Local Public Service
Mutual Aid Associations

Fiscal Year 2024

Review of Operations

Transitional Long-term Benefit Fund

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

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

[Abbreviations]

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

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

National Federation: National Federation of Mutual Aid Associations for Municipal Personnel

Association: Pension Fund Association for Local Government Officials

KKR: Federation of National Public Service Personnel Mutual Aid Associations

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

GPIF: Government Pension Investment Fund

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

Unification Act: Act for Partial Revision of the Employees' Pension Insurance Act Relating to the Unification of Employees' Pension System (Act No. 63 of 2012)

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)

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Fiscal Year 2024 Investment Results (Overview)

Investment return: *0.69%*

(Time-weighted return before the deduction of fees, etc.)

Investment income: *¥207.8 billion*

(Investment income before the deduction of fees, etc.)

Value of investment assets:

(As of the end of March 2025)

¥29,347.2 billion

(Market value)

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

As investment income is based on the market value as of the end of fiscal year 2024, it should be kept in mind that it includes valuation gains/losses, which means it may change depending on market movements.

Section 1

Administration and Investment of Funds in FY2024

1 Investment results

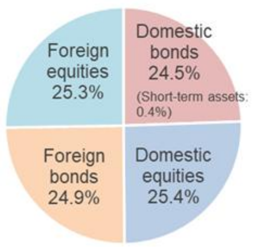
(1) Asset mix

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

(Unit: %)

	End of FY2023	Fiscal Year 2024				Benchmark portfolio
		End of Q1	End of Q2	End of Q3	End of FY	
Domestic bonds	23.9	23.5	24.6	23.6	24.5	25.0
Short-term assets	(0.4)	(0.3)	(0.4)	(0.2)	(0.4)	
Domestic equities	26.2	25.7	25.5	26.1	25.4	25.0
Foreign bonds	23.6	24.6	24.2	24.3	24.9	25.0
Foreign equities	26.3	26.3	25.7	26.0	25.3	25.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Composition by Investment Asset Class
(as of end of FY2024)



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

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

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

(2) Investment return

The time-weighted return came to 0.69% due to factors such as rises of foreign equities.

(Unit: %)

	Fiscal Year 2024				
	Q1	Q2	Q3	Q4	FY Total
Time-weighted return	3.75	-3.65	4.34	-3.47	0.69
Domestic bonds	-1.98	1.21	-1.08	-2.13	-3.97
Short-term assets	(0.06)	(0.05)	(0.09)	(0.09)	(0.29)
Domestic equities	1.78	-4.83	5.43	-3.60	-1.55
Foreign bonds	5.47	-5.43	4.04	-1.97	1.74
Foreign equities	9.54	-5.21	8.77	-6.08	6.08

(Unit: %)

	Fiscal Year 2024				
	Q1	Q2	Q3	Q4	FY Total
Modified total returns	3.70	-3.64	4.30	-3.44	0.68

(Unit: %)

	Fiscal Year 2024				
	Q1	Q2	Q3	Q4	FY Total
Realized return (book value basis)	3.44	2.00	2.19	2.03	9.64

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

(Note 2) The time-weighted and the modified total return represent the figure after the deduction of fees, etc.

(Note 3) The realized return represents the figure before the deduction of fees, etc.

(3) Excess return

The time-weighted return for overall assets was 0.69% and the composite benchmark return for overall assets was 0.61%. The excess return over the composite benchmark was 0.07%.

	Overall assets
Time-weighted return	0.69%
Composite benchmark return	0.61%
Excess return	0.07%

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Time-weighted return	-3.97%	-1.55%	1.74%	6.08%
Benchmark return	-4.73%	-1.55%	1.61%	6.88%
Excess return	0.76%	-0.00%	0.13%	-0.80%

(Note 1) The time-weighted return represents the figure before the deduction of fees, etc.
(Note 2) The composite benchmark return for overall assets is calculated by weight-averaging the benchmark returns for individual asset classes based on the shares in the asset mix of the benchmark portfolio.

By factor, the excess return of 0.07% can be broken down as follows: asset allocation factor: 0.09%; individual asset factor: 0.04%; other factors: -0.05%.

	Asset allocation factor ①	Individual asset factor ②	Other factor ③ (including errors)	①+②+③
Domestic bonds	0.05%	0.20%	-0.02%	0.23%
Domestic equities	-0.00%	0.00%	-0.01%	-0.01%
Foreign bonds	-0.02%	0.03%	-0.01%	0.00%
Foreign equities	0.06%	-0.19%	-0.02%	-0.14%
Total	0.09%	0.04%	-0.05%	0.07%

(i) Asset allocation factor: A factor that is attributable to the difference in terms of the asset mix between the benchmark portfolio, which is the standard for the calculation of the composite benchmark return, 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.

(Reference) Benchmark Indices for the Benchmark portfolio

Domestic bonds	NOMURA-BPI Overall
Domestic equities	TOPIX (including dividends)
Foreign bonds	FTSE Global Government Bond Index (excluding Japanese and Chinese government bonds; unhedged; on a yen basis).
Foreign equities	MSCI ACWI (excluding Japan, on a yen basis, including dividends, before taking into account tax factors)

(4) Investment income

Investment income (market value basis) was ¥207.8 billion.

(Unit: JPY100M)

	Fiscal Year 2023				
	Q1	Q2	Q3	Q4	FY Total
Investment income (market value basis)	11,108	-11,243	12,771	-10,559	2,078
Domestic bonds	-1,418	879	-785	-1,549	-2,873
Short-term assets	(0)	(0)	(0)	(0)	(1)
Domestic equities	1,355	-3,791	4,100	-2,784	-1,120
Foreign bonds	3,881	-4,111	2,876	-1,462	1,184
Foreign equities	7,290	-4,221	6,581	-4,764	4,887

(Unit: JPY100M)

	Fiscal Year 2023				
	Q1	Q2	Q3	Q4	FY Total
Realized income (book value basis)	7,665	4,552	5,050	4,750	22,017

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

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

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

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

(5) Value of assets

Value of investment assets (market value basis) was ¥29,3472.2 billion.

