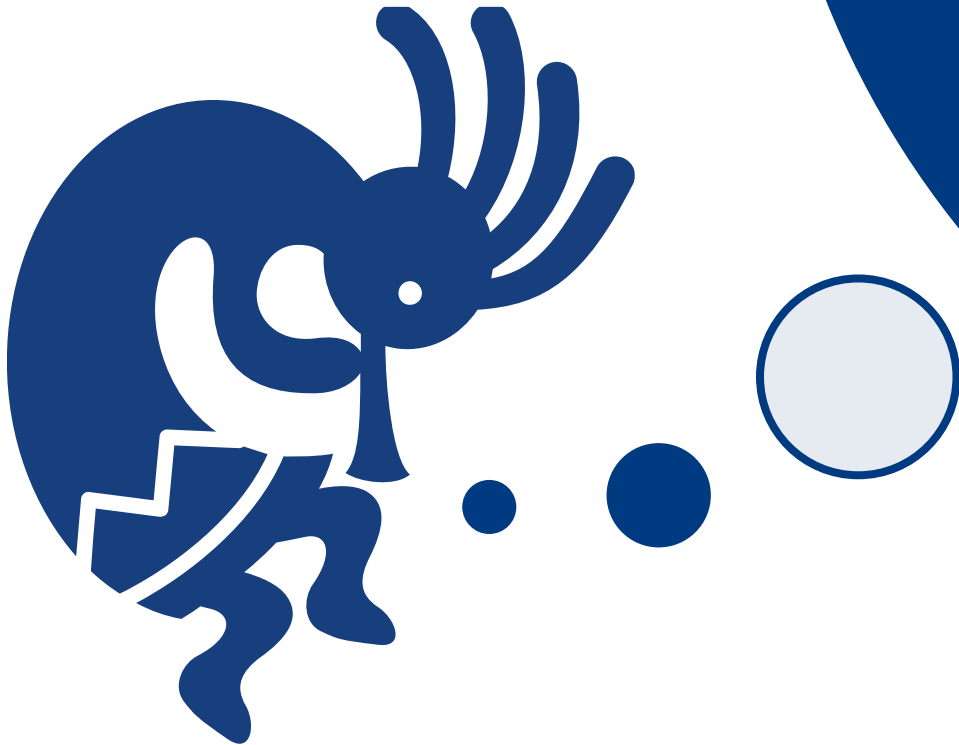


Second Quarter for FY2023

Financial Results

KOKOPELLI Inc. (stock code: 4167)

Nov 14, 2023





01

Corporate Overview

**Mission/Corporate Overview/Service Contents/
Building a Business Ecosystem for SMEs/
Consolidation of Key Points as Wholly Owned
Subsidiary/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. 11th floor, 3-12 Kioicho, Chiyoda-ku, Tokyo**

Established: **June 2007**

CEO: **Shigeru Kondo**

Capital: **812 million yen**
*As of Sep 30, 2023

Employees: **92 (permanent & part-time)**
*As of Sep 30, 2023

Business platform

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



Service Contents

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

Big Advance

DX support platform for SMEs

Provide services for SMEs in concert with financial institutions nationwide



DX Solutions

Corporate Portal Site

Provide regional financial institutions with corporate portal sites of SMEs

IT support service

Tools to upgrade productivity for tax accountants and social insurance and labor attorneys.



Consulting on utilization of subsidies

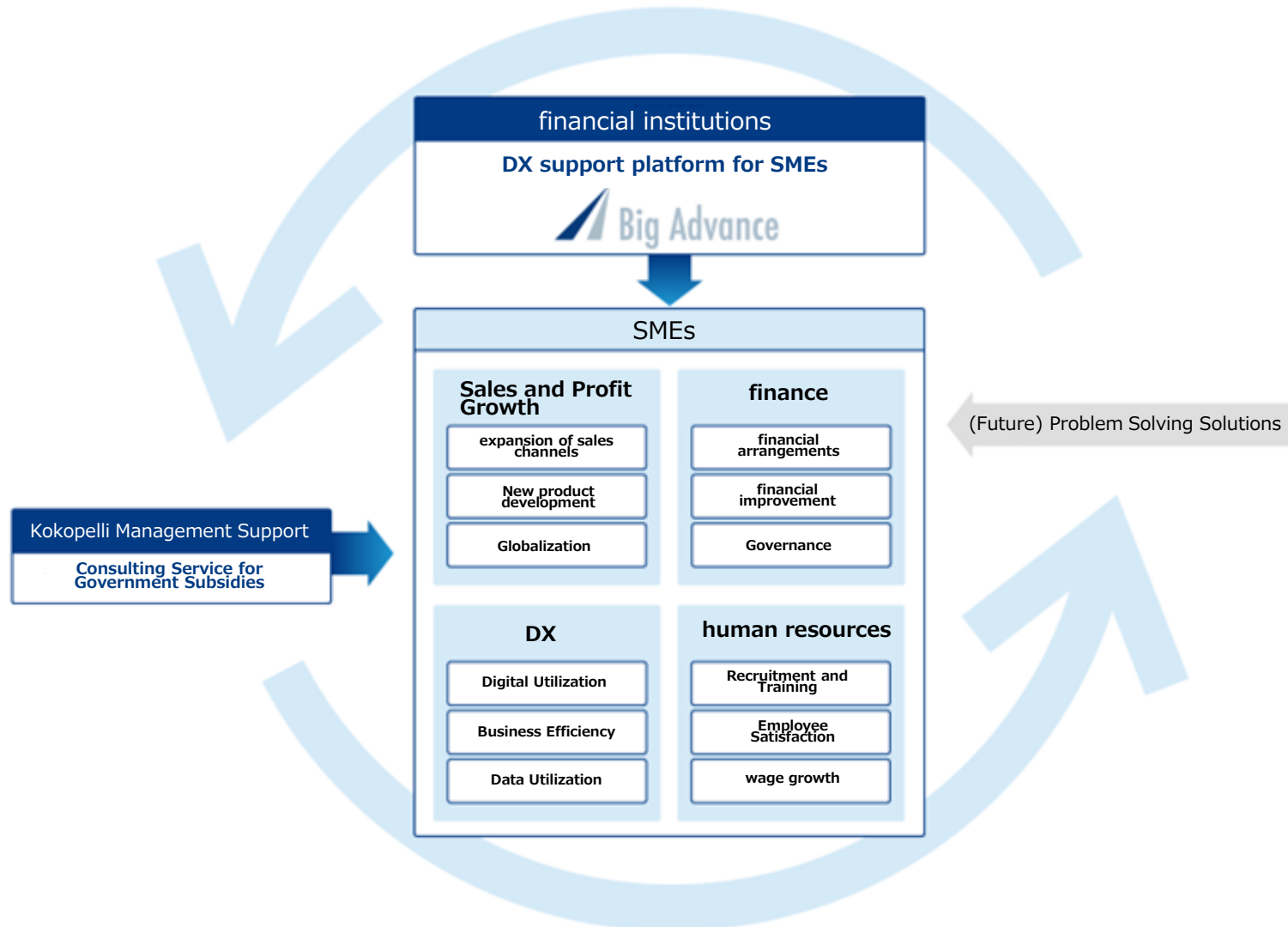
Consulting services for SMEs on how to take advantage of subsidies



(*1) Abbreviation for "Software as a Service". Software applications offered on Cloud by service providers which users can access through the network.

Building a Business Ecosystem for SMEs

- We aim to build a business ecosystem with the SME DX support platform "Big Advance" at its core.
- By building the ecosystem, we provide solutions to various issues faced by SMEs and an environment for sustainable growth.
- Develop new solutions to solve problems or collaborate with companies that already have solutions.



Consolidation of Key Points as Wholly Owned Subsidiary

- All shares of Key Point, which provides in-house development services such as file sharing and email management for companies and contract development for major companies, has been acquired (as of November 2023) .
- Consolidation from 4Q FY2023.



Horizontal deployment of file sharing and email management systems

Start offering Key Point products through the Big Advance network.

Development of digital support projects for financial institutions

Leveraging development capabilities to meet the individual needs of financial institutions

Accelerate engineer recruitment

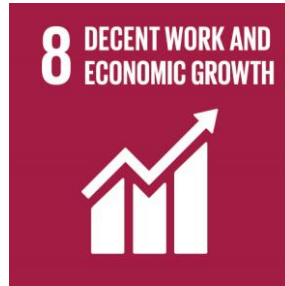
Recruiting and training of engineers within the Group

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)**

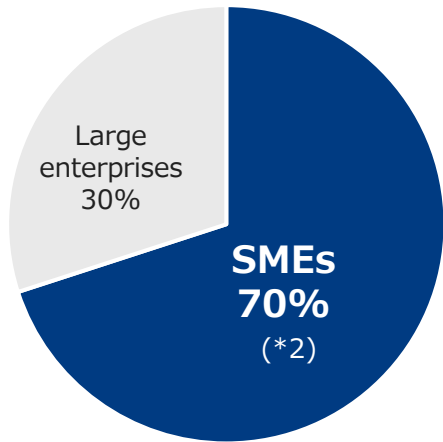
Overview & Challenges for SMEs / Overview & Challenges for Regional Financial Institutions / Our Business (Big Advance) / How “Big Advance” Works / Platforms with Multiple Touchpoints/ Support for DX by SMEs/ The Potential of "Big Advance" with the Use of Generative AI/ Benefits of adopting Big Advance(1)/ Benefits of adopting Big Advance(2)/ Current Status of CHANTO Invoice (Electronic Invoice Services)

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)

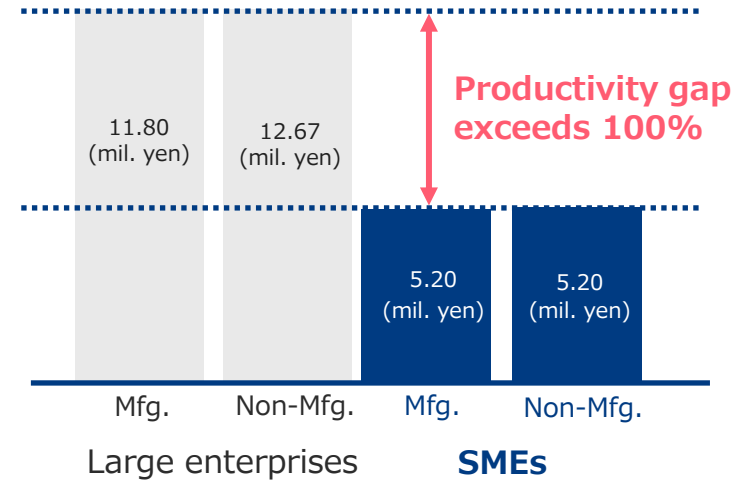
Ratio of SMEs vs total

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.

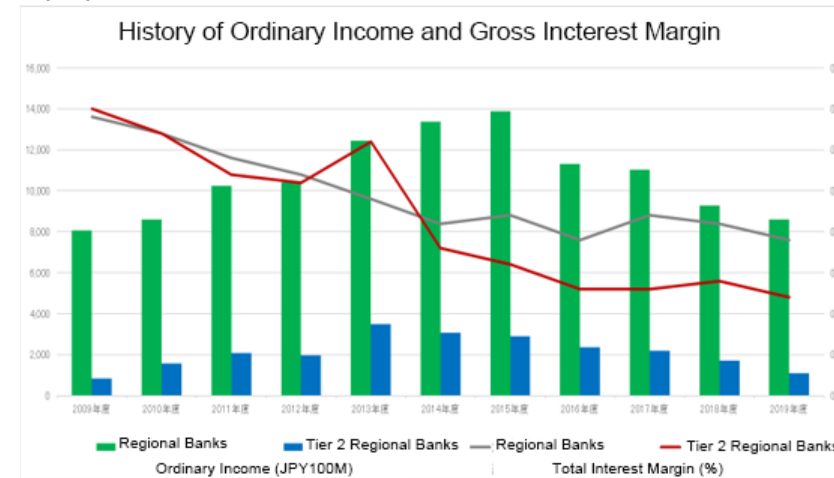
Current: Act as a principal players in regional financial market

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

Type	Number	Outstanding loans to SMEs (*1 *2)
Regional Banks	63	176 trillion yen
2 nd Tier Regional Banks	37	40 trillion yen
Credit Unions	254	70 trillion yen
Credit Associations	144	12 trillion yen
Total	498	298 trillion yen
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.

Basic Functions

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 professionals

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.

Optional Functions

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

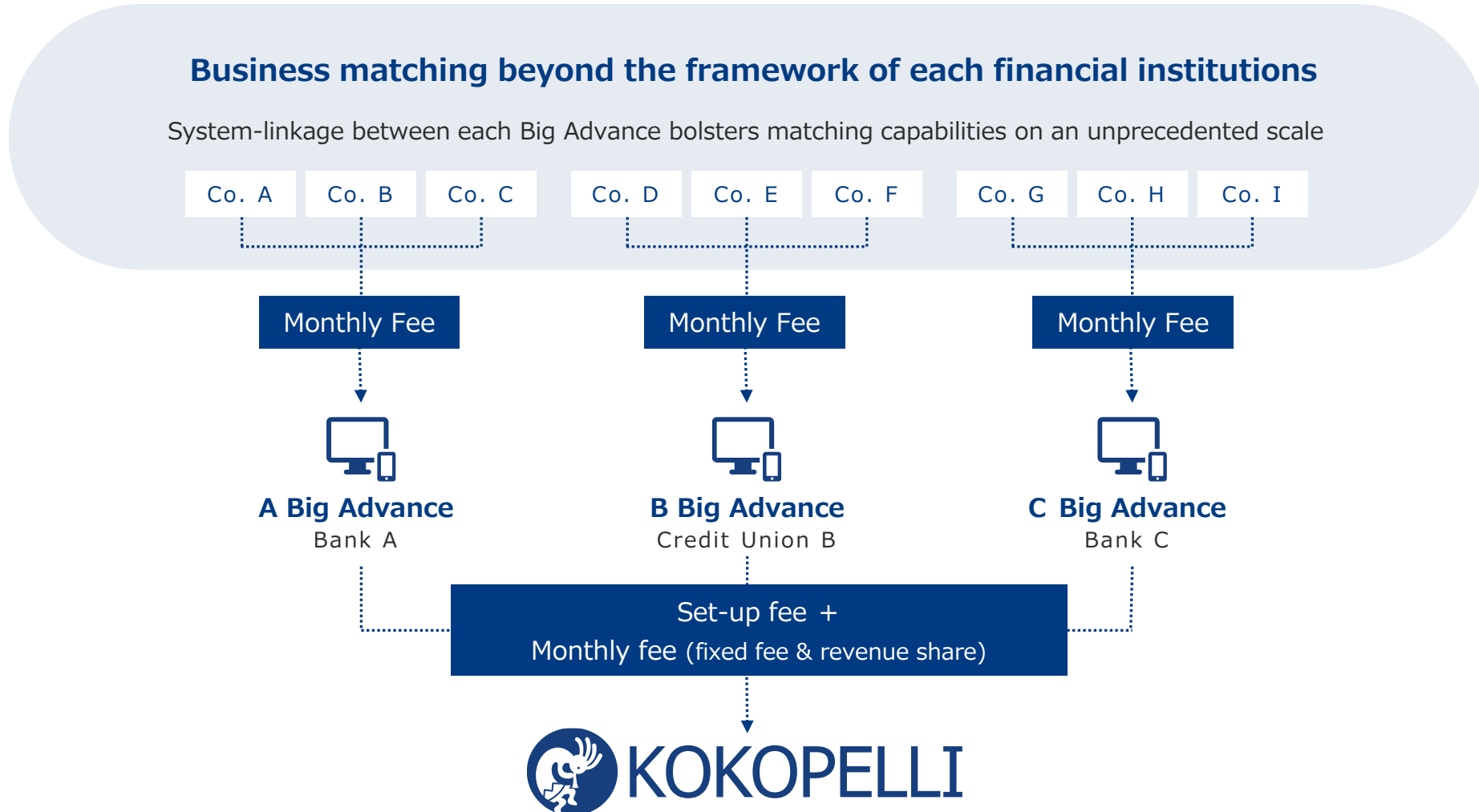
"CHANTO Invoice" *Optional only for requested financial institutions

Simple operations to issue invoices and receive forms in line with the new invoice system and the revised Electronic Book Preservation Act.



