

Fiscal Year 2015

Review of Operations Abridged Version

(Local Public Service Mutual Aid Associations)



地方公務員共済組合連合会
Pension Fund Association for Local Government Officials

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(Note)

As a result of Integration of Employee Pension Plans, Long-term Benefit Fund had been the only funds available as the source of funds for long-term benefit, but since October 2015 there are three sources of funds: Employees' Pension Insurance Benefit Adjustment Fund, Annuity Retirement Benefit Adjustment Fund, and Transitional Long-term Benefit Adjustment Fund.

[DISCLAIMER]

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

Market Environment

Fiscal Year 2015 Market Environment (Full Year) ①

【Activity in each market (April 2015 - March 2016)】

- Domestic bonds:** The return on 10-year Japanese government bonds declined further (the stock price rose) because of a gradual downward trend driven by factors such as monetary expansion by the Bank of Japan, and the impact of the Bank of Japan's announcement at the end of January concerning the introduction of negative interest rates.
- Domestic equities:** Although a phase during which domestic stock prices rose because of factors such as expectations of improved corporate operating as a result of the yen's depreciation was seen as well, in addition to China's currency devaluation in August, risk aversion moves grew stronger because of concerns of a global slowdown after the start of the year, and stock prices fell.
- Foreign bonds:** Although the return on 10-year U.S. government bonds also rose (stock price declined) at the beginning of the fiscal year, the return has fallen since the new year (stock price rose). Although the return on 10-year German government bonds also rose (stock price declined) at the beginning of the fiscal year, the return has fallen since the new year (stock price rose).
- Foreign equities:** The prices of U.S. stocks fell in August, but throughout the fiscal year were nearly unchanged. German stocks retreated in the first half of fiscal year because of several factors, including a sense of uncertainty regarding circumstances in Greece, and although a phase of rising prices because of expectations of additional monetary expansion by the ECB was also seen, prices fell through the fiscal year.
- Foreign currency exchange rate:** During the first half of the fiscal year the dollar/yen exchange rate fluctuated around 120 yen. Following the Bank of Japan's announcement at the end of January that it would introduce a negative interest rate policy, a phase during which the yen weakened temporarily was evident, but amidst global moves to avoid risk the yen appreciated considerably. Following the increase in returns on German government bonds, the yen initially weakened and the euro rose, but because of a sense of uncertainty surrounding the situation in Greece and additional monetary expansion by the ECB, this shifted to appreciation of the yen/depreciation of the euro, and throughout the fiscal year the euro/yen exchange rate was nearly unchanged.

○ Benchmark returns

	April 2015 - March 2016
Domestic bonds NOMURA-BPI Overall	5.40%
Domestic equities TOPIX (including dividends)	-10.82%
Foreign bonds Citi World Government Bond Index (excluding Japan; no hedge, Japanese yen basis)	-2.74%
Foreign equities MSCI KOKUSAI (Japanese yen basis, including dividends) (April - September) MSCI ACWI (excluding Japan; Japanese yen basis, including dividends) (October - March)	-8.55%

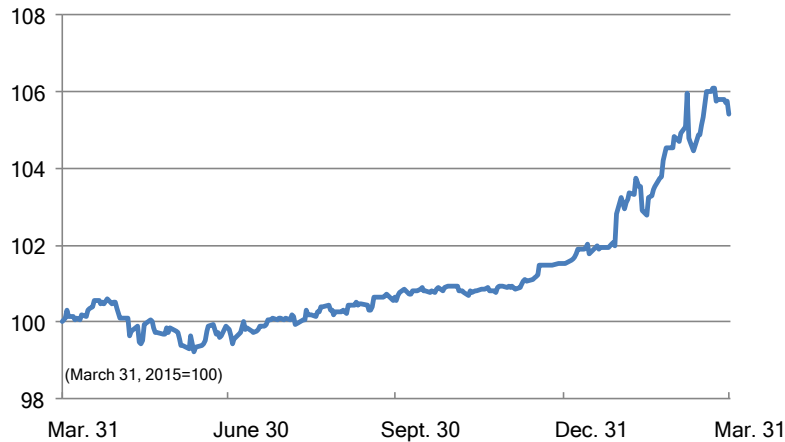
○ Reference indices

		March 31, 2015	June 31, 2015	September 30, 2015	December 31, 2015	March 31, 2016
Domestic bonds	(10-year government bond return) (%)	0.41	0.47	0.36	0.27	-0.03
	(TOPIX, no dividends) (Points)	1543.11	1630.40	1411.16	1547.30	1347.20
Domestic equities	(Nikkei Stock Average) (Yen)	19206.99	20235.73	17388.15	19033.71	16758.67
	(10-year U.S. government bond return) (%)	1.92	2.35	2.04	2.27	1.77
Foreign bonds	(10-year German government bond return) (%)	0.18	0.76	0.59	0.63	0.15
	(NY Dow-Jones) (US \$)	17776.12	17619.51	16284.70	17425.03	17685.09
Foreign equities	(German DAX) (Points)	11966.17	10944.97	9660.44	10743.01	9965.51
	(Dollar/Yen) (Yen)	119.90	122.36	119.78	120.24	112.39
Exchange rates	(Euro/Yen) (Yen)	128.80	136.32	133.73	130.70	128.07

