

[Translation]<sup>1</sup>

Tokyo District Court 2014 (fu) No. 3830

Bankrupt Entity: MtGox Co., Ltd.

Report (under Article 157 of the Bankruptcy Act)

July 23, 2014

To: Tokyo District Court, Collegiate Section of 20th Civil Division

Bankrupt Entity: MtGox Co., Ltd.

Bankruptcy Trustee: Attorney-at-law Nobuaki Kobayashi

I. Situation That Led to the Commencement of Bankruptcy Proceedings

1. Application for the Commencement of Civil Rehabilitation Procedure

The bankrupt entity, a company that operated an online exchange of bitcoins (“BTC”), a so-called virtual currency, made an application for the commencement of civil rehabilitation procedure at the Tokyo District Court on February 28, 2014 (Tokyo District Court 2014 (rehabilitation) No. 12). According to the Application for Commencement of Civil Rehabilitation Procedure, the reasons for the bankrupt entity’s application included the fact that, at the time such application was made, the bankrupt entity was insolvent, and its liabilities exceeded its assets, which was resulted from the potential illicit transfer of the BTC, which were managed by the bankrupt entity, through illegal access by exploiting a bug in the basic system for BTC, and a decrease in the amount of the bankrupt entity’s cash deposit (although the reason therefor has yet to be identified). At the time the bankrupt entity made its application, it had suspended all access to its website related to the above transactions.

In response to the application stated above, on February 28, 2014, the Tokyo District Court issued to the bankrupt entity, in accordance with the Civil Rehabilitation Act, a supervisory order, an investigation order, a preservation order prohibiting, among other matters, the payment of debts, and a comprehensive

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prohibition order. Additionally, the court appointed Attorney-at-law, Nobuaki Kobayashi, who is currently serving as the bankruptcy trustee, as supervisor and investigator.

## 2. Dismissal of the Application for Commencement of Civil Rehabilitation Procedure

Subsequently, an investigation was proceeded by the bankrupt entity with regard to the past factual elements relating to the disappearance of the BTC and the missing funds. However, it was expected that the said investigation would require additional time, and at the time, there were no prospects for the restart of the business. Moreover, although the bankrupt entity continued to negotiate with sponsor candidates, it was unable to even commence the selection process in concrete terms. Therefore, the bankrupt entity concluded that drafting a rehabilitation plan would be difficult.

On April 16, 2014, the Tokyo District Court dismissed the application for the commencement of civil rehabilitation procedure, and on the same day, issued an order for provisional administration and appointed Attorney-at-law Nobuaki Kobayashi as the provisional administrator. The provisional administrator appointed 8 other attorneys-at-law as deputy provisional administrator, and immediately commenced the preservation of the assets, etc., of the bankrupt entity.

## 3. Order of Commencement of Bankruptcy Proceedings

On April 24, 2014, the Tokyo District Court issued to the bankrupt entity an order of commencement of bankruptcy proceedings and appointed Attorney-at-law Nobuaki Kobayashi as the bankruptcy trustee.

## II. Past Events and Present Situation Concerning Bankrupt Entity

The bankrupt entity had entrusted its service concerning operation of the BTC online exchange to its parent company, TIBANNE Co., Ltd. The bankrupt entity did not have employees, and the bankrupt entity used its office by subleasing a part of the building that had been leased by TIBANNE Co., Ltd. from a third party. The bankrupt entity used most of its equipment, such as servers and personal computers, by leasing or subleasing the equipment owned by TIBANNE Co., Ltd. or leased by TIBANNE Co., Ltd. from third parties.

Immediately after the issuance of the order for provisional administration, I commenced an effort to reduce costs by limiting equipment, personnel and office space required for bankruptcy trustee's business. As a result, as compared to the amount of cost for entrustment of business in March 2014, which is the period after the application for commencement of civil rehabilitation procedure and prior to the commencement of bankruptcy proceedings, i.e., approximately JPY 18 million, the amount of the same cost in April 2014, which is the month that includes the commencement of bankruptcy proceedings, and that in May 2014, which is the time after commencement of bankruptcy proceedings, decreased to approximately JPY 13 million and JPY 9 million, respectively. I am still continuing the effort for further cost reduction.

