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Net Protections Holdings, Inc.

Q&A of Financial Results Presentation for the Nine Months Ended
December 31, 2025

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

Question & Answer

Participant [Q]: I found the partnership with Sumitomo Mitsui Card very interesting. In light of this case, what do you see as the relationship between JCB, Sumitomo Mitsui Card, GMO, and Net Protections?

Shibata CEO [A]: Since this involves our partners, I may not be able to be entirely explicit. However, regarding JCB, while we have always maintained a strong partnership, this announcement focuses on deepening our collaboration specifically within the B2B sector.

As for Sumitomo Mitsui Card, based on public information, my understanding is that they are partnered with GMO in the B2C. In contrast, this announcement confirms that they will be working with us in the B2B. I believe this represents a clear division of roles between the two domains.

Watanabe CFO [A]: That's correct. In the B2B sector, as I touched upon earlier in the discussion regarding AI, I believe our data assets are incredibly attractive to them. Given our extensive customer base, I understand that they view a partnership with us as essential for effectively penetrating the SMB (Small and Medium Business) market.

Participant [Q]: When did the discussions regarding the partnership with Sumitomo Mitsui Card begin to take shape? Additionally, what kind of impact do you expect this to have on your mid-term management plan?

Shibata CEO [A]: We have been working intensely on this for about four or five months. To be honest, including our previous announcement regarding Otsuka Corporation, a major B2B merchant, we dedicated our most capable sales resources to these accounts. Our best people have been fully committed to the discussions with both Otsuka Corporation and Sumitomo Mitsui Card, and their hard work has finally brought us to this point.

Regarding the impact on our mid-term management plan, it is still difficult to quantify at this stage. However, we expect to see a significant impact from the fiscal year ending March 2028 and beyond, as the benefits of these partnerships begin to fully materialize.

Participant [Q]: The company's full-year forecast remains unchanged. Could you please provide a breakdown of the progress during the third quarter across each business segment?

Watanabe CFO [A]: Certainly. We intentionally opted against an upward revision at this time. To provide some context, since the fiscal year ended March 2025 marked our first year of profitability, our previous stance was to disclose updates incrementally as situations evolved. We believe investors and analysts have now gained a solid understanding of this trajectory, so we have shifted our policy to align more closely with standard Tokyo Stock Exchange disclosure guidelines. Therefore, I would like to clarify that our current operating profit guidance of 2.9 billion yen is not intended to be a final cap on our performance.

Regarding the progress for the three months of Q3, it is as I discussed earlier. Looking at the specifics of each segment, *atone* continues to perform well in the B2C. While the growth rate may appear lower compared to last year, this is simply due to the high base effect from an exceptionally strong previous year. We are already seeing current trends return to their normal levels.

Similarly, for our B2B service, while the growth rate may seem lower than in Q2, this is primarily due to the completion of a full business cycle. In reality, with the future potential of our partnerships with JCB and Sumitomo Mitsui Card now coming into view, we are confident in our ability to sustain and drive further growth.

Participant [Q]: Bad debt related expenses remained low in the third quarter and seem to be well-managed relative to GMV. Could you provide an update on the current status of your credit risk management?

Shibata CEO [A]: Our credit management is performing very strongly across all business units, and we continue to see solid improvements. Furthermore, we have successfully enhanced cross-functional collaboration and information sharing among the teams responsible for credit screening in each segment. We believe we can sustain this positive momentum moving forward.

Participant [Q]: Partners like JCB and Sumitomo Mitsui Card ultimately have incentives to expand their own B2B card transaction volumes. Given this, do you anticipate that the nature or positioning of your B2B service will eventually change?

Shibata CEO [A]: In the B2B sector, card payments have not yet reached a dominant position. Our strategy is to continue expanding our current payment solutions while acknowledging that card-based transactions will likely grow incrementally. However, especially within the context of Japanese business culture, I believe it will take some time before we see a shift where card transactions become the primary

method. Therefore, we intend to move forward by striking a careful balance between these different payment options.

Participant [Q]: I am concerned about the year-on-year decline in gross profit for NP *Atobarai*. Could you explain the reasons behind this and whether you foresee any issues moving forward?