(Unit: JPY100M)

	End of FY2023			Fiscal Year 2024											
				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	72,955	71,456	-1,499	74,869	72,118	-2,751	74,551	72,604	-1,948	74,850	72,148	-2,701	76,082	71,757	-4,325
Short-term assets	(1,100)	(1,100)	(0)	(788)	(788)	(0)	(1,221)	(1,221)	(0)	(745)	(746)	(0)	(1,147)	(1,148)	(0)
Domestic equities	47,924	78,320	30,396	49,053	78,897	29,844	50,230	75,314	25,084	52,311	79,693	27,382	52,543	74,596	22,053
Foreign bonds	65,688	70,546	4,858	67,631	75,711	8,081	68,189	71,309	3,120	69,260	74,283	5,023	70,968	72,984	2,016
Foreign equities	34,993	78,460	43,467	34,346	80,718	46,371	35,712	75,775	40,063	35,466	79,265	43,799	36,751	74,135	37,383
Total	221,560	298,782	77,222	225,899	307,444	81,545	228,682	295,002	66,320	231,887	305,389	73,502	236,345	293,472	57,128

Allocation changes of each asset class as a result of rebalancing

(Unit: JPY100M)

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Amount of funds allocated/withdrawn	2,917	-2,484	1,338	-9,003

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

(6) Fees

The amount of fees totaled ¥15.5 billion. The fee rate relative to the value of investment assets came to 0.05%.

(Unit: JPY100M, %)

	Fiscal Year 2024	
	Fee	Fee rate
Domestic bonds	15	0.02
Domestic equities	52	0.07
Foreign bonds	28	0.04
Foreign equities	60	0.08
Overall assets	155	0.05

(Note 1) Fees include management fees and custodian fees related to entrusted investment.
(Note 2) Fee rate = fee amount/month-end market value average balance

2 Risk management

(1) Approach to risk management

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

Therefore, for asset investment, it is important to consider various risks commensurate with investment from a long-term perspective.

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

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

1 Basic approach concerning risk management

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

(i) Investment of funds should be made safely and efficiently from a long-term point of perspective.

(ii) A benchmark portfolio should be developed and investment of funds should be made on the principle of managing funds through appropriate diversification across multiple asset classes with different risk/return profiles and other characteristics (hereinafter referred to as "diversified investment").

2 Risk management implementing entities and subjects of management

(1) Transitional Long-term Benefit Fund

(i) The Association conducts risk management for investment of the Transitional Long-term Benefit Adjustment Fund and the Transitional Long-term Benefit Association Reserve Fund (hereinafter referred to as "Transitional Long-term Benefit Fund").

(ii) The member associations conduct risk management for investment of the Transitional Long-term Benefit Association Reserve Fund (in the case of the Association, the Transitional Long-term Benefit Adjustment Fund).

(2) Risk management efforts

■Management of the deviation of the asset mix

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

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

■Monitoring of market risk, etc.

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

As they also use active investment in their investment of funds, the Associations seek to earn an excess rate of return over the benchmark by diversifying investment strategies and investment issues within each asset class.

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

■Management of entrusted investment management institutions, etc.

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

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

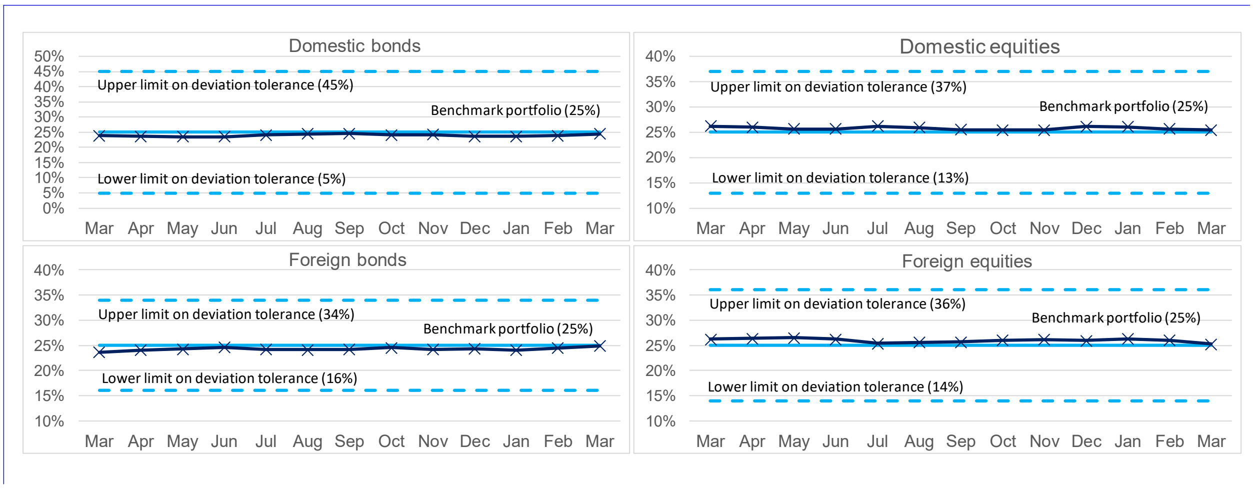
The status of risk management and improvement measures implemented are reported to the committees of specialists and the Governing Council.

