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(Stock Exchange Code 4477)

March 3, 2023

(Start date of electronic provision measures: March 2, 2023)

To Shareholders with Voting Rights:

Yuta Tsuruoka  
Representative Director and CEO  
BASE, Inc.  
37F, Sumitomo Real Estate Roppongi Grand Tower  
3-2-1 Roppongi, Minato-ku, Tokyo

## NOTICE OF THE 10TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

We would like to express our appreciation for your continued support and patronage.

You are cordially notified that the 10th Annual General Meeting of Shareholders of BASE, Inc. (the “Company”) will be held for the purposes as described below.

The Company has taken measures for electronic provision of materials for this General Meeting of Shareholders. The electronically provided materials are available on the Company’s website (<https://binc.jp/en/ir/meeting>).

In addition to the website above, the materials are also available on the Tokyo Stock Exchange website (<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>).

In order to prevent the spread of COVID-19 and protect the health of shareholders, you are kindly requested to refrain from coming to the venue of the meeting.

You can exercise your voting rights in writing or via the Internet. Please review the electronically provided Reference Documents for the General Meeting of Shareholders, and indicate “for” or “against” the proposals on the enclosed Voting Rights Exercise Form and mail the Form back to the Company for receipt, or exercise your voting rights via the Internet upon reading the “Guide for Exercising Voting Rights via the Internet” (page 3) by 7 p.m. Japan time on Thursday, March 23, 2023.

Please refer to the enclosed leaflet for the details of the operation of the General Meeting of Shareholders under the COVID-19 pandemic.

1. Date and Time: Friday, March 24, 2023 at 11:00 a.m. Japan time (reception will open at 10:30 a.m.)
2. Place: Room A+B, Bellesalle Roppongi Grand Conference Center located at 9F, Sumitomo Real Estate Roppongi Grand Tower, 3-2-1 Roppongi, Minato-ku, Tokyo
3. Meeting Agenda:
  1. Matters to be reported:
    1. The Business Report, Consolidated Financial Statements for the Company's 10th Fiscal Year (January 1, 2022 - December 31, 2022) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors
    2. Non-consolidated Financial Statements for the Company's 10th Fiscal Year (January 1, 2022 - December 31, 2022)
  2. Proposals to be resolved:
    - Proposal 1: Election of 4 Directors
    - Proposal 2: Election of 2 Auditors

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- \* When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception.
  - \* If neither approval nor disapproval of a proposal is indicated on the Voting Rights Exercise Form, it shall be deemed a vote of approval.
  - \* Any revisions to the electronically provided materials will be posted on the websites described above.

## **Guide for Exercising Voting Rights via the Internet**

Please note the following when exercising your voting rights via the Internet.

1. For the exercise of voting rights via the Internet, please access the website for exercising voting rights (<https://evote.tr.mufg.jp/>) designated by the Company from a personal computer or a smartphone. The website will be unavailable from 2 a.m. to 5 a.m. everyday.
2. Please exercise your voting rights via the Internet by 7 p.m. on Thursday, March 23, 2023.
3. If you have exercised your voting rights in duplicate in writing and via the Internet, your vote via the Internet will be deemed valid.
4. If you have exercised your voting rights multiple times via the Internet, your last vote will be deemed valid.
5. If you are exercising your voting rights using a personal computer, enter your “log-in ID” and “temporary password” printed on the enclosed Voting Rights Exercise Form on the aforementioned website for exercising voting rights and enter your approval or disapproval of the proposals following the onscreen instructions.
6. If you are exercising your voting rights using a smartphone, you can automatically connect to the website for exercising voting rights and cast your vote by scanning the “QR Code for log-in” printed on the Voting Rights Exercise Form. However, you can exercise your voting rights using a QR Code only once. From the second time onward, please enter the “log-in ID” and “temporary password.” In addition, log-in using a QR Code may not be available depending on the model of your smartphone. In this case, please exercise your voting rights by entering your “log-in ID” and “temporary password.”
7. Please note that fees charged for accessing the website for exercising voting rights (internet connection fee, etc.) is the shareholder’s responsibility.

### [Inquiries]

In case of inquiries regarding how to operate your personal computer, etc. for exercising voting rights via the Internet, please contact the following.

Helpdesk at Securities Transfer Agency Division, Mitsubishi UFJ Trust and Banking Corporation

Telephone: 0120-173-027 (free of charge in Japan)

Business hours: 9 a.m. to 9 p.m.

### [To institutional investors]

Institutional investors may exercise voting rights at the Company’s general meeting of shareholders via the Electronic Voting System Platform for institutional investors operated by ICJ, Inc.

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Election of 4 Directors

The terms of office of all 5 Directors will expire at the conclusion of this meeting. The Company proposes that 4 Directors be elected.

This Proposal is made based on the results of deliberation by the Nomination and Remuneration Committee, a voluntary advisory committee to the Board of Directors, the majority of whose committee members are Outside Directors.

The candidates are as follows.

| No. | Name<br>(Date of birth)                 | Career summary, positions, responsibilities<br>and significant concurrent positions  | Number of<br>shares of the<br>Company held |
|-----|---|--|--|
| 1   | Yuta Tsuruoka<br>(December 28, 1989)    | December 2012 Established the Company, Representative Director and CEO (current position)<br>January 2018 Director, PAY, Inc.<br>January 2018 Representative Director, BASE BANK, Inc.<br>December 2020 Director, CAMPFIRE, Inc. (current position)<br>[Significant concurrent positions]<br>Director, CAMPFIRE, Inc.  | 17,019,211                                 |
| 2   | Ken Harada<br>(March 28, 1977)          | April 2000 Joined ANDO Corporation (currently HAZAMA ANDO CORPORATION)<br>September 2007 Joined mixi, Inc. (currently MIXI, Inc.)<br>August 2013 Joined FreakOut, inc. (currently FreakOut Holdings, inc.)<br>June 2015 Joined the Company<br>February 2016 Director and CFO, the Company<br>January 2018 Director, PAY, Inc. (current position)<br>January 2018 Director, BASE BANK, Inc.<br>March 2021 Director, Senior Executive Officer and CFO, the Company (current position)<br>[Significant concurrent positions]<br>Director, PAY, Inc.   | 449,327                                    |
| 3   | Masayuki Shimura<br>(September 7, 1958) | April 1982 Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation)<br>April 2010 Executive Officer and General Manager, Asia Pacific Division, Sumitomo Mitsui Banking Corporation<br>April 2015 Senior Managing Executive Officer (Member of the Management Committee), Sumitomo Mitsui Banking Corporation<br>May 2017 Senior Managing Executive Officer, Sumitomo Mitsui Card Company, Limited<br>June 2018 Representative Director and Senior Managing Executive Officer, Sumitomo Mitsui Card Company, Limited<br>July 2019 Established Shimura & Partners, CEO (current position)<br>August 2019 Outside Director, the Company (current position)<br>March 2020 Auditing Committee Director, bitFlyer Holdings, Inc. (current position)<br>March 2020 Auditing Committee Director, bitFlyer, Inc. (current position)<br>December 2020 Outside Director, MedPeer, Inc. (current position)<br>April 2021 External Board Director, HashPort Inc. (current position)<br>December 2022 Outside Director (Audit and Supervisory Committee Member), DIGITAL PLUS, Inc. (current position)<br>[Significant concurrent positions]<br>CEO, Shimura & Partners | 12,018                                     |

| No. | Name<br>(Date of birth)               | Career summary, positions, responsibilities<br>and significant concurrent positions  | Number of<br>shares of the<br>Company held |
|-----|---------------------------------------|--|--|
| 4   | Misa Matsuzaki<br>(November 18, 1970) | <p>April 1993      Joined Movera Co., Ltd.</p> <p>June 1997      Established AGASTA CO., LTD., CEO</p> <p>December 2010      Established Natural Beauty Association, Representative Director</p> <p>June 2014      Established People Worldwide co., Ltd, Representative Director</p> <p>June 2014      Outside Director, GENDAI AGENCY INC.</p> <p>July 2017      Established WORK JAPAN Co., Ltd, CEO (current position)</p> <p>November 2021      Established Apricot Planet Pte.Ltd, CEO (current position)</p> <p>March 2022      Outside Director, the Company (current position)</p> <p>[Significant concurrent positions]<br/>CEO, WORK JAPAN Co., Ltd<br/>CEO, Apricot Planet Pte.Ltd</p> | 7,882                                      |

- (Notes)
- There are no special interests between the candidates and the Company.
  - Ms. Misa Matsuzaki's name on her family register is Ms. Misa Edo.
  - Mr. Masayuki Shimura and Ms. Misa Matsuzaki are candidates for Outside Directors.
  - Mr. Masayuki Shimura was nominated as a candidate for Outside Director because he has deep insight and experience in the financial and settlement sectors, and we believe that he will provide valuable advice and supervision on the management of the Company from an independent standpoint. His expected roles are to provide valuable advice and supervision on the management of the Company from an independent standpoint based on the abovementioned experience.
  - Ms. Misa Matsuzaki was nominated as a candidate for Outside Director because she has experience as Representative Director and Director at multiple companies, including companies she established, and we believe that she will provide valuable advice and supervision on the management of the Company from an independent standpoint. Her expected roles are to provide valuable advice and supervision on the management of the Company from an independent standpoint based on the abovementioned experience.
  - Mr. Masayuki Shimura is currently serving as Outside Director of the Company. His period in office as Outside Director at the conclusion of this meeting is 3 years and 7 months.
  - Ms. Misa Matsuzaki is currently serving as Outside Director of the Company. Her period in office as Outside Director at the conclusion of this meeting is 1 year.
  - The Company has registered Mr. Masayuki Shimura and Ms. Misa Matsuzaki as Independent Directors prescribed by Tokyo Stock Exchange, Inc. If the elections of Mr. Masayuki Shimura and Ms. Misa Matsuzaki are approved, the Company plans for them to continue serving as Independent Directors.
  - Mr. Masayuki Shimura and Ms. Misa Matsuzaki have entered into a liability limitation agreement with the Company in accordance with provisions of the Articles of Incorporation of the Company and Article 427, Paragraph 1 of the Companies Act to limit their liability pursuant to Article 423, Paragraph 1 of the same act. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations. If the elections of Mr. Masayuki Shimura and Ms. Misa Matsuzaki are approved, the Company plans to continue such liability limitation agreement with them.
  - The Company has concluded with an insurance firm a directors and officers liability insurance contract, by which payment for damages to be borne by an insured person shall be covered. All Directors of the Group shall be insured persons, and the Company is responsible for the full amount of the insurance premium for all of the insured persons. If the election of each candidate is approved, each candidate will become an insured person under the insurance contract. Please refer to "4. (4) Overview of directors and officers liability insurance contract" of the Business Report for an overview of the insurance contract.
  - The Company has entered into indemnity agreements with each Director, pursuant to the provisions of Article 430-2, Paragraph 1 of the Companies Act. Under the agreements, the Company shall indemnify expenses provided for in Item 1 and losses provided for in Item 2 of the same paragraph within the scope stipulated by laws and regulations. If the election of each candidate is approved, the Company plans to continue such indemnity agreement with them.

(Reference)

If the candidates are elected as Directors, the skill matrix of Directors (including Senior Executive Officers) will be as follows.

|  | Directors     |            |                  |                | Senior Executive Officers |                   |               |
|--|---------------|------------|------------------|----------------|---------------------------|-------------------|---------------|
|  | Yuta Tsuruoka | Ken Harada | Masayuki Shimura | Misa Matsuzaki | Kenji Yamamura            | Shinichi Fujikawa | Nao Takahashi |
| Corporate management                           | •             | •          | •                | •              | •                         | •                 |               |
| Finance and accounting                         |               | •          |                  |                |                           |                   |               |
| Legal, compliance, and risk management         |               | •          | •                |                |                           |                   |               |
| ESG and sustainability                         | •             | •          | •                | •              |                           |                   |               |
| Human resources and organizational development |               |            | •                | •              | •                         | •                 | •             |
| Marketing and brand management                 | •             |            |                  |                | •                         |                   | •             |
| IT   | •             | •          |                  |                |                           | •                 |               |
| Information security                           |               |            |                  |                |                           | •                 |               |
| Industry knowledge                             | •             | •          | •                | •              | •                         | •                 | •             |
| International experience                       |               |            | •                | •              |                           |                   | •             |

(Reference) Independence Criteria for Outside Directors

The Company defines the following criteria on independence of outside directors. A person is judged to be independent when all of the following requirements are met.

1. Executive

Not having been for the past 10 years and not currently being an executive director, an executive officer, or an employee (hereinafter “executive”) of the Company or its subsidiaries (hereinafter “the Group”).

2. Entity whose major business partner is the Company

Not being an entity whose major business partner is the Group or an executive of such an entity. An entity whose major business partner is the Group refers to an entity that received payments from the Group representing more than 2% of the entity’s consolidated net sales for the most recent fiscal year.

3. Major business partner of the Company

Not being a major business partner of the Group or an executive of such a partner. A major business partner of the Group refers to an entity that made payments to the Group representing more than 2% of the Group’s consolidated net sales for the most recent fiscal year.

