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Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (Based on Japanese GAAP)

February 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
 Inquiries: Director and CFO Ken Harada TEL 03(6441)2075
 Scheduled date to hold General Meeting of Shareholders: March 25, 2020
 Scheduled date to file Securities Report: March 26, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of 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 fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Consolidated operating results (% indicates changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2019	3,849	63.7	(441)	—	(455)	—	(459)	—
Fiscal year ended December 31, 2018	2,352	—	(791)	—	(798)	—	(854)	—

(Note) Comprehensive Income (millions of yen)

Fiscal year ended December 31, 2019: (459) (-%) Fiscal year ended December 31, 2018: (854) (-%)

	Earnings per share	Diluted earnings per share	Return on equity ratio	Ratio of ordinary profit to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2019	(38.73)	—	(18.8)	(5.2)	(11.5)
Fiscal year ended December 31, 2018	(118.45)	—	—	—	(33.6)

(Reference) Equity income of affiliates (millions of yen)

Fiscal year ended December 31, 2019: - Fiscal year ended December 31, 2018: -

- (Notes) 1. Since the Company started preparing consolidated financial statements from the fiscal year ended December 31, 2018, year-on-year percentage changes were not indicated in the previous consolidated financial statements.
2. The Company conducted a stock split as of August 31, 2019, whereby each ordinary share was split into 400 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 ended December 31, 2018.
3. Despite the existence of diluted shares in the fiscal year ended December 31, 2018, diluted earnings per share were not indicated in the previous consolidated financial statements, not only because the Company was not listed, making it impossible to figure out its average share price during the previous fiscal year, but also because net loss per share was recorded. In addition, despite the existence of diluted shares in the fiscal year ended December 31, 2019, diluted earnings per share were not indicated in the consolidated financial statements of the fiscal year ended December 31, 2019 because net loss per share was recorded.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended December 31, 2019	10,458	3,158	30.2	154.71
Fiscal year ended December 31, 2018	6,951	1,737	25.0	(428.98)

(Reference) Equity (millions of yen) As of December 31, 2019: 3,158 As of December 31, 2018: 1,737

(Note) The Company conducted a stock split as of August 31, 2019, whereby each ordinary share was split into 400 shares. The afore-mentioned calculation of net assets per share is based on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2018.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	%	Millions of yen
Fiscal year ended December 31, 2019	870	(51)	1,879	7,195
Fiscal year ended December 31, 2018	(400)	(338)	1,022	4,408

2. Cash dividends

	Annual dividends per share					Total amount of dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2018	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended December 31, 2019	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending December 31, 2020 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

(% indicates changes from the previous fiscal year)

	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	5,292	37.5	(391)	—	(391)	—	(393)	—	(19.29)
	~5,546	~44.1	~55	—	~55	—	~15	—	~0.75

(Note)

Forecast of consolidated financial results for the fiscal year ending December 31, 2020 is disclosed in a range of possible amounts. For details, please refer to “1. Summary of Operating Results, (4) Future outlook” on page 3 of the Appendix.

* Notes

(1) Changes in significant subsidiaries during the fiscal year ended December 31, 2019 : No

(changes in specified subsidiaries resulting in the change in scope of consolidation)

New: - (), Exclusion - ()

(2) Changes in accounting policies, changes in accounting estimates, and restatements

1) Changes in accounting policies due to the revisions of accounting Standards: No

2) Any changes other than 1) above: No

3) Changes in accounting estimates: No

4) Restatements: No

(3) Number of issued shares (ordinary shares)

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

As of December 31, 2019	20,413,800 shares	As of December 31, 2018	7,216,400 shares
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Number of treasury shares at the fiscal year end

As of December 31, 2019	— shares	As of December 31, 2018	— shares
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Average number of shares during the fiscal year

Fiscal year ended December 31, 2019	11,868,327 shares	Fiscal year ended December 31, 2018	7,216,400 shares
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(Note) The Company conducted a stock split as of August 31, 2019, whereby each ordinary share was split into 400 shares. “the total number of issued shares,” “the number of treasury shares,” and the average number of shares during the fiscal year” are calculated based on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2018.

