

Review of Operations in Fiscal 2013

Government Pension Investment Fund, Japan

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Message from President



The mandate of the Government Pension Investment Fund (GPIF) is to contribute to the stability of the schemes 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 the profit to the Pension Special Account.

In fiscal 2013, we secured a strong investment return, driven by rises in stock prices and favorable currency movement.

During fiscal 2013, we examined our policy asset mix based on recent market data. Upon the approval of the Minister of Health, Labour and Welfare, our policy asset mix was revised on June 2013.

In November 2013, the Panel for Sophisticating the Management of Public/Quasi-public Funds, a government panel of experts under the Minister in charge of Economic Revitalization, released its report. Based on proposals in the report, we will make our efforts to safely and efficiently manage the public pension assets, following the fundamental investment principle of diversification and implementing system development and proper risk management. These activities will be consistent with the purpose of managing public pension assets, which is to provide benefits solely to members under the pension program from a long-term perspective.

We shall strive to gain the public trust by becoming an organization that steadfastly achieves its mission through contributing to the fiscal stability of the nation's public pension schemes, thereby better securing people's life. All of us at the GPIF are determined to make every effort to see that this goal is met. In this endeavor, I respectfully ask for your understanding and support.

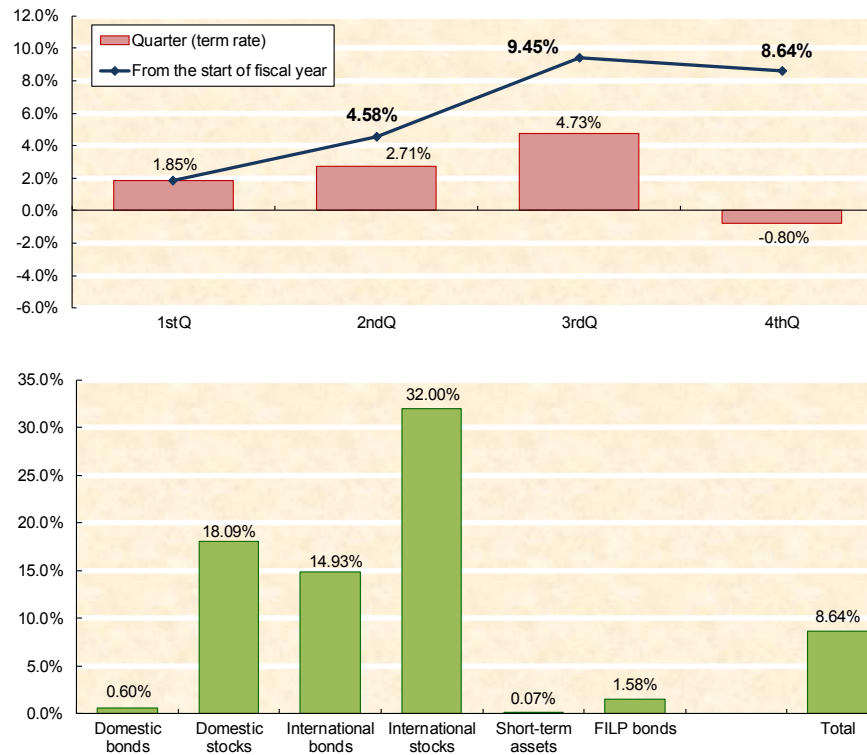
Takahiro Mitani
President
Government Pension Investment Fund, Japan

Chapter 1: Investment Results

1. Investment Results in Fiscal 2013

(1) Investment returns

The total return for fiscal 2013 was **8.64%**.



Note 1: Fiscal 2013 is the year ended March 31, 2014.

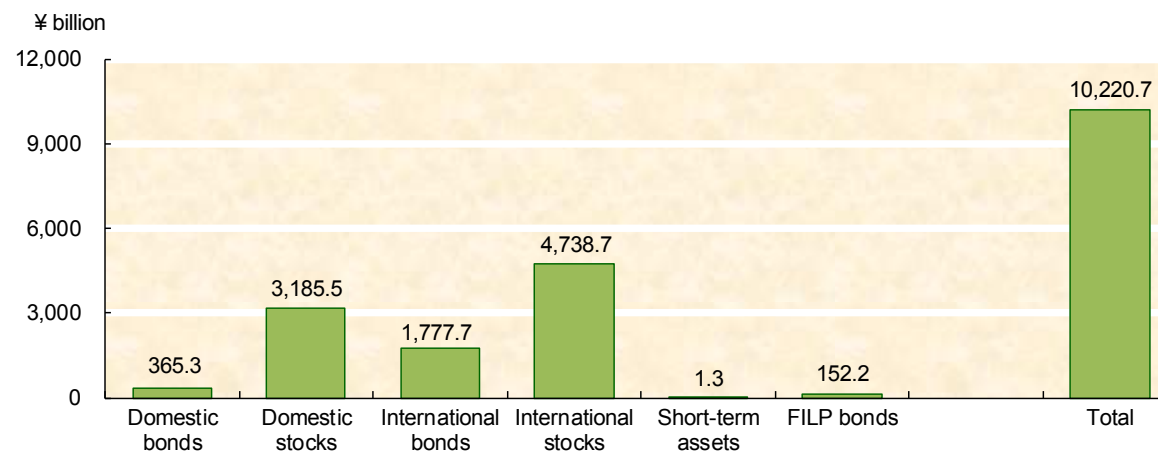
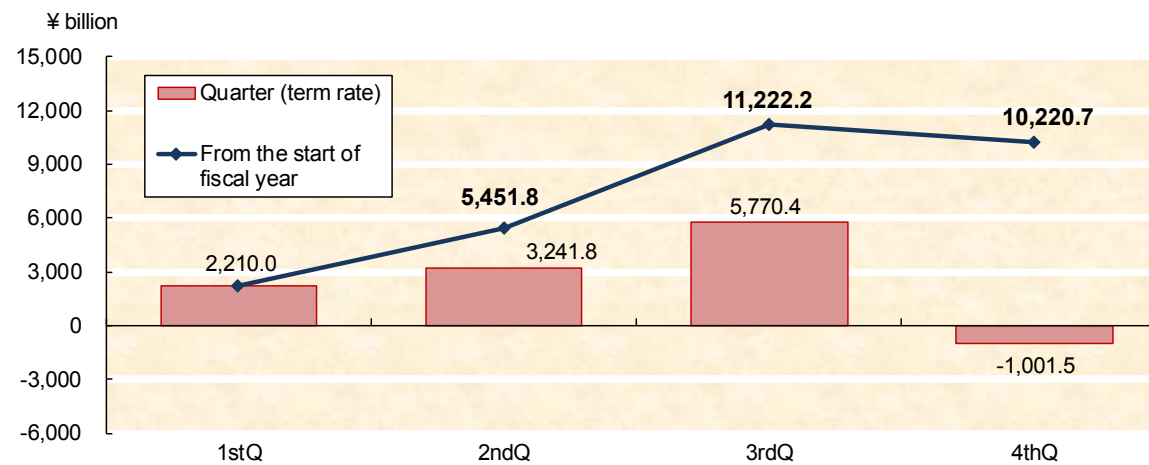
Note 2: The GPIF's portfolio consists of the funds invested in the markets (hereinafter "market investment," which is marked to market) and FILP bonds (See Note 4), which are held to maturity and valued at amortized costs.

Note 3: In this Review, return figures are the average of returns of market investment and FILP bonds weighted with investment principal, and are gross of fees. The rate of return on each asset class other than FILP bonds is time-weighted.

Note 4: The FILP bonds are government bonds issued to finance Fiscal Investment and Loan Program (FILP).

(2) Investment income

The investment income for fiscal 2013 was **¥10,220.7 billion**.



Note: Investment incomes are gross of fees.

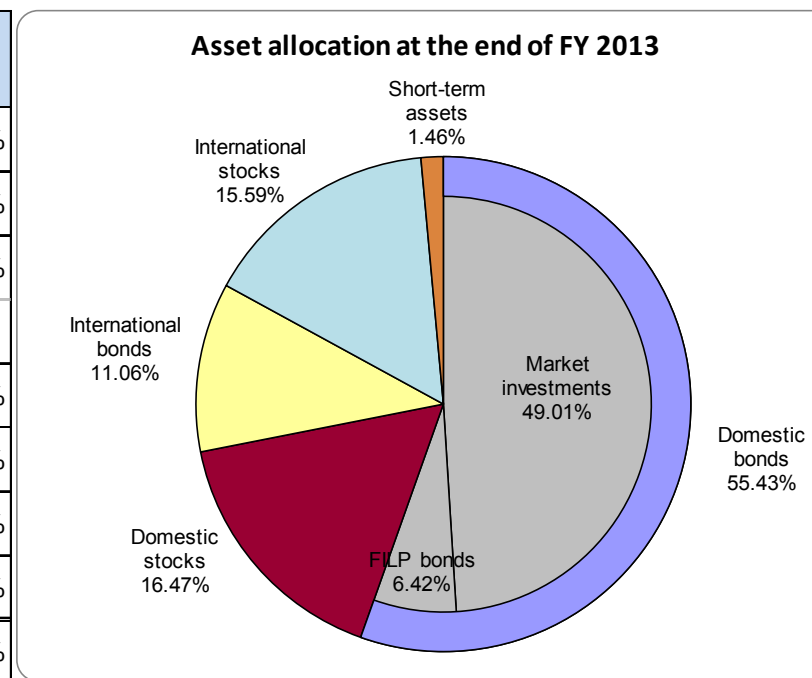
(3) Asset allocation

The value of the investment assets was **¥126,577.1 billion** as of the end of fiscal 2013. The asset allocation was as follows:

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

End of FY 2013

		Market value (¥ billion)	Allocation	(Reference) Allocation of Reserve Funds
Domestic bonds		70,159.6	55.43%	53.43%
Market investments		62,036.4	49.01%	47.25%
FILP bonds	Book value	8,123.2	6.42%	6.19%
	(Market value)	(8,399.3)	-	-
Domestic stocks		20,846.6	16.47%	15.88%
International bonds		13,996.1	11.06%	10.66%
International stocks		19,732.6	15.59%	15.03%
Short-term assets		1,842.2	1.46%	5.00%
Total		126,577.1	100.00%	100.00%



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

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

Note 3: FILP bonds are the government bonds issued to finance Fiscal Investment and Loan Program (FILP). The GPIF's portfolio consists of market investments, which are marked to market, and FILP bonds, which are held to maturity and valued at amortized costs.

Note 4: The allocation figures in the reference column are derived by fixing the allocation for short term assets at 5% as in the policy asset mix (See page 27) for the convenience of comparison.

(4) Repayments of entrusted funds and servicing of borrowings

In fiscal 2013, the repayment of entrusted funds to the Pension Special Account and other payments (“cash outflows” hereinafter) was fulfilled by maturity redemption and coupon revenue of FLIP bonds and domestic bonds (market investments).

