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Welcome to the World of Investing!

Sompo Japan Nipponkoa DC Securities

The original is written in Japanese. This translation is for reference purposes only.

Welcome to the World of Investing!

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 old age.

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. You can make use of the investment knowledge obtained through this guidebook not only for defined contribution pension plans, but also for your asset formation. Now, take a step into the world of investing!

Contents

Learn the basics

Select Investment Products

Grow your assets

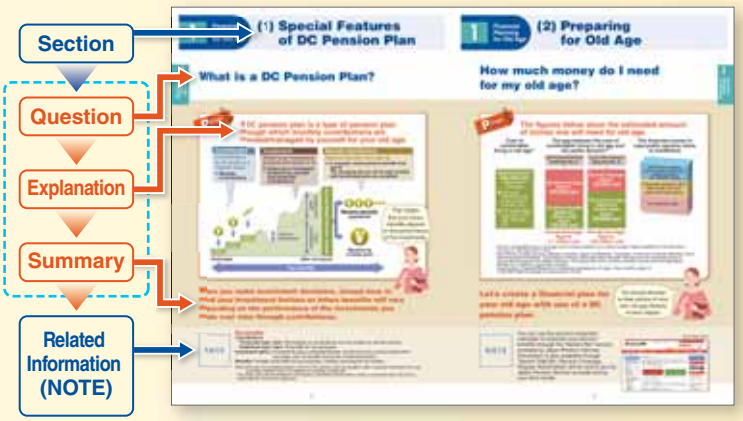
Deepen your understanding

Welcome to the World of Investing!

How To Use This Guidebook

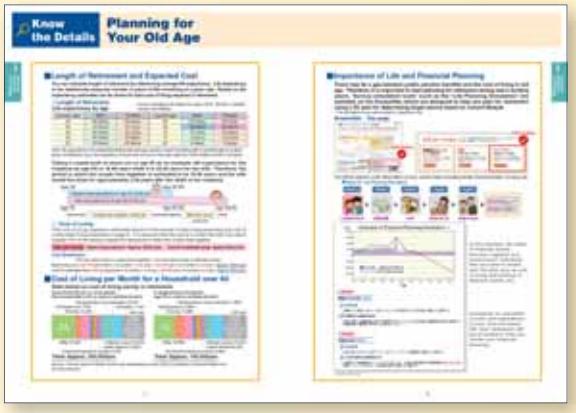
Basics

The basic information is provided here:
Question → Explanation → Summary
Please read these points first, and read the related information as well.



Details

A more detailed explanation is given for 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.



Investment Products

Detailed explanations of investment products are given in this section. Special features, expected return and risks of each investment product are explained.
Please read this section when you select your investment product(s).

Investing through Defined Contribution Pension Plans

Defined contribution pension plans are also called DC pension plans.

- **Under DC plans, participants purchase investment products with the monthly contribution.**

* Contribution instructions can be made through the website for participants (hereinafter referred to as the "AnswerNet"), the call center for participants (hereinafter referred to as the "Answer Center"), or the Asset Allocation Sheet (if provided) (see P.30).

- **The investment products can be switched later (see P37-38).**

It is important that you fully understand the structure and characteristics of investment products before you make any investment decisions. Investment products can be classified into the following two main types.

■**Principal guaranteed investment products**
Principal is guaranteed if held until the product's maturity. The typical principal guaranteed investment products include the insurance and the bank deposits.

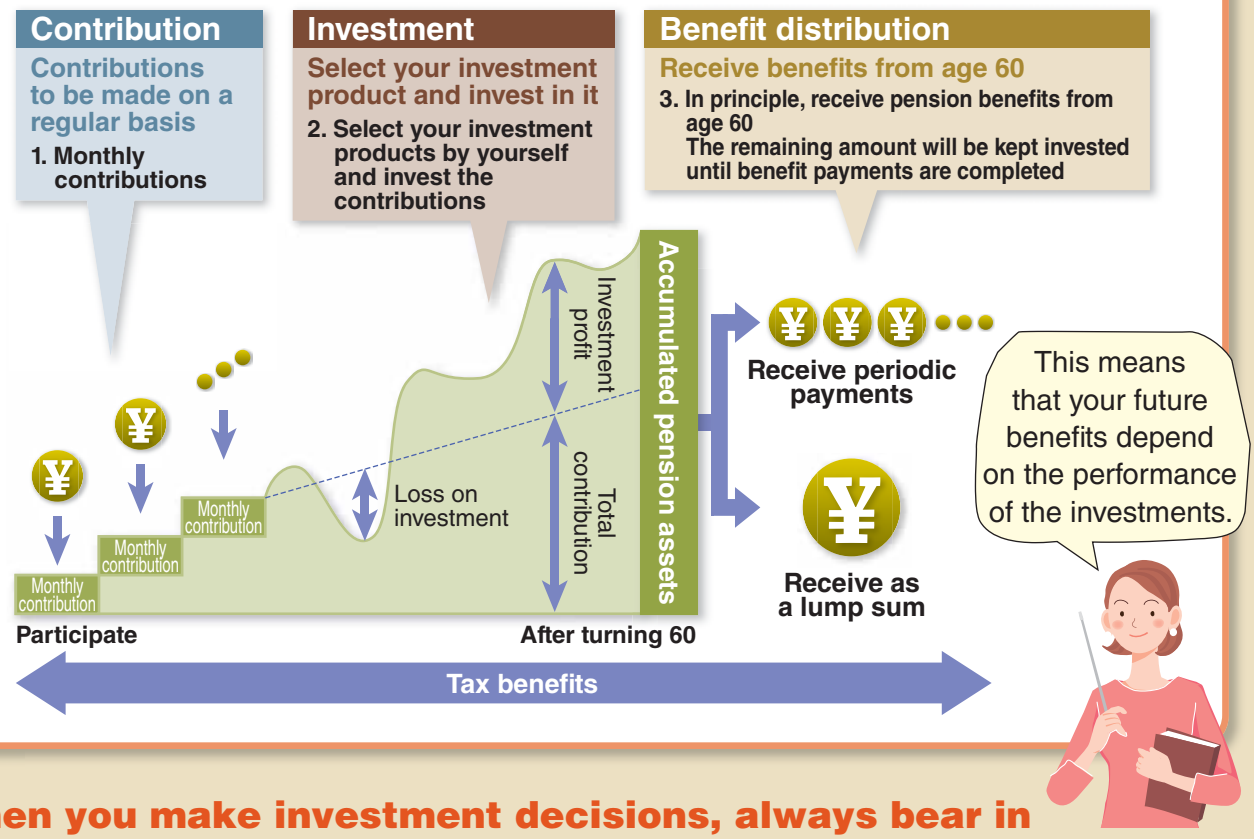
■**Investment trusts**
Principal is not guaranteed. The unit prices of investment trusts fluctuate daily due to trading price variations of underlying securities (such as equities and bonds) and other factors.

(1) Special Features of DC Pension Plan

What is a DC Pension Plan?

POINT

A DC pension plan is a type of pension plan through which monthly contributions are invested/managed by yourself for your old age.



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.

NOTE

Tax benefits

Contributions

"Corporate type" plan: Not taxable as contributions are not treated as earned income.

"Individual type" plan: Deductible for tax purposes.

Investment gains: Investments gains, including interest, dividend income and proceeds from securities, are not taxable during the investment period.

Benefits: Partially deductible for tax purposes, thereby reducing the tax burden.

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

* The entire amount of participant contributions (matching contributions) under a "corporate-type" DC plan is deductible for income tax purposes.

(2) Preparing for Old Age

How much money do I need for my old age?

POINT

The figures below show the estimated amount of money one will need for old age.

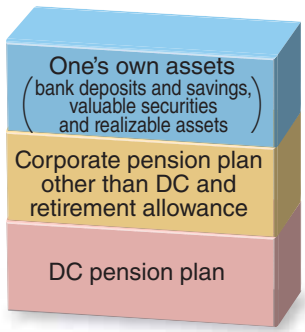
Cost of comfortable living in old age*1

Monthly amount 354,000 yen
[Breakdown] (average)
- The extra amount to add more comfort: 134,000 yen
- The basic living expense in old age: 220,000 yen

The gap between the cost of comfortable living in old age and the public pension*2

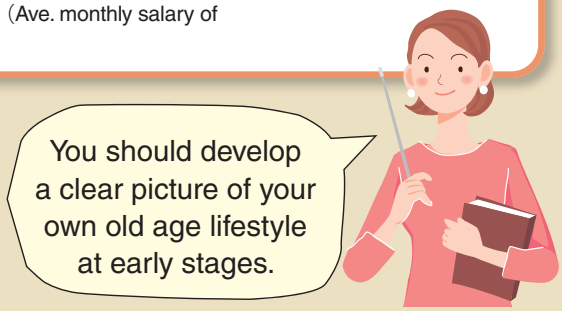
Self-employed Individual (Insured No.1)	Corporate employee (Insured No. 2)
Monthly shortage Approx. 225,000 yen	Monthly shortage Approx. 127,000 yen
The amount of public pension of a married couple Approx. 129,000 yen	The amount of public pension of a married couple Approx. 227,000 yen
Annual shortage: Approx. 2.7 million yen	Annual shortage: Approx. 1.52 million yen

The financial course in case public pension alone is insufficient



*1 Cost of comfortable living in old age (cost of living required for a retired couple): Japan Institute of Life Insurance, "Survey on Life Security in 2013"
*2 The amount of public pension: Ministry of Health, Labour and Welfare, "Examples of Amount of Pension Benefit in 2014"
Self-employed individuals: The National Pension [Old-age Basic Pension (full amount) 64,400yen/person×2]
Corporate employees: The Welfare Pension [the typical amount of pension benefits including the Old-age Basic Pension for a married couple (two people)]
Assumptions: Husband-Worked as a corporate employee for 40 years (Ave. monthly salary of ¥360,000) Wife-Housewife for whole period of time

Let's create a financial plan for your old age with use of a DC pension plan.



NOTE

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 May 2014

Planning for Your Old Age

Length of Retirement and Expected Cost

You can estimate length of retirement by referencing average life expectancy. Life expectancy is the statistically expected number of years of life remaining at a given age. Based on life expectancy, estimates can be drawn for total cost of living required in retirement.

◇Length of Retirement

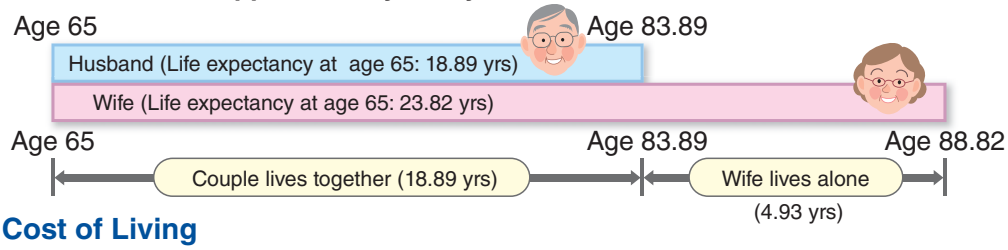
Life expectancy by age

Source："Abridged Life Tables for Japan 2012", Ministry of Health, Labour and Welfare

Current age	Male	Female	Current age	Male	Female
35	45.85yrs	52.04yrs	60	22.93yrs	28.33yrs
40	41.05yrs	47.17yrs	65	18.89yrs	23.82yrs
45	36.32yrs	42.35yrs	70	15.11yrs	19.45yrs
50	31.70yrs	37.59yrs	75	11.57yrs	15.27yrs
55	27.23yrs	32.92yrs	80	8.48yrs	11.43yrs

Note: Life expectancy is the statistically determined average number of years remaining after a specified age for a given group of individuals: (e.g. Life expectancy of those who are born in this year (age 0) is 79.94 (male) and 86.41 (female)).

Taking a couple both of whom are at age 65 as an example, life expectancy for the husband (at age 65) is 18.89 years while it is 23.82 years for the wife. Therefore, the period in which the couple lives together is estimated to be 18.89 years and the wife would live alone for approximately 4.93 years after the death of her husband.



◇ Cost of Living

Total cost of living required is estimated based on the amount of basic living expenses and cost of comfortable living presented on page 6. It is assumed that the period in which the wife lives alone requires 70% of the amount required for the period in which the couple lives together.

Total cost of living	Basic living expense: Approx. 59mm yen	Cost of comfortable living: Approx. 95mm yen

Cost Breakdown

<For the period when a couple lives together> <For the period when a wife lives alone>

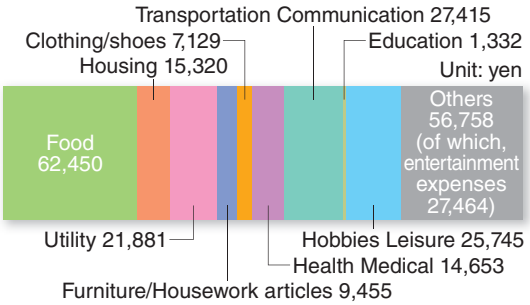
Basic living cost (220,000 yen/month x 12 months x 18.89 yrs) + (154,000 yen x 12 months x 4.93 yrs) = Approx. 59mm yen

Cost for comfortable living (354,000 yen/month x 12 months x 18.89 yrs) + (247,800 yen x 12 months x 4.93 yrs) = Approx. 95mm yen

Cost of Living per Month for a Household over 60

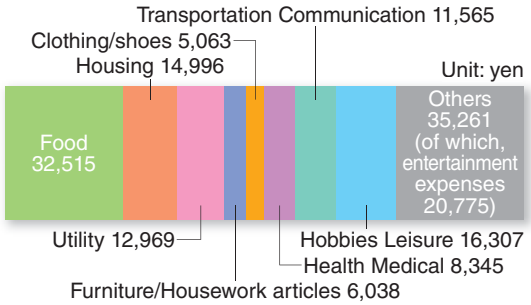
Data based on cost of living survey in retirement:

Household with two or more people (the householder is 60 or over/no working income)



Total: Approx. 240,000yen

A single-person household (age 60 or over/no working income)



Total: Approx. 140,000yen

Source: "Annual report of family income and expenditure survey 2012", the Ministry of Internal Affairs and Communications

■Importance of Life and Financial Planning

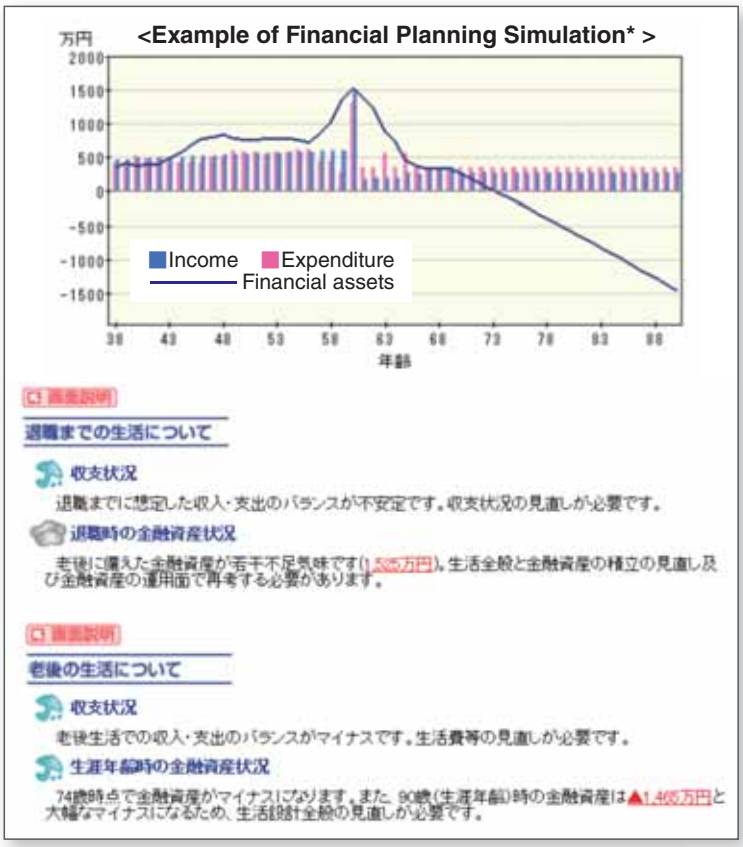
There may be a gap between public pension benefits and the cost of living in old age. Therefore, it is important to start planning for retirement during one's working years. Various simulation tools* such as the "Life Planning Simulation" are available on the AnswerNet, which are designed to help you 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.

▼Steps for Life Planning Simulation



In this example, the value of financial assets becomes negative at a certain point, indicating that you need to review your life plan such as cost of living and building of financial assets, etc.

Comments on simulated income and expenditure of your "pre-retirement life" and "retirement life" are provided to help you review your financial planning.

(1) Upon Starting to Invest

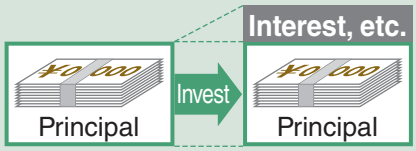
What exactly does “invest” mean?

