

Financial Results Presentation for the Nine Months Ended December 31, 2022



Net Protections Holdings, Inc.
(TSE Prime Market: 7383)

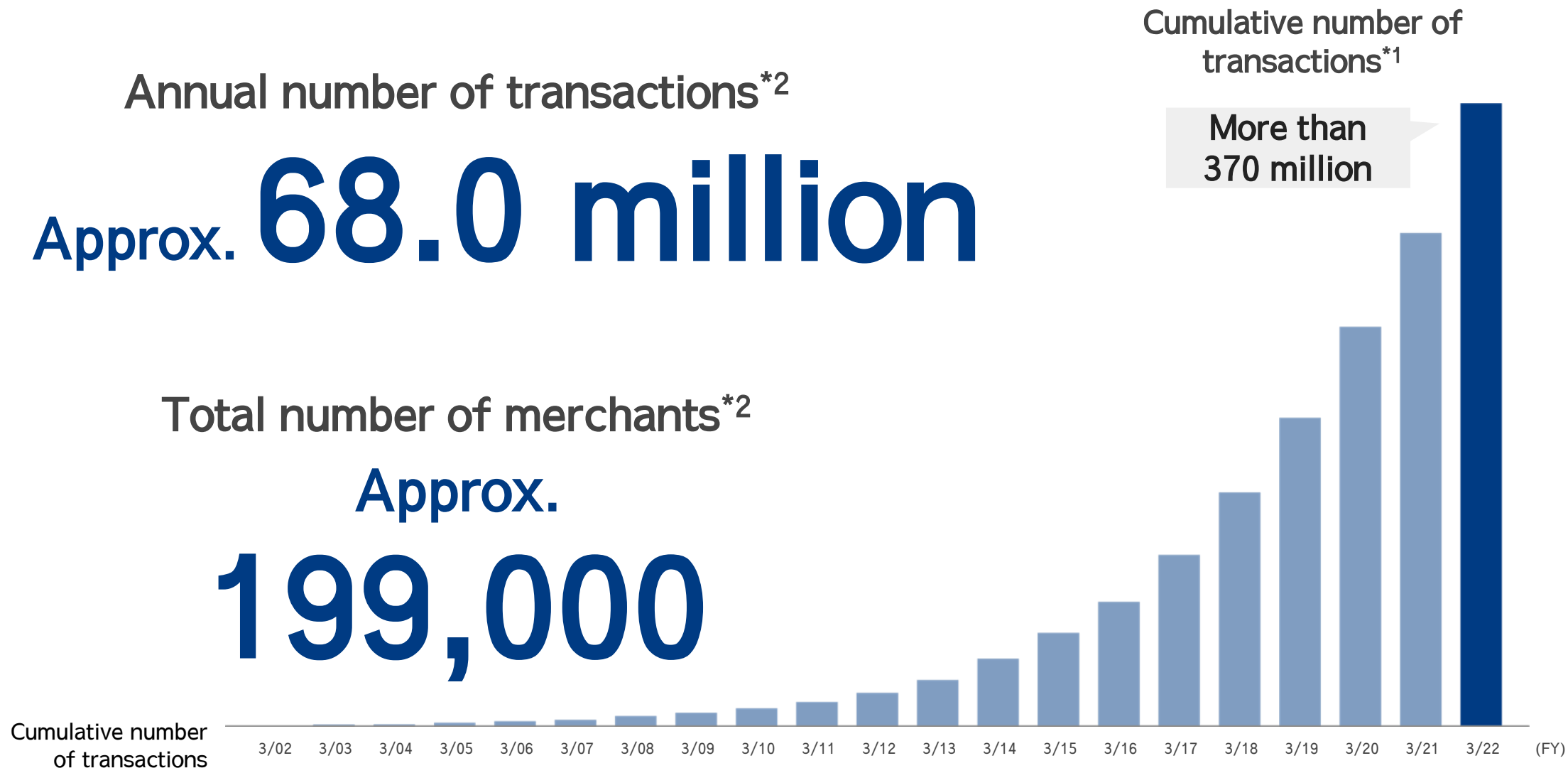
Company Profile	03
Business Highlights	13
Financial Results for the Nine Months Ended December 31, 2022	20
Growth Strategy	25
Appendix	38

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.

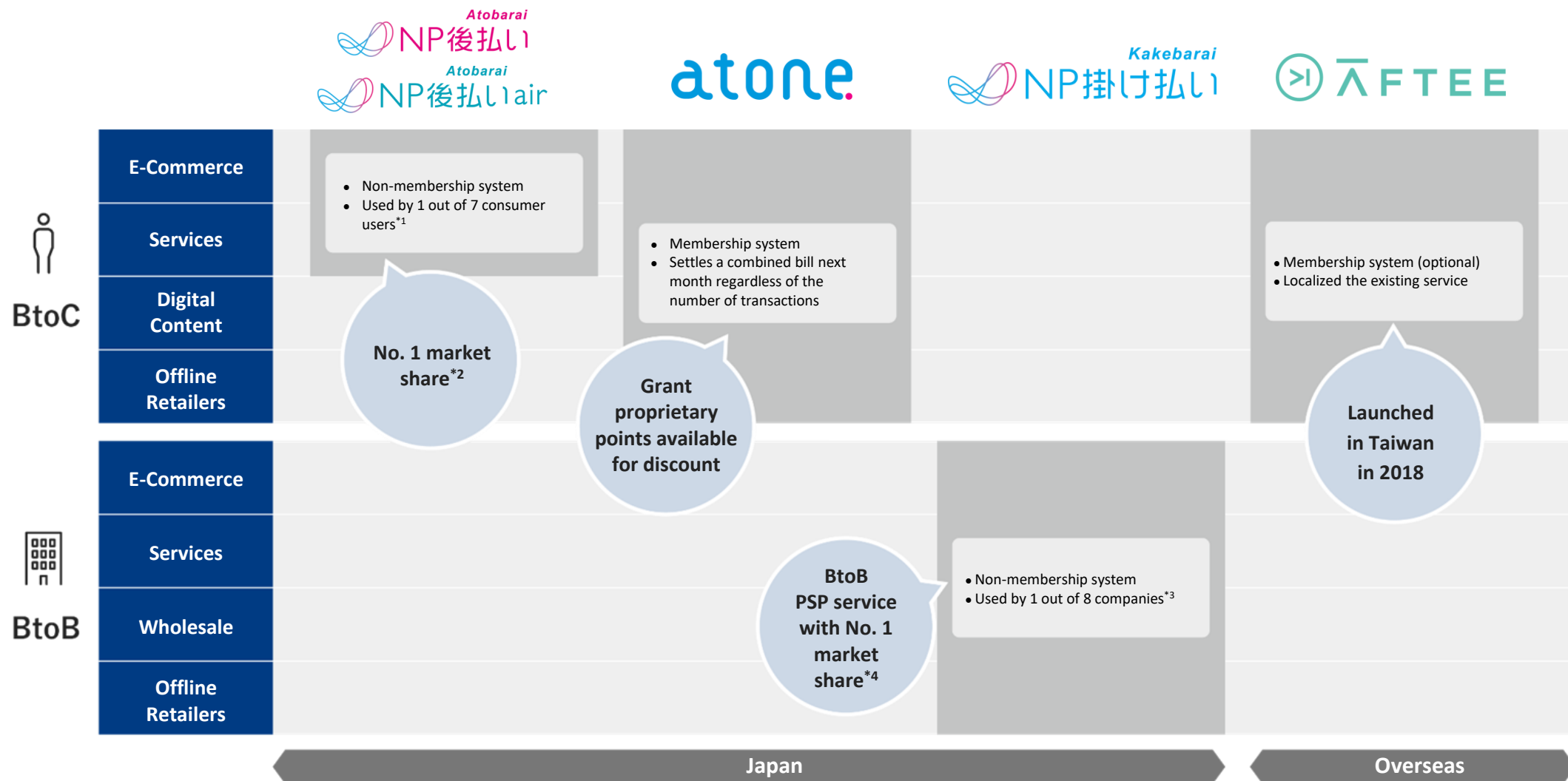
Business Overview: Performance for the Fiscal Year Ended March 31, 2022 (Transactions & Merchants)



*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: Reasons Why Our BtoC Services Are Chosen

We offer payment services with security, convenience, and benefits. No credit card and pre-registration required.

Secure

No credit card is required, thus eliminating risk of information leakage or unauthorized use



Convenient

Ready to use
at over 190,000 online stores
without sign-up



Beneficial

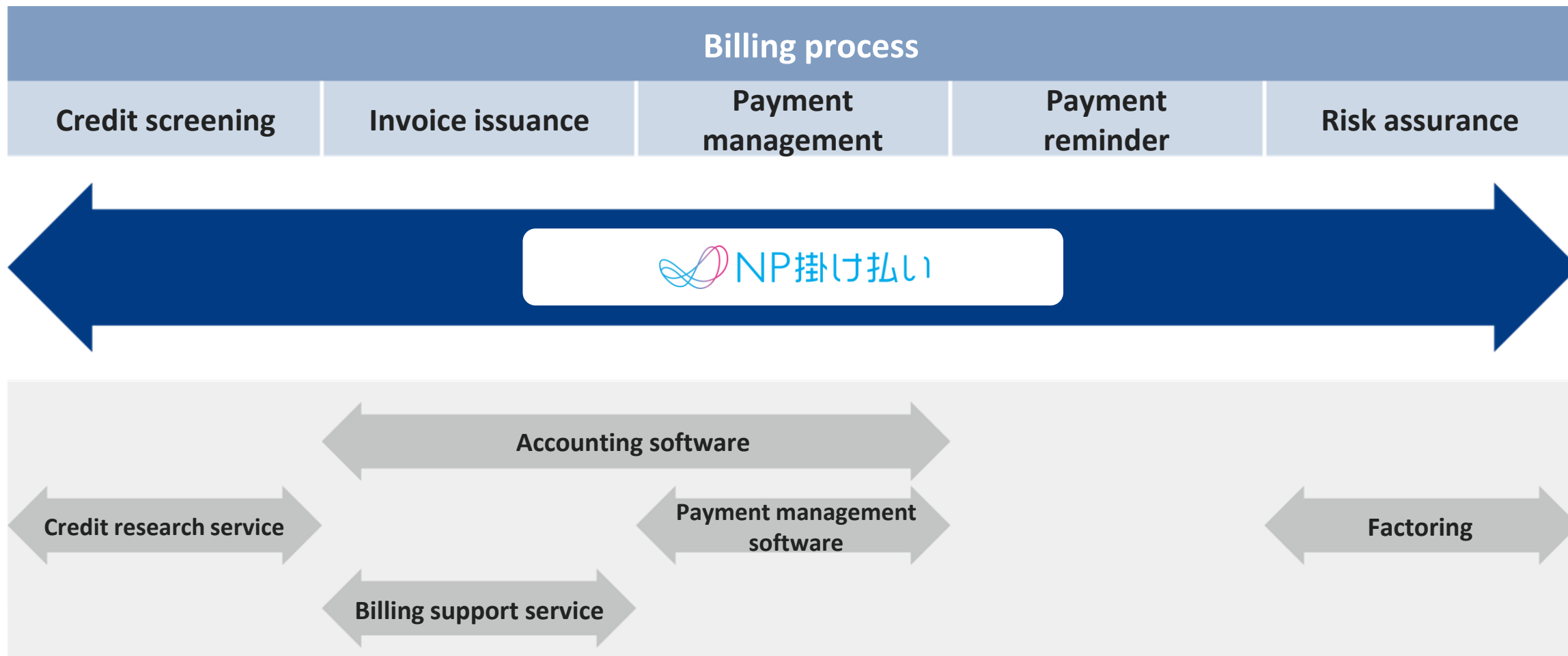
The reward points program^{*1}
makes shopping more
affordable



^{*1} Sign-up is required to use reward points.

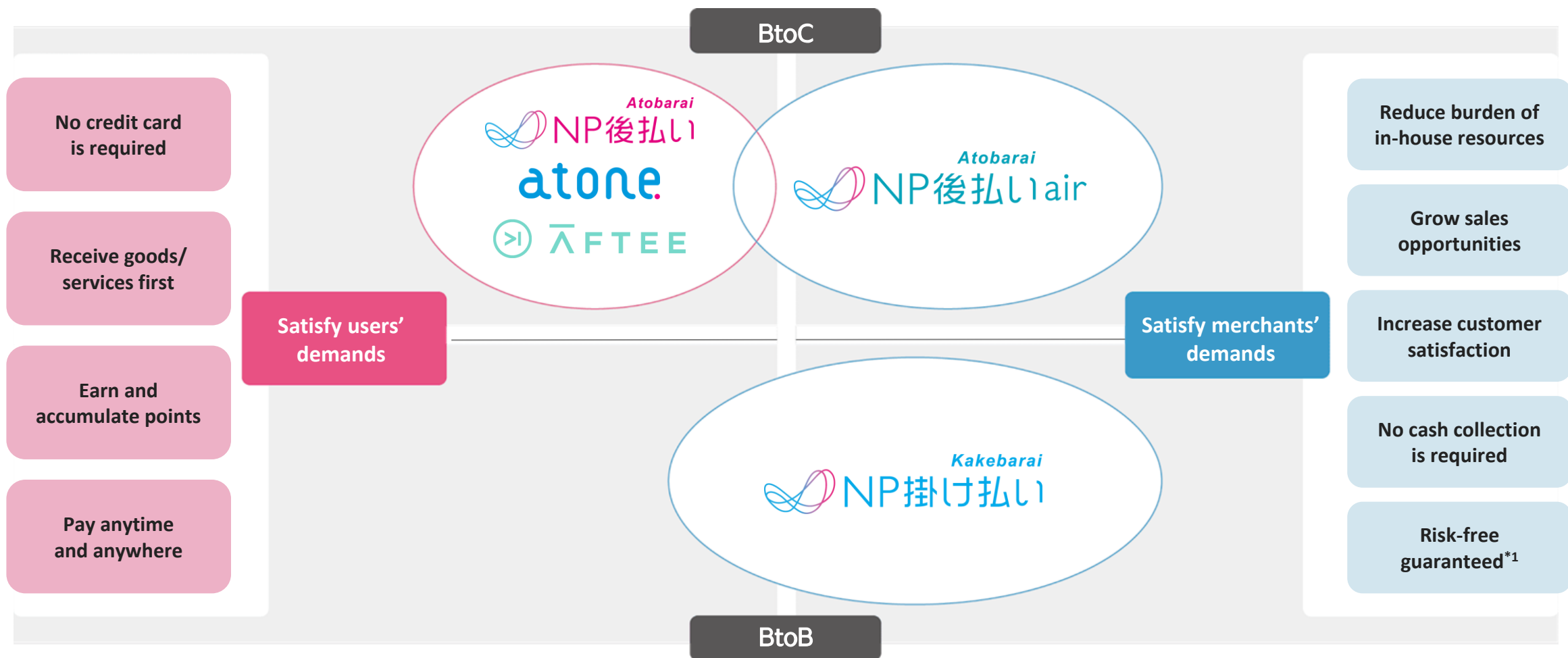
Business Overview: Reasons Why Our BtoB Service Is Chosen

NP Kakebarai, our BtoB service, is a Business Process Outsourcing (BPO) service for BtoB transactions that allows merchants to outsource the entire billing process (credit screening, invoice issuance, payment management, payment reminders, and risk-free guarantee).



Business Overview: Value Proposition of Each BNPL Service

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

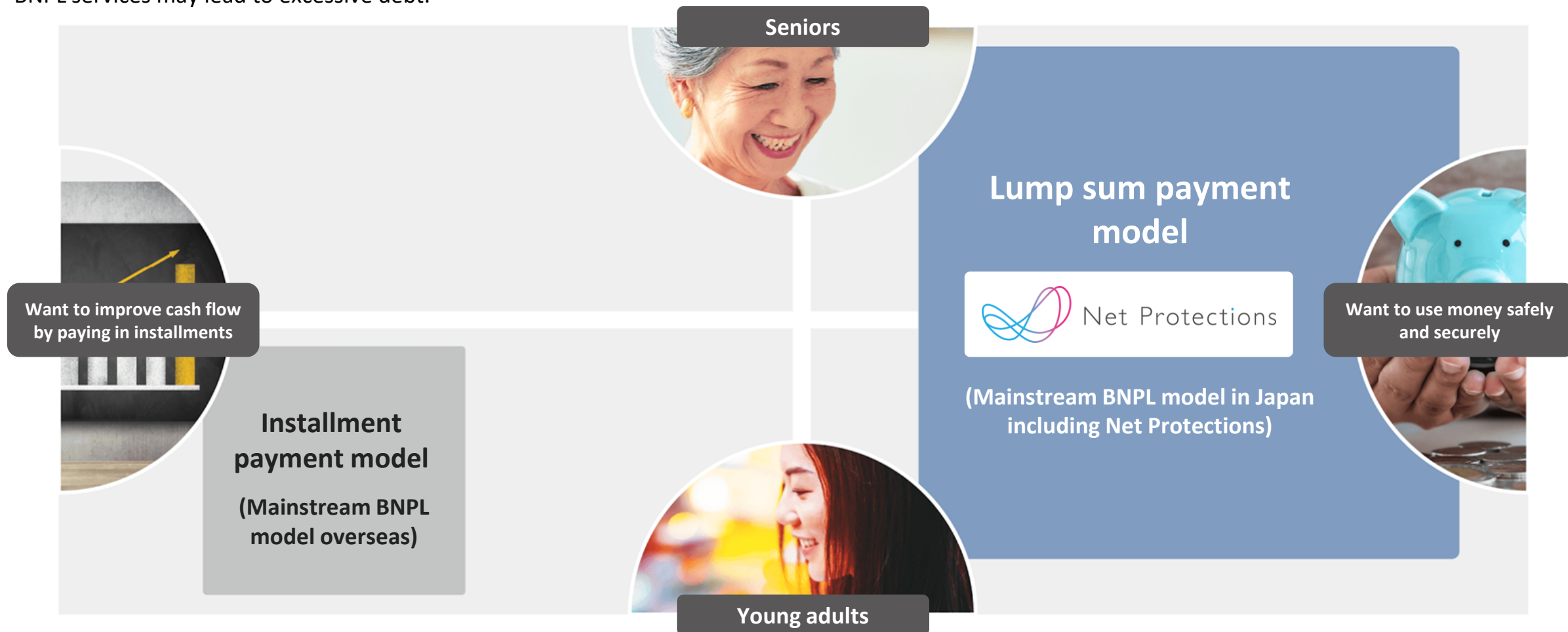


*1 The guarantee only covers transactions approved by our credit screening system. In the event that a dispute between a merchant and a customer or a merchant client over a transaction arises and it cannot be immediately resolved, or Net Protections deems there is a risk of such a dispute, or the transaction 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

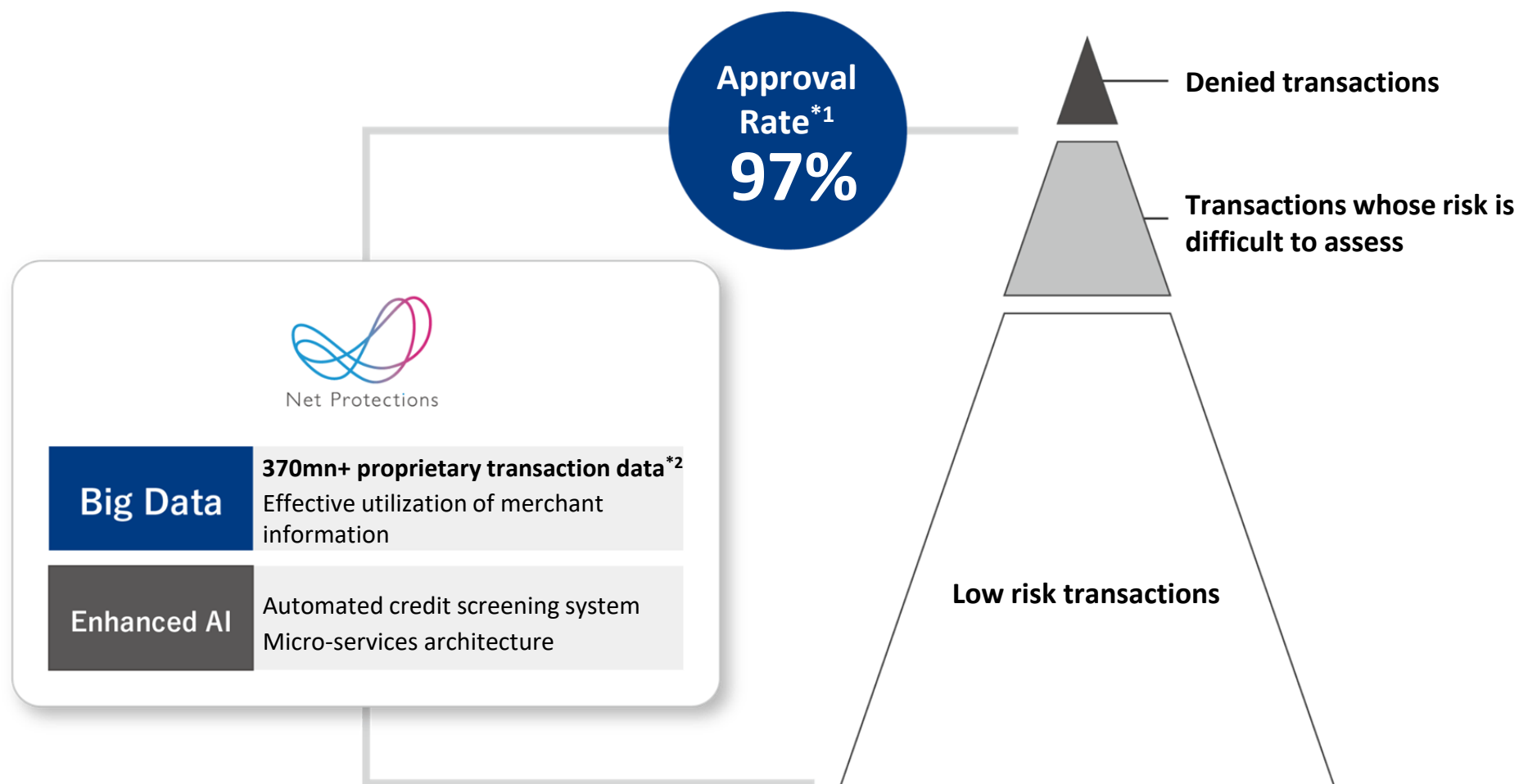
Unlike the BNPL service providers overseas, who adopt the installment payment model, our business model is based on the lump sum payment model, giving us a unique positioning in the market.

