

Fiscal Year 2015
Review of Operations Abridged Version
**(Pension Fund Association for Local
Government Officials)**



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 bond 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 results 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. Treasury bonds rose (the bond price fell) at the start of the fiscal year because of expectations of an interest rate hike by the FRB, the return subsequently declined (the bond price rose) as the year progressed because of moves to avoid risk. Although the return on 10-year German government bonds also rose (bond price declined) at the beginning of the fiscal year, the return has fallen since the new year (bond 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%

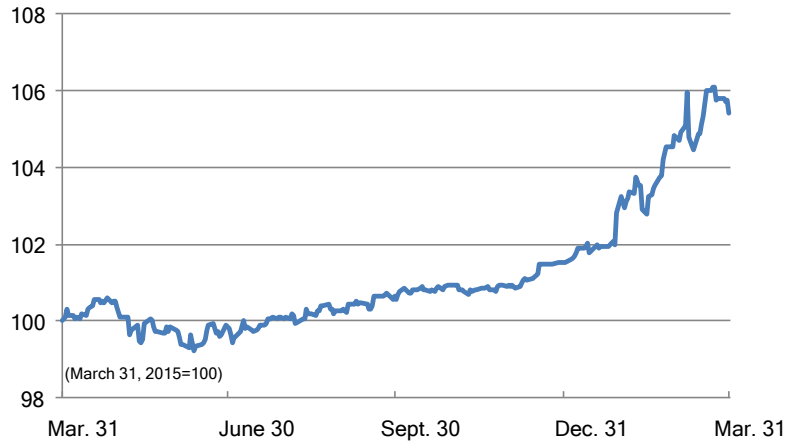
○Reference indices

		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】



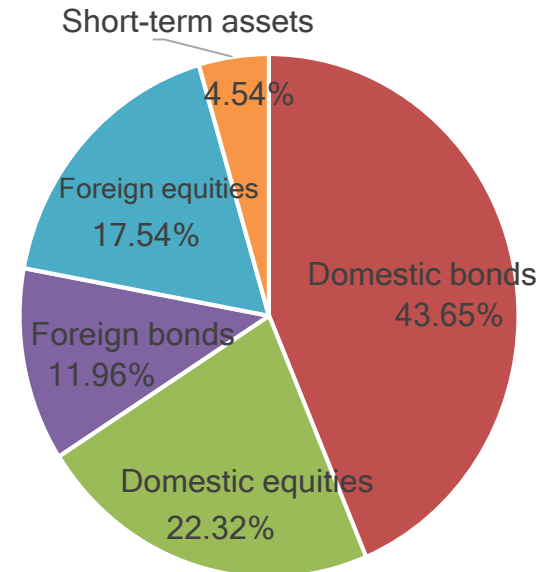
Employees' Pension Insurance Benefit Adjustment Fund

Portfolio Allocation by Asset Category

(Unit: 100 mil. yen, %)

	FY 2015 year-end	
	Asset Value	Portfolio Allocations
Domestic bonds	43,171	43.65
Domestic equities	22,074	22.32
Foreign bonds	11,826	11.96
Foreign equities	17,349	17.54
Short-term assets	4,488	4.54
Total	98,908	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).

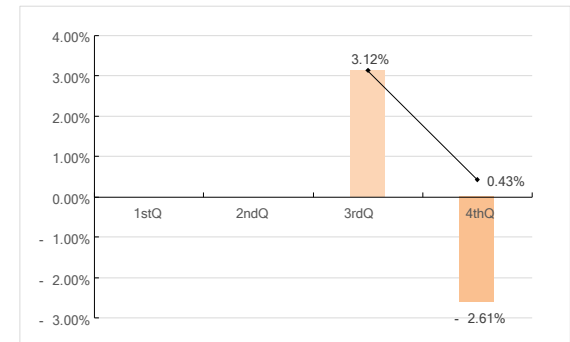
(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

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

- The modified total return for fiscal year 2015 (second half) was 0.43%. The realized return was 1.68%.
- The modified total return in the third quarter was 3.12%; the modified total return in the fourth quarter was -2.61%.
- The modified total return by asset were 2.99% for domestic bonds, -3.12% for domestic equities, -2.53% for foreign bonds, and -0.33% for foreign equities.

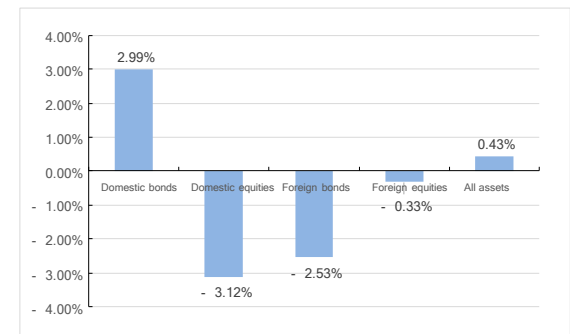
(Unit: %)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized return			0.92	0.76	1.68
Modified total return			3.12	-2.61	0.43



(Unit: %)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Modified total return			3.12	-2.61	0.43
Domestic bonds			0.65	2.40	2.99
Domestic equities			9.60	-11.14	-3.12
Foreign bonds			-1.20	-1.34	-2.53
Foreign equities			5.52	-5.25	-0.33



(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.

