

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

### Notice of Absorption (Simple-Form) Merger of Consolidated Subsidiary

The GMO Internet, Inc. Board of Directors agreed at a meeting convened today to merge three unlisted consolidated subsidiaries, GMO Gamepot Inc. (“GMO Gamepot”), GMO Game Center, Inc (“GMO Game Center”), and Syncloud, Inc (“Syncloud”) into parent company, GMO Internet.

Please note that certain details have been omitted as the transaction is an absorption (simple-form) merger and the target companies are consolidated subsidiaries.

#### 1. Reasons for the Merger

GMO Gamepot and GMO Game Center are the companies at the core of GMO Internet Group’s Mobile Entertainment segment, which is developing and operating online games for smartphones. Their current objective is to improve the efficiency of game development structures. Although the administrative cost is minimized if possible, expected net sales have not been achieved due to the change in external environment. With the merger, they will pursue a hit through organization restructuring of Mobile Entertainment segment and through utilizing systems that fully focus on the game development.

#### 2. Details of Merger

##### (1) Schedule

Board of Directors Resolution	October 23, 2017
Merger Contract Execution	October 23, 2017
Effective Date	December 1, 2017 (Tentative)

\*Shareholders meeting will not be held as the merger is a simple form merger pursuant to article 796 paragraph 3 of the Japanese Companies Act for GMO Internet, and a short form merger pursuant to article 784 paragraph 1 of the Japanese Companies Act for GMO Gamepot, which do not require shareholder approval of merger contract.

## (2) Form of Merger

In the absorption merger, GMO Internet will be the surviving company and the three consolidated subsidiaries will dissolve. Currently, liabilities in GMO Gamepot, GMO Game Center, and Syncloud exceed assets. Allowances for bad debts that GMO Internet has posted will be reversed at the time of the merger, so the Company expects that losses will not arise from the merger, and therefore will adopt a simple form merger procedure.

## (3) Assignment etc.

### ① GMO Gamepot

	GMO Internet (Surviving Company)	GMO Gamepot (Absorbed Company)
Allocation of Shares	1	32

#### (Note) 1. Allocation of Shares

One GMO Gamepot share will be exchanged for 32 GMO Internet shares. However, 5,693 GMO Gamepot shares that GMO Internet holds will not be exchanged for GMO Internet shares.

#### 2. Number of Shares to be Delivered in the Merger

During the merger, a total of 3,520 shares of GMO Internet common stock will be allotted to the shareholders of GMO Gamepot. No new GMO Internet shares will be issued, as GMO Internet shares will be granted to shareholders of GMO Gamepot by using shares of GMO Internet treasury stock held by GMO Internet.

### ② GMO Game Center

	GMO Internet (Surviving Company)	GMO Game Center (Absorbed Company)
Allocation of Shares	1	786

#### (Note) 1. Allocation of Shares

One GMO Game Center share will be exchanged for 786 GMO Internet shares. However, 206 GMO Game Center shares that GMO Internet holds will not be exchanged for GMO Internet shares.

#### 2. Number of Shares to be Delivered in the Merger

During the merger, a total of 11,790 shares of GMO Internet common stock will be allotted to the shareholders of GMO Game Center. No new GMO Internet shares will be issued, as GMO Internet shares will be granted to shareholders of GMO Game Center by using shares of GMO Internet

### ③ Syncloud

GMO Internet consolidated subsidiary GMO Game Center, which owns all of the outstanding shares of Syncloud, does not allot any shares or other consideration including money pertaining to the merger.

### (4) Handling of Equity Warrants and Bonds with Equity Warrants in the Absorbed Company

Not applicable

## 3. Policy of Calculation of the Allocation of Shares

### (1) GMO Gamepot

Independent third-party has calculated the stock price to ensure the objectivity of the calculation of the allocation of shares. GMO Internet common stock is listed on Tokyo Stock Exchange and GMO Internet's recent share prices have shown no abnormality. Therefore, with September 20, 2017 being the record date for calculation, the analysis for GMO Internet has been made with the closing price on the TSE on the record date for calculation, and the average closing prices for the one-month, three-month and six-month periods prior to the record date for calculation. Since common stock of GMO Gamepot is non-listed, the independent third-party has adopted DCF Analysis. The allotment ratio of shares has been determined as above considering generally the results of the above analyses.

