

[Referential Translation]

Notes on Trading Listed Derivatives

Interactive Brokers Securities Japan Inc.

- Trading of listed derivatives may cause substantial losses due to its ability to trade in excess of margin amount. The loss may also exceed the amount of margin paid.
- You must understand the nature of this trading thoroughly prior to trading.
- Please contact IBSJ should you have questions or complaints regarding this trading. For any problems relating to this trading, it is also possible to contact the following ADR (see the note below) institutions which handles complaints and disputes.

Financial Instruments Mediation Assistance Center

Phone: 0120-64-5005 (Toll-Free)

Note: An Alternative Dispute Resolution System is a procedure in which a fair third party is involved in resolving disputes for those who seek to resolve a civil dispute without resorting to legal proceedings.

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Risk Disclosure for Overseas Securities Futures Trading

(This document is provided pursuant to the provisions of Article 37-3 of the Financial Instruments and Exchange Act.)

This document describes the risks and points to be aware of when trading overseas securities futures. Please read this carefully and clarify any questions before starting to trade.

- Overseas Securities Futures Trading refers to transactions in which a financial instrument is traded on a predetermined date in the future based on the contract price specified at the present time. However, it is also possible to close the contract without waiting for the due date, by performing the opposite trading of the financial instruments (resale in the case of buying, repurchase in the case of selling), and settle by giving and receiving the difference.
- There are physical futures and index futures transactions in overseas futures trading. In the case of index futures trading, a product that targets an execution price as indexes, delivery of the actual physical goods is not done. Therefore, if settlement is not made by the opposite transaction by the due date, the difference between the contract price at the time of the contract and the actual financial indicator number (SOQ) at the time of the contract is paid as the difference between the actual financial indicator values (SOQ). Overseas securities futures trading handled by us is limited to exchanges, which target stock indices listed on the Overseas Financial Instruments Exchange.
- Since overseas securities futures trading is margin trading, the total trading amount may become substantially greater than the margin to be deposited in the transaction, depending on the product. Therefore, if the market fluctuates against the forecast, there is a possibility that a loss will occur. In such cases the total trading amount will fluctuate significantly even when the range of the price fluctuation is small, and the loss may exceed the margin deposited depending on the range of the market fluctuation.
- Overseas securities futures trading can generate large profits as well as large losses. It is therefore important to fully understand the mechanism and risk when commencing or continuing to trade, and do so only if the investor is deemed appropriate in light of his/her own financial resources, investment purposes and investment experience, etc.

Fees and other expenses

- When conducting overseas securities futures trading fees will be charged according to the rate, amount, and method stated in the separate "Fees Guidelines" section.

Margin

- When conducting overseas securities futures trading, you will be asked to provide the margin posted on the Company's website as collateral.
- The amount of margin required for overseas securities futures trading is determined by the Company based on the initial margin (initial margin), maintenance margin (maintenance margin) and SPANOR.
※SPANOR is a calculation method developed by the Chicago Mercantile Exchange and is an abbreviation of the Standard Portfolio Analysis of Risk.

Risks of Overseas Securities Futures Trading

[Risks associated with overseas financial instruments exchange trading]

- Overseas securities futures trading is conducted in the overseas financial instruments exchange. The transaction system such as trading time, order method, and the form of ordering to the exchange may therefore differ greatly even if the target symbol is similar to a product in the domestic financial instruments exchange. When starting overseas securities futures trading, it is necessary to fully understand the trading system.

[Price fluctuation risk]

- The price of foreign securities futures trading may rise or fall due to various factors such as fluctuations in the target index (or the underlying asset price), other economic indicators, political conditions, etc. potentially resulting in losses.

[Risks associated with margin trading]

- Overseas securities futures trading has the potential to cause significant losses at times due to its ability to conduct trading that exceeds the amount of the margin with a small margin. It is, therefore, necessary to fully understand the following contents when starting overseas securities futures trading.
- If the market price changes in the opposite direction from the forecast, you may lose most or all of the margin in a short period of time. Also, the loss is not limited to the amount of margin.