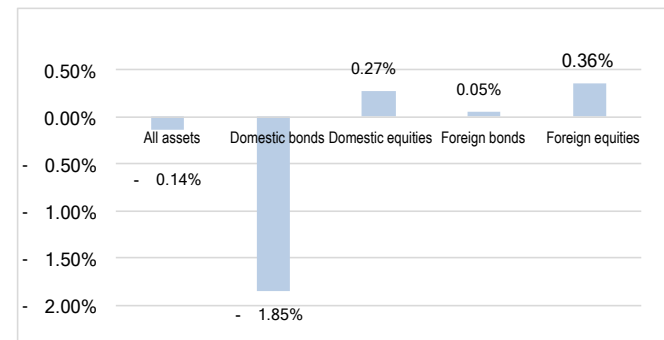
Fiscal Year 2015 (Second Half) Excess Return

- All assets: The modified total return was 0.43%, and the excess return was -0.14% .
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 2.99%, and the excess return was -1.85% .
The duration of the domestic bonds in the funds was shorter than that of the benchmark, and the percentage increase in bond prices from the return decline was below the benchmark. As a result, the excess return was negative.
- Domestic equities: The modified total return was -3.12% , and the excess return was 0.27%.
As the yen's appreciation in the foreign exchange market progressed, the percentage holdings of export-related equities was restrained relative to the benchmark. As a result, the percentage decline of stock prices was also held within a smaller range than that of the benchmark, and the excess return was positive.
- Foreign bonds: The modified total return was -2.53% , and the excess return was 0.05%.
The duration of the foreign bonds in the funds was maintained at the benchmark level, and the percentage increase in bond 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 -0.33% , and the excess return was 0.36%.
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	0.43%	2.99%	-3.12%	-2.53%	-0.33%
Benchmark return	0.57%	4.84%	-3.39%	-2.58%	-0.69%
Excess return	-0.14%	-1.85%	0.27%	0.05%	0.36%

Excess return



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

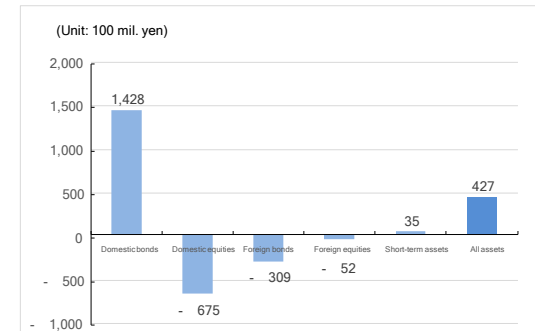
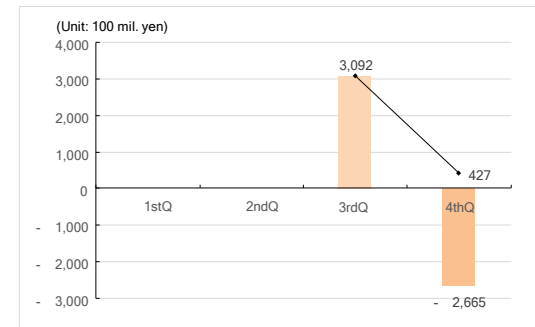
- The investment incomes for fiscal year 2015 (second half) were ¥42.7 billion. Furthermore, realized incomes were ¥152.5 billion.
- The investment incomes in the third quarter were ¥309.2 billion, while the investment incomes for the fourth quarter came to -¥266.5 billion.
- The investment incomes by asset were ¥142.8 billion for domestic bonds, -¥67.5 billion for domestic equities, -¥30.9 billion for foreign bonds, and -¥5.2 billion for foreign equities.

(Unit: 100 mil. yen)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized income			835	690	1,525
Investment income			3,092	-2,665	427

(Unit: 100 mil. yen)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Investment income			3,092	-2,665	427
Domestic bonds			321	1,107	1,428
Domestic equities			2,006	-2,681	-675
Foreign bonds			-147	-162	-309
Foreign equities			844	-896	-52
Short-term assets			67	-32	35



(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 Adjustment 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							46,596	48,466	1,870	40,906	43,171	2,265
Domestic equities							18,933	23,365	4,431	20,467	22,074	1,608
Foreign bonds							11,836	12,168	332	11,750	11,826	76
Foreign equities							11,680	16,221	4,541	13,740	17,349	3,609
Short-term assets							1,675	1,676	1	4,488	4,488	0
Total							90,720	101,895	11,175	91,351	98,908	7,557

(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.

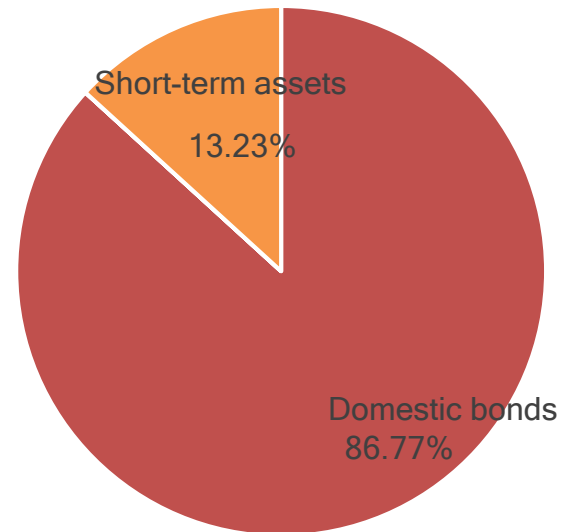
Annuity Retirement Benefit Adjustment Fund

Portfolio Allocation by Asset Category

(Unit: 100 mil. yen, %)

