



Q4 of Fiscal Year Ended December 2019
Materials for Financial Results Presentation

BASE, Inc.
(Tokyo Stock Exchange Mothers: 4477)
February 13, 2020

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December 2019**
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2020**
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1. 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)	136, 82 of whom are product engineering personnel (as of the end of December, 2019)
Subsidiaries	PAY, Inc., BASE BANK, Inc.

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.



What we want to achieve in the future

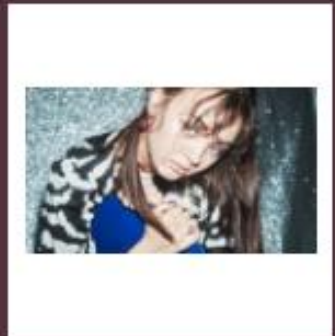
Even a small company or individuals will be able to become stronger in the future by exchanging their own value through the Internet backed by technology



Example of a shop owner (1) Liquem

BASE

- BASE was used to launch the accessory brand "Liquem".
- Attracting fans and customers by using SNSs such as Instagram, and selling products at BASE.



Example of shop owner (2) Kyoto Gyokuro Goencha (green tea)

BASE

- I started this business as a side job, so I used "BASE" because I wanted to start without risk.
- I sell tea under the brand concept of "the most pleasant tea shop in Japan".
- I use BASE not only for online shops but also for offline sales, such as selling at pop-up shops.



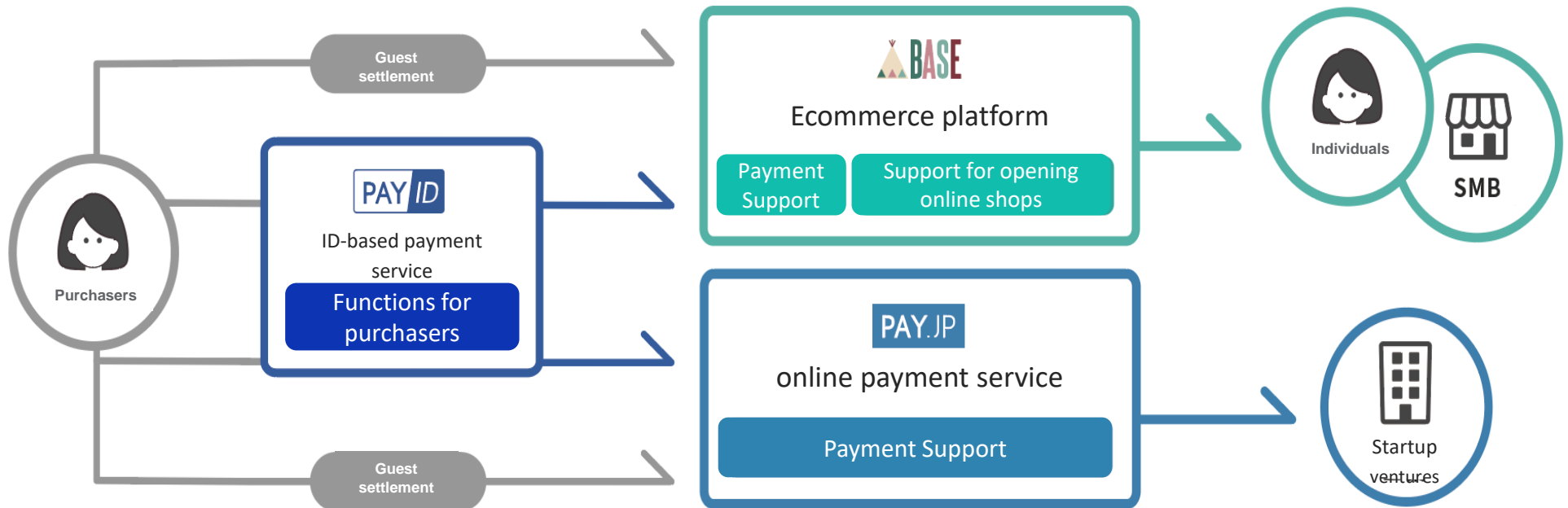
Example of a shop owner (3) Hata Co., Ltd.

- The owner used BASE to launch a new brand of traditional Yamanaka lacquerware.
- The owner used BASE as an exhibition hall where you can open a store for free of charge and may have various transactions beyond physical distance at home and abroad.



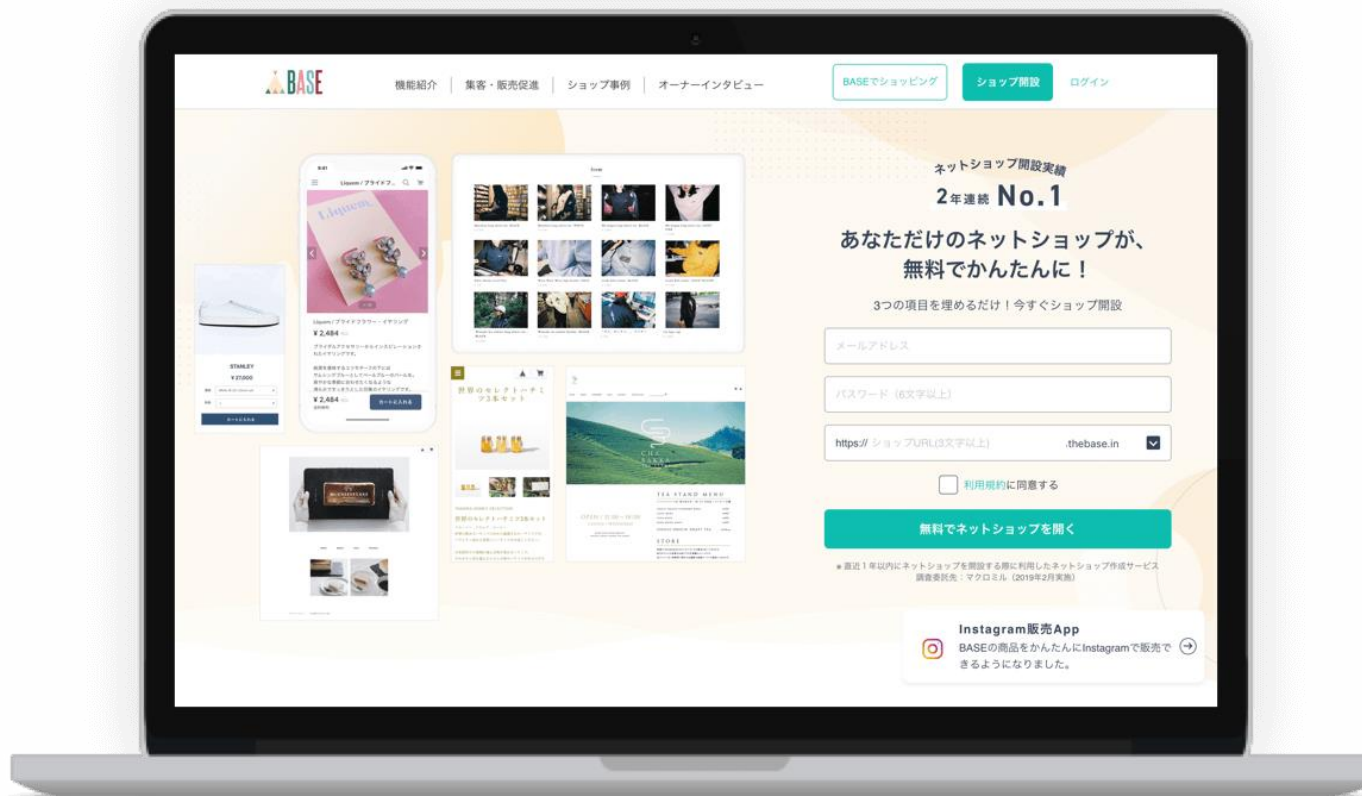
Outline chart of Business

Focus on empowering individuals and SMBs_(Note) through "BASE"
and supporting startups through "PAY.JP"



2. Business Description

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**



PayPal



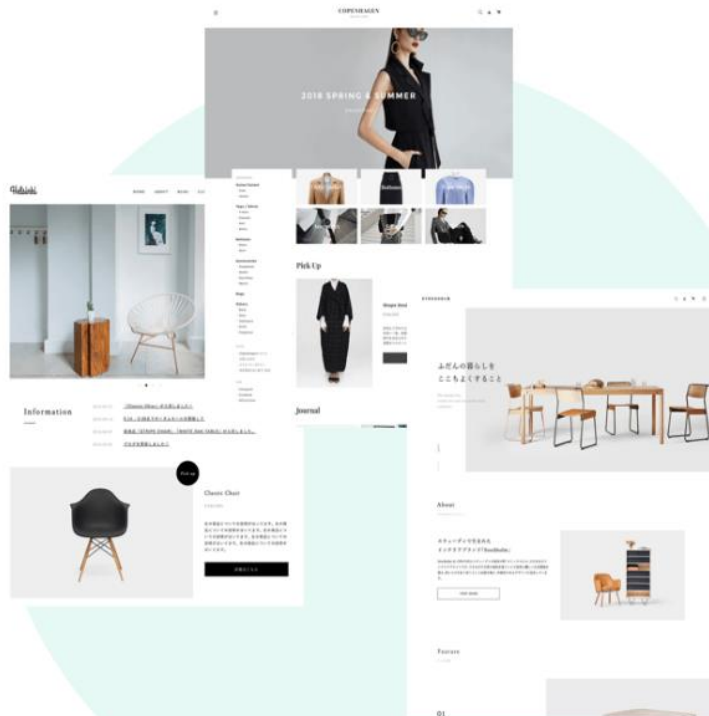
Deferred payment



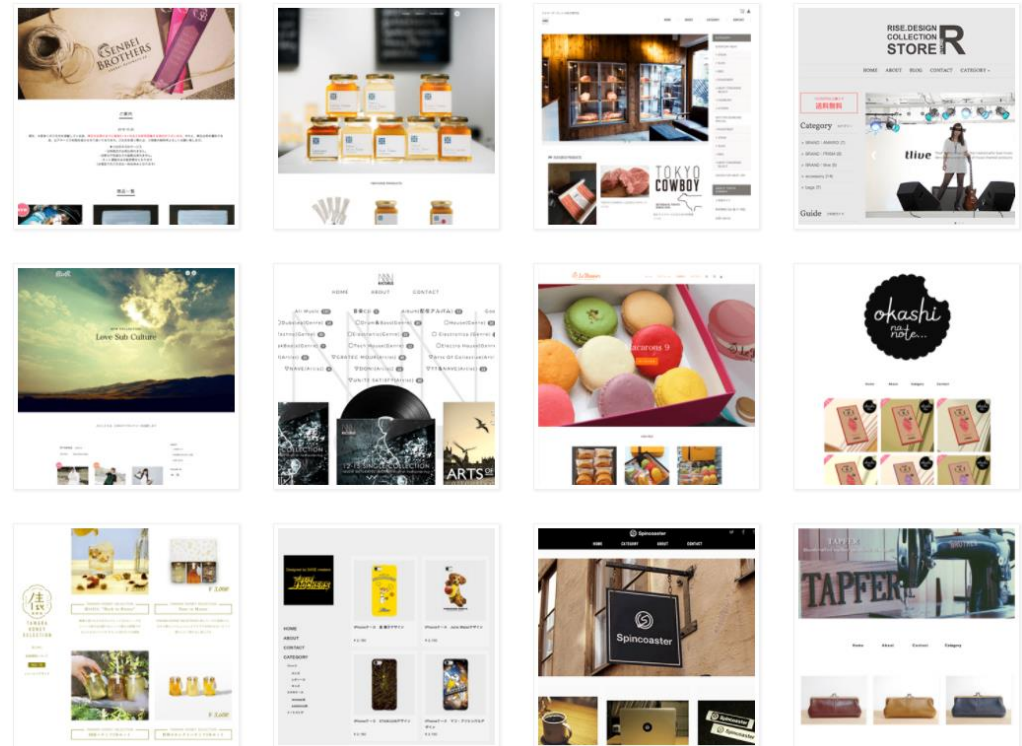
You can create a stylish online shop simply by selecting a template.

A wide range of templates are provided free of charge.

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

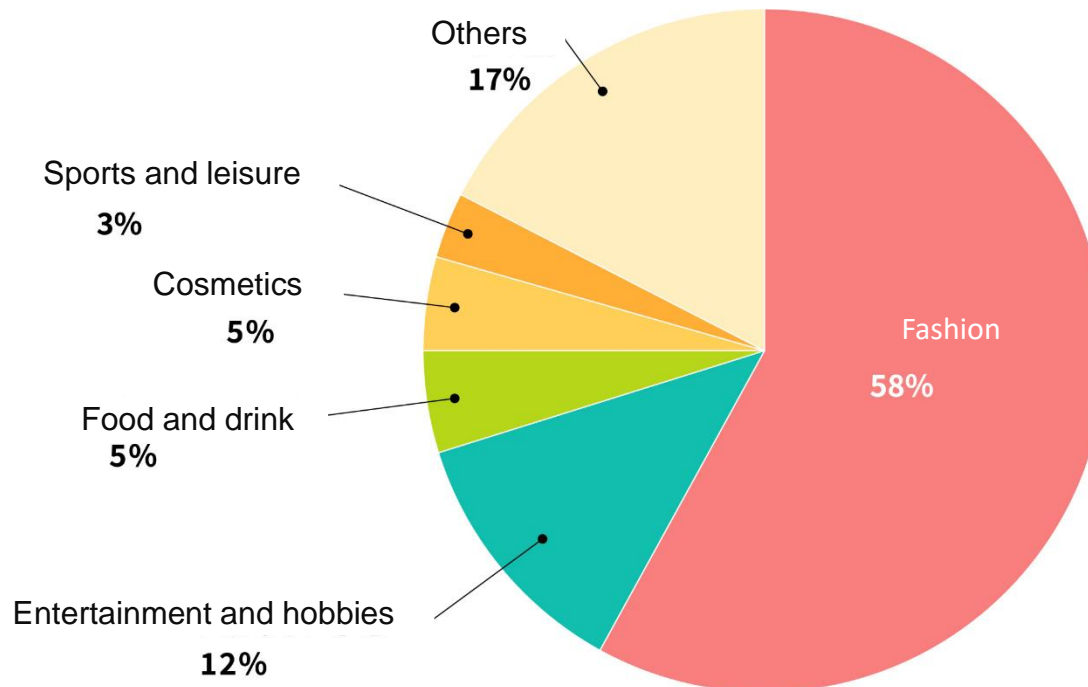


Those especially concerned with design can customize their shops by HTML editing.



Used to sell products of various genres, mainly in fashion.

Percentage of product categories in GMV



Trends in the total number of shops established with BASE

As of the February, 2020

More than 900,000 shops!

For three years in a row, No.1 track record in opening online retail shops in Japan (Note)



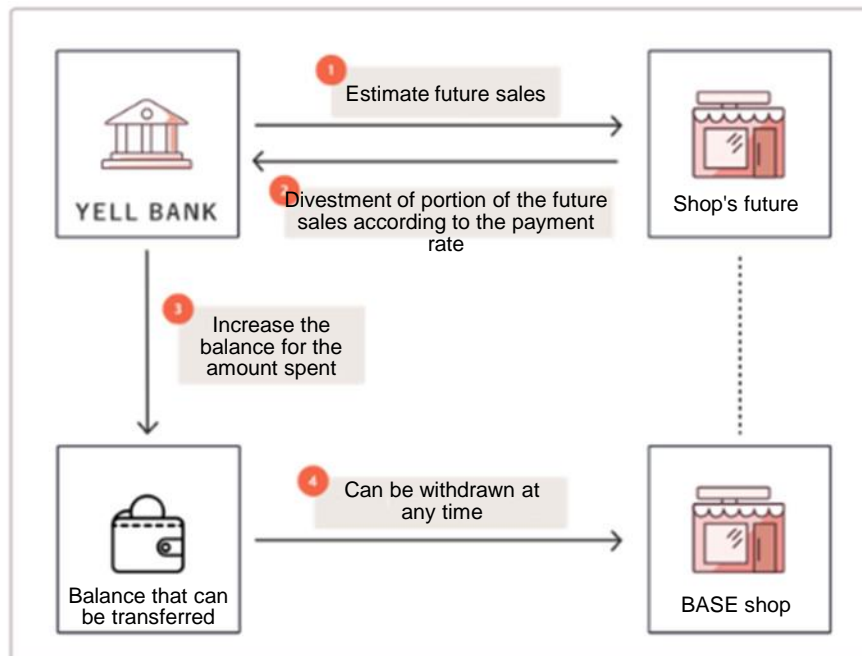
Shop owners use SNS to acquire customers themselves.



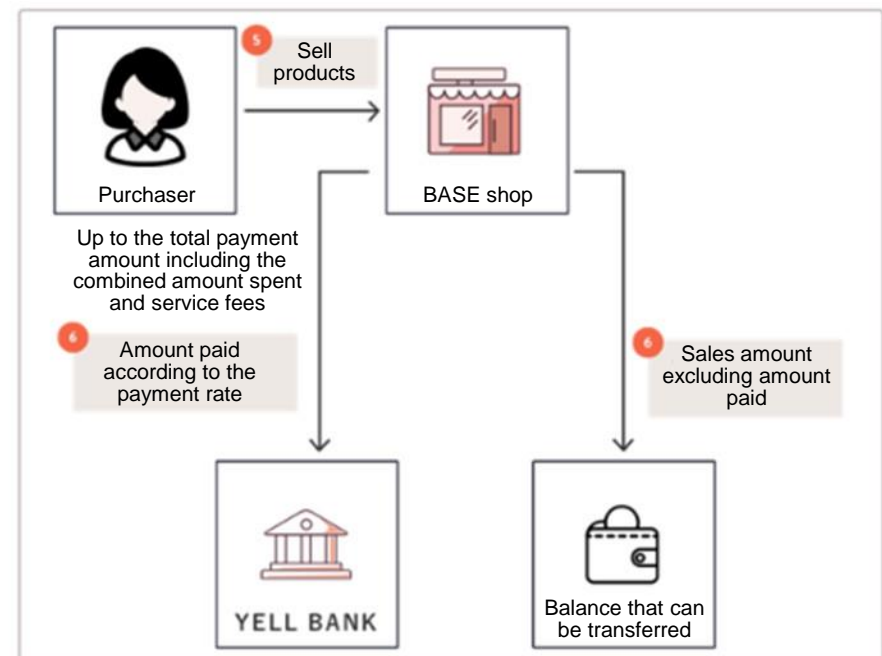
Financial service that enables shop owners who use "BASE" to raise funds immediately. Shop owners are able to raise funds without these risks because "YELL BANK" bears the risk of no receivables being generated in the future and uncollected receivables. Utilization of data enables shop owners who do 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.

“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  appleple
Web System&Design

 board  polca  clintal  Samuraism

 SELECTTYPE  brick  Draft GLAZOS

ValuePress! PixelGrid.  canvath  VEGEO VEGECO
organs

 仕事旅行社
Shigoto-Ryokou-Sha  東京カレンダー
TOKYO CALENDAR  justInCase  UGpet.com
ウーゴペット

 Candee

3. Results for Q4 and Fiscal Year Ended December 2019

We implemented measures to raise awareness of our services and to acquire new users.

