The Key to Successful Investment - Asset Allocation

What steps to take to start investing?

Point

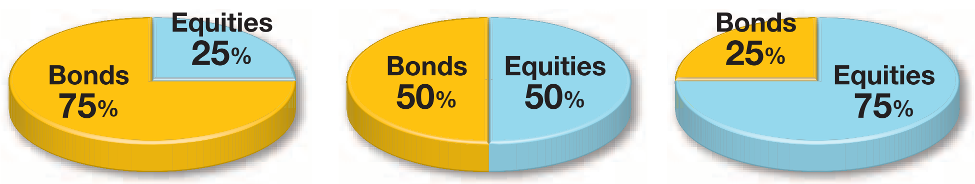
Decide how you allocate your assets. (Asset Allocation)

〈Example of Asset Allocation〉

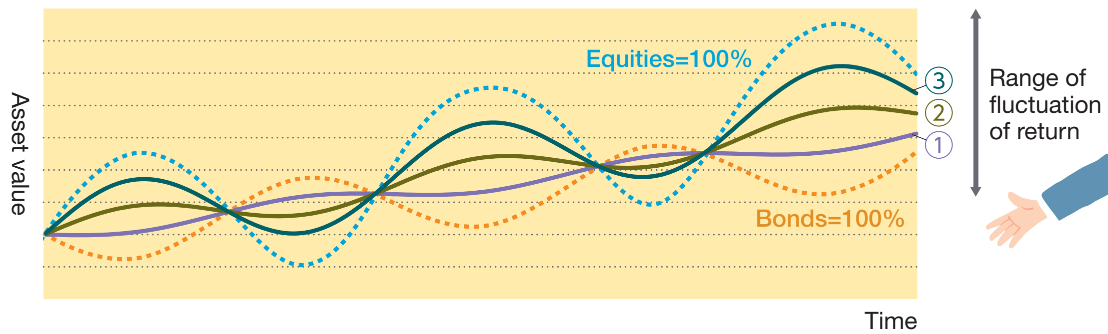
① Equities: 25%
Bonds : 75%

② Equities: 50%
Bonds : 50%

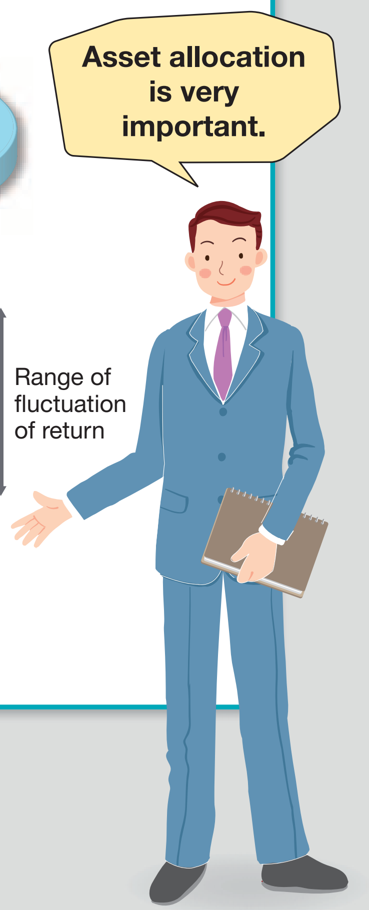
③ Equities: 75%
Bonds : 25%



〈Illustrative image: Change in asset value over time〉



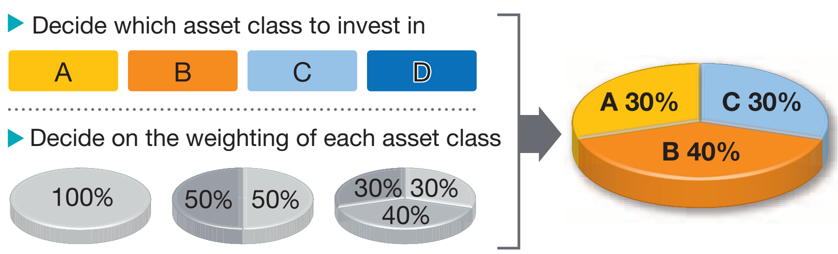
The investment results will differ depending on how you allocate your assets.



