

June 9, 2015

Company Name: GMO Internet, Inc.
(TSE First Section, Code: 9449)
Address: 26-1 Sakuragaoka-cho Shibuya-ku Tokyo JAPAN
Representative: Masatoshi Kumagai, CEO and Founder
Contact: Masashi Yasuda, Chief Financial Officer
Telephone: +81 3 5456 2555
URL: <https://www.gmo.jp/en>

Notification of Business and Capital Relationship with Sumitomo Mitsui in Payment Business, and Capital Increase through Private Placement in Consolidated Subsidiary, GMO Payment Gateway

The GMO Internet Inc. board of directors today convened a meeting in which the following was resolved;

i. To execute a four-party business and capital partnership agreement (“the Agreement”) with consolidated subsidiary GMO Payment Gateway, Inc. (TSE:3769), Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation, under which GMO Payment Gateway and Sumitomo Mitsui Banking Corporation will establish a joint venture payment business company.

ii. To subscribe to shares issued by GMO Payment Gateway in a capital increase through private placement.

For further details regarding the partnership, please refer to the GMO Payment Gateway, disclosure of today, *Notice of Capital and Business Partnership and Private Placement of New Shares (attached)*.

1. Objectives of the Partnership and Capital Increase through Private Placement

(1) GMO Payment Gateway shared vision, and business and capital relationship

Under the corporate tagline, Internet for Everyone GMO Internet Group focuses resources on high-growth areas in the Internet market.

In the Group’s Internet Infrastructure business segment, GMO Payment Gateway operates online credit card payment and other payment services. Since becoming a public company, GMO Payment Gateway has continued to grow revenue and profits as the ecommerce and credit card markets have expanded. Going forward, the company expects to see sustained growth in the mid-to-long term as expansion of the market remains strong. However, the company also recognizes that it must take measures to seize growth opportunities at a deeper level in the domestic market and to maximize opportunities in the global market. Specifically, GMO Payment Gateway believes that it is important to diversify payment business opportunities

by bringing together finance technology and Internet technology, and to broaden relationships with large-scale businesses in order to drive ecommerce penetration (a representation of ecommerce transactions as a percentage of all retail transactions) in Japan, a rate that is expected to reach 10% in the not-to-distant future.

Further, in the global market it is critical that the company respond to the global expansion of European and North American financial and payment companies. It can be expected that European and North American financial and payment companies will enter the Asian market, an important global growth center, intensifying competition. In light of this trend, the company believes it is necessary to partner with a financial institution and build a firm relationship ahead of its competitors.

GMO Payment Gateway sought a business partner that would be a strong partner for a payment business, with a clear understanding of the company's business operations and future vision as well as a common outlook. It was decided to form a business and capital partnership with Sumitomo Mitsui Banking Corporation, a company with a strong business platform and customer base both domestically and globally.

The companies' respective parent companies GMO Internet and Sumitomo Mitsui Finance Group will also participate in the business and capital partnership. The parent companies bring to the partnership broad business networks, and will enhance operations, contributing to future expansion of the business partnership. The four companies aim to build a long term partnership that GMO Payment Gateway considers will contribute to future business growth and shareholder value.

(2) GMO Internet initiatives under the business and capital partnership

Under the corporate tagline, Internet for Everyone GMO Internet Group focuses resources on high-growth areas in the Internet market. For GMO Internet Group, GMO Payment Gateway online credit card payment processing services are positioned as a key growth area. Enhancing the relationship between GMO Internet and GMO Payment Gateway, members of the GMO Internet board serve as external directors on the GMO Payment Gateway board, and Issei Ainoura, Chief Executive Officer of GMO Payment Gateway, serves as an external director on the GMO Internet board, and the two companies have a close cooperative partnership. GMO Internet considers that subscribing to new shares issued in the private placement will strengthen the financial position of GMO Payment Gateway and contribute to further growth of its payment services business, and impact consolidated earnings. GMO Internet held discussions with Sumitomo Mitsui Banking Corporation in regard to joint participation in the subscription. GMO Internet expects the partnership to bring about further growth in payment services, enhancing synergies throughout the GMO Internet Group Internet Infrastructure business segment and contributing to GMO Internet consolidated earnings. For this reasons it was resolved to participate in the private placement on an equal level with Sumitomo Mitsui Banking Corporation and to execute a four-party partnership with GMO Payment Gateway, Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation.

2. Overview of GMO Payment Gateway, Inc. (as of March 31, 2015)

Company Name	GMO Payment Gateway, Inc.		
Address	1-14-6 Dogenzaka, Shibuya-ku, Tokyo		
CEO	Issei Ainoura		
Business Description	Credit card payment and other payment services and ancillary services.		
Capital	JPY 710 million		
Date Established	March 1995		
Major Shareholders and Ownership Ratio	GMO Internet, Inc. 51.66%		
Reportable Related Party Relationships	Capital	GMO Internet holds 17,849,600 common shares (51.66% of voting rights) in GMO Payment Gateway	
	Executive	Two members of the GMO Internet board of directors serve concurrently on the GMO Payment Gateway board of directors, and one GMO Internet board member serves on the GO Payment Gateway board of auditors.	
	Transactional	Annual transactions of JPY108,843,000 (FYE12/2015) in payment services.	
	Related Party Relationships	GMO Payment Gateway is a consolidated subsidiary of GMO Internet.	
Operating Results and Financial Condition in the Three most Recent Fiscal Terms			
Fiscal Term	FYE 9/2012	FYE 9/2013	FYE 9/2014
Net Assets	JPY 4,972 millions	JPY 5,633	JPY 6,815
Total Assets	JPY 14,834 millions	JPY 21,298 millions	JPY 24,613 millions
Net Assets per Share	JPY 144.24	JPY 163.12	JPY 197.15
Net Sales	JPY 4,708 millions	JPY 5,764 millions	JPY 7,205 millions
Operating Profit	JPY 1,753 millions	JPY 2,048 millions	JPY 2,476 millions
Ordinary Profit	JPY 1,764 millions	JPY 2,047 millions	JPY 2,527 millions
Net Profit	JPY 960 millions	JPY 1,217 millions	JPY 1,515 millions
Net Profit per Share	JPY 28.01	JPY 35.38	JPY 43.92
Dividend per Share	JPY 19.5	JPY 24.5	JPY 30.0

