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(Stock Exchange Code 4477)

March 5, 2024

(Start date of electronic provision measures: March 4, 2024)

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 11TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

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

You are cordially notified that the 11th 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 electronically provided materials are also available on the Tokyo Stock Exchange website

(Listed Company Search: <https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>). Please access the Tokyo Stock Exchange website above, enter the Company name or the Stock Exchange Code to find the Company, and select “Basic information” and then “Documents for public inspection/PR information.”

In lieu of attending the meeting in person, you can exercise your voting rights in writing or via the Internet in advance. Please review the electronically provided Reference Documents for the General Meeting of Shareholders, and follow the guides (pages 3 and 4) to exercise your voting rights by 7 p.m. Japan time on Monday, March 25, 2024.

In addition, the General Meeting of Shareholders will be streamed live on the Internet. Please refer to page 5 for details.

1. Date and Time: Tuesday, March 26, 2024 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 11th Fiscal Year (January 1, 2023 - December 31, 2023) 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 11th Fiscal Year (January 1, 2023 - December 31, 2023)
 2. Proposals to be resolved:

Proposal 1:	Partial Amendment to the Articles of Incorporation
Proposal 2:	Election of 4 Directors

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- * When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception.
 - * Any revisions to the electronically provided materials will be posted on the websites described above.
 - * Of the electronically provided materials, the following items are not included in the documents delivered to shareholders who have requested delivery of the documents, as they have been posted on the respective websites in accordance with the provisions of laws and regulations and Article 15 of the Company's Articles of Incorporation. Therefore, such documents are a part of the documents audited by the Auditors and the Accounting Auditor in preparing the Auditor's Report.
 - "Matters Concerning Share Acquisition Rights, etc. of the Company" and "System to Ensure the Adequacy of Businesses and the Operation Status of Such System" in the Business Report
 - "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements
 - "Non-consolidated Statement of Changes in Equity" and "Notes to the Non-consolidated Financial Statements" of the Non-consolidated Financial Statements

Guide for Exercising Voting Rights

Voting rights at the General Meeting of Shareholders are important rights for shareholders. Please review the electronically provided Reference Documents for the General Meeting of Shareholders, and exercise your voting rights. The following methods are available for exercising voting rights.

Via the Internet

Please review “Guide for Exercising Voting Rights via the Internet” (page 4) and follow the onscreen instructions to enter your approval or disapproval.

Exercise deadline: Entry before 7 p.m. Japan time on Monday, March 25, 2024.

In writing (by postal mail)

Please indicate “for” or “against” the proposals on the enclosed Voting Rights Exercise Form and mail the form back without affixing a stamp. (Please return it to the Company for receipt by the deadline below.) If no vote is indicated on the Voting Rights Exercise Form, it will be treated as an expression of approval.

Exercise deadline: Arrival by 7 p.m. Japan time on Monday, March 25, 2024.

Attending the General Meeting of Shareholders

Date and Time: Tuesday, March 26, 2024 at 11:00 a.m. Japan time
Please present the enclosed Voting Rights Exercise Form at the reception desk.

[Concerning questions from shareholders received in advance]

We will accept questions from shareholders received in advance. Shareholders who have questions are requested to send them to the following email address by Tuesday, March 19, 2024. Please note that we may not be able to answer all questions received.

Email address: shareholdersmeeting2024@binc.jp

[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.

Guide for Exercising Voting Rights via the Internet

For the exercise of voting rights via the Internet, please access the website for exercising voting rights from a smartphone or a personal computer and follow the onscreen instructions to exercise.

How to scan the QR code using a smartphone, etc.

By scanning the “QR code” printed on the Voting Rights Exercise Form using a smartphone, etc., you can automatically connect to the website for exercising voting rights and cast your vote without having to enter the “log-in ID” or “password.”

1. Scan the QR code
Please scan the “QR code” printed on the enclosed Voting Rights Exercise Form using a smartphone or a tablet device.
* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.
2. Then, please enter your approval or disapproval of the proposals following the onscreen instructions.

Procedures for exercising voting rights from a personal computer

1. Access the website
Please access the website to exercise voting rights (<https://evote.tr.mufg.jp/>).
2. Enter “log-in ID” and “temporary password” printed on the side slip (right side) of your Voting Rights Exercise Form.

Enter log-in ID and temporary password, and click “Log in.”

3. Then, please enter your approval or disapproval of the proposals following the onscreen instructions.

Notes when exercising voting rights via the Internet.

