



Second Quarter for FY2021 Financial Result

KOKOPELLI Inc. (stock code: 4167)

November 15, 2021



Index

01. **FY2021 Second Quarter Result** pp. 3-12
 Financial Highlights / Balance Sheet / Profit and Loss Statement
 Net Sales Trend / Net Sales Trend of “Big Advance” / Trends in Operating Income and Loss
 “Big Advance” Used for Promoting Local Economy / Improving Product Recognition of “Big Advance”
 “BA Finance” Released
02. **Our Business (Big Advance)** pp. 13-20
 “Big Advance” / How “Big Advance” Works / Quarterly Trend in Customer Company Numbers
 Trend in Member Financial Institutions Numbers / Churn Rate Trend
 Effect of Introducing “Big Advance” / Sustainable Development Goals (SDGs)
03. **FY2021 Outlook** pp. 21-25
 FY2021 Management Policy / Trends in Net Sales and Operating Income / FY2021 Outlook
 Growth Strategy for the Future
04. **Supplementary Materials** P26-36
 Company Information / Management Philosophy / Background: Current Status & Challenges for SMEs
 Background: Current Status & Challenges for Regional Financial Institutions / Support for DX by SMEs
 Further Expansion of Users / High Value-Added Services through Data Use /
 AI (Artificial Intelligence) Module “FAI” / About this Material

01.

FISCAL YEAR 2021 Quarterly Financial Results

Financial Highlights / Balance Sheet / Profit and Loss Statement

Net Sales Trend / Net Sales Trend of “Big Advance” / Trends in Operating Income and Loss

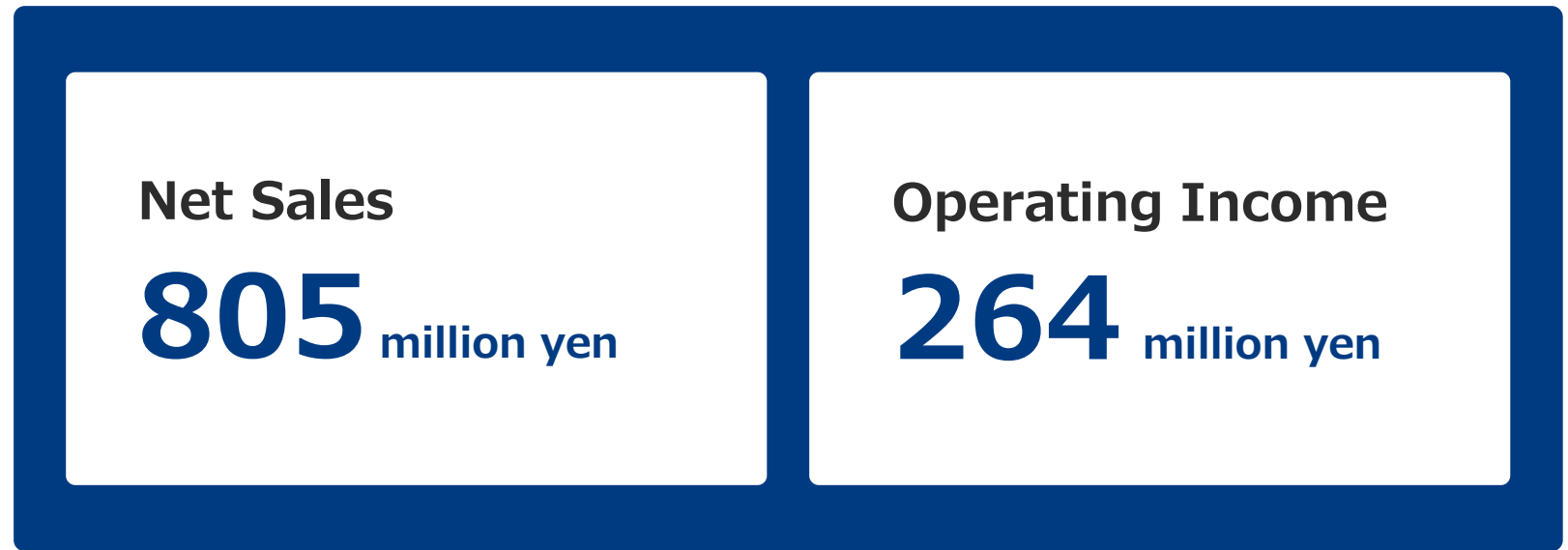
“Big Advance” Used for Promoting Local Economy

Improving Product Recognition of “Big Advance” / “BA Finance” Released

Quarterly Results

FY2021

Financial Highlights



Achievements of “Big Advance”



(※1) Churn rate: (the number of withdrawing companies during a month) / (the number of using and paying companies as of the end of the previous month. 12-month average from October 2020 to September 2021)

Unit: million yen

Quarterly Results

FY2021 2Q Profit and Loss Statement

Profit increased due to an increase in the number of financial institutions and customer companies that have introduced "Big Advance"

Operating Income increased due to an increase in Net Sales

	vs. FY2020 2Q	FY2021 2Q	Amount of variance	Percentage of variance
Net Sales	388	805	416	+107.4%
Operating Income	46	264	217	+469.6%
Ordinary Income	46	262	216	+466.3%
Net Income	40	193	153	+382.2%

Unit: million yen

Quarterly Results

FY2021 2Q Cash Flow Statement

Fixed Assets increased due to, among others, having appropriated a part of expenses for developing "Big Advance" to intangible fixed assets in the software suspense account and having recorded the payment of security deposit for our new office

The capital adequacy ratio is now 87% and our financial strength is maintained

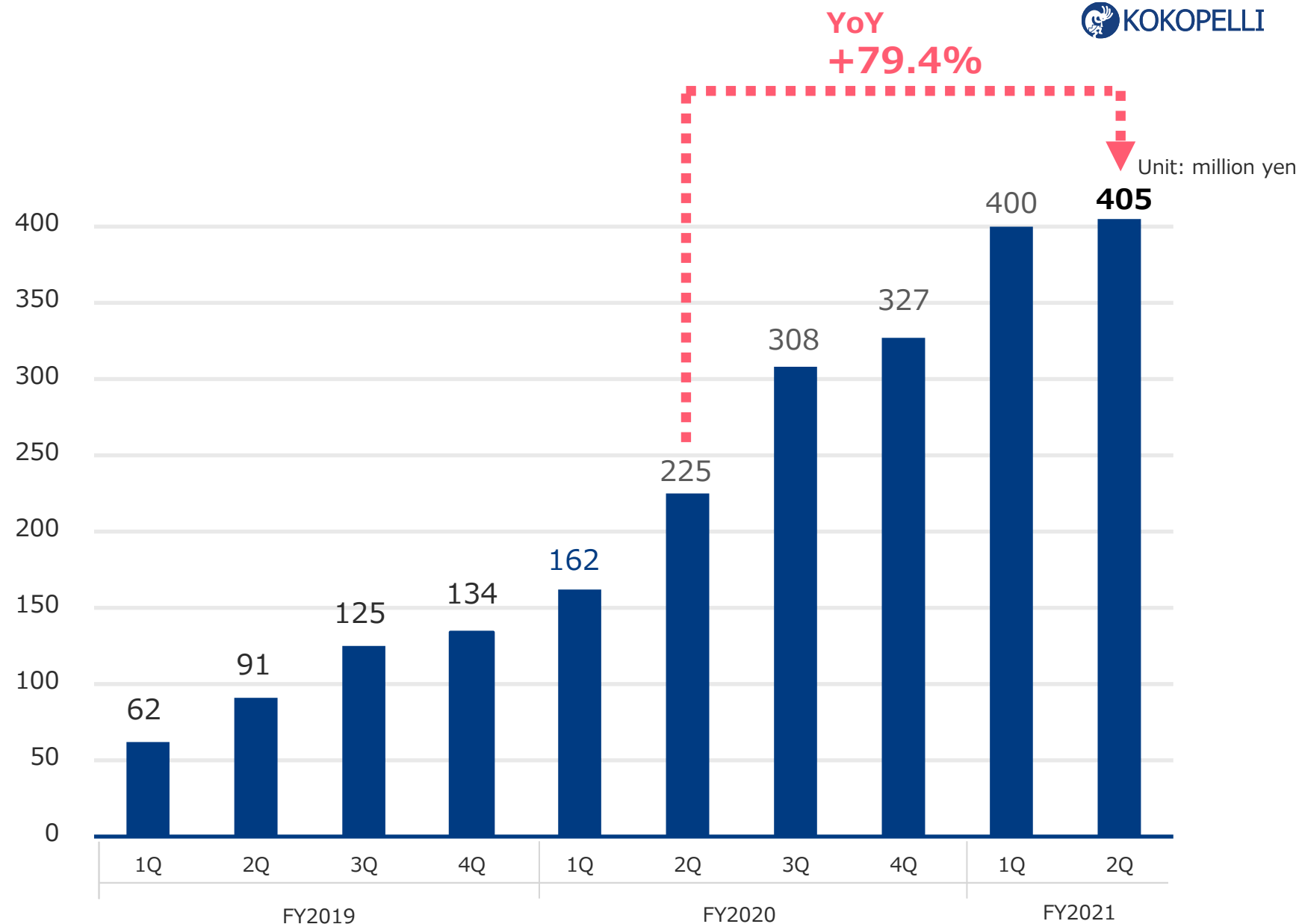
	FY2020	FY2021 2Q	Amount of variance	Percentage of variance
Current Assets	1,664	1,832	168	+10.1%
Fixed Assets	83	193	109	+130.8%
Current Liabilities	195	256	60	+31.1%
Long-term Liabilities	—	—	—	—
Total Liabilities	195	256	60	+31.1%
Shareholders' Equity	1,552	1,762	210	+13.6%
Total Net Assets	1,552	1,769	216	+14.0%
Total Assets	1,747	2,025	277	+15.9%

