

**Translation**

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

**Consolidated Financial Results**  
**for the Six Months Ended September 30, 2022**  
**(under IFRS)**

November 14, 2022

Company name: Net Protections Holdings, Inc. Listing: Tokyo Stock Exchange  
 Securities code: 7383 URL: <https://corp.netprotections.com/en/>  
 Representative: Shin Shibata, President and Representative Director  
 Contact: Kazuharu Watanabe, CFO and Director  
 Telephone: +81-3-4530-9235  
 Scheduled date to file Quarterly Securities Report: November 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 six months ended September 30, 2022 (from April 1, 2022 to September 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	%
Six months ended								
September 30, 2022	9,234	0.2	39	(95.5)	9	(98.8)	(49)	–
September 30, 2021	9,213	–	894	–	754	–	499	–

	EBITDA* (non-GAAP)		Adjusted EBITDA* (non-GAAP)		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended						
September 30, 2022	751	(52.0)	1,093	(35.7)	(0.52)	(0.52)
September 30, 2021	1,564	–	1,700	–	5.81	5.37

Note: As the Company conducted a 1,000-for-1 common stock split 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				
September 30, 2022	51,530	18,654	18,654	36.2
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	–	0.00			
Fiscal year ending					
March 31, 2023 (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, 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	
Fiscal year	Millions of yen 19,390	% 3.9	Millions of yen (730)	% —	Millions of yen (789)	% —	Millions of yen (650)	% —

	EBITDA (non-GAAP)		Adjusted EBITDA (non-GAAP)		Basic earnings per share
Fiscal year	Millions of yen 756	% (66.3)	Millions of yen 1,750	% (41.7)	Yen (6.73)

Notes: 1. Revisions to the forecast of consolidated financial results most recently announced: Yes  
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 September 30, 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 September 30, 2022: 96,645,287 shares
      - As of March 31, 2022: 96,447,000 shares
    - 2) Number of treasury shares at the end of the period
      - As of September 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)
      - Six months ended September 30, 2022: 96,459,754 shares
      - Six months ended September 30, 2021: 85,928,235 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 losses – 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/en/ir/>) after the briefing.

## Contents of Attached Materials

1. Qualitative Information on Quarterly Consolidated Financial Results.....	2
(1) Operating results.....	2
(2) Financial position.....	4
(3) Explanation of forward-looking information including consolidated earnings forecast.....	5
2. Condensed Quarterly Consolidated Financial Statements and Major Notes .....	8
(1) Condensed quarterly consolidated statement of financial position .....	8
(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income.....	10
(3) Condensed quarterly consolidated statement of changes in equity .....	12
(4) Condensed quarterly consolidated statement of cash flows .....	13
(5) Notes to condensed quarterly consolidated financial statements.....	14
(Going concern assumption).....	14
(Segment information).....	14
(Trade receivables).....	14
(Operating expenses).....	14

# 1. Qualitative Information on Quarterly Consolidated Financial Results

## (1) Operating results

The operating results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022) were as follows:  
(Millions of yen, unless otherwise indicated)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Percentage change (%)
Total operating revenue	9,213	9,234	0.2
Operating profit	894	39	(95.5)
Profit before income taxes	754	9	(98.8)
Profit attributable to owners of parent	499	(49)	—