1. The website for exercising voting rights will be unavailable from 2:30 a.m. to 4:30 a.m. due to maintenance and inspection.
2. If you have exercised your voting rights in duplicate in writing and via the Internet, your vote via the Internet will be deemed valid.
3. If you have exercised your voting rights multiple times via the Internet, your last vote will be deemed valid.
4. 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 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.

Notice Regarding Live Streaming of the General Meeting of Shareholders

The General Meeting of Shareholders will be streamed live on the following website.
If you wish to view the live stream, please confirm the following items.

1. Procedures for viewing live stream
 - (1) If you wish to view the live stream, please access the following website (https://live.irwebmeeting.com/binc/live/20240326/s4y5hgmc/gms_01_ja/index.html).
 - (2) The shareholders who view this live stream are not considered to be in attendance at the General Meeting of Shareholders as defined by the Companies Act. Accordingly, shareholders will not be able to exercise their voting rights on the day of the meeting. Please exercise your voting rights in writing or via the Internet by 7 p.m. Japan time on Monday, March 25, 2024.
 - (3) Please note that you will not be able to make any comments or ask questions, etc., during the live stream.
2. Other notes
 - Please note that problems with video and sound, interruption of live streaming, and other problems may occur due to system failure and the Internet environment, etc.
 - Any incidental fees resulting from viewing the live stream, such as telecommunication equipment, Internet connection fees, communication charges, etc., shall be borne by shareholders.
 - The Company will not be liable for any damage incurred by shareholders due to the communication environment or system failure.
 - We strive to ensure smooth live-streaming, but please be aware that you may not be able to watch it due to unforeseen circumstances such as poor communication environment or system failures. In some cases, the live stream may be canceled.
 - In the case that the live stream will be canceled due to unavoidable circumstances, an announcement will be made on the Company's website.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Partial Amendment to the Articles of Incorporation

1. Reasons for the proposal

In accordance with the “Act for Partial Revision of the Act on Strengthening Industrial Competitiveness, etc.” enacted on June 16, 2021, which newly permits the holding of “general meetings of shareholders without a fixed place” (so-called virtual-only general meetings of shareholders), the Company appended Article 12, Paragraph 2 of the Articles of Incorporation, at the Annual General Meeting of Shareholders held on March 23, 2022, which allows the Company to hold the general meeting of shareholders without specifying a fixed meeting place, if the Board of Directors determines that it is not appropriate in light of the interests of shareholders to hold a general meeting of shareholders with a fixed location due to the spread of an infectious disease or the occurrence of a natural disaster, etc. However, the existing Article 12, Paragraph 2 of the Articles of Incorporation is to be amended.

In order to ensure the interests of shareholders by facilitating the attendance of many shareholders, including those in remote areas, and by revitalizing, streamlining, and smoothing the general meeting of shareholders, the Company proposes the necessary amendment to the provisions of the Articles of Incorporation to enable to hold the general meeting of shareholders without specifying a fixed meeting place (virtual-only general meetings of shareholders) regardless of the spread of an infectious disease or the occurrence of a natural disaster, etc. The Company has received confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice on October 21, 2021 that it meets the requirements stipulated in the ministerial ordinance of the Ministry of Economy, Trade and Industry and the Ministry of Justice based on Article 66, Paragraph 1 of the Act on Strengthening Industrial Competitiveness (Act No. 98 of 2013).

2. Details of changes

The changes are as follows. The changes are underlined.

Current Articles of Incorporation	Proposed change
Articles 1 to 11: omitted here	Articles 1 to 11: as currently written
(Convocation) Article 12: An annual general meeting of shareholders of the Company shall be convened in March of each year, and an extraordinary general meeting of shareholders shall be convened whenever necessary.	(Convocation) Article 12: as currently written
2 <u>The Company may hold a general meeting of shareholders without a fixed location if the Board of Directors determines that it is not appropriate in light of the interests of shareholders to hold a general meeting of shareholders with a fixed location due to the spread of an infectious disease or the occurrence of a natural disaster, etc.</u>	2 <u>A general meeting of shareholders of the Company may be held without a fixed location.</u>
Articles 13 to 42: omitted here	Articles 13 to 42: as currently written