Quarterly Results

Net Sales Trend

Steady increase in the number of financial institutions and customer companies that have introduced "Big Advance"

Net Sales grows significantly to 405 million yen, up 180 million yen vs. FY2020 2Q



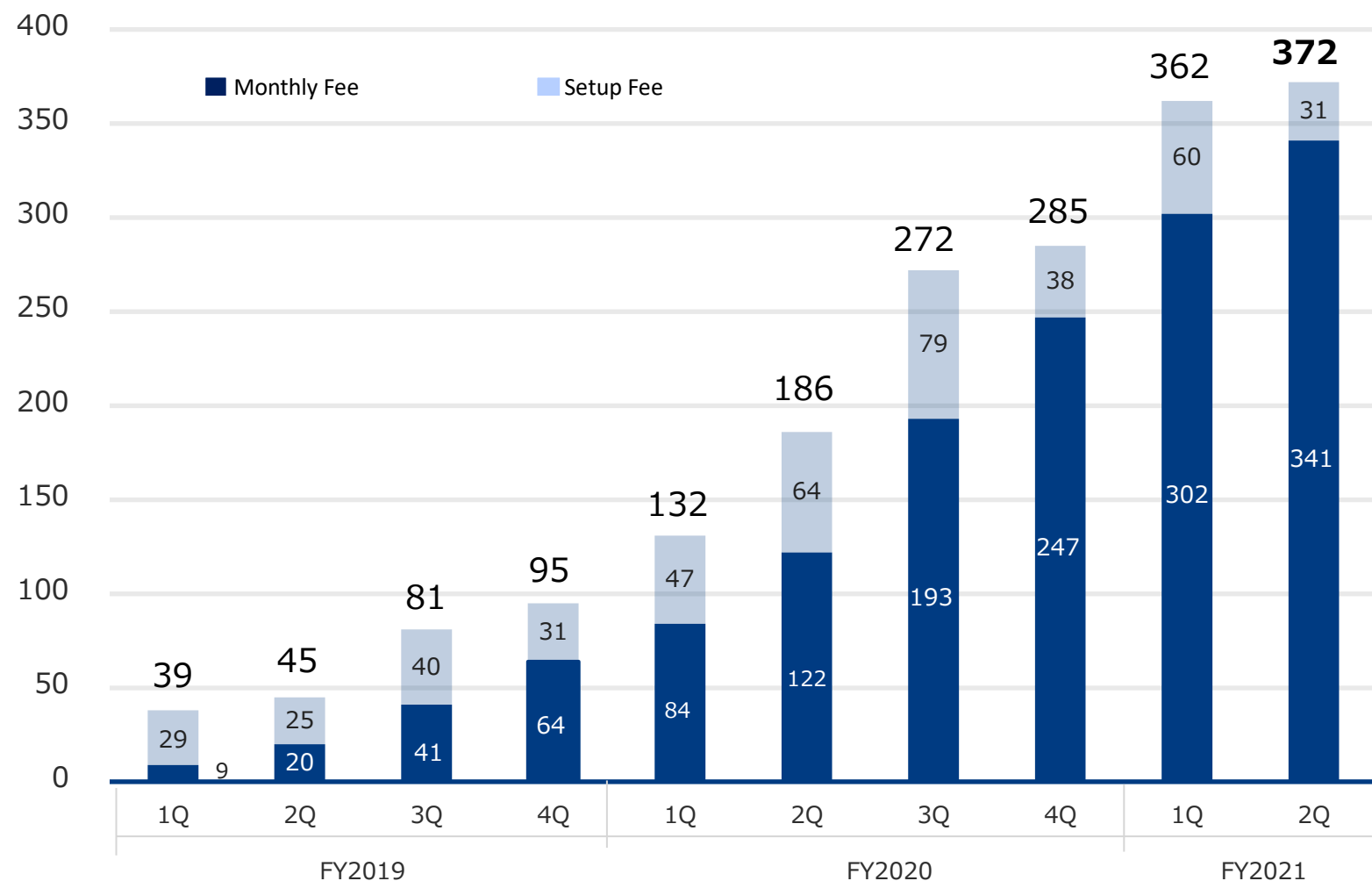
Quarterly Results

Net Sales Trend of “Big Advance”

The total amount of monthly fees, which is our continuous sales, increased due to increase in the numbers of financial institutions that introduced “Big Advance” and our member companies

QoQ 1Q, less financial institutions newly introduced our services and the total amount set-up fees decreased, while the total amount of monthly fees increased. As a result, the quarterly sales increased slightly.

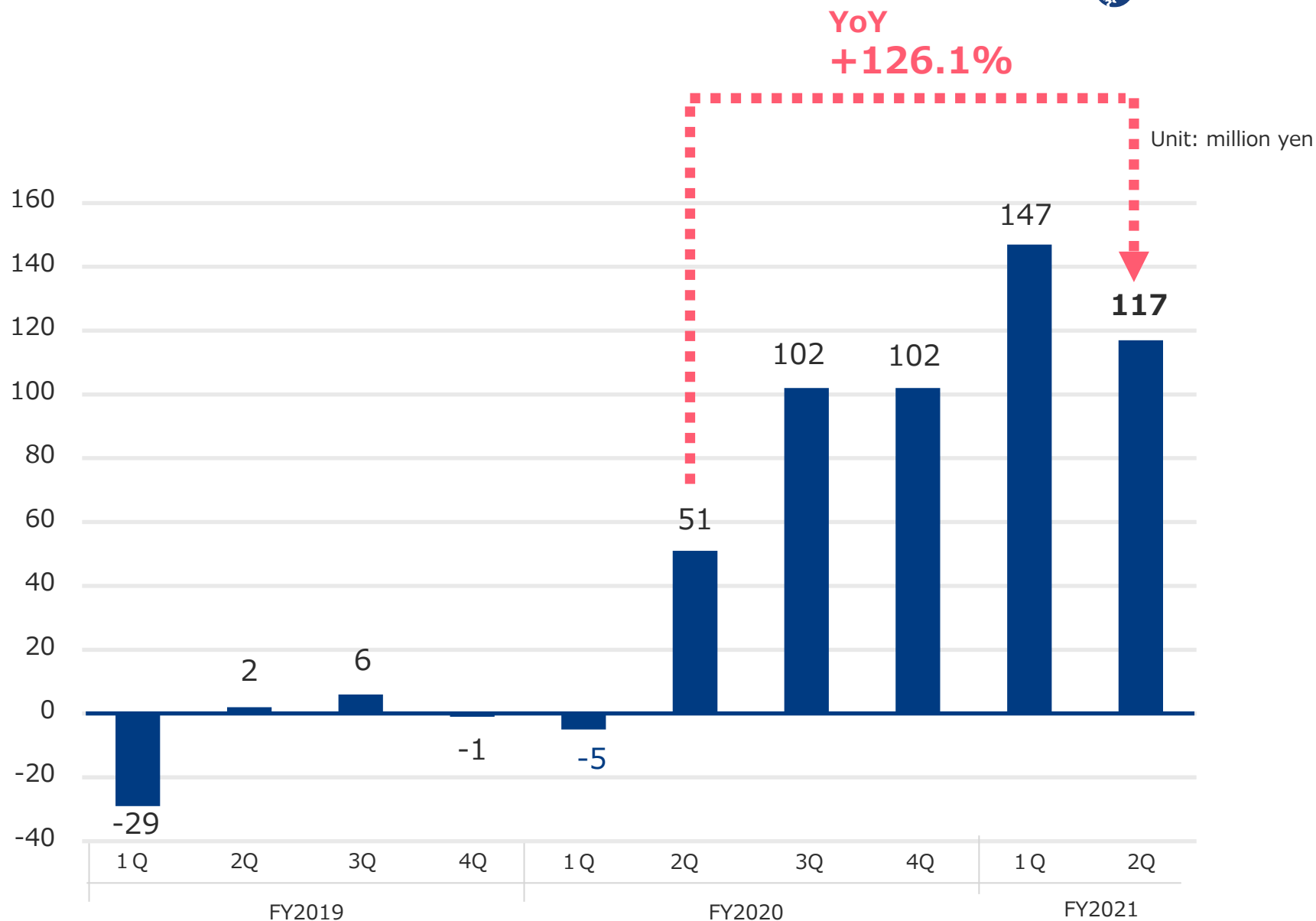
Unit: million yen



Quarterly Results

Trends in Operating Income and Loss

As personnel expenses increased, the operating income and loss decreased to 117 million yen, which is lower than that of the previous quarter.



Quarterly Results

“Big Advance” Used for Promoting Local Economy

HOKURIKU BANK, LTD., Imizu City, Imizu Chamber Of Commerce & Industry, and Imizu City society commerce and industry executed the “Partnership Agreement on Promoting the Local Economy”

To achieve the local revival including invigorating the regional society, Imizu City is implementing DX by actively adopting new information and telecommunication technologies

To realize the DX contents that Imizu City and commercial associations aim to achieve this time, HOKURIKU BANK, LTD. offers total support.



