GPIF

ANNUAL REPORT
FISCAL YEAR 2015

GOVERNMENT PENSION INVESTMENT FUND

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.

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.

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.

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

Code of Conduct

【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.

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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 Year 2015 was negative for the first time in five years, due to the effects of weak global equity markets and the appreciation of the yen.

In October 2014, we revised our policy asset mix to a more diversified one, to achieve the investment return required for the public pension scheme with minimal risk from a long-term perspective considering that Japan is about to transform itself from an economy of persistent deflation. Fiscal Year 2015 saw substantial variations in the fund's value since markets became volatile after the slowdown of Chinese economy.

We are enhancing our risk management structures in accordance with diversification of investment methods, and we are working to develop human resources with high levels of expertise. We constantly monitor market movement, analyze its effect from long-term and multifaceted perspectives and take appropriate action as a fiduciary to retain sufficient reserve for the future generation. While our policy asset mix is more susceptible to short-term market fluctuation than before, the current policy asset mix – in the long run – lessens the risk that the reserve funds fail to reach the necessary level for the pension system.

We will be further accountable to the public and make our investment policy more understood. I hope you like to read this annual report in Fiscal Year 2015 having more graphs and analyses, and you see further transparency.

We pledge to continue, through exercising fiduciary responsibilities for the reserve funds, fulfiling our mission of contributing to the stability of the public pension schemes and the stability of the lives of Japanese nationals, as we aim to be an organization worthy of the public's trust. I would sincerely appreciate your continued understanding and support.

President 髙橋則広

Norihiro Takahashi

Government Pension Investment Fund, Japan

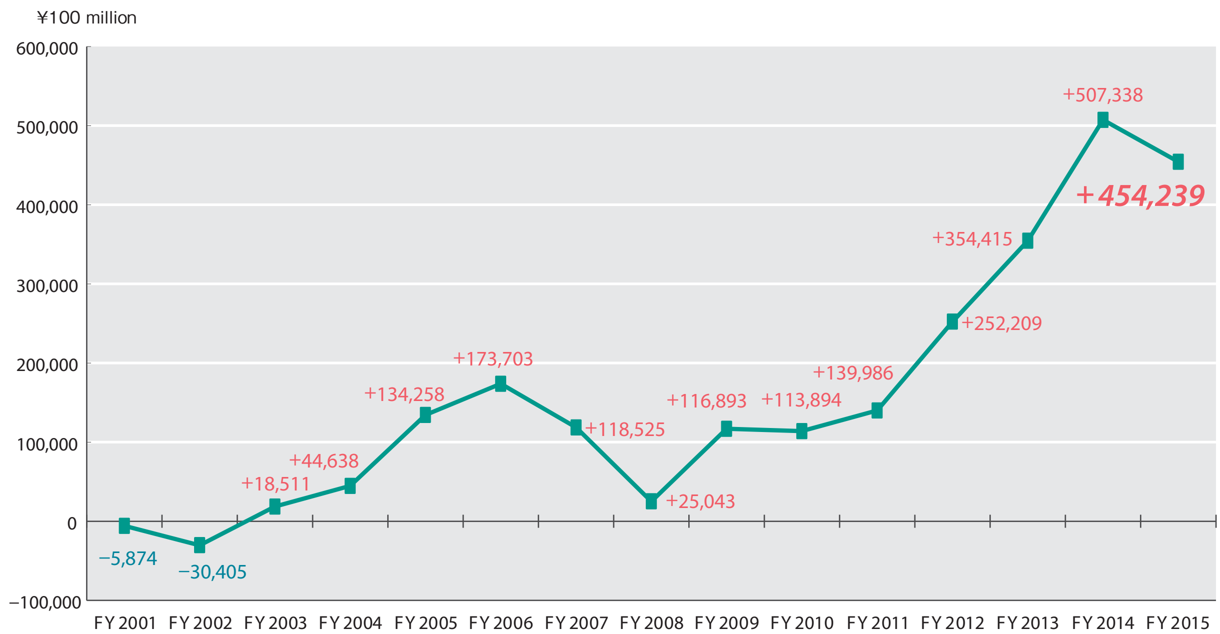
Overview of Fiscal Year 2015

Investment results

	Fiscal Year 2015	Since Fiscal Year 2001
Rate of return	-3.81% [annual rate]	+2.70% [annual rate]
Returns	-¥5.3 trillion [annual returns]	+¥45.4 trillion [cumulative returns]
Asset size	¥134.7 trillion [as of end of fiscal 2015]	

Since returns are marked to market as of the end of fiscal 2015, they include unrealized gains and losses, and they are exposed to short-term market movements.

Cumulative returns since Fiscal 2001

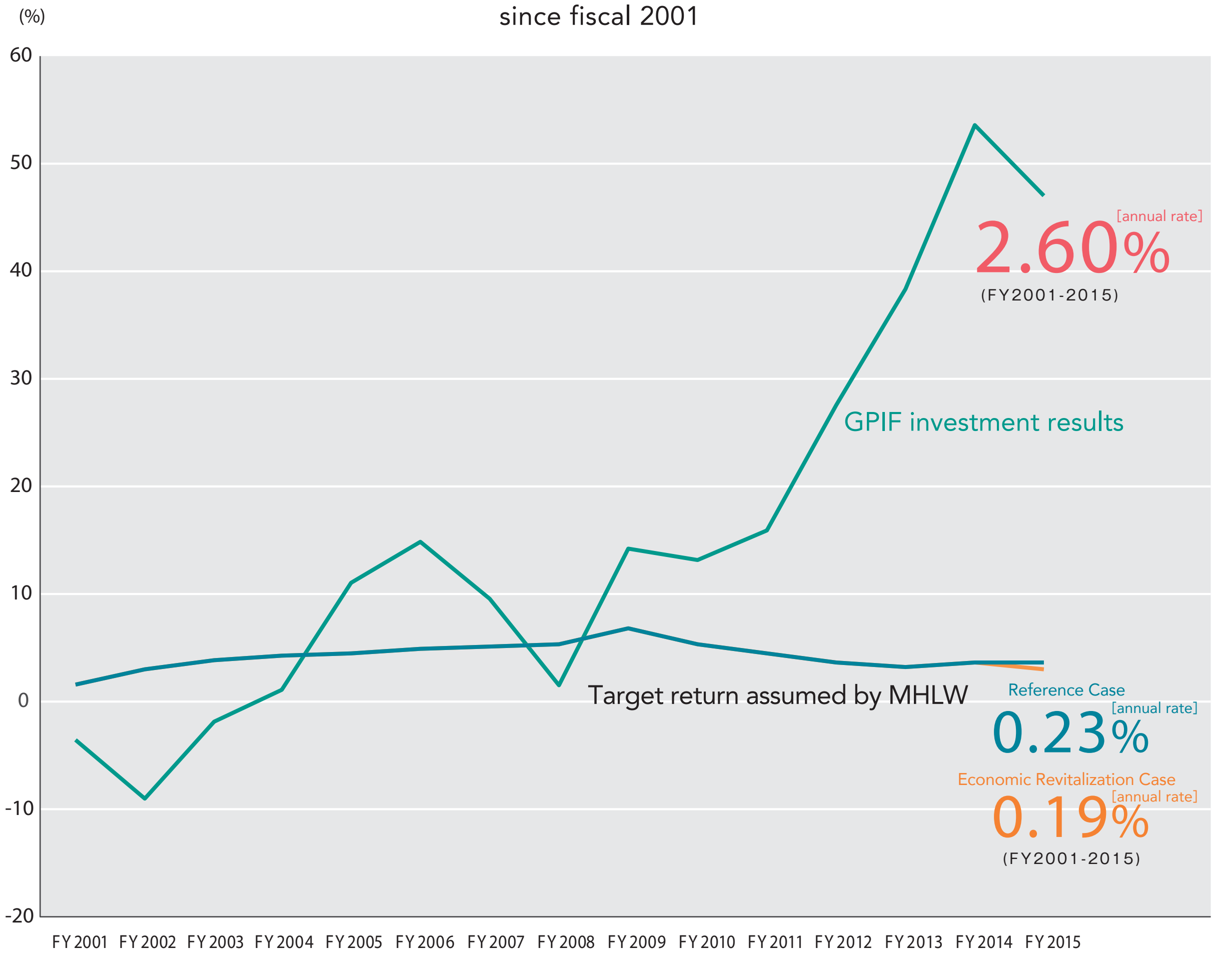


Contribution to the public pension system

Real return on investment (cumulative)	Target return assumed by the MHLW	
2.60% [annual rate]	Reference Case	0.23% [annual rate]
	Economic Revitalization Case	0.19% [annual rate]

The GPIF's investment target is to secure a long-term real return on investment (return on investment minus rate of increase in nominal wages) of 1.7% with the minimal level of risk, under the Medium-term Plan established by the Minister of Health, Labour and Welfare (MHLW).

Real return on investment (cumulative) since fiscal 2001



Note: Real return on investment (%) is calculated as (1 + nominal return on investment [%]) / (1 + nominal increase in wages [%]) - 1.

Chapter 1

Investment Result in fiscal year 2015

1 | Overall Assets

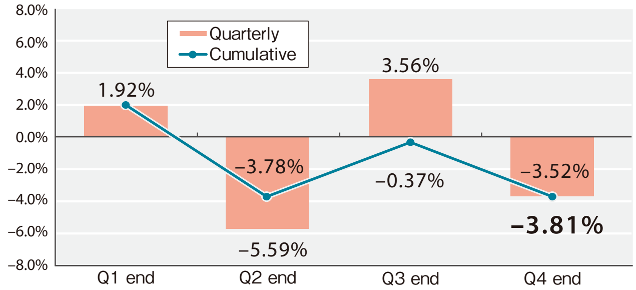
[1] Investment results

① Rate of investment return

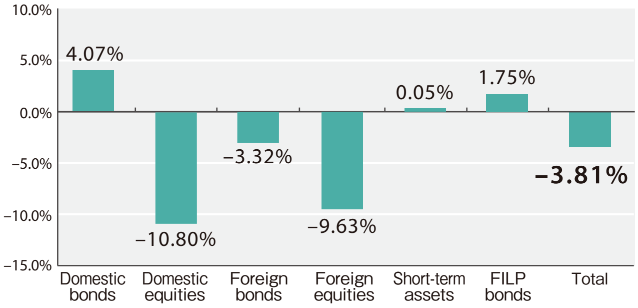
The result for Fiscal Year 2015 is

−3.81%

due to negative returns on domestic equities and foreign bonds and equities.