### (2) GMO Game Center

Independent third-party has calculated the stock price to ensure the objectivity of the calculation of the allocation of shares. GMO Internet common stock is listed on Tokyo Stock Exchange and GMO Internet's recent share prices have shown no abnormality. Therefore, with September 20, 2017 being the record date for calculation, the analysis for GMO Internet has been made with the closing price on the TSE on the record date for calculation, and the average closing prices for the one-month, three-month and six-month periods prior to the record date for calculation. Since common stock of GMO Game Center is non-listed, the independent third-party has adopted DCF Analysis. The allotment ratio of shares has been determined as above considering generally the results of the above analyses.

## 4. Overview of the Surviving and Absorbed Companies

### (1) Surviving Company

		Surviving Company
(1)	Company Name	GMO Internet, Inc.
(2)	Address	26-1 Sakuragaokacho, Shibuya ku, Tokyo, JAPAN
(3)	Representative	Founder and Group CEO Masatoshi Kumagai

(4)	Business Description	Internet Infrastructure, Online Advertisement and Media, Internet Finance, and Mobile Entertainment businesses	
(5)	Capital	JPY 5.0 billion	
(6)	Date Established	May 24, 1991	
(7)	Outstanding Shares	115,944,677	
(8)	Fiscal Year End	December 31	
(9)	Major Shareholders and Ownership Ratio (June 30, 2017)	Masatoshi Kumagai Office, Inc.	30.80%
		Masatoshi Kumagai	9.87%
		Japan Trustee Services Bank, Ltd. (Custodial Account)	4.53%
(10)	Financial Condition and Operating Results in the Most Recent Fiscal Year		
	Fiscal Term	FYE12/2016 (consolidated)	
	Net Assets	JPY 66,179 million	
	Total Assets	JPY 588,819 million	
	Net Assets per Share	JPY 340.92	
	Net Sales	JPY 135,026 million	
	Operating Profit	JPY 17,017 million	
	Ordinary Profit	JPY 16,686 million	
	Net Profit Attributable to Shareholders of the Parent Company	JPY 7,234 million	
	Net Profit per Share	JPY 62.26	

## (2) Absorbed Companies

		Absorbed Companies		
(1)	Company Name	GMO Gamepot Inc.	GMO Game Center, Inc	Syncloud, Inc
(2)	Address	26-1 Sakuragaokacho, Shibuya ku, Tokyo, JAPAN		
(3)	Representative	CEO Naoto Hattori	CEO Naoto Hattori	CEO Soichiro Iwata
(4)	Business Description	Mobile Entertainment business		
(5)	Capital	JPY 100 million	JPY 100 million	JPY 9 million
(6)	Date Established	May 17, 2001	June 1, 2011	June 4, 2010
(7)	Outstanding Shares	5,803	221	1,750
(8)	Fiscal Year End	December 31		
(9)	Ownership Ratio (June 30, 2017)	GMO Internet, Inc. 98.1% GMO Media Inc. 1.9%	GMO Gamepot Inc. 93.2% GMO Pepabo, Inc. 2.7%	GMO Game Center, Inc 100%

			GMO NIKKO Inc. 2.3%	
			GMO Media Inc. 1.8%	
(10)	Financial Condition and Operating Results in the Most Recent Fiscal Year			
Fiscal Term	FYE12/2016 (non-consolidated)	FYE12/2016 (non-consolidated)	FYE12/2016 (non-consolidated)	FYE12/2016 (non-consolidated)
Net Assets	-JPY 340 million	-JPY 4,799 million	-JPY 60 million	-JPY 60 million
Total Assets	JPY 425 million	JPY 892 million	JPY 28 million	JPY 28 million
Net Assets per Share	-	-	-	-
Net Sales	JPY 939 million	JPY 879 million	JPY 152 million	JPY 152 million
Operating Profit	-JPY 142 million	-JPY 276 million	-JPY 22 million	-JPY 22 million
Ordinary Profit	-JPY 152 million	-JPY 297 million	-JPY 22 million	-JPY 22 million
Net Profit Attributable to Shareholders of the Parent Company	-JPY 299 million	-JPY 949 million	-JPY 24 million	-JPY 24 million
Net Profit per Share	-JPY 51,673.29	-JPY 4,297,480.42	-JPY 14,035.79	-JPY 14,035.79

## 5. Status after Merger

There will be no change in company name, address, executive roles, business operations or capital as a result of the merger.

## 6. Outlook

The merger has limited impact on the consolidated earnings as the transaction is an absorption merger and the target companies are consolidated subsidiaries.