

**Translation**

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**Consolidated Financial Results**  
**for the Nine Months Ended December 31, 2021**  
**(under IFRS)**

February 14, 2022

Company name: Net Protections Holdings, Inc. Listing: Tokyo Stock Exchange  
Security code: 7383 URL: <https://corp.netprotections.com/en/>  
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Scheduled date to file quarterly securities report: February 14, 2022  
Scheduled date to commence dividend payments: –  
Preparation of supplementary material on quarterly financial results: Yes  
Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

(Note) Amounts less than one million yen are rounded down to the nearest million yen.

1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

	Total operating revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2021	14,192	4.3	1,095	(14.1)	929	0.1	517	(12.3)
December 31, 2020	13,610	–	1,275	–	928	–	590	–

	EBITDA*		Adjusted EBITDA*		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended						
December 31, 2021	2,099	(6.2)	2,602	9.8	5.89	5.74
December 31, 2020	2,238	–	2,370	–	7.51	6.91

\* EBITDA = Operating profit + Depreciation and amortization + Share-based payment expenses + Loss on disposal of fixed assets – Gain from reversal of impairment loss

\* Adjusted EBITDA = EBITDA + IPO-related expenses + Marketing expenses\*

\* Marketing expenses = Sales promotion expenses (excluding agency commissions) + Advertising expenses

Note: As the Company conducted a 1,000-for-1 stock split of common stock effective on September 30, 2021, both basic and diluted earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2021.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of				
December 31, 2021	58,624	18,899	18,899	32.2
March 31, 2021	44,920	10,509	10,509	23.4

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2022	–	0.00	–		
Fiscal year ending March 31, 2022 (forecast)				0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Total operating revenue		Operating profit		Profit before income taxes		Profit		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	19,317	6.7	738	(46.3)	557	(36.2)	268	(53.2)	268	(53.2)

	EBITDA		Adjusted EBITDA		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Fiscal year	2,087	(18.6)	2,964	7.1	2.99

Notes: 1. Revisions to the forecast of consolidated financial results most recently announced: None

2. As the Company conducted a 1,000-for-1 common stock split effective on September 30, 2021, basic earnings per share was calculated based on the total number of shares outstanding after the stock split.

[Notes]

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: 1 company (NP Taiwan, Inc.)

Excluded: None

NP Taiwan, Inc. has been included in the scope of consolidation since it was newly founded during the nine months ended December 31, 2021.

- (2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

- (3) Number of issued shares (common stock)

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

As of December 31, 2021: 96,447,000 shares

As of March 31, 2021: 85,285,000 shares

- 2) Number of treasury shares at the end of the period

As of December 31, 2021: – shares

As of March 31, 2021: – shares

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

Nine months ended December 31, 2021: 87,902,512 shares

Nine months ended December 31, 2020: 78,630,000 shares

Note: As the Company conducted a 1,000-for-1 common stock split effective on September 30, 2021, each number of shares was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2021.

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit firm.

\* [Proper use of earning forecasts, and other special matters]

(Disclaimer on forward-looking statements)

The earnings forecast and other forward-looking statements contained in this report are based on information currently available to us and certain assumptions that we believe are reasonable. Accordingly, we can give no assurance that they will be achieved. Note that actual results may differ significantly from forecast figures due to a number of factors. See “1. Qualitative Information on Quarterly Consolidated Financial Results (3) Explanation of forward-looking information including consolidated earnings forecast” on page 3 of the Attached Materials for the assumptions underlying the earnings forecast and a cautionary note on the use of the earnings forecast.

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## 1. Qualitative Information on Quarterly Consolidated Financial Results

### (1) Explanation of consolidated operating results

During the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021) (the “period under review”), the outlook for Japan’s economic environment still remained uncertain due to the global spread of infections with the Omicron variant of COVID-19.

According to the FY2020 Industrial Economic Research Commissioned Project (E-Commerce Market Survey) by the Ministry of Economy, Trade and Industry released in July 2021, the size of the domestic e-commerce market, in which Net Protections Holdings, Inc. (the “Company”) operates, in 2020 is as follows: the BtoC market valued at 19.3 trillion yen (down 0.43% year on year), the BtoB market valued at 334.9 trillion yen (down 5.1% year on year), and the CtoC market valued at 1.9 trillion yen (up 12.5% year on year).

Under such circumstances, positioning the development of the platform-driven business as a business concept, the Company has focused on building and expanding services for Payment Solutions, namely NP *Atobarai*, *atone*, and *AFTEE* for BtoC transactions as well as NP *Kakebarai* for BtoB transactions.

