



Net Protections Holdings, Inc.

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

February 14, 2023

Q1: Your operating profit for the first nine months is minus 43 million yen, whereas your full-year operating profit forecast is minus 730 million yen. Don't you have any plan to revise the forecast upward?

No, we don't. It is true that our operating profit beats guidance due to strong collections on receivables and well-controlled SG&A expenses. However, we have not revised our forecast because of uncertainties about the impact of COVID-19 and the e-commerce market conditions.

Q2: Is it correct to assume that the Pharmaceutical and Medical Device (PMD) Act has ceased to impact the BtoC business and that it will be recovering further going forward?

As one year has passed since the enforcement of the amended PMD Act, the negative impact is on a declining trend. That said, the degree of recovery varies by store, and we do not anticipate a complete return to pre-amendment levels. Nevertheless, we aim to achieve a GMV growth by accelerating the adoption of our services by new merchants.

Q3: Regarding the TV commercials to promote the BtoB business (NP Kakebarai) that you aired in the third quarter, how do you evaluate the results?

We aired the TV commercials in Tokyo and Kansai areas in November and December with the aim of raising brand awareness.

The results turned out quite positive: from before to after the airing of the TV commercials, brand awareness increased from 9.5% to 15.5%, and the lead count exceeded our expected number by 10%.

As it takes time for our payment services to be adopted by stores and then contribute to our business performance, we intend to stay away from using TV commercials and instead focus our marketing efforts on web advertising until their precise effects have been verified.

Q4: You have said that you will focus on atone. What are the current results and future growth rate?

For the nine months ended December 31, 2022, atone's revenue was approximately 861 million yen, which accounts for about 7.2% of total revenue from the BtoC business.

Although it is still a small-scale business, atone has the largest order backlog, as shown on page 18 of the financial results presentation materials, and an increasing number of inquiries. We have not disclosed its growth prospects, but our expectations of atone's growth are based on the following factors:

(1) Implementation of the new non-membership service (BNPL per purchase)

Since atone is a membership-based service, some business operators passed on adopting it due to concerns about shopping cart abandonment: customers add items to their online shopping cart but exit without completing the purchase. However, with the release of the new function, more business operators are starting to accept atone. At the same time, the no sign-up feature can make first-time users feel easier to try atone; therefore, its payment share is expected to increase.

(2) Full-scale service provision for the non-merchandise sales and offline store markets

We have offered only a limited range of services to new markets for risk control purposes. However, we are becoming able to keep delinquency rates low thanks to the advancement of data science. Given this favorable backdrop, we will proactively engage in proposing the adoption of our services in new markets, as well as promoting their use.

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

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