We implemented TV commercial for the purpose of raising awareness of our services.

January 2019



September and October 2019



We made alliance with 11 financial institutions across Japan

supporting those who want to open online shops across the country and acquiring medium- to long-term new users.

List of affiliated financial institution

Alliance in 2019



We strengthened products to make services easier to use.

Renewal of shop management screen

We improved products in order for shop owners to continue to use them as partners in operating online shops.



Strengthen overseas sales functions

We introduced the PayPal payment method together with setting-up function of overseas shipping charges, enabling shop owners to sell their products to overseas fans.



We implemented measures to increase added value other than payment functions.

We created opportunities for shop owners to spread the appeal of their brands by providing space for opening brick-and-mortar stores in cooperation with department stores and providing pop-up space for sales.

space for opening brick-and-mortar stores

In October, we opened "TENJIN BASE" in Tenjin-Core, Fukuoka Prefecture, to open brick-and-mortar stores.

pop-up space for sales

We opened OIOI BASE MARKET in Namba Marui, Marui City Yokohama and Hakata Marui, which allows brick-and-mortar stores to easily sell products.

Pop-up space for a limited time

In December, we held an event called "Present for me" in Shibuya Hikarie where stores were opened by 15 brands using BASE.



Full year GMV

BASE business: **42,963** million yen (+58.6% YoY, +0.2% against the earnings forecast)

PAY business: **23,925** million yen (+74.9% YoY, +11.4% against the earnings forecast)

Net sales for the full year was **3,849** million yen (+63.7% YoY, +4.9% against the earnings forecast)

BASE business: **3,198** million yen (+61.3% YoY)

PAY business: **644** million yen (+74.2% YoY)

Gross profit for the full year was **2,231** million yen (+59.7% YoY, +3.5% against the earnings forecast)

Full-year operating loss was **441 million yen** (+349 million yen YoY, and +98 million yen against the earnings forecast.)

Operating profit excluding promotional expenses was **489** million yen (+525.6% YoY)

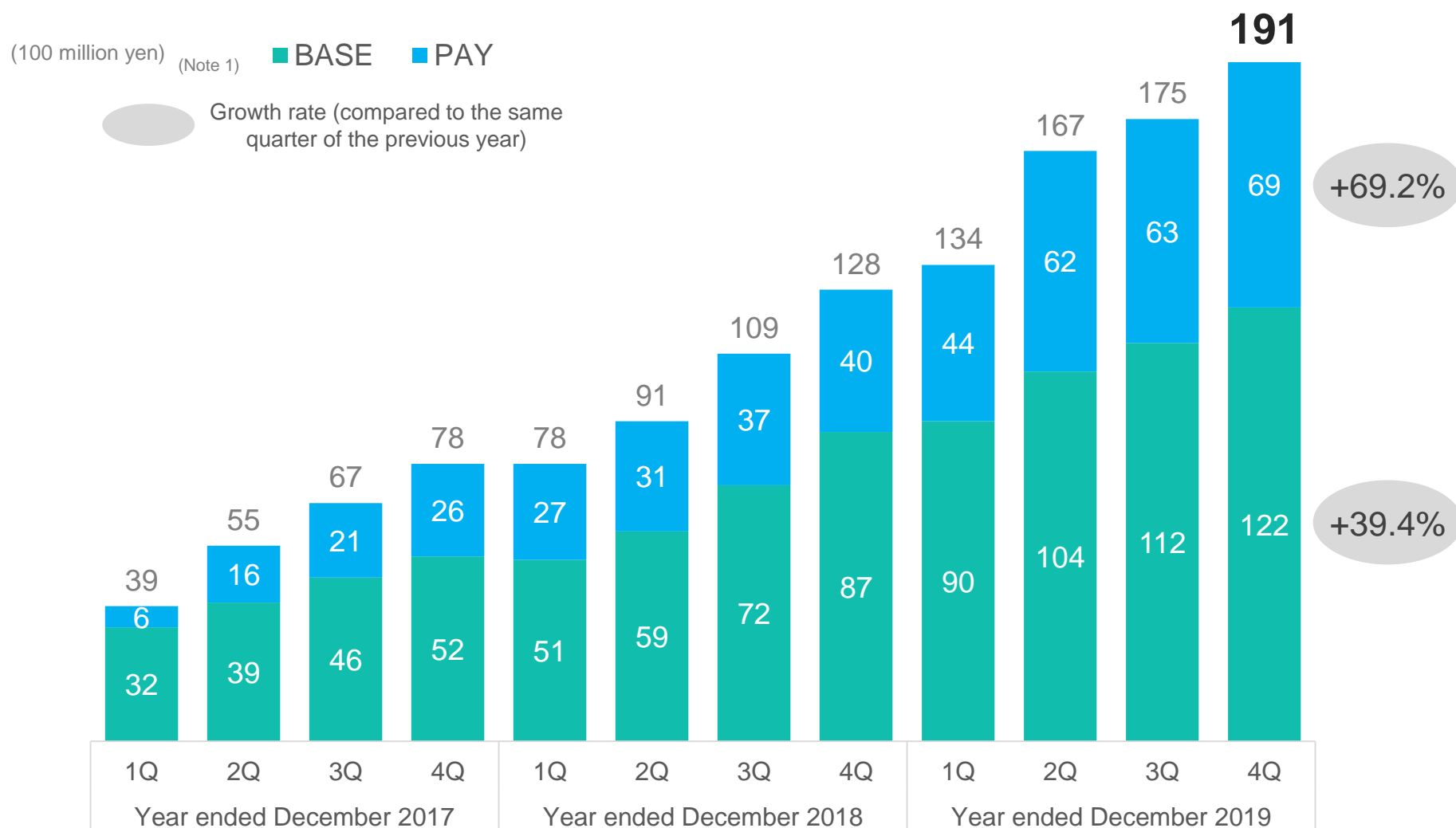
Net sales increased by **63.7%** and gross profit increased by **59.7%** YoY.

Deficit increased in Q4 due to upfront investment in advertising expenses and personnel expenses, but deficit decreased for the full year

(Million yen)	FY 2019 4Q (October – December 2019)					FY 2019 4Q cumulative (January – December 2019)				
	Results	Same period last year		Previous quarter		Results	Same period last year		Full-year forecast	
		Results	YoY	Results	QonQ		Results	YoY	Forecast	Achievement rate
Sales	1,119	748	+49.4%	1,043	+7.3%	3,849	2,352	+63.7%	3,670	104.9%
Gross profit on sales	644	445	+44.6%	609	+5.7%	2,231	1,396	+59.7%	2,154	103.5%
Gross profit rate	57.6%	59.5%	-1.9pt	58.4%	-0.8pt	58.0%	59.4%	-1.4pt	58.7%	-0.7pt
Selling and administrative expenses	805	449	+79.2%	754	+6.8%	2,672	2,187	+22.2%	2,694	99.2%
Operating profit	-161	-4	-	-144	-	-441	-791	-	-540	-
Ordinary profit	-176	-2	-	-143	-	-455	-798	-	-559	-
Profit	-176	-2	-	-147	-	-459	-854	-	-560	-

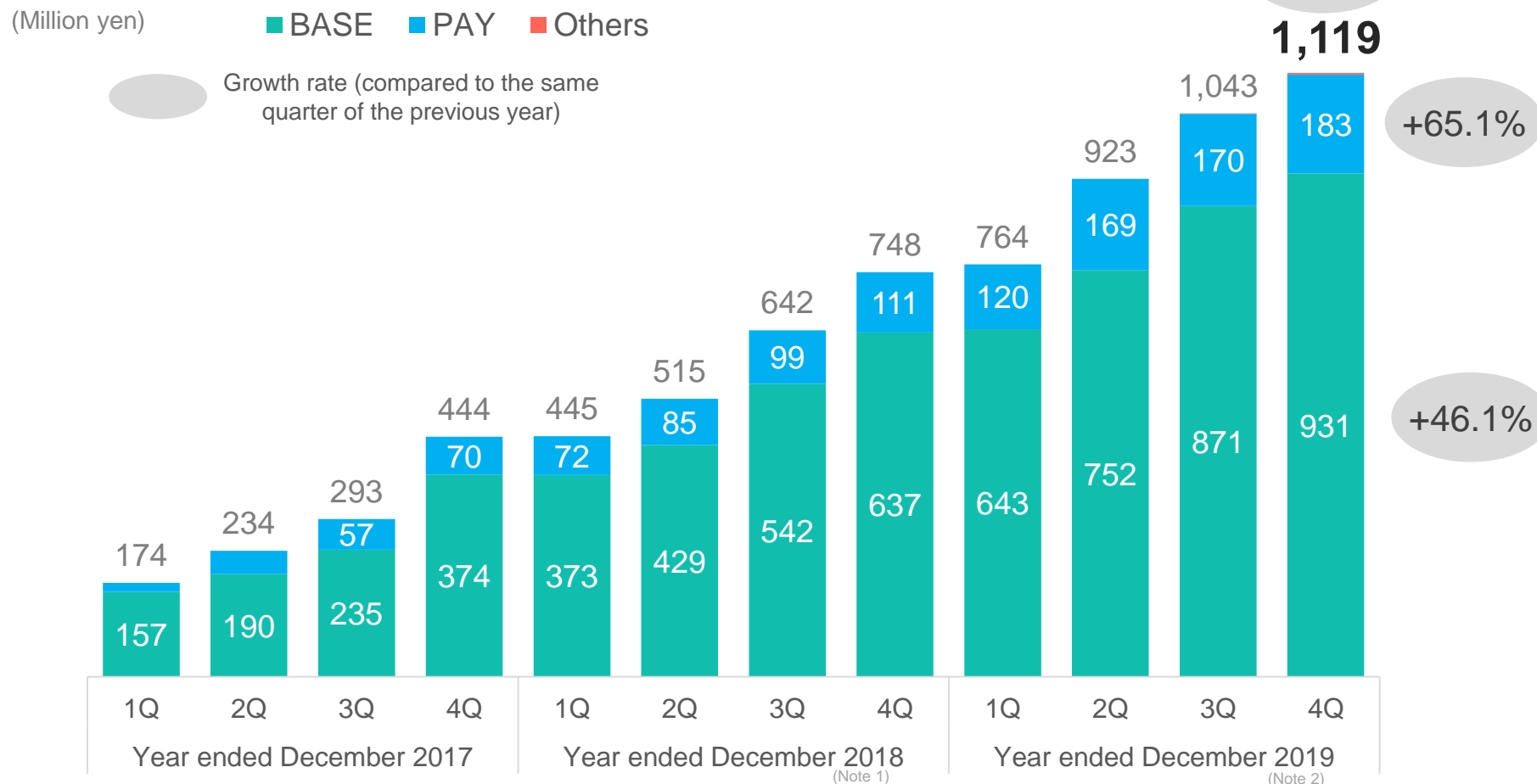
Changes in GMV (distribution total)

BASE business increased by **39.4%** YoY and PAY business increased by **69.2%**, both continuing high growth.



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

BASE business increase by **46.1%** compared to the same quarter of the previous fiscal year and PAY business increased by **65.1%**, both continuing high growth. Consolidated net sales: **1,119** million yen (**+49.4% YoY**)

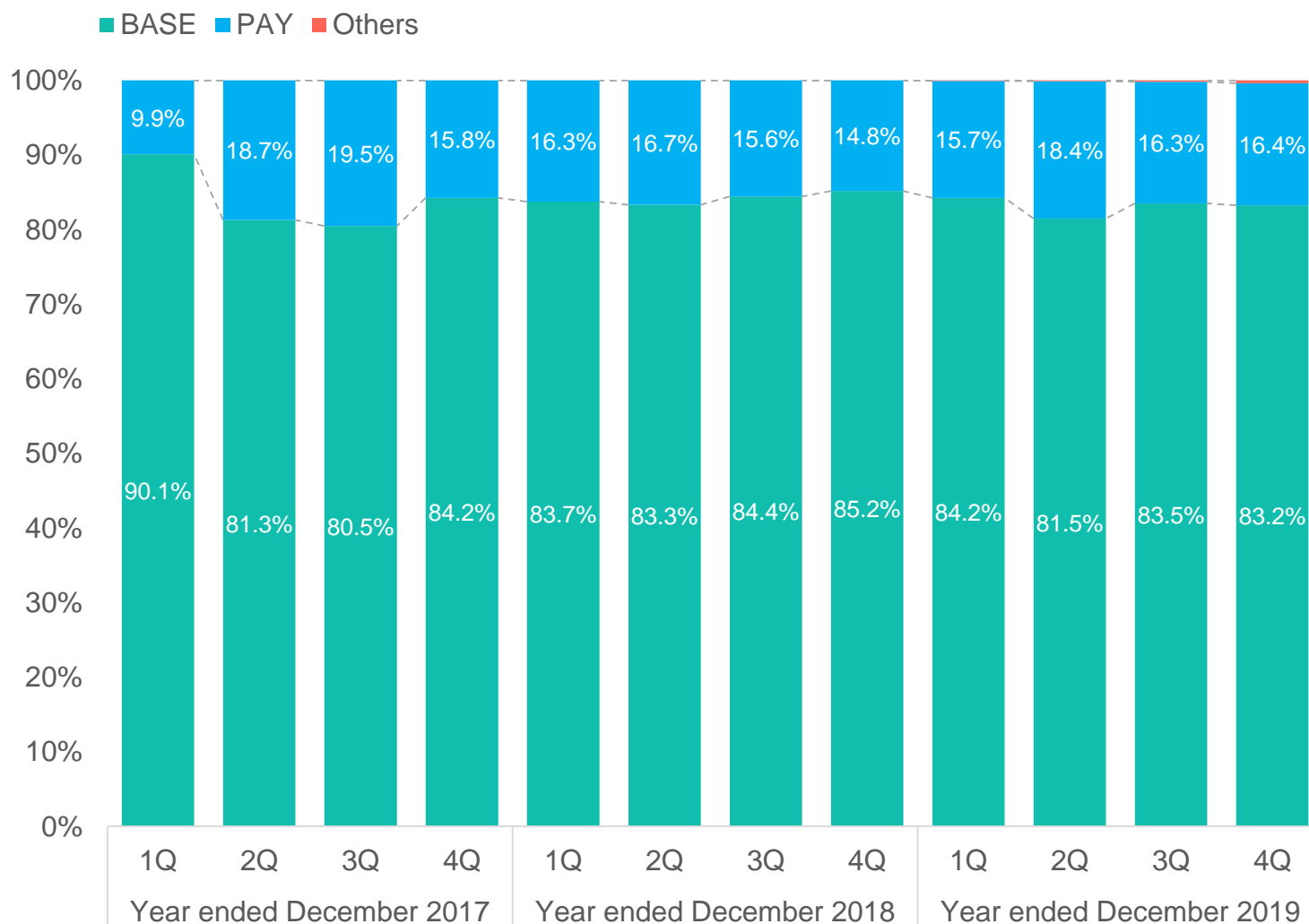


(Note 1) Because PAY business was consolidated through the incorporation-type company split in the fiscal year ended December 2018, only figures for PAY, Inc. are consolidated in the fiscal year ended December 2018 while non-consolidated figures are shown in the fiscal year ended December 2017 and before.

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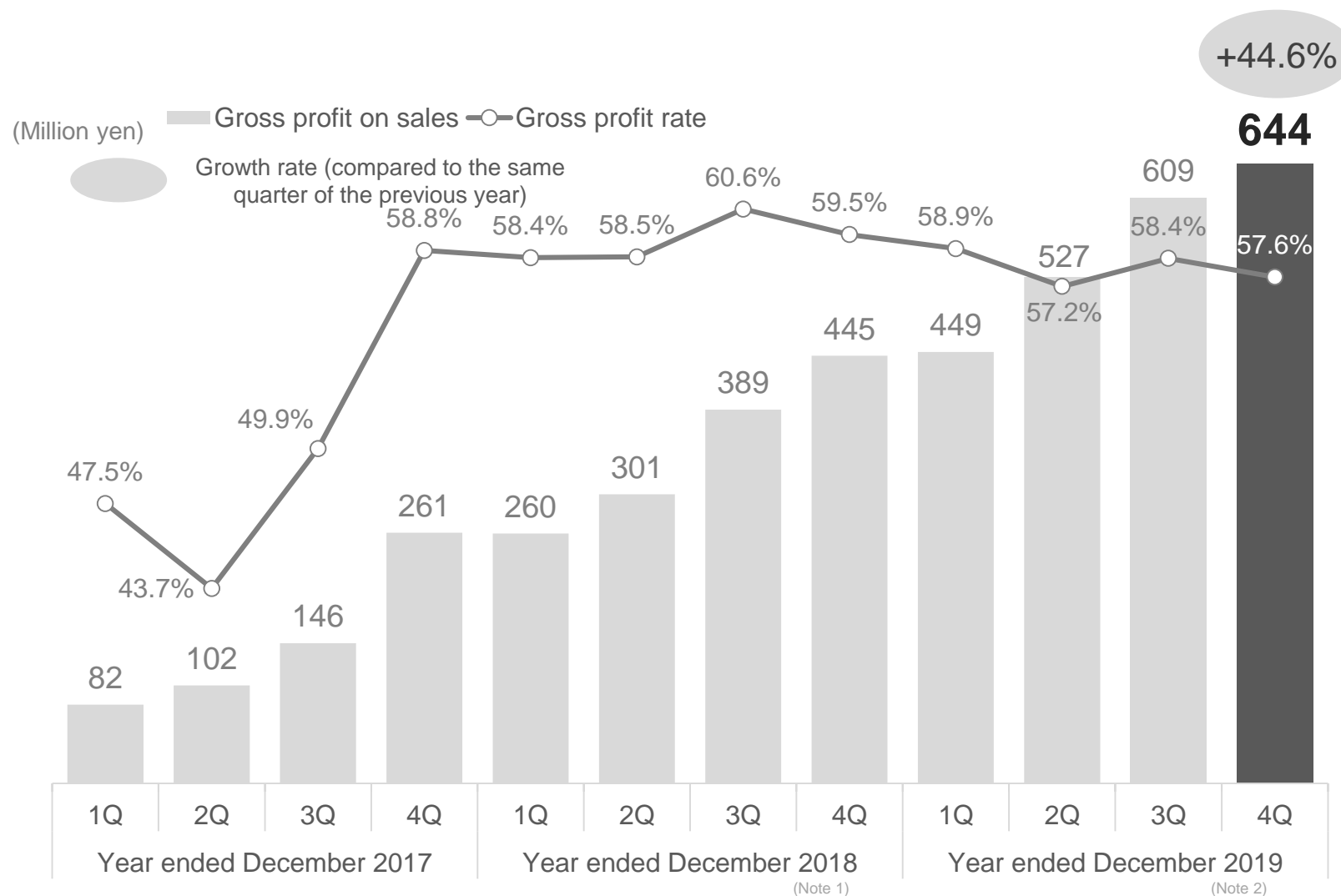
Changes in Ratio of Net Sales by Business

The ratio of net sales in BASE business of the total sales remained at around **84%**, while that of PAY business remained at around **16%**.




