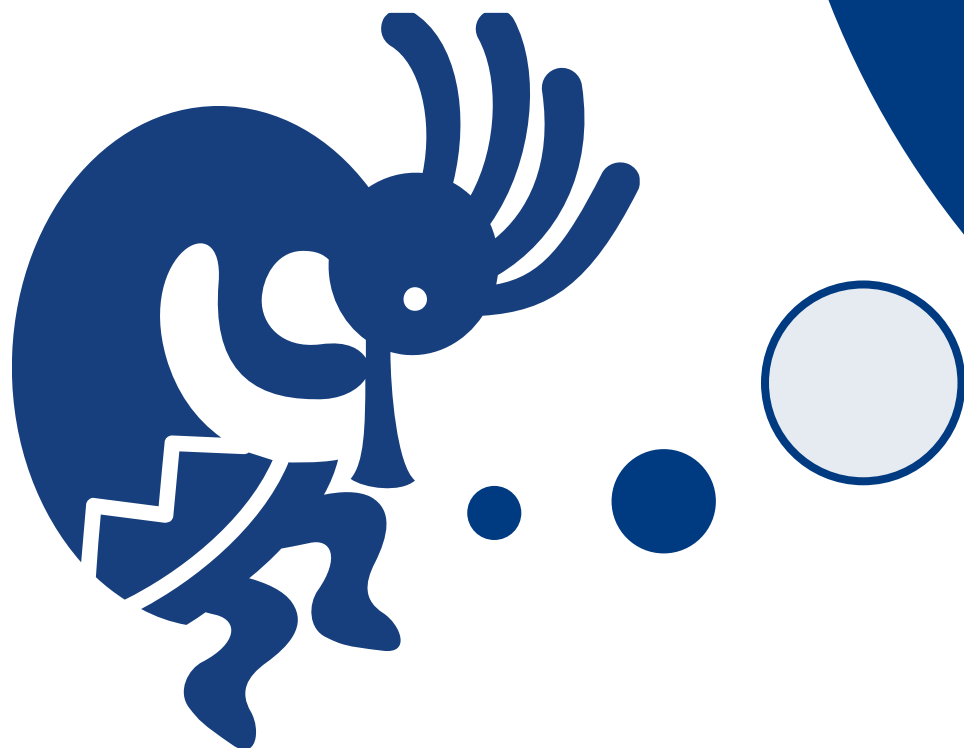


FY2022

# Financial Results

KOKOPELLI Inc. (stock code: 4167)

May 15, 2023





**01**

## **Corporate Overview**

**Mission/Corporate Overview/Our Service/  
Sustainable Development Goals (SDGs)**

# Find the future in corporate value

In concert with financial institutions,  
we help sprout the seeds of  
possibilities in companies across Japan.



Name: **KOKOPELLI Inc.**

Address: **Kioicho Bldg. 11<sup>th</sup> floor, 3-12 Kioicho, Chiyoda-ku, Tokyo**

Established: **June 2007**

CEO: **Shigeru Kondo**

Capital: **810 million yen**  
\*As of March 31, 2023

Employees: **89 (permanent & part-time)**  
\*As of March 31, 2023




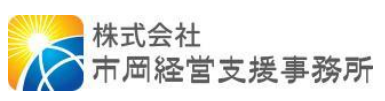


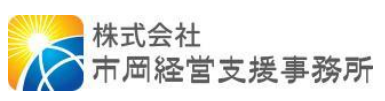


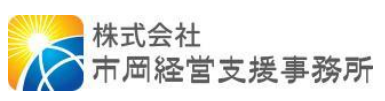
### Business platform

- Overview:
- Operation of “Big Advance”, a management support platform for SMEs
  - DX Solutions



# Service Contents

- BtoB SaaS model service to support SMEs' growth and regional development (\*1)

<h2 style="text-align: center;">Big Advance</h2> <p style="text-align: center;"><b>Management support platform for SMEs</b></p> <p style="text-align: center;">Provide services for SMEs in concert with financial institutions nationwide</p> 	<h2 style="text-align: center;">DX Solutions</h2> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td data-bbox="835 478 1243 1063" style="width: 25%; vertical-align: top;"> <p style="text-align: center;"><b>Corporate Portal Site</b></p> <p style="text-align: center;">Provide regional financial institutions with corporate portal sites of SMEs</p> </td> <td data-bbox="1243 478 1651 1063" style="width: 25%; vertical-align: top;"> <p style="text-align: center;"><b>“FAI”, the AI Module</b></p> <p style="text-align: center;">Development of AI (*2) Module (*3) tailored to SMEs</p>  </td> <td data-bbox="1651 478 2007 1063" style="width: 25%; vertical-align: top;"> <p style="text-align: center;"><b>IT support service</b></p> <p style="text-align: center;">Provide services to SMEs and professional advisors mainly via SHARES</p>  </td> <td data-bbox="2007 478 2453 1063" style="width: 25%; vertical-align: top;"> <p style="text-align: center;"><b>Consulting on utilization of subsidies</b></p> <p style="text-align: center;">Consulting services for SMEs on how to take advantage of subsidies</p>  </td> </tr> </table>			<p style="text-align: center;"><b>Corporate Portal Site</b></p> <p style="text-align: center;">Provide regional financial institutions with corporate portal sites of SMEs</p>	<p style="text-align: center;"><b>“FAI”, the AI Module</b></p> <p style="text-align: center;">Development of AI (*2) Module (*3) tailored to SMEs</p> 	<p style="text-align: center;"><b>IT support service</b></p> <p style="text-align: center;">Provide services to SMEs and professional advisors mainly via SHARES</p> 	<p style="text-align: center;"><b>Consulting on utilization of subsidies</b></p> <p style="text-align: center;">Consulting services for SMEs on how to take advantage of subsidies</p> 
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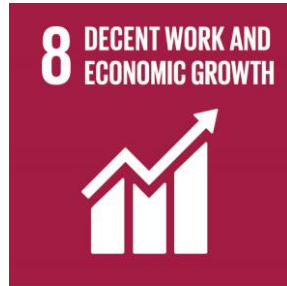
(\*1) Abbreviation for “Software as a Service”. Software applications offered on Cloud by service providers which users can access through the network.  
 (\*2) Abbreviation for “Artificial Intelligence”. A computer system which exhibits human-like intelligence such as learning, inference, perception, and judgment.  
 (\*3) A group of functions categorized in a re-usable form, where specification for each component is fixed and standardized.

# Sustainable Development Goals (SDGs)

- We strive to “Find the future in corporate value”, and “make technologies accessible to SMEs” through on-going efforts to add corporate value and commit to resolving social issues through our engagements.



KOKOPELLI Inc. supports Sustainable Development Goals (SDGs).



8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the births and growth of micro-, small- and medium-sized enterprises by improving access to financial services.



9.1

Develop quality, reliable, sustainable and resilient regional and trans-border infrastructures, to support economic development and human well-being, with a focus on affordable and equitable access for all.



17.17

Encourage and promote effective public, public-private, and civil society partnerships, building on the experience and resourcing strategies based on a wealth of partnerships experiences.

**02**

**Our Overview  
(Big Advance)**

**Overview & Challenges for SMEs / Overview & Challenges for Regional Financial Institutions / Our Business (Big Advance) / How “Big Advance” Works / DX Support for SMEs**

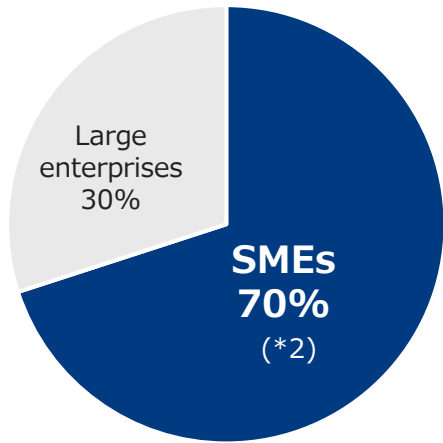


# Overview & Challenges for SMEs

- Main challenge is to improve productivity. A 10% increase will add 16 trillion yen to the economy. (\*1)

## Current: SMEs have a massive presence in Japan

Ratio of workers at SMEs



**3.58 million**

SMEs/small enterprises

(\*2)

Ratio of SMEs vs total

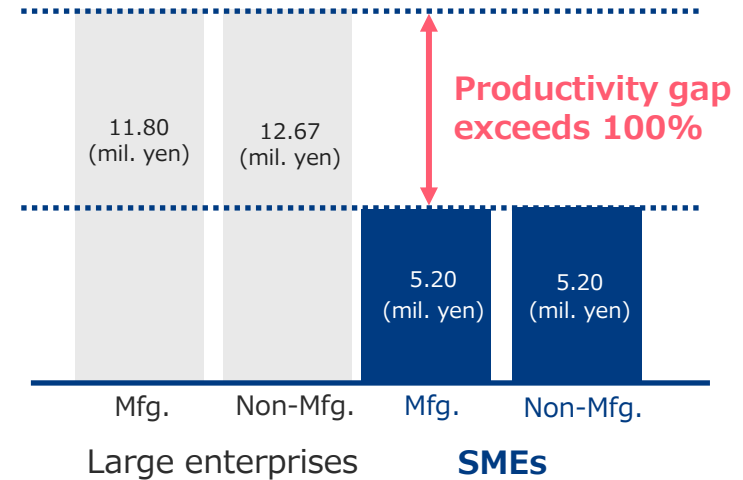
**99.7%**

(\*2)

## Issue: SMEs have low productivity

SME's productivity stands at app. **5.20 mil. yen** (\*3)

Comparison of productivity



(\*1) Our calculation, based on \*2 and \*3 above. (Total workers at SMEs of app.32mil. X 5.20 mil. yen X 10%)

(\*2) Ministry of Internal Affairs and Communications and METI, "2016 Economic Census"

(\*3) Small and Medium Enterprise Agency "2020 White Paper on Small and Medium Enterprises in Japan"

# Overview & Challenges for Regional Financial Institutions

- Need to secure stable income and promote DX (digital transformation) at SMEs.

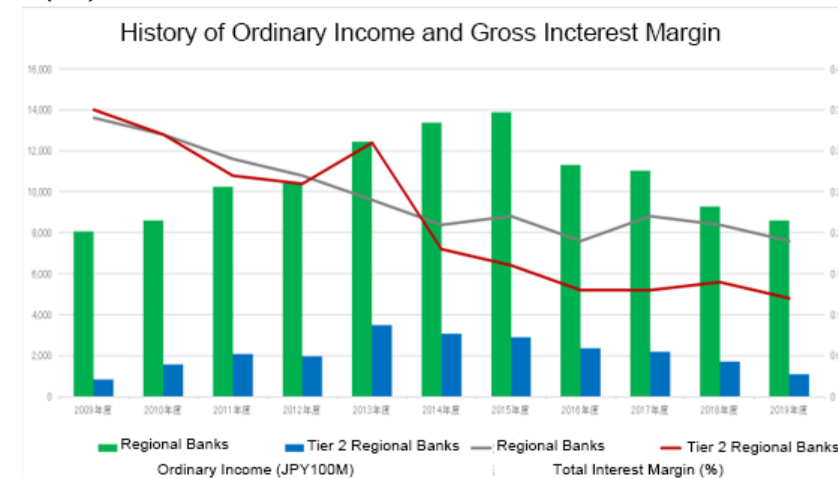
## Current: Act as a principal players in regional financial market

Outstanding loans to SMEs: **298 trillion yen**

Type	Number	Outstanding loans to SMEs (*1 *2)
Regional Banks	63	176 trillion yen
2 <sup>nd</sup> Tier Regional Banks	37	40 trillion yen
Credit Unions	254	70 trillion yen
Credit Associations	144	12 trillion yen
<b>Total</b>	<b>498</b>	<b>298 trillion yen</b>
Mega Banks (Ref.)	4	115 trillion yen

## Issue: Stabilizing earnings from assistance for main business line of SMEs

- Stagnant profit growth from lending (\*3)
- Low demand for funding, intense competition and prolonged period of super-low interest rate have been causing severe headwinds for businesses.
- Banking Act was amended to drive forward the FinTech evolution (\*4)



(\*1) Our calculation, based on "A list of SMEs and Regional Banks in each Prefecture (as of March 2022)" by Small and Medium Enterprise Agency

(\*2) Our calculation, based on disclosures for outstanding loans to SMEs from Mega Banks (Mitsubishi UFJ, Mitsui Sumitomo, Mizuho, Resona) as of March 2021.

(\*3) Our analysis, based on "2019 Financial Results Trend" by Japanese Bankers Association.

(\*4) Amendments in 2016: "Facilitating investments into FinTech companies, introducing registration for cryptocurrency exchange operators"; and Amendments in 2018: "Introduction of registration system for electronic payment business operators and use of Open API"

# Our Business (Big Advance)

- A BtoB SaaS model management support platform for SME clients of financial institutions.

## Business matching

Search for business matches across different regions through financial institutions.

## Chat with financial institutions

Communicate directly with people in charge at financial institutions.

## Subsidies and grants

Access proprietary database with details of all municipalities across the country.

## Discussion with professional

Connect with the most appropriate advisors in times of need.

## Automatic website creation

Easily set up websites by entering simple details into prescribed format.

## "FUKURI" welfare program

Deliver welfare and benefits to employees in the form of coupons which can be used on the website.


## Safety check


Check safety of employees in times of emergencies with a push of a button.


## Business chat


Smooth intra-company communications regardless of time and place.


## New Feature

-  **Crowd Funding** \*Optional only for requested financial institutions  
Attract funding by sharing your passion to a common future.

-  **Management Discussion Forum** \*Optional only for requested financial institutions  
Talk freely on managerial issues with other company managements.

-  **Business Succession** \*Optional only for requested financial institutions  
Allows to acquire essential knowledge and calculate share prices in preparation for business succession.

-  **"CHANTO Attendance Management"** \*Optional only for requested financial institutions  
Easy-to-use labor time management system with travel expenses and other expenses adjustment and settlement features

-  **"CHANTO Invoice"** \*Optional only for requested financial institutions  
Easy-to-use issuance of electronic invoices.



# The New “CHANTO Attendance Management”

- Started providing a service which operates seamlessly with GEOCODE Co., Ltd.’s (Tokyo Stock Exchange Standard) cloud management tool “NEXT IC CARD” (October 2022).
- Promote DX at SMEs and contribute to better efficiency and productivity.
- Member companies are able to use the optional services of Big Advance by paying an extra fee.



## Attendance management

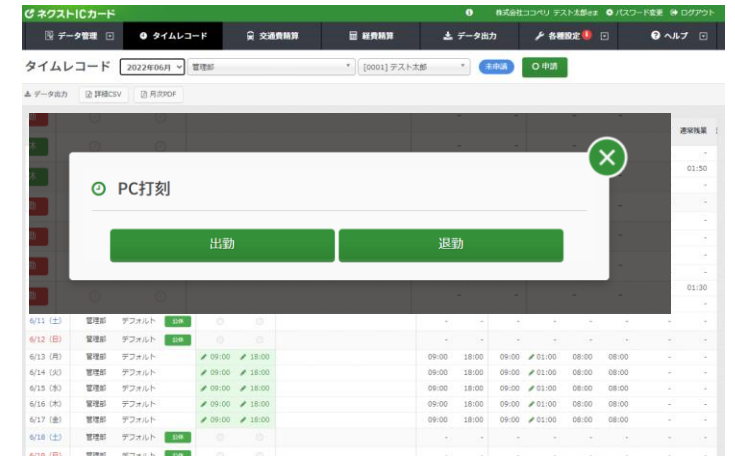
Access the attendance management page through clicking on the menu on Big Advance.  
Clock-in through the WEB app or from the IC card.

## Settlement of travel expense

Travel expense (train fares) registration and application through the WEB or smartphone app.

## Settlement of other expenses

Travel expense registration and application through the WEB or smartphone app.



# Launch of New “CHANTO Invoice”

- The “CHANTO Invoice” feature was added to Big Advance to enable cloud-based invoice issuance (January 2023).
- Improves productivity at SMEs by making the invoicing work more efficient and takes care of the new Invoicing System and the Law Concerning Preservation of National Tax Records in Electronic Form.
- Member companies can use this as an optional service of Big Advance by paying an additional fee.

## ちゃんと請求書

Easy operability

Easy to use User Interface (UI), even for people not familiar with using the IT.

Optimization of invoicing work

Spend less time checking invoice amounts by managing invoices on data.

