

## **Important Matters for Your Trading on Japan Products**

To pursuant to Act on Sales, etc of Financial Product, we explain risk for Japan Stock transaction, Japan Index Futures and Options Transaction, Japan Single Stock Options transaction and Japan Government Bond Futures and Options Transaction.

### **Risk Regarding Exchange Traded Stocks Transactions**

#### **■ Price Fluctuation Risk**

When trading Exchange Listed Securities, losses may occur due to volatilities in stock markets, interest benchmarks, FX markets, Real Estate markets or Commodities markets, or changes in prices or assessment values on stocks, bonds, investment funds, real estate, commodities or covered warrants (Hereinafter, referred to as “asset backing” that are backing Investment Funds, Unit Investment or Depository Receipts.

#### **■ Credit Risk**

When Exchange Listed Securities' Issuers or guaranteed company's business or financial situations change, or when asset backings' issuers or guarantee company's business or financial situations change, prices of the Exchange Listed Securities may move and the losses may occur.

### **Risk Regarding Exchange Traded Index Futures Transaction**

#### **■ Price Fluctuation Risk**

The price of index futures fluctuate by the change of targeted index so that the loss could be emerged by this. Also, the index futures trade could conduct the trades that exceed the amount of margin money by the small amount of margin money. So, it is possible to emerge huge loss in some cases.

Depends on the market situation, it might not be possible to trade as you intend. For example, in case that the market price reached the price limit, even though you hope to conduct the settlement by resale or buyback, it might not be able to do it.

### **Risk Regarding Exchange Traded Options Transactions**

#### **■ Price Fluctuation Risk**

The price of index Options fluctuate by the change of targeted index so that the loss could be emerged by this. Also, the index Options trade could conduct the trades that exceed the amount of margin money by the small amount of margin money. So, it is possible to emerge huge loss in some cases.

Depends on the market situation, it might not be possible to trade as you intend. For example, in case that the market price reached the price limit, even though you hope to conduct the settlement by resale or buyback, it might not be able to do it.

The index option is the term product that has the different due month, and in case that the buy side do not conduct the right enforcement or resale until the due date, the right disappears. In this case, the buy side loses all amounts for the investment fund.

The sell side conducts the huge amount of trade that exceeds the margin money, and the loss is not limited when the market price changed for the opposite direction as you forecasted.

The sell side has to comply when a customer accepts the share of right enforcement.

That is, the sell side, when he/she receives the share of right enforcement, it is necessary to pay the balance for the right enforcement price and final clearance number (Final Settlement Value), so that it is necessary to pay attention.

### **Risk Regarding Exchange Traded Single Stock Option Transactions**

Because the price of securities options go up and down by the object market price of securities and index or the movement of the price and valuation of assets which is evidence for concerned securities, this may cause losses. And by the change in the confidence conditions of object securities publishers, losses may come up. The term of being able to exercise options is restricted, so you need to pay attention to this. In addition, because the market price changes according to real that and so on, the volatility of securities options tends to be larger compared with real market price and has possibility to cause large losses in certain cases.

In market cases, you can't do transaction just as your intended. For example, the case where the market price arrives at the limit of range in price, if you hope to settle accounts by reselling or redeeming, you have possibility not to be able to do that.

Securities options are products which have a period per contract month, and if a buyer doesn't resell by the day of last trading and conduct the exertion of rights at the day of exercising rights, the rights disappear. In this case, the buyer loses the total amount of funds for investment.

Sellers do the trading which exceeds a deposit. When market price changes by contraries, the losses are unlimited.

When sellers receive allotment of exercising rights, they absolutely have to accept this. Namely, when sellers receive allotment of exercising rights, for in the case of call option, securities are needed and of put option, acquisition costs are needed, to pay particular attention is important.

#### Risks for the Government Bond Futures Transaction

- The price of bond futures fluctuates by the influence of changes of interests, because of this, losses could be generated. Also, the futures bond trades could conduct the trades that exceed the margin money by small amount of margin money. In some cases, there is a possibility that could cause huge loss.
- In case that the margin money is not submitted or deposited until the set time period, or in case that it is classified as the reason of deprivation of profits by the decision of agreement and consent, part or all of sales or purchase contract could forcibly be settled in the situation that the loss is incurred. Further in this case, about the loss that is generated by the settlement, the customers are responsible for it.

#### Risks for the Bond Futures Options Transaction

- The price of the bond futures options fluctuates by the influence of the changes of the interests, this could cause the loss. It is necessary to pay attention to the term that could enforce the option.
- Also, in the bond futures options, the market price is changed by the price of the bond futures that is the target of right enforcement, the changing rate has the tendency to be bigger than the futures bond price, in some cases, and it is possible to cause a big loss.
- Bond futures option has a limitation of its term and the right is extinguished if the buy side does not conduct the right enforcement or resale by the due date. In this case, the buy side loses all amounts of the investment funds.
- For the sales side, the transactions is done with exceeding the margin money, and the loss, when the market price changed to the opposite direction as the expectation, is not limited.
- The sales side, when the allocation of right enforcement is received, has to respond to this.