Changes in gross profit

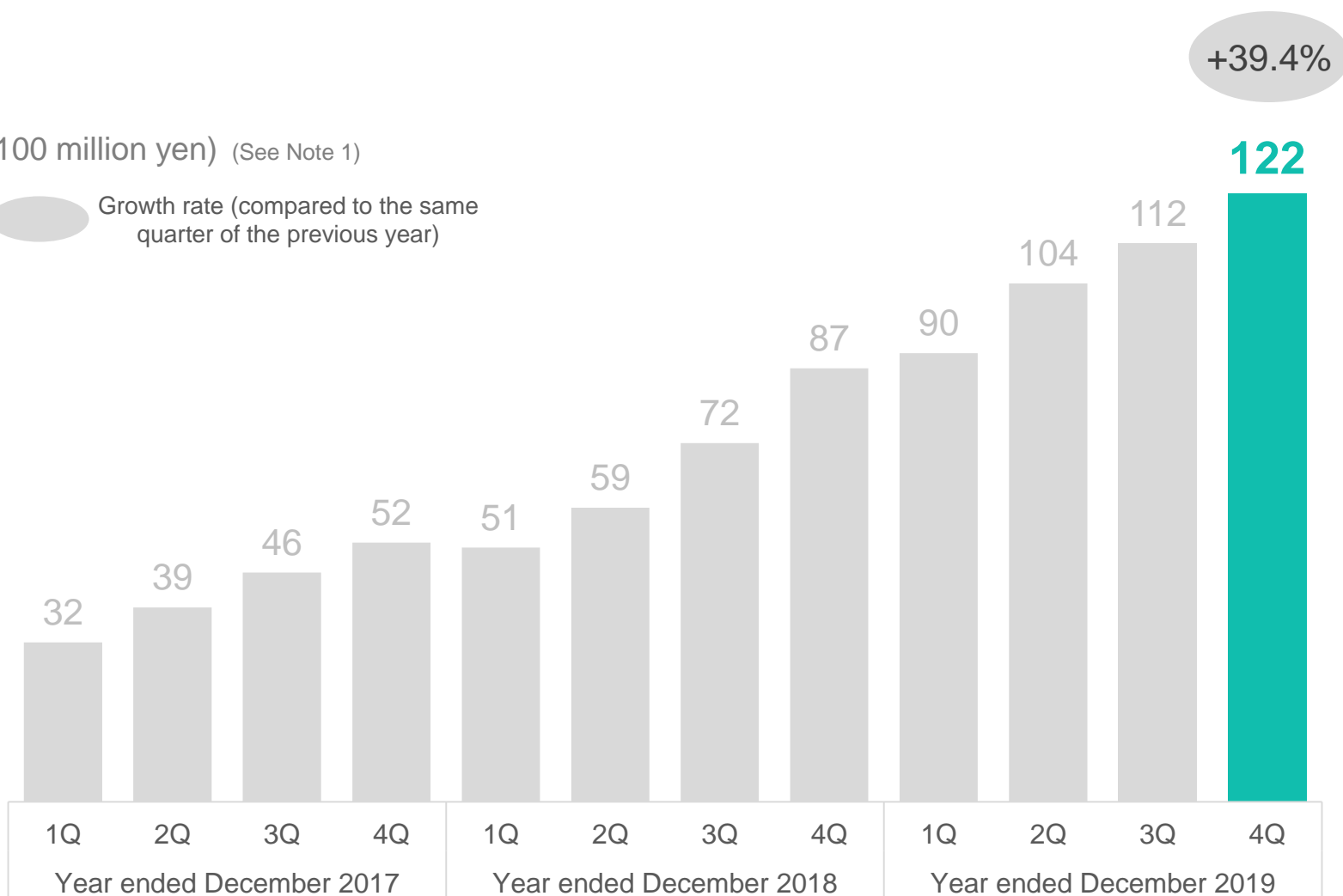
Gross profit continues to grow at a high rate of **+44.6%** compared to the same quarter of the previous year. Gross profit margin decreased due to a decrease in gross profit margin in the BASE business.



GMV **grew by 39.4%** compared to a strong growth in 4Q of fiscal 2018, posting **12.2** billion yen for this quarter.

(100 million yen) (See Note 1)

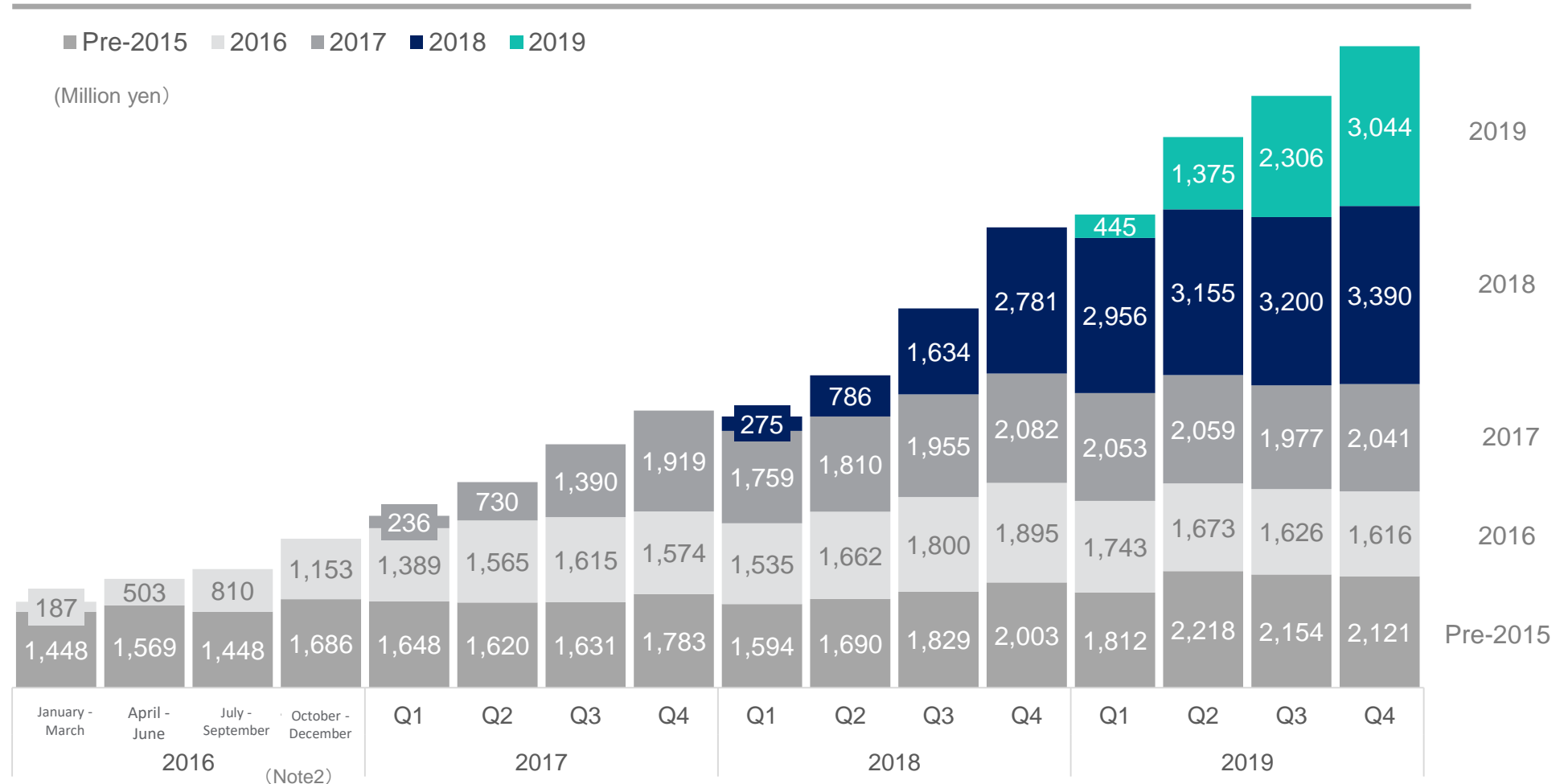
 Growth rate (compared to the same quarter of the previous year)



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

An accumulative business model in which GMV_(Note1) 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.

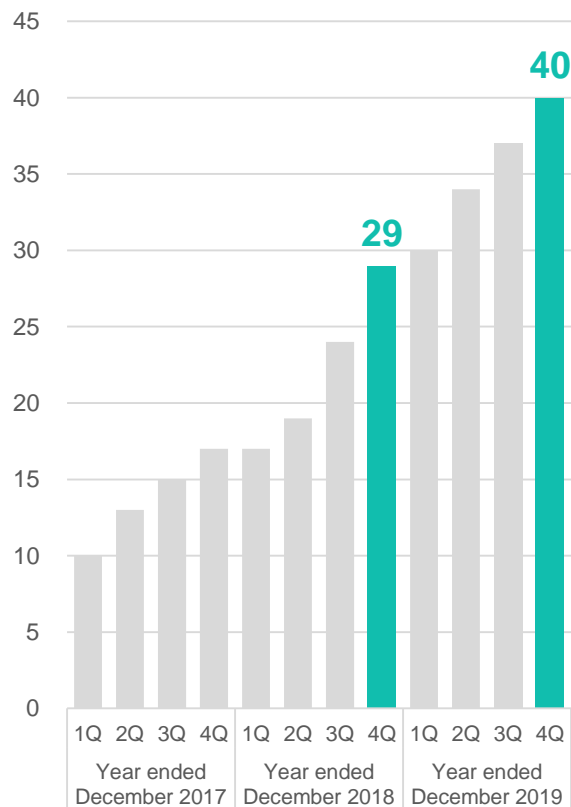
Monthly GMV increased by **39.4%** compared to the same quarter of the previous fiscal year.

The number of stores per month increased by **23.1%** compared to the same quarter of the previous fiscal year, and also monthly average GMV per shop increased by **13.2%** compared to the same quarter of the previous fiscal year.

Monthly GMV

(Notes 1, 2)

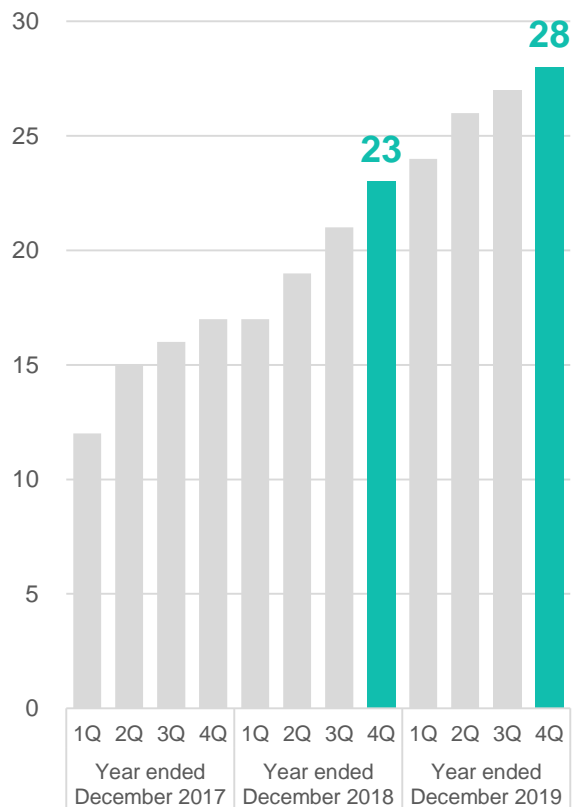
(100 million yen)



Number of stores per month

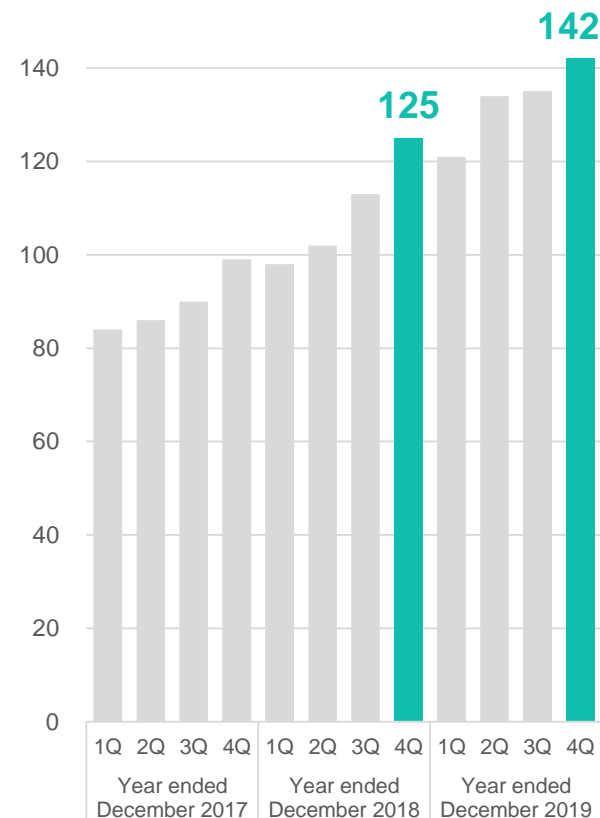
(Note 2)

(Thousand shops)



Monthly average GMV per shop

(Thousand yen)

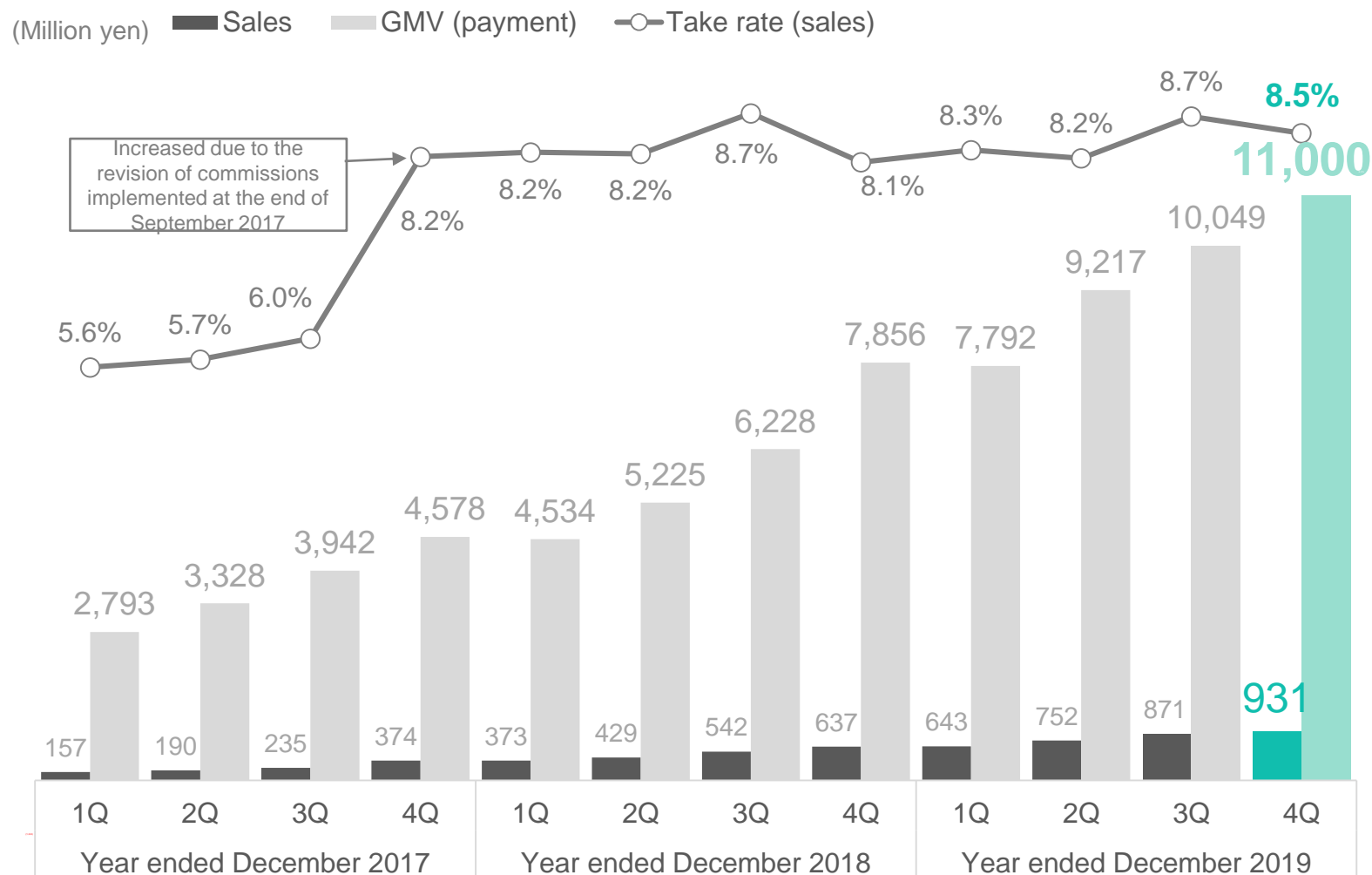


(Note 1) BASE's GMV is based on the order date (order amount).

(Note 2) Monthly GMV and the number of stores per month are the quarterly averages.