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 *Takebarai*; 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 September 30, 2021	Three months ended September 30, 2022	Percentage change (%)	Six months ended September 30, 2021	Six months ended September 30, 2022	Percentage change (%)
GMV (non-GAAP)	116,200	121,489	4.6	229,057	240,189	4.9
BtoC Services	92,821	88,744	(4.4)	183,030	177,609	(3.0)
BtoB Services	23,378	32,744	40.1	46,027	62,579	36.0
Total operating revenue	4,609	4,647	0.8	9,213	9,234	0.2
BtoC Services	4,048	3,945	(2.5)	8,105	7,861	(3.0)
BtoB Services	561	702	25.1	1,108	1,372	23.7
– Other operating revenue	115	126	9.4	237	281	18.8
Revenue	4,494	4,521	0.6	8,976	8,952	(0.3)
– Invoicing related expenses (non-GAAP)	1,810	1,855	2.5	3,677	3,663	(0.4)
– Bad debt related expenses (non-GAAP)	687	743	8.1	1,335	1,438	7.8
– Other payment related expenses (non-GAAP)	87	86	(1.4)	165	179	8.4
Gross profit (non-GAAP)	1,909	1,837	(3.8)	3,798	3,671	(3.4)
BtoC Services	1,570	1,436	(8.5)	3,110	2,840	(8.7)
BtoB Services	339	400	18.1	687	830	20.7
– SG&A and other operating expenses (non-GAAP)	1,578	1,981	25.5	3,141	3,912	24.5
Operating profit	446	(18)	—	894	39	(95.5)
+ Depreciation and amortization	318	347	9.1	655	687	4.9
+ Share-based payment expenses	2	2	34.7	4	3	(13.5)
+ Loss on disposal of property, plant and equipment	6	8	27.6	10	20	89.6
+ Impairment losses	—	—	—	—	—	—
– Gain from reversal of impairment losses	—	—	—	—	—	—
EBITDA (non-GAAP)	772	339	(56.0)	1,564	751	(52.0)
+ IPO-related expenses	12	—	(100.0)	16	—	(100.0)
– Marketing expenses (non-GAAP)	62	181	188.0	118	342	187.9
Adjusted EBITDA (non-GAAP)	848	521	(38.6)	1,700	1,093	(35.7)

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 losses – 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 that 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 4.9% year on year (down 3.0% year on year for the BtoC Services, and up 36.0% year on year for the BtoB Services) for the six months ended September 30, 2022.

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

- 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. The impact of the reduced advertisements on the Company grew larger toward the end of 2021 and has persisted until today. As a consequence, in the third quarter of the fiscal year under review, GMV for the BtoC Services declined year on year.

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

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

#### *Notes on total operating revenue*

Total operating revenue increased 0.2% year on year (down 3.0% year on year for the BtoC Services, and up 23.7% year on year for the BtoB Services) for the six months ended September 30, 2022. Main drivers/impediments are as follows:

- In response to the request of the Japan Franchise Association and eight convenience store operators to raise fees for collection agency services in around September 2022, we passed on the raise to our merchants. As a result, our total operating revenue picked up.
- The overall ratio of total operating revenue to GMV declined 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.
- The average ratio of total operating revenue to GMV declined as the proportion of the existing large merchants with lower fee rates rose in both the BtoC and BtoB Services.

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 3.4% year on year (down 8.7% year on year for the BtoC Services, and up 20.7% year on year for the BtoB Services) for the six months ended September 30, 2022. Main drivers/impediments are as follows:

- While the BtoB Services are comparatively lower in the ratio of gross profit to GMV than the BtoC Services, their proportion in overall gross profit rose. This resulted in a decrease in the overall ratio of gross profit.
- Allowance for doubtful accounts was increased as there have been some changes in the collection status of receivables.

*Notes on operating profit and adjusted EBITDA*

Operating profit is 39 million yen (reduced by 854 million yen year on year), while adjusted EBITDA decreased 35.7% year on year for the six months ended September 30, 2022. Main drivers/impediments are as follows:

- Enhancement of marketing measures (influences operating profit)
- Increase in personnel and consignment expenses resulting from the reinforcement of sales force (influences operating profit and adjusted EBITDA)

All of these expenses were upfront investment made within the scope of our plan to expand GMV. Note that, in the enhancement of marketing measures, we gave priority to improving marketing operations and strengthening the marketing structure to maximize the effect of advertisements. As a result, we decided to postpone the strengthening of ad placement to the second half of the fiscal year under review. For this reason, a part of the marketing expenses that we planned to spend in the first half will arise in the second half.

