



Welcome to the World of Investing!

Defined Contribution Pension Plans



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The defined contribution pension plan is the system through which the participant him/herself selects investment products and grows his/her assets in preparation for post-work living. It seems difficult to make proper investment decisions.... Many people may have that kind of impression about investments. This guidebook is designed to help you deepen your understanding of the investment process step by step from selecting investment products suitable for you to reviewing your investment portfolio. Moreover, the guidebook has been written in an easy-to-understand explanation for those who are not familiar with the investment world. It also provides detailed information for those who want to deepen their understanding even more. Obtain knowledge on investment and use it not only for the defined contribution pension plan, but also for your asset formation. Now, take a step into the world of investing!



How To Use This Guidebook

Basics

The basic information is provided here:

Question → **Explanation** → **Summary**

Please read these points first, Tips and related information are also available.

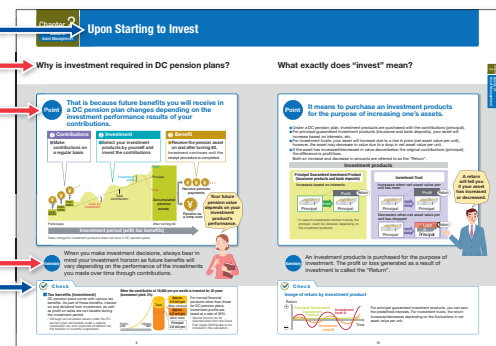
Section

Question

Explanation

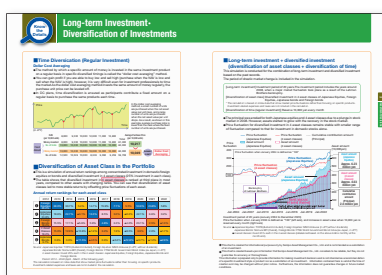
Summary

Related Information



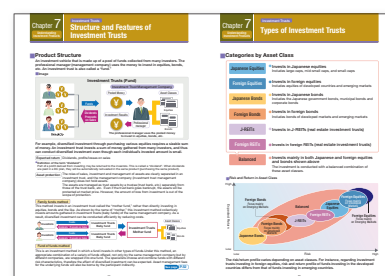
Details

An explanation is given to help your understanding of each item. This is the section for those who want to deepen their understanding even more. Although this section may contain professional/technical terms, explanation is given in an easy-to-understand manner to the full extent possible. Please read this section as well.



Understanding Investment Products

The structures and features are explained for each type of investment product. Please read this section when you select your investment products.



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Learn
the basics

Select
Investment
Products

Grow
your assets

Deepen your
understanding

Quick

Investment Start Guide

Please ensure you understand the key points before starting your investment.

The defined contribution pension plan is abbreviated as the “DC”.

How DC Plans Work

In this scheme, contributions are reserved for investment, and the accumulated assets may be received after the age of 60.

Contribution

Accumulate contributions continuously

Investment products are purchased based on your accumulated contributions, so this diversifies the purchase timings.

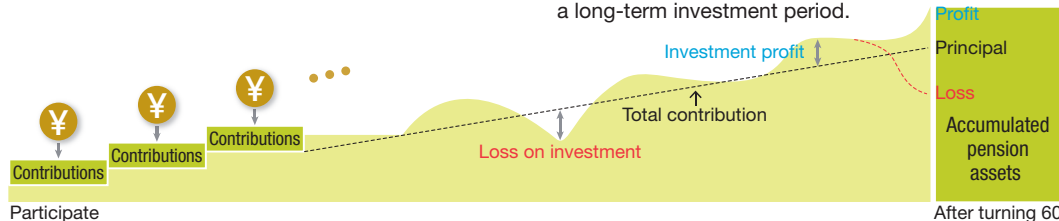
Investment

Select your investment product yourself and invest your contributions

The objective of a DC pension plan is to form an asset to prepare for post-work living, so it holds a long-term investment period.

Benefit

Receive the invested and accumulated pension asset



◎Diversification of time (regular investment)

Investment timings are dispersed and diversified in order to level off the purchase price and achieve a stable return.



◎Long-term investment

The investment period is made longer to reduce fluctuations and increase stability in investments.

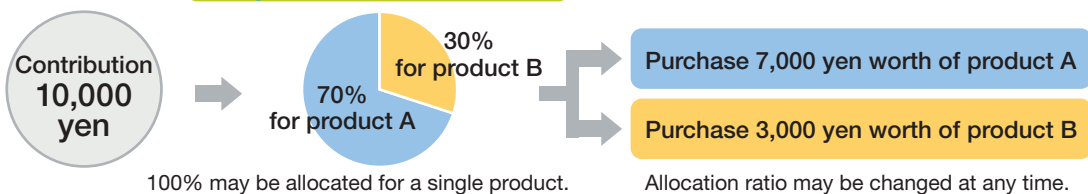
Your benefit amount depends on your investment performance.

Start of Investment : Designation of allocation ratio

Designation of allocation ratio is required to start your investment. Here, you should decide which investment products you purchase as well as the percentage of purchase with your contributions.

For example:

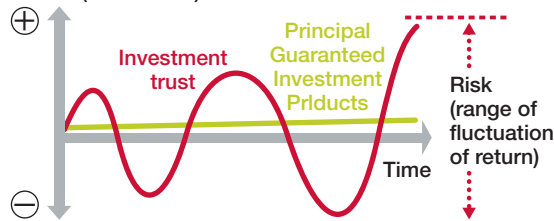
Designation of allocation ratio



Available investment products

Investment products suited for DC pension plans are offered. There are two main products: investment trusts (such as stocks and bonds) and principal guaranteed investment products (such as insurance and bank deposits).

Return (Profit/Loss)



See page **P.39**

Investment trusts:

There is a possibility that the return could be lower than the principal, but high return can be expected.

Principal guaranteed products:

The principal will be guaranteed, but high return cannot be expected.

Points to consider when designation of allocation ratio

Consider how to allocate your investments based on your preferences such as active investing or stable investing. Also consider how to diversify your asset class.



◎Diversification of asset class in the portfolio

Stabilize your investments by combining different investment products (multiple assets with different price fluctuations).



Three approaches to stabilizing your investments

As long-term investment and diversification of time are standard features of DC pension plans, deciding how you diversify your asset class is important in achieving a successful outcome.

See page **P.15~**



If you do not define your designation of allocation ratio...

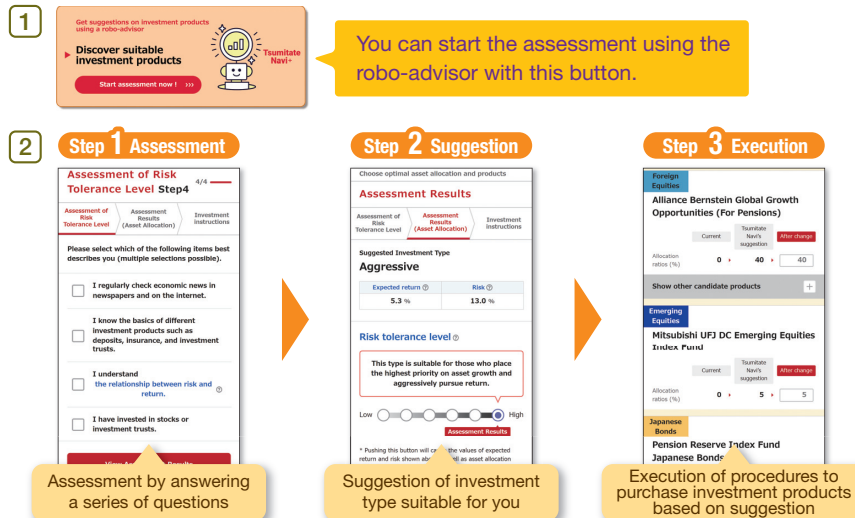
Your investment will not start, so make sure you determine investment allocation.

* Depending on the plan to which you have participated, your investment may start by purchasing a predefined investment product (designated investment product) after a specified period of time, but, in principle, you must decide upon the allocation by yourself.

How to Determine your Designation of allocation ratio

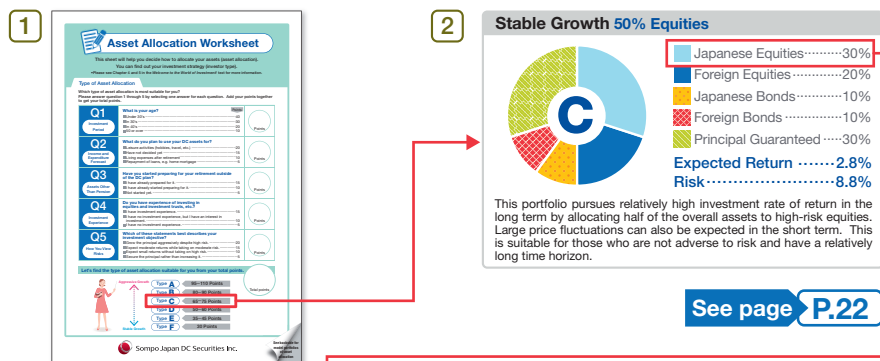
Provide investment instructions using the robo-advisor assessment tool on the AnswerNet.

- 1 Even those with no investment experience can easily select investment products based on the assessment results of the robo-advisor.
- 2 Follow the prompts on the screen and complete the procedures to provide investment instructions.



Asset Allocation Worksheet

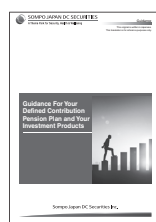
- 1 Check your type by answering the questions.
- 2 Based on the Worksheet and examples of asset allocation, you will be able to identify the allocation best suited to you (diversification of asset class).



See page **P.22**

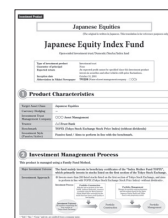
- 3 Select investment products according to the examples of asset allocation.

[Investment Product Lineup]



Products other than Principal Guaranteed (Investment Trust)			
Product Name	Japanese Equity Index Fund DC	Asset Management Company	OO Asset Management
Category	Japanese Equities	Asset Management Fee (annualized)	0.699%
Investment Style	Passive	Partial redemption charge	None
Characteristics	Invests in Japanese equities and aims to perform in line with the benchmark (TOPIX, without dividends).		
Reason for Selection	*The management company has a stable management foundation. *80% consistent investment performance, the management company is rated as stable both in qualitative and quantitative aspects by a professional third party evaluator. *The investment process has been established and long-term stable investment can be expected. *The product has been selected as a passive fund which invests in Japanese equities.		
Product Name	Japanese Equity DC Value Fund	Asset Management Company	OO Asset Management
Category	Japanese Equities	Asset Management Fee (annualized)	1.512%
Investment Style	Active	Partial redemption charge	When Selling 0.3%
Characteristics	Invests in value priced Japanese equities and aims to outperform the benchmark (TOPIX, dividends included in the middle to long term).		
Reason for Selection	*The management company has a stable management foundation. *80% consistent investment performance, the management company is rated as stable both in qualitative and quantitative aspects by a professional third party evaluator. *The investment process has been established and long-term stable investment can be expected. *The product has been selected as an active fund which invests in Japanese equities.		

Investment Product Guide



See page **P.25~**

- 4 Decide upon the purchase percentage of selected investment products to finalize your designation of allocation ratio.

Methods for designation of allocation ratio

◎ AnswerNet (Website for participants)

SOMPO JAPAN DC SECURITIES AnswerNet
www.sjdc.co.jp/answernet

◎ AnswerCenter (Call center for participants)

SOMPO JAPAN DC SECURITIES AnswerCenter
0120-401-593

◎ Asset Allocation Sheet (in writing)

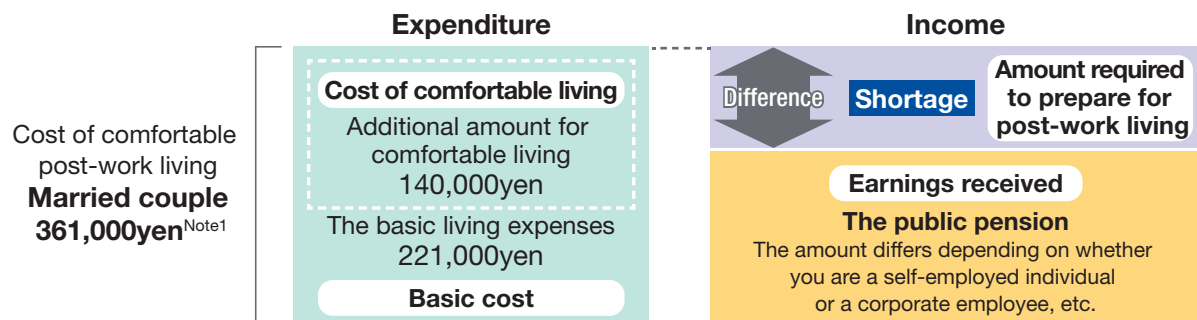
See page **P.29**

You are required to determine and designation of allocation ratio on your own responsibility.

Would public pension alone be sufficient for me to live on in my post-work living?

Point

It is commonly said that public pension alone would be insufficient to cover the cost of comfortable post-work living.



Monthly cost (unless indicated as annual)

Monthly cost (unless indicated as annual)			Expenditure	Income	Difference	Shortage
			Cost of comfortable post-work living	The amount of public pension ^{Note2}	Monthly amount	Annual estimate
Married couple	Self-employed individuals		361,000yen	130,000yen	231,000yen	2,770,000yen
	Corporate employees, etc.			220,000yen	141,000yen	1,690,000yen
A single -person household	Self-employed individuals		253,000yen	65,000yen	188,000yen	2,260,000yen
	Corporate employees, etc.	Male	(We calculated as 70% of the above cost for a married couple.)	155,000yen	98,000yen	1,180,000yen
		Female		123,000yen	130,000yen	1,560,000yen

Note 1: Cost of comfortable post-work living: Japan Institute of Life Insurance, "Survey on Life Security in 2019"

Note 2: The data was created by us based on "Mizuho Insights (January 22, 2021): Example of pension amount for pension recipients aged 67 years old and younger in 2021, Example of Monthly Pension Amount by Household in 2021" by Mizuho Research Institute. Married couple and a corporate employee: The husband works for 40 years at an average annual income (average monthly standard remuneration: 439,000 yen), and the wife remains a full-time housewife throughout the same period Single and a corporate employee: Works for 40 years at an average monthly standard remuneration of 439,000 yen (male) and 283,000 yen (female)

Summary

The difference between your total living expenses and the amount of public pension will be required to prepare for your future.

Which case matches your situation?



Tips

You can use the pension-projection calculator to estimate your pension benefits through the "Nenkin-Net" service provided by Japan Pension Service. Information is also available through "Nenkin Teiki Bin, Pension Coverage Regular Notice" which will be sent to you by Japan Pension Service annually during your birth month.



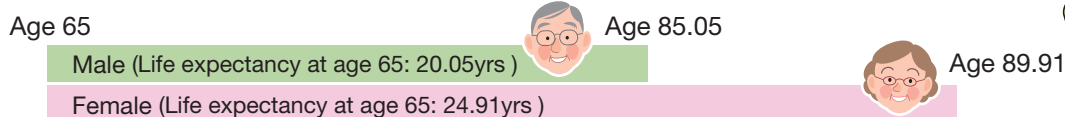
As of January 2022

How much money do I need for my post-work living? (1)

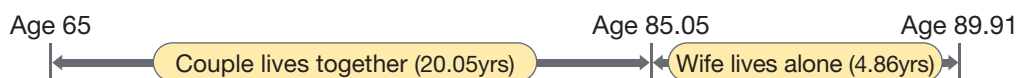
Point

First, consider the duration of life in your post-work living based on average life expectancy. Average life expectancy is a measure of the average years a person is expected to live, based on her/his current age.

Duration of life in post-work living (e.g. for a person who is 65 years old)



For a married couple, the average male life expectancy is equivalent to the duration during which the couple lives together.



The average life expectancy is getting longer.

Average life expectancy and life span by age

Current Age ①	Male		Female	
	Life expectancy ②	Life span by age (①+②)	Life expectancy ③	Life span by age (①+③)
0	81.64yrs	81.64	87.74yrs	87.74
20	61.97yrs	81.97	68.04yrs	88.04
40	42.57yrs	82.57	48.40yrs	88.40
60	24.21yrs	84.21	29.46yrs	89.46
65	20.05yrs	85.05	24.91yrs	89.91
80	9.42yrs	89.42	12.28yrs	92.28

At birth, the average life span is equivalent to the average life expectancy.

Source: We defined and calculated the life span by age based on "Summary: Abridged Life Table for Japan 2020" by the Ministry of Health, Labour and Welfare.

Summary

The duration of life in post-work living gets longer when your calculation is based on the average life expectancy rather than average life span.

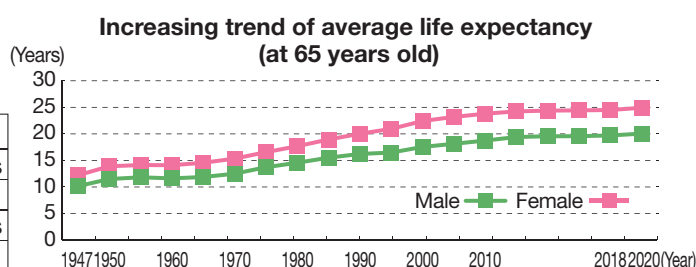
Go to next page



Data

It shows that the average life expectancy at 65 years old in 2020 becomes longer than that in 1947.

		1947	lives longer	2020
Male	Life expectancy	10.16yrs	+9.89	20.05yrs
	Life span by age	75.16		85.05
Female	Life expectancy	12.22yrs	+12.69	24.91yrs
	Life span by age	77.22		89.91



Source: "Summary: Abridged Life Table for Japan 2020" by the Ministry of Health, Labour and Welfare.

How much money do I need for my post-work living? (2)

Point

Based on the data up to the previous page, the total amount of money required for your post-work living can be calculated as follows:

$$\left(\begin{array}{|c|} \hline \text{Expenditure} \\ \hline \text{Cost of comfortable post-work living} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Income} \\ \hline \text{The public pension} \\ \hline \end{array} \right) \times \left(\begin{array}{|c|} \hline \text{Duration of life in post-work living} \\ \hline \text{Age 65} \quad \text{Age 85.05} \\ \hline \text{Male (Life expectancy at age 65: 20.05yrs)} \quad \text{4.86yrs} \\ \hline \text{Female (Life expectancy at age 65: 24.91yrs)} \quad \text{Age 89.91} \\ \hline \end{array} \right) = \begin{array}{|c|} \hline \text{Difference} \\ \hline \text{Shortage} \\ \hline \end{array}$$

Amount required to prepare for post-work living

The amount of the shortfall is reduced if you limit your expenditure to basic living expenses.

Figures in parentheses indicate the annual amount

		Couple lives together (20.05yrs)		Wife lives alone (4.86yrs)		Total	Difference
Married couple	Expenditure	Cost of comfortable	87million yen(4.33million yen)	15million yen(3.03million yen)	102million yen		
	Income	Self-employed individuals	31million yen(1.56million yen)	4million yen(0.78million yen)	35million yen	67million yen	
	The public pension	Corporate employees, etc.	53million yen(2.64million yen)	7million yen(1.5million yen)	60million yen	42million yen	
A single-person household	Male	Expenditure	Cost of comfortable	61million yen(3.03million yen)		60million yen	
		Income	Self-employed individuals	16million yen(0.78million yen)		16million yen	45million yen
		The public pension	Corporate employees, etc.	37million yen(1.86million yen)		37million yen	24million yen
	Female	Expenditure	Cost of comfortable	75million yen(3.03million yen)		75million yen	
		Income	Self-employed individuals	19million yen(0.78million yen)		19million yen	56million yen
		The public pension	Corporate employees, etc.	37million yen(1.48million yen)		37million yen	38million yen

Cost of comfortable: Cost of comfortable post-work living
Source: Same as page 5-6. However, we calculated the amount of pension for the time during which the wife lives alone.
All figures are estimates.

Look at these figures for your reference.

Summary

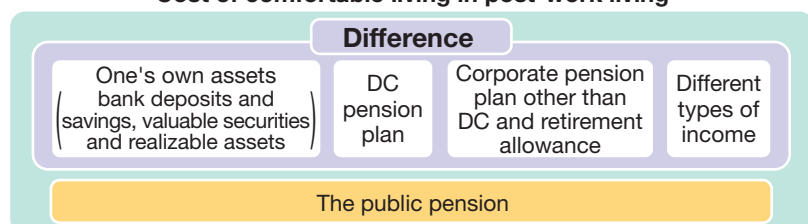
Consider how much money you will need for your life in post-work living based on your own situation.



Tips

In order to make up for the financial difference (shortfall), you will need to create a financial plan for your post-work living with consideration of the use of a DC pension plan. Your financial plan should be based on your life design (life plan).

Cost of comfortable living in post-work living





Planning for Your Post-work Living

Need for Life and Financial Planning

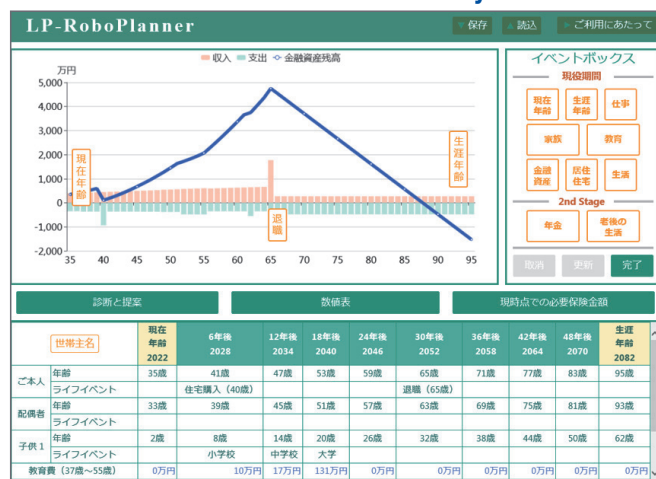
There may be a gap between public pension benefits and the cost of living in old age. Let's think about a plan for retirement during one's working years. Various simulation tools* such as the "Life Planning Simulation" are available on the AnswerNet, which are designed to help you plan for retirement using a DC plan for determining target returns based on current lifestyle.

* The simulation tools are provided in Japanese only.

AnswerNet - Top page



You will be asked to enter information on your current status including family, financial assets, housing, etc.



● Diagnosis and Suggestions

Displays an analysis and diagnosis of the financial asset situation at retirement and the income and expenditure situation over a lifetime.

● Table of figures

Displays figures for income, expenses, taxes, social insurance, pensions, financial assets, etc. for every year from now until lifetime age.

Adjusting your financial plan

Imagine that a simulation has set the target balance of your assets at 10 million yen. If you invest 20,000 yen per month for 25 years at a yield of 2.0%, the balance will amount to only approx. 7.76 mil. yen. However, you will be able to achieve your target balance by adjusting your monthly contribution amount, accumulation period and/or investment yield.

