benchmarks pertaining to investment assets

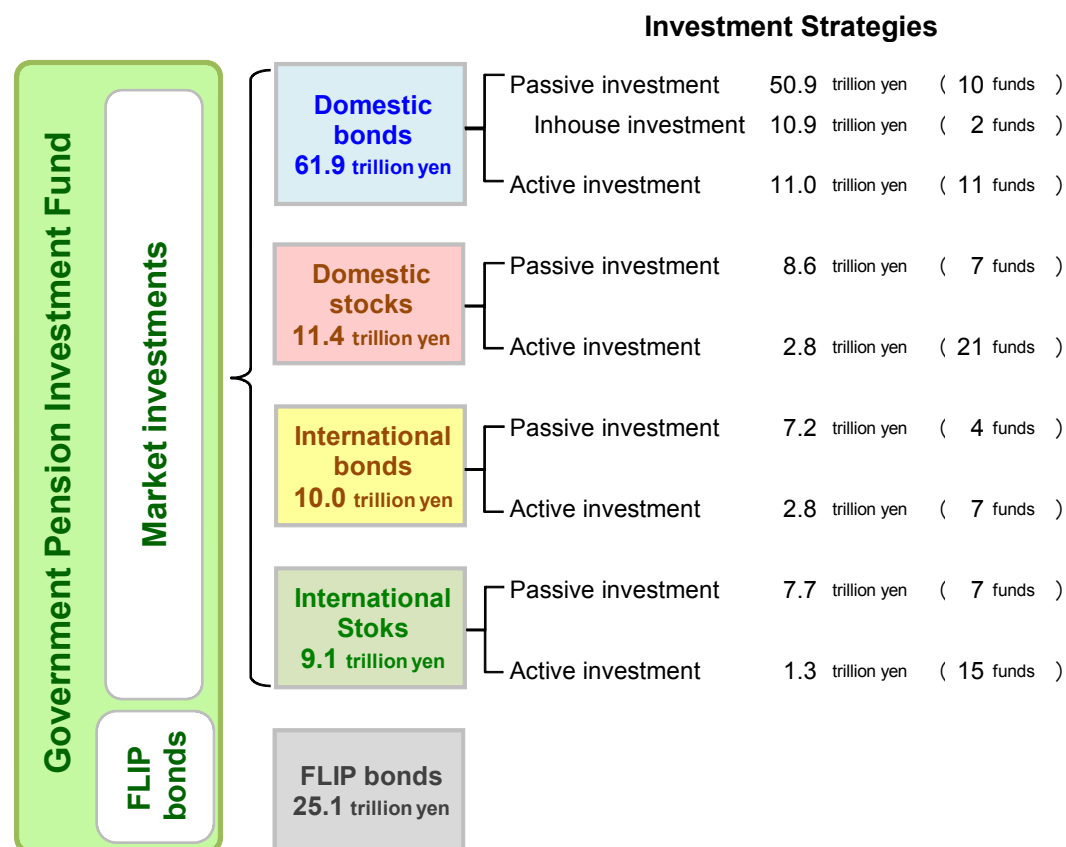
- Domestic bonds: Nomura-BPI “Excluding ABS”
- Domestic stocks: TOPIX (dividend reinvested)
- International bonds: Composite index of Citigroup World Government Bond Index (excluding Japan, yen denominated, no hedge) and Citigroup World BIG Bond Index(excluding Japanese yen issues, yen denominated, no hedge), which is weighted-average calculated with passive investment amounts along Citigroup World Government Bond Index and active investment amounts along Citigroup World BIG Index.
- International stocks: Morgan Stanley Capital International (MSCI)-KOKUSAI (yen denominated, gross dividend reinvested),
- Short-term assets: One-month repo rate of Treasury bill

Note: Although asset-backed securities (ABS) have been added to Nomura-BPI aggregate since April 2008, the GPIF has used Nomura-BPI “Excluding ABS”, which does not include ABS and is identical to the former Nomura-BPI aggregate, as our domestic bond benchmark since then.

(3) Investment strategies

Broadly speaking, fund investment strategies can be divided into active and passive investment management. In general, passive investment is a method that seeks to secure returns that are in line with market averages, while active investment aims to exceed market averages by conducting market forecasts and building a portfolio that differs from the market. However, because the reserve funds are massive, which makes it necessary to consider their impact on markets, and because it is thought to be difficult to continuously achieve rates of return that outperform the market average as the market is largely efficient over the long term, our investment strategy centers on passive investment.

Actual investments except a part of domestic bonds are entrusted to professional asset managers such as trust banks and asset management companies. GPIF selects and manage these managers.



Total investment assets 117.6 trillion yen* (end of March 2009) *included short-term assets

(4) Risk management

The policy asset mix is constructed with multiple assets having different expected rate of return and risk characteristics. Therefore, in order to maintain a portfolio equal to the policy asset mix and to achieve long-term expected return, it is necessary to appropriately manage various risks in asset investment. Specific risk management methods involve determining risk management items to be targeted and monitoring those using analytical and other tools for each risk. If problems in the risk situation emerge as a result of such measurement, appropriate measures are implemented.

