



**BASE**

Explanatory Material on Growth  
Potential of Our Business

BASE, Inc.

1. Corporate Profile
2. Business Description
3. Company Highlights
4. Financial Highlights

# 1. Corporate Profile

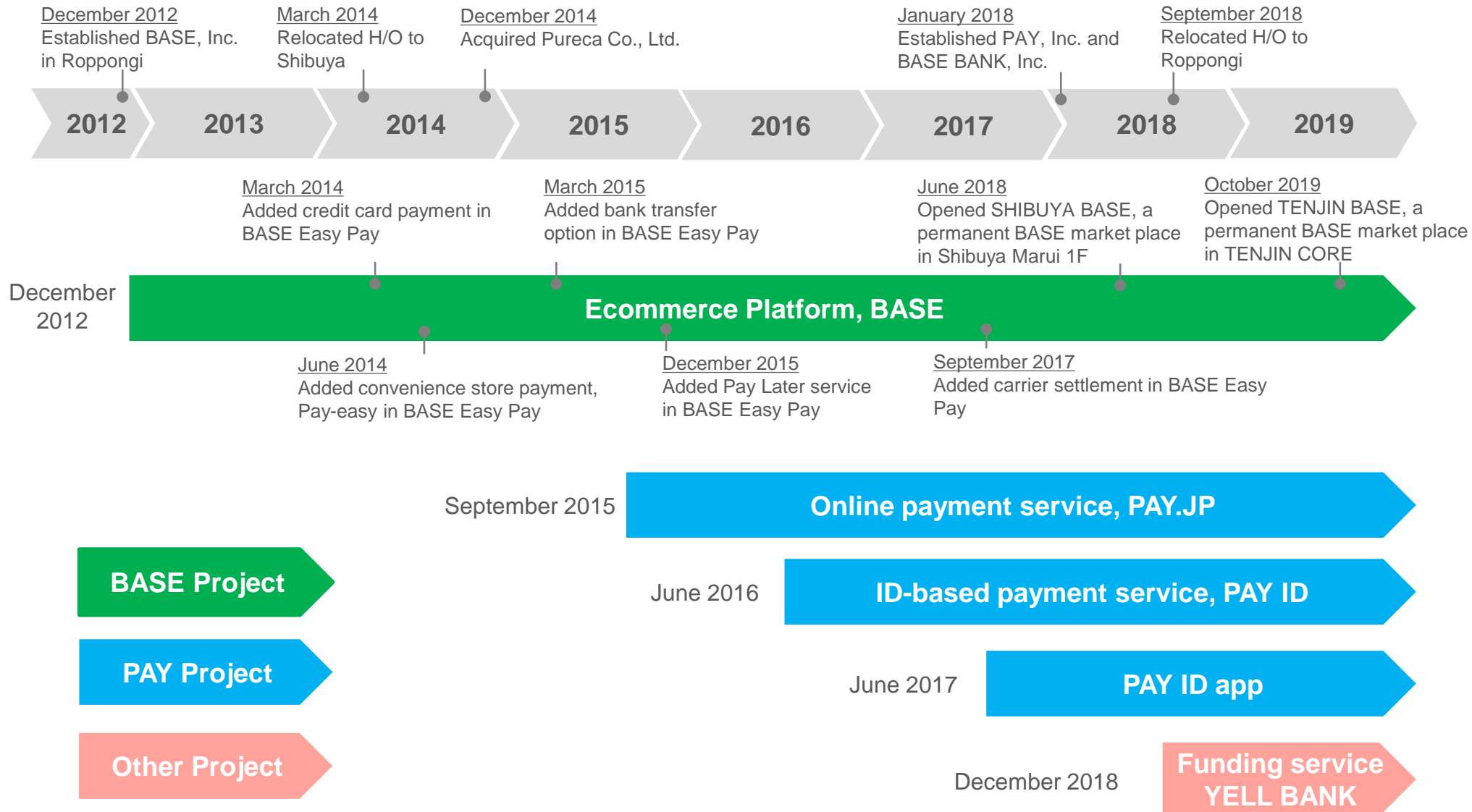
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# Corporate Profile

Company Name	BASE, Inc.
Address	Roppongi Grand Tower 37F, 3-2-1 Roppongi, Minato-ku, Tokyo
Established	December 11, 2012
Business Description	Planning, development, and operation of ecommerce platform BASE, online payment service PAY.JP, and ID-based payment service PAY ID
Representative	Yuta Tsuruoka, President & CEO
Number of Employees (Consolidated)	126, 76 of whom are product engineering personnel (as of the end of August, 2019)
Subsidiaries	PAY, Inc., BASE BANK, Inc.

# Our History

BASE





## Yuta Tsuruoka (Representative Director and CEO)

Began an online shop development project “BASE” while at university.  
Set up his company at the age of 22 in December 2012; assumed his role as CEO.



## Shinichi Fujikawa (Director and EVP of Development)

Joined Tamura FA System (the present Tamura Corporation) in April 1996. Joined his current company in April 2014 and assumed the role of director after working at From Bits (presently REVIC Global Co., Ltd.), paperboy&co. (presently GMO Pepabo, Inc.), sousousha, inc., and Moi Corporation.



## Ken Harada (Director and CFO)

Joined Ando Corporation (presently Hazama Ando Corporation) in April 2000. Joined his current company in June 2015 after working at mixi, inc. and FreakOut (presently FreakOut Holdings, inc.). Assumed the role of director in February 2016.



## Kenji Yamamura (Director and COO)

Joined Suntory Beverage & Food Limited in April 2001. Joined his current company in January 2017 after working at Recruit Co., Ltd. (presently Recruit Holdings Co., Ltd.). Assumed the role of director in June 2018.

## Kazuma Ieiri (External Director)

Founded paperboy&co.(presently GMO Pepabo, Inc.) in January 2003 after joining a design company. Assumed the role of External Director in December 2012. Takes part in various venture companies besides this company such as CAMPFIRE, Inc. and partyfactory, Inc.

## Masayuki Shimura (External Director)

Joined Mitsui Bank, Ltd. (presently Sumitomo Mitsui Banking Corporation) in April 1982. Served as executive officer; general manager, Asia Pacific; and senior corporate executive officer prior to being appointed senior managing executive officer at Sumitomo Mitsui Card Company, Limited in May 2017 and representative director, senior managing executive officer in June 2018. Assumed the role of Director and CSO (chief strategy officer) at Ubicom Holdings, Inc. in June 2019. Took on the role of External Director in August 2019.

## **Mission**

# **Payment to the People, Power to the People.**

To ensure that the thoughts, feelings, and talents kept deep inside to come out and reach those who need them around the world.

To realise ideas, works and activities born there.

To ensure that everyone receives fair value.

Making payment available to everyone around the globe.

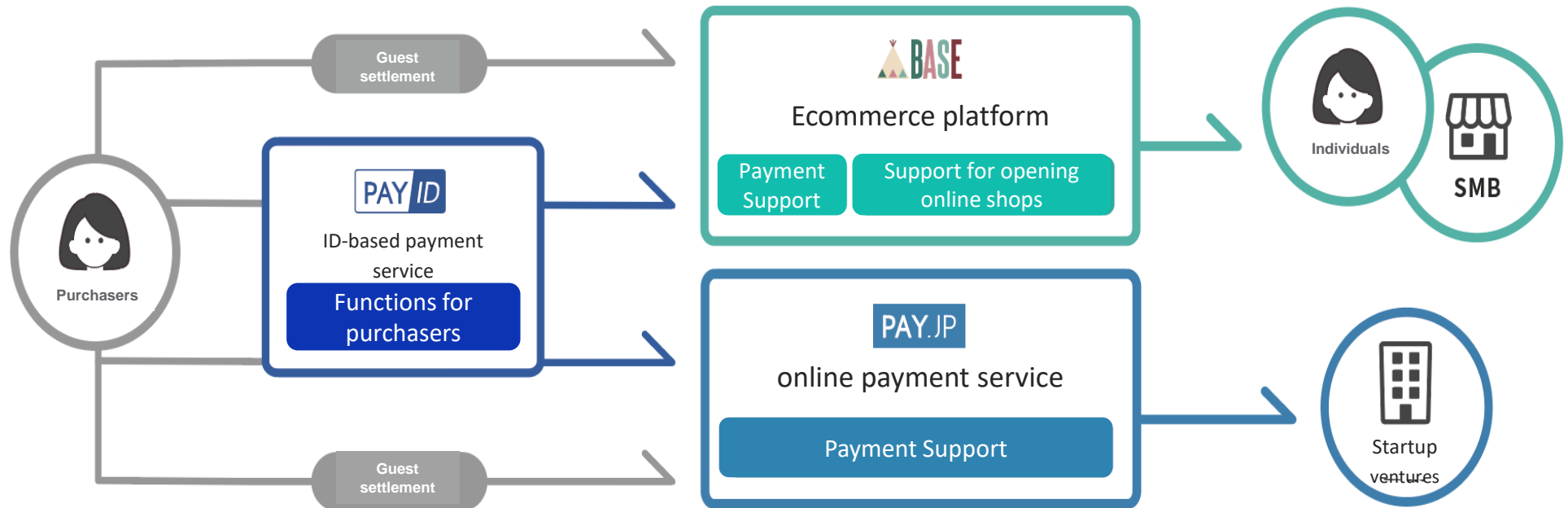
**BASE**

To give everyone a chance to transform his/her power into value.

To create new economy through a new payment platform.



Focus on empowering individuals and SMBs<sub>(Note)</sub> through "BASE"  
and supporting startups through "PAY.JP"

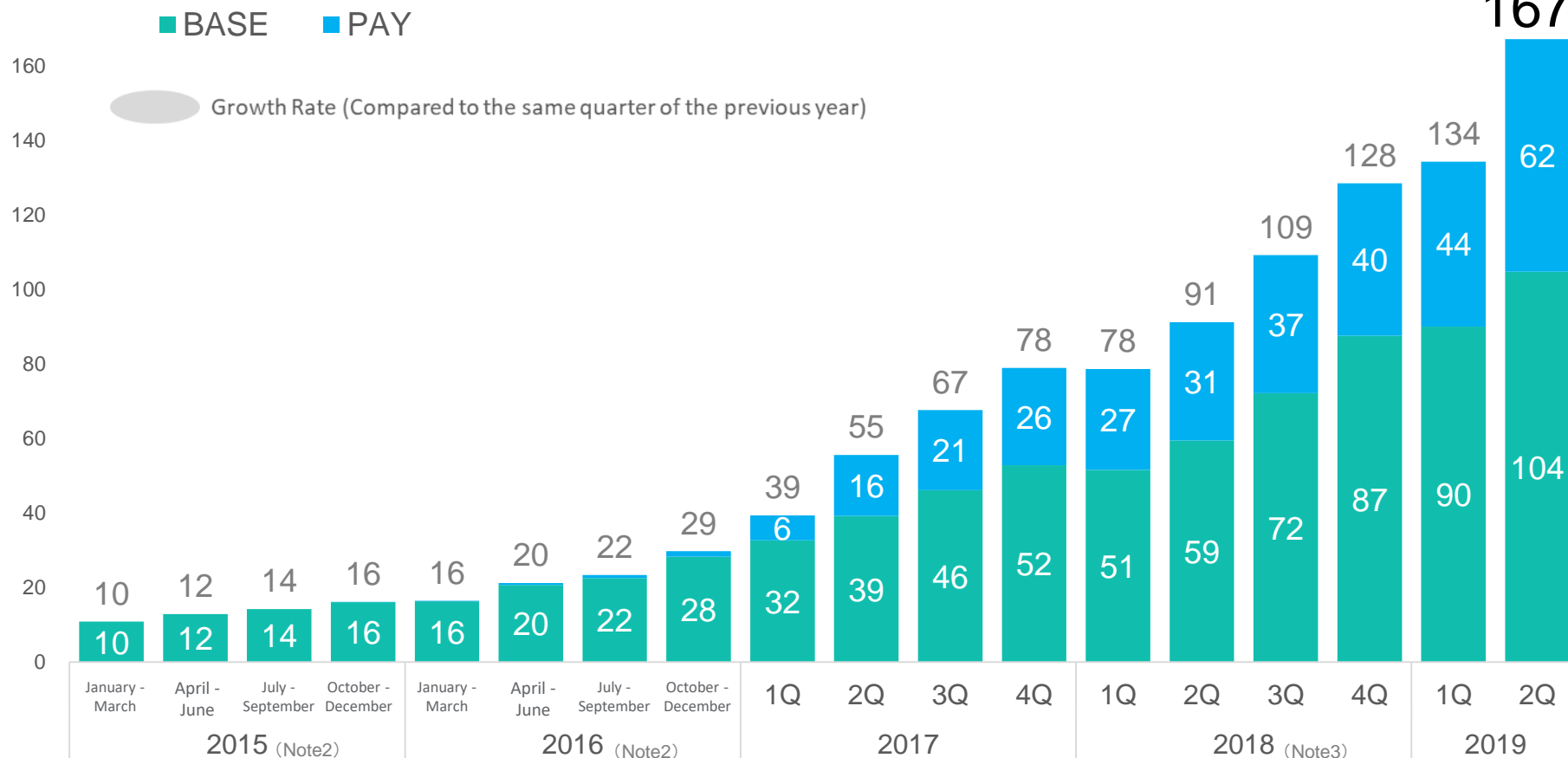




# Trends in GMV

GMV<sub>(Note1)</sub> continues to grow rapidly. It exceeds **16 billion yen** in a fiscal quarter.

