

Good afternoon, everyone. I am Shin Shibata, CEO of Net Protections Holdings.
I would like to begin the financial results presentation for the six months ended September 30, 2024.

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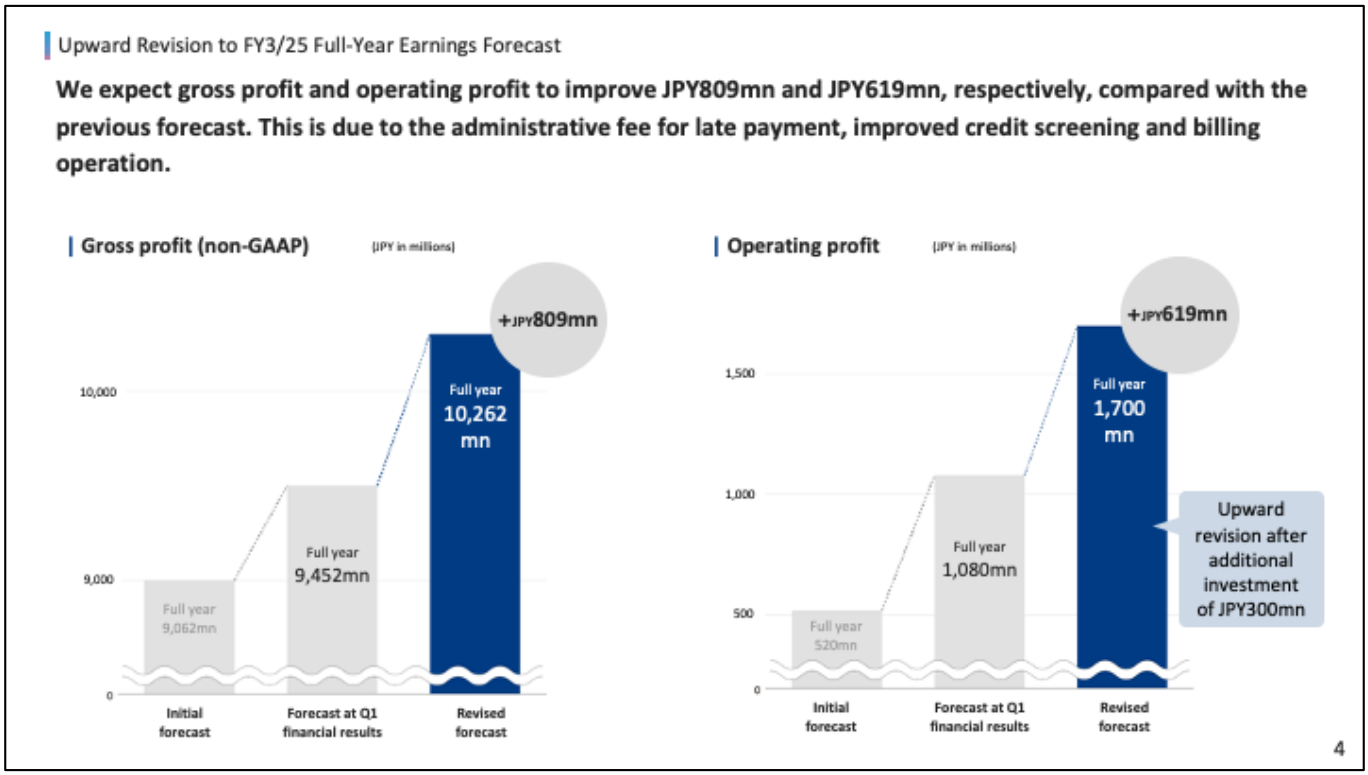
These are the agendas for today.

My presentation starts with the upward revision to the earnings forecast owing to solid business performance, followed by the details of the business performance.



Upward Revision to FY3/25 Earnings Forecast



We will upward revise the full-year earnings forecast as the business performance for the second quarter remained strong, and we expect to remain the same in the second half.

The delinquency rate remained low and stable in the first half, and we expect this to continue in the second half.
In addition, since the collection of late payment administrative fees for NP *Atobarai* was favorable in the second quarter, we have also revised our revenue forecast for the administrative fee for late payment in the second half.

The gross profit will be revised upward by 809 million yen.
We have decided to make an additional investment of 300 million yen in marketing-related initiatives in the second half.
Even after reflecting this additional investment, operating profit will be revised upward by 619 million yen.

Upward Revision to FY3/25 Full-Year Earnings Forecast

We have once again revised the full-year forecast upward due to the upswing in the Q2 results and strong outlook for H2. Operating profit will be JPY619mn more than in the previous forecast, up from JPY1.08bn to JPY1.70bn.

(JPY in millions)	Previous full-year forecast (A)		Revised full-year forecast (B)		(B) − (A) Amount change	(B) ÷ (A) Percentage change
	Full year		Full year		Full year	Full year
	H1	H2	H1 (results)	H2		
GMV (non-GAAP)*1	630,500		635,294		4,794	+0.8%
	300,000	330,500	304,794	330,500		
Total operating revenue	23,000		23,281		281	+1.2%
	10,740	12,260	11,021	12,260		
Gross profit (non-GAAP)*2	9,452		10,262		809	+8.6%
	4,414	5,038	4,904	5,358		
SG&A expenses (non-GAAP)	8,954		9,048		94	+1.0%
			4,259	4,789		
Of which, marketing expenses	539		763		224	+41.6%
			237	526		
Operating profit	1,080		1,700		619	+57.3%
	316	763	866	833		
Profit before income taxes	983		1,604		620	+63.1%
	266	716	829	775		
Profit attributable to owners of parent	658		1,039		381	+57.9%
	223	435	468	570		
EBITDA	2,803		3,396		592	+21.2%
	1,158	1,644	1,678	1,718		

*1 GMV: Gross merchandise value for the Group's payment services
*2 Gross profit: Revenue − (Collection expense + Invoicing expense + Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade + Other expenses required for providing payment services, including credit screening costs and NP point expenses)

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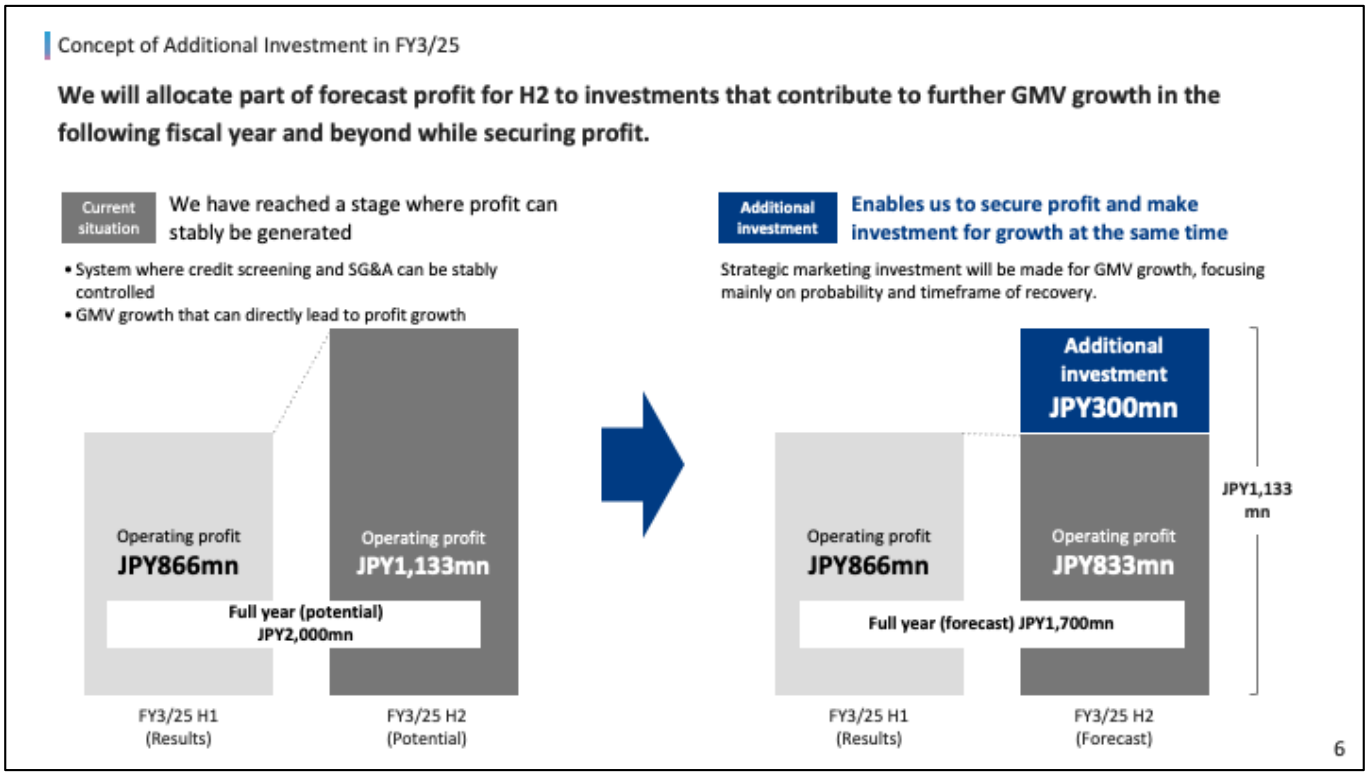
This slide shows the revision to the forecast we have made.

