

GMO Payment Gateway

As a payment service provider, the first in Japan to start bitcoin payment services.

~Through a partnership with bitFlyer Inc., immediate payment of bitcoins will become possible ~

Tokyo – September 22, 2014 –GMO Internet Group non-face-to-face payment processing company, GMO Payment Gateway Inc. (TSE1:3769), has determined to make a capital investment in bitFlyer Inc. (Head office: Tokyo, Chiyoda ward, Chief Executive Officer: Yuzou Kano hereinafter bF Inc.). A capital alliance will be formed during September, and as a payment operator we will be the first in Japan to commence payment services with bitcoins. By November 2014, we plan to start providing services.

GMO-PG, will be providing “bitcoin payment” services to e-commerce businesses as a new payment method.

【Background and Overview】

The bitcoin is a form of virtual currency that has circulated on the internet, and is capable of P2P (*1) transactions without the involvement of intermediary institutions such as a banks. Also, as it is possible to reduce commissions, it can be widely used among individuals and corporations as an alternative for payment on e-commerce sites and international remittances, as well as standard payment methods such as bank transfers.

In recent years, within the global bitcoin market, the number of wallets (electronic wallets), required for bitcoin transactions, has multiplied by 7 fold to 5.32 million wallets within the period of 1 year from June 2013 to June 2014, and continues to increase as it is expected to reach 8 million wallets by the end of 2014.

In the overseas front, mainly major companies such as the PC manufacturer and distributor, Dell Inc., the travel reservation site, Expedia, Inc., blog software provider WordPress.org and 63,000 businesses globally handle bitcoin payments. (As of June 2014)

On the other hand in Japan, in the Liberal Democratic Party’s IT Strategy special committee held on June 19th, 2014, the bitcoin was considered to be “an element that will create new innovation in business” so existing laws are not applied. It is considered to be a “record with value” that is neither a “currency” nor a “commodity” and is expected to proliferate in the future.

However, the awareness of bitcoins in Japan is still low, and with limited history of use, there are more than a few consumers and businesses that have concerns and worries over payment with bitcoins that lacks physical substance. In addition, as the approval of bitcoin transactions, payments and remittances, requires approximately 10 minutes and immediate payment is not possible, currently e-commerce businesses are finding it difficult to adopt it as a means of payment for online shopping.

Against this background, in order to provide e-commerce businesses with “bitcoin payment” that can be used

by consumers and businesses worry free and conveniently, GMO-PG has decided to establish a business and capital alliance with bF Inc. that offers a bitcoin platform.

Within "bitcoin payment", immediate payment of bitcoins is possible through the use of bF Inc's bitcoin platform, and similar to existing payment methods, purchasers are able to make payments with bitcoins without feeling any uneasiness (* 4). Also, GMO-PG, which has a track record of providing services for more than 19 years in the BtoC e-commerce market, and as the only domestic company specializing in the field of payment that is listed on the first section of the Tokyo Stock exchange, will be providing consumers and business a worry free "bitcoin payment" environment.

Going forward, GMO-PG will support the proliferation of "virtual currency" starting with the bitcoin.

(*1) Acronym for "peer to peer", which is a network system where connected computers directly transmit between each other, without going through a specialized client server

(*2) Reference: CoinDesk "State of Bitcoin Q2 2014 Report Reveals Expanding Bitcoin Economy"

(*3) In Japan, the Liberal Democratic Party has indicated that the bitcoin is not a virtual currency, but rather defined it as a "record of value". However, in this press release, we have referred to it as a "virtual currency" in order to facilitate understanding

(*4) Limited to consumers which hold bitcoins with bF, Inc. (As of September 22nd, 2014) In the future, we plan to expand our services so that it applies to consumers that hold bitcoins with parties other than bF Inc.