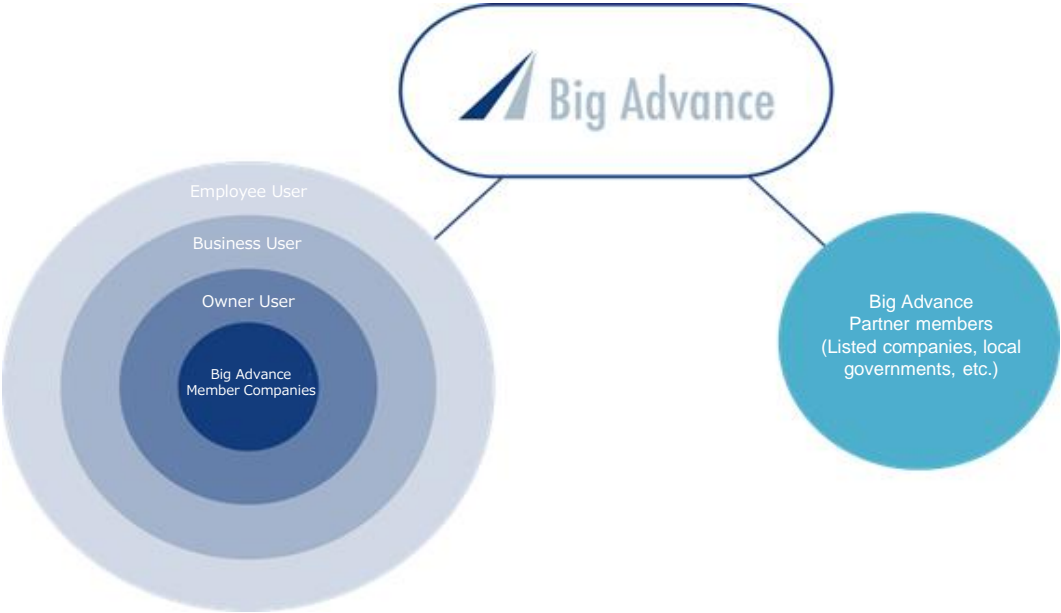
How “Big Advance” Works

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

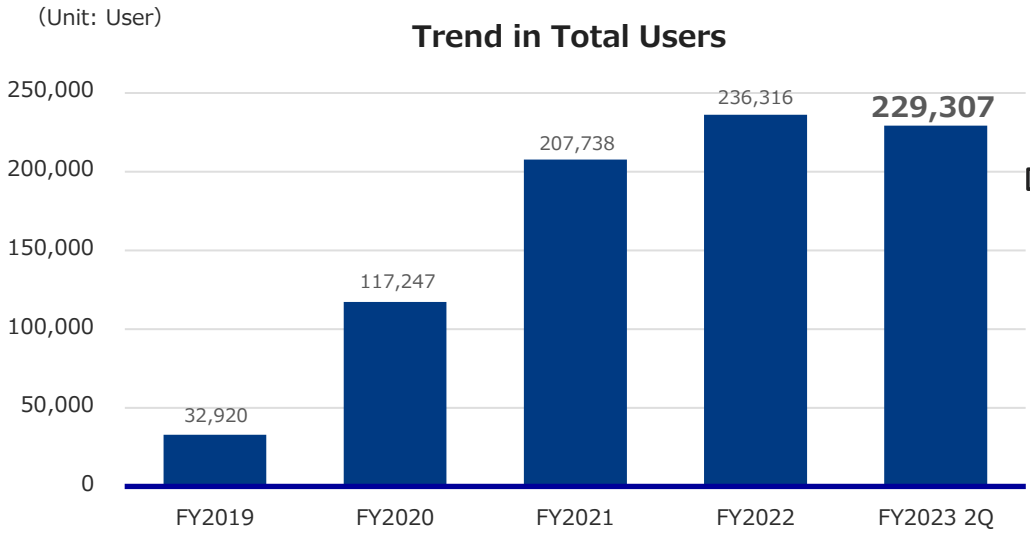
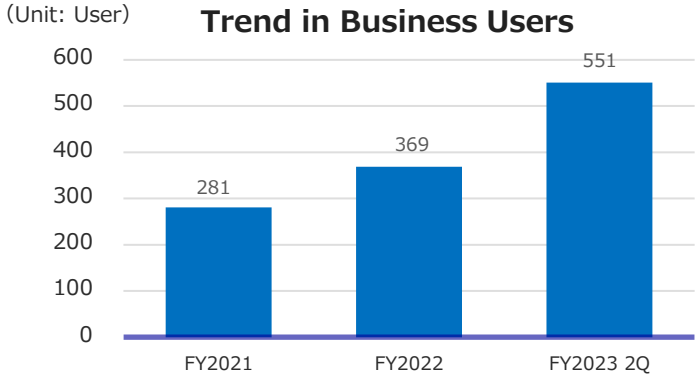


Platforms with Multiple Touchpoints

- The "Big Advance" account is divided into three types, and member companies have many user contact points from "management to employees".
- The total number of users in each account is 229,307.
- As a result of the priority measure of "promoting the use of business user accounts," the number of business users has steadily increased.
- The number of partner members including listed companies and local governments is 2,024.



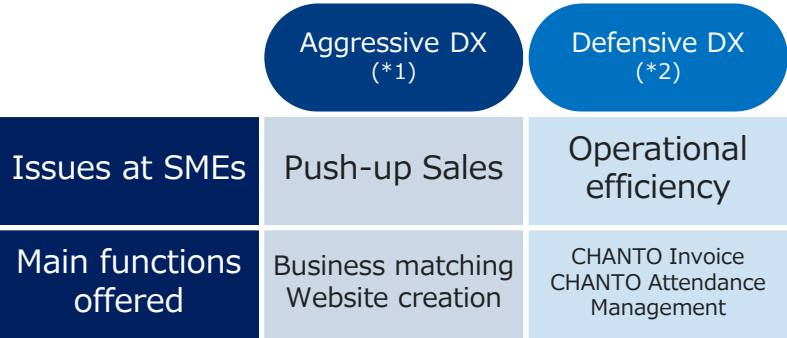
Account Type	Overview
Owner User	Only 1 user can be issued to Big Advance member companies, making all functions available.
Business User	Can be added as an option, almost all functions as the Owner User can be used.
Employee User	Unlimited issuance, limited to the use of some functions.



Support for DX by SMEs

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

Areas of DX Services on Offer



Big Advance is the one-stop solution to completing your 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	✓				✓				
Welfare Program	✓					✓			
Safety Check	✓						✓		
CHANTO Invoice (※4)	✓							✓	
CHANTO Attendance Management (※4)	✓								✓
Monthly Fee per a company	3,300 Yen/M <small>Excluding optional functions</small>	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 500-1,000 Yen/M/employee	F company Fee for use	G company Fee for use	H company Fee for use

(*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.
 (*3) Other companies' services are excerpted from each company's website.
 (*4) Optional functions.

The Potential of "Big Advance" with the Use of Generative AI

- Generative AI, such as ChatGPT, is a technology that automatically generates new text, images, voice, and other data using Large Language Models and machine learning algorithms.
- In tandem with the functions and data volume of "Big Advance", overwhelming operational efficiency can be achieved, leading to higher customer satisfaction.
- SMEs can take advantage of cutting-edge technology without the need for any specialized knowledge.



(Accessible function)



SMEs



Automate operations, increase sales, reduce costs, drive innovation, and more.

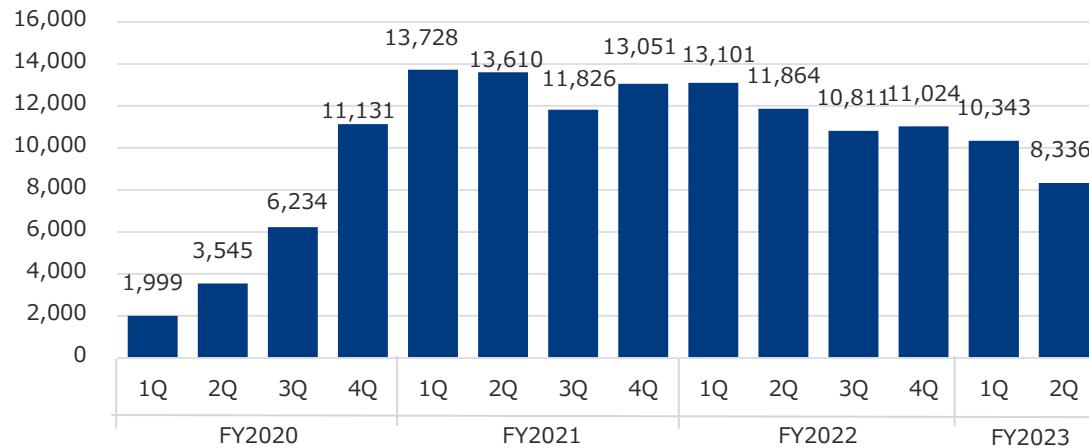
Benefits of adopting Big Advance (1)

- 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.
- Total requests for business talks **132,076** (*1).
- In 2Q, there was a major upgrade. Although the total number of requests for business talks decreased, the frequency of these talks increased, with shorter response times following each request (*2).

Quarterly requests for business talks



(*1) As of end Sep 2023

(*2) As a result of the major update, the rate of business talks was up by 13.7 points in one week, and the rate of face-to-face interview by 2.83 points.

Demonstration of AI-based auto-recommendation for business matching with potential candidates

- Demonstrative experiment was started in the hopes of providing users with an efficient AI-driven means of business matching with suitable candidates.

[Screen Image]



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 to attract more customers and hire new people.

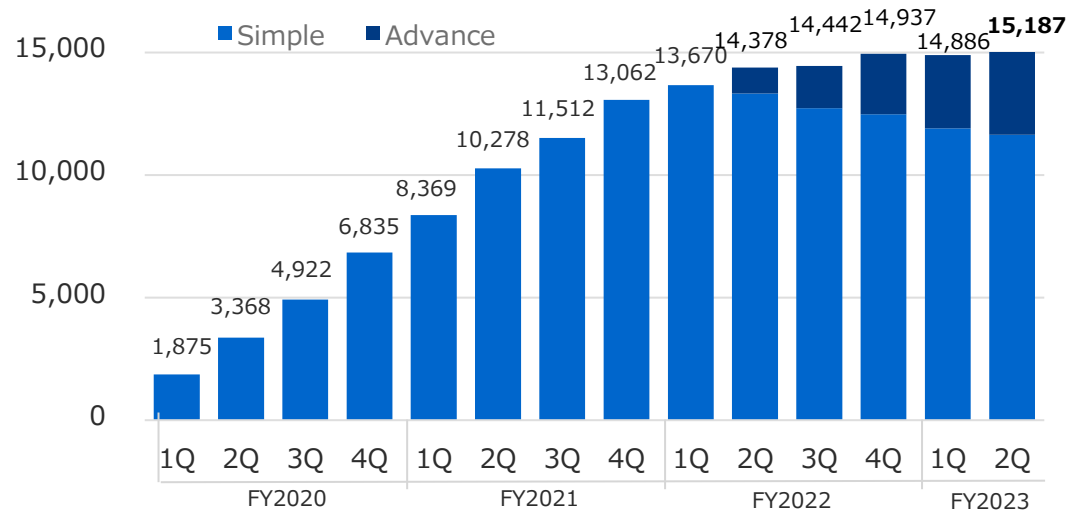
Websites creation

- Create and update website with no special knowledge
- Brings web search results at higher ranking in result
- More shifting to the "Advanced" version which allows more information to be posted and has improved design, enabling website creation tailored to each industry and business type.
- Number of companies on the "Advance" accounts represents 20% of the total.

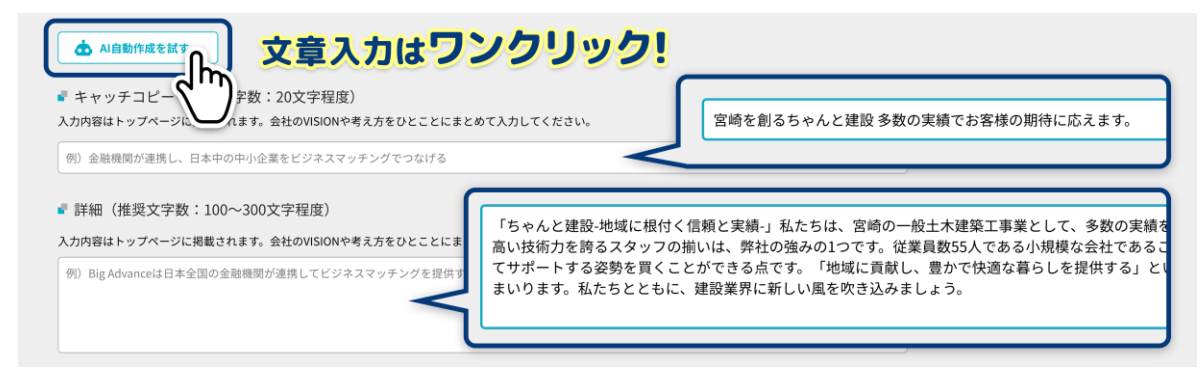
Release ChatGPT-based support function for creating websites

- Release the β -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.

