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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

August 3, 2023

Company name: BASE, Inc.
 Stock exchange listing: Tokyo
 Stock code: 4477 URL <https://binc.jp/en>
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 Inquiries: Director, Senior Executive Officer and CFO Ken Harada TEL 03(6441)2075
 Scheduled date to file Quarterly Securities Report: August 3, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2023	5,360	11.5	(287)	–	(280)	–	(372)	–
Six months ended June 30, 2022	4,807	2.6	(869)	–	(858)	–	(921)	–

(Note) Comprehensive Income (millions of yen)

Six months ended June 30, 2023: (362) (–%) Six months ended June 30, 2022: (914) (–%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	(3.27)		–	
Six months ended June 30, 2022	(8.24)		–	

(Notes) Despite the existence of potential shares, diluted earnings per share are not indicated because net loss per share was recorded.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2023	32,828		13,234		40.3	
As of December 31, 2022	31,278		13,501		43.2	

(Reference) Equity (millions of yen) As of June 30, 2023: 13,234 As of December 31, 2022: 13,501

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Year ended December 31, 2022	–	0.00	–	0.00	0.00
Year ending December 31, 2023	–	0.00	–	–	–
Year ending December 31, 2023 (Forecast)	–	–	–	0.00	0.00

(Note) Revisions to most recent dividend forecast: None

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(% indicates changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	10,300	5.8	(1,850)	–	(1,850)	–	(1,900)	–	(16.72)
	~10,800	~10.9	~(1,400)	–	~(1,400)	–	~(1,450)	–	~(12.76)

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

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
New: – (), Exclusion: – ()
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
Changes in accounting policies due to revisions to accounting standards and other regulations: No
Changes in accounting policies due to other reasons: No
Changes in accounting estimates: No
Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2023	114,301,823 shares	As of December 31, 2022	113,631,964 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	14,555 shares	As of December 31, 2022	14 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023	114,011,761 shares	Six months ended June 30, 2022	111,772,206 shares
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*The summary of quarterly financial results are not subject to a quarterly review by a certified public accountant or an auditing firm.

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

(Notice regarding forward-looking statements, etc.)

Forward-looking statements or projections contained in this document are based on information that the Company has at the present time and certain premises that the Company deems reasonable. Such forward-looking statements are not intended to represent a commitment on the part of the Company to achieve them. Also, actual results may differ significantly due to various factors. Please see the "1. Qualitative information on results for the six months ended June 30, 2023 (3) Explanation of consolidated financial forecasts and other forward-looking statements" on page 3 of the attached document for the conditions that form the basis of earnings forecasts and cautions for using earnings forecasts.

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

The Company is scheduled to hold a financial result briefing for institutional investors and analysts on Thursday, August 3, 2023. Relevant briefing information is scheduled to be disclosed on our website.

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1. Qualitative information on results for the six months ended June 30, 2023

(1) Overview of operating results

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

During the six months ended June 30, 2023, although the economic outlook remains uncertain due to factors such as inflation and disruptions in the supply chain, the business environment, which had previously been affected by reopening headwinds, continued to trend towards recovery. In the midst of this business environment, the BASE Business maintains its position as the overwhelming first choice for a wide range of individuals and small teams, while continuing efforts to strengthen its products to achieve sustainable growth over the medium to long term. In the PAY.JP Business, the Group aims to support the growth of its existing merchants while also expanding the number of new merchants by targeting start-up companies and strengthening its products with the aim of creating online payment functions that are simpler and easier to implement and operate.

As a result of the above, the Group’s consolidated net sales for the six months ended June 30, 2023 were ¥5,360 million (11.5% increase year on year), operating loss was ¥287 million (operating loss of ¥869 million in the same period of the previous fiscal year), ordinary loss was ¥280 million (ordinary loss of ¥858 million in the same period of the previous fiscal year), and loss attributable to owners of parent was ¥372 million (loss attributable to owners of parent of ¥921 million in the same period of the previous fiscal year).

Starting from the three months ended March 31, 2023, the PAY Business has been renamed to the PAY.JP Business.

The results of the segments are as follows.

