# Financial Results Presentation
# for the Nine Months Ended December 31, 2021

つぎのアタリマエをつくる
Net Protections HD

Net Protections Holdings, Inc.
(TSE 1st Section: 7383)

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# Business Overview

- **Mission**
- **Business Outline**
  - Track Record
  - Service Overview
  - Line of Business
- **Business Metrics**
  - Key Highlights
  - Profit Structure
  - GMV
  - Delinquency Rate

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## 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: A Leading BNPL (Buy Now Pay Later) Company in Japan

**Annual GMV*2*3**

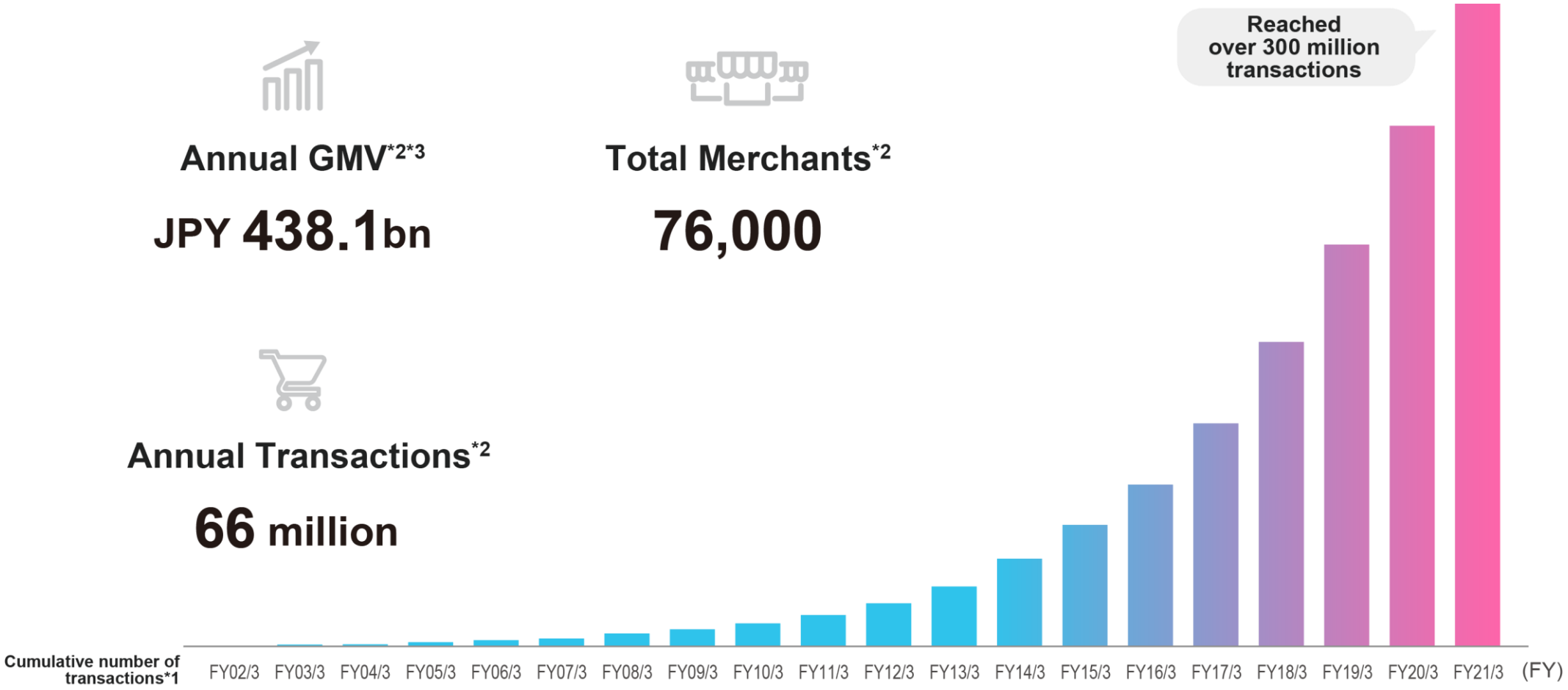
**JPY 438.1bn**

**Total Merchants*2**

**76,000**

**Annual Transactions*2**

**66 million**

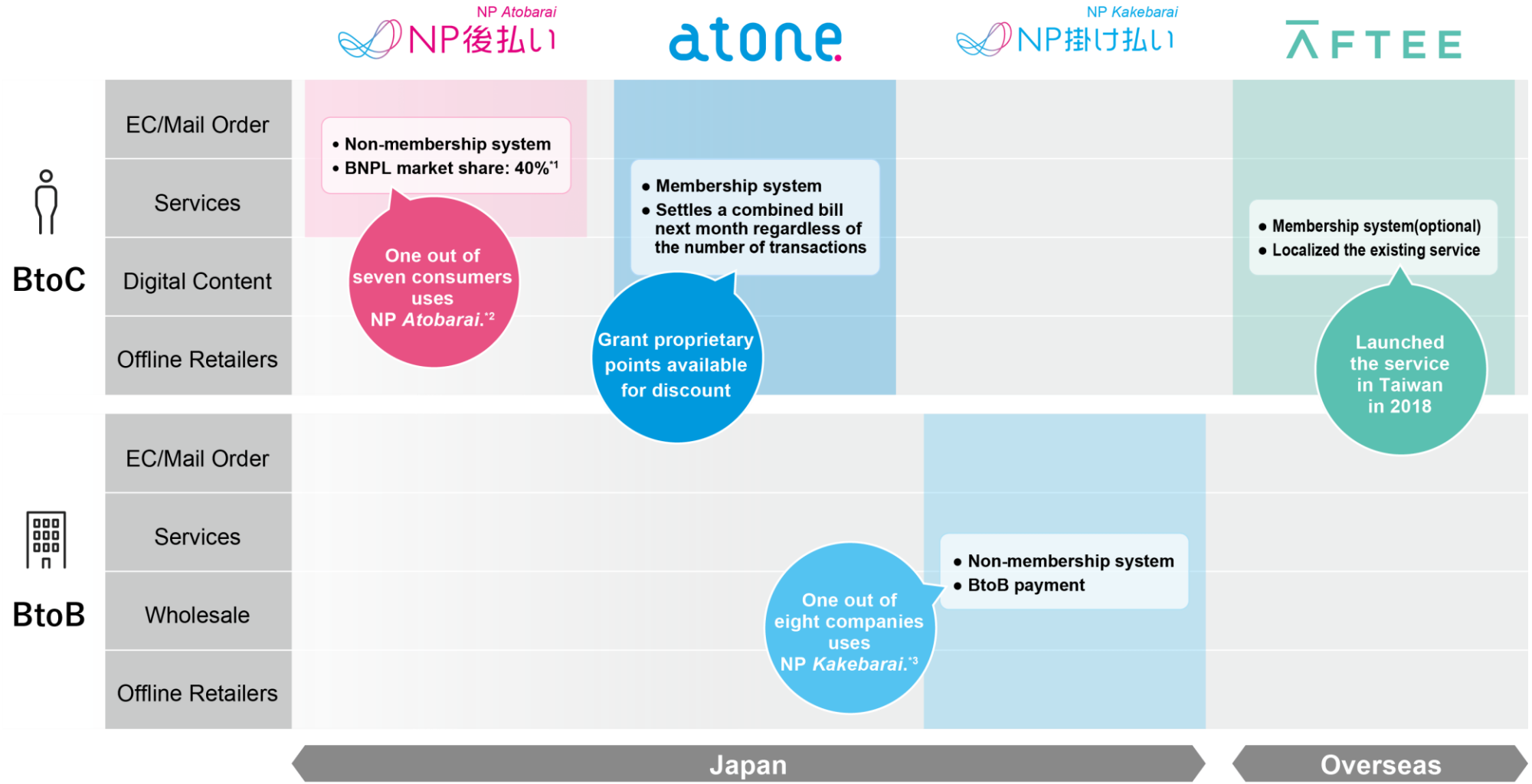



*1 Cumulative number of transactions at the end of each fiscal year, from the service launch of NP *Atobarai*, atone, NP *Kakebarai*, and AFTEE to the end of March 31, 2021.
*2 Annual GMV, total merchants, and annual transactions are the aggregate figures of BtoC and BtoB transactions in FY3/2021.
*3 AFTEE's financial figures are converted to JPY on a monthly basis using the rate at the end of the previous month.



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# Business Overview: A comprehensive BNPL Service Provider Covering Both BtoC and BtoB



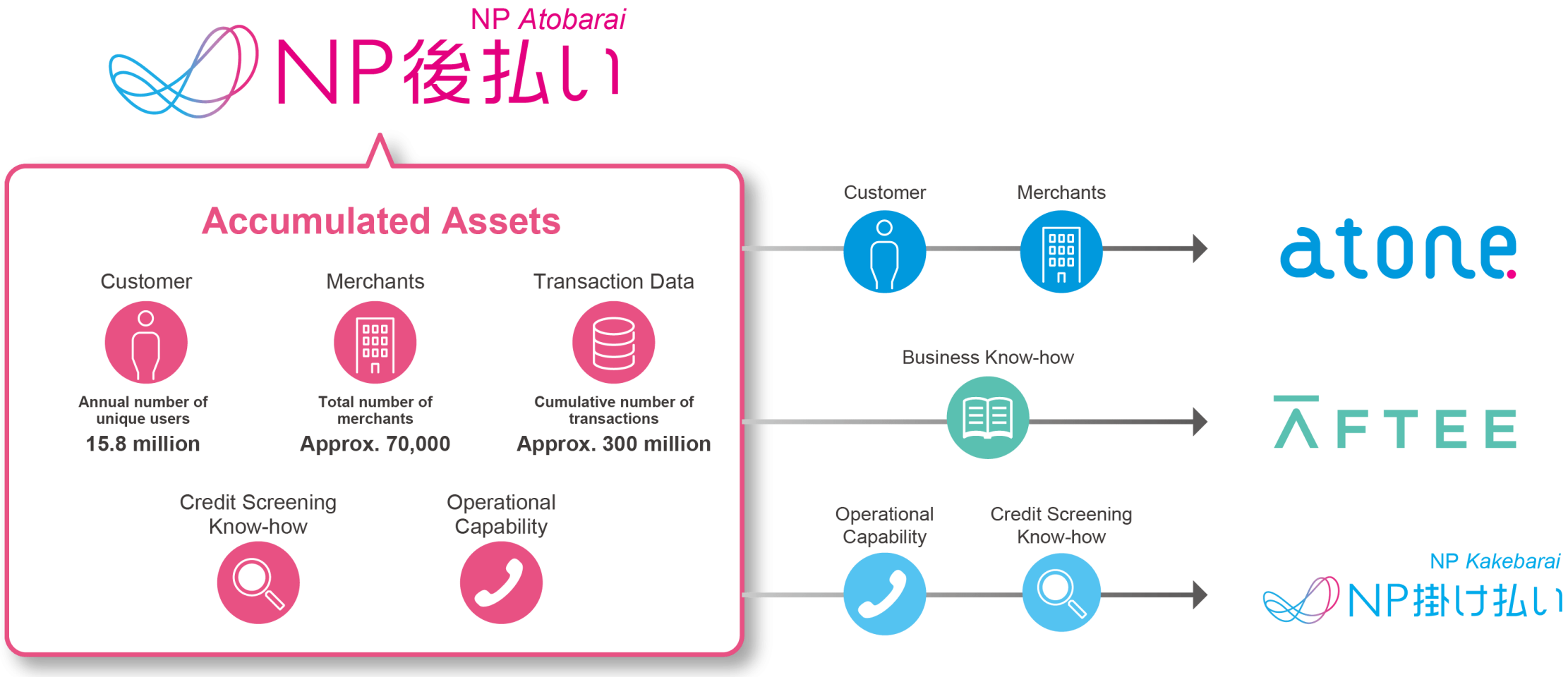

*1 Calculated based on the estimated amount of BNPL market in FY2020 for JPY882 billion and the total GMV of NP Atobarai, atone in FY2020 for JPY360 billion from Yano Research Institute “Online Payment/Settlement Service Providers 2021”
*2 Approximately 1 in 7 consumers: population of 110.48 million people aged 15 and above (MIC, population statistics, 2021/4/1 estimate) ÷ FY3/2021 Annual Unique Users 15.8 million
*3 Approximately 1 in 8 companies: # of Japanese companies 3.59 million (METI 2019 White Paper on Small and Medium Enterprises) ÷ FY3/2021 BtoB customers of 410 thousands



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# Business Overview: Developing Business Leveraging Accumulated Assets and Knowhow

We have developed business by leveraging the credit knowhow and network assets accumulated over the past 20 years

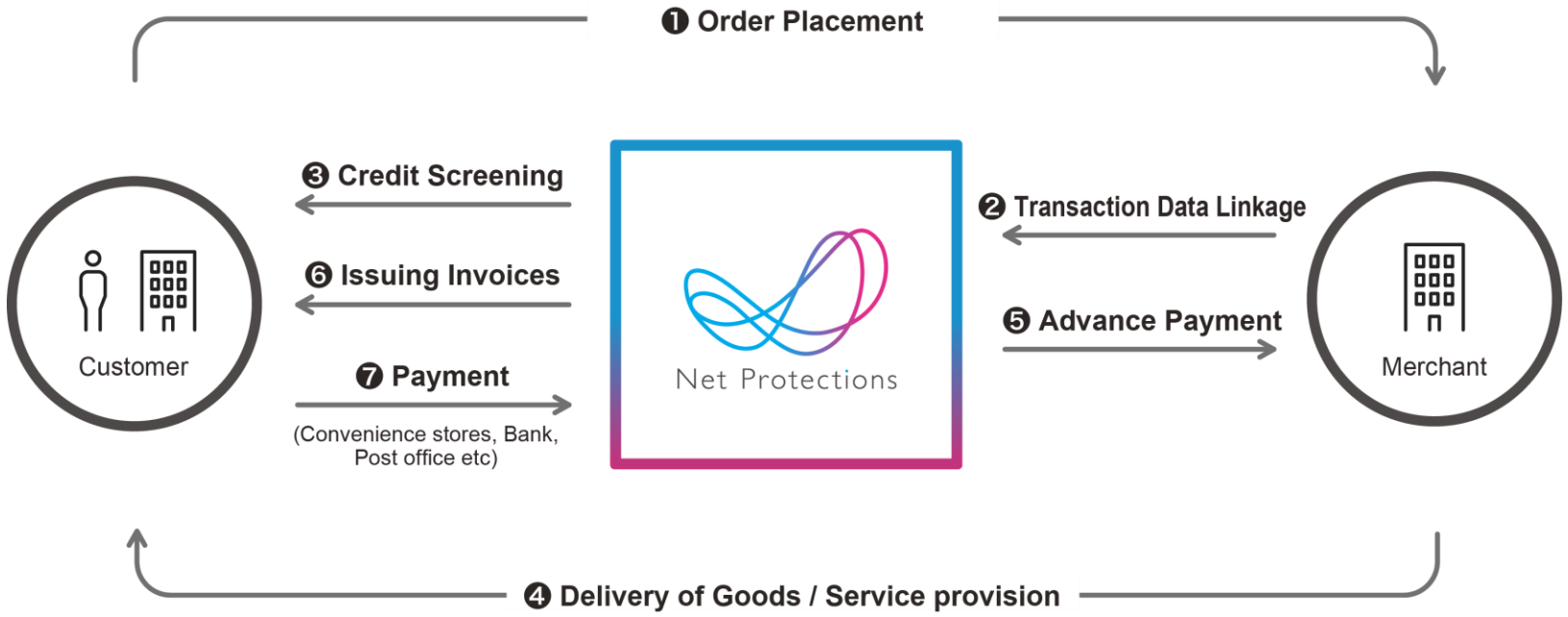





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# Business Overview: BNPL Scheme Providing Safe and Secured Transactions

NP guarantees delinquency risk to enable sage and secured E-Commerce for both sellers and buyers.




