

**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, 2023**  
**(under IFRS)**

February 14, 2024

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: February 14, 2024  
 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, 2023 (from April 1, 2023 to December 31, 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
Nine months ended										
December 31, 2023	15,773	9.3	(459)	–	(502)	–	(440)	–	(4.55)	(4.55)
December 31, 2022	14,436	1.7	(43)	–	(89)	–	(126)	–	(1.31)	(1.31)

	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended						
December 31, 2023	423,880	13.7	5,878	3.0	714	(30.0)
December 31, 2022	372,824	4.4	5,708	(2.0)	1,021	(51.3)

(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	%
December 31, 2023	61,776	18,109	18,031	29.2
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.)

Fiscal year	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
	21,576	11.6	(879)	–	(954)	–	(870)	–	(8.99)

Fiscal year	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
	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: Yes

Note: For details, see “Changes in accounting policies” and “Changes in accounting estimates” on page 12 of the Attached Materials.

(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, 2023: 96,960,285 shares

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

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

As of December 31, 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)

Nine months ended December 31, 2023: 96,851,775 shares

Nine months ended December 31, 2022: 96,518,526 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.....	2
(1) Operating results.....	2
(2) Financial position.....	5
(3) Forward-looking information including consolidated earnings forecast.....	5
2. Condensed Quarterly Consolidated Financial Statements and Major Notes.....	6
(1) Condensed quarterly consolidated statements of financial position.....	6
(2) Condensed quarterly consolidated statements of profit or loss and condensed quarterly consolidated statements of comprehensive income.....	8
(3) Condensed quarterly consolidated statements of changes in equity.....	10
(4) Condensed quarterly consolidated statements of cash flows.....	11
(5) Notes to condensed quarterly consolidated financial statements.....	12
(Going concern assumption).....	12
(Changes in accounting policies).....	12
(Changes in accounting estimates).....	12
(Segment information).....	12
(Trade receivables).....	12
(Operating expenses).....	13

## 1. Qualitative Information on Quarterly Consolidated Financial Results

### (1) Operating results

The operating results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023) were as follows:  
(Millions of yen, unless otherwise indicated)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023	Percentage change (%)
Total operating revenue	14,436	15,773	9.3
Operating profit (loss)	(43)	(459)	–
Profit (loss) before income taxes	(89)	(502)	–
Profit (loss) attributable to owners of parent	(126)	(440)	–

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>Takebarai</i>

The key performance indicators are shown as below.

(Millions of yen, unless otherwise indicated)

	Three months ended December 31, 2022	Three months ended December 31, 2023	Percentage change (%)	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Percentage change (%)
GMV (non-GAAP)	132,635	150,057	13.1	372,824	423,880	13.7
BtoC Services: NP <i>Atobarai</i> and other	90,178	93,417	3.6	257,820	267,202	3.6
BtoC Services: atone	5,610	7,184	28.1	15,577	19,490	25.1
BtoB Service	36,846	49,455	34.2	99,426	137,187	38.0
Total operating revenue	5,202	5,442	4.6	14,436	15,773	9.3
BtoC Services: NP <i>Atobarai</i> and other	4,116	4,120	0.1	11,392	12,032	5.6
BtoC Services: atone	307	363	18.3	893	1,034	15.8
BtoB Service	778	957	23.0	2,150	2,705	25.8
– Other operating revenue	85	127	49.0	367	378	3.0
Revenue	5,117	5,314	3.9	14,069	15,394	9.4
– Invoicing related expenses (non-GAAP)	2,183	2,124	(2.7)	5,846	6,348	8.6
– Bad debt related expenses (non-GAAP)	806	890	10.5	2,244	2,856	27.2
– Other payment related expenses (non-GAAP)	90	104	15.9	269	312	15.9
Gross profit (non-GAAP)	2,037	2,195	7.7	5,708	5,878	3.0
BtoC Services: NP <i>Atobarai</i> and other	1,472	1,632	10.9	4,103	4,207	2.5
BtoC Services: atone	108	91	(16.1)	318	265	(16.8)
BtoB Service	456	471	3.3	1,286	1,405	9.2
– SG&A and other operating expenses (non-GAAP)	2,206	2,176	(1.4)	6,119	6,716	9.7
Operating profit (loss)	(83)	146	–	(43)	(459)	–
+ Depreciation and amortization	346	423	22.2	1,034	1,155	11.8
+ Share-based payment expenses	3	2	(36.8)	6	5	(13.4)
+ Loss on disposal of property, plant and equipment	3	0	(92.9)	24	12	(48.5)
+ Impairment losses	–	–	–	–	–	–
– Gain from reversal of impairment losses	–	–	–	–	–	–
EBITDA (non-GAAP)	270	572	111.8	1,021	714	(30.0)