Fiscal Year 2015 Market Environment (Full Year) ②

Changes in benchmark indices (FY2015 full year)

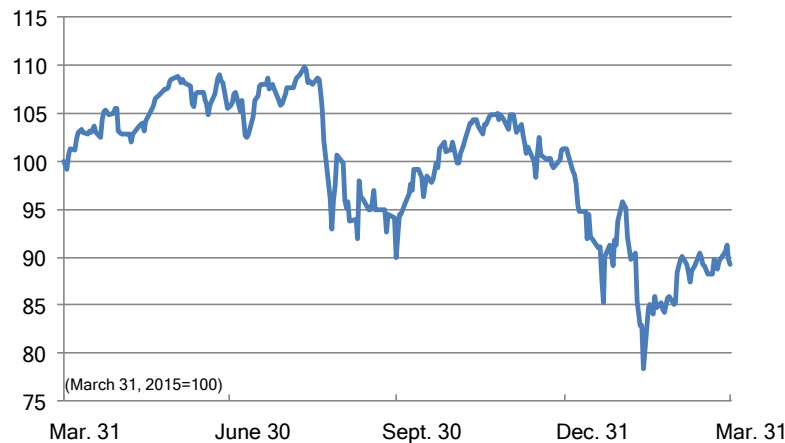
【Domestic bonds】



【Foreign bonds】



【Domestic equities】



【Foreign equities】



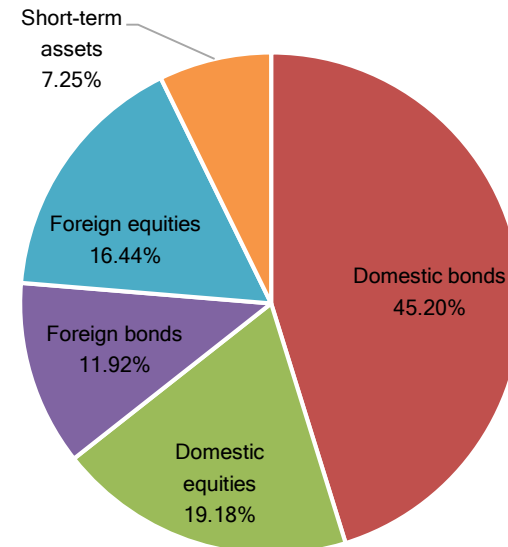
Employees' Pension Insurance Benefit Fund

Portfolio Allocation by Asset Category

(Unit: 100 mil. yen, %)

	FY2015 year-end	
	Asset Value	Portfolio Allocations
Domestic bonds	88,456	45.20
Domestic equities	37,538	19.18
Foreign bonds	23,330	11.92
Foreign equities	32,176	16.44
Short-term assets	14,197	7.25
Total	195,697	100.00

FY2015 year-end Portfolio Allocations by Investment Asset



(Note 1) The benchmark portfolio is domestic bonds 35% ($\pm 15\%$), domestic equities 25% ($\pm 14\%$), foreign bonds 15% ($\pm 6\%$) and foreign equities 25% ($\pm 12\%$) (Figures in parentheses are deviation tolerance).

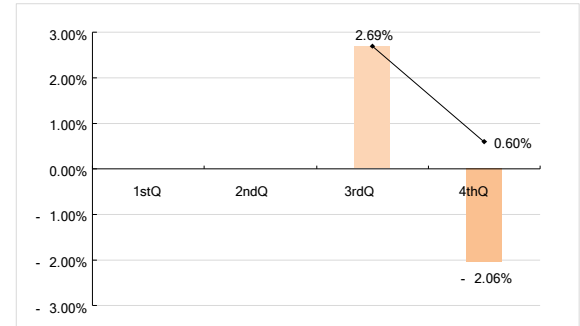
(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

Fiscal Year 2015 Employees' Pension Insurance Benefit Fund: Return on Investments

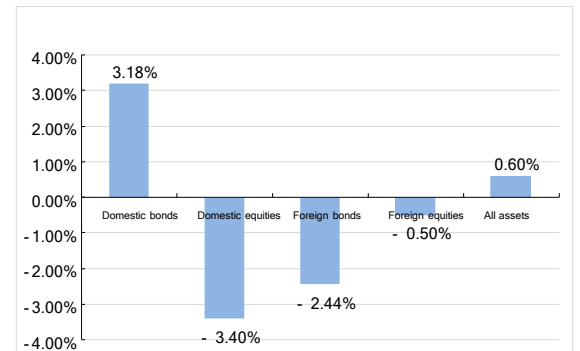
- The modified total return for fiscal year 2015 (second half) was 0.60%. The realized return was 1.67%.
- The modified total return in the third quarter was 2.69%; the modified total return in the fourth quarter was -2.06%.
- The modified total return by asset were 3.18% for domestic bonds, -3.40% for domestic equities, -2.44% for foreign bonds, and -0.50% for foreign equities.

