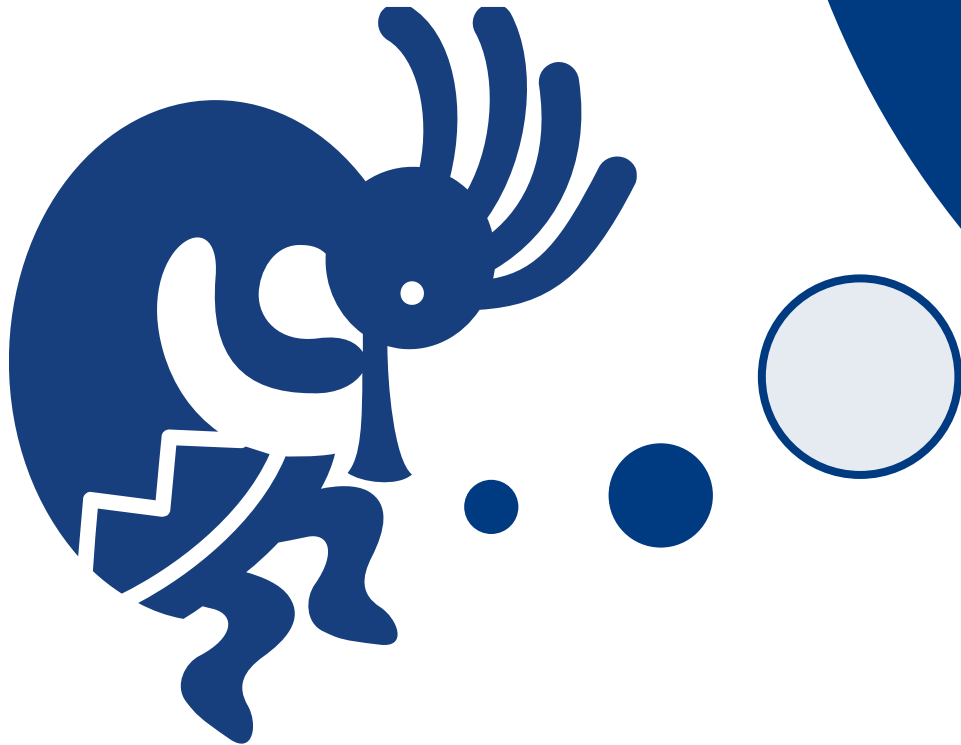


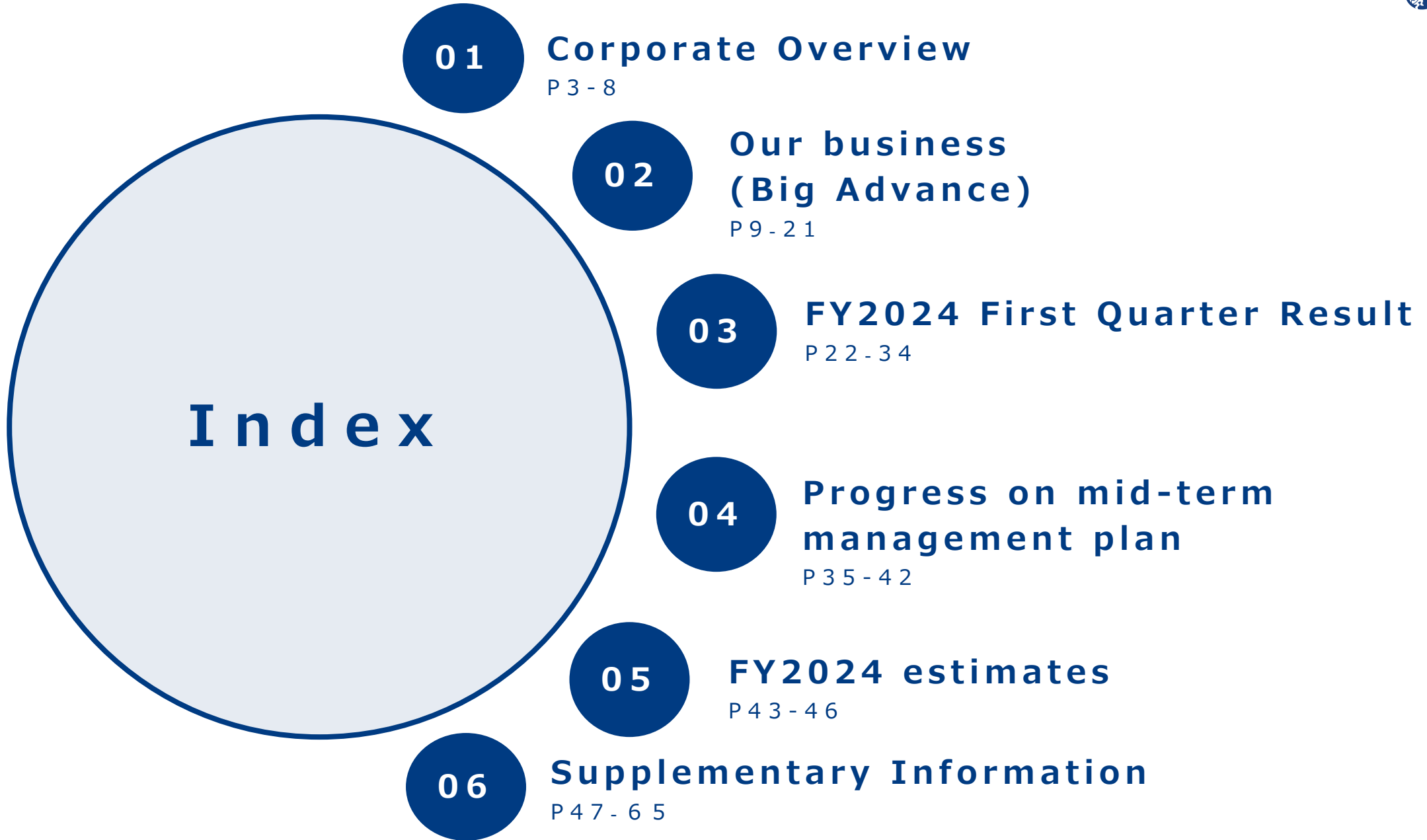
First Quarter FY2024

# Financial Results

KOKOPELLI Inc. (stock code: 4167)

Aug 14, 2024





**01**

## **Corporate Overview**

**Mission/Corporate Overview/Service Contents/  
Building a Business Ecosystem for SMEs/  
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:	<b>KOKOPELLI Inc.</b>
Address:	<b>Kioicho Bldg. 11<sup>th</sup> floor, 3-12 Kioicho, Chiyoda-ku, Tokyo</b>
Established:	<b>June 2007</b>
CEO:	<b>Shigeru Kondo</b>
Capital:	<b>812 million yen</b> *As of June 30, 2024
Number of Group Employees:	<b>129 (permanent &amp; part-time)</b> *As of June 30, 2024
Group Companies:	<b>Kokopelli Management Support Inc.</b> <b>Key Point Inc.</b>
Overview:	<b>Business platform</b> <ul style="list-style-type: none"><li>• Operation of “Big Advance”, DX support platform for SMEs</li><li>• DX Solutions</li></ul>



# Service Contents

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

## Big Advance

<p style="text-align: center;"><b>DX support platform for SMEs</b></p> <p>Provide services for SMEs in concert with financial institutions nationwide</p>	<p style="text-align: center;"><b>Corporate Portal Site</b></p> <p>Provide regional financial institutions with corporate portal sites of SMEs</p>
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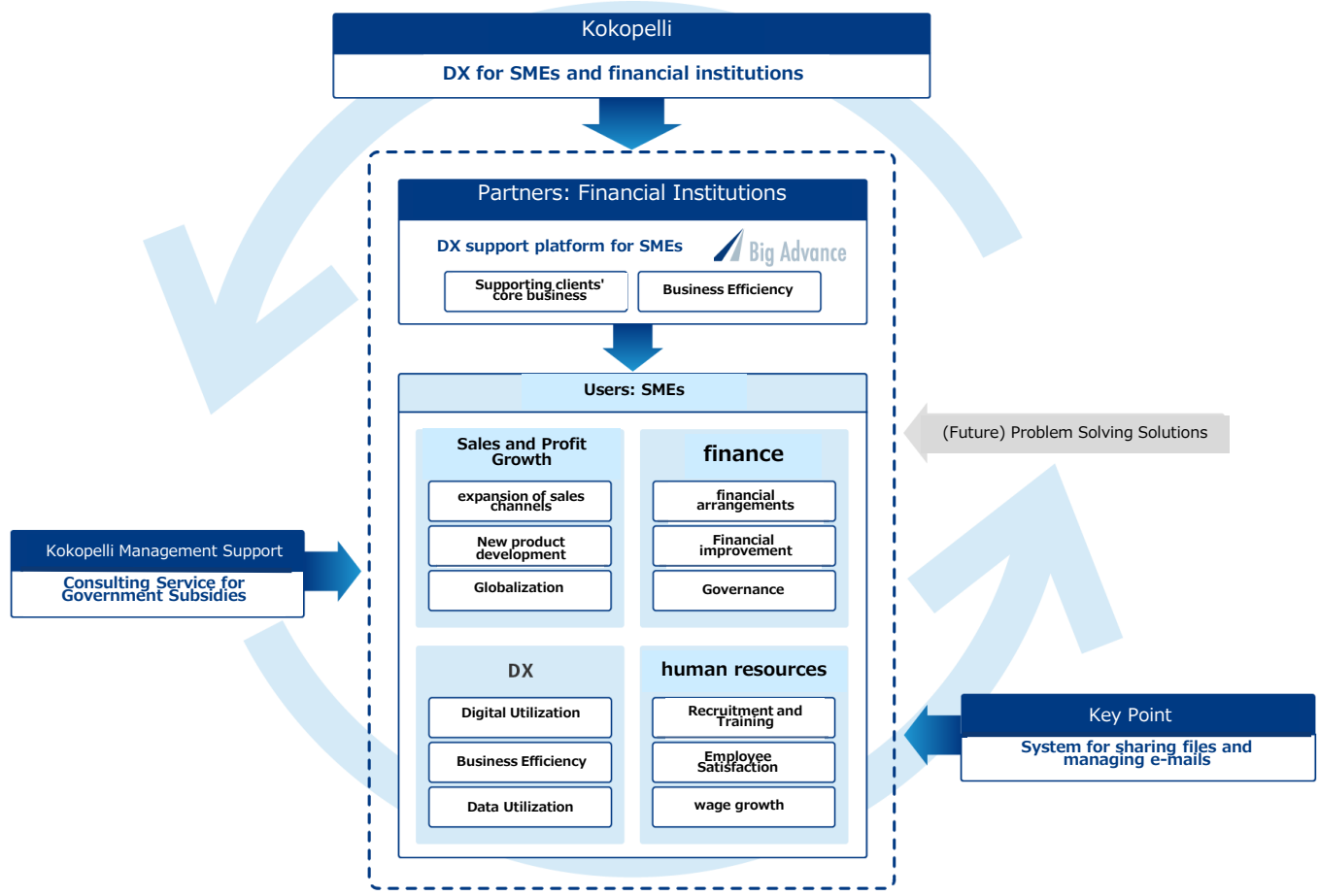
## DX Solutions

<p style="text-align: center;"><b>IT support service</b></p> <p>Tools to upgrade productivity for tax accountants and social insurance and labor attorneys.</p> <p style="text-align: center;"> FLOW</p> <p>file transfer and sharing service</p> <p style="text-align: center;"> WebFile  Grp Mail グループメール</p> <p style="text-align: center;"> WataSoon</p>	<p style="text-align: center;"><b>Consulting on utilization of subsidies</b></p> <p>Consulting services for SMEs on how to take advantage of subsidies</p> <div style="text-align: center; margin-top: 20px;">  <b>ココペリ経営サポート</b> </div>
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(\*1) Abbreviation for "Software as a Service". Software applications offered on Cloud by service providers which users can access through the network.

# 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.
- We develop new solutions to solve problems or collaborate with companies that already have such solutions.
- Our solutions have been expanded through integrating Key Point into our group as a subsidiary in November 2023.

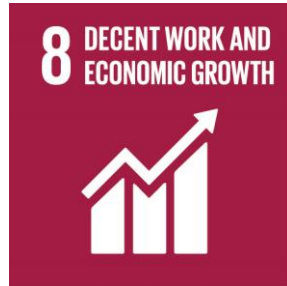


# Sustainable Development Goals (SDGs)

- 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)**

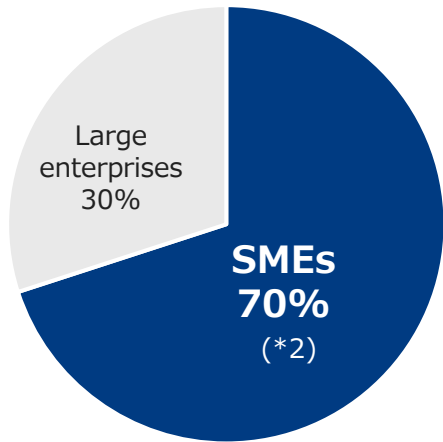
**Overview & Challenges for SMEs / Overview & Challenges for Regional Financial Institutions / Our Business (Big Advance) / How “Big Advance” Works / Platforms with Multiple Touchpoints/ Support for DX by SMEs/ The Potential of "Big Advance" with the Use of Generative AI/ Benefits of adopting Big Advance(1)/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

# 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)

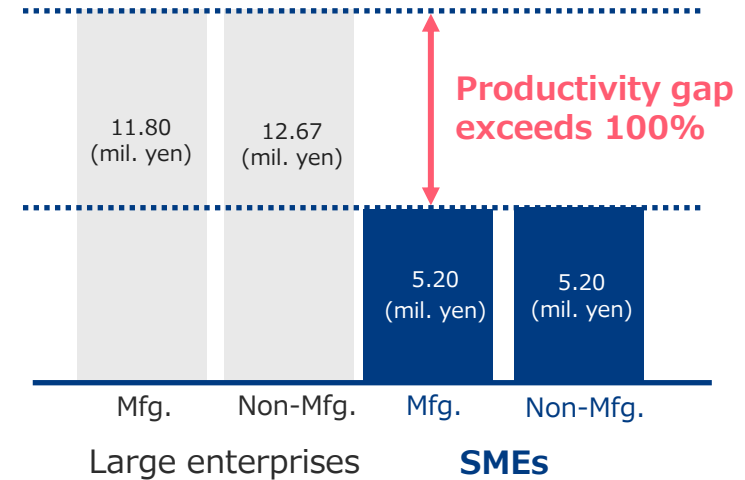
Ratio of SMEs vs total

**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.

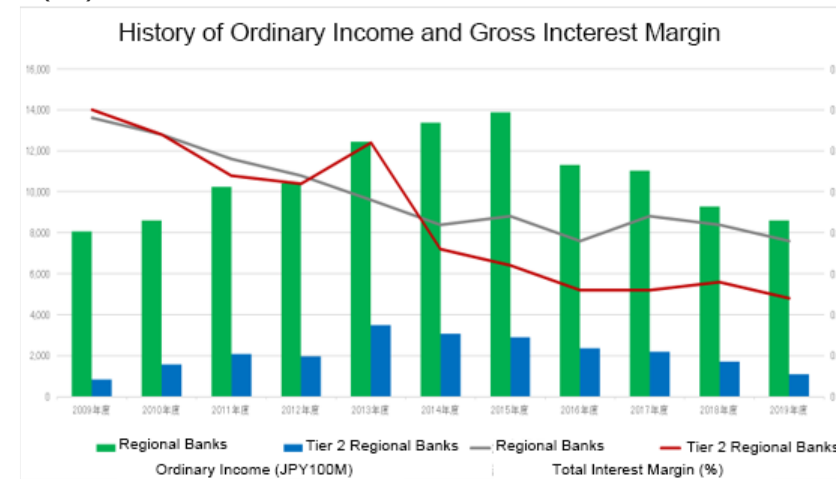
## Current: Act as a principal players in regional financial market

Outstanding loans to SMEs: **308 trillion yen**

Type	Number	Outstanding loans to SMEs (*1 *2)
Regional Banks	63	184 trillion yen
2 <sup>nd</sup> Tier Regional Banks	37	41 trillion yen
Credit Unions	254	71 trillion yen
Credit Associations	145	12 trillion yen
<b>Total</b>	<b>499</b>	<b>308 trillion yen</b>
Mega Banks (Ref.)	4	132 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 2023)" 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 2024.