One of the most important risk management is to monitor deviation of actual portfolio from the policy asset mix. Asset allocation of actual portfolio does not stay unchanged due to the asset price fluctuation, so it is necessary to monitor deviation and to keep it within a predetermined permissible range. Until fiscal 2008 additional money is entrusted, and in principle asset allocation of actual portfolio is managed through allocating additional money among assets.

Other types of risk that are managed include market risk for each asset (risk of investment in each asset market, risk of price fluctuations in each market, etc.), liquidity risk (risk that sales or purchases will be difficult due to declining volume of trade), credit risk (risk of bankruptcy) and sovereign risk (risk of investment in foreign government debt). Also managed are the risk management conditions of external asset managers and the asset management conditions of custodial banks.

With regard to derivatives, it should be mentioned that, in principle, use of derivatives is permitted for hedge purposes. Specifically, use of stock futures is permitted as a temporary substitute (long hedge) of underlying assets during the intake of additional investment funds and for reinvesting accrued dividends receivable. Furthermore, the use of bond futures in active domestic bond investment and the use of bond futures and forward-based currency transactions in active international bond investment are permitted if they are conducted in accordance with individual investment guidelines that are formulated based on each external asset manager's investment style or investment capacity. Conditions surrounding the use of these derivatives and compliance with use restrictions are confirmed by demanding reports on notional principal (market face value of relevant derivatives) each month.

(5) Formulation of the administrative policy on investment management

In addition to medium-term plans, etc., an “administrative policy on investment management” that establishes specific policies pertaining to management and investment of the reserve funds is formulated to achieve the medium-term objectives. This policy is made available to the public at the GPIF website (Japanese version only. <http://www.gpif.go.jp/kanri/kanri01.html>).

Chapter 3: Activities in Fiscal 2008

1. Allocation of Newly Entrusted Fund to Market Investments

In the first half of fiscal 2008 newly entrusted funds were mainly allocated to domestic bonds and in the latter half they were mainly allocated to assets other than domestic bonds.

	April		May		June		July		August		September	
	Allocated	Withdrew	Allocated	Withdrew	Allocated	Withdrew	Allocated	Withdrew	Allocated	Withdrew	Allocated	Withdrew
Domestic Bonds	640.1	0.0	687.8	0.0	704.7	0.0	683.0	0.0	680.1	0.0	431.3	0.0
Domestic Stocks	25.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.6	0.0	128.1	0.0
International Bonds	73.6	0.0	62.9	0.0	55.9	0.0	22.2	0.0	0.0	0.0	69.5	0.0
International Stocks	21.5	0.0	0.0	0.0	0.0	0.0	57.5	0.0	70.2	0.0	131.7	0.0
Short-term Assets	0.0	0.0	9.9	0.0	324.9	0.0	0.0	327.0	0.0	3.3	85.3	0.0
Total	760.6 (85.3)	0	760.6 (85.3)	0	1,085.5 (705.2)	0	762.7 (85.4)	327.0 0	763.9 (85.4)	3.3 0	845.9 (85.3)	0 0
Newly entrusted funds	675.3		675.3		380.3		350.3		675.2		760.6	

(¥billion)

	October		November		December		January		February		March		Total	
	Allocated	Withdrew	Allocated	Withdrew	Allocated	Withdrew	Allocated	Withdrew	Allocated	Withdrew	Allocated	Withdrew	Allocated	Withdrew
Domestic Bonds	247.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,074.4	0.0
Domestic Stocks	305.3	0.0	407.3	0.0	420.7	0.0	408.2	0.0	386.0	0.0	577.0	0.0	2,671.6	0.0
International Bonds	114.9	0.0	148.3	0.0	121.2	0.0	128.4	0.0	155.8	0.0	18.0	0.0	970.7	0.0
International Stocks	353.4	0.0	456.3	0.0	479.1	0.0	484.4	0.0	479.2	0.0	500.3	0.0	3,033.6	0.0
Short-term Assets	0.0	0.0	9.1	0.0	193.6	0.0	0.0	193.6	0.0	0.0	432.6	2.7	1,055.3	526.6
Total	1,021.0 (85.0)	0.0	1,021.0 (85.0)	0.0	1,214.6 (704.1)	0.0	1,021.0 (85.0)	193.6	1,021.0 (85.0)	0.0	1,527.9 (1,013.7)	2.7	11,805.6 (3,189.7)	526.6
Newly entrusted funds	936.0		936.0		510.5		742.4		936.0		511.5		8,089.3	

Note 1: "Withdrew" is stated when withdrawals are made from one asset class and allocated to the other asset class.

Note 2: Figures in parentheses in "short-term assets" row denote the amounts appropriated for amortization of borrowings from Fiscal Loan Fund (Short-term assets were appropriated because selling market investment assets is costly) and for redemption of entrusted fund in fiscal 2009.

Note 3: Figures in parentheses under "total" denote proceeds from interest income and the redemption of FILP at the maturity.

Note 4: The figures above are rounded, so the sums do not necessarily match the value of the actual totals.

