



Net Protections HD

Net Protections Holdings, Inc.

Financial Results Presentation for the Fiscal Year Ended March 31, 2023

May 15, 2023

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Good afternoon, everyone, and thank you for taking time out of your busy schedules to join us.

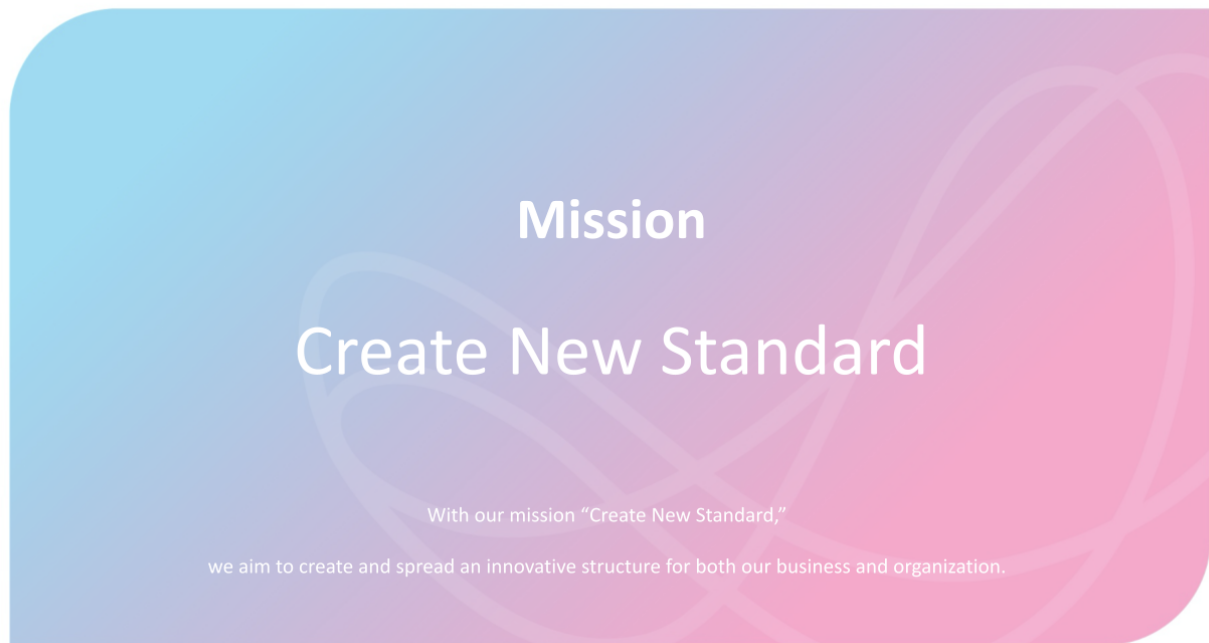
I am Shin Shibata, CEO of Net Protections Holdings. I would like to begin the financial results presentation for the fiscal year ended March 31, 2023.

This is today' s agenda.

I will start by giving you an outline of the company and some business highlights, after which I will discuss our financial results for the year ended March 31, 2023 and our earnings forecasts for the year ending March 31, 2024.

Finally, I will review our growth strategy.

Mission



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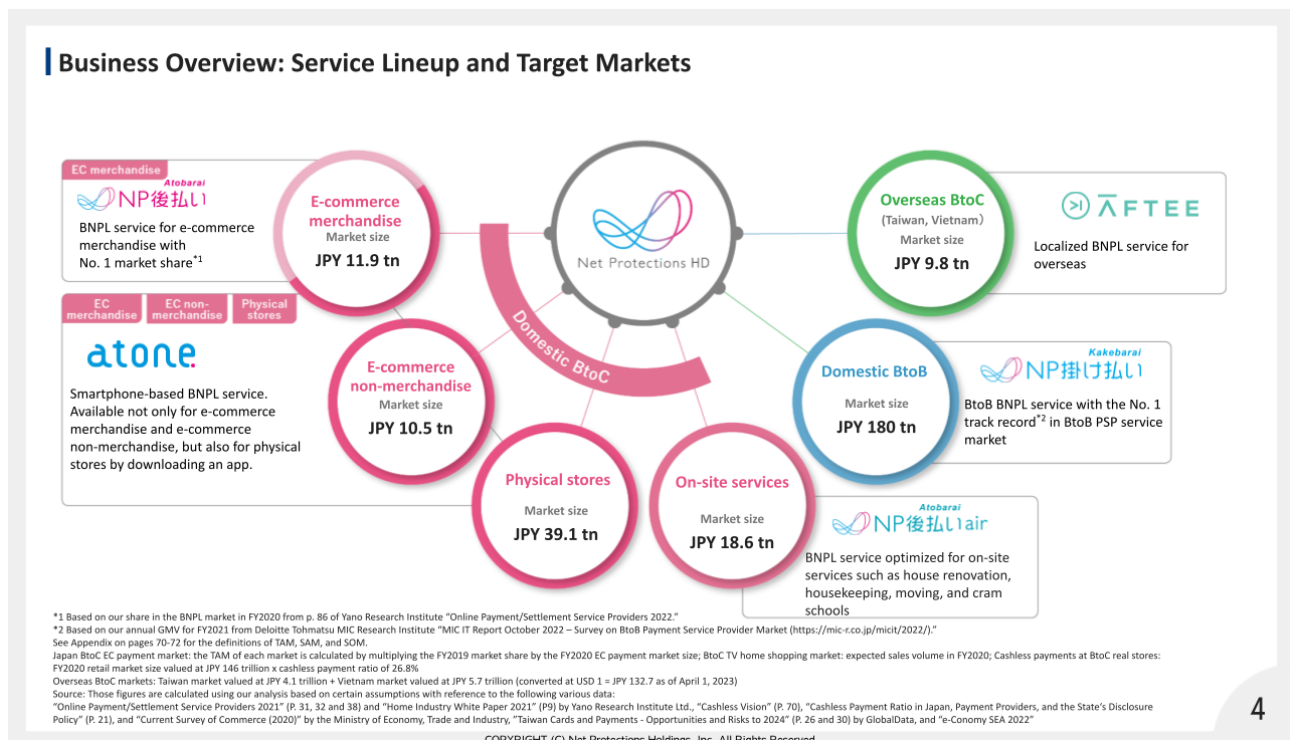
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This page is placed at the beginning of the material at every meeting.

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: Service Lineup and Target Markets



Here is a summary of our services and target markets. It has been updated this time, so I would like to explain it.

We provide services in three fields: domestic BtoC, overseas BtoC, and domestic BtoB.

In addition, we aim to establish our position as a comprehensive BNPL service provider by developing and branding features that meet the needs of merchants and users in each of these markets.

In the Japan BtoC market, we are expanding the market through three services: NP Atobarai for merchandise e-commerce, with which we started; "atone" available not only for merchandise e-commerce but also for non-merchandise e-commerce and offline stores; and NP Atobarai air for on-site services. In particular, the target markets of atone and NP Atobarai air have a large white space yet to be developed. We expect these markets to grow with high potential.

Next is NP Kakebarai for the domestic BtoB market.

Payment methods for BtoB transactions are still dominated by bank transfer and promissory note, which require a lot of time and effort on both the buyer and seller. The market is in a pressing need for digital transformation.

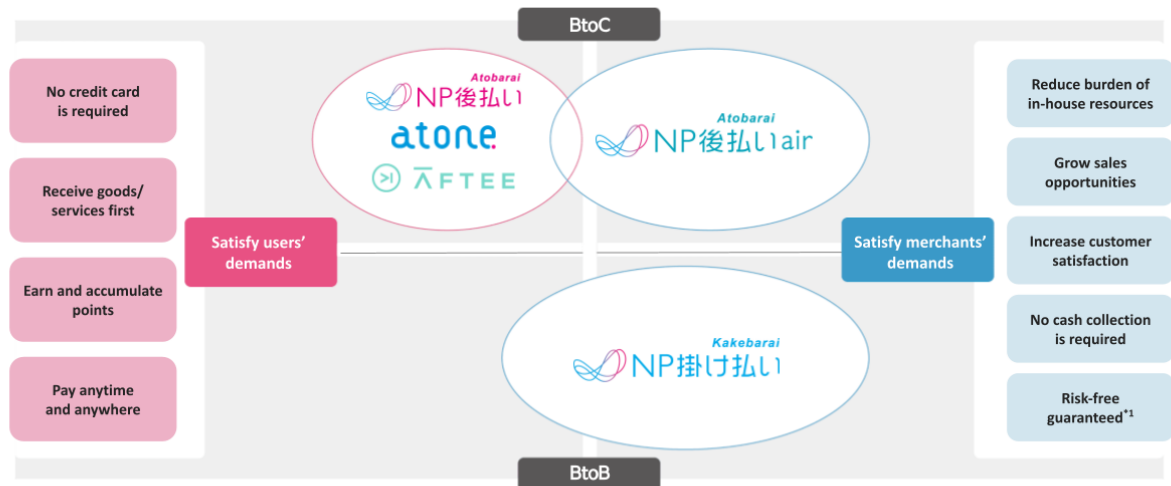
NP Kakebarai, our BtoB service, is capable of handling billing processes for all types of businesses, including e-commerce, wholesale, and SaaS. We have established our position as the No. 1 BtoB payment service provider with a proven track record.

Lastly, our overseas operations. We have been providing AFTEE in Taiwan since 2018. Having gained confidence through its success, we established the second overseas subsidiary in Vietnam last year. Expanding into the fast-growing Asian market is an important strategy for us, as we consider it essential to achieve long-term growth.

Business Overview: Value Proposition of Each BNPL Service

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.

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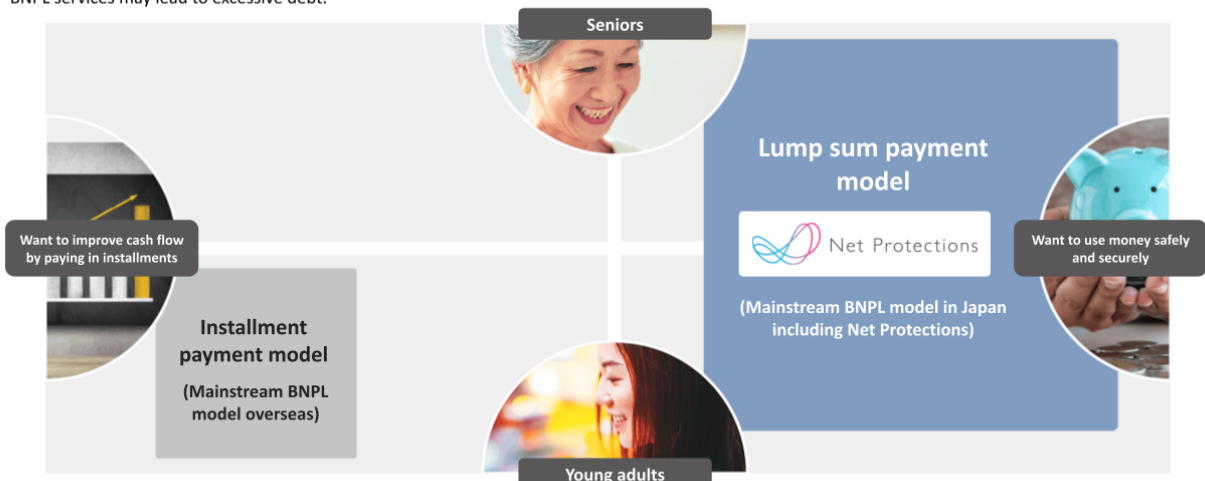
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Business Overview: Positioning of Our BNPL Services versus Overseas BNPL Services

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.



