Defined Contribution (DC) Pension Seminar

Introductory Course

June 2020

Sompo Japan DC Securities Inc.

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Outline

1. Defined Contribution Pension (DC) Plan
2. Points of Investing & Investment Products
3. Procedures & Deadlines
1. Defined Contribution (DC) Pension Plan
Defined Contribution Pension Plan

① Contributions
② Investing

¥ ???

③ Benefits

Enrollment
Age 65
## Contributions

<table>
<thead>
<tr>
<th></th>
<th>Company Contributions</th>
<th>Participant Contributions (Voluntary Employee Contributions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate from Salary</td>
<td></td>
<td>Deducted from Salary</td>
</tr>
<tr>
<td>Monthly amount</td>
<td>Base Salary × 2%</td>
<td>Minimum amount: ¥1,000</td>
</tr>
<tr>
<td>Cap</td>
<td>¥55,000</td>
<td>Equivalent to company contribution amount or less; and the cap of the total amount should be ¥55,000.</td>
</tr>
<tr>
<td>Contribution Date</td>
<td>Every 25th</td>
<td>If the date of contribution falls on a bank holiday, the preceding business day will apply.</td>
</tr>
</tbody>
</table>

*Investments will be made with the combined amount of company contributions and participant contributions.*
② Investing

1. Choose investment products
   → From the lineup of 15 products
   → Decide allocation ratio

2. Take next steps via website/call center

Note: Change request for asset allocation or products can be made at any time.
③ Benefits

- **When to receive benefits**

  1. Age 65 or over
  2. Disability
  3. Death

  ※In case of retirement at age 60 or older, benefits are receivable according to the participation period.

- **What is the benefit amount?**

  It depends on investment performance results.
In principal, distributions can be made from age 65 to 70.
Tax

Non-taxable

Investment Profits

Contributions

Tax Benefits

Benefits
### Taxation merit related to taxable income and participant contributions

Reduced tax amount = (Total tax rate of income tax and residential tax) × (annual amount of participant contributions)

<table>
<thead>
<tr>
<th>Taxable income (annual)</th>
<th>Total tax rate of income tax and residential tax</th>
<th>Reduced tax amount (annual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950k yen or less</td>
<td>15%</td>
<td>18k yen</td>
</tr>
<tr>
<td>More than 1950k yen – 3300k yen or less</td>
<td>20%</td>
<td>24k yen</td>
</tr>
<tr>
<td>More than 3300k yen – 6950k yen or less</td>
<td>30%</td>
<td>36k yen</td>
</tr>
<tr>
<td>More than 6950k yen – 9000k yen or less</td>
<td>33%</td>
<td>39k yen</td>
</tr>
<tr>
<td>More than 9000k yen – 18000k yen or less</td>
<td>43%</td>
<td>51k yen</td>
</tr>
<tr>
<td>More than 18000k yen – 40000k yen or less</td>
<td>50%</td>
<td>60k yen</td>
</tr>
<tr>
<td>More than 40000k yen</td>
<td>55%</td>
<td>66k yen</td>
</tr>
</tbody>
</table>

※The total rate of income tax and residential tax as of Jan 2020. The special income tax for reconstruction is not considered.
※ Taxable income = Salary income – Amount of employment income exemption – Other income exemptions
※ Fractions less than 1,000 yen are rounded down.
Leaving Company before Age 60

- No early withdrawal is allowed.
  (including participant contributions)

- Sell investment products and transfer assets
Does your new employer offer Corporate-type DC pension plan?

Yes

Corporate-type

No

Individual-type
(iDeCo)

Note: Procedures should be completed within 6 months after leaving the company.
2. Points of Investing & Investment Products
Risk and Expected Return

High Expected Return

High Risk

Principal guaranteed

Bonds

Equities
Stable Investment is Key

1. Long-term Investment
2. Diversified Investment

① Time diversification
② Asset class diversification
Point 2-① Time Diversification

- **NAV per unit (YEN)**
  - No. of units
  - Purchase: ¥10,000/month

As of Mar. 31, 2020

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Asset Allocation is Key

- Decide how you allocate your assets in guaranteed products, bonds and equities
- Risk level depends on asset allocation

Necessary to choose an asset allocation based on your investment strategy

Asset Allocation Worksheet
Asset Allocation Worksheet

This sheet will help you decide how to allocate your assets (asset allocation).

