

**Local Public Service Mutual
Aid Associations**

Fiscal Year 2024

Review of Operations

Employees' Pension Insurance 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)

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: **0.83%**
(Time-weighted return before the deduction of fees, etc.)



Investment income: **¥207.7billion**
(Investment income before the deduction of fees, etc.)



Value of investment assets:
(As of the end of March 2025)
¥30,474.6 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

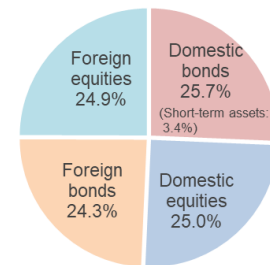
1 Investment results

(1) Asset mix

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

	End of FY2023	Fiscal Year 2024				Benchmark portfolio
		End of Q1	End of Q2	End of Q3	End of FY	
Domestic bonds	25.2	23.8	25.6	24.2	25.7	25.0
Short-term assets	(3.5)	(2.0)	(3.1)	(2.3)	(3.4)	
Domestic equities	25.6	25.6	25.3	25.9	25.0	25.0
Foreign bonds	23.5	24.4	23.7	24.0	24.3	25.0
Foreign equities	25.7	26.2	25.4	25.8	24.9	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 $\pm 20\%$ for domestic bonds, $\pm 12\%$ for domestic equities, $\pm 9\%$ for foreign bonds and $\pm 11\%$ for foreign equities.

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

(Note 3) At the end of FY2024, the ratio of alternative assets to the total amount of funds is 2.3% (the upper limit is 5%).

(2) Investment return

The Time-weighted return came to 0.83% due to factors such as rises of foreign equities.

	Fiscal Year 2024				
	Q1	Q2	Q3	Q4	FY Total
Time-weighted return	3.76	-3.61	4.39	-3.43	0.83
Domestic bonds	-2.00	1.15	-1.09	-1.94	-3.85
Short-term assets	(0.01)	(0.03)	(0.04)	(0.09)	(0.17)
Domestic equities	1.78	-4.80	5.43	-3.59	-1.51
Foreign bonds	5.51	-5.66	4.27	-2.04	1.67
Foreign equities	9.54	-5.31	8.87	-6.06	6.07

	Fiscal Year 2024				
	Q1	Q2	Q3	Q4	FY Total
Modified total returns	3.67	-3.66	4.34	-3.39	0.67

	Fiscal Year 2024				
	Q1	Q2	Q3	Q4	FY Total
Realized return (book value basis)	3.12	1.79	2.04	1.76	8.66

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

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

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

(3) Excess return

The time-weighted return for overall assets was 0.83% and the composite benchmark return for overall assets was 0.61%. The excess return over the composite benchmark was 0.22%.

	Overall assets		Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Time-weighted return	0.83%	Time-weighted return	-3.85%	-1.51%	1.67%	6.07%
Composite benchmark return	0.61%	Benchmark return	-4.73%	-1.55%	1.61%	6.88%
Excess return	0.22%	Excess return	0.88%	0.04%	0.07%	-0.81%

(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 0.22% can be broken down as follows: asset allocation factor: 0.19%; individual asset factor: 0.06%; other factors: -0.03%.

	Asset allocation factor ①	Individual asset factor ②	Other factor ③ (including errors)	①+②+③
Domestic bonds	0.12%	0.23%	-0.01%	0.34%
Domestic equities	-0.00%	0.01%	-0.01%	0.01%
Foreign bonds	-0.02%	0.02%	-0.00%	-0.01%
Foreign equities	0.09%	-0.20%	-0.01%	-0.12%
Total	0.19%	0.06%	-0.03%	0.22%

(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 ¥207.7 billion.