2. Review of the Composition of External Asset Managers (Manager Structure)

Reviews of the composition of external asset managers (manager structure) are, in principle, conducted once every three years. In fiscal 2008, GPIF conducted the selection of the external asset manager composition (manager structure) as pertains to active investment in international stocks and investment in international stocks with this new structure has started. In selecting the external asset managers, GPIF evaluated new applicants and the existing managers based on a pre-established set of evaluation standards (The examination items are outlined below.). GPIF has started active domestic stock investment this year with new manager structure reviewed in fiscal 2007

(1) Domestic stock active investment with new manager composition

In fiscal 2007 GPIF constructed new manager composition to increase diversification effect while taking investment methods, characteristics of investment strategies, sources of excess return, and investment styles into account. Moreover small-cap funds were newly employed and more enhanced-index fund managers were employed. As a result, with newly employed seven companies' ten funds and existing eleven companies' eleven funds, GPIF have started active investment in domestic stocks in fiscal 2008.

(2) Review of manager composition for international stock active investment

GPIF invited applications for international stock active investment managers by public advertisement (March 12, 2008 to April 11, 2008). In this invitation, GPIF did not offer fund that employs regionalized index as its benchmark and only MSCI KOKUSAI index (yen denominated, gross dividends reinvested, GROSS) was employed as fund benchmark.

In this review GPIF decided to lower the percentage of active investment management and decrease the size of each fund.

Furthermore GPIF decided to raise enhanced-index fund's weight in active investment funds because these funds seek for stable excess return with relatively lower risk than regular active funds and they have showed good results.

In the selection, comprehensive evaluation including commission fees and manager composition aiming at stable excess return with diversified manager's investment strategies and investment styles were considered. As a result, ten new companies' eleven funds and three existing companies' three funds were employed, and investment has started with this new composition.

Reference: Comprehensive evaluation in selecting external asset managers

GPIF conducts comprehensive evaluations that involve evaluation of the following items as well as investment commissions and that consider investment performance in terms of excess return, tracking error, etc.

- Investment policies
Are the investment policies concurrent with the GPIF's policies? And are they clearly defined?
- Investment process
Does the investment process conform to the investment policies?
Are the value adding approaches valid, rational and effective? (How do the passive investment managers minimize transaction costs, secure returns, as well as track the benchmarks closely? How do the active investment managers seek excess return?). Are investment risks measured objectively? Are risks such as deviations from the assigned benchmarks monitored appropriately?
- Organization and human resources
Are the investment policies thoroughly enforced throughout the organization? Are decision-making processes and lines of responsibility clear? Have enough experienced managers been deployed? Is the risk management system well-established?
- Compliance
Is there an established system of internal controls for risk management and compliance with laws and ordinances, etc.?
- Exercise of voting rights
Do international and/or domestic stocks investment managers have established proxy voting standards, based on which proxy is exercised appropriately in recognition of the importance of corporate governance and maximizing long-term shareholder interests?
- Back office structure
Is there a fully-established back office structure for reporting investment performance?

3. Exercise of Voting Rights

GPIF entrusts the external asset managers with the exercise of voting rights and has no direct involvement in passing judgment on individual proposals in order to ensure that it does not have a direct impact on the management of private-sector businesses. GPIF in its investment guidelines to the external asset managers stipulates that proxy voting shall be exercised to maximize long-term shareholder interests and asks that each external asset manager prepare a detailed proxy voting policy for executing this aim appropriately.

External asset managers submitted their proxy voting policy to GPIF, and from April to June 2008, based on reports from and meetings with the external asset managers, GPIF affirmed whether proxies in fact had been exercised in accordance with these policies and, at the same time, evaluated the external managers' conducts in exercising proxies.

GPIF confirmed that proxies were being exercised appropriately for the most part. However, some external asset managers needed improvement and were requested by the GPIF to make remedies.

GPIF received proxy exercise reports in fiscal 2008 (April 2008 to March 2009) from all its external asset managers of domestic and international stocks.

(1) Domestic stocks (April 2008 to March 2009)

Number of external asset managers exercised proxies

15 companies (28 funds)

Number of external asset managers not exercised proxies

none

Proposal		Proposals pertaining to company organization					Proposals pertaining to director remuneration, etc.				Proposals pertaining to capital management (excluding items pertaining to changes)			Proposals pertaining to change to the articles of incorporation	Defense from hostile TOB		Other proposals	Total
		Appointment of directors	Outside directors	Appointment of corporate auditors	Outside corporate auditors	Appointment of accounting	Director remuneration	Director bonuses	Director retirement bonuses	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, acquisition, etc.		Defense from pre-warning type TOB	Trust-type rights plan		
No. of voting rights exercised		104,230	11,906	24,571	15,944	394	1,773	3,183	5,260	1,624	10,460	184	582	6,347	1,429	8	432	160,477
Management proposals	Total	103,912	11,808	24,571	15,944	394	1,753	3,173	5,260	1,624	10,355	172	582	5,873	1,423	8	303	159,403
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
	Approved	93,705	9,623	21,763	13,354	390	1,694	3,134	3,407	1,302	10,044	172	569	5,591	1,088	7	259	143,125
		(90.2%)	(81.5%)	(88.6%)	(83.8%)	(99.0%)	(96.6%)	(98.8%)	(64.8%)	(80.2%)	(97.0%)	(100.0%)	(97.8%)	(95.2%)	(76.5%)	(87.5%)	(85.5%)	(89.8%)
	Opposed	10,207	2,185	2,808	2,590	4	59	39	1,853	322	311	0	13	282	335	1	44	16,278
		(9.8%)	(18.5%)	(11.4%)	(16.2%)	(1.0%)	(3.4%)	(1.2%)	(35.2%)	(19.8%)	(3.0%)	(0.0%)	(2.2%)	(4.8%)	(23.5%)	(12.5%)	(14.5%)	(10.2%)
Shareholder proposals	Total	318	98	0	0	0	20	10	0	0	105	12	0	474	6	0	129	1,074
		(100.0%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	1	0	0	0	0	0	0	0	0	4	3	0	25	2	0	2	37
		(0.3%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(3.8%)	(25.0%)	(0.0%)	(5.3%)	(33.3%)	(0.0%)	(1.6%)	(3.4%)
	Opposed	317	98	0	0	0	20	10	0	0	101	9	0	449	4	0	127	1,037
		(99.7%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(0.0%)	(96.2%)	(75.0%)	(0.0%)	(94.7%)	(66.7%)	(0.0%)	(98.4%)	(96.6%)