(Unit: %)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized return			1.03	0.64	1.67
Modified total return			2.69	-2.06	0.60



	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Modified total return			2.69	-2.06	0.60
Domestic bonds			0.69	2.55	3.18
Domestic equities			9.60	-11.38	-3.40
Foreign bonds			-1.33	-1.13	-2.44
Foreign equities			5.26	-4.97	-0.50



(Note 1) Returns since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) "3rd Q" and "4th Q" are period rate. "Fiscal year total" is the period rate for the second half of fiscal year 2015.

(Note 3) The returns are after deduction of fees.

(Note 4) The modified total return is the realized return tempered for changes to valuation gains and losses based on current market value.

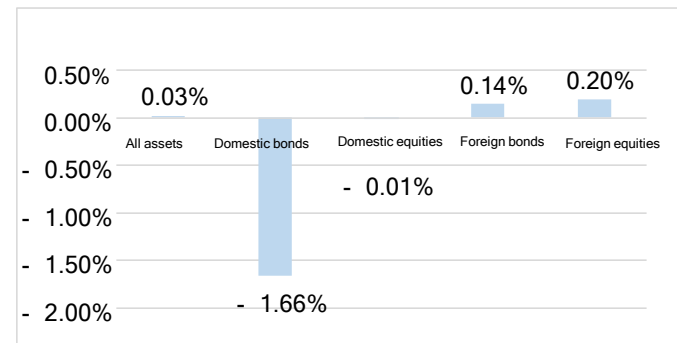
Fiscal Year 2015 (Second Half) Excess Return

- All assets: The modified total return was 0.60%, and the excess return was 0.03%.
With the ratio of domestic bonds in the asset allocation maintained at a higher percentage than in the benchmark portfolio, returns on domestic bonds in the investment results by individual assets fell below the benchmark and were a negative factor, but the decline in the domestic and foreign stock markets and ongoing appreciation of the yen in the foreign exchange market had a positive effect on returns. As a result, the excess return was slightly positive.
- Domestic bonds: The modified total return was 3.18 %, and the excess return was - 1.66%.
The duration of the domestic bonds in the funds was shorter than that of the benchmark, and the percentage increase in stock prices from the return decline was below the benchmark. As a result, the excess return was negative.
- Domestic equities: The modified total return was - 3.40%, and the excess return was - 0.01%.
The percentage decline in prices of the stocks held in the portfolio fell below the benchmark, as the domestic stock market fell against the backdrop of the yen's appreciation in the foreign exchange market. As a result, of the excess return was slightly negative.
- Foreign bonds: The modified total return was - 2.44 %, and the excess return was 0.14%.
The duration of the foreign bonds in the funds was maintained at the benchmark level, and the percentage increase in stock prices from the return decline also paralleled the benchmark. As a result, the excess return was slightly positive.
- Foreign equities: The modified total return was - 0.50%, and the excess return was 0.20%.
As stock markets fell globally, the allocation of consumer-related firm stocks and public utility stocks, which are less susceptible to the influence of economic fluctuations, was maintained at a level higher than the benchmark. The percentage decline of stock prices was also held within a smaller range than that of the benchmark. As a result, the excess return was positive.

FY2015 (October 2015 - March 2016)

	All assets	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Modified total return	0.60%	3.18%	-3.40%	-2.44%	-0.50%
Benchmark return	0.57%	4.84%	-3.39%	-2.58%	-0.69%
Excess return	0.03%	-1.66%	-0.01%	0.14%	0.20%

Excess return



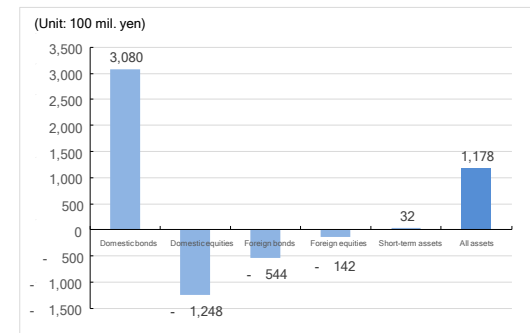
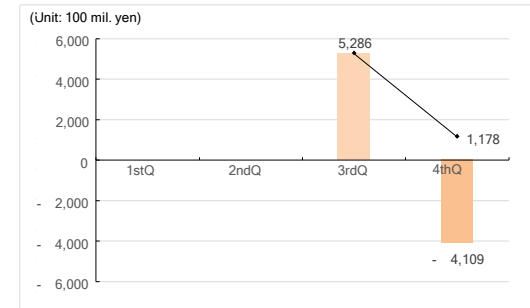
Fiscal Year 2015 Employees' Pension Insurance Benefit Fund: Investment Income

- The investment incomes for fiscal year 2015 (second half) were ¥117.8 billion . Furthermore, the realized income were ¥298.1 billion.
- The investment incomes in the third quarter were ¥528.6 billion, while the investment income for the fourth quarter came to -¥410.9 billion.
- The investment incomes by asset were ¥308 billion for domestic bonds, -¥124.8 billion for domestic equities, -¥54.4 billion for foreign bonds, and -¥14.2 billion for foreign equities.