4. Voting right holder

Not being a major shareholder who directly or indirectly holds 10% or more of the total voting rights of the Company or an executive of such a shareholder.

5. Consultant, etc.

Not being a consultant, a certified public accountant or other professional accountant, or an attorney or other legal expert who receives monetary consideration or other property exceeding 10 million yen per year (excluding compensation as an officer) from the Group. Also, not being a person who belongs to a corporation, union, or other organization that receives such consideration.

6. Recipient of a donation or aid

Not being an executive of an organization that receives a donation or aid exceeding 10 million yen per year from the Group.

7. Accounting auditor

Not being a person who belongs to an audit corporation that is the accounting auditor of the Group.

8. Person who has fallen under the criteria in past years

Not being a person who has fallen under criteria 2 to 7 above in the past 3 years.

9. Relative

Not being a spouse or relative within the second degree of kinship of an important person who has fallen under criterion 1 above. An important person refers to an executive director, an executive, an executive officer, or an employee who executes important operation such as a head of a business unit.

**Proposal 2: Election of 2 Auditors**

The terms of office of Auditors Fumio Utagawa and Yohei Yamaguchi will expire at the conclusion of this meeting. Accordingly, the Company proposes that 2 Auditors be elected. The Board of Auditors has given its consent to the submission of this Proposal.

The candidates are as follows:

| No. | Name<br>(Date of birth)            | Career summary<br>and significant concurrent positions   | Number of<br>shares of the<br>Company held |
|-----|------------------------------------|--|--|
| 1   | Fumio Utagawa<br>(August 5, 1955)  | <p>April 1980      Joined Liebermann-Wälchli &amp; Co., SA.</p> <p>April 1989      Joined NODA CORPORATION</p> <p>April 1992      Joined AICHI CORPORATION</p> <p>August 1996    Joined Niscon Service Co., Ltd. (currently NISCOM Inc.)</p> <p>January 1999    Joined Movie Television Co., Ltd.</p> <p>October 2004    Joined Freshness Co., Ltd.</p> <p>January 2006    Joined Key Stream Corporation</p> <p>December 2007   Established Clinic Complex, Inc., Representative Director</p> <p>October 2015    Auditor, the Company (current position)</p> <p>January 2018    Auditor, PAY, Inc. (current position)</p> <p>January 2018    Auditor, BASE BANK, Inc.</p> <p>[Significant concurrent positions]<br/>Auditor, PAY, Inc.</p>   | 0  |
| 2   | Yohei Yamaguchi<br>(April 3, 1981) | <p>April 2004      Joined Tohmatsu &amp; Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>December 2011    Joined Nissan Motor Light Truck Co., Ltd. (currently NISSAN AUTOMOTIVE TECHNOLOGY CO., LTD.)</p> <p>January 2015      Established Yohei Yamaguchi Certified Public Accountant Firm, President (current position)</p> <p>May 2015        Auditor, the Company (current position)</p> <p>July 2018        Auditor, Kurashicom Inc.</p> <p>October 2020     Outside Director (Audit and Supervisory Committee Member), Kurashicom Inc.</p> <p>October 2022     Director and CFO, Kurashicom Inc. (current position)</p> <p>[Significant concurrent positions]<br/>President, Yohei Yamaguchi Certified Public Accountant Firm<br/>Director and CFO, Kurashicom Inc.</p> | 0  |

- (Notes)
1. There are no special interests between the candidates and the Company.
  2. Mr. Fumio Utagawa and Mr. Yohei Yamaguchi are candidates for Outside Auditors.
  3. The Company has registered Mr. Fumio Utagawa and Mr. Yohei Yamaguchi as Independent Auditors prescribed by Tokyo Stock Exchange, Inc. If the elections of Mr. Fumio Utagawa and Mr. Yohei Yamaguchi are approved, the Company plans for them to continue serving as Independent Auditors.
  4. Mr. Fumio Utagawa was nominated as a candidate for Outside Auditor because he has long-term abundant experience and deep insight in general administrative work, and we believe that he will comprehensively monitor the management and provide valuable advice based on his knowledge and experience.
  5. Mr. Yohei Yamaguchi was nominated as a candidate for Outside Auditor because he is well-versed in corporate accounting as a certified public accountant and has abundant experience as an accounting expert and considerable insight into accounting and auditing, and we believe that he will comprehensively monitor the management and provide valuable advice based on his knowledge and experience.
  6. Mr. Fumio Utagawa is currently serving as Outside Auditor of the Company. His period in office as Outside Auditor at the conclusion of this meeting is 7 years and 5 months.
  7. Mr. Yohei Yamaguchi is currently serving as Outside Auditor of the Company. His period in office as Outside Auditor at the conclusion of this meeting is 7 years and 10 months.
  8. Mr. Fumio Utagawa and Mr. Yohei Yamaguchi have entered into a liability limitation agreement with the Company in accordance with provisions of the Articles of Incorporation of the Company and Article 427, Paragraph 1 of the Companies Act to limit their liability pursuant to Article 423, Paragraph 1 of the same act. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations. If the elections of Mr. Fumio Utagawa and Mr. Yohei Yamaguchi are approved, the Company plans to continue such liability limitation agreement with them.
  9. The Company has concluded with an insurance firm a directors and officers liability insurance contract, by which payment for damages to be borne by an insured person shall be covered. All Auditors shall be insured persons, and the Company is responsible for the full amount of the insurance premium for all of the insured persons. If the election of each candidate is approved, they will become an insured person under the insurance contract. Please refer to “4. (4) Overview of directors and officers liability insurance contract” of the Business Report for an overview of the insurance contract.

10. The Company has entered into indemnity agreements with Mr. Fumio Utagawa and Mr. Yohei Yamaguchi, pursuant to the provisions of Article 430-2, Paragraph 1 of the Companies Act. Under the agreements, the Company shall indemnify expenses provided for in Item 1 and losses provided for in Item 2 of the same paragraph within the scope stipulated by laws and regulations. If the election of each candidate is approved, the Company plans to continue such indemnity agreement with them.



# Business Report

## 1. Current Circumstances of the Corporate Group

### (1) Progress and performance of business operations

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,” and the PAY 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 fiscal year ended December 31, 2022, developments in the social response towards the novel coronavirus disease (COVID-19) led to the recovery of offline consumption associated with reopening. Online consumption has consequently decelerated, and the outlook of the market remains uncertain as a result. 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 Business, the Group aims to expand the number of merchants using its services 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 fiscal year ended December 31, 2022 were ¥9,739 million (1.9% decrease year on year), operating loss was ¥1,508 million (operating loss of ¥977 million in the same period of the previous fiscal year), ordinary loss was ¥1,495 million (ordinary loss of ¥960 million in the same period of the previous fiscal year), and loss attributable to owners of parent was ¥1,732 million (loss attributable to owners of parent of ¥1,194 million in the same period of the previous fiscal year). The results of the segments are as follows.

#### (i) BASE Business

In the BASE Business, the recovery of offline consumption associated with reopening led to the deceleration of online consumption, and Gross Merchandise Volume (or “GMV”) growth rate for the fiscal year ended December 31, 2022 decreased year on year. As a result of the above, GMV for the fiscal year ended December 31, 2022 was ¥118,932 million (order amount) and ¥112,446 million (payment amount) (4.5% increase for order amount and 5.5% increase for payment amount year on year). However, during the three months ended December 31, 2022, the business environment, which previously faced reopening headwinds, began trending towards recovery, and GMV reached a record high. Additionally, through the April 18th release of the “Monthly-Fee Plan,” which charges a fixed monthly service commission alongside a reduced payment processing commission, take rate was strategically reduced with the aim of maximizing GMV and gross profit over the medium term. Since its release, the number of merchants using the plan steadily increased mainly among existing merchants, and along with a rise in the number of new merchants with large sales acquired through the outbound sales team (or “Scout Team”), the GMV mix of the Monthly-Fee Plan increased. As a result of the above, net sales for the fiscal year ended December 31, 2022 were ¥7,494 million (11.0% decrease year on year), and segment loss was ¥1,150 million (segment loss of ¥703 million in the same period of the previous fiscal year).

(Note) Take rate is the ratio of net sales over GMV (payment amount)

(ii) PAY Business

In the PAY Business, the Group provides the online payment service “PAY.JP.” In the fiscal year ended December 31, 2022, GMV increased significantly year on year due to the continued growth of existing merchants as well as the acquisition of new merchants. As a result of the above, GMV for the fiscal year ended December 31, 2022 was ¥80,762 million (46.1% increase year on year), net sales were ¥2,103 million (45.2% increase year on year), and segment loss was ¥46 million (segment loss of ¥38 million in the same period of the previous fiscal year).

(iii) Other Business

In the Other Business, the Group provides services such as “YELL BANK,” which provides business funds to online shop operators using “BASE.” In the fiscal year ended December 31, 2022, the number of users and usage amount both grew significantly year on year. As a result of the above, net sales for the fiscal year ended December 31, 2022 were ¥141 million (127.4% increase year on year), and segment loss was ¥31 million (segment loss of ¥52 million in the same period of the previous fiscal year).

(2) Capital investments

The total amount of capital investments in the fiscal year ended December 31, 2022 was ¥26 million. Major investments include ¥23 million for the purchase of PCs associated with an increase in employees.

(3) Financing

In order to finance working capital in a flexible manner, the Group has entered into overdraft agreements and commitment line contracts with five banks for a total of ¥12,000 million.

(4) Succession of rights and obligations regarding the business of other corporations due to an absorption-type merger or an absorption-type split

The Company executed an absorption-type merger of BASE BANK, Inc. on January 1, 2022.

(5) Issues to be addressed

The Company considers the following as the Group’s key issues to be addressed:

(i) Realizing a sustainable society

The Group’s mission is “Payment to the People, Power to the People.” Through the power of Internet technology, the Group aims to increase the accessibility to payment and financial services that many people need, but are not able to benefit from. By empowering individuals and small teams, the Group aims to realize a society in which all people can play an active role. With the aim of achieving the Group’s mission as soon as possible, the Group considers it important to face our responsibilities and roles as a platform that provides payment and financial services open for all of society, and promote ESG initiatives throughout the Group to realize a sustainable society.

To address this, the Group has established a Sustainability Committee that discusses sustainability-related matters, monitors how promotional initiatives progress, and makes regular reports to the Board of Directors, ensuring a structure to move forward with ESG activities.

The Group will continue to drive ESG activities focusing on the materiality (key issues) identified in 2022.

(ii) Strengthening product development and technological capabilities

The Group's business is deeply engaged in the Internet sector. To launch competitive products in the EC market, the Group considers it important to adopt the sector's information technology and services in a timely manner and to constantly create new products.

To this end, the Group will efficiently adapt to changes in the EC environment and respond to requests from users of the Group's services to offer quality products.

(iii) Developing human resources

For the continued growth of the Group, it considers it important to develop human resources.

To enable development, the Group will establish improved educational and personnel systems and accelerate efforts for diversity and inclusion to retain and upskill employees.

(iv) Strengthening the internal control system

The Group aims for further expansion of its business and considers it important to increase operational efficiency and strengthen the internal control system in order to fulfill the Group's social responsibilities and achieve continued growth and improved corporate value.

To this end, the Group will improve the back office operations and strengthen the internal control system to ensure fair and transparent management. Specifically, the Risk Management and Compliance Committee has been established to identify and manage operational risks, provide education including regular training programs for officers and employees, strengthen the compliance system such as through periodic internal audits, and enhance corporate governance functions with audits by Auditors.

(v) Ensuring the security and soundness of services

As an enterprise that offers platforms for transactions, the Group considers it important to ensure the security and soundness of its services to enable safe transactions for all stakeholders, including shop operators and purchasers.

To ensure this, the Group provides a dedicated team that is on call 365 days a year to take measures to ensure security and soundness of the services. Specifically, the Group works to ensure the security and soundness of its services by analyzing transaction data it owns with the help of machine learning and using the databases of fraudulent destination addresses provided from credit card companies to detect and prevent unauthorized settlement and sale of inappropriate products.

(vi) Transitioning towards a leaner financial structure

Until now, as services extended rapidly, the Group has made large investments for promotional expenses and personnel expenses, focusing on further increasing the Gross Merchandise Volume (GMV) of the BASE Business.

From now on, the Group will focus on increasing the gross profit of the Group as a whole, in alignment with the management policy that was revised considering changes in the business environment and the progress of the business strategy. In addition, the Group will redesign the marketing policy, strive to improve the productivity of employees, and reduce SG&A expenses to transit toward a leaner financial structure.

(vii) Strengthening the information management system

The Group provides services that hold the personal information of service users and other various types of information, and therefore the Group considers it important to strengthen systems that manage information properly.

In this context, the Group defines and observes internal rules including basic rules on information security to enforce adequate management. The Group also enhances information security measures, such as setting up a team dedicated to information security and regularly holding Information Security Committee meetings to identify information security risks. The Group will continue to provide education and training and develop and improve security systems across the Group to ensure more robust information management.

