Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2024 (Based on Japanese GAAP)

August 6, 2024

Company name: BASE, Inc.
Stock exchange listing: Tokyo
Stock code: 4477 URL https://binc.jp/en
Representative: Representative Director, Senior Executive Officer and CEO Yuta Tsuruoka
Inquiries: Director, Senior Executive Officer and CFO Ken Harada TEL 03(6441)2075
Scheduled date to file Quarterly Securities Report: August 6, 2024
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 six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(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	%
Six months ended June 30, 2024	7,325	36.7	508	–	515	–	451	–
Six months ended June 30, 2023	5,360	11.5	(287)	–	(280)	–	(372)	–

(Note) Comprehensive Income (millions of yen)
Six months ended June 30, 2024: 457 (−%) Six months ended June 30, 2023: (362) (−%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2024	3.91	3.82
Six months ended June 30, 2023	(3.27)	–

(Notes) Despite the existence of potential shares for the six months ended June 30,2023, diluted earnings per share are not indicated because net loss per share was recorded

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	39,476	13,616	34.4
As of December 31, 2023	37,297	13,000	34.9

(Reference) Equity (millions of yen) As of June 30, 2024: 13,581 As of December 31, 2023: 13,000

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, 2023	–	0.00	–	0.00	0.00
Year ending December 31, 2024	–	0.00			
Year ending December 31, 2024 (Forecast)			–	0.00	0.00

(Note) Revisions to most recent dividend forecast: None

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(% indicates changes from the previous fiscal year)

	Net sales		EBITDA		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	%	Millions of yen	%	Yen
Full year	15,500	32.7	227	–	200	–	201	–	198	–	1.76

(Note) Revisions to most recent consolidated results forecast: Yes

4. Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2024 (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 June 30, 2024	115,694,590 shares	As of December 31, 2023	115,197,823 shares

Number of treasury shares at the end of the period

As of June 30, 2024	35,456 shares	As of December 31, 2023	19,894 shares

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2024	115,323,255 shares	Six months ended June 30, 2023	114,011,761 shares

*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 six months ended June 30, 2024 (3) Explanation of consolidated financial forecasts and other forward-looking statements" on page 4 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 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 August 6, 2024. Relevant briefing information is scheduled to be disclosed on our website.

Contents of Appendix

1. Qualitative information on results for the six months ended June 30, 2024…. 2

(1) Overview of operating results…. 2

(2) Overview of financial position…. 2

(3) Explanation of consolidated financial forecasts and other forward-looking statements… …. 3

2. Quarterly consolidated financial statements and main noted items…. 4

(1) Quarterly consolidated balance sheets…. 4

(2) Quarterly consolidated statements of income and comprehensive income. 5

(3) Quarterly consolidated statement of cash flows. 7

(4) Notes on quarterly consolidated financial statements. 8

(Notes regarding going concern assumptions). 8

(Notes on significant changes in the amount of shareholders' equity). 8

(Segment information etc.). 9

(Significant subsequent events). 10

1. Qualitative information on results for the six months ended June 30, 2024

(1) Overview of operating results

Advocating “Payment to the People, Power to the People.” as its mission, the Company group (the “Group”) actively operates the BASE Business, which provides the online shop creation service “BASE” as well as “Pay ID” shopping service for purchases, and the PAY.JP Business, which provides the online payment service “PAY.JP.” Through these services, the Group focuses on empowering individuals and small teams and supporting start-up companies.

During the six months ended June 30, 2024, the economic outlook remained uncertain due to the global economy. However, the online consumption behavior was getting normalized. In the midst of this business environment, the BASE Business maintains its position as the overwhelming first choice for a wide range of individuals and small teams, while continuing efforts to strengthen its products to achieve sustainable growth over the medium to long term. In the PAY.JP Business, the Group aims to support the growth of its existing merchants while also expanding the number of new merchants by targeting start-up companies and strengthening its products with the aim of creating online payment functions that are simpler and easier to implement and operate.