GMV and total operating revenue are as planned in the first half, and the plan for the second half is left unchanged.
In contrast, we have upward revised the line-item profits for the full-year forecast as we are confident that we will stably control the credit risk and SG&A expenses.

We have decided to make an additional investment in marketing in the second half. As a result, operating profit for the second half is expected to be 1.7 billion yen.

The reason for the forecast for the second half GMV being left unchanged is because the marketing investment effect will be realized in the following fiscal year and beyond.

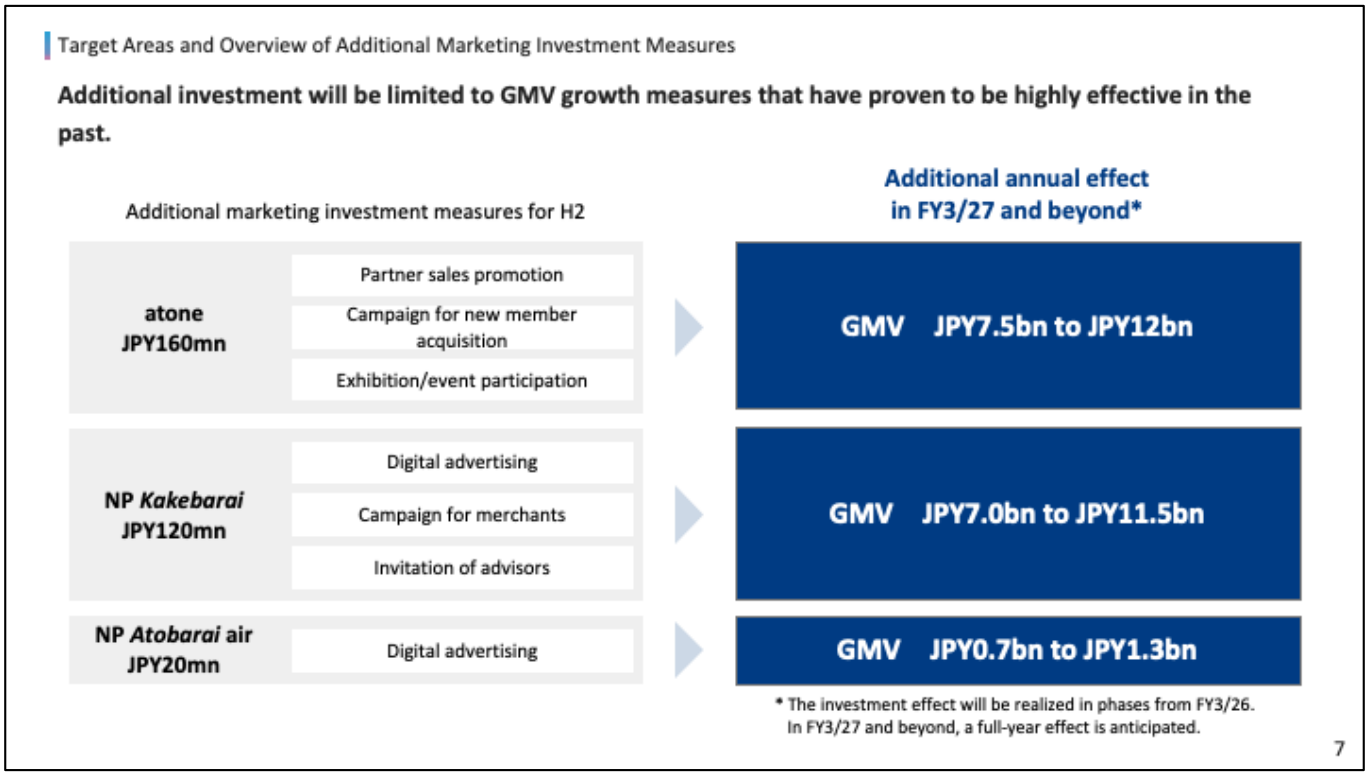


I would like to explain the additional investment that we will make in the second half.

Given the steady performance, operating profit in the second half only will exceed 1.1 billion yen without any special new measures, and thus full-year operating profit will reach 2.0 billion yen.

Of the profits we expect to make in the second half, we have decided to allocate about 0.3 billion yen to an additional investment.

Let me explain the details on the following page.



Let me explain the overview of specific additional investment measures in the second half.
The target businesses are atone, NP *Kakebarai*, and NP *Atobarai* air, where we expect GMV growth.

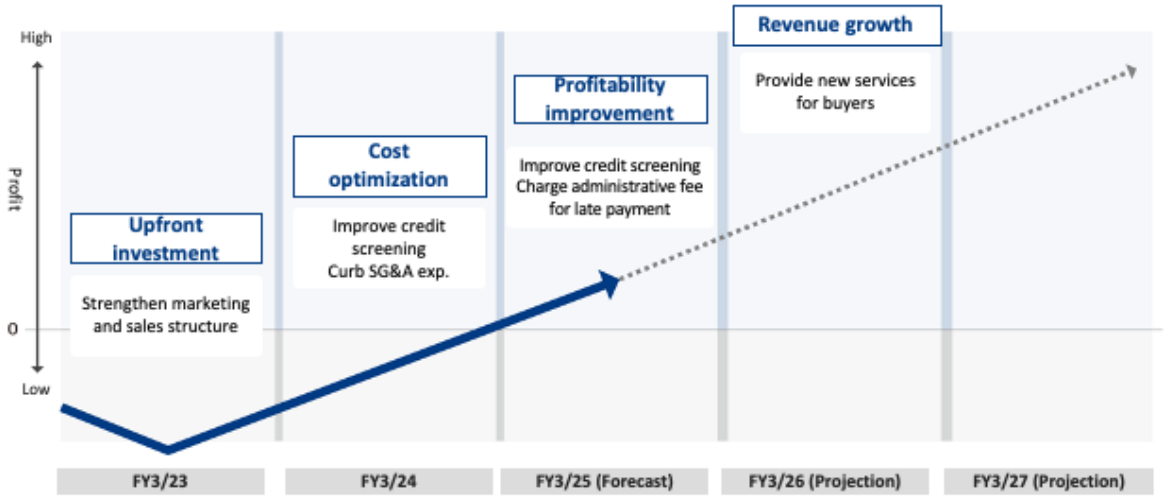
We will invest in measures to increase GMV that we believe will be particularly effective in each business.

The investment targets are limited to areas where initiatives have already been implemented in the past and effect can specifically and quantitatively be measured.
We expect that the effect will be realized in phases from the following fiscal year, leading to steady GMV growth from the fiscal year after next and beyond.

In the next fiscal year, we will continue to invest in initiatives for which we can quantitatively measure the effect, while being mindful of the ratio of SG&A to GMV.

Initiatives to Generate Profit and Future Outlook

With improvement in credit screening, we can generate profit while successfully curbing SG&A expenses incurred for operation. In the following fiscal year onwards, we will strive to keep increasing revenue and profit through growth investments.



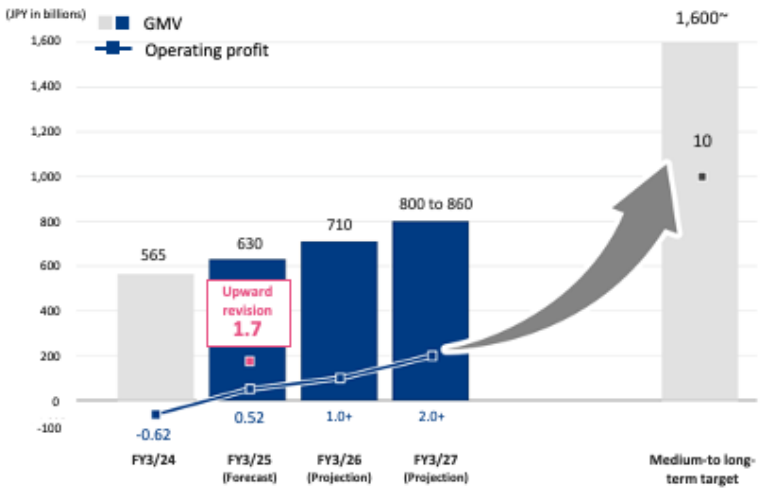
After making upfront investments two years ago, we have been working to establish a structure that will allow us to grow GMV while keeping SG&A expenses under control.