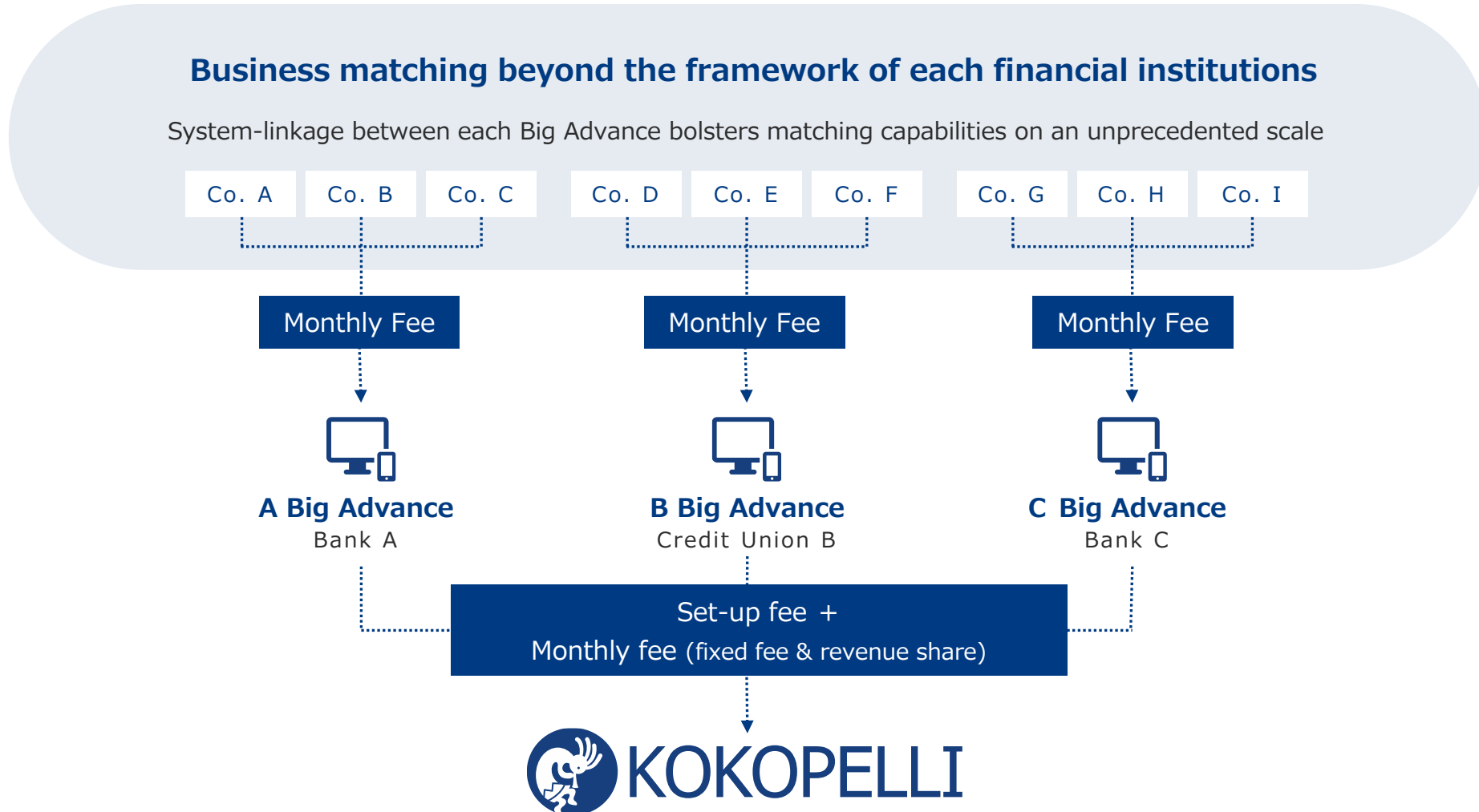
Regulatory Compliance

Compliant with the Law Concerning Preservation of National Tax Records in Electronic Form (from January 2024) and the new Invoice System (from October 2023).



# How “Big Advance” Works









- Each financial institution offers services to SMEs as “(institution name) Big Advance”.
- Cut across the regional and institutional frameworks to create unprecedented opportunities.



# Support for DX by SMEs

- Provides a wealth of functions with competitive price offers to accelerate the pace of DX at SMEs.

## Big Advance features all necessary functions to complete the DX process.

Features for DX	Big Advance	Other Services						
 Introduction and operational support by persons at financial institutions	✓							
 Business Matching	✓	✓						
 Website Creation	✓		✓					
 Business Chat	✓			✓				
 Subsidies/Grant	✓				✓			
 Professional Advice	✓					✓		
 Welfare Program	✓						✓	
 Safety Check	✓							✓
<b>Monthly Fee</b> per a company	All inclusive <b>3,300 Yen/M</b>	A company 1,500 Yen/M	B company 3,000 Yen/M	C company Fee for use	D company 1,000 Yen/M	E company Fee for use	F company 500-1,000 Yen/M/employee	G company Fee for use

**03**

## **FY2022 Financial Results**

**FY2022 Results Highlight/ FY2022 Profit and Loss Statement / Trends in Quarterly Sales / Trends in Quarterly Operating Income and Loss / Trends in Quarterly Cost Structure / Factors Affecting Operating Profit / Quarterly Trends in Member Companies / Trend in the number of BA-installed Financial Institutions / Sustaining users with quick improvements to functions / Benefits of adopting Big Advance (1) / Benefits of adopting Big Advance (2)**



## Sales

**1,776 million yen**

(+8.1% YoY) (\*1)

## Operating profit

**63 million yen**

(-82.2% YoY) (\*1)

## Current status of Big Advance

Number of BA-installed  
financial institutions

**84**

Number of member companies

**71,138**

Average churn rate

**1.51%** (\*1)

(\*1) Following a transition to the consolidated financial statements since 3Q of March 2023, the YoY comparison is based on stand-alone earnings from the previous period for reference purpose.

(\*2) Churn rate : Unsubscribed companies during the month / Subscribed member companies at month-end (12-month average from April 2022 to March 2023).

## FY2022 Profit and Loss Statement

- Using the consolidated financial statement since 3Q (comparison with previous year based on stand-alone figures).
- Sales at 108.1% YoY on the back of rise in stock revenue of Big Advance and consolidation of ICHIOKA KEIEISHIEN JIMUSHO.
- Final consolidated results within expectation, despite some subsidies are not realized within this year at the Government Aid Consulting Service.
- As planned, investments in personnel and outsourcing were increased to drive growth, while implementing cost-cutting efforts.

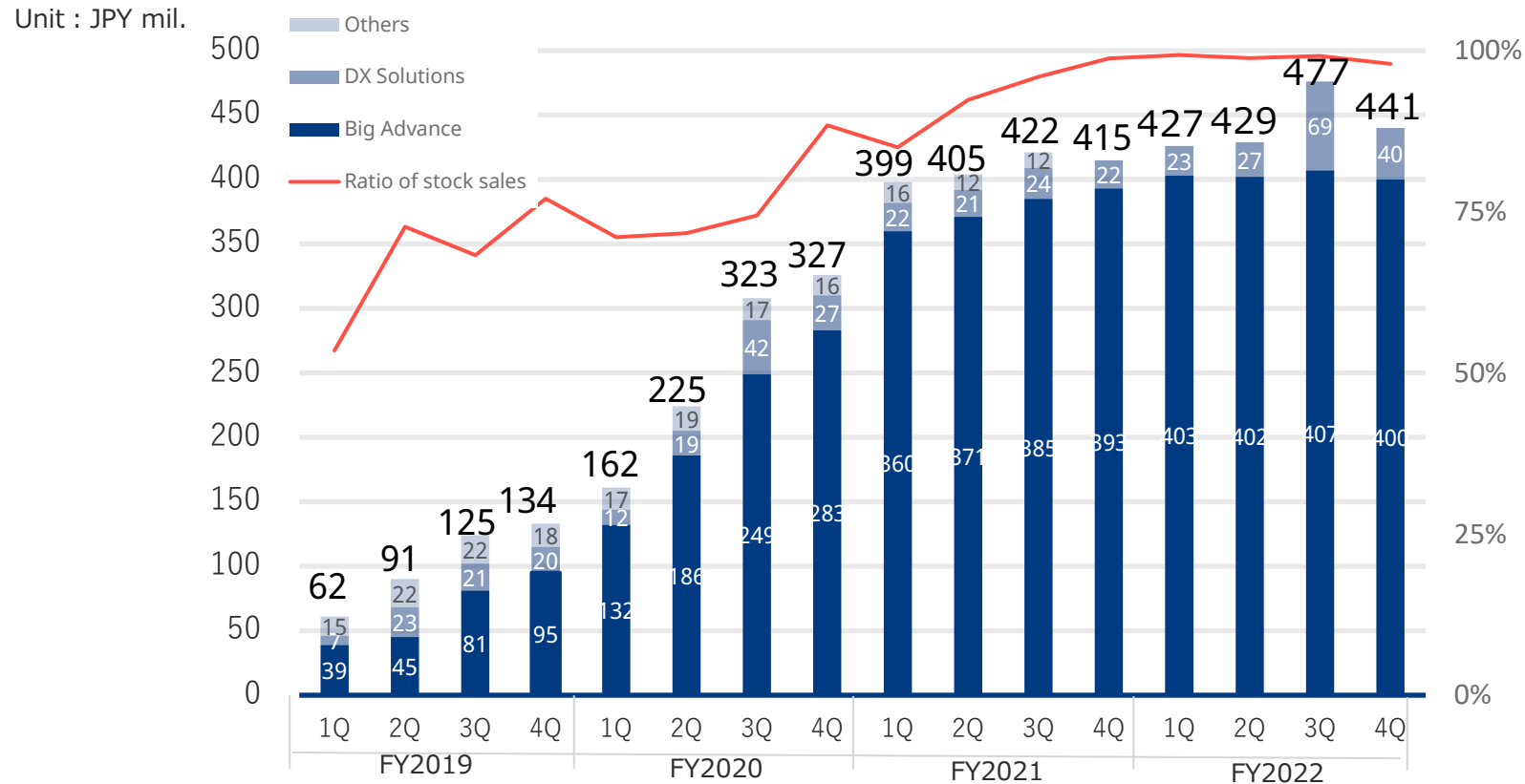
Unit: million yen

	Stand-alone earnings for FY2021 (Actual)	Consolidated earnings for FY2022 (Forecast)	Consolidated earnings for FY2022 (Actual)	YoY	vs Forecast
Net Sales	1,642	1,800	1,776	108.1%	98.7%
Gross profit	1,019	992	966	94.7%	97.4%
Gross profit ratio	62.1%	54.4%	54.4%	—	—
Operating Income	358	65	63	17.8%	98.3%
Operating income ratio	21.8%	3.6%	3.6%	—	—
Ordinary Income	356	66	65	18.2%	98.7%
Quarterly net profit at shareholders of parent company	33	19	21	7.5%	111.4%
EBITDA (※1)	402	—	156	38.9%	—

(※1) EBITDA is calculated by operating profit + depreciation + goodwill amortization + stock-based compensation expense.

# Trends in Quarterly Sales

- Consolidated sales increased to 106.2% YoY.
- Quarterly sales for Big Advance fell in 4Q comparing to 3Q, failing to recoup the shortfall in January and February, despite company membership turning positive at the end of March against 3Q. Due to the delay of approval timing of subsidies in the Government Aid Consulting Service which make up for the DX Solutions sales, some revenue was posted in the next quarter, causing quarterly sales to decline comparing to 3Q.
- Ratio of stock sales (\*2) remains high at 98% in 4Q of fiscal year ending March 2023.



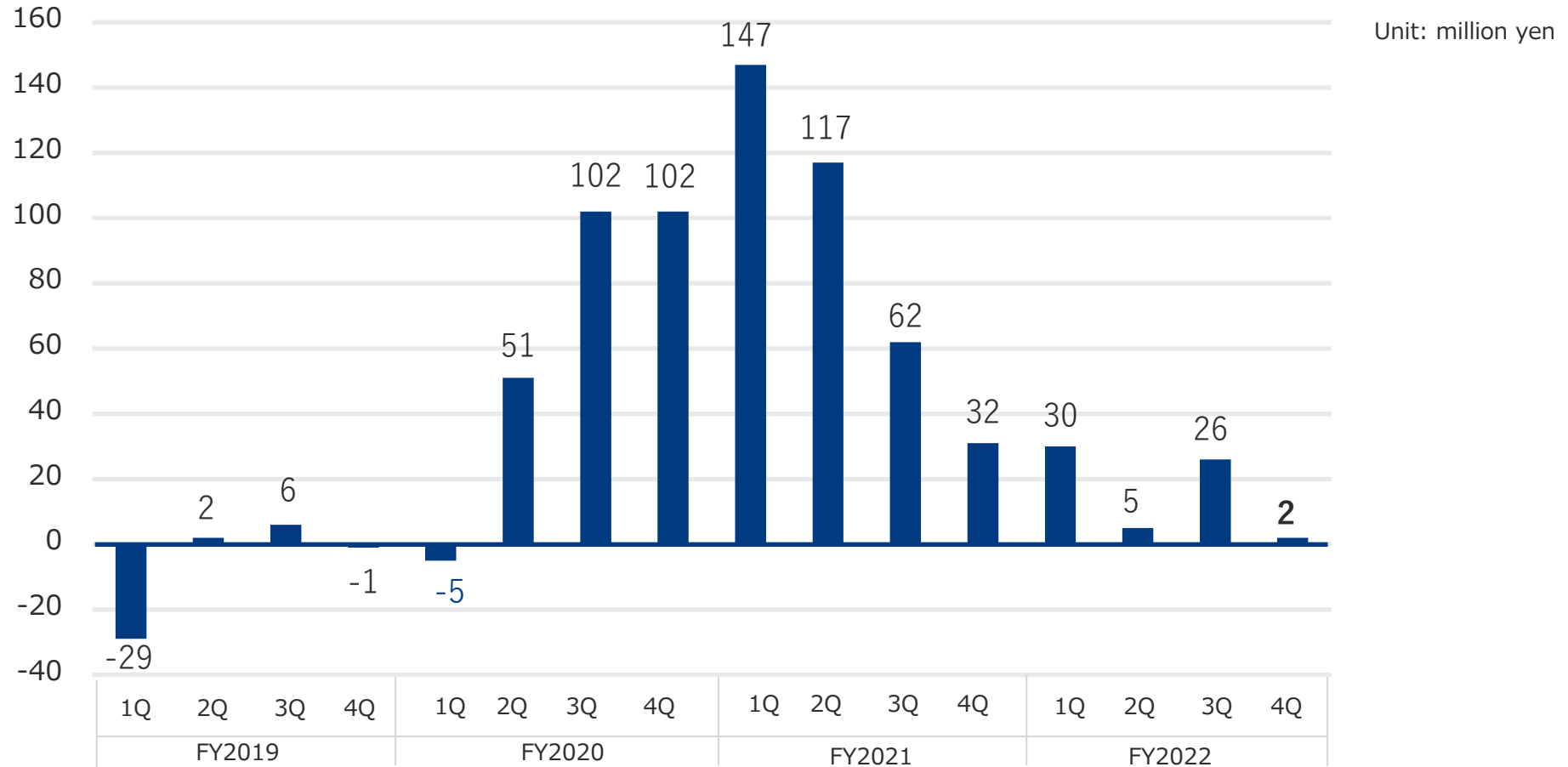
(\*1) Stand-alone results used until 2Q of FY2022, and consolidated results from 3Q of FY2022.

(\*2) Stock sales: revenue share of monthly maintenance cost and monthly cost of Big Advance at financial institutions.

(\*3) Part of sales previously included in Big Advance is posted to DX Solutions, since sub-categorizing sales items into DX Solutions and Big Advance.

## Trends in Quarterly Operating Income/Loss

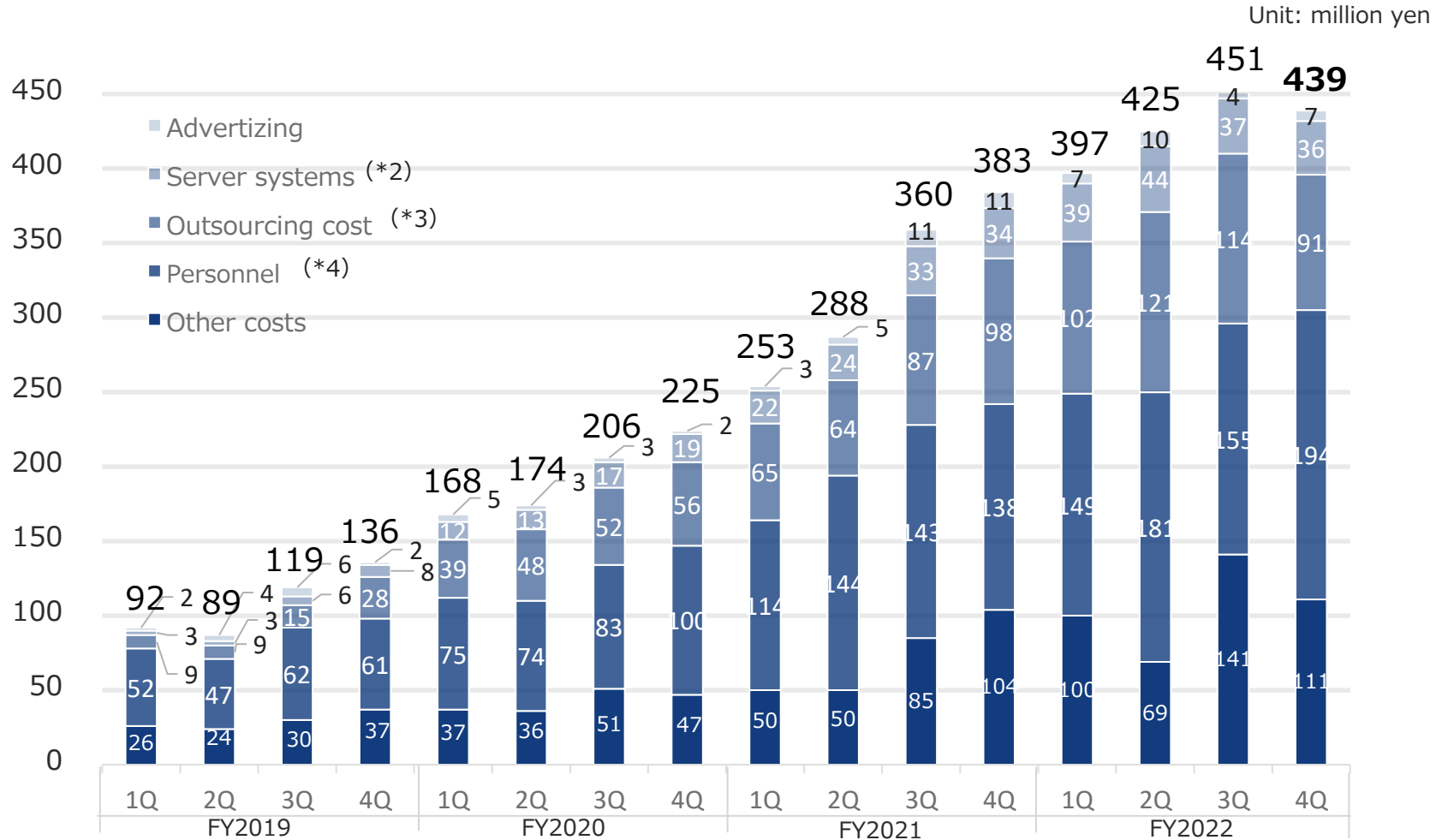
- As initially planned, spendings on outsourcing and hirings to drive growth will be prioritized.
- Operating profit declined due to higher personnel cost, for growth of mid-career hires in FY2022 4Q.



(\* ) Financial statements are on a stand-alone basis until 2Q of FY2022, and then on a consolidated basis from 3Q of FY2022.

# Trends in Quarterly Cost Structure

- Personnel cost on the rise due to higher outsourcing cost to upgrade Big Advance and mid-career recruits (40 new hires).
- Other expenses in 3Q of FY2022 includes 40 million yen for M&A acquisition related expense.



(\*1) Financial statements are on a stand-alone basis until 2Q of FY2022, and then on a consolidated basis from 3Q of FY2023.

