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FISCO Ltd.

President and CEO

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Notice Concerning Distribution of Fisco Coin Tokens to FISCO Ltd. Shareholders

FISCO Ltd. (“the Company”) announced that at a meeting of its Board of Directors held today the Company resolved to distribute Fisco coin tokens* using blockchain technology to its shareholders as of June 30, 2016 (the end of the first half of the fiscal year ending December 31, 2016). Details are as follows.

* “Token” refers to an entry in a distributed ledger using the blockchain technology that forms the core technology for bitcoin. Tokens are used for recording and managing history information, such as the total volume of tokens on a blockchain, the ratio of ownership by individuals, and transfers of the tokens. Although these tokens use distributed ledger technology, as an alternative coin to the bitcoin, they are also referred to as alternative coins or “altcoins.”

1. Concerning the distribution of Fisco coin tokens

(1) Background

Following an announcement on March 16, 2016, the Company established the bitcoin exchange operator FISCO COIN LTD. (this company name is scheduled to be changed to “FISCO VIRTUAL CURRENCY EXCHANGE Ltd.” on July 1, 2016).

The FISCO Group aims to become a comprehensive virtual currency platformer providing all manner of B2B and B2C services related to virtual currencies.

Specifically, the Group intends to provide a platform for accepting buy, sell, and exchange services for tokens together with bitcoin settlements, serving its customer base of some 3,700 listed companies. In addition, the Group plans to develop financial

derivative instruments using virtual currencies and to establish trading markets for them.

In launching these new businesses, as an experimental trial, the Company has decided to distributed proprietary Fisco coin tokens to shareholders who wish to participate in the trial. The tokens can be issued and managed using the same kind of technology platform as the virtual currencies that the Company plans to handle going forward. The number of Fisco coins to be distributed will be determined by the number of shares held by each shareholder who wishes to participate in the trial.

Details of the uses of Fisco coins are yet to be determined; however, the distribution will initially be exchangeable for CLUB FISCO (<http://fisco.jp/>) investment reports, and the scope of usage is to be progressively widened going forward to enable their exchange for various products and services provided by FISCO Group companies and affiliates.

In Japan, an House of Councillors plenary meeting held on May 25, 2016 approved and enacted revisions to the Payment Services Act (the “revised act”), including regulations such as requiring the registration of buy and sell transactions of virtual currencies such as bitcoin, exchanges between virtual currencies, and the registration system for operators offering intermediation, commission, and agency services for such transactions. Under the revised act, virtual currencies are defined as “asset-like values” that can be traded on a network, being usable for the purchase of goods and services between unspecified entities and able to be bought or sold. Specifically what kind of altcoins or tokens will be recognized as “virtual currencies” under the revised act is not clear at this point; however, there is a clear potential that altcoins may also be treated as virtual currencies alongside bitcoin under law. Therefore, the Company believes that in the sphere of various corporate activity going forward, companies will be encouraged to conduct marketing through the distribution of tokens and to provide various products and services that can be exchanged for tokens. The Company has therefore decided to try issuing proprietary tokens to external entities as the first attempt by a listed company in Japan. The move is based on the Company’s consideration of the market landscape, and is intended to pioneer the development and expansion of a virtual currency finance zone. It is also an advanced attempt by the Company towards realizing its ambition to become a virtual currency platformer. Looking ahead, the Company intends to contribute to the development of a virtual currency zone by undertaking buy, sell, and exchange services for tokens issued by other companies going forward.

(2) Overview of Fisco coin

Issued unit	FSCC (Fisco coin)
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Total number issued	FSCC 50,000,000 (Note 1) Minimum tradable unit: FSCC 0.00000001
Issuer	The Company
Distribution recipients	The Company will offer all shareholders on the shareholders register as of June 30, 2016 the opportunity to participate in the trial.
Distribution price	Free
Total number of Fisco coins to be distributed	The abovementioned Fisco coins will be distributed to shareholders holding at least one trading unit of shares as of June 30, 2016 if they wish to participate in the trial, with the number of Fisco coins to be distributed being determined by the number of shares recorded on the shareholders' register as of the date when their eligibility is confirmed. For example, shareholders holding 100 shares will receive a distribution of FSCC 100.
Portion retained by the Company	The portion to be retained by the Company will be the total number of issued tokens, 50,000,000, minus the number distributed to shareholders.
Distribution method	Shareholders will open accounts at the Fisco virtual currency exchange, which is scheduled to commence services at the end of August 2016, and the Fisco coins will be distributed through the accounts. A detailed explanation will be posted to the shareholders.
Exchange	The Company plans to enable trading on the virtual currency exchange Zaif established and operated by Tech Bureau, Corp. (Note 2)
Usage	The details are yet to be confirmed, however initially the Fisco coins are to be exchangeable for CLUB FISCO investment reports. The Company plans to monitor the usage status and progressively expand the applications of Fisco coins going forward. E.g. One month of IPO Navi (Limited) could be exchanged for FSCC 648, etc.

(Note 1)

The total number of Fisco coins issued could be increased after the distribution to shareholders depending on the progress of the trial.

(Note 2)

The FISCO Group plans to open the Fisco virtual currency exchange. The Company envisages this exchange intermediating in virtual currency exchanges by matching buyers and sellers among the virtual currency users (as opposed to acting as a Bureau de Change in which the Company's Group company always responds to sell orders from the user by buying); however, to ensure fairness of exchange, the Company does not plan to have the exchange handle Fisco coin at this stage.

* This initiative does not represent a change in the existing shareholder benefits program. It is a special measure only for the fiscal year ending December 2016.

2. Cautions

○ This initiative is intended to enable the FISCO Group to accumulate knowledge of the virtual currency related business, having clearly stated its intention to enter this field. To this end, the Group has decided to issue proprietary tokens using the same kind of technology infrastructure as a virtual currency, making them exchangeable for marketing activities or products and services, and so forth, of the FISCO Group. The Group has launched this initiative following the enactment of the revised act, ahead of its enforcement, with the intention of developing the virtual currency related business in Japan as a pioneer in this field.

○ The Company does not make any guarantee that shareholders will be able to sell, buy, convert, exchange, or otherwise transfer Fisco coins in the virtual currency exchange market.

Specifically, no government ordinances have been issued in relation to the revised act to determine what altcoins correspond to virtual currencies as defined by the revised act. The supervising agency, the Financial Services Agency, has not given a ruling on this issue at this point in time either, so it remains unclear. The Company does not make any guarantee that Fisco coins will correspond to the virtual currency defined by the revised act at the time of its enforcement and thereafter.

○ Fisco coins are not prepaid payment instruments under the Payment Services Act. Furthermore, they are not so-called company points, which are granted free of charge for the purpose of promoting sales and whose exchange for products and services at a specified rate is guaranteed by the issuer. Fisco coins are tokens issued by the Company; however, the Company does not make any guarantee that holders of Fisco

coins will be able to exchange them for products and services provided by the Company or other parties.

- The FISCO Group does not make any guarantee to buy Fisco coins. If Fisco coins should become tradeable on virtual currency exchange markets, they may have some price assigned to them; however, the FISCO Group does not make any guarantee regarding the value of Fisco coins other than the price assigned to them by the market. The exchange ratio for Fisco coins against statutory currencies or virtual currencies such as bitcoin is not fixed. The value of Fisco coins varies depending on the value assigned to them by the market.
- The accounting and tax treatment of Fisco coins is the responsibility of each shareholder. Please consult with professionals such as accountants and tax accountants.
- If a FISCO Group company makes a separate rule regarding the handling of Fisco coins, such a rule shall apply.