### III. Past Events and Present Situation Concerning Bankruptcy Estate

#### 1. Present Situation of Bankruptcy Estate

The status of the bankruptcy estate, based on the investigation conducted up to the time of preparation of this Report, is as shown in the List of Assets and the Balance Sheet; provided, however, that, since the investigation of the status of holdings of BTC is still on-going, such List of Assets and Balance Sheet do not contain BTC held by the bankrupt entity, and claims for return of BTC (which constitute the bankruptcy claim).

#### 2. Past Events Concerning Bankruptcy Estate

Principal past events concerning the bankruptcy estate are as follows:

##### (1) Deposits, etc.

Immediately after the issuance of the order for provisional administration, I took measures to secure the deposits of the bankrupt entity (i.e., (i) receipt of amounts that had been deposited with the counsel of applicant and (ii) transfer of funds to the bankruptcy trustee's account by the closure of the bankrupt entity's domestic accounts). As a result, the balance in the account the bankruptcy trustee has secured as of July 18, 2014 is JPY 698,246,328.

##### (2) Securing of BTC

Immediately after the issuance of the order for provisional administration, I (i) secured the private keys to the addresses at which 202,106.00072BTC held by the bankrupt entity was managed, (ii) verified the safety of the method to manage and move the BTC, with the assistance of Netagent Co., Ltd., and (iii) moved the

BTC to the addresses managed by me (the balance after deduction of transaction fee: 202,105.837821BTC).

The investigation on the existence of BTC remaining in the bankrupt entity's data is still ongoing.

(3) Realization and collection of other assets

Also as for the assets, which have been found in the investigation to be able to be realized, other than those stated above, I have commenced realization and collection, one by one, since the time when the order of commencement of bankruptcy proceedings was issued. I have already collected the amount deposited by the bankrupt entity as money for release from a provisional seizure, and I have commenced other efforts for collection of amounts deposited to other companies and the amounts of short-term loans to affiliates.

(4) Preservation of data, etc.

Immediately after the issuance of the order for provisional administration, I banned access by TIBANNE Co., Ltd., without my permission, to the principal system and data related to the bankrupt entity's businesses, and, at the same time, with the assistance of Fujitsu Limited, I took the following measures: (i) assumption (by me) of control over the system related to the bankrupt entity's businesses, and (ii) measures to prevent access to the server and the like from the outside, in order to enhance the security against attempts to manipulate the bankrupt entity's data and system hacking. In addition, I have obtained copies of principal data held by the bankrupt entity.

IV. Work regarding preservation of foreign assets

I continued to proceed with the recognition proceedings of foreign main proceedings under Chapter 15 of the U.S. Bankruptcy Code, which the bankrupt entity applied to the United States Bankruptcy Court for the Northern District of Texas Dallas Division on March 9, 2014. As a result, on June 18, 2014, such court issued an order recognizing the bankruptcy proceedings as the foreign main proceedings.

V. Investigation of disappearance of BTC, etc.

I began investigation of the existing assets of the bankrupt entity, background

behind the disappearance of BTC, etc. by delegating such work to Deloitte Touche Tohmatsu LLC and ReEx Accounting Firm. Such investigation still continues now and the completion date is undetermined as of today. In addition, when I am requested by a public institution to cooperate with the investigation, I am conducting possible cooperation.

## VI. Subsidiary/ Affiliated Company

### 1. Subsidiary, etc.

The bankrupt entity has subsidiaries and sub-subsidiary in the United States and the Republic of Poland. However, I consider that, in principle, it is not necessary for those subsidiaries, etc. to exist after the commencement of bankruptcy proceedings of the bankrupt entity. Therefore, I will investigate, review, and sequentially take appropriate measures such as dissolution, and will make efforts to collect assets.

### 2. Affiliated companies

The bankrupt entity has several affiliated companies (parent company, etc.), and has loan receivables, etc. to the following companies, and, therefore, it will make efforts to collect them.

#### (1) TIBANNE Co., Ltd.

The bankrupt entity has loan receivable in the amount of 772,791,001 yen (based on the settlement accounts of the bankrupt entity as of April 24, 2014) to TIBANNE Co., Ltd., which is the parent company of the bankrupt entity, and, therefore, the bankrupt entity requested for repayment and is confirming the assets of TIBANNE Co. Ltd. and plan to be repaid from the purchase price of assets held.

#### (2) K.K. Shade 3D

Since the bankrupt entity has loan receivable in the amount of 338,139,321 yen (amount based on the settlement accounts of the bankrupt entity as of April 24, 2014) to K.K. Shade 3D, which is a subsidiary of TIBANNE Co., Ltd., the bankrupt entity requested for repayment and is confirming assets of K.K. Shade 3D.