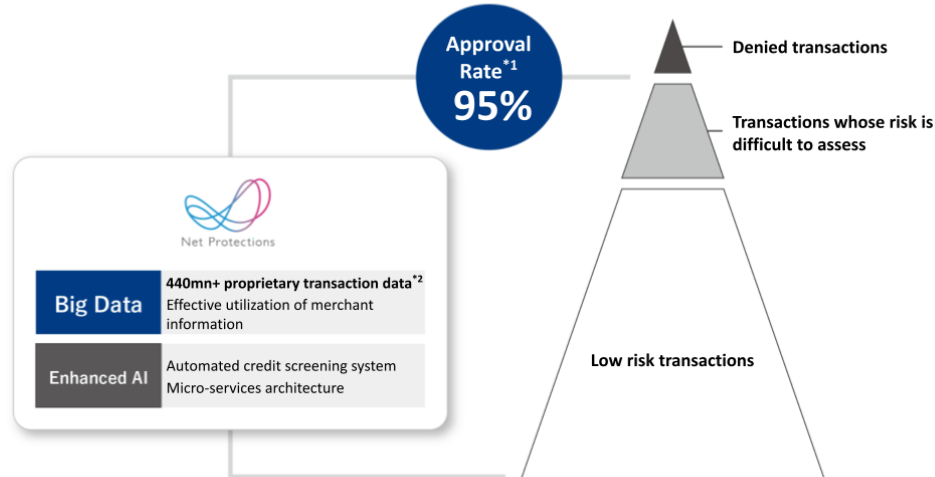
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Competitive Advantages: High Credit Approval Rate and Low Delinquency Rate

Competitive Advantages: High Credit Approval Rate and Low Delinquency Rate

We have achieved one of the industry's highest credit approval rate at 95% by utilizing our big data and knowhow accumulated over 20 years. Maximizing credit approval rate prevents user abandonment and contributes to merchants' sales increase.



*1 The ratio of approved transactions to transactions denied by our credit screening system for NP Atobarai during FY3/2023 (limited to unique users).
*2 As of March 31, 2023

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

We believe we were able to maintain one of the industry's top-ranked approval rates at 95% for the fiscal year ended March 31, 2023.

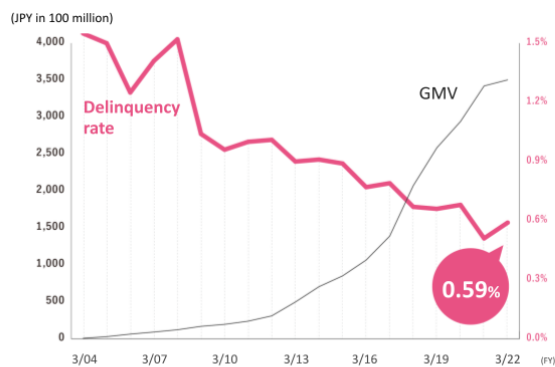
The 2% decrease from the previous fiscal year is the result of tightening credit for users who fail to pay within the due date and are frequently late in making payments.

Competitive Advantages: High Credit Approval Rate and Low Delinquency Rate

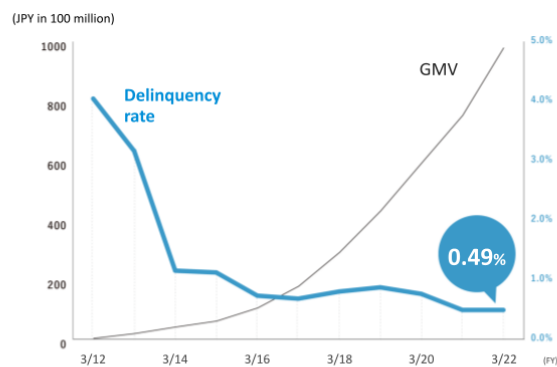
Competitive Advantages: High Credit Approval Rate and Low Delinquency Rate

We have achieved low delinquency rates of 0.59% for BtoC and 0.49% for BtoB.

Delinquency rate in BtoC (NP Atobarai) *1



Delinquency rate in BtoB (NP Kakebarai) *2



*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 FY3/2022 is based on unpaid transactions as of the end of March 2023 (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 FY3/2022 is based on unpaid transactions as of the end of March 2023 (including transactions prior to sale of receivables and writing off of delinquent debt).

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We have also updated delinquency rates to the latest values.

The latest delinquency rates came in at 0.59% for BtoC and at 0.49% for BtoB, both staying at a low level.

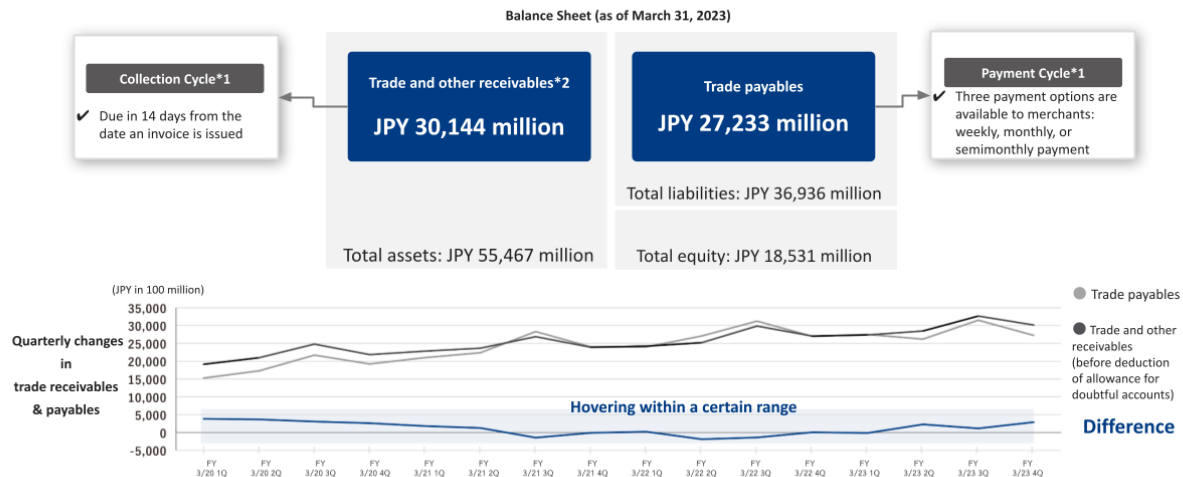
Although the macro environment has been uncertain in the past year due to such factors as COVID-19 and inflation, we have managed to keep the delinquency rates under control. I once again feel confident in our business.

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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Receivables and payables as of March 31, 2023 remain balanced and favorable in the short term.

Business Highlights



Business Highlights

- Executive Summary
- Highlights
- GMV

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

Results of Fiscal Year Ended March 31, 2023: Executive Summary

Results of Fiscal Year Ended March 31, 2023: Executive Summary

Domestic BtoC (NP Atobarai, NP Atobarai air, atone)

While the amendments to the PMD Act affected the beauty and health category, which accounts for about 60% of the GMV of NP Atobarai, **the monthly GMV of the BtoC business turned positive year on year for the month of March 2023, up 1.4%**. In addition, **the fundamentals are in good shape**, as the number of new large projects is increasing rapidly.

The GMV of NP Atobarai air and atone both achieved double-digit growth.

Confident of high growth in the future, as the number of stores introducing BNPL is increasing in the e-commerce of non-merchandise such as digital contents.

Domestic BtoB (NP Kakebarai)

By strengthening mass advertising, **our brand awareness increased from 10.4% to 15.5%, and the number of leads grew by +75% year on year**, exceeding expectations.

With the tailwind from the resumption of economic activity after COVID-19, **full-year GMV achieved high growth of +39.8% year on year**.

Overseas (AFTEE)

In Taiwan, **GMV achieved high growth of +80.7% year on year** thanks to the introduction of our service by a series of major malls, such as Yahoo!

Established a subsidiary in Vietnam, steadily expanding our service into the Asian market.

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This is an executive summary of the fiscal year ended March 31, 2023.

We can summarize the results as follows: “domestic BtoC business has returned to growth momentum,” “domestic BtoB business has made a further leap forward,” and “overseas business has brought confidence in success.”

The domestic BtoC business has been suffering from the impact of the amendments to the Pharmaceutical and Medical Device (PMD) Act for the past year, but monthly GMV finally turned positive year on year for the month of March.

In addition, NP Atobarai air and atone are growing at double-digit rates, and given the current strong inflow of new projects, we expect these new services to become new growth drivers for the BtoC business.

In particular, atone, though still small in terms of GMV, is a BNPL service available not only for merchandise e-commerce and non-merchandise e-commerce, but also for offline stores. We believe its potential is very high.

Since atone is the core of our BtoC strategy, we have started disclosing the progress and forecasts of atone’s stand-alone business performance from this earnings report.

In the domestic BtoB business, NP Kakebarai achieved 39.8% growth, exceeding the target.

We took on the challenge of full-scale marketing, including the airing of our first TV commercial, and we are pleased with the results, both in terms of awareness building and lead acquisition.

We believe that this success was due to the fact that we were able to hire highly professional and talented people, and that our recommended teal organization helped young employees to become work-ready at an early stage.

Of course, sales activities will become more important to convert the increased leads into adoption of our service, but we believe it is quite possible to maintain high growth by recruiting mid-career employees and training younger employees in parallel, just as we have done in marketing.

And AFTEE, our overseas business, is a service that started operations in Taiwan in 2018.

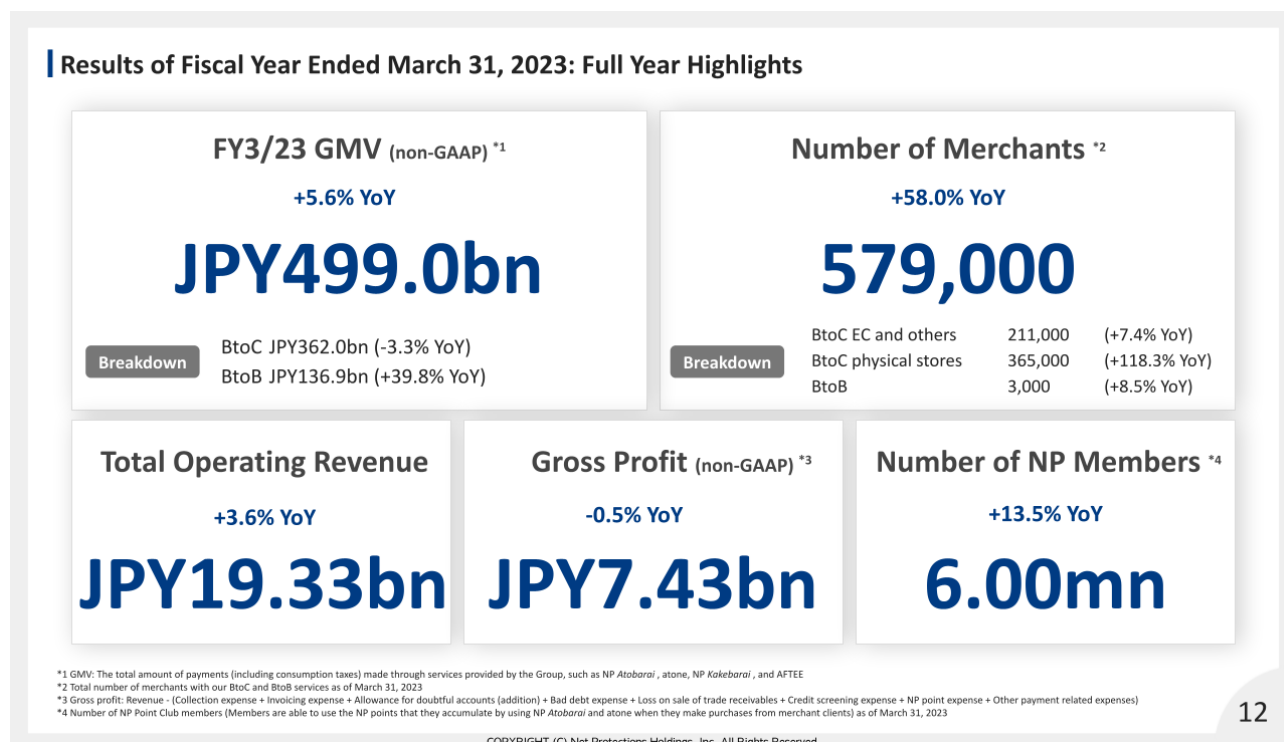
Of course, we believe that domestic BNPL will still grow, but from the long-term, decade by decade, perspective, it is inevitable that we will expand into Asian countries with high economic growth rates.