Proposal 2: Election of 4 Directors

The terms of office of all 4 Directors will expire at the conclusion of this Annual General Meeting of Shareholders. 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	Gender	Attributes	Current position and responsibilities at the Company	Attendance at Board of Directors meetings held during the fiscal year under review	Years in office (at the conclusion of this meeting)
1	Yuta Tsuruoka	Male	[Reelection]	Representative Director, Senior Executive Officer and CEO	100% (20/20 meetings)	11 years and 3 months
2	Ken Harada	Male	[Reelection]	Director, Senior Executive Officer and CFO	100% (20/20 meetings)	8 years and 1 month
3	Masayuki Shimura	Male	[Reelection] [Outside] [Independent]	Outside Director	100% (20/20 meetings)	4 years and 7 months
4	Misa Matsuzaki	Female	[Reelection] [Outside] [Independent]	Outside Director	100% (20/20 meetings)	2 years

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Yuta Tsuruoka (December 28, 1989) [Reelection]	December 2012 Established the Company, Representative Director and CEO (current position) January 2018 Director, PAY, Inc. January 2018 Representative Director, BASE BANK, Inc. (January 2022 absorption-type merger by the Company) December 2020 Director, CAMPFIRE, Inc. (current position) [Significant concurrent positions] Director, CAMPFIRE, Inc.	17,926,151

Reasons for nomination as candidate for Director

Mr. Yuta Tsuruoka has been directing the Company's management as Representative Director since the establishment of the Company in December 2012 and contributing to the improvement of its corporate value. He also has abundant knowledge in the e-commerce and settlement sectors and is expected to strengthen the monitoring and decision-making functions of the Board of Directors. Therefore, the Company nominates him again as a candidate for Director.

After his appointment, he is also expected to serve as a member of the Nomination Committee and Remuneration Committee.

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	Ken Harada (March 28, 1977) [Reelection]	<p>April 2000 Joined ANDO Corporation (currently HAZAMA ANDO CORPORATION)</p> <p>September 2007 Joined mixi, Inc. (currently MIXI, Inc.)</p> <p>August 2013 Joined FreakOut, inc. (currently FreakOut Holdings, inc.)</p> <p>June 2015 Joined the Company</p> <p>February 2016 Director and CFO, the Company</p> <p>January 2018 Director, PAY, Inc. (current position)</p> <p>January 2018 Director, BASE BANK, Inc. (January 2022 absorption-type merger by the Company)</p> <p>March 2021 Director, Senior Executive Officer and CFO, the Company (current position)</p> <p>[Significant concurrent positions] Director, PAY, Inc.</p>	483,491

Reasons for nomination as candidate for Director

Mr. Ken Harada has consistently led the Company's growth by supervising the entire Corporate Division since he joined the Company. In particular, he has abundant experience and considerable insight into the area of financial strategy as CFO. He is well versed in the Company's business and is expected to strengthen the monitoring and decision-making functions of the Board of Directors. Therefore, the Company nominates him again as a candidate for Director.

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Masayuki Shimura (September 7, 1958) [Reelection] [Outside] [Independent]	<p>April 1982 Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation)</p> <p>April 2010 Executive Officer and General Manager, Asia Pacific Division, Sumitomo Mitsui Banking Corporation</p> <p>April 2015 Senior Managing Executive Officer (Member of the Management Committee), Sumitomo Mitsui Banking Corporation</p> <p>May 2017 Senior Managing Executive Officer, Sumitomo Mitsui Card Company, Limited</p> <p>June 2018 Representative Director and Senior Managing Executive Officer, Sumitomo Mitsui Card Company, Limited</p> <p>July 2019 Established Shimura & Partners, CEO (current position)</p> <p>August 2019 Outside Director, the Company (current position)</p> <p>March 2020 Auditing Committee Director, bitFlyer Holdings, Inc. (current position)</p> <p>March 2020 Auditing Committee Director, bitFlyer, Inc. (current position)</p> <p>December 2020 Outside Director, MedPeer, Inc. (current position)</p> <p>April 2021 External Board Director, HashPort Inc. (current position)</p> <p>December 2022 Outside Director (Audit and Supervisory Committee Member), DIGITAL PLUS, Inc. (current position)</p> <p>[Significant concurrent positions] CEO, Shimura & Partners</p>	25,186

Reasons for nomination as candidate for Outside Director and expected roles

Mr. Masayuki Shimura has deep insight and experience in the financial and settlement sectors and has contributed to provide supervision and advice on the management of the Company as Outside Director. He is expected to strengthen the monitoring and decision-making functions of the Board of Directors. Therefore, the Company nominates him again as a candidate for Outside Director.

