

Outlook for 10Y JGB Auction

Watching for demand from investors in positive yield territory

- ✓ We think about our bidding stance to take only minimum necessary amount, keeping the possibility the auction will tail in mind and watching for demand from investors in positive yield territory. Support around 0.05% is expected.

[BOX] BOJ's JGB purchases for April: BOJ enhances "flexibility" of operations

Strategic Memorandum DSTE371
FICC Research Dept.

Senior JGB Strategist
Keiko Onogi
+813 5555 8788
keiko.onogi@daiwa.co.jp
Daiwa Securities Co. Ltd.

Auction Details

Auction Date:	April 2, 2020
Issue Date:	April 3, 2020
Maturity Date:	March 20, 2030
Offering Amount:	About 2.1 trillion yen

* New 10Y JGBs, JB358, will likely carry a 0.1% coupon.

** On April 1, WI barely traded, and closed at 0.015% (-1.5bp). JB357 traded at -0.005 - 0.005% (-1.5 - -0.5bp v. previous day's close) and closed at 0.000% (-1.0bp).

Exp. Rating on Auction Results

1	2	3	4	5
Failed	Poor	Average	Good	Outstanding

We think about our bidding stance to take only minimum necessary amount, keeping the possibility the auction will tail in mind and watching for demand from investors in positive yield territory

After the previous 10-year JGB auction went poorly at around -0.105 to -0.100% level (+3.5 to +4.5bp vs. previous day's close) in March, the 10-year JGB yield momentarily declined to -0.200% on an intraday basis on March 9 amid an intensified uptrend in the JGB market. Subsequently, the JGB market plunged, pushing the yield up to 0.095% at one point (on an intraday basis on March 19). As the JGB market has again trended up since late March, the 10-year JGB yield has been on a downtrend. Today (Apr 1), the yield moved in the -0.005 to 0.005% range on an intraday basis. Tomorrow's auction will likely be held in positive yield territory with a high probability, the first time since January 2019.

Let's check the environment surrounding the JGB market. With strong uncertainty on when the COVID-19 pandemic will come under control, concerns about economic conditions are intensified by the news such as the postponement of the Tokyo 2020 Olympic Games. In Europe and the US, the authorities have started to announce aggressive policies also in the fiscal front, in addition to strengthening of monetary easing policy amid the aggravation of the pandemic. Amid the trend of global fiscal expansion, the probability on fiscal expansion (via an increase in issuance amount of deficit JGBs) and the resultant increase in JGB market issuance on a calendar basis is increasing also in Japan. On the other hand, the possibility appears small that the BOJ will conduct additional easing such as deepening of the short-term policy rate in negative territory. However, the commitment to "ample supply of funds via aggressive JGB purchases" appears strong. This is expected to improve market

functions to some extent. In such an environment, key points to think about the bidding stance at tomorrow's auction are as follows:

- ✓ **While liquidity remains quite low, it would be difficult for primary dealers to aggressively place bids:** As many primary dealers are in the BCP mode, this would prevent them from keeping big positions. They are likely to place minimum bids, closely watching primary demand from investors;
- ✓ **Decent demand is expected from investors:** Tomorrow's auction, at which the Ministry of Finance will sell new 10-year JGBs in new maturity basket, is the first auction for coupon-bearing JGBs in FY20. If investors gain confidence to be able to take new 10Y JGBs in positive yield territory, strong worries would be unnecessary for demand from investors;
- ✓ **Neither overvalued nor undervalued in terms of the relative value:** Based on data since the previous auction, the 10-year sector is neither noticeably overvalued nor undervalued on the curve (Appendix 3). This is the case also against swaps(Appendix 4);
- ✓ **An increase in the number of offers in BOJ's purchase operations:** In April, the number of offers in the 5- to 10-year zone will increase to five times (from four times in March, refer to [BOX] section). As the possibility of irregular operations is strong if judged necessary, the role as a safety net is expected.