We considered Taiwan to be a touchstone for such overseas expansion. With GMV up 80% year on year and gross profit generated, we are becoming more confident that our BNPL business can work overseas as well.

Last year we established our second subsidiary in Vietnam, and we intend to steadily expand our business into Asia, though gradually.

The following pages will report on each business metric.

Results of Fiscal Year Ended March 31, 2023: Full Year Highlights



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These are the key highlights of our full-year financial results.

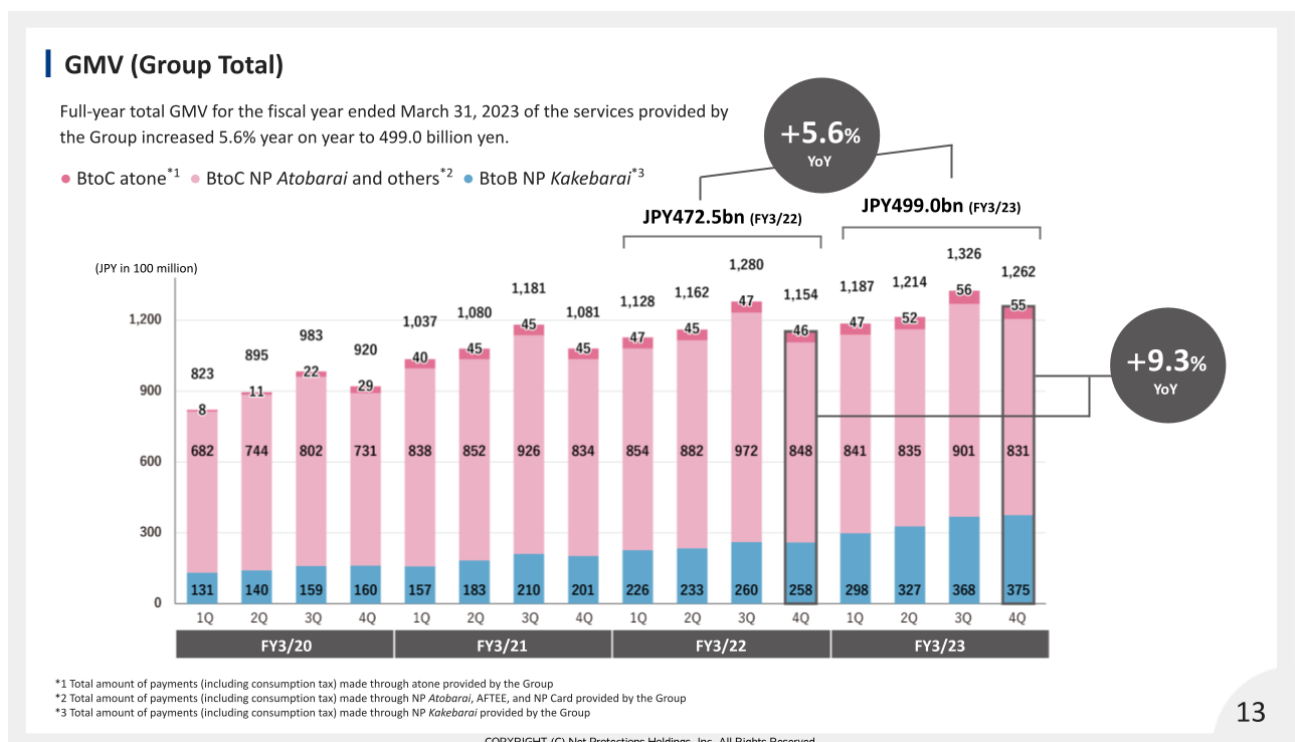
The actual figure of each metric is as shown here. I will go into the details of our financial results later. But before that, let me add a supplementary explanation on the number of merchants as we have shown the number of offline store merchants from this earnings report.

Payments for purchase at all physical stores with atone service can be made later at convenience stores and drugstores across the nation by downloading an app on mobile phones.

Payments for physical stores have been available since July 2019, and the number of merchants has been increasing year after year, but we have refrained from actively announcing this service because we believe that the risks associated with offline stores are higher than those associated with e-commerce.

Through repeated trial and error, we have determined that it is possible to control the risks depending on how we do it, so we are considering to release the service in stages, starting from users with a proven payment track record.

GMV (Group Total)



Full-year total GMV of the services provided by the Group increased 5.6% year on year to 499.0 billion yen, but we are not satisfied with this figure itself.

On the other hand, the fourth quarter saw a 9.4% year-on-year increase, indicating a return to the growth trend.

There are two reasons behind this: “BtoC is returning to positive year-on-year growth,” and “BtoB is accelerating its growth even further.”

Please see the next page.

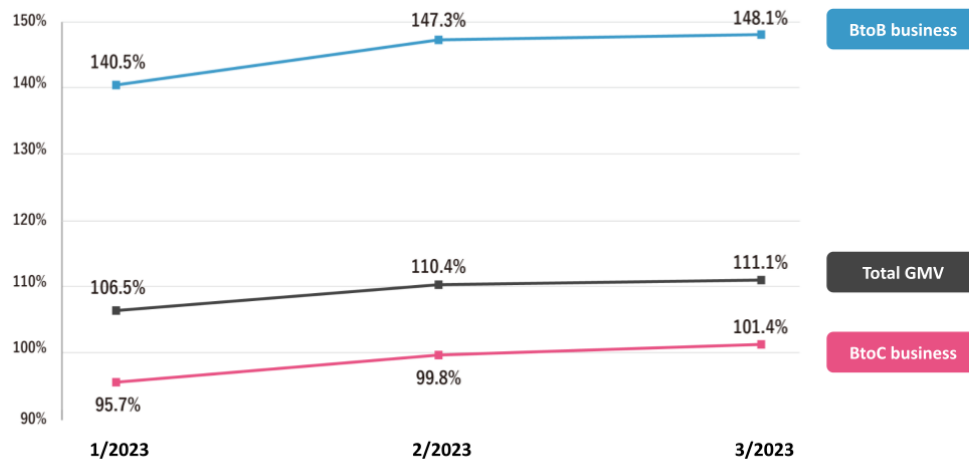
4Q: Monthly GMV Trend (Year on Year)

4Q: Monthly GMV Trend (Year on Year)

Total GMV achieved double-digit growth in February (+10.4% YoY) and March (+11.1% YoY).

The monthly GMV of the BtoC business turned positive year on year for the month of March, up 1.4%, partly because the impact of the amendments to the PMD Act almost subsided.

Monthly GMV Year-on-Year Trend (January 2023 to March 2023)



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This is a year-on-year comparison of monthly GMV for the fourth quarter.

Both BtoC and BtoB are rising steadily, and total GMV has achieved double-digit growth since February.

What are the drivers behind this?

First, BtoC turned positive year on year, up 1.4%, for the month of March, as the impact of the amendments to the PMD Act almost subsided.

Second, BtoB accelerated its growth rate to nearly 50% year on year. From these facts, you can see that we have regained our growth potential.

Although we are not satisfied with our performance over the past year, we are confident that we will be able to achieve growth that meets your expectations in the future.

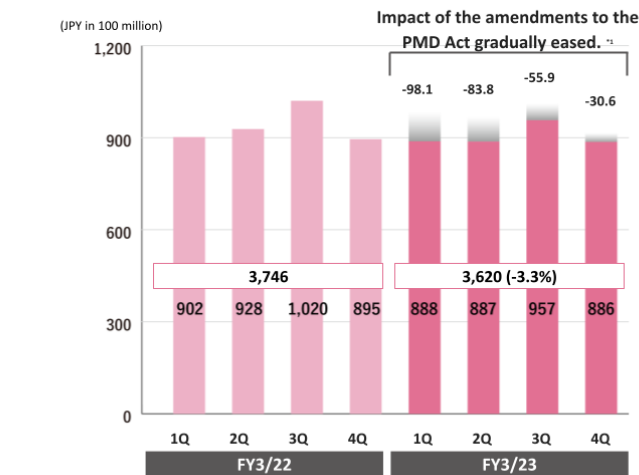
BtoC Full-year GMV

BtoC Full-year GMV

GMV of the BtoC business for the fourth quarter decreased 1.0% year on year.

GMV of the BtoC business for the full year decreased 3.3% year on year to 362.0 billion yen.

BtoC GMV Trend



Factors

- The negative impact of the amendments to the PMD Act has almost subsided, easing from 9.81 billion yen for the first quarter to 3.06 billion yen for the fourth quarter.
- GMV for the month of March 2023 turned positive year on year, up 1.4%, due to the addition of new merchants.
- The contribution of atone increased 18.6% year on year to 5.5 billion yen in the fourth quarter.

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This is the breakdown of full-year GMV of the BtoC business by quarter.

During the past year, the beauty and health category suffered from the negative impact of the amendments to the PMD Act, but the impact has been easing in stages, and we can finally say that it has almost subsided.

To reiterate what I said earlier, BtoC turned positive year on year for the month of March.

Looking ahead, we intend to expand atone in order to achieve both the growth of BtoC and the diversification of merchandise categories.

We believe it is possible, as the GMV growth rate of atone for the fourth quarter was 18.6%, and the companies that have recently adopted atone cover a wide range of merchandise, such as apparel and tickets.

We expect atone's growth rate to be high this fiscal year. I will explain this later in the earnings forecast.

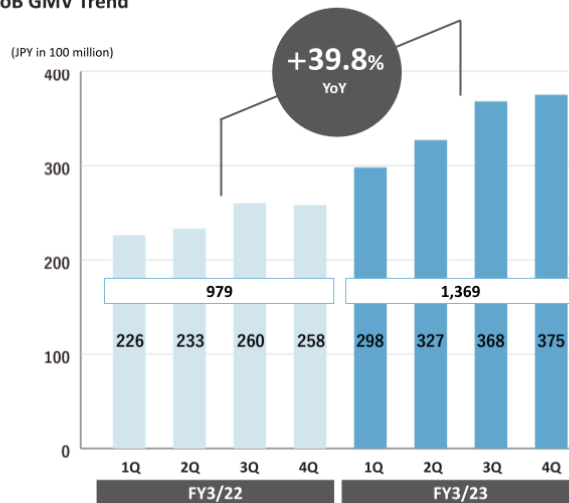
BtoB Full-year GMV

BtoB Full-year GMV

GMV of the BtoB business for the fourth quarter increased 45.1% year on year.

GMV of the BtoB business for the full year increased 39.8% year on year to 136.9 billion yen.

BtoB GMV Trend



Factors

High growth was achieved, driven by businesses related to the food and beverage industry thanks to the resumption of economic activity.

[YoY changes of top GMV categories]

- Related to the food and beverage industry
 - Advertising and advertising production: + 274.3%
 - Food wholesale: + 78.0%
- Others
 - ASP, Software: + 18.9%
 - Printing: + 5.7%
 - Construction and other materials: + 64.5%

This slide shows the trend of quarterly GMV in BtoB. Full-year GMV was 136.9 billion yen, up 39.8% year on year.