(Unit: JPY100M)

	Fiscal Year 2024				
	Q1	Q2	Q3	Q4	FY Total
Investment income (market value basis)	11,095	-11,409	13,096	-10,704	2,077
Domestic bonds	-1,458	908	-822	-1,506	-2,878
Short-term assets	(0)	(2)	(3)	(8)	(13)
Domestic equities	1,359	-3,759	4,147	-2,833	-1,085
Foreign bonds	3,930	-4,276	3,045	-1,524	1,175
Foreign equities	7,263	-4,282	6,725	-4,841	4,866

(Unit: JPY100M)

	Fiscal Year 2024				
	Q1	Q2	Q3	Q4	FY Total
Realized income (book value basis)	7,071	4,146	4,819	4,277	20,314

(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 ¥30,474.6 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	78,201	76,544	-1,657	76,154	73,257	-2,897	79,155	77,100	-2,055	78,126	75,323	-2,803	82,553	78,233	-4,321
Short-term assets	(10,591)	(10,591)	(0)	(6,050)	(6,050)	(0)	(9,462)	(9,463)	(1)	(7,168)	(7,168)	(1)	(10,468)	(10,468)	(0)
Domestic equities	48,177	77,951	29,774	49,480	78,910	29,430	51,092	75,938	24,846	53,463	80,749	27,286	54,130	76,322	22,192
Foreign bonds	65,995	71,346	5,351	66,676	75,307	8,631	67,693	71,210	3,517	69,128	74,720	5,592	71,576	74,170	2,594
Foreign equities	36,199	78,155	41,956	35,659	80,800	45,141	37,351	76,381	39,030	37,435	80,411	42,976	39,479	76,022	36,543
Total	228,572	303,997	75,425	227,969	308,274	80,305	235,291	300,628	65,338	238,153	311,203	73,050	247,738	304,746	57,008

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	4,477	-478	1,686	-6,833

(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 ¥18 billion. The fee rate relative to the value of investment assets came to 0.06%.

(Unit: JPY100M, %)

	Fiscal Year 2024	
	Fee	Fee rate
Domestic bonds	21	0.03
Domestic equities	50	0.06
Foreign bonds	28	0.04
Foreign equities	63	0.08
Alternative assets	17	0.27
Overall assets	180	0.06

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

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

2 Risk management

(1) Approach to risk management

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

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

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

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

1 Basic approach concerning risk management

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

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

2 Risk management implementing entities and subjects of management

(1) Employees' Pension Insurance Scheme Managed Fund

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

(2) Risk management efforts

■Management of the deviation of the asset mix

Investment based on the benchmark portfolio requires the management of various 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

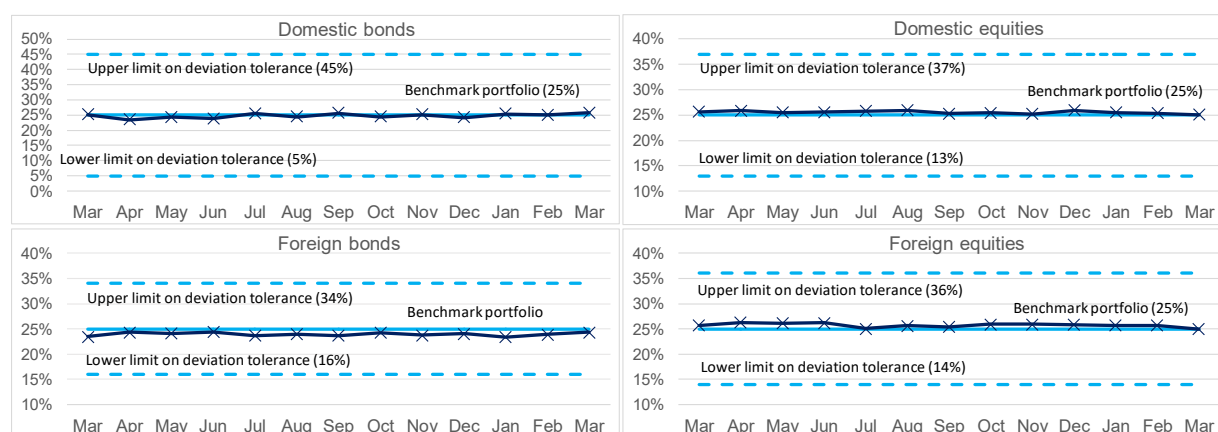
The status of risk management and improvement measures implemented are reported to the committees of specialists and the Governing Council.

