Translation

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Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (under IFRS)

May 15, 2024

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 hold ordinary general meeting of shareholders: June 28, 2024
Scheduled date to commence dividend payments: –
Scheduled date to file Annual Securities Report: June 28, 2024
Preparation of supplementary material on financial results: Yes
Holding of 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 fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
March 31, 2024	20,844	7.8	(627)	–	(820)	–	(828)	–	(8.55)	(8.55)
March 31, 2023	19,330	3.6	(404)	–	(527)	–	(443)	–	(4.59)	(4.59)

	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)		Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to total operating revenue
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	%	%	%
March 31, 2024	565,987	13.4	7,795	4.9	1,037	(0.8)	(4.6)	(1.4)	(3.0)
March 31, 2023	499,035	5.6	7,433	(0.5)	1,045	(53.5)	(2.4)	(1.0)	(2.1)

Reference: Share of profit (loss) of investments accounted for using equity method
Fiscal year ended March 31, 2024: – Fiscal year ended March 31, 2023: –

(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	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2024	60,279	17,780	17,704	29.4	180.77
March 31, 2023	55,404	18,467	18,369	33.2	188.11

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	1,931	(1,760)	75	10,810
March 31, 2023	(2,629)	(1,765)	2,841	10,564

2. Cash dividends

	Annual dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2023	–	0.00	–	0.00	0.00	–	–	–
March 31, 2024	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending March 31, 2025 (forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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	10,740	4.0	(243)	–	(283)	–	(167)	–	(1.72)
Fiscal year	23,000	10.3	520	–	433	–	268	–	2.75

	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months	300,000	9.6	4,024	9.3	628	340
Fiscal year	630,500	11.4	9,062	16.3	2,273	119.2

Note: 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, 2024 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
Newly included: None
Excluded: 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 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 March 31, 2024: 97,287,285 shares
As of March 31, 2023: 96,825,287 shares
2) Number of treasury shares at the end of the period
As of March 31, 2024: – shares
As of March 31, 2023: – shares
3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)
Fiscal year ended March 31, 2024: 96,917,088 shares
Fiscal year ended March 31, 2023: 96,580,032 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)

* Financial results reports are exempt from audit 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. Overview of Operating Results, etc.

(1) Overview of operating results for the current fiscal year

The operating results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024) (the "current fiscal year") were as follows:

(Millions of yen, unless otherwise indicated)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024	Percentage change (%)
Total operating revenue	19,330	20,844	7.8
Operating profit (loss)	(404)	(627)	–
Profit (loss) before income taxes	(527)	(820)	–
Profit (loss) attributable to owners of parent	(443)	(828)	–

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.

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*

The key performance indicators are shown as below.

(Millions of yen, unless otherwise indicated)

	Three months ended March 31, 2023	Three months ended March 31, 2024	Percentage change (%)	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Percentage change (%)
GMV (non-GAAP)	126,210	142,107	12.6	499,035	565,987	13.4
BtoC Services: NP *Atobarai* and other	83,131	84,345	1.5	340,952	351,547	3.1
BtoC Services: atone	5,540	7,549	36.3	21,118	27,040	28.0
BtoB Service	37,538	50,212	33.8	136,964	187,399	36.8
Total operating revenue	4,893	5,071	3.6	19,330	20,844	7.8
BtoC Services: NP *Atobarai* and other	3,809	3,730	(2.1)	15,202	15,763	3.7
BtoC Services: atone	304	381	25.5	1,198	1,416	18.2
BtoB Service	779	958	23.0	2,929	3,664	25.1
– Other operating revenue	122	152	25.0	489	531	8.5
Revenue	4,771	4,918	3.1	18,840	20,313	7.8
– Invoicing related expenses (non-GAAP)	2,042	1,978	(3.1)	7,888	8,326	5.5
– Bad debt related expenses (non-GAAP)	887	925	4.3	3,132	3,781	20.7
– Other payment related expenses (non-GAAP)	117	98	(16.3)	386	410	6.1
Gross profit (non-GAAP)	1,724	1,916	11.1	7,433	7,795	4.9
BtoC Services: NP *Atobarai* and other	1,214	1,412	16.3	5,317	5,620	5.7
BtoC Services: atone	73	103	40.0	392	368	(6.1)
BtoB Service	436	400	(8.1)	1,722	1,805	4.8
– SG&A and other operating expenses (non-GAAP)	2,207	2,237	1.4	8,327	8,954	7.5
Operating profit (loss)	(361)	(168)	–	(404)	(627)	–
+ Depreciation and amortization	348	422	21.0	1,383	1,577	14.1
+ Share-based payment expenses	3	3	24.1	10	9	(1.6)
+ Loss on disposal of property, plant and equipment	32	15	(51.5)	57	28	(50.2)
+ Impairment losses	–	48	–	–	48	–
– Gain from reversal of impairment losses	–	–	–	–	–	–
EBITDA (non-GAAP)	23	322	–	1,045	1,037	(0.8)