(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Non-consolidated operating results (% indicates changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2019	3,198	61.3	(258)	—	(272)	—	(276)	—
Fiscal year ended December 31, 2018	1,982	72.8	(606)	—	(613)	—	(854)	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended December 31, 2019	(23.26)	—
Fiscal year ended December 31, 2018	(118.45)	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended December 31, 2019	7,670	3,361	43.8	164.69
Fiscal year ended December 31, 2018	5,111	1,737	34.0	(428.98)

(Reference) Equity (millions of yen) As of December 31, 2019: 3,361 As of December 31, 2018: 1,737

(Note) 1. The Company conducted a stock split as of August 31, 2019, whereby each ordinary share was split into 400 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 ended December 31, 2018.

2. Despite the existence of diluted shares in the fiscal year ended December 31, 2018, diluted earnings per share are not indicated in the previous consolidated financial statements, not only because the Company was not listed, making it impossible to figure out its average share price during the previous fiscal year, but also because net loss per share was recorded. In addition, despite the existence of diluted shares in the fiscal year ended December 31, 2019, diluted earnings per share were not indicated in the consolidated financial statements of the fiscal year ended December 31, 2019, because net loss per share was recorded.

*Financial summary is outside of the scope of audit by the certified public accountant or by the auditing firm.

*Explanations and other remarks regarding the appropriate use of the business results forecast
(Notice regarding forward-looking statements, etc.)

The business results forecasts and other forward-looking statements contained in this material are based on information currently available to the Company and certain assumptions that are believed to be reasonable, and are not intended as a promise by the Company to fulfill such statements. In addition, the actual business results, etc. could prove to differ substantially from such statements due to a variety of factors. For the assumptions that served as the basis for the business results forecast and the points to be noted when using these forecasts, please refer to “1. Summary of Operating Results, (4) Future outlook” on page 3 of the Appendix.

(Access to supplementary information on the financial results and explanation on a financial result briefing)

The Company is scheduled to hold a financial result briefing for institutional investors and analysts on Tuesday, February 18, 2020. Relevant briefing information is scheduled to be disclosed on our website.

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1. Summary of Operating Results

(1) Summary of operating results for the current fiscal year

While the economic environment surrounding Japan during the fiscal year ended December 31, 2019 continued to show a trend toward recovery, in which improving corporate earnings, employment, and personal income supported an upturn in consumption, uncertainties still remained due to concerns regarding an economic decline resulting from trade disputes between the U.S. and China.

In the electronic commercial transaction market (hereinafter, the EC market), which provides the basis for the Group's businesses, the BtoC-EC market in product sales is continuing to grow thanks to a favorable external environment, such as the spread of smartphones and tablet devices and logistic reforms, while the transformation into EC is progressing in service domains other than product sales. In addition, the EC market is expanding its business domain, as seen in the transformation of BtoB into BtoB-EC and the significant growth of CtoC-EC. Meanwhile, a variety of new services are emerging in the electronic payment market, driven by various policy measures based on the "Policy for Creating a Cashless Society" announced by the government, along with the creation of new financial and payment services adopting Fintech by major financial institutions, and expansion and diversification of the payment service market is continuing to uplift the growth potential of the market.

In such a business environment, the Group is primarily engaged in the BASE business, which provides the "BASE" e-commerce platform, and the PAY business, which provides the "PAY.JP" online payment service and the "PAY ID" ID-based payment service.

The BASE business strives to enhance convenience in store management as well as provide services for new opportunities and taking on challenges, while the PAY business endeavors to provide services tailored to the individual business characteristics of each member store, with each contributing to the growth in net sales. Meanwhile, the Company has been actively recruiting human resources, while also proactively implementing promotions via TVCM with a view toward achieving the continued growth of the businesses.

As a result of the above, during the fiscal year ended December 31, 2019, the Group registered net sales of ¥3,849,821 thousand (63.7% increase year-on-year), an operating loss of ¥441,719 thousand (operating loss of ¥791,241 thousand in the previous fiscal year), an ordinary loss of ¥455,921 thousand (ordinary loss of ¥798,930 thousand in the previous fiscal year), and a loss attributable to owners of parent of ¥459,675 thousand (a loss of ¥854,783 thousand to owners of parent in the previous fiscal year).

The business results by segment are as follows.

