

Fiscal Year 2017

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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[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.

KKR: Federation of National Public Service Personnel Mutual Aid Associations

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)

* Review of Operation is an overview of the administration and investment of the Local Public Service Mutual Aid Associations.

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

Employees' Pension Insurance Benefit Fund

Fiscal Year 2017 Investment Results (Overview)

Investment return: (FY2017)	+6.83% *Return (market value basis) (+4.42% *Realized return (book value basis))
Investment income: (FY2017)	+¥1,374.4 billion *Investment income (market value basis) (+¥798.8 billion *Realized income (book value basis))
Value of investment assets: (End of FY2017)	¥21,357.7 billion *Market value basis

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 each term, it should be kept in mind that it includes valuation gains/losses, which means it may change depending on market movements.

(Note 1) Unless otherwise specified, the return (market value basis) refers to the modified total return. (The same shall apply hereinafter.)

(Note 2) The return and income represent figures after the deduction of fees, etc. settled within the relevant period.

(Note 3) Realized income represents the sum of trading profits/losses and interest and dividend income, etc.

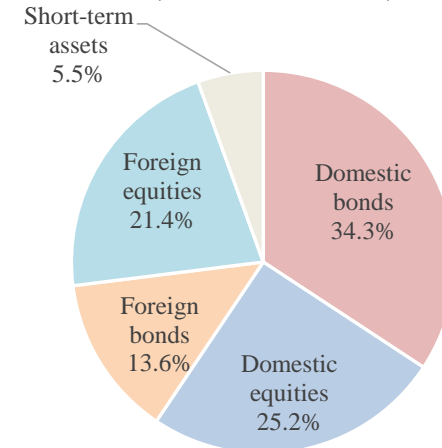
Fiscal Year 2017 Asset Mix

○ The asset mix in fiscal year 2017 changed as follows as a result of market value fluctuations and rebalancing, among other factors: the share of domestic bonds declined from 39.2% to 34.3%, while the share of domestic equities increased from 23.1% to 25.2%; the share of foreign bonds rose from 12.5% to 13.6% and the share of foreign equities edged up from 20.2% to 21.4%; and the share of short-term assets increased from 5.1% to 5.5%.

(Unit: %)

	FY2016	FY2017			
	End of FY	End of Q1	End of Q2	End of Q3	End of FY
Domestic bonds	39.2	37.1	34.6	33.6	34.3
Domestic equities	23.1	24.7	24.3	25.9	25.2
Foreign bonds	12.5	13.4	13.8	14.0	13.6
Foreign equities	20.2	21.3	21.5	22.3	21.4
Short-term assets	5.1	3.4	5.8	4.2	5.5
Total	100.0	100.0	100.0	100.0	100.0

Composition by Investment Asset Class
(as of end of FY2017)



(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to 100%.

(Note 2) Short-term assets held by each fund were classified into relevant asset classes in principle.

(Note 3) The ratio of alternative assets to the total amount of pension funds is 0.2% (the upper limit for the benchmark portfolio is 5%).

(Note 4) Group pure endowment insurance is included in domestic bonds.

○ Benchmark portfolio

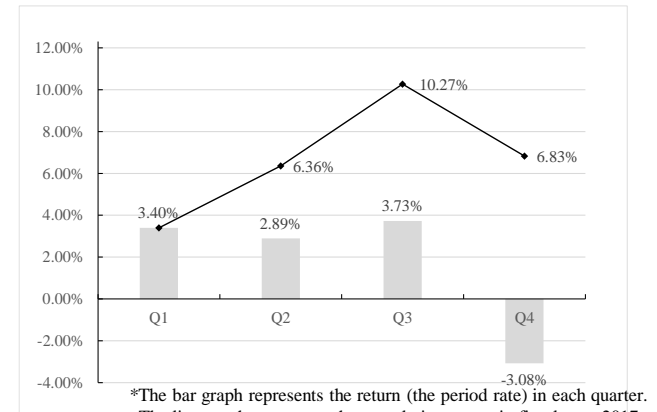
	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Asset mix	35%	25%	15%	25%
Deviation tolerance	±15%	±14%	±6%	±12%

Fiscal Year 2017 Investment Return

- The return (market value basis) in fiscal year 2017 came to 6.83% due to such factors as a rise in domestic and foreign equity prices. The realized return (book value basis) was 4.42%.
- By asset class, the return (market value basis) came to 1.01% for domestic bonds because of an interest rate drop and to 16.57% for domestic equities due to a stock price rise. The return came to 3.64% for foreign bonds due to such factors as the yen's depreciation against the euro and to 9.74% for foreign equities because of a stock price rise.

(Unit: %)

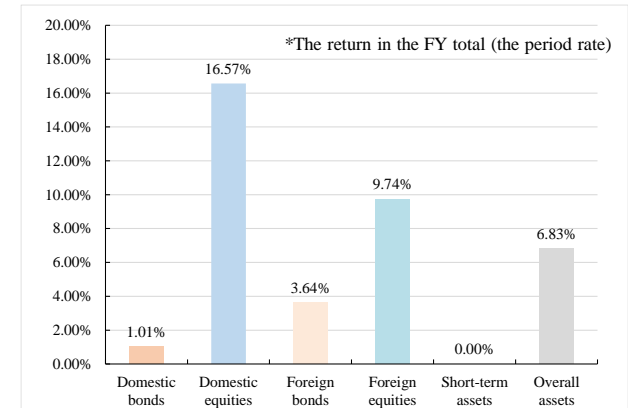
	FY2017				
	Q1	Q2	Q3	Q4	FY total
Return (market value basis)	3.40	2.89	3.73	-3.08	6.83
Domestic bonds	0.08	0.35	0.35	0.25	1.01
Domestic equities	6.86	5.13	8.97	-4.49	16.57
Foreign bonds	4.80	2.45	1.31	-4.25	3.64
Foreign equities	5.51	5.56	5.54	-6.39	9.74
Short-term assets	0.00	0.00	0.00	-0.00	0.00



*The bar graph represents the return (the period rate) in each quarter.
The line graph represents the cumulative return in fiscal year 2017.

(Unit: %)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Realized return (book value basis)	0.92	1.23	1.03	1.24	4.42



*The return in the FY total (the period rate)

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

(Note 2) The return represent figures after the deduction of fees, etc. settled within the relevant period.

(Reference) Fiscal Year 2016 Investment Return

(Unit: %)

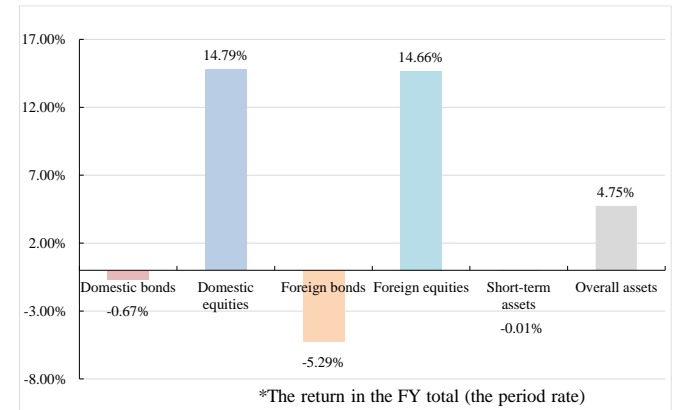
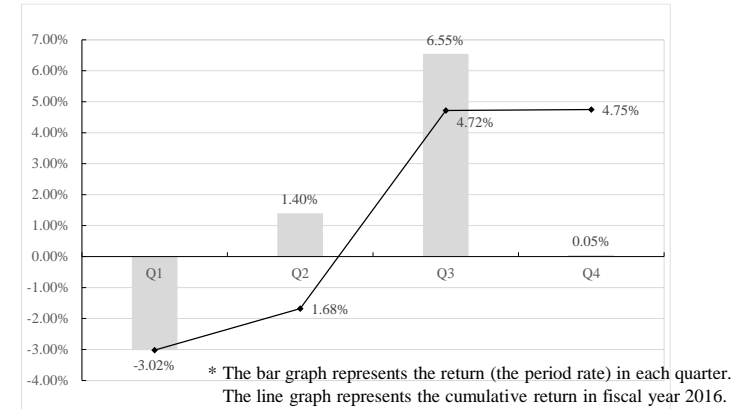
	FY2016				
	Q1	Q2	Q3	Q4	FY total
Return (market value basis)	-3.02	1.40	6.55	0.05	4.75
Domestic bonds	1.61	-1.16	-0.93	-0.32	-0.67
Domestic equities	-7.01	6.70	14.63	0.67	14.79
Foreign bonds	-8.21	-0.51	7.50	-3.59	-5.29
Foreign equities	-7.71	3.79	16.60	2.42	14.66
Short-term assets	-0.02	0.00	0.00	0.00	-0.01