POINT

It means to purchase an investment product(s) for the purpose of increasing one’s assets.

Investment products are financial vehicles such as insurance, bank deposits, and investment trusts. With investments in products such as bank deposits/savings and/or insurance products, your assets will increase due to interest income. If you invest in investment trusts, your assets will increase due to a rise in prices (net asset value per unit), while the assets may decrease in value due to a drop in the net asset value per unit.
Under a DC pension plan, investment products are purchased with the contributions (principal). 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”.

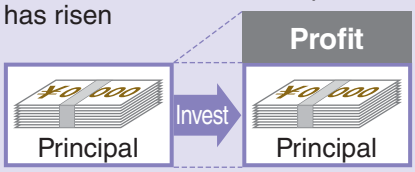
Principal Guaranteed Investment Product



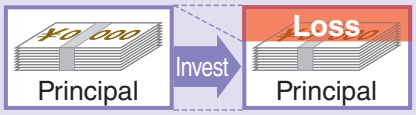
In case of a redemption before maturity, the principal could be reduced depending on the investment products.

Investment Trust

When the net asset value per unit has risen



When the net asset value per unit has dropped

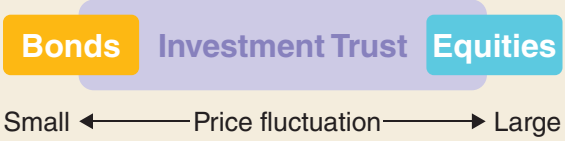


An investment product(s) is purchased for the purpose of investment. The profit or loss generated as a result of investment is called the “Return”.

NOTE

- An investment trust invests in stocks and/or bonds.
- Prices fluctuate differently between equities and bonds.
  Price of investment trusts fluctuates differently depending on the underlying assets.

<Example image>



(2) Understanding Returns

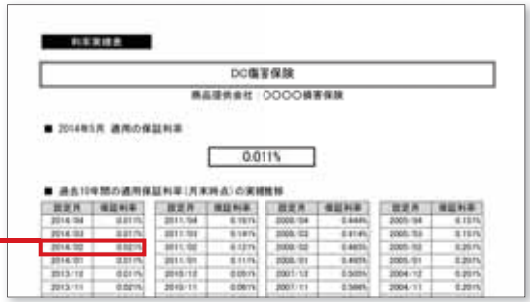
How can “Return” be expressed?

POINT

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

■ **Bank deposits and insurance products are expressed as a % of interest rate, etc.**

Inception Month	Guaranteed Interest Rate
February 2014	0.021%

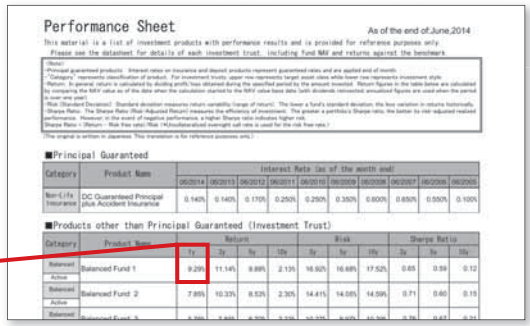


■ **An investment trust is expressed by the rate of fluctuation of the past net asset value per unit.**

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.

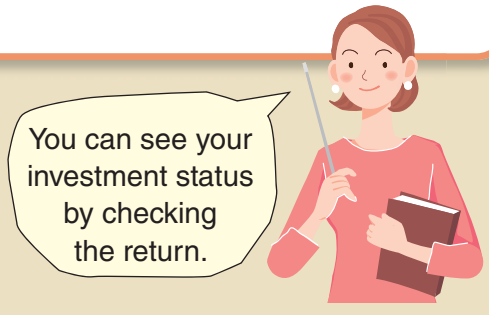
	1y
Return	9.29%

<Data Showing Returns Distributed to Participants>



* The above is an example only.

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



NOTE

Regarding principal guaranteed investment products, because the interest rate determined upon your deposit (purchase) will be applied throughout the investment period until the maturity of each product, you will be able to know the amount of interest to be paid if held until the maturity date. As for investment trust products, however, you will not know the future price fluctuation in advance. This is the difference between principal guaranteed and investment trust products.

<Example of the product page on the AnswerNet>

Profit and Loss of Investment Products

Profit and Loss of Principal Guaranteed Investment Products

The interest to be added to the principal will be a profit.
* How the interest is added varies depending on the product.

Profit and Loss of Investment Trusts

The difference between the price at the time of purchase (average weighted price) and the price at the time of sale will be profit or loss.
(Profit or loss will not be realized until the investment is sold.)

Average Weighted Price
If we purchased the same investment trust multiple times, how should we evaluate the purchase price? We can use the "average weighted price". It is the price of the investment trust (net asset value per unit) at the time of purchase, which can be calculated as the average weighted price of the units purchased when you purchase the same investment trust at different times.

Example: Averaged weighted price when the same investment trust is purchased every month

Purchase month	a. Purchase amount	b. Cumulative total	c. Net Asset Value per unit at the time of purchase (per 10,000units)	d. No. of Units purchased	e. Cumulative total	f. Average weighted price
2012/04	20,000 yen	20,000 yen	10,000 yen	20,000 units	20,000 units	10,000 yen
2012/05	20,000 yen	40,000 yen	9,600 yen	20,833 units	40,833 units	9,795 yen
2012/06	20,000 yen	60,000 yen	9,200 yen	21,739 units	62,572 units	9,588 yen
2012/07	20,000 yen	80,000 yen	9,800 yen	20,408 units	82,980 units	9,640 yen
2012/08	20,000 yen	100,000 yen	10,200 yen	19,607 units	102,587 units	9,747 yen
2012/09	20,000 yen	120,000 yen	10,500 yen	19,047 units	121,634 units	9,865 yen

◆No. of units purchased: d. No. of units purchased = a. Purchase amount ÷ c. Net Asset Value per unit at the time of purchase × 10,000

◆Average weighted price: f. Average weighted price = b. Cumulative total of purchase amount ÷ e. Cumulative total units purchased (no. of units held) × 10,000

*** Your most recent investment status is shown on the AnswerNet as follows.**

Product type	Product name	Current unit value (per 10,000 units)	No. of units held	Asset balance	Purchase amount	Profit/Loss Profit and loss ratio	Dividends
Japanese Equity	●●fund	10,800 yen	121,634 units	131,364 yen	120,000 yen	11,364 yen 9.5%	0 yen

The most recent net asset value per unit*

Profit/Loss presented is unrealized.
*Excludes fees at the time of redemption

The current unit value (the most recent net asset value per unit) (10,800 yen) exceeds the average weighted price (9,865 yen), which means that a profit will be generated if you sell the units at this point.

◆Calculation formula for the items
Asset balance = Current unit value × The no. of units held
Profit/Loss = Asset balance – Purchase amount
Profit and loss ratio = Profit/Loss ÷ Purchase amount

Know the Details

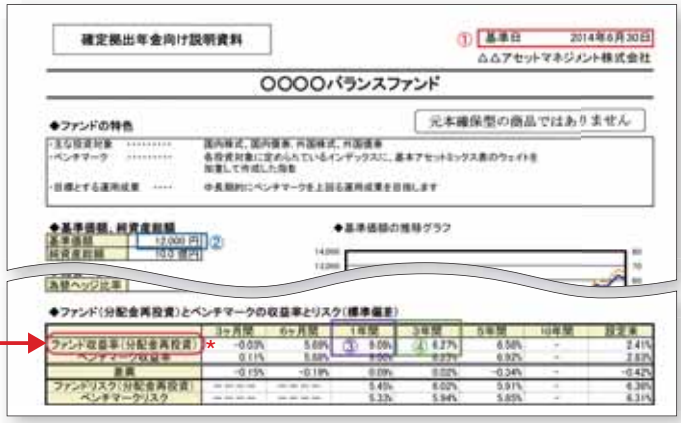
Returns for Investment Trusts

How to Interpret a Return for Investment Trusts

◇**Let's take a look at returns indicated in Data sheet *(material which provides information on DC plan products) shown below as an example. The return of the investment trust can be calculated by comparing the net asset value per unit of the base date with that on the investment start date.**

* Provided in Japanese only.

Return indicated on the Data sheet (material which provides information on DC plan products)



1. **Base date**
2. **The net asset value per unit as of the base date**

<Assumptions>

3. **The net asset value per unit of a year ago was 11,000 yen**
4. **The net asset value per unit of 3 years ago was 10,000 yen**

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

Price fluctuation during each period is expressed as a percentage. It is shown for the periods such as 3 months, 6 months, 1 year and 3 years. Generally returns for periods of 1 year or greater are annualized. Dividends reinvested are reflected in the return (see P.48).

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

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.

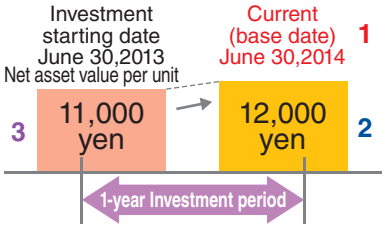
Benchmark:
A standard against which the performance of investment trusts can be measured.

How to calculate investment return

Return = profit (or loss) obtained during the investment period ÷ principal invested

A return of investment trusts can be calculated by comparing the current (base date) net asset value per unit and that on the investment start date.

Return of the product with 1-year investment period

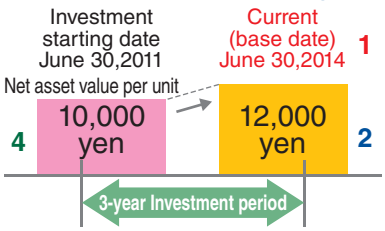


Profit obtained during the investment period
= 12,000 yen – 11,000 yen = 1,000 yen

Principal
= Net asset value per unit on the investment starting date (a year before the record date) = 11,000 yen

Return for 1-year period
= 1,000 yen ÷ 11,000 yen = 9.09% 3

Return of the product with 3-year investment period



Profit obtained during the investment period
= 12,000 yen – 10,000 yen = 2,000 yen

Principal
= Net asset value per unit on the investment starting date (3 years prior to the record date) = 10,000 yen
Return for 3 years = 2,000 yen ÷ 10,000 yen = 0.2 (20%)

If the investment period is one year or longer, the return will be annualized.

Return per year $= \sqrt[3]{(1 + 0.2)} - 1 = 6.27\%$ 4

(3) The Relationship Between Risk and Return

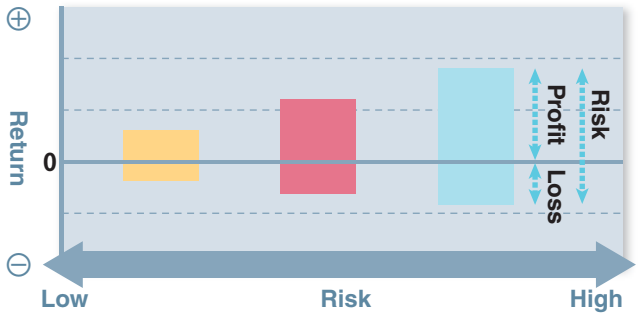
Is the investment product which offers higher "return" always a good product?

POINT

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

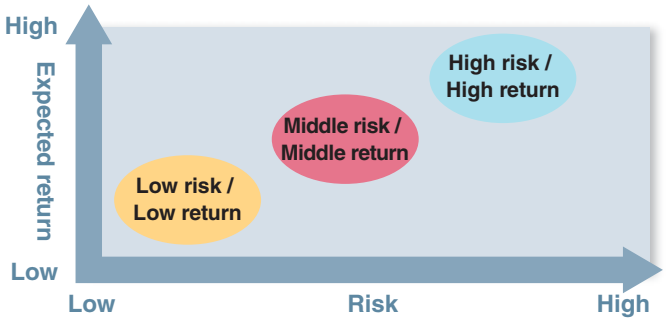
What is Risk?

The range of fluctuation of return (the standard deviation) is referred to as "risk". 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 greater 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.



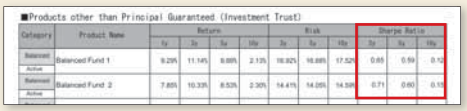
An expected return is the value that investors expect an asset to earn or lose on average over a given time period.

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

NOTE

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



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

(4) Types of Risk

Why does the level of "risk" vary depending on the investment product?

POINT

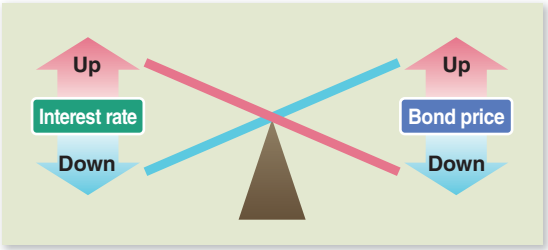
Because each investment product is affected by different factors.

■Major Effect Factors of Investment Products

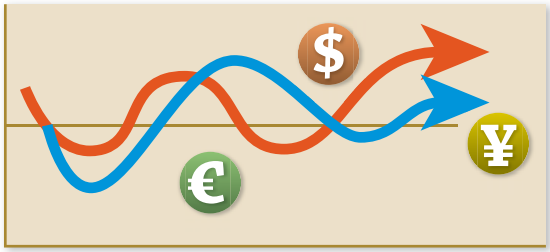
◆Price fluctuation risk

◆Credit risk

◆Interest rate risk



◆Currency risk



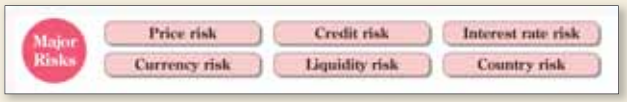
* There are other risks such as liquidity risk.

Please see next page for details.

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

NOTE

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



<Information to be distributed to participants>

Types of Risk

■Types of Risk

Price Fluctuation Risk

Price of securities fluctuate due to changes in the market, economy, social circumstances and earnings performance of the issuer. Therefore, the net assets value (NAV) per unit of the investment trust which invests in securities also fluctuates.

Interest Rate Risk

Interest rate risk is the risk of securities falling due to a fluctuation in interest rates. In general, when interest rates decline, 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.

Currency Risk

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.

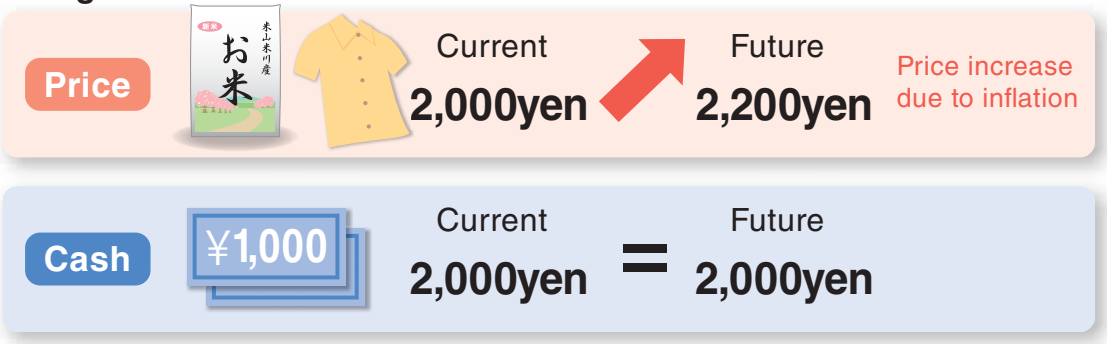
Country Risk

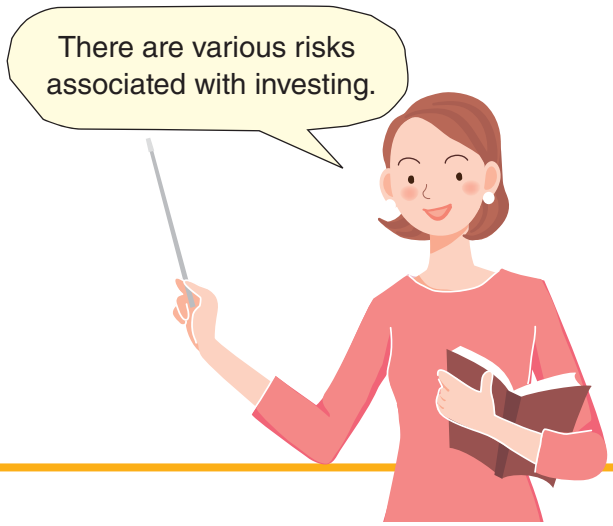
Overseas securities are subject to political and economic conditions, exchange regulations, capital regulations, tax systems, etc., in the country of origin. If a change in circumstance occurs, this may affect the financial markets and securities may lose considerable value; restrictions may also be 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.

Inflation Risk

Inflation is defined as a sustained increase in the general level of prices for goods and services. Inflation erodes the value of money over time. During inflation, there is a possibility that the value of your assets will be eroded unless the investment yields a rate of return that exceeds the current rate of inflation.