	Monthly contribution	Accumulation period	Investment yield	Asset balance at the end of accumulation period	Target balance of 10 million yen
	20,000yen	25yrs	2.0%	Approx. 7.76mil. yen	Shortfall of approx. 2.24mil. yen
Increase the amount of contribution	26,000yen	25yrs	2.0%	Approx. 10.09mil. yen	Achieved
Extend the accumulation period	20,000yen	31yrs	2.0%	Approx. 10.26mil. yen	Achieved
Increase the investment yield	20,000yen	25yrs	3.9%	Approx. 10.04mil. yen	Achieved

Taxes on investment returns are not considered.

The calculation above can be made by using the financial assets calculator, one of the money and life calculation tools in AnswerNet simulations.

* The financial assets calculators are provided in Japanese only.

Why is investment required in DC pension plans?

Point

That is because future benefits you will receive in a DC pension plan changes depending on the investment performance results of your contributions.

① Contributions

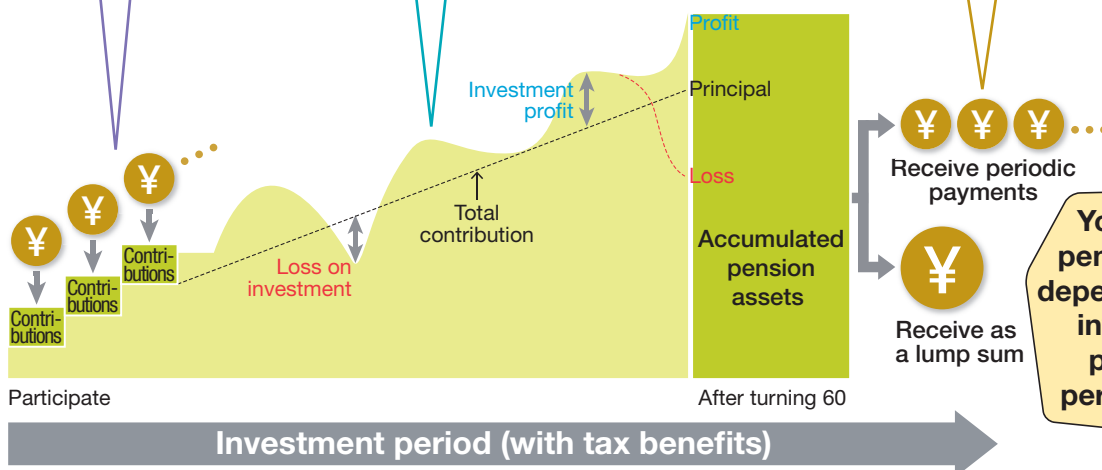
Make contributions on a regular basis

② Investment

Select your investment products by yourself and invest the contributions

③ Benefit

Receive the pension asset on and after turning 60.
Investment continues until the receipt procedure is completed.



Summary

When you make investment decisions, always bear in mind your investment horizon as future benefits will vary depending on the performance of the investments you made over time through contributions.



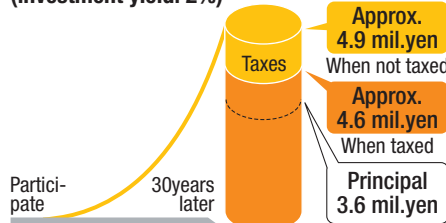
Check

■ Tax benefits (investment)

DC pension plans come with various tax benefits. As part of these benefits, interest on and dividend from investment, as well as profit on sales are not taxable during the investment period.

* Although accumulated assets under the DC pension plan are taxable under a special corporation tax and corporate inhabitant tax, the taxation is currently suspended.

When the contribution of 10,000 yen per month is invested for 30 years (investment yield: 2%)



For normal financial products other than those for DC pension plans, investment profits are taxed at a rate of 20%.

* Special income tax for reconstruction from the Great East Japan Earthquake is not included in this calculation.

What exactly does “invest” mean?

Point

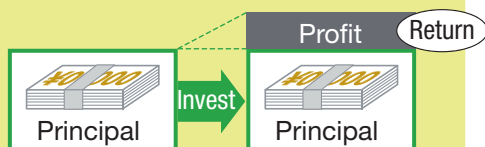
It means to purchase an investment products for the purpose of increasing one's assets.

- Under a DC pension plan, investment products are purchased with the contributions (principal).
 - For principal guaranteed investment products (insurance and bank deposits), your asset will increase based on interests, etc.
 - For investment trusts, your asset will increase due to a rise in price (net asset value per unit); however, the asset may decrease in value due to a drop in net asset value per unit.
 - If the asset has increased/decreased in value above/below the original contributions (principal), the difference is profit/loss.
- Both an increase and decrease in amounts are referred to as the “Return”.

Investment products

Principal Guaranteed Investment Product (Insurance products and bank deposits)

Increases based on interests



* In case of a redemption before maturity, the principal could be reduced depending on the investment products.

Investment Trust

Increases when net asset value per unit has risen



Decreases when net asset value per unit has dropped



A return will tell you if your asset has increased or decreased.

Summary

An investment products is purchased for the purpose of investment. The profit or loss generated as a result of investment is called the “Return”.



Check

Image of return by investment product



For principal guaranteed investment products, you can earn the predefined interests. For investment trusts, the return increases/decreases depending on the fluctuations in net asset value per unit.

How can “Return” be expressed?

Point

Investment return is generally expressed as a percentage (%).

- Insurance products and bank deposits are expressed as a % of interest rate, etc.

Inception Month	Guaranteed Interest Rate
October 2021	0.001%

<Data Showing Returns>

利率実績表							
DC傷害保険							
商品提供会社：〇〇〇〇損害保険							
■ 2021年12月 適用の保証利率							
0.001%							
■ 過去10年間の適用保証利率(月末時点)の実績推移							
設定月	保証利率	設定月	保証利率	設定月	保証利率	設定月	保証利率
2021/11	0.001%	2018/11	0.001%	2015/11	0.001%	2012/11	0.011%
2021/10	0.001%	2018/10	0.001%	2015/10	0.001%	2012/10	0.011%
2021/09	0.001%	2018/09	0.001%	2015/09	0.001%	2012/09	0.011%
2021/08	0.001%	2018/08	0.001%	2015/08	0.001%	2012/08	0.011%

* Provided in Japanese only.

- An investment trust is expressed by the rate of fluctuation of the past net asset value per unit.

If the return is positive, this means that the net asset value per unit has increased compared to one year ago. On the other hand, if the return is negative, this means that the net asset value per unit decreased.

1y
19.33%

運用実績一覧表 (パフォーマンスシート)											
基準日：2021年11月30日											
当資料は、商品の運用実績の一覧表です。商品の選択や変更の参考としてご利用下さい。各投資信託の基準価額やベンチマークとの比較などは、個々の商品の確定拠出年金向け説明資料(「データシート」)をご参照下さい。											
<p>【注】</p> <p>① 元本保証型商品の利率実績、保険商品は各月末の保証利率、預金商品は各月末の適用金利をそれぞれ記載しています。</p> <p>② 分散型(運用商品)の利率実績は、上記の「元本保証型」商品と「分散型」商品とをそれぞれ記載しています。</p> <p>③ 「分散型」商品(収益率)は、一般に運用期間中に発生した利益(または損失)を投資額で割って計算します。この算出は、経年目録の投資信託の運用実績を基に計算しています。④ 分散型商品の利率実績は、分散型商品の運用実績を基に計算しています。</p> <p>⑤ 分散型商品の「分散型」商品の利率実績は、分散型商品の運用実績を基に計算しています。この算出は、分散型商品の運用実績を基に計算しています。</p> <p>⑥ 分散型商品の「分散型」商品の利率実績は、分散型商品の運用実績を基に計算しています。この算出は、分散型商品の運用実績を基に計算しています。</p> <p>⑦ 分散型商品の「分散型」商品の利率実績は、分散型商品の運用実績を基に計算しています。この算出は、分散型商品の運用実績を基に計算しています。</p> <p>⑧ 分散型商品の「分散型」商品の利率実績は、分散型商品の運用実績を基に計算しています。この算出は、分散型商品の運用実績を基に計算しています。</p> <p>⑨ 分散型商品の「分散型」商品の利率実績は、分散型商品の運用実績を基に計算しています。この算出は、分散型商品の運用実績を基に計算しています。</p> <p>⑩ 分散型商品の「分散型」商品の利率実績は、分散型商品の運用実績を基に計算しています。この算出は、分散型商品の運用実績を基に計算しています。</p>											
■ 元本保証型以外の商品 (投資信託)											
分類	運用商品名	利率実績 (各月末)									
債券信託	DC 債券信託	2021/11	2020/11	2019/11	2018/11	2017/11	2016/11	2015/11	2014/11	2013/11	2012/11
		0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.011%	0.021%	0.011%
■ 元本保証型以外の商品 (投資信託)											
分類	運用商品名	リターン (収益率)				リスク (標準偏差)				シャープレシオ	
		1年	3年	5年	10年	3年	5年	10年	3年	5年	10年
債券信託	バランス	19.33%	6.70%	6.92%	11.03%	15.85%	12.90%	15.35%	0.43	0.50	0.72
債券信託	アクティブ										
債券信託	バランス	14.38%	5.27%	5.48%	9.32%	12.35%	11.00%	12.66%	0.42	0.50	0.74
債券信託	アクティブ										

* The above is an example only.

See page P.54~

You can see your investment performance by checking the return.

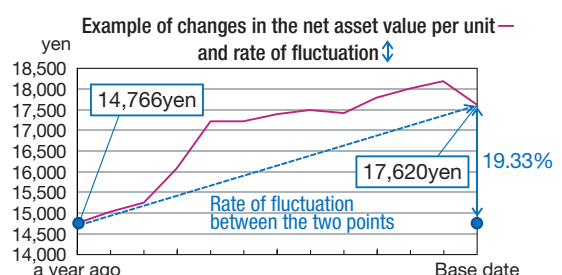
Summary

“Return” is one of the measuring tools for the investment status of the investment product.



Check

The annual return displayed in the investment trust material shown above can be derived from the rate of fluctuation in the net asset value per unit between the two points: the base date and a year before the base date. Although monthly price fluctuations (shown in the graph to the right) cannot be known, you can identify the fluctuation between the two points.



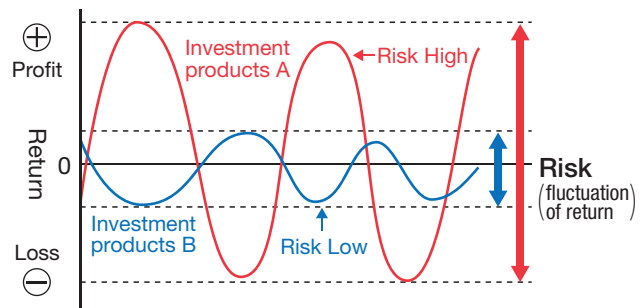
Is the investment product which offers higher “return” always a good product?

Point

It is important to take into account not only the level of “return” but also the level of “risk”.

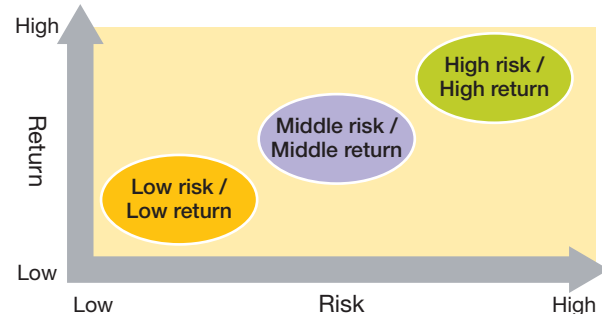
What is Risk?

- “Risk” refers to the range of fluctuation of return (standard deviation) and is expressed as a percentage (%).
- Although you may think of “danger” or “loss” when you hear the word “risk”, in the world of investing, the degree of fluctuation of not only a loss (negative deviation) but also a profit (positive deviation) is referred to as a “risk”.



The Relationship Between Risk and Return

- In general, pursuit of a higher return is accompanied by a higher risk. Contrarily, if the risk is minimized, higher return cannot be expected.
- Therefore, it is said that risk and return are two sides of the same coin.



A product with higher return doesn't necessarily mean a good product.

Summary

In general, pursuit of a higher return is accompanied by higher risk.



Tips

- On the performance sheet, factors related to investment trusts such as return, risk and sharpe ratio are provided.
- Higher risk figure indicates larger range of fluctuation of return (the standard deviation).
- Sharpe ratio measures the efficiency of investment. The greater a portfolio's sharpe ratio, the better its risk-adjusted performance.

<Performance Sheet>

■ Products other than Principal Guaranteed (Investment Trust)											
Category	Product Name	Return				Risk			Sharpe Ratio		
		1y	3y	5y	10y	3y	5y	10y	3y	5y	10y
Balanced	Balanced Fund 1	9.29%	11.14%	9.88%	2.13%	16.92%	16.66%	17.52%	0.65	0.59	0.12
Active	Balanced Fund 2	7.85%	10.33%	8.53%	2.30%	14.41%	14.05%	14.59%	0.71	0.60	0.15

* When comparing investment trusts, it is important to examine various factors comprehensively such as return, risk and the sharpe ratio to make a decision.

Why does the level of risk vary depending on the investment products?

Point

Because each investment product is affected by different factors.

Factors that affect asset classes include different risks such as risk of stock price fluctuation arising from social situations and financial markets.

Example: When the asset classes is foreign stocks

Asset Class	Factors
Foreign Equities	<div> <div>Risk of Stock Price Fluctuation</div> <div> <div>Social situations</div> <div> <div>Politics</div> <div>International situations</div> <div>Corporate performance</div> </div> </div> </div>
	<div> <div>Risk of Exchange Rate Fluctuation</div> <div> <div>Financial markets</div> <div> <div>Interest rates</div> <div>Exchange rates</div> </div> </div> </div>

The risks shown above are examples. In actuality, they will vary depending on the investment products.

Please see next page for details.

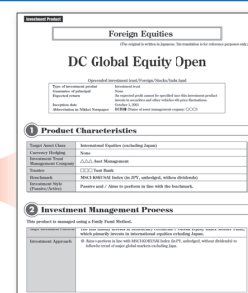
Summary

It is important to know what type of risk each investment product may involve.



Tips

The types of “risk” that may affect investment products are presented in the reference materials such as the Investment Product Guide.





Types of Risk

■ Types of Major Risks



Risk of Stock Price Fluctuation

Stock prices fluctuate due to changes in the market, economy and social situations and the issuer's business performance. Therefore, the net assets value (NAV) per unit of the investment trust which invests in stocks also fluctuates.



Risk of Interest Rate Fluctuation

This refers to the risk that the price of bonds will fluctuate with changes in interest rates. In general, when interest rates rise, bond prices fall. Conversely, when interest rates fall, bond prices rise.



Credit Risk

Credit risk is the risk of difficulty in collection of principal and interest, or falling of asset prices due to bankruptcy or deterioration in financial situation of a counterpart, including those to which funds are entrusted or issuers of securities.



Risk of Exchange Rate Fluctuation

Yen based value of foreign-currency-denominated securities fluctuates due to the fluctuation of foreign exchange rates in addition to the price fluctuations of the securities.

Some investment trusts hedge currency risk in order to avoid these fluctuations. Additional cost is required for currency hedging. Also, currency hedging does not always work perfectly due to price fluctuations of the underlying securities.



Liquidity Risk

Small market size or low transaction volume may result in difficulty of selling underlying securities within an expected period and at an expected price. As a result, loss may be borne or profit may be lost.



Country Risk

Overseas securities are subject to political and economic conditions, exchange regulations, capital regulations, tax systems, etc., in the country of origin. If a change in circumstance occurs, this may affect the financial markets and securities may lose considerable value; restrictions may also be imposed on the ability to trade such securities. As an example, historically, emerging markets have had greater volatility than markets in advanced countries. The result is securities trading in these markets are more prone to significant price fluctuations. Although, upside risk could also be expected from the investment.



Risk of Real Estate Investment

As real estate investment securities (REITs) are vulnerable to changing real estate rental/purchase/sale markets, interest rate environment, natural disasters and economic situations, the rent income from owned properties and the value itself of owned properties may decrease. This may cause fluctuations in the net asset value per unit and dividends.



Inflation Risk

Inflation is defined as an increase in the general level of prices for goods. When the price of goods rises, the value of money falls accordingly. When the value of money falls due to inflation, your assets will actually be eroded.

Is there any way that we can minimize risk to achieve stable returns? (1)

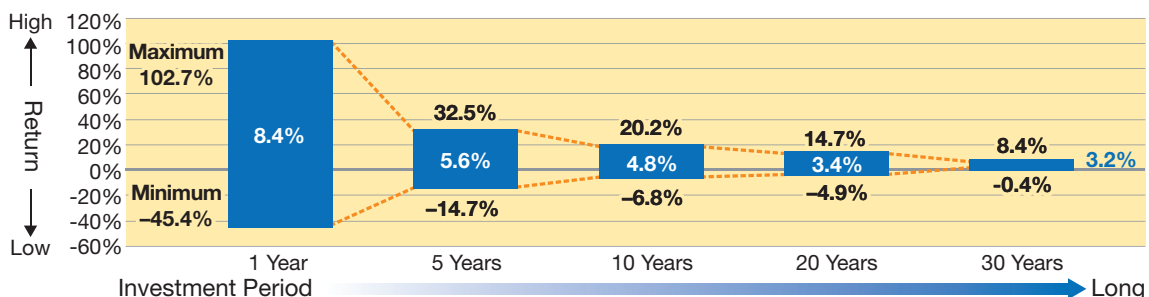
Point

“Long-term investment” is an effective way to achieve stable returns.

Long-term Investment

- Long-term investment is an effective way to reduce the volatility of returns (risk) as the high and low returns will even out over time.
- This means that we can achieve stable return through long-term investment even with the product of which short term return volatility is high.
- The objective of a DC pension plan is to form an asset to prepare for post-work living, so it holds a long-term investment period.

The Effect of Long-term Investment in Japanese Equities



* This graph has been created based on the data for domestic stock indices for the period from April 1970 to December 2021 (April 1970 to January 1989: TOPIX, from February 1989 onward: TOPIX [including dividends]). Highest and Lowest returns for each period are shown.

* Figures in the middle show average return (simple average) for each period.

It's important not to be swayed by the short-term fluctuations.

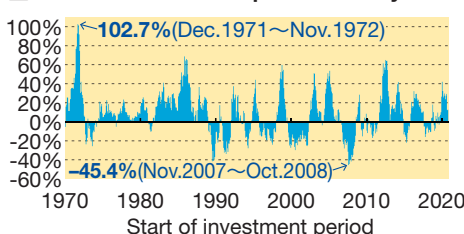
Summary

Having medium- and long-term perspectives without being misled by short-term fluctuations is the key.

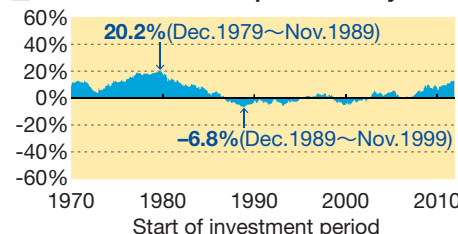


Data

When the investment period is one year



When the investment period is ten year



The charts on the left show the actual returns per investment period for one-year and ten-year investment periods. The longer the investment period - the more stable returns can be achieved.

Is there any way that we can minimize risk to achieve stable returns? (2)

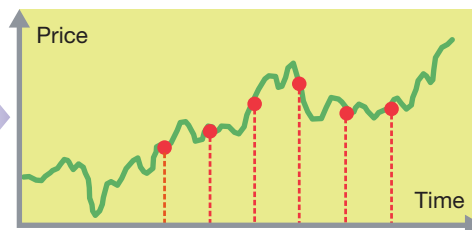
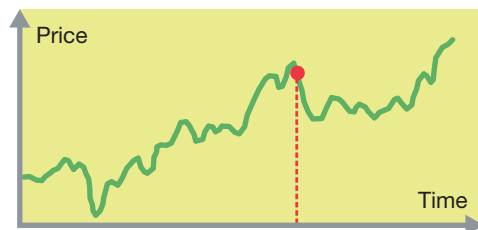
Point

“Diversified Investment” has the effect of minimizing risk.

Time Diversification (Regular Investment)

Rather than purchasing the product all at once....

Stagger your purchase over time.

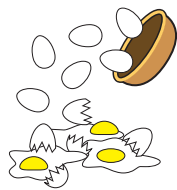


The price will be dispersed if you purchase the same product in small volumes several times. In DC pension plans, investment products are purchased with contributions regularly, thereby achieving diversification of time.

Diversification of Asset Class in the Portfolio

Even in a worst-case scenario, damage can be minimized by combining different asset classes.

If you put all your eggs in one basket, you may break all your eggs.



You can be prepared for a worst-case scenario by putting the eggs in different baskets.



Diversification is an important part of any investment strategy.

Summary

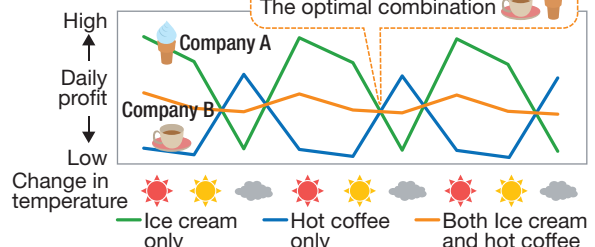
In the DC Plan, time diversification is ensured. Therefore, the key is how you diversify the asset classes.



Tips

- Which products should we invest in? Suppose you invest in food companies.
- Suppose there are 2 companies you can invest. Company A produces ice cream that sells well in hot weather, and Company B produces hot coffee that sells well in cool weather.
- If you invest only in Company A, you can not obtain profit when the cool weather continues. However, if you diversify your investment in both companies, you can obtain stable profit no matter what the weather is.

Café Business



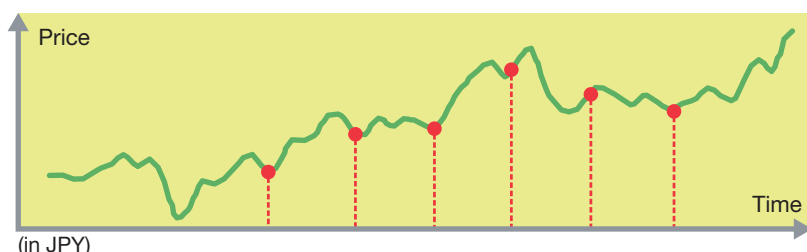


Long-term Investment • Diversification of Investments

Time Diversification (Regular Investment)

Dollar Cost Averaging

- The method by which a specific amount of money is invested in the same investment product on a regular basis in specific diversified timings is called the “dollar cost averaging” method.
- You can gain profit if you are able to buy low and sell high (purchase when the NAV is low and sell when the NAV is high), however, it is very difficult even for investment professionals to time the market. As the dollar cost averaging method invests the same amount of money regularly, the purchase unit price can be leveled off.
- In DC plans, time diversification is ensured as participants contribute a fixed amount on a regular basis to purchase the same products each time.



