Review of Operations in Fiscal 2014

Government Pension Investment Fund, Japan

Contents

Message from President

The mandate of the Government Pension Investment Fund is to contribute to the stability of the schemes of Employees' Pension Insurance and National Pension by managing and investing the reserve funds entrusted by the Minister of Health, Labour and Welfare and by distributing the investment return to the Pension Special Account.

The investment return in fiscal 2014 was the highest since the GPIF's inception, driven by the rise of global equity markets and the appreciation of the US dollar, and a strong investment return was achieved over the entire second Medium-term Plan period (April 2010-March 2015).
On October 2014, we revised our policy asset mix, which had been modified in June 2013. Based upon the results of the actuarial valuation (June 2014) that the government of Japan conducts every five years on the public pension schemes, we intensively examined the policy asset mix and considered in particular that Japan is about to transform itself from an economy of persistent deflation and that domestic bonds, which had accounted for the majority of investment assets until then, are expected to yield significantly low. The review was conducted to achieve the investment return required for the public pension scheme with minimal risk from a long-term perspective. As a result, the new policy asset mix has become more diversified than the previous one.

Upon the Investment Advisory Committee's recommendations, with the new policy asset mix we are enhancing our internal controls and risk management structures, and we are developing human resources with expertise to further improve our investment capabilities.

The third Medium-term Plan period (April 2015-March 2020) has just started in fiscal 2015. We pledge to pay due attention as prudent experts in exercising fiduciary responsibilities for the reserve funds and contribute to the stability of the public pension schemes, and the stability of the life of Japanese national. I would sincerely appreciate your continued understanding and support.

Takahiro Mitani
President
Government Pension Investment Fund, Japan

Chapter 1: Overview of the Government Pension Investment Fund

1. Adoption of the New Policy Asset Mix and Reinforcement of the Governance Structure

(1) Announcement of results of actuarial valuation and review of the policy asset mix

Starting at the beginning of fiscal 2014, the final year of the second Medium-term Plan, the Government Pension Investment Fund (GPIF) initiated preparations for the third Medium-term Plan, which starts from fiscal 2015. In June 2014, the review of actuarial conditions and prospects (actuarial valuation), conducted every five years on the pension schemes, was announced and the Minister of Health, Labour and Welfare instructed us to accelerate the review process of the policy asset mix*. Upon this instruction, we responded swiftly to long-term changes in economic conditions. Based upon the announcement of the actuarial valuation, the policy asset mix was intensively reviewed by the GPIF's Investment Advisory Committee, consisting of financial and economic experts appointed by the Minister of Health, Labour and Welfare, together with the working sub-committee being set up under the Investment Advisory Committee.

In parallel with this review process, a new governance framework was implemented under which decisions on important investment policies, including the policy asset mix, require approval by the Investment Advisory Committee prior to the President's final decision. Under the current GPIF Act, the Investment Advisory Committee should deliberate prior to the President's final decisions on the preparation and revision of the Medium-term Plan, including the policy asset mix, and the Statement of Operation Procedures. This was to comply with the December 2013 cabinet decision that an appropriate system should be established under which the Investment Advisory Committee effectively controls important investment policies.

Based upon the generally recognized expertise on investment management, GPIF's Investment Advisory Committee conducted thorough review on the GPIF's policy asset mix seven times, the working sub-committee six times. Upon the approval by the Investment Advisory Committee on October 23, 2014, the President submitted to the Minister the revised second Medium-term Plan including the new policy asset mix. Upon deliberation by the Pension Sub-Committee of the Incorporated Administrative Agency Evaluation System Committee on October 31, 2014, the plan was authorized by the Minister and was announced on the same day.

Note: See p. 8 and pp. 23-26 for details of the policy asset mix.

	Domestic bonds	Domestic equities	International bonds	International equities
Target allocation	35%	25%	15%	25%
Permissible range of deviation	±10%	±9%	±4%	±8%

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Domestic bonds	Domestic equities	International bonds	International equities	Short-term assets
60%	12%	11%	12%	5%
±8%	±6%	±5%	±5%	—

(2) Recommendations from the Investment Advisory Committee on enhancing the governance structure

Upon its approval of the new policy asset mix on October 23, 2014, the Investment Advisory Committee also decided to establish the Governance Council under the Committee to monitor the status of the GPIF's formulation of and compliance with the "Investment Principles" and the "Code of Conduct", as part of efforts to reinforce the GPIF's internal controls. (See p. 17 concerning the Governance Council and pp. 10-14 for the Investment Principles and the Code of Conduct.)

Together with the new policy asset mix, the Investment Advisory Committee adopted a resolution as to the reinforcement of the governance structure as recommendations to the President.

Recommended actions for the better governance structure

Upon adoption of the new policy asset mix, acknowledging that the governance structure of GPIF has been strengthened and will be further discussed at the government body, the Investment Advisory Committee encourages GPIF to continue investment management safely and efficiently and to strengthen the governance structure with following viewpoints:

1. Reinforce the internal control
(1) Clarify and implement thoroughly the rules of information security management
(2) Appoint a compliance officer
(3) Expand the role of auditors and reinforce the internal auditing system
(4) Review disclosure policy, which considers importance of transparency and effective investment management

2. Reinforce the risk management capabilities
(1) Strengthen the capabilities for macro-economic analysis and market forecasts
(2) Sophisticate risk management by adding multiple risk measurements of total portfolio, as well as permissible range of deviation
(3) Upgrade the risk management capabilities for investing in a new asset class.

3. Enhance human resource management
(1) Revise the remuneration scheme for executives and professional staff
(2) Report to the Investment Advisory Committee the progress of human resource management

With regard to the policy asset mix, GPIF should monitor macro-economic environment and market condition, periodically verify the appropriateness of the assumptions applied to this policy mix, and consider reviewing it when necessary.

(3) Action in response to recommendations from the Investment Advisory Committee

The GPIF fully respects the recommendations the Investment Advisory Committee made on October 23rd, 2014 and has started its implementation in following ways:

(i) Reinforce the internal controls

In October 2014, the Compliance Officer was appointed as part of system to monitor the status of compliance by executives and employees.

In January 2015, the Chief Investment Officer (CIO) was appointed to manage and oversee the GPIF's investment portfolio. In order to make investment decisions more appropriately, the Investment Committee also was created. Its members are the CIO (chairperson), the President and members appointed by the President.

Together with the development of an internal controls system in accordance with the enactment of the amended Act on General Rules for Incorporated Administrative Agencies in April 2015, the Internal Control Committee chaired by the President was established and internal rules were developed as necessary to reinforce the supervisory functions and ensure coordination with internal auditing. (See p. 15 for the internal controls system.)

As for rules on information management, information security rules are posted on the GPIF website, and information management is being strengthened by the Code of Conduct formulated in March 2015. With regard to information disclosure, functions related to press releases and media relations have been centralized in the Planning Department, and the media relations rule was formulated and announced. For this Review of Operations in Fiscal 2014, in consideration of potential market impact some disclosure items regarding the GPIF's investment activities have been revised while enhancing descriptions of the GPIF initiatives and investment policies to fulfill our accountability to the public.

(ii) Upgrade the risk management capabilities

Risk management for the policy asset mix is conducted through multiple approaches including permissible range of deviation and value at risk for the policy asset mix for the whole portfolio and for each asset class. Two economic consultancies have been appointed with regard to economic and market outlooks in order to enhance our systems for macro-economic and market analysis. We have also been considering possible implementation of a system to analyze both investment assets and pension benefit payout together, as well as risk management tools for the whole of investment assets including alternative assets, in order to advance our overall risk management tools.

Since January 2015, we have developed a framework for deliberation on economic and market outlooks and related matters in the Investment Committee mentioned above. In order to enhance our internal checks-and-balances function, in January 2015 we established the Portfolio Risk Management Division in the Investment Strategy Department, which was upgraded to the Portfolio Risk Management Office in May 2015 and becomes independent of other departments.

(iii) Enhance human resource management

In January 2015, we enhanced the organizational structure through means including appointment of an investment expert as Executive Managing Director and concurrently as the CIO (mentioned above). We also implemented and announced revisions to the remuneration scheme based on recommendations from external consultants, in order to enhance our ranks of human resources with expertise. In January 2015, we began recruiting employees for the GPIF's operations in general and for public-relations strategy, and in February 2015 we began recruiting employees for alternative investments and senior managers responsible for investment risk management, among others. Progress is to be reported to the Investment Advisory Committee as appropriate.

2. Medium-term Objectives and Medium-term Plan

(1) Independent administrative agency system

(i) Objective of independent administrative agency system

The independent administrative agency system is intended to improve the efficiency and quality of operations by the government of Japan with highly public nature which may not necessarily be run directly by the government but may not work properly if outsourced to the private sector, by establishing independent administrative agencies whose corporate status is independent from the government and entrusting such operations to them, while securing their autonomous management and transparency.

(ii) Agency Managed under the Medium-term Objective

The Act on General Rules for Incorporated Administrative Agencies, enacted April 1, 2015, classifies independent administrative agencies into three types; Agencies Managed under the Medium-term Objective (AMO), National Research and Development Agencies, and Agencies Engaged in Administrative Execution. The GPIF is classified as AMO.

An AMO is intended to manage operations of a public nature (other than those to be managed by a National Research and Development Agency) that require a medium-term perspective, while demonstrating a certain degree of independence and autonomy in light of such nature. It is intended to do so based on a plan for achieving the objectives of its operations as established by the national government for the medium term, promoting the public benefit through providing diverse, high-quality services that satisfy the public.

The competent minister (in the case of the GPIF, the Minister of Health, Labour and Welfare) sets objectives to be achieved by the AMO over a three-to-five-year period (Medium-term Objectives) and instructs such objectives to the AMO accordingly. The content of the Medium-term Objectives includes the period for the Medium-term Objectives, matters concerning improvement of the quality of services to be provided to the public and other operations, matters concerning improvement of operational efficiency, matters concerning improvement of the agency’s financial conditions, and other important matters.

Upon receiving such instructions from the minister, the AMO should prepare a plan to achieve its Medium-term Objectives (Medium-term Plan) and have them approved by the competent minister. The Medium-term Plan is required to include measures necessary to achieve objectives for improvement of the quality of services to be provided to the public and other operations, measures intended to achieve the objectives for more efficient operational management, budgeting (including estimated personnel expenses), revenue and expenditure plans, and funding plans.

The competent minister should seek the opinions of the Incorporated Administrative Agency System Evaluation Committee under the Ministry of Internal Affairs and Communications prior to formulation or revision of the Medium-term Objectives and should consult with the Minister of Finance before approving the formulation or revision of the Medium-term Objectives or Medium-term Plan.

The competent minister also should assess the performance of operations every fiscal year and at the end of every Medium-term Plan period.

(2) Key Items of the Medium-term Objectives and the Medium-term Plan

(i) The Medium-term Objectives period

The Medium-term Objectives period at the GPIF is a four-year period from fiscal 2006, the year of the GPIF’s establishment, through fiscal 2009 for the first period, a five-year period from fiscal 2010 through fiscal 2014 for the second period, and a five-year period from fiscal 2015 through fiscal 2019 for the third period. The final fiscal year of each of these periods corresponds to the year of an actuarial valuation that the government conducts every five years on the public pension schemes. This reflects the fact that the applicable law stipulates that the GPIF policy asset mix should be established in consideration of actuarial valuation and should be described in the Medium-term Plan.

(ii) Operating Rules for Investment Management (ORIM)

The Medium-term Objectives acknowledge that the reserve funds, part of the premium collected from pension recipients, are valuable sources of funding for future pension benefits, and that the purpose of the fund is to contribute to the future stable management of public pension schemes through stable and efficient management from a long-term perspective solely for the benefit of pension recipients. To promote disciplined investment management, the Objectives require GPIF to formulate the ORIM. This is based on the following provisions of the Employees' Pension Insurance Act and other relevant laws and regulations.

○ Article 79-2 of the Employees' Pension Insurance Act (same philosophy is written in the National Pension Act)

. . . the reserve funds, a part of the premium collected from the pension recipients, are a valuable source of funding for future pension benefits, and . . . the purpose of the fund is to contribute to the future stability of management of the Employees’ Pension Insurance through stable and efficient management from a long-term perspective solely for the benefit of the recipients of the Employees’ Pension Insurance.

○ Article 20, Paragraph 2 of the Act on the Government Pension Investment Fund,

. . . the GPIF must consider generally recognized expertise and macro-economic trends, as well as the impact of the reserve funds on the markets and other private sector activities, while avoiding concentration on any particular style of investment. The GPIF’s investment management should also satisfy the objectives under Article 79-2 of the Employees' Pension Insurance Act and Article 75 of the National Pension Act.

In light of these requirements, the Medium-term Plan establishes the policy asset mix from a long-term perspective, based on the philosophy of diversified investment. Given the upcoming standardization of employees’ pensions from October 2015, the policy asset mix of the third Medium-term Plan took into consideration the Reference Portfolio established jointly by the GPIF, the Federation of National Public Service Personnel Mutual Aid Associations, the Pension Fund Association for Local Government Officials, and the Promotion and Mutual Aid Corporation for Private Schools of Japan.

In addition to the formulation and publication* of the ORIM, the Medium-term Plan requires the GPIF to review the ORIM at least once a year and revise them promptly as deemed necessary.

Note: See the GPIF website (http://www.gpif.go.jp/operation/policy.html) for details of the operational policies.

(iii) Investment objectives, risk management, improvements in transparency, etc.

The third Medium-term Objectives as well as the second Medium-term Objectives, as revised in October 2014, stipulate that a reserve asset must achieve a long-term real return of 1.7% (net investment yield on the reserve funds less the nominal wage growth rate) with minimal risks, while maintaining liquidity necessary for the pension payout, based on the actuarial valuation of the pension schemes. The third Medium-term Objectives also require the GPIF to make efforts not to hinder market price formation or private-sector investment behavior and to achieve the benchmark rate of return (market average rate of return) for each asset class.

Regarding risk management for the reserve funds, the GPIF maintains the diversified portfolio, and manages and controls risks at the levels of the overall asset portfolio, each asset class, and each investment manager.
The third Medium-term Objectives require the GPIF to combine passive and active investments, with active investment to be based on the strong conviction of the excess return. In equity investment, the GPIF considers non-financial factors, including environment, social and governance (ESG) issues without compromising return.

Furthermore, the Investment Advisory Committee is to oversee new investment methods and/or any new investment products in an appropriate manner; in the Medium-term Plan the GPIF seeks prior deliberation by the Investment Advisory Committee before certain matters including investment policies for new investment methods and/or new investment products are implemented, and the GPIF reports to the Committee on the progress of selection of external investment managers or other matters as requested by the Committee.

