

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 Three Months Ended June 30, 2023
(under IFRS)

August 14, 2023

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: August 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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

	Total operating revenue		Operating profit		Profit before income taxes		Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended June 30, 2023	5,173	12.8	(354)	–	(368)	–	(276)	–	(2.86)	(2.86)
June 30, 2022	4,586	(0.4)	58	(87.0)	41	(88.9)	(14)	–	(0.15)	(0.15)

	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	135,928	14.5	1,806	(1.5)	16	(95.9)
June 30, 2022	118,700	5.2	1,833	(2.9)	411	(48.0)

(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
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2023	58,677	18,288	18,196	31.0
March 31, 2023	55,404	18,467	18,369	33.2

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, 2023	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (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, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Total operating revenue		Operating profit		Profit before income taxes		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	10,097	9.4	(676)	—	(709)	—	(721)	—	(7.45)
Fiscal year	21,576	11.6	(879)	—	(954)	—	(870)	—	(8.99)

	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months	267,342	11.3	3,763	2.5	61	(91.9)
Fiscal year	574,000	15.0	8,100	9.0	627	(40.0)

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, 2023 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, 2023: 96,837,287 shares

As of March 31, 2023: 96,825,287 shares

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

As of June 30, 2023: — shares

As of March 31, 2023: — shares

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

Three months ended June 30, 2023: 96,831,418 shares

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

(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
GMV	Gross merchandise value for the Group’s payment services
Gross profit	Revenue – (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)

* 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023) were as follows:

(Millions of yen, unless otherwise indicated)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023	Percentage change (%)
Total operating revenue	4,586	5,173	12.8
Operating profit (loss)	58	(354)	–
Profit (loss) before income taxes	41	(368)	–
Profit (loss) attributable to owners of parent	(14)	(276)	–

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 line of service to the extent possible as shown below. The Group has strengthened its sales force since the previous fiscal year, focusing on GMV growth of atone and other new services as part of the services for BtoC transactions. Accordingly, the Group has decided to present the key performance indicators for atone separately from the beginning of the current fiscal year as GMV for atone has grown to represent a significant proportion in the services for BtoC transactions.

Line of service	Service category name	Service names
Services for BtoC transactions	BtoC Services: NP <i>Atobarai</i> and other	NP <i>Atobarai</i> , NP <i>Atobarai</i> air, AFTEE, etc.
	BtoC Services: atone	atone
Service for BtoB transactions	BtoB Service	NP <i>Kakebarai</i>

(Millions of yen, unless otherwise indicated)

	Three months ended June 30, 2022	Three months ended June 30, 2023	Percentage change (%)
GMV (non-GAAP)	118,700	135,928	14.5
BtoC Services: NP <i>Atobarai</i> and other	84,103	87,288	3.8
BtoC Services: atone	4,761	6,013	26.3
BtoB Service	29,835	42,627	42.9
Total operating revenue	4,586	5,173	12.8
BtoC Services: NP <i>Atobarai</i> and other	3,644	3,992	9.5
BtoC Services: atone	271	327	20.5
BtoB Service	669	853	27.5
– Other operating revenue	155	129	(17.1)
Revenue	4,430	5,044	13.9
– Invoicing related expenses (non-GAAP)	1,808	2,152	19.0
– Bad debt related expenses (non-GAAP)	695	991	42.5
– Other payment related expenses (non-GAAP)	93	94	1.5
Gross profit (non-GAAP)	1,833	1,806	(1.5)
BtoC Services: NP <i>Atobarai</i> and other	1,293	1,270	(1.8)
BtoC Services: atone	110	74	(32.9)
BtoB Service	429	462	7.6
– SG&A and other operating expenses (non-GAAP)	1,931	2,290	18.6
Operating profit (loss)	58	(354)	–
+ Depreciation and amortization	340	358	5.4
+ Share-based payment expenses	0	2	153.5
+ Loss on disposal of property, plant and equipment	12	10	(14.6)
+ Impairment losses	–	–	–
– Gain from reversal of impairment losses	–	–	–
EBITDA (non-GAAP)	411	16	(95.9)

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)

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

For the three months ended June 30, 2023, GMV increased 14.5% year on year to 135,928 million yen (up 3.8% year on year to 87,288 million yen for the BtoC Services: NP *Atobarai* and other, up 26.3% year on year to 6,013 million yen for the BtoC Services: atone, and up 42.9% year on year to 42,627 million yen for the BtoB Service).

