Chapter 2
Basics of Asset Management

Upon Starting to Invest

Why is investment required in DC pension plans?

Point

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

① Contributions

■Make contributions on a regular basis

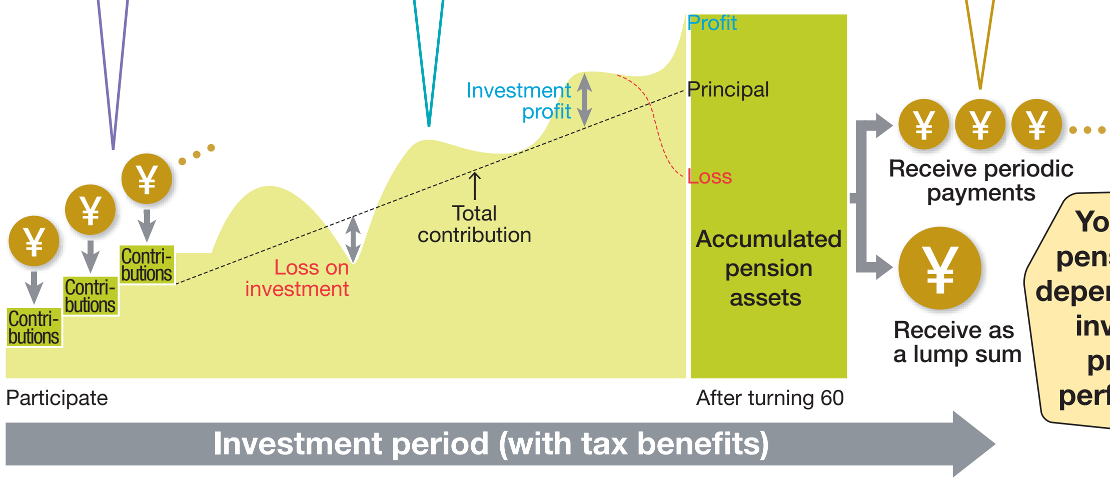
② Investment

■Select your investment products by yourself and invest the contributions

③ Benefit

■Receive the pension asset on and after turning 60.

Investment continues until the receipt procedure is completed.



Sales charge for investment products does not incur in DC pension plans.

Your future pension value depends on your investment product's performance.

Summary

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

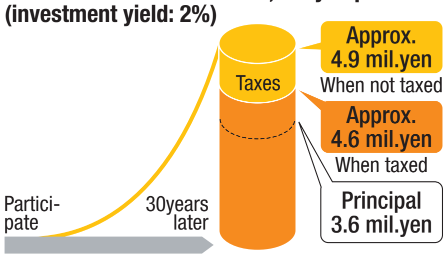
Check

■**Tax benefits (investment)**

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

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

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



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

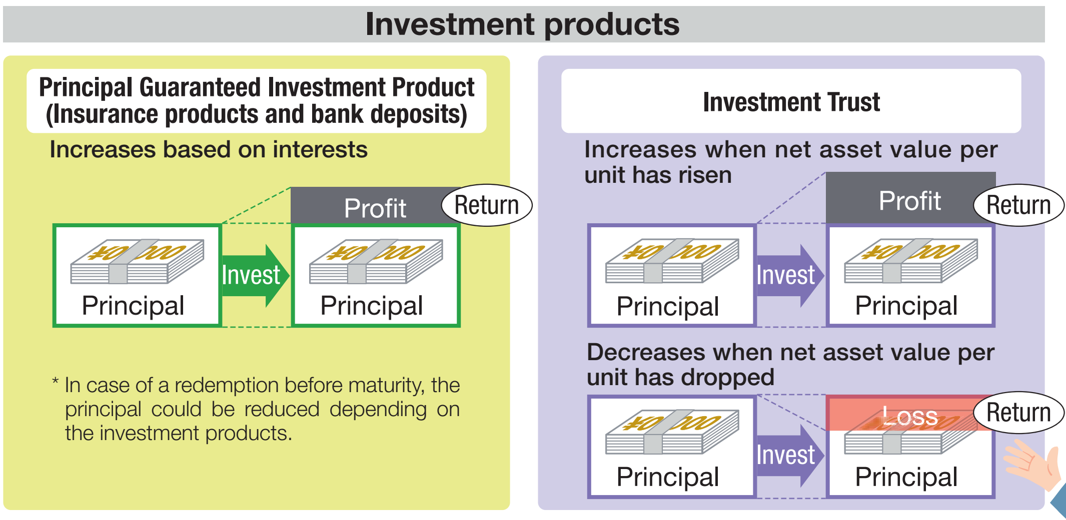
* Special income tax for reconstruction from the Great East Japan Earthquake is not included in this calculation.

