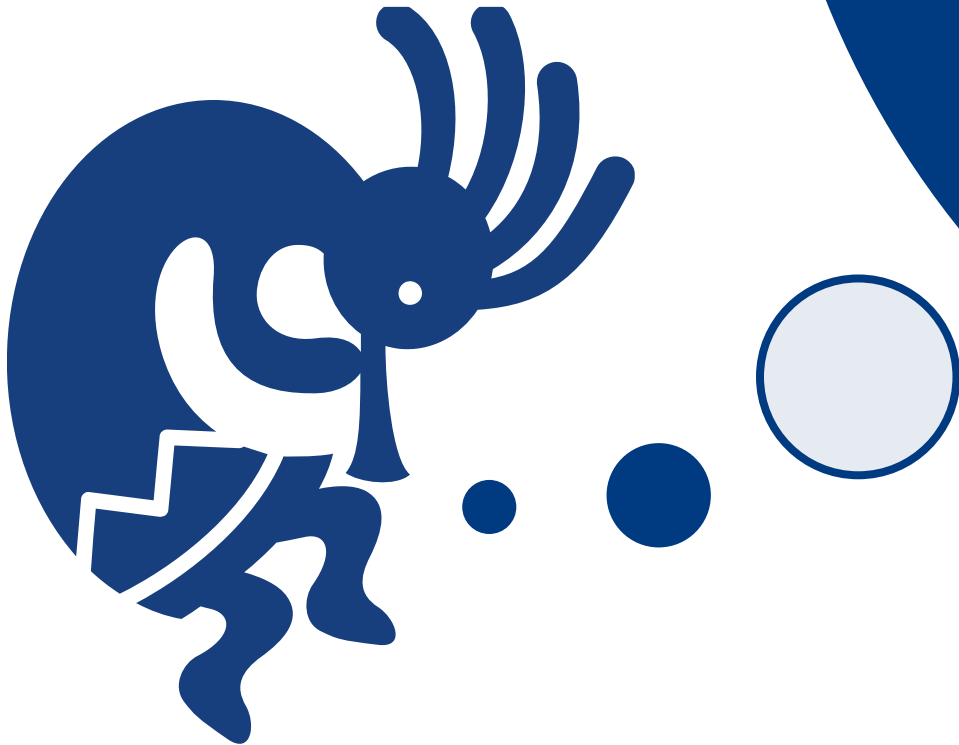


Third Quarter for FY2022

Financial Results

KOKOPELLI Inc. (stock code: 4167)

Feb 14, 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. 11th floor, 3-12 Kioicho, Chiyoda-ku, Tokyo**

Established: **June 2007**

CEO: **Shigeru Kondo**

Capital: **810 million yen**
*As of December 31, 2022

Employees: **83 (permanent & part-time)**
*As of December 31, 2022

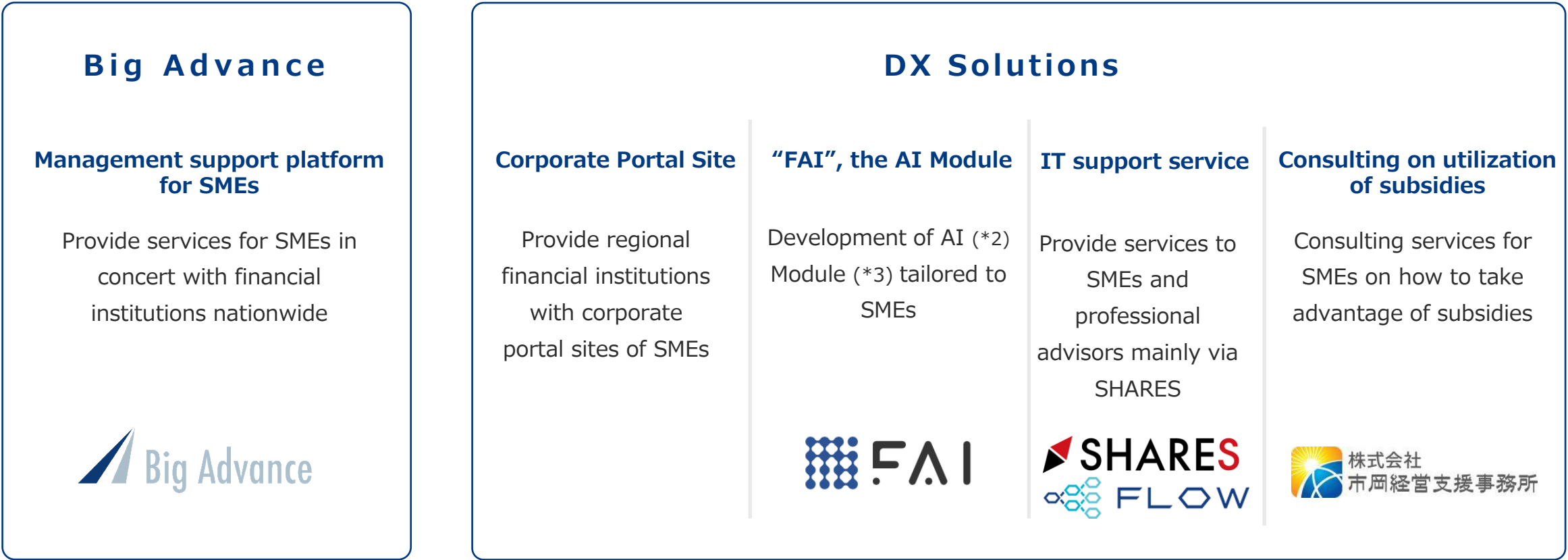
Overview: **Business platform**

- 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)



(*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.

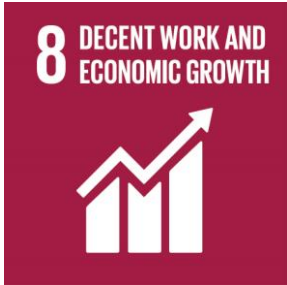
(*3) A group of functions categorized in a re-usable form, where specification for each component is fixed and standardized.

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)**

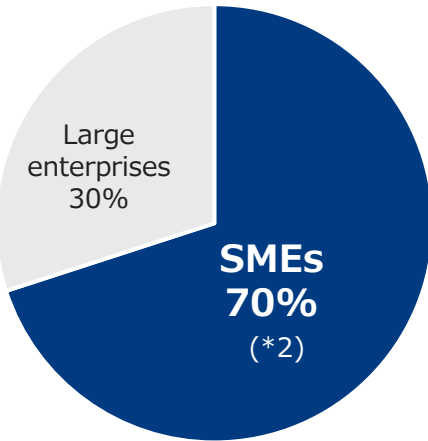
Overview & Challenges for SMEs / Overview & Challenges for Regional Financial Institutions / Our Business (Big Advance) / How “Big Advance” Works / DX Support for SMEs

Overview & Challenges for SMEs

- Main challenge is to improve productivity. A 10% increase will add 18 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

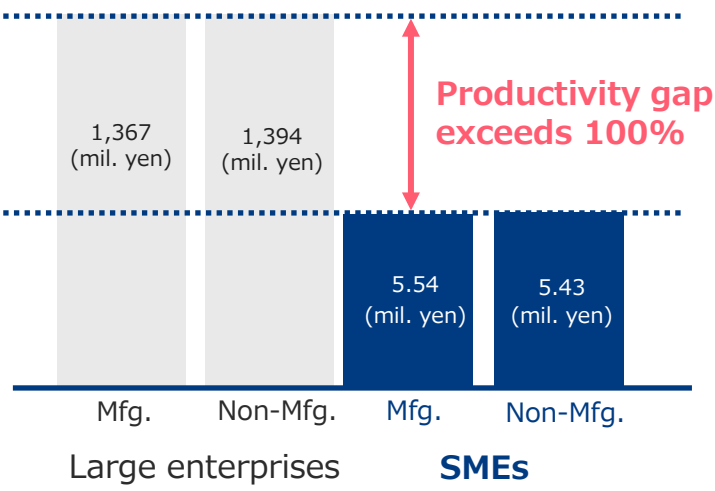
99.7%

(*2)

Issue: SMEs have low productivity

SME's productivity stands at app. **5.49 mil. yen** (*3*4)

Comparison of productivity



(*1) Our calculation, based on *2 and *3 above. (Total workers at SMEs of app.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 "2020 White Paper on Small and Medium Enterprises in Japan"

(*4) The average of 5.54 million yen and 5.43 million yen

Overview & Challenges for Regional Financial Institutions

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

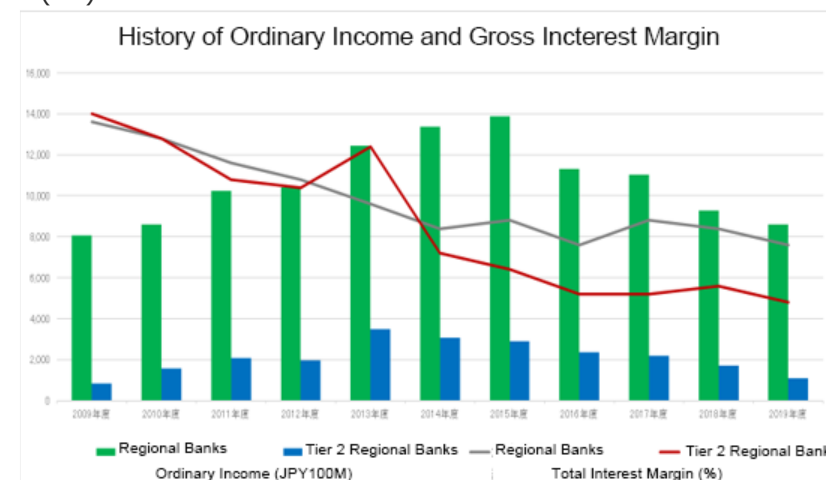
Current: Act as a principal players in regional financial market

Outstanding loans to SMEs: **275 trillion yen**

Type	Number	Outstanding loans to SMEs (*1 *2)
Regional Banks	64	164 trillion yen
2 nd Tier Regional Banks	37	36 trillion yen
Credit Unions	254	64 trillion yen
Credit Associations	145	11 trillion yen
Total	500	275 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 2021)" 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

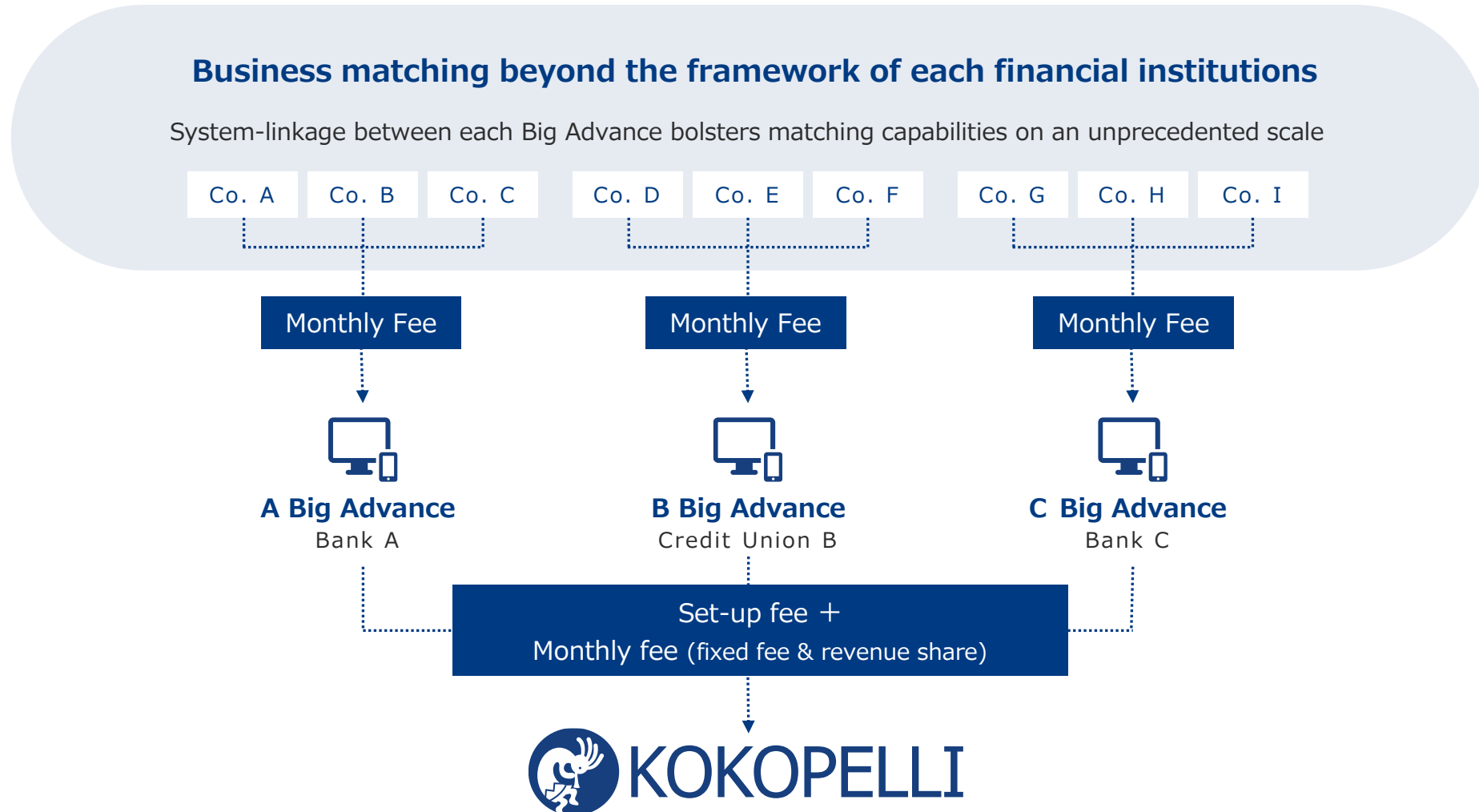
"CHANTO Invoice" *Optional only for requested financial institutions

Easy-to-use issuance of electronic invoices.



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 make DX a reality.

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 Confirmation	✓							✓
Monthly Fee per a company	All inclusive 3,300 Yen/M	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 Third Quarter Result

FY2022 3Q Results Highlight/ FY2022 3Q Profit and Loss Statement / Quarterly Sales Trend/Sales Trend for Big Advance / Trends in Quarterly Operating Income and Loss / Trends in Quarterly Cost Structure / Factors Affecting Operating Income and Loss / 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

1,334 million yen

(+8.8% YoY) (*1)

Operating profit

62 million yen

(-81.0% YoY) (*1)

Current status of Big Advance

Number of BA-installed
financial institutions

83

Number of member companies

70,951

Average churn rate

1.42% (*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 January 2021 to December 2022).