(Unit: %)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Realized return (book value basis)	0.62	0.28	0.62	0.72	2.24

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

(Note 2) The return represent figures after the deduction of fees, etc. settled within the relevant period.



Contribution Analysis of the Excess Return by Asset Class

○ The return (market value basis) for overall assets was 6.83%, while the excess return over the benchmark was -0.51%.

The excess return due to the asset allocation factor was negative (-0.43%) as the positive contribution by underweighting in foreign bonds compared with the benchmark portfolio was offset by the negative contribution by overweighting in domestic bonds and underweighting in domestic and foreign equities.

The excess return due to the individual asset factor was positive (0.11%) mainly because the returns on domestic equities (market value basis) exceeded the benchmark return.

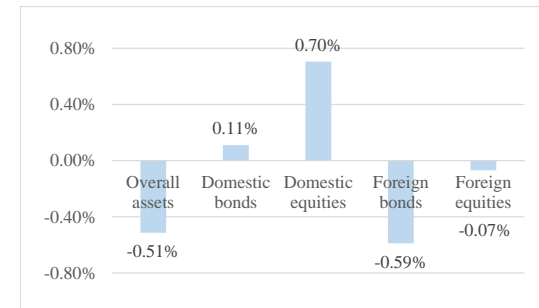
FY2017 (April 2017 through March 2018)

	Overall assets	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Return (market value basis)	6.83%	1.01%	16.57%	3.64%	9.74%
Benchmark return *	7.34%	0.90%	15.87%	4.23%	9.81%
Excess return	-0.51%	0.11%	0.70%	-0.59%	-0.07%

* The 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.

	Asset allocation factor ①	Individual asset factor ②	Other factor (including errors) ③	①+②+③
Domestic bonds	-0.03%	0.04%	-0.07%	-0.07%
Domestic equities	-0.02%	0.18%	-0.05%	0.11%
Foreign bonds	0.05%	-0.09%	-0.02%	-0.06%
Foreign equities	-0.09%	-0.02%	-0.04%	-0.14%
Short-term assets	-0.34%	0.00%	-0.01%	-0.35%
Total	-0.43%	0.11%	-0.19%	-0.51%

Excess return



(Reference) Deviation of the actual portfolio from the benchmark portfolio in terms of the asset mix (market value average balance) (as of the end of FY2017)

	Actual Portfolio	Benchmark Portfolio	Deviation	Deviation tolerance
Domestic bonds	35.5%	35.0%	0.5%	±15%
Domestic equities	24.8%	25.0%	-0.2%	±14%
Foreign bonds	13.5%	15.0%	-1.5%	±6%
Foreign equities	21.5%	25.0%	-3.5%	±12%
Short-term assets	4.7%		4.7%	
Total	100.0%	100.0%	0.0%	

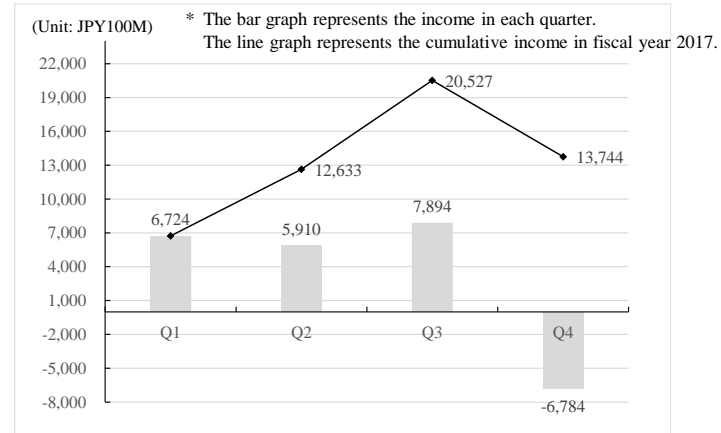
- (i) Asset allocation factor: A factor that is attributable to the difference in terms of the asset allocation between the benchmark portfolio, which is the standard for the calculation of the composite benchmark, and the actual portfolio.
- (ii) Individual asset factor: A factor that is attributable to the difference between the actual and benchmark returns concerning each asset class, which may arise depending on the level of investment expertise.
- (iii) Other factor (including errors): A factor combining elements of the asset allocation and individual asset factors and calculation errors.

Fiscal Year 2017 Investment Income

- Investment income (market value basis) in fiscal year 2017 was ¥1,374.4 billion. Realized income (book value basis) was ¥798.8 billion.
- By asset class, investment income (market value basis) was ¥75.6 billion for domestic bonds, ¥791 billion for domestic equities, ¥99 billion for foreign bonds and ¥408.8 billion for foreign equities.

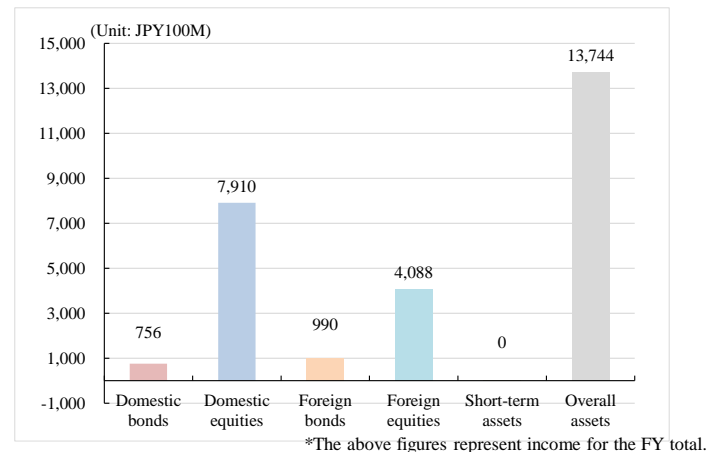
(Unit: JPY100M)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Investment income (market value basis)	6,724	5,910	7,894	-6,784	13,744
Domestic bonds	62	257	253	184	756
Domestic equities	3,193	2,560	4,704	-2,547	7,910
Foreign bonds	1,220	681	388	-1,299	990
Foreign equities	2,248	2,412	2,549	-3,122	4,088
Short-term assets	0	0	0	-0	0



(Unit: JPY100M)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Realized income (book value basis)	1,625	2,201	1,880	2,282	7,988

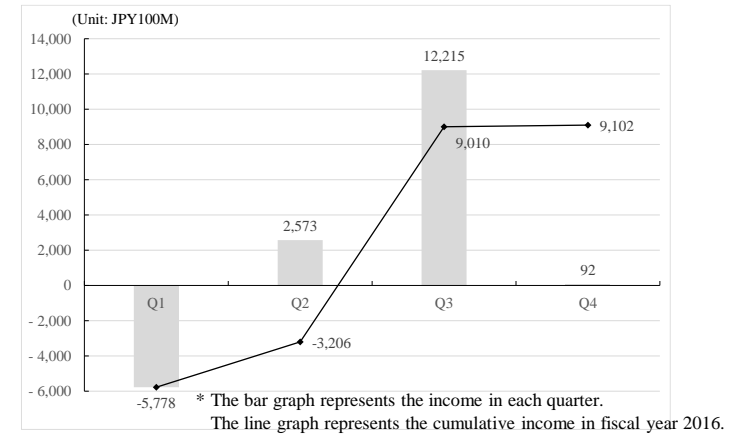


- (Note 1) The income represent figures after the deduction of fees, etc. settled within the relevant period.
 (Note 2) The investment income (market value basis) represents the realized income (book value basis) adjusted for the effects of changes in valuation gains/losses based on market value.
 (Note 3) Realized income (book value basis) represents the sum of trading profits/losses and interest and dividend income, etc.
 (Note 4) Due to rounding, the total sum of individual figures may not necessarily add up to the FY total.

