

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.



June 18, 2024

To Whom it May Concern:

Company name: BASE, Inc.
Representative: Representative Director and CEO Yuta Tsuruoka
(Code number: 4477, Tokyo Stock Exchange Growth Market)
Inquiries: Director and CFO Ken Harada
TEL 03-6441-2075

“BASE” Launches AI-Based Future Receivables Factoring for Group Businesses
“PAY.JP YELL BANK”, a fundraising service for “PAY.JP” merchants.

BASE, Inc. (Location: Minato-ku, Tokyo; CEO: Yuta Tsuruoka; hereafter BASE Group), operator of the online store creation service “BASE”, has launched a new service “PAY.JP YELL BANK” for an online payment service “PAY.JP” merchants on June 18 (Tuesday). “YELL BANK” is a factoring service provided to “BASE” stores.

“YELL BANK” automatically evaluates future receivables by using AI based on the stores’ data of BASE Group, which enables stores to fundraise instantly without prior screening or procedures.

Although this service is expected to have a certain degree of impact on our business performance for the fiscal year ending December 31, 2024, and beyond, it is difficult to quantify the degree of impact currently, and we plan to explain this in our earnings disclosure at an appropriate time in the future.

PAY.JP YELL BANK

■ About “YELL BANK”

“YELL BANK” automatically predicts future receivables and displays them on the administration screen, eliminating preliminary screening such as identity verification and document submissions in conventional financing services, thereby achieving “speedy financing” that has never been seen before.

The future receivables are evaluated using a proprietary algorithm based on sales and operational performance through our services, so users can focus on their businesses even in situations where funds are suddenly needed.

As well as being used as a means of raising funds, “YELL BANK” can be recognized alongside other financing services to help maintain a more secure business environment in the event of emergency financing needs.

■ Background of the launch of “PAY.JP YELL BANK”

“YELL BANK” is a factoring service for future receivables, in which AI evaluates future receivables based on user data held by the Group and purchases those receivables, and was launched in December 2018 for stores using “BASE”.

Since then, the amount raised and the number of unique users has increased, and currently more than 70% of the stores that have used “YELL BANK” are repeat users (actual results for 2022).

The funds raised are used to solve the store's cash flow challenges and for a wide range of purposes including the development of new goods and promotional activities such as advertisement placement.

Based on the data and operational performance of “YELL BANK” that has been used by “BASE” stores, our group has been planning to expand the service to “PAY.JP” merchants. Since a proof-of-concept test was conducted in January 2024 and it was expected to provide added value to the demand for funds, we have decided to launch “PAY.JP YELL BANK”.

■ Outline of “PAY.JP YELL BANK”

Date of service: June 18, 2024 (Tuesday)

Target: “PAY.JP” merchants

U R L: <https://pay.jp/yellbank>

Fees: 1-20% of the amount raised

< Fundraising Process >

- (1) No screening is required. The amount of future receivables evaluated by the AI based on the merchant's actual usage is displayed on the administration screen as the maximum amount that can be raised.
- (2) Enter the amount you wish to procure within the limit.
- (3) Confirm the post-procurement flow with the procurement simulation and complete the procurement by clicking “Fundraise” on the application screen.

The amount of funds raised will be credited to the registered bank account on the same day at the earliest.

<Payments from merchants to “PAY.JP YELL BANK” after fundraising>

The fee is automatically deducted from the merchant’s sales at the payment rate, so no procedures are required to the merchants.

The payment period is until the total amount of future receivables is repurchased by the merchants. If there are no sales after financing, “PAY.JP YELL BANK” bears the risk, so merchants do not need to make payments to “YELL BANK” until sales are generated.

■ **Survey of “PAY.JP” merchants’ financing**

We conducted a survey of “PAY.JP” merchants’ cash management and found that 51.6% of the merchants reported cash management issues.

There were various challenges including the repayment of existing debt due to COVID-19.

There was seasonality, business model issues, purchasing cycle, and financing methods among the challenges the merchants faced. And there is potential to support many merchants through a system that eliminates those issues.

It was noted that some merchants have not recovered from the effects of COVID-19.

Working capital is the No. 1 use of funds for current operations, and the No. 1 potential needs of funds that have been considered is for the development of goods and services.

The survey on the use of funds showed that the NO.1 use of funds is "working capital." On the other hand, the NO.1 potential needs of funds that they have considered is "product and service development." That indicates that those users could create more value through product and service development if more funds are available.

50% of merchants know about “factoring”

The awareness rate of "factoring" as a financing method is 50%, but 10% of all merchants "did not know about it but would like to use it," indicating that there is a certain potential need that could be met by informing them about it.

Based on the above survey results, we believe that there is a large area where “PAY.JP YELL BANK” can provide support in the future, as a speedy and secure financing service promoting the growth of services.

“PAY.JP YELL BANK” will continue to catch up with the financing needs of “PAY.JP” merchants and refine its fundraising scheme, such as "speed" and "secure system," which can only be realized through a platform that is close to the merchants' businesses.

And by eliminating financing issues, we will create a business environment in which merchants can focus on providing their own value.

End of document