FY2022 3Q Profit and Loss Statement

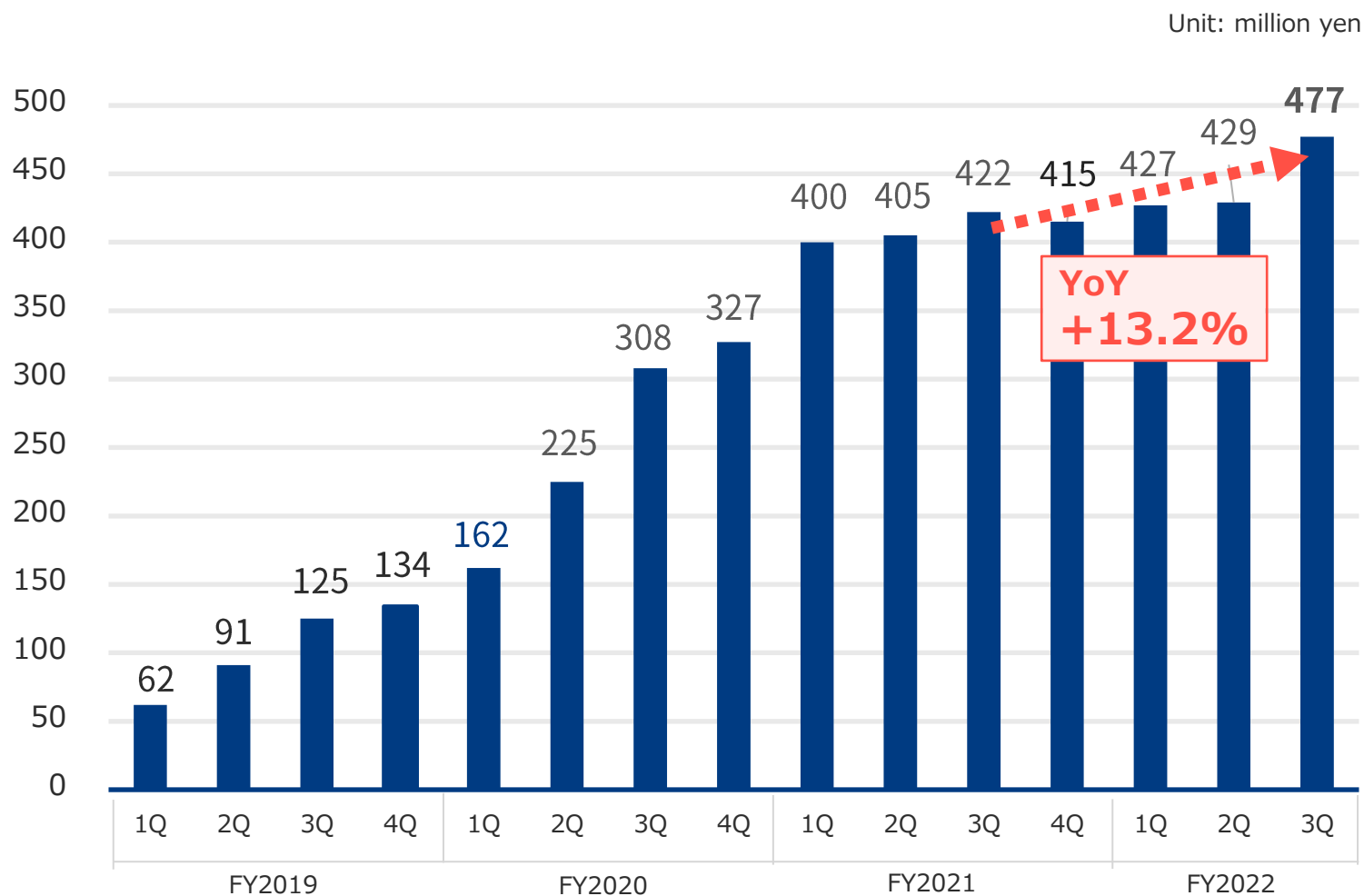
- A transition into consolidate financial statements since 3Q (Previous year comparisons used stand-alone earnings).
- Sales marked a 108.8% increase, from higher stock revenue and consolidation of *Ichioke Keiei Shien Jimusho*.
- As initially planned, investments focused on new hires and outsourcing to drive growth, although efforts to cut cost at the same time kept the company in profit.

Unit: million yen

	Stand-alone earnings for FY2021 3Q (Actual)	Consolidated earnings for FY2022 3Q (Actual)	Amount of variance	YoY
Net Sales	1,227	1,334	107	108.8%
Gross profit	792	720	▲72	90.9%
Gross profit ratio	64.6%	54.0%		—
Operating Income	326	62	▲264	19.0%
Operating income ratio	26.6%	4.7%		—
Ordinary Income	324	62	▲262	19.3%
Quarterly net profit at shareholders of parent company	265	20	▲244	7.7%

Quarterly Sales Trend

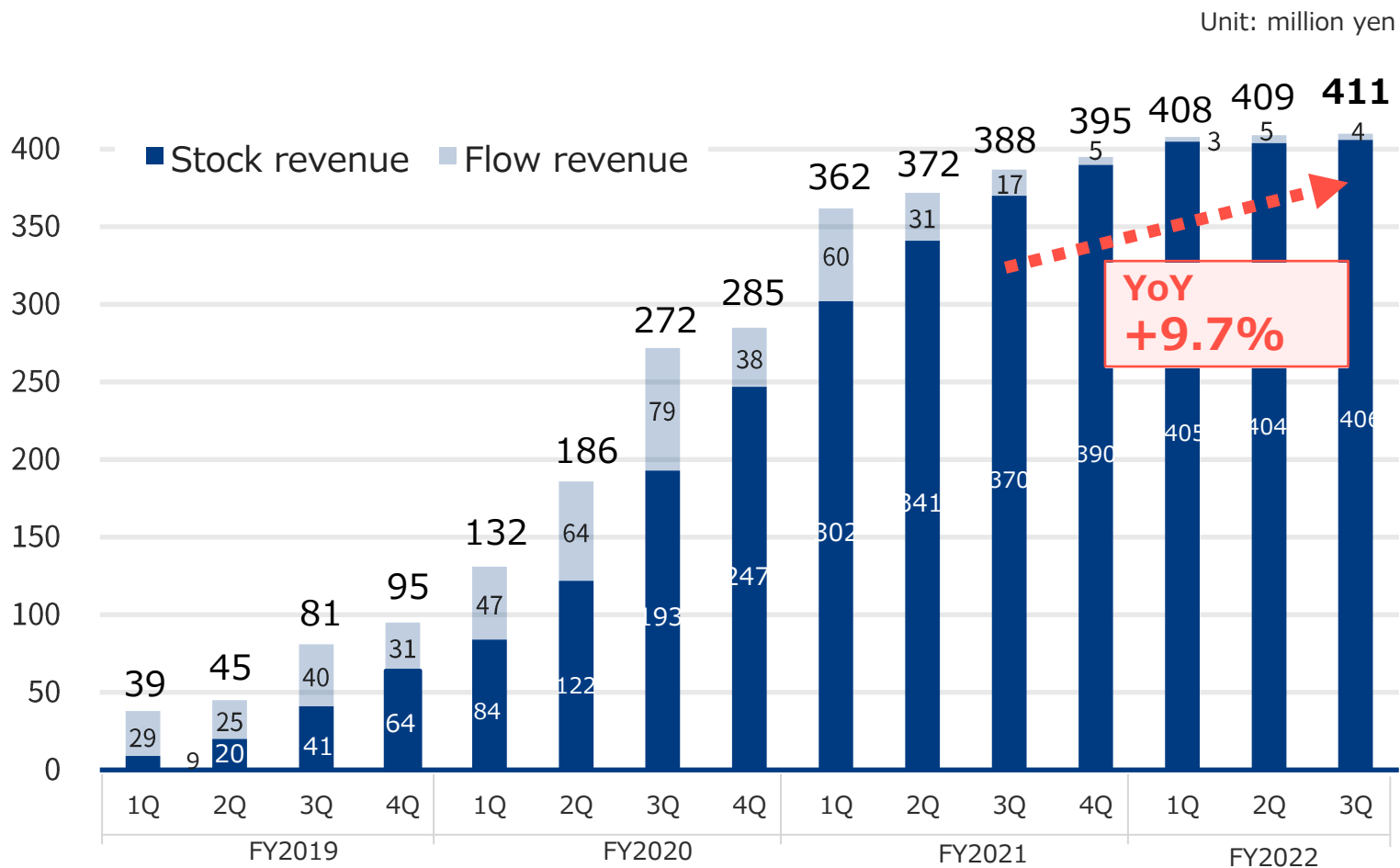
- Consolidation of financial statement started in 3Q of FY2022, where consolidated sales rose to 113.2% YoY.



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

Sales trend for Big Advance

- Stock revenue increased to 109.7% YoY, and overall sales for Big Advance to 106.0% YoY.

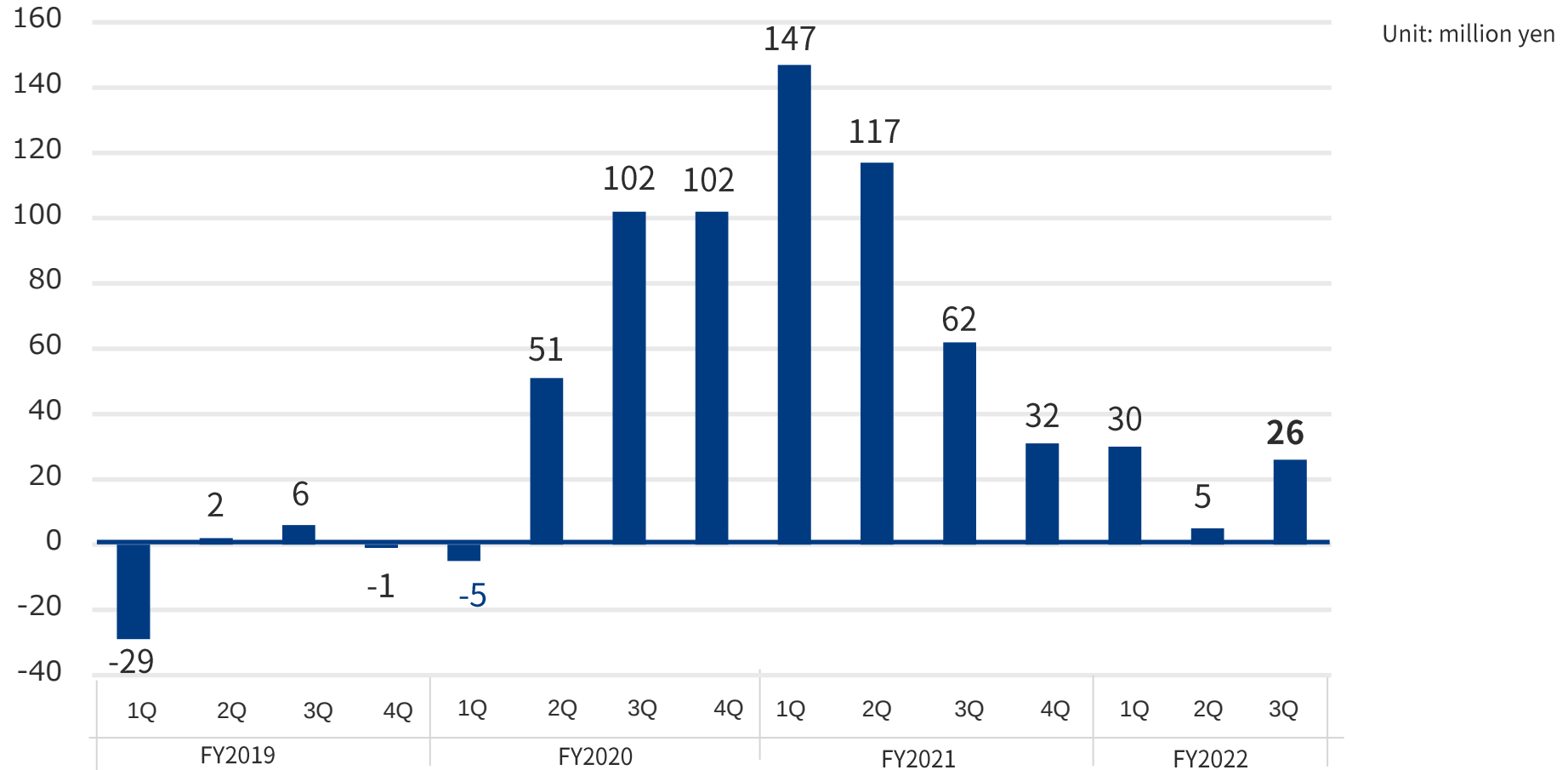


(*) Stock revenue: Revenue share of monthly maintenance cost and monthly cost of Big Advance at financial institutions.

Flow revenue: Initial fees for installing Big Advance and linkage with corporate portal sites and ID recognition system.

Trends in Quarterly Operating Income/Loss

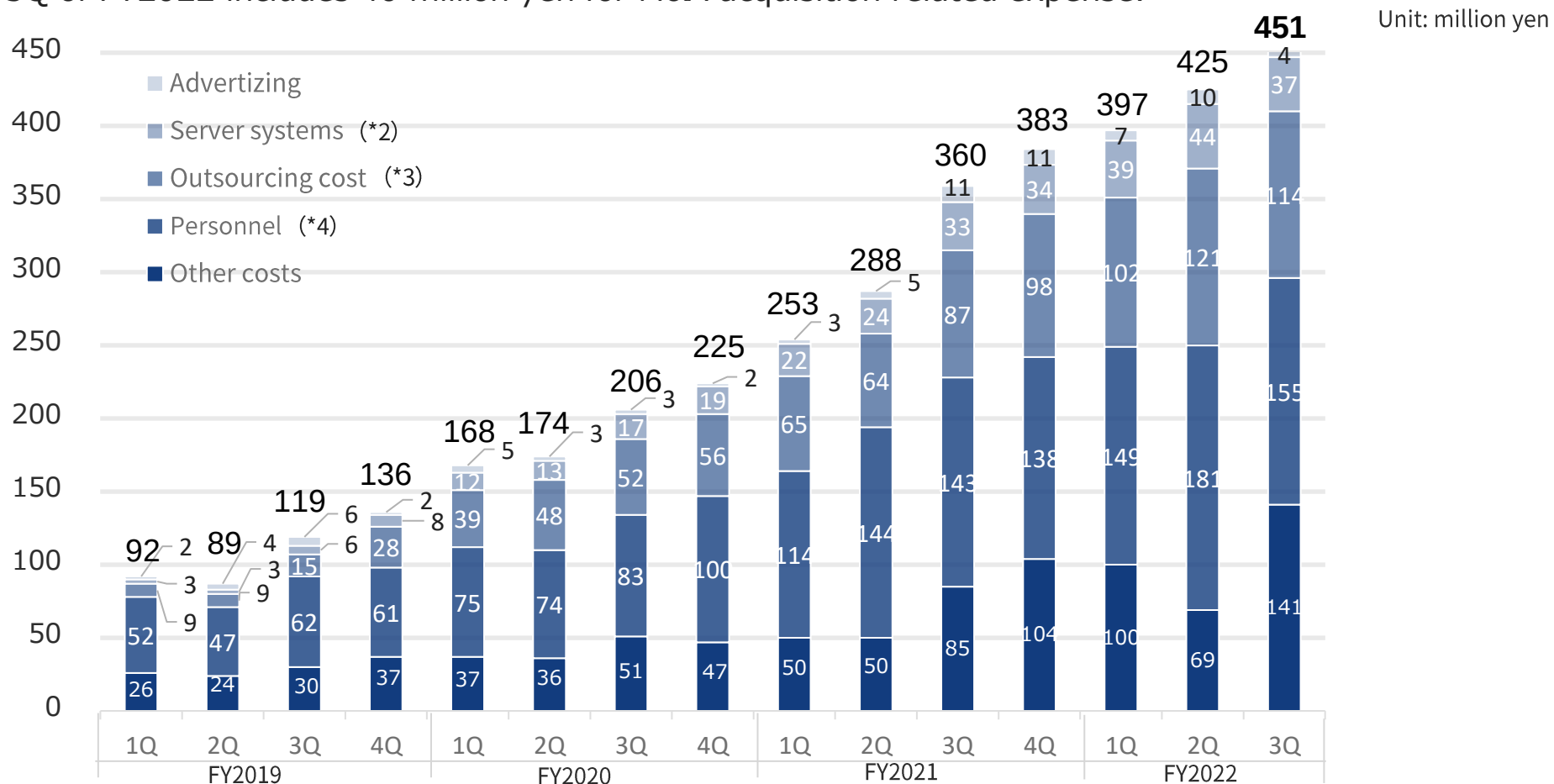
- Stated using the consolidated financial statement since 3Q of 2023.
- As initially planned, spendings on outsourcing and hirings to drive growth will be prioritized.
- From the viewpoint of cost benefit, spending has been reviewed, resulting in improved profit from 2Q.



