



Net Protections Holdings, Inc.

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

November 14, 2022

※The transcription of Q&A is listed from page 42.

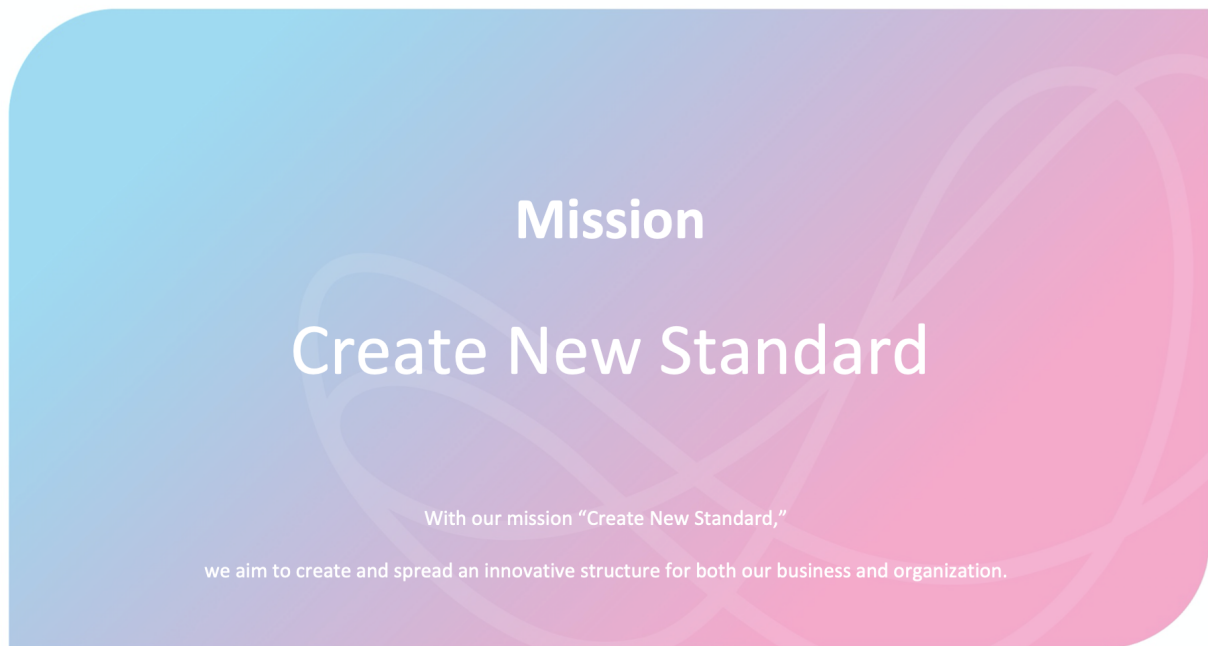
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Good afternoon, everyone, and thank you for taking time out of your busy schedules to join us. I am Shin Shibata, CEO of Net Protections Holdings. I would like to begin the financial results presentation for the second quarter of the fiscal year ending March 31, 2023.

This is today's agenda. I will start by giving you a profile of the company and some business highlights, after which I will discuss our second-quarter financial results. Finally, I will provide you with our revised earnings forecasts and an explanation of our growth strategy.

Mission



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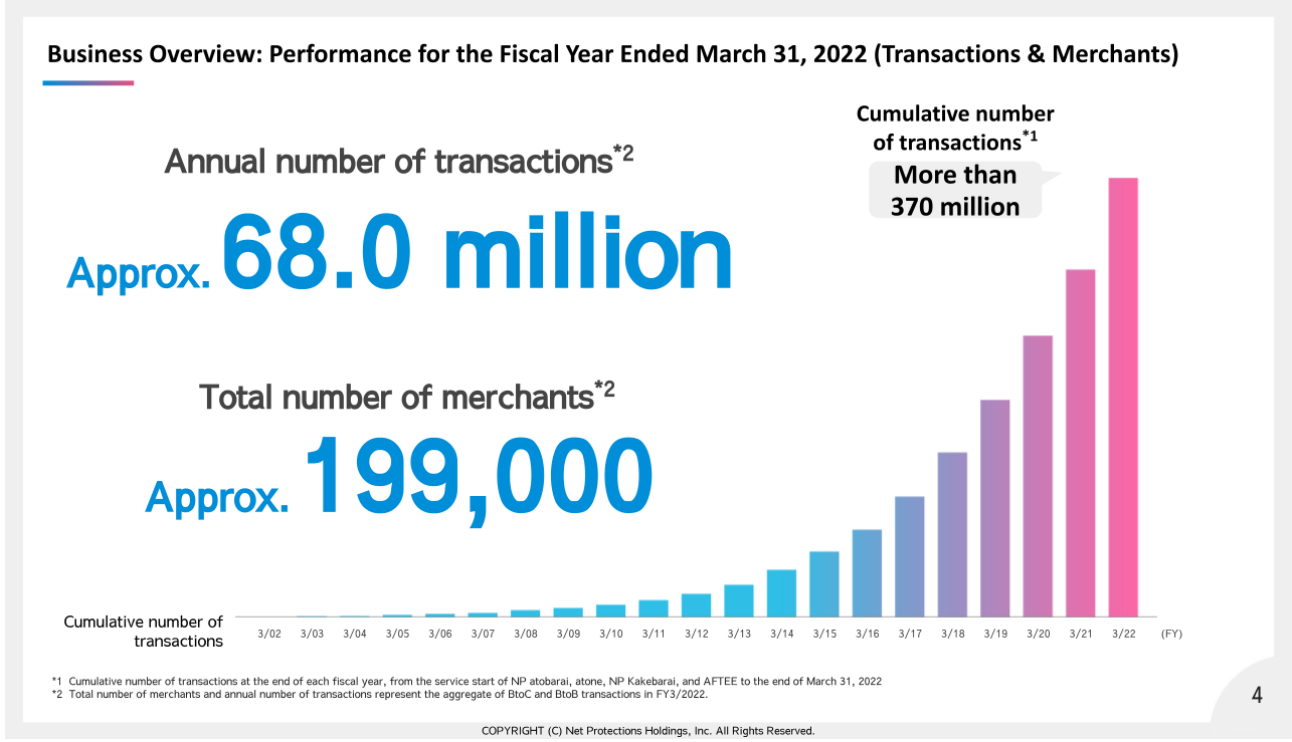
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We truly respect our management philosophy, and has set up the mission to “Create New Standard.”

What makes us unique is that we also want to create a new standard not only for our business, but also for our organization,

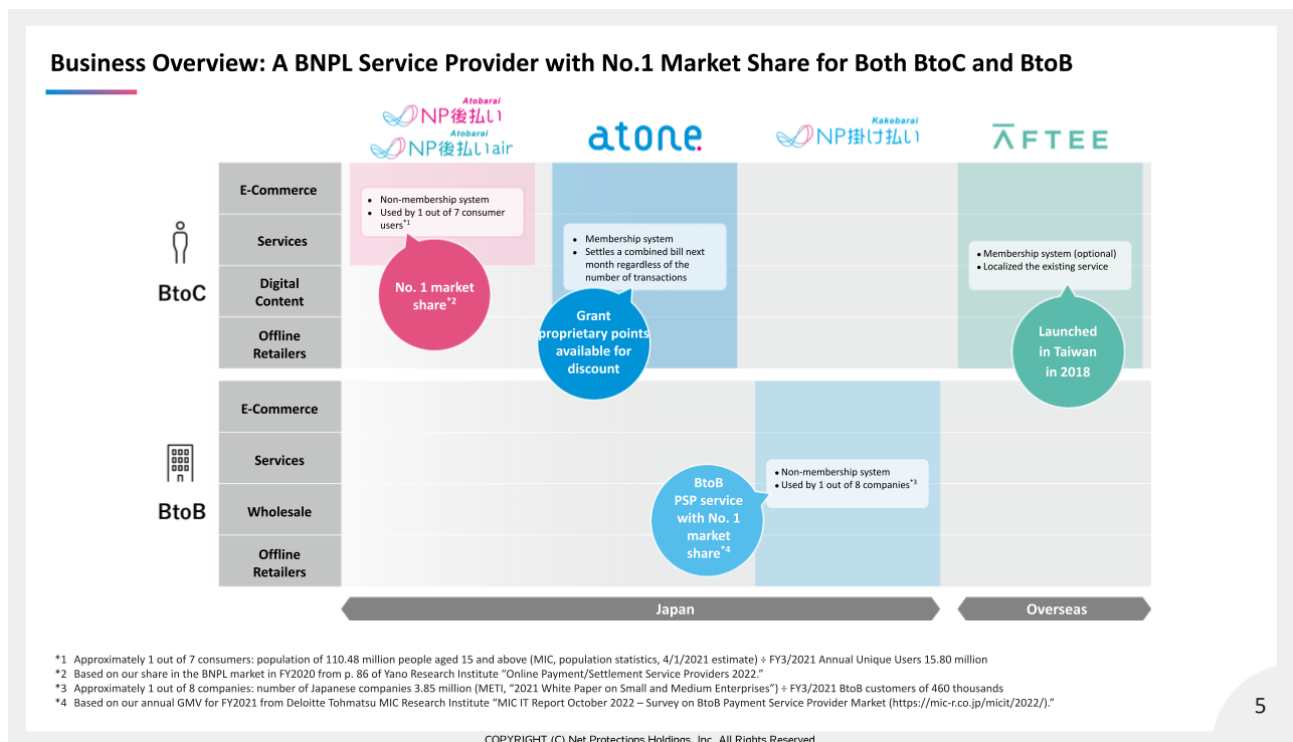
and as part of that, we have adopted “teal organization,” which is quite unusual for a listed company.

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



Since our foundation, we have steadily increased the number of merchants, and our services are used in various BtoC, BtoB, and overseas settings.

