

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2021 (Based on Japanese GAAP)

August 5, 2021

Company name:	BASE, Inc.
Stock exchange listing:	Tokyo
Stock code:	4477 URL https://binc.jp/en
Representative:	Representative Director and CEO Yuta Tsuruoka
Inquiries:	Director, Senior Executive Officer and CFO Ken Harada TEL 03(6441)2075
Scheduled date to file Quarterly Securities Report:	August 5, 2021
Scheduled date to commence dividend payments:	—
Preparation of supplementary material on quarterly financial results:	Yes
Holding of quarterly financial results meeting:	Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Consolidated financial results for the Six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative) (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2021	4,684	27.2	(270)	—	(273)	—	(246)	—
Six months ended June 30, 2020	3,681	118.2	612	—	613	—	503	—

(Note) Comprehensive Income (millions of yen)

Six months ended June 30, 2021: (243) (−%) Six months ended June 30, 2020: 503 (−%)

	Earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended June 30, 2021	(2.24)	—	—	—
Six months ended June 30, 2020	4.94	4.55	4.55	4.55

(Notes) 1. Despite the existence of potential shares in the fiscal year ended June 30, 2021, diluted earnings per share are not indicated because net loss per share was recorded.

2. The Company conducted a stock split as of April 1, 2021, whereby each ordinary share was split into 5 shares. The afore-mentioned calculation of earnings per share and diluted earnings per share are based on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2020.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2021	28,703		16,042		55.9	
As of December 31, 2020	28,505		16,217		56.9	

(Reference) Equity (millions of yen) As of June 30, 2021: 16,042. As of December 31, 2020: 16,217

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Year ended December 31, 2020	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Year ending December 31, 2021	—	0.00	—	—	—
Year ending December 31, 2021 (Forecast)	—	—	—	0.00	0.00

(Note) Revisions to most recent dividend forecast: None

3. Forecast of consolidated financial results for the year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full year	9,750 ~10,536	17.6 ~27.1	(1,433) ~(929)	—	(1,433) ~(929)	—	(1,437) ~(933)	—	(13.10) ~(8.51)	

(Notes) 1. Revisions to most recent consolidated results forecast: None

2. The Company conducted a stock split as of April 1, 2021, whereby each ordinary share was split into 5 shares. The afore-mentioned calculation of earnings per share is based on the assumption that the stock split was conducted at the beginning of the fiscal year ending

December 31, 2021.

4. Notes

(1) Changes in significant subsidiaries during the Six months ended June 30, 2021
(changes in specified subsidiaries resulting in the change in scope of consolidation):
New: – (), Exclusion: – () No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
Changes in accounting policies due to revisions to accounting standards and other regulations: No
Changes in accounting policies due to other reasons: No
Changes in accounting estimates: No
Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2021	110,828,749 shares	As of December 31, 2020	109,697,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2021	– shares	As of December 31, 2020	– shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2021	110,112,999 shares	Six months ended June 30, 2020	102,098,219 shares
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(Note) The Company conducted a stock split as of April 1, 2021, whereby each ordinary share was split into 5 shares. The afore-mentioned calculation of total number of issued shares at the end of the period (including treasury shares) and average number of shares during the period (cumulative from the beginning of the fiscal year) are based on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2020.

*The summary of quarterly financial results is not subject to a quarterly review by a certified public accountant or an auditing firm.

*Explanation on the appropriate use of business forecasts and other special matters

(Notice regarding forward-looking statements, etc.)

Forward-looking statements or projections contained in this document are based on information that the Company has at the present time and certain premises that the Company deems reasonable. Such forward-looking statements are not intended to represent a commitment on the part of the Company to achieve them. Also, actual results may differ significantly due to various factors. Please see the "1. Qualitative information on results for the six months ended June 30, 2021 (3) Overview of forecast of operating results including consolidated financial results" on page 3 of the attached document for the conditions that form the basis of earnings forecasts and cautions for using earnings forecasts.

(Access to supplementary information on quarterly financial results and contents of quarterly financial results briefing)

The Company plans to hold a briefing for institutional investors and analysts on Thursday, August 5, 2021. We plan to post on the Company website the materials for results briefing, which will be used on that day.