## Customer Benefits

- Receives goods first
- No credit cardsr equired
- Earns points

## Merchant Benefits

- Increases sales
- Increases new customers
- Relieved from unpaid pamyent risk



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# Business Metrics: Key highlights

## FY22/3 3Q GMV（Gross Merchandise Value）*1

**128bn**

（+8.4% YoY）

## FY22/3 accumulative GMV *1

**357.1bn**

（+8.2% YoY）

## Delinquency Rate *2

**0.53%**

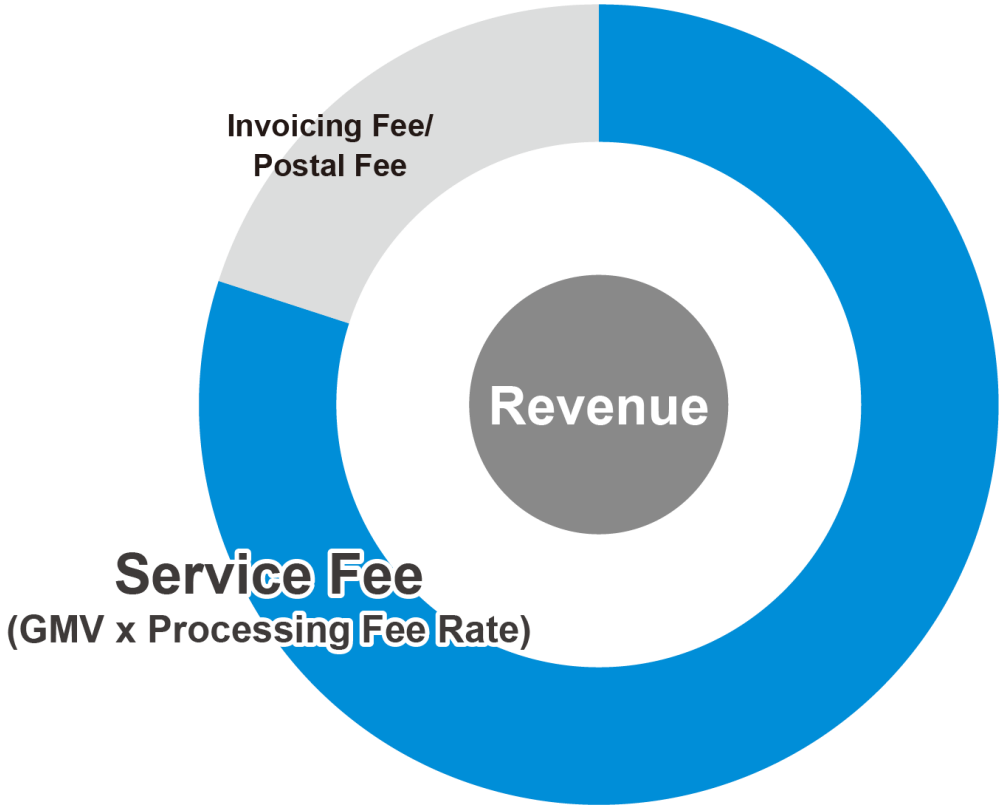
*1 The total volume of payments (including consumption tax) made through services provided by the Group, such as NP Atobarai, atone, NP Kakebarai, and AFTEE.
*2 The figure for FY3/2021 is based on unpaid transactions as of the end of December 2021 (including transactions prior to writing off delinquent debt).



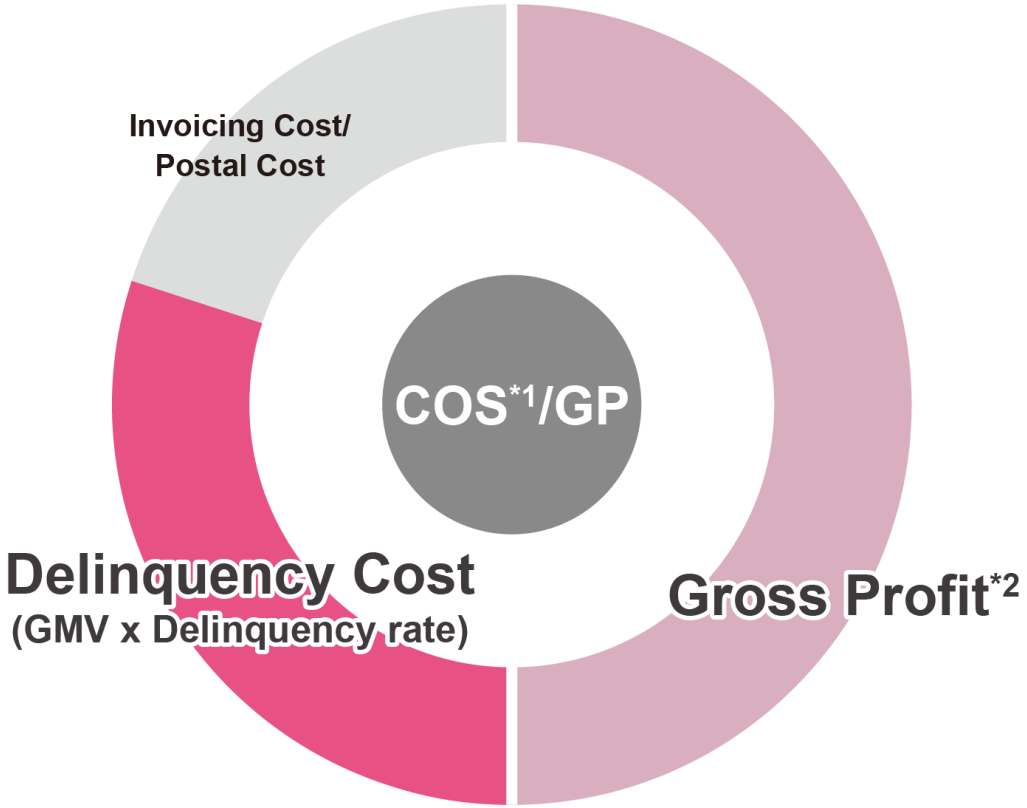
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# Business Metrics: Profit Structure as a Source of Corporate Value

Revenue consists of the service fees paid by merchants based on GMV.
The gross profit margin fluctuates depending on delinquency cost as part of cost of sales (COS).




**Sales increase in line with a growth in GMV.**




**Profit increases as the delinquency rate declines.**

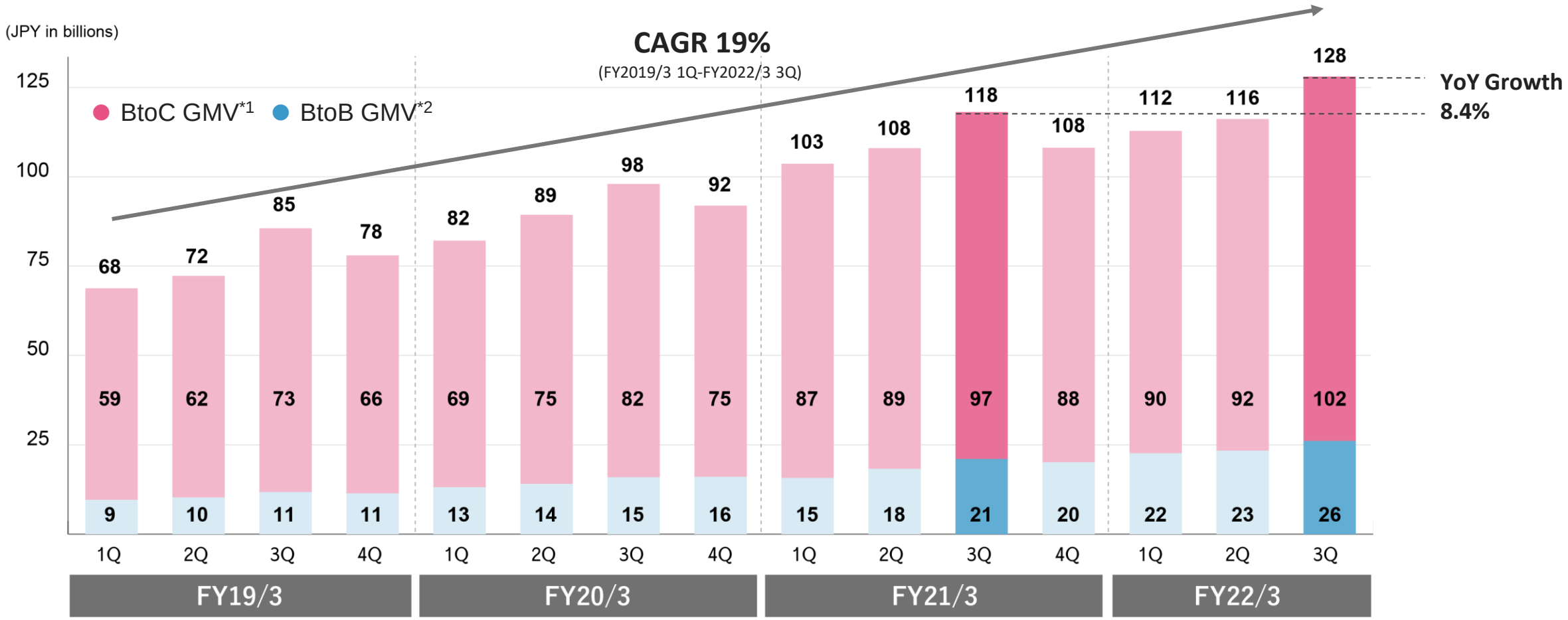
*1 COS：Doubtful accounts related cost, Invoicing fee, postal fee, and operational cost.（non-GAAP）
*2 Gross Profit：Revenue - COS（non-GAAP measures）



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# Business Metrics: Solid GMV Growth

Total GMV increased 8.4% YoY to JPY127.8 billion.



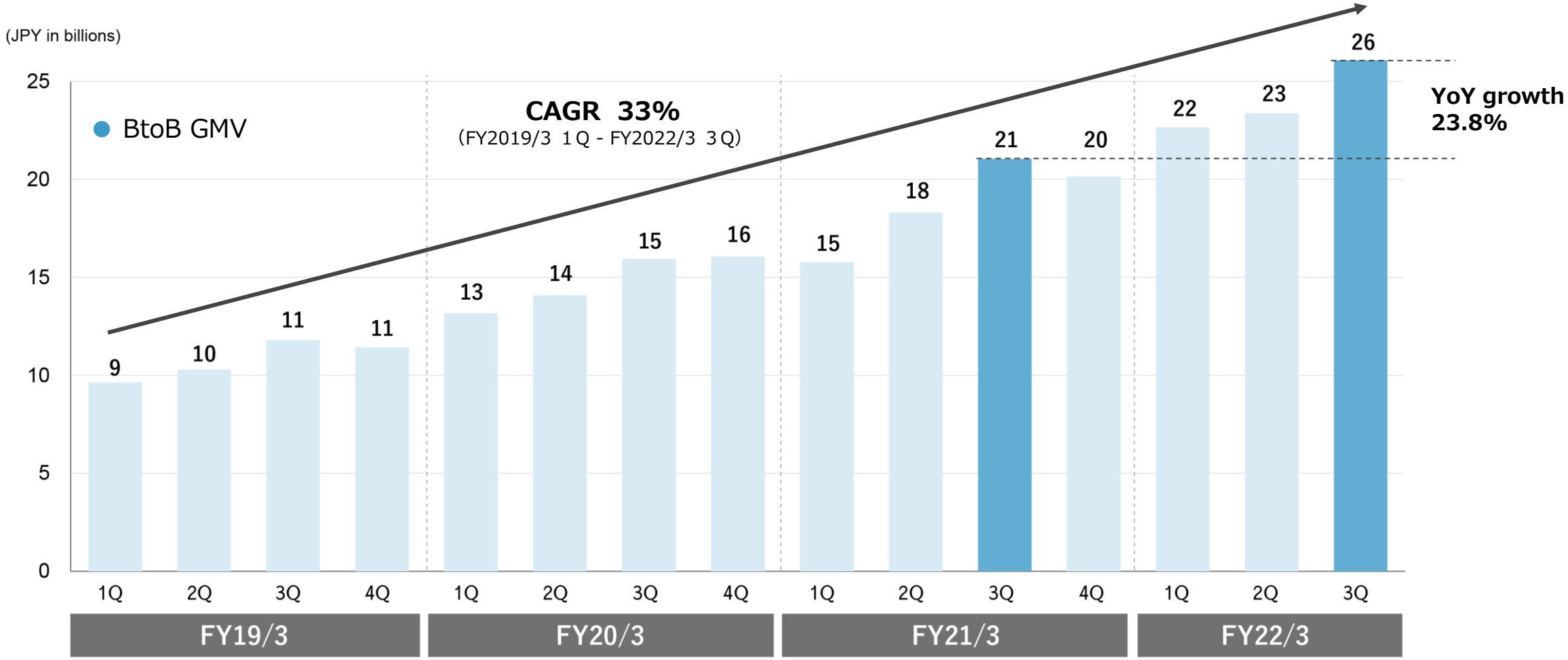

*1 Total amount of payments (including consumption tax) made through services provided by the Group, consisting of NP *Atobarai*, atone, and AFTEE.
*2 Total amount of payments (including consumption tax) made through NP *Kakebarai* service provided by the Group.