- If a shortage occurs due to fluctuations in the market price of the target index (and its underlying asset price) for overseas securities futures trading, additional deposit or deposit of margin is required. In cases where margin is not deposited or pledged by a certain deadline, or it is deemed a loss of profit within other deadline defined in the agreement has occurred, some or all of the open position may be liquidated. In this case, you will be responsible for any loss incurred by the liquidation. Even if a deposit is made, the funds in the deposit may be restrained due to a lack of credit surplus, etc., and it may not be possible to transfer this to margin. In this case, if there is no deposit of the amount required for the elimination of the additional margin for the overseas futures trading account, it cannot be regarded as an appropriate difference for the additional margin. In this case, the customer will also be responsible for the loss incurred in such settlement, and if there is a physical stock, etc. deposited in the general trading account, the actual stock may be sold at the discretion of the Company and used for such loss.
- The overseas financial instruments exchange may, when there is or is likely to cause an abnormality in the transaction on the exchange, or when it is deemed necessary from the viewpoint of settlement risk management of the foreign financial instruments clearing institution, take regulatory measures such as raising the amount of margin requirement by the company's discretion. In such cases, additional deposits or deposits of margin may be required.

[Liquidation]

- The Company applies our own liquidation system for overseas securities futures trading and monitor real time excess equity during the trading hours. If you fall short of margin, we will buy and sell against your open position until the margin shortage is resolved. In such cases, we will be able to counter sell all open position held by you without notifying you, and the resulting loss will be borne by the customer.
- In the case of liquidation, it is executed in accordance with the open interest and the order specified by the Company, however, it is also possible for the customer to specify the open position for the last position to be liquidated. However, even if you have specified open position, the liquidation may not necessarily be executed in the order specified by the customer, depending on the customer's account situation, etc., and the opposite sale may be executed in the order judged by the Company.
- Although we have adopted our own liquidation system, if the market fluctuates rapidly or if the total quantity of liquidation orders does not become fixed, the loss

may not be kept within a certain range. In that case, the loss of the day may exceed expectations.

[Risks associated with changes in the market environment]

- Depending on the market situation, we may not be able to trade as intended by our customers. For example, if the market price has reached the limit range, it may not be possible to settle by resale or repurchase.
- Depending on the market situation, the overseas financial instruments exchange may increase the price range limit. In that case, the loss of the day may exceed expectations.

1. Mechanism of overseas securities futures trading

Trading methods

(1) Trading market

In overseas securities futures trading, orders are executed for almost 24 hours through the SGX (Singapore Exchange) and CME (Chicago Mercantile Exchange) electronic trading system. Furthermore there is floor trading called open-out cry on overseas financial instruments exchanges, however, overseas securities futures trading handled by the Company is limited to electronic trading system. Trading hours shall be in accordance with SGX and CME, and in principle, the Company's trading hours are 24 hours, excluding system maintenance, etc.

(2) Trading products

Overseas securities futures trading applies to futures and option trading denominated in yen provided by SGX and CME. Please check the homepage for specific products.

(3) Last trading date(final settlement deadline) and delivery month

The last trading day for overseas securities futures trading may be determined separately by the Company in addition to the last day of trading stipulated by the exchange. Please note that the last day of local time stipulated by the overseas futures exchange will not necessarily be the last trading day or the final settlement deadline. In addition, the Company is capable of trading only for the months that are listed, but for the months specified separately by the Company. Please check our website for the expiration month.

(4) Price range limit

As stipulated by each overseas financial instruments exchange, trading with prices exceeding the price range limit cannot be conducted. The price range limit are revised as appropriate and published on the website of each exchange.

Reference: SGX Homepage <http://www.sgx.com>
CME Homepage <https://www.cmegroup.com>

(5) Suspension of trading

In principle, there is a system for suspending trading (circuit breaker system) to ensure that investors do not suffer unforeseen damage if futures prices rise or fall significantly on overseas financial instruments exchanges.

(6) Order method

You can use the limit, stop, market orders, as well as the Argo order provided by the Company. In addition, the execution conditions are available for a day or GTC (Good Till Cancel).

(7) Trading regulations

The following regulatory measures may be implemented if the trading be found to be abnormal or such risk is seen in the overseas financial instruments exchange.

- a. Change of the price range limit
- b. Change of the trading hours
- c. Increase of the margin amount
- d. Increase of the loanable value of the margin amount
- e. Advancing of the settlement date and time
- f. Restrictions to orders
- G. Restrictions to open positions
- h. Market closure

Please note that if the customer has already traded the same products in IBLLC account (holding the open position); the customer is not able to trade the same products in IBSJ account.

(8) Restrictions on trading

In case the customer violates the laws and regulations, the provisions of the Account Setting Agreement for Overseas Futures Transactions, etc. or fail to perform obligations

to the Company, or if the Company reasonably determines that it is difficult to have the customer continued trading, we will restrict or prohibit the customer's trading. In such cases, you will immediately forfeit the benefit of time in relation to your trading.