Although the full-year GMV slightly fell short of 40% growth, it exceeded the target of 130.0 billion yen,

Looking at the fourth quarter alone, we achieved high growth of 45.1%, which is a satisfactory figure.

This GMV growth was driven by the strong performance of restaurant-related businesses, specifically job advertisements and food wholesale, reflecting the resumption of economic activity.

Other categories also achieved positive growth in general, though at different levels. This is evidence that our BtoB payment services are supported by a wide variety of industries.

Financial Results for the Fiscal Year Ended March 31, 2023



Financial Results for the Fiscal Year Ended March 31, 2023

- Financial Results for the Fiscal Year Ended March 31, 2023
- Breakdown of Total Operating Revenue/Gross Profit by BtoC/BtoB
- Total Operating Revenue/Gross Profit/Adjusted EBITDA
- Analysis of Year-on-Year Increase in SG&A Expenses

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Now I will hand over to CFO Watanabe, who will talk in more detail on our full-year financial results for the year ended March 2023 and earnings forecasts for the fiscal year ending March 31, 2024.

Financial Results: Summary for Fiscal Year Ended March 31, 2023

Financial Results: Summary for Fiscal Year Ended March 31, 2023

Total operating revenue was 19,330 million yen (+3.6% YoY), achieving 99.7% of the earnings forecast.

Gross profit (non-GAAP) was 7,433 million yen (-0.5% YoY), achieving 102.0% of the earnings forecast.

Results Summary (JPY in millions)	FY23/23 Results	YoY (FY23/22)		(Reference) Full-year forecast for FY23/23 ⁵	
		Results	Percentage change	Full-year forecast	Progress rate
GMV (non-GAAP)	499,035	472,589	+5.6%	496,200	100.6%
Total operating revenue	19,330	18,665	+3.6%	19,390	99.7%
Revenue	18,840	18,224	+3.4%	18,886	99.8%
Gross profit (non-GAAP) ^{*1}	7,433	7,469	-0.5%	7,290	102.0%
Operating profit (loss)	(404)	897	-	(730)	Loss narrower than forecast
EBITDA (non-GAAP) ^{*2}	1,045	2,246	-53.5%	756	138.1%
Marketing expenses ^{*3}	813	481	+69.2%	993	81.9%
IPO-related expenses	-	272	-	-	-
Adjusted EBITDA (non-GAAP) ^{*4}	1,859	3,000	-38.0%	1,750	106.2%

^{*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} 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)

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

^{*4} Adjusted EBITDA: EBITDA + (IPO related expenses + Marketing expenses)

^{*5} Figures disclosed in the "Notice Concerning Variance between Consolidated Financial Forecasts and Actual Results for Six Months Ended September 30, 2022 and Revision to Full-Year Consolidated Financial Forecasts for Fiscal Year Ending March 31, 2023" released on November 14, 2022

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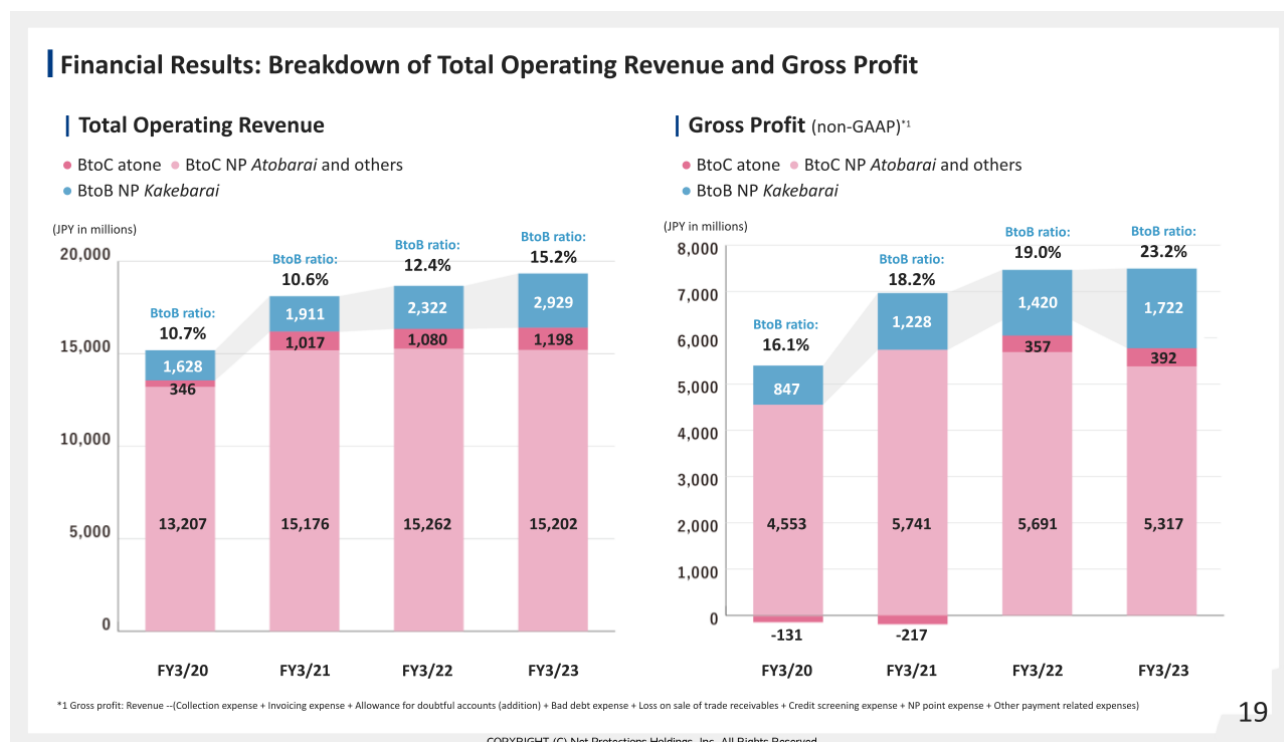
Total operating revenue for the fiscal year ended March 31, 2023 increased 3.6% year on year to 19,330 million yen, achieving 99.7% of the earnings forecast.

Gross profit also decreased 0.5% year on year to 7,433 million yen, achieving 102.0% of the earnings forecast, largely in line with the plan.

Operating profit ended in the red with a provisional operating loss of 404 million yen, compared to the projected operating loss of 730 million yen. The narrowing of the loss resulted from the efforts to reduce costs and marketing expenses.

The cost reduction was mainly driven by the increased use of electronic invoicing in NP Atobarai, which successfully reduced the cost of invoicing. We will continue promoting paperless through transition from paper to digital to improve profitability and preserve the environment.

Financial Results: Breakdown of Total Operating Revenue and Gross Profit



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Here are total operating revenue and gross profit by business segment.

Our total operating revenue includes invoicing and collection fees, and we receive 225 yen per invoice.

In BtoC transactions, we issue an invoice per purchase. In contrast, BtoB payments are on a monthly basis, so invoices are issued only once per month.

As a result, the ratio of total operating revenue to GMV is higher for BtoC and lower for BtoB.

BtoB's share of GMV for the fiscal year ended March 31, 2023 was 27.4%, but its share of total operating revenue was 15.2% due to the invoicing and collection fees. However, since invoicing and collection fees are offset against their costs, the impact on gross profit is limited.

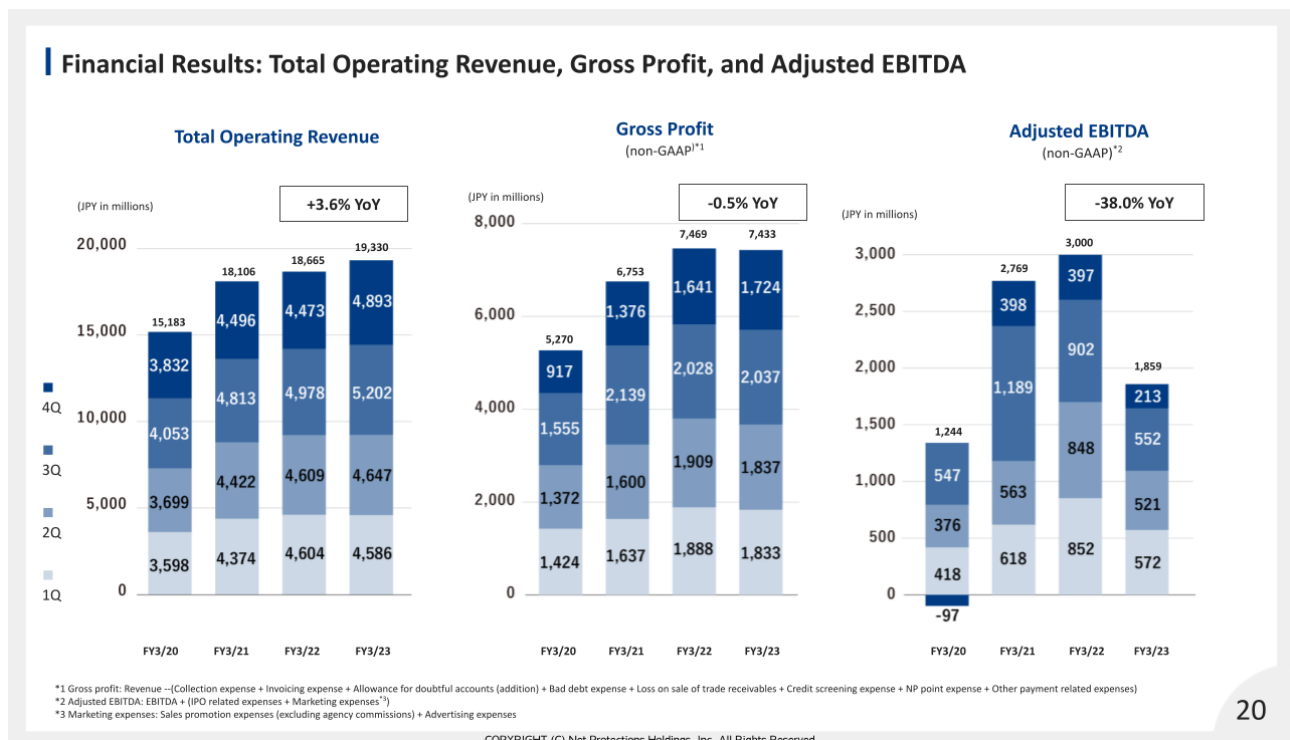
BtoB is lower than BtoC in terms of the gross profit margin. Nevertheless, BtoB is, in essence, profitable enough, so we intend to continue building up GMV.

Next, I would like to talk about atone, which has been separately presented from this earnings announcement. The gross profit of atone was 392 million yen for the fiscal

year ended March 31, 2023, which represents a gross profit margin to GMV is approximately 1.9%. As the gross profit margin of NP Atobarai, which is also a BtoC service, is approximately 1.6%, atone is a more profitable business model. This is because atone's model is centered on paperless payment methods, such as electronic barcodes and bank transfers, thereby reducing costs compared to NP Atobarai.

In addition, there is room for atone to further increase its profitability. As mentioned on slide 5, the delinquency rate for NP Atobarai is 0.59%, but atone is expanding its services to new markets and users, and the current delinquency rate is over 1%. We are confident that we can still lower the delinquency rate for atone and expect its profitability to improve. Atone's gross profit has turned positive since the fiscal year ended March 31, 2022. This is certainly backed by the decline in the delinquency rate.

