

Fees and other important disclosures pursuant to Financial Instruments and Exchange Law of Japan

The following is an English translation of the original Japanese text and for your reference purpose only. In case any discrepancy exists between the two, the Japanese text shall prevail.

VIEW THE JAPANESE TEXT: http://www.morganstanleymufg.com/businesses/docs/msms_charge_for_services_ja.pdf

OVERVIEW OF MORGAN STANLEY MUFG SECURITIES CO., LTD.

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Industry Organization Membership

Japan Securities Dealers Association (JSDA)
The Financial Futures Association of Japan (FFAJ)
Type II Financial Instruments Firms Association

FEES, REMUNERATIONS AND EXPENSES

The amount of fees, remunerations and expenses is determined based on the type, size, nature etc. of each individual financial instruments transaction. Please contact your sales representative for details.

MARGIN DEPOSIT AND OTHER CASH COLLATERAL

In general, margin deposits and other cash collaterals are required for margin trading and future transactions. However, the amount of deposit or collateral is determined based on the type, size, nature etc. of each individual financial instruments transaction. Please contact your sales representative for details.

EXPLANATION ON IMPORTANT RISK MATTERS

The following risks may be involved in Financial Products which we provide (including listed derivatives and OTC derivatives):

1. Price Fluctuation Risk (“Risk of principal losses” or “risk of incurring losses exceeding initial principal” in Financial Products which are directly caused by fluctuation in interest rates, currency values and other indices)
2. Credit Risk (“Risk of principal losses” or “risk of incurring losses exceeding initial principal” in Financial Products which is directly caused by changes in business or asset status of the person who provides Financial Products or other person(s))
3. Limit on the period for exercising rights or canceling contracts (Limit on the period for exercising rights in Financial Products or limit on the period for canceling contracts related to Financial Products.)

* “Risk of principal losses” means the risk that the total amount of money, etc. which you paid initially for a purchase or other transaction on Financial Products may exceed that which you will receive when you sell the Financial Products or otherwise close out the transaction.

* “Risk of incurring losses exceeding initial principal” means the risk that the amount of incurring losses caused by price fluctuation risk and credit risk may exceed the cash collateral including a margin deposit to be paid.

Please refer to the following explanations for details.

1. Securities

(1) STOCKS

Price Fluctuation Risk: It is possible for a loss to be incurred from fluctuation in stock prices.

Credit Risk: A loss may result from worsening credit conditions of the issuer of the stock, due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the said conditions.

(2) BONDS

1. Straight Bonds (JGB, municipal bonds, corporate bonds and other similar instruments)

Price Fluctuation Risk: It is possible for a loss to be incurred if bonds are sold before redemption since bond prices fluctuate due to changes in interest rates, etc.

Credit Risk: A loss may result by the occurrence of events such as deferral or incapacity to pay interests or repay principle from worsening credit conditions of the issuer due to changes in the issuer's operation/financial condition as well as in external evaluation regarding the conditions.

2. Convertible Bonds/Bonds with Rights to Acquire Underlying Stock

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of convertible bonds or bonds with rights to acquire underlying stocks fluctuate due to changes in the price of stocks to be converted or to be acquired by exercising rights to acquire as well as changes in interest rates.

Credit Risk: A loss may result from worsening credit conditions of the issuer due to such reasons as changes in the issuer's operational/financial condition as well as in external evaluation regarding the said conditions.

Limit on Period for Requesting Conversion and for Exercising Rights to Acquire Underlying Stocks:

Please use caution as there are limitations on the period for requesting conversion to stocks or for exercising rights to acquire underlying stocks.

3. Exchangeable Bonds (Exchangeable bonds that do not grant investors the option to convert to stocks)

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of exchangeable bonds fluctuate due to changes in the price of stocks to be converted as well as changes in interest rates.

Credit Risk: A loss may result from worsening credit condition of the issuer of the bond or of the stock to be converted due to such reasons as changes in its operational/financial conditions as well as changes in external evaluation regarding the said conditions.

