Net Protections Holdings, Inc.

Q&A of Financial Results Presentation for the Six Months Ended September 30, 2025

November 18, 2025

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

Question & Answer

Participant [Q]: Please explain the reason behind the upward swing in gross profit in H1.

Shibata CEO [A]: The primary drivers were GMV outperformance and cost reductions. Our frontline teams performed better than anticipated, particularly in improving outstanding costs. I believe these two factors—GMV and costs—were the most significant contributors.

Participant [Q]: Please explain the reasons behind the year-over-year decline in GMV for NP *Atobarai* and other in Q2, as well as your outlook for the future.

Shibata CEO [A]: First, there was the impact of having one fewer business day compared to the same period last year. On top of that, NP *Atobarai* performed slightly below flat, and our growth business, NP *Atobarai air*, was a bit weak this quarter. These factors combined led to the current figures.

However, looking ahead, *NP Atobarai air* is performing very well, and we expect new merchant launches to accelerate one after another. We also have a solid pipeline for NP *Atobarai*, so we do not view this as a continuous downward trend. Therefore, we anticipate that the total GMV for NP *Atobarai and* other will track positively year-over-year going forward.

Participant [Q]: My impression was that you left a significant conservative buffer in the Q1 revision. Does this new revision reflect the true picture of your performance more directly?

Shibata CEO [A]: We conduct rigorous forecasting internally, so I believe this number accurately reflects our true strength. However, our team members consistently deliver results that exceed expectations after we set targets. In that sense, we view this forecast as one where there is still a possibility of further upside.

Watanabe CFO [A]: We believe we have forecasted this accurately. However, given our current strong momentum, I do think there is potential for us to exceed these numbers.

Participant [Q]: Does the upward revision incorporate the impact of Osaka Gas Finance and Otsuka Corporation?

Shibata CEO [A]: Regarding Osaka Gas Finance, we expect the numbers to start ramping up from December onwards, so we have incorporated this into the forecast somewhat conservatively. However, we do not anticipate a massive immediate impact from this. As for Otsuka Corporation, we believe it will take a bit more time before we see significant numbers. Therefore, at this stage, they are essentially not factored into the forecast.

Watanabe CFO [A]: Yes, I believe Otsuka Corporation has significant potential. I expect they will gradually increase the proportion of services they use. In contrast, companies such as Recruit, which is already on board, entrusted us with a large proportion of their services from the outset. The potential and future trajectory will depend on how each company approaches its launch. We have high expectations for Otsuka Corporation.

Shibata CEO [A]: Right. One more thingI would like to mention is that I see Otsuka Corporation as having the potential to become our largest partner among all the merchants we currently work with. Therefore, we intend to maintain close communication with them going forward.

Participant [Q]: Could you please update on the current sales pipeline, along with your expectations for contributions from new merchants in H2?

Shibata CEO [A]: First, we expect companies such as Otsuka Corporation and Osaka Gas Finance, which were mentioned earlier, to contribute gradually. With respect to the sales pipeline, we currently have five BNPL service businesses, including NP *Atobarai*, NP *Kakebarai*, *atone*, and *AFTEE*. Frankly speaking, I believe that the sales pipeline for all of them is exceptionally strong.

Recently, I see the sales pipeline is growing even faster. I expect that we will be able to announce some noteworthy updates regarding *atone*.

Participant [Q]: You mentioned that the sales pipeline is extremely strong. Does this mean that this strength has not been fully incorporated into the GMV plan for H2?

Shibata CEO [A]: Within our sales pipeline, there are cases that take time to reach full-scale operation. Therefore, we have not factored a significant amount of this into the GMV for H2. On the other hand, while we believe there is certainly potential for the next fiscal year and beyond, we consider it necessary to still carefully scrutinize how we project those figures.

Participant [Q]: Regarding the revision to the guidance for total operating revenue, it states that the proportion of large merchants has increased. Does this indicate that large merchants contributed more than expected? Conversely, does this suggest that the performance of small and medium-sized merchants was somewhat below expectations?

Watanabe CFO [A]: Large merchants tend to have lower take rates. As a result of this mix, the total operating revenue came in slightly below estimates. However, large merchants also tend to have lower delinquency rates. When looking at the gross profit margin, there is no significant decline. Therefore, we were able to revise the gross profit upward.

Shibata CEO [A]: It is true that our large merchants contributed more than we anticipated, exceeding our projections. As a result, the total operating revenue margin came out slightly lower than expected.

Participant [Q]: What is the outlook for B2C credit costs in H2 and the next fiscal year? Also, congratulations on your success in acquiring new B2B merchants. What is the primary reason customers choose your service? Is it convenience, price, technology, or something else?

Shibata CEO [A]: Yes. First, regarding the outlook for B2C credit costs in H2 and the next fiscal year. Overall, all businesses are performing very well in terms of credit screening management, particularly as we have strengthened our structure. Credit costs are currently trending below our projected figures, and I do not anticipate any sudden increases in the next fiscal year either.

Regarding B2B, our track record is overwhelmingly strong, so we do not lose. In addition, we manage a wide range of projects, including large-scale ones. Our expertise lies in efficiently handling high-volume transactions and meeting diverse, detailed needs. Our know-how and flexibility are also unmatched. At this point, we believe we are in a very strong position.