(\*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

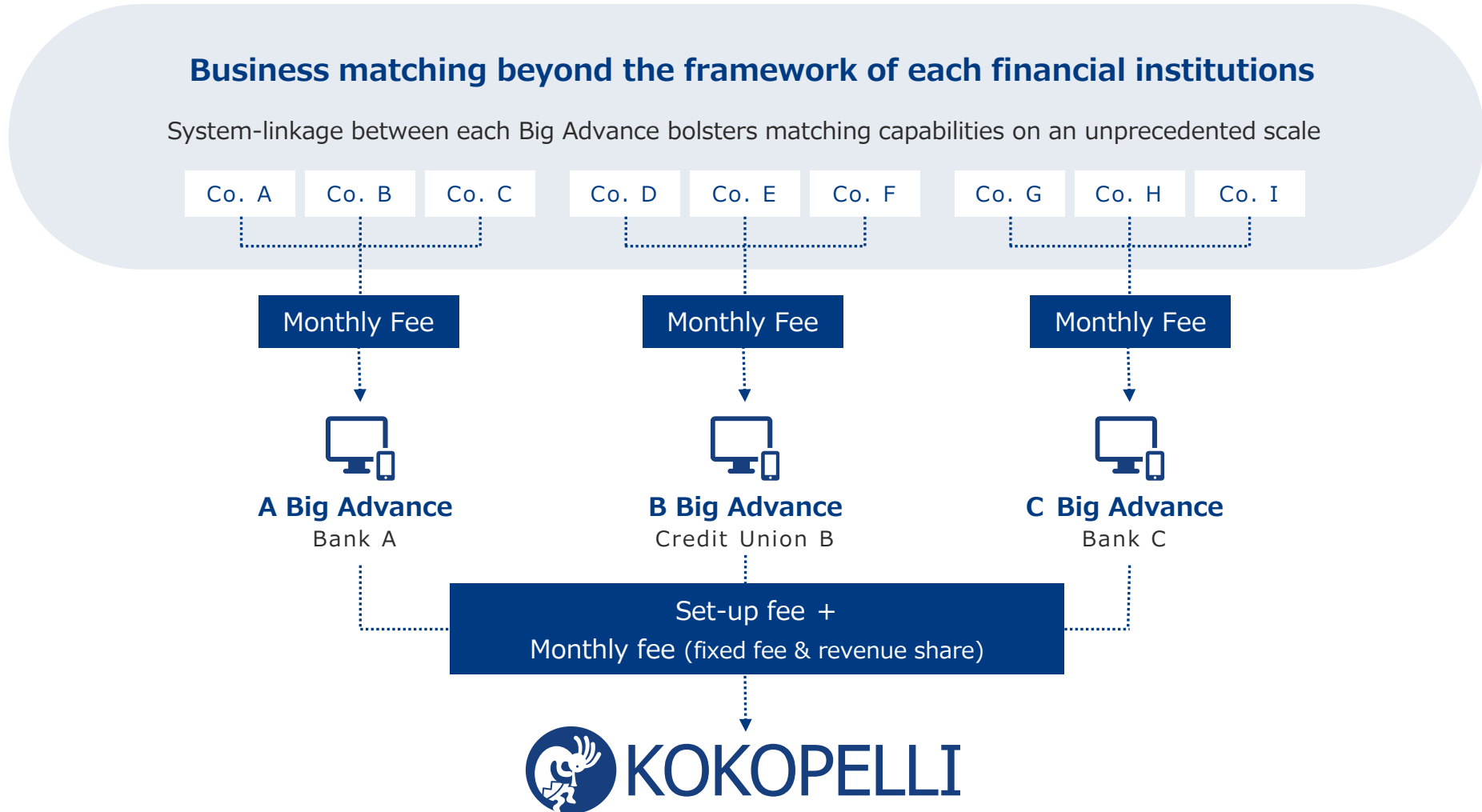
Simple operations to issue invoices and receive forms in line with the new invoice system and the revised Electronic Book Preservation Act.

### **Subsidies Application Support** \*Optional only for requested financial institutions

Seek professional guidance on the utilization of subsidies and obtain specialized assistance for application processes.

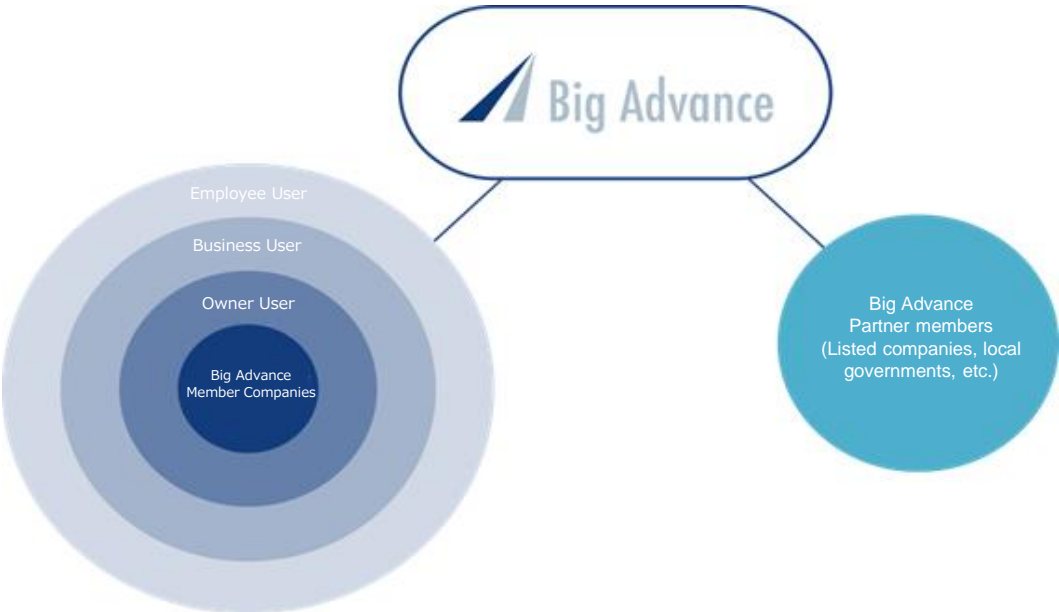
# How “Big Advance” Works

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

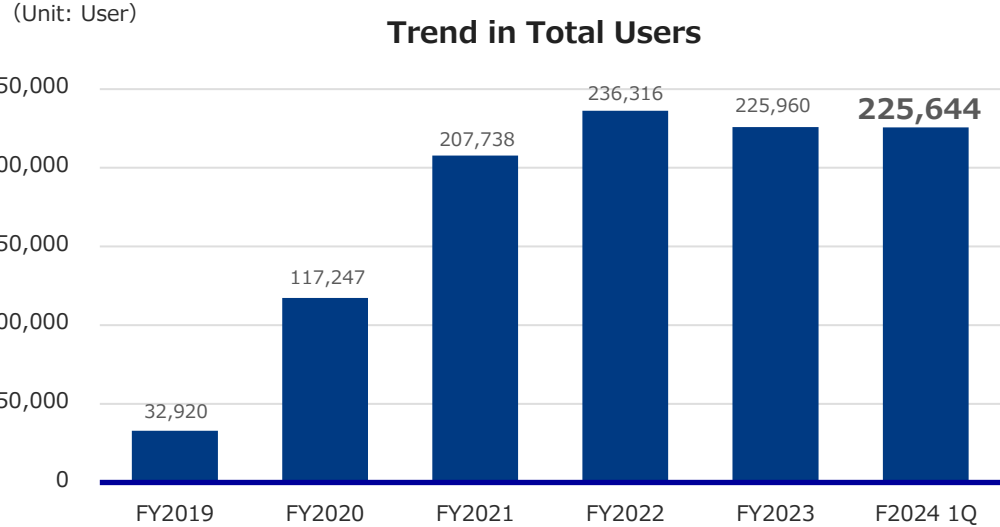
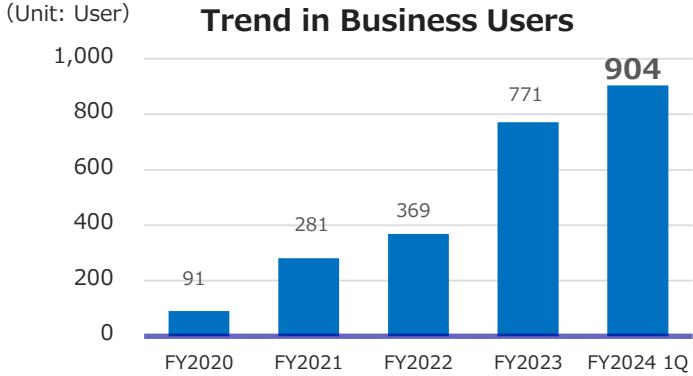


# Platforms with Multiple Touchpoints

- 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 225,644.
- 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 1,957.



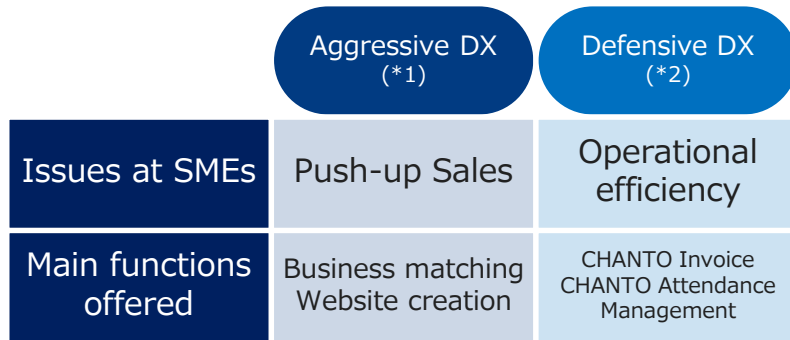
Account Type	Overview
Owner User	Only 1 user can be issued to Big Advance member companies, making all functions available.
Business User	Can be added as an option, almost all functions as the Owner User can be used.
Employee User	Unlimited issuance, limited to the use of some functions.



# 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							
		A company	B company	C company	D company	E company	F company	G company	H company
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 Excluding optional functions	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.

The following features are introduced in Big Advance

- Automatic website creation
- Automatic generation of business matching needs
- Recommendation function for business matching



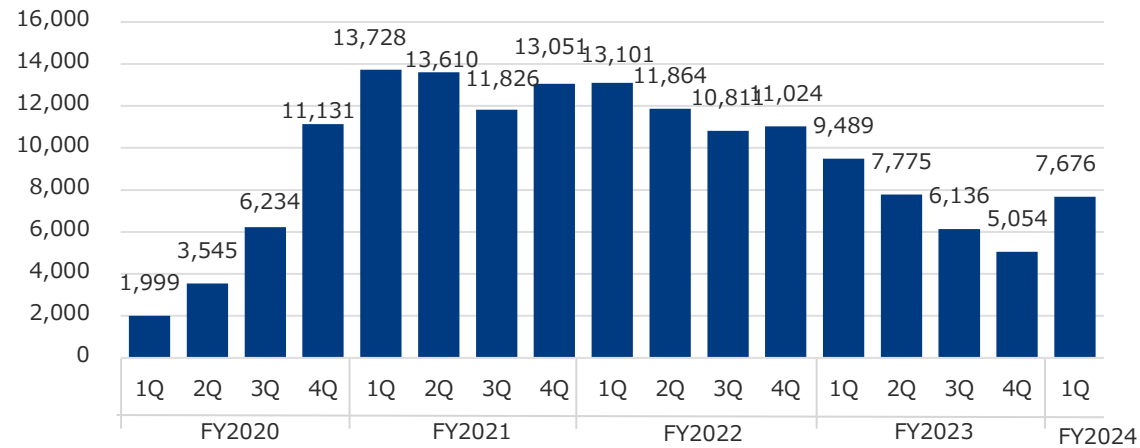
# Benefits of adopting Big Advance (1)

- New values created through Big Advance for many SMEs 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 152,226 (\*1).
- In FY2023, efforts were made to improve the quality of business talks. This term, the focus is on increasing the number of talks, which is showing an upward trend.

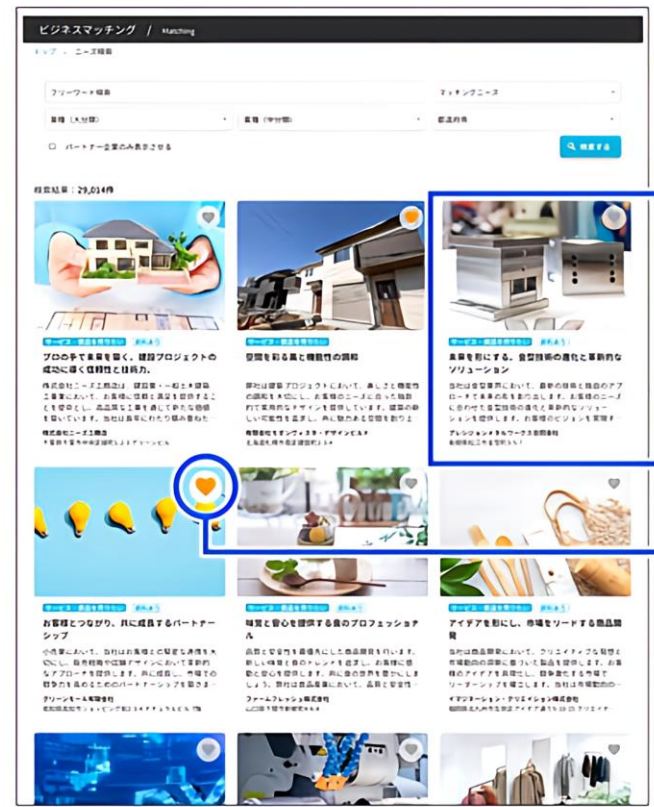
Quarterly requests for business talks



(\*1) As of end June 2024

## UI/UX improvements for matching needs search

- Significant improvements to the UI/UX for searching and viewing needs
- Enhanced operability from needs search to talk request, leading to an increase in the number of talks



### Reduced Search Space

Significantly downsized the search space to speed up access to displayed opportunities

### Card-Based Opportunity Information

Condensed opportunity information into cards, showing only the essential details in the results. The UI is consistent across both PC and smartphone for easy viewing

### Favorites ON/OFF Toggle

Enabled one-click toggling of "Favorites". Opportunities marked as favorites can be easily reviewed later in a consolidated view

# 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.

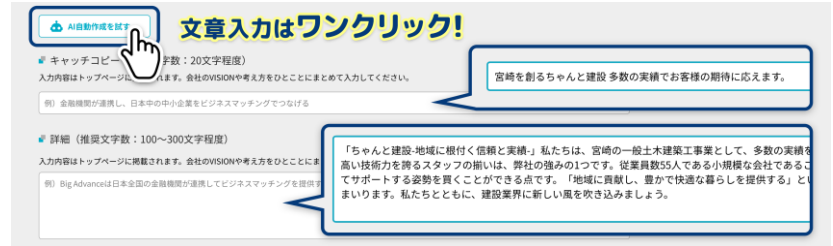
## Websites creation

- 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 29.0% of the total.

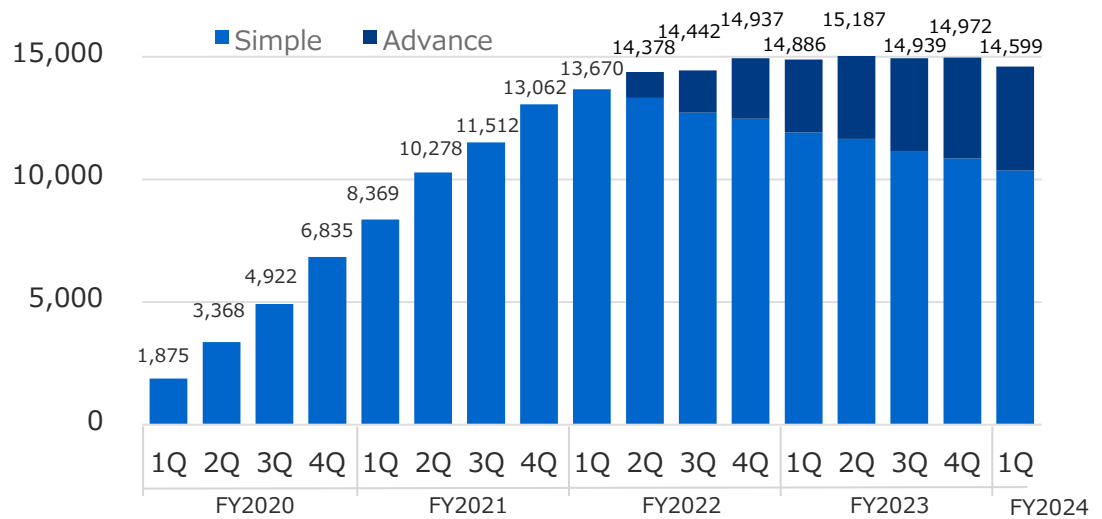
## Release ChatGPT-based support function for creating websites

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

### 【Screen Image】



Quarterly launch of websites



## The website contest (2nd)

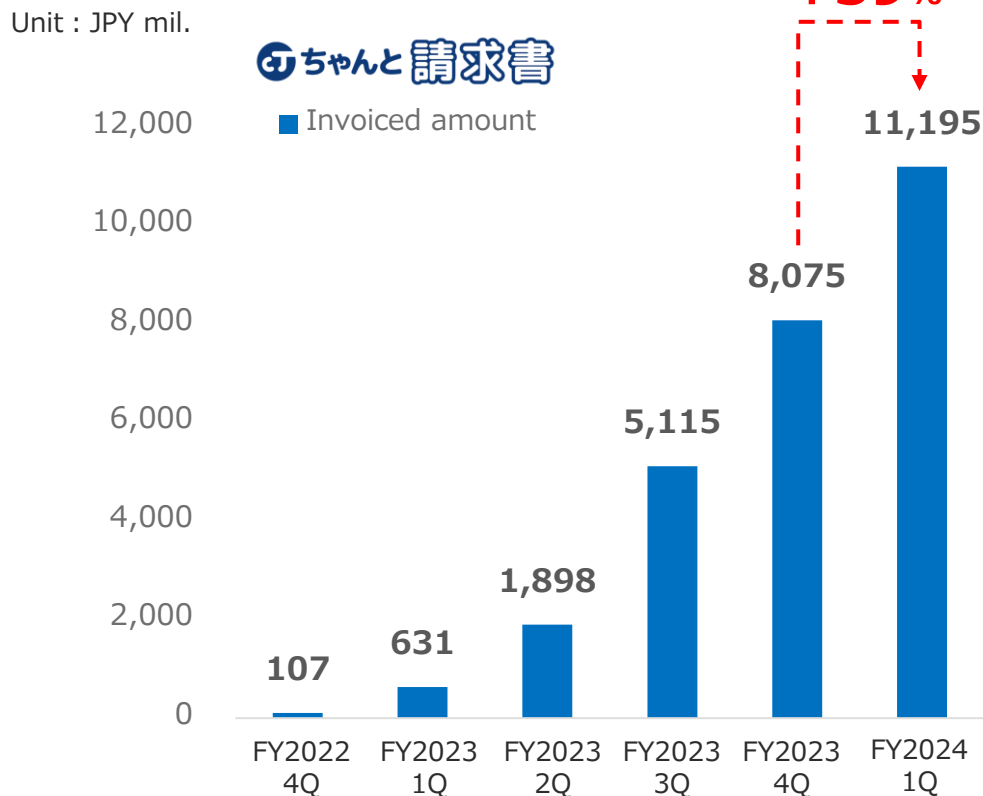
- We held a contest for companies that have created and submitted their website.  
Entry Period: February 19 to May 3, 2024



# 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 45 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 11,195 million yen as of the first quarter of FY2024.