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# Business Metrics: Solid GMV Growth

BtoB business increased 23.8% YoY to JPY26 billion due to a solid growth in IT service transactions such as BtoB E-commerce and SaaS, despite the impact of COVID-19.

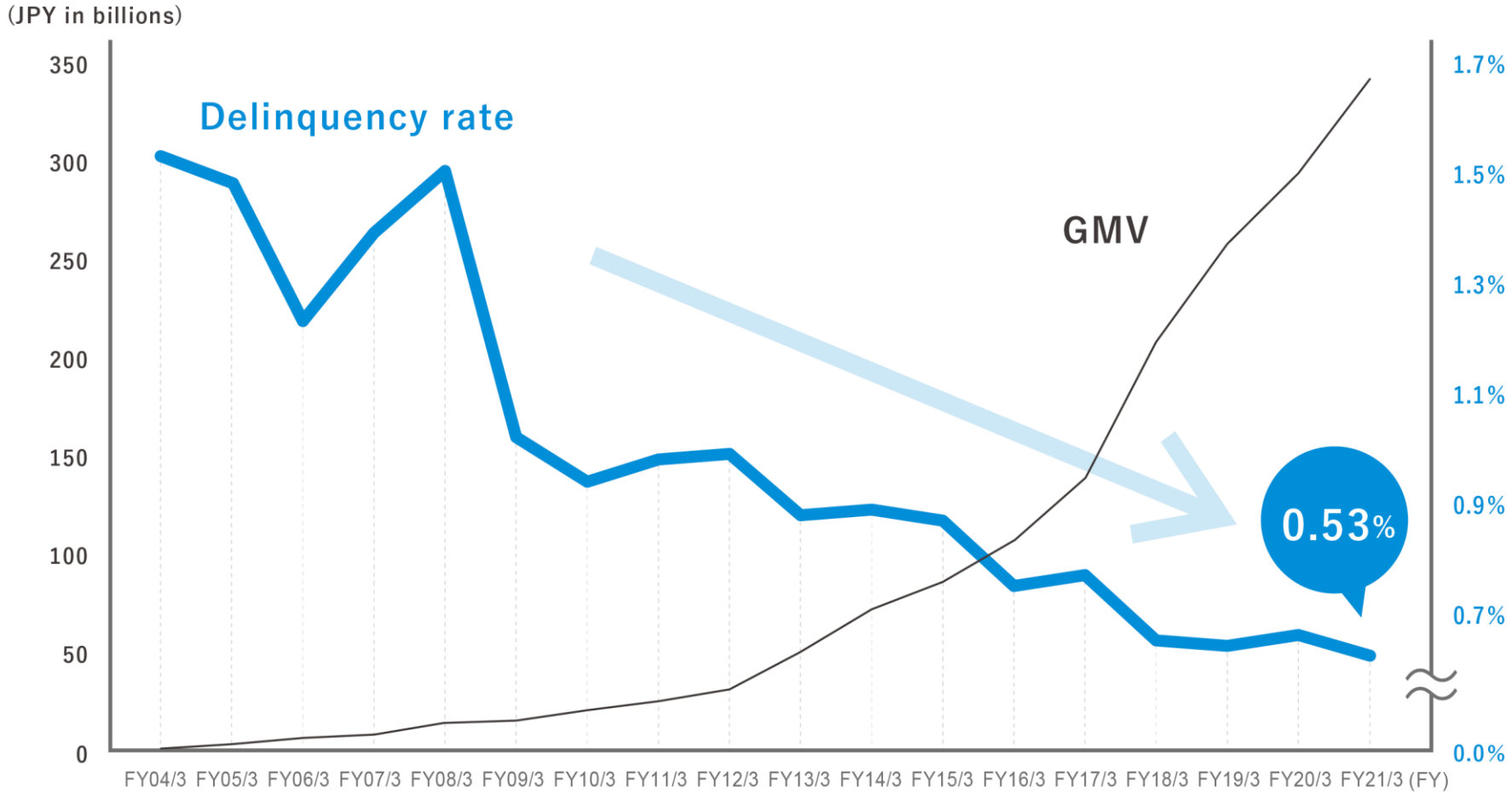





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# Business Metrics: Control Delinquency Risk Based on Accumulated Data and Knowhow

The final delinquency rate was 0.53% as a result of building knowhow on collection such as invoicing and sending a payment reminder, in addition to the credit screening system.



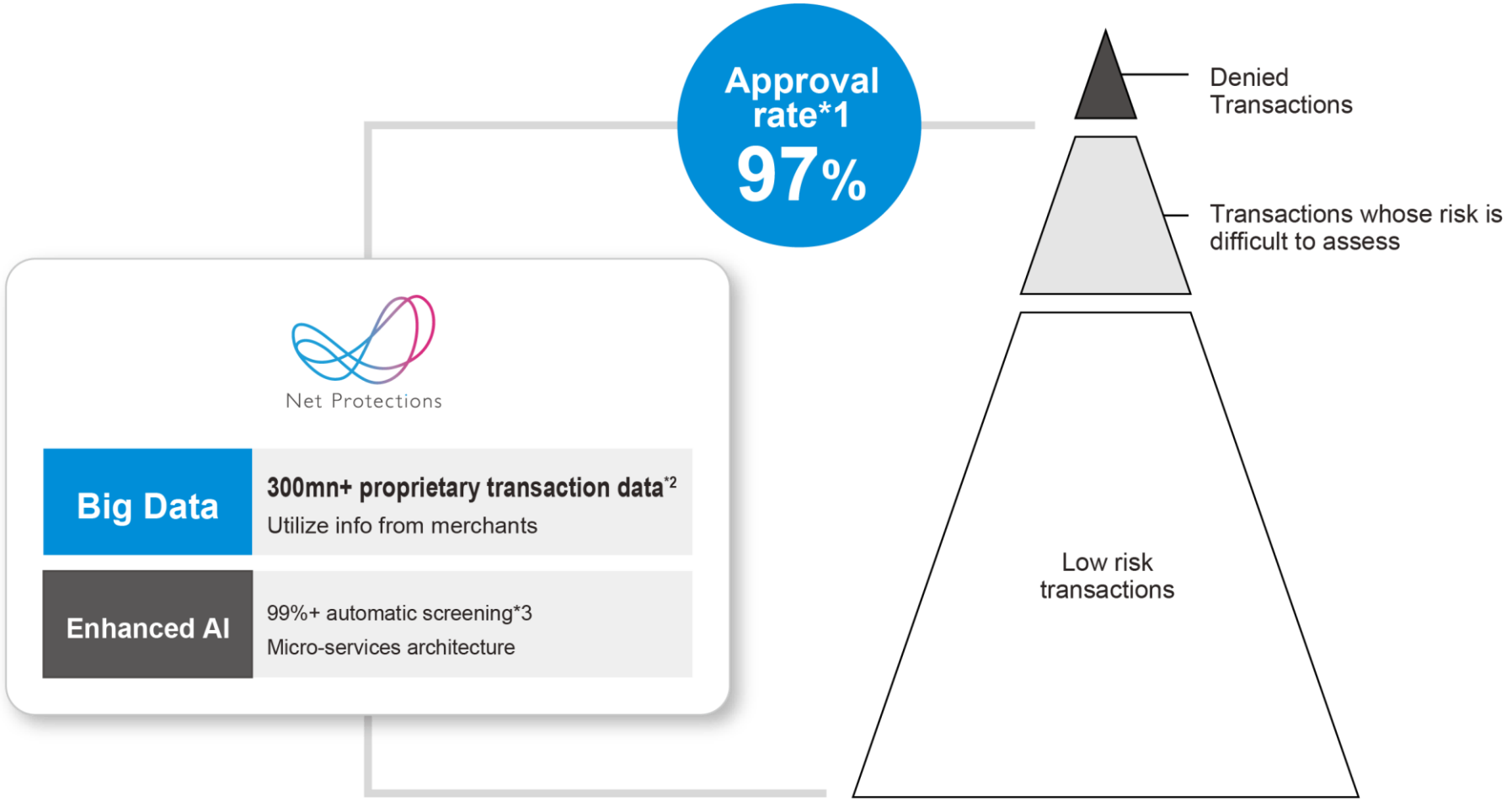

*1 Ratio of outstanding unpaid transactions for NP *Atobarai* in excess of 18 months to total transactions recorded during such fiscal period on a GMV basis. The figure for FY3/2021 is based on unpaid transactions as of the end of December 2021 (including transactions prior to writing off delinquent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



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# Business Metrics: Competitive Proprietary Credit Screening System

Achieving a high approval rate (97%) with a low delinquency rate (0.53%).




*1 The ratio of approved transactions to transactions denied by our credit screening system for NP *Atobarai* during FY3/2021 (Limited to unique users.)
*2 As of March 31, 2021
*3 Automatic screening rate as of March 2021



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# Financial Results

■ **For the 9 months ended December 31, 2021**

Trend of Total Operating revenue

Trend of Gross Profit

Adjusted EBITDA

Balance Sheet

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# Financial Results: For the Nine Months Ended December 31, 2021

Total operating revenue increased 4.3% YoY to JPY14,192 million, with a progress rate of 73.5% compared to the expected value.
Operating profit decreased 14.1% YoY due to recording one-time IPO-related expenses, but adjusted EBITDA increased 9.8% YoY to JPY2,602 million.
Operating profit and EBITDA both achieved the expected values.

| (JPY in millions) | Results | YoY | | Full-year forecast | Progress rate |
|---|---|---|---|---|---|
| | | Results | Change | | |
| **Total operating revenue** | **14,192** | 13,610 | +4.3% | 19,317 | **73.5%** |
| **Gross profit (non-GAAP) *1** | **5,827** | 5,377 | +8.4% | - | - |
| (IPO-related expenses) | 269 | 11 | - | - | - |
| (Marketing expenses) | 233 | 120 | - | - | - |
| Operating profit | 1,095 | 1,275 | -14.1% | 738 | 148.5% |
| EBITDA (non-GAAP) | 2,099 | 2,238 | -6.2% | 2,087 | 100.6% |
| **Adjusted EBITDA (non-GAAP) *2** | **2,602** | 2,370 | +9.8% | 2,964 | **87.8%** |

*1 Gross Profit : Revenue - Doubtful accounts related cost, Invoicing fee, postal fee, and operational cost.（non-GAAP）
*2 Adjusted EBITDA: 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) + Marketing expenses (Sales promotion and advertising expenses excluding agency commissions) + IPO-related expenses

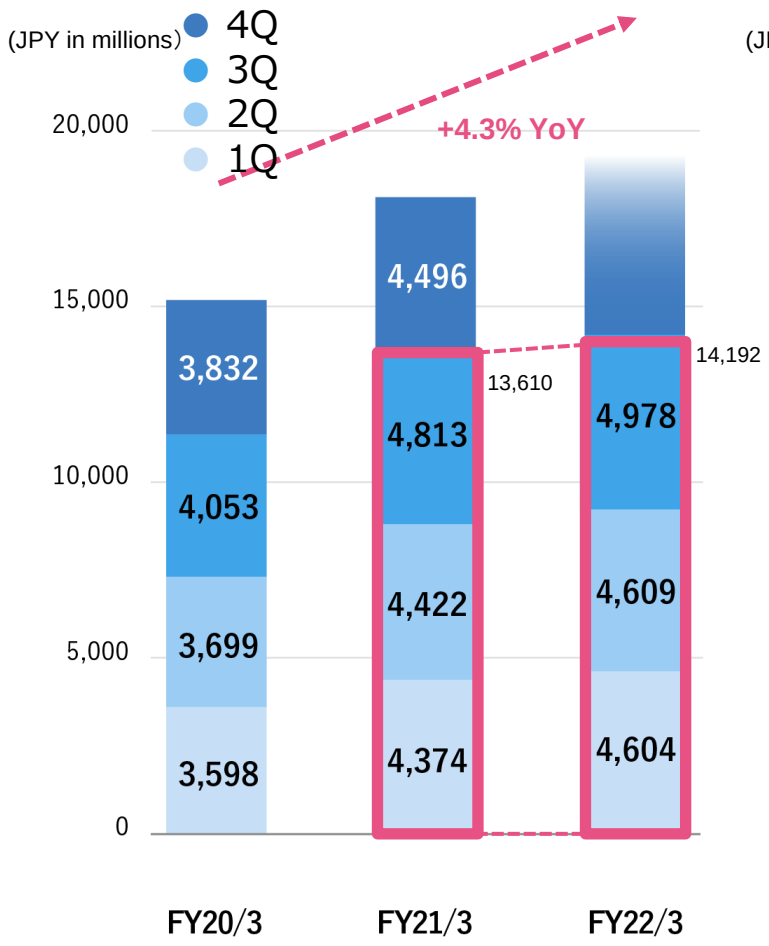


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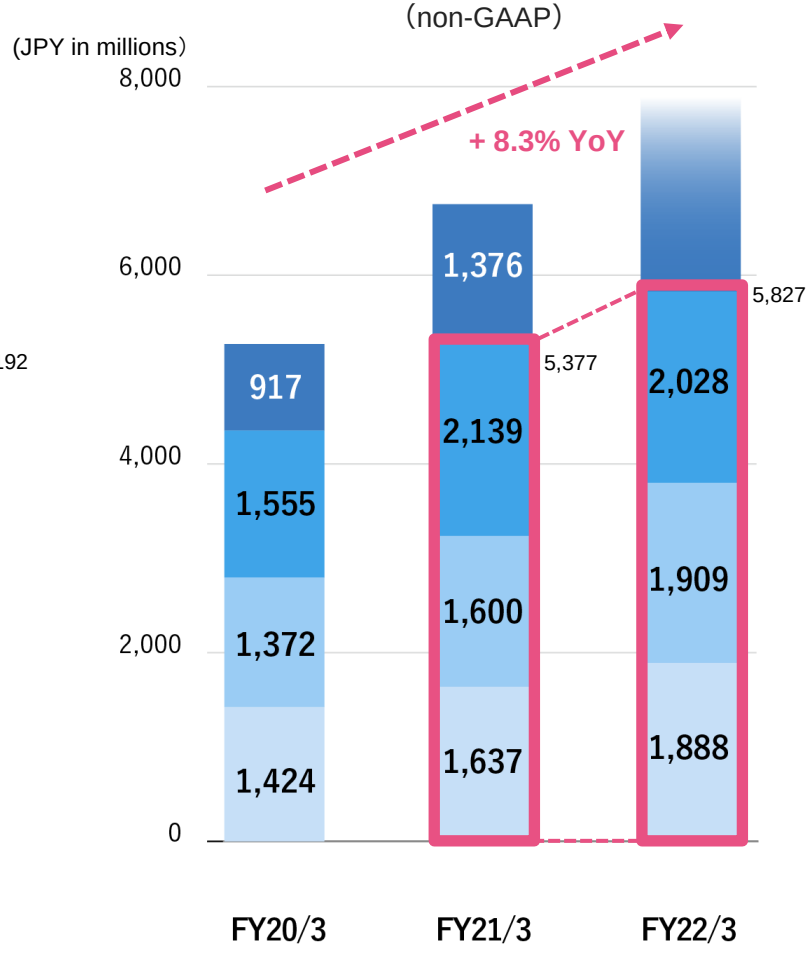
# Financial Results: Trend of Total Operating revenue, Gross Profit and Adjusted EBITDA

Realizing “Profitable Growth” to steadily build up revenue and profits.
Aiming for new growth through secure investments.