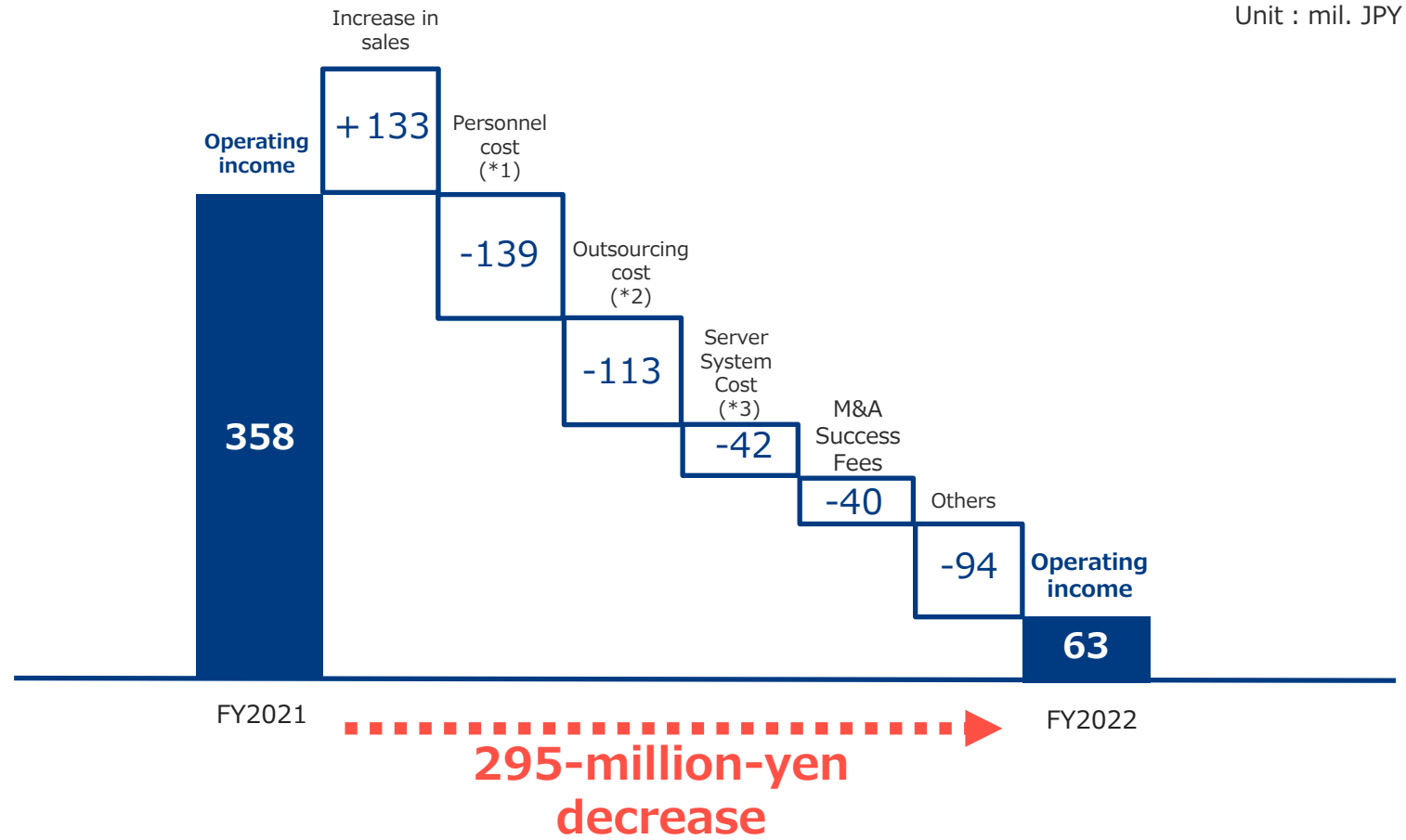
(\*2) AWS and web system usage fees. CoGS

(\*3) Cost of outsourcing development to external engineers. CoGS

(\*4) Salary for engineers, sales, customer service, corporate employees and executive pay, plus social insurance and recruitment costs. Total of CoGS and SGA.

# Factors affecting operating profit

- Operating profit fell due to priority in investments for personnel, outsourcing and server system to drive growth.



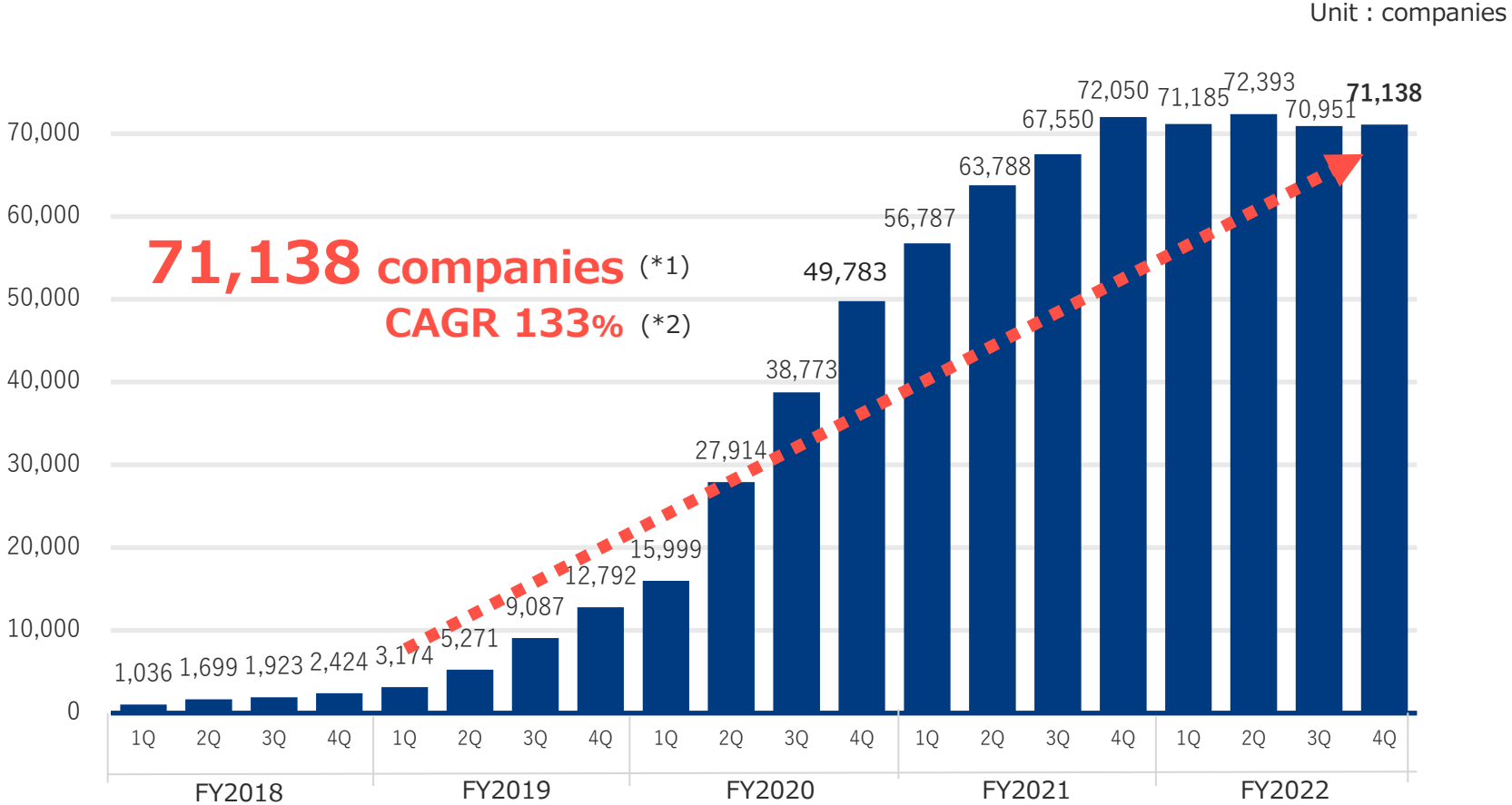
(\*1) Salary for engineers, sales, customer service, corporate employees and executive pay, plus social insurance and recruitment costs. Total of CoGS and SGA.

(\*2) Development costs outsourced to external engineers. CoGS.

(\*3) AWS, web system usage fees. CoGS.

# Quarterly Trends of Member Companies

- Member companies stands at 71,138 companies, an increase of 187 companies from 3Q (-912 companies YoY).

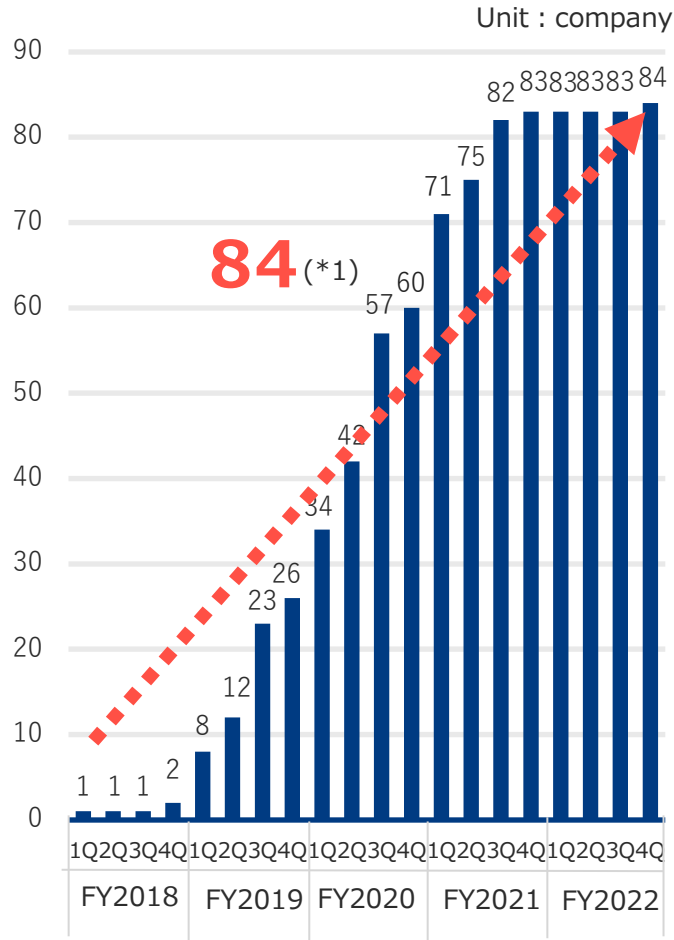


(\*1) As of the end of March 2023

(\*2) CAGR : Compound Annual Growth Rate from March 2019 to March 2023

# Trends in the number of BA-installed Financial Institutions

- The number of BA-installed Financial Institutions reached 84, +1 from 3Q



## Hokkaido / Tohoku Region

Aomori Bank / Asahikawa Credit Union / Iwate Bank / Kita-Nippon Bank / The 77 Bank / Shonai Bank / Sendai Bank / Daichi Mirai Credit Union/ Toho Bank / Hokuyo Bank

## Hokuriku Region

Kanazawa Credit Union / Kyoei Credit Association / Sanjo Shinkin Bank / Toyama Credit Association / Niigata Shinkin Bank / Fukui Bank / Fukui Credit Union / Fukuho Bank / Hokuriku Bank

## Kanto / Koshinetsu Region

Alupuschoo Shinkin Bank / Ashikaga Bank / Asuka Shinkumi Bank / Kawasaki Credit Union / Kofu Credit Union / Seibu Credit Union / Shinonome Credit Union / Joyo Bank / Suwa Shinkin Bank / Daiko Bank / Chiba Bank / Chiba Kogyo Bank / Chiba Credit Union / Tokyo Star Bank / Tokyo Higashi Credit Union / Towa Bank / Tochigi Bank / Nagano Bank / Hanno Credit Union / Higashi Nihon Bank / Hiratsuka Credit Union / Mito Shinkin Bank / Yokohama Bank / Yokohama Credit Union

## Tokai Region

Gifu Shinkin Bank / Kuwana Mie Credit Union / Seishin Credit Union / Takayama Credit Union / Chukyo Bank / Tono Credit Union / Toyokawa Credit Union / Nagoya Bank / Hekikai Credit Union / Mishima Credit Union

## Kansai Region

Ikeda Senshu Bank / Kinokuni Shinkin Bank / Kiyo Bank / Kyoto Bank / Shiga Bank / Shiga Chuo Credit Union / Tajima Bank / Tajima Credit Union / Nara Chuo Shinkin Bank / Himeji Shinkin Bank / Minato Bank

## Chugoku / Shikoku Region

Iyo Bank / Ehime Bank / Kure Credit Union / Kochi Bank / Sanin Godo Bank / Shikoku Bank / Tamashima Credit Union / Tomato Bank

## Kyushu / Okinawa Region

Oita Bank / Okinawa Bank / Okinawa Kaiho Bank / Kagoshima Sougo Shinkin Bank / Koga Shinkin Bank / Saga Bank / Nishi Nihon City Bank / Higo Bank / Fukuoka Chuo Bank / Nagasaki Bank / Minami Nippon Bank / Miyazaki Bank

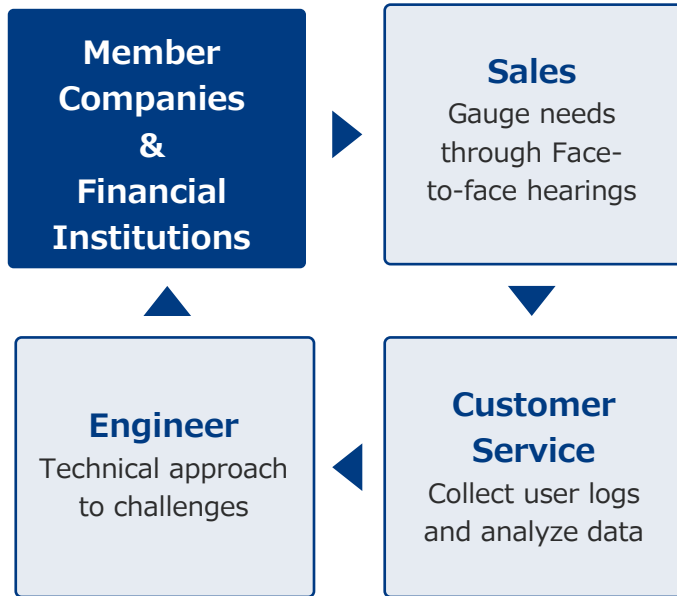
(\*1) As of the end of March 2023



# Sustaining users with quick improvements to functions

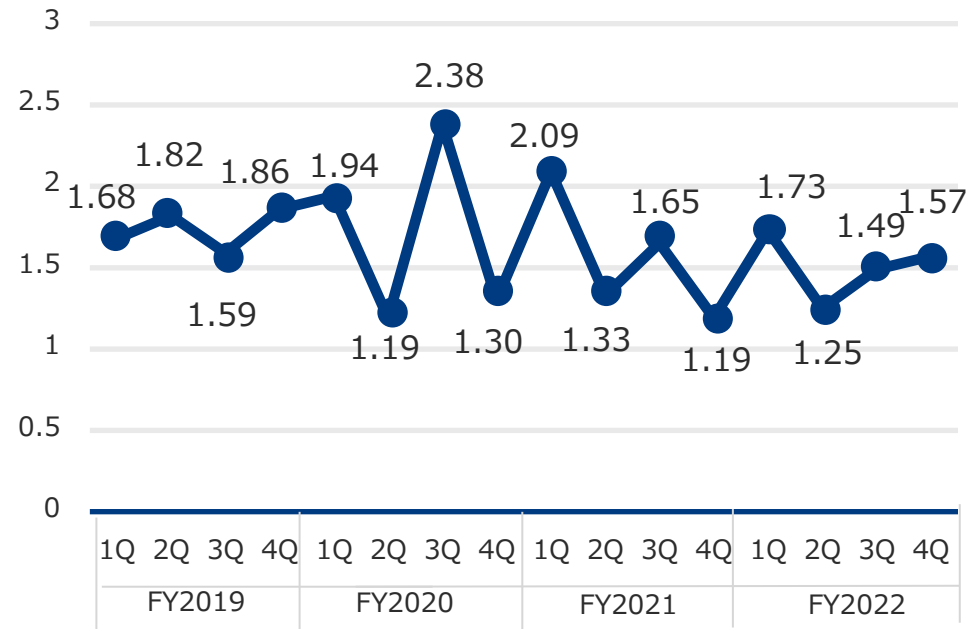
- Average annual churn rate stayed in the 1% range, on the back of efforts to collect and quickly reflect the needs of financial institutions and member companies in our services to heighten customer satisfaction and convenience.

## Cycle of functional upgrades



## Ave. Annual Churn Rate at 1.51% (\*1)

### Ave. Quarterly Churn Rate



(\*1) Churn rate: (Unsubscribed companies during the month) / (Subscribed companies at previous month end (12-month average from April 2022 to March 2023))

(\*2) One-off increase in churn rate due to special factors at certain financial institutions in December 2020. Average churn rate in 3Q FY2020 is 1.67% without this effect.

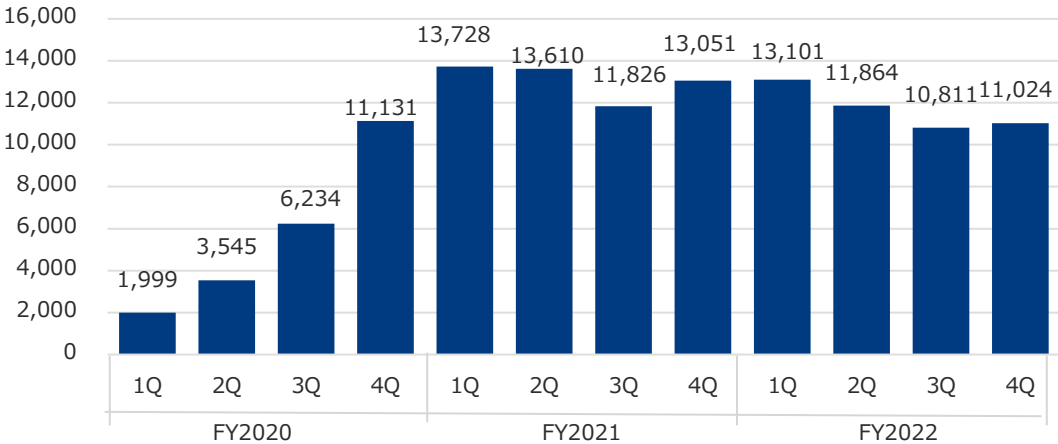
# Benefits of adopting Big Advance (1)

- New values created through Big Advance for many SMEs over the past 5 years since its launch.