(100 Million yen)



(Note 1) BASE's GMV is based on the order date (order amount). PAY's GMV is based on the payment date (payment amount).

(Note 2) As the accounting period was changed from FY2016, the period of FY 2015 and FY 2016 were adjusted for comparison.

(Note 3) In FY2018, BASE made its PAY business a consolidated subsidiary. Therefore, the results for FY2018 were shown on a consolidated basis where as for the period before then were on non-consolidated basis.

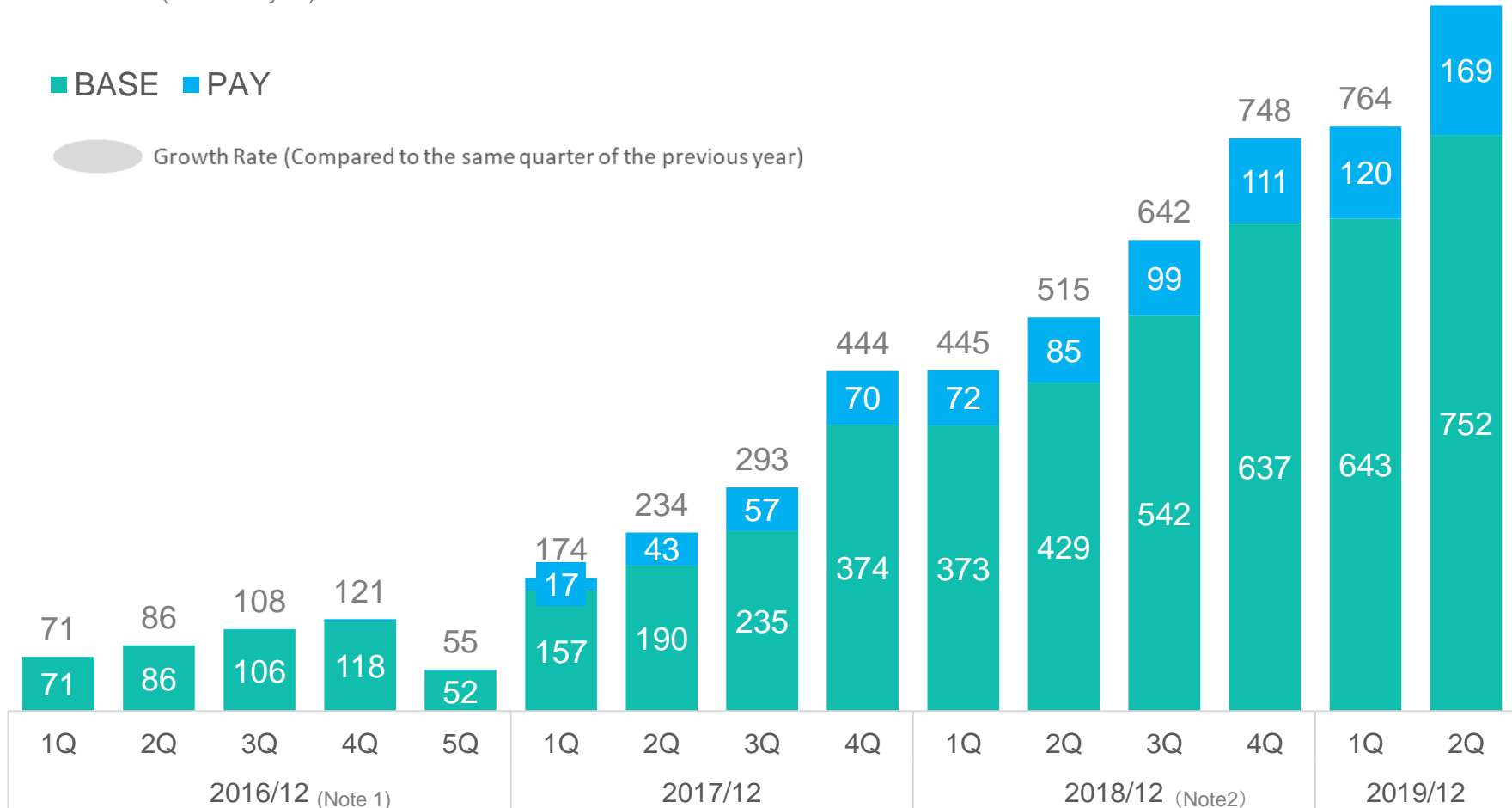
# Sales also continue high growth

Sales are also growing steadily thanks to expansion of GMV

Net Sales (1 million yen)

■ BASE ■ PAY

○ Growth Rate (Compared to the same quarter of the previous year)

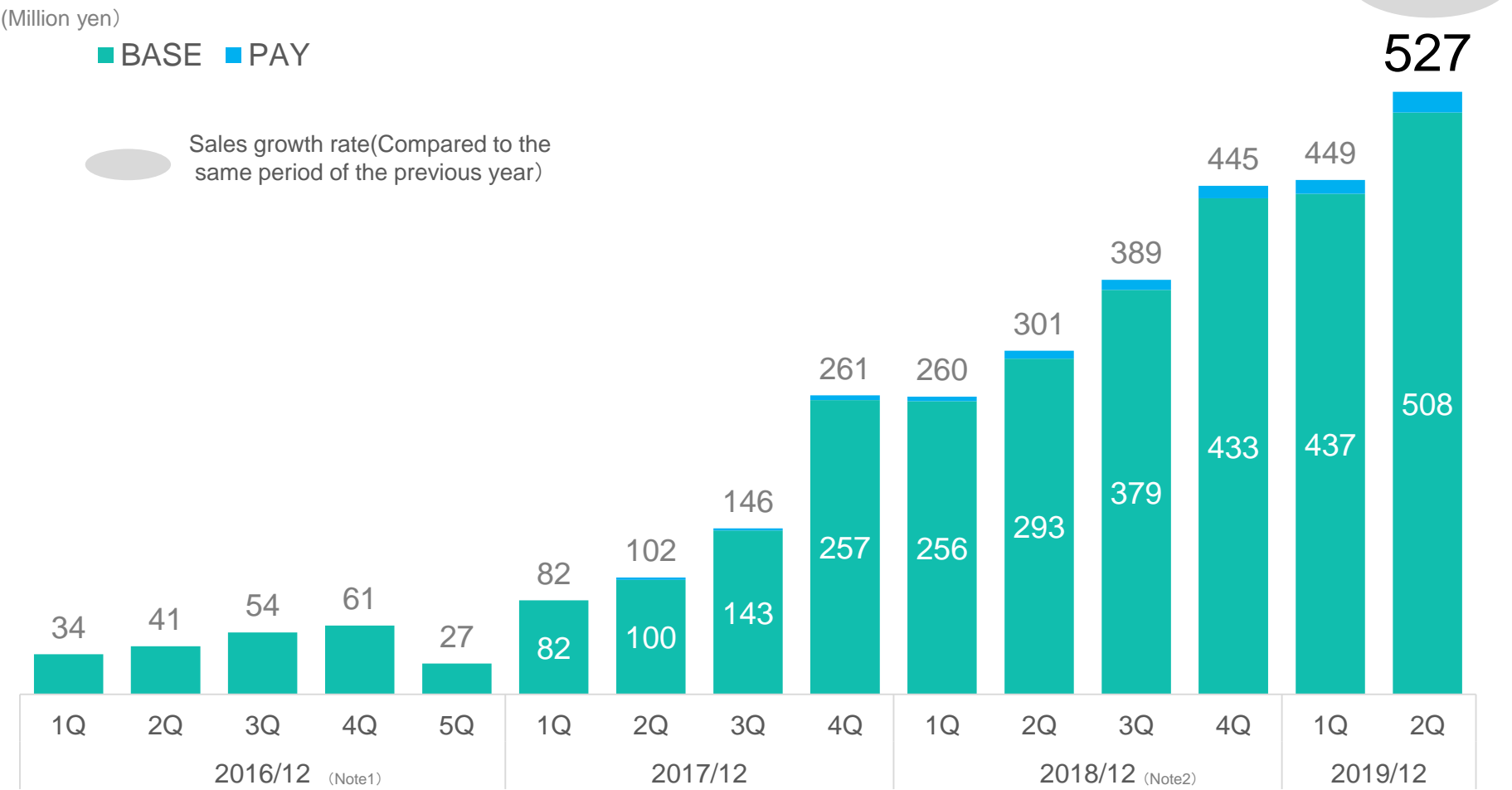


(Note 1) Because we changed our accounting period starting from the fiscal year ending December 2016, the 5Q of this fiscal year comprised only of December.

(Note 2) In FY2018, BASE made its PAY business a consolidated subsidiary. Therefore, the results for FY2018 were shown on a consolidated basis where as for the period before then were on non-consolidated basis.

# Trends in Gross Operating Profit

Rapid growth in gross operating profit due to growth in sales and improved profit margins



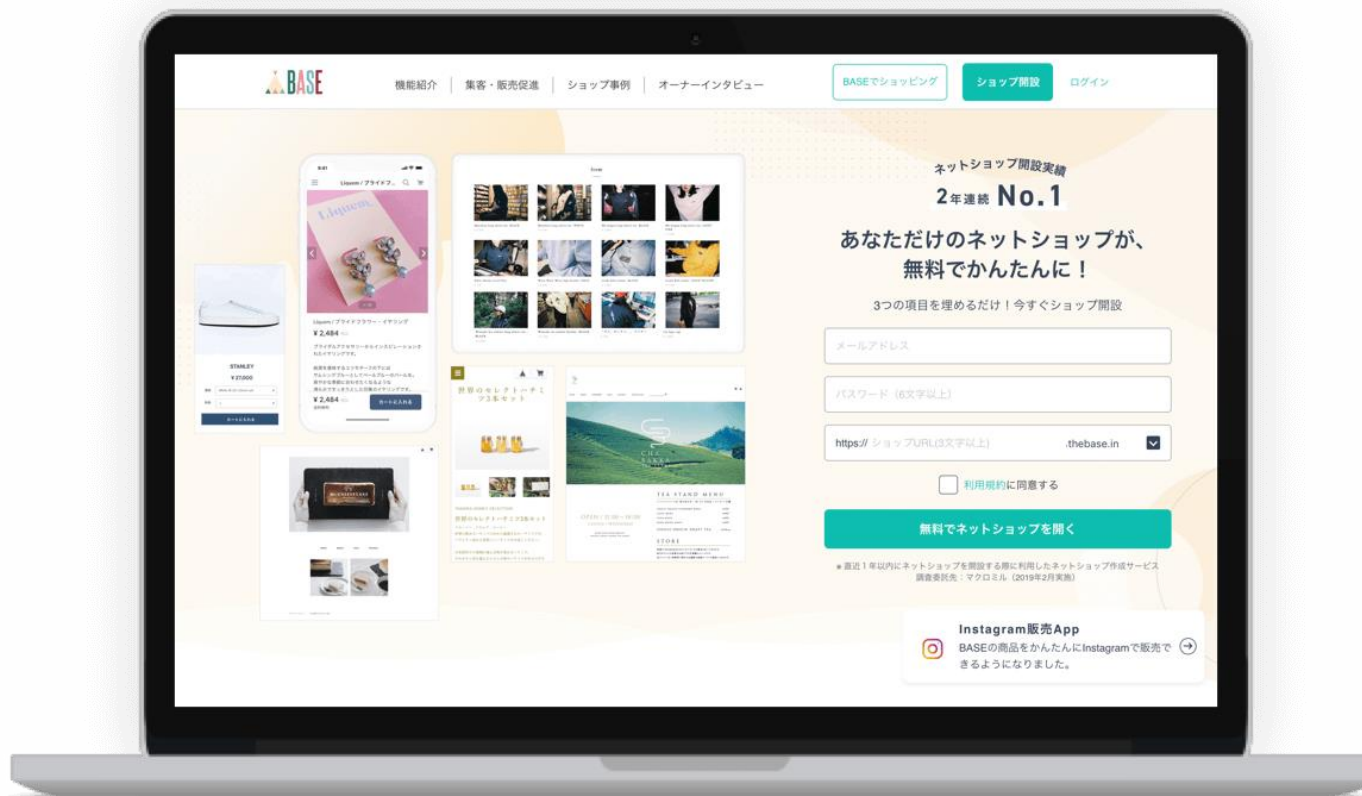
(Note 1) Because we changed our accounting period starting from the fiscal year ending December 2016, the 5Q of this fiscal year comprised only of December.