(Unit: 100 mil. yen)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized income			1,842	1,139	2,981
Investment income			5,286	-4,109	1,178

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Investment income			5,286	-4,109	1,178
Domestic bonds			695	2,385	3,080
Domestic equities			3,400	-4,648	-1,248
Foreign bonds			-287	-258	-544
Foreign equities			1,417	-1,558	-142
Short-term assets			62	-30	32



(Note 1) Incomes since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) "Fiscal year total" is the income for the second half of fiscal year 2015.

(Note 3) The incomes are after deduction of fees.

(Note 4) The investment incomes are the realized income tempered for changes to valuation gains and losses based on current market value.

(Note 5) The total of the individual figures shown above might not agree with the total because of rounding.

Fiscal Year 2015 Employees' Pension Insurance Benefit Fund: Value of Assets

(Unit: 100 mil. yen)

	Fiscal Year 2015											
	End of 1st Q			End of 2nd Q			End of 3rd Q			Fiscal year-end		
	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							92,914	97,590	4,676	82,684	88,456	5,772
Domestic equities							31,783	39,734	7,951	34,392	37,538	3,146
Foreign bonds							21,205	22,151	945	22,816	23,330	514
Foreign equities							21,645	29,475	7,830	26,101	32,176	6,074
Short-term assets							9,181	9,180	-0	14,199	14,197	-2
Total							176,727	198,129	21,402	180,193	195,697	15,504

(Note 1) Investment asset amounts since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

Annuity Retirement Benefit Fund

Portfolio Allocation by Asset Category

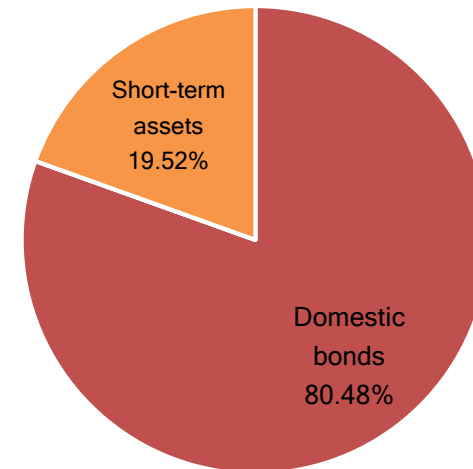
(Unit: 100 mil. yen, %)

	Asset Value	Portfolio Allocations
Domestic bonds	1,104	80.48
Short-term assets	268	19.52
Total	1,372	100.00

(Note 1) The benchmark portfolio is 100% domestic bonds.

(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

Fiscal Year 2015 year-end Portfolio Allocations by Investment Asset

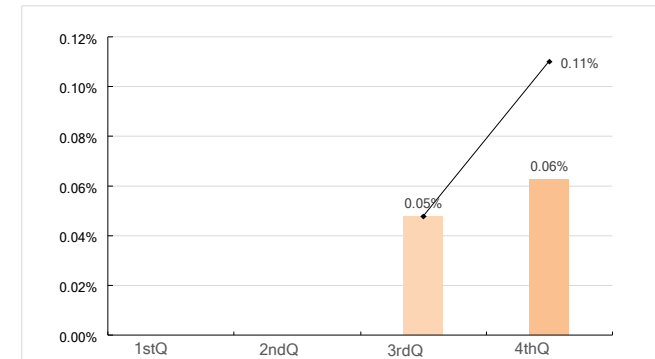


Fiscal Year 2015 Annuity Retirement Benefit Fund : Return on Investments

- The realized return for fiscal year 2015 (second half) was 0.11%.
- The realized return in the third quarter was 0.05%; the realized return in the fourth quarter was 0.06%.
- The domestic bonds held Annuity Retirement Benefit Fund are evaluated at book value because it is assumed the bonds will be held in the funds until maturity.

(Unit: %)

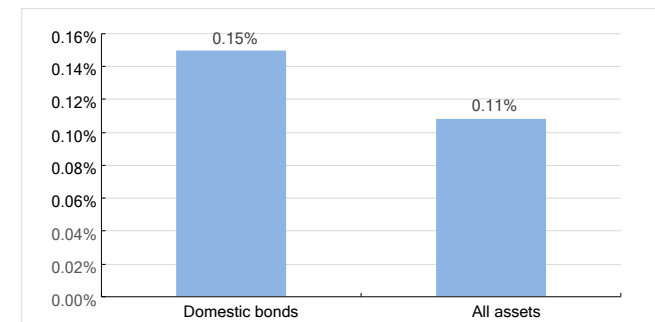
	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized return			0.05	0.06	0.11
Domestic bonds			0.12	0.08	0.15



(Reference)

(Unit: %)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Modified total return			0.31	3.45	4.86



(Note 1) Returns since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) "3rd Q" and "4th Q" are period rate. "Fiscal year total" is the period rate for the second half of fiscal year 2015.