<Image>





(1) For Stable Returns

Is there any way that we can minimize risk to achieve stable returns? <1>

POINT

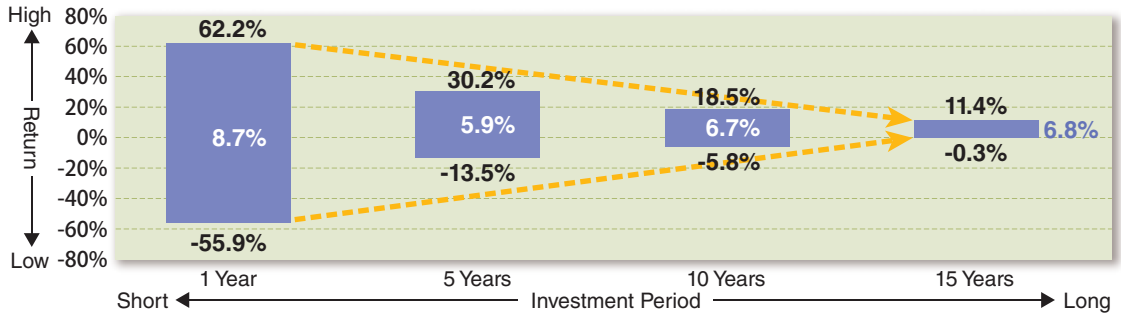
"Long-term investment" is an effective way to achieve stable returns.

Long-term Investment

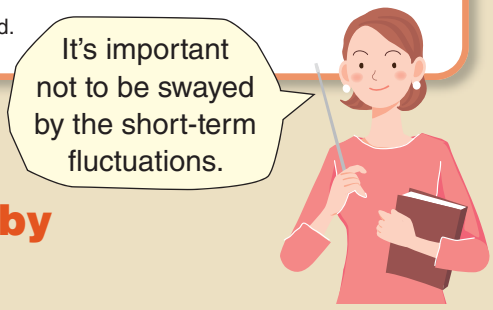
Long-term investment is an effective way to reduce the volatility of returns (risk) as the high and low returns will even out over time. This means that we can achieve stable return through long-term investment even with the product of which short term return volatility is high.

In a DC plan, the investment period is generally long as the accumulated assets cannot be withdrawn in principle until the participants reach an eligible age for benefits.

The Effect of Long-term Investment in Foreign Equities



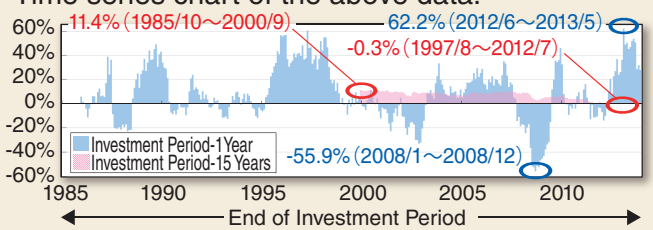
* This chart has been created based on the MSCI-Kokusai data for the period from April 1985 to March 2014. Highest and Lowest returns for each period are shown.
* Figures in the middle show average return (simple average) for each period.



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

NOTE

Time series chart of the above data.



The left chart shows actual returns during the period. The longer the investment period - the more stable returns can be achieved.
<How to read the chart>
The horizontal axis represent the time when each investment period ended. For example, if you look at 15-Year investment period, the data as of March 2000 represents the return (annualized return) for the 15-year period from April 1985 to March 2000.

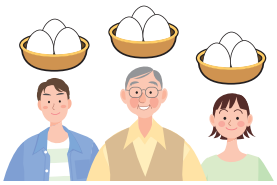
Is there any way that we can minimize risk to achieve stable returns? <2>

POINT

"Diversified Investment" has the effect of minimizing risk.

Even in a worst-case scenario, damage can be minimized.

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

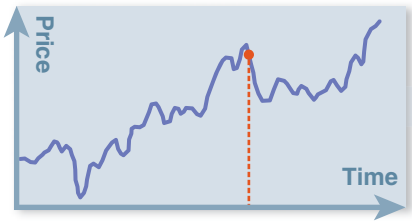


You can be prepared for a worst-case scenario by putting the eggs in different baskets.

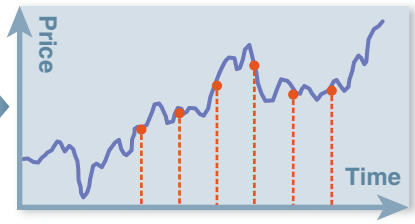
Diversification is an important part of any investment strategy.

Time Diversification

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



Stagger your purchase over time.



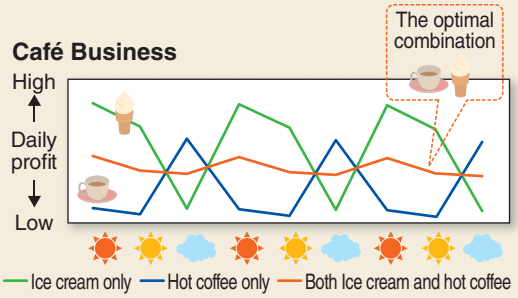
The price will be dispersed if you purchase the same product in small amounts over several times. The contribution to the DC pension plan is made on a monthly basis, thereby achieving diversification of time.

In the DC Plan, time diversification is ensured. Therefore, the key is how you diversify the investment products.

NOTE

Which products should we invest in? Suppose you invest in food companies. If you invest only in Company A which produces products that sell well in hot weather (e.g. ice cream) and don't invest in Company B which produces products that sell well in cool weather (e.g. hot coffee), you can not obtain profit when the cool weather continues. If you invest in both companies, you can obtain stable profit no matter what the weather is.

Café Business



Long-term Investment

Compounding Effects on Long-term Investments

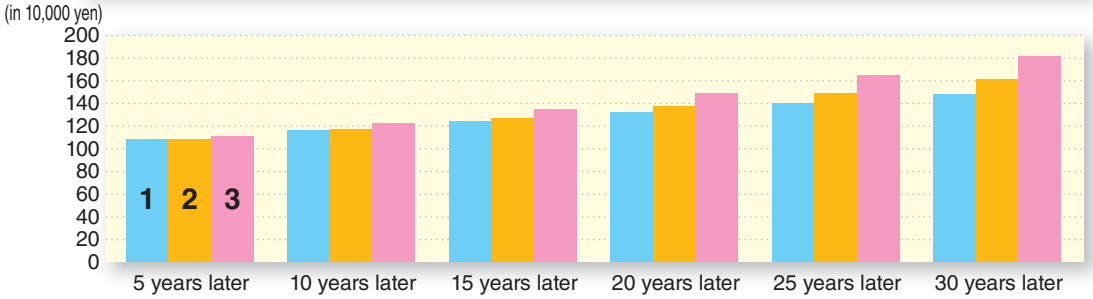
Let's take savings and deposits, for example.
If you keep earned interest in the account with the original amount (principal), from that moment on, the interest that has been added also earns interest, which allows the total amount to grow at a faster rate.

•The graph shown below depicts the amount of assets when investing the principal of 1 million yen with the interest rate of 2%.

In general, if the investment product is a bank deposit, a tax of 20% of the interest (profit) will be charged (an income tax and a local tax). However, no tax will be imposed upon interest under the DC pension plan.
* Although accumulated assets under the DC pension plan are taxable (Includes special corporation tax and corporate inhabitant tax, but excludes special corporate tax for reconstruction), the taxation is currently suspended.

(in JPY)

	5 years later	10 years later	15 years later	20 years later	25 years later	30 years later
1.Simple interest rate (without tax benefit)	1,080,000	1,160,000	1,240,000	1,320,000	1,400,000	1,480,000
2.Compound annual interest rate (without tax benefit)	1,080,000	1,170,000	1,270,000	1,370,000	1,490,000	1,610,000
3.Compound annual interest rate (with tax benefit)	1,100,000	1,220,000	1,350,000	1,490,000	1,640,000	1,810,000
4.Effect (3-1)	20,000	60,000	110,000	170,000	240,000	330,000



Simple Interest : The interest calculated on a principal sum, not compounded on earned interest.
Compounded interest : The interest calculated not only on the initial principal but also the accumulated interest of prior periods

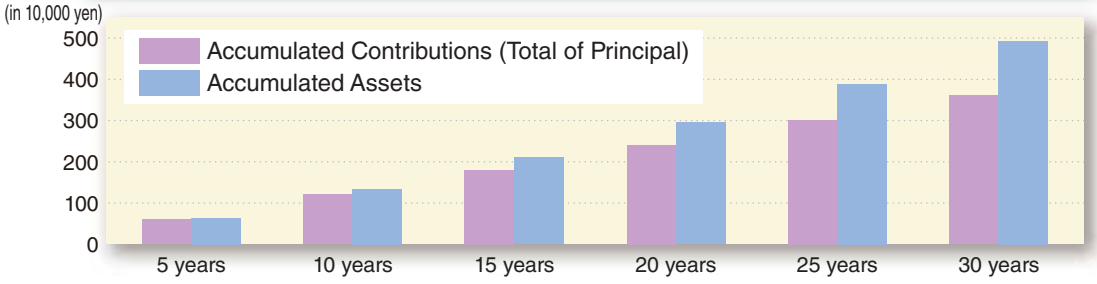
Effects of Long-term, Regular Investment

With a DC plan, your contributions are invested each month. The longer the investment period is, the greater the effect would be.

•If one invests 10,000 yen a month for 30 years (2% annual rate of return and annual compounding)

(in JPY)

Years of Regular Investments	Accumulated Contributions (Total of Principal)	Accumulated Assets	Effect
5 Years	600,000	630,000	30,000
10 Years	1,200,000	1,330,000	130,000
15 Years	1,800,000	2,100,000	300,000
20 Years	2,400,000	2,950,000	550,000
25 Years	3,000,000	3,890,000	890,000
30 Years	3,600,000	4,920,000	1,320,000



Know the Details — Diversification of Investments

Diversification of Asset Class in the Portfolio <for your reference>

Effects of Asset Class Diversification

- The charts below shows the annual return of the different portfolios (investing in Japanese equity only, investing in Japanese bonds only, investing in Foreign equity only, Investing in Foreign bonds only, and Investing 25% each in four asset classes) for the period from 1970 to 2013.
- You can see that the diversification of asset class led to more stable returns as the price fluctuations of each asset class were offset against each other.

<Source> Japanese Equities: Prior to January 1989, weighted average return of the TSE 1st Section. Since February 1989, TOPIX (dividend included). Foreign Equities: MSCI Kokusai (Gross, in JPY) Japanese Bonds: Nomura BPI (Overall) Foreign Bonds: Prior to December 1984, Ibbotson Associates Japan International Bond Portfolio (in JPY). Since January 1985, Citi World Government Bond Index (ex Japan, in JPY) Diversified across 4 asset classes : Invest 25% each in the 4 asset classes (rebalanced monthly at the month end).

Diversification of Time

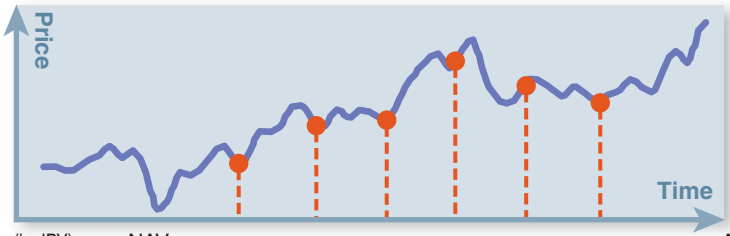
Dollar Cost Averaging

Dollar Cost Averaging is an investment strategy of investing equal contribution amounts regularly and periodically over specific time periods in a particular investment product.

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.

Therefore, you can use “Dollar Cost Averaging” which aims to lower the total average cost per share of the investment by investing a fixed amount in the same products.

In DC plans, time diversification is ensured as participants contribute a fixed amount on a monthly basis to purchase the same products each time.



Through Dollar Cost Averaging, more units are purchased when net asset value per unit is low and fewer units are purchased when net asset value per unit is high. As a result, as shown in the below example, average purchase price was lower than the case where the fixed number of units were purchased.

(in JPY)								Total	Average Purchase Price (per 10,000 units)
	NAV (per 10,000 units)	8,000	9,500	10,000	12,000	11,000	10,800		
Fixed Amount	Money invested	8,000	9,500	10,000	12,000	11,000	10,800	61,300	10,217
	No. of Units	10,000	10,000	10,000	10,000	10,000	10,000	60,000	
	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	

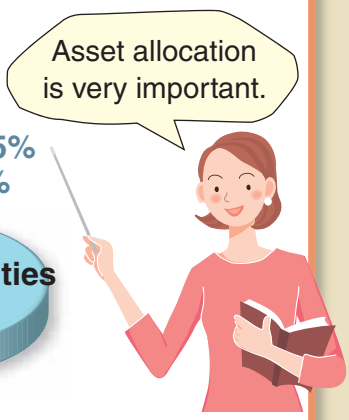
Lower cost — Dollar Cost Averaging

(1) The Key to Successful Investment - Asset Allocation

What steps to take to start investing?

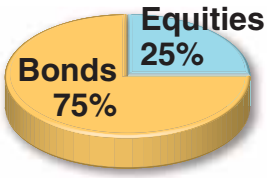
POINT

Decide how you allocate your assets. (Asset Allocation)

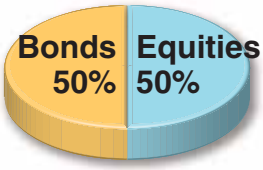


<Example of Asset Allocation>

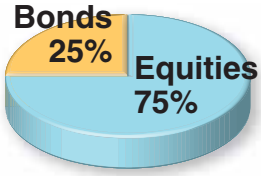
1. Equities: 25% Bonds: 75%



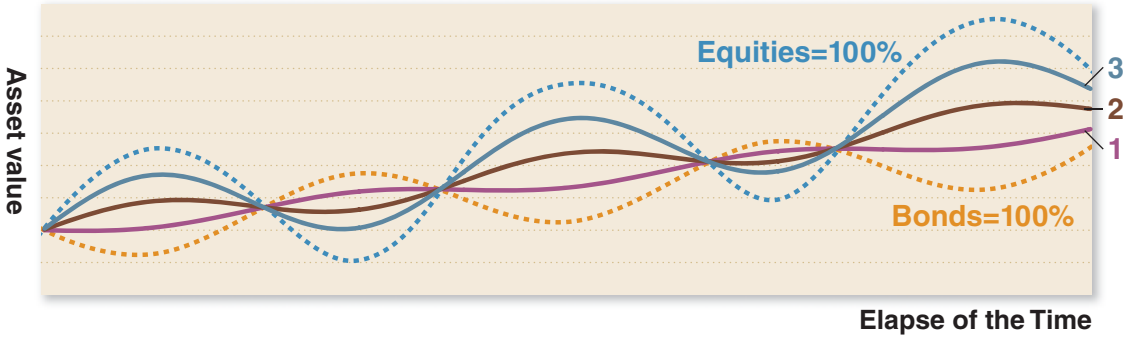
2. Equities: 50% Bonds: 50%



3. Equities: 75% Bonds: 25%



<Illustrative image: Change in asset value over time>

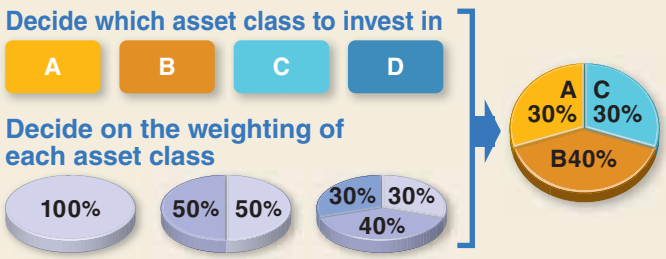


The investment results will differ depending on how you allocate your assets.

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

NOTE

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.

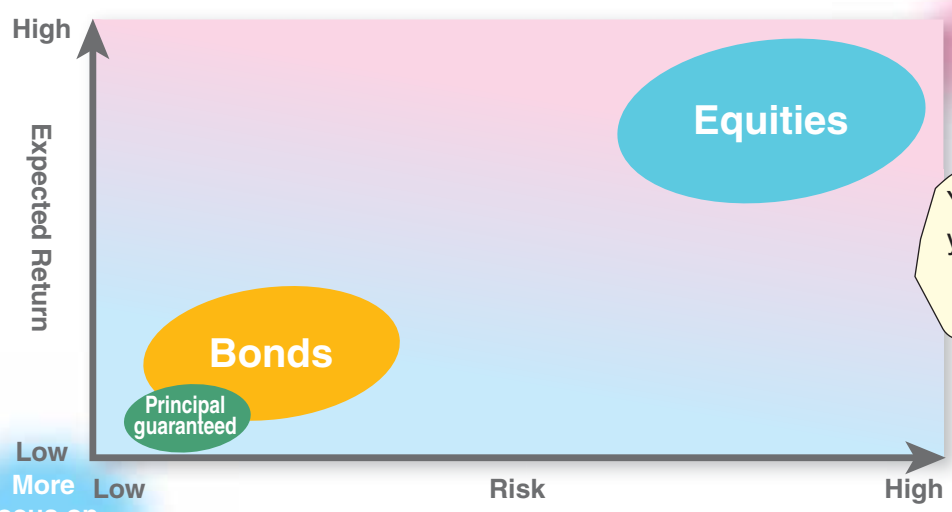


What types of assets are there for investment?