(Note 2) As the company has become a consolidated subsidiary through the execution of a newly established split in the PAY business and the new establishment of Base Bank from the 12th period of 2018, only PAY is consolidated for the 12th period of 2018, while non-consolidated single values are recorded before the 12th period of 2017.

## 2. Business Description

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We have developed an e-commerce platform that offers an "online shop-creation service" that allows anyone to easily create a well-designed online shop at no cost, with additional features such as shopping apps connected to such shops.



Even people who have had difficulty in starting up online retail shops on reasons including the time cost, operating cost, or web technologies can now easily start and run their own EC sites.

## POINT 01



**Initial and monthly costs are free.**

## POINT 02



**BASE  
Easy Payment**

## POINT 03



**A full choice  
of templates**

## POINT 04



**A wide range  
of extensions**

## Free of online shop initial and monthly fees

Free of charge with BASE!

(Note1)



No initial fees nor monthly fees! Everything from creating to operating your online retail shop is free of charge! There are no limits to the number of products that can be registered.

The handling fee is 6.6% of the settlement amount + 40 yen (Note2)

(Note 1) Certain shop templates and services, such as prompt payment transfers, are chargeable

(Note 2) Including service charges

Unique method of payment "BASE Easy Pay" is available.  
Eases the burden on business of introducing payment functions into online shops.

## Overview of "BASE Easy Pay"

- ✓ The one-stop service from the opening of an online shop to the introduction of a settlement function eliminates the need for the complicated process of introducing a settlement function.
- ✓ Shortens the review time spent on adoption and offers the payment services from the next business day at the earliest without the need for complicated credit administration procedures
- ✓ Users can choose from five payment methods
- ✓ Payment processing fees are inexpensive and flat-rated, which are just **6.6%** of the transaction amount **plus 40 yen** for all of the payment methods  
(Including a service charge of 3.0%)

### Credit Card



### Carrier settlement



### Bank transfer



### Convenience store payment / Pay-easy



### Deferred payment

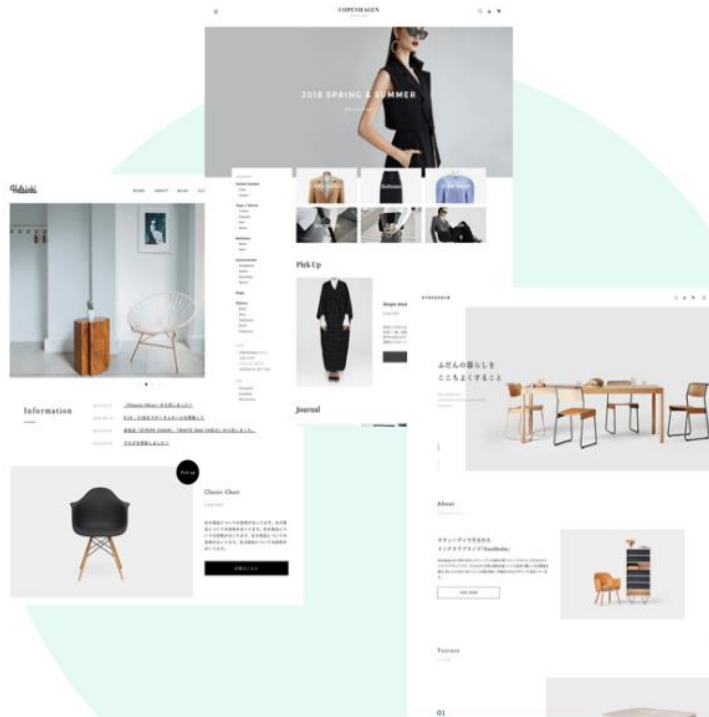




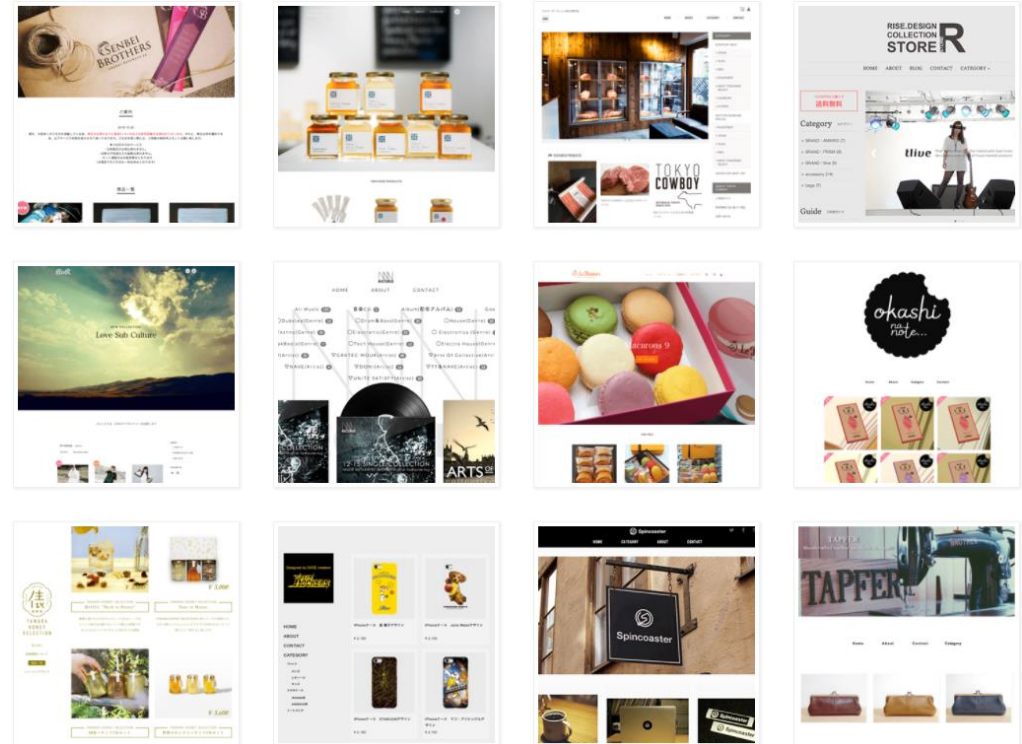
You can create a stylish online shop simply by selecting a template.

A wide range of templates are provided free of charge.

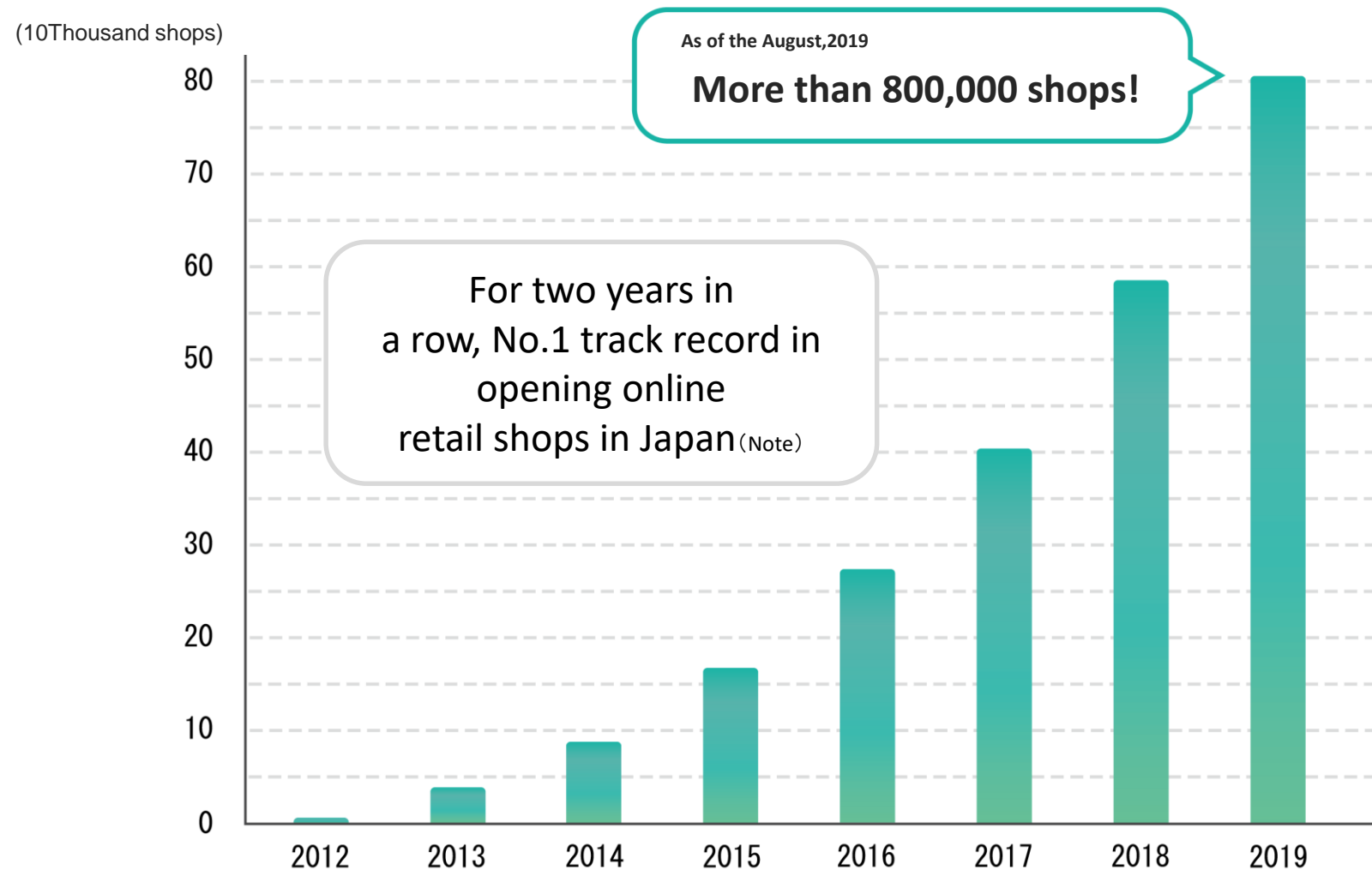
Shops of all kinds of genres have opened online shops using BASE.



Those especially concerned with design can customize their shops by HTML editing.