Quarterly launch of websites



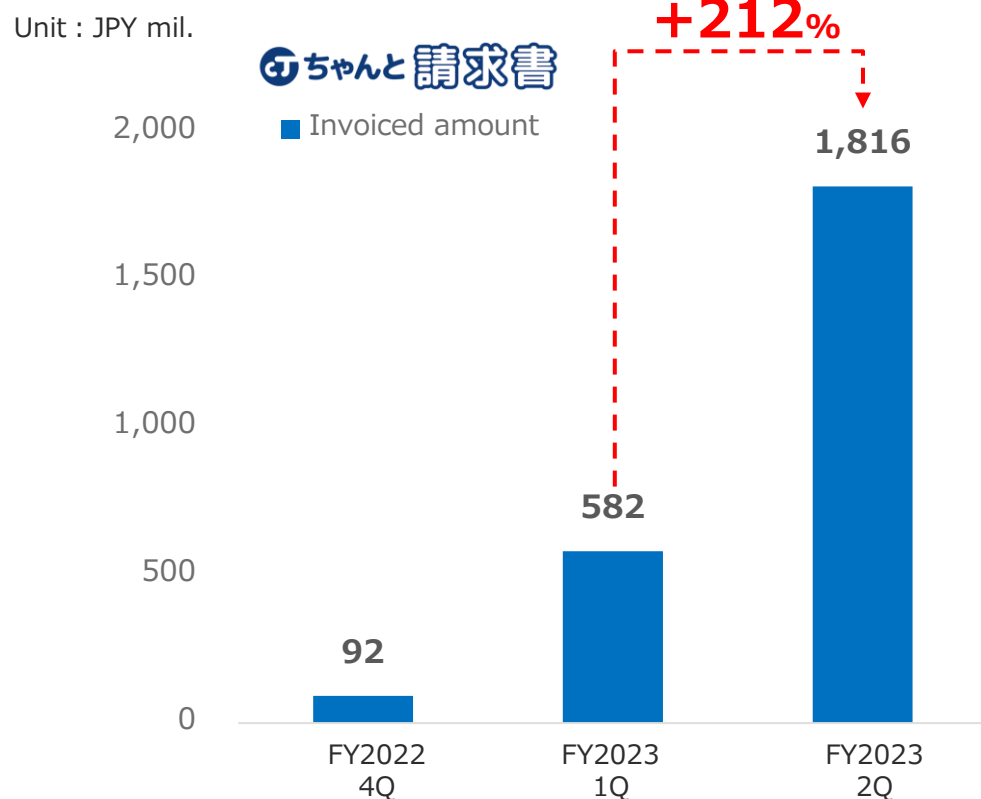
[Screenshot Sample]



Current Status of CHANTO Invoice (Electronic Invoice Services)

- Online invoicing system “CHANTO Invoice” which is aligned with the new invoicing system, will commence January 2023.
- In response to the Electronic Books Preservation Act, the "electronic storage function" will be available from August 2023.
- The service was launched at 44 financial institutions (*1), which exceeded the initial plan, and online seminars for SMEs were held as needed.
- The cumulative amount of invoices issued by proper invoices increased significantly to 1,816 million yen as of the second quarter.

Cumulative amount of invoice issuance (*2)

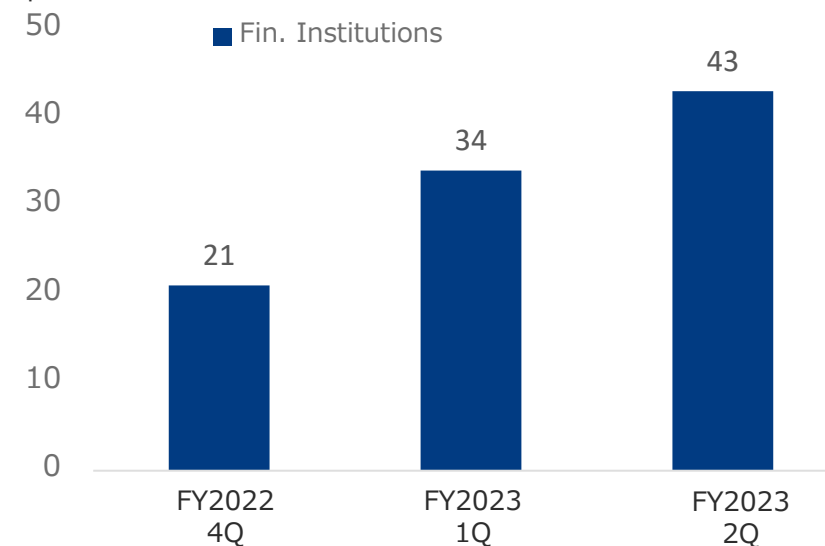


(*1) As of 14 November 2023

(*2) Cumulative issue amount as of 2 November 2023.

Trend in the number of financial institutions

Unit : Companies



The Miyazaki Bank, The Ki no Kuni Shinkin Bank, The Gifu Shinkin Bank, The Seisei Shinkin Bank, The Chiba Shinkin Bank, The Towa Bank, Niigata Shinkin Bank, Hiratsuka Shinkin Bank, Minami Nippon Bank, Kofu Shinkin Bank, Nagano Bank, Alps Central Shinkin Bank, Sanjo Shinkin Bank, Fukui Shinkin Bank, Aomori Bank, Tomato Bank, Kagoshima Mutual Shinkin Bank, Toho Bank, Toyokawa Shinkin Bank, Himeji Shinkin Bank, Kyoei Shinkin Union, Iwate Bank, Tono Shinkin Bank, Fukuho Bank, Kure Shinkin Bank, Iyo Bank, Saga Bank, Sanin Godo Bank, Kochi Bank, Hanno Shinkin Bank, Kitanihon Bank, Tajima Shinkin Bank, Daiko Bank, Shonai Bank, Chukyo Bank, Kiyo Bank, Kuwana Mie Credit Union, Nishi Nihon City Bank, Fukuoka Chuo Bank, Kyoto Bank, Okinawa Kaiho Bank, Sendai Bank, and Asahikawa Credit Union

03

FY2023 Second Quarter Result

FY2023 2Q Results Highlight/ FY2023 2Q Profit and Loss Statement / Trends in Quarterly Sales / Trends in Quarterly Operating Income and Loss / Trends in Quarterly Cost Structure / Quarterly Trends in Member Companies / Trend in the number of BA-installed Financial Institutions / Sustaining users with quick improvements to functions

Sales

929 million yen

(+8.4% YoY) (*1)

Operating profit

0 million yen

(YoY —) (*1)

Current Status of Big Advance

Number of BA-installed financial institutions

85

Number of member companies

66,911

Total number of users

229,307

Average churn rate

1.76% (*2)

(*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 October 2022 to September 2023).

FY2023 2Q Profit and Loss Statement

- Big Advance sales decreased, but sales rose by 108.4% YoY on the back of higher DX Solutions sales.
- Investment into growth saw a constant increase in mid-career hiring for the development of new functions and services, resulting in lower operating income.
- Meanwhile, a boost in development capabilities will lead to lower outsourcing fees from 3Q onwards, leading to an expected increase in gross profit.
- EBITDA shall land at 75 mil. Yen profit.

Unit: million yen

	FY2022 2Q (Actual)	FY2023 2Q (Actual)	Variance	YoY
Net Sales	857	929	72	108.4%
Gross profit	450	472	22	104.9%
Gross profit ratio	52.6%	50.9%	—	—
Operating Income	35	0	-35	0.0%
Operating income ratio	4.2%	0.0%	—	—
Ordinary Income	35	0	-34	2.4%
Quarterly net profit at shareholders of parent company	24	-12	-37	—
EBITDA (※1)	71	75	3	105.3%

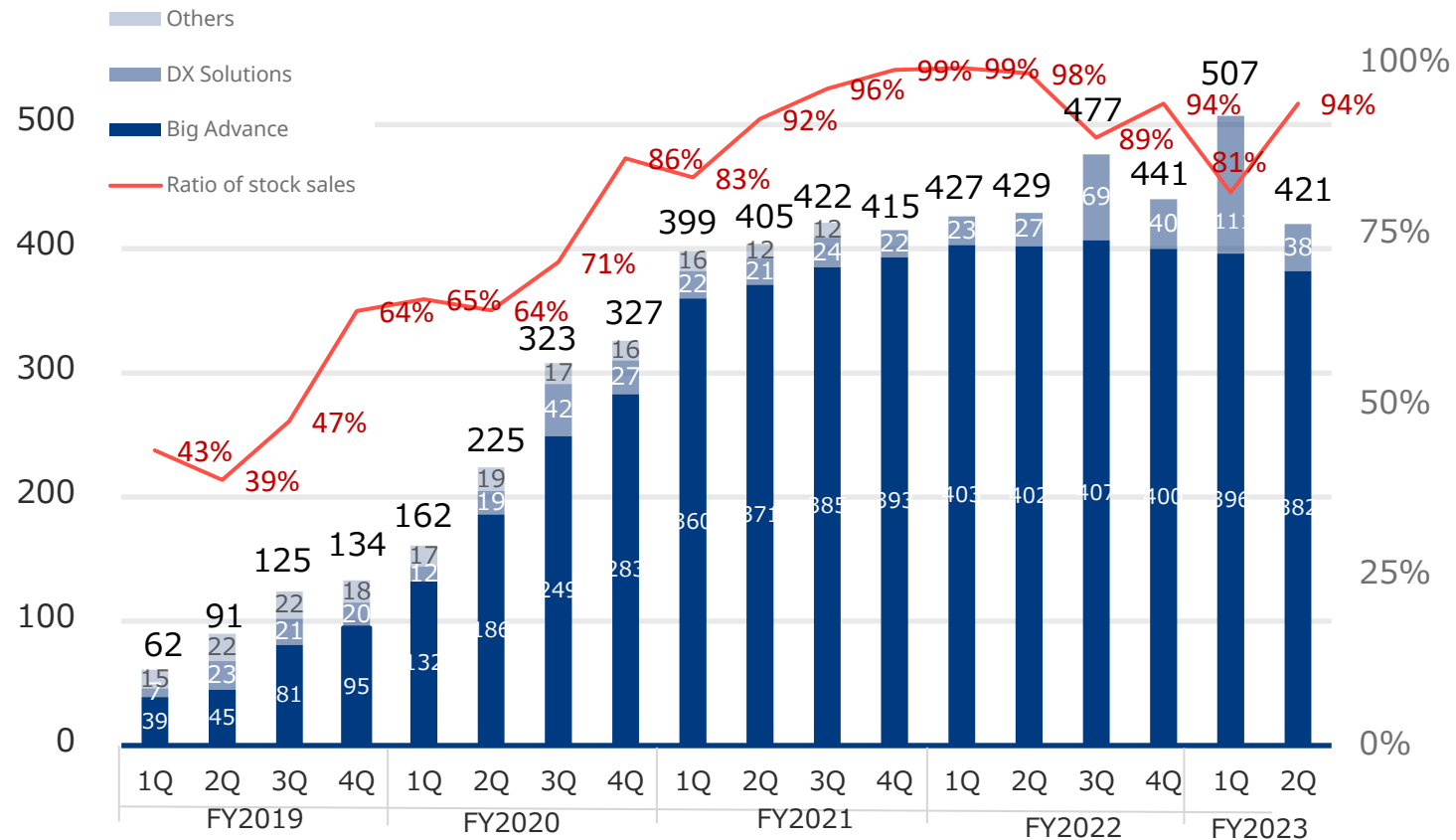
(*1) Following a transition to the consolidated financial statements since 3Q of March 2023, the YoY comparison is based on stand-alone earnings from the previous period for reference purpose.

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

Trends in Quarterly Sales

- Big Advance sales declined due to a decrease in the number of member companies.
- DX Solutions sales decreased compared to the first quarter due to the termination of FAI and SHARES services following the “selection and concentration” of the business.
- The ratio of stock sales (*2) stayed high at 94%.

Unit : JPY mil.



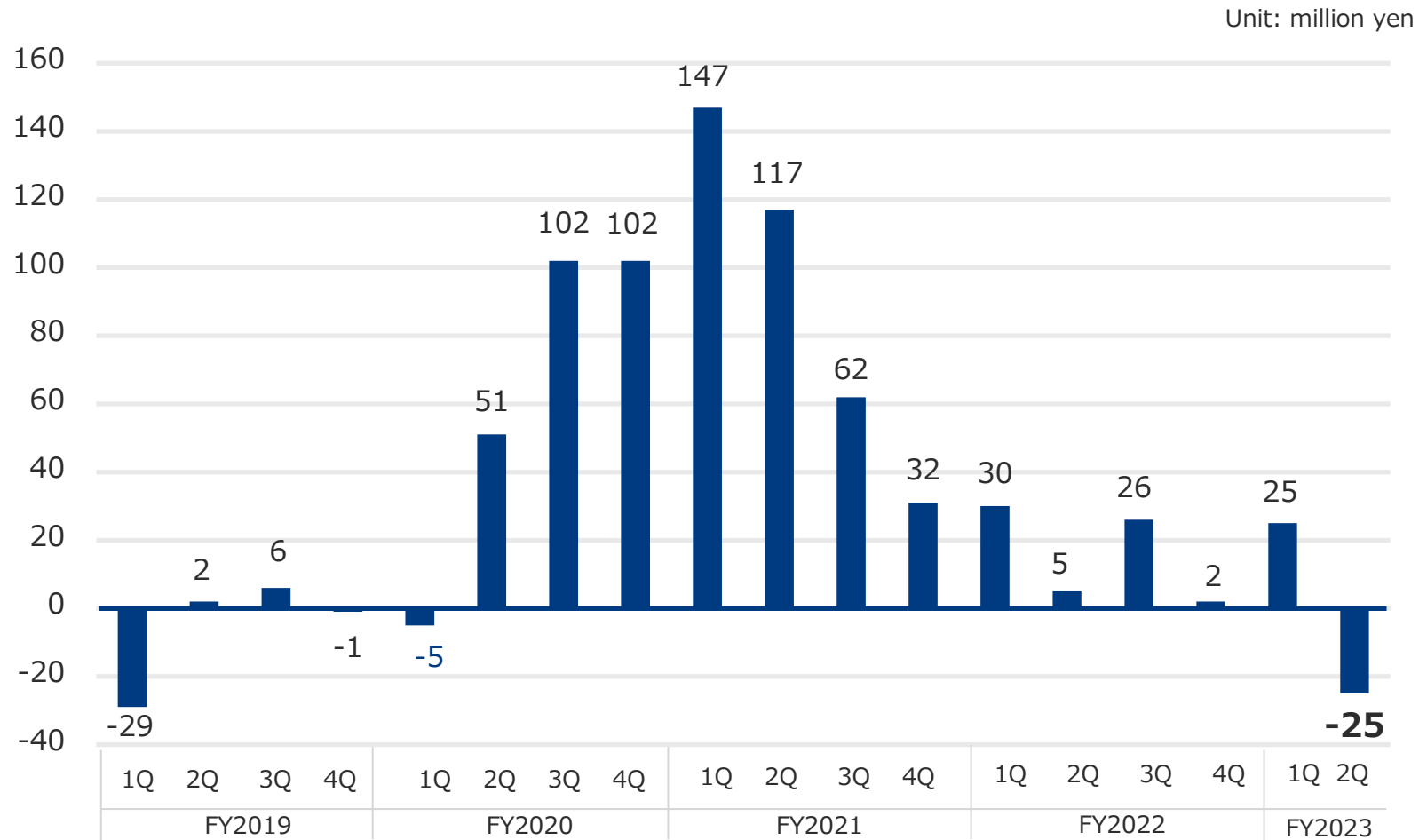
(*1) Stand-alone results used until 2Q of FY2022, and consolidated results from 3Q of FY2022.

