



News Release

August 14, 2017

FISCO Ltd. (JASDAQ Code 3807)

Fisco Cryptocurrency Exchange Issues Japan’s First Bitcoin-Denominated Bonds —Developing a New Fundraising Method for Business Enterprises—

FISCO Ltd. (JASDAQ <3807>, Head Office: Minato-ku, Tokyo, Japan; President and CEO: Hitoshi Kano; “FISCO”) announced today that its group company Fisco Cryptocurrency Exchange Inc. (Head Office: Minato-ku, Tokyo, Japan; President and CEO: Naoki Ochi; “Fisco Cryptocurrency Exchange”) has developed the “First Series of Unsecured Bitcoin-Denominated Bonds” (the “Bitcoin Bonds”)Note as Japan’s first Bitcoin-denominated bonds and has decided to issue the Bitcoin Bonds on a trial basis. Fisco Cryptocurrency Exchange issued the Bitcoin Bonds on August 10, 2017.

Fisco Cryptocurrency Exchange aims to become a cryptocurrency trading hub by serving as a one-stop provider of various cryptocurrency-related services, including brokering transactions in cryptocurrencies beginning with Bitcoin, and engaging in the development and management of cryptocurrency-denominated finance and other cryptocurrency-related products.

Fisco Cryptocurrency Exchange has developed the Bitcoin Bonds as an initiative to pursue a new fundraising format using cryptocurrency, and has issued these bonds to a group company on a trial basis. The par value of the Bitcoin Bonds will be displayed in Bitcoin, and the owners of the Bitcoin Bonds (the “Bondholders”) will purchase the bonds at par value in Bitcoin and receive interest payments and redemption of principal in Bitcoin.

The Bitcoin Bonds that have been issued are not considered to be a “Bond” as defined in Article 2, Item 23 of the Companies Act of Japan. However, except for the fact that they are denominated in Bitcoin, the Bitcoin Bonds were developed to have the same properties as conventional bonds as much as possible. Specifically, the rules stipulated by relevant laws and regulations that would apply to an investment in a “Bond” with the same properties as the Bitcoin Bonds were voluntarily applied to the Bitcoin Bonds from the standpoint of protecting Bondholders. As the bond issuer, Fisco Cryptocurrency Exchange has committed to ensuring compliance with those rules. For details, please refer to the attachment to this news release titled “Rules Stipulated by Relevant Laws and Regulations Observed by the Issuer Regarding the Bitcoin Bonds.”

The Bitcoin Bonds are outlined as follows. “BTC” refers to the currency unit for Bitcoin.

1. Company name	Fisco Cryptocurrency Exchange Inc.
2. Total value of the Bitcoin Bonds	200 BTC
3. Non-issuance of bond certificates	Bond certificates for the Bitcoin Bonds will not be issued.
4. Par value per Bitcoin Bond	4 BTC



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5. Interest rate per Bitcoin Bond	3.0% per annum On August 10, 2020 (the maturity date), interest payments for the period from the issue date (excluding the same date) to the maturity date (including the same date) will be paid on a deferred basis through the issuance of Bitcoin.
6.Redemption method and deadline for the Bitcoin Bonds	In principle, the Bitcoin Bonds will be redeemed at par value on the maturity date through the issuance of Bitcoin, barring the exercise of a call option, redemption prior to maturity, or other such action.
7. Guarantee	FISCO shall jointly guarantee with Fisco Cryptocurrency Exchange the obligations assumed by Fisco Cryptocurrency Exchange related to the issuance of Bitcoin, or any payment of monies in lieu of this issuance, for the Bitcoin Bonds.

The trial issuance of the Bitcoin Bonds is the first step toward implementing a new fundraising method using cryptocurrency. Based on the performance trend in the Bitcoin Bonds and the outcome of dialogue with the markets, FISCO intends to open up new possibilities for cryptocurrency in the cryptocurrency market, which is expected to grow. This will be done by, for example, considering expanding the same fundraising scheme to business enterprises outside the Group. In addition, FISCO will proactively disseminate the latest trends and investment information, with the aim of driving the market penetration of cryptocurrency. The FISCO Group's cryptocurrency business has significant potential for development going forward.

Note: According to the prevailing interpretation, Bitcoin is not a form of money. Therefore, the Bitcoin Bonds are not considered to be monetary claims owed by the issuer. Hence, the Bitcoin Bonds are not considered to be a "Bond" as defined in Article 2, Item 23 of the Companies Act of Japan. For this reason, the rules set forth in "Part IV Bonds" of the Companies Act do not apply to the Bitcoin Bonds. The Bitcoin Bonds are not considered to be "corporate bond certificates" as stipulated in Article 2, Paragraph 1, Item 5 of the Financial Instruments and Exchange Act (including the rights that should be indicated on corporate bond certificates deemed to be "corporate bond certificates," according to the first half of Paragraph 2 of the aforementioned Article.) Nor are the Bitcoin Bonds considered to fall under the provisions of Item 1 or Item 2 of the aforementioned Article. Hence, the Bitcoin Bonds are not considered to be "Securities" as stipulated by the Financial Instruments and Exchange Act.