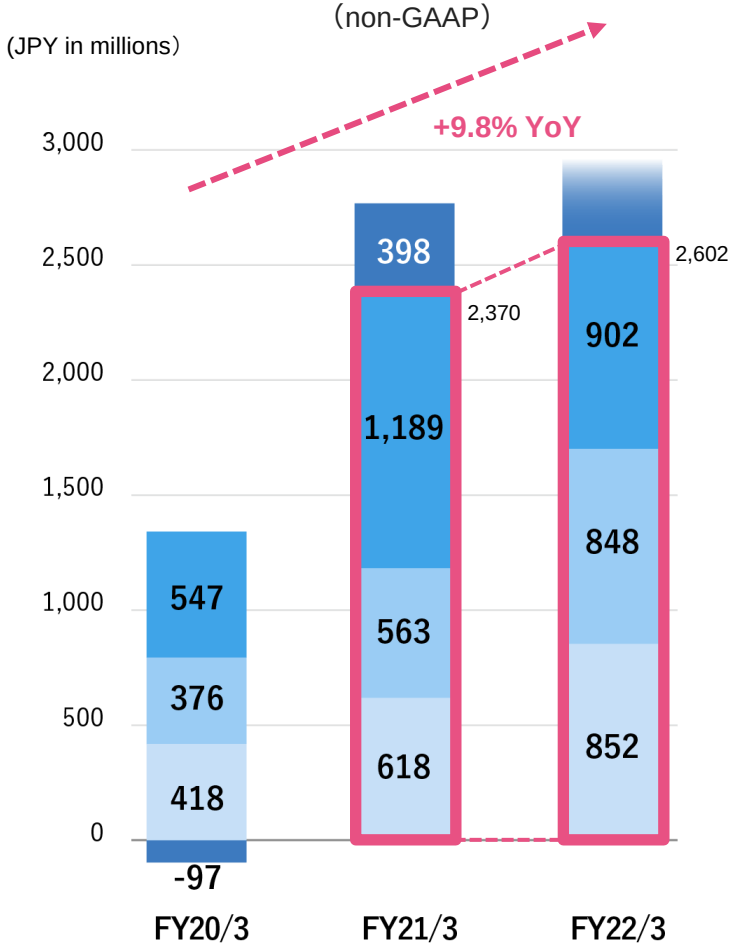
## Total Operating revenue




## Gross Profit
(non-GAAP)




## Adjusted EBITDA
(non-GAAP)






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# Business Results: Balance Sheet with Low Working Capital

BS risks are limited because our receivables and payables are well-balanced in the short term.

**Balance Sheet (as of December 31, 2021)**

**Collection Cycle*1**

✔ Due in 14 days from a billing date

**Trade and other receivables*2**
**JPY29,854 million**

Total Assets: JPY58,624 million

**Trade payables**
**JPY31,239 million**

Total Liabilities: JPY39,725 million

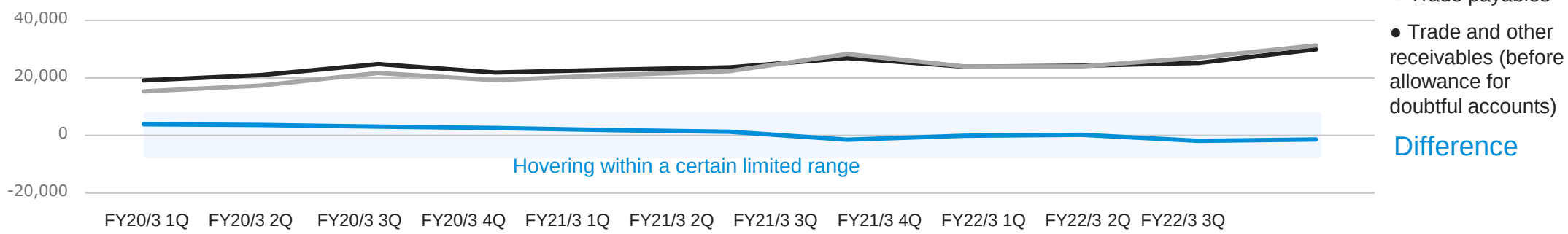
Total Equity: JPY18,899 million

**Payment Cycle*1**

✔ Merchants can choose from three payment options: weekly, monthly, or semimonthly

**Quarterly trend on trade receivables/ payables**

(JPY in millions)




*1: Example of NP Atobarai
*2: Trade and other receivables are after net of allowance for doubtful accounts



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# Growth Strategy

- **Medium-Term Business Plan**
- **Market Size**
- **Key Initiatives**

  Progress of Marketing Activities

  Progress of Alliance

  Progress of Common Interface

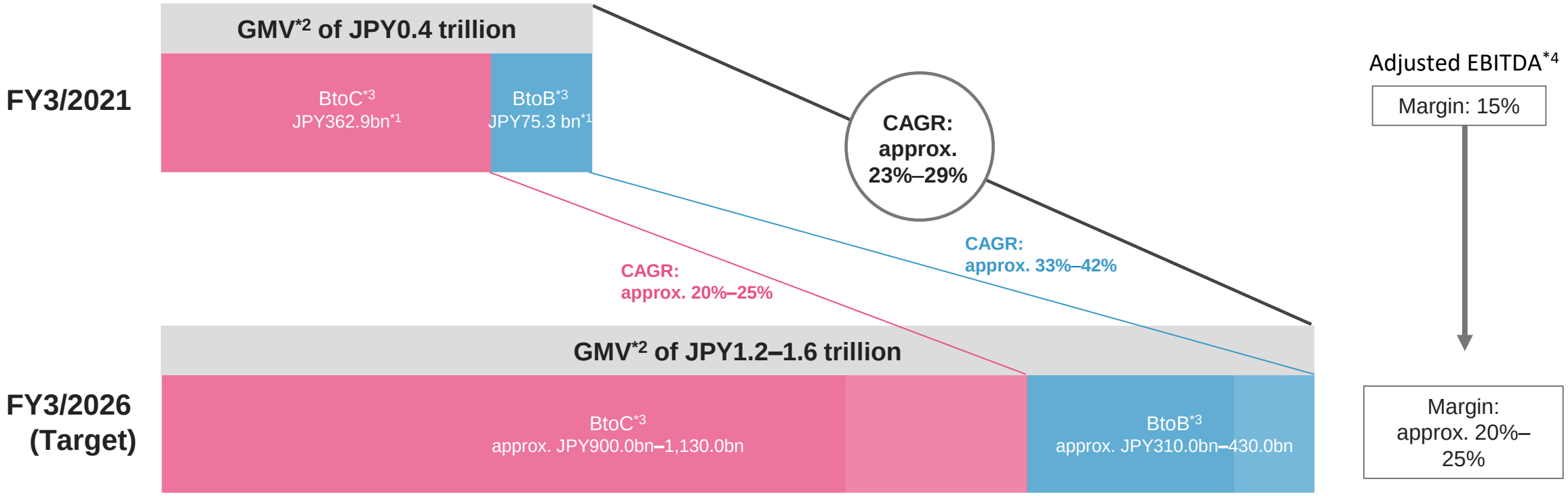
  Continuous Improvement of Credit Screening System

  Service Implementation Status in Target Market

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# Growth Strategy: Medium-term Business Plan

We expect our GMV will reach JPY1.2 ~ 1.6 trillion in the fiscal year ending March 31, 2026. We also aim for profitable growth with an adjusted EBITDA margin of 20 ~ 25%.




*1 FY3/2021 GMV: JPY438.1 billion (BtoC business: JPY362.9 billion, BtoB business: JPY75.3 billion).
*2 GMV refers to the total volume of payments (including consumption tax) made through services provided by the Group, such as *NP Atobarai*, *atone*, *NP Kakebarai*, and AFTEE.
*3 BtoC business is the collective term for *NP Atobarai*, *atone*, AFTEE, and NP card. BtoB business represents *NP Kakebarai*.
*4 Adjusted EBITDA = EBITDA (Operating profit or Operating loss + Depreciation and amortization + Share-based payment expenses + Loss on disposal of property, plant and equipment + Impairment losses - Gain on reversal of impairment losses) + (Sales promotion expenses + Advertising expense excluding agency commissions) + Listing expenses. Adjusted EBITDA Margin = Adjusted EBITDA / Consolidated Total Operating revenue.

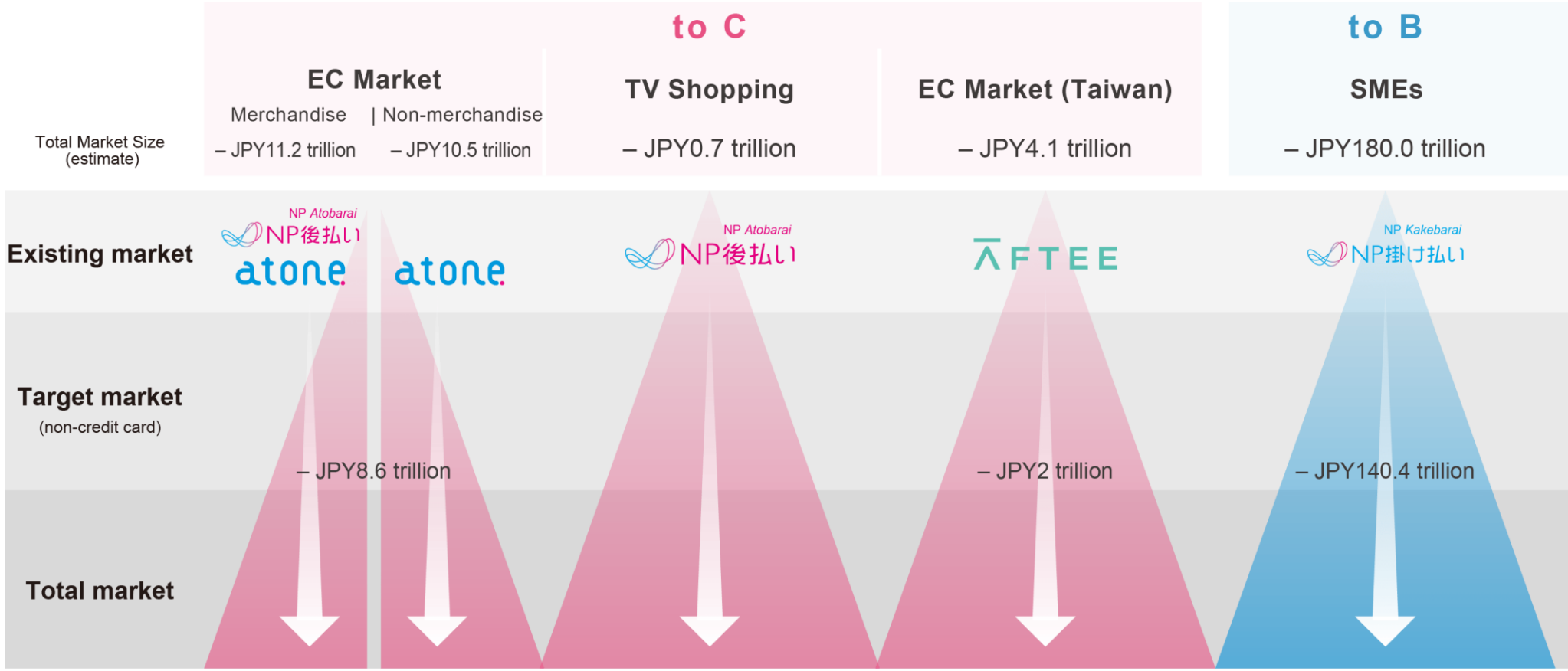
Note: For more details about adjusted EBITDA, please refer to page 37.
The above information includes forward-looking statements which are based on the judgment of the Company's management relying on currently obtainable information. As such, there are various risks and uncertainties that could cause the actual business performance, financial position, operations or other results to be materially different from explicit or implicit forecasts contained in the forward-looking statements. See disclaimer on page 47.