(Note 3) The returns are after deduction of fees.

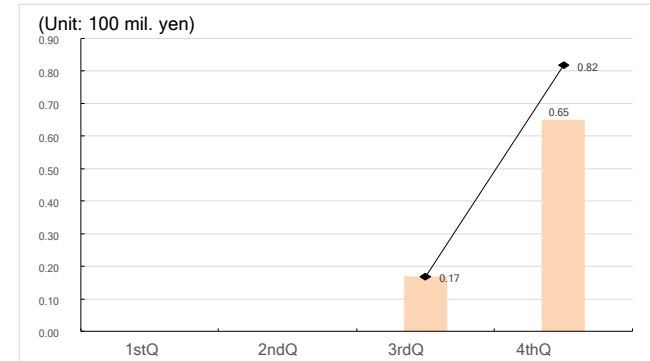
(Note 4) The modified total return is the realized return tempered for changes to valuation gains and losses when tentatively valued at current market value.

Fiscal Year 2015 Annuity Retirement Benefit Fund : Investment Income

- The realized income for fiscal year 2015 (second half) were ¥82 million.
- The realized income in the third quarter was 17 million; the realized income in the fourth quarter was ¥ 65 million.
- The domestic bonds held in Annuity Retirement Benefit Fund are evaluated at book value because it is assumed the bonds will be held in the funds until maturity.

(Unit: 100 mil. yen)

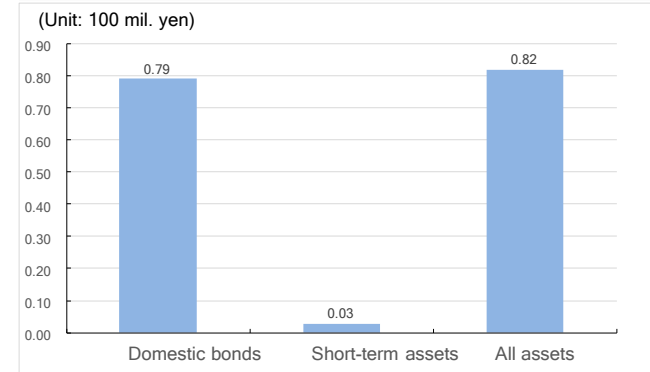
	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized income			0.17	0.65	0.82
Domestic bonds			0.16	0.63	0.79
Short-term assets			0.00	0.02	0.03



(Reference)

(Unit: 100 mil. yen)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Investment income			1.08	35.56	36.64



(Note 1) Incomes since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) "Fiscal year total" is the income for the second half of fiscal year 2015.

(Note 3) The incomes are after deduction of fees.

(Note 4) The investment incomes are the realized incomes tempered for changes in valuation gains or losses when tentatively valued at current market value.

(Note 5) The total of the individual figures shown above might not agree with the total because of rounding.

Fiscal Year 2015 Annuity Retirement Benefit Fund : Value of Assets

(Unit: 100 mil. yen)

	Fiscal Year 2015											
	End of 1st Q			End of 2nd Q			End of 3rd Q			Fiscal year-end		
	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							287	288	1	1,104	1,140	36
Short-term assets							367	367	0	268	268	0
Total							654	655	1	1,372	1,408	36

(Note 1) Investment asset amounts since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

(Note 3) Market value and the gain or loss from valuation are used as references for tentatively calculating current market value.

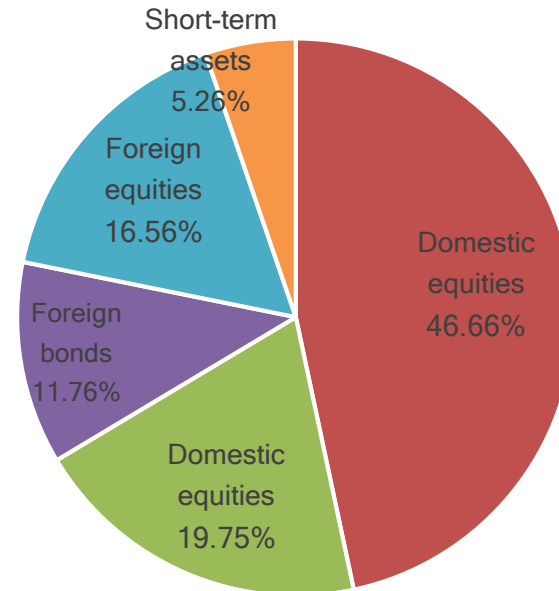
Transitional Long-term Benefit Fund

Portfolio Allocation by Asset Category

(Unit: 100 mil. yen, %)

	FY2015 year-end	
	Asset Value	Portfolio Allocations
Domestic bonds	97,886	46.66
Domestic equities	41,436	19.75
Foreign bonds	24,664	11.76
Foreign equities	34,744	16.56
Short-term assets	11,037	5.26
Total	209,767	100.00

FY2015 year-end Portfolio Allocations by Investment Asset



(Note 1) The benchmark portfolio is domestic bonds 35% ($\pm 15\%$), domestic equities 25% ($\pm 14\%$), foreign bonds 15% ($\pm 6\%$) and foreign equities 25% ($\pm 12\%$) (Figures in parentheses are deviation tolerance).