Items of contribution “Big Advance” can make under the "Partnership Agreement on Promoting the Local Economy"

- (1) Implementing DX for companies in Imizu City and promoting them
- (2) Support with BCP of the companies in Imizu City
- (3) Promoting economic circulation and boosting consumption in the region
- (4) Creating new vitality
- (5) Besides the foregoing, any matters necessary for achieving the purposes of the Agreement



Quarterly Results

Improving Product Recognition of “Big Advance”

Implementing measures for “Big Advance” to be recognized more

Cooperation with the 3rd National Competition of Company Songs by NIKKEI

- The Competition invites entries of company song movies and chooses the best one.
- Our corporate philosophy includes realizing a society where SMEs in Japan play active roles.
- We decided to cooperate this time for providing an opportunity for as many companies as possible to express their attractiveness and supporting their vitalization.



NIKKEI national
Company Songs
Contest



“Big Advance” official site opened up

- The site introduces visitors to "Big Advance" by offering information including characteristics of the service and customers' voices.
- Through this site, you can access financial institutions that have introduced "Big Advance".



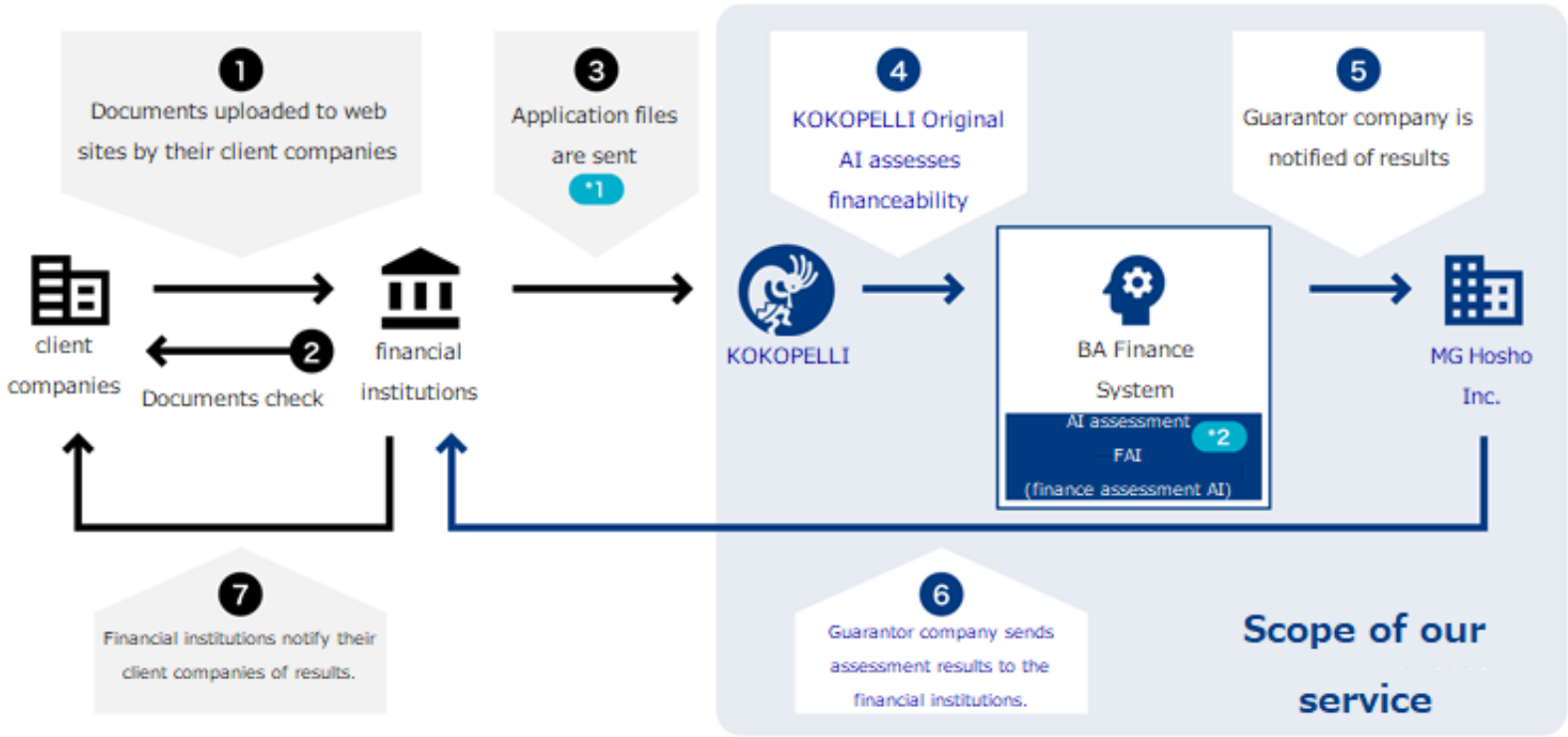
Quarterly Results

“BA Finance” Released

We started to provide the service to Higo Bank as the first user on September 1.

SMEs can raise funds necessary for business operation in a timely manner.

Operational Flow of “BA Finance”



- *1** Breakdown of application file
- Application information
 - Financial information (for the latest fiscal year)
 - Account information (for a year)
 - Loan balance information

- *2** FAI, the financing assessment AI
- Financial information + account information our original AI assessment model
 - Rapid assessment and quick financing
 - Flexible response by the guarantor company, including re-assessment of individual consultations

- Rapid assessment and advanced decision-making on financing are available by “FAI [fai]”, the AI financing assessment module exclusively developed by KOKOPELLI Inc., which utilizes transaction data including financial data and information on deposits and withdrawals of accounts for a fiscal year.
- MG Guarantee Co., Ltd. offers 100% guarantee and financial institutions can use their financial data, which will likely expand financing opportunities and reduce administrative costs.

02.

Our Business (Big Advance)

“Big Advance” / How “Big Advance” Works / Quarterly Trend in Customer Company Numbers

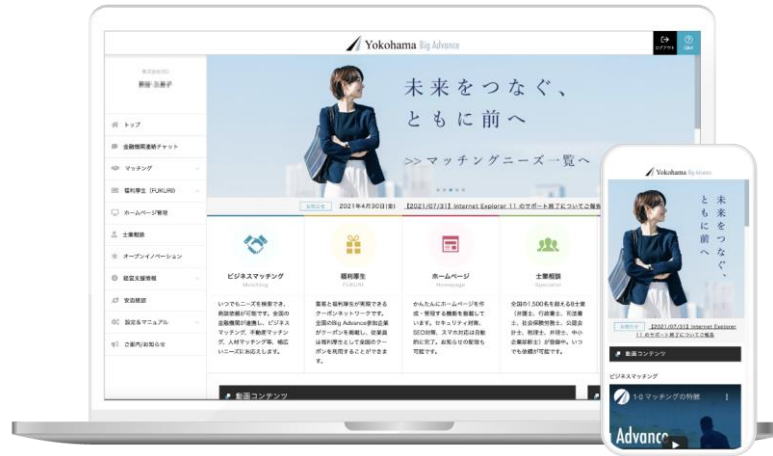
Trend in Member Financial Institutions Numbers / Churn Rate Trend

Effect of Introducing “Big Advance” / Sustainable Development Goals (SDGs)

Our Business

Our Business (Big Advance)

Our business is a management support platform for SMEs of BtoB SaaS model and we provide it to companies having transactions with financial institutions.



Business Matching

The function goes beyond frameworks of a region and a financial institution



Subsidy

Subsidy can be easily searched for through our data on the whole of Japan



Safety Confirmation

Safety confirmation & employees' situation management in emergency are available



Welfare Program "FUKURI"