As a result of the above, the Group’s consolidated net sales for the six months ended June 30, 2024 were ¥7,325 million (36.7% increase year on year), operating profit was ¥508 million (operating loss of ¥287 million in the same period of the previous fiscal year), ordinary profit was ¥515 million (ordinary loss of ¥280 million in the same period of the previous fiscal year), and profit attributable to owners of parent was ¥451 million (loss attributable to owners of parent of ¥372 million in the same period of the previous fiscal year).
The results of the segments are as follows.

A) BASE Business

During the six months ended June 30, 2024, GMV of the BASE business increased YoY, almost as expected at the beginning of the fiscal year. In addition, the monthly fee for the Monthly-Fee Plan (Growth Plan) was increased from 5,980 yen to 19,980 yen from 16 January 2024, but the churn to other companies was more restrained than expected and users have continued to use the service.

As a result of the above, the total value of distribution in the six months ended June 30, 2024 was ¥73,331 million (order basis) and ¥69,439 million (payment basis) (YoY +15.0% (order basis), YoY +14.0% (payment basis)), with net sales of ¥4,238 million (YoY +14.9%) and segment profit of ¥420 million (segment loss of ¥108 million in the same period of the previous year).

B) PAY.JP Business

In the PAY.JP Business, the Group provides the online payment service “PAY.JP.” During the six months ended June 30, 2024, GMV increased significantly beyond initial expectations, driven by both existing and new merchants. Furthermore, the gross profit margin improved significantly as a result of a reduction in the cost of sales ratio (as a percentage of GMV). The take rate (see note) also improved, but this was due to the fact that, as a result of the shift from a collection agency to a receivables transfer structure from the current fiscal year, PAY.JP business sales are now tax-exempt and are recorded at a level approximately 10 % higher than in the previous fiscal year.

As a result of the above, GMV for the six months ended June 30, 2024 amounted to JPY 96,516 million (+61.1% YoY), with consolidated net sales of JPY 2,687 million (+73.4% YoY) and segment profit of JPY 119 million (segment loss of JPY 6 million in the same period of the previous year).

C) Other Business

In the Other Business, the Group provides services such as “YELL BANK,” which provides business funds to online shop operators using “BASE.” The number of its users and its usage amount increased more than expected at the beginning of the fiscal year due to the product improvement.

As a result of the above, net sales for the six months ended June 30, 2024 were ¥399 million (+227.0% YoY), and segment profit was ¥156 million (segment loss of ¥37 million in the same period of the previous fiscal year).

(2) Overview of financial position

(Assets)

Total assets as of June 30, 2024 were ¥39,476 million, an increase of ¥2,178 million from the end of the previous fiscal year. This was mainly due to increases of ¥1,768 million in accounts receivable - trade and ¥865 million in Other current assets, which offset a decrease of ¥525 million in cash and deposits.

(Liabilities)

Total liabilities as of June 30, 2024 were ¥25,860 million, an increase of ¥1,562 million from the end of the previous fiscal year. This was mainly due to an increase of ¥11,825 million in accounts payable - trade, which offset a decrease of ¥10,240 million in deposits received.

(Net assets)

Net assets as of June 30, 2024 were ¥13,616 million, an increase of ¥615 million from the end of the previous fiscal year. This was mainly due to an increase of ¥451 million in retained earnings resulting from the recording of profit attributable to owners of parent, and increases of ¥61 million and ¥61 million in capital stock and capital surplus, respectively, due to the issuance of new shares as restricted stock-based compensation.

(Cash flows status)

Cash and cash equivalents (hereinafter, “cash”) as of June 30, 2024 were ¥21,702 million, a decrease of ¥525 million from the end of the previous fiscal year. The respective statuses of cash flows during the six months ended June 30, 2024 and their contributing factors are as follows:

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥521 million (¥585 million used in the same period of the previous fiscal year). The main reasons for the cash increase were increases of ¥11,825 million in accounts payable - trade and ¥515 million in profit before income taxes. The main reasons for the cash decrease were

a decrease of ¥10,240 million in deposits received and an increase of ¥1,775 million in accounts receivable – trade

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥9 million (¥39 million used in the same period of the previous fiscal year). The main reason for the cash increase was an increase of ¥240 million in proceeds from refund of leasehold deposits. The main reasons for the cash decrease were payments of leasehold deposits of ¥234 million and purchase of property, plant, and equipment of ¥15 million.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥4 million (¥4 million provided in the same period of the previous fiscal year). The main reason for the cash increase was proceeds from issuance of share acquisition rights of ¥3 million.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

The medium to long-term management policy is to return to operating profit in FY2025 and to achieve consolidated gross profit of JPY 10 billion as soon as possible from FY2026 onwards through growth strategies for existing products and group-wide expansion strategies.