GMV (Settlement amount) ^(Note) was **11,000** million yen (+40.0% YoY)

The take rate declined due to the impact of a decline in purchasers' commissions

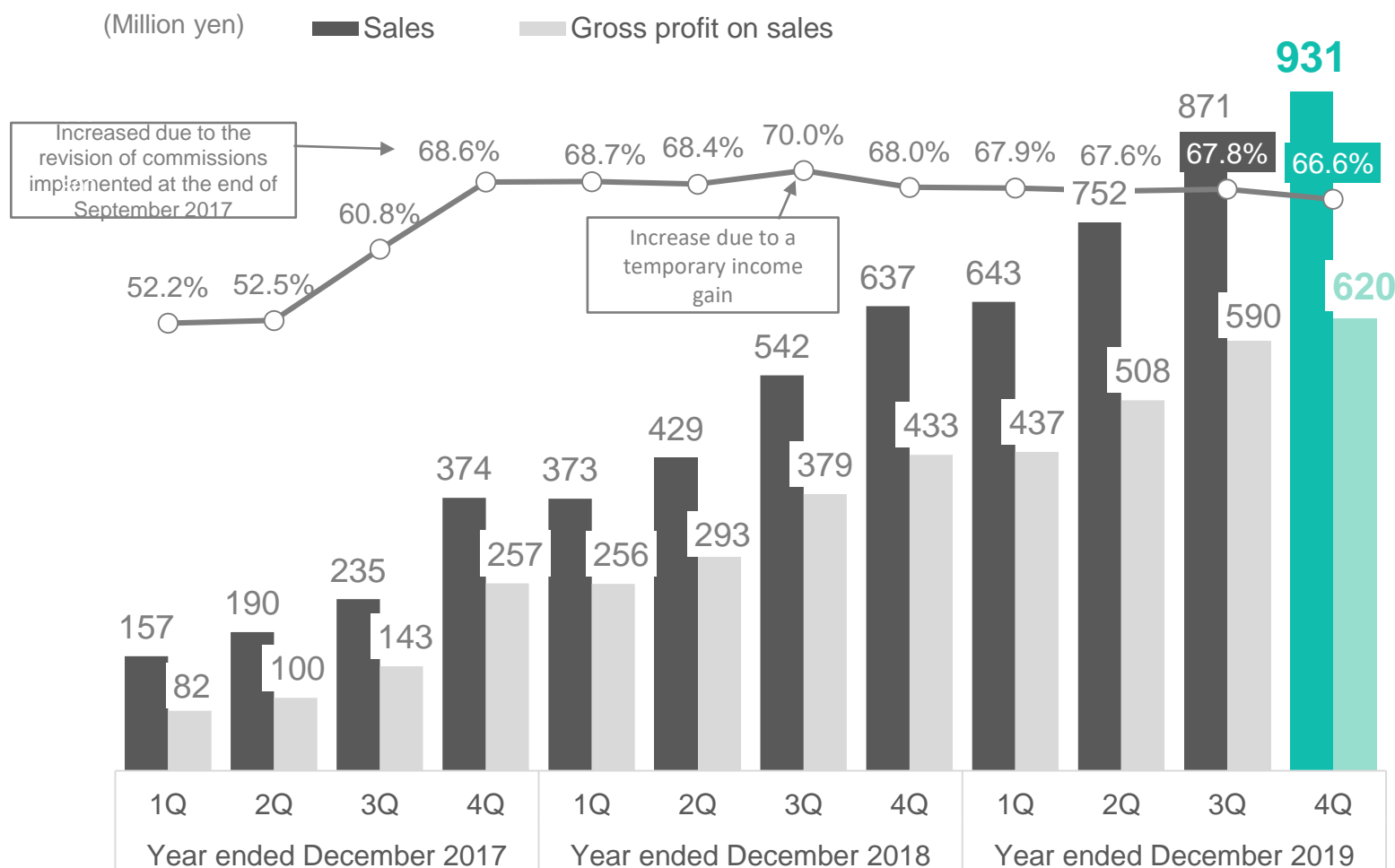


(Note) Of the total amount of orders (GMV based on the order date), GMV (payment amount) is the amount that has been paid, and is recorded in the month of payment date.

There is monthly time lag from order to settlement because the order date and settlement date are different. Also, the amount of GMV is different from the order amount (GMV based on the order date) because the amount that has not been paid due to cancellation is not included in GMV (payment amount).


Net sales increased by **46.1%** and gross profit increased by **43.1%**.

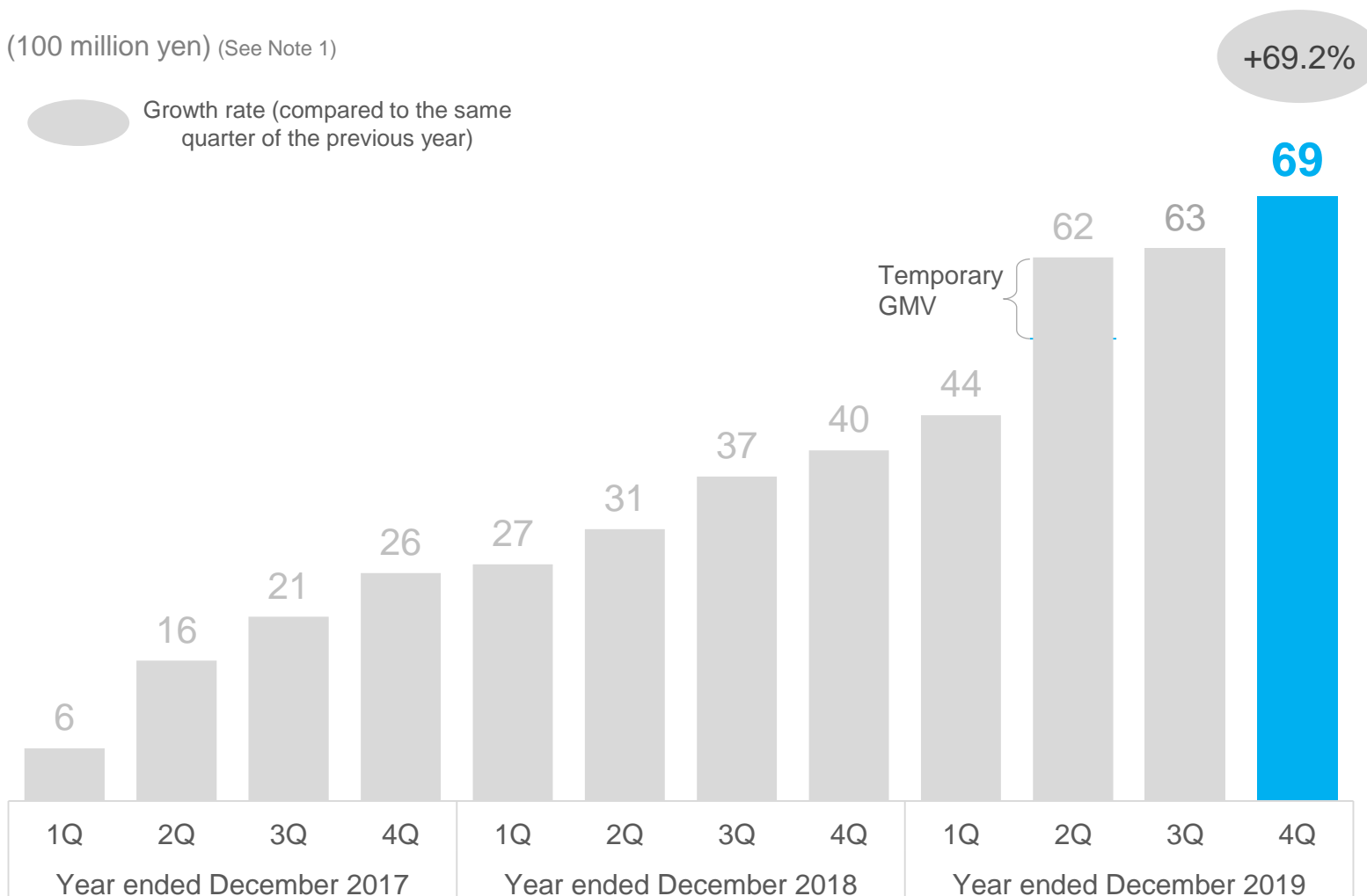
Gross profit margin declined due to the impact of a decrease in the take rate caused by a decrease in purchasers' commissions and an increase in the composition of payment instruments where profit margins are low.



GMV continued to grow at a high rate of **+69.2%** compared to the same quarter of the previous year.
Both the number of stores in operation (**+39.6%**) and the average GMV per store in operation (**+21.2%**) grew.

(100 million yen) (See Note 1)

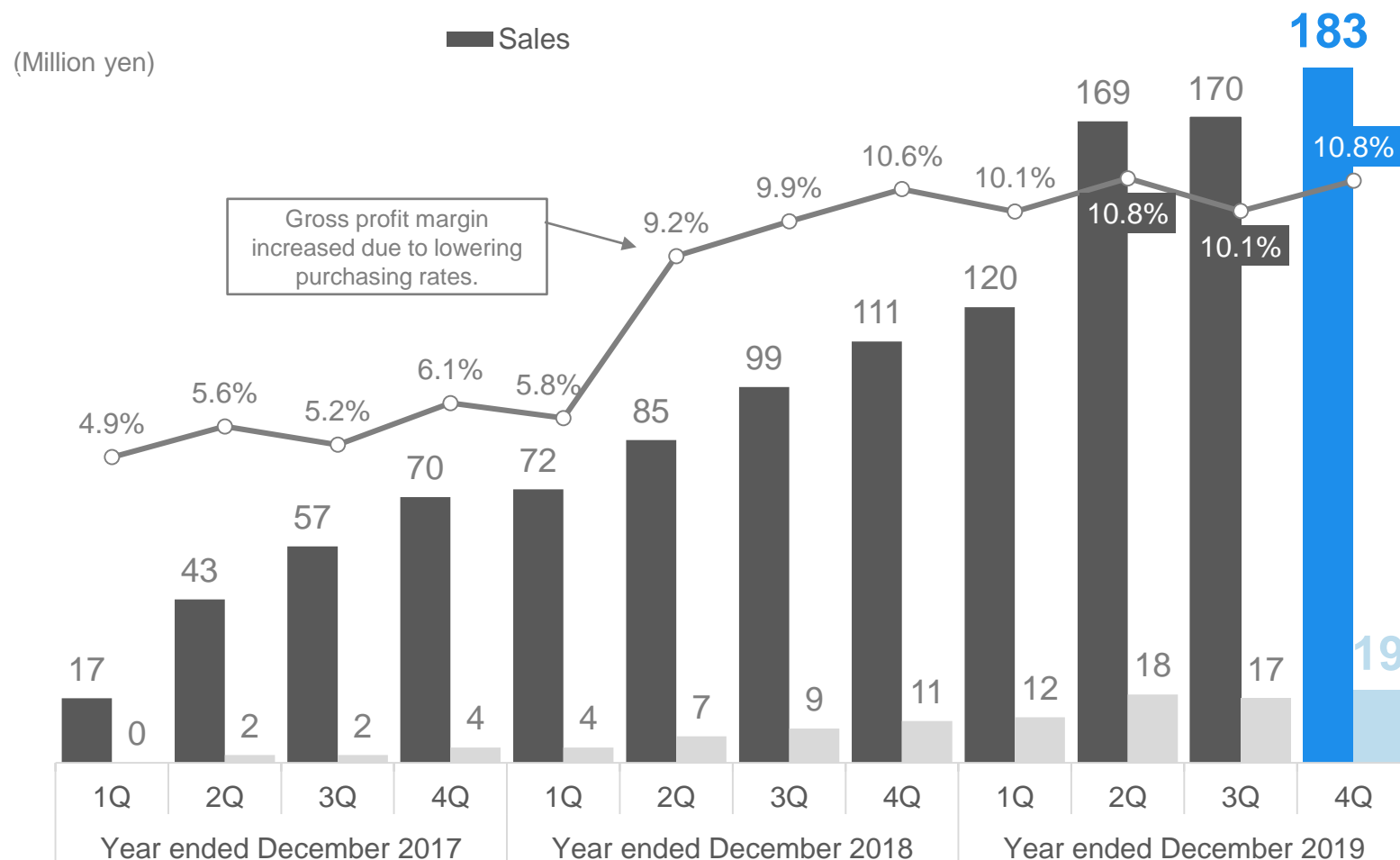
 Growth rate (compared to the same quarter of the previous year)



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

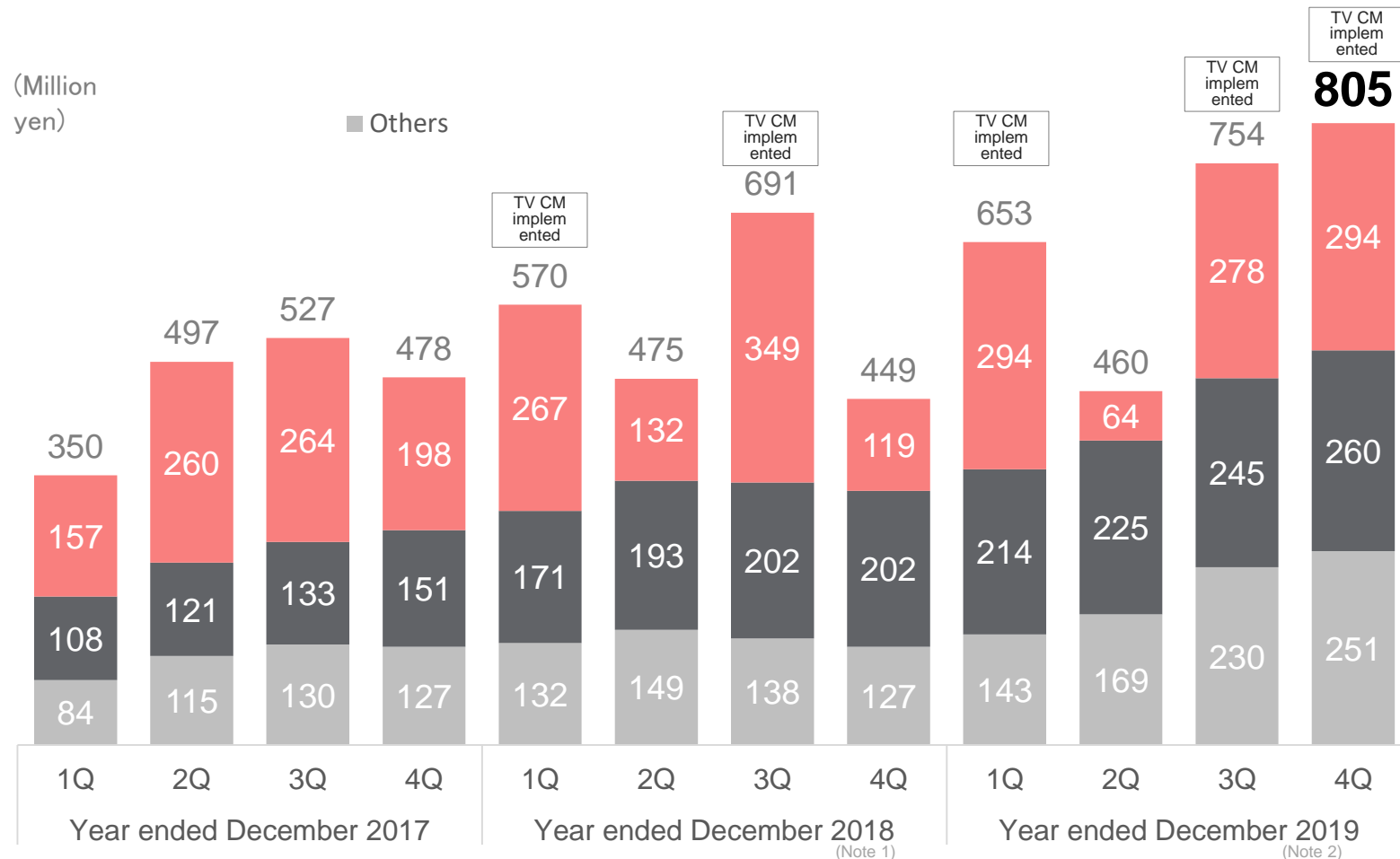
Net sales **increased by 65.1%** and gross profit **increased by 67.9%**.

Gross profit margin remained at the 10% level.



Trends in Selling and Administrative Expenses

- Promotional expenses increased due to TV commercials implemented in October and a conference for shop owners held in December (+15 million yen from the previous quarter).
- Personnel expenses increased due to an increase in the number of employees for product enhancement (+14 million yen from the previous quarter)
- Other expenses increased due to costs associated with IPO and an increase in system costs (+21 million yen from the previous quarter)



(Note 1) Because PAY business was consolidated through the incorporation-type company split in the fiscal year ended December 2018, only figures for PAY, Inc. are consolidated in the fiscal year ended December 2018 while non-consolidated figures are shown in the fiscal year ended December 2017 and before.

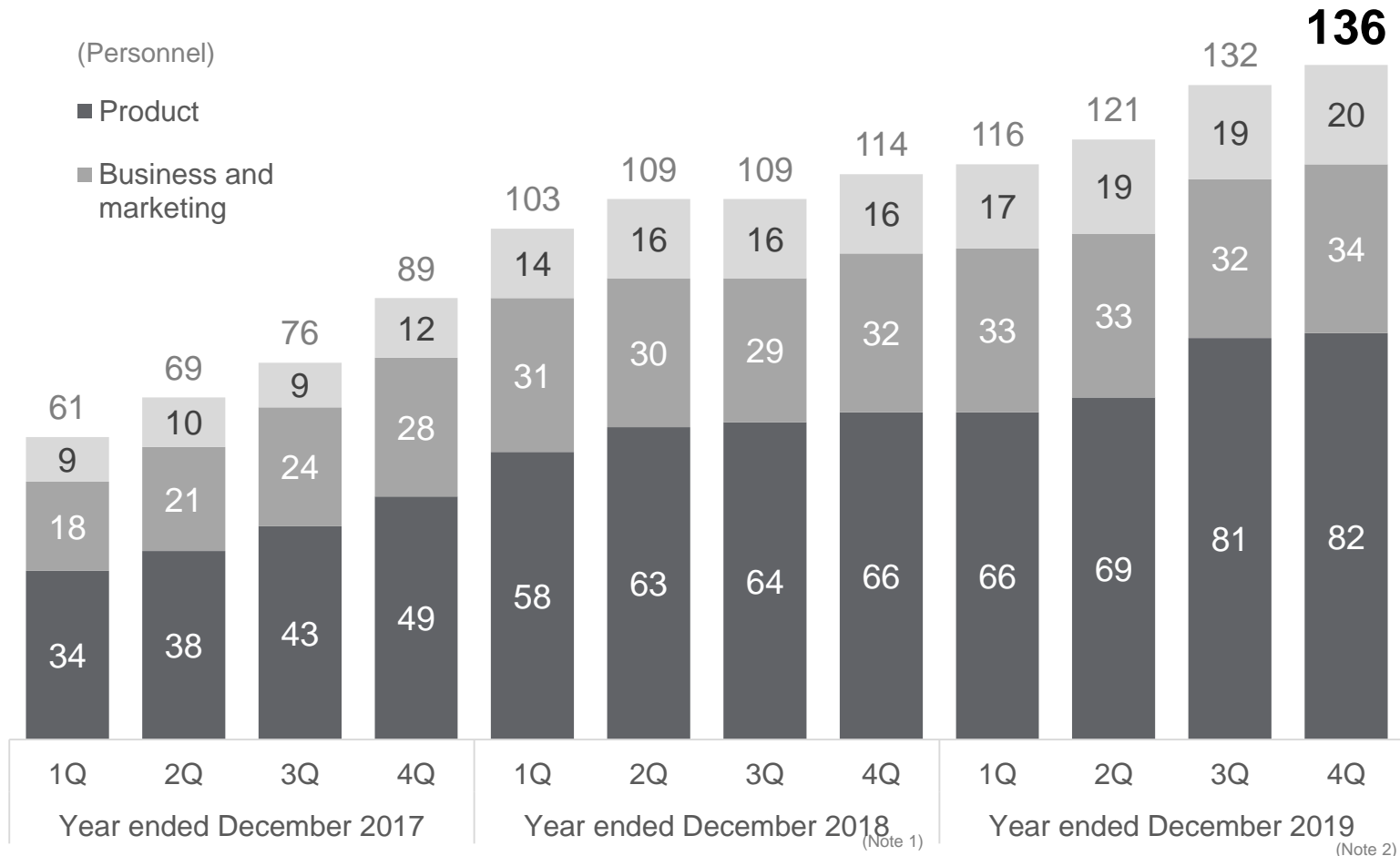
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(Note 3) Other expenses consist mainly of office expenses, system expenses, remuneration and outsourcing expenses, and taxes.

