Consolidated Financial Results for the Six Months Ended September 30, 2023 (under IFRS)

November 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: November 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 six months ended September 30, 2023 (from April 1, 2023 to September 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
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2023	10,330	11.9	(605)	–	(633)	–	(496)	–	(5.13)	(5.13)
September 30, 2022	9,234	0.2	39	(95.5)	9	(98.8)	(49)	–	(0.52)	(0.52)

	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	273,822	14.0	3,682	0.3	142	(81.0)
September 30, 2022	240,189	4.9	3,671	(3.4)	751	(52.0)

(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	%
September 30, 2023	58,522	18,055	17,972	30.7
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	–	0.00			
Fiscal year ending March 31, 2024 (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, 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
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	%
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: Yes
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, 2023: 96,912,285 shares
As of March 31, 2023: 96,825,287 shares
2) Number of treasury shares at the end of the period
As of September 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)
Six months ended September 30, 2023: 96,831,158 shares
Six months ended September 30, 2022: 96,459,753 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.

Contents of Attached Materials

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Operating results

The operating results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023) were as follows:

(Millions of yen, unless otherwise indicated)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023	Percentage change (%)
Total operating revenue	9,234	10,330	11.9
Operating profit (loss)	39	(605)	–
Profit (loss) before income taxes	9	(633)	–
Profit (loss) attributable to owners of parent	(49)	(496)	–

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 *Atobarai* and other	NP *Atobarai*, NP *Atobarai* air, AFTEE, etc.
	BtoC Services: atone	atone
Service for BtoB transactions	BtoB Service	NP *Kakebarai*

(Millions of yen, unless otherwise indicated)

	Three months ended September 30, 2022	Three months ended September 30, 2023	Percentage change (%)	Six months ended September 30, 2022	Six months ended September 30, 2023	Percentage change (%)
GMV (non-GAAP)	121,489	137,893	13.5	240,189	273,822	14.0
BtoC Services: NP *Atobarai* and other	83,538	86,496	3.5	167,642	173,784	3.7
BtoC Services: atone	5,205	6,293	20.9	9,967	12,306	23.5
BtoB Service	32,744	45,104	37.7	62,579	87,731	40.2
Total operating revenue	4,647	5,156	11.0	9,234	10,330	11.9
BtoC Services: NP *Atobarai* and other	3,630	3,919	7.9	7,275	7,911	8.7
BtoC Services: atone	314	343	9.2	586	671	14.4
BtoB Service	702	894	27.3	1,372	1,747	27.4
– Other operating revenue	126	121	(3.4)	281	250	(11.0)
Revenue	4,521	5,035	11.4	8,952	10,080	12.6
– Invoicing related expenses (non-GAAP)	1,855	2,071	11.7	3,663	4,223	15.3
– Bad debt related expenses (non-GAAP)	743	974	31.2	1,438	1,965	36.6
– Other payment related expenses (non-GAAP)	86	113	31.3	179	207	15.8
Gross profit (non-GAAP)	1,837	1,876	2.1	3,671	3,682	0.3
BtoC Services: NP *Atobarai* and other	1,337	1,304	(2.5)	2,631	2,575	(2.1)
BtoC Services: atone	99	100	0.4	210	174	(17.1)
BtoB Service	400	471	17.8	829	933	12.5
– SG&A and other operating expenses (non-GAAP)	1,981	2,248	13.5	3,912	4,539	16.0
Operating profit (loss)	(18)	(250)	–	39	(605)	–
+ Depreciation and amortization	347	373	7.5	687	732	6.5
+ Share-based payment expenses	2	1	(41.1)	3	3	7.2
+ Loss on disposal of property, plant and equipment	8	1	(79.0)	20	12	(40.2)
+ Impairment losses	–	–	–	–	–	–
– Gain from reversal of impairment losses	–	–	–	–	–	–
EBITDA (non-GAAP)	339	125	(62.9)	751	142	(81.0)

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 six months ended September 30, 2023, GMV increased 14.0% year on year to 273,822 million yen (up 3.7% year on year to 173,784 million yen for the BtoC Services: NP *Atobarai* and other, up 23.5% year on year to 12,306 million yen for the BtoC Services: atone, and up 40.2% year on year to 87,731 million yen for the BtoB Service).