Watanabe CFO [A]: When comparing the third quarters, last year was 2.15 billion yen while this year is 2.11 billion yen. Rather than a decline, I believe it is more accurate to view this performance as being essentially flat.

As I mentioned earlier, our portfolio mix is shifting and will likely continue to evolve. Specifically, although NP *Atobarai air* is still small in scale compared to NP *Atobarai*, it is growing at a rate of approximately 25%. Consequently, we expect the composition within the NP *Atobarai* and Others to continue changing as we move forward.

Participant [Q]: With the addition of JCB and Sumitomo Mitsui Card, it feels as though progress is tracking ahead of your mid-term management plan. Is that an accurate assessment? Furthermore, since these initiatives take time, should we expect the full-scale impact to begin around the fiscal year ending March 2028?

Shibata CEO [A]: Our primary goal is to exceed the pace set in our current mid-term management plan. As I mentioned earlier, we anticipate that the full impact of our partnerships with JCB and Sumitomo Mitsui Card will materialize in the fiscal year ending March 2028, as a certain lead time is necessary for preparation.

On the other hand, from the fiscal year ending March 2028 onward, we believe there is significant potential for growth to outperform our initial projections. We are committed to working hard to ensure we reach those higher levels.

Participant [Q]: Could you please explain the P&L impact associated with the shareholder benefit program?

Watanabe CFO [A]: This marks the third time we are doing the shareholder benefit program. Looking at the P&L impact from previous years, the figures are quite small and do not even reach the 100 million yen

mark, so the impact is minimal. Our primary objective is to encourage our shareholders to personally use and experience the *atone* for themselves.

Participant [Q]: Regarding *atone plus*, should we remain unconcerned about a sudden shift into a deficit driven by point-related expenses, as previously discussed?

Shibata CEO [A]: We are rolling out *atone plus* gradually. Since its current impact within the overall *atone* business is still very minor, a sudden turn into the red is not a scenario we anticipate. That said, we have begun full-scale marketing efforts, and user numbers are starting to grow, already reaching the tens of thousands. We maintain our strong confidence in the future expansion of this service and will continue to move forward steadily.

Participant [Q]: Could you clarify once again how users distinguish between card transactions and invoice payments in the B2B sector?

Shibata CEO [A]: Buyer companies do not have the option to use credit cards at the point of transaction. Consequently, the current flow is structured so that buyers settle their invoices via wire-transfer, at convenience stores, or in some cases, through direct debit.

However, we are seeing a trend where card payments are introduced after the initial settlement as a way to further defer the actual cash outflow.

Watanabe CFO [A]: That is correct. In practice, card payments are being utilized by buyer companies primarily as a tool for payment extension, allowing them to stretch their payment deadlines even further.

Participant [Q]: With Sumitomo Mitsui Card now added to the pipeline, will it be necessary to accelerate strategic spending within your SG&A expenses?

Shibata CEO [A]: We do not believe that any major new investments will be required on our part at this time. However, our partner seems to be fully committed to this initiative. In that sense, we may look to further strengthen our sales capabilities to ensure we can effectively support their efforts and meet the growth we anticipate.

Participant [Q]: Why do companies continue to prefer invoice payments over credit cards?

Shibata CEO [A]: I believe that payment habits among SMBs and sole proprietors have not yet seen a significant shift. To begin with, there are still very few B2B scenarios where credit cards are even accepted as a payment option. As a result, the habit of using cards for business transactions has not really taken root yet. Instead, the process remains quite traditional. Invoices are sent by mail or email, and payments are settled via bank transfer or at a convenience store. This approach remains overwhelmingly dominant in the market today.

Participant [Q]: You mentioned that some marketing initiatives from the third quarter were shifted to the fourth quarter. Will the total cost investment for the full year remain in line with the plan?

Watanabe CFO [A]: Yes, it will remain in line with our plan. We established this fiscal year's baseline for marketing expenses based on the 300 million yen in additional investment we made last year. We expect to deploy the budget according to that level.

Participant [Q]: Since you are partnering with two major card issuers, JCB and Sumitomo Mitsui Card, should we anticipate any potential conflicts of interest between them?

