

Key Information Document - Options on Government Bond Futures Call Short

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

Product Covered by this Document	Options on government bond futures call short
PRIIP Manufacturer	Osaka Exchange, Inc. ("OSE")
<ul style="list-style-type: none"> • Website • Telephone Number • Competent Authority 	http://www.jpx.co.jp/english/ +81-6-4706-0800 Financial Services Agency
Date of Production	December 27, 2017

Alert: You are about to purchase a product that is not simple and may be difficult to understand.

What is this Product?

Type

Market Transactions of Derivatives under Article 2, Paragraph 21, Item 3 of the Financial Instruments and Exchange Act

Objectives

- An options on government bond futures transaction is a transaction wherein the parties thereto agree that one party ("seller") grants the other party ("buyer") a government bond futures option and the buyer pays the consideration for such option. A government bond futures call option is a government bond futures option that can effect a purchase of the underlying government bond futures contract month with a specified face value at a pre-defined price ("exercise price").
- The transactions are conducted in accordance with the following classification: (a) contract months which respectively have the last trading day and (b) exercise prices set in each contract month. The long/short position can be closed by transactions on the opposite side ("resale/repurchase") until the last trading day, given that liquidity is sufficient. A government bond futures option may be exercised on any trading day within the specified period. The exercise of a government bond futures option results in the transactions of the underlying futures contract month, while the government bond futures options which are not exercised until the last exercise day shall expire.
- When the transaction to open a position is effected, the seller receives from the buyer the amount of money calculated by multiplying the option's premium (i.e. option's price) by the contract multiplier based on the face value for the underlying ("received premium"). The seller is required to deposit margin for collateral. The gross profit or loss of the seller is as follows: (a) in case of settlement by repurchase, the amount obtained by multiplying the difference between the selling price and the repurchase price by the contract multiplier; and (b) in case of exercise of options, the amount obtained by multiplying the difference between the exercise price and the underlying price at the exercise by the contract multiplier, plus the received premium. In case that the option is not exercised, the received premium is a gross profit for the seller. For the seller of options, the maximum gross loss is unlimited, while the maximum gross profit is the received premium.
- The price of government bond futures options is determined according to the balance of supply and demand for the transactions. However, it is considered to be affected by certain factors such as the value of the underlying, interest rates, and volatility in the underlying and remaining time until the maturity.
- OSE may take the regulatory measures such as trading halt and changes in the number of contract months, trading

periods and last trading days under its rules. In addition, OSE may delist the individual products according to the prescribed procedures.

- The underlying for government bond futures options includes, but is not limited to government bond futures for the standardized long-term government bond.

Intended Retail Investor

OSE is an operator of financial instruments exchange markets. It does not specify the type of retail investors to whom this product is intended to be marketed.

What are the risks and what could I get in return?

Risk Indicator

1 2 3 4 5 6 7

← →

Lower risk Higher risk

! You may not be able to end your product easily or you may have to end it at a price that significantly impacts on the performance of your product.

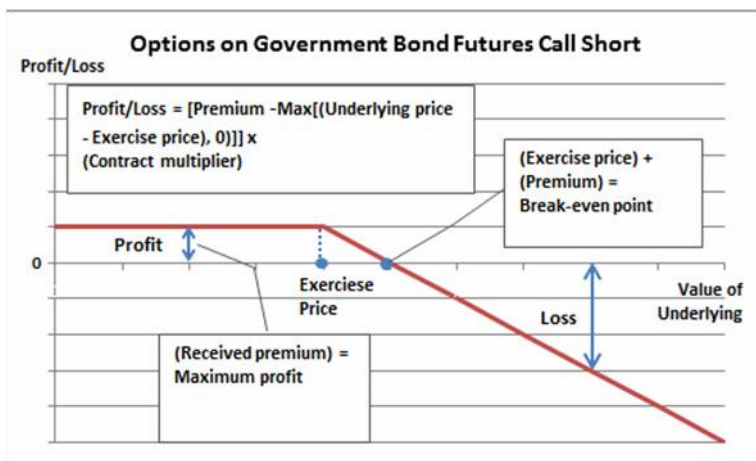
The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level.

Be aware of currency risk. You will receive payments in a different currency, so the final return you will get

depend on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

In some circumstances you may be required to make payments to pay for losses. **The total loss you may incur may significant.** This product does not include any protection from future market performance so you could incur significant loss.

Performance Scenarios



This graph illustrates how your investment could perform. You can compare them with the pay-off graphs of other derivatives.

The graph presented gives a range of possible outcomes and is not an exact indication of what you might get back. What you get will vary depending on how the underlying will develop. For each value of the underlying, the graph shows what the profit or loss of the product would be. The horizontal axis shows the various possible prices of the underlying value on the

expiry date and the vertical axis shows the profit or loss.

Selling this product (opening a short position) holds that you think the underlying price will decrease. Your maximum loss is unlimited and the amount of loss increases as the underlying price rises. The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

The scenarios indicated in the graph illustrate a range of possible returns for this product at maturity.

What happens if OSE is unable to pay out?

OSE is an operator of financial instruments exchange markets. It does not act as counterparty to any market participant with regard to any transaction traded on OSE. Any transaction traded on OSE is centrally cleared by Japan Securities Clearing Corporation ("JSCC"), which is a designated clearing house of OSE.

What are the costs?**Costs over Time and Composition of Costs**

OSE charges trading fees to its trading participants. The following table shows the basis of calculation for trading fees and the trading fee rates. The trading fee rates indicated below are the fee rates or the range of fee rates which apply to individual products under this product category.

Product Category	Basis of Calculation	Trading Fee Rate
Options on Government Bond Futures	Trading Volume	JPY 40
Government Bond Futures (effected by exercise of options)	Trading Volume	JPY 82

Note that JSCC charges clearing fees to its clearing participants.

The details can be found in the fee schedule posted on our website:

<http://www.jpx.co.jp/english/rules-participants/participants/fees/index.html>

There are no recurring costs for this product charged by OSE and JSCC.

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

How long should I hold it and can I take my money out early?

OSE does not prescribe recommended and minimum required holding period for this product. The position can be closed by resale/repurchase until the last trading day, given that liquidity is sufficient. A government bond futures option may be exercised on any trading day within the specified period. The exercise of a government bond futures option results in the transactions of the underlying government bond futures, while the government bond futures options which are not exercised until the last exercise day shall expire. Trading fees and clearing fees for transactions are charged to the relevant trading participant and clearing participant respectively when closing the position by resale/repurchase. On the other hand, trading fees for the underlying futures and clearing fees for exercise of options are charged to the relevant clearing participant in the case of exercise of options.

How can I complain?

In case of complaints about this product and the conduct of OSE as PRIIP manufacturer, please contact OSE by e-mail (ose_priipkid@jpx.co.jp) or in writing (2-1, Nihombashi-kabuto-cho, Chuo-ku, Tokyo 103-0026, Japan). In case of complaints about the conduct of the person advising on, or selling, the product, please contact the person directly.

Other relevant information

Contract specifications of the individual products can be found in our website:

<http://www.jpx.co.jp/english/derivatives/products/list/index.html>