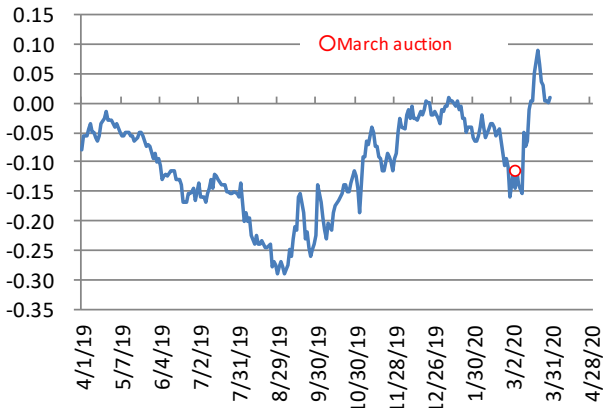
All in all, we think about our bidding stance to take only the minimum necessary amount, keeping the possibility of a tailed auction in mind and watching for demand from investors in positive yield territory. As mentioned above, the 10-year sector is not undervalued on the curve or against swaps. It thus difficult to aggressively build new positions in terms of the relative value.

10Y JGB Auction Results

Auction Date	Issue#	Coupon %	Maturity Date	Issue Size (billion yen)	Bid/Cover	Average Accepted Price	Lowest Accepted Price	Tail (yen)	Average Accepted Yield	Highest Accepted Yield	Tail (%)	Allotment %	
4/2/20	358	0.1*	3/20/30	2,100**									
3/3/20	357R	0.1	12/20/29	2,309	3.20	101.98	101.84	0.14	-0.100	-0.086	0.014	28.9846	Poor
2/4/20	357R	0.1	12/20/29	2,271	3.63	101.50	101.48	0.02	-0.051	-0.049	0.002	77.1508	Avg
1/7/20	357	0.1	12/20/29	2,171	3.70	101.05	101.03	0.02	-0.005	-0.003	0.002	78.8770	Good
12/3/19	356R	0.1	9/20/29	2,100	3.28	101.40	101.24	0.16	-0.042	-0.026	0.016	95.7891	Poor
11/6/19	356R	0.1	9/20/29	2,100	3.62	101.99	101.94	0.05	-0.099	-0.094	0.005	80.6774	Avg
10/1/19	356	0.1	9/20/29	2,100	3.42	102.62	102.33	0.29	-0.158	-0.130	0.028	6.1227	Poor
9/3/19	355R	0.1	6/20/29	2,412	3.60	103.68	103.66	0.02	-0.265	-0.264	0.001	99.4435	Avg
8/1/19	355R	0.1	6/20/29	2,099	3.76	102.53	102.51	0.02	-0.152	-0.150	0.002	1.7771	Avg
7/2/19	355	0.1	6/20/29	2,099	3.92	102.42	102.40	0.02	-0.139	-0.137	0.002	93.8948	Avg
6/4/19	354R	0.1	3/20/29	2,099	3.99	102.04	102.01	0.03	-0.106	-0.103	0.003	15.1237	Poor
5/8/19	354R	0.1	3/20/29	2,099	4.44	101.59	101.57	0.02	-0.060	-0.058	0.002	36.0139	Avg
4/2/19	354	0.1	3/20/29	2,412	5.07	101.61	101.60	0.01	-0.060	-0.059	0.001	37.4603	Good
3/5/19	353R	0.1	12/20/28	2,233	4.25	101.00	100.98	0.02	-0.002	0.000	0.002	74.5124	Poor

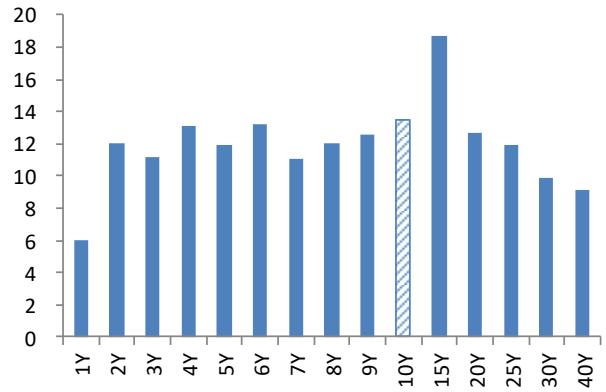
* Daiwa forecast as of Apr. 1 ** Amount the MOF plans to issue
Source: Ministry of Finance (MOF), Daiwa Securities.