(*) 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 is on an upward trend on the back of outsourcing cost and new lateral hires (+29 new staffs) to develop new functions on Big Advance, although 3Q hiring cost went down.
- 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.

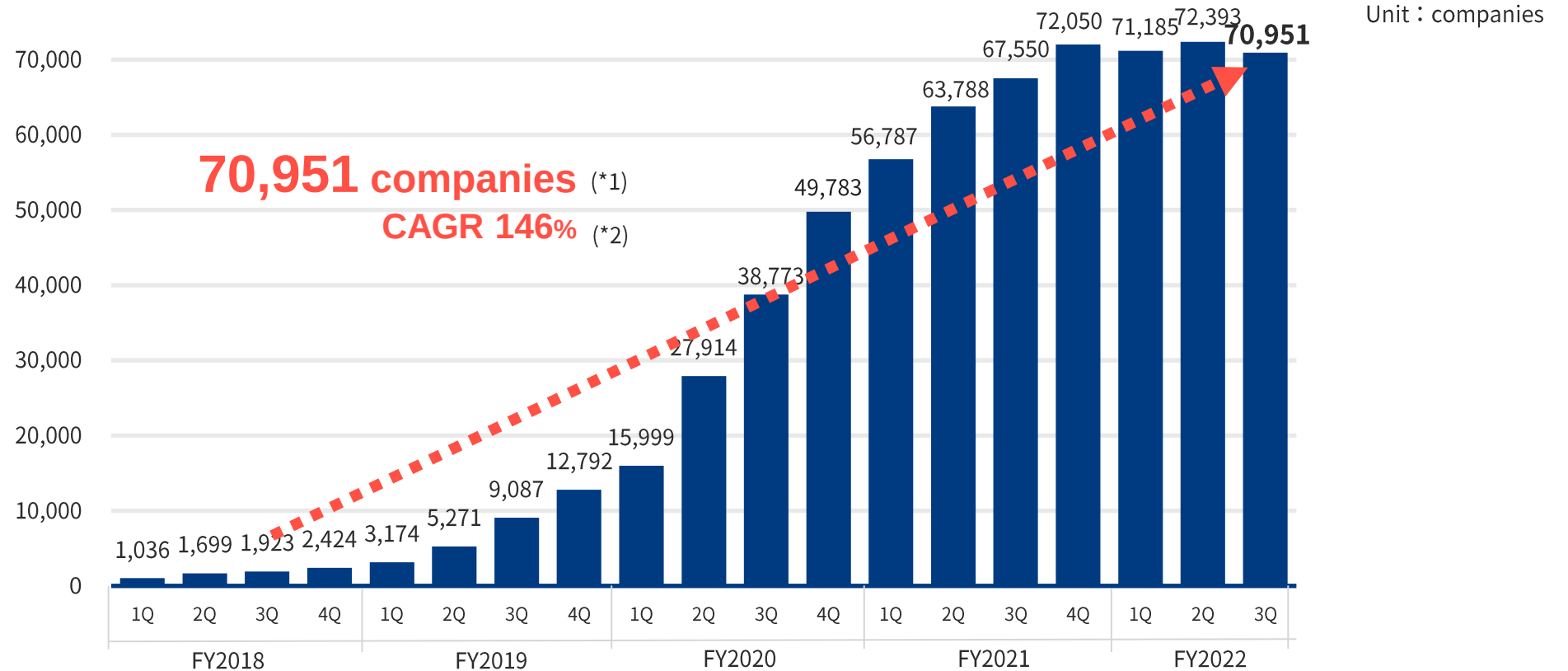
(*2) AWS and web system usage fees. CoGS

(*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.

Quarterly Trends of Member Companies

- Member companies stands at 70,951 companies, a decrease of 1,442 companies from 2Q (+3,401 companies YoY).
- Carry out plans to increase member companies and improve ARPA at the same time through continued supports on member acquisitions for financial institutions, and by holding seminars to explain the advantages of adopting the “CHANTO Invoice” system.
- Aim for more member companies by getting more financial institutions to adopt the system.

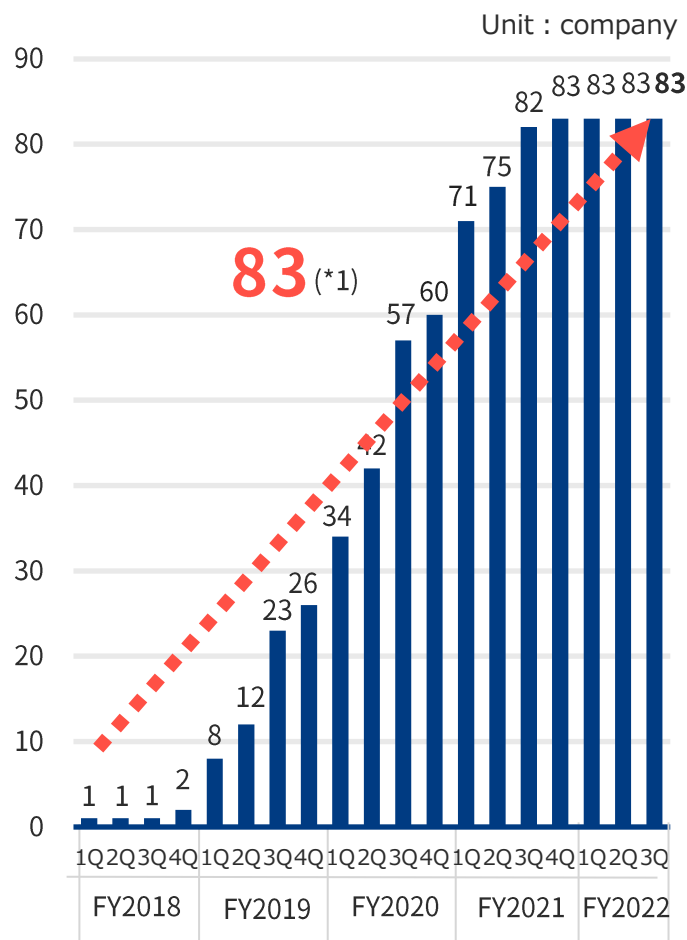


(*1) As of the end of December 2022

(*2) CAGR : Compound Annual Growth Rate from December 2018 to December 2022

Trends in the number of BA-installed Financial Institutions

- Number of BA-installed financial institutions stayed the same as end of last quarter at 83.



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

Kanto / Koshinetsu Region

Alupuscho 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

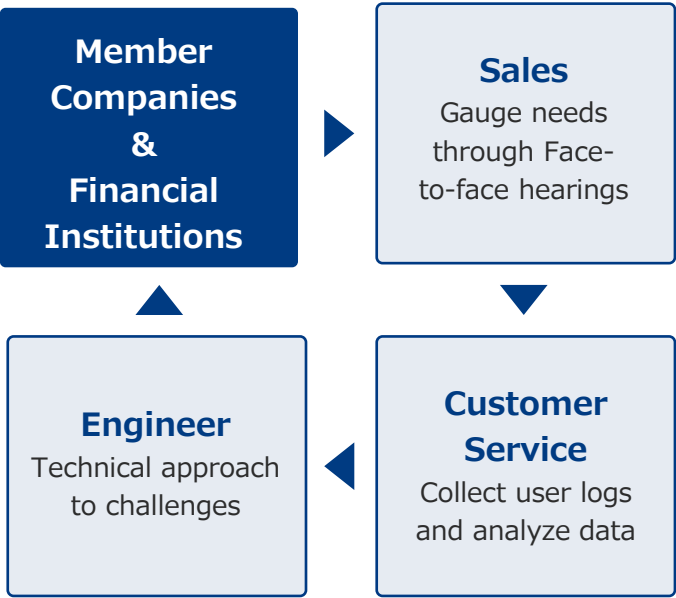
Oita Bank / Okinawa Bank / Okinawa Kaiho Bank / Kagoshima Sougo Shinkin Bank / Koga Shinkin Bank / Saga Bank / Nishi Nihon City Bank / Higo Bank / Fukuoka Chuo Bank / Nagasaki Bank / Minami Nippon Bank / Miyazaki Bank

(*1) As of the end of December 2022

Sustaining users with quick improvements to functions

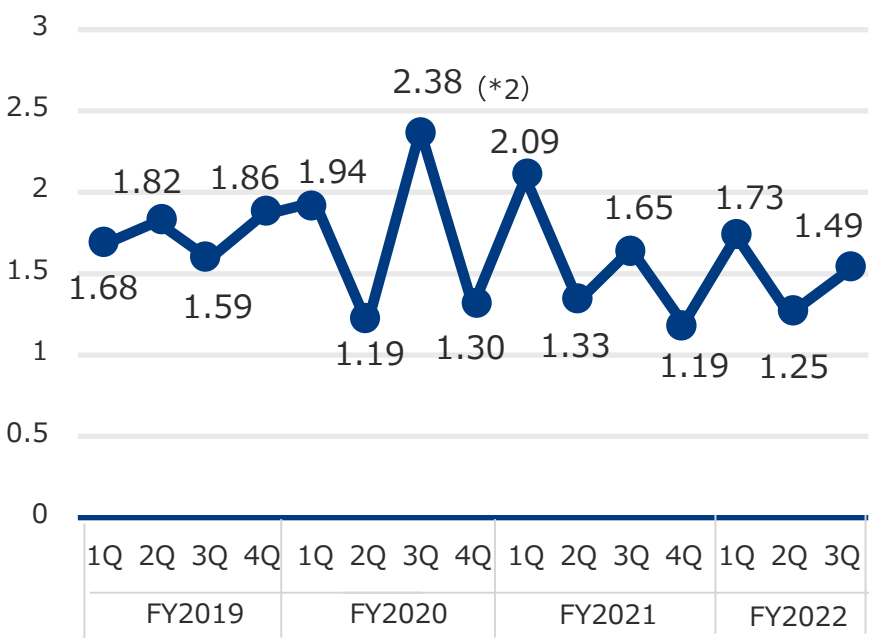
- Average annual churn rate stayed in the 1% range, on the back of efforts to collect and quickly reflect the needs of financial institutions and member companies in our services to heighten customer satisfaction and convenience.

Cycle of functional upgrades



Ave. Annual Churn Rate at 1.42% (*1)

Ave. Quarterly Churn Rate



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

(*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.

23 / 63

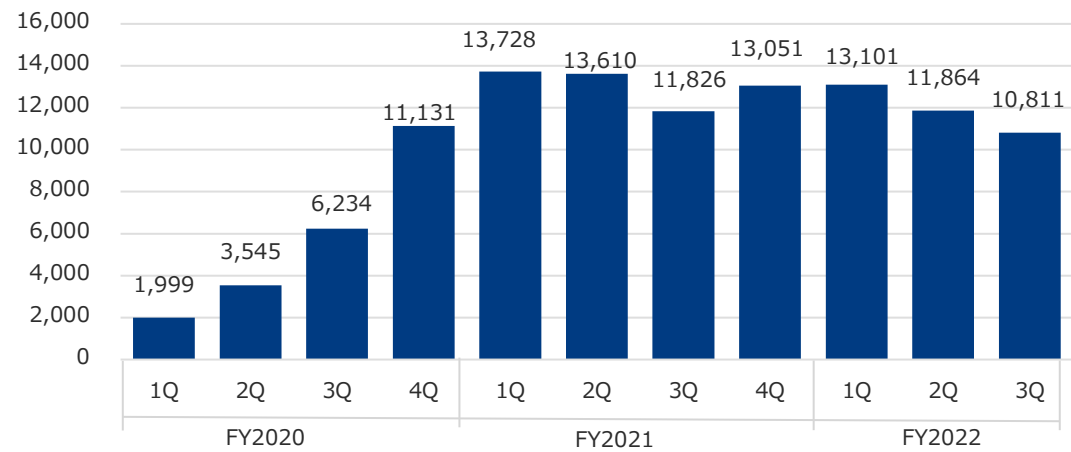
Benefits of adopting Big Advance (1)

- New values created through Big Advance for many SMEs over the past 4 years since its launch.

Business matchings

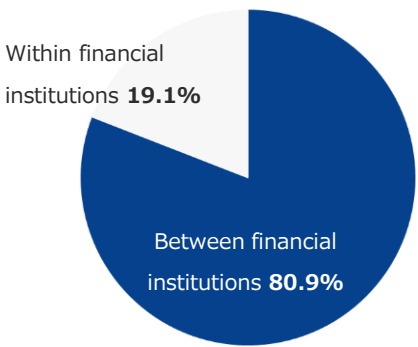
- The business matching feature allows users to explore new clients and potential tie-ups across different industry fields to develop new products.
- To improve quality over quantity of the business meetings, viewing period was limited and items required for input were increased, leading to slightly lower requests for commercial negotiations.
- Total requests for business talks **111,333** (*1)
- Contribute to galvanize the regional economy through business matchings across different regions.

Quarterly requests for business talks

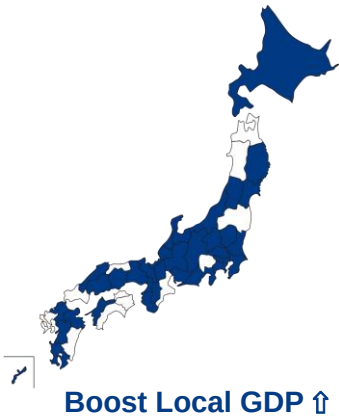


(*1) As of end December 2022

Wide area matching across financial institutions



Prefectures where 500 or more business talks have taken place



Benefits of adopting Big Advance (2)

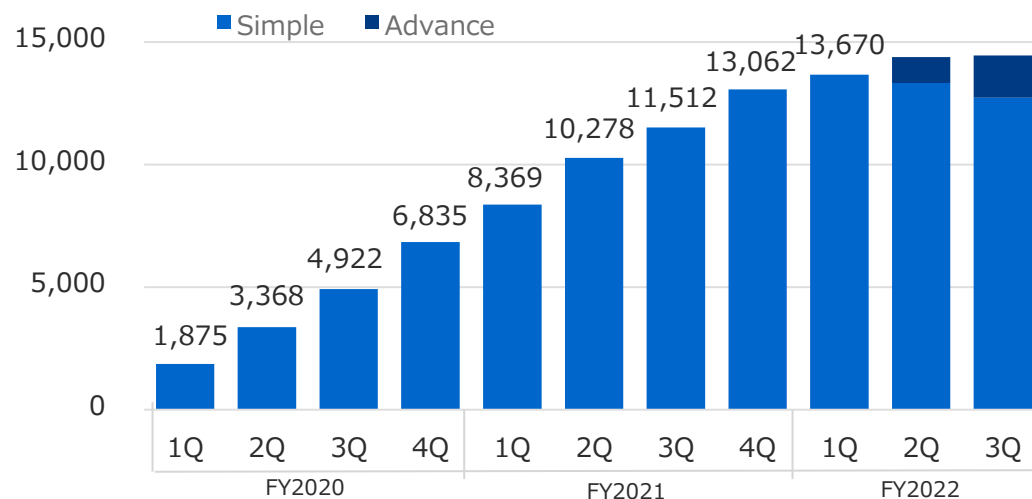
- Facilitate the creation and updating of websites that require routine cost and manpower, which adds to more credibility for the SME for attracting more customers and hiring new people.