## Cumulative amount of invoice issuance (\*2)

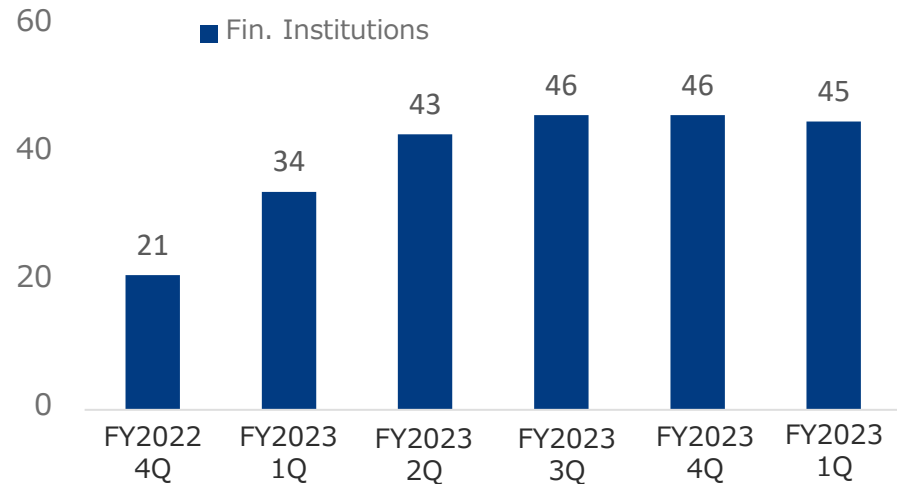


(\*1) As of 14 August 2024

(\*2) Cumulative issue amount as of 25 July 2024.

## 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, Kiyoo Bank, Kuwana Mie Credit Union, Nishi Nihon City Bank, Fukuoka Chuo Bank, Kyoto Bank, Okinawa Kaiho Bank, Sendai Bank, Asahikawa Credit Union, and Higashi Nihon Bank

# The trend of ARPA for the entire group

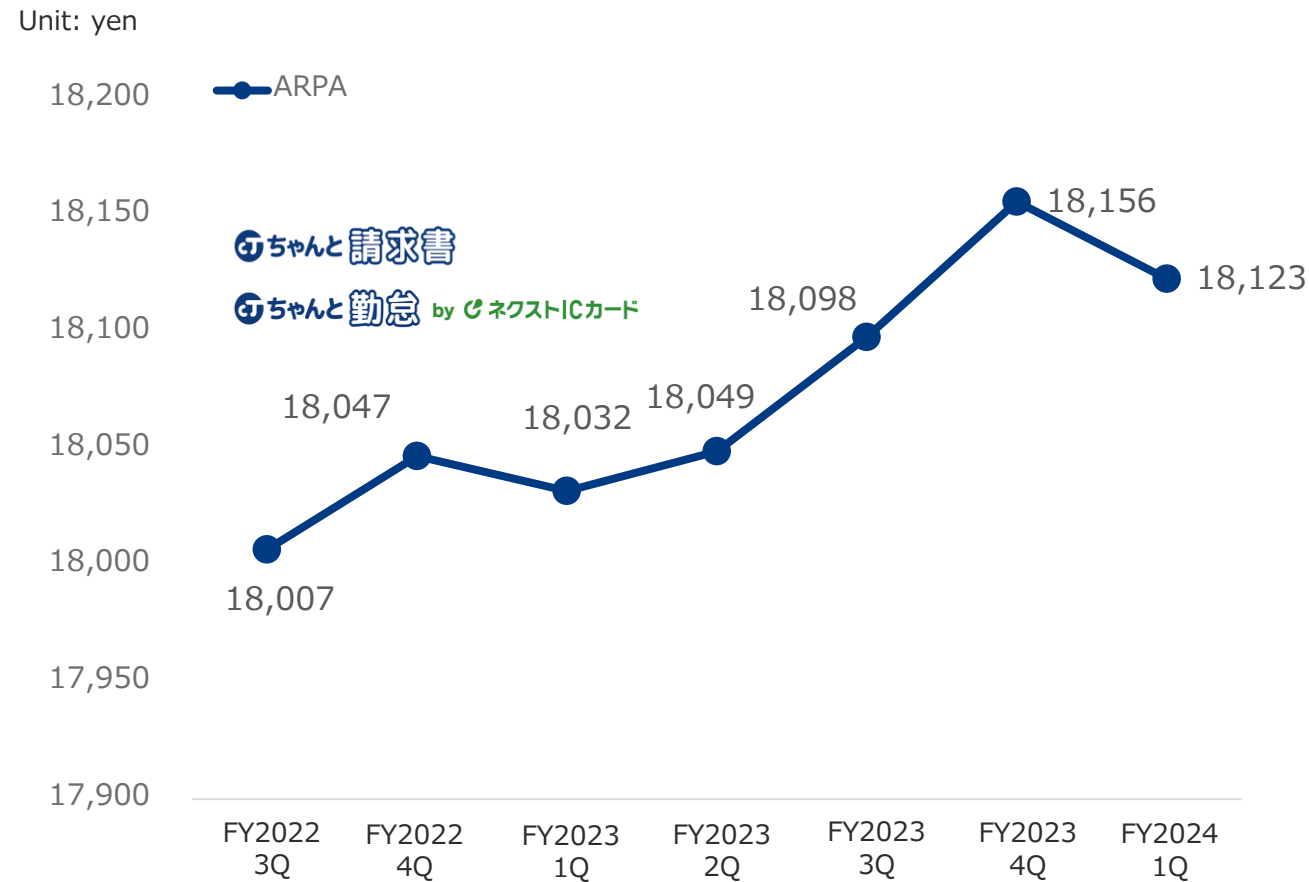
- On and after FY2023 4Q, with the consolidation of Key Point Inc., the group's overall ARPA, including services such as the file transfer and sharing service "WebFile" provided by Key Point, has significantly increased to 19,978 yen.
- Based on the ARPA expansion strategy, we will expand our product lineup and leverage the synergy between each product to increase ARPA.



(\*) ARPA stands for "Average Revenue per Account", referring to an average sales amount per account.  
 This figure is calculated by dividing the annual revenue sales from member companies by the number of member companies at the end of each quarter.

## The trend of ARPA for Big Advance

- For the revenue share from the monthly usage fees of Big Advance member companies, we have started offering the "Chanto" Series as an optional feature, resulting in a gradual increase in ARPA by 91 yen compared to the same period last year.



**03**

## **FY2024 First Quarter Result**

**FY2024 1Q Results Highlight/ FY2024 1Q Profit and Loss Statement / Factors affecting EBITDA/ Trends in Quarterly Sales / Trends for Quarterly operating profit/loss and EBITDA/ Trends in Quarterly Cost Structure / Quarterly Trends in Member Companies / Nationwide Network of Member Companies / Trend in the number of BA-installed Financial Institutions / Sustaining users with quick improvements to functions/ New Release/ Big Advance Event Held**

### Sales

**605** million yen  
(+19.1% YoY)

### EBITBA (\*2)

**101** million yen  
(+61.6% YoY)

### Operating profit

**51** million yen  
(+102.1% YoY)

### Current Status of Big Advance

Number of BA-installed financial institutions

**80**

Number of member companies

**63,564**

Total number of users

**225,644**

Average churn rate

**1.45%** (\*1)

(\*1) Churn rate : Unsubscribed companies during the month / Subscribed member companies at month-end (12-month average from July 2023 to June 2024).

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

## FY2024 1Q Profit and Loss Statement

- Revenue reached 605 million yen, an increase of 119.1% year-on-year, and set a new quarterly record, driven by Big Advance sales, new subsidies handled by DX Solutions, and the consolidation of Key Point, which was acquired in the previous fiscal year
- Operating profit was 51 million yen, and EBITDA was 101 million yen, both showing profit growth due to increased revenue

Unit: million yen

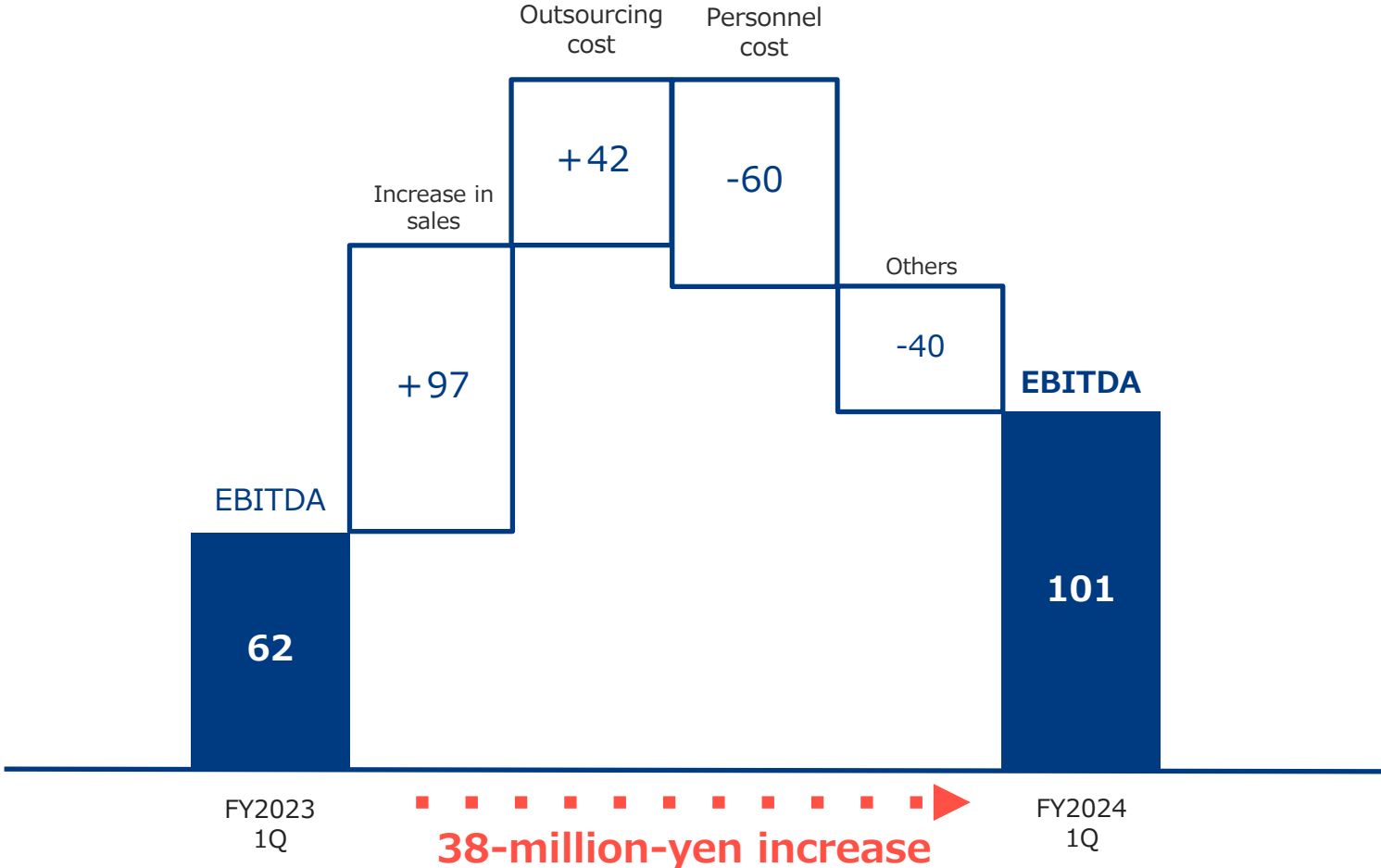
	FY2023 1Q (Actual)	FY2024 1Q (Actual)	Difference from Previous Period	YoY
Net Sales	507	<b>605</b>	<b>+97</b>	<b>119.1%</b>
Gross profit	267	<b>310</b>	<b>+43</b>	<b>116.2%</b>
Gross profit ratio	52.6%	<b>51.3%</b>	—	—
EBITDA	62	<b>101</b>	<b>+38</b>	<b>161.6%</b>
Operating Income	25	<b>51</b>	<b>+26</b>	<b>202.1%</b>
Operating income ratio	5.1%	<b>8.6%</b>	—	—
Ordinary Income	25	<b>52</b>	<b>+27</b>	<b>206.6%</b>
Quarterly net profit at shareholders of parent	5	<b>24</b>	<b>+18</b>	<b>404.3%</b>



# Factors affecting EBITDA

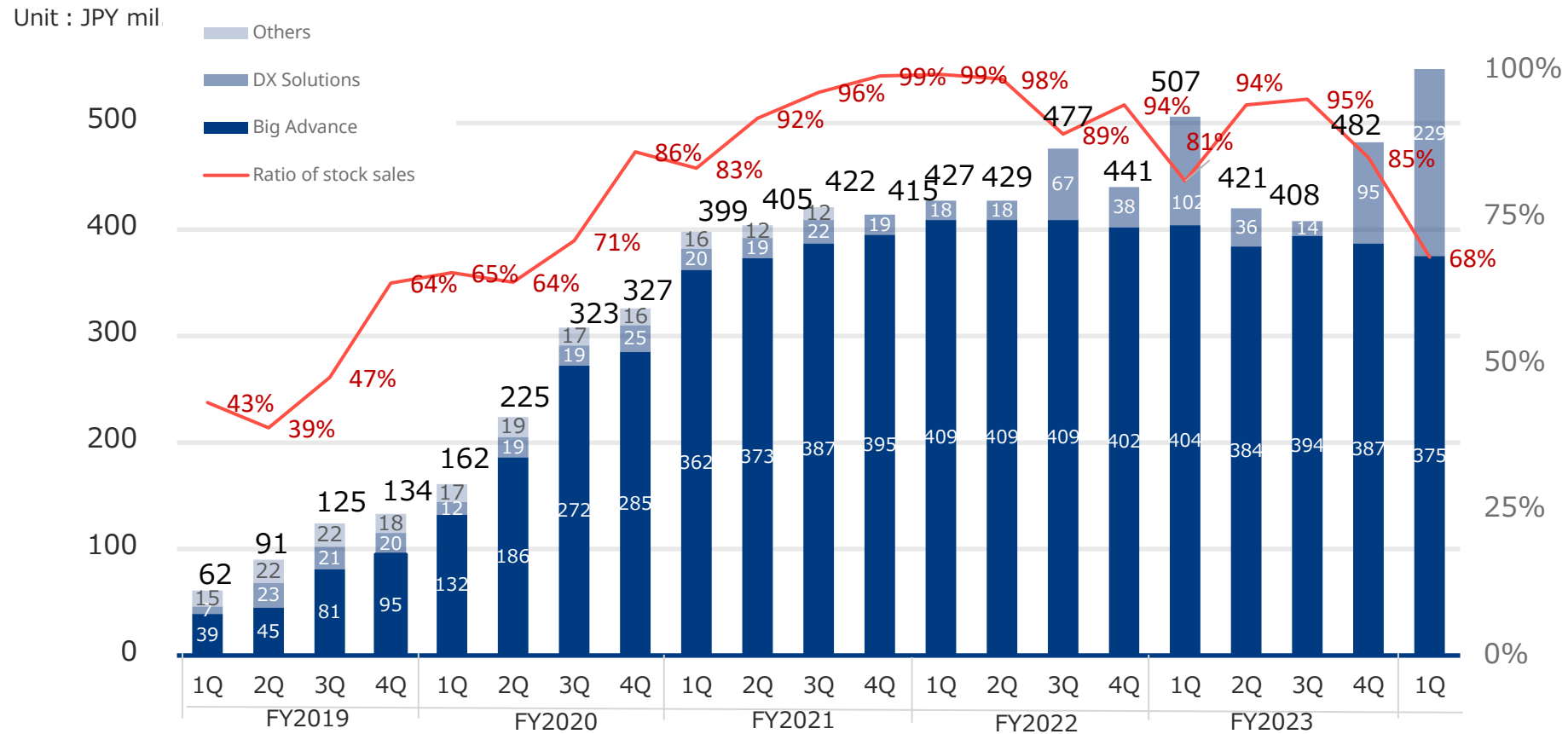
- Subcontracting costs decreased as sales increased, and system development was brought in-house by hiring engineers.
- Aggressive recruitment of engineers accelerated development speed and enhanced the capacity to create new functions and services.