(6) Assets, profits, and losses

(i) Assets, profits, and losses of the corporate group

| Item  |               | 7th fiscal year ended<br>December 31,<br>2019 | 8th fiscal year ended<br>December 31,<br>2020 | 9th fiscal year ended<br>December 31,<br>2021 | 10th fiscal year ended<br>December 31, 2022<br>(under review) |
|---|---------------|---|---|---|---|
| Net sales   | (million yen) | 3,849   | 8,288   | 9,931   | 9,739   |
| Ordinary profit (loss)                            | (million yen) | (455)   | 747   | (960)   | (1,495)   |
| Profit (loss) attributable<br>to owners of parent | (million yen) | (459)   | 584   | (1,194)                                       | (1,732)   |
| Net profit (loss) per share                       | (yen)         | (7.75)  | 5.64  | (10.80)                                       | (15.46)   |
| Total assets                                      | (million yen) | 10,458  | 28,505  | 31,991  | 31,278  |
| Net assets  | (million yen) | 3,158   | 16,217  | 15,105  | 13,501  |
| Net assets per share                              | (yen)         | 30.94   | 147.84  | 135.48  | 118.81  |

(Note) The Company conducted a stock split at a ratio of four hundred shares per one common share on August 31, 2019 and at a ratio of five shares per one common share on April 1, 2021. Net profit (loss) per share and net assets per share were calculated on the assumption that the stock split was conducted at the beginning of the 7th fiscal year.

(ii) Assets, profits, and losses of the Company

| Item                        |               | 7th fiscal year ended<br>December 31,<br>2019 | 8th fiscal year ended<br>December 31,<br>2020 | 9th fiscal year ended<br>December 31,<br>2021 | 10th fiscal year ended<br>December 31, 2022<br>(under review) |
|-----------------------------|---------------|---|---|---|---|
| Net sales                   | (million yen) | 3,198   | 7,321   | 8,420   | 7,635   |
| Ordinary profit (loss)      | (million yen) | (272)   | 887   | (860)   | (1,446)   |
| Net profit (loss)           | (million yen) | (276)   | 380   | (1,147)                                       | (1,779)   |
| Net profit (loss) per share | (yen)         | (4.65)  | 3.67  | (10.37)                                       | (15.88)   |
| Total assets                | (million yen) | 7,670   | 25,945  | 28,390  | 25,819  |
| Net assets                  | (million yen) | 3,361   | 16,217  | 15,152  | 13,501  |
| Net assets per share        | (yen)         | 32.94   | 147.84  | 135.90  | 118.81  |

(Note) The Company conducted a stock split at a ratio of four hundred shares per one common share on August 31, 2019 and at a ratio of five shares per one common share on April 1, 2021. Net profit (loss) per share and net assets per share were calculated on the assumption that the stock split was conducted at the beginning of the 7th fiscal year.

(7) Significant parent company and subsidiaries

(i) Parent company

Not applicable.

(ii) Subsidiaries

| Name      | Capital         | Ownership ratio | Business activities           |
|-----------|-----------------|-----------------|-------------------------------|
| PAY, Inc. | 100 million yen | 100%            | Provision of payment services |

(8) Major business activities

Advocating “Payment to the People, Power to the People.” as its mission, the Group consists of the Company and its consolidated subsidiary, PAY, Inc., and operates online shop creation services, online payment services and funding services.

The Company operates the BASE Business, which provides the online shop creation service “BASE,” and its consolidated subsidiary PAY, Inc. operates the PAY Business, which offers “PAY.JP,” an online payment service that enables easy introduction of a credit card payment platform. The Company also operates other businesses centered on “YELL BANK,” which is a funding service that provides business funds to online shop operators using BASE.

The Group focuses on empowering individuals and small teams through BASE and supporting start-up businesses through PAY.JP.

(i) BASE Business

BASE is an e-commerce platform providing an online shop development service. The clientele of the online development service includes not only individuals producing handicrafts, but also corporations engaging in business and government bodies, including municipalities.

BASE allows its users to easily open a well-designed online shop by selecting a web design from the Company’s design templates, without use of specialist website building or web design technologies. Furthermore, the Company has introduced its proprietary payment system “BASE Easy Pay system,” which offers a one-stop service covering every step from opening an online shop to introducing a payment function, to shorten the time required for installing a payment function, thereby addressing issues in running an e-commerce shop. The system enables people to open and run online shops more easily by eliminating barriers, such as time required for opening a shop, running costs and web technologies.

(ii) PAY Business

PAY.JP is an online payment service that readily enables web services and online shops (excluding online shops set up via BASE) to start accepting credit card payments. Designed in line with the concept of “Simplifying all your payments,” the system is easy to install for all developers, whether they are individuals or corporate customers. By resolving issues concerning the long time needed for application, high costs and difficulty of use found in conventional, complicated online payment services and making the installation extremely easy, the system expands opportunities for buying and selling online and facilitates people’s online economic activities.

(iii) Other Business

YELL BANK is a funding service that uses shop data of BASE to predict future sales of shops using BASE and offers business funds for online shop operators by purchasing future receivables based on the prediction. The service supports further growth of shops using BASE.

(9) Major business locations

(i) The Company

| Name        | Location         |
|-------------|------------------|
| Head office | Minato-ku, Tokyo |

(ii) Subsidiaries

| Name      | Location         |
|-----------|------------------|
| PAY, Inc. | Minato-ku, Tokyo |

(10) Employees

| Number of employees | Year-on-year change | Average age    | Average years of service |
|---------------------|---------------------|----------------|--------------------------|
| 266                 | Increased by 55     | 33.3 years old | 2.7 years                |

(Note) The number of employees includes Senior Executive Officers and Executive Officers.  
The number of employees excludes temporary employees.  
The number of employees excludes secondees from other companies (3 persons).

## 2. Shares of the Company (as of December 31, 2022)

(1) Total number of shares authorized to be issued 376,440,000

(2) Total number of shares issued and outstanding 113,631,950  
(excluding 14 treasury shares)

(3) Number of shareholders at the end of the fiscal year ended December 31, 2022 48,261

(4) Major shareholders (top 10)

| Name   | Shares held | Shareholding ratio (%) |
|--|-------------|------------------------|
| Yuta Tsuruoka  | 17,019,211  | 14.9                   |
| MARUI GROUP CO., LTD.  | 6,306,000   | 5.5                    |
| THE BANK OF NEW YORK MELLON 140051                             | 4,676,000   | 4.1                    |
| SBI SECURITIES Co., Ltd.                                       | 3,232,100   | 2.8                    |
| MORGAN STANLEY SMITH BARNEY LLC CLIENTS FULLY PAID SEG ACCOUNT | 2,708,750   | 2.3                    |
| Nomura Securities Co., Ltd.                                    | 2,480,817   | 2.1                    |
| CyberAgent, Inc.   | 2,255,000   | 1.9                    |
| THE BANK OF NEW YORK 133612                                    | 1,899,200   | 1.6                    |
| SAJAP  | 1,521,128   | 1.3                    |
| Custody Bank of Japan, Ltd. (trust account)                    | 1,223,000   | 1.0                    |

(Note) The shareholding ratio is calculated excluding treasury shares (14 shares).

(5) Shares granted during the fiscal year under review to Directors and Auditors of the Company (including those who had been a Director or Auditor) as consideration for execution of duties

|   | Number of shares | Number of recipients |
|---|------------------|----------------------|
| Directors (excluding Outside Directors) | 55,055 shares    | 2 persons            |
| Outside Directors                       | 21,721 shares    | 3 persons            |

(Note) Details of share-based remuneration are as described in "4. (5) Remuneration for Directors and Auditors."

### 3. Matters Concerning Share Acquisition Rights, etc. of the Company

- (1) Outline of the details of share acquisition rights, etc. granted as compensation for execution of duties that are held by the Company's Directors and Auditors at the end of the fiscal year under review

| Name   | 2nd series of share acquisition rights       | 4th series of share acquisition rights        | 5th series of share acquisition rights        |
|--|--|---|---|
| Date of resolution for issue   | September 30, 2015                           | December 14, 2017                             | March 30, 2018                                |
| Number of share acquisition rights   | 13   | 456   | 240   |
| Category   | Directors                                    | Directors                                     | Directors                                     |
| Number of holders  | 1  | 1   | 1   |
| Type and number of shares issuable upon exercise of share acquisition rights   | 26,000 common shares of the Company (Note 1) | 912,000 common shares of the Company (Note 1) | 480,000 common shares of the Company (Note 1) |
| Consideration for issue of share acquisition rights                            | No consideration                             | No consideration                              | No consideration                              |
| Price payable for capitalization upon exercise of each share acquisition right | 14 yen per share (Note 1)                    | 14 yen per share (Note 1)                     | 14 yen per share (Note 1)                     |
| Period for exercising share acquisition rights                                 | From October 1, 2017 to September 30, 2025   | From December 15, 2019 to December 14, 2027   | From March 31, 2020 to March 30, 2028         |
| Key conditions for exercise of share acquisition rights                        | (Note 2)                                     | (Note 2)                                      | (Note 2)                                      |

(Notes) 1. The Company conducted a stock split at a ratio of 400 shares per one common share on August 31, 2019. In addition, the Company conducted a stock split at a ratio of five shares per one common share on April 1, 2021. Accordingly, the "type and number of underlying shares" and "price payable for capitalization upon exercise of each share acquisition right" have been adjusted.

2. (i) Share acquisition rights may be exercised during the following periods after October 25, 2019 (hereinafter, the "Date of Listing"), which is the date on which the Company's common shares were listed, up to the portion stated in each of the following items. The portion includes the share acquisition rights that have already been exercised.

If the Date of Listing is prior to the date on which 2 years have passed after the date of resolution for issue of the share acquisition rights, the Date of Listing in item 1 below shall be read as "the date on which 2 years have passed after the date of resolution for issue" instead.

1. From the day after the Date of Listing to the date which is 1 year after the Date of Listing: 25%
  2. From the date on which 1 year has passed after the Date of Listing to the date which is 2 years after the Date of Listing: 50%
  3. From the date on which 2 years have passed after the Date of Listing to the date which is 3 years after the Date of Listing: 75%
  4. From the date on which 3 years have passed after the Date of Listing onward: 100%
- (ii) A holder of the share acquisition rights must be a Director, Auditor, or employee of the Company or its subsidiary at the time of exercising the share acquisition rights; provided, however, that this requirement shall not apply if the Company has specifically approved the exercise.
- (iii) The share acquisition rights may not be exercised by successors to the holders of the share acquisition rights.
- (iv) The share acquisition rights may not be exercised in part less than one share acquisition right.

- (2) Outline of the details of share acquisition rights granted as compensation for execution of duties to the Company's employees, etc., during the fiscal year under review

Not applicable.

- (3) Other significant matters concerning share acquisition rights, etc.

Not applicable.



## 4. Directors and Auditors

### (1) Names of Directors and Auditors, etc. (as of December 31, 2022)

| Name             | Positions and responsibilities             | Significant concurrent positions   |
|------------------|--|--|
| Yuta Tsuruoka    | Representative Director and CEO            | Director, CAMPFIRE, Inc.   |
| Ken Harada       | Director, Senior Executive Officer and CFO | Director, PAY, Inc.  |
| Masayuki Shimura | Director                                   | CEO, Shimura & Partners  |
| Michi Iijima     | Director                                   | Representative Director, CULEN Inc.<br>Representative Director, mobo-moga inc.                   |
| Misa Matsuzaki   | Director                                   | CEO, WORK JAPAN Co., Ltd<br>CEO, Apricot Planet Pte.Ltd  |
| Fumio Utagawa    | Full-time Auditor                          | Auditor, PAY, Inc.   |
| Yohei Yamaguchi  | Auditor                                    | President, Yohei Yamaguchi Certified Public Accountant Firm<br>Director and CFO, Kurashicom Inc. |
| Chie Hoshi       | Auditor                                    | Partner, Tanabe&Partners   |

- (Notes) 1. Directors Masayuki Shimura, Michi Iijima, and Misa Matsuzaki are Outside Directors stipulated in Article 2, Item 15 of the Companies Act.
2. Full-time Auditor Fumio Utagawa and Auditors Yohei Yamaguchi and Chie Hoshi are Outside Auditors stipulated in Article 2, Item 16 of the Companies Act.
3. Auditor Yohei Yamaguchi is qualified as a certified public accountant and has considerable knowledge of finance and accounting.
4. Auditor Chie Hoshi is qualified as an attorney and has considerable knowledge of laws and regulations.
5. Director Misa Matsuzaki was newly elected and appointed as Director at the 9th Annual General Meeting of Shareholders held on March 23, 2022.
6. Auditor Chie Hoshi was newly elected and appointed as Auditor at the 9th Annual General Meeting of Shareholders held on March 23, 2022.
7. The Company has appointed Director Masayuki Shimura, Director Misa Matsuzaki, Auditor Fumio Utagawa, Auditor Yohei Yamaguchi, and Auditor Chie Hoshi as Independent Directors and Independent Auditors prescribed by Tokyo Stock Exchange, Inc., and has informed the Exchange to that effect.
8. Auditor Misao Akutsu resigned from the position of Auditor at the conclusion of the 9th Annual General Meeting of Shareholders held on March 23, 2022.
9. Senior Executive Officers not concurrently serving as Directors are as follows:

| Name              | Positions and responsibilities                  |
|-------------------|---|
| Kenji Yamamura    | Senior Executive Officer and COO                |
| Shinichi Fujikawa | Senior Executive Officer and SVP of Development |

### (2) Overview of limited liability agreement

The Company has entered into agreements with Outside Directors Masayuki Shimura, Michi Iijima, and Misa Matsuzaki as well as with Outside Auditors Fumio Utagawa, Yohei Yamaguchi, and Chie Hoshi in accordance with Article 427, Paragraph 1 of the Companies Act to limit their liability for damages pursuant to Article 423, Paragraph 1 of the same act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the same act, so long as the Outside Directors and Auditors have performed their duties in good faith and without gross negligence.