Financial Results: Total Operating Revenue, Gross Profit, and Adjusted EBITDA



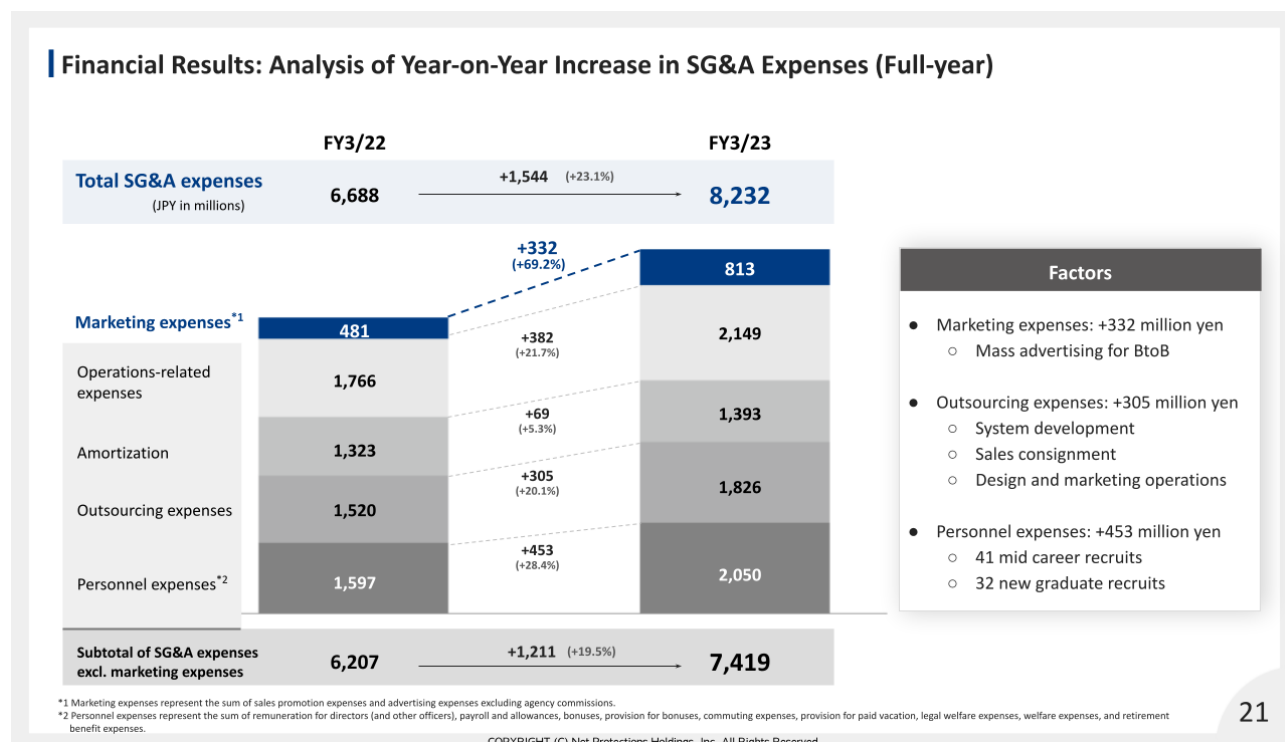
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Moving on, we will look at the trend of total operating revenue, gross profit, and adjusted EBITDA.

The decrease in adjusted EBITDA was due to increased investments to strengthen the sales and IT structure.

Meanwhile, selling, general and administrative expenses increased. I will go into the details in the next slide.

Financial Results: Analysis of Year-on-Year Increase in SG&A Expenses (Full-year)



These are the factors behind the increase in SG&A expenses.

During the fiscal year ended March 31, 2023, we mainly invested in marketing and reinforcing our sales structure.

Marketing expenses increased by 332 million yen year on year, most of which was spent on mass advertising for NP Kakebarai, a BtoB business.

However, the amount of marketing expenses was about 180 million yen less than the forecast.

This is mainly due to the fact that some of the campaign expenses for the BtoC businesses, AFTEE and atone, to promote user usage were pushed back to the fiscal year ending March 31, 2024.

The total of outsourcing and personnel expenses, which increased by about 758 million yen year on year, is the cost of strengthening our sales structure.

We hire about 30 new graduates every year, and while we have not actively recruited mid-career workers in the past, we hired over 40 mid-career workers in the fiscal year ended March 31, 2023.

This move is in response to the growing scale of member merchants and companies currently under consideration, as well as the rising level of service quality and sales support required.

In addition, since feature development and sales activities for small and medium-sized customers cannot be covered by internal staff alone, consignment is being used, resulting in an increase in outsourcing expenses.

Earnings Forecasts for the Fiscal Year Ending March 31, 2024



Earnings Forecasts for the Fiscal Year Ending March 31, 2024

- Earnings Forecasts
- GMV Estimates
- Estimates of SG&A Expenses
- BtoC: Key measures for atone

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Next, I will discuss our earnings forecasts for the fiscal year ending March 2024.

Earnings Forecasts for the Fiscal Year Ending March 31, 2024

Earnings Forecasts for the Fiscal Year Ending March 31, 2024

We are going to be committed to double-digit growth of GMV and total operating revenue. As we will continue to make investments, operating loss is expected to increase year on year, but we will end a series of efforts necessary to strengthen our structure during the fiscal year ending March 31, 2024. Afterward, we intend to increase the efficiency of SG&A expenses to improve profitability.

Earnings Forecasts (JPY in millions)	FY3/2024 forecasts				Reference: FY3/2023 Results
	1H	2H	Full-year	vs. FY3/2023	
GMV (non-GAAP) ^{*1}	267,342	306,657	574,000	+15.0%	499,035
BtoC	183,105	210,894	394,000	+8.8%	362,070
BtoB	84,237	95,762	180,000	+31.4%	136,964
Total operating revenue	10,097	11,478	21,576	+11.6%	19,330
Gross profit (non-GAAP) ^{*2}	3,763	4,336	8,100	+9.0%	7,433
Operating profit (loss)	(676)	(203)	(879)	—	(404)
EBITDA (non-GAAP) ^{*3}	61	566	627	-40.0%	1,045

^{*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} Gross profit: Total operating revenue less operating expenses related to bad debt and invoicing (including invoice issuing fee, collection agency fee, and postal charges)

^{*3} EBITDA: Operating profit or loss + Depreciation and amortization + Share-based payment expenses + Loss on disposal of fixed assets + Impairment losses - Gain on reversal of impairment losses

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We are going to be committed to 15% growth of Group total GMV for the full year.

Looking at the current stock market, many companies emphasize profits. We also can make ourselves profitable. On this premise, we had a series of dialogue with investors and had discussions in the meetings of the Board of Directors.

As a result, we understand that investors expect us to achieve GMV growth to maximize future profits and that the benchmark for growth is 20%.

BtoC is still on the way to recover because the business remains partially affected by the Pharmaceutical and Medical Device Act, so considering this factor, we decided to make a commitment to achieve 15% growth of Group total GMV for the fiscal year ending March 31, 2024.

Furthermore, we will continue from the previous fiscal year to strengthen our sales and IT structure, but it will be sufficiently staffed during the fiscal year ending March 31, 2024. Afterward, we will increase the efficiency of SG&A expenses and focus on the balance between growth and profit.

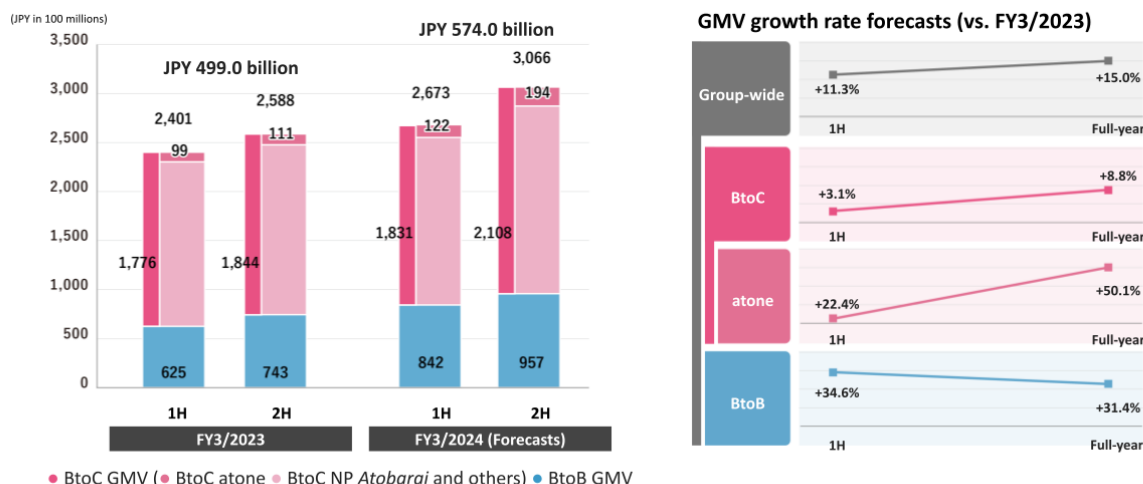
Therefore, to allow shareholders and investors to analyze our earnings more easily in the future, we have set operating profit or loss and EBITDA as key profit indicators, where we previously disclosed adjusted EBITDA, which is calculated by adding marketing expenses back to EBITDA.

GMV Estimates for the Fiscal Year Ending March 31, 2024

GMV Estimates for the Fiscal Year Ending March 31, 2024

The Group's full-year GMV for the fiscal year ending March 31, 2024 is projected to be JPY 574.0 billion (BtoC atone: JPY 31.6 billion, BtoC NP *Atobarai* and others: JPY 362.3 billion, and BtoB: JPY 180.0 billion).

We aim to increase the full-year GMV by 15.0% year on year, backed by rapid growth in BtoC atone from the second half in addition to solid growth in BtoB.



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Here are GMV estimates for the first half and full year.

As our services are recurring business, GMV grows more in the second half.

We estimated GMV by calculating the results and trends of existing transactions made during the fiscal year ended March 31, 2023 and adding an underestimated amount of transactions from new business deals to the calculated amount.

We expect the growth rate to be 3.1% for BtoC and 34.6% for BtoB in the first half. For the full year, we expect the growth rate to be 8.8% for BtoC and 31.4% for BtoB.

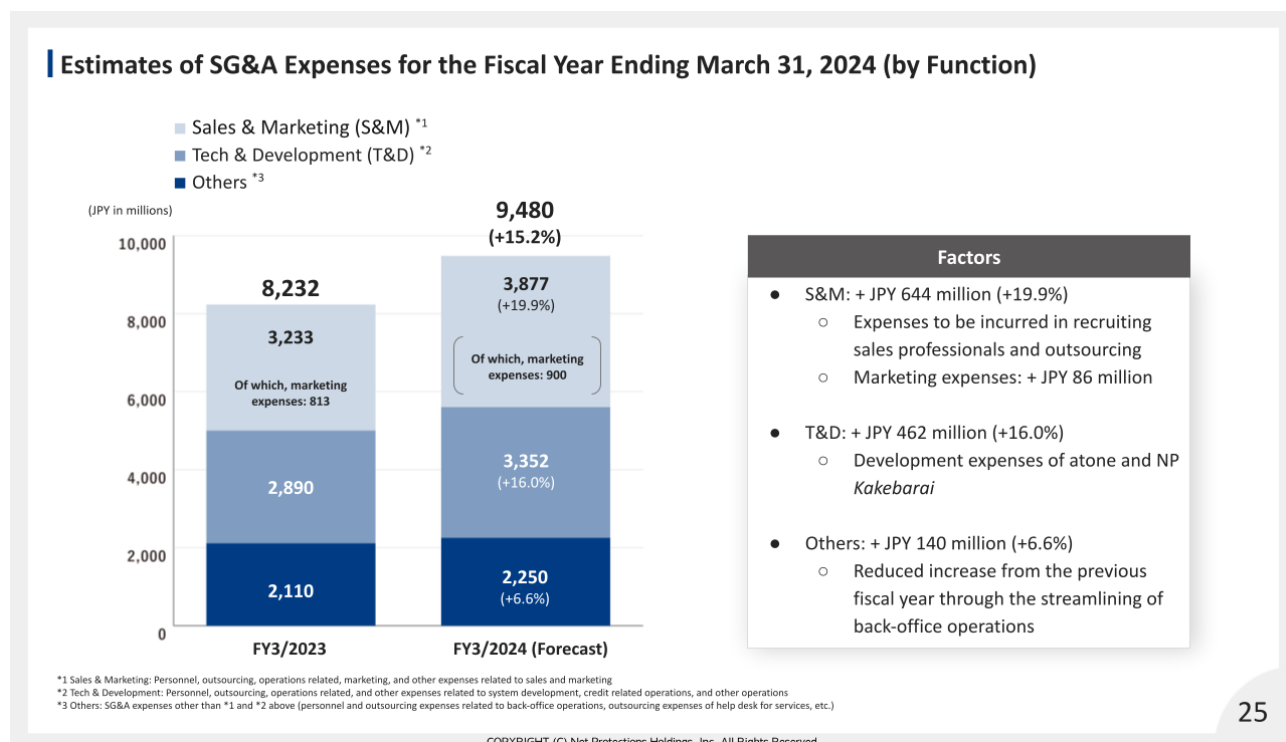
For atone in BtoC, we expect high growth rate of 50% for the full year because large merchants will adopt our services in the second half.