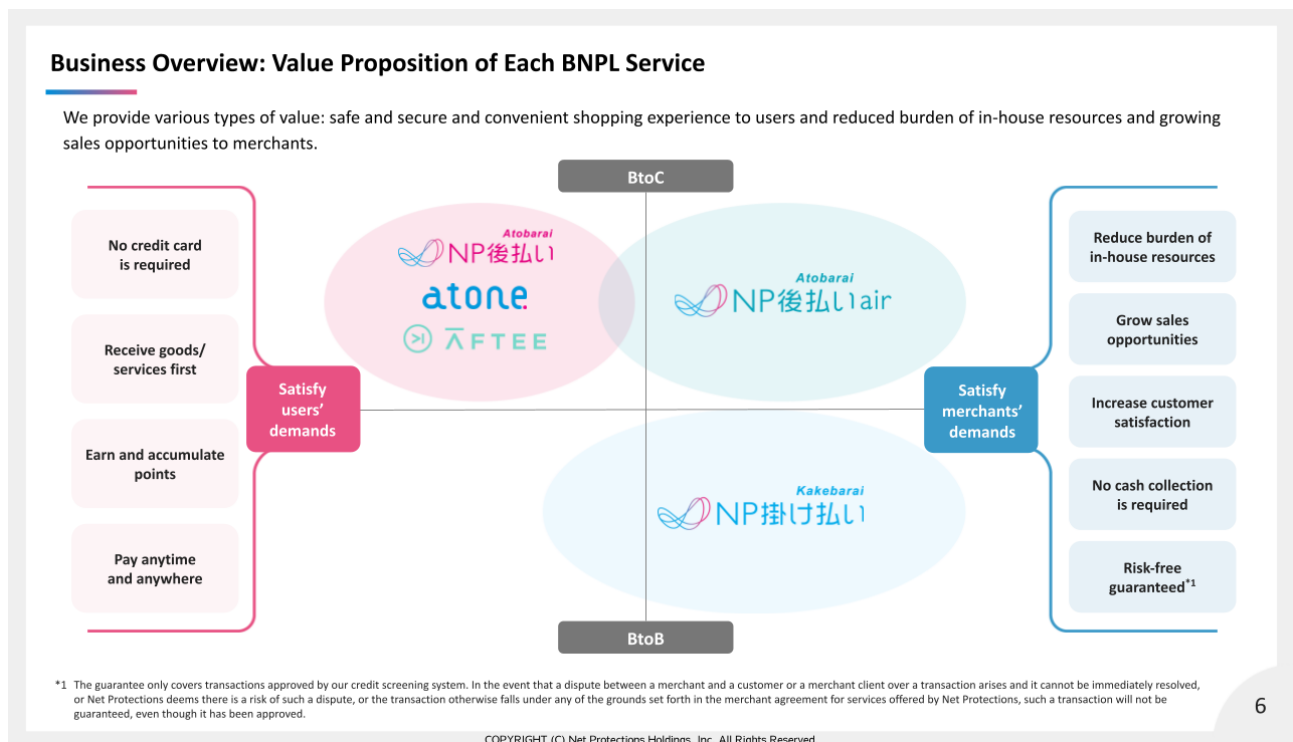
Business Overview: A BNPL Service Provider with No.1 Market Share for Both BtoC and BtoB



We provide five services, which are all “Buy Now Pay Later (BNPL)” services. Both NP Atobarai, a BtoC service, and NP Kakebarai, a BtoB service, boast the number-one shares of their respective payment services markets.

We aim to establish our position as a comprehensive BNPL service provider by developing and offering services that fit in each of the markets. Our vision is to become a payment infrastructure provider offering BNPL services that users can use anytime and anywhere.

Business Overview: Value Proposition of Each BNPL Service



Moving on, I will explain our value proposition of each service.

NP Atobarai, atone, and AFTEE are services that mainly satisfy the needs of users.

These offer a safe and secure means of payment because purchasers do not need a credit card, so there is no risk of information being divulged, and because payment is only made after confirming receipt of the product.

Furthermore, NP Atobarai and atone are the only BNPL services that award points to users, making them a more attractive way of buying now and paying later.

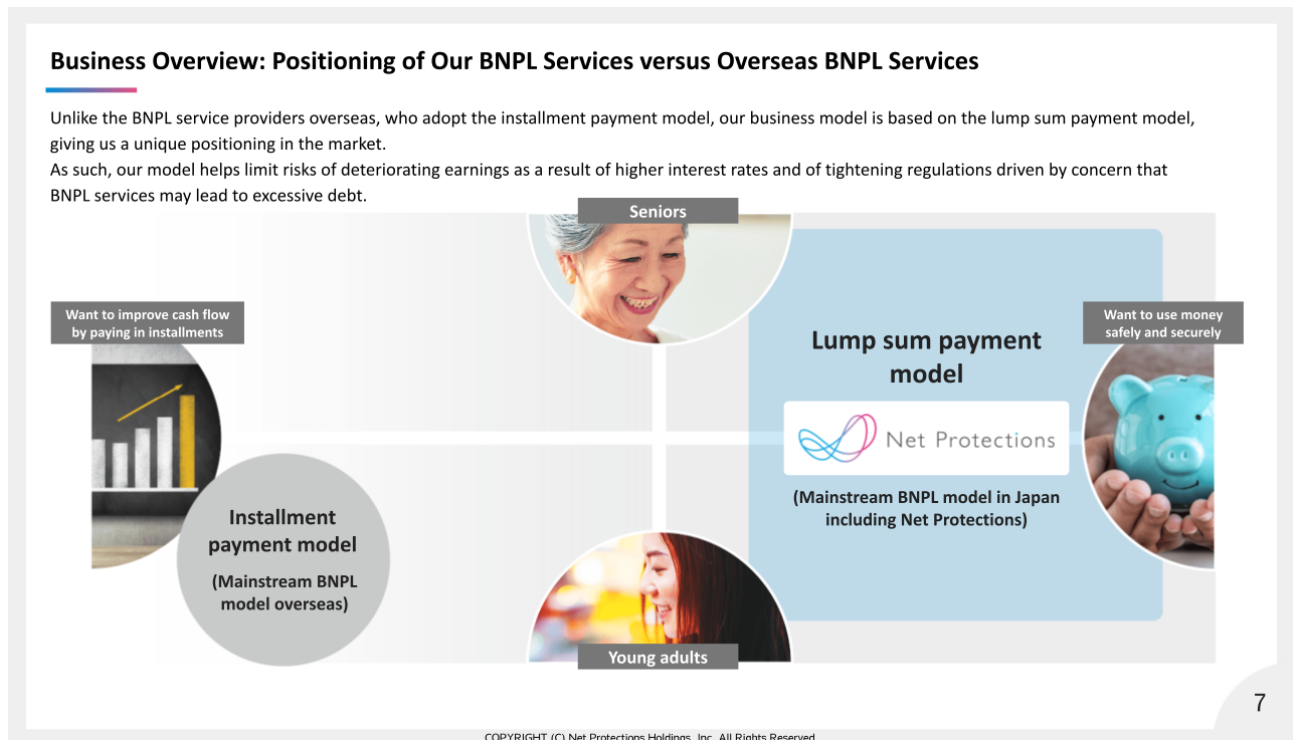
NP Atobarai air and NP Kakebarai are services that mainly meet the needs of merchants.

They are Business Process Outsourcing (BPO) services that allow merchants to outsource the entire billing process, from credit screening to the issuance of invoices and payment reminders.

Merchants have adopted our BNPL services because they take away the burden and stress of cash collection and accounting.

With BNPL services, there is always a risk of delinquency, or nonpayment, but with all our services it is us that assumes nonpayment risk.

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



Our BNPL services allow users to pay for their purchases in a lump sum at a later date.

Users span a broad range of generations, and they use the services as a safe and secure payment method that allows them to manage their cash and prevent their credit card information from being leaked.

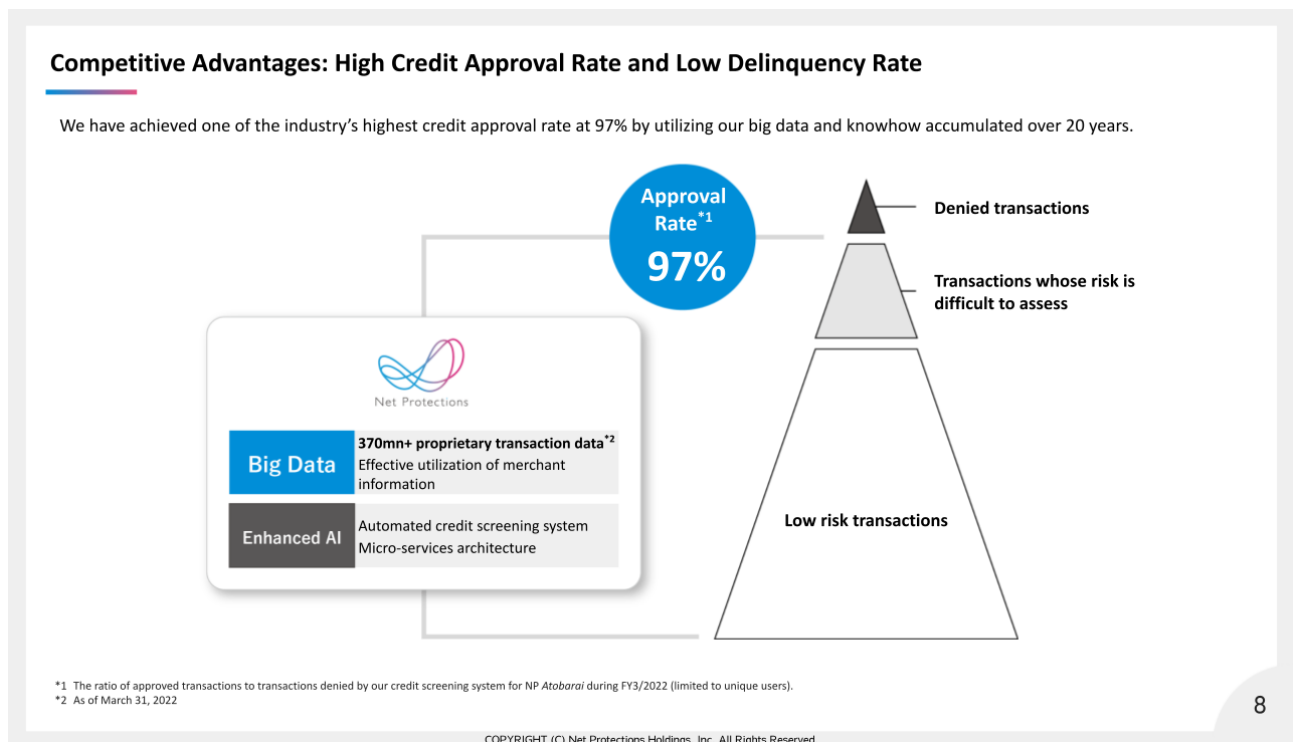
With overseas BNPL services, on the other hand, users make payments on an installment basis. As their main users are young adults, the overseas BNPL services are used as financial services for cash management.

Recently, the media reported risks of BNPL service providers seeing their earnings deteriorate as a result of higher interest rates and of tightening regulations driven by concern that BNPL services may lead to excessive debt.

But these stories concern overseas BNPL firms that provide an installment payment plan to the younger generation, and therefore not relevant to our services.

Furthermore, through the Japan BNPL Association, of which I am chairman and whose membership comprises eight major domestic BNPL service providers, we communicate as necessary with the Ministry of Economy, Trade and Industry and other central government ministries and agencies, and endeavor to ensure the sector as a whole offers services in a proper manner.

Competitive Advantages: High Credit Approval Rate and Low Delinquency Rate



Our approval rate is the biggest source of competitive advantage for our services.

