

Financial Results Presentation for the Six Months Ended September 30, 2022



Net Protections Holdings, Inc.

(TSE Prime Market: 7383)

Company Profile	03
Business Highlights	11
Financial Results for the Six Months Ended September 30, 2022	17
Revisions to Earnings Forecasts	22
Growth Strategy	27
Appendix	40

Mission

Create New Standard

With our mission “Create New Standard,”
we aim to create and spread an innovative structure for both our business and organization.

Business Overview: Performance for the Fiscal Year Ended March 31, 2022 (Transactions & Merchants)

Annual number of transactions*2

Approx. **68.0 million**

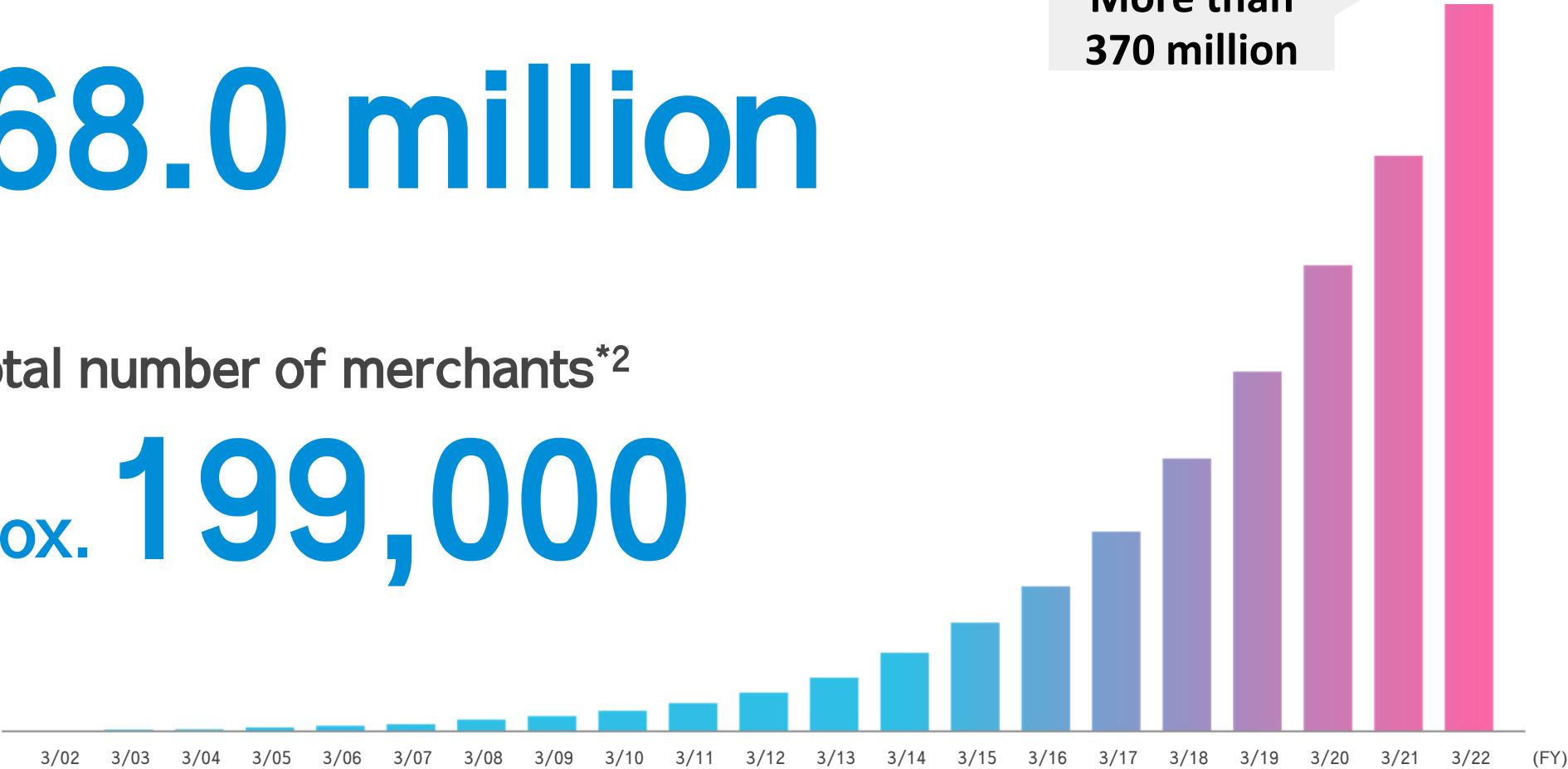
Cumulative number
of transactions*1

More than
370 million

Total number of merchants*2

Approx. **199,000**

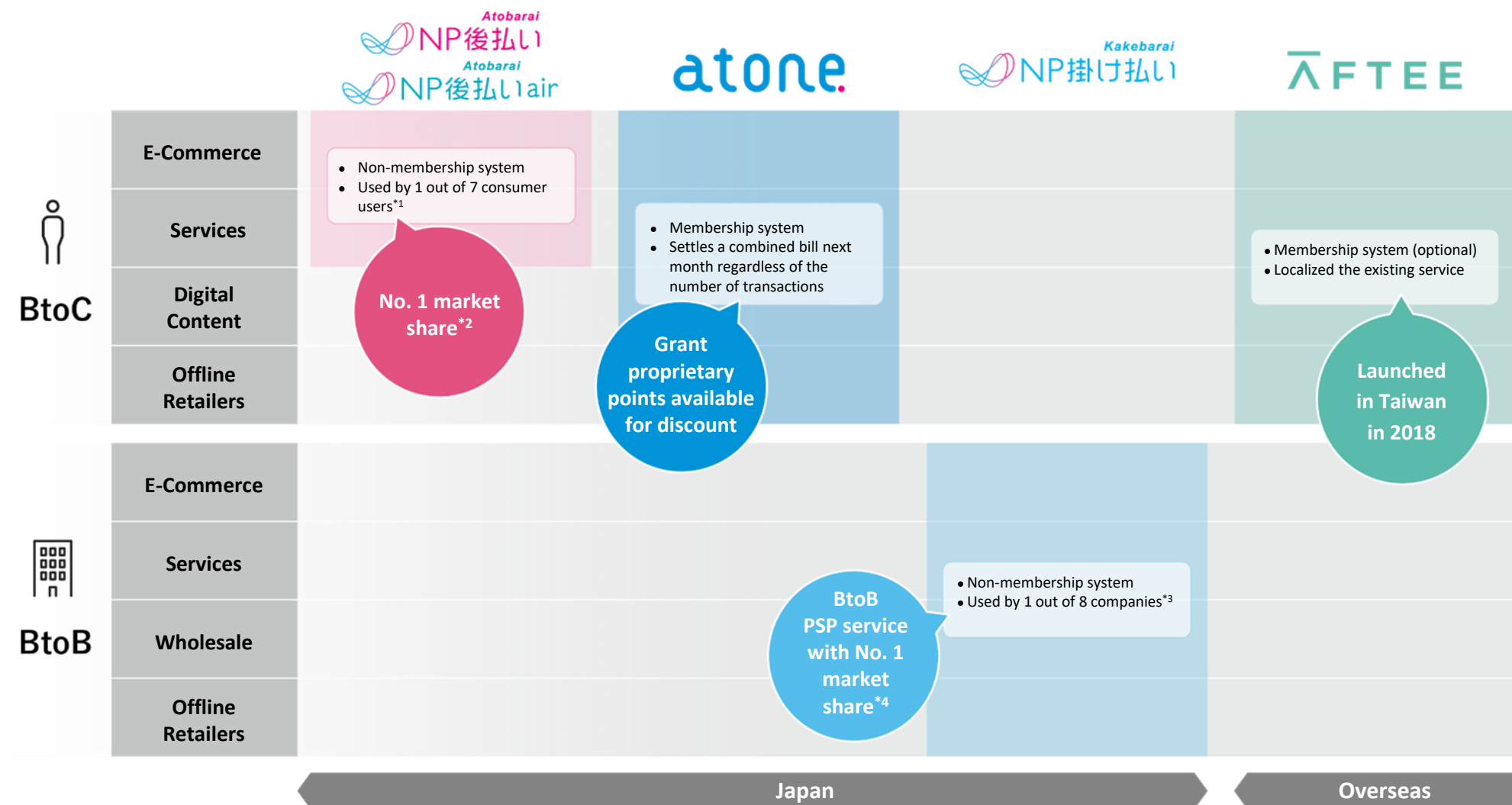
Cumulative number
of transactions



*1 Cumulative number of transactions at the end of each fiscal year, from the service start of NP atobarai, atone, NP Kakebarai, and AFTEE to the end of March 31, 2022

*2 Total number of merchants and annual number of transactions represent the aggregate of BtoC and BtoB transactions in FY3/2022.

Business Overview: A BNPL Service Provider with No.1 Market Share for Both BtoC and BtoB



*1 Approximately 1 out of 7 consumers: population of 110.48 million people aged 15 and above (MIC, population statistics, 4/1/2021 estimate) ÷ FY3/2021 Annual Unique Users 15.80 million

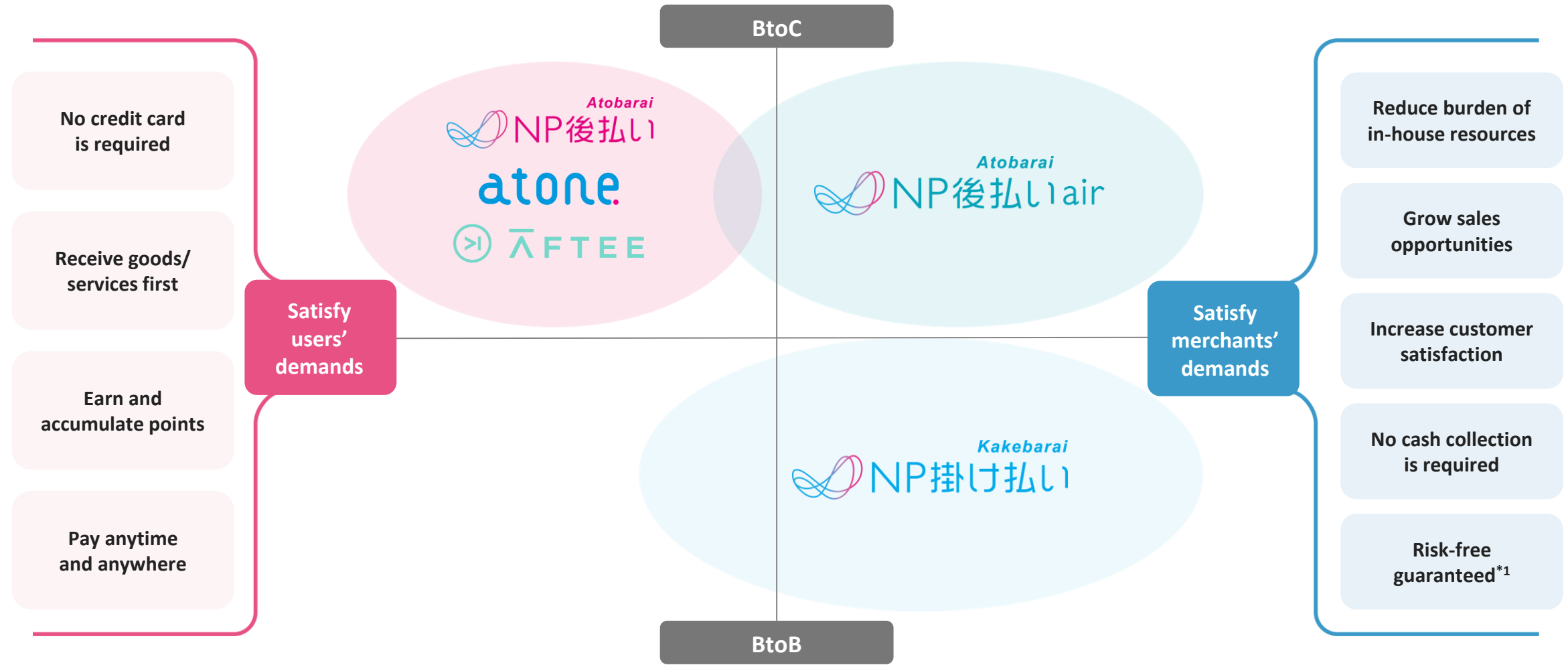
*2 Based on our share in the BNPL market in FY2020 from p. 86 of Yano Research Institute "Online Payment/Settlement Service Providers 2022."

*3 Approximately 1 out of 8 companies: number of Japanese companies 3.85 million (METI, "2021 White Paper on Small and Medium Enterprises") ÷ FY3/2021 BtoB customers of 460 thousands

*4 Based on our annual GMV for FY2021 from Deloitte Tohmatsu MIC Research Institute "MIC IT Report October 2022 – Survey on BtoB Payment Service Provider Market (<https://mic-r.co.jp/micit/2022/>)."

Business Overview: Value Proposition of Each BNPL Service

We provide various types of value: safe and secure and convenient shopping experience to users and reduced burden of in-house resources and growing sales opportunities to merchants.

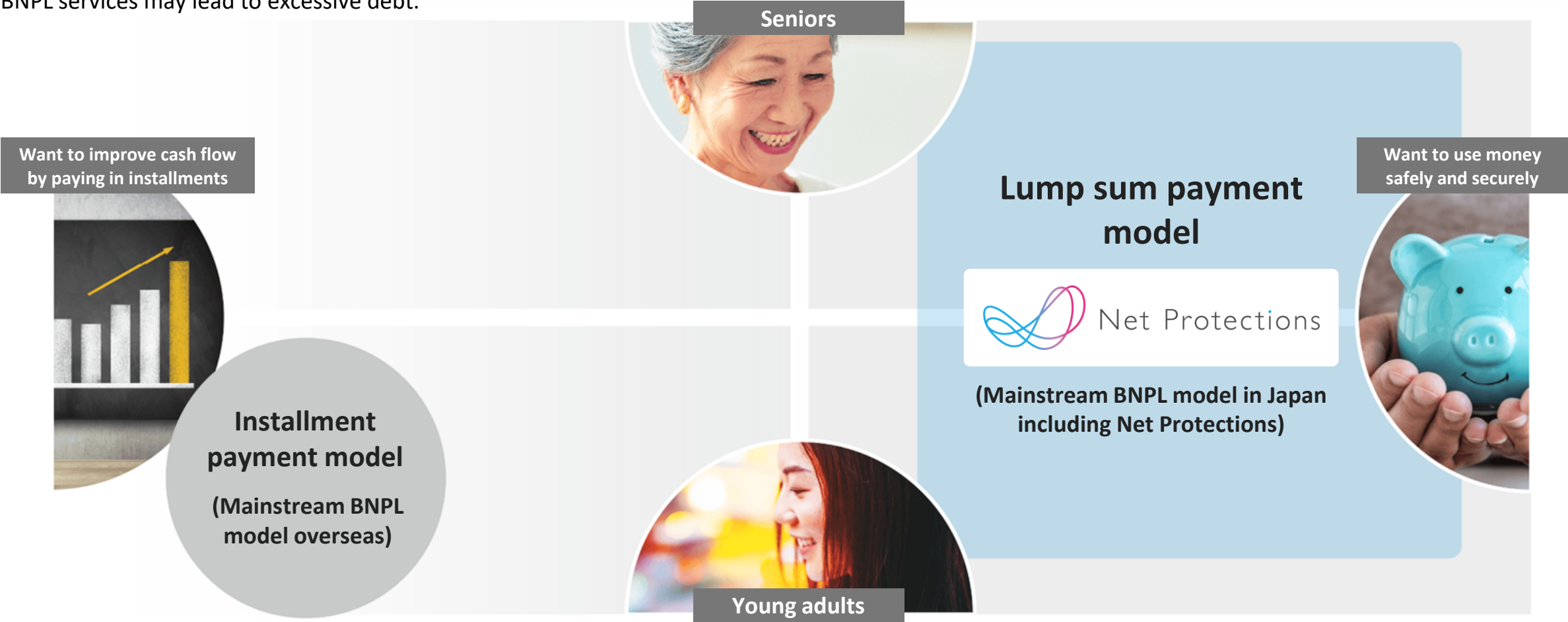


*1 The guarantee only covers transactions approved by our credit screening system. In the event that a dispute between a merchant and a customer or a merchant client over a transaction arises and it cannot be immediately resolved, or Net Protections deems there is a risk of such a dispute, or the transaction otherwise falls under any of the grounds set forth in the merchant agreement for services offered by Net Protections, such a transaction will not be guaranteed, even though it has been approved.

Business Overview: Positioning of Our BNPL Services versus Overseas BNPL Services

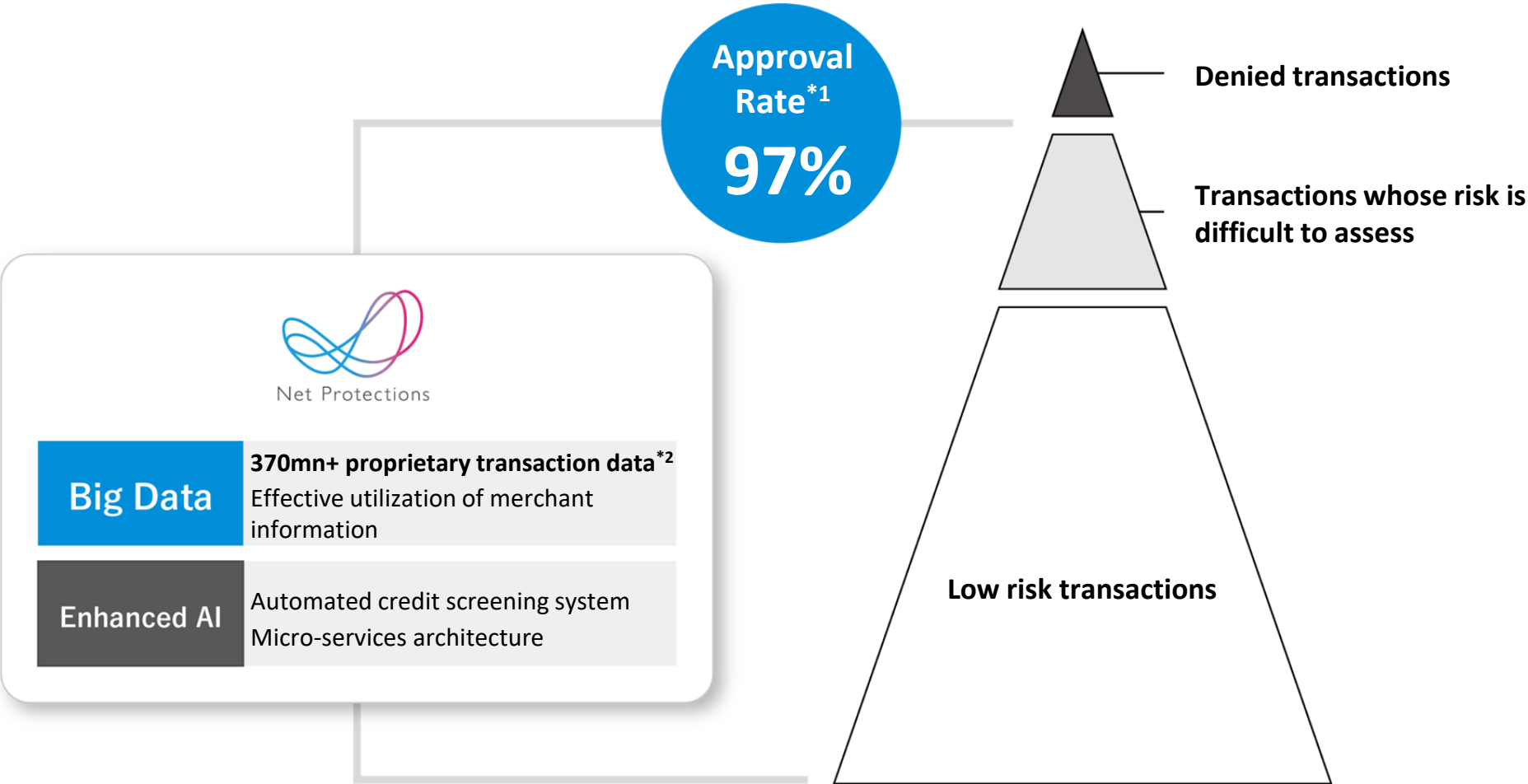
Unlike the BNPL service providers overseas, who adopt the installment payment model, our business model is based on the lump sum payment model, giving us a unique positioning in the market.

As such, our model helps limit risks of deteriorating earnings as a result of higher interest rates and of tightening regulations driven by concern that BNPL services may lead to excessive debt.



Competitive Advantages: High Credit Approval Rate and Low Delinquency Rate

We have achieved one of the industry’s highest credit approval rate at 97% by utilizing our big data and knowhow accumulated over 20 years.



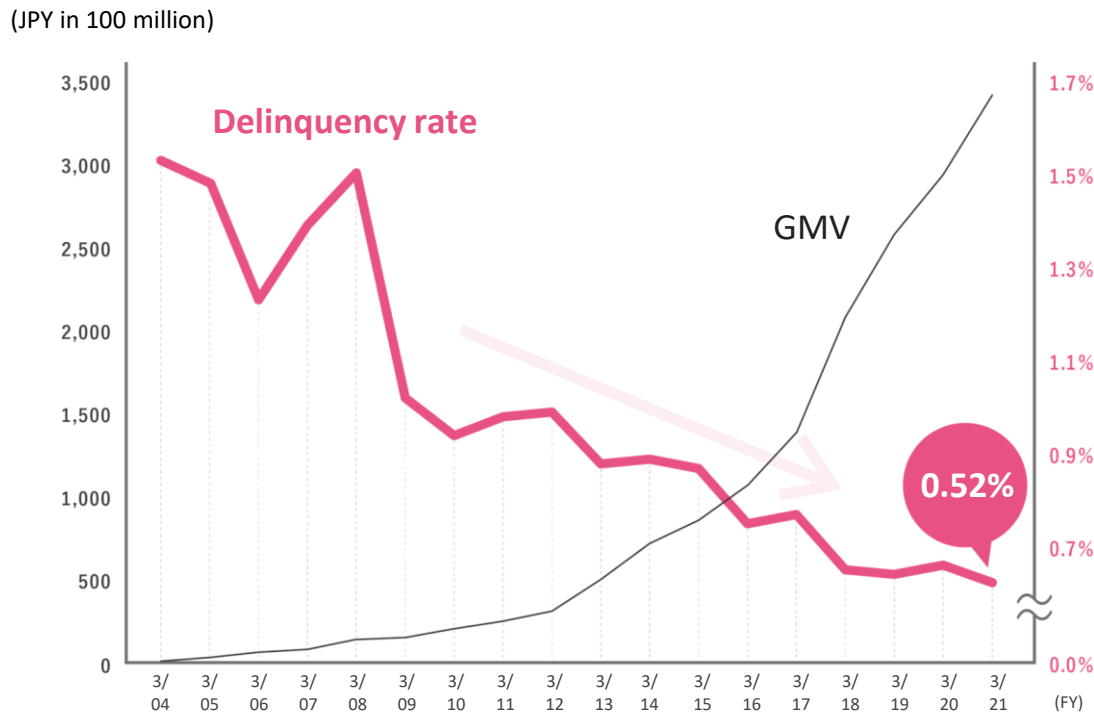
^{*1} The ratio of approved transactions to transactions denied by our credit screening system for NP Atobarai during FY3/2022 (limited to unique users).

