

Fiscal Year 2020

Review of Operations

Employees' Pension Insurance Benefit Fund

[DISCLAIMER] When there are any discrepancies between the original Japanese version and the English translation version, the original Japanese version shall prevail.

[Abbreviations]

Local Public Service Mutual Aid Associations: Collectively means the Mutual Aid Association of Prefectural Government Personnel, the Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, the Mutual Benefit Association for Tokyo Metropolitan Government Employees, the National Federation of Mutual Aid Associations for Municipal Personnel and the Pension Fund Association for Local Government Officials.

Member associations: Collectively means the Mutual Aid Association of Prefectural Government Personnel, the Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, the Mutual Benefit Association for Tokyo Metropolitan Government Employees and the National Federation of Mutual Aid Associations for Municipal Personnel.

National Federation: National Federation of Mutual Aid Associations for Municipal Personnel
Association: Pension Fund Association for Local Government Officials

KKR: Federation of National Public Service Personnel Mutual Aid Associations

PMAC: Promotion and Mutual Aid Corporation for Private Schools of Japan

GPIF: Government Pension Investment Fund

EPI Act: Employees' Pension Insurance Act (Act No. 115 of 1954)

Local Public Officers, etc. Mutual Aid Association Act: Local Public Officers, etc. Mutual Aid Association Act (Act No. 152 of 1962)

Order for Enforcement of Local Public Officers, etc. Mutual Aid Association Act: Order for Enforcement of Local Public Officers, etc. Mutual Aid Association Act (Cabinet Order No. 352 of 1962)

Regulation for Enforcement of Local Public Officers, etc. Mutual Aid Association Act: Regulation for Enforcement of Local Public Officers, etc. Mutual Aid Association Act (Ministerial Order of Ministry of Home Affairs No. 20 of 1962)

Implementation Procedures for Local Public Officers, etc. Mutual Aid Association Act: Implementation Procedures for Local Public Officers, etc. Mutual Aid Association Act (Ministerial Order of Prime Minister's Office, Ministry of Education, Science and Culture and Ministry of Home Affairs No. 1 of 1962)

Table of Contents

<u>Fiscal Year 2020 Investment Results (Overview)</u>	3
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Section 1 Administration and Investment of Funds in FY2020

1. Investment results	
(1) Asset mix	4
(2) Investment return	4
(3) Excess return	5
(4) Investment income	5
(5) Value of assets	6
(6) Fees	6
2. Risk management	
(1) Approach to risk management	7
(2) Risk management efforts	8
(3) Status of risk management	9
3. Alternative assets	10
4. Stewardship activities	12
5. Selection and management of entrusted investment management institutions, etc. (traditional assets)	19

Section 2 Governance and Fund Management of Local Public Service Mutual Aid Associations

1. Establishment	20
2. Organization	21
3. Investment of funds	
(1) Mechanisms	25
(2) Basic approach to investment	25

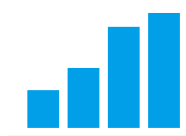
Fiscal Year 2020 Investment Results (Overview)



Investment return: **23.81%**
(Modified total return after the deduction of fees, etc.)



Investment income: **¥4,681.6 billion**
(Investment income after the deduction of fees, etc.)



Value of investment assets:
(As of the end of March 2021) **¥24,140.1 billion**
(Market value)

As pension investment funds are intended for long-term investment, the investment status must be judged from the long-term perspective.

As investment income is based on the market value as of the end of FY2020, it should be kept in mind that it includes valuation gains/losses, which means it may change depending on market movements.

Administration and Investment of Funds in FY2020

1 Investment results

(1) Asset mix

The asset mix changed as follows as a result of market value fluctuations and rebalancing, among other factors.

	End of FY2019	Fiscal Year 2020				Benchmark portfolio
		End of Q1	End of Q2	End of Q3	End of FY	
Domestic bonds	39.2	33.7	32.1	27.2	25.9	25.0
Short-term assets	(5.3)	(2.9)	(4.8)	(3.1)	(4.4)	
Domestic equities	22.1	23.6	23.6	25.3	25.2	25.0
Foreign bonds	16.4	17.4	19.0	21.4	23.0	25.0
Foreign equities	22.3	25.3	25.2	26.1	25.9	25.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

(Unit: %)

Composition by Investment Asset Class (as of end of FY2020)

Asset Class	Percentage
Domestic equities	25.2%
Foreign equities	25.9%
Foreign bonds	23.0%
Domestic bonds	25.9%
Short-term assets	4.4%

(Note 1) Deviation tolerances from the benchmark portfolio are $\pm 20\%$ for domestic bonds, $\pm 12\%$ for domestic equities, $\pm 9\%$ for foreign bonds and $\pm 11\%$ for foreign equities.

(Note 2) Due to rounding, the total sum of individual figures may not necessarily add up to 100%.

(Note 3) At the end of FY2020, the ratio of alternative assets to the total amount of funds is 0.8% (the upper limit is 5%).

(2) Investment return

The return (market value) came to 23.81% due to factors such as rises of domestic and foreign equities.

	Fiscal Year 2020				
	Q1	Q2	Q3	Q4	FY Total
Return (market value basis)	7.73	2.96	5.93	5.57	23.81
Domestic bonds	-0.19	0.21	0.10	-0.36	-0.22
Short-term assets	(-0.00)	(0.00)	(0.00)	(-0.00)	(-0.00)
Domestic equities	12.07	5.28	11.29	9.04	42.83
Foreign bonds	2.75	0.72	0.81	1.48	5.62
Foreign equities	20.51	6.11	12.11	12.09	59.95

(Unit: %)

	Fiscal Year 2020				
	Q1	Q2	Q3	Q4	FY Total
Realized return (book value basis)	0.32	1.04	1.24	2.30	4.93

(Unit: %)

(Note 1) The return in each quarter is the period rate.

(Note 2) Unless otherwise specified, the return (market value basis) refers to the modified total return. (The same shall apply hereinafter.)

(Note 3) The return (market value basis) and the realized return (book value basis) represent the figure after the deduction of fees, etc.

(3) Excess return

The return (market value basis) for overall assets was 23.81% and the composite benchmark return for overall assets was 24.83%. The excess return over the composite benchmark was -1.02%.

	Overall assets		Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Return (market value)	23.81%	Return (market value)	-0.22%	42.83%	5.62%	59.95%
Composite benchmark return	24.83%	Benchmark return	-0.70%	42.13%	5.43%	60.21%
Excess return	-1.02%	Excess return	0.49%	0.70%	0.19%	-0.26%

(Note) The composite benchmark return for overall assets is calculated by weight-averaging the benchmark returns for individual asset classes based on the shares in the asset mix of the benchmark portfolio.

(4) Investment income

Investment income (market value basis) was ¥4,681.6 billion.

(Unit: JPY100M)

	Fiscal Year 2020				
	Q1	Q2	Q3	Q4	FY Total
Investment income (market value basis)	14,990	6,214	12,827	12,785	46,816
Domestic bonds	-143	150	65	-221	-148
Short-term assets	(-0)	(0)	(0)	(-0)	(-0)
Domestic equities	5,227	2,581	5,840	5,175	18,823
Foreign bonds	915	277	360	768	2,321
Foreign equities	8,991	3,205	6,562	7,063	25,821

(Unit: JPY100M)

	Fiscal Year 2020				
	Q1	Q2	Q3	Q4	FY Total
Realized income (book value basis)	598	1,956	2,337	4,429	9,320

(Note 1) The investment income (market value basis) represents the income after the deduction of fees, etc.