(Changing units of amount)

The amounts of accounts and other items for our quarterly consolidated financial statements have been previously stated in units of thousands of yen. However, they have been changed to be stated in units of millions of yen from the first quarter of consolidated fiscal year ending December 31, 2021 and the three months ended March 31, 2021. For ease of comparison, figures for the previous consolidated fiscal year and the six months ended June 30, 2020 are also indicated in units of millions of yen.

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1. Qualitative information on results for the six months ended June 30, 2021

(1) Overview of operating results

Advocating "Payment to the People, Power to the People." as its mission, the Group of the Company (hereinafter, "the Group") actively operates the BASE business providing e-commerce platforms BASE, and the PAY business providing PAY.JP, online payment services and PAY ID, payment services and through these services, the Group focuses on empowering MSMB (Micro, Small and Medium Businesses) and supporting start-up businesses.

In the cumulative 2nd quarter of the fiscal year under review, although vaccinations for COVID-19 started, the future remains uncertain. In this business environment, in order to achieve sustainable growth over the medium to long term, the BASE business continues to strive for aggressive marketing targeting MSMB, and to expand functions to improve the convenience of shop operations. In the PAY business, the Group is striving to expand the number of member stores by strengthening its products with the aim of creating online payment functions that are simpler and easier to implement and operate, targeting start-up companies and venture companies.

As a result of the above, our Group's consolidated net sales for the cumulative 2nd quarter of the fiscal year under review were ¥4,684 million (27.2% increase year on year), operating loss was ¥270 million (operating profit of ¥612 million in the same period of the previous year), ordinary loss was ¥273 million (ordinary profit of ¥613 million in the same period of the previous year), and loss attributable to owners of parent was ¥246 million (profit attributable to owners of parent of ¥503 million in the same period of the previous year).

The results of the segments are as follows.

A) BASE Business

In the BASE business for the cumulative 2nd quarter of the fiscal year under review, in order to achieve continuous business growth, we continued to improve promotion of TVCM, web marketing and other activities, with the aim of improving service awareness and promoting the opening of new shops. As a result, in May 2021, the cumulative number of shops opened exceeded 1.5 million, and the number of active shops per month increased significantly.

In addition, we have expanded the functions to make it easier for MSMB to run shops, such as the "Add Page App" that allows you to easily add pages to online shops and freely express the attractiveness of brands and products. In addition, we have focused on expanding and enhancing functions to improve the operational efficiency of large-scale shops, such as the "Smaregi Inventory Linkage App," which enables centralized management of inventory for both brick-and-mortar shops and online shops through a service linkage with the cloud POS register "Smaregi" operated by Smaregi, Inc., gaining continuous use by our existing customers.

In the cumulative 2nd quarter of the previous fiscal year, the gross merchandise volume grew significantly due to an increase in demand for the opening of online shops and the shift of consumers to e-commerce in response to the spread of COVID-19. In the cumulative 2nd quarter of the fiscal year under review, sales of hygiene products such as masks and disinfectants decreased, which decreased the impact of COVID-19, but gross merchandise volume grew owing to an increase in the number of active shops per month.

As a result, the gross merchandise volume during the cumulative 2nd quarter of the fiscal year under review, was ¥53,872 million (order base), ¥50,264 million (settlement base), and was 23.6% increase (order base) and 30.3% increase (settlement base) from the same period of the previous year.

While net sales and gross profit on sales for the cumulative 2nd quarter of the fiscal year under review increased as a result of growth in gross merchandise volume, the take rate decreased mainly due to a decrease in purchaser fees. The decrease in purchaser fees was due to a change in the composition ratio of means of settlement and an increase in settlement unit prices. In addition to a decrease in the take rate, an increase in the cost of sales ratio resulted in a decrease in the gross profit margin. The increase in the cost of sales ratio was due to a change in the composition of means of settlement.

As a result of the above, net sales were ¥4,027 million (22.9% increase year on year) and segment loss was ¥104 million (segment profit of ¥774 million in the same period of the previous year).