Shibata CEO [A]: At this stage, we do not envision both companies fulfilling identical roles. Consequently, we believe there is a clear division of roles and proper market segmentation in place.

Participant [Q]: Aren't you concerned that partnering with JCB and Sumitomo Mitsui Card might eventually lead to them displacing or absorbing your existing customer base?

Shibata CEO [A]: That might be a possibility if credit cards were to expand into every type of transaction, including those currently handled by us, to the point where card payments become the dominant method for B2B settlements. However, I believe reaching that stage would require a fundamental shift in national payment habits. Even if the market does move in that direction, I expect it will take a considerable amount of time to fully materialize.

Participant [Q]: The stock price has been declining since the second-quarter earnings announcement. How do you analyze the factors behind this trend? Additionally, what factors do you believe will lead to a recovery in the stock price?

Watanabe CFO [A]: As we discussed during both the Q2 and Q3 briefings, we explained that our growth rate might appear to be decelerating on the surface. We in the IR team feel a sense of responsibility as this may have been misconstrued as a genuine decline in our growth momentum. However, as I stated earlier, this is a temporary trend. When viewing our performance from a medium-to-long-term perspective, our growth trajectory remains firmly intact. We believe the market may have reacted overly sensitively to this perceived deceleration.

Furthermore, recent news reports suggesting that Generative AI might replace SaaS have triggered a degree of panic selling across the IT sector, which has put pressure on growth stocks in general.

In response, we intend to clearly demonstrate our confidence in our future growth. Moreover, since our business model differs fundamentally from standard SaaS, we believe that as investors gain a deeper understanding of these distinctions, the stock price will naturally recover to its appropriate levels.

Participant [Q]: Could you explain again your policy regarding shareholder returns as your capital begins to accumulate?

Watanabe CFO [A]: As outlined in our three-year plan, we are confident in our ability to maintain a trajectory of steady profit growth moving forward. We are currently in the process of reviewing our strategy for cash allocation at that stage. We expect to be able to share more specific details during our full-year results announcement in May, so we would appreciate your patience until then.

Participant [Q]: Could you provide any details regarding the role division between JCB and Sumitomo Mitsui Card, to the extent that you can share at this time?

Shibata CEO [A]: As outlined in our press releases, our collaboration with JCB involves initiatives such as issuing corporate credit cards to our member companies and introducing credit card payment options.

On the other hand, we anticipate that the most significant impact from our partnership with Sumitomo Mitsui Card will come from their role in promoting and referring NP *Takebarai* to the Sumitomo Mitsui Group's extensive customer base. This direct outreach to their clients is where we expect to see

considerable results. These distinct strategic focuses are what I referred to as a clear division of roles between the two partners.

Participant [Q]: Finally, could you share your overall expectations for the company?

Shibata CEO [A]: To provide a closing overview, I believe our recent partnerships in the B2B sector, particularly with JCB and other partners, will have a very significant impact. While we are currently on track to maintain a steady growth rate, I expect the full-scale benefits of these collaborations to materialize from the fiscal year ending March 2028 and beyond. With the involvement of Otsuka Corporation, JCB, and Sumitomo Mitsui Card, I am strongly confident that we can elevate our business to a significantly higher growth trajectory from that period onward.

Furthermore, although it did not come up much in today's discussion, the growth of *atone* is accelerating even further. As I mentioned, we have several upcoming partnership announcements with Payment Service Providers (PSPs), which I believe will be very effective drivers of growth.

I can now share that *atone* is now available on Netflix. With the upcoming WBC (World Baseball Classic), we expect *atone* to be utilized specifically in acquiring new customers during that period. Additionally, *Konami* has implemented *atone* for their game services, which is another area where we expect to see strong results. We are also having several discussions with other major companies in the online game sector, and I am confident to consistently acquire new merchants.

With a touch of optimism, I believe that within the next six months to a year, *atone* will establish a strong presence among online game providers and video subscription services. By securing a firm foothold in these areas, we can then focus on a full-scale expansion of *atone plus* memberships. We have built a solid foundation for our medium-to-long-term goals.

In conclusion, I have high expectations for our core growth pillars, B2B and *atone*, as we move forward steadily. Thank you very much.

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