Note 1: No. of items for which proxies were exercised does not include the number of items in which proxies were not exercised.

Note 2: If multiple proxies occurred for a single item for vote, each proxy is counted.

Note 3: Items in parentheses are the voting ratios for each proxy item.

(2) International stocks (April 2008 to March 2009)

Number of external asset managers exercised proxies

23 companies (30 funds)

Number of external asset managers not exercised proxies

none

Proposals		Proposals pertaining to company organization			Proposals pertaining to director remuneration, etc.				Proposals pertaining to capital management (excluding items pertaining to changes to the articles of incorporation)			Proposals pertaining to change to the articles of incorporation	Defense from pre-warning type TOB	Other proposals		Total
		Appointment of directors	Appointment of corporate auditors	Appointment of accounting auditors	Director remuneration	Director bonuses	Director retirement benefits	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, acquisition, etc.			Approval of financial statement, etc.	Other proposals	
No. of voting rights exercised		70,146	3,419	7,320	7,039	605	43	4,462	4,452	3,740	5,690	4,833	352	4,188	21,442	137,731
Management proposals	Total	69,763	3,384	7,271	5,879	548	3	4,370	4,411	3,735	5,683	4,158	300	4,187	17,069	130,761
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
	Approved	66,128	3,238	7,187	5,466	517	2	3,776	4,365	3,397	4,976	3,968	189	3,620	15,412	122,241
		(94.8%)	(95.7%)	(98.8%)	(93.0%)	(94.3%)	(66.7%)	(86.4%)	(99.0%)	(91.0%)	(87.6%)	(95.4%)	(63.0%)	(86.5%)	(90.3%)	(93.5%)
	Opposed	3,635	146	84	413	31	1	594	46	338	707	190	111	567	1,657	8,520
		(5.2%)	(4.3%)	(1.2%)	(7.0%)	(5.7%)	(33.3%)	(13.6%)	(1.0%)	(9.0%)	(12.4%)	(4.6%)	(37.0%)	(13.5%)	(9.7%)	(6.5%)
Shareholder proposals	Total	383	35	49	1,160	57	40	92	41	5	7	675	52	1	4,373	6,970
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
	Approved	147	11	4	489	4	20	17	5	0	1	379	40	0	909	2,026
		(38.4%)	(31.4%)	(8.2%)	(42.2%)	(7.0%)	(50.0%)	(18.5%)	(12.2%)	(0.0%)	(14.3%)	(56.1%)	(76.9%)	(0.0%)	(20.8%)	(29.1%)
	Opposed	236	24	45	671	53	20	75	36	5	6	296	12	1	3,464	4,944
		(61.6%)	(68.6%)	(91.8%)	(57.8%)	(93.0%)	(50.0%)	(81.5%)	(87.8%)	(100.0%)	(85.7%)	(43.9%)	(23.1%)	(100.0%)	(79.2%)	(70.9%)

Note 1: No. of items for which proxies were exercised does not include the number of items in which proxies were not exercised.

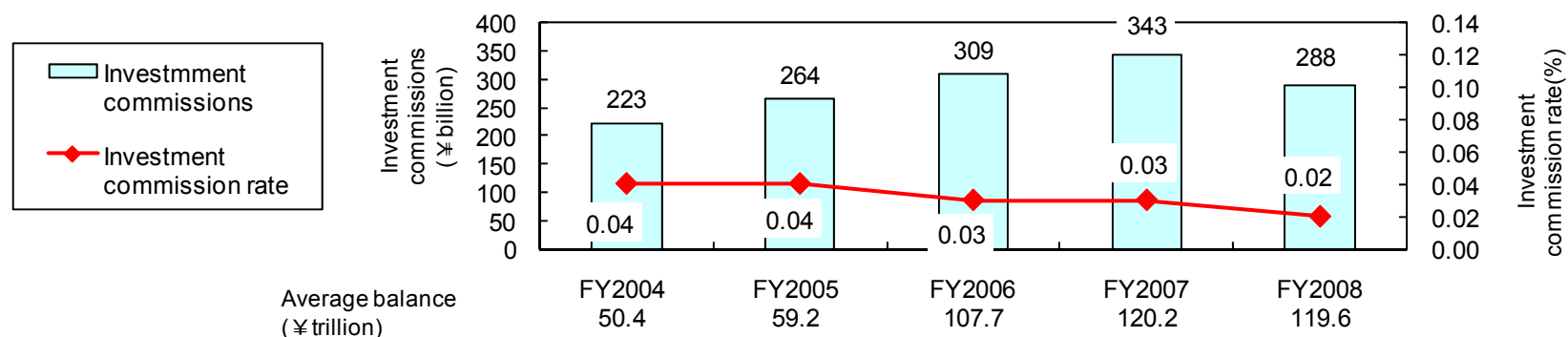
Note 2: If multiple proxies occurred for a single item for vote, each proxy is counted.