## Business matchings

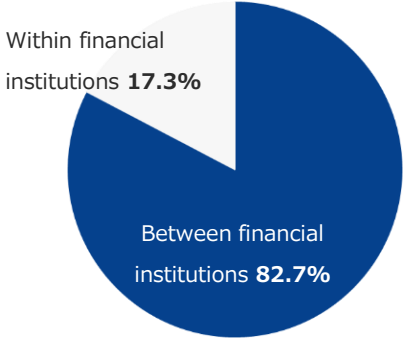
- The business matching feature allowed users to explore new clients and potential tie-ups across different industry fields to develop new products.
- To improve quality over quantity of the business meetings, viewing period was limited and items required for input were increased, leading to slightly lower requests for commercial negotiations.
- Total requests for business talks **121,942** (\*1)
- Contributed to propping-up the regional economy through business matchings across different regions.

Quarterly requests for business talks

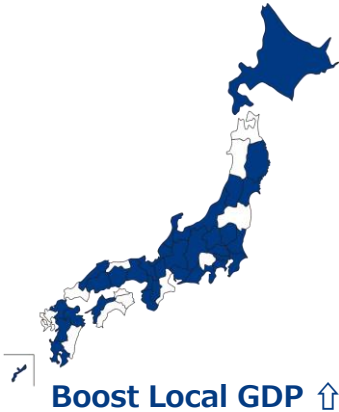


(\*1) As of end March 2023

Wide area matching across financial institutions



Prefectures where 500 or more business talks have taken place



## Benefits of adopting Big Advance (2)

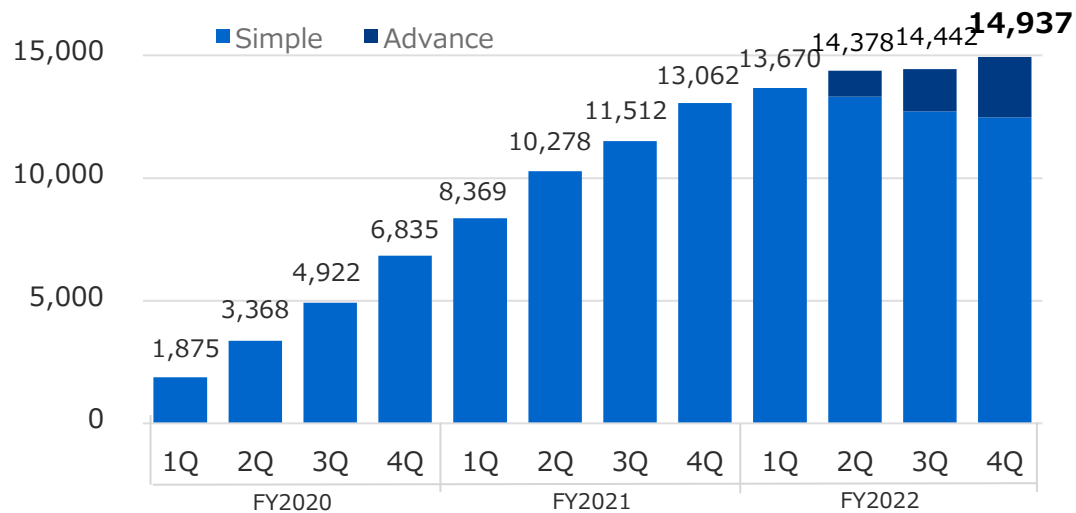
- Facilitate the creation and updating of websites that require routine cost and manpower, which adds to more credibility for the SME for attracting more customers and hiring new people.

### Websites creation

- Create and update website with no special knowledge
- Brings web search results at higher ranking in result
- Compatible with smartphone displays

- Launch of the new “Advance” design (July 2022).
- Create better websites to suit industry and business types with upgraded contents capacity and improved design.
- 16.5% of companies that adopted the system use the “Advance” version.

Quarterly launch of websites



Number of companies with new websites  
**14,937**  
(\*1)

Ratio of companies that created website for the first time  
**App.40%**  
(\*2)

(\*1) From April 2018 – March 2023

(\*2) An in-company investigation

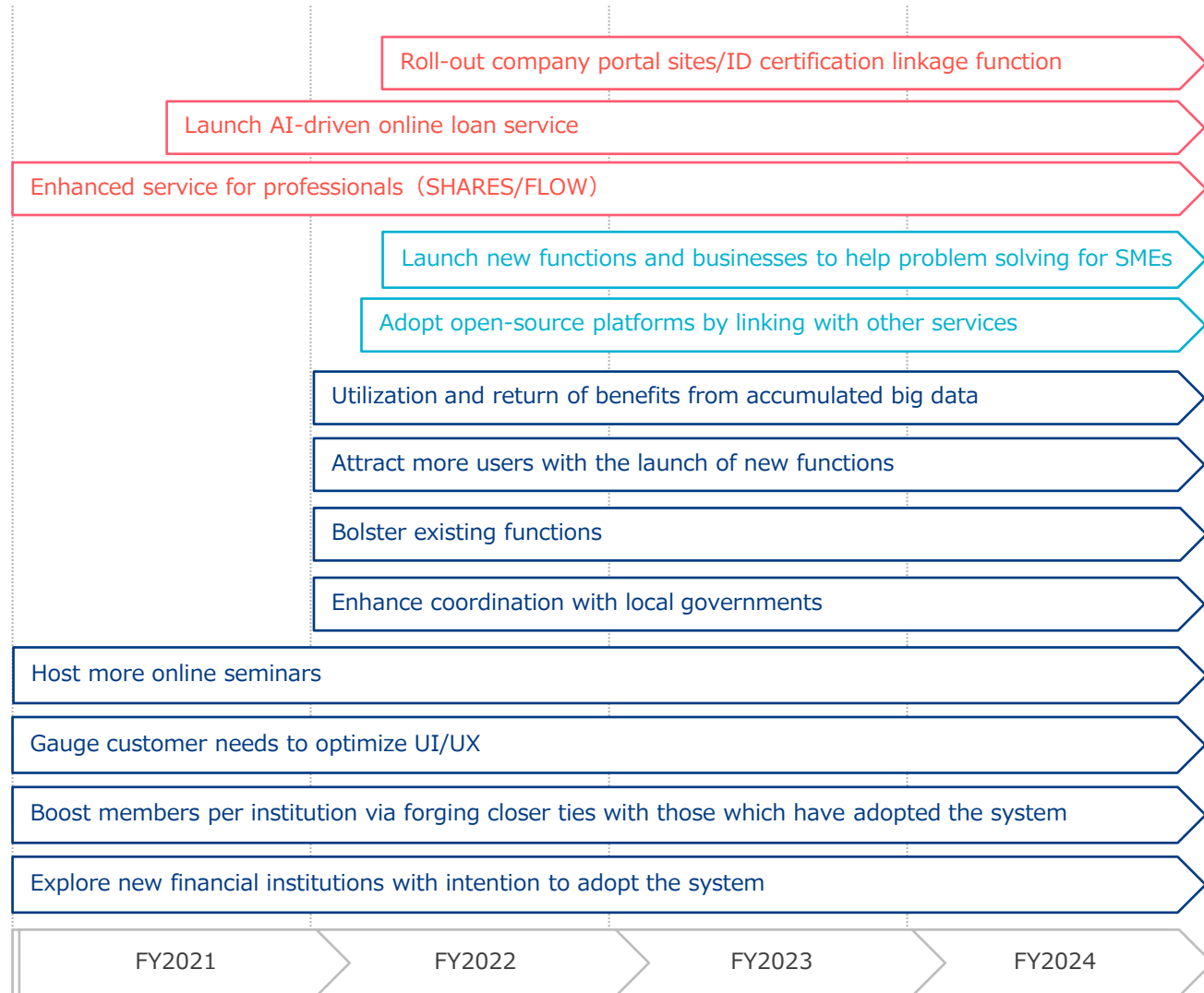
**04**

**Progress on  
mid-term  
management plan**

**“Roadmap of Growth Strategy” for mid-term management plan / FY 2022 Business Highlights: Products (1) / FY 2022 Business Highlights: Products (2) / FY 2022 Business Highlights: Products (3) / FY 2022 Business Highlights: DX Solutions / FY 2022 Business Highlights: Organization / Policy Change in the Mid-term Management Plan / Current situation with DX at SMEs / Management Issues at SMEs / Change in Mid-term Management Target**

# “Roadmap of Growth Strategy” for mid-term management plan

<b>Strategy for DX Solutions</b>	DX support for financial institutions DX support for professionals
<b>Strategy for boosting ARPA</b>	Adoption of open-platform and development of new business
<b>Strategy for attracting more users</b>	Leveraging of data and expansion of functions
	Expansion of user base



The largest management support platform for SMEs

## Memberships trending low for Big Advance

### Roadmap for Growth in the Mid-term Management Plan

#### Strategy to Expand Users

- Upgrade existing functions.
- Increase member companies and BA-installed financial institutions to strengthen coordination.
- Explore new financial institutions for installing the service.
- Use and reap benefits from the big data amassed.

#### Results

- Carry out major update to website creation capabilities.
- Release new features (the CHANTO series).
- 13 new hires in sales and CS to strengthen tie-up with financial institutions.
- Set up 2 new offices in Kyushu and Tokai region.
- Newly installed at **Kyoei Credit Union** (March 31, 2023) and **Osaka Shoko Shinkin Bank** (April 3, 2023).
- Start returning "BA Usage Data" on a monthly basis to financial institutions.

#### Issues

- Number of users did not reach expectations, despite improvements to existing functions.
- Many opportunities were lost on acquiring new members, as more focus was made on analyzing how members were using Big Advance.
- Anticipated rise in the number of users at BA-installed financial institutions after FY2023.

#### Measures to be taken

- Carry out major updates to one of its main "Business Matching" function.
- Attract more users with the release of new features (CHANTO series).
- Set up a department within the Company to provide direct support on how to make use of member companies, and enable financial institutions to focus on acquiring new members.
- Promote usage of business user account (\*1), in order to facilitate usage within member companies.

(\*1) Business User Account: User account with authority to use the main functions of Big Advance.

# FY 2022 Business Highlights: Products (2)

## BA Mall (Open Platform) Trending Low

Roadmap for Growth in the Mid-term Management Plan

### Strategy to Expand ARPA

- Tie-up with other services, and make the platform freely accessible.

### Results

- Start providing “BA Mall” which promotes special price offers at other services.
- 27 financial institutions installed the “Crowdfunding Function” released in May 2022, offered under a tie-up with CAMPFIRE 2022.
- Started providing “CHANTO Attendance by NEXT IC Card”, an attendance management system which syncs with system at GEO CODE Co. Ltd.



- “CHANTO Attendance Management” installed at 16 financial institutions (as of 15 May 2023).

Alps Shinkin Bank, Kagoshima Shinkin Bank, Kinokuni Shinkin Bank, Kyoto Bank, Kyoei Shinkin Union, Kure Shinkin Bank, Kuwana Mie Shinkin Bank, Koza Shinkin Bank, Sanjo Shinkin Bank, Seisei Shinkin Bank, Shonai Bank, Toho Bank, Tomato Bank, Nagano Bank, Hiratsuka Shinkin Bank, Niigata Shinkin Bank (16 in total)

### Issues

- Difficulty in conveying the details of each service offered by “BA Mall” to SMEs, despite advertising several services offered by other companies.
- “Crowdfunding function” increased in the number of cases, but only slightly.
- Distribution channel for “CHANTO Attendance by Next IC Card” could not be established properly.

### Measures to be taken

- Focus on “CHANTO Attendance by Next IC Card” for tie-up with other services.
- Host online seminars and expand service lineup of “CHANTO Attendance by Next IC Card” for SMEs.
- Promote sales campaigns for companies adopting the service.

## The First Optional Feature Released in Big Advance

Roadmap for Growth in the Mid-term Management Plan

### Strategy to Expand ARPA

- Release new functions and businesses that help solve problems at SMEs.

### Result

- Started providing the online invoicing function “CHANTO Invoice”, which takes into account the new invoicing system.



- Success stories at several financial institutions have been heard.
- 27 financial institutions have installed the “CHANTO Invoice” (as of 15 May 2023).

Aomori Bank, Alps Shinkin Bank, Iyo Bank, Iwate Bank, Kagoshima Mutual Shinkin Bank, Kinokuni Shinkin Bank, Kyoei Shinkin Union, Kure Shinkin Bank, Gifu Shinkin Bank, Kofu Shinkin Bank, Saga Bank, Sanjo Shinkin Bank, Seisei Shinkin Bank, Chiba Shinkin Bank, Tono Shinkin Bank, Towa Bank, Towa Bank, Toyokawa Shinkin Bank, Tomato Bank, Nagano Bank, Niigata Shinkin Bank, Himeji Shinkin Bank, Hiratsuka Shinkin Bank, Fukui Shinkin Bank, Fukuho Bank, Minami-Nippon Bank, Miyazaki Bank (27 in total)

### Issues

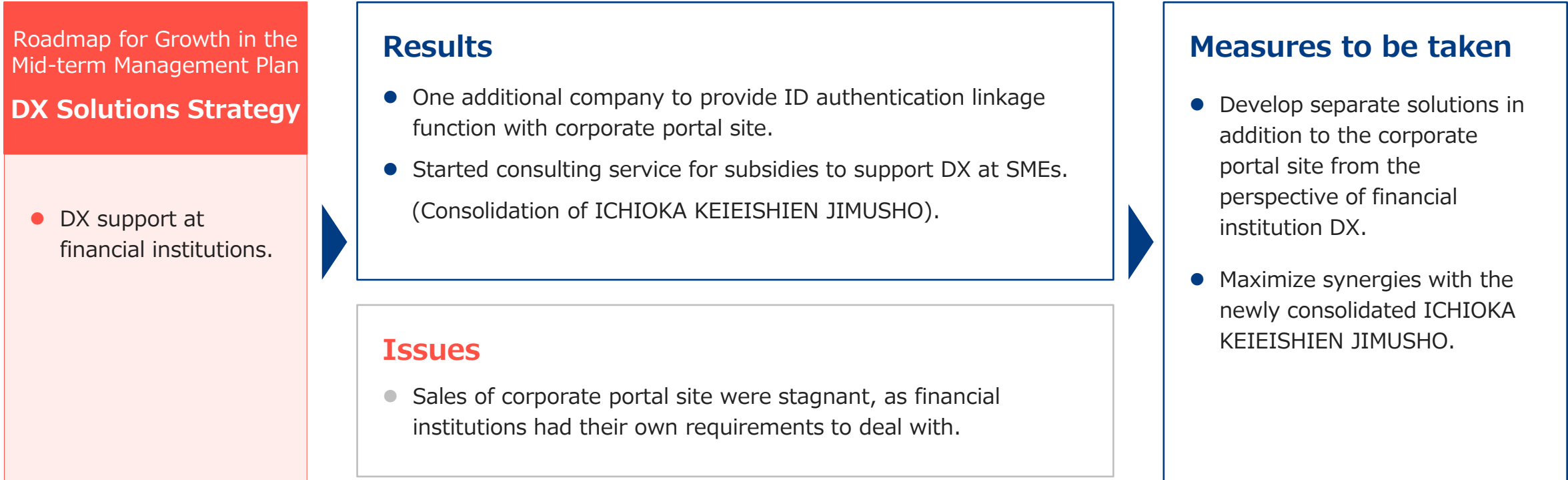
- Took more time to start than expected, since it was the first optional feature.
- A fair trend in the number of financial institutions installing the system. Will urge each financial institution to reinforce their promotional efforts to potential corporate clients.

### Measures to be taken

- Host online seminars and expand service lineup on “CHANTO Invoice” for SMEs.
- Promote sales campaign aimed at potential companies for adopting the system.
- Add the electronic storage option feature on “CHANTO Invoice”. (See Later Sections).



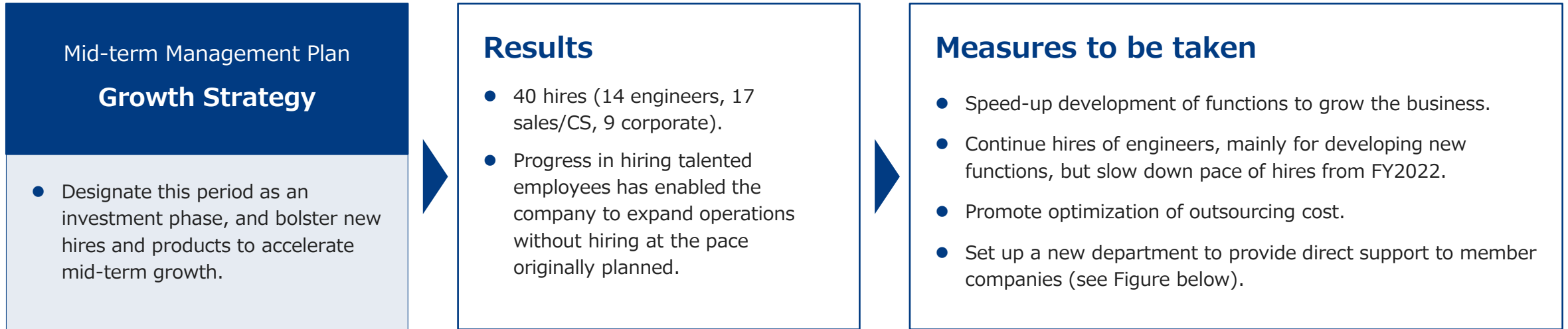
## Started the Government Aid Consulting Service to help DX at SMEs



### Strengths of ICHIOKA KEIEISHIEN JIMUSHO

- Partnering with financial institutions to support DX promotion for SMEs.
- Supported 800 companies and more to obtain subsidies; ranked top in Aichi, Gifu and Mie prefectures.
- Higher adoption than average due to the presence of registered SME Management Consultants who are familiar with actual practice.