(Reference) Fiscal Year 2016 Investment Income

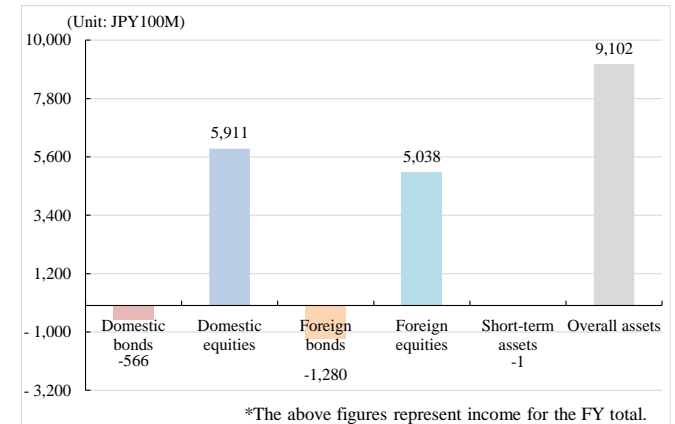
(Unit: JPY100M)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Investment income (market value basis)	-5,778	2,573	12,215	92	9,102
Domestic bonds	1,431	-982	-761	-254	-566
Domestic equities	-2,724	2,484	5,843	308	5,911
Foreign bonds	-1,932	-111	1,676	-914	-1,280
Foreign equities	-2,552	1,182	5,456	952	5,038
Short-term assets	-1	0	0	0	-1



(Unit: JPY100M)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Realized income (book value basis)	1,093	498	1,081	1,273	3,945



(Note 1) The income represent figures after the deduction of fees, etc. settled within the relevant period.

(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.

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

Fiscal Year 2017 Value of Assets

(Unit: JPY100M)

	FY2016			FY2017											
	End of FY			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	75,066	78,505	3,440	71,703	74,930	3,227	70,590	73,570	2,981	69,942	73,029	3,087	70,482	73,161	2,680
Domestic equities	38,532	46,244	7,712	39,551	49,831	10,280	39,516	51,612	12,097	40,809	56,245	15,435	41,852	53,724	11,872
Foreign bonds	25,660	25,049	-611	26,517	27,060	543	28,215	29,226	1,011	29,312	30,459	1,147	29,511	29,075	-436
Foreign equities	30,347	40,467	10,120	31,176	43,004	11,828	31,946	45,729	13,783	32,553	48,507	15,954	33,510	45,811	12,301
Short-term assets	10,212	10,212	-0	6,953	6,953	0	12,233	12,233	0	9,035	9,035	0	11,806	11,806	-0
Total	179,817	200,478	20,661	175,899	201,778	25,878	182,498	212,370	29,872	181,651	217,275	35,624	187,161	213,577	26,416

(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to the Total.

(Note 2) Short-term assets held by each fund were classified into relevant asset classes in principle.

(Note 3) Group pure endowment insurance is included in domestic bonds.

The amount of funds allocated and withdrawn by asset class (for FY2017)

(Unit: JPY100M)

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Amount of funds allocated and withdrawn	-5,836	-469	3,036	1,256

(Note) The above figures represent the total amount of fund flows related to the allocation and withdrawal of funds (rebalancing) conducted for the purpose of changing the asset mix, and cashing out.

(Reference) Fiscal Year 2016 Value of Assets

(Unit: JPY100M)

	FY2016											
	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
Domestic bonds	78,652	85,069	6,417	77,898	82,862	4,964	76,140	80,136	3,996	75,066	78,505	3,440
Domestic equities	36,617	36,987	370	36,808	39,673	2,865	37,538	45,587	8,048	38,532	46,244	7,712
Foreign bonds	23,234	21,988	-1,246	23,150	21,998	-1,152	24,493	24,984	490	25,660	25,049	-611
Foreign equities	27,679	31,005	3,326	28,159	32,530	4,371	29,189	38,731	9,543	30,347	40,467	10,120
Short-term assets	6,697	6,696	-1	11,352	11,352	-0	8,689	8,689	0	10,212	10,212	-0
Total	172,878	181,744	8,866	177,367	188,414	11,048	176,049	198,127	22,078	179,817	200,478	20,661

(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to the Total.

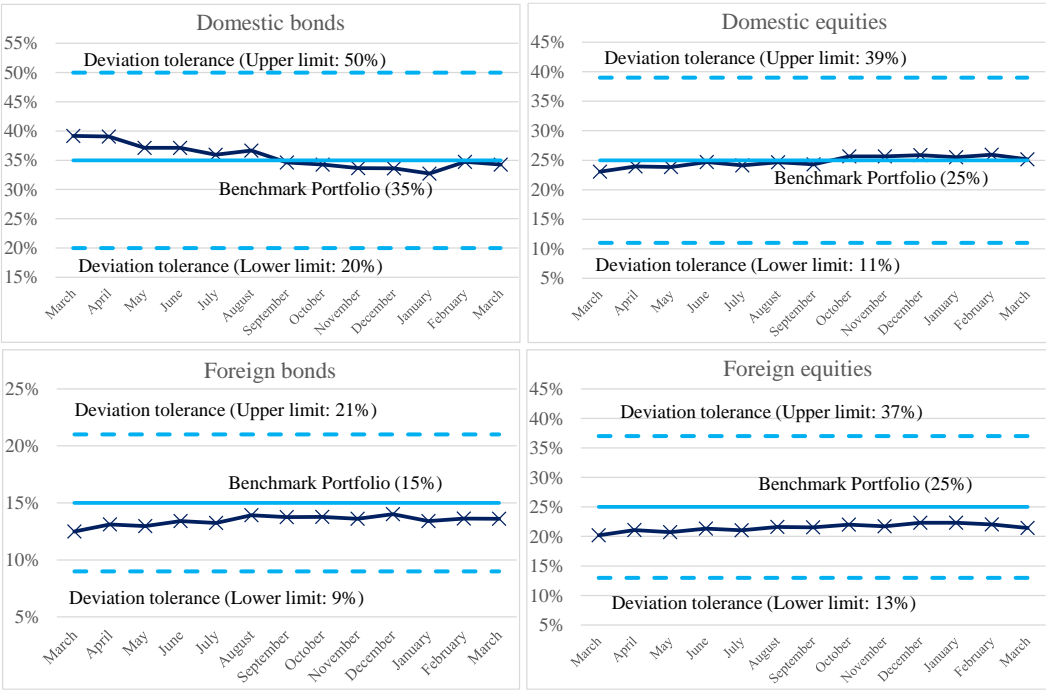
(Note 2) Starting in fiscal year 2016, short-term assets held by each fund were classified into relevant asset classes in principle.