Appendix 1: 10Y JGB Yield (%)



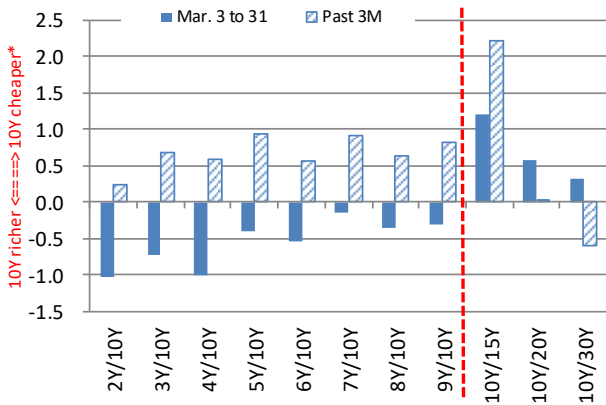
Source: Daiwa Securities.

Appendix 2: JGB Yield Change (bp, Mar. 3 v. Mar. 31)



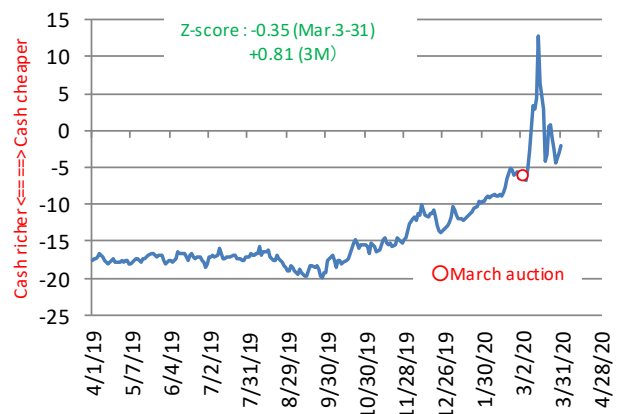
Source: Daiwa Securities.

Appendix 3: Z-scores of JGB Yield Spreads



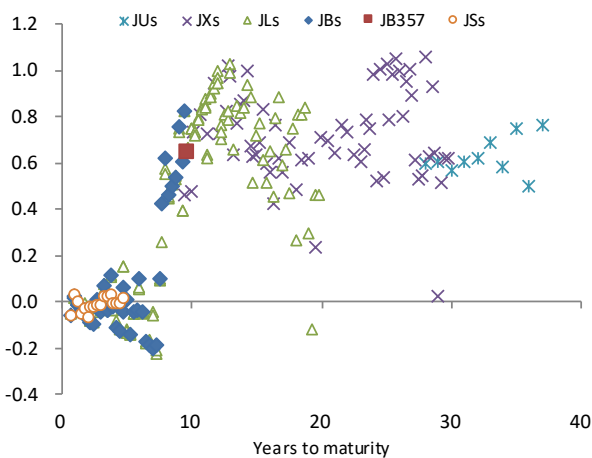
Note: + (-) 10Y richer (cheaper) for 10Y/15Y, 10Y/20Y and 10Y/30Y
Source: Daiwa Securities.

Appendix 4: 10Y JGB Asset Swap Spread (bp)



* Yen LIBOR basis
Source: Daiwa Securities.