Note: The Company additionally discloses non-GAAP performance measures that are not prescribed by International Financial Reporting Standards (the "IFRS"), the accounting standards applied by the Company, as we believe that such measures are useful for investors to assess the Group's operating performance.

Non-GAAP performance measure	Description
GMV	Gross merchandise value for the Group's payment services
Invoicing related expenses	Collection expense + Invoicing expense, primarily the amount of expenses incurred per invoice
Bad debt related expenses	Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade receivables, primarily the expenses incurred in proportion to the amount of invoice
Other payment related expenses	Other expenses required for providing payment services, including credit screening costs and NP point expenses
Gross profit	Revenue – (Invoicing related expenses + Bad debt related expenses + Other payment-related expenses)
SG&A and other operating expenses	Operating expenses – (Invoicing related expenses + Bad debt related expenses + Other payment-related expenses)
EBITDA	Operating profit + (Depreciation and amortization + Share-based payment expenses + Loss on disposal of property, plant and equipment + Impairment losses – Gain from reversal of impairment losses)

Given that the Group serves tens of thousands of merchants, our business structure makes us less dependent on specific merchants, but is susceptible to changes in the e-commerce and payment markets impacted by changes in the macro environment.

Notes on GMV

For the current fiscal year, GMV increased 13.4% year on year to 565,987 million yen (up 3.1% to 351,547 million yen for the BtoC Services: NP *Atobarai* and other, up 28.0% to 27,040 million yen for the BtoC Services: atone, and up 36.8% to 187,399 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 third 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 large new merchants.
- GMV for NP *Atobarai* air, a BNPL service for home visit and other service sectors, maintained a growing pace from the beginning of the fiscal year 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.
- In addition, the use of an atone app-exclusive card (i.e., a virtual card collaborated with JCB that can be used from the atone app) is gradually increasing not only on e-commerce platforms but also at physical stores, and we are making progress in cultivating the e-commerce and payment markets.

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

- GMV for the BtoB Service grew as in the third 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 current fiscal year, total operating revenue increased 7.8% year on year to 20,844 million yen (up 3.7% to 15,763 million yen for the BtoC Services: NP *Atobarai* and other, up 18.2% to 1,416 million yen for the BtoC Services: atone, and up 25.1% to 3,664 million yen for the BtoB Service).

Main drivers/impediments common to all the service categories are as follows:

- Total operating revenue increased backed by GMV growth in each of the service categories.

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

- 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:

- 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 declined.

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

- 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 current fiscal year, gross profit increased 4.9% year on year to 7,795 million yen (up 5.7% to 5,620 million yen for the BtoC Services: NP *Atobarai* and other, down 6.1% to 368 million yen for the BtoC Services: atone, and up 4.8% to 1,805 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 fiscal year ended March 31, 2023, the Group recognized a large amount of gain from reversal of allowance for doubtful accounts since the collection status of receivables during and at the end of the collection process (the “collection status”) improved significantly. This is why gross profit for the current fiscal year 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 remained 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 subside in the current fiscal year.