(3) Status of risk management

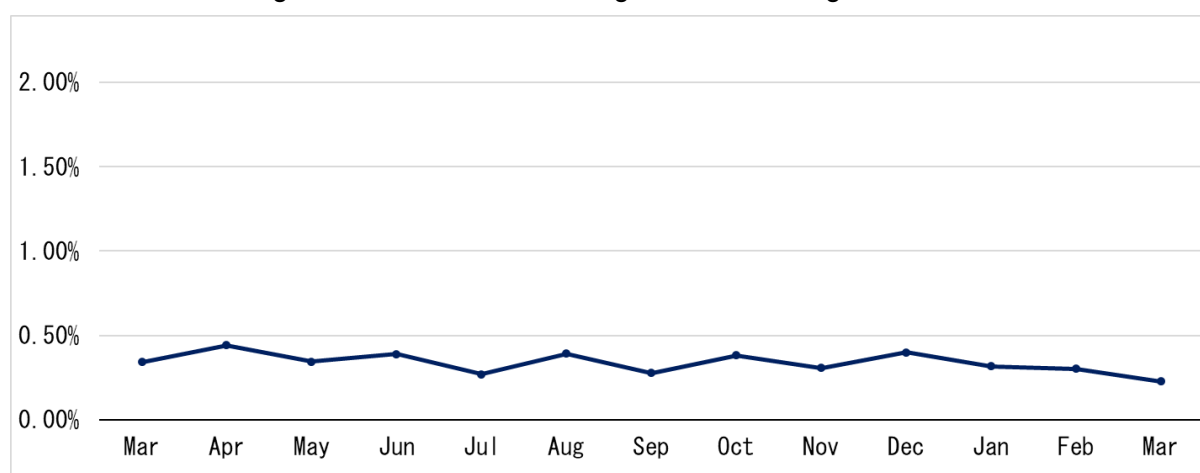
The shares in the asset mix concerning all asset classes—domestic bonds, domestic equities, foreign bonds and foreign equities—stayed within the deviation tolerance.

The estimated tracking error concerning overall assets experienced increases and decreases due to the market factor and other factors.

【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 Alternative assets

(1) What are alternative assets?

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

The types of alternative assets targeted for investment differ from member association to member association. The Pension Fund Association for Local Government Officials, whose scope of investment targets is the broadest, invests in real estate, infrastructure, private equity (hereinafter referred to as "PE"), private debt (hereinafter referred to as "PD"), and bank loans (hereinafter referred to as "BL") as of the end of fiscal year 2024.

The risk-return profile and return of alternative assets is diverse. Therefore, when selecting funds, the Associations hold interviews with respect to each fund and make investment decisions while taking into consideration the risks specific to the funds, the suitability with the selection criteria regarding entrusted investment management institutions and investment strategy, etc.

After making investment, the Associations continue monitoring by periodically receiving reports on the status of performance of funds and investment assets from entrusted investment management institutions.

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

(2) Fund selection

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

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

In July 2015, the Pension Fund Association for Local Government Officials started soliciting entries with respect to funds investing in real estate and infrastructure under the Asset Manager Registration System. Subsequently, the scope of investment target assets was expanded to include PE, PD and BL.

In July 2017, the National Federation started soliciting entries with respect to funds investing in real estate under the Asset Manager Registration System. Subsequently, the scope of investment target assets was expanded to include infrastructure and PE.

In December 2021, the Japan Police Personnel Mutual Aid Association started soliciting entries with respect to funds investing in real estate and infrastructure under the Asset Manager Registration System.

■ Diversification of investment schemes

Under the Asset Manager Registration System, the Association started soliciting registrations for funds investing through the SMA (Separately Managed Account) structure. SMA refers to a dedicated account under which the gatekeeper manages multiple funds as a whole based on the investor's own investment policy.

As the use of the SMA format enables timely access to superior funds through the fund of funds manager, it is expected that investment opportunities will increase and that advanced diversification will be achieved with respect to regions, sectors and investment timings.

■ Selection of investment funds and the number of funds adopted

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

As of the end of fiscal year 2024, the Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, the National Federation and the Pension Fund Association for Local Government Officials have adopted a total of 74 funds, and started the investment in 69 funds, with a total value (market value) of 694.5billion yen (2.3% of the total amount of funds).