Coupons available only for customer companies' employees



Business Chat

Communication with financial institutions and inside companies becomes efficient



Quick HP Development

Smartphone HP ready within 15 mins by filling in a form



Advisor Consultation

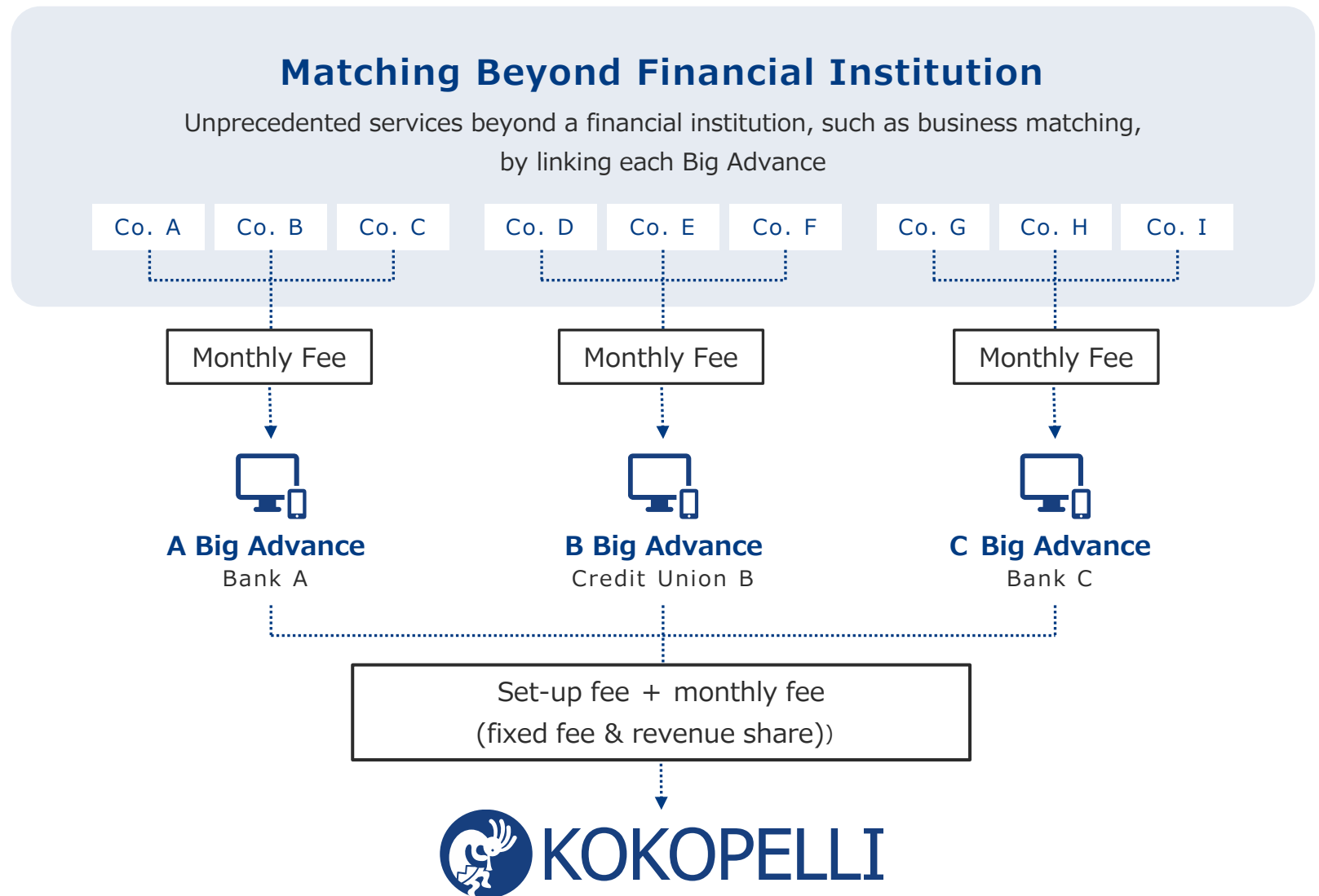
Over 2,000 professional advisors available 24h

Our Business

How “Big Advance” Works

Each financial institution provides SMEs with “(institution name) Big Advance”

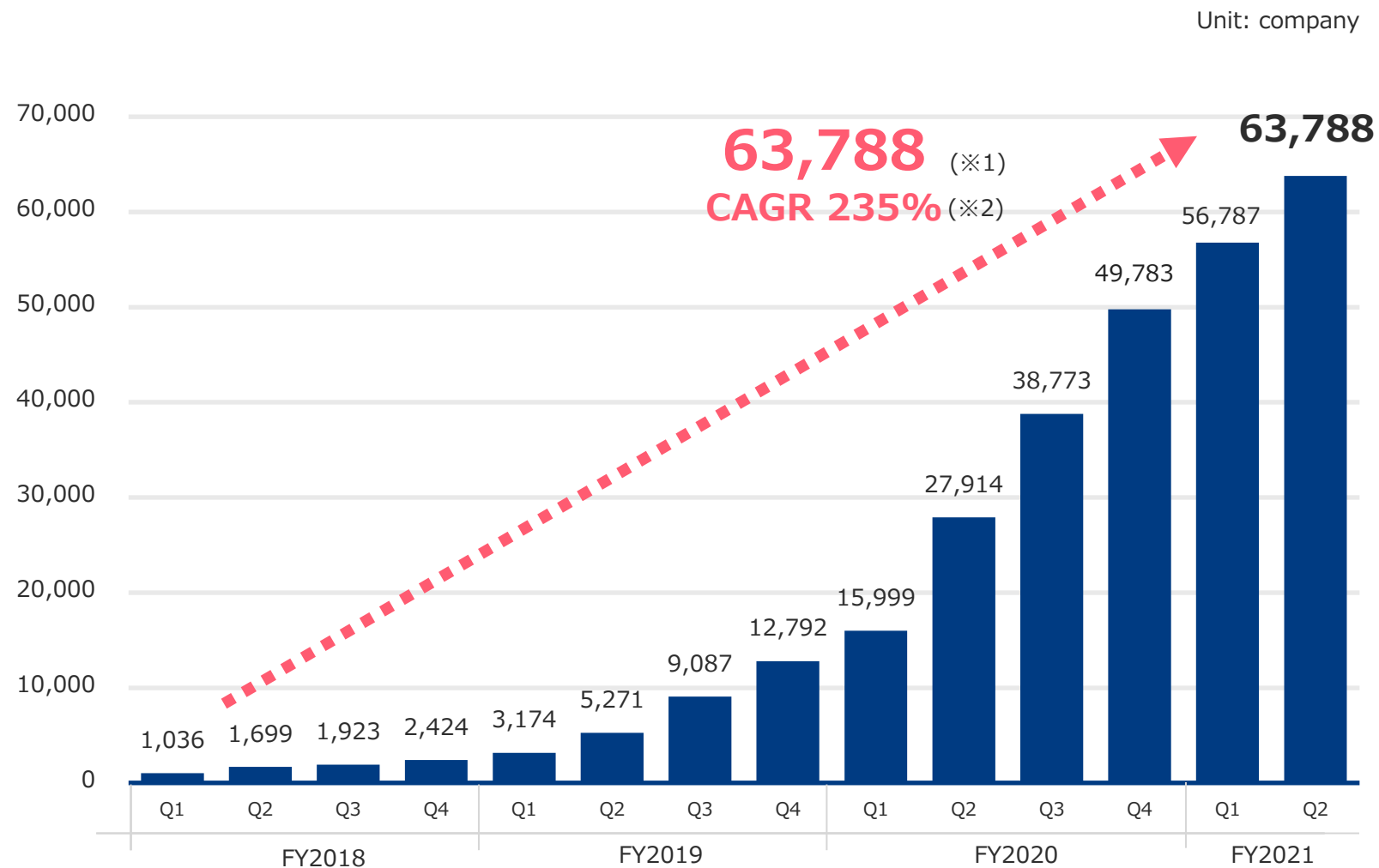
Unprecedented services beyond frameworks of regions and financial institutions



Our Business

Quarterly Trend in Customer Company Numbers

Customer companies have increased from the previous by 56,787 to 63,788



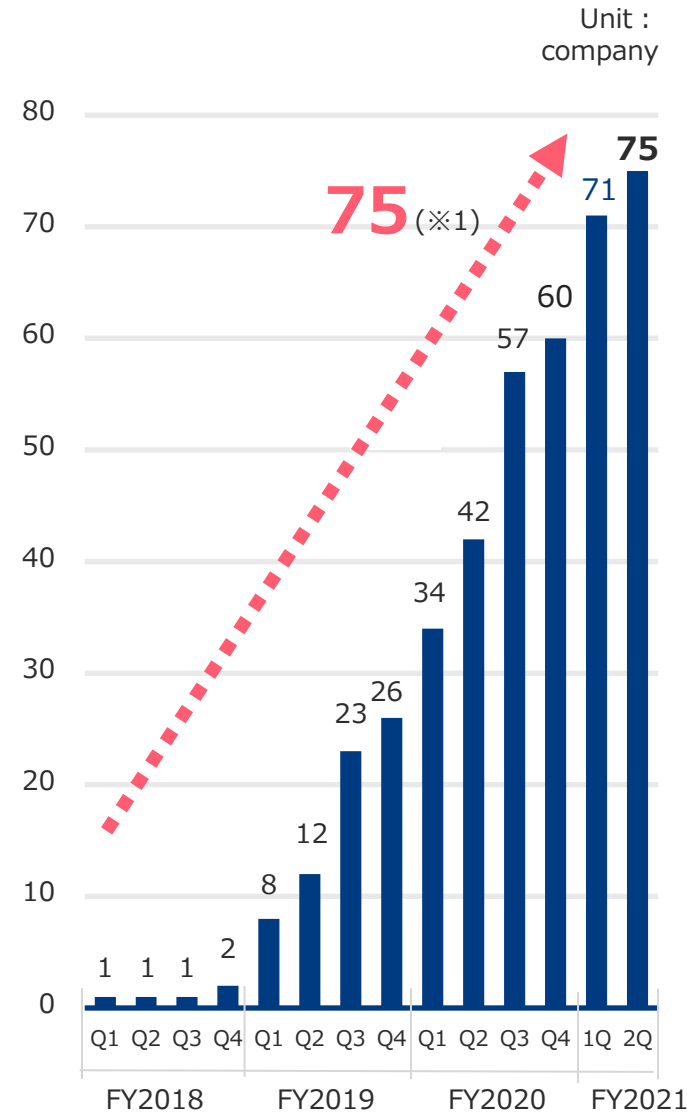
(※1) As of the end of September 2021

(※2) CAGR : Compound Annual Growth Rate from September 2018 to September 2021

Our Business

Trend in Member Financial Institutions Numbers

Member Financial Institutions have significantly increased from the previous by 71 to 75.