A) BASE business

In the BASE e-commerce platform, we have started offering PayPal payment service to strengthen the overseas sales structure, and have been striving to continuously enhance convenience in store management through the release of customer management function and subscription sales function and renewal of the shop management screen, as well as to provide new business opportunities through measures to offer space to open real shops and hold conferences for shop owners. In addition, the number of shops opened exceeded 800,000 in August 2019 thanks to promotion activities via TVCM and online advertising toward continued growth of the business. As a result, the distribution total (orders-received basis) during the fiscal year ended December 31, 2019 reached ¥42,963,054 thousand (¥27,091,225 thousand in the previous fiscal year).

As a result of the above, net sales were ¥3,198,687 thousand (61.3% increase year-on-year) and segment loss was ¥117,692 thousand (segment loss of ¥496,490 thousand in the previous fiscal year).

B) PAY business

"PAY.JP," which provides an online payment service, adopts a simplified fee structure in which the handling fee is calculated by multiplying a certain fee rate by the amount of payment, while no initial costs are charged at the time of shop setup. Thanks to this attractive structure, the number of registered member stores is steadily increasing. In addition, we remain committed to providing services tailored to the individual business characteristics of each member store. As a result, the distribution total during the fiscal year ended December 31, 2019 reached ¥23,925,419 thousand (¥13,675,760 thousand in the previous fiscal year).

As a result of the above, net sales and segment loss amounted to ¥644,055 thousand (74.2% increase year-on-year) and ¥127,651 thousand (segment loss of ¥184,287 thousand in the previous fiscal year), respectively.

C) Other businesses

The Company is engaged in other businesses, including "YELL BANK," a service that provides business funds to online shop operators using "BASE." This service was launched in December 2018, and the number of users is gradually increasing.

As a result of the above, net sales and segment loss amounted to ¥7,078 thousand and ¥54,212 thousand, respectively.

(2) Summary of financial position for the current fiscal year

(Assets)

Total assets at the end of the consolidated fiscal year ended December 31, 2019 increased by ¥3,507,394 thousand compared to the end of the previous consolidated fiscal year, to ¥10,458,801 thousand, due primarily to an increase of ¥890,297 thousand in accounts receivable-other in addition to an increase of ¥2,786,884 thousand in cash and deposits resulting from issuing new ordinary shares by way of offering in line with listing on the Tokyo Stock Exchange Mothers as well as third-party allotment in connection with secondary offering through over allotment.

(Liabilities)

Liabilities at the end of the consolidated fiscal year ended December 31, 2019 increased by ¥2,086,544 thousand compared to the end of the previous consolidated fiscal year, to ¥7,300,488 thousand, due primarily to an increase of ¥3,918,629 thousand in operating accounts payable, offsetting a decrease of ¥1,952,626 thousand in operating deposits received.

(Net assets)

Net assets at the end of consolidated fiscal year ended December 31, 2019 increased by ¥1,420,850 thousand compared to the previous consolidated fiscal year, to ¥3,158,313 thousand, due primarily to an increase of ¥950,274 thousand in each capital stock and capital surplus respectively resulting from issuing new ordinary shares by way of offering in line with listing on the Tokyo Stock Exchange Mothers as well as third-party allotment in connection with secondary offering through over allotment, offsetting a decrease of ¥479,699 thousand in retained earnings resulting from the posting of the loss attributable to owners of parent.

(3) Summary of cash flows for the current fiscal year

Cash and cash equivalents at the end of consolidated fiscal year ended December 31, 2019 increased by ¥2,786,884 thousand, including an increase of ¥88,556 thousand associated a change in the scope of consolidation compared to the previous consolidated fiscal year, to ¥7,195,414 thousand. Cash flows during the fiscal year ended December 31, 2019 and their factors were as follows:

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities was ¥870,017 thousand (¥400,529 thousand used in the same period of the previous fiscal year). Main factors of decrease were decreases of ¥1,952,626 thousand in operating deposits and an increase of ¥979,212 thousand in accounts receivable – other, as well as net loss before taxes of ¥455,921 thousand. The main factor of increase was an increase of ¥3,918,629 thousand in accounts payable -trade.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities ¥51,524 thousand (¥338,215 thousand used in the same period of the previous fiscal year). The main factor of increase was proceeds of ¥83,007 thousand from refund of leasehold and guarantee deposits, and main factors of decrease were payment of ¥108,640 thousand in leasehold and guarantee deposits associated with the expansion of Head Office and payment of ¥25,569 thousand in purchasing of property, plant, and equipment.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities was ¥1,879,834 thousand (¥1,022,743 thousand provided in the same period of the previous fiscal year), due primarily to proceeds of ¥1,886,935 thousand resulting from share issuance.