The structure we have established has resulted in strong profit generation in the current fiscal year.

With the additional marketing investment in the second half, GMV will increase, contributing to a steady growth in revenue and profit in the following fiscal year onwards.

Comparison with Medium-term Management Plan

Operating profit has progressed nearly two years ahead of the plan.
The medium-term management plan will be reviewed at the end of the fiscal year.



Medium- to long-term goal
Operating profit JPY10bn

Aim to achieve the medium- to long-term goal faster with steady increase in both revenue and profit

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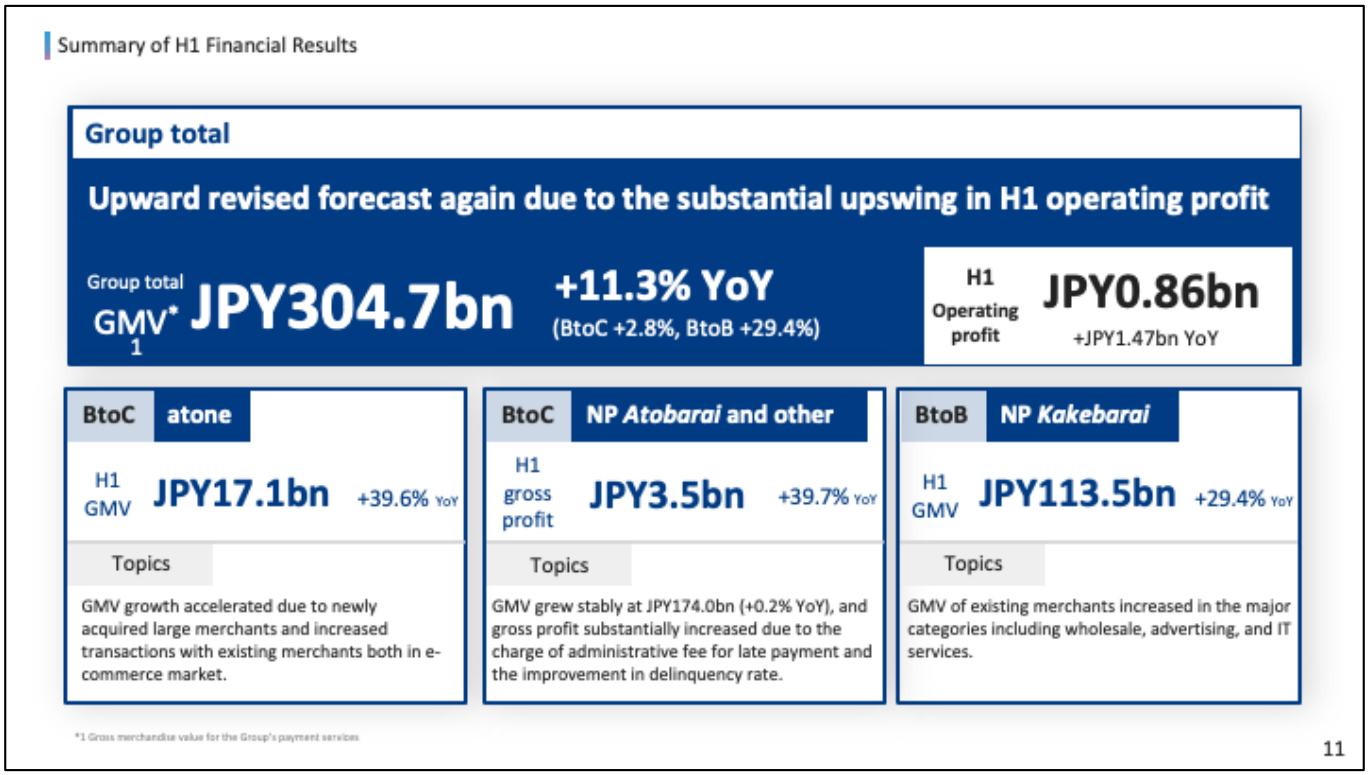
This slide compares the upward revision to the forecast made this time with our medium- to long-term plan.
As this chart shows, operating profit has progressed nearly two years ahead of the plan while GMV in the current fiscal year has progressed as planned.

We will review the medium- to long-term plan according to the full-year financial results. At the same time, we aim to achieve the medium- to long-term goal of operating profit of 10 billion yen while striving to keep increasing both revenue and profit.



CFO Watanabe will explain the highlights of the Group financial results.



Following the first quarter, the second quarter results were also favorable. Operating profit in the first half significantly improved by 1.47 billion yen year on year to 0.86 billion yen.

Now I will explain details by service. First, for atone, GMV increased 40% year on year, achieving a solid growth.
The growth has been driven by the acquisition of new merchants and increased transactions with existing merchants both in the e-commerce market.

Second, for NP *Atobarai*, gross profit is a key performance indicator because it is a “cash cow” business for us.
During the second quarter, following the first quarter, gross profit increased 40% year on year due to successful credit control operations along with the collection of the administrative fee for late payment.

And last, NP *Kakebarai* continued to perform steadily.
GMV for NP *Kakebarai* grew 29% driven by transactions for recruiting advertisement, which has remained strong since last fiscal year, and by increased transactions in the food wholesale category.

Consolidated Financial Results: Earnings Summary for FY3/25 H1 (for Six Months Ended September 30, 2024)

Operating profit amounted to JPY866mn, achieving the progress rate of 80.2%.
Delinquency control improvement and administrative fee for late payment have progressed ahead of the plan.

(JPY in million)	FY3/25 H1		Full-year earnings forecast*4	
	Results	YoY percentage change	Amount	Progress rate
GMV (non-GAAP)	**304,794**	**+11.3%**	630,500	48.3%
Total operating revenue	**11,021**	**+6.7%**	23,000	47.9%
Revenue	**10,747**	**+6.6%**	-	-
Gross profit (non-GAAP)*1	**4,904**	**+33.2%**	9,452	51.9%
SG&A expenses (non-GAAP)	**4,259**	**-6.2%**	-	-
Other operating expenses(non-GAAP)	**51**		-	-
Of SG&A expenses, marketing expenses*3	**237**	**-29.7%**	-	-
Operating profit	**866**	**Turned into profitability**	1,080	**80.2%**
EBITDA (non-GAAP)*2	**1,678**	**+1,076.7%**	2,803	59.9%

*1 Gross profit: Revenue – (Collection expense + Invoicing expense + Allowance for doubtful accounts (addition) + Bad debt expense + Loss on sale of trade + Other expenses required for providing payment services, including credit screening costs and NP point expenses)
*2 EBITDA: Operating profit + (Depreciation and amortization + Share-based payment expenses + Loss on disposal of property, plant and equipment + Impairment losses – Gain from reversal of impairment losses)
*3 Marketing expenses: Sales promotion expenses (excluding agency commissions) + Advertising expenses
*4 Consistent with Consolidated Financial Results for the Fiscal Year Ended June 30, 2024 dated August 14, 2024