(iv) Asset allocation (Policy Asset Mix) from a long-term perspective

Under the second Medium-term Objectives, as revised in October 2014, the policy asset mix, consistent with the investment objectives, should be further enhanced, based on the expertise generally recognized for asset management, macro-economic trends, and a long-term perspective with forward-looking risk analysis. We define the Reference Probability as the probability that the return of an all-domestic-bond portfolio falls below the nominal wage growth rate, and examine the probability that the return on the policy asset falls below the nominal wage growth rate is lower than the Reference Probability. We also take into due consideration the downside risk of equity investment, evaluate appropriately the probability that the reserve funds fall below the required level in the actuarial valuation by the government, and validate the policy asset mix using in-depth, multiple risk scenarios.
With this background, the GPIF established the policy asset mix shown below through the revised second Medium-term Plan in October 2014.

The same policy asset mix continues to be stipulated under the third Medium-term Plan.

	Domestic bonds	Domestic equities	International bonds	International equities
Target allocation	35%	25%	15%	25%
Permissible range of deviation	±10%	±9%	±4%	±8%

(Note 1) Alternative investment will be made within maximum 5% of total portfolio, in accordance with development of dedicated team. Infrastructure, private equities, real estates or other assets determined upon deliberation at the Investment Advisory Committee, are classified as domestic bonds, domestic equities, international bonds or international equities, depending on their risk and return profiles.

(Note 2) GPIF adopts tactical asset allocation within permissible range of deviation for each asset class, and this allocation is solely based upon thorough analysis on economic and market environment, and prudent judgment.

(v) Other important matters to be observed for reserve funds management

The third Medium-term Objectives call for thorough compliance with the duty of care and fiduciary duty of prudent experts.

When managing the reserve funds, the GPIF is required to consider the market size, not to be exposed to unfavorable market impact, and to avoid concentration of timing of investment and/or collection.

The GPIF is required not to unduly exert influence on corporate management but to take appropriate measures such as exercise of shareholders' voting rights for maximizing long-term returns to shareholders. We fulfill Stewardship Responsibilities based on Japan's Stewardship Code. However, we do not select individual stocks by ourselves, in consideration of the impact on corporate management.

It is also stipulated that the GPIF should secure the liquidity necessary for pension payouts by taking into consideration the actuarial valuation for the public pension schemes and the status of revenues and expenditures, and, in order to enhance the functions necessary for assuring liquidity without shortage, the GPIF is expected to take appropriate measures including selling assets smoothly while giving consideration to market price formation, etc.

(vi) Enhancement of investment management capabilities, improvement of operational efficiency

In the Medium-term Objectives, the GPIF is expected to clarify the expertise for the highly skilled professionals and the area of operations requiring such expertise, while developing an appropriate environment for attracting such talent, implementing a periodical performance evaluation system, and maintaining human resource in the most suitable way. The GPIF is also expected to explain clearly to the public the appropriateness of the remuneration level applied to such highly skilled professionals by referring to comparable remuneration in private-sector firms.

The GPIF is also expected to develop a comprehensive portfolio risk management system, including alternative-investment-specific risk management, with consideration of cost effectiveness. The GPIF will make risk management more sophisticated by upgrading its forward-looking risk analysis functions, risk analysis tools, information accumulation and research capability.

With regard to improvements in operational efficiency, the Objectives stipulate that the average cost savings during the Medium-term Objectives period should be at least 1.34% per annum based on the fiscal 2014 level. The cost-saving target includes general administrative expenses (excluding retirement allowances and office relocation expenses) and operational expenses (excluding expenses related to computer systems, fees for external asset managers, personnel expenses for highly skilled professionals, and expenses related to short-term borrowing). The new additions and expansions pursuant to the December 2013 Cabinet Office decision and similar factors are excluded from the cost-saving target. However, the additions and expansions are included in the 1.34% cost-saving target from the following fiscal year onward. The Objectives also call for continued efforts to reduce fees for external asset managers, considering changes in the respective amounts of invested assets.

3. Investment Principles and Code of Conduct

In March 2015, the GPIF formulated the Investment Principles and the Code of Conduct as part of our efforts to strengthen internal controls, as recommended by the Investment Advisory Committee. Together with fulfilling our accountability by making the management structure even more robust through compliance with the Investment Principles, we will act with the principle of being a trust-worthy organization for the public as the foundation of our day to day activities, faithfully complying with the Code of Conduct.

(1) Investment Principles

【1】Our overarching goal should be to achieve the investment returns required for the public pension system with minimal risks, solely for the benefit of pension recipients from a long-term perspective, thereby contributing to the stability of the system.

Japan’s public pension system (Employees’ Pension Insurance and National Pension) is fundamentally managed as a pay-as-you-go system that incorporates the concept of intergenerational dependency, whereby contributions paid by working generations support older generations.

In the light of a declining birthrate and an aging population, funding pension benefits solely with contributions from working generations would impose upon them an unduly excessive burden, so a fiscal plan has been drawn up to use the reserve assets (GPIF) to fund benefits and achieve fiscal equilibrium within about 100 years. After the fiscal balancing period, the fund is projected to hold reserve assets equivalent to one year of benefits, and is to be used for the benefit of later generations.

The GPIF’s mission is to contribute to the stability of the pension system by achieving the investment returns required for the aforementioned pension system. In other words, the most significant risk to the GPIF is a failure to achieve such returns.

We shall not pursue higher returns for their own sake. Our persistent goal is to secure the necessary returns required for the pension system from a long-term perspective. The GPIF assigns the highest priority to the benefits of pension recipients and makes investments upon taking into consideration the size of the market in which we invest, while maintaining the value of reserve assets. We shall never use reserve assets to influence equity markets or to implement economic policies. We are committed to making investments solely for the benefit of pension recipients.

【2】Our primary investment strategy should be diversification by asset class, region, and timeframe. While acknowledging fluctuations of market prices in the short term, we shall achieve investment returns in a more stable and efficient manner by taking full advantage of our long-term investment horizon. At the same time we shall secure sufficient liquidity to pay pension benefits.

《Diversified Investments》

As the western proverb “Don’t put all one’s eggs into one basket” suggests, it is evident not only from domestic and foreign investment practices but also from financial theories that investing in a diversified set of assets with different attributes is appropriate and effective for the safe and efficient management of funds in general. For example, appropriate investments in multiple diversified assets, e.g., investments in both bonds and equities that possess different risk/return profiles, would produce less volatility in returns over the long-term while achieving the same expected returns. Diversification is thus our primary investment strategy.

Investing in bonds can generally expect principal redemptions at full maturity. In particular, domestic bonds yield yen-based cash required for pension payments to recipients. We also acknowledge that public bonds, which are generally considered to be safer than equities, can result in losses when interest rates rise. Should we continue to hold bonds whose nominal returns are lower than the rate of inflation of goods and wages, our reserve assets would ultimately lose value in real terms.

In general, returns of equity indices such as TOPIX, which broadly reflect overall markets, move in line with economic growth, and higher stable returns can be expected to be earned by investing in equities in the longer term. The basic principle of equity investment is to invest in those whose values are expected to rise in the long run. In the short run, however, market prices can often diverge significantly from intrinsic values for a variety of reasons.

While overseas investments would allow us to enjoy the benefits of global economic growth, their market prices can be affected by fluctuations in foreign exchange rates and changes in the invested country’s political environment.

While acknowledging the market fluctuations mentioned above, we believe that investing in different asset classes will contribute to achieving the investment returns required for the pension system, because: (1) market prices are expected to converge to their fundamental values over the long run, and (2) holding a variety of asset classes will bring the effects of diversification.

《Long-term investment horizon》

In general, the longer the investment horizon, the higher the returns, in the same sense as time deposits in the longer term earn higher interest rates than ordinary deposits, which can be withdrawn at any time. By having a long-term investment horizon, we can avoid being forced to sell assets at disadvantageous prices, and hold and wait until market prices recover.

According to financial projections for the public pension system, we need not spend down a significant amount of reserve assets for the foreseeable future, which would enable us to make investments over a relatively long-term. Taking advantage of this feature, we aim to achieve investment returns in a stable and efficient manner.

《Securing liquidity for pension benefits payments》

The pension reserve managed by the GPIF has the important role of immediately providing liquidity to the government’s Pension Special Account (“Account”) if the amount of funds kept in the Account faces a cash shortage and is unable to meet pension benefits payments.

As such, we think it is imperative to pool proceeds from coupons and redemptions of domestic bonds in advance in accordance with the fiscal projection and to preserve highly liquid assets to prepare for an unexpected situation where the Account needs an immediate liquidity injection.

【3】We formulate the policy asset mix and manage and control risks at the levels of the overall asset portfolio, each asset class, and each investment manager. We employ both passive and active investments to attain benchmark returns (i.e., average market returns) set for each asset class, while seeking untapped profitable investment opportunities.

《Formulating the policy asset mix》

When investing in the long-term, it is considered to be more effective and bring about better results to determine the policy asset mix and maintain it over a long period, rather than frequently changing asset allocation in response to short-term market movements. In this sense, formulating the policy asset mix is the most important decision the GPIF has to make. Hence, a rigorous procedure is established whenever the Medium-term Plan, including the policy asset mix, is created or changed; i.e., with the approval of the Investment Advisory Committee, the President of the GPIF submits the plan to the Minister of the Health, Labour and Welfare, and the plan becomes effective, when approved by the Minister.

《Risk control》

The most significant risk for the GPIF is a failure to achieve the investment returns required for the pension system. Meanwhile, there are a variety of risks to be controlled in day-to-day investment operations. Such risks include not only market risk, liquidity risk, credit risk, and country risk associated with invested assets, but also broader investment and monitoring processes, such as risks related to outsourced investment managers, custodians, and the GPIF's operations, etc. We identify those risks associated with overall assets, each asset class, and each investment manager in advance, and monitor and manage them at regular intervals, and as necessary. Furthermore, as a long-term investor, we stay vigilant to the emergence of new risks that need to be controlled in accordance with changes in the economic environment or evolution of investments, and we address such risks in a flexible and prompt manner.

《Securing benchmark returns (i.e., average market returns)》

In the capital markets, investors use a variety of information and trade investment assets based on their own motivations. In particular, assuming an investment horizon that is long enough for information to become widely available and for many investors to conduct an enormous number of transactions, market prices are expected to converge to their intrinsic values, and are neither undervalued nor overvalued. In this regard, the markets are considered to be efficient in general. This view is compatible with passive investments (i.e., investment strategies in line with indices that parallel price movements of overall markets), and this style is useful for large long-term investors such as the GPIF.

On the other hand, the market prices of securities can be left undervalued or overvalued in cases where public information is not sufficiently shared among investors, markets are overreacting to uncertain information, or the number of investors is limited. This view is compatible with active investments (i.e., investment strategies that deliberately deviate from indices reflecting price movements of overall markets in pursuit of gaining excess returns) and alternative investments.

The GPIF shall combine passive and active investments, aiming to secure benchmark returns (i.e., average market returns) set for each asset class, while seeking untapped profitable investment opportunities based upon a thorough examination of the fundamental sources of such investment returns.

【4】By fulfilling our stewardship responsibilities, we shall continue to maximize medium- to long-term equity investment returns for the benefit of pension recipients.

《Stewardship responsibility》

Stewardship responsibility is construed as “the responsibility of institutional investors to aim to increase medium- to long-term investment returns for clients or beneficiaries by promoting enterprise value enhancements and sustainable growth of invested companies through constructive dialogues for purposes (“Engagements”) based on a deep understanding of invested companies and their operational environments.” Aiming to increase medium- to long-term investment returns by promoting enterprise value enhancements and sustainable growth is appropriate for the features of the pension reserve, and is critically important for the GPIF, which holds significant domestic equities over the long-term. From this standpoint, we will fulfill our stewardship responsibilities

《Exercise of voting rights》

The GPIF Act stipulates that we should outsource investments in equities through external asset managers, to whom we entrust exercise of voting rights. In entrusting such managers, we require them to recognize the importance of corporate governance, to pledge that the purpose of proxy voting is to maximize the long-term interests of shareholders, and to report on their policies and the results of proxy voting.

(2) Code of Conduct

As recommended by the Investment Advisory Committee, the GPIF has established the Code of Conduct of nine items to be observed by executives, employees, and Investment Advisory Committee members (social responsibility, fiduciary duty, compliance with laws and maintaining highest professional ethics and integrity, duty of confidentiality and protecting the GPIF's assets, prohibition of pursuing interests other than those of GPIF, fairness of business transactions, improving information disclosure, developing human resources and respect in the workplace, and self-surveillance of illegal or inappropriate activity). We have also established internal rules for the Code of Conduct, as disclosed on our website.

The status of compliance with the Code of Conduct is monitored by the Compliance Officer and reported to the Internal Control Committee and the Compliance Committee. It is reviewed periodically by the Governance Council under the Investment Advisory Committee. The Governance Council, if it finds it necessary, may draft amendments to the Code of Conduct and submit such drafts to the Investment Advisory Committee for deliberation and approval.

Code of Conduct

March 2015

1. Social responsibility
   - The GPIF's mission is to contribute to the stability of the public pension system (Employees' Pension Insurance and National Pensions) by managing the reserve assets and distributing the proceeds to the government.

2. Fiduciary duty
   - We fully understand that the reserve assets are instrumental for future pension benefits payments, act solely for the benefit of pension recipients, and pledge to pay due attention as prudent experts in exercising our fiduciary responsibilities. The Committee members of the Investment Advisory Committee shall by no means be motivated by benefitting the organizations to which they belong.

3. Compliance with laws and maintaining highest professional ethics and integrity
   - We shall comply with laws and social norms, remain fully cognizant of our social responsibilities associated with pension reserve management, and act with the highest professional ethics and integrity to avoid any distrust or suspicion of the public.

4. Duty of confidentiality and protecting the GPIF's asset
   - We shall strictly control confidential information that we come to access through our businesses, such as non-public information related to investment policies and investment activities, and never use such information privately or illegally.
   - We shall effectively use the GPIF's assets, both tangible and intangible (e.g., documents, proprietary information, system, and know-how), and protect and manage such assets properly.

5. Prohibition of pursuing interests other than those of GPIF
   - We shall never use our occupations or positions for the interests of ourselves, relatives, or third parties.
   - We shall never seek undue profits at the expense of the GPIF.

6. Fairness of business transactions
   - We shall respect fair business practices at home and abroad, and treat all counterparties impartially.
   - We shall never make transactions with anti-social forces or bodies.