### (3) Overview of indemnity agreement, etc.

The Company has entered into indemnity agreements with Mr. Yuta Tsuruoka, Mr. Ken Harada, Mr. Masayuki Shimura, Ms. Michi Iijima, Ms. Misa Matsuzaki, Mr. Fumio Utagawa, Mr. Yohei Yamaguchi, and Ms. Chie Hoshi, pursuant to the provisions of Article 430-2, Paragraph 1 of the Companies Act. Under the agreements, the Company shall indemnify expenses provided for in Item 1 and losses provided for in Item 2 of the same paragraph within the scope stipulated by laws and regulations. However, in order to ensure that the appropriate execution of duties by the Company's officers is not impaired by said indemnity agreements, the Company defines certain conditions, such as excluding damages for which the officer is liable due to the officer's malicious intent or gross negligence in performing the officer's duties.

(4) Overview of directors and officers liability insurance contract

(i) Scope of insured persons

All Directors, Auditors, Executive Officers, and employees in managerial or supervisory positions of the Group

(ii) Overview of the contract

The Company has concluded with an insurance firm a directors and officers liability insurance contract, which covers damages that may arise from insured parties assuming liability for the execution of their duties or being subject to a claim for the pursuit of such liability. The Company is responsible for the full amount of the insurance premium for all of the insured persons. However, in order to ensure that the appropriate execution of duties by the insured persons is not impaired, there are certain exemptions, such as no coverage for liability arising from actions taken with knowledge that they were in violation of laws and regulations.

(5) Remuneration for Directors and Auditors

(i) Matters regarding the decision-making policy on the amount of individual remuneration for Directors or the method of calculating such amount

A. Basic policy

The basic policy on remuneration for Directors of the Company is to ensure a remuneration system linked with shareholder benefits so that the remuneration sufficiently functions as incentives to sustainably increase the Company's corporate value, and to maintain an appropriate level commensurate with each Director's position and responsibilities when determining remuneration for them. Specifically, remuneration for executive Directors shall consist of basic remuneration, which is a fixed remuneration, and share-based remuneration. For Outside Directors who are responsible for the monitoring function, the Company shall also provide basic remuneration, which is fixed remuneration, and share-based remuneration.

B. Process of determining the policy

The policy is determined by resolution of the Board of Directors based on deliberations by the Nomination and Remuneration Committee, an advisory committee to the Board of Directors, the majority of whose committee members are Outside Directors.

C. Outline of the contents of the said policy

a. Decision-making policy on the amount of individual remuneration for Directors or the method of calculating such amount

Basic remuneration for Directors of the Company shall be a monthly fixed remuneration, determined by comprehensively taking into account the duties and responsibilities of each Director, contribution to the Company, state of execution, the Company's performance, and economic conditions.

- b. Details of non-monetary remuneration and decision-making policy on the amount or number thereof, or the method of calculating such number

Non-monetary remuneration shall be provided in the form of qualified stock options or restricted stock whose lifting condition is a restriction period of at least 3 years from the share delivery date or retirement, determined by comprehensively taking into account the duties and responsibilities of each Director, contribution to the Company, state of execution, the Company's performance, and economic conditions.

- c. Decision-making policy on the ratio of monetary remuneration, performance-linked remuneration, and non-monetary remuneration within individual remuneration for Directors

The Company maintains the most appropriate payment ratio to ensure shareholders and management share the same benefits and risks and to drive a sustained increase of corporate value.

- d. Matters to be described when delegating all or part of decisions on the details of individual remuneration for Directors to a Director or another third party

Based on a resolution of the Board of Directors, the authority to determine the specific details of individual amounts of remuneration shall be delegated to Representative Director and CEO Yuta Tsuruoka. Such specific details shall be determined based on the amount of basic remuneration for each Director, duties and responsibilities of each Director, contribution to the Company, state of execution, the Company's performance, and economic conditions. The reason for the delegation is that the Company has determined that the Representative Director is suited to evaluate each Director based on the Company's performance and other factors. The Board of Directors shall consult with and receive a report from the Nomination and Remuneration Committee about a draft to ensure this authority will be appropriately exercised by the Representative Director and CEO. The Representative Director who has been delegated the authority must determine the amounts of individual remuneration based on this report. As for share-based remuneration, the Board of Directors shall make resolutions on the numbers of shares allotted to individual Directors based on reports from the Nomination and Remuneration Committee.

- D. Reasons why the Board of Directors has determined that the individual remuneration for Directors pertaining to the fiscal year under review is in line with the said policy

The Board of Directors has confirmed that, with respect to the individual remuneration for Directors pertaining to the fiscal year under review, the method of determining the details of remuneration and the details of remuneration that have been determined are consistent with the decision-making policies resolved by the Board of Directors, and that reports from the Nomination and Remuneration Committee have been given serious consideration. Accordingly, the Board of Directors has determined that the individual remuneration is in line with the said decision-making policy.

(ii) Matters regarding the resolutions of the General Meeting of Shareholders on remuneration for Directors and Auditors

At the 8th Annual General Meeting of Shareholders held on March 25, 2021, the amount of monetary remuneration for Directors of the Company was approved to be not more than 300 million yen per year (including not more than 30 million yen for Outside Directors; however, the amount does not include the portion of employee's salaries for Directors who concurrently serve as employees). Moreover, apart from the said monetary remuneration, at the same Annual General Meeting of Shareholders, the amount of share-based remuneration was resolved to be not more than 500 million yen per year (including not more than 50 million yen for Outside Directors), with the number of shares limited to not more than 285,000 shares (including not more than 28,500 shares for Outside Directors). While this resolution limited the number of shares that may be allocated to Directors for each fiscal year to not more than 57,000 shares (including not more than 5,700 shares for Outside Directors), adjustments have been made in association with the stock split conducted on April 1, 2021 at a ratio of five shares per one common share. The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was four (including two Outside Directors).

At the 9th Annual General Meeting of Shareholders held on March 23, 2022, the amount of remuneration for Auditors of the Company was approved to be not more than 30 million yen per year. The number of Auditors at the conclusion of the said Extraordinary General Meeting of Shareholders was three.

(iii) Matters regarding delegation of the decision-making on the details of individual remuneration for Directors

These matters are as described in "4. (5) (i) C d. Matters to be described when delegating all or part of decisions on the details of individual remuneration for Directors to a Director or another third party."

(iv) Matters regarding non-monetary remuneration

For the purpose of further promoting shared value between the Directors and shareholders and driving a sustained increase of the Company's corporate value, the Company grants restricted share-based remuneration. The maximum amount of remuneration and the number of Directors subject to this resolution are as described in "4. (5) (ii) Matters regarding the resolutions of the General Meeting of Shareholders on remuneration for Directors and Auditors." The status of granting such share-based remuneration is as described in "2. Shares of the Company."

(v) Total amounts of remuneration for Directors and Auditors

| Category                              | Number of people who received remuneration | Total amount of remuneration       | Total amount by type of remuneration |                                   |
|---------------------------------------|--|------------------------------------|--------------------------------------|-----------------------------------|
|                                       |  |                                    | Basic remuneration                   | Non-monetary remuneration         |
| Directors<br>(Outside Directors)      | 5<br>(3)                                   | 68 million yen<br>(16 million yen) | 49 million yen<br>(12 million yen)   | 18 million yen<br>(4 million yen) |
| Auditors<br>(Outside Auditors)        | 4<br>(4)                                   | 19 million yen<br>(19 million yen) | 19 million yen<br>(19 million yen)   | — million yen<br>(— million yen)  |
| Total<br>(Outside Directors/Auditors) | 9<br>(7)                                   | 88 million yen<br>(36 million yen) | 69 million yen<br>(31 million yen)   | 18 million yen<br>(4 million yen) |

(Notes) 1. The above amounts include the remuneration paid during the term of one Auditor who retired at the closing of the 9th Annual General Meeting of Shareholders held on March 23, 2022.

2. The above amounts of non-monetary remuneration (restricted share-based remuneration) represent the amounts expended for the fiscal year under review.

(6) Outside Directors and Auditors

(i) Significant concurrent positions at other corporations and relationships between the Company and the corporations

- Director Masayuki Shimura serves as CEO of Shimura & Partners. There are no special relationships between the Company and Shimura & Partners.
- Director Michi Iijima serves as Representative Director of CULEN Inc. and mobo-moga inc. There are transactions related to advertisement appearance between the Company and CULEN Inc. Furthermore, mobo-moga inc. operates its online shops using the online shop creation service “BASE.”
- Director Misa Matsuzaki serves as CEO of WORK JAPAN Co., Ltd and Apricot Planet Pte.Ltd. There are no special relationships between the Company and WORK JAPAN Co., Ltd or Apricot Planet Pte.Ltd.
- Auditor Yohei Yamaguchi serves as President at Yohei Yamaguchi Certified Public Accountant Firm and Director and CFO of Kurashicom Inc. There are no special relationships between the Company and Yohei Yamaguchi Certified Public Accountant Firm or Kurashicom Inc.
- Auditor Chie Hoshi serves as a partner of Tanabe&Partners. There are no special relationships between the Company and Tanabe&Partners.

(ii) Major activities during the fiscal year under review

| Category         | Name             | Attendance, remarks and outline of duties performed in relation to the expected roles of Outside Directors/Auditors   |
|------------------|------------------|---|
| Outside Director | Masayuki Shimura | He attended all 23 meetings of the Board of Directors held during the fiscal year under review. He gave advice and opinions on proposals based on his deep knowledge and broad range of experience in the financial/payment industry.   |
| Outside Director | Michi Iijima     | She attended all 23 meetings of the Board of Directors held during the fiscal year under review. She gave advice and opinions on proposals based on her experience as Representative Director and Director of multiple companies.   |
| Outside Director | Misa Matsuzaki   | She attended 15 of the 16 meetings of the Board of Directors held during the fiscal year under review after she took office as Director. She gave advice and opinions on proposals based on her experience as Representative Director and Director of multiple companies.   |
| Outside Auditor  | Fumio Utagawa    | He attended all 23 meetings of the Board of Directors and all 23 meetings of the Board of Auditors held during the fiscal year under review. He gave advice and opinions on proposals based on his abundant experience and broad insight gained over the years into general administrative work.  |
| Outside Auditor  | Yohei Yamaguchi  | He attended all 23 meetings of the Board of Directors and all 23 meetings of the Board of Auditors held during the fiscal year under review. He is well-versed in corporate accounting as a certified public accountant and gave advice and opinions on proposals based on his abundant experience as an accounting expert and considerable insight into accounting and auditing. |
| Outside Auditor  | Chie Hoshi       | She attended 15 of the 16 meetings of the Board of Directors and 14 of the 15 meetings of the Board of Auditors held during the fiscal year under review after she took office as Auditor. She gave advice and opinions on proposals from an objective standpoint based on a high level of legal expertise and insight on laws and regulations as an attorney.                    |

## 5. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of remuneration, etc.

| Category   | Total amount of remuneration, etc. |
|--|------------------------------------|
| Total amount of remuneration, etc. to the Accounting Auditor for the fiscal year under review    | 33 million yen                     |
| Total amount of cash and other financial benefits to be paid by the Company and its subsidiaries | 33 million yen                     |

(Notes) 1. The amount of audit fees for audits under the Companies Act and that for audits under the Financial Instruments and Exchange Act are not clearly distinguished in the audit agreement between the Company and the Accounting Auditor, and as it is not practically possible to categorize them, the sum of these amounts is recorded in the total amount of remuneration, etc. to Accounting Auditor for the fiscal year under review.

2. The Board of Auditors examined the content of the Accounting Auditor's audit plan and the basis for calculating the estimated remuneration by obtaining necessary materials and receiving reports from the Board of Directors, relevant departments within the Company and the Accounting Auditor, and thereupon judged and agreed that the amount of remuneration, etc. to the Accounting Auditor was appropriate.

(3) Contents of non-audit services

Not applicable.

(4) Policy regarding decisions on the dismissal or non-reappointment of the Accounting Auditor

If the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act and the Accounting Auditor's dismissal is accordingly deemed to be appropriate, the Board of Auditors shall dismiss the Accounting Auditor with the unanimous consent of all Auditors. Further, if it is recognized that the execution of appropriate audits by the Accounting Auditor is hindered, the Board of Auditors shall decide the content of a proposal for dismissal or non-reappointment of the Accounting Auditor, which is to be submitted to the general meeting of shareholders.

## 6. System to Ensure the Adequacy of Businesses and the Operation Status of Such System

### (1) System to ensure the adequacy of businesses

The following is the outline of the details of decisions on the systems to ensure that the execution of the duties of Directors complies with laws and regulations and the Articles of Incorporation, as well as other systems to ensure the adequacy of businesses of the Company.