POINT

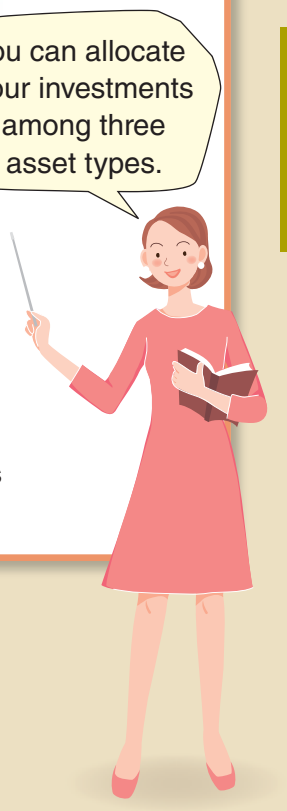
There are principal guaranteed investment products, equities and bonds.

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



Foreign equities/bonds are subject to higher risk than Japanese equities/bonds due to the factors such as currency risk.

Generally, under a DC plan, the participants do not invest in equities and bonds directly but through investment trusts which invests in equities and bonds.

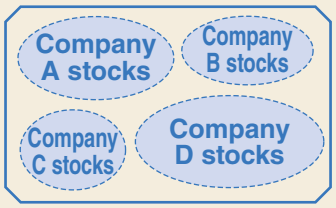


There are three asset types having different risks and returns: principal guaranteed investment products, equities, and bonds.

NOTE

Generally, investment trusts invest in multiple securities to diversify risk of individual securities (diversification effect).

Example of the portfolio structure of the investment trust



"Balanced" investment trusts is one of the types of investment trusts which combine equity and bond components in a single portfolio usually in a fixed weighting.

(2) How to Determine Asset Allocation

How can I determine my asset allocation?

POINT

Determine your investment strategy.

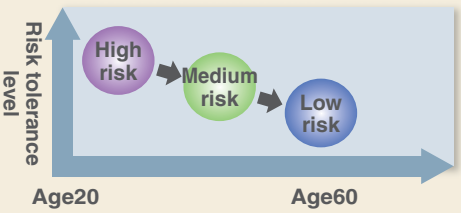
1. Determine a target return (goal)
How much return (profit) do you want to make?

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.

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

NOTE

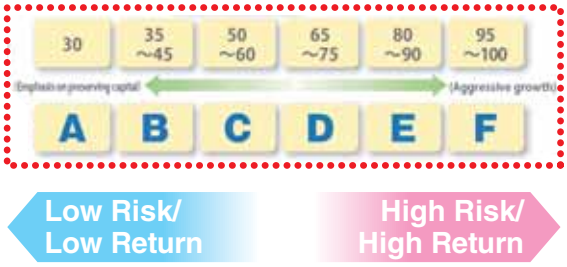
Age is an important factor when considering your risk tolerance level. Younger investors are able to take relatively higher risk as they have more time until retirement. A longer investment period allows younger investors to except an averaging out of returns even while taking risk. On the other hand, 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.

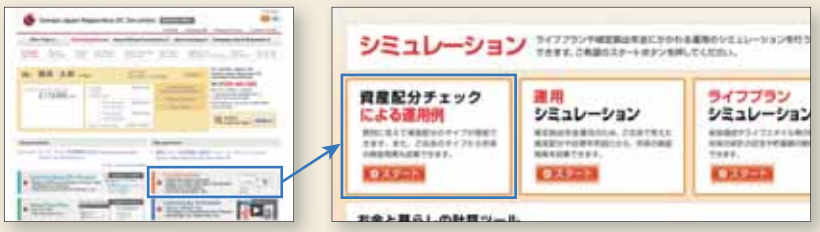


Take a first step by using the Asset Allocation Worksheet.

NOTE

You can also use the "AnswerNet" to do a similar simulation.

The first page you see after logging in



(2) How to Determine Asset Allocation

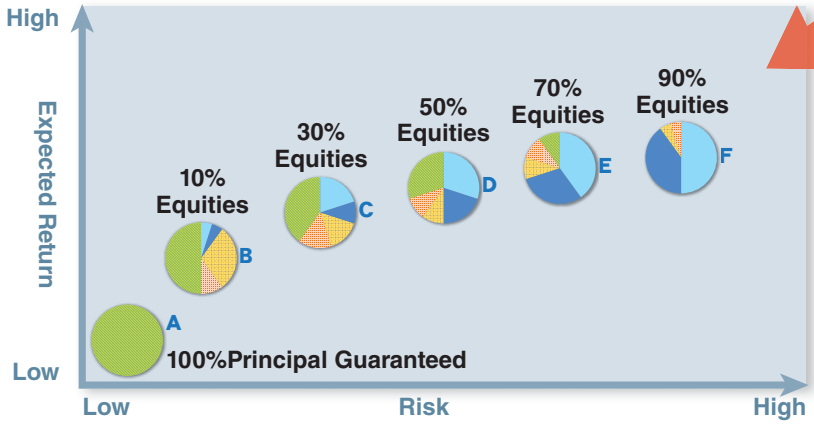
Is there any specific way to determine my asset allocation? <2>

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)

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.

■Asset Allocation Worksheet (back side)

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

NOTE

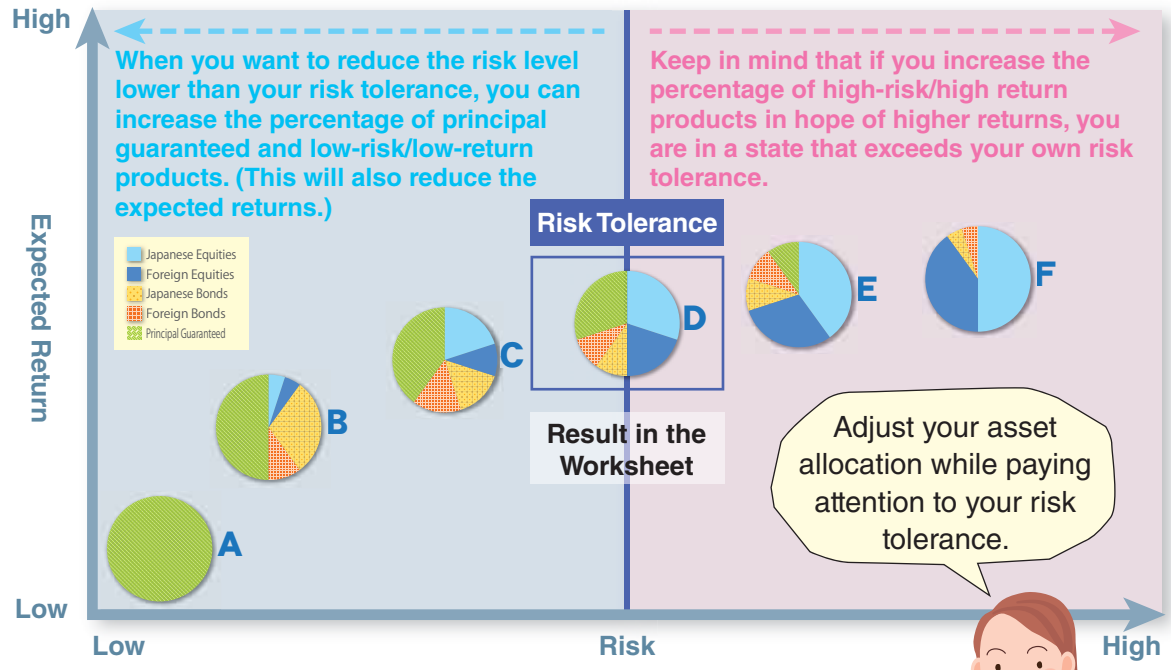
For example, those who answered on the Asset Allocation Work Sheet that you are at age "50 or over" and have "not started yet" preparing for your retirement outside of the DC plan, would be identified as investor type **A**, while those who have answered that you are "under 40" and plan to use your DC assets for "leisure activities", would be identified as investor type **F**.

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.

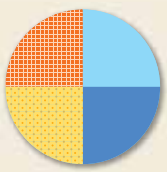


* The above is an example of asset allocation adjustment.

Adjust your asset allocation as needed, using the risk/return examples as reference.

NOTE

You can also determine your asset allocation without reference to the result of the Worksheet.



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

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

(1) How to Select Investment Products

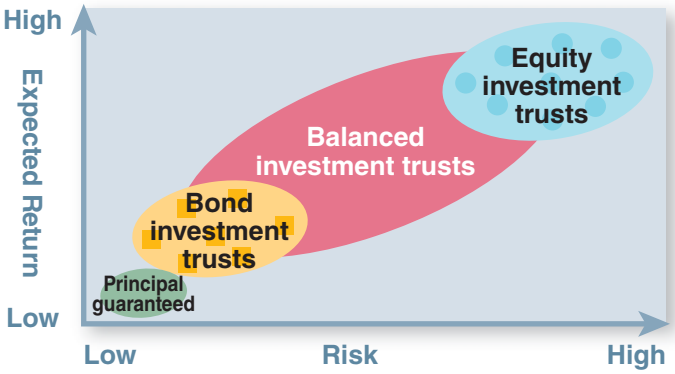
Can I choose any type of investment products once I determine the asset allocation?

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-type," "bond-type" and "balanced type" trusts.
The equity-type funds invest in individual equities while the bond-type funds invest in individual bonds.
The balanced investment trusts combine equity and bond investments.



- **Individual Stocks**
  e.g. "XX Auto." "YY Appliance"…
- **Individual Bonds**
  e.g. "XY Government Bond", "ZX Corporate Bond"…

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

Generally, under a DC plan, the participants do not invest in equities and bonds directly but through investment trusts which invests in equities and bonds.

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

NOTE

Select your investment products from the specified product lineup.
Investment products available for your selection can be found in the "Investment Product Lineup" in the Starter Kit.

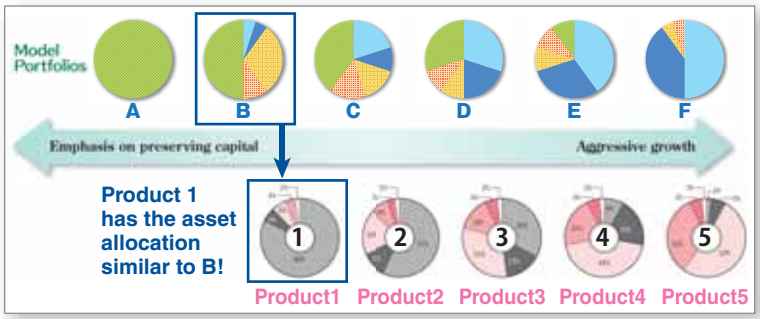
How can I select principal guaranteed investment products and investment trusts?

POINT

Select your investment products to meet your asset allocation target.

<Pattern I> 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 target. For example, if your target allocation is B, select Product 1.

<Pattern II> Select your products from both principal guaranteed products and investment trusts to build a portfolio to align with your asset allocation targets.

→ Japanese Equity 5%

This means you allocate 5% of your portfolio to products which are investing in Japanese equity. You can select one product or multiple products of which total will make up 5% of the portfolio.

* Example based on the Asset Allocation Worksheet

Select balanced investment trusts or combine investment products for yourself to build a portfolio that aligns with your asset allocation targets.

5 Selecting Investment Products

NOTE

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%

(1) How to Select Investment Products

How can I select specific investment products?

POINT

Select your investment products referring to the Investment Product Lineup which explain the characteristics of the funds and is enclosed in the Starter Kit.

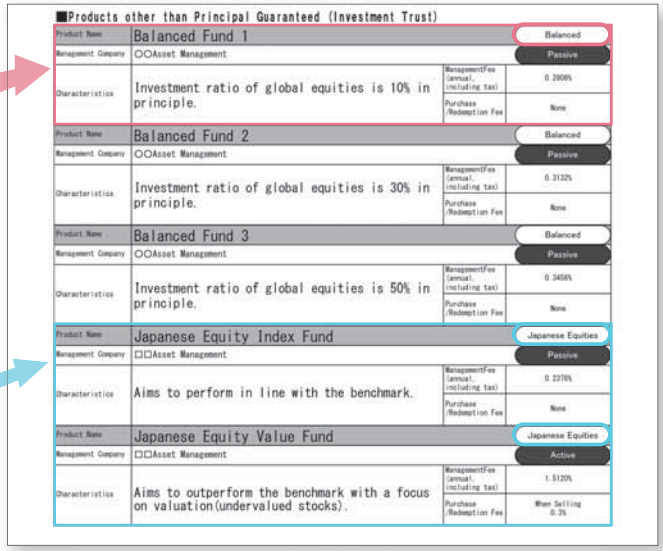
Once you have determined your asset allocation target, select specific investment products from the Investment Product Lineup.

<Pattern I>When your target asset allocation is B,

Select Balanced Product 1 which has similar asset allocation from the "Balanced" category.

<Pattern II>When your target asset allocation is B,

Select investment products from each asset class.



■Products other than Principal Guaranteed (Investment Trust)

Product Name	Balanced Fund 1		Balanced
Management Company	○○Asset Management		Passive
Characteristics	Investment ratio of global equities is 10% in principle.	Management Fee (annual, including tax)	0.2808%
		Purchase /Redemption Fee	None
Product Name	Balanced Fund 2		Balanced
Management Company	○○Asset Management		Passive
Characteristics	Investment ratio of global equities is 30% in principle.	Management Fee (annual, including tax)	0.3132%
		Purchase /Redemption Fee	None
Product Name	Balanced Fund 3		Balanced
Management Company	○○Asset Management		Passive
Characteristics	Investment ratio of global equities is 50% in principle.	Management Fee (annual, including tax)	0.3456%
		Purchase /Redemption Fee	None
Product Name	Japanese Equity Index Fund		Japanese Equities
Management Company	□□Asset Management		Passive
Characteristics	Aims to perform in line with the benchmark.	Management Fee (annual, including tax)	0.2376%
		Purchase /Redemption Fee	None
Product Name	Japanese Equity Value Fund		Japanese Equities
Management Company	□□Asset Management		Active
Characteristics	Aims to outperform the benchmark with a focus on valuation(undervalued stocks).	Management Fee (annual, including tax)	1.5120%
		Purchase /Redemption Fee	When Selling 0.3%

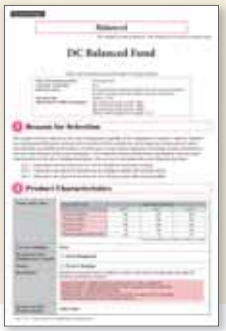
Please see the section titled "7.Understanding Investment Products"on P.42 for the special features of each investment product.

* Example based on the Asset Allocation Worksheet

Select your investment products with the understanding of the characteristics of each product.

NOTE

For more detailed information of products, please read the Investment Product Guide.
Performance information is provided in the reports shown on P.31.



(2) Procedures for Product Selection

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

POINT

Make instructions to allocate your contributions among the products you have selected specifying the allocation ratio. (Contribution instruction)

Make contribution instructions via any of the following:

To make contribution instructions

1. AnswerNet (Website for participants)

Sompo Japan Nipponkoa DC Securities *AnswerNet*
www.sjnk-dc.co.jp/answernet

■Available 24 hours a day throughout the year
(some of the service may not be available during the specified periods of time)

2. Answer Center (Call center for participants)

Sompo Japan Nipponkoa DC Securities *AnswerCenter*
0120-401-593

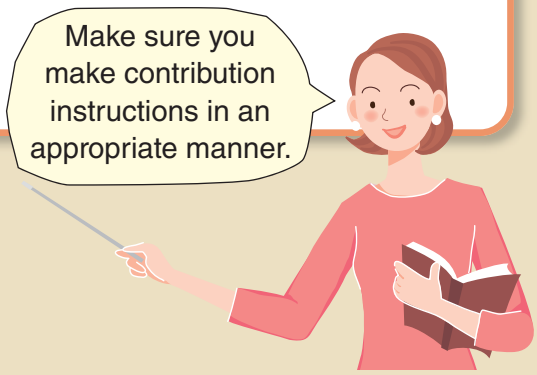
■English service available Monday through Friday from 4:00pm-8:00pm
(excluding bank holidays and New Year period break)

■From abroad, call (+81) 3-5325-6303 (non toll free)

3. Asset Allocation Sheet (in writing)

Available only if the application form is attached. Please submit the form by the specified date.

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

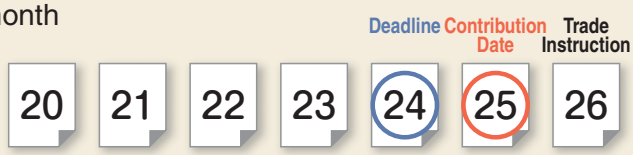


There are three ways to make contribution instructions with specified allocation ratio.