Unit: million yen



## Trends in Quarterly Sales

- Big Advance sales decreased compared to the previous Q4, due to the absence of initial implementation sales and a decrease in the number of member companies
- DX Solutions sales increased significantly due to the adoption of new subsidies and the launch of services such as "WebFile" for file transmission/reception and sharing
- With the increase in flow revenue from subsidy consulting sales, the ratio of stock revenue (\*2) decreased to 68%

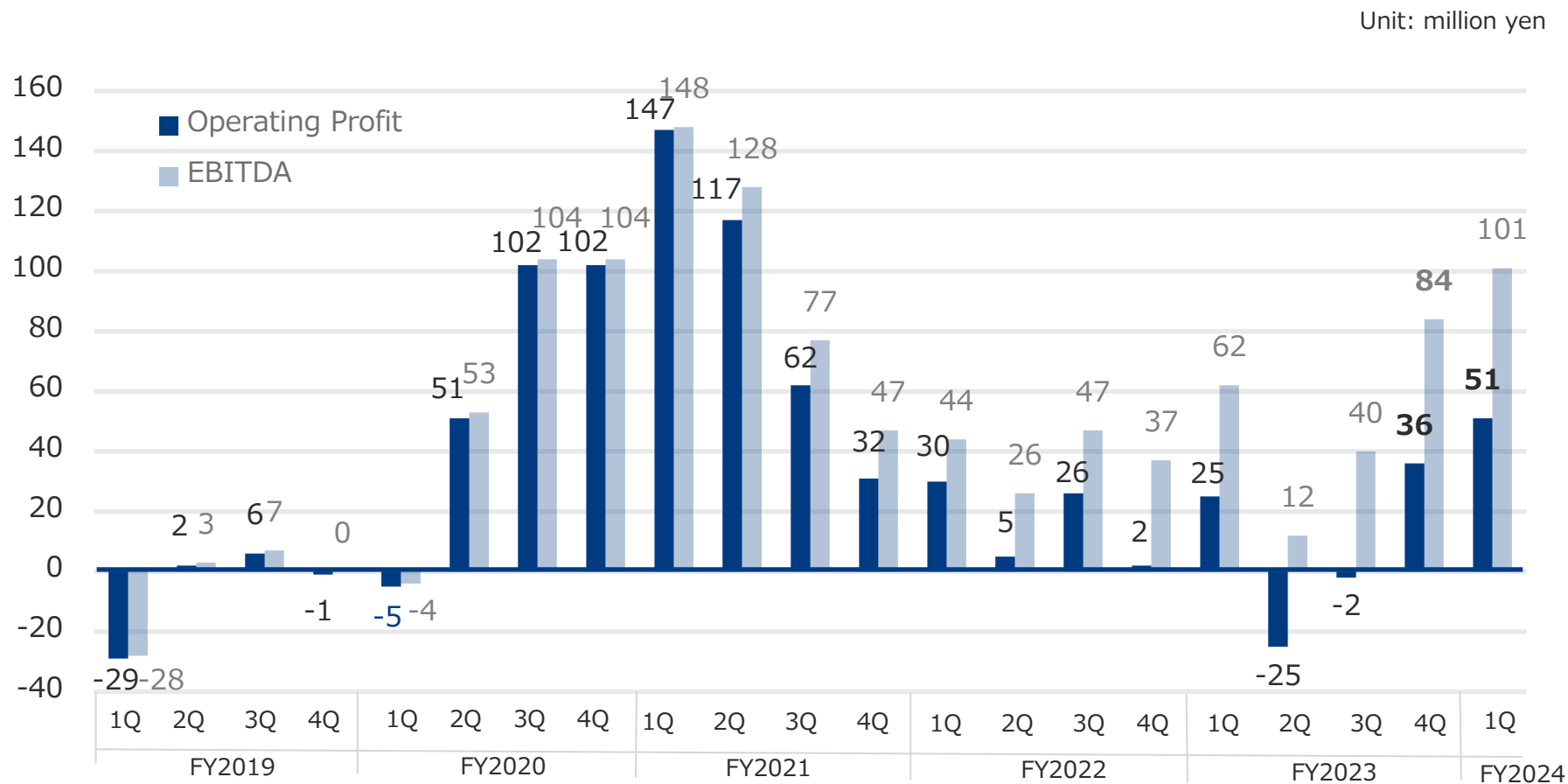


(\*1) Stand-alone results used until 2Q of FY2022, and consolidated results from 3Q of FY2022.

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

## Trends for Quarterly operating profit/loss and EBITDA

- Operating profit and EBITDA increased by 101.7% and 61.6% year-on-year, respectively, driven by the growth in DX Solutions sales and the reduction of outsourcing costs

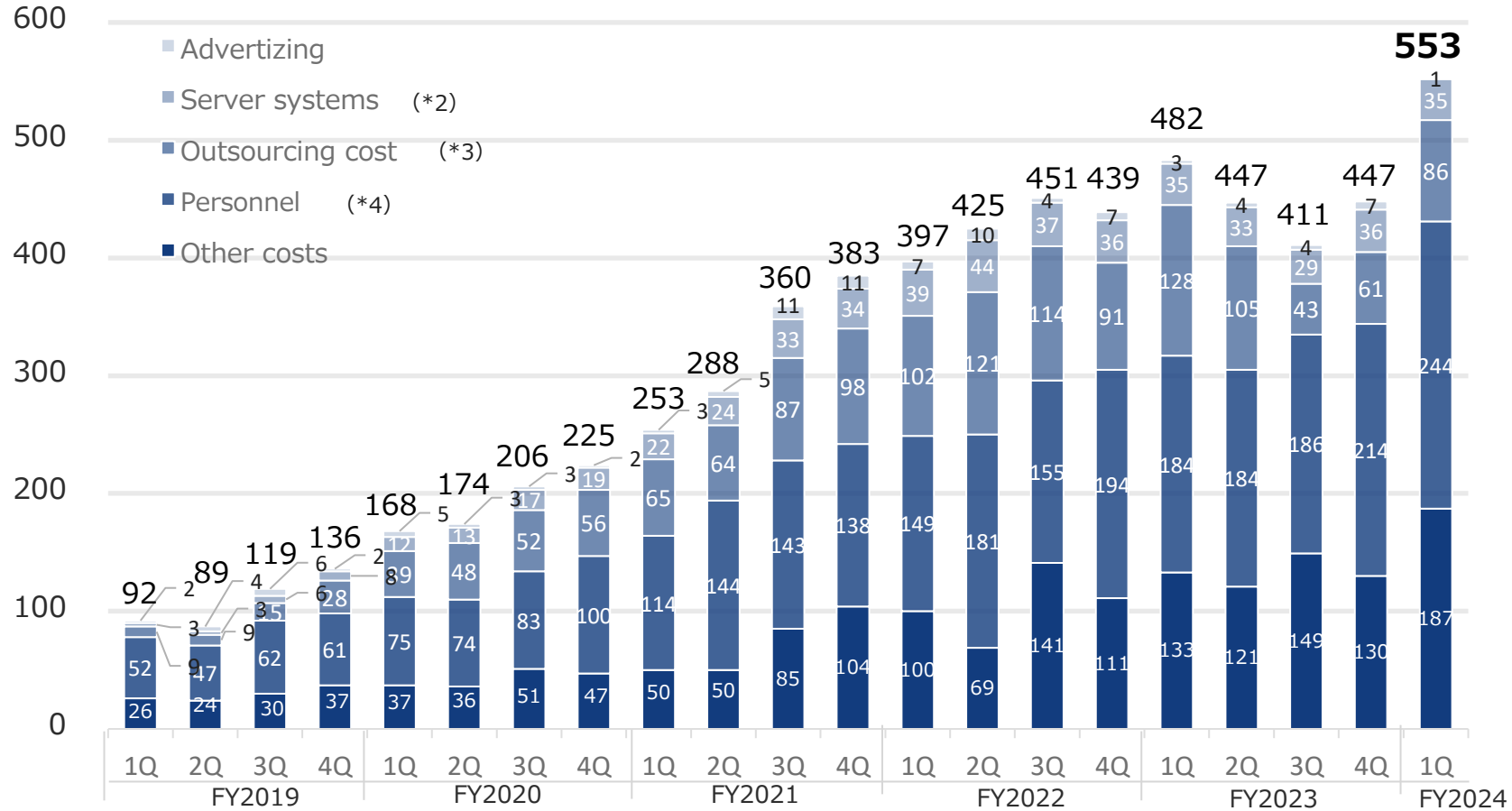


(\*) Since FY2023 3Q, when consolidated financial statements were adopted, the financial figures until FY 2023 2Q were based on individual (standalone) statements.

# Trends in Quarterly Cost Structure

- Personnel and recruitment costs increased to support the growth strategy

Unit: million yen



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

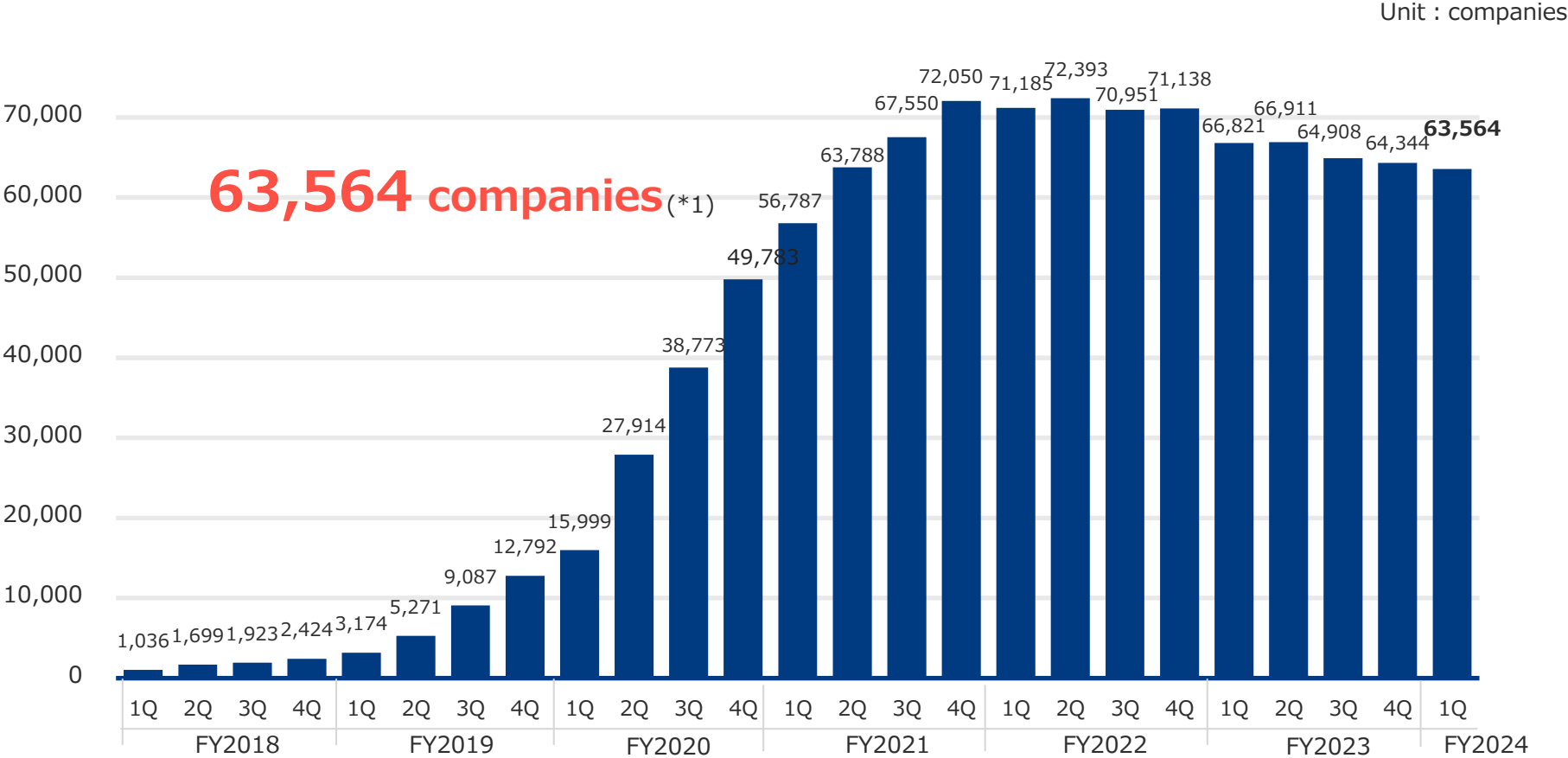
(\*2) AWS and web system usage fees. CoGS

(\*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 decreased by 789 from 4Q FY2023, bringing the total to 63,564.

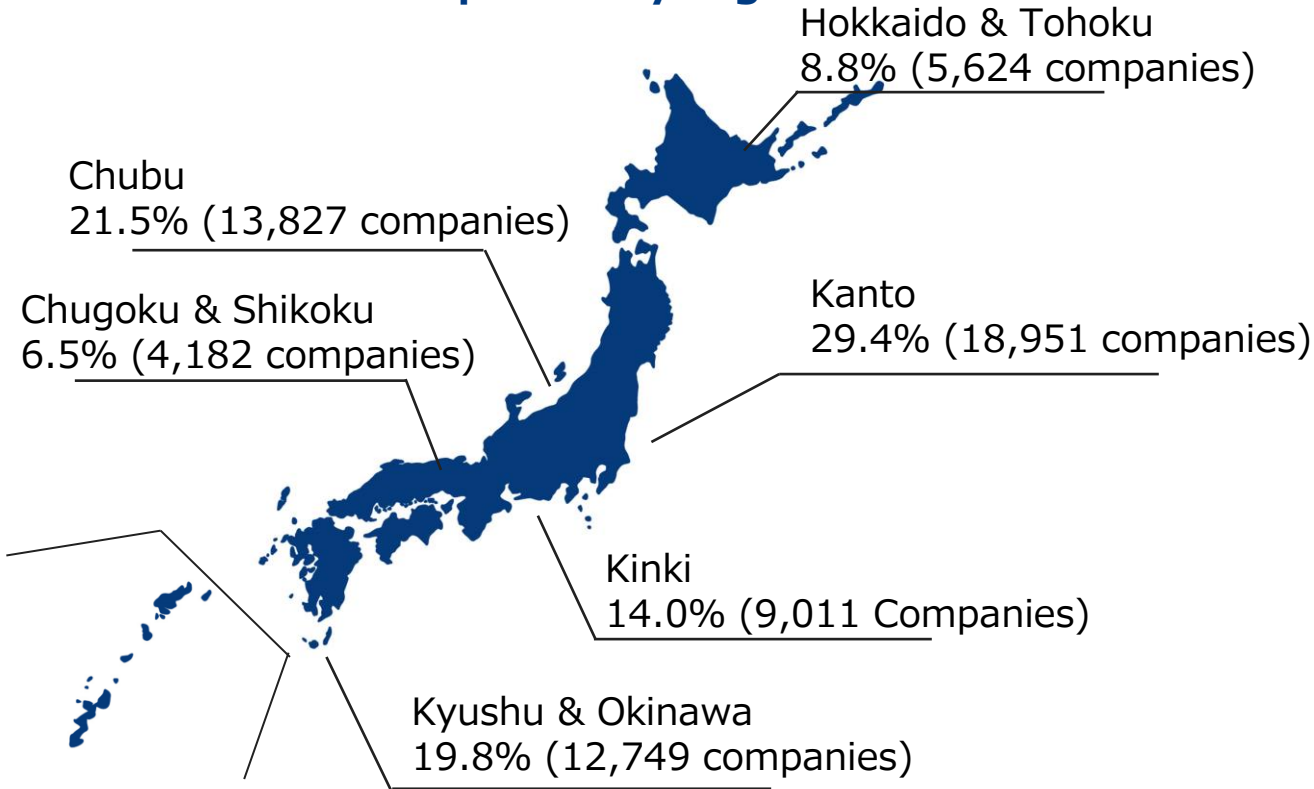


(\*1) As of the end of June 2024

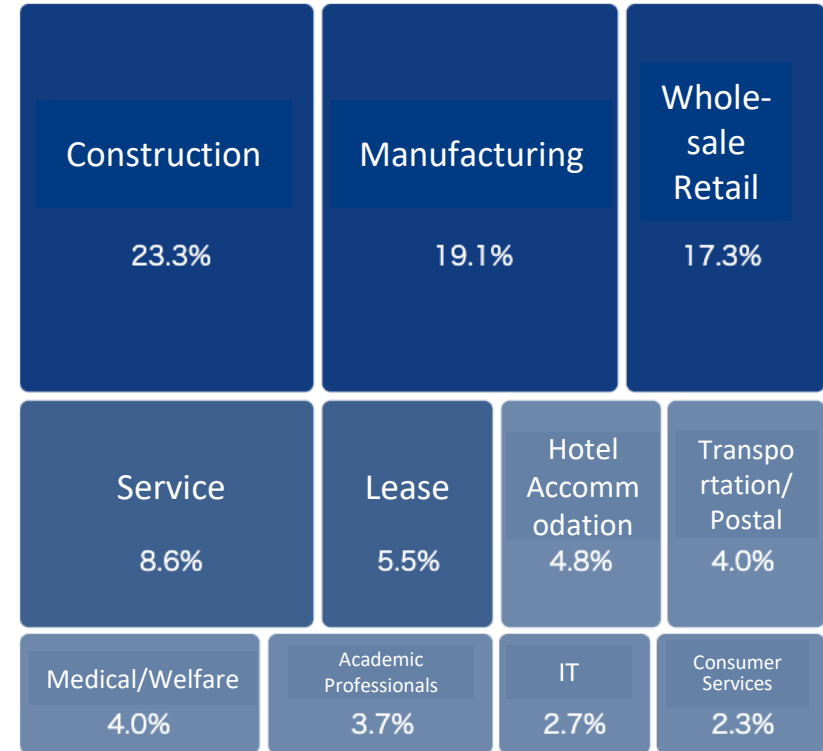
# Nationwide Network of Member Companies

- Building a distinctive network that encompasses SMEs from across the nation, transcending regional boundaries.