^{*2} As of March 31, 2022

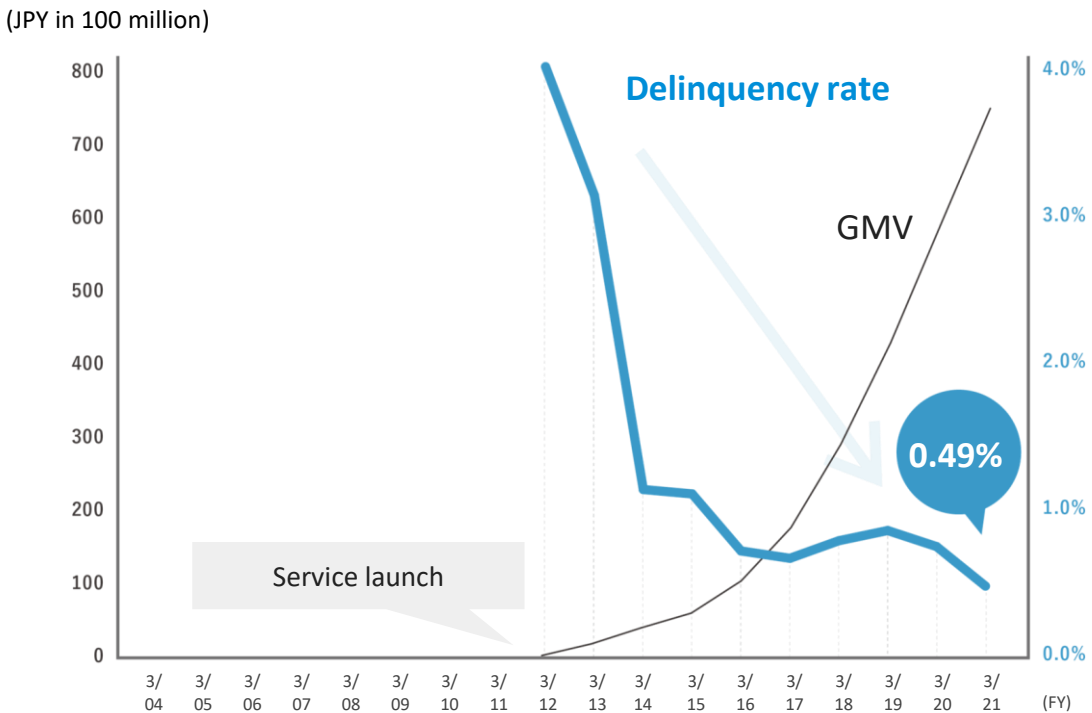
Competitive Advantages: High Credit Approval Rate and Low Delinquency Rate

We have achieved the lowest delinquency rate in the industry by utilizing our accumulated credit screening knowledge. We succeeded in further improvement of the latest delinquency rate for BtoB (NP *Kakebarai*), which came in at 0.49%.

Delinquency rate in BtoC (NP *Atobarai*)



Delinquency rate in BtoB (NP *Kakebarai*)

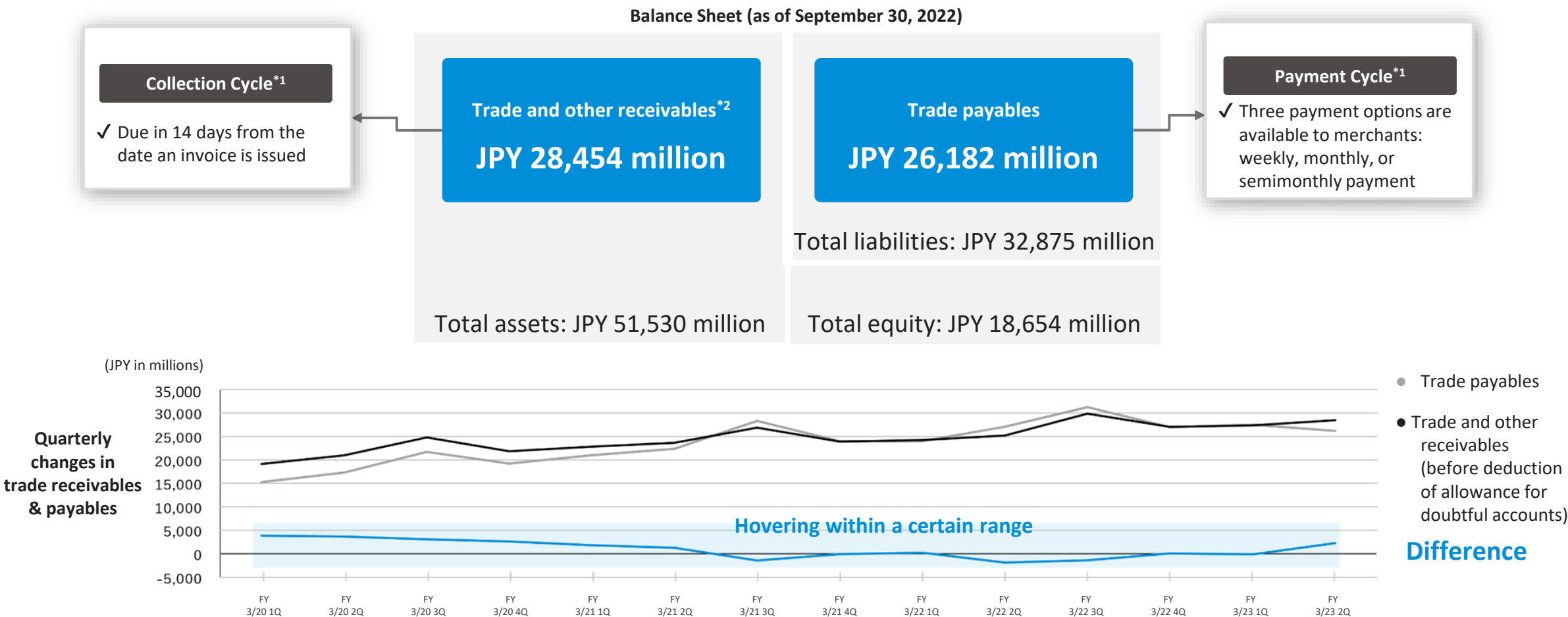


*1 Ratio of outstanding unpaid transactions for NP *Atobarai* in excess of 18 months to total transactions recorded during such fiscal period on a GMV basis. The ratio for FY3/2021 is based on unpaid transactions as of the end of September 2022 (including transactions prior to writing off of delinquent debt).

*2 Ratio of outstanding unpaid transactions for NP *Kakebarai* in excess of 14 months to total transactions recorded during such fiscal period on a GMV basis. The ratio for FY3/2021 is based on unpaid transactions as of the end of September 2022 (including transactions prior to sale of receivables and writing off of delinquent debt).

Competitive Advantages: Balance Sheet with Low Working Capital

We do not need to borrow money or take other funding measures to raise working capital because our trade receivables and payables are well-balanced over the short term.
We therefore have limited financial risk even in the current phase of rising interest rates.



^{*1} In case of NP Atobarai
^{*2} Trade and other receivables represent the figures before deduction of allowance for doubtful accounts.



Business Highlights

Business Metrics: Highlights

Business Metrics: GMV

Service Implementation Track Record

Business Metrics: Highlights (1H)

FY3/23 1H GMV^{*1} (non-GAAP)

JPY 240.1bn

(+4.9% YoY)

Total Operating Revenue

JPY 9.23bn

(+0.2% YoY)

Gross Profit^{*2} (non-GAAP)

JPY 3.67bn

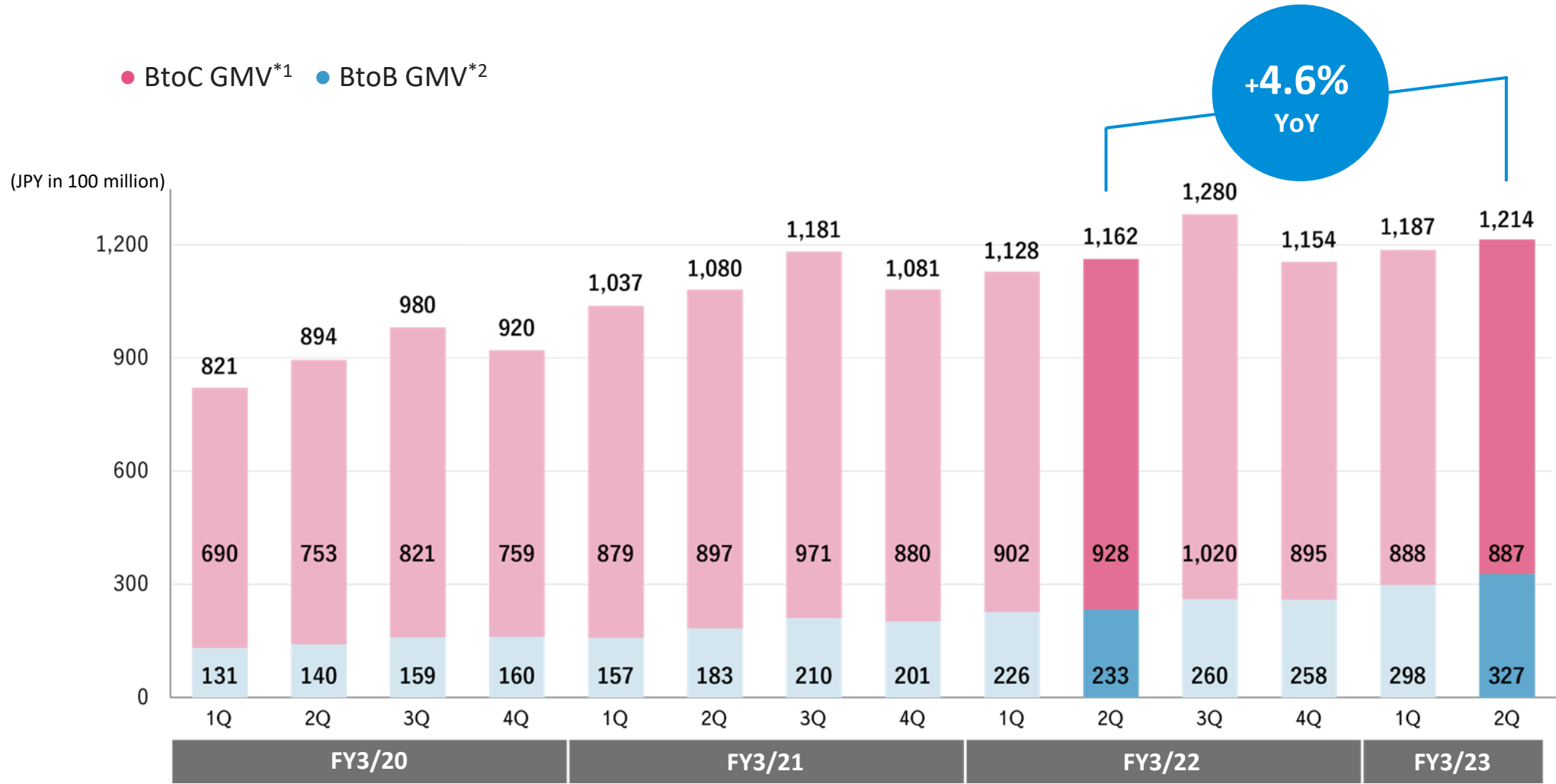
(-3.4% YoY)

^{*1} GMV: The total amount of payments (including consumption taxes) made through services provided by the Group, such as NP *Atobarai*, *atone*, NP *Kakebarai*, and *AFTEE*

^{*2} Gross profit: Revenue - (Collection expense + Invoicing expense + Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade receivables + Credit screening expense + NP point expense + Other payment related expenses)

Business Metrics: GMV (Quarterly Changes in Group Total GMV)

Total GMV for the second quarter of the fiscal year ending March 31, 2023 for the services provided by the Group increased 4.6% year on year to 121.4 billion yen. The growth was driven by the BtoB business, which we have been focusing on, with GMV of 32.7 billion yen, an increase of 40.1% year on year.



*1 Total amount of payments (including consumption tax) made through services provided by the Group, such as NP *Atobarai*, *atone*, and *AFTEE*

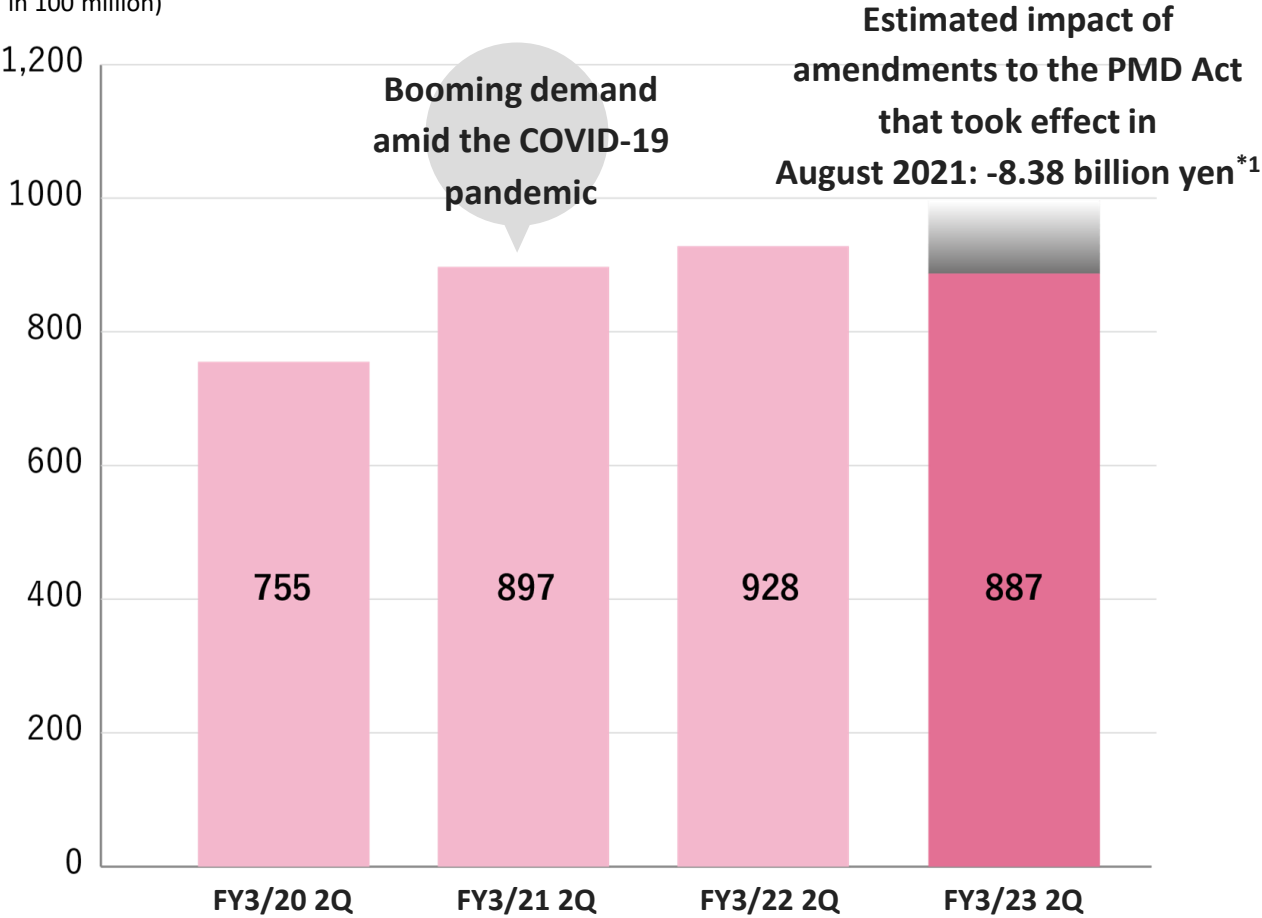
*2 Total amount of payments (including consumption tax) made through NP *Kakebarai* provided by the Group

Business Metrics: BtoC GMV (2Q Trend)

GMV of the BtoC business for the second quarter of the fiscal year ending March 31, 2023 decreased 4.4% year on year to 88.7 billion yen.

BtoC GMV (2Q trend)

(JPY in 100 million)



Factors

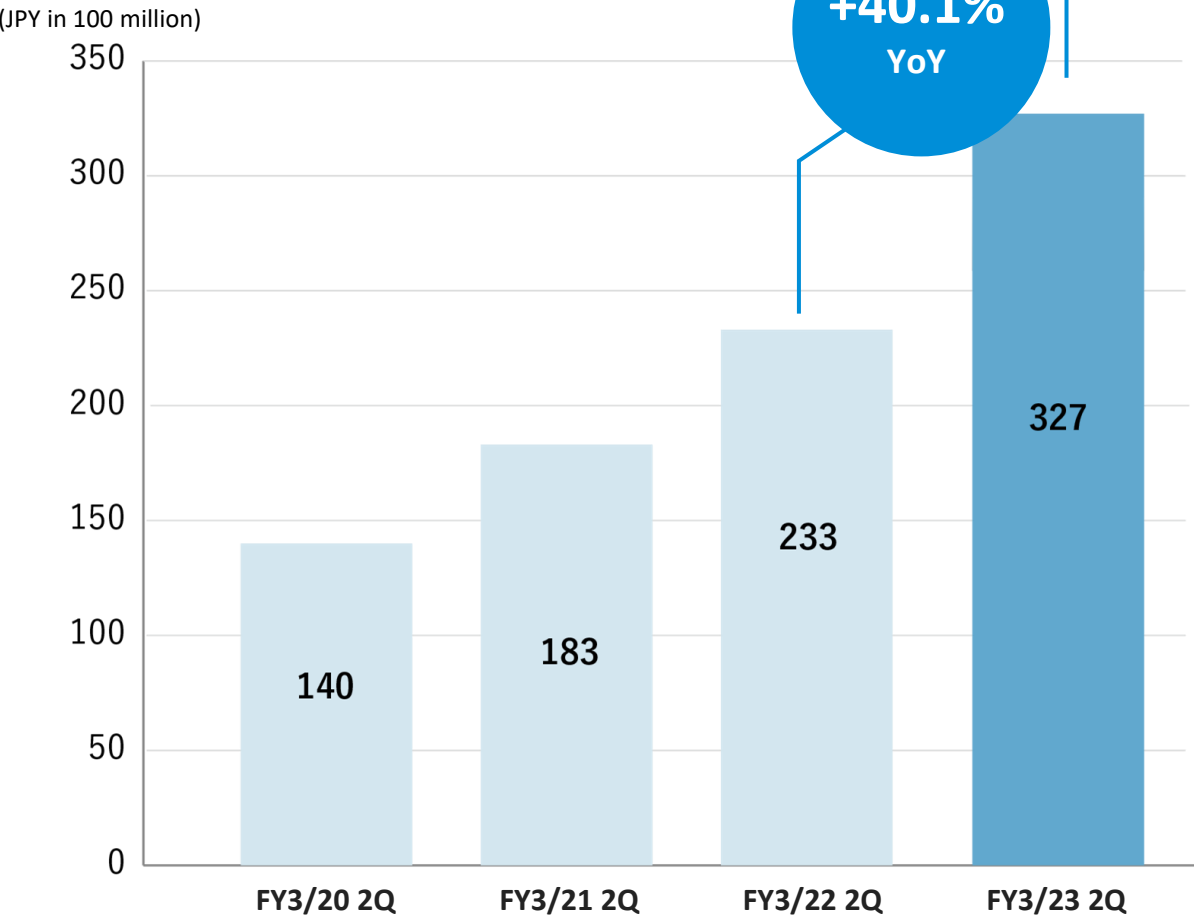
- Despite a continued decline in GMV for the beauty and health category affected by the amendments to the PMD Act, BtoC GMV was on a recovery trend compared with the first quarter.
- The increase in fees for collection agency services (35 yen per collection) that started in September 2022 had limited impact on GMV of existing merchants.

*1 Calculated by Net Protections.

Business Metrics: BtoB GMV (2Q Trend)

GMV of the BtoB business for the second quarter of the fiscal year ending March 31, 2023 increased 40.1% year on year to 32.7 billion yen.

BtoB GMV (2Q trend)



Factors	
●	Thanks to a continued recovery trend backed by the resumption of economic activity, growth occurred across the full spectrum of sectors, and especially at large merchants. <ul style="list-style-type: none">○ Construction and other materials: +76.8%○ Food wholesale: +87.7%○ Advertising and advertising production: +235.3%
●	Demand for our trade receivables guarantee services is expected to increase due to heightened corporate bankruptcy risk as the government’s COVID-19 related fiscal support measures come to an end.

Track Record: Service Implementation Status in Target Markets (1Q–2Q)

Major players have introduced our services one after another in targets markets, including BtoB, BtoC home-visit services, digital content, and overseas (Taiwan). Introduction of our services by flagship stores is expected to help acquire merchants in the same industries.

BtoB (Japan)

Major companies



新田ゼウチン株式会社

Ventures / Start-ups



BtoC

Japan

Housing equipment manufacture



Beauty and health



Newspaper



E-ticket



Taiwan

E-commerce malls



博客來



Financial Results for the Six Months Ended September 30, 2022

Financial Results for the Six Months Ended September 30, 2022

Total Operating Revenue/Gross Profit/Adjusted EBITDA

Breakdown of Total Operating Revenue/Gross Profit by BtoC/BtoB

Analysis of Year-on-Year Change in SG&A Expenses

Financial Results: For the Six Months Ended September 30, 2022

Total operating revenue for the six months ended September 30, 2022 increased 0.2% year on year to 9,234 million yen, whereas gross profit decreased 3.4% year on year to 3,671 million yen. As a result, adjusted EBITDA amounted to 1,093 million yen. We recorded a surplus in operating profit as we shifted the timing of enhancing ad placement to the second half of this fiscal year by giving higher priority to the reinforcement of operation structure for marketing.