Changes in the number of employees

Increased employees mainly due to increased hiring for product enhancements

+22 persons (including **16 persons** for product) compared to the end of the previous fiscal year, **+4 persons** (including **one person** for Product) compared to the previous quarter



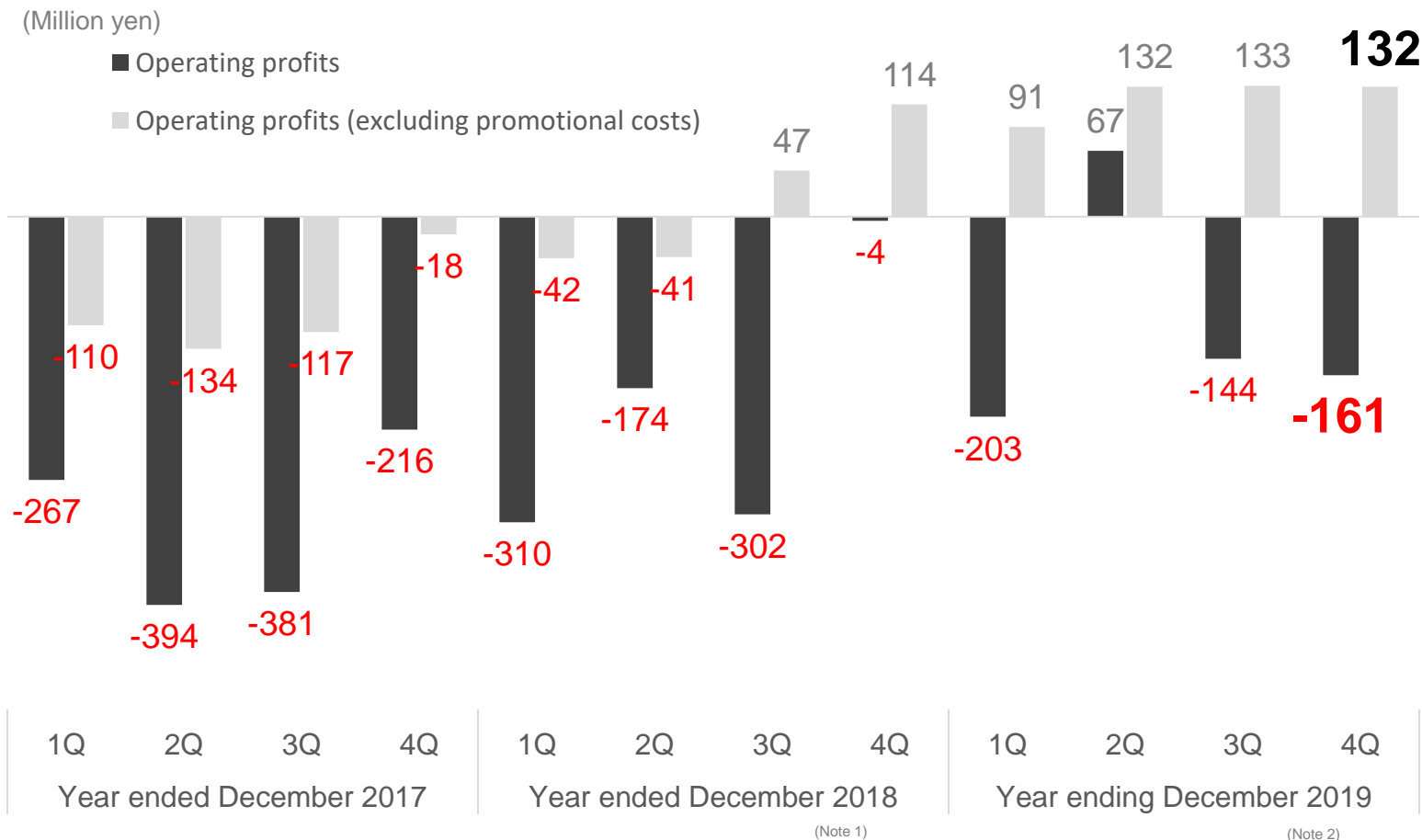
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(Note 3) The number of employees is the number of regular employees and contract employees, and does not include the number of Directors and temporary employees. However, the number of employees includes the number of persons seconded to subsidiaries as Directors.

Changes in Operating Profit or Loss

Although gross profit increased from the previous quarter, operating profit (excluding promotional expenses) remained at the same level as the previous quarter due to an increase in personnel expenses, etc.
Operating loss due to promotional activities such as TV commercials following 3Q



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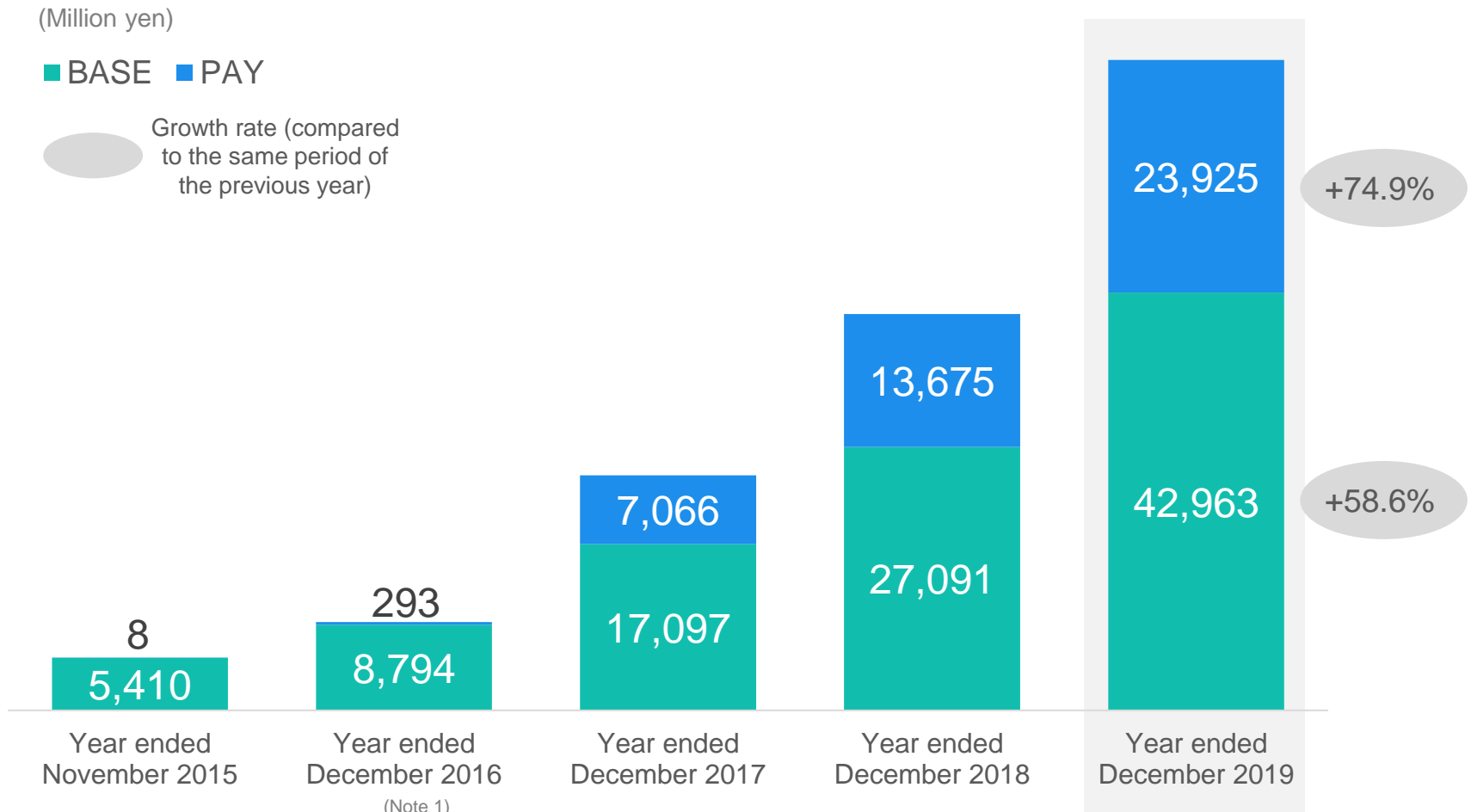
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Full-Year Financial Results - GMV (By Business)

BASE

BASE business: **42,963** million yen (**+58.6%** YoY)

PAY business: **23,925** million yen (**+74.9%** YoY)



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

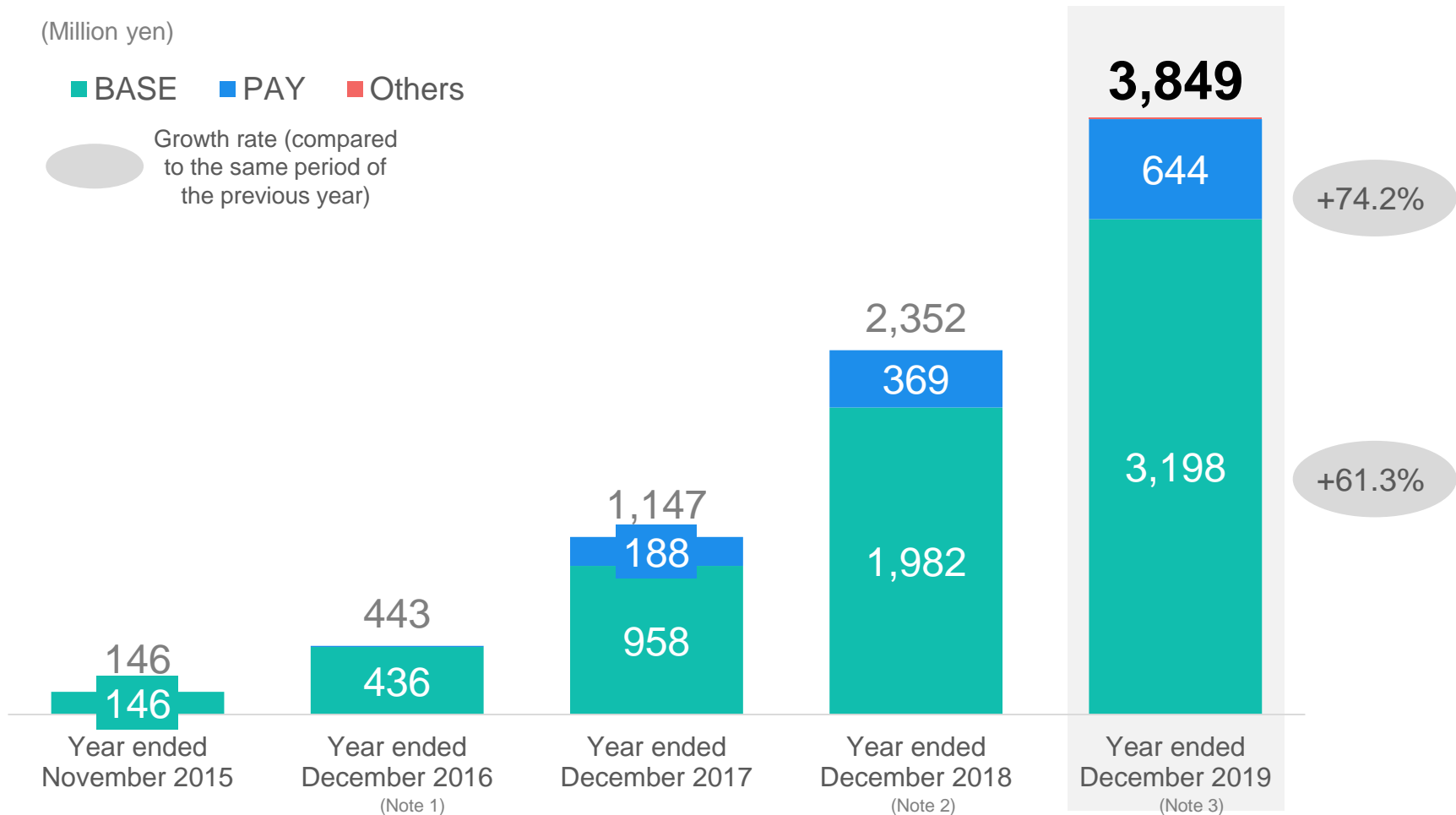
Full-Year Financial Results - Sales (By Business)

BASE

Net sales: **3,849** million yen (+63.7% compared to the previous fiscal year)

BASE business: **3,198** million yen (+61.3% YoY) due to growth in GMV

PAY business: **644** million yen (+74.2% YoY) due to growth of GMV



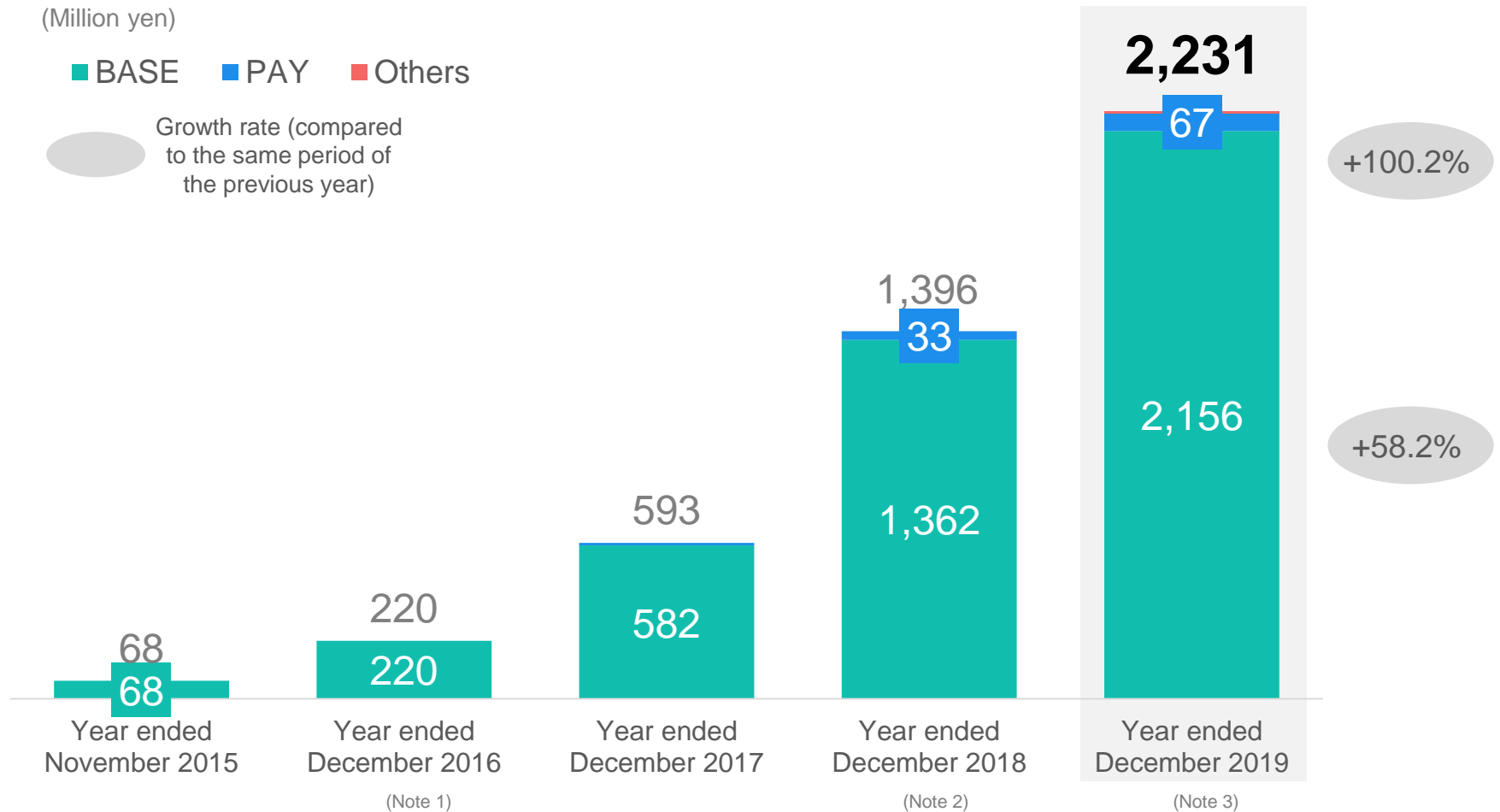
Full-Year Financial Results - Gross Profit (By Business)

BASE

Gross profit: **2,231** million yen (+59.7% YoY)

BASE business: **2,156** million yen (+58.2% YoY) due to growth in GMV

PAY business: **67** million yen(+100.2% YoY) due to growth of GMV



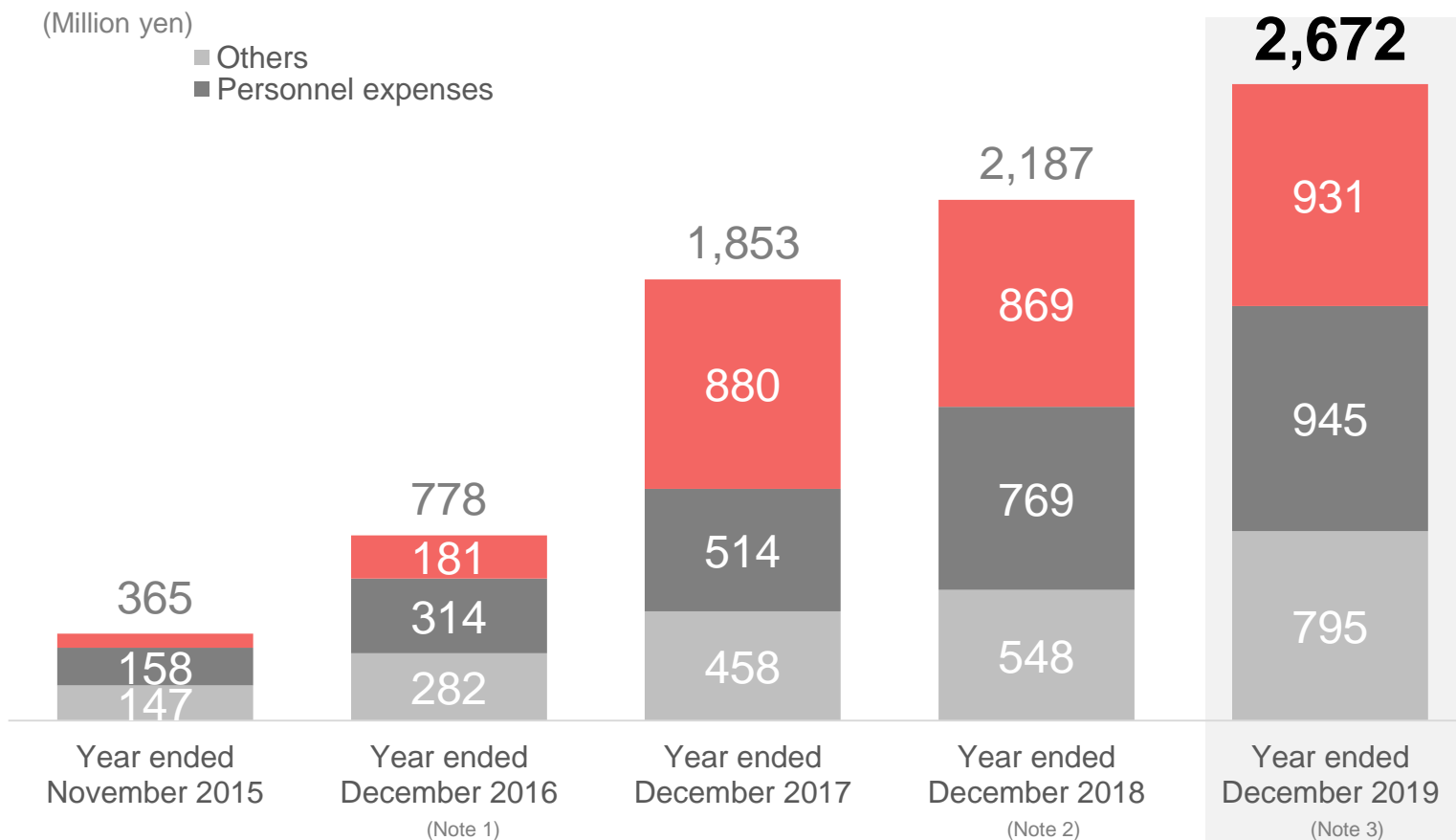
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Full-Year Financial Results - SG&A Expenses