We also aim at a further uptick in the growth rate by successfully bringing the current business deals to the adoption of our services at merchants.

In BtoB, we believe that we can maintain nearly 30% growth rate throughout the fiscal year by keeping momentum in the previous fiscal year.

The marketing initiatives implemented during the previous fiscal year helped increase potential business deals. We therefore believe that there may be more new merchants adopting our services, which could further increase GMV.

Estimates of SG&A Expenses for the Fiscal Year Ending March 31, 2024 (by Function)



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Here are the estimates of SG&A expenses.

We have invested in personnel and outsourcing, but the nature of these expenses is not easily understandable, so they are categorized by divisional function.

The total amount of SG&A expenses is forecast to increase by approximately 1,248 million yen year on year.

A half of the increase is attributable to our proactive investment in sales & marketing, especially for recruiting sales personnel and using more outsourcing services.

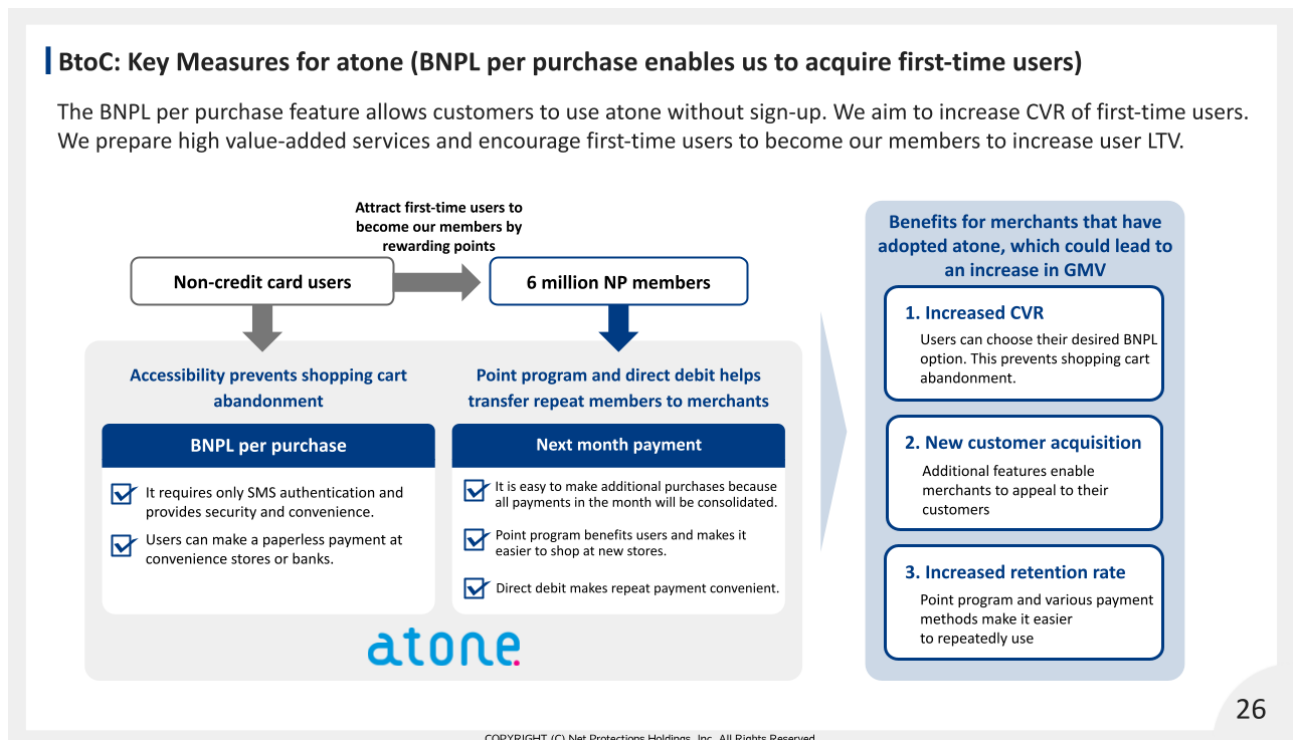
We consider such investment necessary because the number of sales deals increased by 1.5 times for the past year and is expected to continue to increase.

Sales collaboration with partners is also accelerating. We will finish the large-scale structure strengthening during the fiscal year ending March 31, 2024. We will then take thorough cost control measures.

In our approach to SG&A expenses, we consider system development is essential for our business expansion in terms of our business characteristics, but we will curb SG&A

expenses by improving the efficiency of sales and marketing expenses and other SG&A expenses in phases.

BtoC: Key Measures for atone (BNPL per purchase enables us to acquire first-time users)



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Let me additionally explain two things about our strategy because the importance of atone in BtoC is increasing and this impacts our earnings forecasts.

First one is the implementation of the BNPL per purchase feature. We first reported about this feature in the financial results briefing for the nine months ended December 31, 2022.

Customers were required to sign up to use atone before, but the new feature allows customers to use atone instantly without sign-up.

Many customers want to use the BNPL service, but do not want to sign up. With the new feature, we expect a rise in the usage rate.

We will use value-added services as hooks, such as rewarding points and suggesting the direct debit payment method, to encourage BNPL per purchase users to become our members.

A direct message and a push notification allow us to run a sales promotion targeted at our members, and this enables us to help transfer our members to shops.

We currently consider evolving atone to become the BNPL service that can help drive customers to shops.

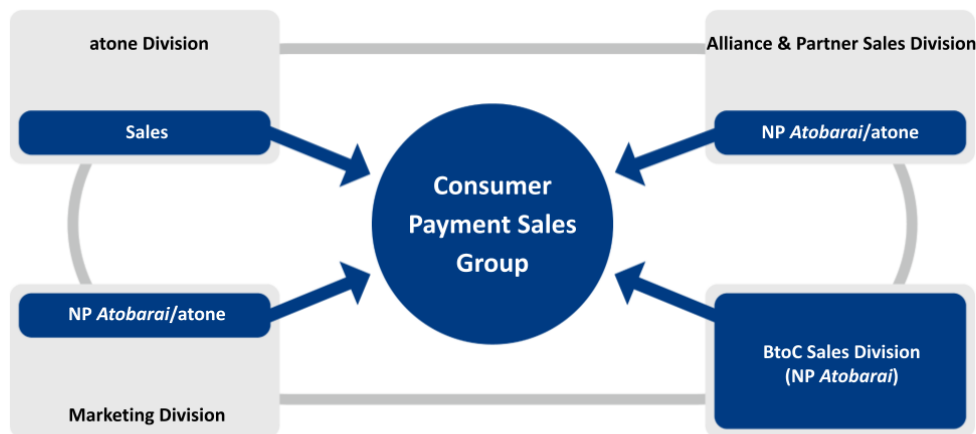
We already released the BNPL per purchase feature, and there are first-time users.

We expect an increase in the number of first-time users, so hopefully, we can report good results in the next or later financial results briefing.

BtoC: Key Measures for atone (the sales divisions of atone and NP Atobarai have been integrated into one)

BtoC: Key Measures for atone (the sales divisions of atone and NP Atobarai have been integrated into one)

We have established a group that covers the functions of corporate customer sales, partner sales, and marketing activities for atone and NP Atobarai. The previous divisions have transitioned to this group. This will enable us to both further increase sales of atone and improve the efficiency of sales expenses.



Sales and marketing structure for atone: 10 professionals ☐ 40 professionals

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Second one is that our large-scale organizational change.

We previously allocated more resources to NP Atobarai than atone because NP Atobarai accounted for a larger share of our sales.

However, from the fiscal year ending March 31, 2024, we have integrated the sales and marketing divisions of these two services into one group for the purposes of further increasing sales of atone and improving the efficiency of sales expenses.

30 professionals who engaged in NP Atobarai now focus on atone to improve quality in all aspects of making sales negotiations successful, winning and executing new contracts, and supporting operations.

While focusing on atone, these professionals will sell and support NP Atobarai because inquiries about the service are still increasing.

Through these efforts, we will accelerate atone and put BtoC back on the track of growth, aiming to achieve greater results than the earnings forecasts.

Review of Growth Strategy



Review of Growth Strategy

Key Measures

- Review of Marketing Activities
- Review of Alliances
- Key Measures to Be Taken during the Fiscal Year Ending March 31, 2024

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The last part will be a review of key measures taken during the fiscal year ended March 31, 2023 and a policy in the following fiscal year.

Review of Key Measures Taken during the Fiscal Year Ended March 31, 2023

Review of Key Measures Taken during the Fiscal Year Ended March 31, 2023

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



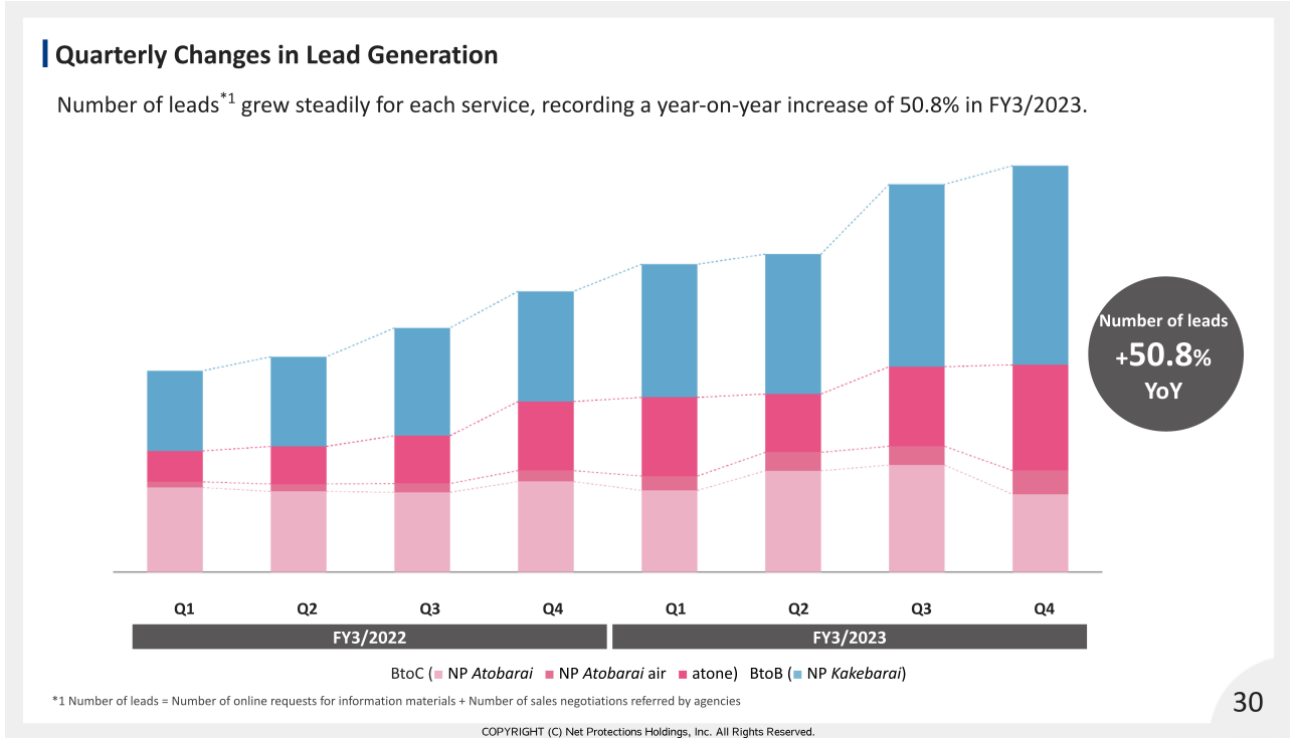
- ✓ Implement a new function, BNPL without sign-up
- ✓ Accelerate use of atone at physical stores
- ✓ Enhance transfer of users for merchants

Strengthen our structure to facilitate the implementation of the key measures

We look back at the key measures taken during the last year.