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.
- 11.9% of companies that adopted the system use the “Advance” version.

Quarterly launch of websites



(*1) From April 2018 – December 2022

(*2) An in-company investigation

Number of
companies with new
websites

14,442

(*1)

Ratio of companies
that created website
for the first time

App.40%

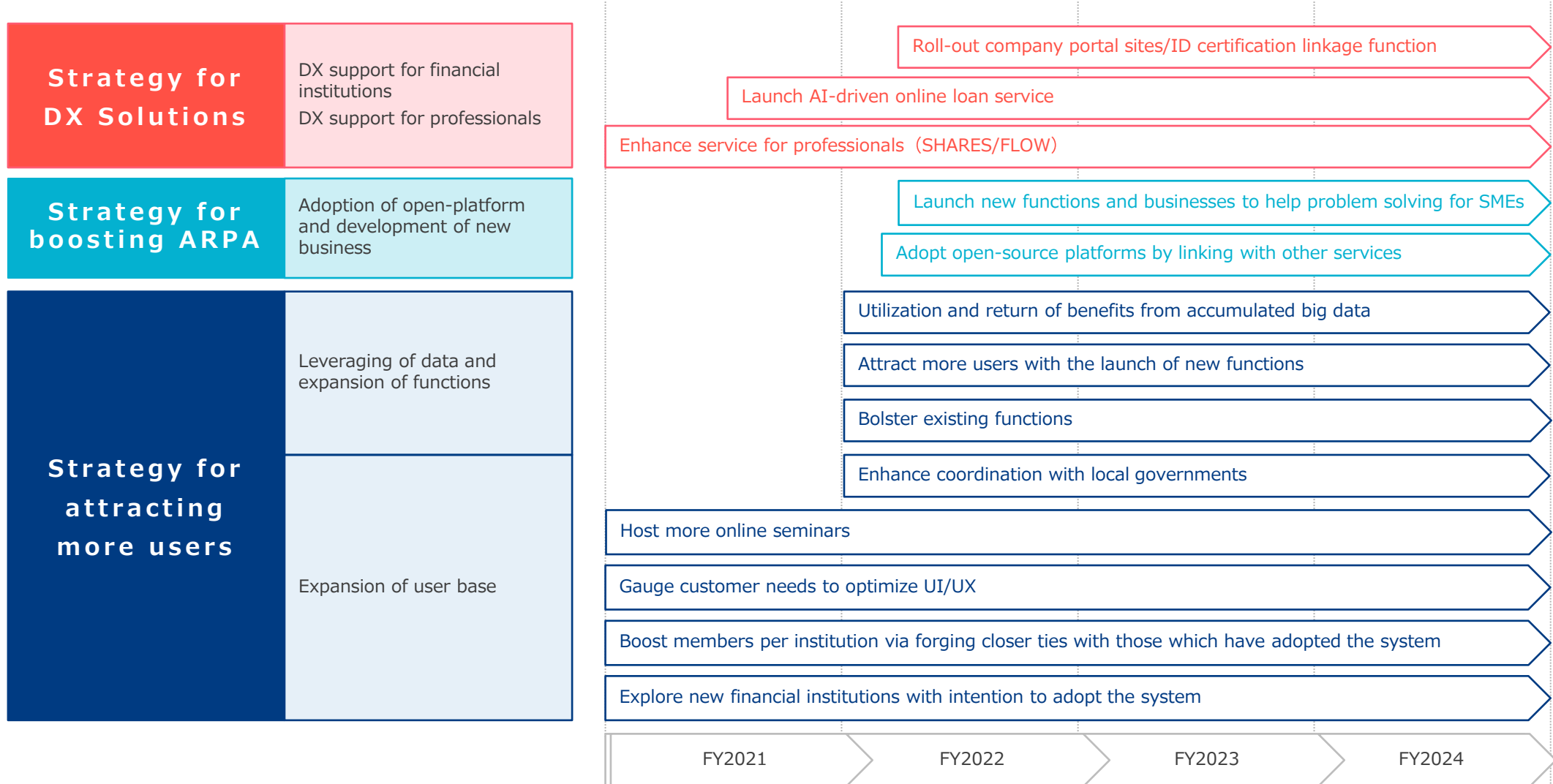
(*2)

04

Progress on mid-term management plan

“Roadmap of Growth Strategy” for mid-term management plan / Progress on mid-term management plan / Consulting service on government subsidies / The New “CHANTO Attendance Management” / Launch of New “CHANTO Invoice” / Winner of the “ASPIC IoT • AI • Cloud Award 2022” for Management Reform Award

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




 The largest management support platform for SMEs

Progress on mid-term management plan

- A steady progress is being made for 3Q

Strategy for DX Solutions	DX support for financial institutions DX support for professionals	■ Consolidation of <i>Ichioke Keiei Shien Jimusho</i> (November 2022). • Launch of consulting service for subsidies through financial institutions.
Strategy for boosting ARPA	Adoption of open-platform and development of new business	■ Tie-ups with other companies' services • Launch the "CHANTO Attendance Management" through a system linkage with GEOCODE Co. Ltd.'s "NEXT IC CARD" attendance management tool (October 2022). ■ Development of new features • Launch of the "CHANTO Invoice" (cloud-based invoice issuance) service (January 2023).
Strategy for attracting more users	Leveraging of data and expansion of functions Expansion of user base	■ Opened the Tokai Sales Office (October 2022) ■ Collaboration with local governments ■ Promotional activities to attract more member companies. • Host seminars and visit banks to educate staffs at financial institutions. • Build infrastructure for data analysis to facilitate usage at financial institutions, and provide a β-version of the data. • Provide more online seminars. • Load WEB guidance feature on Big Advance. • Make routine UI/UX improvements and upgrade functions. • Host competitions for creating webpages. • Host seminars on the new Invoicing System in Japan

Consulting service on government subsidies

- Started consultation service to SMEs on government subsidies for “crafts and production”, “business reorganization” and others.
- Tie-up with financial institutions to get referrals on SMEs and support their management.

Actual results

- Of the successful bids for government aids received in December 2022:
 - 7 were for “craft and production” (12th round); and
 - 20 were for “business reorganization” (7th round)
- Successful bids for government aid total 5 billion yen for 500 companies or more.
- Consultation provided by qualified Small and Medium Enterprise Management Consultants, with above average success rates for receiving aids.

Synergy

- Expand the service area beyond the Tokai Region where it is currently available, with cooperation from financial institutions around the country which have adopted Big Advance.
- Consider linking up with Big Advance.

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.

Banks offering CHANTO Attendance Management (※1)
The Alps Shinkin Bank Kagoshima Shinkin Bank Kinokuni Shinkin Bank The Bank of Kyoto Sanjo Shinkin Bank Seisei Shinkin Bank Shonai Bank Nagano Bank Niigata Shinkin Bank

(※1) As of 14 February 2023

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.



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).

Banks offering CHANTO Invoice (※1)
Aomori Bank Alps Shinkin Bank Kinokuni Shinkin Bank Gifu Shinkin Bank Kofu Shinkin Bank Sanjo Shinkin Bank Seisei Shinkin Bank Chiba Shinkin Bank Towa Bank Nagano Bank Niigata Shinkin Bank Hiratsuka Shinkin Bank Fukui Shinkin Bank Minami Nippon Bank Miyazaki Bank

(※1) As of 14 February 2023

Winner of the “ASPIC IoT・AI・Cloud Award 2022” for Management Reform Award

- Big Advance wins the Management Reform Award in the “16th ASPIC IoT/AI/Cloud Award 2022”.



- ASPIC IoT・AI・Cloud Award is rewarded to outstanding and socially beneficial cloud services in Japan, hosted by the Japan Cloud Industry Association (ASPIC)
- The award is hosted to promote the development and expansion of cloud service business at user companies and organizations, with the aim of making the cloud service as information platform for the society at large.
- This is the 16th anniversary for the award, since its launch in 2006.

05

FY2022 estimates

First year policy based on the new "Growth Strategy Roadmap" / Management Policy for FY2022 / FY2022 Forecast / Factors driving up cost in operating income FY2022

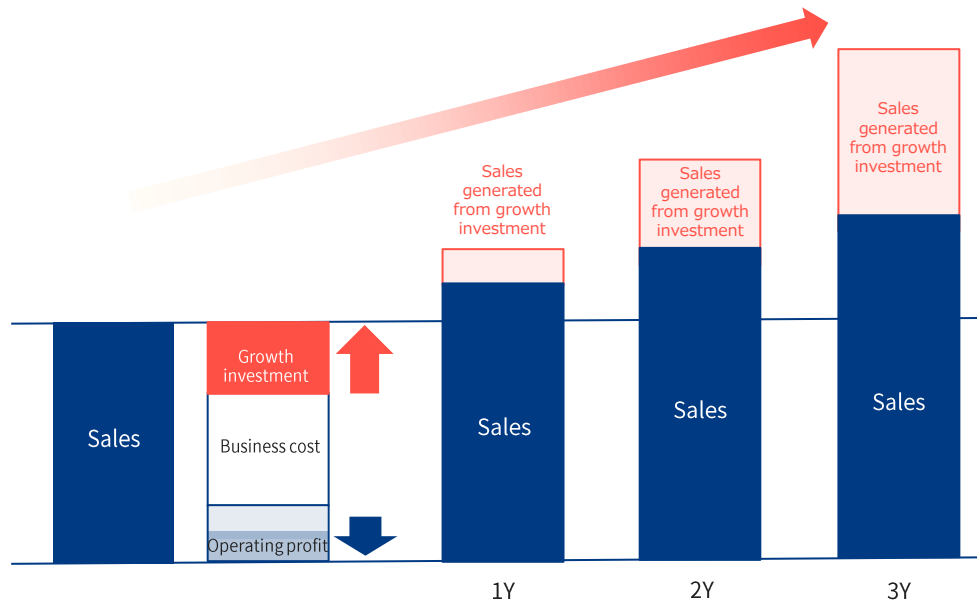
First year policy based on the new "Growth Strategy Roadmap"

- Advance the growth strategy ahead of schedule to cope with changes in condition and higher number of member companies in FY2021.

Old policy	• Sales growth through more member companies and financial institutions for Big Advance • Growth by raising ARPA through the release of new features and services after joining more member companies
	
New policy at the Mid-term Management Plan	• Enhance data return and support system to increase the number of member firms per financial institution • Set up a department dedicated to business development and promote growth by raising ARPA with new functions and services • Carry out open-platform conversion ahead of schedule to meet the variety of needs of member companies and financial institutions • Bolster corporate portal sites to accelerate the DX process at financial institutions
Impact on Performance	• For FY2022, a large temporary decline in operating income is expected due to aggressive investments for growth • For next year onwards, we aim to boost sales growth and profits by increasing ARPA through attracting more users with new functions and services.

Management policy for FY2022

- FY2022 Forecast: Expecting operating income to drop temporarily due to the aggressive investments made to drive growth.
- For next year onwards, new functions and services are expected to attract more users and push up ARPA to accelerate the pace of sales growth and improve profit margins.



Profit and Investment Policy

- ✓ Take this phase as an investment opportunity to put more into hiring and products to drive mid-term growth
- ✓ Boost sales and profit through facilitating growth to overtake the temporary decline in operating income
- ✓ Invest in growth to generate sales in the future

FY2022 Forecast

- Estimates have been revised on the back of progress in recent business performance and the consolidation of *Ichioke Keiei Shien Jimusho* as a subsidiary.
- Sales dropped to 1,800 million yen from estimates made at the beginning of the period, due to less member companies and system-installed financial institutions, but the forecast for operating profit jumped to 65 million yen from estimates made at the beginning of the period by reverting to cost effective spending plans despite the upfront investments made on new hires and outsourcing aimed at future growth.

Unit : mil. yen

	FY2022 Stand-alone FS (Estimates before change)	FY2022 Consolidated FS (Estimates after change)	Variance	YoY
Sales	2,000	1,800	▲ 200	90.0%
Cost of Sales	1,078	992	▲ 86	92.0%
Operating Profit	10	65	55	550.0%
Recurring Profit	10	66	56	560.0%
Net profit for shareholders of parent company	6	19	13	216.7%

06

Mid-term Management Plan (FY2022-FY2024)

Agendas for the Mid-term

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)

Mid-term Targets and Evaluation Indicators

3-year growth targets / Evaluation indicators

Strategy Roadmap

Revised "Growth Strategy Roadmap" to meet target / New "Growth Strategy Roadmap" / 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 / Launch of the new "Management Discussion Forum" / New functions pending release / Strategy to raise ARPA (1):Use of Open Platform / Strategy to raise ARPA (2):New business development / Strategy for DX Solutions: DX Support for financial institutions / 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

- 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.

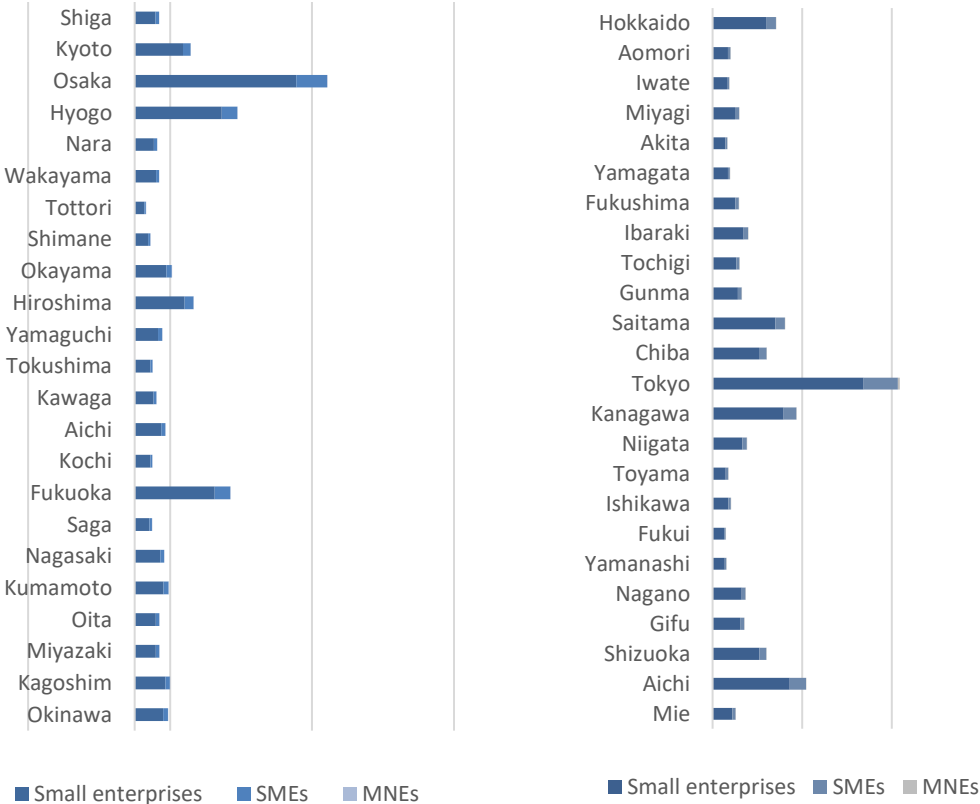
We combine technology and innovation to create business models to improve labor productivity and deliver services that are truly valuable to the companies we serve.