(Note 2) The investment income (market value basis) represents the realized income (book value basis) adjusted for the effects of changes in valuation gains/losses based on market value.

(Note 3) Realized income (book value basis) represents the sum of trading profits/losses and interest and dividend income, etc. after the deduction of fees, etc.

(Note 4) Due to rounding, the total sum of individual figures may not necessarily add up to the FY total.

(5) Value of assets

Value of investment assets (market value basis) was ¥24,140.1 billion.

(Unit: JPY100M)

	End of FY2019			Fiscal Year 2020											
				End of Q1			End of Q2			End of Q3			End of FY		
	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses
Domestic bonds	76,117	77,921	1,804	68,247	69,732	1,485	68,415	69,782	1,367	60,160	61,452	1,292	61,631	62,543	913
Short-term assets	(10,490)	(10,489)	(-0)	(6,056)	(6,056)	(0)	(10,490)	(10,490)	(0)	(6,959)	(6,959)	(0)	(10,549)	(10,550)	(0)
Domestic equities	43,569	43,955	386	42,992	48,747	5,756	43,316	51,341	8,025	44,368	57,169	12,802	44,714	60,735	16,021
Foreign bonds	32,068	32,586	518	34,499	35,986	1,487	39,809	41,374	1,564	46,668	48,443	1,774	53,491	55,549	2,057
Foreign equities	39,394	44,276	4,881	38,569	52,289	13,721	38,814	54,889	16,074	37,573	58,909	21,336	36,479	62,574	26,095
Total	191,149	198,739	7,590	184,306	206,755	22,448	190,354	217,385	27,031	188,769	225,973	37,204	196,315	241,401	45,086

Allocation changes of each asset class as a result of rebalancing

(Unit: JPY100M)

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Amount of funds allocated/withdrawn	-15,231	-2,042	20,642	-7,523

(Note) The amount of funds allocated or withdrawn is the amount of cash balance (cash-in and cash-out) other than investment income.

(6) Fees

The amount of fees totaled ¥15.1 billion. The fee rate relative to the value of investment assets came to 0.07%.

(Unit: JPY100M, %)

	Fiscal Year 2020	
	Fee	Fee rate
Domestic bonds	22	0.04
Domestic equities	50	0.10
Foreign bonds	21	0.05
Foreign equities	54	0.10
Alternative assets	5	0.32
Overall assets	151	0.07

(Note 1) Fees include management fees and custodian fees related to entrusted investment.

(Note 2) Fee rate = fee amount/month-end market value average balance

2 Risk management

(1) Approach to risk management

Generally speaking, "risk" refers to the "possibility of an incident that could have a negative impact on an organization's goals and objectives." In the field of asset investment, "risk" refers to the range of fluctuations of expected return on investment. Risk in this sense includes not only the possibility of failing to secure the required yield but also the range of fluctuations of return on investment due to various risks, such as interest rate risk, price fluctuation risk, credit risk, and liquidity risk.

Therefore, for asset investment, it is important to consider various risks

commensurate with investment from a long-term perspective.

The Local Public Service Mutual Aid Associations (the "Associations"), in accordance with the implementation policy for risk management concerning investment of the fund, appropriately implement risk management concerning investment in consideration of the following points: that investment of funds should be made safely and efficiently from a long-term perspective; and that diversified investments should be maintained in principle.

Implementation policy for risk management concerning investment of the fund (excerpt)

1 Basic approach concerning risk management

The Mutual Aid Association of Prefectural Government Personnel, the Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, the Mutual Benefit Association for Tokyo Metropolitan Government Employees, the National Federation of Mutual Aid Associations for Municipal Personnel, and the Pension Fund Association for Local Government Officials (the "Association") appropriately conduct risk management related to the investment of their funds in light of the following matters.

- (i) Investment of funds should be made safely and efficiently from a long-term point of perspective.
- (ii) A benchmark portfolio should be developed and investment of funds should be made on the principle of managing funds through appropriate diversification across multiple asset classes with different risk/return profiles and other characteristics (hereinafter referred to as "diversified investment").

2 Risk management implementing entities and subjects of management

(1) Employees' Pension Insurance Scheme Managed Fund

- (i) The Association conducts risk management for investment of the Managed Fund as the administrative and investment entity.
- (ii) As implementing organizations, member associations (meaning the Mutual Aid Association of Prefectural Government Personnel, the Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, the Mutual Benefit Association for Tokyo Metropolitan Government Employees, the National Federation of Mutual Aid Associations for Municipal Personnel, and the Association; the same shall apply hereinafter) conduct risk management for investments of the implementing organizations' funds.

(2) Risk management efforts

■ Management of the deviation of the asset mix

Investment based on the benchmark portfolio requires the management of various risk factors. Therefore, in order to secure profits in line with the benchmark portfolio from the long-term perspective, it is important, in particular, to manage the degree of deviation of the asset mix of the actual portfolio from that of the benchmark portfolio.

As the asset mix constantly changes due to asset price fluctuations, the Associations keep

track of the status of the deviation of the asset mix of the actual portfolio from that of the benchmark portfolio and manage the actual portfolio so as to keep the degree of deviation within a certain range (deviation tolerance). In this way, the Associations check whether or not there are problems such as a deviation from the benchmark portfolio in excess of the deviation tolerance.

■ Monitoring of market risk, etc.

The Associations monitor downside risks by using the value at risk approach, which measures the maximum probable amount of losses, and stress tests, which conduct simulations assuming the application of certain shocks to markets.

As they also use active investment in their investment of funds, the Associations seek to earn an excess rate of return over the benchmark

by diversifying investment strategies and investment issues within each asset class.

Therefore, the Associations monitor the status of market risk (price volatility risk, etc. in each asset market), credit risk (default risk), etc. with respect to each asset class, mainly from the viewpoint of difference from the benchmark for each asset class.

■ Management of entrusted investment management institutions, etc.

The Associations manage liquidity risk (risk that purchasing and selling assets will become difficult due to a decline in trading volume) from the viewpoint of revising asset allocations (rebalancing) and smooth conversion of assets into cash. In addition, as the Associations entrust the operation of some investment-related activities to external institutions, the

Associations monitor the status of management (status of risk management and asset administration) of the institutions to which they entrust asset management or asset administration (entrusted investment management institutions and asset administration institutions), from the viewpoint of smooth operation by individual institutions.

