



**(Fiscal Year Ended March 2022)  
Financial Results Presentation Materials**

**FLECT Co., Ltd. (Securities Code: 4414)**

May 12, 2022

# Company Profile

**Company Name** FLECT Co., Ltd.

**Established** August 2005

**Capital Stock** 683 million yen (as of March 2022)

**Number of Employees** 163 (as of March 2022)

**Address** 11F, Hamamatsucho Bldg., 1-1-1 Shibaura, Minato-ku, Tokyo

**Business Description**

- Cloud Integration Services
- Cariot Services





Representative Director CEO  
Koji Kurokawa

## Realizing an Ideal Future with the Cloud

**We are a Multi-Cloud Integrator supporting corporate DX with our cutting-edge cloud technology and designs.**

**In a society where all people and things are digitally connected, we realize a new digitally optimized customer experiences and support customer-centered business innovation.**

# Service Overview

## Cloud Integration

### Professional services supporting corporate DX

We support “Proactive DX” that can realize a new customer experiences through our cutting-edge cloud technology. This is a one-stop service for digital transformation in existing and new business initiatives, ranging from service planning, designing, multi-cloud development, to actual implementation.



partner network



HEROKU



MuleSoft Partner



tableau

Sales ratio 9:1

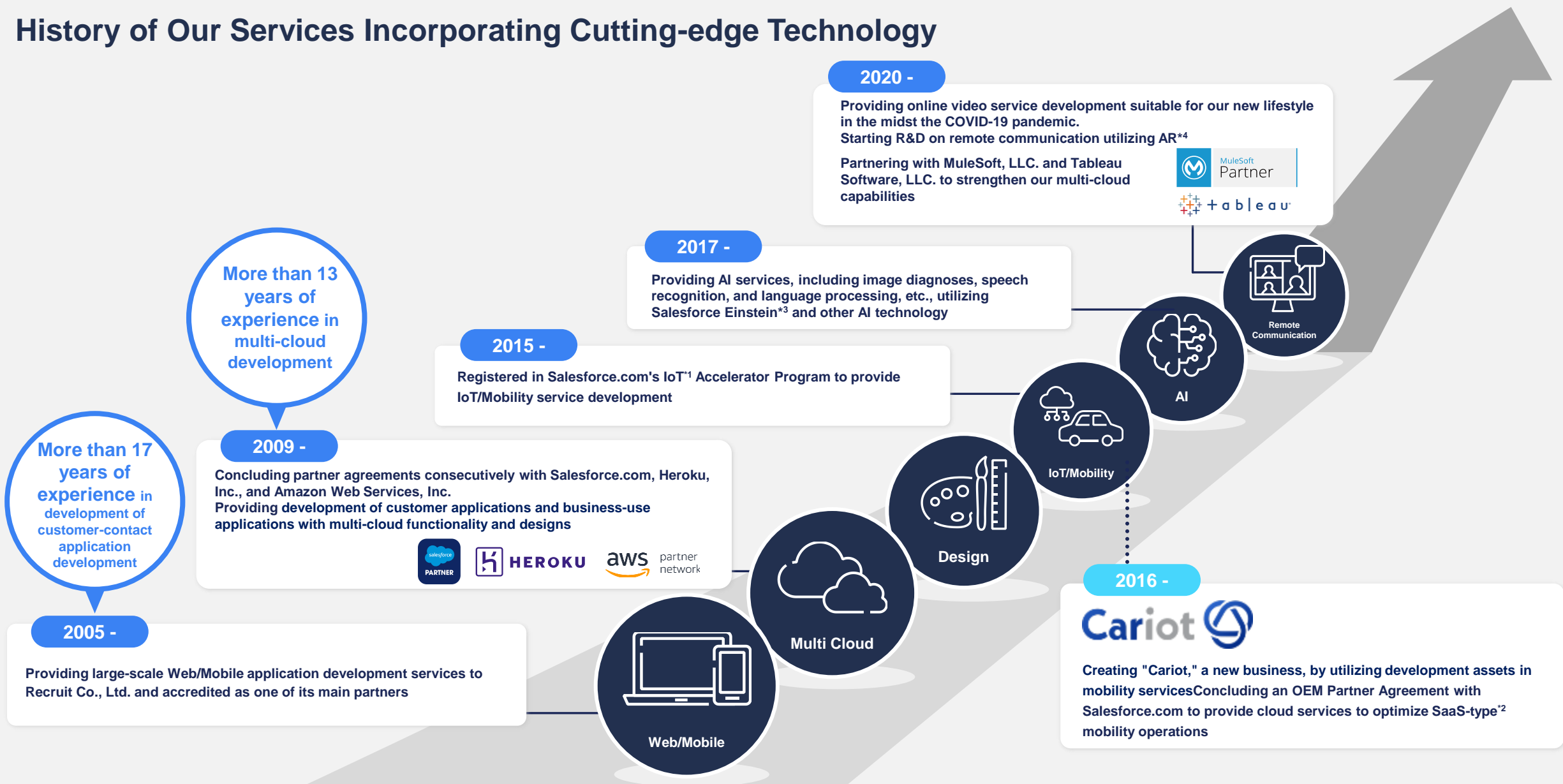
## Cariot

### Cloud services for SaaS-type mobility business optimization

This is one of our proprietary product services to support customers' productivity enhancement by making visible the location and status of vehicles used for “logistics,” “field services,” and “sales,” etc., reducing inquiry-response work, and enhancing efficiency in their vehicle management.



# History of Our Services Incorporating Cutting-edge Technology



\*1: IoT (Internet of Things): Physical things that can be operated via the Internet

\*2: SaaS (Software as a Service): Service to provide applications that used to be provided as packages over the Internet

\*3: Salesforce Einstein: Name of the AI (artificial intelligence) service provided by Salesforce.com, Inc.

\*4: AR (Augmented Reality): Virtually augmenting the world in front of a viewer by superimposing virtual visual information onto real landscapes

## Our Globally Acclaimed Advanced DX Achievements

Our DX achievements in domestic AI services are critically acclaimed, and received the Salesforce Global Innovation Award in 2019, the first of its kind in Japan.

**May 2015** “Special Award,” Salesforce Partner Award  
Awarded for the achievements in our highly acclaimed IoT projects

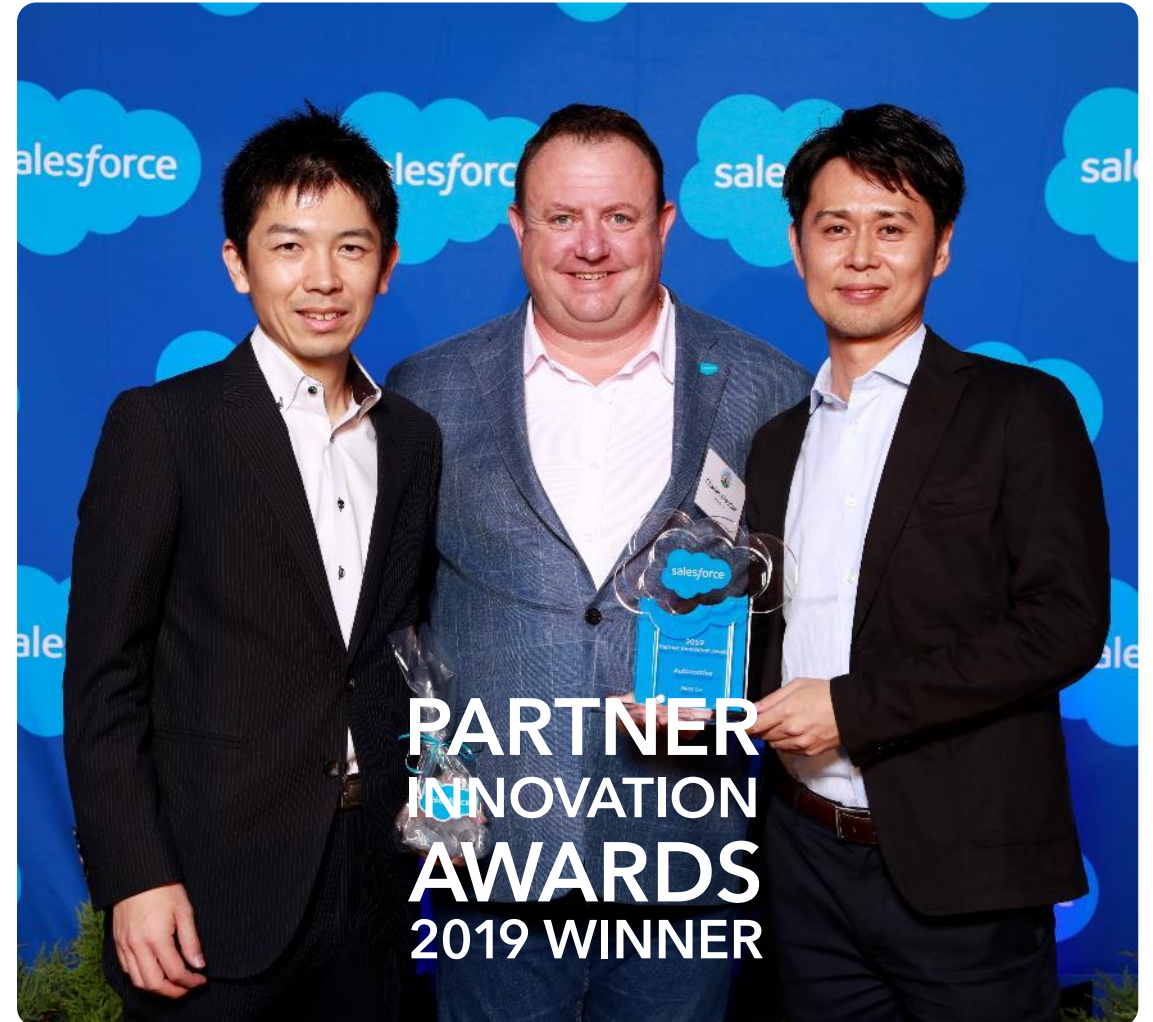
**December 2017** SORACOM SPS Partner Award 2017  
“Partner of the Year”  
Awarded for our annual business achievements as a SORACOM partner

**May 2018** Salesforce "Innovation Partner of the year"  
Awarded for our achievements in the Einstein (AI) Project

**October 2018** Introduced as an IoT integrator with high technological capabilities in the CEATEC Keynote Speech by the President and Representative Director of Komatsu Ltd.  
As a Smart Construction Service TRUCK VISION creation partner

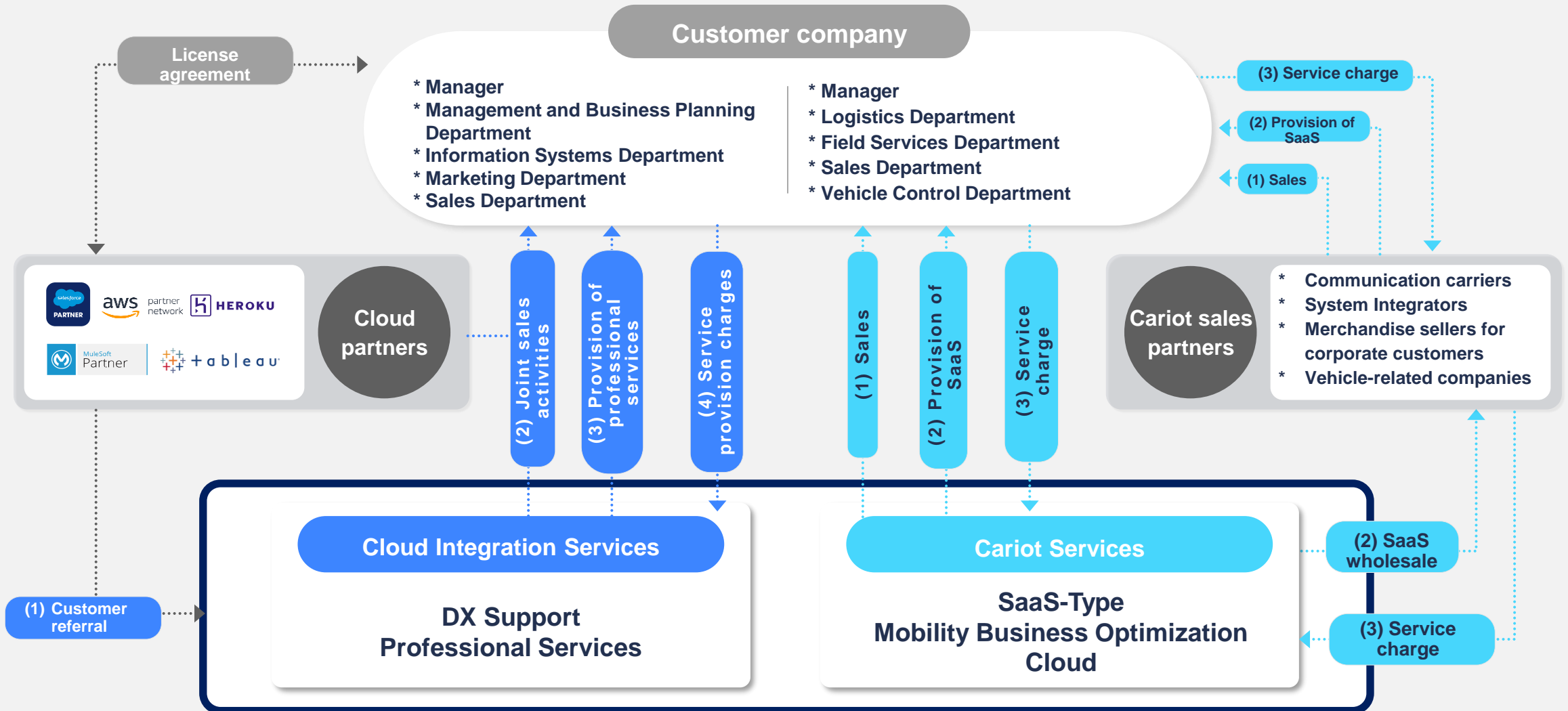
**November 2019** Salesforce Partner Innovation Award  
First Japanese company awarded for achievements in our Einstein (AI) Project in Japan

