



Net Protections Holdings, Inc.

Q&A of Financial Results Presentation for Q4 and Fiscal Year Ended March 31, 2024

May 15, 2024

※This is a transcript of the Q&A. The main part was disclosed on the day of the results briefing. Please click [here](#) for the main part.

# Question & Answer

**Participant [Q]:** Among the factors that contributed to profitability, how much of this accounts for the administrative fee for late payment?

**Shibata [A]:** As we reported in our previous financial results announcement, we expect that the improvement in delinquency rate and administrative fee for late payments to amount to about JPY500 million to JPY 1 billion per year.

**Participant [Q]:** If you have any quarterly forecast regarding SG&A expenses, please explain.

**Watanabe [A]:** For the current fiscal year, we do not plan to have any major events for each quarter. Therefore, the overall situation for the quarter would be similar.

**Participant [Q]:** What is your estimate of the growth rate for the e-commerce market in the fiscal year ending March 2025? To what extent should we assume that the growth rate for NP *Atobarai* and GMV will be lower than that of the e-commerce market?

**Shibata [A]:** First of all, we have announced slightly pessimistic figures, or reduced ones, due to issues relating to the red yeast, just as we were formulating the budget.

Another point is that our marketing and sales resources are completely concentrated in the atone and we expect atone will lead the growth as our main BtoC service. Therefore, we hope to increase the growth rate properly with GMV that combines atone and NP *Atobarai*.

**Participant [Q]:** Please tell us about your reflections on the previous medium-term business plan and your enthusiasm for achieving this medium-term business plan based on those reflections.

**Shibata [A]:** First, we could not expect the Pharmaceutical and Medical Device Act when we were formulating our medium-term business plan in 2021. It was beyond our expectations.

Second, we tended to view the situation and figures too favorably before we got listed. To be honest, although the overall situation along with the medium-term business plan hasn't changed, I believe the difference lies in whether we predict the figures optimistically or not, or whether we establish figures only for goals that can be achievable or not.

Therefore, we have announced our medium-term business plan under the premise that it is highly achievable and hope to achieve a higher goal.

**Participant [Q]:** Since your company's shares do not provide dividends or other returns, I believe that the market sees your company needs more growth to be seen as attractive. I also believe it will be difficult to gain attention in the stock market as a growing stock, unless GMV or the sales growth rate exceeds 20% per year on average. Do you have any factors that will accelerate the growth rate once more?

**Shibata [A]:** As I mentioned earlier for the medium-term business plan, atone and NP Kakebarai's sales pipeline status is very good. Also, we are beginning several new services, such as atone plus, referral agency service, and a lending service for BtoB customers. To be honest, we are expecting figures that are easily achievable for the medium-term business plan. Therefore, we aim to achieve 20% growth rate.

**Participant [Q]:** The take rate of each service seems to be declining. how do you expect it to in the future?

**Shibata [A]:** If you look at them individually, they haven't declined that far. First of all, regarding NP *Atobarai*, I believe the take rate hasn't dropped so much. About NP Kakebarai, the overall take rate is declining because the ratio of major merchants is increasing. However, we expect it to stop dropping soon.

Also, atone's take rate has dropped to a certain level due to the introduction of major merchants, but we do not believe that it will drop further.

However, since the Company is experiencing strong growth in BtoB, I think it is fair to say that the overall take rate is gradually trending downward.

**Watanabe [A]:** If we implement an administrative fee for late payment, it would lead to sales increase and improve the take rate. If the lending service for BtoB starts, we can also expect a positive effect on the take rate for BtoB.

**Participant [Q]:** What is your sense of the level of accumulation of dividend resources as a guideline for shareholder returns?

**Watanabe [A]:** Currently, as we have almost no retained earnings, we have not yet secured any funds for dividends. As per the three-year plan we mentioned earlier, we will continue to accumulate profits and allocate them to pay dividends. However, we might need to make investments for new services for discontinuous growth. Thus, we would like to see a balance between return and investments.

Therefore, we cannot promise when we will give back this much at this point, but we would like to make a decision based on how the accumulation status goes.

**Participant [Q]: Please tell us how atone plus affects profits and losses for this fiscal year or the next and beyond. Also, are there any delays in obtaining a license for installment payments?**

**Shibata [A]:** We will launch atone plus this winter, and we do not expect any major effects on profits and losses for the current fiscal year. For the effects on the next fiscal year and beyond, it is hard to make accurate predictions without seeing how it will turn out after the launch. We hope to make judgments while observing the situation from H2 of the fiscal year.

Also, we are making good progress in obtaining the license for the installment payment.

**Watanabe [A]:** The effects of atone plus aren't considered in the three-year plan we mentioned earlier and hope to achieve good performance.

**Participant [Q]: Do you expect atone plus' s installment payment service to become popular? What is the market environment outlook for BNPL installment payment services in Japan?**

**Shibata [A]:** We are already providing atone plus to over 10+ stores for existing atone merchants. About 10 stores have already privately consented to introduce atone plus installment service, and we plan to enter new markets such as home appliances or travel industries. The responses have been generally good, and we believe in making achievements smoothly.

Also, we conducted a beta test for atone plus with 100 participants and surveyed them after using it. When we asked if they would like to use installment payment options, 90% of them responded with a "yes." In that sense, we see demand from merchants and customers.

**Participant [Q]: Paidy seems to be strengthening its promotion activities. Are there any issues acquiring customers for atone?**

**Shibata [A]:** We believe that we do not have much competition in the mid-priced products ranging from JPY 10,000 to JPY 15,000. Even in the event of a competition, we are more competitive than our competitors. Therefore, we don't see any issues in acquiring customers for atone.

On the other hand, when it comes to higher price ranges, we think that is where Paidy is very strong. Therefore, we think we will see a different situation.

**Watanabe [A]:** One of the features of atone is that it offers 1.5% points reward. We think this will be an attractive feature to users. Convenience store transaction fees are also waived for plus members. We believe this is an advantage in terms of service design.

**Participant [Q]:** You have strengthened mid-career hiring and continued to appoint advisors and other personnel, do you have anything new that you would like to share in terms of your organization?

**Shibata [A]:** The first thing that I believe we have changed significantly in the past two years due to the strengthened mid-career hiring is that new members with high skills for each field have joined. For example, whether it is sales, marketing, or systems, we have managed to strengthen our capabilities in each field, and I think this is gradually leading to an acceleration in our business growth. I am very glad that we have hired them.

Also, at the same time, I believe that we are still maintaining our unique corporate culture. A few weeks ago, we were featured in a TV program that ranked us first in Japan in terms of growth environment for young people in their 20s. On the other hand, newly joined highly skilled members are demonstrating their abilities in this environment.

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