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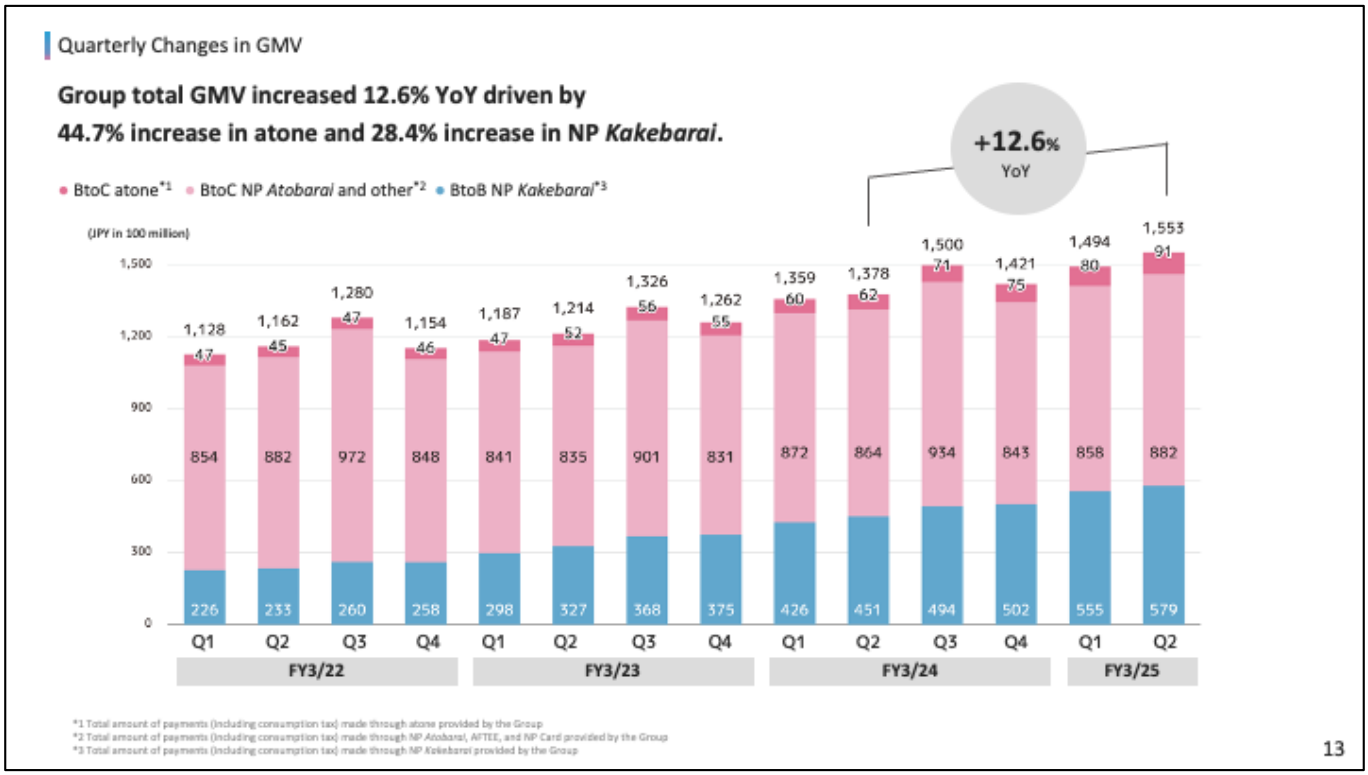
This is a summary of financial results for the six months ended September 30, 2024.

GMV and total operating revenue of the Group have progressed generally as planned.

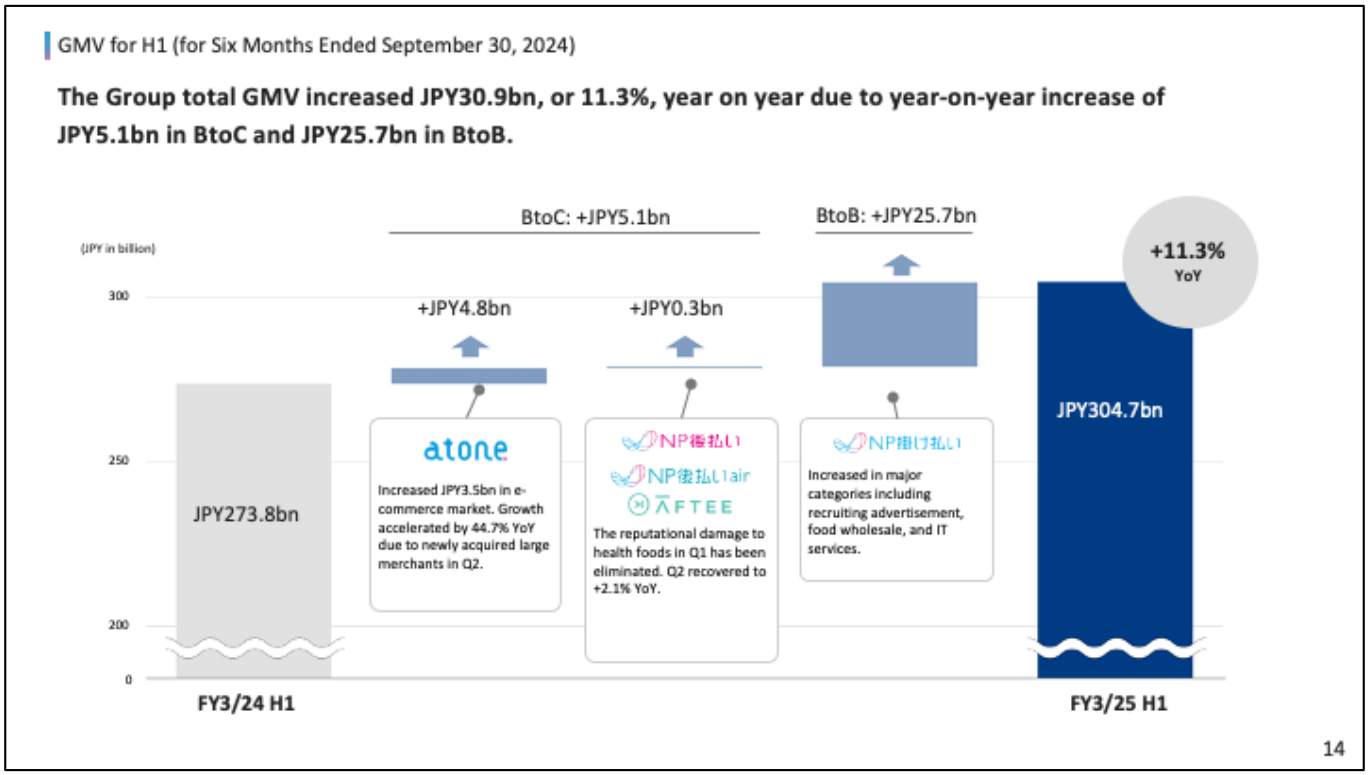
Gross profit increased 30% year on year resulting from successfully curbing costs with improved credit screening mainly in BtoC services. In addition, SG&A expenses were properly under control.

As the progress rate of operating profit has already been over 80% of the previously presented full-year forecast, we upward revised the full-year earnings forecast as I mentioned earlier.



This is the trend of each service's share in GMV.

GMV for BtoC atone achieved 45% growth year on year, and GMV for BtoB NP *Kakebarai* achieved 28% growth year on year.
We will promote these two services as our growth drivers.

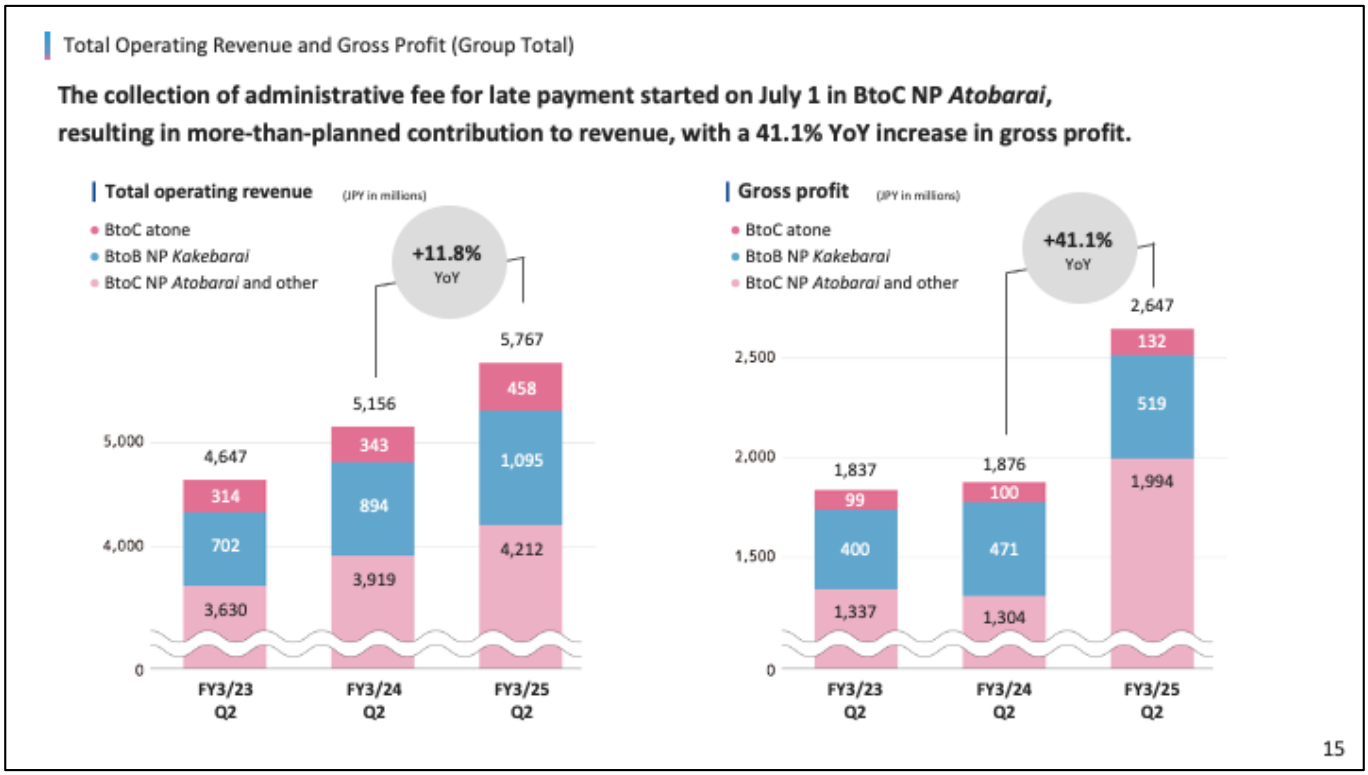


This slide shows how our GMV increased year on year.