**May 2020** Salesforce "Innovation Partner of the year"  
Awarded for our achievements in a multi-cloud development project



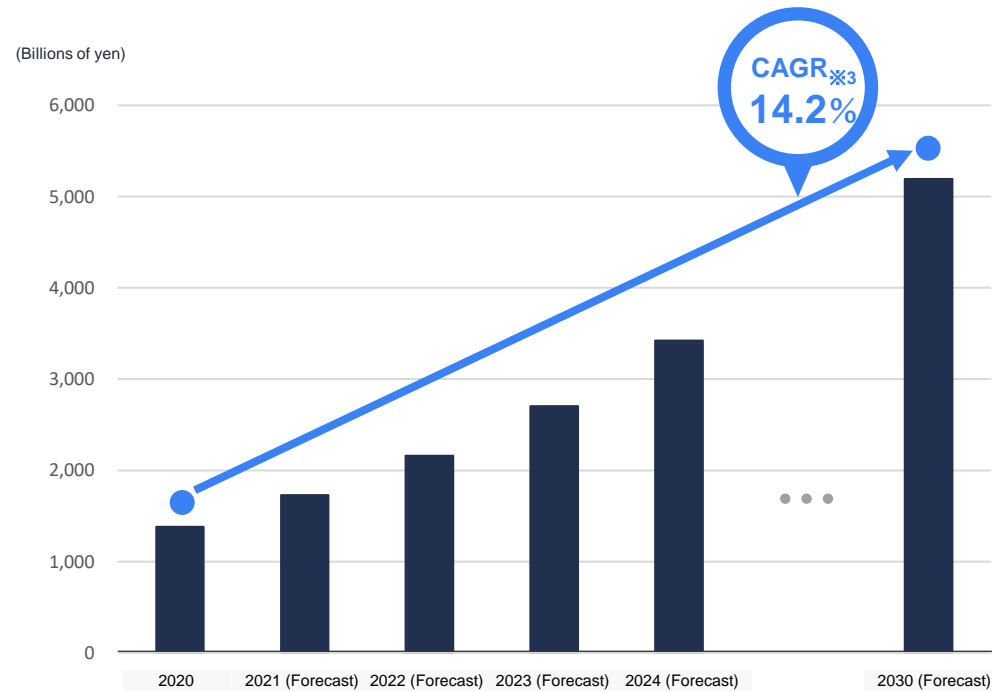
# Service Flow

In Cloud Integration Services, professional services are provided directly to customer companies through joint sales activities with cloud partners. Cariot Services is a subscription-type business model to provide SaaS licenses primarily in direct sales to customer companies.

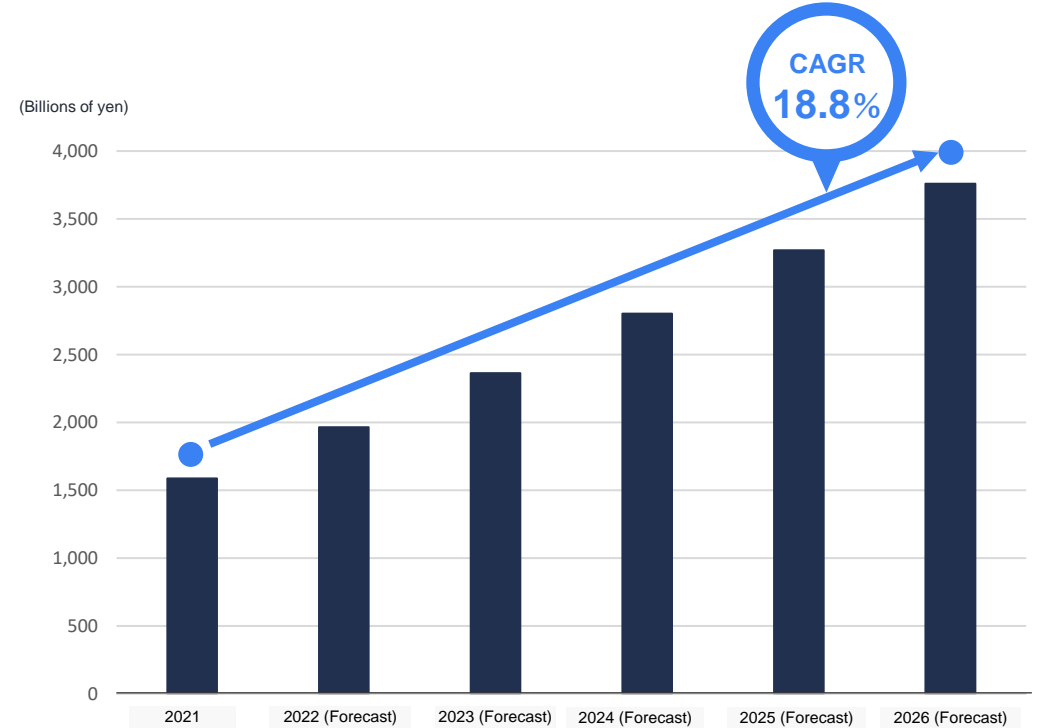


# Both DX and Cloud Markets in Japan Are Steadily Expanding Despite the COVID-19 Pandemic

The domestic DX market is expanding at a CAGR of 14.2% from 2020 to 2030.\*<sub>1</sub>



The domestic public cloud market is expanding at a CAGR of 18.8% from 2021 to 2026.\*<sub>2</sub>



\*1: Quoted from "2022 Future Prospects of the Digital Transformation Market," Fuji Chimera Research Institute, Inc.

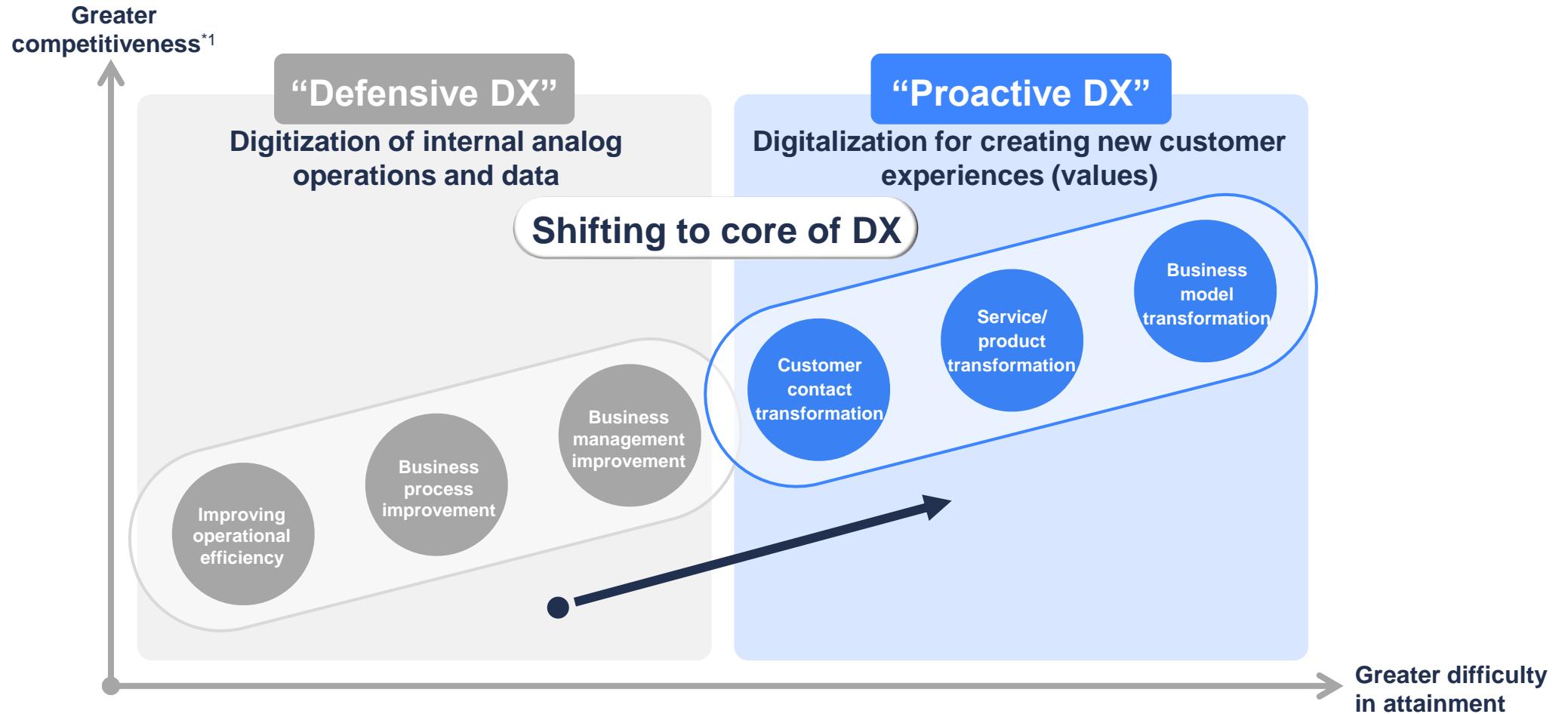
\*2: Quoted from "Sales Prospects in the Domestic Public Cloud Service Market," International Data Corporation Japan (IDC)

\*3: CAGR (Compound Annual Growth Rate) is an annual geometric mean calculated from multiple-year growth rates.



# Core of DX Lies in “Proactive DX” that can Enhance Corporate Competitiveness

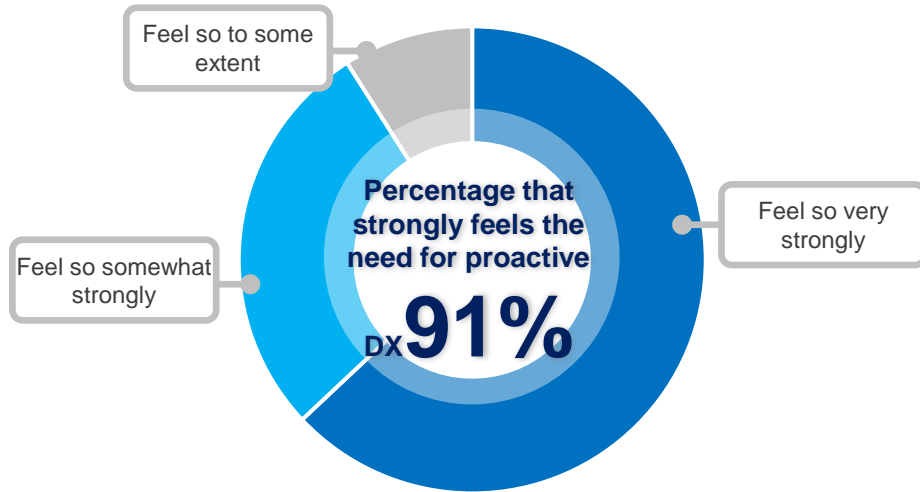
Companies can enhance their competitiveness by shifting from “Defensive DX,” digitizing internal analog operations and data through replacement of paper documents with data in order to cut costs, to “Proactive DX,” creating new customer experiences designed to enhance revenue and customer engagement.



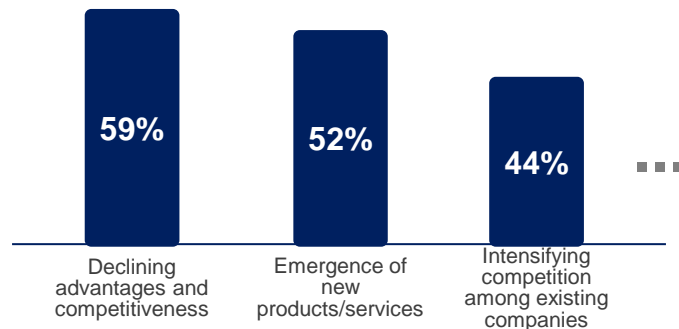
\*1: Compiled proprietarily based on “Survey on Digitization Initiatives in Japanese Companies,” NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.

# Current DX Status in Japan

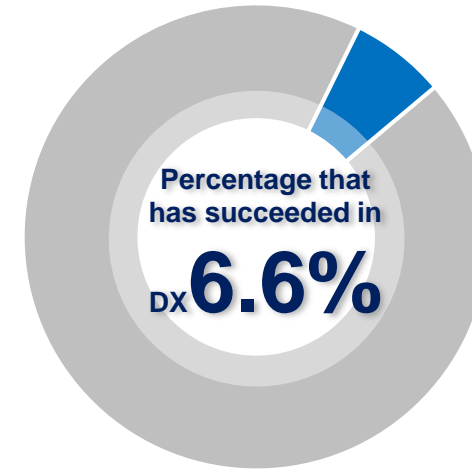
About 90% of the companies have strong needs for “Proactive DX.” This is due to their concerns about the potential decline of their own advantage and competitiveness.\*1



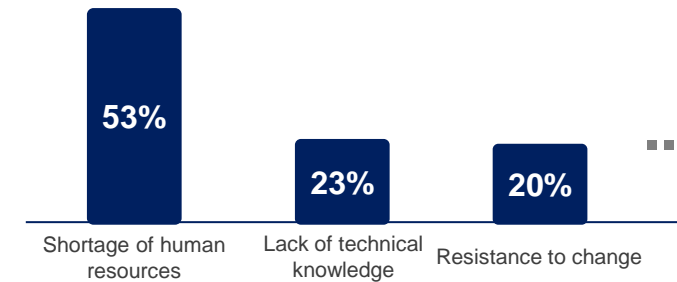
**Challenges associated with concerns about the proliferation of digital technology**



On the other hand, only 6.6% of all companies have succeeded in DX.\*2 Challenges associated with the promotion of DX are manpower/organizational problems frequently cited as “insufficient digital human resources and relevant skills.”\*3



**Challenges in promoting DX**



\*1: Compiled proprietarily, based on “A Study on Functions and Roles of Human Resources Promoting Digital Transformation,” (May 17, 2019) Information-technology Promotion Agency, Japan (IPA) (<https://www.ipa.go.jp/files/000073700.pdf>)

\*2: Compiled proprietarily, based on “The Essential Nature of DX for Japanese Companies (FY2020),” ABeam Consulting Ltd.