You can find out your investment strategy (investor type).

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

Type of Asset Allocation

Which type of asset allocation is most suitable for you?

Please answer questions 1 through 6 by selecting one answer for each question. Add your points together to get your total points.

Q1 Investment Period
- Under 30: 20 Points
- 30s: 10 Points
- 40s: 5 Points
- 50 or over: 5 Points

Q2 Income and Expenditure Forecast
- Low fixed income: 20 Points
- Moderate fixed income: 10 Points
- High fixed income: 5 Points

Q3 Have you started preparing for your retirement outside of the DC plan?
- Yes: 15 Points
- No: 10 Points

Q4 Do you have experience of investing in securities and investment trusts, etc.?
- Yes: 15 Points
- No: 5 Points

Q5 Which of these statements best describes your investment objective?
- Own the principal aggressively, deeply risky: 20 Points
- Expect moderate returns with the falling rates even if the market falls: 15 Points
- Expect small returns without taking on high risk: 10 Points
- Secure the principal rather than increasing returns: 5 Points

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

Aggressive Growth: 95~110 Points
Type A

Growth: 80~90 Points
Type B

Stable Growth: 65~75 Points
Type C

High Stability: 50~55 Points
Type D

Stable: 35~45 Points
Type E

Fixed Income: 30 Points
Type F

Model Portfolios of Asset Allocation

Aggressive Growth 90% Equities

- Japanese Equities: 50%
- Foreign Equities: 40%
- Japanese Bonds: 5%

Expected Return: 15.2%
Expected Risk: 7.9%

Growth 70% Equities

- Japanese Equities: 40%
- Foreign Equities: 30%
- Japanese Bonds: 10%
- Principal Guaranteed: 10%

Expected Return: 12.1%
Expected Risk: 8.8%

Stable Growth 50% Equities

- Japanese Equities: 30%
- Foreign Equities: 20%
- Japanese Bonds: 10%
- Principal Guaranteed: 40%

Expected Return: 8.8%
Expected Risk: 6.6%

Stability 30% Equities

- Japanese Equities: 20%
- Foreign Equities: 10%
- Principal Guaranteed: 70%

Expected Return: 6.2%
Expected Risk: 4.8%

High Stability 10% Equities

- Japanese Equities: 9%
- Foreign Equities: 1%
- Principal Guaranteed: 90%

Expected Return: 4.6%
Expected Risk: 2.5%

Principal Guaranteed 100% Principal Guaranteed

- Japanese Equities: 0%
- Foreign Equities: 0%
- Principal Guaranteed: 100%

Expected Return: 0.1%
Expected Risk: 0.0%

Select your investment products from the Investment Product Lineup by reference to the model portfolio of asset allocation.

Expected Return: Indicates the long-term expected return for model portfolios from A to F. Expected returns are shown on an annualized basis.

Risk: Based on historical range of returns and price movements as a result of investing in equities and bonds. (In some cases, this range might be wider than indicated in the chart.) Risk values are shown on an annualized basis.

*The original document is in Japanese. This translation is for reference purposes only.
Selecting Investment Products

Select investment products based on your asset allocation.