7. Improving information disclosure
   - We shall continue to improve our public information disclosure and public relations activities.
   - We shall ensure the accuracy and appropriateness of our financial statements and other public documents that are required to be disclosed by laws and ordinances.
   - We shall remain mindful that our outside activities, regardless of whether business or private (e.g., publications, speeches, interviews, or use of social media) affect the credibility of the GPIF, and act accordingly.

8. Developing human resources and respect in the workplace
   - We are committed to the GPIF's mission by improving our professional skills and expertise, promoting communication and teamwork and nurturing a diversity of talents and capabilities.
   - We shall respect each person's personality, talents and capabilities, perspectives, well-being, and privacy to maintain a good work environment, and never allow discrimination or harassment.

9. Self-surveillance of illegal or inappropriate activity
   - Whenever an illegal or inappropriate activity is (or is expected to be) perpetrated by Committee members, executives, staff, or other related personnel, such activity shall be immediately reported to the GPIF through various channels including our whistleblowing system.
   - When such a report is made, we shall conduct the necessary investigation and take corrective actions and preventive measures according to our internal rules.

4. Organization and Internal Control System

(1) Organization

As of May 9, 2015, the GPIF has five directors, consisting of the President, two Executive Managing Directors (one for Planning and General Affairs and another for investment Management and serving as the CIO), and two Auditors (including one non-executive auditor), as well as 79 employees (including one part-time employee).

The organization consists of the Administrative Department (General Affairs Division, Accounting Division), Planning Department (Planning Division, Treasury Division, Research Division), Portfolio Risk Management Office, Information System Department (System Administration Division, Information Security Management Division), Investment Strategy Department (Investment Strategy Division), Investment Department (Public Market Division, Private Market Division), In-house Investment Office, and Internal Auditing Office (to report directly to the President).

(2) Internal control system

Under the Basic Policies of Internal Control, we maintain the effectiveness and efficiency of business operations, comply with laws and regulations, conduct risk management, preserve documents and information, and ensure reliability of financial reporting.

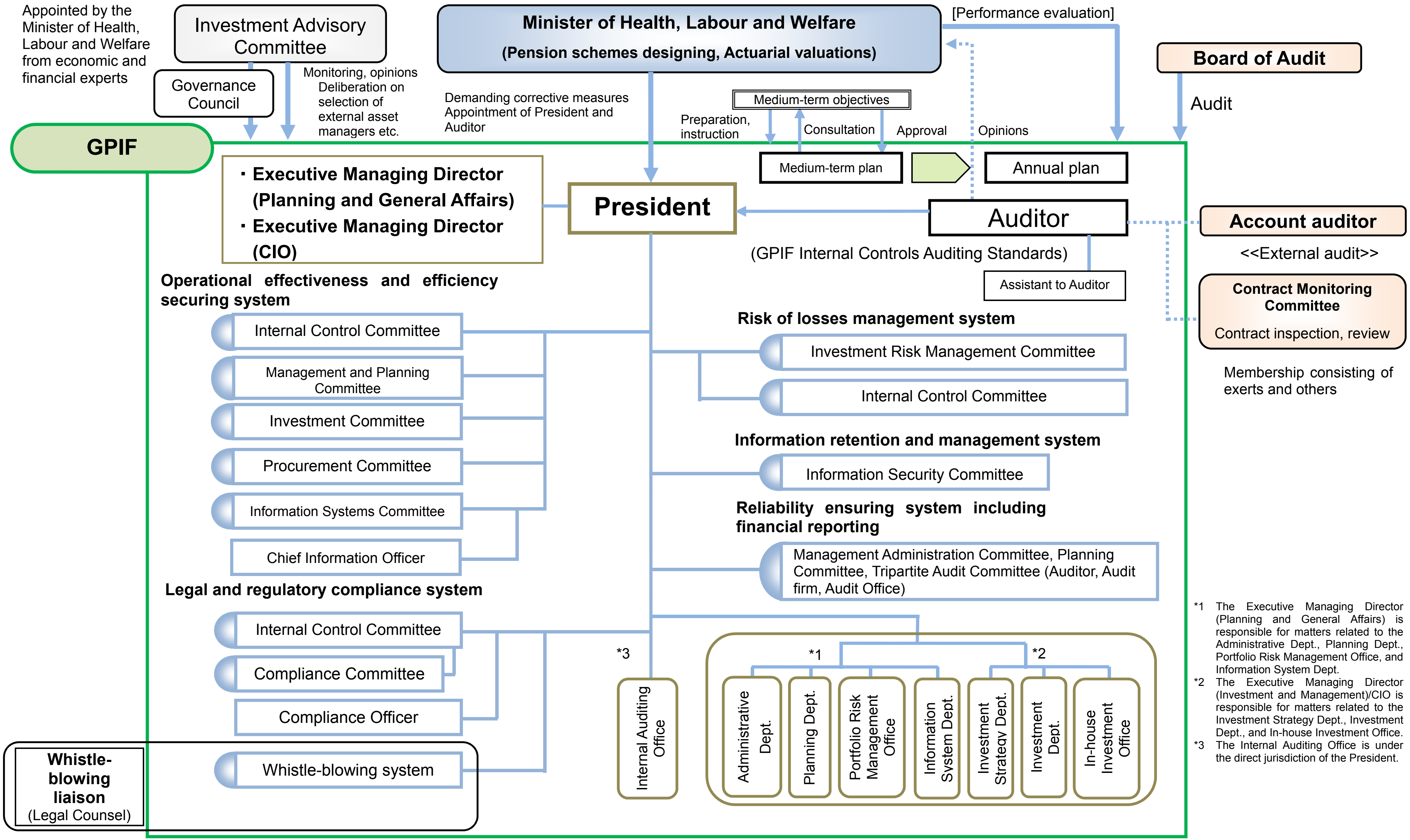
In order to maintain the effectiveness and efficiency of operations, Internal Control Committee oversee the internal control system, and directors, departments and persons responsible for internal control are assigned. All executives and employees are informed of the necessity to comply with the Investment Principles and Code of Conduct and to act as an organization worthy of the trust of the public. The Management and Planning Committee facilitates the efficient operation of the GPIF and ensures that important management matters are decided appropriately. Also, the Chief Investment Officer (CIO) is assigned to run investment management, and the Investment Committee, chaired by the CIO, ensures that investment decisions are made appropriately. Furthermore, the Internal Auditing Office conducts internal auditing of the GPIF’s operations and related responsibilities.

Regarding compliance with laws and regulations, the Compliance Committee under the Internal Control Committee as well as the Compliance Officer are responsible for this mission. We also maintain a whistle-blowing system and take corrective actions and preventive measures according to our internal rules whenever an illegal or inappropriate activity is (or is expected to be) perpetrated by Investment Advisory Committee members, executives or employees of the GPIF.

Regarding investment risk management, the Investment Risk Management Committee monitors and manages various risks; the Internal Control Committee identifies, analyzes, and manages risks that could impede the GPIF’s day-to-day operations.

In order to manage/preserve documents and information appropriately, internal policies are established for the maintenance and usage of information systems and the management of documents, and the Information Security Committee is responsible for strengthening the robust system for information security.

Schematic Diagram of Internal Control



Appointed by the Minister of Health, Labour and Welfare from economic and financial experts

Investment Advisory Committee

Governance Council

Monitoring, opinions
Deliberation on selection of external asset managers etc.

Minister of Health, Labour and Welfare

(Pension schemes designing, Actuarial valuations)

[Performance evaluation]

Demanding corrective measures
Appointment of President and Auditor

Medium-term objectives

Preparation, instruction

Consultation

Approval

Opinions

Board of Audit

Audit

GPIF

- **Executive Managing Director (Planning and General Affairs)**
- **Executive Managing Director (CIO)**

President

Medium-term plan

Annual plan

Auditor

(GPIF Internal Controls Auditing Standards)

Assistant to Auditor

Account auditor

<<External audit>>

Contract Monitoring Committee

Contract inspection, review

Membership consisting of exerts and others

Operational effectiveness and efficiency securing system

- Internal Control Committee
- Management and Planning Committee
- Investment Committee
- Procurement Committee
- Information Systems Committee
- Chief Information Officer

Legal and regulatory compliance system

- Internal Control Committee
- Compliance Committee
- Compliance Officer
- Whistle-blowing system

Whistle-blowing liaison
(Legal Counsel)

Risk of losses management system

- Investment Risk Management Committee
- Internal Control Committee

Information retention and management system

- Information Security Committee

Reliability ensuring system including financial reporting

- Management Administration Committee, Planning Committee, Tripartite Audit Committee (Auditor, Audit firm, Audit Office)

*3 Internal Auditing Office

*1 Administrative Dept.
Planning Dept.
Portfolio Risk Management Office
Information System Dept.

*2 Investment Strategy Dept.
Investment Dept.
In-house Investment Office

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*1 The Executive Managing Director (Planning and General Affairs) is responsible for matters related to the Administrative Dept., Planning Dept., Portfolio Risk Management Office, and Information System Dept.

*2 The Executive Managing Director (Investment and Management)/CIO is responsible for matters related to the Investment Strategy Dept., Investment Dept., and In-house Investment Office.

*3 The Internal Auditing Office is under the direct jurisdiction of the President.

5. Investment Advisory Committee

The Investment Advisory Committee has been established within the GPIF. It consists of eleven or fewer members with a high degree of economic or financial expertise or relevant academic knowledge or experience, as appointed by the Minister of Health, Labour and Welfare.

Pursuant to the applicable law, preparation and revision of the Statement of Operation Procedures and the Medium-term Plan, including the policy asset mix, are to be made after deliberation by the Investment Advisory Committee. In addition, at the GPIF these matters require the prior approval of the Investment Advisory Committee subject to internal rules, and the Investment Advisory Committee deliberates on whether or not to approve these.

It is also entitled to monitor the status of asset management of the reserve funds and other management and operational matters, provide opinions on important matters related to management and operations as requested by the President, and make recommendations to the President on matters as it deems necessary.

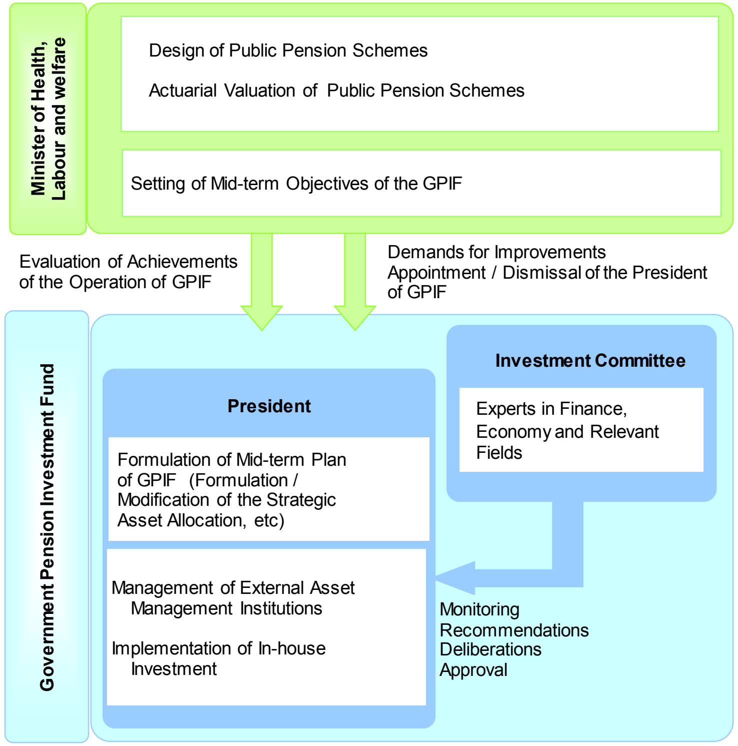
The Governance Council is established under the Investment Advisory Committee. The Governance Council makes proposals regarding the GPIF Investment Principles and the Code of Conduct and monitors their status of compliance, among other duties.

Investment Advisory Committee Members（As of Apr 1, 2015）

	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.
○	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
Note 3: * indicates member of Governance Council, ** indicates Chairman of Governance Council

Outline of the governance structure of GPIF

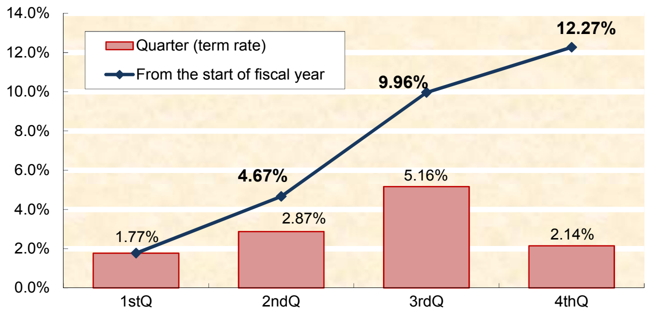


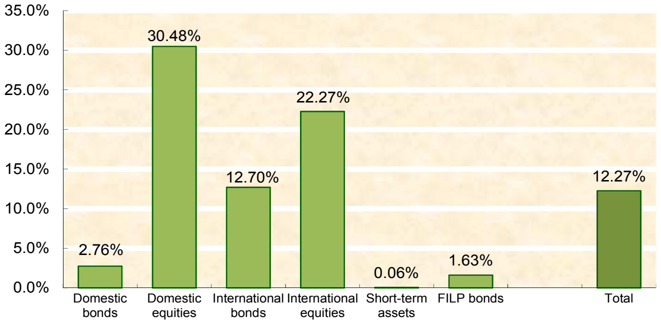
Chapter 2: Investment Results in Fiscal 2014

1. Investment Results

(1) Investment returns

The total return for fiscal 2014 was **12.27%**.