\*3: Compiled proprietarily, based on “Information and Communications in Japan: White Paper 2021 (July 30, 2021),” Ministry of Internal Affairs and Communications, Japan

# Supporting “Proactive DX” that can Realize a New Customer Experiences Through Our Cutting-edge Cloud Technology

We support digital transformation of existing and new businesses, including IoT/Mobility, AI, e-Commerce, online video, community, sharing, and matching services, etc. Our customer base is centering on major companies\*<sub>1</sub> intending to actively promote DX\*<sub>2</sub>.

## DX provision services

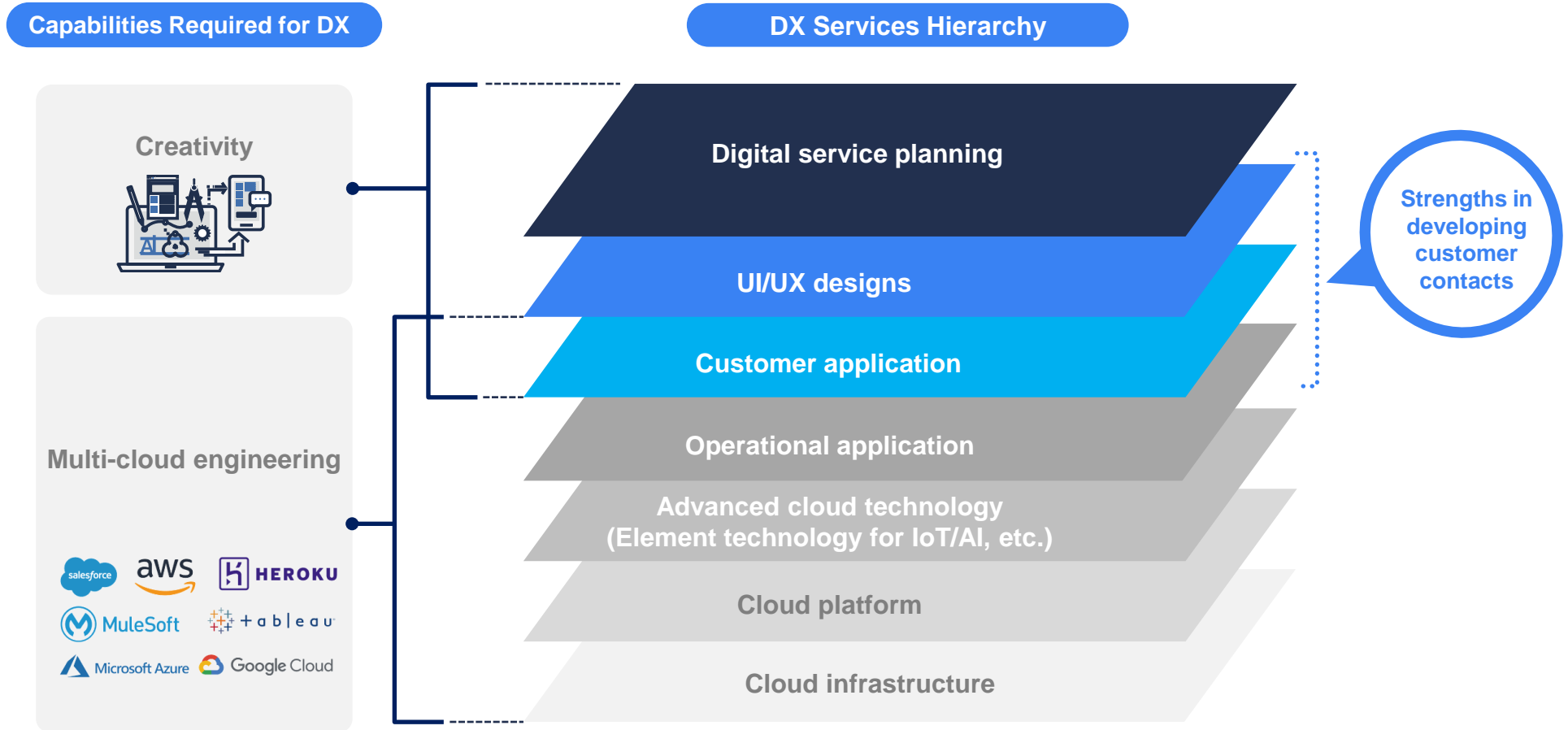


\*1: Major companies: Those listed in Nikkei 225, Nikkei 400, or Nikkei 500; or their group companies or those whose sales are equivalent (100 billion yen or more)

\*2: Major companies accounted for 89% of the total sales in the fiscal year ended March 2022

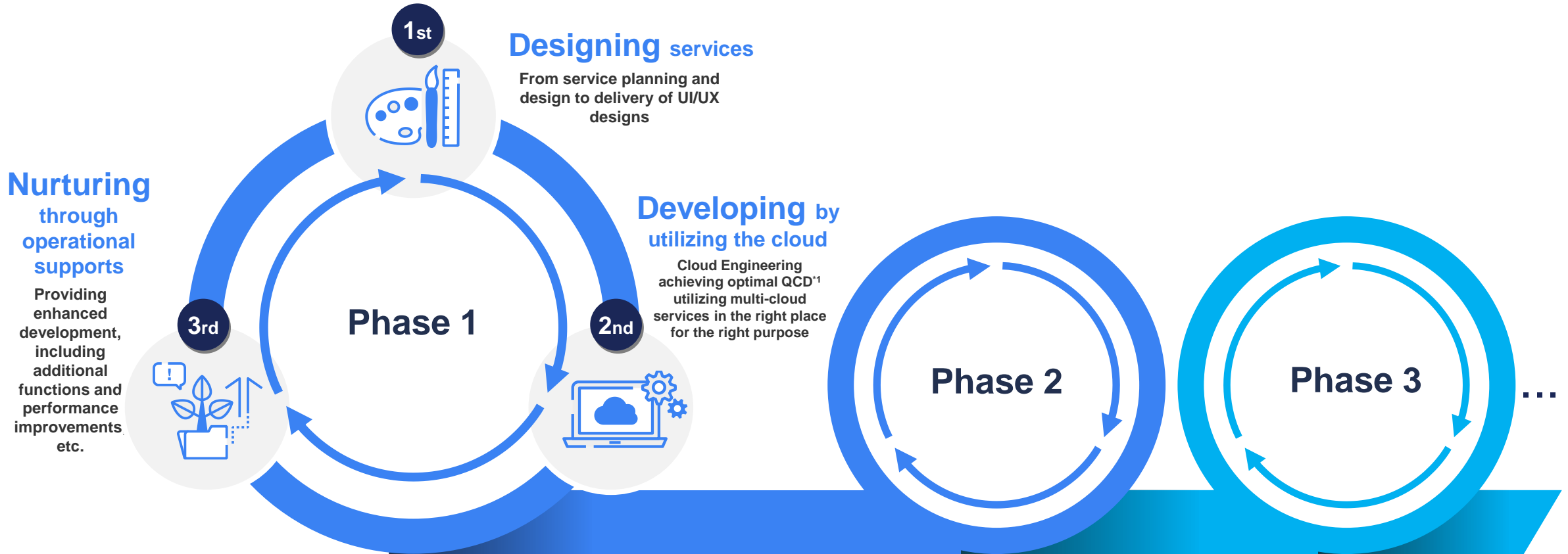
## One-stop Service that Create Digital Services

We take advantage of the “creativity” that can achieve proactive DX and the “multi-cloud engineering” capabilities (organizational prowess), and of the strengths in developing value-creating customer contacts (front end).



## High Agility in Adapting to Changes (Ability to Think and Move Quickly)

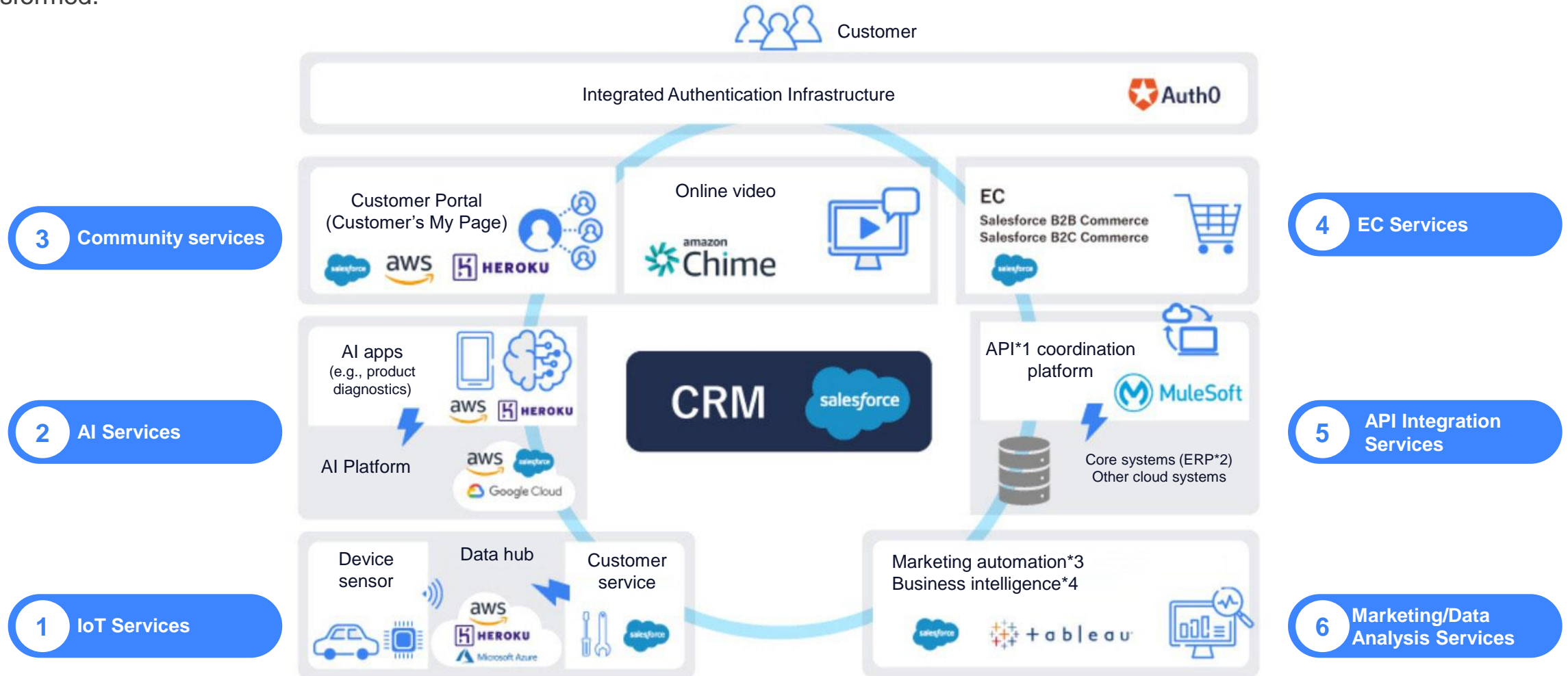
An average period of a single project cycle is about three months. A project does not end with the initial construction but supports DX service growth by repeating the delivery cycles.



\*1: QCD: Quality, Costs, Delivery

# High Technological Capabilities of Multi-cloud Functions Enabling Business Transformation based on DX

Instead of simply building a single digital service, we develop multiple digital services and bundle them together to help business models to be transformed.