#### (3) K.K. Bitcoin. cafe

The bankrupt entity has loan receivable in the amount of 60,000,000 yen (amount based on the settlement accounts of the bankrupt entity as of April 24, 2014) and accrued interest to K.K. Bitcoin. cafe. K.K. Bitcoin. cafe was ordered to

commence bankruptcy proceedings by the Tokyo District Court on June 18, 2014 (Tokyo District Court 2014 (fu) No. 5603). I filed proof of bankruptcy claims with respect to the above loan and accrued interest in the bankruptcy proceedings in July 2014.

- VII. Existence of circumstances requiring temporary restraining order, as stipulated in Article 177, Paragraph 1 of the Bankruptcy Act, and officer's liability assessment order, as stipulated in Article 178, Paragraph 1 of the Bankruptcy Act

With respect to the existence of circumstances requiring a temporary restraining order, as stipulated in Article 177, Paragraph 1 of the Bankruptcy Act, and officer's liability assessment order, as stipulated in Article 178, Paragraph 1 of the Bankruptcy Act, investigation is still required to take place concurrently with the investigation stated in V. above.

- VIII. Corporation assuming business

I am searching for a company which desires to assume the business, etc. of the bankrupt entity. The company that will assume the business is not determined at this point, but several companies showed interest and I continue to conduct the selection process.

- IX. Suspension of lawsuits

At the commencement of bankruptcy, several lawsuits, both domestic and international, existed in which the bankrupt entity was involved in litigation as a defendant. However, those lawsuits are regarding the bankruptcy claims, and, therefore both domestic and international lawsuits are suspended in accordance with the Bankruptcy Act and Chapter 15 of the U.S. Bankruptcy Code.

- X. Matters regarding proceedings of bankruptcy proceeding

1. Filing of proof of bankruptcy claims

With respect to filing of proofs of bankruptcy claims in this case, since extremely large number of creditors exist all over the world, I am considering to implement a reasonable and smooth method of filing. For such purposes, it is necessary (i) to sufficiently confirm, with the cooperation of professionals, the details and method of use of data regarding the business of the bankrupt entity, which I preserved, and (ii) to consider the situation of the investigation of the background behind the

disappearance of BTC. Accordingly, it is expected to take a few months to determine the filing method. In light of this, although the deadline for filing the proof of claims of bankruptcy in these bankruptcy proceedings is set as November 28, 2014, I consider it is necessary and reasonable to postpone the date to reasonable timing.

## 2 Provision of information on WebSite

Since extremely large number of creditors exist all over the world in this case, I plan to disclose information, etc., necessary for creditors regarding this case on the WebSite (<https://www.mtgox.com>), which I manage as much as possible from time to time.

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# [Translation]

[Case Number:] Tokyo District Court 2014 (fu) No. 3830  
 Bankrupt Entity: MtGox Co., Ltd.  
 Bankruptcy Trustee: Nobuaki Kobayashi, Attorney-at-law

## List of Assets

(As of April 24, 2004, the date of the order of commencement of bankruptcy proceedings)  
 (In JPY)

Assets

No.	Item	Book value	Appraised amount (amount incorporated into the bankruptcy estate)	Remarks
1	Cash and deposits	1,336,251	1,359,503	
	Cash	0	0	
	Mizuho Bank, Shibuya Branch, Ordinary deposit account No.1457705	120,000	152,602	The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Mizuho Bank, Shibuya Branch, Ordinary deposit account No.1497669	0	47	The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Mizuho Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 9110151	0	4	Currency: USD; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Mizuho Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 9110186	0	5	Currency: GBP; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Mizuho Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 9110216	0	97	Currency: AUD; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Mizuho Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 9110267	0	4	Currency: NZD; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Mizuho Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 9110232	91	87	Currency: DKK; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Mizuho Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 9110275	28	26	Currency: HKD; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Mizuho Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 9110283	25	25	Currency: SGD; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Mizuho Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 9110259	89	87	Currency: CHF; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Yucho Bank, Shibuya Branch, Consolidated account No. 10170-48410711	945	945	The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Rakuten Bank, Second Sales Branch, Ordinary deposit account No. 7018261	279,457	279,213	The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Japan Net Bank, Suzume Branch, Ordinary deposit account No.2559084	596,168	596,168	This account is in the process of closing.
	Yachiyo Bank, Shibuya Branch, Ordinary deposit account No. 0623839	7	7	The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Yachiyo Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 0623949	95,357	93,468	Currency: AUD; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Yachiyo Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 0623950	141,608	136,041	Currency: EUR; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
	Yachiyo Bank, Shibuya Branch, Foreign currency ordinary deposit account No. 0623938	102,476	100,677	Currency: USD; The account has been closed, and the cash in the account has already been transferred into the account of the trustee.
2	Short-term loans	1,307,423,210	0	The appraised amount is based on the amount actually converted into cash on or prior to July 18, 2014.
	TIBANNE Co., Ltd.	772,791,001	0	This company is the parent company of the bankrupt. Repayment of the loan is currently being requested.
	K.K. Shade3D	338,139,321	0	This company is an affiliated company of the bankrupt. Repayment of the loan is currently being requested.