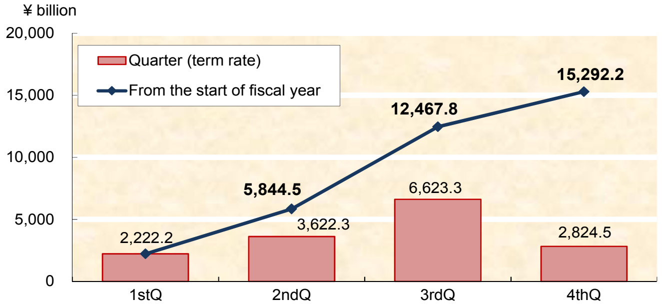


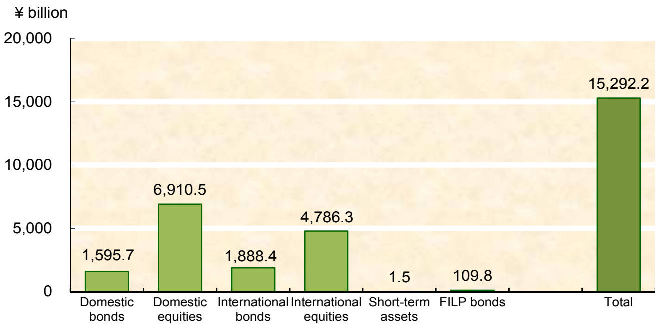
	1stQ	2ndQ	3rdQ	4thQ	Total
Domestic bonds	0.72%	0.53%	1.88%	-0.38%	2.76%
Domestic equities	5.11%	5.78%	6.20%	10.51%	30.48%
International bonds	0.55%	5.51%	9.36%	-2.86%	12.70%
International equities	3.06%	5.64%	10.32%	1.81%	22.27%
FILP bonds	0.40%	0.40%	0.41%	0.42%	1.63%

Note 1: Fiscal 2014 is the year ended March 31, 2015.
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 2014 was **¥15,292.2 billion**.





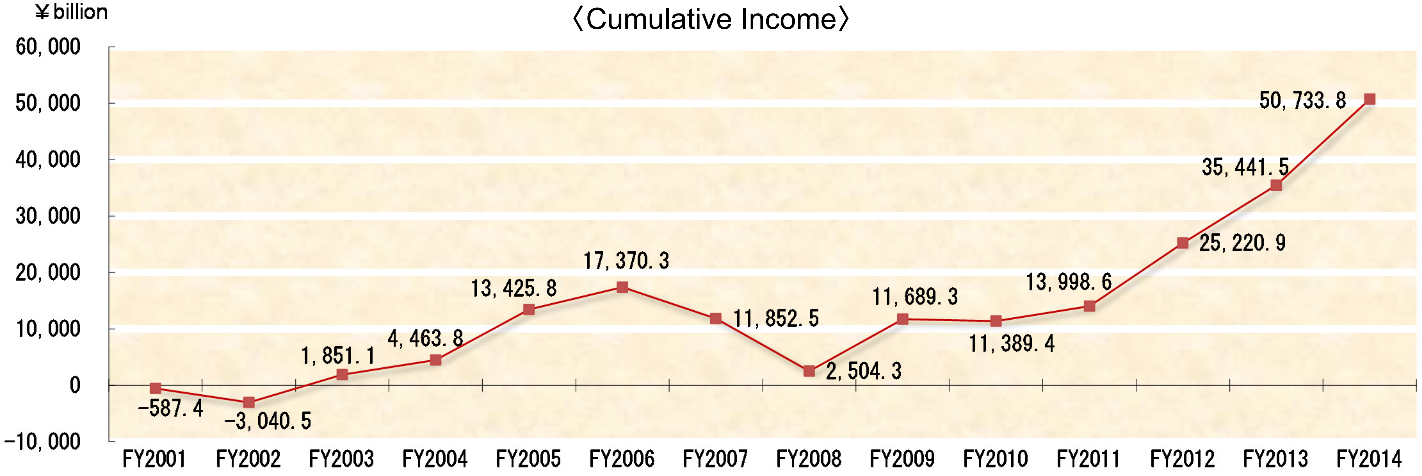
(¥billion)

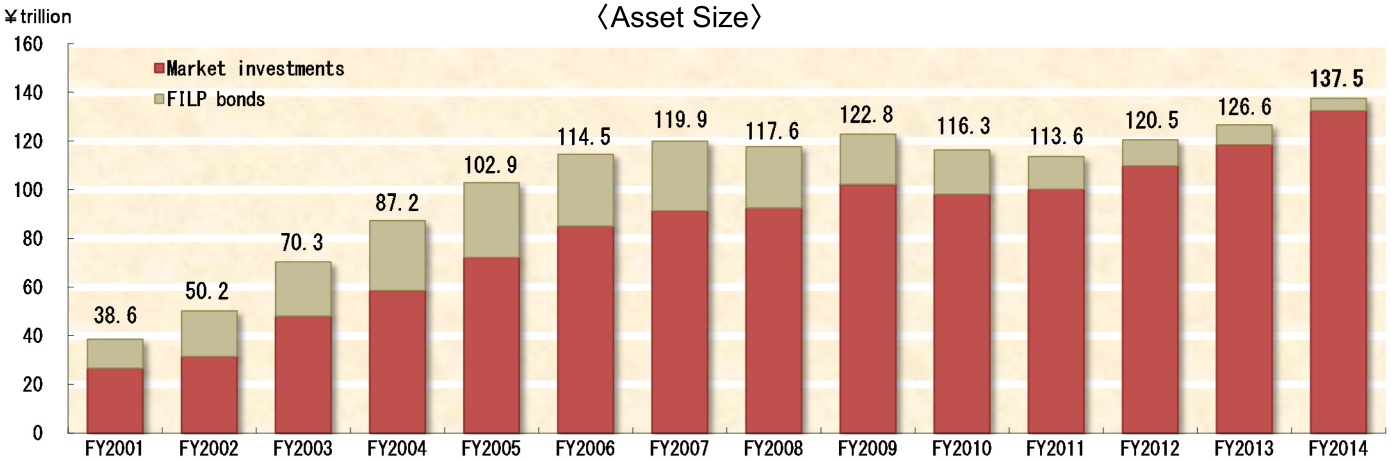
	1stQ	2ndQ	3rdQ	4thQ	Total
Domestic bonds	440.8	315.2	1,042.4	-202.7	1,595.7
Domestic equities	1,069.4	1,289.2	1,561.9	2,990.0	6,910.5
International bonds	76.4	810.8	1,522.8	-521.5	1,888.4
International equities	603.0	1,177.9	2,469.9	535.5	4,786.3
Short-term assets	0.2	0.5	0.5	0.3	1.5
FILP bonds	32.3	28.8	25.8	22.8	109.8

Note: Investment incomes are gross of fees.

(3) Cumulative income and asset size since the start of discretionary investment (fiscal 2001)

Cumulative income from fiscal 2001, when we began discretionary investment, to fiscal 2014 is **¥50,733.8 billion** and the value of investment assets at the end of fiscal 2014 was **¥137.5 trillion.**





Note: The balance of FILP bonds increased from fiscal 2001 through fiscal 2007 due to increased underwriting and has decreased since then due to redemption on maturity.

(4) Comparison to the assumed investment return in actuarial valuation

The average real investment return* is 3.11% for fourteen years since the discretionary investment started in 2001, and is 3.68% for nine 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.

* 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.

GPIF's investment performance

(%)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Last nine-years (Annualized)	Last fourteen-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	12.24	3.37	2.76
	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	0.99	-0.30	-0.34
	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	11.14	3.68	3.11

Yields used in actuarial valuation

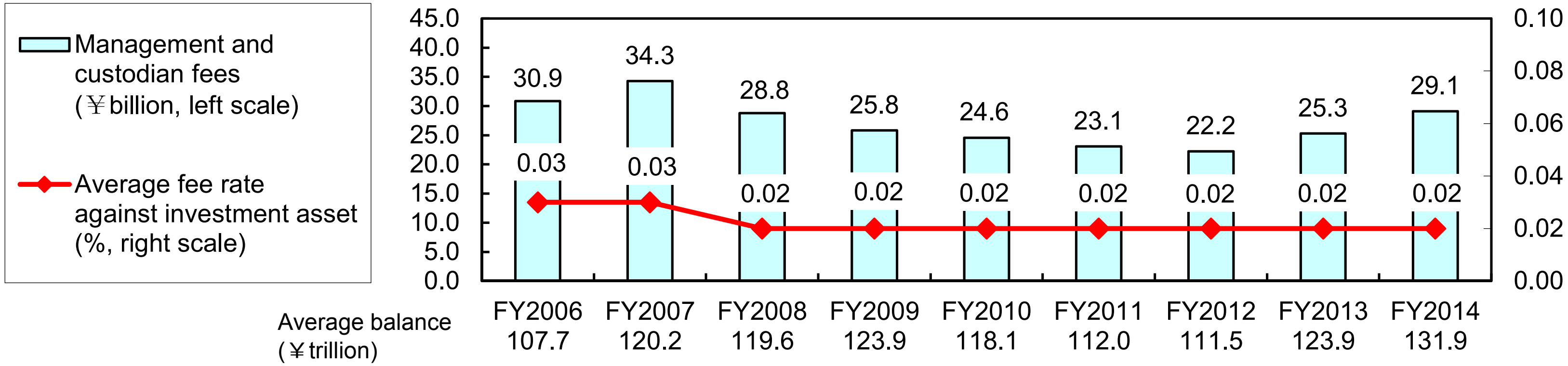
(%)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Last nine-years (Annualized)	Last fourteen-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	1.34	2.07	2.14
	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	1.00	2.17	1.88
	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	0.34	-0.09	0.25

(5) Fees and Expenses

We have been making efforts to implement efficient and reasonable level of management and custodian fees which are consistent with the investment styles.

In fiscal 2014, management and custodian fees for domestic equities decreased by ¥2.1 billion following fee reductions resulting from the fiscal 2013 review of the manager structure for domestic equities, while the fees for foreign currency denominated assets increased in connection with increases in asset allocations and market prices. Consequently, the total fees rose by ¥3.8 billion from the previous year to ¥29.1 billion. The average rate of the total fees against the investment amount for fiscal 2014 was 0.02%.



Fees by asset class

(￥ billion)

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Domestic bonds	8.5	10.2	10.0	7.1	6.7	6.4	4.7	3.6	3.8
Domestic equities	9.8	9.6	7.0	6.6	6.5	6.2	5.9	7.8	5.7
International bonds	4.9	6.3	6.1	6.0	5.6	5.2	5.7	6.8	8.5
International equities	7.7	8.2	5.6	6.1	5.8	5.3	6.0	7.2	11.2

Average rate of fees against externally managed assets

(%)

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Domestic bonds	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
Domestic equities	0.05	0.06	0.06	0.05	0.05	0.05	0.04	0.04	0.02
International bonds	0.06	0.07	0.06	0.06	0.06	0.06	0.06	0.05	0.05
International equities	0.07	0.06	0.06	0.05	0.05	0.04	0.04	0.04	0.05

2. Management of Asset Allocation

(1) Policy Asset Mix

The policy asset mix based on the second and third Medium-term Objectives, as revised in October 2014, is shown on p. 8. The background of this mix is as outlined below.

a. Target return

Given the present assessment and projection on the pension finance (“Actuarial Valuation”), the reserve asset must achieve a 1.7% “Real Investment Return” (nominal investment return less nominal wage increase) with the lowest risk while maintaining liquidity necessary for the pension benefits.

b. Assumed Investment Horizon

According to the Actuarial Valuation, the reserve asset level is to decrease for 10 years (payout is larger than contribution), which is followed by 15 years increase (payout is smaller than contribution). Then, the reserve asset level will decrease again. Hence, the assumed investment horizon was set to be 25 years (10+15years), beyond which the reserve asset is expected to start declining and investment policy should be more focused on the preservation of liquidity.

c. Assumed two scenarios

Instead of a long-term equilibrium rate, domestic bond return is based upon a scenario that interest rates are expected to rise for 10 years. This scenario is consistent with the Actuarial Valuation, conducted by Ministry of Health, Labour and Welfare.

We assumed two scenarios on Japan’s economic growth. Among scenarios in the Actuarial Valuation, “Upside Scenario” (Scenario E in the Actuarial Valuation) is chosen, because the investment target in Scenario E is highest and able to secure necessary investment return in any scenario in the Actuarial Valuation. “Downside Scenario” (Scenario G) is chosen, because interest rate levels in Scenario G are most consistent with current Yen yield curve.

Future real long-term interest rates are set to be 2.7% in Upside Scenario and 1.9% in Downside Scenario respectively (Future inflation rates are set to be 1.2% in Upside scenario and 0.9% in Downside scenario respectively.).

d. Assumption of Returns

For domestic bonds, the average rate of return over the anticipated investment period, calculated based on recent long-term interest-rate scenarios as used in the actuarial valuation, is applied. With regard to expected returns of domestic equities, international bonds and international equities, we used a short-term interest rate plus respective risk premiums.

	Domestic bonds	Domestic equities	International bonds	International equities	Short-term assets	Wage Increase
Upside Scenario (%)	-0.2(2.6)	3.2(6.0)	0.9(3.7)	3.6(6.4)	-1.7(1.1)	(2.8)
Downside Scenario (%)	-0.1(2.0)	3.1(5.2)	1.4(3.5)	4.1(6.2)	-1.1(1.0)	(2.1)

Note: Figures above indicate real returns. Figures in parentheses indicate nominal returns with the rate of increase in wages added.

e. Assumption of Risks and Correlations

We estimated the risks (standard deviation) and the correlations among 4 assets using historical data for the past 20 years*.

	Domestic bonds	Domestic equities	International bonds	International equities	Short-term assets	Wage Increase
Standard Deviation (%)	4.7	25.1	12.6	27.3	0.5	1.9

Correlation	Domestic bonds	Domestic equities	International bonds	International equities	Short-term assets	Wage Increase
Domestic bonds	1.00					
Domestic equities	-0.16	1.00				
International bonds	0.25	0.04	1.00			
International equities	0.09	0.64	0.57	1.00		
Short-term assets	0.12	-0.10	-0.15	-0.14	1.00	
Wage Increase	0.18	0.12	0.07	0.10	0.35	1.00

(Note) In estimating the risk of domestic bonds, the extension of duration in the future was taken into consideration.

f. Profiles of Policy Asset Mix

We identified a portfolio which meets the return requirement (nominal wage increase plus 1.7%) in both Upside and Downside Scenarios, and examined whether probability to underperform nominal wage increase ("Lower Partial Probability") is smaller than all-domestic-bond portfolio. Moreover, Expected Shortfall of the portfolio is found smallest.