## Composition ratio of Big Advance member companies by region



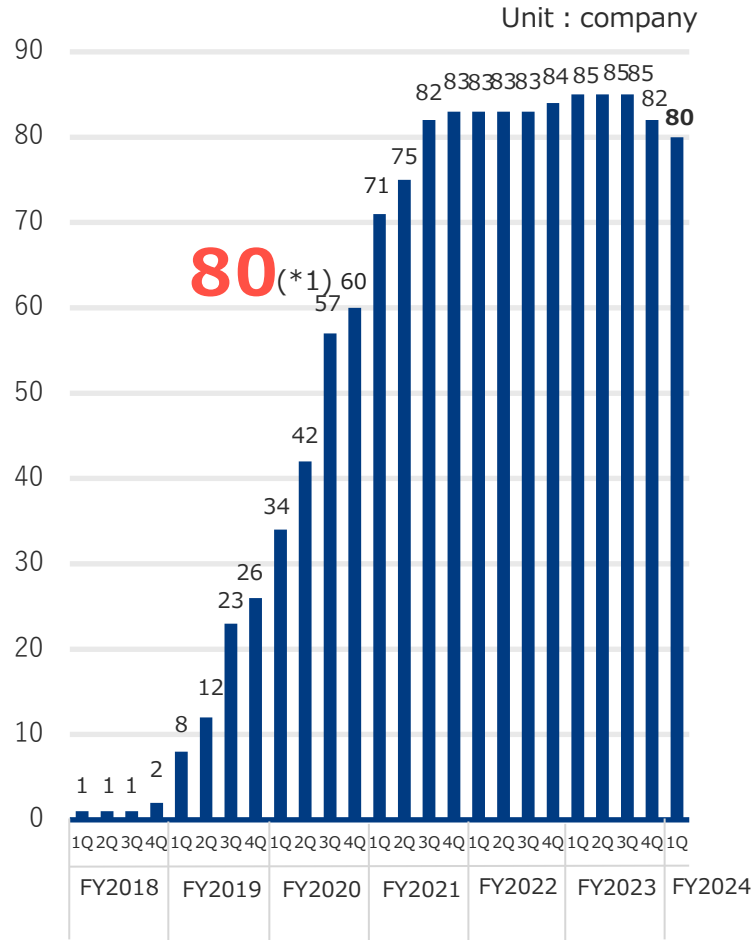
## Type of Business of Big Advance members



(\*1) As of the end of March 2024

# Trends in the number of BA-installed Financial Institutions

- The number of BA-installed financial institutions that have adopted the system decreased by 2 from 4Q FY2023, bringing the total to 80.



(\*1) As of the end of June 2024

## Hokkaido / Tohoku Region

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

## Hokuriku Region

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

## Kanto / Koshinetsu Region

Alupuschuo Shinkin Bank / Ashikaga Bank / Kawasaki Credit Union / Kofu Credit Union / Seibu Credit Union / Shinonome Credit Union / Joyo Bank / Suwa Shinkin Bank / Daiko Bank / Tama Credit Union / Chiba Bank / Chiba Kogyo Bank / Chiba Credit Union / Tokyo Higashi Credit Union / Towa Bank / Tochigi Bank / Nagano Bank / Hanno Credit Union / Higashi Nihon Bank / Hiratsuka Credit Union / Mito Shinkin 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

## 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

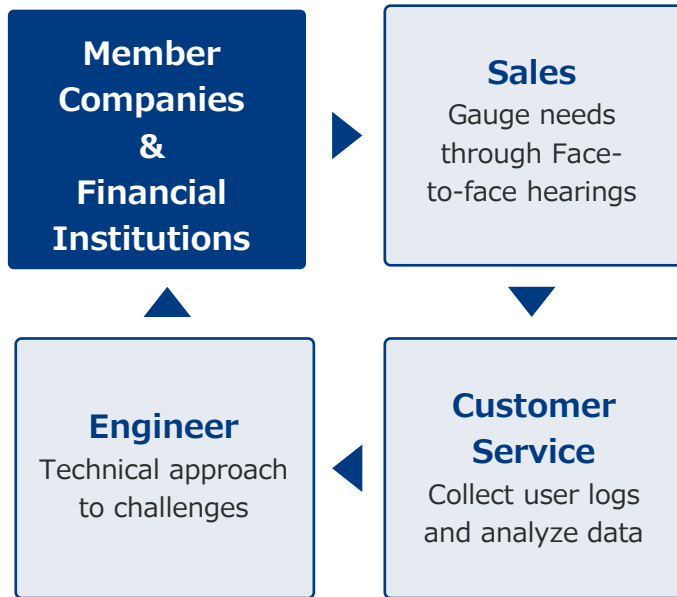
## Kyushu / Okinawa Region

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

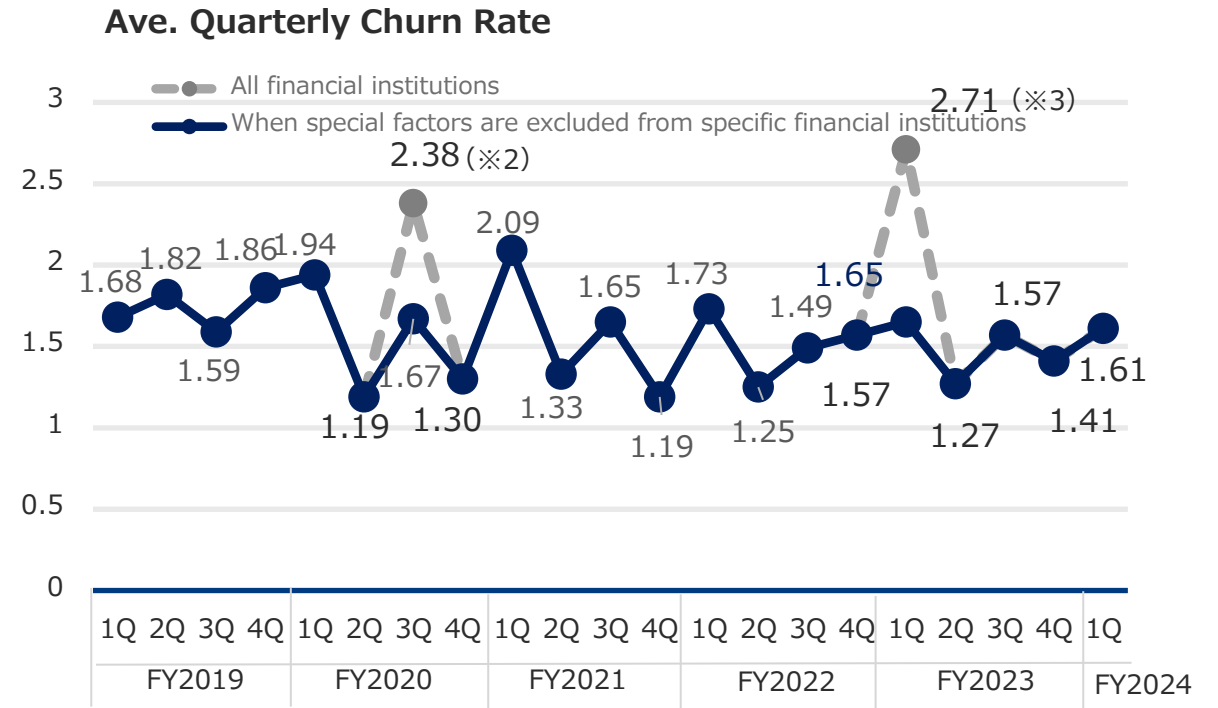
# Sustaining users with quick improvements to functions

- 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 1.45% (\*1)



(\*1) Churn rate: (Unsubscribed companies during the month) / (Subscribed companies at previous month end (12-month average from July 2023 to June 2024))

(\*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 FY2022 was 1.65%.



## Big Advance launched at Tama Shinkin Bank



- Big Advance service started on May 1, 2024
- Tama Shinkin Bank has transitioned from its traditional business membership service "TamaShin Corporate Service BOB" to Big Advance to enhance the functionality of its membership services
- Contributed to the expansion of support measures for SMEs and the promotion of DX to revitalize the regional economy

## PoC using Generative AI launched

- Started a PoC using Generative AI to handle internal inquiries about regulations and internal documents at financial institutions that have adopted Big Advance
- At the financial institutions currently conducting the PoC, AI is being trained on work regulations and manuals, and a chatbot is being created to answer questions, with a proof of concept for an FAQ function in progress

### 【Screen Sample】



## Big Advance Event Held

### 2nd Enmusubi BA: Online Business Meeting Connecting from Tokai



- A nationwide business meeting event was held, centered on financial institutions in the Tokai region that have adopted Big Advance, to create new business opportunities for SMEs
- Business meetings were held both "online" and "in-person" using Big Advance's business matching function
- A total of 217 meetings were conducted over four days, providing new opportunities for business negotiations

### BA Award 2024

- The first awards ceremony was held for branch person of financial institutions who actively promote the use of Big Advance
- The event included presentations of best practices for using Big Advance, information exchange, and participatory sessions



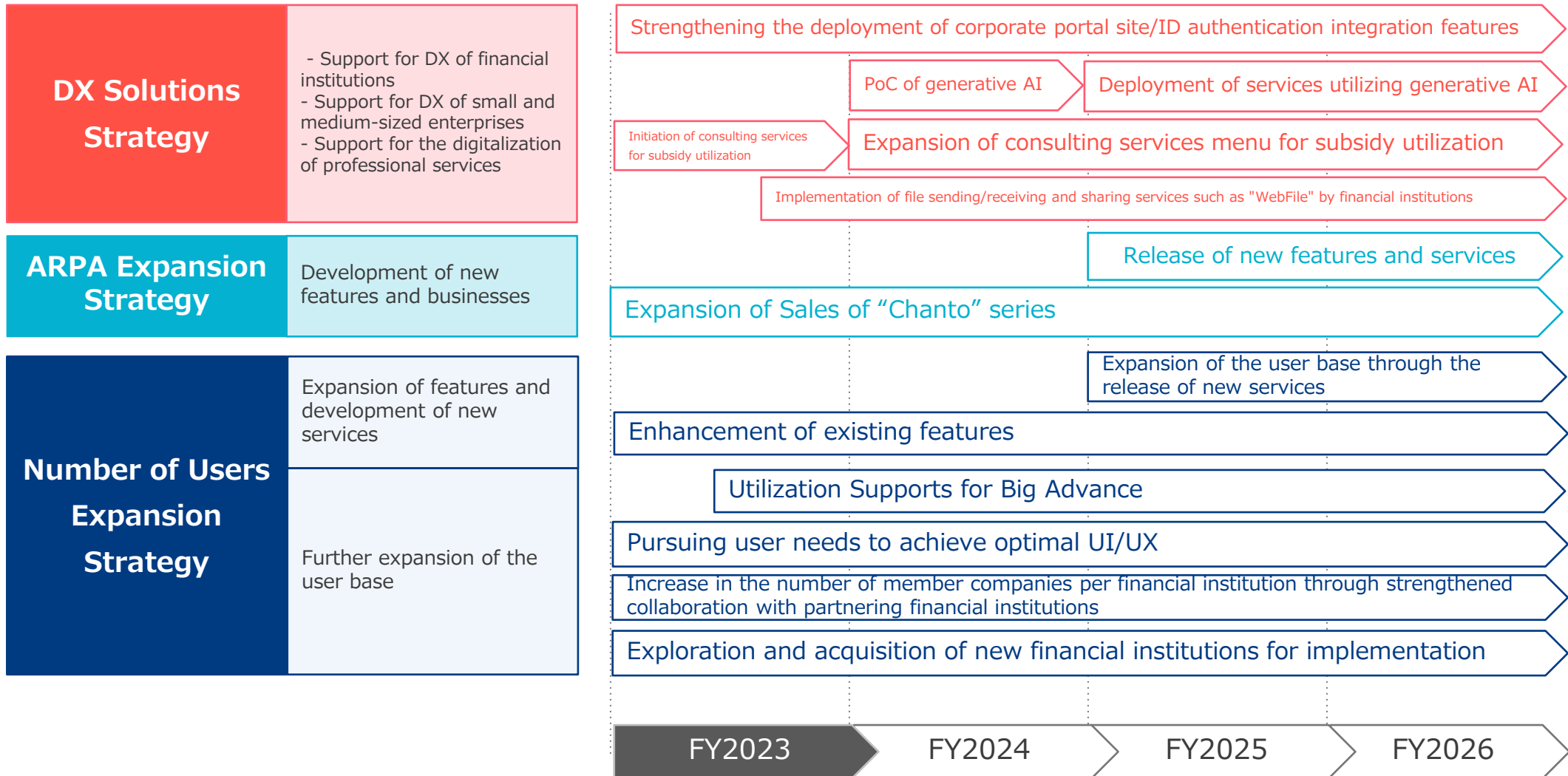
**04**

**Progress on  
mid-term  
management plan**

**“Growth Strategy Roadmap” for FY2024 and beyond / Launch of a New Service: Big Advance Global Expansion/ Key Features of BIG ADVANCE GLOBAL/ Strategic Business Partnership in Thailand/ Future Development of BIG ADVANCE GLOBAL/ Consulting Service for Government Subsidies/ File Transmission, Reception, and Sharing Services**

# "Growth Strategy Roadmap" for FY2024 and beyond

- Based on the initiatives of the past three years, we have formulated a growth strategy roadmap up to FY 2026



Building a business ecosystem for small and medium-sized enterprises

Service scheduled to start in  
April 2025 or later



**【Mission】**

**地域発世界**

From Region **to the World**

**【Objective】**

Support the global expansion of SMEs  
to boost Japan's economy

By expanding Big Advance's "business matching function" for global deployment, we aim to create a platform where SMEs can also engage in **direct trade**

Build a secure  
**member  
company  
network**

**AI-driven  
creation** of  
matching  
opportunities

Overcome  
language barriers  
with **automatic  
translation**

**Provide reliable  
support** for trade  
operations

## For the deployment of "BIG ADVANCE GLOBAL" in Thailand, a strategic business partnership has been established with KAIGO Life Co., Ltd. and Collinear Inc. to support the global expansion of SMEs

"BIG ADVANCE GLOBAL" plans to first expand within ASEAN, with Thailand, one of the key trading partners in the region, as the initial focus. This led to the strategic business partnership with KAIGO Life and Collinear

### KAIGO Life Co., Ltd. (Thailand)

In Thailand, we collaborate with organizations like the Thai Chamber of Commerce, Ministry of Economy, Trade, and Industry, and the Japanese Embassy to provide government-level business matching and consulting services for both countries. The Siam Motors Group family, a pioneer in the automotive industry, is one of the old conglomerates supporting the Thai economy and is already partnered with nearly 40 Japanese companies

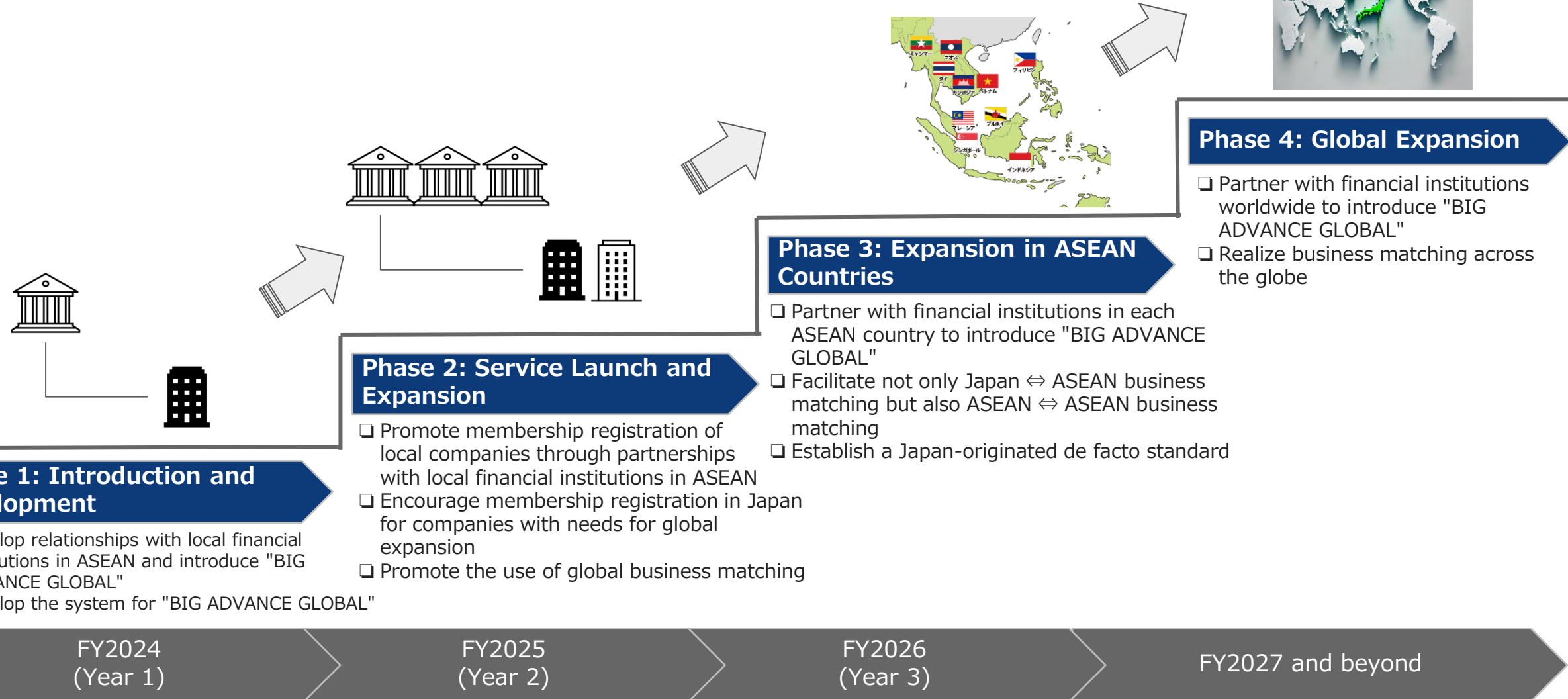
### Collinear Inc.