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).

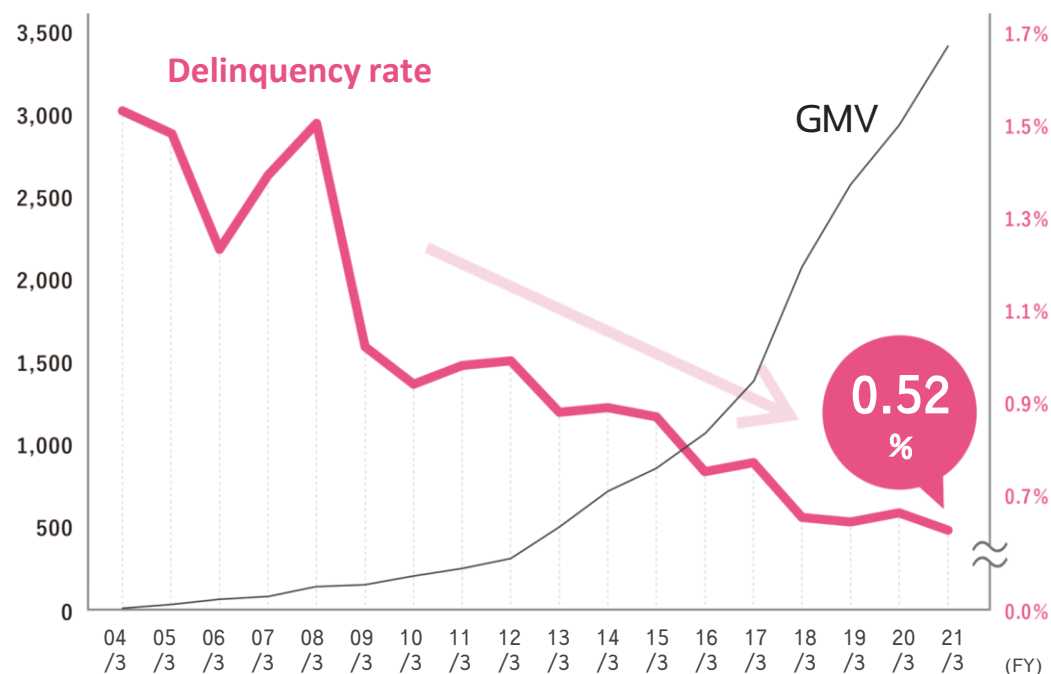
*2 As of March 31, 2022

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%.

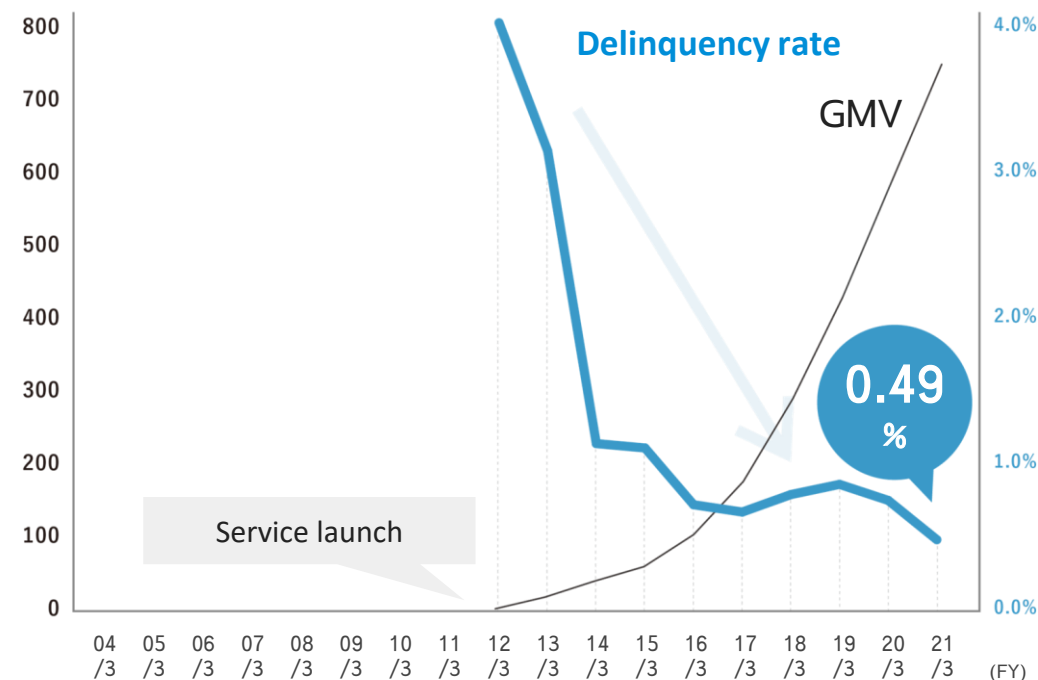
Delinquency rate in BtoC (NP *Atobarai*)

(JPY in 100 million)



Delinquency rate in BtoB (NP *Kakebarai*)

(JPY in 100 million)

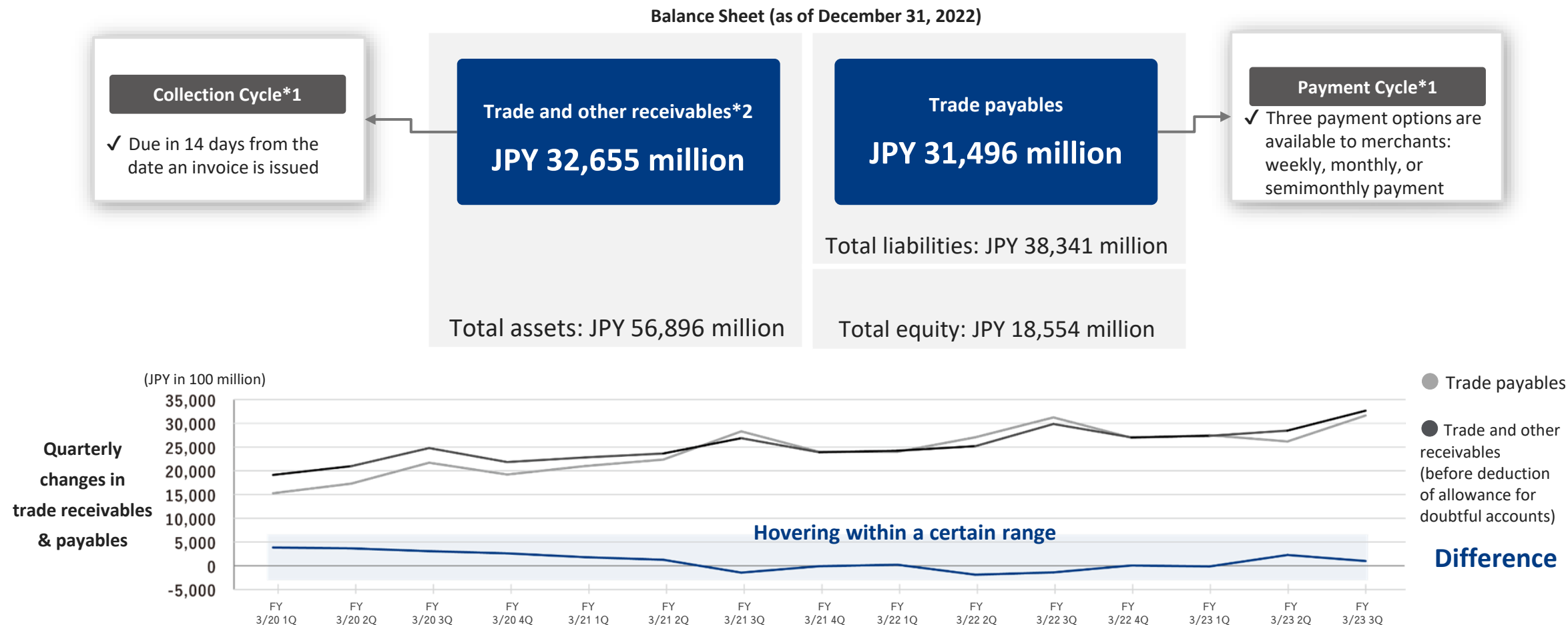


- *1 Ratio of outstanding unpaid transactions for NP *Atobarai* in excess of 18 months to total transactions recorded during such fiscal period on a GMV basis. The ratio for FY3/2021 is based on unpaid transactions as of the end of December 2022 (including transactions prior to writing off of delinquent 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 December 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 (9 Months)

FY3/23 9 months GMV^{*1} (non-GAAP)

JPY372.8bn

(+4.4% YoY)

Total Operating Revenue

JPY14.43bn

(+1.7% YoY)

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

JPY5.70bn

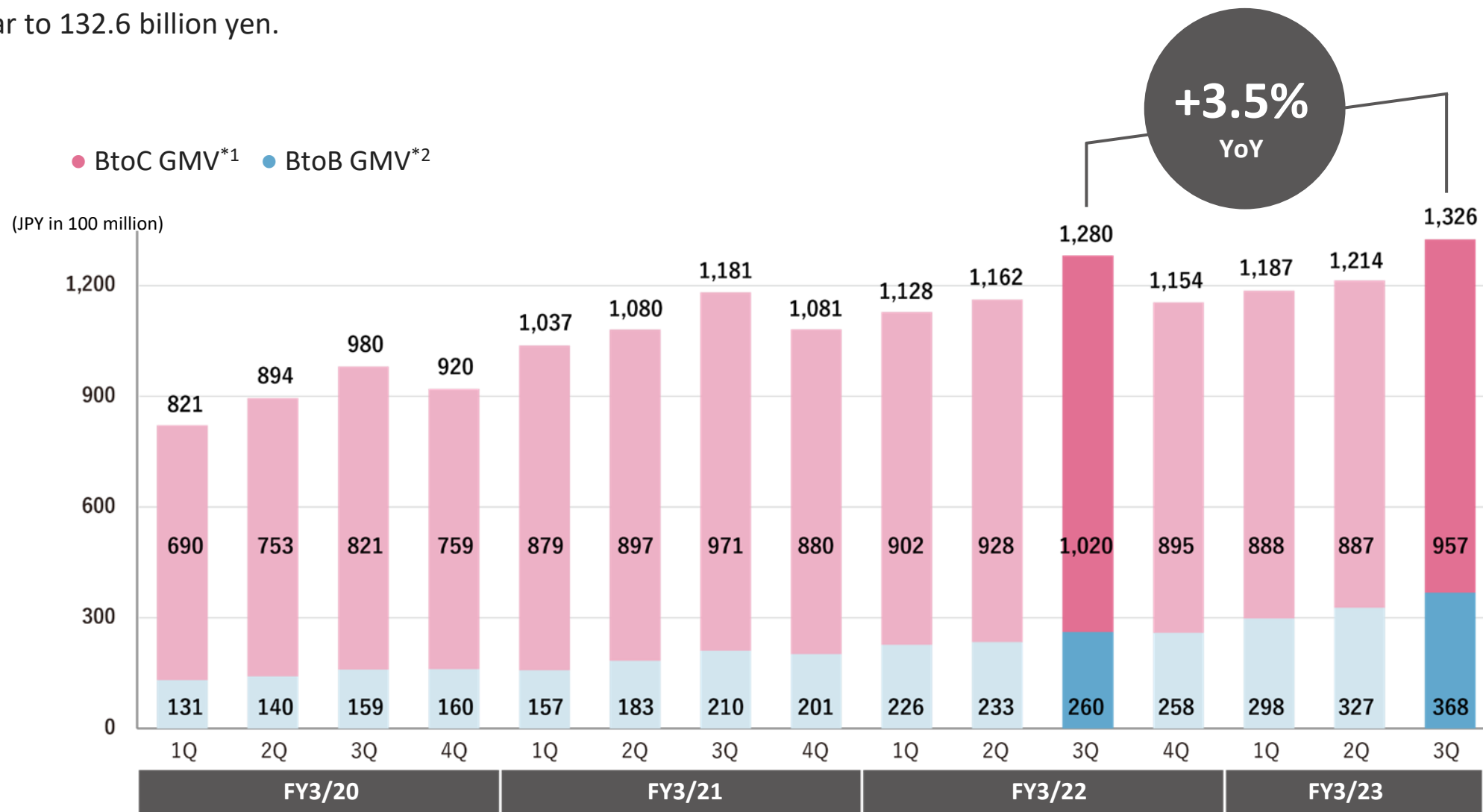
(-2.0% YoY)

^{*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 third quarter of the fiscal year ending March 31, 2023 for the services provided by the Group increased 3.5% year on year to 132.6 billion yen.



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

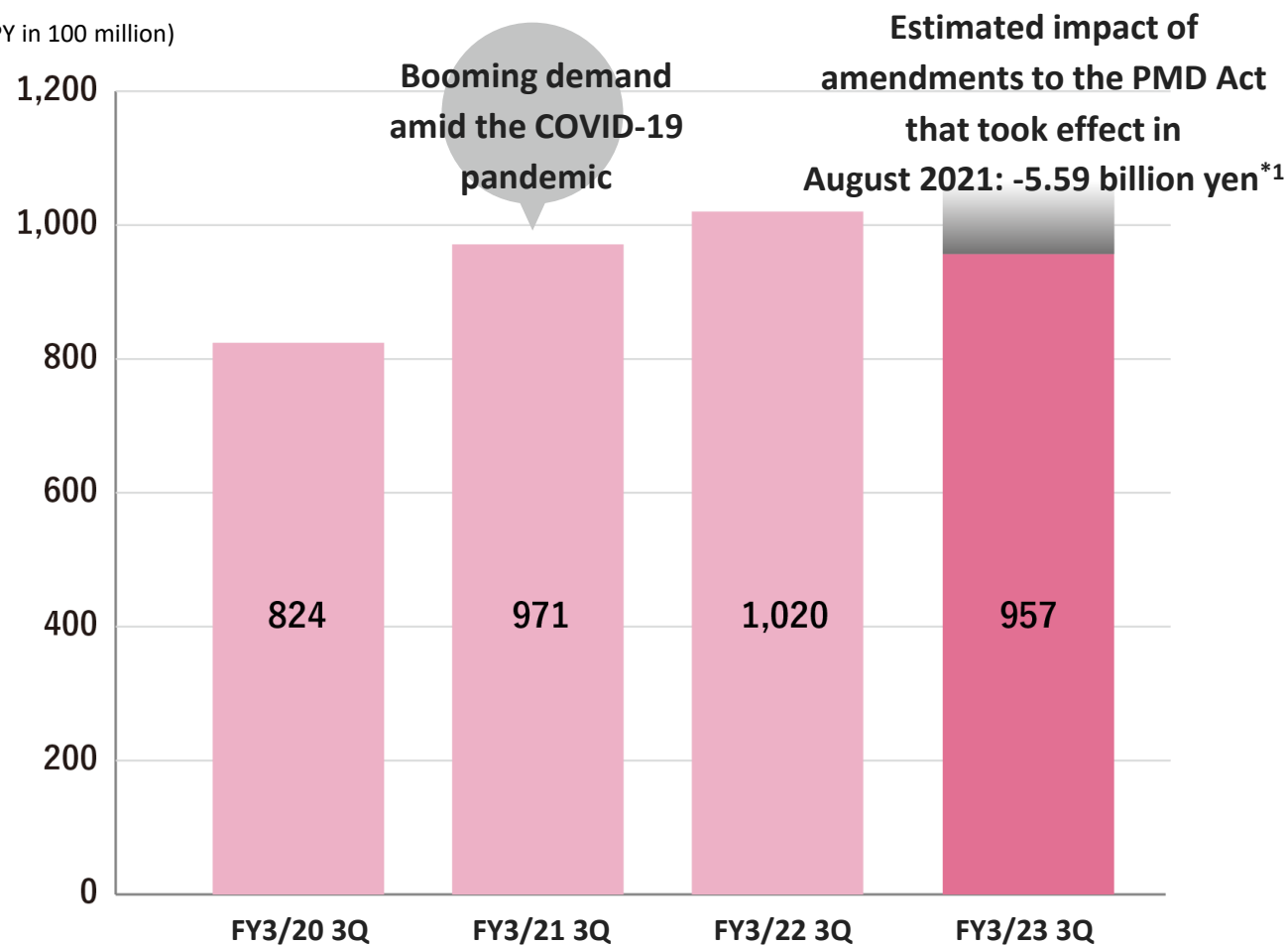
*2 Total amount of payments (including consumption tax) made through NP *Kakebarai* provided by the Group

Business Metrics: BtoC GMV (3Q Trend)

GMV of the BtoC business for the third quarter of the fiscal year ending March 31, 2023 decreased 6.1% year on year to 95.7 billion yen.

BtoC GMV (3Q trend)

(JPY in 100 million)



*1 Calculated by Net Protections.