In the dollar cost averaging method, a small number of units are purchased when the net asset value per unit rises, and a large number of units are purchased when the net asset value per unit drops. As a result, as shown in this example, average purchase price is lower than the case where the fixed number of units are purchased.

	NAV (per 10,000 units)	8,000	9,500	10,000	12,000	11,000	10,800	Average Purchase Price Total (per 10,000 units)
Money invested	8,000	9,500	10,000	12,000	11,000	10,800	61,300	
Fixed Amount No. of Units	10,000	10,000	10,000	10,000	10,000	10,000	60,000	10,217
Money invested	10,000	10,000	10,000	10,000	10,000	10,000	60,000	10,049
No. of Units	12,500	10,526	10,000	8,333	9,090	9,259	59,708	

Lower cost

Dollar Cost Averaging

Diversification of Asset Class in the Portfolio

- This is a simulation of annual return rankings among concentrated investment in domestic/foreign equities or bonds and diversified investment in 4 asset classes (25% investment in each class).
- The table shows that diversified investment in 4 asset classes is ranked at third place in most years, compared to other assets with changing ranks. You can see that diversification of asset classes led to more stable returns by offsetting price fluctuations of each asset.

Annual return rankings for each asset class

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
① Foreign Equities 26.2%		28.0%	30.7%	5.4%	14.7%	15.9%	7.1%	5.5%	53.9%	23.8%	5.8%
② Japanese Equities 23.8%		18.6%	22.7%	▲3.1%	12.0%	8.5%	3.0%	▲0.2%	42.1%	6.6%	0.2%
③ Foreign Bonds 18.2%		15.5%	17.1%	▲5.6%	5.9%	4.8%	2.0%	▲4.0%	23.1%	2.5%	▲1.0%
④ 4 Asset Classes 18.2%		15.0%	12.9%	▲10.8%	▲1.2%	3.2%	1.9%	▲9.5%	3.9%	2.0%	▲1.7%
⑤ Japanese Bonds 3.7%		0.6%	3.0%	▲11.5%	▲4.5%	0.9%	▲5.0%	▲12.8%	▲0.7%	▲1.2%	▲2.9%

Source: Japanese Equities: TOPIX (dividend included), Foreign Equities: MSCI-Kokusai (in JPY, without dividends)
 Japanese Bonds: Nomura BPI (Overall), Foreign Bonds: FTSE World Government Bond Index (ex Japan, in JPY)
 4 asset classes: Invest 25% each in the 4 asset classes: Japanese Equities, Foreign Equities, Japanese Bonds and Foreign Bonds
 Period: 2012 - 2022 (April - March of the following year)
 The calculation is based on index data that show market price fluctuations rather than focusing on specific products.
 Investment-related expenses and taxes are not included in the calculation.

■ Long-term investment + diversified investment (diversification of asset classes + diversification of time)

This simulation is conducted for the combination of long-term investment and diversified investment based on the past records.

The period of drastic market change is included in the simulation.

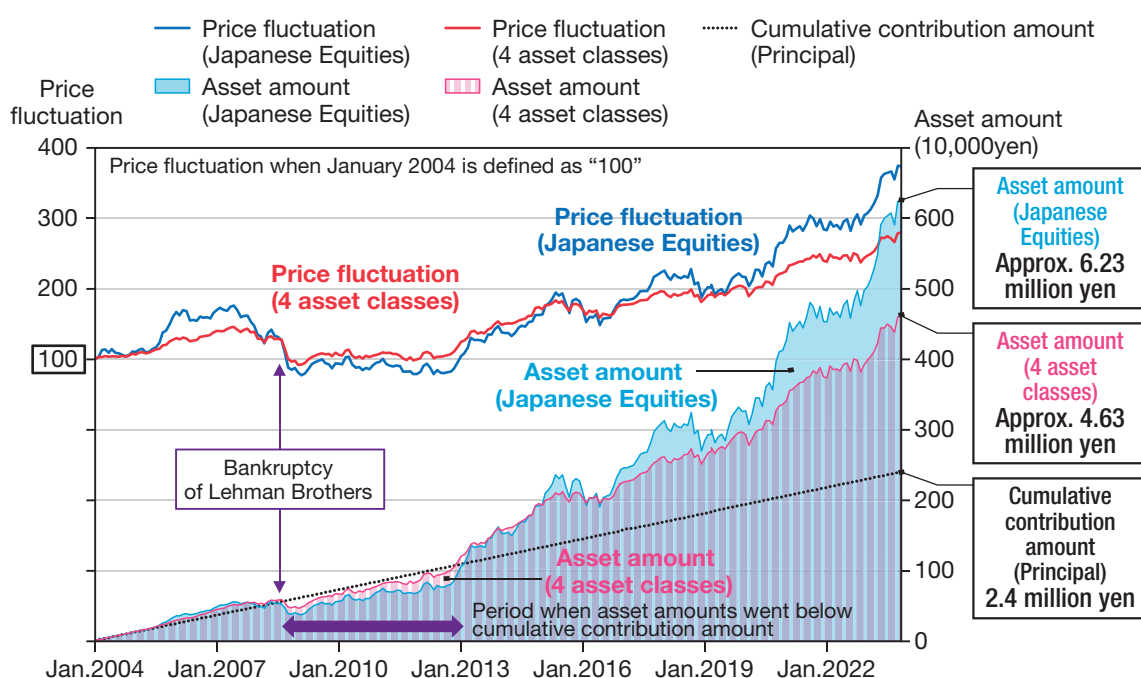
[Long-term investment] Investment period of 20 years. The investment period includes the years around 2008, when a major market fluctuation took place as a result of the Lehman Brothers bankruptcy.

[Diversification of asset class] Diversified investment in 4 asset classes of Japanese Equities, Foreign Equities, Japanese bonds and Foreign bonds

* The calculation is based on index data that show market price fluctuations rather than focusing on specific products. Investment-related expenses and taxes are not included in the calculation.

[Diversification of time (regular investment)] Reserve 10,000 yen every month

- The principal was eroded for both Japanese equities and 4 asset classes due to a plunge in stock market in 2008. However, assets started to grow with the recovery in the stock market.
- Price fluctuation for diversified investment in 4 asset classes remains stable with smaller range of fluctuation compared to that for investment in domestic stocks alone.



Investment period of 20 years (January 2004 to December 2023)

Price fluctuation when January 2004 is defined as "100" (left axis), and increase in asset value when 10,000 yen is reserved every month (right axis)

Source: ● Japanese Equities: TOPIX(dividend included), Foreign Equities: MSCI-Kokusai (in JPY, without dividends)
 Japanese Bonds: Nomura BPI (Overall), Foreign Bonds: FTSE World Government Bond Index (ex Japan, in JPY)
 ● 4 asset classes: Invest 25% each in the 4 asset classes (rebalanced based on the above indicis monthly at the month end).

◆ This chart is created for informational purpose only by Sompo Asset Management Co., Ltd. and is not intended as a solicitation of an investment.

◆ This chart is created based upon information that Sompo Asset Management Co., Ltd. considers to be reliable, but they do not guarantee its accuracy or thoroughness.

This information is prepared only to provide information for making investment decisions and is not intended as a recommendation of a specific investment style or product nor as a solicitation of an investment. Information contained here is valid at the time of creation and may be changed without prior notice. Furthermore, the information does not guarantee changes in future market conditions.

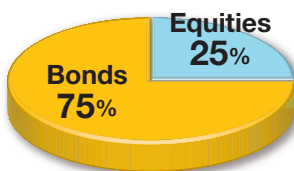
What steps to take to start investing?

Point

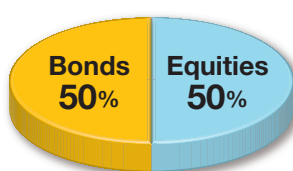
**Decide how you allocate your assets.
(Asset Allocation)**

〈Example of Asset Allocation〉

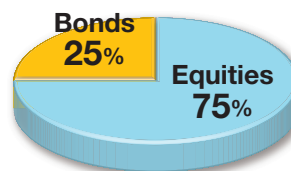
① Equities: 25%
Bonds : 75%



② Equities: 50%
Bonds : 50%

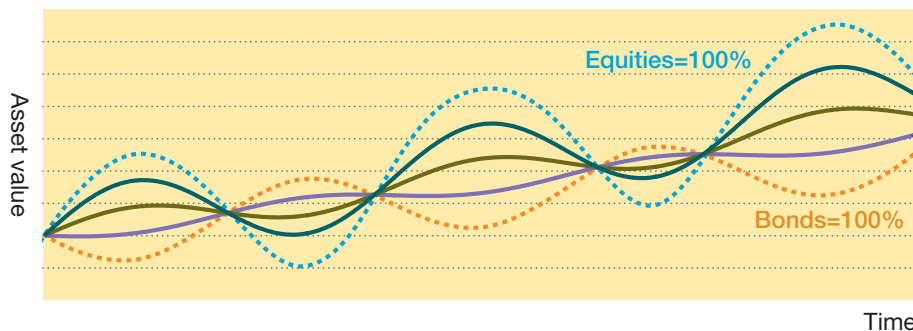


③ Equities: 75%
Bonds : 25%



Asset allocation
is very
important.

〈Illustrative image: Change in asset value over time〉



Range of
fluctuation
of return

The investment results will differ depending on how you allocate your assets.

Summary

Because your investment returns will fluctuate depending on your asset allocation, it's important to consider it carefully.



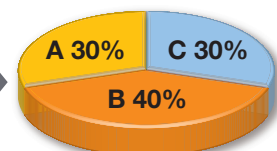
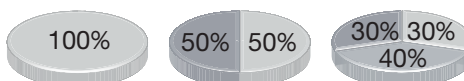
Check

When you consider your asset allocation, it is important to examine how you diversify your investments (select and determine weighting of asset class) by taking into consideration of the characteristics of each asset class.

► Decide which asset class to invest in



► Decide on the weighting of each asset class

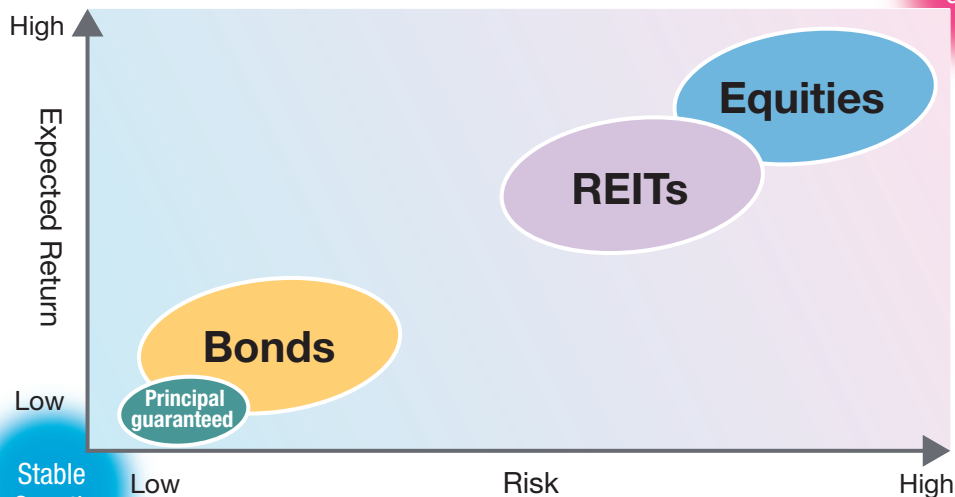


What types of assets are there for investment?

Point

There are principal guaranteed investment products, equities and bonds.

The size of risk and return vary depending on the type of asset.



These assets are used for investment.

Foreign equities/bonds are subject to higher risk than Japanese equities/bonds due to the factors such as risk of exchange rate fluctuation.

Under your DC plan, you do not invest in equities and bonds directly but through investment trusts which invests in equities and bonds.



Summary

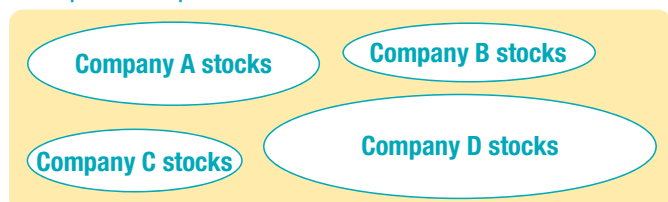
Asset types to allocate for investment include principal guaranteed investment products, equities and bonds, which all have different risks and returns.



Tips

- Generally, investment trusts invest in multiple securities to diversify risk of individual securities (diversification effect).
- “Balanced” investment trusts is one of the types of investment trusts which combine equity and bond components in a single portfolio.

Example of the portfolio structure of the investment trust



How can I determine my asset allocation?

Point Determine your investment strategy.**1. Determine a target return (goal)**

How much return (profit) do you want to make?

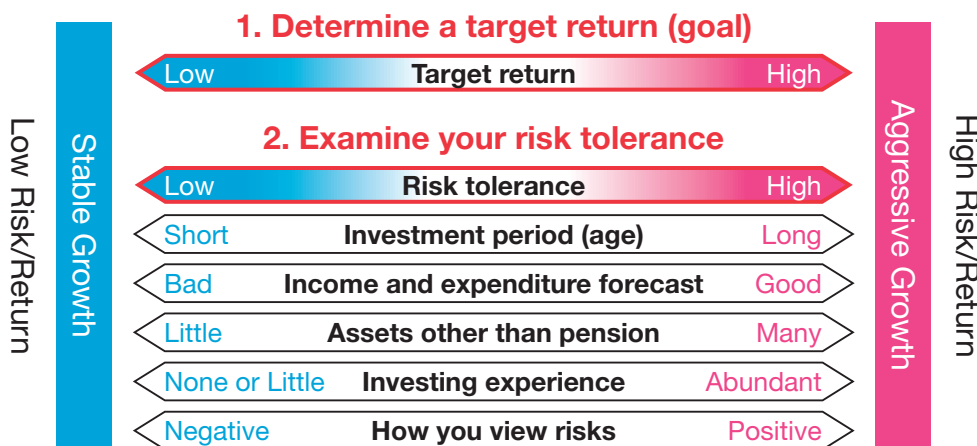
2. Examine your risk tolerance

How much risk can you accept?

The way you think about risk and the level of your tolerance toward risk are called risk tolerance.

There are more than one factor for consideration in risk tolerance.

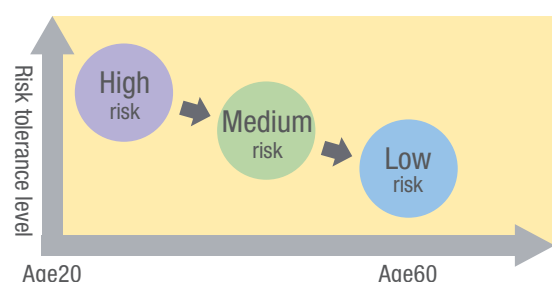
Make sure to examine your goal and attitude towards investments thoroughly.

**Summary**

Examine your attitude towards investments based on the various factors to determine the asset allocation.

**Check**

Investment period (age) is an important factor when considering your risk tolerance level. Younger investors are able to take relatively higher risk as they have more time until retirement. A longer investment period allows younger investors to expect an averaging out of returns even while taking risk. On the other hand, older investors that are close to retirement generally tend to be risk averse.



Is there any specific way to determine my asset allocation? (1)

Point

You can find out which investor type you are using the Asset Allocation Worksheet.

Asset Allocation Worksheet

This sheet will help you decide how to allocate your assets (asset allocation). You can find out your investment strategy (investor type).

*Please see Chapter 4 and 5 in the 'Welcome to the World of Investment' text for more information.

Type of Asset Allocation

Which type of asset allocation is most suitable for you? Please answer question 1 through 5 by selecting one answer for each question. Add your points together to get your total points.

Question	Options	Points
Q1: What is your age?	Under 30's (40), 30's (30), 40's (20), 50 or over (10)	
Q2: What do you plan to use your DC assets for?	Leisure activities (hobbies, travel, etc.) (20), Have not decided yet (15), Living expenses after retirement (10), Repayment of loans, e.g. home mortgage (5)	
Q3: Have you started preparing for your retirement outside of the DC plan?	I have already prepared for it (15), I have already started preparing for it (10), Not started yet (5)	
Q4: Do you have experience of investing in equities and investment trusts, etc.?	I have investment experience (15), I have no investment experience, but I have an interest in investment (10), I have no investment experience (5)	
Q5: Which of these statements best describes your investment objective?	Grow the principal aggressively despite high risk (20), Expect moderate returns while taking on moderate risk (15), Expect small returns without taking on high risk (10), Secure the principal rather than increasing it (5)	

Let's find the type of asset allocation suitable for you from your total points.

Aggressive Growth (Type A) 95~110 Points
Type B 80~90 Points
Type C 65~75 Points
Type D 50~60 Points
Type E 35~45 Points
Stable Growth (Type F) 30 Points

Sompo Japan DC Securities Inc.

Aggressive Growth

Stable Growth

- Type **A** 95~110 Points
- Type **B** 80~90 Points
- Type **C** 65~75 Points
- Type **D** 50~60 Points
- Type **E** 35~45 Points
- Type **F** 30 Points

See the reverse side for examples of asset allocation.

Summary

Take a first step by using the Asset Allocation Worksheet.

Go to next page



Tips

If you fall into Type A or Type F, you may have made answers shown on the right.

Aggressive Growth

Stable Growth

- Type **A** ...
- Type **B**
- Type **C**
- Type **D**
- Type **E**
- Type **F** ...

- e.g. Under 30's
- I plan to use my DC assets for leisure activities.

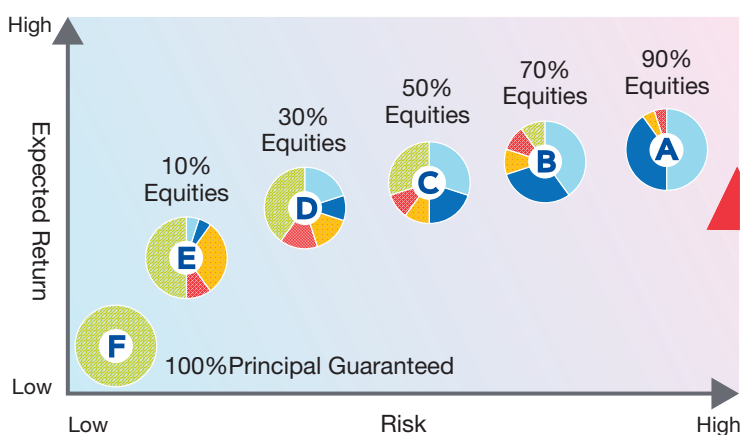
- e.g. 50 or over
- I have not started preparing for my retirement outside of the DC plan yet.

Is there any specific way to determine my asset allocation? (2)

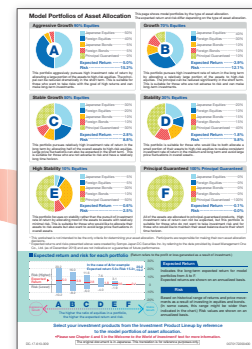
Point

In the Asset Allocation Worksheet you will see examples of asset allocation that are suitable for you.

Different Risk-and-Return Profile by Asset Allocation (Illustrative image)



Asset Allocation Worksheet (back side)



Determine your asset allocation which meets your investment strategy.

Equities generally have a higher expected investment return accompanied by higher risk compared with principal guaranteed products and bonds. It is important to set your asset allocation among asset classes such as principal guaranteed products, bonds and equities by taking into consideration your risk tolerance level and target return.

* The above shows examples of asset allocation. It is the individual's responsibility to determine their own asset allocation.

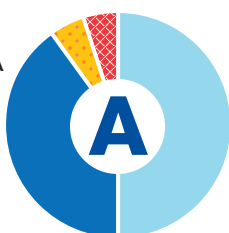
Summary

Determine your asset allocation by reference to the examples shown in the worksheet.



Tips

<e.g.>
In the case of A



Japanese Equities50%
Foreign Equities40%
Japanese Bonds5%
Foreign Bonds5%
Principal Guaranteed0%

Expected Return5.0%
Risk15.2%



Expected Return

Average long-term expected return

Risk

Range of returns up or down

Can I choose any type of investment products once I determine the asset allocation?

Point

You will select your investment products from the specified products lineup.

■ For principal guaranteed investment products, select from insurance products and savings.

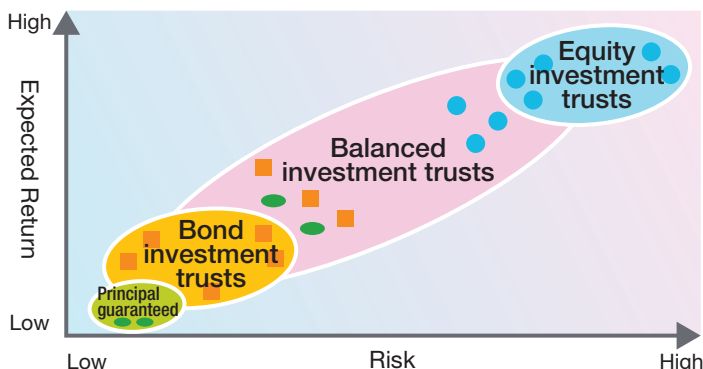
■ For equities and bonds, select from the lineup of investment trusts.

Investment trusts invest in a number of different securities to provide diversification.

Investment trusts can be classified roughly into “equity”, “bond” and “balanced” trusts.

The equity investment trusts invest in individual equities while the bond investment trusts invest in individual bonds.

The balanced investment trusts combine equity and bond investments.



Individual Stocks

e.g. “XX Auto.” “YY Appliance” ...

Bonds

e.g. “XY Government Bond”,
“ZX Corporate Bond” ...

Investment trusts are allocating their assets to various different stocks and bonds.

Summary

Select your investment products from principal guaranteed investment products and investment trusts.



Tips

For "structure and features" and "types" of investment products, refer to Chapter 7.