- Japanese equities: 3
- J-REIT: 2
- Foreign REIT: 1
- Foreign equities: 2
- Balanced: 4
- Foreign bonds: 1
- Principal guaranteed: 2

Type $\times$ qty.
# Product Types and Protections

<table>
<thead>
<tr>
<th>Type</th>
<th>Qty.</th>
<th>Protected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance (Principal Guaranteed)</td>
<td>1</td>
<td>90%</td>
</tr>
<tr>
<td>Time Deposit (Principal Guaranteed)</td>
<td>1</td>
<td>10 million yen in principal + interest</td>
</tr>
<tr>
<td>Investment Trusts</td>
<td>13</td>
<td>100% protected (at market value)</td>
</tr>
</tbody>
</table>
Original principal and dividends are not guaranteed

Note: A dividend is a distribution of some profits gained by investment to investors. In DC plans, such distributions will be automatically re-invested into the same investment products.
Risk/Return of Investment Trusts

Pursuit of a higher return is accompanied by higher risk.

If the risk is minimized, a higher return cannot be expected.

*In addition to the above, there are investment trusts which invest in asset classes other than equities and bonds (real estate investment trusts (REIT), etc.).
Points for Choosing Investment Trusts

Which fits your strategy best?

① Packaged-type

② Constructing yourself

Single asset class

- Japanese equities
- Foreign equities
- Foreign bonds
- J-REIT
- Foreign REIT

Balanced
Points for Choosing Investment Trusts

(1) Investment Target
And exposure to foreign exchange rates

(2) Investment Style (passive, active)

(3) Fees

<table>
<thead>
<tr>
<th>Product Name</th>
<th>© Nikko DC Index Balance (Equity 60)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Company</td>
<td>Nikko Asset Management</td>
</tr>
<tr>
<td>Category (1)</td>
<td>Balanced Fixed Asset Allocation</td>
</tr>
<tr>
<td>Investment Style (2)</td>
<td>Passive</td>
</tr>
<tr>
<td>Asset Management Fee (3)</td>
<td>0.154%</td>
</tr>
<tr>
<td>Partial redemption charge</td>
<td>None</td>
</tr>
</tbody>
</table>

Characteristics: Makes diversified investments in global equities and bonds. Assets in foreign currencies are not hedged. Investment ratio of global equities is 60% in principle. Aims to perform in line with the synthetic benchmark.

Reason for Selection:
- The management company has a stable management foundation.
- With consistent investment performance, the management company is rated as suitable both in qualitative and quantitative aspects by a professional third party evaluator.
- The investment process has been established and long-term stable investment can be expected.
- The product has been selected as a passive balanced fund which invests in equities and bonds, etc.
Ref. Impact of Fluctuations in FX Rate

$1=¥120

$1=¥100

$1=¥80

FX unhedged = Affected by FX
(2) Investment Style

Overall Market (Benchmark)

Match (passive)

Outperform (active)

Risk of underperformance
(3) Fees

Asset Management Fee ※

While invested

<table>
<thead>
<tr>
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<th>Nikko DC Index Balance (Equity 60)</th>
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</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

Partial Redemption Charge

Upon selling

※Asset management fees are already reflected in the price of investment trusts. No fees are incurred upon buying of investment trusts.

Investment Product Lineup
Past Performance of Asset Classes

The above chart shows price fluctuations until the end of Mar., 2020, using the price as of the end of Dec., 2005 as 100.


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

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

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3. Procedures & Inquiries
Contact Information

AnswerNet (website for participants) and AnswerCenter (call center) are available for inquiries.

1. AnswerNet (Website for participants)
   - 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)
   - 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)

AnswerNet of Sompo Japan DC Securities
Application for Participant Contributions

Procedure Method: Website or Phone

Deadline: New/ Suspend/Rerstart
Day preceding the monthly contribution date (reflected the following month)

Application Period: Change of Contribution Amount
From the contribution date every April to the day before the contribution date in May (reflected from the contribution in June)

• Contribution Date: 25th
  If the date of contribution falls on a bank holiday, the preceding business day will apply.