Factors

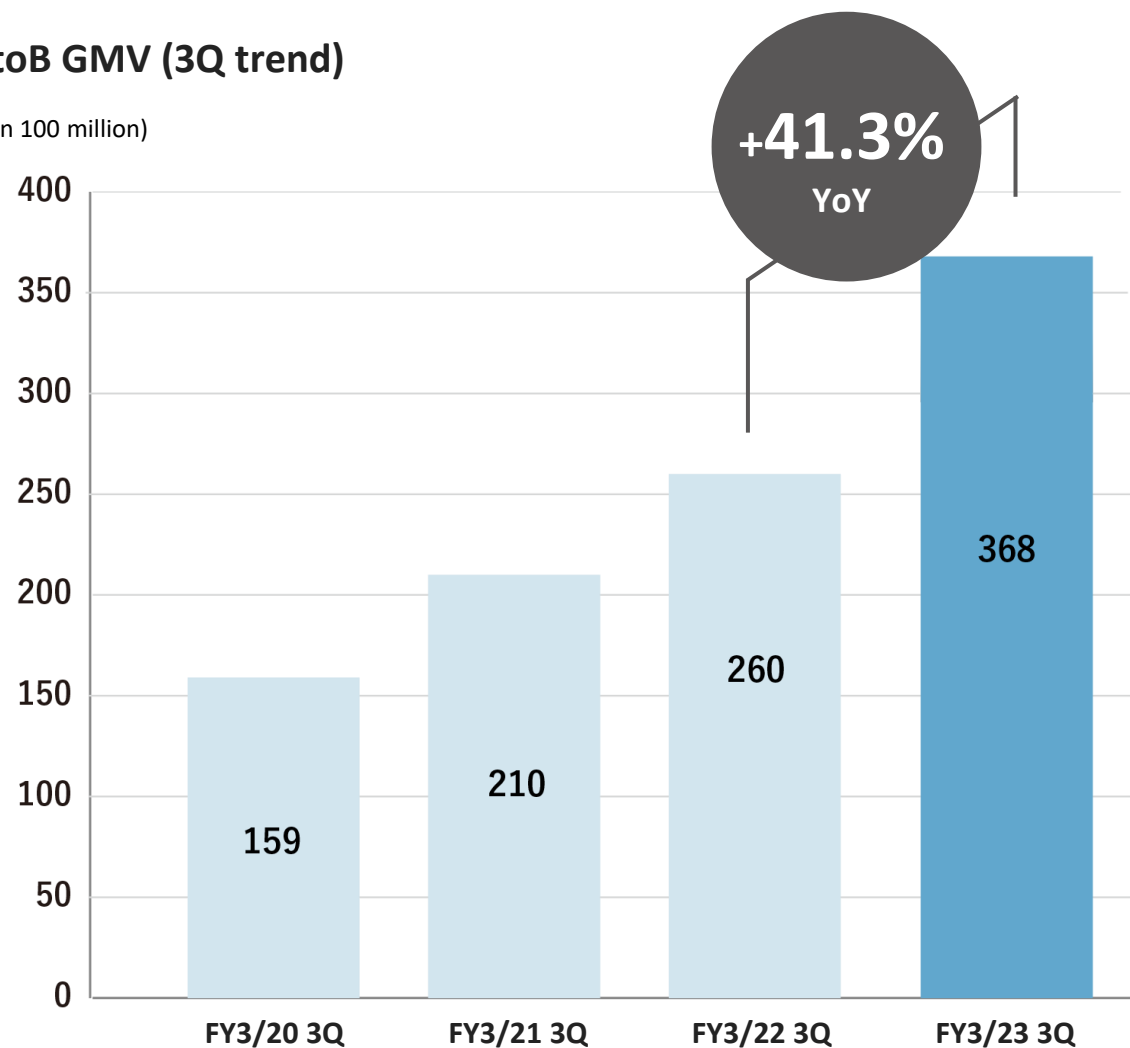
- With one year having passed since the amendments to the PMD Act, the impact on GMV for the beauty and health category was mitigated.
- Although GMV decreased by slightly over 2.0 billion yen in 3Q due to the withdrawal of an unprofitable large merchant, the impact on profit was limited.

Business Metrics: BtoB GMV (3Q Trend)

GMV of the BtoB business for the third quarter of the fiscal year ending March 31, 2023 increased 41.3% year on year to 36.8 billion yen.

BtoB GMV (3Q trend)

(JPY in 100 million)

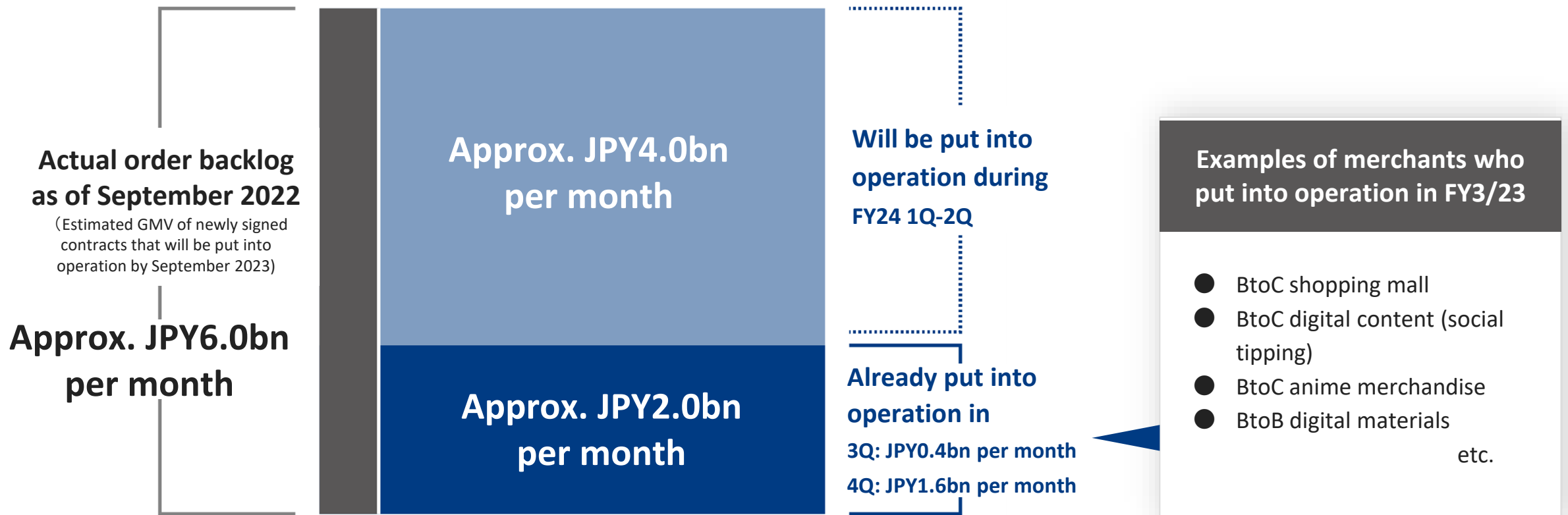


Factors

- 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.
 - Advertising and advertising production: +313.9%
 - Food wholesale: +73.3%
 - Construction and other materials: +49.4%
- The service also supports the qualified invoice system. By saving time and effort for merchants that will introduce the system, we offer an even more convenient BtoB settlement service.

Reference: Order Backlog (Estimated GMV of newly signed contracts that will be put into operation by September 2023)

Of the backlog GMV of approx. 6.0 billion yen per month (as of September 2022), contracts with approx. 0.4 billion yen per month were put in to operation in 3Q. We expect further build-up of GMV as contracts with approx. 1.6 billion yen per month will be put into operation in 4Q (at the time of this earnings release).



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.

Track Record: Service Implementation Status in Target Markets (1Q–3Q)

Major players have introduced our services one after another in target markets, including BtoB, BtoC, and overseas (Taiwan). We are expanding the provision of our services in non-merchandise sales such as digital content and ticket sales.

BtoB (Japan)

Incorporated associations



Cleaning supplies



Staffing



Food



岡木農園

MADE IN NAGANO

Start-ups



BtoC

Housing equipment manufacturers



Entertainment merchandise



Japan

Beauty and health



Entertainment and digital content



Taiwan

E-commerce marketplace



博客來



Financial Results for the Nine Months Ended December 31, 2022

Financial Results for the Nine Months Ended December 31, 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 Nine Months Ended December 31, 2022

Total operating revenue for the nine months ended December 31, 2022 increased 1.7% year on year to 14,436 million yen, whereas gross profit decreased 2.0% year on year to 5,708 million yen. As a result, adjusted EBITDA amounted to 1,645 million yen.

(JPY in millions)	Results	YoY		Reference: Full-year forecast	
		Results	Percentage change	Full-year forecast	Progress rate
GMV (non-GAAP)*¹	372,824	357,151	+4.4%	496,200	75.1%
Total operating revenue	14,436	14,192	+1.7%	19,390	74.5%
Revenue	14,069	13,852	+1.6%	18,886	74.5%
Gross profit (non-GAAP)*²	5,708	5,827	-2.0%	7,290	78.3%
Operating profit	(43)	1,095	-	(730)	-
EBITDA (non-GAAP)* ³	1,021	2,099	-51.3%	756	135.0%
(Marketing expenses)* ⁴	623	233	+167.0%	993	62.8%
Adjusted EBITDA (non-GAAP)*⁵	1,645	2,602	-36.8%	1,750	94.0%

*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)

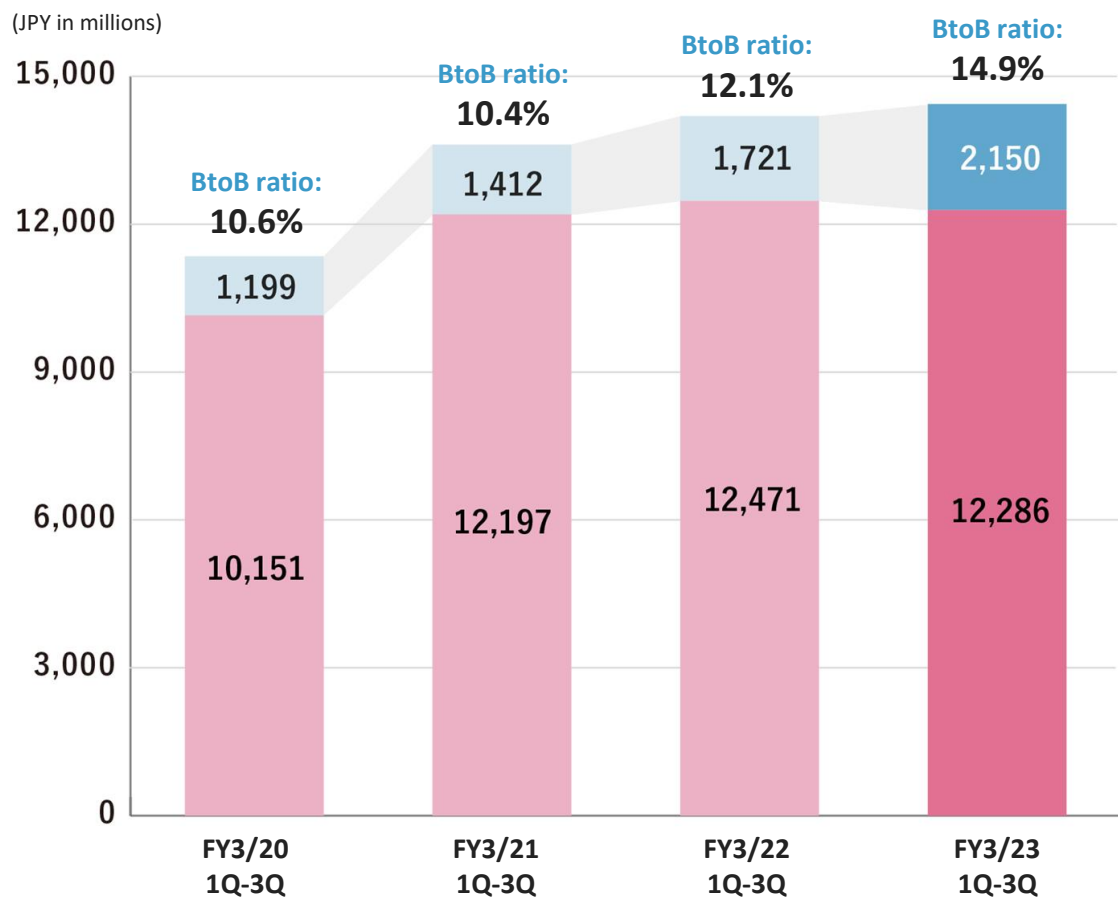
*4 Marketing expenses: Sales promotion expenses (excluding agency commissions) + Advertising expenses

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

Financial Results: Breakdown of Total Operating Revenue and Gross Profit by BtoC / BtoB (9-Month Trend)

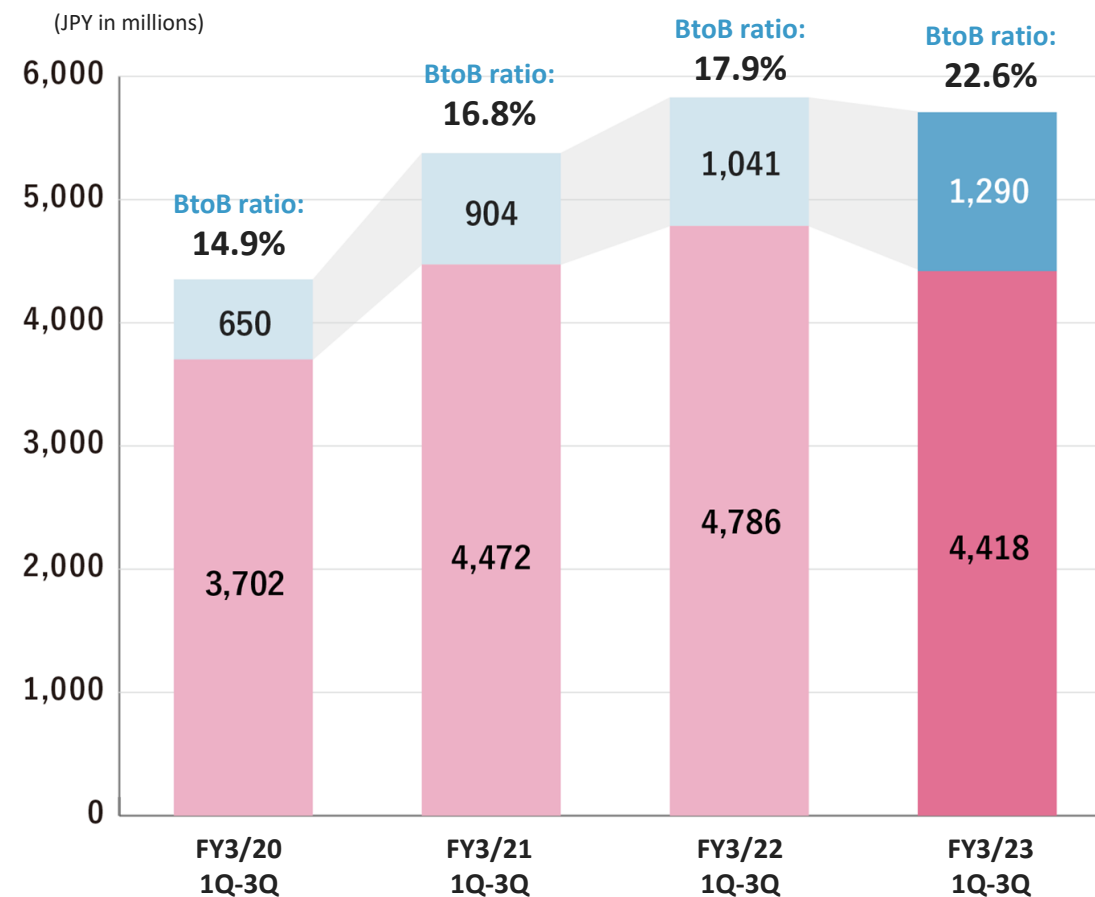
Total Operating Revenue

● BtoB ● BtoC



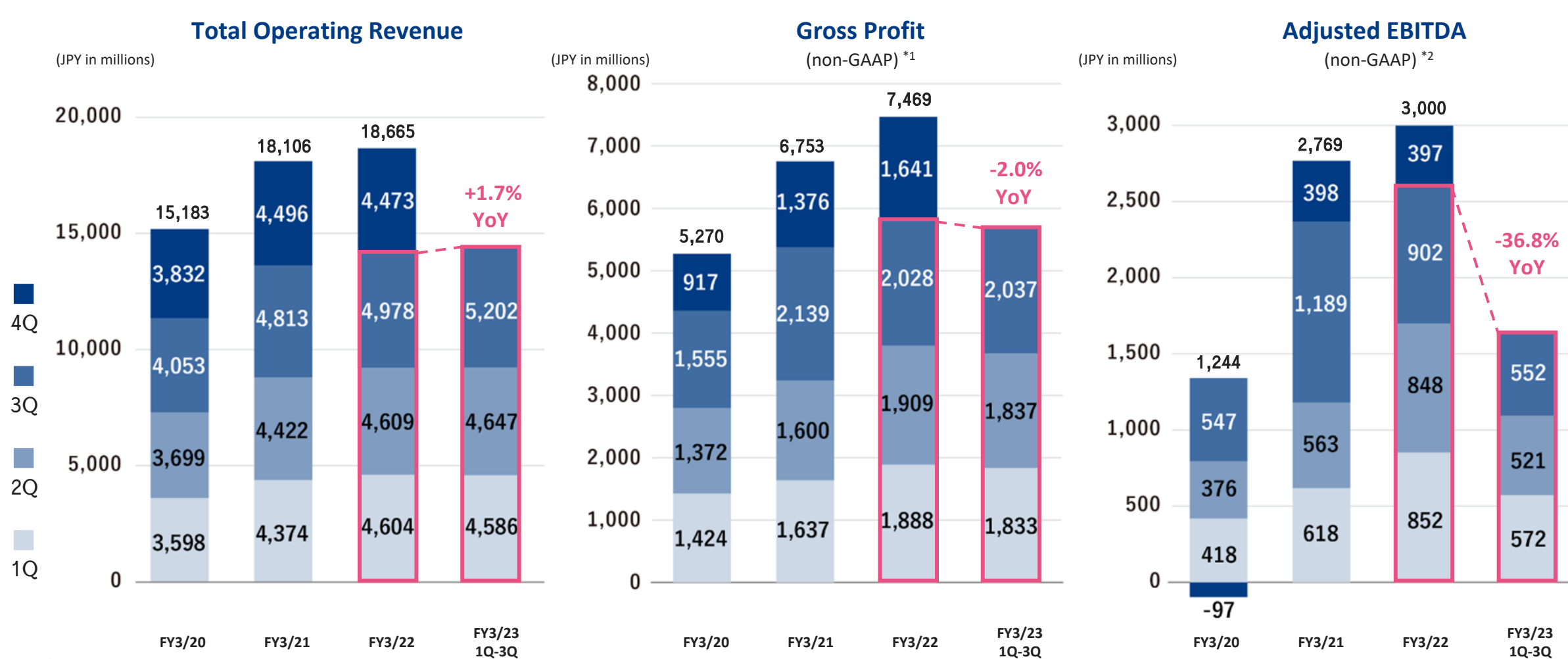
Gross Profit (non-GAAP)^{*1}

● BtoB ● BtoC



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

Financial Results: Total Operating Revenue, Gross Profit, and Adjusted EBITDA (9 Months)