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

- Gross profit increased year on year during the current fiscal year 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 current fiscal year, the Group posted operating loss of 627 million yen (404 million yen for the previous fiscal year) and EBITDA of 1,037 million yen (down 0.8% year on year).

Main drivers/impediments are as follows:

- Personnel and consignment expenses increased 666 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.

- The Group recognized impairment losses of 48 million yen in the process of reorganizing its line of services with the aim of increasing service operational efficiency in the following fiscal year and beyond.

We have completed the reinforcement of sales force, and as a result of having made progress in improving operational efficiency, SG&A expenses, excluding other operating expenses, decreased in the fourth quarter alone compared with the same period last year.

(2) Overview of financial position for the current fiscal year

(Millions of yen, unless otherwise indicated)

	As of March 31, 2023	As of March 31, 2024	Change	Percentage change (%)
Total assets	55,404	60,279	4,875	8.8
Total current assets	36,228	40,698	4,469	12.3
Total non-current assets	19,175	19,580	405	2.1
Total liabilities	36,936	42,498	5,562	15.1
Total current liabilities	31,801	37,374	5,573	17.5
Total non-current liabilities	5,135	5,123	(11)	(0.2)
Total equity	18,467	17,780	(687)	(3.7)

Current assets as of March 31, 2024 increased 4,469 million yen from the end of the previous fiscal year. The increase was attributable mainly to a 4,698 million yen increase in trade and other receivables due mainly to an increase in transaction volume.

Non-current assets increased 405 million yen from the end of the previous fiscal year. This was attributable mainly to a 540 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 5,573 million yen from the end of the previous fiscal year. This was attributable mainly to a 4,992 million yen increase in trade and other payables due mainly to an increase in transaction volume.

Of the Group's current assets, trade and other receivables (before deduction of allowance for doubtful accounts) of 35,828 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 32,226 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) Overview of cash flows for the current fiscal year

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024	Change
Cash flows from operating activities	(2,629)	1,931	4,561
Cash flows from investing activities	(1,765)	(1,760)	5
Cash flows from financing activities	2,841	75	(2,765)
Effects of exchange rate changes on cash and cash equivalents	(0)	(0)	(0)
Net increase (decrease) in cash and cash equivalents	(1,554)	246	1,801
Cash and cash equivalents at the beginning of the period	12,119	10,564	(1,554)
Cash and cash equivalents at the end of the period	10,564	10,810	246

Cash and cash equivalents ("net cash") at the end of the current fiscal year amounted to 10,810 million yen (10,564 million yen at the end of the previous fiscal year).

Cash flows from operating activities

Net cash provided by operating activities amounted to 1,931 million yen (compared with 2,629 million yen used for the the previous fiscal year). This is attributable mainly to:

- recording of loss before income taxes (leading to a cash outflow of 820 million yen),
- recording of amortization, etc (leading to a cash inflow of 1,626 million yen),
- changes in trade and other receivables (leading to a cash outflow of 4,698 million yen),
- changes in trade and other payables (leading to a cash inflow of 4,992 million yen),
- changes in other assets and liabilities (leading to a cash inflow of 187 million yen), and
- income taxes refund (leading to a cash inflow of 380 million yen).

Cash flows from investing activities

Net cash used in investing activities amounted to 1,760 million yen (compared with 1,765 million yen used for the previous fiscal year). This is attributable mainly to:

- purchase of intangible assets due to investment in system development (leading to a cash outflow of 1,726 million yen).

Cash flows from financing activities

Net cash provided by financing activities amounted to 75 million yen (compared with 2,841 million yen provided for the previous fiscal year). This is attributable mainly to:

- a net increase in short-term loans (leading to a cash inflow of 431 million yen), and
- repayments of lease liabilities (leading to a cash outflow of 391 million yen).