(JPY in millions)	Results	YoY		Reference: 1H forecast	
		Results	Percentage change	1H forecast	Progress rate
GMV (non-GAAP) *1	240,189	229,057	+4.9%	255,199	94.1%
Total operating revenue	9,234	9,213	+0.2%	10,053	91.8%
Revenue	8,952	8,976	-0.3%	9,808	91.3%
Gross profit (non-GAAP) *2	3,671	3,798	-3.4%	3,913	93.8%
Operating profit	39	894	-95.5%	(103)	-
EBITDA (non-GAAP) *3	751	1,564	-52.0%	589	127.4%
(Marketing expenses) *4	342	118	+187.9%	671	50.9%
Adjusted EBITDA (non-GAAP) *5	1,093	1,700	-35.7%	1,261	86.7%

*1 GMV: The total amount of payments (including consumption taxes) made through services provided by the Group, such as NP *Atobarai*, atone, NP *Kakebarai*, and AFTEE

*2 Gross profit: Revenue - (Collection expense + Invoicing expense + Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade receivables + Credit screening expense + NP point expense + Other payment related expenses)

*3 EBITDA: Operating profit + (Depreciation and amortization + Share-based payment expenses + Loss on disposal of property, plant and equipment + Impairment loss – Gain from reversal of impairment losses)

*4 Marketing expenses: Sales promotion expenses (excluding agency commissions) + Advertising expenses

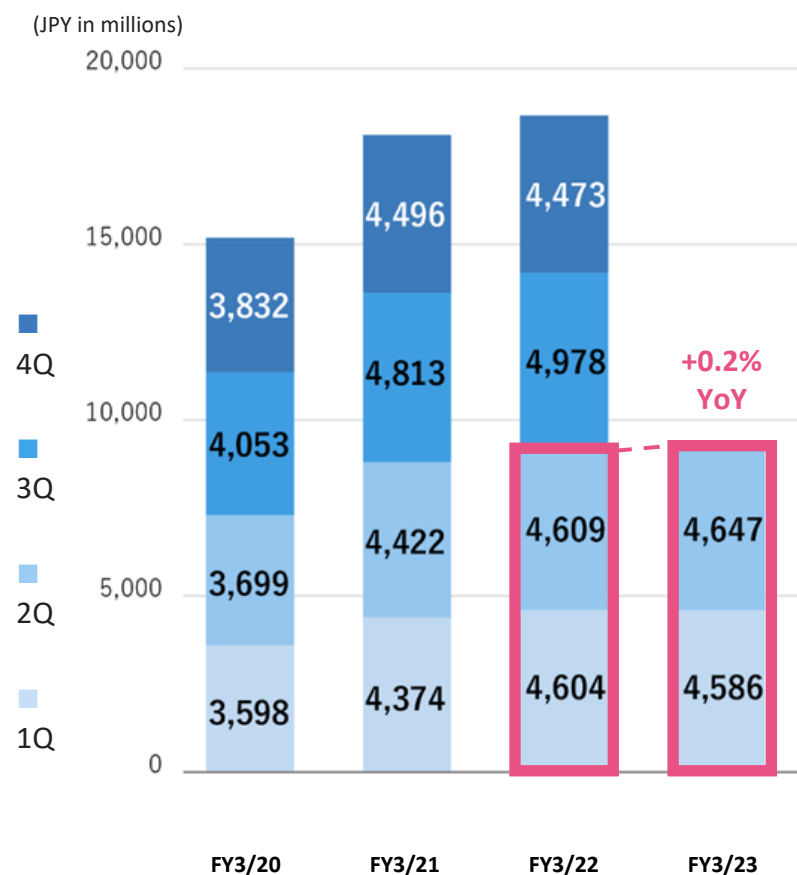
*5 Adjusted EBITDA: EBITDA + (IPO-related expenses + Marketing expenses)

Financial Results: Total Operating Revenue, Gross Profit, and Adjusted EBITDA (1H)

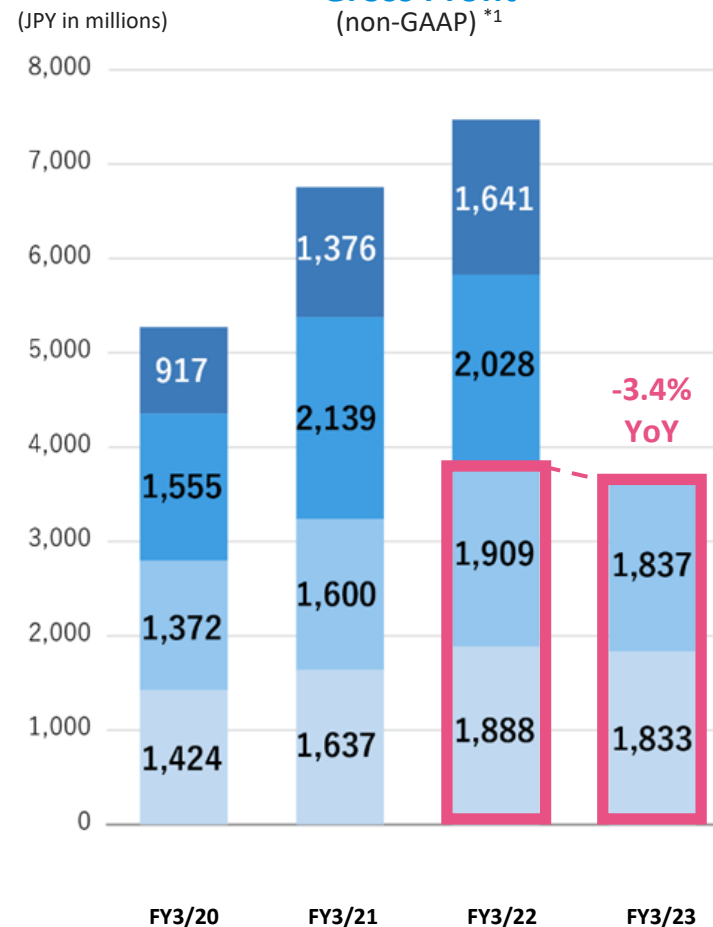
Gross profit decreased 3.4% year on year. This was attributable to the impact of increased allowance for doubtful accounts resulting from some changes in the actual collection status of receivables under collection in the BtoB business.

Meanwhile, adjusted EBITDA decreased 35.7% year on year. This was due to the reinforcement of our sales structure to deal with the increased number of deals resulting from our strengthening of marketing activities.

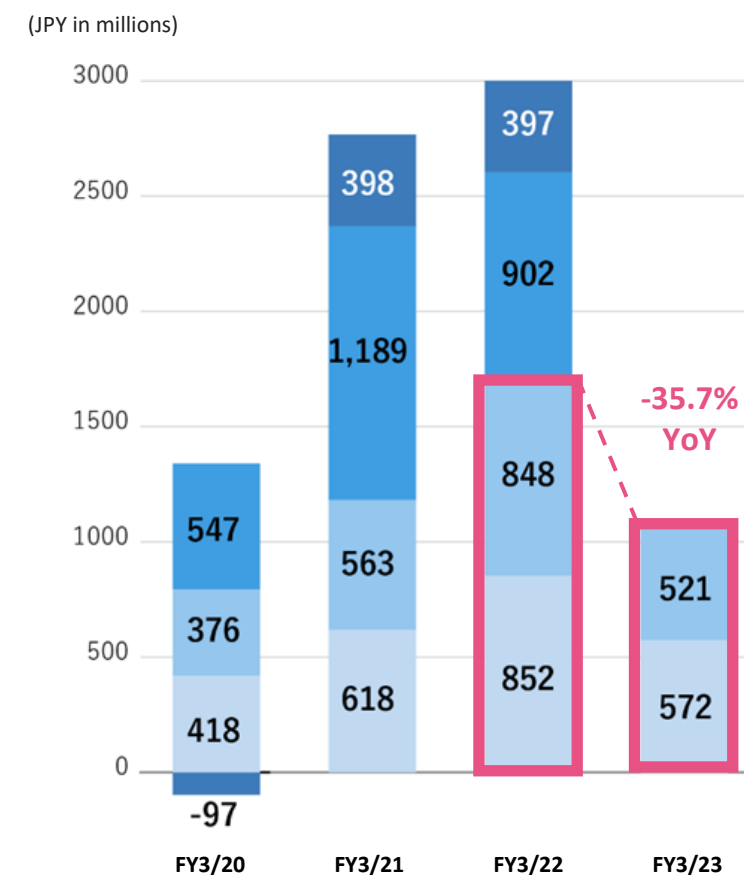
Total Operating Revenue



Gross Profit (non-GAAP) *1



Adjusted EBITDA (non-GAAP) *2



*1 Gross profit: Revenue - (Collection expense + Invoicing expense + Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade receivables + Credit screening expense + NP point expense + Other payment related expenses)

*2 Adjusted EBITDA: EBITDA + (IPO-related expenses + Marketing expenses*3)

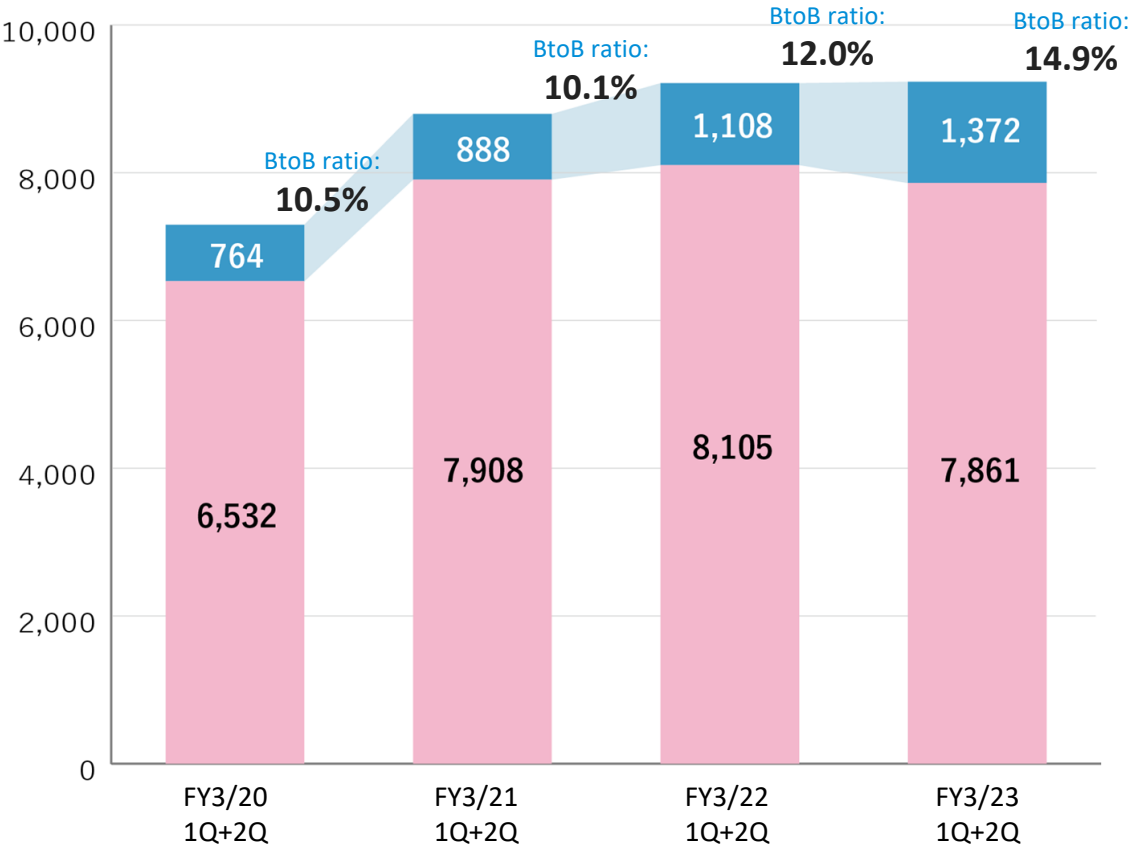
*3 Marketing expenses: Sales promotion expenses (excluding agency commissions) + Advertising expenses

Financial Results: Breakdown of Total Operating Revenue and Gross Profit by BtoC/BtoB (1H Trend)

● BtoB ● BtoC

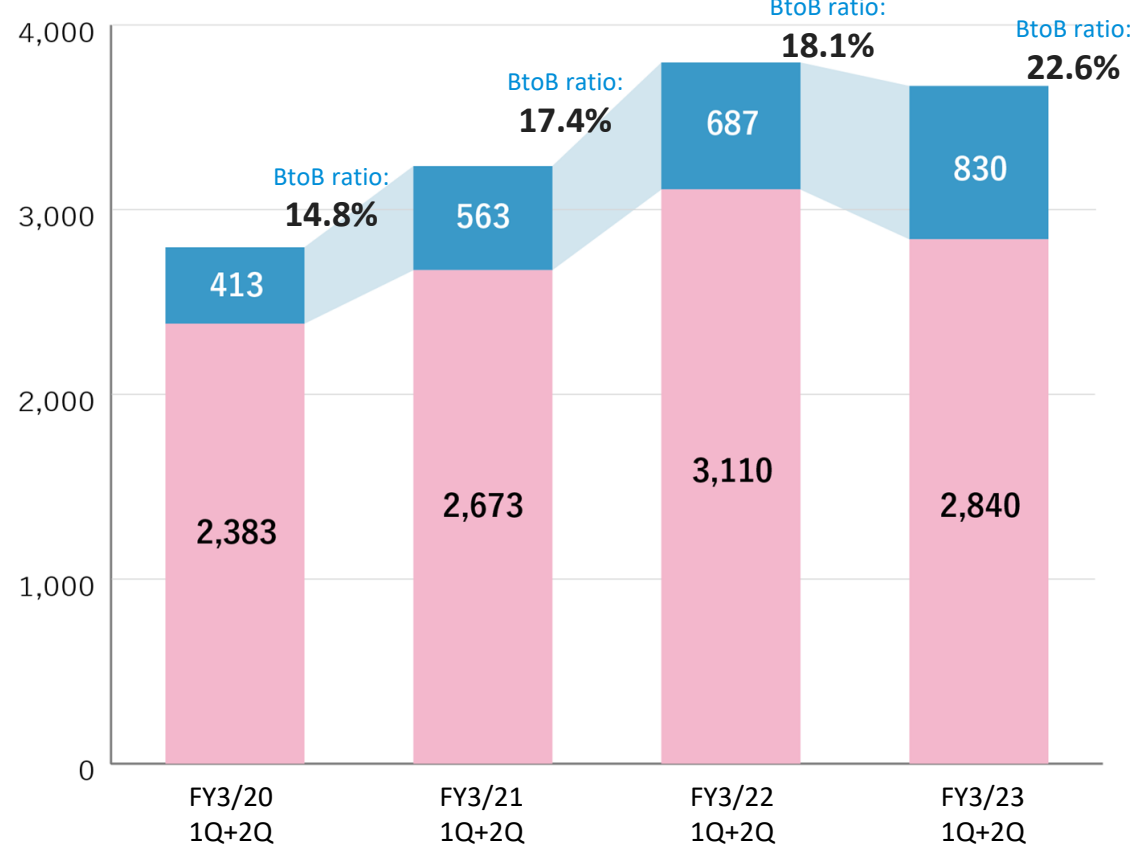
Total Operating Revenue

(JPY in millions)



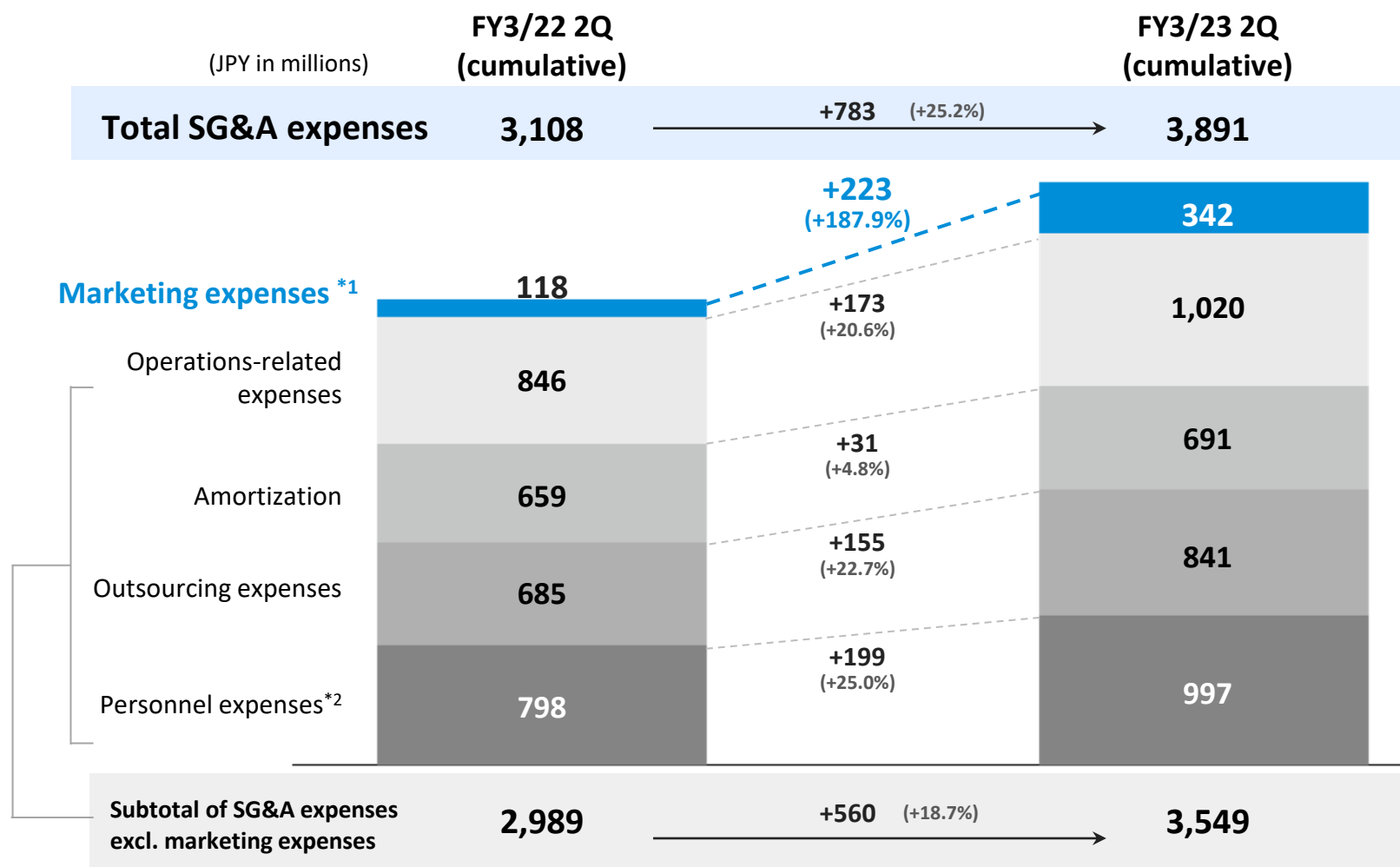
Gross Profit (non-GAAP)*1

(JPY in millions)



*1Gross profit: Revenue - (Collection expense + Invoicing expense + Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade receivables + Credit screening expense + NP point expense + Other payment related expenses)

Financial Results: Analysis of Year-on-Year Change in SG&A Expenses (1H)



Factors

- We are accelerating growth investments in the wake of the IPO.
- We strengthened our structure for sales and IT professionals.
 - Personnel and outsourcing expenses increased within the planned range.
 - The increase in the Company's profile has also presented a good opportunity for recruitment.
- Marketing expenses for the first half remained half of the planned level (670 million yen).
 - We prioritized the verification of effectiveness of marketing investment and the reinforcement of our structure.
 - We will enhance our marketing measures from the second half.

*1 Marketing expenses represent the sum of sales promotion expenses and advertising expenses excluding agency commissions.

*2 Personnel expenses represent the sum of remuneration for directors (and other officers), payroll and allowances, bonuses, provision for bonuses, commuting expenses, provision for paid vacation, legal welfare expenses, welfare expenses, and retirement benefit expenses.



Revisions to Earnings Forecasts

Summary

GMV

Growth Investment

Reference: Estimated GMV of Newly Signed Contracts

Revisions to Earnings Forecasts: Summary

We have revised our BtoC GMV and other earnings forecasts based on the prolonged impact of amendments to the PMD Act. We expect a decline in profit as we will continue investing in marketing and recruitment as planned in order to accelerate our growth.

(JPY in millions)	FY3/23 initial forecasts	FY3/23 revised forecasts	Change	Change (%)
GMV (non-GAAP) *1	539,504	496,200	-43,304	-8.0%
BtoC	409,448	366,144	-43,304	-10.6%
BtoB	130,055	130,055	-	-
Total operating revenue	21,436	19,390	-2,045	-9.5%
Revenue	20,966	18,886	-2,080	-9.9%
Gross profit (non-GAAP)*2	8,318	7,290	-1,028	-12.4%
Operating profit	457	(730)	-1,187	-
EBITDA (non-GAAP)*3	1,890	756	-1,133	-60.0%
(Marketing expenses)*4	1,033	993	-40	-3.9%
Adjusted EBITDA (non-GAAP) *5	2,924	1,750	-1,173	-40.1%

*1 GMV: The total amount of payments (including consumption taxes) made through services provided by the Group, such as NP Atobarai, atone, NP Kakebarai, and AFTEE

*2 Gross profit: Revenue - (Collection expense + Invoicing expense + Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade receivables + Credit screening expense + NP point expense + Other payment related expenses)

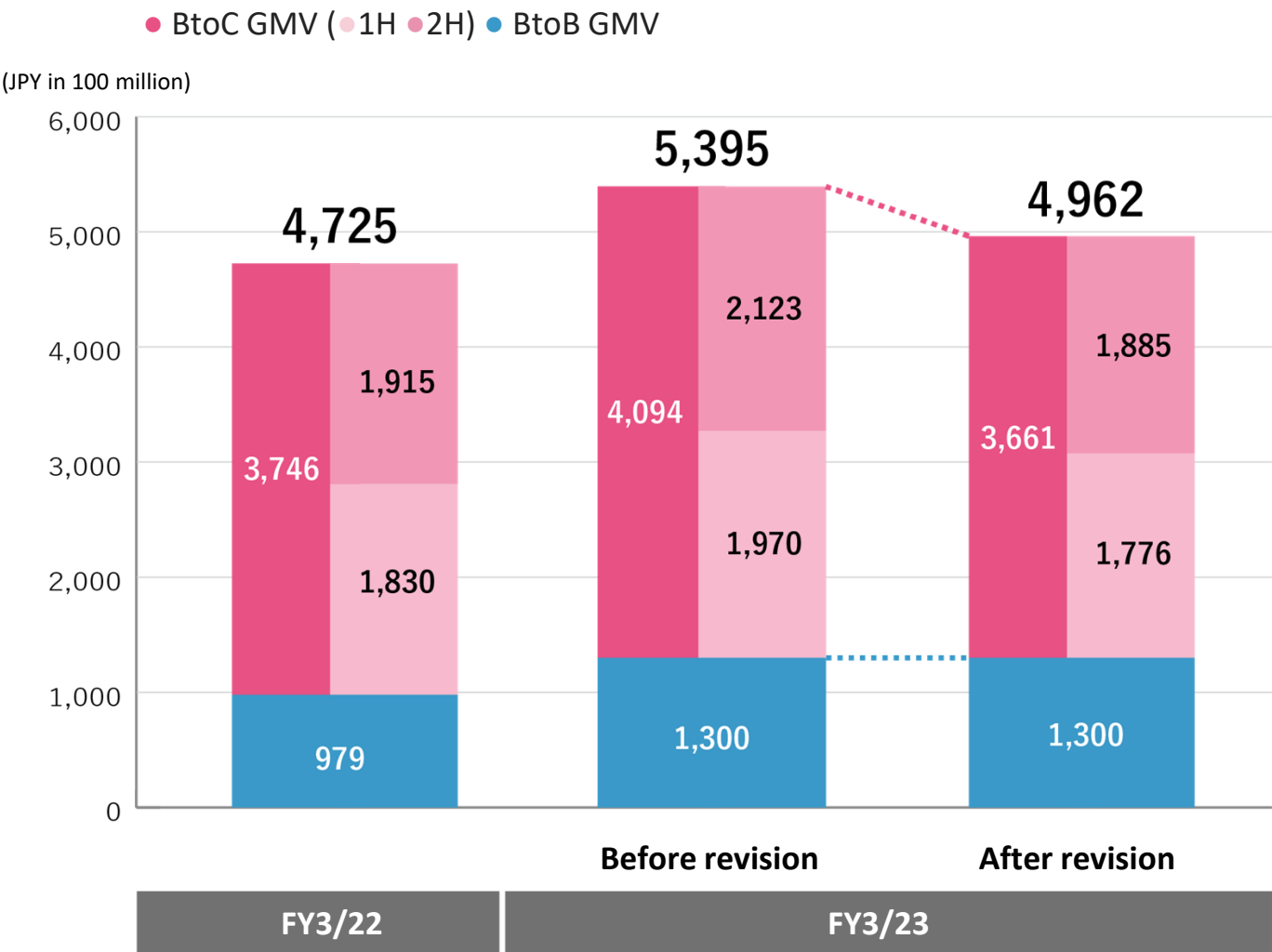
*3 EBITDA: Operating profit + (Depreciation and amortization + Share-based payment expenses + Loss on disposal of property, plant and equipment + Impairment loss – Gain from reversal of impairment losses)

*4 Marketing expenses: Sales promotion expenses (excluding agency commissions) + Advertising expenses

*5 Adjusted EBITDA: EBITDA + (IPO-related expenses + Marketing expenses)

Revisions to Earnings Forecasts: GMV

We have revised our GMV forecast for the BtoC business based on the assumption that the impacts from the external environment will continue throughout the fiscal year.



Factors (BtoC)

- The weak performance of existing merchants due to the impact of amendments to the PMD Act will continue.
- The commencement by newly acquired merchants has been delayed to later fiscal periods.
- The negative impact of the increased fees for collection agency services at convenience stores on GMV fell within the range initially expected.

Revisions to Earnings Forecasts: Growth Investment

Having received an increasing number of inquiries, we are currently making growth investments according to plan in order to accelerate our growth in the future.