- Promotional expenses increased due to up-front investments in areas such as TV commercials and Web marketing enhancements (+62 million yen compared to the previous fiscal year).
- Personnel expenses increased (+176 million yen compared to the previous fiscal year) due to an increase in the number of employees (+22 persons compared to the previous fiscal year) for product reinforcement, etc.
- Other expenses increased due to an increase in office floor space, system enhancements, and a change in consumption tax processing in line with the revision of the BASE terms of use.
(+246 million yen compared to the previous fiscal year)



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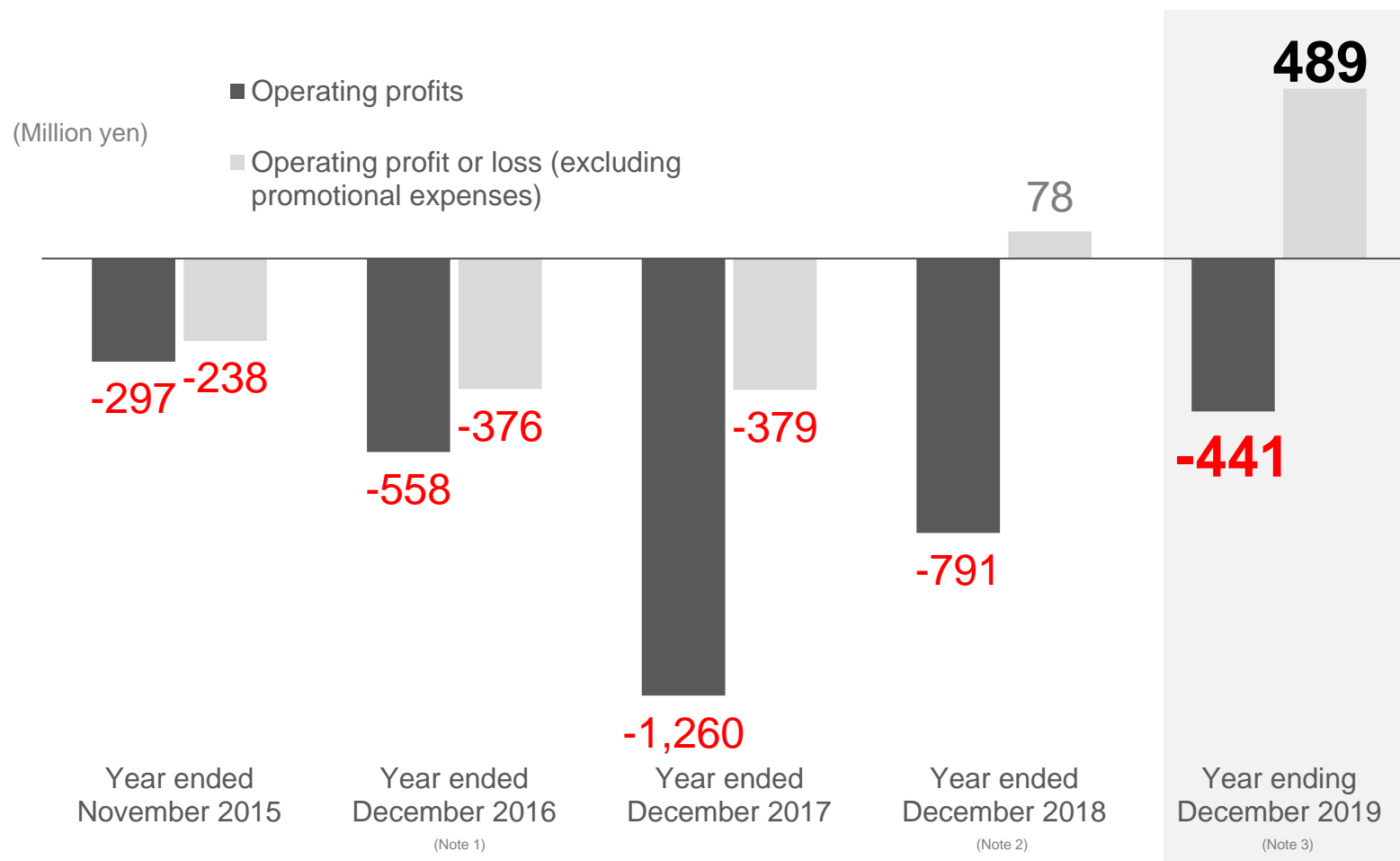
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Full-Year Financial Results - Operating Profit

Operating profit (excluding promotional expenses) significantly increased by **525.6%** due to high growth of gross profit.

As a result of continued promotional efforts from the previous year, the operating loss improved significantly from the previous fiscal year.



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

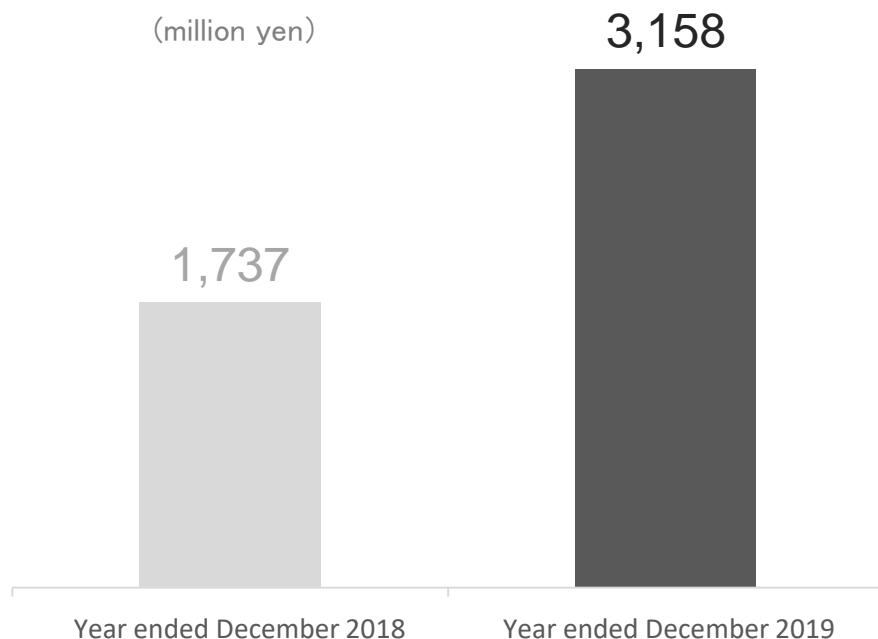
(Note 2) Because PAY business was consolidated through the incorporation-type company split in the fiscal year ended December 2018, only figures for PAY, Inc. are consolidated in fiscal year ended December 2018 while non-consolidated figures are shown in the fiscal year ended December 2017 and before.

(Note 3) BASE BANK, Inc. was established in the fiscal year ended December 2018 and became a consolidated subsidiary in the fiscal year ending December 2019. As a result, figures for the fiscal year ending December 2019 are consolidated.

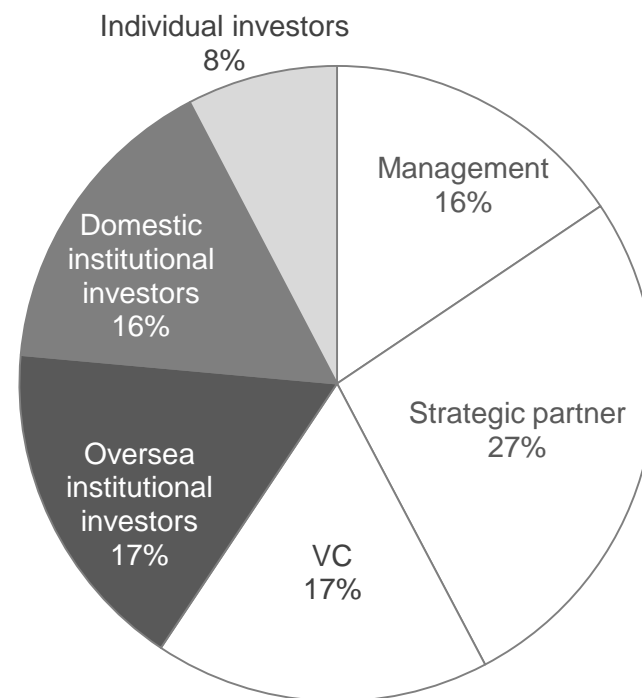
We raised 1,899 million yen through public offering in line with the IPO as well as a third-party allotment through over-allotment

17% shares of the Company are held by overseas investors, 16% shares of the Company are held by domestic investors.

Net asset



Shareholder composition (as of December 31, 2019)



4. Policies for Fiscal Year Ending December 2020 and Full-Year Forecasts

We will continue to make active investments to accelerate the opening of new stores in order to create a business model that accumulates GMV continuously through continued use of new stores.

We will promote the development of functions to facilitate a wider range of users to use our services, including linking with SNSs and strengthening community functions.

We will strive to promote long-term use of our services and improve LTV by expanding services to support the growth of shops for continued use, including the enhancement of expansion functions such as seamless linkage with logistics warehouses and delivery systems, provision of funds, and facilitation of cash flows.

We will strive to ensure safer and more secure business operation by taking measures against chargebacks and other illicit activities.

Net sales are expected to grow by **37.5%~44.1%** and gross profit is expected to grow by **34.9%~39.6%** YoY.

Growth investment is executed with an eye on external environment as well as competitions.

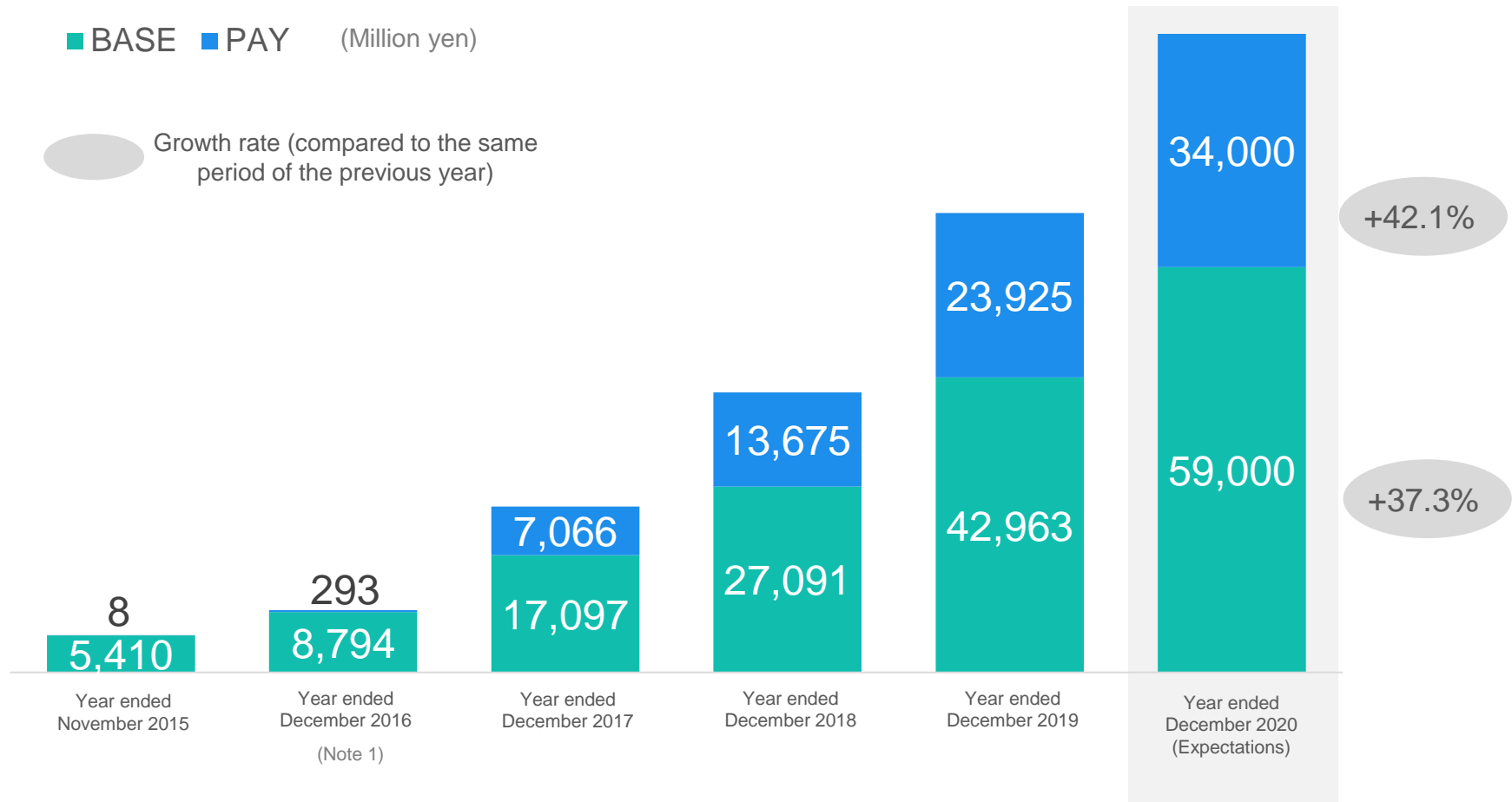
(Million yen)	Forecast for FY2020	FY2019 results	YoY
Sales	5,292~5,546	3,849	+37.5%~44.1%
Gross profit on sales	3,009~3,115	2,231	+34.9%~39.6%
Selling and administrative expenses	3,000~3,460	2,672	+12.2%~29.5%
Operating profit	-391~55	-441	-
Ordinary profit	-391~55	-455	-
Profit	-393~15	-459	-

Full-Year Forecast - GMV (By Business)

BASE

BASE business: **59,000** million yen ~ **61,000** million yen (+37.3% ~ 41.2% YoY)

PAY business: **34,000** million yen ~ **38,000** million yen (+42.1% ~ 58.8% YoY)



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

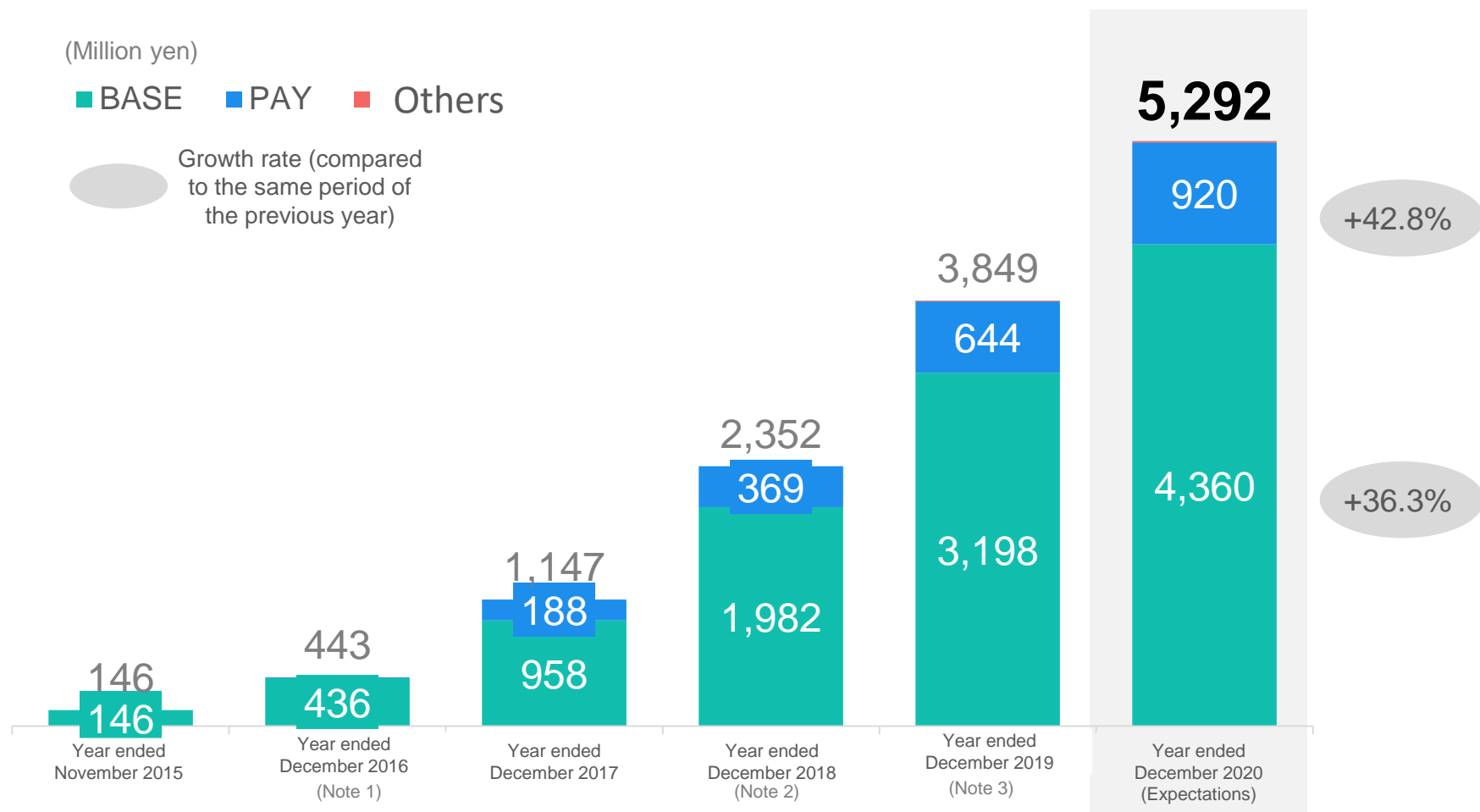
Full-Year Forecast - Net Sales (By Business)

BASE

Forecast for net sales: **5,292** million yen ~ **5,546** million yen (+**37.5%**~**44.1%** YoY)

BASE business: **4,360** million yen ~ **4,506** million yen (+ **36.3%**~**40.9%** YoY)

PAY business: **920** million yen ~ **1,028** million yen (+ **42.8%**~ **59.6%** YoY)



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

(Note 2) Because PAY business was consolidated through the incorporation-type company split in the fiscal year ended December 2018, only figures for PAY, Inc. are consolidated in fiscal year ended December 2018 while non-consolidated figures are shown in the fiscal year ended December 2017 and before.