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 nine months ended December 31, 2023, GMV increased 13.7% year on year to 423,880 million yen (up 3.6% to 267,202 million yen for the BtoC Services: NP *Atobarai* and other, up 25.1% to 19,490 million yen for the BtoC Services: atone, and up 38.0% to 137,187 million yen for the BtoB Service).

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

- GMV growth remained generally limited across e-commerce markets (especially in the beauty, health and fashion industry, which account for a significant portion in the NP *Atobarai* service) as in the second quarter. Despite such market conditions, however, GMV for the NP *Atobarai* service grew thanks to the switching from other companies’ BNPL services to our NP *Atobarai* service as well as the acquisition of new large merchants.
- GMV for NP *Atobarai* air, a BNPL service for home visit and other service sectors, maintained a growing pace of the first and second quarters and achieved significant growth 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 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 during the period from the previous to the current fiscal year.
- GMV is expected to continue growing further in the years ahead as the number of merchants is growing, particularly those in apparel and entertainment.

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

- GMV for the BtoB Service grew as in the second quarter mainly because the scope of use of the NP *Kakebarai* service among the existing merchants, particularly the major merchants in advertising and advertising production, expanded this quarter.
- In addition, GMV remained strong with merchants that started their operations using our service during the period from the previous to the current fiscal year.

#### Notes on total operating revenue

For the nine months ended December 31, 2023, total operating revenue increased 9.3% year on year to 15,773 million yen (up 5.6% to 12,032 million yen for the BtoC Services: NP *Atobarai* and other, up 15.8% to 1,034 million yen for the BtoC Services: atone, and up 25.8% to 2,705 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 the 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 impact of the unit price revision subsided in the third quarter.
- With the release of electronic billing services, we saw an increase in the usage of these services, which charge lower invoicing fees to merchants. As a result, the ratio of total operating revenue to GMV declined.
- Note that the revision of the unit price of invoicing and postal fees has no impact on gross profit because the costs have also been changed by the same amount. However, increased usage of electronic billing services will lead to increased gross profit margin because a reduction in mailing expenses outweighs an increase in the costs for electronic billing services.

- 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.
- The rise in the average amount billed per invoice is attributable to an improvement in the frequency of purchases by users using atone service and a resulting rise in the number of transactions charged per invoice due to increased number of stores accepting atone and enhanced user convenience.
- Also, the ratio of total operating revenue to GMV declined on the whole as the Group recognized one-time miscellaneous income during the second quarter of the precious fiscal year.
- The proportion of large merchants with lower fee rates grew. As a result, the ratio of total operating revenue to GMV decline.

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.
- We intend to earn revenue other than that from service fees by enhancing financial services derived from payment services, such as NP *Kakebarai* Card Payment service launched in July 2023.

#### *Notes on gross profit*

For the nine months ended December 31, 2023, gross profit increased 3.0% year on year to 5,878 million yen (up 2.5% to 4,207 million yen for the BtoC Services: NP *Atobarai* and other, down 16.8% to 265 million yen for the BtoC Services: atone, and up 9.2% to 1,405 million yen for the BtoB Service).

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

- Bad debt related expenses decreased as the collection status of receivables improved. As a result, the ratio of gross profit to GMV has picked up.
- The calculation rule for bad debt related expenses has been so set that the amount is appropriate in the long term. Therefore, the expenses for a quarter or other short period may be subject to quarter-on-quarter or year-on-year fluctuation, irrelevant to the long-term trend.
- 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 nine 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 during and at the end of the collection process (the “collection status”) improved significantly. This is why gross profit for the nine months ended December 31, 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 nine months ended December 31, 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.
- A deterioration in the environment surrounding micro, small and medium business operators, who are the main end users of NP *Kakebarai*, led to a rise in the late payment rate. 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 nine months ended December 31, 2023, the Group posted operating loss of 459 million yen (43 million yen for the same period last year) and EBITDA of 714 million yen (down 30.0% year on year).

