Translation

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under IFRS)

August 14, 2024

Company name: Net Protections Holdings, Inc. Listing: Tokyo Stock Exchange
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Scheduled date to commence dividend payments: –
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 three months ended June 30, 2024 (from April 1, 2024 to June 30, 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
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2024	5,254	1.6	273	–	254	–	135	–	1.39	1.38
June 30, 2023	5,173	12.8	(354)	–	(368)	–	(276)	–	(2.86)	(2.86)

	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	149,481	10.0	2,257	24.9	681	–
June 30, 2023	135,928	14.5	1,806	(1.5)	16	(95.9)

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2024	63,416	17,968	17,893	28.2
March 31, 2024	60,279	17,780	17,704	29.4

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, 2024	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (forecast)		0.00	–	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 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	316	–	266	–	223	–	2.29
Fiscal year	23,000	10.3	1,080	–	983	–	658	–	6.76

	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	4,414	19.9	1,158	712.0
Fiscal year	630,500	11.4	9,452	21.3	2,803	170.3

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, 2024 is used as a substitute.

[Notes]

(1) Significant changes in the scope of consolidation during the period: 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 June 30, 2024: 97,335,285 shares
As of March 31, 2024: 97,287,285 shares
2) Number of treasury shares at the end of the period
As of June 30, 2024: – shares
As of March 31, 2024: – shares
3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)
Three months ended June 30, 2024: 97,283,089 shares
Three months ended June 30, 2023: 96,831,418 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

* [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.

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)

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) Quarterly operating results

The operating results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024) were as follows:

(Millions of yen, unless otherwise indicated)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024	Percentage change (%)
Total operating revenue	5,173	5,254	1.6
Operating profit (loss)	(354)	273	–
Profit (loss) before income taxes	(368)	254	–
Profit (loss) attributable to owners of parent	(276)	135	–

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*

(Millions of yen, unless otherwise indicated)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Percentage change (%)
GMV (non-GAAP)	135,928	149,481	10.0
BtoC Services: NP *Atobarai* and other	87,288	85,828	(1.7)
BtoC Services: atone	6,013	8,073	34.3
BtoB Service	42,627	55,579	30.4
Total operating revenue	5,173	5,254	1.6
BtoC Services: NP *Atobarai* and other	3,992	3,790	(5.1)
BtoC Services: atone	327	411	25.7
BtoB Service	853	1,052	23.3
– Other operating revenue	129	162	25.8
Revenue	5,044	5,091	0.9
– Invoicing related expenses (non-GAAP)	2,152	1,968	(8.6)
– Bad debt related expenses (non-GAAP)	991	766	(22.7)
– Other payment related expenses (non-GAAP)	94	100	6.3
Gross profit (non-GAAP)	1,806	2,257	24.9
BtoC Services: NP *Atobarai* and other	1,270	1,602	26.2
BtoC Services: atone	74	119	61.0
BtoB Service	462	534	15.7
– SG&A and other operating expenses (non-GAAP)	2,290	2,146	(6.3)
Operating profit (loss)	(354)	273	–
+ Depreciation and amortization	358	401	12.0
+ Share-based payment expenses	2	2	(12.1)
+ Loss on disposal of property, plant and equipment	10	4	(61.2)
+ Impairment losses	–	–	–
– Gain from reversal of impairment losses	–	–	–
EBITDA (non-GAAP)	16	681	–

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

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

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

Notes on GMV

For the three months ended June 30, 2024, GMV increased 10.0% year on year to 149,481 million yen (down 1.7% to 85,828 million yen for the BtoC Services: NP *Atobarai* and other, up 34.3% to 8,073 million yen for the BtoC Services: atone, and up 30.4% to 55,579 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 industries, which account for a significant portion in the NP *Atobarai* service) as in the previous fiscal year. The beauty and health industries were affected by a decrease in transaction volume at existing merchants due to media coverage on damage caused by health foods.
- GMV for NP *Atobarai* air, a BNPL service for home visit and other service sectors, 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 significantly grew year on year.