#### (i) Systems to ensure that the execution of the duties of Directors and employees complies with laws and regulations and the Articles of Incorporation

- a. To raise awareness of Directors and employees on compliance with laws and regulations, the Company's Articles of Incorporation, and social norms, the Company shall establish the Code of Ethics and the Risk Management and Compliance Rules, and strive to foster high ethical standards by conducting education and other training, etc. according to their duties as appropriate.
- b. Directors and employees shall be fully aware of corporate social responsibilities and strive to comply with related laws and regulations and practice actions that conform to social ethics in their everyday duties.
- c. Auditors shall audit the adequacy of the execution of the duties of Directors in accordance with the Board of Auditors Rules and the Rules for Audits by Auditors.
- d. Representative Director shall appoint an internal audit manager. The internal audit manager shall, based on the Internal Audit Rules, conduct regular internal audits on matters including the status of compliance with laws and regulations, the Company's Articles of Incorporation, and internal rules, as well as the appropriateness of procedures for and details of the execution of duties, concerning overall businesses.
- e. For the purpose of quickly identifying and rectifying acts in violation of laws and regulations as well as other issues related to compliance, the Company shall establish a whistleblowing system whose recipients of the information are the whistleblowing hotline, Auditors, and external attorneys, and aim to quickly identify and prevent issues.
- f. The Company shall establish the Rules on Measures against Anti-social Forces, under which any relationships with anti-social forces and organizations that pose a threat to public order and sound corporate activities will be eliminated, and respond to undue requests, etc. with a tough stance while coordinating with external expert organizations such as the police and legal counsels.

#### (ii) Systems regarding retention and management of information in relation to the execution of the duties of Directors

Based on laws and regulations as well as the Document Management Rules, Directors shall appropriately retain and manage documents on important decision-making and reports in writing or as electromagnetic records. The Company shall maintain those documents so that they can be reviewed promptly if an Auditor makes a request.

#### (iii) Rules and other systems related to management of the risk of loss

Based on the Risk Management and Compliance Rules, the Company shall establish a Risk Management and Compliance Committee with the aim of preventing risks at each department and minimizing losses of the Company. In addition, the Company shall periodically hold meetings of the Committee and report the results thereof to the Board of Directors and the Board of Auditors as needed.

#### (iv) Systems to ensure that the execution of the duties of Directors is performed efficiently

To streamline the execution of the duties based on decisions by the Board of Directors, the Company shall strive to clarify the duties and responsibilities of Directors and each department based on the Board of Directors Rules, Organization Rules, Rules on Division of Duties, and Administrative Authority Rules. In addition, based on the Board of Directors Rules, the Company shall hold ordinary meetings of the Board of Directors once every month, and hold extraordinary meetings of the Board of Directors as needed, to make important business decisions and supervise and confirm the execution of the businesses. Furthermore, the Company shall hold meetings of the Management Council, comprising Senior Executive Officers, twice every month based on the Management Council Rules to deliberate on and coordinate a basic policy and a basic plan for management and execution and other material issues relating to management, while also deliberating on and discussing material issues relating to operations that need to be presented to the Board of Directors.

#### (v) Systems to ensure the adequacy of businesses in the corporate group comprised of the Company and its subsidiaries

Based on the Rules on Management of Subsidiaries and Associates, the Corporate Division shall be responsible for the management of subsidiaries, and appropriate approvals shall be obtained on regular reports to the Company concerning the state of business and significant matters. An internal

audit manager at the Company shall conduct internal audits of the Group and shall strive to ensure the efficacy of internal control throughout the Group's businesses.

- (vi) If Auditors have requested that employees be appointed to assist with the duties of the Auditors, particulars related to the employees

If Auditors have requested that employees be appointed to assist with the duties of the Auditors, the Board of Directors shall appoint employees to assist the Auditors upon discussion with the Auditors.

- (vii) Particulars regarding independence of the employees of the preceding item from Directors and particulars related to ensuring the effectiveness of instructions given by Auditors to the said employees

If employees are to be appointed to assist with the duties of the Auditors, the Auditors shall be consulted when determining and changing the employees. In addition, employees who assist with the duties of the Auditors shall follow instructions given by Auditors concerning the said work.

- (viii) Systems related to reporting to the Auditors

a. Auditors may attend meetings of the Board of Directors and other meetings that are deemed important, ask Directors, etc. on the status of the execution of their duties, and review related documents.

b. Directors and employees shall promptly report to the Auditors if they become aware of matters that could incur significant damage to the Company, wrongdoings, or significant acts in violation of laws and regulations or the Company's Articles of Incorporation. In addition, important decision-making, significant accounting policies, accounting standards, the status of conducting internal audits, important monthly reports, and other necessary important matters shall be reported to the Auditors based on the laws and regulations as well as internal rules.

- (ix) Systems for ensuring that persons who make a report under the preceding item are not treated disadvantageously due to making the report

Applying the Whistleblowing Rules *mutatis mutandis*, dismissal and any other disadvantageous treatment of the persons making a report shall be prohibited.

- (x) Particulars related to policies concerning the processing of expenses or obligations that arise with regard to the execution of the duties of Auditors

When an Auditor has made a claim for expenses with regard to the execution of their duties, the Company shall accept the claim unless it can be proven that such expenses, etc. are unnecessary for the execution of the duties of the said Auditor.

- (xi) Other systems to ensure that audits by Auditors are performed effectively

Auditors shall be able to request a report from Directors on matters necessary for audits and to demand Directors to make corrections as needed. In addition, the Auditors shall collect necessary information through hearing sessions with those responsible for each department and periodically conduct exchanges of information and opinions with the Representative Director and the Accounting Auditor.

- (2) Operation status of the system to ensure the adequacy of businesses

The outline of the operation status of the system to ensure the adequacy of businesses of the Company for the fiscal year under review is as follows.

- (i) Status of the measures regarding risk management and compliance

The Risk Management and Compliance Committee ascertained and identified the status of compliance with laws and regulations and various risks within the Group, and considered response measures. In addition, compliance training was conducted throughout the Group to raise awareness of compliance among all officers and employees.

- (ii) Status of the measures with which the execution of the duties of Directors was performed efficiently

The Board of Directors met 23 times during the fiscal year under review. With Directors and Auditors in attendance, important business strategies and management policies were discussed, in addition to resolving and reporting on individual agenda items.

- (iii) Status of the measures to ensure the adequacy of businesses at the Company and its subsidiaries

The Company's internal audit manager conducted internal audits of the Group, and the efficacy of internal control throughout the Group's businesses was ensured.

- (iv) Status of measures regarding the effective performance of audits by Auditors

The Board of Auditors, comprised of three Outside Auditors including one Full-time Auditor, met 23 times during the fiscal year under review. Auditors collected necessary information through hearing sessions with those responsible for each department and periodically conducted exchanges of information and opinions with the Representative Director and the Accounting Auditor.



## 7. Policy Concerning the Decision on the Distribution of Surplus

Given that the Company is currently in the process of growth, it has not paid dividends ever since it was established, as it believes that it is important to enhance internal reserves for business expansion in addition to strengthening its financial position. However, the Company also recognizes that returning profits to shareholders is an essential management issue.

The Company will consider its fundamental policy on future dividend payments, by finding a balance with internal reserves and taking into account the business environment in which it operates, while strengthening its profitability and developing its business base. It will effectively use its internal reserves as funds for improving its future profitability by strengthening its financial position and maintaining and enhancing its competitiveness.

## Consolidated Balance Sheet (as of December 31, 2022)

(Million yen)

| Assets                          |        | Liabilities   |         |
|---------------------------------|--------|---|---------|
| Item                            | Amount | Item  | Amount  |
| Current assets                  | 30,946 | Current liabilities                                   | 17,720  |
| Cash and deposits               | 22,344 | Accounts payable - trade                              | 11,771  |
| Securities                      | 66     | Deposits received - trade                             | 5,468   |
| Accounts receivable - other     | 7,977  | Provision for chargeback                              | 9       |
| Other                           | 687    | Contract liabilities                                  | 50      |
| Allowance for doubtful accounts | (130)  | Other   | 420     |
| Non-current assets              | 332    | Non-current liabilities                               | 57      |
| Property, plant and equipment   | —      | Total liabilities                                     | 17,777  |
| Intangible assets               | —      | <b>Net assets</b>                                     |         |
| Investments and other assets    | 332    | Shareholders' equity                                  | 13,494  |
| Investment securities           | 39     | Capital stock   | 8,614   |
| Other                           | 293    | Deposits for subscriptions to shares                  | 0       |
|                                 |        | Capital surplus                                       | 7,424   |
|                                 |        | Retained earnings                                     | (2,545) |
|                                 |        | Treasury shares                                       | (0)     |
|                                 |        | Accumulated other comprehensive income                | 6       |
|                                 |        | Valuation difference on available-for-sale securities | 6       |
|                                 |        | Total net assets                                      | 13,501  |
| Total assets                    | 31,278 | Total liabilities and net assets                      | 31,278  |

## Consolidated Statement of Income (January 1, 2022 - December 31, 2022)

(Million yen)

| Item   | Amount |         |
|--|--------|---------|
| Net sales                                    |        | 9,739   |
| Cost of sales                                |        | 5,002   |
| Gross profit                                 |        | 4,737   |
| Selling, general and administrative expenses |        | 6,245   |
| Operating loss                               |        | (1,508) |
| Non-operating income                         |        |         |
| Interest income                              | 0      |         |
| Commission income                            | 12     |         |
| Lecturer's fee income                        | 3      |         |
| Sponsorship (money) income                   | 2      |         |
| Other  | 2      | 20      |
| Non-operating expenses                       |        |         |
| Interest expenses                            | 0      |         |
| Exchange loss                                | 2      |         |
| Share issuance cost                          | 1      |         |
| Commitment fee                               | 3      |         |
| Other  | 0      | 7       |
| Ordinary loss                                |        | (1,495) |
| Extraordinary loss                           |        |         |
| Impairment losses                            | 157    |         |
| Loss on valuation of investment securities   | 83     | 240     |
| Loss before income taxes                     |        | (1,735) |
| Income taxes - current                       | 4      |         |
| Income taxes - deferred                      | (7)    | (3)     |
| Net loss                                     |        | (1,732) |
| Loss attributable to owners of parent        |        | (1,732) |

**Consolidated Statement of Changes in Equity**  
(January 1, 2022 - December 31, 2022)

(Million yen)

|  | Shareholders' equity |                                      |                 |                   |                 |                            |
|--|----------------------|--------------------------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Deposits for subscriptions to shares | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 8,552                | —                                    | 7,362           | (813)             | —               | 15,102                     |
| Changes in items during period                       |                      |                                      |                 |                   |                 |                            |
| Issuance of new shares                               | 62                   | 0                                    | 62              |                   |                 | 124                        |
| Purchase of treasury shares                          |                      |                                      |                 |                   | (0)             | (0)                        |
| Net loss attributable to owners of parent            |                      |                                      |                 | (1,732)           |                 | (1,732)                    |
| Net changes in items other than shareholders' equity |                      |                                      |                 |                   |                 |                            |
| Total changes in items during period                 | 62                   | 0                                    | 62              | (1,732)           | (0)             | (1,607)                    |
| Balance at end of current period                     | 8,614                | 0                                    | 7,424           | (2,545)           | (0)             | 13,494                     |

|  | Accumulated other comprehensive income                |  | Total net assets |
|--|---|--|------------------|
|  | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income |                  |
| Balance at beginning of current period               | 3   | 3  | 15,105           |
| Changes in items during period                       |   |  |                  |
| Issuance of new shares                               |   |  | 124              |
| Purchase of treasury shares                          |   |  | (0)              |
| Net loss attributable to owners of parent            |   |  | (1,732)          |
| Net changes in items other than shareholders' equity | 3   | 3  | 3                |
| Total changes in items during period                 | 3   | 3  | (1,604)          |
| Balance at end of current period                     | 6   | 6  | 13,501           |

## Notes to the Consolidated Financial Statements

### 1. Notes on Significant Accounting Policies for Preparation of Consolidated Financial Statements

(1) Disclosure of scope of consolidation

(i) Number of consolidated subsidiaries 1

Names of consolidated subsidiaries

PAY, Inc.

\* BASE BANK, Inc., which was the Company's consolidated subsidiary, was dissolved through an absorption-type merger with the Company as the surviving company on January 1, 2022, and was therefore excluded from the scope of consolidation.

(ii) Names, etc. of non-consolidated subsidiaries

Not applicable.

(2) Disclosure about application of equity method

(i) Number of entities accounted for using equity method

Not applicable.

(ii) Names, etc. of non-consolidated subsidiaries not accounted for using equity method

Not applicable.

(3) Disclosure about fiscal years, etc. of consolidated subsidiaries

Account closing dates of consolidated subsidiaries are the same as the consolidated account closing date.

(4) Disclosure of accounting policies

(i) Accounting policy for measuring significant assets

Accounting policy for measuring securities

Available-for-sale securities

Securities other than shares, etc., that do not have a market price

Stated at fair value (the amount of valuation difference is directly included in net assets, and the cost of sold securities is calculated mainly based on the moving-average method)

Shares, etc., that do not have a market price

Stated at cost by the moving-average method

(ii) Accounting policy for depreciation of significant assets

a. Property, plant and equipment

The declining-balance method is applied.