(4) Future outlook

With “Payment to the people, Power to the people” as our mission, the Group develops BASE business providing the e-commerce platform “BASE” and PAY business providing online payment service “PAY.JP” as well as ID based payment service “PAY ID” through which the Group strives to empower SMBs (Small and Medium Businesses) and support start-ups.

Continuing from the previous fiscal year ended December 31, 2019, in the BASE business for this fiscal year, the Group will enhance its shop owners’ convenience and provide them with new business opportunities and services for new businesses, and in the PAY business, the Groups will provide member shops with services according to their business characteristics, so that the Group will aim to increase medium to long-term corporate value.

Given the situation that the Group is in the process of enhancing its services, and taking into consideration continuous advertising activities for increasing customers’ awareness of our services and acquiring new customers toward enhancing corporate value, as well as aggressive upfront investments in hiring product human resources for the expansion of its services, we have determined to disclose a full-year earnings forecast in a range of possible amounts for the fiscal year ending December 31, 2020.

The Group’s net sales comprise primarily of sales of the BASE business and the PAY business.

Sales of the BASE business comprise primarily of payment and service commissions that are calculated by multiply the distribution total in “BASE” by the commission rate, and flat-rate fees received from purchasers for each payment in a specified payment method. The distribution total based on order-received for the fiscal year ending December 31, 2020 is expected to be the lowest of ¥59,000 million at a conservative estimate of service growth, and the highest of ¥61,000 million

at an estimate of steady growth of services. At the same time in the same manner, the distribution total based on payment basis is expected to be the lowest of ¥51,920 million and the highest of ¥53,680 million. As a result, net sales of the BASE business is expected to be between ¥4,360 million and ¥4,506 million for the fiscal year ending December 31, 2020.

Sales of the PAY business are primarily payment commissions in “PAY.JP” that are calculated by multiplying the distribution total by the commission rate. The distribution total for the fiscal year ending December 31, 2020 is expected to be the lowest of ¥34,000 million at a conservative estimate of service growth, and the highest of ¥38,000 million at an estimate of steady growth of services. As a result, net sales of the PAY business are expected to be ¥920 million and ¥1,028 million for the fiscal year ending December 31, 2020.

As a result of the above, full-year forecast of net sales for the fiscal year ending December 31, 2020 is expected to be the lowest of ¥5,292 million at a conservative estimate of service growth, and the highest of ¥5,546 million at an estimate of steady growth of services.

In addition, the Group expects an increase in sales, general and administrative expenses for advertising activities to raise awareness of its services and acquire new customers, and for upfront investments to hire product human resources to expand its services. Operating profit or loss will be disclosed in the range of operating loss of ¥391 million at the lowest to operating profit of ¥55 million at the highest.

Net sales	¥5,292 million to ¥5,546 million
Operating profit or loss	(¥391 million) to ¥55 million
Ordinary profit or loss	(¥391 million) to ¥55 million
Net income or loss attributable to owners of parent	(¥393 million) to ¥15 million

[Notes to business results forecast]

The business results forecasts and other forward-looking statements contained in this material are based on information currently available to the Company and certain assumptions that are believed to be reasonable, and the actual business results, etc. could prove to differ from such statements due to a variety of factors.

Since the Group uses the range of possible amounts for the forecast, please be aware of the high possibility that revision of business results forecast will be disclosed in the event the Company calculates a new forecast during the fiscal year.

2. Basic Concept Regarding the Selection of Accounting Standards

The Group plans to prepare its consolidated financial statements in accordance with Japanese GAAP (generally accepted accounting principles) for the time being, taking into consideration comparability from period to period of consolidated financial statements and between Japanese companies.