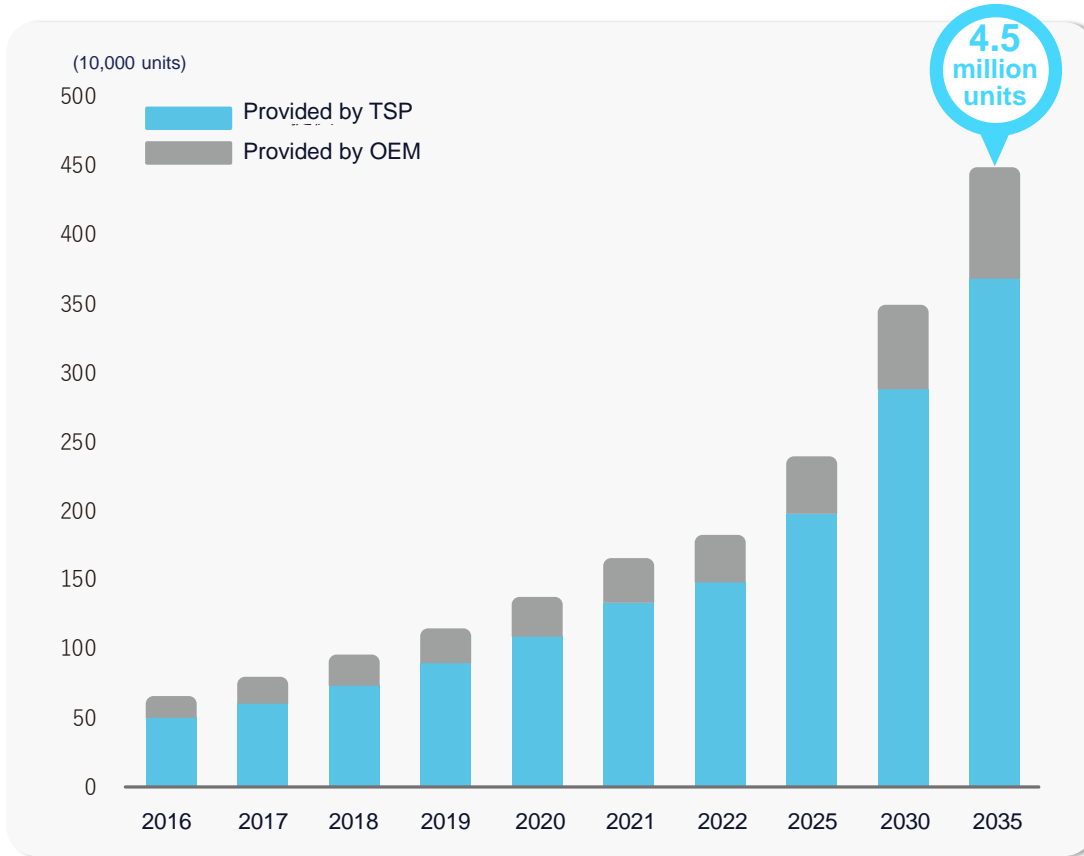


\*1: Application Programming Interface: Interface specification used for multiple software products to exchange information with each other  
 \*2: Enterprise Resource Planning: An integrated core operational system  
 \*3 Marketing Automation: A tool to automate marketing activities  
 \*4 Business Intelligence: A tool to collect, accumulate, analyze, and process large amounts of data to support management strategy decisions

## Potential of the Commercial Vehicle Telematics Market in Japan

The number of vehicles participating in the telematics market is expected to rise to 4.5 million by 2035 in Japan.

Cumulative numbers of vehicles participating in the commercial vehicle telematics market in Japan\*1



**2021**  
**Number of domestic commercial vehicles (TAM \*2)**  
**16 million units/576 billion yen**

**2035**  
**Domestic commercial vehicle telematics**  
**4.5 million units/162 billion yen**

**2021**  
**Domestic commercial vehicle telematics**  
**1.66 million units/59.8 billion yen**

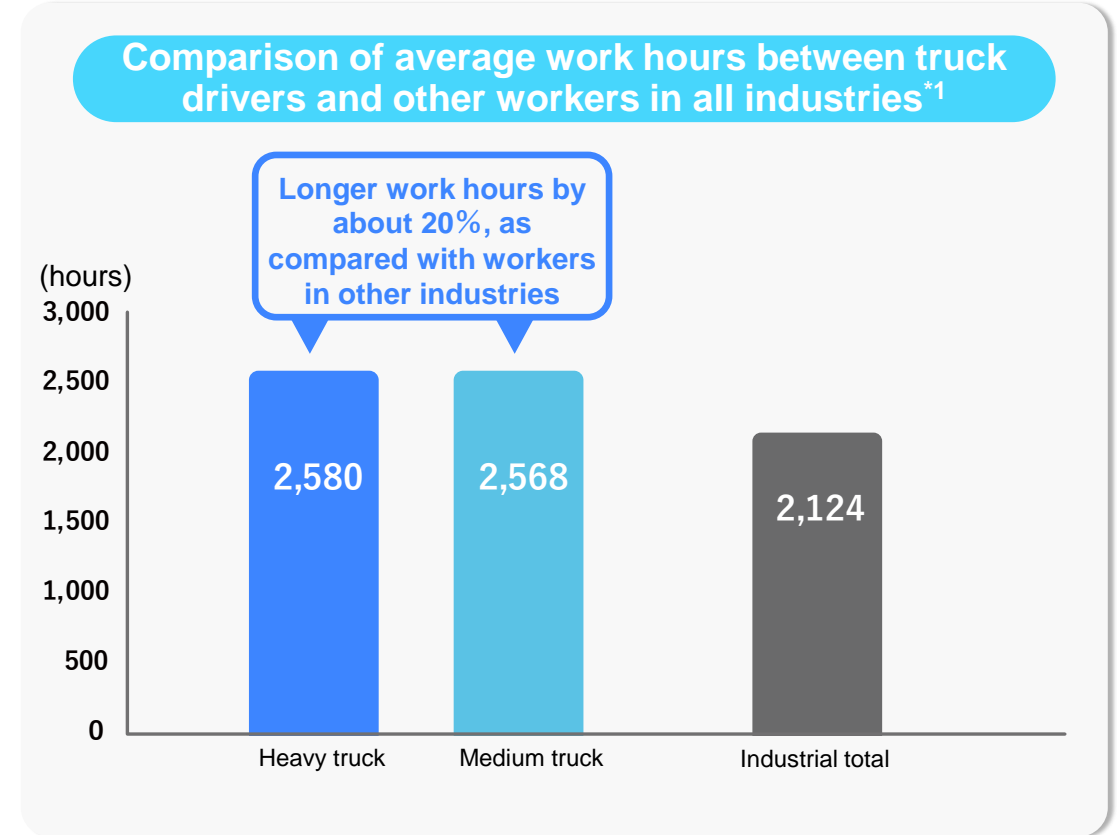
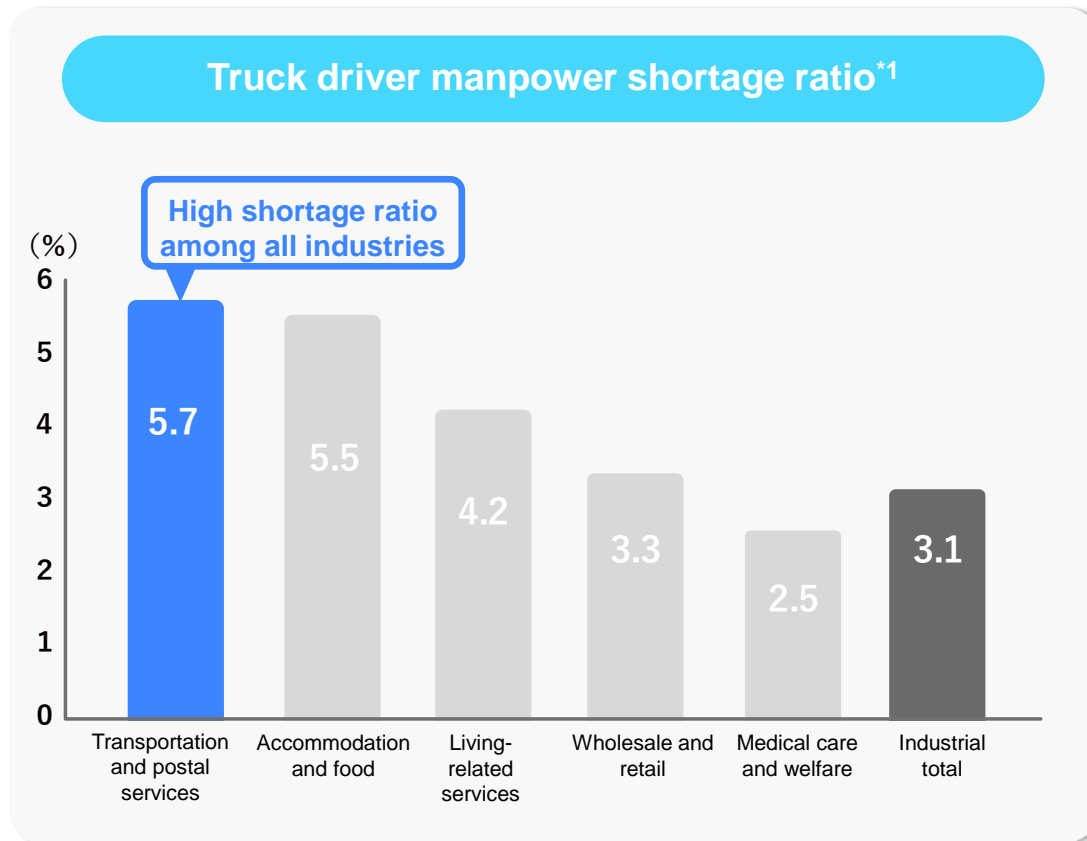
\*1: Propriarily compiled, based on "Current State of Connected Car-related Markets and Telematics Strategies in 2019," Fuji Keizai Co., Ltd. TSP (Telematics Service Provider) represents third parties; OEM (Original Equipment Manufacturer) represents auto manufacturers.

\*2: TAM: Total Addressable Market indicates the largest market opportunity that can be obtained. The monetary values are propiariarily calculated provisionally by our monthly average service unit price x 12 months x number of vehicles.

The numbers of vehicles are calculated by subtracting the number of privately leased vehicles from the number of freight vehicles (as at the end of October 2019) in the "Number of Vehicles Owned" issued by the Automobile Inspection & Registration Information Association of Japan and the number of passenger vehicles in the "Annual Changes in the Number of Vehicles Leased by Model in Japan and Year-on-Year Changes" issued by the Japan Automotive Leasing Association.

## Problems in the Mobility Industry

The critical situation in logistics has emerged due to a shortage of truck drivers, etc. In addition, the “restriction of annual overtime work hours to 960 hours” will be imposed on automobile driving operations in 2024, according to the “Work-style Reform.”



\*1: Compiled proprietarily, based on the “Portal Site for Improvement of Long Working Hours for Truck Drivers” of the Ministry of Health, Labour and Welfare.



# Cloud-based Mobility Business Optimization SaaS

Vehicle data are obtained and visualized real-time by means of mounted devices and smartphone applications, and used to support improvement of efficiency in vehicle-related operations.



## Features of Cariot



Where a car is, when it will arrive, and how safe it is can be easily found (reducing human inquiries/responses)



Eliciting waste in vehicle management operations and unnecessary travel maneuvers to support improvement and increase efficiency



Robust security  
(Effective utilization of Salesforce.com/AWS cloud bases)



API-linked mobility eco-system

\*1: Customer Relationship Management: A customer management system. Sales Force Automation: A sales support system.

**Financial results for the Fiscal Year Ended March 2022  
and Forecast for the Fiscal Year Ending March 2023**

## (Full year, fiscal year ended March 2022) Financial Results Summary

### 1 We achieved record-high sales and net income due to increased sales and profits

Sales **3,642** million yen

+42.3%  
(YoY)

Net income **266** million yen

+460 million yen  
(YoY)

### 2 DX support for major companies grew

Number of quarterly contract customers of major companies **39** companies

+5 companies  
(Compared to FY2021 3Q)

Quarterly average revenue per account (ARPA) of major companies **24.7** million yen

+1.5 million yen  
(Compared to FY2021 3Q)

\* FY2021 : fiscal year ended March 2022

### 3 The number of engineers and other employees increased

We have recovered to the pace of increase in employees that will support high growth by strengthening various recruitment measures

Number of engineers and other employees\*<sub>1</sub> **118** people

+19 people  
(YoY)

+6 people  
(Compared to December 2021)

### 4 Steadily increasing revenue and profits are also expected in the results forecast for FY2022

Sales **4,772** million yen

+31.0%  
(Compared to FY2021)

Net income **275** million yen

+3.3%  
(Compared to FY2021)

\* FY2022 : fiscal year ending March 2023

## (4th quarter, fiscal year ended March 2022) Topics

Following on from the previous quarter, support for the introduction of MuleSoft, which promotes proactive DX by linking all of a company's systems, drove the growth of Cloud Integration Services.

### MuleSoft expert certification

With high regard for our abundant results and strong technical capabilities in Japan with regard to support for the introduction of the API-led platform MuleSoft, we received “expert”<sup>\*1</sup> partner certification, the highest level.



We received the MuleSoft Japan Partner Enablement Award

We received the Enablement Award in recognition of our contribution in MuleSoft business.

### New orders using the Salesforce multi-cloud increased

Multi-cloud deals adopting the Salesforce platform contributed to the acquisition of new customers and cross-selling to existing customers in support of proactive DX in mainstream business with major companies.



<sup>\*1</sup> The highest level certification that proves you have strengths in the industry and products under the official partner program run by Salesforce, Inc. is “expert.” As a leader with this cloud product, an expert is certified as a partner able to handle large, extremely complex projects and realize high level customer success.

## (Full year, fiscal year ended March 2022) Results Highlights

Against the backdrop of vigorous DX support, we achieved our best ever results with both revenue and income increasing, with sales of 3,642 million yen (+42.3% YoY), operating income of 256 million yen and net income of 266 million yen. Because we recorded deferred tax assets were recorded due to the carrying forwards of losses and other factors, net income increased due to the adjustment of income taxes and exceeded operating income. \*1

(Million yen)

	FY2020 (fiscal year ended March 2021 ) result	FY2021 (fiscal year ended March 2022 ) result	YoY		FY2021 (fiscal year ended March 2022 ) forecast  (Forecast announced on February 10, 2022)	Compared to result forecast
			Change in amount	Rate of change		
<b>Sales</b>	<b>2,559</b>	<b>3,642</b>	<b>+1,083</b>	<b>+42.3%</b>	<b>3,577</b>	<b>+101.8%</b>
<b>Gross profit</b>	<b>1,084</b>	<b>1,608</b>	<b>+524</b>	<b>+48.3%</b>	<b>1,577</b>	<b>+102.0%</b>
(%)	42.4%	44.2%	+1.8pt		44.1%	
<b>Operating income</b>	<b>-183</b>	<b>256</b>	<b>+439</b>	<b>-</b>	<b>255</b>	<b>+100.3%</b>
(%)	-	7.0%	-		7.1%	
<b>Net income</b>	<b>-194</b>	<b>266</b>	<b>+460</b>	<b>-</b>	<b>240</b>	<b>+110.6%</b>
(%)	-	7.3%	-		6.7%	

\*1 This processing will occur only in FY2021, the first year we have applied tax effect accounting.

