

**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 Nine Months Ended December 31, 2022**  
**(under IFRS)**

February 14, 2023

Company name: Net Protections Holdings, Inc.      Listing: Tokyo Stock Exchange  
 Securities code: 7383      URL: <https://corp.netprotections.com/en/>  
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 Scheduled date to file Quarterly Securities Report: February 14, 2023  
 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, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended								
December 31, 2022	14,436	1.7	(43)	–	(89)	–	(126)	–
December 31, 2021	14,192	4.3	1,095	(14.1)	929	0.1	517	(12.3)

	EBITDA (non-GAAP)		Adjusted EBITDA (non-GAAP)		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended						
December 31, 2022	1,021	(51.3)	1,645	(36.8)	(1.31)	(1.31)
December 31, 2021	2,099	(6.2)	2,602	9.8	5.89	5.74

Note: 1. 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. Diluted earnings per share for the fiscal year ended March 31, 2022 was calculated by deeming the average share price for the period from the initial listing date to the end of the fiscal year ended March 31, 2022 as the average share price during the period as the Company was listed on the First Section of the Tokyo Stock Exchange on December 15, 2021.

(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				
December 31, 2022	56,896	18,554	18,554	32.6
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: 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 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 December 31, 2022: 96,656,287 shares
      - As of March 31, 2022: 96,447,000 shares
    - 2) Number of treasury shares at the end of the period
      - As of December 31, 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)
      - Nine months ended December 31, 2022: 96,518,526 shares
      - Nine months ended December 31, 2021: 87,902,512 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 expenses	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.

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# 1. Qualitative Information on Quarterly Consolidated Financial Results

## (1) Operating results

The operating results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022) were as follows:  
(Millions of yen, unless otherwise indicated)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022	Percentage changes (%)
Total operating revenue	14,192	14,436	1.7
Operating profit (loss)	1,095	(43)	—
Profit (loss) before income taxes	929	(89)	—
Profit attributable to owners of parent	517	(126)	—

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 Service”). The key performance indicators by type of services are as shown below.

(Millions of yen, unless otherwise indicated)

	Three months ended December 31, 2021	Three months ended December 31, 2022	Percentage changes (%)	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Percentage change (%)
GMV (non-GAAP)	128,094	132,635	3.5	357,151	372,824	4.4
BtoC Services	102,018	95,789	(6.1)	285,048	273,398	(4.1)
BtoB Service	26,075	36,846	41.3	72,102	99,426	37.9
Total operating revenue	4,978	5,202	4.5	14,192	14,436	1.7
BtoC Services	4,366	4,424	1.3	12,471	12,286	(1.5)
BtoB Service	612	778	27.1	1,721	2,150	24.9
– Other operating revenue	102	85	(16.5)	339	367	8.1
Revenue	4,875	5,117	5.0	13,852	14,069	1.6
– Invoicing related expenses (non-GAAP)	1,964	2,183	11.1	5,641	5,846	3.6
– Bad debt related expenses (non-GAAP)	760	806	5.9	2,096	2,244	7.1
– Other payment related expenses (non-GAAP)	121	90	(25.7)	286	269	(6.1)
Gross profit (non-GAAP)	2,028	2,037	0.4	5,827	5,708	(2.0)
BtoC Services	1,675	1,577	(5.8)	4,786	4,418	(7.7)
BtoB Service	353	459	30.1	1,041	1,290	23.9
– SG&A and other operating expenses (non-GAAP)	1,930	2,206	14.3	5,071	6,119	20.7
Operating profit (loss)	201	(83)	—	1,095	(43)	—
+ Depreciation and amortization	326	346	6.3	981	1,034	5.4
+ Share-based payment expenses	1	3	71.5	6	6	12.7
+ Loss on disposal of property, plant and equipment	5	3	(27.5)	16	24	51.0
+ Impairment losses	—	—	—	—	—	—
– Gain from reversal of impairment losses	—	—	—	—	—	—
EBITDA (non-GAAP)	534	270	(49.5)	2,099	1,021	(51.3)
+ IPO-related expenses	252	—	(100.0)	269	—	(100.0)
– Marketing expenses (non-GAAP)	114	281	145.3	233	623	167.0
Adjusted EBITDA (non-GAAP)	902	552	(38.8)	2,602	1,645	(36.8)

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 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 4.4% year on year to 372,824 million yen (down 4.1% year on year to 273,398 million yen for the BtoC Services, and up 37.9% year on year to 99,426 million yen for the BtoB Service) for the nine months ended December 31, 2022.