## Main objective of growth investment in hiring high-caliber staffs is steadily underway



### Set-up department to provide direct support to Member Companies to Promote Use



# Policy Change in the Mid-term Management Plan

## Details of Change

### Policy before Change

Aim to expand sales by offering a range of functions by promoting an open platform for BA Mall to deal with various issues at SMEs.

Areas of Service Offerings before Change

	Open Platform	Aggressive DX (*1)	Defensive DX
Issues at SMEs	Various	Push-up Sales	Business Efficiency
Main functions offered	BA Mall	Creation of business matching Website	

### Policy after Change

A steady promotion of DX at SMEs is achieved by increasing its service offerings and functionality in the DX domain. Sales in the long term is maximized by building a sustainable customer base, despite a temporary slow down in the sales growth curve.

Areas of Service Offerings after Change

	Open Platform	Aggressive DX	Defensive DX (*2)
Issues at SMEs	Various	Push-up Sales	Operational efficiency
Main functions offered	BA Mall	Business matching Website creation	CHANTO Invoice CHANTO Attendance Management

## Reasons for Change

- Increase the areas of service offerings suited to deal with issues at SMEs (see below for details) and the legal environment to promote DX at SMEs. It is expected that a certain amount of time is needed to develop new functions and to follow up on their usages.
- Continue to invest in growth while focusing on cost-benefit and profit levels.
- Establish a model for sustainable growth over the mid to long term, although the pace of sales growth will be temporarily become slower than originally planned.

(\*1) DX areas contributing to higher sales such as website creation or web-based sales activities.

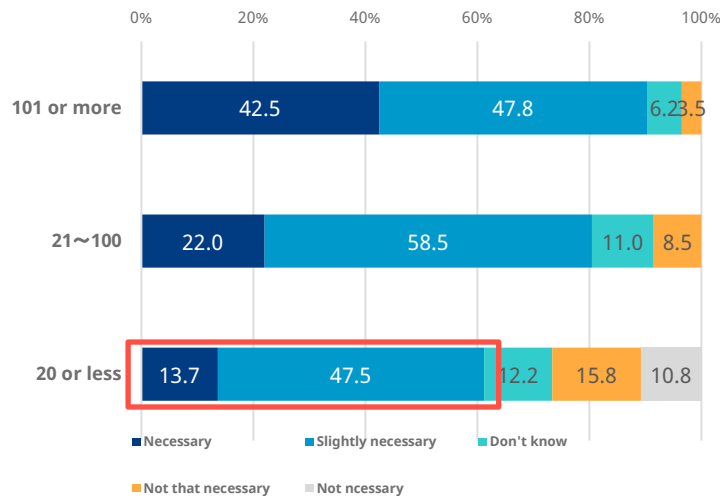
(\*2) DX areas contributing to operational efficiency or cost reduction.

# Current situation with DX at SMEs

- Over 60% believe that DX is necessary at SMEs.
- Big Advance already provides functions for typical DX transitions, such as creating websites and carrying out sales activities online (Aggressive DX).
- Expected results and effects from DX include cost reduction and operational efficiency (Defensive DX), where more services are expected to be rolled-out.

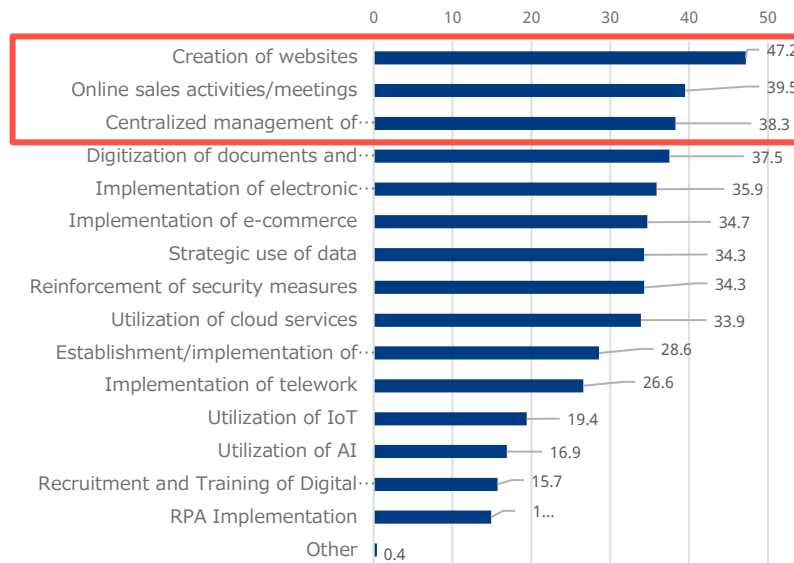
## 1) DX activities are necessary? (by employee size)

For companies with 20 or less employees, a combined total of 61.2% believed that DX was either "Necessary" or "Slightly Necessary".



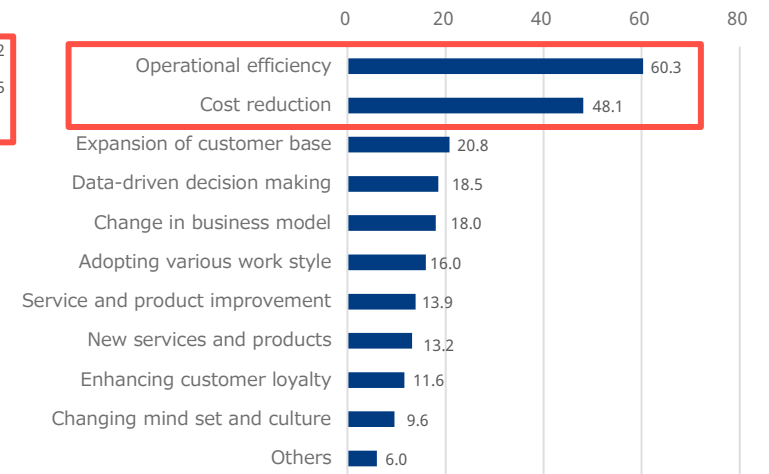
## 2) Actual DX activities

Around 50% (47.2%) of companies are focusing on "website creation" followed by "online sales and online meetings" (39.5%) and "consolidation of customer data" (38.3%).



## 3) Expected results and effects of DX

60.3% expect "Operational efficiency", while 48.1% expect "cost reduction" from DX.



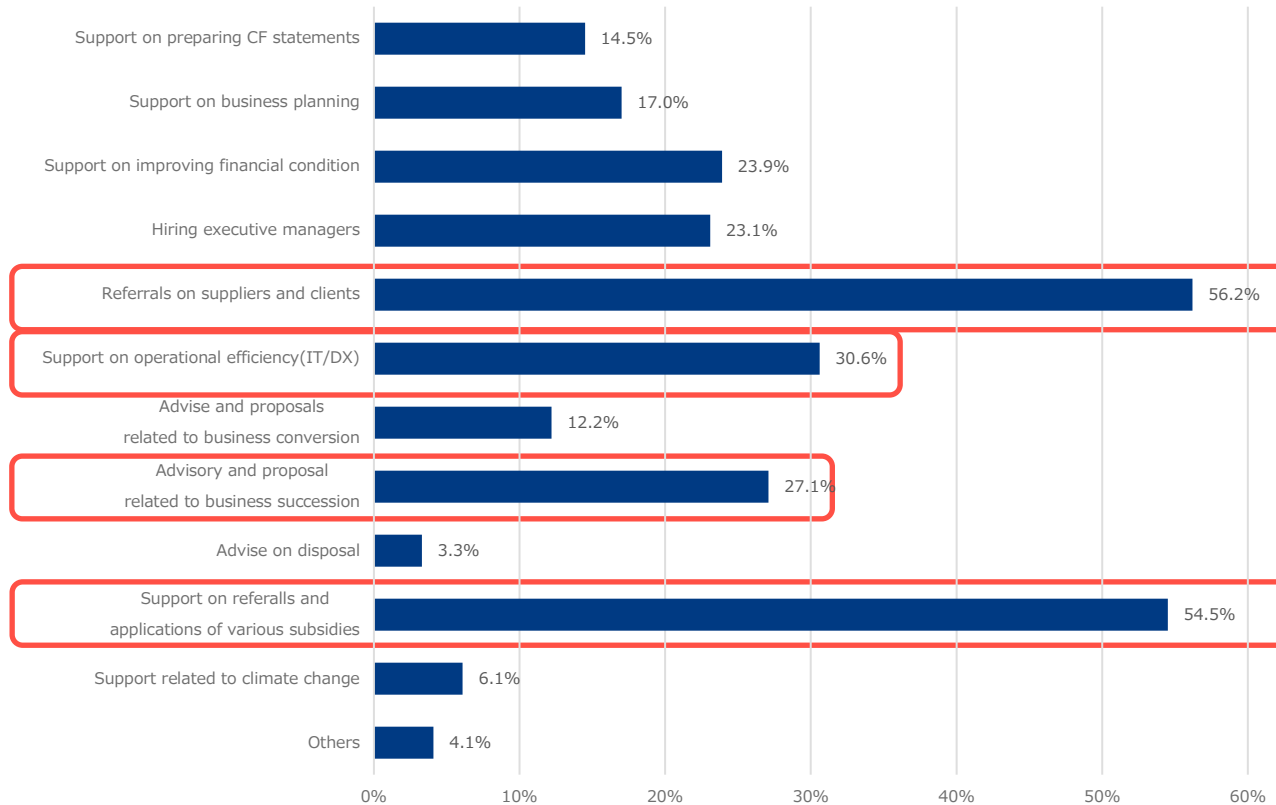
(\* ) Organization for Small & Medium Enterprises and Regional Innovation "Survey on DX promotion at SME", May 2002

# Management Issues at SMEs

- A high percentage of the services that SMEs would like to receive from financial institutions are those directly related to improving profitability, such as "introduction of suppliers/sales partners" and "support for introduction and application for various types of financial support programs. In addition, "support for improving business efficiency (IT and digitalization)" was newly added to the list.
- More than 60% thought "securing and training human resources" and "sales and expansion of distribution channels" to be the most important management issues.

## Company Survey

Services wanted by SMEs from financial institutions (\*1)



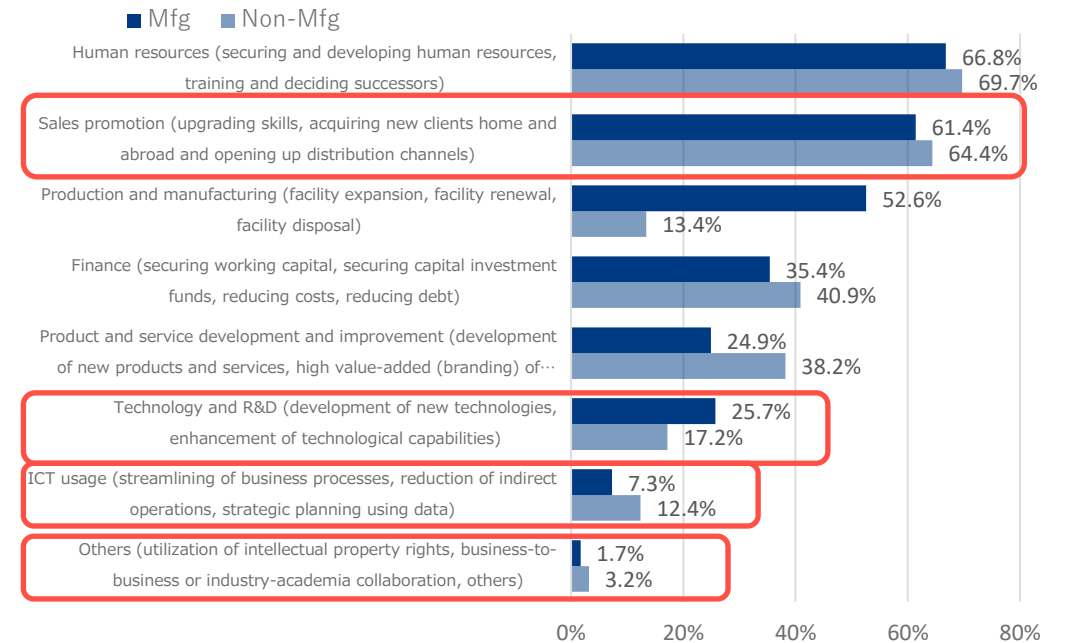
(\*1) Financial Services Authority "2022 The JFSA Strategic Priorities"

(\*2) The Small and Medium Enterprise Agency "2020 White Paper on Small Enterprises"

  ...Provided through Big Advance and DX Solutions

## Survey on Management Issues and Public Assistance needs at SMEs

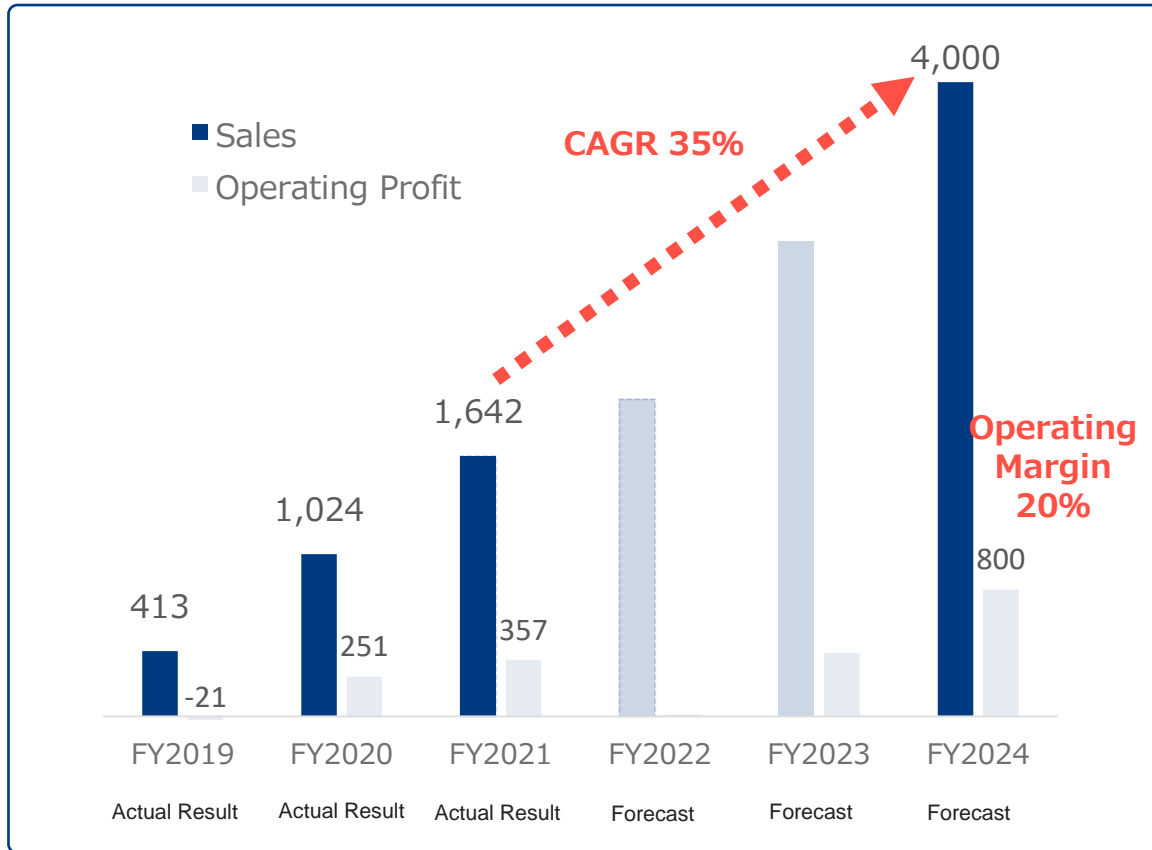
Important issues (at small enterprises) (\*3)



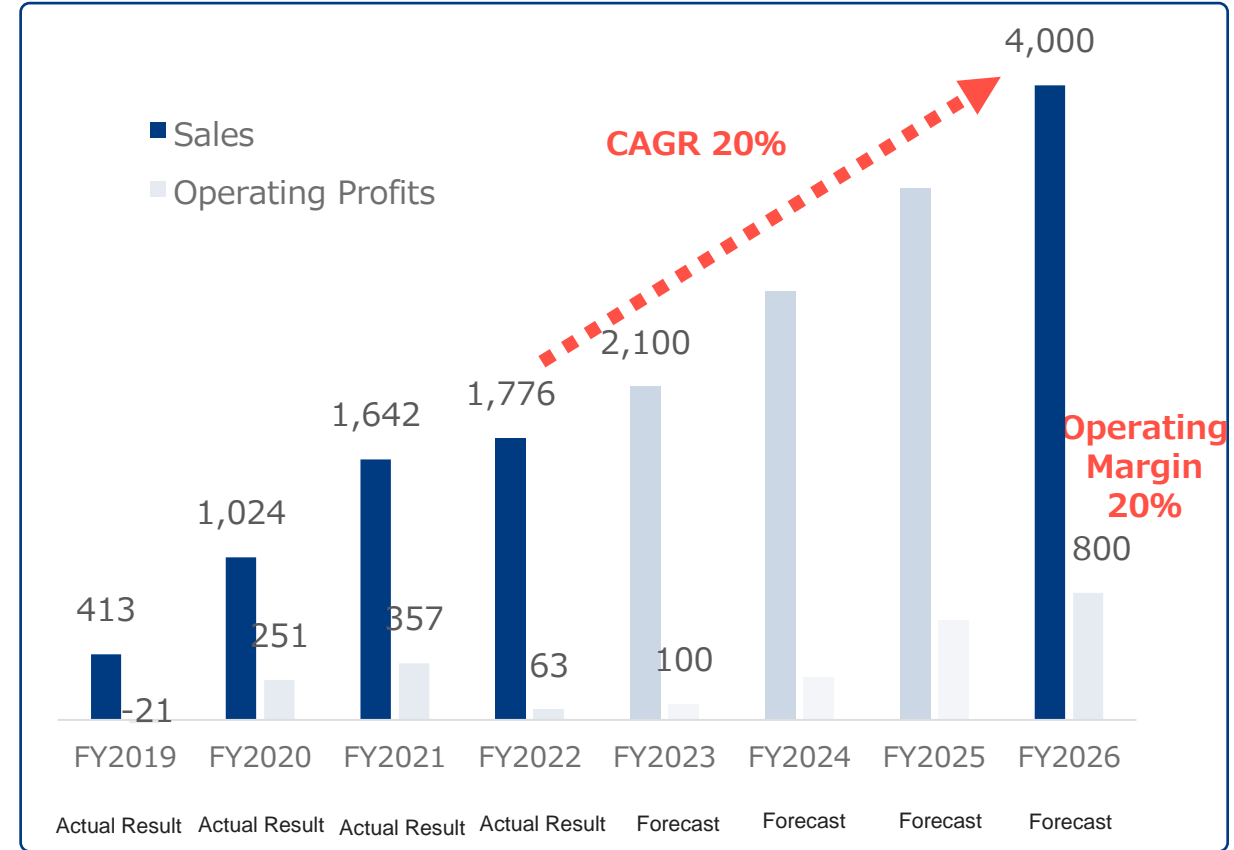
# Change in Mid-term Management Target

- In light of current situations, the mid-term management target set last year will be amended.
- The 3 years performance target from FY2021 to FY2024 will be extended to FY2026.