This news release was prepared for the purpose of announcing specific information concerning the issuance of securities by Fisco Cryptocurrency Exchange. It was not prepared with the intention of soliciting investment within or outside Japan, or conducting other such activities.



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Overview of FISCO Ltd.

Company name: FISCO Ltd. <http://www.fisco.co.jp/en/index.html>
Head Office: 5-4-30 Minamiaoyama Minato-ku, Tokyo, Japan
Established: May 15, 1995
Capital: ¥1,266 million (as of June 30, 2017)
Representative: President and CEO Hitoshi Kano
Business operations: Information services for financial institutions, investors, and listed companies

Fisco Cryptocurrency Exchange Inc.

Company name: Fisco Cryptocurrency Exchange Inc. <http://corp.fcce.jp/>
Head Office: 5-4-30 Minamiaoyama Minato-ku, Tokyo, Japan
Established: April 12, 2016
Capital: ¥112 million (as of June 30, 2017)
Representative: President and CEO Naoki Ochi
Business operations: Operation of cryptocurrency exchange, brokerage, finance, development and operation of financial derivative products using cryptocurrencies, development and sales of cryptocurrency exchange-related systems and related consulting services, as well as other general services related to cryptocurrency exchanges.

Rules Stipulated by Relevant Laws and Regulations Observed by the Issuer Regarding the Bitcoin Bond

In order to promote investor protections for those who invest in the Bitcoin Bonds, the issuer shall observe the following rules stipulated by relevant laws and regulations in the course of structuring and administering the Bitcoin Bonds.

1. Companies Act

- (1) Rules concerning the determination of the terms of the bonds
In the course of issuing the Bitcoin Bonds, the issuer has established matters corresponding to the matters set forth in each item of Article 676 of the Companies Act, and the Board of Directors has passed resolutions on the matters corresponding to the matters set forth in Article 362, Paragraph 4, Item 5 of the Companies Act and each item of Article 99, Paragraph 1 of the Ordinance for Enforcement of the Companies Act.
- (2) Rules concerning applications for and allotment of the bonds for subscription
With regard to applications for and allotment of the Bitcoin Bonds, the issuer observes the rules set forth from Articles 677 to 679 concerning applications for and allotment of the bonds for subscription. The issuer has adopted the method of executing a contract for subscription to the total amount of the Bitcoin Bonds.
- (3) Rules concerning the bond registry
The issuer will process the bond registry in accordance with the rules concerning the bond registry laid out from Articles 681 to 684 of the Companies Act, as well as Articles 690, 691, 694 and 695, and Article 695-2, Paragraphs 2 and 3 of said Act. In addition, with regard to the rules prescribed by Articles 685, 686, 688, and 693 and Article 695-2, Paragraph 1 of the Companies Act, which have a binding effect on the investors in the Bitcoin Bonds and third parties, the issuer will prohibit investors from raising objections in the course of implementing the rules in accordance with each of these provisions, in order to ensure the consistent processing of the Bitcoin Bonds to the furthest extent possible. (This rule shall not apply in cases where the applicable binding effect is deemed to breach mandatory statutes.)
- (4) Rules concerning bond managers
The issuer has structured the Bitcoin Bonds to fulfill the conditions corresponding to Article 169 of the Ordinance for Enforcement of the Companies Act, pursuant to the rules laid out in Article 702 of the Companies Act concerning bond managers. Accordingly, the issuer will process the bonds under the assumption that the appointment of a person equivalent to a bond manager will not be required for the Bitcoin Bonds.
(Note) With respect to the rules concerning bondholders' meetings (Part IV, Chapter III of the Companies Act), the issuer may be unable to seek the approval of the court and the protection of bondholders may be inadequate without said approval. Accordingly, the issuer has not established any rules corresponding to these provisions.

2. Financial Instruments and Exchange Act

- (1) Compliance with requirements for a private placement to a small number of persons
The issuer undertakes the solicitation for acquisition of the Bitcoin Bonds in compliance with the requirements stipulated by Article 2, Paragraph 3, Item 2-(c) of the Financial Instruments and Exchange Act, so as to satisfy the conditions corresponding to said provisions.



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(2) Rules concerning notification

In connection with the above Item 2.(1), the solicitation for acquisition of the Bitcoin Bonds corresponds to a solicitation for a small number of persons that satisfies the conditions corresponding to the proviso to Article 23-13, Paragraph 4 of the Financial Instruments and Exchange Act and Article 14-15, Paragraph 2 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc. Accordingly, the issuer will process the Bitcoin Bonds under the assumption that it will not undertake notification pursuant to the rules stipulated by Article 23-13, Paragraphs 4 and 5 of the Financial Instruments and Exchange Act.

3. Act on Sales, etc. of Financial Instruments

(1) Explanation of important matters

Pursuant to the rules stipulated by Article 3 of the Act on Sales, etc. of Financial Instruments, the issuer will prepare a “Confirmation Report for Important Matters” that explains the matters corresponding to the matters set forth in each item of Article 3, Paragraph 1, and issue this report to investors prior to sales.