(*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

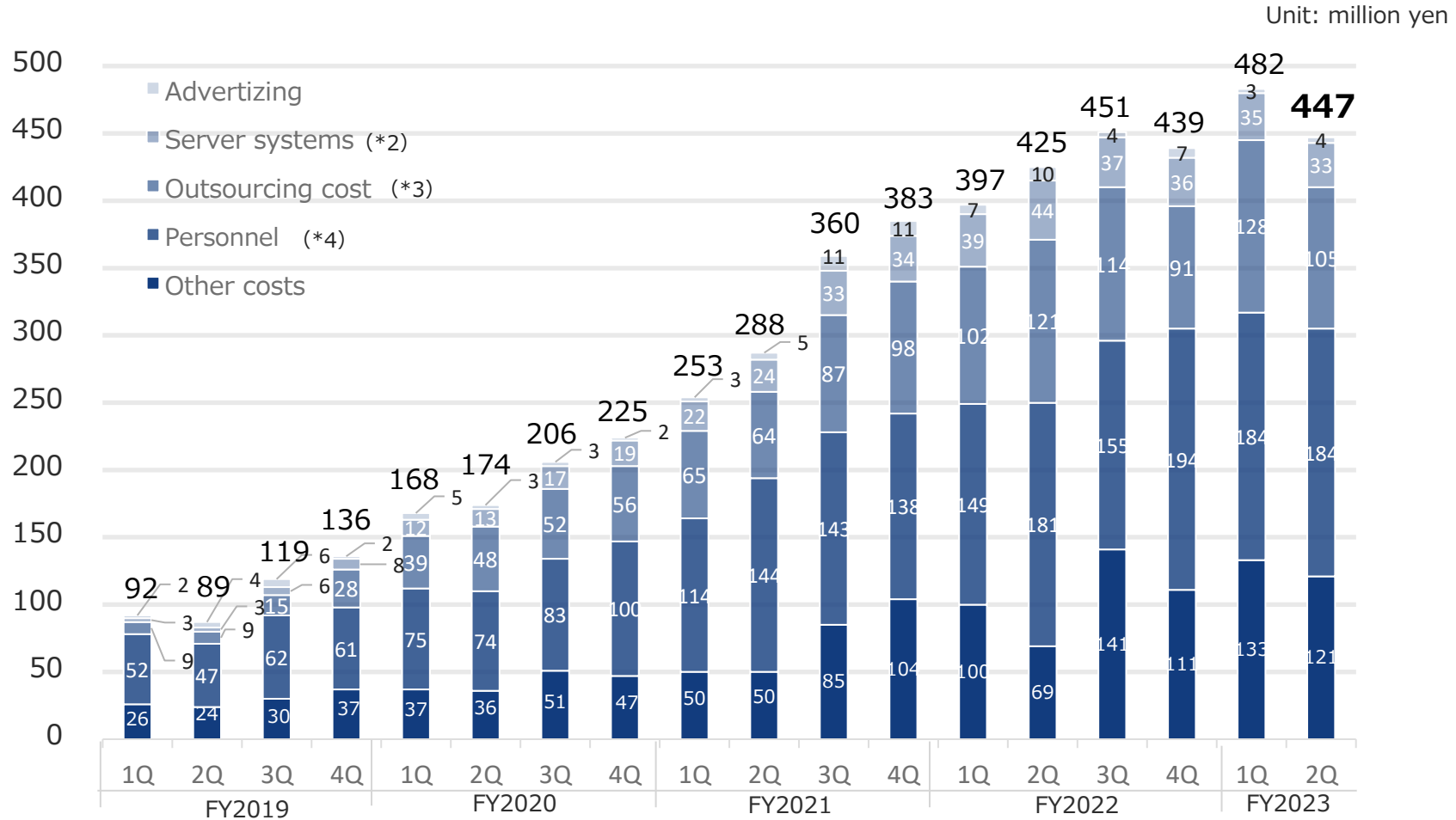
- As initially planned, investment was prioritized in growth such as personnel for the development of new functions and services.
- From 3Q onwards, outsourcing costs will be reduced on the back of enhanced development capabilities.



(*) 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

- While continuing to invest in growth, cost structure was reviewed, and outsourcing expense was cut in 2Q compared to 1Q.



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

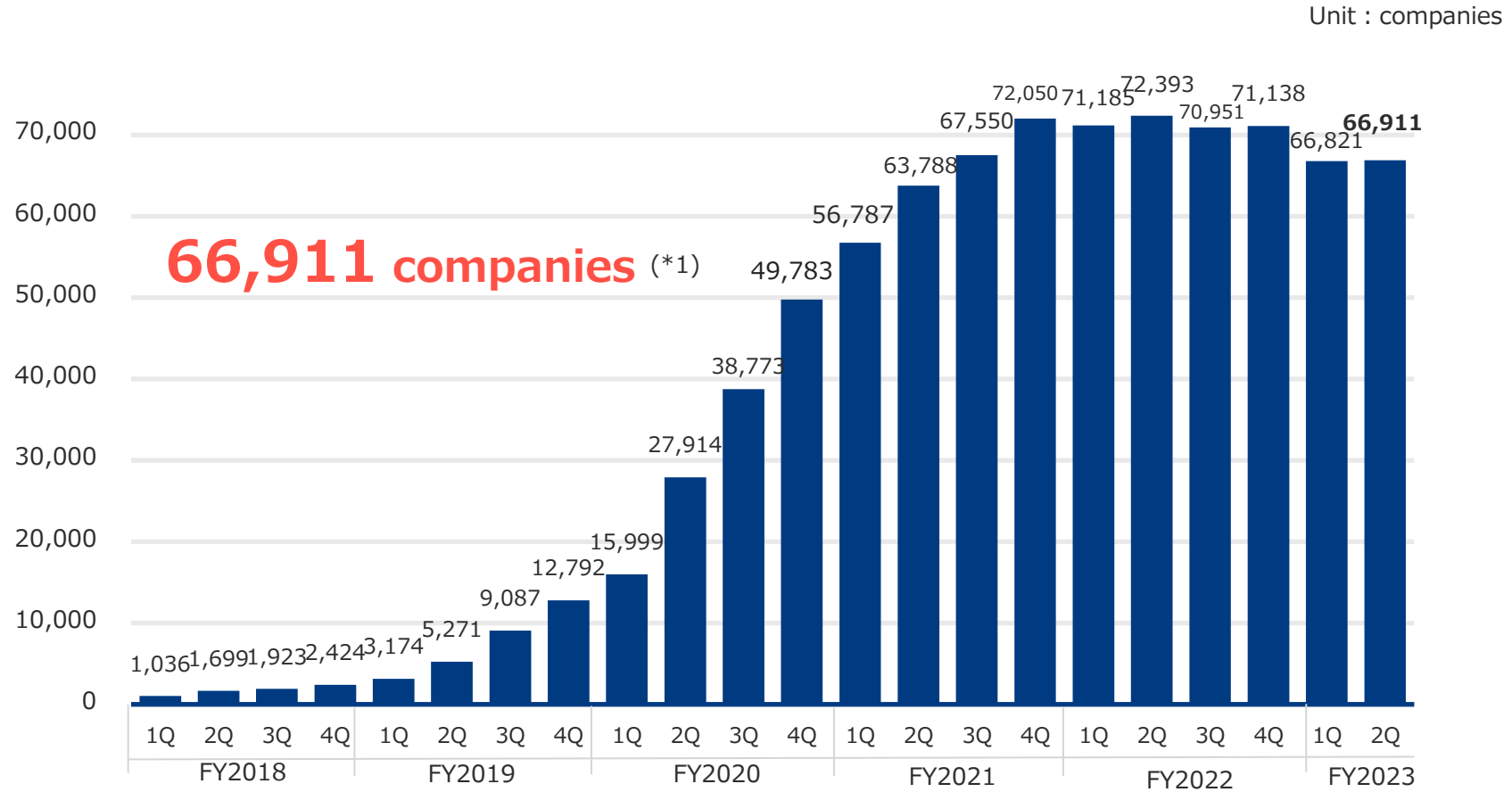
(*2) AWS and web system usage fees. CoGS

(*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.

Quarterly Trends of Member Companies

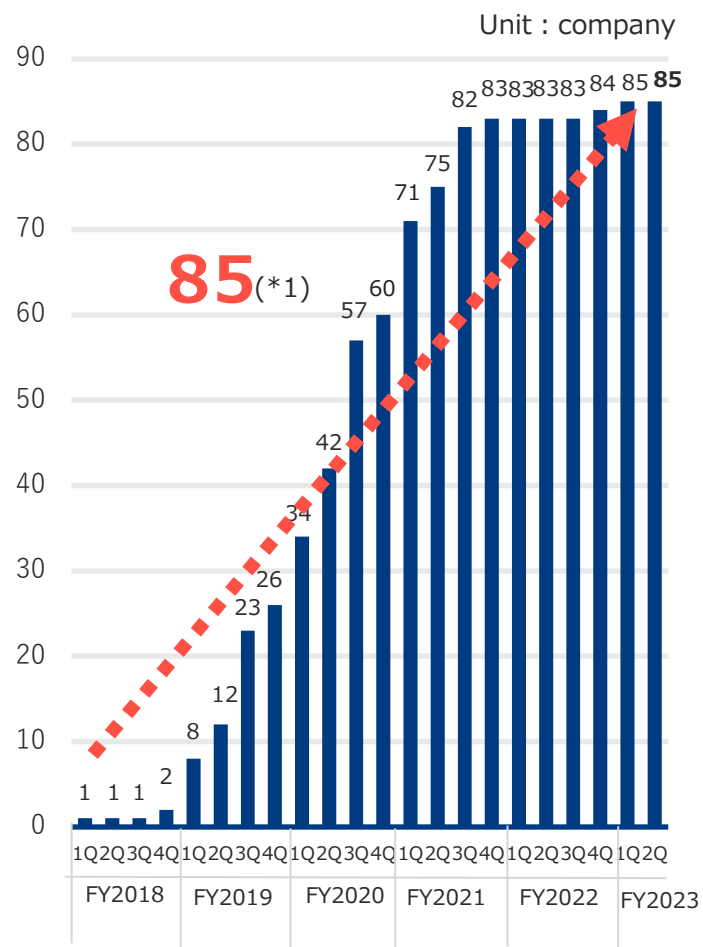
- The number of member companies stands at 66,911, a YoY increase of 11 companies.
- Mass withdrawals of member companies, due to contractual changes following amendment to the content of corporate services at certain financial institutions have abated, and member companies are in a slight increase.



(*1) As of the end of September 2023

Trends in the number of BA-installed Financial Institutions

- Number of BA-installed financial institutions stayed the same as end of last quarter at 85.



(*1) As of the end of September 2023

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 / Osaka shoko Shinkin 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

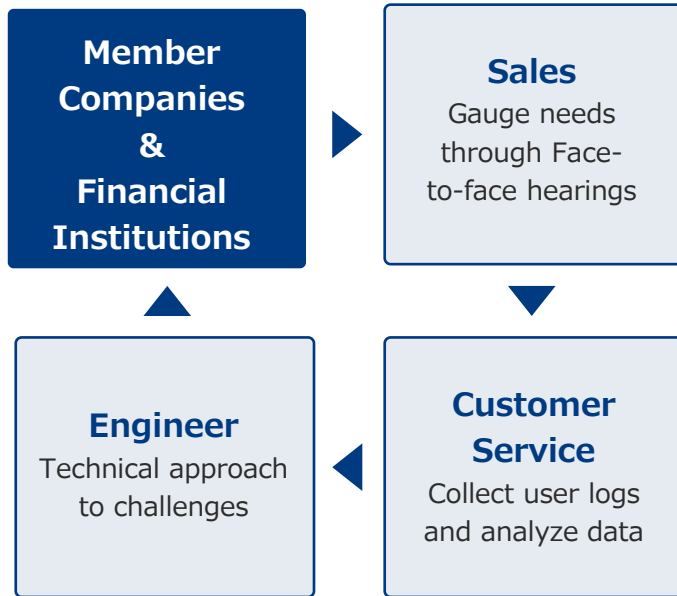
Kyushu / Okinawa Region

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

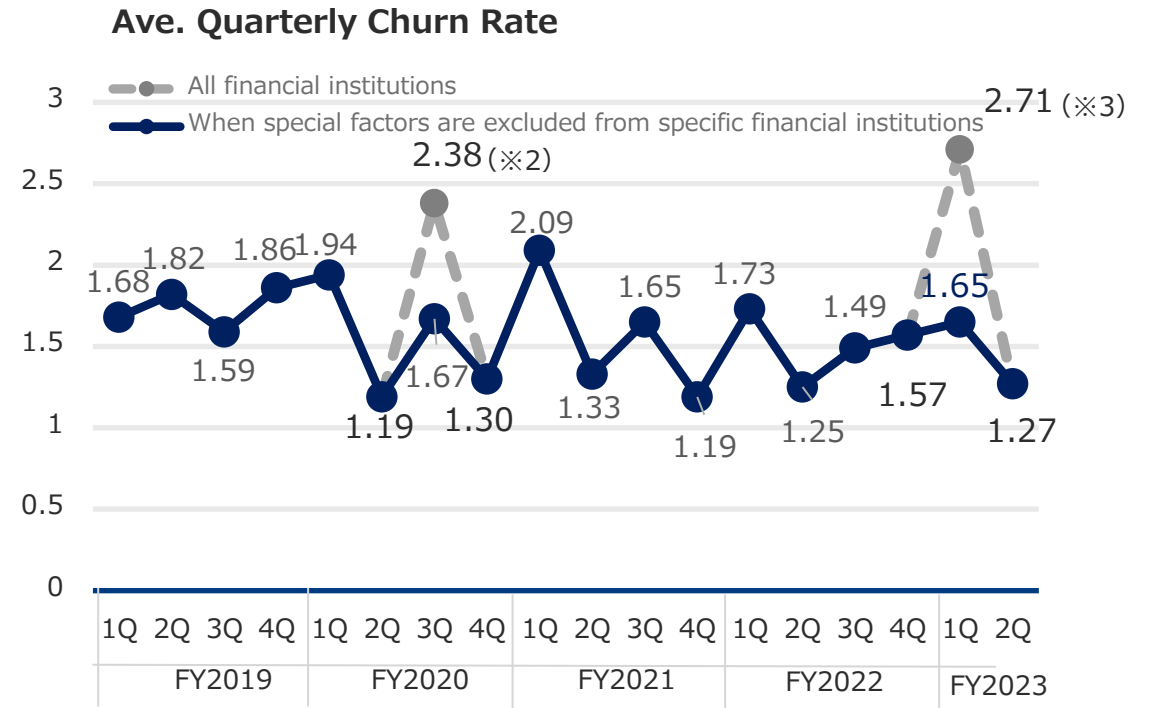
Sustaining users with quick improvements to functions

- 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 1.76% (*1)



(*1) Churn rate: (Unsubscribed companies during the month) / (Subscribed companies at previous month end (12-month average from October 2022 to September 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.