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

- GMV decreased due to the withdrawal of one large merchant in November 2022. (As the merchant’s store had difficulties in maintaining profitable operations, there was virtually no impact on our profits.)
- Although it is still being affected in the third quarter, some improvement was seen in the GMV of merchants in the beauty and health related industries, who suffered from the impact of the partial amendments to the PMD Act in August 2021.

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

- GMV mainly 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 1.7% year on year to 14,436 million yen (down 1.5% year on year to 12,286 million yen for the BtoC Services, and up 24.9% year on year to 2,150 million yen for the BtoB Service) for the nine months ended December 31, 2022. Main drivers/impediments are as follows:

- In response to the rising fees for convenience store collection agency services, we revised the unit price of “Invoicing and postal fees” charged to merchants from September 2022. As a result, our total operating revenue for the three months ended December 31, 2022 increased year on year.
- In the BtoB Service, the average ratio of total operating revenue to GMV declined resulting from an increase in the proportion of GMV of the large merchants with lower fee rates to our total GMV.

#### *Notes on gross profit*

Gross profit decreased 2.0% year on year to 5,708 million yen (down 7.7% year on year to 4,418 million yen for the BtoC Services, and up 23.9% year on year to 1,290 million yen for the BtoB Service) for the nine months ended December 31, 2022. Main drivers/impediments are as follows:

- As in the previous quarter, while the BtoB Service is comparatively lower in the ratio of gross profit to GMV than the BtoC Services, their proportion in the overall gross profit rose. This resulted in a continued decrease in the overall ratio of gross profit.
- For the three months ended December 31, 2022, gross profit increased 0.4% year on year due to the GMV growth in the BtoB Service.

*Notes on operating profit and adjusted EBITDA*

Operating profit was minus 43 million yen (reduced by 1,139 million yen year on year), while adjusted EBITDA decreased 36.8% year on year to 1,645 million yen for the nine months ended December 31, 2022. Main drivers/impediments are as follows:

- Marketing expenses increased as a result of intensified advertising and other measures, such as TV commercials.
- Personnel and consignment expenses increased as a result of the reinforcement of sales force.
- Personnel and operating and maintenance expenses increased due to enhanced investment in system development.

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

(2) Financial position

(Millions of yen, unless otherwise indicated)

	As of March 31, 2022	As of December 31, 2022	Change	Percentage change (%)
Total assets	53,037	56,896	3,858	7.2
Total current assets	34,631	37,954	3,323	9.5
Total non-current assets	18,405	18,941	535	2.9
Total liabilities	34,394	38,341	3,947	11.4
Total current liabilities	29,039	33,115	4,076	14.0
Total non-current liabilities	5,354	5,225	(129)	(2.4)
Total equity	18,642	18,554	(88)	(0.4)

Current assets as of December 31, 2022 increased 3,323 million yen from the end of the previous fiscal year. The increase was attributable to an increase in trade and other receivables of 5,300 million yen, partly reflecting a surge in transaction volume in the third quarter due to seasonality factors. The decrease was attributable to a decrease in cash and cash equivalents of 2,310 million yen due to the payment of income taxes, the purchase of intangible assets, and the payment of payables to merchants on the Friday immediately preceding the last day of the third quarter of the fiscal year under review as it fell on Saturday.

Non-current assets increased 535 million yen from the end of the previous fiscal year. This was attributable mainly to an increase of 347 million yen in intangible assets due to the investment in system development.

Current liabilities increased 4,076 million yen from the end of the previous fiscal year. This was attributable mainly to an increase of 4,535 million yen in trade and other payables due to an increase in transaction volume, partly offset by a decrease of 713 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) represent primarily the receivables from end users who used our payment services. 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 it is 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 significantly depending on what day of the week is the last day of the reporting period.

(3) Forward-looking information including consolidated earnings forecast

No revisions were made to the consolidated earnings forecast announced on November 14, 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 December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	12,119	9,808
Trade and other receivables	22,019	27,319
Inventories	19	14
Other current receivables	473	812
Total current assets	34,631	37,954
Non-current assets		
Property, plant and equipment	982	850
Goodwill	11,608	11,608
Intangible assets	3,566	3,913
Other financial assets	740	1,061
Deferred tax assets	1,333	1,349
Other non-current assets	173	156
Total non-current assets	18,405	18,941
┌ Total assets	53,037	56,896