NOTE

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 of every month



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

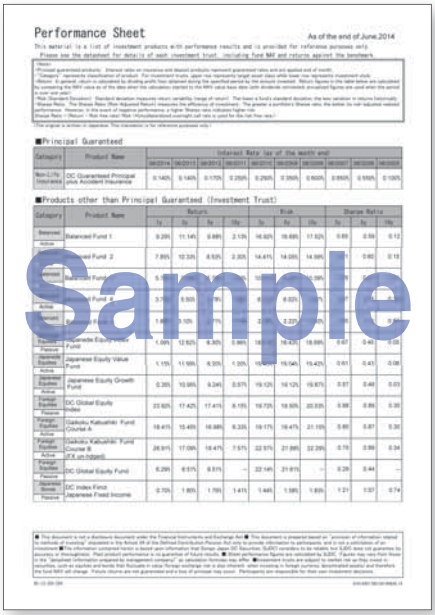
Know the Details

Information on Investment Products

This information can be found in the Starter Kit provided upon your participation. The latest version of the data is available on the AnswerNet.

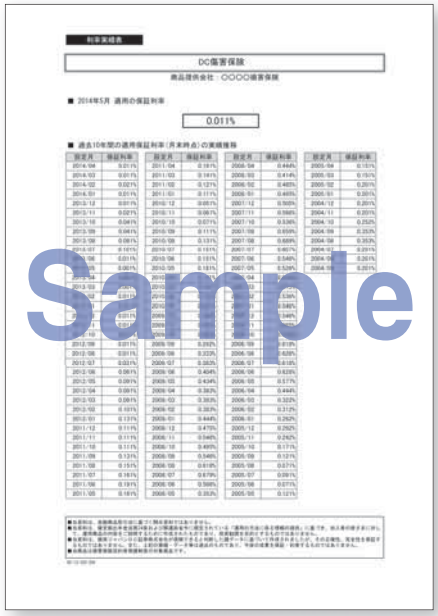
Performance Sheet

Shows the performance of all the investment products in the product lineup.



Interest Rate Sheet

Shows the past interest rates of return for principal guaranteed investment products.



Data Sheet

Shows the information of the investment trusts such as asset composition, etc.

Monthly Returns

Shows the past return performance of investment trusts.

Finally, you have started your investment.
However, this is not the final goal.
What you do after starting your investment is also important.

■You can check your investment status through the "Personal Financial Statement" which will be sent to you annually, and can also be accessed by using the Answer Center or AnswerNet.

●Personal Financial Statement

●AnswerNet

●Answer Center

Sompo Japan Nipponkoa DC Securities AnswerCenter
0120-401-593

- English service is available from 4:00PM - 8:00PM (Monday - Friday)
  (excluding bank holidays and New Year period break)
- From abroad, call 03-5325-6303 (normal toll)
- Experienced and knowledgeable customer service representatives are ready to answer inquiries about your plan or investments.

From this page, reviewing your investments will be discussed.

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.

(1) Reviewing Your Investments

How can I review my investments?

POINT

Check your investment performance and the asset allocation status.

Mainly, check the items shown below:

1. Investment Performance (e.g. asset balances)

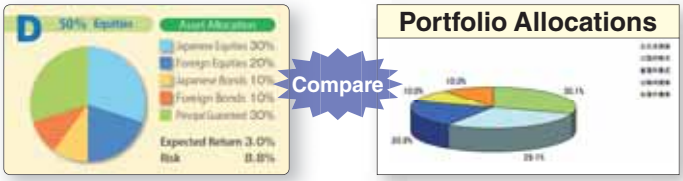
Check gains and losses on your investment.
Asset value is presented at the market value as of the base date.
Gains and losses are not realized.

2. The Current Asset Allocation Status

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

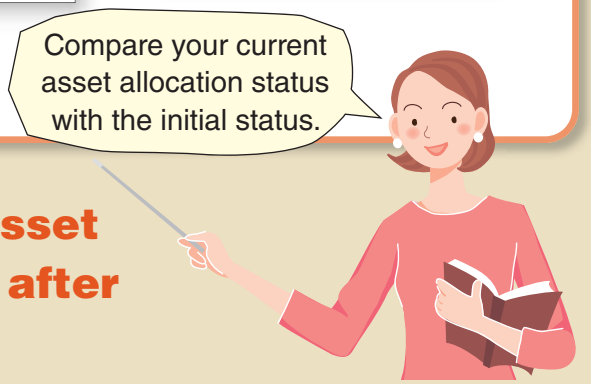
<e.g.>
Initial Asset Allocation
<Asset Allocation Worksheet>

<e.g.>
Current Asset Allocation
<Personal Financial Statement>



<Personal Financial Statement>

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



It is important to check your asset status on a regular basis even after you started your investment.

NOTE

The timing to check your asset allocation status:

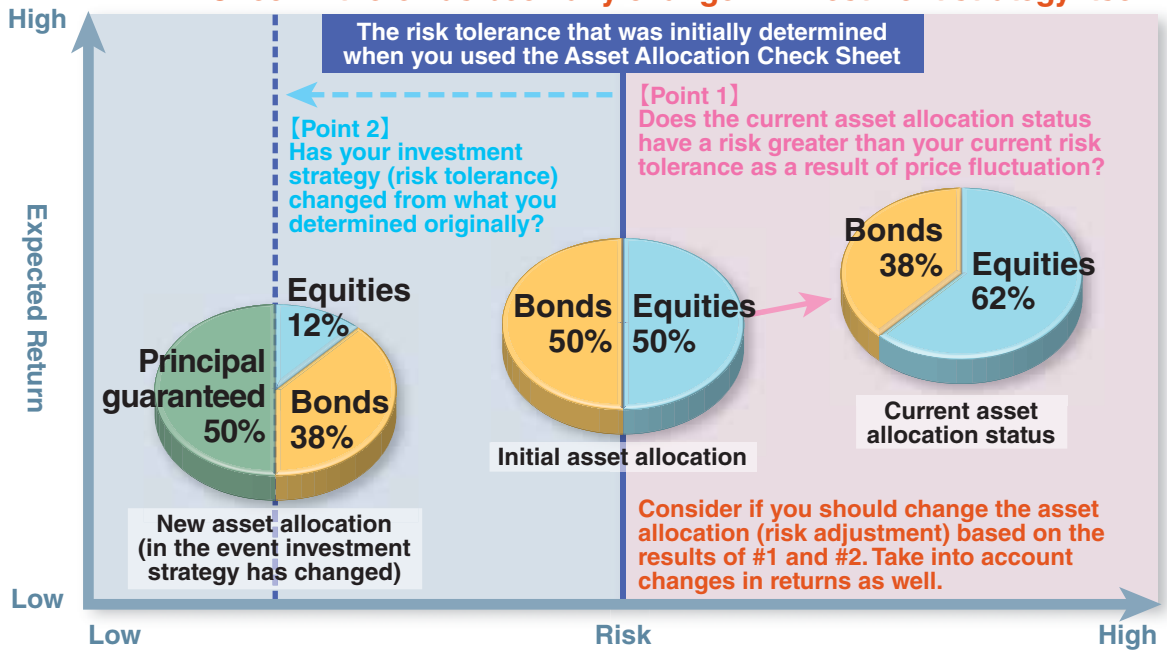
On a regular basis	When your lifestyle has changed	When market environment has changed
<e.g.> ・When you receive the Personal Financial Statement	<e.g.> ・When your risk tolerance has changed as you get older. ・When your lifestyle has changed due to marriage or house purchase, etc.	<e.g.> ・When your asset allocation has deviated substantially from the initial asset allocation due to a change in market environment. (Please see P.40 for the information on the market environment.)

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

POINT

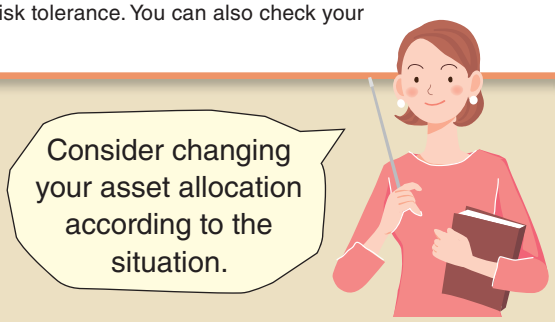
Check if the current investment status remains in line with your investment strategy.

1. Check if there has been any change in asset allocation.
2. Check if there has been any change in investment strategy itself.



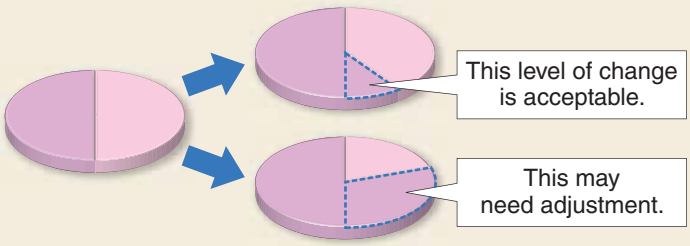
* The above is the example of portfolio review based on the risk tolerance. You can also check your portfolio based on the target return.

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



NOTE

In the case of Point, you can determine, in advance, how much change in the asset allocation is acceptable.

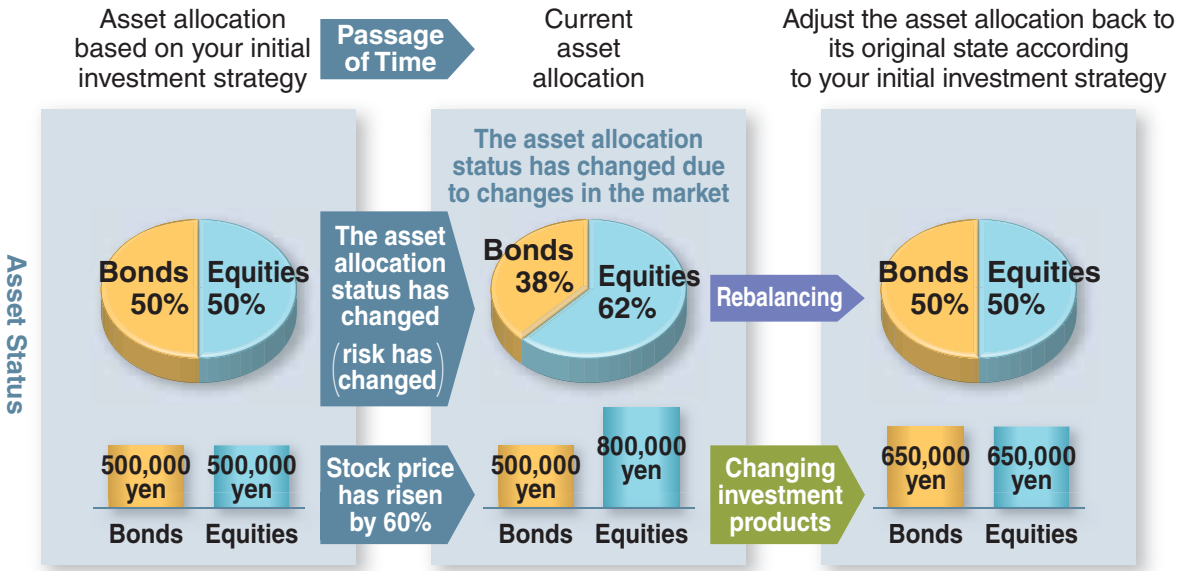


(2) Changing Your Asset Allocation

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)



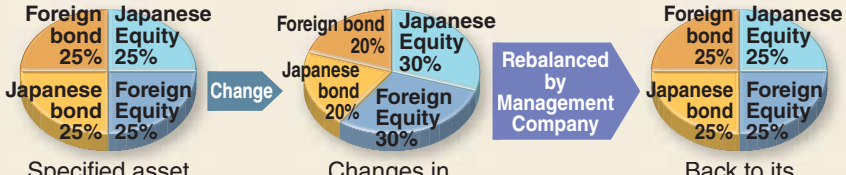
Rebalancing has the effect of adjusting changes in the risk derived from changes in asset allocation.

* The above is an example of rebalancing.

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

NOTE

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



Specified asset allocation

Changes in asset allocation

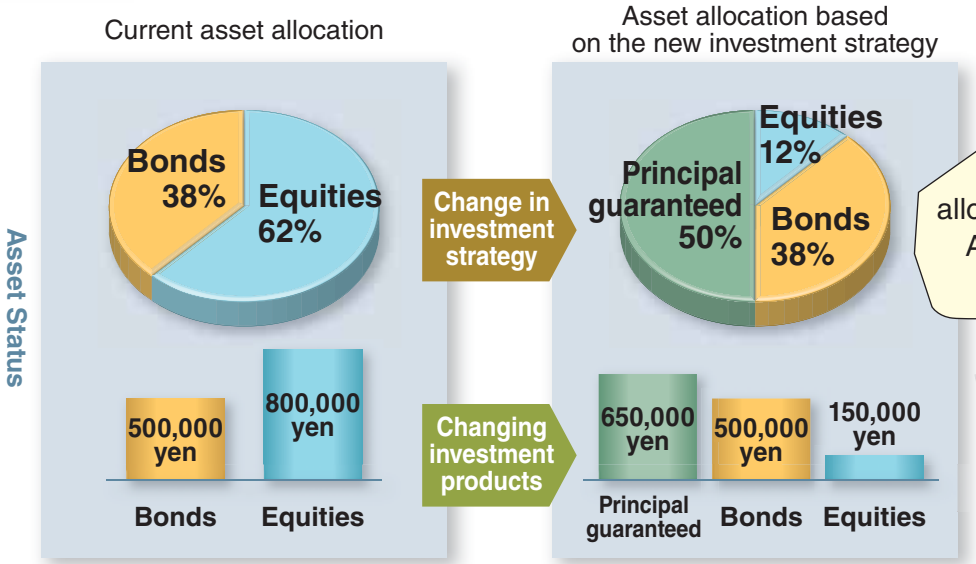
Back to its original state

* 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.



It is generally said that an investment strategy tends to shift from “able-to-take-risk” to “a more focus on protecting principal” as the investor gets older. This is because investment goals and risk tolerance change as he/she ages.
Although you don’t necessarily have to change your asset allocation frequently, check if your investment strategy has changed and change your asset allocation as needed.

* The above is an example of asset allocation change.

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

NOTE

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.

(3) Procedures to Change Investment Products

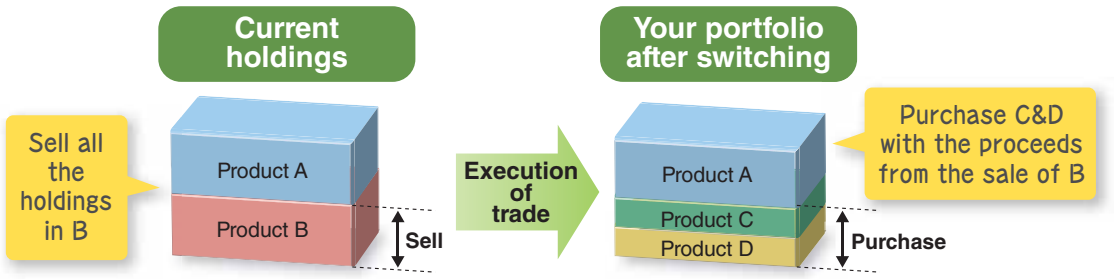
What are the procedures to take to change my asset allocation? <1>

POINT

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

This is called "switching".

■**"Switching"**



- Products can be sold either entirely or partially. Gains and losses will be realized.
- Partial redemption fee 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. (Please see P.30.)
- 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 (in the case of acceptance on non-business day, on the day after the next business day).

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

NOTE

Investment trusts are traded in units. The number of units sold can be calculated using the following formula:

Sales Amount÷Net Asset Value (NAV) per unit×10,000 units＝The number of units sold

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

<e.g.> If you have sold 100,000 yen of investment trust at the NAV of 12,500 yen, the number of units sold is calculated as follows:

100,000 yen÷12,500 yen×10,000 units＝80,000 units

Note: Fees are not reflected.

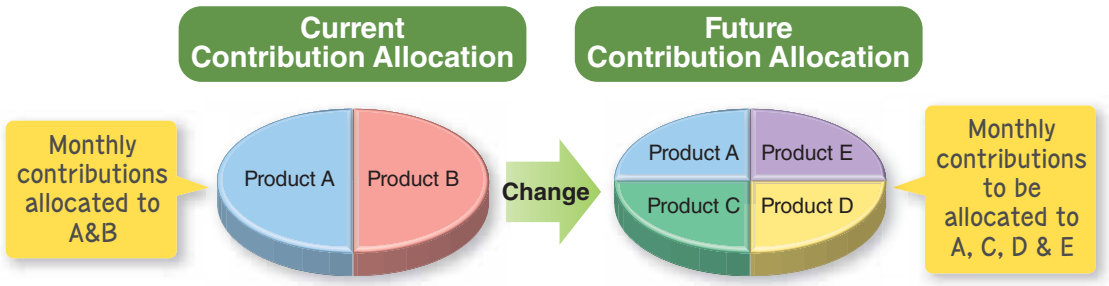
What are the procedures to take to change my asset allocation? <2>

POINT

You can change the allocation of future contributions by following the specified procedures.