(3) Status of risk management

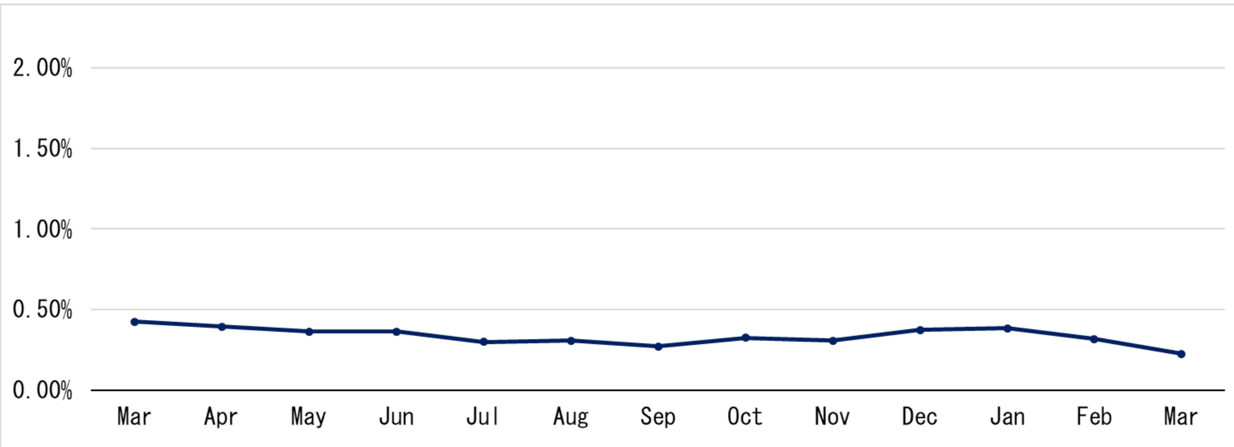
The shares in the asset mix concerning all asset classes—domestic bonds, domestic equities, foreign bonds and foreign equities—stayed within the deviation tolerance.

The estimated tracking error concerning overall assets generally stayed stable.

【Changes in the asset mix】



【Changes in the estimated tracking error concerning overall assets】



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

3 Stewardship activities

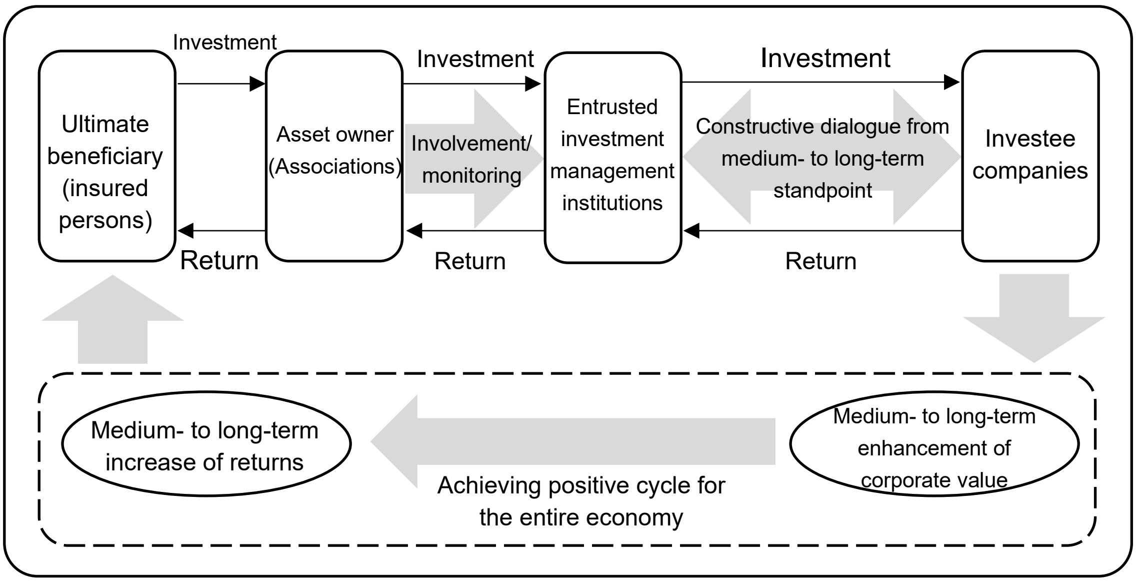
(1) Overview of the Associations' stewardship activity

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

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

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

[Stewardship Activities]



Prepared based on the documents distributed at the 1st meeting (Jan. 2017) of the Council of Experts on the Stewardship Code (Financial Services Agency)

■Established of the policy on stewardship activities

The Associations have established the "Corporate Governance Principles" and the "Guidelines for Exercising Shareholders' Voting Rights," and have made clear the approach to exercise shareholders' voting rights. The Associations require entrusted investment management institutions to exercise voting rights in accordance with these principles and guidelines. In addition, the Associations have made clear their activities to fulfill the stewardship responsibilities in the " Basic Policy for Management and Investment of Transitional Long-term Benefit Adjustment Fund."

Moreover, in May 2014, the Associations signed up to Japan's Stewardship Code and clarified their approach to stewardship activities.

■ Participation in initiatives

In June 2021, the Association announced support for the Task Force on Climate-related Financial Disclosures (TCFD).

In addition, the Association became a signatory organization of the Principles for Responsible Investment (PRI) in May 2024.

(Note 1)TCFD: Established by the Financial Stability Board (FSB) upon a request from the G20 finance ministers and central bank governors. In June 2017, the TCFD published non-binding recommendations that encourage information disclosure with respect to the financial impacts of climate change-related risks and opportunities in order to enable investors to make appropriate investment decisions. The task force was dissolved in October 2023, with its function of monitoring the progress made in implementing the recommendations transferred to the IFRS Foundation (a private-sector, non-profit organization responsible for developing international financial reporting standards).

(Note 2)PRI: International principles that require institutional investors to give consideration to ESG (environmental, social, and governance) challenges in their investment activities.