In operating activities, we have been concentrating our efforts on expanding the profit base since the previous fiscal year. Specifically, we have focused on seeking strategic alliance with business partners who have a top-class network in Japan for transaction settlement and other financial services other than BNPL (Buy Now Pay Later), as well as for retailing. We also have connected our services with those offered by large e-commerce operators and other transaction settlement platform operators. In addition, we have developed a credit screening system that enables instant credit screening using deep learning. All of these efforts helped win and increase new contracts, whereby enabling us to successfully get new merchants. As we deal with tens of thousands of merchants, our business performance does not depend heavily on specific merchants; however, our business structure is susceptible to the fluctuation of the e-commerce and transaction settlement services markets affected by changes in the macro environment. In the beauty and apparel industries in which the main group of merchants using our services for BtoC transactions operate, e-commerce spending significantly increased in 2020, fueled by the COVID-19 pandemic. Following such a significant increase, however, e-commerce spending in these industries in 2021 appears to experience a temporary slowdown. By contrast, sales from services for BtoB transactions remained strong thanks to the recovery of demand from clients who provide purchasing and recruitment services for real stores, caused by the resumption of economic activities at restaurants after the lifting of the state of emergency on October 1, 2021.

Upon the listing on the First Section of the Tokyo Stock Exchange on December 15, 2021, the Company recorded IPO-related expenses (including legal fees) of 269 million yen as operating expenses for the third quarter of the current fiscal year. As a result, we saw a year-on-year increase in revenue and year-on-year decreases in profits during the period under review, with total operating revenue of 14,192 million yen (up 4.3% or 582 million yen year on year), operating profit of 1,095 million yen (down 14.1% or 180 million yen year on year), profit before income taxes of 929 million yen (up 0.1% or 1 million yen year on year), and profit attributable to owners of the parent of 517 million yen (down 12.3% or 72 million yen year on year).

Furthermore, EBITDA and adjusted EBITDA amounted to 2,099 million yen (down 6.2% or 139 million yen year on year) and 2,602 million yen (up 9.8% or 232 million yen year on year), respectively.

As the Company and its subsidiaries (collectively, the “Group”) operate a single segment, Payment Solutions, business performance by segment is not presented.

## **(2) Explanation of consolidated financial position**

### Assets

Total assets at the end of the period under review stood at 58,624 million yen (up 13,704 million yen from the end of the previous fiscal year).

Current assets amounted to 40,858 million yen (up 13,122 million yen from the end of the previous fiscal year). This was mainly attributable to an increase in cash and cash equivalents of 7,201 million yen as a result of a capital increase through a third-party allotment and a public offering as well as an increase in trade and other receivables of 5,909 million yen primarily as a result of an increase in transaction volume.

Non-current assets amounted to 17,765 million yen (up 582 million yen from the end of the previous fiscal year). This was mainly attributable to an increase in property, plant and equipment of 637 million yen as a result of an increase in right-of-use assets under a renewed lease agreement pertaining to the head office.

### Liabilities

Total liabilities at the end of the period under review stood at 39,725 million yen (up 5,314 million yen from the end of the previous fiscal year).

Current liabilities amounted to 33,189 million yen (up 5,146 million yen from the end of the previous fiscal year). This was mainly attributable to an increase in trade and other payables of 7,250 million yen as a result of an increase in transaction volume, which was partially offset by a decrease in other financial liabilities of 2,057 million yen primarily as a result of the redemption of debt instruments.

Non-current liabilities amounted to 6,535 million yen (up 168 million yen from the end of the previous fiscal year). This was attributable to an increase in long-term lease liabilities of 403 million yen in total as a result of the renewed lease agreement pertaining to the head office, which was partially offset by a decrease in long-term loans of 235 million yen as a result of the scheduled repayments of term loans.

### Equity

Total equity at the end of the period under review stood at 18,899 million yen (up 8,389 million yen from the end of the previous fiscal year). This was mainly attributable to increases in share capital and capital surplus of 7,860 million yen in total as a result of a capital increase through the third-party allotment and the public offering as well as an increase in retained earnings of 517 million yen as a result of the recording of profit attributable to owners of the parent.

## **(3) Explanation of forward-looking information including consolidated earnings forecast**

There is no change in the details of “Notice of the Company’s Financial Results, etc. in Association with the Listing on the First Section of the Tokyo Stock Exchange,” which was announced on December 15, 2021 (available in Japanese only).