This is called "changing the allocation ratio".

■Changing the allocation ratio of a monthly contribution



- The instruction accepted by the day preceding the next contribution date will be reflected.
- The allocation ratio you have specified will be applied to monthly contributions unless you make changes to it through specified procedures.
- You can change the allocation ratio via the AnswerNet or Answer Center. (Please see P.30.)

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

NOTE

"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**

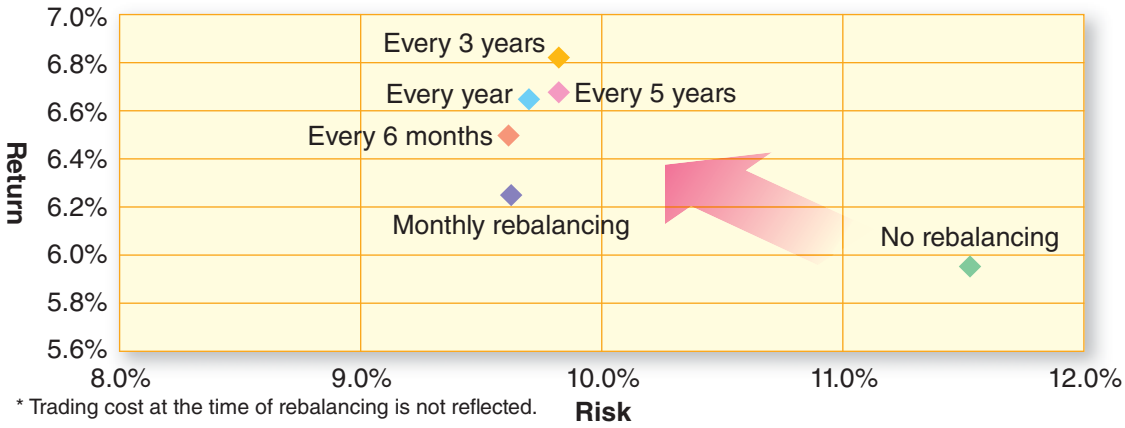
Know the Details

Effect of Rebalancing

Risk Adjustment through Rebalancing (For Reference)

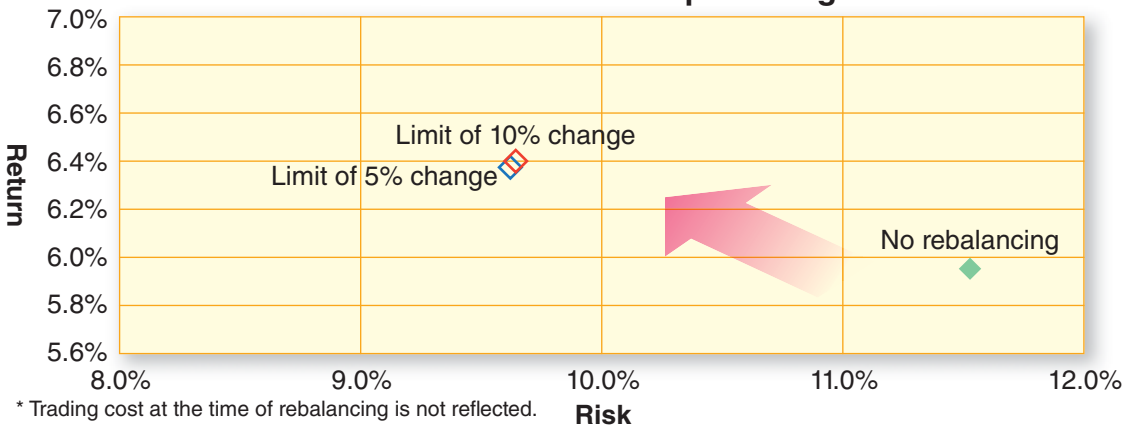
- **The chart below shows risk/return in the different cases (periodic-based/percent-range rebalancing, and no rebalancing cases) for the period from 1970 to 2013 in the case where assets were equally allocated to four asset classes (25% each to Japanese/foreign equities and Japanese/foreign bonds).**
- **Compared with the cases in which rebalancing wasn't conducted, risks are reduced as the result of rebalancing regardless of the frequency or the percentage limit.**

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 when a divergence occurs outside a certain percentage limit.



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

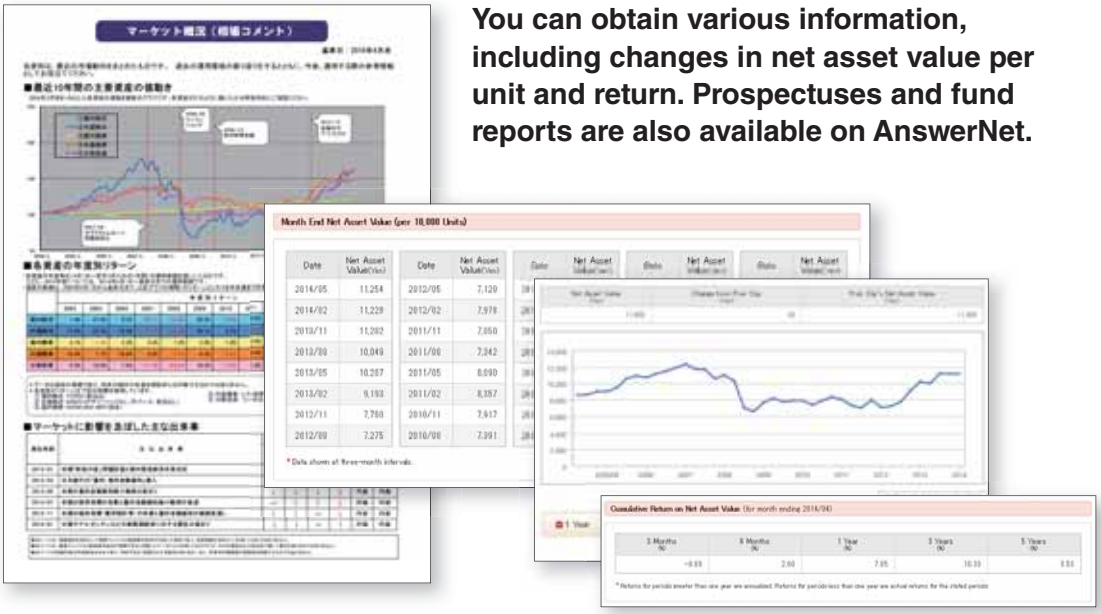
<Source> Japanese Equity: Prior to January 1989, weighted average return of the TSE 1st Section. Since February 1989, TOPIX (dividend included). Foreign Equity: MSCI Kokusai (Gross, in JPY). Japanese Bonds: Nomura BPI (Overall). Foreign Bonds: Prior to December 1984, Ibbotson Associates Japan International Bond Portfolio (in JPY). Since January 1985, Citi World Government Bond Index (ex Japan, in JPY). 4 Assets Balanced: Invest 25% each in the 4 asset classes.

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 too much rebalancing could reduce the overall investment efficiency.

Know the Details

Information on Investment Products

Obtaining Information Through AnswerNet

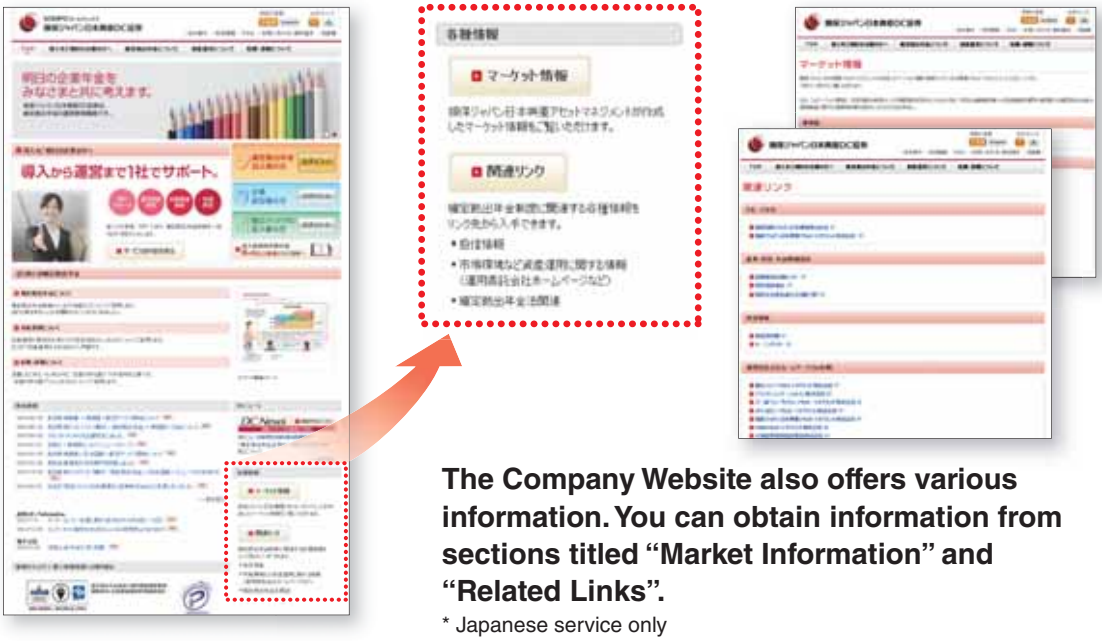


You can obtain various information, including changes in net asset value per unit and return. Prospectuses and fund reports are also available on AnswerNet.

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

Obtaining Information Through Sompo Japan DC Securities, Inc. Website

● **The first page of the company website**



The Company Website also offers various information. You can obtain information from sections titled "Market Information" and "Related Links".

* Japanese service only

<Records of your investment>
Now that you have started investing, we recommend that you keep records of the steps you have taken so that you can review what you have considered and done in the past. The first step after you started investment will be "reviewing".

Start of the investment	Learn about investments Read this guidebook	Planning Determine asset allocation (P.21-26)	Execution Make Investment instructions (P.27-31)
	Date	Date	Date

	Reviewing Regular reviewing of your investment (P.33)	Planning Review the current asset allocation (P.34)	Execution Change investment products/ allocation ratio as needed (P.35-38)
1st Time	Date	Date	Date
2nd Time	Date	Date	Date
3rd Time	Date	Date	Date

Repeat

(1) (Overview) Types of Investment Products

From this page, we will discuss the types and characteristics of investment products.
The major investment products available under DC plans include the following:

Major Types of Investment Products available under DC Plan

Principal Guaranteed Investment Products

- Non-life insurance
- Life insurance
- Bank deposits

■ The principal will be protected with the payment of fixed interest if held until the maturity.

■ These are the products for investors who do not expect high returns but seek stable investment returns or those who are close to their retirement age.

Investment Trusts

- Japanese Equities
- Foreign Equities
- Japanese Bonds
- Foreign Bonds
- Balanced

* There are investment trusts which invest in the assets other than equities/bonds such as REITs (Real Estate Investment Trusts).

■ There is a possibility of loss of the principal amount invested as the unit price of an investment trust fluctuates daily. Unlike principal guaranteed investment products, they have no maturity date.

■ A high return can be expected while the investors may lose money investing in investment trusts.

■ Investment trusts can be classified into various types by target asset class, investment process, investment structure*.

* Investment trusts are sometime managed by using a family fund method, where funds of exactly the same investment style invest only in one fund called the “mother fund”.

The investment products available vary depending on the plan you participate in.

(1) (Overview) Principal Guaranteed Investment Products

Major Categories

Non-life Insurance	Life Insurance	Bank Deposits
(Accumulated accident insurance)	(Accumulated annuity insurance)	(Fixed deposits, etc.)

1. Principal is protected.

The principal will be protected if held until maturity.

Note: 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.

Note: In the case of early redemption, an interest rate that is lower than the predetermined rate may apply.

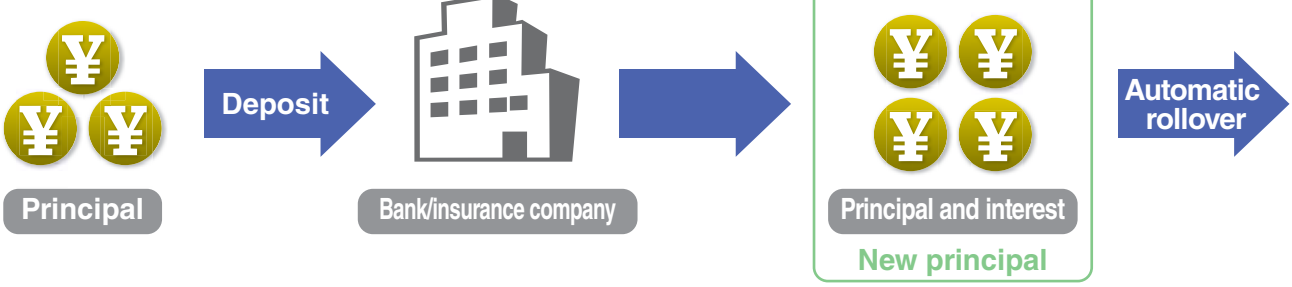
Image

These are the products for investors who do not expect high returns but seek stable investment returns or those who are close to their retirement age.

3. Automatic rollover at maturity

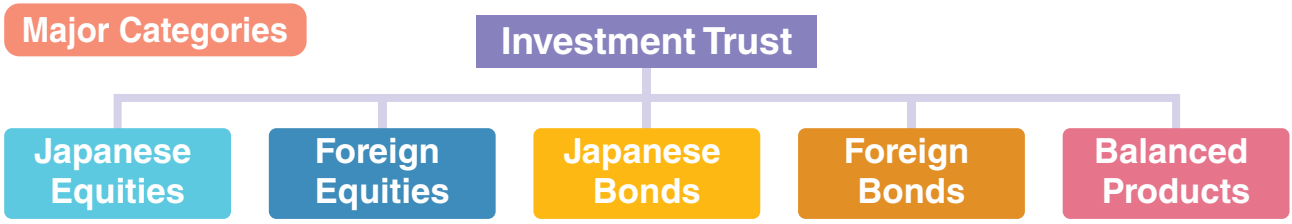
Upon maturity, the initial principal and interest payment (the new principal) will be automatically reinvested. The applied interest rate/guaranteed interest rate at the time of automatic rollover will apply.

Image



(1) (Overview) Investment Trusts

Major Categories



* Other categories include real estate investment trusts (REITs), which target specific assets other than equities and bonds.

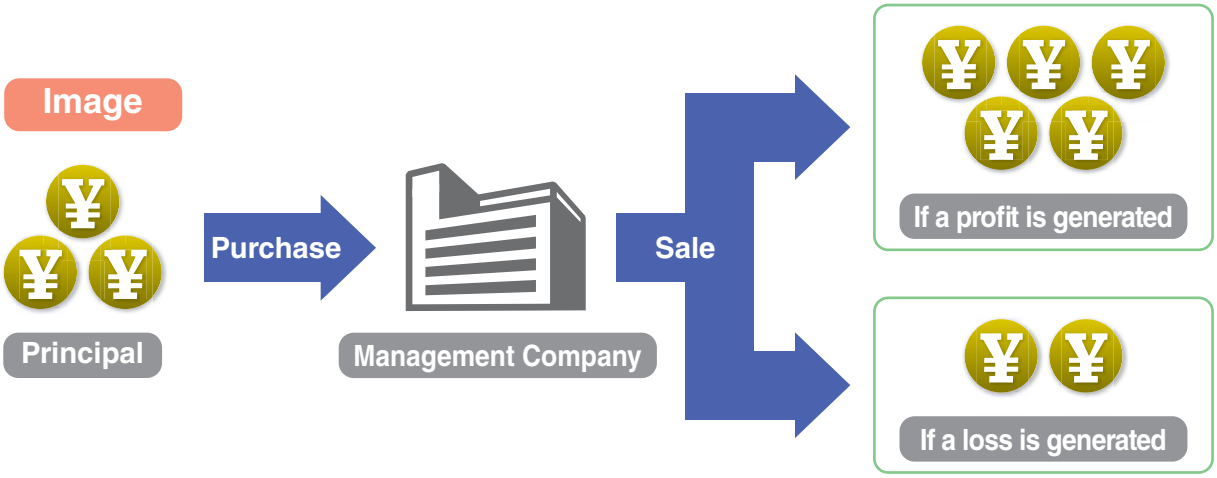
1. Principal is not guaranteed.

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.

Image



While a higher return can be expected, a loss can also be realized.

