November 14, 2022

Company name: Net Protections Holdings, Inc.
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(Securities code: 7383; Prime Market of the Tokyo Stock Exchange)
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Notice Concerning Variance between Consolidated Financial Forecasts and Actual Results for Six Months Ended September 30, 2022 and Revision to Full-Year Consolidated Financial Forecasts for Fiscal Year Ending March 31, 2023

We hereby announce the variance between our consolidated financial forecasts for the first six months ended September 30, 2022 (from April 1, 2022 through September 30, 2022) released on May 13, 2022 and the actual results for the same period presented in the consolidated financial results announced today.

We also announce that, based on the recent trend of our business performance, we have revised our full-year consolidated financial forecasts for the fiscal year ending March 31, 2023 as follows:

1. Variance between the consolidated financial forecasts and the actual results for the six months ended September 30, 2022 (April 1, 2022 through September 30, 2022)

(Millions of yen, unless otherwise indicated)

	Total operating revenue	Operating profit	Profit before income taxes	Profit attributable to owners of the parent	Basic earnings per share (Yen)	EBITDA	Adjusted EBITDA
Previous forecasts (A)	10,053	(103)	(136)	(335)	(3.48)	589	1,261
Actual results (B)	9,234	39	9	(49)	(0.52)	751	1,093
Change (B – A)	(819)	143	145	285	–	161	(167)
Change (%)	(8.2)	–	–	(85.2)	–	27.4	(13.3)
(Reference)Actual results for the six months ended September 30, 2021	9,213	894	754	499	5.81	1,564	1,700

(Millions of yen, unless otherwise indicated)

(Reference metrics)	GMV	GMV from BtoC Services	GMV from BtoB Services	Gross profit
Previous forecasts (A)	255,199	197,078	58,121	3,913
Actual results (B)	240,189	177,609	62,579	3,671
Change (B –A)	(15,010)	(19,469)	4,458	(242)
Change (%)	(5.9)	(9.9)	7.7	(6.2)
(Reference) Actual results for the six months ended September 30, 2021	229,057	183,030	46,027	3,798

2. Revision to the full-year consolidated financial forecasts for the fiscal year ending March 31, 2023
   (April 1, 2022 through March 31, 2023)

(Millions of yen, unless otherwise indicated)

	Total operating revenue	Operating profit	Profit before income taxes	Profit attributable to owners of the parent	Basic earnings per share (Yen)	EBITDA	Adjusted EBITDA
Previous forecasts (A)	21,436	457	395	11	0.12	1,890	2,924
Revised forecasts (B)	19,390	(730)	(789)	(650)	(6.73)	756	1,750
Change (B – A)	(2,045)	(1,187)	(1,185)	(661)	–	(1,133)	(1,173)
Change (%)	(9.5)	–	–	–	–	(60.0)	(40.1)
(Reference) Actual results for the fiscal year ended March 31, 2022	18,665	897	630	235	2.62	2,246	3,000

(Millions of yen, unless otherwise indicated)

(Reference metrics)	GMV	GMV from BtoC Services	GMV from BtoB Services	Gross profit
Previous forecasts (A)	539,504	409,448	130,055	8,318
Revised forecasts (B)	496,200	366,144	130,055	7,290
Change (B –A)	(43,304)	(43,304)	–	(1,028)
Change (%)	(8.0)	(10.6)	–	(12.4)
(Reference) Actual results for the fiscal year ended March 31, 2022	472,589	374,606	97,982	7,469

Notes: 1. The Company conducted a 1,000-for-1 common stock split effective on September 30, 2021. Per share information of the actual results for the fiscal year ended March 31, 2022 was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2022.
2. Per share information of the full-year consolidated financial forecasts for the fiscal year ending March 31, 2023 is based on the number of shares issued (excluding treasury shares) as of September 30, 2022.
3. 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
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 on reversal of impairment losses)
Marketing expenses	Sales promotion expenses (excluding agency commissions) + Advertising expenses
Adjusted EBITDA	EBITDA + IPO-related expenses + Marketing expenses

3. Reasons for the variance between the forecasts and the actual results for the six months ended September 30, 2022 and the revision of the full-year consolidated financial forecasts for the fiscal year ending March 31, 2023

(1) Reasons for the variance between the forecasts and the actual results for the six months ended September 30, 2022

In making financial forecasts at the beginning of the period under review, we anticipated that our transaction volume would recover with the progress of merchants’ response to the impact of the partial revision of the Pharmaceutical Affairs Act (formally known as the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices) in the course of one year from the revision during the six months ended September 30, 2022. In reality, however, the impact of the revision of the Act has persisted until today. As a consequence, the level of GMV with merchants using our BtoC Services continued to fall below our expectations. In addition, the growth of e-commerce channels as a whole slowed down as the restrictions on activities, imposed in the wake of the COVID-19 pandemic, were eased. As a result, the Group’s overall GMV, total operating revenue, and gross profit fell short of our forecasts.