	April		May		June		July		August		September	
	Allocated	Withdrawn	Allocated	Withdrawn	Allocated	Withdrawn	Allocated	Withdrawn	Allocated	Withdrawn	Allocated	Withdrawn
Domestic bonds	0.0	75.2	0.0	92.1	0.0	936.0	0.0	45.5	0.0	297.5	0.0	975.3
Market investments	0.0	75.2	0.0	92.1	0.0	293.3	0.0	45.5	0.0	297.5	0.0	336.1
Fund for cash outflow	0.0	75.2	0.0	92.1	0.0	293.3	0.0	45.5	0.0	297.5	0.0	336.1
FILP bonds	—	0.0	—	0.0	—	642.7	—	0.0	—	0.0	—	639.2
Domestic stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
International bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
International stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	75.2	0.0	92.1	0.0	936.0	0.0	45.5	0.0	297.5	0.0	975.3

Cash outflows	1,150.0	0.0	503.0	0.0	330.0	0.0
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(¥billion)

	October		November		December		January		February		March		Total	
	Allocated	Withdrawn	Allocated	Withdrawn	Allocated	Withdrawn	Allocated	Withdrawn	Allocated	Withdrawn	Allocated	Withdrawn	Allocated	Withdrawn
Domestic bonds	0.0	54.4	0.0	40.1	0.0	960.4	0.0	51.6	0.0	95.6	0.0	1,192.8	0.0	4,816.5
Market investments	0.0	54.4	0.0	40.1	0.0	322.8	0.0	51.6	0.0	95.6	0.0	407.6	0.0	2,111.8
Fund for cash outflow	0.0	54.4	0.0	40.1	0.0	322.8	0.0	51.6	0.0	95.6	0.0	407.6	0.0	2,111.8
FILP bonds	—	0.0	—	0.0	—	637.5	—	0.0	—	0.0	—	785.2	—	2,704.7
Domestic stocks	91.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	250.4	0.0	341.8	0.0
International bonds	57.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	167.1	0.0	224.6	0.0
International stocks	76.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	232.5	0.0	308.8	0.0
Total	225.2	54.4	0.0	40.1	0.0	960.4	0.0	51.6	0.0	95.6	650.0	1,192.8	875.2	4,816.5

Cash outflows	-225.2	0.0	1,328.0	0.0	998.4	0.0	4,084.2
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Note 1: “Withdrawn” figures for fund for cash outflow include redemptions and coupon revenue.

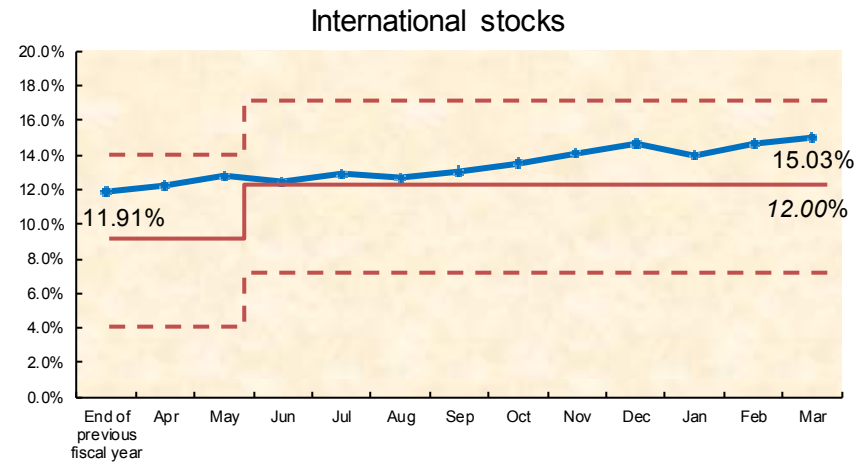
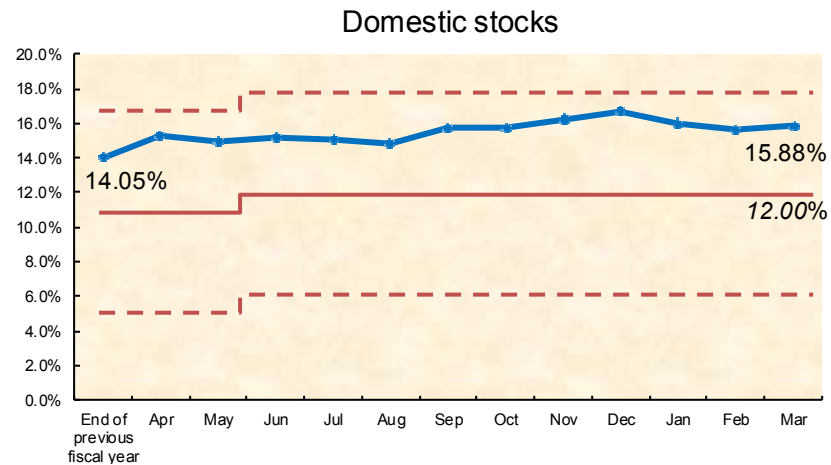
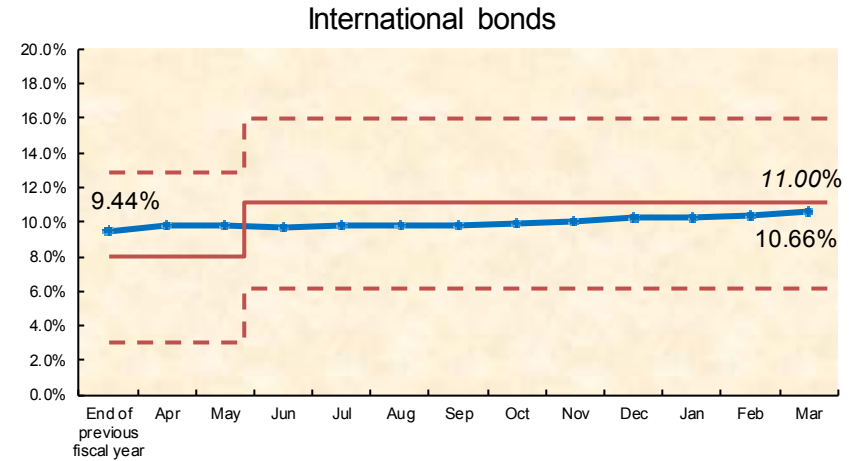
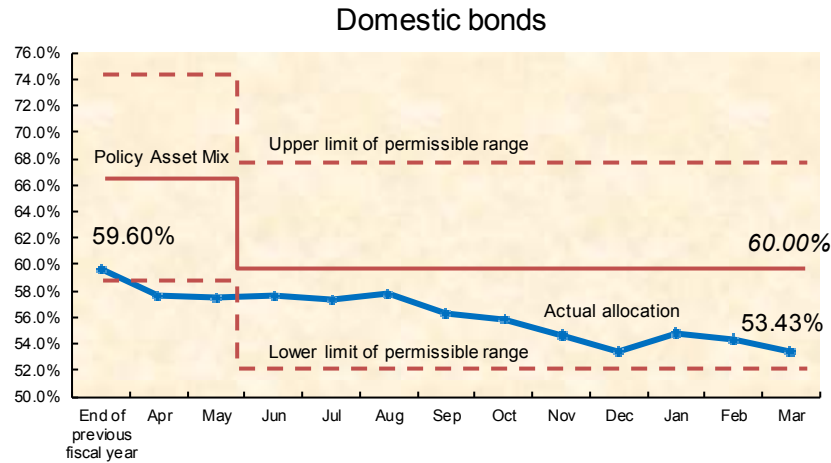
Note 2: “Withdrawn” figures for FILP bonds are the sum of redemptions and coupon revenue.

Note 3: “Cash outflows” are the sum of repayments of entrusted funds and contributions to the Pension Special Account, net of newly entrusted funds.

Note 4: The figures above are rounded, so the sums do not necessarily match the total number.

2. Portfolio Management

Asset allocations were managed on the basis of the policy asset mix. The domestic bond allocation at the end of April and May 2013, was outside the permissible range. After revising the policy asset mix on June 2013, the domestic bond allocation remained within the permissible range. Other asset classes stayed within the permissible ranges throughout fiscal 2013.



Note1: Short-term assets were assumed to be 5% of total assets in calculating the actual asset allocation.

Note2: The permissible range of deviations from the policy asset mix is $\pm 8\%$ for domestic bonds, $\pm 6\%$ for domestic stocks, $\pm 5\%$ for international bonds and $\pm 5\%$ for international stocks.

3. Comparison to the Assumed Investment Return in Actuarial Valuation

The average real investment return* is 2.52% for thirteen years since the discretionary investment started in 2001, and is 2.78% for eight years since we were established as the independent administrative agency in 2006. These returns are higher than the real investment return assumed in the actuarial valuation on an average and long-term** basis.

* The real investment return is nominal investment return less wage inflation since public pension benefits are indexed to the wage until retirement and to the CPI afterwards.

** The long-term real investment return to be applied from fiscal 2020 is 1.6% in the 2009 actuarial valuation.

GPIF's investment performance

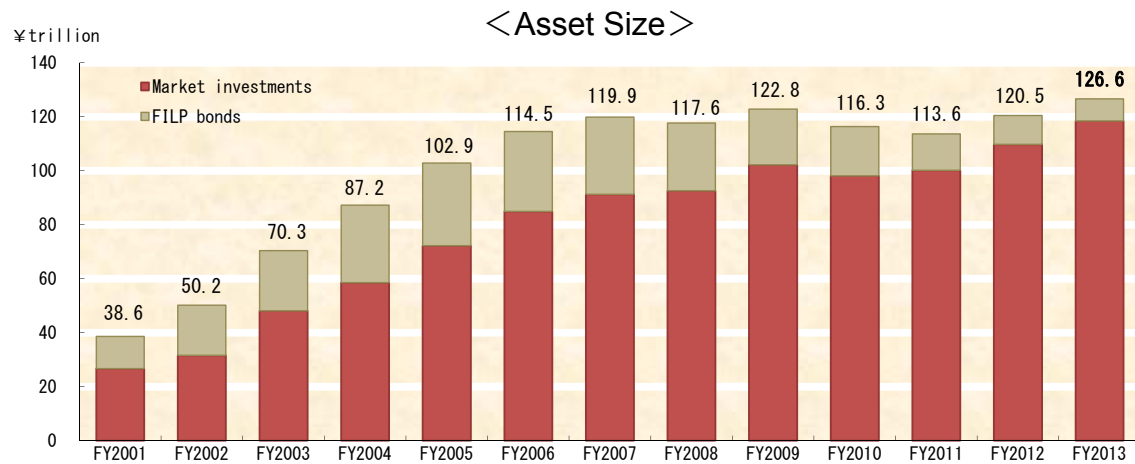
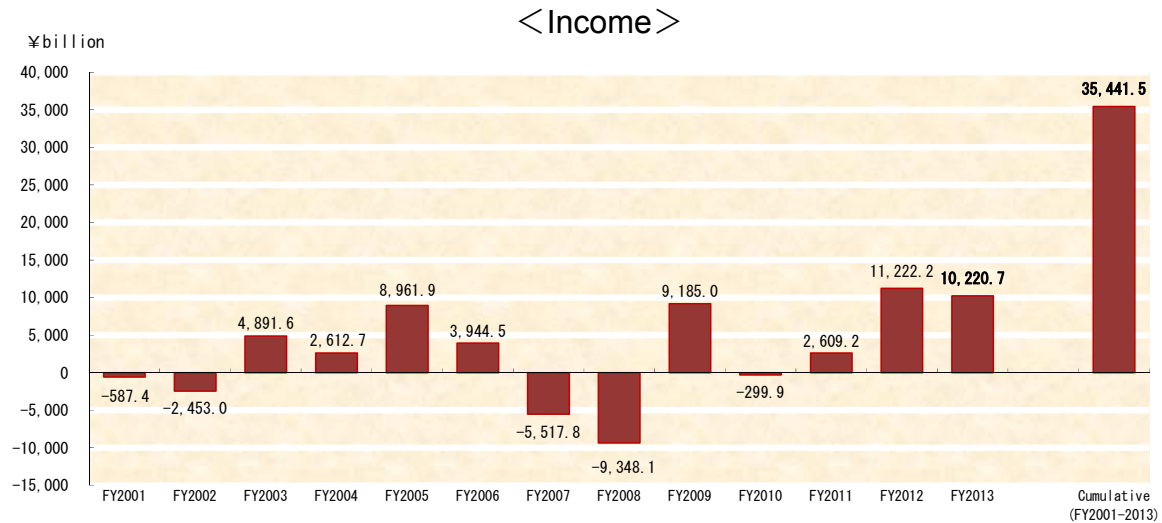
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Last eight-years (Annualized)	Last thirteen-years (Annualized)
Performance	Nominal investment return (After deducting interest on debts, investment management fees, etc.)	-4.01	-6.69	7.61	2.91	9.57	3.52	-4.69	-7.61	7.88	-0.27	2.29	10.21	8.62	2.31	2.07
	Nominal rate of increase in wages	-0.27	-1.15	-0.27	-0.20	-0.17	0.01	-0.07	-0.26	-4.06	0.68	-0.21	0.21	0.13	-0.46	-0.44
	Real investment return	-3.75	-5.61	7.90	3.11	9.76	3.51	-4.63	-7.37	12.44	-0.95	2.51	9.98	8.48	2.78	2.52