Appendix 5: JGB Total Return Curve (3M, %)



Note: Based on JGB yield curve on Mar. 31; assuming that those yield curve shapes do not change and factoring roll-down effect etc.
Source: Daiwa Securities

[BOX] BOJ's JGB purchases for April: BOJ enhances “flexibility” of operations

The BOJ updated its Outline of Outright Purchases of Japanese Government Securities (Outline of Purchases) at 17:00 on March 31, thereby clarifying its plan for purchases in April. The changes relative to March are as follows:

- ✓ Sub zones are completely independent
- ✓ The targeted zones (not counting JGBs and floating-rate JGBs) have been expanded from 4 to 6
- ✓ Its number of operations targeting bonds in the up-to-1-year zone is increased (from 2 to 3) and the bottom of the range of its offer amounts is raised (the range is changed from Y10 billion-Y100 billion to Y50 billion-Y100 billion)
- ✓ Its number of operations targeting bonds in the over-1-year to 3-year zone is increased (from 4 to 6) and the range of its offer amounts is lowered (from Y300 billion-Y550 billion to Y200 billion-Y450 billion)
- ✓ Its number of operations targeting bonds in the over-3-year to 5-year zone is increased (from 4 to 6) and the range of its offer amounts is lowered (from Y200 billion-Y450 billion to Y150 billion-Y400 billion)
- ✓ Its number of operations targeting bonds in the over-5-year to 10-year zone is increased (from 4 to 5)

Its number of operations per month will be 10, up from 7 (excluding irregular operations) in March. We think that some factors, which led the BOJ to make these changes, are:

- ✓ The continued supply of ample liquidity through aggressive JGB purchases
- ✓ Amid the global threat from covid-19, countries are cooperating globally by using both monetary and fiscal policy to suppress downside risks to the economy. With JGB market issuance expected to increase significantly in conjunction with a FY20 supplementary budget, the BOJ and MOF are coordinating their efforts.

The offer amount for the operations targeting the over-3-year to 5-year zone at the April 1 operation was Y280 billion (the median of the April range is Y275 billion), Y60 billion reduction from the last operation on the 3-5Y zone in March, which was Y340 billion. On the first operations in April for other targeted zones, we expect the offer amounts to be about Y350 billion for the over-1-year to 3-year zone, down Y70 billion from the last operation in March, and unchanged for over-5-year to 10-year, over-10-year to 25-year, and over-25-year zones. Based on this outlook, we estimate that the total purchases in April (excluding floating-rate bonds) to be about Y6.45 trillion, a significant increase from the roughly Y5 trillion total (excluding irregular operations) in March.

In the current market environment, this increase in the BOJ's purchases may curb the volatility, we think.

BOJ JGB Purchase Guideline for April 2020

(Yen billions)

	Offer size per operation		Number of Offers (per month)	Offer size expected at the first operation in Apr.	Offer size at the last operation in Mar.*	Monthly Total exp. in Apr. (a)	MOF issuance in April FY2020** (b)	(a)-(b)	
		Mid							
JGBs ex Linkers and Floaters									
Up to 1 year	50 - 100	55	3	70	50	210	-	-	
Over 1 to 5 years	Over 1 to 3 years	200 - 450	425	6	350	420	2,100	2,000	100
	Over 3 to 5 years	150 - 400	325	6	280	340	1,680	1,900	-220
Over 5 to 10 years	200 - 500	350	5	350	350	1,750	2,100	-350	
Over 10 years	Over 10 to 25 years	50 - 200	125	2	120	120	240	900	-660
	Over 25 years	0 - 50	25	2	30	30	60	700	-640
Linkers	30	-	2	30	30	60	-	-	
Floaters (in even months)	100	-	1	100	100	100	-	-	
TOTAL:						6,200	7,600	-1,400	

(Note) "Offer size per operation" and "Number of offers (per month)" are as released by the BOJ on Mar. 31 and "Offer size expected at the first operation in Apr." is expected by Daiwa Securities as on Apr. 1 (actual for over 1 to 3 years) * Offer size at the previous operation for Floaters

Source: Bank of Japan, Ministry of Finance, Daiwa Securities.

