

January 17, 2014  
Nissay Asset Management Corporation

**Recurrence Prevention Measures in Response to the Recommendation**  
**Issued by the Securities and Exchange Surveillance Commission**

On December 2, 2013, the Securities and Exchange Surveillance Commission (“SESC”) announced a recommendation (“Recommendation”) to issue an administrative monetary penalty payment order against our company based on a violation of the Financial Instruments and Exchange Act of Japan on account of violation of insider trading rules (“Matter”). We, as a Financial Instruments Business Operator who engages in the investment management business, express our sincere regret for having caused a great deal of concerns and inconvenience to all of our customers and business partners in relation to the Recommendation.

We have taken the Recommendation by the SESC seriously, and while receiving legal advice from our external counsels, conducted an exhaustive investigation into the facts of the Matter and analyzed its cause, and explored measures to prevent recurrence of similar matters. We hereby announce such measures as outlined in the Attachment to this press release.

Going forward, we will exert our utmost efforts to strengthen our internal management system by ensuring thorough and strict execution of the foregoing recurrence prevention measures. At the same time, we will make a concerted effort to restore the trust of our customers and business partners.

END

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This material is an English translation of a Japanese announcement made on January 17, 2014. Although we intended to faithfully translate the Japanese document into English, the accuracy and correctness of this translation are not guaranteed and thus you are encouraged to refer to the original Japanese document.

## **Recurrence Prevention Measures**

### **I. Overview of Recurrence Prevention Measures**

We will implement the following improvement measures to prevent insider trading (“Recurrence Prevention Measures”).

#### **1. Initiatives to strengthen management of non-public information, etc. to prevent insider trading**

(1) Strengthening of organizational structure (- Scheduled to be implemented in February 2014)

- We will enhance the structure of the Legal and Compliance Department and establish a new office of Director dedicated to and responsible for overseeing the compliance aspect of the company (“Director in Charge of Compliance”). The Fund Risk Management Office which belongs to the Operations and Information Technology Division and conducts monitoring and compliance check of the investments will be reorganized into a Risk Management Department which will serve as an organization to manage not only the investment risks but risks across the board. The Risk Management Department, together with the Legal and Compliance Department, will form an independent Compliance and Risk Management Division (the “CRM Division”).
- The CRM Division will be organizationally subordinated to the Director in Charge of Compliance, and will have an increased number of personnel dedicated to and assigned to the CRM Division, effective February 1, 2014. Furthermore, we will add number of personnel to the CRM Division, who has concurrent position in other department from the commencement of fiscal 2014, thereby bolstering our internal checking system for compliance purposes.

(2) Reinforcement of employee education to increase awareness of legal compliance, including prevention of insider trading (- Scheduled to be implemented in sequence from December 2013)

- We will reinforce our education system such as our existing compliance training program and compliance check test, conducted periodically firm-wide, in order to ensure compliance by all executives and employees with internal and external rules including the Recurrence Prevention Measures. Additionally, internal compliance training on insider trading hosted by the Legal and Compliance Department will be held each quarter specifically for the Equity Investment Department, thereby providing opportunity for a more frequent and effective training and enhancement of awareness.

(3) Requirement to regularly submit a written pledge of legal compliance (- Scheduled to be implemented in January 2014)

- To ensure full understanding of the rules for complying with laws and regulations, including the Recurrence Prevention Measures, and to promote continued awareness, we will request a written pledge once a year from all executives and employees to comply with the laws and regulations and the company rules, including the Recurrence Prevention Measures. Legal compliance has been part of our personnel evaluation system.

(4) Implementation of internal audit focused specifically on prevention of insider trading (- Scheduled to be introduced from fiscal 2014)

- Our Internal Audit Department will be continuously conducting audits regarding the implementation status of initiatives every year to prevent insider trading, including the Recurrence Prevention Measures.

