Translation

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Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under IFRS)

November 14, 2024

Company name: Net Protections Holdings, Inc. Listing: Tokyo Stock Exchange
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Scheduled date to file Semi-annual Securities Report: November 14, 2024
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 six months ended September 30, 2024 (from April 1, 2024 to September 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
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2024	11,021	6.7	866	–	829	–	468	–	4.82	4.78
September 30, 2023	10,330	11.9	(605)	–	(633)	–	(496)	–	(5.13)	(5.13)

	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	304,794	11.3	4,904	33.2	1,678	–
September 30, 2023	273,822	14.0	3,682	0.3	142	(81.0)

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2024	64,909	18,211	18,146	28.0
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	–	0.00			
Fiscal year ending March 31, 2025 (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, 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
Fiscal year	23,281	11.7	1,700	–	1,604	–	1,039	–	10.68

	GMV (non-GAAP)		Gross profit (non-GAAP)		EBITDA (non-GAAP)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	635,294	12.2	10,262	31.6	3,396	227.4

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 other reasons: None
3) Changes in accounting estimates: None

(3) Number of issued shares (common stock)
1) Total number of issued shares at the end of the period (including treasury shares)
As of September 30, 2024: 97,511,284 shares
As of March 31, 2024: 97,287,285 shares
2) Number of treasury shares at the end of the period
As of September 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)
Six months ended September 30, 2024: 97,318,034 shares
Six months ended September 30, 2023: 96,831,158 shares

* Semi-annual financial results reports are exempt from 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.

(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) Semi-annual operating results

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

(Millions of yen, unless otherwise indicated)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024	Percentage change (%)
Total operating revenue	10,330	11,021	6.7
Operating profit (loss)	(605)	866	–
Profit (loss) before income taxes	(633)	829	–
Profit (loss) attributable to owners of parent	(496)	468	–

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 September 30, 2023	Three months ended September 30, 2024	Percentage change (%)	Six months ended September 30, 2023	Six months ended September 30, 2024	Percentage change (%)
GMV (non-GAAP)	137,893	155,313	12.6	273,822	304,794	11.3
BtoC Services: NP *Atobarai* and other	86,496	88,271	2.1	173,784	174,099	0.2
BtoC Services: atone	6,293	9,105	44.7	12,306	17,178	39.6
BtoB Service	45,104	57,936	28.4	87,731	113,516	29.4
Total operating revenue	5,156	5,767	11.8	10,330	11,021	6.7
BtoC Services: NP *Atobarai* and other	3,919	4,212	7.5	7,911	8,003	1.2
BtoC Services: atone	343	458	33.6	671	870	29.7
BtoB Service	894	1,095	22.5	1,747	2,147	22.9
– Other operating revenue	121	111	(8.4)	250	273	9.2
Revenue	5,035	5,655	12.3	10,080	10,747	6.6
– Invoicing related expenses (non-GAAP)	2,071	1,953	(5.7)	4,223	3,921	(7.2)
– Bad debt related expenses (non-GAAP)	974	941	(3.4)	1,965	1,707	(13.1)
– Other payment related expenses (non-GAAP)	113	114	1.1	207	214	3.5
Gross profit (non-GAAP)	1,876	2,647	41.1	3,682	4,904	33.2
BtoC Services: NP *Atobarai* and other	1,304	1,994	52.9	2,575	3,597	39.7
BtoC Services: atone	100	132	32.3	174	251	44.5
BtoB Service	471	519	10.2	933	1,054	12.9
– SG&A and other operating expenses (non-GAAP)	2,248	2,165	(3.7)	4,539	4,311	(5.0)
Operating profit (loss)	(250)	593	–	(605)	866	–
+ Depreciation and amortization	373	400	7.2	732	802	9.6
+ Share-based payment expenses	1	1	(37.0)	3	3	(22.4)
+ Loss on disposal of property, plant and equipment	1	2	65.4	12	6	(43.5)
+ Impairment losses	–	–	–	–	–	–
– Gain from reversal of impairment losses	–	–	–	–	–	–
EBITDA (non-GAAP)	125	997	691.7	142	1,678	–

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

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

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

Notes on GMV

For the six months ended September 30, 2024, GMV increased 11.3% year on year to 304,794 million yen (up 0.2% to 174,099 million yen for the BtoC Services: NP *Atobarai* and other, up 39.6% to 17,178 million yen for the BtoC Services: atone, and up 29.4% to 113,516 million yen for the BtoB Service).