(Note 3) Group pure endowment insurance is included in domestic bonds.

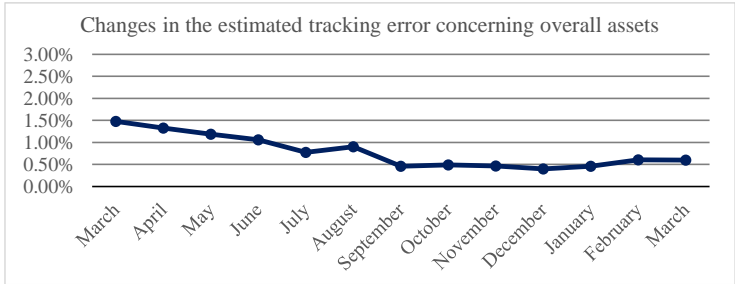
Status of Risk Management (Overall Assets)

In fiscal year 2017, 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 concerning overall assets declined mainly because of a reduction of the deviation concerning domestic bonds and foreign equities.

【Changes in the asset mix】



【Changes in the estimated tracking error】



(Note) The estimated tracking error concerning overall assets represents the tracking error concerning the benchmark portfolio (composite benchmark).

Transitional Long-term Benefit Fund

Fiscal Year 2017 Investment Results (Overview)

Investment return: (FY2017)	+6.80% *Return (market value basis) (+4.45% *Realized return (book value basis))
Investment income: (FY2017)	+¥1,431.8 billion *Investment income (market value basis) (+¥831.6 billion *Realized income (book value basis))
Value of investment assets: (End of FY2017)	¥21,788.8 billion *Market value basis

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 each term, it should be kept in mind that it includes valuation gains/losses, which means it may change depending on market movements.

(Note 1) Unless otherwise specified, the return (market value basis) refers to the modified total return. (The same shall apply hereinafter.)

(Note 2) The return and income represent figures after the deduction of fees, etc. settled within the relevant period.

(Note 3) Realized income represents the sum of trading profits/losses and interest and dividend income, etc.

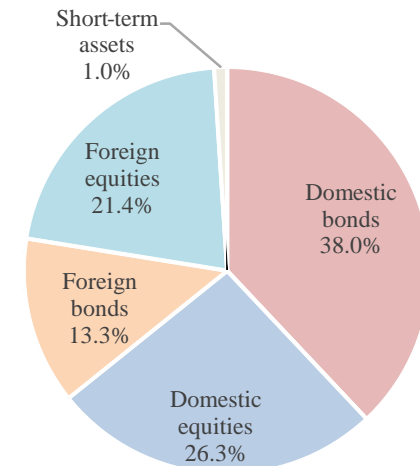
Fiscal Year 2017 Asset Mix

○ The asset mix in fiscal year 2017 changed as follows as a result of market value fluctuations and rebalancing, among other factors: the share of domestic bonds declined from 42.7% to 38.0%, while the share of domestic equities increased from 24.0% to 26.3%; the share of foreign bonds rose from 11.9% to 13.3% and the share of foreign equities edged up from 19.9% to 21.4%; and the share of short-term assets declined from 1.6% to 1.0%.

(Unit: %)

	FY2016	FY2017			
	End of FY	End of Q1	End of Q2	End of Q3	End of FY
Domestic bonds	42.7	40.6	39.1	37.2	38.0
Domestic equities	24.0	25.3	25.3	26.6	26.3
Foreign bonds	11.9	12.6	13.2	13.3	13.3
Foreign equities	19.9	20.7	21.3	21.8	21.4
Short-term assets	1.6	0.9	1.1	1.1	1.0
Total	100.0	100.0	100.0	100.0	100.0

Composition by Investment Asset Class
(as of end of FY2017)



(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to 100%.

(Note 2) Short-term assets held by each fund were classified into relevant asset classes in principle.

(Note 3) Real estate, loan, etc. are included in domestic bonds.

○ Benchmark portfolio

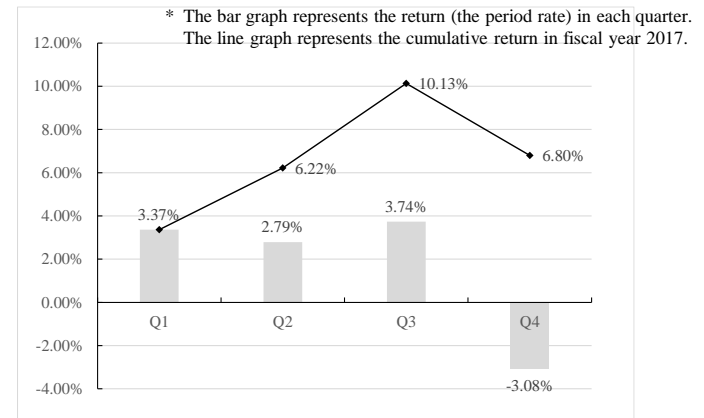
	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Asset mix	35%	25%	15%	25%
Deviation tolerance	±15%	±14%	±6%	±12%

Fiscal Year 2017 Investment Return

- The return (market value basis) in fiscal year 2017 came to 6.80% due to such factors as a rise in domestic and foreign equity prices. The realized return (book value basis) was 4.45%.
- By asset class, the return (market value basis) came to 0.60% for domestic bonds because of an interest rate drop and to 16.63% for domestic equities due to a stock price rise. The return came to 3.71% for foreign bonds due to such factors as the yen's depreciation against the euro and to 9.81% for foreign equities because of a stock price rise.

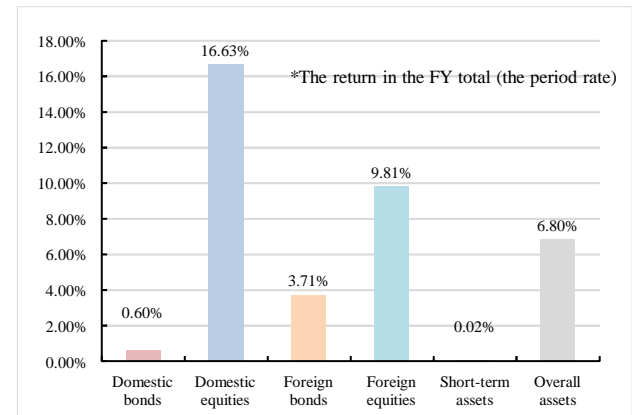
(Unit: %)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Return (market value basis)	3.37	2.79	3.74	-3.08	6.80
Domestic bonds	0.06	0.09	0.23	0.22	0.60
Domestic equities	6.83	5.10	8.94	-4.48	16.63
Foreign bonds	4.82	2.45	1.29	-4.23	3.71
Foreign equities	5.49	5.55	5.54	-6.39	9.81
Short-term assets	0.01	0.01	0.00	0.00	0.02



(Unit: %)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Realized return (book value basis)	0.96	1.09	1.17	1.23	4.45



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

(Note 2) The return represent figures after the deduction of fees, etc. settled within the relevant period.