To become a core infrastructure for SMEs

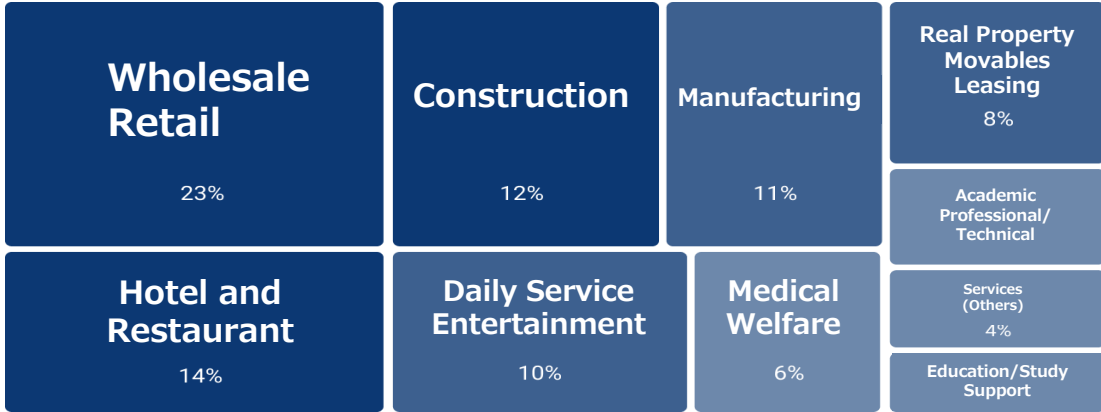
- To become the absolute leader in the DX market for Japanese SMEs in the next 3 years (FY2022-FY2024).
- Of the nation's 3.58 million businesses, 99.7% are small and medium-sized enterprises and 84.9% are small businesses.
- Small businesses are distributed in each region.
- The top 3 industries are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

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



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)

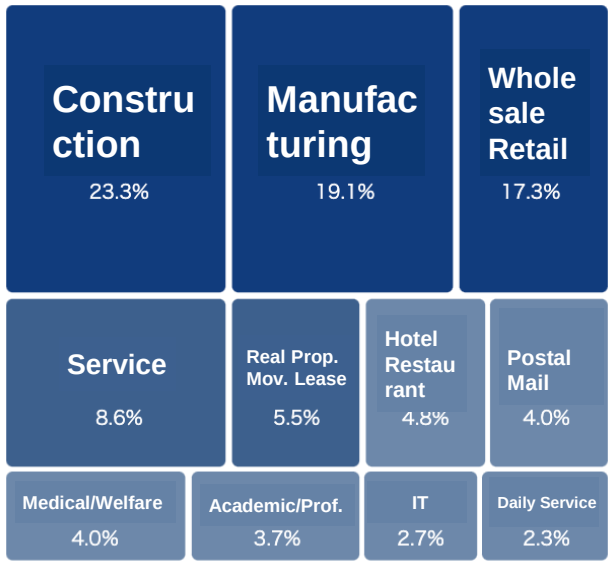
Effective networking with local financial institutions

- 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 Financial institutions that have introduced Big Advance with 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.

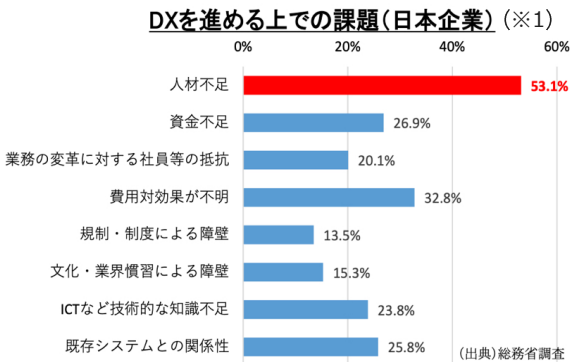


The top three industries of the member companies are construction, manufacturing and wholesale/retail.

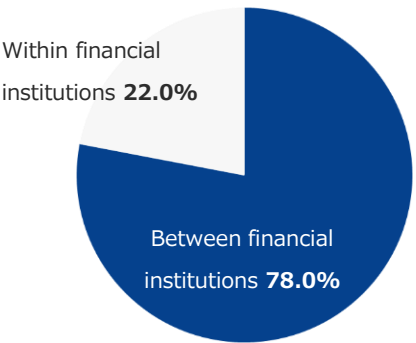
Advantages of using Big Advance (3)

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.



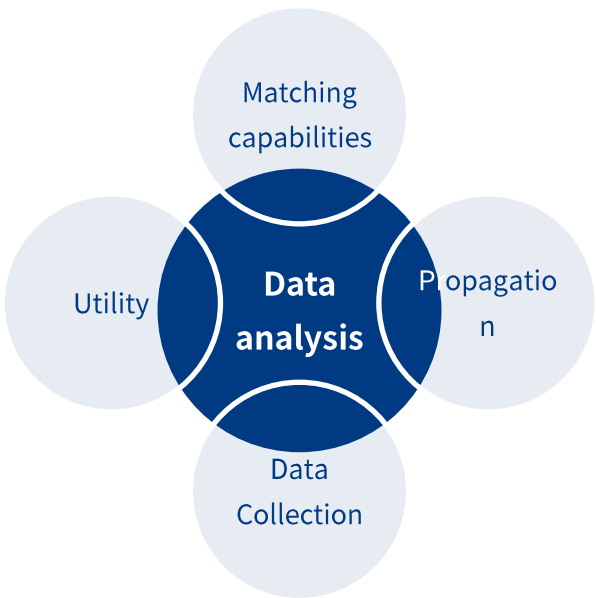
The main issues with DX is “lack of personnel” at 53.1%.



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

Data-driven analysis and returns

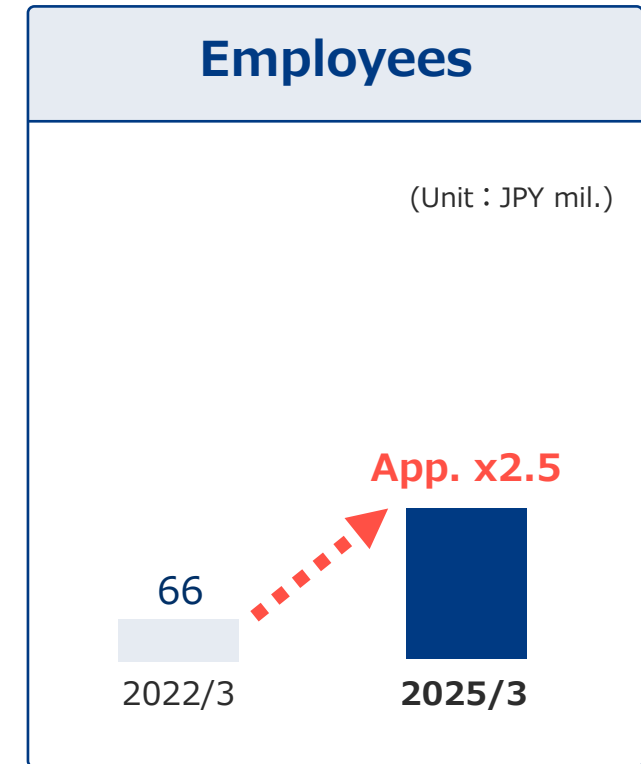
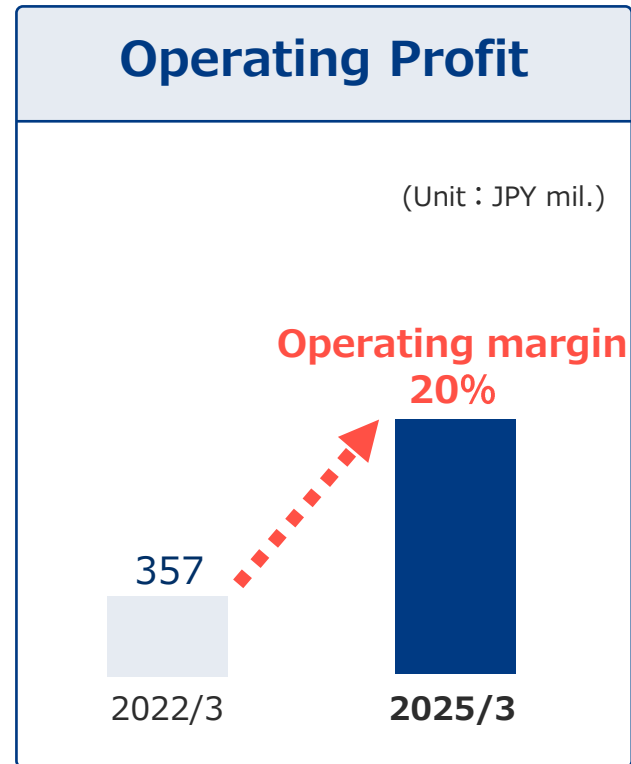
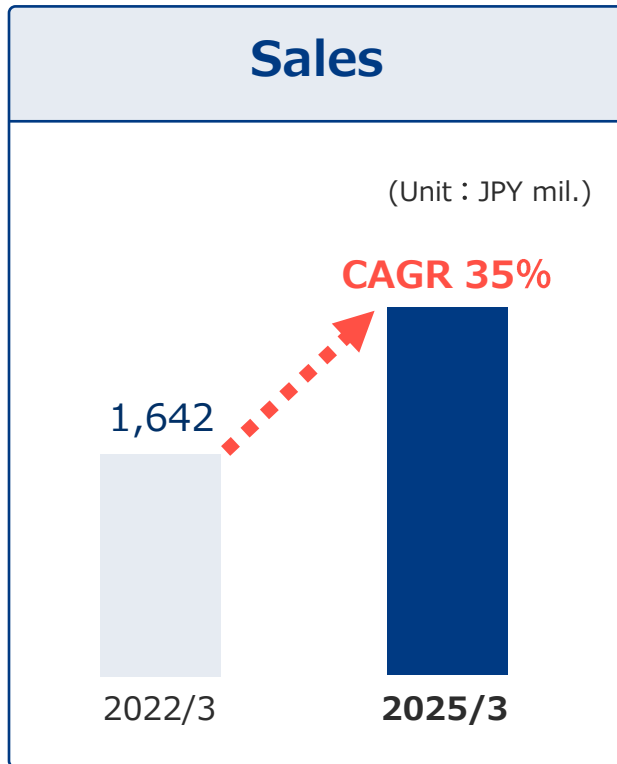
- Core business support to clients of financial institutions by offering data collected by Big Advance (data provisions to begin in April 2022).
- Business matching function offers AI-driven recommendations of business activities to companies.
- Presents ways of using Big Advance on the web, depending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

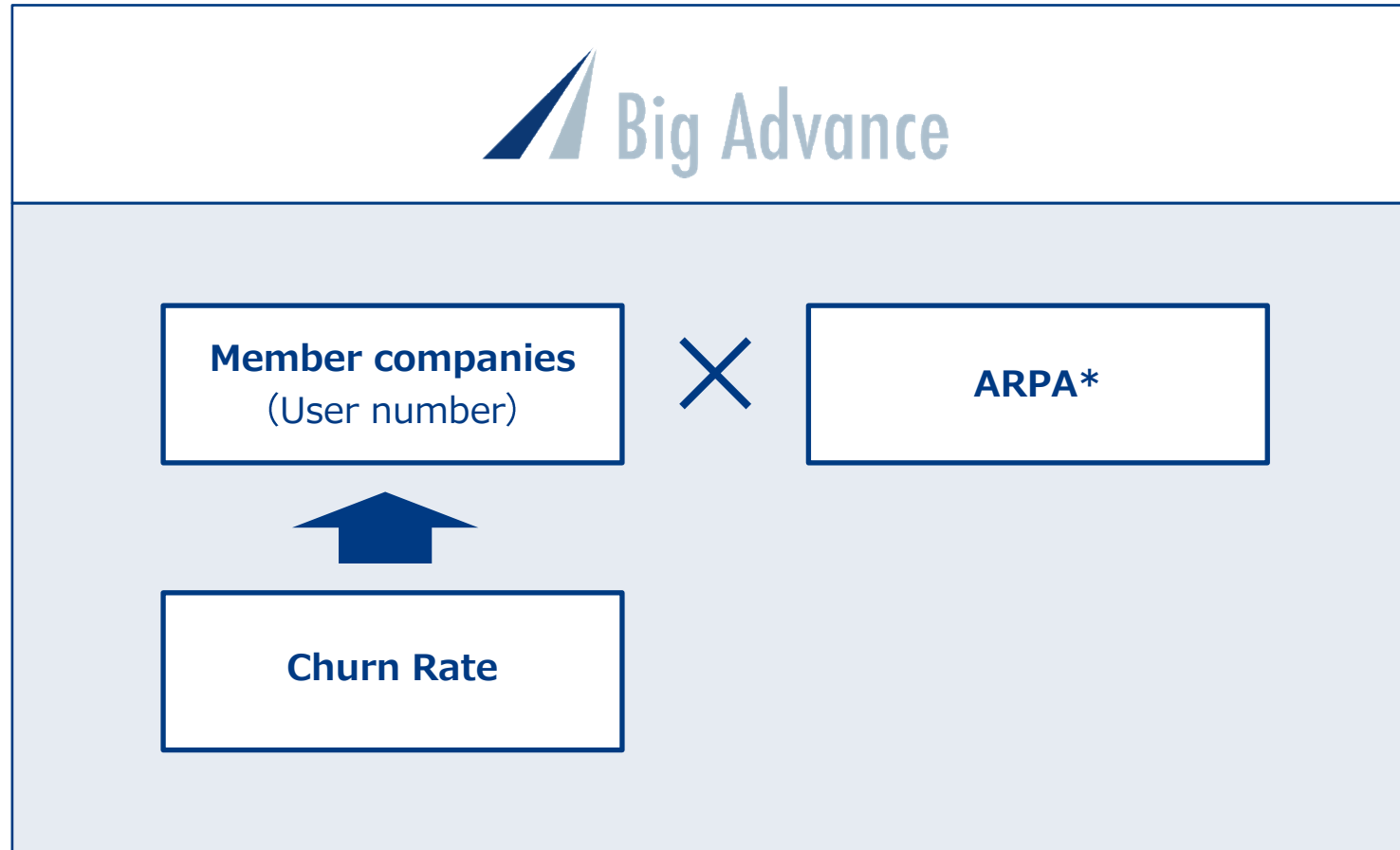
3 years growth target

- Target sales growth of CAGR35% from FYE2022/3 to FYE2025/3 through attracting more users, ARPA expansion and DX Solution strategies.
- Operating profit to temporarily decline for FYE2023/3 due to planned investments, but set to target a 20% margin by FY2024 through sales growth exceeding investments made to drive growth.
- Anticipating around 1/4 of sales in FY2024 to derive from new services and new businesses.