## (Full year, fiscal year ending March 2023) Results Forecast

Demand for DX support is forecast to trend steadily in FY2022 and we expect our best ever results with sales of 4,772 million yen (+31.0% YoY), gross profit of 2,148 million yen (+33.6% YoY), operating income of 386 million yen (+50.8% YoY) and net income of 275 million yen (+3.3% YoY).

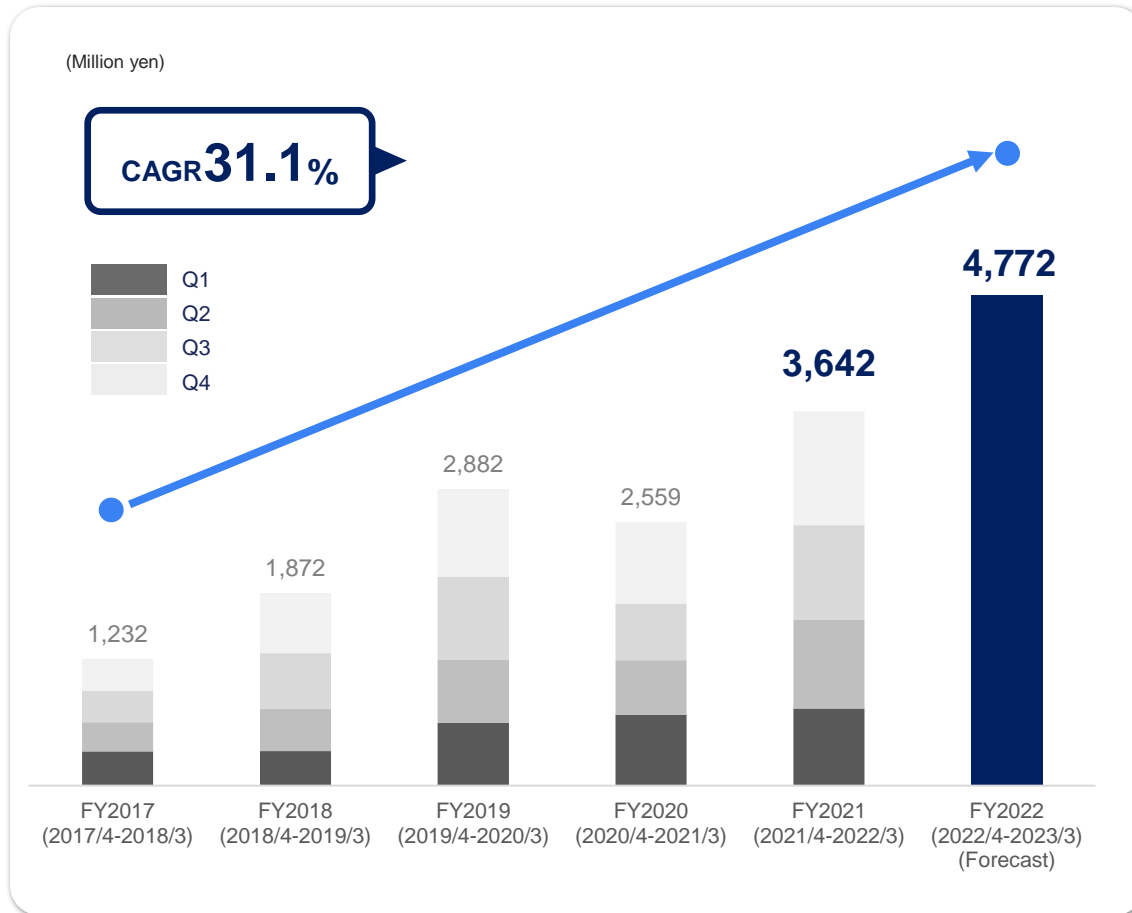
(Million yen)

	FY2021 (fiscal year ended March 2022 ) result	FY2022 (fiscal year ending March 2023 ) forecast	YoY	
			Change in amount	Rate of change
<b>Sales</b>	<b>3,642</b>	<b>4,772</b>	<b>+1,129</b>	<b>+31.0%</b>
<b>Gross profit</b>	<b>1,608</b>	<b>2,148</b>	<b>+539</b>	<b>+33.6%</b>
(%)	44.2%	45.0%	+0.9pt	
<b>Operating income</b>	<b>256</b>	<b>386</b>	<b>+130</b>	<b>+50.8%</b>
(%)	7.0%	8.1%	+1.1pt	
<b>Net income</b>	<b>266</b>	<b>275</b>	<b>+8</b>	<b>+3.3%</b>
(%)	7.3%	5.8%	-1.5pt	-

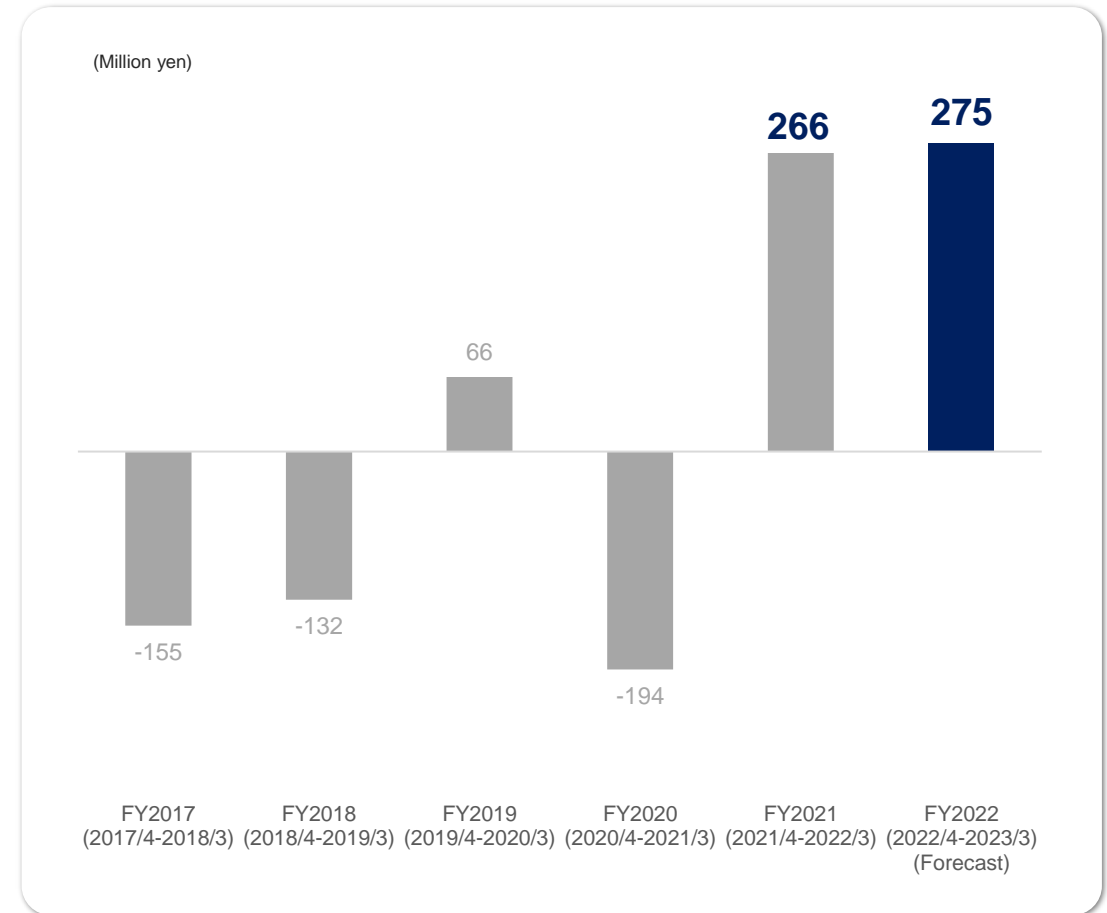
## Trend in Results

Due to the impact of COVID-19, results declined temporarily in FY2020, but results recovered in FY2021 and we expect the further expansion of sales in FY2022. As a result, we are planning on a CAGR for sales of 31.1%\*1.

### Sales



### Net income



\*1 CAGR is the average annual growth rate from FY2017 to FY2022 (plan)

## (4th quarter, fiscal year ended March 2022) Balance Sheet

We are in a sound financial position due to financing from the IPO. Major changes included an increase in current assets of 1,058 million yen and an increase in net assets of 1,048 million yen. With an equity ratio of 48.0%, our financial base has been strengthened.

(Million yen)

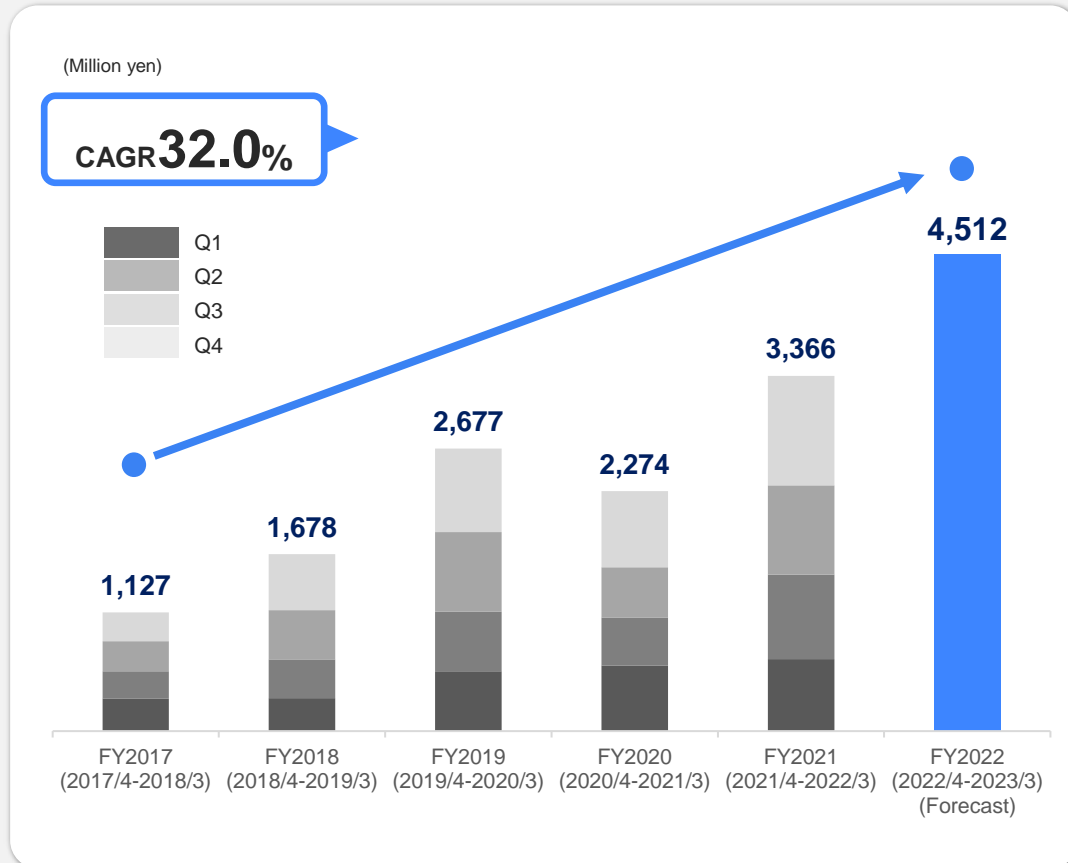
	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	Change in amount
<b>Total assets</b>	<b>1,499</b>	<b>2,692</b>	<b>+1,193</b>
Current assets	1,366	2,425	+1,058
Fixed assets	132	267	+134
<b>Total liabilities</b>	<b>1,255</b>	<b>1,400</b>	<b>+144</b>
Current liabilities	563	766	+203
Fixed liabilities	692	633	-59
<b>Net assets</b>	<b>243</b>	<b>1,291</b>	<b>+1,048</b>
<b>Total assets</b>	<b>1,499</b>	<b>2,692</b>	<b>+1,193</b>
Cash and deposits	896	1,639	+742
Interest-bearing liabilities	763	691	-72
Equity ratio	16.2%	48.0%	+31.8pt