After his appointment, he is also expected to serve as a member of the Nomination Committee and Remuneration Committee.

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
4	Misa Matsuzaki (November 18, 1970) [Reelection] [Outside] [Independent]	<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] CEO, WORK JAPAN Co., Ltd CEO, Apricot Planet Pte.Ltd</p>	19,270

Reasons for nomination as candidate for Outside Director and expected roles

Ms. Misa Matsuzaki has experience in management as Representative Director and Director at multiple companies, including companies she established, and has contributed to provide supervision and advice on the management of the Company as Outside Director. She is expected to strengthen the monitoring and decision-making functions of the Board of Directors. Therefore, the Company nominates her again as a candidate for Outside Director.

After her appointment, she is also expected to serve as a member of the Nomination Committee and Remuneration Committee.

- (Notes)
1. There are no special interests between the candidates and the Company.
 2. Ms. Misa Matsuzaki's name on her family register is Misa Edo.
 3. Mr. Masayuki Shimura and Ms. Misa Matsuzaki are candidates for Outside Directors.
 4. 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 4 years and 7 months.
 5. 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 2 years.
 6. 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.
 7. 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. Please refer to "4. (2) Overview of limited liability agreement" of the Business Report for an overview of the agreement.
 8. 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. Please refer to "4. (3) Overview of indemnity agreement" of the Business Report for an overview of the agreement.
 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 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.

(Reference)

If the candidates are elected as Directors, the skill matrix of Directors will be as follows.

Name	Position at the Company	Corporate management	Finance and accounting	Legal, compliance, and risk management	ESG and sustainability	Human resources and organizational development	Technology	Industry knowledge (EC, finance and settlement)	International experience
Yuta Tsuruoka	Representative Director	●			●	●	●	●	
Ken Harada	Director	●	●	●	●	●		●	
Masayuki Shimura	Director [Independent outside]	●		●	●	●		●	●
Misa Matsuzaki	Director [Independent outside]	●			●	●			●

(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.

END

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” as well as “Pay ID” shopping service for purchases, and the PAY.JP Business, which provides the online payment service “PAY.JP.” Through these services, the Group focuses on empowering individuals and small teams and supporting start-up companies.

During the fiscal year ended December 31, 2023, the economic outlook remained uncertain due to factors such as heightened geopolitical risks and inflation. However, there were signs of movement toward normalization of economic activities as the spread of COVID-19 infections and confusion associated with its containment gradually subsided. 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 fiscal year ended December 31, 2023 were ¥11,680 million (19.9% increase year on year), operating loss was ¥425 million (operating loss of ¥1,508 million in the same period of the previous fiscal year), ordinary loss was ¥409 million (ordinary loss of ¥1,495 million in the same period of the previous fiscal year), and loss attributable to owners of parent was ¥606 million (loss attributable to owners of parent of ¥1,732 million in the same period of the previous fiscal year).

Effective from the fiscal year ended December 31, 2023, the segment name was changed from PAY business to PAY.JP business.

The results of the segments are as follows.

(i) BASE Business

In the BASE Business, GMV growth for the fiscal year ended December 31, 2023 surpassed the year-on-year growth rate for domestic online consumption with growth driven by shops with large sales, contributed mainly by the Monthly-Fee Plan released in April 2022. Product development also progressed as expected at the beginning of the fiscal year. In addition to “BASE AI Assistant” that provides AI-driven support to improve operational efficiency and shop design creation, etc., the Group provided many functions to increase added value for shops of various sales size, including the “Membership App” to support CRM.

As a result of the above, GMV for the fiscal year ended December 31, 2023 was ¥135,991 million (order amount) and ¥129,056 million (payment amount) (14.3% increase for order amount and 14.8% increase for payment amount year on year), net sales for the fiscal year ended December 31, 2023 were ¥7,765 million (3.6% increase year on year), and segment loss was ¥60 million (segment loss of ¥1,150 million in the same period of the previous fiscal year).

(ii) PAY.JP Business

In the PAY.JP Business, the Group provides the online payment service “PAY.JP.” GMV for the fiscal year ended December 31, 2023 increased significantly due to the growth of large-scale existing and new merchants.

As a result of the above, GMV for the fiscal year ended December 31, 2023 was ¥141,127 million (74.7% increase year on year), net sales were ¥3,606 million (71.4% increase year on year), and segment loss was ¥84 million (segment loss of ¥46 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 owners using “BASE.” The number of its users and its usage amount continued to grow.