3. Overview of the Capital Increase through Private Placement

Sumitomo Mitsui Banking Corporation and GMO Internet will subscribe to new shares issued by GMO Payment Gateway in a capital increase through private placement. A summary of the share issue follows.

(1)	Payment Date	June 25, 2015
(2)	No. of New Shares	2,587,300 common shares
(3)	Issue Price	JPY 3,092 per share
(4)	Total Capital to be Raised	JPY 7,999,931,600
(5)	Method of allocation (Subscribers)	Private placement of new shares. 1,250,800 shares to be allocated to Sumitomo Mitsui Banking Corporation, 1,336,500 shares to be allocated to GMO Internet.
(6)	Other	Under the Securities and Exchange Act, the above amount is contingent on the filing of the Securities Registration Statement.

4. Shareholding Position Before and After Capital Increase through Private Placement

	Number of Shares	Ownership Ratio	Majority Shareholder
Prior to Transaction	17,849,600	51.66%	No. 1
After Transaction	19,186,100	51.66%	No. 1

* The ration of voting rights held by GMO Internet will remain at 51.66% after the transaction.

5. Schedule

Board of Directors approval of Business and Capital Partnership and Subscription to Capital Increase through Private Placement: June 9, 2015

Agreements executed relating to the Business and Capital Partnership and Subscription to Capital Increase through Private Placement: June 9, 2015

Payment Date (Capital Partnership): June 25, 2015 (tentative)

6. Outlook

GMO Internet considers that the partnership will contribute to building group, corporate and shareholder value; however, at this time it is not yet known what impact the transaction will have on consolidated results for FYE12/2015. Once the impact on results is clear, it will be promptly disclosed.



June 9, 2015

Company Name: GMO Payment Gateway, Inc.
CEO: Issei Ainoura
(TSE: 3769)
Contact: Ryu Muramatsu, Vice President
T E L : + 8 1 - 3 - 3 4 6 4 - 0 1 8 2

Notice of Capital and Business Partnership and Private Placement of New Shares

A meeting of the GMO Payment Gateway, Inc. Board of Directors convened today, agreed to form a business and capital partnership with GMO Internet, Inc, Sumitomo Mitsui Financial Group and Sumitomo Mitsui Baking Corporation. At the same time, it was resolved to issue new shares to Sumitomo Mitsui Banking Corporation and parent company GMO Internet, Inc.

I. Business and Capital Partnership

1. Objective of the business and capital partnership

GMO Payment Gateway connects payment data between non-face-to-face businesses (merchants), primarily BtoC ecommerce businesses and credit card companies, enabling merchants to operate credit card and other payment options in an efficient manner. Since becoming a public company, GMO Payment Gateway has continued to grow revenue and profits as the ecommerce and credit card markets have expanded.

Going forward, the company expects to see sustained growth in the mid-to-long term as expansion of the market remains strong. However, the company also recognizes that it must take measures to seize growth opportunities at a deeper level in the domestic market and to maximize opportunities in the global market.

Specifically, GMO Payment Gateway believes that it is important to diversify payment business opportunities by bringing together finance technology and Internet technology, and to broaden relationships with large-scale businesses in order to drive ecommerce penetration (a representation of ecommerce transactions as a percentage of all retail transactions) in Japan, a rate that is expected to reach 10% in the not-to-distant future.

Further, in the global market it is critical that the company respond to the global expansion of European and North American financial and payment companies. It can be expected that European and North American financial and payment companies will enter the Asian market, an important global growth center, intensifying competition. In light of this trend, the company believes it is necessary to partner with a financial institution and build a firm relationship ahead of its competitors.

GMO Payment Gateway also provides early payment services to aid merchants in improving cash flow, transaction lending services that offer financing to merchants who operate BtoC ecommerce or other non-face-to-face businesses with strong growth potential, and many merchants are implementing the GMO Pay Later service, a payment method for which there is strong consumer demand. In order to grow these core financing services, the company believes it is necessary to increase working capital. Further, given the credit risk associated with financing services, expanding these services will require GMO Payment Gateway to strengthen shareholders' equity in order to take on risk assets such as short-term loans and accounts receivable.

GMO Payment Gateway sought a business partner that would be a strong partner for a payment business, with a clear understanding of the company's business operations and future vision as well as a common outlook, and it was decided to form a business and capital partnership with Sumitomo Mitsui Banking Corporation, a company with a strong business platform and customer base both domestically and globally.

The companies' respective parent companies GMO Internet and Sumitomo Mitsui Finance Group will also participate in the business and capital partnership. The parent companies bring to the partnership broad business networks and will enhance operations, contributing to future expansion of the business partnership. The four companies aim to build a long term partnership.

GMO Payment Gateway will execute a business and capital partnership agreement with Sumitomo Mitsui Banking Corporation GMO Internet, and Sumitomo Mitsui Financial Group with the objective of contributing to future business growth and shareholder value.