Based on this policy, both the BASE and PAY.JP businesses aim to both increase GMV and improve profitability in FY2024 by increasing added value of existing products and optimizing pricing accordingly, as well as improving marketing measures etc. In “Pay ID” and the financial services, mainly “YELL BANK”, offered to “BASE” shops and purchasers, initiatives will be implemented to increase added value of existing products as well as to improve the profitability of the Group as a whole. In addition, the Company will aggressively pursue M&A and alliances to expand its target merchants and add value to existing products with the aim of achieving inorganic growth for the Group as a whole.

The policy is to maintain a disciplined investment policy based on growth and profitability, and to continue working to improve the financial position.

Based on the above, the financial forecast for the consolidated financial year 2024 is as follows.

Since in the BASE business, the number of new shops opened remains at the level before the COVID-19 infection expansion and the number of monthly active merchants is slightly lower than expected, we expect GMV (order amount) of 151,000 million yen (previous forecast: 154,000 million yen). And in the PAY.JP business, based on stronger-than-expected growth in the first half, we expect GMV (payment amount) to be 202,000 million yen (previous forecast: 187,000 million yen).

In the BASE business, we are working to improve take rate by raising the price of Monthly-Fee Plan (Growth Plan) and providing paid extended functions, etc. In the PAY.JP business, we are continuing to improve the gross profit margin by optimizing the fee plans which was implemented in June 2024 and improving the cost ratio. Furthermore, the number of merchants using the “YELL BANK”, which is included in the other business, and the amount of money are growing strongly due to the functional improvements, etc. As a result, net sales in the PAY.JP business and the other business grew more than expectations in the first half of the year.

In addition to the above, on August 6, 2024, the Board of Directors resolved to make want.jp Inc. a consolidated subsidiary to strengthen the cross-border EC function of the BASE business. The financial results of want.jp will be recorded as a separate segment from the existing businesses. The impact on consolidated results for the fiscal year ending December 31, 2024, is expected to be net sales 403 million yen, gross profit 165 million yen, and operating profit 34 million yen.

As a result, consolidated net sales were revised to 15,500 million yen (previous forecast: 14,700 million yen), and consolidated gross profit was revised to 6,900 million yen (previous forecast: 6,450 million yen).

SG&A expenses are revised upward, mainly due to increased promotional expenses in "BASE" and "Pay ID", and the acquisition.

As a result, the forecast for operating income has been revised upward to 200 million yen (previous forecast: 0 yen), and EBITDA is expected to be 227 million yen.

2. Quarterly consolidated financial statements and main noted items

(1) Consolidated balance sheets

(Million yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	22,227	21,702
Accounts receivable - trade	13,821	15,590
Other	1,117	1,982
Allowance for doubtful accounts	(200)	(232)
Total current assets	36,965	39,042
Non-current assets		
Property, plant and equipment	－	12
Investments and other assets	331	421
Total non-current assets	331	433
Total assets	37,297	39,476
Liabilities		
Current liabilities		
Accounts payable - trade	13,215	25,040
Deposits received	10,299	59
Provision for chargeback	7	1
Contract liabilities	115	120
Other	606	584
Total current liabilities	24,244	25,807
Non-current liabilities		
Other	52	52
Total non-current liabilities	52	52
Total liabilities	24,297	25,860
Net assets		
Shareholders' equity		
Capital stock	8,669	8,730
Capital surplus	4,933	4,994
Retained earnings	(606)	(155)
Treasury shares	(0)	(0)
Total shareholders' equity	12,995	13,569
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5	11
Total accumulated other comprehensive income	5	11
Share acquisition rights	－	35
Total net assets	13,000	13,616
Total liabilities and net assets	37,297	39,476

(2) Consolidated statement of income and comprehensive income

Consolidated statement of income

(Million yen)

	Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	Six Months Ended June 30, 2024 (from January 1, 2024 to June 30, 2024)
Net sales	5,360	7,325
Cost of sales	3,045	4,087
Gross profit	2,314	3,237
Selling, general, and administrative expenses	2,601	2,729
Operating Profit (loss)	(287)	508
Non-operating income		
Interest income	0	0
Commission income	0	3
Insurance claim income	4	－
Lecture fees and other income	5	3
Other	1	1
Total non-operating income	10	9
Non-operating expenses		
Foreign exchange losses	1	－
Share issuance cost	0	0
Commitment fee	1	1
Total non-operating expenses	3	2
Ordinary Profit (loss)	(280)	515
Extraordinary loss		
Impairment losses	79	－
Loss on valuation of investment securities	11	－
Total extraordinary loss	90	－
Profit (Loss) before income taxes	(370)	515
Total Income taxes	2	63
Net Profit (loss)	(372)	451
Profit (Loss) attributable to owners of parent	(372)	451

Consolidated statement of comprehensive income

(Million yen)

	Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	Six Months Ended June 30, 2024 (from January 1, 2024 to June 30, 2024)
Net Profit (Loss)	(372)	451
Other comprehensive income		
Valuation difference on available-for-sale securities	9	6
Total other comprehensive income	9	6
Comprehensive income	(362)	457
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(362)	457

(3) Consolidated statement of cash flows

(Million yen)

	Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	Six Months Ended June 30, 2024 (from January 1, 2024 to June 30, 2024)
Cash flows from operating activities		
Profit (Loss) before income taxes	(370)	515
Depreciation	1	1
Impairment losses	79	—
Share-based remuneration expenses	34	76
Loss (gain) on valuation of investment securities	11	—
Increase (decrease) in allowance for doubtful accounts	23	32
Increase (decrease) in provision for chargeback	(2)	(5)
Interest income	(0)	(0)
Commission income	(0)	(3)
Share issuance costs	0	0
Increase (decrease) in accounts receivable - trade	(2,050)	(1,775)
Increase (decrease) in accounts payable - trade	(916)	11,825
Increase (decrease) in deposits received	2,653	(10,240)
Other, net	(48)	(952)
Subtotal	(585)	(527)
Interest income received	0	0
Commission income received	3	10
Income taxes paid	(4)	(4)
Net cash provided by operating activities	(585)	(521)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(39)	(15)
Payments of leasehold and guarantee deposits	—	(234)
Proceeds from refund of leasehold and guarantee deposits	—	240
Net cash provided by investing activities	(39)	(9)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	3	0
Purchase of treasury shares	—	(0)
Proceeds from deposits for subscriptions of shares	0	—
Proceeds from issuance of share acquisition rights	—	3
Net cash provided from financing activities	4	4
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(621)	(525)
Cash and cash equivalents at beginning of period	22,344	22,227
Cash and cash equivalents at end of period	21,723	21,702

(4) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable.

(Notes on significant changes in amounts of shareholders' equity)

During the six months ended June 30, 2024, capital stock and capital surplus increased by ¥61 million and ¥61 million, respectively, as a result of grant of restricted stock-based compensation and exercise of share acquisition rights as stock options.

(Segment information etc.)

Segment Information

Consolidated six months ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

1. Information on the amount of net sales and loss of each reportable segment, and information on disaggregation of revenue

(Million yen)

	Reportable segment				Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY.JP Business	Other Business	Total		
Net sales						
Goods or services transferred at a point in time	3,445	1,535	11	4,992	－	4,992
Goods or services transferred over time	149	13	－	163	－	163
Revenue from contracts with customers	3,595	1,549	11	5,156	－	5,156
Other revenue	93	0	110	203	－	203
Net sales to external customers	3,688	1,549	122	5,360	－	5,360
Inter-segment net sales or transfers	－	－	－	－	－	－
Total	3,688	1,549	122	5,360	－	5,360
Segment loss	(108)	(6)	(37)	(152)	(134)	(287)

(Notes) 1. Reconciliations of segment loss of ¥(134) million are for corporate expenses that are not allocated to any reportable segment. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segment.

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

2. Information about impairment losses on non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses on non-current assets)

Impairment losses of ¥79 million were recorded in the “BASE Business.”