Frist of all, GMV for atone increased 4.8 billion yen year on year because there was an increase in transactions at existing merchants in addition to the contribution of new merchants that started operation in the second quarter.

Secondly, GMV for NP *Atobarai* has declined in April and May due to the reputational damage to health foods, but it recovered to positive compared to the previous quarter .

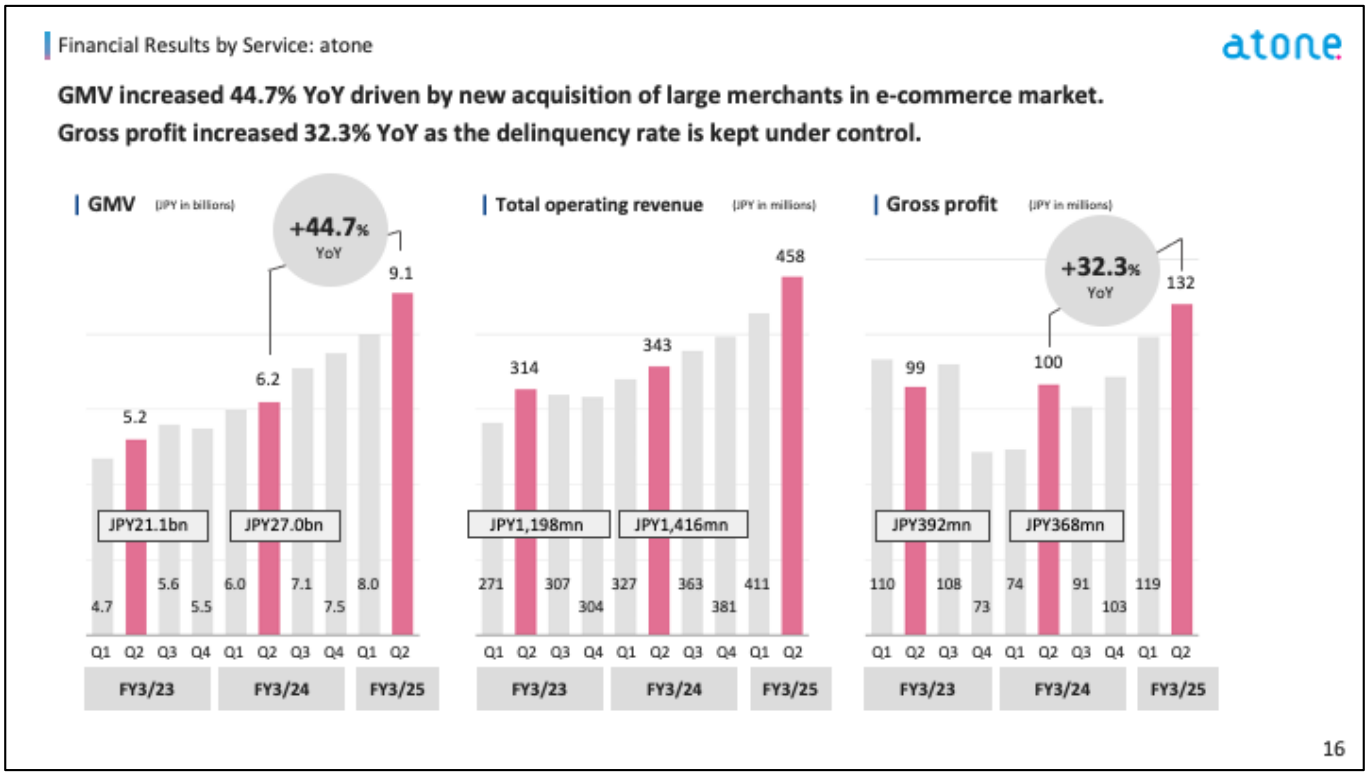
Lastly, GMV for NP *Kakebarai* increased 25 billion yen thanks to the significant contribution of GMV growth at existing merchants such as recruiting advertisement, food wholesale, and IT services.



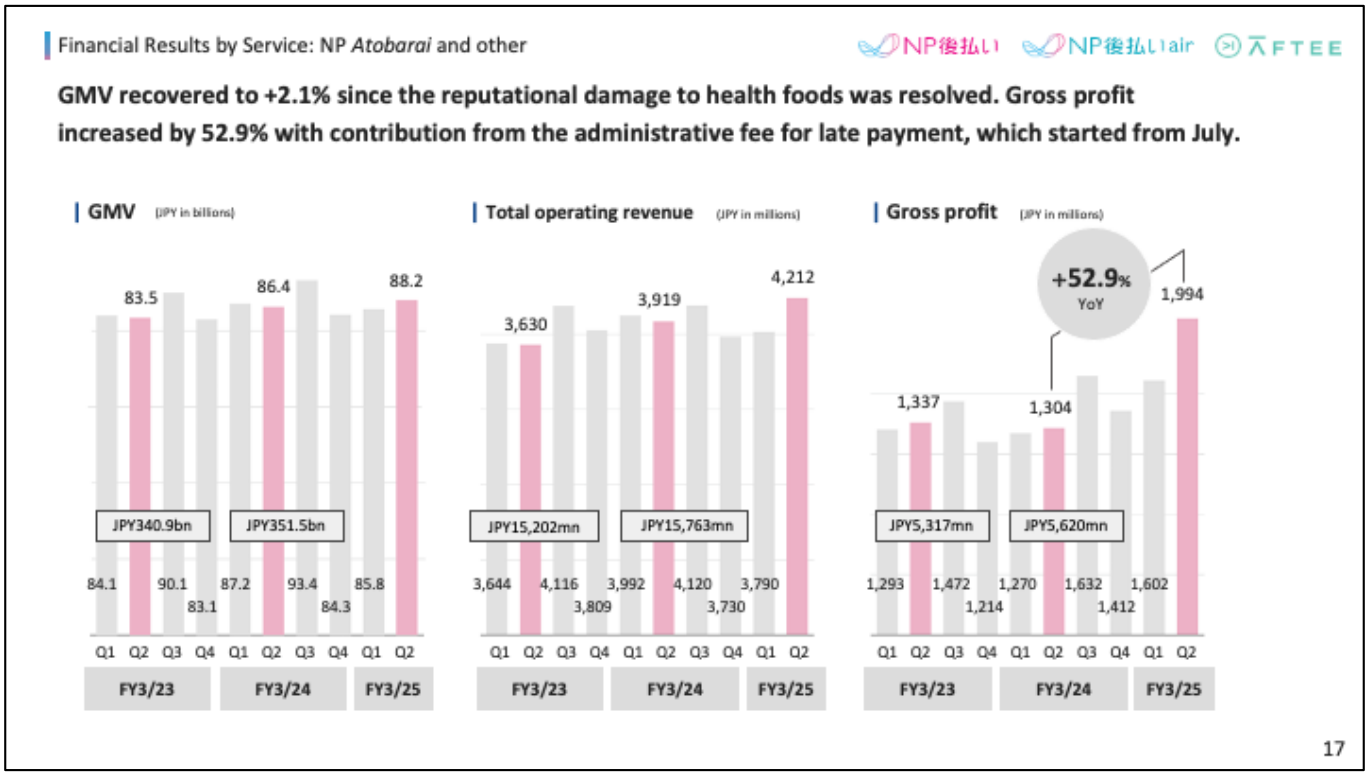
This slide shows the trends of Group total operating revenue and gross profit.

Total operating revenue is growing as planned, but gross profit has increased significantly thanks to the improved credit screening system. As compared with the past two years, you can see that now we have successfully built a business fundamental that can generate profit.

On the following pages, I will explain the key performance indicators by service.