We have a high approval rate of 97% while achieving a low delinquency rate. Our approval rate is one of the highest in the industry, and achieved through knowhow accumulated over the past 20 years.

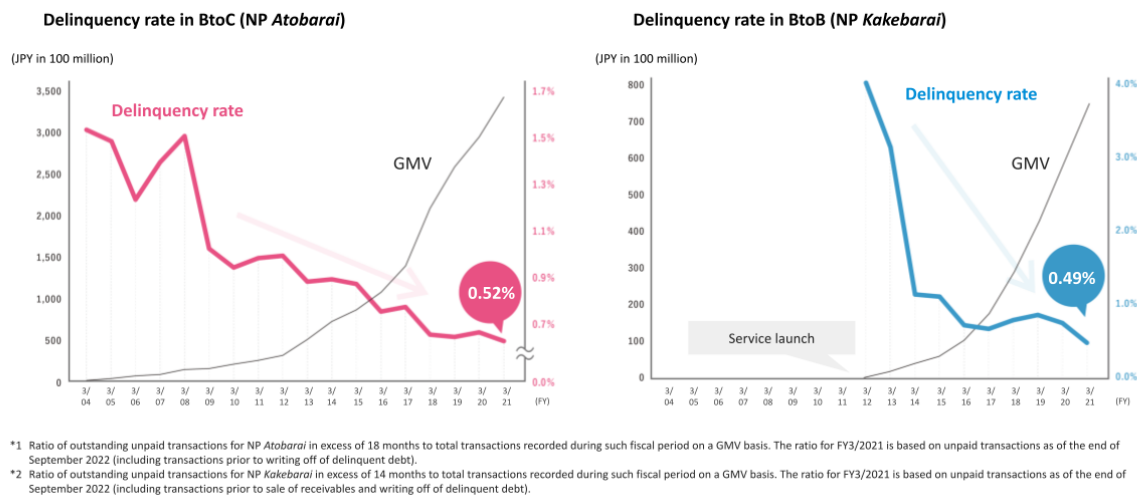
Combining big data with AI technology, we are able to make speedy yet sophisticated credit approval decisions.

Many businesses are using our services because of this high approval rate, which truly sets us apart from our competitors.

Business Metrics: GMV

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%.



Drawing on our BtoC credit approval knowhow, we have swiftly achieved low levels of delinquency even with BtoB.

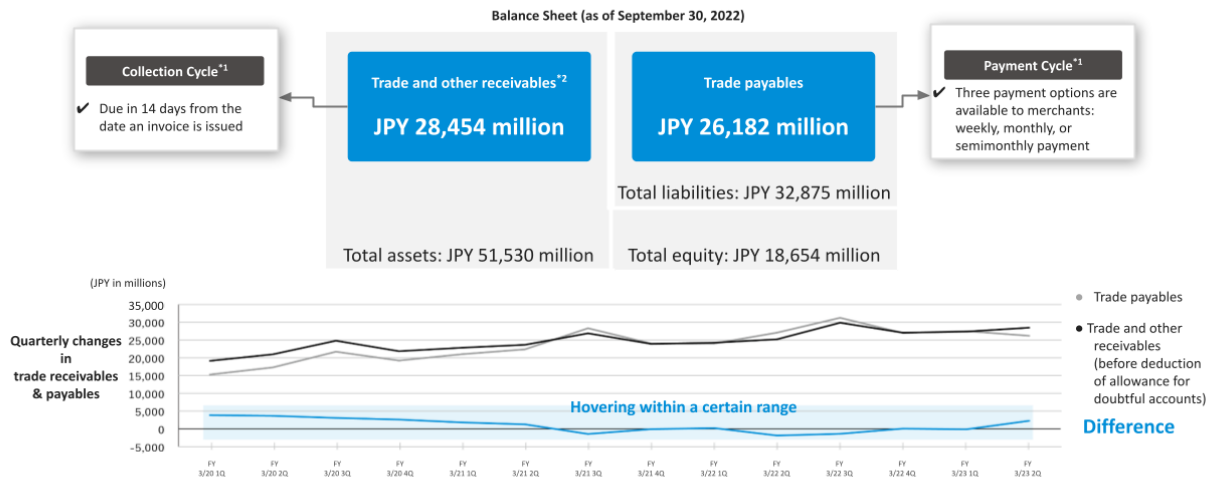
And the delinquency rate for BtoB has improved further to 0.49%, dropping below 0.5%.

Competitive Advantages: Balance Sheet with Low Working Capital

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.

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Another competitive advantage of our business is that we have achieved a balance sheet with low working capital.

NP Atobarai users have to pay within 14 days, while we pay the merchants weekly, once a month, or twice a month, so a balance is maintained over the short term.

In other words, our financial situation is not affected by the current phase of rising interest rates, as we do not need to borrow money.

By controlling payment deadlines in this way, we can hedge our balance-sheet risk, and this can be said to be one of our strengths.

Business Highlights



Business Highlights

Business Metrics: Highlights

Business Metrics: GMV

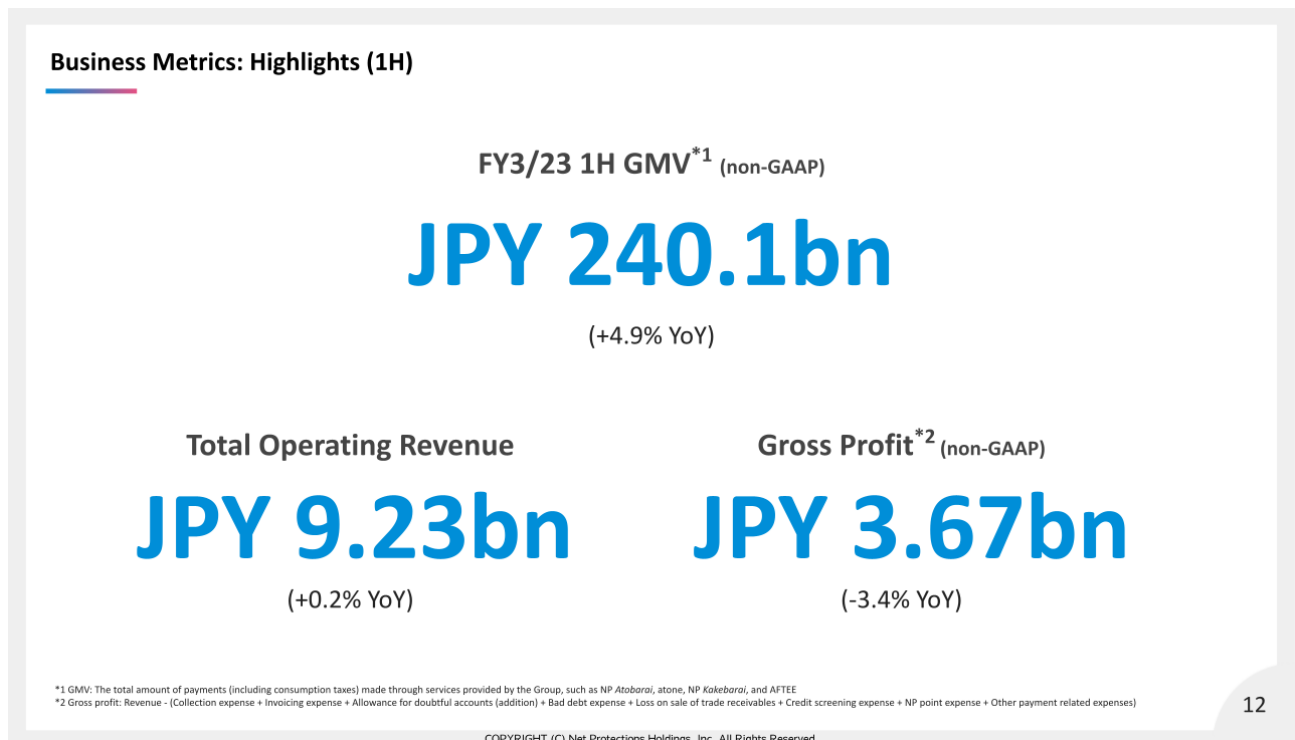
Service Implementation Track Record

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Moving on, let me share with you the key highlights of our financial results.

Business Metrics: Highlights (1H)



Cumulative GMV for the first half of the fiscal year ending March 31, 2023 was 240.1 billion yen, increasing 4.9% year on year.

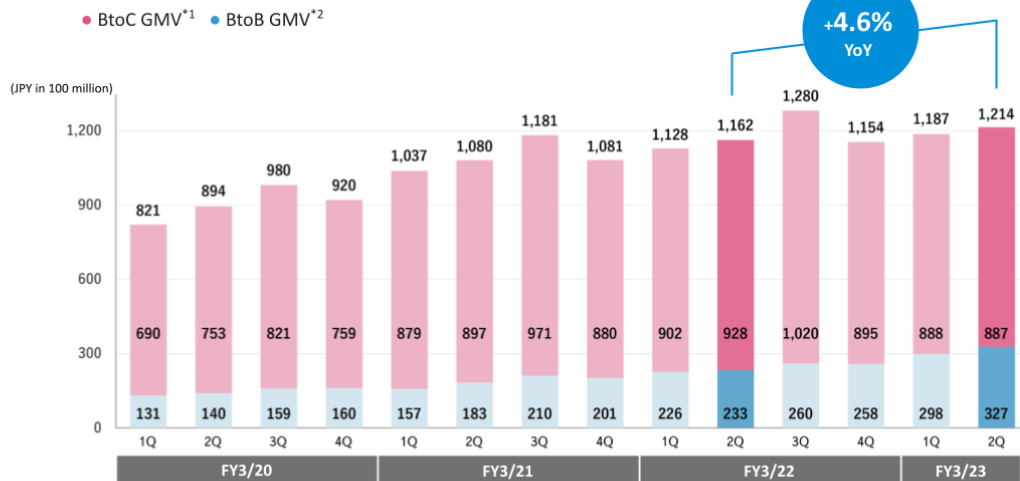
Total operating revenue climbed 0.2% to 9.23 billion yen, while gross profit slipped 3.4% to 3.67 billion yen.

This was mainly due to an increase in the percentage of GMV of the BtoB business, which has a lower ratio of operating revenue to GMV than the BtoC business.

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

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

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Group total GMV for the second quarter alone was 121.4 billion yen, rising 4.6% year on year.

Breaking that down, the figure for BtoC was 88.7 billion yen, while that for BtoB was 32.7 billion yen.

BtoB, our main business, continued to grow strongly at 40.1% year on year, and reached a share of around 27% of Group total GMV.