From the next fiscal year onwards, we will determine the investment size by verifying the effectiveness of investments made during this fiscal year.

FY3/2023

- The sales forecast has been revised downward mainly due to external factors.
- We will continue the policy of reinforcing our structure and concentrating investments for long-term growth using funds raised via the IPO.

We will
continue making
the planned investments for this fiscal year.

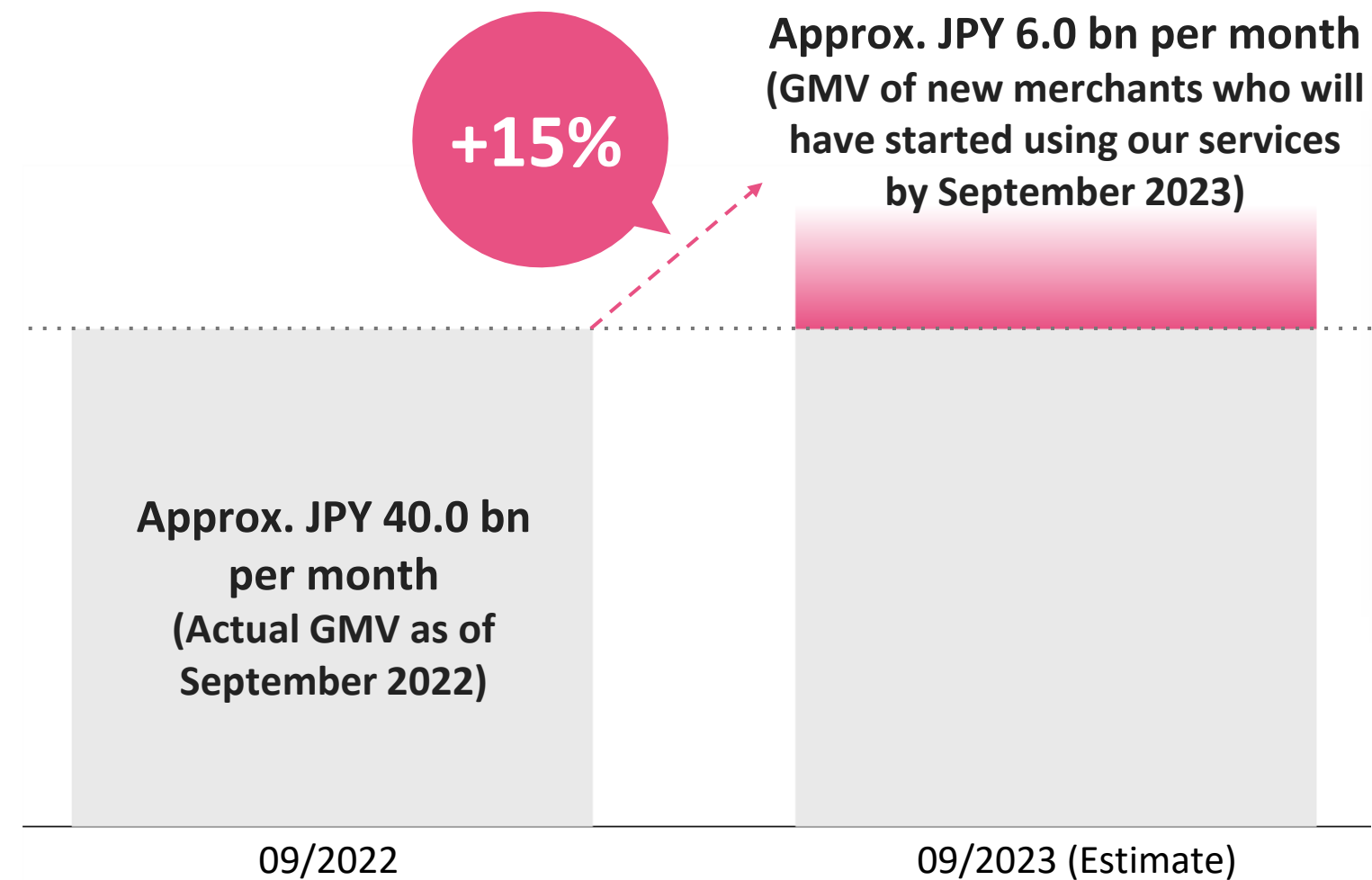
From FY3/2024 onwards

- We will determine the investment size taking into account the effectiveness of investments made during this fiscal year as well as the business environment.

We will make an investment decision
after comprehensive
consideration.

Reference: Order Backlog (Estimated GMV of Newly Signed Contracts That Will Have Started by Sep 2023)

While order backlog as of September 30, 2022 amounted to approximately 6.0 billion yen per month, we expect a 15% build-up of GMV in a year's time.



Future Outlook

- We estimated GMV of newly signed contracts for which the use of our services has been determined to start within a year as of September 30, 2022 (excluding contracts for which the month of the start of our services has not yet been confirmed).
- We recorded the highest ever build-up of order backlog.
- We expect to deliver an additional GMV of approximately 6.0 billion yen per month in September 2023.

Note: The information above includes forward-looking statements based on our executives' discussion based on information available at this time. Therefore, there can be a variety of risks and uncertainties that can make a significant difference to the actual performance.



Growth Strategy

Medium-Term Business Plan

Market Size

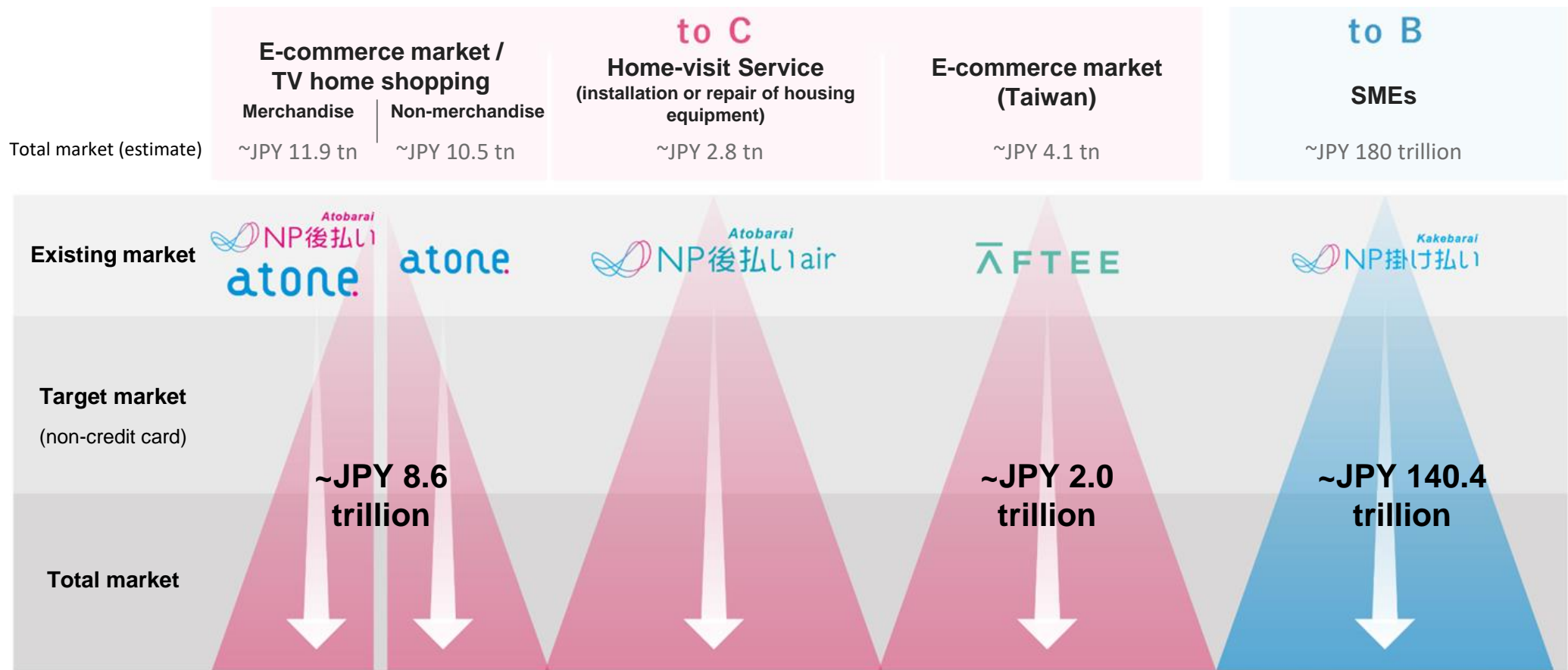
Key Measures

- Marketing Activities
- Alliance
- Common Interface

Topics

Growth Strategy: TAM Covering Both E-commerce and Offline Markets

As our share in the merchandise e-commerce market increases, we will bring our BNPL services into the non-merchandise e-commerce market, home-visit services, BtoB market, and overseas markets.



Note: Each of the triangles above is for illustrative purpose only, not showing the market share.

BtoC EC payment market: the TAM of each market is calculated by multiplying the FY2019 market share by the FY2020 EC payment market size; BtoC TV home shopping market: expected sales volume in FY2020; Cashless payments at BtoC real stores: FY2020 retail market size valued at JPY146 trillion x cashless payment ratio of 26.8%

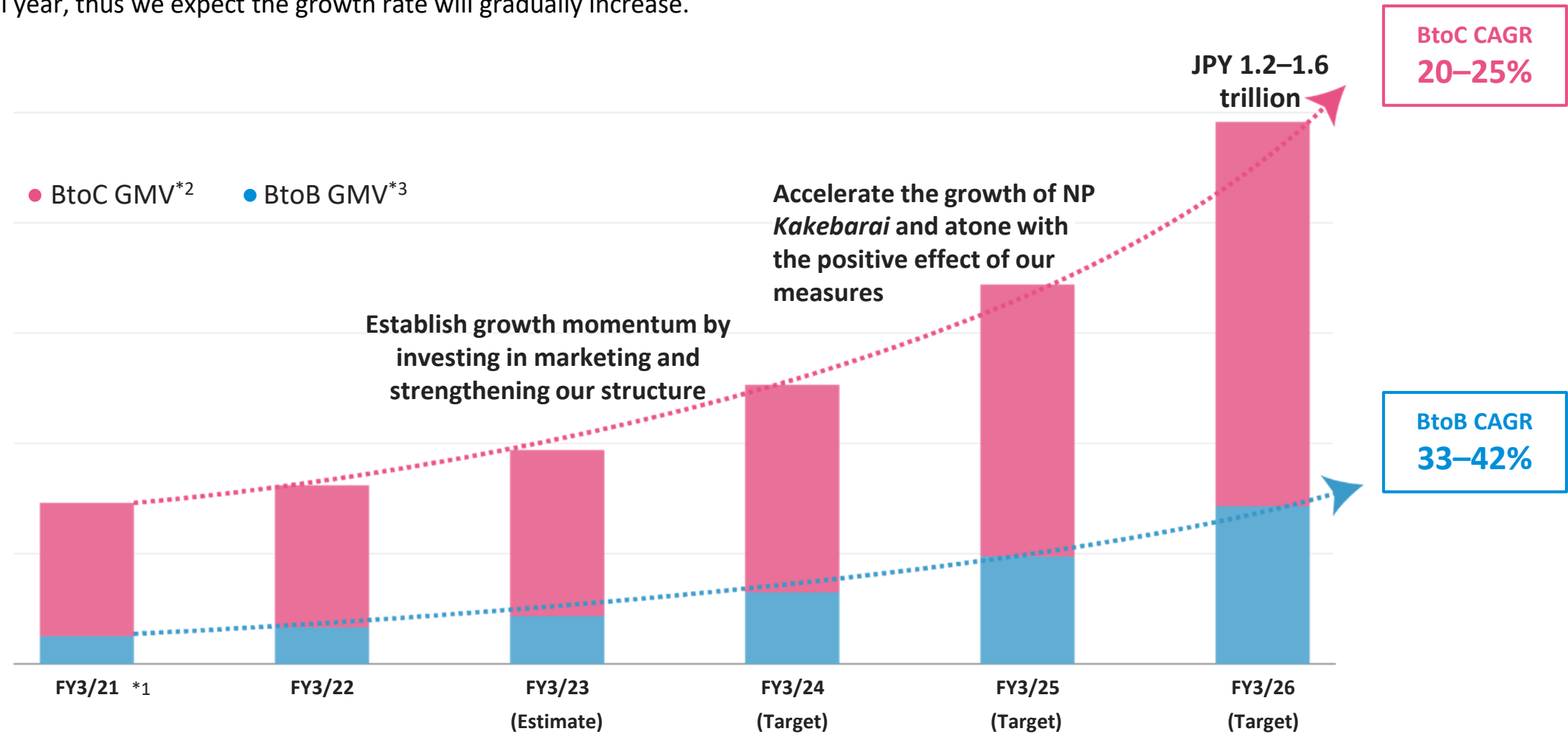
See Appendix on pages 56-58 for the definitions of TAM, SAM, and SOM.

Source: Those figures are calculated using our analysis based on certain assumptions with reference to the following various data:

“Online Payment/Settlement Service Providers 2021” (P. 31, 32 and 38), “Home Industry White Paper 2021” (P9) and “Distribution and Retailing Industry 2021” (P. 102) by Yano Research Institute Ltd. as well as “Cashless Vision” (P. 70), “Cashless Payment Ratio in Japan, Payment Providers, and the State’s Disclosure Policy” (P. 21), and “Current Survey of Commerce (2020)” by the Ministry of Economy, Trade and Industry

Growth Strategy: Medium-Term Business Plan

We expect GMV to reach 1.2–1.6 trillion yen in the fiscal year ending March 31, 2026.
The effect of investments we started from the fiscal year ending March 31, 2023 is expected to appear from the following fiscal year, thus we expect the growth rate will gradually increase.



*1 GMV in the fiscal year ended March 31, 2021: JPY438.1 billion (BtoC: JPY362.9 billion; BtoB: JPY75.3 billion)
*2 The total amount of payments (including consumption taxes) made through services provided by the Group, such as NP *Atobarai*, atone, and AFTEE
*3 The total amount of payments (including consumption taxes) made through NP *Kakebarai* provided by the Group
The information above includes forward-looking statements based on our executives' discussion based on information available at this time. Therefore, there can be a variety of risks and uncertainties that can make a significant difference to the actual performance.

Growth Strategy: Key Measures

Key measures aimed at growth of GMV and operating revenue.

Enhance marketing activities

- ✓ Acquire merchants by raising our brand awareness
- ✓ Expand our share in the payment market in Taiwan by improving penetration rate

Seek alliance

- ✓ Partnership with major platform operators
- ✓ Promote digital transformation of billing operations through alliance with regional banks and shinkin banks

Promote common interface

- ✓ Introduce *atone* to the NP *Atobarai* merchants through partnership with shopping cart providers
- ✓ Accelerate the introduction of our services to new e-commerce businesses through alliance with PSP*1

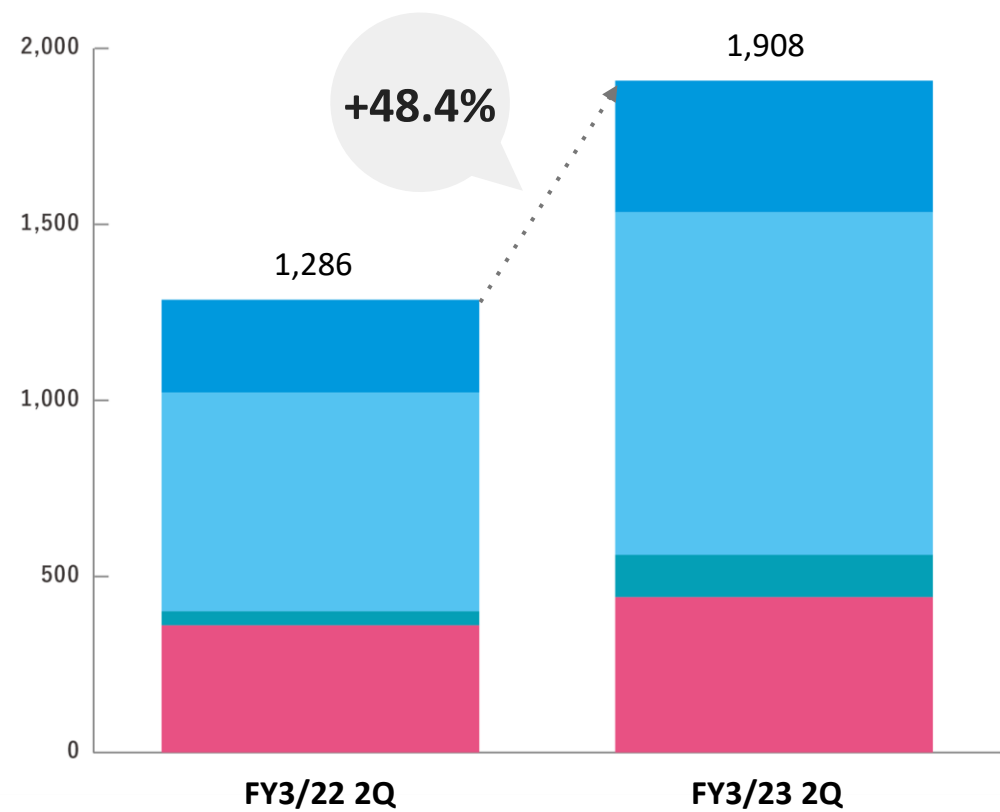
Strengthen our structure to facilitate the implementation of the key measures

*1 PSP stands for Payment Service Provider.

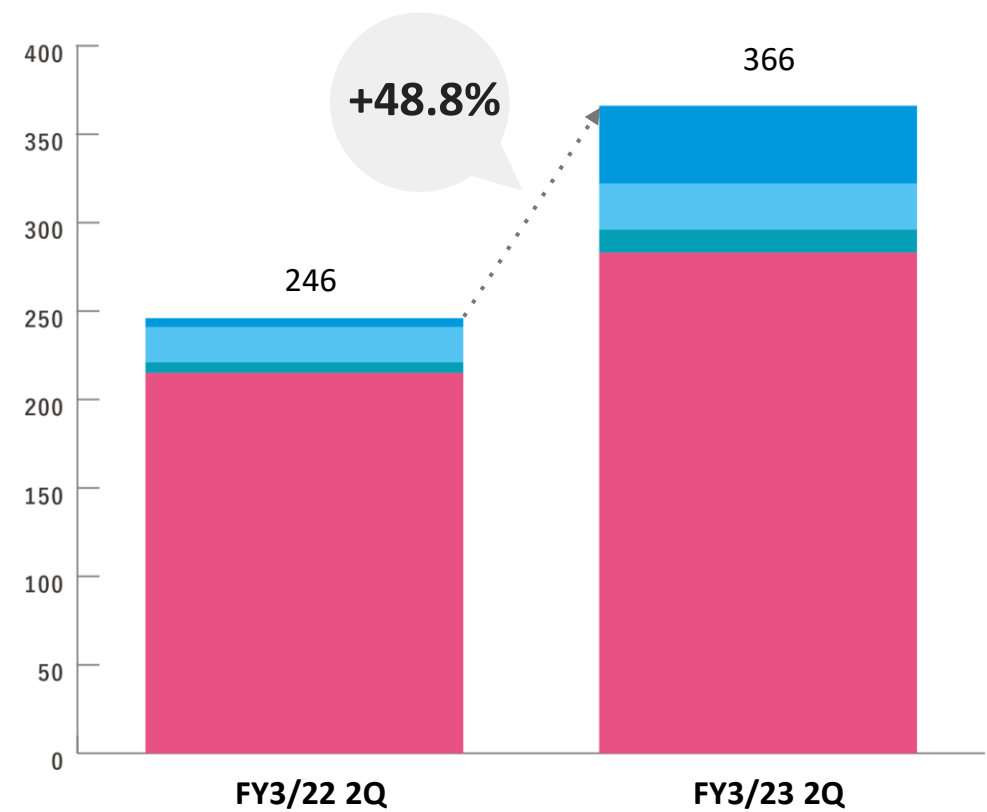
Growth Strategy: Marketing Activities (Increase in Numbers of Inquiries and Sales Negotiations Referred by Partners)

The number of web-based inquiries for information materials increased 48.4% year on year, and the number of sales negotiations with potential customers referred by alliance partners increased 48.8% year on year. The number of referrals by alliance partners grew by an impressive 20.8% from 1Q.

Number of web-based inquiries for information materials



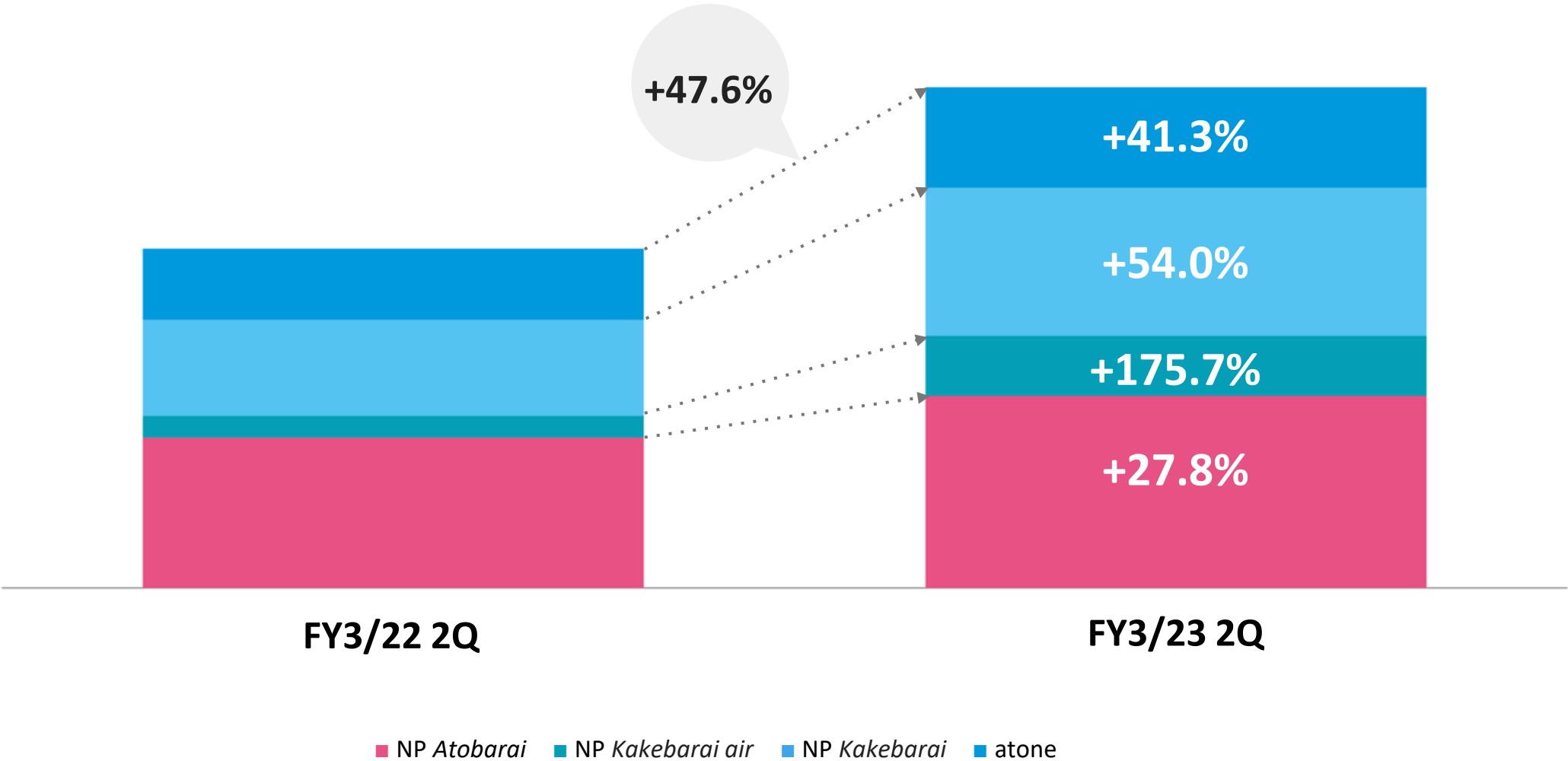
Number of sales negotiations with potential customers referred by alliance partners



■ NP Atobarai ■ NP Kakebarai air ■ NP Kakebarai ■ atone

Growth Strategy: Marketing Activities (Increase in Numbers of Sales Negotiations)

Number of sales negotiations in each business category increased steadily, up 47.6% year on year for the second quarter of the fiscal year ending March 31, 2023.