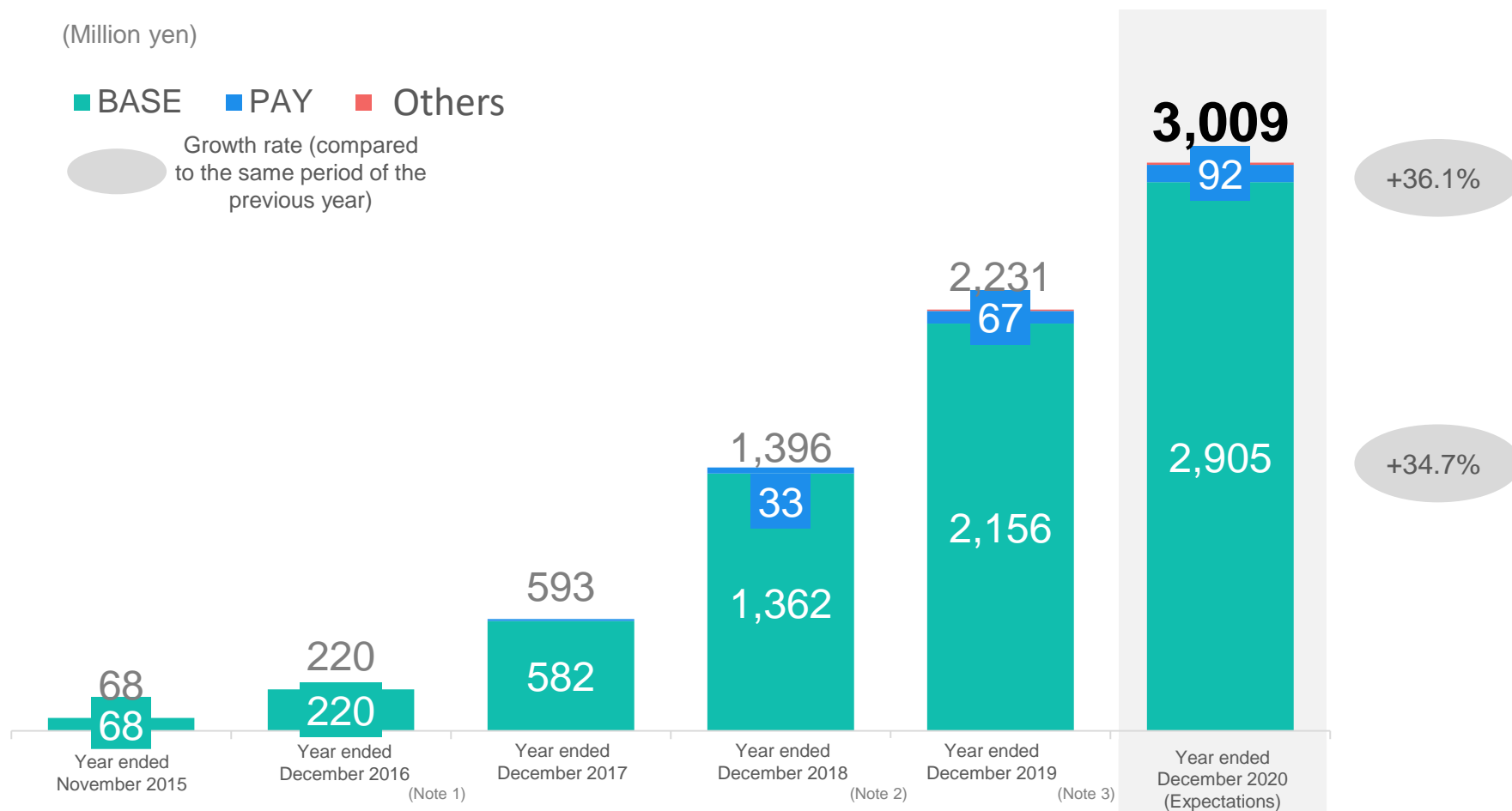
(Note 3) BASE BANK, Inc. was established in the fiscal year ended December 2018 and became a consolidated subsidiary in the fiscal year ended December 2019. As a result, figures for the fiscal year ended December 2019 are consolidated.

Full-Year Forecast - Gross Margin (By Business)

Forecast for gross profit: **3,009** million yen ~3,115 million yen (+ **37.5%~44.1%** YoY)

BASE business: **2,905** million yen~**3,000** million yen(+**34.7%~39.1%** YoY) due to growth of GMV

PAY business: **92** million yen ~**103** million yen (+**36.1%~52.4%**) due to growth of GMV

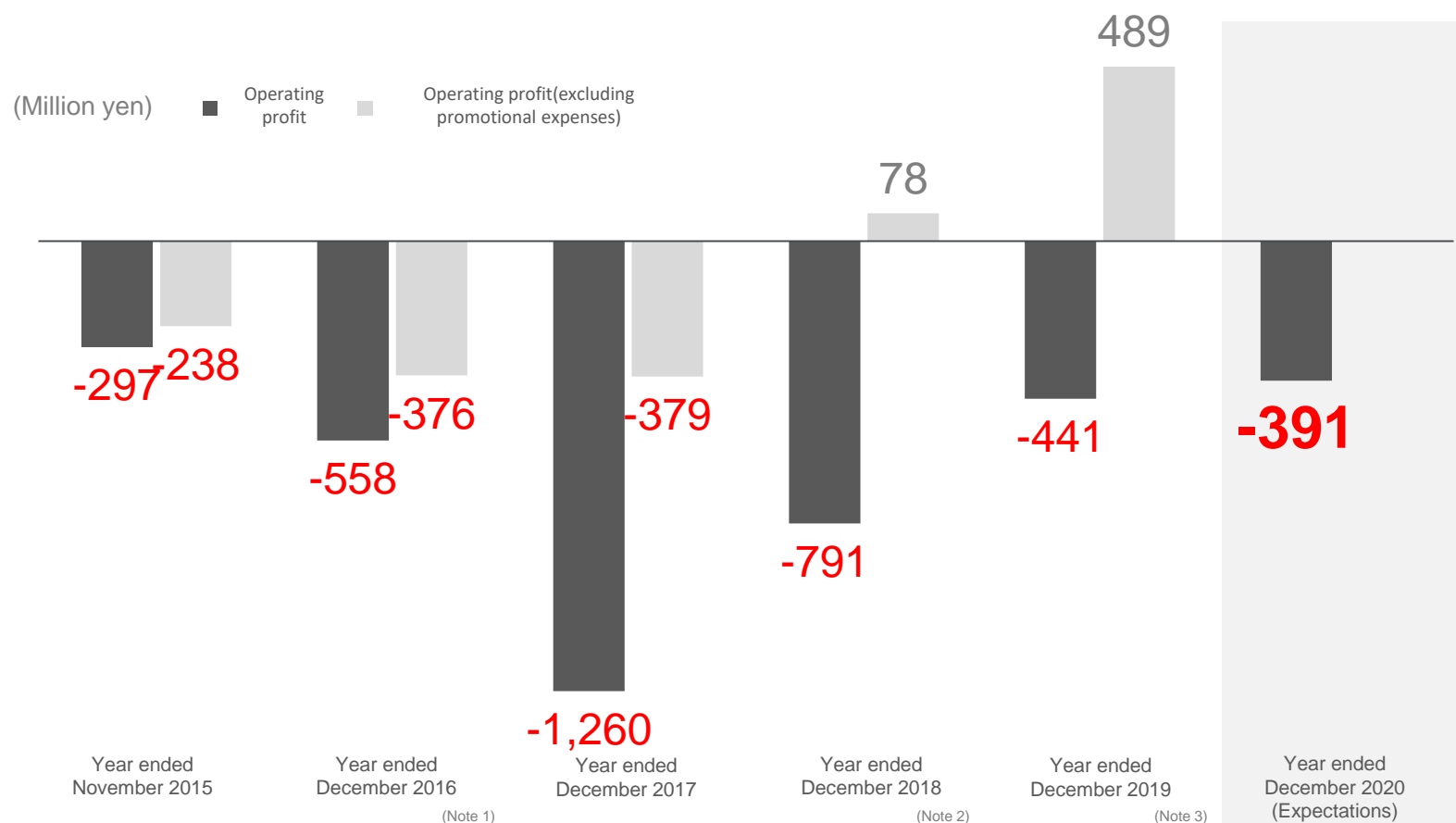


Year ended December 2020 Full-Year Forecast - Operating profit or loss

Although gross profit is expected to increase, SG&A expenses will increase due to continued up-front investments in personnel and promotional expenses.

Operating profit is operating loss of **391** million yen to operating profit of **55** million yen

Operating profit(excluding promotional expenses) is expected to increase



Introduction of a Restricted Stock(RS)Compensation Plan

We are scheduled to introduce a RS Compensation Plan for Directors and employees. (Note)

Purpose of Introduction

- To encourage Directors' and employees' commitment to raise medium- to long-term corporate value
- To share medium- to long-term value with shareholders
- To use the plan for the retention and recruitment of talented human resources

Restricted period of transfer

- The period from the day of delivery of allotment of shares to the day when such Eligible Directors resign or retire from the position of Director of the Company or other positions prescribed by the Board of Directors of the Company or other companies,
or
- the period of three years or more determined by the Board of Directors.

Effect of dilution

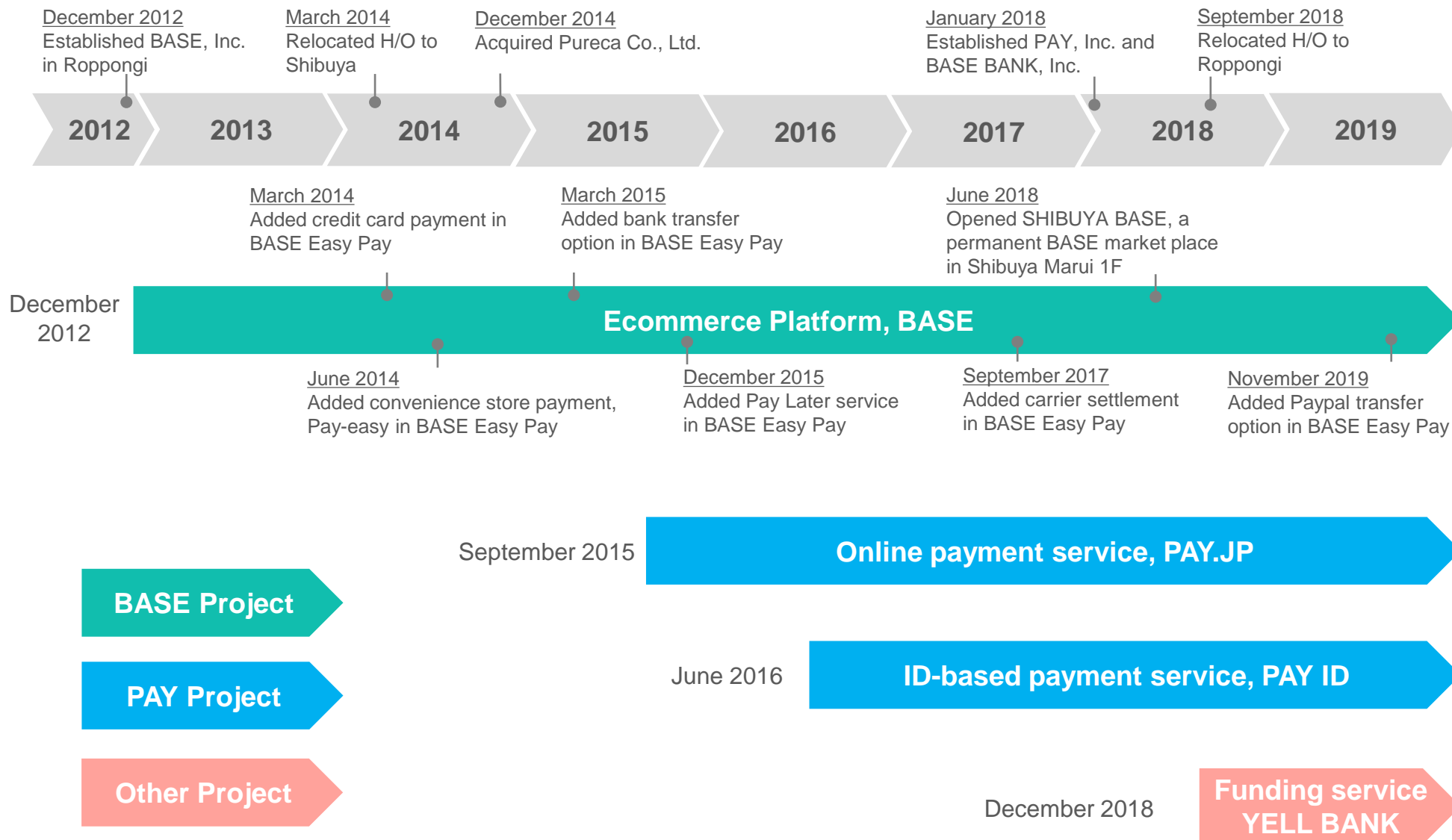
- Designed to ensure that the dilution rate resulting from diluted shares granted over 10 years does not exceed 10%
- The number of potential shares is 1,810,800, or 8.9% of the total number of issued shares of 20,413,800(All as of December 31, 2019)

(Note) The Plan is subject to the approval at the 7th Ordinary General Meeting of Shareholders to be held on March 25, 2020.

5. References

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)

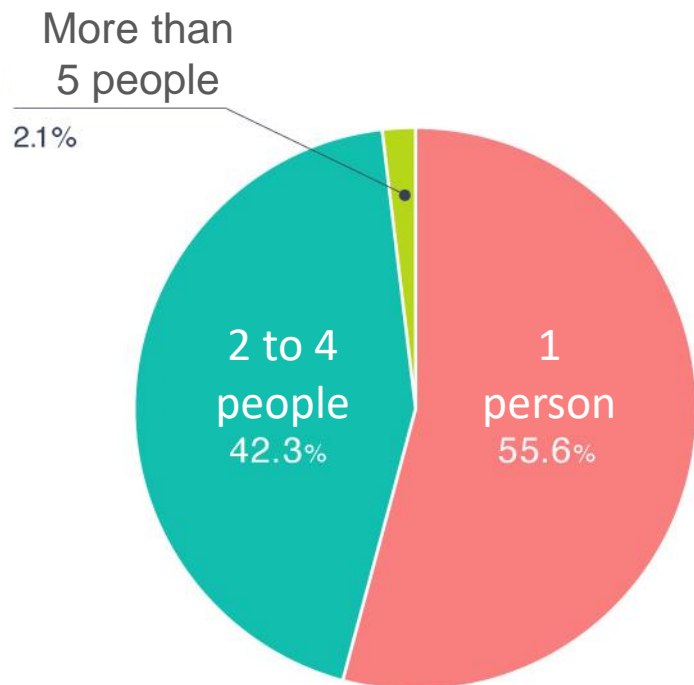
Founded paperboy&co.(presently GMO Pepabo, Inc.) in January 2003 after joining a design company. Assumed the role of External Director in December 2012. Takes part in various venture companies besides this company such as CAMPFIRE, Inc. and partyfactory, Inc.

Masayuki Shimura (External Director)

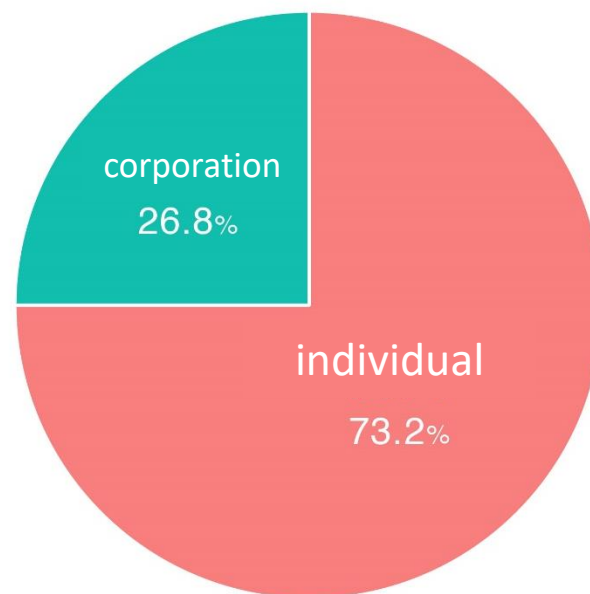
Joined Mitsui Bank, Ltd. (presently Sumitomo Mitsui Banking Corporation) in April 1982. Served as executive officer; general manager, Asia Pacific; and senior corporate executive officer prior to being appointed senior managing executive officer at Sumitomo Mitsui Card Company, Limited in May 2017 and 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.

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?

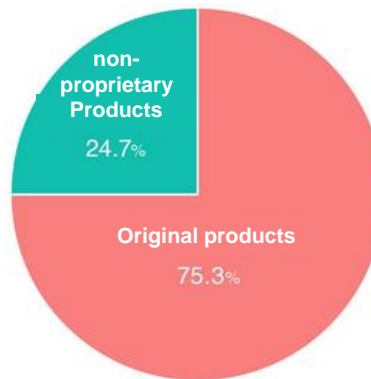


Most BASE shop owners are SMBs who develop their business mainly through online shops, use SNSs to attract customers, and sell original products.