Yields used in actuarial valuation

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Last eight-years (Annualized)	Last thirteen-years (Annualized)
Yields used in actuarial valuation	Nominal investment return	4.00	4.00	0.80	0.90	1.60	2.30	2.60	3.00	1.47	1.78	1.92	2.03	2.23	2.17	2.20
	Nominal rate of increase in wages	2.50	2.50	0.00	0.60	1.30	2.00	2.30	2.70	0.05	3.41	2.66	2.81	2.60	2.31	1.95
	Real investment return	1.46	1.46	0.80	0.30	0.30	0.29	0.29	0.29	1.42	-1.58	-0.72	-0.76	-0.36	-0.14	0.24

4. Income and Asset Size Since the Start of Discretionary Investment (Fiscal 2001)

Cumulative income from fiscal 2001, when we began discretionary investment, to fiscal 2013 is **¥35,441.5 billion** and the value of investment assets at the end of fiscal 2013 was **¥126.6 trillion**.



5. Return by Asset Class for the Last Eight- and Four-Years

From fiscal 2006, when we were established as the independent administrative agency, to fiscal 2013, the excess returns of domestic bonds, domestic stocks and international stocks were generally in line with their benchmarks, while international bonds outperformed the benchmark by 0.10%.

From fiscal 2010 to fiscal 2013, during the period of the 2nd Medium-term Plan effective from April 2010, excess returns of domestic stocks and international bonds were -0.15% and +0.11%, respectively, while other asset classes met their benchmarks overall.

Domestic bonds

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013	Last eight-years (Annualized)	Last four-years (Annualized)
Time-weighted return	2.18%	3.31%	1.35%	1.98%	1.95%	2.92%	3.68%	0.60%	2.24%	2.28%
Benchmark return	2.17%	3.36%	1.36%	2.03%	1.81%	2.94%	3.63%	0.56%	2.23%	2.23%
Excess return	+0.01%	-0.05%	-0.01%	-0.05%	+0.14%	-0.02%	+0.04%	+0.04%	+0.01%	+0.05%

Domestic stocks

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013	Last eight-years (Annualized)	Last four-years (Annualized)
Time-weighted return	0.47%	-27.97%	-35.55%	29.40%	-9.04%	0.57%	23.40%	18.09%	-2.68%	7.45%
Benchmark return	0.29%	-28.05%	-34.78%	28.47%	-9.23%	0.59%	23.82%	18.56%	-2.59%	7.60%
Excess return	+0.18%	+0.08%	-0.77%	+0.93%	+0.19%	-0.02%	-0.42%	-0.47%	-0.09%	-0.15%

International bonds

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013	Last eight-years (Annualized)	Last four-years (Annualized)
Time-weighted return	10.19%	-0.32%	-6.75%	1.32%	-7.06%	4.77%	18.30%	14.93%	4.05%	7.27%
Benchmark return	10.24%	-0.44%	-6.56%	0.82%	-7.38%	4.96%	17.86%	15.09%	3.95%	7.16%
Excess return	-0.04%	+0.12%	-0.19%	+0.50%	+0.32%	-0.18%	+0.44%	-0.17%	+0.10%	+0.11%

International stocks

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013	Last eight-years (Annualized)	Last four-years (Annualized)
Time-weighted return	17.50%	-17.10%	-43.21%	46.11%	2.18%	0.49%	28.91%	32.00%	4.41%	14.97%
Benchmark return	17.67%	-16.92%	-43.42%	46.52%	2.27%	0.34%	28.78%	32.09%	4.43%	14.94%
Excess return	-0.17%	-0.19%	+0.21%	-0.41%	-0.08%	+0.14%	+0.13%	-0.10%	-0.02%	+0.02%

Short-term assets

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013	Last eight-years (Annualized)	Last four-years (Annualized)
Time-weighted return	0.26%	0.57%	0.53%	0.16%	0.10%	0.10%	0.10%	0.07%	0.24%	0.09%
Benchmark return	0.19%	0.50%	0.39%	0.10%	0.09%	0.08%	0.07%	0.04%	0.18%	0.07%
Excess return	+0.06%	+0.07%	+0.14%	+0.06%	+0.01%	+0.01%	+0.02%	+0.03%	+0.05%	+0.02%

Chapter 2: Activities in Fiscal 2013

1. Reviewing the Policy Asset Mix

(1) Background

In October 2012, the Board of Audit of Japan pointed out in its report that GPIF should consider regularly reviewing, during the Medium-term Plan period, whether its provisional policy asset mix ensured safe, efficient, and reliable investments.

In response to this report, the Ministry of Health, Labour and Welfare requested that GPIF should regularly review its policy asset mix and modify it if necessary. Subsequently, at the beginning of fiscal 2013, we started reviewing the policy asset mix, and modified it, which is effective from June 7, 2013.

(2) Review of the Policy Asset Mix

(i) Review of expected returns, risks, and correlation coefficients

After examining expected returns of each asset class by including the most recent data, we maintained the same expected returns as those used to formulate the 2nd Medium-Term Plan.

Meanwhile, we decided to change expected risks and correlation coefficients for each asset class as we observed a moderate reduction in overall risks by including the most recent data.

(ii) Review of the previous policy asset mix

In estimating optimal asset allocation, efficient frontier with new risks and correlation coefficients, we identified a number of possible portfolios that can generate higher returns than the then policy asset mix, while risk levels of such portfolios remain equivalent to that of domestic bonds.

Through a simulation of forecasted losses incurred by the then policy asset mix and potential portfolio candidates in the next 25 years, we concluded that we need to modify the policy asset mix as follows:

〈Before〉

	Domestic bonds	Domestic stocks	International bonds	International stocks	Short-term assets
Policy asset mix	67%	11%	8%	9%	5%

〈After〉

	Domestic bonds	Domestic stocks	International bonds	International stocks	Short-term assets
Policy asset mix	60%	12%	11%	12%	5%

2. Reviewing External Asset Manager Structure

As shown below, we reviewed our structure of external asset managers (“the manager structure” hereinafter) for passive and active investment in domestic stocks and active investment in international stocks.

Selection process was based on comprehensive evaluation including investment policies, investment processes, organizations and human resources, compliance, administrative processing systems, investment management fees. Consulting firms were also utilized as outside experts. The Investment Committee was involved in this process. (See page 16 for the investment manager selection process.)

(1) Passive and Active Investment in Domestic Stocks

We decided to comprehensively reconstruct the manager structure for both passive and active investment in the domestic stocks. We selected external asset managers during fiscal 2013 through a public offering including the first, second, and third round of screening. We selected 14 new funds and terminated 15 existing funds in active investment, while we selected 10 new funds and terminated one existing fund in passive investment.

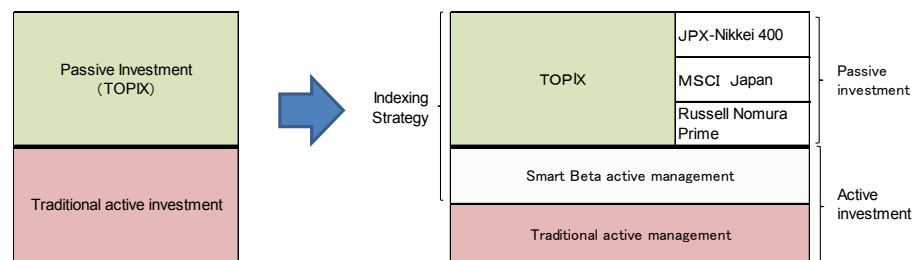
In the manager structure review, we decided to implement a wide range of indices, based on the research titled “Effective Implementation of Non-Capitalization Weighted Index / Benchmark” conducted by MSCI Inc. and Mizuho-DL Financial Technology Co., Ltd. For passive investment, we adopted three new indices, including JPX-Nikkei 400, which complement TOPIX, our traditional benchmark. For active investment, we established a new category, “Smart Beta active management,” which is an investment approach to effectively capture mid to long term excess returns by using an indexing strategy.

We adopted new indices, which cover Japanese listed real estate investment trusts (“J-REIT” hereinafter), and have started to invest in J-REIT through both active and passive approaches.

For traditional active management, we selected various managers with a wide range of investment strategies. For example, some managers we chose fully communicate with management of invested companies and eventually aim to enhance value of stocks.

Furthermore, we have appointed several substitute managers, which are qualified to replace existing funds in the field of active investment in domestic stocks as well as international stocks. Performance-based fee structures are also introduced for some active managers.

[Reference] Revision of the manager structure for domestic stock investment



(2) Active investment in International Stocks

We reviewed the manager structure for active investment in international stocks during fiscal 2012 and selected external asset managers in fiscal 2013.

Through the review, we selected 9 new funds and terminated 7 existing funds after assessing managers with various investment approaches.

We appointed substitute managers for the first time for active investment in international stocks. These managers are qualified to replace existing funds in the case of fund cancellation. In addition, we introduced performance-based fee structures for some funds from the perspective of greater incentive for external asset managers.

Investment Manager Selection Process

First screening

Inspect documents submitted by new managers to see the requirements such as registration at relevant authorities, asset under management or track record



Second screening

- Hold in-person meetings with new and incumbent managers to hear investment policy, investment process, organization, human resources, legal compliance or reporting
- Evaluate items except the management fee



Third screening

- Visit the offices of new and incumbent managers to confirm the mutual understandings of investment philosophy and process among decision-makers
- Evaluate items including the management fee

Evaluation criteria

Investment policies

- Are its investment policies clearly defined and in accordance with GPIF policies?

Investment processes

- Has it developed investment processes consistent with its investment policies?
- Are its methods of seeking added value (for passive asset managers, methods of tracking benchmarks as much as possible while securing income through efforts such as minimization of total transaction costs; for active asset manager methods of seeking excess returns) reasonable, and can they be considered effective?
- Does it have objective recognition of investment risks? Does it conduct appropriate risk management such as ascertaining of deviation from assigned benchmarks?

Organization/HR

- Are its investment policies understood thoroughly in the organization? Are the flow of decision-making and the locations of responsibilities made clear?
- Does it have sufficient experienced managers and others assigned? Has it established risk management systems?