GMV for atone increased 45% year on year for the second quarter, achieving a robust growth.
In addition to acquiring large merchants, the range of services used by existing merchants also expanded, such as apparel and entertainment, which also contributed to the increase in GMV.
Also, gross profit is also increasing steadily thanks to the credit risk control.
Moreover, we are working to improve profitability by streamlining the billing and collection operations with the aim of reducing the cost per transaction.



GMV for NP *Atobarai* remained almost unchanged, but gross profit increased more than 50% year on year.

Continued from Q1, we have successfully controlled the delinquency rate at a low level. In addition, the collection of administrative fee for late payment remained favorable.

Financial Results by Service: NP *Kakebarai*

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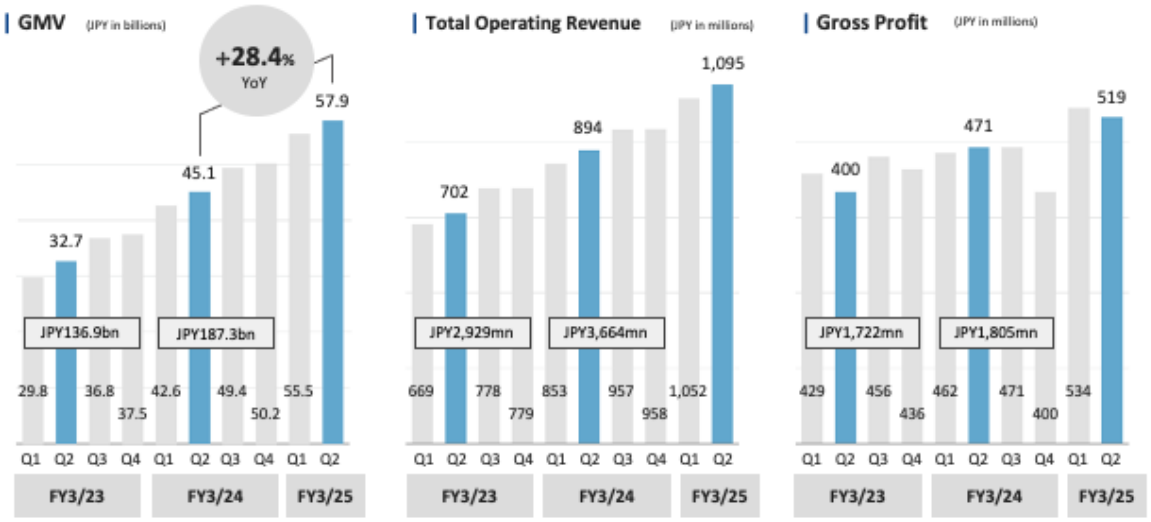
GMV increased by 28.4% due to increased transactions in all major industries.



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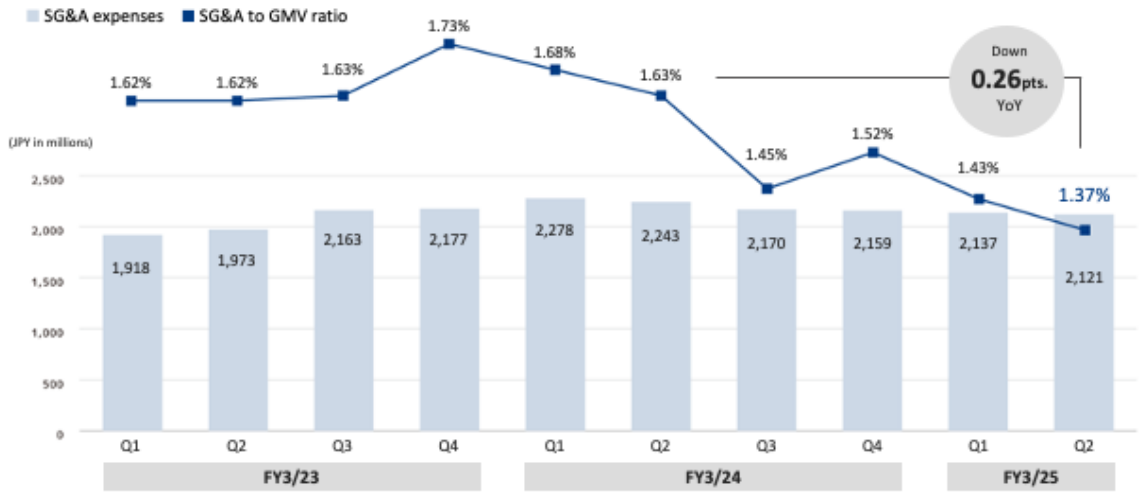
GMV for BtoB NP *Kakebarai* remains solid, achieving a 28% growth.
Existing merchants drove GMV growth in the second quarter.

SG&A Expenses: Quarterly Trend

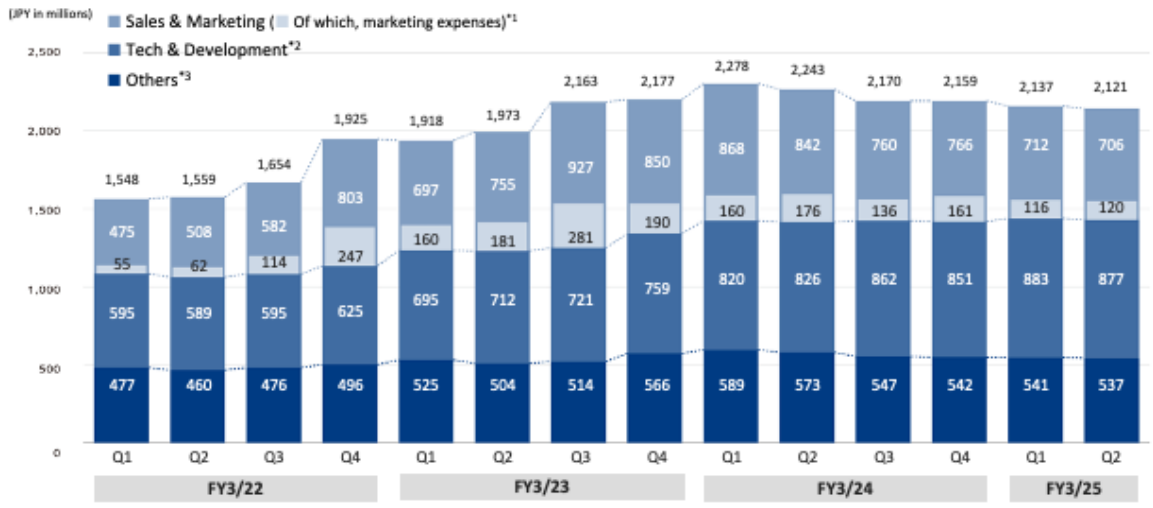
The SG&A ratio improved 0.26 points YoY to 1.37% through our continued efforts to thoroughly control costs.



This slide shows the trend of SG&A expenses and the ratio of SG&A expenses to GMV.
SG&A expenses for the second quarter were below 1.4% for the first time.

SG&A Expenses: Quarterly Changes by Function

We have favorably curbed marketing expenses as referrals via external partners are strong.



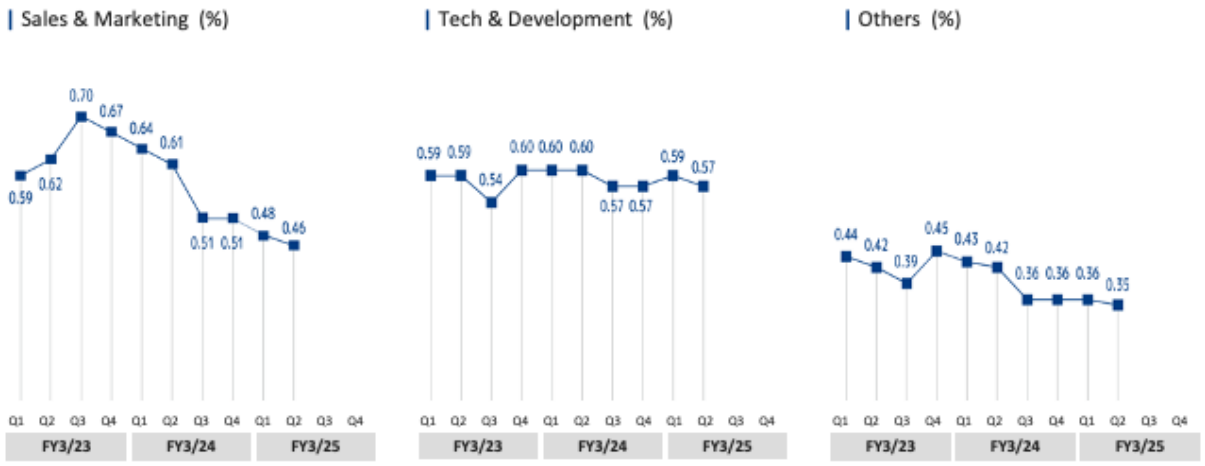
*1 Sales & Marketing: Personnel, outsourcing, operations related, marketing, and other expenses related to sales and marketing
*2 Tech & Development: Personnel, outsourcing, operations related, and other expenses related to system development, credit related operations, and other operations.
*3 Others: SG&A expenses other than *1 and *2 (personnel and outsourcing expenses related to back-office operations, outsourcing expenses of help desk for services, etc.)