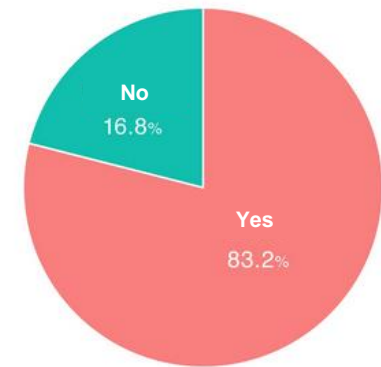
Brick-and mortar stores



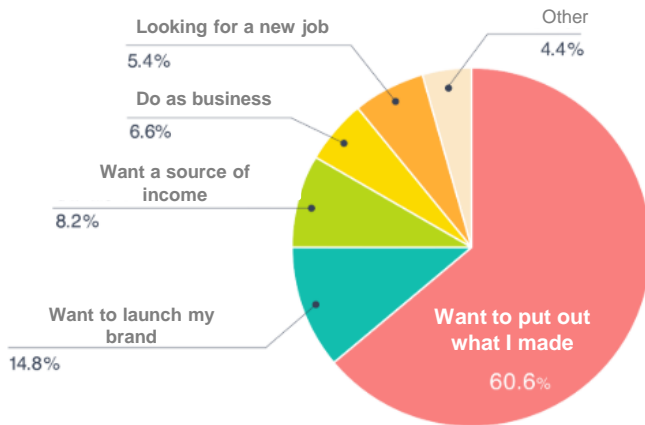
Distinction between original and non-proprietary products for sale



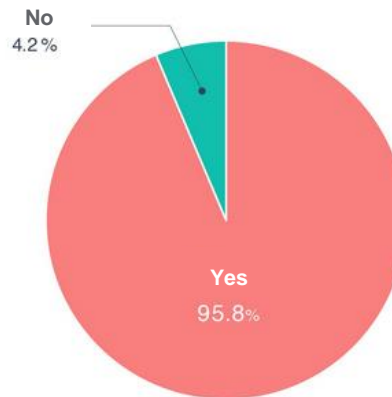
Brand recognition of own online shop



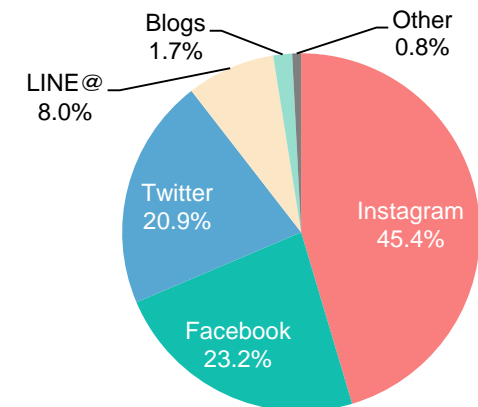
Most relevant reason to launch own brand



Use of SNSs for winning new customers



SNS marketing channels

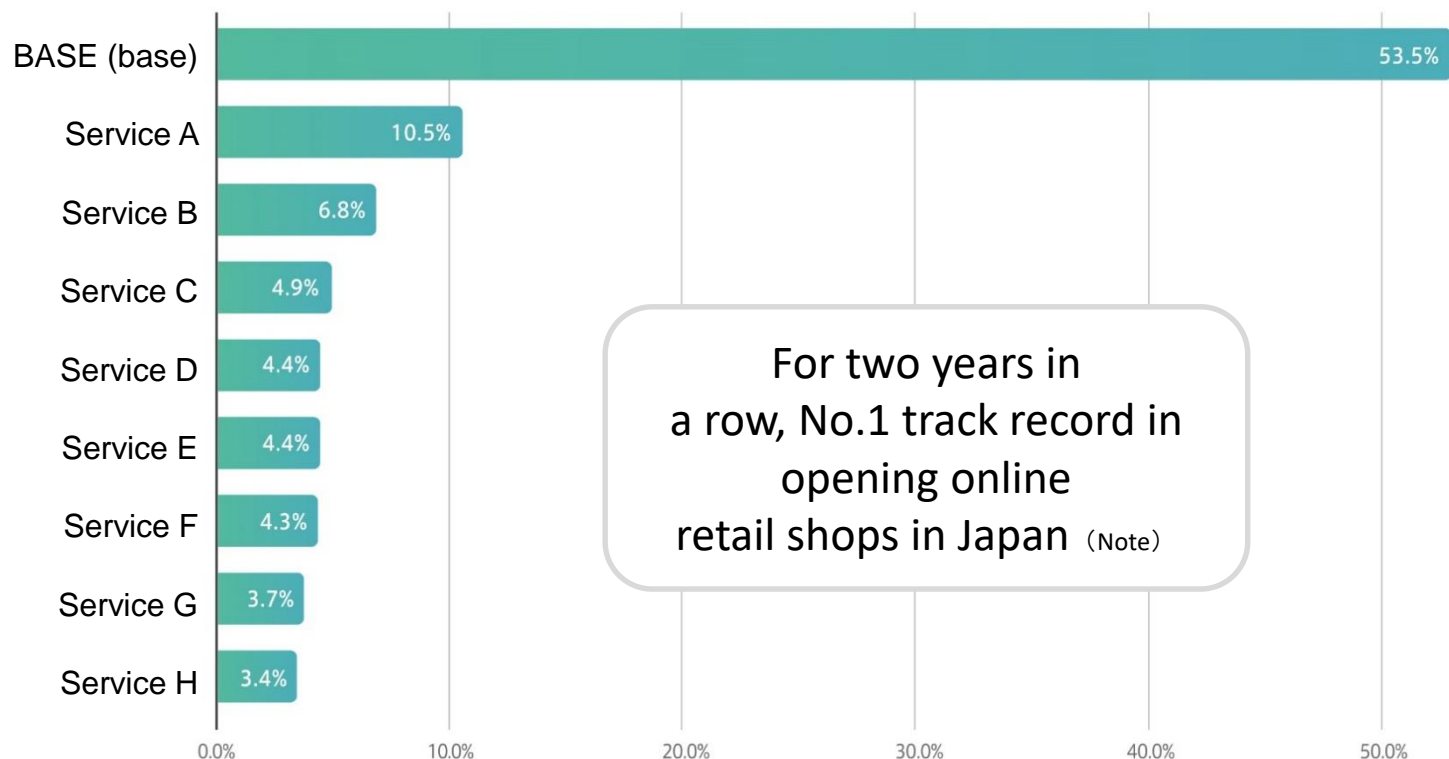


Incurring cost from the initial stage when products don't sell is a risk for SMBs.

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.



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






**Uniform delivery charges
across the country**

“Nekopos”



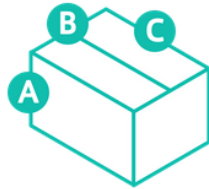
¥280

“TA-Q-BIN Compact”




¥500


“TA-Q-BIN”




¥890 - 2,090
(By Size)




**Nationwide
overnight delivery**
*Excluding some
regions



**No need to
address**

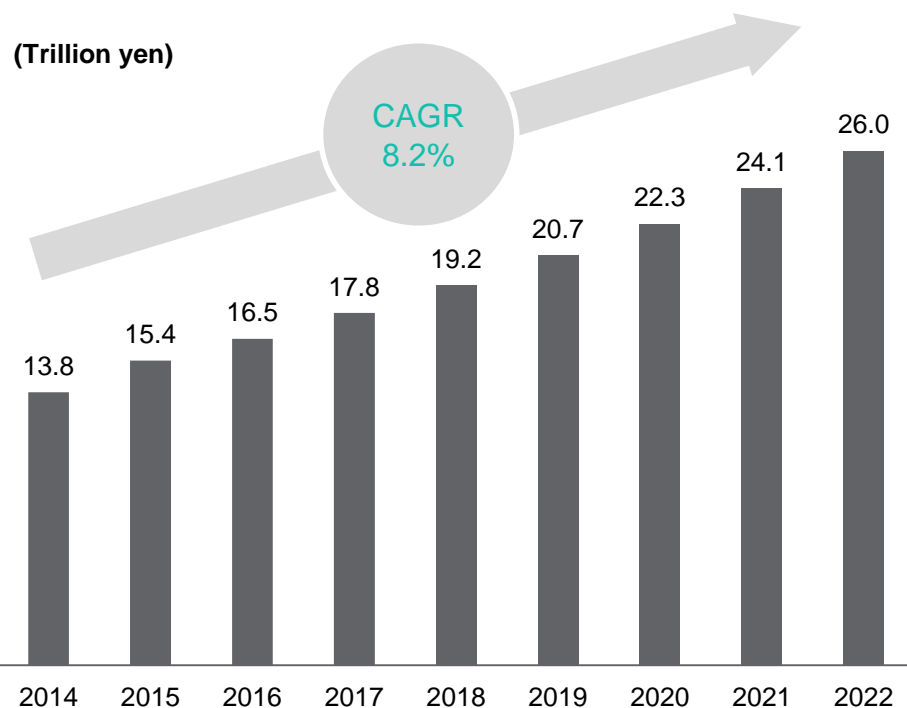


**Tracking and
warranty**

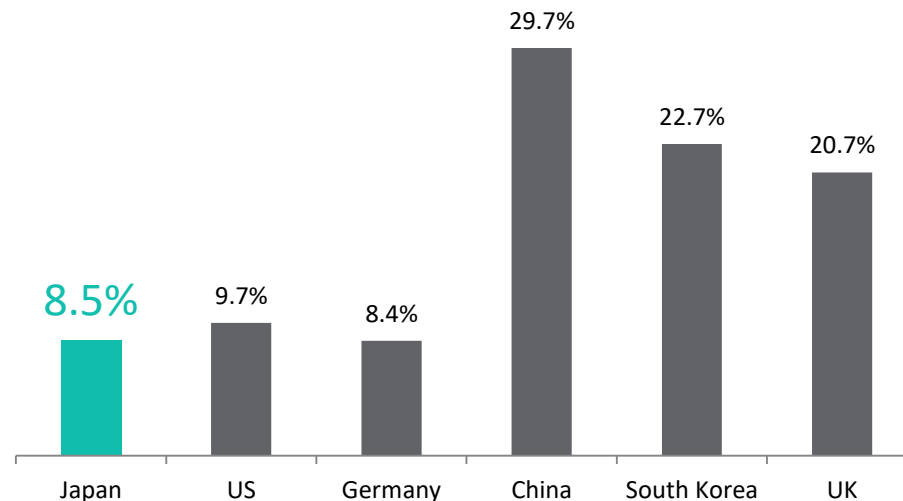


Although the domestic BtoC-EC market is growing steadily, the rate of EC penetration in the domestic retail market is still low.

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



EC penetration by country



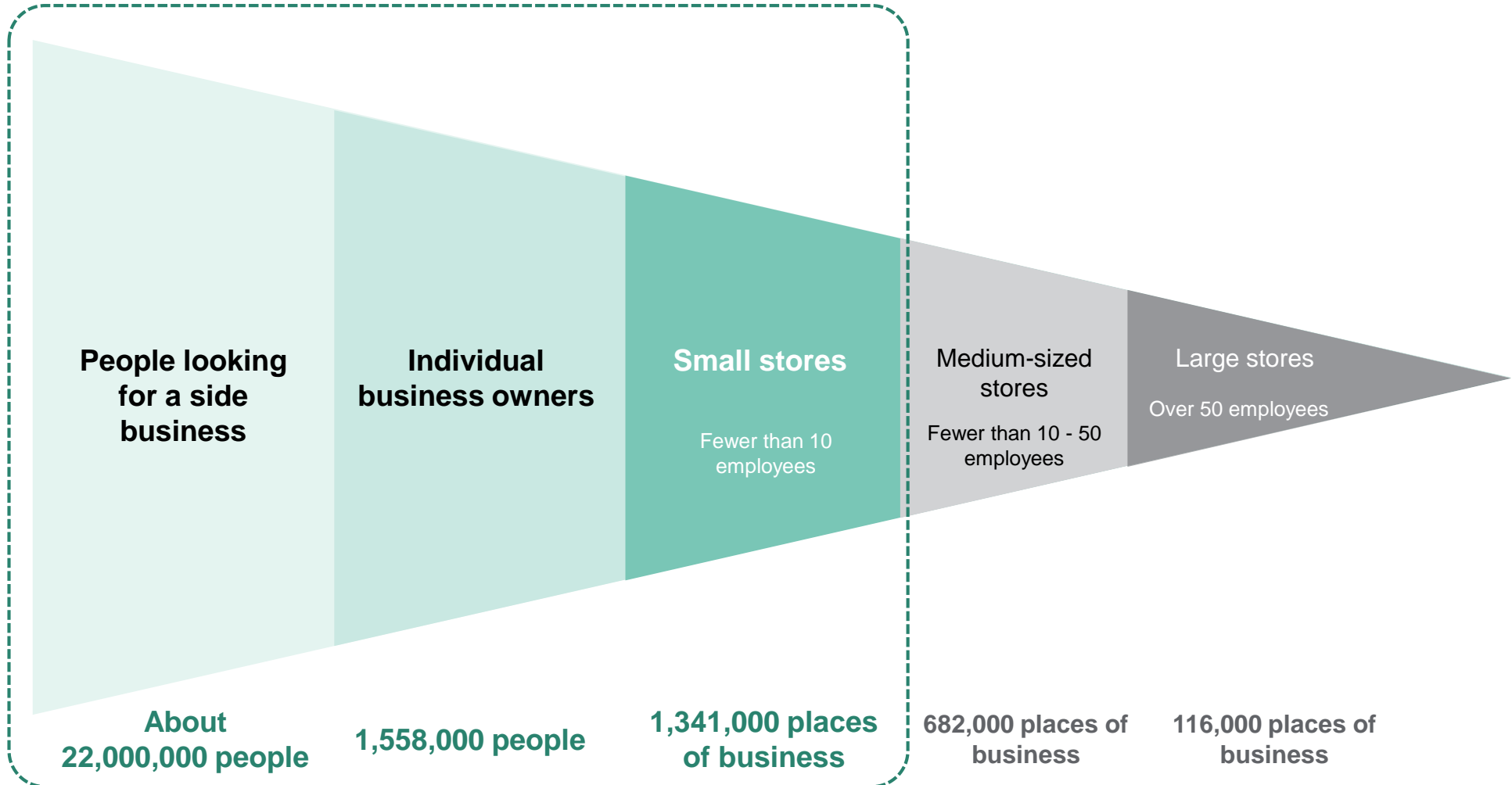
Source: Outlook for ICT and Media Market Scale and Trends through 2022: The Road to Becoming a Truly Advanced ICT Country Runs through Mastery of AI and IoT, Nomura Research Institute, Ltd.

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

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

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

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"

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



Number of users

**More than
3,000,000 people**

(Note 1)



Where available

**Approximately
over
900,000 stores**

(Note 1)

(Note 1) As of February, 2020



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.

Profit and Loss Statement (By Segment)

BASE

(Million yen)		Year ended December 2017				Year ended December 2018				Year ended December 2019			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sales	BASE	157	190	235	374	373	429	542	637	643	752	871	931
	PAY	17	43	57	70	72	85	99	111	120	169	170	183
	Others	-	-	-	-	-	-	-	-	0	0	1	3
Gross profit on sales	BASE	82	100	143	257	256	293	379	433	437	508	590	620
	PAY	0	2	2	4	4	7	9	11	12	18	17	19
	Others	-	-	-	-	-	-	-	-	0	0	1	3
Segment profit	BASE	-	-	-	-	-234	-96	-229	64	-108	144	-71	-81
	PAY	-	-	-	-	-51	-50	-43	-37	-43	-31	-28	-24
	Others	-	-	-	-	-	-	-	-	-15	-12	-11	-14
	Corporate expenses	-	-	-	-	-23	-26	-29	-30	-34	-32	-33	-41
Operating profits	Entire company	-267	-394	-381	-218	-310	-174	-302	-4	-203	67	-144	-161

Balance Sheet

(Million yen)	As of December 31, 2019	As of December 31, 2018	YoY	As of September 30, 2019	QonQ
Current assets	10,064	6,588	+52.8%	6,452	+56.0%
Non-current assets	393	363	+8.4%	374	+5.3%
Total assets	10,458	6,951	+50.5%	6,826	+53.2%
Current liabilities	7,244	5,168	+40.2%	5,335	+35.8%
Non-current liabilities	56	45	+24.5%	56	-1.1%
Total liabilities	7,300	5,213	+40.0%	5,392	+35.4%
Capital Stock	2,275	1,325	+71.7%	1,325	+71.7%
Capital surplus	2,216	1,266	+75.0%	1,266	+75.0%
Retained earnings	-1,334	-854	-	-1,158	-
Total net assets	3,158	1,737	+81.8%	1,434	+120.2%

Cash flow statement

(million yen)	FY2019	FY2018	YoY
Cash and cash equivalents at beginning of period	4,408	4,124	+6.9%
Cash flows from operating activities	870	-400	-
Cash flow from investing activities	-51	-338	-
Cash flow from financing activities	1,879	1,022	+83.8%
Net increase (decrease) in cash and cash equivalents	2,698	283	+850.1%
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	88	-	-
Cash and cash equivalents at end of period	7,195	4,408	+63.2%

KPI trends in the BASE business

year	month	Quarterly GMV (thousand yen) (note1)	Monthly GMV (thousand yen) (note1)	Number of shops	Monthly GMV per shops (yen) (note1)	Quarterly GMV (Settlement amount) (thousand yen) (note2)
2017	March	3,272,155	1,090,718	12,899	84,561	2,793,065
	June	3,921,445	1,307,148	15,126	86,419	3,328,846
	September	4,618,344	1,539,448	16,958	90,778	3,942,284
	December	5,285,722	1,761,907	7,669	99,717	4,578,896
2018	March	5,163,085	1,721,028	17,532	98,167	4,534,178
	June	5,947,895	1,982,631	19,326	102,589	5,225,666
	September	7,219,439	2,406,479	21,216	113,426	6,228,820
	December	8,760,804	2,920,268	23,183	125,968	7,856,254
2019	March	9,007,707	3,002,569	24,770	121,218	7,792,138
	June	10,480,498	3,493,499	26,071	134,001	9,217,657
	September	11,263,341	3,754,447	27,811	135,000	10,049,325
	December	12,211,469	4,070,489	28,537	142,638	11,000,522

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

(Note 2) Of the total amount of orders (GMV based on the order date), GMV (payment amount) is the amount that has been paid, and is recorded in the month of payment date.

There is monthly time lag from order to settlement because the order date and settlement date are different. Also, the amount of GMV is different from the order amount (GMV based on the order date) because the amount that has not been paid due to cancellation is not included in GMV (payment amount).

KPI trends in the PAY business

year	month	Quarterly GMV (thousand yen)
2017	March	668,407
	June	1,640,213
	September	2,146,126
	December	2,611,836
2018	March	2,703,729
	June	3,175,074
	September	3,704,478
	December	4,092,477
2019	March	4,430,399
	June	6,244,236
	September	6,324,704
	December	6,926,078

Full-Year Forecast (BASE Business)

BASE

(Million yen)	FY2020 Forecast	FY 2019 results	YoY
GMV (orders)	59,000~61,000	42,963	37.3%~42.0%
GMV (payment)	51,920~53,680	38,055	36.4%~41.0%
Sales	4,360~4,506	3,198	36.3%~40.9%
Take rate	8.4%	8.4%	-
Gross profit on sales	2,905~3,000	2,156	34.7%~39.1%
GMV ratio	5.6%	5.7%	-
Gross profit rate	66.6%	67.4%	-

Full-Year Forecast (PAY Business)

(Million yen)	FY2020 Forecast	FY 2019 results	YoY
GMV	34,000~38,000	23,925	42.1%~58.8%
Sales	920~1,028	644	42.8%~59.6%
Take rate	2.7%	2.7%	-
Gross profit on sales	92~103	67	36.2%~52.4%
GMV ratio	0.3%	0.3%	-
Gross profit rate	10.0%	10.5%	-

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