	Real Return	Nominal Return	Standard Deviation	Lower Partial Probability	Expected Shortfall (Normal Distribution)	Expected Shortfall (Empirical Distribution) (Note2)
Upside Scenario (%)	1.77	4.57	12.8	44.4	9.45	11.2
Downside Scenario (%)	1.98	4.08	12.8	43.8	9.38	11.2
(Reference) Profiles of All-Domestic-Bond Portfolio						
Upside Scenario (%)	-0.20	2.60	4.7	51.7	3.86	3.52
Downside Scenario (%)	-0.10	2.00	4.7	50.8	3.83	3.48

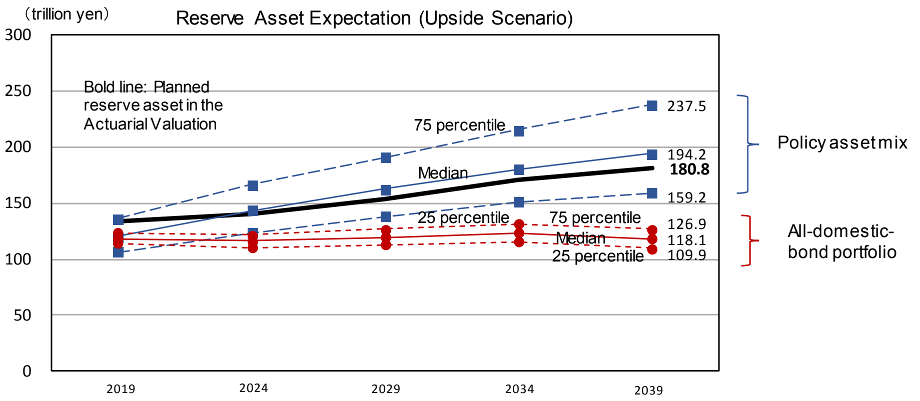
(Note 1) Although the return requirement is 1.7%, we assume a 2% allocation to short-term assets whose returns are very low. Hence, 1.7% target is adjusted to 1.77% in Upside Scenario and 1.76% in Downside Scenario respectively.

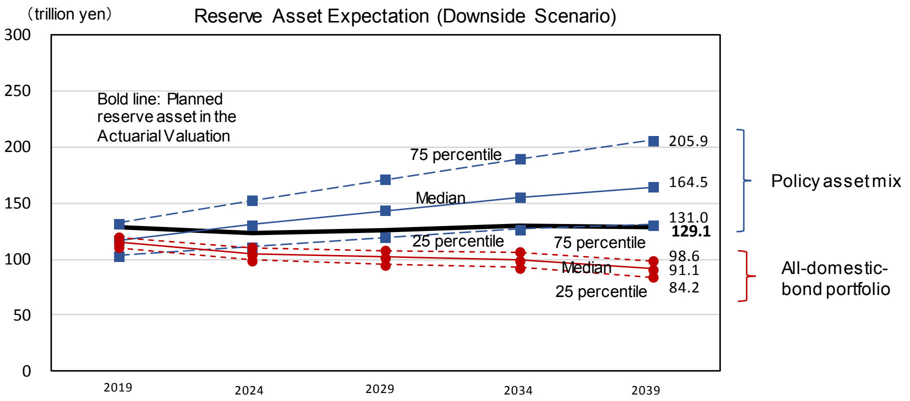
(Note 2) "Expected Shortfall (Empirical Distribution)" is supplementarily estimated by Monte Carlo simulation based on historical data (Empirical Distribution) with consideration that equities may have larger downside probability than expected ("Tail Risk").

g. Preserving Necessary Reserve Asset

It is important to verify the degree of risk (long-term probability) that a certain policy asset mix may fall below the reserve asset which the Actuarial Valuation assumes. In order to estimate how new asset policy mix performs in comparison with the assumed level of reserve asset, we made a simulation 100,000 times for each scenario and looked into the distribution. The results show that the probability that New Asset Policy Mix falls below the assumed level of reserve asset in year of 2039 is 40% in Upside Scenario and 25% in Downside Scenario respectively.
We also conducted a similar simulation for all-domestic-bond portfolio and the result indicates that this hypothetical portfolio always fall below the assumed level of reserve asset in Upside and Downside scenario.

Based upon the analysis from f to g, the new asset policy mix is the most efficient to achieve the assumed level of reserve asset, while minimizing the downside risk.





(Note) “Reserve Asset Expectation” is expressed as real reserve asset (present value discounted by nominal wage increase).

Hypothetically, if this policy asset mix had been implemented 10 years ago and the average market rate of return on each asset had been applied over the past 10 years (fiscal 2004-2013), the highest rate of return and amount of returns would have been 16.5% and ¥18.1 trillion in fiscal 2012 (cf. actual figures are 10.2% and ¥11.2 trillion), and the lowest would have been -21.2% and -¥26.2 trillion in fiscal 2008 (cf. actual figures are minus 7.6% and minus ¥9.3 trillion). While the variation in single-year earnings would have increased, the rate of return over 10 years would have been 4.3% annualized in the new policy mix, which is higher than the 3.2% actual return in the previous policy asset mix.

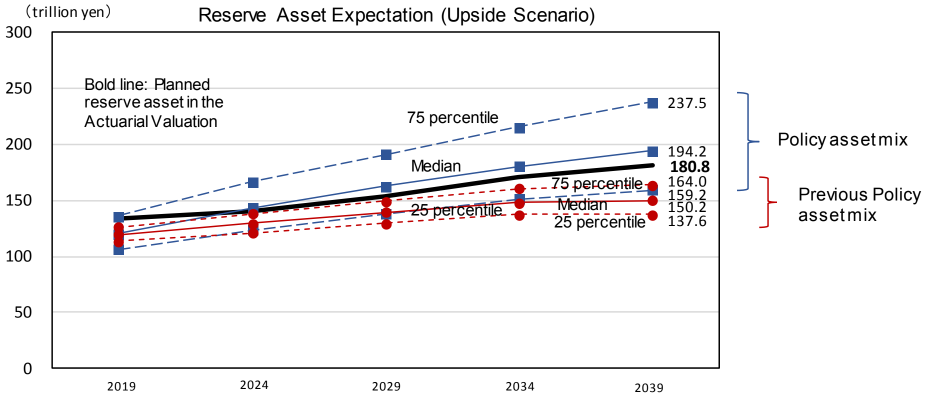
Reference: comparison with the previous policy asset mix

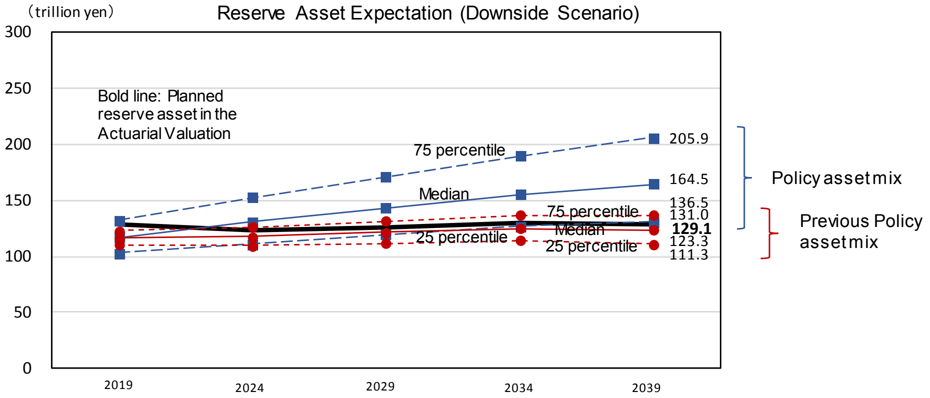
With the same economic assumptions as used in the new policy asset mix, the previous policy asset mix, effective prior to October 31 2014 (60% domestic bonds, 12% domestic equities, 11% international bonds, 12% international equities, 5% short-term assets), shows the following simulated results. In either scenario, the new policy asset mix clearly secures estimated reserves greater than the previous policy asset mix.

［Profiles of Previous Policy Asset Mix］

	Real Return	Nominal Return	Standard Deviation	Lower Partial Probability	Expected Shortfall (Normal Distribution)	Expected Shortfall (Empirical Distribution)
Upside Scenario (%)	0.71	3.51	7.0	45.8	5.22	6.19
Downside Scenario (%)	0.90	3.00	7.0	44.8	5.16	6.16

[Long-term simulated results under the previous policy asset mix]



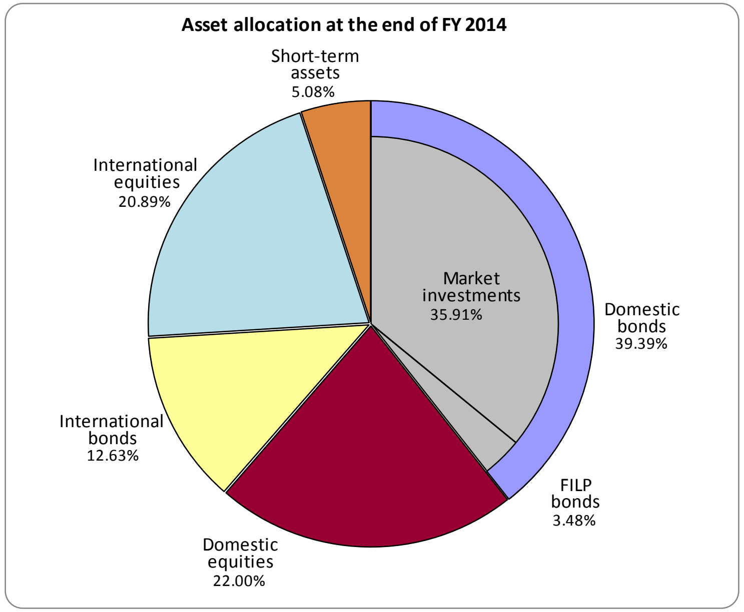


(2) Investment assets and portfolio allocation
（Reserve Funds managed by GPIF and the Pension Special Account）

The asset allocation was as follows:

End of FY 2014

		Market value (￥billion)	Allocation of Reserve Funds
Domestic bonds		56,703.7	39.39%
Market investments		51,691.5	35.91%
FILP bonds	Book value	5,012.2	3.48%
	（Market value）	(5,211.4)	-
Domestic equities		31,670.4	22.00%
International bonds		18,181.5	12.63%
International equities		30,077.2	20.89%
Short-term assets		7,318.1	5.08%
Total		143,950.9	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: While Reserve Funds as a whole include reserves managed under a special account as of the end of fiscal 2014, this amount is prior to adjustment for revenues and expenditures and differs from the amount in final settlement of accounts.
Note 5: Policy Asset Mix（Domestic bonds 35%（±10%）、Domestic equities 25%（±9%）、International bonds 15%（±4%）、International equities 25%（±8%））
Note 6: The percentage of the alternative investments ：0.00%（within maximum 5% of total portfolio）

The allocation changes of each asset class as a result of rebalancing, and allocation and withdrawal for during fiscal 2014 was as follows:

（¥billion）

	Domestic bonds	Domestic equities	International bonds	International equities
Allocated・Withdrawn	-15,191.4	+3,918.5	+2,297.0	+5,559.8

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

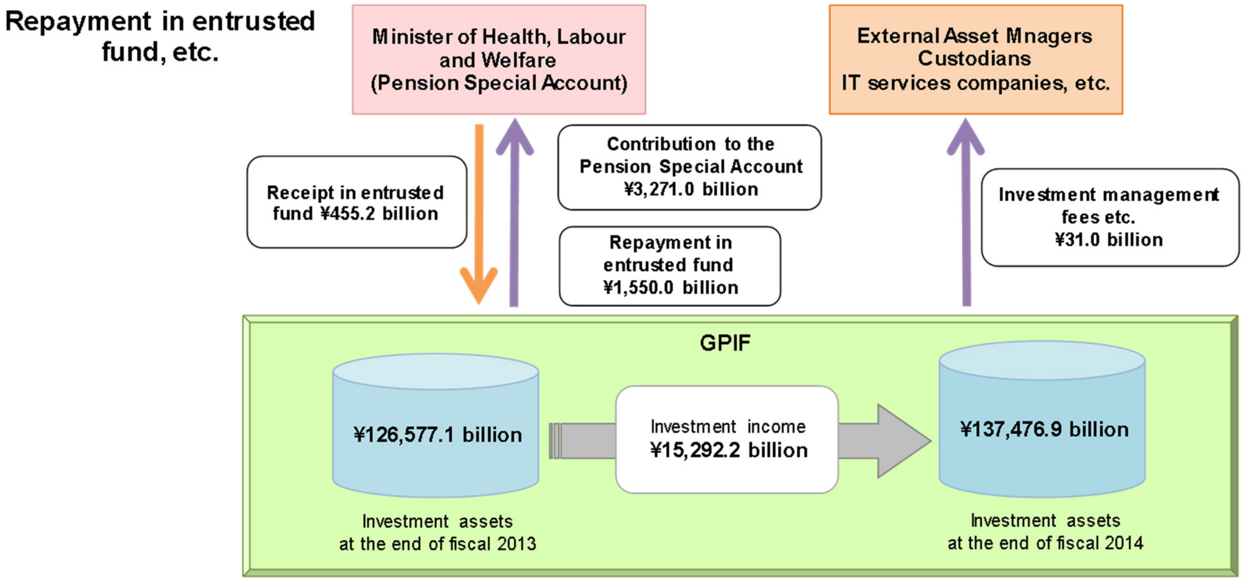
3. Changes in Amount in Entrusted Fund, Contributions to the Treasury, etc.

(1) Change in value of investment assets

The value of total investment assets as of the end of fiscal 2013 was ¥126,577.1 billion. During fiscal 2014 this amount was changed by receipt of ¥455.2 billion in entrusted funds, investment income of ¥15,292.2 billion, contributions of ¥3,271.0 billion to the Pension Special Account, repayment of ¥1,550.0 billion in entrusted funds, and investment management fees etc. of ¥31.0 billion.

By adding an adjustment of ¥4.3 billion made in connection with expenses payable and other factors, the value of total investment assets as of the end of fiscal 2014 was ¥137,476.9 billion.

¥126,577.1 billion + ¥455.2 billion + ¥15,292.2 billion – ¥3,271.0 billion – ¥1,550.0 billion – ¥31.0 billion – ¥4.3 billion = ¥137,476.9 billion



Note : Investment management fees etc. include operating expenses and general administrative expenses in addition to investment management fees. Investment management fees etc. are recorded as expenses in the fiscal year in which they arise, and in the same way related revenues are recorded in the fiscal year in which they arise. The amount of investment assets will not necessarily change in the same fiscal year in which a related fee etc. is recorded. Instead, the change will take place in the fiscal year in which the amount was paid or received.

(2) Cash outflows

Cash outflows to the Pension Special Account in fiscal 2014 were met by redemptions and coupon revenue of the Special Fund for cash outflow as well as FLIP bonds.

4. Risk management

There could be various risks in asset management, including interest rate risk, market risk, liquidity risk, credit risk, prepayment risk, currency risk, and country risk. Risk can be defined as volatility of market prices due to economic conditions, or as failure to achieve the required return on investment. In asset management, these risks should be considered from multidimensional, and long-term perspectives.