Compliance

- Is a system of internal controls in place for legal and regulatory compliance?

Administrative processing system

- Does it have adequate systems for reporting results of investment?

Efforts for exercise of voting rights (only for stocks)

- Does it recognize the importance of corporate governance and does it exercise voting rights and take other measures appropriately employing standards it has established for such exercise, based on the thought that the goal of exercising voting rights is maximization of long-term gains to shareholders?

Management fees

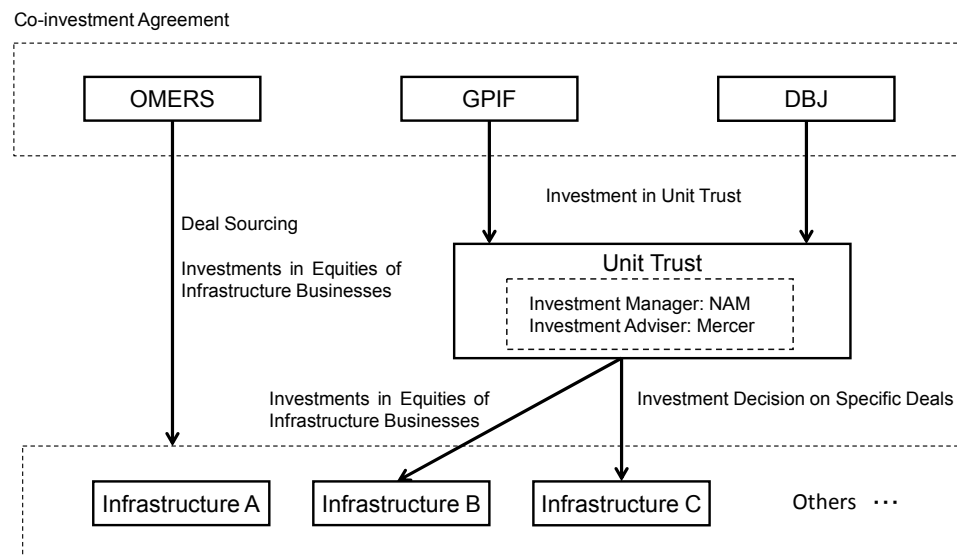
(Note) The selection process is to be carried out through deliberation by the Investment Committee.

3. Launching Infrastructure Investment Program under a Co-investment Agreement with DBJ and OMERS

GPIF conducted a study in fiscal 2012, “Research on Alternative Investment Scheme”, which suggests that; 1) alternative investments enable GPIF to capture liquidity premium and to benefit from diversification effect to its portfolio, 2) it is conceivable for GPIF to have the exposure through investing in a unit trust structured to invest in the assets, 3) it is worth considering for GPIF to liaise with experienced institutional investors at home and abroad in order to leverage their investment capabilities and to learn their expertise. The Investment Committee of GPIF had been discussing the necessity of the alternative investments.

With above background, GPIF entered into a co-investment agreement in fiscal 2013 with Development Bank of Japan, Inc (“DBJ”) and Ontario Municipal Employees Retirement System (“OMERS”) in order to jointly invest in infrastructure assets such as power generation, electricity transmission, gas pipeline and railways in developed countries. DBJ and OMERS have extensive infrastructure investment experience. GPIF and DBJ will have exposure to infrastructure assets through a unit trust. The unit trust will be managed by Nissay Asset Management Corporation (“NAM”) with Mercer Investments (“Mercer”) as an investment adviser to NAM. NAM will make an investment decision to participate in infrastructure opportunities proposed by OMERS.

As appropriate investment opportunities are identified, GPIF will invest in them along with other co-investors. Such investments will be made throughout approximately 5-year investment period, and the aggregate investment outstanding may reach up to 2.7 billion US dollar (280 billion Japanese yen). Overseas pension funds regard investment in infrastructure as suitable because its long-term stable revenue from usage fees and its return are less affected by public market volatility, and it is expected to contribute to the stability of pension finance in combination with fixed income and equity investments.



4. Rebalancing

GPIF manages the risk by monitoring the divergence between the policy asset mix and the actual asset composition. The portfolio is rebalanced in principle when the divergence breaches the permissible band from the policy asset mix. In addition, we periodically analyze and evaluate the need to execute rebalancing even when the divergence is within the permissible range of deviation. Also we evaluate the need of rebalancing in cases such as when the market has undergone substantial changes.

The following table shows the allocation changes of each asset class as a result of rebalancing, allocation and withdrawal during fiscal 2013:

(¥billion)

	Domestic bonds	Domestic stocks	International bonds	International stocks
Allocated · Withdrawn	-4,816.5	+104.8	+428.8	+124.3

Note: Each number shows the total of rebalancing, allocation and withdrawal amount, with the withdrawal amount being subtracted from the allocation amount.

5. Exercise of Voting Rights

The Medium Term Objectives by the Minister of Health, Labour and Welfare stipulate that the GPIF take appropriate measures such as exercising voting rights from the viewpoint of maximizing the long-term interest of shareholders, while paying due consideration not to exert influence on corporate management in the private sector.

In this regard, the GPIF in its Medium-term Plan says, “The GPIF itself does not exercise voting rights and instead entrusts the external asset managers with the exercise of voting rights so as not to give rise to a concern that the GPIF could have a direct influence over corporate management. The GPIF will also suggest to the external managers that they should recognize the importance of corporate governance and that the voting rights should be exercised to maximize the long-term interest of shareholders. The GPIF will ask each external asset manager to establish a detailed proxy voting policy (guideline) and to report the voting results to the GPIF.”

In line with the Plan, external managers submit the guideline for voting and annually report voting results to the GPIF. The GPIF holds meetings with the managers on the results, and in the annual evaluation process of each manager by the GPIF, the way a manager exercises voting rights is considered in the qualitative part of evaluation.

In fiscal 2013, we held meetings based on the reports on the votes cast from April to June 2013 and evaluated the external managers based on the reports and the meetings from the viewpoints of “establishing of a guideline for voting,” “organizational framework” and “actual implementation.” As a result, we confirmed that the voting rights were appropriately exercised.

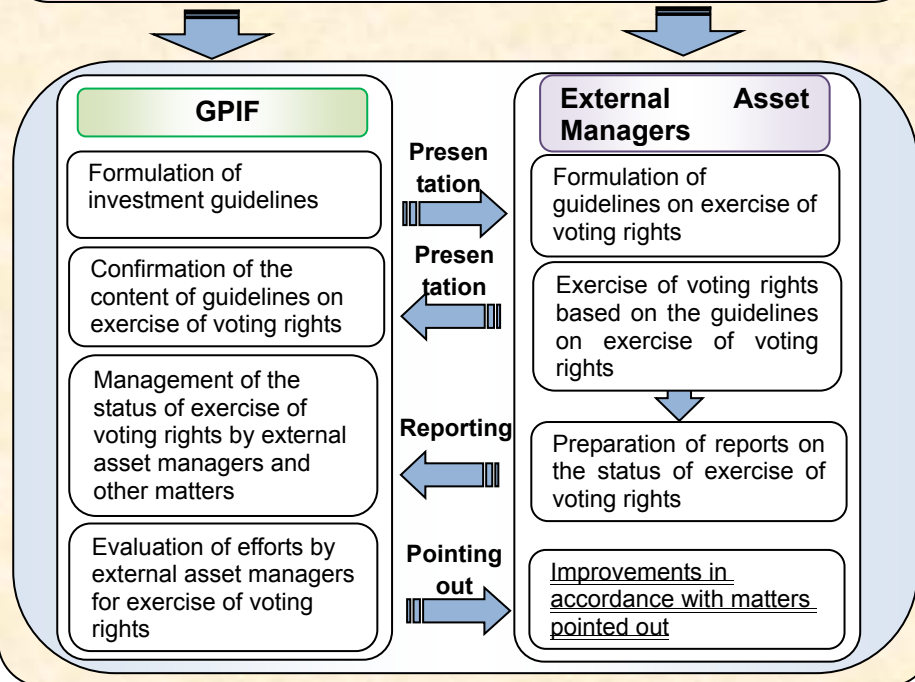
For the voting results for fiscal 2013, please see the tables below.

Exercise of Shareholder Voting Rights

◇ Management and Assessment of Efforts for Exercise of Voting Rights by External Asset Managers

○ The GPIF does not make judgments on individual resolutions in order to avoid influencing management of private-sector firms.

○ External asset managers formulate a guideline on exercise of voting rights and the GPIF manages and evaluates the state of their formulation and the state of exercise of voting rights, entrusting the specific exercise of voting rights to the external asset managers.
 Note: The external asset managers are provided with explicit instructions to exercise voting rights for the purpose of maximizing long-term returns to shareholders, recognizing the importance of corporate governance.



◇ Performance in Fiscal 2013

Management of Efforts for Exercise of Voting Rights

Presentation of guidelines on exercise of voting rights

Report on the status of exercise of voting rights (external asset managers for domestic and international stocks)

Holding meetings on exercise of voting rights

Assessment of Efforts for Exercise of Voting Rights (One Item of Qualitative Evaluation)

Status of preparation of guidelines on exercise of voting rights

Exercise systems

Exercise status

· Efforts for exercise of voting rights are generally good at each external asset manager.

(1) Domestic stocks (April 2013 to March 2014)

Number of external asset managers who exercised proxies
 Number of external asset managers who did not exercise proxies

24 funds
 none

Proposal	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 hostile TOB (Rights plan)		Other proposals	Total	
	Appointment of directors	Outside directors	Appointment of corporate auditors	Outside corporate auditors	Appointment of accounting auditors	Director remuneration	Director bonuses	Director retirement bonuses	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, acquisition, etc.		Warning type	Trust-type			
No. of voting rights exercised	119,554	18,458	16,807	11,354	133	753	2,083	2,090	1,254	11,324	108	587	5,729	1,483	6	207	162,118	
Management proposals	Total	119,376	18,421	16,807	11,354	126	734	2,083	2,084	1,254	11,265	93	587	4,547	1,483	6	154	160,599
		(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	106,679	14,355	13,736	8,541	125	701	2,021	1,271	1,002	10,870	92	580	4,351	602	2	153	142,185
	(89.4%)	(77.9%)	(81.7%)	(75.2%)	(99.2%)	(95.5%)	(97.0%)	(61.0%)	(79.9%)	(96.5%)	(98.9%)	(98.8%)	(95.7%)	(40.6%)	(33.3%)	(99.4%)	(88.5%)	
Opposed	12,697	4,066	3,071	2,813	1	33	62	813	252	395	1	7	196	881	4	1	18,414	
	(10.6%)	(22.1%)	(18.3%)	(24.8%)	(0.8%)	(4.5%)	(3.0%)	(39.0%)	(20.1%)	(3.5%)	(1.1%)	(1.2%)	(4.3%)	(59.4%)	(66.7%)	(0.6%)	(11.5%)	
Shareholder proposals	Total	178	37	0	0	7	19	0	6	0	59	15	0	1,182	0	0	53	1,519
		(100.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	2	2	0	0	0	0	0	0	0	3	0	0	41	0	0	0	46
	(1.1%)	(5.4%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(5.1%)	(0.0%)	(0.0%)	(3.5%)	(0.0%)	(0.0%)	(0.0%)	(3.0%)	
Opposed	176	35	0	0	7	19	0	6	0	56	15	0	1,141	0	0	53	1,473	
	(98.9%)	(94.6%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(94.9%)	(100.0%)	(0.0%)	(96.5%)	(0.0%)	(0.0%)	(100.0%)	(97.0%)	