Consolidated six months ended June 30, 2024 (From January 1, 2024 to June 30, 2024)

1. Information on the amount of net sales and profit of each reportable segment, and information on disaggregation of revenue

(Million yen)

	Reportable segment				Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY.JP Business	Other Business	Total		
Net sales						
Goods or services transferred at a point in time	3,988	2,670	17	6,676	－	6,676
Goods or services transferred over time	227	16	－	244	－	244
Revenue from contracts with customers	4,216	2,287	17	6,920	－	6,920
Other revenue	22	0	382	404	－	404
Net sales to external customers	4,238	2,687	399	7,325	－	7,325
Inter-segment net sales or transfers	－	0	－	0	(0)	－
Total	4,238	2,287	399	7,325	(0)	7,325
Segment profit	420	119	156	696	(187)	508

(Notes) 1. Reconciliations of segment loss of ¥(187) million are for corporate expenses that are not allocated to any reportable segment. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segment.

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

(Significant subsequent events)

(Acquisition of Business Combination)

At the meeting of the Company's Board of Directors held on August 6, 2024, the Company resolved to acquire the shares of "want.jp Inc." and make it a subsidiary.

I. Overview of Business Combination

1. Name of Acquired Business and Description of its Business

Company name: want.jp Inc.

Description: Global EC

Financial statements as of December 31, 2023

Capital stock: 50 million yen

Net assets: (452) million yen

Total assets: 618 million yen

Net Sales: 1,938 million yen

Operating profit: (423) million yen

Ordinary profit: (410) million yen

Net profit: (493) million yen

2. Name of the other party to acquire shares

We, Tesong Kim

Equine Capital Pte. Ltd

YJ2 Investment Partnership

Fashion & Technology No.2 Investment Partnership

MSIVC2016V Investment Limited Partnership

Globis Fund VI, L.P.

Globis VI Fund L.P.

3. Purpose

want.jp Inc. (Head office: Minato-ku, Tokyo; CEO: Tae-Sung Kim) has created a system that enables people around the world to "daily purchase" Japanese goods, with the aim of realizing a world where customers around the world can access and purchase goods from all over the world at fair prices and with the highest level of convenience. It operates a cross-border EC business that facilitates Japanese EC operators' access to local sales networks around the world by building a global supply chain based on data, and has achieved data-driven automation in pricing and logistics functions. With these specialized strengths in cross-border EC, the service has been used by many Japanese EC operators who want to strengthen their sales to overseas markets.

The Company currently aims to increase its enterprise value over the medium to long term, using M&A to expand its customer base and add value to its existing products as part of its growth strategy.

Through this acquisition of a subsidiary, we will further strengthen the cross-border EC function of our BASE business, realizing "easy cross-border EC even for individuals" and contributing to the expansion of shop owners' sales channels.

4. Date of Business

August 9, 2024(tentative): First acquisition of shares

February 2028(tentative): Second acquisition of shares

5. Legal Form of Business Combination

Acquisition of shares

6. Name of Company after Business Combination

No change

7. Number of shares to be acquired and shareholding ratio after acquisition

Number of First acquisition of shares: 487,561 shares

Shareholding ratio after First acquisition: 94.2%

Number of Second acquisition of shares: 30,000 shares

Shareholding ratio after First acquisition: 100.0 %

8. Basis for Company Acquisition

Acquisition of shares in exchange for cash.

II. Acquisition Cost of the Acquired Company and Breakdown by Type of Consideration

Consideration for Acquisition	Cash	100 million JPY (1st Acquisition) 1 JPY ~ 650 million JPY (2nd Acquisition) (Notes)
Acquisition cost		100 ~ 750 million JPY

(Notes) The calculation will be based on the operating profit of the acquired company after the acquisition and the amount of goodwill that will be recorded in the Company's consolidated financial statements as a result of the acquisition.

III. Costs Relating to the Acquisition

Fees and commissions for advisory services: 4.5 million JPY ((approximate)

IV. Goodwill Amount, Reason for Goodwill, and the Calculation Method and Period for Amortization

Not confirmed at this time.

V. Details of Assets Received and Liabilities Assumed on the Date of the Business Combination

Not confirmed at this time.