## Trend in Results

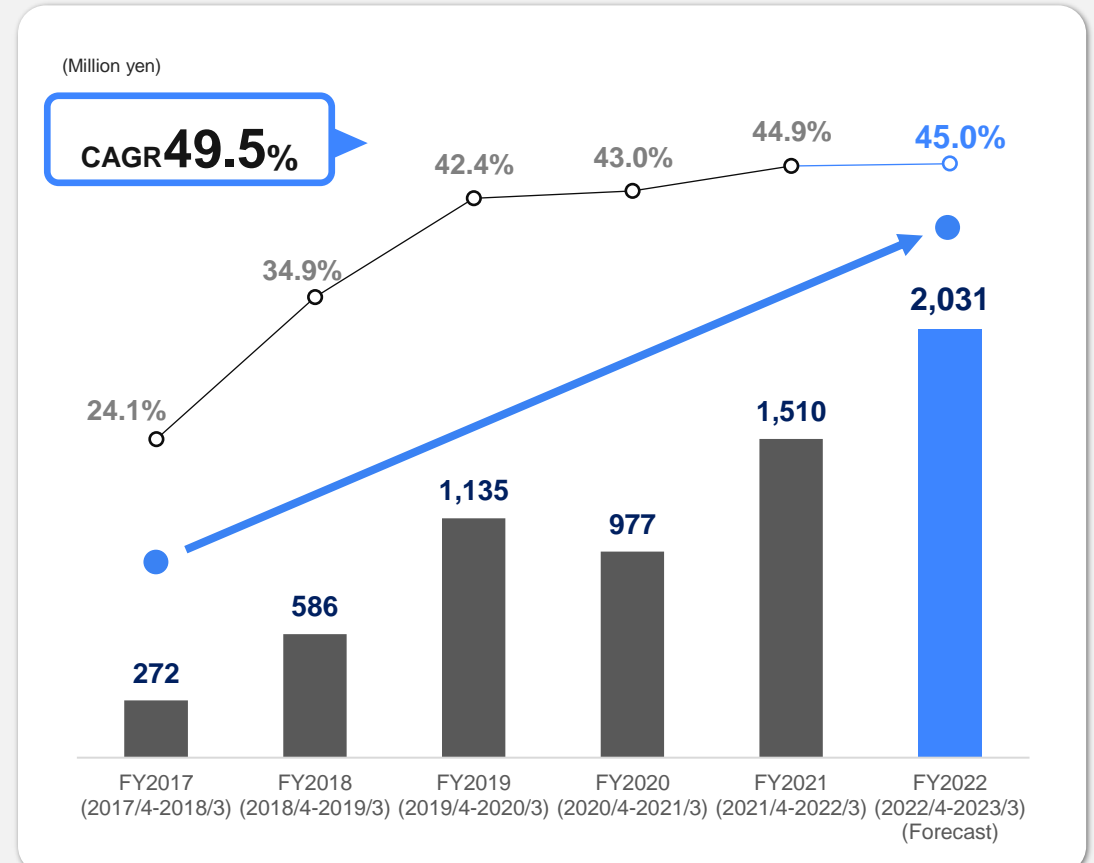
### Sales

After recovering from the impact of COVID-19, sales in FY2021 reached a record high of 3,366 million yen (+48.0% YoY). Sales are expected to continue growing in FY2022, with a CAGR of 32.0%<sup>\*1</sup> planned.



### Gross profit (Gross margin)

We maintained a high level of earnings during the COVID-19 pandemic, with a gross profit margin of 44.9% in FY2021. We plan to maintain the gross profit margin in FY2022 for a CAGR of 49.5%<sup>\*1</sup>.

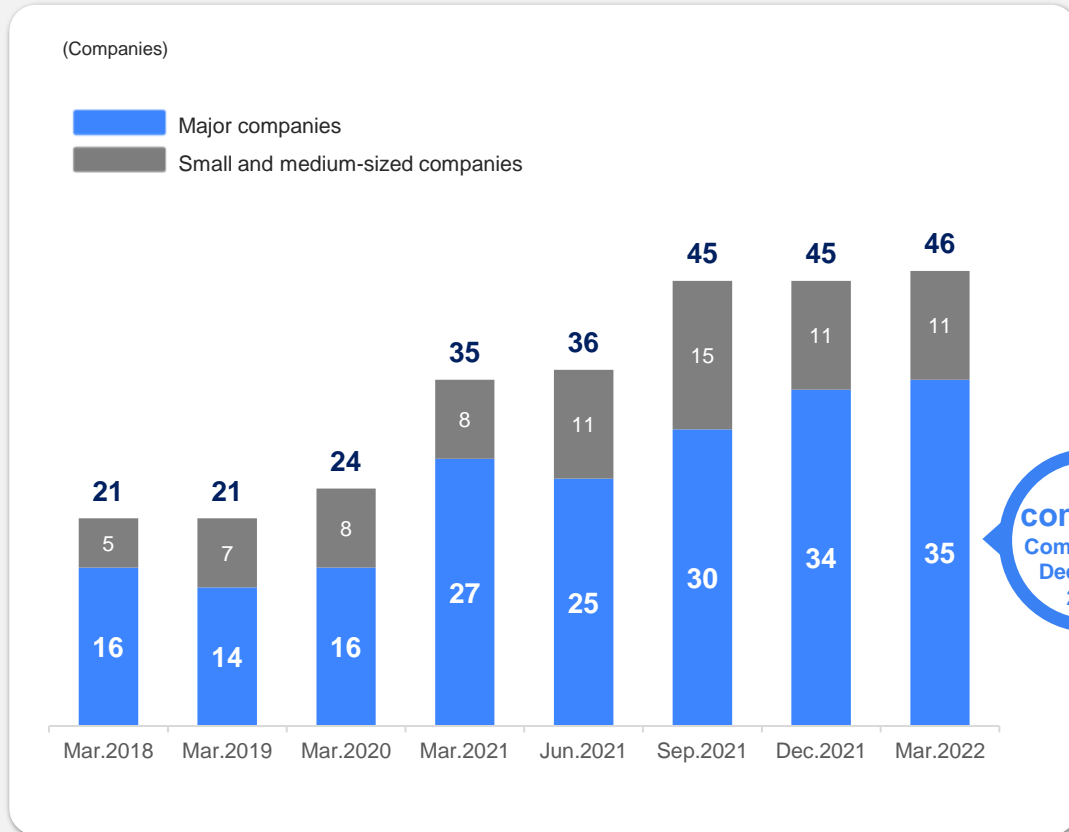


\*1 CAGR is the average annual growth rate from FY2017 to FY2022 (plan)

## KPI Trends (Monthly Basis)

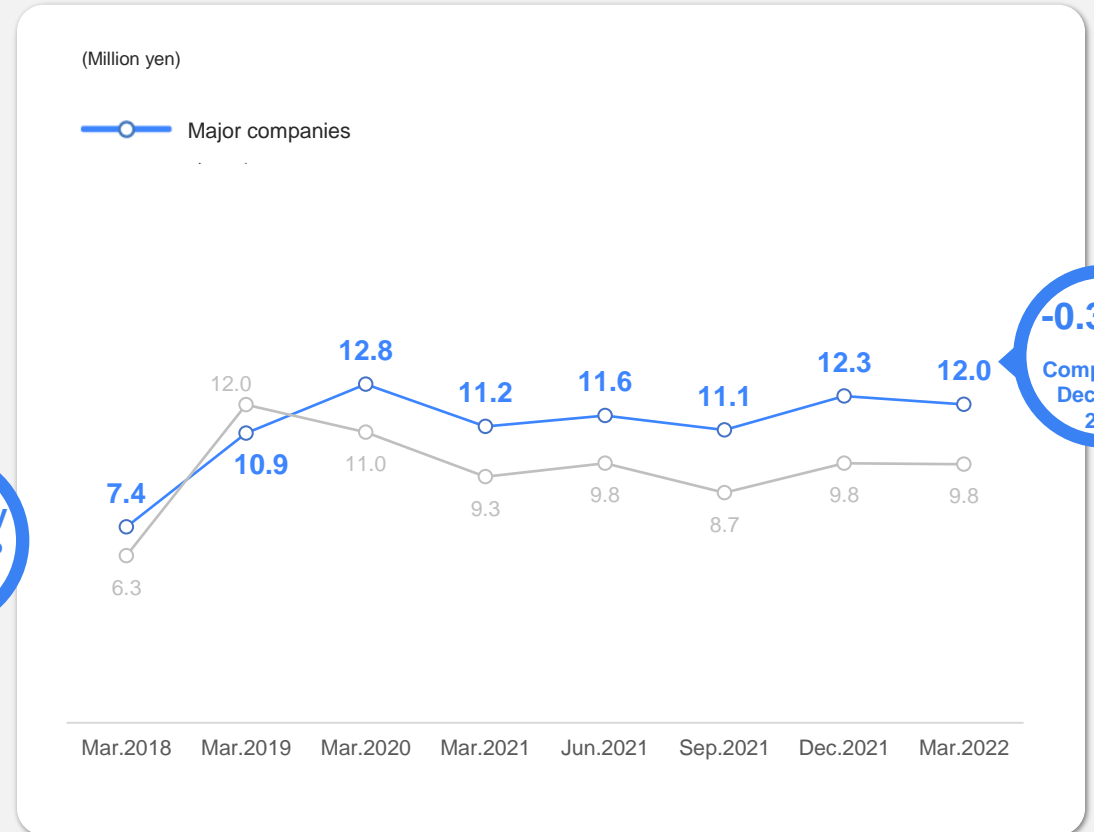
### Number of monthly contract customers<sup>\*1</sup>

The number of monthly contract customers of major companies increased by one to 35 companies from December 2021 to March 2022.



### Monthly average revenue per account (ARPA)<sup>\*2</sup>

The ARPA of major companies decreased by 0.3 million yen to 12.0 million yen from December 2021 to March 2022.



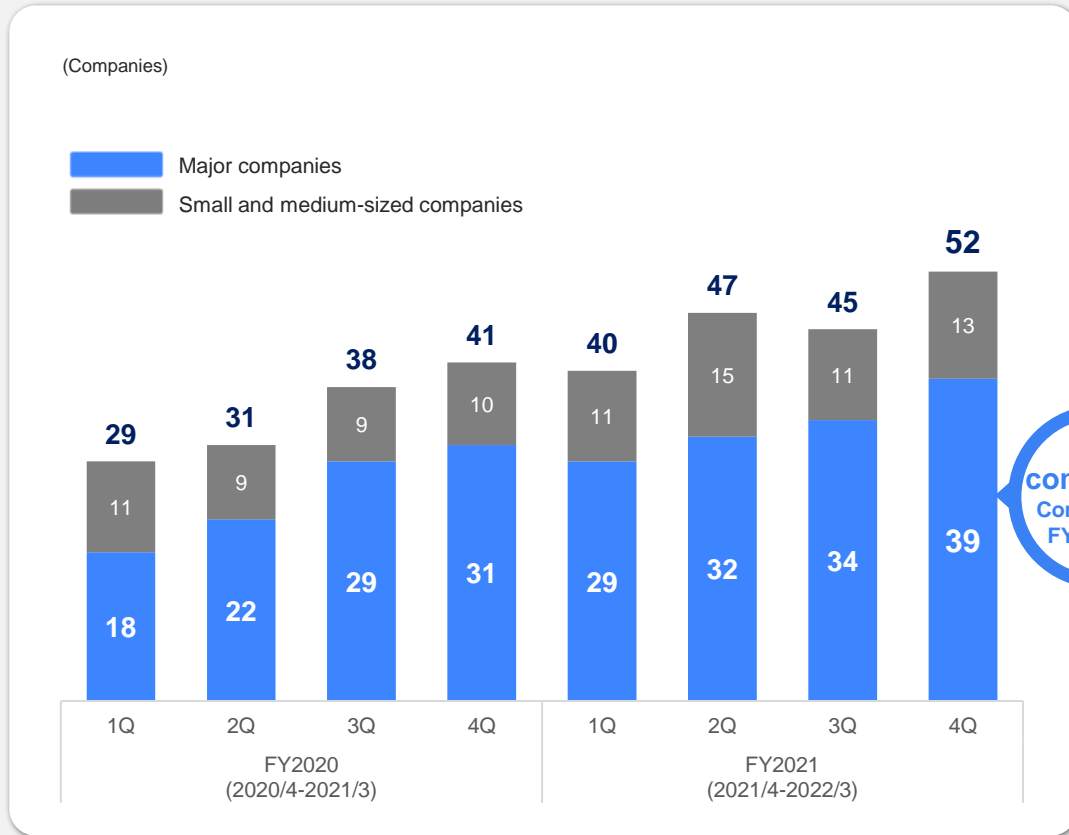
\*1 Number of contract customers at the end of the month shown, excluding resale matters

\*2 Abbreviation of average revenue per account. Average monthly sales per customer (excluding resale matters) at the end of the month shown. Calculated by monthly sales excluding resale matters / number of monthly contract customers

## KPI Trends (Quarterly Basis)

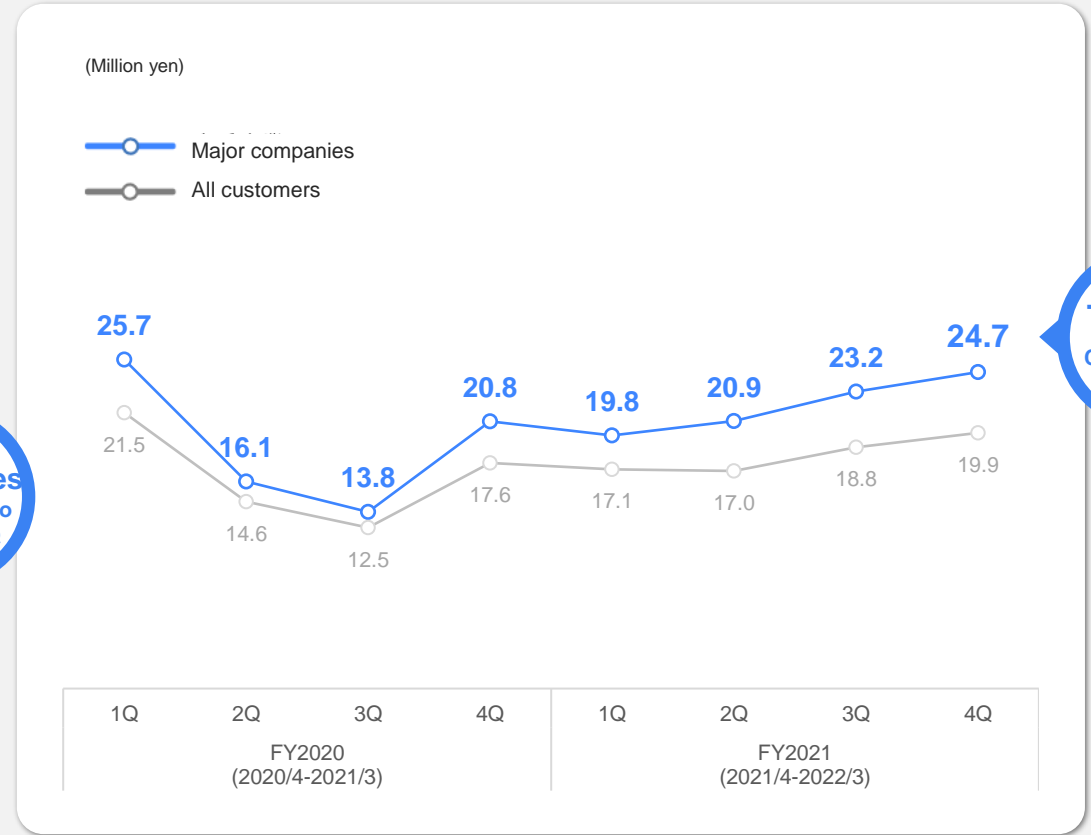
### Number of quarterly contract customers\*1

Our major company customer base expanded in FY2021 4Q as the number of quarterly contract customers of major companies increased by five companies to 39 compared to FY2021 3Q.