Collinear Inc. offers business engineering services focusing on practical support. They design and implement optimal solutions for immediate challenges through data-driven business improvement, business development, and machine learning-based demand forecasting systems. In 2022, they received the Japan DX Award - Support Agency Division - Excellence Award



(From left: Akira Ogura, CEO of Collinear Inc.; Chayaporn Phornprapha, CEO of KAIGO Life Co., Ltd.; Shigeru Kondo, CEO of Kokopelli Inc.)

# Aim to establish a global, Japan-originated de facto standard in the B to B business matching platform





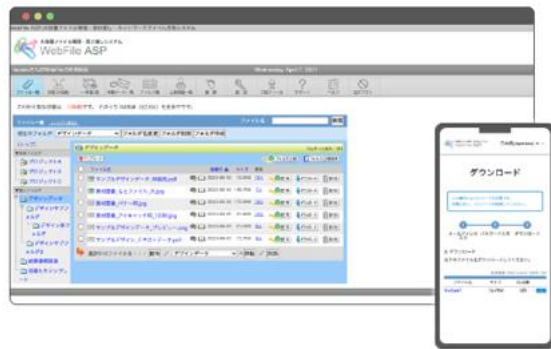
## Consulting Service for Government Subsidies

- In addition to the existing "Manufacturing Subsidy" and "Business Restructuring Subsidy," we have newly started handling the "Large-Scale Growth Investment Subsidy" and "Energy Efficiency Subsidy"
- Expand partnerships to 22 financial institutions and other entities

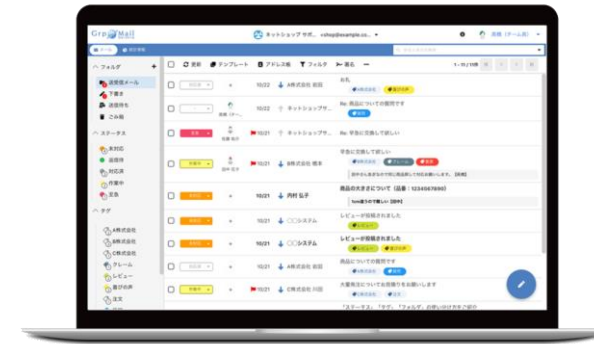


- ① **Top-class support on subsidies in the Tokai region.**
- ② **Wide range of support provided on subsidies.**
- ③ **Support provided by experienced professionals.**
- ④ **Understanding of "proprietary skills".**
- ⑤ **Seminars held on subsidies and its application process.**

- Continue to introduce file transmission, reception, and sharing services like "WebFile" to regional financial institutions
- Address information security issues faced by regional financial institutions, such as the transmission of attachments and the need for paperless processes



**Corporate email  
transmission and  
sharing system that  
consolidates file  
transfers and retrievals**



**A simple interface that  
prevents duplication  
and oversight,  
with a shared email  
management system**

**05**

# **FY2024 estimates**

**Revised Full-Year Earnings Forecast for FY Ending March 2025/  
/ Business Policy for FY 2024/ The market size of business  
matching platforms**

## Revised Full-Year Earnings Forecast for FY Ending March 2025

- The profit forecast has been revised upwards due to the expectation of higher profit margins in DX Solutions than initially forecast, as well as progress in internalizing development through continued recruitment efforts from the previous fiscal year, leading to steady reductions in outsourcing costs

Unit : mil. yen

	FY2024 Forecasts (initial)	FY2024 Forecasts (after revision)	Variance	Compared with the initial	Actual values in FY 2023 (for reference)	YoY
Sales	2,000	<b>2,000</b>	<b>0</b>	<b>100.0%</b>	1,821	109.8%
Gross profit	996	<b>1,078</b>	<b>+82</b>	<b>108.2%</b>	990	108.8%
EBITDA	240	<b>278</b>	<b>+38</b>	<b>115.8%</b>	200	138.9%
Operating Profit	40	<b>78</b>	<b>+38</b>	<b>195.0%</b>	33	230.1%
Recurring Profit	38	<b>77</b>	<b>+39</b>	<b>202.6%</b>	40	190.7%
Net profit for shareholders of parent company	2	<b>30</b>	<b>+28</b>	<b>1,500.0%</b>	33	89.9%

## Business Policy for FY 2024

- In FY2024, business growth will be pursued through the following initiatives:

### Big Advance

- Enhance existing functionalities, with a focus on the business matching feature, to attract new user segments through proactive DX efforts.
- Expand the sales of the "Chanto Series" as part of defensive DX measures.
- Promote the utilization of business user accounts.
- Strengthen relationships with financial institutions.
- Establish mechanisms for providing support and assistance to member companies.

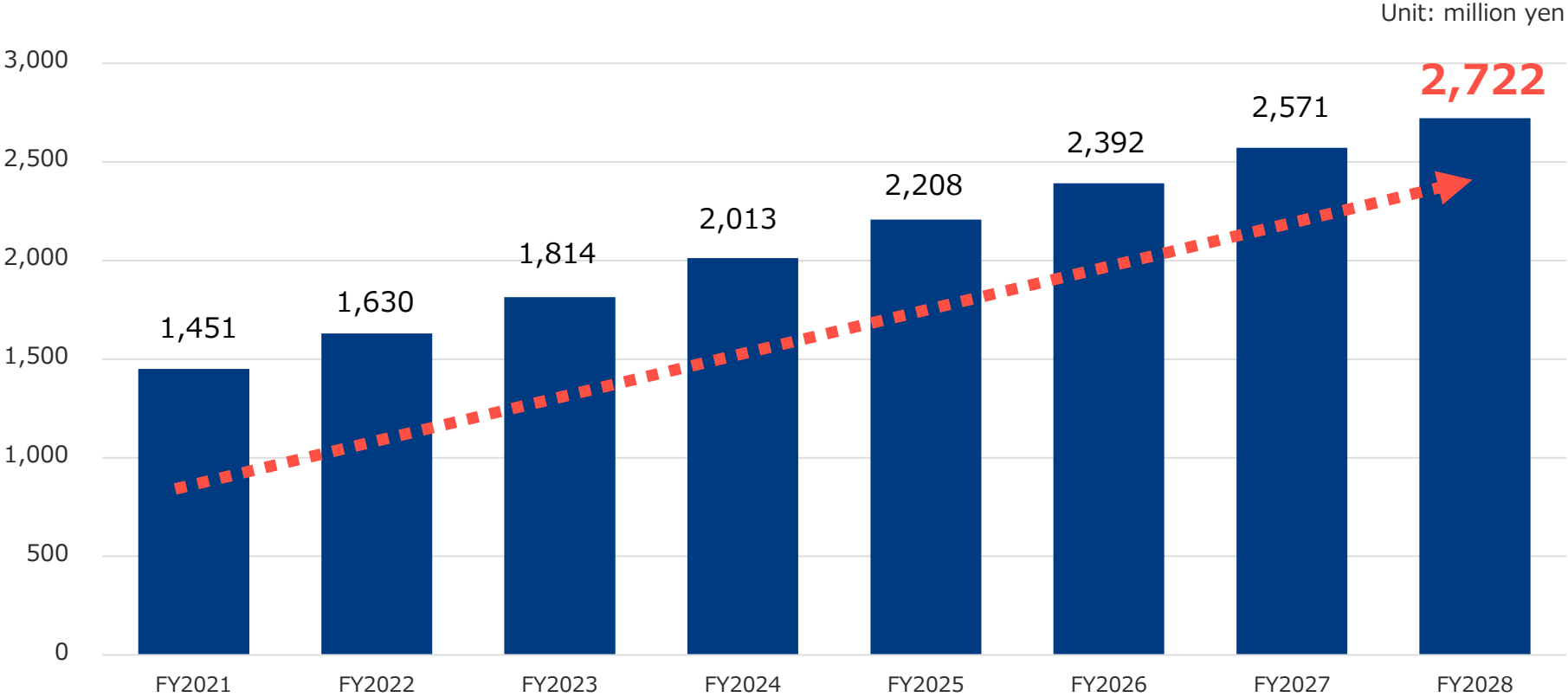
### DX Solutions

- Service implementation through validation experiments with AI generation.
- Expansion of the subsidies handled in subsidy utilization consulting.
- Introduction of file sending/receiving and sharing services like "WebFile" to financial institutions.

# The market size of business matching platforms

- The domestic market as a whole is expected to expand from 2,013 billion yen in FY 2024 to 2,722 billion yen in FY2028

Mid-term forecast for the business matching platform market size



(Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd., "Current Status and Outlook of the Domestic Business Matching Platform Market [2023 Edition]," issued on December 13, 2023. (<https://mic-r.co.jp/mr/02980/>)

**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.

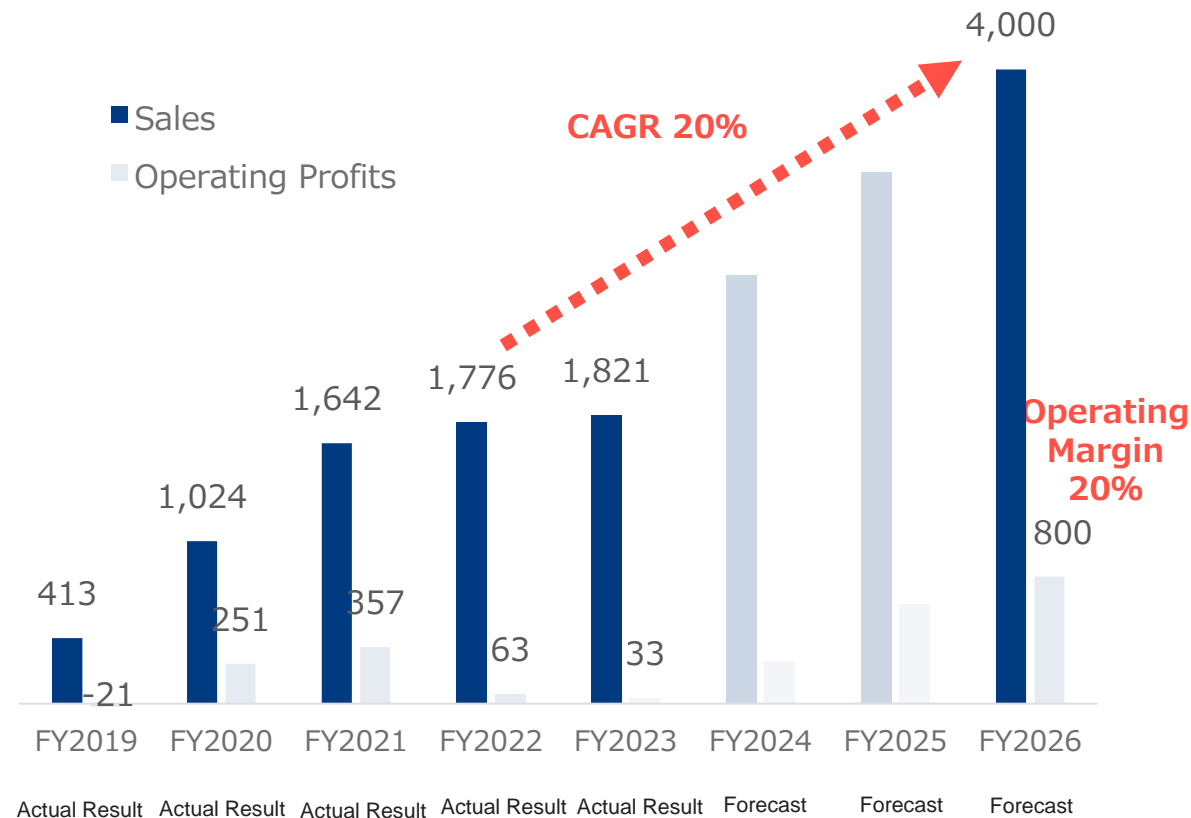
Our challenge is to harness the power of technology to sprout and nurture these seeds of buried value, growth opportunities, and business potential to take them into the futures ahead.

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.

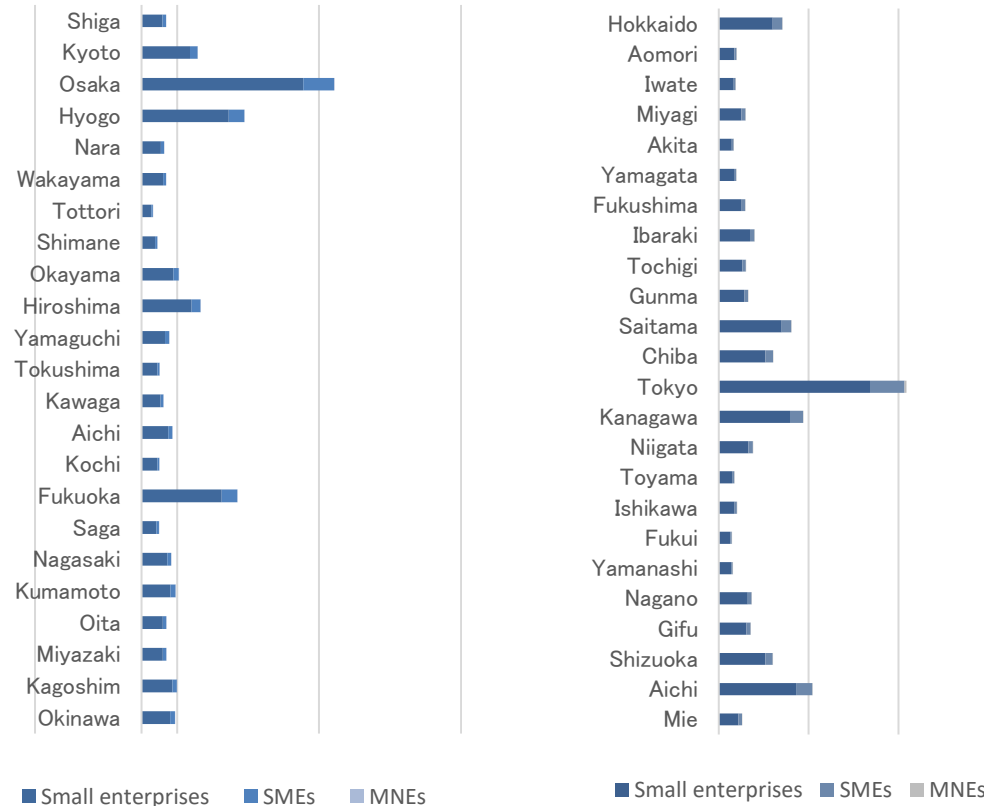


# To become a core infrastructure for SMEs

- 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.

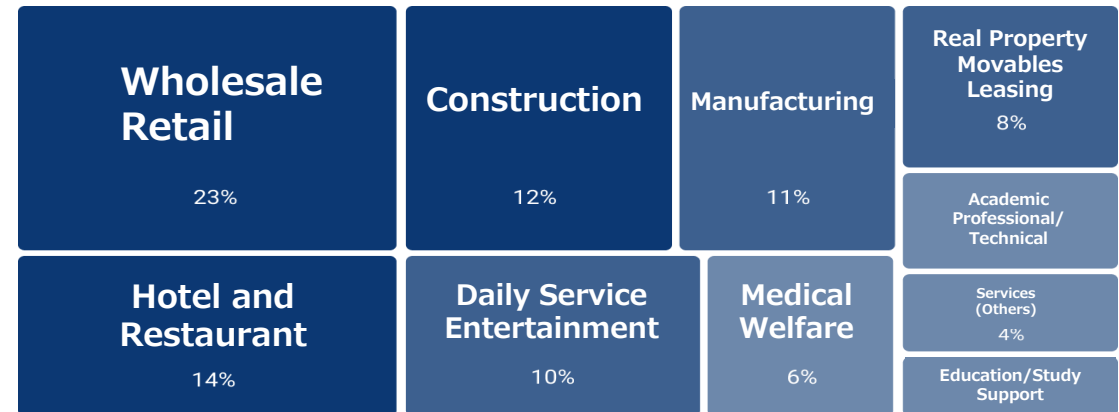
Number of companies by prefecture

(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)

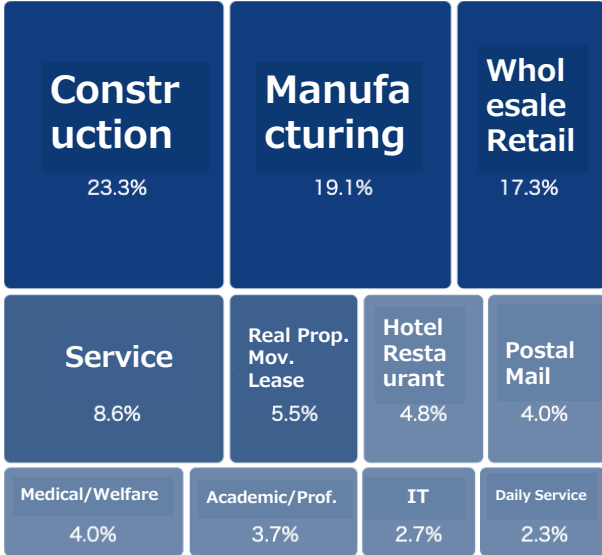
## Effective networking with local financial institutions

- 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 80 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 65,000 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.

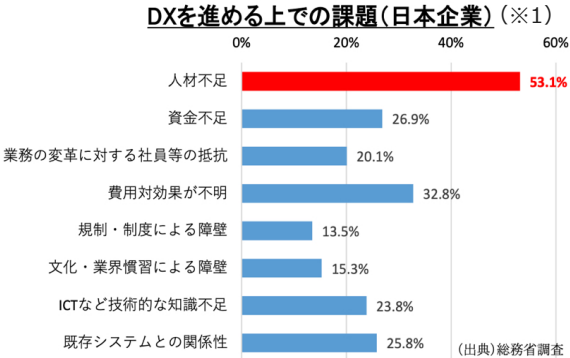


The top three industries of the member companies are construction, manufacturing and wholesale/retail.