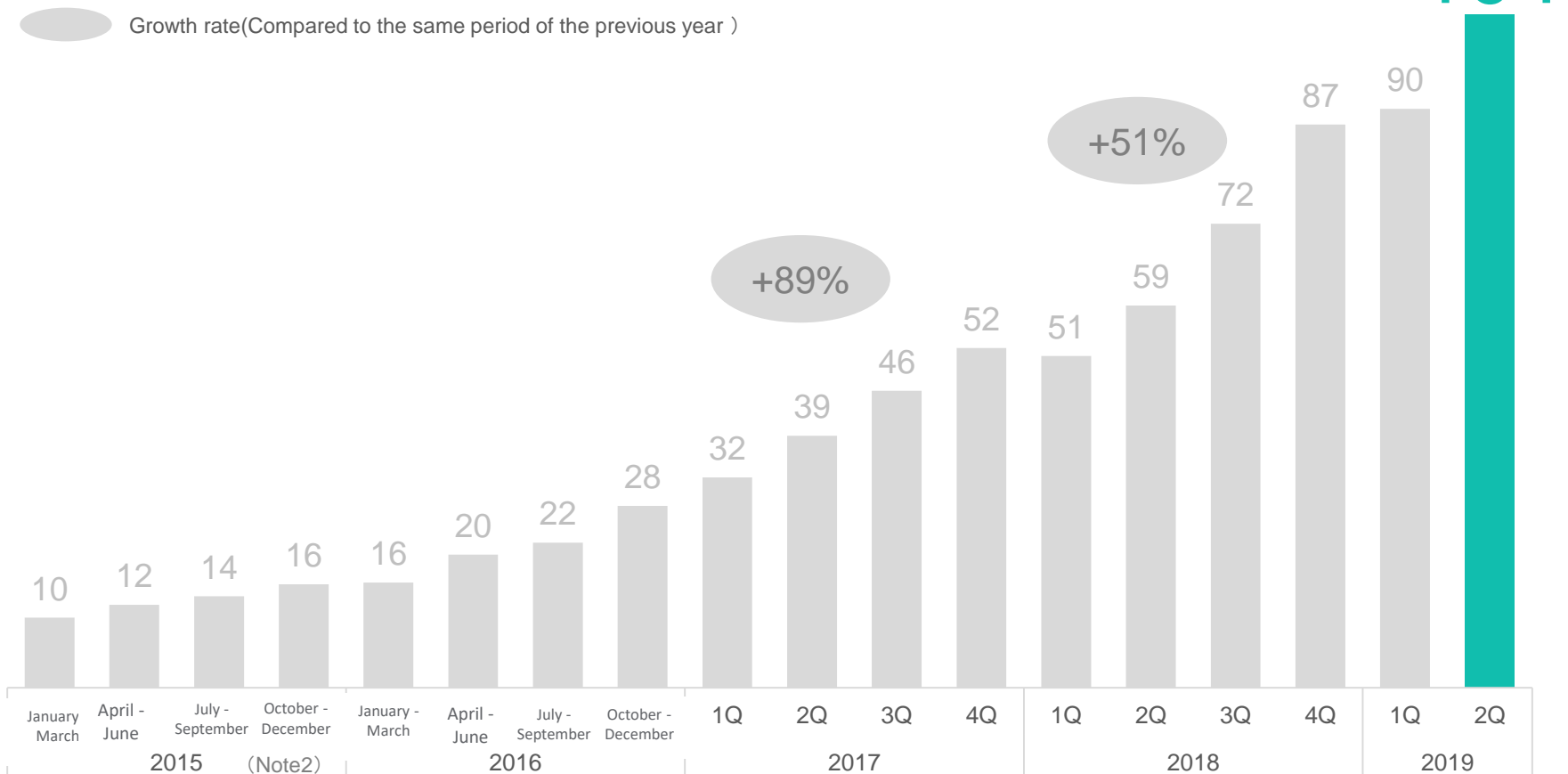


## Trends in the total number of shops established with BASE



## GMV<sub>(1)</sub> continues to grow rapidly

100 million yen



(Note 1) The GMV here is for BASE only. Based on the order date (order amount)

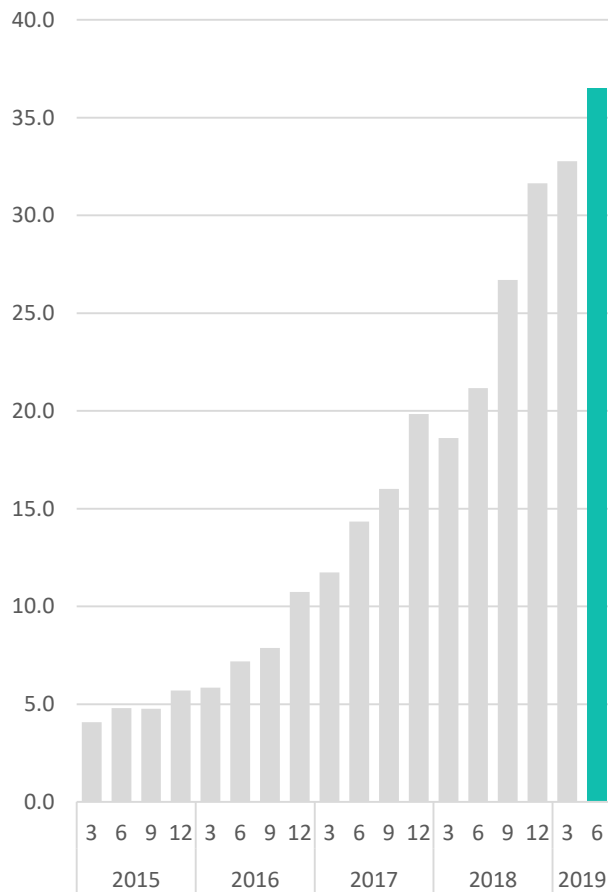
(Note 2) As the accounting period was changed from FY2016, the period of FY 2015 and FY 2016 were adjusted for comparison.

The number of shops with goods sold is a significant driver of GMV

GMV(monthly) =

(Note1)

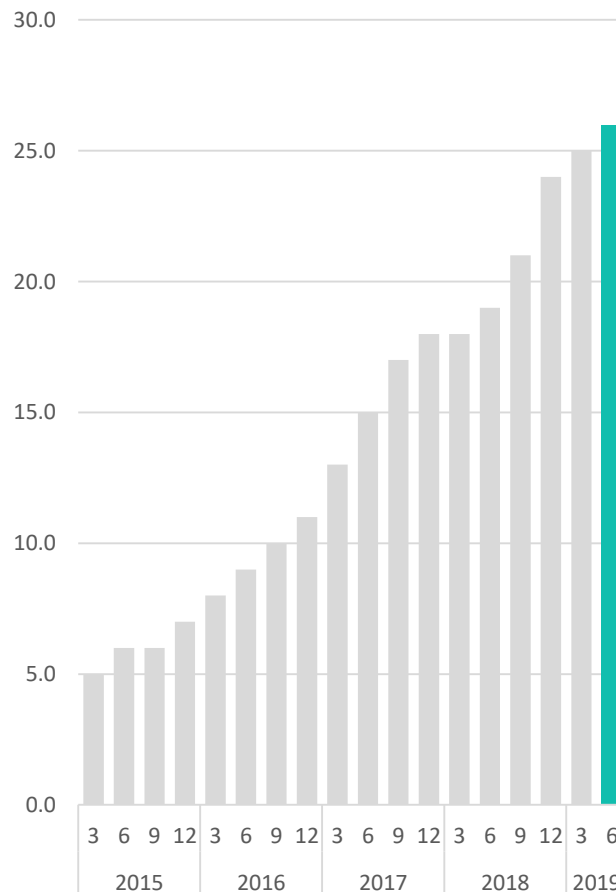
(100 million yen)



Number of shops with  
goods sold

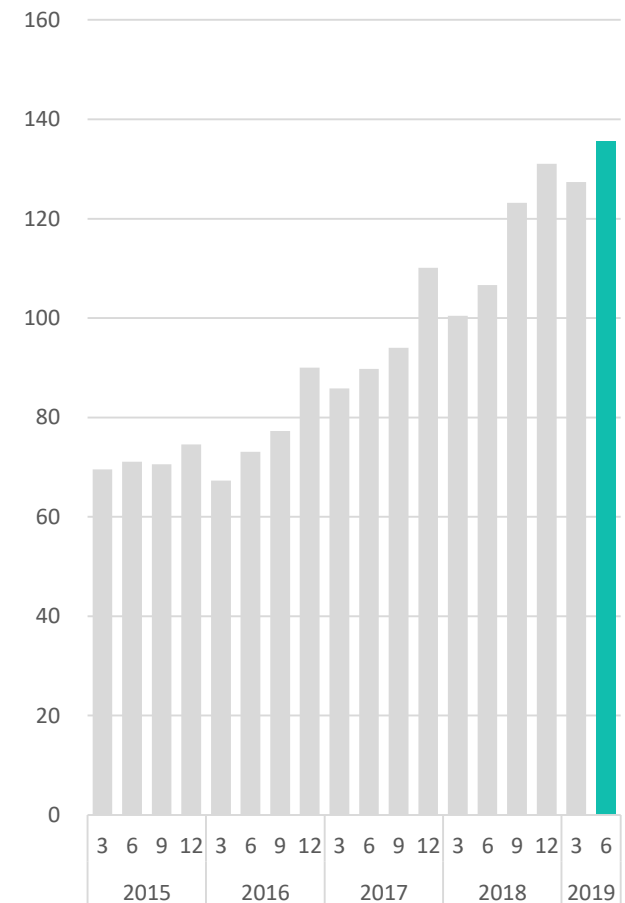
×

(Thousand shops)



GMV per shop (monthly)

(Thousand yen)



(Note 1) The order amount for GMV is based on the order date.

## “Simplifying all your payments”

An online payment platform for developers to easily introduce credit card payments for online services and shops(Note).







(Note) Excluding online retail shops created by BASE

We have designed a system to solve the complicated problems presented by online payment services, including their time-consuming credit examination process, high costs, and how difficult they are to use

## Simple fee structure

- ✓ Absolutely no costs other than the payment processing fees

	Basic plan	Pro plan	PAY.JP Seed/Partner	PAY.JP NPO	PAY.JP Travel
Monthly fee	¥0	¥10,000 (Tax included)	¥0	¥0	¥0
 	3.0%	2.59%	2.59%	1.5%	1.5%
 	3.6%	3.3%	3.3%	—	3.3%
Deposit cycle	Close at month-end Only paid at the end of following month	Close 15th / month-end Paid a half months later	Close 15th / month-end Paid a half months later	Close at month-end Only paid at the end of following month	Close 15th / month-end Paid a half months later

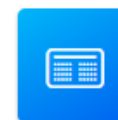
## Easy to integrate

- ✓ Allows for the integration of simple and smooth payment functions



## Robust security

- ✓ A level of security that meets international standards



Tokenization



PCI-DSS



Monitoring

Used by a wide variety of businesses, mainly startups and venture companies.

## Examples of businesses using PAY.JP



hairstudy   BIZREACH

 div  DIVERSE DIRECT  **AKIBA**

  Japan Taxi  TORICO 

 board  polca  clinal 

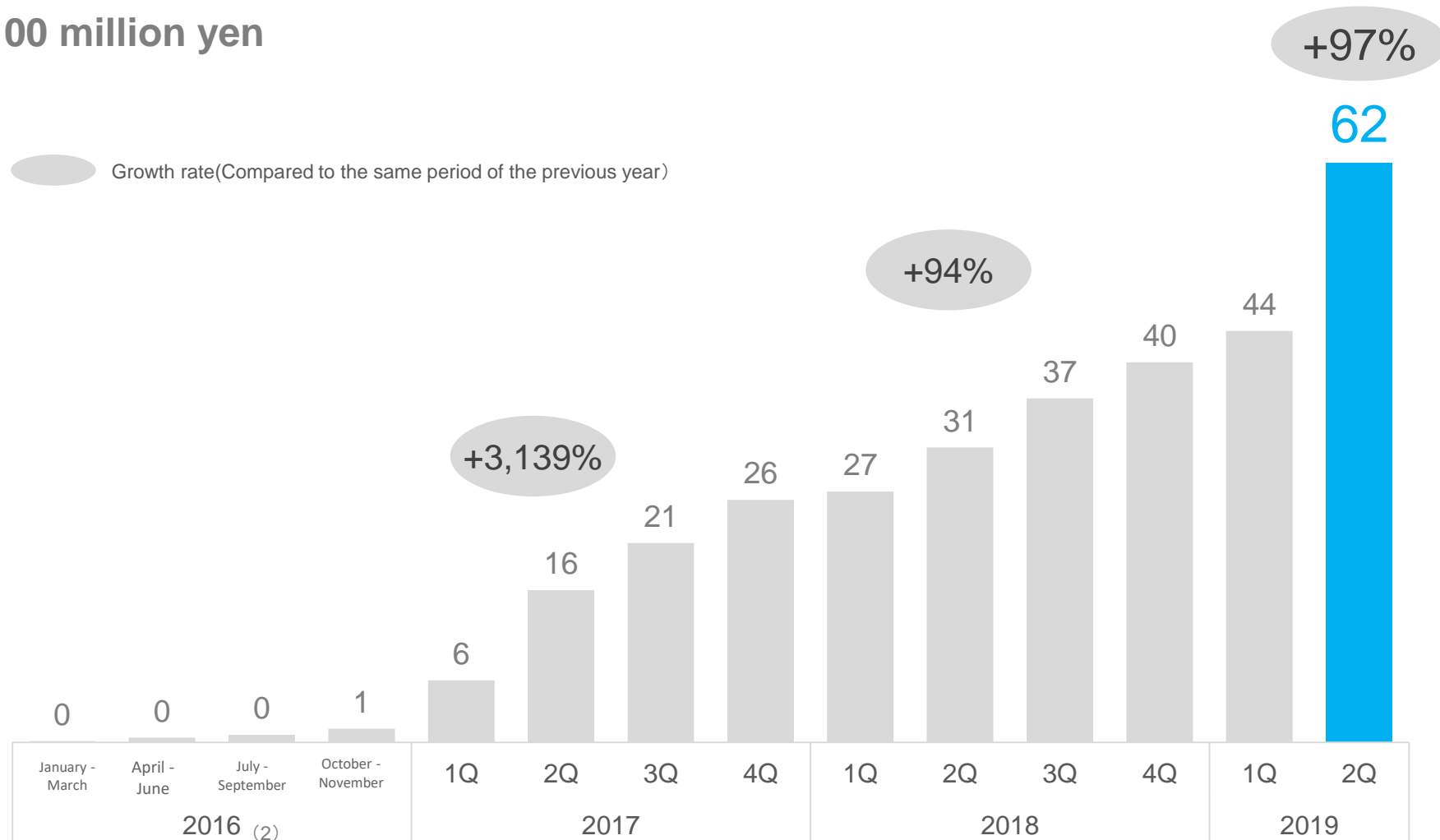
 SELECTTYPE  brick  Draft GLAZOS

ValuePress! PixelGrid.  canvath 

 仕事旅行社  東京カレンダー  justInCase 

 Candee

## GMV<sub>(1)</sub> continues to grow rapidly 100 million yen



(Note 1) The GMV here is Based on the settlement date (payment amount)

(Note 2) As the accounting period was changed from FY2016, the period of FY 2016 were adjusted for comparison.