### Quarterly average revenue per account (ARPA)\*2

The ARPA of major companies, which declined temporarily due to the impact of COVID-19, increased to 24.7 million yen in the FY2021 4Q.



\*1 Number of contract customers during the quarter excluding resale matters

\*2 Abbreviation of average revenue per account. Average monthly sales per customer (excluding resale matters) during the quarter Calculated by quarterly sales excluding resale matters / number of quarterly contract customers

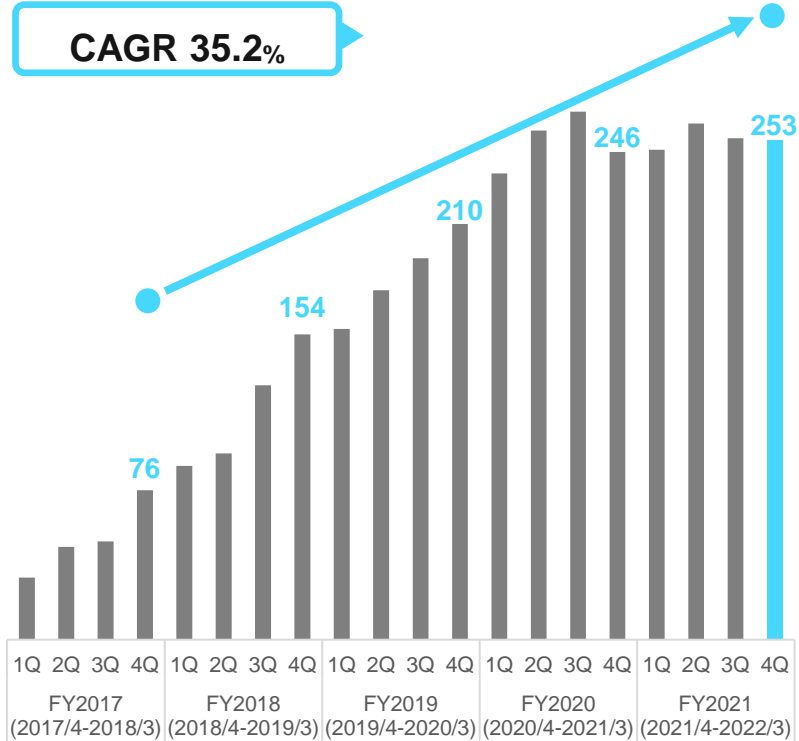
## KPI Trends

Although ARR recovered temporarily in FY2021 2Q after decreasing from FY2020 4Q due to the impact of COVID-19, large cancellations continued in association with changes in the vehicle management policies of existing customers from 3Q, so ARR was limited to a slight increase of 7 million yen for the full year. The number of contracts decreased from FY2020 2Q due to the impact of COVID-19, but we are on course for recovery and the number increased to a record 212 contracts in FY2021 4Q.

ARR<sup>1</sup>

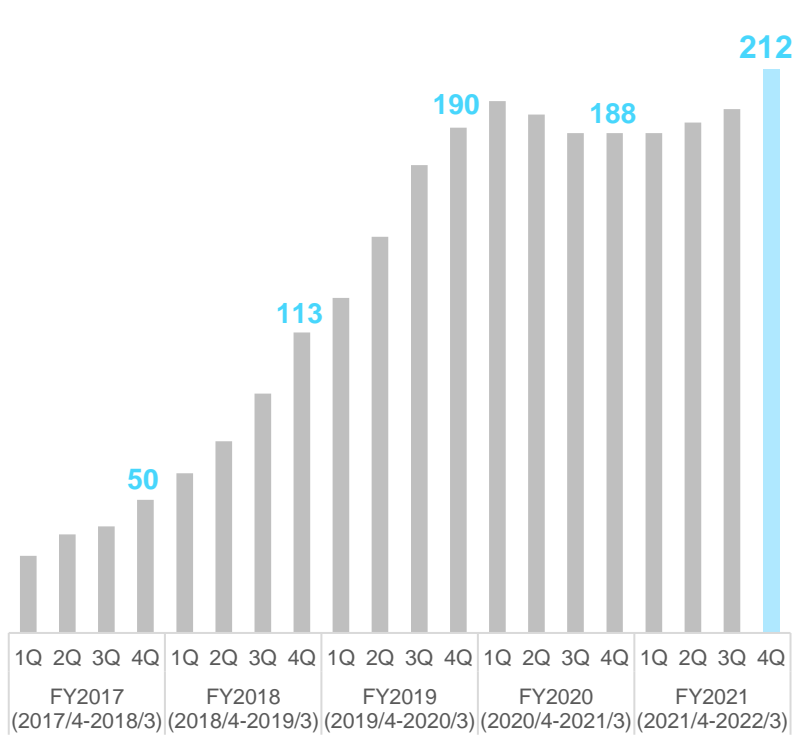
(Million yen)

CAGR 35.2%



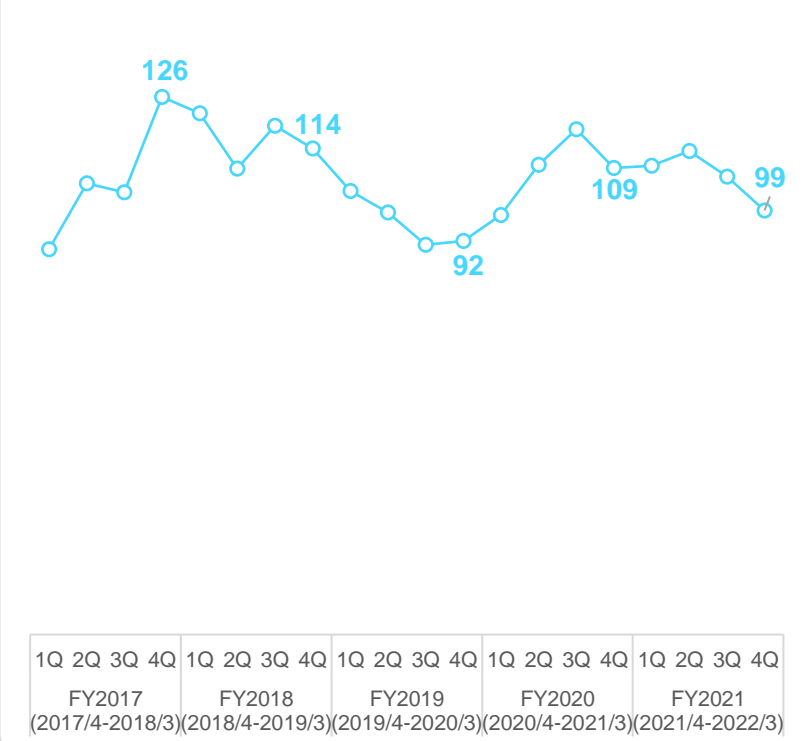
Number of contracts<sup>2</sup>

(Number of contracts)



ARPA<sup>3</sup>

(Thousand yen)



\*1 Abbreviation of annual recurring revenue. Annual recurring revenue calculated by multiplying MRR (abbreviation of monthly recurring revenue) at the end of the month by 12

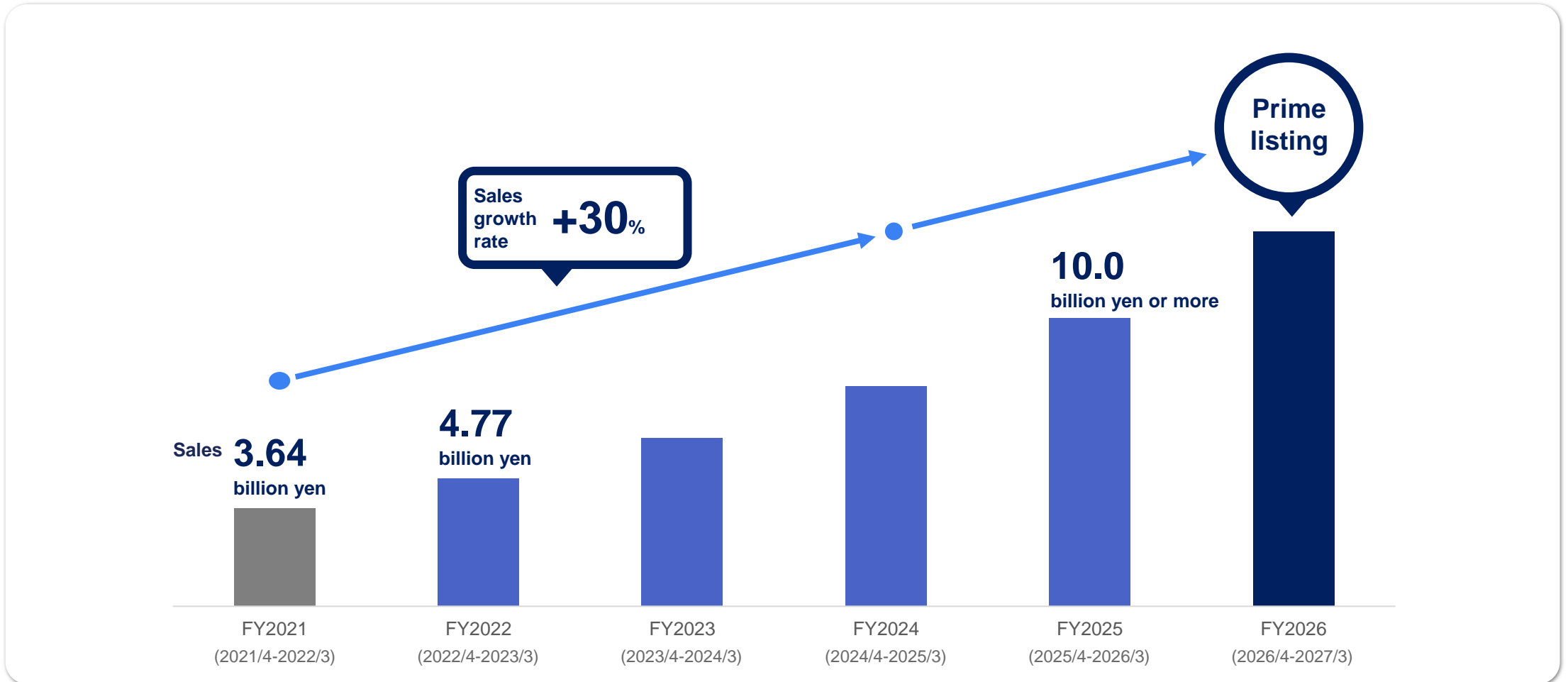
\*2 Number of contracts per month at end of quarter

\*3 Abbreviation of average revenue per account. Average MRR per contract

# Growth Strategy

## Medium to long-term growth plan aimed at Prime market listing

By promoting the growth strategies of “multi-cloud strengthening and development,” “investment in human resources (education and recruitment),” “investment in R&D” and “investment in Cariot,” we will continue 30% year-on-year growth in net sales over the next three years, centered on Cloud Integration Services, and will aim to achieve net sales of at least 10 billion yen in FY2025 and a listing on the Tokyo Stock Exchange Prime market in FY2026.



## Enhancing and Developing Multi-cloud Services

Centering on major companies, our client base has constantly and steadily grown with an increasing number of client contracts and Monthly Average Revenue per Account (ARPA) .

### Increasing number of contracted customers (New customer acquisition phase)



Against the background of the COVID-19 pandemic, demand is steadily increasing for customized online video services to promote company products and services to be embedded in video contents.



We are the only Japanese company to be certified as one of “Amazon Chime SDK and Chime Voice Connector Partners.”



IoT/Mobility



AI Services



Matching and other new services



### Increasing ARPA (Existing customer cross-selling phase)

We cover Salesforce’s cloud services achieving a 360-degree connection centering on a customer; and also achieve an integration of cloud and on-premise operations with Mulesoft, as well as API management, and promoting cross-selling by connecting all systems.