Main drivers/impediments are as follows:

- Personnel and consignment expenses increased by 621 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.

Meanwhile, we have completed the reinforcement of sales force and have made progress in improving its efficiency. As an outcome of these efforts, we achieved the following results for the third quarter alone. We will continue efforts to further improve the efficiency in the years ahead.

- SG&A and other operating expenses decreased quarter on quarter.
- While GMV increased year on year, the proportion of SG&A and other operating expenses decreased.
- As a result, operating profit for the third quarter alone stood at 146 million yen.

## (2) Financial position

(Millions of yen, unless otherwise indicated)

	As of March 31, 2023	As of December 31, 2023	Change	Percentage change (%)
Total assets	55,404	61,776	6,372	11.5
Total current assets	36,228	42,281	6,053	16.7
Total non-current assets	19,175	19,495	319	1.7
Total liabilities	36,936	43,667	6,730	18.2
Total current liabilities	31,801	38,578	6,777	21.3
Total non-current liabilities	5,135	5,088	(46)	(0.9)
Total equity	18,467	18,109	(358)	(1.9)

Current assets as of December 31, 2023 increased 6,053 million yen from the end of the previous fiscal year. The increase was attributable mainly to a 7,153 million yen increase in trade and other receivables due mainly to an increase in transaction volume, partly offset by a 416 million yen decrease in cash and cash equivalents.

Non-current assets increased 319 million yen from the end of the previous fiscal year. The increase was attributable mainly to a 484 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 6,777 million yen from the end of the previous fiscal year. The increase was attributable mainly to a 9,464 million yen increase in trade and other payables due mainly to an increase in transaction volume, partly offset by a 2,669 million yen decrease in short-term loans.

Of the Group's current assets, trade and other receivables (before deduction of allowance for doubtful accounts) of 38,049 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 36,697 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 statements of financial position

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	10,564	10,147
Trade and other receivables	24,540	31,694
Inventories	21	13
Other current receivables	1,102	426
Total current assets	<u>36,228</u>	<u>42,281</u>
Non-current assets		
Property, plant and equipment	743	404
Goodwill	11,608	11,608
Intangible assets	4,130	4,614
Other financial assets	1,005	1,026
Deferred tax assets	1,514	1,625
Other non-current assets	171	213
Total non-current assets	<u>19,175</u>	<u>19,495</u>
┌ Total assets	<u><u>55,404</u></u>	<u><u>61,776</u></u>



	As of March 31, 2023	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	27,233	36,697
Short-term loans	3,000	330
Lease liabilities	415	177
Other current financial liabilities	4	10
Income taxes payable	161	67
Provisions	28	62
Liabilities for employee benefits	443	516
Other current liabilities	513	716
Total current liabilities	31,801	38,578
Non-current liabilities		
Long-term loans	4,964	4,972
Lease liabilities	85	31
Provisions	84	84
Total non-current liabilities	5,135	5,088
Total liabilities	36,936	43,667
Equity		
Share capital	4,113	4,121
Capital surplus	14,168	14,181
Retained earnings	22	(417)
Other components of equity	64	145
Total equity attributable to owners of parent	18,369	18,031
Non-controlling interests	98	78
Total equity	18,467	18,109
Total liabilities and equity	55,404	61,776

(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 nine months ended December 31, 2022	For the nine months ended December 31, 2023
Revenue	14,069	15,394
Other operating revenue	367	378
Total operating revenue	14,436	15,773
Operating expenses	(14,480)	(16,232)
Operating profit (loss)	(43)	(459)
Financial income	0	1
Financial costs	(46)	(43)
Profit (loss) before income taxes	(89)	(502)
Income tax expense	(36)	43
Profit (loss)	(126)	(458)
Profit (loss) attributable to:		
Owners of parent	(126)	(440)
Non-controlling interests	—	(18)
Profit (loss)	(126)	(458)
Earnings (loss) per share:		
Basic earnings (loss) per share (yen)	(1.31)	(4.55)
Diluted earnings (loss) per share (yen)	(1.31)	(4.55)