A) BASE Business

In the BASE Business, GMV growth for the six months ended June 30, 2023 surpassed the year-on-year growth rate for domestic online consumption. Largely due to the effects of the Monthly-Fee Plan which was released in April 2022, GMV of existing shops continuing to use the service accumulated while the acquisition of new merchants with large sales increased compared to before the plan was released.

Product development progressed as expected at the beginning of the fiscal year, with the “Membership App,” which allows online shops to create their own membership system, being released in response to demand from merchants with large sales, thereby strengthening sales promotion support and CRM functions.

Although net sales had been declining year-on-year until the previous quarter due to an increase in the number of merchants using the Monthly-Fee Plan and its lower commission rates, net sales growth turned positive in the three months ended June 30, 2023 due to the increase in GMV.

As a result of the above, GMV for the six months ended June 30, 2023 was ¥63,751 million (order amount) and ¥60,897 million (payment amount) (13.6% increase for order amount and 14.8% increase for payment amount year on year), net sales were ¥3,688 million (3.9% decrease year on year), and segment loss was ¥108 million (segment loss of ¥660 million in the same period of the previous fiscal year).

B) PAY Business

In the PAY.JP Business, the Group provides the online payment service “PAY.JP.” In the six months ended June 30, 2023, GMV increased significantly year on year due to contributions from both existing and new large merchants.

As a result of the above, GMV for the six months ended June 30, 2023 was ¥59,917 million (69.8% increase year on year), net sales were ¥1,549 million (68.1% increase year on year), and segment loss was ¥6 million (segment loss of ¥8 million in the same period of the previous fiscal year).

C) Other Business

In the Other Business, the Group provides services such as “YELL BANK,” which provides business funds to online shop operators using “BASE.” In the six months ended June 30, 2023, both the number of users and usage amount continued to grow significantly.

As a result of the above, net sales for the six months ended June 30, 2023 were ¥122 million (150.2% increase year on year), and segment loss was ¥37 million (segment loss of ¥28 million in the same period of the previous fiscal year).

(2) Overview of financial position

(Assets)

Total assets as of June 30, 2023 were ¥32,828 million, an increase of ¥1,549 million from the end of the previous fiscal year. This was mainly due to an increase of ¥2,046 million in accounts receivable – trade while cash and deposits decreased by ¥621 million.

(Liabilities)

Liabilities as of June 30, 2023 were ¥19,594 million, an increase of ¥1,816 million from the end of the previous fiscal year. This was mainly due to an increase of ¥2,653 million in deposits received while accounts payable – trade decreased by ¥916 million.

(Net assets)

Net assets as of June 30, 2023 were ¥13,234 million, a decrease of ¥267 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥372 million in retained earnings resulting from recording loss attributable to owners of parent. In addition, legal capital surplus was reduced by ¥2,545 million, and retained earnings increased by ¥2,545 million, due to deficit disposition from the appropriation of surplus based on the resolution of the Board of Directors at the meeting held on February 16, 2023.

(Cash flows status)

Cash and cash equivalents (hereinafter, “cash”) as of June 30, 2023, were ¥21,723 million, a decrease of ¥621 million from the end of the previous fiscal year. The respective statuses of cash flows during the six months ended June 30, 2023 and their contributing factors are as follows:

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥585 million (¥2,245 million used in the same period of the previous fiscal year). The main reason for the increase was an increase in deposits received of ¥2,653 million. The main reasons for the decrease were an increase in accounts receivable – trade of ¥2,050 million, a decrease in accounts payable – trade of ¥916 million, and the recording of loss before income taxes of ¥370 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥39 million (¥16 million used in the same period of the previous fiscal year). The main reason for the decrease was purchase of property, plant and equipment of ¥39 million.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥4 million (¥2 million provided in the same period of the previous fiscal year). The main reasons for the increase was proceeds of ¥3 million from the issuance of shares resulting from exercise of share acquisition rights.

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

The Company group celebrated its tenth anniversary in December 2022. Advocating “Payment to the People, Power to the People.” as its mission since its inception, the Company has focused on the empowerment of individuals and small teams through “BASE,” and the empowerment of start-ups through “PAY.JP.” Looking ahead to the next decade, the Company group will continue to focus its efforts on empowering individuals, small teams, and start-ups by increasing added value through the finance business centered around “YELL BANK” as well as the consumer-facing “Pay ID” service. Through these initiatives, the Company aims to maximize value creation across the entire group in the medium to long term.