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

The Associations exercised voting rights through 21 investment management institutions entrusted with domestic equity investment at a general meeting of shareholders of a total of 33,429 companies held between July 2023 and June 2024. The number of proposals for which voting rights were exercised was 118,884.

Of all proposals, 29,846 were voted against, translating into a vote-against rate of 25.1%.

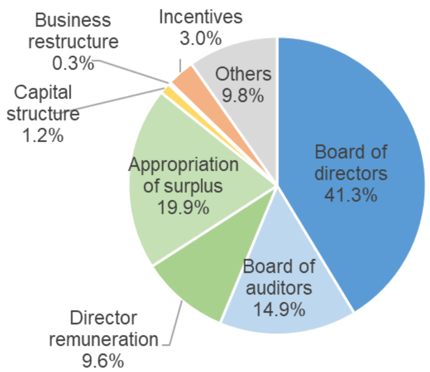
The vote-against rate came to 37.3% concerning proposals related to the election of board of directors/directors, 14.3% concerning proposals related to the election of board of auditors/auditors and 17.6% concerning proposals related to director remuneration, etc.

Voting activity (The figures are based on the proposals submitted to general meetings of shareholders held between July 2023 and June 2024.)

Number of proposals by type of proposer	Vote for	Rate	Vote against	Rate	Abstentions	Rate	Total
Company proposal	88,389	78.4%	24,399	21.6%	0	0.0%	112,788
Shareholder proposal	649	10.6%	5,447	89.4%	0	0.0%	6,096
Total	*89,038*	*74.9%*	*29,846*	*25.1%*	*0*	*0.0%*	*118,884*

Number of proposals by type of proposal	Vote for	Rate	Vote against	Rate	Abstentions	Rate	Total
Board of directors/directors	30,829	62.7%	18,307	37.3%	0	0.0%	49,136
Board of auditors/auditors	15,225	85.7%	2,535	14.3%	0	0.0%	17,760
Director remuneration, etc.	9,447	82.4%	2,017	17.6%	0	0.0%	11,464
Appropriation of surplus	22,027	93.3%	1,573	6.7%	0	0.0%	23,600
Capital structure	472	33.7%	930	66.3%	0	0.0%	1,402
Takeover defense measures	14	2.5%	552	97.5%	0	0.0%	566
Capital increase or reduction	128	100.0%	0	0.0%	0	0.0%	128
Third party allotment of shares	51	63.0%	30	37.0%	0	0.0%	81
Acquisition of own shares	67	17.0%	328	83.0%	0	0.0%	395
Business restructure	323	99.7%	1	0.3%	0	0.0%	324
Incentives improvement for executives	3,123	87.2%	458	12.8%	0	0.0%	3,581
Other proposals	7,592	65.4%	4,025	34.6%	0	0.0%	11,617
Total	*89,038*	*74.9%*	*29,846*	*25.1%*	*0*	*0.0%*	*118,884*

Share by proposal subject



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

The Associations exercised voting rights through 24 investment management institutions entrusted with foreign equity investment at a general meeting of shareholders of a total of 21,113 companies held between July 2023 and June 2024. The number of proposals for which voting rights were exercised was 203,062.

Of all the proposals, 33,802 were voted against, translating into a vote-against rate of 166%.

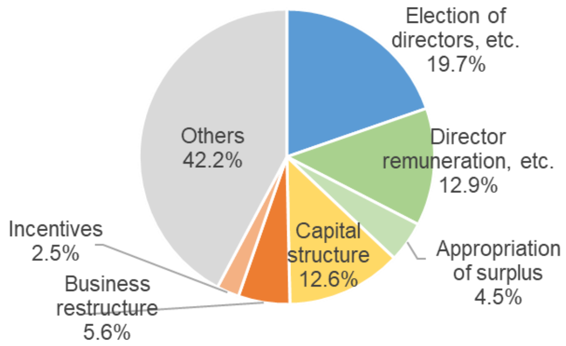
The vote-against rate came to 10.8% concerning proposals related to the election of directors, etc. and 14.9% concerning proposals related to director remuneration, etc.

Voting activity (The figures are based on the proposals submitted to general meetings of shareholders held between July 2023 and June 2024.)

Number of proposals by type of proposer	Vote for	Rate	Vote against	Rate	Abstentions	Rate	Total
Company proposal	161,197	86.2%	25,754	13.8%	103	0.1%	187,054
Shareholder proposal	7,915	49.4%	8,048	50.3%	45	0.3%	16,008
Total	*169,112*	*83.3%*	*33,802*	*16.6%*	*148*	*0.1%*	*203,062*

Number of proposals by type of proposal	Vote for	Rate	Vote against	Rate	Abstentions	Rate	Total
Proposal for election of directors, etc.	35,619	89.1%	4,329	10.8%	15	0.0%	39,963
Director remuneration, etc.	22,263	85.0%	3,907	14.9%	14	0.1%	26,184
Appropriation of surplus	9,041	99.5%	41	0.5%	6	0.1%	9,088
Capital structure	22,688	88.5%	2,948	11.5%	4	0.0%	25,640
Takeover defense measures	943	93.7%	63	6.3%	0	0.0%	1,006
Capital increase or reduction	7,219	78.9%	1,936	21.1%	0	0.0%	9,155
Third party allotment of shares	2,455	91.5%	227	8.5%	0	0.0%	2,682
Acquisition of own shares	6,978	99.2%	54	0.8%	3	0.0%	7,035
Business restructure	9,028	78.7%	2,438	21.3%	0	0.0%	11,466
Incentives improvement for executives	3,266	65.3%	1,732	34.6%	2	0.0%	5,000
Other proposals	67,207	78.4%	18,407	21.5%	107	0.1%	85,721
Total	*169,112*	*83.3%*	*33,802*	*16.6%*	*148*	*0.1%*	*203,062*

Share by proposal subject



*From the viewpoints of constraints related to the exercise of voting rights, additional cost burden and other reasons, the exercise of voting rights is limited to certain countries and regions.