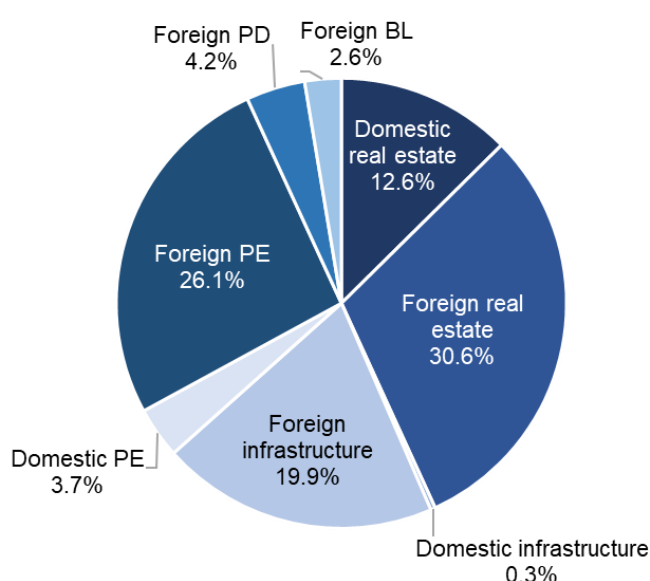
The Associations will continue to evaluate the funds registered and make selection in the future so as to seize opportunities for investing in superior funds likely to contribute to diversified investment.

【Number of funds adopted】

Investment fund	Number of funds adopted
Domestic real estate	10
Foreign real estate	21
Domestic infrastructure	1
Foreign infrastructure	14
Domestic PE	9
Foreign PE	10
Foreign PD	8
Foreign BL	1
Total	74

* The number of funds with respect to which contracts had been concluded by the end of FY2024 is indicated.

【Asset mix】



* Total market value basis as of the end of FY2024

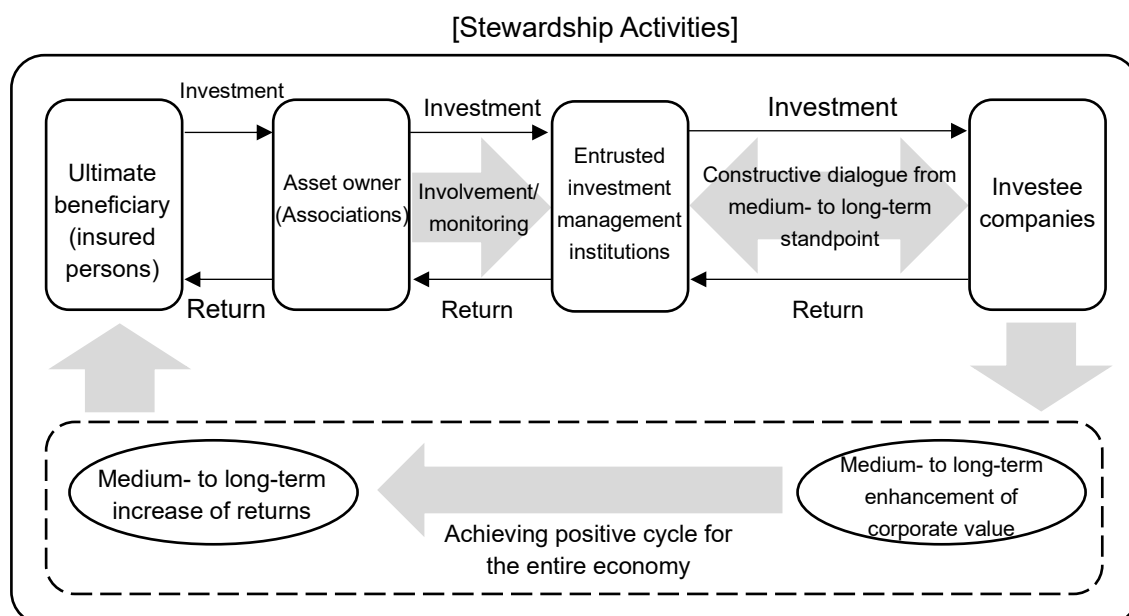
4 Stewardship activities

(1) Overview of the Associations' stewardship activity

"Stewardship activities" refers to the activities of institutional investors to increase medium- to long-term investment returns for their clients and beneficiaries by encouraging improvements in corporate value and sustainable growth of investee companies through means such as 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.