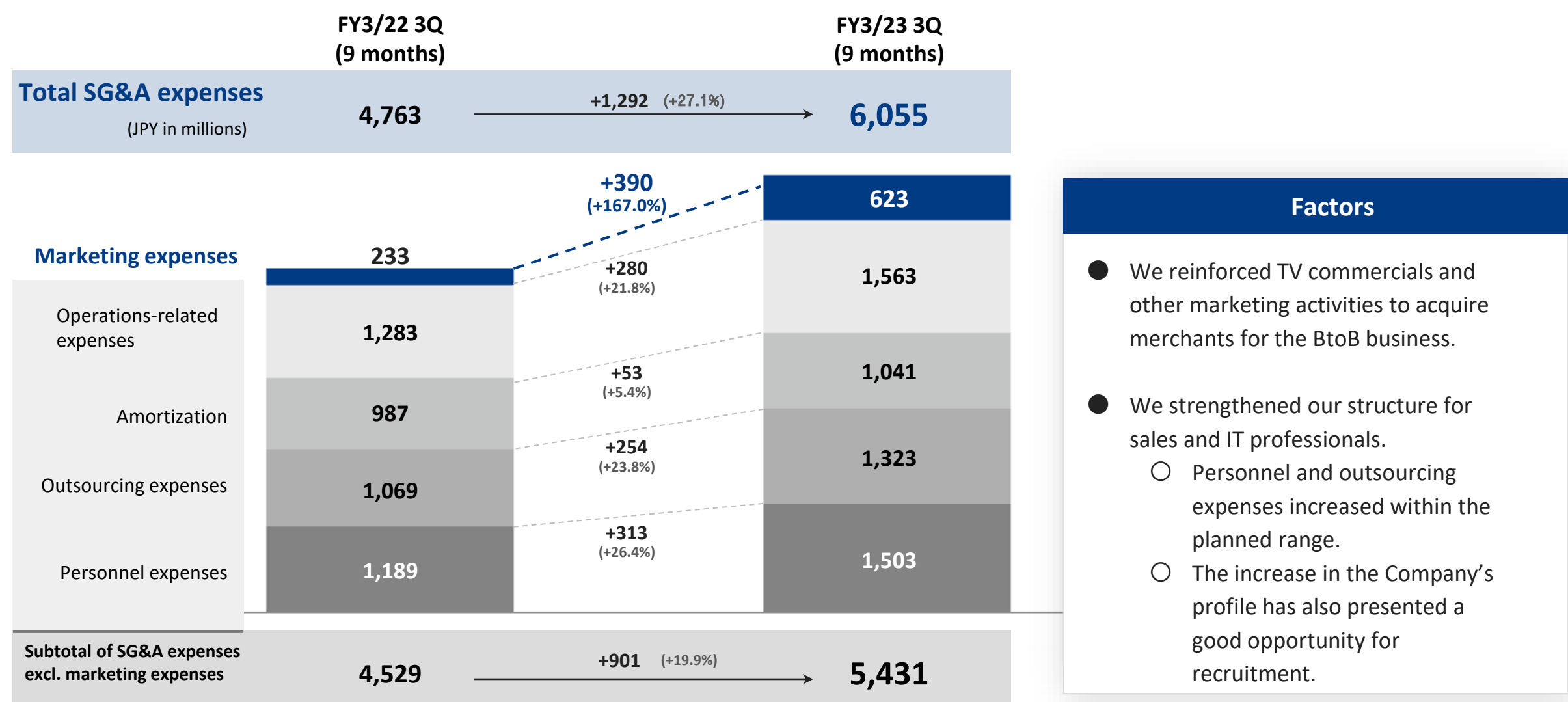


*1 Gross profit: Revenue - (Collection expense + Invoicing expense + Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade receivables + Credit screening expense + NP point expense + Other payment related expenses)

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

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

Financial Results: Analysis of Year-on-Year Change in SG&A Expenses (9 Months)





Growth Strategy

Medium-Term Business Plan

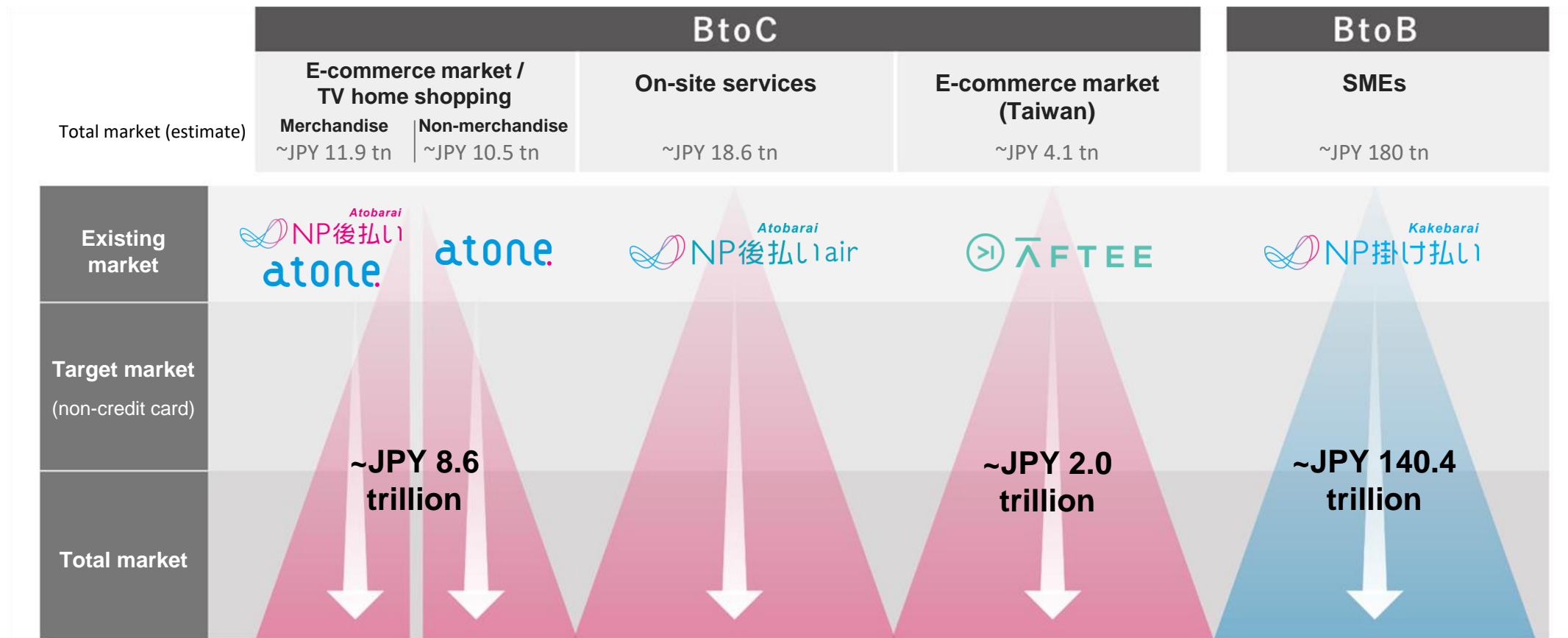
Market Size

Key Measures

- Marketing Activities
- Alliance
- atone Expansion

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, on-site 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%

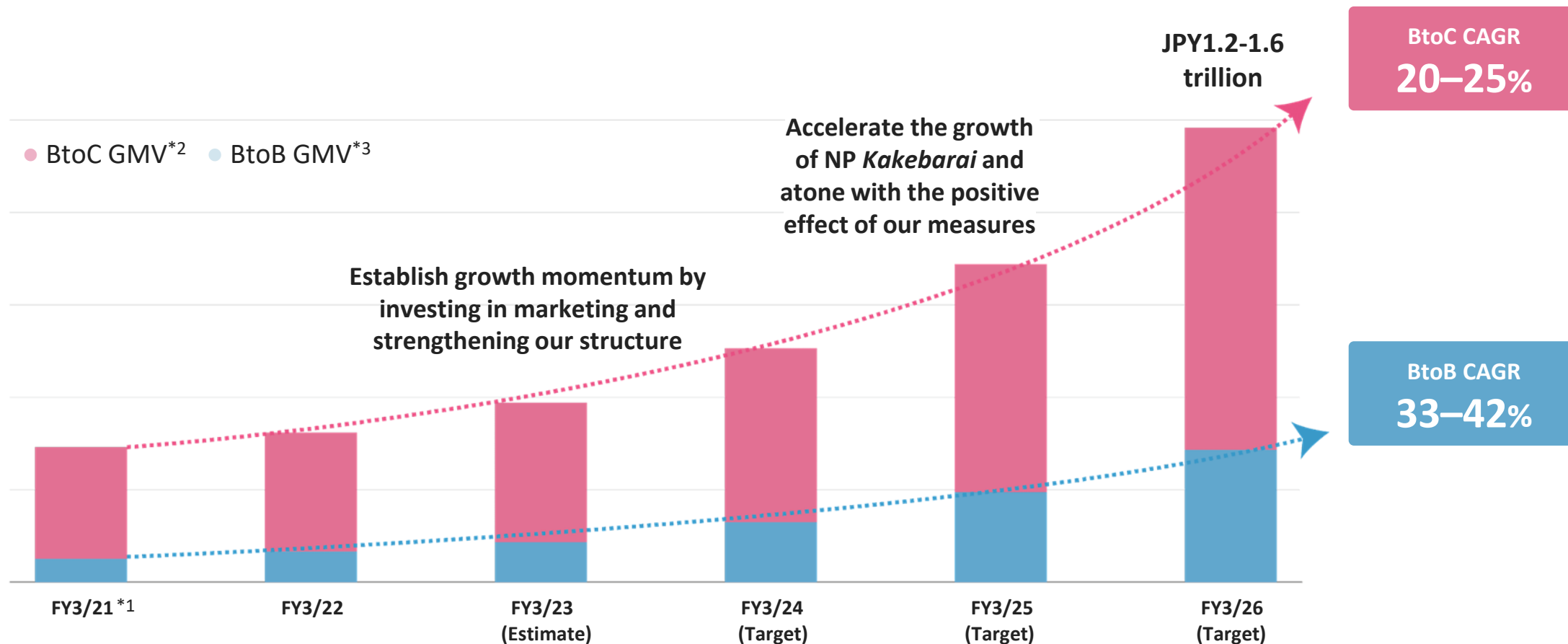
See Appendix on pages 56-58 for the definitions of TAM, SAM, and SOM.

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) 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

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 increase in phases.



*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

Extend atone functions & services

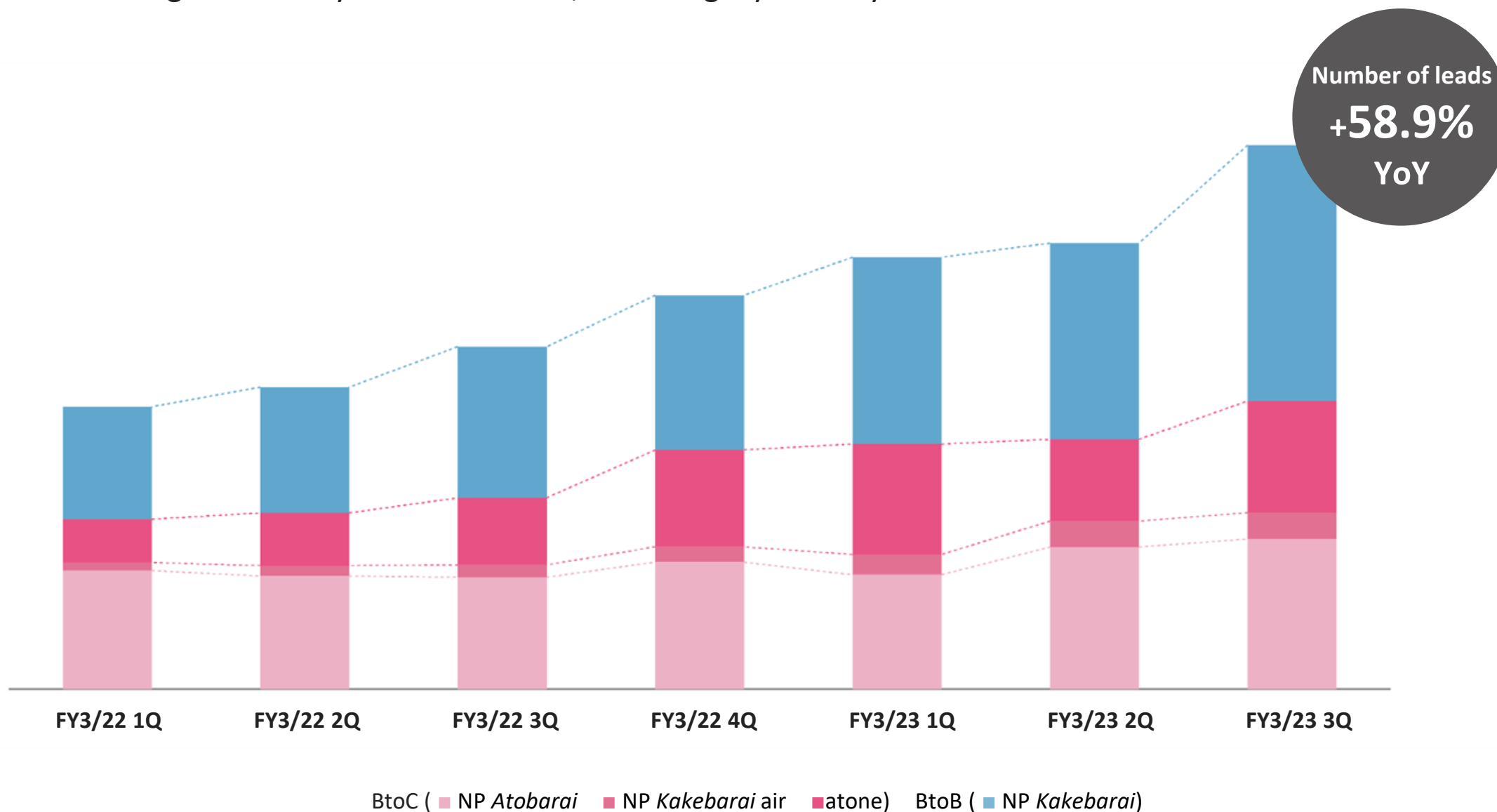


- ✓ Implement a new function, BNPL without sign-up
- ✓ Enhance transfer of users for merchants
- ✓ Accelerate the use of atone at physical stores

Strengthen our structure to facilitate the implementation of the key measures

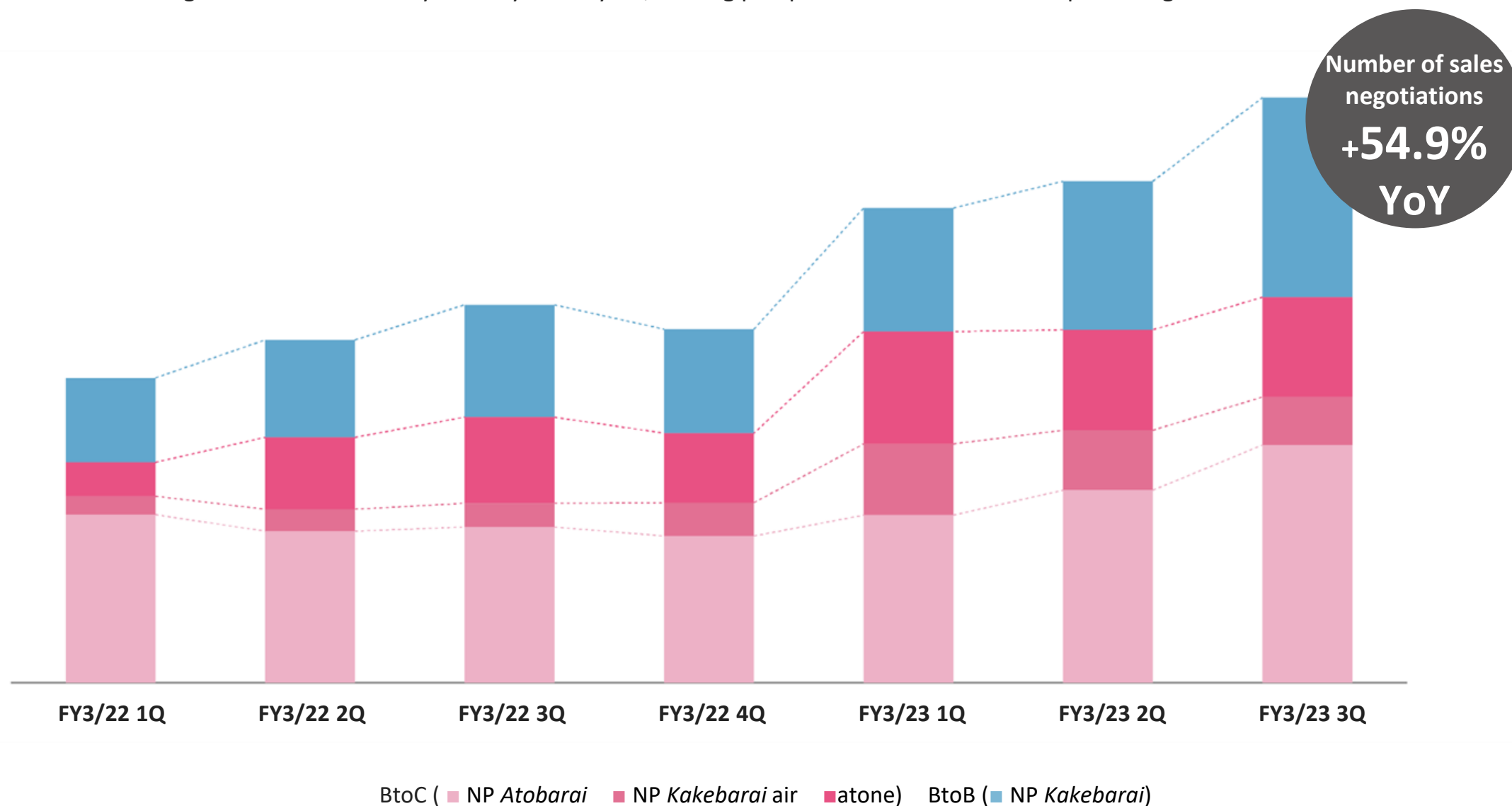
Growth Strategy: Quarterly Changes in Lead Generation

Number of leads grew steadily for each service, recording a year-on-year increase of 58.9% in 3Q.



Growth Strategy: Quarterly Changes in the Number of Sales Negotiations

With a strengthened sales force, we have been able to carry out the necessary sales activities to address the increased number of leads. The number of sales negotiations increased by 54.9% year on year, making prospects for the future more promising.



Growth Strategy: Progress of Marketing Activities (Effects of Promotion on BtoB Service, NP *Kakebarai*)

From November, we started airing TV commercials on NP *Kakebarai* in Tokyo & Kansai areas.
Web-based lead generation increased by 75% year on year to approx. 1,300. Web session counts in November also grew by 134% year on year.
In 4Q, we will discuss the strategy for the next fiscal year while focusing on PDCA cycle for digital distribution.

Major Advertising Measures in 3Q

October	November	December
	Aired TV commercials in Tokyo & Kansai	
Improved the landing page and website		
Strengthened the digital distribution		

Assessment

Online requests for information materials in 3Q

Approx. 1,300 requests, up 75% YoY
In November, when TV commercial was aired, the number grew by 100% YoY.

Web session counts during TV commercial airing

Web session counts significantly grew in November, up 134% YoY.