(2) Financial position

(Millions of yen, unless otherwise indicated)

	As of March 31, 2022	As of September 30, 2022	Change	Percentage change (%)
Total assets	53,037	51,530	(1,506)	(2.8)
Total current assets	34,631	32,701	(1,929)	(5.5)
Total non-current assets	18,405	18,828	422	2.2
Total liabilities	34,394	32,875	(1,518)	(4.4)
Total current liabilities	29,039	27,603	(1,436)	(4.9)
Total non-current liabilities	5,354	5,272	(82)	(1.5)
Total equity	18,642	18,654	12	0.0

Current assets as of September 30, 2022 decreased 1,929 million yen from the end of the previous fiscal year. This was attributable mainly to an increase in trade and other receivables of 1,211 million yen due in part to an increase in transaction volume; and a decrease in cash and cash equivalents of 3,015 million yen due in part to the payment of income taxes, the acquisition of intangible assets, and the payment of payables to merchants on the last day of the second quarter as it fell on Friday.

Non-current assets increased 422 million yen from the end of the previous fiscal year. This was attributable mainly to an increase of 322 million yen in other financial assets due in part to the acquisition of marketable securities.

Current liabilities decreased 1,436 million yen from the end of the previous fiscal year. This was attributable mainly to a decrease of 778 million yen in trade and other payables due to the payment of payables to merchants on the last day of the second quarter of the fiscal year under review as it fell on Friday, and a decrease of 699 million yen in income taxes payable due in part to the payment of income taxes.

Of the Group's current assets, trade and other receivables (before deduction of allowance for doubtful accounts) of 28,454 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 26,182 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 for business expansion. It can therefore be said that we are structurally less susceptible to the impact of rising interest rates. As payables 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 explain the details of the variance between our consolidated financial forecasts for the first six months ended September 30, 2022 (from April 1, 2022 through September 30, 2022) and the actual results for the same period presented in the consolidated financial results.

Based on the recent trend of our business performance, we have also revised our full-year consolidated financial forecasts for the fiscal year ending March 31, 2023 as follows:

Please also refer to the “Notice Concerning Variance between Consolidated Financial Forecasts and Actual Results for Six Months Ended September 30, 2022 and Revision to Full-Year Consolidated Financial Forecasts for Fiscal Year Ending March 31, 2023” released today (November 14, 2022) for details.

1. Variance between the consolidated financial forecasts and the actual results for the six months ended September 30, 2022 (April 1, 2022 through September 30, 2022)

(Millions of yen, unless otherwise indicated)

	Total operating revenue	Operating profit	Profit before income taxes	Profit attributable to owners of the parent	Basic earnings per share (Yen)	EBITDA	Adjusted EBITDA
Previous forecasts (A)	10,053	(103)	(136)	(335)	(3.48)	589	1,261
Actual results (B)	9,234	39	9	(49)	(0.52)	751	1,093
Change (B – A)	(819)	143	145	285	–	161	(167)
Change (%)	(8.2)	–	–	(85.2)	–	27.4	(13.3)
(Reference) Actual results for the six months ended September 30, 2021	9,213	894	754	499	5.81	1,564	1,700

(Millions of yen, unless otherwise indicated)

(Reference metrics)	GMV	GMV from BtoC Services	GMV from BtoB Services	Gross profit
Previous forecasts (A)	255,199	197,078	58,121	3,913
Actual results (B)	240,189	177,609	62,579	3,671
Change (B – A)	(15,010)	(19,469)	4,458	(242)
Change (%)	(5.9)	(9.9)	7.7	(6.2)
(Reference) Actual results for the six months ended September 30, 2021	229,057	183,030	46,027	3,798

2. Revision to the full-year consolidated financial forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 through March 31, 2023)

(Millions of yen, unless otherwise indicated)

	Total operating revenue	Operating profit	Profit before income taxes	Profit attributable to owners of the parent	Basic earnings per share (Yen)	EBITDA	Adjusted EBITDA
Previous forecasts (A)	21,436	457	395	11	0.12	1,890	2,924
Revised forecasts (B)	19,390	(730)	(789)	(650)	(6.73)	756	1,750
Change (B – A)	(2,045)	(1,187)	(1,185)	(661)	–	(1,133)	(1,173)
Change (%)	(9.5)	–	–	–	–	(60.0)	(40.1)
(Reference) Actual results for the fiscal year ended March 31, 2022	18,665	897	630	235	2.62	2,246	3,000

(Millions of yen, unless otherwise indicated)

(Reference metrics)	GMV	GMV from BtoC Services	GMV from BtoB Services	Gross profit
Previous forecasts (A)	539,504	409,448	130,055	8,318
Revised forecasts (B)	496,200	366,144	130,055	7,290
Change (B – A)	(43,304)	(43,304)	–	(1,028)
Change (%)	(8.0)	(10.6)	–	(12.4)
(Reference) Actual results for the fiscal year ended March 31, 2022	472,589	374,606	97,982	7,469

Notes: 1. The Company conducted a 1,000-for-1 common stock split effective on September 30, 2021. Per share information of the actual results for the fiscal year ended March 31, 2022 was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2022.