(*3) The churn rate rose for a while in March and April 2023 due to special factors at certain financial institutions. Besides this, the average churn rate in Q1 FY2023 was 1.65%.

04

**Progress on
mid-term
management plan**

“Roadmap of Growth Strategy” for mid-term management plan / Enhanced Functions for the CHANTO Invoice (Electronic Invoice) / Consulting Service for Government Subsidies

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

Strategy for DX Solutions

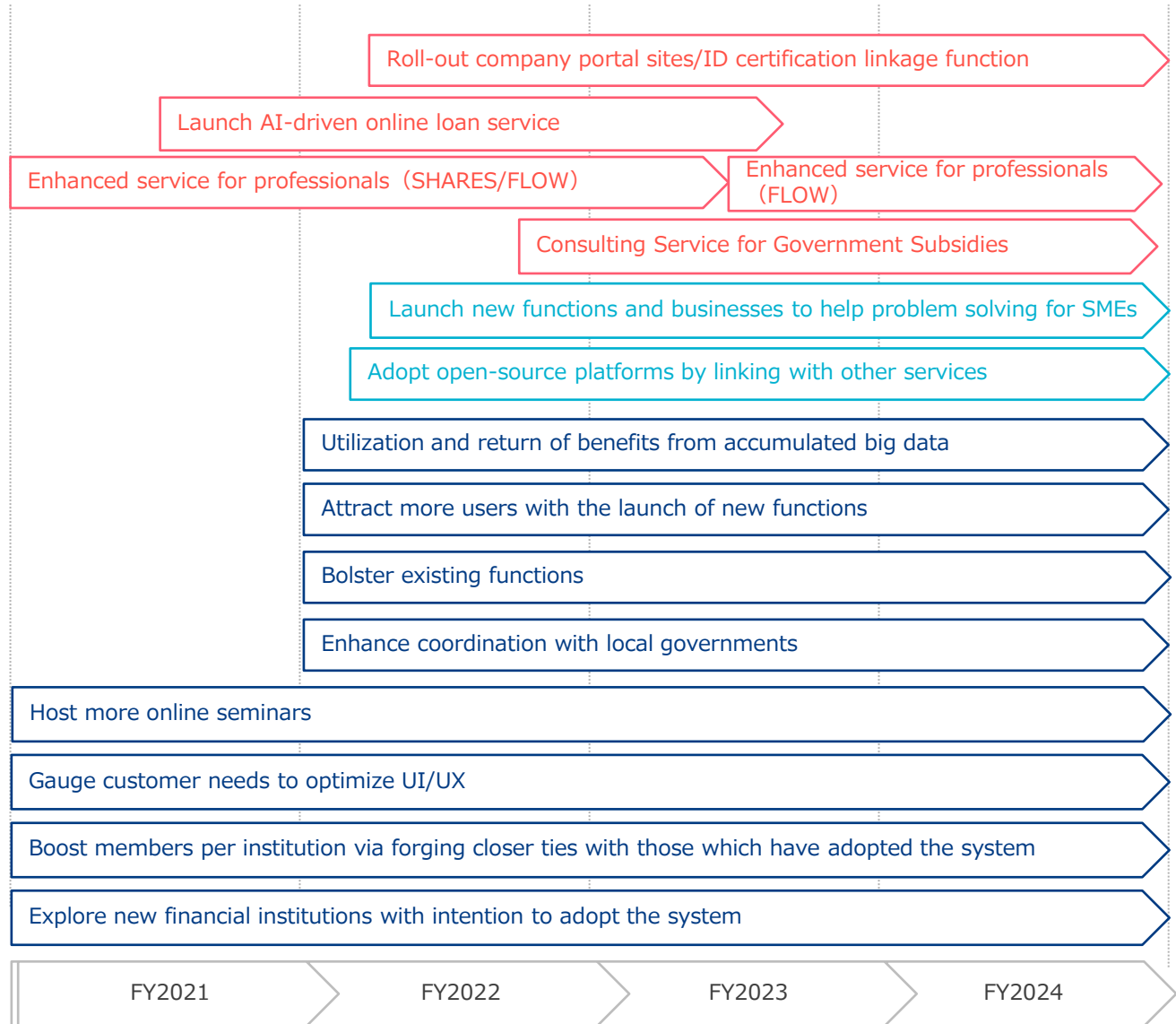
- DX support for financial institutions
- DX support for SMEs
- DX support for professionals

Strategy for boosting ARPA

- Adoption of open-platform and development of new business

Strategy for attracting more users

- Leveraging of data and expansion of functions
- Expansion of user base

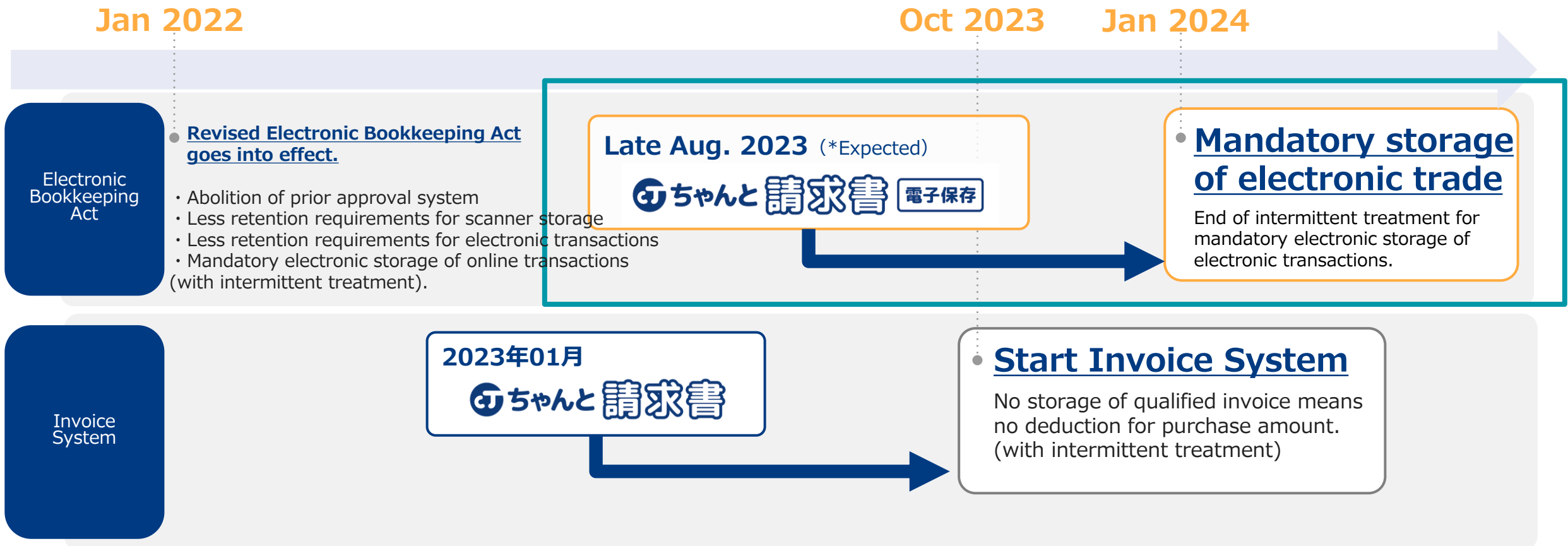


The largest management support platform for SMEs

Enhanced Functions for the CHANTO Invoice (Electronic Invoice)

- CHANTO Invoice Electronic Storage (Receiving function) to be released (August 2023) to comply with the mandatory electronic storage of electronic trades (Aug 2023).
- Compatible with the revised Electronic Bookkeeping Act (data storage) and the invoice system.

■ CHANTO Invoice and Invoicing Regulations



Consulting Service for Government Subsidies

- Steady adoption of subsidies for product manufacturing and business restructuring.
- Over the past year, the number of affiliated financial institutions and funds has increased by 11 companies.
- Established a system for providing consulting services for government subsidies to SMEs outside the Tokai region.



- ① **Top-class support on subsidies in the Tokai region.**
- ② **Wide range of support provided on subsidies.**
- ③ **Support provided by experienced professionals.**
- ④ **Understanding of “proprietary skills”.**
- ⑤ **Seminars held on subsidies and its application process.**

05

FY2023 estimates

**FY2023 Business Policy / The “CHANTO” series/
FY2023 Forecast**

FY2023 Business Policy

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

Action Plan for Big Advance

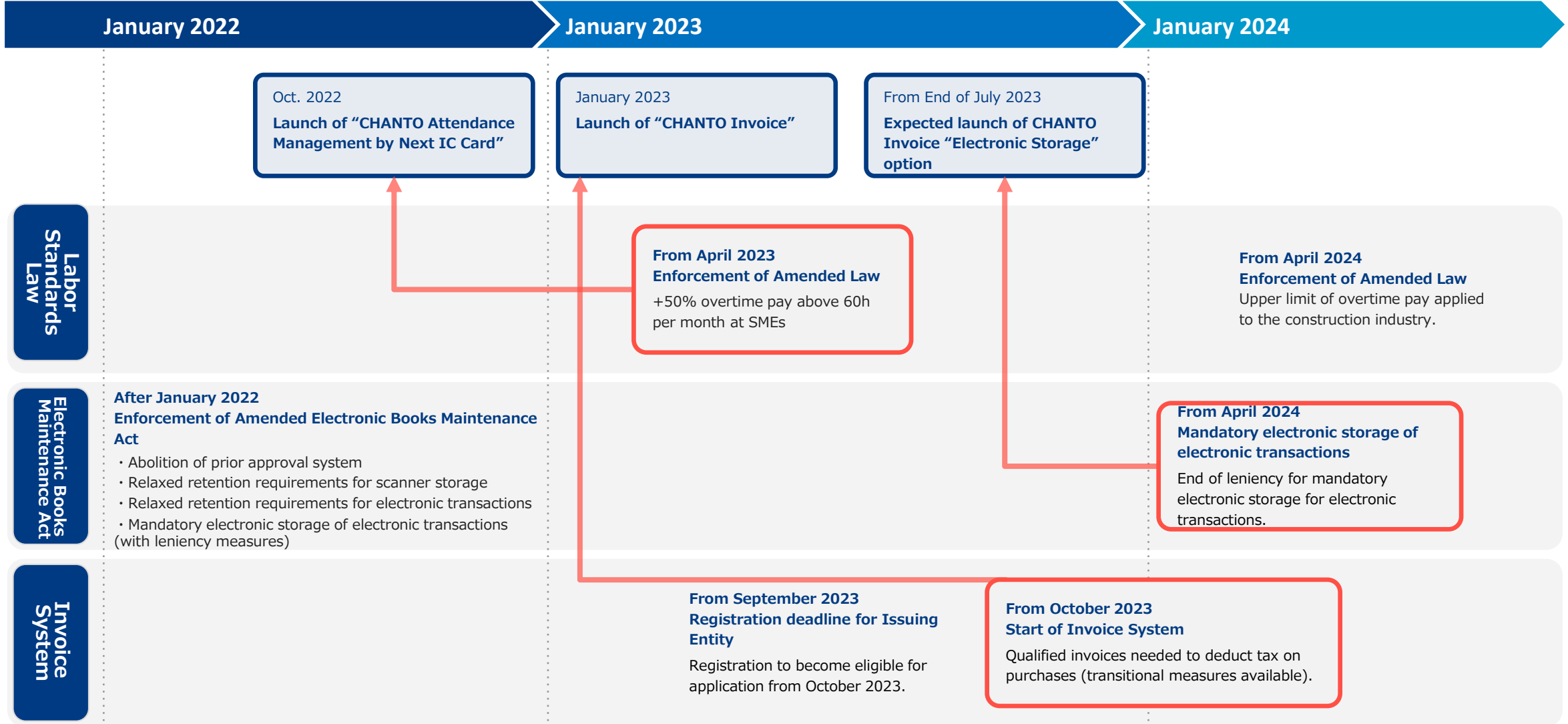
- Major updates to existing “Aggressive DX” features.
- Updates to “Defensive DX” features such as the “CHANTO series” with development and release of electronic storage capabilities.
- Improve UI/UX by upgrading design and the WEB guidance feature.
- Facilitate use of the business user accounts.
- Promote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

The "CHANTO" series

Addition of new features in line with legal amendments



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%

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.