	1stQ	2ndQ	3rdQ	4thQ	Total
Total	1.92%	-5.59%	3.56%	-3.52%	-3.81%
Domestic bonds	-0.10%	0.60%	0.75%	2.78%	4.07%
Domestic equities	5.89%	-12.78%	9.92%	-12.14%	-10.80%
Foreign bonds	0.65%	-1.26%	-1.10%	-1.64%	-3.32%
Foreign equities	2.38%	-10.97%	5.28%	-5.83%	-9.63%
FILP bonds	0.42%	0.43%	0.45%	0.45%	1.75%



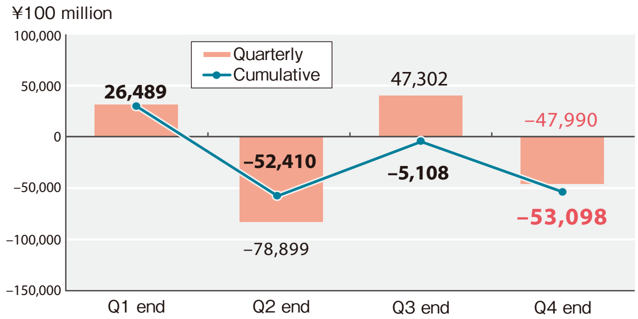
(Note 1) Fiscal 2015 is the year ended March 31, 2016.
(Note 2) The GPIF's portfolio consists of funds invested in the markets (hereinafter "market investment" which is marked to market) and FILP bonds (See Note 4), which are held to maturity and valued at amortized costs.
(Note 3) In this annual report, 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 Amount of investment returns

The result for Fiscal Year 2015 is

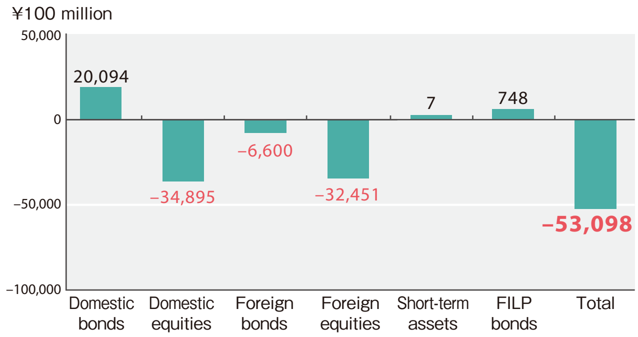
−¥5,309.8 billion

due to losses on domestic equities and foreign bonds and equities.



(Unit: ¥100 million)

	1stQ	2ndQ	3rdQ	4thQ	Total
Total	26,489	-78,899	47,302	-47,990	-53,098
Domestic bonds	-505	3,022	3,785	13,792	20,094
Domestic equities	18,657	-43,154	29,660	-40,058	-34,895
Foreign bonds	1,139	-2,408	-2,179	-3,153	-6,600
Foreign equities	6,987	-36,552	15,854	-18,741	-32,451
Short-term assets	1	2	2	1	7
FILP bonds	208	191	180	169	748



(Note) Investment returns are gross of fees.

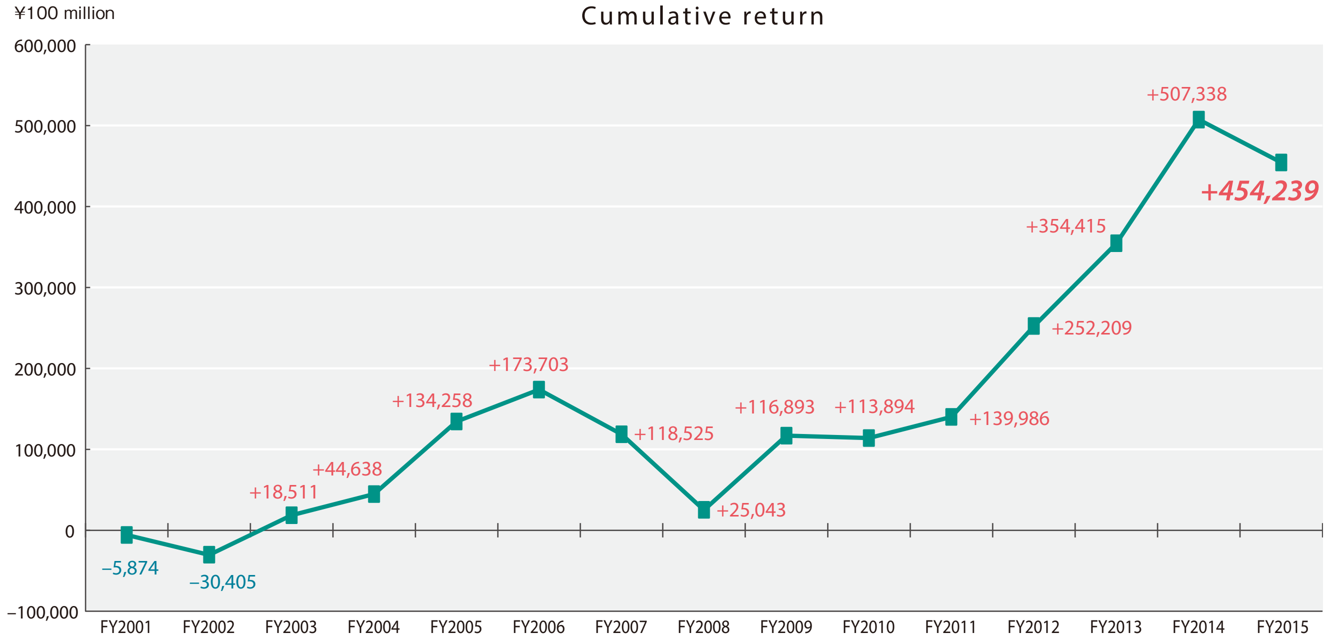
③ Cumulative returns and asset size since fiscal year 2001

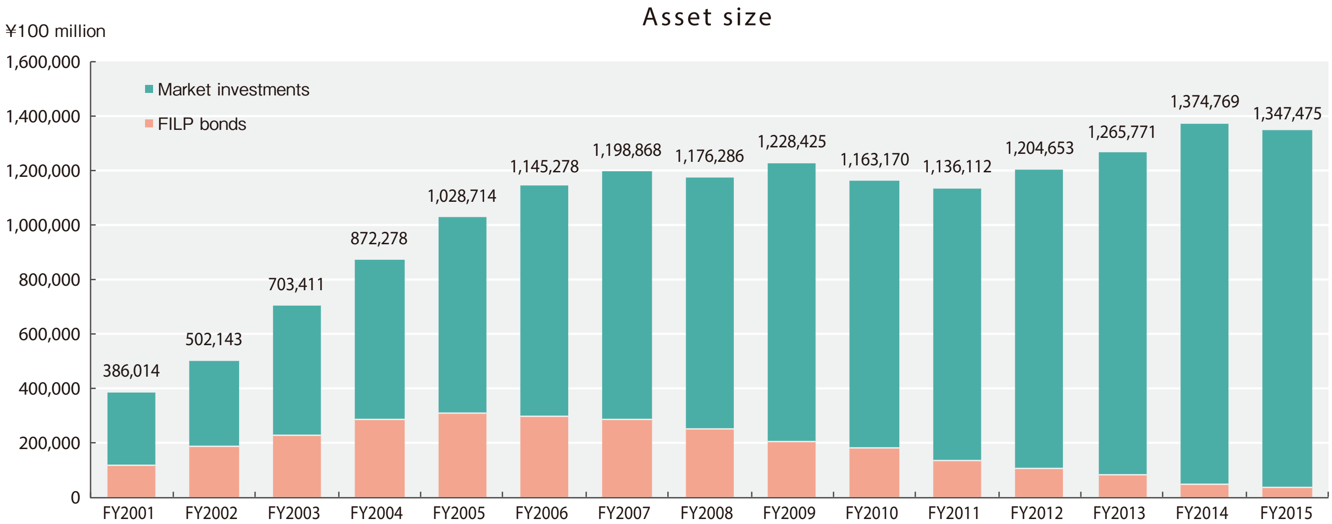
Cumulative returns from fiscal 2001 to fiscal 2015 are

+¥45,423.9 billion

and the value of investment assets at the end of fiscal 2015 is

¥134,747.5 billion





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

④ Comparison to the investment return target assumed in the MHLW's actuarial valuation

The average real investment return* is **2.60%** for fifteen years since fiscal 2001 and is **2.85%** for ten years since we were established as an independent administrative agency in 2006.

These returns are higher than the real investment return target assumed in the MHLW's 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

(%)

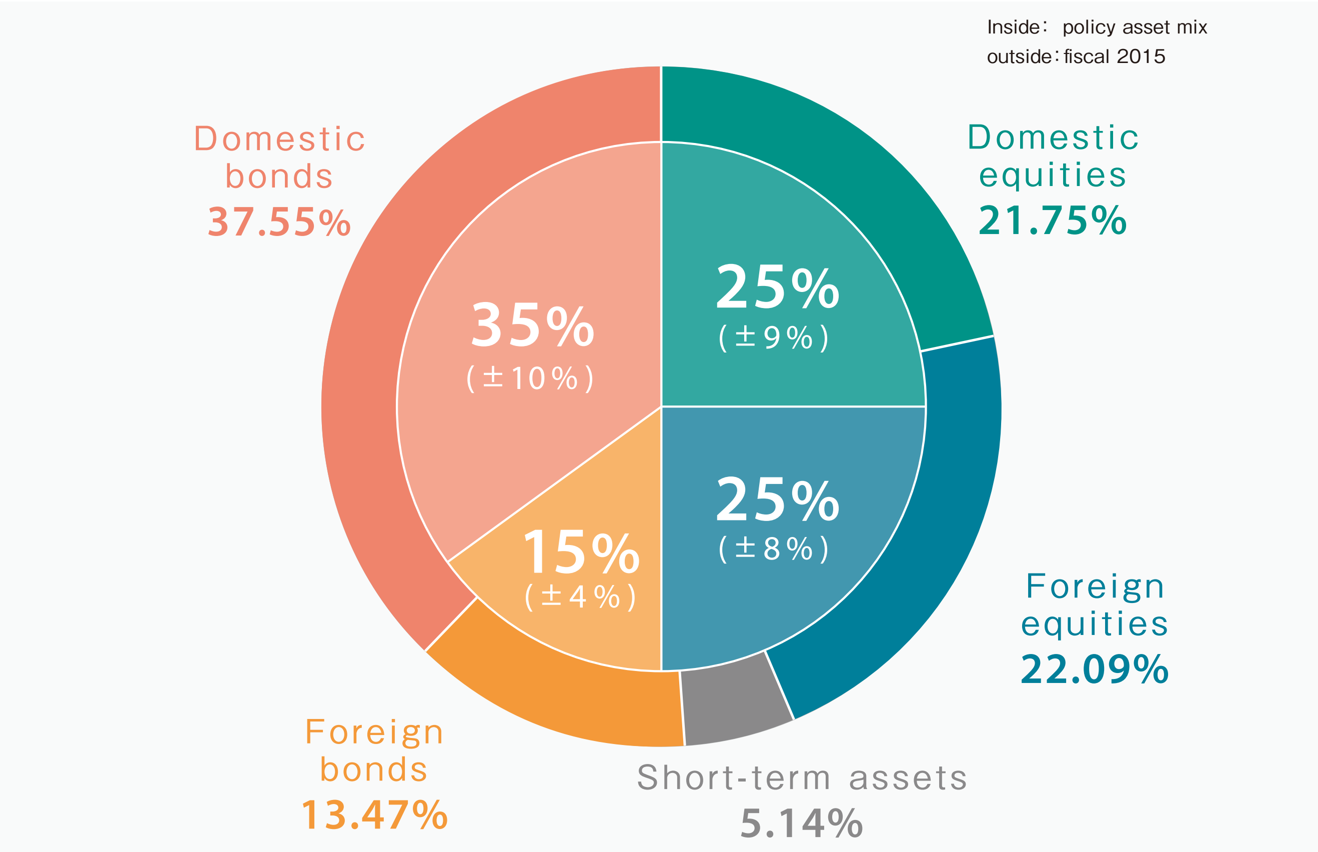
		FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Last 10 years (annualized)	Last 15 years (annualized)
Performance	Nominal investment return (After deducting interest on debts, investment management fees, etc.)	-4.01	-6.69	7.61	2.91	9.57	3.52	-4.69	-7.61	7.88	-0.27	2.29	10.21	8.62	12.24	-3.84	2.63	2.31
	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	0.50	-0.22	-0.28
	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	-4.31	2.85	2.60

