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Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2020 (Based on Japanese GAAP)

November 13, 2020

Company name: BASE, Inc.
 Stock exchange listing: Tokyo
 Stock code: 4477 URL <https://binc.jp/en>
 Representative: Representative Director and CEO Yuta Tsuruoka
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 Scheduled date to file Quarterly Securities Report: November 13, 2020
 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 Nine months ended September 30, 2020 (from January 1, 2020 to September 30, 2020)

(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	%
Nine months ended September 30, 2020	5,996	119.6	1,146	–	1,148	–	949	–
Nine months ended September 30, 2019	2,730	–	(280)	–	(279)	–	(283)	–

(Note) Comprehensive Income (millions of yen)

Nine months ended September 30, 2020: 949 (–%) Nine months ended September 30, 2019: (283) (–%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2020	46.47	42.81
Nine months ended September 30, 2019	(30.60)	–

(Notes) 1. Our company has disclosed results for the 3rd quarter for the year ended December 2019, and therefore, the percentage change from the same quarter of the previous fiscal year for the 3rd quarter of the year ended December 2019 is not shown.

2. We made a stock split on August 31, 2019 at the rate of 400 shares per 1 share of common stock. Net loss per share is calculated by assuming that the stock split was carried out at the beginning of the previous fiscal year.

3. Diluted net income per share for the 3rd quarter of the year ended December 2019 is not presented because the Company's stock, despite the existence of potential shares, is unlisted and the average stock price during the fiscal year is unknown, and because diluted net income per share is a quarterly net loss per share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	15,026	4,110	27.4
As of December 31, 2019	10,458	3,158	30.2

(Reference) Equity (millions of yen) As of September 30 2020: 4,110. As of December 31, 2019: 3,158.

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2019	–	0.00	–	0.00	0.00
Year ending December 31, 2020	–	0.00	–		
Year ending December 31, 2020 (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, 2020 (from January 1, 2020 to December 31, 2020)

(% 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	7,520	95.3	0	—	0	—	(55)	—	(2.72)
	~8,100	~110.4	~500		~500		~394		~19.30

(Note) Revisions to most recent consolidated results forecast: None

4. Notes

(1) Changes in significant subsidiaries during the Nine months ended September 30, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation):
New: — (), Exclusion: — ()

(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 September 30, 2020	20,449,400shares	As of December 31, 2019	20,413,800shares
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Number of treasury shares at the end of the period

As of September 30, 2020	— shares	As of December 31, 2019	— shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2020	20,427,532shares	Nine months ended September 30, 2019	9,256,945shares
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(Note) We made a stock split on August 31, 2019 at the rate of 400 shares per 1 share of common stock. Average number of shares during the period (cumulative from the beginning of the fiscal year) is calculated by assuming that the stock split was carried out at the beginning of the previous fiscal year.

*The summary of quarterly financial results are 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 nine months ended September 30, 2020 (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 Friday, November 13, 2020. We plan to post on the Company website the materials for results briefing, which will be used on that day.

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1. Qualitative information on results for the nine months ended September 30, 2020

(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 SMB (Small and Medium Businesses) and supporting start-up businesses.

In the 2nd quarter of the fiscal year, demand in the EC market surged due to the acceleration of nesting consumption, shop support consumption, and an online shift of brick-and-mortar stores in line with the spread of infections of the novel coronavirus. During the 3rd quarter of the fiscal year under review, temporary demand in line with the voluntary restraint on going out decreased, but growth of the EC market continued at a high level. In this business environment, the BASE business is striving to improve long-term usage and LTV (Lifetime Value) by making active investments to accelerate the opening of new shops, developing functions to promote wider use of the business, and expanding services to support the growth of shops that continue to use the business, such as enhancement of extended functions. In the PAY business, we are promoting marketing activities targeting startups and venture companies, strengthening products, and striving to expand the number of member stores.

As a result of the above, our Group's consolidated net sales for the cumulative 3rd quarter of the fiscal year under review were ¥5,996,858 thousand (119.6% increase year on year), operating profit was ¥1,146,988 thousand (operating loss of ¥280,312 thousand in the same period of the previous year), ordinary income was ¥1,148,517 thousand (ordinary loss of ¥279,638 thousand in the same period of the previous year), and profit attributable to owners of parent was ¥949,258 thousand (loss attributable to owners of parent of ¥283,304 thousand in the same period of the previous year).

The results of the segments are as follows.