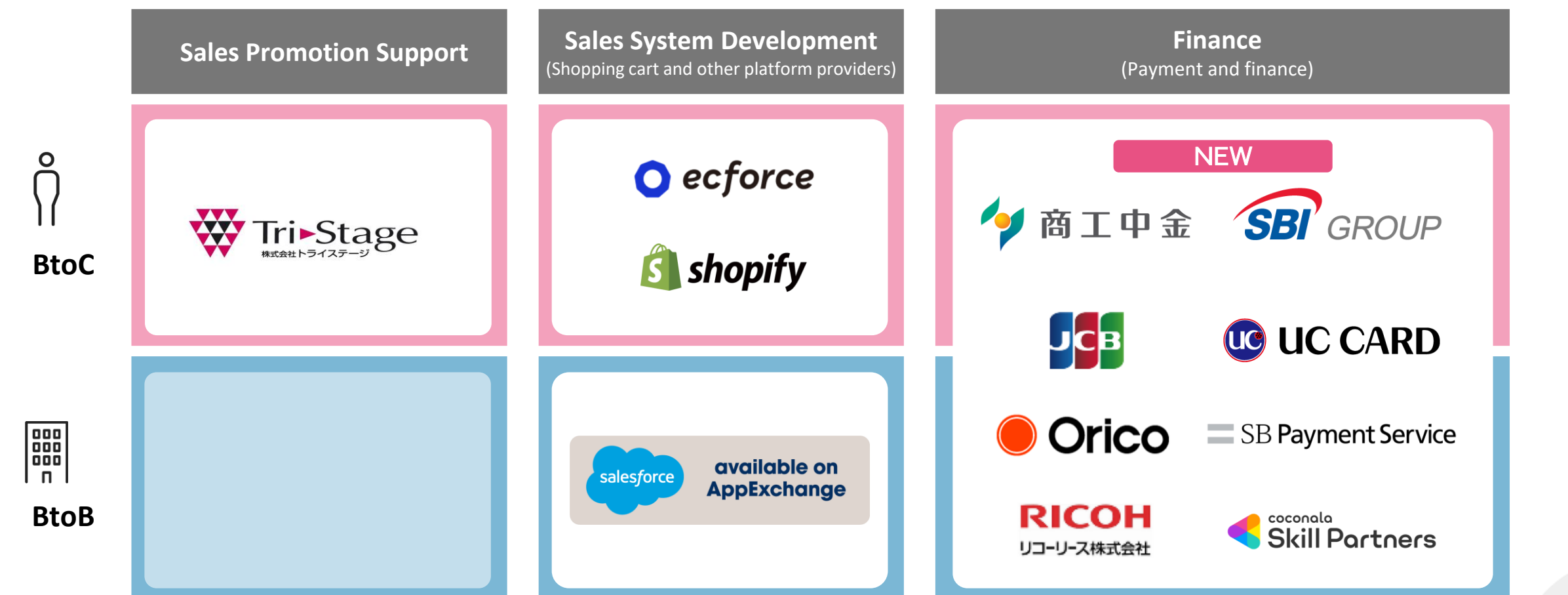
Major Advertising Measures Scheduled

January	February	March
Improving the landing page and website		
Strengthening the digital distribution		

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

In January 2023, we joined the SBI DX Database^{*1} by partnering with SBI Neo Financial Services, Co., Ltd. to accelerate digital transformation of invoicing operations of small and medium-sized enterprises by leveraging the SBI Group network.

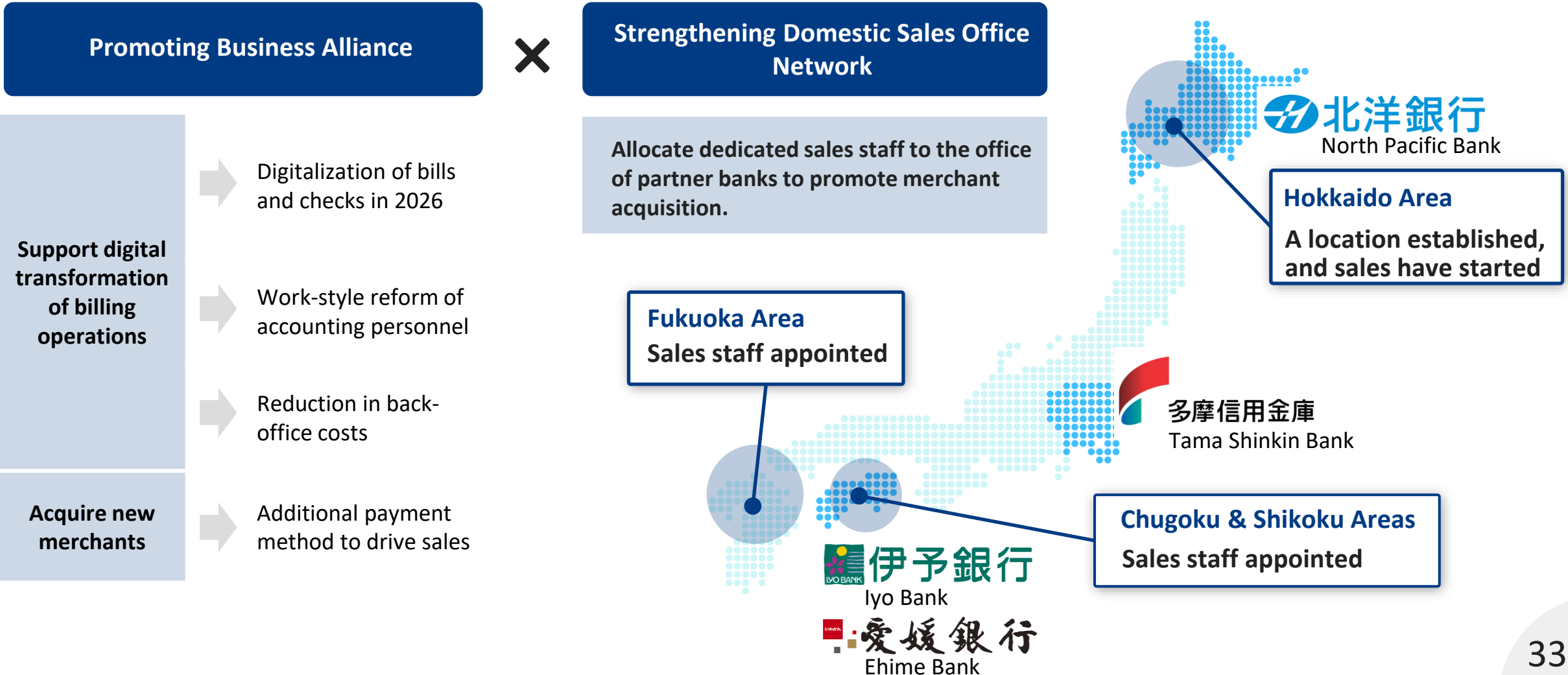
Alliance partners (excerpt)



^{*1} The SBI DX Database offers a wide lineup of solutions that contribute to the promotion of digital transformation of small and medium-sized companies by making full use of the network developed by the SBI Group through investments in venture companies.







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

We promote business alliance with regional and Shinkin banks to acquire local business operators that fall behind in digital transformation. In 3Q, we entered into the business alliance agreement with The Ehime Bank, Ltd. to accelerate local sales and digital transformation support.



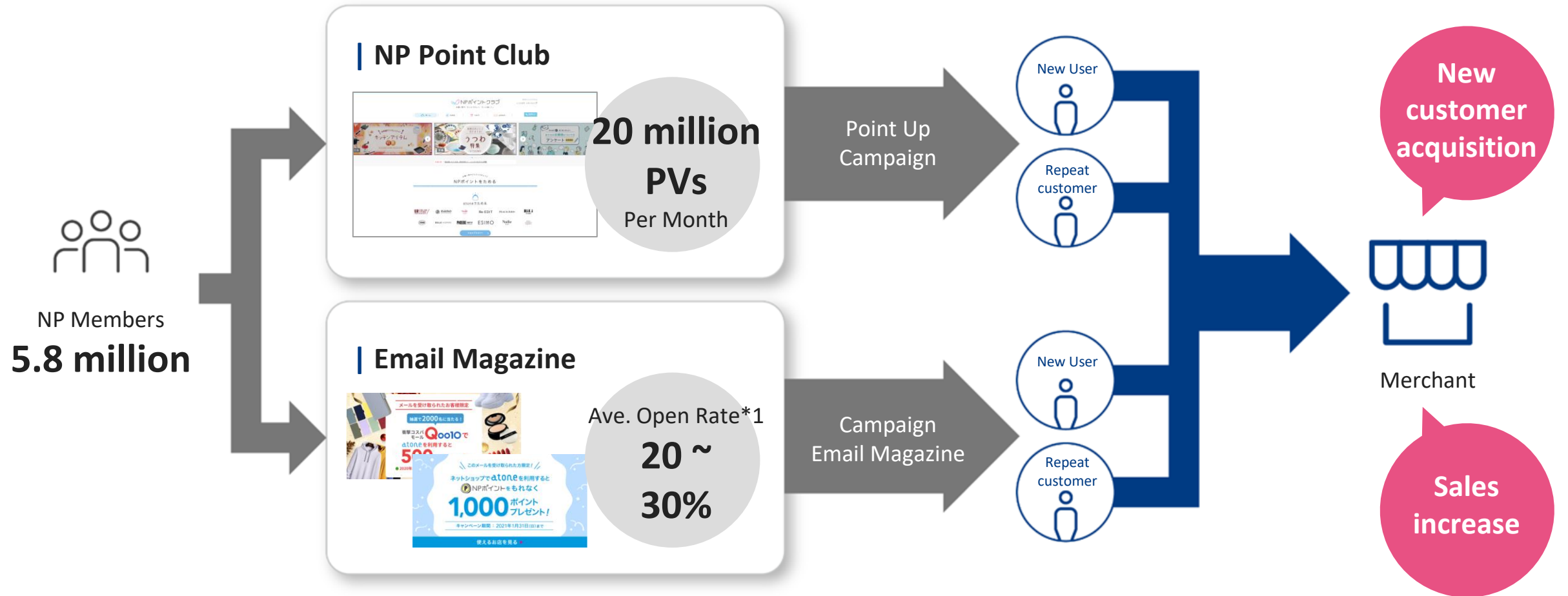
Growth Strategy: atone Expansion - Release of New Function, atone without Sign-up

Non-membership payment reduces the hurdles that first-time users need to clear to use, while membership payment encourages repeat use for more benefits and greater convenience.

	Non-membership (no sign-up needed)	Membership (a simple sign-up needed)
How to use	Easy to use with mobile phone number and email address SMS authentication	Membership provides advanced security and convenience App authentication 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 Pay per purchase or Next-month payment
Payment method	Convenience store or bank  CVS  Pay easy	Direct debit Available  CVS  Direct debit Pay easy  Paper invoice  Electronic barcode
Additional functions		Reward points Login service Available for offline stores

Growth Strategy: atone Expansion - Customer Retention and Customer Transfer to Merchants through the Reward Points Program

Transfer 5.8 million loyal BNPL customers to merchants, helping acquire new customers and increase sales.



*1 Reference: Company A (Category: General Merchandise)

Growth Strategy: atone Expansion - Expanding Target Markets (Offline Payment)

Members with certain payment records can also enjoy BNPL at physical stores.

atone is available at 160,000 stores nationwide.

Available stores *non-exhaustive list

Convenience stores



Drugstores



Restaurants



Hospitality Restaurant ※
Royal Host



※
海鮮居酒屋
はなの舞

Daily necessities stores





※
ToysRUs

※ Some stores are not available

Growth Strategy: atone Expansion (Summary)

We will evolve atone into an essential payment service for shopping by increasing the value proposition to both merchants and users.

 Merchants		 Users	
LTV improvement <ul style="list-style-type: none">▪ Next-month payment▪ Reward points	Service scope expansion <ul style="list-style-type: none">▪ Physical stores▪ Digital content▪ E-commerce merchandise	Flexible payment period <ul style="list-style-type: none">▪ Next-month payment▪ BNPL per purchase	Various payment methods <ul style="list-style-type: none">▪ Convenience store payment▪ Electronic barcode/Pay easy▪ Direct debit
Brand / UX enhancement <ul style="list-style-type: none">▪ White Label▪ OEM	New customer acquisition <ul style="list-style-type: none">▪ More than 5.8 million users▪ Customer transfer campaigns	Security enhancement <ul style="list-style-type: none">▪ SMS authentication▪ Fraud detection with more than 300 million transactions data	Benefits <ul style="list-style-type: none">▪ Reward points▪ Sales promotion campaigns



Appendix

- **Financial Statements, etc.**
- **IR Newsletter**
- **Business and Market Overview**

Key Performance Indicators

	Three months ended December 31, 2021	Three months ended December 31, 2022	Percentage change	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Percentage change
	(JPY in millions)	(JPY in millions)	(%)	(JPY in millions)	(JPY in millions)	(%)
GMV (non-GAAP)*¹	128,094	132,635	3.5	357,151	372,824	4.4
BtoC Services	102,018	95,789	(6.1)	285,048	273,398	(4.1)
BtoB Services	26,075	36,846	41.3	72,102	99,426	37.9
Total Operating Revenue	4,978	5,202	4.5	14,192	14,436	1.7
BtoC Services	4,366	4,424	1.3	12,471	12,286	(1.5)
BtoB Services	612	778	27.1	1,721	2,150	24.9
Other operating revenue	102	85	(16.5)	339	367	8.1
Revenue	4,875	5,117	5.0	13,852	14,069	1.6
Invoicing related expenses (non-GAAP)* ²	1,964	2,183	11.1	5,641	5,846	3.6
Bad debt related expenses (non-GAAP)* ³	760	806	5.9	2,096	2,244	7.1
Other payment related expenses (non-GAAP)* ⁴	121	90	(25.7)	286	269	(6.1)
Gross profit (non-GAAP)*⁵	2,028	2,037	0.4	5,827	5,708	(2.0)
BtoC Services	1,675	1,577	(5.8)	4,786	4,418	(7.7)
BtoB Services	353	459	30.1	1,041	1,290	23.9
Selling, general and administrative expenses, and other operating expenses (non-GAAP)* ⁶	1,930	2,206	14.3	5,071	6,119	20.7
Operating profit	201	(83)	—	1,095	(43)	—
Depreciation and amortization	326	346	6.3	981	1,034	5.4
Share-based payment expenses	1	3	71.5	6	6	12.7
Loss on disposal of property, plant and equipment	5	3	(27.5)	16	24	51.0
Impairment loss	—	—	—	—	—	—
Gain on reversal of impairment losses	—	—	—	—	—	—
EBITDA (non-GAAP)*⁷	534	270	(49.5)	2,099	1,021	(51.3)
IPO-related expenses	252	—	(100.0)	269	—	(100.0)
Marketing expenses (non-GAAP)* ⁸	114	281	145.3	233	623	167.0
Adjusted EBITDA (non-GAAP)*⁹	902	552	(38.8)	2,602	1,645	(36.8)

*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 December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	12,119	9,808
Trade and other receivables	22,019	27,319
Inventories	19	14
Other current receivables	473	812
Total current assets	34,631	37,954
Non-current assets		
Property, plant and equipment	982	850
Goodwill	11,608	11,608
Intangible assets	3,566	3,913
Other financial assets	740	1,061
Deferred tax assets	1,333	1,349
Other non-current assets	173	156
Total non-current assets	18,405	18,941
Total Assets	53,037	56,896

(JPY in millions)

	As of March 31, 2022	As of December 31, 2022
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	26,960	31,496
Short-term loans	—	—
Lease liabilities	397	413
Other current financial liabilities	5	9
Income taxes payable	816	102
Provisions	40	32
Liabilities for employee benefits	353	412
Other current liabilities	465	648
Total current liabilities	29,039	33,115
Non-current liabilities		
Long-term loans	4,955	4,962
Lease liabilities	330	179
Provisions	69	84
Total non-current liabilities	5,354	5,225
Total Liabilities	34,394	38,341
Equity		
Share capital	4,095	4,106
Capital surplus	14,046	14,056
Retained earnings	466	340
Other components of equity	34	51
Total equity attributable to owners of parent	18,642	18,554
Total Equity	18,642	18,554
Total Liabilities and Equity	53,037	56,896

Consolidated Statement of Profit or Loss

(JPY in millions)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Revenue	13,852	14,069
Other operating revenue	339	367
Total operating revenue	14,192	14,436
Operating expenses	(13,096)	(14,480)
Operating profit	1,095	(43)
Financial income	0	0
Financial costs	(166)	(46)
Profit before income taxes	929	(89)
Income tax expense	(411)	(36)
Profit (loss)	517	(126)
Profit (loss) attributable to:		
Owners of parent	517	(126)
Profit (loss)	517	(126)
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	5.89	(1.31)
Diluted earnings (loss) per share (yen)	5.74	(1.31)

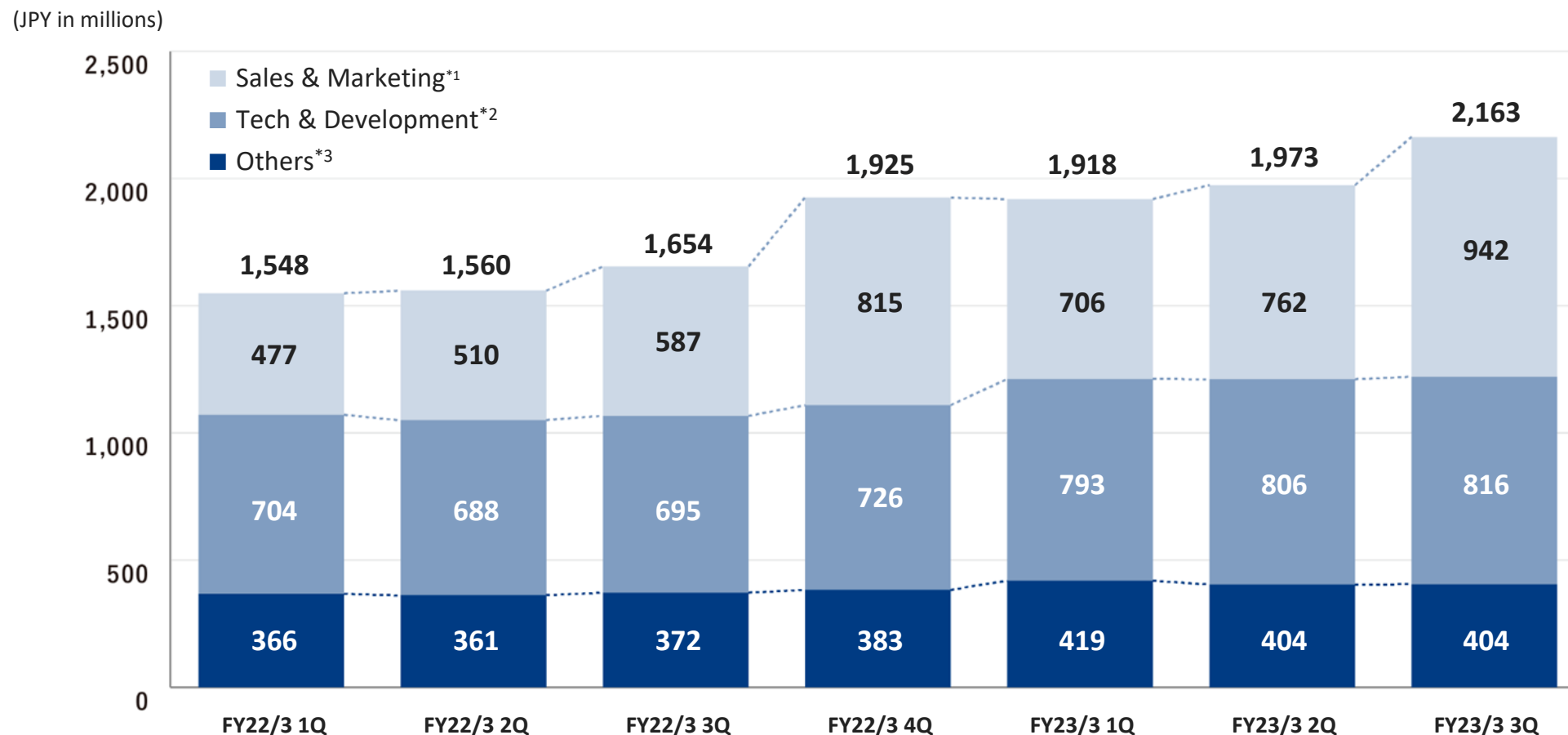
Consolidated Statement of Cash Flows

(JPY in millions)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Cash Flows from Operating Activities		
Profit before income taxes	929	(89)
Depreciation, amortization and impairment losses	981	1,034
Share-based payment expenses	6	6
Finance income and finance costs	136	36
Increase (decrease) in provisions	0	6
Loss on disposal of property, plant and equipment	16	24
Decrease (increase) in inventories	(1)	4
Decrease (increase) in trade and other receivables	(5,909)	(5,300)
Increase (decrease) in trade and other payables	7,250	4,535
Other	118	256
Subtotal	3,526	515
Interest received	0	0
Interest paid	(181)	(21)
Income tax paid	(890)	(1,193)
Cash Flows from Operating Activities	2,455	(698)
Cash Flows from Investing Activities		
Payments into time deposits	—	(2)
Purchase of property, plant and equipment	(5)	(87)
Purchase of intangible assets	(617)	(937)
Payments for guarantee deposits	(11)	(78)
Proceeds from collection of guarantee deposits	52	76
Purchase of available-for-sale securities	—	(315)
Cash Flows from Investing Activities	(582)	(1,344)
Cash Flows from Financing Activities		
Repayments of long-term borrowings	(250)	—
Purchase of debt instruments	(1,994)	—
Repayments of lease liabilities	(287)	(281)
Proceeds from issuance of shares	7,854	14
Cash Flows from Financing Activities	5,323	(266)
Effects of exchange rate changes on cash and cash equivalents	5	0
Net increase (decrease) in cash and cash equivalents	7,201	(2,310)
Cash and cash equivalents at the beginning of the period	8,304	12,119
Cash and cash equivalents at the end of the period	15,505	9,808

Financial Results: SG&A Expenses (Quarterly Trend by Function)

We made efficient investments by focusing on advertising, sales personnel increase, and system development to acquire new merchants, while containing other expenses.