	FY2015 year-end	
	Asset Value	Portfolio Allocations
Domestic bonds	56	86.77
Short-term assets	9	13.23
Total	64	100.00

FY2015 year-end Portfolio Allocations by Investment Asset



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

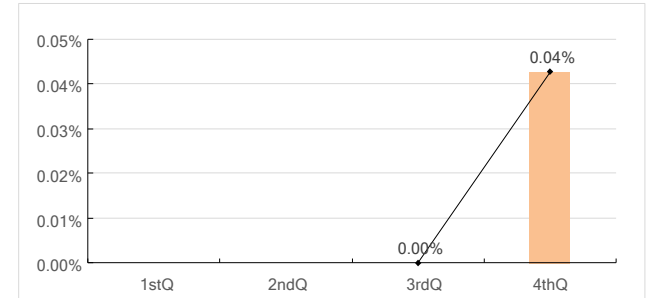
(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

Fiscal Year 2015 Annuity Retirement Benefit Adjustment Fund: Return on Investments

- The realized return for fiscal year 2015 (second half) was 0.04%.
- The realized return in the third quarter was 0.00%; the realized return in the fourth quarter was 0.04%.
- The domestic bonds held in Annuity Retirement Benefit Adjustment Fund are evaluated at book value because it is assumed the bonds will be held in the funds until maturity.

(Unit: %)

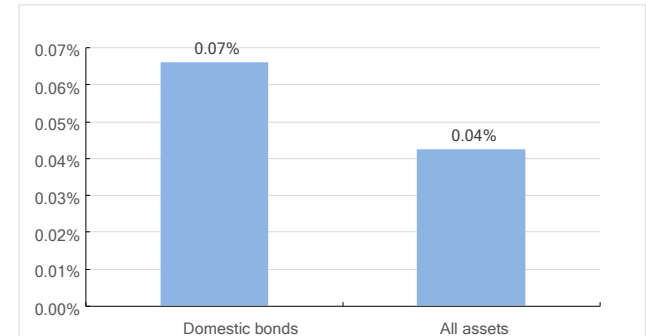
	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized return			0.00	0.04	0.04
Domestic bonds			0.00	0.07	0.07



(Reference)

(Unit: %)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Modified total return			0.00	-0.39	-0.39



(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.

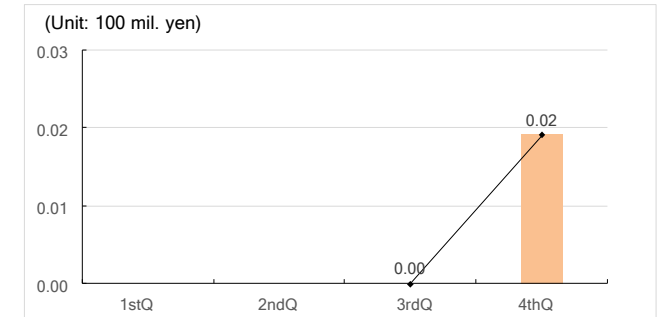
(Note 4) The modified total return is the realized return tempered for changes to valuation gains and losses when tentatively valued at current market value.

Fiscal Year 2015 Annuity Retirement Benefit Adjustment Fund: Investment Income

- The realized incomes for fiscal year 2015 (second half) were ¥2.0 million.
- The realized incomes for the third quarter were ¥0, while the realized incomes for the fourth quarter came to ¥2.0 million.
- The domestic bonds held in Annuity Retirement Benefit Adjustment Fund are evaluated at book value because it is assumed the bonds will be held in the funds until maturity.

(Unit: 100 mil. yen)

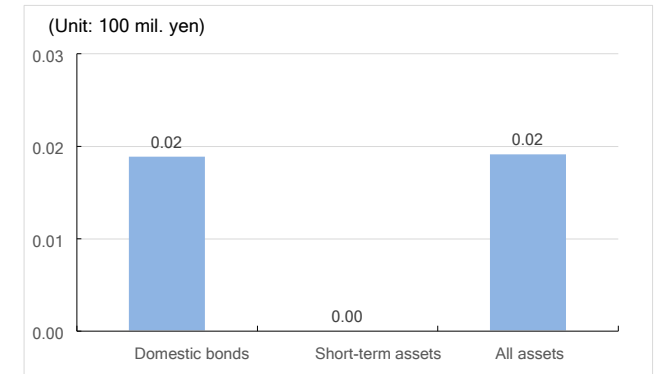
	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized income			0.00	0.02	0.02
Domestic bonds			0.00	0.02	0.02
Short-term assets			0.00	0.00	0.00



(Reference)

(Unit: 100 mil. yen)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Investment income			0.00	-0.18	-0.18



(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 Adjustment 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							0	0	0	56	56	-0
Short-term assets							0	0	0	9	9	0
Total							0	0	0	64	64	-0

(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.