Investment return target assumed in the MHLW's actuarial valuation

(%)

		FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Last 10 years (annualized)	Last 15 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	1.88 1.61	2.05 2.03	2.12 2.10
	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	2.47 1.63	2.20 2.11	1.92 1.87
	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	-0.59 -0.02	-0.14 -0.08	0.19 0.23

⑤ Investment assets and portfolio allocation
(Consolidated with GPIF and the Pension Special Account)



		Market value (¥billion)	Allocation of reserve funds (A)	Policy asset mix (B)	Deviation (A−B)
Domestic bonds		52,801.0	37.55%	35% (±10%)	+2.55%
Market investments		49,358.8	−	−	−
FILP bonds	(Book value)	3,442.2	−	−	−
	(Market value)	(3,598.0)	−	−	−
Domestic equities		30,580.9	21.75%	25% (±9%)	−3.25%
Foreign bonds		18,938.8	13.47%	15% (±4%)	−1.53%
Foreign equities		31,071.4	22.09%	25% (±8%)	−2.91%
Short-term assets		7,235.1	5.14%	−	−
Total		140,627.1	100.00%	100%	−

(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) Book values of FILP bonds are book values by the amortized cost method plus accrued income.
(Note 4) While Reserve Funds as a whole include reserves managed under a special account as of the end of fiscal 2015,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%), Foreign bonds 15% (±4%), Foreign equities 25% (±8%). The percentage of alternative investments is 0.06% (within a maximum of 5% of total portfolio).
(Note 6) The notes above apply to the following pages as well.

The allocation changes of each asset class as a result of rebalancing, during fiscal 2015

(¥billion)

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Allocated/withdrawn	−5,986.9	+2,400.0	+1,421.3	+4,242.4

(Note 1) Each number shows the net rebalancing amount.
(Note 2) Redemptions and coupon revenue of the Special Fund for cash outflow were ¥3.584 trillion. Redemptions and coupon revenue of the Special Fund for FLIP bonds were ¥1.6447 trillion.

⑥ Factor analysis of difference from compound benchmark return

The total rate of return on all investment assets	The compound benchmark rate of return	Excess return rate
–3.81%	–3.81%	0.00%

The GPIF breaks down difference between the total 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.

(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.

The rate of return on all investment assets was -3.81%, vs. a compound benchmark of a -3.81% return, with a deviation from the benchmark of 0.00 percentage points.

The following asset allocation factor contributed to a positive deviation: the fact that domestic bonds, which had higher benchmark returns than the compound benchmark, were overweighted on average vs. the policy asset mix.

As for the individual asset factors, the rates of return on domestic and foreign bonds were -0.07% and -0.09%, respectively, which resulted in overall rate of return was -0.15%.

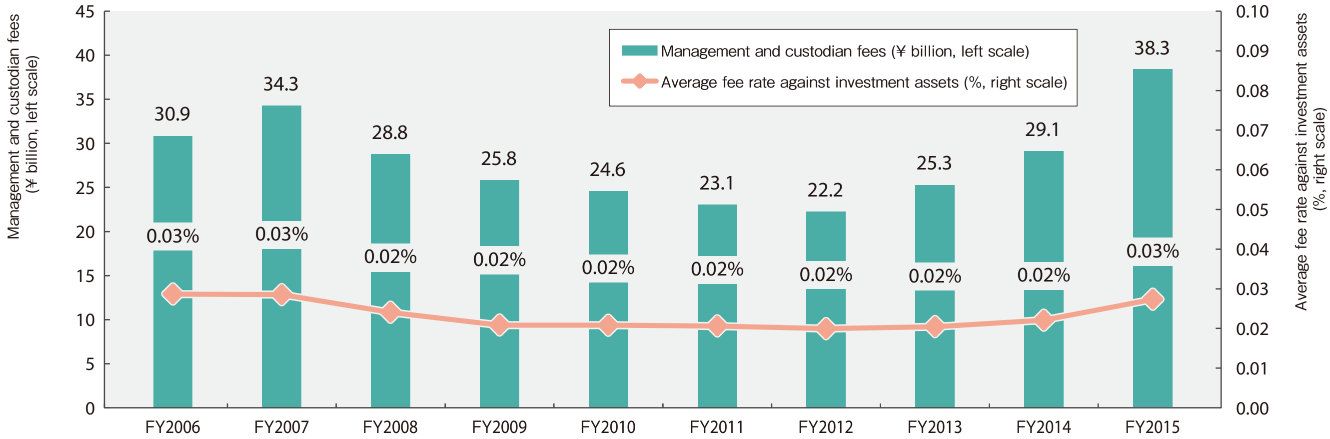
	Rate of return			Factor analysis of excess rate of return			
	Return of GPIF	Benchmark return on each asset	Excess rate of return	Asset allocation factor (1)	Individual asset factor (2)	Other factors (including error) (3)	(1)+(2)+(3)
Total	−3.81%	−3.81%	0.00%	0.21%	−0.15%	−0.06%	0.00%
Domestic bonds	3.92%	4.13%	−0.21%	0.11%	−0.07%	−0.01%	0.03%
Domestic equities	−10.80%	−10.82%	0.02%	0.05%	0.01%	−0.00%	0.05%
Foreign bonds	−3.32%	−2.74%	−0.58%	−0.04%	−0.09%	0.01%	−0.12%
Foreign equities	−9.63%	−9.66%	0.03%	0.02%	0.01%	−0.00%	0.03%
Short-term assets	0.05%	0.05%	0.00%	0.07%	0.00%	0.00%	0.07%

⑦ Fees and expenses

In fiscal 2015, total fees rose by ¥9.2 billion from the previous year to **¥38.3 billion**

The average rate of the total fees against the investment balance for fiscal 2015 was **0.03%**

Management and custodian fees



Fees by asset class

(¥100 million)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Total	309	343	288	258	246	231	222	253	291	383
Domestic bonds	85	102	100	71	67	64	47	36	38	38
Domestic equities	98	96	70	66	65	62	59	78	57	83
Foreign bonds	49	63	61	60	56	52	57	68	85	91
Foreign equities	77	82	56	61	58	53	60	72	112	170

Average rate of fees against externally managed assets

(%)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Total	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03
Domestic bonds	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.02
Domestic equities	0.05	0.06	0.06	0.05	0.05	0.05	0.04	0.04	0.02	0.03
Foreign bonds	0.06	0.07	0.06	0.06	0.06	0.06	0.06	0.05	0.05	0.05
Foreign equities	0.07	0.06	0.06	0.05	0.05	0.04	0.04	0.04	0.05	0.05
Average balance (¥trillion)	107.7	120.2	119.6	123.9	118.1	112.0	111.5	123.9	131.9	139.0

(Note 1) For FILP funds subject to private investment, monthly average balances of book values through the amortized cost method are used.
(Note 2) Management and custodian fees are rounded off to the nearest ¥100 million.

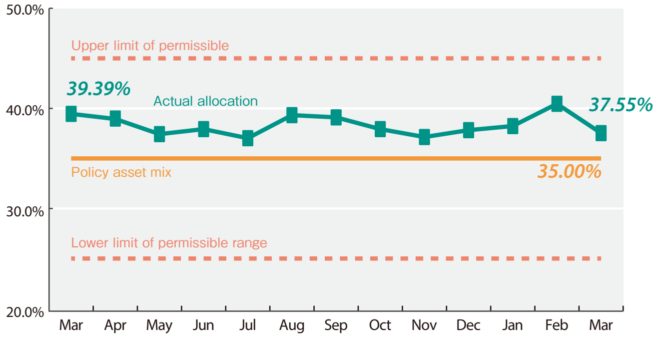
[2] Risk management

① Asset Allocation and Tracking Errors

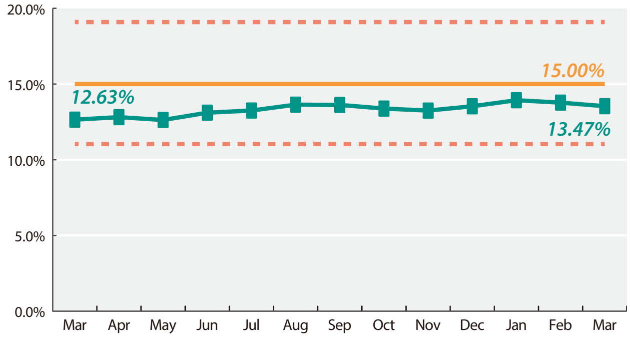
Changes in asset allocation during fiscal 2015 stayed within the permissible range throughout the fiscal year.
The estimated tracking error of the entire Reserve Funds was stable throughout the fiscal year, with no major changes.