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

- The Group has completed the strengthening of sales force up to the previous fiscal year and focused on acquiring new merchants. 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 previous fiscal year mainly because this quarter saw the expansion in the scope of use of the NP *Kakebarai* service among the existing merchants, particularly the major merchants in advertising and advertising production.
- Another reason for the GMV growth was that the newly acquired merchants by the upfront investments on sales structure and marketing activities started their operations using our service during the period from the previous to the current fiscal year.
- In addition, new merchant acquisition is progressing smoothly thanks to the efficiency of increasing brand awareness by the know-how gained from the upfront investment in marketing, and it is expected to continue to contribute to the growth of GMV in the future.

Notes on total operating revenue

For the three months ended June 30, 2024, total operating revenue increased 1.6% year on year to 5,254 million yen (down 5.1% to 3,790 million yen for the BtoC Services: NP Atobarai and other, up 25.7% to 411 million yen for the BtoC Services: atone, and up 23.3% to 1,052 million yen for the BtoB Service).

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

- An increase in the usage of electronic billing services, which charge lower invoicing fees to merchants, resulted in a decline in the ratio of total operating revenue to GMV.
- Note, however, that 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.
- 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:

- An increase in the usage of these services, which charge lower invoicing fees to merchants, resulted in a decline in the ratio of total operating revenue to GMV.
- Note that 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 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 payment 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 three months ended June 30, 2024, gross profit increased 24.9% year on year to 2,257 million yen (up 26.2% to 1,602 million yen for the BtoC Services: NP Atobarai and other, up 61.0% to 119 million yen for the BtoC Services: atone, and up 15.7% to 534 million yen for the BtoB Service). Main drivers/impediments are as follows:

Since analyses of GMV and total operating revenue have already been presented above, the following description focuses on the impact of cost of sales.

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 due to our efforts to improve the credit screening process since the previous year.
- The announcement of an administrative fee for late payment has resulted in earlier collections from users, which has lowered the estimated amount of allowance for doubtful accounts and reduced bad debt-related expenses.

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

- Bad debt-related expenses were higher in the same period last year due to one-time factors, but the absence of such factors in the current fiscal year has resulted in lower bad debt-related expenses.
- Collection costs have decreased due to earlier collection of receivables.
- The cost of sales ratio has improved by reducing fees and agency costs related to collection.

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

- 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 year on year.
- We have improved the most recent collection status through our efforts to hold down expenses by fine-tuning credit screening and payment demand procedures.

The calculation rule for bad debt related expenses has been so set that we can provide an appropriate amount 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.

Notes on operating profit and EBITDA

The Group posted operating profit of 273 million yen (compared with operating loss of 354 million yen for the same period of the previous fiscal year) and EBITDA of 681 million yen (up 664 million yen year on year).

The main driver/impediment is as follows:

- SG&A expenses decreased year on year owing to the progress we have made in improving operational efficiency since last year.

(2) Quarterly financial position

(Millions of yen, unless otherwise indicated)

	As of March 31, 2024	As of June 30, 2024	Change	Percentage change (%)
Total assets	60,279	63,416	3,137	5.2
Total current assets	40,698	43,263	2,565	6.3
Total non-current assets	19,580	20,152	571	2.9
Total liabilities	42,498	45,447	2,948	6.9
Total current liabilities	37,374	39,891	2,516	6.7
Total non-current liabilities	5,123	5,556	432	8.4
Total equity	17,780	17,968	188	1.1

Current assets as of June 30, 2024 increased 2,565 million yen from the end of the previous fiscal year. The increase was attributable mainly to a 1,086 million yen increase in trade and other receivables due mainly to an increase in transaction volume, as well as a 1,520 million yen increase in cash and cash equivalents.

