

THE PENSION RESERVE FUND

Investment of the Pension Reserve Funds for Employees' Pension and National Pension

<Principle of Pension Fund investment>

- ◇ The Pension reserve funds are a valuable financial resource for future pension benefits and are to be invested exclusively for the benefit of the insured, safely and efficiently from a long-term perspective.
- ◇ These principles are mandated by the Welfare Pension Insurance Act, National Pension Act and other related laws.
 - The total reserve fund of employees' and national pensions stands at approx 138 trillion yen (at the end of FY2014).
 - * Includes the value of the assets invested by the GPIF (Government Pension Investment Fund) which stands at approx 137 trillion yen.
 - In pursuit of high speciality and clear responsibility, the reserve funds are entrusted to the GPIF which is an independent administrative agency specialized in pension fund investments.

<Principle of risk and return>

- ◇ The aim of investments of Pension reserve funds is to stabilize the schemes of Employees' Pension and National Pension. As reserve funds are derived from premiums of compulsory pension insurance collected from the insured and companies, reserve funds are required to be invested to earn necessary returns at low-risk over the long term.
- ◇ The cost of pension benefits increases or decreases basically in accordance with the nominal rates of wage increase. It is necessary therefore to seek to earn real investment return (nominal investment return less nominal rate of wage increase) that covers such fluctuation in the cost of pension benefits.

<Policy Asset Mix>

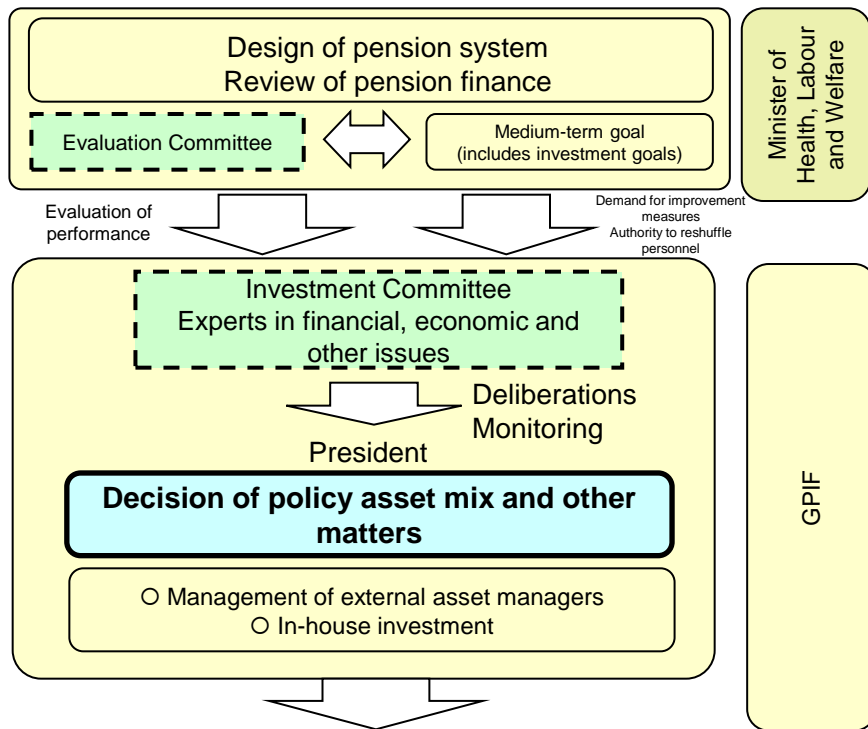
* Modified on Oct.31, 2014

| Domestic bonds | Domestic stocks | Foreign bonds | Foreign stocks |
|----------------|-----------------|---------------|----------------|
| 35% (±10%) | 25% (±9%) | 15% (±4%) | 25% (±8%) |

Current governance of GPIF and related figures

<Investment scheme>

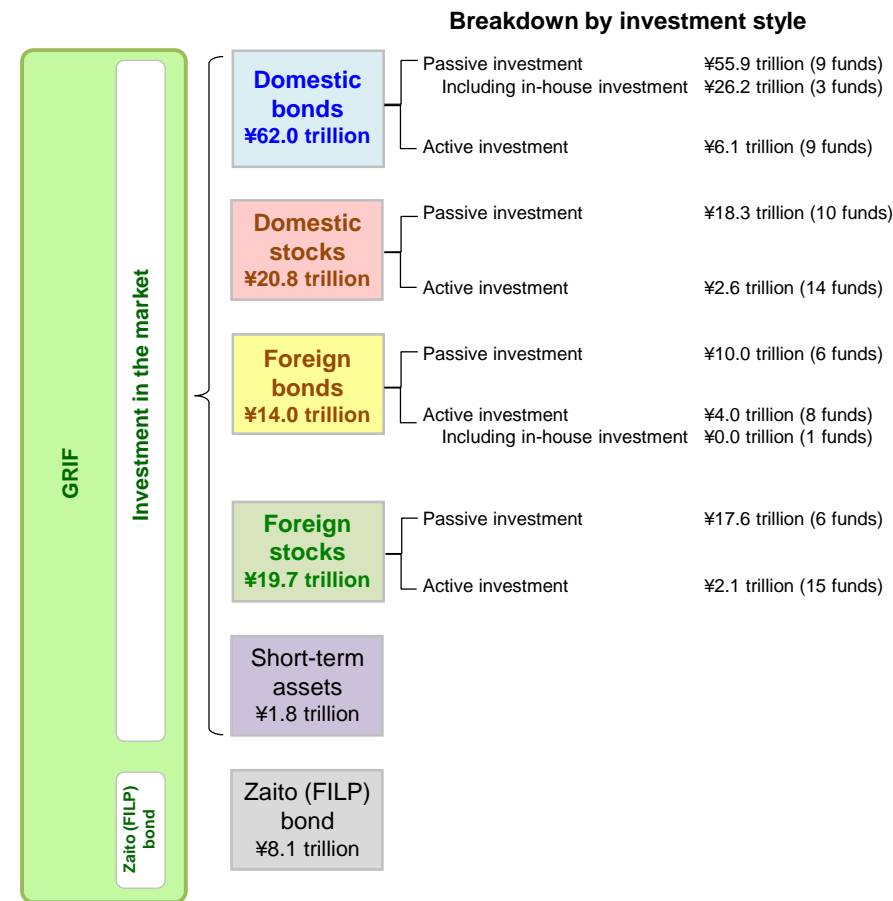
- The Minister of Health, Labour and Welfare, who is responsible for pension finance, entrusts the reserve fund to an independent administrative agency specialized in pension investment, the Government Pension Investment Fund (GPIF).
- The GPIF then entrusts most of the reserve fund to domestic or foreign high-performance external asset managers that were selected via a process of public invitations (34 agencies that manage 73 funds).
- In addition to the selection of external asset managers, the GPIF is engaged in investment management relating to the pension reserve fund including risk management and due diligence.
- The GPIF has a staff of 78 people, about 40 percent of whom have experience in fund management in private financial institutions. (as of Oct.1, 2014)



(external asset managers) Trust banks and investment advisory companies

<Size of investment>

- The latest value of assets invested by the GPIF, one of the world's largest pension funds, stands at approx 1127 trillion yen (at the end of FY2013), (with total national pension fund reserves being approx 132 trillion yen).



Total assets invested 126.6 trillion yen (at end of March 2014)

Note: All above figures are rounded. The sum of assets broken down may not add up to the indicated totals.