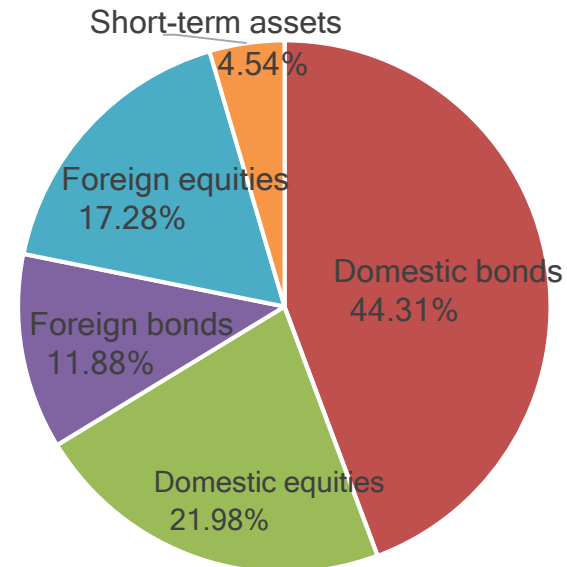
Transitional Long-term Benefit Adjustment Fund

Portfolio Allocation by Asset Category

(Unit: 100 mil. yen, %)

	FY2015 year-end	
	Asset Value	Portfolio Allocations
Domestic bonds	47,245	44.31
Domestic equities	23,438	21.98
Foreign bonds	12,671	11.88
Foreign equities	18,429	17.28
Short-term assets	4,841	4.54
Total	106,624	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).

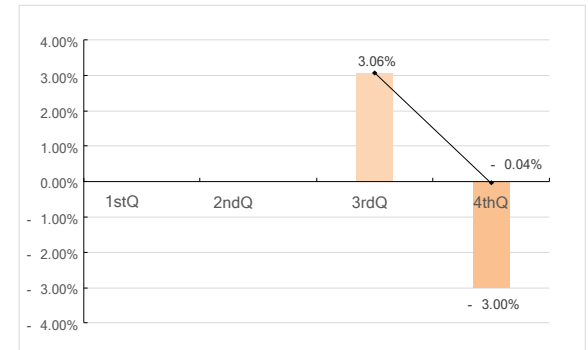
(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

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

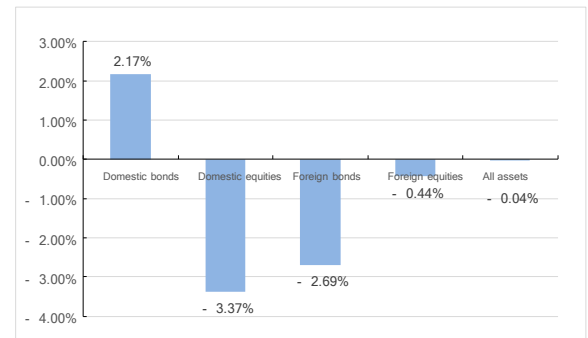
- The modified total return for fiscal year 2015 (second half) was -0.04% . The realized return was 1.48% .
- The modified total return in the third quarter was 3.06% ; the modified total return in the fourth quarter was -3.00% .
- The modified total return by asset were 2.17% for domestic bonds, -3.37% for domestic equities, foreign government bonds came to -2.69% , and on foreign equities came to -0.44% .

(Unit: %)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized return			0.92	0.56	1.48
Modified total return			3.06	-3.00	-0.04



	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Modified total return			3.06	-3.00	-0.04
Domestic bonds			0.59	1.60	2.17
Domestic equities			9.53	-11.34	-3.37
Foreign bonds			-1.21	-1.50	-2.69
Foreign equities			5.53	-5.39	-0.44



(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.

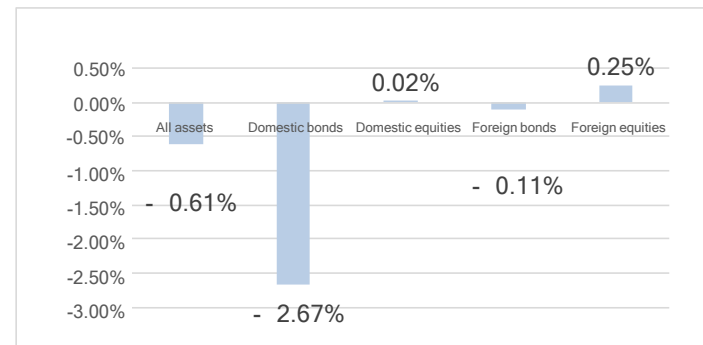
Fiscal Year 2015 (Second Half) Excess Return

- All assets: The modified total return was -0.04% , and the excess return was -0.61% .
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 2.17% , and the excess return was -2.67% .
The duration of the domestic bonds in the funds is shorter than that of the benchmark, and the percentage increase in bond prices from the return decline was below the benchmark. As a result, the excess return was negative.
- Domestic equities: The modified total return was -3.37% , and the excess return was 0.02% .
As the yen's appreciation in the foreign exchange market progressed, the percentage holdings of export-related equities was restrained relative to the benchmark. As a result, the percentage decline of stock prices was also held within a smaller range than that of the benchmark, and the excess return was slightly positive.
- Foreign equities: The modified total return was -2.69% , and the excess return was -0.11% .
The excess return was slightly negative; the primary factor was the percentage increase in prices of non-government bonds, which was below the benchmark, as the percentage holdings of non-government bonds was maintained at a level higher than the benchmark.
- Foreign equities: The modified total return was -0.44% , and the excess return was 0.25% .
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	- 0.04%	2.17%	- 3.37%	- 2.69%	- 0.44%
Benchmark return	0.57%	4.84%	- 3.39%	- 2.58%	- 0.69%
Excess return	- 0.61%	- 2.67%	0.02%	- 0.11%	0.25%