(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

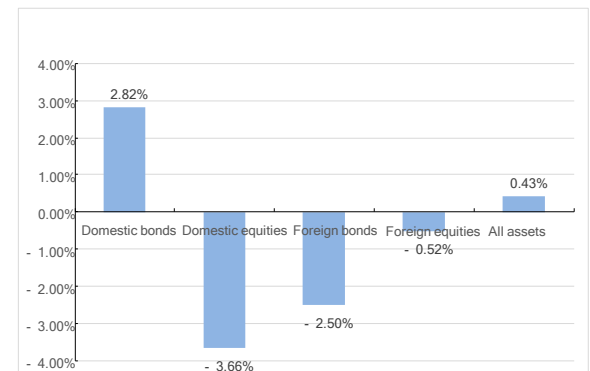
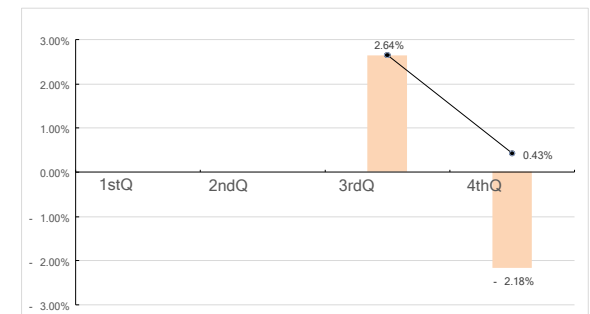
Fiscal Year 2015 Transitional Long-term Benefit Fund: Return on Investments

- The modified total return for fiscal year 2015 (second half) was 0.43%. The realized return was 2.11%.
- The modified total return in the third quarter was 2.64%; the modified total return in the fourth quarter was -2.18%.
- The modified total return by asset were 2.82% for domestic bonds, -3.66% for domestic equities, -2.50% for foreign bonds, and -0.52% for foreign equities.

(Unit: %)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized return			0.93	1.18	2.11
Modified total return			2.64	-2.18	0.43

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Modified total return			2.64	-2.18	0.43
Domestic bonds			0.68	2.20	2.82
Domestic equities			9.50	-11.34	-3.66
Foreign bonds			-1.30	-1.23	-2.50
Foreign equities			5.18	-4.91	-0.52



(Note 1) Returns since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) "3rd Q" and "4th Q" are period rate. "Fiscal year total" is the period rate for the second half of fiscal year 2015.

(Note 3) The returns are after deduction of fees.

(Note 4) The modified total return is the realized return tempered for changes to valuation gains and losses when tentatively valued at current market value.

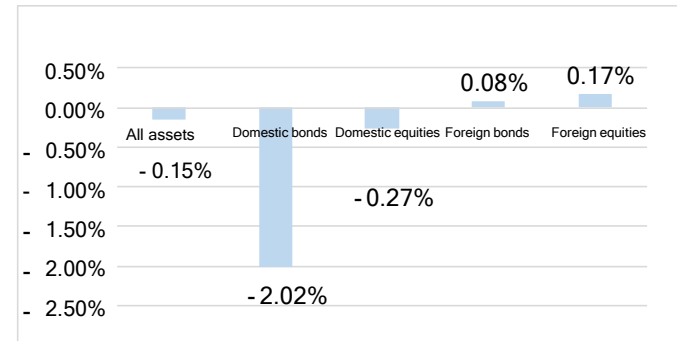
Fiscal Year 2015 (Second Half) Excess Return

- All assets: The modified total return was 0.43%, and the excess return was - 0.15%.
With the ratio of domestic bonds in the asset allocation maintained at a higher percentage than in the benchmark portfolio, the decline in the domestic and foreign stock markets and ongoing appreciation of the yen in the foreign exchange market were positive factors, but returns on domestic bonds in the investment results by individual assets fell below the benchmark. As a result, the excess return was negative.
- Domestic bonds: The modified total return was 2.82 %, and the excess return was -2.02 %.
The duration of the domestic bonds in the funds was shorter than that of the benchmark, and the percentage increase in stock prices from the return decline was below the benchmark. As a result, the excess return was negative.
- Domestic equities: The modified total return was -3.66 %, and the excess return was -0.27 %.
The percentage decline in prices of the stocks held in the portfolio fell below the benchmark, as the domestic stock market fell against the backdrop of the yen's appreciation in the foreign exchange market. As a result, of the excess return was slightly negative.
- Foreign bonds: The modified total return was -2.50 %, and the excess return was 0.08 %.
The duration of the foreign bonds in the funds was maintained at the benchmark level, and the percentage increase in stock prices from the return decline also paralleled the benchmark. As a result, the excess return was slightly positive.
- Foreign equities: The modified total return was -0.52 %, and the excess return was 0.17 %.
As stock markets fell globally, the allocation of consumer-related firm stocks and public utility stocks, which are less susceptible to the influence of economic fluctuations, was maintained at a level higher than the benchmark. The percentage decline of stock prices was also held within a smaller range than that of the benchmark. As a result, the excess return was positive.