As a result of the above, net sales for the fiscal year ended December 31, 2023 were ¥308 million (118.0% increase year on year), and segment loss was ¥25 million (segment loss of ¥31 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, 2023 was ¥56 million. Major investments include ¥29 million for the purchase of fixtures and other equipment with office layout changes, and ¥20 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) 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, and in the fiscal year ended December 31, 2023, the Group implemented initiatives related to D&I and climate change, such as receiving a “Gold” ranking in the PRIDE Index 2023 and disclosing information based on the TCFD recommendations.

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

In order to achieve continued growth and improve business value, the Group considers human resources to be the most important management resource.

In developing employees, the Group believes that it is important to support them in taking initiative in their work and careers and continuing to challenge themselves, and the Group is working to improve educational and personnel systems. Specifically, the Group is implementing initiatives to support human resource development and autonomous career building, such as establishing an internal recruitment system, conducting various training programs, and creating an environment of diversity and fairness through D&I promotion.

(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 and payment services, the Group considers it important to ensure the security and soundness of its services to enable safe transactions for all stakeholders.

To ensure this, in the BASE business, in addition to providing a dedicated team that is on call 365 days a year, the Company analyzes its transaction data with the help of machine learning and other methods, uses the databases of fraudulent destination addresses provided from credit card companies, detects and prevents unauthorized settlements and the sale of inappropriate products by introducing 3-D Secure, and strengthens login authentication methods for online shop operators and others. Furthermore, in the PAY.JP business, the Company works to ensure the security and soundness of its services by managing credit card information in full compliance with the global security standard in the credit card industry, PCI-DSS.

(vi) Improvement of the financial structure to achieve full-year profitability for the fiscal year ending December 31, 2025

In the fiscal year ended December 31, 2023, the Group focused on improving profitability to enable sustainable business operations.

Going forward, the Group will increase gross profit to achieve profitability under a disciplined investment policy for the full year ending December 31, 2025, aiming to maximize value creation for the Group as a whole.

(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 conducting information security training for all employees, as well as regularly holding Information Security Committee meetings to identify and discuss 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.

(5) Assets, profits, and losses

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

Item		8th fiscal year ended December 31, 2020	9th fiscal year ended December 31, 2021	10th fiscal year ended December 31, 2022	11th fiscal year ended December 31, 2023 (under review)
Net sales	(million yen)	8,288	9,931	9,739	11,680
Ordinary profit (loss)	(million yen)	747	(960)	(1,495)	(409)
Profit (loss) attributable to owners of parent	(million yen)	584	(1,194)	(1,732)	(606)
Net profit (loss) per share (yen)		5.64	(10.80)	(15.46)	(5.31)
Total assets	(million yen)	28,505	31,991	31,278	37,297
Net assets	(million yen)	16,217	15,105	13,501	13,000
Net assets per share	(yen)	147.84	135.48	118.81	112.87

(Note) The Company conducted a stock split 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 8th fiscal year.

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

Item		8th fiscal year ended December 31, 2020	9th fiscal year ended December 31, 2021	10th fiscal year ended December 31, 2022	11th fiscal year ended December 31, 2023 (under review)
Net sales	(million yen)	7,321	8,420	7,635	8,073
Ordinary profit (loss)	(million yen)	887	(860)	(1,446)	(322)
Net profit (loss)	(million yen)	380	(1,147)	(1,779)	(520)
Net profit (loss) per share (yen)		3.67	(10.37)	(15.88)	(4.55)
Total assets	(million yen)	25,945	28,390	25,819	27,026
Net assets	(million yen)	16,217	15,152	13,501	13,087
Net assets per share	(yen)	147.84	135.90	118.81	113.63

(Note) The Company conducted a stock split 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 8th fiscal year.

(6) 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

(7) 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, a shopping service for purchasers, online payment services and funding services.

The Company operates the BASE Business, which provides the online shop creation service “BASE,” the shopping service for purchasers “Pay ID” and its consolidated subsidiary PAY, Inc. operates the PAY.JP 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 shop owners* using BASE.

Through these services, the Group focuses on empowering individuals and small teams and supporting start-up businesses.

* Online shop operators

(i) BASE Business

BASE is a web service that provides a simple and easy method for users to open online shops. The clientele 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 provided 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 online 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.