Main drivers/impediments for the BtoC Services: NP *Atobarai* and other are as follows:

- During the previous fiscal year, GMV of merchants in the beauty and health related industries was impacted by the partial amendments to the PMD Act in August 2021. However, we see signs that the impact has been easing. While one major merchant withdrew from business in November 2022, GMV of even NP *Atobarai* alone increased year on year during the three months ended June 30, 2023, backed by a number of positive factors, including the diminishing impact of the amendments to the PMD Act, and customers’ continued shifts away from the services of other companies to our services.
- GMV for NP *Atobarai* air, a BNPL service for home visit and other service sectors, grew markedly year on year backed by the growing need for digital transformation (DX) of billing operations across Japan. GMV for AFTEE, a BNPL service provided in Taiwan, also grew significantly year on year.

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

- The Group strengthened sales force and focused on acquiring new merchants. As a result, GMV for atone grew, driven by new merchants that have started their operations.

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

- Since the previous fiscal year, the restrictions on activities imposed in the wake of COVID-19 have been eased. As a result, during the three months ended June 30, 2023, GMV continued to trend up overall, led primarily by the merchants in the food and beverage industry, and many other industries.

Notes on total operating revenue

For the three months ended June 30, 2023, total operating revenue increased 12.8% year on year to 5,173 million yen (up 9.5% year on year to 3,992 million yen for the BtoC Services: NP *Atobarai* and other, up 20.5% year on year to 327 million yen for the BtoC Services: atone, and up 27.5% year on year to 853 million yen for the BtoB Service). Main drivers/impediments are as follows:

- In the BtoC Services: NP *Atobarai* and other, in response to rising fees for convenience store collection agency services, the Group revised the unit price of invoicing and postal fees charged to merchants from September 2022. As a result, total operating revenue increased year on year for the three months ended June 30, 2023.
- In the BtoC Services: atone, thanks to the growth of GMV, total operating revenue increased year on year for the three months ended June 30, 2023. Meanwhile, the ratio of total operating revenue to GMV declined year on year due to a rise in the average amount billed per invoice.
- In the BtoB Service, total operating revenue increased year on year for the three months ended June 30, 2023 due to the growth in GMV. Meanwhile, the ratio of total operating revenue to GMV declined year on year due to an increase in the proportion of GMV of large merchants whose fee rates to our total GMV are relatively low.

Notes on gross profit

For the three months ended June 30, 2023, gross profit decreased 1.5% year on year to 1,806 million yen (down 1.8% year on year to 1,270 million yen for the BtoC Services: NP *Atobarai* and other, down 32.9% year on year to 74 million yen for the BtoC Services: atone, and up 7.6% year on year to 462 million yen for the BtoB Service). Main drivers/impediments are as follows:

- In the BtoC Services: NP *Atobarai* and other, we recognized allowance for doubtful accounts as we had a risk of uncollectibility or delayed collection of receivables from a specific merchant, causing gross profit to fall. However, such an accounting treatment was applied only for this specific merchant, and therefore, has no continuing impact on our operating performance.
- In the BtoC Services: atone during the three months ended June 30, 2022, the Group recognized a large amount of gain from reversal of allowance for doubtful account since the delinquency rate improved significantly. This is why gross profit for the three months ended June 30, 2023 decreased year on year. As allowance for doubtful account is recognized in accordance with the collection status of receivables, it is reversed when the delinquency rate improves. Since atone is a new service and we have launched the service in a wide variety of industry sectors/business categories on a trial basis to measure its risk rates, the amount of allowance for doubtful accounts recognized for the atone business tends to fluctuate widely. In the years ahead, as we believe that the overall service volume will pick up and we can better control uncollectable accounts in new sectors, we expect the fluctuations of allowance for doubtful accounts to moderate and the delinquency rate to improve.
- In the BtoB Service, gross profit increased year on year during the three months ended June 30, 2023 due to growth in GMV. However, the gross profit margin declined due to a rise in the proportion of GMV of the large merchants with lower fee rates to our total GMV.

Notes on operating profit and EBITDA

The Group posted operating loss of 354 million yen (reduced by 412 million from operating profit of 58 million yen for the same period a year ago), while EBITDA decreased 95.9% year on year to 16 million yen for the three months ended June 30, 2023. Main drivers/impediments are as follows:

- Personnel and consignment expenses increased by 297 million yen year on year as a result of the reinforcement of sales force and investment in system development within the scope of our plan intended to expand GMV in the future, which had continued from the previous fiscal year.

Risk of uncollectibility or delayed collection of receivables from a specific merchant and the recognition of provision for doubtful accounts

The business counterpart in question is a merchant using the NP *Atobarai* service, a payment solution provided by Net Protections, Inc., a consolidated subsidiary of the Company (hereinafter the “Service”). In accordance with the merchant agreement for NP *Atobarai* service” (hereinafter the “Merchant Agreement”), accounts receivables from the business counterpart’s customers (hereinafter the “Customers”) were transferred by the business counterpart to Net Protections, Inc., which then paid the business counterpart for the transferred receivables, and collected payments from the Customers.