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

- GMV accumulation remained generally limited in the beauty, health and fashion industries, which account for a significant portion in the NP *Atobarai* service. In the first quarter, we were affected by a decrease in GMV at existing merchants due to media coverage of health food, but this has been eliminated since the second quarter. In addition, GMV decreased as a result of corrective actions taken by certain merchants that had problems with certain sales methods.
- 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 increased at existing merchants, particularly in apparel and entertainment, due to expanded use by purchasers.
- 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 expanding 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 our efforts to make upfront investments in sales structure and marketing in the past fiscal years paid off and newly acquired merchants started their operations using our service during the period from the previous to the current fiscal year.
- In addition, the acquisition of new merchants is progressing smoothly thanks to the efficient building of brand awareness achieved by utilizing the know-how gained from the upfront investment in marketing, and therefore it is expected to continue to contribute to the growth of GMV in the future.

Notes on total operating revenue

For the six months ended September 30, 2024, total operating revenue increased 6.7% year on year to 11,021 million yen (up 1.2% to 8,003 million yen for the BtoC Services: NP *Atobarai* and other, up 29.7% to 870 million yen for the BtoC Services: atone, and up 22.9% to 2,147 million yen for the BtoB Service).

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

- The addition of the administrative fee for late payment in NP *Atobarai* since July 2024 resulted in an increase in the ratio of total operating revenue to GMV.
- 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 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 and NP Handy Lending service launched in October 2024.

Notes on gross profit

For the six months ended September 30, 2024, gross profit increased 33.2% year on year to 4,904 million yen (up 39.7% to 3,597 million yen for the BtoC Services: NP *Atobarai* and other, up 44.5% to 251 million yen for the BtoC Services: atone, and up 12.9% to 1,054 million yen for the BtoB Service).

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 first three months ended June 30, 2023 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 866 million yen (compared with operating loss of 605 million yen for the same period of the previous fiscal year) and EBITDA of 1,678 million yen (up 1,535 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) Semi-annual financial position

(Millions of yen, unless otherwise indicated)

	As of March 31, 2024	As of September 30, 2024	Change	Percentage change (%)
Total assets	60,279	64,909	4,630	7.7
Total current assets	40,698	44,798	4,099	10.1
Total non-current assets	19,580	20,111	530	2.7
Total liabilities	42,498	46,697	4,199	9.9
Total current liabilities	37,374	41,205	3,830	10.2
Total non-current liabilities	5,123	5,492	368	7.2
Total equity	17,780	18,211	431	2.4

Current assets as of September 30, 2024 increased 4,099 million yen from the end of the previous fiscal year. The increase was attributable mainly to a 1,186 million yen increase in trade and other receivables due mainly to an increase in transaction volume, as well as a 3,246 million yen increase in cash and cash equivalents.

Non-current assets increased 530 million yen from the end of the previous fiscal year. This was attributable mainly to a 499 million yen increase 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 149 million yen increase in intangible assets due to an increase in software assets as a result of the reinforcement of system development.

Current liabilities increased 3,830 million yen from the end of the previous fiscal year. This was attributable mainly to a 2,574 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 37,154 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 33,163 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 six months ended September 30, 2023	For the six months ended September 30, 2024	Change
Cash flows from operating activities	283	1,544	1,261
Cash flows from investing activities	(895)	(704)	190
Cash flows from financing activities	810	2,438	1,627
Effects of exchange rate changes on cash and cash equivalents	0	(32)	(32)
Net increase (decrease) in cash and cash equivalents	198	3,246	3,047
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	10,762	14,056	3,293

Cash and cash equivalents ("net cash") as of September 30, 2024 amounted to 14,056 million yen (compared with 10,762 million yen at the end of the previous fiscal year).