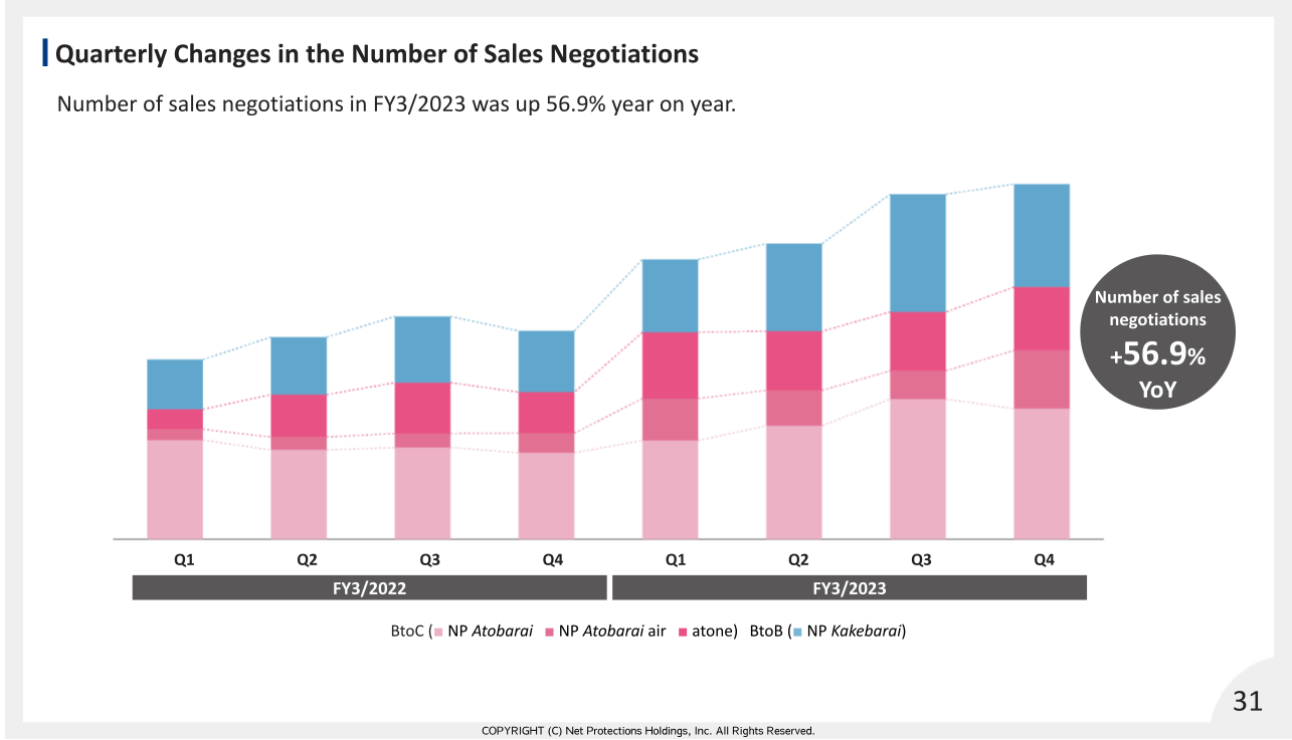
As shown on this slide, we have focused on enhancing marketing activities and seeking alliance to acquire new merchants.

Quarterly Changes in Lead Generation



As one of our marketing activities, we optimized our advertising campaigns. In seeking alliance, we formed partnerships with other companies who refer potential customers to us. These two measures worked successfully, increasing the number of leads by 1.5 times year on year.

Quarterly Changes in the Number of Sales Negotiations



The number of sales negotiations increased by 56.9% year on year, achieving great results.

We acquired new leads through responding to requests for information materials and sales negotiations referred by agencies.

We allocated these new leads to sales professionals, and they worked on the leads swiftly.

This workflow started to work well.

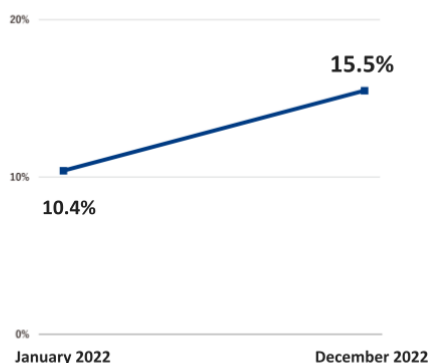
Review of Marketing Campaigns Launched in the Fiscal Year Ended March 31, 2023

Review of Marketing Campaigns Launched in the Fiscal Year Ended March 31, 2023

After mass advertising, NP *Kakebarai*'s brand awareness and large sales negotiations increased significantly.

NP *Kakebarai* brand awareness ^{*1}

After we took mass advertising campaigns in November 2022, brand awareness leaped in the areas that ads were aired.

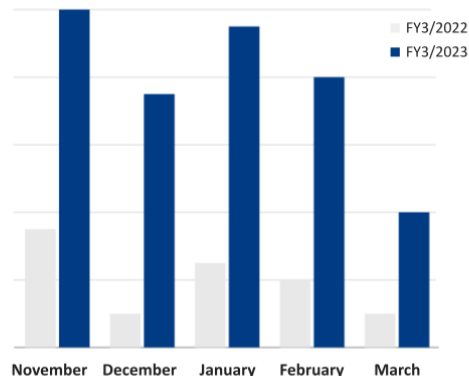


*1 Researched by M-Force Inc. with respondents of men and women aged 25-65 living in the Kanto and Kansai areas, whose positions are corporate managers, officers, and regular employees in sectors other than the market research, advertising, and financial sectors; N = 8,000

*2 Sales negotiation with an estimated monthly GMV of JPY 10 million or more

Number of large sales negotiations on NP *Kakebarai* ^{*2}

Mass advertising, digital marketing campaigns, and the PDCA cycle generated synergies, increasing the number of large sales negotiations in particular.



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Here are the results of our marketing campaigns launched for NP *Kakebarai*.

We ran TV commercials to build brand awareness and used digital marketing to convert inquiries into sales negotiations.

As a result, we succeeded in increasing both brand awareness and sales negotiations as intended. The most commendable thing is an increasing number of large sales negotiations.

We often heard of unsuccessful cases that mass advertising boosts number but not quality. However, our marketing efforts boosted quality, too.

We consider factors behind this success to be not excessively depending on external partners and hiring highly professional personnel.

We hired an executive who draws up an overall marketing strategy as well as designers and advertising campaign staff. We were able to go through the PDCA cycle successfully.

As we have accumulated know-how, we believe that we will continue to produce stable outcomes.

Review of Alliances Formed in the Fiscal Year Ended March 31, 2023 (1/2)

Review of Alliances Formed in the Fiscal Year Ended March 31, 2023 (1/2)

We enabled sales and system coordination with top industrial players representing Japan. Forming business alliances with partners who provide payment and financial services expanded our sales network, enabling us to build a system for creating leads on an ongoing basis. Going forward, we plan to consider service schemes with these partners.

Alliance partners (excerpt)

	Sales Promotion Support	Sales System Development (Shopping cart and other platform providers)	Finance (Payment and finance)
BtoC	 株式会社トライステージ	 	  
BtoB		 available on AppExchange	     リコーリース株式会社 

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Here is our network of alliances that we succeeded in forming.

Particularly in the financial sector, we formed business alliances with famous companies representing Japan, enabling us to build a system for creating leads on an ongoing basis.

The areas that our partners are excellent at differ between them, so they connect us with various customers such as e-commerce companies, service providers, and BtoB companies.

Going forward, we plan to consider new service schemes with these alliance partners, in addition to sales negotiations referred them.

Review of Alliances Formed in the Fiscal Year Ended March 31, 2023 (2/2)

Review of Alliances Formed in the Fiscal Year Ended March 31, 2023 (2/2)

We formed business alliances with five regional financial institutions and established our regional office. We met significantly increasing needs for the digital transformation of billing operations through NP *Kakebarai* and NP *Atobarai* air.

Promote Business Alliance

- Support digital transformation of billing operations
- Acquire new merchants

Strengthen Domestic Sales Office Network

Allocate dedicated sales staff to the office of partner banks to promote merchant acquisition

×

The map illustrates the regional strategy with callouts for five areas:

- Hokkaido Area**: A location established, and sales have started. (North Pacific Bank logo)
- Fukuoka Area**: Sales staff appointed. (San-in Goto Bank logo)
- Chugoku & Shikoku Areas**: A location established, and sales have started. (Tama Shinkin Bank logo)
- Iyo Bank** (Iyo Bank logo)
- Ehime Bank** (Ehime Bank logo)

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This slide shows alliances formed with regional financial institutions.

Our regional alliance strategy is aimed at promoting particularly NP *Kakebarai* and NP *Atobarai* air.

Financial institutions in rural areas have less manpower than those in large cities in Tokyo and other prefectures, so they need to implement operational reforms.

Among our services, NP *Kakebarai* and NP *Atobarai* air are Business Process Outsourcing (BPO) services that allow companies to leave the entire billing process to us.

We therefore believe that these services are helpful for companies in the digital transformation of the billing process.

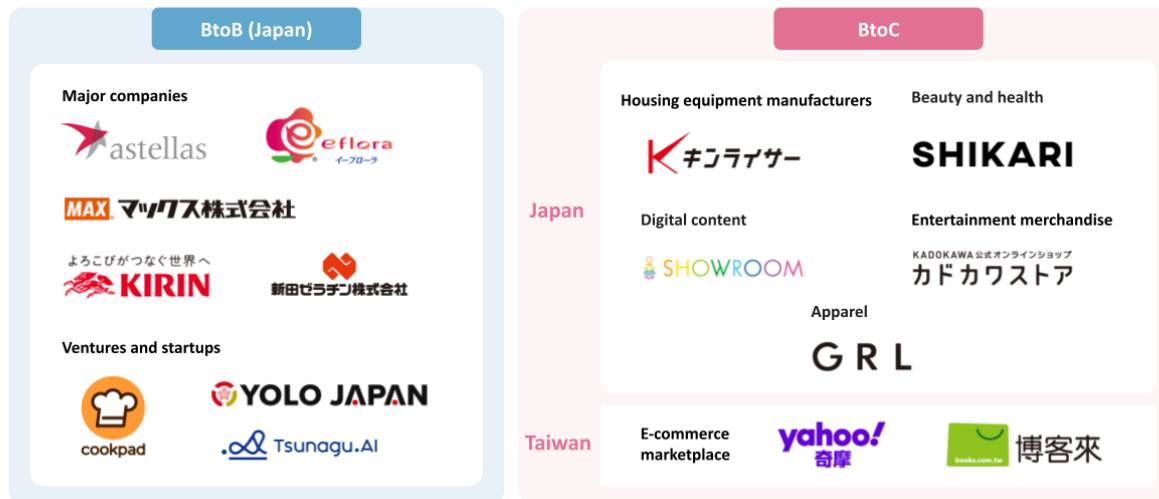
We are striving to make our services widely available by forming alliances with regional banks and shinkin banks, establishing regional offices, and enhancing our sales support.

