



Provisional Translation for your reference only

## **Risk Disclosure for Listed Foreign Warrant Transactions on IBLLC account**

(This document is provided by Interactive Brokers Securities Japan, Inc as an intermediary in accordance with the Financial Instrument Exchange Act Article 37-3)

Please see below regarding the transaction of warrant. This disclosure provides various risks involved in conducting the trade of warrant into foreign markets. Please read carefully in advance and confirm the unknown prior start trading.

- Warrants use price of listed securities or financial index such as stock price index as object index.
- In addition, warrants are securities which indicate the right of transferring money that is calculated on the basis of difference between strike price and last reference price at the exercise date, and, in the securities which indicate Call Option or Put Option, are what fulfills given examination rules that are provided by financial instruments exchange and is listed.
- Warrant trading is the transaction of buying and selling listed warrant.
- While on the one hand warrant trading will bring you a large profit, that has a possibility to lose all amount of the principal. So, in the case where you start or continue this trading, to do this trading on your responsibility is important if only you grasp the systems and risks of this trading well ,and regard this trading as appropriate after you consider your funds, purposes and experiments of investment.

### **About commissions and fees**

- Please refer to the “Disclosure of Fees in Relation related to Financial Instruments Transactions” for commission and fees.

Risk of warrant trading

- Because warrant price goes up and down by price of listed securities, financial index and time course, there is the case of suffering losses.

- Because of change in credit standing of warrant issuer, unpaid of redemption proceeds, there is the case of suffering losses.
- Warrant price fluctuates according to market price of object index. Because warrant is financial instrument which has time value until last trading day, that the volatility tend to be larger than market price of object index. In addition, due to this, there is the case of losing all amount of investment principal.
- In market circumstances, it may be impossible to trade just as you intended. For example, if market price reaches fluctuation limit, it may be impossible to trade.
- In market circumstances, financial instruments exchange in foreign markets may expand fluctuation limit. In that case, the loss at that date may be over what is expected.
- In the case where listed securities which is used as object index of warrant are given notice of delisting by financial instruments exchange or, due to split-ups, consolidation and transfer of stocks, comes under delisting rules of warrant which is prescribed by that instruments that lists warrant, warrant will be delisted.
- In the case where computation of financial index such as stock price index which is used as object index of warrant stops, when that index comes under delisting rules of warrant which is prescribed by that instruments that lists warrant, the warrant which uses concern index will be delisted.
- In these cases, time value is lost and warrant price is lower than expected price at sale, because last trading date moves up. As a result, there is the case of suffering losses and missing a chance of buying and selling.

#### **Warrant trading doesn't an object of cooling-off**

- Warrant trading is the exclusion from the application of the Financial Instruments Exchange Act Article 37-6 (Cancellation by Document).

#### **Structure of warrant trading**

Warrant trading is conducted by the regulations that are decided by each financial product exchange in foreign markets. To find more details, please visit each exchange's website.

##### 1. Structure of transaction

###### (1) Types of transaction

There are two types of transactions.

###### a. Put type warrant

Securities which indicate the right of transferring money that is calculated on

the basis of difference between strike price and last reference price at the exercise date and which, if price of financial index is lower than strike price, has the right of receiving money that is calculated on the basis of difference between strike price and last reference price.

b . Call type warrant

Securities which indicate the right of transferring money that is calculated on the basis of difference between strike price and last reference price at the exercise date and which, if price of financial index is over than strike price, has the right of receiving money that is calculated on the basis of difference between strike price and last reference price.

#### (2) Method of transaction

Method of exchange transaction in financial instruments market in foreign markets is, as same as listed securities, continuous auction method which is prescribed by financial instruments exchange in foreign markets.

#### (3) Fluctuation limit

- Financial instruments exchange in foreign markets may prescribe fluctuation limit in order that investor doesn't sustain unexpected losses due to sudden change of market. For more details. Please refer to each exchange website.
- Financial instruments exchange change fluctuation limit of nominal price quotation as necessary.

#### (4) Trading regulation

In the following cases, financial instruments exchange may stop transactions.

- a. If listed securities which is used as object index of warrant stop transactions;
- b. If something wrong and that possibility is recognized in warrant transaction, or if a continuation of trading is not adequate;
- c. If work of trading system has an obstacle, when continuation of transaction by trading system is regarded as difficult;

#### (5) Term of transaction

It is impossible to buy and sell warrants on and after the delisting date.

## **2 . Exercise of rights**

#### (1) The date of exercising rights

The date of exercising rights is the day (except for business holiday) following the date

when the settlement for last trading date is concluded.

(2) Methods of exercising rights

a. On call type warrant, in the case where last reference price is over than strike price, a holder shall be deemed to exercise rights for issuer and money (redemption proceeds) which is calculated on the basis of difference between strike price and last reference price is paid by issuer.

b. On put type warrant, in the case where last reference price is lower than strike price, a holder shall be deemed to exercise rights for issuer and money (redemption proceeds) which is calculated on the basis of difference between strike price and last reference price is paid by issuer.

### **3. Delisting**

In the case of falling under any of following items, financial instruments exchange may delist warrant.

- a. If the term of sale expires;
- b. If an issuer of warrant applies delisting;
- c. If issuer of warrant goes bankrupt; 8
- d. If listed securities which are used as object indicator are delisted;
- e. If listed securities which are used as object indicator correspond to corporate action listed financial instruments exchange in foreign markets of warrant prescribes;
- f. If calculate of financial index which is used as object of warrant is stopped;
- g. If an issuer of warrant offends against listing contract;
- h. If concern financial instruments exchange finds delisting of warrant reasonable owing to other public benefit or investor protection.

#### **Summary for warrant transaction**

Warrant transaction at our company is as follows.

All transactions of warrant are done through Interactive Brokers LLC.

Interactive Brokers Securities Japan, Inc provides the intermediary service into foreign markets.

#### **Summary of taxes that is related to the financial instrument trade contracts**

- Profit from the transaction of warrant will be taxed as miscellaneous income for individual customers.
- For corporation tax, the calculation of taxation may be differed from above individual case.
- Employees of Interactive Brokers LLC, Interactive Brokers Securities Japan, Inc, or its affiliates are not authorized to provide any tax advice.
- Please refer to a specialist tax advisor for any tax related advice in regards to the financial instruments contracts.

### **Corporate Profile**

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