In addition, if the customer is suspected to be a deceased person or a person with limited capacity, or if the customer is suspended from payment, unable to pay, or filed for commencement of bankruptcy proceedings and is not rejected or withdrawn within 30 days, the benefit of the time will be lost.

Methods for settlement

(1) Settlement by resale or repurchase (settlement by opposite buying and selling)

With regard to overseas securities futures trading, investors who hold buy-to-hold (or open position) can settle by receiving the difference equivalent to the execution value when a new purchase (or sale) is made and the execution value when a sale (or purchase) is made by the last trading date. In overseas securities futures trading, it is not possible to hold both positions of the same product (holding long and short positions at the same time). Open position can be held on a monthly basis, either for purchase or sale.

(2) Settlement by final clearing value (SOQ)

Open position that was not settled by the opposite trade by the last trading day is settled by giving and receiving money corresponding to the difference between the execution value and the final clearing value (SOQ) (special index calculated based on the price determined by the exchange of the index constituent symbol of the day specified by the exchange. The same hereafter) when performing a new sale or purchase.

(3) Liquidation due to final trading date settlement unsettled

Regardless of (1) and (2), the Company may determine the final trading date at our discretion, and if there is open position past the last trading date specified by the Company, some products will be subject to opposite trading at the discretion of the Company. This settlement cannot be reversed after the last day of trading.

2. Liquidation Rules

We will make a real-time decision on whether to conduct an opposite sale or sell to keep your loss within a certain range, and order an opposite buy and sell order (liquidation order) to settle all open positions if the customer's received margin falls below the loss cut line.

3. Margin requirements

In the case of overseas securities futures trading at the Company, it is necessary to provide or deposit an amount higher than the amount required for the Company's margin requirements, which is calculated by the calculation method specified separately by the Company in accordance with the calculation method of the margin requirements specified by SGX and CME. The margin you provide or deposit is cash in yen. Please note that stock certificates, investment trust beneficiary securities, etc. (securities in lieu of money) cannot be deposited to fill margin requirement. In the event of additional margin requirement, you will need to provide or deposit the necessary amount of margin by the deadline prescribed by the Company. Please note that unsettled open position may become subject to liquidation if the deposit or depositing of the additional margin cannot be confirmed.

(1) Deposit or depositing of margin

Margin must be deposited by the date and time designated by the Company following the day on which the shortage occurred, with a deposit amount greater than the greater of either the total amount calculated as follows or the amount of cash shortfall. Margin is calculated for each futures and options trading account.

a) Insufficient total amount

The difference when the total amount of the received margin requirement is less than the margin requirement requested by the Company.

b) Cash shortfall

The difference between the amount of money you are pledging or depositing as margin requirement and the amount of the customer's expected cash payment

a Margin requirement

For futures and options trading on overseas securities futures accounts, the amount of the following i) less ii)

i) SPAN margin requirement

THE SPAN margin requirement is the margin amount calculated by SPANOR for open position in futures and options trading.

ii) Total net option value

The total net option value is the amount obtained by subtracting the total value of the buy option value less the total value of the sell option. The value of the buy option and the value of the sell option are as follows:

Total value for purchase option

For positions in option trading where long open position exceeds the short open position, the amount obtained by multiplying the liquidation price into an amount per unit multiplied by the difference quantity of long and short open positions

Total value for sell option

For positions in option trading where the short open position is more than the long open position, the amount obtained by multiplying the liquidation price into the amount per unit by the difference of long and short positions.

The liquidation price shall, in principle, be the theoretical price specified by the Clearing House.

b Total amount of received margin

Amount of money provided or deposited as margin requirement +/- cash amount the customer is expected to receive

- The total amount of the received margin is calculated for each futures and options trading account.
- The amount expected to be received (received or paid) by the customer
The amount of calculated profit (profit or loss) (profit and loss based on fluctuations in futures transactions - issue of calculated profit) +/- profit and loss transaction for a future trading that has not settled with the customer +/- the trading price for an option trading that has not settled with the customer - the amount that the Company deems necessary in what the customer should bear
- The profit and loss amount based on fluctuations in the market price of futures trading is calculated based on the difference between the execution price for the new sale or purchase and the settlement price of the previous trading day. If other futures trading is carried out in the same futures and options trading account, the profit and loss amount from this is also included.