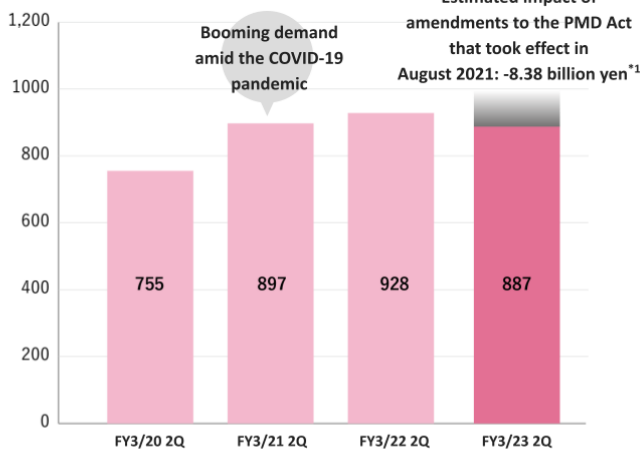
Business Metrics: BtoC GMV (2Q Trend)

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)



*1 Calculated by Net Protections.

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.

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GMV of the BtoC business for the second quarter dipped 4.4% year on year to 88.7 billion yen.

We estimate the impact of amendments to the Pharmaceuticals and Medical Devices, or PMD Act, to have been 8.38 billion yen, so we are still impacted by the amendments.

However, compared to the impact of 9.81 billion yen in the first quarter, the figure for the second quarter was 8.38 billion yen, so we expect to see a gradual recovery going forward.

In September, at the request of the Japan Franchise Association and eight convenience store companies, we allowed them to raise the charge for bill collection by 35 yen per invoice. However, thanks to the efforts of merchants, only few shops passed the increase on to users, so the impact was limited.

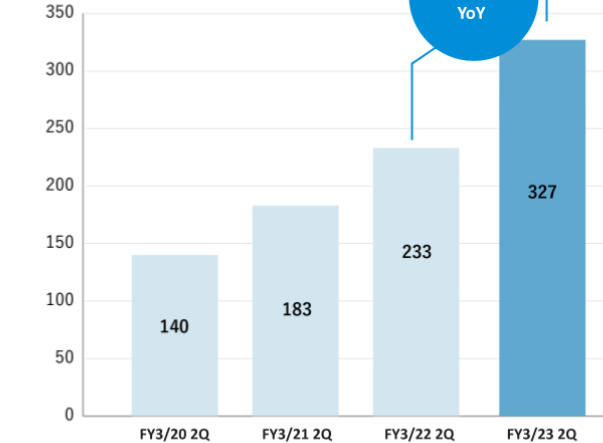
Business Metrics: BtoB GMV (2Q Trend)

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)

(JPY in 100 million)



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.
 - 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.

This slide shows the trend of GMV for BtoB. GMV for the second quarter was 32.7 billion yen, increasing 40.1% year on year. In the first quarter, the rate of growth was 31.7%, so the pace of growth has further accelerated.

The sectors positively affected by the resumption of economic activity performed especially well, with GMV soaring by 87.7% in food wholesale and a whopping 235.3% in advertising and advertising production, which was mainly due to the posting of help-wanted ads by restaurants and bars.



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


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



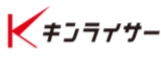


Ventures / Start-ups





BtoC

Housing equipment manufacture




Beauty and health




Japan

Newspaper





E-ticket



Taiwan

E-commerce malls



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Here are just some of the merchants that newly introduced our services during the second quarter.

Our services were introduced by players from a broad range of sectors, such as BtoC home-visit services, overseas, and BtoB segments.

Financial Results: Trend of Operating Revenue, Gross Profit, and Adjusted EBITDA



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

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Now I will hand over to CFO Watanabe, who will talk in more detail on our financial results for the six months ended September 30, 2022.

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

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 Atoborai, 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)

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GMV for the first half climbed 4.9% year on year to 240,189 million yen.

Total operating revenue edged up 0.2% to 9,234 million yen, and gross profit slipped 3.4% to 3,671 million yen.

First, I will discuss total operating revenue.

In the second quarter, there were factors that both negatively and positively impacted the ratio of total operating revenue to GMV.

There were two negative factors.

The first is that BtoB' s share of GMV increased by 6% year on year.

In the BtoB business, the ratio of operating revenue to GMV appears to be lower than it is in the BtoC business.

The second is that for BtoC and BtoB services, the share of GMV of existing large merchants with lower commission fee rates rose.

In other words, it was due not to the overall commission fee rate declining, but rather to the share of operating revenue.

As for positive factors, in conjunction with the increase in collection agency service fee from September, commission fees have been passed on to merchants. However, because costs increase by around the same amount, there is no impact on gross profit.

Next, I will talk about operating profit.

Operating profit ended in the black in the first half as a result of postponing measures to strengthen marketing, including advertising, to the second half, having initially planned it for the first half.

Later, I will provide you with a breakdown of our selling, general and administrative expenses.

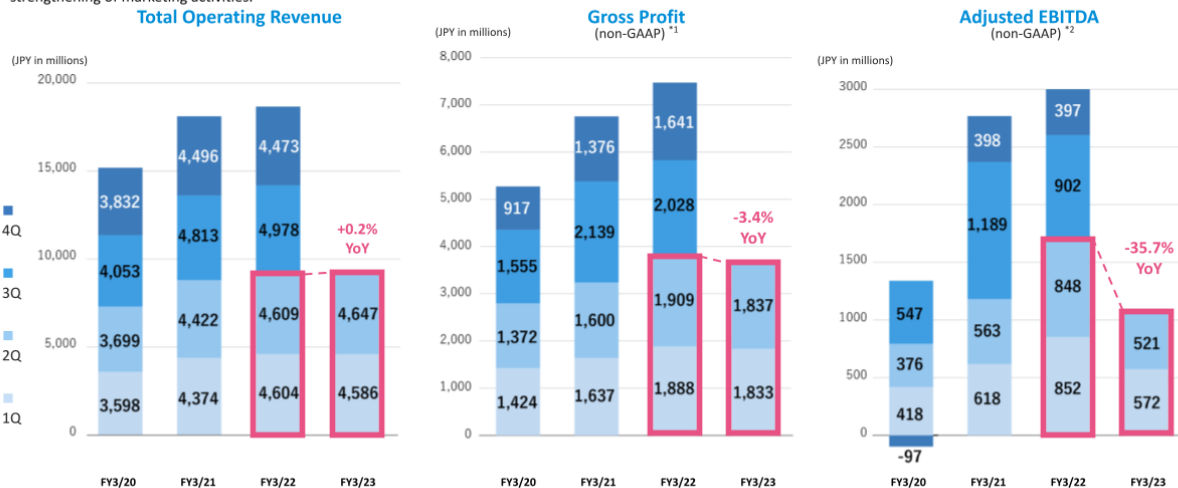
Now I will discuss the trend of gross profit and adjusted EBITDA, which is shown on the next slide.

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

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.



*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)*1

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

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This is the trend of total operating revenue, gross profit, and adjusted EBITDA.

I have already explained our total operating revenue, so I will begin with a discussion of gross profit.

Gross profit did not rise year on year by as much as total operating revenue, but as I have already explained,

one of the reasons for this was that the BtoB share of group total GMV and the GMV share of existing large merchants increased, causing the absolute figure of total operating revenue to drop.

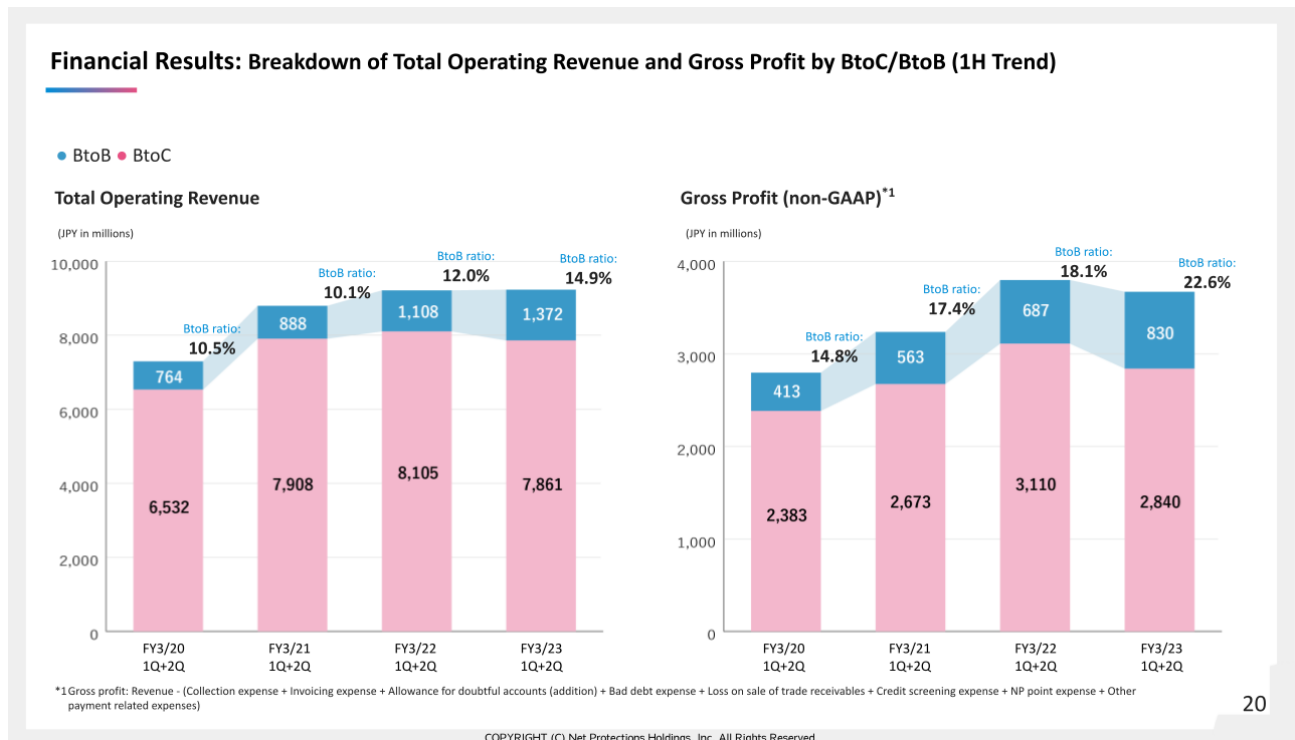
Another reason was that the allowance for doubtful accounts was increased as there have been some changes in the collecting status of receivables under collection in BtoB services.

In the first quarter, the allowance for doubtful accounts for BtoC services was increased temporarily, and we regard this as also being a transient phenomenon.

Regarding adjusted EBITDA, the drop was due to an increase in SG&A expenses as a result of expanding our salesforce with the aim of responding to the increase in deals resulting from our strengthening of marketing and alliances.

Moving on, I will go over the figures for each business.