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# Growth Strategy: TAM Covering Both EC and Offline Market—Wider than Competitors’

As our share of the merchandise e-commerce market increases, we will develop our BNPL services into the non-merchandise e-commerce market, TV home shopping market, 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 44-46 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) and “Distribution and Retailing Industry 2021” (P. 102) by Yano Research Institute Ltd. 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



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# Growth Strategy: Key Measures

Measures toward improving operating revenue and profit

## Enhance Marketing Activities

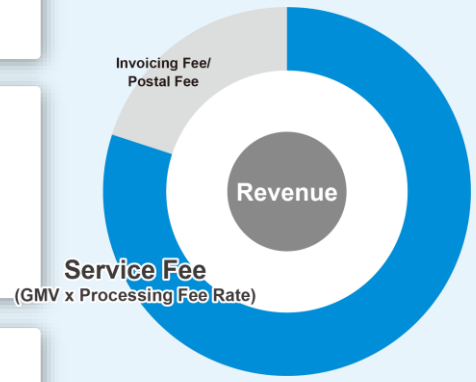
- Lower the hurdles to access customers in marketing by raising our brand awareness
- Improve life time value (LTV) through campaigns to existing users

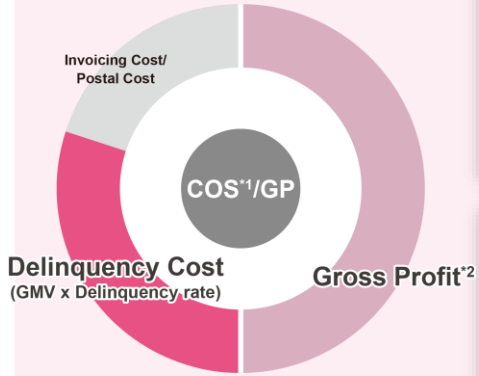
## Seek Alliance

- Drive the acquisition of merchants through alliance with partners
- Enhance our expertise in credit approval

## Promote Common Interface

- Raise the rate of customers introducing our services by lowering development costs for implementation
- Achieve higher Gross Merchandise Value (GMV) per merchant through cross-selling




## Utilize External Data

- Improve the accuracy of credit decisions

## Upgrade a Fraud Detection Model

- Improve the efficiency of credit approval by leveraging AI
- Build a high accuracy credit model

**Strengthen our structure to facilitate the implementation of the key measures**

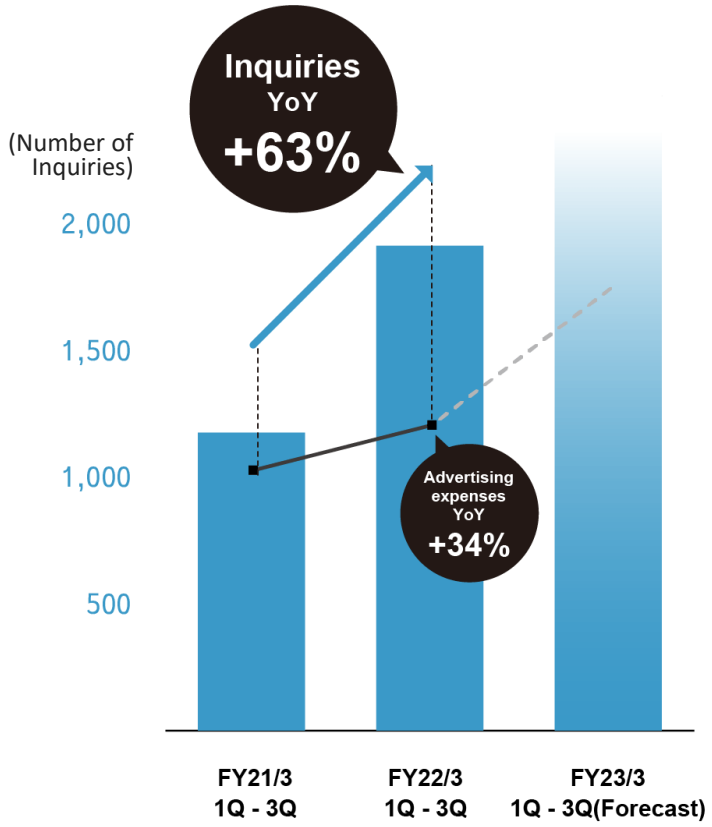


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# Growth Strategy: Progress of Marketing Activities

The cumulative total number inquiries has increased 63% year on year, while advertising expenses has increased only 34% year on year, suggesting that our marketing activities have paid off.
We will increase the awareness of NP Kakebarai (up from about 10% of the current awareness) and promote the acquisition of merchants through marketing activities.

**Correlation between the number of inquiries for information materials and marketing expenses**




## Marketing Measures Scheduled for Q4 FY21/3

### Ads on Taxis



### TV CM




### Railway Station Ads

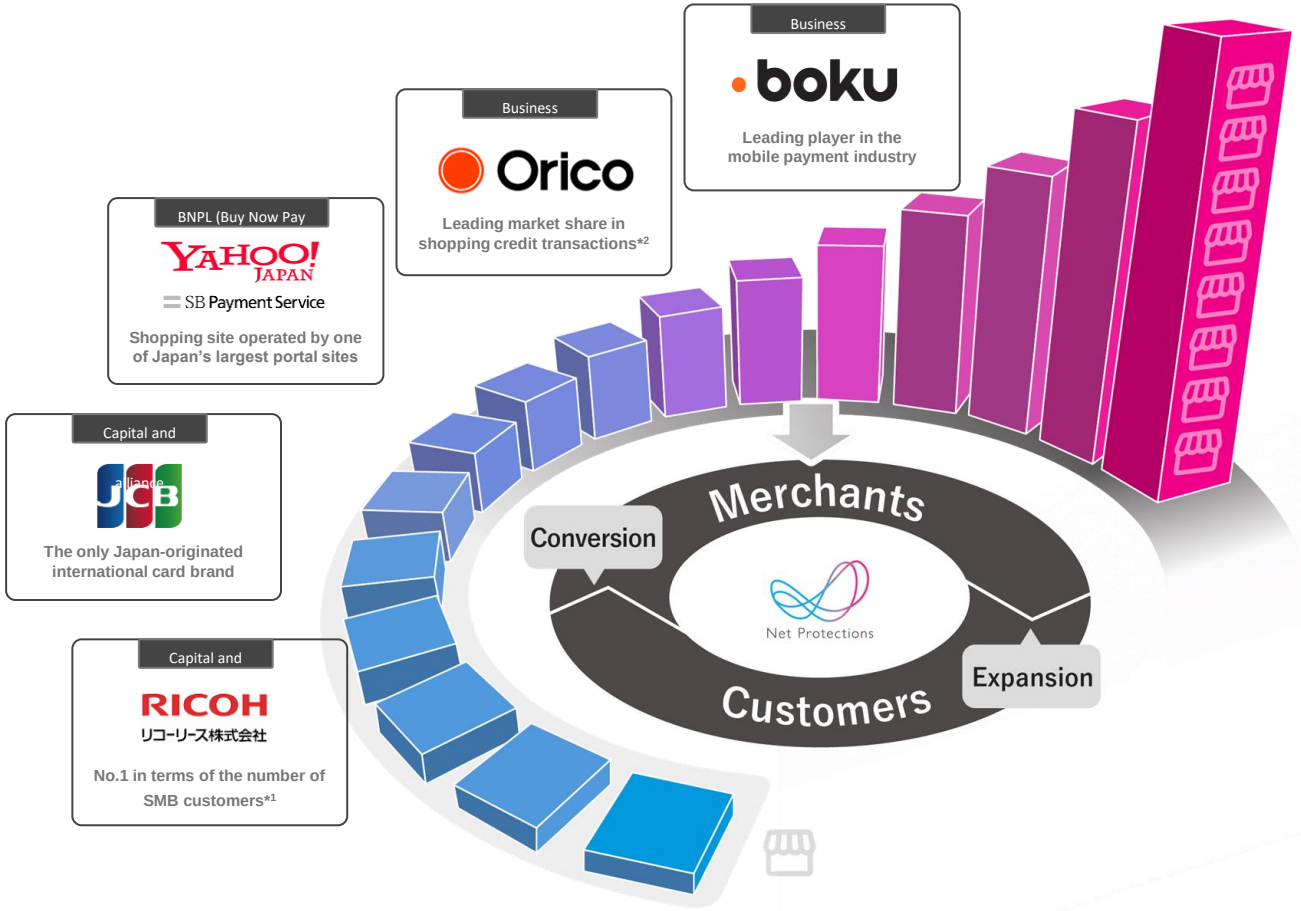





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# Growth Strategy: Progress of Alliance

Driving the acquisition of merchants by entering into business and capital alliances with leading financial/e-commerce platform operators in Japan




**Cumulative number of inquiries via alliance partners *3 (Q1–Q3 FY21/3)** **Over 1,000**

## Latest Topics

**We have entered into a comprehensive business alliance agreement with Orient Corporation in connection with the BNPL business.**

Orico × Net Protections

Started collaboration in the field of the NP *Atobarai* Air service since August 2021.
Built a system to collaborate with Orient Corporation in various service fields, including the BtoC, e-commerce and new fields, to pursue further synergies.

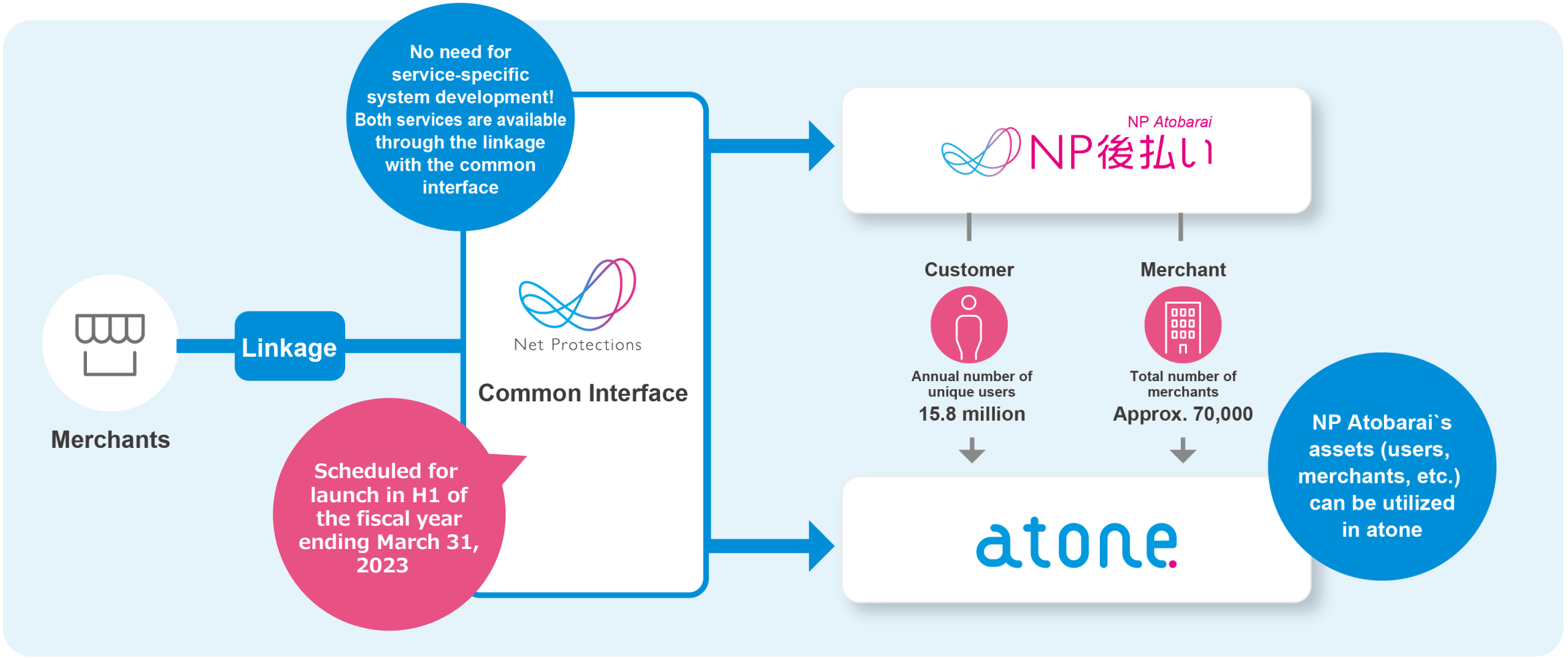
Note: The graphic above is for illustrative purposes only, and sizes of bars do not correspond to specific figures.
*1 The largest number of client companies (approx. 40,000) and the largest share of SMBs in its client base (98%) among major publicly-listed leasing companies in Japan
*2 Installment sales of automobiles + Other general installment sales in FY2020
*3 Total number of inquiries via alliance partners in Q3 of FY2022
Source: Company's HP, Company disclosures, Analyst Report "BOKU Evolving to address wider e-commerce market" (EDISON)



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# Growth Strategy: Progress of Common Interface Development

The common interface allows both NP Atobarai and atone to be introduced at the same time in a single system development.
The payment share is improved through promoting the use of atone to NP Atobarai`s  70,000 merchants and 15.8 million users.



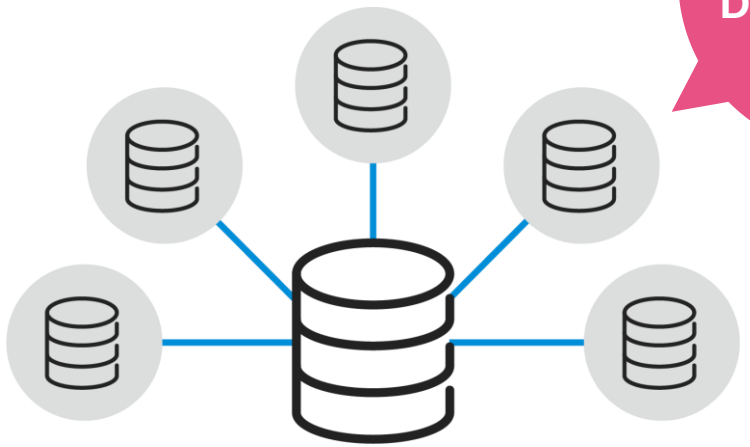



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# Growth Strategy: Continuous Improvement of Credit Screening System

Improving the efficiency of our credit screening system by making use of external data and upgrading our fraud detection model

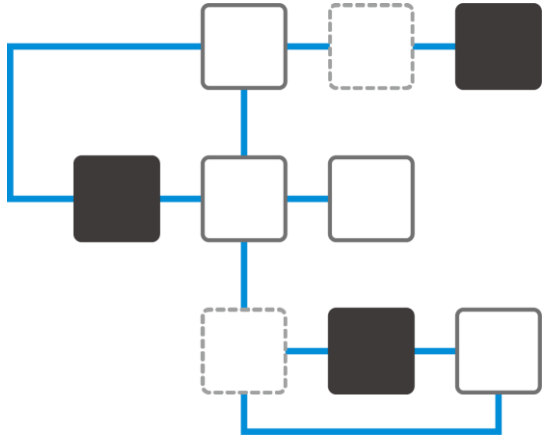
**Improving Data Linkage**



## Making better use of external data

Raise the accuracy of credit decisions by referring to external data

**Scheduled for launch in Q1 of the fiscal year ending March 31, 2023**



## Upgrading the fraud detection model using a machine learning model

Upgrade the fraud detection model by introducing fraud scores



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# Growth Strategy: Service Implementation Status in Target Market (1 of 2) (BtoB Market)