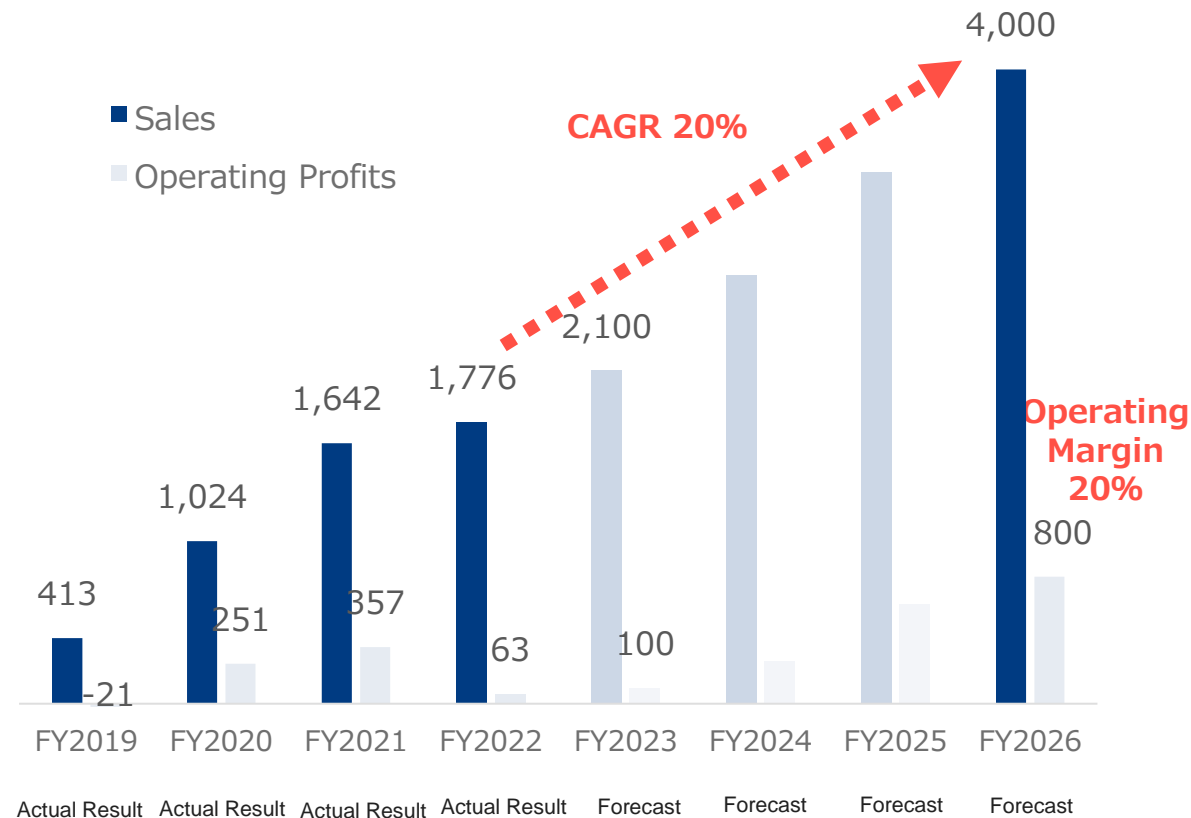
Unfortunately, many businesses do not see the light of day because they do not communicate the core values they have to offer.

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.

Mid-term Management Target

- Target sales growth at CAGR 20% through FY2026 by expanding the number of users, ARPA expansion, and DX solution strategy.
- Target 20% OM at JPY800 mil. OP by FY2026 through sales growth exceeding investment, despite an anticipated fall in OP due to investments on a temporary basis.

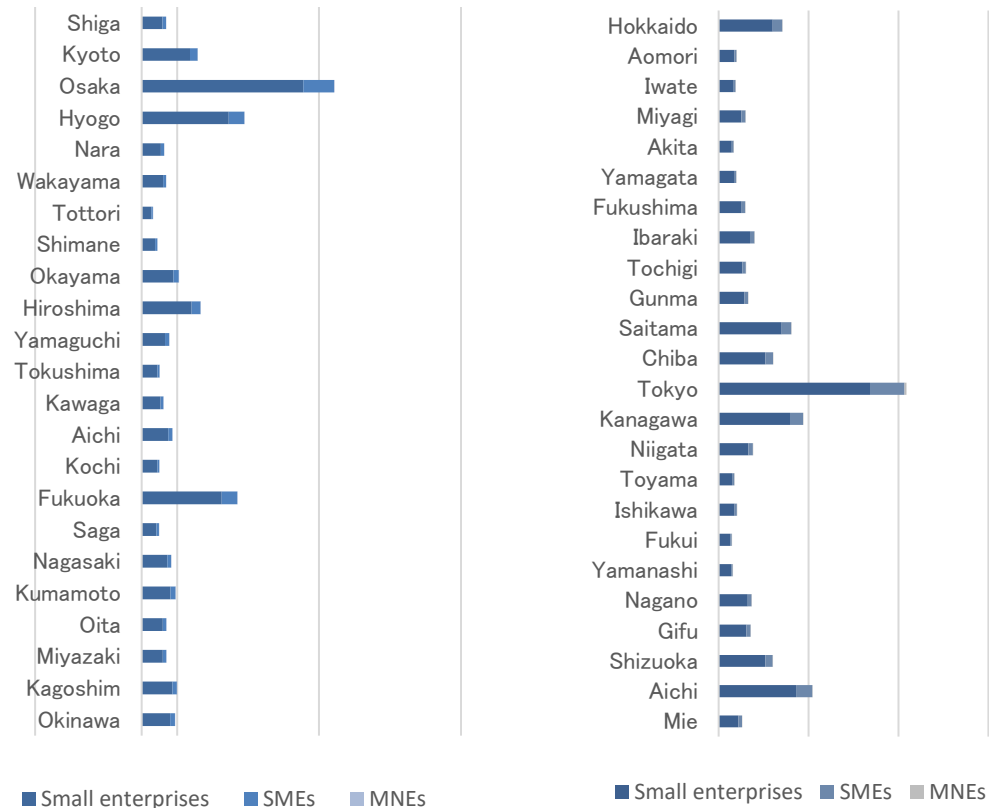


To become a core infrastructure for SMEs

- 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.

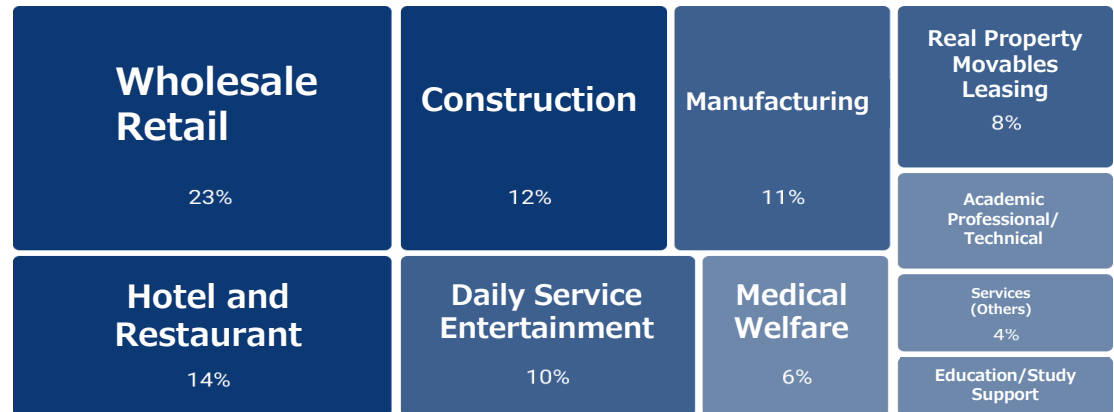
Number of companies by prefecture

(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)

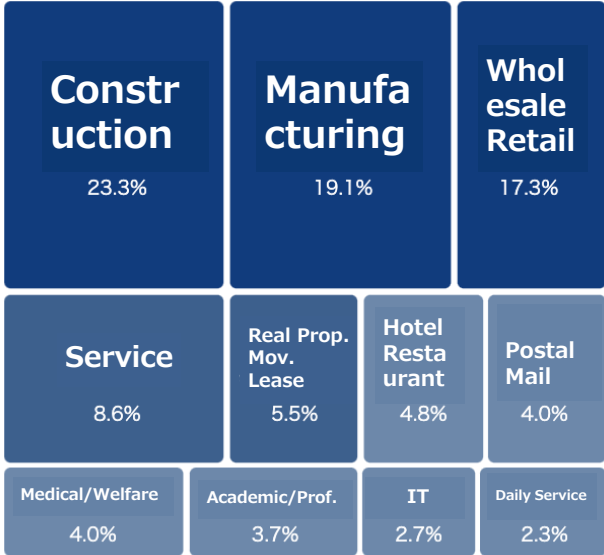
Effective networking with local financial institutions

- 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.

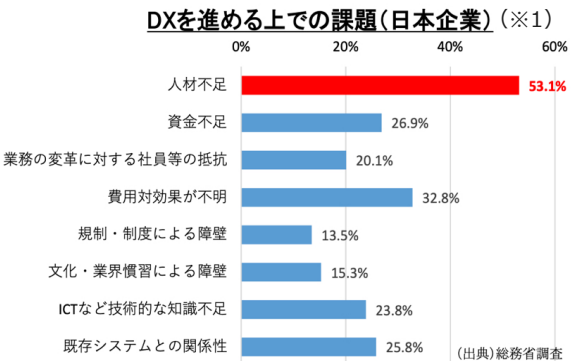


The top three industries of the member companies are construction, manufacturing and wholesale/retail.

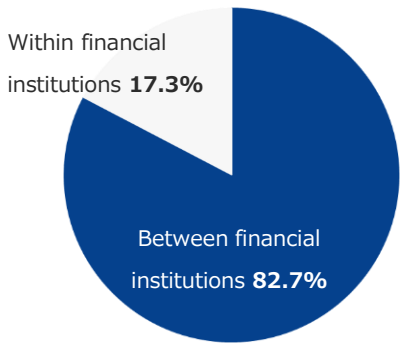
Advantages of using Big Advance (3)

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.



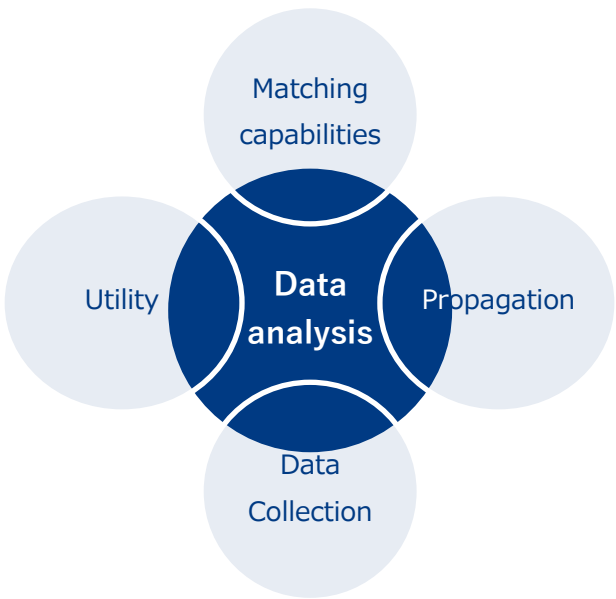
The main issues with DX is “lack of personnel” at 53.1%.



Business talks between regional and financial institutions comprise 82% of the business matching function offered by Big Advance.

Data-driven analysis and returns

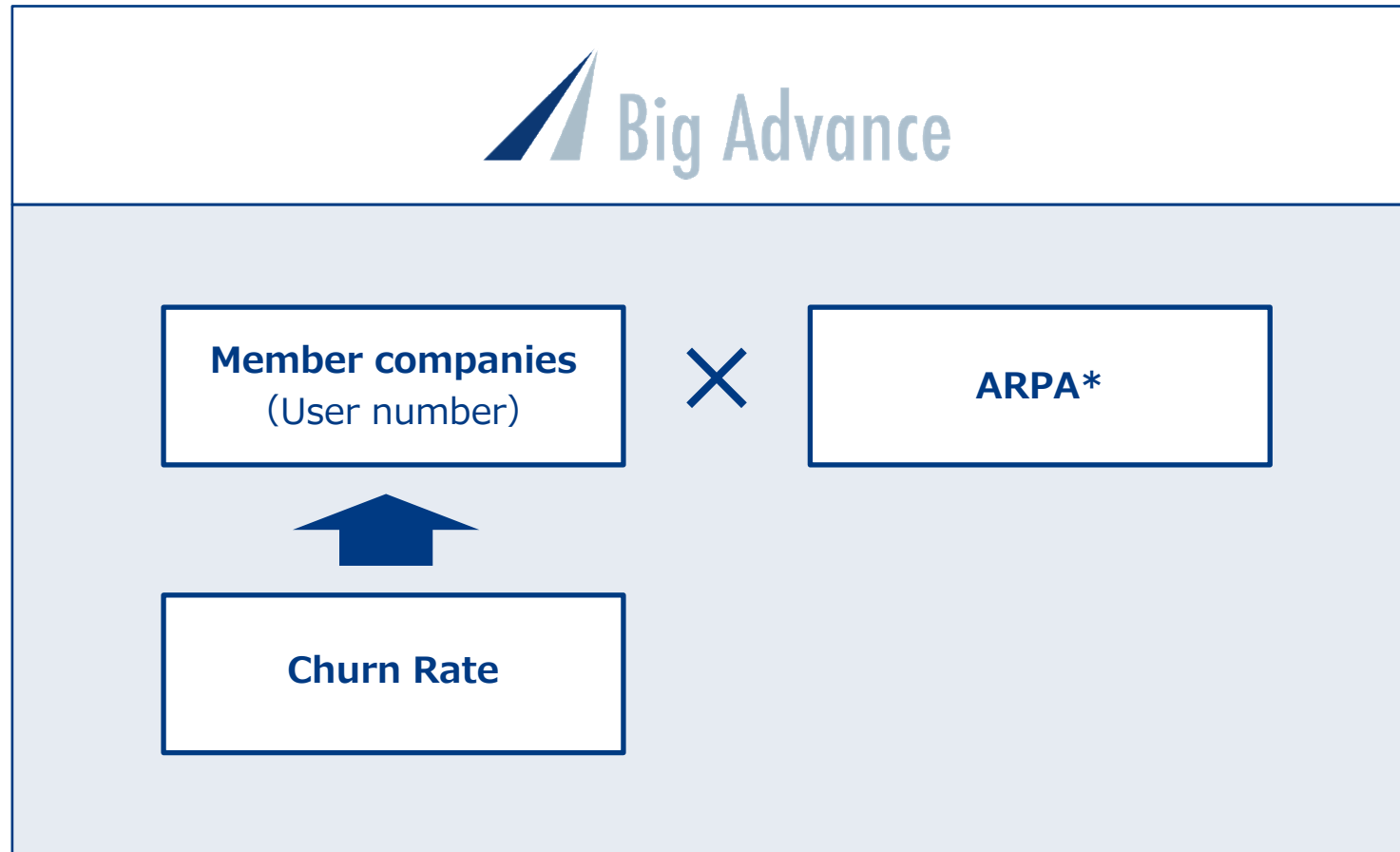
- Core business support to clients of financial institutions by offering data collected by Big Advance (data provisions to begin in April 2022).
- Business matching function offers AI-driven recommendations of business activities to companies.
- Presents ways of using Big Advance on the web, depending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