Growth Strategy: Marketing Activities (Status of Progress)

A two-week TV advertising trial was aired in Tokyo & Kansai areas from the end of July. We saw a significant increase in traffic to the website, demonstrating the effect of increased brand awareness.

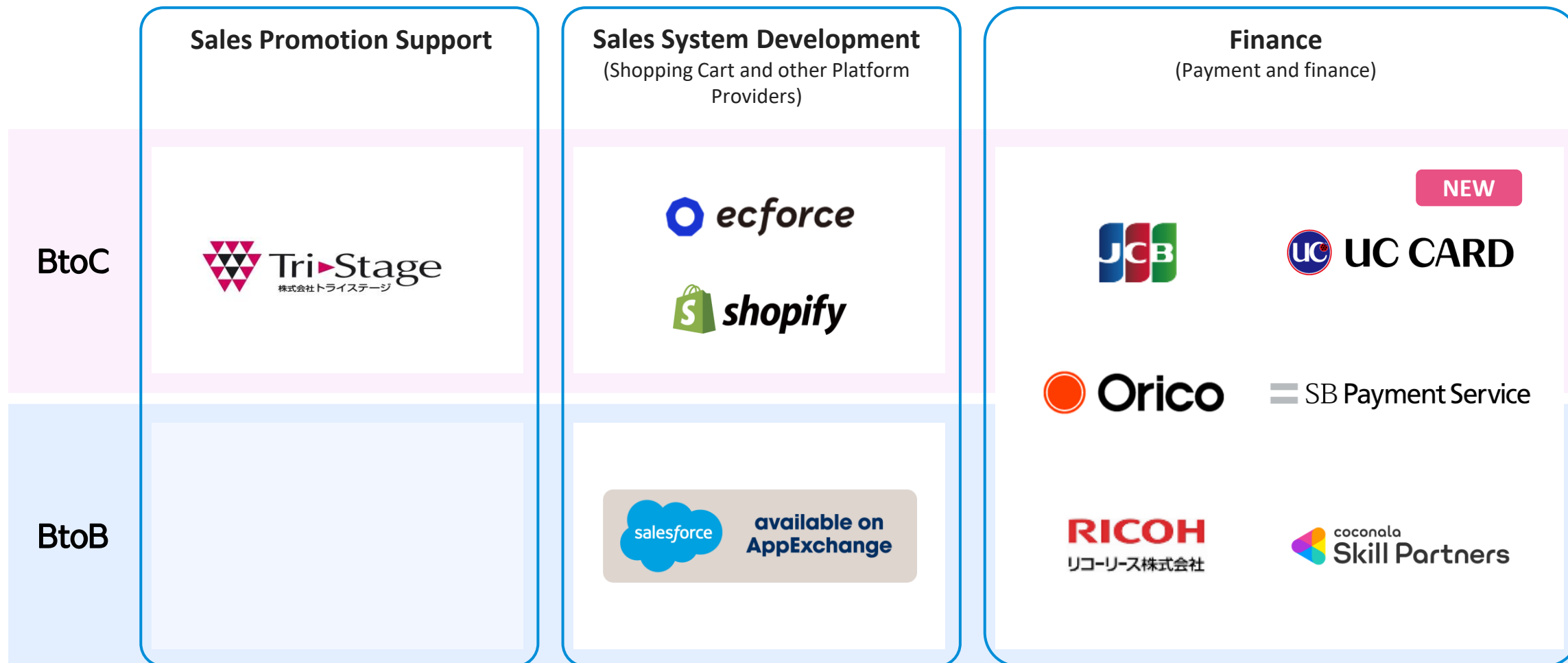
After improving the creative of the ads and digital promotion measures, we will air TV advertising in Tokyo & Kansai areas for a little over one month from November, aiming to greatly raise brand awareness and boost lead acquisition capabilities.

Major Advertising Measures in 2Q			Assessment	Major Advertising Measures Scheduled		
July	August	September		October	November	December
TV in Tokyo & Kansai			Web session counts in which TV commercials were aired for trial	TV in Tokyo & Kansai		
Improve the creative of the ads			Web session counts significantly grew in the July-August period, up 185% YoY	Improve the landing page and website		
Strengthening the digital distribution			Number of online requests for information in 2Q	Strengthening the digital distribution		
			974 requests, up 57% YoY			

Growth Strategy: Alliance (Moving from Payment Support to Business Support with Partners)

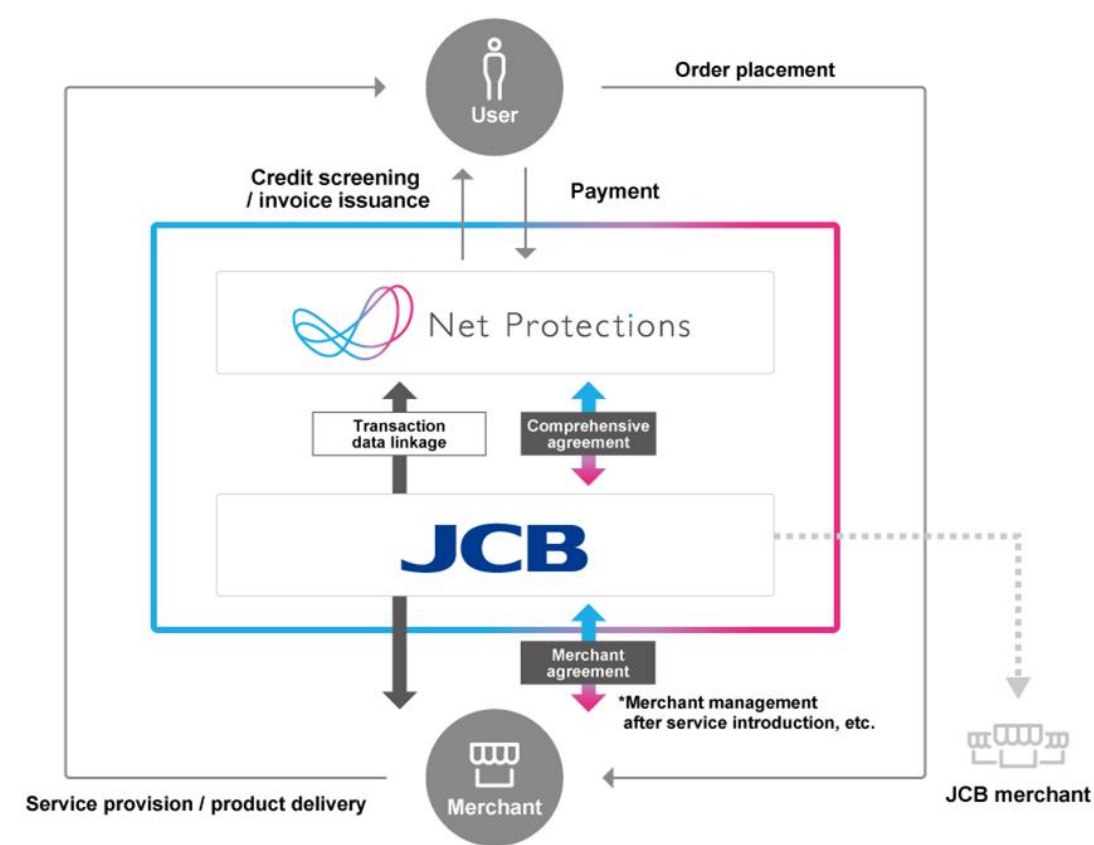
We have forged agency agreements and business partnership with key players in the areas of sales promotion support, sales systems, and financing. From October 2022, we started acquirer services for customers of UC CARD Co., Ltd.

Alliance partners

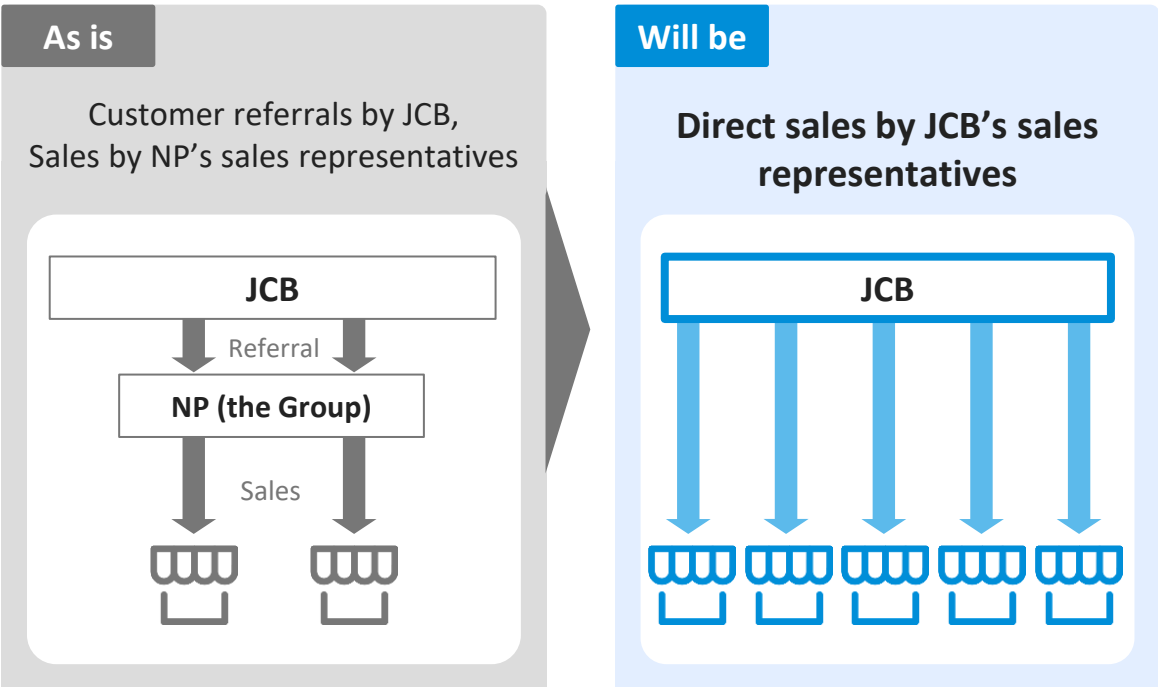


Growth Strategy: Alliance (Reinforcing Promotion of BNPL Services through Comprehensive White Label Agreement with JCB)

Not limiting to conventional referral services, JCB’s sales representatives will directly deal with our BNPL services to obtain new merchants.
(Scheduled to start by the end of 2023)
We will further promote sales activities by leveraging JCB’s customer network and sales assets.

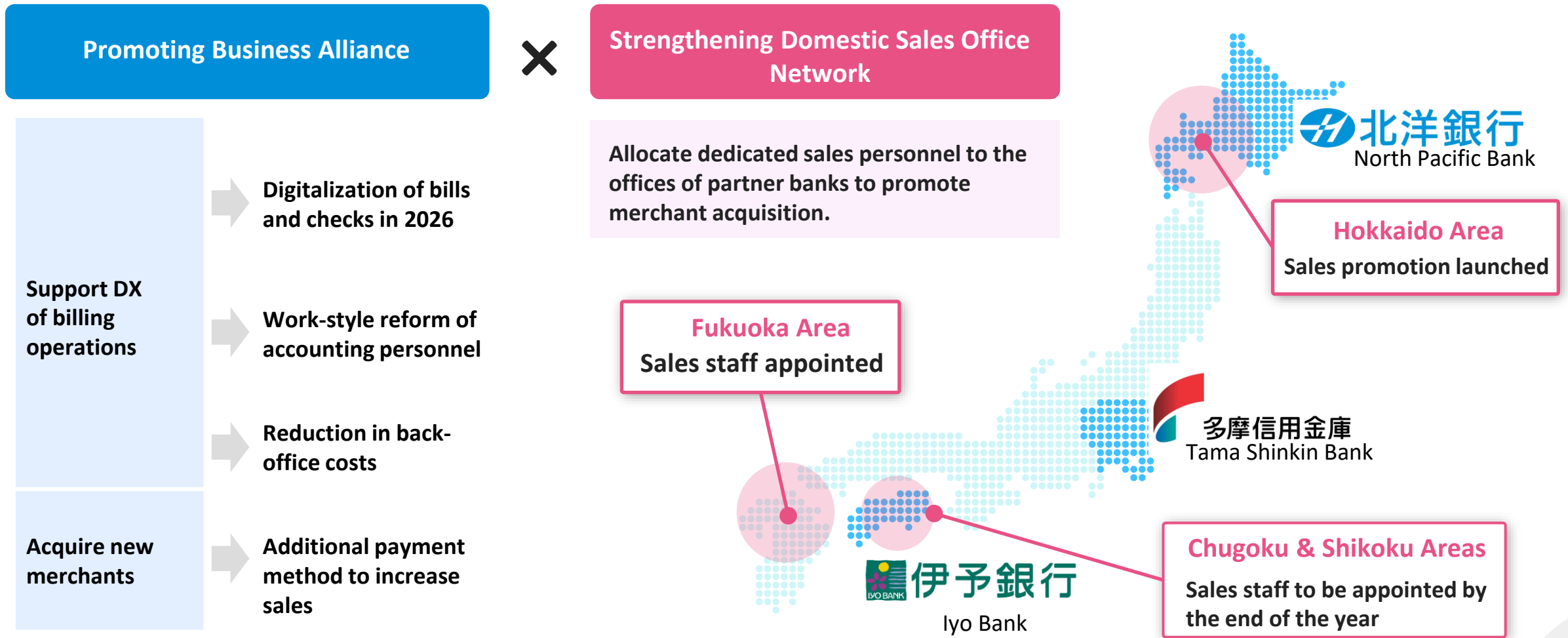


Increase the number and speed of merchant acquisition by substantially expanding sales resources



Growth Strategy: Alliance (Strengthening Business Alliance with Regional and Shinkin Banks and Regional Sales Structure)

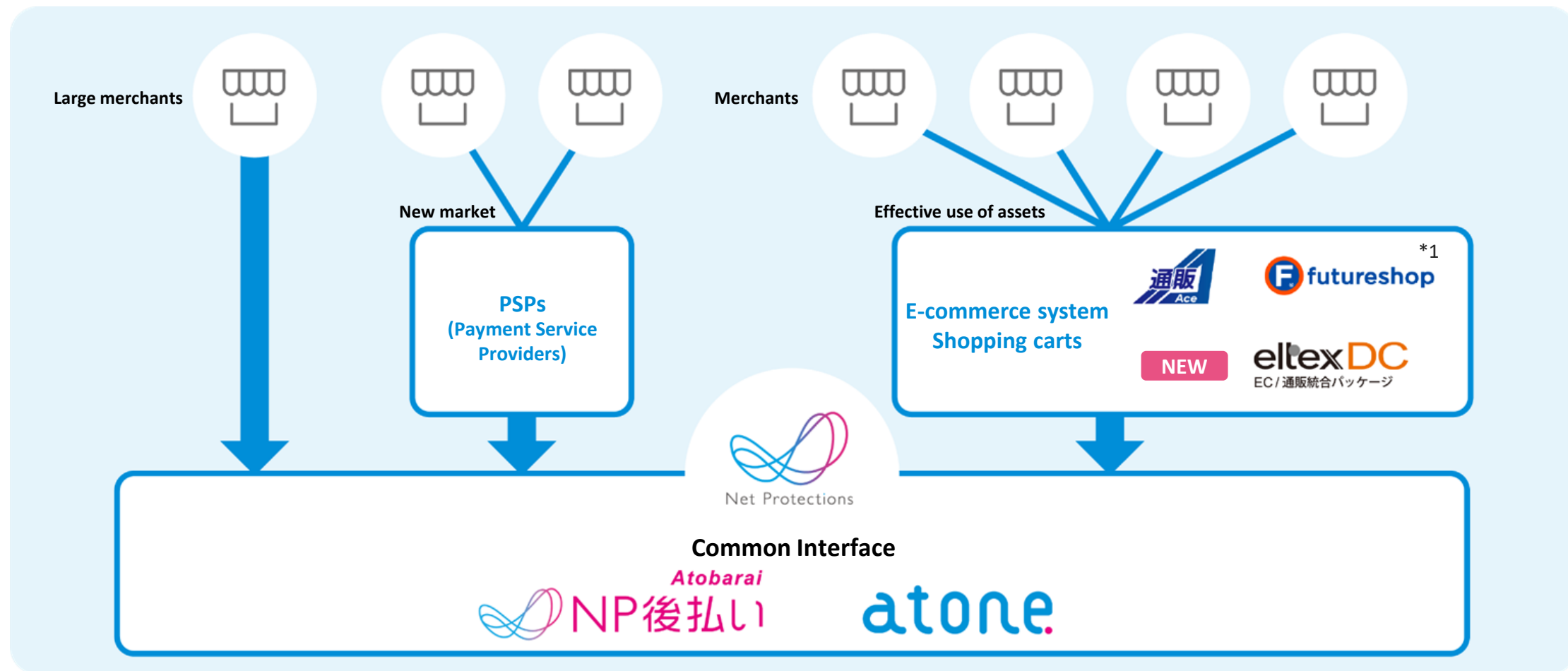
We will promote business alliance with regional and Shinkin banks to acquire local business operators that fall behind in DX.
Will allocate dedicated sales personnel to each area in order to facilitate collaborations with the regional financial institutions and ensure efficient responses.



Growth Strategy: Common Interface (Improving Share in Payment Market through Collaboration with Other Service Providers)

The common interface, which integrates the system specifications of NP *Atobarai* and atone, allows merchants to introduce both the services at the same time. We will strengthen collaborations with shopping cart vendors and PSPs (payment service providers) and improve our share in the payment market in the future by promoting the use of atone by merchants that have already introduced NP *Atobarai*.

In October 2022, we connected our common interface with the system of ELTEX, Inc., provider of eltexDC (E-commerce/mail order software package).

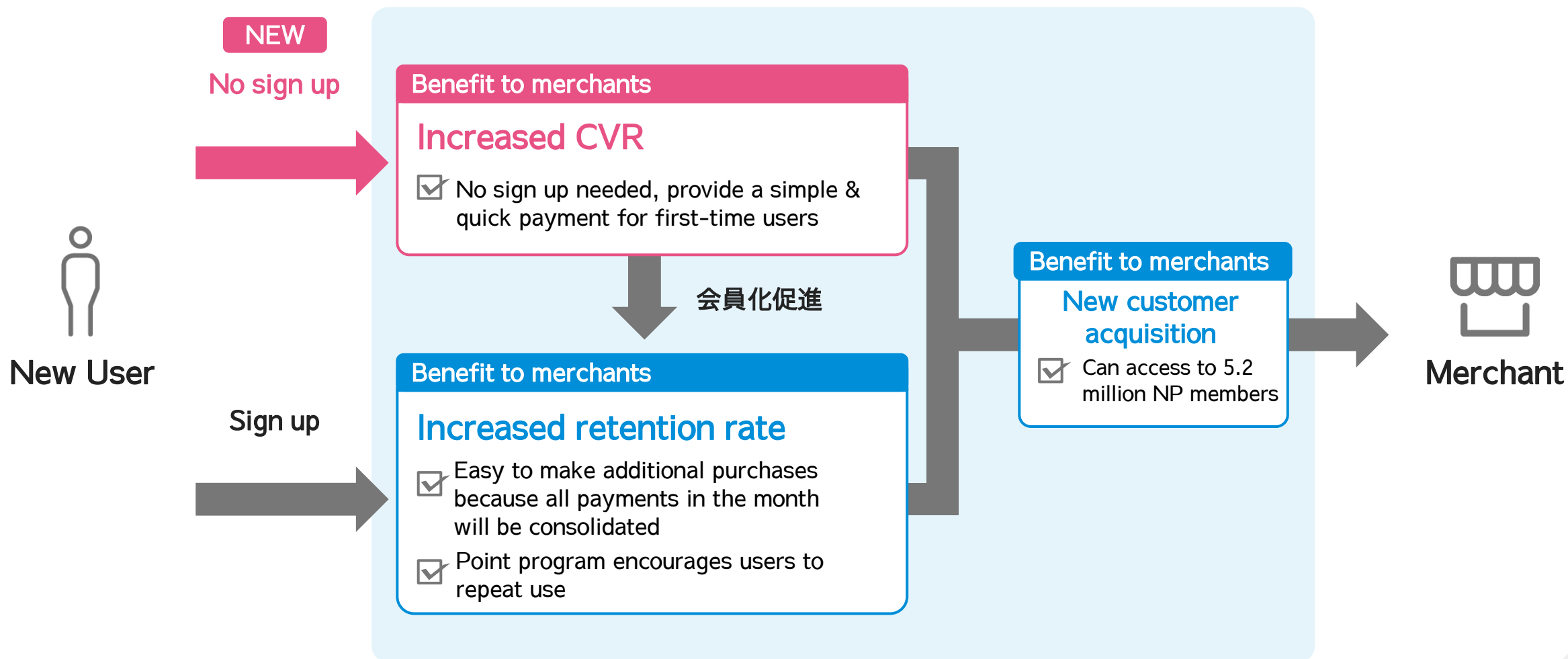


*1 Only NP *Atobarai* is available as of August 2022.







Growth Strategy: Common Interface (atone's New Function, BNPL without Sign Up)

We are planning to release a new function in Spring 2023.

The new function will offer a payment solution that increases sales through acquiring non-credit card users and increasing retention rates.