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



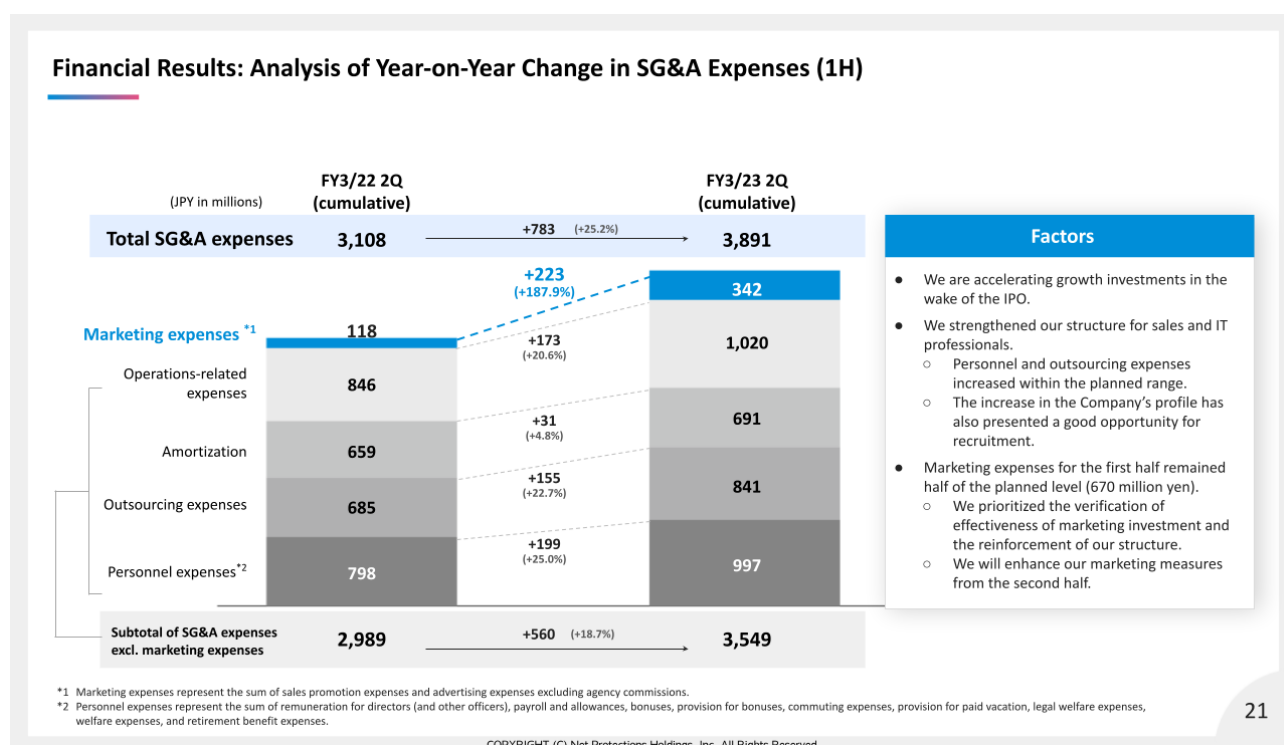
Here is a breakdown of total operating revenue and gross profit.

BtoB accounted for 14.9% of total operating revenue and 22.6% of gross profit.

Thanks to the growth of the BtoB business, the second pillar of our services, you can see that the weight of the BtoB business has risen.

We are going to continue to focus on the BtoB business as the market has great potential.

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



Next, I will discuss SG&A expenses.

During this fiscal year, we are investing heavily in marketing and reinforcing our sales structure. In terms of strengthening our sales and IT human resources, recruitment has been going according to plan, helped by the enhancement of the Company's profile that the IPO brought about.

As for marketing expenses, we have kept the rise beneath expectations. This is because we were careful in verifying the effectiveness of our marketing investment, and we are planning to boost the amount of investment in the third quarter, having already completed the preparations.

I will give you details of our marketing investment later.

Revisions to Earnings Forecasts



Revisions to Earnings Forecasts

Summary

GMV

Growth Investment

Reference: Estimated GMV of Newly Signed Contracts

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Now, I will tell you about the revisions to our full-year earnings forecasts.

Revisions to Earnings Forecasts: Summary

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)

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In light of our performance in the first half, we have decided to amend our full-year earnings forecasts.

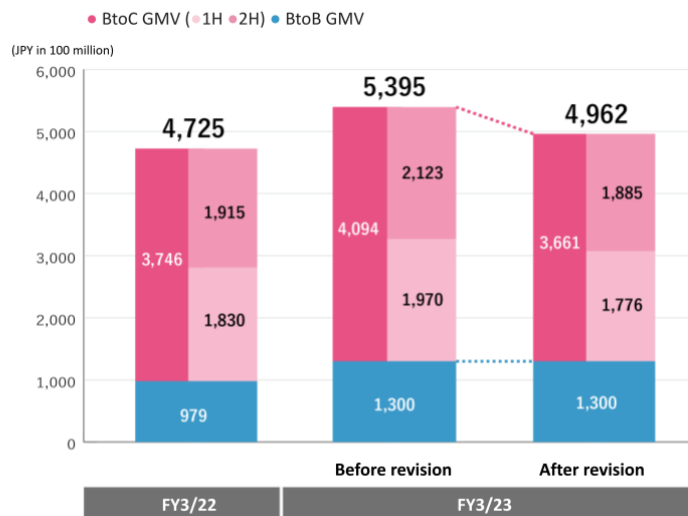
Having revised downward the forecast for GMV for the BtoC business, forecasts for line-item profits have been altered accordingly.

Specifically, we have made downward revisions from our initial guidance of 8% to 496,200 million yen for GMV, 9.5% to 19,390 million yen for total operating revenue, and 12.4% to 7,290 million yen for gross profit.

Revisions to Earnings Forecasts: GMV

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.

Here are details of the background to the revisions.

In our BtoC business, the beauty and health category, which accounts for around 60% of GMV, was affected by the August 2021 amendments to the PMD Act. This impact was also factored into our initial guidance, and the situation has been improving recently, but the effects are lingering longer than expected. We realized that they would continue throughout the year to March 2023, and have therefore decided to revise our forecasts at this juncture.

In addition, while we have been doing well with signing contracts with new merchants, it will take some time to develop the systems and put them into operation, so the start date for transactions has been pushed back. This was another factor we took into account when revising our forecasts. However, the downward effect on GMV of the increase in fees for collection agency services has been within the range that we initially anticipated.

Note that regarding the BtoB business, performance in the first half exceeded the initial guidance, but we have conservatively maintained the forecast at 130.0 billion yen.

Revisions to Earnings Forecasts: Growth Investment

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	From FY3/2024 onwards
<ul style="list-style-type: none">• 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. <p>We will continue making planned investments for this fiscal year.</p>	<ul style="list-style-type: none">• We will determine the investment size taking into account the effectiveness of investments made during this fiscal year as well as the business environment. <p>We will make an investment decision after comprehensive consideration.</p>

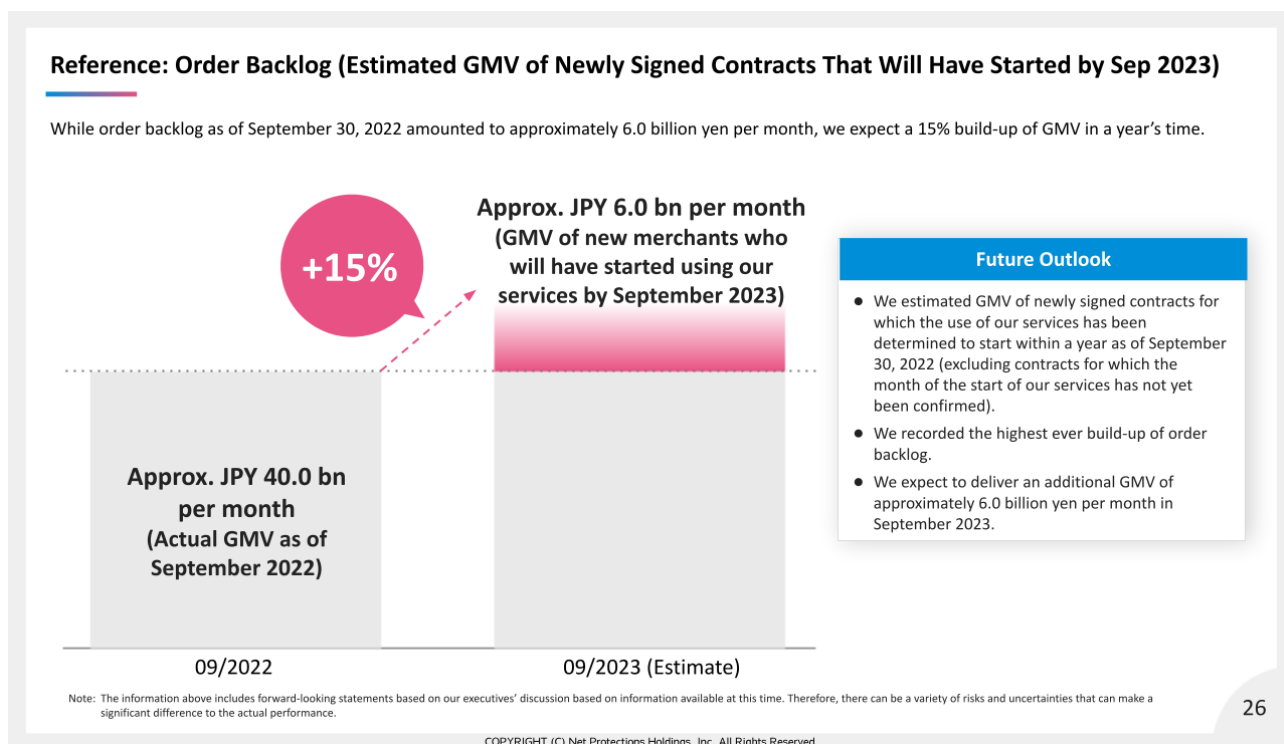
As for SG&A expenses, we plan to continue investing aggressively.

We have succeeded in generating sufficient gross profit and will be able to turn a profit as long as we control SG&A.

Nevertheless, the market is large, and we can still expand our share, so by continuing to invest in marketing, IT, and sales structure, we will be aiming to maximize our future profits.

We will make a decision on the amount of investment next term and beyond after comprehensively taking into account various factors, such as the verified impact of investment this term and our operating environment.

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



Finally, for reference purposes, I will discuss our order backlog.

This is the projected GMV from confirmed launches within the next year, so as of the end of the second quarter, we are expecting an increase of around 6.0 billion yen per month.

In other words, it is certain that GMV will climb by approximately 15% from the level just recorded in September 2022.

We are confident that we can get back on the path to growth next term.

We have also signed numerous contracts for which the launch dates have yet to be confirmed, so we can aim to go even higher.