(4) Future outlook

In the BtoC business, continuing on from the current fiscal year, we will be endeavoring to capture new merchants in the ecommerce and service sectors through our alliance partners. atone, a membership-based BNPL service, has newly started offering a highly convenient service scheme for new users, atone Pay in 10 Days, that allows them to use the service without sign-up since May 2023. We aim to efficiently acquire new merchants through system integration between atone and EC platforms. We also aim for GMV growth by leveraging campaigns as a hook to transfer members to merchants through atone shops, a web portal launched in October 2023. In addition, we plan to offer an installment payment service in the second half of the fiscal year ending March 31, 2025 to respond to the need for installment payments for high-value goods. By taking these steps, we expect annual GMV in the BtoC business for the fiscal year ending March 31, 2025 to reach 392,817 million yen (up 3.8% or 14,228 million yen year on year).

In the BtoB business, we will acquire leads mainly through web ads, which provide a high return on investment. In addition, we will strengthen our sales force to boost the conversion rate of leads into negotiations and the deal closing rate, thereby acquiring new merchants efficiently. By taking these steps, we expect annual GMV in the BtoB business for the fiscal year ending March 31, 2025 to reach 237,682 million yen (up 26.8% or 50,283 million yen year on year).

We completed the necessary reinforcements of our structure in the current fiscal year. Thereafter, we plan to promote efficiency in selling, general and administrative expenses. Marketing expenses for the fiscal year ending March 31, 2025 are expected to be 539 million yen (down 95 million yen year on year).

As a result of the above, we forecast the full-year consolidated financial results for the fiscal year ending March 31, 2025 as follows: Annual GMV of 630,500 million yen (up 11.4% or 64,512 million yen year on year), total operating revenue of 23,000 million yen (up 10.3% or 2,155 million yen year on year), operating profit of 520 million yen (operating loss of 627 million yen for the current fiscal year), profit before income taxes of 433 million yen (loss before income taxes of 820 million yen for the current fiscal year), and profit attributable to owners of parent of 268 million yen (loss attributable to owners of parent of 828 million yen for the current fiscal year). For non-GAAP measures, we forecast gross profit of 9,062 million yen (up 16.3% or 1,267 million yen year on year) and EBITDA of 2,273 million yen (up 119.2% or 1,236 million yen year on year).

2. Basic Policy on the Selection of Accounting Standards

The Company has adopted International Financial Reporting Standards (IFRS) to improve international comparability and usefulness of financial information.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated statements of financial position

(Millions of yen)

	As of the fiscal year ended March 31,	
	2023	2024
Assets		
Current assets		
Cash and cash equivalents	10,564	10,810
Trade and other receivables	24,540	29,238
Inventories	21	11
Other current receivables	1,102	637
Total current assets	36,228	40,698
Non-current assets		
Property, plant and equipment	743	354
Goodwill	11,608	11,608
Intangible assets	4,130	4,671
Other financial assets	1,005	898
Deferred tax assets	1,514	1,784
Other non-current assets	171	262
Total non-current assets	19,175	19,580
Total assets	55,404	60,279
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	27,233	32,226
Short-term loans	3,000	3,431
Lease liabilities	415	101
Other current financial liabilities	4	6
Income taxes payable	161	298
Provisions	28	57
Liabilities for employee benefits	443	564
Other current liabilities	513	688
Total current liabilities	31,801	37,374
Non-current liabilities		
Long-term loans	4,964	4,974
Lease liabilities	85	35
Provisions	84	113
Total non-current liabilities	5,135	5,123
Total liabilities	36,936	42,498
Equity		
Share capital	4,113	4,134
Capital surplus	14,168	14,196
Retained earnings	22	(805)
Other components of equity	64	178
Total equity attributable to owners of parent	18,369	17,704
Non-controlling interests	98	76
Total equity	18,467	17,780
Total liabilities and equity	55,404	60,279