Excess return



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

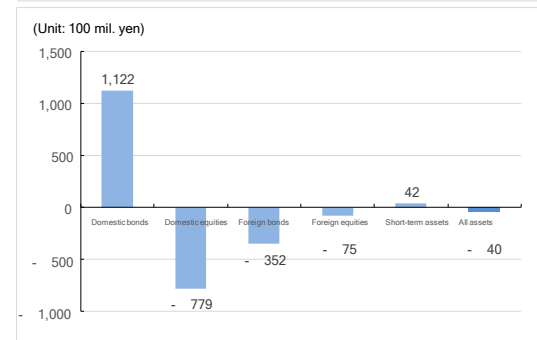
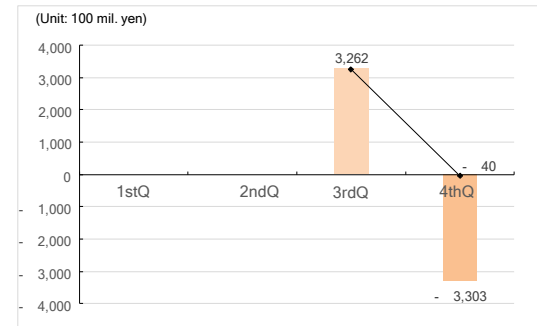
- The investment incomes for fiscal year 2015 (second half) were $-\text{¥}4$ billion. Furthermore, the realized incomes were $\text{¥}144.1$ billion.
- The investment incomes for the third quarter was $\text{¥}326.2$ billion, while the investment incomes for the fourth quarter came to $-\text{¥}330.3$ billion.
- The investment incomes by asset were $\text{¥}112.2$ billion for domestic bonds, $-\text{¥}77.9$ billion for domestic equities, $-\text{¥}35.2$ billion for foreign bonds, and $-\text{¥}7.5$ billion for foreign equities.

(Unit: 100 mil. yen)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized income			895	547	1,441
Investment income			3,262	-3,303	-40

(Unit: 100 mil. yen)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Investment income			3,262	-3,303	-40
Domestic bonds			317	805	1,122
Domestic equities			2,132	-2,910	-779
Foreign bonds			-158	-194	-352
Foreign equities			907	-981	-75
Short-term assets			64	-22	42



(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 Adjustment 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							50,863	52,748	1,886	45,165	47,245	2,080
Domestic equities							20,091	24,958	4,868	21,607	23,438	1,831
Foreign bonds							12,596	13,019	424	12,537	12,671	135
Foreign equities							12,455	17,369	4,914	14,526	18,429	3,904
Short-term assets							1,604	1,605	1	4,841	4,841	0
Total							97,608	109,700	12,092	98,676	106,624	7,948

(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.

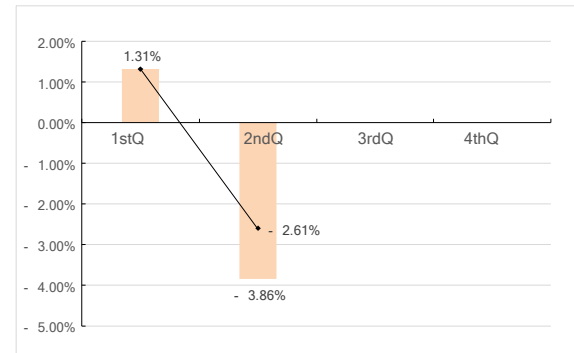
Long-term Benefit Fund

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

- The modified total return for fiscal year 2015 (first half) was -2.61% . The realized return was 2.39% .
- The modified total return in the first quarter was 1.31% ; the modified total return in the second quarter was -3.86% .
- By type of asset, the modified total return was 0.49% for domestic bonds and -7.12% for domestic equities, and came to -0.69% for foreign bonds and -7.85% for foreign equities.

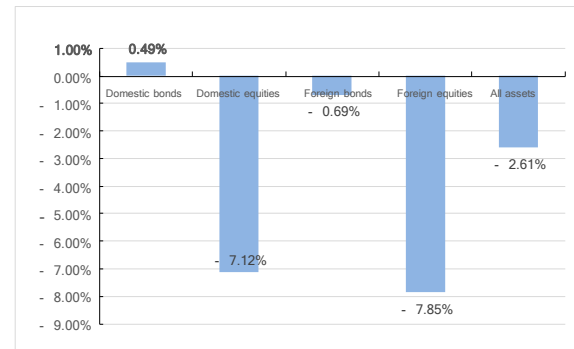
(Unit: %)

	Fiscal year 2015 (mutual-aid pension system)		
	1st Q	2nd Q	1st half
Realized return	0.90	1.48	2.39
Modified total return	1.31	-3.86	-2.61



(Unit: %)

	Fiscal year 2015 (mutual-aid pension system)		
	1st Q	2nd Q	1st half
Modified total return	1.31	-3.86	-2.61
Domestic bonds	-0.05	0.54	0.49
Domestic equities	5.86	-12.23	-7.12
Foreign bonds	-0.99	0.27	-0.69
Foreign equities	1.46	-9.09	-7.85



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

(Note 2) "1st Q" and "2nd Q" are period rate. "Fiscal year total" is the period rate for the first half of fiscal 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.