Although we regret being able to meet everyone's expectations with our performance recently, the growth momentum has been strengthened without a doubt, and we are committed to keep working to grow our business.

Growth Strategy



Growth Strategy

Medium-Term Business Plan

Market Size

Key Measures

- Marketing Activities

- Alliance

- Common Interface

Topics

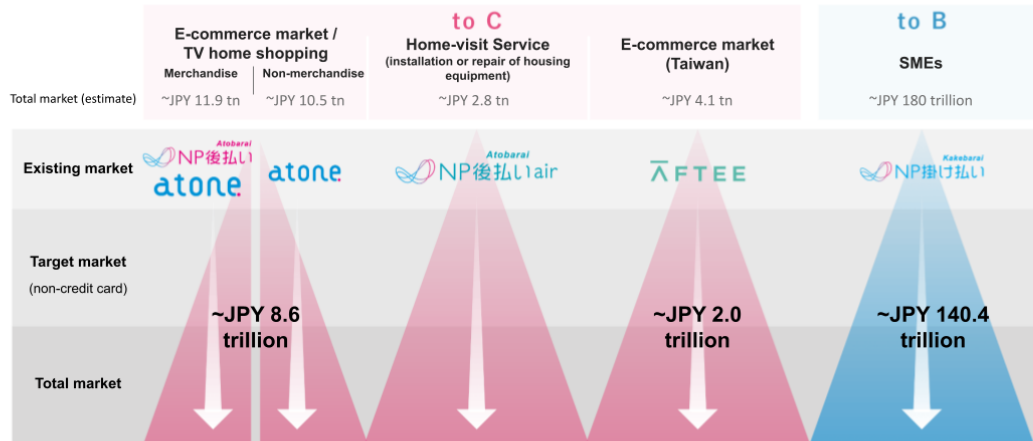
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CEO Shibata will explain our growth strategy.

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

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" (P. 9) 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

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Our primary strategy is to increase our market share and to expand our services into new markets. We are expanding the provision of our services in new fields such as digital content, non-merchandise sales of e-commerce and TV home shopping, overseas, and BtoB.

Also, we have been introducing our services mainly in the area of home-visit service for installation and repair of residential equipment such as gas and hot water heaters. We expect this market to grow as a new market with high potential.

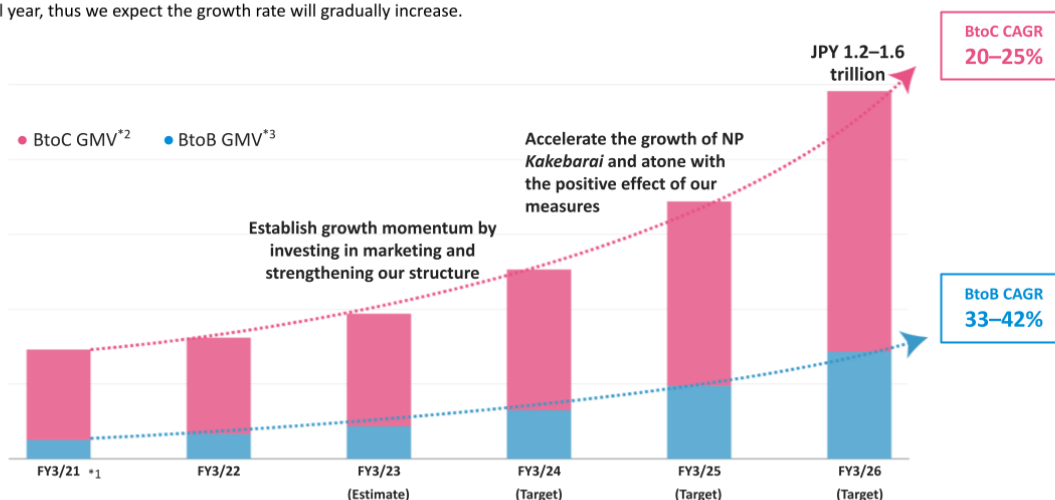
By expanding the domains and regions in which we do business in this way, and digging deeper into each, we will deliver high growth through both lateral and vertical business development.

Growth Strategy: Medium-Term Business Plan

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.

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Under our medium-term business plan, we are aiming for GMV growth to 1.2 to 1.6 trillion yen in the fiscal year ending March 31, 2026, and have positioned this fiscal year as one for strengthening our foothold for establishing growth momentum.

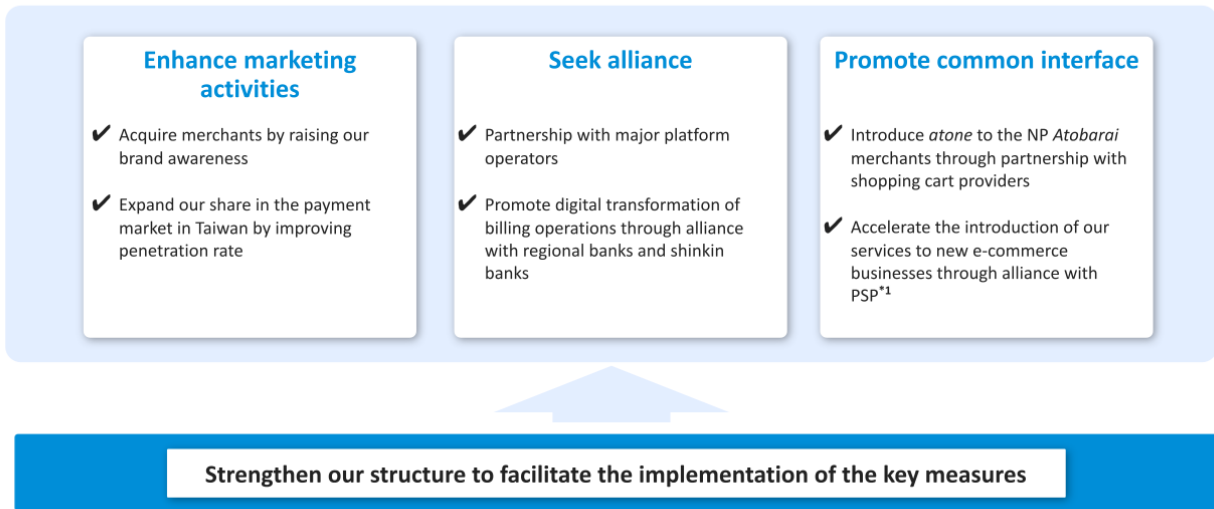
We will be using the funds procured from our listing for marketing and strengthening our structure, with the goal of achieving high growth from the fiscal year ending March 31, 2024 onwards.

In particular, we intend to make the BtoB business the second pillar through constant growth of 30% or more.

Growth Strategy: Key Measures

Growth Strategy: Key Measures

Key measures aimed at growth of GMV and operating revenue.



*1 PSP stands for Payment Service Provider.

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We have three key measures for GMV growth.

For strengthening our marketing activities, we will be investing aggressively in growing businesses.

We are going to focus on two services: NP Kakebarai (BtoB) and AFTEE (Taiwan).

For alliance, we are going to partnership with major platform businesses to build up our value chain.

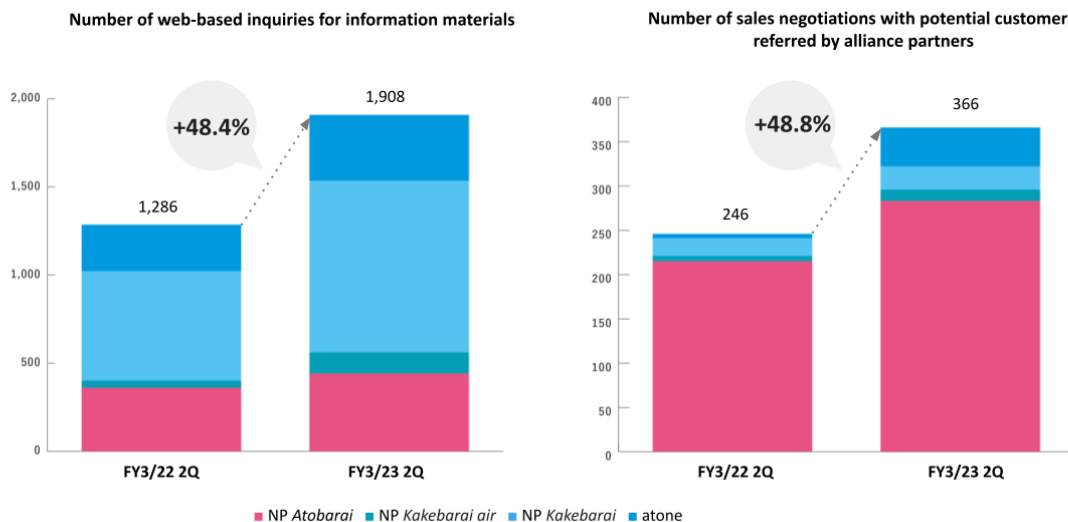
We are also going to drive digital transformation in billing operations through partnerships with regional banks.

Lastly, we will efficiently accelerate the introduction of NP Atobarai and atone by collaborating with shopping cart providers and PSP.

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

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.



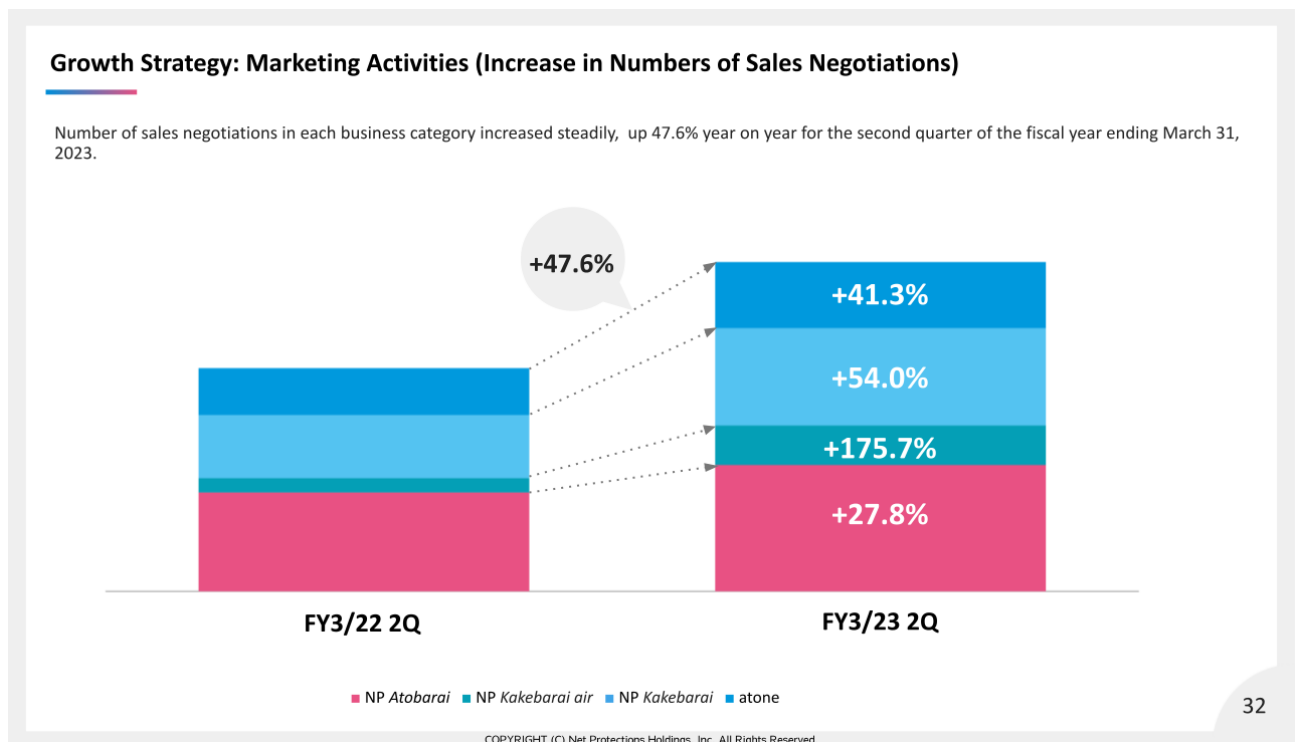
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This slide compares the number of online inquiries and the number of sales negotiations referred by alliance partners, which are leading indicators for GMV, with the same period last year.