2. Details of the Business and Capital Partnership

(1) Details of the business partnership

An overview of the business partnership agreed to between GMO Internet and Sumitomo Mitsui Banking Corporation to date is as follows.

- i. Establish a joint venture company that will provide credit card payment processing services as GMO Payment Gateway currently provides.
- ii. Sumitomo Mitsui Banking Corporation customers to be introduced to the joint venture.
- iii. GMO Payment Gateway to provide payment processing system to the joint venture.
- iv. Both companies to provide staff

The two companies' parent companies, GMO Internet and Sumitomo Mitsui Financial Group have agreed to provide reasonable cooperation in order to support operation of the partnership. Details will be considered going forward.

(2) Details of the Capital Partnership

In a capital increase through private placement, GMO Payment Gateway will allocate 1,250,800 common shares to Sumitomo Mitsui Banking Corporation (% of voting rights after placement 3.36%, % of total outstanding shares 3.36%), and 1,336,500 common shares to GMO Internet (% of voting rights after placement 51.67%, % of total outstanding shares 51.67%).

For details of the capital partnership, please refer to II. Issue of New Shares in Private Placement.

3. Overview of Partners in Capital Partnership (as of 3/31/2015)

Company Name	Sumitomo Mitsui Financial Group
Address	1-1-2 Marunouchi, Chiyoda-ku, Tokyo
CEO	Koichi Miyata
Business Description	Management of subsidiaries and ancillary business
Capital	JPY 2,337,895 million
Date Established	12/2/2002
No. of Outstanding Shares	1,414,055,625
Fiscal Term	Year to March
No. of Employees	68,739 (consolidated)
Major customers	—
Major banks	—
Significant Shareholders and Ownership Ratio	Japan Trustee Services Bank Ltd. 4.71% The Master Trust Bank of Japan Ltd. 4.19%

(as of 9/30/2014)	Sumitomo Mitsui Baking Corporation 3.02%		
	NATSCUMCO 2.08%		
	THE BANK OF NEW YORK MELLON SA/NV 10 1.94%		
Reportable Related Party Relationships	Capital	None	
	Executive	None	
	Transactional	None	
	Related Party	None	
Operating Results and Financial Condition in the Three Most Recent Fiscal Year (JPY millions)			
Fiscal Term	FYE3/2013	FYE3/2014	FYE3/2015
Consolidated Net Assets	8,443,218	9,005,019	10,696,271
Consolidated Total Assets	148,696,800	161,534,387	183,442,585
Consolidated Net Assets per Share (JPY)	4,686.69	5,323.87	6,598.87
Consolidated Ordinary Revenue	4,326,424	4,641,880	4,851,202
Consolidated Ordinary Profit	1,073,745	1,432,332	1,321,156
Consolidated Net Profit	794,059	835,357	753,610
Consolidated Net Profit per Share (JPY)	585.94	611.45	551.18
Dividend per Share (JPY)	120	120	140

*GMO Payment Gateway assessed the Sumitomo Mitsui Financial Group policy on organized crime stated in the corporate governance report submitted by the company to the Tokyo Stock Exchange, and reviewed its practices using the Tokyo Stock Exchange website. It was determined that none of its board members or major shareholders have ties with organized crime.

Company Name	Sumitomo Mitsui Banking Corporation		
Address	1-1-2 Marunouchi, Chiyoda-ku, Tokyo		
CEO	Takeshi Kunibe		
Business Description	Banking, securities, leases and other businesses		
Capital	JPY 1,770,996 million		
Date Established	June 6, 1996		
No. of Outstanding Shares (as of 9/30/2014)	Common Shares 106,248,000 Preferred Shares 70,000		
Fiscal Term	March		
No. of Employees (as of 9/30/2014)	50,319 (consolidated)		
Major customers	—		
Major banks	—		
Significant Shareholders and Ownership Ratio	Sumitomo Mitsui Financial Group 100%		
Reportable Related Party Relationships	Capital	None	
	Executive	None	
	Transactional	GMO Payment Gateway has an overdraft contract with Sumitomo Mitsui Banking Corporation but does not currently have balance outstanding.	
	Related Party	None	
Operating Results and Financial Condition in the Three Most Recent Fiscal Year (JPY millions)			
Fiscal Term	FYE3/2013	FYE3/2014	FYE3/2015
Consolidated Net Assets	7,276,706	8,257,091	8,640,763
Consolidated Total Assets	138,251,602	143,203,127	155,824,141
Consolidated Net Assets per Share (JPY)	53,960.98	64,031.58	71,465.80
Consolidated Ordinary Revenue	2,687,911	2,810,681	3,150,992
Consolidated Ordinary Profit	857,919	928,713	1,298,738
Consolidated Net Profit	533,816	734,514	785,687
Consolidated Net Profit per Share (JPY)	5,024.23	6,913.18	7,394.82
Dividend per Share (JPY)	1,485	1,689	4,325

*Sumitomo Mitsui Banking Corporation is a wholly-owned subsidiary of Sumitomo Mitsui Financial Group. GMO Payment Gateway assessed the Sumitomo Mitsui Financial Group (the parent

company) policy on organized crime stated in the corporate governance report submitted by the company to the Tokyo Stock Exchange, and reviewed its practices using the Tokyo Stock Exchange website. It was determined that the company has in place systems to prevent it forming relationships with organized crime and that Sumitomo Mitsui Banking Corporation has no ties to organized crime. This was reported to the Tokyo Stock Exchange.