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 risk factors. Actual risk management methods, involve determining risk items to be managed and monitoring those by using analytical tools and/or other methods, as appropriate, depending on each risk. Estimated tracking error, duration, style risk (e.g., value, growth), industry risk, currency/country risk, etc. are ascertained through means including analytical tools using a multifactor model, while short-term risk (volatility) is ascertained using a GARCH model and a stochastic volatility (SV) model. In case any symptom is recognized in the risk status as a result of such measurement, appropriate measures are to be 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, annual return deviation from compound benchmarks are analyzed as well.

Other types of risk 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). Our monitoring target also include the risk management by external asset managers and the custodial banks.

With regard to derivatives, we allow the external managers to use such products for mainly hedging purposes. For example, equity futures are used as a temporary substitute (long hedge) of underlying assets, when new money is added or dividends are only accrued and not realized. Bond futures are used in active domestic and international bond investment and currency forward transactions are used in active international bond investment. Such usages should be described in 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 and market face value of relevant derivatives.

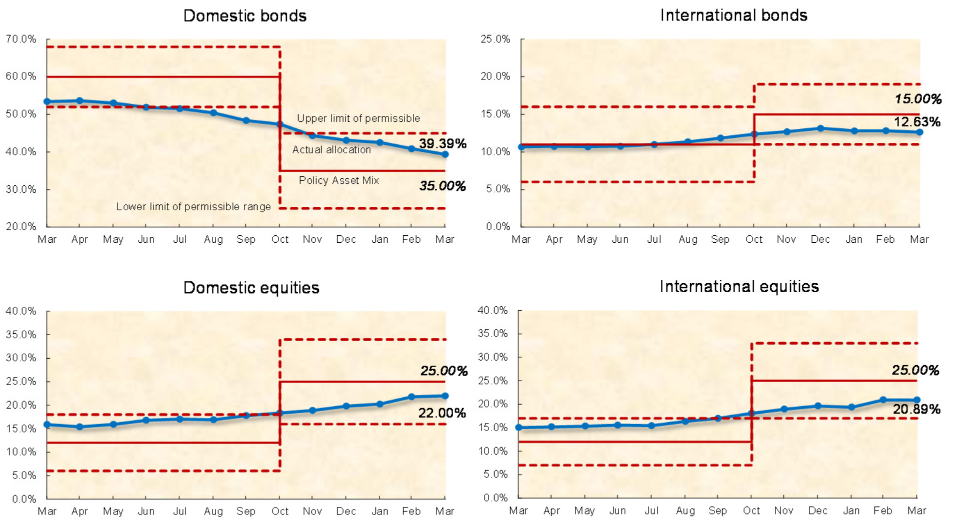
(1) Asset Allocation and Tracking Errors

As for the historical changes in the actual asset allocation during fiscal 2014, domestic bonds exceeded the permissible range of deviation from the end of June through the end of September (prior to the change in the policy asset mix) and at the end of October (at the time of the change in the policy asset mix) due to adjustments made to facilitate the smooth change in the policy asset mix based on deliberations in the Investment Advisory Committee. Since the end of November they have been within the permissible range of deviation. Other asset classes stayed within the permissible range throughout fiscal 2014.

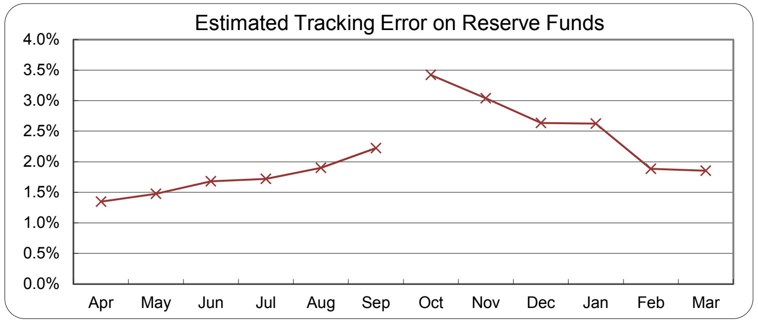
While the estimated tracking error on the entire Reserve Funds* rose until the change in the policy asset mix at the end of October due to factors including the fact that the asset allocation of domestic bonds was greater than the permissible range of deviation, it has fallen gradually since November, since the asset allocation of each asset has been close to that of the policy asset mix.

Note: Prior to the change in the policy asset mix (April through the end of September) this refers to the estimated tracking error on all investment assets managed by the GPIF (including FILP bonds with market investments). After the change in the policy asset mix (October through the end of March) it refers to the estimated tracking error on the policy asset mix of the Reserve Funds.

【Asset Allocation】



【Estimated Tracking Error】



Note 1: Asset allocation prior to the change in the policy asset mix is calculated at 5%, or the percentage of the policy asset mix made up of short-term assets. Asset allocation after the change in the policy asset mix is calculated including reserves managed in the Pension Special Account.

Note 2: The permissible range of deviation prior to the change in the policy asset mix is ± 8% for domestic bonds, ± 6% for domestic equities, ± 5% for international bonds, and ± 5% for international equities. The permissible range of deviation after the change in the policy asset mix is ± 10% for domestic bonds, ± 9% for domestic equities, ± 4% for international bonds, and ± 8% for international equities.

(2) Factor analysis of deviation from compound benchmark return

The GPIF breaks down deviation between the rate of return on all investment assets and the compound benchmark rate of return, into the following three factors to ascertain which factors contribute to the deviation.

Since the policy asset mix changed at the end of October, analysis of fiscal 2014 is split into the periods before and after the change in order to analyze investment activities properly.

(i) Asset allocation factor: Factor resulting from differences between the policy asset mix used as the basis for calculating the compound benchmark and the actual asset mix.
(ii) Individual asset factor: Factor resulting from differences between the actual rate of return on each asset and the corresponding benchmark rate of return.
(iii) Other factors (including error): Factors involving both the asset allocation and individual asset factors and calculation errors*

Note: Calculation errors arise from differences in the methods of calculating the rates of return on invested assets as a whole and on the compound benchmark.

A. Before the policy asset mix revision

Prior to the change in the policy asset mix (April 1-October 30), the rate of return on all investment assets was 3.97%, vs. a compound benchmark of 3.50% return, for a deviation from the benchmark of 0.46 percentage points.

The following asset allocation factors contributed to this positive deviation: the fact that domestic bonds, which had lower benchmark returns than the compound benchmark, were underweighted on average vs. the policy asset mix and the fact that domestic and international equities, which had high benchmark returns, were overweighted on average.

	Asset allocation factor (i)	Individual asset factor (ii)	Other factors (including error) (iii)	(i) + (ii) + (iii)
Domestic bonds	0.17%	0.01%	-0.00%	0.17%
Domestic equities	0.13%	-0.01%	-0.00%	0.11%
International bonds	0.01%	-0.00%	-0.00%	0.01%
International equities	0.17%	-0.02%	-0.01%	0.13%
Short-term assets	0.00%	0.00%	0.00%	0.00%
Total	0.47%	-0.03%	0.02%	0.46%

Reference:Benchmark Return

	Benchmark Return on each asset	Compound Benchmark Return
Domestic bonds	1.43%	3.50%
Domestic equities	7.29%	
International bonds	5.98%	
International equities	8.13%	
Short-term assets	0.01%	

B. After the policy asset mix revision

After the change in the policy asset mix (October 31-March 31), the rate of return on all investment assets was 8.19%, vs. a compound benchmark of 9.98% return, for a deviation from the benchmark of -1.78 percentage points.

The following asset allocation factors contributed to this negative deviation: the fact that domestic bonds, which had lower benchmark returns than the compound benchmark, were overweighted on average vs. the policy asset mix and the fact that domestic and international equities, which had high benchmark returns, were underweighted on average.

	Asset allocation factor (i)	Individual asset factor (ii)	Other factors (including error) (iii)	(i) + (ii) + (iii)
Domestic bonds	-1.06%	-0.02%	-0.01%	-1.09%
Domestic equities	-0.51%	-0.02%	0.00%	-0.52%
International bonds	0.04%	0.01%	-0.00%	0.05%
International equities	-0.26%	0.04%	-0.01%	-0.23%
Short-term assets	-0.21%	0.00%	0.00%	-0.21%
Total	-1.99%	0.01%	0.19%	-1.78%

Reference:Benchmark Return

	Benchmark Return on each asset	Compound Benchmark Return
Domestic bonds	1.22%	9.98%
Domestic equities	21.81%	
International bonds	6.31%	
International equities	13.11%	
Short-term assets	0.02%	

5. Fulfilling Stewardship Responsibilities and Exercise of Voting Rights

(1) Fulfilling stewardship responsibilities

1) Policy for fulfilling stewardship responsibilities

To implement Japan's Stewardship Code (the Code), the GPIF has formulated its Policy for Fulfilling Stewardship Responsibilities and published it on May 30, 2014. The Policy is outlined below.

The GPIF will conduct hearings when selecting the External Asset Managers and at the time of its annual comprehensive evaluation, and will ask for explanations on and gain an understanding of the status of implementation of the Code. The GPIF will also publicize the overview of the status of implementation annually. If, as a result of the hearings, the GPIF recognizes that a problem has occurred for a certain External Asset Managers in fulfilling its stewardship responsibilities, the GPIF will demand that said External Asset Managers remedy the relevant situation.

As the manner in which to fulfill stewardship responsibilities is considered to vary from one External Asset Managers to another depending on the investment style commissioned, the GPIF will articulate its own way of thinking to each External Asset Managers for each investment style. When evaluating the External Asset Managers' engagement activities, the GPIF emphasizes the content of dialogue rather than superficial activities (such as the number of meetings held with management).

Examples of contents of engagement:

(i) content of business model that would enhance corporate value (such as management philosophy/vision, specific business strategy)
(ii) status of corporate governance (such as supervision by the board of directors, etc. of business execution)
(iii) consideration of long-term capital productivity
(iv) response to risk (including risks related to social/environmental problems)
(v) prevention of antisocial behaviors, etc.

Provided all other conditions are equal, the GPIF would more highly recognize a External Asset Managers that is deemed to be better fulfilling stewardship responsibilities.

The GPIF will accumulate knowledge on stewardship responsibilities by conducting hearings on the status of exercise by the External Asset Managers of their stewardship responsibilities, examine the modality of more appropriate stewardship responsibilities in the process of seeking to expand the medium- and long-term investment returns for the insured, and review its policies as needed. From the perspective of fiduciary responsibility, the GPIF will examine those activities which would serve to expand long-term returns in the equities market with a view to expanding medium- and long-term returns for the insured.

2) Overview of Implementation Status in Fiscal 2014

a. External Asset Managers' Compliance with the Code

All External Asset Managers entrusted with investment in domestic equities (including managers entrusted with investment by External Asset Managers) had declared their acceptance of the Code by the end of August 2014.

Reports concerning the stewardship responsibilities of External Asset Managers have been received as follows:

- (i) They already take part in purposeful engagement prior to investment in light of the necessity of understanding and ascertaining appropriately the status of investee companies;
- (ii) They address each company as a whole, summarizing company resources;
- (iii) They treat engagement and exercise of voting rights in an organized manner as an integrated whole.

Also, reports concerning the status of the engagement activities of External Asset Managers have been received as follows:

- (i) They have taken part in constructive exchange of opinions on practical business strategies;
- (ii) They strive to ascertain the actual status of corporate governance and ensure its effectiveness, by requiring clarifications of the roles of outside directors;
- (iii) They had discussed measures to increase ROE from the perspective of increasing capital productivity over the long term;
- (iv) They had verified measures for preventing child labor and poor working conditions as measures to address risks;
- (v) They had verified measures to address antisocial activities including prevention of recurrence;
- (vi) They had took actions including communication with the investee companies on the importance of accountability to shareholders (attitudes toward IR), and the investee companies' management had traveled abroad to hold meetings inviting major shareholders and other investors to explain their financial results and management strategies, which had led to better understanding of such companies by the investors and constructive dialogue that increased their enterprise value.

Each External Asset Manager is requested to sort out the patterns of conflicts of interest that it should manage in fulfilling its stewardship responsibilities, based on its own individual situation, and to formulate clear policies for addressing these and report on whether any conflicts of interest or similar situations have arisen with its customers. A typical example is exercise of voting rights in an investee company being a major shareholder of the External Asset Manager. Appropriate measures have been taken including use of external proxy advisors.

b. Status of Compliance with the Code by the GPIF

In order to ascertain the status of stewardship activities by External Asset Managers from April through June 2014, in October 2014 all External Asset Managers were interviewed and assessed on such activities as part of the comprehensive assessment process. Furthermore, External Managers were required to report on stewardship activities over the course of the entire fiscal year and it was confirmed that positive efforts were made by them and their investee companies, including continual engagement and enhancement of the content of dialogue.

In addition, external research institutions were contracted to study how the GPIF should fulfill our stewardship responsibilities and our possible future ESG investment.

(2) Exercise of Voting Rights

1) Concept of Exercise of Voting Rights

The Medium-term Objectives by the Minister of Health, Labour and Welfare stipulate that the GPIF should pay due consideration not to unduly exert influence on corporate management and should take appropriate measures including exercise of voting rights from the viewpoint of maximizing the long-term interest of shareholders, while considering influence on corporate management, etc.

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.