(2) International stocks (April 2013 to March 2014)

Number of external asset managers who exercised proxies
 Number of external asset managers who did not exercise proxies

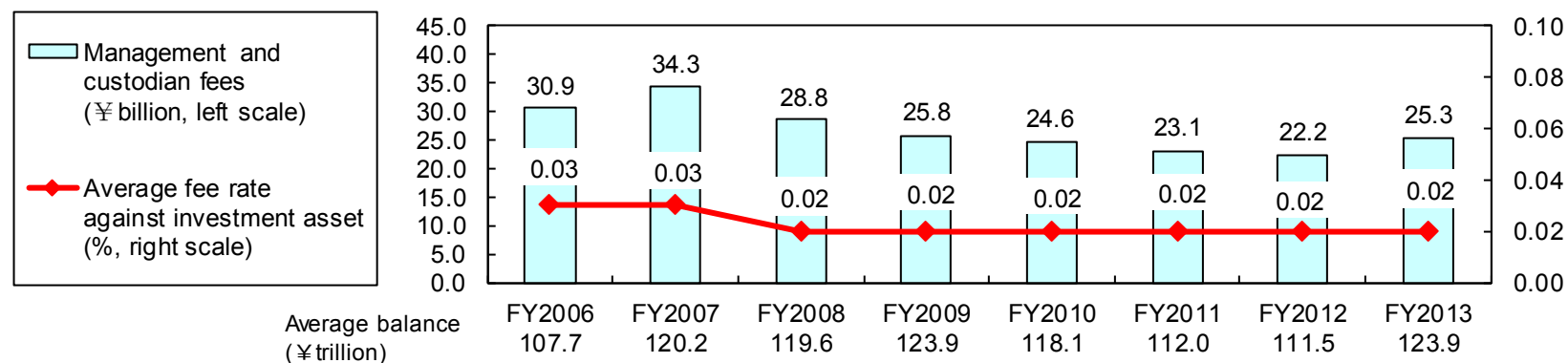
29 funds
 none

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	Rights plan of pre-warning type	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	78,940	3,221	8,916	13,426	489	265	4,582	5,483	3,799	7,170	3,619	368	6,762	24,334	161,374	
Management proposals	Total	78,392	3,160	8,901	12,996	473	221	4,319	5,444	3,790	7,151	3,327	347	6,761	20,301	155,583
		(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	73,937	2,970	8,802	11,947	443	150	3,770	5,408	3,509	6,534	3,103	263	6,714	18,304	145,854
	(94.3%)	(94.0%)	(98.9%)	(91.9%)	(93.7%)	(67.9%)	(87.3%)	(99.3%)	(92.6%)	(91.4%)	(93.3%)	(75.8%)	(99.3%)	(90.2%)	(93.7%)	
Opposed	4,455	190	99	1,049	30	71	549	36	281	617	224	84	47	1,997	9,729	
	(5.7%)	(6.0%)	(1.1%)	(8.1%)	(6.3%)	(32.1%)	(12.7%)	(0.7%)	(7.4%)	(8.6%)	(6.7%)	(24.2%)	(0.7%)	(9.8%)	(6.3%)	
Shareholder proposals	Total	548	61	15	430	16	44	263	39	9	19	292	21	1	4,033	5,791
		(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	255	44	12	144	11	19	20	1	0	8	113	7	0	1,180	1,814
	(46.5%)	(72.1%)	(80.0%)	(33.5%)	(68.8%)	(43.2%)	(7.6%)	(2.6%)	(0.0%)	(42.1%)	(38.7%)	(33.3%)	(0.0%)	(29.3%)	(31.3%)	
Opposed	293	17	3	286	5	25	243	38	9	11	179	14	1	2,853	3,977	
	(53.5%)	(27.9%)	(20.0%)	(66.5%)	(31.3%)	(56.8%)	(92.4%)	(97.4%)	(100.0%)	(57.9%)	(61.3%)	(66.7%)	(100.0%)	(70.7%)	(68.7%)	

6. Fee Expenses

We have been making constant efforts to realize efficient and viable levels of the management and custodian fees which are consistent with the investment styles and the services provided.

In fiscal 2013, the management and custodian fees for domestic bonds decreased by ¥1.1 billion following fee reductions resulting from the fiscal 2012 review of the manager structure for domestic bonds, while the fees for other asset classes increased due to a rise in market prices. Consequently, the total fees rose by ¥3.1 billion from the previous year to ¥25.3 billion. The average rate of the total fees against the investment amount for fiscal 2013 was 0.02%.



Fees by asset class

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013
Domestic bonds	8.5	10.2	10.0	7.1	6.7	6.4	4.7	3.6
Domestic stocks	9.8	9.6	7.0	6.6	6.5	6.2	5.9	7.8
International bonds	4.9	6.3	6.1	6.0	5.6	5.2	5.7	6.8
International stocks	7.7	8.2	5.6	6.1	5.8	5.3	6.0	7.2

Average rate of fees against externally managed assets

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013
Domestic bonds	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.01
Domestic stocks	0.05	0.06	0.06	0.05	0.05	0.05	0.04	0.04
International bonds	0.06	0.07	0.06	0.06	0.06	0.06	0.06	0.05
International stocks	0.07	0.06	0.06	0.05	0.05	0.04	0.04	0.04

Chapter 3: Framework for Reserve Fund Investment and Roles of Government Pension Investment Fund

1. Framework for Reserve Fund Investment

(1) 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 insured pay contributions and receive pension benefits proportionate with contributions paid), and c) intergenerational dependency (the so-called "pay-as-you-go" method in which, in principle, working generations support the older generation with their contributions). Due to fewer children and rapidly aging population, problems such as growing burden on working generations have been intensified. Thus, the building of public pension schemes that will be sustainable into the future has become an important issue. The 2004 Pension Reform was undertaken to dispel the suspicion and to restore the sustainability of pension finances with the framework, by combining the following four points.

i. Fixing the contribution program

Young generation suspected that the contribution rates would be raised forever through future pension reforms. To restore their trust in the social security pension schemes, the government decided to adopt the fixed schedule of the contribution rates for the future period (the Employees' Pension Insurance contribution schedule: Fixed at 18.3% after September 2017, the National Pension contribution schedule (monthly amount): Fixed at JPY 16,900 after April 2017).

ii. Introducing of the automatic balancing mechanism and the replacement ratio as the measurement of the benefit level

Basically, pension benefits are increased in line with the increase in per-capita disposable income of active workers for newly awarded beneficiaries and in the Consumer Price Index (CPI) after awarded. But before pension finance attains equilibrium, the pension index is modified to decrease the pension benefit level in line with two rates such as the decrease rate in the number of covered persons by the social security pension schemes and the projected average annual increase rate of life expectancy. The modified index is obtained by subtracting the two rates from the principal index. In the 2004 Actuarial Valuation, the replacement ratio was projected to decrease from 59.3% in FY2004 to 50.2% in FY2023.

iii. Raising the national subsidy rate for the Basic Pension to 1/2 *

Raising the national subsidy rate for the Basic Pension benefits had been discussed for a long time before the 2004 Actuarial Valuation. In the 2000 Pension Reform it was stipulated that the rate should be raised to 1/2 from 1/3 by securing financial resources.

iv. Re-defining of the period of financial equilibrium (from perpetuity to around 100-year period)

The government decided to adopt the finite period of financial equilibrium with the target of reserve fund at the end of the period. The period of financial equilibrium is decided to be around 100-year. The level of target of reserve fund is defined to be enough not to get into trouble on paying pension benefits. At least every five years, actuarial valuations should be carried out to verify the pension finances over a period of around 100 years from the time of valuation.

* While this rate was increased temporarily to 1/2 using extraordinary funding sources beginning in fiscal 2009, it will remain permanently at 1/2 using stable funding sources beginning in fiscal 2014.

(2) Significance of the reserve funds

Public pension schemes of Japan are supported by society as a whole and work on the basis of intergenerational dependency whereby contributions made by the working generation are used to support the older generation.

Even under such a pay-as-you-go method, part of collected pension premiums should be invested as reserve funds, with not necessarily all of them being used for pension payout to the current recipients, and be capitalized on to stabilize the public pension scheme. This is important to improve future pension payout amid the fewer children and aging population. In addition, although the pension finance is designed to balance in the long-term, the benefit and the contribution do not necessarily match to each other in the short-term, therefore the reserve fund cushions the difference of the cash flow.

2. Roles of Government Pension Investment Fund

(1) Roles of Government Pension Investment Fund

We are responsible for the management and investment of the reserve funds in accordance with the provisions of the GPIF Law and other relevant regulations. Our objective is to contribute to the stability of Employees' Pension Insurance and National Pension by returning the income of the reserve funds to the Pension Special Account, and we are taking following roles.

1) Investment based on policy asset mix

The reserve funds must be managed safely and efficiently from a long-term perspective solely for the benefit of the insured (according to the Employees' Pension Insurance Act and other laws), and diversified investment is effective for the purposes of safe and efficient management. For this reason, in the process of investment, the GPIF, to exploit the benefit of diversification, determines the policy asset mix below, on the basis of which the funds are managed.

		Domestic bonds	Domestic stocks	International bonds	International stocks	Short-term assets
Policy asset mix	Target allocation	60%	12%	11%	12%	5%
	Permissible range of deviation	±8%	±6%	±5%	±5%	-

Note: The GPIF considers revision of the policy asset mix as necessary even during the period of medium-term objectives in the event of rapid changes in market conditions.

2) Ensuring liquidity for pension benefit payment

We ensure the liquidity (cash) necessary for payments such as pension benefit, in view of the expected path of the pension financing and cash flow, and conducts efficient cash management.

(2) Governance Structure of Government Pension Investment Fund

1) Outline of independent administrative agency system

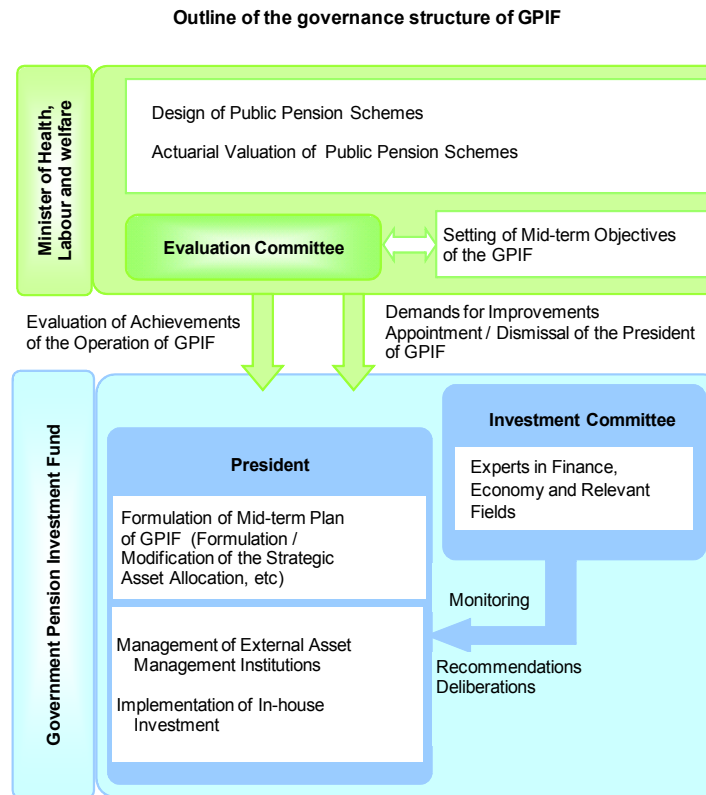
The independent administrative agency scheme—which focuses on those activities implemented by government that are highly public in nature but which, although not requiring direct government involvement, may not be realized if entrusted to the private sector—seeks to improve operational efficiency and 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 for each agency under their jurisdiction. Then, receiving the objectives, the heads of an agency formulates

“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 consisting of external experts is set up in the supervising government office (in the case of the GPIF, the Ministry of Health, Labour and Welfare), and evaluates the performance of each agency in meeting the targets.