Company Name	GMO Internet, Inc.		
Address	26-1 Sakuragaokacho, Shibuya-ku, Tokyo		
CEO	Masatoshi Kumagai		
Business Description	Internet Infrastructure, Online Advertising & Media, Internet Securities, Mobile Entertainment, Incubation		
Capital	JPY 5,000 million		
Date Established	May 1991		
No. of Outstanding Shares (as of 9/30/2014)	117,806,777		
Fiscal Term	Year to December		
No. of Employees	3,462 (consolidated as of March 31, 2015)		
Major customers	Consumer, general business customers		
Major banks	Sumitomo Mitsui Banking Corporation Aozora Bank The Bank of Tokyo Mitsubishi UFJ Mitsubishi UFJ Trust and Banking Corporation Mizuho Bank		
Significant Shareholders and Ownership Ratio	Masatoshi Kumagai Office Ltd. 29.30%, Masatoshi Kumagai 15.31%, THE CHASE MANHATTAN BANK 385036 4.85%		
Reportable Related Party Relationships	Capital	GMO Internet holds 51.66% of GMO Payment Gateway outstanding shares, and is the company's largest shareholder and parent company.	
	Executive	Two members of the GMO Internet Board of Directors and serves concurrently on the GMO Payment Gateway Board of Directors and one member of the GMO Internet Board of Directors serves concurrently on the GMO Payment Gateway Board of Auditors.	
	Transactional	Annual transactions of JPY117,114,000 (FYE12/2015) in payment services.	
	Related Party	GMO Internet is the parent company of GMO Payment Gateway. No other reportable related party relationships.	
Operating Results and Financial Condition in the Three Most Recent Fiscal Year (JPY millions)			
Fiscal Term	FYE3/2013	FYE3/2014	FYE3/2015
Consolidated Net Assets	30,418	36,884	43,876
Consolidated Total Assets	275,960	429,762	483,367
Consolidated Net Assets per Share (JPY)	178.86	212.12	248.14
Consolidated Ordinary Revenue	74,376	93,704	109,368
Consolidated Ordinary Profit	9,149	11,000	12,931
Consolidated Net Profit	9,175	10,941	12,734
Consolidated Net Profit per Share (JPY)	4,518	5,244	5,841
Dividend per Share (JPY)	38.35	44.51	49.58
Fiscal Term	13	15	17

*GMO Payment Gateway assessed the GMO Internet policy on organized crime stated in the corporate governance report submitted by the company to the Tokyo Stock Exchange, and reviewed its practices using the Tokyo Stock Exchange. It was determined that none of its board members or major shareholders have ties with organized crime.

4. Schedule

(1) GMO Payment Gateway Board of Directors approval of Business and Capital Partnership and Capital Increase through Private Placement: June 9, 2015

(2) Agreements executed relating to the Business and Capital Partnership and Capital Increase through Private Placement: June 9, 2015

(3) Opening of Business and Capital Partnership: June 9, 2015

(4) Payment Date (Capital Partnership): June 25, 2015 (tentative)

5. Outlook

For details, please refer to II. Issue of New Shares in Private Placement. 8. Outlook

II. Issue of New Shares in Private Placement

1. Overview of Subscription

(1)	Payment Date	June 25, 2015
(2)	No. of New Shares	2,587,300 common shares
(3)	Issue Price	JPY 3,092 per share
(4)	Total Capital to be Raised	JPY 7,999,931,600
(5)	Method of allocation (Subscribers)	Private placement of new shares. 1,250,800 shares to be allocated to Sumitomo Mitsui Banking Corporation, 1,336,500 shares to be allocated to GMO Internet.
(6)	Other	Under the Securities and Exchange Act, the above amount is contingent on the filing of the Securities Registration Statement.

2. Objective and Reasons for Subscription

(1) Objective and Reasons for Subscription

As stated previously under I. Business and Capital Partnership, 1. Objective of the business and capital partnership, the capital increase through private placement is being executed in conjunction with a business partnership between GMO Payment Gateway, GMO Internet, Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation. To enhance the effectiveness of the business partnership, GMO Payment Gateway and Sumitomo Mitsui Banking Corporation will execute a capital partnership agreement that will strengthen the relationship between the two companies, contribute to mid-to-long term growth of GMO Payment Gateway, and benefit existing shareholders.

Further, in order for GMO Payment Gateway to maintain 20% annual profit growth over the next ten years, the company's future growth strategy includes expanding new business fields, increasing number of merchants, expanding geographically (supporting Japanese merchant ecommerce sales in Asia), and strategic expansion of ecommerce. One of the important pillars of this strategy is to continue strengthening products, and part of that is expanding financing services including early payment services to aid merchants in improving cash flow, transaction lending services that offer financing to merchants who operate BtoC ecommerce or other non-face-to-face businesses with strong growth potential, the GMO Pay Later service, a payment method that many merchants are implementing, and for which there is strong consumer demand. Further, given the credit risk associated with financing services, expanding these services will require GMO Payment Gateway strengthen shareholders' equity in order to take on risk assets such as short-term loans and accounts receivable.

In order to realize this growth strategy, working capital will be required to expand the financing services business. GMO Payment Gateway determined that it was essential to further strengthen earnings base and raise capital, as well as to grow performance by partnering with the subscriber, and that raising capital through a private placement was the best method for achieving these goals. GMO Internet currently owns 51.6% of outstanding shares in GMO Payment Gateway and there will be no change to GMO Internet's ownership ratio after the capital subscription.

3. Amount to be Raised, Use and Investment Schedule

(1) Amount to be raised

i	Total amount to be raised	JPY 7,999,931,600
ii	Estimated issue costs	JPY 37,000,000
iii	Net amount to be raised	JPY 7,962,931,600

(notes) 1. Estimated issue costs are exclusive of consumption tax etc.