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

- GMV growth was generally limited across e-commerce markets (especially in the beauty, health and fashion industry, which accounts for a significant portion in the NP *Atobarai* service).
- Despite such market conditions, however, GMV for the NP *Atobarai* service continued to grow thanks to the switching from other companies' BNPL services to our NP *Atobarai* service as well as the acquisition of new merchants.
- GMV for NP *Atobarai* air, a BNPL service for home visit and other service sectors, maintained a growing pace of the first quarter and achieved a significant growth year on year backed by the growing need for digital transformation (DX) of billing operations across Japan, like in the previous fiscal year. GMV for AFTEE, a BNPL service provided in overseas countries, also grew significantly year on year.

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

- The Group has strengthened sales force and focused on acquiring new merchants since the previous fiscal year. 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:

- GMV of the BtoB Service grew mainly because of the expansion of the scope of use of the NP *Kakebarai* service among the existing merchants, particularly the major merchants.
- In addition, GMV remained strong with merchants that started their operations using our service during the previous or current fiscal year.

Notes on total operating revenue

For the six months ended September 30, 2023, total operating revenue increased 11.9% year on year to 10,330 million yen (up 8.7% year on year to 7,911 million yen for the BtoC Services: NP *Atobarai* and other, up 14.4% year on year to 671 million yen for the BtoC Services: atone, and up 27.4% year on year to 1,747 million yen for the BtoB Service).

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

- Total operating revenue increased backed by GMV growth in each of the service categories of NP *Atobarai*, NP *Atobarai* air, and AFTEE.
- 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 in September 2022. As a result, the ratio of total operating revenue to GMV picked up.
- The proportion of invoicing and postal fees charged to merchants per invoice relatively decreased due to a rise in the average amount billed per invoice. As a result, the ratio of total operating revenue to GMV declined.

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

- Total operating revenue increased year on year due to GMV growth.
- The proportion of invoicing and postal fees charged to merchants per invoice relatively decreased due to a rise in the average amount billed per invoice. As a result, the ratio of total operating revenue to GMV declined.
- Also, the ratio of total operating revenue to GMV declined on the whole as the Group recognized one-time miscellaneous income during the same period last year.
- Meanwhile, the ratio of total operating revenue to GMV picked up year on year due to a rise in service fees. This is attributable to a rise in the proportion of merchants with higher fee rates in GMV as we set fee rates appropriate for the type of merchandise and the method of sales by each merchant. The ratio, therefore, could vary depending on the proportion of such merchants in the future.

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

- Total operating revenue increased year on year due to GMV growth.
- The proportion of large merchants with lower fee rates grew. As a result, the ratio of total operating revenue to GMV declined.

Notes on gross profit

For the six months ended September 30, 2023, gross profit increased 0.3% year on year to 3,682 million yen (down 2.1% year on year to 2,575 million yen for the BtoC Services: NP *Atobarai* and other, down 17.1% year on year to 174 million yen for the BtoC Services: atone, and up 12.5% year on year to 933 million yen for the BtoB Service).

Gross profit for the second quarter alone increased 2.1% year on year to 1,876 million yen (down 2.5% year on year to 1,304 million yen for the BtoC Services: NP *Atobarai* and other, up 0.4% year on year to 100 million yen for the BtoC Services: atone, and up 17.8% year on year to 471 million yen for the BtoB Service).

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

- During the first quarter, we recognized allowance for doubtful accounts as we had a concern over uncollectibility or delayed collection of receivables from a specific merchant, which caused cumulative gross profit to fall. This accounting treatment, however, was applied only to this specific merchant, and therefore, has no continuing impact on our operating performance.
- Invoicing related expenses increased as a result of rising fees for convenience store collection agency services. However, this has had no impact on the ratio of gross profit to GMV because both sales and cost of sales have increased as the Group revised the unit price of invoicing and postal fees charged to merchants around the same time.
- With the launch of electronic billing services, printing and mailing expenses are deducted from invoicing related expenses. As a result, the ratio of gross profit to GMV has picked up.

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

- During the six months ended September 2022, the Group recognized a large amount of gain from reversal of allowance for doubtful accounts since the collection status for receivables at the end of the collection process (the collection status) improved significantly. This is why gross profit for the six months ended September 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 collection status 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 collection status to improve. As we successively recognized a large amount of reversal of allowance for doubtful accounts in the previous fiscal year, the amount is expected to remain largely unchanged from the previous fiscal year during the current fiscal year. However, the impact of the reversal of allowance for doubtful accounts is expected to dissipate gradually.