However, the straight-line method is applied for buildings and facilities attached to buildings.

Main useful lives are as follows:

Buildings 4-6 years

Others 4-20 years

b. Intangible assets

The straight-line method is applied. Main useful lives are as follows:

Patent right 8 years

Trademark right 10 years

Software (for internal use) 5 years (estimated internal useful life)

(iii) Accounting policy for significant provisions

a. Allowance for doubtful accounts

To prepare for losses on uncollectible receivables, estimated uncollectible amounts are recorded based on the historical percentage of uncollectibles concerning general receivables, and by individually considering the probability of collection of respective receivables concerning doubtful receivables.

b. Provision for chargeback

In case of a credit card company making a claim for refund of payments or denying payments to the Company in the future due to reasons including fraudulent usage of a credit card by a third party, expected amount of losses where such payments cannot be collected from shops due to

reasons such as a fraudulent claim of sales or bankruptcy of the shops is recorded as provision for chargeback.

(iv) Revenue and expense recognition standards

The details of the main performance obligations in the major businesses of the Group and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

(BASE Business)

The revenue is mainly composed of payment processing commissions and service commissions charged based on payment amounts at the BASE shops. A performance obligation is deemed to be satisfied when the purchaser buys goods and completes the payment at the shop, and revenue is recognized in the amount of the commission and others calculated by multiplying the payment amount by a certain rate. For fixed monthly service commissions in the Monthly-Fee Plan, a performance obligation is satisfied by providing the service over the contract duration, and revenue is recorded over the time.

(PAY Business)

The revenue is mainly composed of payment processing commissions charged based on payment amounts at the PAY.JP member merchants. A performance obligation is deemed to be satisfied when the purchaser uses the payment method at the web service or online shop of the member merchant (customer), and revenue is recognized in the amount of the commission calculated by multiplying the payment amount by a certain rate.

(v) Other significant information for preparation of consolidated financial statements

a. Accounting policy for deferred assets

Share issuance cost

Share issuance cost is accounted for as expenses in full at the time of expenditure.

b. Accounting policy for significant foreign currency translation

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen using the spot exchange rate at the consolidated account closing date, and translation differences are accounted for as profit or loss.

Securities denominated in foreign currencies (available-for-sale securities) are translated into Japanese yen using the spot exchange rate at the consolidated account closing date, and translation differences are included in valuation difference on available-for-sale securities under net assets.

## 2. Notes on Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, revised on March 31, 2020, hereinafter the “Revenue Recognition Standards”), etc. have been applied effective from the beginning of the consolidated fiscal year under review. Consequently, revenue is recognized when control of promised goods or services is transferred to the customer at the amount expected to be received in exchange for those goods or services. This application has negligible impact on the consolidated financial statements.

(Application of Accounting Standard for Fair Value Measurement, etc.)

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the “Fair Value Measurement Standard”), etc. have been applied effective from the beginning of the consolidated fiscal year under review. In accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, revised on July 4, 2019), the new accounting policy prescribed by the Fair Value Measurement Standard, etc. is applied prospectively. This application has negligible impact on the consolidated financial statements.

In addition, the Company includes notes on fair value information by level within the fair value hierarchy in “Notes on Financial Instruments.”

## 3. Notes on Changes in Presentation

(Consolidated Statement of Income)

For the previous consolidated fiscal year, sponsorship (money) income (in the amount of 1 million yen in

the previous consolidated fiscal year) was included in “Other” under “Non-operating income.” For the consolidated fiscal year ended December 31, 2022, sponsorship (money) income is presented separately because its monetary importance increased.

#### 4. Notes on Accounting Estimates

Valuation of shares that do not have a market price

(i) Amounts of shares that do not have a market price posted on the consolidated financial statements for the fiscal year under review

|  |                |
|--|----------------|
| Investment securities (unlisted shares)    | 19 million yen |
| Loss on valuation of investment securities | 83 million yen |

(ii) Information on the details of significant accounting estimates pertaining to the identified item

Unlisted shares are shares that do not have a market price. Accordingly, they are posted on the balance sheets at their acquisition costs. While the Company records a suitable impairment if there has been a significant decline in their substantial values, the Company may opt not to record an impairment if sufficient recoverability can be estimated.

Such estimates may be affected by fluctuations of economic conditions and other future uncertainties, and if the actual performance of investees differ from the estimates, it may have a significant impact on the consolidated financial statements for the following fiscal year.

#### 5. Notes on Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 180 million yen

(2) Overdraft agreements and commitment line agreements

The Company has entered into overdraft agreements and commitment line agreements with five partner banks in order to procure operating funds flexibly. The balances of unexecuted loans, etc. pertaining to these agreements are as follows:

|                                    |                    |
|------------------------------------|--------------------|
| Total amount of maximum overdrafts | 11,000 million yen |
| Total amount of commitment lines   | 1,000 million yen  |
| Balance of executed loans          | —                  |
| Difference                         | 12,000 million yen |

The following financial covenants are attached to the overdraft agreements and commitment line agreements above. (Although the covenants vary for each agreement, key covenants are stated.)

The amount of net assets in the consolidated balance sheet at the end of each fiscal year or at the end of the second quarter of each fiscal year shall not fall below 70% of the amount of net assets in the consolidated balance sheet at the end of the fiscal year ended December 31, 2019.

#### 6. Notes on Consolidated Statement of Income

Impairment losses

During the consolidated fiscal year ended December 31, 2022, the impairment loss was recognized for the following asset group.

(1) Overview of the asset or asset group for which impairment loss was recognized and the amount of impairment loss

| Location         | Use            | Type                                  | Amount (Million yen) |
|------------------|----------------|---------------------------------------|----------------------|
| Minato-ku, Tokyo | Business asset | Buildings                             | 38                   |
|                  |                | Other (Tools, furniture and fixtures) | 40                   |
|                  |                | Intangible assets                     | 2                    |
|                  |                | Investments and other assets          | 76                   |
| Total            |                |                                       | 157                  |

(2) Details on recognition of impairment loss

The Group groups assets by management accounting segment based on the business units.

For the consolidated fiscal year ended December 31, 2022, as a result of considering projected business results, the Company estimated that the carrying value of the asset group is not recoverable with future cash flows. The Company devalued the carrying value of the asset group to the recoverable amount and recorded the decreased amount as impairment losses under extraordinary loss.

(3) Calculation method of recoverable amount

Although the recoverable amount is measured by value in use, it is stated as zero, as the future cash flows are negative.

## 7. Notes on Consolidated Statement of Changes in Equity

### (1) Type and number of shares issued at the end of the fiscal year under review

| Type of shares | Number of shares at the beginning of the fiscal year under review (shares) | Increases during the fiscal year under review (shares) | Decreases during the fiscal year under review (shares) | Number of shares at the end of the fiscal year under review (shares) |
|----------------|--|--|--|--|
| Common shares  | 111,500,749  | 2,143,044  | 11,829   | 113,631,964  |

### (Note) Outline of causes for changes

|   |                  |
|---|------------------|
| Increase due to issuance of new shares following exercise of share acquisition rights | 1,934,000 shares |
| Increase due to issuance of new shares as restricted stock-based compensation         | 209,044 shares   |
| Decrease due to cancellation of treasury shares                                       | 11,829 shares    |

### (2) Type and number of shares underlying share acquisition rights (excluding share acquisition rights whose first day of the period for exercising share acquisition rights has not arrived) at the end of the fiscal year under review

|               |                  |
|---------------|------------------|
| Common shares | 3,368,000 shares |
|---------------|------------------|

## 8. Notes on Financial Instruments

### (1) Disclosure of the status of financial instruments

#### (i) Policies for initiatives pertaining to financial instruments

The Group procures necessary funds based on funding plans. Temporary surplus funds are managed through financial assets that are highly stable. In addition, concerning operating funds and capital investment funds, the Group procures necessary funds primarily through borrowings from banks and issuance of new shares. The Group's policy is not to conduct derivative transactions.

#### (ii) Details of financial instruments and risks thereof

Although accounts receivable - other, which are operating receivables, are exposed to the customer credit risk, most of it is receivable from collection agencies such as credit card companies, and the risk is limited.

Securities and investment securities include shares related to capital and business alliances with business partners, and they are exposed to the credit risk of the issuers.

Trade accounts payable and deposits received, which are operating payables, are those settled in a short term.

#### (iii) System to manage risks pertaining to financial instruments

##### a. Management of credit risk (risk concerning customers not fulfilling their obligations per agreements, etc.)

In the event of the occurrence of accounts receivable - other from customers, the Company manages due dates and balances per customer and periodically ascertains the status of credit in accordance with the Credit Management Rules. The Company has a system to quickly ascertain and reduce concerns on collection due to reasons such as worsening of financial conditions, etc.

For securities and investment securities, the Company strives to reduce risks such as by periodically ascertaining the financial conditions, etc. of the issuers.

##### b. Management of liquidity risk (risk of being unable to make payments on due dates) pertaining to funds procurement

The Company manages liquidity on hand with the aim of quickly ascertaining the situation and reducing risk, such as by ascertaining the monthly payment schedule.

#### (iv) Supplementary explanations on market value, etc. of financial instruments

Market values of financial instruments include values that have been reasonably calculated if they are unmarketable, in addition to values based on market prices. As fluctuating factors are incorporated when calculating such values, the said values may fluctuate due to the adoption of different assumptions, etc.



(2) Market value, etc. of financial instruments

Amounts posted on the consolidated balance sheet, market values, and the corresponding differences between the two are as follows.

(Million yen)

|                           | Amount posted on the consolidated balance sheet | Market value | Difference |
|---------------------------|---|--------------|------------|
| (1) Securities            | 66  | 66           | —          |
| (2) Investment securities | 20  | 20           | —          |
| Total assets              | 86  | 86           | —          |

(Note 1) Because “Cash and deposits” is composed of cash and deposits that are short-term instruments, and “Accounts receivable - other,” “Accounts payable - trade,” and “Deposits received - trade” comprise short-term instruments whose carrying amount approximates their fair value, they are omitted.

(Note 2) Shares, etc., that do not have a market price are not included in “(2) Investment securities” in the table above. The carrying amount of these financial instruments on the consolidated balance sheet are as follows:

(Million yen)

| Category              | Amount posted on the consolidated balance sheet |
|-----------------------|---|
| Unlisted shares, etc. | 19  |

(Note 3) Redemption schedule of monetary claims and securities with fixed maturities after the consolidated closing date

(Million yen)

|   | Within 1 year | Over 1 year and within 5 years | Over 5 years and within 10 years | Over 10 years |
|---|---------------|--------------------------------|----------------------------------|---------------|
| Cash and deposits                                   | 22,344        | —                              | —                                | —             |
| Securities and investment securities                |               |                                |                                  |               |
| Available-for-sale securities with fixed maturities | 66            | —                              | —                                | —             |
| Accounts receivable - other                         | 7,977         | —                              | —                                | —             |
| Total   | 30,389        | —                              | —                                | —             |

(3) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(i) Financial instruments stated at fair value

(Million yen)

| Classification                       | Fair value |         |         |       |
|--------------------------------------|------------|---------|---------|-------|
|                                      | Level 1    | Level 2 | Level 3 | Total |
| Securities and investment securities |            |         |         |       |
| Available-for-sale securities        |            |         |         |       |
| Shares                               | 20         | —       | —       | 20    |
| Corporate bonds                      | —          | —       | 66      | 66    |
| Total                                | 20         | —       | 66      | 86    |

- (ii) Financial instruments other than those stated at fair value  
Not applicable.

(Note 1) A description of the valuation technique(s) and inputs used in the fair value measurements

Securities and investment securities

The fair value of listed shares is determined based on their market prices at the end of the consolidated fiscal year under review, and the fair value is classified as Level 1 as they are traded in active markets.

As convertible bonds with share acquisition rights do not have a market price, the fair value is measured using appropriate valuation techniques based on the monitoring of issuers, and it is classified as Level 3.

(Note 2) Information about Level 3 fair value of financial instruments measured at fair value

- a. Reconciliation from the beginning to ending balances and gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period

(Million yen)

|   | Securities and investment securities |
|---|--------------------------------------|
| Beginning balance   | 57                                   |
| Profit or loss or other comprehensive income for the period<br>Recorded in other comprehensive income | 8                                    |
| Ending balance  | 66                                   |

- b. Description of valuation processes used for fair value measurements

For financial instruments classified as Level 3, valuation personnel decide how to measure the financial instruments and measure and analyze their fair value. The measured results of fair value are approved by appropriate responsible personnel.

## 9. Notes on Revenue Recognition

- (1) Disaggregation of revenue from contracts with customers

(Million yen)

|  | BASE Business | PAY Business | Other Business | Total |
|--|---------------|--------------|----------------|-------|
| Goods or services transferred at a point in time | 7,290         | 2,074        | 8              | 9,372 |
| Goods or services transferred over time          | 167           | 27           | —              | 195   |
| Revenue from contracts with customers            | 7,457         | 2,102        | 8              | 9,567 |
| Revenue from other sources                       | 36            | 1            | 133            | 171   |
| Net sales to external customers                  | 7,494         | 2,103        | 141            | 9,739 |

- (2) Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in “1. Notes on Significant Accounting Policies for Preparation of Consolidated Financial Statements, (4) Disclosure of accounting policies, (iv) Revenue and expense recognition standards.”