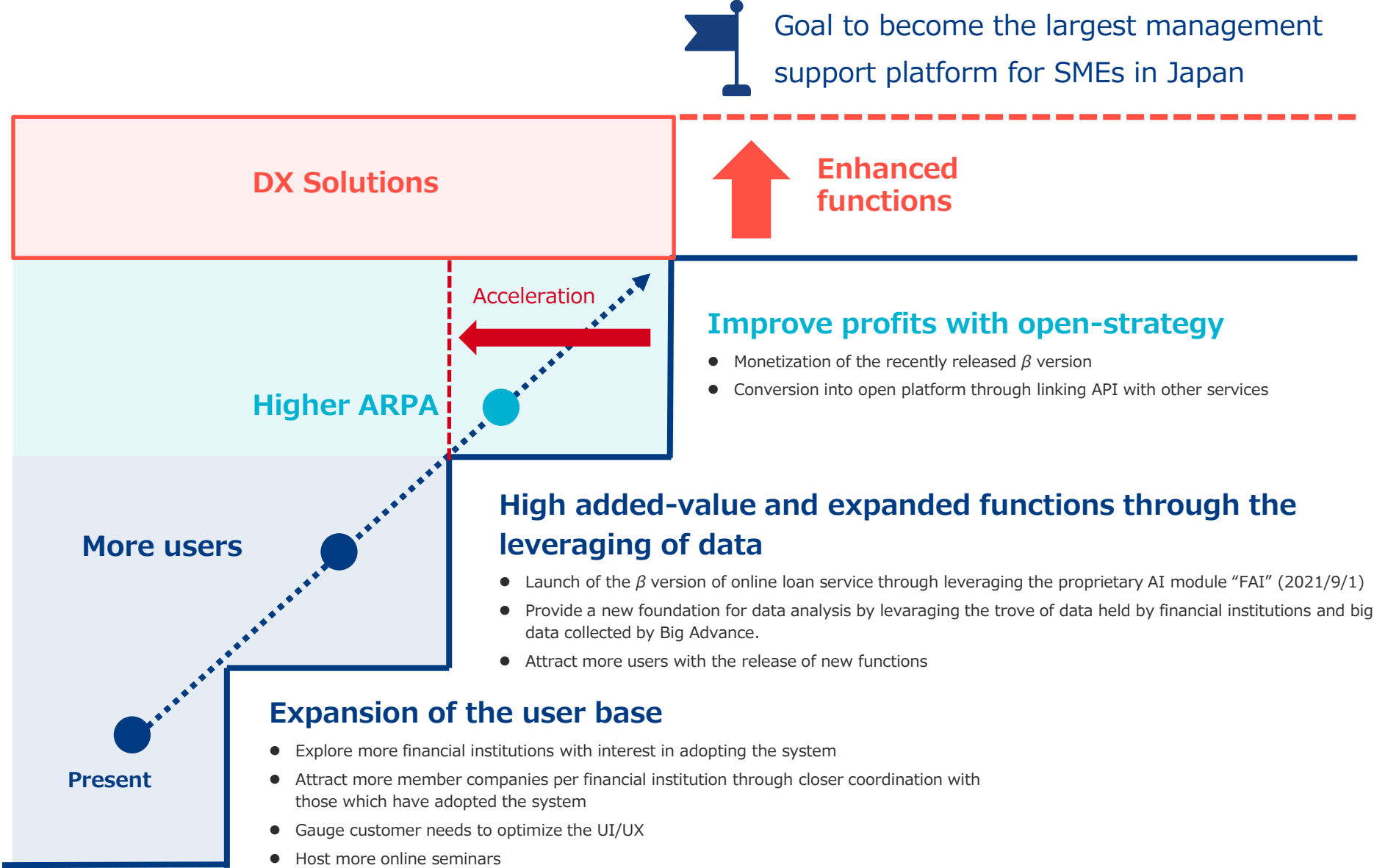
Evaluation indicators

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



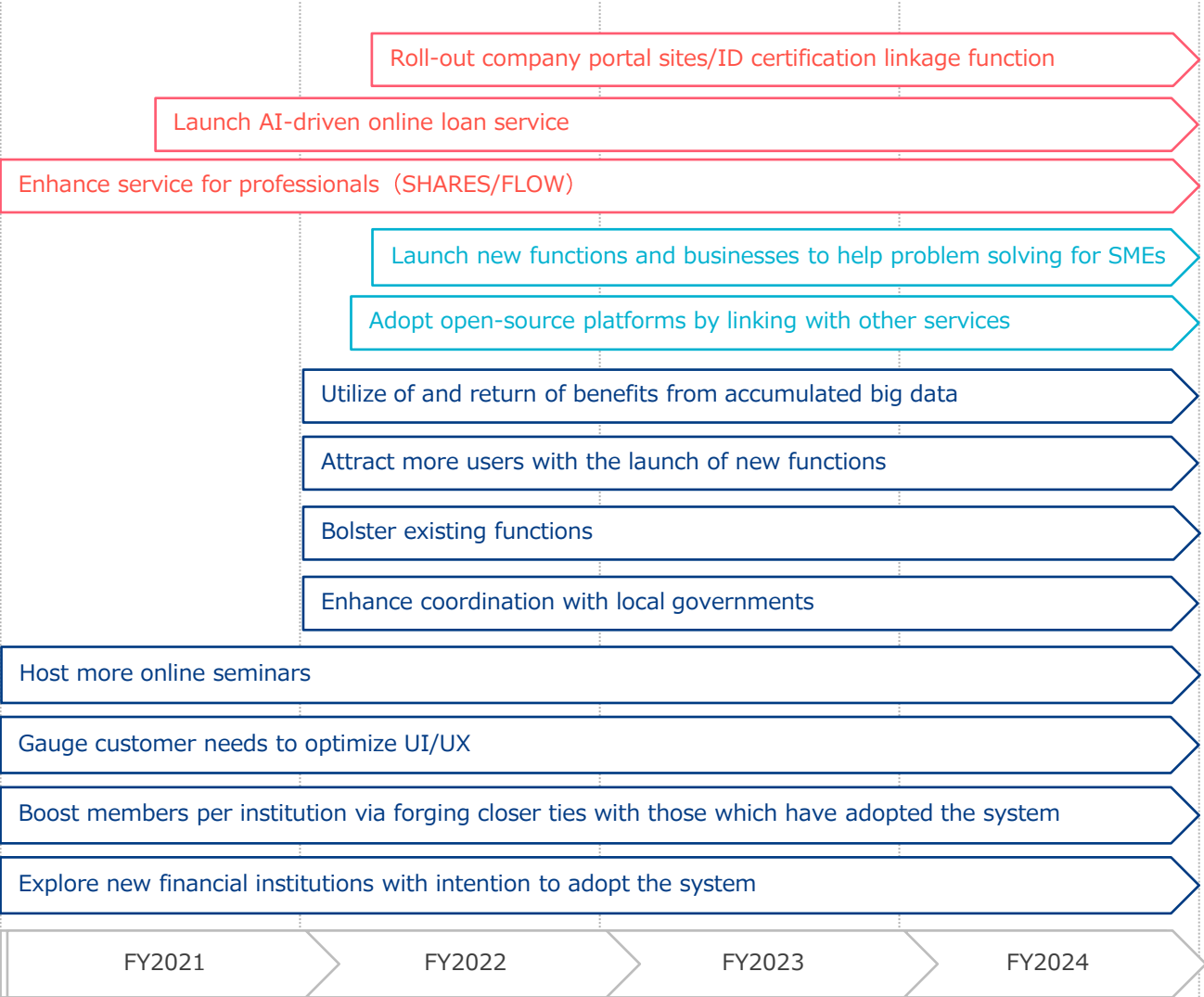
(*) ARPA stands for Average Revenue per Account, referring to average sales per account.

Revised “Growth Strategy Roadmap” to meet target



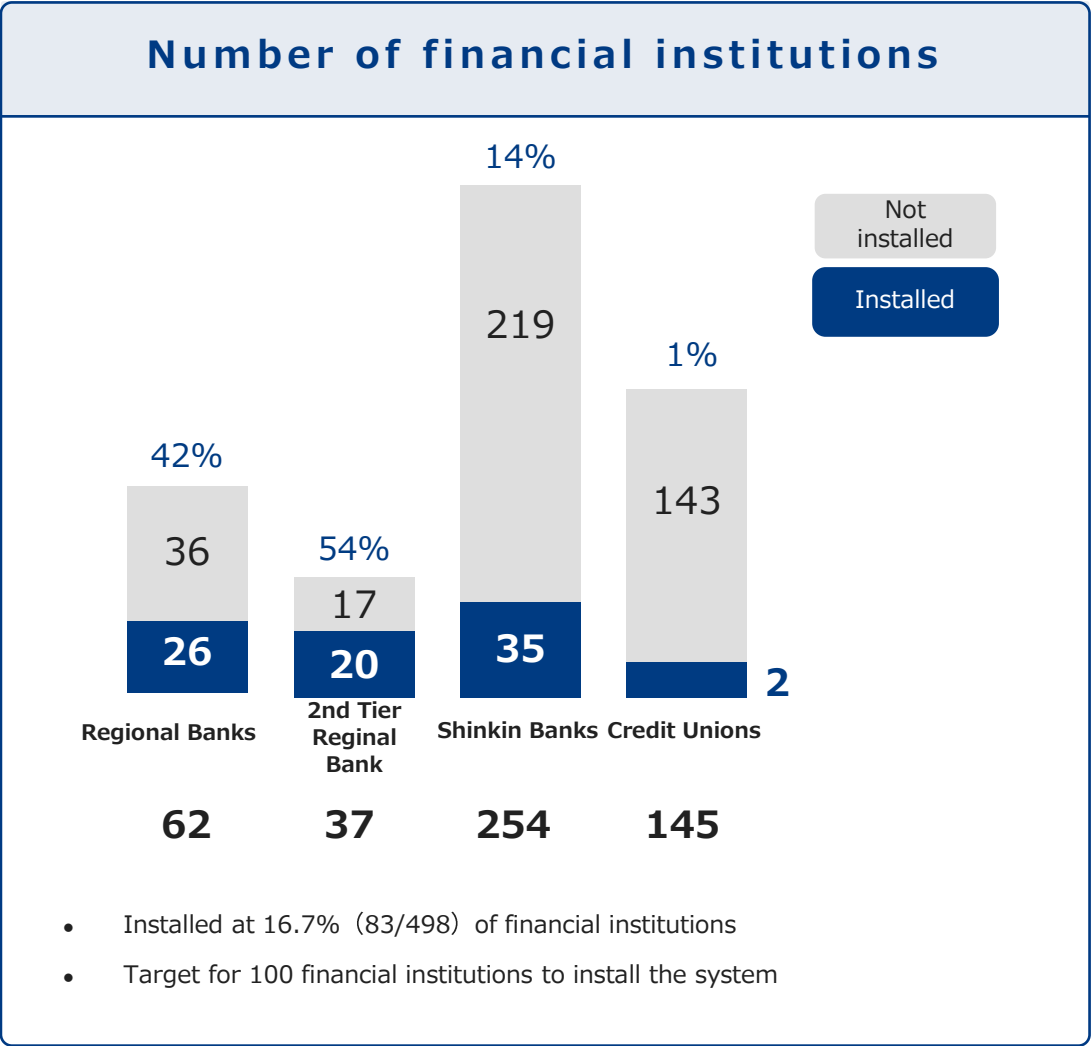
Revised “Growth Strategy Roadmap”

Strategy for DX Solutions	DX support for financial institutions
	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

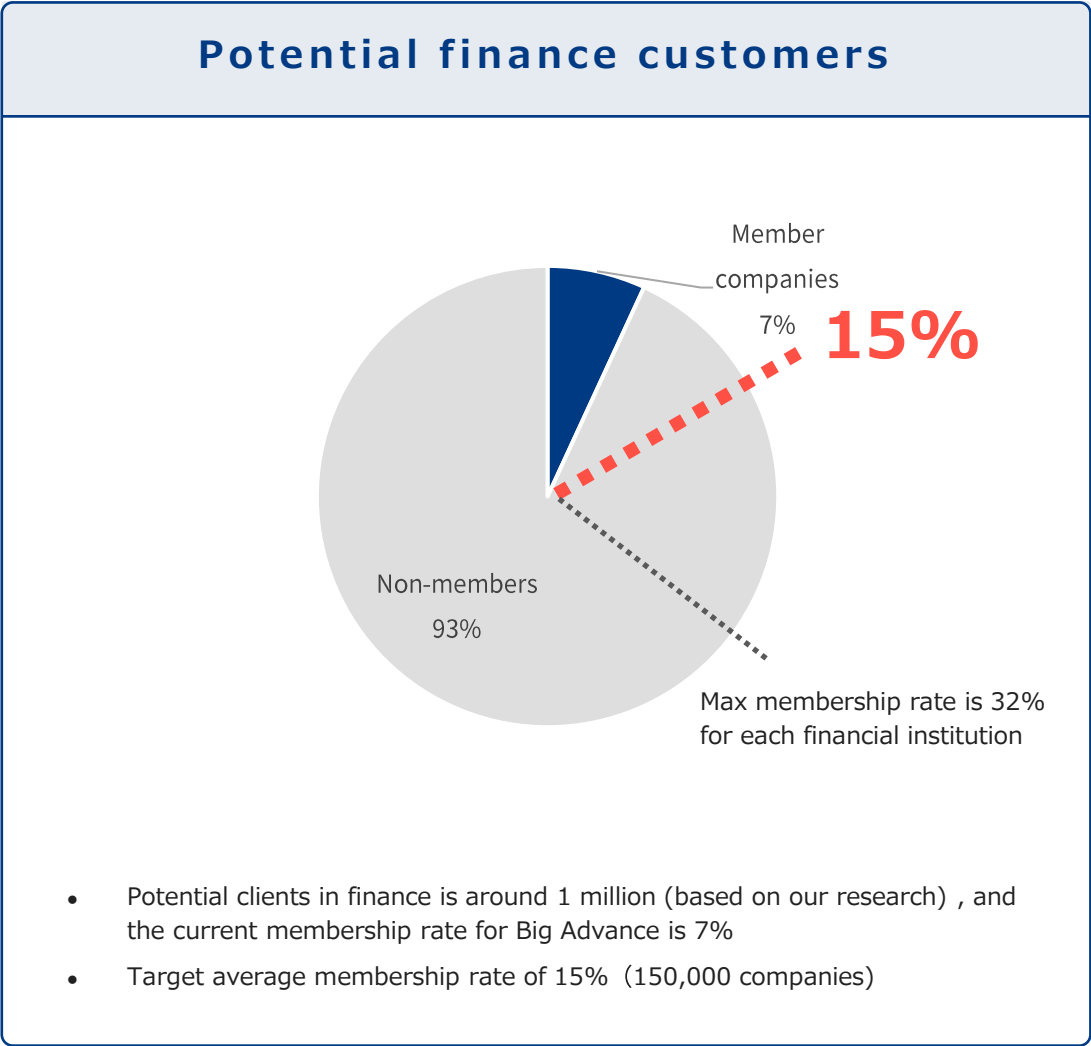


 The largest management support platform for SMEs

Attracting more users(1):Expanding the user base



(as of 31 March 2022)



(Based on the 83 BA-installed financial institutions)

Attracting more users(2):Expanding the user base

- Opening new regional sales offices to strengthen relations with financial institutions and local governments



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

- 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)
- Fujiidera City promotes DX by proactively adopting new information and communication technologies to revitalize the local community and achieve regional development.
- The **Senshu Ikeda Bank** will provide full support for Fujiidera City's DX promotion through a use of "Big Advance".

