

Translation

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## Consolidated Financial Results for the Three Months Ended June 30, 2022 (under IFRS)

August 12, 2022

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 Scheduled date to file Quarterly Securities Report: August 12, 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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

#### (1) Consolidated operating results (Percentages indicate year-on-year changes.)

	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	%
Three months ended June 30, 2022	4,586	(0.4)	58	(87.0)	41	(88.9)	(14)	–
June 30, 2021	4,604	–	448	–	378	–	236	–

  

	EBITDA* (non-GAAP)		Adjusted EBITDA* (non-GAAP)		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended June 30, 2022	411	(48.0)	572	(32.8)	(0.15)	(0.15)
June 30, 2021	791	–	852	–	2.77	2.56

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, 2022.

#### (2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2022	52,850	18,673	18,673	35.3
March 31, 2022	53,037	18,642	18,642	35.2

### 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, 2022	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (forecast)		0.00	–	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, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	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	%
First six months	10,053	9.1	(103)	—	(136)	—	(335)	—
Fiscal year	21,436	14.8	457	(49.0)	395	(37.3)	11	(95.1)

	EBITDA (non-GAAP)		Adjusted EBITDA (non-GAAP)		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
First six months	589	(62.3)	1,261	(25.8)	(3.48)
Fiscal year	1,890	(15.8)	2,924	(2.5)	0.12

Notes: 1. Revisions to the forecast of consolidated financial results most recently announced: None  
2. For the average number of shares outstanding during the period that forms the basis for calculating “Basic earnings per share,” the number of shares issued (excluding treasury shares) as of March 31, 2022 is used as a substitute.

[Notes]

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(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 the 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 June 30, 2022: 96,454,000 shares

As of March 31, 2022: 96,447,000 shares

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

As of June 30, 2022: — shares

As of March 31, 2022: — shares

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

Three months ended June 30, 2022: 96,451,703 shares

Three months ended June 30, 2021: 85,515,989 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, 2022.

(4) Non-GAAP performance measures

The Company additionally discloses non-GAAP performance measures that are not prescribed by IFRS, the accounting standards applied by the Company, as we believe that such measures are useful for investors to assess the Group’s operating performance.

Non-GAAP performance measure	Description
EBITDA	Operating profit + (Depreciation and amortization + Share-based payment expenses + Loss on disposal of property, plant and equipment + Impairment loss – Gain from reversal of impairment losses)
Adjusted EBITDA	EBITDA + IPO-related expenses + Marketing expenses*
*Marketing expense	Sales promotion expenses (excluding agency commissions) + Advertising expenses

\* 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.

(How to obtain supplementary material on financial results and the details of the financial results briefing)

The Company will promptly post the supplementary material on financial results and the details of the financial results briefing on our website (<https://corp.netprotections.com/ir/>) after the briefing.

## Contents of Attached Materials

1. Qualitative Information on Quarterly Consolidated Financial Results	2
(1) Status of operating results	2
(2) Status of financial position	5
(3) Explanation of forward-looking information including consolidated earnings forecast	5
2. Condensed Quarterly Consolidated Financial Statements and Major Notes	6
(1) Condensed quarterly consolidated statement of financial position	6
(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income	8
(3) Condensed quarterly consolidated statement of changes in equity	10
(4) Condensed quarterly consolidated statement of cash flows	11
(5) Notes to condensed quarterly consolidated financial statements	12
(Going concern assumption)	12
(Segment information)	12
(Trade receivables)	12
(Operating expenses)	12

# 1. Qualitative Information on Quarterly Consolidated Financial Results

## (1) Status of operating results

The operating results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) were as follows:

(Millions of yen, unless otherwise indicated)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Percentage change (%)
Total operating revenue	4,604	4,586	(0.4)
Operating profit	448	58	(87.0)
Profit before income taxes	378	41	(88.9)
Profit attributable or (loss) to owners of parent	236	(14)	–

Business performance by segment is not presented as the Company and its subsidiaries (collectively, the “Group”) operate a single segment, Payment Solutions. The Group, nevertheless, discloses its key performance indicators by type of services to the extent possible. The Group’s services are divided into the following two types: services for BtoC transactions (under the brand names of NP *Atobarai*, *atone*, *AFTEE*, etc.; hereinafter, the “BtoC Services”) and services for BtoB transactions (under the brand name of NP *Kakebarai*; hereinafter, the “BtoB Services”). The key performance indicators by type of services are as shown below.