In the process of collecting the payments, however, there were reports from several of the Customers, such as claims that they had no recollection of having entered into a sales contract with the business counterpart. As a result of an investigation, it was revealed that the transferred receivables included transactions that did not fulfill the requirements for providing the Service. Therefore, in order to protect these customers, Net Protections, Inc. suspended billing them for the transactions that it determined had failed to meet the requirements. Simultaneously, Net Protections, Inc. has decided to request the business counterpart to repurchase the receivables related to such transactions in accordance with the Merchant Agreement and to pay for the repurchase.

While Net Protections, Inc. sought to receive payment for the repurchase through repeated discussions with the business counterpart, payment has yet to be made. After conducting a multifaceted investigation of the company, including its operational and financial conditions, we found a risk that the receivables may become uncollectible, or that the collection thereof may be delayed.

To account for this circumstance, the Company recognized provision for doubtful accounts of 163 million yen, consisting of 142 million yen (as of August 14, 2023) for the receivables from the business counterpart and an estimated 20 million yen for transactions that are likely to be deemed non-compliant with the requirements for providing the Service in the future. This provision for doubtful accounts was recognized for the three months ended June 30, 2023 because the transactions that caused the recognition of provision for doubtful accounts had occurred prior to the said period.

By the end of the fiscal year ending March 31, 2023, the Company recorded 52 million yen as provision for doubtful accounts for general receivables to customers of the business counterpart. The said general receivables have become receivables against the business counterpart due to the cessation of billing to customers and the repurchase of receivables from the business counterpart. The provision for doubtful accounts of 163 million yen for the receivables from the business counterpart takes into account the general receivables, and the difference of 110 million yen is the amount of impact on the first quarter of the fiscal year ending March 31, 2024.

The Group provides BNPL services that make all business transactions safe, secure, and smooth. We will continue to place the highest priority on customer protection and closely examine problematic receivables. Moreover, by working with lawyers, we are proceeding with legal collection measures against the business counterpart, as we intend to make every possible effort to collect the receivables.

As stated in “(3) Forward-looking information including consolidated earnings forecast,” the recognition of provision for doubtful accounts does not cause revisions to the first six-month or full-year consolidated earnings forecast for the fiscal year ending March 31, 2024.

(2) Financial position

(Millions of yen, unless otherwise indicated)

	As of March 31, 2023	As of June 30, 2023	Change	Percentage change (%)
Total assets	55,404	58,677	3,273	5.9
Total current assets	36,228	39,269	3,040	8.4
Total non-current assets	19,175	19,408	232	1.2
Total liabilities	36,936	40,389	3,452	9.3
Total current liabilities	31,801	35,278	3,477	10.9
Total non-current liabilities	5,135	5,110	(24)	(0.5)
Total equity	18,467	18,288	(179)	(1.0)

Current assets as of June 30, 2023 increased 3,040 million yen from the end of the previous fiscal year. This was attributable mainly to a 1,813 million yen increase in trade and other receivables due in part to an increase in transaction volume and a 1,246 million yen increase in cash and cash equivalents.

Non-current assets increased 232 million yen from the end of the previous fiscal year. This was attributable mainly to a 213 million yen increase in intangible assets due to an increase in software assets as a result of the reinforcement of system development.

Current liabilities increased 3,477 million yen from the end of the previous fiscal year. This was attributable mainly to a 2,050 million yen increase in trade and other payables due in part to an increase in transaction volume and a 1,500 million yen increase in short-term loans.

Of the Group's current assets, trade and other receivables (before deduction of allowance for doubtful accounts) of 32,302 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 29,283 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 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 May 15, 2023.

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	10,564	11,810
Trade and other receivables	24,540	26,353
Inventories	21	16
Other current receivables	1,102	1,087
Total current assets	36,228	39,269
Non-current assets		
Property, plant and equipment	743	615
Goodwill	11,608	11,608
Intangible assets	4,130	4,344
Other financial assets	1,005	1,015
Deferred tax assets	1,514	1,634
Other non-current assets	171	190
Total non-current assets	19,175	19,408
┌ Total assets	55,404	58,677

	As of March 31, 2023	As of June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	27,233	29,283
Short-term loans	3,000	4,500
Lease liabilities	415	349
Other current financial liabilities	4	9
Income taxes payable	161	69
Provisions	28	21
Liabilities for employee benefits	443	476
Other current liabilities	513	569
Total current liabilities	31,801	35,278
Non-current liabilities		
Long-term loans	4,964	4,967
Lease liabilities	85	57
Provisions	84	85
Total non-current liabilities	5,135	5,110
Total liabilities	36,936	40,389
Equity		
Share capital	4,113	4,113
Capital surplus	14,168	14,177
Retained earnings	22	(253)
Other components of equity	64	159
Total equity attributable to owners of parent	18,369	18,196
Non-controlling interests	98	91
Total equity	18,467	18,288
Total liabilities and equity	55,404	58,677