Please refer to “Employee Matching Contribution Guidebook” for more information.
# Two Ways to Change Product

<table>
<thead>
<tr>
<th>Target</th>
<th>1. Changing allocation ratios</th>
<th>2. Switching</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future contributions</td>
<td>Existing holdings</td>
<td></td>
</tr>
<tr>
<td>Fee</td>
<td>N/A</td>
<td>Partial redemption charge (depending on products)</td>
</tr>
<tr>
<td>Deadline</td>
<td>Day before the monthly contribution date (every month)</td>
<td>Each business day</td>
</tr>
<tr>
<td>Realization of gain/loss</td>
<td>N/A</td>
<td>Yes (by selling)</td>
</tr>
</tbody>
</table>
Investment Status of Participants

Investment Instruction History

- **20's or under**: 53% Without History, 47% With History
- **30's**: 61% Without History, 39% With History
- **40's**: 56% Without History, 44% With History
- **50's**: 57% Without History, 43% With History
- **60's**: 33% Without History, 67% With History

As of end of March 2020
Designated Investment Product

Under the new rule for a designated investment product, if participants fail to provide investment instructions, their contributions will be managed in cash, and then the designated investment product will be purchased when a certain period of time elapses. In such cases, participants are deemed to have provided investment instructions to purchase the designated investment product.

【The new rule applies to participants who joined the DC plan in and after May 2018】

The new rule applies to participants who fail to provide investment instructions for a certain period of time.

Designated investment product: Nikko DC Index Balance Equity 60

- Process until the designated investment product is purchased

  Presenting the designated investment product and providing information

  Instruction Period Three months starting from the first contribution date

  Notification to participants

  Extension Period Four weeks starting when the instruction period ends

  *Participants are deemed to have provided investment instructions to invest fully in the designated investment product.

  Managed in cash

*Participants can provide investment instructions and change investment products (designation of allocation ratios/switching) at any time during instruction period, extension period and after their contributions are invested in the designated investment product.

The new rule will not apply to participants enrolled before May 2018.
Asset Rollover Procedure from Other DC Plans

Corporate-type DC / Automatic rollover

Individual-type DC

Corporate-type DC / voluntary

※ You can become an investment instructor and keep your assets in an individual-type DC plan.
(Account management fee will be borne by yourself.)

Document to submit: Form of “Request to Rollover DC Asset Balance to New Corporate DC Plan”

Where to submit: Sompo Japan DC Securities

Sending the form

Completing the rollover

Approx. 1 to 3 months to complete the procedures

Notice of the completion of the rollover will be sent to a registered address

※ You need to select investment products you wish to purchase with your rollover assets.
※ If you make contributions under an individual-type DC plan, please submit “Notification of Loss of Participant Eligibility” to your individual-type DC plan administrator.

*Please use a green envelope included in the Starter Kit.
If you forgot or lost your ID, please contact the AnswerCenter. If you forgot or lost only your password, please click "Reissue password" on the AnswerNet main page. A new password will be issued.
### Basic Information

<table>
<thead>
<tr>
<th>Participant Name</th>
<th>Mr. 損保 太郎</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant Code</td>
<td>0123456789</td>
</tr>
</tbody>
</table>

- **Type of Eligibility**: Corporate-Participant
- **Current Statement Date**: 03/31/20XX
- **Last Statement Date**: 03/31/20XX
- **Period**: 04/01/20XX - 03/31/20XX
- **Plan Administrator**: Sompo Japan DC Securities Inc.
- **Investing product oversight**: Sompo Japan DC Securities Inc.
- **Record Keeping**: Sompo Japan DC Securities Inc.

- **Mailed every July**

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### Account Statement for Defined Contribution Pension Plan

#### Corporate Type Pension Plan Document

- **Date**: 4/7/20XX

#### Participant Information

<table>
<thead>
<tr>
<th>Participant Name</th>
<th>Mr. 損保 太郎</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Current Statement Date</td>
<td>03/31/20XX</td>
</tr>
<tr>
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<td>03/31/20XX</td>
</tr>
<tr>
<td>Period</td>
<td>04/01/20XX - 03/31/20XX</td>
</tr>
</tbody>
</table>

#### Plan Administrator

- **Plan Administrator**: Sompo Japan DC Securities Inc.

#### Investing product oversight

- **Investing product oversight**: Sompo Japan DC Securities Inc.

