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Summary of Consolidated Financial Results for the Three Months Ended March 31, 2020 (Based on Japanese GAAP)

May 15, 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 file Quarterly Securities Report: May 15, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the Three months ended March 31, 2020 (from January 1, 2020 to March 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2020	1,124	–	(28)	–	(26)	–	(29)	–
Three months ended March 31, 2019	–	–	–	–	–	–	–	–

(Note) Comprehensive Income (millions of yen)

Three months ended March 31, 2020: (29) (–%) Three months ended March 31, 2019: – (–%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2020	(1.43)	–
Three months ended March 31, 2019	–	–

(Notes) 1. Since BASE, Inc. (hereinafter, “the Company”) did not prepare quarterly consolidated financial statements for the three months ended March 31, 2019, the figures for the three months ended March 31, 2019 and the rate of change of these figures from the same quarter of the previous year and the rate of change of the three months ended March 31, 2020 from the same quarter of the previous year are not presented.

2. Diluted net income per share for the three months ended March 31, 2020 is not presented because it is a net loss per share despite the existence of potential shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2020	8,848	3,129	35.4
As of December 31, 2019	10,458	3,158	30.2

(Reference) Equity (millions of yen) As of March 31 2020: 3,129. As of December 31, 2019: 3,158

2. Cash dividends

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

(Note) Revisions to most recent dividend forecast: None

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

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,292	37.5	(391)	–	(391)	–	(393)	–	(19.29)
	~5,546	~44.1	~55		~55		~15		~0.75

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

4. Notes

(1) Changes in significant subsidiaries during the Three months ended March 31, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
New: – (), Exclusion: – ()

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

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

(4) Number of issued shares (common shares)

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

As of March 31, 2020	20,417,400shares	As of December 31, 2019	20,413,800shares
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Number of treasury shares at the end of the period

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

Three months ended March 31, 2020	20,415,131shares	Three months ended March 31, 2019	– shares
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(Note) As the Company did not prepare quarterly consolidated financial statements for the three months ended March 31, 2019, the average number of shares for the three months ended March 31, 2019 is not shown.

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

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

(Notice regarding forward-looking statements, etc.)

Forward-looking statements or projections contained in this document are based on information that the Company has at the present time and certain premises that the Company deems reasonable. Such forward-looking statements are not intended to represent a commitment on the part of the Company to achieve them. Also, actual results may differ significantly due to various factors. Please see the "1. Qualitative information on results for the three months ended March 31, 2020 (3) Overview of forecast of operating results including consolidated financial results" on page 2 of the attached document for the conditions that form the basis of earnings forecasts and cautions for using earnings forecasts.

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

The Company plans to hold a briefing for institutional investors and analysts on Monday, May 18, 2020. We plan to post on the Company website the materials for results briefing, which will be used on that day.

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1. Qualitative information on results for the three months ended March 31, 2020

(1) Overview of operating results

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

According to the Fiscal 2018 Report on Infrastructure Development for a Data-Driven Society in Japan published by the Ministry of Economy, Trade and Industry, the domestic BtoC-EC market size is expected to expand to 26.0 trillion yen in 2022. In this business environment, in the BASE business, the Group is continuously making active investments to accelerate the opening of new shops, developing functions to promote wider use of shops, and expanding services to support the growth of shops that use BASE, such as strengthening expansion functions, in an effort to increase long-term use and LTV (Life Time Value). Meanwhile, in the PAY business, the Group is promoting marketing activities targeting start-up companies and venture companies, strengthening its products, and working to increase the number of member stores.

In addition, the impact of the COVID-19 infection of our group in the first quarter of this fiscal year is immaterial.

As a result of the above, net sales of the Group for the three months under review were ¥1,124,452 thousand, operating loss was ¥28,000 thousand, ordinary loss was ¥26,823 thousand, and the net loss attributable to owners of parent was ¥29,134 thousand.

The business result by segment are as follows.

A) BASE Business

In the BASE business, the Group continued investment in advertising, and the number of stores opened increased steadily. In addition, the Group enhanced its services to support the growth of shops that continue to use our services, such as seamless integration with distribution warehouses and delivery systems, strengthening expansion functions to sell products to more fans, and accelerating cash flow. As a result, total distribution during the three months under review was ¥12,532,548 thousand (order base), ¥10,945,432 thousand (payment base).

As a result of the above, net sales were ¥933,514 thousand and segment profit was ¥56,020 thousand.

B) PAY Business

In the PAY business, the Group provides online settlement services "PAY.JP" and identity settlement services "PAY ID". During the three months under review, the number of registered member stores remained strong, with total circulation amount reaching ¥7,018,841 thousand.

As a result of the above, net sales were ¥184,890 thousand and segment loss was ¥25,435 thousand.

C) Other Businesses

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

As a result of the above, net sales were ¥6,047 thousand and segment loss was ¥10,881 thousand.