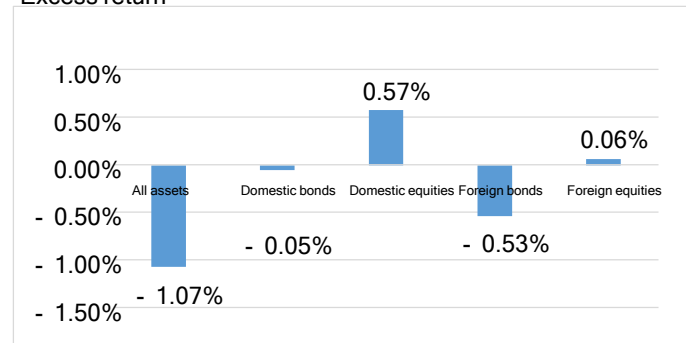
Fiscal Year 2015 (First Half) Excess Return

- All assets: The modified total return was -2.61% , and the excess return was -1.07% .
Stock markets fell globally through the end of the fiscal year, as the ratio of domestic and foreign equities in the Funds asset allocation was maintained at a higher level than in the former benchmark portfolio. As a result, the excess return was negative.
- Domestic bonds : The modified total return was 0.49% , and the excess return was -0.05% .
The duration of the domestic bonds in the funds was shorter than that of the benchmark, and the percentage increase in bond prices from the return decline was below the benchmark. As a result, the excess return was negative.
- Domestic equities: The modified total return was -7.12% , and the excess return was 0.57% .
Stock prices fell against the backdrop of concerns about the future direction of the overseas economy, as the percentage holdings of export-related equities was restrained relative to the benchmark. As a result, the percentage decline of stock prices was also held within a smaller range than that of the benchmark, and the excess return was positive.
- Foreign bonds: The modified total return was -0.69% , and the excess return was -0.53% .
The excess return was slightly negative; the main reason was the decrease in prices of non-government bonds held in the portfolio against the backdrop of a sharp fall in crude oil prices and concerns about the overseas economic climate, as the percentage holdings of non-government bonds was maintained at a level higher than the benchmark.
- Foreign equities: The modified total return was -7.85% , and the excess return was 0.06% .
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 (April 2015 - September 2015)

	All assets	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Modified total return	-2.61%	0.49%	-7.12%	-0.69%	-7.85%
Benchmark return	-1.54%	0.54%	-7.69%	-0.16%	-7.91%
Excess return	-1.07%	-0.05%	0.57%	-0.53%	0.06%

Excess return

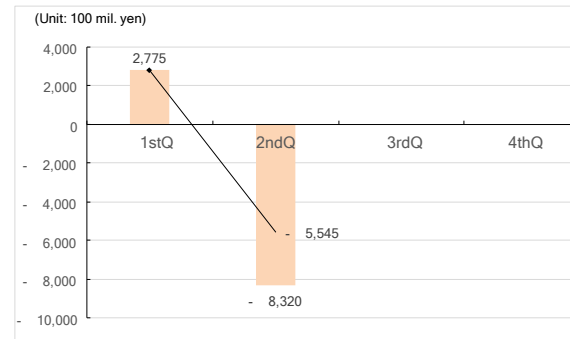


Fiscal year 2015 Long-term Benefit Fund: Investment Income

- The investment incomes for fiscal year 2015 (first half) were $-\text{¥}554.5$ billion. Furthermore, the realized incomes were $\text{¥}440.3$ billion.
- The investment incomes for the first quarter were $\text{¥}277.5$ billion, while investment incomes for the second quarter came to $-\text{¥}832$ billion.
- The investment incomes by asset were $\text{¥}52$ billion for domestic bonds, $-\text{¥}329$ billion for domestic equities, $-\text{¥}17.3$ billion for foreign bonds, and $-\text{¥}255.3$ billion for foreign equities.

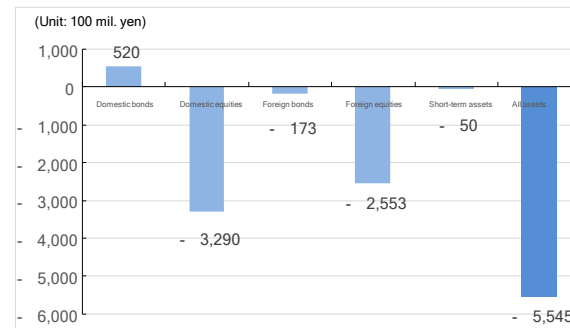
(Unit: 100 mil. yen)

	Fiscal year 2015 (mutual-aid pension system)		
	1st Q	2nd Q	1st half
Realized income	1,645	2,757	4,403
Investment income	2,775	-8,320	-5,545



(Unit: 100 mil. yen)

	Fiscal year 2015 (mutual-aid pension system)		
	1st Q	2nd Q	1st half
Investment income	2,775	-8,320	-5,545
Domestic bonds	-56	576	520
Domestic equities	2,672	-5,962	-3,290
Foreign bonds	-240	68	-173
Foreign equities	468	-3,022	-2,553
Short-term assets	-70	20	-50



(Note 1) The mutual pension system income before the pension system was integrated with Employees' Pension Insurance System.

(Note 2) The incomes are after deduction of fees.

(Note 3) The investment incomes are the realized incomes tempered for changes to valuation gains and losses based on current market value.

(Note 4) The total of the individual figures shown above might not agree with the total because of rounding.

Fiscal year 2015 Long-term Benefit Fund: Value of Assets

(Unit: 100 mil. yen)

	Fiscal year 2015 (mutual-aid pension system)					
	End of 1st Q			End of 2nd Q		
	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses
Domestic bonds	102,728	106,094	3,366	101,917	105,273	3,356
Domestic equities	35,353	48,196	12,843	36,500	42,229	5,730
Foreign bonds	22,087	24,045	1,958	23,952	25,023	1,071
Foreign equities	21,035	32,592	11,556	23,397	31,322	7,925
Short-term assets	3,224	3,225	0	1,908	1,909	0
Total	184,427	214,151	29,723	187,674	205,757	18,083

(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 with the Employees' Pension Benefit System 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.