2. Per share information of the full-year consolidated financial forecasts for the fiscal year ending March 31, 2023 is based on the number of shares issued (excluding treasury shares) as of September 30, 2022.
3. Reasons for the variance between the forecasts and the actual results for the six months ended September 30, 2022 and the revision of the full-year consolidated financial forecasts for the fiscal year ending March 31, 2023

*Reasons for the differences between the forecasts and the actual results for the six months ended September 30, 2022*

In making financial forecasts at the beginning of the period under review, we anticipated that our transaction volume would recover with the progress of merchants' response to the impact of the partial revision of the Pharmaceutical Affairs Act (formally known as the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices) in the course of one year from the revision during the six months ended September 30, 2022. In reality, however, the impact of the revision of the Act has persisted until today. As a consequence, the level of GMV with merchants using our BtoC Services continued to fall below our expectations. In addition, the growth of e-commerce channels as a whole slowed down as the restrictions on activities, imposed in the wake of the COVID-19 pandemic, were eased. As a result, the Group's overall GMV, total operating revenue, and gross profit fell short of our forecasts.

With respect to operating expenses, for the investments in marketing scheduled for the first half of the fiscal year under review, we decided to give priority to improving marketing operations and strengthening the marketing structure to maximize the effect of advertisements and accordingly postpone the strengthening of ad placement to the second half (although we are investing the amount as originally planned for the full fiscal year ending March 31, 2023). A reduction in operating expenses, as a result of the decision, operating profit, profit before income taxes, profit attributable to owners of parent, and EBITDA were all better than the consolidated earnings forecasts we announced previously. Adjusted EBITDA, which represents EBITDA plus marketing expenses added back to EBITDA, was lower than the consolidated earnings forecast.

*Reasons for the revision to the full-year earnings forecasts for the fiscal year ending March 31, 2023*

Based on the assumption that the external environment stated above will continue throughout the fiscal year ending March 31, 2023, we revise primarily the GMV forecasts for existing merchants that are using our BtoC Services. In addition, while sales negotiations with potential merchants have progressed smoothly, as stated later, commencement of large merchants will be delayed until the next fiscal year because additional system development is required and it takes longer than expected, which we will reflect in our earnings forecasts. As a result, we have revised our GMV forecast for BtoC Services to 366,144 million yen (a 10.6% decrease from the initial forecast). For BtoB Services, as the restrictions on activities imposed in the wake of the COVID-19 pandemic were eased, during the six months ended September 30, 2022, our BtoB Services performed better than expected. However, given the delay in full-scale marketing investment as mentioned above, we reiterate the full-year GMV forecasts we made at beginning of the fiscal year under review by conservatively expecting the accumulation of new merchants by marketing effects. Accordingly, we expect our total operating revenue to be 19,390 million yen (reduced by 2,045 million yen from the initial forecast) and gross profit to be 7,290 million yen (reduced by 1,028 million yen from the initial forecast).

We estimate that operating expenses will slightly exceed the forecast, which we made at beginning of the fiscal under year review. This conservative estimate reflects a number of factors, such as the effect of an increase of approximately 100 million yen of our upfront investments in overseas businesses as the yen has been weakening.

As a result of the above, we expect our operating profit to be -730 million yen (457 million yen in the initial forecast) and our profit before income taxes to be -789 million yen (395 million yen in the initial forecast). In addition, we expect our profit attributable to owners of the parent to be -650 million yen (11 million yen in the initial forecast) due to reflecting of adjustment such as corporate tax.