### Before Change



### After Change



**05**

# **FY2023 estimates**

**FY2023 Forecast / FY2023 Business Policy /  
FY2022 Forecast / Coming Features (1) /  
Coming Features (2) / The “CHANTO” series**

## FY2023 Forecast

- More company membership and improved ARPA pushed up sales for Big Advance, and a wider range of solutions offered to financial institutions and expanded marketing for Government Aid Consulting Services led to higher sales in DX Solutions.
- Operating margin increased on the back of fewer recruitments of engineers from that initially planned, and optimization of outsourcing cost and other reviews on expense to improve cost efficiency.

Unit : mil. yen

	FY2022 Stand-alone FS (Actual)	FY2023 Consolidated FS (Forecast)	Variance	YoY
Sales	1,776	2,100	323	118.2%
Cost of Sales	966	1,189	222	123.1%
Operating Profit	63	100	36	156.5%
Recurring Profit	65	99	33	152.0%
Net profit for shareholders of parent company	21	38	16	179.6%
EBITDA	156	251	95	160.6%



## FY2023 Business Policy

- The following actions are planned for business growth in FY2023.

### Action Plan for Big Advance

- Major updates to existing “Aggressive DX” features.
- Updates to “Defensive DX” features such as the “CHANTO series” with development and release of electronic storage capabilities.
- Improve UI/UX by upgrading design and the WEB guidance feature.
- Facilitate use of the business user accounts.
- Promote use of data.
- Enhance relations with financial institutions.
- Set up a direct support line for member companies.

### Action Plan for DX Solutions

- Roll-out solutions for the financial industry based around “BA Portal”, a corporate client portal site for financial institutions.
- Expand the Government Aid Consulting Service.

## Coming Features (1)

### Release ChatGPT-based support function for creating websites

- Release the  $\beta$ -version of the generative-AI function to insert phrases into websites on May 15, 2023.
- Allows easy and efficient way to generate phrases for describing corporate missions and overview when creating websites.

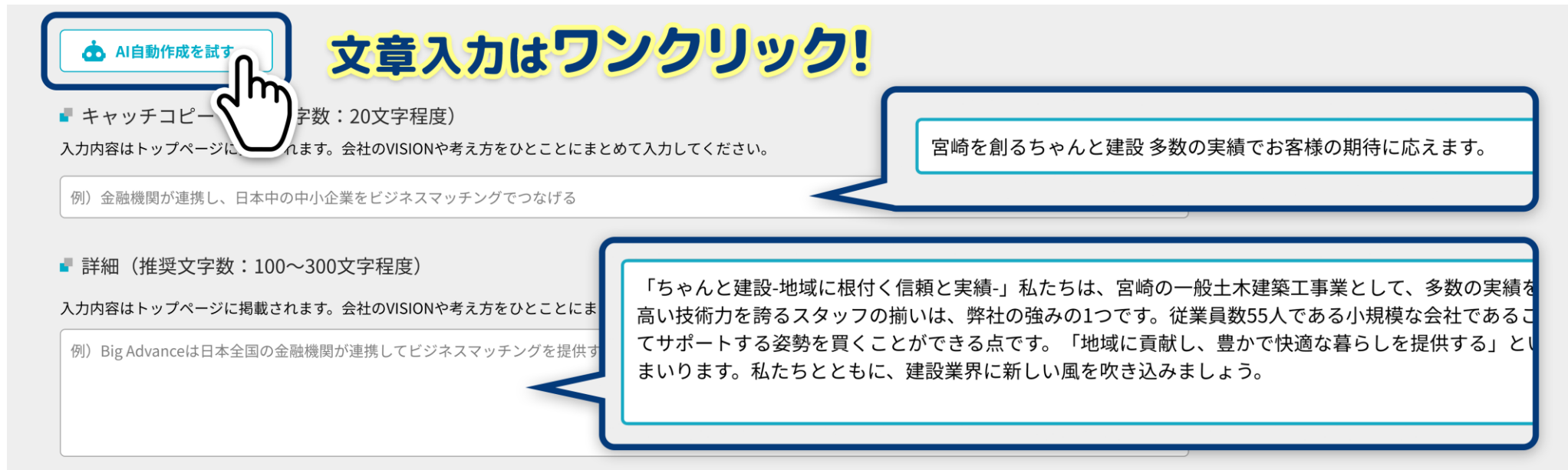
#### Efficiency

Use generative-AI to slash work hours spent on “catch copies” and “details” on corporate website with a click of a button.

#### Safety

Data submitted will not be used for training the model, ensuring safety for member companies.

#### 【Screenshot Sample】



**文章入力はワンクリック!**

**AI自動作成を試す**

■ **キャッチコピー** (推奨文字数：20文字程度)  
 入力内容はトップページに掲載されます。会社のVISIONや考え方をひとことにまとめて入力してください。

例) 金融機関が連携し、日本中の中小企業をビジネスマッチングでつなげる

■ **詳細** (推奨文字数：100～300文字程度)  
 入力内容はトップページに掲載されます。会社のVISIONや考え方をひとことにまとめて入力してください。

例) Big Advancelは日本全国の金融機関が連携してビジネスマッチングを提供する

宮崎を創るちゃんと建設 多数の実績でお客様の期待に応えます。

「ちゃんと建設-地域に根付く信頼と実績-」私たちは、宮崎の一般土木建築工事業として、多数の実績を誇る高い技術力を誇るスタッフの揃いは、弊社の強みの1つです。従業員数55人である小規模な会社であることでサポートする姿勢を買くことができる点です。「地域に貢献し、豊かで快適な暮らしを提供する」といまいります。私たちとともに、建設業界に新しい風を吹き込みましょう。

## Coming Features (2)

### The “Electronic Storage” feature expected for addition on “CHANTO Invoice” (After End of July 2023)

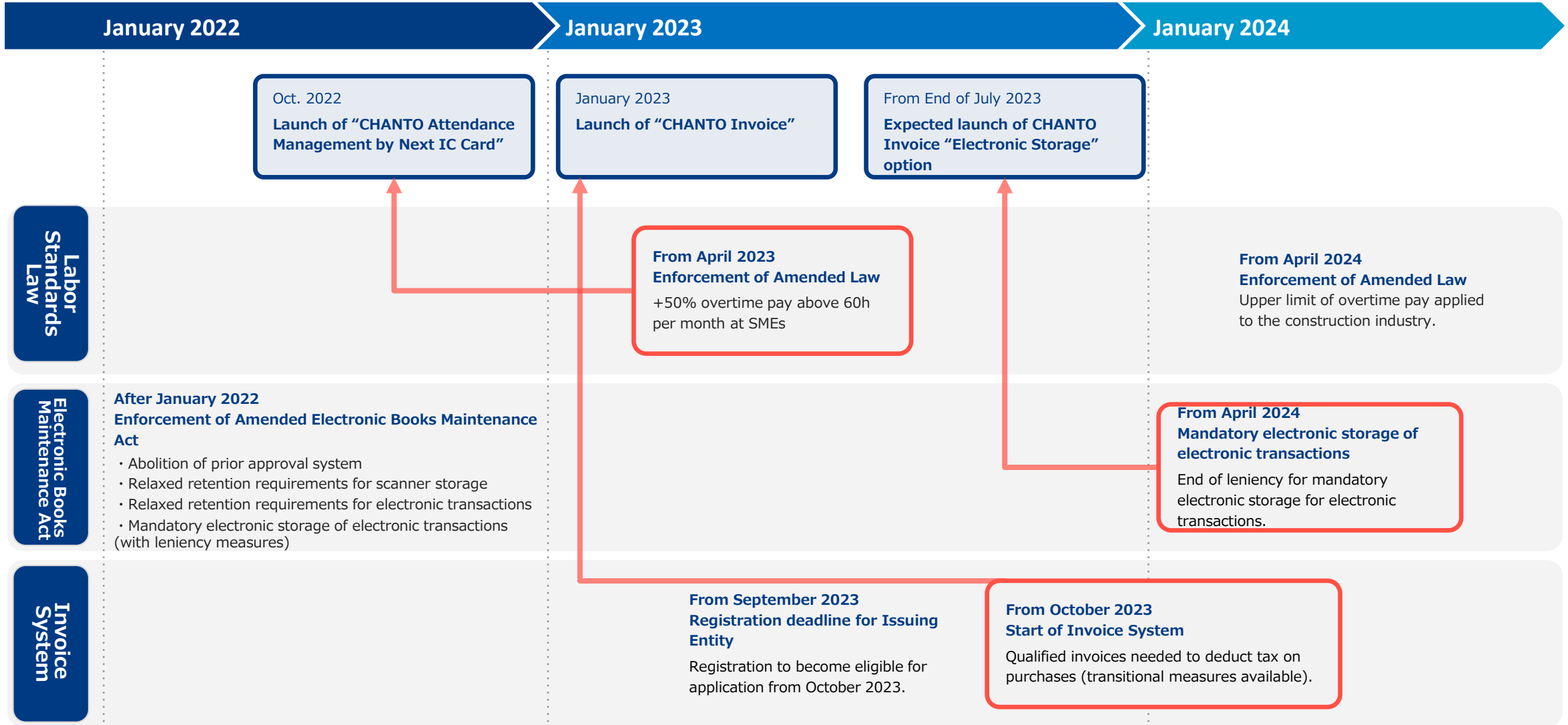
- Speed-up invoicing and billing operations for SMEs. Fulfills the legal obligation of “Electronic Data Storage in Electronic Transactions” under the Electronic Books Maintenance Act.
- Member companies can use optional features of Big Advance by paying an additional fee.



<b>Easy operability</b>	<p>Intuitive UI similar to the CHANTO Invoice (Issuing Function). Easy operability without the need for manuals even for infrequent PC users.</p>
<b>Tie-up with Web-API</b>	<p>Tie-up with the Qualified Invoice Issuance Operator Disclosure System Web-API (National Tax Agency). Automatic confirmation of Qualified Invoice Issuance Operator Registration Number printed on the invoice or the receipt.</p>
<b>Response to Regulation</b>	<p>Fulfills the legal obligation of electronic data storage in electronic transactions. Allows storage and management of PDF data and images (jpg.png format/up to 50MB per file).</p>

# The "CHANTO" series

## Launch of new features in line with legal amendments



**06**

## Supplementary Information

**Mission / To become a core infrastructure for SMEs / Advantages of using Big Advance(1) / Advantages of using Big Advance (2) / Advantages of using Big Advance (3)/ Evaluation indicators / Attracting more users (1):Expanding the user base / Attracting more users (2):Expanding of user base / Attracting more users (3):Stronger ties with local governments / Attracting more users(4):Expanded functions and data usage / Strategy for DX Solutions: DX Support for financial institutions / Growth scenarios in the mid-term management plan / Further expansion of user base / Potential market with room for further expansion / Improved stock incentives**

## Mission

- To create the largest management support platform for SMEs in Japan



### Find the future in corporate value.

To realize this mission, KOKOPELLI has consistently developed services to support SMEs since its establishment.

Unfortunately, many businesses do not see the light of day because they do not communicate the core values they have to offer.

Our challenge is to harness the power of technology to sprout and nurture these seeds of buried value, growth opportunities, and business potential to take them into the futures ahead.

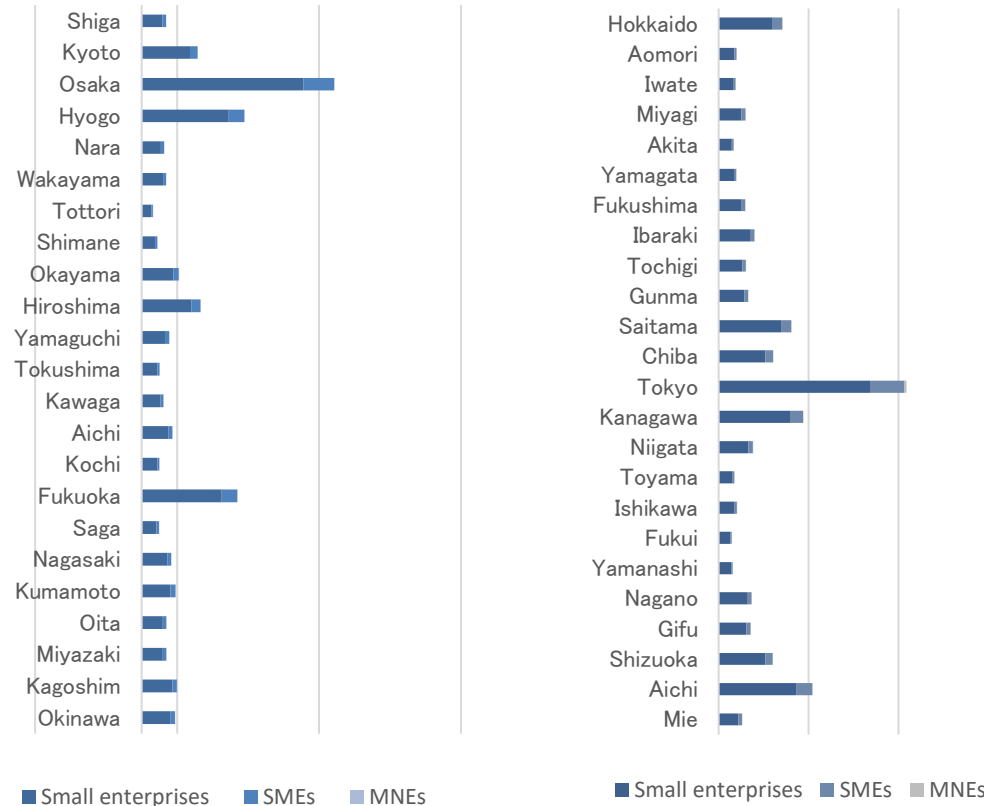
We combine technology and innovation to create business models to improve labor productivity and deliver services that are truly valuable to the companies we serve.

# To become a core infrastructure for SMEs

- To become the absolute leader in the DX market for Japanese SMEs in the next 3 years (FY2022-FY2024).
- Of the nation's 3.58 million businesses, 99.7% are small and medium-sized enterprises and 84.9% are small businesses.
- Small businesses are distributed in each region.
- The top 3 industries are wholesale/retail, lodging/restaurant services, and construction.

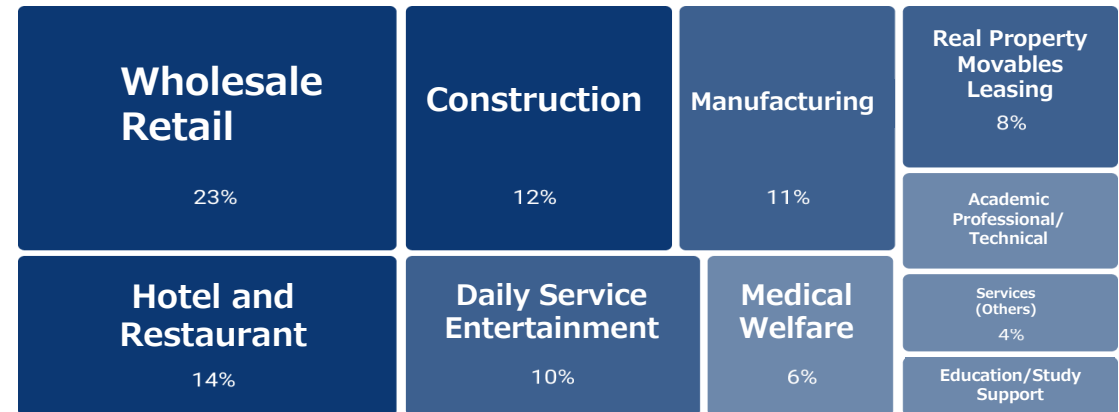
Number of companies by prefecture

(Source: The Small and Medium Enterprise Agency, as of 6 June 2016)



Definition of SMEs and small businesses			
	SME		Of which small business
Sector type	Capital	or employees	Employees
Mfg. and others	300 mil. JPY or less	300 or less	20 staffs or less
Wholesale	100 mil. JPY or less	100 or less	5 staff or less
Service	50 mil. JPY or less	100 or less	5 staff or less
Retail	50 mil. JPY or less	50 or less	5 staff or less

Number of companies by industry (Source: The Small and Medium Enterprise)



Transportation, postal service...2% / Information Technology...1% / Finance, Insurance...1% / Combined services...0% / Mining, Quarrying of stone and gravel...0% / Electricity, gas, heat and water services...0%

## Advantages of using Big Advance (1)

- A thorough delivery of WEB services to local companies, based on established network of local financial institutions.

**Effective networking  
with local financials**

**Effective networking  
with SMEs across the country**

**Fusion of in-person and  
technology-based services**

**Data-driven  
analysis and returns**



# Advantages of using Big Advance (2)

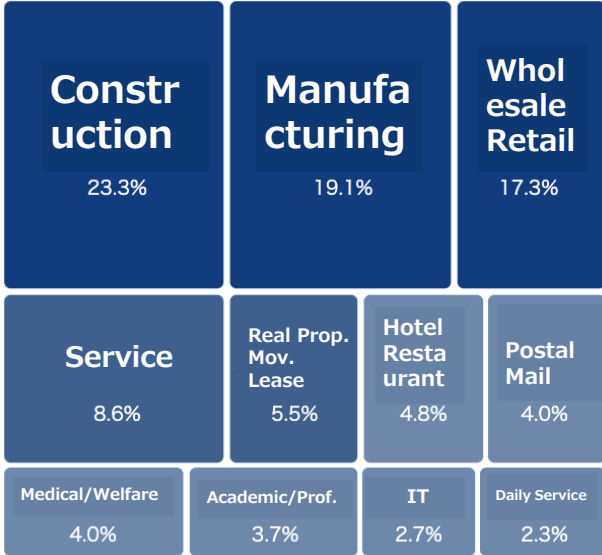
## Effective networking with local financial institutions

- An established network of Japan's largest regional financial institutions, including regional banks, second-tier regional banks, shinkin banks, and credit unions, regardless of business category.
- Comprises 83 BA-installed financial institutions that have head offices spanning across 42 prefectures (47 prefectures including branches) and approximately 5,700 branches.