The margin requirement is the minimum standard stipulated in the rules of the clearing house, and the actual amount is determined by the Company. In addition, if the Company requests a pledge or depositing of margin and in case it is not provided promptly, the Company may resell or repurchase the open position in the customer's calculation and liquidate it.

Moreover, the margin that you have pledged or deposited (excluding the portion equivalent to the amount of cash paid by the customer) will be deposited to the

overseas financial instruments business operator, a company we deal with, as a margin of transaction for the consignment.

(2) Paying out paper profit

With regard to money equivalent to the paper profit pertaining to this trading, you can be paid out by charging the financial instruments firm that you use, up to the difference between the total amount of the received margin and the margin requirement in case the former is greater than the latter.

In case you are paid out with paper profit, it will be offset against the profit when the open position is settled.

(3) Return of margin

If the Customer request a refund for the difference between the margin pledged or deposited by the Customer and the amount for unperformed obligation, the Company will, in principle, return it without delay.

(4) Storage of margin

The margin you have pledged or deposited with us will be segregated from the Company's assets.

4. Processing of open positions in case of insolvency by the clearing participant or by the Company

In the event our clearing participant become insolvent, in principle, the clearing house of the overseas financial instruments exchange shall take measures such as suspension of trading due to insolvency. Although open positions and margin requirement held at that time will be transferred to other clearing participants, the customer's trading may be restricted, and it may not be possible to buy or sell as intended, and the holding of open positions may be hindered. If the clearing participant falls into bankruptcy, there is a possibility of unexpected loss for the Customer. If the Company determines that it is difficult for the Company to continue passing orders to the clearing participant, even before measures such as suspension of trading by clearing house of overseas financial instruments exchange are taken, the Company may restrict the customer from buying and selling as well as interfere with holding of open positions. In the event the Company becomes insolvent, measures such as suspension of trading will be taken, and resale and repurchase will be carried out by the clearing participant. Any debt incurred as a result of such processing belongs to the Customer and will be offset by the margin the Customer

pledged to the Company. If a shortfall occurs after the offset, the Customer is obligated to pay the shortfall.

5. Processing of cancellation of executed trades and price correction by overseas financial instruments exchange, etc.

Overseas financial instruments exchange may cancel executions or correct execution prices in accordance with predetermined rules. In such cases, the Company shall cancel the execution of the customer's order or correct the execution price in accordance with the measures by the overseas financial instruments exchange.

6. Ordering of overseas securities futures trading to overseas financial instruments exchanges by the Company

Since the Company is not a clearing participant in the overseas financial instruments exchange, it is not able to place the orders directly to the exchange, and the Company will place orders to a foreign financial instruments business operator who is a clearing member of the overseas financial instruments exchange. Orders placed on overseas financial instruments exchange are made by such overseas financial instruments business operator. Therefore, if the Company passes your order to a foreign financial instruments business operator who is a clearing member of the overseas financial instruments exchange, even if the order is delayed or the order is not placed due to any failure by the foreign financial instruments business operator, it will not be considered as a system failure by the Company and the Company will not be held responsible for it.

7. Trading contacts of the Company

The orders the Company receives from the Customer are directed to overseas financial instruments business operators who are clearing participants of SGX or CME.

8. Submission of Report to SGX, CME and the U.S. Commodity Futures Trading Commission (CFTC)

According to SGX, CME and CFTC regulations, if Customer's overseas securities futures trading has a certain number of open positions, the Company may submit a report containing customer's personal information on his / her behalf. Furthermore, if the open positions held in such trading exceeds a certain number, the Customer may need to prepare a report himself / herself and submit it to SGX, CME or CFTC.

9. Key terms for overseas futures trading and the consignments

- **Margin / Margin Requirement (Shokokin)**
Money that is pledged or deposited to ensure the performance of the contractual obligations of futures trading.
- **Open position (Tategyoku)**
Any futures transaction that has not been settled are called open positions. Purchases that have not been settled are called long positions and sales that have not been settled are called short positions.
- **Repurchase**
Any purchase made to settle short positions (reduce the short positions).
- **Resale**
Any sale made to settle long positions (reduce the long positions).
- **Expiration month (Gengetsu)**
The month to which the settlement date of the transaction belongs. In futures trading, multiple months are set for the same product, and transactions are carried out for each.
- **Overseas Financial Instruments Exchange**
An exchange similar to the domestic financial instruments exchange that is located in a foreign country.

10. Overview of Financial Instruments and Exchange Agreements for Overseas Securities Futures Trading

The following is a summary of the financial instruments and exchange agreements for overseas securities futures trading.

