



Net Protections Holdings, Inc.

Q&A of Financial Results Presentation for the Nine Months Ended
December 31, 2024

February 14, 2025

※ This is a transcript of the Q&A. The main part was disclosed on the day of the results briefing.

Question & Answer

Participant [Q]: Thank you for the third upward revisions. Is it correct to assume that upward revision this time was made while recognizing the growth curve of the current medium-term management plan?

Watanabe [A]: I will answer you. The growth curve of the medium-term management plan that we announced has performed in line with the GMV. We believe the major part of this upward revision is attributed to saving prime costs.

Shibata [M]: This is the result of our hard work this year.

Watanabe [A]: Yes, that's right. We are now carefully considering for the next fiscal year and beyond.

Participant [Q]: For the mid-term management plan, you only explained about the GMV. If improvements in prime costs were a factor, is it correct to assume the current upward trend was organic?

Shibata [A]: Yes, exactly. I believe the aforementioned delinquency rate in particular has improved well, and we managed to control SG&A expenses beyond expectations. I believe these two factors were significant.

Participant [Q]: What factors enabled you to control credit costs better than expected in Q3?

Shibata [A]: Since the delinquency rate trends of each business continued to improve, the situation is very favorable. The staff for each team is becoming increasingly skilled and they have firmly driven results through increased cooperation. Since we have established a firm system that is not a temporary one, I don't think the delinquency rate will suddenly surge.

Participant [Q]: How much do the administration fees for late payments contribute to your profit?

Shibata [A]: Roughly JPY100 million per month. It contributes to improving the gross profit of NP Atobarai.

Participant [Q]: Could you provide more details regarding the factors behind the SG&A expense control for Q3?

Watanabe [A]: As mentioned earlier, marketing expenses were slightly delayed to Q4. Additionally, the corporate structure is becoming increasingly stronger and we managed to control each expense category.

Participant [Q]: You mentioned that you spent JPY84 million on marketing investment in Q3. Where does this affect the profit and loss sheet? Also, please explain where you plan to spend JPY215 million in Q4.

Watanabe [A]: Overall, we spent approximately JPY160 million on marketing expenses in Q3. They were adjusted and indicated in red, as shown on the atone page mentioned earlier. It was originally calculated as SG&A expenses. However, applying substantial discounts to promotions from this quarter onward has become main practice based on international accounting standards and we have deducted it from our sales.

In Q4, we will be spending over JPY300 million in total, of which about JPY260 million will go towards SG&A expenses and about JPY50 million will be deducted from sales.

Participant [Q]: What are your thoughts on the new service that you will launch in the future? When and how much would atone Plus influence your performance?

Shibata [A]: Tests are progressing well, with internal tests and some tests for external purposes already underway.

I believe a full-scale service launch will start around this summer. However, we will probably proceed cautiously while observing any risks. Therefore, I believe the efforts will pay off in earnest in the fiscal year following the next one.

Participant [Q]: Please explain the competition status with Atokara.

Shibata [A]: From what I've heard from the sales team, we have had almost no competition with them so far and don't know anything else beyond that.

Participant [Q]: In addition to atone plus, please explain if there are any other factors that could drive your performance.

Shibata [A]: As we expect service introductions from several major companies, we are wondering whether they will be used as expected.. The pipeline for atone has particularly been very well developed and I believe the importance lies in how we operate it.

Participant [Q]: It looks like the sales pipeline on page 43 is decreasing QonQ. Please tell us the reason for this.

Shibata [A]: One reason is that a large pipeline in BtoB has disappeared from the pipeline, since it started operation.

Several large companies that we evaluated were removed from our projects. On the other hand, although these figures are somewhat difficult to see, the number of projects has been accumulating based on a fairly conservative estimate. Although the figures have slightly decreased, I believe the situation is very healthy.

Participant [Q]: What factors contributed to the growth rate recovery of NP Kakebarai GMV in Q3?

Shibata [A]: Existing merchants are steadily expanding, and one very large company has started using our service, as I have mentioned several times.

Participant [Q]: Please share the details of the newly-acquired large merchant that contributed to the BtoB growth for Q3.

Shibata [A]: This is something I wanted to discuss with everybody. However, as we could not receive approval from our partner, I will refrain from sharing the details. I'm sorry.

Participant [Q]: Can we expect the contribution of the newly-acquired large merchant in BtoB to expand even further in the future?

Shibata [A]: Well, the overall transaction volume has already come to us. It already reached its maximum volume in December. I don't think it will grow any further afterward.

Participant [Q]: Will NP Kakebarai's GMV growth momentum continue?

Shibata [A]: We are expecting several large companies to start operations in the next fiscal year, so it depends on whether they will start as expected or not.

Participant [Q]: You have approximately 700,000 BtoB clients. How is the growth pace of new clients?

Shibata [A]: Since this is almost correlated to the GMV growth of NP Kakebarai, I believe the number of buyers will also increase if GMV growth accelerates.

Participant [Q]: What is the status of your overseas business development in Taiwan and Vietnam?

Shibata [A]: First of all, Taiwan is progressing well with improving gross profit margin and growing GMV. If it continues growing, it will become profitable. So, I believe we need a little more growth.

For Vietnam, we are still building a credit screening system while collecting data. Also, we are still verifying what kind of system to implement.

Participant [Q]: What are the expected effects on profit and loss related to strengthening shareholder benefits?

Watanabe [A]: The benefit itself is the same program as last year. The program will end this March, and the annual effects on profit and loss are several million yen.

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