	K.K. Bitcoin.Cafe	60,000,000	0	This company is an affiliated company of the bankrupt, and an order of commencement of bankruptcy proceedings for such company was issued on June 18, 2014. The filing of proof of claims has already been completed.
	Robert Marie Mark Karpeles	136,175,781	0	This person is the representative of the bankrupt. Repayment of the loan is currently being requested.
	MTGOX HongKong	317,107	0	This company is an affiliated company of the bankrupt. Repayment of the loan is currently being requested.
3	Accounts receivable	925,826	0	
	TIBANNE Co., Ltd	562,026	0	This company is the parent company of the bankrupt. The accounts receivable against this company comprise accrued interest on the loan.
	Shibuya Tax Office (Interim payment of corporation tax)	242,200	0	Refund of this tax is currently being requested. The appraised amount is based upon the amount actually converted into cash on or prior to July 18, 2014.
	Shibuya Metropolitan Taxation Office (Interim payment of enterprise tax and special local corporation tax)	80,800	0	Refund of this tax is currently being requested. The appraised amount is based upon the amount actually converted into cash on or prior to July 18, 2014.
	Shibuya Metropolitan Taxation Office (Interim payment of inhabitants tax on corporation tax basis)	40,800	0	Refund of this tax is currently being requested. The appraised amount is based upon the amount actually converted into cash on or prior to July 18, 2014.
4	Provisional payment (to the Tokyo District Court)	2,000,000	2,000,000	Collected on June 4, 2014
5	Deposits paid	783,948,565	765,233,649	
	Counsel for applicant	241,459,630	231,557,866	The money deposited was already succeeded at the appraised amount on May 12, 2014.
	Counsel for applicant	509,510,685	500,698,397	The money deposited was already succeeded at the appraised amount on May 9, 2014.
	Counsel for applicant	32,978,250	32,977,386	The money deposited was already succeeded at the appraised amount on May 8, 2014.
6	Money deposited with other companies	1,693,444,088	0	The appraised amount is based on the amount actually converted into cash on or prior to July 18, 2014.
	CoinLab	500,000,000	0	Pending litigation
	Others	1,193,444,088	0	Collecting and/or reviewing collectibility.
7	Tools, furniture and fixtures	104,557,699	0	The appraised amount is based on the amount actually converted into cash on or prior to July 18, 2014.
	DELL Server	5,649,000	0	Convertibility into cash is currently being examined.
	Violin Server	90,623,142	0	Convertibility into cash is currently being examined.
	Chair	2,902,119	0	Convertibility into cash is currently being examined.
	Apple Japan; 28 laptop computers	5,383,438	0	Convertibility into cash is currently being examined.
8	Security deposit	700,000	0	The appraised amount is based on the amount actually converted into cash on or prior to July 18, 2014.
	The Executive Center Japan K.K.	540,000	0	The contract has been cancelled, and the appraised amount is based on the amount actually converted into cash on or prior to July 18, 2014.
	The Executive Center Japan K.K. (Security deposit for parking spaces)	160,000	0	The contract has been cancelled, and the appraised amount is based on the amount actually converted into cash on or prior to July 18, 2014.
9	Guaranty money deposited	10,586,875	10,587,933	This is a refund of the money for release from provisional seizure deposited by the bankrupt and has already been collected.
10	Development expenses	85,875,146	0	The appraised amount is based on the amount actually converted into cash on or prior to July 18, 2014.
	Applico Inc.	33,453,375	0	This development expense is currently under investigation, but may be an expense spent in the past and may have no value.
	Internet Escrow Services	3,073,459	0	This development expense is currently under investigation, but may be an expense spent in the past and may have no value.
	Mandalah KK	31,993,500	0	This development expense is currently under investigation, but may be an expense spent in the past and may have no value.
	The Phuse Inc.	4,572,513	0	This development expense is currently under investigation, but may be an expense spent in the past and may have no value.
	Winsoft Technology Solutions Inc.	12,782,299	0	This development expense is currently under investigation, but may be an expense spent in the past and may have no value.
11	Interest income	0	12	
	Total assets	3,990,797,660	779,181,097	