Note 3: Items in parentheses are the voting ratios for each proxy item.

Note 4: Figures for "accepted" include 15 cases of unconditional authority; figures for "opposed" include 1,650 cases of abstention.

4. Commission Costs

GPIF has customarily worked to realize efficient and rational commission levels that are matched to investment methods, etc. In fiscal 2008, commission cost was the ¥28.8 billion, which was fewer than that of the previous year by ¥5.5 billion, and 0.02% of total investment assets. This reduction was brought by the consolidation of custodial banks and so on.



Fiscal year	2004	2005	2006	2007	2008
Investment commissions (¥ billion)	22.3	26.4	30.9	34.3	28.8
Average balance (¥ trillion)	50.4	59.2	107.7	120.2	119.6
Investment comission rate (%)	0.04	0.04	0.03	0.03	0.02

Note 1: Average balance of investment principal is used as average balance up to fiscal 2005.

Note 2: Since fiscal 2005 figures include the domestic bond passive fund, short-term assets fund, and FILP bond fund invested by in-house investment management department because asset management of in-house investments was outsourced in fiscal 2005. It should be noted that the average balance of the book value obtained using the amortized cost method is used for the FILP bond fund.

Note 3: The average balance of the end-of-the-month market value is used as the average balance for fiscal 2006. It should be noted that the average balance of the book value obtained using the amortized cost method is used for the FILP bond fund.

Reference Data

1. Investment Assets by Investment Method (MV at the end of fiscal 2008)

			Market value (¥billion)	Allocation
Investment asset total			117,628.6	100.00%
Market investment	Total		92,539.7	78.67%
	Passive investment		74,468.7	63.31%
	Active investment		18,071.0	15.36%
	FILP bonds		25,088.8	21.33%

Note 1: The figure in the market value column for FILP bonds includes accrued earnings in the book value amount based on the amortized cost method.
 Note 2: The figures above are rounded, so the sums do not necessarily match with the total numbers.

2. Investment Assets by Manager (MV at the end of fiscal 2008)

(Unit: ¥billion)

Investment method	External asset manager	Contract classification	Market value
Domestic bond active investment	MDAM Asset Management	Investment advisory	1,244
	The Sumitomo Trust & Banking	Investment advisory	1,058
	DIAM	Investment advisory	852
	Chuo Mitsui Asset Trust and Banking	Investment advisory	954
	Tokio Marine Asset Management	Investment advisory	1,044
	Nikko Asset Management	Investment advisory	1,208
	Nomura Asset Management	Investment advisory	723
	Mizuho Trust & Banking	Trust	1,236
	Sumitomo Mitsui Asset Management	Investment advisory	684
	Mitsubishi UFJ Trust and Banking	Investment advisory	1,069
	Resona Bank	Trust	908
Domestic bond passive investment	In-house investment I	In-house investment	7,214
	In-house investment II	In-house investment	3,734
	The Sumitomo Trust & Banking I	Investment advisory	5,741
	The Sumitomo Trust & Banking II	Investment advisory	3,731
	Chuo Mitsui Asset Trust and Banking I	Investment advisory	5,309
	Chuo Mitsui Asset Trust and Banking II	Investment advisory	3,730
	Barclays Global Investors	Investment advisory	5,748
	Mizuho Trust & Banking	Trust	4,603
	Mitsubishi UFJ Trust and Banking	Investment advisory	5,495
	Resona Bank	Trust	5,603

(Unit: ¥billion)

Investment method	External asset manager	Contract classification	Market value
Domestic stock active investment	AXA Rosenberg Investment Management	Investment advisory	15
	JPMorgan Asset Management I	Investment advisory	119
	JPMorgan Asset Management II	Investment advisory	124
	The Sumitomo Trust & Banking I	Investment advisory	170
	The Sumitomo Trust & Banking II	Investment advisory	178
	Societe Generale Asset Management I	Investment advisory	172
	Societe Generale Asset Management II	Investment advisory	154
	DIAM	Investment advisory	130
	Daiwa SB Investments	Investment advisory	71
	Chuo Mitsui Asset Trust and Banking	Investment advisory	211
	Tokio Marine Asset Management	Investment advisory	122
	Nomura Asset Management I	Investment advisory	193
	Nomura Asset Management II	Investment advisory	16
	Nomura Asset Management III	Investment advisory	177
	Barclays Global Investors	Investment advisory	199
	Fidelity Investments Japan	Investment advisory	157
	Mizuho Trust & Banking	Investment advisory	165
	Mitsubishi UFJ Trust and Banking	Investment advisory	175
	Morgan Stanley Asset & Investment Trust Management	Investment advisory	176
	Resona Bank I	Investment advisory	14
	Resona Bank II	Investment advisory	27