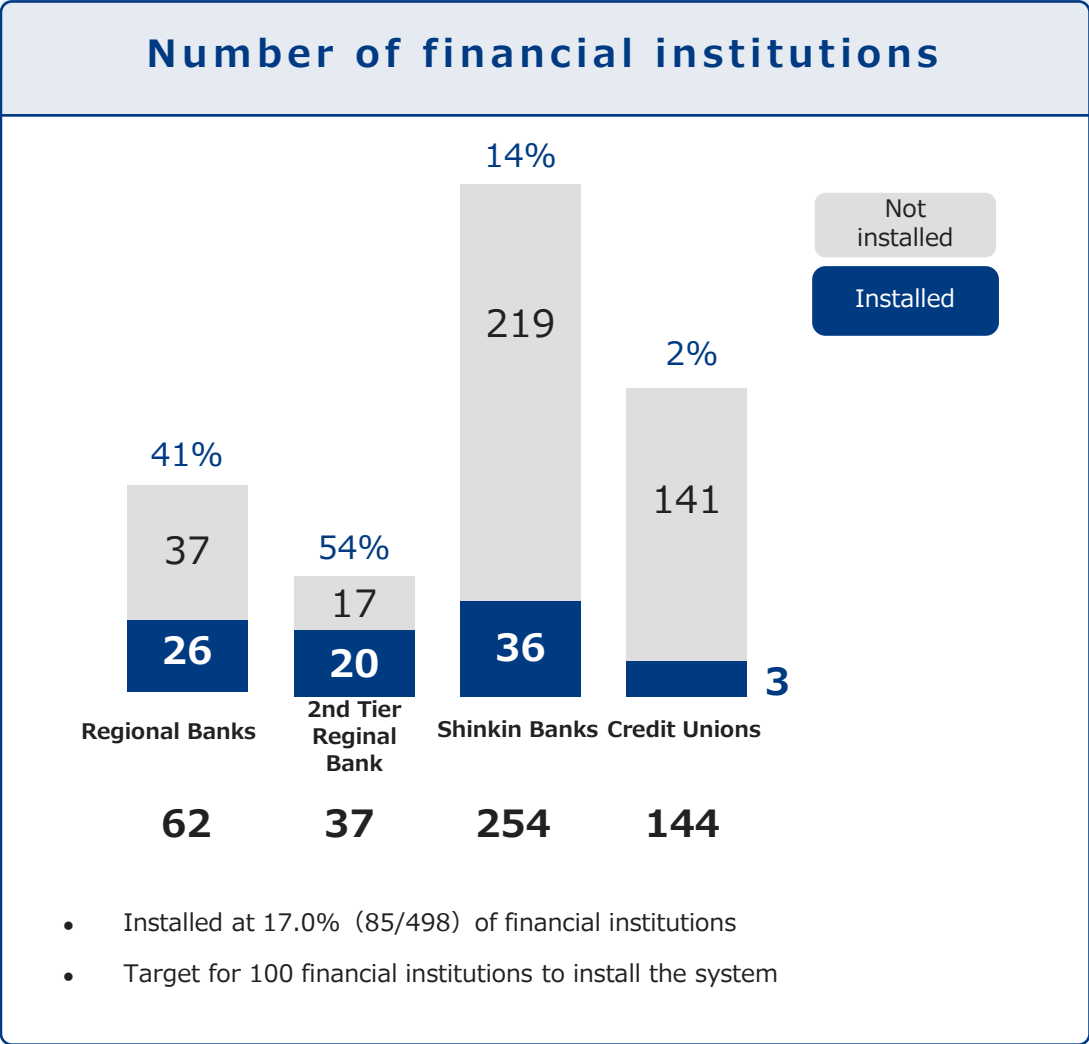
Evaluation Indicators

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

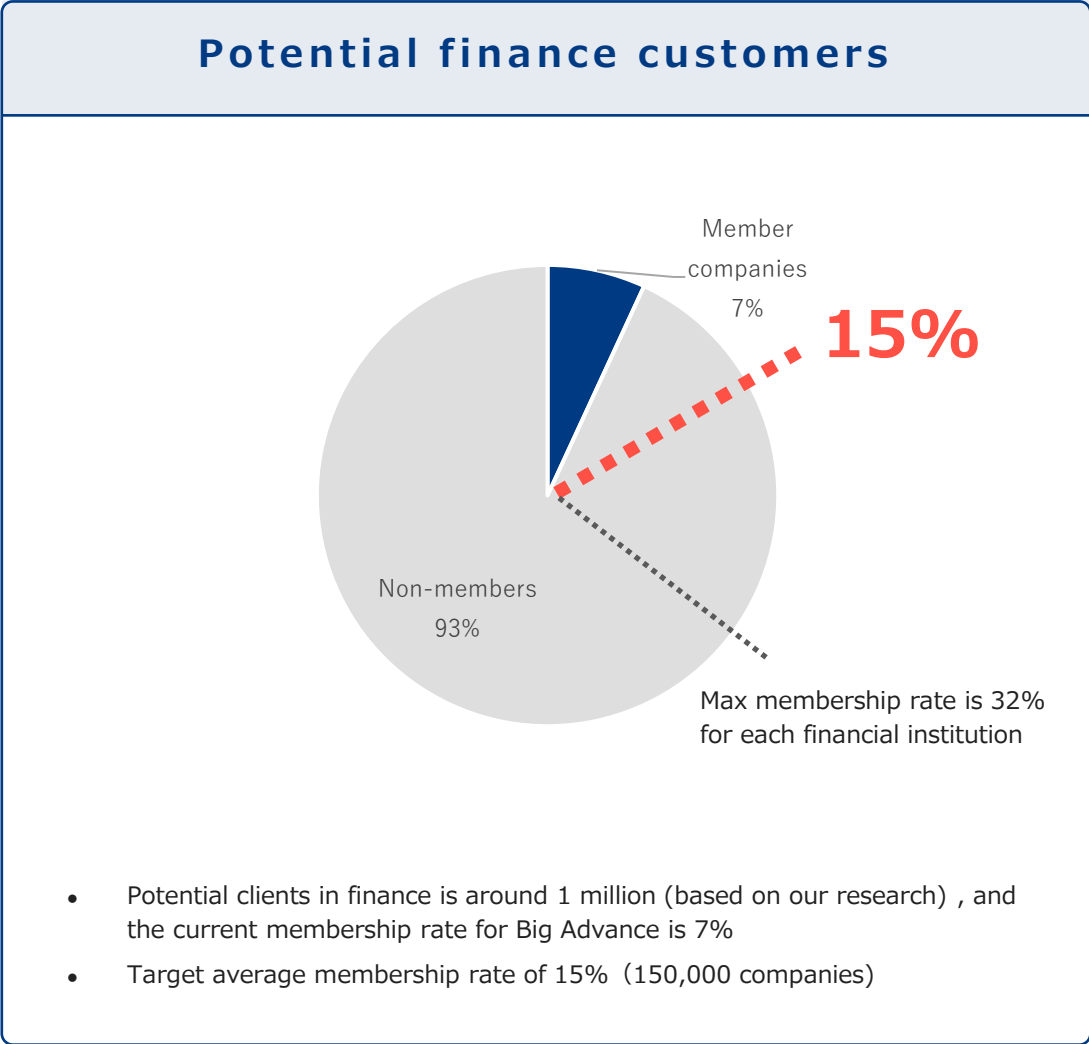


(*) ARPA stands for Average Revenue per Account, referring to average sales per account.

Attracting more users (1): Expanding the user base



(as of 30 September 2023)



(Based on the 85 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)

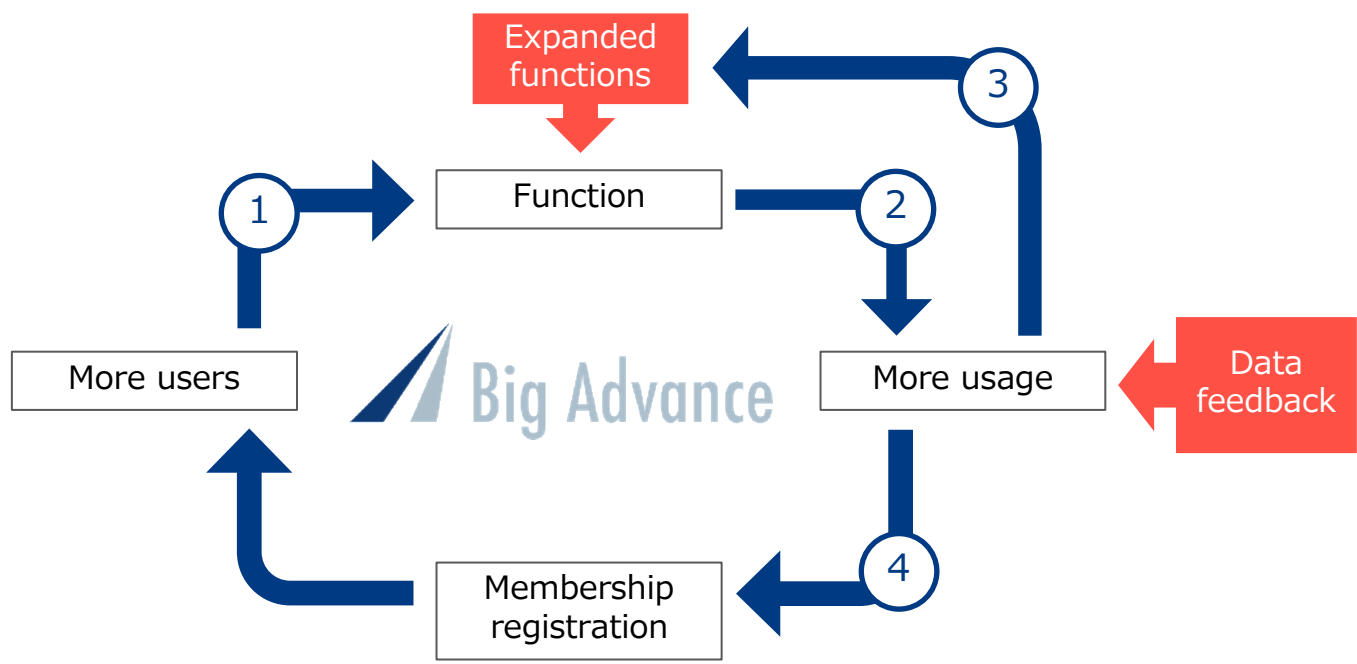
Online press conference



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.

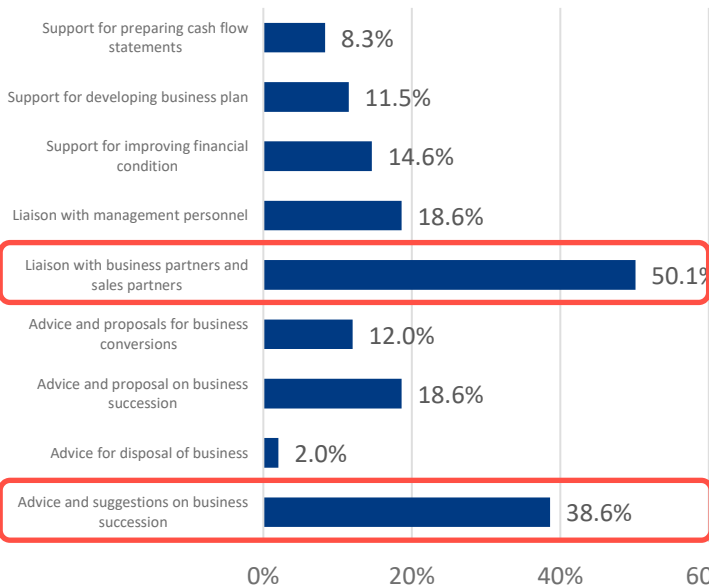
Strategy to raise ARPA: New business development

- Develop solutions to resolve various issues encountered by SMEs.
- Take M&A opportunities into account of any solutions.

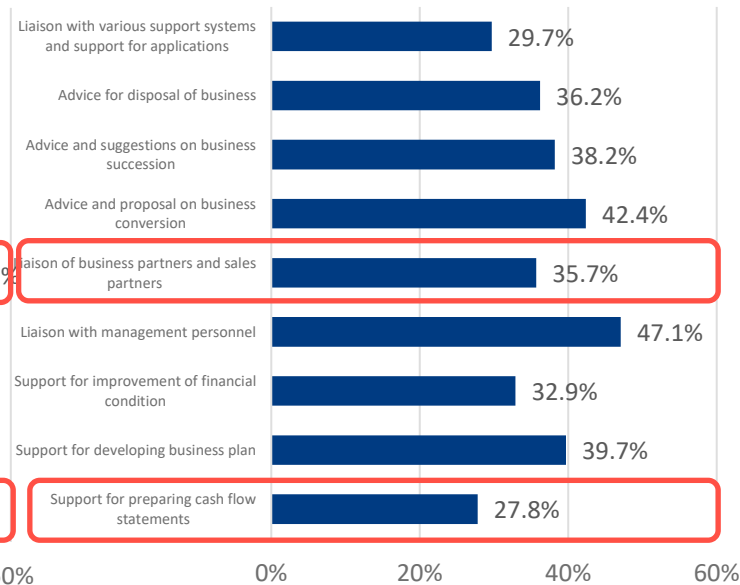
Company surveys

Services from financial institutions wanted by SMEs, which they would pay for. (*1)

Services in demand

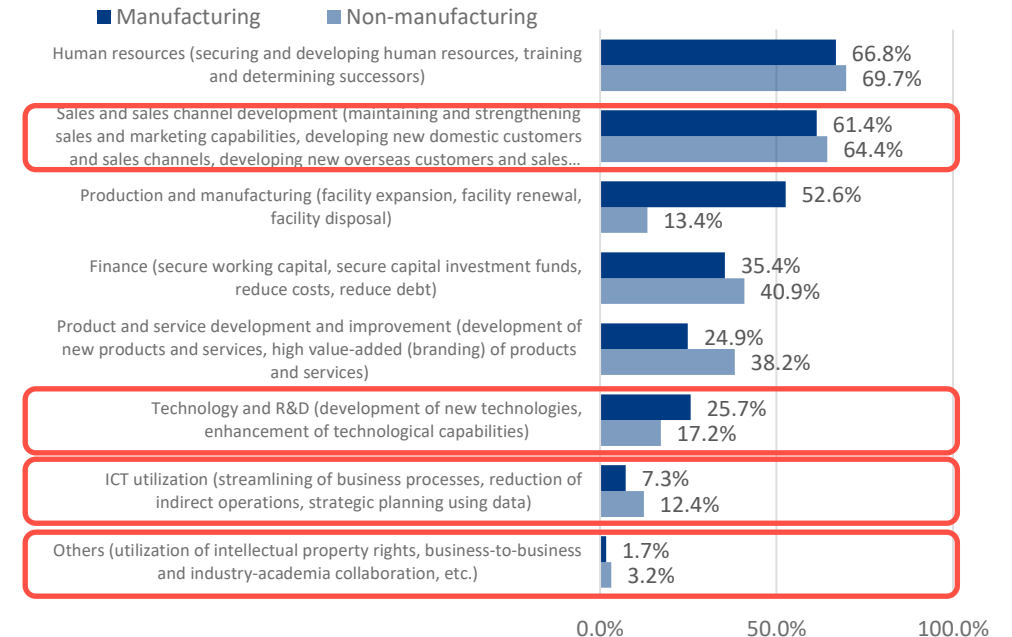


Services worth paying a commission



Survey on SMEs' issues and public support needs

Major issues faced by small enterprises (*2)