<p>Investment Trusts</p> <p>These investment products invest in equities, bonds and other vehicles with price fluctuations. Therefore, the asset balance may fall below the principal, but high returns can be expected.</p> <p>When exceeding the principal When falling below the principal</p> <p>Profit and loss change depending on the investment performance</p>	<p>Principal Guaranteed Investment Products</p> <p>These investment products add a certain interest to the principal, as with insurance and bank deposits. In principle, the principal is secured, but high returns cannot be expected. In the case of inflation, you may not be able to secure substantial purchasing power.</p> <p>Save (savings)</p> <p>Interest will be paid in addition to the principal.</p>	<p>Categories by Asset Class</p> <ul style="list-style-type: none"> Japanese Equities <ul style="list-style-type: none"> Invests in Japanese equities Includes large-caps, mid-sized caps, and small-caps Foreign Equities <ul style="list-style-type: none"> Invests in foreign equities Includes equities of developed countries and emerging markets Japanese Bonds <ul style="list-style-type: none"> Invests in Japanese bonds Includes the Japanese government bonds, municipal bonds and corporate bonds Foreign Bonds <ul style="list-style-type: none"> Invests in foreign bonds Includes bonds of developed markets and emerging markets J-REITs <ul style="list-style-type: none"> Invests in J-REITs (real estate investment trusts) Foreign REITs <ul style="list-style-type: none"> Invests in foreign REITs (real estate investment trusts) Balanced <ul style="list-style-type: none"> Invests mainly in both Japanese and foreign equities and bonds shown above This investment is conducted with a balanced combination of these asset classes. 	<p>Structure of products</p> <p>You pay (deposit) funds to an insurance company or a bank for a certain period of time. Once the defined period (a period during which a guaranteed interest rate applies, or a term of deposit) has passed (at maturity), the interest will be added calculated based on the guaranteed interest rate upon the payment or deposit. If you sell the product before maturity, this results in early redemption.</p> <p>Non-life Insurance (Accumulated equity + interest)</p> <p>Even if you redeem before maturity, this does not cause the asset balance to fall below the principal. In this case, the guaranteed interest rate is lowered. In the case of death due to injury caused by an accident during the investment period, the amount to be received will be increased more than the case of death due to a disease.</p> <p>Expected Return Interest (principal × guaranteed interest rate)</p> <p>Life Insurance (Accumulated equity + interest)</p> <p>If you redeem before maturity, an accumulation charge will be applied which may cause the asset balance to fall below the principal. You can choose term maturity. If you choose term maturity, the principal will be returned to you at the end of the term. If you choose a whole life insurance, the principal will be returned to you at the end of the term. If you choose a universal life insurance, the principal will be returned to you at the end of the term. If you choose a variable life insurance, the principal will be returned to you at the end of the term.</p> <p>Expected Return Interest (principal × guaranteed interest rate)</p> <p>Bank Deposits (Fixed deposits, etc.)</p> <p>If you redeem before maturity, the applicable interest rate may be lowered.</p> <p>Expected Return Interest (principal × applicable interest rate)</p>
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How can I select specific investment products?

Point

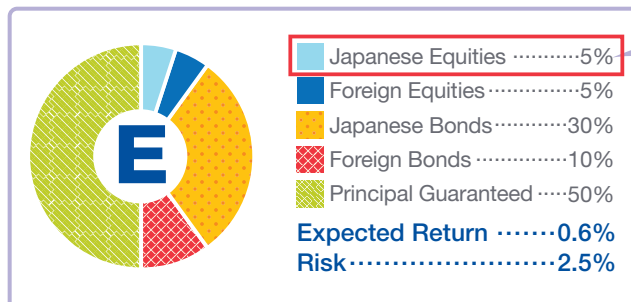
Select your investment products by referring to explanatory materials (such as the Investment Product Lineup).

Pattern I

Select your products from both principal guaranteed products and investment trusts to build a portfolio to align with your asset allocation models.

In this example, firstly, select products which invest in Japanese equities and allocate 5% of your portfolio to these products.

You can select one product or multiple products of which total will make up 5% of the portfolio. Select other products in a similar manner. Product details are shown in the Investment Product Guide.



<Investment Product Lineup>

Products other than Principal Guaranteed (Investment Trust)			
Product Name	Japanese Equity Index Fund DQ		
Company	OO Asset Management	Asset Management Fee (annual, including tax)	0.000%
Investment Style	Passive	Partial redemption charge	None
Characteristics	Invests in Japanese equities and aims to perform in line with the benchmark (TOPIX, without dividends).		
Reason for Selection	The management company has a stable management foundation. With consistent investment performance, the management company is rated as suitable both in qualitative and quantitative aspects by a professional third party evaluator. The investment process has been established and long-term stable investment can be expected. The product has been selected as a passive fund which invests in Japanese equities.		
Product Name	Japanese Equity DQ Value Fund		
Company	OO Asset Management	Asset Management Fee (annual, including tax)	0.510%
Investment Style	Active	Partial redemption charge	When Selling 0.3%
Characteristics	Invests in value oriented Japanese equities and aims to outperform the benchmark (TOPIX dividends included) in the middle to long term.		
Reason for Selection	The management company has a stable management foundation. With consistent investment performance, the management company is rated as suitable both in qualitative and quantitative aspects by a professional third party evaluator. The investment process has been established and long-term stable investment can be expected. The product has been selected as an active fund which invests in Japanese equities.		

For features of investment products, refer to Chapter 7 "Understanding Investment Products".

* Example based on the Asset Allocation Worksheet.

See page **P.39**

You can select investment products from each asset class.

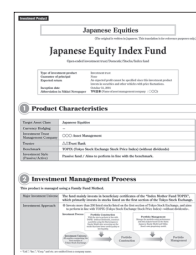
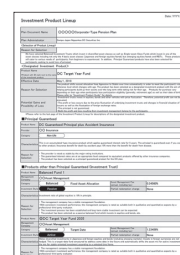
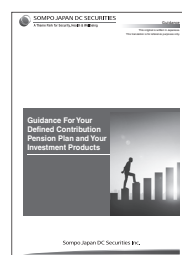
Summary

Combine investment products on your own to build a portfolio that aligns with your asset allocation models.



Tips

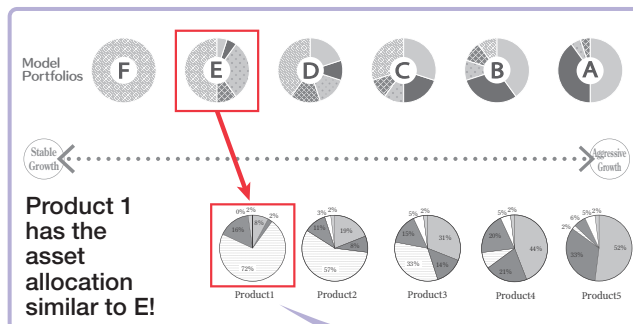
Select your investment products based on the "Guidance For Your Defined Contribution Pension Plan and Your Investment Products". Materials concerning investment performance are also available.



Pattern II

Choose the product of which asset allocation meets your needs from the balanced investment trusts.

Extracted from the Investment Product Guide



By checking the “Investment Product Guide” of the balanced funds which show the asset allocation mix of the funds, you can find the product with the asset allocation similar to your model.

<Investment Product Lineup>

Products other than Principal Guaranteed (Investment Trust)				
Product Name	Balanced Fund 1			
Management Company	OO Asset Management			
Category	Balanced	Fixed Asset Allocation	Asset Management Fee (annual, including tax)	0.34580%
Investment Style	Passive		Partial redemption charge	None
Investment ratio of global equities is 10% in principle.				
<ul style="list-style-type: none"> The management company has a stable management foundation. With consistent investment performance, the management company is rated as suitable both in qualitative and quantitative aspects by a professional third party evaluator. The investment process has been established and long-term stable investment can be expected. The product has been selected as a passive balanced fund which invests in equities and bonds, etc. 				
Product Name	DC Target Year Fund 2035			
Management Company	OO Asset Management			
Category	Balanced	Target Date	Asset Management Fee (annual, including tax)	1.23456%
Investment Style	Active		Partial redemption charge	None
<ul style="list-style-type: none"> This is a target-date fund structured to address some date in the future and automatically shifts the asset mix for active investment to the mix for stable-oriented investment according to a selected time frame. The management company has a stable management foundation. With consistent investment performance, the management company is rated as suitable both in qualitative and quantitative aspects by a professional third party evaluator. The investment process has been established and long-term stable investment can be expected. The product has been selected as an active balanced fund which invests in equities and bonds, etc. 				

For example, if your model allocation is E, select Product 1.

For features of investment products, refer to Chapter 7 "Understanding Investment Products".

* Example based on the Asset Allocation Worksheet.

See page **P.39**

You can select investment products with predetermined asset allocation.

Summary

Select balanced investment trusts to build a portfolio that aligns with your asset allocation models.



Check

The balanced funds are the products of which allocation ratio is fixed and maintained. Therefore, if you wish to adjust risk and return, you need to combine other investment products with the balanced funds in your portfolio. For instance, you can reduce the risk level by combining the principal guaranteed investment product with the existing balanced funds for yourself. You should also take into account its effect on your return.

Example

Balanced products

100%

Risk can be reduced by combining principal guaranteed investment products with the existing balanced funds

Balanced products

90%

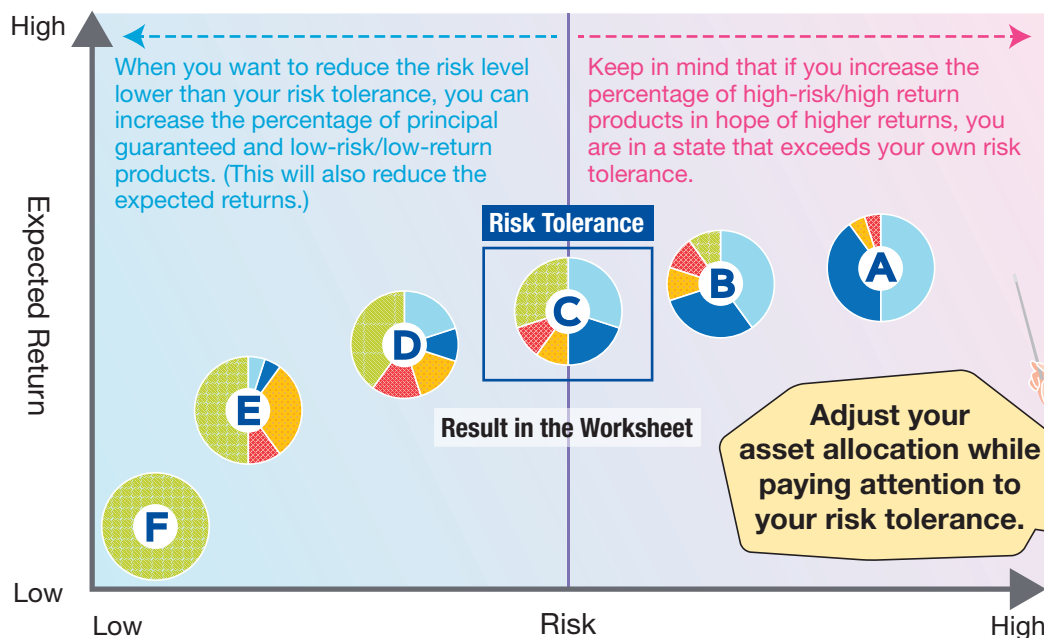
Principal guaranteed products

10%

Do I have to allocate my assets exactly the same way shown in the result of the Worksheet?

Point No, you don't necessarily have to.

Adjust your asset allocation while paying attention to your risk tolerance.



* The above is an example of asset allocation adjustment. It is the individual's responsibility to determine their own asset allocation.

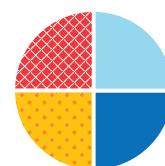
Summary

Adjust your asset allocation as needed by referring to other risk / return examples and select your investment products.

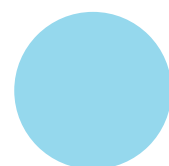


Check

You can also determine your asset allocation without reference to the result of the Worksheet. You may also decide your asset allocation by taking into consideration factors such as your assets other than the DC pension plan.



(e.g.)
Invest 25%
in each asset



(e.g.)
Invest 100%
in the same asset

There are different types of balanced products in the Investment Product Lineup. What are they?

Point

Balanced products are subclassified according to the way to change asset allocation.

Classification of balanced products	Change of asset allocation
Fixed Asset Allocation type	No change A fixed asset allocation is maintained.
Target Date type	Change over time The date of retirement is assumed as the target date. Asset allocation is gradually shifted from aggressive investment to stable investment as it get closer to the target date.
Risk-control type	Change according to the market environment Asset allocation is modified in order to limit the risk level to a certain range.

See page P.43~44 for tips on how to select products.

Some classifications may not be available depending on the plan in which you participate.



Summary

Select investment products which will suit your needs.



Tips

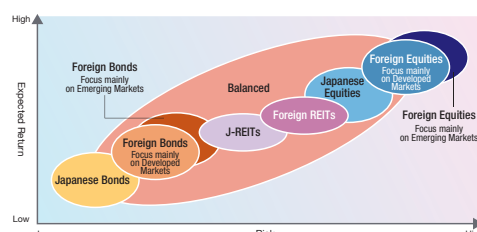
When J-REITs and Foreign REITs are included in the Investment Product Lineup

You may expect further diversification effect by including REITs in your portfolio.

REITs are investment trusts which invest in real estate. In selecting REITs, keep in mind that REITs carry relatively high risk similar to equities.

See page P.47~48

Risk and Return in Investment Trusts



What are the procedures I need to take after selecting my investment products?

Point

Allocate your contributions among the products you have selected and designation of allocation ratios to these products.

Make contribution instructions via any of the following:

Methods for designation of allocation ratio

○ AnswerNet (Website for participants)

- 24 hours a day
(excluding system maintenance hours)



Smart Phone



SOMPO JAPAN DC SECURITIES **AnswerNet**
www.sjdc.co.jp/answernet

○ AnswerCenter (Call center for participants)

Please check our website for business hours.



SOMPO JAPAN DC SECURITIES **AnswerCenter**
0120-401-593

The allocation ratio you have specified will be applied to your contributions unless you make changes to it through specified procedures. The allocation ratio can be changed anytime.

Make sure
you designate
your allocation
ratio.



Summary

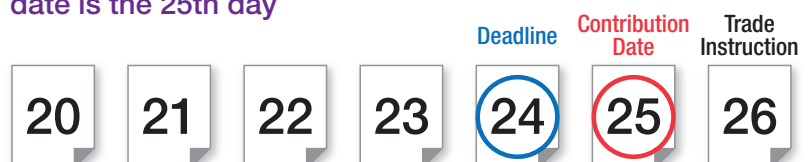
You can use one of the methods to designate your allocation ratios.



Check

Monthly deadline to make contribution instructions is the day prior to the contribution date.

Example schedule of the case where the contribution date is the 25th day

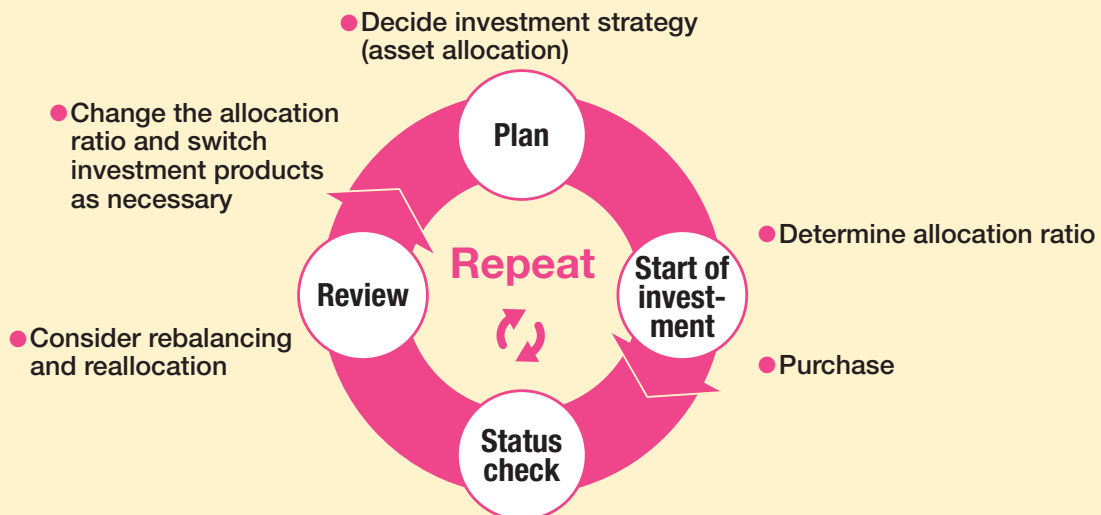


* Trade instruction will be made on the business day following the contribution date.

You have started your investment.
However, this is not the final goal. Even after you start your investment, it is important that you review your portfolio regularly as shown in the figure below:



From this page, reviewing your investments will be discussed.



Check if the current investment status remains in line with your investment strategy.

●AnswerNet

Account Information

Item	Value
Asset Balance	9,010,842 yen
Asset Allocation	7,774,272 yen
Asset Allocation Ratio	86.3%
Asset Allocation Ratio	15.9%
Asset Allocation Ratio	4.3%

Asset Allocation

Asset Class	Value	Ratio
Domestic Equity	1,100,000 yen	12.2%
Foreign Equity	1,100,000 yen	12.2%
Domestic Bond	1,100,000 yen	12.2%
Foreign Bond	1,100,000 yen	12.2%
Real Estate	1,100,000 yen	12.2%
Commodity	1,100,000 yen	12.2%
Other	1,100,000 yen	12.2%

SOMPO JAPAN DC SECURITIES **AnswerNet**
www.sjdc.co.jp/answernet

●Personal Financial Statement

Account Statement for Defined Contribution Pension Plan

Dear Participant,

Notice on the English version of the Account Statement for Defined Contribution Pension Plan

This Statement is for distribution information including the following items:

- The performance of the investment in the plan
- The performance of the investment in the plan
- The performance of the investment in the plan

Thank you for using our service.

Your DC asset balance and investment status are as follows:

Asset Balance and Gain/Loss

Item	Value
Asset Balance	2,113,120 yen
Gain/Loss	2,043,352 yen

Details of Total Cash Inflows

Item	Value
Participant Contribution	1,000,000 yen
Employer Contribution	1,000,000 yen
Other	1,000,000 yen

Details of Total Cash Outflows

Item	Value
Participant Withdrawal	1,000,000 yen
Employer Withdrawal	1,000,000 yen
Other	1,000,000 yen

Asset Allocation by Asset Class

Asset Class	Value	Ratio
Domestic Equity	1,100,000 yen	12.2%
Foreign Equity	1,100,000 yen	12.2%
Domestic Bond	1,100,000 yen	12.2%
Foreign Bond	1,100,000 yen	12.2%
Real Estate	1,100,000 yen	12.2%
Commodity	1,100,000 yen	12.2%
Other	1,100,000 yen	12.2%

●AnswerCenter



●24 hours a day
(excluding system maintenance hours)

You can check your investment status by using the AnswerNet or AnswerCenter, and through the "Personal Financial Statement" which is issued annually.

Start

The information on the following pages is presented only as examples of asset allocation reviews and is not intended to recommend specific asset allocation or products. The participants should exercise their own judgment in making decisions to change the asset allocation/investment products of their portfolio.

How can I review my investments?

Point

Check your investment performance and the asset allocation status.

For example, the following are the main items to be reviewed when you look at your "Personal Financial Statement":

Personal Financial Statement

Account Statement for Defined Contribution Pension Plan

Basic Information

Participant Name	Mr. S. S.
Participant Code	XXXXXXXX
Type of Equity	Common Investment
Current Statement Date	03/31/2020
Last Statement Date	03/31/2019
Period	04/01/2019 - 03/31/2020
Plan Administrator	Sampo Japan DC Securities Inc.
Account Keeping	Sampo Japan DC Securities Inc.

Asset Balance and Gain/Loss

Balance as of Statement Date	2,443,100 yen	Total Cash Inflows	2,443,100 yen	Total Cash Outflows	0 yen	Gain/Loss	0 yen
------------------------------	---------------	--------------------	---------------	---------------------	-------	-----------	-------

Asset Allocation by Asset Class

Asset Class	Allocation (%)
Japanese Equities	20.0%
Foreign Equities	10.0%
Japanese Bonds	15.0%
Foreign Bonds	15.0%
Principal Guaranteed	40.0%

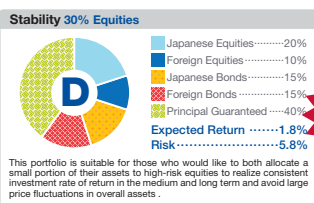
① Investment Performance (e.g. asset balances)

Check gains and losses on your investment.
Asset value is presented at the market value as of the base date.
Gains and losses are not realized.

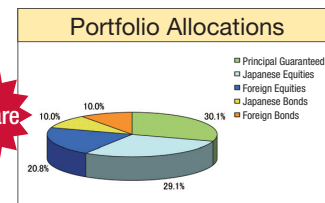
② The Current Asset Allocation Status

Compare the initial status with the current status of your asset allocation.

<e.g.>

Initial Asset Allocation D
Asset Allocation Worksheet

<e.g.>

Current Asset Allocation
Personal Financial Statement

Compare

The asset allocation status may have changed due to the price fluctuation of each asset.

Compare your current asset allocation status with the initial status.

Summary

It is important that you continue to check your asset status regularly even after you started your investment.



Tips

The timing to check your asset allocation status:

On a regular basis

- <e.g.>
- When you receive the Personal Financial Statement.
 - End of every month

When your lifestyle has changed

- <e.g.>
- When your risk tolerance has changed as you get older.
 - When your lifestyle has changed due to marriage or house purchase, etc.

When market environment has changed

- <e.g.>
- When your asset allocation has deviated substantially from the initial asset allocation due to a change in market environment.
- (Market environment information See page **P.38**)

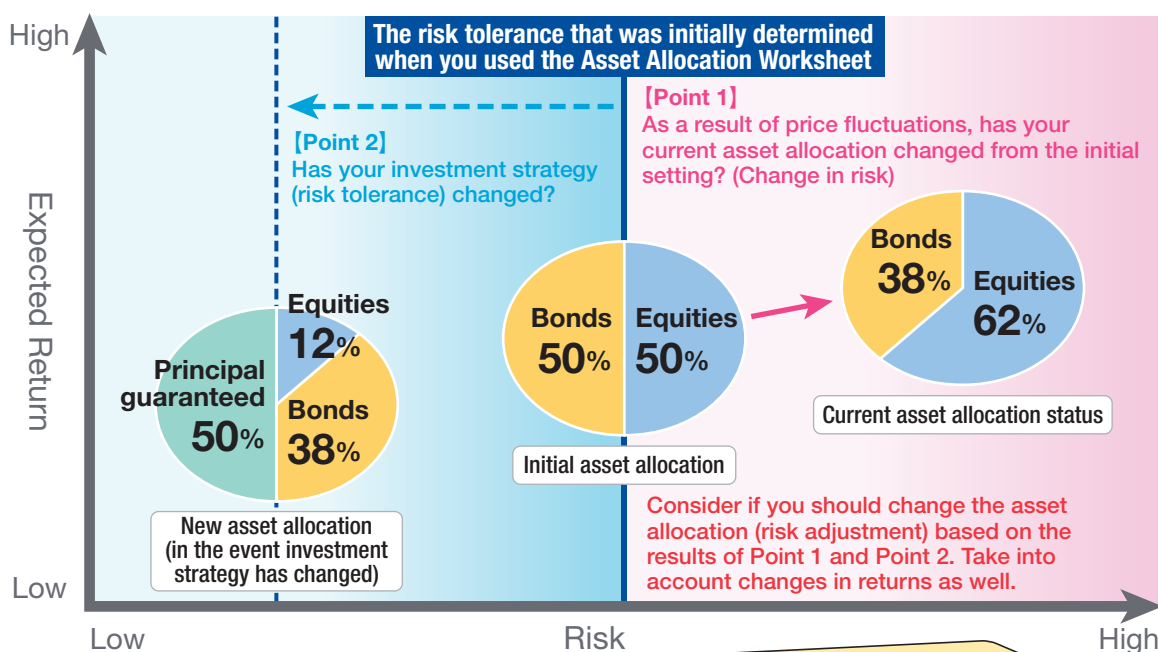
What are the points to be checked when reviewing my asset allocation status?