(4) Future initiatives

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

■Implementation of effective monitoring of entrusted investment management institutions

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

■Revision of the Corporate Governance Principles, etc.

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

■Collaboration with other public pension funds, etc.

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

4 Review of benchmark portfolio

(1) Basic approach to reviewing the benchmark portfolio

Under the Basic Policy for the Transitional Long-term Benefit (TLTB) Adjustment Fund, the Association is required to appropriately manage risks based on market trends, annually verify the benchmark portfolio and, if it is considered necessary in specific cases, such as when the investment environment assumed at the time of establishing the benchmark portfolio deviates from reality, examine the benchmark portfolio and revise it as necessary.

In line with the review of the benchmark portfolio for the Local Public Service Mutual Aid Associations as a whole, the Association revised its benchmark portfolio (revised on March 31, 2025, effective from April 1).

(2) Basic policy for reviewing benchmark portfolio

As a result of estimating the asset allocation that can achieve the real investment return required for pension finance with minimum risk, the Association adopted the benchmark portfolio with a 25% allocation to each asset class, in the same way as the asset allocation of the benchmark portfolio of the Local Public Service Mutual Aid Associations as a whole.

As the economic scenarios used for FY2024 fiscal review concerning the current status and future prospect of the transitional long-term benefits are the same as those used for FY2024 fiscal review concerning the EPI benefits, and the investment targets are also the same, the Association reviewed the benchmark portfolio for the transitional long-term benefits using the same assumptions as those used for the reserve funds for EPI benefits.

(3) Benchmark portfolio after the review

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Asset allocation	25%	25%	25%	25%
Deviation tolerance	±9%	±9%	±7%	±9%

※Short-term assets are classified into domestic bonds.

<Attributes>

Real investment return	Nominal investment return	Standard deviation	Lower partial probability	Conditional average shortfall rate
1.9%	3.2%	10.3%	42.3%	7.2%

※The real investment return and nominal investment return assumes the "recurrence of past 30 years case,"
※The lower partial probability refers to the probability of the return falling below the nominal wage growth rate, and the conditional average shortfall rate refers to the average shortfall rate when the return is below the nominal wage growth rate.

(Reference 1) Benchmark portfolio before review (before March 31, 2025)

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Asset allocation	25%	25%	25%	25%
Deviation tolerance	±20%	±12%	±9%	±11%

(Reference 2) Assumptions and conditions for review of the benchmark portfolio

(A) Target investment return: real investment return of 1.9%

(B) Risk constraints: (a) the risk that the benchmark portfolio underperforms the nominal wage growth rate should be lower than the risk that a portfolio comprised solely of domestic bonds underperforms the nominal wage growth rate; and (b) the average shortfall rate in case the return is below the nominal wage growth rate should be minimized.

(C) Asset classification: domestic bonds, domestic equities, foreign bonds and foreign equities (short-term assets are classified into domestic bonds)

(D) Expected returns and risks concerning each asset class

(i) Expected returns

In connection with the review of the benchmark portfolio, the Association estimated expected returns for all four economic scenarios described in 2024 Fiscal Review concerning the employees pension insurance benefits.

It was confirmed that the real investment return of 1.9% which is the investment target can be achieved on the assumption of any of these economic scenarios.

	Expected returns concerning each asset class (nominal values)				Real expected returns on portfolio (figures in parentheses represent nominal values)
	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities	
High economic growth case	3.3%	7.5%	4.9%	8.2%	2.0% (6.0%)
Growth-oriented economy case	2.8%	7.0%	4.4%	7.7%	2.0% (5.5%)
Recurrence of past 30 years case	0.5%	4.8%	2.2%	5.4%	1.9% (3.2%)
Zero growth per capita case	-0.1%	4.2%	1.6%	4.8%	2.1% (2.6%)

(ii) Risk

Asset class	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities	Wage growth rate
Risk	2.59%	19.20%	9.72%	20.35%	0.92%

(iii) Correlation

Asset class	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities	Wage growth rate
Domestic bonds	1.000	-0.254	0.072	-0.123	-0.105
Domestic equities		1.000	0.270	0.690	0.523
Foreign bonds			1.000	0.558	0.197
Foreign equities				1.000	0.614
Wage growth rate					1.000

5 Other major efforts

(1) ESG Investment

■Basic approach to ESG investment

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

With respect to ESG investment, based on the Basic Policy for Ensuring Safe and Efficient Management and Investment of Funds from Long-term Perspective (the "Basic Policy for Funds"), the Association has provided in its Basic Policy for the Transitional Long-term Benefit (TLTB) Adjustment Fund that the necessary initiatives shall be implemented, based on a case-by-case analysis, with a view to promoting investment that takes into consideration ESG factors (Environmental, Social, and Governance), a non-financial factor in addition to financial factors based on the concept that the sustainable growth of investee companies and the entire market is necessary for the increase of returns on investment assets over the long term so as to secure long-term returns for the benefit of members.

The Association had taken necessary measures for ESG investment based on case-by-case analysis, even before the Basic Policies were revised to incorporate provisions concerning investment considering non-financial factors.

■Initiatives concerning ESG Investment

・Investment in ESG funds as part of equity investment

As of the end of fiscal year 2024, the Associationshave adopted 13 ESG funds concerning domestic equities (11 funds for active investment and two funds for passive investment), with a total value (market value) of 763.2 billion yen (approximately 10.2% of the outstanding balance of domestic stocks in the Associations' portfolio), and four ESG funds concerning foreign equities (four funds for active investment), with a total value (market value) of 105.2 billion yen (approximately 1.4% of the outstanding balance of domestic stocks in the Associations' portfolio).