BOJ JGB Purchase Schedule in April 2020

BOJ offer day / JGB auction day	(BOJ start day/ MOF settlement day)	Up to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 to 25 years	Over 25 years	JGB Linker	JGB Floater	TDBs	MOF Buyback
4/1/20 W	4/2/20			280.2				30.3			
4/2/20 TH	4/3/20	10Y JGB Auction									
4/3/20 F	4/6/20		◎	◎		◎	◎			3M	
4/6/20 M	4/7/20	○			◎						
4/7/20 T	4/8/20	30Y JGB Auction									
4/8/20 W	4/9/20		◎		◎					○	
4/9/20 TH	4/10/20	5Y JGB Auction									
4/10/20 F	4/13/20									6M	
4/13/20 M	4/14/20		◎	◎	◎					3M	○
4/14/20 T	4/15/20	AEL (10Y and 20Y JGBs with over 5 to 15.5 years to maturity)									
4/15/20 W	4/16/20		◎						○	○	
4/16/20 TH	4/17/20	AEL (20Y, 30Y and 40Y JGBs with over 15.5 less than 39 years to maturity)									
4/17/20 F	4/20/20	○	◎	◎						1Y	
4/20/20 M	4/21/20									3M	
4/21/20 T	4/22/20	20Y JGB Auction									
4/22/20 W	4/23/20			◎	◎			○		○	
4/23/20 TH	5/1/20	2Y JGB Auction									
4/24/20 F	4/27/20	○				◎		◎		3M	
4/27/20 M	4/28/20		◎	◎	◎						
4/28/20 T	-	BOJ MPM (Day 2)									
4/29/20 W	-	Public Holiday (ShowaDay)									
4/30/20 TH	5/1/20									○	

Note: ◎ Announced by the BOJ on Mar. 31, ○ Daiwa forecast as of Apr. 1; Fingers are actual in billion yen; Red figures are decreased from previous operations.

Source: Bank of Japan, Ministry of Finance, Daiwa Securities.

Explanatory Document of Unregistered Credit Ratings

In order to ensure the fairness and transparency in the markets, Credit Rating Agencies became subject to the Credit Rating Agencies' registration system based on the Financial Instruments and Exchange Act. In accordance with this Act, in soliciting customers, Financial Instruments Business Operators, etc. shall not use the credit ratings provided by unregistered Credit Rating Agencies without informing customers of the fact that those Credit Rating Agencies are not registered, and shall also inform customers of the significance and limitations of credit ratings, etc.

■ The Significance of Registration

Registered Credit Rating Agencies are subject to the following regulations:

- 1) Duty of good faith.
- 2) Establishment of control systems (fairness of the rating process, and prevention of conflicts of interest, etc.).
- 3) Prohibition of the ratings in cases where Credit Rating Agencies have a close relationship with the issuers of the financial instruments to be rated, etc.
- 4) Duty to disclose information (preparation and publication of rating policies, etc. and public disclosure of explanatory documents).

In addition to the above, Registered Credit Rating Agencies are subject to the supervision of the Financial Services Agency ("FSA"), and as such may be ordered to produce reports, be subject to on-site inspection, and be ordered to improve business operations, whereas unregistered Credit Rating Agencies are free from such regulations and supervision.

■ Credit Rating Agencies

[Standard & Poor's]

The Name of the Credit Rating Agencies group, etc

The name of the Credit Rating Agencies group: S&P Global Ratings ("Standard & Poor's")

The name and registration number of the Registered Credit Rating Agency in the group: S&P Global Ratings Japan Inc. (FSA commissioner (Rating) No.5)

How to acquire information related to an outline of the rating policies and methods adopted by the person who determines Credit Ratings

The information is posted under "Unregistered Rating Information" (<http://www.standardandpoors.co.jp/unregistered>) in the "Library and Regulations" section on the website of S&P Global Ratings Japan Inc. (<http://www.standardandpoors.co.jp>)

Assumptions, Significance and Limitations of Credit Ratings

Credit ratings assigned by Standard & Poor's are statements of opinion on the future credit quality of specific issuers or issues as of the date they are expressed and they are not indexes which show the probability of the occurrence of the failure to pay by the issuer or a specific debt and do not guarantee creditworthiness. Credit ratings are not a recommendation to purchase, sell or hold any securities, or a statement of market liquidity or prices in the secondary market of any issues.