Rather than simply outsourcing operations, they want us to serve as a business partner in fundamental management reform. I believe we need substantial expertise to keep pace with their business needs. This is not the kind of business where it is sufficient to merely present a fixed proposal.

Watanabe CFO [A]: Yes. Regarding the B2C credit costs you asked about, we have also been making improvements in B2B. While the delinquency rate increased slightly during the zero-zero loans in the COVID-19 pandemic, it has now been significantly reduced.

Participant [Q]: Given that operating profit for this fiscal year exceeded expectations, thereby raising the baseline for next year, may we assume that the 25% CAGR growth will continue into the next fiscal year and beyond?

Shibata CEO [A]: This is precisely what we are currently discussing internally. We have already reached agreement that we must exceed the operating profit target outlined in our medium-term plan. However, for the next fiscal year and beyond, given the strong sales performance and our intention to further increase investment, we are debating whether to allocate the excess funds toward investment or channel them entirely into profitability. This is exactly the point we are currently discussing.

Watanabe CFO [A]: Recently, we have been securing large merchants, and we are definitely feeling strong momentum from that. In response, by making further investments aligned with this momentum, we believe we can continue growing. We are currently discussing, together with our outside directors, how to strike the right balance between profits and investments.

Participant [Q]: With the positive impact from the late payment administration fees having run its course, and the favorable effects from Indeed Recruit Partners already realized, it is somewhat unclear what to expect as we head into Q3. What should we anticipate for H2?

Shibata CEO [A]: We share a similar perspective on this. We do not anticipate any significant numerical impact in the near term.

However, all businesses are performing well, and existing merchants continue to grow. We believe we can steadily drive further growth. In addition, with respect to Otsuka Corporation mentioned earlier, while a sudden surge in H2 seems unlikely, the timing of when their full impact materialized will significantly affect the numbers.

Therefore, our focus is on steadily building momentum with current initiatives starting in this H2, while also monitoring when Otsuka Corporation's impact materialized. Looking further ahead, I believe *atone plus* could serve as a potential catalyst for a step change. We are about to begin promotions for a*tone plus*, and I am very excited about what lies ahead.

Watanabe CFO [A]: Looking ahead to H2, for *atone*, I believe one new area where we can expect significant growth is out-of-app payments. At present, the only way to make out-of-app payments is by credit card, so having *atone* available as an additional payment method should be quite promising. Furthermore, if we promote the fact that points can be earned with *atone plus*, I expect this could develop into another major revenue stream.

Participant [Q]: What are your expectations for the strategic investment of JPY300 million this time?

Shibata CEO [A]: Simply put, large-scale projects are increasing, and our existing structure is struggling to handle them all. We absolutely needed to hire sales personnel capable of managing these large projects, and that is exactly what we are doing.

In addition, we have high expectations that the GMV of both NP *Kakebarai* and *atone* will surge significantly going forward. At the same time, our systems must keep pace with this growth. This has also necessitated strengthening our hiring efforts in this area, representing another aspect of our investment.

Alliance is also performing exceptionally well. We have also seen an increase in projects in this category, and we are therefore reinforcing our personnel accordingly. Therefore, I believe we could have expanded at the same pace without this investment, but I view it as an additional investment to further accelerate our growth.

Watanabe CFO [A]: Yes, we believe that the medium-term plan is fully achievable under the current structure.

However, as I have mentioned many times, the number of large-scale projects and leads has increased significantly. Therefore, having personnel who can effectively manage and close these deals is extremely important. To further strengthen this three-year plan, we felt that such an investment was necessary, which is why we proceeded with it at this time.

Participant [Q]: Please tell us about the competitive environment for NP *Kakebarai* and NP *Atobarai*.

Shibata CEO [A]: As I mentioned earlier, I believe there is hardly any competition for NP *Kakebarai*. Since large-scale projects began, we have lost almost no bids.

While there is always the possibility of competitors catching up, we naturally want to continue accelerating as much as possible. As for BNPL service, for example with NP *Atobarai air* or *atone*, I believe they are rarely subject to competition anymore, meaning they often bypass the competitive bidding stage and move directly to discussions about implementation.

Meanwhile, with respect to NP *Atobarai*, there are other providers that have been in the market for a long time, so this area tends to be competitive, and we certainly recognize the tough competition there.

However, since we will eventually connect NP *Atobarai* with *atone*, we believe this will become a truly distinctive strength. Once we are fully prepared, we plan to reposition ourselves and compete again.

Participant [Q]: I would like to ask for an update on NP Finance.

Shibata CEO [A]: We have been conducting experiments at the worksite and gradually increasing our balance. The delinquency rate has not risen. Things are becoming clearer now, but I believe it will take a little more time before the business truly delivers solid numbers and we can reliably expect profits.

However, expectations remain very high. While we may not see results within six months or a year, we continue to hold strong expectations for the future.

Watanabe CFO [A]: Well, since it is a financial business, we underwent an inspection by the Tokyo Metropolitan Government. However, they confirmed that everything is in order, so we are proceeding smoothly in that regard as well.

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