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

Check

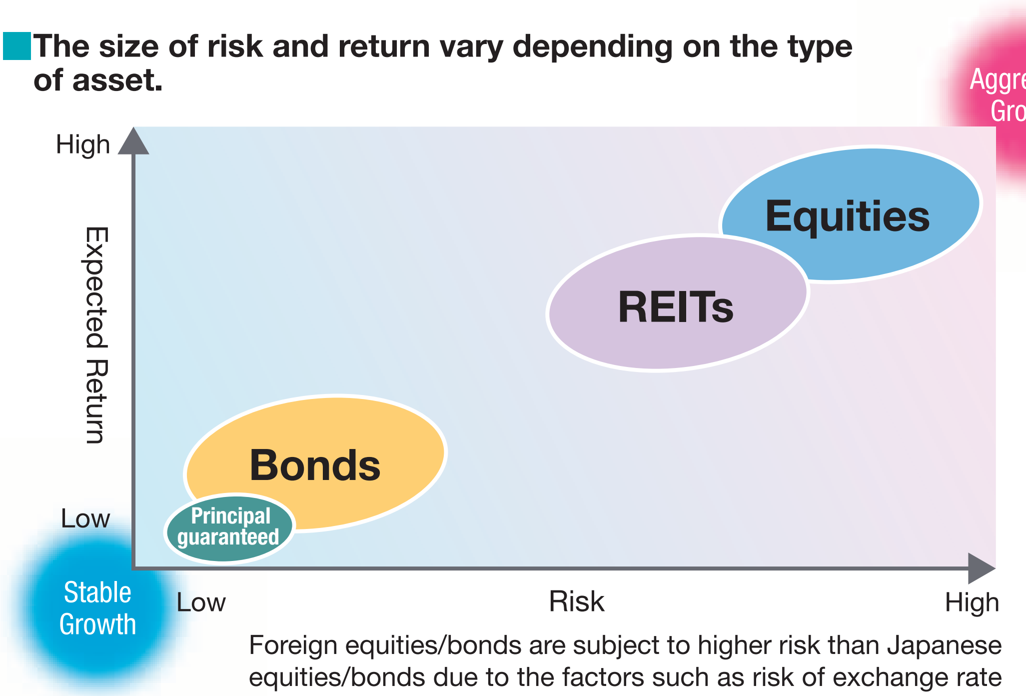
When you consider your asset allocation, it is important to examine how you diversify your investments (select and determine weighting of asset class) by taking into consideration of the characteristics of each asset class.



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 risk of exchange rate flactuation.

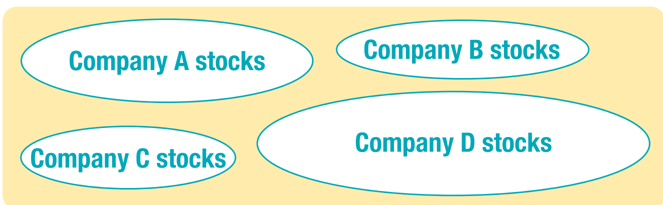
Under your DC plan, you do not invest in equities and bonds directly but through investment trusts which invests in equities and bonds.

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

Tips

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

Example of the portfolio structure of the investment trust



How 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.

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

Low Risk/Return — Stable Growth | Aggressive Growth — High Risk/Return

1. Determine a target return (goal)

Low	Target return	High

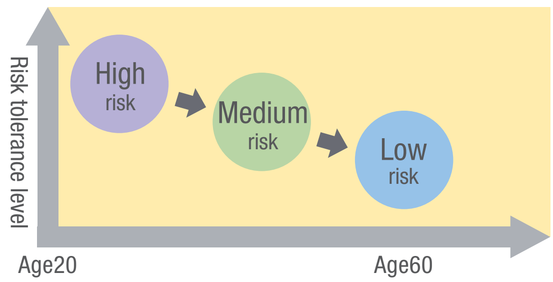
2. Examine your risk tolerance

Low	Risk tolerance	High
Short	Investment period (age)	Long
Bad	Income and expenditure forecast	Good
Little	Assets other than pension	Many
None or Little	Investing experience	Abundant
Negative	How you view risks	Positive