B) PAY Business

In the PAY business, the Group provides online settlement services "PAY.JP" and identity settlement services "PAY ID". In the cumulative 2nd quarter of the fiscal year under review, the gross merchandise volume grew significantly to ¥24,284 million (63.6% increase year on year) owing to the growth of existing member stores.

As a result of the above, net sales were ¥639 million (63.0% increase year on year) and segment loss was ¥35 million (segment loss of ¥52 million in the same period of the previous year).

C) Other Businesses

In other businesses, the Group provides services such as YELL BANK, which provides business funds to online shop operators using BASE. The number of its users has been steady since the service was launched in December 2018.

As a result of the above, net sales were ¥17 million (31.7% increase year on year) and segment loss was ¥34 million (segment loss of ¥24 million in the same period of the previous year).

(2) Overview of Financial Position

(Assets)

Total assets as of the end of the 2nd quarter of the fiscal year under review were ¥28,703 million, an increase of ¥198 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥437 million in accounts receivable – trade, while an increase of ¥756 million in cash and deposits.

(Liabilities)

Liabilities as of the end of the 2nd quarter of the fiscal year under review were ¥12,661 million, an increase of ¥373 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥206 million in income taxes payable included in other due to payment of income taxes, while an increase of ¥418 million in accounts payable - trade, and ¥253 million in deposits received.

(Net assets)

Net assets as of the end of the 2nd quarter of the fiscal year under review were ¥16,042 million, a decrease of ¥175 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥246 million in retained earnings resulting from recording of loss attributable to owners of parent.

(Cash flow status)

Cash and cash equivalents as of the end of the 2nd quarter of the fiscal year under review (hereinafter “Cash flows”) were ¥23,027 million, an increase of ¥756 million from the end of the previous fiscal year. A summary of cash flows and their factors for the cumulative 2nd quarter of the fiscal year under review are as follows:

(Cash flows from operating activities)

Cash flows provided by operating activities amounted to ¥756 million (¥2,611 million in the same period of the previous fiscal year). The main factors for the increase were a decrease in accounts receivable - trade of ¥437 million, an increase in accounts payable - trade of ¥418 million, and an increase in deposits received of ¥253 million. The main factors for the decrease were posting of loss before income taxes of ¥273 million and payment of income taxes of ¥131 million.

(Cash flows from investing activities)

Cash flows used in investing activities was ¥12 million (¥24 million in the same period of the previous fiscal year). This decrease resulted mainly from purchases of property, plant and equipment of ¥11 million.

(Cash flows from financing activities)

Cash flows provided by financing activities amounted to ¥12 million (¥1 million in the same period of the previous fiscal year). This was due to proceeds of ¥12 million from the issuance of new shares resulting from exercise of share acquisition rights.

(3) Overview of forecast of operating results including consolidated financial results

The consolidated earnings forecast for the fiscal year ending December 2021 remains unchanged from the content announced on February 10, 2021.

Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	22,271	23,027
Accounts receivable - trade	4,971	4,533
Other	512	363
Allowance for doubtful accounts	(62)	(77)
Total current assets	27,693	27,847
Non-current assets		
Property, plant, and equipment	120	113
Intangible assets	3	4
Investments and other assets	688	737
Total non-current assets	811	855
Total assets	28,505	28,703
Liabilities		
Current liabilities		
Accounts payable - trade	8,989	9,407
Deposits received	2,589	2,842
Provision for Chargeback	10	1
Other	634	346
Total current liabilities	12,224	12,598
Non-current liabilities		
Other	63	62
Total non-current liabilities	63	62
Total liabilities	12,287	12,661
Net assets		
Shareholders' equity		
Capital stock	8,513	8,548
Capital surplus	7,323	7,358
Retained earnings	380	134
Total shareholders' equity	16,218	16,040
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	1
Total accumulated other comprehensive income	(0)	1
Total net assets	16,217	16,042
Total liabilities and net assets	28,505	28,703

(2) Consolidated statement of income and comprehensive income

Consolidated statement of income

(Six months ended June 30, 2021)