In the fiscal year ending December 31, 2023, the Company aims to achieve gross profit growth by continuing to strengthen its product to accommodate merchants with a wide range of sales for the BASE Business, while establishing product development and customer support initiatives aimed at achieving both the growth of existing merchants as well as the acquisition of new merchants for the PAY.JP Business. In addition, the Company aims to suppress SG&A expenses, transitioning towards a leaner financial structure.

In order to provide more useful and reasonable information to investors, the Company has decided to disclose its full-year earnings forecast for the fiscal year ending December 31, 2023 in a range of possible amounts with consideration to continued uncertainties pertaining to the business environment.

In the BASE Business, the lower limit for Gross Merchandise Volume (or “GMV”) based on order amount, which factors in the deterioration or stagnation of the external environment such as macroeconomic conditions and the overall EC market while estimating the effects of company initiatives conservatively, is forecasted to be ¥125,000 million. The upper limit, which factors in the recovery of the external environment while estimating the effects of company initiatives as expected, is forecasted to be ¥130,000 million. In the PAY.JP Business, the lower limit for GMV, which factors in the retention rate of merchants conservatively, is forecasted to be ¥105,000 million. The upper limit, which factors in the retention rate of merchants at a high level similar to past figures, is forecasted to be ¥110,000 million.

As a result of the above, the consolidated net sales for the entire group in the fiscal year ending December 31, 2023 is forecasted to fall between a lower limit of ¥10,300 million and an upper limit of ¥10,800 million.

Additionally, the Company plans to reassess its aggressive investment policy and suppress SG&A expenses. Promotional expenses are forecasted to decrease through the reduction of brand recognition-related marketing such as TV advertisements, transitioning towards a more targeted marketing policy. Furthermore, although personnel expenses are forecasted to increase due to the annualization of expenses associated with personnel hired in the fiscal year ended December 31, 2022, the pace of headcount growth is expected to decline.

As a result of the above, the lower limit for SG&A expenses, which factors in the additional suppression of measures such as hiring and marketing based on the business environment and progress of business strategies, is forecasted to be ¥6,250 million. The upper limit, which factors in expenses as planned, is forecasted to be ¥6,500 million.

Operating loss is also forecasted based on a range of possible amounts, with a lower limit of ¥1,850 million and an upper limit of ¥1,400 million.

2. Quarterly consolidated financial statements and main noted items

(1) Consolidated balance sheets

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	22,344	21,723
Securities	66	72
Accounts receivable - trade	7,977	10,024
Other	687	801
Allowance for doubtful accounts	(130)	(153)
Total current assets	30,946	32,468
Non-current assets		
Investments and other assets	332	359
Total non-current assets	332	359
Total assets	31,278	32,828
Liabilities		
Current liabilities		
Accounts payable - trade	11,771	10,855
Deposits received	5,468	8,122
Provision for chargeback	9	6
Contract liabilities	50	48
Other	420	501
Total current liabilities	17,720	19,535
Non-current liabilities		
Other	57	58
Total non-current liabilities	57	58
Total liabilities	17,777	19,594
Net assets		
Shareholders' equity		
Capital stock	8,614	8,662
Deposits for subscriptions to shares	0	0
Capital surplus	7,424	4,927
Retained earnings	(2,545)	(372)
Treasury shares	(0)	(0)
Total shareholders' equity	13,494	13,217
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6	16
Total accumulated other comprehensive income	6	16
Total net assets	13,501	13,234
Total liabilities and net assets	31,278	32,828

(2) Consolidated statement of income and comprehensive income

Consolidated statement of income

(Six months ended June 30, 2023)

(Million yen)