#### Record Keeping

- **Record Keeping**: Sompo Japan DC Securities Inc.

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### Details of Total Cash Inflows

- **Contributions**: 1,950,725 yen
- **Plan Sponsor Contribution**: (1,950,725 yen)
- **(Participant Contribution)**: (0 yen)

#### Details of Total Cash Outflows

- **Benefits, etc. (tax included)**: 0 yen
- **Rollover Assets to Other DC Plans, etc.**: 0 yen
- **Rollover Assets from Other Corporate Pension Plans**: 0 yen
- **Rollover Assets from Other DC Plans**: 0 yen

#### Gain/Loss

- **Gain/Loss**: 69,756 yen

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### Asset Allocation by Asset Class

#### Your DC Plan

- **Asset Class**: Principal, Guaranteed, Balanced, Equities, Foreign Bonds, Foreign Equities

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### Asset Allocation by Asset Class

- **Asset Class**: Principal, Guaranteed, Balanced, Equities, Foreign Bonds, Foreign Equities

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【When you are lost】
Click here when you need to know how to use the website.
Application for Participant Contributions

(Application for Participant Contributions, Initial Application/Resumption, Change or Voluntary Suspension)

Participant contributions refer to contributions made voluntarily by the employee in addition to the employer (plan sponsor) contribution. Participant contributions can be made with 1,000 yen as the minimum and the plan sponsor contribution amount as the maximum. In addition, the sum of plan sponsor and participant monthly contributions may not exceed the legal limit (55,000 yen).

Application details:
You can apply for participant contribution within the designated acceptance period and it will be reflected on the effective date of contribution/ voluntary suspension.
You can change the amount of participant contribution once a year within the designated acceptance period.
If you apply for voluntary suspension of participant contribution after applying to change the amount of participant contribution, the application for voluntary suspension takes priority and the application for change will be cancelled.

<table>
<thead>
<tr>
<th>Application details</th>
<th>Initial application / Resumption or Changes</th>
<th>Voluntary Suspension</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 wish to make / resume or change participant contributions.</td>
<td>5 wish to voluntarily suspend participant contributions.</td>
</tr>
<tr>
<td></td>
<td>Contribution limit: 20,000 yen (minimum 1,000 yen)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Declared Acceptance Period: 2012/08/31 - 2012/09/27</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Effective date of contribution: 2012/10/31</td>
<td></td>
</tr>
</tbody>
</table>

- New application
- Amount change
- Suspension of Contribution
Designation of Allocation Ratios for Contributions

Change investment products to be purchased with future contributions and their allocations.

Deadline falls on the day before the next contribution date.
Designation of Allocation Ratios for Contributions

1. Confirm current asset allocation.

2. Set asset allocations for investment products you desire to purchase by 1%. They need to be totaled to 100% at all times.

3. Click [Confirm] button below when finished entering.

### Contribution Instructions

- **Monthly Contribution**
- **Instruction Deadline**
- **Effective Date of Instructions (Date of Contribution)**

Please provide investment instructions for your monthly contributions (applies to both like to invest total adds umm, to wh wh button).

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Share (%)</th>
<th>Amount (Yen)</th>
<th>Fraction</th>
<th>New Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC Guaranteed Principal plus Accident Insurance</td>
<td>10</td>
<td>1,000</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Dai-ichi’s Accumulated Annuity (5 years)</td>
<td>10</td>
<td>1,000</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Seven Bank DC Deposit 3 year fixed</td>
<td>10</td>
<td>1,000</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Happen Along 20</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Happen Along 30</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

Sample
Designation of Allocation Ratios for Rollover Assets from Other DC Plan

Rollover/Asset Conversion Instructions

You can select different products from those to be purchased with monthly contributions. Please take necessary procedures before rollover assets are transferred.
Switching

Sell currently held products and purchase other products with the sales proceeds.

Please refer here for the number of days required for switching (from sale to purchase).
Thank you!

Please submit the questionnaire.