Point

Check if the current investment status remains in line with your investment strategy.

Point 1: Check if there has been any change in asset allocation.

Point 2: Check if there has been any change in investment strategy itself.



* The above is the example of portfolio review based on the risk. You can also check your portfolio based on the target return.

Consider changing your asset allocation according to the situation.

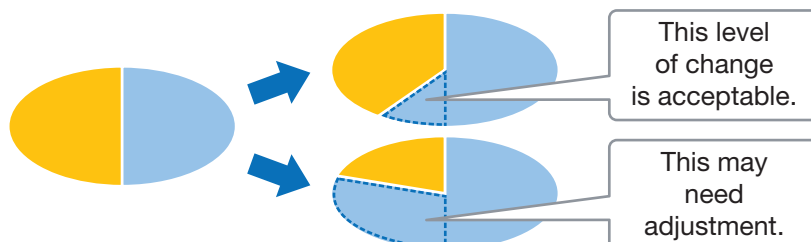
Summary

When risk adjustment is needed, consider changing your asset allocation.



Check

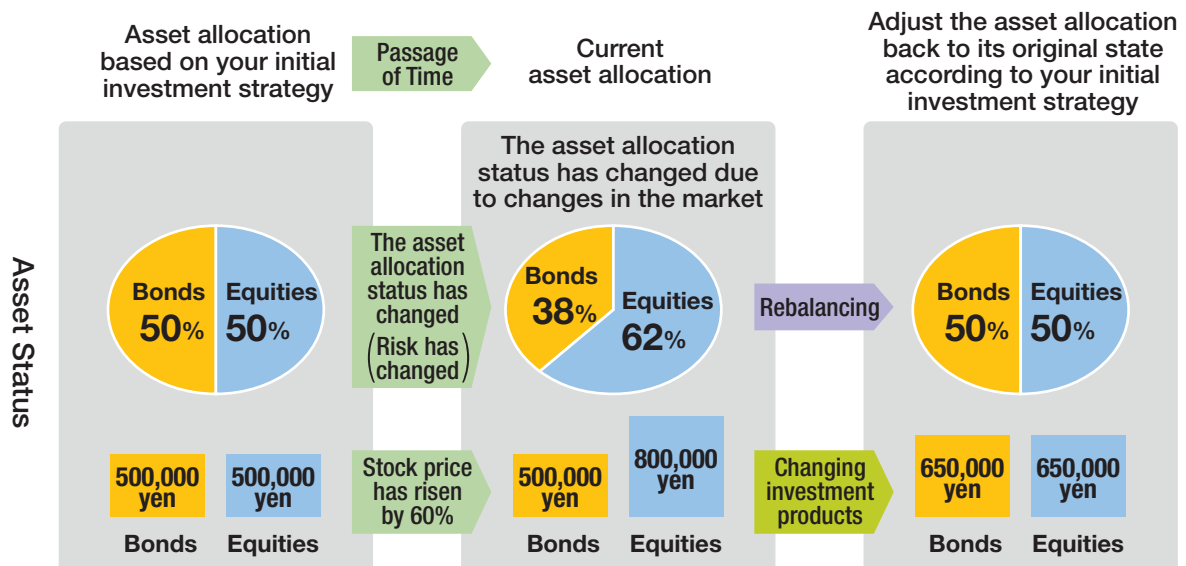
You can also determine in advance how much change you will be able to accept in response to changes described in Point 1 above.



How can I change my asset allocation? (in the case where your investment strategy remains unchanged)

Point

In the case where your investment strategy remains unchanged, adjust your asset allocation back to its original state according to your initial investment strategy. (Rebalancing)



Rebalancing has the effect of adjusting changes in the risk derived from changes in asset allocation.

* The above is an example of rebalancing.

Rebalance your asset allocation if your investment strategy remains unchanged.

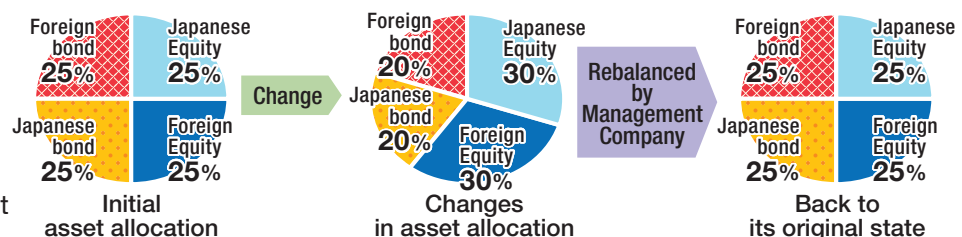
Summary

Rebalancing means to adjust your asset allocation that has changed over time back to its original state.



Tips

For a balanced investment trust, the management company rebalances the allocation in order to maintain the initial asset allocation.

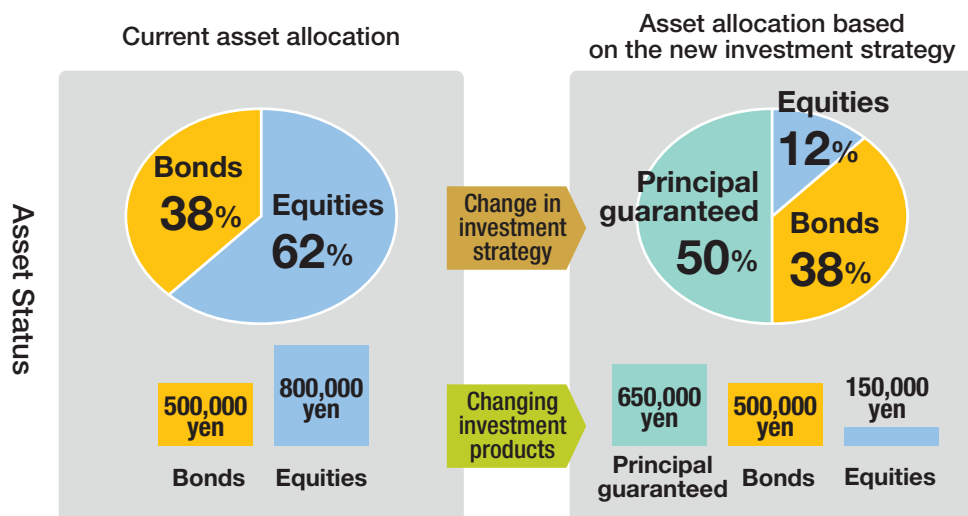


* The above is an example of rebalancing.

How can I change my asset allocation? (in the case where your investment strategy has changed)

Point

In the case where your investment strategy has changed, change your asset allocation based on the new investment strategy.



Check your asset allocation using the Asset Allocation Worksheet by referring to P.22.

- It is generally said that an investment strategy tends to shift from “Aggressive Growth” to “Stable Growth” as the investor gets older. This is because investment goals and risk tolerance change as he/she ages.
- Check regularly if your investment strategy has changed and change your asset allocation as needed.

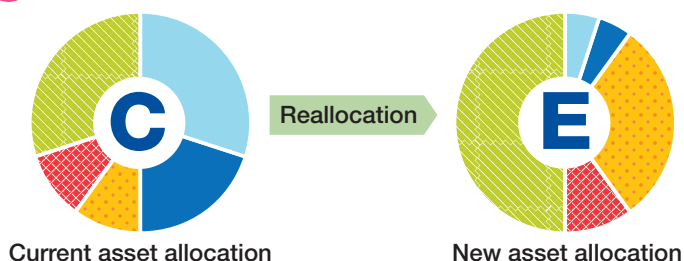
* The above is an example of asset allocation change.

Summary

Change your asset allocation by taking into consideration the changes in your investment strategy resulting from age and other factors.



Check



This process is also called “reallocation”, which means to change your asset allocation to meet your current needs in the case where your investment strategy has changed as described in this page.

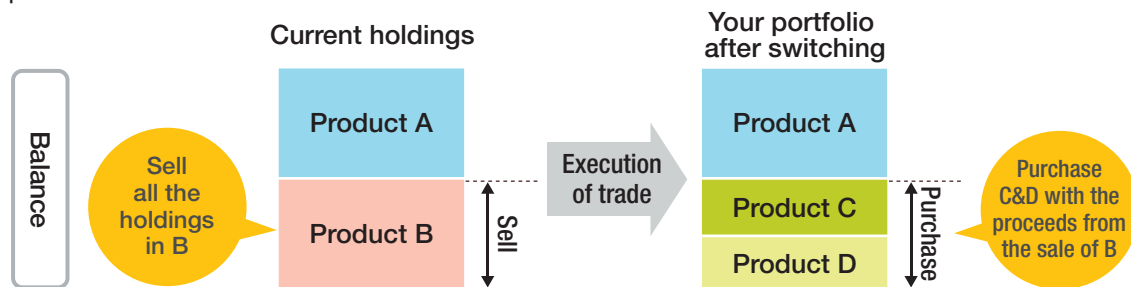
What are the procedures to take to change my asset allocation?

Point

Two types of procedures are available. One is called “switching”.

Switching

You can sell your current holdings and buy new investment products by following the procedures below.



- Products can be sold either entirely or partially. Gains and losses will be realized.
- Partial redemption charge may be charged depending on the product. Please see the reference materials, such as the Investment Product Lineup.
- You can make switching instructions via the AnswerNet or the Answer Center. [See page P.29](#)
- The instructions for a trade made by 24:00 of the business day will be handled as a trade as of the following business day (the second business day after the receipt if the date of receipt is a financial institution holiday).
- Your request can be canceled on the date of receipt (the first business day after the receipt if the date of receipt is a financial institution holiday).

Switching means to replace the products that you currently own with other products.

Summary

“Switching” means to sell the investment products currently held and purchase other investment products.



Tips

Investment trusts are traded in units.

The number of units sold can be calculated using the following formula:

$$\text{Sales Amount} \div \text{Net Asset Value (NAV) per unit} \times 10,000 \text{ units} = \text{The number of units sold}$$

NAV per unit is generally shown as a base of 10,000 units.

<e.g.> If you have sold 100,000yen of investment trust at the NAV of 12,500yen, the number of units sold is calculated as follows:
 $100,000\text{yen} \div 12,500\text{yen} \times 10,000\text{units} = 80,000\text{units}$

* The figures above are for reference only as the net asset value per unit of investment trusts to be sold cannot be known in advance.

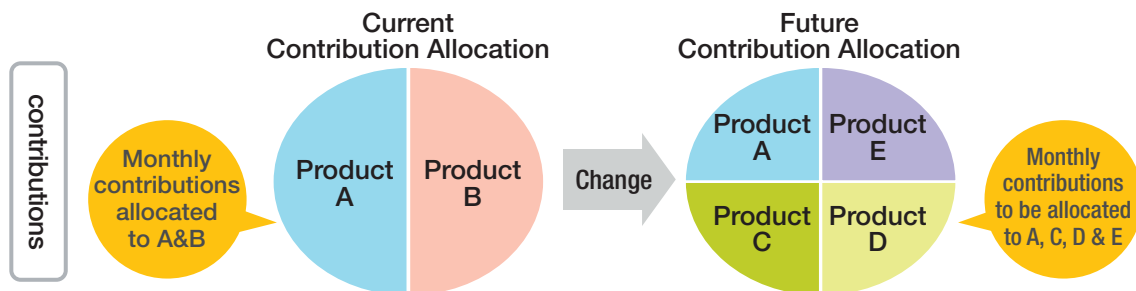
* Costs (e.g. partial redemption charge) are not considered in this calculation.

Point

Another method is called “changing allocation ratio”.

Changing the allocation ratio of a new contribution

You can change investment products you purchase with future contributions as well as purchase ratios by following the specified procedures.



- Requests made before 24:00 of the date preceding the next contribution date will be reflected at the time of next contribution.
- The allocation ratio you have specified will be applied to new contributions unless you make changes to it through specified procedures.
- You can change the allocation ratio via the AnswerNet or Answer Center.

See page **P.29**

This means to change investment products to be purchased through contributions in the future.

Summary

“Changing the allocation ratio” means to change the asset allocation for future contributions.



Tips

“Switching” and “changing allocation ratio” are different procedures. Make sure what changes you would like to make and take either one or both of the procedures when necessary.

		Target	
		Existing holdings in the account	Allocation ratio of future contributions
Process	Switching	Will change	Will not change
	Changing Allocation Ratio	Will not change	Will change



Effect of Rebalancing

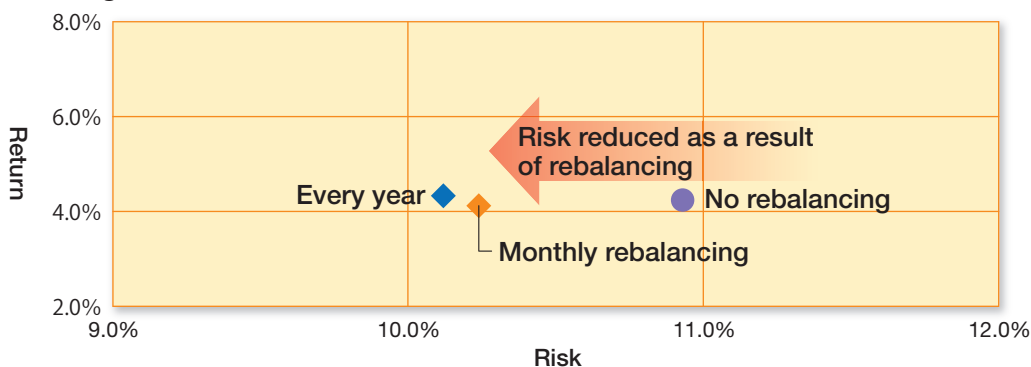
Risk Adjustment through Rebalancing

It is important to check the asset allocation status on a regular basis and rebalance assets as needed even after you started your investing. However, keep in mind that selling and purchasing assets may incur some costs. So, remember that much rebalancing could reduce the overall investment efficiency.

- The chart below shows risk/return in the different cases (periodic-based/percent-range rebalancing, and no rebalancing cases) for the period from 2002 to 2022 in the case where assets were equally allocated to four asset classes (25% each to Japanese/foreign equities and Japanese/foreign bonds).
- Compared with the cases in which rebalancing wasn't conducted, risks are reduced in both periodic-based and percent-range rebalancing.

Periodic-based rebalancing:

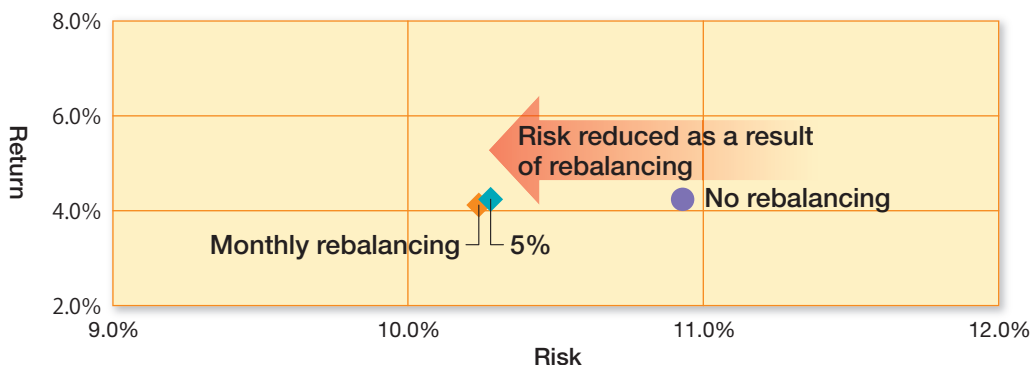
Rebalancing the portfolio to maintain the initial asset allocation ratios on a regular basis.



* Trading cost at the time of rebalancing is not reflected.

Percent-range rebalancing:

Rebalancing the portfolio back to the target asset allocation ratios when a divergence occurs outside a certain percentage limit.



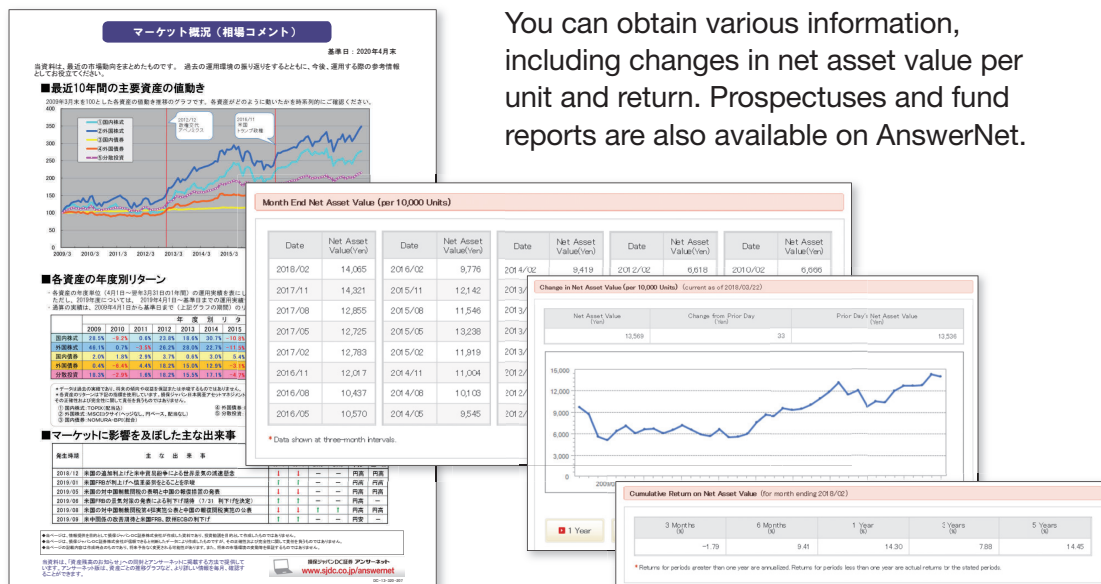
* Trading cost at the time of rebalancing is not reflected.

The above figures are calculated based on the indices below and do not represent the performance of an actual investment product. The average Asset Management Fee for each asset is deducted for the entire period based on classifications from Ibbotson Associates Japan as of December 31, 2022.

<Source> Japan Equities: Morningstar Japan GR JPY, Developed Market (hereinafter "DM") Equities (excluding Japan): Morningstar DM ex-Japan (hereinafter "xJpn") GR JPY, Japan Bonds: Morningstar Japan Core Bond GR JPY, DM Bonds (xJpn): Morningstar Global xJpn Treasury Bond GR JPY, 4 asset equal portfolio: Portfolio with equal holdings of Japan Equities, DM Equities (xJpn), Japan Bonds, and DM Bonds (xJpn). Source of Total Expense Ratio: Morningstar Direct

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■ Obtaining Information Through AnswerNet



* Prospectus: A Prospectus contains detailed information about the fund including a description of the fund, policies, etc.

■ Obtaining Information Through Sampo Japan DC Securities, Inc. Website

- The first page of the company website



The Company Website also offers various information. Obtain information from the sections titled “Market Information”.

* Japanese service only

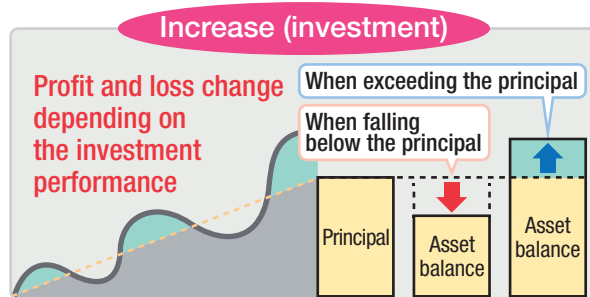
Types of Investment Products

Major Types of Investment Products available under DC Plan

Investment products that can be selected under DC plans can be classified into two main types:

Investment Trusts

These investment products invest in equities, bonds and other vehicles with price fluctuations. Therefore, the asset balance may fall below the principal, but high returns can be expected.



<Features>

① Principal is not guaranteed.

There is a possibility of loss of principal invested as the price of the investment trust fluctuates.

② There is no guarantee that you can profit at a fixed rate.

Unlike principal guaranteed investment products, there is no guarantee that you can profit at a fixed rate. The unit price of the investment trust fluctuates daily, depending on the performance of the securities held by the fund, thus either profits or losses are generated. It is important to understand the specific features and characteristics of each investment product.

③ There is no maturity.

Investment trusts have no maturity date which means the investment will remain in effect until you decide to redeem through switching.

* Trust Periods of Investment Trusts

As a general rule, the investment periods for investment trusts offered under the DC pension plan (called "maturity" for bank deposits) are indefinite. However, an investment trust may become terminated (i.e. advanced redemption) due to an unavoidable situation at the management company's discretion.

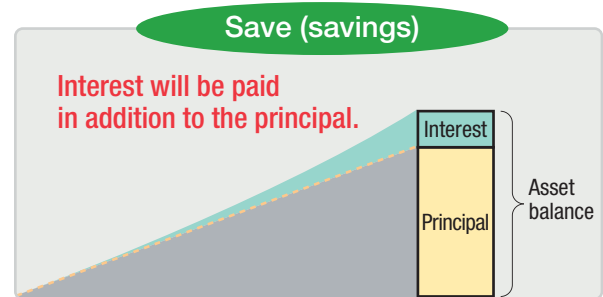
<Points to check in investment products>

- Asset classes: Equities/Bonds /REITs
- Management Style:
Passive Management/Active Management
- Cost:
Asset management fee, Partial redemption charge
- Investment performance: Return, Risk

See page P.41~

Principal Guaranteed Investment Products

These investment products add a certain interest to the principal, as with insurance and bank deposits. In principle, the principal is secured, but high returns cannot be expected. In the case of inflation, you may not be able to secure substantial purchasing power.



<Features>

① Principal is protected.

The principal will be secured when held until maturity (a fixed period for a guaranteed interest rate, or a term of deposit).

* For some of the insurance products, an early redemption fee can be applied, which could result in reduction of the principal amount. Please see the Investment Product Guide for more details.

② Interest will be paid in addition to the principal.

Calculated interest based on a predetermined rate will be paid in addition to the principal.

* In the case of early redemption, an interest rate lower than the predetermined guaranteed interest rate or interest rate may be applied.

③ Automatic renewal at maturity

Upon maturity, the initial principal and interest payment (the new principal) will be automatically reinvested. In such a case, the guaranteed interest rate or interest at the time of automatic renewal will apply.

<Points to check in investment products>

- Guaranteed interest rate, Interest rate
- Guarantee period with a guaranteed interest rate, term of Deposit
- Early redemption

See page P.55~

Investment trusts and Principal guaranteed investment products (Simulation based on long-term and diversified investment)

Investment trusts and principal guaranteed investment products are different in their characteristics of “increase” and “save,” respectively. To offer a concrete image, a long-term simulation based on past records is provided below. As for investment trusts, long-term and diversified investments were conducted to reduce risk.

