



Net Protections Holdings, Inc.

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

November 14, 2022

## About the financial results

Q1: What factors have caused the growth of the BtoC business to slow down, and what is your future outlook?

The beauty and health category, which accounts for 60% of our BtoC business was impacted by the amendments to the Pharmaceutical and Medical Devices, or PMD, Act (formerly known as the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices) in August 2021. Due to the amendments to the Act, regulations on the advertisement of products, such as pharmaceuticals, quasi-pharmaceutical products, and cosmetics, have become more stringent, and as a result, transactions with merchants in the beauty and health category decreased.

We expect, however, that the performance of the category will recover gradually going forward, as the impact of the amendments amounted to 8.38 billion yen during the second quarter of the fiscal year compared with 9.81 billion yen during the first quarter.

Q2: During the six months ended September 30, 2022, GMV was up 4.9% year on year while gross profit was down 3.4% year on year. Why?

This is because of a change in the composition of GMV for the following two reasons:

- (1) The proportion of the BtoB business, which is lower in the ratio of gross profit to GMV than the BtoC business, rose.
- (2) The share of large merchants with lower service fee rates than the average rose.

**Q3: How has GMV been impacted by the fee increase for collection agency services (35 yen per collection) that started in September 2022?**

The impact has been within the range that we initially anticipated. We believe this is because many merchants compensated for the increase on their own without passing on it to users.

Please note that while the total operating revenue has increased with the fee increase for collection agency services, the gross profit has remained unaffected as the amount of costs and expenses paid to convenience stores has likewise increased.

## **About the revision to earnings forecasts**

**Q1: For the third and fourth quarters, how much will GMV decrease on a cumulative basis under the influence of the amendments to the PMD Act?**

At present, the degree of recovery from the influence differs from merchant to merchant, but we believe GMV will not recover to the level before the amendments. We revised our earnings forecasts, assuming that the current situation will take hold as normal in the years ahead.

Q2: The BtoB business has been performing strongly, but the earnings forecasts for the business have not been revised upward. Why?

During the six months ended September 30, 2022, the BtoB business has continued to grow steadily at 36.0% compared with the initial forecast of 26.3%.

Meanwhile, we had planned to invest in marketing, primarily TV commercials, this summer, but, through meticulous trials, we decided to postpone the commencement of full-scale advertisements to November 2022.

In revising the earnings forecasts this time, we conservatively estimated the effect of the marketing activities such as the increase in the number of new merchants. As a result, we have decided to maintain the GMV forecast at 130.0 billion yen a year as we estimated at the beginning of the fiscal year under review.

Q3: Wasn't it possible for you to hold down SG&A expenses in line with the decrease in total operating revenue?

In the BNPL industry, we are one of the few companies that have succeeded in recording unit-based profits.

We could choose to hold down SG&A expenses and remain profitable. However, we decided to continue investing in marketing and strengthening our sales and IT structures, considering that continued investments will help us maximize profits in the future as the scale of potential markets we have not yet tapped into is still large.

In the next fiscal year onwards, we will determine the scale of investments by comprehensively assessing returns on investments and business environments.

※A transcript of the actual Q&A on the day of the financial results presentation will be uploaded at a later date on our IR page.

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