	As of March 31, 2022	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	26,960	31,496
Lease liabilities	397	413
Other current financial liabilities	5	9
Income taxes payable	816	102
Provisions	40	32
Liabilities for employee benefits	353	412
Other current liabilities	465	648
Total current liabilities	29,039	33,115
Non-current liabilities		
Long-term loans	4,955	4,962
Lease liabilities	330	179
Provisions	69	84
Total non-current liabilities	5,354	5,225
Total liabilities	34,394	38,341
Equity		
Share capital	4,095	4,106
Capital surplus	14,046	14,056
Retained earnings	466	340
Other components of equity	34	51
Total equity attributable to owners of parent	18,642	18,554
Total equity	18,642	18,554
Total liabilities and equity	53,037	56,896

(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, 2021	For the nine months ended December 31, 2022
Revenue	13,852	14,069
Other operating revenue	339	367
Total operating revenue	14,192	14,436
Operating expenses	(13,096)	(14,480)
Operating profit (loss)	1,095	(43)
Financial income	0	0
Financial costs	(166)	(46)
Profit (loss) before income taxes	929	(89)
Income tax expense	(411)	(36)
Profit (loss)	517	(126)
Profit (loss) attributable to:		
Owners of parent	517	(126)
Profit (loss)	517	(126)
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	5.89	(1.31)
Diluted earnings (loss) per share (yen)	5.74	(1.31)

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit (loss)	517	(126)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	11	16
Total of items that may be reclassified to profit or loss	11	16
Other comprehensive income	11	16
Comprehensive income	528	(109)
Comprehensive income attributable to:		
Owners of parent	528	(109)
Comprehensive income	528	(109)

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

For the nine months ended December 31, 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)	—	—	517	—	517	517
Other comprehensive income	—	—	—	11	11	11
Total comprehensive income	—	—	517	11	528	528
Issuance of new shares and other 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

For the nine months ended December 31, 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)	—	—	(126)	—	(126)	(126)
Other comprehensive income	—	—	—	16	16	16
Total comprehensive income	—	—	(126)	16	(109)	(109)
Issuance of new shares and other shares	7	7	—	—	14	14
Share-based payments	4	2	—	—	6	6
Total transactions with owners	11	9	—	—	21	21
Balance as of December 31, 2022	4,106	14,056	340	51	18,554	18,554

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

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Cash Flows from Operating Activities		
Profit (loss) before income tax	929	(89)
Depreciation, amortization and impairment losses	981	1,034
Share-based payment expenses	6	6
Financial income and financial costs	136	36
Increase (decrease) in provisions	0	6
Loss on disposal of property, plant and equipment	16	24
Decrease (increase) in inventories	(1)	4
Decrease (increase) in trade and other receivables	(5,909)	(5,300)
Increase (decrease) in trade and other payables	7,250	4,535
Other	118	256
Subtotal	3,526	515
Interest received	0	0
Interest paid	(181)	(21)
Income tax paid	(890)	(1,193)
Net cash provided by operating activities	2,455	(698)
Cash Flows from Investing Activities		
Payments into time deposits	—	(2)
Purchase of property, plant and equipment	(5)	(87)
Purchase of intangible assets	(617)	(937)
Payments of guarantee deposits	(11)	(78)
Proceeds from collection of guarantee deposits	52	76
Purchase of other financial assets	—	(315)
Net cash used in investing activities	(582)	(1,344)
Cash Flows from Financing Activities		
Repayments of long-term loans	(250)	—
Purchase of debt instruments	(1,994)	—
Repayments of lease liabilities	(287)	(281)
Proceeds from issuance of shares	7,854	14
Net cash provided by (used in) financing activities	5,323	(266)
Effects of exchange rate changes on cash and cash equivalents	5	0
Net increase (decrease) in cash and cash equivalents	7,201	(2,310)
Cash and cash equivalents at the beginning of the period	8,304	12,119
Cash and cash equivalents at the end of the period	15,505	9,808

(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 December 31, 2022
Receivables arising from contracts with customers		
Trade receivables	17	19
Other trade receivables	27,017	32,636
Allowance for doubtful accounts	(5,015)	(5,336)
Total	22,019	27,319

(Operating expenses)

The breakdown of operating expenses is as follows:

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Collection expense	3,991	4,248
Invoicing expense	1,650	1,598
Allowance for doubtful accounts (addition)	25	320
Bad debt expense	1,825	1,590
Loss on sale of trade receivables (Note 1)	244	334
Advertising expenses	157	493
Sales promotion expenses	470	486
Salaries	714	909
Bonuses	119	148
Legal welfare expenses	138	177
Wages	273	281
Recruiting expenses	78	78
Consignment expense	725	915
Operating and maintenance expenses	364	478
Maintenance cost	88	99
Depreciation and amortization	981	1,034
Taxes and dues	211	331
IPO-related expenses	269	—
Other	763	955
Total	13,096	14,480

Note: 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.