Pay ID is a shopping service for purchasers that provides an ID payment function and a shopping app. The ID payment function enables the purchasers to log in with their ID and purchase products smoothly without having to enter their information each time they shop, simply by registering their address and other information with Pay ID. They can register their own credit card for use, and the “Pay Later (Pay ID)” post-pay settlement option also offers a seamless purchase experience that takes only a few taps to complete from login to payment completion. With the shopping app, users can purchase products from shops opened on BASE. The follow function also makes it easy to obtain the latest information and new arrivals from their favorite shops, facilitating repeat purchases at shops they have purchased from before.

(ii) PAY.JP 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 shop owners by purchasing future receivables based on the prediction. The service supports further growth of shops using BASE.

(8) Major business locations

(i) The Company

Name	Location
Head office	Minato-ku, Tokyo

(ii) Subsidiaries

Name	Location
PAY, Inc.	Minato-ku, Tokyo

(9) Employees

Number of employees	Year-on-year change	Average age	Average years of service
274	Increased by 8	34.3 years old	2.8 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 (1 person).

2. Shares of the Company (as of December 31, 2023)

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

(2) Total number of shares issued and outstanding 115,177,929
(excluding 19,894 treasury shares)

(3) Number of shareholders at the end of the fiscal year ended December 31, 2023 37,897

(4) Major shareholders (top 10)

Name	Shares held	Shareholding ratio (%)
Yuta Tsuruoka	17,926,151	15.56
MARUI GROUP CO., LTD.	6,306,000	5.47
SBI SECURITIES Co., Ltd.	4,697,700	4.07
MORGAN STANLEY SMITH BARNEY LLC CLIENTS FULLY PAID SEG ACCOUNT	2,709,883	2.35
Ueda Yagi Tanshi Co., Ltd.	2,646,300	2.29
STATE STREET BANK AND TRUST COMPANY 505001	2,641,420	2.29
THE BANK OF NEW YORK MELLON 140051	2,585,000	2.24
CyberAgent, Inc.	2,255,000	1.95
THE BANK OF NEW YORK 133612	1,899,200	1.64
SAJAP	1,348,400	1.17

(Note) The shareholding ratio is calculated excluding treasury shares (19,894 shares) and rounded down to two decimal places.

(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)	91,104 shares	2 persons
Outside Directors	24,556 shares	2 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	31	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)	62,000 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, 2023)

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

- (Notes) 1. Directors Masayuki Shimura 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. 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.
6. Director Michi Iijima resigned from the position of Auditor at the conclusion of the 10th Annual General Meeting of Shareholders held on March 24, 2023.
7. 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
Nao Takahashi	Senior Executive Officer

(2) Overview of limited liability agreement

The Company has entered into agreements with Outside Directors Masayuki Shimura 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

The Company has entered into indemnity agreements with Mr. Yuta Tsuruoka, Mr. Ken Harada, Mr. Masayuki Shimura, 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 (Outside Directors)	5 (3)	78 million yen (17 million yen)	47 million yen (9 million yen)	31 million yen (8 million yen)
Auditors (Outside Auditors)	3 (3)	22 million yen (22 million yen)	22 million yen (22 million yen)	— million yen (— million yen)
Total (Outside Directors/Auditors)	8 (6)	101 million yen (40 million yen)	69 million yen (31 million yen)	31 million yen (8 million yen)

(Notes) 1. The above amounts include the remuneration paid during the term of one Director who retired at the closing of the 10th Annual General Meeting of Shareholders held on March 24, 2023.

2. The above amounts of non-monetary remuneration (restricted share-based remuneration) represent the amounts expensed 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 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 an attorney 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 20 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	Misa Matsuzaki	She attended all 20 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 20 meetings of the Board of Directors and all 18 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 19 of the 20 meetings of the Board of Directors and 17 of the 18 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 all 20 meetings of the Board of Directors and all 18 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	37 million yen
Total amount of cash and other financial benefits to be paid by the Company and its subsidiaries	37 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 Department 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 20 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 18 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, 2023)

(Million yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	36,965	Current liabilities	24,244
Cash and deposits	22,227	Accounts payable - trade	13,215
Accounts receivable - other	13,821	Deposits received - trade	10,299
Other	1,117	Provision for chargeback	7
Allowance for doubtful accounts	(200)	Contract liabilities	115
Non-current assets	331	Other	606
Property, plant and equipment	—	Non-current liabilities	52
Intangible assets	—	Total liabilities	24,297
Investments and other assets	331	Net assets	
Investment securities	36	Shareholders' equity	12,995
Other	295	Capital stock	8,669
		Capital surplus	4,933
		Retained earnings	(606)
		Treasury shares	(0)
		Accumulated other comprehensive income	5
		Valuation difference on available-for-sale securities	5
		Total net assets	13,000
Total assets	37,297	Total liabilities and net assets	37,297