## BtoB EC

### Printing

RakSul

KINGprinters

### Mail Order Retailing of Beauty Products

bh Beauty & Health

BEAUTY GARAGE Professional Beauty Supply

### Packaging Materials

ダンボールワン

水野産業株式会社

## Wholesale

### Food and Beverages

FOODISON

ucc

酒のリカマン

## Start-ups

### SaaS

TORETA

aperza

ジョブカン

### Sales Support

Full Speed Ad Technology & Marketing Company

Timee

### Other

favy

AI inside

akerun



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# Growth Strategy: Service Implementation Status in Target Market (2 of 2) (Non-merchandise, TV Shopping, Overseas)

## Service

### House Cleaning & Housekeeping Services

“今ここ”を生きるあなたへ ベアーズ

### Housing equipment & renovation

PURPOSE ECOTECH 株式会社パーパスエコテック

### Online Reservation Services

YOURMYSTAR

ミツモア

### Other

DENSO Crafting the Core

## Offline Retailers

### Convenience Store

FamilyMart

## Digital

### Electronic Comics

めちゃコミック

まんが王国

## Overseas (Taiwan)

### E-Commerce

PChome ONLINE 24h購物

ETmall

KLOOK

Buyee

## BtoC mail order retailing

### TV Shopping

SHOP CHANNEL



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# Appendix

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# Condensed quarterly consolidated statement of financial position

(Millions of yen)

| | As of March 31, 2021 | As of December 31, 2021 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 8,304 | 15,505 |
| Trade and other receivables | 19,157 | 25,066 |
| Inventories | 19 | 20 |
| Other current receivables | 255 | 266 |
| Total current assets | 27,736 | 40,858 |
| Non-current assets | | |
| Property, plant and equipment | 403 | 1,040 |
| Goodwill | 11,608 | 11,608 |
| Intangible assets | 3,516 | 3,527 |
| Other financial assets | 771 | 731 |
| Deferred tax assets | 685 | 700 |
| Other non-current assets | 198 | 156 |
| Total non-current assets | 17,183 | 17,765 |
| Total assets | 44,920 | 58,624 |

| | As of March 31, 2021 | As of December 31, 2021 |
|---|---|---|
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 23,989 | 31,239 |
| Short-term loans | 500 | 500 |
| Lease liabilities | 99 | 393 |
| Other current financial liabilities | 2,075 | 17 |
| Income taxes payable | 612 | 129 |
| Provisions | 61 | 59 |
| Liabilities for employee benefits | 294 | 340 |
| Other current liabilities | 410 | 508 |
| Total current liabilities | 28,043 | 33,189 |
| Non-current liabilities | | |
| Long-term loans | 6,265 | 6,029 |
| Lease liabilities | 20 | 424 |
| Provisions | 80 | 81 |
| Total non-current liabilities | 6,366 | 6,535 |
| Total liabilities | 34,410 | 39,725 |
| Equity | | |
| Share capital | 100 | 4,095 |
| Capital surplus | 10,179 | 14,044 |
| Retained earnings | 230 | 748 |
| Other components of equity | - | 11 |
| Total equity attributable to owners of the parent | 10,509 | 18,899 |
| Total equity | 10,509 | 18,899 |
| Total liabilities and equity | 44,920 | 58,624 |



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# Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

| | For the nine months ended December 31, 2020 | For the nine months ended December 31, 2021 |
|---|---|---|
| Revenue | 13,300 | 13,852 |
| Other operating revenue | 309 | 339 |
| Total operating revenue | 13,610 | 14,192 |
| Operating expenses | (12,334) | (13,096) |
| Operating profit | 1,275 | 1,095 |
| Financial income | 0 | 0 |
| Financial costs | (347) | (166) |
| Profit before income taxes | 928 | 929 |
| Income tax expense | (337) | (411) |
| Profit | 590 | 517 |
| | | |
| Profit attributable to: | | |
| Owners of the parent | 590 | 517 |
| Profit | 590 | 517 |
| | | |
| Earnings per share | | |
| Basic earnings per share (yen) | 7.51 | 5.89 |
| Diluted earnings per share (yen) | 6.91 | 5.74 |



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# Condensed quarterly consolidated Statements of Cash Flows

(Millions of yen)

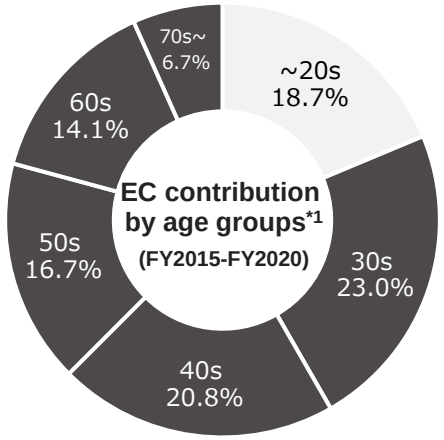
| | For the nine months ended December 31, 2020 | For the nine months ended December 31, 2021 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Profit before income taxes | 928 | 929 |
| Depreciation, amortization and impairment losses | 949 | 981 |
| Share-based payment expenses | 10 | 6 |
| Financial income and financial costs | 238 | 136 |
| Increase (decrease) in provisions | (4) | 0 |
| Loss on disposal of property, plant and equipment | 23 | 16 |
| Decrease (increase) in inventories | 2 | (1) |
| Increase in trade and other receivables | (4,496) | (5,909) |
| Increase in trade and other payables | 9,084 | 7,250 |
| Other | 723 | 118 |
| Subtotal | 7,460 | 3,526 |
| Interest received | 0 | 0 |
| Interest paid | (75) | (181) |
| Income tax paid | (1) | (890) |
| Net cash provided by operating activities | 7,383 | 2,455 |
| Cash Flows from Investing Activities | | |
| Purchase of property, plant and equipment | (0) | (5) |
| Purchase of intangible assets | (572) | (617) |
| Payments for guarantee deposits | - | (11) |
| Proceeds from collection of guarantee deposits | 2 | 52 |
| Net cash used in investing activities | (570) | (582) |
| Cash Flows from Financing Activities | | |
| Net decrease in short-term loans | (4,000) | - |
| Repayments of long-term loans | (250) | (250) |
| Redemption of debt instruments | - | (1,994) |
| Repayments of lease liabilities | (275) | (287) |
| Proceeds from issuance of shares | - | 7,854 |
| Proceeds from issuance of equity or debt instruments | 3,700 | - |
| Net cash provided by (used in) financing activities | (825) | 5,323 |
| Effects of Exchange Rate Changes on Cash and Cash Equivalents | (4) | 5 |
| Net Increase in Cash and Cash Equivalents | 5,983 | 7,201 |
| Cash and Cash Equivalents at the beginning of the Period | 4,737 | 8,304 |
| Cash and Cash Equivalents at the end of the Period | 10,720 | 15,505 |



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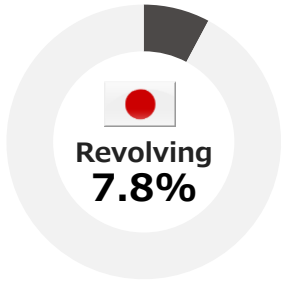
# The uniqueness of Japan market

**A wide range of age groups contributing to the growth of Japan EC**

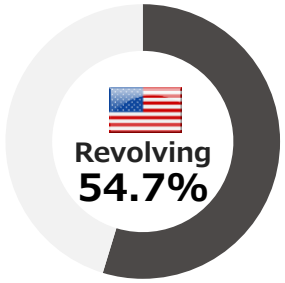



**Japan consumers rely less on installment payments**

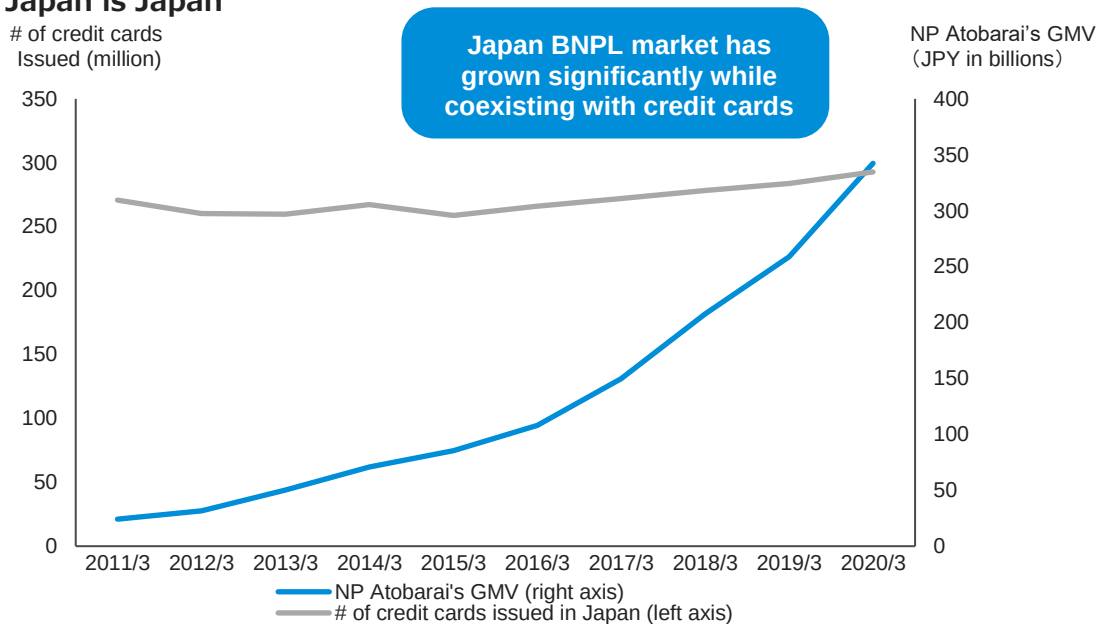
Japan: Usage of credit cards (by Volume)*2




(ref.) US: Credit revolving users ratio*3




**"Japan is Japan"**




**Attract wide range of user age groups**

**Prioritize Customer Loyalty Programs over Prolonged Installment Payments**

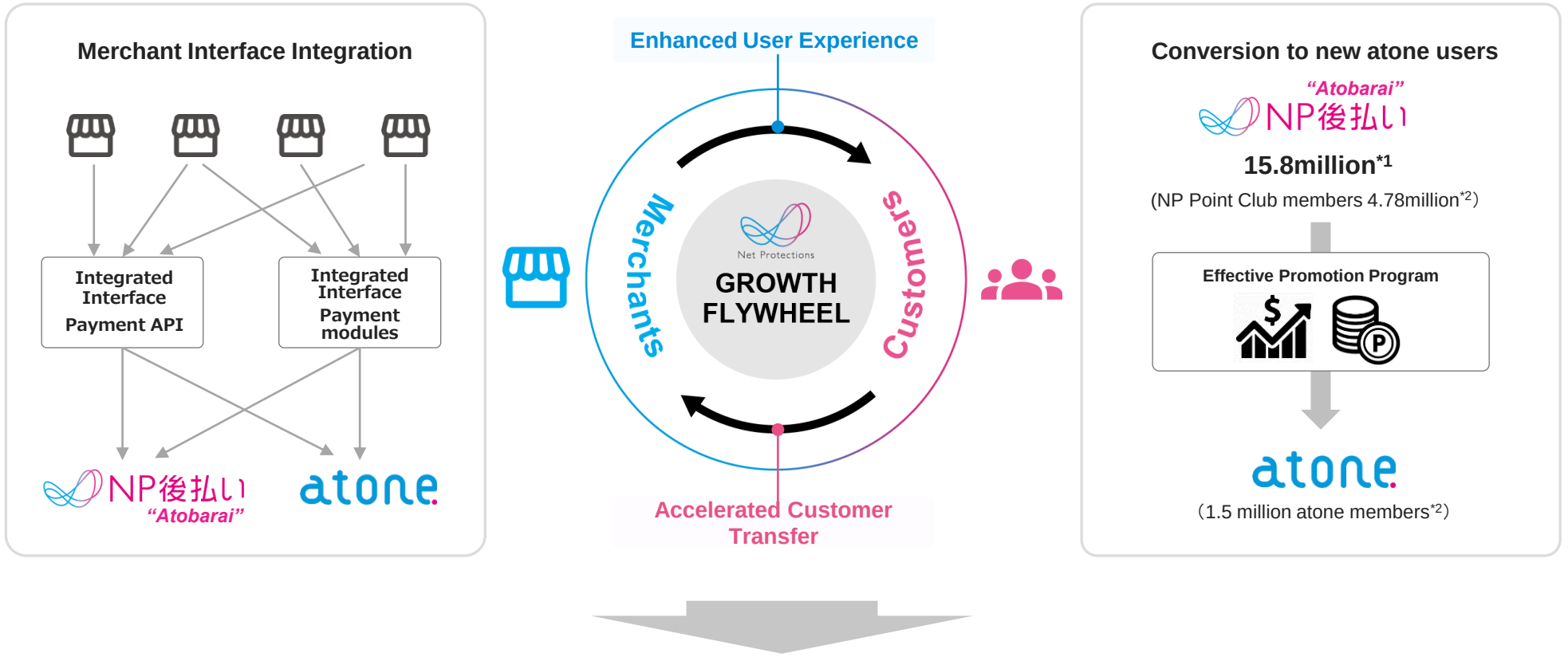
**Acquire variety of merchants / no single ecosystem reliance**

**Directly linked to GMV expansion**

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

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# Growth strategies for BtoC services