2) Investment Committee

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



Investment Committee Members

1) As of Mar 31, 2014

Nobuo Inaba	Director; Corporate Executive Vice President; RICOH COMPANY, LTD. President; Ricoh Institute of Sustainability and Business
◎ Kazuo Ueda	Professor; Graduate School of Economics/Faculty of Economics, The University of Tokyo
Masaharu Usuki	Professor; Graduate School of Economics/Faculty of Economics, Nagoya City University
○ Jun Uno	Professor; Graduate School of Finance, Accounting, and Law, Waseda University
Hiromichi Oono	Member of the Board & Corporate Vice President; AJINOMOTO CO., INC.
Seki Obata	Associate Professor; Graduate School of Business Administration, Keio University
Takashige Komoda	Director General; JTUC Research Institute for Advancement of Living Standards
Hisae Sato	General Manager; Chief Investment Officer; Treasury Department, NISSAN MOTOR CO., LTD.
Kimikazu Noumi	CEO; Innovation Network Corporation of Japan
Masato Murakami	Senior Executive Director of Institute; Mizuho Pension Research Institute Ltd.

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

Note 2: ◎indicates Chairman, ○indicates Vice Chairman

Investment Committee Members

2) As of Apr 24, 2014

Hiromichi Oono	Member of the Board & Corporate Vice President; AJINOMOTO CO., INC.
Setsuya Sato	Professor; Department of English Communication, Faculty of Letters, Toyo University
Junko Shimizu	Professor; Faculty of Economics, Gakushuin University
Isao Sugaya	Managing Director; JTUC Research Institute for Advancement of Living Standards
Yoko Takeda	Chief Economist; Research Center for Policy and Economy, Mitsubishi Research Institute, Inc.
Kimikazu Noumi	CEO; Innovation Network Corporation of Japan
○ Sadayuki Horie	Senior Researcher; Nomura Research Institute, Ltd.
◎ Yasuhiro Yonezawa	Professor; Graduate School of Finance, Accounting, and Law, Waseda University

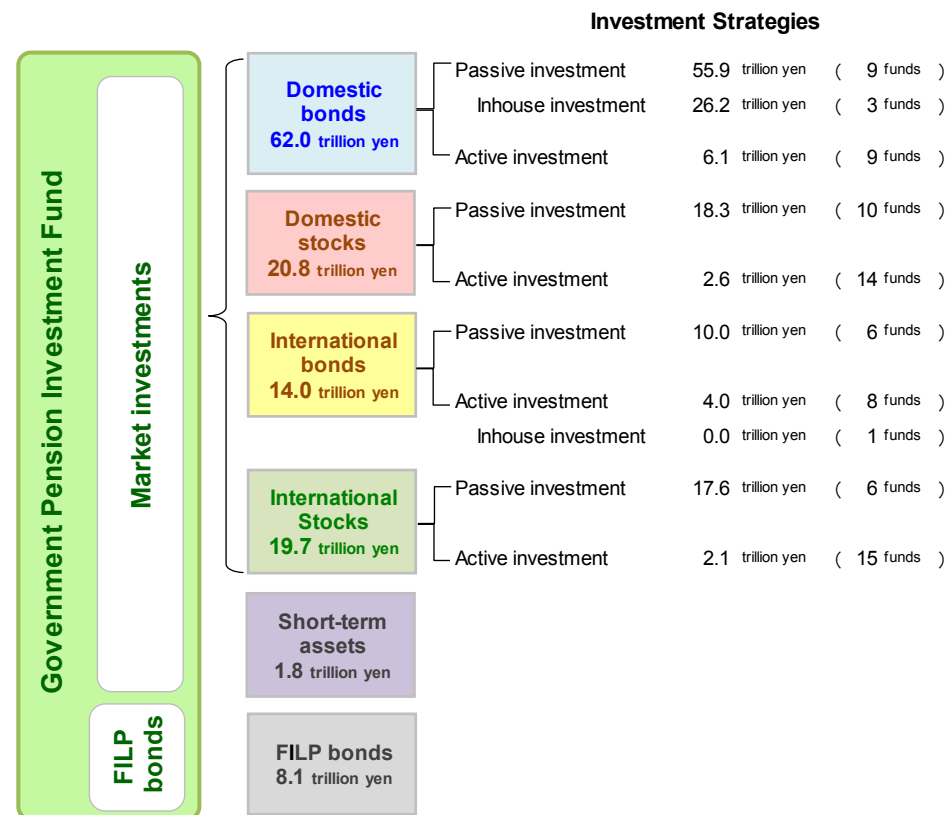
Note 1: Committee members are listed in order of the Japanese syllabary

Note 2: ◎indicates Chairman, ○indicates Vice Chairman

(3) Investment strategies

Fund investment strategies can be broadly 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 analyses and building a portfolio that differs from the market. However, because the size of the fund is such that it is necessary to consider the impact of transactions on market, and because it is thought to be difficult to consistently outperform the market average over the long term as the market is largely efficient, our investment strategy centers on the passive investment.

Except for the several funds of bond investments, the investments are outsourced to professional asset managers such as trust banks and asset management companies. We select and manage these managers.



Total investment assets 126.6 trillion yen (end of March 2014)

(4) Risk management

The policy asset mix is constructed with multiple asset classes having different expected rate of return and risk characteristics. Therefore, in order to maintain a portfolio with characteristics comparable to the policy asset mix and to achieve long-term expected return, it is necessary to appropriately manage various risks. Specific risk management methods involve determining risk management items to be identified and monitoring those using analytical and other tools for each risk. If problems in the risk situation are identified 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, making it necessary to monitor deviation and to keep it within a predetermined permissible range. In addition, steps such as analysis of the causes of annual return deviation from compound benchmarks are taken as well.

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), liquidity risk (risk that sales or purchases become costly due to lower volume of trade), and credit risk (risk of bankruptcy). Also monitored and managed are the risk management by external asset managers and the asset management by custodial banks.

With regard to derivatives, we allow the managers to use them in principle for hedging purposes. For example, stock futures are used as a temporary substitute (long hedge) of underlying assets during the intake of additional investment funds or of reinvesting accrued dividends receivable. Furthermore, bond futures are used in active domestic or international bond investment and so are currency forward transactions in active international bond investment in accordance with individual investment guidelines that are formulated based on each external asset manager's investment style or investment capacity. The transaction of the derivatives and compliance with the restrictions are monitored by requiring monthly reports on notional amount (market face value of relevant derivatives).

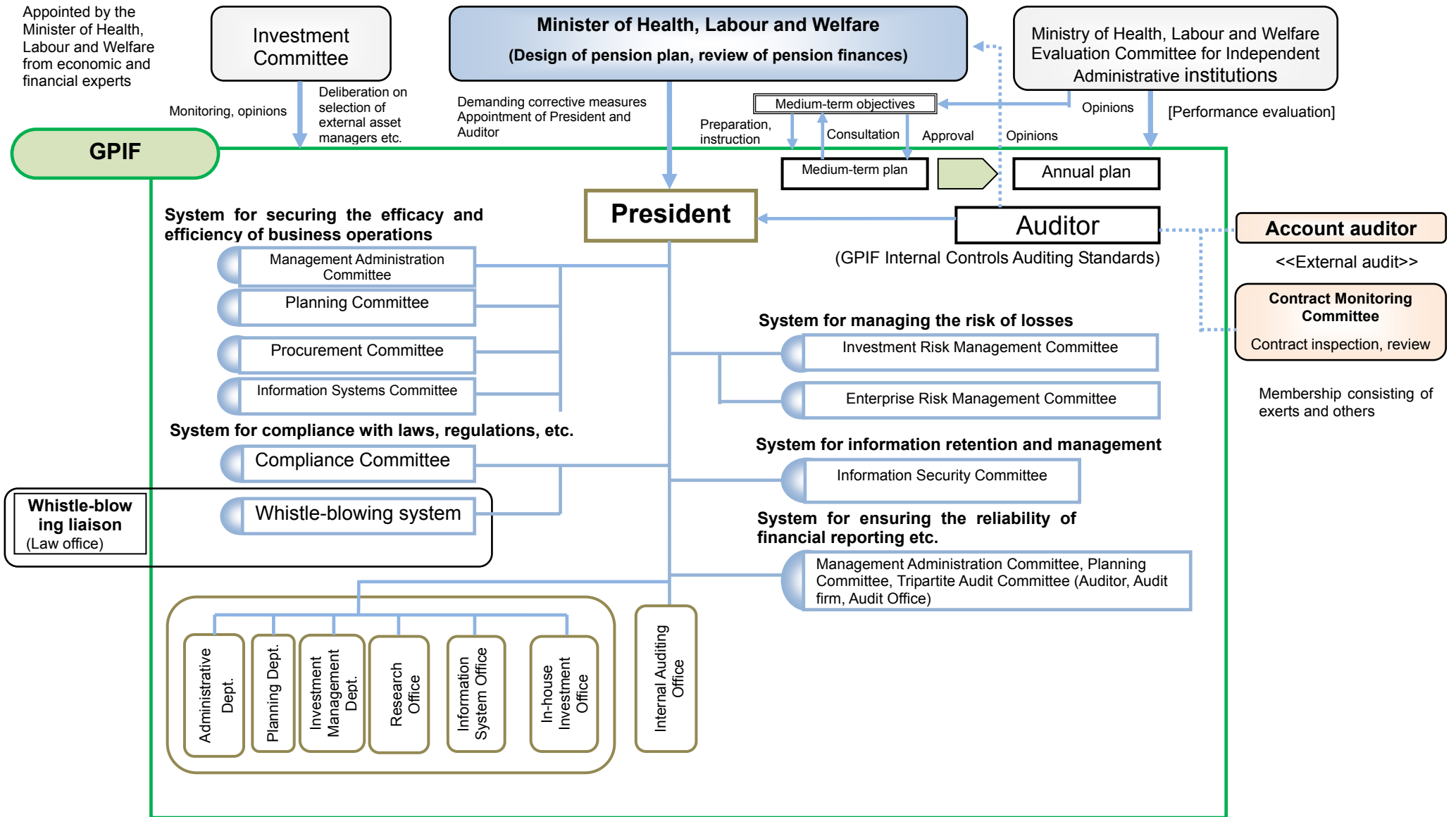
(5) Formulation of the administrative policy on investment management

In addition to the medium-term plan, 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 publicly disclosed in our website (Japanese version only. <http://www.gpif.go.jp/operation/policy.html>).

(6) Internal Controls System

We established Basic Policy of Internal Controls to ensure our proper operations and enhance the internal control structure. (See the following page for a schematic diagram on internal controls and other matters.)