Consolidated Statement of Income (January 1, 2023 - December 31, 2023)

(Million yen)

Item	Amount	
Net sales		11,680
Cost of sales		6,647
Gross profit		5,033
Selling, general and administrative expenses		5,458
Operating loss		(425)
Non-operating income		
Interest income	0	
Commission income	6	
Insurance claim income	6	
Lecturer's fee income	5	
Other	1	21
Non-operating expenses		
Exchange loss	0	
Share issuance cost	0	
Commitment fee	3	4
Ordinary loss		(409)
Extraordinary loss		
Impairment losses	130	
Loss on valuation of investment securities	63	193
Loss before income taxes		(602)
Income taxes - current	4	4
Net loss		(606)
Loss attributable to owners of parent		(606)

Consolidated Statement of Changes in Equity
(January 1, 2023 - December 31, 2023)

(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	8,614	0	7,424	(2,545)	(0)	13,494
Changes in items during period						
Issuance of new shares	54	(0)	54			107
Deficit disposition			(2,545)	2,545		—
Net loss attributable to owners of parent				(606)		(606)
Net changes in items other than shareholders' equity						
Total changes in items during period	54	(0)	(2,491)	1,938	—	(498)
Balance at end of current period	8,669	—	4,933	(606)	(0)	12,995

	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	6	6	13,501
Changes in items during period			
Issuance of new shares			107
Deficit disposition			—
Net loss attributable to owners of parent			(606)
Net changes in items other than shareholders' equity	(1)	(1)	(1)
Total changes in items during period	(1)	(1)	(500)
Balance at end of current period	5	5	13,000

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.

(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 3-20 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.JP 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 Presentation

(Consolidated Statement of Income)

For the previous consolidated fiscal year, sponsorship (money) income (in the amount of 2 million yen in the previous consolidated fiscal year) was presented separately. For the consolidated fiscal year ended December 31, 2023, sponsorship (money) income is included in “Other” under “Non-operating income” because its amount became insignificant.

3. Notes on Accounting Estimates

Valuation of unlisted securities

(i) Amounts of securities posted on the consolidated financial statements for the fiscal year under review

Investment securities 7 million yen

Loss on valuation of investment securities 63 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.

4. Notes on Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 161 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	— million yen
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.

5. Notes on Consolidated Statement of Income

Impairment losses

During the consolidated fiscal year ended December 31, 2023, 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	4
		Other (Tools, furniture and fixtures)	50
		Investments and other assets	75
Total			130

(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, 2023, 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.

6. 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	113,631,964	1,565,859	—	115,197,823

(Note) Outline of causes for changes

Increase due to issuance of new shares following exercise of share acquisition rights	1,242,000 shares
Increase due to issuance of new shares as restricted stock-based compensation	323,859 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 2,126,000 shares

7. 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
Investment securities	28	28	—

(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 “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.	7

(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	22,227	—	—	—
Accounts receivable - other	13,821	—	—	—
Total	36,049	—	—	—

(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

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	28	—	—	28
Total	28	—	—	28

(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

	Securities and investment securities
Beginning balance	66
Profit or loss or other comprehensive income for the period	
Recorded in profit or loss (*)	(52)
Recorded in other comprehensive income	(13)
Ending balance	—

(*) Included in “Loss on valuation of investment securities” of “Extraordinary loss” in the consolidated statement of income.

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.

8. Notes on Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

(Million yen)

	BASE Business	PAY.JP Business	Other Business	Total
Goods or services transferred at a point in time	7,323	3,578	25	10,927
Goods or services transferred over time	318	28	—	347
Revenue from contracts with customers	7,642	3,606	25	11,274
Revenue from other sources	123	0	282	405
Net sales to external customers	7,765	3,606	308	11,680

(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	115

(Note) Contract liabilities primarily relate to the Monthly-Fee Plan. Contract liabilities are reversed as revenue is recognized.

(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.