* Please also refer to explanation (2) ② "Convertible Bonds/Bonds with Rights to Acquire Underlying Stock" for an explanation on exchangeable bonds that grant investors the option for converting to stocks.

(3) WARRANTS

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of warrants fluctuate due to changes in the price of underlying stocks for the warrant, etc.

Credit Risk: A loss may result from worsening credit conditions of the issuer of the warrant and/or the underlying stocks due to such reasons as changes in the issuer's operational/financial condition as well as in external evaluation regarding the said conditions.

Limit on the period for Exercising Rights: Please use caution as there are limitations on the period for exercise the warrant.

(4) INVESTMENT TRUST BENEFICIARY CERTIFICATES

Price Fluctuation Risk: It is possible for a loss to be incurred since the net asset value of an investment trust fluctuates due to the performance of securities and other assets that constitute the portfolio as investment objectives. In addition, if the securities and other assets that constitute the portfolio are denominated in non-yen currencies, it is possible for a loss to be incurred due to fluctuations in foreign exchange rates.

Credit Risk: A loss may result from worsening credit conditions due to changes in the operational/financial conditions of the issuers of securities that constitute the portfolio as well as changes in external evaluation regarding the said conditions.

* For Investment Trust Beneficiary Certificates that have closed periods, cashing out is not allowed during the closed period.

(5) INVESTMENT SECURITIES

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of investment securities fluctuates due to performance of securities and other assets that constitute the portfolio as investment objectives. In addition, if the securities and other assets that constitute the portfolio are denominated in non-yen currencies, it is possible for a loss to be incurred due to fluctuations in foreign exchange rates.

Credit Risk: A loss may result from worsening credit conditions due to such reasons as changes in operational/financial conditions of the issuers of securities that constitute the portfolio as well as in external evaluation regarding the said conditions. In addition, it is possible for a loss to be incurred from worsening credit conditions of the investment corporation.

(6) EXCHANGE TRADED FUNDS (ETFs)

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of ETFs fluctuate along with the subject stock index.

Credit Risk: A loss may result from worsening credit conditions due to such reasons as changes in operational/financial conditions of the issuers of securities that constitute the portfolio as investment objectives as well as in external evaluations regarding the said conditions.

(7) REAL ESTATE INVESTMENT TRUSTS/SECURITIES (J-REIT)

Price Fluctuation Risk: It is possible for a loss to be incurred since the value of real estate investment trusts/securities fluctuate due to supply and demand conditions in the securities market, changes in the real estate market, condition of rental proceeds from real estate properties held in the trust/corporation, their operational status, fluctuations in interest rates and other factors. In addition, it is possible for a loss to be incurred due to damage, loss or deterioration related to earthquakes, wind or water damage, other natural disasters involving said properties, problems concerning divided ownership or other problems.

Credit Risk: A loss may result from worsening credit conditions due to such reasons as changes in operational/financial conditions of the investment companies issuing the real estate investment securities as well as changes in external evaluation regarding the said conditions. (for corporate type investment trusts).

* For Real Estate Investment Trusts/Securities that have closed periods, cashing out is not allowed during the closed period.

(8) CP (OFFSHORE CD)

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of a CPs (or offshore CDs) fluctuates due to change in interest rates, etc.

Credit Risk: A loss may result by the occurrence of events such as deferral of or incapacity to pay interests or repay principle from worsening credit conditions of the issuer due to such reasons as changes in the issuer's operation/financial condition as well as in external evaluation regarding the said conditions.

(9) BENEFICIAL CERTIFICATES OF LOAN TRUSTS

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of beneficial certificates of loan trusts fluctuates due to changes in interest rates, etc.

Credit Risk: A loss may result from worsening credit conditions of the loan debtors due to such reasons as changes in operational/financial condition as well as in external evaluation regarding the said conditions.