Fiscal year 2015 (October 2015 - March 2016)

	All assets	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Modified total return	0.43%	2.82%	- 3.66%	- 2.50%	- 0.52%
Benchmark return	0.57%	4.84%	- 3.39%	- 2.58%	- 0.69%
Excess return	- 0.15%	- 2.02%	- 0.27%	0.08%	0.17%

Excess return



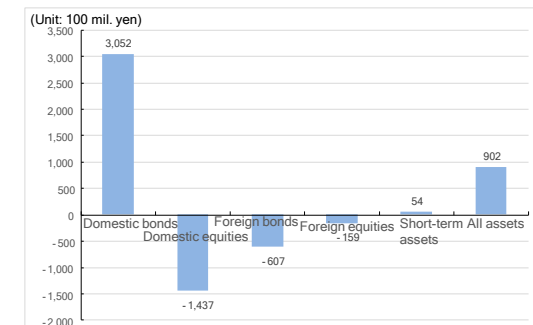
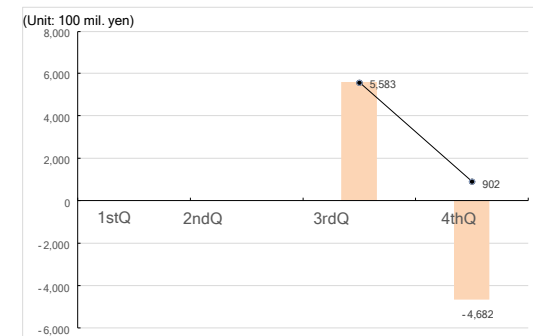
Fiscal Year 2015 Transitional Long-term Benefit Fund: Investment Income

- The investment income for fiscal year 2015 (second half) were ¥90.2 billion. Furthermore, the realized income were ¥403.1 billion.
- The investment income in the third quarter were ¥558.3 billion, while investment income for the fourth quarter came to -¥468.2 billion.
- The investment income by asset were ¥305.2 billion for domestic bonds, -¥143.7 billion for domestic equities, -¥60.7 billion for foreign bonds, and -¥15.9 billion for foreign equities.

(Unit: 100 mil. yen)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized income			1,768	2,262	4,031
Investment income			5,583	-4,682	902

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Investment income			5,583	-4,682	902
Domestic bonds			773	2,278	3,052
Domestic equities			3,560	-4,997	-1,437
Foreign bonds			-306	-301	-607
Foreign equities			1,491	-1,651	-159
Short-term assets			64	-11	54



(Note 1) Incomes since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) "Fiscal year total" is the income for the second half of fiscal year 2015.

(Note 3) The incomes are after deduction of fees.

(Note 4) The investment incomes are the realized income tempered for changes to valuation gains and losses based on current market value.

(Note 5) The total of the individual figures shown above might not agree with the total because of rounding.

Fiscal Year 2015 Transitional Long-term Benefit Fund: Value of Assets

(Unit: 100 mil. yen)

	Fiscal Year 2015											
	End of 1st Q			End of 2nd Q			End of 3rd Q			Fiscal year-end		
	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							104,670	110,174	5,504	91,579	97,886	6,307
Domestic equities							33,773	42,516	8,744	37,867	41,436	3,570
Foreign bonds							22,417	23,696	1,279	23,883	24,664	781
Foreign equities							22,862	31,310	8,448	28,177	34,744	6,567
Short-term assets							7,702	7,702	-1	11,039	11,037	-3
Total							191,424	215,398	23,974	192,545	209,767	17,222

(Note 1) Value of mutual pension system assets before the pension system was integrated with Employees' Pension Insurance System.

(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

Appendix

Funds investments after Integration of Employee Pension Plans①

○Funds investments after Integration of Employee Pension Plans

To ensure efficient administration and processing after Integration of Employee Pension Plans as well, mutual aid associations will continue to manage memberships' pension records and prepare standard reports

The association sets and revises standard compensation, collects insurance premiums, determines pension benefit, and provides pensions.