## **2. Initiatives to prevent receipt of insider information**

(1) Ban on contact with the securities company sales personnel by the equity investment professionals (- Already implemented this January 2014)

- As a principle rule, we will enforce a complete ban on our equity investment professionals to discuss and/or meet with the securities company sales personnel. As an exception, our equity investment professionals will be allowed to discuss and/or meet with the securities company sales personnel only when their superior approves of the discussion and/or the meeting, and on conditions that such discussion and/or meeting will take place on-site at our company with several persons from each side present. The result of the prior approval request will be promptly forwarded to the Legal and Compliance Department prior to the discussion and/or meeting, and the Legal and Compliance Department will check whether or not the prior approval is given appropriately. A result of the meeting shall be recorded and confirmed by the superior, and will be forwarded promptly to the Legal and Compliance Department to enable them to check the result. In addition, receiving gifts and entertainment from securities company sales personnel by the equity investment professionals shall also be prohibited.
- Furthermore, all conversation and written communication with securities company sales personnel shall be restricted to company telephones and email, and use of individuals' private mobile phones and etc. shall be forbidden.

(2) Establishing a system for recording and monitoring all external telephone calls of equity investment professionals (- Scheduled to be introduced in February 2014)

- We will install a system on company phones to record all external calls by the equity investment professionals. Such recorded calls will be monitored by the CRM Division systematically to ensure that all investment professionals are monitored within each year. Recording of calls will be implemented from February 2014 as soon as the system is installed. Monitoring of the recorded calls is scheduled to commence from the start of fiscal 2014.

(3) Introducing "Compliance" as an additional evaluation item of securities companies (- Already introduced in December 2013)

- We have introduced a framework to evaluate the compliance systems of securities companies, by adding "Compliance" as an additional evaluation item.

### **3. Initiatives to tighten control over the investment professionals' activities and retention of records, and reinforcement of post-trade monitoring functions**

(1) Ensuring control over investment professionals' activities and contacts with external parties (- Scheduled to be implemented from January 2014)

- We will promote better management of the investment professionals' activities and their contacts with external parties by requesting our investment professionals to enter all meeting schedules with external parties in the internal calendar system. Furthermore, the results of the contacts between the equity investment professionals and external parties (including whether any insider information was received) will be entered into and maintained in a database to be newly developed. These results of their contact will be shared with the CRM Division, which will monitor such records.

(2) Strengthening of trade monitoring system (- Already introduced in January 2014)

- The trade monitoring activities of the Risk Management Department will be broadened to include trades for corporate fund raising such as IPOs and POs. The monitoring will target all the IPOs and POs which have been announced and/or executed, thereby strengthening the post-trade monitoring function for trades related to corporate financing activities. The monitoring result of trades conducted in relation to financing will be reported at the review meeting with all directors present as with all other trade monitoring results.

### **4. Monitoring of the status of progress and establishment of the Recurrence Prevention Measures**

- The status of progress and establishment of the Recurrence Prevention Measures will be monitored regularly by the Corporate Planning Division and CRM Division, and will be reported to Board of Directors or other organ. The PDCA cycle will be followed to reinforce our efforts for the Recurrence Prevention Measures and enhance their effectiveness.

## **II. Donation of Profits Generated from the Matter**

- The profit generated from the reported insider trading by our company is vested in the investors; however, the trading activity was caused by our company as the investment manager, and we are heavily responsible for undermining the trust of the market. We are considering a donation therefore of an amount equivalent to the amount of profit generated through the trades to organizations/entities suitable for the objective of social contribution.

## **III. Clarification of Responsibility of Directors and Employees**

- Considering the responsibility of the directors and employees in relation to the Matter, we have taken strict disciplinary actions on the employees who were involved in the Matter in accordance with our rules of employment, and have clarified the responsibilities of the directors as follows.

### **1. Responsibility of Directors at the Time of the Matter (June, July of 2010)**

- The remuneration of the then President and Chief Executive Officer and Directors in charge of investment, compliance and risk management, respectively, will be retroactively reduced as follows:  
Monthly remuneration to be reduced by 20% to 50% for two to three months  
(Ex-Directors who have retired from the company will be asked to repay the amount voluntarily)

### **2. Responsibility of Incumbent Directors at the Time of the Recommendation (December 2013)**

- The remuneration of the incumbent President and Chief Executive Officer and Directors in charge of investment, compliance and risk management, respectively, will be reduced as follows.  
Monthly remuneration to be reduced by 10% to 20% for one month

**END**