*1 Sales & Marketing: Personnel, outsourcing, operations-related, marketing, and other expenses related to sales and marketing

*2 Tech & Development: Personnel, outsourcing, operations-related, and other expenses related to system development, credit-related operations, and other operations

*3 Others: SG&A expenses other than *1 and *2 above (personnel and outsourcing expenses related to back-office operations, and call center outsourcing expenses, etc.)

IR Newsletter

Subscribe to our IR Newsletter

The following information is delivered via email:

- Announcement of financial results presentation and IR seminars
- Notice of financial statements uploads
- News releases

If you would like to receive our newsletter, please register using the form below or the QR code on the right.

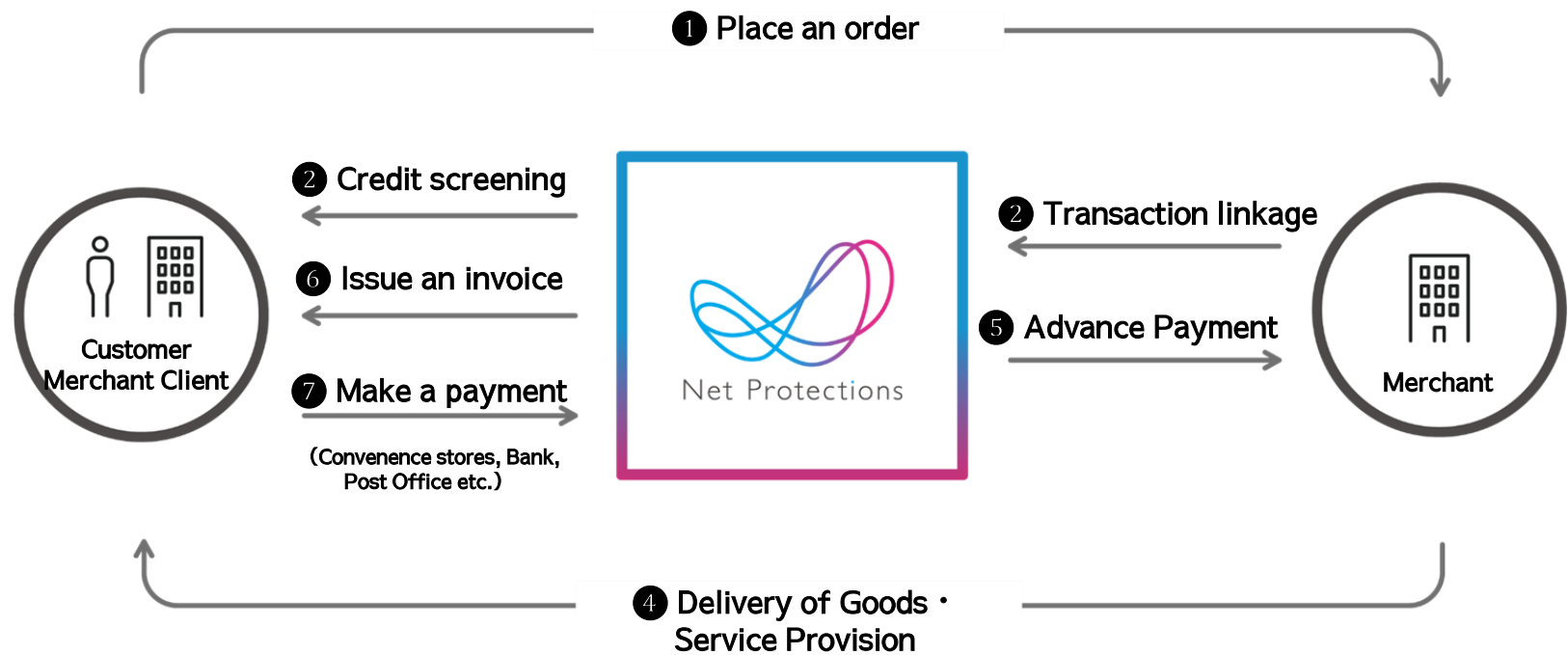
<https://share.hsforms.com/1hz-HTwboSK2xYNq0TLIMswcwzc4>



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 online store
- ✓ No need to use credit cards
- ✓ Mobile phone friendly

6 Payment made after the arrival of goods



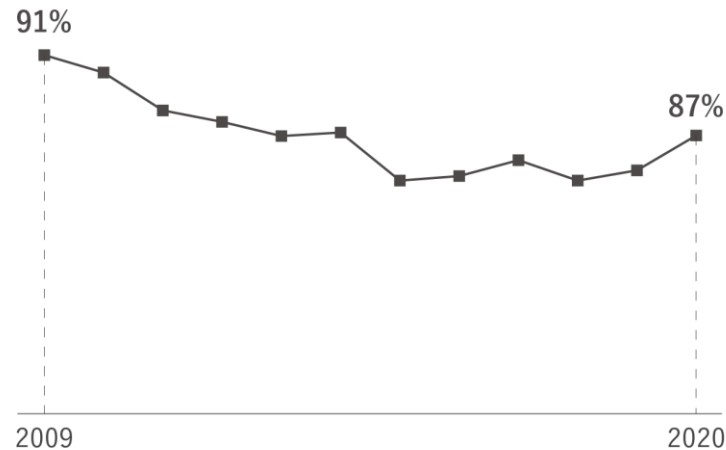
- ✓ No worry about whether goods will arrive, unlike in case of advance payments
- ✓ Easy to return, easy to exchange, easy to cancel

Credit Cards Do Not Completely Satisfy User Demands

Facts on Credit Card Usage in Japan

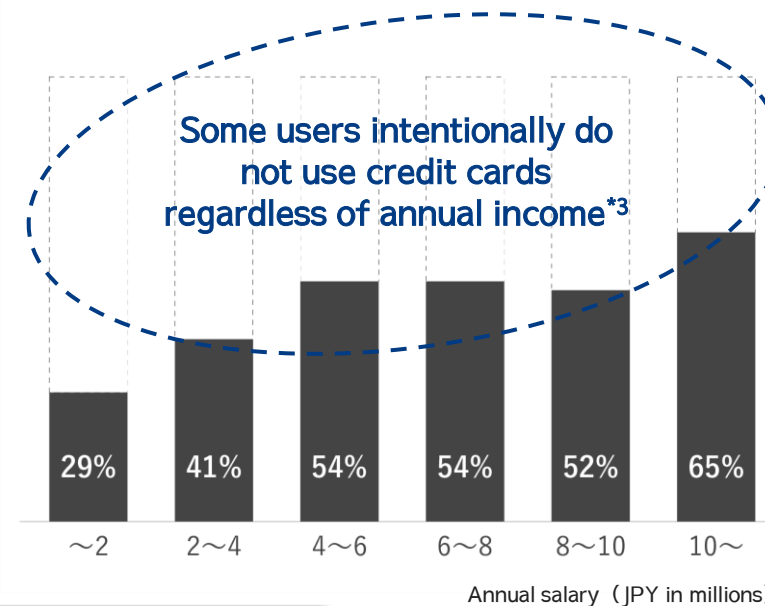
1 Credit card penetration rate*1

【Credit card penetration rate】



2 Some users do not use credit cards

【Credit card usage by annual income】*2



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

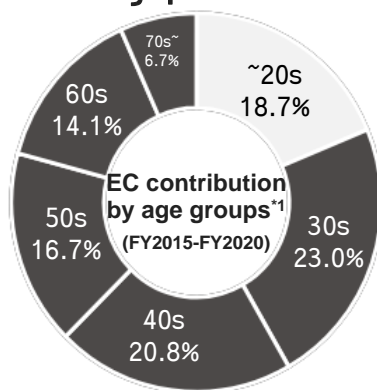
Source: 1 Japan Credit Bureau Co., Ltd. "Comprehensive credit card survey (September 2013 and September 2018, February 2021)"

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"

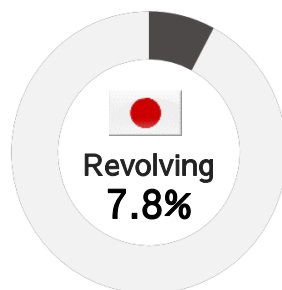
The Uniqueness of Japan Market

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

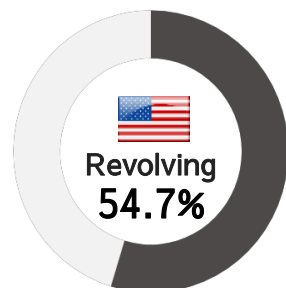


Consumers in Japan rely less on installment payments

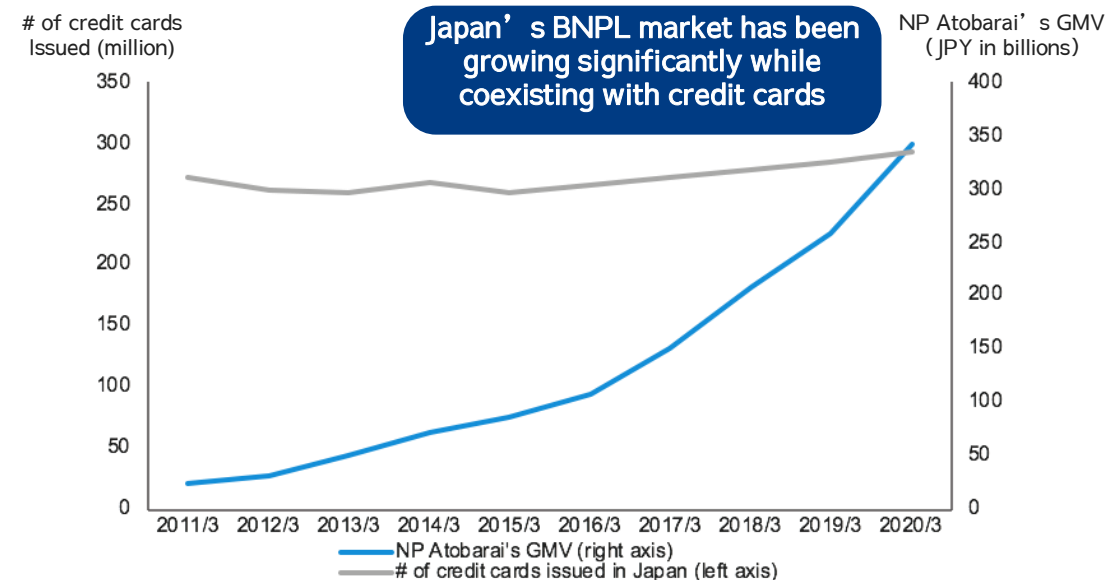
Japan: Usage of credit cards (by Volume)^{*2}



(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

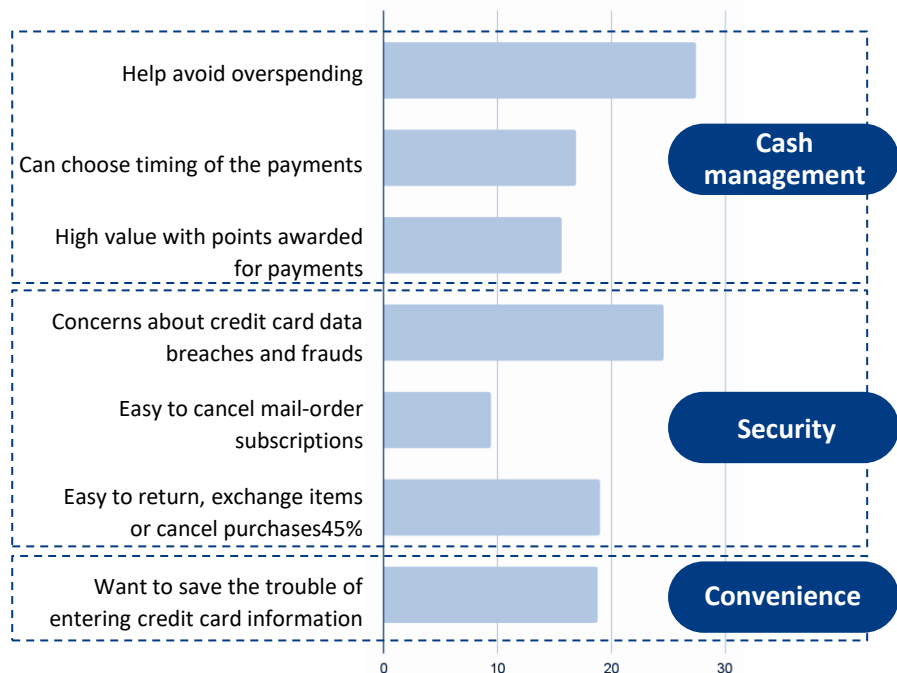
^{*2} Japan Consumer Credit Association. Based on the transaction volume in 2020. Payments exceeding 2 months are defined as “Revolving”

^{*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

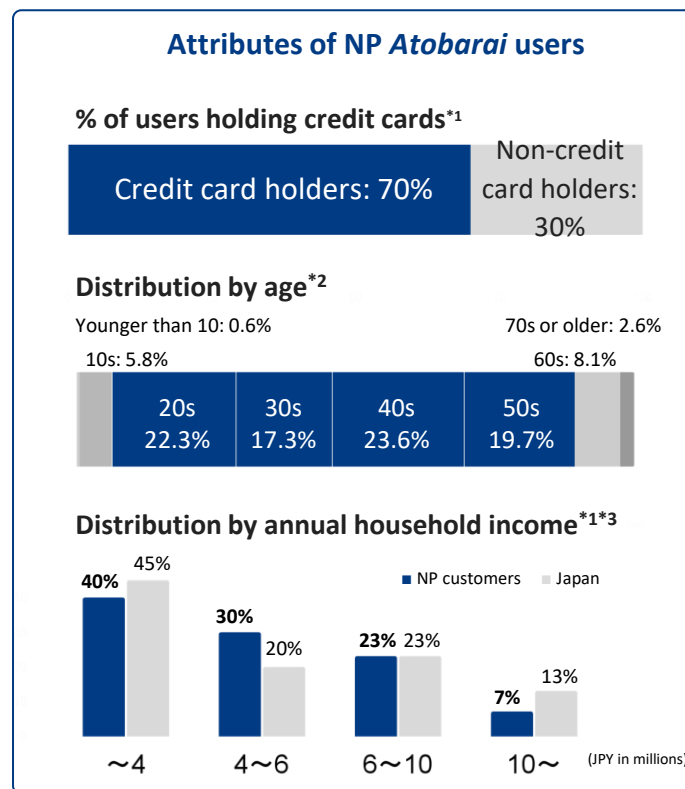
Lump Sum BNPL Service Providing Safe and Secure Transactions as Value Proposition

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

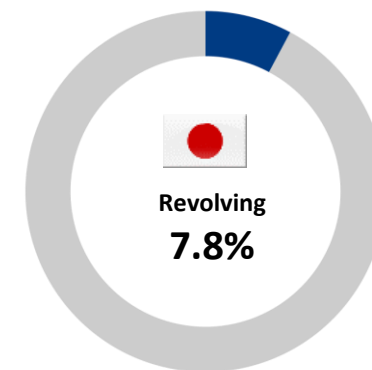


2 The user base is highly diversified.

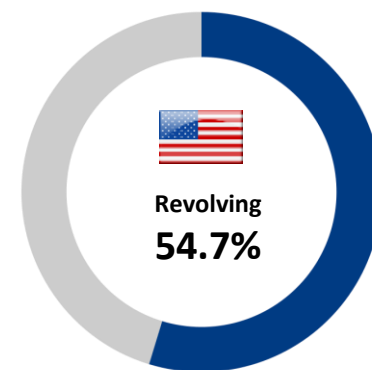


3 The full payment is preferred in Japan, whereas the installment payment is preferred overseas.

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

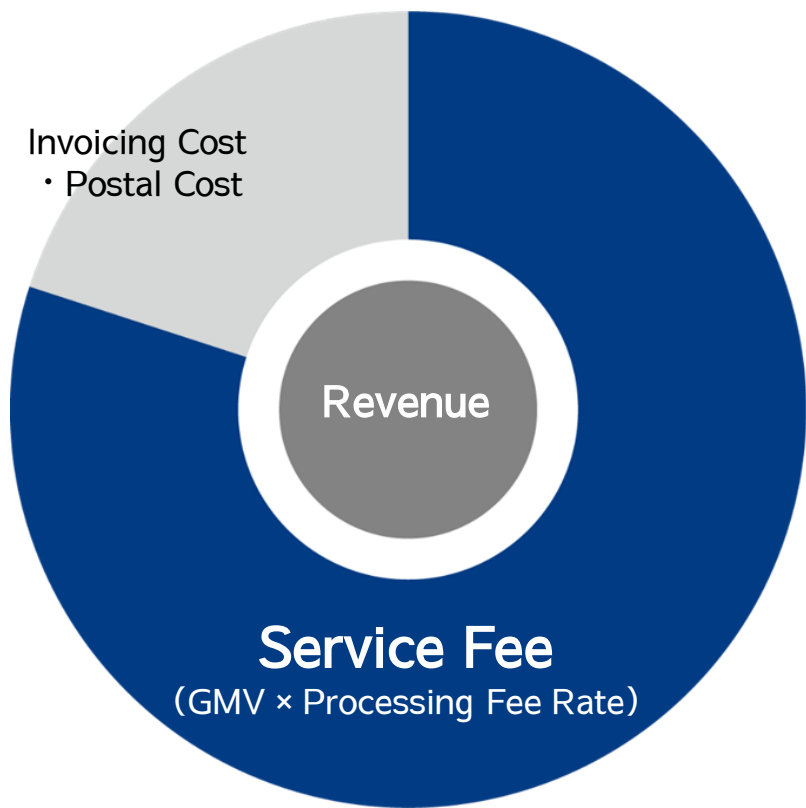
*4 Based on the amount used in 2020. Payments exceeding 2 months are defined as "revolving."

*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."