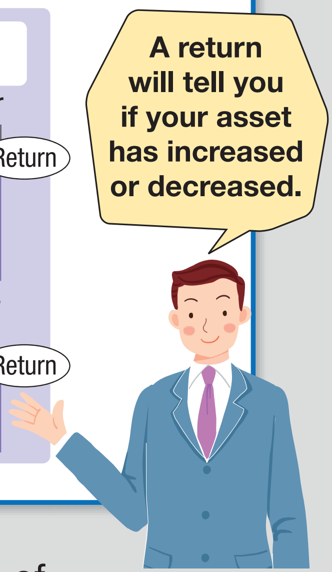
What exactly does “invest” mean?

Point

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

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

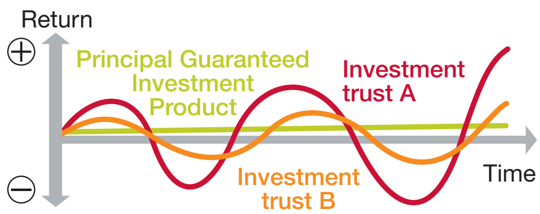




Summary An investment products is purchased for the purpose of investment. The profit or loss generated as a result of investment is called the “Return”.

Check

Image of return by investment product



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

Understanding Returns

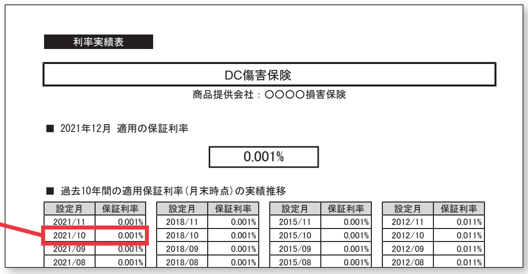
How can “Return” be expressed?

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

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

Inception Month	Guaranteed Interest Rate
October 2021	0.001 %

<Data Showing Returns>



利率実績表

DC傷害保険

商品提供会社：○○○○損害保険

■ 2021年12月 適用の保証利率

0.001%

■ 過去10年間の適用保証利率（月末時点）の実績推移

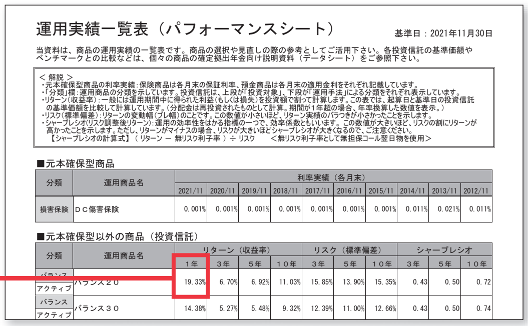
設定月	保証利率	設定月	保証利率	設定月	保証利率	設定月	保証利率
2021/11	0.001%	2018/11	0.001%	2015/11	0.001%	2012/11	0.011%
2021/10	0.001%	2018/10	0.001%	2015/10	0.001%	2012/10	0.011%
2021/09	0.001%	2018/09	0.001%	2015/09	0.001%	2012/09	0.011%
2021/08	0.001%	2018/08	0.001%	2015/08	0.001%	2012/08	0.011%

* Provided in Japanese only.

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

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

1y
19.33%



運用実績一覧表（パフォーマンスシート）　基準日：2021年11月30日

当資料は、商品の運用実績の一覧表です。商品の選択や見直しの際の参考としてご活用下さい。各投資信託の基準価額やベンチマークとの比較などは、個々の商品の確定拠出年金向け説明資料（データシート）をご参照下さい。

< 解説 >
・元本確保型商品の利率実績：保険商品は各月末の保証利率、預金商品は各月末の適用金利をそれぞれ記載しています。
・「分類」欄：運用商品の分類を示しています。投資信託は、上段が「投資対象」、下段が「運用手法」による分類をそれぞれ表示しています。
・リターン（収益率）：一般には運用期間中に得られた利益（もしくは損失）を投資額で割って計算します。この表では、起算日と基準日の投資信託の基準価額を比較して計算しています。（分配金は再投資されたものとして計算。期間が１年超の場合、年率換算した数値を表示。）
・リスク（標準偏差）：リターンの変動幅（ブレ幅）のことです。この数値が小さいほど、リターン実績のバラつきが小さかったことを示します。
・シャープレシオ(リスク調整後リターン)：運用の効率性をはかる指標の一つで、効率係数ともいいます。この数値が大きいほど、リスクの割にリターンが高かったことを示します。ただし、リターンがマイナスの場合、リスクが大きいほどシャープレシオが大きくなるので、ご注意ください。
【シャープレシオの計算式】（ リターン － 無リスク利子率 ）÷ リスク　＜無リスク利子率として無担保コール翌日物を使用＞

■元本確保型商品

分類	運用商品名	利率実績（各月末）									
		2021/11	2020/11	2019/11	2018/11	2017/11	2016/11	2015/11	2014/11	2013/11	2012/11
損害保険	ＤＣ傷害保険	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.011%	0.021%	0.011%