- (3) Useful information in understanding revenue for the consolidated fiscal year under review and subsequent consolidated fiscal years

- (i) Contract asset and contract liability balances

(Million yen)

|                      | Beginning balance | Ending balance |
|----------------------|-------------------|----------------|
| Contract liabilities | —                 | 50             |

(Note) Contract liabilities primarily relate to the Monthly-Fee Plan. Contract liabilities are reversed as revenue is recognized. The beginning balance of contract liabilities does not exist because the service started after the beginning of the consolidated fiscal year under review.

- (ii) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient and omits information about remaining performance obligations, as there is no important transaction whose individual contract duration exceeds 1 year. Consideration promised in contracts with customers does not have any amount not included in the transaction price.

## 10. Notes on Per Share Information

|                          |             |
|--------------------------|-------------|
| (1) Net assets per share | 118.81 yen  |
| (2) Net loss per share   | (15.46) yen |

## 11. Other Notes

(Business combinations)

At a meeting of the Board of Directors held on November 11, 2021, the Company resolved to absorb and merge with its wholly owned subsidiary, BASE BANK, Inc., and conducted the absorption-type merger on January 1, 2022.

(1) Outline of the transaction

(i) Name and business description of the combining entity

Name of the acquired entity BASE BANK Inc.

Business description Trading of various receivables and other financial businesses

(ii) Date of the business combination

January 1, 2022

(iii) Statutory type of the business combination

Absorption-type merger where the Company is the surviving entity and BASE BANK Inc. is the absorbed entity.

(iv) Name of the entity after the business combination

BASE, Inc.

(v) Other matters concerning the outline of transactions

The Company decided to absorb its wholly owned subsidiary BASE BANK Inc. with the aim of consolidating management resources and improving operational efficiency of the Group. Since the merger is an absorption-type merger with a wholly owned subsidiary of the Company, no shares will be allocated, and no other considerations will be delivered upon the merger.

(2) Outline of the accounting procedures implemented

For accounting purposes, this merger was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

## Non-consolidated Balance Sheet (as of December 31, 2022)

(Million yen)

| Assets                                |               | Liabilities   |               |
|---------------------------------------|---------------|---|---------------|
| Item                                  | Amount        | Item  | Amount        |
| Current assets                        | 25,440        | Current liabilities                                   | 12,260        |
| Cash and deposits                     | 21,468        | Accounts payable - other                              | 313           |
| Securities                            | 66            | Accrued expenses                                      | 3             |
| Supplies                              | 2             | Income taxes payable                                  | 45            |
| Prepaid expenses                      | 294           | Accounts payable - trade                              | 11,771        |
| Accounts receivable - other           | 3,313         | Deposits received - trade                             | 34            |
| Other                                 | 390           | Deposits received - other                             | 33            |
| Allowance for doubtful accounts       | (96)          | Provision for chargeback                              | 9             |
| Non-current assets                    | 379           | Contract liabilities                                  | 50            |
| Property, plant and equipment         | —             | Non-current liabilities                               | 57            |
| Intangible assets                     | —             | Deferred tax liabilities                              | 4             |
| Investments and other assets          | 379           | Asset retirement obligations                          | 52            |
| Investment securities                 | 39            | <b>Total liabilities</b>                              | <b>12,317</b> |
| Shares of subsidiaries and associates | 46            | <b>Net assets</b>                                     |               |
| Long-term prepaid expenses            | 48            | Shareholders' equity                                  | 13,494        |
| Leasehold and guarantee deposits      | 245           | Capital stock   | 8,614         |
|                                       |               | Deposits for subscriptions to shares                  | 0             |
|                                       |               | Capital surplus                                       | 7,424         |
|                                       |               | Legal capital surplus                                 | 62            |
|                                       |               | Other capital surplus                                 | 7,362         |
|                                       |               | Retained earnings                                     | (2,545)       |
|                                       |               | Other retained earnings                               | (2,545)       |
|                                       |               | Retained earnings brought forward                     | (2,545)       |
|                                       |               | Treasury shares                                       | (0)           |
|                                       |               | Valuation and translation adjustments                 | 6             |
|                                       |               | Valuation difference on available-for-sale securities | 6             |
|                                       |               | <b>Total net assets</b>                               | <b>13,501</b> |
| <b>Total assets</b>                   | <b>25,819</b> | <b>Total liabilities and net assets</b>               | <b>25,819</b> |

## Non-consolidated Statement of Income (January 1, 2022 - December 31, 2022)

(Million yen)

| Item   | Amount |         |
|--|--------|---------|
| Net sales  |        | 7,635   |
| Cost of sales  |        | 3,117   |
| Gross profit   |        | 4,518   |
| Selling, general and administrative expenses               |        | 5,979   |
| Operating loss   |        | (1,461) |
| Non-operating income                                       |        |         |
| Interest income  | 2      |         |
| Commission income  | 12     |         |
| Lecturer's fee income                                      | 3      |         |
| Sponsorship (money) income                                 | 2      |         |
| Other  | 2      | 22      |
| Non-operating expenses                                     |        |         |
| Interest expenses  | 0      |         |
| Exchange loss  | 2      |         |
| Share issuance cost  | 1      |         |
| Commitment fee   | 3      |         |
| Other  | 0      | 7       |
| Ordinary loss  |        | (1,446) |
| Extraordinary loss   |        |         |
| Loss on valuation of investment securities                 | 83     |         |
| Loss on valuation of shares of subsidiaries and associates | 95     |         |
| Impairment losses  | 157    | 336     |
| Loss before income taxes                                   |        | (1,782) |
| Income taxes - current                                     | 3      |         |
| Income taxes - deferred                                    | (7)    | (3)     |
| Net loss   |        | (1,779) |

**Non-consolidated Statement of Changes in Equity**  
(January 1, 2022 - December 31, 2022)

(Million yen)

|  | Shareholders' equity |                                      |                       |                       |                       |                         |                         |                 |                            |
|--|----------------------|--------------------------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------|----------------------------|
|  | Capital stock        | Deposits for subscriptions to shares | Capital surplus       |                       |                       | Retained earnings       |                         | Treasury shares | Total shareholders' equity |
|  |                      |                                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings | Total retained earnings |                 |                            |
| Balance at beginning of current period                       | 8,552                | —                                    | 7,362                 | —                     | 7,362                 | (766)                   | (766)                   | —               | 15,149                     |
| Changes in items during period                               |                      |                                      |                       |                       |                       |                         |                         |                 |                            |
| Issuance of new shares                                       | 62                   | 0                                    | 62                    |                       | 62                    |                         |                         |                 | 124                        |
| Transfer from legal capital surplus to other capital surplus |                      |                                      | (7,362)               | 7,362                 |                       |                         |                         |                 |                            |
| Purchase of treasury shares                                  |                      |                                      |                       |                       |                       |                         |                         | (0)             | (0)                        |
| Net loss   |                      |                                      |                       |                       |                       | (1,779)                 | (1,779)                 |                 | (1,779)                    |
| Net changes in items other than shareholders' equity         |                      |                                      |                       |                       |                       |                         |                         |                 |                            |
| Total changes in items during period                         | 62                   | 0                                    | (7,300)               | 7,362                 | 62                    | (1,779)                 | (1,779)                 | (0)             | (1,654)                    |
| Balance at end of current period                             | 8,614                | 0                                    | 62                    | 7,362                 | 7,424                 | (2,545)                 | (2,545)                 | (0)             | 13,494                     |

|  | Valuation and translation adjustments                 |   | Total net assets |
|--|---|---|------------------|
|  | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                  |
| Balance at beginning of current period                       | 3   | 3   | 15,152           |
| Changes in items during period                               |   |   |                  |
| Issuance of new shares                                       |   |   | 124              |
| Transfer from legal capital surplus to other capital surplus |   |   |                  |
| Purchase of treasury shares                                  |   |   | (0)              |
| Net loss   |   |   | (1,779)          |
| Net changes in items other than shareholders' equity         | 3   | 3   | 3                |
| Total changes in items during period                         | 3   | 3   | (1,651)          |
| Balance at end of current period                             | 6   | 6   | 13,501           |

# Notes to the Non-consolidated Financial Statements

## 1. Notes on Significant Accounting Policies

### (1) Accounting policy for measuring assets

#### (i) Accounting policy for measuring securities

##### a. Shares of subsidiaries and associates

Stated at cost by the moving-average method

##### b. Available-for-sale securities

Securities other than shares, etc., that do not have a market price

Stated at fair value (the amount of valuation difference is directly included in net assets, and the cost of sold securities is calculated mainly based on the moving-average method)

Shares, etc., that do not have a market price

Stated at cost by the moving-average method

#### (ii) Accounting policy and method for inventories

##### Supplies

Last purchase cost method

### (2) Accounting policy for depreciation of assets

#### (i) Property, plant and equipment

The declining-balance method is applied.

However, the straight-line method is applied for buildings and facilities attached to buildings. Main useful lives are as follows:

Buildings 4-6 years

Tools, furniture and fixtures 4-20 years

#### (ii) Intangible assets

The straight-line method is applied. Main useful lives are as follows:

Patent right 8 years

Trademark right 10 years

Software (for internal use) 5 years (estimated internal useful life)

### (3) Accounting policy for provisions

#### (i) Allowance for doubtful accounts

To prepare for losses on uncollectible receivables, estimated uncollectible amounts are recorded based on the historical percentage of uncollectibles concerning general receivables, and by individually considering the probability of collection of respective receivables concerning doubtful receivables.

#### (ii) Provision for chargeback

In case of a credit card company making a claim for refund of payments or denying payments to the Company in the future due to reasons including fraudulent usage of a credit card by a third party, an expected amount of losses where such payments cannot be collected from shops due to reasons such as a fraudulent claim of sales or bankruptcy of the shops is recorded as provision for chargeback.

### (4) Revenue and expense recognition standards

The details of the main performance obligations in the major businesses of the Company and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

#### (BASE Business)

The revenue is mainly composed of payment processing commissions and service commissions charged based on payment amounts at the BASE shops. A performance obligation is deemed to be satisfied when the purchaser buys goods and completes the payment at the shop, and revenue is recognized in the amount of the commission and others calculated by multiplying the payment amount by a certain rate. For fixed monthly service commissions in the Monthly-Fee Plan, a performance obligation is satisfied by providing the service over the contract duration, and revenue is recorded over the time.

(5) Other significant information for preparation of non-consolidated financial statements

(i) Accounting policy for deferred assets

Share issuance cost

Share issuance cost is accounted for as expenses in full at the time of expenditure.

(ii) Accounting policy for significant foreign currency translation

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen using the spot exchange rate at the account closing date, and translation differences are accounted for as profit or loss.

Securities denominated in foreign currencies (available-for-sale securities) are translated into Japanese yen using the spot exchange rate at the account closing date, and translation differences are included in valuation difference on available-for-sale securities under net assets.

## 2. Notes on Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, revised on March 31, 2020, hereinafter the “Revenue Recognition Standards”), etc. have been applied effective from the beginning of the fiscal year under review. Consequently, revenue is recognized when control of promised goods or services is transferred to the customer at the amount expected to be received in exchange for those goods or services. This application has negligible impact on the non-consolidated financial statements.

(Application of Accounting Standard for Fair Value Measurement, etc.)

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the “Fair Value Measurement Standard”), etc. have been applied effective from the beginning of the fiscal year under review. In accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, revised on July 4, 2019), the new accounting policy prescribed by the Fair Value Measurement Standard, etc., is applied prospectively. This application has negligible impact on the non-consolidated financial statements.

## 3. Notes on Changes in Presentation

(Non-consolidated Statement of Income)

For the previous fiscal year, sponsorship (money) income (in the amount of 1 million yen in the previous fiscal year) was included in “Other” under “Non-operating income.” For the fiscal year ended December 31, 2022, sponsorship (money) income is presented separately as it exceeded 10/100 of the total amount of non-operating income.

## 4. Notes on Accounting Estimates

(1) Valuation of shares of subsidiaries and associates

(i) Amounts posted on the non-consolidated financial statements for the fiscal year under review

Shares of subsidiaries and associates 46 million yen

Loss on valuation of shares of subsidiaries and associates 95 million yen

(ii) Information on the details of significant accounting estimates pertaining to the identified item

Shares of subsidiaries and associates are posted on the balance sheets at their acquisition costs. In the valuation of shares of subsidiaries and associates, their substantial values are compared with their book values to decide whether there has been a significant decline in their substantial values. If there has been a significant decline in their substantial values, the Company records an impairment, provided, however, that the Company may opt not to record an impairment if it has decided that the values may recover.

Such estimates may be affected by fluctuations of economic conditions and other future uncertainties, and if actual financial results of subsidiaries and associates differ from the estimates, it may have a significant impact on the non-consolidated financial statements for the following fiscal year.