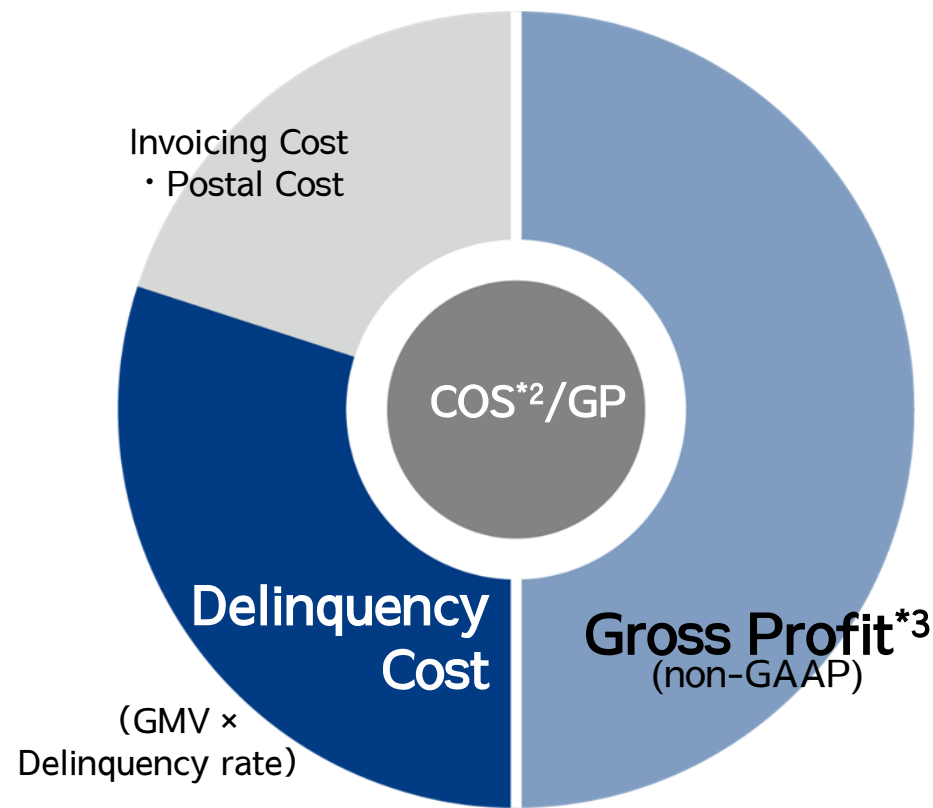
Source: "Survey of Household Economy" (2020), Japan Consumer Credit Association "Japan Credit Statistics" (2020), American Bankers Association "Credit Card Market Monitor"

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 (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



Examples of Introduction : BNPL available in on-site services



Renovation /
Construction work



Repair / Maintenance



Housekeeping service



Moving



Food Delivery



Rental



Event / Seminar



Electricity / Gas

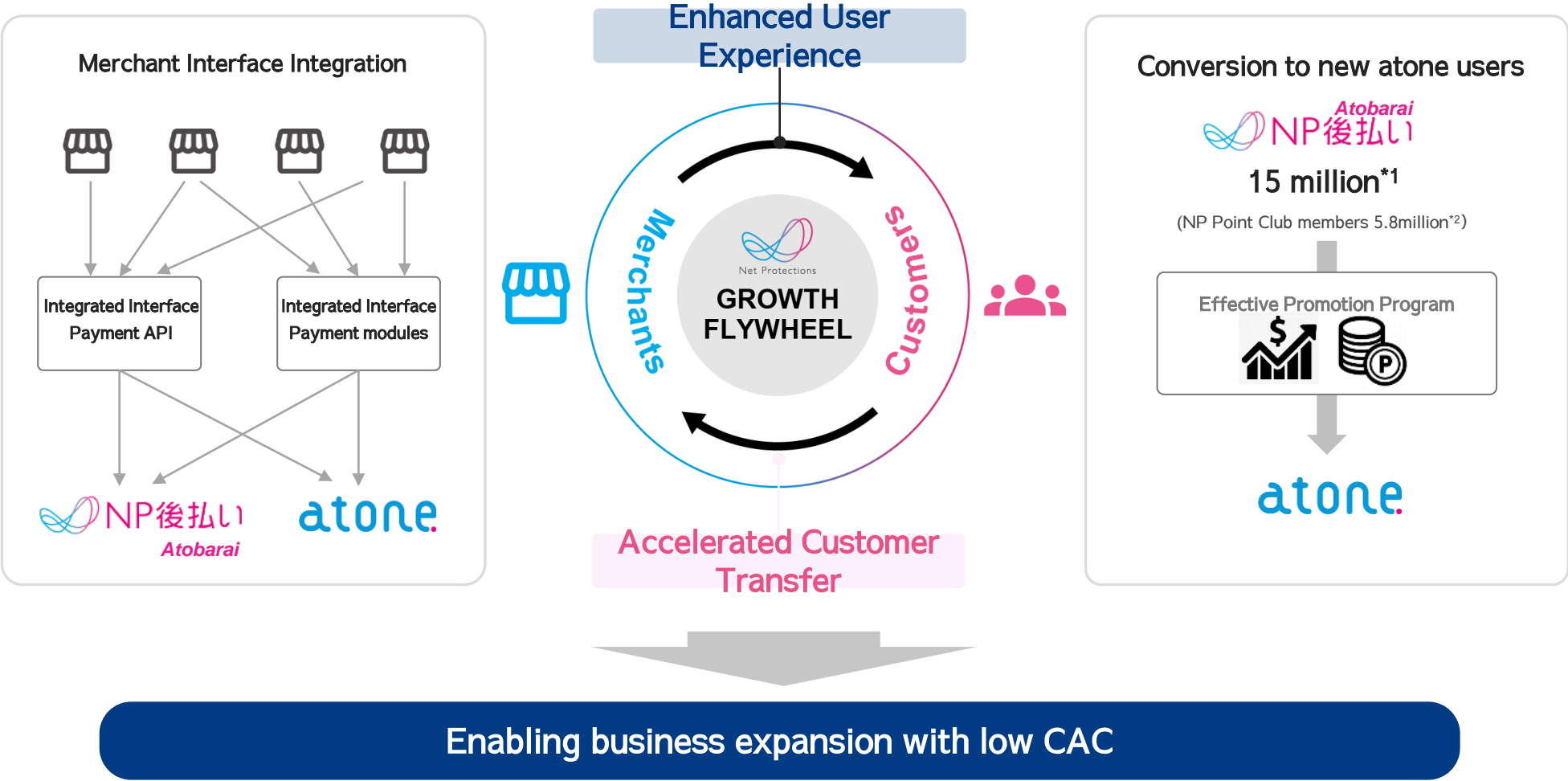
Benefits for Customers

No need to prepare cash
at the time of service

Benefits for Merchants

Eliminate cash transactions and reduce
collection and accounting procedures

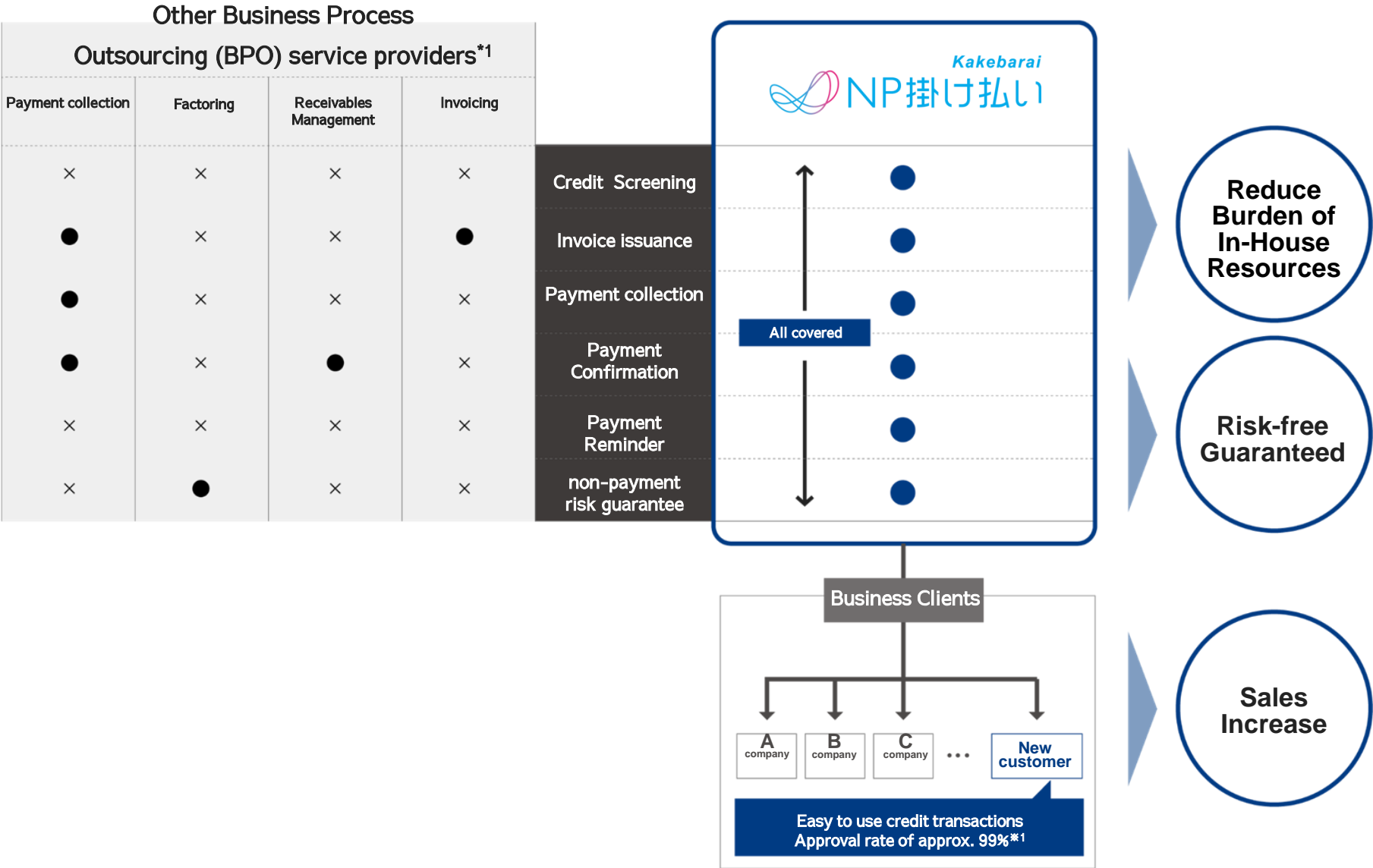
Growth Strategies for BtoC Services



*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)

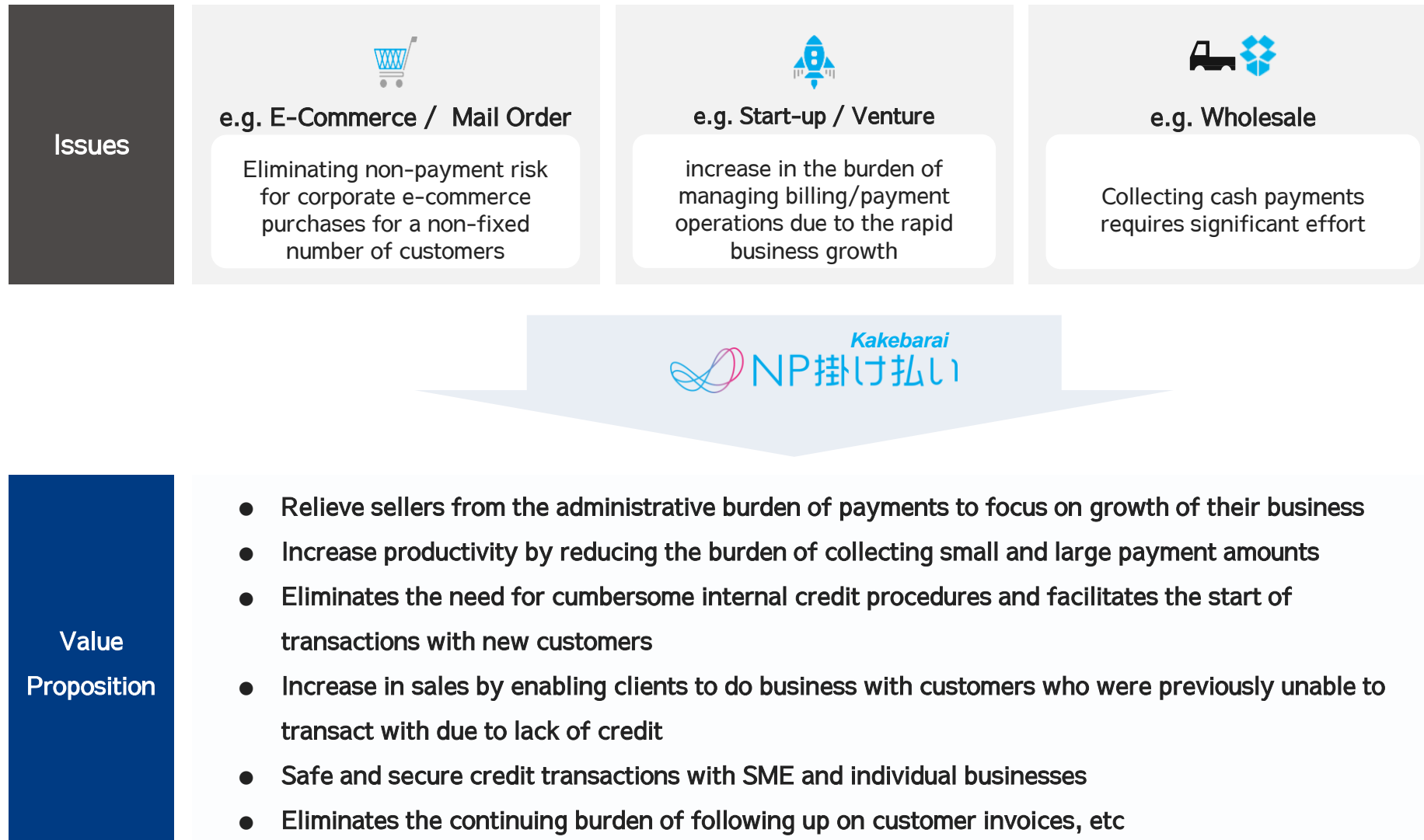
*2 The number of atone members are included in the number of NP point Club members. As of December 2022

NP Kakebarai's Value Proposition

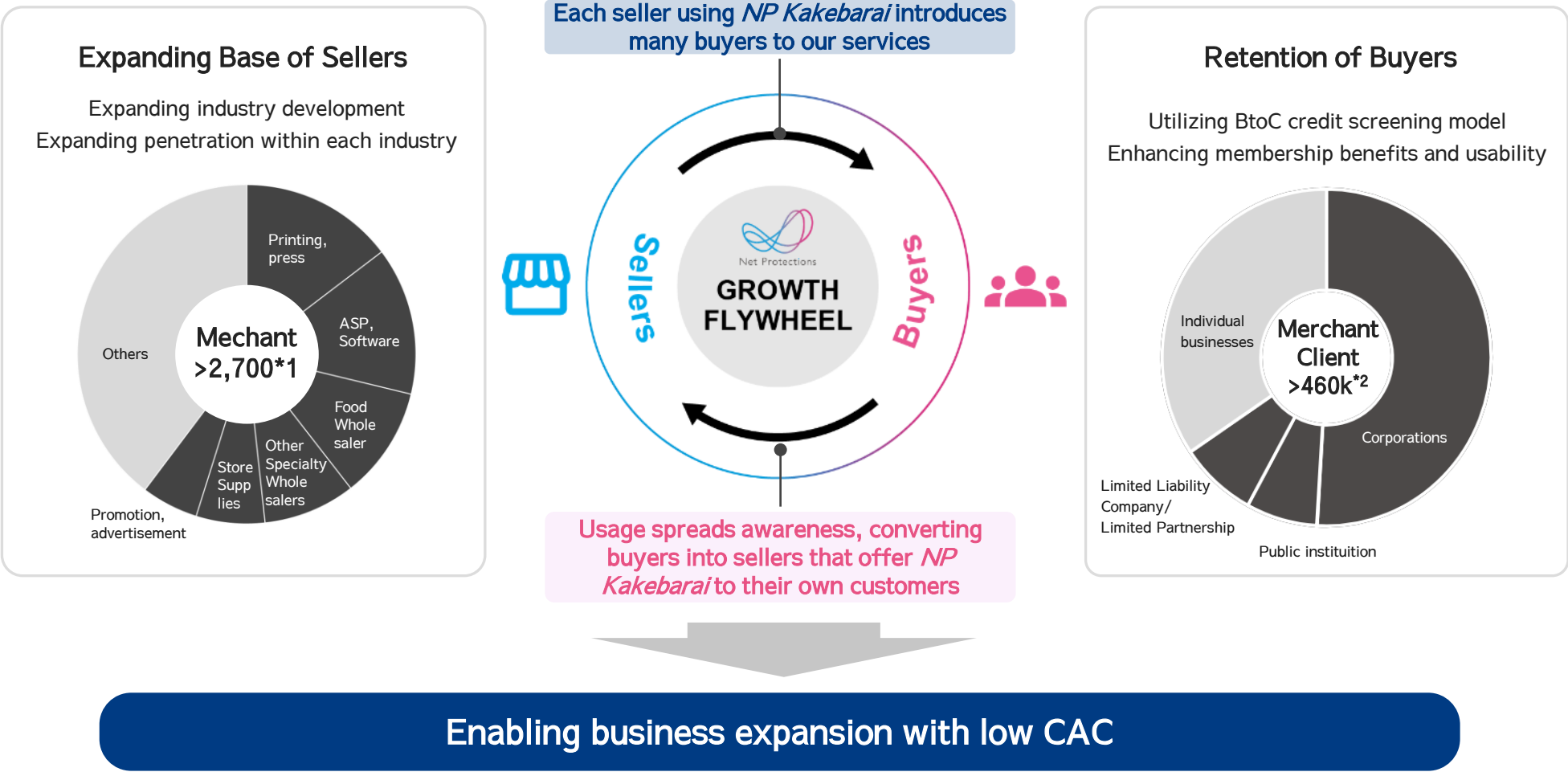


*1 Representative services offered by BPO service (business process outsourcing service) providers

NP Kakebarai's Value Proposition



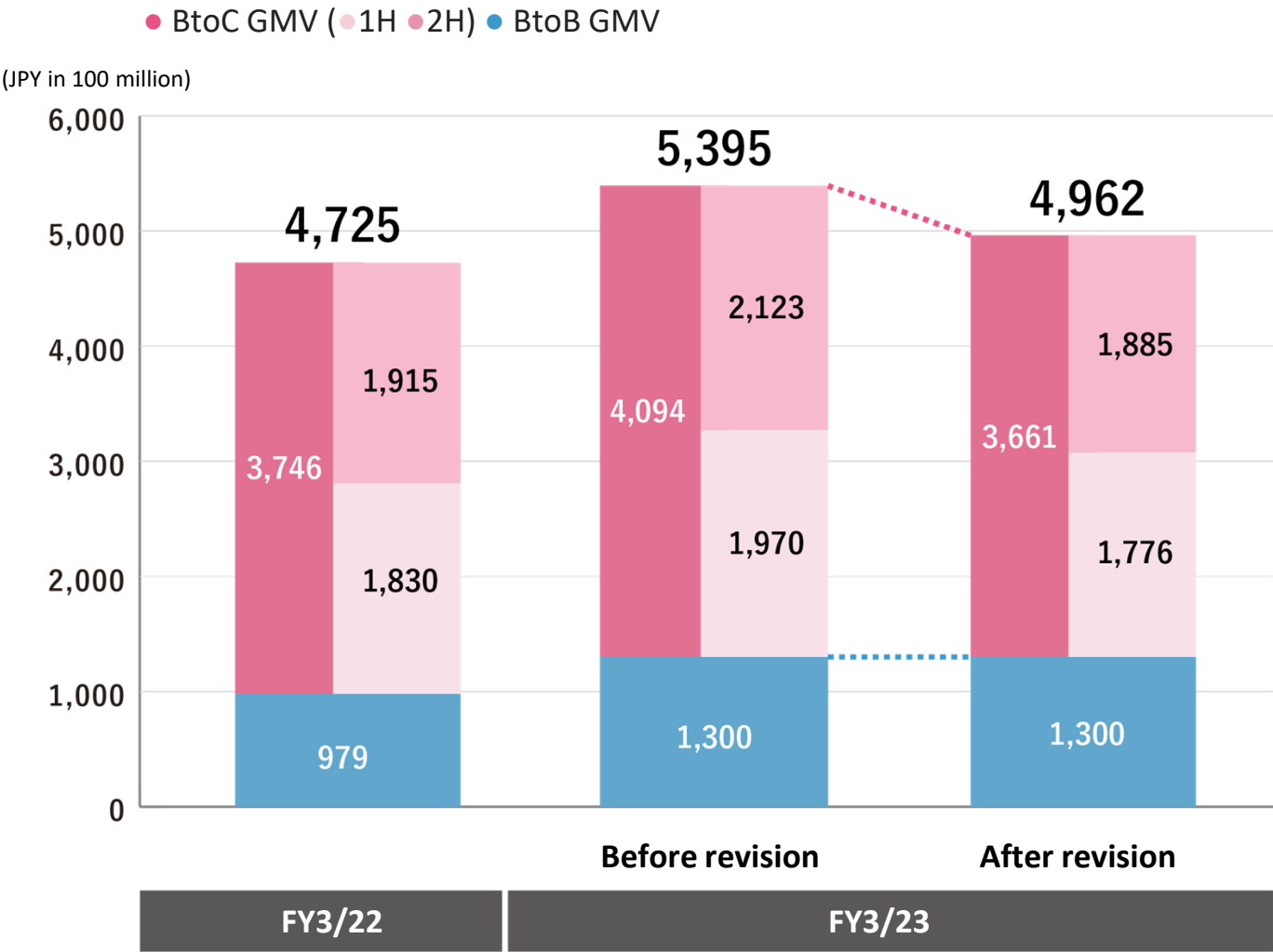
Growth Strategies for BtoB Services



*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)

Revisions to Earnings Forecasts: GMV (Announced in November 2022)

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.