With regard to the adoption of IFRS (International Financial Reporting Standards), we will take action in an appropriate and timely manner in consideration of various circumstances at home and abroad.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated balance sheets

(Thousand yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	4,408,530	7,195,414
Accounts receivable - other	1,914,010	2,804,308
Other	282,455	112,584
Allowance for doubtful accounts	(16,848)	(47,448)
Total current assets	6,588,148	10,064,859
Non-current assets		
Property, plant, and equipment		
Buildings	97,859	115,528
Accumulated depreciation	(5,447)	(23,475)
Buildings, net	92,411	92,052
Other	51,275	70,692
Accumulated depreciation	(25,948)	(40,250)
Other, net	25,327	30,441
Total property, plant, and equipment	117,739	122,494
Intangible assets		
Other	2,999	2,209
Total Intangible assets	2,999	2,209
Investments and other assets		
Investment securities	100,000	—
Other	142,520	269,238
Total investments and other assets	242,520	269,238
Total non-current assets	363,258	393,942
Total assets	6,951,406	10,458,801

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Operating accounts payable	—	3,918,629
Operating deposits received	4,954,817	3,002,191
Other	213,924	323,382
Total current liabilities	5,168,742	7,244,203
Non-current liabilities		
Other	45,200	56,284
Total non-current liabilities	45,200	56,284
Total liabilities	5,213,943	7,300,488
Net assets		
Shareholders' equity		
Capital stock	1,325,682	2,275,957
Capital surplus	1,266,564	2,216,838
Retained earnings	(854,783)	(1,334,482)
Total shareholders' equity	1,737,463	3,158,313
Total net assets	1,737,463	3,158,313
Total liabilities and net assets	6,951,406	10,458,801

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

(Thousand yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	2,352,406	3,849,821
Cost of sales	955,806	1,618,766
Gross profit	1,396,600	2,231,054
Selling, general, and administrative expenses	2,187,842	2,672,773
Operating loss	(791,241)	(441,719)
Non-operating income		
Interest income	30	39
Lecturer's fee income	701	2,767
Late charges income	1,007	1,085
Sponsorship (money) income	—	2,167
Other	349	452
Total non-operating income	2,089	6,512
Non-operating expenses		
Share issuance cost	9,778	12,773
Listing-related expenses	—	7,940
Total non-operating expenses	9,778	20,714
Ordinary loss	(798,930)	(455,921)
Extraordinary loss		
Head Office relocation expenses	19,894	—
Impairment loss	26,753	—
Other	127	—
Total extraordinary loss	46,774	—
Loss before income taxes	(845,705)	(455,921)
Income taxes -current	2,555	2,760
Income taxes - deferred	6,522	993
Total income taxes	9,077	3,753
Net loss	(854,783)	(459,675)
Loss attributable to owners of parent	(854,783)	(459,675)

Consolidated statement of comprehensive income

(Thousand yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net loss	(854,783)	(459,675)
Comprehensive income	(854,783)	(459,675)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(854,783)	(459,675)

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2018

(Thousand yen)

	Shareholders' equity					Total net assets
	Capital stock	Deposits for subscriptions of shares	Capital surplus	Retained earnings	Total shareholders' equity	
Balance at beginning of current period	1,187,130	1,501,656	1,186,830	(2,314,842)	1,560,774	1,560,774
Changes in items during period						
Issuance of new shares	1,266,564	(1,501,656)	1,266,564		1,031,472	1,031,472
Capital reduction	(1,128,011)		1,128,011		—	—
Deficit disposition			(2,314,842)	2,314,842	—	—
Net loss attributable to owners of parent				(854,783)	(854,783)	(854,783)
Total changes in items during period	138,552	(1,501,656)	79,733	1,460,059	176,688	176,688
Balance at end of current period	1,325,682	—	1,266,564	(854,783)	1,737,463	1,737,463

Fiscal year ended December 31, 2019

(Thousand yen)

	Shareholders' equity				Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	
Balance at beginning of current period	1,325,682	1,266,564	(854,783)	1,737,463	1,737,463
Changes in items during period					
Issuance of new shares	950,274	950,274		1,900,549	1,900,549
Net loss attributable to owners of parent			(459,675)	(459,675)	(459,675)
Changes resulting from new consolidation			(20,024)	(20,024)	(20,024)
Total changes in items during period	950,274	950,274	(479,699)	1,420,850	1,420,850
Balance at end of current period	2,275,957	2,216,838	(1,334,482)	3,158,313	3,158,313