(Reference) Fiscal Year 2016 Investment Return

(Unit: %)

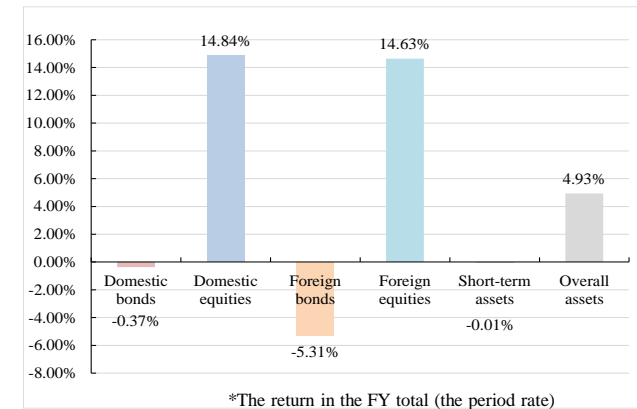
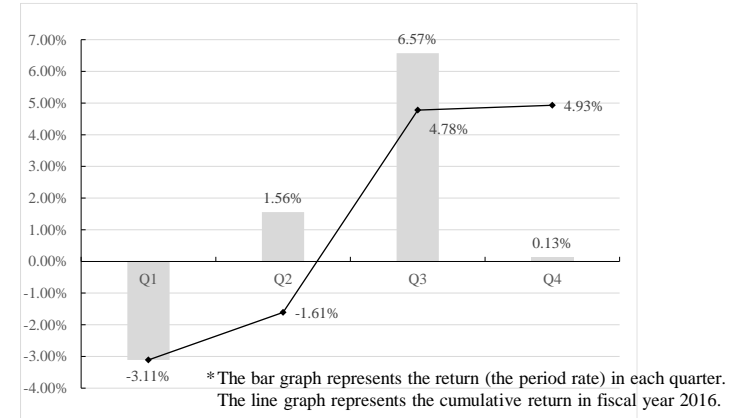
	FY2016				
	Q1	Q2	Q3	Q4	FY total
Return (market value basis)	-3.11	1.56	6.57	0.13	4.93
Domestic bonds	1.30	-0.76	-0.80	-0.16	-0.37
Domestic equities	-7.06	6.72	14.66	0.67	14.84
Foreign bonds	-8.21	-0.51	7.52	-3.59	-5.31
Foreign equities	-7.71	3.77	16.69	2.40	14.63
Short-term assets	-0.02	0.00	0.01	0.00	-0.01

(Unit: %)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Realized return (book value basis)	0.35	0.31	0.66	0.78	2.09

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

(Note 2) The return represent figures after the deduction of fees, etc. settled within the relevant period.



Contribution Analysis of the Excess Return by Asset Class

○ The return (market value basis) for overall assets was 6.80%, while the excess return over the benchmark was -0.54%.

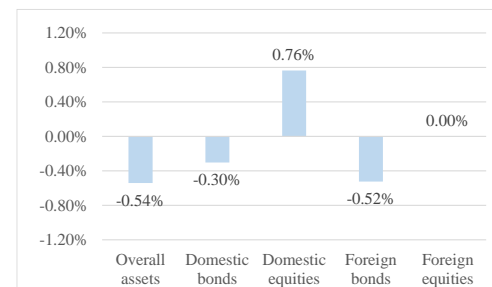
The excess return due to the asset allocation factor was negative (-0.34%) as the positive contribution by underweighting in foreign bonds compared with the benchmark portfolio was offset by the negative contribution by overweighting in domestic bonds and underweighting in foreign equities.

The excess return due to the individual asset factor was positive (0.01%) mainly because the returns on domestic equities (market value basis) exceeded the benchmark return.

FY2017 (April 2017 through March 2018)

	Overall assets	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Return (market value basis)	6.80%	0.60%	16.63%	3.71%	9.81%
Benchmark return *	7.34%	0.90%	15.87%	4.23%	9.81%
Excess return	-0.54%	-0.30%	0.76%	-0.52%	0.00%

Excess return



* The 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.

	Asset allocation factor ①	Individual asset factor ②	Other factor (including errors) ③	①+②+③
Domestic bonds	-0.28%	-0.11%	-0.10%	-0.48%
Domestic equities	0.05%	0.19%	-0.05%	0.19%
Foreign bonds	0.07%	-0.08%	-0.02%	-0.03%
Foreign equities	-0.10%	0.00%	-0.04%	-0.14%
Short-term assets	-0.08%	0.00%	-0.00%	-0.08%
Total	-0.34%	0.01%	-0.21%	-0.54%

(Reference) Deviation of the actual portfolio from the benchmark portfolio in terms of the asset mix (market value average balance) (as of the end of FY2017)

	Actual Portfolio	Benchmark Portfolio	Deviation	Deviation tolerance
Domestic bonds	39.4%	35.0%	4.4%	±15%
Domestic equities	25.6%	25.0%	0.6%	±14%
Foreign bonds	12.8%	15.0%	-2.2%	±6%
Foreign equities	21.1%	25.0%	-3.9%	±12%
Short-term assets	1.1%		1.1%	
Total	100.0%	100.0%	0.0%	

- (i) Asset allocation factor: A factor that is attributable to the difference in terms of the asset allocation between the benchmark portfolio, which is the standard for the calculation of the composite benchmark, and the actual portfolio.
- (ii) Individual asset factor: A factor that is attributable to the difference between the actual and benchmark returns concerning each asset class, which may arise depending on the level of investment expertise.
- (iii) Other factor (including errors): A factor combining elements of the asset allocation and individual asset factors and calculation errors.

Fiscal Year 2017 Investment Income

- Investment income (market value basis) in fiscal year 2017 was ¥1,431.8 billion. Realized income (book value basis) was ¥831.6 billion.
- By asset class, investment income (market value basis) was ¥51.9 billion for domestic bonds, ¥856.8 billion for domestic equities, ¥100.4 billion for foreign bonds and ¥422.7 billion for foreign equities.

(Unit: JPY100M)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Investment income (market value basis)	7,081	5,996	8,228	-6,986	14,318
Domestic bonds	55	79	199	186	519
Domestic equities	3,475	2,759	5,043	-2,709	8,568
Foreign bonds	1,225	679	381	-1,281	1,004
Foreign equities	2,326	2,479	2,605	-3,182	4,227
Short-term assets	0	0	0	0	0

(Unit: JPY100M)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Realized income (book value basis)	1,791	2,035	2,184	2,307	8,316

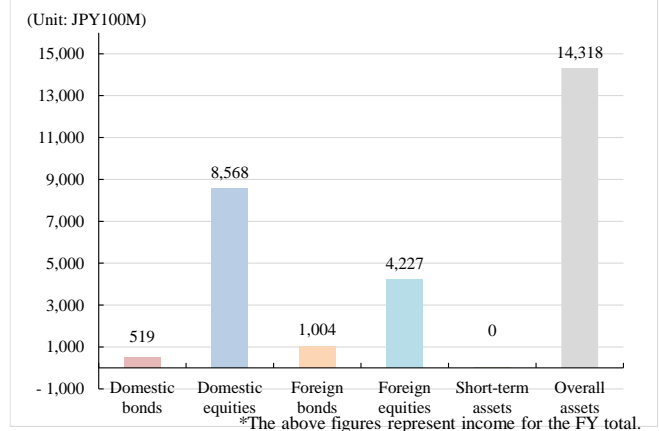
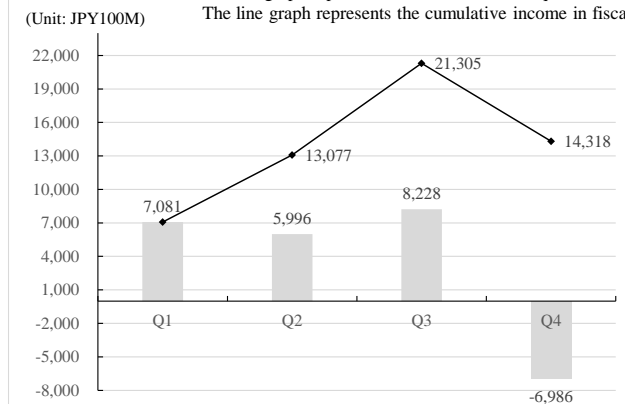
(Note 1) The income represent figures after the deduction of fees, etc. settled within the relevant period.

(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.