(2) Valuation of shares that do not have a market price

(i) Amounts of shares that do not have a market price posted on the non-consolidated financial statements for the fiscal year under review

Investment securities (unlisted shares) 19 million yen

Loss on valuation of investment securities 83 million yen



- (ii) Information on the details of significant accounting estimates pertaining to the identified item  
The note has been omitted because the same details are stated in “4. Notes on Accounting Estimates” in Notes to the Consolidated Financial Statements.

## 5. Notes on Non-consolidated Balance Sheet

- (1) Accumulated depreciation of property, plant and equipment 180 million yen  
(2) Overdraft agreements and commitment line agreements

The Company has entered into overdraft agreements and commitment line agreements with five partner banks in order to procure operating funds flexibly. The balances of unexecuted loans, etc. pertaining to these agreements are as follows:

|                                    |                           |
|------------------------------------|---------------------------|
| Total amount of maximum overdrafts | 11,000 million yen        |
| Total amount of commitment lines   | 1,000 million yen         |
| Balance of executed loans          | —                         |
| <u>Difference</u>                  | <u>12,000 million yen</u> |

The following financial covenants are attached to the overdraft agreements and commitment line agreements above. (Although the covenants vary for each agreement, key covenants are stated.)

The amount of net assets in the consolidated balance sheet at the end of each fiscal year or at the end of the second quarter of each fiscal year shall not fall below 70% of the amount of net assets in the consolidated balance sheet at the end of the fiscal year ended December 31, 2019.

- (3) Monetary claims and monetary obligations to subsidiaries and associates  
Short-term monetary claims to subsidiaries and associates 46 million yen

## 6. Notes on Non-consolidated Statement of Income

- Amount of transactions with subsidiaries and associates  
Amount of transactions from transactions other than operating transactions 2 million yen

## 7. Notes on Non-consolidated Statement of Changes in Equity

- Type and number of treasury shares at the end of the fiscal year under review  
Common shares 14 shares

## 8. Notes on Tax Effect Accounting

The main causes of occurrence of deferred tax assets include tax loss carried forward, loss on valuation of shares of subsidiaries and associates, loss on valuation of investment securities, software, impairment losses, asset retirement obligations, and disallowed allowance for doubtful accounts. As a result of considering factors such as recoverability, a valuation allowance has been posted. The main cause of the occurrence of deferred tax liabilities is valuation difference on available-for-sale securities.

## 9. Notes on Related Party Transactions

- (1) Subsidiaries, etc.

| Type       | Name of company or entity | Ratio of voting rights held (%) | Relationship with related party | Description of transactions | Amount of transactions (Million yen) | Item | Balance at end of period (Million yen) |
|------------|---------------------------|---------------------------------|---------------------------------|-----------------------------|--------------------------------------|------|--|
| Subsidiary | PAY, Inc.                 | The Company directly holds 100% | Interlocking officers           | Lending funds               | 537                                  | —    | —                                      |
|            |                           |                                 |                                 | Collecting loans            | 537                                  |      |  |
|            |                           |                                 |                                 | Receiving interest (Note)   | 2                                    |      |  |

(Note) The Company makes decisions on lending funds taking into account the market interest rates.

- (2) Officers, major individual shareholders, etc.

| Type    | Name of company or entity | Ratio of voting rights held (%) | Relationship with related party        | Description of transactions     | Amount of transactions (Million yen) | Item | Balance at end of period (Million yen) |
|---------|---------------------------|---------------------------------|--|---------------------------------|--------------------------------------|------|--|
| Officer | Yuta Tsuruoka             | Directly held 14.9%             | Representative Director of the Company | Exercising stock options (Note) | 11                                   | —    | —                                      |

(Note) The amount stated is the amount paid upon exercise of stock option rights during the fiscal year under review.

**10. Notes on Per Share Information**

|                          |             |
|--------------------------|-------------|
| (1) Net assets per share | 118.81 yen  |
| (2) Net loss per share   | (15.88) yen |

**11. Other Notes**

(Business combinations)

The note has been omitted because the same details are stated in “11. Other Notes (Business combinations)” of “Notes to the Consolidated Financial Statements.”

# Independent Auditor's Audit Report on the Consolidated Financial Statements

## Independent Auditor's Report

February 14, 2023

To: The Board of Directors of  
BASE, Inc.

KPMG AZSA LLC  
Tokyo Office

Hiroto Yamane  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

Masaya Ariyoshi  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

### Opinion

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act, the consolidated financial statements of BASE, Inc., namely, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements for the consolidated fiscal year from January 1, 2022 to December 31, 2022.

In our opinion, the above consolidated financial statements, which were prepared in accordance with accounting principles generally accepted in Japan, present fairly, in all material respects, the assets and profit and loss during the period related to the said consolidated financial statements of the corporate group consisting of Base, Inc. and its consolidated subsidiaries.

### Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of this report. We are independent from the Company and its consolidated subsidiaries in accordance with the ethical requirements in Japan, and we have fulfilled other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The other information comprises the business report and its supplemental schedules. Management is responsible for the preparation and presentation of the other information. Corporate Auditors and the Board of Auditors are responsible for overseeing the directors' performance of their duties related to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of Management, the Corporate Auditors and the Board of Auditors for the Consolidated Financial Statements

Management is responsible for preparing and appropriately presenting consolidated financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes establishing and operating internal control that management deems necessary to prepare and appropriately represent the consolidated financial statements without any material misstatement caused by fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to the going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The corporate Auditors and the Board of Auditors are responsible for overseeing the directors' performance of their duties related to establishing and operating the financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibilities are to obtain, based on the audit that we conduct, reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement caused by fraud or error, and to express our opinion from an independent perspective on the consolidated financial statements in an auditor's report. Misstatements can arise from fraud or error and are considered material if they, individually or collectively, could reasonably be expected to influence the decision making of the users of the consolidated financial statements. In accordance with the auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Audit procedures are selected and applied at our discretion. We also obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and their application method used by management and the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is significant uncertainty in regard to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If there is significant uncertainty concerning the premise of a going concern, we are required to draw attention in our auditor's report to the related notes in the consolidated financial statements or, if such notes are inadequate, to issue a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and notes of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, and evaluate the overall presentation, structure, and content of the consolidated financial statements, including the relevant notes, and whether the consolidated financial statements fairly represent the transactions and events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the corporate Auditors and the Board of Auditors regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards.

We also report to the corporate Auditors and the Board of Auditors that we have complied with the relevant ethical requirements in Japan regarding independence, and where applicable, the details of any safeguards in place to eliminate or mitigate matters and obstacles that may reasonably be thought to bear on our independence.

#### **Conflicts of Interest**

There are no conflicts of interest between the Company and its consolidated subsidiaries and the auditor or its engagement partners that should be described in accordance with the provisions of the Certified Public Accountants Act.

END

# Independent Auditor's Audit Report on the Non-consolidated Financial Statements

## Independent Auditor's Report

February 14, 2023

To: The Board of Directors of  
BASE, Inc.

KPMG AZSA LLC  
Tokyo Office

Hiroto Yamane  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

Masaya Ariyoshi  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

### **Opinion**

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, the financial statements of BASE, Inc., namely, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements, and supplementary schedules attached thereto (hereafter the "financial statements") for the 10th fiscal year from January 1, 2022 to December 31, 2022.

In our opinion, the above financial statements, which were prepared in accordance with accounting principles generally accepted in Japan, present fairly, in all material respects, the assets and profit and loss during the period related to the said financial statements.

### **Basis for Opinion**

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report. We are independent from the Company in accordance with the ethical requirements in Japan, and we have fulfilled other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The other information comprises the business report and its supplemental schedules. Management is responsible for the preparation and presentation of the other information. Corporate Auditors and the Board of Auditors are responsible for overseeing the directors' performance of their duties related to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management, the Corporate Auditors and the Board of Auditors for the Financial Statements**

Management is responsible for preparing and appropriately presenting financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes establishing and operating internal control that management deems necessary to prepare and appropriately represent the financial statements without any material misstatement caused by fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements in accordance with the premise of a going concern, and for disclosing matters relating to the going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The corporate Auditors and the Board of Auditors are responsible for overseeing the directors' performance of their duties related to establishing and operating the financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibilities are to obtain, based on the audit that we conduct, reasonable assurance about whether the financial statements as a whole are free from material misstatement caused by fraud or error, and to express our opinion from an independent perspective on the financial statements in an auditor's report. Misstatements can arise from fraud or error and are considered material if they, individually or collectively, could reasonably be expected to influence the decision making of the users of the financial statements.

In accordance with the auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Audit procedures are selected and applied at our discretion. We also obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and their application method used by management and the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is significant uncertainty in regard to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If there is significant uncertainty concerning the premise of a going concern, we are required to draw attention in our auditor's report to the related notes in the financial statements or, if such notes are inadequate, to issue a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and notes of the financial statements are in accordance with accounting principles generally accepted in Japan, and evaluate the overall presentation, structure, and content of the financial statements, including the relevant notes, and whether the financial statements fairly represent the transactions and events on which they are based.

We communicate with the corporate Auditors and the Board of Auditors regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards.

We also report to the corporate Auditors and the Board of Auditors that we have complied with the relevant ethical requirements in Japan regarding independence, and where applicable, the details of any safeguards in place to eliminate or mitigate matters and obstacles that may reasonably be thought to bear on our independence.

#### **Conflicts of Interest**

There are no conflicts of interest between the Company and the auditor or its engagement partners that should be described in accordance with the provisions of the Certified Public Accountants Act.

END

# Board of Auditors' Audit Report

## Board of Auditors' Audit Report

With respect to the performance of duties by Directors during the 10th fiscal year from January 1, 2022 to December 31, 2022, the Board of Auditors has examined the reports from each Auditor and prepared this Audit Report as follows:

### 1. Method and details of the audit by Auditors and the Board of Auditors

- (1) The Board of Auditors determined the auditing policy, the division of duties, and other relevant matters, received reports from the Auditors on the progress and the results of the audit, received reports from the Directors and the Accounting Auditor on the status of the performance of duties, and requested explanations when necessary.
- (2) In compliance with the rules for auditing by Auditors and in accordance with the auditing policies and the division of duties determined by the Board of Auditors, the Auditors communicated with Directors and employees of the internal auditing and other divisions, made efforts to collect information and establish the audit environment, and performed the audit using the following methods:
  - (i) The Auditors attended the meetings of the Board of Directors and other important meetings, received reports from Directors, employees, etc. on the performance of their duties, requested explanations when necessary, reviewed documents of important decisions, etc. and investigated the status of business operations and assets at the headquarters. Further, as to the subsidiaries, the Auditors communicated and exchanged information with their Directors and Auditors, and received their business reports when necessary.
  - (ii) The Auditors have received regular reports from Directors, employees, etc., requested explanations as necessary and expressed opinions on the details of resolutions made by the Board of Directors concerning the establishment of systems to ensure that the performance of duties by the Directors, which are described in the business report, are compliant with the laws and regulations of Japan and with the Company's Articles of Incorporation and other systems provided in Article 100, paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act to ensure that the operations of the corporate group consisting of the Company and its affiliated companies will be conducted appropriately, as well as the status of construction and operation of such systems established by such resolutions (internal control system).
  - (iii) The Auditors monitored and verified whether or not the Accounting Auditor maintained its independence and appropriately performed audits, received reports from the Accounting Auditor on the progress of its duties, and requested explanations when necessary. The Auditors also received notification from the Accounting Auditors that they have taken steps to establish the "System to Ensure Appropriate Execution of the Duties of the Accounting Auditors" (as enumerated in each item of Article 131 of the Regulation on Corporate Accounting) in compliance with the "Quality Control Standards Relating to Auditing" (October 28, 2005, Business Accounting Council), etc. When necessary, the Auditors requested explanations on such notifications.

Based on the methods described above, the Auditors examined the Business Report and supplementary schedules attached thereto, the financial statements (the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and supplementary schedules attached thereto, and the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements), for the fiscal year under review.

### 2. Audit results

- (1) Audit results of the Business Report, etc.
  - (i) The Board of Auditors finds that the Business Report and supplementary schedules attached thereto fairly present the situation of the Company in accordance with laws and regulations and the Articles of Incorporation.
  - (ii) The Board of Auditors acknowledges that there is no fraudulent act or fact of a material breach of applicable laws and regulations or the Articles of Incorporation with respect to the performance of duties by Directors.
  - (iii) The Board of Auditors finds the details of the resolution of the meeting of the Board of Directors concerning the internal control system to be adequate. In addition, the Board of Auditors acknowledges that there is no matter that needs to be indicated with respect to the contents of the Business Report concerning the internal control system and the performance of duties by Directors.

(2) Audit results of financial statements and supplementary schedules attached thereto

The Board of Auditors finds the method and results of the audit by the Accounting Auditor, KPMG AZSA LLC, to be adequate.

(3) Audit results of consolidated financial statements

The Board of Auditors finds the method and results of the audit by the Accounting Auditor, KPMG AZSA LLC, to be adequate.

February 14, 2023

Board of Auditors, BASE, Inc.

Fumio Utagawa, Full-time Auditor (Outside Auditor)

Yohei Yamaguchi, Outside Auditor

Chie Hoshi, Outside Auditor

END