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

Condensed quarterly consolidated statements of profit or loss

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Revenue	4,430	5,044
Other operating revenue	155	129
Total operating revenue	4,586	5,173
Operating expenses	(4,528)	(5,528)
Operating profit (loss)	58	(354)
Financial income	0	0
Financial costs	(16)	(14)
Profit (loss) before income taxes	41	(368)
Income tax expense	(56)	85
Profit (loss)	(14)	(282)
Profit (loss) attributable to:		
Owners of parent	(14)	(276)
Non-controlling interests	—	(6)
Profit (loss)	(14)	(282)
Earnings (loss) per share:		
Basic earnings (loss) per share (yen)	(0.15)	(2.86)
Diluted earnings (loss) per share (yen)	(0.15)	(2.86)

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the nine months ended June 30, 2022	For the nine months ended June 30, 2023
Profit (loss)	(14)	(282)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	43	100
Total of items that may be reclassified to profit or loss	43	100
Other comprehensive income	43	100
Comprehensive income (loss)	28	(182)
Comprehensive income (loss) attributable to:		
Owners of parent	28	(182)
Non-controlling interests	—	(0)
Comprehensive income (loss)	28	(182)

(3) Condensed quarterly consolidated statement of changes in equity

For the three months ended June 30, 2022

(Millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Total		
Balance as of April 1, 2022	4,095	14,046	466	34	18,642	—	18,642
Profit (loss)	—	—	(14)	—	(14)	—	(14)
Other comprehensive income	—	—	—	43	43	—	43
Total comprehensive income (loss)	—	—	(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

For the three months ended June 30, 2023

(Millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Total		
Balance as of April 1, 2023	4,113	14,168	22	64	18,369	98	18,467
Profit (loss)	—	—	(276)	—	(276)	(6)	(282)
Other comprehensive income	—	—	—	94	94	5	100
Total comprehensive income (loss)	—	—	(276)	94	(182)	(0)	(182)
Issuance of new shares and other shares	0	0	—	—	1	—	1
Share-based payments	—	2	—	—	2	—	2
Other	—	6	0	—	6	(6)	0
Total transactions with owners	0	9	0	—	9	(6)	3
Balance as of June 30, 2023	4,113	14,177	(253)	159	18,196	91	18,288

(4) Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Cash flows from operating activities		
Profit (loss) before income tax	41	(368)
Depreciation, amortization and impairment losses	340	358
Share-based payment expenses	0	2
Financial income and financial costs	12	11
Increase (decrease) in provisions	5	(5)
Loss on disposal of property, plant and equipment	12	10
Decrease (increase) in inventories	2	4
Decrease (increase) in trade and other receivables	(223)	(1,813)
Increase (decrease) in trade and other payables	526	2,050
Other	(19)	139
Subtotal	699	390
Interest received	0	0
Interest paid	(2)	(2)
Income tax paid	(790)	(78)
Net cash provided by (used in) operating activities	(93)	309
Cash flows from investing activities		
Payments into time deposits	(1)	(0)
Purchase of property, plant and equipment	(79)	(5)
Purchase of intangible assets	(265)	(454)
Payments of guarantee deposits	(8)	—
Purchase of other financial assets	(315)	(7)
Net cash provided by (used in) investing activities	(669)	(467)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	—	1,500
Repayments of lease liabilities	(92)	(96)
Proceeds from issuance of shares	0	1
Net cash provided by (used in) financing activities	(91)	1,404
Effects of exchange rate changes on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(854)	1,246
Cash and cash equivalents at the beginning of the period	12,119	10,564
Cash and cash equivalents at the end of the period	11,264	11,810

(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, 2023	As of June 30, 2023
Receivables arising from contracts with customers		
Trade receivables	24	24
Other trade receivables	30,119	32,278
Allowance for doubtful accounts	(5,603)	(5,949)
Total	24,540	26,353

(Operating expenses)

The breakdown of operating expenses is as follows:

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Collection expense	1,253	1,624
Invoicing expense	554	527
Provision for doubtful accounts	72	310
Bad debt expense	533	580
Loss on sale of trade receivables (Note 1)	90	100
Advertising expenses	108	140
Sales promotion expenses	172	139
Salaries	291	399
Bonuses	3	1
Legal welfare expenses	57	77
Wages	90	104
Recruiting expenses	22	49
Consignment expense	279	342
Operating and maintenance expenses	153	182
Maintenance cost	32	34
Depreciation and amortization	340	358
Taxes and dues	101	139
Other	371	416
Total	4,528	5,528

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.