2) Exercise of Voting Rights in Fiscal 2014

In fiscal 2014, we held meetings based on the reports on the votes cast from April to June 2014 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.

a. Domestic equities (April 2014 to March 2015)

Number of external asset managers who exercised proxies	40 funds
Number of external asset managers who did not exercise proxies	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		119,666	22,031	17,580	11,835	211	1,328	2,038	1,963	1,416	11,794	117	509	6,108	1,249	5	138	164,122
Management proposals	Total	119,415	21,953	17,578	11,834	197	1,296	2,038	1,963	1,416	11,693	71	509	4,606	1,249	5	84	162,120
		(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	109,670	18,027	14,679	9,057	194	1,254	1,949	1,070	1,130	11,154	69	496	4,465	463	0	84	146,677
		(91.8%)	(82.1%)	(83.5%)	(76.5%)	(98.5%)	(96.8%)	(95.6%)	(54.5%)	(79.8%)	(95.4%)	(97.2%)	(97.4%)	(96.9%)	(37.1%)	(0.0%)	(100.0%)	(90.5%)
	Opposed	9,745	3,926	2,899	2,777	3	42	89	893	286	539	2	13	141	786	5	0	15,443
		(8.2%)	(17.9%)	(16.5%)	(23.5%)	(1.5%)	(3.2%)	(4.4%)	(45.5%)	(20.2%)	(4.6%)	(2.8%)	(2.6%)	(3.1%)	(62.9%)	(100.0%)	(0.0%)	(9.5%)
Shareholder proposals	Total	251	78	2	1	14	32	0	0	0	101	46	0	1,502	0	0	54	2,002
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	2	0	0	0	0	0	0	0	0	8	1	0	46	0	0	1	58
		(0.8%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(7.9%)	(2.2%)	(0.0%)	(3.1%)	(0.0%)	(0.0%)	(1.9%)	(2.9%)
	Opposed	249	78	2	1	14	32	0	0	0	93	45	0	1,456	0	0	53	1,944
		(99.2%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(92.1%)	(97.8%)	(0.0%)	(96.9%)	(0.0%)	(0.0%)	(98.1%)	(97.1%)

b. International equities (April 2014 to March 2015)

Number of external asset managers who exercised proxies	22 funds
Number of external asset managers who did not exercise 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	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		78,177	3,720	8,508	16,470	430	408	4,366	5,959	3,726	10,609	5,723	325	7,841	30,204	176,466
Management proposals	Total	77,501	3,542	8,465	16,116	425	390	4,172	5,945	3,726	10,577	5,462	292	7,841	26,743	171,197
		(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	72,492	3,254	8,299	14,615	378	283	3,334	5,922	3,494	9,431	4,854	244	7,758	24,161	158,519
		(93.5%)	(91.9%)	(98.0%)	(90.7%)	(88.9%)	(72.6%)	(79.9%)	(99.6%)	(93.8%)	(89.2%)	(88.9%)	(83.6%)	(98.9%)	(90.3%)	(92.6%)
	Opposed	5,009	288	166	1,501	47	107	838	23	232	1,146	608	48	83	2,582	12,678
		(6.5%)	(8.1%)	(2.0%)	(9.3%)	(11.1%)	(27.4%)	(20.1%)	(0.4%)	(6.2%)	(10.8%)	(11.1%)	(16.4%)	(1.1%)	(9.7%)	(7.4%)
Shareholder proposals	Total	676	178	43	354	5	18	194	14	0	32	261	33	0	3,461	5,269
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	443	90	23	178	3	11	77	0	0	10	105	29	0	1,341	2,310
		(65.5%)	(50.6%)	(53.5%)	(50.3%)	(60.0%)	(61.1%)	(39.7%)	(0.0%)	(0.0%)	(31.3%)	(40.2%)	(87.9%)	(0.0%)	(38.7%)	(43.8%)
	Opposed	233	88	20	176	2	7	117	14	0	22	156	4	0	2,120	2,959
		(34.5%)	(49.4%)	(46.5%)	(49.7%)	(40.0%)	(38.9%)	(60.3%)	(100.0%)	(0.0%)	(68.8%)	(59.8%)	(12.1%)	(0.0%)	(61.3%)	(56.2%)

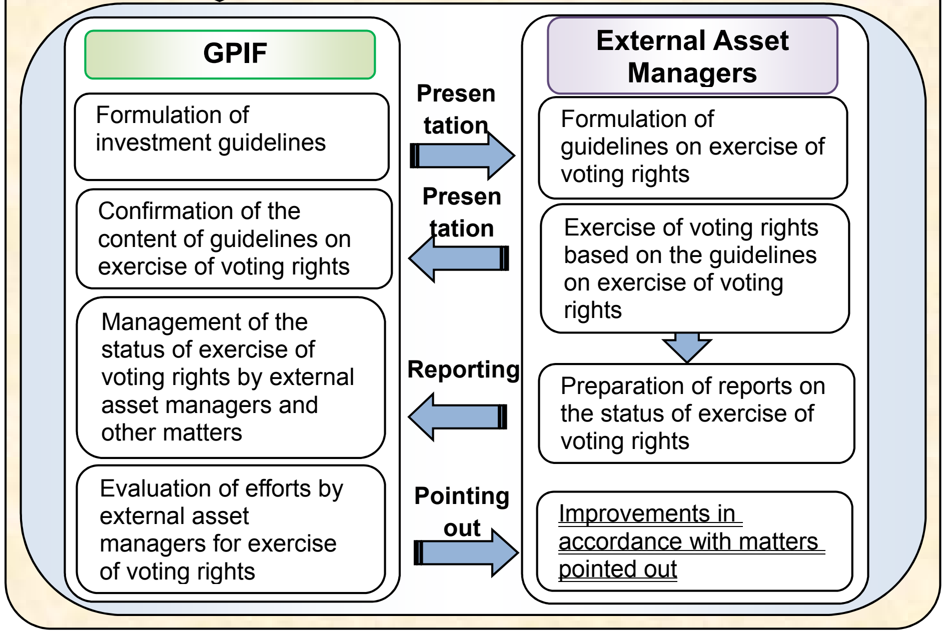
Exercise of Shareholder Voting Rights

◇ 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 status of their formulation and the status 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.



GPIF

- Formulation of investment guidelines
- Confirmation of the content of guidelines on exercise of voting rights
- Management of the status of exercise of voting rights by external asset managers and other matters
- Evaluation of efforts by external asset managers for exercise of voting rights

External Asset Managers

- Formulation of guidelines on exercise of voting rights
- Exercise of voting rights based on the guidelines on exercise of voting rights
- Preparation of reports on the status of exercise of voting rights
- Improvements in accordance with matters pointed out

◇ Performance in Fiscal 2014

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 equities)
- 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.

6. Selection of External Asset Managers, etc.

(1) Selection of External Asset Managers etc.

(i) International Bonds Investment

We decided to reconstruct the manager structure comprehensively for both active and passive investments in international bonds. We initiated a selection process for external asset managers during fiscal 2014 through public offering for diverse investment products, completing the first and second rounds of screening during the year.

(ii) Domestic Equities Active Investments and International Equities Active Investments

We verified matters including investment status and organizational structures for backup managers having been chosen for active investment in domestic equities and active investment in international equities, and we formally concluded contracts with three funds for active investment in domestic equities and one fund for active investment in international equities, allocating funds accordingly.

(iii) Transition Managers

To facilitate smooth transfer of assets, we selected transition managers for domestic equities, international bonds, and international equities through public offering, choosing transition managers for each category following a screening process.

We chose two transition managers for domestic equities, one each for international bonds and international equities, and one backup manager for each asset class.

(2) Management and Assessment of External Asset Managers and Custodians

Management of external asset managers employed a method that included requesting monthly reports on investment performance and risks, verifying the status of compliance with investment guidelines, and requesting explanations in regular meetings and other activities. As for external asset managers for active investments, we also verified investment activities and the status of risk management in regular risk management meetings.

We employed comprehensive assessment of external asset managers through both qualitative assessment (of matters including investment policies, investment processes, organizations, and human resources) and quantitative assessment (of returns and tracking errors for passive investment and of excess returns and information ratios for active investment).

As a result of this comprehensive assessment, we terminated the contract with one active investment fund in international equities, collected some funds from and ceased to allocate funds to one active investment fund in international equities, and allocated additional funds to active investment in international equities.

In management of custodians, we employed a method that included requesting data on asset management, verifying the status of compliance with asset management guidelines, and requesting explanations in regular meetings, including on-site visits, and other activities.

Assessment of custodians was conducted through comprehensive assessment of matters including business structures and asset management systems. Results of this comprehensive assessment showed that there were no particular problems identified with any custodian, so that we concluded that it would be appropriate to continue existing contracts with them.

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

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

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?

Activities regarding Japan’s Stewardship Code (only for domestic equities)

- · Does it carry out appropriate initiatives in accordance with GPIF policies?

Efforts for exercise of voting rights (only for equities)

- · 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

Chapter 3: Reference Data

1. Investment Assets by Investment Method (MV at the end of fiscal 2014)

		Market value （¥billion）	Allocation
Investment asset total		137,476.9	100.00%
Market investment	Total	132,464.8	96.35%
	Passive investment	111,153.1	80.85%
	Active investment	21,311.6	15.50%
FILP bonds		5,012.2	3.65%

		Market value （¥billion）	Allocation
Investment asset total		137,476.9	100.00%
Domestic bonds	Total	51,691.5	37.60%
	Passive investment	44,506.4	32.37%
	Active investment	7,185.1	5.23%
Domestic equities	Total	31,670.4	23.04%
	Passive investment	27,462.9	19.98%
	Active investment	4,207.5	3.06%
International bonds	Total	18,181.5	13.23%
	Passive investment	12,700.6	9.24%
	Active investment	5,480.9	3.99%
International equities	Total	30,077.2	21.88%
	Passive investment	26,483.2	19.26%
	Active investment	3,593.9	2.61%
Short-term assets(Active investment)		844.1	0.61%
FILP bonds		5,012.2	3.65%

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 2014)

(Unit: ¥billion)

Investment method	Fund name (Subcontractor)	Manager benchmark	Market value
Domestic bond active investment	MU Investments Co.,Ltd.	ＢＰＩ	506.8
	DIAM Co.,Ltd.	ＢＰＩ	1,017.3
	Tokio Marine Asset Management Co.,Ltd.	ＢＰＩ	874.4
	PIMCO Japan Ltd. (Pacific Investment Management Company LLC　etc.)	ＢＰＩ	434.7
	Prudential Investment Management Japan Co.,Ltd.	ＢＰＩ	438.2
	Manulife Asset Management (Japan) Limited	ＢＰＩ	430.7
	Mizuho Trust & Banking Co.,Ltd.	ＢＰＩ	869.9
	Sumitomo Mitsui Trust Bank, Limited	ＢＰＩ	876.1
	Mitsubishi UFJ Trust and Banking Corporation	ＢＰＩ	869.8
	In-house investment	-	867.3
Domestic bond passive investment	In-house investment　Ⅰ	ＢＰＩ	1,273.4
	In-house investment　Ⅱ	ＢＰＩ-Ｊ	4,126.6
	In-house investment　Ⅲ	ＢＰＩ-Ｃ	25,982.8
	State Street Global Advisors (Japan) Co.,Ltd.	ＢＰＩ	1,273.3
	Mizuho Trust & Banking Co.,Ltd.	ＢＰＩ	1,272.1
	Sumitomo Mitsui Trust Bank, Limited Ⅰ	ＢＰＩ	1,273.3
	Sumitomo Mitsui Trust Bank, Limited Ⅱ	ＢＰＩ－Ｊ	3,103.0
	Mitsubishi UFJ Trust and Banking Corporation	ＢＰＩ－Ｊ	3,101.3
	Resona Bank, Limited	ＢＰＩ－Ｊ	3,100.6

(Unit: ¥billion)

Investment method	Fund name (Subcontractor)	Manager benchmark	Market value
Domestic equity active investment	Eastspring Investments Limited (Eastspring Investments (Singapore) Limited)	ＴＯＰＩＸ	157.6
	Invesco Asset Management (Japan) Limited	ＴＯＰＩＸ	154.1
	Capital International K.K. (Capital International, Inc.)	ＴＯＰＩＸ	412.2
	Goldman Sachs Asset Management Co.,Ltd. (Goldman Sachs Asset Management, L.P.　etc.)	ＳＰ-Ｇ	614.8
	JPMorgan Asset Management (Japan) Limited	ＲＮ-Ｖ	441.2
	Schroder Investment Management (Japan) Limited	ＴＯＰＩＸ	232.0
	SEIRYU Asset Management Ltd. (Taiyo Pacific Partners LP)	ＲＮ-Ｓ	6.6
	DIAM Co.,Ltd.	ＴＯＰＩＸ	425.9
	Daiwa SB Investments Ltd.	ＲＮ-Ｖ	135.5
	Natixis Asset Management Japan Co., Ltd. (Harris Associates L.P.)	ＴＯＰＩＸ	135.6
	Nikko Asset Management Co., Ltd.	ＴＯＰＩＸ	260.5
	Nomura Asset Management Co.,Ltd.　Ⅰ	ＲＡＦＩ	793.7
	Nomura Asset Management Co.,Ltd.　Ⅱ	ＲＮ-Ｓ	22.0
	Nomura Funds Research and Technologies Co.,Ltd. (Dimensional Fund Advisors LP)	ＭＳＣＩ-ＪＳ	109.2
	FIL Investments(Japan) Limited	ＴＯＰＩＸ	230.4
	Mizuho Asset Management Co.,Ltd.	ＲＮ-Ｓ	29.5
	Russell Investments Japan Co., Ltd. (Russell Implementation Services, Inc.)	ＴＯＰＩＸ	46.7

(Unit: ¥billion)

Investment method	Fund name (Subcontractor)	Manager benchmark	Market value
Domestic equity passive investment	DIAM Co.,Ltd. Ⅰ	TOPIX	4,752.0
	DIAM Co.,Ltd. Ⅱ	JPX	554.9
	BlackRock Japan Co.,Ltd. Ⅰ	TOPIX	4,687.4
	BlackRock Japan Co.,Ltd. Ⅱ	MSCI-J	1,079.4
	Mizuho Trust & Banking Co.,Ltd. Ⅰ	TOPIX	4,687.0
	Mizuho Trust & Banking Co.,Ltd. Ⅱ	RN-P	1,083.0
	Sumitomo Mitsui Trust Bank, Limited Ⅰ	TOPIX	4,752.3
	Sumitomo Mitsui Trust Bank, Limited Ⅱ	JPX	555.9
	Mitsubishi UFJ Trust and Banking Corporation Ⅰ	TOPIX	4,753.5
	Mitsubishi UFJ Trust and Banking Corporation Ⅱ	JPX	557.4
International bond active investment	AllianceBernstein Japan Ltd. (AllianceBernstein L.P. etc.)	WBIG	790.6
	Goldman Sachs Asset Management Co.,Ltd. (Goldman Sachs Asset Management International etc.)	WBIG	809.8
	Tokio Marine Asset Management Co.,Ltd. (Tokio Marine Rogge Asset Management Limited)	WBIG	541.0
	PIMCO Japan Ltd. (Pacific Investment Management Company LLC etc.)	WBIG	864.7
	BlackRock Japan Co.,Ltd. (BlackRock Financial Management, Inc. etc.)	WBIG	854.7
	Mizuho Asset Management Co.,Ltd. (Loomis, Sayles & Company, L.P.)	WBIG	804.7
	Morgan Stanley Investment Management（Japan） Co.,Ltd. (Morgan Stanley Investment Management Inc. etc.)	WBIG	809.9
	In-house investment	-	5.5
International bond passive investment	State Street Global Advisors (Japan) Co.,Ltd.	WGBI	2,130.7
	Northern Trust Global Investments Japan, K.K. (Northern Trust Investments, Inc.)	WGBI	2,127.8
	BlackRock Japan Co.,Ltd.	WGBI	2,134.3
	Mizuho Trust & Banking Co.,Ltd.	WGBI	2,125.5
	Sumitomo Mitsui Trust Bank, Limited	WGBI	2,120.2
	Mitsubishi UFJ Trust and Banking Corporation	WGBI	2,062.0