Asset Allocation

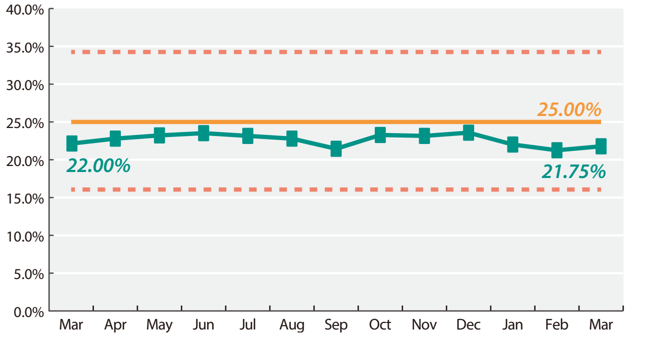
Domestic bonds



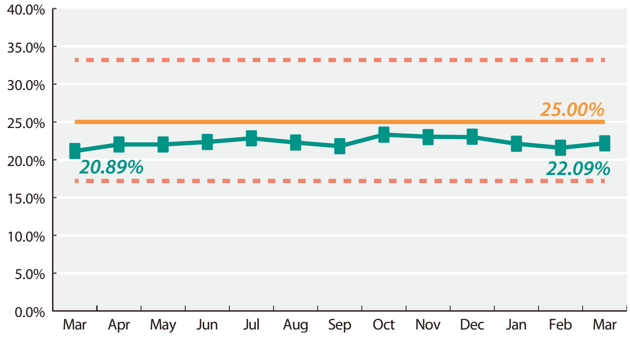
Foreign bonds



Domestic equities



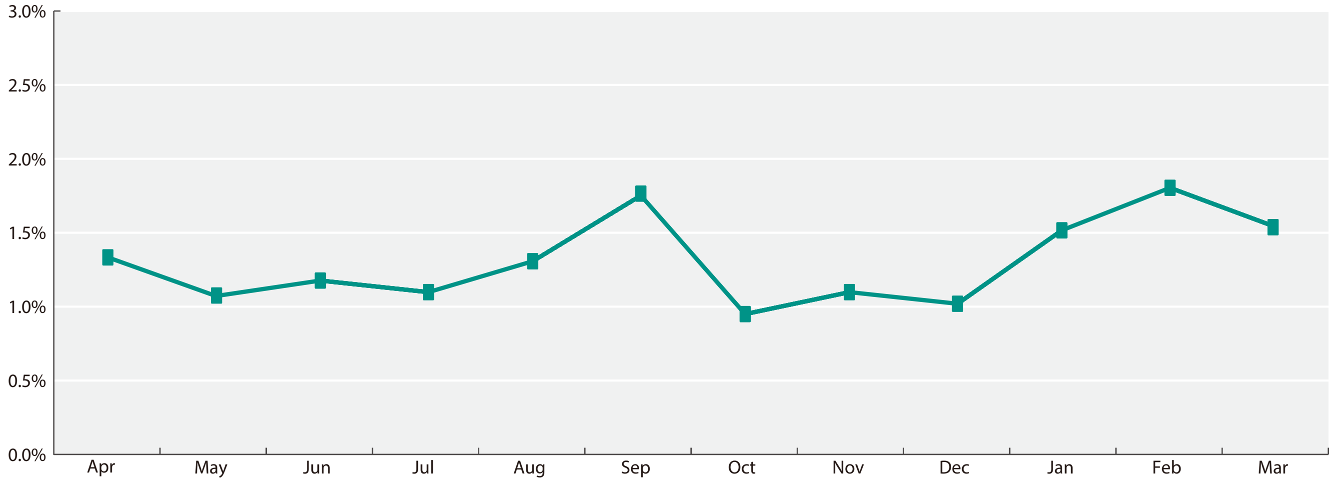
Foreign equities



(Note 1) Asset allocation is calculated including reserves managed in the Pension Special Account.
(Note 2) The permissible range of deviation is ± 10% for domestic bonds, ± 9% for domestic equities, ± 4% for foreign bonds, and ± 8% for foreign equities.

Estimated Tracking Error

Estimated tracking error of reserve funds



2 | Investment in Bonds

[1] Domestic bonds

① Excess rate of return

The excess rate of return vs. the benchmark(Note) was -0.23% (-1.49% for active investment, and +0.02% for passive investment). In active investment, security selection in the bonds sector mainly contributed to the negative relative return. In passive investment, the rate of return largely corresponded to the benchmark.

② Contribution analysis of excess rate of return

Domestic bonds as a whole produced a negative relative return (-0.23%)

Time-weighted rate of return (1)	Benchmark (2)	Excess rate of return (1) - (2)	Fund factors	Benchmark factors	Other factors
4.07%	4.30% (4.00%)	−0.23% (0.07%)	−0.23%	0.02%	−0.02%

As for fund factors, the rate of return on inflation-linked domestic-bond funds which was lower than the manager's benchmark rate of return contributed to the negative rate.
It should be noted that the excess rate of return would be +0.07% if NOMURA J-TIPS index were used as a benchmark index for the inflation-linked bond portfolio instead of NOMURA BPI government bonds index.

Factor analysis by investment styles

	Nomura-BPI (excluding ABS) (passive)	Nomura-BPI government bonds (passive)	Nomura-BPI/ GPIF Customized (passive)	Nomura-BPI (excluding ABS) (active)	Inflation-linked bonds (active)	Total
Fund factors	0.00%	−0.00%	0.01%	0.04%	−0.28%	−0.23%
Benchmark factors	0.11%	0.48%	−0.78%	0.14%	0.06%	0.02%

(Note1) Fund factors refer to factors resulting from differences in rates of return between individual funds and managers' benchmarks. They are calculated taking into consideration the market total average balance of each fund. The manager's benchmark for inflation-indexed domestic-bond funds is calculated using Nomura-BPI government bonds.
(Note 2) Benchmark factors refer to factors resulting from differences in rates of return between managers' benchmarks and the benchmark (a compound index consisting of Nomura-BPI [excluding ABS], Nomura-BPI government bonds, and Nomura-BPI/GPIF Customized [weighted average according to each asset type's percentage of investment amount]). They are calculated taking into consideration the market total average balance of each fund.
(Note 3) Other factors refer to factors such as calculation errors.

[2] Foreign bonds

① Excess rate of return

The excess rate of return vs. the benchmark was -0.58% (-0.86% for active investment, and +0.04% for passive investment). In active investment, the fact that the portfolio was overweight USD bonds mainly contributed to the negative relative return.

② Contribution analysis of excess rate of return

The excess rate of return was -0.45% in the first half of fiscal 2015 due to the temporary inability to follow the benchmark resulting from a large-scale change in issues accompanying the restructuring of the manager structure in October 2015 and, in active investment, security selection in USD and EUR bonds mainly contributed to the negative relative return.

Foreign bonds as a whole produced a negative relative return (-0.14%) in fiscal 2015.

Time-weighted rate of return (1)	Benchmark (2)	Excess rate of return (1)-(2)	Fund factors	Benchmark factors	Other factors
−2.72%	−2.58%	−0.14%	−0.03%	−0.12%	0.01%

As for benchmark factors, underperformance of Global aggregate, US aggregate and US high-yield relative to the benchmark index (World Government Bond Index) contributed to the negative relative return.

Factor analysis by investment styles

	Total passive investment	Global aggregate (active)	U.S aggregate (active)	Europe aggregate (active)	Inflation-linked (active)	U.S. high-yield (active)	Europe high-yield (active)	Emerging (active)	Infrastructure (active)	Total
Fund factors	0.00%	−0.01%	−0.03%	−0.00%	0.00%	0.01%	−0.00%	−0.00%	0.00%	−0.03%
Benchmark factors	0.01%	−0.06%	−0.04%	0.01%	−0.01%	−0.04%	0.00%	0.00%	0.00%	−0.12%

(Note 1) Fund factors refer to factors resulting from differences in rates of return between individual funds and managers' benchmarks. They are calculated taking into consideration the market total average balance of each fund.
(Note 2) Benchmark factors refer to factors resulting from differences in rates of return between managers' benchmarks and the benchmark (through September 2015, a compound index consisting of the Citigroup World Government Bond Index and the World Broad Investment-Grade Bond Index [hereinafter this refers to the index not including Japanese yen, no hedging, JPY-based] [weighted average according to each asset type's percentage of investment amount, using the Citigroup World Government Bond Index for passive investment and the World Broad Investment-Grade Bond Index for active investment]; since October 2015, the Citigroup World Government Bond Index). They are calculated taking into consideration the market total average balance of each fund.
(Note 3) Other factors refer to factors such as calculation errors.

3 | Investment in Equities

[1] Domestic equities

① Excess rate of return

The excess rate of return over the benchmark was 0.02% (0.92% in active investment and minus 0.13% in passive investment). In active investment, security selection in the information technology and telecommunications sector as well as the electrics sector contributed to the positive relative return. In passive investment, JPX Nikkei 400 and MSCI Japan Standard investments contributed to the negative relative return.

② Contribution analysis of Excess rate of return

The overall return on the fund's domestic equity investments was 0.02% higher than the return on the benchmark index.

Time-weighted rate of return (1)	Benchmark (2)	Excess rate of return (1) – (2)	Fund factors	Benchmark factors	Other factors
−10.80%	−10.82%	0.02%	−0.02%	0.05%	−0.02%

As for the benchmark factor, outperformance of S&P GIVI Japan against the benchmark index (TOPIX) contributed to the positive relative return.

Factor analysis by investment styles

	TOPIX (active)	RUSSELL/NOMURA Large Cap Value (active)	RUSSELL/NOMURA Small Cap (active)	Nomura RAFI (active)	MSCI Japan Small (active)	S&P GIVI Japan (active)
Fund factor	0.02%	−0.03%	0.02%	−0.01%	−0.00%	0.01%
Benchmark factor	0.00%	−0.06%	0.02%	0.04%	0.03%	0.11%

	TOPIX (passive)	JPX Nikkei 400 (passive)	MSCI Japan Standard (passive)	RUSSELL/NOMURA Prime (passive)	Total
Fund factor	−0.00%	−0.01%	−0.00%	−0.00%	−0.02%
Benchmark factor	0.00%	−0.03%	−0.06%	0.00%	0.05%

(Note 1) The fund factor is a factor of difference between individual fund return rate and manager benchmark return rate, which is calculated based on an average total market value of each fund.
(Note 2) The benchmark factor is a factor of difference between manager benchmark return rate and benchmark return rate (TOPIX dividends included) which is calculated based on an average total market value of each fund.
(Note 3) Other factors are factors of calculation differences, etc.

[2] Foreign equities

① Excess rate of return

The excess rate of return against the benchmark was +0.03% (+0.09% in active investment and +0.04% in passive investment). With regard to active investment, holdings in developed markets generated a similar return to the benchmark index, and in emerging markets, the security selection of banks, consumer services, and the food, drink, and tobacco sectors contributed to a positive relative return.

② Contribution analysis of Excess rate of return

The overall return on the fund's foreign equity investments was 0.03% higher than the return on the benchmark index.

Time-weighted rate of return (1)	Benchmark (2)	Excess rate of return (1) – (2)	Fund factors	Benchmark factors	Other factors
−9.63%	−9.66%	0.03%	0.03%	0.01%	−0.01%

As for the fund factors, outperformance of total passive investment and emerging against the manager's benchmark rate of return contributed to the positive relative return.