See page **P.15~18**

[Investment trusts] Diversified investment in 4 asset classes of Japanese Equities, Foreign Equities, Japanese bonds and Foreign bonds.

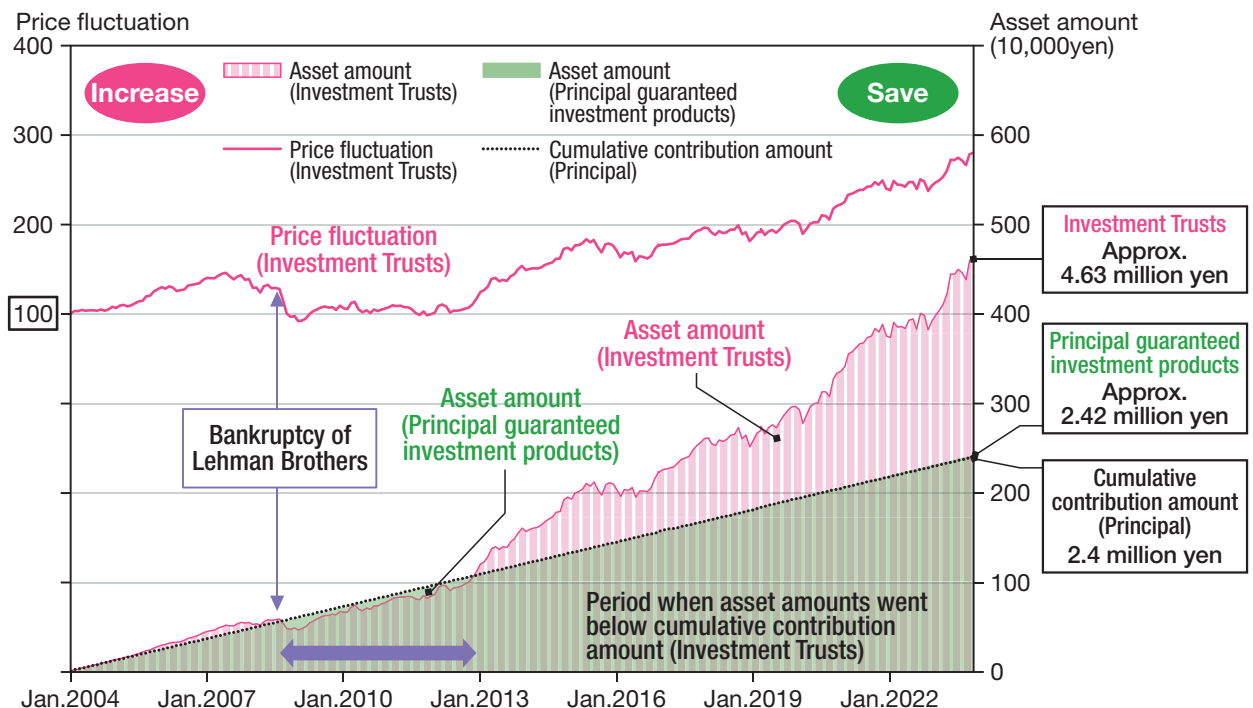
[Principal guaranteed investment products] Accumulated Accident Insurance.

* The calculation is based on indices and interest rates that show market price fluctuations rather than focusing on specific products, and does not take into consideration expenses and taxes related to investment.

[Long-term investment] Investment period of 20 years. The investment period includes the years around 2008, when a major market fluctuation took place as a result of the Lehman Brothers bankruptcy.

[Diversification of time (regular investment)] Reserve 10,000 yen every month.

- After the bankruptcy of Lehman Brothers, the asset amount of the investment trusts became lower than the principal for a period of time, but have exceeded the principal following the recovery of the market. On the other hand, the asset amount of the principal guaranteed investment product have never fallen below the principal.
- The asset amount of each investment product shows the different investment style to “increase” or “save”.
- Under a DC plan, you will receive invested assets. Therefore, you should consider these differences when investing.



Investment period of 20 years (January 2004 to December 2023)

Left axis: Price fluctuation when the end of January 2004 is defined as “100”

Right axis: Changes in asset amount and cumulative contribution amount when 10,000 yen is reserved every month

<Source> The figures for the principal guaranteed investment product are calculated by our company using the guaranteed interest rate of the accumulated accident insurance.

The figures for the investment trusts are calculated under the assumption that 25% of the contributions is invested in each of the 4 asset classes: Japanese equities, foreign equities, Japanese bonds and foreign bonds, and rebalanced at the end of each month using the following indices:

Japanese Equities: TOPIX(dividend included), Foreign Equities: MSCI-Kokusai (in JPY, without dividends)

Japanese Bonds: Nomura BPI (Overall), Foreign Bonds: FTSE World Government Bond Index (ex Japan, in JPY)

◆ This chart is created for informational purpose only by Sompo Asset Management Co., Ltd. and is not intended as a solicitation of an investment.

◆ This chart is created based upon information that Sompo Asset Management Co., Ltd. considers to be reliable, but they do not guarantee its accuracy or thoroughness.

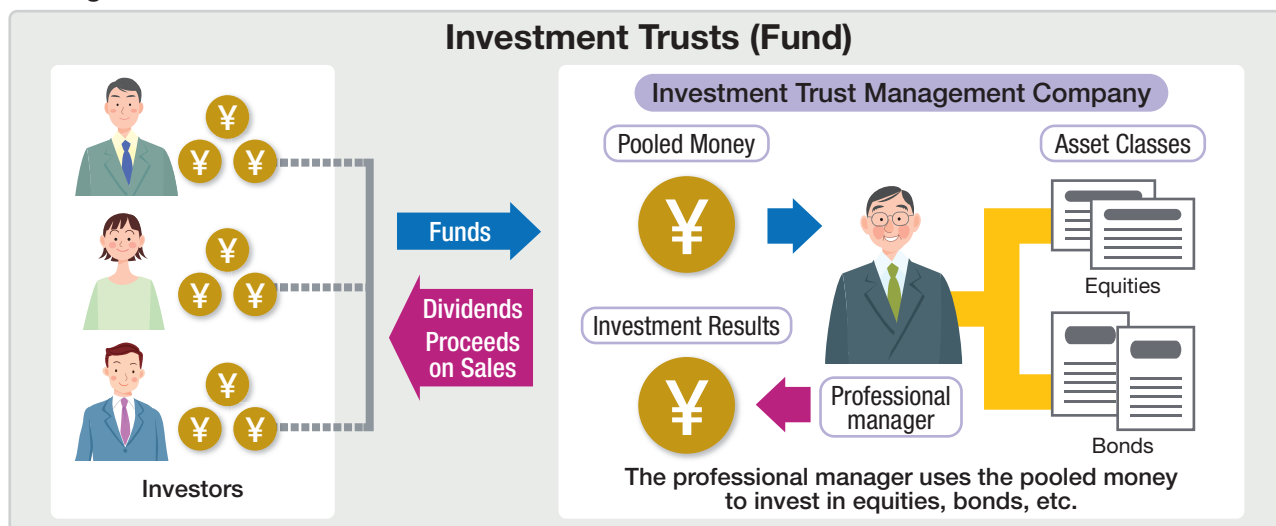
This information is prepared only to provide information for making investment decisions and is not intended as a recommendation of a specific investment style or product nor as a solicitation of an investment. Information contained here is valid at the time of creation and may be changed without prior notice. Furthermore, the information does not guarantee changes in future market conditions.

Structure and Features of Investment Trusts

Product Structure

An investment vehicle that is made up of a pool of funds collected from many investors. The professional manager (management company) uses the money to invest in equities, bonds, etc. An investment trust is also called a “fund.”

Image



For example, diversified investment through purchasing various equities requires a sizable sum of money. An investment trust invests a sum of money gathered from many investors, and thus can conduct diversified investment even though each individual's invested amount is small.

Expected return Dividends, profits/losses on sales

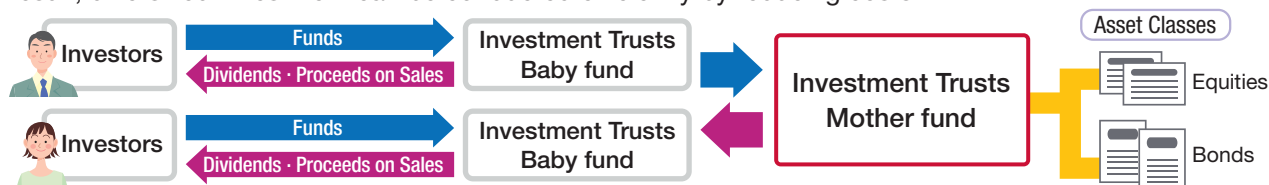
Definition of the term “dividend”:

Part of a profit derived from investing may be returned to the investors. This is called a “dividend”. When dividends are paid in a DC plan, they will be automatically reinvested in the same product (purchasing the same product).

Asset protection The roles of sales, investment and management of assets are clearly separated in an investment trust, and the management company (investment trust management company) does not hold assets. The assets are managed as trust assets by a trustee (trust bank, etc.) separately from those of the trust bank, etc. Even if the trust bank goes bankrupt, the assets will be protected at market price. However, the amount of loss from investment is out of the scope of protection.

Family funds method

This method invests in an investment trust called the “mother fund,” rather than directly investing in equities, bonds and the like. As shown by the name of “mother,” this investment method collectively invests amounts gathered in investment trusts (baby funds) of the same management company. As a result, diversified investment can be conducted efficiently by reducing costs.



Fund of funds method

This is an investment method in which a fund invests in other types of funds. Under this method, an appropriate combination of a variety of funds offered, not only by the same management company but by different companies, are wrapped into one fund. The specialists choose and combine funds with different risk characteristics, therefore the effect of diversified investment can be expected. Asset management fees for the underlying funds will also be borne by the participant indirectly.

Types of Investment Trusts

Categories by Asset Class

Japanese Equities

● Invests in Japanese equities

Includes large-caps, mid-small caps, and small-caps

Foreign Equities

● Invests in foreign equities

Includes equities of developed countries and emerging markets

Japanese Bonds

● Invests in Japanese bonds

Includes the Japanese government bonds, municipal bonds and corporate bonds

Foreign Bonds

● Invests in foreign bonds

Includes bonds of developed markets and emerging markets

J-REITs

● Invests in J-REITs (real estate investment trusts)

Foreign REITs

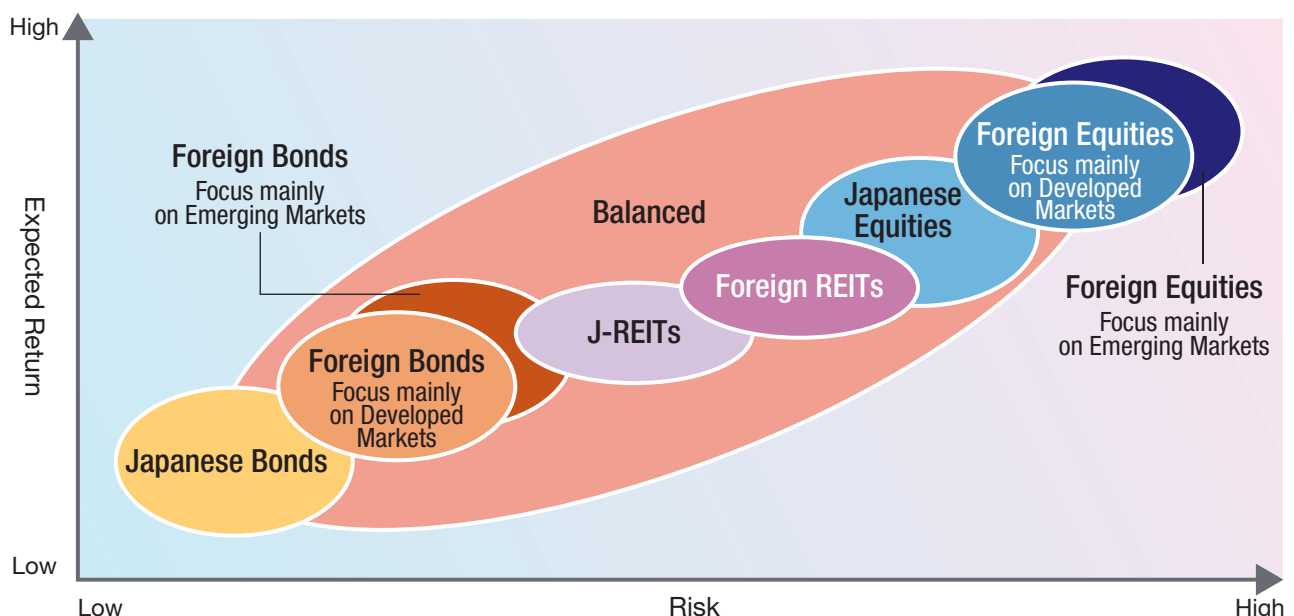
● Invests in foreign REITs (real estate investment trusts)

Balanced

● Invests mainly in both Japanese and foreign equities and bonds shown above

The investment is conducted with a balanced combination of these asset classes.

Risk and Return in Asset Class



The risk/return profile varies depending on asset classes. For instance, regarding investment trusts investing in foreign equities, risk and return profile of funds investing in the developed countries differs from that of funds investing in emerging countries.

Types of Investment Trusts

What is a balanced product?

A balanced product incorporates multiple asset classes in a single product. This enables diversified investment with a combination of asset classes with different risk and return characteristics. A balanced product is managed by a professional manager through rebalancing and reallocation.

Rebalancing means to adjust the asset allocation that has changed as a result of investment back to its original state.

Reallocation means to change the asset allocation itself due to the reasons such as the passage of time and changes in investment environment.

Types of balanced products

Balanced products are categorized into three main types:

① Fixed Asset Allocation ② Target Date ③ Risk-control

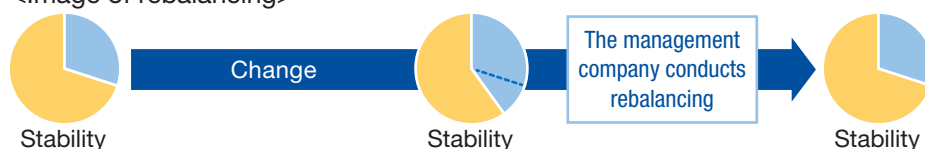
	① Fixed Asset Allocation	② Target Date	③ Risk-control
Asset Allocation	No change	Change over time	Change according to the market environment
Features	<ul style="list-style-type: none"> ● A fixed asset allocation is maintained. ● You can select an asset allocation which suits your risk tolerance level. ● Multiple products with different asset allocation ratios are offered. <p>[Rebalancing]</p>	<ul style="list-style-type: none"> ● The date of retirement is assumed as the target date. Asset allocation is gradually shifted from aggressive investment to stable investment as it get closer to the target date. ● Multiple products with different target dates are offered. <p>[Rebalancing] [Reallocation]</p>	<ul style="list-style-type: none"> ● Asset allocation is modified in order to limit the risk level to a certain range. <p>[Reallocation]</p>
Tips for selection	<ul style="list-style-type: none"> ● I want to select an asset allocation which suits my risk tolerance level. 	<ul style="list-style-type: none"> ● I want to have the asset allocation changed in accordance with my age. ● I want to confirm a target date which suits me. 	<ul style="list-style-type: none"> ● I want to reduce risk.

There are other balanced products that do not fall into the categories above.

① Fixed Asset Allocation

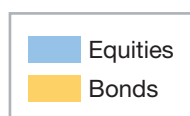
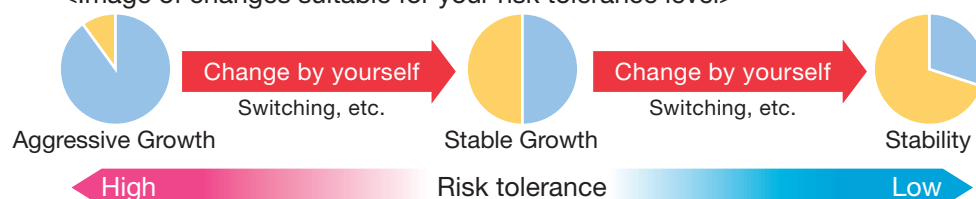
Rebalancing is conducted regularly to retain a predetermined asset allocation. Products with different asset allocation ratios (Aggressive Growth, Growth and Stability, etc.) are generally offered.

<Image of rebalancing>



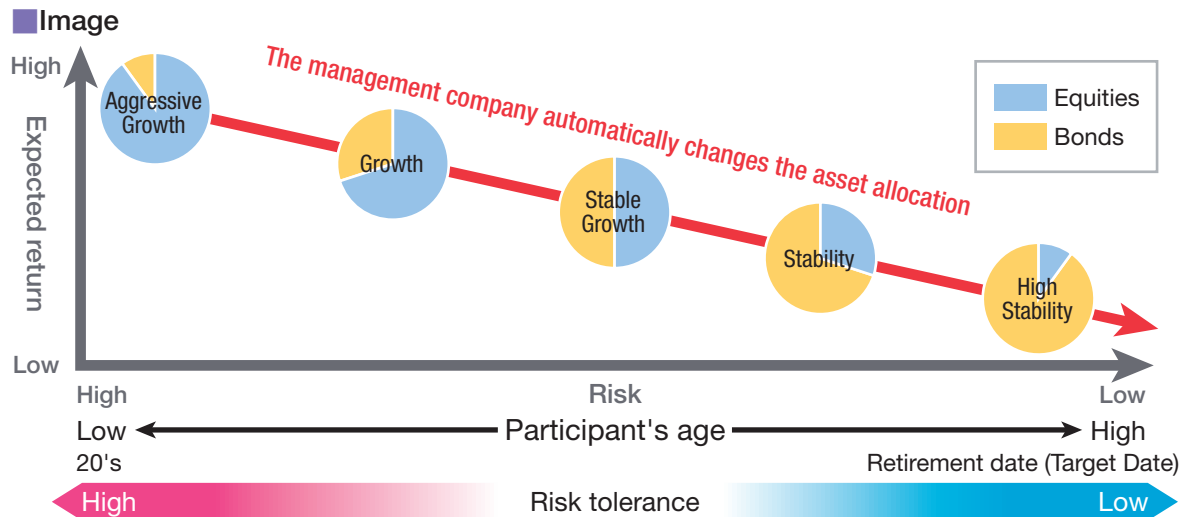
You can change your investment products over time on your own from aggressive growth to stable growth, and then to stability.

<Image of changes suitable for your risk tolerance level>

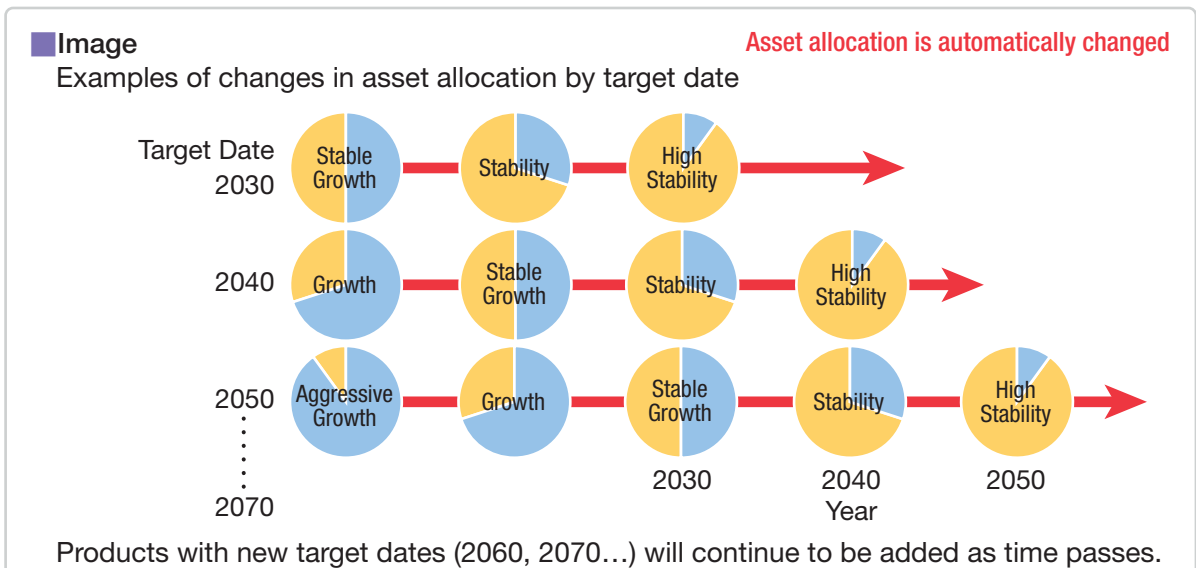


2 Target Date

With the retirement date set as Target Date, the management company automatically changes the asset allocation over time. As your risk tolerance level generally lowers with age, the asset allocation will be gradually changed to one that reduces risk. The product is offered in a series of products with different Target Dates (Target Years).

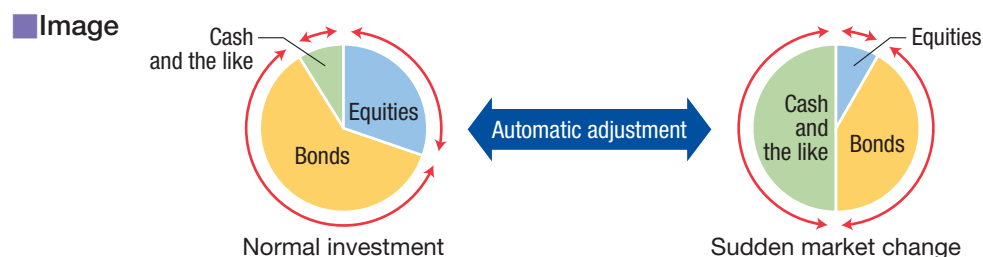


A target date investment trust has a target date (e.g. 2050) included in its product name.



3 Risk-control

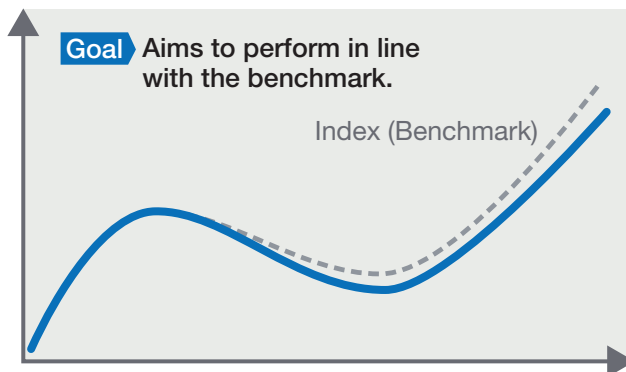
The management company adjusts the asset allocation automatically in accordance with changes in market environment in order to limit risk levels to a certain range. For instance, in the event of a sudden market change, the asset allocation is changed to reduce equities and increase cash and the like in order to control risk.



Types of Investment Trusts

Categories by Management Style

Passive Management



Passive Management (Index Management)

- A style of management where a fund's performance is aimed to mirror a market index (benchmark).
- Portfolios composed of issues adopted from an index with similar asset class ratios.
- Investment performance depends on market trends.