(Unit: ¥billion)

Investment method	Fund name (Subcontractor)	Manager benchmark	Market value
International equity active investment	Amundi Japan Ltd.	MSCI-K	389.2
	Wellington Management Japan Pte Ltd. (Wellington Management Company, LLP etc.)	MSCI-K	450.8
	MFS Investment Management K.K. (Massachusetts Financial Services Company)	MSCI-K	493.4
	Natixis Asset Management Japan Co., Ltd. (Harris Associates L.P.)	MSCI-K	294.1
	Nikko Asset Management Co., Ltd. (INTECH Investment Management LLC)	MSCI-K	314.7
	Nomura Asset Management Co.,Ltd.	MSCI-E	54.0
	Nomura Funds Research and Technologies Co.,Ltd. (Dimensional Fund Advisors LP)	MSCI-E	53.5
	BNY Mellon Asset Management Japan Limited (Walter Scott & Partners Limited)	MSCI-K	332.7
	Mizuho Asset Management Co.,Ltd. Ⅰ (Wells Capital Management, Inc.)	MSCI-K	408.2
	Mizuho Asset Management Co.,Ltd. Ⅱ (Wells Capital Management, Inc.)	MSCI-E	54.5
	Sumitomo Mitsui Asset Management Company, Limited. (Vontobel Asset Management, Inc.)	MSCI-E	35.9
	Mitsubishi UFJ Trust and Banking Corporation Ⅰ (Aberdeen Asset Managers Limited)	MSCI-K	89.2
	Mitsubishi UFJ Trust and Banking Corporation Ⅱ (Baillie Gifford Overseas Limited)	MSCI-K	312.0
	UBS Global Asset Management (Japan) Ltd. (UBS Global Asset Management (UK) Ltd.)	MSCI-K	283.4
	Lazard Japan Asset Management K.K. (Lazard Asset Management LLC)	MSCI-E	26.8
International equity passive investment	State Street Global Advisors(Japan) Co.,Ltd.	MSCI-A	4,428.5
	BlackRock Japan Co.,Ltd.	MSCI-A	4,453.3
	Mizuho Trust & Banking Co.,Ltd.	MSCI-A	4,406.6
	Sumitomo Mitsui Trust Bank, Limited	MSCI-A	4,414.3
	Mitsubishi UFJ Trust and Banking Corporation	MSCI-A	4,380.2
	Resona Bank, Limited	MSCI-A	4,400.3
Short-term assets	In-house investment	TDB	844.1
Subtotal		-	132,463.2
FILP bonds	In-house investment	-	5,012.2
Total	-	-	137,475.4

Investment Assets by Custodian

(Unit: ¥billion)

Custodian name	Market value
Trust & Custody Services Bank, Ltd. （Domestic bonds and Short-term assets）	57,547.8
Japan Trustee Services Bank, Ltd. （Domestic equities）	31,670.4
State Street Trust and Banking Co.,Ltd. （International bonds）	18,181.5
The Master Trust Bank of Japan, Ltd. （International equities）	30,075.6

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 equity investment are kept in order to continue lawsuits against SEIBU Railway Co., Ltd.
Note 4: Other than funds listed above, funds are invested in four transition management funds with three companies based on contracts concluded to facilitate asset transfers.

Manager benchmarks

Domestic bonds	ＢＰＩ	NOMURA-BPI non-ABS
	ＢＰＩ－Ｃ	NOMURA -BPI/GPIF Customized
	ＢＰＩ－Ｊ	NOMURA -BPI JGB
Domestic equities	ＴＯＰＩＸ	TOPIX (incl. dividends)
	ＪＰＸ	JPX-Nikkei index 400 (incl. dividends)
	ＭＳＣＩ－Ｊ	MSCIJapan Standard (incl. dividends)
	ＭＳＣＩ－ＪＳ	MSCIJapan Small (incl. dividends)
	ＲＡＦＩ	Nomura RAFI reference index
	ＲＮ－Ｐ	RUSSELL /NOMURA Prime index (incl. dividends)
	ＲＮ－Ｓ	RUSSELL /NOMURA Small Cap index (incl. dividends)
	ＲＮ－Ｖ	RUSSELL /NOMURA Large Cap Value index (incl. dividends)
	ＳＰ－Ｇ	S&P GIVI Japan (Gross Total Return)

International bonds	ＷＧＢＩ	Citi World Government Bond Index (not incl. JPY, no hedge/JPY basis)
	ＷＢＩＧ	Citi World Broad Investment-Grade Bond Index (not incl. JPY, no hedge/JPY basis)
International equities	ＭＳＣＩ－Ｋ	MSCI KOKUSAI (JPY basis, incl. dividends, after taking into account our dividend tax factors)
	ＭＳＣＩ－Ｅ	MSCI EMERGING MARKETS (JPY basis, incl. dividends, after deducting taxes)
	ＭＳＣＩ－Ａ	MSCI ACWI (not incl. JPY, JPY basis, incl. dividends, after taking into account our dividend tax factors)
Short-term assets	ＴＤＢ	TDB 1-mo. Repurchase agreement

3. Investment Performance by Manager

(1) Last three fiscal years (April 2012 to March 2015)

Investment method	Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C) = (A) - (B)	Historical tracking error (D)	Information ratio (C) / (D)
Domestic bond passive investment	In-house investment Ⅰ	2.64%	2.62%	+0.02%	0.04%	—
	In-house investment Ⅱ	2.52%	2.53%	-0.01%	0.03%	—
	In-house investment Ⅲ	1.94%	1.94%	-0.01%	0.11%	—
	Mizuho Trust & Banking Co.,Ltd.	2.22%	2.26%	-0.04%	0.04%	—
	Sumitomo Mitsui Trust Bank, Limited Ⅰ	2.23%	2.23%	-0.00%	0.04%	—
	Sumitomo Mitsui Trust Bank, Limited Ⅱ	2.53%	2.53%	-0.00%	0.03%	—
Domestic bond active investment	DIAM Co.,Ltd.	2.51%	2.37%	+0.14%	0.08%	1.72
	Tokio Marine Asset Management Co.,Ltd.	2.61%	2.37%	+0.25%	0.16%	1.53
	Mizuho Trust & Banking Co.,Ltd.	2.43%	2.37%	+0.07%	0.20%	0.33
	Sumitomo Mitsui Trust Bank, Limited	2.69%	2.37%	+0.32%	0.09%	3.45
	Mitsubishi UFJ Trust and Banking Corporation	2.39%	2.37%	+0.03%	0.11%	0.26
Domestic equity passive investment	DIAM Co.,Ltd.	23.56%	23.57%	-0.01%	0.12%	—
	BlackRock Japan Co.,Ltd.	23.51%	23.57%	-0.06%	0.11%	—
	Mizuho Trust & Banking Co.,Ltd.	23.51%	23.57%	-0.06%	0.11%	—
	Sumitomo Mitsui Trust Bank, Limited	23.51%	23.57%	-0.06%	0.11%	—
	Mitsubishi UFJ Trust and Banking Corporation	23.54%	23.57%	-0.03%	0.11%	—
Domestic equity active investment	JPMorgan Asset Management (Japan) Limited	22.16%	22.27%	-0.12%	1.67%	-0.07
	DIAM Co.,Ltd.	25.13%	24.26%	+0.87%	1.98%	0.44

Investment method	Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C) = (A) - (B)	Historical tracking error (D)	Information ratio (C) / (D)
International bond passive investment	State Street Global Advisors (Japan) Co.,Ltd.	15.06%	15.08%	-0.02%	0.09%	—
	Northern Trust Global Investments Japan, K.K.	15.06%	15.08%	-0.02%	0.09%	—
	BlackRock Japan Co.,Ltd.	15.13%	15.08%	+0.05%	0.09%	—
	Mizuho Trust & Banking Co.,Ltd.	15.05%	15.08%	-0.02%	0.09%	—
	Sumitomo Mitsui Trust Bank, Limited	15.05%	15.08%	-0.03%	0.09%	—
	Mitsubishi UFJ Trust and Banking Corporation	15.03%	15.08%	-0.05%	0.10%	—
International bond active investment	AllianceBernstein Japan Ltd.	15.76%	15.43%	+0.34%	0.48%	0.70
	Goldman Sachs Asset Management Co.,Ltd.	15.63%	15.43%	+0.21%	0.60%	0.34
	Tokio Marine Asset Management Co.,Ltd.	15.06%	15.19%	-0.13%	0.78%	-0.16
	PIMCO Japan Ltd.	16.43%	15.43%	+1.01%	0.75%	1.34
	BlackRock Japan Co.,Ltd.	15.89%	15.43%	+0.47%	0.34%	1.38
	Mizuho Asset Management Co.,Ltd.	15.47%	15.43%	+0.04%	0.67%	0.06
	Morgan Stanley Investment Management(Japan) Co.,Ltd.	16.19%	15.43%	+0.76%	0.53%	1.45
International equity passive investment	State Street Global Advisors(Japan) Co.,Ltd.	27.44%	27.33%	+0.11%	0.09%	—
	BlackRock Japan Co.,Ltd.	27.20%	27.23%	-0.03%	0.08%	—
	Mizuho Trust & Banking Co.,Ltd.	26.49%	26.49%	-0.01%	0.05%	—
	Sumitomo Mitsui Trust Bank, Limited	30.78%	30.73%	+0.05%	0.07%	—
	Mitsubishi UFJ Trust and Banking Corporation	26.58%	26.55%	+0.03%	0.08%	—
	Resona Bank, Limited	27.77%	27.72%	+0.05%	0.08%	—
International equity active investment	Amundi Japan Ltd.	28.30%	27.71%	+0.59%	1.22%	0.49
	MFS Investment Management K.K.	31.40%	28.51%	+2.89%	2.72%	1.06
	BNY Mellon Asset Management Japan Limited	25.14%	28.51%	-3.38%	2.94%	-1.15

(2) Last five fiscal years (April 2010 to March 2015)

Investment method	Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C) = (A) - (B)	Historical tracking error (D)	Information ratio (C) / (D)
Domestic bond passive investment	In-house investment Ⅰ	2.53%	2.52%	+0.02%	0.07%	—
	In-house investment Ⅱ	2.53%	2.53%	-0.00%	0.04%	—
	Mizuho Trust & Banking Co.,Ltd.	2.27%	2.30%	-0.03%	0.06%	—
	Sumitomo Mitsui Trust Bank, Limited Ⅰ	2.29%	2.28%	+0.01%	0.07%	—
	Sumitomo Mitsui Trust Bank, Limited Ⅱ	2.54%	2.53%	+0.00%	0.03%	—
Domestic bond active investment	DIAM Co.,Ltd.	2.58%	2.37%	+0.21%	0.11%	1.95
	Tokio Marine Asset Management Co.,Ltd.	2.66%	2.37%	+0.29%	0.18%	1.63
	Mizuho Trust & Banking Co.,Ltd.	2.55%	2.37%	+0.18%	0.20%	0.94
	Sumitomo Mitsui Trust Bank, Limited	2.69%	2.37%	+0.32%	0.11%	2.92
	Mitsubishi UFJ Trust and Banking Corporation	2.44%	2.37%	+0.07%	0.14%	0.52
Domestic equity passive investment	DIAM Co.,Ltd.	11.56%	11.49%	+0.07%	0.13%	—
	BlackRock Japan Co.,Ltd.	11.50%	11.49%	+0.01%	0.13%	—
	Mizuho Trust & Banking Co.,Ltd.	11.49%	11.49%	-0.01%	0.11%	—
	Sumitomo Mitsui Trust Bank, Limited	11.47%	11.49%	-0.02%	0.11%	—
	Mitsubishi UFJ Trust and Banking Corporation	11.53%	11.49%	+0.03%	0.12%	—
Domestic equity active investment	JPMorgan Asset Management (Japan) Limited	9.60%	9.52%	+0.08%	2.11%	0.04
	DIAM Co.,Ltd.	12.98%	11.85%	+1.13%	1.92%	0.59

Investment method	Fund name	Time-weighted return (A)	Benchmark return (B)	Excess return (C) = (A) - (B)	Historical tracking error (D)	Information ratio (C) / (D)
International bond passive investment	State Street Global Advisors (Japan) Co.,Ltd.	8.16%	8.18%	-0.01%	0.16%	—
	Northern Trust Global Investments Japan, K.K.	8.20%	8.18%	+0.02%	0.15%	—
	BlackRock Japan Co.,Ltd.	8.23%	8.18%	+0.06%	0.16%	—
International bond active investment	AllianceBernstein Japan Ltd.	8.95%	8.45%	+0.50%	0.69%	0.72
	Goldman Sachs Asset Management Co.,Ltd.	8.47%	8.45%	+0.02%	0.55%	0.04
	Tokio Marine Asset Management Co.,Ltd.	8.08%	8.32%	-0.24%	0.93%	-0.26
	PIMCO Japan Ltd.	9.36%	8.45%	+0.90%	0.88%	1.03
	BlackRock Japan Co.,Ltd.	8.75%	8.45%	+0.30%	0.46%	0.64
	Mizuho Asset Management Co.,Ltd.	8.87%	8.45%	+0.42%	1.04%	0.40
	Morgan Stanley Investment Management(Japan) Co.,Ltd.	8.89%	8.45%	+0.44%	0.71%	0.61
International equity passive investment	State Street Global Advisors(Japan) Co.,Ltd.	16.27%	16.20%	+0.07%	0.07%	—
	BlackRock Japan Co.,Ltd.	16.13%	16.14%	-0.01%	0.07%	—
	Mizuho Trust & Banking Co.,Ltd.	15.74%	15.74%	-0.00%	0.04%	—
	Resona Bank, Limited	16.47%	16.41%	+0.06%	0.07%	—
International equity active investment	Amundi Japan Ltd.	17.35%	16.41%	+0.95%	1.14%	0.83
	MFS Investment Management K.K.	19.69%	16.85%	+2.84%	2.81%	1.01
	BNY Mellon Asset Management Japan Limited	15.90%	16.85%	-0.95%	3.92%	-0.24

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.
Note 4: Time-weighted return on international equity passive investment includes returns from securities lending.

Government Pension Investment Fund, Japan
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