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

* The bar graph represents the income in each quarter.
The line graph represents the cumulative income in fiscal year 2017.



(Reference) Fiscal Year 2016 Investment Income

(Unit: JPY100M)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Investment income (market value basis)	-6,506	3,142	13,308	278	10,221
Domestic bonds	1,307	-753	-763	-144	-353
Domestic equities	-3,022	2,744	6,476	342	6,541
Foreign bonds	-2,040	-117	1,736	-908	-1,329
Foreign equities	-2,751	1,267	5,859	988	5,363
Short-term assets	-1	0	0	0	-0

(Unit: JPY100M)

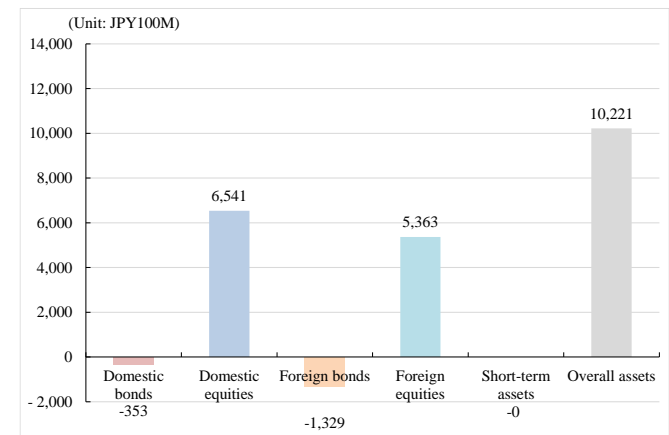
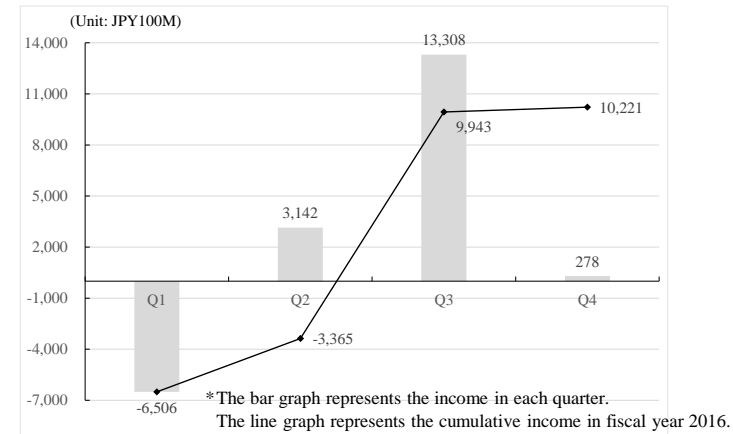
	FY2016				
	Q1	Q2	Q3	Q4	FY total
Realized income (book value basis)	668	594	1,248	1,465	3,976

(Note 1) The income represent figures after the deduction of fees, etc. settled within the relevant period.

(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.

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



*The above figures represent income for the FY total.

Fiscal Year 2017 Value of Assets

(Unit: JPY100M)

	FY2016			FY2017											
	End of FY			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	85,762	90,257	4,495	82,898	87,125	4,226	82,122	86,141	4,018	80,117	84,119	4,002	79,124	82,767	3,643
Domestic equities	42,129	50,757	8,627	42,809	54,231	11,422	42,410	55,802	13,393	43,398	60,250	16,852	44,136	57,197	13,061
Foreign bonds	25,527	25,073	-454	26,409	27,096	686	27,954	29,108	1,154	28,830	30,114	1,284	29,270	28,984	-286
Foreign equities	31,296	42,095	10,799	31,860	44,420	12,560	32,329	46,902	14,573	32,639	49,415	16,776	33,667	46,719	13,052
Short-term assets	3,290	3,289	-1	1,832	1,833	0	2,436	2,436	0	2,491	2,491	0	2,221	2,221	0
Total	188,004	211,471	23,466	185,810	214,703	28,894	187,250	220,389	33,138	187,475	226,388	38,914	188,419	217,888	29,469

(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to the Total.

(Note 2) Short-term assets held by each fund were classified into relevant asset classes in principle.

(Note 3) Real estate, loan, etc. are included in domestic bonds.

The amount of funds allocated and withdrawn by asset class (for FY2017)

(Unit: JPY100M)

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Amount of funds allocated and withdrawn	-7,846	-2,128	2,907	397

(Note) The above figures represent the total amount of fund flows related to the allocation and withdrawal of funds (rebalancing) conducted for the purpose of changing the asset mix, and cashing out.

(Reference) Fiscal Year 2016 Value of Assets

(Unit: JPY100M)

	FY2016											
	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
Domestic bonds	91,921	99,270	7,349	90,775	96,846	6,070	87,138	92,211	5,073	85,762	90,257	4,495
Domestic equities	40,129	40,609	480	40,700	43,928	3,228	41,420	50,399	8,979	42,129	50,757	8,627
Foreign bonds	24,239	23,141	-1,098	24,063	23,036	-1,026	24,242	24,906	664	25,527	25,073	-454
Foreign equities	29,788	33,387	3,599	30,264	34,976	4,713	30,610	40,848	10,239	31,296	42,095	10,799
Short-term assets	5,299	5,298	-1	5,648	5,648	0	3,788	3,788	0	3,290	3,289	-1
Total	191,376	201,705	10,329	191,450	204,434	12,985	187,197	212,152	24,955	188,004	211,471	23,466

(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to the Total.

(Note 2) Starting in fiscal year 2016, short-term assets held by each fund were classified into relevant asset classes in principle.

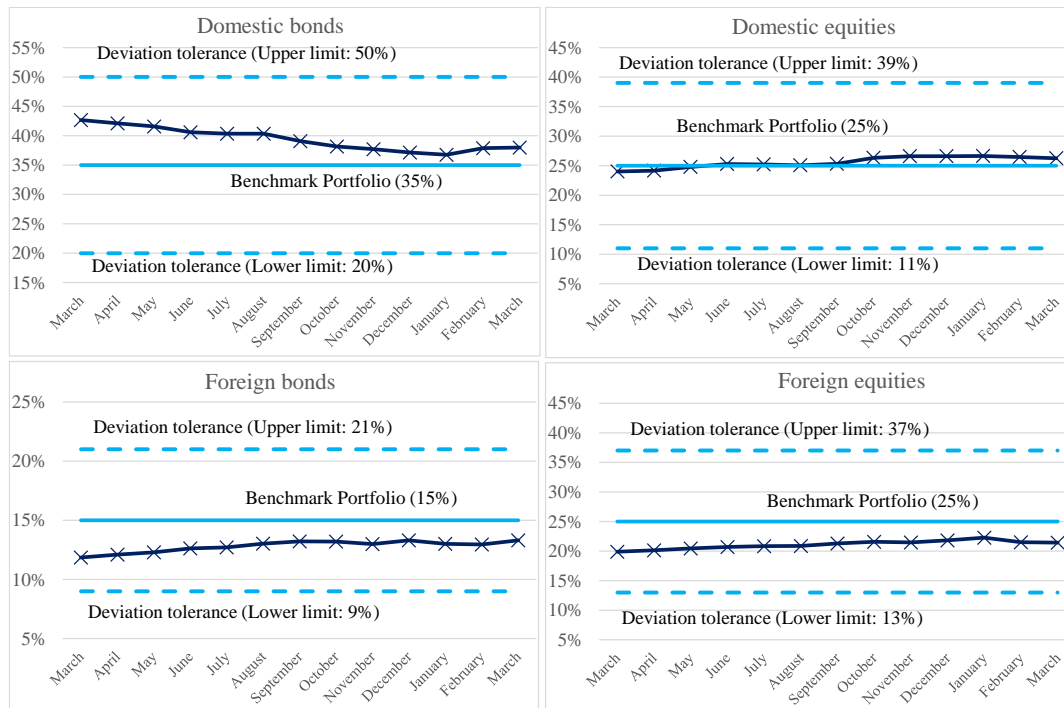
(Note 3) Real estate, loan, etc. are included in domestic bonds.