## Effective networking with SMEs across the country

- A very effective network of 70,000 or more companies registered with Big Advance nationwide.
- Able to provide services to small, like-sized companies across the sector that were difficult to reach with web-based services.

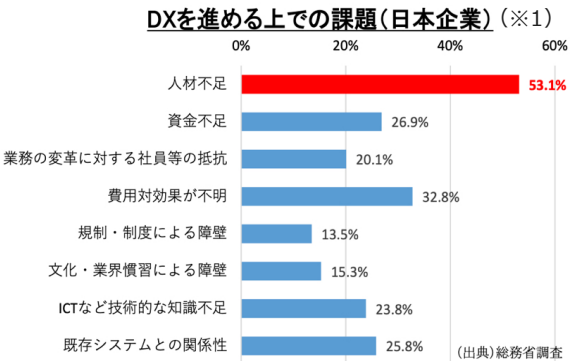


The top three industries of the member companies are construction, manufacturing and wholesale/retail.

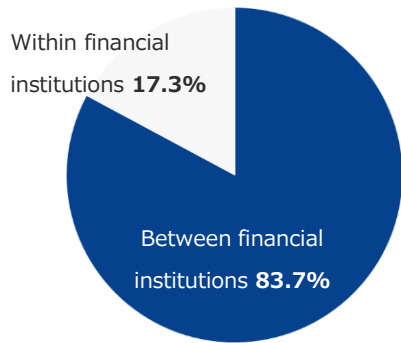
# Advantages of using Big Advance (3)

## Fusion of in-person and technology-based services

- Trusted personnel at financial institutions in close contact with companies on a daily basis will support the installation and operation of Big Advance to promote DX.
- Share the core values of local companies with those across the country via the web.



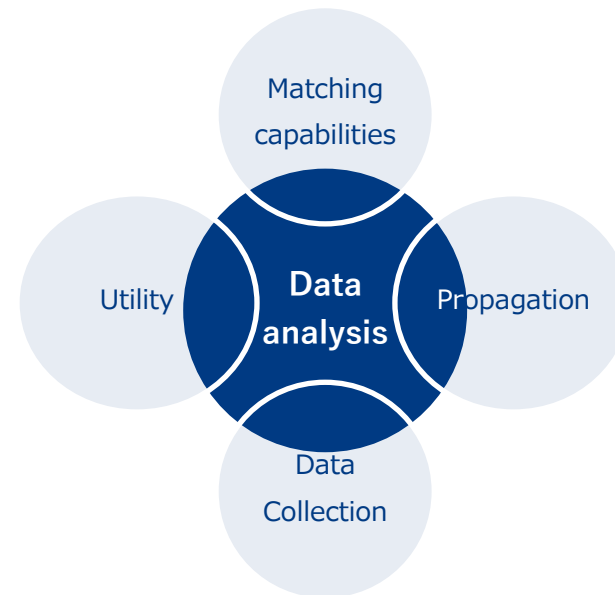
The main issues with DX is “lack of personnel” at 53.1%.



Business talks between regional and financial institutions comprise 78% of the business matching function offered by Big Advance.

## Data-driven analysis and returns

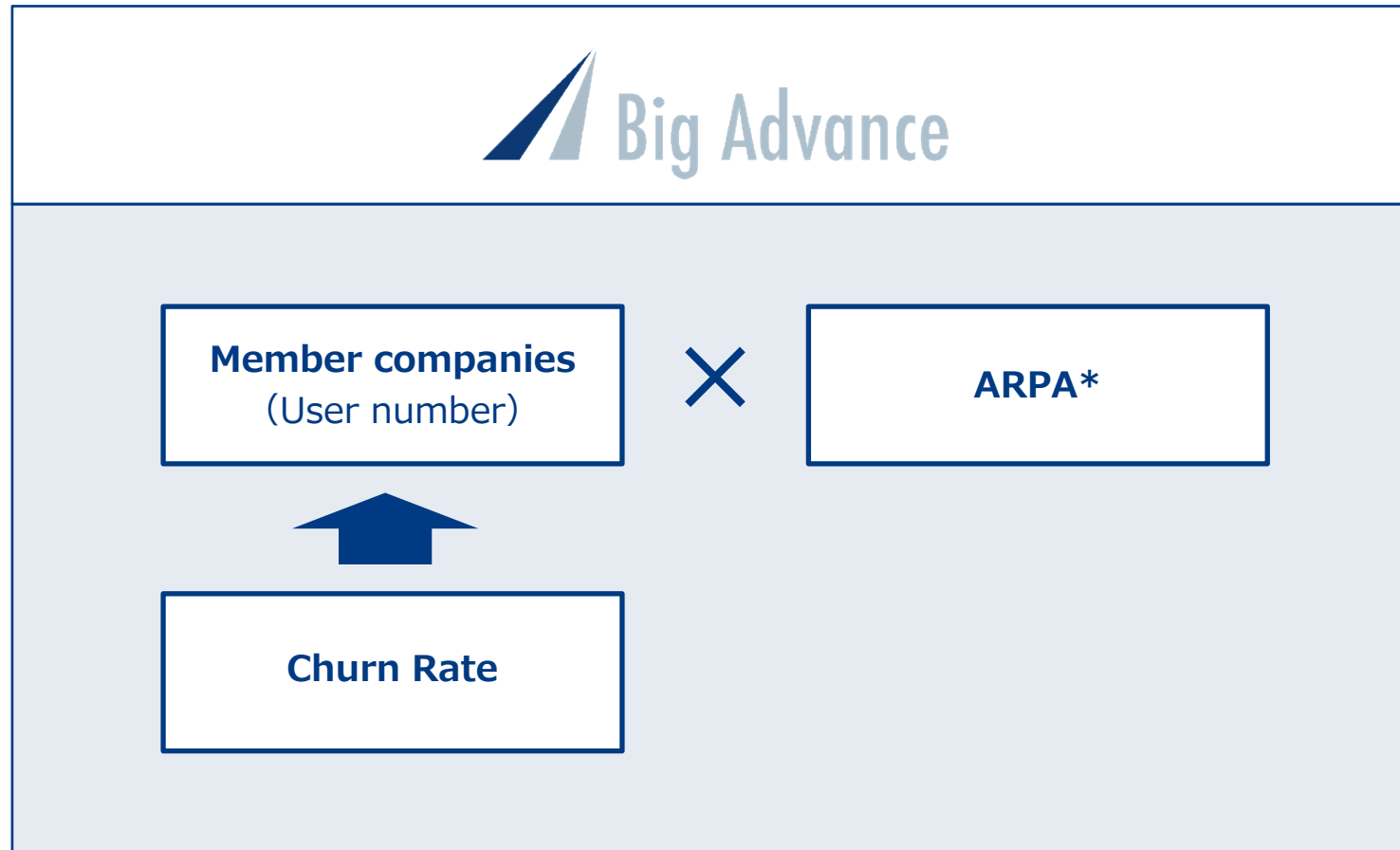
- Core business support to clients of financial institutions by offering data collected by Big Advance (data provisions to begin in April 2022).
- Business matching function offers AI-driven recommendations of business activities to companies.
- Presents ways of using Big Advance on the web, depending on the company's usage, to facilitate the DX process (starting in May 2022).



(\*1) Ministry of Internal Affairs and Communications, Japan “2021 White Paper Information and Communications in Japan”

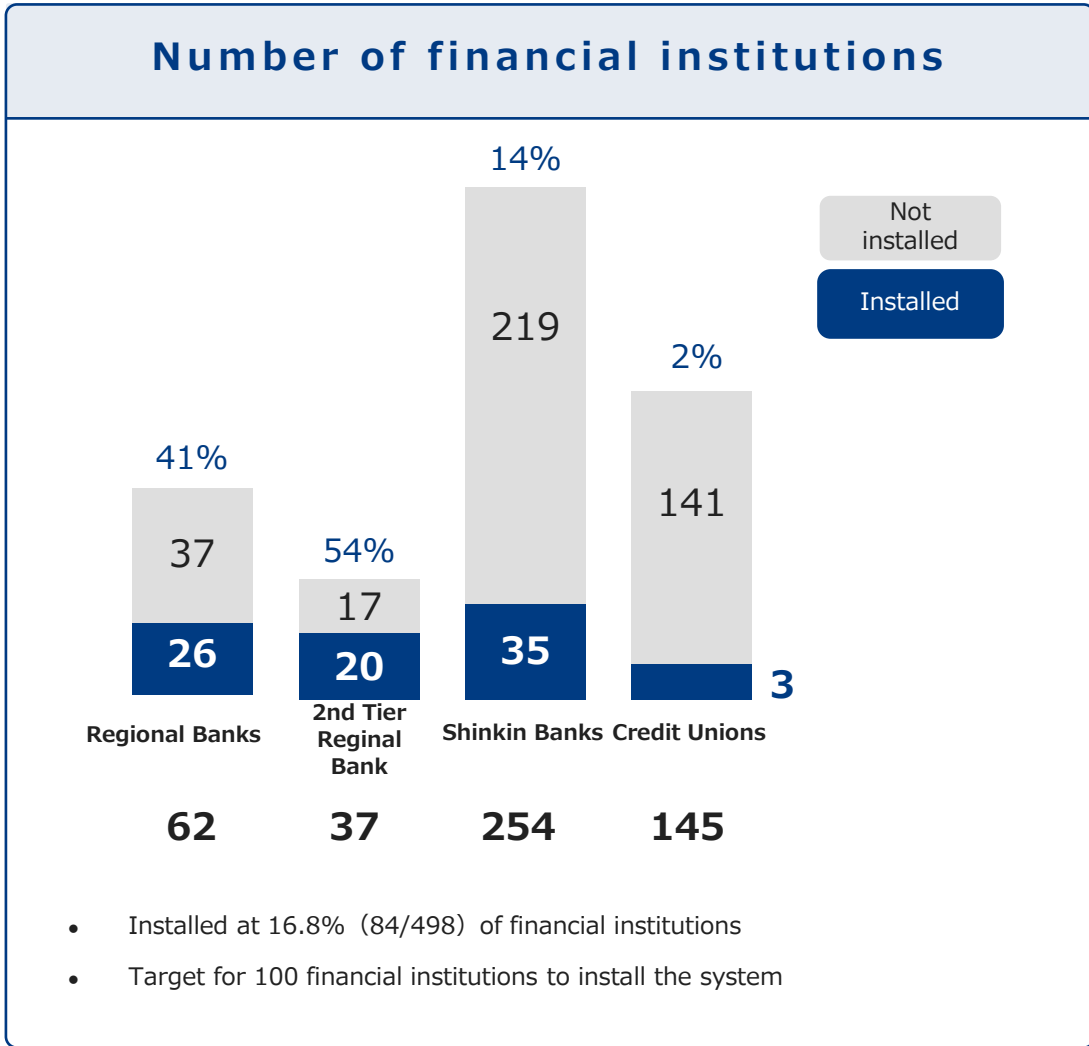
## Evaluation Indicators

- Expected to bolster sales through higher price per customer (ARPA) along with more member companies (users).

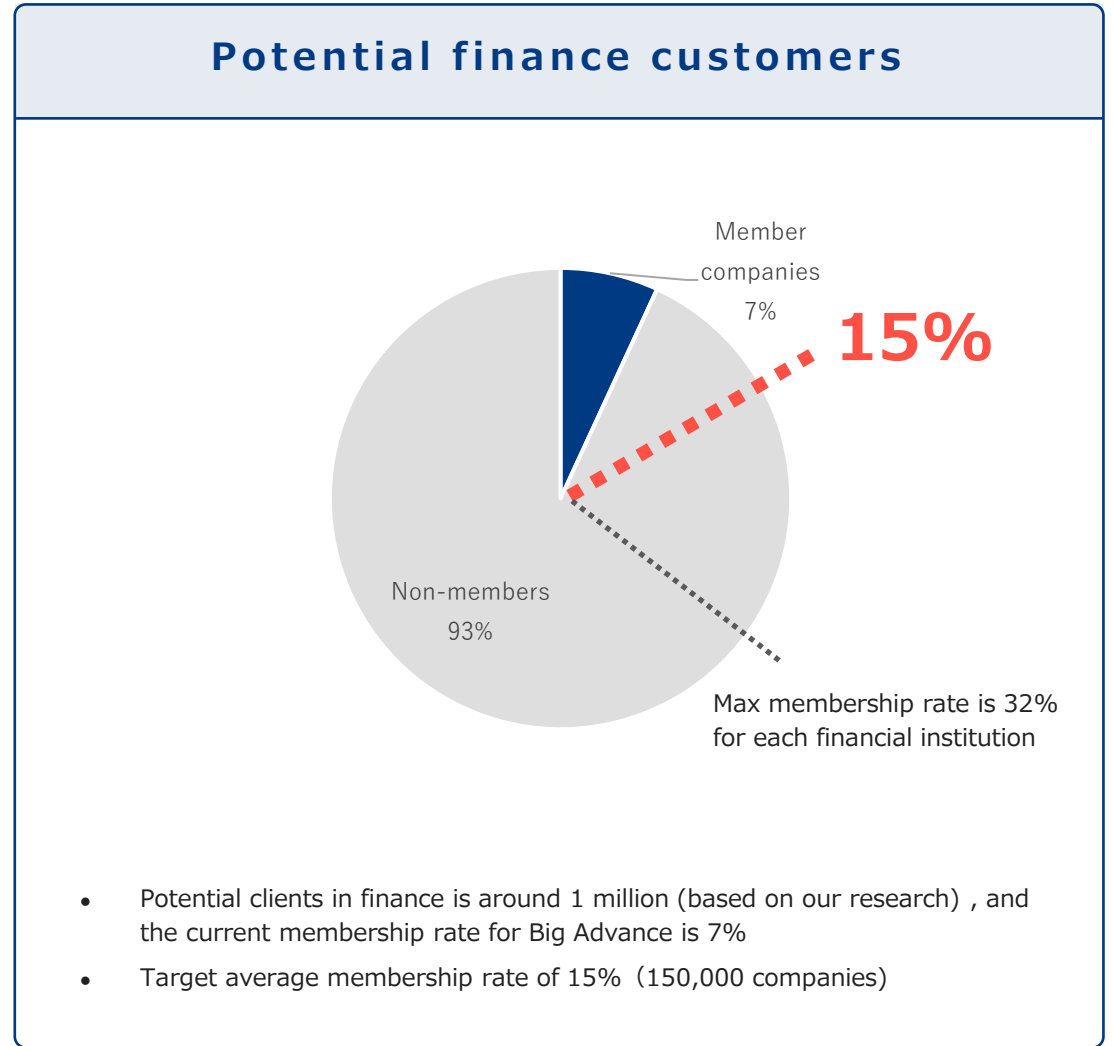


(\*) ARPA stands for Average Revenue per Account, referring to average sales per account.

# Attracting more users (1): Expanding the user base



(as of 31 March 2023)



(Based on the 84 BA-installed financial institutions)

## Attracting more users (2): Expanding the user base

- Set up new sales offices in Kyushu and Tokai region to strengthen relations between financial institutions and local municipals.
- New offices may be set up in other regions depending on situations going forward.