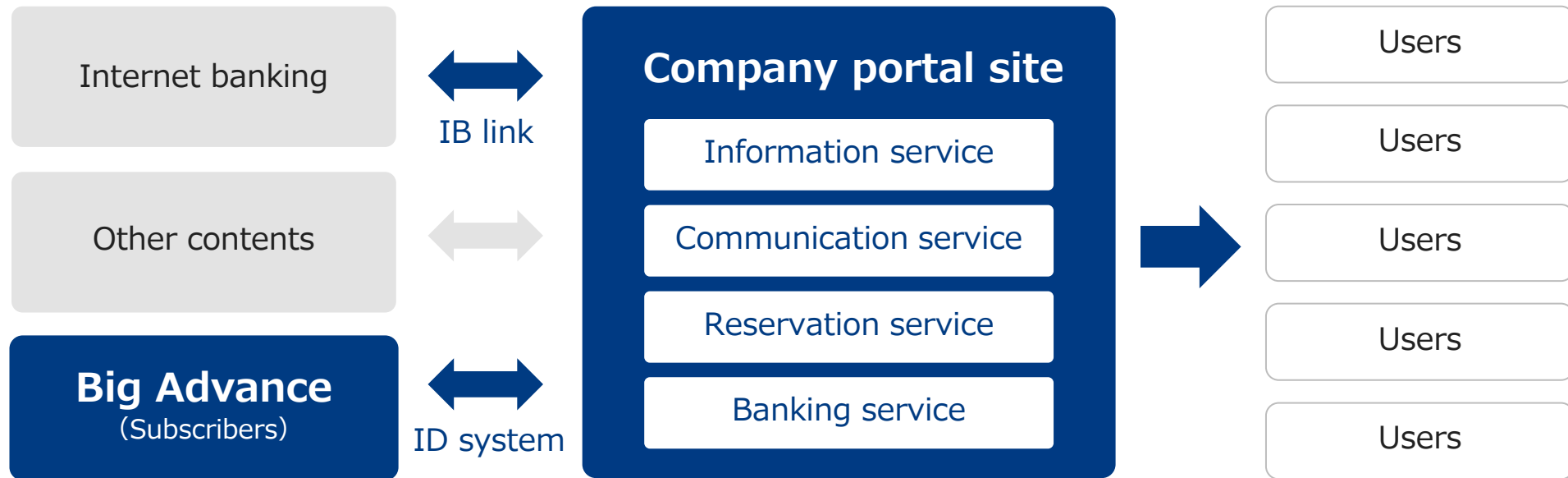
(*1) Financial Services Authority "The JFSA Strategic Priorities July 2021-June 2022"

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

 ...Services already offered by Big Advance

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.



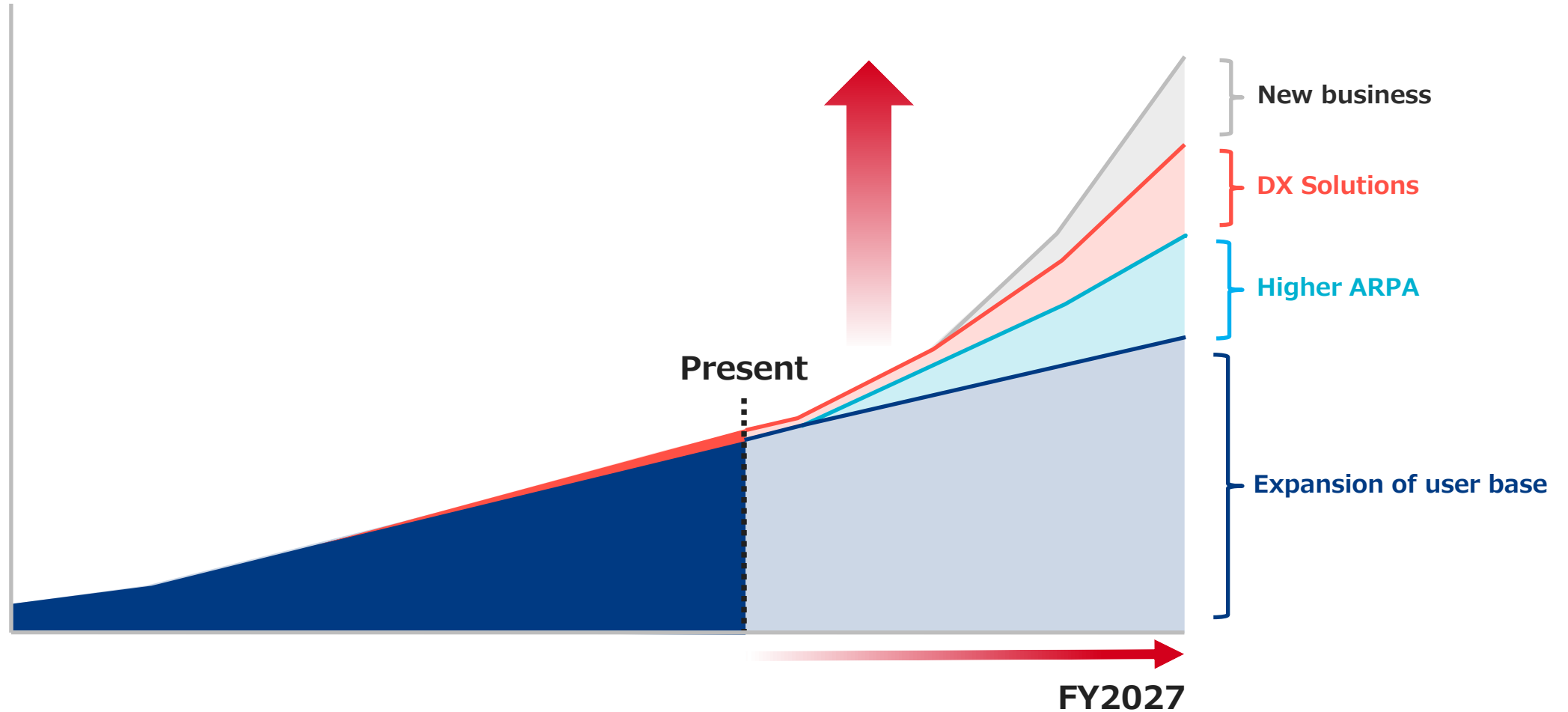
Track records

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 4 others

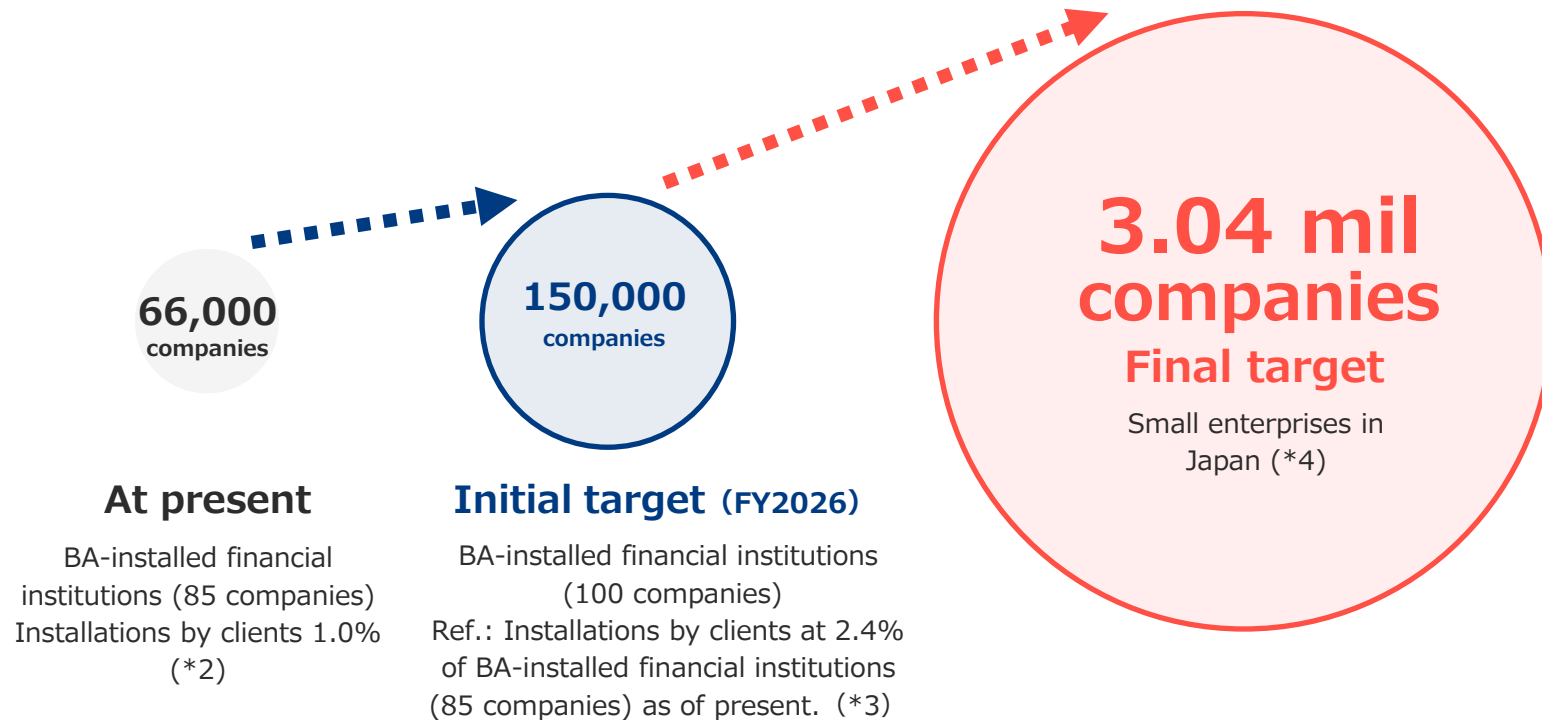
Growth scenarios in the mid-term management plan

- 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 (85 companies) = 6.49 million in total (as of March 31, 2021)

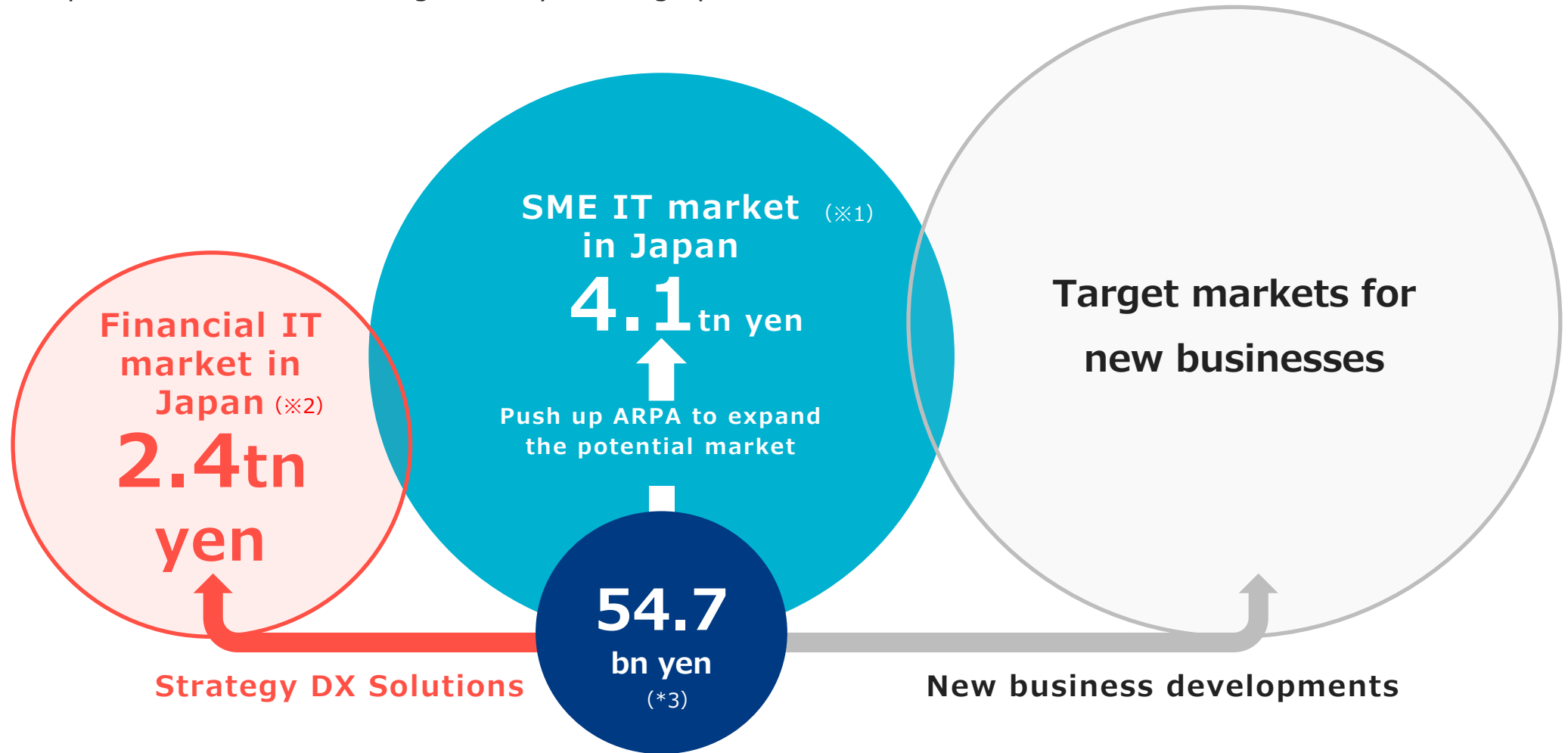
(*2) Installation rate at clients = Big Advance member companies / number of corporate clients of the 85 BA-installed financial institutions (as of March 31, 2021)

(*3) 150,000 companies / Number of corporate clients of the 85 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.

Objective	<ul style="list-style-type: none">• Grant incentive for executives and employees for mid- to long-term business growth.• Offer competitive salaries for recruiting top talent.
Detail of the scheme	<ul style="list-style-type: none">• The ratio of restricted stock and stock options shall be decided based on the stock price and other factors at the time of grant.• Assumes an annual issuance cap of approximately 1% of outstanding shares, with a maximum dilution of 5% over the next five years (2022 – 2027).• 2.5% of total shares outstanding, including restricted stock and unexercised stock options as of FY2022.

- 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.