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**

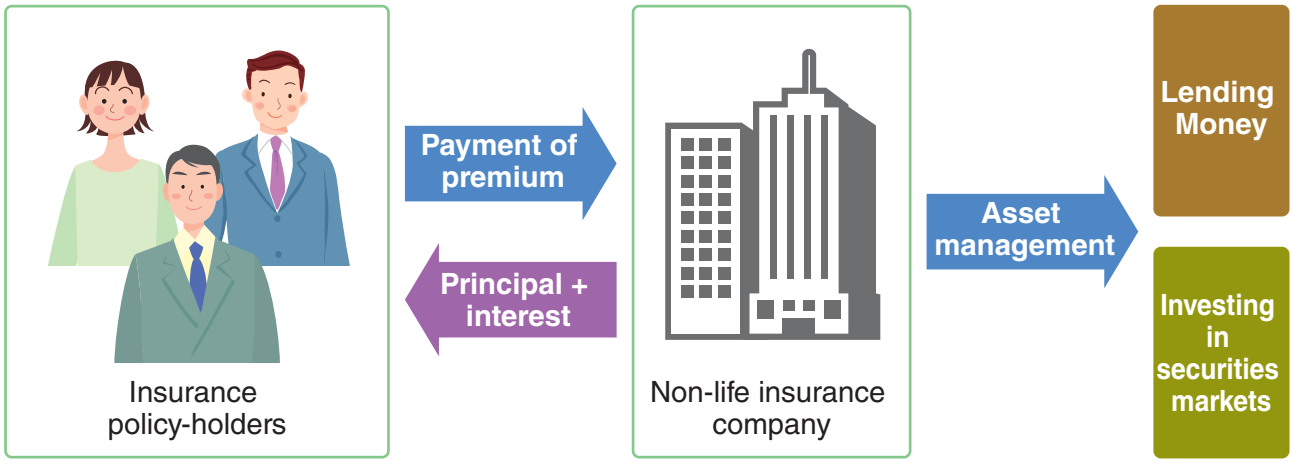
As a general rule, the investment periods for investment trusts offered under the DC pension plan (called “maturity” for bank deposits) are indefinite. However, an investment trust may become terminated (i.e. advanced redemption) due to an unavoidable situation at the management company’s discretion.

(2) (Principal Guaranteed Investment Products) Accumulated Accident Insurance

Product Structure

With accident insurance products, policy-holders pay monthly premiums for a certain period of time. At maturity, the principal and interest calculated based on the guaranteed rate will be paid. In case of the policy-holder's death due to injury caused by an accident during the investment period, the death claim which is higher than the case where the policy-holder dies by disease will be paid.

Image



Product Features

Expected Return	Interest (principal × guaranteed interest rate)
Major risks	Credit risk, inflation risk
Product provider	Non-life insurance companies
Guaranteed interest rate	The guaranteed interest rate is determined taking the market interest rate into consideration. The guaranteed rates are those which are applied when the product is held until maturity.
Early redemption	The principal will be paid in full in the case of early redemption as well as at maturity. (This may vary depending on the investment product.)
Death benefit	In the case of death resulted from an injury which was caused by accident, the total amount of claim payment will be increased from the amount payable for the case of death by disease.
Asset protection	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. * The terms and conditions in the initial contract are subject to change depending on the financial condition of the insurance company.

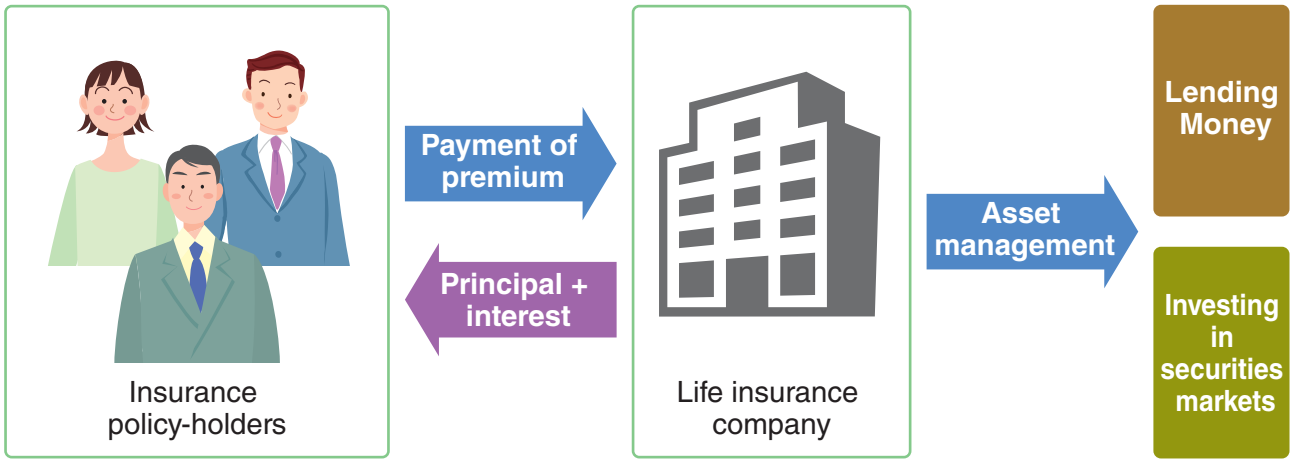
The above table shows general descriptions of investment products for a DC pension plan. The structure of investment products can vary depending on the financial institutions offering the product. Please see the Investment Product Guide for more details.

(2) (Principal Guaranteed Investment Products) Accumulated Annuity Insurance

Product Structure

Life-insurance product for which policy-holders pay monthly premiums for a certain period of time. At maturity, the principal and interest calculated based on the guaranteed rate will be paid. The participants can choose from multiple options to receive the benefit such as a "certain year annuity" or "life-time annuity".

Image



Product Features

Expected Return	Interest (principal × guaranteed interest rate)
Major risks	Credit risk, inflation risk
Product provider	Life insurance companies
Guaranteed interest rate	The guaranteed interest rate is determined taking the market interest rate into consideration. The guaranteed rates are those which are applied when the product is held until maturity.
Early redemption	In the cases of early redemption, the certain amount of redemption charge may be applied, which could lower the principal (premium paid).
Important notice	The principal (accumulated capital) could be reduced in the case where the participant passes away while receiving a life-time annuity.
Asset protection	This investment product is under the protection of the Life Insurance Policyholders Protection Corporation of Japan. 90% of the claim payment or refund will be covered if the life insurance company becomes bankrupt. * The terms and conditions in the initial contract are subject to change depending on the financial condition of the insurance company.

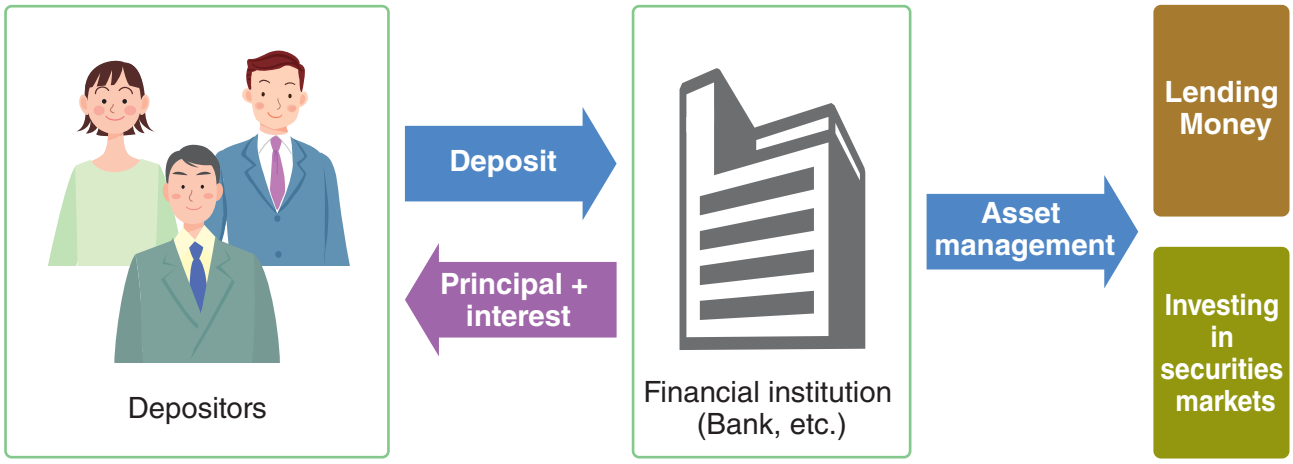
The above table shows general descriptions of investment products for a DC pension plan. The structure of investment products can vary depending on the financial institutions offering the product. Please see the Investment Product Guide for more details.

(2) (Principal Guaranteed Investment Products) Fixed Deposits

Product Structure

A deposit held at a financial institution that has a fixed term. When the term has ended (at maturity), the interest calculated based on the rate fixed at the time of initial deposit will be paid.

Image



Product Features

Expected Return	Interest (principal × applicable interest rate)
Major risks	Credit risk, inflation risk
Organization offering the product	Banks, etc.
Applicable interest rate	The guaranteed interest rate is determined taking the market interest rate into consideration. The guaranteed rates are those which are applied when the product is held until maturity.
Early redemption	If a participant redeems before maturity, the principal is paid in full and the interest rate will be reduced in principle.
Asset protection	Up to 10 million yen of the principal and its interest are protected by the deposit insurance system in the case where the financial institutions have gone bankrupt. * 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.

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

(3) (Investment Trusts) 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.

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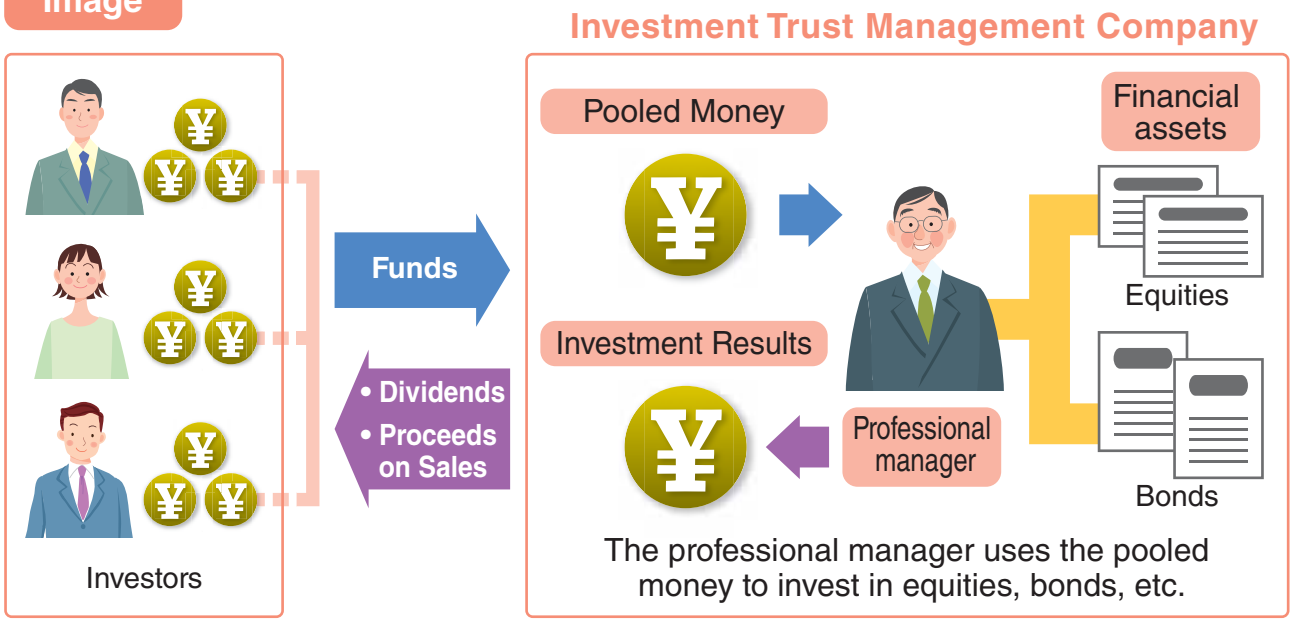


◆**Definition of the term "dividend":**

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).

Product Features

Expected return	Dividends, profits/losses on sales
Major risks	Price fluctuation risk, credit risk, interest risk, foreign exchange risk, liquidity risk, country risk, etc.
Management of Investment trusts	Management companies (Investment trust management companies)
Sale of Investment trusts	Distributors (financial institutions such as securities companies)
Management of Trusted assets	Trustees (trust banks) * Assets for investment trusts are managed by trustees.
Source of profit	Income gains (Interests and dividends from equities, bonds, etc., held by the funds), as well as capital gains (profits or losses on their sales)
Asset protection	As the assets of investment trusts are managed separately from the assets of the trustee, the entire asset amount is protected. (However, this does not apply to any loss generated from the investment.)

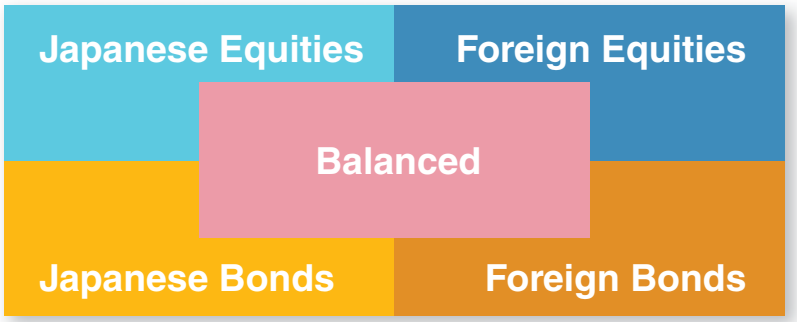
The above table shows general descriptions of investment products for a DC pension plan. The structure of investment products can vary depending on the financial institutions offering the product. Please see the Investment Product Guide for more details.

(3) (Investment Trusts) Types of Investment Trusts

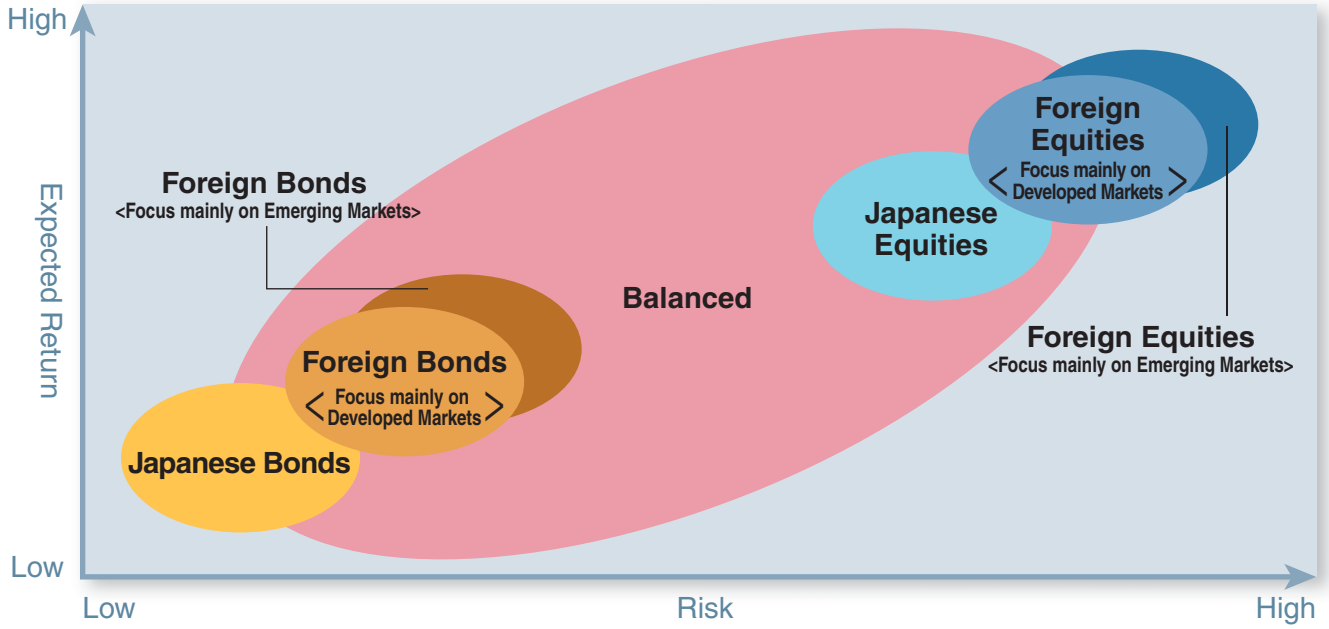
Categories by Investment Target

Japanese Equity	● Invests mainly in Japanese equities. Includes large-caps, mid-small caps, and small-caps.
Foreign Equity	● Invests mainly in foreign equities. Includes equities of developed countries and emerging markets.
Japanese Bonds	● Invests mainly in Japanese bonds. Includes the Japanese government bonds, municipal bonds and corporate bonds.
Foreign Bonds	● Invests mainly in foreign bonds. Includes bonds of developed markets and emerging markets.
Balanced	● Invests mainly in both Japanese and foreign equities and bonds by combining a balance of those asset classes.

* There are investment trusts which invest in the assets other than equities/bonds such as REITs (Real Estate Investment Trusts).