(2) Consolidated statements of profit or loss and consolidated statements of comprehensive income

Consolidated statements of profit or loss

(Millions of yen)

	For the fiscal year ended March 31,	
	2023	2024
Revenue	18,840	20,313
Other operating revenue	489	531
Total operating revenue	19,330	20,844
Operating expenses	(19,735)	(21,472)
Operating profit (loss)	(404)	(627)
Financial income	0	1
Financial costs	(123)	(194)
Profit (loss) before income taxes	(527)	(820)
Income tax expense	84	(30)
Profit (loss)	(443)	(851)
Profit (loss) attributable to:		
Owners of parent	(443)	(828)
Non-controlling interests	–	(22)
Profit (loss)	(443)	(851)
Earnings (loss) per share:		
Basic earnings (loss) per share (yen)	(4.59)	(8.55)
Diluted earnings (loss) per share (yen)	(4.59)	(8.55)

Consolidated statements of comprehensive income

(Millions of yen)

	For the fiscal year ended March 31,	
	2023	2024
Profit (loss)	(443)	(851)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	34	120
Total of items that may be reclassified to profit or loss	34	120
Other comprehensive income	34	120
Comprehensive income (loss)	(409)	(730)
Comprehensive income (loss) attributable to:		
Owners of parent	(409)	(714)
Non-controlling interests	–	(15)
Comprehensive income (loss)	(409)	(730)

(3) Consolidated statements of changes in equity

For the fiscal year ended March 31, 2023

(Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of April 1, 2022	4,095	14,046	466	34	18,642	–	18,642
Profit (loss)	–	–	(443)	–	(443)	–	(443)
Other comprehensive income	–	–	–	34	34	–	34
Total comprehensive income (loss)	–	–	(443)	34	(409)	–	(409)
Issuance of new shares and other shares	13	13	–	–	27	–	27
Share-based payments	4	5	–	–	10	–	10
Changes in ownership interest in subsidiaries	–	102	–	(4)	98	98	196
Total transactions with owners	18	122	–	(4)	135	98	234
Balance as of March 31, 2023	4,113	14,168	22	64	18,369	98	18,467

For the fiscal year ended March 31, 2024

(Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of April 1, 2023	4,113	14,168	22	64	18,369	98	18,467
Profit (loss)	–	–	(828)	–	(828)	(22)	(851)
Other comprehensive income	–	–	–	114	114	6	120
Total comprehensive income (loss)	–	–	(828)	114	(714)	(15)	(730)
Issuance of new shares and other shares	21	17	–	–	38	–	38
Share-based payments	–	4	–	–	4	–	4
Other	–	6	0	–	6	(6)	0
Total transactions with owners	21	27	0	–	49	(6)	42
Balance as of March 31, 2024	4,134	14,196	(805)	178	17,704	76	17,780

(4) Consolidated statements of cash flows

(Millions of yen)

	For the fiscal year ended March 31,	
	2023	2024
Cash flows from operating activities		
Profit (loss) before income tax	(527)	(820)
Depreciation, amortization and impairment losses	1,383	1,626
Share-based payment expenses	10	9
Financial income and financial costs	105	192
Increase (decrease) in provisions	2	57
Loss on disposal of property, plant and equipment	57	28
Decrease (increase) in inventories	(2)	9
Decrease (increase) in trade and other receivables	(2,521)	(4,698)
Increase (decrease) in trade and other payables	272	4,992
Other	(56)	187
Subtotal	(1,277)	1,585
Interest received	0	1
Interest paid	(38)	(35)
Income taxes refund (paid)	(1,314)	380
Net cash provided by (used in) operating activities	(2,629)	1,931
Cash flows from investing activities		
Payments into time deposits	(1)	(0)
Purchase of property, plant and equipment	(88)	(14)
Purchase of intangible assets	(1,357)	(1,726)
Payments of guarantee deposits	(79)	(4)
Proceeds from collection of guarantee deposits	76	0
Purchase of other financial assets	(315)	(15)
Net cash provided by (used in) investing activities	(1,765)	(1,760)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	3,000	431
Repayments of lease liabilities	(383)	(391)
Proceeds from issuance of shares	27	34
Capital contribution from non-controlling interests	196	–
Net cash provided by financing activities	2,841	75
Effects of exchange rate changes on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	(1,554)	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	10,564	10,810