When we look at SG&A expenses by function, operations are being streamlined in Sales & Marketing.

Having said that, marketing is a key strategy for our growth; therefore, we consider not containing expenses too much but striking a balance in allocating resources to promising initiatives, in particular, those for advertising and promotion efforts.

Reference: Changes in Ratio of SG&A Expenses to GMV

We have built a structure that can take advantage of operating leverage due primarily to the improved operational efficiency of Sales & Marketing.



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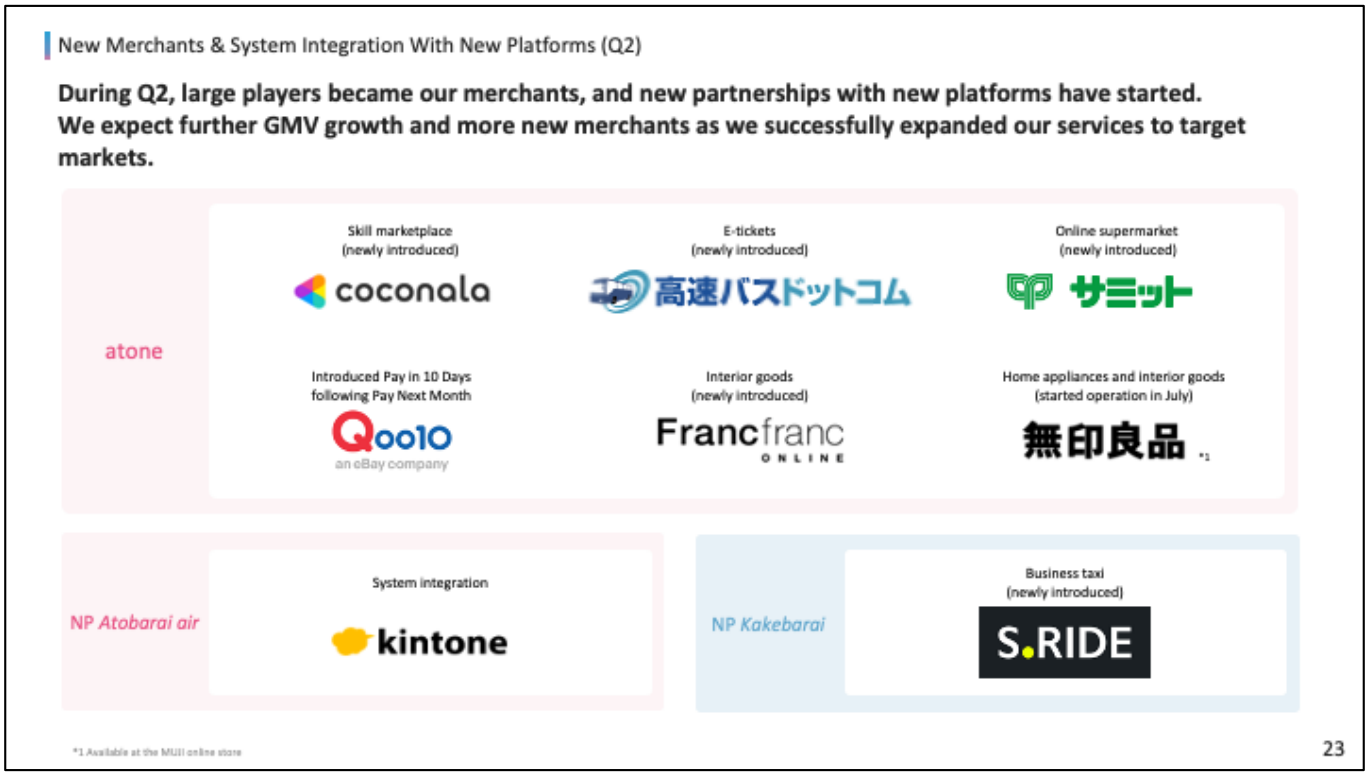
*3 Others: SG&A expenses other than *1 and *2 (personnel and outsourcing expenses related to back-office operations, outsourcing expenses of help desk for services, etc.)

This slide shows the ratio of SG&A expenses to GMV by function.

Tech & Development, which focuses on system development, is controlled by a certain percentage of GMV,
and Sales & Marketing is becoming more efficient, creating a structure that allows operating leverage to be used.



Now, I, Shibata, would like to explain the management topics.

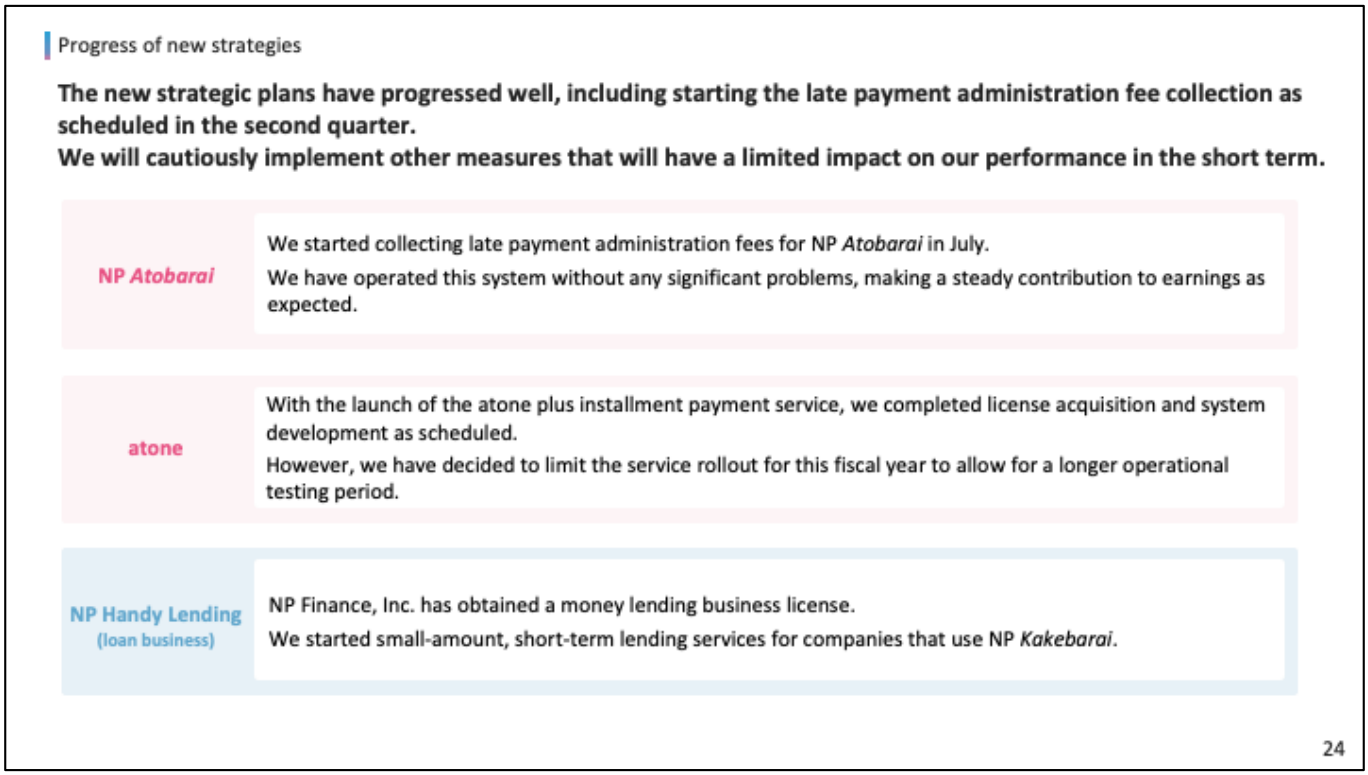


The sales situation of atone continued to be strong in Q2.
Its introduction is also progressing well in the service and ticket industries, which are our target markets.

Regarding NP *Atobarai* air, we have recently completed system integration with kintone and are focusing on acquiring new merchants.

New merchants for NP *Kakebarai* are also steadily increasing.