2. Estimated issue costs include legal costs, advisory commissions, registration related fees, and fees for creating and filing the Securities Registration Statement.

(2) Specific Use of Capital Raised

The objective of the capital increase through private placement is to strengthen capital in order to enhance the company's earnings base and to as well as to grow performance by partnering with the subscriber. The above net amount to be raised will be used as follows.

Since GMO Payment Gateway was listed in April 2005, it has aimed to reach JPY10 billion in operating profit by the year 2020. Until the investment schedule below is complete the funds will be held in a deposit account or other minimum risk operation. Of that JPY10 billion in profit the company aims for 20% to be derived from financing services, however in order to achieve this, the company will need to take on risk assets such as short-term loans and accounts receivable on a scale of around 1% of total annual transaction value. In order to provide for the credit risk associated with the financing business, and increased risk assets, the company considers that it needs to raise shareholders equity by 20%. The company estimates that annual transaction volume will reach around JPY 4 trillion by 2020. 1% of that amount is JPY 40 billion yen, and 20% of that amount is JPY 8 billion, and this is the amount the company determined was required to boost shareholders equity.

GMO Payment Gateway also provides early payment services to aid merchants in improving cash flow, transaction lending services that offer financing to merchants who operate BtoC ecommerce or other non-face-to-face businesses with strong growth potential, and many merchants are implementing the GMO Pay Later service, a payment method for which there is strong consumer demand. In order to grow these core financing services, the company believes it is necessary to increase working capital.

Specific Use of Capital Raised	Amount (JPY)	Investment Schedule
i. Investment in establishment of joint venture company based on the capital partnership	500,000,000	10/2015 – 10/2016
ii. Increase in operating capital to expand financing services	7,462,931,600	6/2015 – 5/2017

i. Investment in establishment of joint venture company based on the capital partnership

One of GMO Payment Gateway's business initiatives in payment services is to form a joint venture company with Sumitomo Mitsui Banking Corporation in October 2015 through a business and capital partnership agreement with GMO Internet, Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation. All companies will be shareholders in the joint venture company. The joint venture will combine the strong business platform and domestic and global customer base of Sumitomo Mitsui Banking Corporation with the progressive payment services of GMO Payment Gateway, a company with 20 years industry experience, and the competitive technology and resources that allow GMO Payment Gateway to offer payment services with a full suite of payment methods. The partnership plans to offer high value-add services to Sumitomo Mitsui Banking Corporation customers.

Through provision of these services the company aims to better meet payment service demands, increase market share, and establish a strong position in the payment space, and in the future to become a leader in the Japanese payment services industry.

The first step in realizing this initiative is to establish a joint venture based on the business and capital partnership and allocate funds to the company.

ii. Increase in working capital to expand financing services

GMO Payment Gateway provides early payment services to aid merchants in improving cash flow, transaction lending services that offer financing to merchants who operate BtoC ecommerce or other non-face-to-face businesses with strong growth potential, and many merchants are implementing the GMO Pay Later service, a payment method for which there is strong consumer demand. Capital raised will be used to increase working capital and grow these core financing services.

The GMO Payment Gateway early payment service aids merchants in improving cash flow based on ecommerce transactions between the consumer and merchant, supporting merchants by bringing forward the date of future payments. There is strong customer demand for this service. Under the service, the company advances credit card payments to the merchant prior to receiving payment from the credit card company and therefore there is a period of time between the two payments during which the company requires capital to advance the payments. In order to expand this business it is expected that an increase in capital available for advances will be required. For this reason, capital raised will be allocated to expanding this service by increasing working capital.

Further, among the company's merchants there are many businesses with strong growth potential. These businesses desire to expand but in some cases are unable to do so because they face difficulty in being able to borrow from financial institutions and secure working capital in a timely manner. In response to this, GMO Payment Gateway plans to expand its transaction lending business, supporting the growth of merchants by enabling them to secure working capital. In this business, GMO Payment Gateway analyzes a series of the merchant's transactions to gain an understanding of sales trends. Based on sales performance, the company determines the size of loan the merchant would be able to repay and provides the funds the merchant requires in a timely manner without requiring collateral, in order to support the accelerated growth of the merchant. The expansion of this service will require the company to have funds available, and for this reason capital raised will be allocated to expanding the transaction lending business by increasing working capital.

The GMO Payment Gateway service, GMO Pay Later is a payment method that enables the buyer to pay for their purchase at a convenience store or post office after receiving delivery.

Since the service was launched, the company has minimized credit risk by developing expertise in assessing merchants and products, and recovery rate of receivables. The service is seeing strong growth and has outperformed the company's expectations both in the number of merchants who have implemented the service and in transaction volume. There is high consumer demand for this payment method and the service is expected to continue growing. A certain level of credit risk will be required to increase the volume of payments, and this will require capital. For this reason, capital raised will be allocated to expanding this service by increasing working capital.

4. View in regard to Reasonable Use of Funds

As stated above under II Issue of New Shares in Private Placement, 3. Amount to be Raised, Use and Investment Schedule (2) Specific Use of Capital Raised, through the establishment of a joint venture company, the company aims to better meet payment service demands, increase market share, establish a strong position in the payment space, and in the future to become a leader in the Japanese payment services industry. GMO Payment Gateway also aims to grow earnings by expanding its financing services business.

The company believes this will further grow corporate value and benefit existing shareholders, and for this reason determined that the stated use of capital raised in the private placement is reasonable.