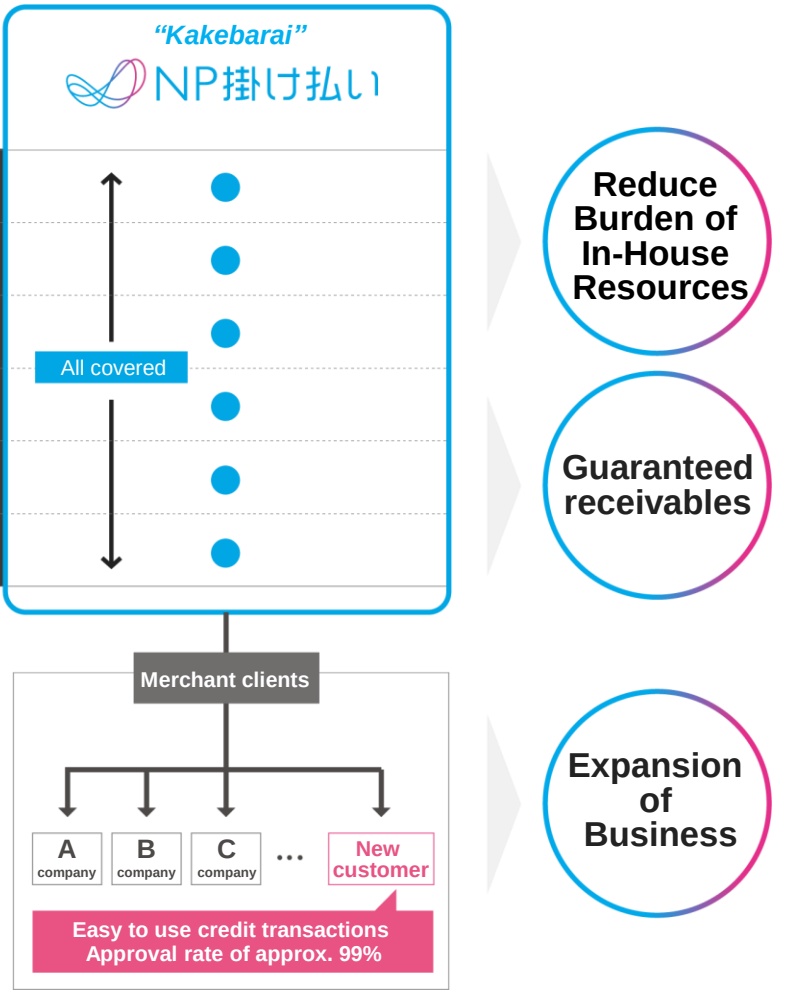

**Enabling NP to gain market share with low CAC**

*1 The number of individual Unique Users of NP Atobarai (BtoC service) based on the matching of duplicative names and phone numbers during FY2021 (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 June 2021

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# Value proposition for BtoB

| Other Business Process Outsourcing (BPO) service providers*1 | | | | |
|---|---|---|---|---|
| Payment collection | Factoring | Receivables Management | Invoicing | |
| - | - | - | - | Credit |
| ● | - | - | ● | Invoice issuance |
| ● | - | - | - | Payment collection |
| ● | - | ● | - | Receipts management |
| - | - | - | - | Payment solicitations |
| - | ● | - | - | Receivable risk guarantee |




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

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# Value proposition for BtoB

| Issues | e.g. E-Commerce / mail order | e.g. Startup / venture | e.g. Wholesale / office sales |
|---|---|---|---|
| | Eliminating non-payment risk for corporate e-commerce purchases for a non-fixed number of customers | Rapid business growth and continually increasing burden of managing payment operations | Collecting cash payments requires significant effort |

*"Kakebarai"*

NP掛け払い

**Value Proposition**

- **Relieve sellers from the administrative burden of payments to focus on growth of their business**
- **Increase productivity by reducing the burden of collecting small and large payment amounts**
- **Eliminates the need for cumbersome internal credit procedures and facilitates the start of transactions with new customers**
- **Increase in sales by enabling clients to do business with customers who were previously unable to transact with due to lack of credit**
- **Safe and secure credit transactions with sole proprietors**
- **Eliminates the continuing burden of following up on customer invoices**

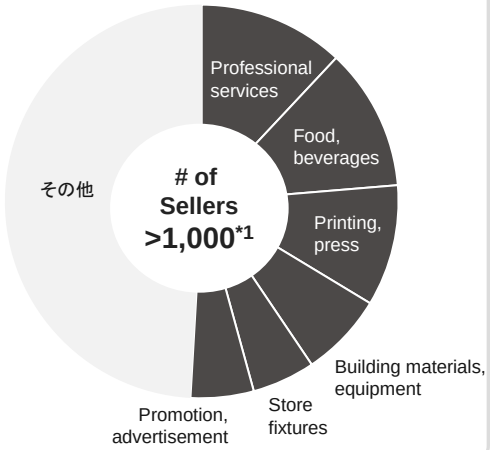


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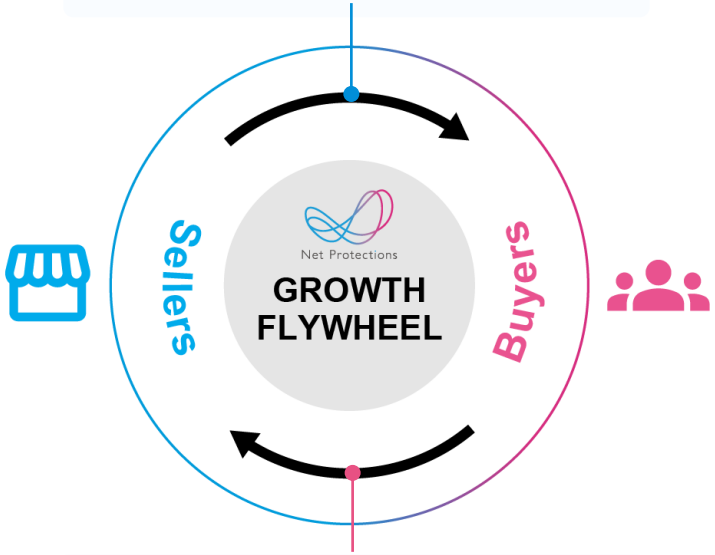
# Growth strategies for BtoB services

### Expanding Base of Sellers

Expanding industry development
Expanding penetration within each industry



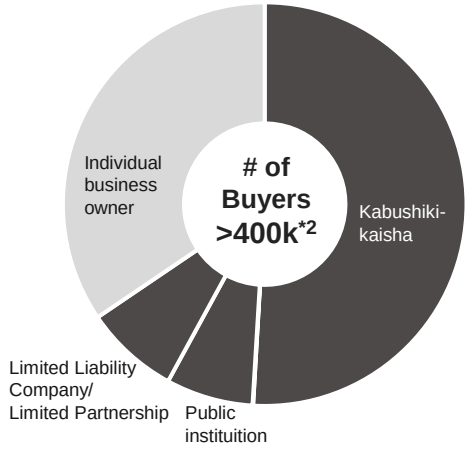

**Each seller using NP *Kakebarai* introduces many buyers to our services**




**Usage spreads awareness, converting buyers into sellers that offer NP *Kakebarai* to their own customers**

### Retention of Buyers

Leveraging BtoC credit model
Membership/Enhancing usability




**Enabling business expansion with low CAC**

*1 Number of sellers that used NP Kakebarai and generated GMV in FY2020 (certain sellers operate multiple accounts).
*2 Number of unique buyers to which NP Kakebarai issued an invoice during FY2020 (identified on the basis of corporate name).

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# Why Consumers Are Embracing BNPL Service

## Budget Control

### 1 Pay cash each time to prevent overspending



- ✓ By paying each time, 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 necessary, unlike in case of Cash on Delivery
- ✓ Customers don't have to wait until payday for shopping

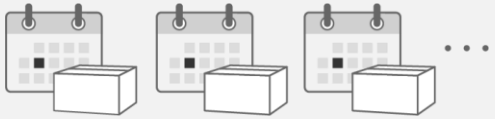
## Security

### 3 No risk of credit card info leakage or unauthorized use




- ✓ 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 advance registration required



- ✓ One click payment
- ✓ Easy to purchase even on websites which Customers don't usually use
- ✓ No need to use credit cards
- ✓ Smartphone friendly

### 6 Payment made after the arrival of goods



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

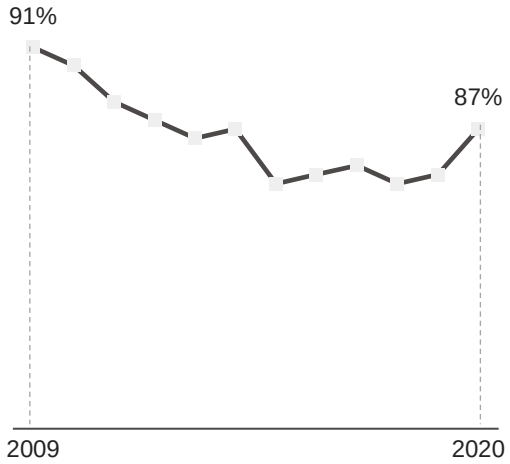
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# Credit Cards Do Not Completely Satisfy User Demands

**Facts on Credit Card Usage in Japan**

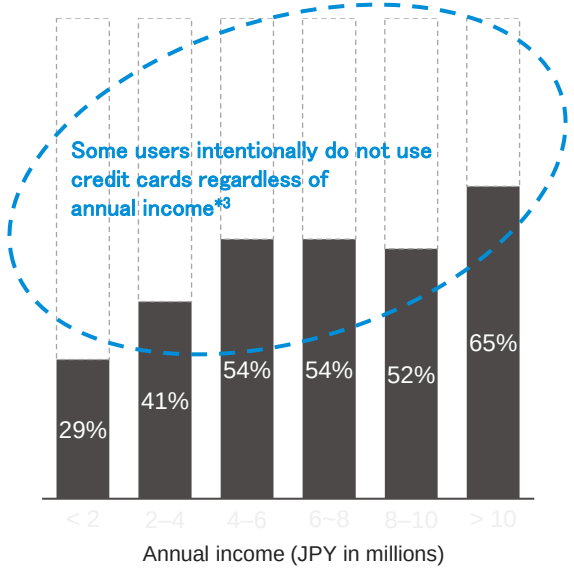
**1 Credit card penetration rate*1**

【Credit card penetration rate】



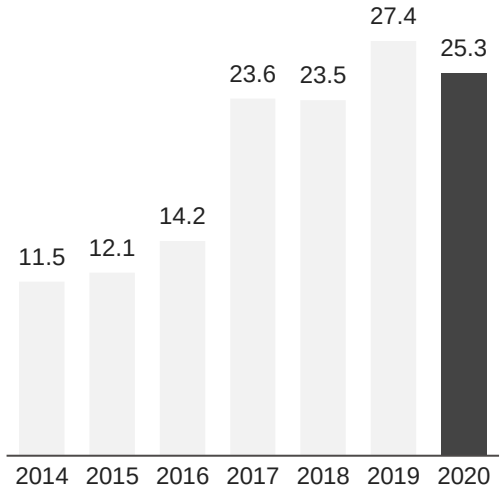

**2 Some users do not use credit cards**

【Credit card usage by annual income】*2




**3 Credit card fraud losses are increasing**

【Historical Credit Card Fraud】
(JPY in billions)




**BNPL needs are growing**

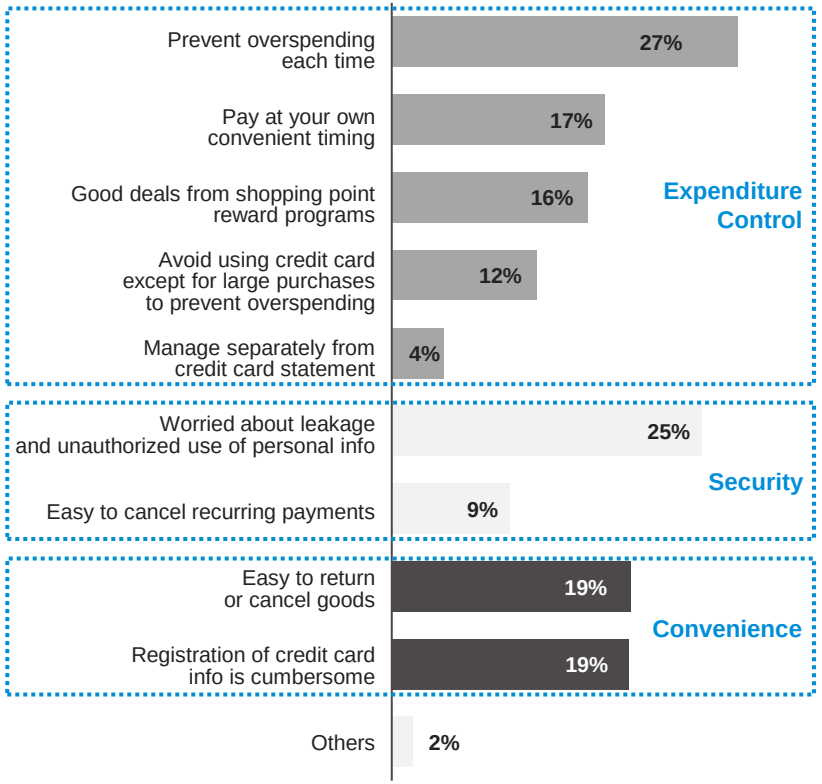
*1 Penetration rate is measured by the number of people surveyed who have at least one credit card.
*2 The area shown in black is the percentage of respondents who answered "I often use credit cards".
*3 Including people who do not have credit cards.
Source: 1 Japan Credit Bureau Co., Ltd. "Comprehensive 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".
3 Japan Consumer Credit Association "Survey on credit card fraud" (as of September 2021).

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# NP Services Used by Customers with Diverse Needs

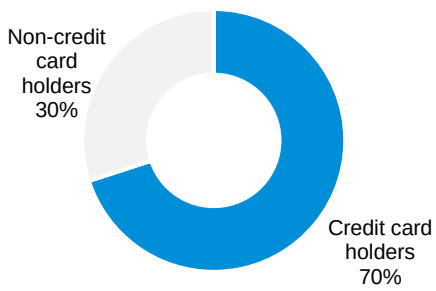
Satisfy the needs for budget control, security, and convenience that cannot be met by existing payment methods.
The service is used by a wide range of people with diverse needs

## 1 Reasons to use:*1 Expenditure Control・Convenience・Security

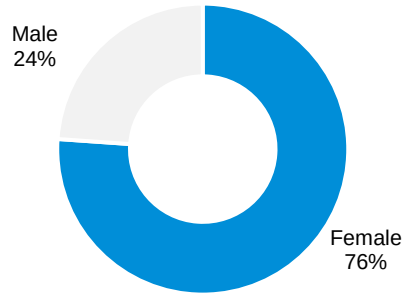



## 2 Favored by a wide range of Customers

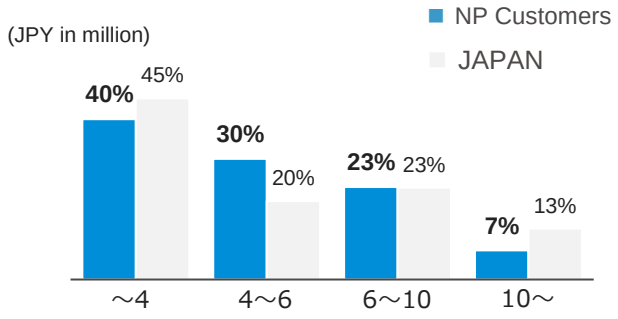
### Credit card penetration rate*1



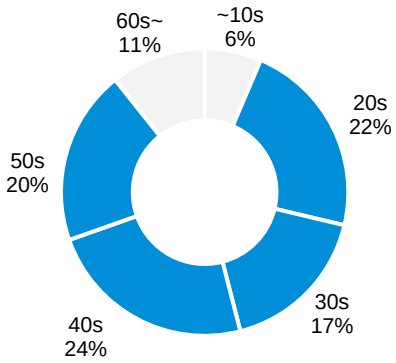

### Gender*3




### Annual Household Income*1*2




### Age*3




*1 【Survey method】Internet survey for NP members. 【Period】From December 28 to 30, 2018. 【Target】1,738 men and women in their twenties or older nationwide.
*2 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.
*3 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).