(※1) As of the end of September 2021

Hokkaido / Tohoku Region

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

Hokuriku Region

Kanazawa Credit Union / Sanjo Credit Union / Toyama Credit Association / Fukui Bank / Fukui Credit Union / Fukuho Bank / Hokuriku Bank

Kanto / Koshinetsu Region

Ashikaga Bank / Asuka Credit Union / Kawasaki Credit Union / Kofu Credit Union / Seibu Credit Union / Shinonome Credit Union / Joyo 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 / Yokohama Bank / Yokohama Credit Union

Tokai Region

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 / Kiyo Bank / Kyoto Bank / Shiga Bank / Shiga Chuo Credit Union / Tajima Bank / Tajima Credit Union / Minato Bank

Chugoku / Shikoku Region

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

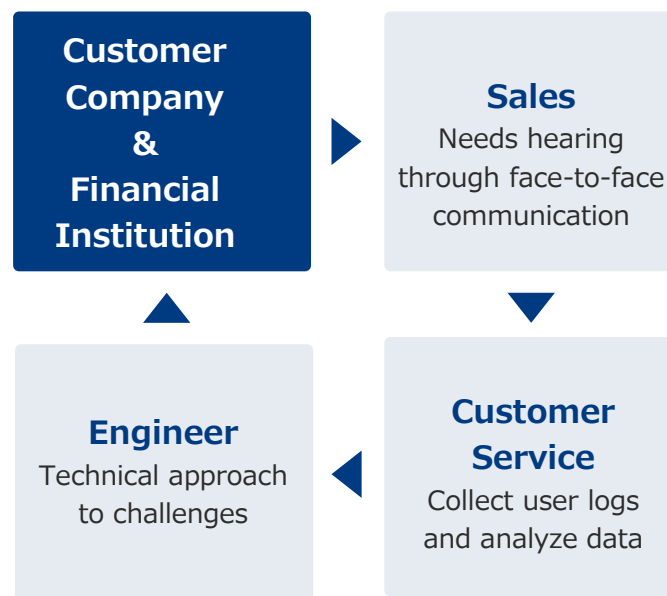
Kyushu / Okinawa Region

Okinawa Bank / Okinawa Kaiho Bank / Kagoshima Sougo Credit Union / Koza Credit Union / Saga Bank / Nishi Nihon City Bank / Higo Bank / Fukuoka Chuo Bank / Nagasaki Bank / Minami Nippon Bank / Miyazaki Bank

Our Business Churn Rate Trend

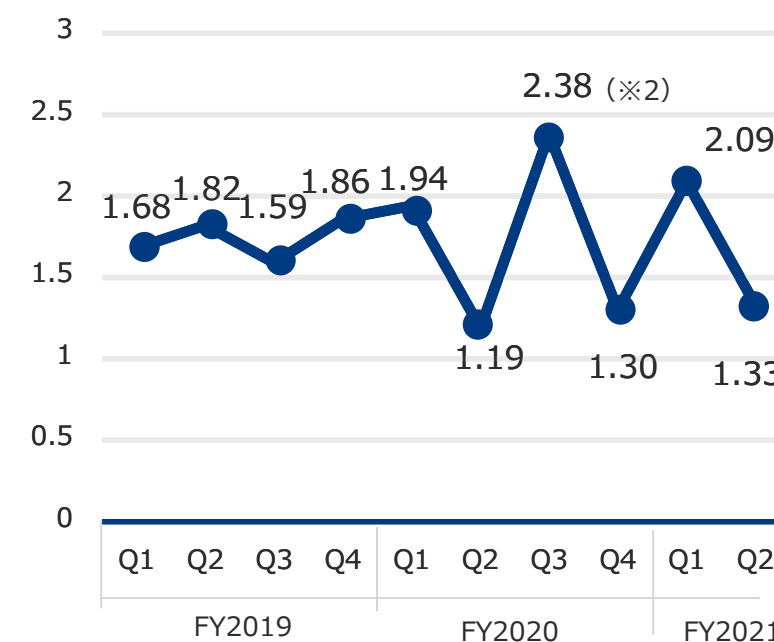
Quick services responding to customer needs increased satisfaction and usability for customers, keeping annual average churn rate below 2%

Function Improvement Cycle



Ave. Annual Churn Rate **1.78%** (※1)

Ave. Quarterly Churn Rate



(※1) Churn rate: (the number of withdrawing companies during a month) / (the number of using and paying companies as of the end of the previous month. 12-month average from October 2020 to September 2021

(※2) This temporary increase was due to special factors at certain financial institutions in December 2020. Average churn rate for FY 2020 is 1.67% without the effect of this increase.

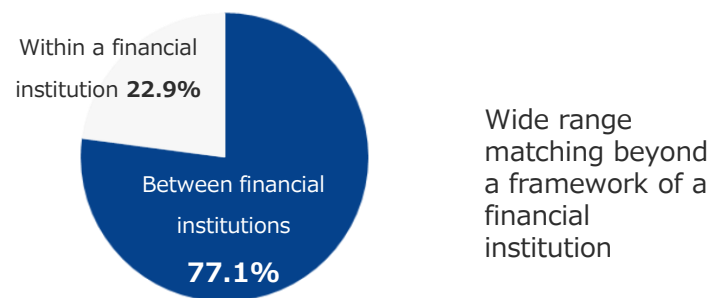
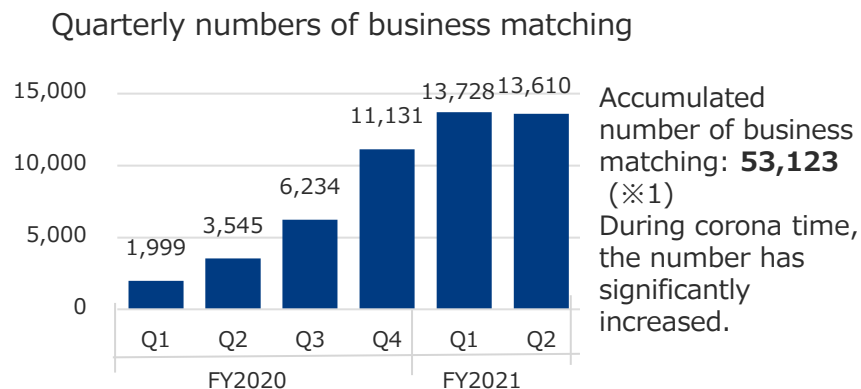
Our Business

Effect of Introducing “Big Advance”

Big Advance has supported many SMEs and created new values since its commencement, and even during the threat of new coronavirus infections, been used as SMEs support and DX promotion service.

Sales Growth Support

Business matching function supports developing new customers and business partners, and new products through inter-industrial matching.



(※1) From April 2018 to September 2021

(※2) As of the end of September 2021

Release Information to the Whole of Japan

10,278 companies opened new HPs (※2).
HPs ready within 15 mins & available for smartphones.

Stronger Relation with Financial Institutions

Big Advance chat enables users to communicate easily and make relation with financial institution, for smoother consultation.

Subsidy Use

8,846 subsidies in the whole of Japan (※2)
Much corona-related info available.
Get info and consult with financial institutions and advisors

Info Sharing within a Company

Big Advance chat makes information sharing within a company smoother.
Fit for new work styles such as remote working.

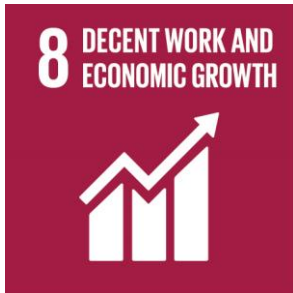
Sustainable Development Goals (SDGs)

Our mission is “Find the future in corporate value”. To realize our vision “Let's deliver technologies to SMEs”, we will sustainably improve corporate value and resolve social challenges through our services.

SDGs KOKOPELLI Inc. focuses on



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 formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services



9.1
develop quality, reliable, sustainable and resilient infrastructure, including regional and trans- border infrastructure, 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 of partnerships

03.

FISCAL YEAR 2021 Full Year Outlook

FY2021 Management Policy / FY2021 Outlook

Trends in Net Sales and Operating Income / Growth Strategy for the Future

Financial Forecast FY2021 Management Policy

The threat of new coronavirus infections is continuing, having a profound impact on economic activities. Companies are accelerating their digital transformation (DX) efforts in order to continue their business activities.

In FY2021, we will focus on increasing the number of customer companies and financial institutions that introduce our service. In addition, we will consider FY2021 to be an important year to improve UI/UX, enhance our support system for financial institutions and customer companies, and strengthen our development system for expanding ARPU, and we will strive to strengthen recruitment and organizational capabilities.

After FY2021, we will expand ARPU by releasing new features of the service.

- net sales is expected to increase by 75.7% vis. the previous term due to the steady performance of “Big Advance”.
- In terms of sales cost and SG&A expenses, we plan to hire about 35 people, mainly engineers, but also sales and CS personnel, expecting an increase in personnel and recruiting costs associated with the hiring.
- On the side of proactive investments mainly in the recruitment as mentioned above, operating income is expected to increase by 43.1% due to the increase in net sales,

Financial Forecast FY2021 Outlook

No change from the previous outlook

For the first half of the year, we achieved the net sales as planned and the operating income is larger than as planned because expenses for recruitment and outsourcing were lower than foreseen

The annual income will likely be at the level as shown in the outlook at the beginning of the term because expenses for the second half of the year will be far larger than the first half due to factors including increase in recruitment expenses and outsourcing expenses not used in the first half and expenses for moving to our new office.