Reference: Specification of atone’s New Function, BNPL without Sign Up)

	Non-membership (no sign up needed)	Membership (a simple sign up needed)
How to use	Easily use with mobile phone number and email address SMS authentication	Membership provides advanced security and convenience Authentication with app or eKYC authentication
Payment term	Payment for each purchase is due within 10 days from the invoice issuance BNPL per purchase	Available for next-month payment Purchases in the same month are consolidated BNPL per purchase or next-month payment
Payment method	Convenience store or bank  CVS  Pay easy	Available for direct debit  CVS  Direct debit Pay easy  Paper invoice  Electronic Barcode
Additional Functions		Point program Login service Available for offline stores



Appendix

- **Financial Statements**
- **Business and Market Overview**

Key Performance Indicators

	Three months ended September 30, 2021	Three months ended September 30, 2022	Percentage change	Six months ended September 30, 2021	Six months ended September 30, 2022	Percentage change
	(JPY in millions)	(JPY in millions)	(%)	(JPY in millions)	(JPY in millions)	(%)
GMV (non-GAAP) *1	116,200	121,489	4.6	229,057	240,189	4.9
Services for BtoC transactions	92,821	88,744	(4.4)	183,030	177,609	(3.0)
Services for BtoB transactions	23,378	32,744	40.1	46,027	62,579	36.0
Total Operating Revenue	4,609	4,647	0.8	9,213	9,234	0.2
Services for BtoC transactions	4,048	3,945	(2.5)	8,105	7,861	(3.0)
Services for BtoB transactions	561	702	25.1	1,108	1,372	23.7
Other operating revenue	115	126	9.4	237	281	18.8
Revenue	4,494	4,521	0.6	8,976	8,952	(0.3)
Invoicing related expenses (non-GAAP) *2	1,810	1,855	2.5	3,677	3,663	(0.4)
Bad debt related expenses (non-GAAP) *3	687	743	8.1	1,335	1,438	7.8
Other payment related expenses (non-GAAP) *4	87	86	(1.4)	165	179	8.4
Gross profit (non-GAAP) *5	1,909	1,837	(3.8)	3,798	3,671	(3.4)
Services for BtoC transactions	1,570	1,436	(8.5)	3,110	2,840	(8.7)
Services for BtoB transactions	339	400	18.1	687	830	20.7
Selling, general and administrative expenses, and other operating expenses (non-GAAP) *6	1,578	1,981	25.5	3,141	3,912	24.5
Operating profit	446	(18)	—	894	39	(95.5)
Depreciation and amortization	318	347	9.1	655	687	4.9
Share-based payment expenses	2	2	34.7	4	3	(13.5)
Loss on disposal of property, plant and equipment	6	8	27.6	10	20	89.6
Impairment loss	—	—	—	—	—	—
Gain on reversal of impairment losses	—	—	—	—	—	—
EBITDA (non-GAAP) *7	772	339	(56.0)	1,564	751	(52.0)
IPO-related expenses	12	—	(100.0)	16	—	(100.0)
Marketing expenses (non-GAAP) *8	62	181	188.0	118	342	187.9
Adjusted EBITDA (non-GAAP) *9	848	521	(38.6)	1,700	1,093	(35.7)

*1 GMV: Gross merchandise value for the Group's payment services

*2 Invoicing related expenses: Collection expense + Invoicing expense, primarily the amount of expenses incurred per invoice

*3 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

*4 Other payment related expenses: Other expenses required for providing payment services, including credit screening costs and NP point expenses

*5 Gross profit: Revenue -(invoicing related expenses + bad debt related expenses + other payment-related expenses)

*6 SG&A and other operating expenses: Operating expenses -(invoicing related expenses + bad debt related expenses + other payment-related expenses)

*7 EBITDA: Operating profit + (Depreciation and amortization + Share-based payment expenses + Loss on disposal of property, plant and equipment + Impairment loss -Gain from reversal of impairment losses)

*8 Marketing expenses: Sales promotion excluding agency commissions + advertising expenses

*9 Adjusted EBITDA: EBITDA + (IPO-related expenses + Marketing expenses)

Consolidated Statement of Financial Position

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	12,119	9,103
Trade and other receivables	22,019	23,231
Inventories	19	20
Other current receivables	473	347
Total current assets	34,631	32,701
Non-current assets		
Property, plant and equipment	982	903
Goodwill	11,608	11,608
Intangible assets	3,566	3,763
Other financial assets	740	1,063
Deferred tax assets	1,333	1,346
Other non-current assets	173	142
Total non-current assets	18,405	18,828
Total Assets	53,037	51,530

(JPY in millions)

	As of March 31, 2022	As of September 30, 2022
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	26,960	26,182
Short-term loans	-	-
Lease liabilities	397	399
Other current financial liabilities	5	5
Income taxes payable	816	117
Provisions	40	26
Liabilities for employee benefits	353	421
Other current liabilities	465	449
Total current liabilities	29,039	27,603
Non-current liabilities		
Long-term loans	4,955	4,959
Lease liabilities	330	227
Provisions	69	84
Total non-current liabilities	5,354	5,272
Total Liabilities	34,394	32,875
Equity		
Share capital	4,095	4,106
Capital surplus	14,046	14,052
Retained earnings	466	416
Other components of equity	34	79
Total equity attributable to owners of parent	18,642	18,654
Total Equity	18,642	18,654
Total Liabilities and Equity	53,037	51,530

Consolidated Statement of Profit or Loss

(JPY in millions)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Revenue	8,976	8,952
Other operating revenue	237	281
Total operating revenue	9,213	9,234
Operating expenses	(8,319)	(9,194)
Operating profit	894	39
Financial income	0	0
Financial costs	(139)	(31)
Profit before income taxes	754	9
Income tax expense	(255)	(58)
Profit (loss)	499	(49)
Profit (loss) attributable to:		
Owners of parent	499	(49)
Profit (loss)	499	(49)
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	5.81	(0.52)
Diluted earnings (loss) per share (yen)	5.37	(0.52)

Consolidated Statement of Cash Flows

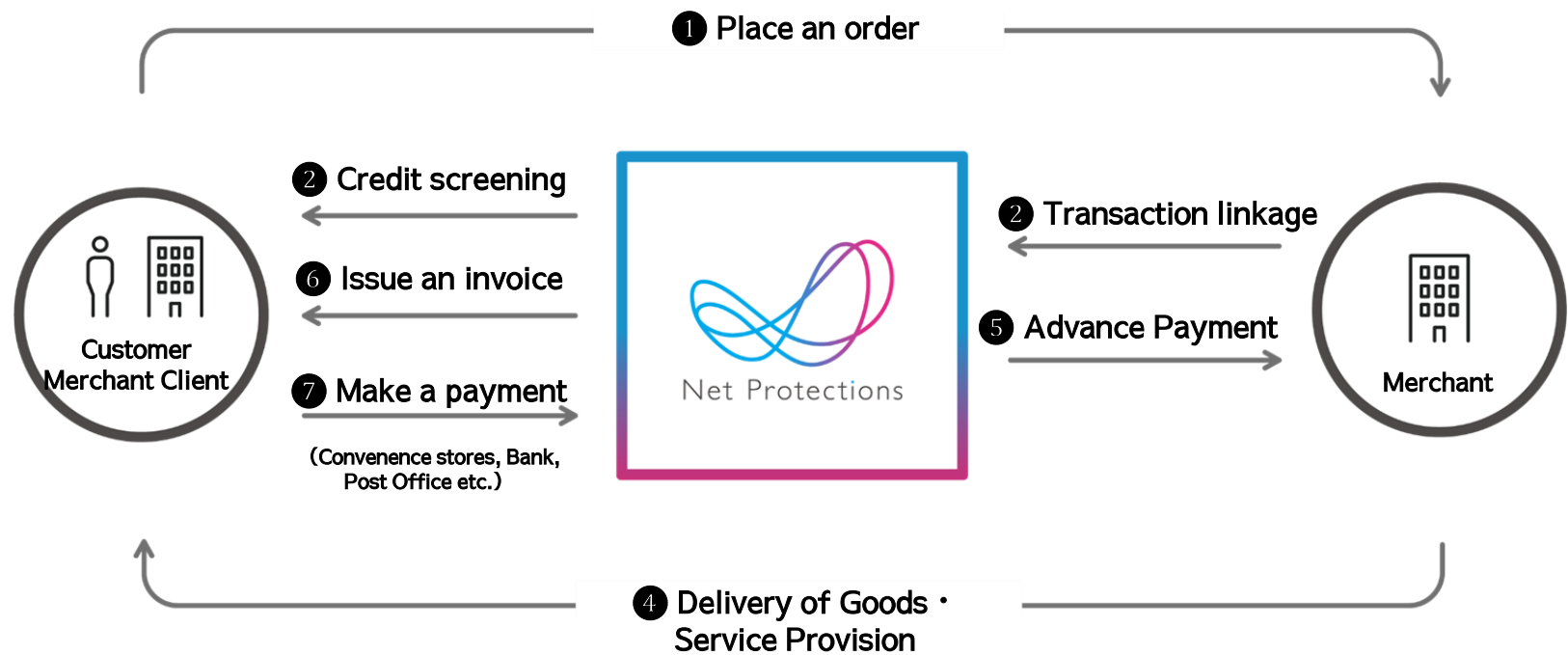
(JPY in millions)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash Flows from Operating Activities		
Profit before income taxes	754	9
Depreciation, amortization and impairment losses	655	687
Share-based payment expenses	4	3
Finance income and finance costs	113	24
Increase (decrease) in provisions	(17)	1
Loss on disposal of property, plant and equipment	10	20
Decrease (increase) in inventories	(3)	(0)
Decrease (increase) in trade and other receivables	(1,425)	(1,211)
Increase (decrease) in trade and other payables	3,071	(778)
Other	(43)	168
Subtotal	3,119	(1,075)
Interest received	0	0
Interest paid	(177)	(19)
Income tax paid	(593)	(758)
Cash Flows from Operating Activities	2,348	(1,853)
Cash Flows from Investing Activities		
Payments into time deposits	—	(1)
Purchase of property, plant and equipment	(5)	(87)
Purchase of intangible assets	(305)	(579)
Payments for guarantee deposits	(11)	(8)
Proceeds from collection of guarantee deposits	52	6
Purchase of available-for-sale securities	—	(315)
Cash Flows from Investing Activities	(270)	(985)
Cash Flows from Financing Activities		
Repayments of long-term borrowings	(250)	—
Purchase of debt instruments	(1,994)	—
Repayments of lease liabilities	(195)	(190)
Proceeds from issuance of shares	991	13
Cash Flows from Financing Activities	(1,448)	(176)
Effects of exchange rate changes on cash and cash equivalents	5	0
Net increase (decrease) in cash and cash equivalents	635	(3,015)
Cash and cash equivalents at the beginning of the period	8,304	12,119
Cash and cash equivalents at the end of the period	8,939	9,103

Business and Market Overview

Business Overview: BNPL Scheme Providing Safe and Secured Transactions

NP guarantees delinquency risk to enable sage and secured e-commerce for both sellers and buyers.



Customer Benefits

- Receives goods first
- No credit cards required
- Earn points

Merchant Benefits

- Increases sales
- Acquire new customers
- risk-free guaranteed

Why Customers Prefer BNPL

Budget Control

1 Pay cash each time to prevent overspending



- ✓ By paying for each transaction, customers feel in control of their expenditures
- ✓ Easy to control the budget because customers only need to monitor cash movements

2 Pay when you want within the due date.



- ✓ No immediate cash preparation is necessary, unlike in case of Cash on Delivery
- ✓ Customers do not have to wait until payday for shopping

Security

3 No risk of credit card info leakage or unauthorized uses



- ✓ Credit card info is not required
- ✓ No risk of fraudulent payments, since customers must actively make the payment

4 Easy to cancel recurring payments



- ✓ No automatic payments without notice

Convenience

5 No credit card / No sign-up is required



- ✓ One click payment
- ✓ Can purchase with confidence even with the first-visiting e-commerce
- ✓ No need to use credit cards
- ✓ Mobile phone friendly

6 Payment made after the arrival of goods



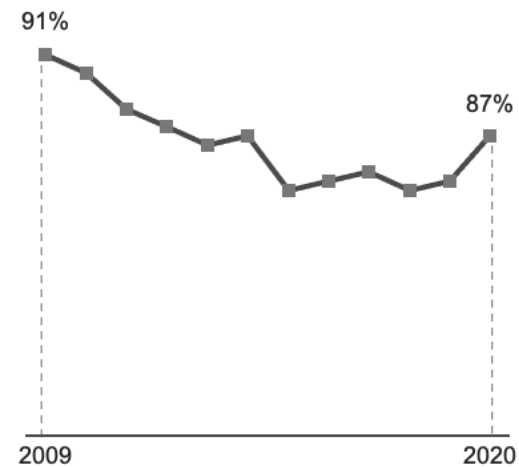
- ✓ No worry about whether goods will arrive, unlike in case of advanced payments
- ✓ Easy to return, easy to exchange, easy to cancel

Credit Cards Do Not Completely Satisfy User Demands

Facts on Credit Card Usage in Japan

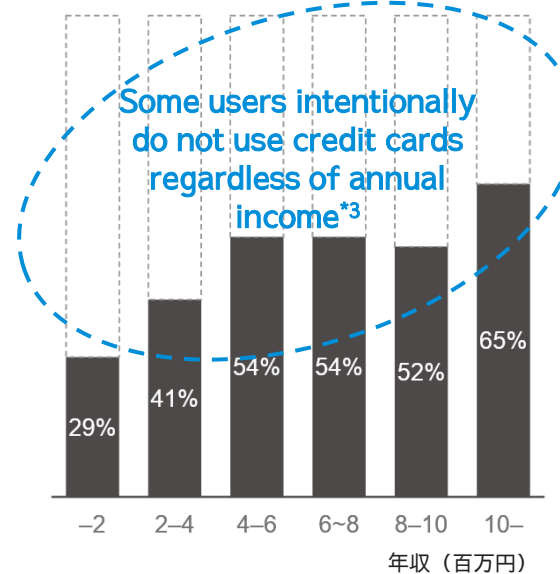
1 Credit card penetration rate*1

【Credit card penetration rate】



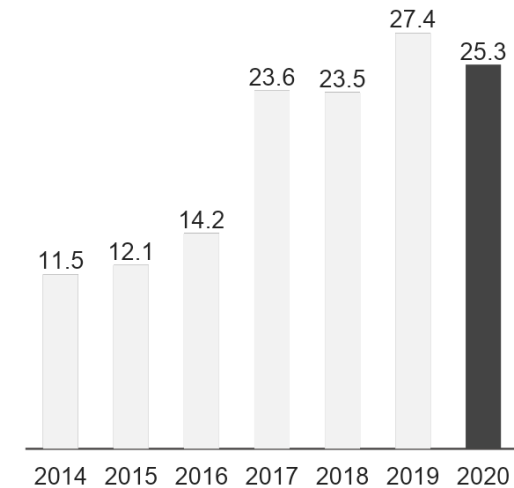
2 Some users do not use credit cards

【Credit card usage by annual income】*2



3 Credit card fraud losses are increasing

【Historical Credit Card Fraud】
(JPY in billions)



BNPL demands are increasing rapidly

*1 Penetration rate is measured by the number of people surveyed who have at least one credit card

*2 The area shown in black is the percentage of respondents who answered "I often use credit cards"

*3 Including people who do not have credit cards

Source: 1 Japan Credit Bureau Co., Ltd. "Comprehensive credit card survey (September 2013 and September 2018, February 2021)"

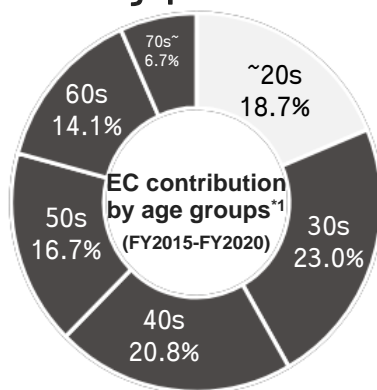
2 Nippon Institute for Research Advancement (NIRA) "Survey on cashless payment" (September 2018)

Target: "3,000 men and women between the ages of 20-69 living across Japan among the registered monitors held by Nikkei Research"

3 Japan Consumer Credit Association "Survey on credit card fraud" (as of September 2021)

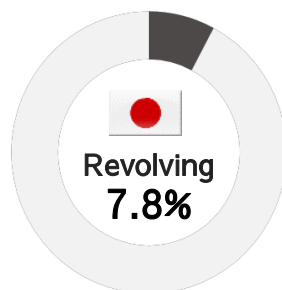
The Uniqueness of Japan Market

A wide range of age groups contributing to the growth of Japan's e-commerce

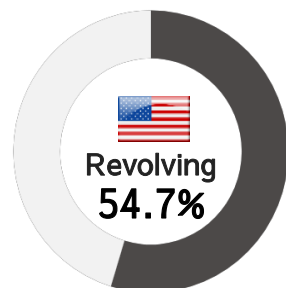


Consumers in Japan rely less on installment payments

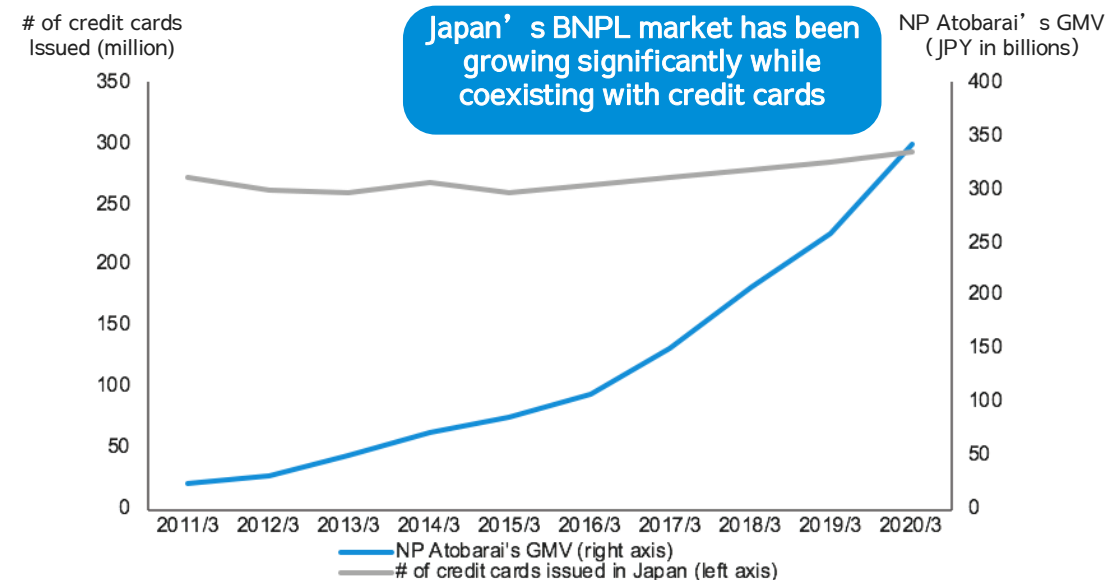
Japan: Usage of credit cards (by Volume)^{*2}



(ref.) US: Credit revolving users^{*3}



“Japan is Japan”



Attract wide range of user age groups

Prioritize customer loyalty programs over prolonged installment payments

Acquire variety of merchants / no single ecosystem reliance

Directly related to GMV increase

Source: “Survey of Household Economy” (2020), Japan Consumer Credit Association, “Japan Credit Statistics” (2020), American Bankers Association “Credit Card Market Monitor” .

*1 Contribution of the increase in monthly expenditures per household by each age group using EC sites (households with two or more members) from 2015 to 2020

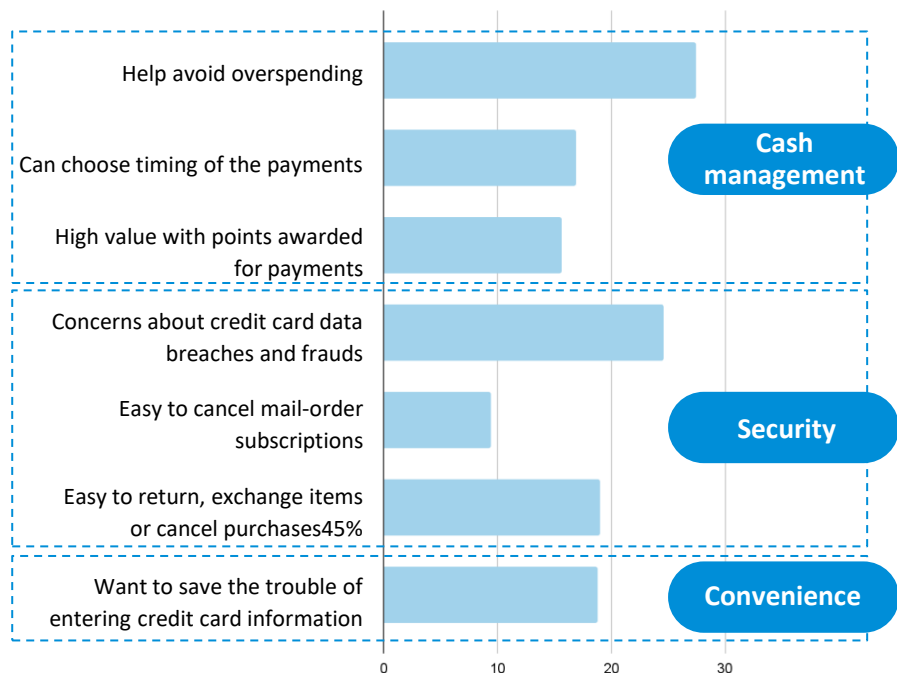
*2 Japan Consumer Credit Association. Based on the transaction volume in 2020. Payments exceeding 2 months are defined as “Revolving”

*3 American Bankers Association “Credit Card Market Monitor” , as of 2020 Q3. Excluding dormant accounts. Revolving: if monthly balance is rolled over to the next month at least once during a quarter

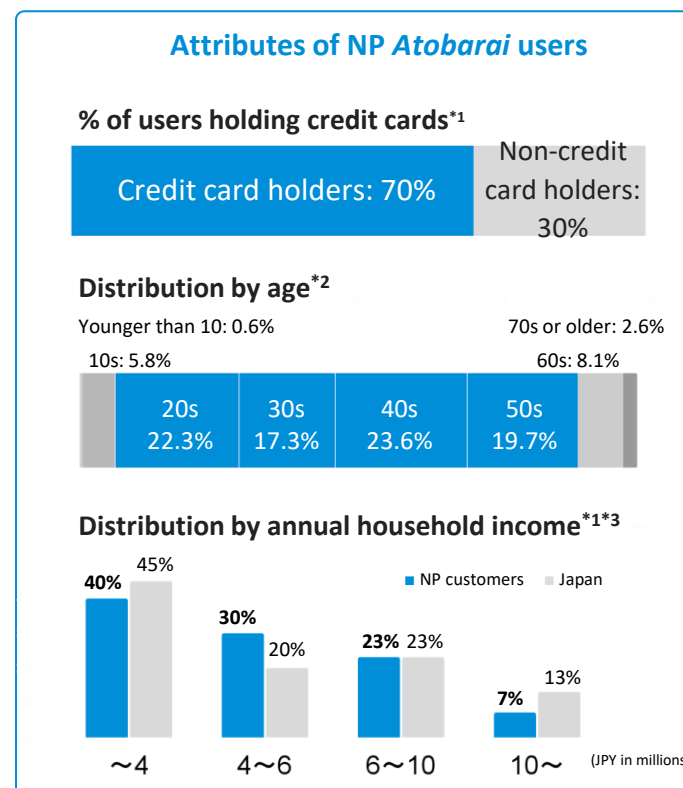
Lump Sum BNPL Service Providing Safe and Secure Transactions as Value Proposition

Many of our users hold credit cards and span a broad range of generations who hope to enjoy online shopping safely and securely. Our NP *Atobarai* is a lump sum BNPL service and thus is free from concerns over excessive debt which are drawing attention overseas.

1 Reasons for using BNPL services: *1 For money management, security, and convenience

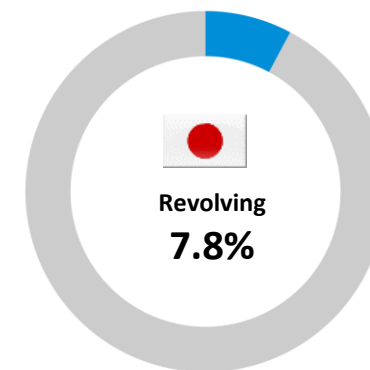


2 The user base is highly diversified.

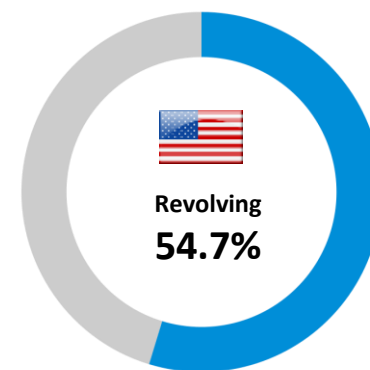


3 The full payment is preferred in Japan, whereas the installment payment is preferred overseas.

Japan
Breakdown of credit card payment method by amount*2



U.S.
Ratio of credit revolving users*3



*1 [Survey method] Internet survey on NP members [Period] From December 28 to 30, 2018 [Target] 1,738 men and women in their twenties or older nationwide

*2 Breakdown of NP Point Club members as of March 31, 2021 (Members are able to use the NP points that they accumulate by using NP *Atobarai* and atone when they make purchases from merchant clients)

*3 Ministry of Health, Labor and Welfare "Comprehensive Survey of Living Conditions in 2017" [Target] 61,000 households randomly selected by the Ministry of Health, Labor and Welfare

*4 Based on the amount used in 2020. Payments exceeding 2 months are defined as "revolving."