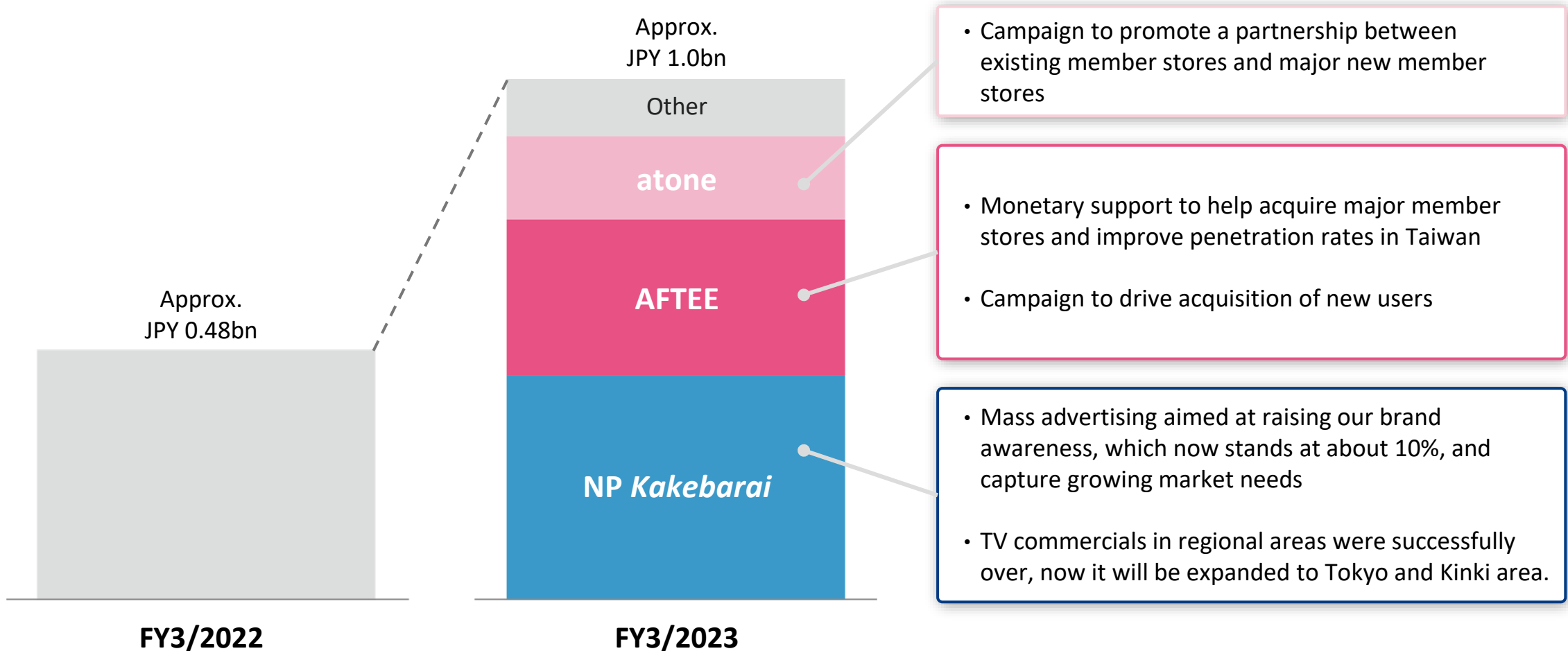


Factors (BtoC)

- 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.

Growth Strategy: Marketing Activities (Policy on Investments)

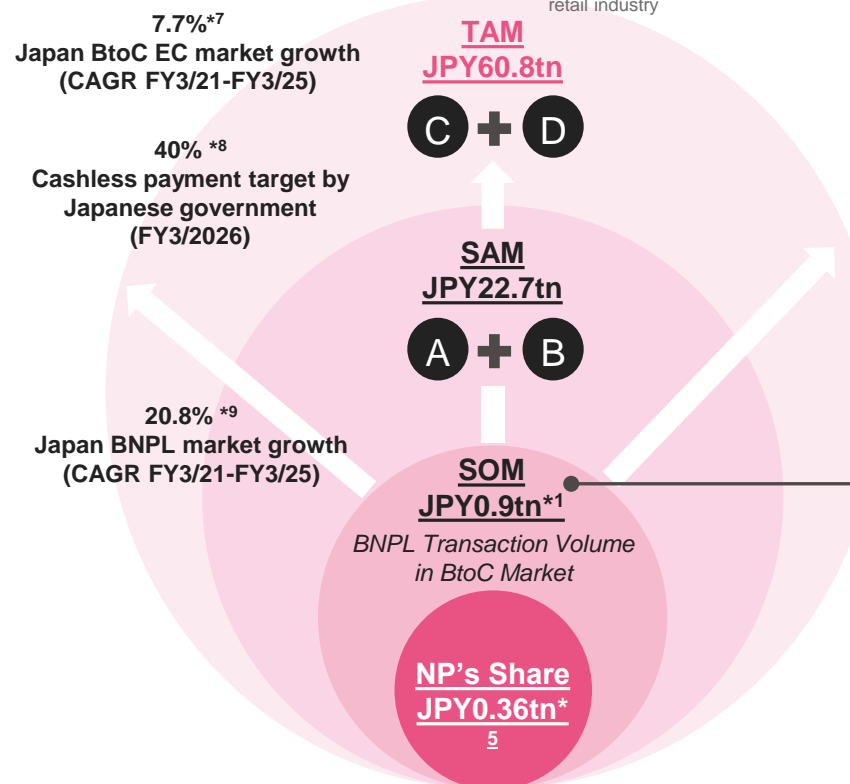
During the fiscal year ending March 31, 2023, we will strategically invest about JPY 1.0 billion in marketing towards GMV growth and expansion of the member store base over the medium term.



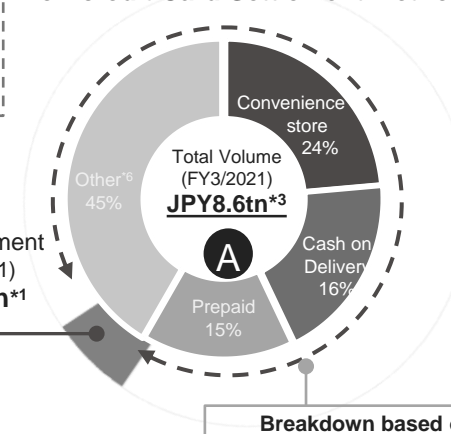
TAM / SAM / SOM of BtoC BNPL (NP Atobarai + atone)

- 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

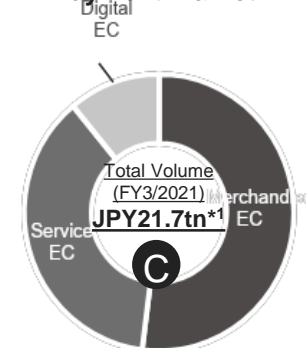
- BtoC TAM: Estimates of domestic market of online payment plus domestic market of cashless payment in retail industry
- BtoC SAM: Estimates of non-credit card payment domain in domestic market of online payment plus non-credit card payment domain of domestic market of cashless payment in retail industry



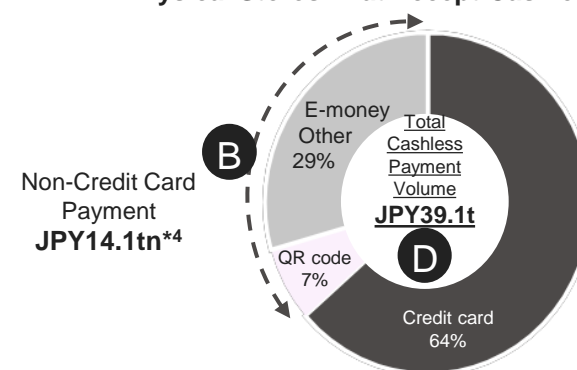
Breakdown of Online (EC) Non-credit Card Settlement Methods



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).

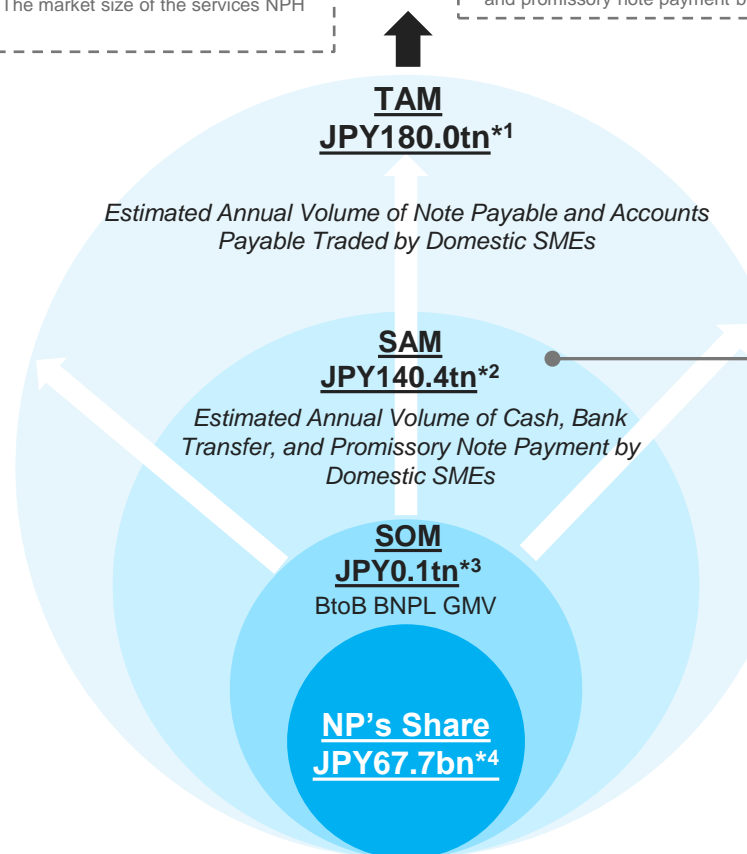
*8 Ministry of Economy, Trade and Industry (METI) "Cashless Vision" (P70).

*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

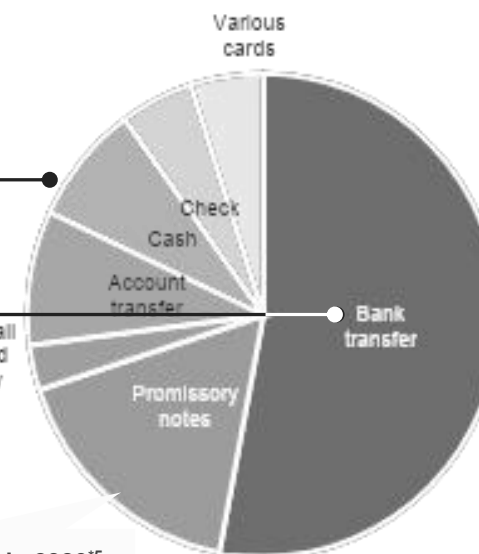
- BtoB TAM: Estimates of total volume of note payable and accounts payable traded by domestic SMEs
- BtoB SAM: Estimates of total amount of cash, bank transfer, and promissory note payment by domestic SMEs



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)").

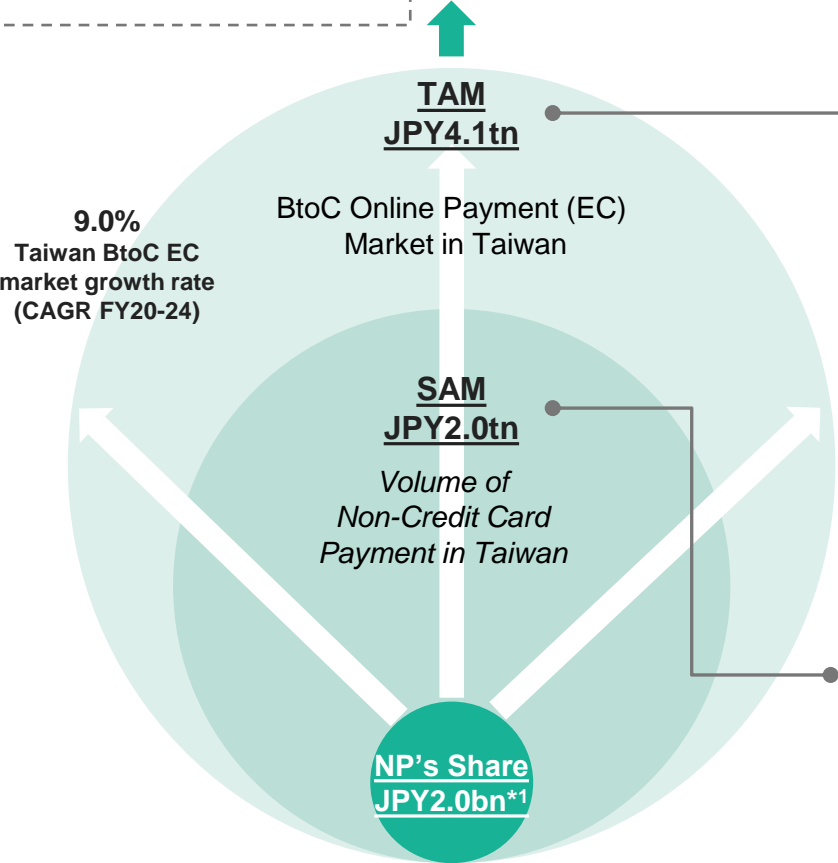
*3 GMV of NP Kakebarai: JPY67.7 billion + GMV of Paid (FY4/2021) (*only GMV from external transactions, based on RACCOON HOLDINGS, Inc. presentation materials) : JPY19.8 billion + GMV of MF Kessai (*Our group estimate based on MoneyForward Kessai Co., Ltd. press release): JPY20 billion (period: 11/2019-10/2020).

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

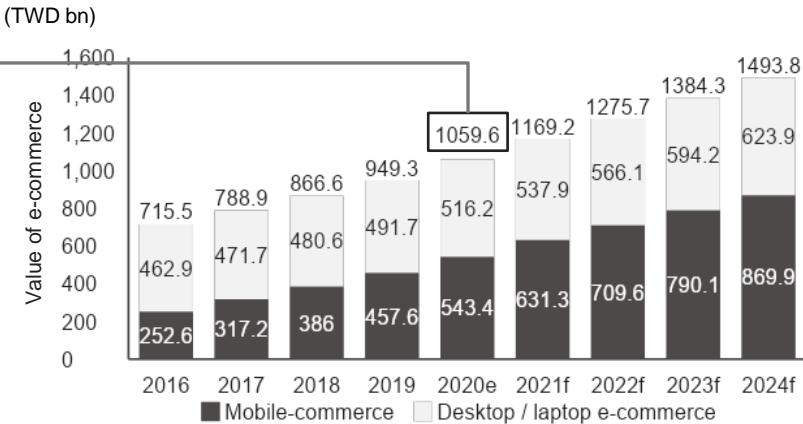
*5 The Small and Medium Enterprise Agency "Report of Study Meeting for Improving Payment Terms such as Promissory Notes" (3/2021).

TAM / SAM / SOM of AFTEE (Taiwan)

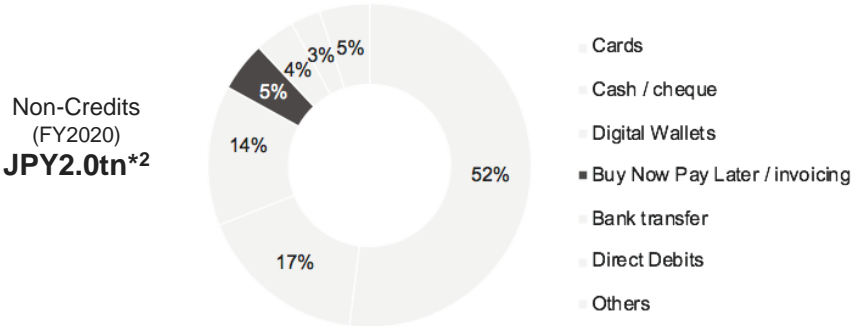
- TAM (Total Addressable Market): The size of market that Net Protections (NPH) can theoretically target in the future
- SAM (Serviceable Available Market): The size of market the NPH can theoretically target now with NPH's current service
- SOM (Serviceable Obtainable Market): The market size of the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

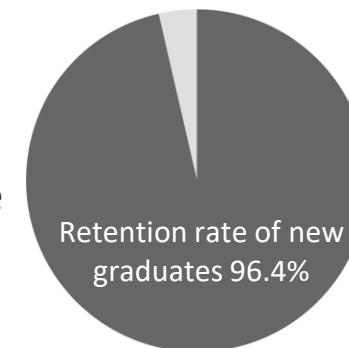
HR Development

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



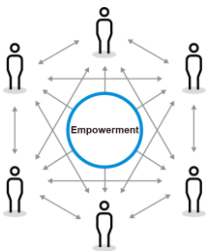
*1 The retention rate of new graduates who joined the Company from March 31, 2019 to March 31, 2022, as of March 31, 2022

HR Evaluation Program *Natura*

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

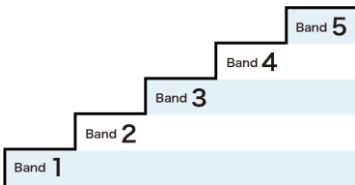
「Natura」

Abolish Manager Positions



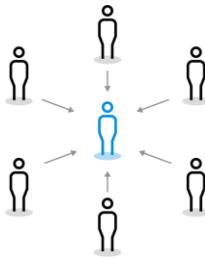
A flat organization with the position of Catalyst and the flexibility of role changes.

Implement of Band System



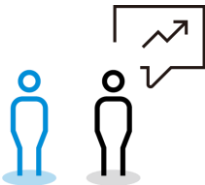
Disclose salary information to build a fair and objective environment and raise members’ morale and engagement.

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.

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