5. Fairness of Share Issue Conditions etc.

(1) Basis for and details of how the issue price was calculated

The issue price in the capital increase through private placement was agreed at GMO Payment Gateway board of directors meeting on June 9, 2015 to be based on the average closing price of the company's common shares on the Tokyo Stock Exchange in the month through to the business day prior to the board decision (June 8, 2015). The issue price is 3,092 yen.

The reason that the board elected to adopt the average closing price in the month through to the business day prior to the board decision was that the company's stock price has been rising over the past six months. If the issue price was based on the average of the closing price on the previous business day, in the three months prior and the six months prior then the price would be lower than the company's current stock price. It was determined that this may not be in the interest of minority shareholders. As stated above, the company's stock price has been rising, however in the month or so prior to the date of the board meeting the price dropped sharply and there have been significant fluctuations in recent share price. Because of this unusual movement in stock price, rather than set the issue price at the closing price on the day prior to the board decision, it was determined that it would be more reasonable to base the price on the average price over a fixed period in order to offset the impact of temporary stock price fluctuations.

The issue price of 3,092 yen is a premium of 0.88% (all decimal amounts rounded up) over the closing price on the business day prior to the board decision (3,065 yen), 1.68% over the average closing price in the three months prior (3,041 yen), and 16.07% over the average closing price in the six months prior (2,664 yen).

The calculation of the issue price was based on the guidelines for handling a capital increase through private placement issued by the Japan Securities Dealers Association, and the board determined that the issue price did not unfairly advantage the subscribers.

Of the three external members of the company's board of auditors, two members, Akihiro Suzuki and Kazuo Ikeda assessed the decision in accordance with the Company Act and with the guidelines for handling a capital increase through private placement issued by the Japan Securities Dealers Association, determined that there were no facts to consider that would violate any law, and expressed to the board concurrence that the issue price did not unfairly advantage

the subscribers.

The two auditors determined that the basis the issue price represented an objective share price based on market price, and was calculated using the average price over a fixed period of time, that the issue price was not discounted, that temporary fluctuations in share price had been offset, that the subscribers would not profit from recent fluctuations in share price and that overall the issue price was set in accordance with the guidelines for handling a capital increase through private placement issued by the Japan Securities Dealers Association.

Masashi Yasuda, the third external member of the Board of Auditors, serves concurrently as Chief Financial Officer of GMO Internet, and as a subscriber in the transaction has a conflict of interest. For this reason he refrained from expressing an opinion in this matter.

(2) Basis for determining that the number of shares issued and that the extent of dilution is reasonable

Looking forward to future business growth, the company needs to increase working capital to expand its financing services business and also requires capital to invest in the joint venture payment services company. After considering the capital requirements of these initiatives and looking at cash on hand, GMO Payment Gateway determined that the scale of the capital increase through private placement was appropriate.

The number of new shares to be issued in the capital increase constitute 7.49% of total outstanding shares, voting rights associated with the new shares constitute 7.49% of total voting rights and a certain level of dilution will occur. .

However, the capital that will be raised will be invested in establishing a joint venture company based on this business and capital partnership, and in increasing working capital to expand the financing services business. The view of the company is that this will increase earnings and improve corporate value. While the capital increase through private placement will result in temporary dilution of shares, in the mid-to-long term, it will benefit shareholders. For this reason it was determined that the number of shares issued and the extent of dilution was reasonable. Further, because the capital increase through private placement is a transaction with a majority shareholder, on June 9 the two GMO Payment Gateway auditors that have no conflict of interest in the transaction (Mr Suzuki and Mr Ikeda), submitted a statement expressing the opinion that the decision to execute a capital increase through private placement did not harm minority shareholders for the following reasons.

- i. GMO Payment Gateway requires funds in relation to its financing services business and after considering the credit risk, the decision to raise capital through a private increase was deemed reasonable due to the need to increase shareholder equity.
- ii. The company's stock price has been rising over the past six months. If the issue price was based on the average of the closing price on the previous business day, in the three months prior and the six months prior then the price would be lower than the company's current stock price. Because there have been significant fluctuations in share price, rather than set the issue price at the closing price on the day prior to the board decision, basing the price on the average price over a fixed period would offset the impact of temporary stock price fluctuations. Considering that this calculation base is objective and fair the decision to set the issue price at the average closing price in the month through to the business day prior to the board decision was reasonable.
- iii. The processes surrounding the capital increase decision were fair and the result of negotiations with the subscribers on multiple occasions, and that the board members who participated in the evaluation and decision to execute the private placement had no conflict of interest in the transaction.

For these reasons, GMO Payment Gateway determined that the number of shares issued and the extent of dilution was fair to existing shareholders.

6. Reasons for Selecting the Subscribers

(1) Overview of Subscribers

i. Sumitomo Mitsubishi Banking Corporation

Please refer to I. Business and Capital Partnership, 3. Overview of Partners in Capital Partnership above.

ii. GMO Internet, Inc.

Please refer to I. Business and Capital Partnership, 3. Overview of Partners in Capital Partnership above.

(2) Reasons for Selecting the Subscribers

In regard to the selection of Sumitomo Mitsui Banking Corporation, please refer to I. Business and Capital Partnership, Objective of the business and capital partnership above. In regard to the selection of, GMO Internet, the company has a thorough understanding of the GMO Payment Gateway business and future vision, and its policy is to generate profits in both companies by work together to expand ecommerce business. GMO Internet also manages the GMO Internet Group of which GMO Payment Gateway is a part, and GMO Payment Gateway online credit card payment processing services are positioned as a key growth area for the Group. With the objective of enhancing the partnership with GMO Internet Group, the Chief Executive Officer of GMO Payment Gateway serves as an external director on the GMO Internet board. There are also members of the GMO Internet board serving as external directors on the GMO Payment Gateway board, and the two companies have a close cooperative relationship. GMO Internet recognizes that the capital increase through private placement will contribute to further growth of payment services, a key growth area for the Group overall, by strengthening the company's balance sheet. GMO Internet was identified as a potential subscriber and selected after agreeing with the objectives of the transaction.