## Attracting more users (3): Stronger ties with local governments

- Promote DX in cooperation with local authorities and contribute to the regional economy.
- Signed the “Partnership Agreement in relation to the Promotion of Regional Economy”.
- Concluded a partnership agreement with **Fujiidera City, Fujiidera City Chamber of Commerce and Industry, and The Senshu Ikeda Bank, Ltd.** to promote the local economy (August 2022)

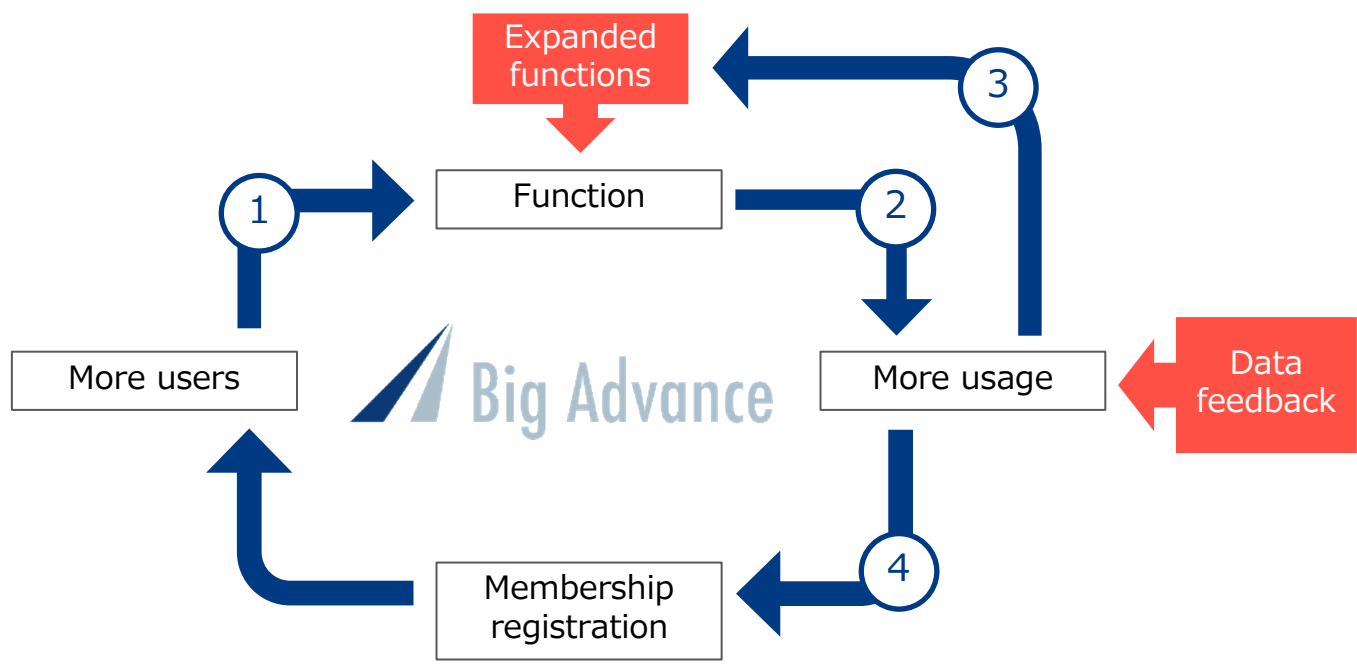
### Online press conference



Top left: Mr. Kazuki Okada, Mayor of **Fujiidera City**; Top right: Mr. Koichi Hama, Chairman of **Fujiidera City Chamber of Commerce and Industry**  
 Bottom left: Shigeru Kondo, CEO of **Kokopelli Inc.**; Bottom right: Atsushi Ukawa, CEO and Representative Director at **The Senshu Ikeda Bank**

# Attracting more users (4): Expanded functions and data usage

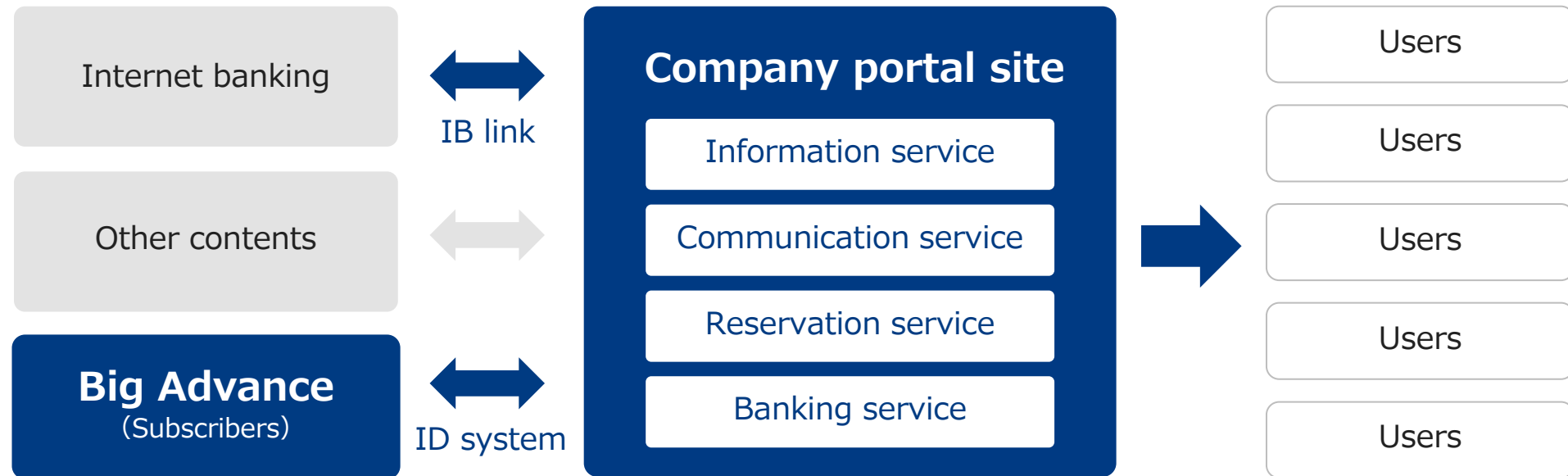
- Facilitate the expansion of functions and data usage, to create a growth cycle for the service.



- 1** More users will facilitate the networking effect and add value to the service. Also, examples will be shown of how the users can take advantage of the service (tutorial).
- 2** Users will increase usage as more value is extracted from the service. More functions will also be added based on user needs.
- 3** Increased usage will propel the use of other functions and improve the churn rate.
- 4** Higher usage will lead to new users, and providing feedback of success stories to financial institutions will bring in even more.

## Strategy for DX Solutions: DX Support for financial institutions

- Provide company portal sites and ID certification linkage systems for financial institutions.
- Strengthen relationship between financial institutions and corporate clients through the use of digital systems.
- Provide a one-stop service to help with issues faced by companies by linking-up with Big Advance.



### Track records

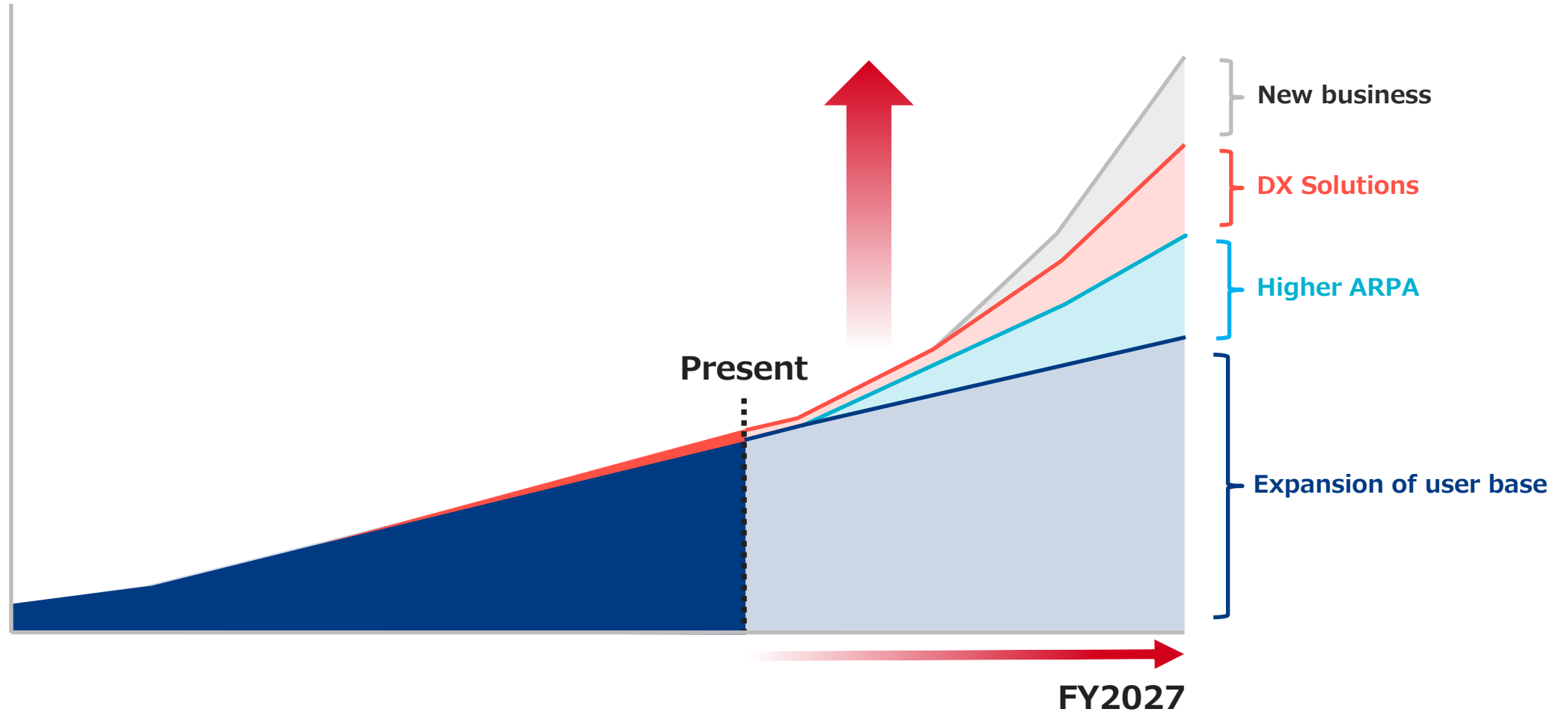
Company portal sites: Kyoto Bank/Okinawa Bank

Linked-up ID certification system: Chiba Bank/Yokohama Bank/The Senshu Ikeda Bank/The San-In Godo Bank, Ltd./The Nishi-Nippon City Bank/...and 2 others



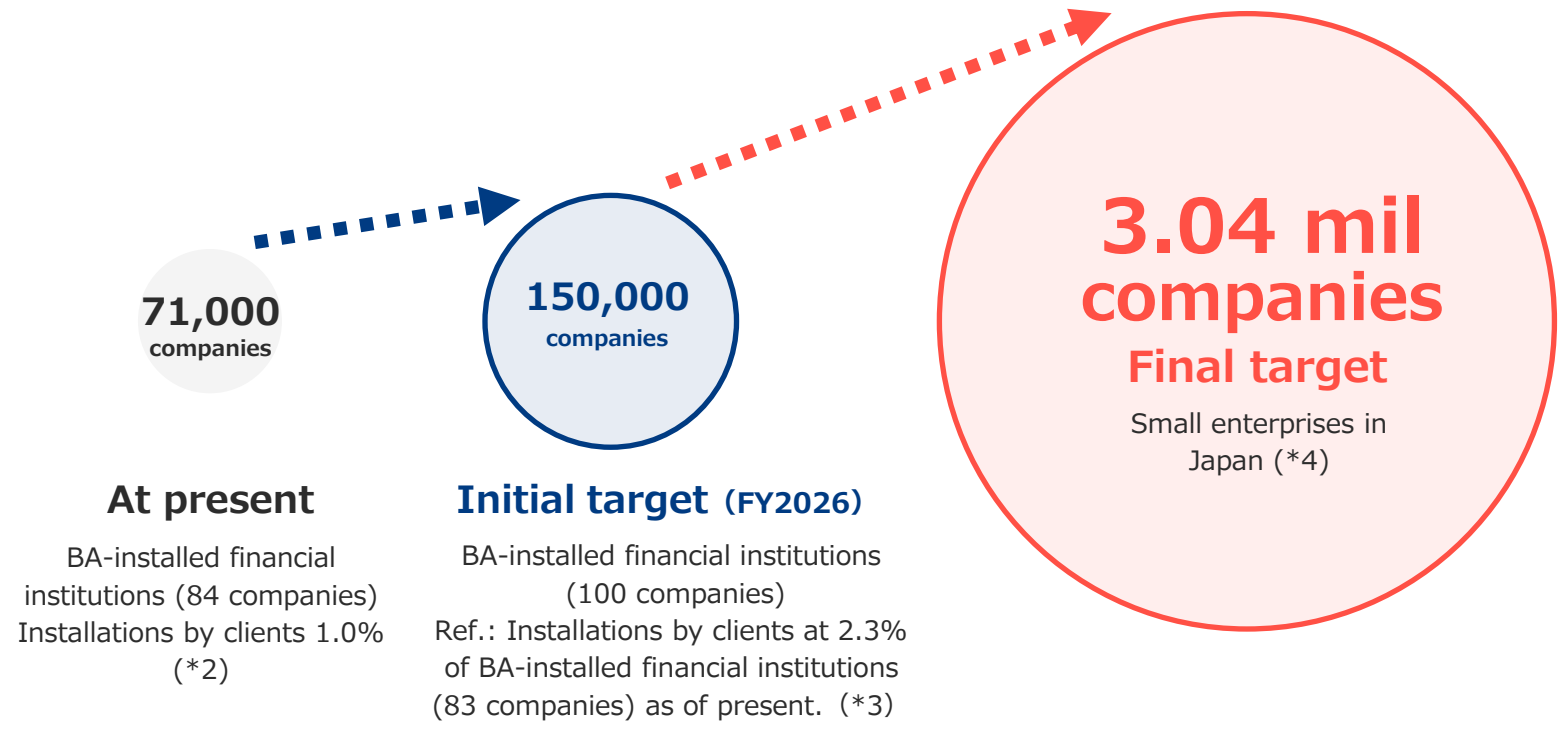
## Growth scenarios in the mid-term management plan

- Provide new functions and links with services offered by other companies to push up ARPA, on the back of expanded user base.
- Also build-up sock revenues from DX services and new businesses to achieve rapid and then sustainable growth going forward.



# Further expansion of user base

- Target clients of regional financial institutions operating small enterprises across Japan.



## Supplemental Information related to SMEs

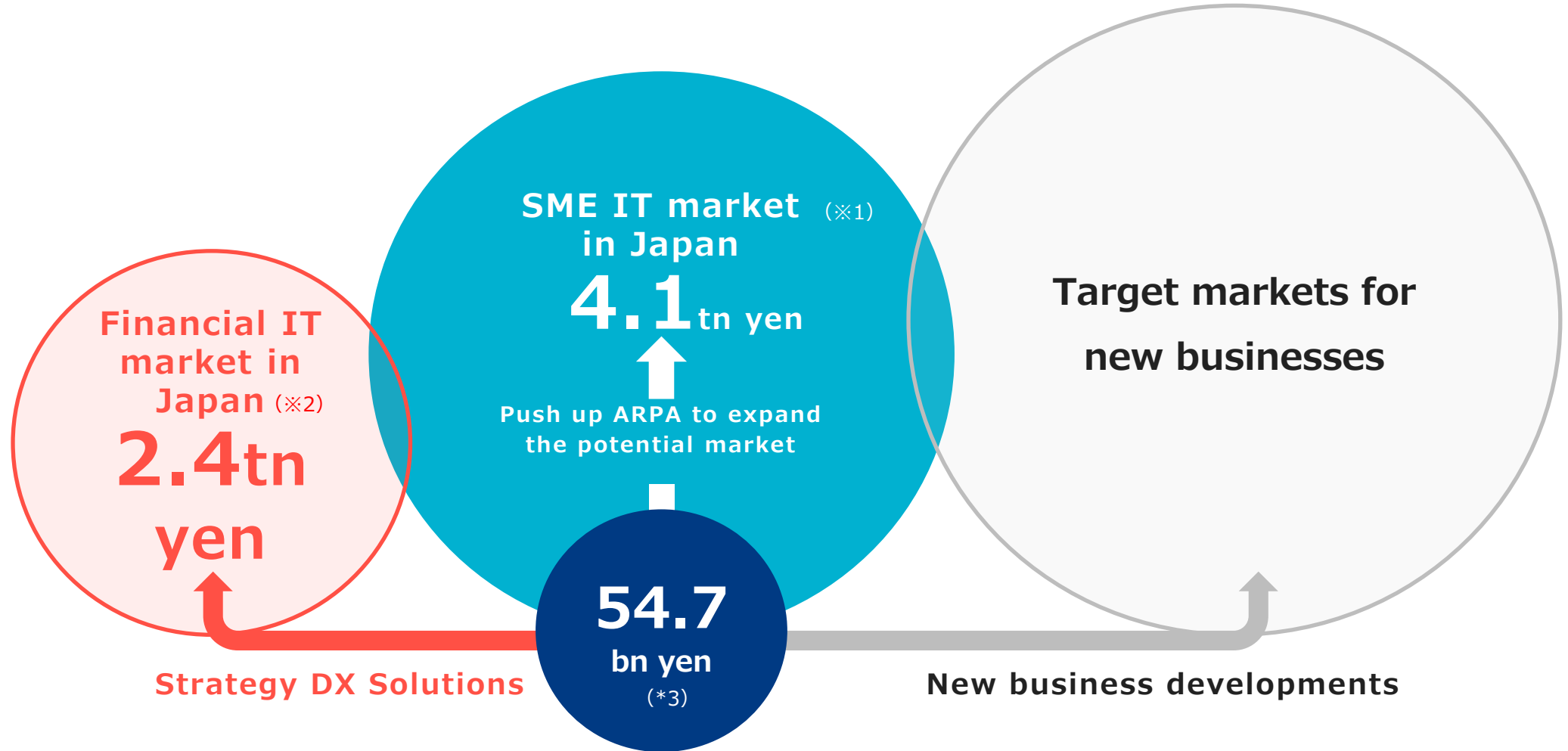
- Exit rate of SMEs trends at around 3%
- In the past 20 years, the highest exit rate was 4.2% in 2010 after the Lehman Shock
- Exit rate : 3.5% "2020 White Paper on SMEs" P114
- Entry rate : 4.4% "2020 White Paper on SMEs" P114

Source: "Financial System Report – Annex (July 2019)", Bank of Japan, "Economic Census 2016", Ministry of Internal Affairs and Communications/Ministry of Economy, Trade and Industry, and Financial Services Authority website

(\*1) Total number of corporate clients of BA-installed financial institutions (83 companies) = 6.49 million in total (as of March 31, 2021)  
 (\*2) Installation rate at clients = Big Advance member companies / number of corporate clients of the 83 BA-installed financial institutions (as of March 31, 2021)  
 (\*3) 150,000 companies / Number of corporate clients of the 83 BA-installed financial institutions (as of March 31, 2021)  
 (\*4) 3.58 million SMEs "2016 Economic Census" x 84.9% small businesses "Number of small and medium-sized enterprises (as of June 2016)"

## Potential market with room for further expansion

- Raise ARPA through offering new functions and links with other companies' services, as well as an expanded user base.
- Also achieve rapid and then sustainable growth by building up stock revenue from DX services and new businesses.



(\*1) IDC Japan "Domestic SMB IT Market Forecast 2018"

(\*2) IDC Japan "Domestic FinTech Market Size 2022"

(\*3) Target customer base x Current fee plan=54.7 billion yen

## Improved stock incentives

- Upgrade scheme for granting stock options and restricted stocks to executives and employees.

<b>Objective</b>	<ul style="list-style-type: none"><li>• Grant incentive for executives and employees for mid- to long-term business growth.</li><li>• Offer competitive salaries for recruiting top talent.</li></ul>
<b>Detail of the scheme</b>	<ul style="list-style-type: none"><li>• The ratio of restricted stock and stock options shall be decided based on the stock price and other factors at the time of grant.</li><li>• Assumes an annual issuance cap of approximately 1% of outstanding shares, with a maximum dilution of 5% over the next five years (2022 – 2027).</li><li>• 2.4% of total shares outstanding, including restricted stock and unexercised stock options as of FY2021.</li></ul>

- The contents contained this document are based on generally accepted economic, social and other conditions as of the date of preparation and certain assumptions that we judged to be reasonable, but may be subject to change without notice due to changes in the business environment or other reasons.
- The materials and information provided in this document contain so-called "forward-looking statements". They are based on current expectations, forecasts, and assumptions that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include general industry and market conditions, and general national and international economic conditions, such as interest rate and forex swings.
- The Company assumes no obligation to update or revise the "forward-looking information" contained in this document, even in the event of new information released or future incidents.