Status of Risk Management (Overall Assets)

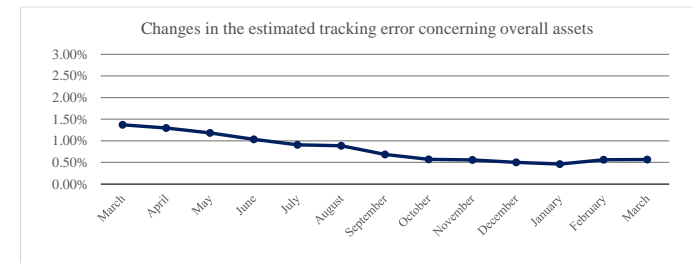
In fiscal year 2017, the shares in the asset mix concerning all asset classes—domestic bonds, domestic equities, foreign bonds and foreign equities—stayed within the deviation tolerance.

The estimated tracking error concerning overall assets declined mainly because of a reduction of the deviation concerning domestic bonds and foreign equities.

【Changes in the asset mix】



【Changes in the estimated tracking error】



(Note) The estimated tracking error concerning overall assets represents the tracking error concerning the benchmark portfolio (composite benchmark).

Annuity Retirement Benefit Fund

Fiscal Year 2017 Investment Results (Overview)

Investment return: **+0.56%** *Realized return (book value basis)
(FY2017)

Investment income: **+¥3 billion** *Realized income
(FY2017) (book value basis)

Value of investment assets: **¥687.2 billion** *Book value basis
(End of FY2017)

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

(Note 1) The return and income represent figures after the deduction of fees, etc. settled within the relevant period.

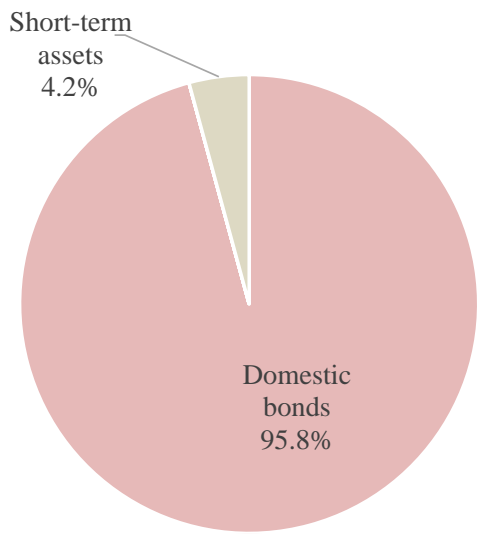
(Note 2) Realized income represents the sum of trading profits/losses and interest and dividend income, etc.

Fiscal Year 2017 Asset Mix

(Unit: %)

	FY2016	FY2017			
	End of FY	End of Q1	End of Q2	End of Q3	End of FY
Domestic bonds	94.3	91.7	94.9	92.7	95.8
Short-term assets	5.7	8.3	5.1	7.3	4.2
Total	100.0	100.0	100.0	100.0	100.0

Composition by Investment Asset Class
(as of end of FY2017)



(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to the Total.
(Note 2) Short-term assets held by each fund were classified into relevant asset classes in principle.
(Note 3) Loan, etc. are included in domestic bonds.

○ Benchmark portfolio

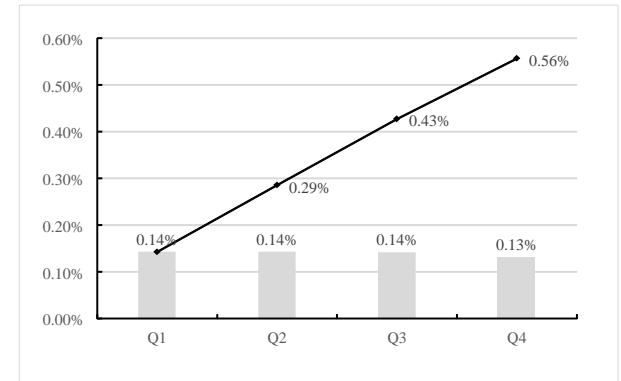
	Domestic bonds
Asset mix	100%

Fiscal Year 2017 Investment Return

- The realized return (book value basis) for FY2017 was 0.56%.
- Domestic bonds held by the Annuity Retirement Benefit Fund were evaluated based on book value on the premise of continued holding until maturity.

(Unit: %)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Realized return (book value basis)	0.14	0.14	0.14	0.13	0.56
Domestic bonds	0.15	0.15	0.15	0.14	0.59
Short-term assets	0.00	0.00	0.00	0.00	0.00

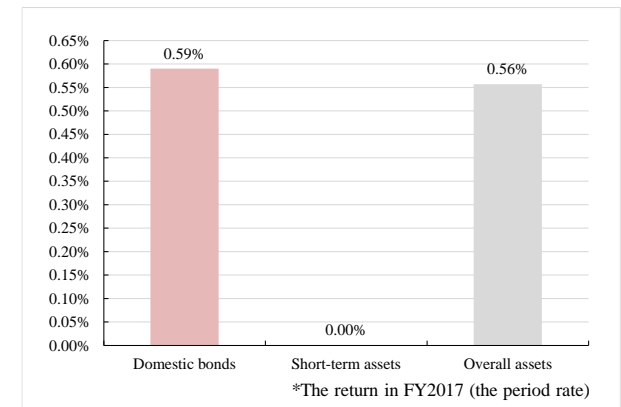


* The bar graph represents the return (the period rate) in each quarter.
The line graph represents the cumulative return in fiscal year 2017.

(Reference)

(Unit: %)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Return (market value basis)	0.44	0.36	0.33	0.51	1.67



*The return in FY2017 (the period rate)

(Note 1) Unless otherwise specified, the return (market value basis) refers to the modified total return. (The same shall apply hereinafter.)

(Note 2) The return in each quarter is the period rate.

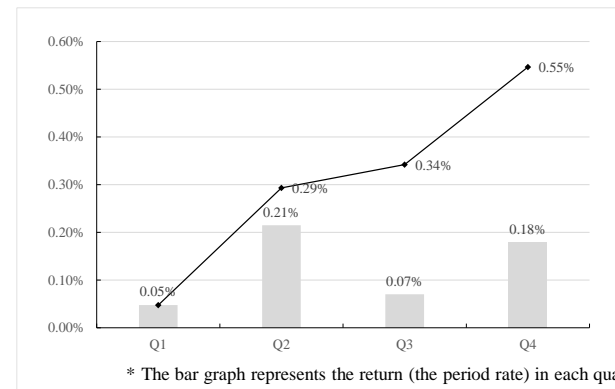
(Note 3) The return represent figures after the deduction of fees, etc. settled within the relevant period.

(Note 4) The return (market value basis) represents the realized return (book value basis) adjusted for the effects of changes in valuation profits/losses that would arise if the assets are evaluated based on market value.