A) BASE Business

In the BASE business, even after the declaration of a state of emergency, the number of newly opened shops continued to increase at a higher level than the same period of the previous fiscal year. COVID-19-related consumption declined in part, but the total value of distribution has remained at a high level. In addition, the Group enhanced its services to support the growth of stores that continue to use our services, such as linking with external services that support everything from manufacturing to merchandise shipment, strengthening expansion functions to sell merchandise to more fans such as merchandise option apps, and accelerating cash flow. As a result, the gross merchandise volume during the 3rd quarter of the fiscal year under review was ¥68,994,167 thousand (order base), ¥63,228,435 thousand (settlement base), and was up 124.4% (order base) and up 133.7% (settlement base) from the same period of the previous year.

As a result of the above, net sales were ¥5,337,601 thousand (up 135.4% year on year) and segment income was ¥1,376,563 thousand (segment loss of ¥36,137 thousand in the same period of the previous year).

B) PAY Business

In the PAY business, the Group provides online settlement service "PAY.JP" and identity settlement service "PAY ID". During the 3rd quarter of the fiscal year under review, the number of registered member stores remained strong, with the gross merchandise volume reaching ¥24,261,888 thousand (up 42.7% year on year).

As a result, net sales were ¥639,856 thousand (up 39.0% year on year) and segment loss was ¥72,128 thousand (segment loss of ¥103,237 thousand 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 Internet shop operators using BASE. The number of its users has been steady since the service was launched in December 2018.

As a result, net sales were ¥19,401 thousand (up 524.6% year on year) and segment loss was ¥31,172 thousand (segment loss of ¥39,800 thousand in the same period of the previous year).

(2) Overview of Financial Position

(Assets)

Total assets as of the end of the 3rd quarter of the fiscal year under review were ¥15,026,714 thousand, an increase of ¥4,567,913 thousand from the end of the previous fiscal year. This was mainly due to an increase of ¥3,653,982 thousand in cash and deposits and an increase of ¥889,062 thousand in accounts receivable.

(Liabilities)

Liabilities as of the end of the 3rd quarter of the fiscal year under review were ¥10,916,483 thousand, an increase of ¥3,615,994 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥1,086,685 thousand in operating deposits received, an increase of ¥3,992,549 thousand in operating accounts payable, an increase of ¥500,000 thousand in short-term borrowings and an increase of ¥193,271 thousand in income taxes payable.

(Net assets)

Net assets as of the end of the 3rd quarter of the fiscal year under review were ¥4,110,231 thousand, an increase of ¥951,918 thousand from the end of the previous fiscal year. This was mainly due to an increase of ¥949,258 thousand in retained earnings due to the recording of profit attributable to owners of parent. Based on the Board of Directors' meeting held on February 20, 2020, the Company reduced capital surplus by ¥1,130,856 thousand and transferred the amount to retained earnings in order to eliminate accumulated loss at an early date and enable realization of a flexible and expeditious capital policy for the future.

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

Regarding the forecast of consolidated financial results for the ending December 31, 2020, although results for the 3rd quarter are higher than the forecast published on August 14, 2020, the forecast remains unchanged due to the large-scale promotion scheduled for the final quarter.

2. Quarterly consolidated financial statements and main noted items.

(1) Quarterly consolidated balance sheets

(Thousand yen)

	As of December 31, 2019	As of September 30 2020
Assets		
Current assets		
Cash and deposits	7,195,414	10,849,397
Accounts receivable - other	2,804,308	3,693,370
Other	112,584	133,388
Allowance for doubtful accounts	(47,448)	(41,400)
Total current assets	10,064,859	14,634,756
Non-current assets		
Property, plant and equipment	122,494	126,146
Intangible assets	2,209	3,479
Investments and other assets	269,238	262,333
Total non-current assets	393,942	391,958
Total assets	10,458,801	15,026,714
Liabilities		
Current liabilities		
Short-term borrowings	—	500,000
Income taxes payable	25,466	218,738
Operating accounts payable	3,918,629	7,911,178
Operating deposits received	3,002,191	1,915,506
Other	297,915	306,941
Total current liabilities	7,244,203	10,852,365
Non-current liabilities		
Other	56,284	64,118
Total non-current liabilities	56,284	64,118
Total liabilities	7,300,488	10,916,483
Net assets		
Shareholders' equity		
Capital stock	2,275,957	2,277,203
Deposit for subscriptions to shares	—	168
Capital surplus	2,216,838	1,087,228
Retained earnings	(1,334,482)	745,632
Total shareholders' equity	3,158,313	4,110,231
Total net assets	3,158,313	4,110,231
Total liabilities and net assets	10,458,801	15,026,714

(2) Consolidated statement of income and comprehensive income**Consolidated statement of income**

(Nine months ended September 30, 2020)