The number of sales negotiations referred by alliance partners increased sharply by 48.8% year on year, 20.8% higher than the rise recorded in the first quarter.

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



Lots of sales negotiations are also going on.

The number of sales negotiations is a leading indicator that directly correlates with future GMV, and it increased by 47.6% year on year.

Because our hiring of sales personnel is progressing as planned, we are able to handle the rises in both the number of inquiries and the number of sales negotiations.

Growth Strategy: Marketing Activities (Status of Progress)

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

July	August	September
TV in Tokyo & Kansai		
Improve the creative of the ads		
Strengthening the digital distribution		

Assessment

Web session counts in which TV commercials were aired for trial	Web session counts significantly grew in the July-August period, up 185% YoY.
Number of online requests for information in 2Q	974 requests, up 57% YoY

Major Advertising Measures Scheduled

October	November	December
TV in Tokyo & Kansai		
Improve the landing page and website		
Strengthening the digital distribution		

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Now I will discuss progress with our mass-market promotion of BtoB, for which the investment amount is large.

According to our own research, only 10% of the market is aware of our brand, so our analysis is that we haven't yet fully captured the customer segment that we have the potential to capture.

We will therefore be strategically investing in mass-advertising so as to establish an advantageous market position ahead of our rivals.

The plan had been to roll out a full-scale advertising campaign in the Tokyo and Kansai areas in the second quarter, but we decided to limit our advertising volume in order to more carefully test the creative aspect of the ad, and we have just launched a full-scale campaign since November.

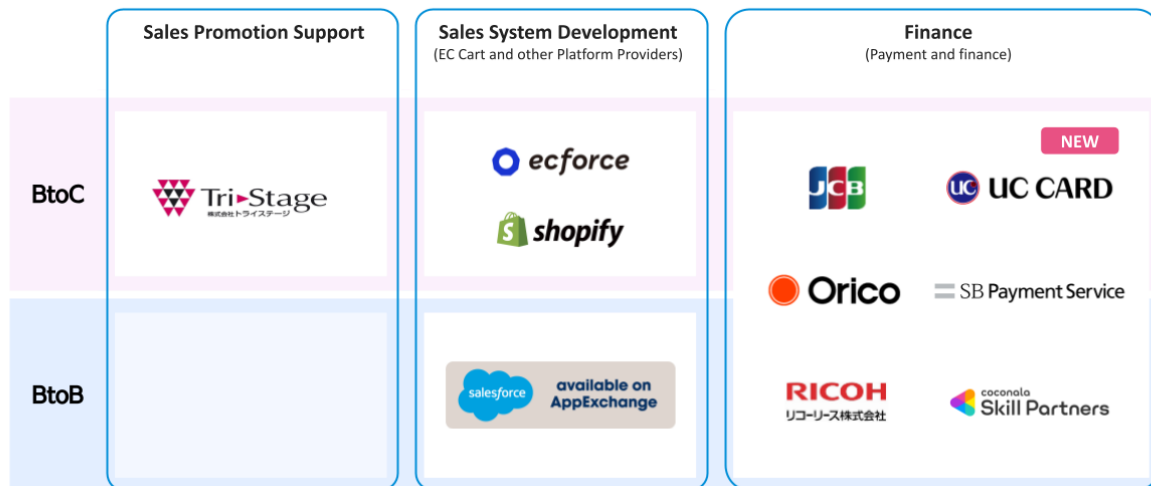
Even so, the TV commercials we ran in July and August have already caused site visitors to jump by 2.8 times, so we expect the TV commercials currently being broadcast to produce even more results.

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

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



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Next is our alliance strategy.

By forging partnerships not only in the payment domain, but also with providers of services that are essential for the business activities of merchants, such as sales promotion support and sales system development, we will be expanding our sales/support network.

Our sales network has been expanding further recently, as we have inked a business tie-up with UC Card.

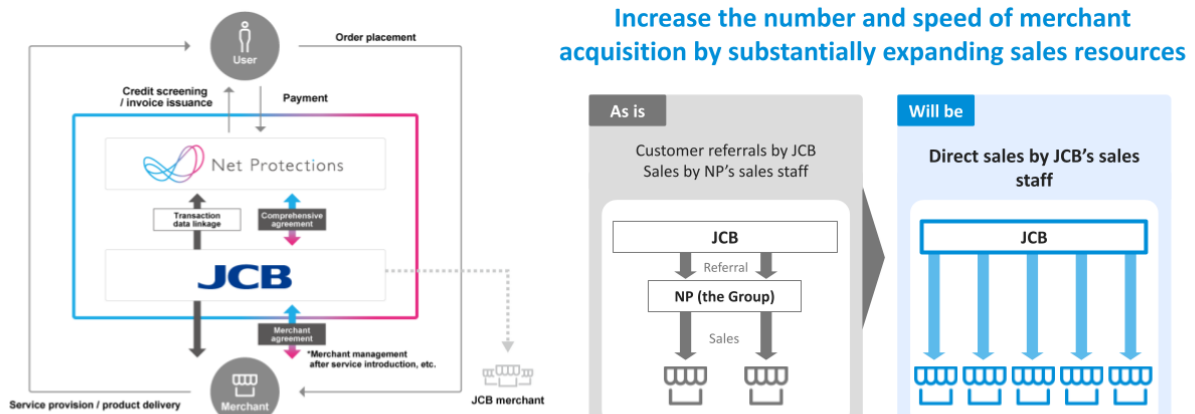
Growth Strategy: Alliance (Reinforcing Promotion of BNPL Services through Comprehensive Merchant Agreement with JCB)

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

Not limiting to conventional referral services, JCB's sales staff will directly market all of our BNPL services to develop new merchants.

(Scheduled to start by the end of 2023)

We will further promote sales by leveraging JCB's customer network and sales assets.



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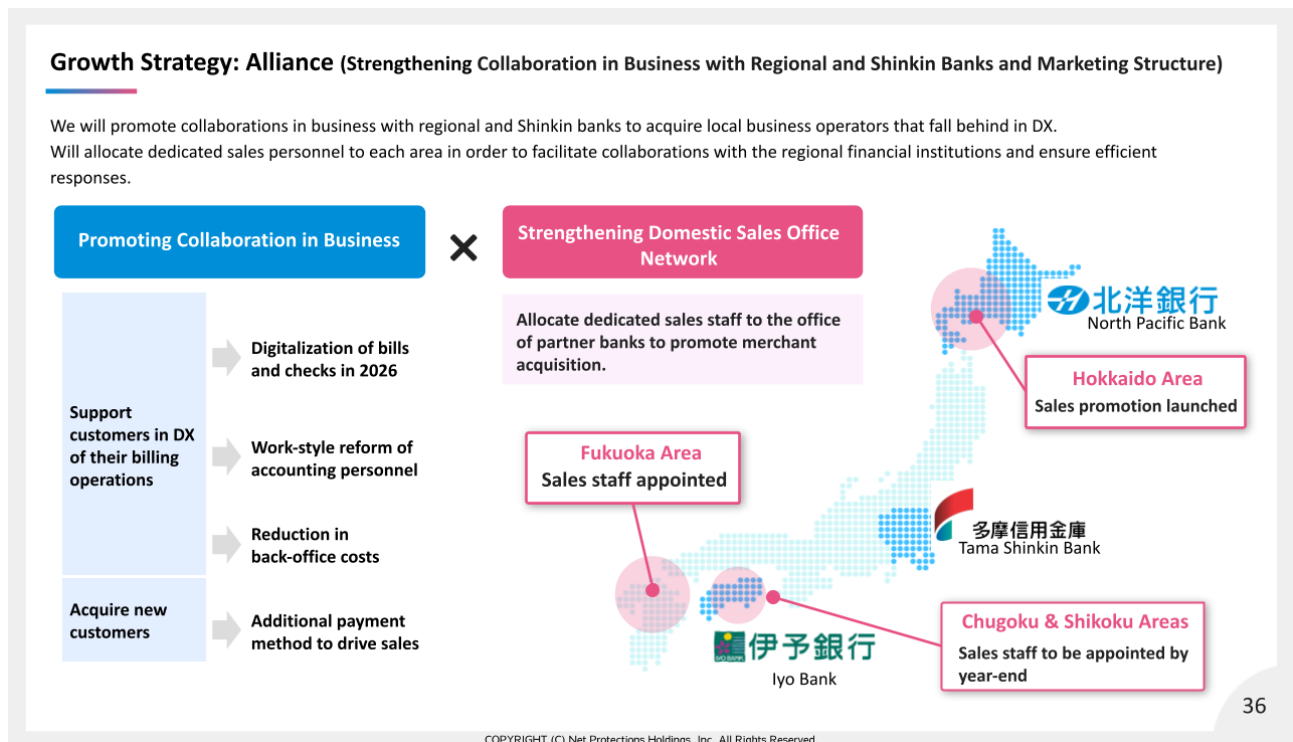
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And on November 14, we issued a press release announcing a comprehensive business alliance with JCB.

With some time in 2023 as the start date, JCB sales staff will be able to sell our services directly.

By tapping into JCB's sales resources to cope with the rapidly increasing number of deals originating from introductions, we hope to quicken the pace of capturing new merchants.

Growth Strategy: Alliance (Strengthening Collaboration in Business with Regional and Shinkin Banks and Marketing Structure)



As we forge business partnerships with regional financial institutions and Shinkin banks, we will also be strengthening our local salesforces.