Non-current assets increased 571 million yen from the end of the previous fiscal year. This was attributable mainly to an increase of 589 million yen in property, plant and equipment because the renewal of an office building leasing contract caused the equivalent amount of rent for the contract period to recognize as a right-of-use asset, as well as a 90 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 2,516 million yen from the end of the previous fiscal year. This was attributable mainly to a 2,514 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 37,002 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 32,289 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) Status of cash flows

(Millions of yen, unless otherwise indicated)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024	Change
Cash flows from operating activities	309	(604)	(914)
Cash flows from investing activities	(467)	(313)	153
Cash flows from financing activities	1,404	2,438	1,034
Effects of exchange rate changes on cash and cash equivalents	0	0	(0)
Net increase (decrease) in cash and cash equivalents	1,246	1,520	273
Cash and cash equivalents at the beginning of the period	10,564	10,810	246
Cash and cash equivalents at the end of the period	11,810	12,330	519

Cash and cash equivalents ("net cash") as of June 30, 2024 amounted to 12,330 million yen (11,810 million yen at the end of the previous fiscal year).

Cash flows from operating activities

Net cash used in operating activities amounted to 604 million yen (compared with 309 million yen provided for the same period of the previous fiscal year). This is attributable mainly to:

- recording of profit before income taxes (positive 254 million yen),
- recording of depreciation, amortization and impairment losses (positive 401 million yen),
- changes in trade and other receivables (negative 1,086 million yen),
- changes in trade and other payables (positive 63 million yen),
- changes in other assets and liabilities (positive 41 million yen), and
- income taxes paid (negative 262 million yen).

Cash flows from investing activities

Net cash used in investing activities amounted to 313 million yen (compared with 467 million yen used for the same period of the previous fiscal year). This is attributable mainly to:

- purchase of intangible assets due to investment in system development (negative 380 million yen).

Cash flows from financing activities

Net cash provided by financing activities amounted to 2,438 million yen (compared with 1,404 million yen provided for the same period of the previous fiscal year). This is attributable mainly to:

- a net increase in short-term loans (positive 2,514 million yen), and
- repayments of lease liabilities (negative 80 million yen).

(4) Forward-looking information including consolidated earnings forecast

We have revised upward our full-year earnings forecast announced on May 15, 2024 because the results for the first quarter of the current fiscal year exceeded our initial forecast. For details of the revision, please refer to the "Notice of Revision to Earnings Forecast for the Fiscal Year Ending March 31, 2025" announced today (August 14, 2024).

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and cash equivalents	10,810	12,330
Trade and other receivables	29,238	30,325
Inventories	11	24
Other current receivables	637	583
Total current assets	40,698	43,263
Non-current assets		
Property, plant and equipment	354	944
Goodwill	11,608	11,608
Intangible assets	4,671	4,762
Other financial assets	898	793
Deferred tax assets	1,784	1,794
Other non-current assets	262	250
Total non-current assets	19,580	20,152
Total assets	60,279	63,416

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	32,226	32,289
Short-term loans	3,431	5,946
Lease liabilities	101	284
Other current financial liabilities	6	12
Income taxes payable	298	151
Provisions	57	27
Liabilities for employee benefits	564	552
Other current liabilities	688	626
Total current liabilities	37,374	39,891
Non-current liabilities		
Long-term loans	4,974	4,977
Lease liabilities	35	465
Provisions	113	113
Total non-current liabilities	5,123	5,556
Total liabilities	42,498	45,447
Equity		
Share capital	4,134	4,136
Capital surplus	14,196	14,200
Retained earnings	(805)	(670)
Other components of equity	178	226
Total equity attributable to owners of parent	17,704	17,893
Non-controlling interests	76	75
Total equity	17,780	17,968
Total liabilities and equity	60,279	63,416

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

Condensed quarterly consolidated statements of profit or loss

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Revenue	5,044	5,091
Other operating revenue	129	162
Total operating revenue	5,173	5,254
Operating expenses	(5,528)	(4,980)
Operating profit (loss)	(354)	273
Financial income	0	1
Financial costs	(14)	(19)
Profit (loss) before income taxes	(368)	254
Income tax expense	85	(123)
Profit (loss)	(282)	131
Profit (loss) attributable to:		
Owners of parent	(276)	135
Non-controlling interests	(6)	(3)
Profit (loss)	(282)	131
Earnings (loss) per share:		
Basic earnings (loss) per share (yen)	(2.86)	1.39
Diluted earnings (loss) per share (yen)	(2.86)	1.38