## 2. Condensed Quarterly Consolidated Financial Statements and Major Notes

### (1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	8,304	15,505
Trade and other receivables	19,157	25,066
Inventories	19	20
Other current receivables	255	266
Total current assets	27,736	40,858
Non-current assets		
Property, plant and equipment	403	1,040
Goodwill	11,608	11,608
Intangible assets	3,516	3,527
Other financial assets	771	731
Deferred tax assets	685	700
Other non-current assets	198	156
Total non-current assets	17,183	17,765
Total assets	44,920	58,624

	As of March 31, 2021	As of December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	23,989	31,239
Short-term loans	500	500
Lease liabilities	99	393
Other current financial liabilities	2,075	17
Income taxes payable	612	129
Provisions	61	59
Liabilities for employee benefits	294	340
Other current liabilities	410	508
Total current liabilities	28,043	33,189
Non-current liabilities		
Long-term loans	6,265	6,029
Lease liabilities	20	424
Provisions	80	81
Total non-current liabilities	6,366	6,535
Total liabilities	34,410	39,725
Equity		
Share capital	100	4,095
Capital surplus	10,179	14,044
Retained earnings	230	748
Other components of equity	—	11
Total equity attributable to owners of the parent	10,509	18,899
Total equity	10,509	18,899
Total liabilities and equity	44,920	58,624

(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income

Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Revenue	13,300	13,852
Other operating revenue	309	339
Total operating revenue	13,610	14,192
Operating expenses	(12,334)	(13,096)
Operating profit	1,275	1,095
Financial income	0	0
Financial costs	(347)	(166)
Profit before income taxes	928	929
Income tax expense	(337)	(411)
Profit	590	517
Profit attributable to:		
Owners of the parent	590	517
Profit	590	517
Earnings per share		
Basic earnings per share (yen)	7.51	5.89
Diluted earnings per share (yen)	6.91	5.74



Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Profit	590	517
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	—	11
Total of items that may be reclassified to profit or loss	—	11
Other comprehensive income	—	11
Comprehensive income	590	528
Comprehensive income attributable to:		
Owners of the parent	590	528
Comprehensive income	590	528

## (3) Condensed quarterly consolidated statement of changes in equity

For the nine months ended December 31, 2020

(Millions of yen)

	Equity attributable to owners of the parent					Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Total	
Balance as of April 1, 2020	100	5,684	(343)	—	5,440	5,440
Profit	—	—	590	—	590	590
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	590	—	590	590
Issuance of new preferred shares	—	11	—	—	11	11
Share-based payments	—	10	—	—	10	10
Total transactions with owners	—	21	—	—	21	21
Balance as of December 31, 2020	100	5,706	246	—	6,052	6,052

For the nine months ended December 31, 2021

(Millions of yen)

	Equity attributable to owners of the parent					Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Total	
Balance as of April 1, 2021	100	10,179	230	—	10,509	10,509
Profit	—	—	517	—	517	517
Other comprehensive income	—	—	—	11	11	11
Total comprehensive income	—	—	517	11	528	528
Issuance of new shares	3,995	3,859	—	—	7,854	7,854
Share-based payments	—	6	—	—	6	6
Total transactions with owners	3,995	3,865	—	—	7,860	7,860
Balance as of December 31, 2021	4,095	14,044	748	11	18,899	18,899

(5) Notes regarding condensed quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Trade receivables)

The breakdown of receivables arising from contracts with customers is as follows:

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Receivables arising from contracts with customers		
Trade receivables	12	12
Other trade receivables	23,893	29,841
Allowance for doubtful accounts	(4,749)	(4,788)
Total	19,157	25,066

(Operating expenses)

The breakdown of operating expenses is as follows:

(Millions of yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Collection expense	4,045	3,991
Bad debt expense	787	1,825
Invoicing expense	1,740	1,650
Depreciation and amortization	929	981
Consignment expense	637	725
Salaries	642	714
Sales promotion expenses	620	557
Operating and maintenance expenses	370	364
Wages	243	273
IPO-related expenses	11	269
Loss on sales of trade receivables (Note 1)	224	244
Taxes and dues	218	211
Advertising expenses	77	157
Legal welfare expenses	125	138
Bonuses	108	119
Maintenance cost	88	88
Recruiting expenses	57	78
Allowance for doubtful accounts (addition)	825	25
Other	579	676
Total	12,334	13,096

Notes: 1. For other trade receivables for *NP Kakebarai*, the Group sold trade receivables that are no longer expected to be collected through normal collection procedures by internal reminders and outsourcing, and recognized loss on sales of trade receivables at the time of selling.