■ Reporting on the status of risk management and improvement measures implemented

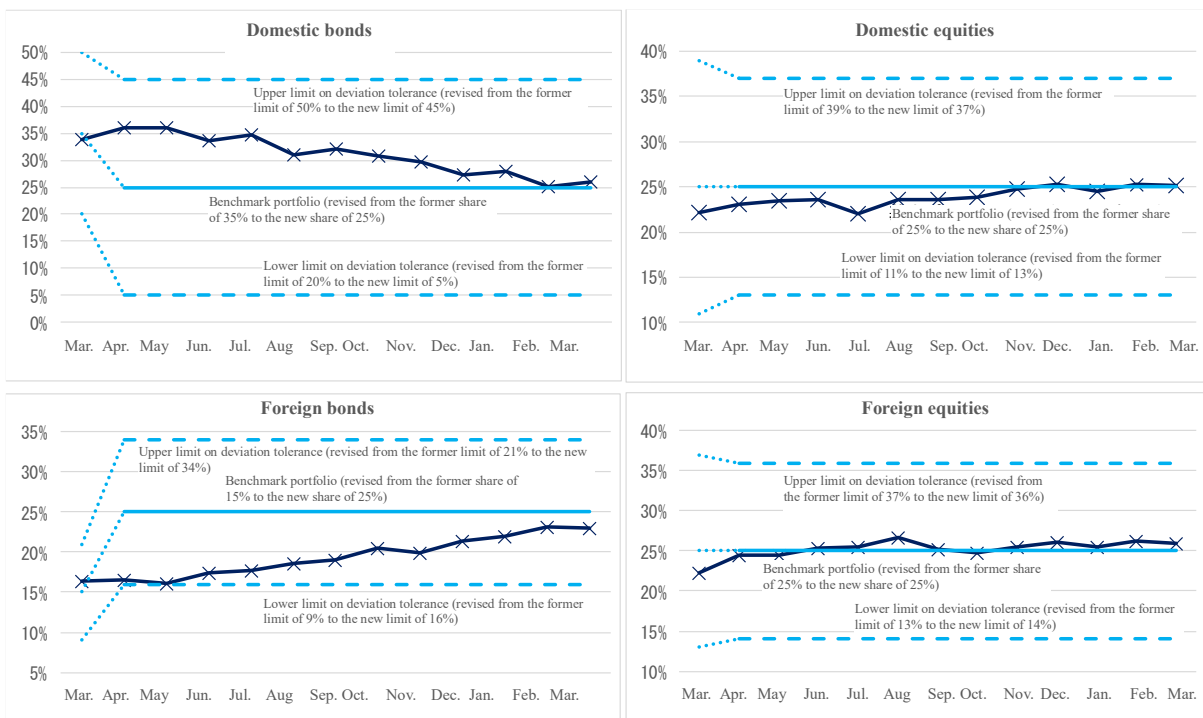
The status of risk management and improvement measures implemented are reported to the committees of specialists and the Governing Council.

(3) Status of risk management

The shares in the asset mix concerning all asset classes—domestic bonds, domestic equities, foreign bonds and foreign equities—stayed within the deviation tolerance.

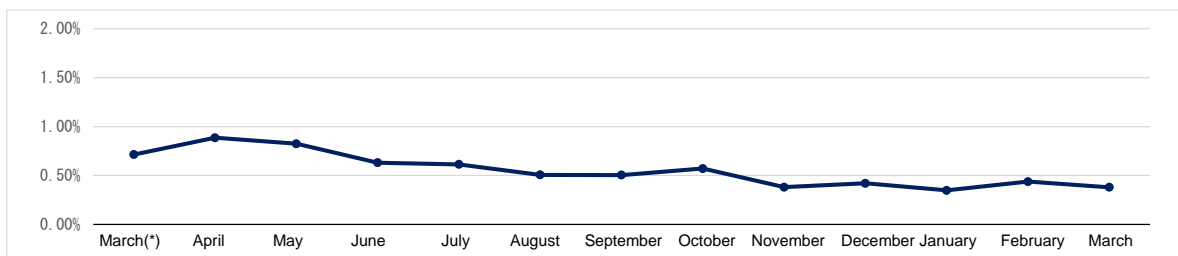
The estimated tracking error for assets as a whole rose due to the increase in deviations of domestic and foreign bonds resulting from the revision of the benchmark portfolio in April 2020. However, as the disparity between the benchmark portfolio and the actual asset mix gradually narrowed, the estimated tracking error declined over the fiscal year.

【Changes in the asset mix】



(Note) The median value of the share in the total assets and the deviation tolerance for each asset have been revised. The "former" figures are those based on the pre-revision benchmark portfolio and the "new" figures are those based on the revised benchmark portfolio.

【Changes in the estimated tracking error concerning overall assets】



(Note) The estimated tracking error concerning overall assets represents the tracking error concerning the benchmark portfolio (composite benchmark). The figure for March 2020 (*) represents the measurement results concerning the pre-revision benchmark portfolio. The figures for April 2020 and later represent the measurement results concerning the revised benchmark portfolio.

3 Alternative assets

(1) What are alternative assets?

Alternative assets are assets whose risk and return characteristics are different from those of traditional assets, such as equities and bonds.

The types of alternative assets targeted for investment differ from member association to member association. The Pension Fund Association for Local Government Officials, whose scope of investment targets is the broadest, invests in real estate, infrastructure, private equity (hereinafter referred to as "PE"), private debt (hereinafter referred to as "PD"), and bank loans (hereinafter referred to as "BL").

The profile of risk and return of alternative assets is diverse. Therefore, when selecting

funds, the Associations hold interviews with respect to each fund and make investment decisions while taking into consideration the risks specific to the funds, the suitability with the selection criteria regarding entrusted investment management institutions and investment strategy, etc.

After making investment, the Associations continue monitoring by periodically receiving reports on the asset status from entrusted investment management institutions.

The Associations hold down risks related to alternative assets by setting up their investment to a cap of 5% of the total portfolio.

(2) Fund selection

■ Introduction of an asset manager registration system and expansion of scope of investment targets

An Asset Manager Registration System is a system to accept entries from entrusted investment management institutions for funds on an ongoing basis for the purpose of selecting funds and concluding contracts.

In July 2015, the Pension Fund Association for Local Government Officials started soliciting entries with respect to funds investing in real estate and infrastructure under the Asset Manager Registration System. Subsequently, the

scope of investment target assets was expanded to include PE, PD and BL.

In July 2017, the National Federation started receiving entries with respect to funds using domestic and foreign real estate assets as investment vehicles. In April 2018, domestic and foreign private equities and infrastructure assets were added to the scope of eligible investment instruments.

■ Selection of funds

Among the funds registered, the Associations carefully selected investment funds that were expected to deliver long-term returns and provide the diversified investment effect and conforming to the investment policies and selection criteria related to the investment strategy, based on a comprehensive evaluation from both quantitative and qualitative aspects.

As of the end of fiscal year 2020, the Japan Mutual Aid Association of Public School

Teachers, the National Federation and the Pension Fund Association for Local Government Officials decided to adopt a total of 38 funds, and started the investment in 33 funds.

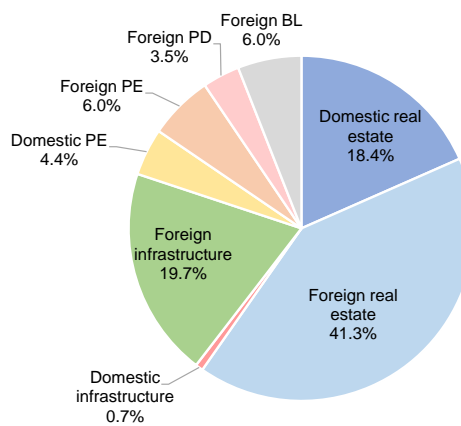
The Associations will continue to evaluate the funds and make selection in the future so as to seize opportunities for investing in superior funds likely to contribute to diversified investment.