<Characteristics>

If the benchmark is the same, performance tends to mirror the index. Passive products tend to be generic and without unique features.

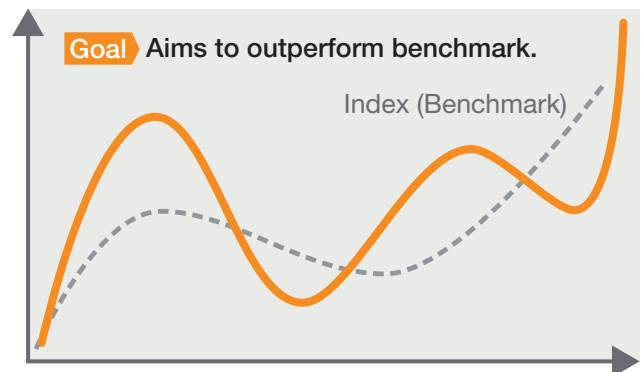
<Risk>

In general, it tends to be smaller than that of active management.

<Cost>

Research and analysis costs are not incurred, thus management fees tend to be lower than those for active funds.

Active Management



Active Management

- A style of management where a fund aims to outperform a specific index (benchmark). There is a risk of underperformance.
- Specialists (fund managers) select stocks based on proprietary research and analysis.
- Performance depends on both market trends and the management ability of the investment management company.

<Characteristics>

Even when the benchmark is the same, actively managed funds tend to perform differently from one another. Actively managed products can vary in detail and possess unique characteristics.

<Risk>

In general, it tends to be larger than that of passive management.

<Cost>

Management fees tend to be more than those for passive products due to research and analysis cost incurred.

Investment Style of Active Management

The investment styles within this category include value investing and growth investing.

Value Investing

A strategy of investing in stocks that are judged to be undervalued upon evaluating the companies' earnings and financial position.



Growth Investing

A strategy of investing in stocks that are judged to have potential for growth while paying attention to their earnings and performance.



● What is a benchmark?

A benchmark is a standard against which the performance of an investment trust can be measured. Generally, broad market indexes are identified as benchmarks. For example, if the asset classes is Japanese equities, the Nikkei Stock Average, TOPIX (Tokyo Stock Price Index), etc., are identified as benchmarks. Some investment trusts do not set a benchmark.

● Major Benchmarks (As of April 2022)

Major indices identified as benchmarks are as follows.

Japanese Equities

● TOPIX (Tokyo Stock Price Index)

An index released daily by the Tokyo Stock Exchange (TSE).

It is one of the major indices for Japanese equities.

It is a capitalization weighted index which was set at the closing of January 4, 1968 with a base value of 100.

● Nikkei Stock Average

It is one of the major indices for Japanese equities and is calculated and released by Nihon Keizai Shimbun, Inc.

It is an average of 225 representative companies listed on the prime section of the TSE.

Foreign Equities

● MSCI-Kokusai Index

A market cap-weighted index calculated and released by Morgan Stanley Capital International Inc. (MSCI). It consists of stocks from developed countries excluding Japan.

● MSCI-World Index

A market cap-weighted index calculated and released by Morgan Stanley Capital International Inc. (MSCI). It consists of stocks from developed countries including Japan.

● MSCI Emerging Markets Index

A market cap-weighted index calculated and released by Morgan Stanley Capital International Inc. (MSCI). It consists of stocks from emerging countries.

● MSCI All Country World Index

A market cap-weighted index calculated and released by Morgan Stanley Capital International Inc. (MSCI). It consists of stocks from both developed and emerging countries.

Japanese Bonds

● NOMURA-BPI (Overall)

A total return index developed by Nomura Securities representing all publicly offered bonds issued in Japan.

Foreign Bonds

● FTSE World Government Bond Index

An index calculated and released by FTSE Russell. It is an index of the overall investment yield of government bonds from developed countries that is a weighted-average based on each market capitalization.

● JP Morgan Emerging Market Bond index Plus

An index calculated and released by J.P. Morgan Securities. It is an index of market capitalization that tracks government bonds issued by emerging countries.

J-REIT

● Tokyo Stock Exchange REIT Index

An index calculated and released by the Tokyo Stock Exchange.

A capitalization-weighted average of all J-REITs listed on the Tokyo Stock Exchange.

Foreign REIT

● S&P Developed REIT Index

A capitalization-weighted average calculated and released by S&P Dow Jones Indics. It is a representative index that shows the trends of REITs in developed countries.

Balanced

● Synthetic Benchmark

In the calculation, benchmarks set for individual assets are weighted-averages using the basic asset allocation of balanced products.

Asset Class: Equities, Bonds and REITs

Price fluctuation of an investment trust depends on that of its asset classes such as equities, bonds, and REITs (real estate investment trust). Let's take a look at the structures of asset classes.

Structure of equities

- Stocks or equities are issued by the company (stock corporation) to raise funds. Investing in equities means that you invest your money in companies, thereby becoming a shareholder. If the company in which you have invested generates profits, you will be able to receive part of the company's profits as dividends. Moreover, if the stock price rises, you may obtain a capital gain.
- Unlike bonds, equities do not have fixed maturity dates. Therefore, they are bought/sold at the market price on stock exchanges. You can expect a high return from investments in equities as the growth of the company or overall economic growth will be reflected in the share price. However, investment in equities may involve a high risk as there is no guarantee that you will receive dividends or that the stock price will rise.

Expected Return

Profits or Losses on sales, Dividends

Major risks

Risk of Stock Price Fluctuation, Credit Risk, Liquidity Risk

Structure of bonds

- Bonds are issued by entities such as the government or corporations to borrow money from investors. The issuing entity promises to repay the principal at a certain time (maturity date) with interest payment at a specified rate. In the case where the investor decides to sell the bond before maturity, it will be sold at the market price at that time, which could be higher or lower than the principal.
- Bond prices are mainly affected by market interest rates and credit quality of issuers. There is a possibility that the principal and interest may not be paid due to credit deterioration or bankruptcy of issuers.

Expected Return

Interest (coupons), Profits/Losses on sales, Profits/Losses on redemption at maturity

Major risks

Price Fluctuation Risk, Credit Risk, Risk of Interest Rate Fluctuation, Liquidity Risk

Structure of REITs

- REITs invest in real estates. REIT is the abbreviation of "real estate investment trust."
- Money collected from many investors is invested in multiple real estates such as office buildings, apartment buildings and logistic facilities, and the rental income and trading profit are distributed to the investors.
- As REITs are traded on the market like equities, you can gain a profit if the price goes up but suffer a loss if the price goes down.

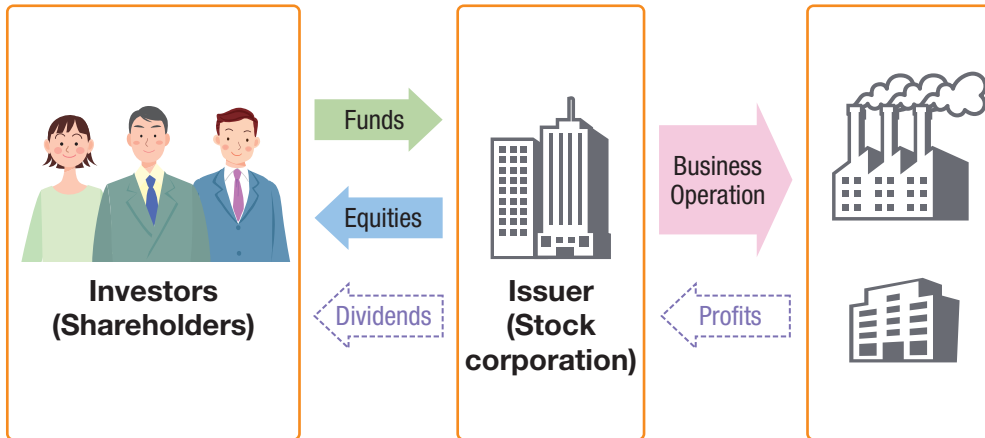
Expected Return

Dividends, Profits/Losses on sales

Major risks

Risk of Real Estate Investment, Price Fluctuation Risk, Credit Risk, Liquidity Risk

Image of equities



Price Fluctuation

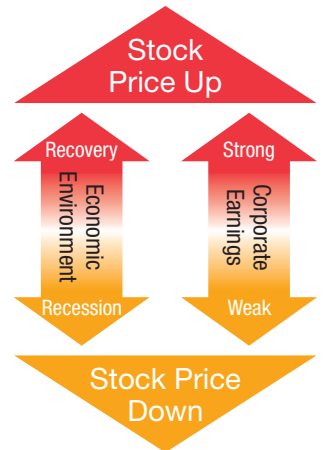
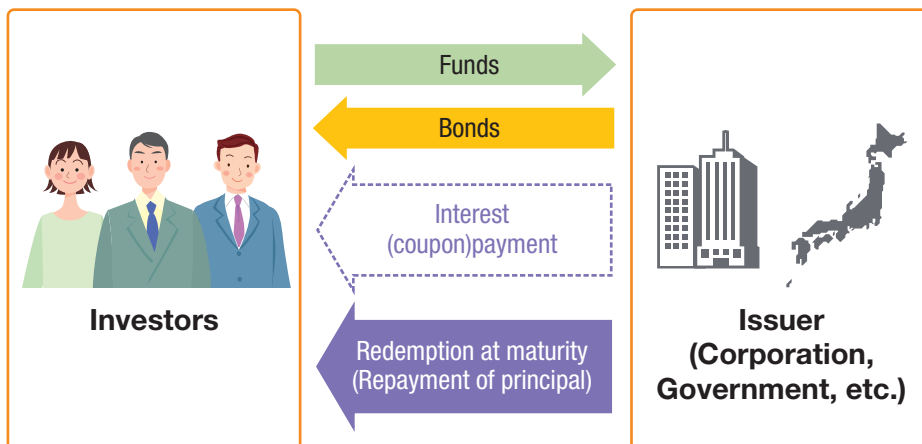


Image of bonds



Price Fluctuation

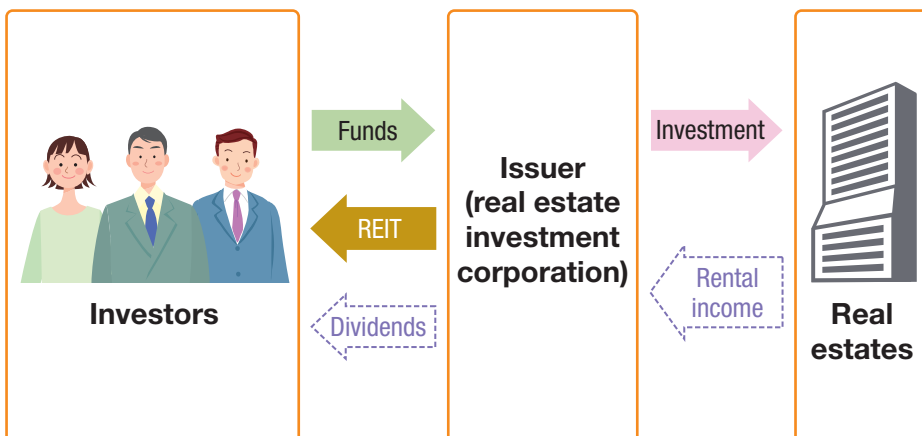
If the interest rate goes down, the price goes up.



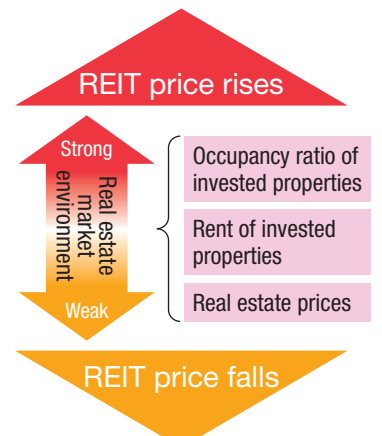
If the interest rate goes up, the price goes down.



Image of REITs



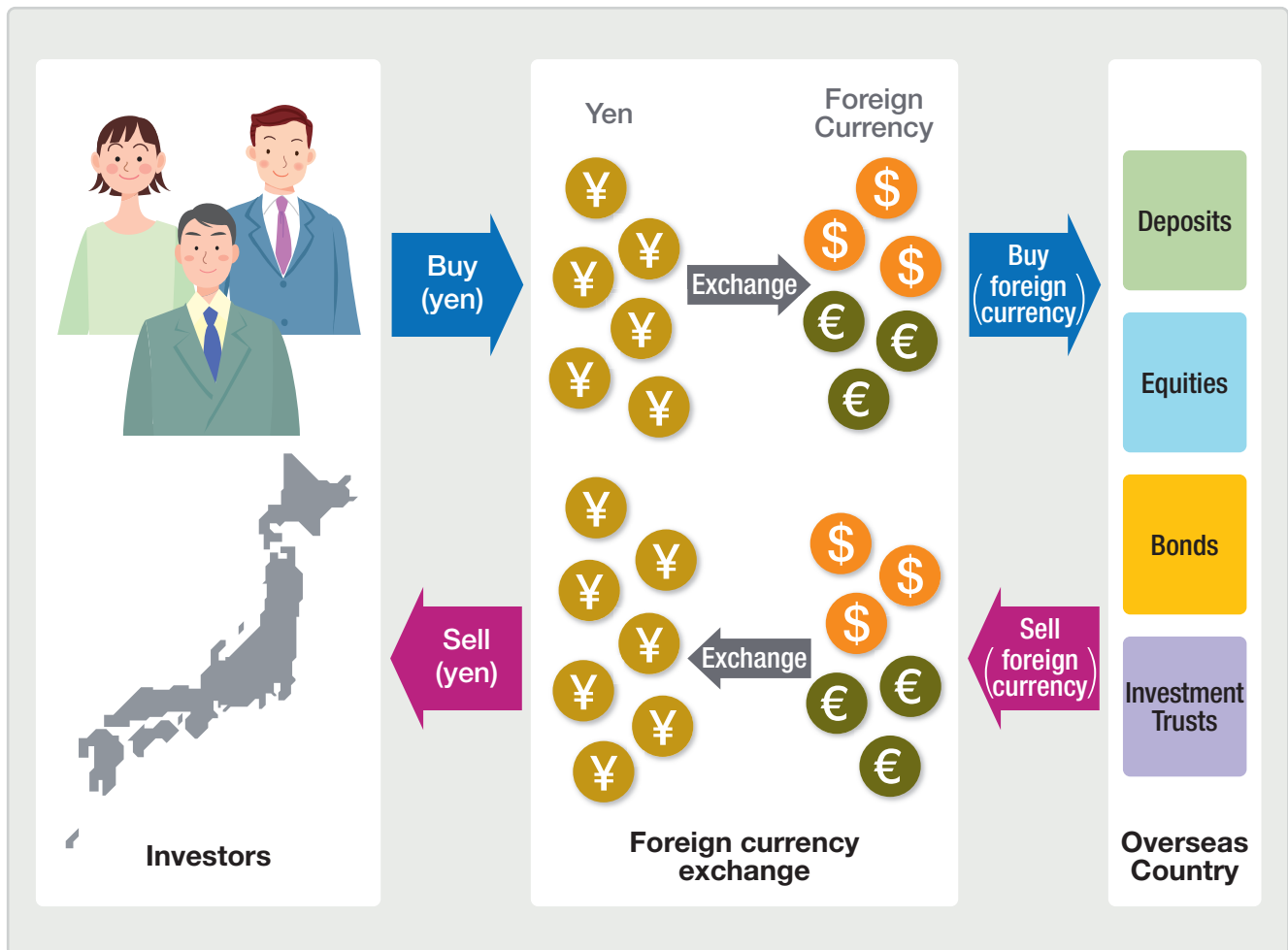
Price Fluctuation



Asset Class: Foreign Assets

Some investment trusts invest in equities and bonds which are traded in foreign currencies. The most remarkable feature of foreign assets is that values of the assets fluctuate according to changes in exchange rates. “Currency exchange” means exchanges between currencies based on exchange rates for currency pairs (e.g. JPY for USD). Exchange rates fluctuate due to various factors such as changes in economic and political situations. Therefore, when investing in foreign assets, it is necessary to consider fluctuations in exchange rates as well.

Image



When investing in foreign assets, investors exchange domestic currency for the foreign currency to buy foreign deposits, equities and bonds. Likewise, when selling such products, investors need to exchange the proceeds from the sale in the foreign currency for the domestic currency. Thus, investment in foreign assets can be affected not only by fluctuations unique to the investment product, but also those in exchange rates. Either a profit or a loss can be generated, depending on fluctuations in the exchange rate, which could result in higher risk.

Main risks:

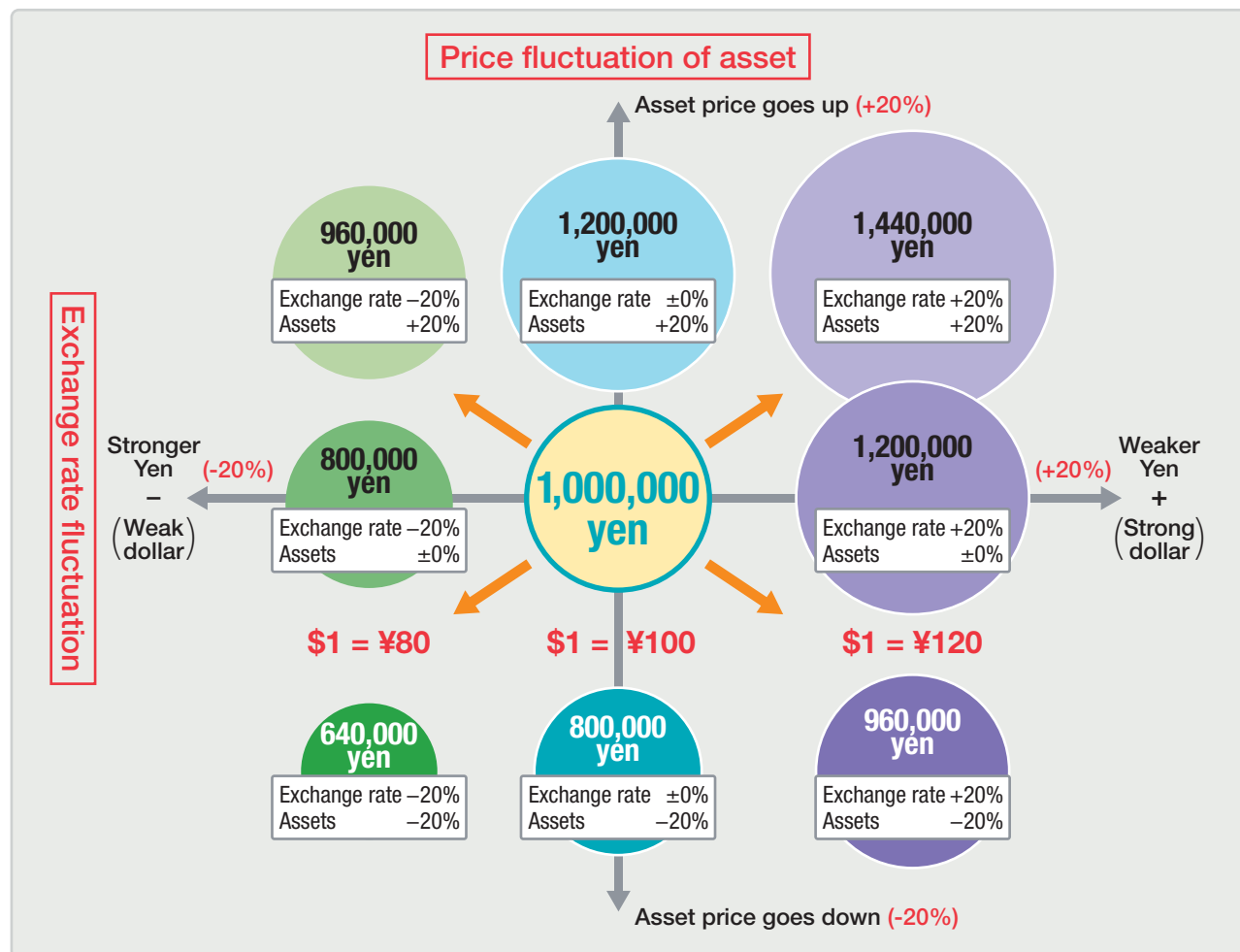
On top of the specific risks associated with foreign assets including equities and bonds, etc., exchange risk and country risk will come up when investing in foreign assets.

Fluctuations in asset price and exchange rate

Yen based value of foreign currency denominated assets fluctuates in response to the price fluctuations of the assets as well as the fluctuation of exchange rate.

Let's see how these fluctuations would affect results when 1 million yen is invested in dollar-denominated assets at 100 yen to the dollar (the circle in the center).

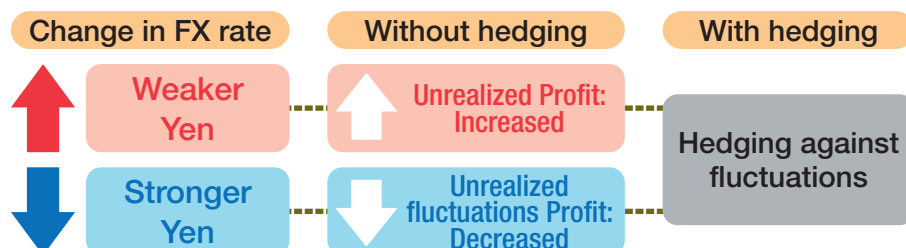
Image of fluctuation



Currency Hedging

Currency hedging is a technique used to hedge against price fluctuations caused by exchange rate movement when investing in foreign assets. Investment products which invest in foreign assets can be divided into two groups: one with currency hedging and the other without currency hedging. Currency hedging incurs extra transaction costs.

<Relationship between FX hedging and profit>



Net Asset Value Per Unit

Price of Investment Trusts (Net Asset Value Per Unit)

- The price at which investors buy and sell units of investment trusts is called net asset value per unit.
Investment trusts invest pooled money into assets such as equities and bonds. As the value of the underlying securities of investment trusts fluctuates daily, the price or net asset value per unit of investment trusts also fluctuates.

Net Asset Value Per Unit



e.g.
Suppose
"XY Equity Fund"
invests
in 3 stocks.

Investment portfolio of XY Equity Fund

A Motors Corp.

B Electronics Inc.

C Pharmacy Co., Ltd.

	Invested Amount	When the prices of all stocks have increased	When each stock has shown different price movement
A Motors Corp.	10 billion yen	12 billion yen Up	8 billion yen Down
B Electronics Inc.	10 billion yen	12.5 billion yen Up	10.5 billion yen Up
C Pharmacy Co., Ltd.	10 billion yen	11.5 billion yen Up	7 billion yen Down
Total Assets	30 billion yen	36 billion yen Asset Amount	25.5 billion yen Asset Amount
Total Units	30 billion units	30 billion units	30 billion units
Net asset value per unit (per 10,000 units)	$\frac{30 \text{ billion yen}}{30 \text{ billion units}} \times 10,000 \text{ units} = 10,000 \text{ yen}$	$\frac{36 \text{ billion yen}}{30 \text{ billion units}} \times 10,000 \text{ units} = 12,000 \text{ yen}$ Up	$\frac{25.5 \text{ billion yen}}{30 \text{ billion units}} \times 10,000 \text{ units} = 8,500 \text{ yen}$ Down

The above explanation is based on the assumption that there was no change in the total amount of assets and total number of units.