Factor analysis by investment styles

	Total passive investment	Developed (active)	Emerging (active)	Private Equity (active)	Total
Fund factors	0.03%	−0.03%	0.03%	−0.00%	0.03%
Benchmark factors	−0.05%	0.11%	−0.05%	0.00%	0.01%

(Note 1) Fund factors refer to factors resulting from differences in rates of return between individual funds and managers' benchmarks. They are calculated taking into consideration the market total average balance of each fund.
(Note 2) Benchmark factors refer to factors resulting from differences in rates of return between managers' benchmarks and the benchmark (a compound index consisting of MSCI KOKUSAI [JPY basis, incl. dividends, after taking into account our dividend tax factors], MSCI EMERGING MARKETS [JPY basis, incl. dividends, after deducting taxes], MSCI ACWI [not incl. JPY, JPY basis, incl. dividends, after taking into account our dividend tax factors]). They are calculated taking into consideration the market total average balance of each fund.
(Note 3) Other factors refer to factors such as calculation errors.

[3] Fulfiling stewardship responsibilities and exercise of voting rights

① Fulfiling stewardship responsibilities

A. Policy for fulfiling stewardship responsibilities

To implement Japan's Stewardship Code (the Code), the GPIF has formulated its Policy for Fulfiling 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 fulfiling its stewardship responsibilities, the GPIF will demand that said external asset managers remedy the relevant situation.

As the manner in which to fulfil 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 manager 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 behavior, etc.

Provided all other conditions are equal, the GPIF would more highly recognize an external asset managers that is deemed to be better fulfiling 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 beneficiaries, 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 equity market with a view to expanding medium-and long-term returns for the beneficiaries.

B. Overview of implementation status in fiscal 2015

(a) External asset managers' compliance with the Code

We requested all the external asset managers of investment in domestic equities to report about their stewardship activities, and confirmed that constructive communication was conducted between the external asset managers and investee companies, including implementation of continuous engagement and enhancement of communication, as well as issues of their stewardship activities.

(i) While many engagements are implemented for the purpose of the enhancement of long-term sustainable capital productivity, its response is polarized.
(ii) In external asset managers of active investment, "constructive dialogues" aiming at sustainable growth of companies and the enhancement of corporate values have been taking shape.
(iii) In external asset managers of passive investment, there is no engagement other than part of active investment.
(iv) In some external asset managers under some financial institution groups, there were some cases where they failed to take organizational measures against concerns on conflict of interest with the parent company, etc.
(v) There were some cases of concerns on governance of the external asset managers in their management.

(b) Status of compliance with the Code by the GPIF

The GPIF established "Investment Principles" that stipulate "aim to expand medium-and-long-term returns for the beneficiaries through various activities in order to fulfil stewardship responsibilities" and strengthened their stewardship system by signing the United Nation's Principles for Responsible Investment (UN-PRI) in September 2015 and employing dedicated personnel in stewardship.

Based on the above issues, in the overall evaluation of the external asset managers, their governance system and conflict of interest prevention system have been added as evaluation items from fiscal 2016, and for the external asset managers of passive investment in domestic equities, evaluation weight of stewardship activities has been raised.

Furthermore, to evaluate stewardship activities of the external asset managers and to grasp the real situation of "constructive dialogues (engagement)," we conducted our first survey of listed companies and disclosed the results in April 2016.

(c) Establishment of “Stewardship Enhancement Group”

A stewardship expert who GPIF employed in December 2015 established "Stewardship Enhancement Group" in March 2016. The Group discusses appropriate stewardship responsibilities of GPIF and specific action plans from a long-term strategic perspective, assesses Stewardship activities, analyzes ESG factors in investment, and promotes collaboration with domestic and international institutional investors and UN-PRI besed on global network.

The Group consists of seven employees as of July 1st 2016 and reinforces itself through further recruitment, etc.

② Exercise of voting rights

A. 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.

B. Exercise of voting rights in the fiscal 2015

In fiscal 2015, we held meetings based on the reports on the votes cast from April to June 2015 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) Situation of external asset managers of domestic equities (April 2015 to March 2016)

Number of external asset managers who exercised voting rights 29 funds
Number of external asset managers who did not exercise voting rights none

(Unit: No. of proposals, percentage)

Proposal		Proposal pertaining to company organization					Proposals pertaining to director remuneration, etc.				Proposals pertaining to capital management (excluding items pertaining to amendment of the articles of incorporation)			Proposals pertaining to amendment of the articles of incorporation	Poison Pills (Rights plan)		Other proposals	Total
		Appointment of directors	External directors	Appointment of auditors	External auditors	Appointment of accounting auditors	Director remuneration	Director bonuses	Director retirement benefits	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, acquisition, etc.		Warning type	Trust-type		
Number of voting rights exercised		143,210	34,702	27,183	18,272	132	4,246	2,087	2,086	1,517	12,600	72	605	11,703	755	0	117	206,313
Management proposals	Total	142,729	34,513	27,174	18,272	116	4,239	2,087	2,086	1,517	12,522	44	605	9,833	755	0	117	203,824
		(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%)	(0.0%)	(100.0%)	(100.0%)
	Approved	132,651	29,968	23,209	14,470	116	4,135	2,023	934	1,230	12,030	44	594	9,493	351	0	110	186,920
		(92.9%)	(86.8%)	(85.4%)	(79.2%)	(100.0%)	(97.5%)	(96.9%)	(44.8%)	(81.1%)	(96.1%)	(100.0%)	(98.2%)	(96.5%)	(46.5%)	(0.0%)	(94.0%)	(91.7%)
	Opposed	10,078	4,545	3,965	3,802	0	104	64	1,152	287	492	0	11	340	404	0	7	16,904
		(7.1%)	(13.2%)	(14.6%)	(20.8%)	(0.0%)	(2.5%)	(3.1%)	(55.2%)	(18.9%)	(3.9%)	(0.0%)	(1.8%)	(3.5%)	(53.5%)	(0.0%)	(6.0%)	(8.3%)
Shareholder proposals	Total	481	189	9	0	16	7	0	0	0	78	28	0	1,870	0	0	0	2,489
		(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(100.0%)
	Approved	8	8	0	0	0	3	0	0	0	18	0	0	53	0	0	0	82
		(1.7%)	(4.2%)	(0.0%)	(0.0%)	(0.0%)	(42.9%)	(0.0%)	(0.0%)	(0.0%)	(23.1%)	(0.0%)	(0.0%)	(2.8%)	(0.0%)	(0.0%)	(0.0%)	(3.3%)
	Opposed	473	181	9	0	16	4	0	0	0	60	28	0	1,817	0	0	0	2,407
		(98.3%)	(95.8%)	(100.0%)	(0.0%)	(100.0%)	(57.1%)	(0.0%)	(0.0%)	(0.0%)	(76.9%)	(100.0%)	(0.0%)	(97.2%)	(0.0%)	(0.0%)	(0.0%)	(96.7%)

(Note 1) If a proposal has multiple items to exercise, the number of exercised items of each proposal is shown.
(Note 2) The figures in parentheses are a percentage to the total number of each proposal.
(Note 3) The negative votes include two abstentions.

(b) Situation of external asset managers of foreign equities (April 2015 to March 2016)

Number of external asset managers who exercised proxies 23 funds
Number of external asset managers who did not exercise proxies none

Proposal		Proposal pertaining to company organization			Proposals pertaining to director remuneration, etc.				Proposals pertaining to capital management (excluding items pertaining to amendment of the articles of incorporation)			Proposals pertaining to amendment of the articles of incorporation	Poison Pills for pre-warming type	Other proposals		Total
		Appointment of directors	Appointment of 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	
Number of voting rights exercised		90,531	4,087	10,373	18,611	418	380	4,505	8,692	4,878	14,556	7,703	333	11,975	39,331	216,373
Management proposals	Total	89,049	3,711	10,301	18,240	416	372	4,358	8,656	4,878	14,504	7,274	316	11,975	35,132	209,182
		(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	82,980	3,335	10,124	16,453	378	295	3,338	8,644	4,552	12,424	6,519	217	11,772	31,379	192,410
		(93.2%)	(89.9%)	(98.3%)	(90.2%)	(90.9%)	(79.3%)	(76.6%)	(99.9%)	(93.3%)	(85.7%)	(89.6%)	(68.7%)	(98.3%)	(89.3%)	(92.0%)
	Opposed	6,069	376	177	1,787	38	77	1,020	12	326	2,080	755	99	203	3,753	16,772
		(6.8%)	(10.1%)	(1.7%)	(9.8%)	(9.1%)	(20.7%)	(23.4%)	(0.1%)	(6.7%)	(14.3%)	(10.4%)	(31.3%)	(1.7%)	(10.7%)	(8.0%)
Shareholder proposals	Total	1,482	376	72	371	2	8	147	36	0	52	429	17	0	4,199	7,191
		(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	726	209	45	167	2	6	54	1	0	41	318	17	0	1,861	3,447
		(49.0%)	(55.6%)	(62.5%)	(45.0%)	(100.0%)	(75.0%)	(36.7%)	(2.8%)	(0.0%)	(78.8%)	(74.1%)	(100.0%)	(0.0%)	(44.3%)	(47.9%)
	Opposed	756	167	27	204	0	2	93	35	0	11	111	0	0	2,338	3,744
		(51.0%)	(44.4%)	(37.5%)	(55.0%)	(0.0%)	(25.0%)	(63.3%)	(97.2%)	(0.0%)	(21.2%)	(25.9%)	(0.0%)	(0.0%)	(55.7%)	(52.1%)

(Note 1) The number of total exercised items excludes non-exercise.
(Note 2) If a proposal has multiple items to exercise, the number of exercised items of each proposal is shown.
(Note 3) The figures in parentheses are a percentage to the total number of each proposal.
(Note 4) The negative votes include 88 abstentions.

4 | Major Initiatives

[1] Promoting fulfillment of stewardship responsibilities

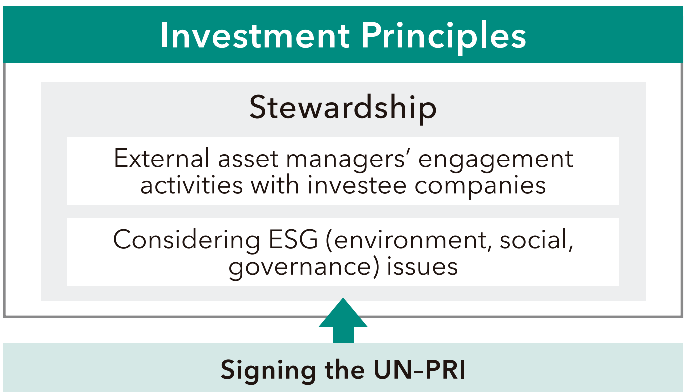
① Signing the United Nation's Principles for Responsible Investment

The United Nation's Principles for Responsible Investment (UN-PRI) consists of six principles published in April 2006 by the United Nations in order to integrate environment, social and governance (ESG) issues into investment and ownership decisions. As of April 2016, more than 1,500 institutions globally have signed the UN-PRI, which has become the global standard for ESG investments.