9. Notes on Per Share Information

- | | |
|--------------------------|------------|
| (1) Net assets per share | 112.87 yen |
| (2) Net loss per share | (5.31) yen |

Non-consolidated Statement of Income (January 1, 2023 - December 31, 2023)

(Million yen)

Item	Amount	
Net sales		8,073
Cost of sales		3,364
Gross profit		4,708
Selling, general and administrative expenses		5,048
Operating loss		(339)
Non-operating income		
Interest income	1	
Commission income	6	
Insurance claim income	6	
Lecturer's fee income	5	
Other	1	21
Non-operating expenses		
Exchange loss	0	
Share issuance cost	0	
Commitment fee	3	4
Ordinary loss		(322)
Extraordinary loss		
Loss on valuation of investment securities	63	
Impairment losses	130	193
Loss before income taxes		(516)
Income taxes - current	3	3
Net loss		(520)

Non-consolidated Statement of Changes in Equity
(January 1, 2023 - December 31, 2023)

(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	8,614	0	62	7,362	7,424	(2,545)	(2,545)	(0)	13,494
Changes in items during period									
Issuance of new shares	54	(0)	54		54				107
Deficit disposition				(2,545)	(2,545)	2,545	2,545		—
Net loss						(520)	(520)		(520)
Net changes in items other than shareholders' equity									
Total changes in items during period	54	(0)	54	(2,545)	(2,491)	2,025	2,025	—	(412)
Balance at end of current period	8,669	—	116	4,817	4,933	(520)	(520)	(0)	13,082

	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	6	6	13,501
Changes in items during period			
Issuance of new shares			107
Deficit disposition			—
Net loss			(520)
Net changes in items other than shareholders' equity	(1)	(1)	(1)
Total changes in items during period	(1)	(1)	(414)
Balance at end of current period	5	5	13,087

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 3-20 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 Presentation

(Non-consolidated Statement of Income)

For the previous fiscal year, sponsorship (money) income (in the amount of 2 million yen in the previous fiscal year) was presented separately. For the fiscal year ended December 31, 2023, sponsorship (money) income is included in “Other” under “Non-operating income” because its amount became insignificant.

3. 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 | 246 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 unlisted securities

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

Investment securities	7 million yen
Loss on valuation of investment securities	63 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 “3. Notes on Accounting Estimates” in Notes to the Consolidated Financial Statements.

4. Notes on Non-consolidated Balance Sheet

- (1) Accumulated depreciation of property, plant and equipment 161 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	— million yen
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.

(3) Monetary claims and monetary obligations to subsidiaries and associates
Short-term monetary claims to subsidiaries and associates 88 million yen

(4) Guarantee Obligations
The Company provided guarantees of the following subsidiary to its business partners.
PAY, Inc. 2,424 million yen

5. Notes on Non-consolidated Statement of Income

Amount of transactions with subsidiaries and associates
Amount of transactions from transactions other than operating transactions 1 million yen

6. 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 19,894 shares

7. 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.

8. 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	257	—	—
				Collecting loans	257		
				Receiving interest (Note 1)	1		
				Guarantee (Note 2)	2,424	—	—

(Note 1) The Company makes decisions on lending funds taking into account the market interest rates.

(Note 2) The guarantees relate to the obligations of our business partners. The transaction amount is the guaranteed balance at the end of the current period. The Company does not receive any guarantee fees.

(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 15.5%	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.

9. Notes on Per Share Information

(1) Net assets per share 113.63 yen
(2) Net loss per share (4.55) yen

Independent Auditor's Audit Report on the Consolidated Financial Statements

Independent Auditor's Report

February 13, 2024

To: The Board of Directors of
BASE, Inc.

KPMG AZSA LLC
Tokyo Office

Hiroto Yamane
Certified Public Accountant
Designated Limited Liability Partner
Engagement Partner

Masateru Sadakuni
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 the consolidated financial statements for the consolidated fiscal year from January 1, 2023 to December 31, 2023.

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 13, 2024

To: The Board of Directors of
BASE, Inc.

KPMG AZSA LLC
Tokyo Office

Hiroto Yamane
Certified Public Accountant
Designated Limited Liability Partner
Engagement Partner

Masateru Sadakuni
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 the non-consolidated financial statements, and supplementary schedules attached thereto (hereafter the "financial statements") for the 11th fiscal year from January 1, 2023 to December 31, 2023.

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 11th fiscal year from January 1, 2023 to December 31, 2023, 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" (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 the 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 the 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 15, 2024

Board of Auditors, BASE, Inc.

Fumio Utagawa, Full-time Auditor (Outside Auditor)

Yohei Yamaguchi, Outside Auditor

Chie Hoshi, Outside Auditor

END