(Reference) Fiscal Year 2016 Investment Return

(Unit: %)

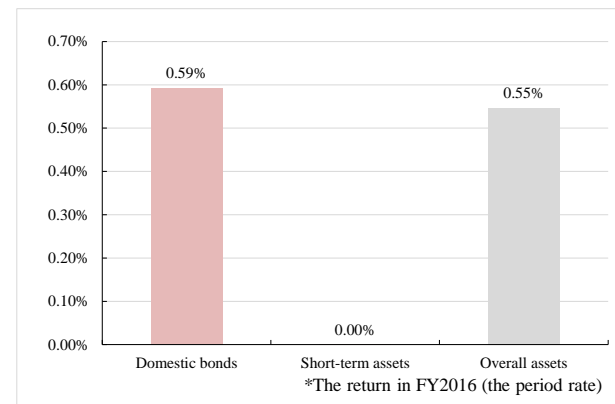
	FY2016				
	Q1	Q2	Q3	Q4	FY total
Realized return (book value basis)	0.05	0.21	0.07	0.18	0.55
Domestic bonds	0.05	0.24	0.08	0.19	0.59
Short-term assets	0.00	0.00	0.00	0.00	0.00



(Reference)

(Unit: %)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Return (market value basis)	3.34	-2.03	-1.72	-0.38	-2.23



(Note 1) Unless otherwise specified, the return (market value basis) refers to the modified total return. (The same shall apply hereinafter.)

(Note 2) The return in each quarter is the period rate.

(Note 3) The return represent figures after the deduction of fees, etc. settled within the relevant period.

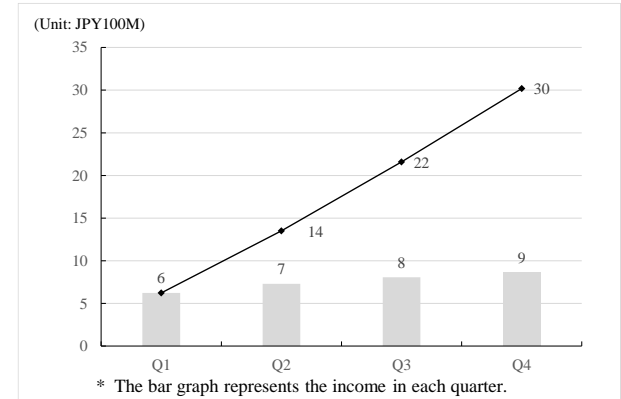
(Note 4) The return (market value basis) represents the realized return (book value basis) adjusted for the effects of changes in valuation profits/losses that would arise if the assets are evaluated based on market value.

Fiscal Year 2017 Investment Income

- The realized income for FY2017 was ¥3 billion.
- Domestic bonds held by the Annuity Retirement Benefit Fund were evaluated based on book value on the premise of continued holding until maturity.

(Unit: JPY100M)

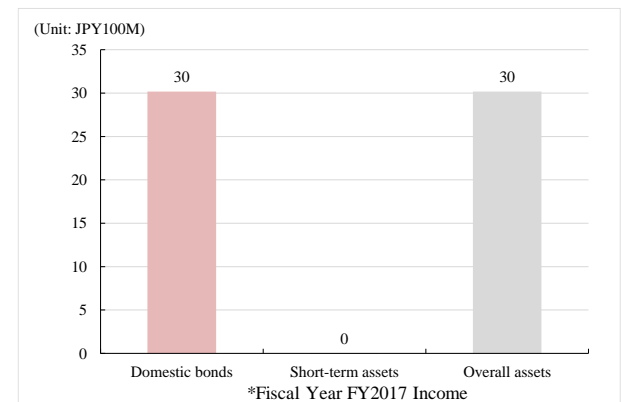
	FY2017				
	Q1	Q2	Q3	Q4	FY total
Realized income (book value basis)	6	7	8	9	30
Domestic bonds	6	7	8	9	30
Short-term assets	0	0	0	0	0



(Reference)

(Unit: JPY100M)

	FY2017				
	Q1	Q2	Q3	Q4	FY total
Investment income (market value basis)	19	18	19	34	90



(Note 1) The income represent figures after the deduction of fees, etc. settled within the relevant period.

(Note 2) Realized income represents the sum of trading profits/losses and interest and dividend income, etc.

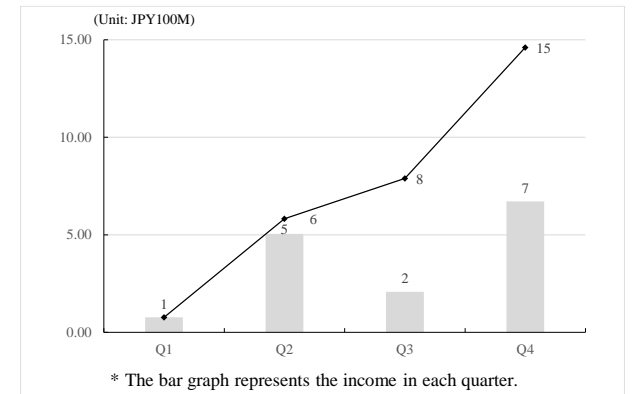
(Note 3) The investment income represents the realized income adjusted for the effects of changes in valuation gains/losses based on market value.

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

(Reference) Fiscal Year 2016 Investment Income

(Unit: JPY100M)

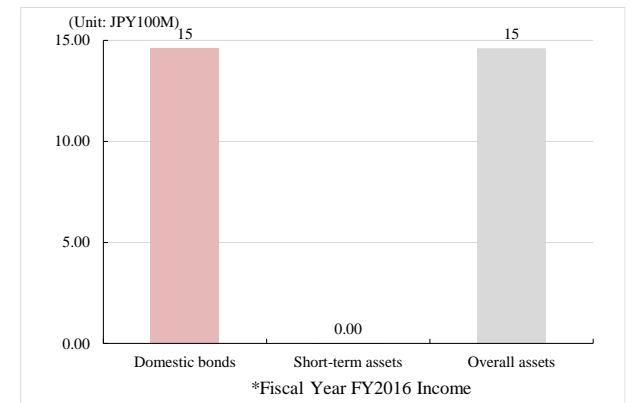
	FY2016				
	Q1	Q2	Q3	Q4	FY total
Realized income (book value basis)	1	5	2	7	15
Domestic bonds	1	5	2	7	15
Short-term assets	0	0	0	0	0



(Reference)

(Unit: JPY100M)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Investment income (market value basis)	55	-50	-52	-14	-60



(Note 1) The income represent figures after the deduction of fees, etc. settled within the relevant period.

(Note 2) Realized income represents the sum of trading profits/losses and interest and dividend income, etc.

(Note 3) The investment income represents the realized income adjusted for the effects of changes in valuation gains/losses based on market value.

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

Fiscal Year 2017 Value of Assets

(Unit: JPY100M)

	FY2016			FY2017											
	End of FY			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	3,876	3,836	-39	4,330	4,309	-21	5,115	5,105	-9	5,674	5,683	9	6,581	6,602	20
Short-term assets	234	234	0	391	391	0	274	274	0	448	448	0	290	290	0
Total	4,110	4,071	-39	4,721	4,700	-21	5,388	5,379	-9	6,123	6,131	9	6,872	6,892	20

(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to the Total.

(Note 2) The market value and valuation profits/losses are indicated here for reference. The valuation profits/losses were tentatively calculated based on the market value.

(Note 3) Short-term assets held by each fund were classified into relevant asset classes in principle.

(Note 4) Loan, etc. are included in domestic bonds.

(Reference) Fiscal Year 2016 Value of Assets

(Unit: JPY100M)

	FY2016											
	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
Domestic bonds	1,692	1,783	91	2,490	2,528	37	3,076	3,062	-14	3,876	3,836	-39
Short-term assets	288	288	0	151	151	0	299	299	0	234	234	0
Total	1,980	2,071	91	2,641	2,678	37	3,375	3,361	-14	4,110	4,071	-39

(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to the Total.

(Note 2) The market value and valuation profits/losses are indicated here for reference. The valuation profits/losses were tentatively calculated based on the market value.

(Note 3) Starting in fiscal year 2016, short-term assets held by each fund were classified into relevant asset classes in principle.

(Note 4) Loan, etc. are included in domestic bonds.