



Net Protections Holdings, Inc.

Q&A of Financial Results Presentation for the Three Months Ended June  
30, 2024

August 14, 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]:** I believe that the upward revision is due to an increase in gross profit and a decrease in SG&A expenses. Could you please explain more about the factors behind the revision this time?

**Shibata [A]:** In Q1, operating profit increased by JPY560 million compared to the original plan, of which about JPY 390 million was due to curbing the cost of sales, and about JPY 170 million was due to controlling SG&A expenses and fixed costs.

I think the fact that the original plan was made conservatively is still a big part of it. In addition, we have improved the credit screening system particularly well, and I, as well as the Company, think that the delinquency rate is not just temporarily lowered but will remain lowered permanently in the future.

**Participant [Q]:** I understand that only the upswing in Q1 was reflected in the revision of the forecast, but is the outlook for Q2 unchanged from the assumptions made at the beginning?

**Shibata [A]:** Well, we simply reflected the results of Q1 that have been confirmed. To be honest, we expect that we will be able to achieve a certain level above the original plan in Q2 as well, so we will make every effort to accomplish that goal.

**Participant [Q]:** If profits rise further in the future, will you offset them with investments to drive sales growth?

**Shibata [A]:** That is what we are considering. If profits rise, whether we should go for 100% profit, or whether we should put some of the profit into investment, since investment will increase the certainty of future growth. I would like to think about this while talking to investors.

**Watanabe [A]:** Yes, it is right. I think it is important to keep a good balance between them. We have been able to streamline our operational marketing process, and we are starting to get the hang of how it can lead to sales, so we would like to think about turning our efforts to marketing as well.

**Participant [Q]:** Since Q1 only includes JPY 65 million of allowances for doubtful accounts, it appears that the provision is particularly low due to the achievement of the low delinquency rate. If there is no change in the delinquency rate, is it correct to assume that the provision for doubtful accounts will occur to some extent from Q2 onwards?

**Shibata [A]:** It is difficult to be precise, but if the delinquency rate remains flat from here onwards, I don't think we will have to make more provision for doubtful accounts, so I think we will be able to continue in the current good situation.

**Participant [Q]:** I would like to check the major trend in your business performance so far. In March 2022, you made an operating profit of JPY 900 million, but in 2023 and 2024, you recorded a large deficit, and this fiscal year, there has been a large increase in profit. Can you tell us about the background to the significant growth in the current financial year once again?

**Shibata [A]:** Originally, at the time of our listing, we were a company focused on the NP Atobarai service. Therefore, we concentrated on NP Atobarai, and it was easy to make a profit while keeping SG&A expenses under control. However, when considering further growth, we decided that we needed to expand our BtoB service, as well as other BtoC services, such as atone and AFTEE.

There was a clear lack of investment in personnel, system development, and marketing, so we decided to make investments in these areas and have been making such investments for two years.

As a result, the services we made investments have begun to grow and accelerate, and we have learned how to use money more efficiently, and I think we are now better able to grow while keeping costs down. We have been able to achieve a good balance in this area, and we have also

established a dedicated team to further improve the credit screening system. I believe that these measures have started to contribute to the full effect of the improvement.

**Participant [Q]:** Your target figures in the medium-term business plan are JPY 520 million for the current year, more than JPY 1 billion for the next year and more than JPY 2 billion for the year after next. Is it correct to recognize that the overall acceleration has been ahead of schedule, as in the recent upward revision?

**Shibata [A]:** We will be reviewing this medium-term management plan every year, but since our growth has accelerated considerably this year, we are thinking that if we continue growth at this rate, we will review the medium-term management plan at the beginning of the next fiscal year and raise the targets.

But in any case, we don't really think that the figures are temporarily good now and will return to the original figures from the next term onwards. As our growth has accelerated significantly this time, we expect it to continue from the next term and beyond.

**Participant [Q]:** To what extent has the impact of health food-related merchants been reflected in GMV? If the impact was seen in April and May of Q1, is it correct to assume that it will completely disappear in Q2?

**Shibata [A]:** Looking at the GMV figures, there was an impact in April and possibly a slight impact in May, but I think the impact has now completely disappeared. On the other hand, I didn't mention this today, but the number of working days in June was two days less than last year on the calendar. July, by contrast, was two working days longer. April was a bit weak due to the impact of the red yeast rice case, and June was a bit weak because of the calendar effect, but in July the situation has reversed, so I don't think we are in a situation where we need to worry too much.

**Participant [Q]:** Considering the size of atone, I think it would be nice to see a more powerful growth rate. Is there any opportunity for it to accelerate in the future?

**Shibata [A]:** The scale is still very small, but conversely, that is why we should aim for a higher growth rate.

In Q2, several major companies became our merchants and have started their operations, so I believe that the growth rate will accelerate further. I think once these major companies start operating in earnest, the growth rate will really take off.

So, in addition to the ones that are already in operation and those that are expected to be fully operational later, we have the ones that are under negotiation. So, I think it depends on when those are being negotiated will bloom.

**Participant [Q]:** How much progress has been made in introducing atone's Pay in 10 Days to existing merchants?

**Shibata [A]:** With regard to atone's Pay in 10 Days, we are a little behind schedule compared to our expectations, but we will be working with some major merchants in this autumn and winter, and so we think that this will also contribute to the expansion of atone's GMV.

**Participant [Q]:** There has been strong growth in NP Kakebarai, and I would like to ask how much of this is contributed by Timee?

**Shibata [A]:** It is difficult to mention the figures for individual companies, but looking at the growth of NP Kakebarai, of course Timee is contributing a lot to the growth. Also, the figures for other businesses, such as wholesalers for restaurants, are increasing across the board, so we think this is a very good structure.

**Participant [Q]:** It appears that in the last quarter there were a lot of credit screening costs incurred in BtoB service. Has the increase in doubtful accounts already been brought under control?

**Shibata [A]:** We suffered a little from the gradual increase in credit screening costs for BtoB service last year, but by reviewing our credit screening system, we have been able to bring this increase in doubtful accounts under control, and we are now seeing an improvement.

**Participant [Q]:** Can you use the fact that interest rates are rising in Japan as a reason to raise your service fee rates?

**Shibata [A]:** Well, I think it is a little difficult because we are currently not a money lending business operator.

**Watanabe [A]:** As I explained earlier, our current business model is that balance sheet does not increase, so I think it would be difficult to increase the service fee directly due to rising interest rates. However, we are continuously working on improvements at such merchants with low service fees.

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