As many sales negotiations have started, hopefully, we can report good results in the future.

Service Implementation Status for the Fiscal Year Ended March 31, 2023 (Excerpt)

Service Implementation Status for the Fiscal Year Ended March 31, 2023 (Excerpt)

Major players have adopted 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.



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Here are just some of the companies that have newly adopted our services for the past year.

Until a few years ago, almost all companies who newly adopted our services were those in the e-commerce and merchandise sales areas. However, companies in sectors other than these two areas now account for a majority of our customers.

This suggests that categories are becoming diversified in both BtoB and BtoC.

Policy in the Fiscal Year Ending March 31, 2024

Policy in the Fiscal Year Ending March 31, 2024

Making our brand presence stronger in the domestic BtoC market

We will shift our focus from NP *Atobarai* to *atone*. We aim to further increase the number of *atone* merchants to approximately 360,000 and the number of our members to over 6 million.
We will **develop new features and improve UI and UX to increase the number of merchants** of non-merchandise sales stores and physical stores, which are white space for us.
We will provide sales promotion support, such as giving reward points to large shops, to acquire more merchants.

Expanding digital transformation business

We will facilitate digital transformation support through NP *Kakebarai* and NP *Atobarai air*.
We will **strengthen our sales structure in regional sites to increase the number of merchants** of leading companies nationwide.
We will find and get collaborative partners to improve our service quality.

Progressing overseas business

We will drive business expansion into Asia with AFTEE.
We will **acquire more merchants and strengthen risk control (credit screening)** to make the service in Taiwan profitable.
We will **build a service model tailored for emerging market Vietnam** to have continuous growth.

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Our policy in the fiscal year ending March 31, 2024 consists of three main components.

First, we aim to make our brand presence stronger in the domestic BtoC market. To this end, we will shift more resources of people, goods, and money from NP *Atobarai* to *atone*.

Second, we will strengthen our sales structure by expanding our sales networks of NP *Kakebarai* and NP *Atobarai air* across Japan, which are considered our digital transformation business.

Third, we aim to make our overseas service AFTEE profitable. To this end, we will conduct strict credit screening while increasing the number of merchants.

We will report the progress and outcome of these efforts in our upcoming quarterly financial results briefings.

This is the end of our earnings report. As this briefing is for the full year, we also would like to briefly explain our sustainability activities.

Our Sustainability

Our Sustainability

Basic Policy

Contributing to forming a smooth society where people can trust each other

Under the flat organization, we believe we can serve in achieving a sustainable society by materializing a smoother society where people trust each other. In this way, we commit to our business from operational and organizational perspective.



SOCIETY

Aiming at both social development and self-realization among members, we will assist human resources equipped with integrity and innovation-driven wills, manage a teal organization backed by self-control, fair distribution, and collaboration, and generate an inclusive environment that exploits everyone's potential.



ENVIRONMENT

Viewing our planet, where the stakeholders live, as one of them, we intend to take a sincere attitude toward the global environment.



GOVERNANCE

We will ensure the effectiveness and efficiency of our sustainability measures by establishing the innovation risk management committee and reviewing governance profoundly under cross-sectional team including outside experts, when necessary.

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Our basic sustainability policy is to contribute to the formation of a smooth society in which we can trust each other.

By pursuing such policy with a base of our genuine organization, we believe that we can contribute to the realization of a sustainable society in which we can trust each other. In this regard, we intend to take initiatives from both the business and organizational aspects.

Precisely, our principle in the BNPL business, is to raise credibility for both sellers and buyers. So, by playing the role, we will be able to reduce frictions and inefficiencies involved in business transactions.

If we succeed to achieve a flat and open corporate culture without hierarchy as a result of our continuous effort to reduce organizational distortions in pursuing the BNPL business, we can maximize each member's energy to create a business with high social value.

Society

Society

We will contribute to societies by realizing and sustaining a genuine state in our services, relationships with our customers and partners, and the organization. By cultivating human resources equipped with integrity and innovation-driven wills to have total optimization and long-term vision, we build an environment and organization where each employee voluntarily think their roles and flexibly collaborate with others.



Recruiting and Member Assistance Program

Characteristics

- Recruitment of talents that have similar value to ours
- Range of seminars for new joiners to obtain skills in about half a year as well as ongoing training assistance
- "Vision Sheet" that realizes an environment where each assignment meets each one's preference



A teal organization realizing members' self-control, fair-distribution, and collaboration

Characteristics

- A HR evaluation scheme "Natura" under which manager positions were abolished
- Fluid staff deployment that avoids silos and promote flexible collaboration
- Interaction among employees that forms the basis of the organization



Creating an inclusive environment that exploit everyone's potential

Characteristics

- A flat organization where various skilled talents deliver decent performance
- Flexible working styles to support diversity in lifestyles and working practice
- Information open to everyone

We believe these are essential in creating a genuine organization.

To this end, we are focusing on three major initiatives: recruiting and growth support that aims career-development, fostering an organizational philosophy that consists of self-control, fair-distribution, and collaboration, and creating an environment that can exploit each member's potential.

Those three are core elements in a teal organization.

It is not an organization where hierarchical relation exists, but an organization where everyone shares the same information as openly as possible and discusses agenda under a flat situation.

We believe such approach allow us to enhance team-oriented productivity while providing each individual with decent growth opportunity.

Teal Organization as the Starting Point for Sustainable Growth

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.

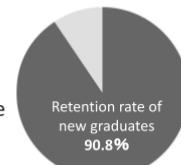
Talent Development

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 **Top 1%^{*1}** in the Openwork research “Score of Company Assessment by its Employees”



Retention rate of new graduates who joined NP during the last three years: **90.8%^{*2}**



^{*1} Based on OpenWork's word-of-mouth research on new graduates and job seekers; "company assessment by its employees" (<https://www.vorkers.com/>), as of May 1, 2023

^{*2} The retention rate of new graduates who joined the Company from March 31, 2020 to March 31, 2023, as of March 31, 2023

Under a teal organization, we have created unique systems and structures based on this philosophy.

As a result, we believe that our members are becoming more motivated, making the company as a whole more active.

In regard to these activities aimed at achieving both self-fulfillment and social development of our members, we plan to publish a sustainability page on our corporate website in the near future.

This is the end of my presentation for the fiscal year ended March 31, 2023.

Thank you very much for your attention.

Question & Answer

Moderator: Let me begin by introducing the questions we have prepared that we believe will be of high interest to investors.

Q: Please explain how you factor in the macro environment, particularly the impact of the Pharmaceutical Affairs Act and trends in EC consumption, in your GMV forecast.

A: (Shibata) First of all, we are designing based on the results and trends of the past year. We assume that there will be no recovery in the impact of the Pharmaceutical Affairs Act beyond Q4 of the fiscal year ended March 31, 2023.

We have also analyzed the growth rate of domestic e-commerce spending in the fiscal year ended March 31, 2023, which was probably limited to 1% to 2% growth over the previous fiscal year, and we have estimated the growth rate of existing stores based on the assumption that the growth rate will remain at the same level in the fiscal year ending March 31, 2024.

Q: Regarding the GMV in the earnings forecast, how is the order backlog disclosed in Q2 of the fiscal year ended March 31, 2023 factored in? Please also explain how the order backlog, which would have accumulated since October 2023, is being reflected.

A: (Shibata) The order backlog announced in Q2 of the fiscal year ended March 31, 2023 is reflected in the earnings forecast. On the other hand, the order backlog accumulated since Q3 is not included in the forecast.

There are several stores scheduled to go into operation in the fiscal year ending March 31, 2024, but this is based on the possibility that the timing of operation may change as we consider system development and operational adjustments. Therefore, we are treating this one as an upside.

Q: The credit approval rate has decreased by 2% from the previous disclosure. Is there any impact on merchant acquisition due to the decrease?

A: (Shibata) Rather than an overall decline, this is due to the fact that we have slightly controlled credit approval rate at one large store, so we believe that this will have little impact on sales.

Q: What is the reason for the increase in the BtoC delinquency rate from the previous 0.52% to 0.59%? Do you expect the uptrend to continue?

A: (Shibata) This is exactly the same as what I just mentioned. One of the major stores had a large increase in the delinquency rate, resulting in this figure, but now that this figure is under control. I do not expect the upward trend to continue. Therefore, although there is inevitably a certain amount of fluctuation in the delinquency rate for this business, I do not believe that this is a structure in which the delinquency rate will continue to rise.

Q: BtoB is planned to slow down from the 1H to 2H. Can you expect to maintain and accelerate the growth rate by taking advantage of business negotiations that have increased due to the effects of last fiscal year's advertising?

A: (Shibata) Yes, that's right. First of all, the current growth rate is very strong, but one of the reasons for this is that during the same period last year, BtoB was very weak during the COVID-19 pandemic, and now we are seeing a growth rate that is a little higher than our actual performance. I think that will naturally fade away as it gradually slows down. So, we are reducing the growth rate a little considering the impact.

However, the current status of projects and acquisitions continues to get stronger all the time, so I am hopeful that there is a good chance of touching the upside in that light.

Q: There was a large merchant withdrawal in Q3, but were there any major merchant withdrawals in Q4?

A: (Shibata) We did not have any.

Q: NP previously had cost containment as a forecast for this fiscal year. What expenses were different from the previous forecast in the formulation of this fiscal year's corporate plan? Also, do they fall under personnel costs, advertising costs, or outsourcing costs?

A: (Watanabe) Let me explain. Yes. We continue to be in cost containment. In terms of the current business forecast, first of all, we will spend nearly 1 billion yen on marketing expenses, and compared to the previous fiscal year, the current fiscal year appears to have increased because of the unspent funds from the previous fiscal year.

Also, as I explained earlier, in terms of personnel expenses, recruitment and mid-career hiring will continue in 1H, and since we will have a certain structure in place there, there will not be much increase in hiring expenses after that. That is all.

Q: What is the assumption of the delinquency rate or allowance rate for the current period?

A: (Shibata) I don't see any significant changes. We are wondering if it has gone up slightly.

Q: Regarding the partnerships with regional financial institutions, how many more companies do you want to add? Please tell me more about the needs.

A: (Shibata) If we increase the number of partners, it will be necessary to keep the number of personnel at the same level, so we will have to keep a good balance while watching the results.

However, it is clear that once we have established a solid relationship and have sales members assigned there, we will be able to be introduced to more and more influential companies in the region, so we would like to gradually increase the number of people in each region as we see results.

Q: The assumption of EBITDA has changed since the past mid-term plan, what is the current target?

A: (Watanabe) The previous mid-term plan was issued around June about two years ago before we went public. Since then, the business environment has changed, and our services have been enhanced considerably. Therefore, we are currently in the process of reviewing our services within the Company. We have high expectations for our internal discussions, especially for atone this fiscal year. So, we would like to review the mid-term plan while keeping an eye on the situation.

Q: I have the impression that atone's growth rate is not too high considering its size, but what is the background behind your belief that the growth rate will accelerate in 2H?

A: (Shibata) We have been preparing for this all along, and we are anticipating the operation of a large store, so we are factoring in the impact of that. However, with the start of the full-fledged operation of BNPL per purchase and other positive factors, we would like to do our best to improve the situation from here.

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