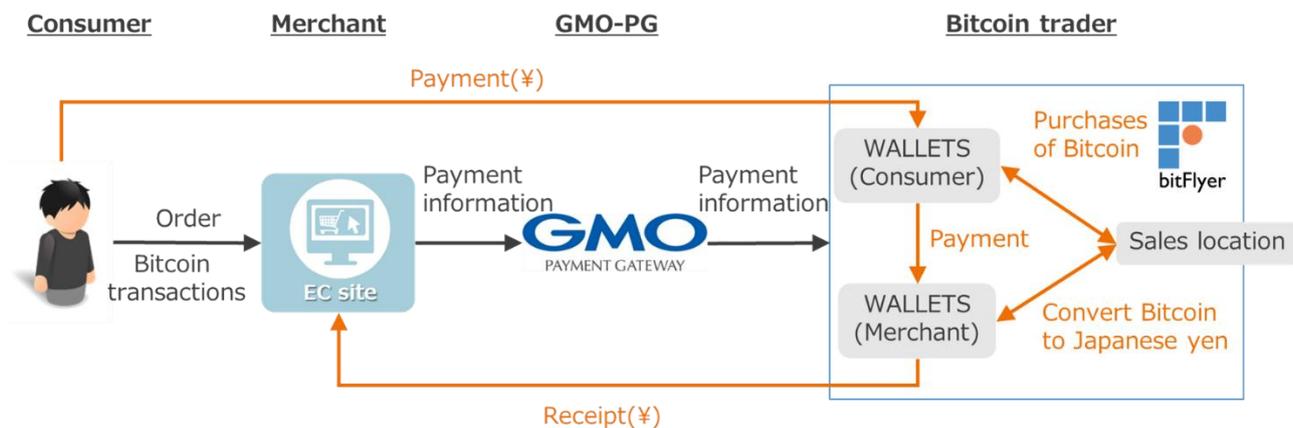
【About GMO-PG's "Bitcoin payment"】

The bitcoin is a virtual currency that is recorded within a network of computer terminals involved in mining (※a) upon the validation of transactions.

In order for consumers and businesses to utilize bitcoins, first a wallet (※b) is created, the currency is converted to bitcoins through the "exchange" or "sales locations" (※c), and the bitcoins need to be placed in the wallet. Upon the execution of the transaction, the remittance and deposit is made via each of the wallets, but the bitcoin transaction is established based on mining where the transition, payment, and remittance is completed through recording keeping every 10 minutes. As the mining process is designed to be completed in approximately 10 minutes on average, the approval of the bitcoin transaction, payment, remittance is considered to take approximately 10 minutes, and this is one of the difficulties in adopting it as a payment method for online shopping, where immediate payment is required.

In the "bitcoin payment" offered by GMO-PG, the payment between the association of member stores and the consumers is finalized within bF's platform. When a deposit is made as an advanced payment, immediate payment is possible, and 10 minutes is not required.

In addition, based on supply and demand, bitcoin transactions will result in market fluctuation. However, as the "bitcoin payment" provided by GMO-PG has an option (free of charge) available to avoid the risk of market fluctuation of associated member stores, they can used without worry by the association of member stores.



<Image of the “bitcoin payment” flow offered by GMO-PG>

■ Explanation of Terms

(※a) Mining	Verification of the accuracy of transaction (payments, remittances) data of bitcoins within the same timeframe, by specialized businesses and individuals around the world. The first business or individual that has validated the accuracy is paid. (It is also called “saikutsu” in Japanese.)
(※b) Wallet	The electronic wallet used when saving bitcoins or executing transactions. The wallet contains a “public key” and a “private key” used for the encryption and recovery of data. The public key serves as the account number and the private key serves as the PIN number, and they are required when remitting and receiving bitcoins.
(※ c) Exchange, Sales Location	The exchange intermediates the buying and selling of bitcoins between customers and “sales locations” are where bit coins are acquired on own accounts, and buying and selling is executed using own buy/sell rates.

About bitFlyer, Inc.

bitFlye, founded in January 2014, is a company that manages a general integrated platform in order to buy-sell, and settle “bitcoins” which is virtual currency that circulates over the internet. It is the largest bitcoin company and is a representative of the board of directors for Japan Authority of Digital Assets (JADA.). The management is from overseas financial organizations and provides a safe and worry free bitcoin platform that focuses on security.

About GMO Payment Gateway

GMO Payment Gateway, Inc. is a non-face-to-face payment processing service provider offering solutions including online transaction processing for online stores, social and smartphone content sellers, and processing of recurring payments NHK television license fees. The company also provides dedicated payment solutions for public institutions including Japan Pension Service and Tokyo Metropolitan Government. Our services are safe and convenient for both business and the consumer. As the largest payment processing service in Japan, GMO Payment Gateway is an innovation leader and key contributor to the growth and development e-commerce.

Related Links

- bitFlyer, Inc. URL : <https://bitflyer.jp/>
- GMO-PG URL : <http://corp.gmo-pg.com/>
- GMO-PG Services URL : <http://www.gmo-pg.com/>

Press Inquiries

GMO Payment Gateway Inc.
Corporate Value Creation Planning Office
TEL: +81-3-3464-0182
Email: ir@gmo-pg.com

Service Inquiries

GMO Payment Gateway Inc.
Innovation Partners Division
TEL: +81-3-3464-2323
Email: info@gmo-pg.com

GMO Internet Group
Group Public / Investor Relations
TEL: +81-3-5456-2695
Email: pr@gmo.jp

Copyright (C) 2014 GMO Payment Gateway, Inc. All Rights Reserved.