The GPIF stipulated "fulfil stewardship responsibilities in equity investment" in the Investment Principles established in March 2015, and from a viewpoint that appropriate consideration of ESG in invested companies will help increase in corporate value and foster sustainable growth of investee companies, signed the UN-PRI in September 2015, as part of fulfiling stewardship responsibilities.

(Reference) GPIF's policy regarding the UN-PRI

	UN-PRI	GPIF's policy
1	We will incorporate ESG issues into investment analysis and decision-making processes.	・The GPIF, whose governing law does not permit direct equity investment, commits to ESG issues through external asset managers it employs. ・The GPIF adds ESG issues to evaluation criteria for domestic and international equity managers and monitors how they properly incorporate ESG issues in their engagement activities. This new policy is written in "Operating Rules for Investment Management" and publicized. ・The GPIF revises "Policy for Fulfiling Stewardship Responsibilities" to express that GPIF incorporate ESG issues in its investment process properly.
2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	
3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	・Through the engagement activities by external asset managers the GPIF encourages investee companies to explain their ESG policies.
4	We will promote acceptance and implementation of the Principles within the investment industry.	・The GPIF asks external asset managers whether they are signatories to the UN-PRI. ・The GPIF asks the signatories to report their ESG activities, and also asks the non-signatories to explain their reasons for not signing.
5	We will work together to enhance our effectiveness in implementing the Principles.	・The GPIF participates in UN-PRI's networking activities.
6	We will each report on our activities and progress towards implementing the Principles.	・The GPIF will issue its ESG report, which is required of the UN-PRI signatories. ・The GPIF will disclose its ESG activities annually, including the analysis of ESG activities conducted by the external asset managers it employs.



② Implementation of survey of investee companies on external asset managers' stewardship activities

A. Background of the survey

Based on the Japan's Stewardship Code accepted in May 2014, the GPIF is supposed to fulfil its stewardship responsibilities by conducting what it can do as an "asset owner," grasping the status of implementation by the external asset managers and disclosing the summary of implementation each fiscal year.

Of these, regarding status of implementation by the external asset managers in fiscal 2014, we interviewed and asked them to explain about the implementation of the Code at the time of annual overall evaluation. In fiscal 2015, in addition to this interview, we conducted a survey of investee companies to more objectively assess stewardship activities of the external asset managers and found out how "constructive dialogues (engagement)" conducted by the external asset managers with investee companies are accepted by the investee companies. The survey was sent to JPX Nikkei Index 400 companies.

B. Summary of the survey

With regard to changes in the external asset managers after the Japan's Stewardship Code was introduced, approximately 60% of companies of the index recognized changes. Whether the changes are desirable or undesirable was divided by six to four in general. As desirable changes, many companies stated increased questions regarding business strategy from the medium-and-long-term view and ESG issues. On the other hand, there were many companies that pointed out undesirable changes where investors increased formal/stereo-typed questions and demanded meetings with top management to create the appearance of activities. Increased questions about capital policy and capital efficiency were stated as both desirable and undesirable changes of investors.

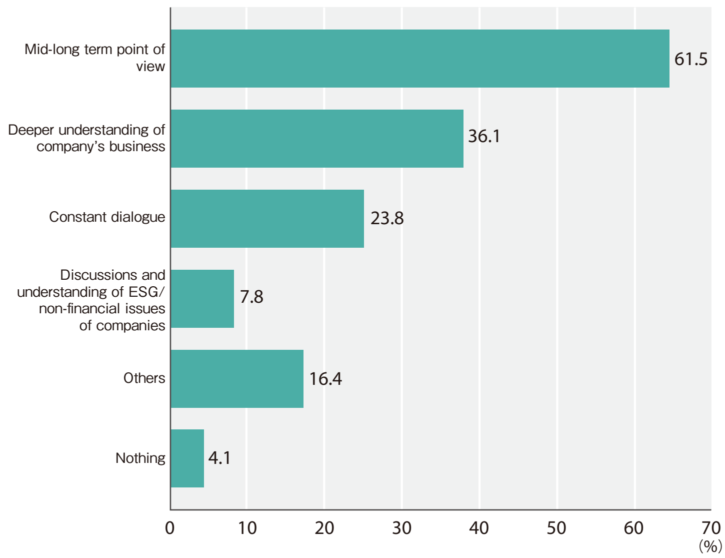
When we asked investee companies what they expect from institutional investors, many companies stated dialogues and investments from medium-and-long-term point of view.

Desirable changes and undesirable changes

Desirable changes of institutional investors (%)	63.9
Questions regarding business strategy from the long-term point of views are increasing	36.0
Questions regarding ESG issues are increasing	29.4
Questions regarding Capital Efficiency/Capital policy are increasing	20.8
Others	13.7
Undesirable changes of institutional investors (%)	36.1
Formal/stereotypical questions are increasing	34.1
Questions regarding capital Efficiency/Capital policy are increasing	31.8
Request of meetings is increasing	17.0
Others	17.0

(Note 1) These data are categorized by GPIF based on answers from companies.
(Note 2) Breakdown of "Desirable changes" and "Undesirable changes" is based on total multiple answers to the same questions.

Expectation to institutional investors



(Note) Multiple answers, Percentage to the 244 responding companies

[2] Asset Manager Registration System

① Background

Every four years we have revised our structure of each asset class managers, based upon the investment performance of the preceding three years (we also conduct annual assessment of external managers in a qualitative and quantitative way).

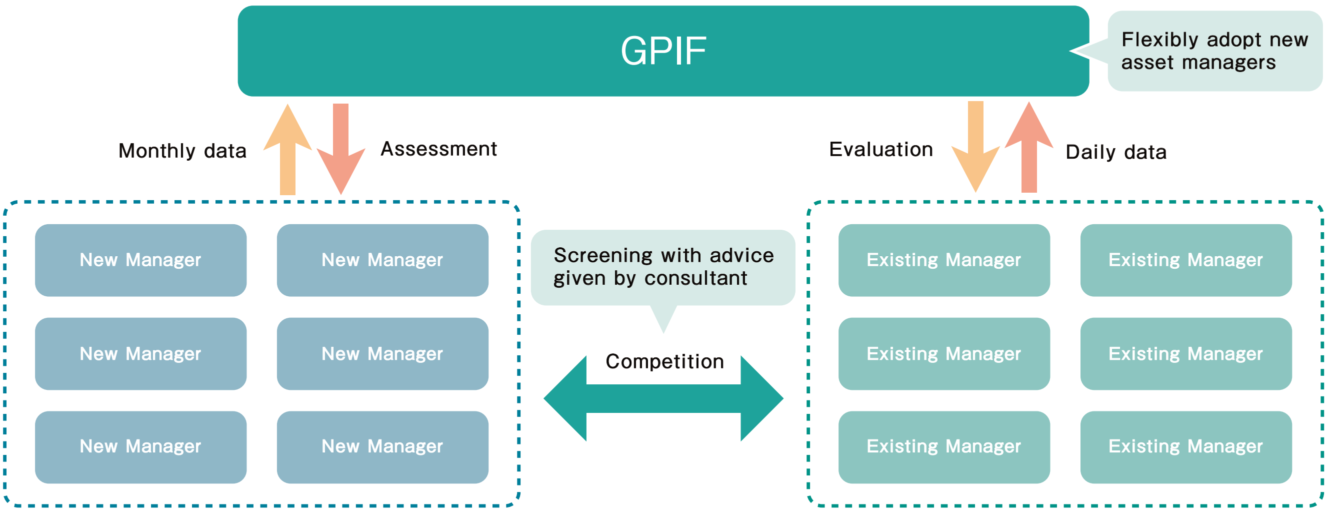
Under this approach, new managers had to wait for maximum four years to be adopted in our portfolio. We recognized potential opportunity losses and decided to introduce the Asset Manager Registration System. For example innovative strategies including low beta equity, very selective equity investment and smart beta can be flexibly adopted and complement traditional strategies in equity investments.

This system will solve the problem of "Backup managers", which were selected in the previous manager structures. Since the number of these managers is limited, there is possibility that such backup managers are depleted when existing managers showing insufficient performance were replaced by backup managers several times.

This is why we aimed to introduce the Asset Manager Registration System, where new managers can be adopted anytime. After the Investment Advisory Committee made deliberation twice, we have started this system from 2016 FY. Every time new managers of a particular strategy are to be requested under the System, we will make a prior consultation to the Investment Advisory Committee and will update the manager structure periodically.

② Outline of the Asset Manager Registration System

We have started the Asset Manager Registration System for non-Japanese equities from FY 2016 and will start the system for other asset classes in due course. The Registration System will help us collect information of various investment strategies, have more flexibility on manager selection, and have access to new investment idea and expertise of asset managers.