Schematic Diagram of Internal Controls



Reference Data

1. Investment Assets by Investment Method(MV at the end of fiscal 2013)

		Market value (¥billion)	Allocation
Investment asset total		126,577.1	100.00%
Market investment	Total	118,453.9	93.58%
	Passive investment	101,866.2	80.48%
	Active investment	16,587.7	13.10%
FILP bonds		8,123.2	6.42%

		Market value (¥billion)	Allocation
Investment asset total		126,577.1	100.00%
Domestic bonds	Total	62,036.4	49.01%
	Passive investment	55,916.1	44.18%
	Active investment	6,120.3	4.84%
Domestic stocks	Total	20,846.6	16.47%
	Passive investment	18,279.6	14.44%
	Active investment	2,567.1	2.03%
International bonds	Total	13,996.1	11.06%
	Passive investment	10,035.7	7.93%
	Active investment	3,960.3	3.13%
International stocks	Total	19,732.6	15.59%
	Passive investment	17,634.8	13.93%
	Active investment	2,097.8	1.66%
Short-term assets (Active investment)		1,842.2	1.46%
FILP bonds		8,123.2	6.42%

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 the total numbers.

2. Investment Assets by Manager (MV at the end of fiscal 2013)

(Unit: ¥billion)

Investment method	Fund name (Subcontractor)	Manager benchmark	Market value
Domestic bond active investment	MU Investments Co.,Ltd.	B P I	490.5
	DIAM Co.,Ltd.	B P I	987.0
	Tokio Marine Asset Management Co.,Ltd.	B P I	846.4
	PIMCO Japan Ltd. (Pacific Investment Management Company LLC etc.)	B P I	420.0
	Prudential Investment Management Japan Co.,Ltd.	B P I	423.3
	Manulife Asset Management (Japan) Limited	B P I	418.3
	Mizuho Trust & Banking Co.,Ltd.	B P I	842.8
	Sumitomo Mitsui Trust Bank, Limited	B P I	848.4
	Mitsubishi UFJ Trust and Banking Corporation	B P I	843.6
Domestic bond passive investment	In-house investment I	B P I	4,944.5
	In-house investment II	B P I - J	4,983.1
	In-house investment III	B P I - C	16,223.1
	State Street Global Advisors (Japan) Co.,Ltd.	B P I	4,940.4
	Mizuho Trust & Banking Co.,Ltd.	B P I	4,938.2
	Sumitomo Mitsui Trust Bank, Limited I	B P I	4,941.7
	Sumitomo Mitsui Trust Bank, Limited II	B P I - J	4,982.7
	Mitsubishi UFJ Trust and Banking Corporation	B P I - J	4,981.5
	Resona Bank, Limited	B P I - J	4,981.0

(Unit: ¥billion)

Investment method	Fund name (Subcontractor)	Manager benchmark	Market value
Domestic stock active investment	Eastspring Investments Limited (Eastspring Investments (Singapore) Limited)	T O P I X	100.4
	Invesco Asset Management (Japan) Limited	T O P I X	102.9
	Capital International K.K. (Capital International, Inc.)	T O P I X	279.2
	Goldman Sachs Asset Management Co.,Ltd. (Goldman Sachs Asset Management, L.P. etc.)	S P - G	404.0
	JPMorgan Asset Management (Japan) Limited	R N - V	303.3
	SEIRYU Asset Management Ltd. (Taiyo Pacific Partners LP)	R N - S	5.1
	DIAM Co.,Ltd.	T O P I X	279.0
	Natixis Asset Management Japan Co., Ltd. (Harris Associates L.P.)	T O P I X	104.6
	Nikko Asset Management Co., Ltd.	T O P I X	176.1
	Nomura Asset Management Co.,Ltd.	R A F I	527.5
	Nomura Funds Research and Technologies Co.,Ltd. (Dimensional Fund Advisors LP)	M S C I - J S	76.9
	FIL Investments(Japan) Limited	T O P I X	154.0
	Mizuho Asset Management Co.,Ltd.	R N - S	20.3
	Russell Investments Japan Co., Ltd. (Russell Implementation Services, Inc.)	T O P I X	30.8

(Unit: ¥billion)

Investment method	Fund name (Subcontractor)	Manager benchmark	Market value
Domestic stock passive investment	DIAM Co.,Ltd. I	T O P I X	3,604.2
	DIAM Co.,Ltd. II	J P X	50.4
	BlackRock Japan Co.,Ltd. I	T O P I X	3,555.5
	BlackRock Japan Co.,Ltd. II	M S C I - J	100.3
	Mizuho Trust & Banking Co.,Ltd. I	T O P I X	3,555.6
	Mizuho Trust & Banking Co.,Ltd. II	R N - P	100.5
	Sumitomo Mitsui Trust Bank, Limited I	T O P I X	3,605.5
	Sumitomo Mitsui Trust Bank, Limited II	J P X	50.4
	Mitsubishi UFJ Trust and Banking Corporation I	T O P I X	3,604.8
	Mitsubishi UFJ Trust and Banking Corporation II	J P X	50.3
International bond active investment	AllianceBernstein Japan Ltd. (AllianceBernstein L.P. etc.)	W B I G	576.1
	Goldman Sachs Asset Management Co.,Ltd. (Goldman Sachs Asset Management International etc.)	W B I G	566.9
	Tokio Marine Asset Management Co.,Ltd. (Tokio Marine Rogge Asset Management Limited)	W B I G	471.9
	PIMCO Japan Ltd. (Pacific Investment Management Company LLC etc.)	W B I G	608.8
	BlackRock Japan Co.,Ltd. (BlackRock Financial Management, Inc. etc.)	W B I G	606.3
	Mizuho Asset Management Co.,Ltd. (Loomis, Sayles & Company, L.P.)	W B I G	565.5
	Morgan Stanley Investment Management (Japan) Co.,Ltd. (Morgan Stanley Investment Management Inc. etc.)	W B I G	564.7
	In-house investment [Unit Trust]	-	0.2
International bond passive investment	State Street Global Advisors (Japan) Co.,Ltd.	W G B I	1,674.3
	Northern Trust Global Investments Japan, K.K. (Northern Trust Investments, Inc.)	W G B I	1,673.7
	BlackRock Japan Co.,Ltd.	W G B I	1,675.4
	Mizuho Trust & Banking Co.,Ltd.	W G B I	1,671.7
	Sumitomo Mitsui Trust Bank, Limited	W G B I	1,671.4
	Mitsubishi UFJ Trust and Banking Corporation	W G B I	1,669.2

(Unit: ¥billion)

Investment method	Fund name (Subcontractor)	Manager benchmark	Market value	
International stock active investment	Amundi Japan Ltd.	M S C I - K	242.8	
	Wellington International Management Company Pte Ltd. (Wellington Management Company, LLP)	M S C I - K	238.9	
	MFS Investment Management K.K. (Massachusetts Financial Services Company)	M S C I - K	394.6	
	Natixis Asset Management Japan Co., Ltd. (Harris Associates L.P.)	M S C I - K	171.6	
	Nikko Asset Management Co., Ltd. (INTECH Investment Management LLC)	M S C I - K	179.1	
	Nomura Asset Management Co.,Ltd.	M S C I - E	32.9	
	Nomura Funds Research and Technologies Co.,Ltd. (Dimensional Fund Advisors LP)	M S C I - E	33.2	
	BNY Mellon Asset Management Japan Limited (Walter Scott & Partners Limited)	M S C I - K	211.3	
	Mizuho Asset Management Co.,Ltd. I (Wells Capital Management, Inc.)	M S C I - K	239.4	
	Mizuho Asset Management Co.,Ltd. II (Wells Capital Management, Inc.)	M S C I - E	33.7	
	Sumitomo Mitsui Asset Management Company, Limited. (Vontobel Asset Management, Inc.)	M S C I - E	27.0	
	Sumitomo Mitsui Trust Bank, Limited (Baring Asset Management Limited)	M S C I - E	8.0	
	Mitsubishi UFJ Trust and Banking Corporation I (Aberdeen Asset Managers Limited)	M S C I - K	79.0	
	Mitsubishi UFJ Trust and Banking Corporation II (Baillie Gifford Overseas Limited)	M S C I - K	177.9	
	Lazard Japan Asset Management K.K. (Lazard Asset Management LLC)	M S C I - E	26.7	
	International stock passive investment	State Street Global Advisors(Japan) Co.,Ltd.	M S C I - K	2,933.4
BlackRock Japan Co.,Ltd.		M S C I - K	2,959.4	
Mizuho Trust & Banking Co.,Ltd.		M S C I - K	2,945.8	
Sumitomo Mitsui Trust Bank, Limited		M S C I - K	2,932.9	
Mitsubishi UFJ Trust and Banking Corporation		M S C I - K	2,930.0	
Resona Bank, Limited	M S C I - K	2,932.9		
Short-term assets	In-house investment	T D B	1,842.2	
Subtotal		-	118,446.8	
FILP bonds	In-house investment	-	8,123.2	
Total	-	-	126,569.9	

Investment Assets by Custodian

(Unit: ¥billion)

Custodian name	Market value
Trust & Custody Services Bank, Ltd. (Domestic bonds and Short-term assets)	72,001.8
Japan Trustee Services Bank, Ltd. (Domestic stocks)	20,841.5
State Street Trust and Banking Co.,Ltd. (International bonds)	13,996.1
The Master Trust Bank of Japan, Ltd. (International stocks)	19,730.6

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: Figures in the market value column do not include accrued dividend income from closed funds.

Note 3: Other than funds listed above, six funds with six companies for domestic stock investment are kept in order to continue lawsuits against SEIBU Railway Co., Ltd.

Manager benchmarks

Domestic bonds	B P I	NOMURA-BPI non-ABS
	B P I - C	NOMURA -BPI/GPIF Customized
	B P I - J	NOMURA -BPI JGB
Domestic stocks	T O P I X	TOPIX (incl. dividends)
	J P X	JPX-Nikkei index 400 (incl. dividends)
	M S C I - J	MSCIJapan Standard (incl. dividends)
	M S C I - J S	MSCIJapan Small (incl. dividends)
	R A F I	Nomura RAFI reference index
	R N - P	RUSSELL /NOMURA Prime index (incl. dividends)
	R N - S	RUSSELL /NOMURA Small Cap index (incl. dividends)
	R N - V	RUSSELL /NOMURA Large Cap Value index (incl. dividends)
S P - G	S&P GIVI Japan (Gross Total Return)	

International bonds	W G B I	Citi World Government Bond Index (not incl. JPY, no hedge/JPY basis)
	W B I G	Citi World Broad Investment-Grade Bond Index (not incl. JPY, no hedge/JPY basis)
International stocks	M S C I - K	MSCI KOKUSAI (JPY basis, incl. dividends, after taking into account our dividend tax factors)
	M S C I - E	MSCI EMERGING MARKETS (JPY basis, incl. dividends, after deducting taxes)
Short-term assets	T D B	TDB 1-mo. Repurchase agreement