(10) CERTIFICATE OF BENEFICIARY INTEREST IN TRUST ISSUING CERTIFICATE OF BENEFICIARY INTEREST UNDER THE TRUST LAW OF JAPAN

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of the certificate of beneficiary interest fluctuates due to price change in securities and other assets that are incorporated in the assets in trust.

Credit Risk: A loss may result in regards to securities and other assets that constitute the trust from the worsening of credit conditions of the issuer and others due to such reasons as changes in operational/financial conditions as well as in external evaluation regarding the said conditions.

(11) DEPOSITORY RECEIPTS (RIGHTS FOR FOREIGN STOCKS ARE REPRESENTED)

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of depository receipts fluctuate due to changes in the price of underlying stocks deposited as well as changes in foreign exchange rates.

Credit Risk: A loss may result from worsening of credit condition due to such reasons as changes in operational/financial conditions of the issuers of the underlying stocks as well as in external evaluation regarding the said conditions.

* The explanation is different for the depository receipts that do not represent the rights regarding foreign stocks.

(12) COVERED WARRANTS (IN WHICH OPTIONS ON STOCKS ARE REPRESENTED)

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of covered warrants fluctuate due to changes in the price of stocks subject to options (the price of stock may fluctuate due to changes in issuer's operation/financial conditions as well as in external evaluation regarding the said conditions and fluctuations in stock markets).

Credit Risk: A loss may result from worsening of credit conditions of the issuers of the covered warrants or the issuers of the stocks subject to option.

Limit on the period for exercising rights: Please use caution as there are limitations on the period of time in which the option can be exercised.

* The explanation is different for the covered warrants which do not represent options on stocks.

(13) BENEFICIARY INTEREST IN TRUST

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of beneficiary interests in trusts fluctuates due to changes in interest rates, changes in currency values, changes in stock markets, changes in price of real estates according to the type and nature of the assets in trust.

Credit Risk: A loss may result from worsening of credit conditions due to such reasons as changes in operational/financial conditions as well as in external evaluation regarding the conditions of the debtors of loan and monetary credits that are incorporated in the assets in trust and issuers of securities.

(14) SHARES IN AN UNLIMITED PARTNERSHIP COMPANY (GÔMEI GAISHA), A LIMITED PARTNERSHIP COMPANY (GÔSHI GAISHA), OR A LIMITED LIABILITY COMPANY (GÔDÔ GAISHA)

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of shares in an unlimited partnership company (Gômei Gaisha), a limited partnership company (Gôshi Gaisha), or a limited liability company (Gôdô Gaisha) may rise or fall as a result of a fluctuation in the corporate value on the part of the company that is the issuer pursuant to, inter alia, a change in the conditions of its assets, liability, capital, income or loss or other fiscal or financial conditions, or in its business or operating conditions, or a change in the external evaluation in connection therewith.

Credit Risk: A loss may result from worsening of credit conditions due to such reasons as changes in operational/financial conditions of the issuer as well as in external evaluation regarding the said conditions.

(15) INTEREST OF COLLECTIVE INVESTMENT SCHEME

Price Fluctuation Risk: It is possible for a loss to be incurred since the price of interests in a collective investment scheme fluctuates due to performance of securities and other assets that constitute the collective investment scheme as investment objectives. In addition, if the securities and other assets that constitute the portfolio are non-yen assets, it is possible for a loss to be incurred due to fluctuations in foreign exchange rates.

Credit Risk: A loss may result from worsening of credit conditions due to such reasons as changes in operational/financial conditions of the issuers of securities or debtors of the loan or monetary credits that constitute the portfolio as well as changes in external evaluation regarding the said conditions.

MATTERS TO BE NOTED IN SECURITIES

1. **Non-yen securities** have an exchange rate fluctuation risk in addition to the above.

Example: Foreign Currency Debt Securities

Foreign Exchange Fluctuation Risk: It is possible for a loss to be incurred due to fluctuations in foreign currency rates. In other words, the yen amount receivable may be different from the yen amount originally paid due to changes in the exchange rate.