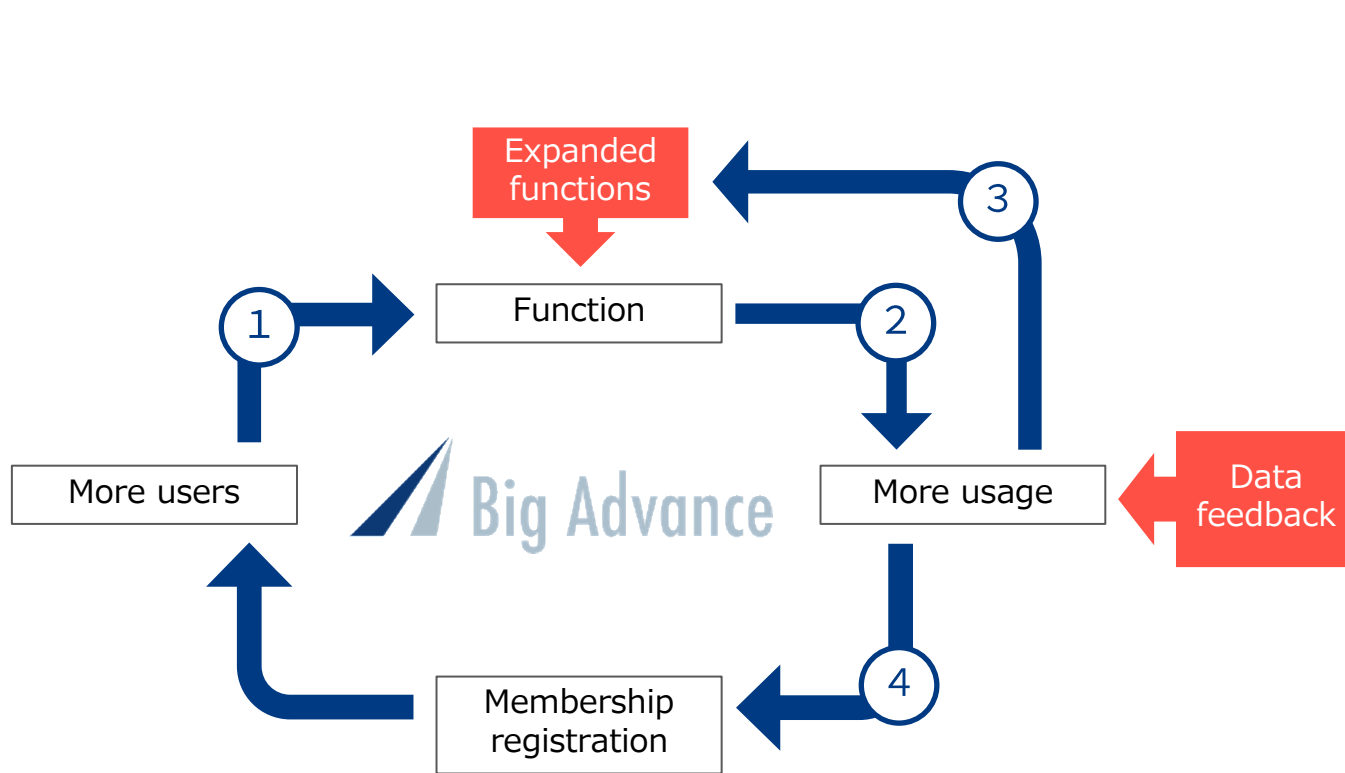
Online press conference



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.



- 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).
- Users will increase usage as more value is extracted from the service. More functions will also be added based on user needs.
- Increased usage will propel the use of other functions and improve the churn rate.
- Higher usage will lead to new users, and providing feedback of success stories to financial institutions will bring in even more.

Launch of the new “Management Discussion Forum”

- “Management Discussion Forum” launched in April 2022, a communication tool for managers to discuss issues with each other.
- Provide a place of casual communication and discussion for managers with business issues to help each other solve problems.



Features

- ✓ Network comprised of trusted member companies
- ✓ Easy access to managers around the country via the internet
- ✓ Managers can share each others' experiences to solve problems

Launch of new features - “Business Succession”, “CHANTO Attendance” and “CHANTO Invoice”

- Business Succession feature launched to widen recognition of business succession at SMEs (July 2022).
- Tie-up with GEOCODE Co., Ltd’s cloud management tool “NEXT IC Card” to streamline management of employee attendance, travel and other expenses (Oct. 2022).
- Easy issuance of online invoices and compliance with the new Invoicing System and the Law Concerning Preservation of National Tax Records in Electronic Form in Japan (January 2023).

Business Succession service

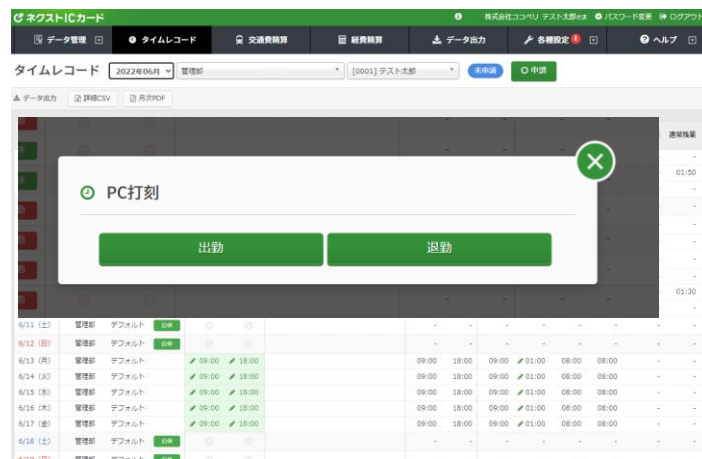


Articles on business succession

Trends in business succession policies

Simulations on stock and inheritance tax

ちゃん勤怠 by ネクストICカード

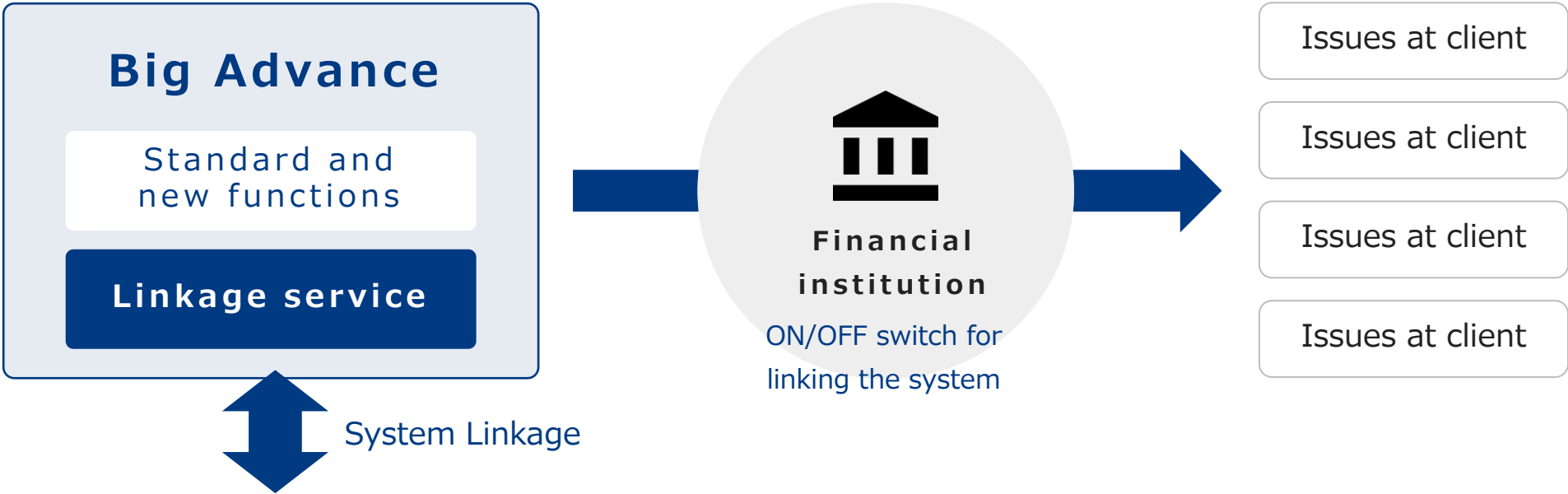


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Strategy to raise ARPA(1):Use of Open Platform

- Tie-up with external services with expertise in providing for SMEs to cater for a variety of needs by financial institutions and SMEs.
- Launch of the “BA Mall” service (January 2023).
- Member companies are able to use external services on preferential terms through the BA mall service.



Big Advance Open Platform (BOP)

Attendance tracker/ Performance evaluations	Accounting system	Outsourcing of calling
Workflow management	Groupware	Rental of OA equipment and office automation
Launch EC sites	SFA • CRM	Marketing automation
CO2 emission management	Benefits and higher employee satisfaction (ES)	Others

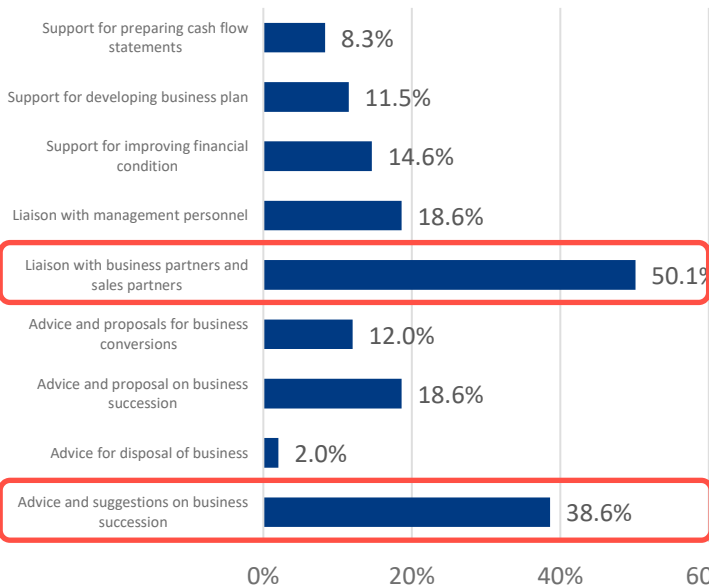
Strategy to raise ARPA(2):New business development

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

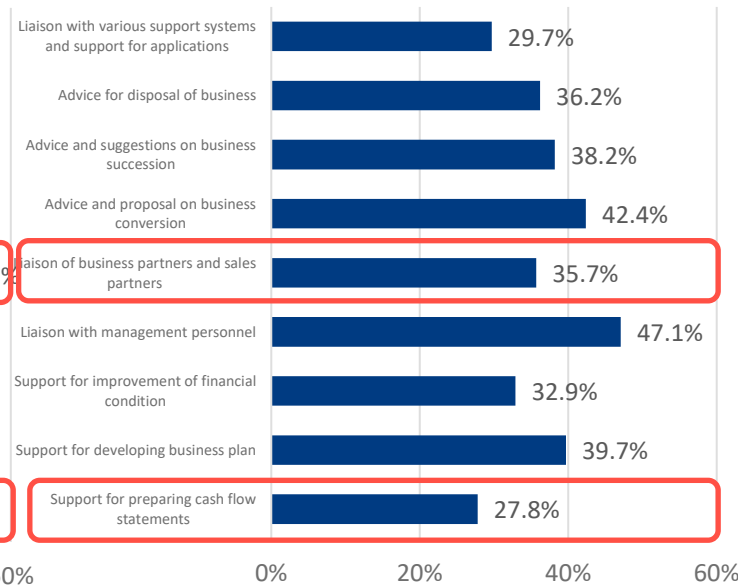
Company surveys

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

Services in demand

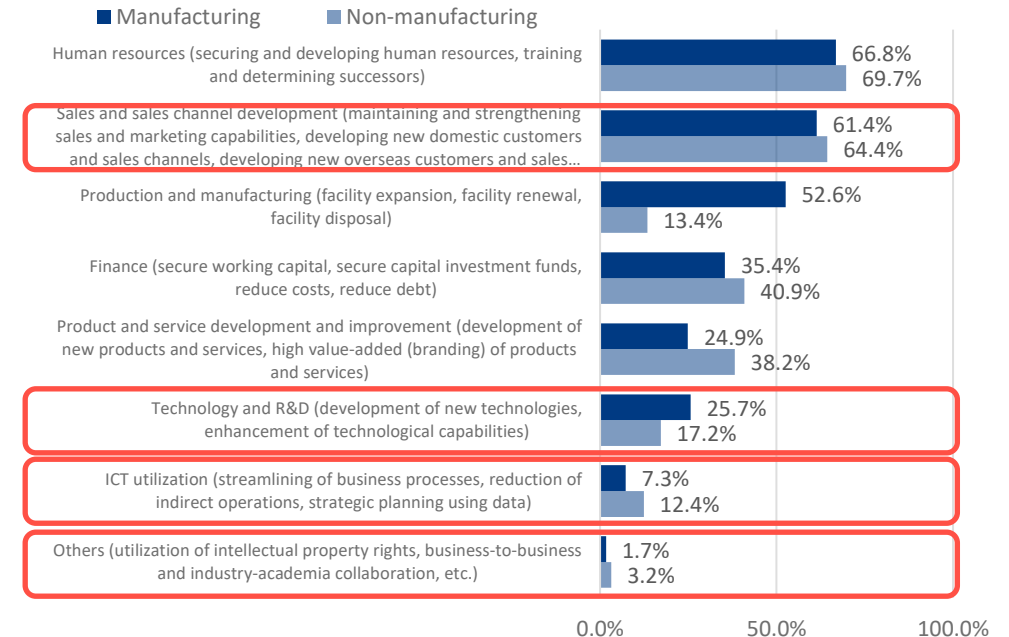


Services worth paying a commission



Survey on SMEs' issues and public support needs

Major issues faced by small enterprises (*2)



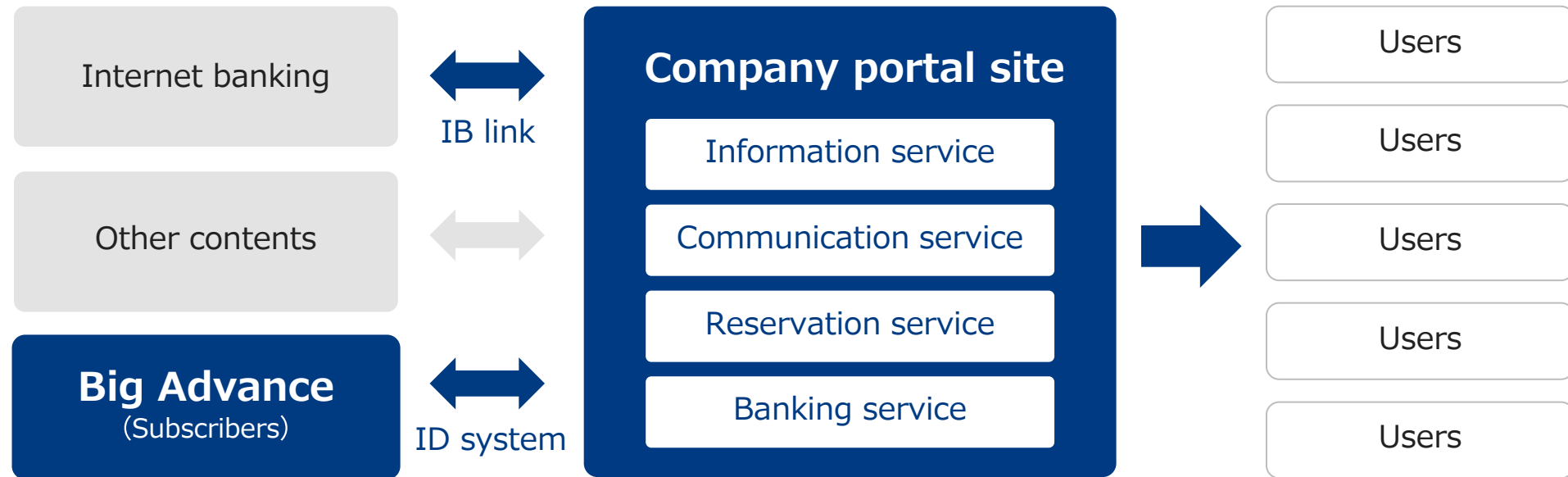
(*1) Financial Services Authority "The JFSA Strategic Priorities July 2021-June 2022"

(*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.