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit (loss)	(126)	(458)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	16	86
Total of items that may be reclassified to profit or loss	16	86
Other comprehensive income	16	86
Comprehensive income (loss)	<u>(109)</u>	<u>(372)</u>
Comprehensive income (loss) attributable to:		
Owners of parent	(109)	(359)
Non-controlling interests	-	(13)
Comprehensive income (loss)	<u>(109)</u>	<u>(372)</u>

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

For the nine months ended December 31, 2022

(Millions of yen)

	Equity attributable to owners of the parent					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)	–	–	(126)	–	(126)	(126)
Other comprehensive income	–	–	–	16	16	16
Total comprehensive income (loss)	–	–	(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

For the nine months ended December 31, 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)	–	–	(440)	–	(440)	(18)	(458)
Other comprehensive income	–	–	–	81	81	4	86
Total comprehensive income (loss)	–	–	(440)	81	(359)	(13)	(372)
Issuance of new shares and other shares	8	4	–	–	12	–	12
Share-based payments	–	2	–	–	2	–	2
Other	–	6	0	–	6	(6)	0
Total transactions with owners	8	12	0	–	21	(6)	14
Balance as of December 31, 2023	4,121	14,181	(417)	145	18,031	78	18,109

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

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Cash flows from operating activities		
Profit (loss) before income tax	(89)	(502)
Depreciation, amortization and impairment losses	1,034	1,155
Share-based payment expenses	6	5
Financial income and financial costs	36	35
Increase (decrease) in provisions	6	34
Loss on disposal of property, plant and equipment	24	12
Decrease (increase) in inventories	4	8
Decrease (increase) in trade and other receivables	(5,300)	(7,153)
Increase (decrease) in trade and other payables	4,535	9,464
Other	256	484
Subtotal	515	3,544
Interest received	0	1
Interest paid	(21)	(21)
Income tax paid	(1,193)	391
Net cash provided by (used in) operating activities	(698)	3,916
Cash flows from investing activities		
Payments into time deposits	(2)	(0)
Purchase of property, plant and equipment	(87)	(7)
Purchase of intangible assets	(937)	(1,353)
Payments of guarantee deposits	(78)	(3)
Proceeds from collection of guarantee deposits	76	-
Purchase of other financial assets	(315)	(15)
Net cash provided by (used in) investing activities	(1,344)	(1,380)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	-	(2,669)
Repayments of lease liabilities	(281)	(292)
Proceeds from issuance of shares	14	8
Net cash provided by (used in) financing activities	(266)	(2,952)
Effects of exchange rate changes on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(2,310)	(416)
Cash and cash equivalents at the beginning of the period	12,119	10,564
Cash and cash equivalents at the end of the period	9,808	10,147

(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 nine months ended December 31, 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 nine months ended December 31, 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 that requires entities to disclose their <i>material</i> accounting policies rather than their <i>significant</i> accounting policies.

The application of the above standards and interpretations has no significant effect on the condensed quarterly consolidated financial statements for the nine months ended December 31, 2023.

(Changes in accounting estimates)

During the nine months ended December 31, 2023, the Company made a decision to terminate the lease contract for part of its head office. Based on new information we obtained in association with, among other things, this decision, we changed our accounting estimates on the restoration costs and expected useful life. As a result of these changes, an increase of 31 million yen due to these changes was added to the balance of asset retirement obligations before the changes.

Due to the changes in accounting estimates, operating loss for the nine months ended December 31, 2023 increased 9 million yen.

(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 December 31, 2023
Receivables arising from contracts with customers		
Trade receivables	24	24
Other trade receivables	30,119	38,025
Allowance for doubtful accounts	(5,603)	(6,355)
Total	24,540	31,694

(Operating expenses)

The breakdown of operating expenses is as follows:

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Collection expense	4,248	4,948
Invoicing expense	1,598	1,399
Provision for doubtful accounts	320	721
Bad debt expense	1,590	1,790
Loss on sale of trade receivables (Note 1)	334	343
Advertising expenses	493	369
Sales promotion expenses	486	462
Salaries	909	1,221
Bonuses	148	186
Legal welfare expenses	177	239
Wages	281	304
Recruiting expenses	78	90
Consignment expense	915	940
Operating and maintenance expenses	478	559
Maintenance cost	99	103
Depreciation and amortization	1,034	1,155
Taxes and dues	331	390
Other	955	1,003
Total	14,480	16,232

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.