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

Fiscal year		2006			2007			2008			2009			2010			2011			2012			2013		
		Terminations, etc	New funds	End of FY	Terminations, etc	Newfunds	End of FY	Terminations, etc	New funds	End of FY	Terminations, etc	New funds	End of FY	Terminations, etc	New funds	End of FY	Terminations, etc	New funds	End of FY	Terminations, etc	New funds	End of FY	Terminations, etc	New funds	End of FY
Domestic bonds	Passive	0	0	6	-1	3	8	0	0	8	0	0	8	0	0	8	0	0	8	-5	3	6	0	0	6
	Active	0	0	11	0	0	11	0	0	11	-1	0	10	0	0	10	0	0	10	-5	4	9	0	0	9
Domestic stocks	Passive	0	0	7	0	0	7	0	0	7	0	0	7	0	0	7	0	0	7	-1	0	6	-1	5	10
	Active	0	0	15	0	0	15	-4	10	21	0	0	21	-1	0	20	-1	0	19	-1	0	18	-15	11	14
International Bonds	Passive	0	0	4	-1	1	4	0	0	4	0	0	4	-1	3	6	0	0	6	0	0	6	0	0	6
	Active	0	0	7	-2	2	7	0	0	7	0	0	7	0	0	7	0	0	7	0	0	7	0	0	7
International stocks	Passive	0	0	7	-1	1	7	0	0	7	-1	0	6	-2	2	6	0	0	6	0	0	6	0	0	6
	Active	-2	0	13	-1	0	12	-8	11	15	-1	0	14	-1	0	13	0	0	13	-3	7	17	-8	6	15
Total		-2	0	70	-6	7	71	-12	21	80	-3	0	77	-5	5	77	-1	0	76	-15	14	75	-24	22	73
Custodial bank		0	0	4	0	0	4	0	0	4	0	0	4	0	0	4	0	0	4	0	0	4	0	0	4

- Note 1: One fund termination and one fund selection 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.
- Note 2: Fund terminations and selections in domestic stock active investment and international stock active investment in fiscal 2008 are results of review of the manager structure.
- Note 3: One fund termination in domestic bond active investment in fiscal 2009 is a result of overall evaluation. One fund termination in international stock passive investment is a result of fund integration due to the merger of external asset managers. One fund termination in international stock active investment is a result of review of the manager structure in fiscal 2008.
- Note 4: Two fund terminations in domestic stock active investment and international stock active investment in fiscal 2010 are results of changes in their investment team. Fund terminations and selections in international bond passive investment and international stock passive investment are results of review of the manager structure.
- Note 5: The fund termination in domestic stock active investment in fiscal 2011 is a result of a change in its investment team.
- Note 6: Fund terminations and selections in domestic bond passive and active investment in fiscal 2012 are results of review of the manager structure. One fund termination in domestic stocks passive investment is a result of a merger. One fund termination in domestic stock active investment is a result of a conflict with the selection criteria for external managers. Three fund terminations in international stock active investment are results of factors such as changes in their investment team. The seven new funds in international stock active investment (emerging markets) were adopted during fiscal 2011 and their management began in fiscal 2012.
- Note 7: Fund terminations and selections in domestic stock passive and active investment in fiscal 2013 are results of review of the manager structure. One of eight terminations in international stock active investment is a result of overall evaluation, while the other seven funds are results of review of the manager structure. Fund selections in international stock active investment are also results of review of the manager structure.

4. Investment Performance by Manager

(1) Last three fiscal years (April 2011 to March 2014)

Domestic bond passive investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
In-house investment I	2.36%	2.36%	-0.00%	0.07%
In-house investment II	2.49%	2.49%	-0.00%	0.03%
Mizuho Trust & Banking Co.,Ltd.	2.34%	2.40%	-0.06%	0.07%
Sumitomo Mitsui Trust Bank, Limited I	2.35%	2.36%	-0.01%	0.07%
Sumitomo Mitsui Trust Bank, Limited II	2.50%	2.49%	+0.00%	0.03%

Domestic bond active investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C)=(A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
DIAM Co.,Ltd.	2.53%	2.36%	+0.18%	0.12%	1.46
Tokio Marine Asset Management Co.,Ltd.	2.53%	2.36%	+0.17%	0.18%	0.94
Mizuho Trust & Banking Co.,Ltd.	2.37%	2.36%	+0.02%	0.21%	0.08
Sumitomo Mitsui Trust Bank, Limited	2.63%	2.36%	+0.27%	0.12%	2.31
Mitsubishi UFJ Trust and Banking Corporation	2.36%	2.36%	+0.00%	0.11%	0.03

Domestic stock passive investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
DIAM Co.,Ltd.	13.73%	13.66%	+0.07%	0.13%
BlackRock Japan Co.,Ltd.	13.66%	13.66%	+0.01%	0.14%
Mizuho Trust & Banking Co.,Ltd.	13.66%	13.66%	+0.01%	0.12%
Sumitomo Mitsui Trust Bank, Limited	13.63%	13.66%	-0.02%	0.11%
Mitsubishi UFJ Trust and Banking Corporation	13.70%	13.66%	+0.05%	0.13%

Domestic stock active investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C)=(A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
JPMorgan Asset Management (Japan) Limited	12.51%	12.23%	+0.28%	2.25%	0.12
DIAM Co.,Ltd.	14.28%	13.88%	+0.40%	1.99%	0.20
Nomura Asset Management Co.,Ltd.	11.78%	11.71%	+0.07%	1.41%	0.05

International bond passive investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
State Street Global Advisors (Japan) Co.,Ltd.	12.56%	12.58%	-0.02%	0.19%
Northern Trust Global Investments Japan, K.K.	12.60%	12.58%	+0.01%	0.16%
BlackRock Japan Co.,Ltd.	12.65%	12.58%	+0.07%	0.18%
Mizuho Trust & Banking Co.,Ltd.	12.50%	12.53%	-0.02%	0.19%
Sumitomo Mitsui Trust Bank, Limited	12.50%	12.53%	-0.03%	0.19%
Mitsubishi UFJ Trust and Banking Corporation	12.47%	12.53%	-0.06%	0.19%

International bond active investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C)=(A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
AllianceBernstein Japan Ltd.	12.65%	12.41%	+0.24%	0.68%	0.36
Goldman Sachs Asset Management Co.,Ltd.	12.57%	12.41%	+0.17%	0.45%	0.37
Tokio Marine Asset Management Co.,Ltd.	11.41%	12.17%	-0.76%	0.95%	-0.81
PIMCO Japan Ltd.	13.11%	12.41%	+0.70%	0.97%	0.73
BlackRock Japan Co.,Ltd.	12.80%	12.41%	+0.39%	0.44%	0.89
Mizuho Asset Management Co.,Ltd.	12.28%	12.41%	-0.12%	1.22%	-0.10
Morgan Stanley Investment Management (Japan) Co.,Ltd.	12.46%	12.41%	+0.06%	0.80%	0.07

International stock passive investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
State Street Global Advisors(Japan) Co.,Ltd.	19.64%	19.59%	+0.05%	0.04%
BlackRock Japan Co.,Ltd.	19.58%	19.59%	-0.01%	0.06%
Mizuho Trust & Banking Co.,Ltd.	19.61%	19.59%	+0.02%	0.04%
Sumitomo Mitsui Trust Bank, Limited	19.63%	19.59%	+0.04%	0.04%
Mitsubishi UFJ Trust and Banking Corporation	19.59%	19.59%	+0.00%	0.03%
Resona Bank, Limited	19.62%	19.59%	+0.03%	0.04%

International stock active investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C)=(A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
Amundi Japan Ltd.	20.78%	19.19%	+1.59%	1.22%	1.30
MFS Investment Management K.K.	24.35%	19.94%	+4.41%	2.85%	1.55
BNY Mellon Asset Management Japan Limited	20.31%	19.94%	+0.37%	4.16%	0.09

(2) Last five fiscal years (April 2009 to March 2014)

Domestic bond passive investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
In-house investment I	2.21%	2.19%	+0.02%	0.07%
In-house investment II	2.18%	2.18%	+0.00%	0.03%
Mizuho Trust & Banking Co.,Ltd.	2.12%	2.16%	-0.05%	0.07%
Sumitomo Mitsui Trust Bank, Limited I	2.18%	2.19%	-0.00%	0.07%
Sumitomo Mitsui Trust Bank, Limited II	2.18%	2.18%	+0.00%	0.03%

Domestic bond active investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C)=(A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
DIAM Co.,Ltd.	2.48%	2.18%	+0.30%	0.12%	2.38
Tokio Marine Asset Management Co.,Ltd.	2.50%	2.18%	+0.32%	0.18%	1.82
Mizuho Trust & Banking Co.,Ltd.	2.38%	2.14%	+0.24%	0.21%	1.17
Sumitomo Mitsui Trust Bank, Limited	2.62%	2.18%	+0.44%	0.15%	2.92
Mitsubishi UFJ Trust and Banking Corporation	2.28%	2.18%	+0.10%	0.16%	0.63

Domestic stock passive investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
DIAM Co.,Ltd.	11.48%	11.35%	+0.13%	0.17%
BlackRock Japan Co.,Ltd.	11.38%	11.35%	+0.03%	0.15%
Mizuho Trust & Banking Co.,Ltd.	11.38%	11.35%	+0.03%	0.14%
Sumitomo Mitsui Trust Bank, Limited	11.35%	11.35%	+0.00%	0.14%
Mitsubishi UFJ Trust and Banking Corporation	11.42%	11.35%	+0.07%	0.15%

Domestic stock active investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C)=(A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
JPMorgan Asset Management (Japan) Limited	11.48%	9.99%	+1.50%	2.20%	0.68
DIAM Co.,Ltd.	12.74%	11.46%	+1.28%	1.99%	0.64
Nomura Asset Management Co.,Ltd.	11.16%	10.02%	+1.14%	1.61%	0.71

International bond passive investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
State Street Global Advisors (Japan) Co.,Ltd.	5.75%	5.74%	+0.01%	0.16%
Northern Trust Global Investments Japan, K.K.	5.76%	5.74%	+0.02%	0.16%
BlackRock Japan Co.,Ltd.	5.84%	5.74%	+0.10%	0.17%

International bond active investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C)=(A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
AllianceBernstein Japan Ltd.	6.83%	6.23%	+0.60%	0.71%	0.84
Goldman Sachs Asset Management Co.,Ltd.	6.75%	6.23%	+0.51%	0.65%	0.80
Tokio Marine Asset Management Co.,Ltd.	5.93%	6.10%	-0.17%	0.94%	-0.18
PIMCO Japan Ltd.	7.35%	6.23%	+1.12%	0.87%	1.28
BlackRock Japan Co.,Ltd.	6.44%	6.23%	+0.21%	0.54%	0.38
Mizuho Asset Management Co.,Ltd.	7.64%	6.23%	+1.41%	1.29%	1.09
Morgan Stanley Investment Management (Japan) Co.,Ltd.	6.87%	6.23%	+0.63%	0.71%	0.89

International stock passive investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (A)-(B)	Historical tracking error
State Street Global Advisors(Japan) Co.,Ltd.	20.74%	20.75%	-0.00%	0.06%
BlackRock Japan Co.,Ltd.	20.70%	20.75%	-0.05%	0.07%
Mizuho Trust & Banking Co.,Ltd.	20.70%	20.75%	-0.04%	0.05%
Resona Bank, Limited	20.73%	20.75%	-0.02%	0.08%

International stock active investment

Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C)=(A)-(B)	Historical tracking error (D)	Information ratio (C)/(D)
Amundi Japan Ltd.	21.61%	20.51%	+1.10%	1.18%	0.93
MFS Investment Management K.K.	23.93%	20.96%	+2.97%	2.88%	1.03
BNY Mellon Asset Management Japan Limited	18.96%	20.96%	-2.00%	4.60%	-0.43

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

Note 2: In calculating time-weighted return and benchmark return, the effect of the trade suspended period for asset transfer is excluded.

Note 3: Excess returns and Information ratios are rounded off to the nearest hundredth.

**Government Pension Investment Fund, Japan
Review of Operations in Fiscal 2013**

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