Cash flows from operating activities

Net cash provided by operating activities amounted to 1,544 million yen (compared with 283 million yen provided for the same period of the previous fiscal year). This is attributable mainly to:

- recording of profit before income taxes (positive 829 million yen),
- recording of depreciation, amortization and impairment losses (positive 802 million yen),
- changes in trade and other receivables (negative 1,186 million yen),
- changes in trade and other payables (positive 937 million yen),
- changes in other assets and liabilities (positive 436 million yen), and
- income taxes paid (negative 259 million yen).

Cash flows from investing activities

Net cash used in investing activities amounted to 704 million yen (compared with 895 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 767 million yen).

Cash flows from financing activities

Net cash provided by financing activities amounted to 2,438 million yen (compared with 810 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 2,574 million yen) and
- repayments of lease liabilities (negative 152 million yen).

(4) Forward-looking information including consolidated earnings forecast

We have once again upward revised our earnings forecast, which was disclosed in the "Notice of Revision to Earnings Forecast for the Fiscal Year Ending March 31, 2025" on August 14, 2024, because the results for the first half of the current fiscal year exceeded our forecast announced on August 14, 2024. 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 (November 14, 2024).

2. Condensed Semi-annual Consolidated Financial Statements and Major Notes

(1) Condensed semi-annual consolidated statement of financial position

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	10,810	14,056
Trade and other receivables	29,238	30,424
Inventories	11	26
Other current receivables	637	289
Total current assets	40,698	44,798
Non-current assets		
Property, plant and equipment	354	854
Goodwill	11,608	11,608
Intangible assets	4,671	4,821
Other financial assets	898	790
Deferred tax assets	1,784	1,796
Other non-current assets	262	240
Total non-current assets	19,580	20,111
Total assets	60,279	64,909

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	32,226	33,163
Short-term loans	3,431	6,005
Lease liabilities	101	276
Other current financial liabilities	6	7
Income taxes payable	298	414
Provisions	57	28
Liabilities for employee benefits	564	552
Other current liabilities	688	756
Total current liabilities	37,374	41,205
Non-current liabilities		
Long-term loans	4,974	4,979
Lease liabilities	35	399
Provisions	113	112
Total non-current liabilities	5,123	5,492
Total liabilities	42,498	46,697
Equity		
Share capital	4,134	4,145
Capital surplus	14,196	14,204
Retained earnings	(805)	(336)
Other components of equity	178	132
Total equity attributable to owners of parent	17,704	18,146
Non-controlling interests	76	65
Total equity	17,780	18,211
Total liabilities and equity	60,279	64,909

(2) Condensed semi-annual consolidated statements of profit or loss and condensed semi-annual consolidated statements of comprehensive income

Condensed semi-annual consolidated statements of profit or loss

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Revenue	10,080	10,747
Other operating revenue	250	273
Total operating revenue	10,330	11,021
Operating expenses	(10,936)	(10,155)
Operating profit (loss)	(605)	866
Financial income	0	2
Financial costs	(28)	(39)
Profit (loss) before income taxes	(633)	829
Income tax expense	123	(367)
Profit (loss)	(510)	461
Profit (loss) attributable to:		
Owners of parent	(496)	468
Non-controlling interests	(13)	(7)
Profit (loss)	(510)	461
Earnings (loss) per share:		
Basic earnings (loss) per share (yen)	(5.13)	4.82
Diluted earnings (loss) per share (yen)	(5.13)	4.78

Condensed semi-annual consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit (loss)	(510)	461
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	89	(49)
Total of items that may be reclassified to profit or loss	89	(49)
Other comprehensive income	89	(49)
Comprehensive income (loss)	(421)	411
Comprehensive income (loss) attributable to:		
Owners of parent	(412)	422
Non-controlling interests	(8)	(10)
Comprehensive income (loss)	(421)	411