Both GMO Internet and Sumitomo Mitsui Banking Corporation were consulted in the decision to share the subscription between the two companies. GMO Internet expects the partnership to bring about further growth in payment services, enhancing synergies throughout the GMO Internet Group Internet Infrastructure business segment and contributing to GMO Internet consolidated earnings. GMO Internet held discussions with Sumitomo Mitsui Banking Corporation in regard to joint participation in the subscription. As a result the two companies requested to participate on an equal level in the subscription, and as GMO Payment Gateway had no objection, it was determined that both companies would participate in the capital increase through private placement.

(3) Ownership Policies of Subscribers

In regard to the shares to be allocated in the capital increase through private placement, GMO Internet does not plan to sell its shares to a third party, and plans to hold its stake for the long term. Sumitomo Mitsui Banking Corporation also plans to hold its shares for the mid-to-long term, and GMO Payment Gateway received written confirmation of this from both parties. If either of the two companies plans to sell all or part of its holdings within two years of the payment date, they must provide written notice of the sale to GMO Payment Gateway including the name and address of the purchaser and the number of shares sold. GMO Payment Gateway will report the sale to the Tokyo Stock Exchange, and the purchaser will agree that the report will be submitted for public inspection. An agreement to this effect will be executed on June 25.

(4) Confirmation Subscribers have Sufficient Assets

GMO Payment Gateway assessed the total assets, net assets, cash and equivalents stated in the most recent quarterly financial statements of Sumitomo Mitsui Banking Corporation (filed November 28, 2014) , and GMO Internet (filed May 12, 2015), and determined that both parties have sufficient assets to participate in the capital increase through private placement.

7. Major Shareholders and Ownership Ratio after the Private Placement

Prior to Subscription (as of March 31, 2015)		After Subscription	
GMO Internet, Inc.	51.66%	GMO Internet, Inc.	51.66%
Japan Trustee Services Bank, Ltd. (Custodial Account)	6.45%	Japan Trustee Services Bank, Ltd. (Custodial Account)	6.00%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT (Standing Proxy: The Bank of Tokyo Mitsubishi UFJ)	3.21%	Sumitomo Mitsui Banking Corporation	3.36%
Issei Ainoura	2.89%	JPMC OPPENHEIMER JASDEC LENDING ACCOUNT (Standing Proxy: The Bank of Tokyo Mitsubishi UFJ)	2.99%
The Master Trust Bank of Japan, Ltd. (Custodial Account)	2.15%	Issei Ainoura	2.69%
CBNY-GOVERNMENT OF NORWAY (Standing Proxy: Citibank Japan)	2.08%	The Master Trust Bank of Japan, Ltd. (Custodial Account)	2.00%
STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Mizuho Bank)	1.63%	CBNY-GOVERNMENT OF NORWAY (Standing Proxy: Citibank Japan)	1.93%
Trust and Custody Services Bank (Securities Investment Custodial Account)	1.16%	STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Mizuho Bank)	1.51%
STATE STREET BANK AND TRUST COMPANY 505041 (Standing Proxy: HSBC, Tokyo Branch, Custody Div.)	1.05%	Trust and Custody Services Bank (Securities Investment Custodial Account)	1.08%
STATE STREET BANK AND TRUST COMPANY (Standing Proxy: HSBC, Tokyo Branch, Custody Div.)	1.05%	STATE STREET BANK AND TRUST COMPANY 505041 (Standing Proxy: HSBC, Tokyo Branch, Custody Div.)	0.98%

8. Outlook

GMO Payment Gateway considers that the business and capital partnership and the capital increase through private placement will contribute to building corporate and shareholder value; however, at this time it is not yet known what impact the transaction will have on consolidated results for the FYE9/2015. Once the impact on results is clear, it will be promptly disclosed.

9. Processes relating to the Corporate Code of Conduct

The capital increase through private placement; i. Will result in less than 25% share dilution, ii. Will not result in a change in the majority shareholder (including changes as result of the conversion or exercise of equity warrants), and therefore does not require review by an independent third party or shareholder consent under Article 432 of the Tokyo Stock Exchange Securities Listing Regulations.

10. Items relating to a Transaction with a Majority Shareholder

As GMO Internet is a subscriber in the capital increase through private placement, it is a transaction with a majority shareholder. The GMO Payment Gateway Corporate Governance Report released on January 5, 2015 states that the company will always carefully consider any business transaction with its parent company or any GMO Internet Group company, whether it is a new transaction or the continuation of an existing transaction, comparing with the conditions of transactions with third parties to ensure that transaction conditions are fair from the viewpoint of minority shareholders. Specifically, the company periodically reviews and compares conditions of transactions with third parties, and the findings are reported to a meeting of the Board of Directors that includes external Directors who are independent from the parent company.

At the GMO Payment Gateway Board of Directors meeting convened June 9, 2015, the following board members did not participate in the decision making process on the capital increase through private placement due of reasons of conflict of interest; Masatoshi Kumagai, CEO of majority shareholder, GMO Internet, Issei Ainoura, and Ryu Muramatsu who is also on the board of a GMO Internet subsidiary.