(4) Consolidated statement of cash flows

(Thousand yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from operating activities		
Loss before income taxes	(845,705)	(455,921)
Depreciation	21,128	33,442
Impairment loss	26,753	—
Increase (decrease) in allowance for doubtful accounts	(1,207)	30,599
Interest income	(30)	(39)
Share issuance cost	8,728	12,773
Listing-related expenses	—	7,940
Increase (decrease) in accounts receivable -other	(811,536)	(979,212)
Increase (decrease) in operating accounts payable	—	3,918,629
Increase (decrease) in operating deposits received	1,361,982	(1,952,626)
Other, net	(158,382)	256,029
Subtotal	(398,269)	871,615
Interest income received	30	39
Income taxes paid	(2,291)	(1,637)
Net cash provided by (used in) operating activities	(400,529)	870,017
Cash flows from investing activities		
Purchase of property, plant, and equipment	(86,258)	(25,569)
Purchase of intangible assets	(302)	(322)
Purchase of investment securities	(100,000)	—
Payments of leasehold and guarantee deposits	(136,154)	(108,640)
Proceeds from refund of leasehold and guarantee deposits	—	83,007
Other, net	(15,500)	—
Net cash provided by (used in) investing activities	(338,215)	(51,524)
Cash flows from financing activities		
Proceeds from issuance of shares	1,022,743	1,886,935
Payments of listing-related expenses	—	(7,940)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	840
Net cash provided by (used in) financing activities	1,022,743	1,879,834
Net increase (decrease) in cash and cash equivalents	283,998	2,698,327
Cash and cash equivalents at beginning of period	4,124,532	4,408,530
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	88,556
Cash and cash equivalents at end of period	4,408,530	7,195,414

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Change in presentation method)

(Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan, Statement No. 28, February 16, 2018)” have been applied from the beginning of the first quarter of the consolidated fiscal year ending December 2019. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.

(Segment information)

1. Summary of reportable segment

The Group’s reportable segments are components of the Company for which separate financial information is available that is regularly evaluated by the Board of Directors to determine allocation of management resources and assess business performance.

The Group consists of three reportable segments, “Base business,” “Pay business,” and “Other business.”

A new segment, “Other businesses” was added following the inclusion of BASE BANK, Inc. in the scope of consolidation in the consolidated fiscal year ended December 31, 2019.

“BASE business” provides an e-commerce platform that offers an online shop development service as well as shopping apps and other outlets that enable the purchase of products from shops that have been set up using the service. “PAY business” develops “PAY.JP” that is an online payment service that readily enables Web services and online shops to start accepting credit card payments, as well as “PAYID” that offers ID-based payment service. With regard to “Other businesses,” the Company’s consolidated subsidiary “BASE BANK, Inc” develops financial service that enables shop owners who use “BASE” to raise funds by purchasing the BASE shops’ future accounts receivable from shop owners.

2. Method of calculation of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Methods of accounting procedures for reported business segments are in accordance with the accounting principles used to prepare consolidated financial statements.

3. Information about net sales, profit (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended December 31, 2018

	Reportable segment			Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY Business	Total		
Net sales					
Net sales to external customers	1,982,733	369,673	2,352,406	—	2,352,406
Inter-segment net sales or transfers	—	—	—	—	—
Total	1,982,733	369,673	2,352,406	—	2,352,406
Segment profit (loss)	(496,490)	(184,287)	(680,777)	(110,463)	(791,241)
Segment assets	4,846,847	2,065,039	6,911,887	39,519	6,951,406
Other items					
Depreciation	21,128	—	21,128	—	21,128
Increase in property, plant, and equipment and intangible assets	121,626	—	121,626	—	121,626

(Notes) 1. Reconciliations of segment loss of ¥(110,463) thousand are corporate expenses that are not allocated to each reportable segment.

Corporate expenses consist mainly of general and administrative expenses that do not belong to reportable segments.

2. Segment loss is adjusted with operating loss in the consolidated statement of income.

3. Reconciliations of segment assets of ¥39,519 thousand are inter-segment elimination of ¥(60,480) thousand and corporate assets of ¥100,000 thousand that are not allocated to each reportable segment.