(3) Condensed semi-annual consolidated statement of changes in equity

For the six months ended September 30, 2023

(Millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Total		
Balance as of April 1, 2023	4,113	14,168	22	64	18,369	98	18,467
Profit (loss)	–	–	(496)	–	(496)	(13)	(510)
Other comprehensive income	–	–	–	84	84	4	89
Total comprehensive income (loss)	–	–	(496)	84	(412)	(8)	(421)
Issuance of new shares and other shares	6	2	–	–	8	–	8
Share-based payment transactions	–	0	–	–	0	–	0
Other	–	6	0	–	6	(6)	0
Total transactions with owners	6	8	0	–	15	(6)	9
Balance as of September 30, 2023	4,119	14,177	(473)	148	17,972	83	18,055

For the six months ended September 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)	–	–	468	–	468	(7)	461
Other comprehensive income	–	–	–	(46)	(46)	(3)	(49)
Total comprehensive income (loss)	–	–	468	(46)	422	(10)	411
Issuance of new shares and other shares	10	8	–	–	18	–	18
Share-based payment transactions	–	0	–	–	0	–	0
Total transactions with owners	10	8	–	–	19	–	19
Balance as of September 30, 2024	4,145	14,204	(336)	132	18,146	65	18,211

(4) Condensed semi-annual consolidated statements of cash flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit (loss) before income tax	(633)	829
Depreciation, amortization and impairment losses	732	802
Share-based payment expenses	3	3
Finance income and finance costs	23	37
Increase (decrease) in provisions	9	(29)
Loss on retirement of non-current assets	12	6
Decrease (increase) in inventories	7	(15)
Decrease (increase) in trade and other receivables	(3,292)	(1,186)
Increase in trade and other payables	2,530	937
Other	448	436
Subtotal	(159)	1,822
Interest received	0	2
Interest paid	(18)	(21)
Income taxes refund (paid)	461	(259)
Net cash provided by (used in) operating activities	283	1,544
Cash flows from investing activities		
Payments into time deposits	(0)	–
Purchase of property, plant and equipment	(5)	(44)
Purchase of intangible assets	(881)	(767)
Proceeds from collection of guarantee deposits	–	106
Purchase of other financial assets	(7)	–
Net cash provided by (used in) investing activities	(895)	(704)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	1,000	2,574
Repayments of lease liabilities	(194)	(152)
Proceeds from issuance of shares	4	16
Net cash provided by (used in) financing activities	810	2,438
Effects of exchange rate changes on cash and cash equivalents	0	(32)
Net increase in cash and cash equivalents	198	3,246
Cash and cash equivalents at the beginning of the period	10,564	10,810
Cash and cash equivalents at the end of the period	10,762	14,056

(5) Notes to condensed semi-annual consolidated financial statements

Going concern assumption
Not applicable.

Changes in accounting policies
Material accounting policies applied to the condensed semi-annual 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 six months ended September 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 half 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 semi-annual consolidated financial statements for the six months ended September 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 September 30, 2024
Receivables arising from contracts with customers		
Trade receivables	31	36
Other trade receivables	35,796	37,117
Allowance for doubtful accounts	(6,589)	(6,729)
Total	29,238	30,424

Operating expenses

The breakdown of operating expenses is as follows:

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Collection expense	3,265	3,145
Invoicing expense	958	775
Provision for doubtful accounts	544	198
Bad debt expense	1,215	1,134
Loss on sale of trade receivables (Note 1)	206	374
Advertising expenses	266	212
Sales promotion expenses	309	258
Salaries	807	854
Bonuses and provision for bonuses (Note 2)	209	192
Legal welfare expenses	159	169
Wages	207	192
Recruiting expenses	73	36
Consignment expense	652	497
Operating and maintenance expenses	371	379
Maintenance cost	69	70
Depreciation and amortization	732	802
Taxes and dues	269	237
Other	618	620
Total	10,936	10,155

Notes: 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.

2. “Provision for bonuses” which was listed in the breakdown of “Bonuses” and “Other” in the previous fiscal year is listed as a single item of “Bonuses and provision for bonuses” from the current fiscal year to clarify similar expense items. To reflect this change, the breakdown of operating expenses for the previous fiscal year was reclassified. As a result, “Bonuses” of 3 million yen and “Provision for bonuses” of 206 million yen, which was included in “Other”, were reclassified and presented as “Bonuses and provision for bonuses” of 209 million yen.