【Number of funds adopted】

Investment fund	Number of funds adopted
Domestic real estate	5
Foreign real estate	8
Domestic infrastructure	1
Foreign infrastructure	7
Domestic PE	7
Foreign PE	7
Foreign PD	2
Foreign BL	1
Total	38

* The number of funds with respect to which contracts had been concluded by the end of FY2020 is indicated.

【Asset mix】



* Total market value basis as of the end of FY2020

4 Stewardship activities

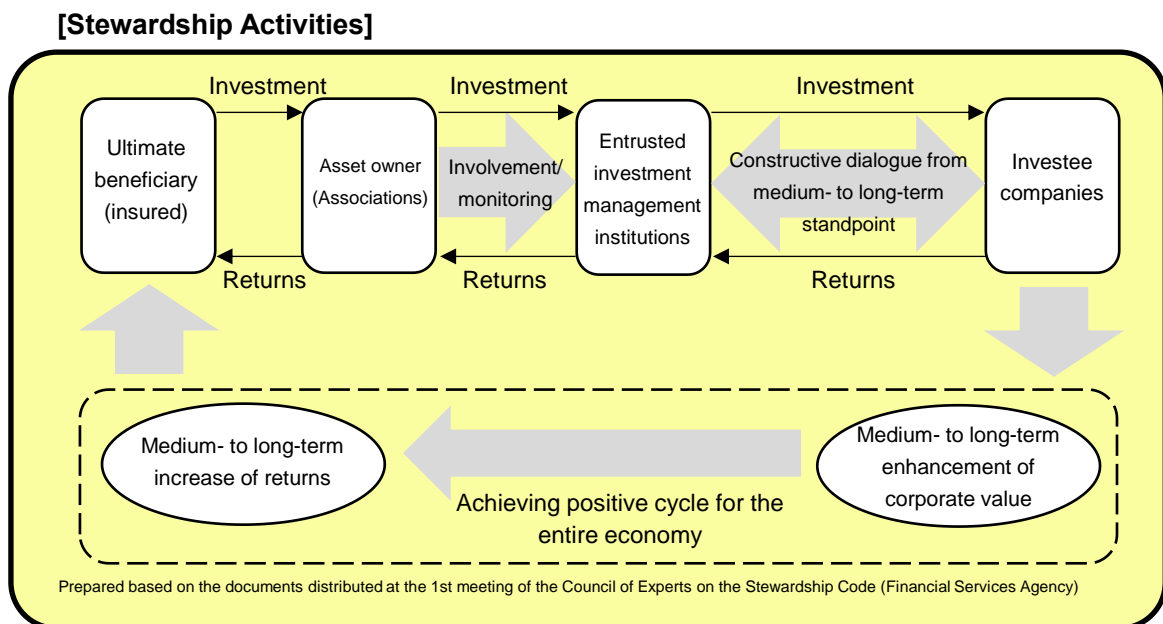
(1) Overview of the Associations' stewardship activity

"Stewardship activities" refers to the activities of institutional investors to increase medium- to long-term investment returns for their clients and beneficiaries by encouraging improvements in corporate value and sustainable growth of investee companies through means such as engagement (i.e. constructive "purposeful dialogue" based on a deep understanding concerning the investee companies, their business environment, and other factors as well as consideration for their sustainability according to the investment strategy).

Stewardship activities include the exercise of shareholders' voting rights, engagement, and ESG investment.

The Associations are required to fulfill their fiduciary responsibility of increasing the value of their assets for the insured over the long term and social responsibility as public pension funds. In this connection, the Associations have been proactively committed to effective stewardship activities.

The Associations instruct entrusted investment management institutions to exercise shareholders' voting rights after making appropriate judgment suited to the conditions of the investee companies because it is difficult for the Associations to make judgment concerning the details of companies' management decisions.



The Associations have established the Corporate Governance Principles and the Guidelines for Exercising Shareholders' Voting Rights, and have made clear the approach to exercise shareholders' voting rights. The Associations require entrusted investment management institutions to exercise voting rights in accordance with these principles and guidelines. In addition, the Associations have made clear their activities to fulfill the stewardship responsibilities in the Administration and Investment Policy for the Managed Reserve Fund for Employees' Pension Insurance Schemes.

Moreover, the Associations signed up to Japan's Stewardship Code established by the Financial Services Agency in February 2014, and in November 2017, the Associations made their approach to stewardship activity clearer

than before, revising their Signup to Japan's Stewardship Code according to the first revision of the code. Further, in connection with the announcement of the second revision of the code in March 2020, the Associations revised their Signup to Japan's Stewardship Code in September of the same year.

The Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, the Mutual Benefit Association for Tokyo Metropolitan Government Employees, the National Federation and the Pension Fund Association for Local Government Officials started investing in ESG products, and at present, they are entrusting investment in 16 domestic equity products, one domestic bond product and one foreign equity product as ESG products.

(2) Results of the exercise of voting rights (domestic equities)

Regarding the Employees' Pension Insurance Benefit Fund, the Associations exercised voting rights through 25 investment management institutions entrusted with domestic stock investment, with respect to a total of 35,898 companies which settled accounts between April 2019 and March 2020. The number of proposals for which voting rights were exercised was 122,570.

Of the 122,570 proposals, 28,369 (including 16,908 shareholder proposals) were voted

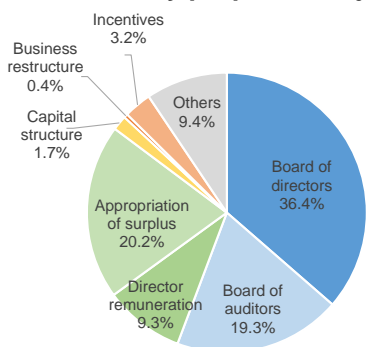
against, translating into a vote-against rate of 23.1% (down 1.3 points from the previous year).

The vote-against rate came to 35.6% (down 2.5 points) concerning proposals related to the board of directors/directors, 18.7% (down 2.6 points) concerning proposals related to the board of auditors/auditors and 23.0% (down 2.7 points) concerning proposals related to director remuneration, etc.