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the nine months ended June 30, 2023	For the nine months ended June 30, 2024
Profit (loss)	(282)	131
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	100	50
Total of items that may be reclassified to profit or loss	100	50
Other comprehensive income	100	50
Comprehensive income (loss)	(182)	181
Comprehensive income (loss) attributable to:		
Owners of parent	(182)	182
Non-controlling interests	(0)	(0)
Comprehensive income (loss)	(182)	181

(3) Condensed quarterly consolidated statement of changes in equity

For the three months ended June 30, 2023

(Millions of yen)

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

For the three months ended June 30, 2024

(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, 2024	4,134	14,196	(805)	178	17,704	76	17,780
Profit (loss)	–	–	135	–	135	(3)	131
Other comprehensive income	–	–	–	47	47	3	50
Total comprehensive income (loss)	–	–	135	47	182	(0)	181
Issuance of new shares and other shares	2	2	–	–	4	–	4
Share-based payments	–	2	–	–	2	–	2
Total transactions with owners	2	4	0	–	6	–	6
Balance as of June 30, 2024	4,136	14,200	(670)	226	17,893	75	17,968

(4) Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from operating activities		
Profit (loss) before income tax	(368)	254
Depreciation, amortization and impairment losses	358	401
Share-based payment expenses	2	2
Finance income and finance costs	11	19
Increase (decrease) in provisions	(5)	(28)
Loss on disposal of property, plant and equipment	10	4
Decrease (increase) in inventories	4	(12)
Decrease (increase) in trade and other receivables	(1,813)	(1,086)
Increase in trade and other payables	2,050	63
Other	139	41
Subtotal	390	(340)
Interest received	0	0
Interest paid	(2)	(2)
Income tax paid	(78)	(262)
Net cash provided by (used in) operating activities	309	(604)
Cash flows from investing activities		
Payments into time deposits	(0)	(0)
Purchase of property, plant and equipment	(5)	(39)
Purchase of intangible assets	(454)	(380)
Payments of guarantee deposits	–	(0)
Proceeds from collection of guarantee deposits	–	106
Purchase of other financial assets	(7)	–
Net cash provided by (used in) investing activities	(467)	(313)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	1,500	2,514
Repayments of lease liabilities	(96)	(80)
Proceeds from issuance of shares	1	4
Net cash provided by (used in) financing activities	1,404	2,438
Effects of exchange rate changes on cash and cash equivalents	0	0
Net increase in cash and cash equivalents	1,246	1,520
Cash and cash equivalents at the beginning of the period	10,564	10,810
Cash and cash equivalents at the end of the period	11,810	12,330

(5) Notes to condensed quarterly consolidated financial statements

Going concern assumption
Not applicable.

Changes in accounting policies
Material accounting policies applied to the condensed quarterly consolidated financial statements are identical to those applied to the consolidated financial statements for the previous fiscal year, except for the following items:

Income tax expense for the three months ended June 30, 2024 was calculated based on the estimated annual effective tax rate.

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

IFRS		Overview of new standards and/or amendments
IAS 7	*Statement of Cash Flows*	Disclosure requirements to enhance the transparency of supplier finance arrangements
IFRS 7	*Financial instruments: Disclosures*	

The application of the above standards and interpretations has no significant effect on the condensed quarterly consolidated financial statements for the three months ended June 30, 2024.

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, 2024	As of June 30, 2024
Receivables arising from contracts with customers		
Trade receivables	31	32
Other trade receivables	35,796	36,970
Allowance for doubtful accounts	(6,589)	(6,676)
Total	29,238	30,325

Operating expenses
The breakdown of operating expenses is as follows:

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Collection expense	1,624	1,574
Invoicing expense	527	393
Provision for doubtful accounts	310	65
Bad debt expense	580	539
Loss on sale of trade receivables (Note)	100	161
Advertising expenses	140	104
Sales promotion expenses	139	124
Salaries	399	426
Bonuses	1	1
Legal welfare expenses	77	83
Wages	104	93
Recruiting expenses	49	17
Consignment expense	342	248
Operating and maintenance expenses	182	192
Maintenance cost	34	32
Depreciation and amortization	358	401
Taxes and dues	139	126
Other	416	393
Total	5,528	4,980

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.