(Millions of yen, unless otherwise indicated)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Percentage change (%)
GMV (non-GAAP)	112,857	118,700	5.2
BtoC Services	90,209	88,864	(1.5)
BtoB Services	22,648	29,835	31.7
Total operating revenue	4,604	4,586	(0.4)
BtoC Services	4,056	3,916	(3.5)
BtoB Services	547	669	22.3
– Other operating revenue	122	155	27.5
Revenue	4,482	4,430	(1.2)
– Invoicing related expenses (non-GAAP)	1,867	1,808	(3.2)
– Bad debt related expenses (non-GAAP)	648	695	7.3
– Other payment related expenses (non-GAAP)	78	93	19.3
Gross profit (non-GAAP)	1,888	1,833	(2.9)
BtoC Services	1,540	1,407	(8.6)
BtoB Services	348	425	22.2
– SG&A and other operating expenses (non-GAAP)	1,562	1,931	23.6
Operating profit	448	58	(87.0)
+ Depreciation and amortization	337	340	1.0
+ Share-based payment expenses	2	0	(58.6)
+ Loss on disposal of property, plant and equipment	4	12	179.5
+ Impairment loss	–	–	–
– Gain from reversal of impairment losses	–	–	–
EBITDA (non-GAAP)	791	411	(48.0)
+ IPO-related expenses	4	–	–
+ Marketing expenses (non-GAAP)	55	160	187.9
Adjusted EBITDA (non-GAAP)	852	572	(32.8)

Note: The Company additionally discloses non-GAAP performance measures that are not prescribed by International Financial Reporting Standards (the “IFRS”), the accounting standards applied by the Company, as we believe that such measures are useful for investors to assess the Group’s operating performance.

Non-GAAP performance measure	Description
GMV	Gross merchandise value for the Group’s payment services
Invoicing related expenses	Collection expense + Invoicing expense, primarily the amount of expenses incurred per invoice
Bad debt related expenses	Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade receivables, primarily the expenses incurred in proportion to the amount of invoice
Other payment related expenses	Other expenses required for providing payment services, including credit screening costs and NP point expenses
Gross profit	Revenue - (invoicing related expenses + bad debt related expenses + other payment-related expenses)
SG&A and other operating expenses	Operating expenses – (invoicing related expenses + bad debt related expenses + other payment-related expenses)
EBITDA	Operating profit + (Depreciation and amortization + Share-based payment expenses + Loss on disposal of property, plant and equipment + Impairment loss – Gain from reversal of impairment losses)
Marketing expenses	Sales promotion expenses (excluding agency commissions) + Advertising expenses
Adjusted EBITDA	EBITDA + IPO-related expenses + Marketing expenses

Given the Group serves tens of thousands of merchants, our business structure makes us less dependent on specific merchants, but are susceptible to changes in the e-commerce and payment markets impacted by changes in the macro environment.

#### *Notes on GMV*

GMV increased 5.2% year on year (down 1.5% year on year for the BtoC Services, and up 31.7% year on year for the BtoB Services). Main drivers/impediments for the BtoC Services are as follows:

- GMV of merchants that newly adopted our services remained firm.
- In response to the partial amendments to the PMD Act (formally known as the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices) in August 2021, existing merchants in the beauty and health related industries reduced the placement of new advertisements, resulting in a decline in GMV.
- The growth of e-commerce (EC) channels slowed down as the restrictions on activities, imposed in the wake of the COVID-19 pandemic, were eased, and, as a result, consumers shifted away from EC channels to offline retailers.

Main drivers/impediments for the BtoB Services are as follows:

- Growth of GMV for the merchants serving the food and beverage industry with the easing of restrictions on activities imposed in the wake of the COVID-19 pandemic.

#### *Notes on total operating revenue*

Total operating revenue decreased 0.4% year on year (down 3.5% year on year for the BtoC Services, and up 22.3% year on year for the BtoB Services). Main drivers/impediments are as follows:

- A decline in the ratio of total operating revenue to GMV as a result of the growth of the BtoB Services which are comparatively lower in the ratio of operating revenue to GMV than the BtoC Services
- Volume discount as a result of the acquisition of large merchants which contribute significantly to GMV

Note that operating revenue consists of the following two types of fees: “Service fees” which are charged primarily in proportion to the amount billed, and “Invoicing and postal fees” which are the fixed amount charged per invoice. The BtoB services are larger in the amount billed per invoice, and accordingly, the percentage of invoicing and postal fees in operating revenue is smaller. For this reason, the BtoB Services are comparatively lower in the ratio of operating revenue to GMV than the BtoC Services. Meanwhile, the amount of invoicing and postal fees, which are recognized as invoicing related expenses, is almost equal between the two types of services, causing little impact on gross profit for both services.

#### *Notes on gross profit*

Gross profit decreased 2.9% year on year (down 8.6% year on year for the BtoC Services, and up 22.2% year on year for the BtoB Services). Main drivers/impediments are as follows:

- Allowance for doubtful accounts was increased as there have been some changes in collection status of receivables

*Notes on operating profit and adjusted EBITDA*

Operating profit decreased 87.0% year on year, while adjusted EBITDA decreased 32.8% year on year.