・Investment in ESG bonds as part of bond investment

As of the end of fiscal year 2024,　the total value (book value) of the Associations'in-house investment of domestic bonds is 40.8 billion yen (8.7 billion yen for local government bonds and 32.1 billion yen for bonds issued by institutions funded by a fiscal investment and loan program).

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

■Approach to selection

The Associations offer public invitations and invite entries under an asset manager registration system. In the selection process, the Associations closely examine investment policies for funds, investment processes and other factors and select investment management institutions based on a comprehensive evaluation from both quantitative and qualitative aspects while also taking into consideration opinions expressed at a meeting of outside experts.

■Administration and evaluation of entrusted investment management institutions

The Associations seek monthly reports on the investment status and quarterly reports on the overview of investment performances, future investment policy and other matters from entrusted investment management institutions. After reviewing these reports, the Associations conduct detailed interviews concerning the overview of investment performances, future investment policy and other matters and interviews through visits to entrusted investment management institutions.

Furthermore, the Associations annually conduct a comprehensive evaluation combining quantitative and qualitative evaluation by asset and by investment category (e.g., domestic equity market type and foreign equity growth type). Comprehensive evaluation is intended to conduct evaluation from the long-term perspective and from the viewpoint of the role that each fund is expected to play. Quantitative evaluation assesses such factors as the excess return, and the information ratio (the tracking error in the case of passive investment). Qualitative evaluation assesses the quality of the portfolio investment that cannot be captured by quantitative evaluation and the communications capabilities, investment process and philosophy, portfolio structuring and monitoring, execution of transactions, business management, consideration of ESG factors, etc. of entrusted investment management institutions.

The Associations allocate funds in a consistent manner across the entire portfolio in consideration of not only the results of comprehensive evaluation but also the balance of strategy categories in each asset class (e.g., domestic equity market type and foreign equity growth type) and the balance of funds in each category.

■Administration and evaluation of asset administration institutions

The Association requires asset administration institutions to submit annual reports on its status of business, asset administration and frameworks for ensuring compliance frameworks with laws and regulations, and conducts hearings on these reports. The Association also performs a qualitative assessment based on the hearings to check whether these statuses and frameworks are appropriate.

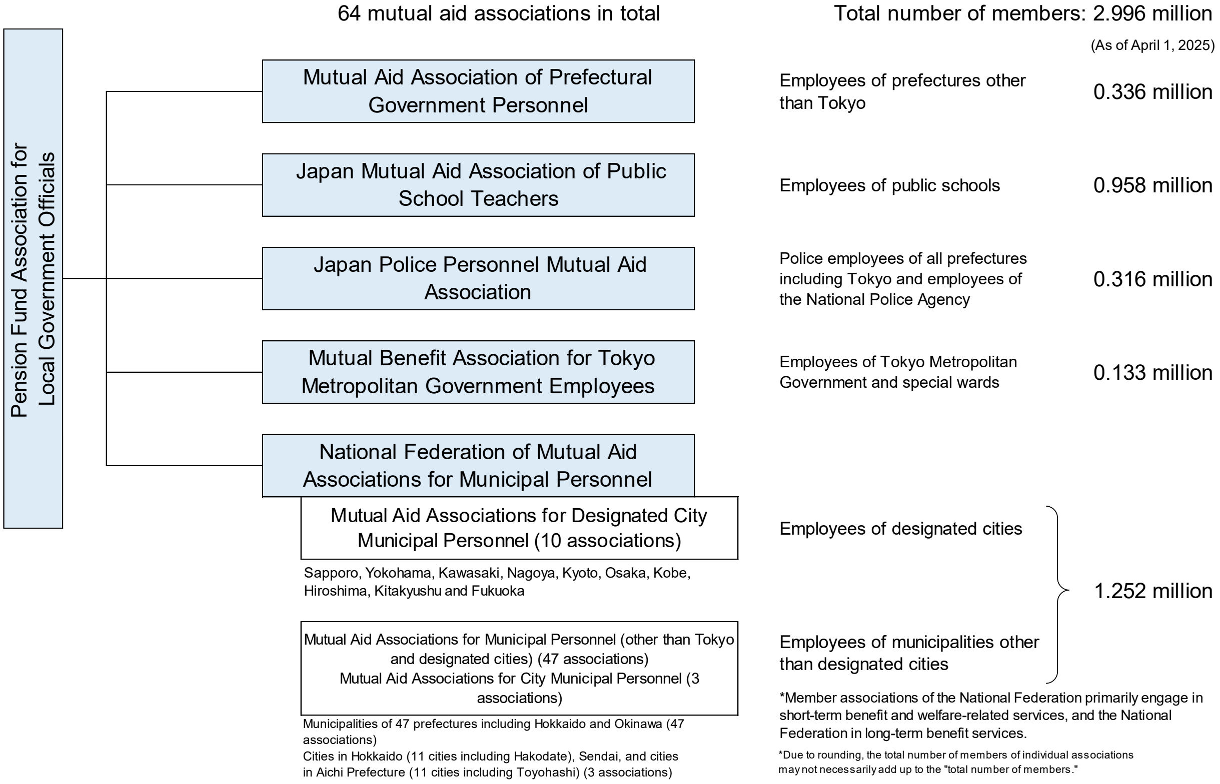
Section 2 Businesses and Fund Management of Local Public Service Mutual Aid Associations

1 Establishment

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

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

Outline of Local Public Service Mutual Aid Associations



2 Organization

(1) Governing Council

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

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

・Governing Council (Articles 6, 7, and 8 of the Local Public Officers, etc. Mutual Aid Association Act)
Mutual Aid Association of Prefectural Government Personnel (Prefectural Mutual Aid Secretary Office), Japan Mutual Aid Association of Public School Teachers, Japan Police Personnel Mutual Aid Association