Voting activity (Companies with accounting settlement between April 2019 and March 2020)

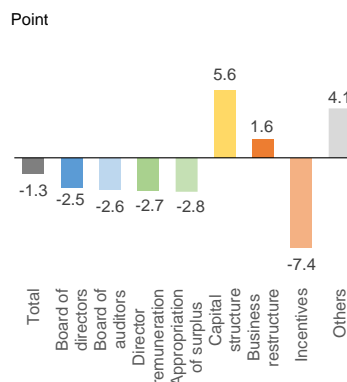
Proposal subject	Total	Vote for		Vote against		Vote-against rate in the previous year
		Composition	Rate	Rate	Rate	
Total	122,570	100%	94,201	76.9%	28,369	23.1%
c.f. Company proposal	46,769	38.2%	35,308	75.5%	11,461	24.5%
c.f. Shareholder proposal	75,801	61.8%	58,893	77.7%	16,908	22.3%
By subject	122,570	100%	94,201	76.9%	28,369	23.1%
Board of directors/directors	44,608	36.4%	28,741	64.4%	15,867	35.6%
Board of auditors/auditors	23,709	19.3%	19,278	81.3%	4,431	18.7%
Director remuneration, etc.	11,351	9.3%	8,745	77.0%	2,606	23.0%
Appropriation of surplus	24,792	20.2%	24,357	98.2%	435	1.8%
Capital structure	2,100	1.7%	750	35.7%	1,350	64.3%
Takeover defense measures	1,364	1.1%	134	9.8%	1,230	90.2%
Capital increase or reduction	88	0.1%	88	100.0%	0	0.0%
Third party allotment of shares	277	0.2%	254	91.7%	23	8.3%
Acquisition of own shares	131	0.1%	35	26.7%	96	73.3%
Business restructure	540	0.4%	531	98.3%	9	1.7%
Incentives improvement for executives	3,913	3.2%	3,439	87.9%	474	12.1%
Other proposals	11,557	9.4%	8,360	72.3%	3,197	27.7%

Share by proposal subject



(Note) The total figures shown in the columns of proposals include the number of abstained votes, respectively.

Changes in the vote-against rate (compared with the previous year)

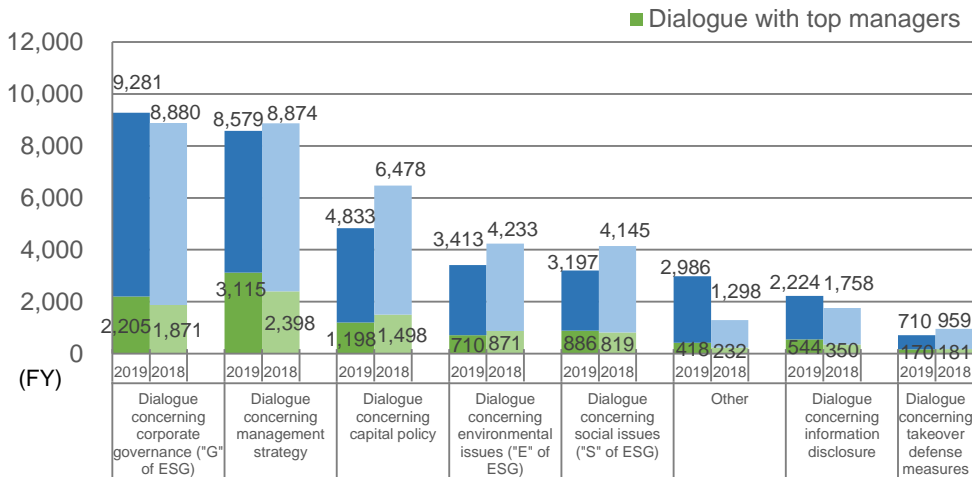


(3) Results of engagement activities (domestic equities)

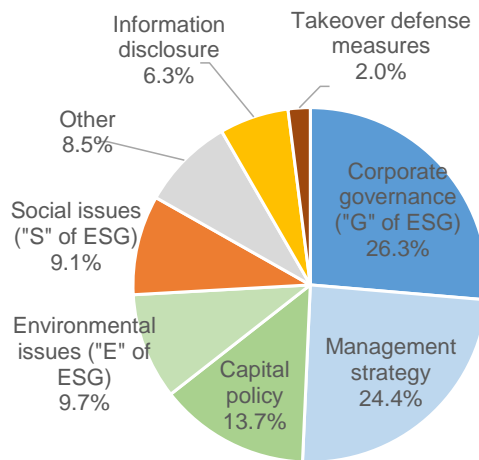
Regarding the Employees' Pension Insurance Benefit Fund, in FY2019, the Associations implemented engagement with a total of 10,526 companies through 25 investment management institutions to which domestic stock investment was entrusted. The number of cases of dialogue was 35,223.

Regarding major subjects of engagement, the number of cases of dialogue concerning corporate governance issues came to 9,281, or 26.3% of the total, followed by dialogue concerning management strategy issues with 8,579 cases (24.4%) and capital policy issues with 4,833 cases (13.7%).

Total number of cases of engagement (From April 2019 to March 2020)



Share by dialogue item



(Note 1) The standards for counting the number of cases of engagement vary among entrusted investment management institutions.

(Note 2) "Other" includes dialogue concerning issues relating to ESG generally.

(4) Results of the exercise of voting rights (foreign equities)

Regarding the Employees' Pension Insurance Benefit Fund, the Associations exercised voting rights through 23 investment management institutions entrusted with foreign stock investment, with respect to a total of 20,059 companies which settled accounts between April 2019 and March 2020. The number of proposals for which voting rights were exercised was 186,278.

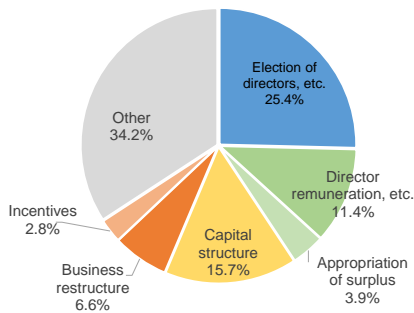
Of the 186,278 proposals, 22,246 (including 4,084 shareholder proposals) were voted against, translating into a vote-against rate of 11.9% (up 0.7 points from the previous year).

The vote-against rate came to 9.7% (up 0.6 points) concerning proposals related to the election of directors, etc. and 13.4% (down 0.1 points) concerning proposals related to director remuneration, etc.

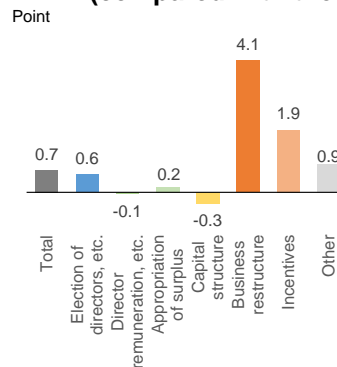
Voting activity (Companies with accounting settlement between April 2019 and March 2020)

Proposal subject	Total	Composition	Vote for		Vote against		Vote-against rate in the previous year
				Rate		Rate	
Total	186,278	100%	164,032	88.1%	22,246	11.9%	11.2%
c.f. Company proposal	175,261	94.1%	157,099	89.6%	18,162	10.4%	9.6%
c.f. Shareholder proposal	11,017	5.9%	6,933	62.9%	4,084	37.1%	37.5%
By subject	186,278	100%	164,032	88.1%	22,246	11.9%	11.2%
Proposal for election of directors, etc.	47,294	25.4%	42,706	90.3%	4,588	9.7%	9.1%
Director remuneration, etc.	21,189	11.4%	18,357	86.6%	2,832	13.4%	13.4%
Appropriation of surplus	7,341	3.9%	7,257	98.9%	84	1.1%	1.0%
Capital structure	29,163	15.7%	25,008	85.8%	4,155	14.2%	14.6%
Takeover defense measures	898	0.5%	865	96.3%	33	3.7%	6.2%
Capital increase or reduction	10,716	5.8%	8,176	76.3%	2,540	23.7%	29.0%
Third party allotment of shares	4,804	2.6%	4,414	91.9%	390	8.1%	4.8%
Acquisition of own shares	5,056	2.7%	4,956	98.0%	100	2.0%	4.1%
Business restructure	12,309	6.6%	10,118	82.2%	2,191	17.8%	13.7%
Incentives improvement for executives	5,264	2.8%	3,665	69.6%	1,599	30.4%	28.4%
Other proposals	63,718	34.2%	56,921	89.3%	6,797	10.7%	9.8%

Share by proposal subject



Changes in the vote-against rate (compared with the previous year)



(Note 1) From the viewpoints of constraints related to the exercise of voting rights and additional cost burden, the exercise of voting rights is limited to 18 countries and regions (the United States, Canada, the United Kingdom, Ireland, Australia, New Zealand, Singapore, Hong Kong, Chile, the Czech Republic, Indonesia, Mexico, the Philippines, South Africa, Taiwan, Thailand, Pakistan and China A Stock).