### 3. Investment Highlights

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# Company Highlights

**1**

Unique business model to empower Individuals and SMBs

**2**

Continuous growth driven by customer retention

**3**

Further growth potential by expanding SMB × EC

**4**

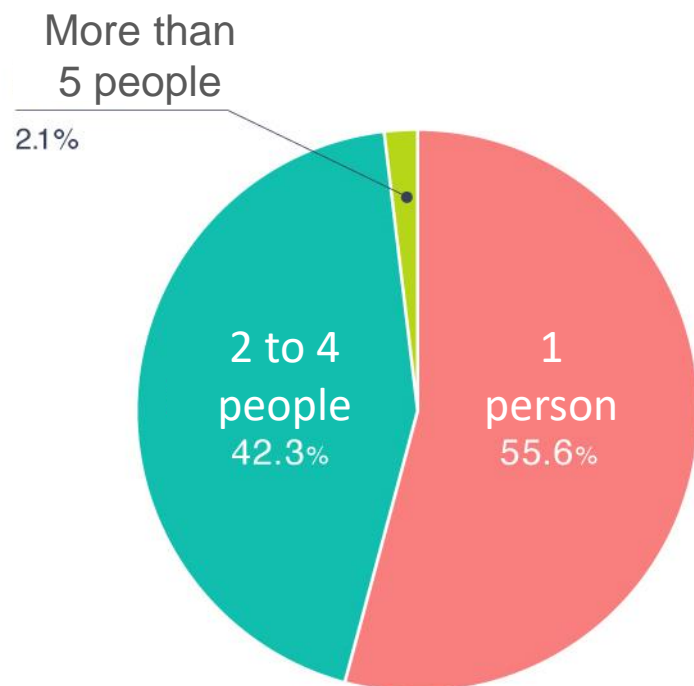
Funding service “YELL BANK”

**5**

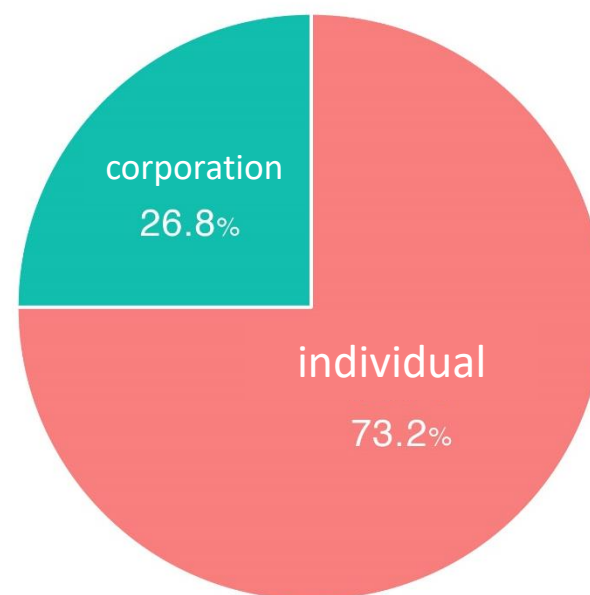
ID-based payment service “PAY ID”

The fact that BASE's main users are individuals and SMBs, is a major differentiator from similar services. More than half of the shop owners are run by one person.

Q:How many people do you run your shop with?

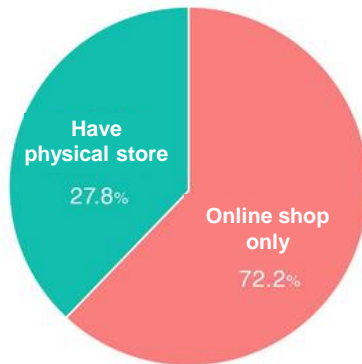


Q:Is the shop owner an individual or a corporation?

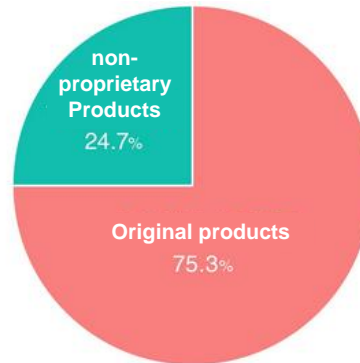


Most BASE shop owners are SMBs who develop their business mainly through online shops, use SNSs to attract customers, and sell original products.

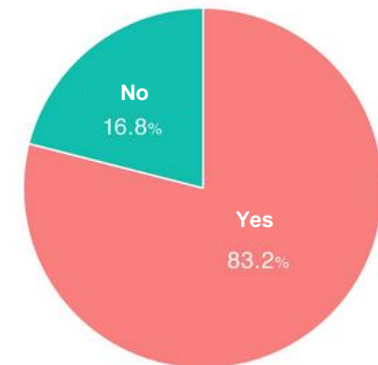
Brick-and mortar stores



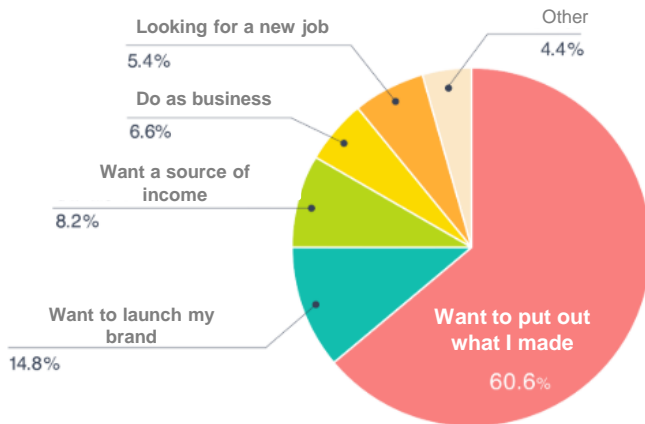
Distinction between original and non-proprietary products for sale



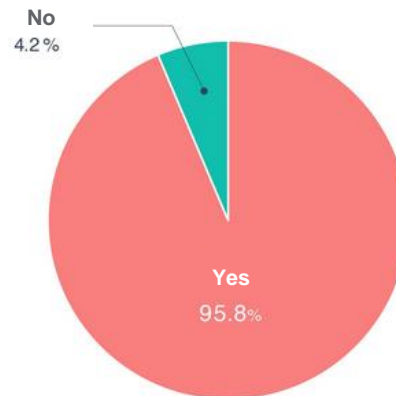
Brand recognition of own online shop



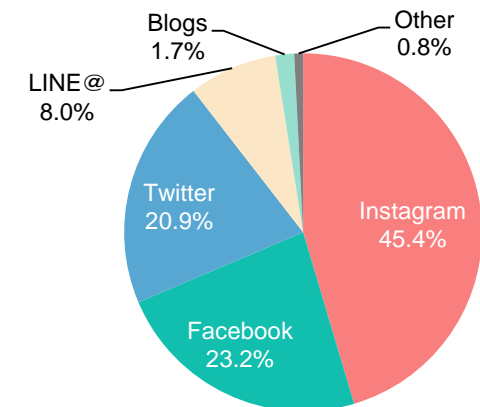
Most relevant reason to launch own brand



Use of SNSs for winning new customers



SNS marketing channels

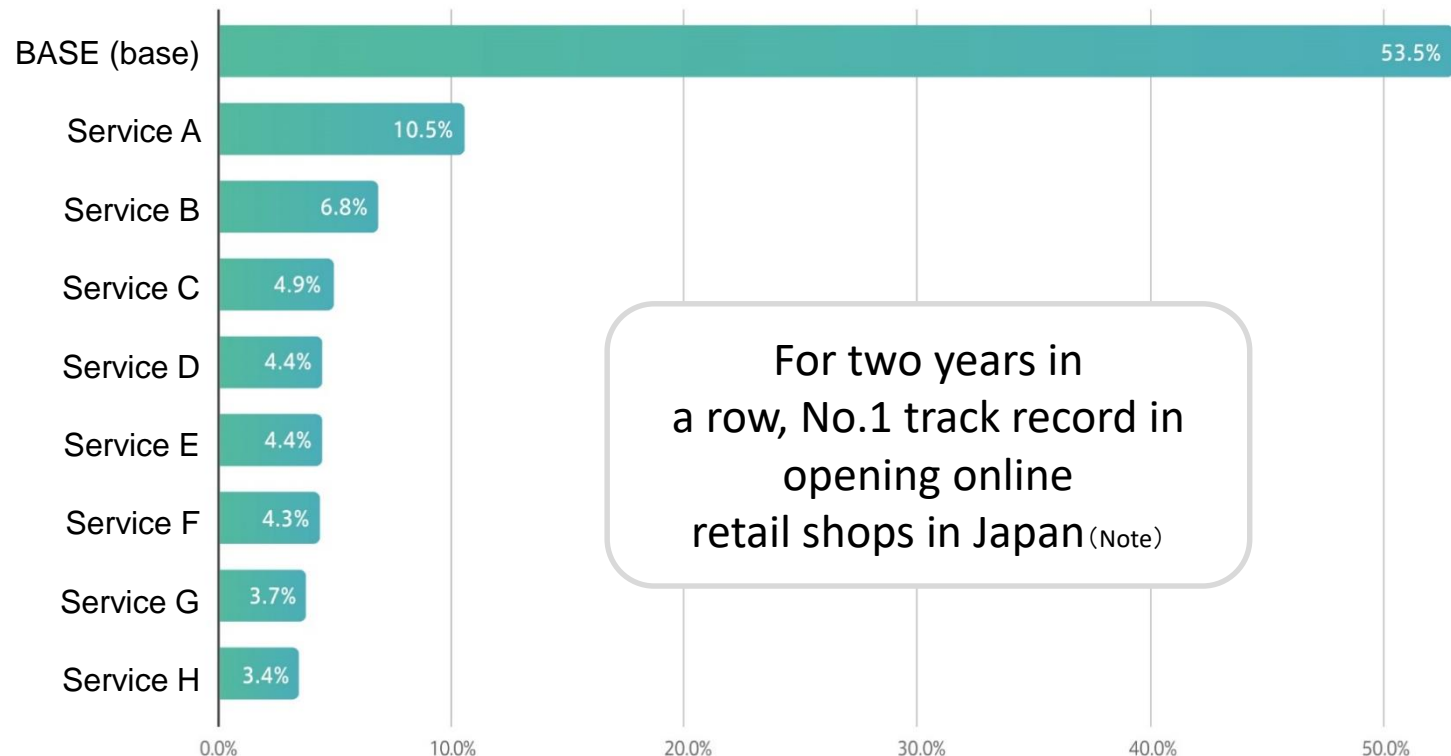


Incurring cost from the initial stage when products don't sell is a risk for SMBs.

The strengths of our services that it is easy to set up an e-commerce site and introduce a payment function, and that initial and monthly costs are free of charge, are a major differentiators from similar services.