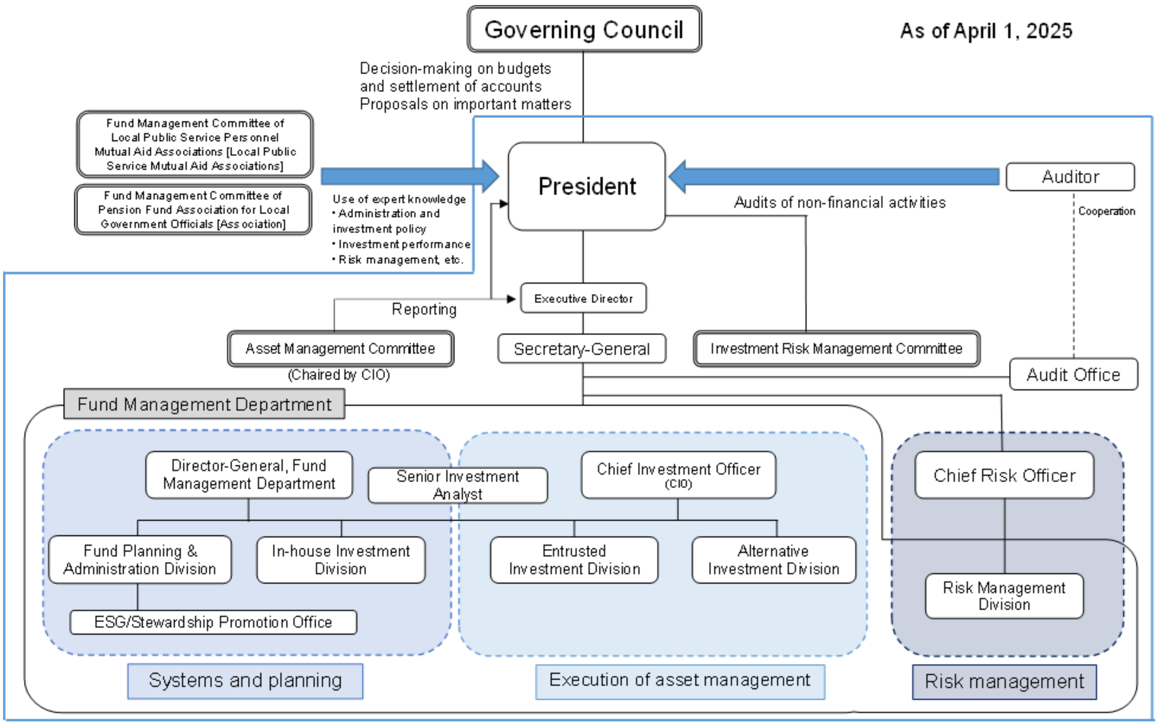
・Governing Council (Articles 38-4 and 38-5 of the Local Public Officers, etc. Mutual Aid Association Act)
Pension Fund Association for Local Government Officials

・Associations Committee (Articles 6, 9 and 10 of the Local Public Officers, etc. Mutual Aid Association Act)
Mutual Benefit Association for Tokyo Metropolitan Government Employees, Mutual Aid Associations for Designated City Municipal Personnel, Mutual Aid Associations for Municipal Personnel (other than Tokyo and designated cities), Mutual Aid Associations for City Municipal Personnel

・General Committee (Articles 30, 31 and 32 of the Local Public Officers, etc. Mutual Aid Association Act)
National Federation

・Management Board of Trustees (Articles 144-5, 144-6 and Article 144-7 of the Local Public Officers, etc. Mutual Aid Association Act)
Group Mutual Aid Department of Prefectural Mutual Aid Association

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



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

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

To study expert matters pertaining to the administration and investment of funds based on the "Basic Policy for Management and Investment of Transitional Long-term Benefit Adjustment Fund," etc., the Fund Management Committee of Local Public Service Personnel Mutual Aid Associations has been established, which is comprised of individuals who possess academic knowledge or practical experience in areas such as economics, finance, and fund management (the "Fund Management Committee").

The Fund Management Committee can discuss and receive reports concerning expert matters related to the administration and investment of each fund and also can express its opinions on important matters upon request from the President of the Pension Fund Association for Local Government Officials.

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

Section 2

■Matters for deliberation and report by the Fund Management Committee

Deliberation matters	Reporting matters
- Matters concerning formulation and revision of the model portfolio - Matters concerning establishment and revision of administration and investment policy - Matters concerning establishment and revision of risk management implementation policy - Matters concerning establishment and revision of investment policy for new investment instruments - Other expert matters concerning the administration and investment of each fund	- Investment performance - Status of risk management - Investment status of new investment instruments - Status of training and nurturing of expert personnel - Other matters required by the Fund Management Committee concerning the administration and investment of each fund

■List of Fund Management Committee Members (As of April 1, 2025)

	Hidetaka Kawakita	Kyoto University, Professor Emeritus
	Konosuke Kita	Former Senior Advisor to Russell Investments Japan Co., Ltd.
	Hisae Sato	Councilor, International Christian University
	Toshio Serita	Professor, Department of Economics, Aoyama Gakuin University
	Yoshiko Takayama	J-Eurus IR Co., Ltd. Vice Chairperson
	Hitoshi Takehara	Professor, Waseda Business School (Graduate School of Business and Finance)
	Katsuyuki Tokushima	NLI Research Institute Senior Managing Director, Member of the Board Head of Pension Research, CMA Financial Research Department
	Akiko Nomura	Senior Fellow, Nomura Institute of Capital Markets Research
	Teppei Hayashi	All-Japan Prefectural and Municipal Workers Union General Manager, Central Executive Committee Bureau of Labor
Chairperson	Takaaki Wakasugi	The University of Tokyo, Professor Emeritus Chairman, Japan Corporate Governance Research Institute