A pressing task for regional corporations is to enhance operational efficiency, as they are faced with challenges such as a shortage of personnel.

And this is especially true in the area of invoicing, so this initiative will facilitate DX through the use of our services.

Although we have succeeded in concluding business alliances with regional financial institutions recently, and we are doing more and more important deals following introductions, an issue for us was that we could not approach potential customers to an adequate extent because our sales office is in Tokyo alone.

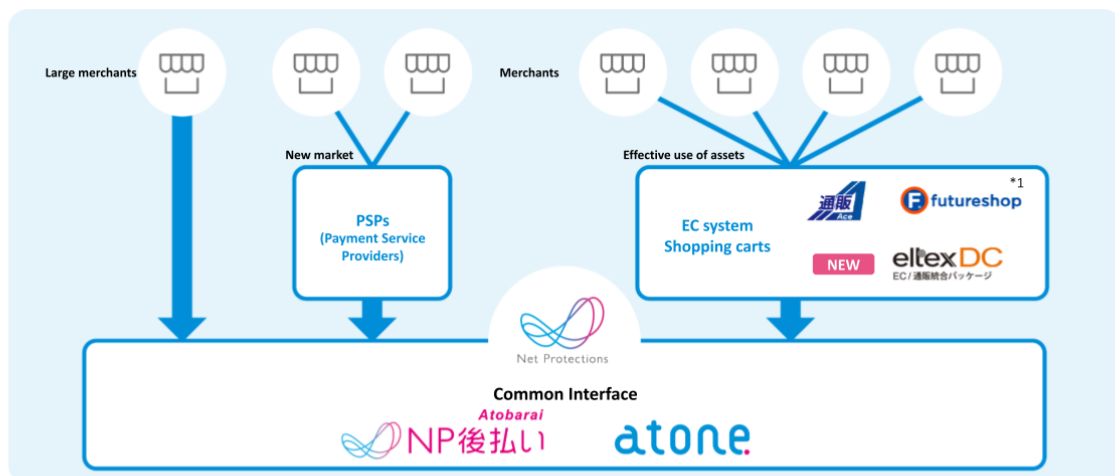
We are therefore moving to make our sales activities more efficient by steadily putting together structures in areas in which our partners are located.

In Hokkaido, where we have an alliance with North Pacific Bank, we have already started selling, and impressions are good. Going forward, we will be expanding sales from offices as we make progress with forging partnerships.

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

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

The common interface, which integrates 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 (EC/Direct Commerce software package).



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

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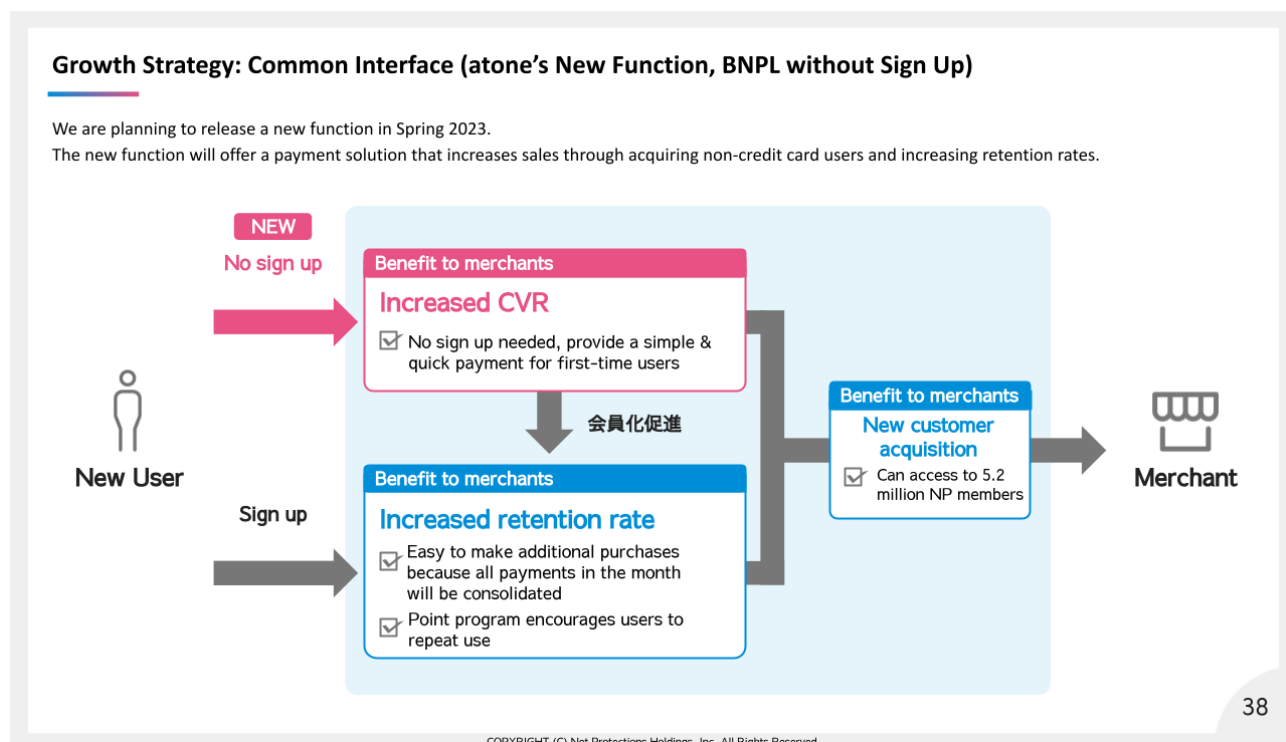
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A common interface integrates the NP Atobarai and atone system specifications, enabling merchants to offer both services with the development of a single system.

We will collaborate with shopping cart vendors and payment service providers to expand our share of the payment market in the future by promoting the use of atone by merchants that have already introduced NP Atobarai.

Just this October, we have linked up our system with that of Eltex, a firm that provides integrated packages for EC and mail order.

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



Finally, I would like to explain a new feature of atone.

atone is a membership-based BNPL service that offers a better user experience than NP Atobarai

because payment can be made by the following month for all the month's purchases and because points are awarded.

That being said, users tend to be averse to signing up for their first time visiting online stores.

So in the spring of 2023, we are going to release a new feature that allows customers to use atone without sign up.

With this new feature, merchants will be able to enjoy higher conversion rate by acquiring new customers who are not willing to pay with a credit card.

And if they decide to register, they will be able to use atone with greater convenience and more economic benefits,

which will lead to the increase of the retention rate of existing customers.

In conclusion, atone will be a payment solution that lifts sales by increasing first-time BNPL users with no sign up feature, and boosting retention rate with membership benefits.

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

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

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This slide presents detailed specifications of the new service.

The new feature makes atone much easier to use for first-time users because it does not require any registration.

However, users have to pay for each purchase and they can only use limited features.

Users can consolidate their purchases in the same month and pay in the following month, and direct debit is also available

like a credit card if they register. In addition, members can use atone at over 150,000 offline stores and points are awarded only for members.

We have received more requests from e-commerce business operators than before, so we expect to see further increases in new service introductions.

And that brings our results announcement for the second quarter of the fiscal year ending March 31, 2023 to an end.

Thank you for your attention.

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※Please note that the transcription of the Q&A session below has been edited as it included some overlaps. We appreciate your understanding. Also, we have compiled [a Q&A style supplementary material](#) on matters expected to be of high interest.

Q&A: How did you incorporate the impact of the increased fees for collection agency services at convenience stores into your guidance?

Moderator: How did you incorporate the increased fees for collection agency services at convenience stores into your guidance?

Shibata: We expected that the increased fees for collection services at convenience stores would have had a certain negative impact on GMV in our guidance released at the beginning of the fiscal year. However, the negative impact turned out to be lower than expected. Accordingly, we have revised our earnings forecasts to reflect the reality.

We also anticipated a negative impact on the gross profit margin of NP Atobarai. However, no decline in the gross profit margin was observed for September 2022. We have thus acknowledged that the fee increase has not made as much of an impact as we feared it might.

Q&A: You have shown the projected GMV growth rate for the next fiscal year once the backlog orders are fulfilled. What are the factors behind this growth rate falling short of the target growth rate set when you went public?

Moderator: You have explained that GMV is expected to grow at 15% once the backlog orders are fulfilled. What are the factors behind the projected growth rate falling short of the target growth rate of 20% to 30% set when you went public?

Shibata: The figure of a 15% increase was calculated by only counting backlog contracts for which the launch dates have already confirmed.

It is just a comparison between figures for September 2022 and September 2023 for illustrative purpose only. As we still have another ten months of the business period to go, we can expect a further increase in GMV.

In addition, the order backlog does not either factor in growth potential of existing merchants.

As such, there are plenty of upside factors for GMV growth, and we will ensure steady progress to the achievement of our target.

Q&A: Will the revamp of atone cause any delay in the launches of the backlog contracts?

Moderator: Is there any possibility of a further delay in the launches of the backlog contracts due to the revamp of atone?

Shibata: There is no relevance between them, so the revamp of atone will not at all cause any delay in the launches of the backlog contracts.

Q&A: Will JACCS Co., Ltd.' s withdrawal from the BNPL business affect you?

Moderator: JACCS announced the withdrawal from BNPL services. Please tell us your analysis of the current industry trends and how they will affect you.

Shibata: I will refrain from commenting in detail about this case because it is another company' s issue, but I believe that JACCS probably has developed a certain presence in the BNPL market. Since the company announced that it would withdraw from the BNPL business in September 2023, we have already started sales activities to capture its market share. We therefore expect to deliver a certain additional GMV.

We are not expecting any other particular impact from the withdrawal.

Q&A: What are your thoughts on the effects of your marketing activities down the road?

Moderator: Recently, many companies have difficulties in receiving favorable public response to their TV commercials and other marketing activities. Please elaborate your thoughts on the effects of your marketing activities down the road.

Shibata: We have rolled out a full-scale TV commercial campaign this November and received good response so far.

In particular, we have received an increasing number of inquiries. The number has increased quite a lot compared to the same month last year. We have also seen a growing inflow of deals of a certain scale. As such, we have begun to notice the positive effects of our marketing activities.

Q&A: What are the factors behind the negative impacts on cash flows?

Moderator: It seems that the balance between assets and liabilities in working capital has deteriorated, giving a negative impact on cash flows. What are the factors behind this?

Watanabe: It was simply because the last day of September was Friday.

As we make advance payments to our merchants on Friday, there arises a temporary gap depending on what day of the week the quarter ends on.

For this fiscal year, the end of the third quarter is Saturday, a day immediately after such advance payments, and the end of the fourth quarter is Friday. We will therefore see such a gap again at the ends of these quarters. However, please feel assured that these gaps are only of temporary nature and are to be resolved.

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