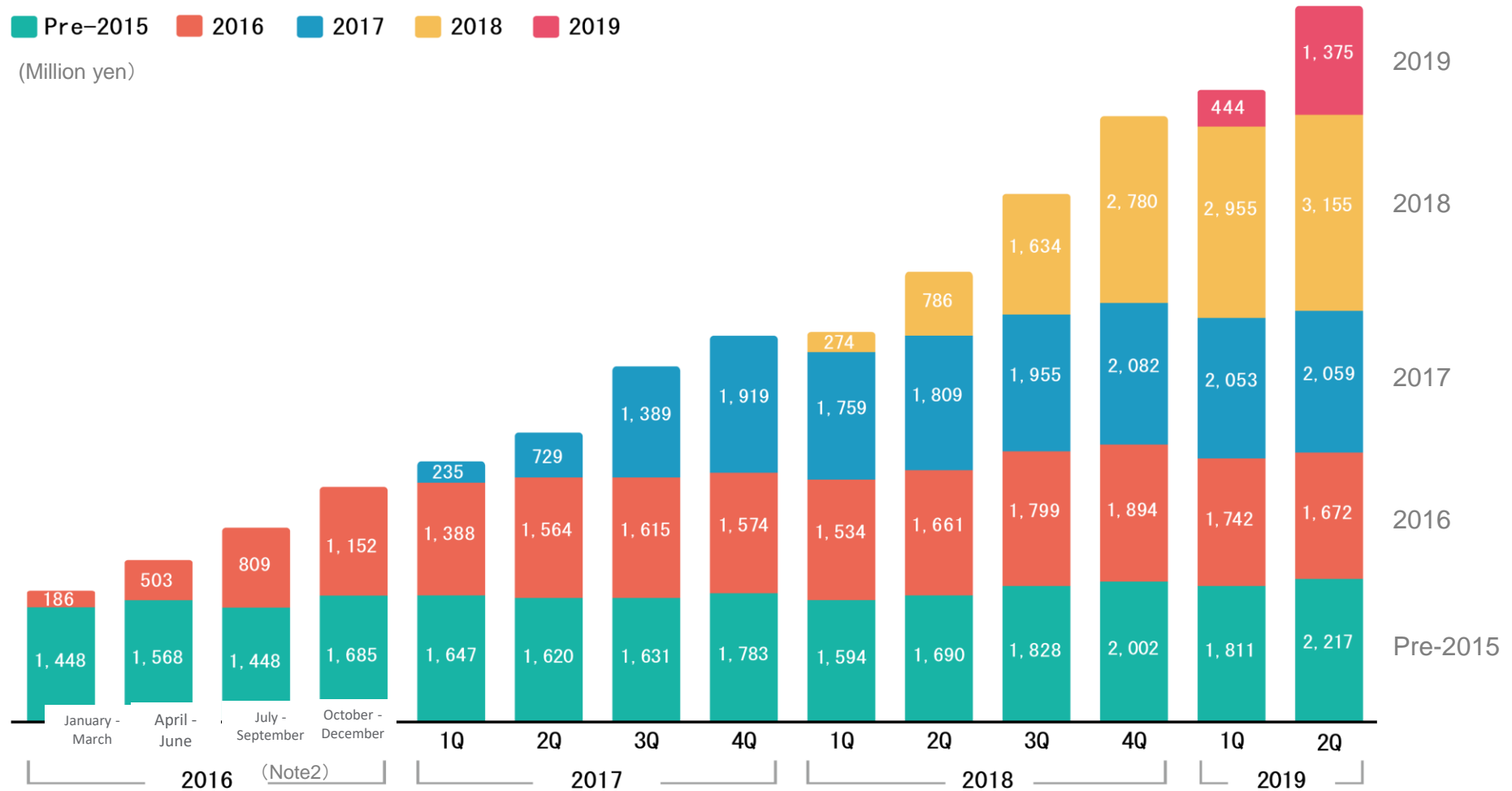
### Survey on actual use of our cart-style online retail shop creation service

Please reply with all of the online retail shop creation services you used when opening your online retail shop within the most recent year.



An accumulative business model in which GMV<sub>(Note1)</sub> is also continuously accumulated through continued use of existing shops

Trends in GMV (by year established)

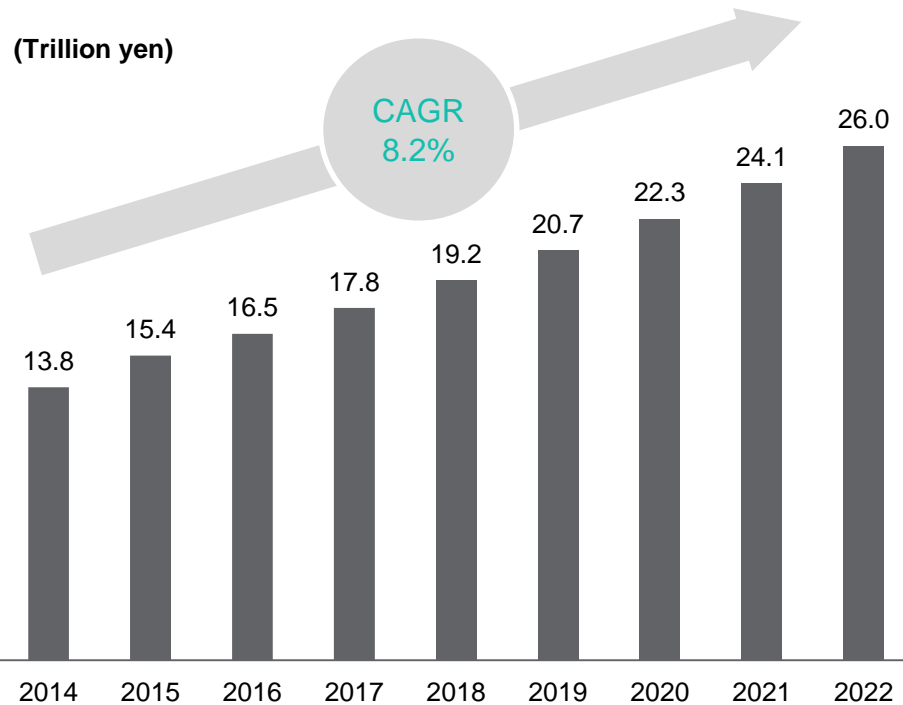


(Note 1) GMV is based on the order date (order amount).

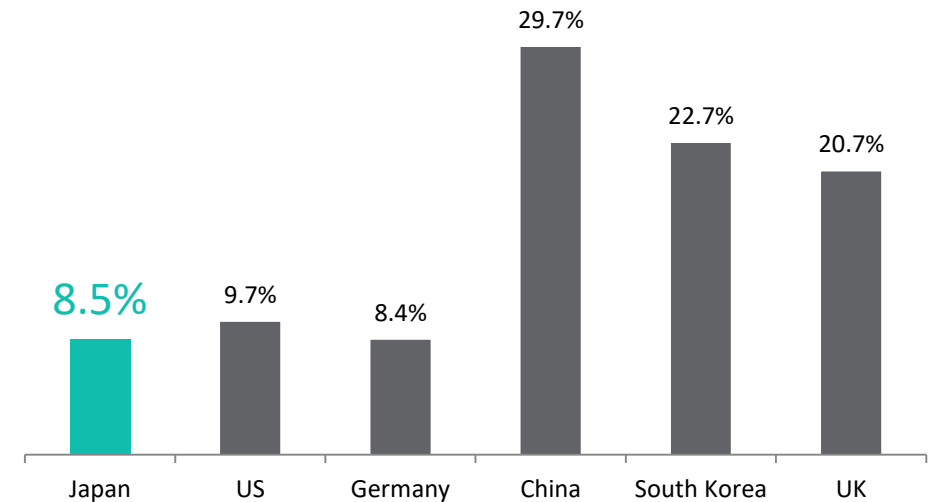
(Note 2) Because the accounting period changed from FY2016, figures are calculated using the same period for comparison.

Although the domestic BtoC-EC market is growing steadily, the rate of EC penetration in the domestic retail market is still low.

#### Changes in and forecasts for the size of the BtoC-EC market in Japan



#### EC penetration by country



Source: Outlook for ICT and Media Market Scale and Trends through 2022: The Road to Becoming a Truly Advanced ICT Country Runs through Mastery of AI and IoT, Nomura Research Institute, Ltd.

Source: eMarketer "By Country Retail Ecommerce Sales Penetration: % of Total Retail Sales"

In addition to small stores and sole proprietors in Japan, would-be entrepreneurs and people looking for a side business also are targeted users.



Source: Ministry of Economy, Trade and Industry "Commercial Statistics"; Ministry of Internal Affairs and Communications "Economic Census"; Ministry of Internal Affairs and Communications "2017 Employment Status Survey"

Mizuho Research Institute "Possibility of side business / part-time business" (2018)

(Note) The numbers of enterprises were extracted from the areas of "retailing", "service industry", "agriculture, forestry and fisheries" and "manufacturing"



New trends for EC shops are direct messaging and communication among individuals through SNSs

	Existing-model EC shops	New-generation EC shops
<b>Users</b>	<ul style="list-style-type: none"> <li>• Extensive reach for mass users</li> </ul>	<ul style="list-style-type: none"> <li>• Niche</li> <li>• Passionate fans</li> </ul>
<b>Contacts</b>	<ul style="list-style-type: none"> <li>• Primarily search engines, search advertising, and performance advertising</li> <li>• Spending sizeable sums of money on advertising</li> </ul>	<ul style="list-style-type: none"> <li>• Direct communication through social media and owned media</li> <li>• Frequent transmission of content and polite interaction</li> </ul>
<b>Values provided</b>	<ul style="list-style-type: none"> <li>• Product selection, choices, availability...convenience</li> <li>• Low price, cost performance and benefits</li> <li>• Fast and cheap delivery, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Uniqueness, rarity</li> <li>• Atmosphere, experience</li> <li>• Interaction, positive emotions</li> </ul>
<b>Products and services</b>	<ul style="list-style-type: none"> <li>• Commodities</li> <li>• Compared with other stores</li> </ul>	<ul style="list-style-type: none"> <li>• Niche, only one</li> <li>• Items not available in other stores</li> </ul>
<b>Competence</b>	<ul style="list-style-type: none"> <li>• Burgeoning power from merits of scale</li> <li>• Abundant financial muscle for marketing</li> <li>• Automation and optimization through technology</li> </ul>	<ul style="list-style-type: none"> <li>• Personalities of the owner and team</li> <li>• World view</li> <li>• Hospitality</li> </ul>

Aim to maximize GMV and gross profit through the following initiatives

- ◆ Raise profile of our services and acquire new users
- ◆ Product improvement
- ◆ Enhanced data utilization
- ◆ Increase added-value other than settlement functions

Provide shop spaces in contracted shopping complexes to BASE shop owners. BASE shop owners can open a physical shop to sell their products with no fixed costs and no risks.

Provide BASE shop owners with opportunities to promote their original brands.