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# NP *“Atobarai”* Advance into Service Industries

## Examples of Introduction : BNPL available in Service Industry



**Renovation / Construction work**



**Repair / Maintenance**



**Housekeeping service**



**Moving**



**Food Delivery**



**Rental**



**Event / Seminar**




**Electricity / Gas**

Customer Benefits

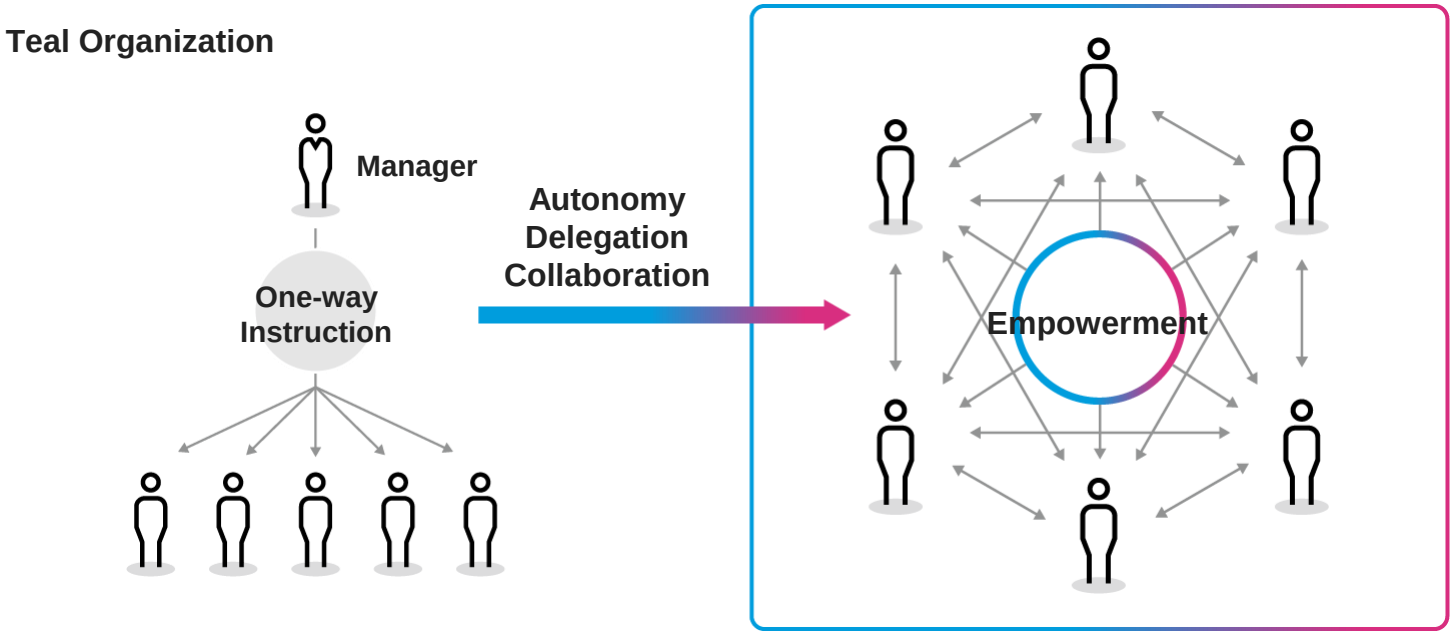
**No need to prepare cash at the time of service**

Merchant Benefits

**Eliminate cash transactions and reduce collection and accounting procedures**

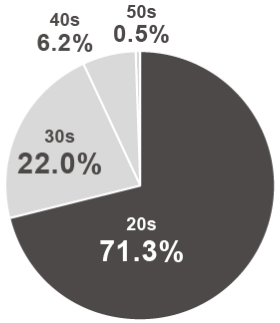
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# Our Core DNA for Empowerment










Employee Breakdown by Age
(as of 4/2021)




Retention Rate of New Hires
(Past 3 Years, as of 3/2021)

*1 All employees hired post 2013 receive programming trainings.

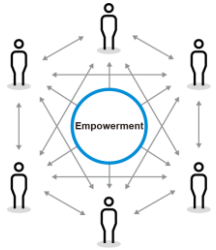
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# HR Evaluation Program “Natura “

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

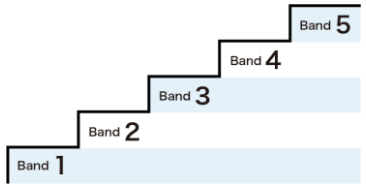
「Natura」

**Abolish Manager Positions**



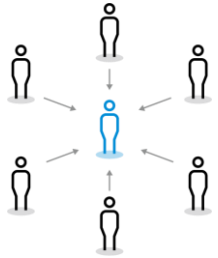

A flat organization with the position of Catalist and the flexibility of role changes.

**Implement of Band System**



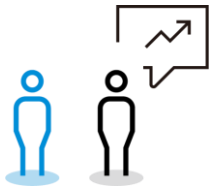

Disclose salary information to build a fair and objective environment and raise employee’s morale and engagement.

**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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# TAM / SAM / SOM of BtoC BNPL Services (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

**7.7%*7**
**Japan BtoC EC market growth (CAGR FY3/21-FY3/25)**

**TAM**
**JPY60.8tn**
C + D

**40% *8**
**Cashless payment target by Japanese government (FY3/2026)**

**SAM**
**JPY22.7tn**
A + B

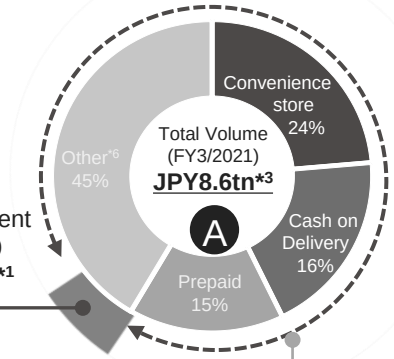
**20.8% *9**
**Japan BNPL market growth (CAGR FY3/21-FY3/25)**

**SOM**
**JPY0.9tn*1**
*BNPL Transaction Volume in BtoC EC Market*

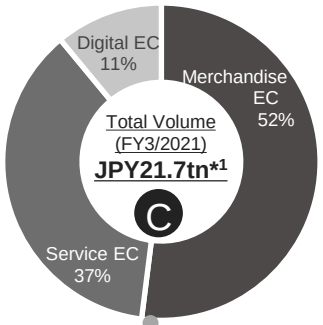
**NP's Share**
**JPY0.36tn*5**

BNPL Payment (FY3/2021)
**JPY0.9tn*1**

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



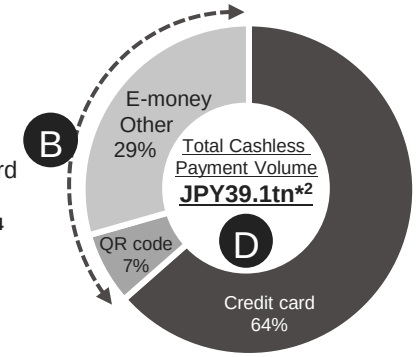

**Online (EC) Payment Market**




Breakdown based on data from FY3/2020

**Breakdown by Payment Methods of Estimated Transaction Volume in Physical Stores That Accept Cashless Payment**

Non-Credit Card Payment
**JPY14.1tn*4**




*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).

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# TAM / SAM / SOM of BtoB BNPL Service (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

**TAM**
**JPY180.0tn*1**

*Estimated Annual Volume of Note Payable and Accounts Payable Traded by Domestic SMEs*

**SAM**
**JPY140.4tn*2**

*Estimated Annual Volume of Cash, Bank Transfer, and Promissory Note Payment by Domestic SMEs*

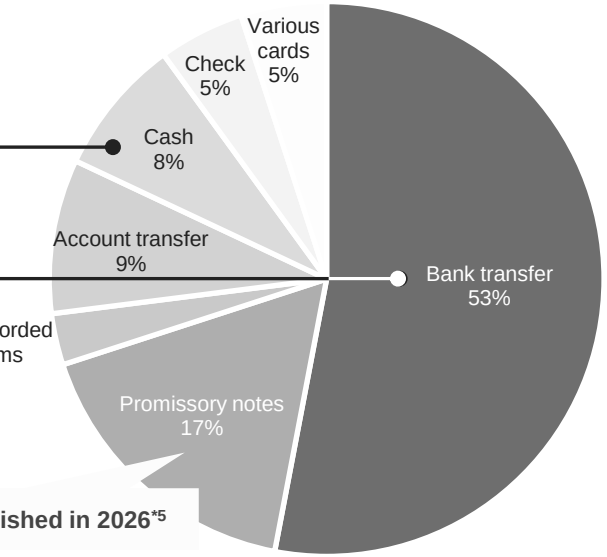
**SOM**
**JPY0.1tn*3**

Japan BtoB BNPL GMV

**NP's Share**
**JPY67.7bn*4**

**Estimated Annual Volume of Notes Payable and Accounts Payable Traded by Domestic SMEs** — **JPY180tn*1**

**Payment Methods for BtoB (SME)Transactions*3**



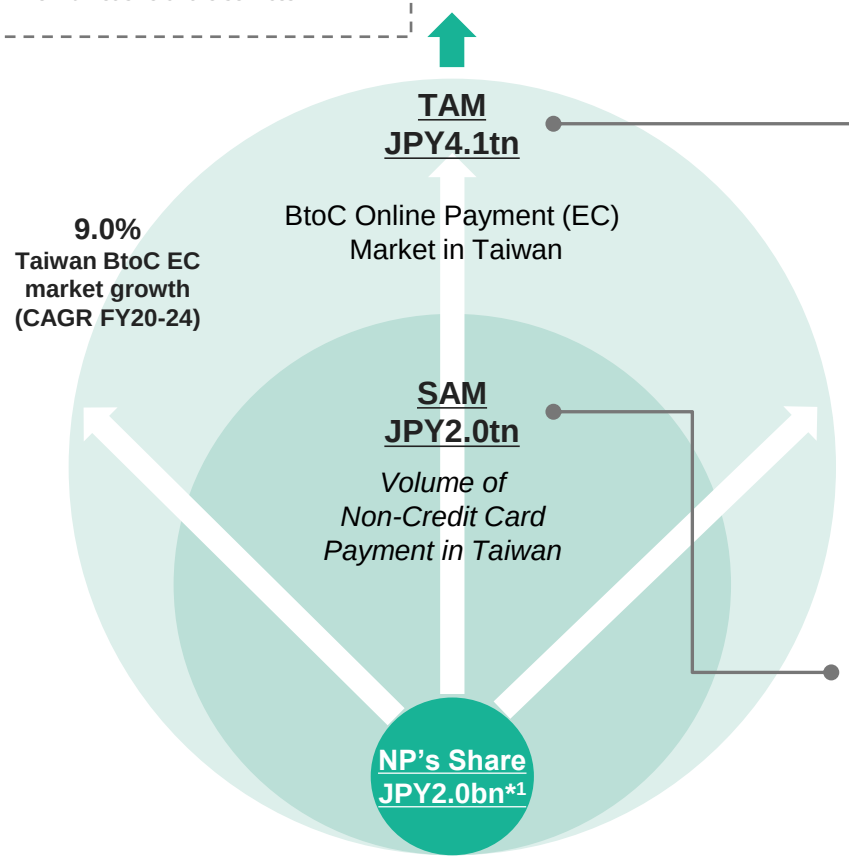

**Likely to be abolished in 2026*5**

*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).

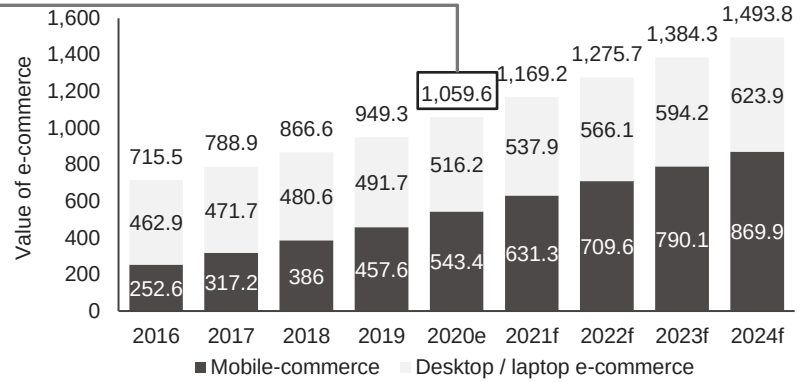
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# TAM / SAM / SOM of AFTEE (Taiwan)

- 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

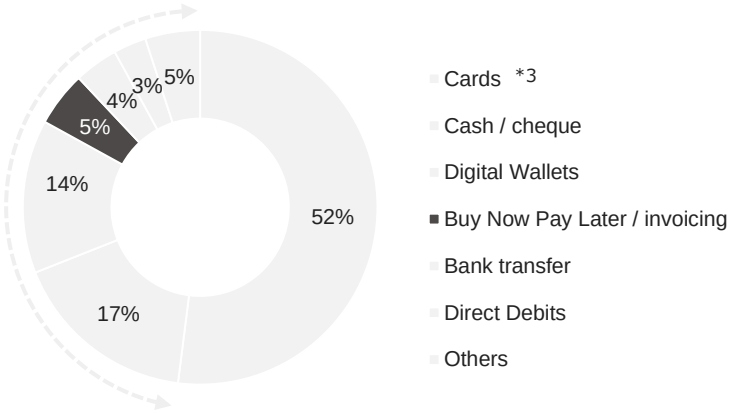



**Trends in the size of the EC market in Taiwan**




**Breakdown of online payment method**

Non-Credits
(FY2020)
**TWD508.6bn*2**




*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)

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