	Six Months Ended June 30, 2020 (from January 1, 2020 to June 30, 2020)	Six Months Ended June 30, 2021 (from January 1, 2021 to June 30, 2021)	(Million yen)
Net sales	3,681	4,684	
Cost of sales	1,425	1,992	
Gross profit	2,256	2,691	
Selling, general, and administrative expenses	1,644	2,961	
Operating profit (loss)	612	(270)	
Non-operating income			
Interest income	0	0	
Lecturer's fee income	0	0	
Sponsorship money income	0	—	
Subsidy income	—	0	
Other	0	0	
Total non-operating income	1	1	
Non-operating expenses			
Share issuance costs	—	3	
Commitment fees	—	2	
Total non-operating expenses	—	5	
Ordinary profit (loss)	613	(273)	
Profit (loss) before income taxes	613	(273)	
Income taxes	109	0	
Refund of income taxes for prior periods	—	(27)	
Net profit (loss)	503	(246)	
Profit (loss) attributable to owners of parent	503	(246)	

Consolidated statement of comprehensive income

(Six months ended June 30, 2021)

	Six Months Ended June 30, 2020 (from January 1, 2020 to June 30, 2020)	Six Months Ended June 30, 2021 (from January 1, 2021 to June 30, 2021)	(Million yen)
Net profit (loss)	503	(246)	
Other comprehensive income			
Valuation difference on available-for-sale securities	—	2	
Total other comprehensive income	—	2	
Comprehensive income	503	(243)	
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	503	(243)	

(3) Quarterly consolidated statement of cash flows

	Six Months Ended June 30, 2020 (from January 1, 2020 to June 30, 2020)	Six Months Ended June 30, 2021 (from January 1, 2021 to June 30, 2021)	(Million yen)
Cash flows from operating activities			
Profit (loss) before income taxes	613	(273)	
Depreciation	20	18	
Share-based remuneration expenses	—	2	
Increase (decrease) in allowance for doubtful accounts	(0)	15	
Increase (decrease) in provision for chargeback	—	(8)	
Interest income	(0)	(0)	
Share issuance costs	—	3	
Increase (decrease) in accounts receivable - trade	(1,524)	437	
Increase (decrease) in accounts payable - trade	4,756	418	
Increase (decrease) in deposits received	(1,143)	253	
Other, net	(107)	22	
Subtotal	2,614	887	
Interest income received	0	0	
Income taxes paid	(2)	(131)	
Net cash provided by operating activities	2,611	756	
Cash flows from investing activities			
Purchase of property, plant, and equipment	(22)	(11)	
Purchase of intangible assets	(2)	(1)	
Net cash provided by investing activities	(24)	(12)	
Cash flows from financing activities			
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1	12	
Net cash provided from financing activities	1	12	
Net increase (decrease) in cash and cash equivalents	2,588	756	
Cash and cash equivalents at beginning of period	7,195	22,271	
Cash and cash equivalents at end of period	9,783	23,027	

(4) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information etc.)

Segment Information

Consolidated six months ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

1. Information on the amount of net sales and profit or loss of each reportable segment

(Million yen)

	Reportable segment				Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY Business	Other Business	Total		
Net sales						
Net sales to external customers	3,276	392	13	3,681	—	3,681
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	3,276	392	13	3,681	—	3,681
Segment profit (loss)	774	(52)	(24)	698	(86)	612

(Notes) 1. Reconciliations of segment profit (loss) of ¥(86) million are for corporate expenses that are not allocated to any reportable segment.

Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segment.

2. Segment profit (loss) has been adjusted with operating profit stated in the quarterly consolidated statement of income.

Consolidated six months ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

1. Information on the amount of net sales and profit or loss of each reportable segment

(Million yen)

	Reportable segment				Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY Business	Other Business	Total		
Net sales						
Net sales to external customers	4,027	639	17	4,684	—	4,684
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	4,027	639	17	4,684	—	4,684
Segment loss	(104)	(35)	(34)	(174)	(95)	(270)

(Notes) 1. Reconciliations of segment loss of ¥(95) million are for corporate expenses that are not allocated to any reportable segment. Corporate

expenses are mainly general and administrative expenses that are not attributable to any reportable segment.

2. Segment loss has been adjusted with operating loss stated in the quarterly consolidated statement of income.