Main drivers/impediments are as follows:

- Increase in personnel and consignment expenses resulting from the reinforcement of sales force
- Enhancement of marketing measures

All of these expenses were upfront investment made within the scope of our plan to expand GMV.

(2) Status of financial position

(Millions of yen, unless otherwise indicated)

	Fiscal year ended March 31, 2022	Three months ended June 30, 2022	Change	Percentage change (%)
Total assets	53,037	52,850	(187)	(0.4)
Total current assets	34,631	34,008	(623)	(1.8)
Total non-current assets	18,405	18,841	436	2.4
Total liabilities	34,394	34,176	(217)	(0.6)
Total current liabilities	29,039	28,814	(225)	(0.8)
Total non-current liabilities	5,354	5,362	8	0.2
Total equity	18,642	18,673	30	0.2

Current assets as of June 30, 2022 decreased 623 million yen from the end of the previous fiscal year. This was attributable mainly to an increase in trade and other receivables of 223 million yen due in part to an increase in transaction volume, etc., and 854 million yen decrease in cash and cash equivalents resulting from payment of income taxes and acquisition of marketable securities, etc.

Non-current assets increased 436 million yen from the end of the previous fiscal year. This was attributable mainly to a 327 million yen increase in other financial assets due in part to the acquisition of marketable securities.

Current liabilities decreased 225 million yen from the end of the previous fiscal year. This was attributable mainly to a 526 million yen increase in trade and other payables resulting from an increase in transaction volume, etc., and a 767 million yen decrease in income taxes payable due in part to payment of income taxes.

Of the Group's current assets, trade and other receivables (before deduction of allowance for doubtful accounts) of 27,357 million yen represent primarily the receivables from end users who used our payment services. Of the Group's current liabilities, trade and other payables of 27,487 million yen represent primarily the payables to merchants. The Group's trade receivables and payables are well-balanced in the short term, backed by appropriately timed cycles of collection and payment from end users and to merchants, respectively. This implies that the Group has a limited need for raising additional working capital required for business expansion. It can therefore be said that it is structurally less susceptible to the impact of rising interest rates. As payments to merchants for whom we provide payment services are paid mostly on Fridays, the ending balance varies depending on what day of the week is the last day of the reporting period.

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

We plan to reprice our NP *Atobarai* and NP *Kakebarai* services from September 2022. The Group receives transaction and invoicing fees from merchants, and in response to the convenience store sector's plan to raise fees for collection agency services due to the recent labor shortage and other factors, the Group has no choice but to implement a price revision for invoicing fees. Although our take rate (the ratio of revenue to GMV) will increase, we expect the impact on profitability (gross profit) to be limited.

The price revision could affect GMV as it passes on price increases to end users, and as a consequence, may lead to a decline in the percentage of consumers who use our payment services. Accurate projection of such an impact is difficult at the moment, although the Group has factored the potential impact into its earnings forecast.

To mitigate the impact, the Group plans to start offering an electronic barcode billing feature in September 2022. With the electronic barcode billing feature, we can provide our services at lower prices than before the price revision, as we no longer need to issue and send paper invoices and can curtail printing and postal costs, as well as enhance convenience for end users.

Note that no revisions were made to the consolidated earnings forecast announced on May 13, 2022.

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

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

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	12,119	11,264
Trade and other receivables	22,019	22,242
Inventories	19	16
Other current receivables	473	484
Total current assets	34,631	34,008
Non-current assets		
Property, plant and equipment	982	1,019
Goodwill	11,608	11,608
Intangible assets	3,566	3,643
Other financial assets	740	1,067
Deferred tax assets	1,333	1,343
Other non-current assets	173	158
Total non-current assets	18,405	18,841
Total assets	53,037	52,850



	As of March 31, 2022	As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	26,960	27,487
Lease liabilities	397	402
Other current financial liabilities	5	9
Income taxes payable	816	48
Provisions	40	30
Liabilities for employee benefits	353	376
Other current liabilities	465	459
Total current liabilities	29,039	28,814
Non-current liabilities		
Long-term loans	4,955	4,957
Lease liabilities	330	320
Provisions	69	84
Total non-current liabilities	5,354	5,362
Total liabilities	34,394	34,176
Equity		
Share capital	4,095	4,095
Capital surplus	14,046	14,047
Retained earnings	466	451
Other components of equity	34	78
Total equity attributable to owners of parent	18,642	18,673
Total equity	18,642	18,673
Total liabilities and equity	53,037	52,850