2. **Securities of which a loss may be incurred due to changes in the operation or credit status of a third party** may have a credit risk of the third party in addition to the above.

Example: Guaranteed Senior Debt Securities

Credit Risk of Third Party: It is possible for a loss to be incurred by the occurrence of events such as deferral or incapacity to pay interests or repay principle from worsening credit conditions of the guarantee company due to such reasons as changes in operational/financial condition as well as in external evaluation regarding the conditions.

3. There is also a limitation on the period for exercising rights and the cancellation timing for **securities that have limitations on the period or exercising rights and the cancellation timing.**
4. **For foreign securities/certificates, rights of foreign person or rights based on foreign laws,** please refer to the respective explanations on securities that are equivalent or similar to them.
5. In addition to the risks set forth above, the following risks may be involved in **margin trades of stocks, senior equity investment certificates, investment trust beneficiary certificates, investment securities, etc. (hereinafter referred to as “Stocks, etc.”) among securities.**

6. When you are entering into margin trades, you may suffer losses due to price fluctuation in Stocks, etc. with respect to which margin trades are conducted in consequence of fluctuation in stock prices, FX rates, real estate prices, commodity prices, etc. and fluctuation in prices or valuation of stocks, bonds, real estate, commodities, etc. (hereinafter referred to as “Underlying Assets”) underlying investment trust or investment securities, etc. In addition, such amount of losses may exceed the amount of margin you have deposited.

- You may suffer losses due to price fluctuation in Stocks, etc. with respect to which margin trades are conducted in consequence of changes in business or properties of the issuers or guarantors, etc. of Stocks, etc. with respect to which margin trades are conducted, and of changes in business or properties of the issuers or guarantors, etc. of Underlying Assets. In addition, such amount of losses may exceed the amount of margin you have deposited.
- If the present value of margin becomes less than 20% of the trading value as a result of accrual of calculated loss due to later price movements of Stocks, etc. purchased or sold through margin trades or as a result of decline, etc. of prices of substitute securities, you have to deposit the deficit with MSMS no later than the prescribed date.
- If you can not deposit the deficit with MSMS no later than the prescribed date or any of your obligations becomes due and payable pursuant to the terms of Margin Trade Account Opening Agreement, all or a part of your open positions (means margin trades with respect to which settlement is not completed) may be settled by offsetting transactions or actual receipt or actual delivery in a situation you are suffering losses. In this case, you have to bear losses arising out of such settlement.
- If a financial instrument exchange considers that the use of margin trades is excessive, it may take measures such as a raise of margin rates, restrictions on or prohibition of margin trades, etc.

7. In addition to the risks set forth above, there are the specific characteristics due to the structure of bonds with which coupon and/or redemption amounts etc. may be changeable as a structure. The example of such bonds include bonds that the redemption amounts are fixed but the coupon amounts are changeable (step-up bonds, etc.), bonds that the redemption amounts and coupon amounts are changeable in accordance with the move of indices of stock prices, interest rates and/or foreign exchanges rates, etc. (Nikkei-linked notes, etc.), and bonds with which various options are embedded (callable bonds, etc.).

2. Listed Derivatives

(1) INDEX FUTURES CONTRACTS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, since the price of index futures contracts fluctuate due to changes in the subject index.

(2) JGB FUTURES CONTRACTS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principle, since the price of JGB futures contracts fluctuate due to changes in interest rates, etc.

(3) INDEX OPTIONS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principle, since the price of index options fluctuates due to changes in the subject index.

Limit on the period for exercising rights: Please use caution as option transactions do have limitations on the period of time in which the option can be exercised.

(4) SECURITIES OPTIONS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principle, since the price of securities options fluctuates due to changes in the subject securities price, etc.

Credit Risk: A loss may result, in which some cases the loss may exceed the initial principal, from worsening credit condition of the issuer of the subject securities due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the said conditions.