	Six Months Ended June 30, 2022 (from January 1, 2022 to June 30, 2022)	Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)
Net sales	4,807	5,360
Cost of sales	2,300	3,045
Gross profit	2,506	2,314
Selling, general, and administrative expenses	3,376	2,601
Operating loss	(869)	(287)
Non-operating income		
Interest income	0	0
Commission income	8	0
Insurance claim income	—	4
Lecture fees and other income	3	5
Other	2	1
Total non-operating income	14	10
Non-operating expenses		
Interest expenses	0	—
Foreign exchange losses	—	1
Share issuance cost	0	0
Commitment fee	1	1
Total non-operating expenses	2	3
Ordinary loss	(858)	(280)
Extraordinary loss		
Impairment losses	—	79
Loss on valuation of investment securities	62	11
Total extraordinary loss	62	90
Loss before income taxes	(920)	(370)
Total Income taxes	0	2
Net loss	(921)	(372)
Loss attributable to owners of parent	(921)	(372)

Consolidated statement of comprehensive income

(Six months ended June 30, 2023)

(Million yen)

	Six Months Ended June 30, 2022 (from January 1, 2022 to June 30, 2022)	Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)
Net loss	(921)	(372)
Other comprehensive income		
Valuation difference on available-for-sale securities	7	9
Total other comprehensive income	7	9
Comprehensive income	(914)	(362)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(914)	(362)

(3) Consolidated statement of cash flows

(Million yen)

	Six Months Ended June 30, 2022 (from January 1, 2022 to June 30, 2022)	Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Loss before income taxes	(920)	(370)
Depreciation	23	1
Impairment losses	—	79
Share-based remuneration expenses	16	34
Loss (gain) on valuation of investment securities	62	11
Increase (decrease) in allowance for doubtful accounts	(1)	23
Increase (decrease) in provision for chargeback	(6)	(2)
Interest income	(0)	(0)
Commission income	(8)	(0)
Interest expenses	0	—
Share issuance costs	0	0
Increase (decrease) in accounts receivable - trade	938	(2,050)
Increase (decrease) in accounts payable - trade	(3,330)	(916)
Increase (decrease) in deposits received	434	2,653
Other, net	467	(48)
Subtotal	(2,324)	(585)
Interest income received	0	0
Commission income received	15	3
Interest expenses paid	(0)	—
Income taxes paid	63	(4)
Net cash provided by operating activities	(2,245)	(585)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(16)	(39)
Net cash provided by investing activities	(16)	(39)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2	3
Proceeds from deposits for subscriptions of shares	—	0
Net cash provided from financing activities	2	4
Effect of exchange rate change on cash and cash equivalents	—	0
Net increase (decrease) in cash and cash equivalents	(2,259)	(621)
Cash and cash equivalents at beginning of period	24,053	22,344
Cash and cash equivalents at end of period	21,794	21,723

(4) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable.

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

Other capital surplus decreased by ¥2,545 million and retained earnings increased by ¥2,545 million as a result of covering the loss in retained earnings brought forward as of February 28, 2023 based on the resolution of the Board of Directors at the meeting held on February 16, 2023.

During the six months ended June 30, 2023, capital stock and capital surplus increased by ¥47 million and ¥47 million, respectively, as a result of grant of restricted stock-based compensation and exercise of share acquisition rights as stock options.

(Segment information etc.)

Segment Information

Consolidated six months ended June 30, 2022 (From January 1, 2022 to June 30, 2022)

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

(Million yen)

	Reportable segment				Reconciliations (Note 1)	Consolidated (Note 2)
	BASE Business	PAY.JP Business	Other Business	Total		
Net sales						
Goods or services transferred at a point in time	3,781	906	3	4,694	—	4,694
Goods or services transferred over time	44	13	—	57	—	57
Revenue from contracts with customers	3,826	920	3	4,751	—	4,751
Other revenue	9	1	45	55	—	55
Net sales to external customers	3,836	921	48	4,807	—	4,807
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	3,836	921	48	4,807	—	4,807
Segment loss	(660)	(8)	(28)	(696)	(173)	(869)

(Notes) 1. Reconciliations of segment loss of ¥(173) million are for corporate expenses that are not allocated to any reportable segment. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segment.

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

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

Not applicable.

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

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

(Million yen)

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

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

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

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

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

3. Information on changes in reportable segments, etc.

Starting from the first quarter of the fiscal year ending December 31, 2023, the name of the reportable segment previously referred to as “PAY Business” has been changed to “PAY.JP Business.” This change in segment name has no impact on segment information. The segment information for the six months ended June 30, 2022 is also presented under the new name.