(5) Notes to consolidated financial statements

Going concern assumption

Not applicable

Changes in accounting policies

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*	Amendment requiring entities to disclose *material* accounting policies in place of *significant* accounting policies.

The application of the above standards and interpretations has no significant effect on the consolidated financial statements for the current fiscal year.

Changes in accounting estimates

During the current fiscal year, the Group changed its accounting estimates based on new information we obtained about the asset retirement obligations, which had been recognized as obligation to restore the Company's office to its original condition included in the leasehold contract for the property. As a result of these changes in estimates, an increase of 59 million yen was added to the balance of asset retirement obligations before the changes.

The changes in the estimates have increased operating loss by 19 million yen for the current fiscal year.

Segment information

Segment information is not presented as the Group operates a single segment, Payment Solutions.

Per-share information

The calculation of basic earnings per share is as follows:

(Millions of yen, unless otherwise indicated)

	For the fiscal year ended March 31,	
	2023	2024
Profit (loss) attributable to owners of the parent	(443)	(828)
Profit not attributable to the parent company's common shareholders	–	–
Profit (loss) used for calculating basic earnings per share	(443)	(828)
Average number of shares of common stock during period (thousands of shares)	96,580	96,917
Basic earnings (loss) per share (yen)	(4.59)	(8.55)

The calculation of diluted earnings per share is as follows:

(Millions of yen, unless otherwise indicated)

	For the fiscal year ended March 31,	
	2023	2024
Profit (loss) used for calculating basic earnings (loss) per share	(443)	(828)
Profit adjustment amount	–	
Profit (loss) used for calculating diluted earnings (loss) per share	(443)	(828)
Average number of shares of common stock during period (thousands of shares)	96,580	96,917
Increase in number of shares of common stock		
Stock acquisition rights (thousands of shares)	–	
Weighted average number of shares of common stock after dilution (thousands of shares)	96,580	96,917
Diluted earnings (loss) per share (yen)	(4.59)	(8.55)

Note: 1. Dilutive potential shares of 1,917 thousand shares during the previous fiscal year were excluded from the computation of diluted loss per share as they were antidilutive.

2. Dilutive potential shares of 1,282 thousand shares during the current fiscal year were excluded from the computation of diluted loss per share as they were antidilutive.

Trade receivables

The breakdown of receivables arising from contracts with customers is as follows:

(Millions of yen)

	For the fiscal year ended March 31,	
	2023	2024
Receivables arising from contracts with customers		
Trade receivables	24	31
Other trade receivables	30,119	35,796
Allowance for doubtful accounts	(5,603)	(6,589)
Total	24,540	29,238

Operating expenses

The breakdown of operating expenses is as follows:

(Millions of yen)

	For the fiscal year ended March 31,	
	2023	2024
Collection expense	5,797	6,544
Invoicing expense	2,090	1,781
Provision for doubtful accounts	583	937
Bad debt expense	2,113	2,291
Loss on sale of trade receivables (Note)	434	553
Advertising expenses	644	492
Sales promotion expenses	638	611
Salaries	1,248	1,628
Bonuses	151	189
Legal welfare expenses	245	322
Wages	380	399
Recruiting expenses	132	105
Consignment expense	1,242	1,227
Operating and maintenance expenses	664	756
Maintenance cost	133	136
Depreciation and amortization	1,383	1,626
Taxes and dues	436	466
Other	1,413	1,400
Total	19,735	21,472

Note: 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.

Material subsequent events

Not applicable.