(Unit: ¥billion)

Investment method	External asset manager	Contract classification	Market value
Domestic stock passive investment	The Sumitomo Trust & Banking	Investment advisory	1,377
	DIAM	Investment advisory	1,081
	Chuo Mitsui Asset Trust and Banking	Investment advisory	1,072
	Barclays Global Investors	Investment advisory	1,175
	Mizuho Trust & Banking	Investment advisory	1,374
	Mitsubishi UFJ Trust and Banking	Investment advisory	1,484
	Resona Bank	Investment advisory	1,068
International bond active investment	Alliance Bernstein Japan	Investment advisory	408
	Goldman Sachs Asset Management	Investment advisory	403
	Tokio Marine Asset Management	Investment advisory	391
	PIMCO Japan	Investment advisory	416
	Black Rock Japan	Investment advisory	437
	Mizuho Asset Management	Investment advisory	380
	Morgan Stanley Asset & Investment Trust Management	Investment advisory	399
International bond passive investment	State Street Global Advisors	Investment advisory	1,539
	The Sumitomo Trust & Banking	Investment advisory	1,795
	Northern Trust Global Investments	Investment advisory	1,841
	Barclays Global Investors	Investment advisory	2,005
International stock active investment	AXA Rosenberg Investment Management	Investment advisory	69
	Alliance Bernstein Japan	Investment advisory	70
	MFS Investment Management	Investment advisory	102
	Gartmore Investment Japan	Investment advisory	70
	Goldman Sachs Asset Management	Investment advisory	135

(Unit: ¥billion)

Investment method	External asset manager	Contract classification	Market value
International stock active investment	Schroder Investment Management (Japan)	Investment advisory	3
	State Street Global Advisors	Investment advisory	134
	Societe Generale Asset Management	Investment advisory	166
	Nomura Asset Management	Investment advisory	70
	Barclays Global Investors	Investment advisory	158
	BNY Mellon Asset Management Japan I	Investment advisory	71
	BNY Mellon Asset Management Japan II	Investment advisory	71
	Fidelity Investments	Investment advisory	70
	Principal Global Investors (Japan)	Investment advisory	70
	Legg Mason Asset Management (Japan)	Investment advisory	69
International stock passive investment	State Street Global Advisors	Investment advisory	1,172
	Northern Trust Global Investments	Investment advisory	1,107
	Barclays Global Investors	Investment advisory	1,094
	Black Rock Japan	Investment advisory	1,100
	Mizuho Trust & Banking	Investment advisory	1,086
	Morgan Stanley Asset & Investment Trust Management	Investment advisory	1,094
	Resona Bank	Investment advisory	1,094
Short-term assets	In-house investment	In-house investment	161
Subtotal		-	92,537
FILP bonds	In-house investment	In-house investment	25,089
Total	-	-	117,626

(Reprint)

(Unit: ¥billion)

Investment method	External asset manager	Contract classification	Market value
Domestic bond lending investment	Trust & Custody Services Bank	Trust (in-house investment I)	3,400
	Trust & Custody Services Bank	Trust (in-house investment II)	1,500

Custodial bank	Trust & Custody Services Bank	Trust	71,059
	The Master Trust Bank of Japan	Trust	9,076
	Japan Trustee Services Bank	Trust	15,129
	State Street Trust and Banking	Trust	10,013

Notes: Regarding data in the investment method columns:

- Figures in the market value column do not include accrued dividend income from closed funds.
- Figure in the market value column for FILP bonds includes accrued earnings in the book value obtained using the amortized cost method.
- Figures in the market value column for bond lending investment are the principal (face value) of bond lending investment.
- The market value figure for the Trust & Custody Services Bank contains the domestic bond passive fund for in-house investment, short-term asset fund, and FILP bond fund (amount including accrued earnings in the book value obtained using the amortized cost method).
- Other than funds listed above, eleven contacts with eight companies for domestic stock investment are kept in order to continue lawsuits against SEIBU Railway Co., Ltd and Livedoor co, Ltd.

3. Number of External Mangers by Asset and Passive/Active Style

Fiscal year		2004			2005			2006			2007			2008		
		Terminations ,	New funds	End of FY	Terminations ,	New funds	End of FY	Terminations ,	Newfunds	End of FY	Terminations ,	New funds	End of FY	Terminations ,	New funds	End of FY
Domestic bonds	Passive	0	0	7	-1	0	6	0	0	6	-1	3	8	0	0	8
	Active	-4	5	14	-3	0	11	0	0	11	0	0	11	0	0	11
Domestic stocks	Passive	0	0	8	-1	0	7	0	0	7	0	0	7	0	0	7
	Active	-2	0	17	-2	0	15	0	0	15	0	0	15	-4	10	21
International Bonds	Passive	0	0	4	0	0	4	0	0	4	-1	1	4	0	0	4
	Active	0	0	7	0	0	7	0	0	7	-2	2	7	0	0	7
International stocks	Passive	0	0	7	0	0	7	0	0	7	-1	1	7	0	0	7
	Active	0	2	15	0	0	15	-2	0	13	-1	0	12	-8	11	15
Total		-6	7	79	-7	0	72	-2	0	70	-6	7	71	-12	21	80
Custodial bank		0	0	4	0	0	4	0	0	4	0	0	4	0	0	4

Note 1: One fund termination in each of domestic bond passive investment and one fund termination in domestic stock passive investment in fiscal 2005 is a result of fund integration due to the merger of asset managers.