Unit: million yen

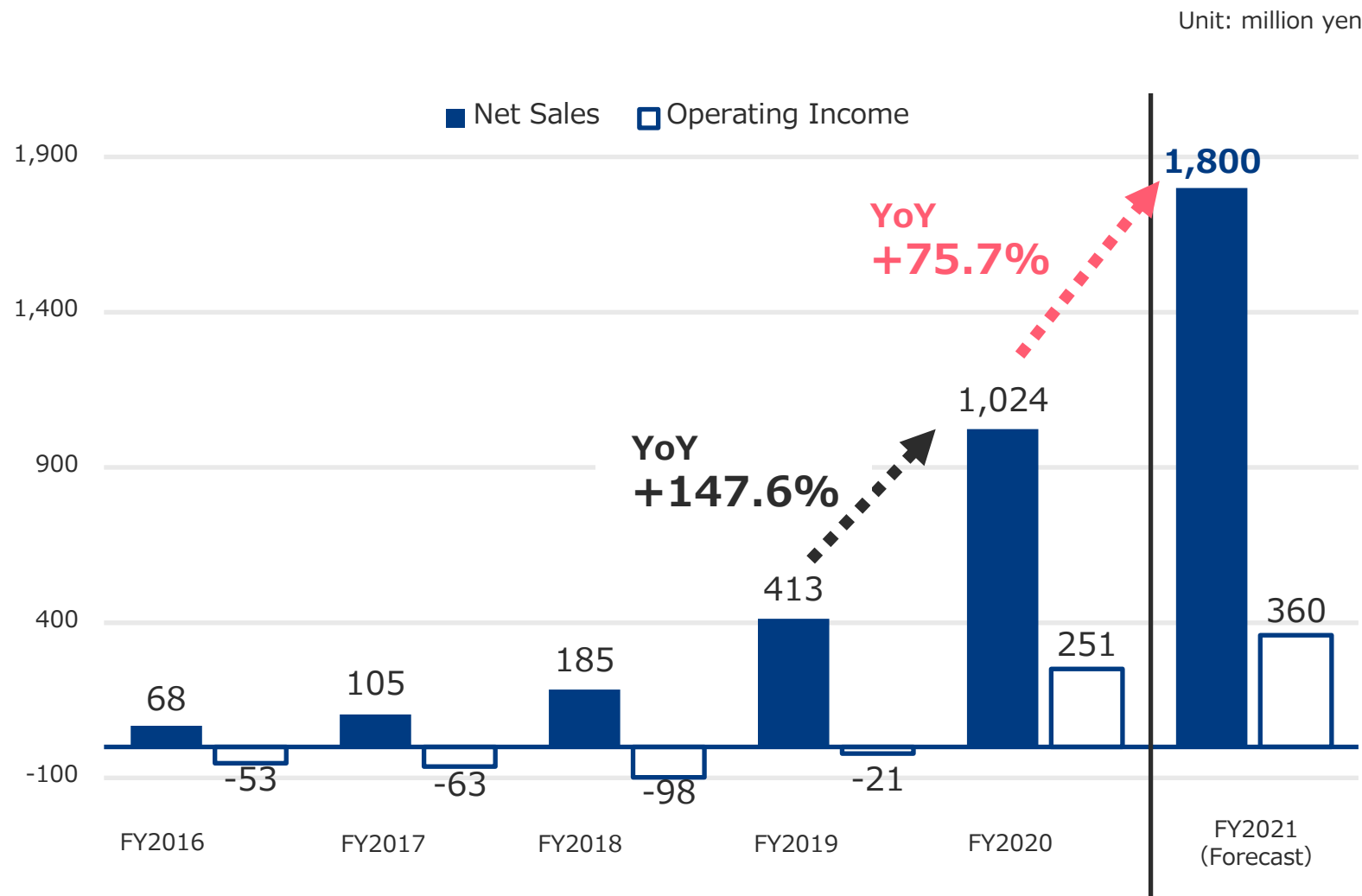
	FY2020 (Actual)	FY2021 (Outlook)	Amount of variance	Percentage of variance
Net Sales	1,024	1,800	776	+75.1%
Operating Income	251	360	109	+43.1%
Ordinary Income	239	360	121	+50.5%
Net Income	253	288	35	+13.4%

Financial Forecast

Trends in Net Sales and Operating Income

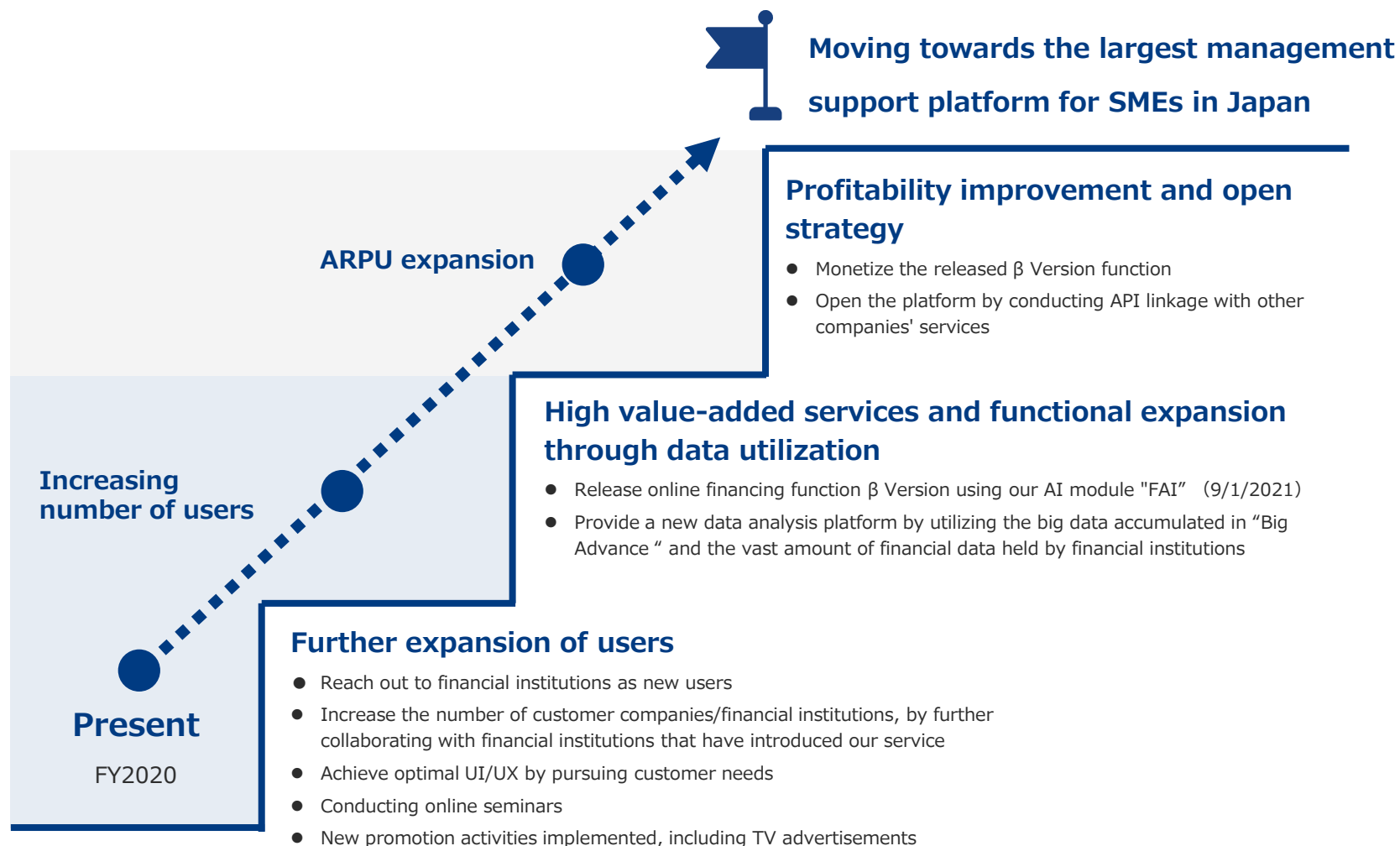
FY2021 net sales are expected to increase by 75.7% YoY to 1,800 million yen

Operating Income is expected to increase by 43.1% YoY to 360 million yen.



Financial Forecast Future Growth Strategies

In the meantime, we will focus on increasing the number of financial institutions and customer companies adopting our services, while strengthening our service provision infrastructure for the ARPU expansion growth phase, in the future, aiming to become the largest management support platform in Japan.



04.

Supplementary Materials

Company Information / Management Philosophy / Background: Current Status & Challenges for SMEs

Background: Current Status & Challenges for Regional Financial Institutions

Support for DX by SMEs / Further Expansion of Users / High Value-Added Services through Data Use

AI (Artificial Intelligence) Module “FAI” / About this Material

Company Information

Name: **KOKOPELLI Inc.**

Address: **Nibancho Onuma bldg. 4th floor, Nibancho 8-3,
Chiyoda-ku, Tokyo**

Est.: **June 2007**

Rep.: **Shigeru Kondo**

Capital: **805 million yen**
*As of September 30, 2021

Workers: **62 workers (permanent & part-time)**
*As of September 30, 2021

Business Platform

Business:

- Development & operation of “Big Advance”, the platform for supporting SMEs’ management
- Development, etc. of “FAI”, the AI module.