(2) Overview of Financial Position

(Assets)

Total assets as of the end of the first quarter of the fiscal year under review were ¥8,848,955 thousand, a decrease of ¥1,609,846 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥1,484,513 thousand in cash and deposits and a decrease of ¥163,346 thousand in accounts receivable-other.

(Liabilities)

Liabilities as of the end of the first quarter of the fiscal year under review were ¥5,719,524 thousand, a decrease of ¥1,580,963 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥1,557,531 thousand in operating deposits received.

(Net assets)

Net assets as of the end of the first quarter of the fiscal year under review were ¥3,129,430 thousand, a decrease of ¥28,882 thousand from the end of the previous fiscal year. This was primarily attributable to a decrease of ¥29,134 thousand in retained earnings due to the recording of net loss attributable to owners of parent. Based on the Board of Directors' meeting held on February 20, 2020, the Company reduced capital surplus by ¥1,130,856 thousand and transferred the amount to retained earnings in order to eliminate accumulated loss at an early date and enable realization of a flexible and expeditious capital policy for the future.

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

The forecast of consolidated financial results for the year ending December 31, 2020, which were announced on February 13, 2020, do not include the impact from the COVID-19 infection.

Because it is difficult at this time to predict the impact on the Group's business performance, the Group has not changed its forecast announced on February 13, 2020. However, if necessary, the Group will promptly revise and publicize the forecast while monitoring future conditions and the trend of business.

Consolidated Financial Statements

Consolidated balance sheets

(Thousand yen)

	As of December 31, 2019	As of March 31 2020
Assets		
Current assets		
Cash and deposits	7,195,414	5,710,901
Accounts receivable - other	2,804,308	2,640,962
Other	112,584	138,656
Allowance for doubtful accounts	(47,448)	(51,879)
Total current assets	10,064,859	8,438,641
Non-current assets		
Property, plant and equipment	122,494	139,627
Intangible assets	2,209	3,887
Investments and other assets	269,238	266,798
Total non-current assets	393,942	410,314
Total assets	10,458,801	8,848,955
Liabilities		
Current liabilities		
Operating accounts payable	3,918,629	4,004,643
Operating deposits received	3,002,191	1,444,660
Other	323,382	204,576
Total current liabilities	7,244,203	5,653,880
Non-current liabilities		
Other	56,284	65,643
Total non-current liabilities	56,284	65,643
Total liabilities	7,300,488	5,719,524
Net assets		
Shareholders' equity		
Capital stock	2,275,957	2,276,083
Capital surplus	2,216,838	1,086,108
Retained earnings	(1,334,482)	(232,760)
Total shareholders' equity	3,158,313	3,129,430
Total net assets	3,158,313	3,129,430
Total liabilities and net assets	10,458,801	8,848,955

Consolidated statement of income and comprehensive income

Consolidated statement of income

(Three months ended March 31, 2020)

(Thousand yen)

	Three Months Ended March 31, 2020 (from January 1, 2020 to March 31, 2020)
Net sales	1,124,452
Cost of sales	476,369
Gross profit	648,082
Selling, general and administrative expenses	676,083
Operating loss	(28,000)
Non-operating income	
Interest income	25
Lecture's fee income	528
Sponsorship (money) income	510
Other	112
Total non-operating income	1,177
Ordinary loss	(26,823)
Loss before income taxes	(26,823)
Income taxes	2,311
Net loss	(29,134)
Loss attributable to owners of parent	(29,134)

Consolidated statement of comprehensive income

(Three months ended March 31, 2020)

(Thousand yen)

	Three Months Ended March 31, 2020 (from January 1, 2020 to March 31, 2020)
Net loss	(29,134)
Comprehensive income	(29,134)
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	(29,134)

(3) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable.

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

Reduction of capital reserves and appropriation of surplus

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

1) The amount of decrease in the reserves

Capital reserves of ¥1,130,856 thousand

2) The amount of Increase in the surplus

Other capital surplus ¥1,130,856 thousand

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

1) The amount of decrease in the surplus

Other capital surplus ¥1,130,856 thousand

2) The amount of Increase in the surplus

Retained earnings carried forward ¥1,130,856 thousand

Issuance of new shares;

As a result of the exercise of stock acquisition rights as stock options, capital stock and capital surplus of the Company increased by ¥126 thousand and ¥126 thousand, respectively, during the three months ended March 31, 2020.

(Segment information)

Segment Information

Consolidated three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)

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

(Thousand yen)

	Reportable segment				Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY Business	Other Business	Total		
Net sales						
Net sales to external customers	933,514	184,890	6,047	1,124,452	—	1,124,452
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	933,514	184,890	6,047	1,124,452	—	1,124,452
Segment profit (loss)	56,020	(25,435)	(10,881)	19,702	(47,703)	(28,000)

(Notes) 1. Reconciliations of segment profit (loss) of ¥(47,703) thousand are for corporate expenses that are not allocated to any reportable segment.

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

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