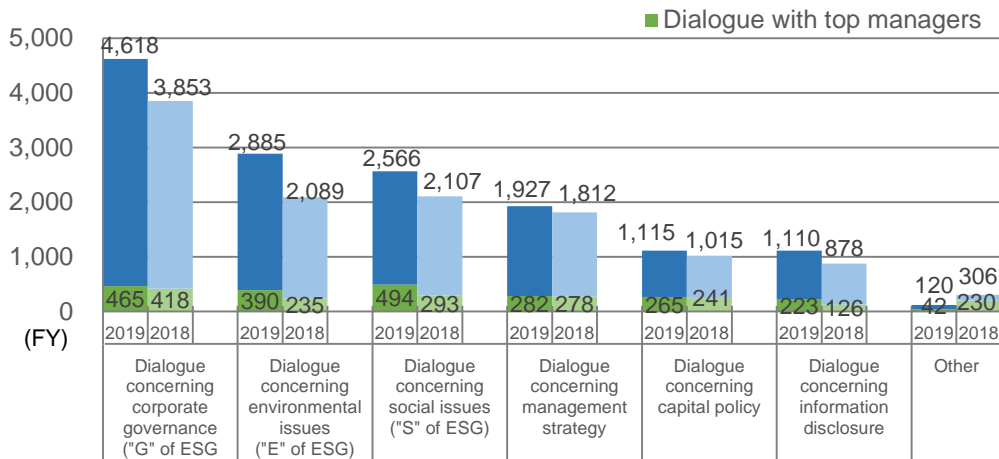
(Note 2) The total figures shown in the columns of proposals include the number of abstained votes, respectively.

(5) Results of engagement activities (foreign equities)

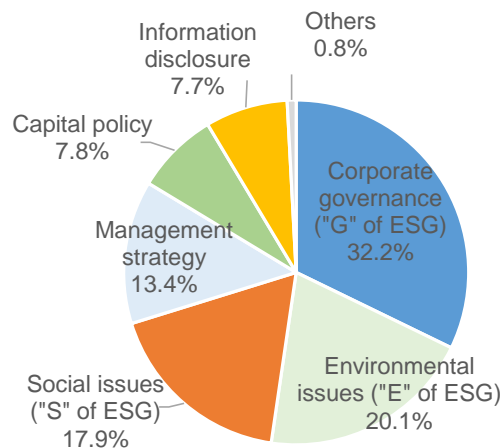
Regarding the Employees' Pension Insurance Benefit Fund, in FY2019, the Associations implemented engagement with a total of 5,375 companies through 20 investment management institutions to which foreign stock investment was entrusted. The number of cases of dialogue was 14,341.

Regarding major subjects of engagement, the number of cases of dialogue concerning corporate governance issues came to 4,618, or 32.2% of the total, followed by dialogue concerning environmental issues with 2,885 cases (20.1%) and social issues with 2,566 cases (17.9%).

Total number of cases of engagement (From April 2019 to March 2020)



Share by dialogue item



(Note) The standards for counting the number of cases of engagement vary among entrusted investment management institutions.

(6) ESG Investment

■ ESG investment initiative

As the Associations invest pension funds over the long term, it is rational to aim to maximize the long-term return by paying attention not only to short-term business performance when making investment but also to factors related to sustainability, including ESG.

The Associations believe that they can simultaneously fulfill the fiduciary responsibility of increasing the value of assets

for the insured persons over the long term and the social responsibility as public pension funds by seeking to increase the investment return through the sustainable growth of investee companies and the enhancement of corporate value and by encouraging efforts to resolve social challenges, such as environmental, human rights and employment issues.

(7) Future initiatives

The Associations will continue to actively conduct stewardship activity in order to simultaneously fulfill the fiduciary and social responsibilities.

■ Implementation of effective monitoring of entrusted investment management institutions

The Associations will continue to make sure that entrusted investment management institutions' stewardship activity is consistent with the Associations' policies and will conduct monitoring with emphasis placed on the "quality" of initiatives.

■ Revision of the Corporate Governance Principles, etc.

The Associations will revise the Corporate Governance Principles, the Guidelines for Exercising Shareholders' Voting Rights (Domestic Equities/Foreign Equities) as necessary while taking into consideration revisions of laws, regulations and codes and changes in the social situation.

■ Collaboration with other public pension funds, etc.

As part of their efforts to enhance the effectiveness and efficiency of stewardship activity, the Associations will also exchange opinions with other public pension funds, among other activities.

* Excluding the Mutual Aid Association of Prefectural Government Personnel which does not hold equities.

5 Selection and management of entrusted investment management institutions, etc. (traditional assets)

■ Approach to selection

The Associations offer public invitations and invite entries under an asset manager registration system. In the selection process, the Associations closely examine investment policies for funds, investment processes and other factors and select investment management

institutions based on a comprehensive evaluation from both quantitative and qualitative aspects while also taking into consideration opinions expressed at a meeting of outside experts.

■ Administration and evaluation of entrusted investment management institutions

The Associations receive monthly reports on the investment status and quarterly reports on the overview of investment results, future investment policy and other matters from entrusted investment management institutions. In addition, the Associations conduct detailed interviews concerning the overview of investment results, future investment policy and other matters and also implement monitoring through visits to entrusted investment management institutions.

Furthermore, the Associations annually conduct a comprehensive evaluation combining quantitative and qualitative evaluation by asset and by investment category (e.g., domestic equity market type and foreign equity growth type).

Comprehensive evaluation is intended to conduct evaluation from the long-term perspective and from the viewpoint of the role

that each fund is expected to play. Quantitative evaluation mainly assesses the actual excess return after deduction of compensation, the information ratio (the tracking error in the case of passive investment), and the cost performance. Qualitative evaluation assesses the quality of the portfolio investment that cannot be captured by quantitative evaluation and the communications capabilities, investment process and philosophy, portfolio structuring and monitoring, execution of transactions, business management, etc. of entrusted investment management institutions.

The Associations allocate funds in a consistent manner across the entire portfolio in consideration of not only the results of comprehensive evaluation but also the balance of strategy categories in each asset class and the balance of funds in each category.