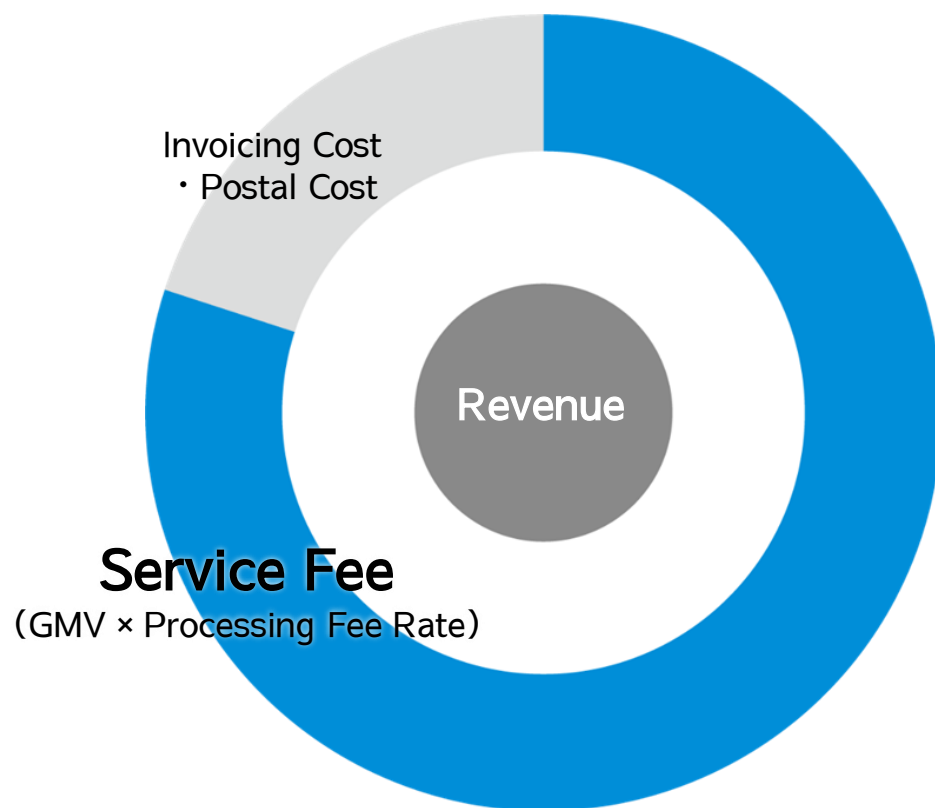
*5 Representing the ratio as of the third quarter of FY2020, excluding dormant accounts. When a monthly balance is carried over to the next month at least once during a quarter surveyed, the payment is defined as "revolving."

Source: "Survey of Household Economy" (2020), Japan Consumer Credit Association "Japan Credit Statistics" (2020), American Bankers Association "Credit Card Market Monitor"

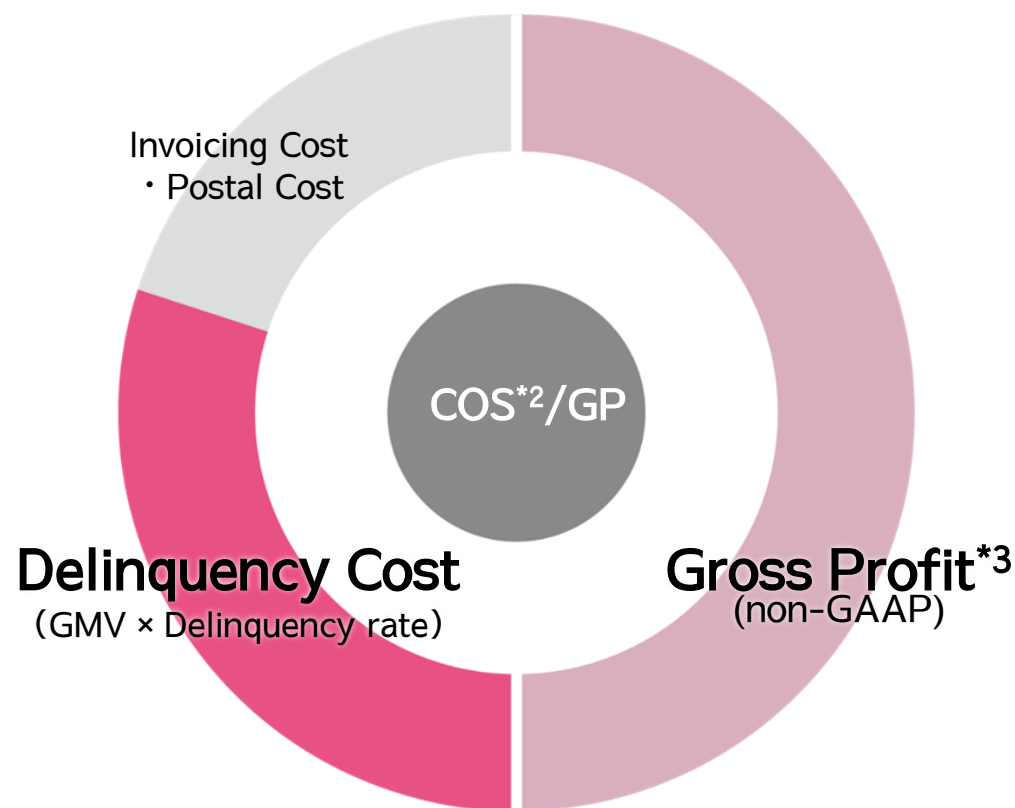
Business Metrics: Profit Structure as a Source of Corporate Value

Revenue consists of the service fees paid by merchants based on GMV(non-GAAP)*1.

The gross profit margin varies depending on delinquency cost as part of cost of sales (COS)*2.



**Sales increase
in line with a growth in GMV.**



**Profit increases
as the delinquency rate declines.**

*1 GMV: The total amount of payments (including consumption tax) made through services provided by the Group, such as NP Atobarai, atone, NP Kakebarai, and AFTEE

*2 COS : Doubtful accounts related cost, Invoicing fee, postal fee, and operational cost.

*3 Gross profit: Revenue - (collection expense + invoicing expense + allowance for doubtful accounts (addition) + bad debt expense + loss on sale of trade receivables + credit screening expense + NP point expense + other payment-related expenses)

Growth Strategy: Service Introduction Status in Target Market (BtoC Market)

New Target Market

House Cleaning/Repair



TV Shopping



Housekeeping



Digital Content



Newspapers



Physical Retailers



E-Commerce



E-Commerce in Taiwan



Growth Strategy: Service Introduction Status in Target Market (BtoB Market)

Wholesale

Construction Material



Liquor



Food & Beverage



Beauty



Packaging



Start-ups

Sharing Economy



Back Office



Human Resource



Marketing



Marketplace



Major Companies

集英社 (Shueisha)



Examples of Introduction : BNPL available in on-site services



Renovation /
Construction work



Repair / Maintenance



Housekeeping service



Moving



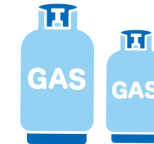
Food Delivery



Rental



Event / Seminar



Electricity / Gas

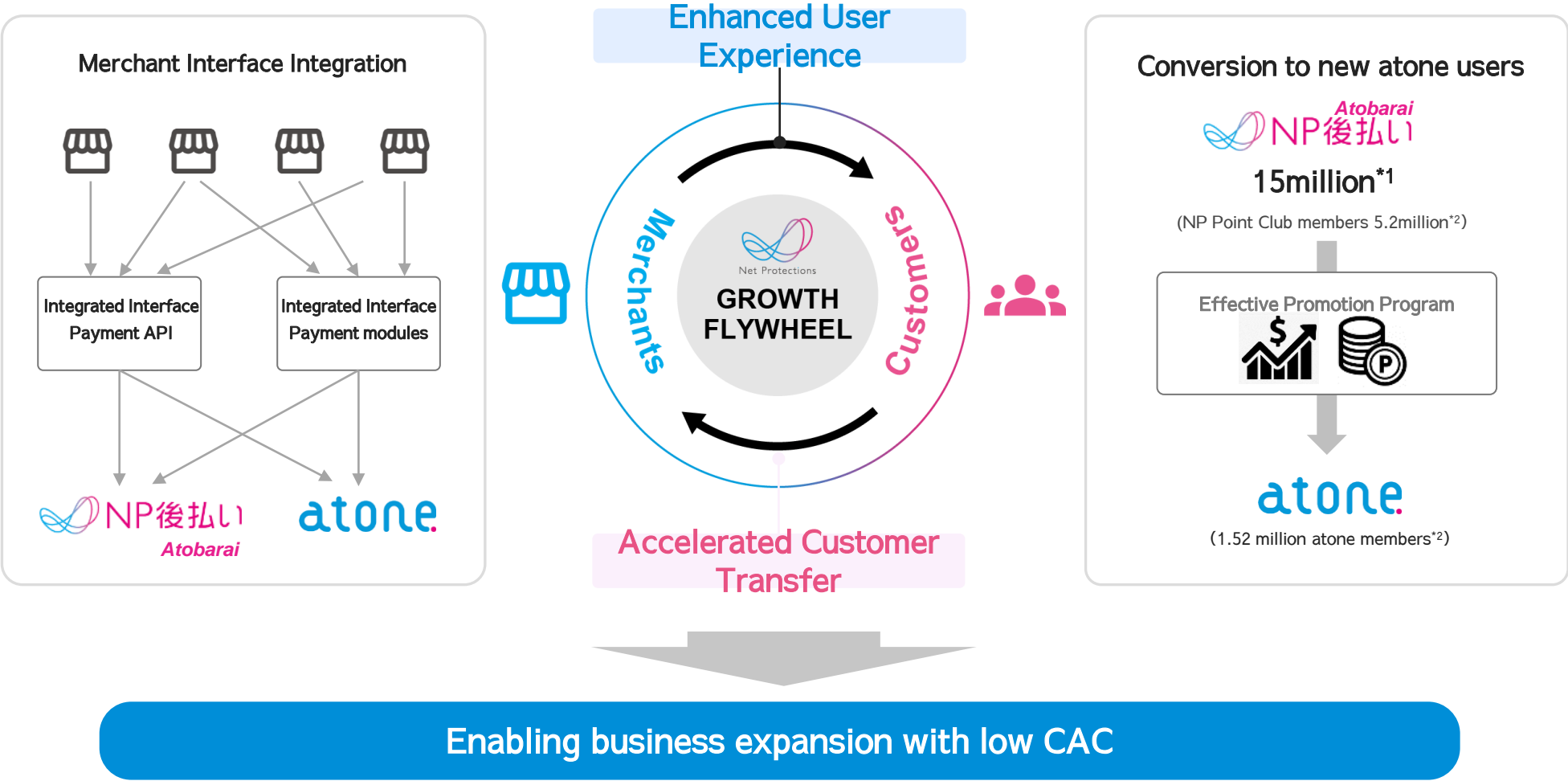
Benefits for Customers

No need to prepare cash
at the time of service

Benefits for Merchants

Eliminate cash transactions and reduce
collection and accounting procedures

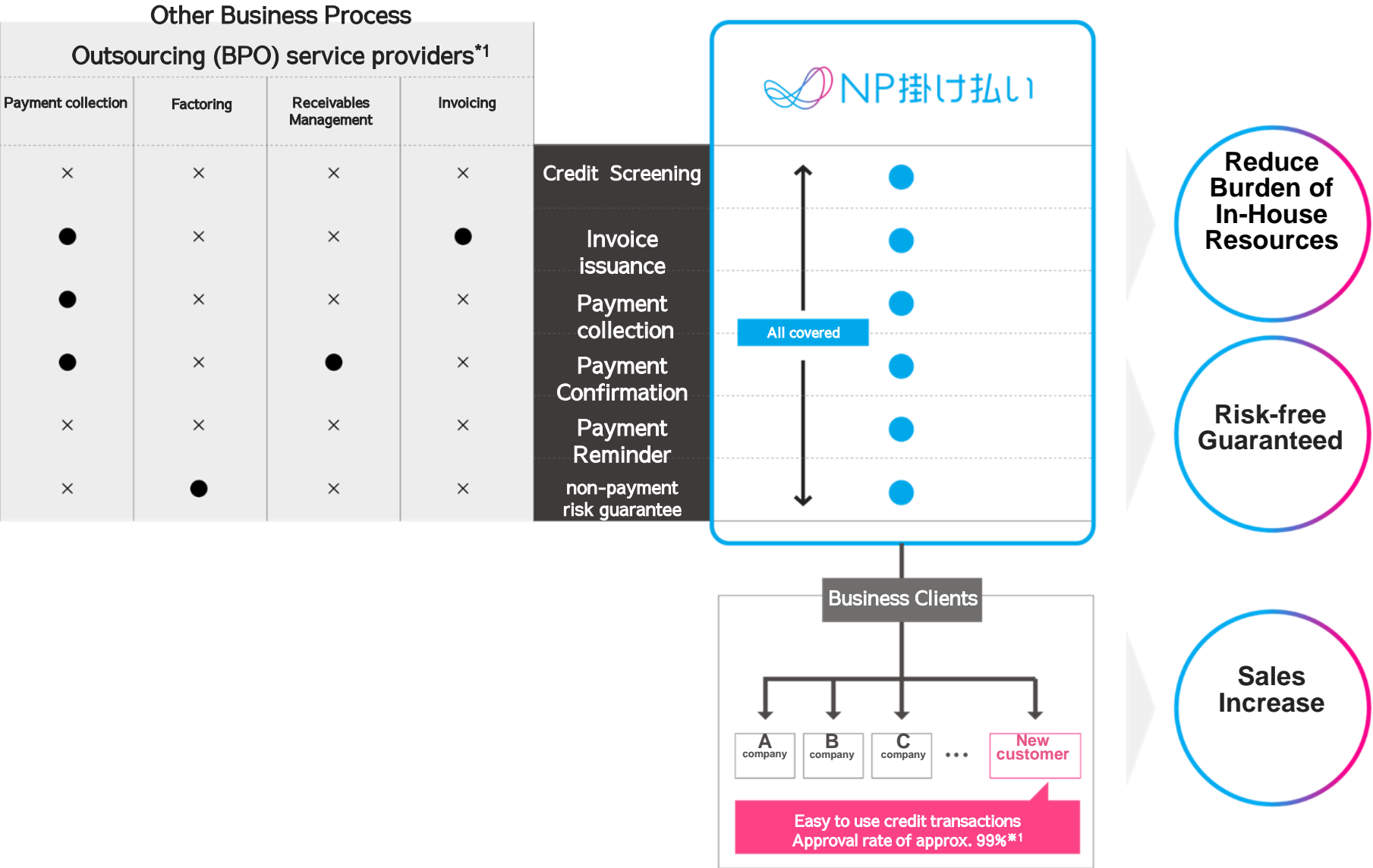
Growth Strategies for BtoC Services



*1 The number of individual Unique Users of NP Atobarai (BtoC service) based on the matching of duplicative names and phone numbers during FY3/21 (April 1, 2020 to March 31, 2021)

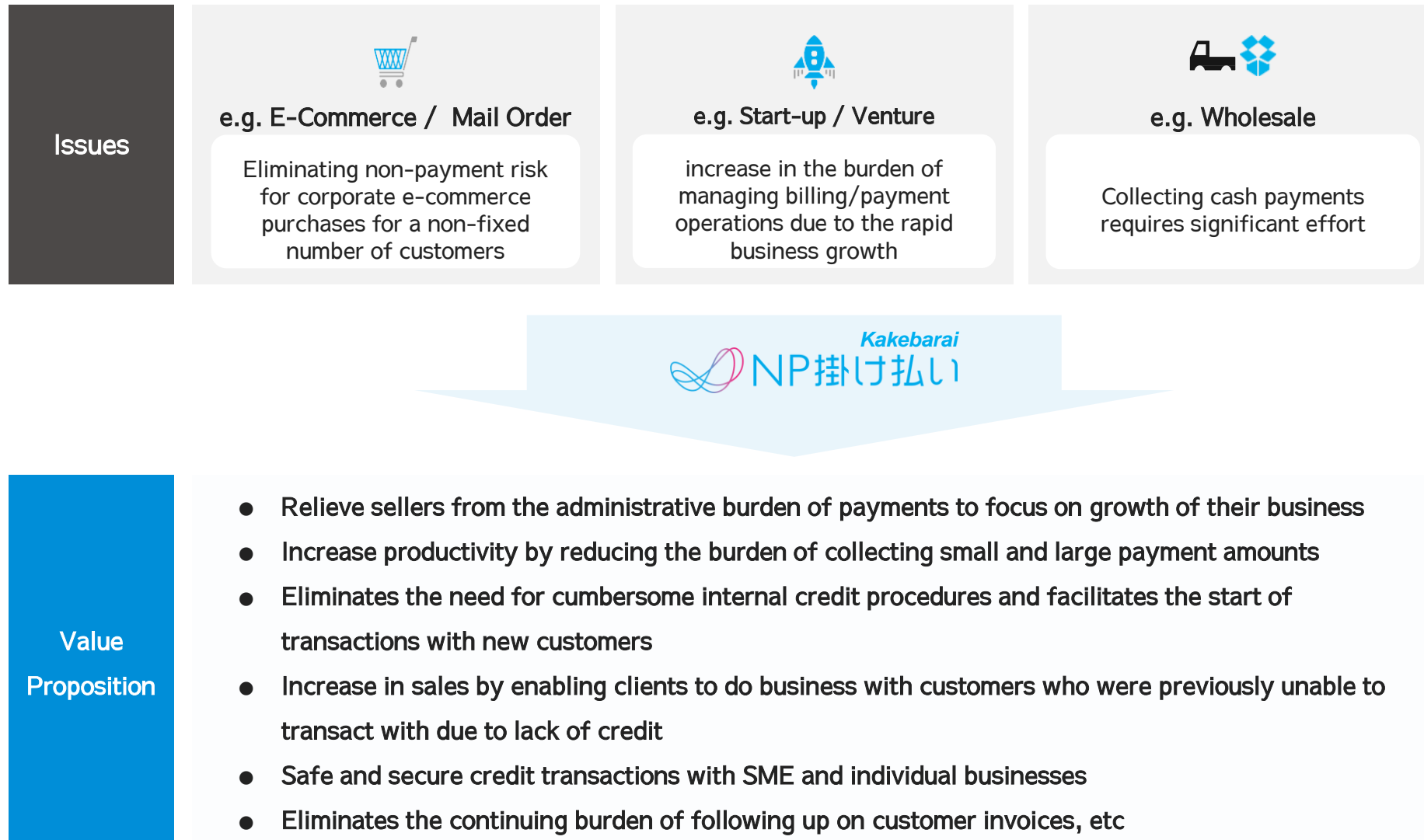
*2 The number of atone members are included in the number of NP point Club members. As of March 2022

NP Kakebarai's Value Proposition

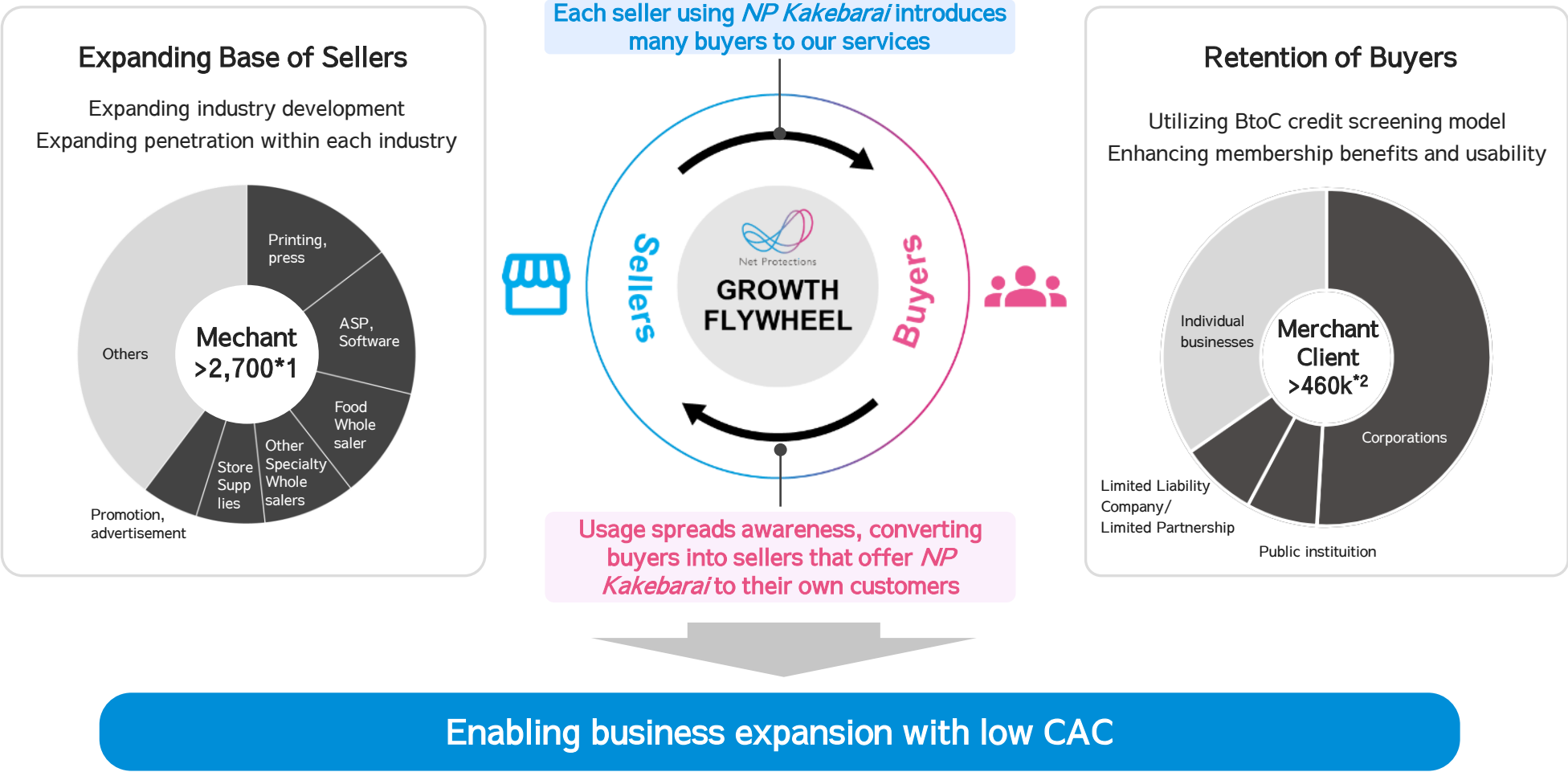


*1 Representative services offered by BPO service (business process outsourcing service) providers