(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 three months ended June 30, 2021	For the three months ended June 30, 2022
Revenue	4,482	4,430
Other operating revenue	122	155
Total operating revenue	4,604	4,586
Operating expenses	(4,156)	(4,528)
Operating profit	448	58
Financial income	0	0
Financial costs	(69)	(16)
Profit before income taxes	378	41
Income tax expense	(141)	(56)
Profit (loss)	236	(14)
Profit (loss) attributable to:		
Owners of parent	236	(14)
Profit (loss)	236	(14)
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	2.77	(0.15)
Diluted earnings (loss) per share (yen)	2.56	(0.15)

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	236	(14)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	—	43
Total of items that may be reclassified to profit or loss	—	43
Other comprehensive income	—	43
Comprehensive income	236	28
Comprehensive income attributable to:		
Owners of parent	236	28
Comprehensive income	236	28

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

For the three months ended June 30, 2021

(Millions of yen)

	Equity attributable to owners of the parent				Total	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity		
Balance as of April 1, 2021	100	10,179	230	—	10,509	10,509
Profit	—	—	236	—	236	236
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	236	—	236	236
Issuance of new shares and other shares	500	491	—	—	991	991
Share-based payments	—	2	—	—	2	2
Total transactions with owners	500	493	—	—	993	993
Balance as of June 30, 2021	600	10,672	467	—	11,740	11,740

For the three months ended June 30, 2022

(Millions of yen)

	Equity attributable to owners of the parent				Total	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity		
Balance as of April 1, 2022	4,095	14,046	466	34	18,642	18,642
Profit	—	—	(14)	—	(14)	(14)
Other comprehensive income	—	—	—	43	43	43
Total comprehensive income	—	—	(14)	43	28	28
Issuance of new shares and other shares	0	0	—	—	0	0
Share-based payments	—	0	—	—	0	0
Total transactions with owners	0	1	—	—	1	1
Balance as of June 30, 2022	4,095	14,047	451	78	18,673	18,673

## (4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Cash Flows from Operating Activities		
Profit (loss) before income tax	378	41
Depreciation, amortization and impairment losses	337	340
Share-based payment expenses	2	0
Financial income and financial costs	65	12
Increase (decrease) in provisions	(25)	5
Loss on disposal of property, plant and equipment	4	12
Decrease (increase) in inventories	(0)	2
Decrease (increase) in trade and other receivables	(445)	(223)
Increase (decrease) in trade and other payables	8	526
Other	(139)	(19)
Subtotal	183	699
Interest received	0	0
Interest paid	(3)	(2)
Income tax paid	(667)	(790)
Net cash provided by operating activities	(487)	(93)
Cash Flows from Investing Activities		
Payments into time deposits	—	(1)
Purchase of property, plant and equipment	(3)	(79)
Purchase of intangible assets	(114)	(265)
Payments of guarantee deposits	—	(8)
Proceeds from collection of guarantee deposits	(11)	—
Purchase of other financial assets	—	(315)
Net cash used in investing activities	(128)	(669)
Cash Flows from Financing Activities		
Repayments of lease liabilities	(102)	(92)
Proceeds from issuance of shares	991	0
Net cash provided by (used in) financing activities	888	(91)
Effects of exchange rate changes on cash and cash equivalents	5	0
Net increase (decrease) in cash and cash equivalents	277	(854)
Cash and cash equivalents at the beginning of the period	8,304	12,119
Cash and cash equivalents at the end of the period	8,581	11,264

(5) Notes to condensed quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Segment information)

The Group operates as a single segment, Payment Solutions, and there are no other business segments to be classified. Therefore, segment information is not presented here.

(Trade receivables)

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

	For the fiscal year ended March 31, 2022	(Millions of yen) For the three months ended June 30, 2022
Receivables arising from contracts with customers		
Trade receivables	17	17
Other trade receivables	27,017	27,339
Allowance for doubtful accounts	(5,015)	(5,114)
Total	22,019	22,242

(Operating expenses)

The breakdown of operating expenses is as follows:

	For the three months ended June 30, 2021	(Millions of yen) For the three months ended June 30, 2022
Collection expense	1,313	1,253
Invoicing expense	554	554
Allowance for doubtful accounts (addition)	(124)	72
Bad debt expense	669	533
Loss on sale of trade receivables (Note 1)	103	90
Advertising expenses	31	108
Sales promotion expenses	153	172
Salaries	241	291
Bonuses	6	3
Legal welfare expenses	45	57
Wages	87	90
Recruiting expenses	19	22
Consignment expense	230	279
Operating and maintenance expenses	119	153
Maintenance cost	29	32
Depreciation and amortization	337	340
Taxes and dues	67	101
IPO-related expenses	4	—
Other	266	371
Total	4,156	4,528

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 sale of trade receivables at the time of selling.