■ Administration and evaluation of asset administration institutions

The Associations provide an incentive or give a reminder for asset administration institutions as appropriate by providing feedback on the results of qualitative evaluation of their asset administration status and by transferring funds

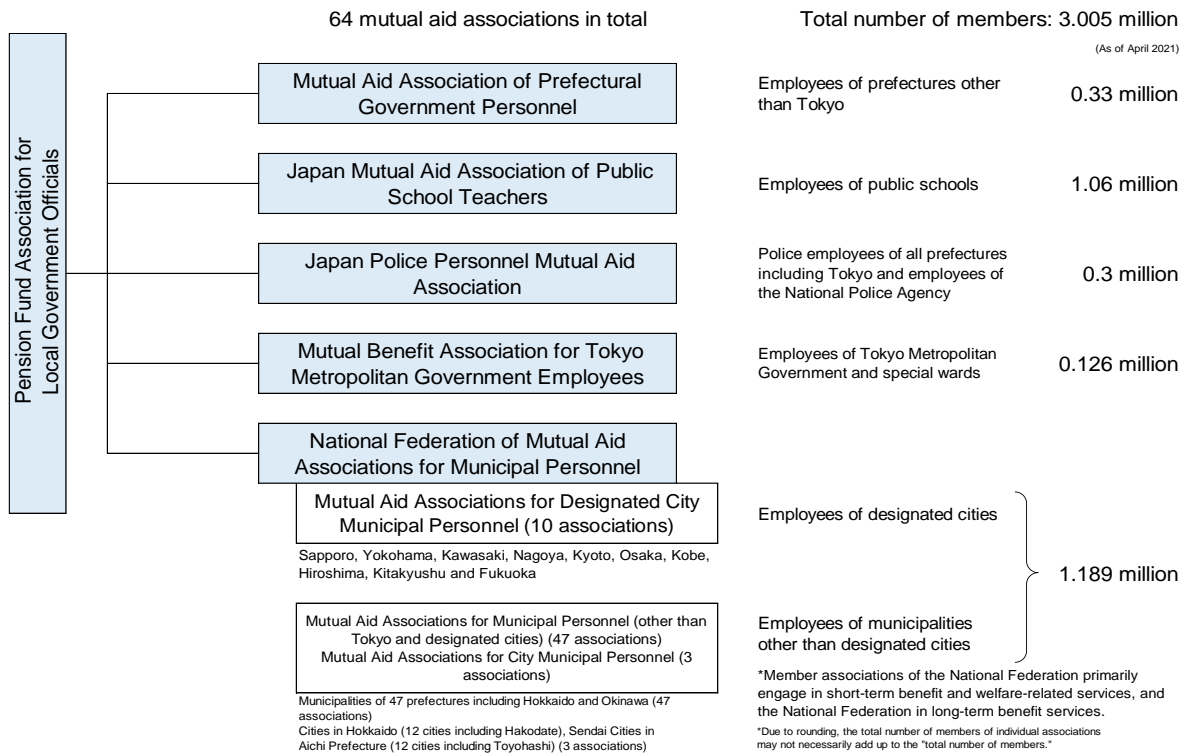
from one institution to another depending on the results in order to ensure appropriate administration by asset administration institutions.

1 Establishment

Article 43 of the Local Public Service Act provides "A mutual aid system shall be implemented in order to provide appropriate benefits in cases of employees' illness, injury, childbirth, involuntary leave, calamity, retirement, disability or death, or their dependents' illness, injury, child birth, death or calamity." Based on this provision, the Local Public Officers, etc. Mutual Aid Association Act has been enacted.

The pension fund system for local government officials was established in December 1962 as a system to comprehensively manage the long-term benefits program, short-term benefits program and welfare services program for local government employees and their families, for the purpose of providing mutual aid for local government employees.

Outline of Local Public Service Mutual Aid Associations



2 Organization

(1) Governing Council

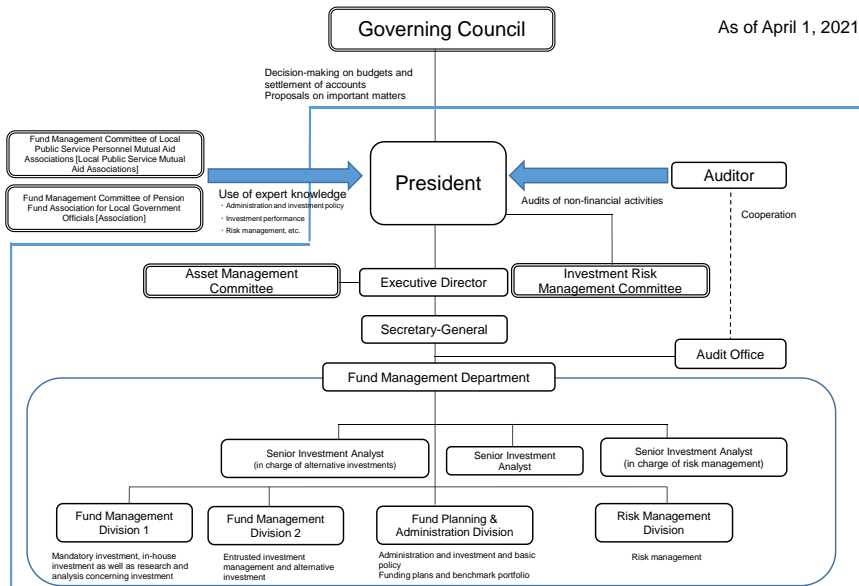
Pursuant to the provisions of the Local Public Officers, etc. Mutual Aid Association Act, the Associations are required to establish a Governing Council. Revision of the articles of incorporation, the formulation and revision of the rules of operations, annual business plans, budgets and account settlement, disposal of

important assets and assumption of significant debt are subject to deliberation by the Governing Council.

The designations, etc. of the governing councils and other committees at the Associations are as follows.

- Governing Council (Articles 6, 7, and 8 of the Local Public Officers, etc. Mutual Aid Association Act)
 - Mutual Aid Association of Prefectural Government Personnel (Prefectural Mutual Aid Secretary Office), Japan Mutual Aid Association of Public School Teachers, Japan Police Personnel Mutual Aid Association
- Governing Council (Articles 38-4 and 38-5 of the Local Public Officers, etc. Mutual Aid Association Act)
 - Pension Fund Association for Local Government Officials
- Associations Committee (Articles 6, 9 and 10 of the Local Public Officers, etc. Mutual Aid Association Act)
 - Mutual Benefit Association for Tokyo Metropolitan Government Employees, Mutual Aid Associations for Designated City Municipal Personnel, Mutual Aid Associations for Municipal Personnel (other than Tokyo and designated cities), Mutual Aid Associations for City Municipal Personnel
- General Committee (Articles 30, 31 and 32 of the Local Public Officers, etc. Mutual Aid Association Act)
 - National Federation
- Management Board of Trustees (Articles 144-5, 144-6 and Article 144-7 of the Local Public Officers, etc. Mutual Aid Association Act)
 - Group Mutual Aid Department of Prefectural Mutual Aid Association

■(Reference) Governance structure for Pension Fund Association for Local Government Officials



(2) Fund Management Committee of Local Public Service Personnel Mutual Aid Associations

■ Outline of Fund Management Committee of Local Public Service Personnel Mutual Aid Associations

To study expert matters pertaining to the administration and investment of funds based on the Basic Policy for Management and Investment of Managed Fund Related to Employees' Pension Insurance Services, the Fund Management Committee of Local Public Service Personnel Mutual Aid Associations has been established, which is comprised of individuals who possess academic knowledge or practical experience in areas such as economics, finance, and fund management (the "Fund Management Committee").