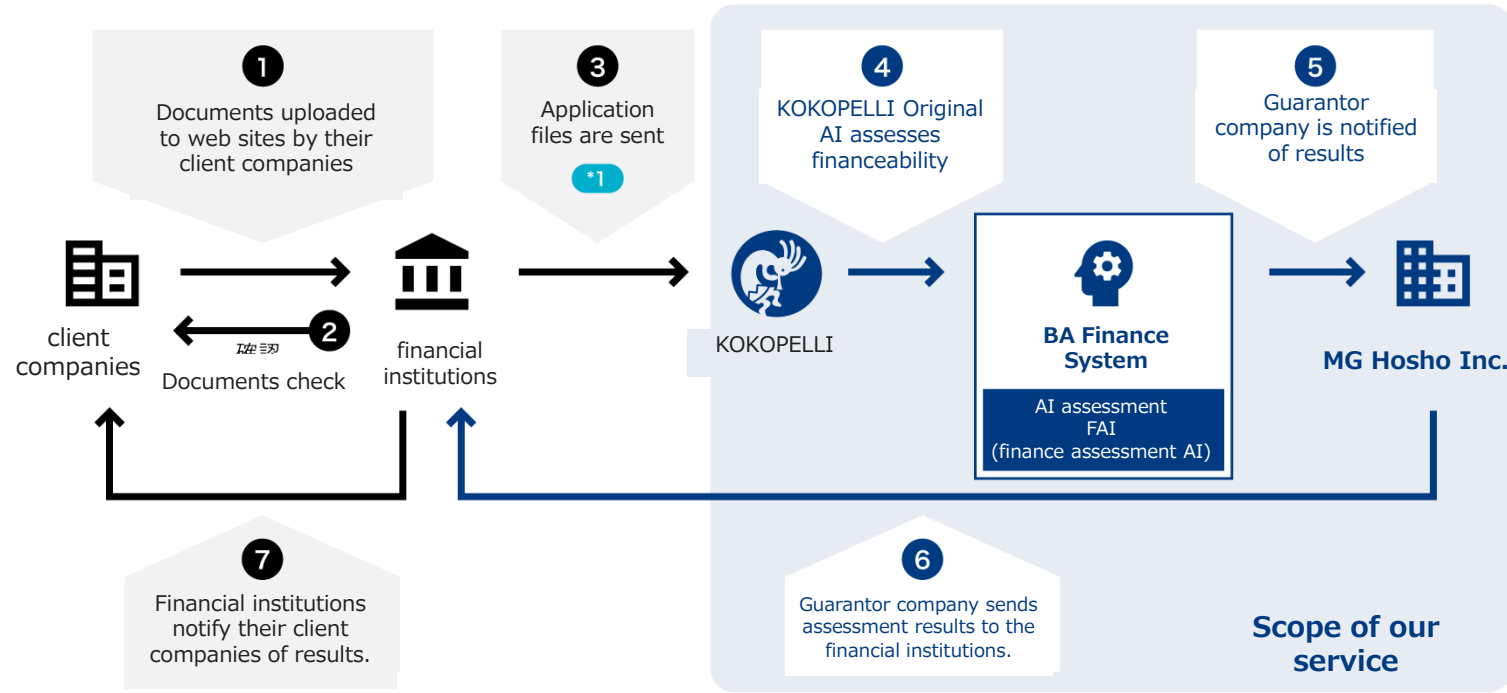
Track records

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 2 others

Strategy for DX Solutions: DX Support for financial institutions

- Provide the financial institutions' online loan service
- Develop proprietary AI algorithms that allows credit evaluation from financial data and cash-in/out information from bank accounts.



β version to be released in September 2021 from Higo Bank

Feature (1)

Completed online, for speedy procurement of funds.

Feature (2)

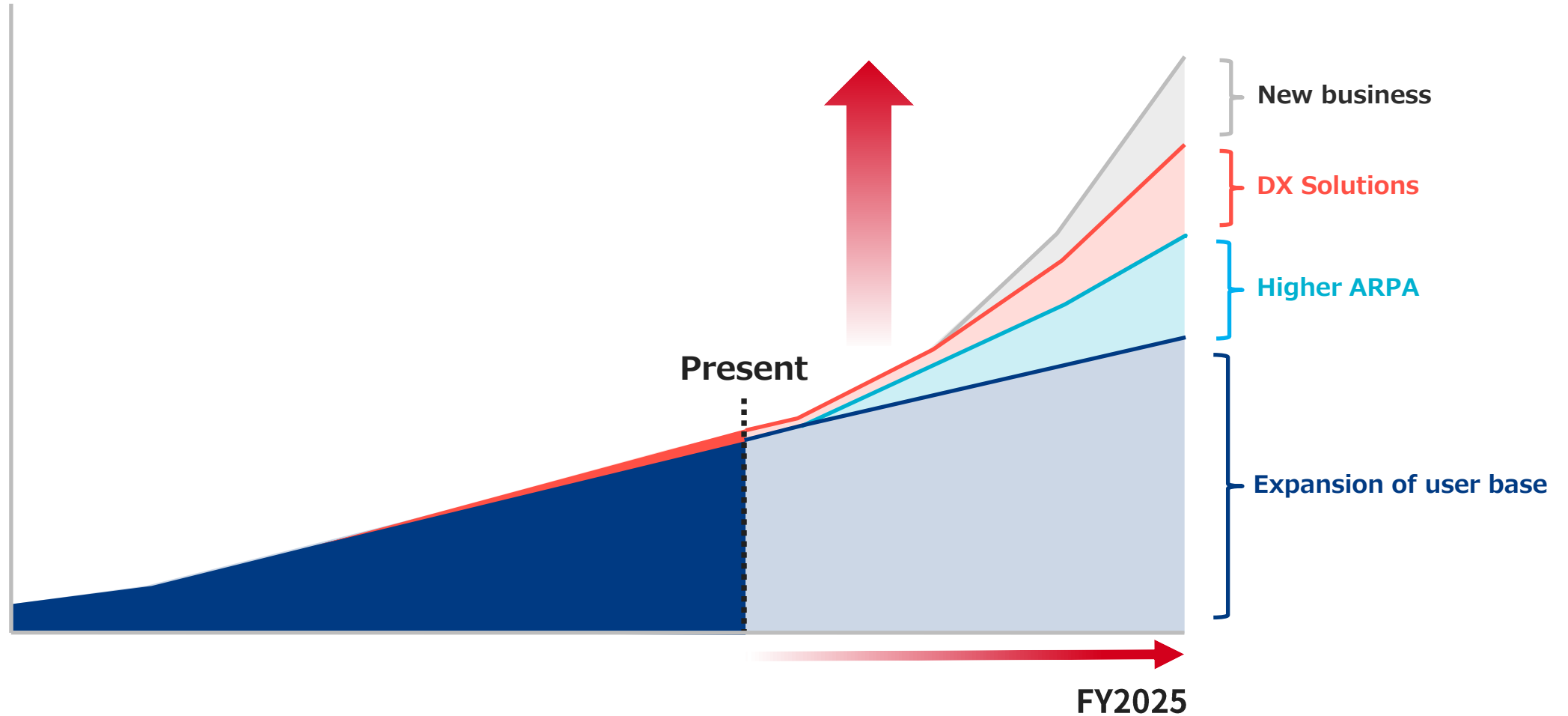
Our proprietary AI-driven credit rating module, "FAI" makes decisions based on financial data and bank account cash-ins /cash-outs.

Feature (3)

Provides 100% backing from insurance companies.

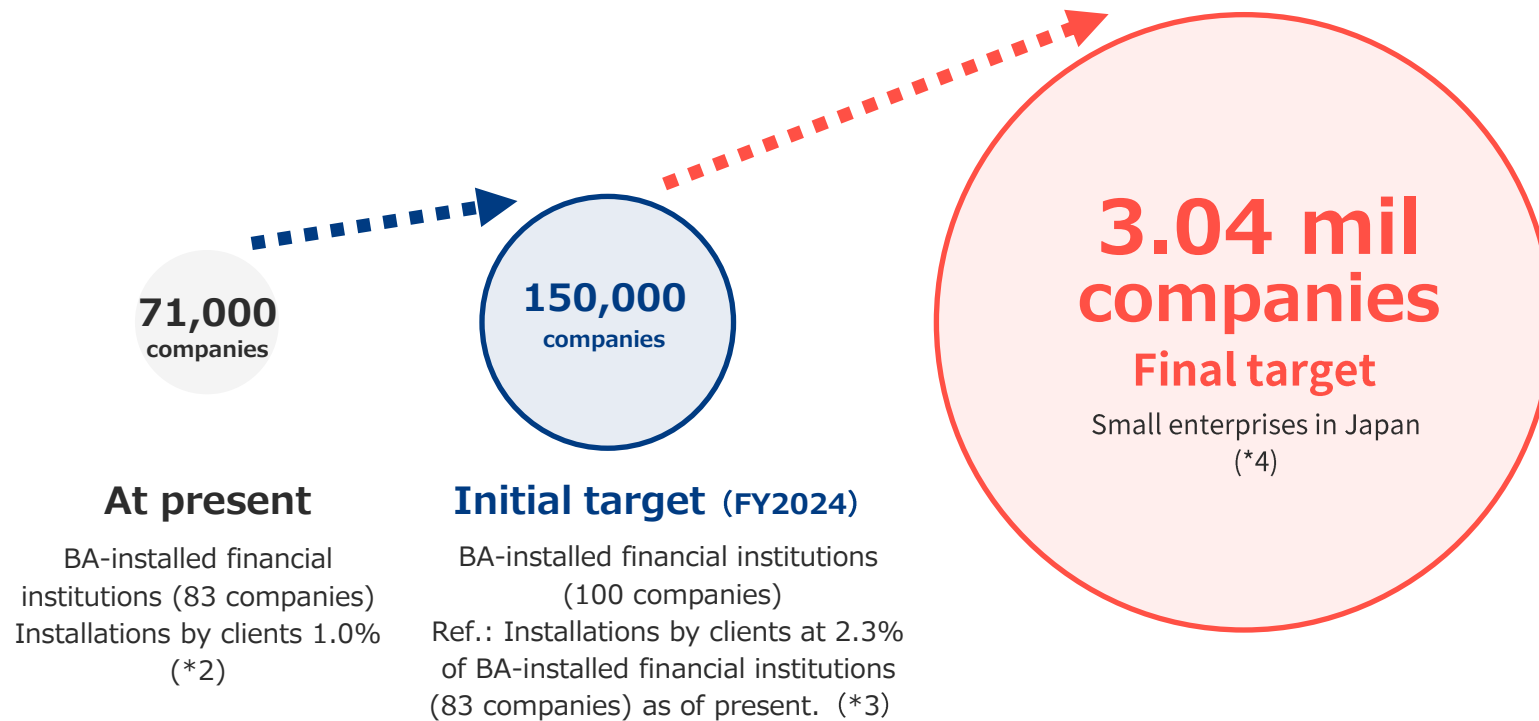
Growth scenarios in the mid-term management plan

- 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)

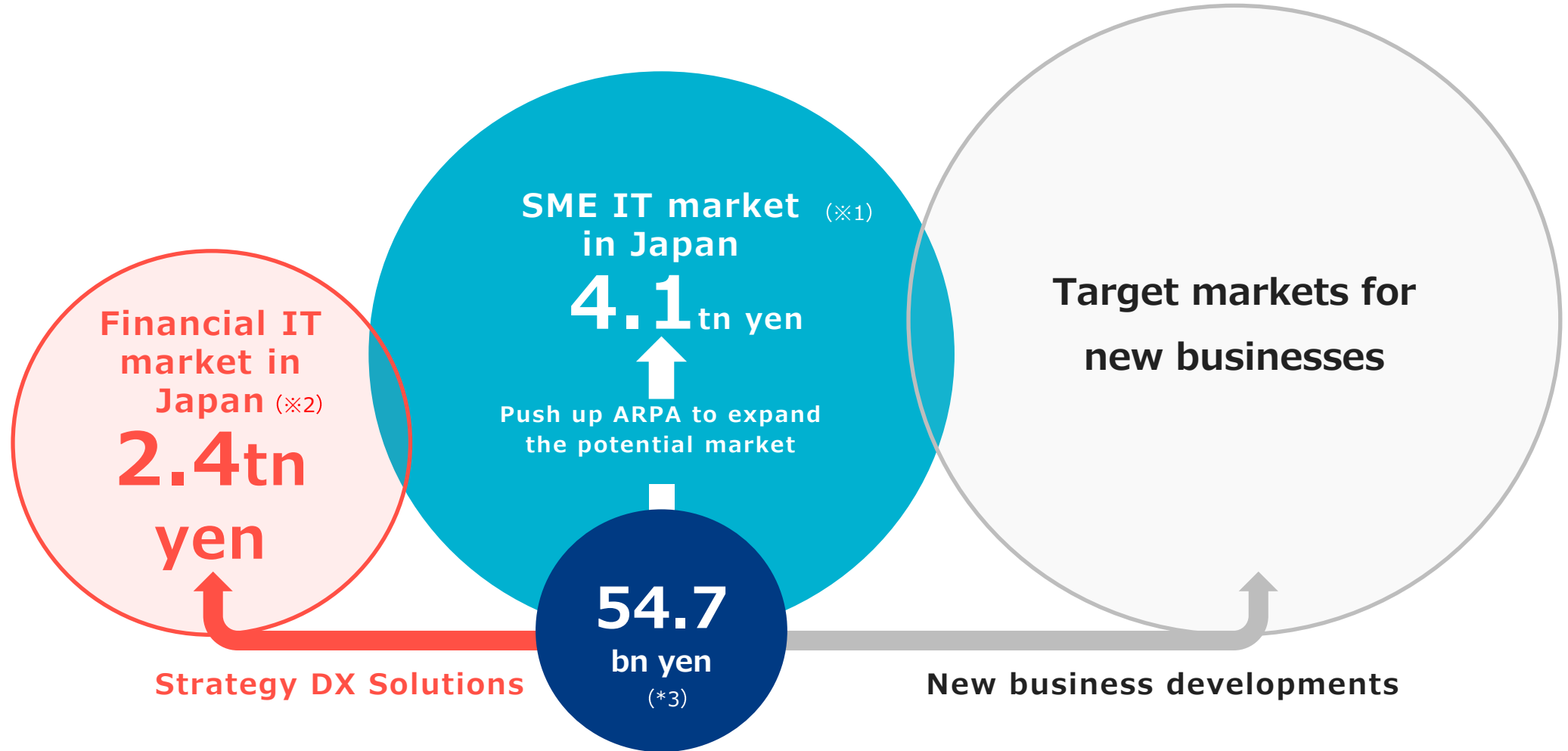
(*2) Installation rate at clients = Big Advance member companies / number of corporate clients of the 83 BA-installed financial institutions (as of March 31, 2021)

(*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.

Objective	• Grant incentive for executives and employees for mid- to long-term business growth. • Offer competitive salaries for recruiting top talent.
Detail of the scheme	• 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). • 2.4% of total shares outstanding, including restricted stock and unexercised stock options as of FY2021.

- 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.