*Status of investments for growth*

The Group has continued to offer payment services, with NP *Atobarai* at the core, mainly to the merchandise e-commerce sector. NP *Atobarai* accounts for the largest share in the merchandise e-commerce market (Note 1). We aim to further expand the share by providing high approval rates, one of our strengths, and delivering services tailored flexibly to the needs of merchants.

Meanwhile, sellers that have difficulty in payment and collection span across diverse industries and business categories. We have delivered the following types of services so we can optimally cater to the needs of merchants:

- atone: Non-merchandise e-commerce of intangible items, such as digital content and sale of products at physical stores
- NP *Atobarai* air: Home-visit and other on-site services, including installation or repair of housing equipment
- NP *Kakebarai*: Transaction between businesses, including individual businesses

The know-how on flexibly delivering services is required in new markets mentioned above, as business practices differ from market to market. BtoB service NP *Kakebarai*, in particular, is ranked No.1 (Note 2) in the share of the payment agency service market, which consists of a diverse range of businesses in terms of business practice. In fact, the service has continued to grow strongly. This way, we, as a pioneer and comprehensive provider of BNPL services, has tapped the market and contributed to its growth. This is why we are confident that we can provide values to new markets.

As part of the upfront investments for accelerating its future growth, the Group has worked to implement marketing measures and recruit sales & marketing personnel with the aim of acquiring new merchants. These measures have proven successful, with all our leading indicators having remained strong. Such leading indicators include the number of inquiries for information materials, and the number of sales negotiations with potential customers referred by alliance partners. The effects of these efforts are especially prominent in the atone business, the NP *Atobarai* business, and the NP *Kakebarai* business mentioned above, which we believe have significant growth potential. As a result, estimated GMV from the contracts signed (Note 3) have reached a record high, which we firmly believe will contribute to the Group's medium- to long-term growth.



- Notes: 1. The share composition of the BNPL market (FY2020) on page 86 of “Online Payment/Settlement Service Providers 2022” published by Yano Research Institute
2. The annual transaction volume in FY2021, stated in MIC IT Report October 2022 Edition: BtoB Payment Agency Service Market Survey (<https://mic-r.co.jp/micit/2022/>), published by Deloitte Tohmatsu MIC Research Institute Co., Ltd.
3. GMV from the contracts signed but not yet put into operation as of September 30, 2022 but expected to be put into operation during the period from October 2022 through September 2023 Some of our services take longer before they are actually put into operation after we sign the service contracts, especially with large merchants, as we need to develop systems at their sites.

<Notes on forecasts>

Forward looking statements on our full-year financial forecasts contained in this notice were prepared based on information available as of the date of this notice and certain assumptions that we recognized to be reasonable. Actual results may differ from the forecasted figures due to various factors arising in future.

## 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 September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	12,119	9,103
Trade and other receivables	22,019	23,231
Inventories	19	20
Other current receivables	473	347
Total current assets	34,631	32,701
Non-current assets		
Property, plant and equipment	982	903
Goodwill	11,608	11,608
Intangible assets	3,566	3,763
Other financial assets	740	1,063
Deferred tax assets	1,333	1,346
Other non-current assets	173	142
Total non-current assets	18,405	18,828
Total assets	53,037	51,530

	As of March 31, 2022	As of September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	26,960	26,182
Lease liabilities	397	399
Other current financial liabilities	5	5
Income taxes payable	816	117
Provisions	40	26
Liabilities for employee benefits	353	421
Other current liabilities	465	449
Total current liabilities	29,039	27,603
Non-current liabilities		
Long-term loans	4,955	4,959
Lease liabilities	330	227
Provisions	69	84
Total non-current liabilities	5,354	5,272
Total liabilities	34,394	32,875
Equity		
Share capital	4,095	4,106
Capital surplus	14,046	14,052
Retained earnings	466	416
Other components of equity	34	79
Total equity attributable to owners of parent	18,642	18,654
Total equity	18,642	18,654
Total liabilities and equity	53,037	51,530