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

- Gross profit increased year on year during the six months ended September 30, 2023 due to GMV growth. However, the gross profit margin declined in the wake of a rise in the proportion of large merchants with lower fee rates.
- Rises in the late payment rates affected the calculation of the amount of allowance for doubtful accounts. As a result, bad debt related expenses increased. We therefore have been working to hold down the expenses by fine-tuning credit screening and demand procedures.

Notes on operating profit and EBITDA

For the six months ended September 30, 2023, the Group posted operating loss of 605 million yen (39 million yen for the same period last year) and EBITDA of 142 million yen (down 81.0% year on year)

Main drivers/impediments are as follows:

- Personnel and consignment expenses increased by 501 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 aimed at expanding GMV in the future, which had continued from the previous fiscal year.
- In addition, we have completed the reinforcement of sales force and have made steady progress in improving its efficiency. As a result, for the second quarter alone, SG&A and other operating expenses decreased 1.9% quarter on quarter to 2,248 million yen. We will continue efforts to further improve the efficiency in the years ahead.

(2) Financial position

(Millions of yen, unless otherwise indicated)

	As of March 31, 2023	As of September 30, 2023	Change	Percentage change (%)
Total assets	55,404	58,522	3,117	5.6
Total current assets	36,228	38,958	2,729	7.5
Total non-current assets	19,175	19,563	388	2.0
Total liabilities	36,936	40,466	3,530	9.6
Total current liabilities	31,801	35,366	3,565	11.2
Total non-current liabilities	5,135	5,100	(34)	(0.7)
Total equity	18,467	18,055	(412)	(2.2)

Current assets as of September 30, 2023 increased 2,729 million yen from the end of the previous fiscal year. This was attributable mainly to a 3,292 million yen increase in trade and other receivables due in part to an increase in transaction volume and a 198 million yen increase in cash and cash equivalents.

Non-current assets increased 388 million yen from the end of the previous fiscal year. This was attributable mainly to a 400 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 3,565 million yen from the end of the previous fiscal year. This was attributable mainly to a 2,530 million yen increase in trade and other payables due in part to an increase in transaction volume and a 1,000 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 34,012 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 29,763 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 September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	10,564	10,762
Trade and other receivables	24,540	27,833
Inventories	21	14
Other current receivables	1,102	347
Total current assets	36,228	38,958
Non-current assets		
Property, plant and equipment	743	503
Goodwill	11,608	11,608
Intangible assets	4,130	4,531
Other financial assets	1,005	1,014
Deferred tax assets	1,514	1,689
Other non-current assets	171	216
Total non-current assets	19,175	19,563
Total assets	55,404	58,522

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	27,233	29,763
Short-term loans	3,000	4,000
Lease liabilities	415	264
Other current financial liabilities	4	4
Income taxes payable	161	96
Provisions	28	36
Liabilities for employee benefits	443	575
Other current liabilities	513	625
Total current liabilities	31,801	35,366
Non-current liabilities		
Long-term loans	4,964	4,969
Lease liabilities	85	44
Provisions	84	85
Total non-current liabilities	5,135	5,100
Total liabilities	36,936	40,466
Equity		
Share capital	4,113	4,119
Capital surplus	14,168	14,177
Retained earnings	22	(473)
Other components of equity	64	148
Total equity attributable to owners of parent	18,369	17,972
Non-controlling interests	98	83
Total equity	18,467	18,055
Total liabilities and equity	55,404	58,522

(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 six months ended September 30, 2022	For the six months ended September 30, 2023
Revenue	8,952	10,080
Other operating revenue	281	250
Total operating revenue	9,234	10,330
Operating expenses	(9,194)	(10,936)
Operating profit (loss)	39	(605)
Financial income	0	0
Financial costs	(31)	(28)
Profit (loss) before income taxes	9	(633)
Income tax expense	(58)	123
Profit (loss)	(49)	(510)
Profit (loss) attributable to:		
Owners of parent	(49)	(496)
Non-controlling interests	–	(13)
Profit (loss)	(49)	(510)
Earnings (loss) per share:		
Basic earnings (loss) per share (yen)	(0.52)	(5.13)
Diluted earnings (loss) per share (yen)	(0.52)	(5.13)