Note 2: One fund termination and one fund addition in each of domestic bond passive investment, international bond passive investment and international stock passive investment in fiscal 2007 are results of fund transfer due to the transfer of business.

4. Investment Performance by Manager

(1) Last three fiscal years (April 2006 to March 2009)

Domestic bond active investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
MDAM Asset Management	2.62%	2.61%	0.01%	0.15%	0.04
The Sumitomo Trust & Banking	2.04%	2.14%	-0.10%	0.21%	-0.47
DIAM	2.20%	2.29%	-0.09%	0.14%	-0.66
Chuo Mitsui Asset Trust and Banking	1.65%	2.14%	-0.49%	0.32%	-1.54
Tokio Marine Asset Management	2.14%	2.29%	-0.15%	0.24%	-0.62
Nikko Asset Management	1.28%	2.28%	-1.00%	0.65%	-1.53
Nomura Asset Management	2.22%	2.25%	-0.03%	0.30%	-0.09
Mizuho Trust & Banking	2.12%	2.29%	-0.17%	0.21%	-0.83
Sumitomo Mitsui Asset Management	0.98%	2.28%	-1.29%	0.74%	-1.75
Mitsubishi UFJ Trust and Banking	1.90%	1.87%	0.04%	0.19%	0.20
Resona Bank	1.73%	2.29%	-0.57%	0.39%	-1.44

Domestic bond passive investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
In-house investment I	2.35%	2.29%	0.06%	0.06%
The Sumitomo Trust & Banking I	2.26%	2.25%	0.01%	0.06%
Chuo Mitsui Asset Trust and Banking I	2.16%	2.14%	0.02%	0.06%
Barclays Global Investors	2.42%	2.43%	-0.01%	0.06%
Mizuho Trust & Banking	2.34%	2.29%	0.05%	0.07%
Mitsubishi UFJ Trust and Banking	1.92%	1.87%	0.06%	0.07%
Resona Bank	2.30%	2.29%	0.01%	0.07%

Domestic stock active investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
JPMorgan Asset Management I	-27.81%	-25.05%	-2.75%	4.29%	-0.64
JPMorgan Asset Management II	-18.71%	-19.38%	0.67%	2.91%	0.23
The Sumitomo Trust & Banking I	-18.81%	-16.92%	-1.89%	2.68%	-0.71
DIAM	-25.55%	-23.05%	-2.50%	2.08%	-1.21
Daiwa SB Investments	-20.02%	-19.38%	-0.65%	1.80%	-0.36
Chuo Mitsui Asset Trust and Banking	-25.18%	-23.10%	-2.08%	3.08%	-0.68
Tokio Marine Asset Management	-27.01%	-24.90%	-2.11%	4.36%	-0.48
Nomura Asset Management I	-23.07%	-22.02%	-1.05%	3.45%	-0.31
Barclays Global Investors	-24.17%	-22.02%	-2.15%	1.62%	-1.33
Fidelity Investments Japan	-22.86%	-19.86%	-3.00%	10.46%	-0.29
Morgan Stanley Asset & Investment Trust Management	-18.61%	-21.68%	3.06%	5.13%	0.60

Domestic stock passive investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
The Sumitomo Trust & Banking	-21.49%	-21.62%	0.13%	0.31%
DIAM	-21.47%	-21.62%	0.15%	0.13%
Chuo Mitsui Asset Trust and Banking	-23.06%	-22.99%	-0.07%	0.18%
Barclays Global Investors	-21.92%	-21.96%	0.03%	0.16%
Mizuho Trust & Banking	-21.97%	-21.96%	-0.01%	0.28%
Mitsubishi UFJ Trust and Banking	-21.30%	-21.37%	0.07%	0.15%
Resona Bank	-22.95%	-22.99%	0.04%	0.15%

International bond passive investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
State Street Global Advisors	0.87%	0.95%	-0.08%	0.27%
The Sumitomo Trust & Banking	1.08%	1.14%	-0.07%	0.26%
Northern Trust Global Investments	0.52%	0.60%	-0.08%	0.22%
Barclays Global Investors	1.11%	1.15%	-0.05%	0.26%

International stock active investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
MFS Investment Management	-13.77%	-17.84%	4.08%	3.88%	1.05
Societe Generale Asset Management	-17.84%	-17.99%	0.15%	1.22%	0.12
Barclays Global Investors	-19.11%	-17.84%	-1.27%	1.57%	-0.81

International stock passive investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
State Street Global Advisors	-17.28%	-17.26%	-0.02%	0.05%
Northern Trust Global Investments	-17.74%	-17.83%	0.10%	0.23%
Barclays Global Investors	-15.90%	-15.79%	-0.12%	0.15%
Black Rock Japan	-17.67%	-17.74%	0.07%	0.29%
Mizuho Trust & Banking	-17.66%	-17.53%	-0.13%	0.12%
Morgan Stanley Asset & Investment Trust Management	-17.86%	-17.78%	-0.08%	0.11%
Resona Bank	-17.87%	-17.85%	-0.02%	0.16%