Fiscal year ended December 31, 2019

(Thousand yen)

	Reportable segment				Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY Business	Other Business	Total		
Net sales						
Net sales to external customers	3,198,687	644,055	7,078	3,849,821	—	3,849,821
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	3,198,687	644,055	7,078	3,849,821	—	3,849,821
Segment profit (loss)	(117,692)	(127,651)	(54,212)	(299,556)	(142,163)	(441,719)
Segment assets	7,156,251	3,248,406	75,418	10,480,076	(21,274)	10,458,801
Other items						
Depreciation	33,442	—	—	33,442	—	33,442
Increase in property, plant, and equipment, and intangible assets	37,408	—	—	37,408	—	37,408

(Notes) 1. Reconciliations of segment loss of ¥(142,163) thousand are corporate expenses that are not allocated to each reportable segment.

Corporate expenses consist mainly of general and administrative expenses that do not belong to reportable segments.

2. Segment loss is adjusted with operating loss in the consolidated statement of income.

3. Reconciliations of segment assets of ¥(21,274) thousand are inter-segment elimination.

(Per share information)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net assets per share	¥(428.98)	¥154.71
Net loss per share	¥(118.45)	¥(38.73)

(Notes) 1. Despite the existence of diluted shares in the fiscal year ended December 31, 2018, diluted earnings per share were not indicated in the consolidated financial statements of the fiscal year ended December 31, 2018, not only because the Company was not listed, making it impossible to figure out its average share price during the fiscal year ended December 31, 2018, but also because net loss per share was recorded. In addition, despite the existence of diluted shares in the fiscal year ended December 31, 2019, diluted earnings per share were not indicated in the consolidated financial statements of the fiscal year ended December 31, 2019, because net loss per share was recorded.

2. The Board of Directors of the Company resolved, at a meeting held on August 15, 2019 and the Company conducted a stock split as of August 31, 2019, whereby each ordinary share was split into 400 shares. The afore-mentioned calculation of net loss per share is based on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2018.

3. Net loss per share was calculated on the following basis.

Item	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net loss per share		
Net loss attributable to owners of parent (thousand yen)	(854,783)	(459,675)
Amount not attributable to ordinary shareholders (thousand yen)	—	—
Net loss attributable to owners of parent regarding ordinary shares (thousand yen)	(854,783)	(459,675)
Average number of ordinary shares during the period (shares)	7,216,400	11,868,327
Outline of diluted shares that were not included in calculation of diluted earnings per share because of their anti-dilutive effect	5 types of stock acquisition rights Number of stock acquisition rights: 4,440 Ordinary shares: 1,776,000 shares	7 types of stock acquisition rights Number of stock acquisition rights: 4,527 Ordinary shares: 1,810,800 shares

4. Net assets per share were calculated on the following basis. The number of ordinary shares in the fiscal year ended December 31, 2018 were calculated by excluding the number of class A preferred shares, class B preferred shares, class C preferred shares, class D preferred shares, and class E preferred shares.

Item	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Total net assets (thousand yen)	1,737,463	3,158,313
Amount to exclude from the total net assets (thousand yen)	4,833,157	—
[Of the above, class A preferred shares (thousand yen)]	[199,793]	[—]
[Of the above, class B preferred shares (thousand yen)]	[300,092]	[—]
[Of the above, class C preferred shares (thousand yen)]	[300,011]	[—]
[Of the above, class D preferred shares (thousand yen)]	[1,500,133]	[—]
[Of the above, class E preferred shares (thousand yen)]	[2,533,128]	[—]
Net assets related to ordinary shares at end of period (thousand yen)	(3,095,694)	3,158,313
Number of ordinary shares at end of period used for calculation of net assets per share (shares)	7,216,400	20,413,800

(Significant subsequent events)

(Introduction of Restricted Stock Compensation Plan)

The Board of Directors of the Company resolved, at a meeting held on February 13, 2020, to revise the amount of compensation for Directors and introduce a Restricted Stock Compensation Plan for Directors (the “Plan”). The proposal regarding this plan shall be submitted to the 7th General Meeting of Shareholders to be held on March 25, 2020.

For details, please refer to “Notice of Revision of Amount of Compensation for Directors and Introduction of Restricted Stock Compensation Plan” released on February 13, 2020.