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

■ Establishment 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 "Administration and Investment Policy for the Managed Reserve Fund for Employees' Pension Insurance Schemes."

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 20 investment management institutions entrusted with domestic equity investment at a general meeting of shareholders of a total of 35,829 companies held between July 2023 and June 2024. The number of proposals for which voting rights were exercised was 120,451.

Of all the proposals, 30,329 were voted against, translating into a vote-against rate of 25.2%.

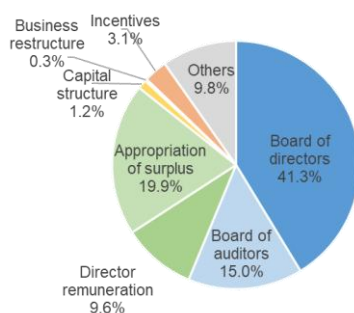
The vote-against rate came to 37.5% concerning proposals related to the election of board of directors/directors, 14.1% concerning proposals related to the election of board of auditors/auditors and 17.3% concerning proposals related to director remuneration, etc.

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		Vote against		Abstentions		Total
		Rate		Rate		Rate	
Company proposal	89,443	78.3%	24,824	21.7%	0	0.0%	114,267
Shareholder proposal	679	11.0%	5,505	89.0%	0	0.0%	6,184
Total	90,122	74.8%	30,329	25.2%	0	0.0%	120,451

Number of proposals by type of proposal	Vote for		Vote against		Abstentions		Total
		Rate		Rate		Rate	
Board of directors/directors	31,090	62.5%	18,652	37.5%	0	0.0%	49,742
Board of auditors/auditors	15,478	85.9%	2,533	14.1%	0	0.0%	18,011
Director remuneration, etc.	9,556	82.7%	2,006	17.3%	0	0.0%	11,562
Appropriation of surplus	22,282	93.2%	1,630	6.8%	0	0.0%	23,912
Capital structure	487	33.8%	955	66.2%	0	0.0%	1,442
Takeover defense measures	12	2.1%	559	97.9%	0	0.0%	571
Capital increase or reduction	135	100%	0	0.0%	0	0.0%	135
Third party allotment of shares	51	58.0%	37	42.0%	0	0.0%	88
Acquisition of own shares	69	17.0%	338	83.0%	0	0.0%	407
Business restructure	318	99.7%	1	0.3%	0	0.0%	319
Incentives improvement for executives	3,206	86.8%	486	13.2%	0	0.0%	3,692
Other proposals	7,705	65.5%	4,066	34.5%	0	0.0%	11,771
Total	90,122	74.8%	30,329	25.2%	0	0.0%	120,451

Share by proposal subject



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

The Associations exercised voting rights through 25 investment management institutions entrusted with foreign equity investment at a general meeting of shareholders of a total of 21,185 companies held between July 2023 and June 2024. The number of proposals for which voting rights were exercised was 201,769.

Of all the proposals, 33,869 were voted against, translating into a vote-against rate of 16.8%.

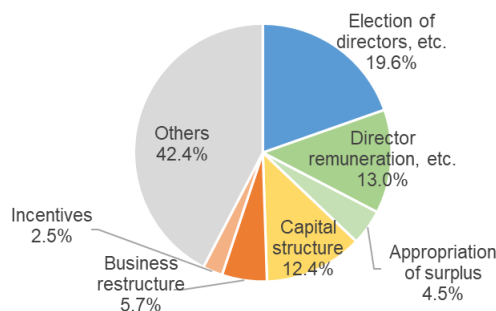
The vote-against rate came to 11% concerning proposals related to the election of directors, etc. and 14.9% concerning proposals related to director remuneration, etc.