With respect to operating expenses, for the investments in marketing scheduled for the first half of the fiscal year under review, we decided to give priority to improving marketing operations and strengthening the marketing structure to maximize the effect of advertisements and accordingly postpone the strengthening of ad placement to the second half (although we are investing the amount as originally planned for the full fiscal year ending March 31, 2023). A reduction in operating expenses, as a result of the decision, operating profit, profit before income taxes, profit attributable to owners of parent, and EBITDA were all better than the consolidated earnings forecasts we announced previously. Adjusted EBITDA, which represents EBITDA plus marketing expenses added back to EBITDA, was lower than the consolidated earnings forecast.

(2) Reasons for the revision to the full-year earnings forecasts for the fiscal year ending March 31, 2023

Based on the assumption that the external environment stated above will continue throughout the fiscal year ending March 31, 2023, we revise primarily the GMV forecasts for existing merchants that are using our BtoC Services. In addition, while sales negotiations with potential merchants have progressed smoothly, as stated later, commencement of large merchants will be delayed until the next fiscal year because additional system development is required and it takes longer than expected, which we will reflect in our earnings forecasts. As a result, we have revised our GMV forecast for BtoC Services to 366,144 million yen (a 10.6% decrease from the initial forecast). For BtoB Services, as the restrictions on activities imposed in the wake of the COVID-19 pandemic were eased, during the six months ended September 30, 2022, our BtoB Services performed better than expected. However, given the delay in full-scale marketing investment as mentioned above, we reiterate the full-year GMV forecasts we made at beginning of the fiscal year under review by conservatively expecting the accumulation of new merchants by marketing effects. Accordingly, we expect our total operating revenue to be 19,390 million yen (reduced by 2,045 million yen from the initial forecast) and gross profit to be 7,290 million yen (reduced by 1,028 million yen from the initial forecast).

We estimate that operating expenses will slightly exceed the forecast, which we made at beginning of the fiscal under year review. This conservative estimate reflects a number of factors, such as the effect of an increase of approximately 100 million yen of our upfront investments in overseas businesses as the yen has been weakening.

As a result of the above, we expect our operating profit to be -730 million yen (457 million yen in the initial forecast) and our profit before income taxes to be -789 million yen (395 million yen in the initial forecast). In addition, we expect our profit attributable to owners of the parent to be -650 million yen (11 million yen in the initial forecast) due to reflecting of adjustment such as corporate tax.

(3) Status of investments for growth

The Group has continued to offer payment services, with NP *Atobarai* at the core, mainly to the merchandise e-commerce sector.

NP *Atobarai* accounts for the largest share in the merchandise e-commerce market (Note 1). We aim to further expand the share by providing high approval rates, one of our strengths, and delivering services tailored flexibly to the needs of merchants.

Meanwhile, sellers that have difficulty in payment and collection span across diverse industries and business categories. We have delivered the following types of services so we can optimally cater to the needs of merchants:

- *atone* : Non-merchandise e-commerce of intangible items, such as digital content and sale of products at physical stores
- NP *Atobarai air*: Home-visit and other on-site services, including installation or repair of housing equipment
- NP *Kakebarai*: Transaction between businesses, including individual businesses

The know-how on flexibly delivering services is required in new markets mentioned above, as business practices differ from market to market. BtoB Service, NP *Kakebarai*, in particular, is ranked No.1 (Note 2) in the share of the payment agency service market, which consists of a diverse range of businesses in terms of business practice. In fact, the service has continued to grow strongly. This way, we, as a pioneer and comprehensive provider of BNPL services, has tapped the market and contributed to its growth. This is why we believe that we can provide values to new markets.

As part of the upfront investments for accelerating its future growth, the Group has worked to implement marketing measures and recruit sales & marketing personnel with the aim of acquiring new merchants. These measures have proven successful, with all our leading indicators having remained strong. Such leading indicators include the number of inquiries for information materials, and the number of sales negotiations with potential customers referred by alliance partners. The effects of these efforts are especially prominent in the atone business, the NP *Atobarai* business, and the NP *Kakebarai* business mentioned above, which we believe have significant growth potential. As a result, estimated GMV from the contracts signed (Note 3) have reached a record high, which we firmly believe will contribute to the Group's medium- to long-term growth.

Notes: 1. The share composition of the BNPL market (FY2020) on page 86 of "Online Payment/Settlement Service Providers

2022" published by Yano Research Institute

2. The annual transaction volume in FY2021, stated in MIC IT Report October 2022 Edition: BtoB Payment Agency Service Market Survey (https://mic-r.co.jp/micit/2022/), published by Deloitte Tohmatsu MIC Research Institute Co., Ltd.
3. GMV from the contracts signed but not yet put into operation as of September 30, 2022 but expected to be put into operation during the period from October 2022 through September 2023 Some of our services take longer before they are actually put into operation after we sign the service contracts, especially with large merchants, as we need to conduct systems development at their sites.

For information related to this timely disclosure, please also refer to "Financial Results Presentation for the Six Months Ended September 30, 2022" disclosed today.

<Notes on forecasts>
Forward looking statements on our full-year financial forecasts contained in this notice were prepared based on information available as of the date of this notice and certain assumptions that we recognized to be reasonable. Actual results may differ from the forecasted figures due to various factors arising in future.

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