SHIBUYA BASE (from June 2018)




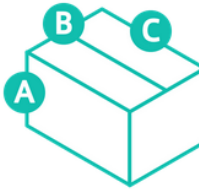



TENJIN BASE (from October 2019)




Uniform Delivery Fees Realized through Alliance with Yamato Transport Co., Ltd.  
Backup SMB EC operations with cheap and easy delivery

 ×  ヤマト運輸


	“Nekopos”	“TA-Q-BIN Compact”	“TA-Q-BIN”
			
Uniform delivery charges across the country	¥240	¥500	¥890 - 2,090 (By Size)




Nationwide overnight delivery  
\*Excluding some regions



No need to address



Tracking and warranty

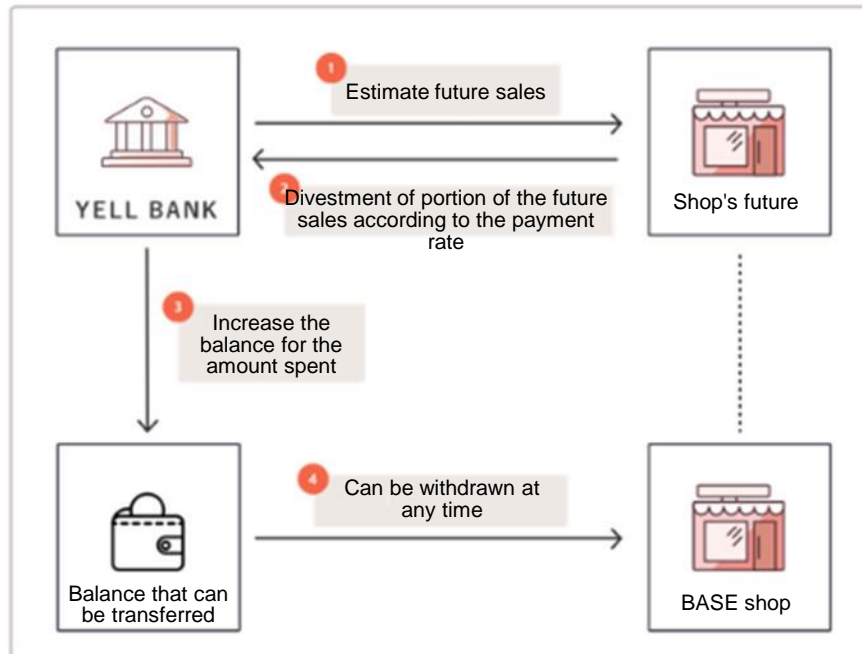


## 4. Funding service "YELL BANK"

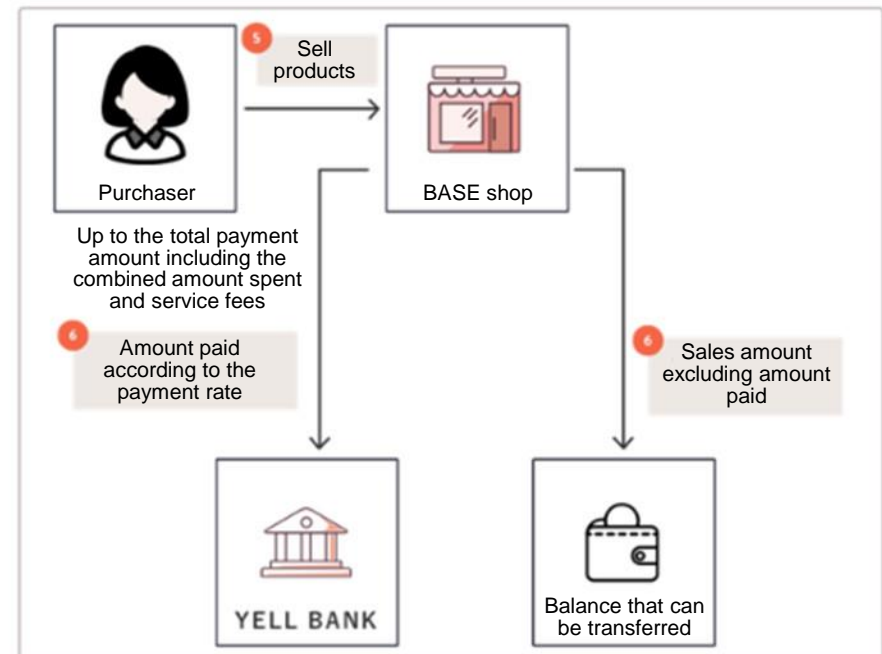
Financial service that enables shop owners who use "BASE" to raise funds immediately. Shop owners are able to raise funds without these risks because "YELL BANK" bears the risk of no receivables being generated in the future and uncollected receivables. Utilization of data enables shop owners who do not have access to existing financial institutions to raise funds.

### YELL BANK

#### Process for obtaining financing



#### Payment process



## Feature of YELL BANK's Funding Services

**01** Necessary amount can be procured immediately.

"YELL BANK" purchases the BASE shops' future receivables at a discount, enabling shop owners to raise necessary funds immediately. The discount rate (service charge) ranges from 1% to 15%.

**02** Payment is only made when products are sold.

Payments to "YELL BANK" are made on a pay-as-you-go basis at a relevant repayment rate only when products are sold after funding. In the event that the receivables do not accrue, or cannot be recovered, "YELL BANK" will bear the cost.

**03** Forecasting future receivables based on shop management data.

Use BASE's shop management data to predict future receivables and provide the "YELL BANK" service to shop owners who meet relevant conditions. Shop owners who have not been able to get funding from existing financial institutions and hence hesitating to challenge will now have an opportunity to raise necessary funds.

"PAY ID" is our payment service which can be used online and offline.



**Number of users**

**More than  
2,500,000 people**

(Note 1)



**Where available**

**Approximately  
over  
800,000 stores**

(Note 1)

(Note 1) As of August, 2019



**Payment scenario**



**Online payment**

Just enter your ID and password.



**Offline payment**

Just read the QR code with the PAY ID app.

- To aim for increases in the number of registrations at “PAY ID” through increases in shops established under “BASE” and through increased merchants at “PAY.JP”
- From the standpoint that “PAY ID” has data with high added value, such as past transaction histories and information on evaluation, we believe that it has competitive edge in the payment business that differentiates it from its competitors. We will leverage these data with high added value do offer a new type of payment service.

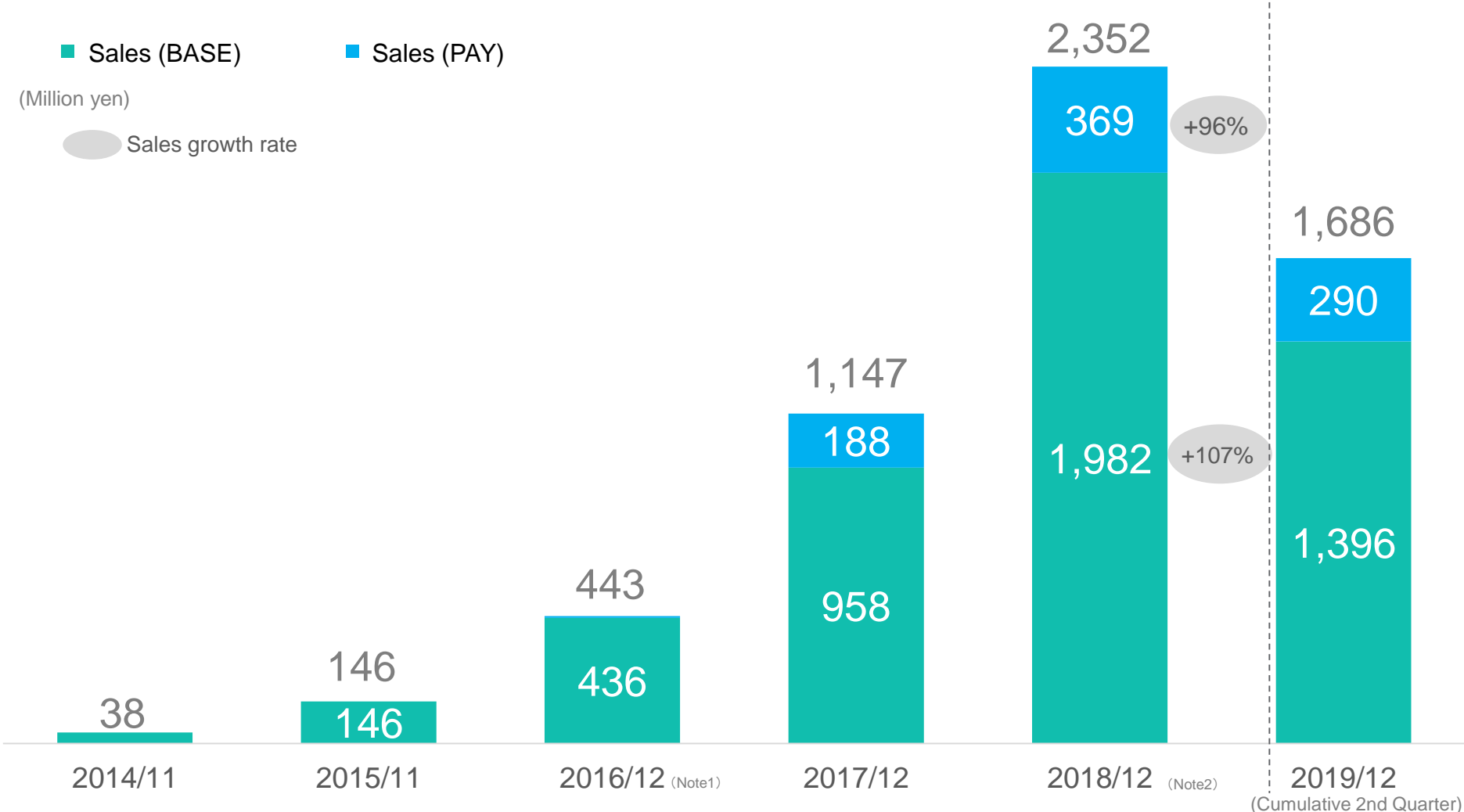
## 4. Financial Highlights

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# Trends in Sales

We have achieved strong growth in both our BASE and PAY businesses



(Note 1) We changed our accounting period starting from the fiscal year ended December 2016, owing to which this same fiscal year consists of an irregular accounting period of 13 months.

(Note 2) In FY2018,BASE made its PAY business a consolidated subsidiary. Therefore, the results for FY2018 were shown on a consolidated basis where as for the period before then were on non-consolidated basis.

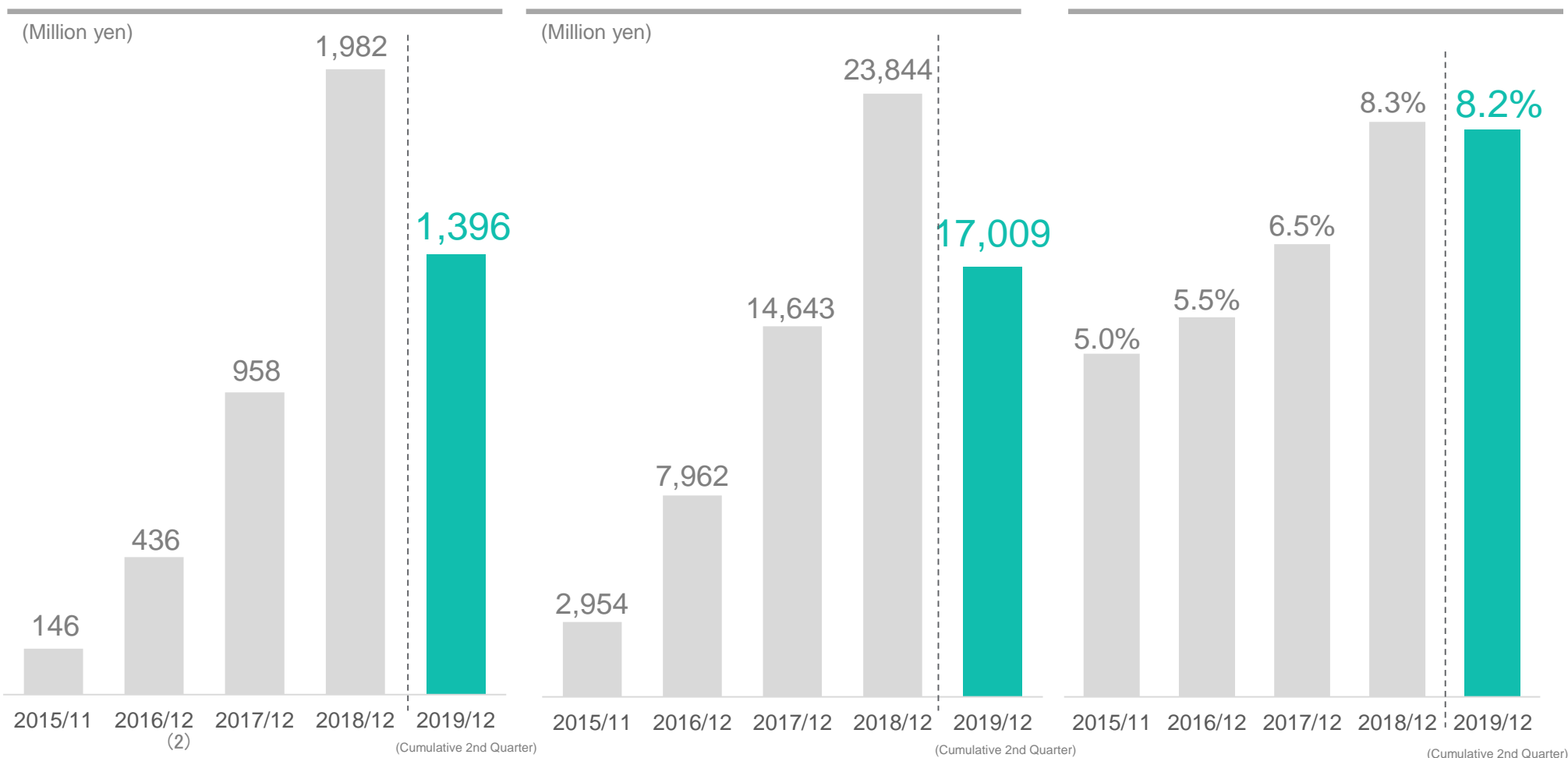
# Sales Sources (BASE Business)