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		Vote against		Abstentions		Total
		Rate		Rate		Rate	
Company proposal	159,787	86.1%	25,647	13.8%	103	0.1%	185,537
Shareholder proposal	7,965	49.1%	8,222	50.7%	45	0.3%	16,232
Total	167,752	83.1%	33,869	16.8%	148	0.1%	201,769

Number of proposals by type of proposal	Vote for		Vote against		Abstentions		Total
		Rate		Rate		Rate	
Proposal for election of directors, etc.	35,225	89.0%	4,354	11.0%	15	0.0%	39,594
Director remuneration, etc.	22,307	85.0%	3,912	14.9%	14	0.1%	26,233
Appropriation of surplus	8,946	99.5%	41	0.5%	6	0.1%	8,993
Capital structure	22,093	88.3%	2,929	11.7%	4	0.0%	25,026
Takeover defense measures	795	93.4%	56	6.6%	0	0.0%	851
Capital increase or reduction	6,978	78.3%	1,935	21.7%	0	0.0%	8,913
Third party allotment of shares	2,456	91.5%	227	8.5%	0	0.0%	2,683
Acquisition of own shares	6,861	99.2%	54	0.8%	3	0.0%	6,918
Business restructure	8,963	78.5%	2,449	21.5%	0	0.0%	11,412
Incentives improvement for executives	3,315	65.9%	1,713	34.1%	2	0.0%	5,030
Other proposals	66,903	78.3%	18,471	21.6%	107	0.1%	85,481
Total	167,752	83.1%	33,869	16.8%	148	0.1%	201,769

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.

5 Review of benchmark portfolio

(1) Basic approach to reviewing the benchmark portfolio

Under the Basic Policy for Employees' Pension Insurance Benefit 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.

In addition, the permissible deviation tolerance is determined considering the need for short-term assets for pension-paying associations, as well as the autonomy and flexibility of investment management.

(3) Benchmark portfolio after the review

	Domestic bonds	Domestic equities	Foreign bonds	Foreign equities
Asset allocation	25%	25%	25%	25%
Deviation tolerance	±20%	±9%	±7%	±9%

※Short-term assets are classified into domestic bonds.

※Alternative assets are classified into domestic bonds, domestic equities, foreign bonds or foreign equities according to their risk/return profiles and other characteristics. The share of alternative assets in the asset mix is limited to a maximum of 5% of the overall assets.

<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 of the benchmark portfolio underperforming the nominal wage growth rate should be lower than the risk of a portfolio comprised solely of domestic bonds underperforming 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

6 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 Employees' Pension Insurance Benefit 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 insured persons.

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 Associations have adopted 14 ESG funds concerning domestic equities (12 funds for active investment and two funds for passive investment), with a total value (market value) of 761.8 billion yen (approximately 10.0% 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 105.1 billion yen (approximately 1.4% of the outstanding balance of foreign 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 7.3 billion yen (0.1 billion yen for local government bonds and 7.2 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

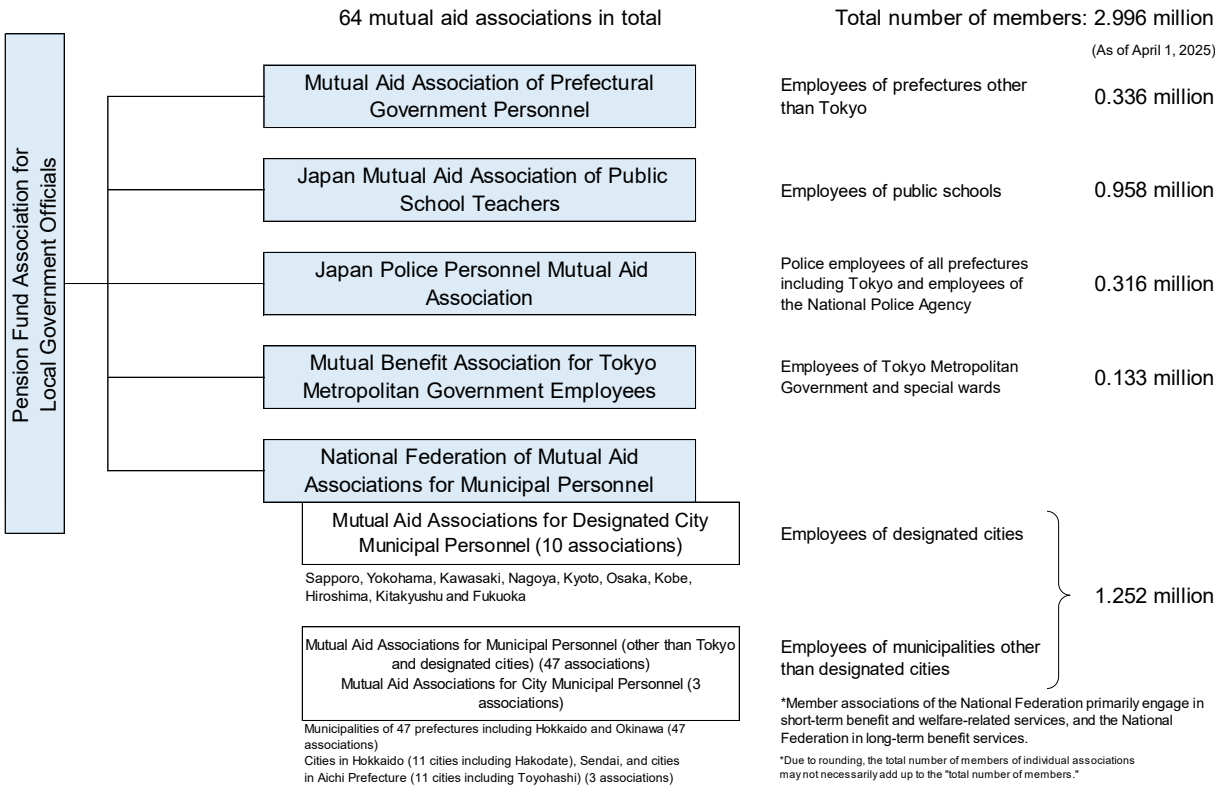
Businesses and Fund Management of Local Public Service Mutual Aid Associations

