



January 6, 2020

## Happy New Year from the bitFlyer Group

Happy New Year.

This month marks 7 years since our CTO, Mr. Komiyama, and myself founded bitFlyer in January 2014. Thanks to everyone's support, the corporate group now employs over 200 people and has grown to be Japan's largest domestic virtual currency and blockchain company.

I feel that 2019 was a year full of large changes in the virtual currency and blockchain industry. We resumed our Japanese virtual currency exchange operations and listed our first new virtual currency in almost 2 years. The industry was reshuffled as anticipated newcomers entered the market and some businesses withdrew at the same time. The price of Bitcoin nearly doubled during that time.

In addition to the virtual currency boom settling down, internal management costs increased due to an increase in foreign and domestic regulations. As profits decreased, there was news of layoffs and hard times for the industry. There were also scares of repeated hacking all over the world. Hacking prevention is definitely the most important issue in our industry. bitFlyer took part in the launch of the Cryptoassets Governance Task Force (CGTF), and we shared and discussed some of our trade secrets on system settings and security in order to establish security guidelines for virtual currencies. We sincerely hope to end hacking in our industry.

Libra got a lot of attention on a global scale. Although there was some sympathy for the Libra Association's vision for the next generation of payment processing and financial inclusion, adherence to existing financial regulations will be unavoidable in order to win everyone's trust. G20 countries also held discussions on what regulations are required for virtual currencies. The FATF, an international organization, published their travel rule for confirming customer information among Virtual Asset Service Providers (VASPs) for AML/CFT measures. In the near future, VASPs will need to adhere to and operate under the travel rule while also adhering to Europe's GDPR.

The bitFlyer Group laid 3 foundations in order to take a large step forward this year.

First, we were a pioneer as a virtual currency exchange operator that significantly invested in building strong corporate governance.

Our internal auditing department focuses on financial auditing, IT auditing, separated management auditing, business auditing, and performing internal audits as part of our three-line system. Our compliance department ensures compliance with laws, ordinances, and self-regulation from the JVCEA as well as performs internal training to realize a thorough awareness of compliance. We also created a committee to examine new virtual currencies under consideration for listing based on internal and JVCEA regulations. We built our own Chinese wall to ensure that employees do not leak information on newly listed virtual currencies with regulations that have severe penalties for any violations.

We have a plan to strengthen our internal regulations across the whole corporate group as well as strengthen the authority of managerial committees. We redid all of our previous ID verifications with stricter rules, as well as strengthened our standards for AML/CFT, deposit, withdrawal, and trade monitoring.

As for IT security, the most important operational issue for exchange operators, we made a significant investment under our slogan of "Security First." bitFlyer was rated the world's most secure exchange by Sqreen.

In order to become a financial institution in our society, we strengthened our whole internal management structure with the largest emphasis on customer asset protection. As a result, we were able to resume new account creation in July of last year. We sincerely apologize to any and all customers and third parties who were inconvenienced by this.

Second, we expanded our virtual currency exchange services in the US and EU.

As the CEO of bitFlyer USA and chairman of bitFlyer EUROPE, I was focused on launching businesses in our foreign branches. Last year, they increased the number of listed virtual currencies on Buy/Sell and launched bitFlyer Wallet, Japan's number one virtual currency app. To improve convenience, we introduced credit card payments in Europe and ACH payments in the US.

Using our status as the only virtual currency exchange licensed to operate in Japan, the US, and the EU, we will accelerate our global program in 2020. Beyond the US and EU, we will be expanding our services to other countries in Asia. We are concentrating on expanding the virtual currencies listed on our exchange, improving the exchange's performance, UI/UX renovation, trading on global order books, new payment methods, security tokens, and virtual currency derivatives.

The third and final foundation was the establishment of bitFlyer Blockchain, Inc.

Previously, bitFlyer, Inc. was both an exchange and blockchain company. In order to streamline decision making and innovation as well as improve resource dedication, our blockchain development division broke off into its own company. We continued to co-develop our real estate leasing contract platform as part of our partnership with Sumitomo Corporation as well as other projects. As for the future, we will continue the core development of our enterprise-use blockchain, miyabi, and our blockchain ID concept, bPassport. Our preparations for the upcoming blockchain revolution are continuing to advance.

It looks like we were right to call 2019 *the first year of the blockchain era*. Beyond Libra, news of blockchains could be heard regarding China's CBDC (digital CNY) and other concepts. There was a significant increase in the number of blockchain businesses, and blockchains are ready to grow just as much as virtual currencies. I feel that Japan should start getting serious about our national strategy on blockchains in order to not lose our global competitive edge.

I established bitFlyer with a strong belief that blockchains will change the world. I think that by handing off simple and redundant work to blockchains or AI, humanity will be free to use our time to pursue more creative work. Blockchains will also guarantee the

reliability and rights of individuals, which will cause society to more appropriately evaluate each individual's efforts.

The bitFlyer Group's mission has been to "Simplify the world with blockchain" ever since our establishment. In order to achieve this, we will be unified as *one team, one dream* in 2020 as we attempt to find ways to use technology to resolve global, societal issues and improve the convenience of everyone's lives.

The bitFlyer Group appreciates your continued support this year.

bitFlyer Group co-founder,  
Yuzo Kano