■元本確保型以外の商品（投資信託）

分類	運用商品名	リターン（収益率）				リスク（標準偏差）			シャープレシオ		
		１年	３年	５年	１０年	３年	５年	１０年	３年	５年	１０年
バランス アクティブ	バランス２０	19.33%	6.70%	6.92%	11.03%	15.85%	13.90%	15.35%	0.43	0.50	0.72
バランス アクティブ	バランス３０	14.38%	5.27%	5.48%	9.32%	12.39%	11.00%	12.66%	0.43	0.50	0.74

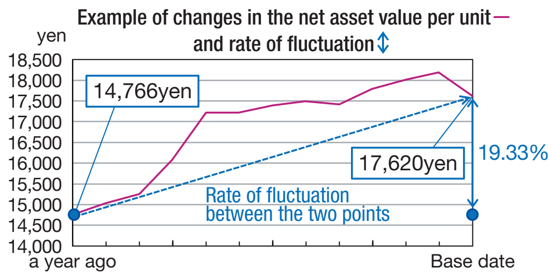
* The above is an example only.

See page P.54～

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

Check

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



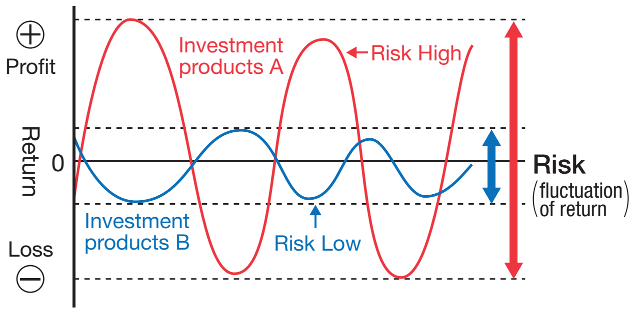
The Relationship Between Risk and Return

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”.

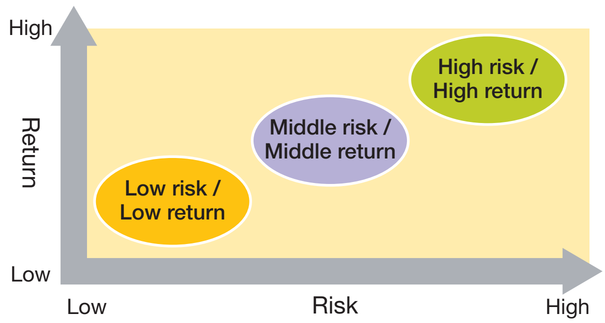
What is Risk?

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



The Relationship Between Risk and Return

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



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

Tips

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

<Performance Sheet>

■Products other than Principal Guaranteed (Investment Trust)

Category	Product Name	Return				Risk			Sharpe Ratio		
		1y	3y	5y	10y	3y	5y	10y	3y	5y	10y
Balanced Active	Balanced Fund 1	9.29%	11.14%	9.88%	2.13%	16.92%	16.68%	17.52%	0.65	0.59	0.12
Balanced Active	Balanced Fund 2	7.65%	10.33%	8.53%	2.36%	14.41%	14.05%	14.50%	0.71	0.60	0.15

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

Types of Risk

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

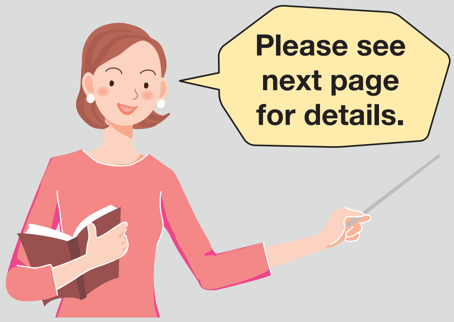
Point **Because each investment product is affected by different factors.**

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

Example: When the asset classes is foreign stocks

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

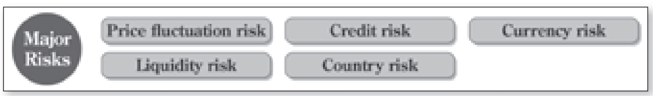
The risks shown above are examples. In actuality, they will vary depending on the investment products.

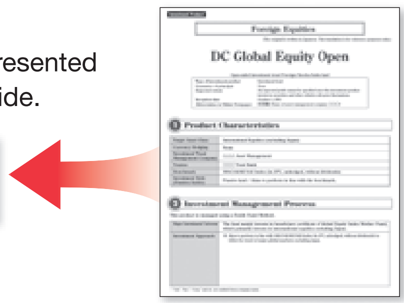


Summary It is important to know what type of risk each investment product may involve.

Tips

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





Know the Details

Types of Risk

Types of Major Risks

Risk of Stock Price Fluctuation

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

Risk of Interest Rate Fluctuation

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

Credit Risk

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

Risk of Exchange Rate Fluctuation

Yen based value of foreign-currency-denominated securities fluctuates due to the fluctuation of foreign exchange rates in addition to the price fluctuations of the securities.
Some investment trusts hedge currency risk in order to avoid these fluctuations. Additional cost is required for currency hedging. Also, currency hedging does not always work perfectly due to price fluctuations of the underlying securities.

Liquidity Risk

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

Country Risk

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

Risk of Real Estate Investment

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

Inflation Risk

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