Significant growth in sales due to GMV<sub>(1)</sub> growth and improvements to our take rate

Sales =

GMV ×

Take rate

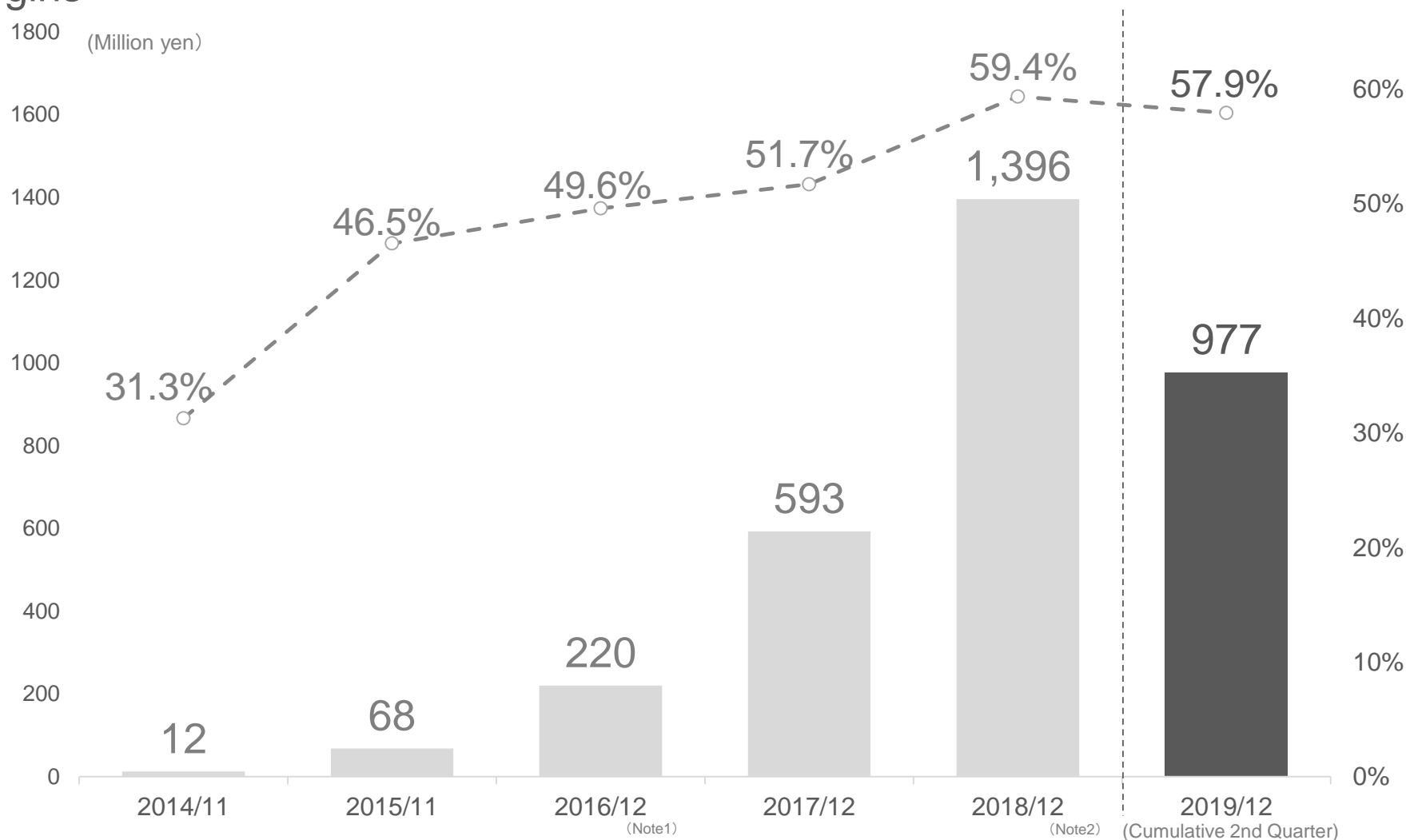


(Note 1) GMV refers to the payment amount from Base Easy Pay

(Note 2) We changed our accounting period starting from the fiscal year ended December 2016, owing to which this same fiscal year consists of an irregular accounting period of 13 months.

# Trends in Gross Operating Profit

Rapid growth in gross operating profit due to growth in sales and improved profit margins

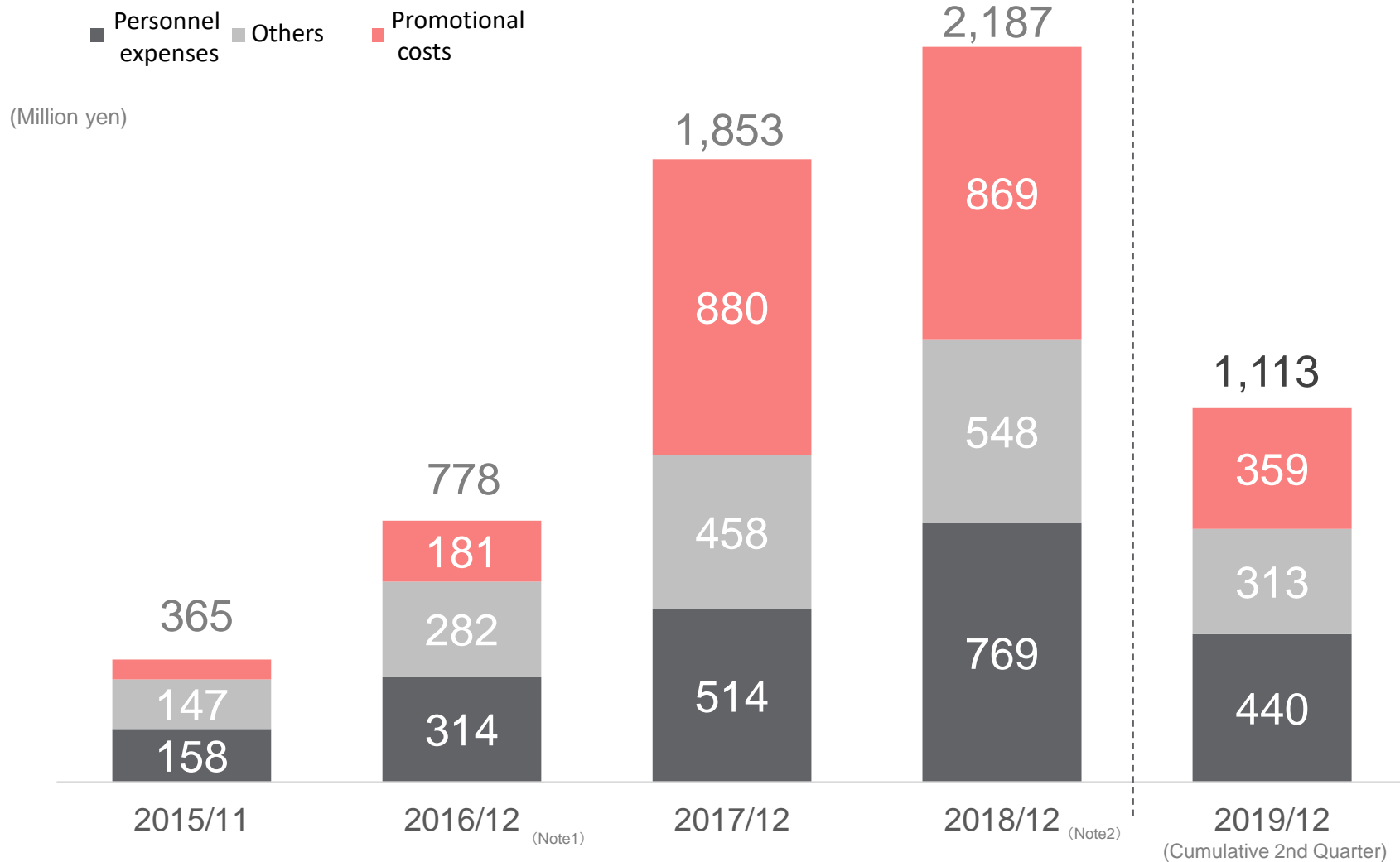


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# Trends in Sales, General, and Administrative Expenses

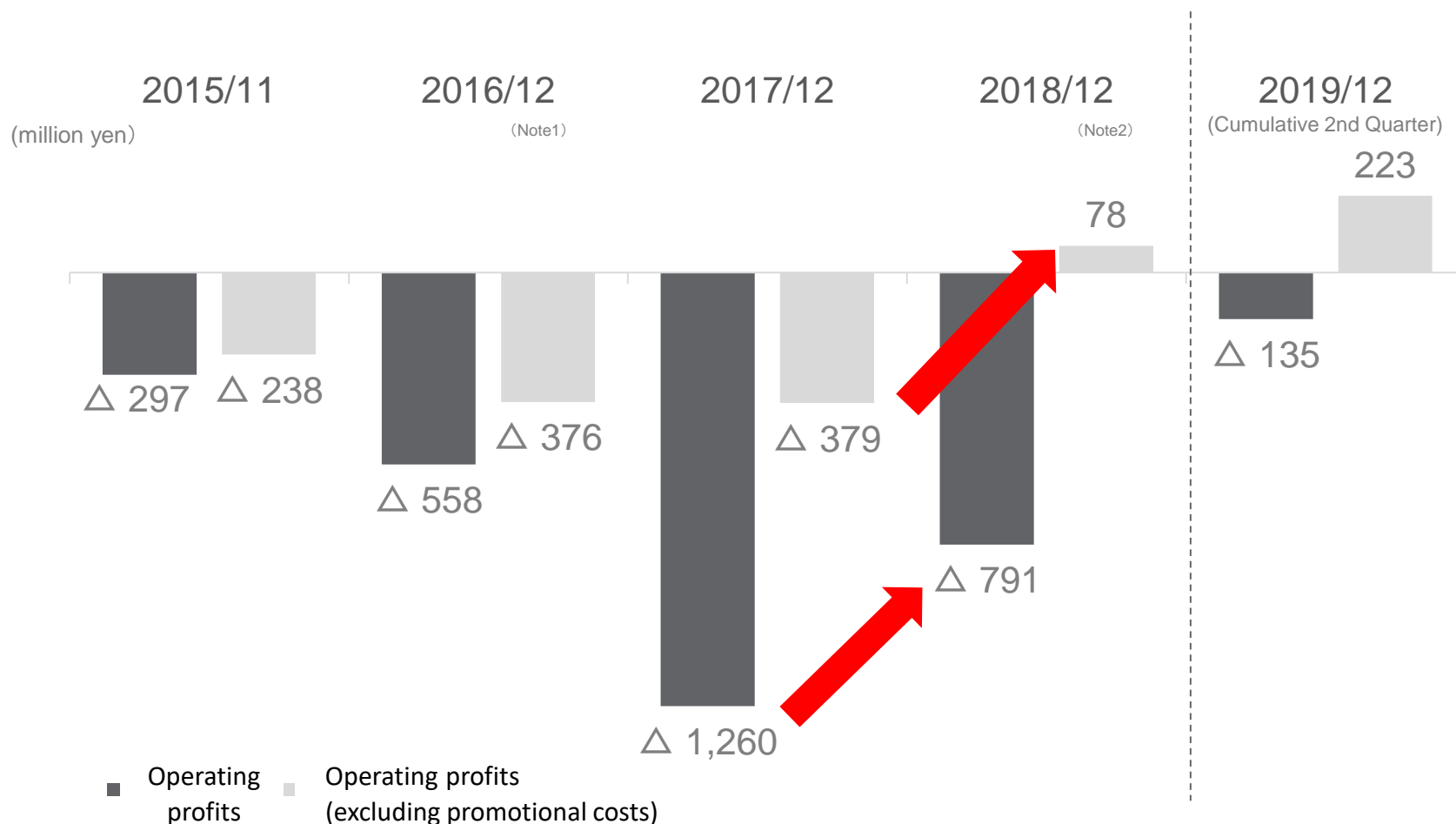
Increase in SG & A expenses due to up-front investment such as proactive hiring of product engineering personnel



# Trends in Operating Profits

Despite still being in negative territory due to the increase in SGA expenses, operating profits improved substantially

In particular, operating profits (excluding promotional costs) returned to profitability for the full fiscal year



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(Note 2) In FY2018, BASE made its PAY business a consolidated subsidiary. Therefore, the results for FY2018 were shown on a consolidated basis where as for the period before then were on non-consolidated basis.

# Handling of these Materials

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