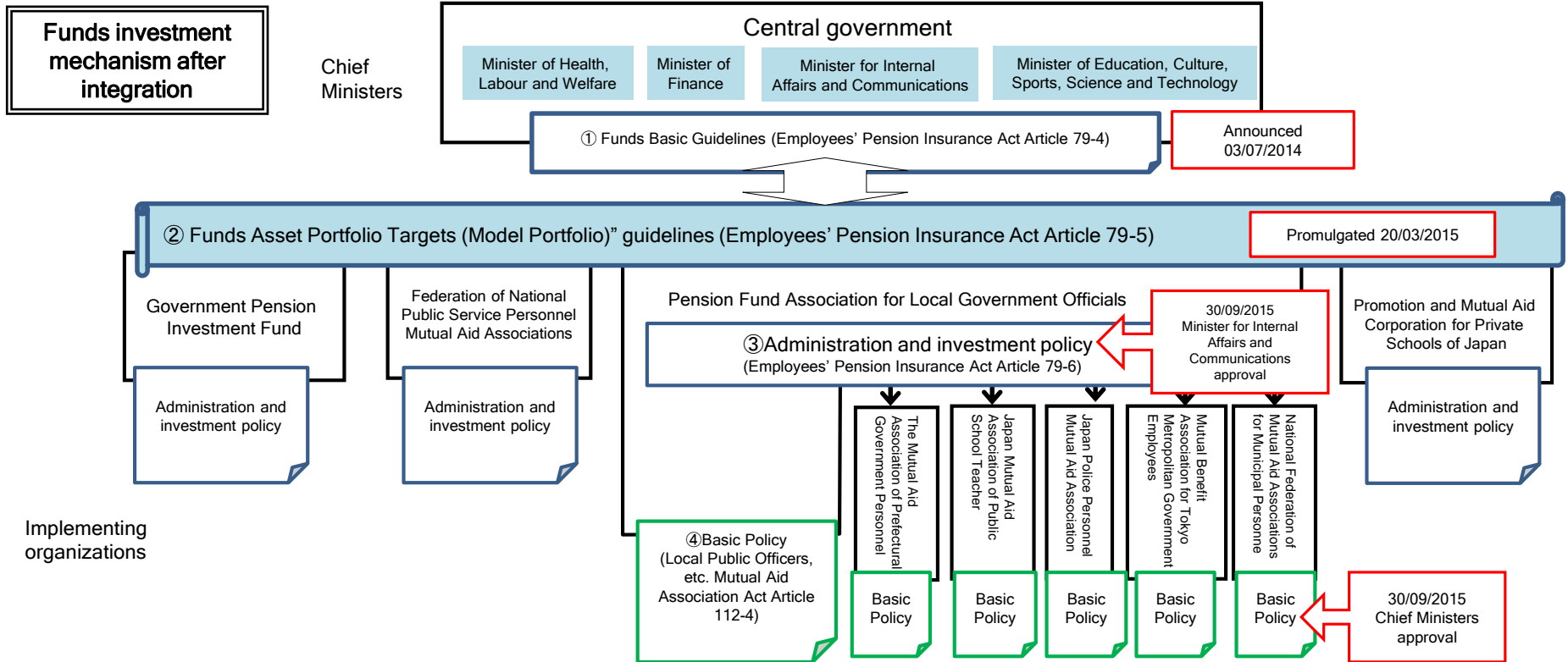
In addition, mutual aid associations are responsible for continuing to perform activities such as funds management and investments.

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 Adjustment Fund, Annuity Retirement Benefit Adjustment Fund, and Transitional Long-term Benefit Adjustment Fund.