(2) Last five fiscal years (April 2004 to March 2009)

Domestic bond active investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
MDAM Asset Management	1.76%	1.70%	0.06%	0.14%	0.46
The Sumitomo Trust & Banking	1.35%	1.42%	-0.07%	0.21%	-0.34
Nikko Asset Management	1.08%	1.50%	-0.42%	0.56%	-0.75
Nomura Asset Management	1.51%	1.48%	0.03%	0.26%	0.12
Sumitomo Mitsui Asset Management	0.77%	1.50%	-0.74%	0.62%	-1.20
Mitsubishi UFJ Trust and Banking	1.34%	1.26%	0.09%	0.16%	0.53

Domestic bond passive investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
In-house investment I	1.55%	1.50%	0.05%	0.05%
The Sumitomo Trust & Banking I	1.38%	1.38%	0.00%	0.05%
Chuo Mitsui Asset Trust and Banking I	1.32%	1.31%	0.01%	0.05%
Barclays Global Investors	1.47%	1.48%	-0.01%	0.05%
Mizuho Trust & Banking	1.43%	1.40%	0.02%	0.06%
Mitsubishi UFJ Trust and Banking	1.14%	1.11%	0.03%	0.06%
Resona Bank	1.41%	1.40%	0.00%	0.05%

Domestic stock active investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
JPMorgan Asset Management I	-10.04%	-9.47%	-0.57%	4.09%	-0.14
JPMorgan Asset Management II	-4.02%	-4.63%	0.60%	2.57%	0.24
The Sumitomo Trust & Banking I	-2.69%	-2.40%	-0.29%	2.46%	-0.12
DIAM	-8.75%	-7.73%	-1.02%	2.06%	-0.49
Daiwa SB Investments	-4.46%	-4.32%	-0.14%	1.71%	-0.08
Chuo Mitsui Asset Trust and Banking	-8.09%	-7.37%	-0.72%	3.24%	-0.22
Tokio Marine Asset Management	-9.37%	-9.24%	-0.13%	4.22%	-0.03
Nomura Asset Management I	-6.65%	-6.59%	-0.06%	3.34%	-0.02
Barclays Global Investors	-7.41%	-6.99%	-0.41%	1.68%	-0.25
Fidelity Investments Japan	-5.49%	-5.13%	-0.36%	8.95%	-0.04
Morgan Stanley Asset & Investment Trust Management	-4.49%	-6.43%	1.94%	5.16%	0.38

Domestic stock passive investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
The Sumitomo Trust & Banking	-6.85%	-7.02%	0.17%	0.28%
DIAM	-7.03%	-7.28%	0.25%	0.19%
Chuo Mitsui Asset Trust and Banking	-9.91%	-9.90%	-0.01%	0.17%
Barclays Global Investors	-7.80%	-7.89%	0.10%	0.18%
Mizuho Trust & Banking	-9.11%	-9.18%	0.07%	0.27%
Mitsubishi UFJ Trust and Banking	-4.83%	-5.00%	0.16%	0.17%
Resona Bank	-7.98%	-8.12%	0.14%	0.21%

International bond passive investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
State Street Global Advisors	4.20%	4.29%	-0.09%	0.23%
The Sumitomo Trust & Banking	4.35%	4.41%	-0.06%	0.23%
Northern Trust Global Investments	4.04%	4.07%	-0.04%	0.19%
Barclays Global Investors	4.39%	4.42%	-0.02%	0.22%

International stock active investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
Societe Generale Asset Management	-3.32%	-3.48%	0.16%	1.10%	0.14
Barclays Global Investors	-3.90%	-3.38%	-0.52%	1.37%	-0.38

International stock passive investment

External asset manager	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
State Street Global Advisors	-3.44%	-3.38%	-0.06%	0.05%
Northern Trust Global Investments	-3.77%	-3.78%	0.01%	0.18%
Barclays Global Investors	-2.48%	-2.35%	-0.13%	0.12%
Black Rock Japan	-3.74%	-3.71%	-0.03%	0.25%
Mizuho Trust & Banking	-3.70%	-3.56%	-0.14%	0.10%
Morgan Stanley Asset & Investment Trust Management	-3.85%	-3.74%	-0.11%	0.09%
Resona Bank	-3.84%	-3.79%	-0.06%	0.13%

Note 1: Asset managers are listed in order of the Japanese syllabary.

Note 2: A name of an asset manager with more than one contract in an investment method is listed with Roman numeral.

Note 3: In calculating time-weighted return and benchmark return, the effect of the trade suspended period for asset transfer is excluded.

Note 4: Excess returns and Information ratios are rounded off to the nearest hundredth, so they do not necessarily match the value calculated with figures in the table.

**Government Pension Investment Fund
Review of Operations in Fiscal 2008**

This document has been prepared and released to the public in accordance with Article 26 of the Government Pension Investment Fund Law.

Inquiries

**Planning Division, Planning Department
Government Pension Investment Fund**

Nittochi Building, 1-4-1 Kasumigaseki, Chiyoda-ku, Tokyo,
Japan 100-8985

Tel: +81-3-3502-2486(direct dial)

Website: <http://www.gpif.go.jp/eng/index.html>