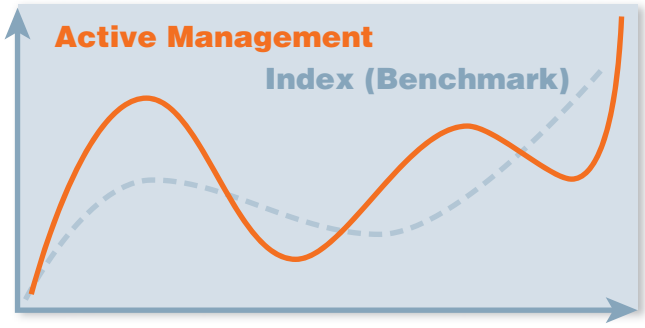


<Risk and Return in Investment Trusts>



The risk/return profile varies depending on investment targets. 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.

Categories by Management Style



◆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 target index 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

- A style of management where a fund aims to outperform a specific index (benchmark).
- 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 investment target is Japanese equities, the Nikkei Average, TOPIX (Tokyo Stock Exchange Stock Price Index), etc., are identified as benchmarks.

◆Major Benchmarks

Japanese Equity

- TOPIX (Tokyo Stock Exchange 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 market cap-weighted index and is composed of all the stocks of domestic issuers listed on the first section of the TSE.
- 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 1st section of the TSE.

Foreign Equity

- MSCI-KOKUSAI Index
  A market-cap weighted index developed by Morgan Stanley Capital International (MSCI). It consists of equities of major developed countries excluding Japan.

Japanese Bonds

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

Foreign Bonds

- Citi World Government Bond Index
  A capitalization-weighted index of government bonds issued by major developed countries measuring total return. It is an index developed by Citi Global Markets Inc.

(3) (Investment Trusts) Costs and Flow of Funds

Costs of Investment Trusts

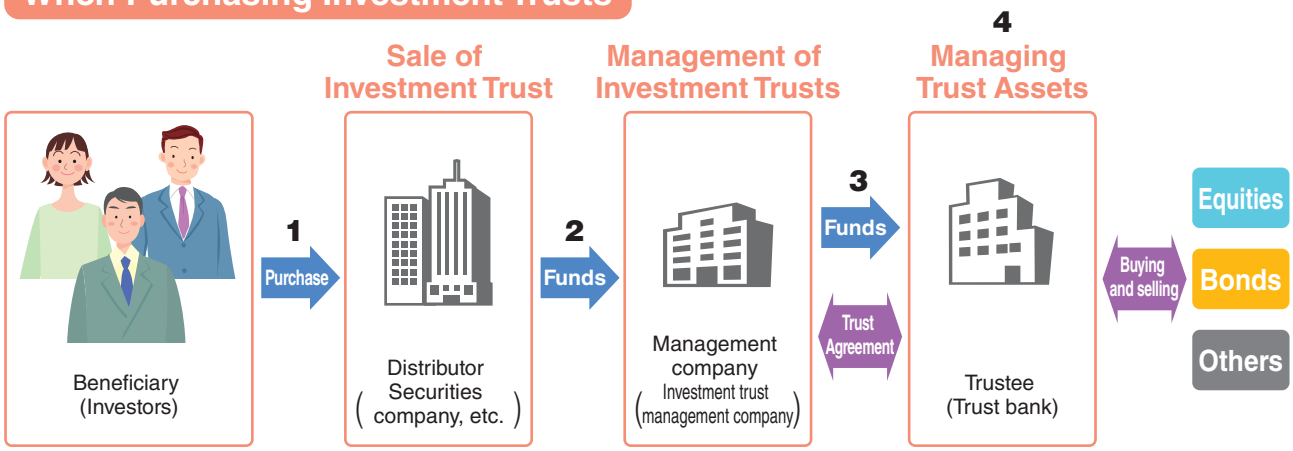
Costs of an investment trust are as follows:

- **Upon purchase-----Purchase commission**
  This is the cost incurred upon purchase of an investment trust. No purchase commission will be charged under the DC pension plan.
- **During the holding period----- Asset management fee**
  A fee charged to investors based on the amount of money they have invested in the fund. A certain percentage of the asset balance is automatically deducted daily from the total amount. Net asset values per unit and returns released to public are net of asset management fees.
- **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. Some products do not incur any partial redemption charge and some incur the fee both for a buying and selling transaction.

◇**Redemption price:**
Investment trusts are traded at net asset value per unit. When redeeming the investment trust which is subject to partial redemption charge, it will be redeemed at redemption price
(Net asset value per unit – Partial redemption charge).
In the case where the product is not subject to partial redemption charge, redemption price is equal to net asset value per unit.

Money Flow in Investment Trusts

When Purchasing Investment Trusts



1. Investment trust is purchased through a distributor.
2. The distributor will immediately transfer the funds paid by the investor to the management company.
3. The management company will immediately transfer the funds received from the distributor to the trustee.
4. The trustee will manage the received funds.
(The deposited funds will then be used to buy and sell equities, bonds and other securities, according to the investment instructions given by the investment trust management company.)

Thus the roles of sales, investment and management (custody) of assets are clearly separated in an investment trust, and the deposited funds are managed by a trustee (a trust bank). As the assets of investment trusts (entrusted assets) are managed separately from the assets of the trust bank itself, even in the event of an insolvency, your assets will be protected.

(3) (Investment Trusts) 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 5 stocks.

Investment portfolio of XY Equity Fund

A Motors Corp. | B Electronics Inc | C Pharmacy Co., Ltd.
D Trading Corp. | E Food Corp.

	<Invested Amount>	When the prices of all stocks have increased	When each stock has shown different movement
A Motors Corp.	10 billion yen	11 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	12 billion yen Up
D Trading Corp.	10 billion yen	10.5 billion yen Up	8.5 billion yen Down
E Food Corp.	10 billion yen	13 billion yen Up	7 billion yen Down
Total Assets	50 billion yen	58.5 billion yen Asset Amount Up	46 billion yen Asset Amount Down
Total Units	50 billion units	50 billion units	50 billion units
Net asset value per unit (per 10,000 units)	50 billion yen ÷50 billion units ×10,000 units **=10,000 yen**	58.5 billion yen ÷50 billion units ×10,000 units **=11,700 yen** Up	46 billion yen ÷50 billion units ×10,000 units **=9,200 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.

(3) (Investment Trusts) Underlying Assets - Equities

Prices of the investment trusts fluctuate because they are made up of equities and bonds whose prices fluctuate. This section takes a look at characteristics of equities and bonds.

Characteristics

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.

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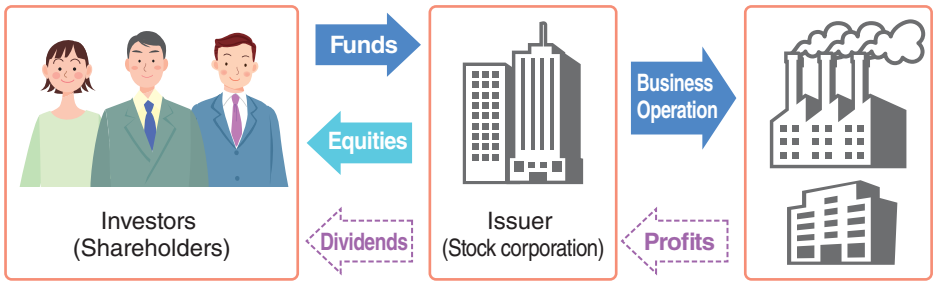
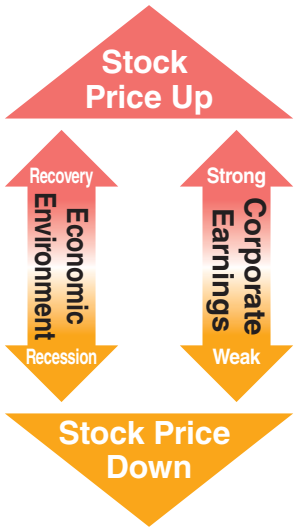


Stock Market

Price Fluctuation



Product Features

Expected Return	Dividends, profits or losses on sales
Major risks	Price fluctuation risk, credit risk, liquidity risk
Issuer	Corporations (stock companies)
Trading unit	Each issue has its own unit of trading (e.g., 1 share, 100 shares or 1,000 shares, etc.)
Maturity	None
Asset protection	None (In case of bankruptcy, there is a possibility that the shares lose all their value.)

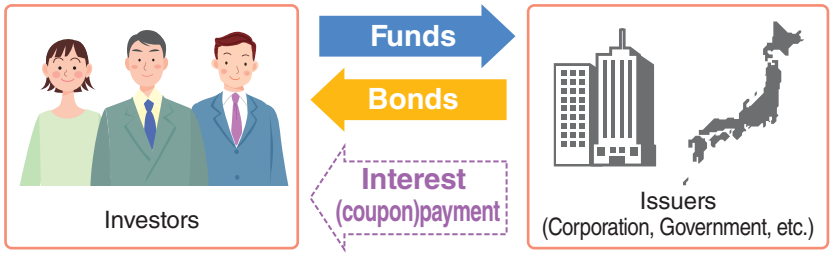
(3) (Investment Trusts) Underlying Assets - Bonds

Characteristics

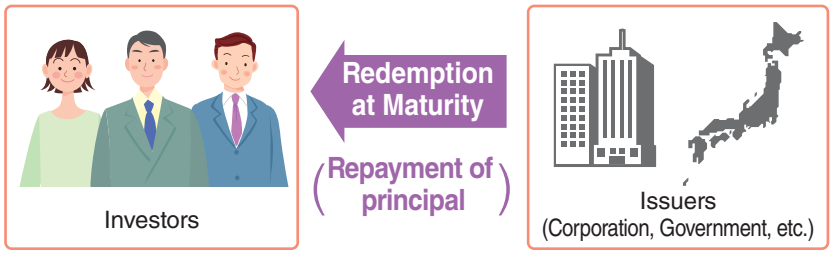
Bonds are issued by entities such as the government or corporations to borrow money from investors. The issuing entity promises to repay the principal at a certain time (maturity date) with interest payment at a specified rate. In the case where the investor decides to sell the bond before maturity, 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.

Image

Issuance



Redemption at Maturity



Price Fluctuation

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

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

Product Feature

Expected Return	Interest (coupons), profits/losses on sales, profits/losses on redemption at maturity
Major risk	Price fluctuation risk, credit risk, interest risk, liquidity risk
Issuer	Government, local public bodies, government-affiliated agencies/institutions, corporations, etc.
Trading unit	Each issue has its own unit of trading
Maturity	Yes (The principal will be repaid upon maturity.)
Asset protection	None (In the event that the issuer has gone bankrupt, interest and principal may not be paid out to the investor.)

(3) (Investment Trusts) Underlying Assets - Foreign Assets

Some equities and bonds 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.

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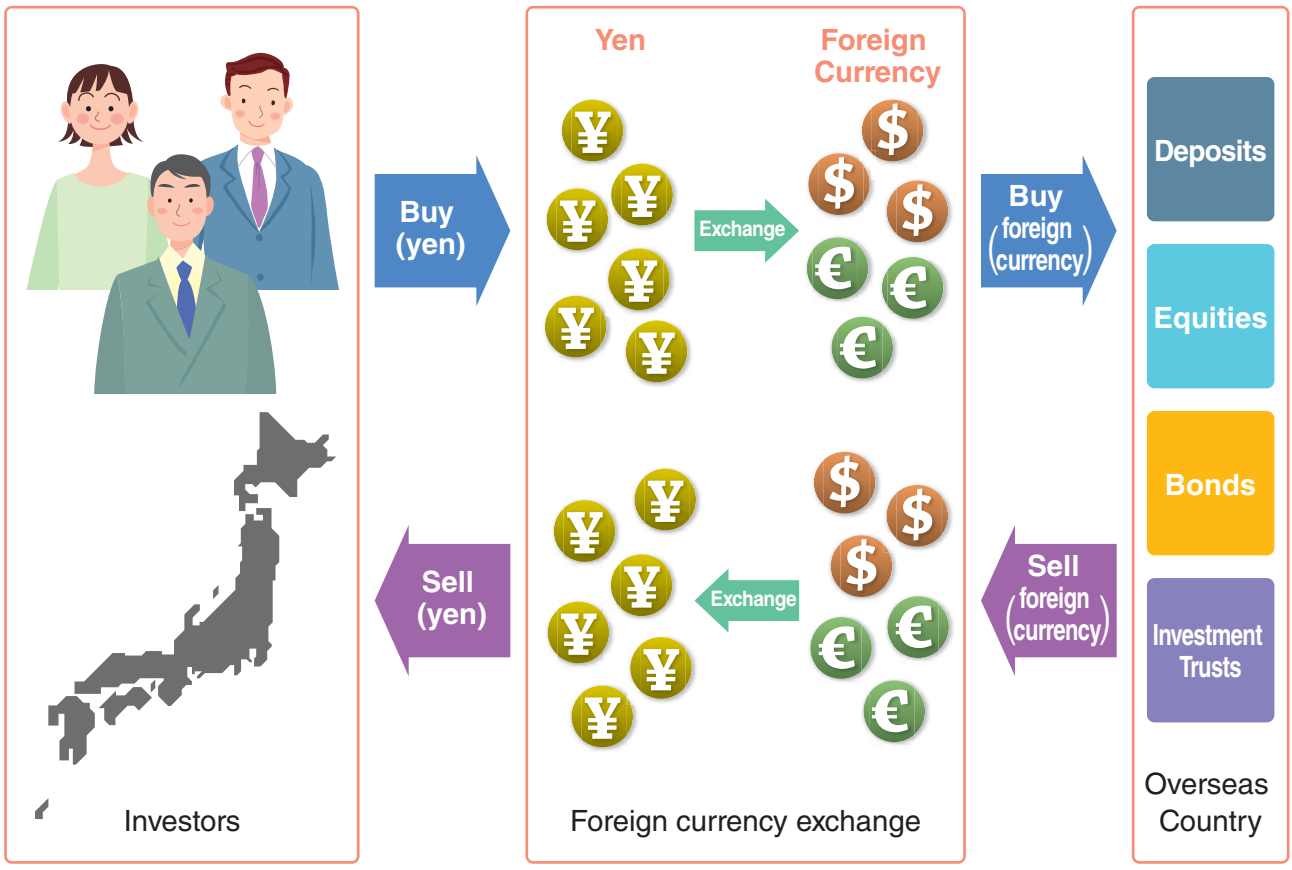


When investing in foreign assets, investors exchange domestic currency for the foreign currency to buy foreign deposits, equities and bonds. Likewise, when selling such products, investors need to exchange the proceeds from the sale in the foreign currency for the domestic currency. Thus, investment 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.

(4) Other Information

Exchange Rates

Let's see how fluctuations in stock prices and exchange rates would affect results when investing in foreign equities.

- A foreign stock has been purchased for $10 per share
- Exchange rate: $1 = ¥100
- If converted into yen, it has been purchased for ¥1,000 per share ($10 × ¥100)

Strong Yen

Although the stock price went up, it has generated a loss of ¥40 after converting it into yen.

- The foreign stock has been sold at $12 per share
- Exchange rate: $1 = ¥80
- If converted into yen, it has been sold for ¥960 per share ($12 × ¥80)
- Profit / Loss = ¥960 − ¥1,000 = ¥(−)40 (Loss of ¥40)

Weak Yen

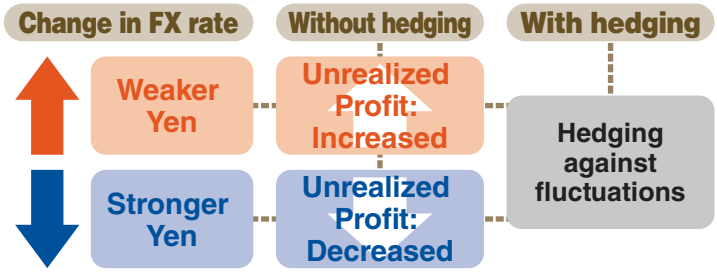
Although the stock price went down, it has generated a profit of ¥200 after converting it into yen.

- The foreign stock has been sold at $8 per share
- Exchange rate: $1 = ¥150
- If converted into yen, the product has been sold for ¥1,200 per share ($8 × ¥150)
- Profit / Loss = ¥1,200 − ¥1,000 = ¥200 (Profit of ¥200)

● **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



Other Investment Products

Variable Insurance

- Managed by insurance companies by investing in various securities such as Japanese/foreign equities/bonds.
- Claim payments and cancellation refunds will increase/decrease depending on the investment performance.
- Investment performance can be affected by fluctuations in the price of each securities and exchange rates.

Trust Products

- Entrusted funds and assets are managed by trust banks.
- There are several product types including money trusts and loan trusts.
- The major risks include credit risk, inflation risk and interest rate risk.
- Investment profits are paid out as dividends.

*The above investment products are not available under the plan in which you are currently participating.

Glossary

Planning and production

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Home Page http://www.sjnk-dc.co.jp

The Previous Version (1st edition) published in August 2001
The New Version : 1st edition published in October 2012
2nd edition published in September 2014
3rd edition published in August 2015

SOMPO HOLDINGS

Sompo Japan Nipponkoa DC Securities Inc.

Revised in August, 2015
0050150150800
DC-14-320-025

These materials are based on laws and regulations as of June, 2014.