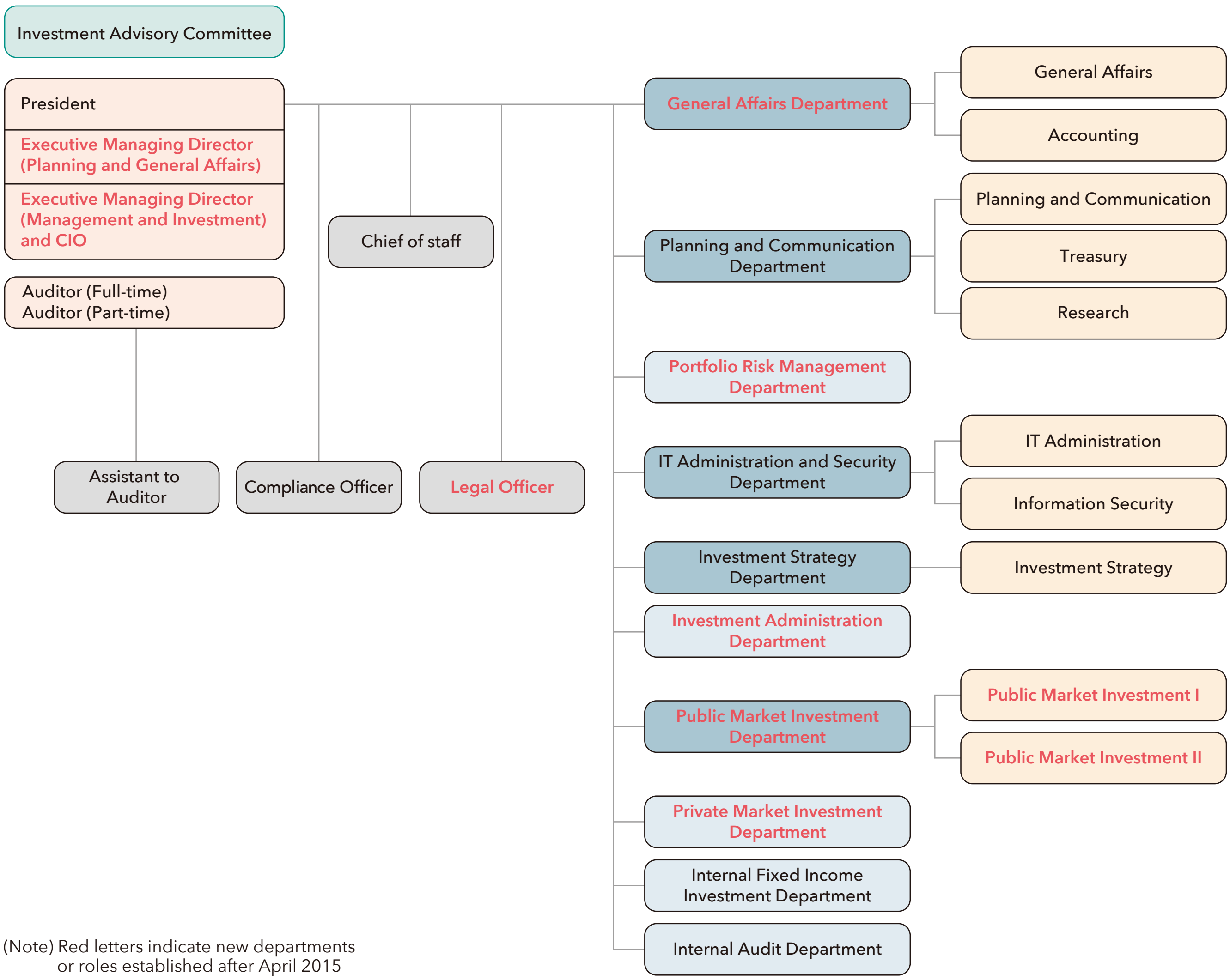


[3] Organizational Change

For the purpose of strengthening functions within the GPIF, risk management function was separated from Investment Department in January 2015 and became an independent department as Portfolio Risk Management Department in May 2015. For the purpose of streamlining the functions within Investment Department, Investment Administration Department was created on November 2015, so that Investment Department can focus more on manager selection and the front and middle-back functions can mutually check effectively. Also, we upgraded our alternative investment section to Private Market Investment Department in March 2016.

Furthermore, in April 2016, we renamed Investment Department as Public Market Investment Department, under which two divisions were created. Public Market Investment I and II are responsible for Japanese investments and non-Japanese investments, respectively.

Organization Chart (as of April 1, 2016)



(Note) Red letters indicate new departments or roles established after April 2015

[4] Diversification of emerging markets equity portfolio (Co-Investment with International Finance Corporation, etc.)

In order to improve sector diversification of our emerging markets equity portfolio and to capture global economic growth in a more balanced manner, the GPIF started private equity investments in emerging markets based on a co-investment agreement with International Finance Corporation (IFC) and Development Bank of Japan Inc. (DBJ). Investments are made through a unit trust, and the GPIF contributes capital as appropriate new investments are identified. Cumulative investment amount is expected to be approximately 400 million US dollars (45 billion yen equivalent).

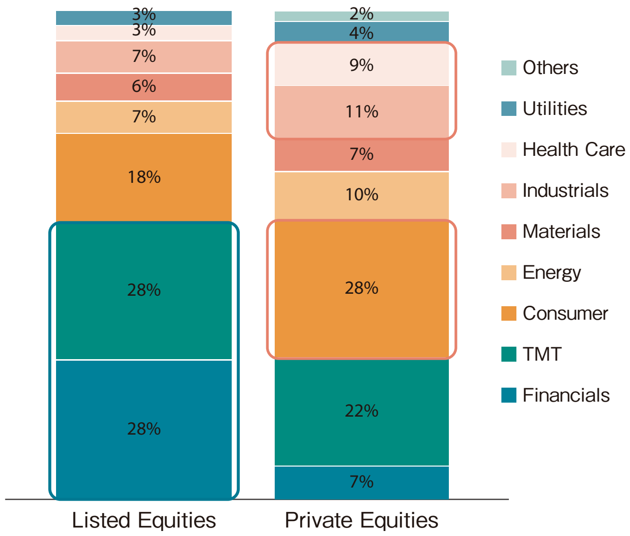
① Investment purpose

The GPIF has been investing in emerging markets equity to capture the benefit of global economic growth, in active investment since fiscal 2003 and in passive investment since fiscal 2014, valued at approximately 3 trillion yen as of the end of fiscal 2015.

However, in emerging countries where listed equity markets have yet to fully develop and tend to be concentrated in certain sectors such as financials, investment opportunities in companies in sectors like consumer, with higher growth potential under favorable demographics and economic growth, are relatively limited.

We therefore started co-investment with IFC, a member of the World Bank Group, who has extensive experience in private equity investments in emerging markets, in order to expand our access to global economic growth, including consumer-related business, in a more balanced manner.

Sector Weight



(Note) "Listed Equities" are MSCI Emerging Markets Index, and "Private Equities" are underlying investee companies in IFC's private equity funds portfolio, as of December 31, 2015, respectively.

② Investment scheme

The investments in private equities in emerging markets are made through a unit trust, and such investment opportunities are sourced primarily by IFC. More specifically, the GPIF invests in the unit trust managed by Nissay Asset Management Corporation, which invests in a fund of funds operated by IFC Asset Management Company, LLC.

As appropriate investment opportunities are identified, the GPIF contributes capital into the unit trust on an as-need basis. Cumulative investment amount is expected to be approximately 400 million US dollars (45 billion yen equivalent), and each underlying investment is anticipated to be exited via various route including public offering and strategic sales in around 5 years from respective initial investment. In our policy asset mix, this investment is positioned and managed as part of "foreign equities".

③ Enhanced alternative investments framework

The GPIF conducted a study on alternative investments in fiscal 2012, and since then has been employing personnel with experience in alternative investments including private equity, which resulted in establishment of a dedicated division for alternative investments in investment department in April 2014, that was upgraded to Private Market Investment Department in March 2016.

In order to strengthen risk management system, in January 2015 investment risk management division was separated from investment department, and was upgraded to Portfolio Risk Management Department in May 2015 for a more robust risk management framework for overall investment assets including alternative investments.

We are also employing experts in areas of alternative investments and investment risk management to further improve our institutional expertise.

[5] Selection of external asset managers

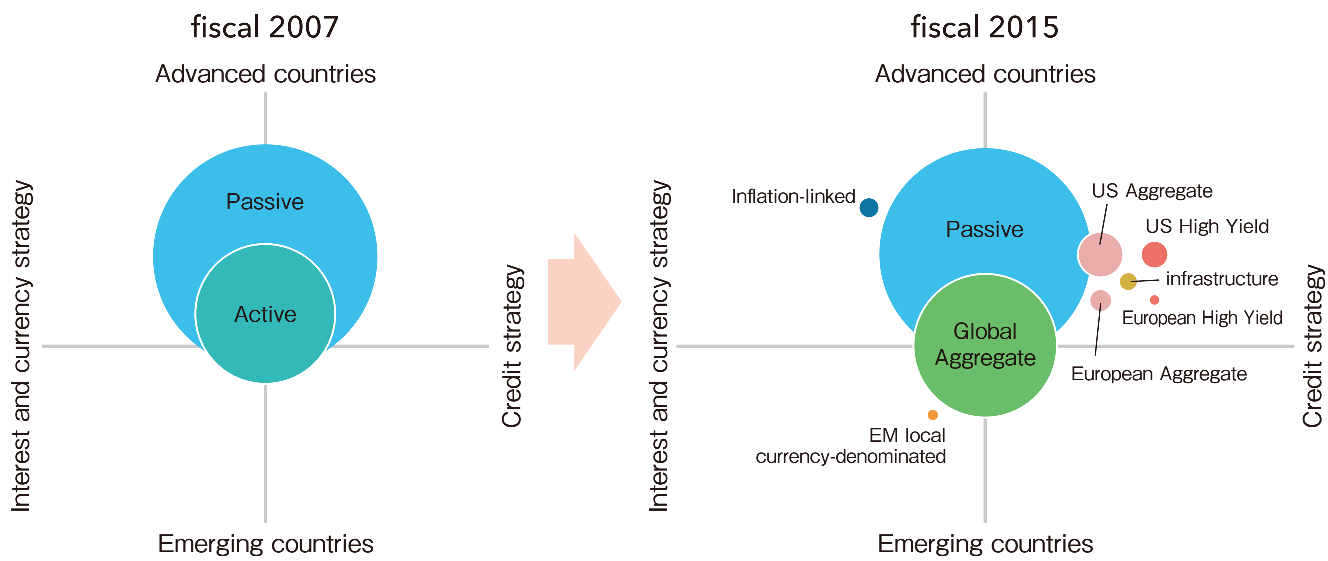
① Investment in foreign bonds

We decided to review the structure of external asset managers of foreign bonds in fiscal 2014, and in fiscal 2015 we completed to reconstruct the structure of external asset managers. In the selection, we comprehensively assessed their investment policies, investment processes, organizations, human resources, and compliance and administrative operation systems as well as investment fees.

In reviewing the structure of external asset managers, to promote diversified investment and raise flexibility, we widely selected external asset managers of foreign bonds for diversified investment products. Specifically, we established eight categories in active investment (Global Aggregate, US Aggregate, Europe Aggregate, US High Yield, Europe High Yield, EM local currency-denominated, EM US dollar-denominated and Inflation-linked) and selected 21 excellent funds. We selected six funds for passive investment.

In addition, we introduced performance-based fees for all funds in active investment and selected some "Backup Managers" as we did in domestic equity active investment.

Image of change in the structure of external asset managers of foreign bonds



With regard to the process of selecting the external asset managers, we overhauled it on April 1, 2016 and introduced the Asset Manager Registration System, we started this system for asset managers of foreign equities from April 2016.

② Custodians regarding alternative assets

By reviewing the policy asset mix in fiscal 2014, alternative investments were permitted. Since they need a specialized custodian, we started public offering and selected one organization after screening.

Chapter 2

Overview of the Government Pension Investment Fund

1 | Medium-term Objectives and Medium-term Plan

[1] Independent administrative agency system

① 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.

② Agency Managed under the Medium-term Objective

Independent administrative agencies are classified 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

① 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.

② 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 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.

③ 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.

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

(Note1) 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, foreign bonds or foreign equities, depending on their risk and return profiles.
(Note2) 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.

⑤ 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 fulfil 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.

⑥ 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.

2 | 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 fulfiling 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 fulfiling 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 fulfil 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.