Further, GMO Internet Chief Financial Officer, Masashi Yasuda who serves on the GMO Payment Gateway Board of Auditors as an external member, also did not participate in the decision making process on the capital increase through private placement due of reasons of conflict of interest.

On June 9, 2015 the two GMO Payment Gateway auditors that do not have a conflict of interest in the transaction (Mr Suzuki and Mr Ikeda), submitted a statement to the Board of Directors expressing the opinion that the decision to execute a capital increase through private placement did not harm minority shareholders for the following reasons.

i. GMO Payment Gateway requires funds in relation to its financing services business and after considering the credit risk, the decision to raise capital through a private increase was deemed reasonable due to the need to increase shareholder equity.

ii. The company's stock price has been rising over the past six months. If the issue price was based on the average of the closing price on the previous business day, in the three months prior and the six months prior then the price would be lower than the company's current stock price. Because there have been significant fluctuations in share price, rather than set the issue price at the closing price on the day prior to the board decision, basing the price on the average price over a fixed period would offset the impact of temporary stock price fluctuations. Considering that this calculation base is objective and fair the decision to set the issue price at the average closing price in the month through to the business day prior to the board decision was reasonable.

iii. The processes surrounding the capital increase decision were fair and the result of negotiations with the subscribers on multiple occasions, and that the board members who participated in the evaluation and decision to execute the private placement had no conflict of interest in the transaction.

11. Business results and Equity Financing in the Three Most Recent Years

(1) Business Results in the Three Most Recent Years (consolidated)

	FYE 9/2012	FYE 9/2013	FYE 9/2014
Consolidated Net Sales	JPY 4,708 million	JPY 5,764 million	JPY 7,205 million
Consolidated Operating Profit	JPY 1,753 million	JPY 2,048 million	JPY 2,476 million
Consolidated Ordinary Profit	JPY 1,764 million	JPY 2,047 million	JPY 2,527 million
Consolidated Net Profit	JPY 960 million	JPY 1,217 million	JPY 1,515 million
Consolidated Net Profit per Share	JPY 28.01	JPY 35.38	JPY 43.92
Dividend per Share	JPY 19.50	JPY 24.50	JPY 30.00
Consolidated Net Assets per Share	JPY 144.25	JPY 163.12	JPY 197.15

(notes) 1. On July 1, 2012 the company executed a 200-for-1 stock split of common shares. On October 1, 2014 the company executed a 2-for1 stock split of common shares.

Consolidated Net Profit per Share, Dividend per Share and Consolidated Net Assets per Share for FYE9/2012 are presented as if the stock split had been executed on the first day of the fiscal year.

2. Shares held in the Board Incentive Plan are not treated as treasury shares in the calculation of consolidated net profit.

(2) Current No. of Outstanding Shares and Shares Underlying Convertible Securities (as of 3/31/2015)

	Number of Shares	% of Outstanding Shares
Outstanding Shares	34,549,200	100.00%
No. of shares underlying convertible securities at current conversion price	12,270	0.04%

(3) Recent Share Price

i Share Price over the Three Most Recent Years

	FYE 9/2012	FYE 9/2013	FYE 9/2014
Open (JPY)	360,000 *1,800	1,406	2,673 *1,337
High (JPY)	393,000 *1,965	2,787	6,040 *2,552
Low (JPY)	246,100 *1,231	1,224	2,630 *1,315
Close (JPY)	283,000 *1,415	2,672	4,960 *2,480

(notes) 1. A stock split was executed in FYE 9/2012. Asterisk indicates ex-rights price.

(A 200-for-1 stock split of common shares executed on July 1, 2012.)

2. A stock split was executed in FYE 9/2014. Asterisk indicates ex-rights price.

(A 2-for-1 stock split of common shares executed on October 1, 2014.)

ii Monthly trends in the most recent six months

	1/2015	2/2015	3/2015	4/2015	5/2015	6/2015
Open	2,281	2,068	2,605	2,850	3,005	3,050
High	2,342	2,670	3,075	3,495	3,245	3,185
Low	2,007	2,055	2,423	2,795	2,723	2,992
Close	2,060	2,634	2,844	3,105	3,080	3,065

(notes) June figures represent trend between June 1 and June 8, 2015.

iii. Share Price on the business day prior to the board decision

	June 8 2015
Open	3,040
High	3,115
Low	3,030
Close	3,065

(4) Equity Financing in the Three Most Recent Years

None

12. Summary of Issue

(1)	No. of new shares to be issued	2,587,300
(2)	Subscription Price	JPY 3,092 per share
(3)	Total Proceeds	JPY 7,999,931,600
(4)	Amount to be Allocated to Capital	JPY 1,546 per share
(5)	Total Amount to be Allocated to Capital	JPY 3,999,965,800
(6)	Subscription Method	Private placement
(7)	Application Dates	June 25, 2015
(8)	Issue Date	June 25, 2015
(9)	Subscribers and No. of Shares allocated	Mitsui Sumitomo Banking Corporation 1,250,800 Shares GMO Internet, Inc. 1,336,500 Shares
(10)	Other	Under the Securities and Exchange Act, the above amount is contingent on the filing of the Securities Registration Statement.

(Reference) Consolidated Results Forecast for the Current Fiscal Year (published October 31, 2014)

	Consolidated Net Sales	Consolidated Operating Profit	Consolidated Ordinary Profit	Consolidated Net Profit
Current Forecast (FYE 9/2015)	JPY 8,656 millions	JPY 2,974 millions	JPY 2,985 millions	JPY 1,797 millions
Previous Actual (FYE 9/2015)	JPY 7,205 millions	JPY 2,476 millions	JPY 2,527 millions	JPY 1,515 millions