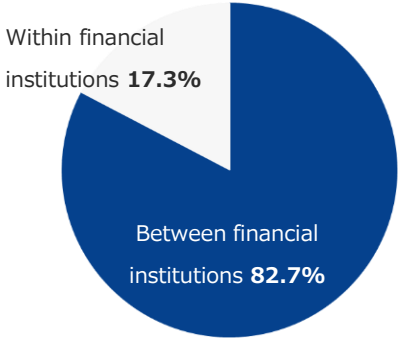
# Advantages of using Big Advance (3)

## 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.



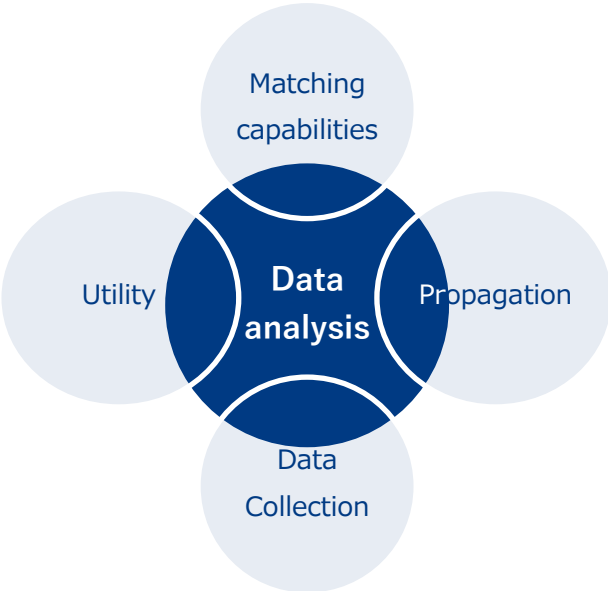
The main issues with DX is “lack of personnel” at 53.1%.



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

## Data-driven analysis and returns

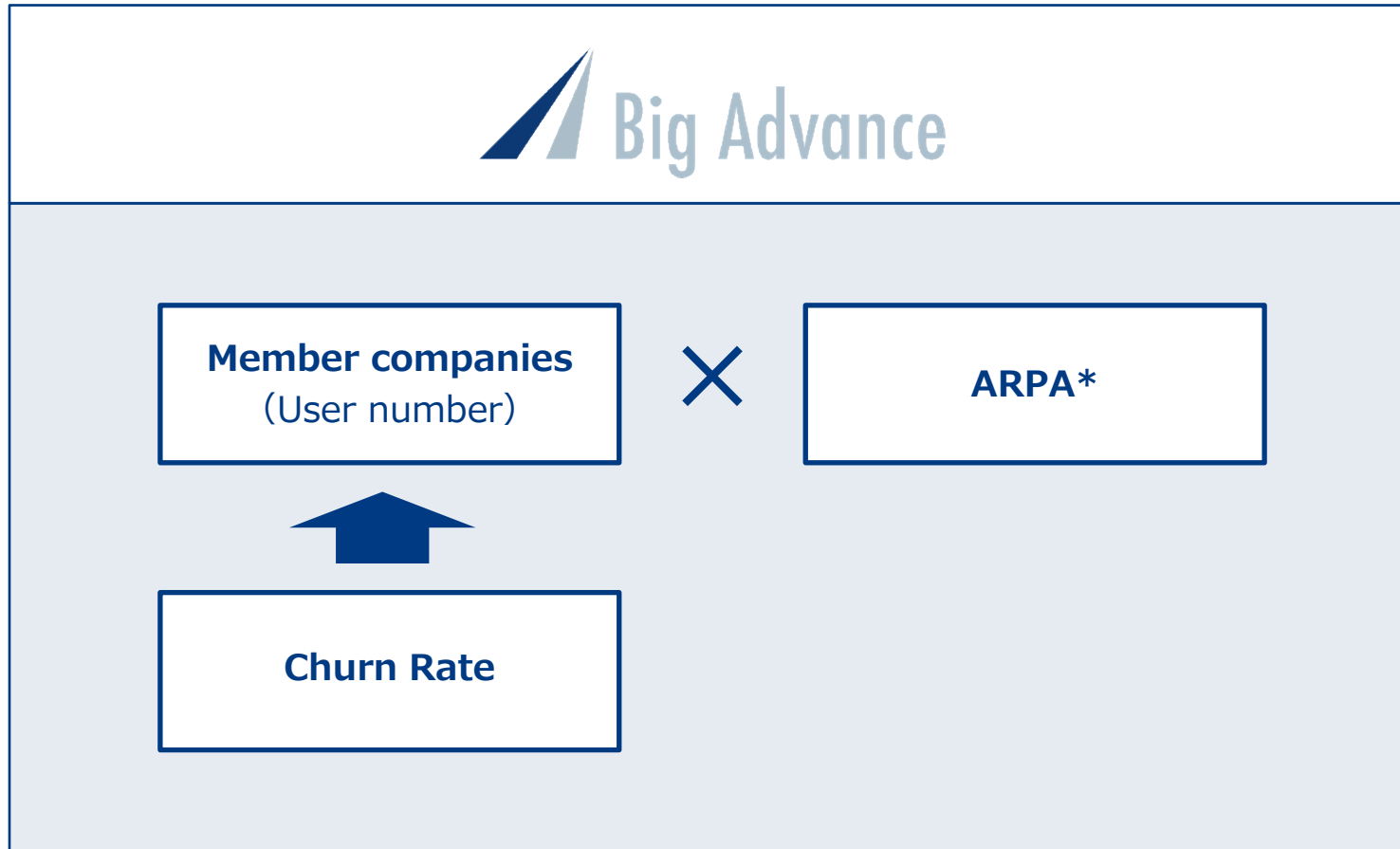
- Core business support to clients of financial institutions by offering data collected by Big Advance (data provisions to begin in April 2022).
- Business matching function offers AI-driven recommendations of business activities to companies.
- Presents ways of using Big Advance on the web, depending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

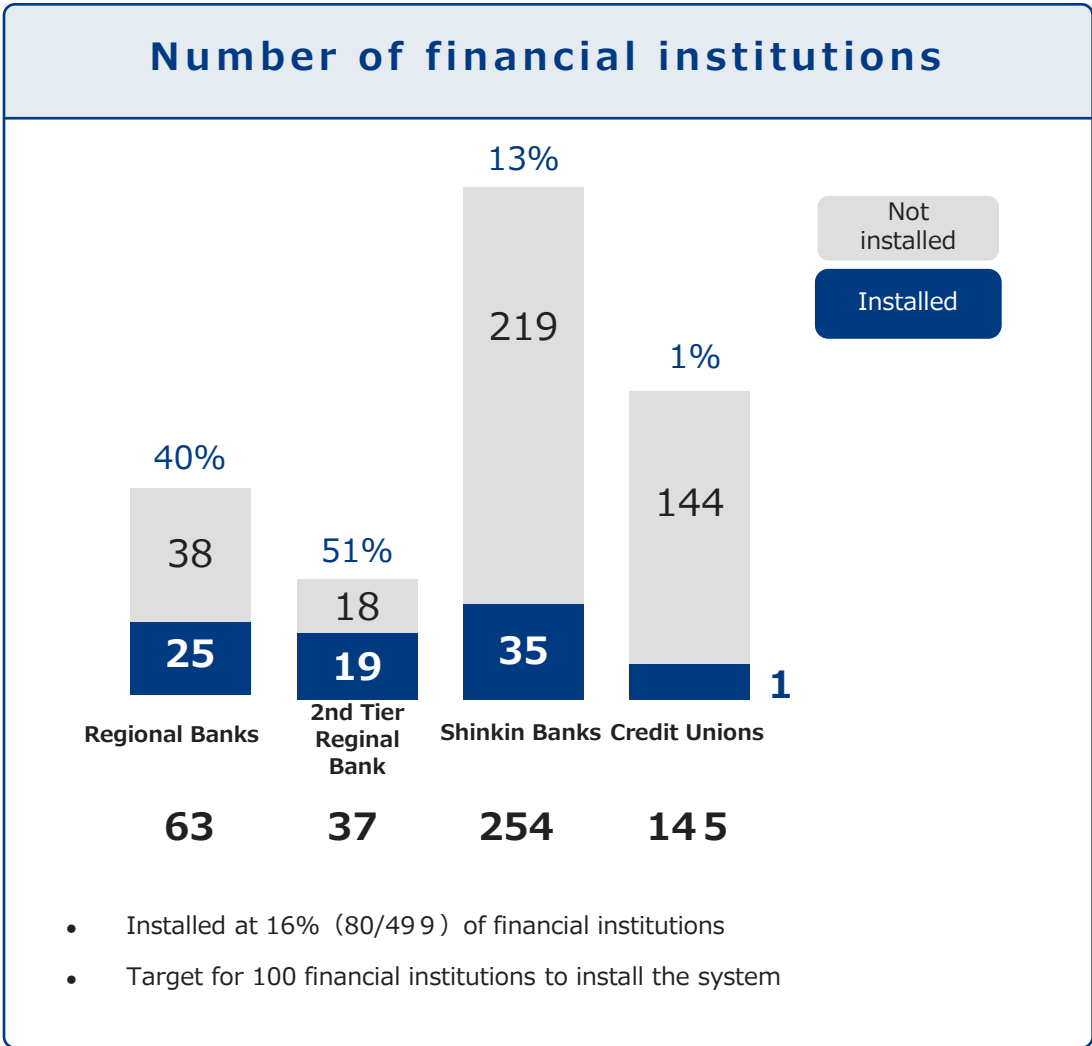
# Evaluation Indicators

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

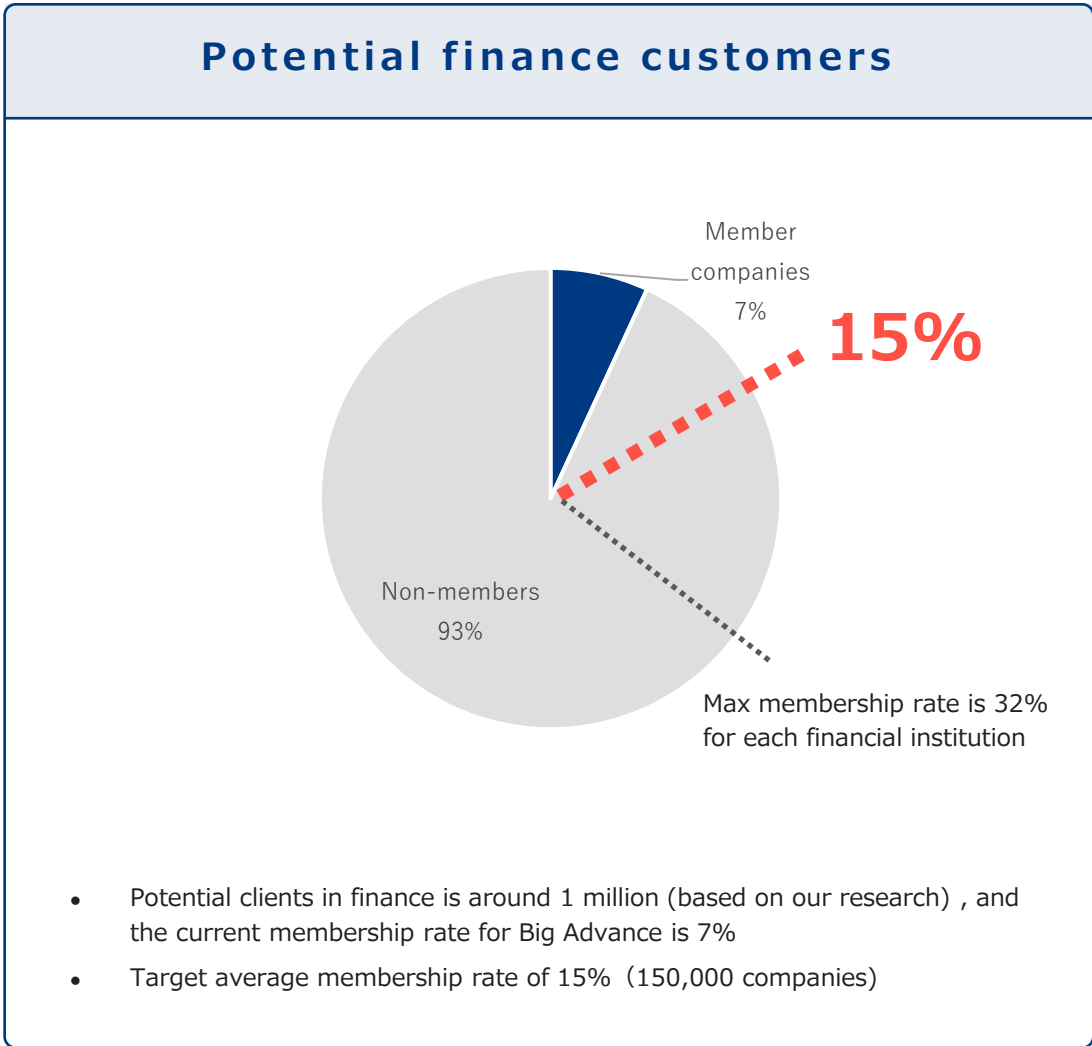


(\*) ARPA stands for Average Revenue per Account, referring to average sales per account.

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



(as of 30 June 2024)



(Based on the 80 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)

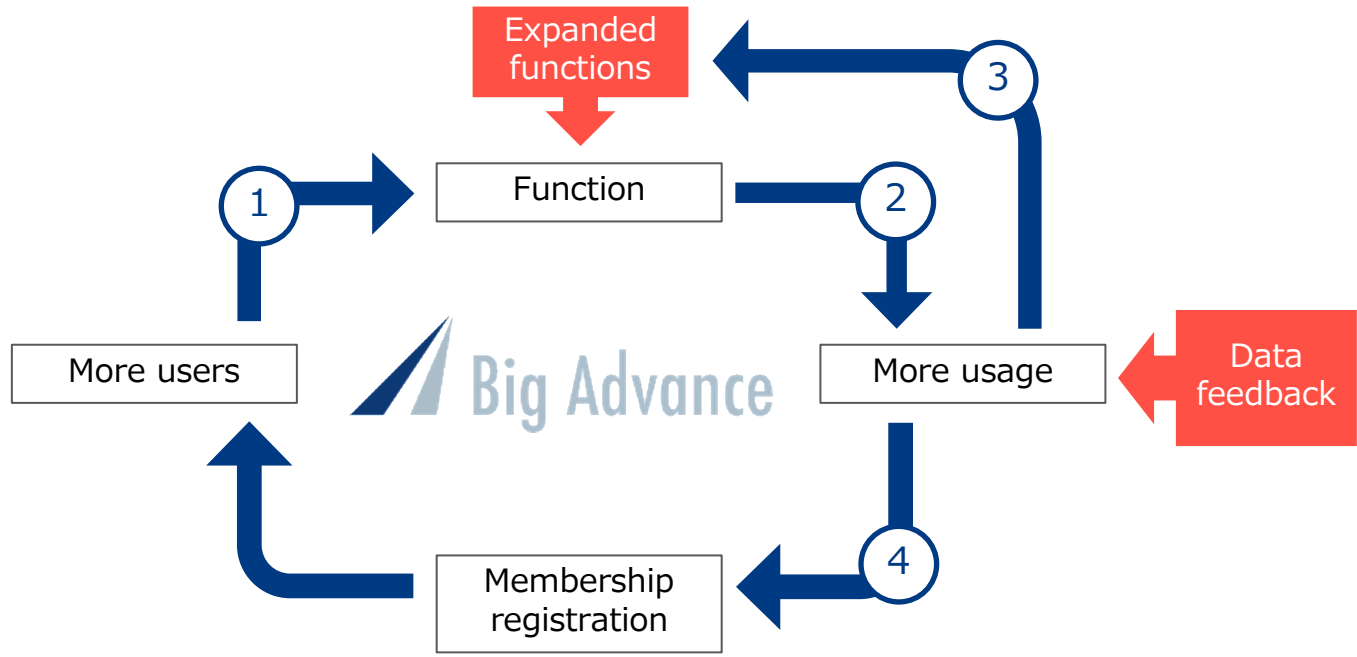
### Online press conference



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.