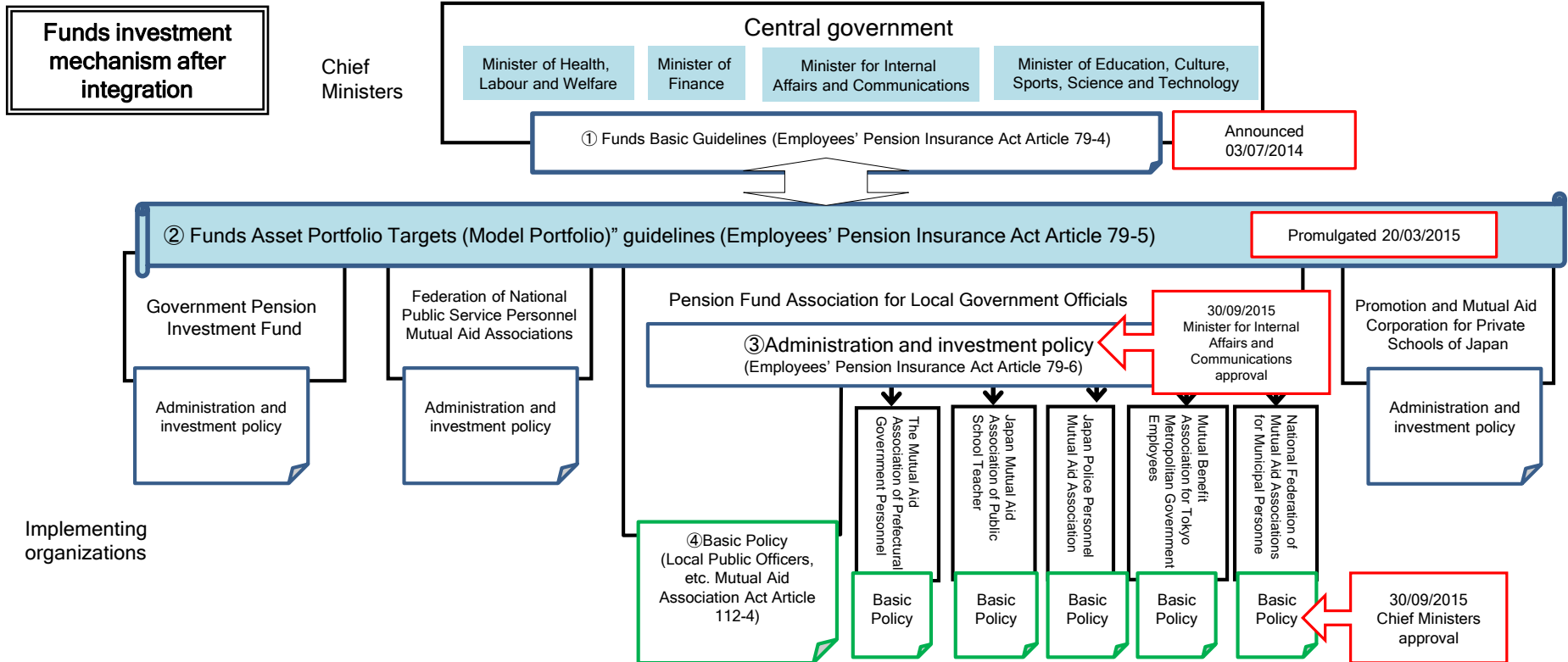
In addition, mutual aid associations are responsible for continuing to perform activities such as funds management and investments.

Until now, as a result of Integration of Employee Pension Plans, Long-term Benefit Fund had been the only funds available as the source of funds for long-term benefit, but since October 2015 there are three sources of funds: Employees' Pension Insurance Benefit Fund, Annuity Retirement Benefit Fund and Transitional Long-term Benefit Fund.

○Decisions concerning Funds Basic Guidelines, funds asset allocation objectives (model portfolio) and the benchmark portfolio

- ① The chief Ministers (Minister of Health, Labour and Welfare, Minister of Finance, Minister for Internal Affairs and Communications, and Minister of Education, Culture, Sports, Science and Technology) jointly formulate the Funds Basic Guidelines (Employees' Pension Insurance Act Article 79-4)
- ② The four management and investment entities (Government Pension Investment Fund, Federation of National Public Service Personnel Mutual Aid Associations, Pension Fund Association for Local Government Officials, Promotion and Mutual Aid Corporation for Private Schools of Japan) jointly formulate the Funds Asset Allocation Objectives (model portfolio) based on the Funds Basic Guidelines (Employees' Pension Insurance Act Article 79-5).
- ③ Pension Fund Association for Local Government Officials formulates the Management and Investment Policy (Including the portfolio at Local Public Service Mutual Aid Associations), which serves as the common policy for organizations such as the public officer mutual aid associations in each region (the implementing agencies), in conformity with the Funds Asset Allocation Objective (Model Portfolio) (Employees' Pension Insurance Act Article 79-6).
- ④ A Basic Policy (Including the benchmark portfolio) pertaining to funds management and investment is formulated at Local Public Service Mutual Aid Associations or other organization in each region, so that it conforms to the management and investment policy set by Pension Fund Association for Local Government Officials (Local Public Officers, etc. Mutual Aid Association Act Article 112-4).

Funds investments after Integration of Employee Pension Plans②



Funds investments after Integration of Employee Pension Plans③