Limit on the period for exercising rights: Please use caution as option transactions do have limitations on the period of time in which the option can be exercised.

(5) JGB FUTURES OPTIONS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, since the price of JGB futures options fluctuates due to changes in the interest rates, etc.

Limit on the period for exercising rights: Please use caution as option transactions do have limitations on the period of time in which the option can be exercised.

(6) FINANCIAL FUTURES CONTRACTS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, since the price of financial futures contracts fluctuates due to changes in the interest rates, etc.

Limit on the period for exercising rights: Please use caution as financial options do have limitations on the period of time in which the option can be exercised.

MATTERS TO BE NOTED IN LISTED DERIVATIVES

1. **Non-yen transactions or transactions involving market prices/securities/rates denominated in foreign currencies** have an exchange rates fluctuation risk in addition to the above.

Foreign Exchange Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, due to fluctuations in foreign exchange rates, etc.

2. **For listed derivatives in a foreign country**, please refer to the respective explanations above regarding listed derivatives which are equivalent or similar to them.

3. OTC Derivatives etc.

(1) BOND SALE WITH OPTION (IN CASE OF THE HOLDER OF THE OPTION)

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, since the value of the rights of bond sales with option fluctuates by the changes of bond prices affected by changes in the interest rates, etc.

Credit Risk: A loss may result, in which some cases the loss may exceed the initial principal, from worsening credit condition of the issuer of the subject bonds or the counterparty to the transaction due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the said conditions.

Limit on the period for exercising rights: Please use caution as these transactions do have limitations on the period of time in which the option can be exercised.

(2) SECURITIES FORWARD CONTRACTS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, from changes in the price of subject securities, etc.

Credit Risk: A loss may result, in which some cases the loss may exceed the initial principal, from worsening credit condition of the issuer of the subject security or the counterparty to the contract due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the said conditions.

(3) SECURITIES INDEX FORWARD CONTRACTS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, from changes in the price of the securities indices, etc.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the transaction due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the said conditions.

(4) INTEREST FORWARD CONTRACTS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, from changes in the interest rates, etc.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the transaction due to such reasons as changes in its operation/financial conditions as well as in external evaluation regarding the said conditions.

(5) FOREIGN EXCHANGE FORWARD CONTRACTS (INCLUDING FOREIGN EXCHANGE MARGIN TRANSACTIONS)

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, from changes in foreign exchange rates.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the transaction due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the said conditions.

(6) SECURITIES OR INDEX-RELATED OTC OPTIONS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, since the price of the options in the securities or index related OTC option transactions fluctuate due to such reasons as changes in the subject securities' price or index.

Credit Risk: A loss may result, in which some cases the loss may exceed the initial principal, from worsening credit condition of the issuer of the securities subject to the OTC options or the counterparty to the transaction due to such reasons as changes in its operation/financial conditions as well as in external evaluation regarding the conditions.

Limit on the period for exercising rights: Please use caution as securities or index related OTC option transactions do have limitations on the period of time in which the option can be exercised.

(7) SECURITIES OR INDEX-RELATED SWAPS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, from changes in the subject stock price or index.

Credit Risk: A loss may result, in which some cases the loss may exceed the initial principal, from worsening credit condition of the issuer of the securities subject to the securities or index related swaps or the counterparty to the swaps due to such reasons as changes in its operation/financial conditions as well as in external evaluation regarding the conditions.

(8) INTERESTS/CURRENCIES OPTIONS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, from changes in the interest rates or foreign exchange rates.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the option transaction due to such reasons as changes in its operation/financial conditions as well as in external evaluation regarding the conditions.

Limit on the period for exercising rights: Please use caution as interests/currencies option transactions do have limitations on the period of time in which the option can be exercised.

(9) INTERESTS /CURRENCIES SWAPS

Price Fluctuation Risk: It is possible for a loss to be incurred, in which some cases the loss may exceed the initial principal, from changes in the interest rates or foreign exchange rates.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the swap transaction due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the said conditions.