The Fund Management Committee can discuss and receive reports concerning expert

matters related to the administration and investment of each fund and also can express its opinions on important matters upon request from the President of the Pension Fund Association for Local Government Officials.

Secretaries general of the Local Public Service Mutual Aid Associations attend meetings of the committee as observers. In addition, a working group of practitioners from the Local Public Service Mutual Aid Associations established under the committee deliberates matters to be studied by the committee and reports the results to the Fund Management Committee.

■ Matters for deliberation and report by the Fund Management Committee

Deliberation matters	Reporting matters
<ul style="list-style-type: none"> - Matters concerning formulation and revision of the model portfolio - Matters concerning establishment and revision of administration and investment policy - Matters concerning establishment and revision of risk management implementation policy - Matters concerning establishment and revision of investment policy for new investment instruments - Other expert matters concerning the administration and investment of each fund 	<ul style="list-style-type: none"> - Investment performance - Status of risk management - Investment status of new investment instruments - Status of training and nurturing of expert personnel - Other matters required by the Fund Management Committee concerning the administration and investment of each fund

■List of Fund Management Committee Members (As of April 1, 2021)

Hidetaka Kawakita	Kyoto University, Professor Emeritus
Konosuke Kita	Russell Investments Japan Co., Ltd. Executive Consultant/Director, Consulting
Hisae Sato	Trustee, International Christian University
Toshio Serita	Professor, Department of Economics, Aoyama Gakuin University
Yoshiko Takayama	J-Eurus IR Co., Ltd. Managing Director
Hitoshi Takehara	Professor, Waseda Business School (Graduate School of Business and Finance)
Katsuyuki Tokushima	NLI Research Institute Director Head of Pension Research, CMA Financial Research Department
Kazuya Nagasawa	MSCI Inc. Managing Director Head of APAC Client Coverage and Head of APAC Analytics
Masahiro Morimoto	All-Japan Prefectural and Municipal Workers Union General Manager, Central Executive Committee Bureau of Labor
Chairperson Takaaki Wakasugi	The University of Tokyo, Professor Emeritus Chairman, Japan Corporate Governance Research Institute

■Past Meetings of the Fund Management Committee

Meeting number	Meeting date	Main theme
29th Meeting	September 18, 2020	<ul style="list-style-type: none"> • Review of Operations reports concerning administration and investment of individual funds in FY2019 (Local Public Service Mutual Aid Associations) • Status of investment of individual funds in the first quarter of FY2020 (Local Public Service Mutual Aid Associations) • Status of risk management of individual funds in FY2019 (Local Public Service Mutual Aid Associations) • Status of risk management of individual funds in the first quarter of FY2020 (Local Public Service Mutual Aid Associations) • Examination of the benchmark portfolio of the Annuity Retirement Benefit Fund
30th Meeting	March 19, 2021	<ul style="list-style-type: none"> • Status of investment of individual funds in the third quarter of FY2020 (Local Public Service Mutual Aid Associations) • Status of risk management of individual funds in the third quarter of FY2020 (Local Public Service Mutual Aid Associations) • Examination of the benchmark portfolio of the Employees' Pension Insurance Benefit Fund • Examination of the benchmark portfolio of the Transitional Long-term Benefit Fund

(3) Committee of specialists

For expert matters pertaining to the administration and investment of implementing organization funds, including the formulation and revision of basic policy, the Associations utilize and consider expert knowledge of committees of experts comprised of individuals

who possess academic knowledge or practical experience in areas such as economics, finance and fund investments.

The names of the committees of specialists of the Associations are as follows:

Names of associations	Names of committees
Mutual Aid Association of Prefectural Government Personnel	Pension Asset Management Committee
Japan Mutual Aid Association of Public School Teachers	Asset Management Committee
Japan Police Personnel Mutual Aid Association	Study Group on Fund Management Issues, Japan Police Personnel Mutual Aid Association Headquarters
Mutual Benefit Association for Tokyo Metropolitan Government Employees	Study Group on Fund Management
National Federation of Mutual Aid Associations for Municipal Personnel	Fund Management Committee
Pension Fund Association for Local Government Officials	Fund Management Committee of Pension Fund Association for Local Government Officials

3 Investment of funds

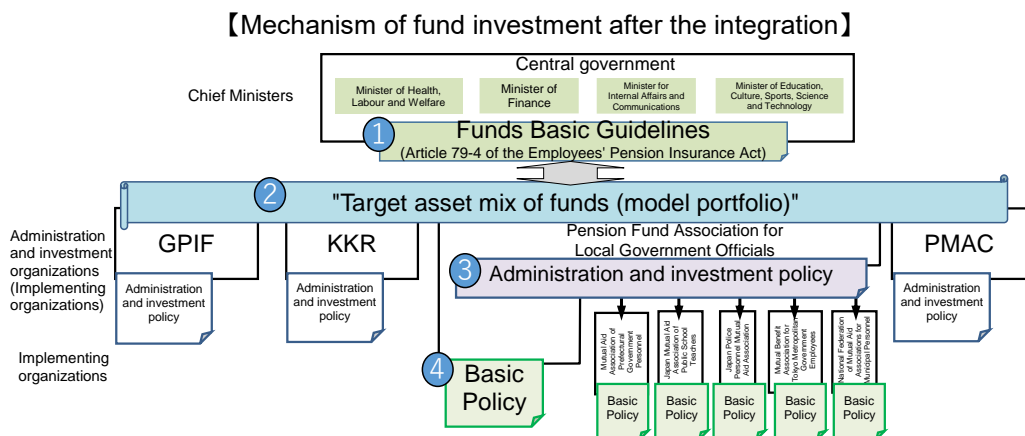
(1) Mechanisms

First, the chief ministers, namely the Minister of Health, Labour and Welfare, the Minister of Finance, the Minister for Internal Affairs and Communications, and the Minister of Education, Culture, Sports, Science and Technology, jointly establish the Basic Guidelines for Ensuring Safe and Efficient Administration and Investment of Funds from a Long-Term Perspective (hereinafter referred to as the "Funds Basic Guidelines") as an overall framework. (①)

Next, the administration and investment organizations (the GPIF, the KKR, the Pension

Fund Association for Local Government Officials, and the PMAC) jointly establish the target asset mix of funds (model portfolio) based on the Funds Basic Guidelines. (②)

The Pension Fund Association for Local Government Officials establishes the administration and investment policy subject to approval from the Minister for Internal Affairs and Communications (③) and individual implementing organizations establish basic policies relating to funds in accordance with the administration and investment policy. (④)



(2) Basic approach to investment

■Basic policy

Investment shall be made for the purpose of contributing to the stable management of the Employees' Pension Insurance operations into the future by investing safely and efficiently from a long-term perspective for the benefits of individuals covered by Employees' Pension Insurance.

In the management of funds, investments shall be made in a way that ensures appropriate diversification across multiple assets with different risk/return profiles and other

characteristics.

To ensure the required real return on investments of the funds (meaning the investment return less the nominal wage increase) at the minimum risk, a benchmark portfolio shall be established and appropriately managed and efforts shall be made to secure the benchmark return for overall assets and each asset class in each fiscal year as well as over the long term.