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

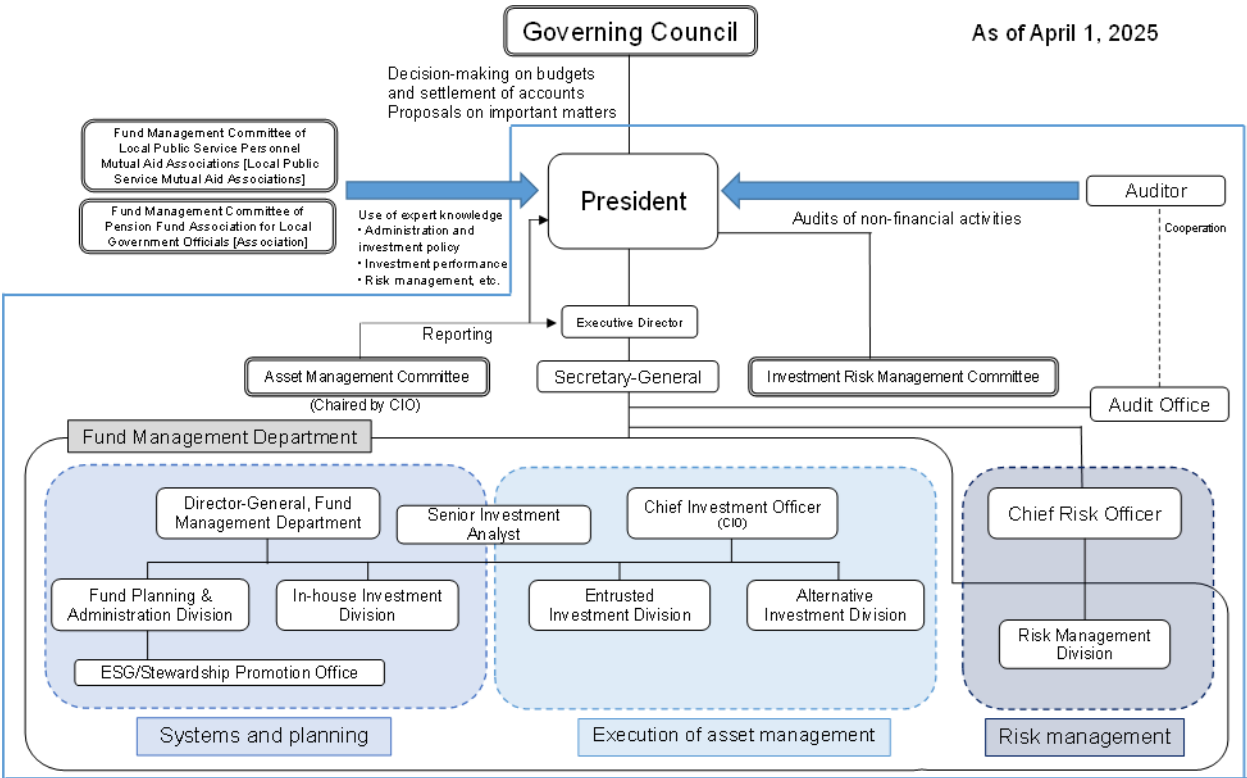
(1) Governing Council

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 "Administration and Investment Policy for Managed Reserve Fund for Employees' Pension Insurance Schemes," the Fund Management Committee of Local Public Service Personnel Mutual Aid Associations has been established, which is comprised of individuals who possess academic knowledge or practical experience in areas such as economics, finance, and fund management (the "Fund Management Committee").

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

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

■Matters for deliberation and report by the Fund Management Committee

Deliberation matters	Reporting matters
- 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, 2024)

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 Valuation
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

First, the chief ministers, namely the Minister of Health, Labor and Welfare, the Minister of Finance, the Minister for Internal Affairs and Communications, and the Minister of Education, Culture, Sports, Science and Technology, jointly establish① the Funds Basic Guidelines as an overall framework.

Next, the administration and investment organizations (the GPIF, the KKR, the Pension Fund Association for Local Government Officials, and the PMAC) jointly establish ② the Target Asset Mix of Funds (model portfolio) based on the Funds Basic Guidelines.

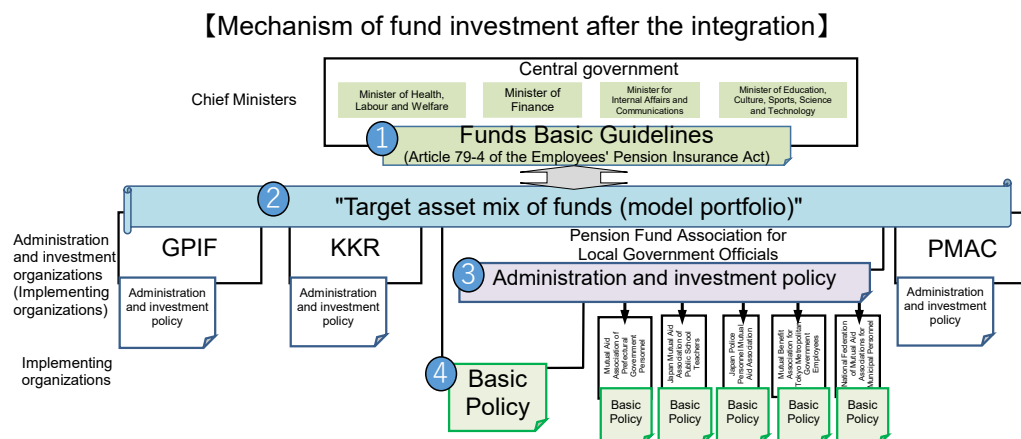
The Pension Fund Association for Local Government Officials establishes ③ the Administration And Investment Policy subject to approval from the Minister for Internal Affairs and Communications and individual implementing organizations establish ④ Basic Policies relating to funds in accordance with the administration and investment policy.

This framework is prescribed under the Employees' Pension Insurance Act and the Local Public Officers, etc. Mutual Aid Association Act. Under the Employees' Pension Insurance Act, the Pension Fund Association for Local Government Officials as the entity responsible for asset management and investment, is required to establish policies for the management and investment of the reserve funds, in a manner consistent with the Basic Policy for the Management and Investment of Reserves and in accordance with the model portfolio, so as to ensure appropriate management and investment of such reserve funds.

In addition, under the Local Public Officers, etc. Mutual Aid Association Act, the Pension Fund Association for Local Government Officials and the associations, as implementing entities, are required to establish their respective basic policies so that the management and investment of their own reserve funds are conducted appropriately, in conformity with the Basic Policy for the Management and Investment of Reserves as well as the overall management and investment policies.

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.



(2) Basic approach to investment

■Basic policy

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

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

To ensure the required real return on investments of the funds of 1.9% (meaning the investment return less the nominal wage increase) at the minimum risk, a benchmark portfolio shall be established and appropriately managed and efforts shall be made to secure the 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.