(10) CREDIT DERIVATIVES TRANSACTIONS

Price Fluctuation Risk: Losses may be incurred, which in some cases the loss may exceed the initial principal, as a result of the occurrence or a change in the possibility of occurrence of, inter alia, an event in connection with the credit position of the issuer of the referenced securities or corporations, etc. (including a reduction or waiver of interest payments, an extension on payment of interest, an extension on repayment of principal, a waiver of debt, or other agreement that would be to the advantage of the debtor), or a change in the external evaluation, etc., in connection therewith, or the occurrence or a change in the possibility of the occurrence of an event in which it is impossible or extremely difficult for a party to influence the likelihood of the occurrence thereof, and which will have a material impact on the business activities of that party or another party (including unusual natural events such as heavy winds, heavy rain, flooding, earthquake or tsunami, war, internal disturbance or riot or the like, or the imposing by a foreign government, etc., of a restriction on or prohibition against foreign exchange transactions, or an extension or waiver, etc., of payment of personal debts), or a change in the external evaluation in connection therewith.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the transaction due to such reasons as changes in its operation/financial conditions as well as in external evaluation regarding the conditions. Losses may be incurred, which in some cases the loss may exceed the initial principal, as a result of the occurrence or a change in the possibility of occurrence of, inter alia, an event in connection with the credit position of the issuer of the referenced securities or corporation, etc. (including a reduction or waiver of interest payment, an extension on repayment of interest, an extension on payment of principal, a waiver of debt, or other agreement that would be to the advantage of the debtor), or a change in the external evaluation, etc., in connection therewith.

Restrictions on the Period of Exercise of Rights: In the case of option transactions, please use caution as option transactions do have limitations on the period of time in which the option can be exercised.

(11) OTC DERIVATIVE TRANSACTIONS USING FINANCIAL INDEXES OTHER THAN INTERESTS/CURRENCIES

Price Fluctuation Risk: In an OTC derivatives transaction such as a non-deliverable forward transaction, a swap transaction or an option transaction that uses figures in connection with financial index other than interests/currencies (including value as a result of observation of meteorological phenomenon etc. announced by the Meteorological Office and value related to statistical survey etc.), it is possible for a loss to be incurred, which in some cases the loss may exceed the initial principal, depending on fluctuation, etc., in the relevant financial index.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the transaction due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the conditions.

Restrictions on the Period of Exercise of Rights: In the case of option transactions, please use caution as option transactions do have limitations on the period of time in which the option can be exercised.

MATTERS TO BE NOTED IN OTC DERIVATIVES TRANSACTIONS, ETC.

1. **Non-yen transactions or transactions involving market prices/securities/rates denominated in foreign currencies** have an exchange rate fluctuation risk in addition to the above.

Foreign Exchange Fluctuation Risk: A loss may be incurred as a result of, inter alia, a fluctuation in foreign currency rates, and in some cases the loss may exceed the initial principal.

2. You will be exposed to credit risk of the counterparty to the transaction where a financial instruments firm acts as an intermediary.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the transaction due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the conditions.

4. Commodity Derivatives

(1) COMMODITY OPTIONS

Price Fluctuation Risk: In commodity options, it is possible for a loss to be incurred, which in some cases the loss may exceed the initial principal, depending on fluctuation, in the relevant commodity market, etc.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the transaction due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the conditions.

Restrictions on the Period of Exercise of Rights: Please use caution as option transactions do have limitations on the period of time in which the option can be exercised.

(2) COMMODITY SWAPS

Price Fluctuation Risk: In commodity swaps, it is possible for a loss to be incurred, which in some cases the loss may exceed the initial principal, depending on fluctuation, in the relevant commodity market, etc.

Credit Risk: A loss may result from worsening credit condition of the counterparty to the transaction due to such reasons as changes in its operational/financial conditions as well as in external evaluation regarding the conditions.

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