	(Thousand yen)	
	Nine Months Ended September 30, 2019 (from January 1, 2019 to September 30, 2019)	Nine Months Ended September 30, 2020 (from January 1, 2020 to September 30, 2020)
Net sales	2,730,813	5,996,858
Cost of sales	1,143,850	2,347,015
Gross profit	1,586,963	3,649,843
Selling, general and administrative expenses	1,867,275	2,502,855
Operating profit (loss)	(280,312)	1,146,988
Non-operating income		
Interest income	39	64
Lecture's fee income	2,200	1,036
Late charges income	1,085	—
Sponsorship (money) income	—	510
Other	324	485
Total non-operating income	3,648	2,097
Non-operating expenses		
Share issuance cost	175	175
Listing expenses	2,800	—
Commitment fee	—	382
Other	—	10
Total non-operating expenses	2,975	567
Ordinary profit (loss)	(279,638)	1,148,517
Profit (loss) before income taxes	(279,638)	1,148,517
Income taxes	3,666	199,259
Net Profit (loss)	(283,304)	949,258
Profit (loss) attributable to owners of parent	(283,304)	949,258

Consolidated statement of comprehensive income

(Nine months ended September 30, 2020)

(Thousand yen)

	Nine Months Ended September 30, 2019 (from January 1, 2019 to September 30, 2019)	Nine Months Ended September 30, 2020 (from January 1, 2020 to September 30, 2020)
Net profit (loss)	(283,304)	949,258
Comprehensive income	(283,304)	949,258
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(283,304)	949,258

(3) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable.

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

Reduction of capital reserves and appropriation of surplus

(1) As of February 20, 2020, pursuant to Article 448, paragraph 1 of the Companies Act, capital reserves were partially reduced and transferred to other capital surplus.

1) The amount of decrease in the reserves

Capital reserves of ¥1,130,856 thousand

2) The amount of Increase in the surplus

Other capital surplus ¥1,130,856 thousand

(2) Pursuant to Article 452 of the Companies Act, the Company reduced the total amount of other capital surplus after the transfer of capital reserves described above, and transferred them to retained earnings carried forward to compensate for the loss of retained earnings carried forward.

1) The amount of decrease in the surplus

Other capital surplus ¥1,130,856 thousand

2) The amount of Increase in the surplus

Retained earnings carried forward ¥1,130,856 thousand

Issuance of new shares;

As a result of the exercise of stock acquisition rights as stock options, capital stock and capital surplus of the Company increased by ¥1,246 thousand and ¥1,246 thousand, respectively, during the nine months ended September 30, 2020.

(Segment information)

Segment Information

Consolidated nine months ended September 30, 2019 (From January 1, 2019 to September 30, 2019)

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

(Thousand yen)

	Reportable segment				Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY Business	Other Business	Total		
Net sales						
Net sales to external customers	2,267,285	460,421	3,106	2,730,813	—	2,730,813
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	2,267,285	460,421	3,106	2,730,813	—	2,730,813
Segment loss	(36,137)	(103,237)	(39,800)	(179,175)	(101,136)	(280,312)

(Notes) 1. Reconciliations of segment loss of ¥(101,136) thousand 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.

Consolidated nine months ended September 30, 2020 (From January 1, 2020 to September 30, 2020)

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

(Thousand yen)

	Reportable segment				Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY Business	Other Business	Total		
Net sales						
Net sales to external customers	5,337,601	639,856	19,401	5,996,858	—	5,996,858
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	5,337,601	639,856	19,401	5,996,858	—	5,996,858
Segment profit (loss)	1,376,563	(72,128)	(31,172)	1,273,261	(126,273)	1,146,988

(Notes) 1. Reconciliations of segment profit (loss) of ¥(126,273) thousand 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.

(Significant subsequent events)

Issuance of new shares by international offering

Our company resolved at the Board of Directors' meeting held on September 24, 2020, the Company issued new shares by way of international offering and received the payment on October 9, 2020.

(1) Class and Number of Shares to be Offered	1,200,000 new shares of common stock
(2) Issue Price (Offer Price)	¥ 10,810 per share
(3) Amount to be Paid In	¥ 10,377.60 per share
(4) Payment Date	October 9, 2020
(5) Amount of Capital Stock to be Increased	¥ 5,188.80 per share
(6) Total Amount of Issue Price (Offer Price)	¥ 12,972,000 thousand
(7) Total Amount to be Paid In	¥ 12,453,120 thousand
(8) Total Amount of Capital Stock to be Increased	¥ 6,226,560 thousand
(9) Method of Offering	International share offering mainly in European and Asian markets (excluding the United States and Canada).
(10) Use of Proceeds	<ol style="list-style-type: none"> 1. advertising expenses for promoting further growth in the gross merchandise value ("GMV") handled by the BASE Business; 2. personnel and recruiting expenses for strengthening the Company's product development capabilities; 3. providing for the Company's increasing working capital requirements associated with the growth in GMV and support for shops' accelerated cash flow; and 4. funding future M&A and capital and business alliances.