(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 six months ended September 30, 2021	For the six months ended September 30, 2022
Revenue	8,976	8,952
Other operating revenue	237	281
Total operating revenue	9,213	9,234
Operating expenses	(8,319)	(9,194)
Operating profit	894	39
Financial income	0	0
Financial costs	(139)	(31)
Profit before income taxes	754	9
Income tax expense	(255)	(58)
Profit (loss)	499	(49)
Profit (loss) attributable to:		
Owners of parent	499	(49)
Profit (loss)	499	(49)
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	5.81	(0.52)
Diluted earnings (loss) per share (yen)	5.37	(0.52)

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit (loss)	499	(49)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(15)	44
Total of items that may be reclassified to profit or loss	(15)	44
Other comprehensive income	(15)	44
Comprehensive income	484	(5)
Comprehensive income attributable to:		
Owners of parent	484	(5)
Comprehensive income	484	(5)

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

For the six months ended September 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 (loss)	—	—	499	—	499	499
Other comprehensive income	—	—	—	(15)	(15)	(15)
Total comprehensive income	—	—	499	(15)	484	484
Issuance of new shares and other shares	500	491	—	—	991	991
Share-based payments	—	4	—	—	4	4
Total transactions with owners	500	495	—	—	995	995
Balance as of September 30, 2021	600	10,674	730	(15)	11,989	11,989

For the six months ended September 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 (loss)	—	—	(49)	—	(49)	(49)
Other comprehensive income	—	—	—	44	44	44
Total comprehensive income	—	—	(49)	44	(5)	(5)
Issuance of new shares and other shares	6	6	—	—	13	13
Share-based payments	4	(0)	—	—	3	3
Total transactions with owners	11	6	—	—	17	17
Balance as of September 30, 2022	4,106	14,052	416	79	18,654	18,654

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

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash Flows from Operating Activities		
Profit (loss) before income tax	754	9
Depreciation, amortization and impairment losses	655	687
Share-based payment expenses	4	3
Financial income and financial costs	113	24
Increase (decrease) in provisions	(17)	1
Loss on disposal of property, plant and equipment	10	20
Decrease (increase) in inventories	(3)	(0)
Decrease (increase) in trade and other receivables	(1,425)	(1,211)
Increase (decrease) in trade and other payables	3,071	(778)
Other	(43)	168
Subtotal	3,119	(1,075)
Interest received	0	0
Interest paid	(177)	(19)
Income tax paid	(593)	(758)
Net cash provided by operating activities	2,348	(1,853)
Cash Flows from Investing Activities		
Payments into time deposits	—	(1)
Purchase of property, plant and equipment	(5)	(87)
Purchase of intangible assets	(305)	(579)
Payments of guarantee deposits	(11)	(8)
Proceeds from collection of guarantee deposits	52	6
Purchase of other financial assets	—	(315)
Net cash used in investing activities	(270)	(985)
Cash Flows from Financing Activities		
Repayments of long-term loans	(250)	—
Purchase of debt instruments	(1,994)	—
Repayments of lease liabilities	(195)	(190)
Proceeds from issuance of shares	991	13
Net cash provided by (used in) financing activities	(1,448)	(176)
Effects of exchange rate changes on cash and cash equivalents	5	0
Net increase (decrease) in cash and cash equivalents	635	(3,015)
Cash and cash equivalents at the beginning of the period	8,304	12,119
Cash and cash equivalents at the end of the period	8,939	9,103

(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:

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Receivables arising from contracts with customers		
Trade receivables	17	19
Other trade receivables	27,017	28,435
Allowance for doubtful accounts	(5,015)	(5,223)
Total	22,019	23,231

(Operating expenses)

The breakdown of operating expenses is as follows:

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Collection expense	2,614	2,595
Invoicing expense	1,062	1,068
Allowance for doubtful accounts (addition)	(141)	185
Bad debt expense	1,299	1,052
Loss on sale of trade receivables (Note 1)	177	201
Advertising expenses	69	259
Sales promotion expenses	315	321
Salaries	473	593
Bonuses	7	4
Legal welfare expenses	92	117
Wages	178	187
Recruiting expenses	51	48
Consignment expense	461	572
Operating and maintenance expenses	240	317
Maintenance cost	58	64
Depreciation and amortization	655	687
Taxes and dues	133	208
IPO-related expenses	16	—
Other	552	706
Total	8,319	9,194

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.