In real-life situations the net asset value per unit is calculated by subtracting expenses such as a asset management fee from the asset value.

- The net asset value per unit is calculated once a day.

For instance, the prices of the stocks held by the investment trust can change every second during the stock market trading hours. On the other hand, the net asset values per unit of general investment trusts are calculated, determined and released as the market value of the day after the trading hours.

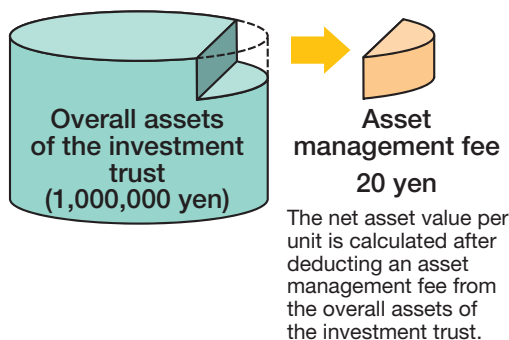
Upon purchase	Sales charge	This is a charge paid to a distributor upon purchase of an investment trust. Sales charge for investment products does not incur in DC pension plans.	If compared to a membership service: Entrance fee
During the holding period	Asset management fee	This is an expense for investment and management. This applies to all investment trusts. A certain percentage of the asset balance is automatically deducted every day during the holding period. Net asset values per unit and returns released to public are net of asset management fees.	Annual fee
	Other	<ul style="list-style-type: none"> ● Commission for trading securities held in the trust (stocks, bonds and the like) ● Audit fees paid to audit corporations, etc. 	
Upon sale of investment trusts	Partial redemption charge	This is the cost incurred upon the sale of investment trusts. When selling an investment trust, the equities/bonds held in the trust are sold. The seller bears the costs of selling such securities. This applies to some investment trusts. Some products charge this fee upon purchase.	Withdrawal fee

● How to calculate an asset management fee

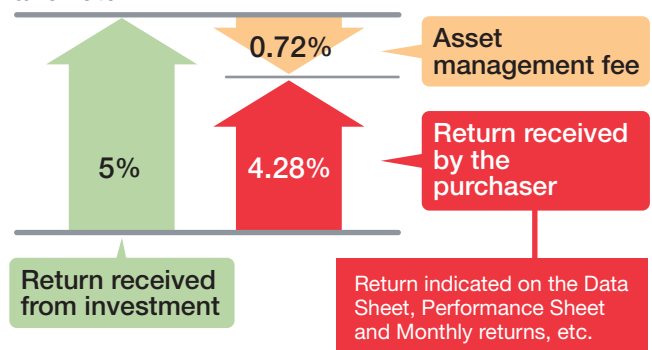
Example: When an asset management fee is 0.72%

Asset management fee: 1 million yen \times (0.72% \div 365 days) = 20 yen per day

■ Image



Relation between the asset management fee and return

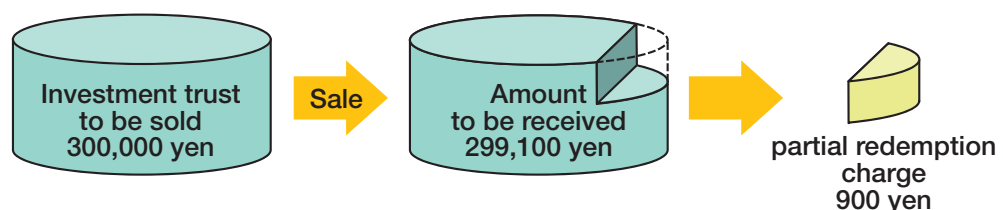


● How to calculate a partial redemption charge

Example: When a partial redemption charge is 0.3%

**If 300,000 units are sold when the net asset value per unit is 10,000 yen:
(10,000 yen \times 0.3%) \times 300,000 units \div 10,000 = 900 yen**

■ Image



Profit and Loss (Return)

Concept of profit and loss

The difference between the net asset value per unit upon purchase (called “average weighted price”) and the net asset value per unit upon sale will be profit or loss.



When you purchased the same investment trust multiple times, how is the average weighted price calculated?

If you purchased the same investment trust multiple times, the average weighted price can be calculated by obtaining the average based on the number of units purchased.

In the example below, the calculation will be as follows:

$$\begin{aligned} \text{③ No. of Units purchased} &= \text{① Purchase amount} \div \text{② Net Asset Value per unit at the time of purchase} \times 10,000 \\ \text{⑥ Average weighted price} &= \text{④ Cumulative purchase amount} \div \text{⑤ Cumulative units purchased} \times 10,000 \end{aligned}$$

Purchase month	① Purchase amount		② Net Asset Value per unit at the time of purchase (per 10,000 units)	③ No. of Units purchased		⑥ Average weighted price
		④ Cumulative total			⑤ Cumulative total	
Jan.2022	20,000 yen	20,000 yen	10,000 yen	20,000 units	20,000 units	10,000 yen
Feb.2022	20,000 yen	40,000 yen	9,600 yen	20,833 units	40,833 units	9,795 yen
Mar.2022	20,000 yen	60,000 yen	10,200 yen	19,607 units	60,440 units	9,927 yen

If the net asset value per unit exceeds or falls below the average weighted price, a profit or a loss will be generated respectively.

Display on AnswerNet

Display on the AnswerNet (for computers) Display is different on smartphones.

As shown in the example below, a profit or loss to the current unit value is displayed daily on the AnswerNet. The current unit value is 10,800 yen exceeding the average weighted price of 9,927 yen, and as a result, a profit is generated. The displayed amount is an appraisal profit or loss, and an actual profit or loss will not be realized unless the product is sold.

Display example

The average weighted price is 9,927 yen in this case, but it is not displayed.

Asset Class	Product name	Net Realizable Value (per 10,000 units)	Amount	Asset Balance	Total Cost	Gain/Loss Investment Return	Dividends
Japanese Equity	●●fund	10,800 yen	60,440 units	65,275 yen	60,000 yen	5,275 yen 8.8%	0 yen

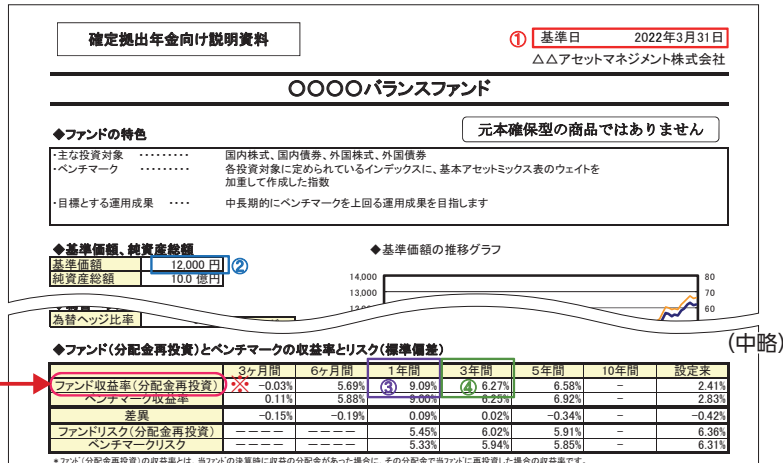
Calculation formula for the items

$$\begin{aligned} \text{The current unit value} &= \text{net asset value per unit} - \text{partial redemption charge} \\ \text{Asset balance} &= \text{Current unit value} \times \text{The no. of units held} \\ \text{Profit/Loss} &= \text{Asset balance} - \text{Purchase amount} \\ \text{Profit and loss ratio} &= \text{Prot/Loss} \div \text{Purchase amount} \end{aligned}$$

Information indicated on Data Sheet (Explanatory material for DC plans)

* Provided in Japanese only.

The return is indicated as "Fund Return" for the periods ranging from three months to the entire investment period since investment starting date.



For example:

●As shown in ③, the fund return for the one-year investment period is 9.09%. This indicates that a return is 9.09% for a product that is purchased one year ago on March 31, 2021 (investment starting date) and sold on the base date of March 31, 2022 shown in ①.

●In this way, you can see how much the price has increased (or decreased in case of a negative number) during the investment period.

* On the Data sheet return is indicated as "Fund Return" (dividends re-invested).

How to calculate return

A return is calculated as a percentage (%) of price fluctuation during the investment period by comparing the net asset value per unit on the investment starting date with that on the base date. If the investment period is one year or longer, the return is annualized.

$$\text{Return} = \text{profit (or loss) obtained during the investment period} \div \text{Invested amount}$$

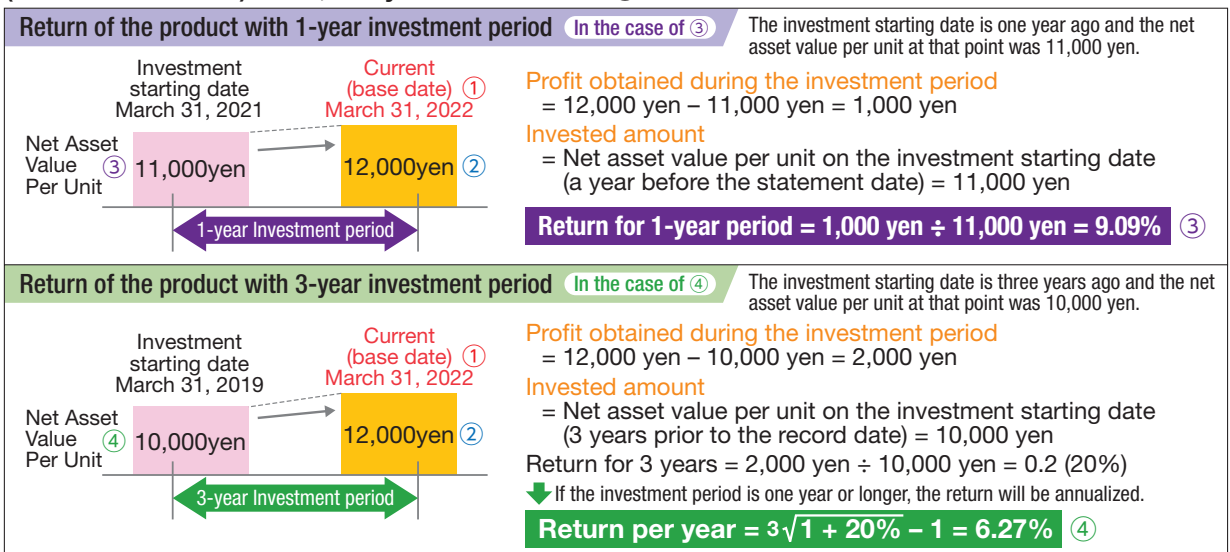
② **Base Date:** The date on which the investment return is calculated. It is often the last business day of each month.

② **Annualized Rate:** In order to compare returns of products for different length of periods, the rate is converted into an annualized rate. If the period is less than a year, the rate will not be annualized.

② **Benchmark:** A standard against which the performance of investment trusts can be measured.

See page **P.46**

See the two specific examples below. In both cases, the current net asset value per unit (on the base date) is 12,000 yen as shown in ②.



* Costs incurred upon actual sale are not considered.

How to use Data Sheet

A return for each investment period helps you understand the current status of your investment and interpret whether it is in an upward or downward trend from the past on a long-term or short-term basis. However, as this is an observation based on only two points of time (investment starting date and base date), please refer to not only return but also various other information such as risk when selecting investment products.

Structure and Features

Major Categories

Non-life Insurance

(Accumulated accident insurance)

Life Insurance

(Accumulated annuity insurance)

Bank Deposits

(Fixed deposits, etc.)

Structure of products

You pay (deposit) funds to an insurance company or a bank for a certain period of time. Once the defined period (a period during which a guaranteed interest rate applies, or a term of deposit) has passed (at maturity), the interest will be added calculated based on the guaranteed interest rate upon the payment or deposit. If you sell the product before maturity, this results in early redemption.

Non-life Insurance

(Accumulated accident insurance)

Even if you redeem before maturity, this does not cause the asset balance to fall below the principal. In this case, the guaranteed interest rate is lowered. In the case of death due to injury caused by an accident during the investment period, the amount to be received will be increased more than the case of death due to a disease.

Expected Return

Interest (principal × guaranteed interest rate)

Life Insurance

(Accumulated annuity insurance)

If you redeem before maturity, a redemption charge can be applied which may cause the asset balance to fall below the principal. You can choose from multiple options to receive the benefit such as a “certain year annuity” or “life-time annuity”. If a “life-time annuity” is selected, the principal (accumulated capital) could be reduced depending on the length of the receiving period including the case of death during such period.

Expected Return

Interest (principal × guaranteed interest rate)

Bank Deposits

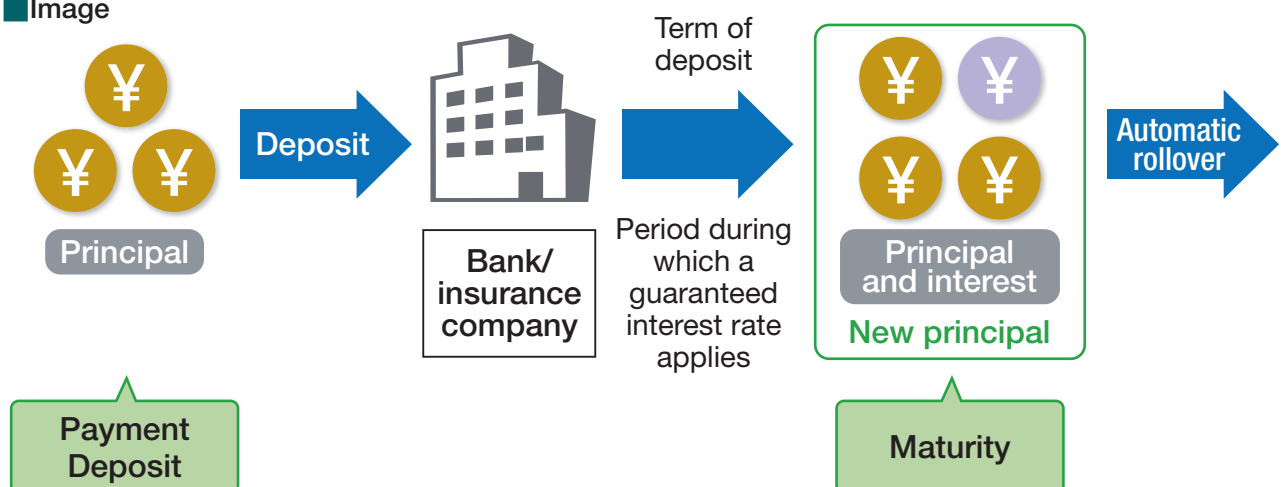
(Fixed deposits, etc.)

If you redeem before maturity, the applicable interest rate may be lowered.

Expected Return

Interest (principal × applicable interest rate)

Image

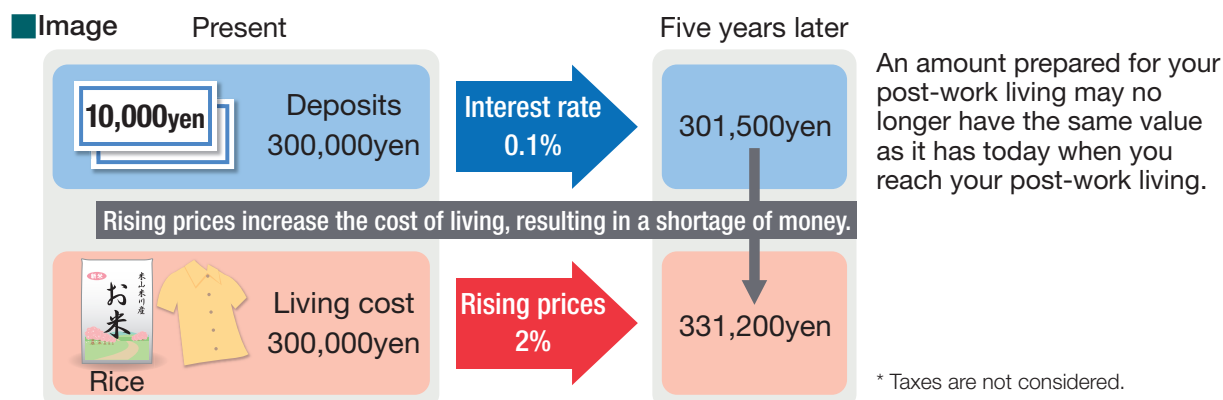


The above shows general descriptions of investment products used in a DC pension plan. The structure of products can vary depending on the investment product. Please see the Investment Product Guide for more details.

Risk of principal guaranteed investment products

Inflation Risk

Principal guaranteed investment products have an inflation risk. Inflation means an increase in the price of goods. When inflation occurs, the value of money decreases. This is called "Inflation Risk".



Credit Risk

For principal guaranteed investment products, you need to pay attention to a possible decrease in your assets due to credit risk (such as bankruptcy of financial institutions holding your deposits).

Early redemption and asset protection

Categories of products		Early redemption If you redeem before maturity, the predetermined guaranteed interest rate may not be applied.	Asset protection When an insurance company or a bank used for payment and deposit goes bankrupt, a certain amount of protection is provided.
Insurance	Non-life Insurance (Accumulated accident insurance)	The principal is protected. In this case, the guaranteed interest rate is lowered.	Up to 90% of liability reserve is covered under the non-life and life insurance policy-holder's protection system. * The terms and conditions in the initial contract are subject to change depending on the financial condition of the insurance company.
	Life Insurance (Accumulated annuity insurance)	A redemption charge may be applied In this case, the principal may be reduced.	
Bank Deposits		Principal is protected. In this case, the applicable interest rate may be lowered.	The deposit insurance system protects up to 10 million yen in principal plus its interest per depositor per financial institution. * If you have deposits other than those under a DC plan in the same financial institution, they will be protected preferentially over those under the DC plan.

Display of interest and other information on the AnswerNet

The guaranteed interest rates are displayed on the AnswerNet. The interest of the products held is reflected in the asset balance, etc. as follows:

- Non-life Insurance Interest is reflected in the asset balance as well as profit and loss.
- Life Insurance Interest is reflected in the asset balance as well as profit and loss.
Upper column: A value when the product is sold before maturity and a redemption charge is applied.
Lower column: A value when the product is not sold before maturity and a redemption charge is not applied.
- Bank Deposits Interest is not displayed until maturity, and interest is incorporated into the principal upon maturity. Interest is not reflected in profit and loss of each product (profit and loss is always displayed as 0 yen with a profit and loss rate of 0%). Upon maturity, interest is reflected in the overall asset balance as well as profit and loss.

Q&A Frequently Asked Questions

Q1 Can you tell me which investment product I should choose?

- A** Plan administrators are prohibited by laws from recommending a specific investment product to participants. We offer information regarding investment products and past results as a reference for selecting investment products.
-

Q2 How many investment products can I choose?

- A** You may choose any number of investment products provided under the plan you participate in. No fee is charged upon purchase.
-

Q3 Will I be charged any fees while holding investment products?

- A** Holding an investment trust requires fees such as an asset management fee. Net asset values per unit and returns are obtained after deducting asset management fees.
-

Q4 Can I change my investment products at any time?

- A** You can change your investment products at any time. Two methods are available: "Changing the allocation ratio" which changes the products to be purchased with future contributions; and "switching" which switches accumulated assets to other investment products.
-

Q5 Will I be charged any fees when I change my investment products?

- A** Methods to change investment products are "changing the allocation ratio" and "switching". "Changing the allocation ratio" does not incur a fee. "Switching" does not incur a fee, either, but some investment products may require costs (such as partial redemption charge and redemption charge) at the time of selling and purchasing. The rate of these fees differs depending on the investment product. Sales charge is not charged in a DC pension plan.
-

Q6 Is the investment subject to taxes?

- A** In a DC pension plan, investment returns (interest on deposits, and dividends and gains on sale of investment trusts) are not taxed during the investment period.

* Although accumulated assets under the DC pension plan are taxable under a special corporation tax and corporate inhabitant tax, the taxation is currently suspended.

Q7 How long can I continue investment?

- A** You can continue your investment as long as you have assets.
-



Q8 What happens if a financial institution goes bankrupt?

A Defined contribution pension plans are managed by financial institutions such as plan administrators, asset administrators, and investment product providers. In case that a financial institution goes bankrupt, the accumulated assets will be influenced as follows:

- **Plan administrators:** As pension assets of participants are managed by an asset administrator, the bankruptcy of a plan administrator will cause no influence on the pension assets.
- **Asset administrators:** As a trust bank (asset administrator) manages entrusted pension assets separately from the assets of the trust bank itself, the bankruptcy of an asset administrator will cause no influence on the pension assets.
- **Investment product providers:** The handling differs depending on the investment product as follows:

Investment Trusts	The assets of an investment trust are managed as trust assets separately from the assets of the trust bank itself. Therefore, even if a management company or a trust bank of the investment trust goes bankrupt, the assets will be protected at the market price. However, this does not apply to any loss generated from the investment.
Non-life Insurance	This investment product is under the protection of the Non-life Insurance Policyholders Protection Corporation of Japan. 90% of the claim payment or refund will be covered if the non-life insurance company becomes bankrupt.
Life Insurance	This investment product is under the protection of the Life Insurance Policyholders Protection Corporation of Japan. 90% of the liability reserve will be covered if the life insurance company becomes bankrupt.
Bank Deposits	The deposit insurance system protects the principal up to 10 million yen including ordinary deposits plus its interest per financial institution.

Q9 If the investment generates a loss, will I be compensated?

A Even if the asset value after investment falls below the invested principal, the loss will not be compensated for. You are responsible for the results of the investment.

Q10 When I designate allocation ratio of my contributions to purchase an investment trust, the net asset value per unit as of when will be applied?

A According to the allocation ratio designated before 24:00 on the day prior to the upcoming contribution date, an investment trust is purchased on the day following the contribution date at the net asset value per unit as of the purchase day. Please note that the net asset value per unit is generally calculated after the end of the trading hours of the stock exchange (15:00). Accordingly, you cannot purchase an investment trust with knowledge of its net asset value per unit beforehand. The net asset value per unit of an investment trust that invests in foreign assets may be calculated on or after the following day because it is calculated after the end of the trading hours of the relevant foreign stock exchange.

Q11 I have a term I don't understand.

A Please see the explanations on the corresponding pages.

Term	Page Number	Term	Page Number
Active management	45	Designation of allocation ratio	3, 29
Asset allocation	34	Passive management	45
Currency hedging	50	Benchmark	46
Sharpe ratio	12	Reallocation	34
Partial redemption charge	52	Risk	12~14
Asset management fee	52	Risk tolerance	21
Switching	35	Return	10
Dollar cost averaging	17	Rebalancing	33

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