- Transfer of brokerage orders for overseas securities futures trading to clearing members that place orders to overseas financial instruments exchanges
- Intermediary, brokerage or delegation of overseas securities futures trading
- Management of customer's money or open positions that relate to overseas securities futures trading.

11. Overview of taxes on financial instruments and exchange contracts (overseas securities futures trading)

- The following is an overview of taxation for individual customers.
Profits arising from settlement of margins, etc. pertaining to overseas securities futures trading are separate from other income and are subject to taxation as business income or miscellaneous income. In the event of a loss, as a general rule,

it is possible to aggregate profit and loss with miscellaneous income, etc. pertaining to other futures trading.

- The following is an overview of taxation for corporate customers:
Profit and loss arising from overseas securities futures trading are included in the profit or loss in the calculation of income pertaining to corporate taxes.

We are unable to provide tax advice. Handling of tax may vary from customer to customer, and we advise you to contact your tax office or tax accountant or other expert for details.

12. Outline of the contents and methods of the Financial Instruments Business conducted by the Company

The financial instruments and exchange business conducted by the Company is mainly a type 1 financial instruments business pursuant to the provisions of article 28, paragraph 1 of the Financial Instruments and Exchange Act, and the Company shall conduct overseas securities futures trading based on the following.

- For trading, it is necessary to fill out the "Overseas Securities Futures Trading Account Setup Agreement" in advance, and then sign it in writing or by electronic means in order to open an overseas futures trading account. All money and open positions relating to overseas securities futures trading are processed through this account. Please read the agreement and keep a copy of it.
- In order to open an overseas securities futures trading account, certain investment experience, knowledge, and financial resources are required, therefore in some cases, the Company may not be able to open an account.
- Orders should be placed from the company's platform "Traders Workstation (TWS)" by the account holder himself / herself.
- When placing an order, please specify the items necessary for the execution of orders such as the products to trade and delivery month trade, the volume of the order, the price (limit, market, etc.), and the validity period for the order, etc. If you do not specify these items, you may not be able to execute your order. You may also be asked to submit a purchase order.
- When placing an order, please instruct the Company to make a new sale, a new purchase, resale or repurchase of a transaction that has been established at the time of placing the order or by a predetermined time and date.



- When an order of overseas securities futures trading is completed, its contents will be displayed in the "Trade log" on the order screen for the Customer to confirm the details (delivery of the "Transaction Report").
- When an order of the overseas securities futures trading is completed, please access "Activity Statement" via our account management tool "Account Management" in order to confirm the details of your open position (delivery of the "Transaction Balance Report").
- Please check the details of the "Transaction Report" and "Transaction Balance Report".
- In the unlikely event that the details are incorrect, please contact our customer service directly as soon as possible.



Company Profile

Company Name:

Interactive Brokers Securities Japan Inc.

Registration:

Financial Instruments Business Operator

Kanto Local Finance Bureau (Kinsho) No. 187

Location:

Level 25 Kasumigaseki Building

3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo, 100-6025

Telephone:

03-4588-9700

Associations:

Japan Securities Dealers Association

The Commodity Futures Association of Japan

Designated Dispute Resolution Organization:

Non-Profit Organization Financial Instruments Mediation Assistance
Center

Capital:

1,300,520 thousand yen (as of end of March 2019)

Main Business:

Financial instruments business, Commodity derivatives business

Date of Foundation:

August 2006



Contact information regarding opinions and complaints to the Company

Regarding opinions and complaints about the Company, we accept your comments and complaints at the following point.

Address: Level 25 Kasumigaseki Building
3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo, 100-6025

Tel: 03-4588-9701

Opening hours: Monday-Friday 09:00-17:00 (excluding weekends and public holidays)

Financial ADR System

The Financial ADR System is a system that aims to resolve disputes and troubles between customers and financial institutions in a simple and prompt manner other than court proceedings.

As a resolution of complaints and disputes and troubles related to financial instruments business, etc., you can use the "Specified Nonprofit Organization Securities and Financial Instruments Mediation Consultation Center (FINMAC)" which is a designated dispute resolution organization under the Financial Instruments and Exchange Act.

Address: 2nd Shoken Kaikan 2-1-1 Nihonbashi Kayabacho, Chuo-ku, Tokyo,
100-0025

Tel: 0120-64-5005
(FINMAC is a public third-party organization and not a related corporation of the Company.)

Hours: Monday to Friday 09:00-17:00 (excluding public holidays)