The sales situation is accelerating in all businesses.



I would like to give you an update on the progress of our new strategies that we started this fiscal year.

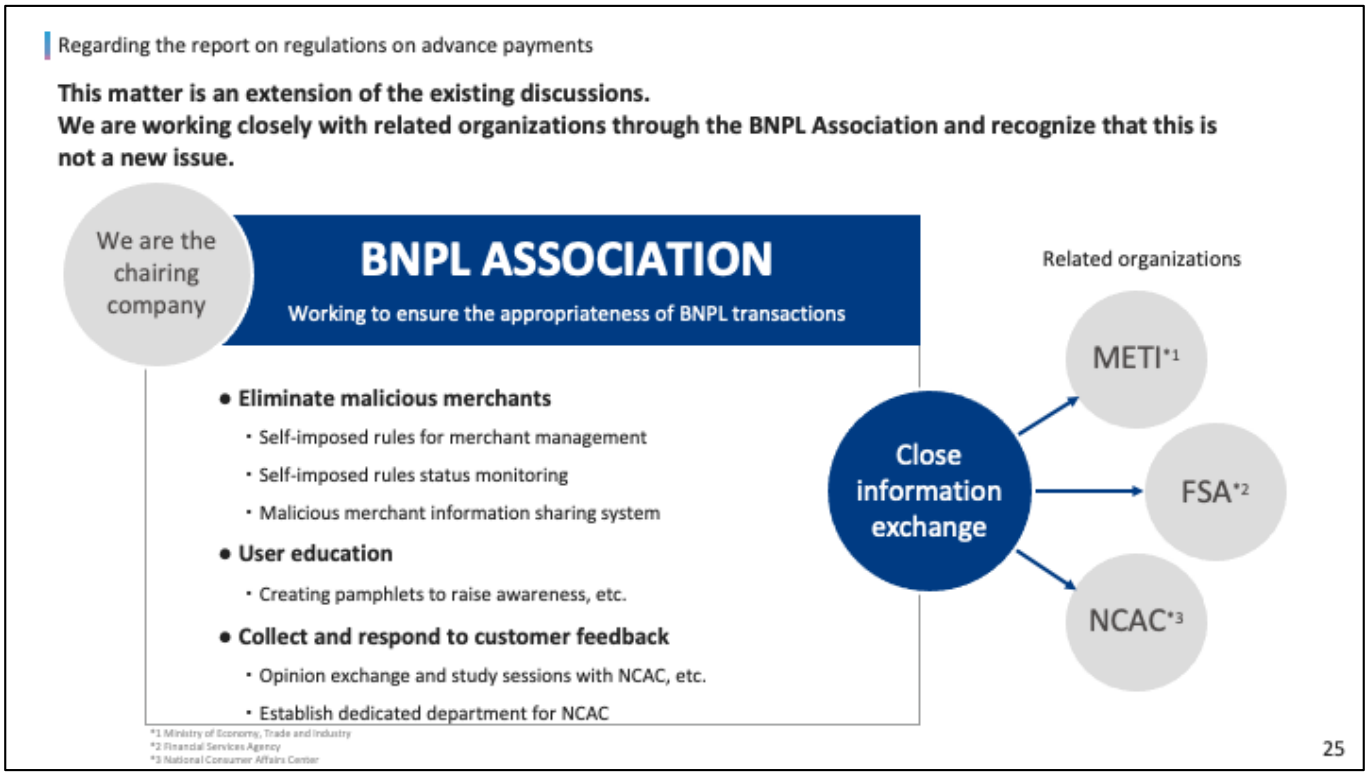
As we have already announced, we started collecting late payment administration fees for NP *Atobarai* in July, and we have been able to operate it without any significant problems, making a steady contribution to our earnings as expected.

In addition, we are progressing well with several other measures to benefit our medium-term growth.

We have completed license acquisition for the atone plus installment payment service.
However, we have decided to limit the service rollout for this fiscal year to allow for a longer operational testing period.

In October, we started a lending business through our subsidiary, NP Finance.

This service is named NP Handy Lending, offering fast financing to companies that use NP *Kakebarai*.



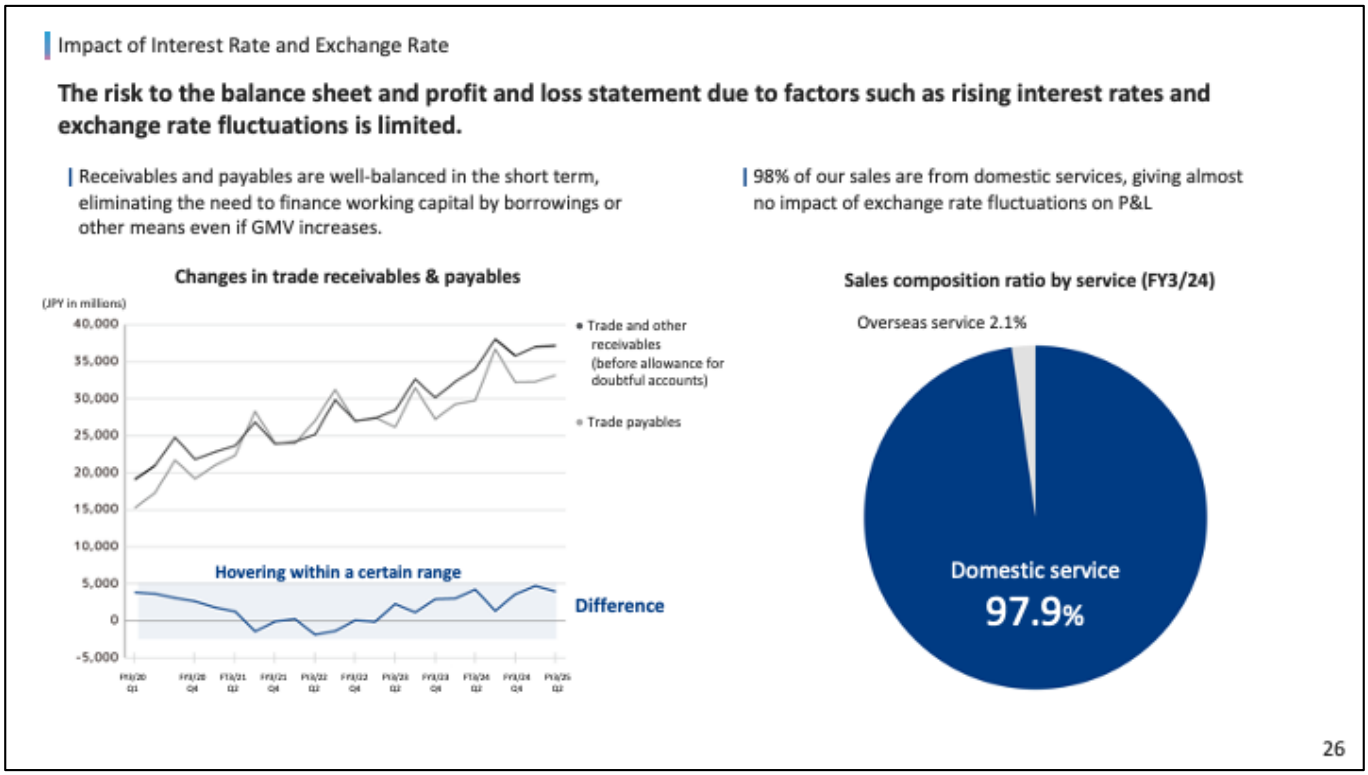
There was some media coverage last month regarding the potential regulations on advance payment, including BNPL services.
However, we are not aware of any events that would affect our business at the moment.

Here, we would like to explain our stance on BNPL services briefly.

People from a wide range of age groups use BNPL services as a safe and secure means of payment.
In this business, we have been working for many years to promote safe and secure services for everyone.

In addition, as the chair company of a self-regulatory organization, we have been implementing consumer protection activities through investigations and information sharing about malicious merchants while holding discussions with related organizations centered on the Ministry of Economy, Trade and Industry.

We will continue collaborating with related organizations to provide more secure services.



Lastly, I would like to discuss the impact of interest and exchange rates on our business.
There has been an issue about the impact of the political situation in Japan and the United States on the interest rate and foreign exchange markets, but the business risk to us is extremely limited.
Receivables and payables are well-balanced in the short term. Thus there is no need for substantial working capital, and we are not susceptible to interest rate fluctuations.

Our overseas business is still relatively small, so we are insulated from exchange rate risk.

In addition, we are also properly controlling the impact of price fluctuations on our business.

And that concludes our explanation of the financial results for the second quarter of the fiscal year ending March 2025.

Thank you very much for listening.

Appendix

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