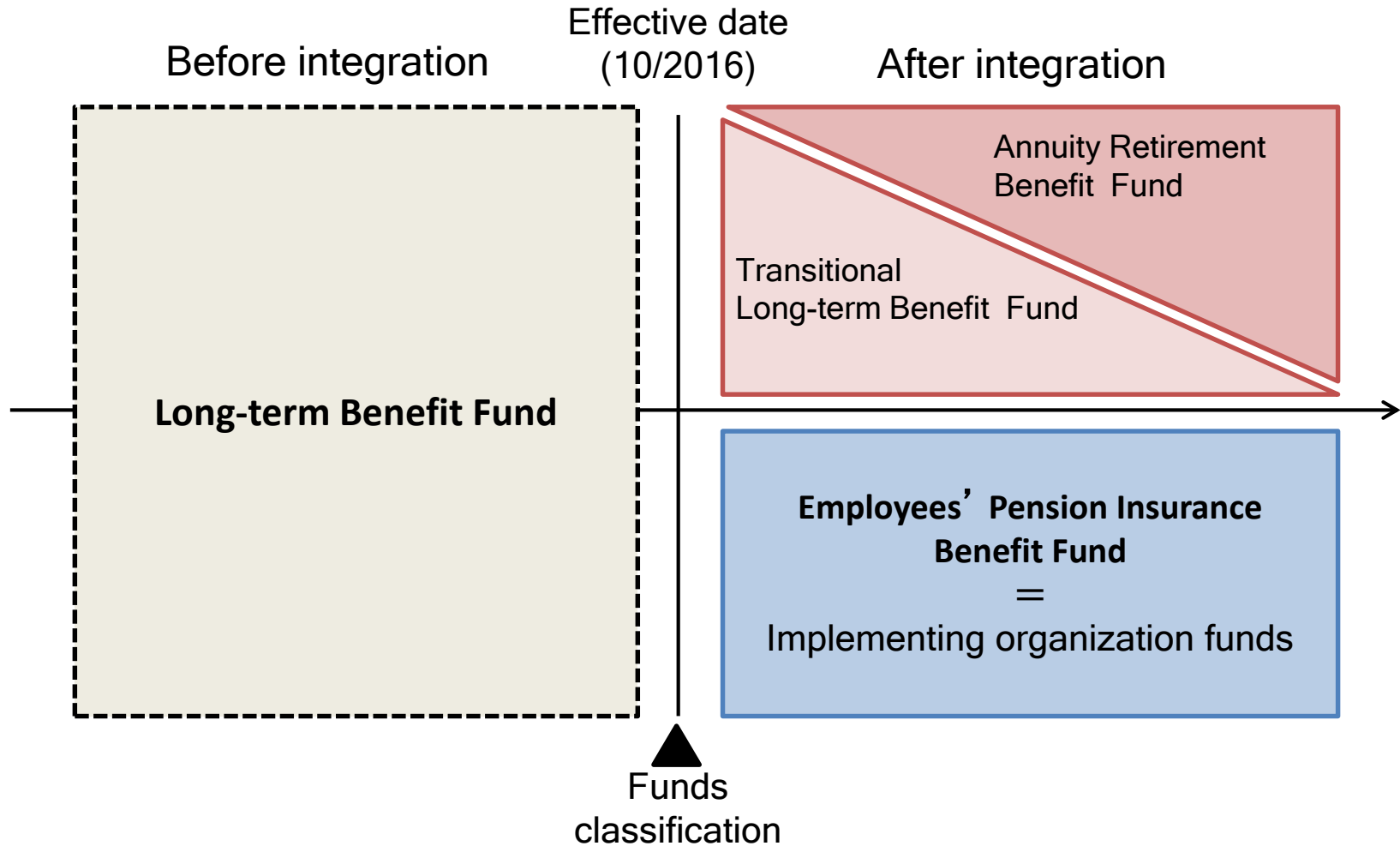
○Decisions concerning Funds Basic Guidelines, funds asset allocation objectives (model portfolio) and the benchmark portfolio

- 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 (the Government Pension Investment Fund, the Federation of National Public Service Personnel Mutual Aid Associations, Pension Fund Association for Local Government Officials, and 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 Local Public Service Personnel 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 Personnel 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



(Reference) Changes in Return on Investments , Etc.

(1) Return on Investments

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Last5-year period (FY2011 - 2015)	Last10-year period (FY2006 - 2015)
Realized return	5.18%	4.03%	1.30%	1.47%	1.29%	1.14%	0.74%	3.11%	4.23%	3.95%	2.63%	2.63%

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Last5-year period (FY2011 - 2015)	Last10-year period (FY2006 - 2015)
Modified total return	3.95%	-4.42%	-8.92%	7.95%	-0.18%	2.53%	9.80%	8.44%	11.35%	-2.40%	5.81%	2.61%
Domestic bonds	2.45%	3.43%	1.21%	2.58%	1.72%	2.46%	2.79%	0.55%	2.04%	3.00%	2.16%	2.22%
Domestic equities	-2.08%	-27.89%	-39.02%	34.17%	-7.20%	1.72%	22.08%	18.81%	30.88%	-9.82%	11.73%	-0.68%
Foreign bonds	9.97%	0.43%	-6.61%	0.53%	-6.49%	5.11%	17.94%	14.79%	12.75%	-3.22%	9.20%	4.18%
Foreign equities	16.33%	-13.65%	-43.74%	46.61%	5.04%	2.48%	27.05%	32.02%	22.67%	-7.77%	14.23%	5.40%

(2) Investment income

(Unit: 100 mil. yen)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Last5-year period (FY2011 - 2015)	Last10-year period (FY2006 - 2015)
Realized income	7,670	6,278	2,105	2,401	2,123	1,901	1,252	5,288	7,400	7,367	23,207	43,785

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Last5-year period (FY2011 - 2015)	Last10-year period (FY2006 - 2015)
Investment income	6,378	-7,435	-14,274	11,491	-276	3,908	15,549	14,718	21,435	-5,159	50,451	46,336
Domestic bonds	2,364	3,605	1,299	2,660	1,713	2,366	2,774	609	2,192	3,070	11,010	22,653
Domestic equities	-673	-8,071	-7,779	4,804	-1,632	402	5,169	4,926	10,500	-4,743	16,254	2,903
Foreign bonds	1,151	59	-1,001	77	-1,041	774	2,845	2,785	2,812	-833	8,382	7,627
Foreign equities	3,647	-2,927	-6,714	4,017	768	454	4,841	6,456	6,068	-2,680	15,139	13,929
Short-term assets	-111	-100	-79	-67	-84	-88	-79	-57	-137	28	-333	-775

(Note 1) Before Fiscal Year 2014, Long-term Benefit Fund.

(Note 2) Fiscal year 2015 is the total for the first half (Long-term Benefit Fund) and second half (Employees' Pension Insurance Benefit Adjustment Fund, Annuity Retirement Benefit Adjustment Fund, and Transitional Long-term Benefit Adjustment Fund) of the year.