■Past Meetings of the Fund Management Committee

Meeting number	Meeting date	Main theme
40th	June 25, 2024	･Review of Operations reports concerning administration and investment of individual funds in FY2023 ･Status of risk management of individual funds in FY2023 ･Examination of the benchmark portfolio of the Annuity Retirement Benefit Adjustment Fund ･Review of Model Portfolio and benchmark portfolio Subject to the 2024 Actuarial Valuation ･Responses to the Policy Plan for Promoting Japan as a Leading Asset Management Center
41st	September 3, 2024	･Status of investment of individual funds in the first quarter of FY2024 ･Status of risk management of individual funds in the first quarter of FY2024 ･Policy for Strengthening Investment Capabilities ･Status of Review of Model Portfolios Subject to Actuarial Verification
42nd	December 9, 2024	･Status of investment of individual funds in the second quarter of FY2024 ･Status of risk management of individual funds in the second quarter of FY2024 ･Review of Model Portfolios and benchmark portfolio concerning EPI benefits ･Review of benchmark portfolio concerning transitional long-term benefits
43rd	February 17, 2025	･Proposed change to the target asset mix of funds (model portfolio) ･Review of benchmark portfolio (proposal) ･Overseas Research Report in FY2024
44th	March 11, 2025	･Status of investment of individual funds in the third quarter of FY2024 ･Status of risk management of individual funds in the third quarter of FY2024 ･Revision to the Management and Investment Policy

(3) Committee of specialists

For expert matters pertaining to the administration and investment of implementing organization funds, including the formulation and revision of basic policy, the Associations utilize and consider expert knowledge of committees of experts comprised of individuals who possess academic knowledge or practical experience in areas such as economics, finance and fund investments.

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

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

3 Investment of funds

(1) Mechanisms

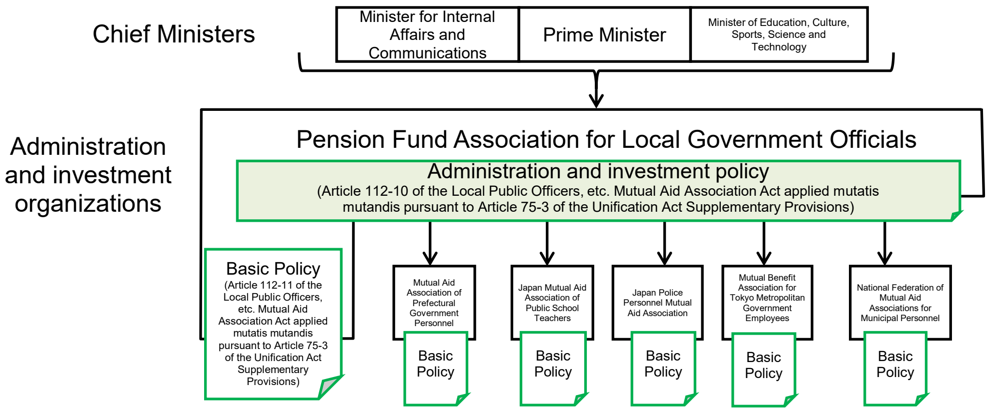
The Pension Fund Association for Local Government Officials establishes Administration and Investment Policy (including the Portfolio at Local Public Service Mutual Aid Associations), which serves as the common policy for administration and investment organizations (the Local Public Service Mutual Aid Associations) subject to approval from the Minister for Internal Affairs and Communications. (Article 112-10 of the Local Public Officers, etc. Mutual Aid Association Act applied mutatis mutandis pursuant to Article 75-3 of the Unification Act Supplementary Provisions)

A Basic Policy (including the benchmark portfolio) pertaining to administration and investment of funds is established by the administration and investment organizations so as to conform to the Administration and Investment Policy set by the Pension Fund Association for Local Government Officials. (Article 112-11 of the Local Public Officers, etc. Mutual Aid Association Act applied mutatis mutandis pursuant to Article 75-3 of the Unification Act Supplementary Provisions)

Under these statutory provisions, the Pension Fund Association for Local Government Officials and the Associations conduct specific investment activities independently based on their respective basic policies, while taking into account the common management and investment policies, including the basic portfolio. At the same time, in order to ensure consistency with the management and investment policies across the Associations as a whole, the Pension Fund Association for Local Government Officials is responsible for overseeing the investment status of the Associations. Furthermore, the Federation prepares and discloses an annual Business Report for each fiscal year, as well as quarterly disclosure materials, concerning the status of management and investment of the reserve funds of the scheme as a whole.

In addition, the Associations endeavors to achieve safe and efficient long-term management and investment of reserve funds across the scheme as a whole by promoting the exchange of information and necessary coordination related to the management and investment of reserve funds.

【Mechanism of fund investment after the integration】



(2) Basic approach to investment

■Basic policy

As a basic policy, investment shall be made for the purpose of contributing to the stable management of the Transitional Long-term Benefit scheme operations. In the investment management, particular attention shall be paid to downside risks and constant consideration shall be given to the relationship between future liabilities and the funds in light of the characteristics of a closed pension plan, which receives no new contribution income.

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

Moreover, for the investment of the Transitional Long-term Benefit Fund, which has the characteristics of a closed pension plan, the benchmark portfolio shall be determined and appropriately managed so as to secure the required return on investment of the funds of 1.9% at the minimum risk, in due consideration of the relationship between future liabilities and the funds. In addition, efforts shall be made to secure the composite benchmark return for overall assets and the benchmark return for each asset class in each fiscal year as well as over the long term.