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit (loss)	(49)	(510)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	44	89
Total of items that may be reclassified to profit or loss	44	89
Other comprehensive income	44	89
Comprehensive income (loss)	(5)	(421)
Comprehensive income (loss) attributable to:		
Owners of parent	(5)	(412)
Non-controlling interests	–	(8)
Comprehensive income (loss)	(5)	(421)

(3) Condensed quarterly consolidated statement of changes in equity

For the six months ended September 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)	–	–	(49)	–	(49)	–	(49)
Other comprehensive income	–	–	–	44	44	–	44
Total comprehensive income (loss)	–	–	(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

For the six months ended September 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)	–	–	(496)	–	(496)	(13)	(510)
Other comprehensive income	–	–	–	84	84	4	89
Total comprehensive income (loss)	–	–	(496)	84	(412)	(8)	(421)
Issuance of new shares and other shares	6	2	–	–	8	–	8
Share-based payments	–	0	–	–	0	–	0
Other	–	6	0	–	6	(6)	0
Total transactions with owners	6	8	0	–	15	(6)	9
Balance as of September 30, 2023	4,119	14,177	(473)	148	17,972	83	18,055

(4) Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit (loss) before income tax	9	(633)
Depreciation, amortization and impairment losses	687	732
Share-based payment expenses	3	3
Financial income and financial costs	24	23
Increase (decrease) in provisions	1	9
Loss on disposal of property, plant and equipment	20	12
Decrease (increase) in inventories	(0)	7
Decrease (increase) in trade and other receivables	(1,211)	(3,292)
Increase (decrease) in trade and other payables	(778)	2,530
Other	168	448
Subtotal	(1,075)	(159)
Interest received	0	0
Interest paid	(19)	(18)
Income tax paid	(758)	461
Net cash provided by (used in) operating activities	(1,853)	283
Cash flows from investing activities		
Payments into time deposits	(1)	(0)
Purchase of property, plant and equipment	(87)	(5)
Purchase of intangible assets	(579)	(881)
Payments of guarantee deposits	(8)	–
Proceeds from collection of guarantee deposits	6	–
Purchase of other financial assets	(315)	(7)
Net cash provided by (used in) investing activities	(985)	(895)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	–	1,000
Repayments of lease liabilities	(190)	(194)
Proceeds from issuance of shares	13	4
Net cash provided by (used in) financing activities	(176)	810
Effects of exchange rate changes on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(3,015)	198
Cash and cash equivalents at the beginning of the period	12,119	10,564
Cash and cash equivalents at the end of the period	9,103	10,762

(5) Notes to condensed quarterly consolidated financial statements

(Going concern assumption)
Not applicable.

(Changes in accounting policies)
The material accounting policies applied to the condensed quarterly consolidated financial statements for the six months ended September 30, 2023 are identical to those applied to the consolidated financial statements for the previous fiscal year, except for the following item:

Income tax expense for the six months ended September 30, 2023 was calculated based on the estimated annual effective tax rate.

The standards and interpretations that the Group has applied since the beginning of the current fiscal year are as follows:

IFRS		Overview of new standards and/or amendments
IAS 1	*Presentation of Financial Statements*	The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The application of the above standards and interpretations has no significant effect on the condensed quarterly consolidated financial statements for the six months ended September 30, 2023.

(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 September 30, 2023
Receivables arising from contracts with customers		
Trade receivables	24	24
Other trade receivables	30,119	33,988
Allowance for doubtful accounts	(5,603)	(6,179)
Total	24,540	27,833

(Operating expenses)
The breakdown of operating expenses is as follows:

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Collection expense	2,595	3,265
Invoicing expense	1,068	958
Provision for doubtful accounts	185	544
Bad debt expense	1,052	1,215
Loss on sale of trade receivables (Note 1)	201	206
Advertising expenses	259	266
Sales promotion expenses	321	309
Salaries	593	807
Bonuses	4	3
Legal welfare expenses	117	159
Wages	187	207
Recruiting expenses	48	73
Consignment expense	572	652
Operating and maintenance expenses	317	371
Maintenance cost	64	69
Depreciation and amortization	687	732
Taxes and dues	208	269
Other	706	825
Total	9,194	10,936

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.