NP Kakebarai's Value Proposition



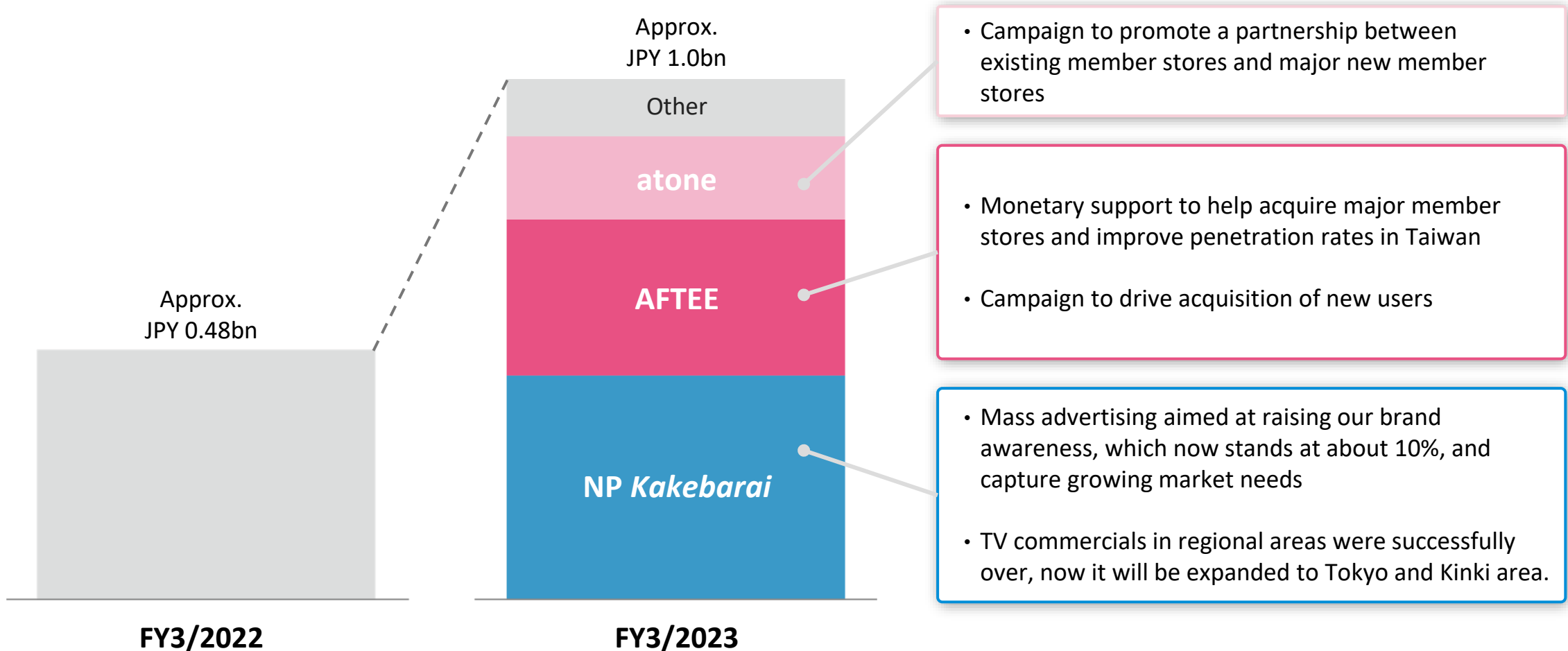
Growth Strategies for BtoB Services



*1 Number of sellers that used NP Kakebarai in FY3/2022 (certain sellers operate multiple accounts).
*2 Number of unique buyers to which NP Kakebarai issued an invoice during FY3/2022 (identified on the basis of corporate name)

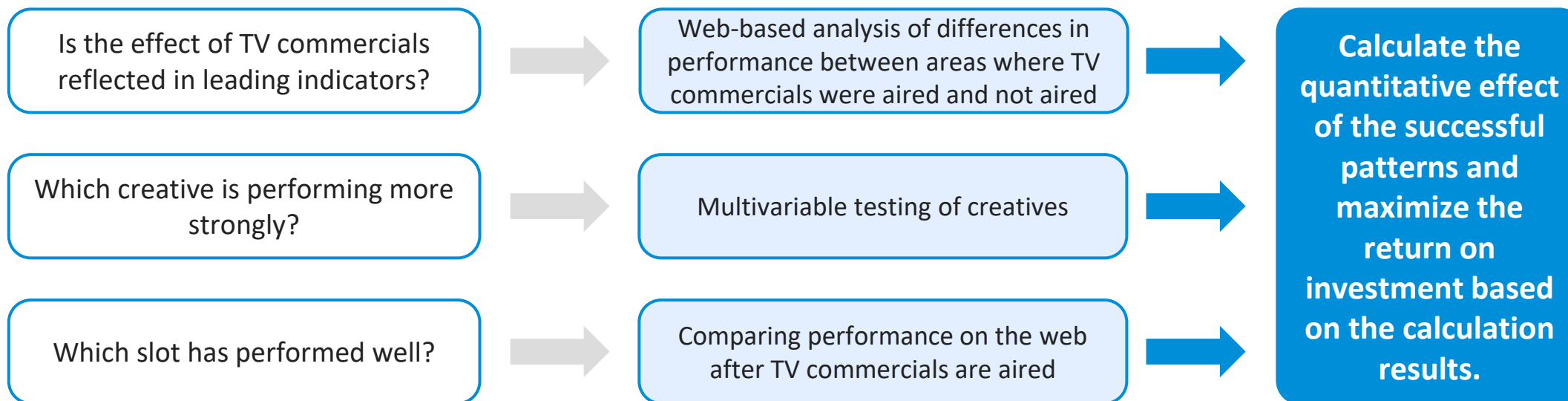
Growth Strategy: Marketing Activities (Policy on Investments)

During the fiscal year ending March 31, 2023, we will strategically invest about JPY 1.0 billion in marketing towards GMV growth and expansion of the member store base over the medium term.



Framework of PDCA for Mass Advertising

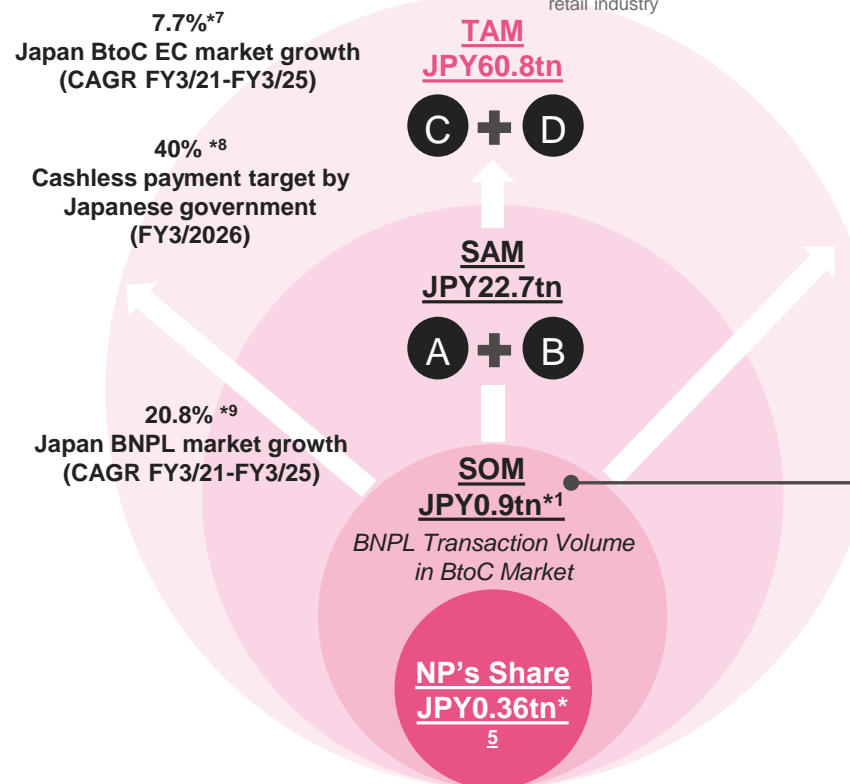
We have gained insights into the target member stores from market surveys and reflected the insights in our messages on various media.
We will maximize our performance through PDCA by testing a range of variables even after launch.



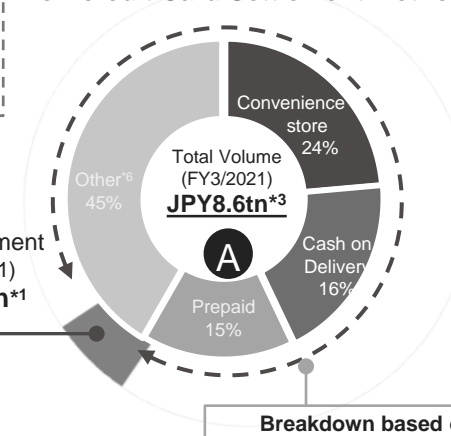
TAM / SAM / SOM of BtoC BNPL (NP Atobarai + atone)

- TAM (Total Addressable Market): The size of market that Net Protections (NPH) can theoretically target in the future
- SAM (Serviceable Available Market): The size of market the NPH can theoretically target now with NPH's current service
- SOM (Serviceable Obtainable Market): The market size of the services NPH currently provides

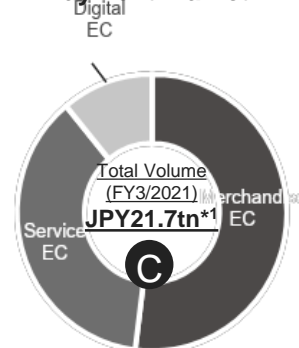
- BtoC TAM: Estimates of domestic market of online payment plus domestic market of cashless payment in retail industry
- BtoC SAM: Estimates of non-credit card payment domain in domestic market of online payment plus non-credit card payment domain of domestic market of cashless payment in retail industry



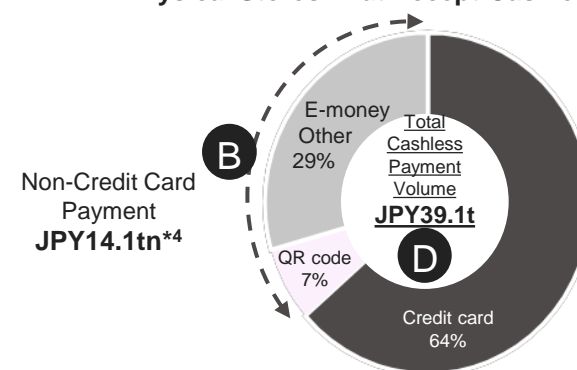
Breakdown of Online (EC) Non-credit Card Settlement Methods



Online (EC) Payment Market



Breakdown by Payment Methods of Estimated Transaction Volume in Physical Stores That Accept Cashless Payment



*1 (C) Online payment market size and SOM (BNPL settlement amount) are from (Yano Research Institute "Online Payment / Settlement Service Providers 2021" P38,99). Both figures for FY2020 are estimates by the research publisher.

*2 (D) Volume of retail market JPY146tn (2020) (Ministry of Economy, Trade and Industry (METI) "Business Statistics (2020)") × Cashless ratio 26.8% (2019) (Ministry of Economy, Trade and Industry (METI) "Cashless Payment Ratio in Japan, Payment Providers, and the State 's Disclosure Policy" P8).

*3 (A) Online (EC) payment market JPY21.7tn (Yano Research Institute "Online Payment / Settlement Service Providers 2021" P38) × Non-Credit card payment ratio 39.7% (Yano Research Institute "Online Payment / Settlement Service Providers 2021" P32).

*4 (B) Estimated total volume of cashless payment JPY39.1tn (D) × Non-Credit card payment ratio 36.0% (Ministry of Economy, Trade and Industry (METI) "Cashless Payment Ratio in Japan, Payment Providers, and the State 's Disclosure Policy" P21).

*5 GMV of NP Atobarai and atone (FY3/2021). *6 Other includes mobile carrier payment, bank transfer, online banking debit payment, and others. *7 Yano Research Institute "Online Payment / Settlement Service Providers 2021" (P38).

*8 Ministry of Economy, Trade and Industry (METI) "Cashless Vision" (P70).

*9 Yano Research Institute "Online Payment / Settlement Service Providers 2021" (P107).

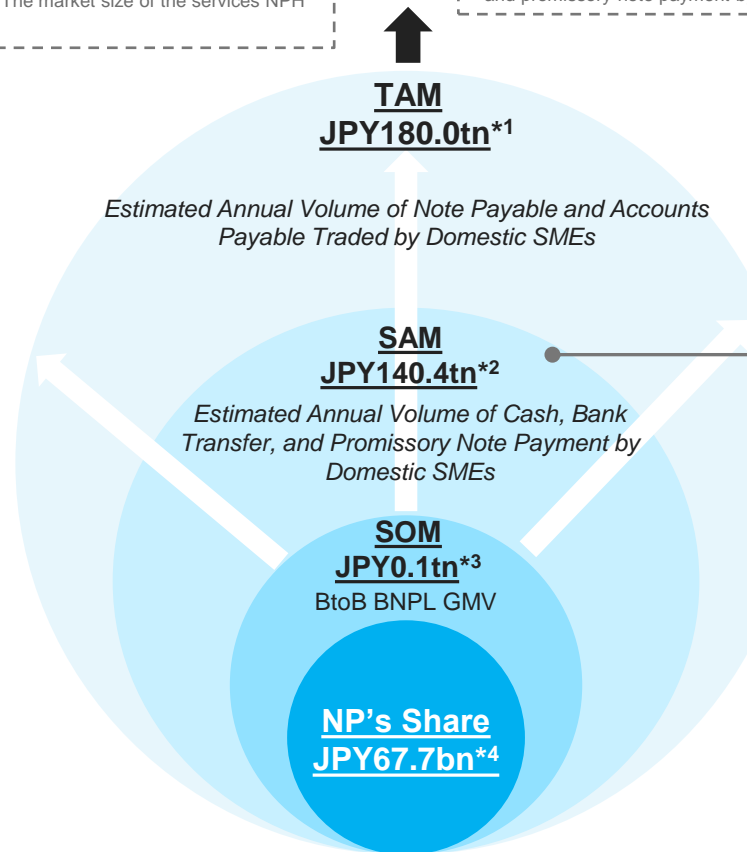
TAM / SAM / SOM of BtoB BNPL (NP Kakebarai)

- TAM (Total Addressable Market): The size of market that Net Protections (NPH) can theoretically target in the future
- SAM (Serviceable Available Market): The size of market the NPH can theoretically target now with NPH's current service
- SOM (Serviceable Obtainable Market): The market size of the services NPH currently provides

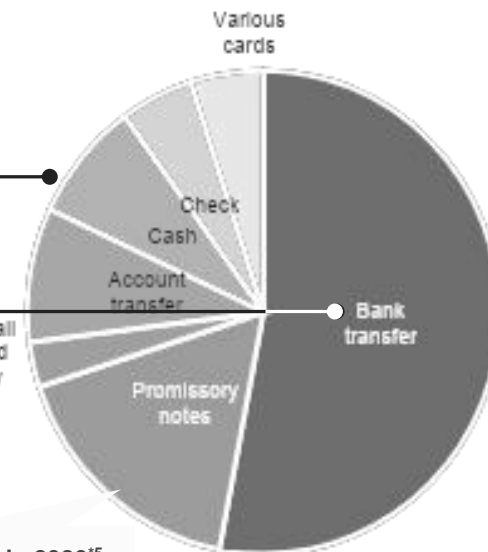
- BtoB TAM: Estimates of total volume of note payable and accounts payable traded by domestic SMEs
- BtoB SAM: Estimates of total amount of cash, bank transfer, and promissory note payment by domestic SMEs

Estimated Annual Volume of Notes Payable and Accounts Payable Traded by Domestic SMEs

JPY180tn*1



Payment Methods for BtoB (SME) Transactions*3



Likely to be abolished in 2026*5

*1 Total amount of promissory notes and accounts payable of SMEs: JPY50 trillion (Japan Small and Medium Enterprise (SME) Agency "Basic Survey on the Status of SME in 2019 (Financial Results for Fiscal Year 2018)") x annual turnover: 3.6 times (365 days / SME promissory note average payment term: 101.1 days (Japan Small and Medium Enterprise (SME) Agency "Study group for improvement of payment conditions including promissory notes")).

*2 Total amount of promissory notes and accounts payable of SMEs JPY180 trillion trillion (Japan Small and Medium Enterprise (SME) Agency "Basic Survey on the Status of SME in 2019 (Financial Results for Fiscal Year 2018)") x 78% (cash 8% + bank transfer 53% + bills 17%) (Survey conducted by Macromill, Inc. on behalf of Visa Worldwide Japan "Survey on Settlement Services for SME (8/2016)").

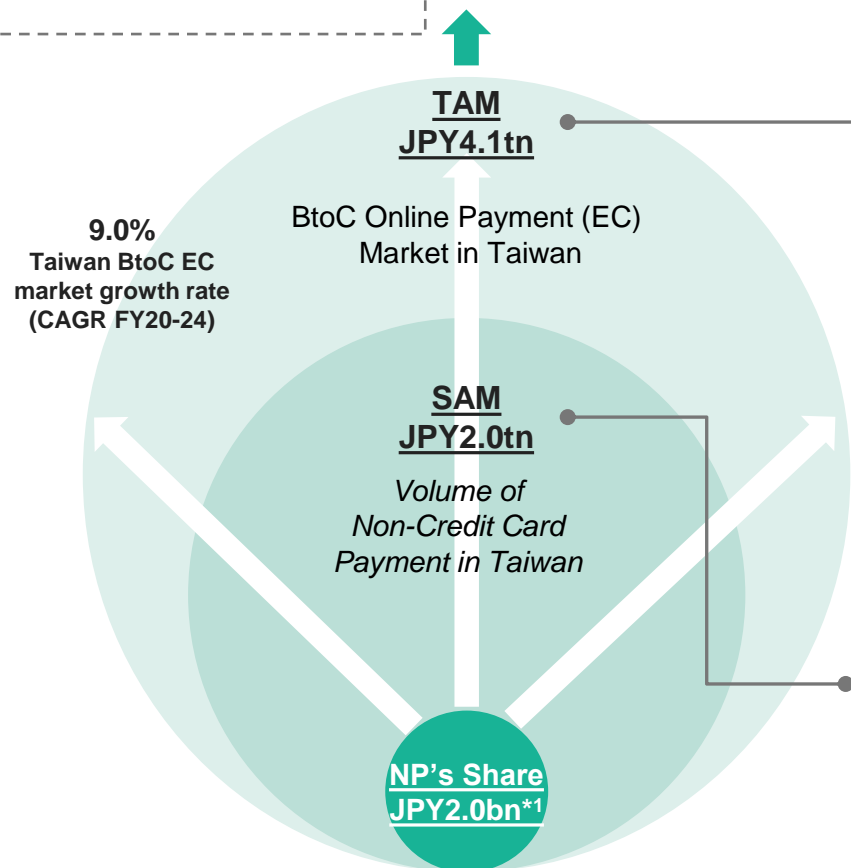
*3 GMV of NP Kakebarai: JPY67.7 billion + GMV of Paid (FY4/2021) (*only GMV from external transactions, based on RACCOON HOLDINGS, Inc. presentation materials) : JPY19.8 billion + GMV of MF Kessai (*Our group estimate based on MoneyForward Kessai Co., Ltd. press release): JPY20 billion (period: 11/2019-10/2020).

*4 GMV of NP Kakebarai (11/2019-10/2020).

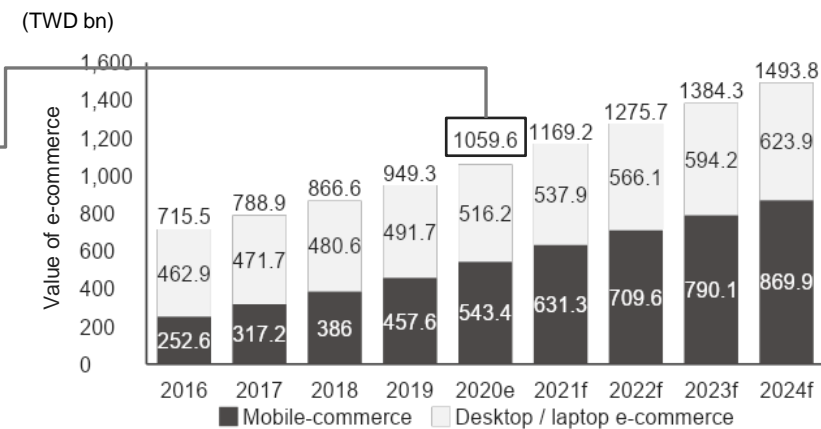
*5 The Small and Medium Enterprise Agency "Report of Study Meeting for Improving Payment Terms such as Promissory Notes" (3/2021).

TAM / SAM / SOM of AFTEE (Taiwan)

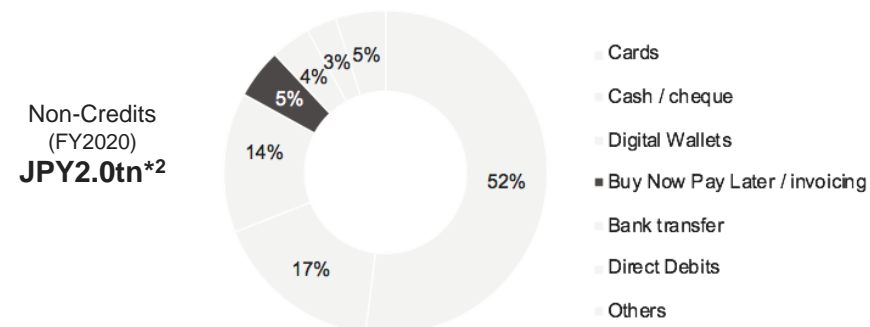
- TAM (Total Addressable Market): The size of market that Net Protections (NPH) can theoretically target in the future
- SAM (Serviceable Available Market): The size of market the NPH can theoretically target now with NPH's current service
- SOM (Serviceable Obtainable Market): The market size of the services NPH currently provides



Trends in the size of the EC market in Taiwan



Breakdown of online payment method



*1 GMV of AFTEE in FY3/2021.

*2 EC market size in Taiwan (2020e) x Non-credit card payment ratio 48%

*3 Listed in clockwise order based on "Cards=52%" .

Note : Currency Exchange Rate : TWD1=JPY3.9042 (as of 11/5/2021).

Source : GlobalData "Taiwan Cards and Payments - Opportunities and Risks to 2024" (P26,30)

Teal Organization as the Starting Point for Sustainable Growth

Organizational power is key to creating “New Standard.”

Net Protections has adopted a teal organization that realizes each member’s self-control, fair-distribution, and collaboration, striving to achieve both its members’ self-actualization and social development.

Natura

By establishing “Natura,” an HR evaluation program which abolished manager positions, we have realized decision-making respecting the opinions of all members, irrespective of their length of service and position at the company.

Vision Sheet

The “Vision Sheet” system allows each member to disclose their future vision, the area they hope to work in, and whether they request a transfer to other departments, to all other members. Based on the system, we have realized an environment where the assignment of each member is made based on their orientation.

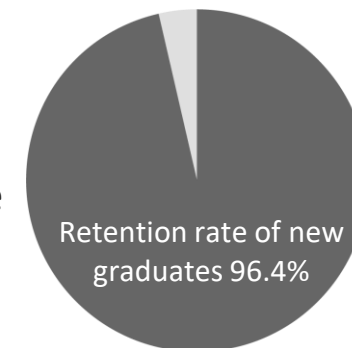
HR Development

We hold a range of seminars in which new joiners can obtain skills in about half a year. In these seminars, all members master IT skill.

NP was **ranked 16th** in the ranking of “2022 Great Place to Work” among Best Medium Workplaces in Japan (with 100 to 999 employees).



Retention rate of new graduates who joined NP during the last three years: **96.4%** *1



*1 The retention rate of new graduates who joined the Company from March 31, 2019 to March 31, 2022, as of March 31, 2022

HR Evaluation Program *Natura*

A HR evaluation program that realizes members’ self-control, specialization, and cooperation to create new standard.

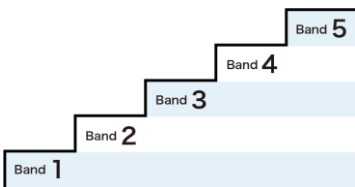
「Natura」

Abolish Manager Positions



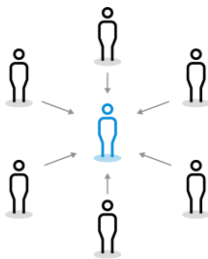
A flat organization with the position of Catalyst and the flexibility of role changes.

Implement of Band System



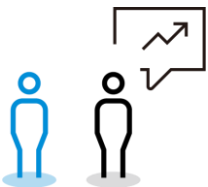
Disclose salary information to build a fair and objective environment and raise members’ morale and engagement.

360 Degree Evaluation



Competency evaluation is reviewed by members working closely with.

Employee Assistance Program



The main purpose of interview is for the growth support rather than evaluation.

Disclaimer

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