Liabilities

No.	Item	Book value	Reported amount	Remarks
1	Claims on the estate and preferred bankruptcy claims (Taxes and other public charges)	54,374,152	The amount has not yet been determined.	
	Claims on the estate (Other expenses)	19,253,642	The amount has not yet been determined.	
2	General bankruptcy claims (Money deposited from purchasers)	8,256,092,214	The amount has not yet been determined.	The procedures for investigation of claims have not yet been completed.
	General bankruptcy claims (Transacting parties, etc.)	402,470,293	The amount has not yet been determined.	The procedures for investigation of claims have not yet been completed.
	Total liabilities	8,732,190,301	The amount has not yet been determined.	

\*1 The amounts stated in the "book value" column are, as a rule, entered by referring to the book value as of April 24, 2014, and such amounts do not correspond to their respective amounts of the proceeds from the conversion into cash thereof.

\*2 As a rule, "Appraised amount (amount incorporated into the bankruptcy estate)" shows the amount actually collected on or prior to July 18, 2014.

\*3 The bitcoins held by the bankrupt entity and the creditors' claims for the return of their bitcoins (bankruptcy claims) are not included in the assets and liabilities above.

\*4 This list has been prepared based on the investigation results at the present point in time, and assets or liabilities not included in this list may be discovered as a result of further investigation.

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[Translation]

## Income and Expenditure Statement

From April 24, 2014  
Through July 18, 2014

[Case Number:] Tokyo District Court 2014 (*fu*) No. 3830  
Bunkrupt Entity: MtGox Co., Ltd.  
Bankruptcy Trustee: Nobuaki Kobayashi, Attorney-at-law

(In JPY)

Income			Expenditure		
No.	Abstract	Amount	No.	Abstract	Amount
1	Cash and deposits succeeded from the bankrupt	766,593,152	1	Office expenses	82,559
2	Deposits succeeded from the court	2,000,000	2	Expenses for notice of commencement of bankruptcy proceedings to bankruptcy	6,890,292
3	Collection of monies deposited	10,587,933	3	Supplies expenses	3,345,161
4	Interest income	12	4	Professional fees	22,136,846
			5	Outsourcing fees	42,075,278
			6	Settlement money	6,310,433
			7	Transportation expenses	94,200
Total		779,181,097	Total		80,934,769

Balance	698,246,328
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[Translation]

[Case Number:] Tokyo District Court 2014 (*fu*) No. 3830

Bankrupt Entity: MtGox Co., Ltd.

Bankruptcy Trustee: Nobuaki Kobayashi, Attorney-at-law

(As of April 24, 2004, the date of the order of commencement of bankruptcy proceedings)

[Bankruptcy] Balance Sheet

In JPY

Item	Appraised amount (amount incorporated into the bankruptcy estate)*1	Item	Filing amount
Cash and deposits	1,359,503	Claims on the estate and preferred bankruptcy claims *3	73,627,794
Short-term loans	0	General bankruptcy claims *3	8,658,562,507
Accounts receivable	0		
Provisional payment	2,000,000		
Deposits	765,233,649		
Deposits paid with other companies	0		
Tools, furniture and fixtures	0		
Security deposit	0		
Guaranty money deposited	10,587,933		
Development expenses	0		
Interest income	12		
Total assets *2	779,181,097	Total liabilities *2	8,732,190,301

\*1 As a rule, "Appraised amount (amount incorporated into the bankruptcy estate)" shows the amount actually collected on or prior to July 18, 2014.

\*2 The bitcoins held by the bankrupt and the creditors' claims for the return of their bitcoins (bankruptcy claims) are not included in the assets and liabilities above.

\*3 The amounts of liabilities are based on the book value of the bankrupt at the time of the order of commencement of bankruptcy proceedings because requests for distribution and claims investigation procedures have not yet been completed.

\*4 This balance sheet has been prepared based on the investigation results at the present point in time, and assets or liabilities not included in this balance sheet may be discovered as a result of further investigation.

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