Management Philosophy

MISSION

To find the future in corporate value

VISION

Let's bring technology to SMEs

VALUES

Deep User In

Let's know users in and out
and go beyond their
expectation

Commit Myself

Let's do the best we
can now

Big & Speedy

Let's make a big
policy and do it
speedily

Team is Great

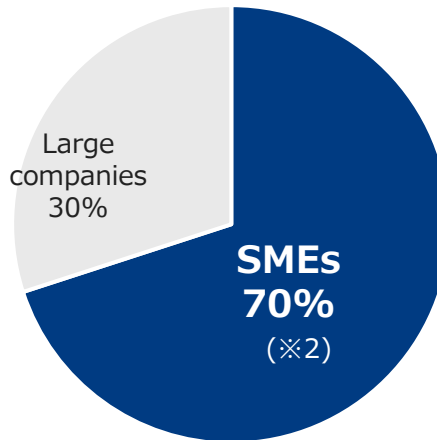
Let's achieve what one
cannot achieve alone.

Background: Current Status & Challenges for SMEs

Challenge is to improve productivity. 10% improvement will create economic effect of 18 trillion. (※1)

Current Status: SMEs Great in Domestic Economy

Percentage of workers in SMEs



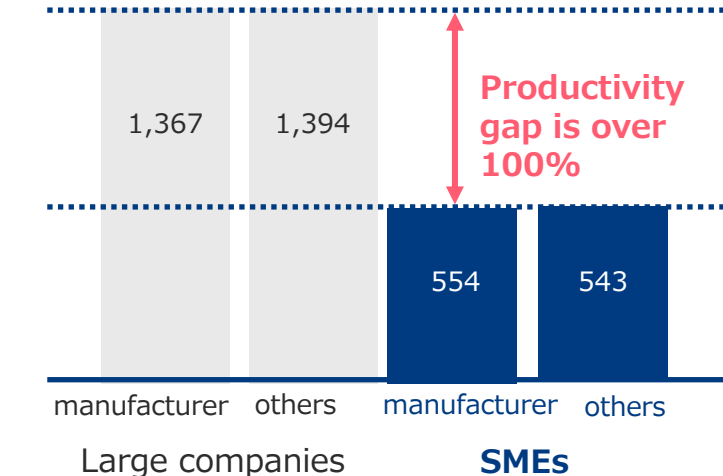
Number of SMEs
3.58 million
(※2)

SMEs percentage in the whole number of companies
99.7% (※2)

Challenges : SMEs' Low Productivity

SME's productivity: approx. **5.49 mil. yen** (※3※4)

Productivity Comparison unit: 10 thousand yen



(※1) Calculated by us, based on * 2 * 3 above. (total SME workers approx. 32mil. X 5.49 mil. yen X 10%)

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

(※3) Small and Medium Enterprise Agency "SMEs White Paper 2020"

(※4) the average of 5.54 million yen and 5.43 million yen

Background: Current Status & Challenges for Regional Financial Institutions

Stable Income by SMEs Support & DX (Digital Transformation) are Necessary

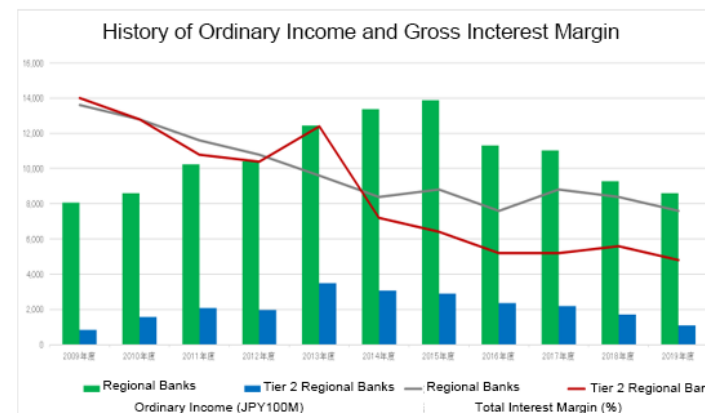
Current Status: Center of Regional Financial Infrastructure

Outstanding loans to SMEs: **270 trillion yen**

Type	Number	Outstanding loans to SMEs (※1,※2)
Regional Bank	64	156 trillion yen
2 nd Tier Reginal Bank	38	40trillion yen
Credit Union	256	63 trillion yen
Credit Association	145	11 trillion yen
Total	503	270 trillion yen
Mega Bank (reference)	4	119 trillion yen

Challenges: SMEs' Low Productivity

- Loan profit difficult to expand (※3)
- Difficulty due to low financial demand, high competition, super-low interest rate for a long time.
- Banking Act revised for supporting FinTech evolution (※4)



(※1) We calculated based on “A list of SMEs and Regional Banks in each Prefecture (as of the end of March 2019)” by Small and Medium Enterprise Agency

(※2) We calculated outstanding loan Mega Banks (Mitsubishi UFJ, Mitsui Sumitomo, Mizuho, Resona) to SMEs (as of the end of March 2019) based on materials disclosed by each bank.

(※3) We prepared this based on “2019 Financial Results Trend” by Japanese Bankers Association.

(※4) Revision in 2016 “Facilitating investment in FinTech companies, introduction of registration system for virtual currency exchange business operators, etc.”, and revision in 2018 “Introduction of registration system for electronic payment business operators, use of Open API, etc.”

Service Contents

BtoB SaaS Model to Support SMSs' Growth and Regional Development (※1)

Big Advance

Management Support Platform
for SMEs Collaborating with
Regional Financial Institutions

For Financial Institutions

Set-up Fee + Monthly Fee (Fixed Fee +
Revenue Share)

For Customer Companies

Monthly Fee 3,000 yen (excluding tax) (※4)



“FAI”, the AI Module

AI (※2) Module (※3)
Development for Especially
SMEs

For Financial Institutions and SI

Set-up Fee + Monthly Fee (Fixed Fee + Pay-
as-you-go)



Other IT Support Services

Provide Services to SMEs
and Professional Advisors
mainly through SHARES



(※1) Abbreviation for “Software as a Service”. A type of service which is provided by the service provider as software application function on cloud and which users use through networks.

(※2) Abbreviation for “Artificial Intelligence”. This is a computer system which conducts intelligent behavior such as learning, inference, perception, and judgment.

(※3) This means a group of functions categorized in a re-usable form, and each of components the specifications of which is standardized.

(※4) We have adopted the style of revenue share with financial institutions.

Support for DX by SMEs

Many Functions and Competitive Price for Realizing SMEs' DX



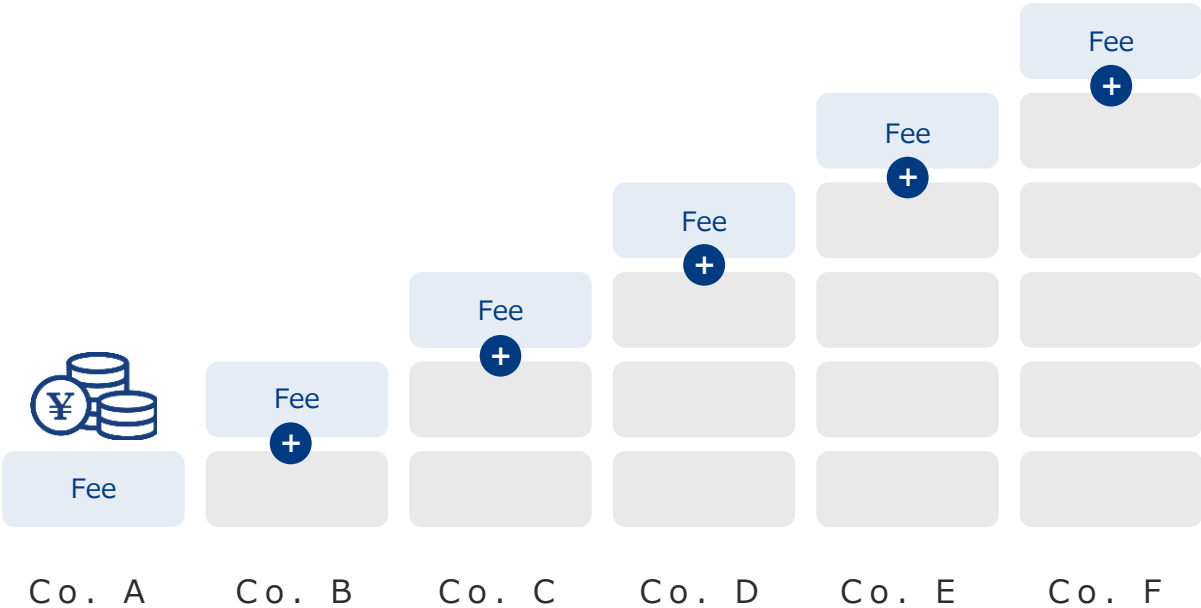
SMEs Challenge

want DX, but cannot do it, lacking:

- IT knowledge
- Budget
- HR

Big Advance has all these functions necessary for DX

Matching + Chat + Open HP + Welfare + Advisors + Subsidy +  **Financial Institutions help with introduction & use of Big Advance**



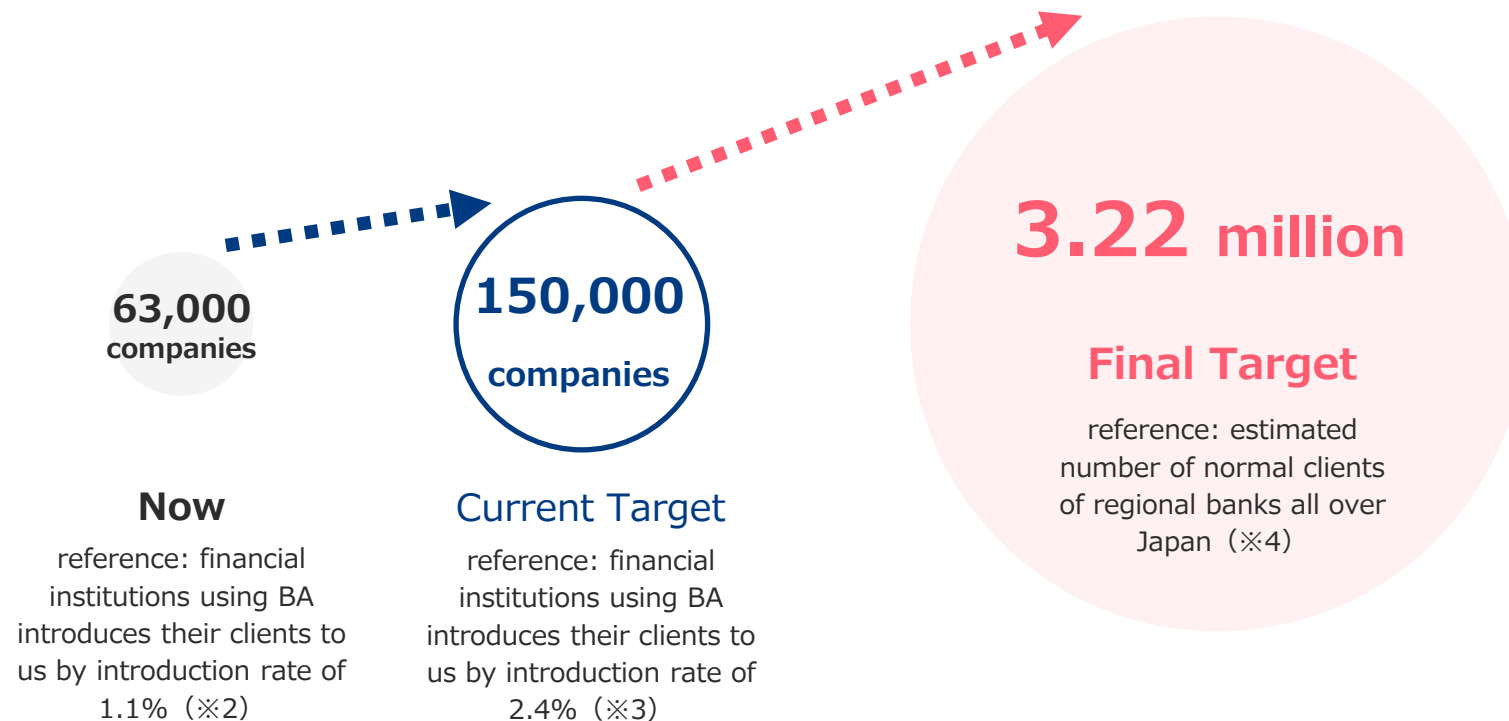
Monthly Fee per Company
3,000 yen (excluding tax)

Fee

 **Big Advance**

Further Expansion of Users

Targets: normal clients of regional banks all over Japan



Supplementary Information on SMEs

- SMEs abolishment rate remains around 3%
- After Lehman Brothers collapse, 4.2% in 2010 was the highest in the last 20 years.
- According to BOJ, normal loans rate of regional financial institutions in 2019 was just below 90% (“Financial Results for Banks and Credit Unions in 2019”, p. 23).
- Abolition rate: 3.5% (“SMEs White Paper 2020”, p. 114).
- Commencement Rate; 4.4% (“SMEs White Paper 2020”, p. 114).

Sources: BOJ “Financial System Report (supplement) July 2019”, Ministry of Internal Affairs and Communications and METI, “2016 Economic Census” and the Financial Agency HP.

(※1) Total number of corporate clients of financial institutions using BA: 6.16 million (as of the end of March 2021)

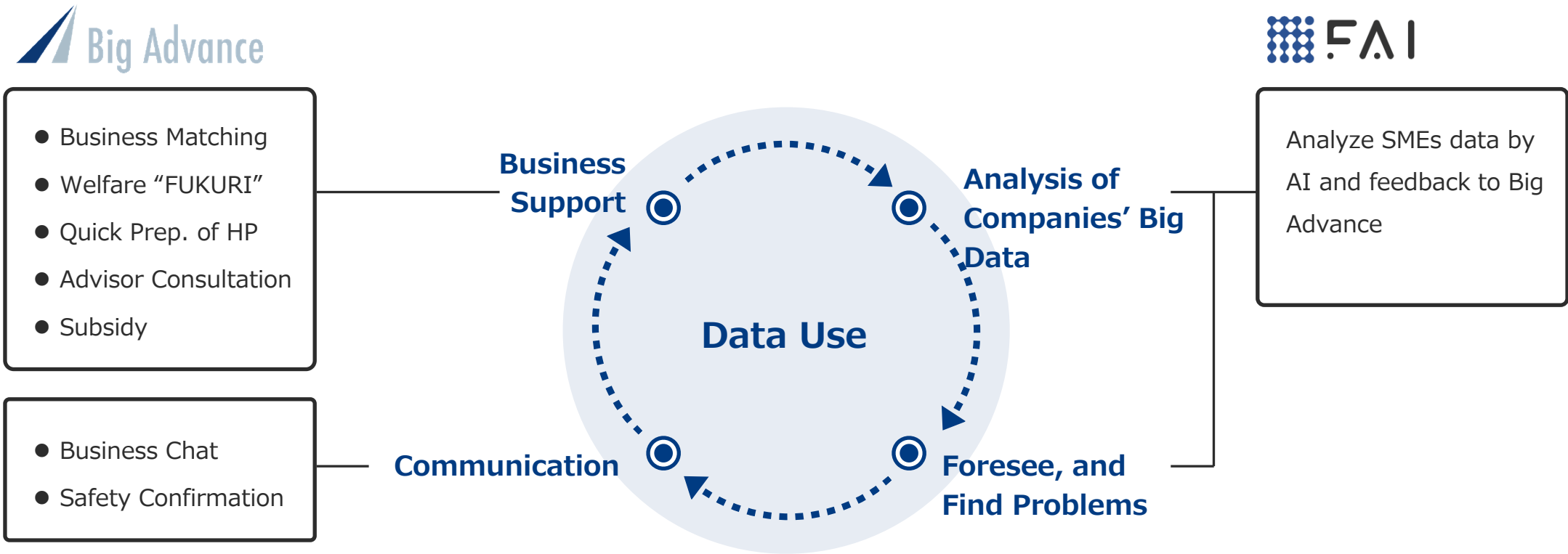
(※2) Introduction rate = (number of Big Advance customer companies) ÷ (number of corporate clients for financial institutions using BA (as of the end of March 2021)

(※3) 150,000 companies ÷ number of corporate clients for financial institutions using BA (as of the end of March 2021)

(※4) 3.58 million SMEs (the census above) × normal loans rate 90%

High Value-Added Services through Data Use

Create new output by using and comprehensively analyzing behavior data accumulated in Big Advance for SMEs and accounting data held by financial institutions.



Our unique AI module specialized in using SMEs data (※1)

Name of AI Module	Linked Services	Users	Contents
Company Estimate Module	FAI Service	Financial Institutions	Calculate companies' default probabilities and degrading probabilities
Recommendation Module	Big Advance	SMEs	Optimal business matching for each company
Loan Judgment Module	Financial Institutions	Financial Institutions	Calculate whether to lend money and how much, based on companies' financial data and account transaction data
Management Intelligence Module		SMEs and Financial Institutions	Extract companies similar to a specific company and show management issues based on such company's strategy
OCR Module	FAI Service (※2)	Financial Institutions	Read PDF data of financial statements at high precision

(※1) Patent obtained: patent no. 6354059 “Financial Information Analysis System and Program”

patent no. 6516309 “Financial Analysis System and Financial Analysis Program”

patent no. 6581282 “System for Calculating Bankruptcy Probabilities by AI”

(※2) We plan to provide the service in the future.

About this Material

- Contents in this material are prepared based on economic and social situations generally perceived presently and on certain conditions we deem reasonable; however, such contents may be change without any prior notice due to reasons including change of management environment.
- Materials and information provided in this explanation include forward-looking statements, which are based on foreseeing and risk-involving assumptions and therefore are subject to uncertainty that might bring results different from such statements. Such risk and uncertainty include general situations of industries and markets, and national and international, general economic situations including interest rate, and change of currency exchange.
- Even if new events occur in the future including information updates, we might not necessarily update or correct the information in this material including “outlook”, except for required by disclosure rules and regulations.