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

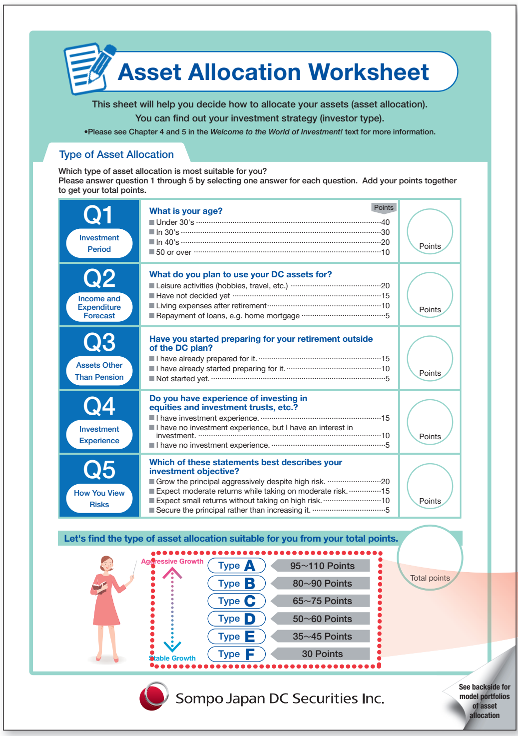
Check

Investment period (age) is an important factor when considering your risk tolerance level. Younger investors are able to take relatively higher risk as they have more time until retirement. A longer investment period allows younger investors to 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.


Asset Allocation Worksheet

This sheet will help you decide how to allocate your assets (asset allocation).
You can find out your investment strategy (investor type).
•Please see Chapter 4 and 5 in the *Welcome to the World of Investment!* text for more information.

Type of Asset Allocation

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

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

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

Aggressive Growth / Stable Growth

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

Total points

Sompo Japan DC Securities Inc.

See backside for model portfolios of asset allocation

Aggressive Growth ↑ / ↓ Stable Growth

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

See the reverse side for examples of asset allocation.

Summary Take a first step by using the Asset Allocation Worksheet.

Go to next page

Tips

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

Aggressive Growth ↑ / ↓ Stable Growth

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

Type B

Type C

Type D

Type E

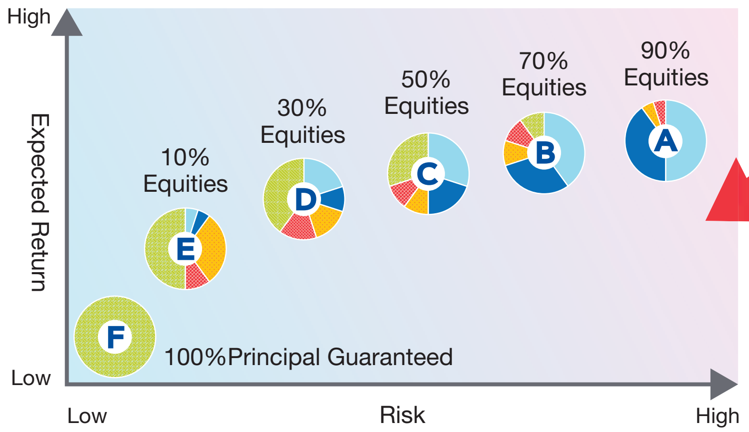
Type F ···
- e.g. 50 or over
- I have not started preparing for my retirement outside of the DC plan yet.

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.

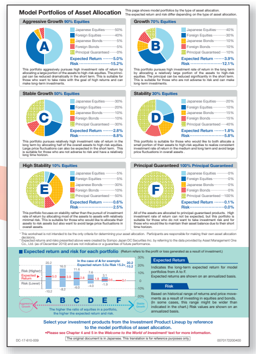
Different Risk-and-Return Profile by Asset Allocation (Illustrative image)



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.

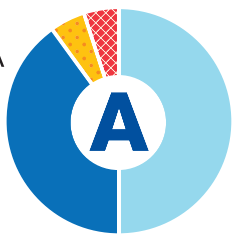
Asset Allocation Worksheet (back side)



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

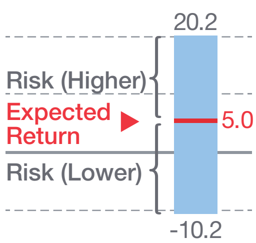
Tips

<e.g.>
In the case of A



- Japanese Equities ·····50%
- Foreign Equities ········40%
- Japanese Bonds ·········5%
- Foreign Bonds ·············5%
- Principal Guaranteed···0%

Expected Return ····5.0%
Risk ·····················15.2%



Expected Return
Average long-term expected return

Risk
Range of returns up or down