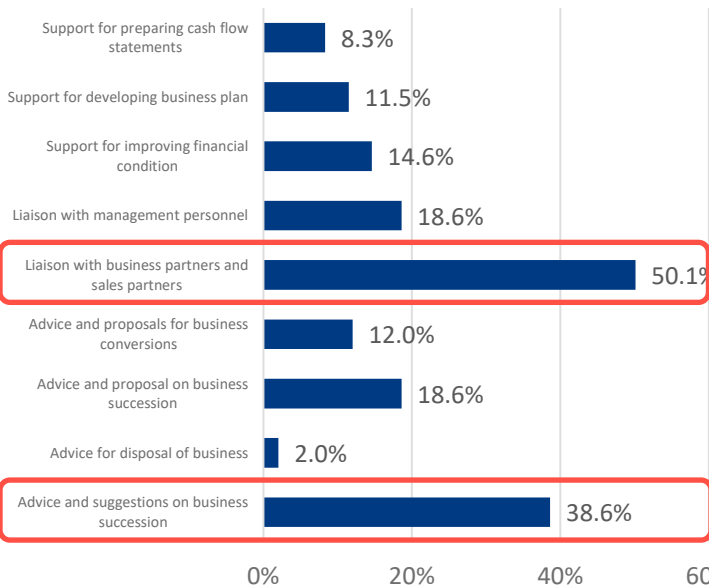
# Strategy to raise ARPA: New business development

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

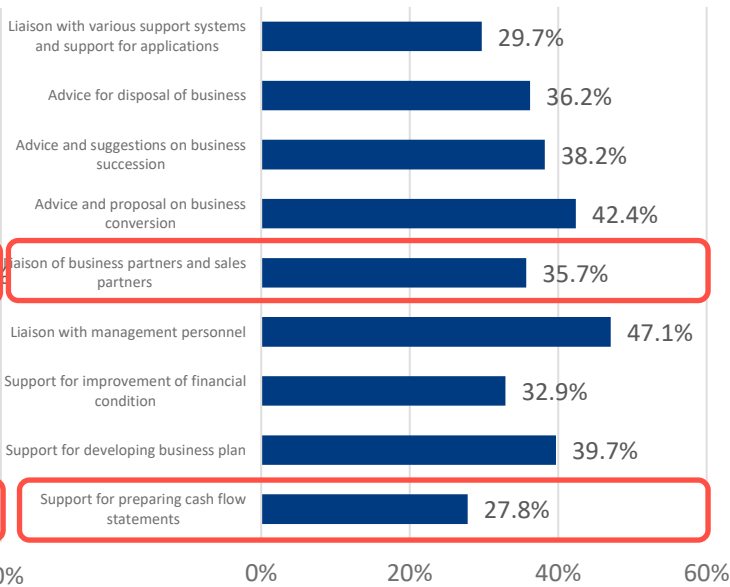
## Company surveys

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

### Services in demand

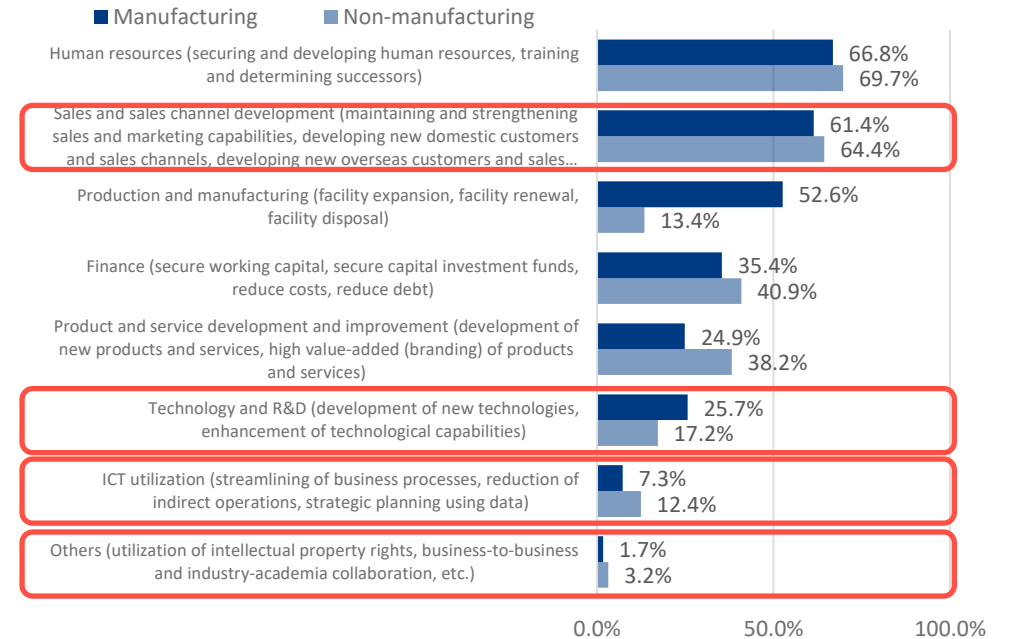


### Services worth paying a commission



## Survey on SMEs' issues and public support needs

Major issues faced by small enterprises (\*2)



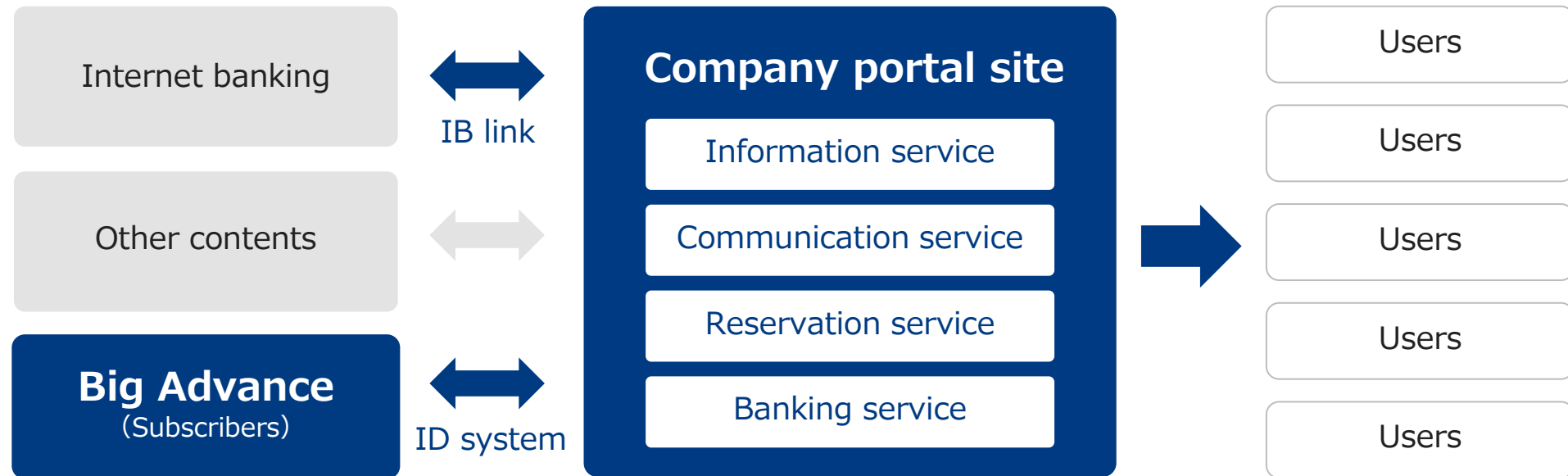
(\*1) Financial Services Authority "The JFSA Strategic Priorities July 2021-June 2022"

(\*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.



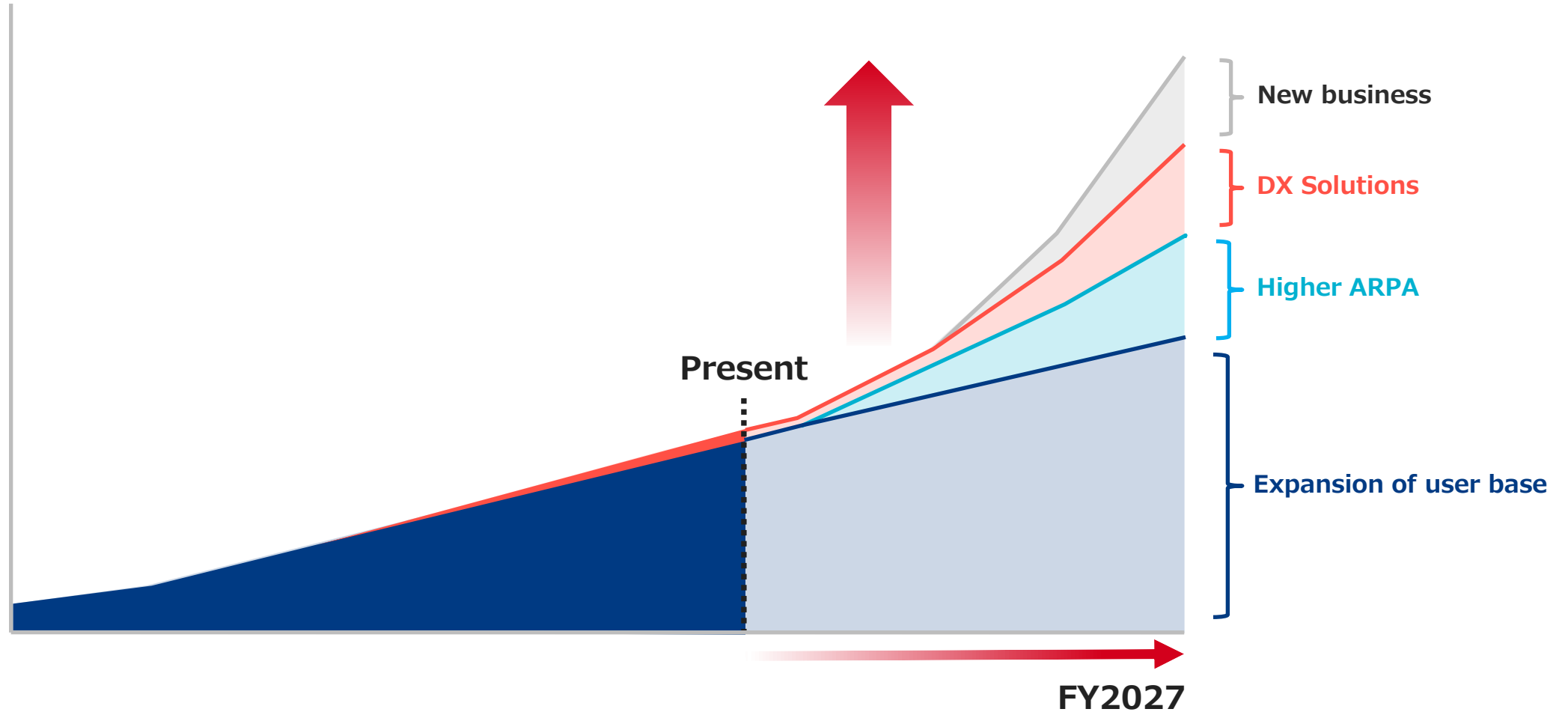
### Track records

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

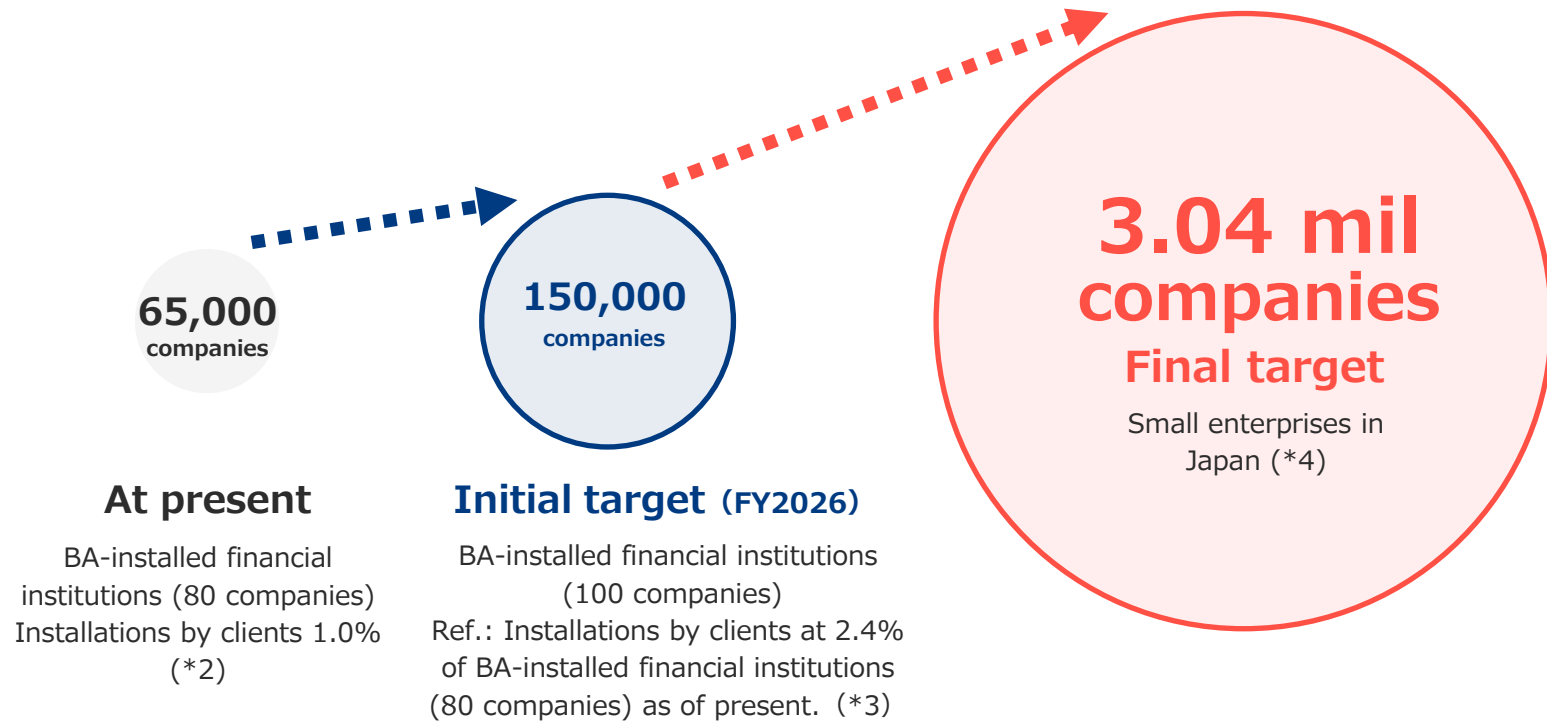
## Growth scenarios in the mid-term management plan

- 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 (80 companies) = 6.49 million in total (as of March 31, 2024)

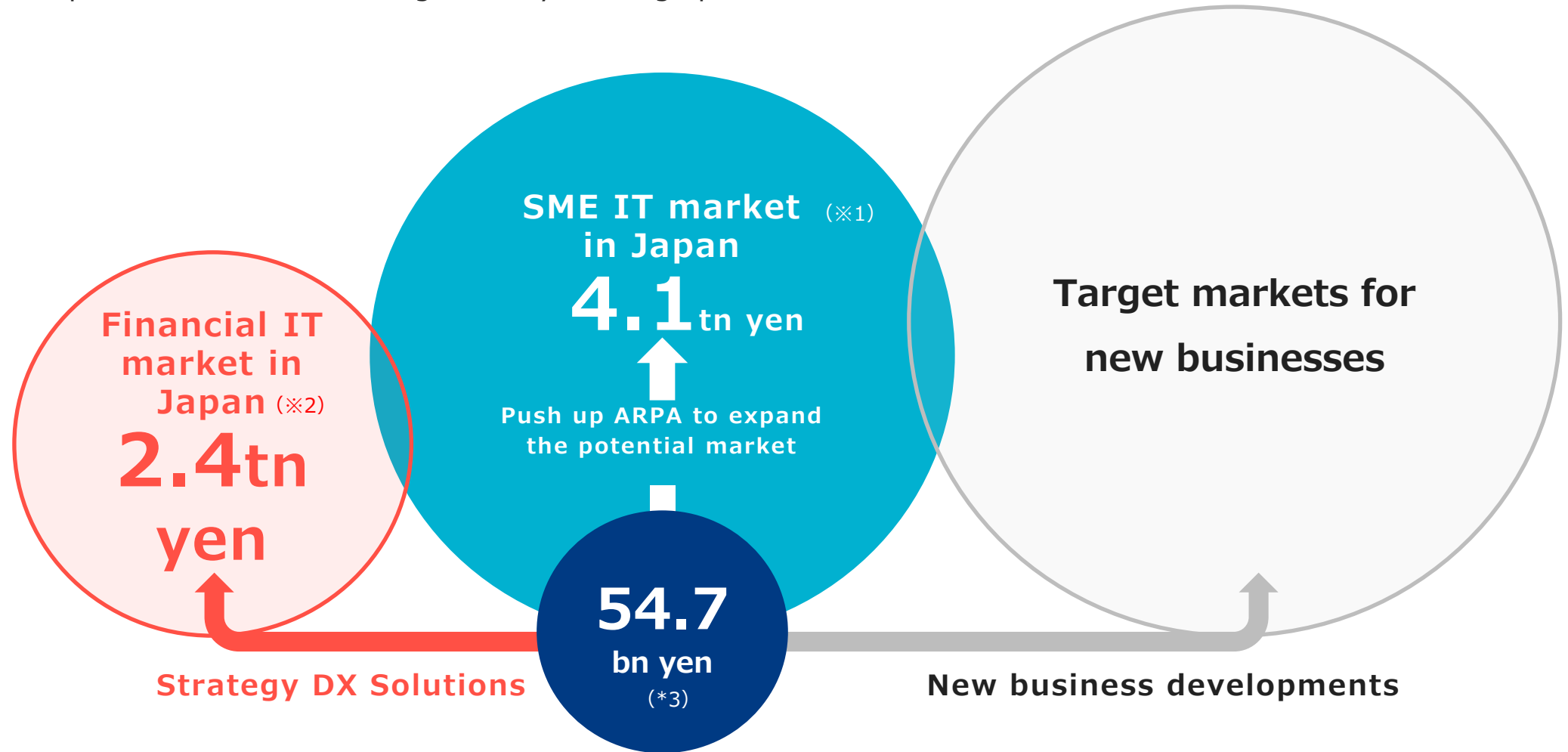
(\*2) Installation rate at clients = Big Advance member companies / number of corporate clients of the 80 BA-installed financial institutions (as of March 31, 2024)

(\*3) 150,000 companies / Number of corporate clients of the 80 BA-installed financial institutions (as of March 31, 2024)

(\*4) 3.58 million SMEs "2016 Economic Census" x 84.9% small businesses "Number of small and medium-sized enterprises (as of June 2016)"

## Potential market with room for further expansion

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



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

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

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

## Improved stock incentives

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

<b>Objective</b>	<ul style="list-style-type: none"><li>• Grant incentive for executives and employees for mid- to long-term business growth.</li><li>• Offer competitive salaries for recruiting top talent.</li></ul>
<b>Detail of the scheme</b>	<ul style="list-style-type: none"><li>• The ratio of restricted stock and stock options shall be decided based on the stock price and other factors at the time of grant.</li><li>• Assumes an annual issuance cap of approximately 1% of outstanding shares, with a maximum dilution of 5% over the next five years (2022 – 2027).</li><li>• 2.5% of total shares outstanding, including restricted stock and unexercised stock options as of FY2023.</li></ul>



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