3 | Organization and Internal Control System

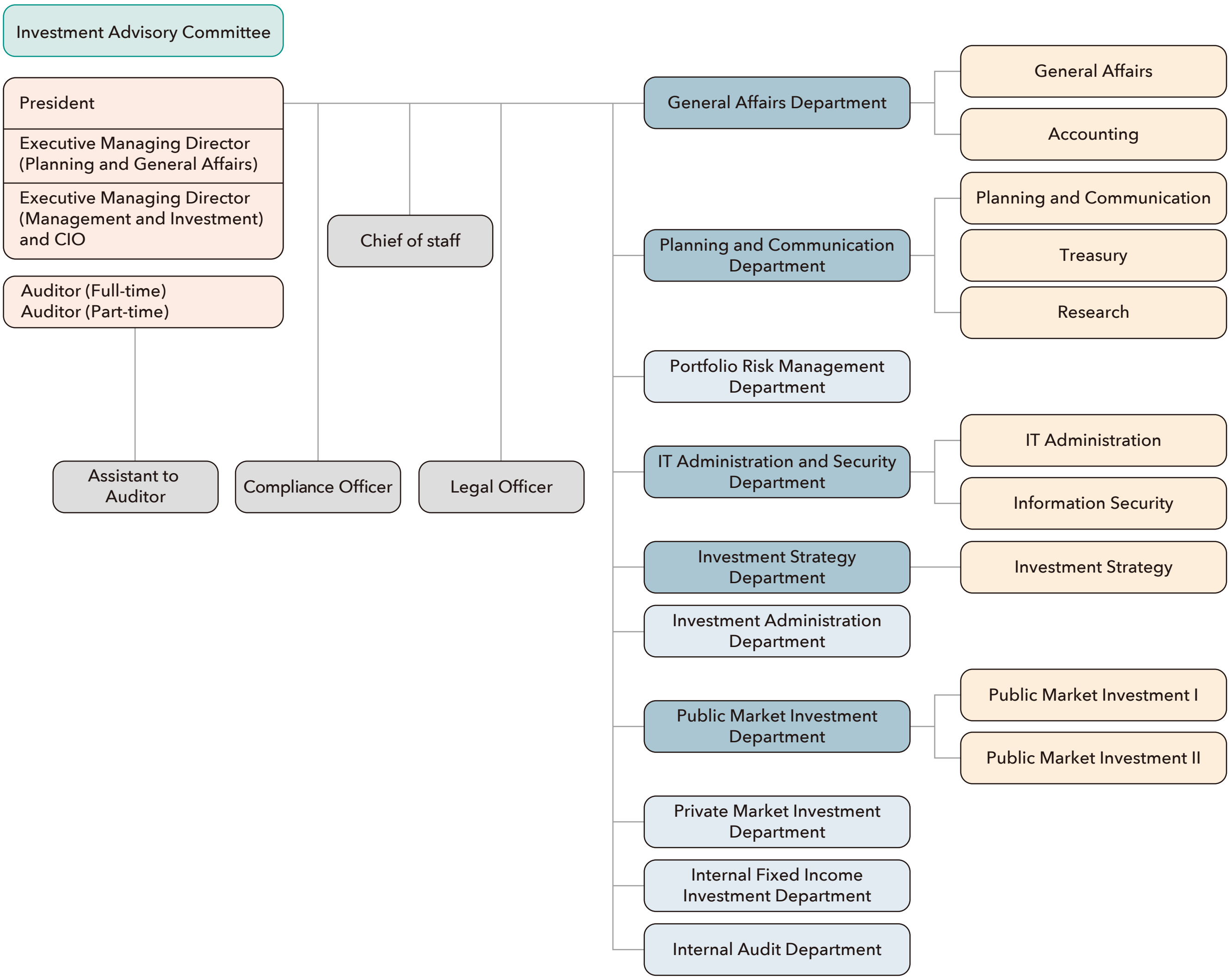
[1] Organization

As of April 1, 2016, the GPIF has five executives, 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 91 employees (including one part-time employee).

The organization consists of the General Affairs Department (General Affairs Division, Accounting Division), Planning and Communication Department (Planning and Communication Division, Treasury Division, Research Division), Portfolio Risk Management Department, IT Administration and Security Department (IT Administration Division, Information Security Division), Investment Strategy Department (Investment Strategy Division), Investment Administration Department, Public Market Investment Department (Public Market Investment I, Public Market Investment II), Private Market Investment Department, Internal Fixed Income Investment Department, and Internal Audit Department (to report directly to the President).

Chapter 2

Organization Chart (as of April 1, 2016)



[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.

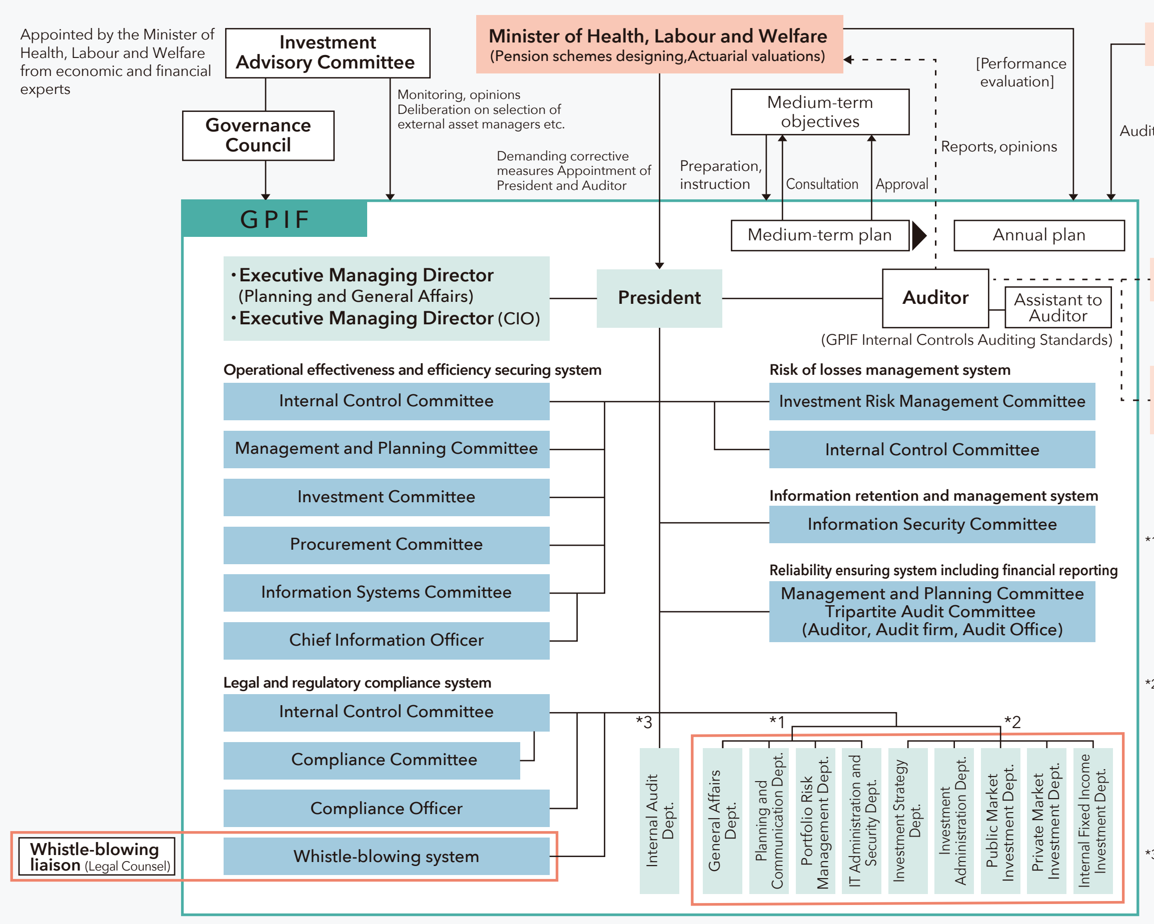
In order to maintain the effectiveness and efficiency of operations, Internal Control Committee oversees the internal control system, and directors, departments and persons responsible for internal control are assigned. All executives and employees are informed of the necessity to comply with the Investment 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 Audit Department 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



*1 The Executive Managing Director (Planning and General Affairs) is responsible for matters related to the General Affairs Dept., Planning and Communication Dept., Portfolio Risk Management Dept., and IT Administration and Security Dept.

*2 The Executive Managing Director (Investment and Management)/CIO is responsible for matters related to the Investment Strategy Dept., Investment Administration Dept., Public Market Investment Dept., Private Market Investment Dept. and Internal Fixed Income Investment Dept.

*3 The Internal Audit Dept. is under the direct jurisdiction of the President.

4 | 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.

Members of Investment Advisory Committee

(As of April 1, 2016)

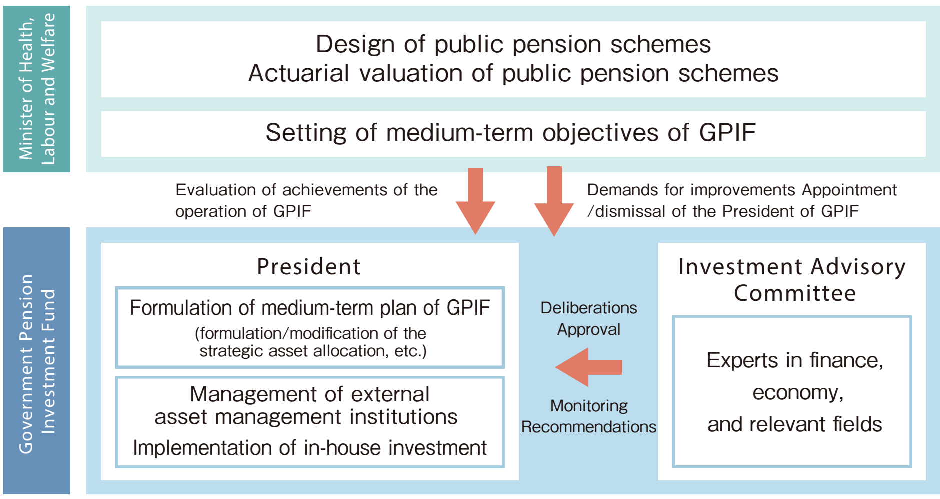
Hiromichi Oono	Member of the Board & Corporate Vice President; AJINOMOTO CO., INC.
Setsuya Sato*	Professor; Department of English Communication, Faculty of Letters, Toyo University
Junko Shimizu*	Professor; Faculty of Economics,Gakushuin University
Isao Sugaya	Managing Director;JTUC Research Institute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

(As of Jun 30, 2016)

◎ Tomio Arai	Professor Emeritus, The University of Tokyo
Hiromichi Oono	Member of the Board & Corporate Vice President Ajinomoto Co., Inc.
Yasuyuki Kato	Professor, Graduate School of Management, Kyoto University
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 Deputy General Manager, Research Center for Policy and Economy, Mitsubishi Research Institute, Inc.

(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



Memo

Memo

GPIF

Government Pension Investment Fund, Japan
Annual Report Fiscal Year 2015

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

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