Credit ratings may change depending on various factors, including issuers' performance, changes in external environment, performance of underlying assets, creditworthiness of counterparties and others. Standard & Poor's conducts rating analysis based on information it believes to be provided by the reliable source and assigns credit ratings only when it believes there is enough information in terms of quality and quantity to make a conclusion. However, Standard & Poor's does not perform an audit, due diligence or independent verification of any information it receives from the issuer or a third party, or guarantee its accuracy, completeness or timeliness of the results by using the information. Moreover, it needs to be noted that it may incur a potential risk due to the limitation of the historical data that are available for use depending on the rating.

This information is based on information Daiwa Securities Co. Ltd. has received from sources it believes to be reliable as of March 7th, 2017, but it does not guarantee accuracy or completeness of this information. For details, please refer to the website of S&P Global Ratings Japan Inc. (<http://www.standardandpoors.co.jp>)

[Moody's]

The Name of the Credit Rating Agencies Group, etc

The name of the Credit Rating Agencies group: Moody's Investors Service ("MIS")

The name and registration number of the Registered Credit Rating Agency in the group: Moody's Japan K.K. (FSA commissioner (Rating) No.2)

How to acquire information related to an outline of the rating policies and methods adopted by the person who determines Credit Ratings

The information is posted under "Unregistered Rating explanation" in the section on "The use of Ratings of Unregistered Agencies" on the website of Moody's Japan K.K. (The website can be viewed after clicking on "Credit Rating Business" on the Japanese version of Moody's website (https://www.moody.com/pages/default_ja.aspx))

Assumptions, Significance and Limitations of Credit Ratings

Credit ratings are Moody's Investors Service's ("MIS") current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. MIS defines credit risk as the risk that an entity may not meet its contractual, financial obligations as they come due and any estimated financial loss in the event of default. Credit ratings do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility. Credit ratings do not constitute investment or financial advice, and credit ratings are not recommendations to purchase, sell, or hold particular securities. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such rating or other opinion or information, is given or made by MIS in any form or manner whatsoever.

Based on the information received from issuers or from public sources, the credit risks of the issuers or obligations are assessed. MIS adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MIS considers to be reliable. However, MIS is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

This information is based on information Daiwa Securities Co. Ltd. has received from sources it believes to be reliable as of April 16th, 2018, but it does not guarantee accuracy or completeness of this information. For details, please refer to the website of Moody's Japan K.K. (https://www.moody.com/pages/default_ja.aspx)

[Fitch]

The Name of the Credit Rating Agencies group, etc

The name of the Credit Rating Agencies group: Fitch Ratings ("Fitch")

The name and registration number of the Registered Credit Rating Agency in the group: Fitch Ratings Japan Limited (FSA commissioner (Rating) No.7)

How to acquire information related to an outline of the rating policies and methods adopted by the person who determines Credit Ratings

The information is posted under "Outline of Rating Policies" in the section of "Regulatory Affairs" on the website of Fitch Ratings Japan Limited (<https://www.fitchratings.com/site/japan>)

Assumptions, Significance and Limitations of Credit Ratings

Ratings assigned by Fitch are opinions based on established criteria and methodologies. Ratings are not facts, and therefore cannot be described as being "accurate" or "inaccurate". Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity for rated instruments. Ratings are relative measures of risk; as a result, the assignment of ratings in the same category to entities and obligations may not fully reflect small differences in the degrees of risk. Credit ratings, as opinions on relative ranking of vulnerability to default, do not imply or convey a specific statistical probability of default.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The assignment of a rating to any issuer or any security should not be viewed as a guarantee of the accuracy, completeness, or timeliness of the information relied on in connection with the rating or the results obtained from the use of such information. If any such information should turn out to contain misrepresentations or to be otherwise misleading, the rating associated with that information may not be appropriate. Despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

For the details of assumption, purpose and restriction of credit ratings, please refer to "Definitions of ratings and other forms of opinion" on the website of Fitch Rating Japan Limited.

This information is based on information Daiwa Securities Co. Ltd. has received from sources it believes to be reliable as of September 27th, 2019, but it does not guarantee accuracy or completeness of this information. For details, please refer to the website of Fitch Rating Japan Limited (<https://www.fitchratings.com/site/japan>)

February 2020

IMPORTANT

This report is provided as a reference for making investment decisions and is not intended to be a solicitation for investment. Investment decisions should be made at your own discretion and risk. Content herein is based on information available at the time the report was prepared and may be amended or otherwise changed in the future without notice. We make no representations as to the accuracy or completeness. Daiwa Securities Co. Ltd. retains all rights related to the content of this report, which may not be redistributed or otherwise transmitted without prior consent.

Conflicts of Interest: Daiwa Securities Co. Ltd. may currently provide or may intend to provide investment banking services or other services to the company referred to in this report. In such cases, said services could give rise to conflicts of interest for Daiwa Securities Co. Ltd.

Daiwa Securities Co. Ltd. and Daiwa Securities Group Inc.: Daiwa Securities Co. Ltd. is a subsidiary of Daiwa Securities Group Inc.

Other Disclosures Concerning Individual Issues:

- 1) As of 26 April 2016, Daiwa Securities Co. Ltd., its parent company Daiwa Securities Group Inc., GMO Financial Holdings, Inc., and its subsidiary GMO CLICK Securities, Inc. concluded a basic agreement for the establishment of a business alliance between the four companies. As of end-December 2017, Daiwa Securities Group Inc. owned shares in GMO Financial Holdings, Inc. equivalent to approximately 9.3% of the latter's outstanding shares. Given future developments in and benefits from the prospective business alliance, Daiwa Securities Group Inc. could boost its stake in GMO Financial Holdings, Inc. to up to 20% of outstanding shares.
- 2) Daiwa Real Estate Asset Management is a subsidiary of Daiwa Securities Group Inc. and serves as the asset management company for the following J-REITs: Daiwa Office Investment Corporation (8976), Nippon Healthcare Investment Corporation (3308), Japan Rental Housing Investments (8986).
- 3) Samty Residential Investment became a consolidated subsidiary of Daiwa Securities Group Inc. effective 10 September 2019.
- 4) On 30 May 2019, Daiwa Securities Group Inc. formalized an equity/business alliance with Samty, and as of 14 June 2019 it owned 16.95% of shares outstanding in Samty along with convertible bonds with a par value of ¥10bn. Conversion of all of said convertible bonds into common shares would bring the stake of Daiwa Securities Group Inc. in Samty to 27.28%.
- 5) Daiwa Securities Group Inc. and Credit Saison Co., Ltd. entered into a capital and business alliance, effective 5 September 2019. In line with this alliance, Daiwa Securities Group Inc. is to acquire up to 5.01% of Credit Saison's total common shares outstanding (excl. treasury shares; as of 31 Jul 2019).
- 6) NEC (6701): NOTICE REGARDING U.S. PERSONS: This report is not intended for distribution to or use by any person in the United States. Securities issued by NEC Corporation have been suspended from registration in the U.S. and are subject to an order of the U.S. Securities and Exchange Commission dated June 17, 2008, pursuant to Section 12(j) of the Securities Exchange Act of 1934. This document is not a recommendation or inducement of any purchase or sale of such securities by any person or entity located in the U.S. Daiwa Securities Co. Ltd. disclaims any responsibility to any such person with respect to the content of this document. Any U.S. person receiving a copy of this report should disregard it.

Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law

(This Notification is only applicable to where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with our company based on the information described in this report, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

** The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

Corporate Name: Daiwa Securities Co. Ltd.

Registered: Financial Instruments Business Operator, Chief of Kanto Local Finance Bureau (Kin-sho) No.108

Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association