Community services

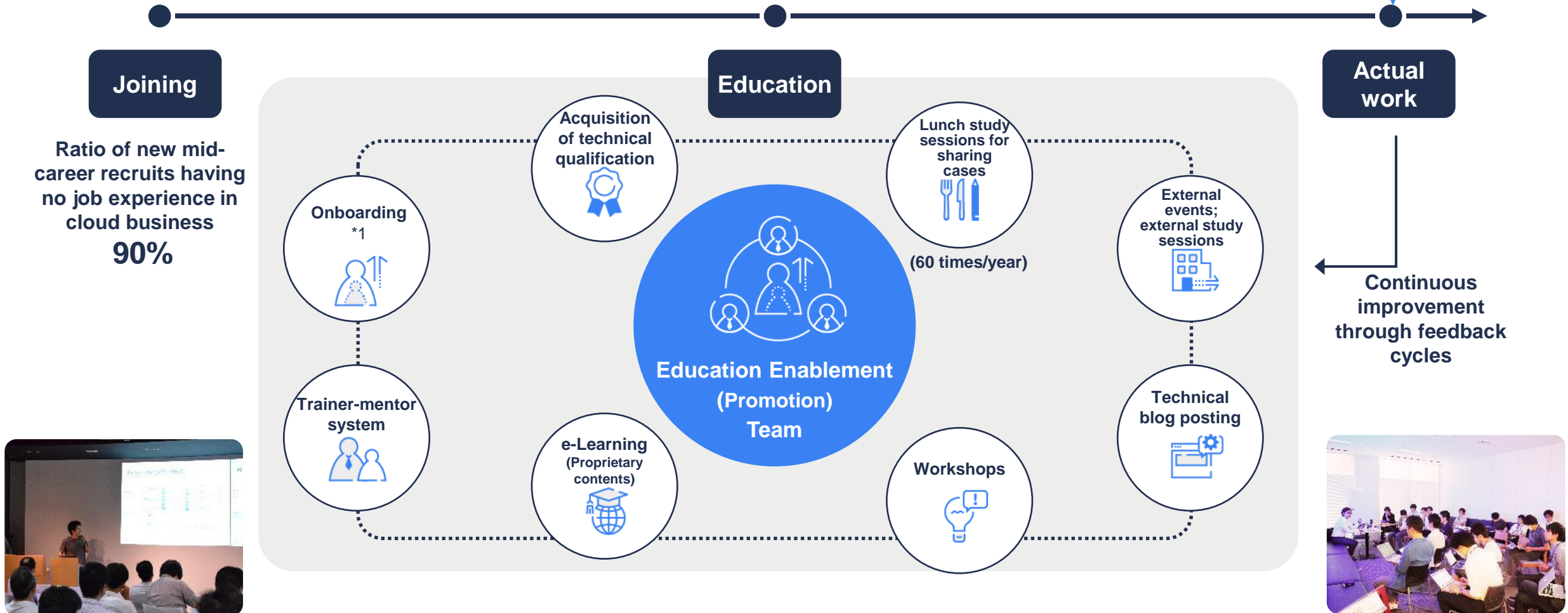
EC Services

MA/BI Services

# Promotion of Systems Fostering Multi-disciplinary Expertise and Human Resource Development

With a team dedicated to education enablement (promotion) as a focal point, we constantly promote employee education and systemic improvement activities.

One month from joining the company to project assignment



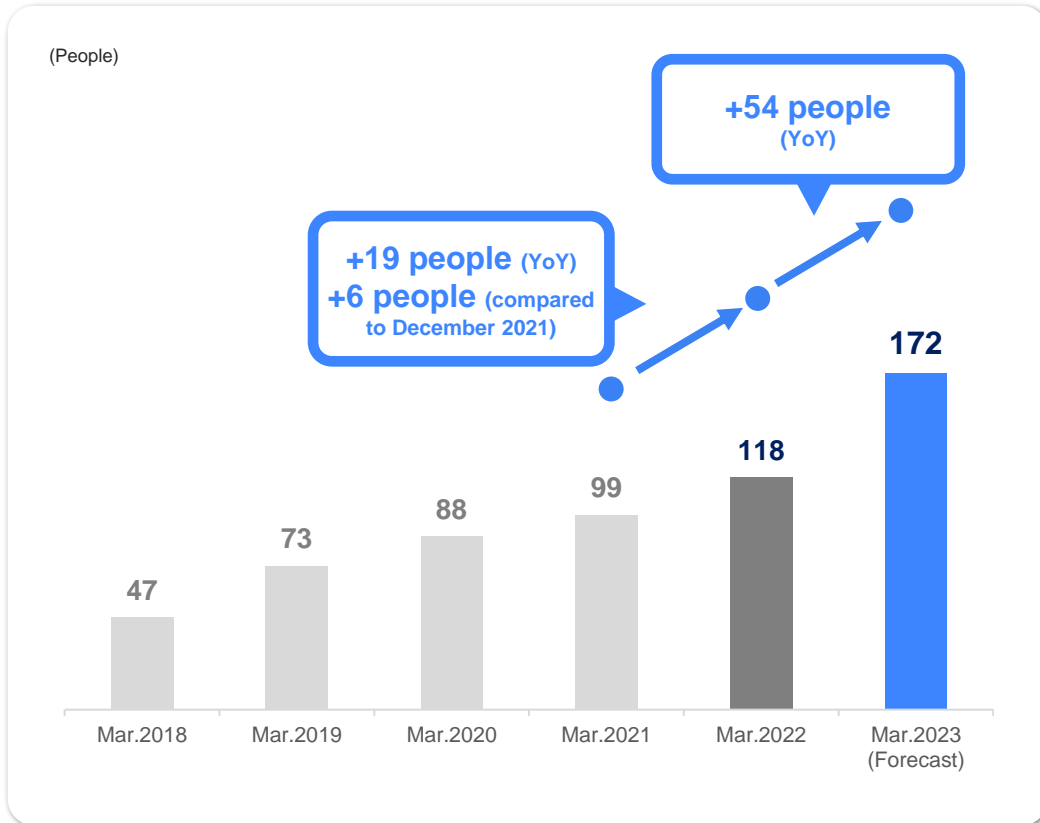
\*1: A series of workforce development steps to fully induct mid-career recruits into an organization until they can be recognized as valuable assets



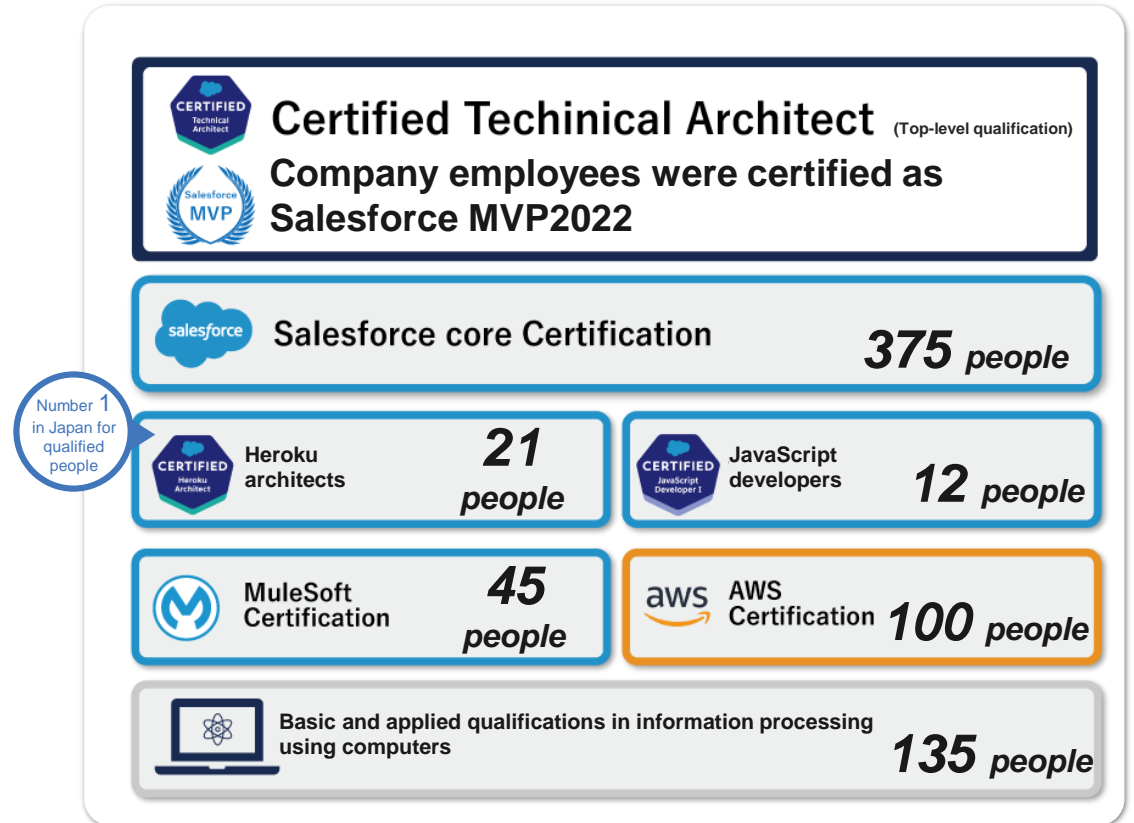
## Organizational expansion centered on cloud engineers and other professional employees

The number of cloud engineers and other employees increased by 19 over the previous year to 118 people as of March 31, 2022, and by 6 compared to December 31, 2021, so we have recovered to a pace of personnel increase that will support high growth. In April 2022, we accepted 18 new graduates, and we will continue to strengthen recruitment towards a structure of 172 people by March 31, 2023.

### Trend in the number of engineers and other employees\*1



### Promotion of the acquisition of multi-cloud qualifications\*2

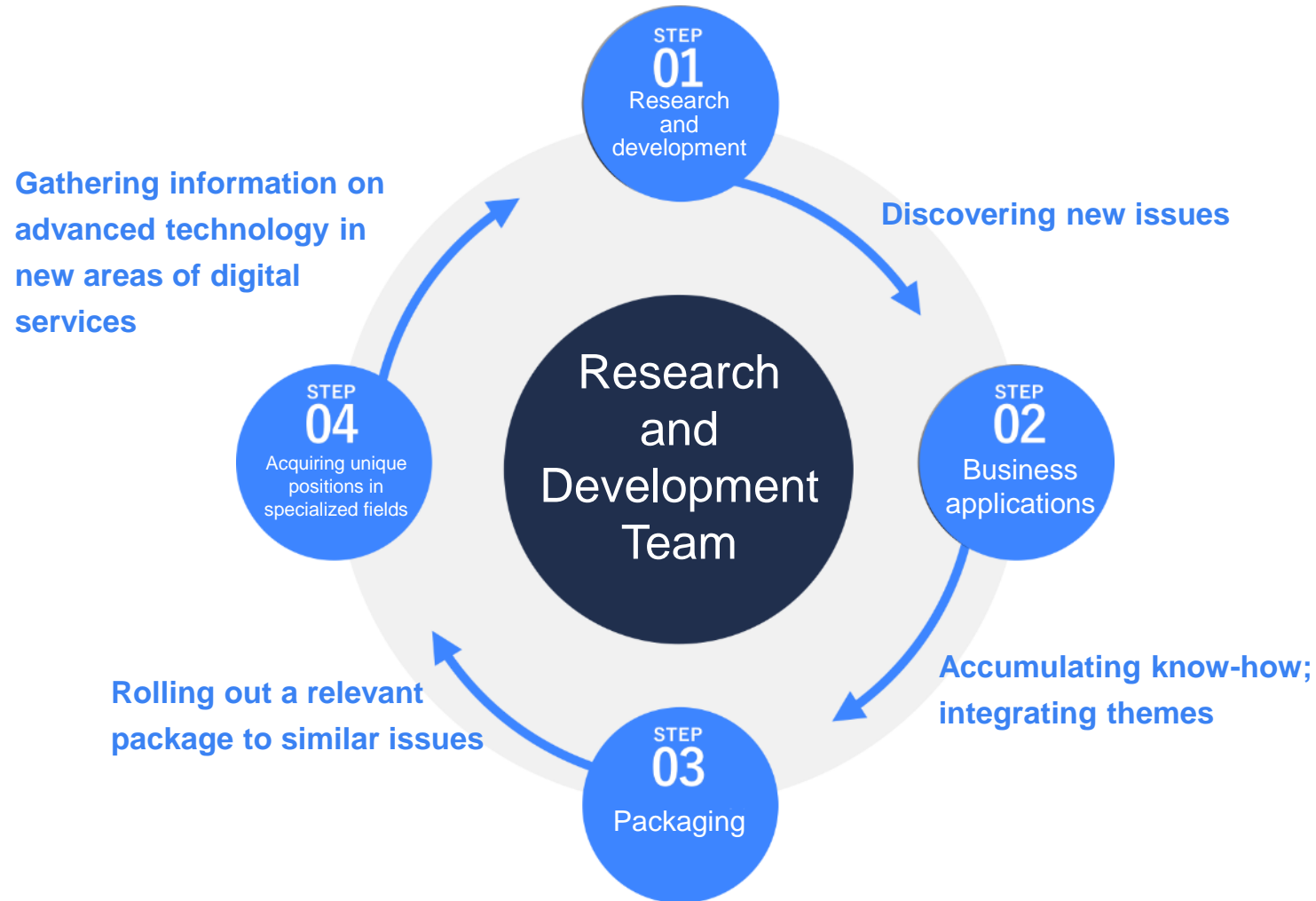


\*1 Professional human resources such as engineers and managers in Cloud Integration Services Division, excluding administrative personnel

\*2 Total number of qualified people as of the end of March 2022

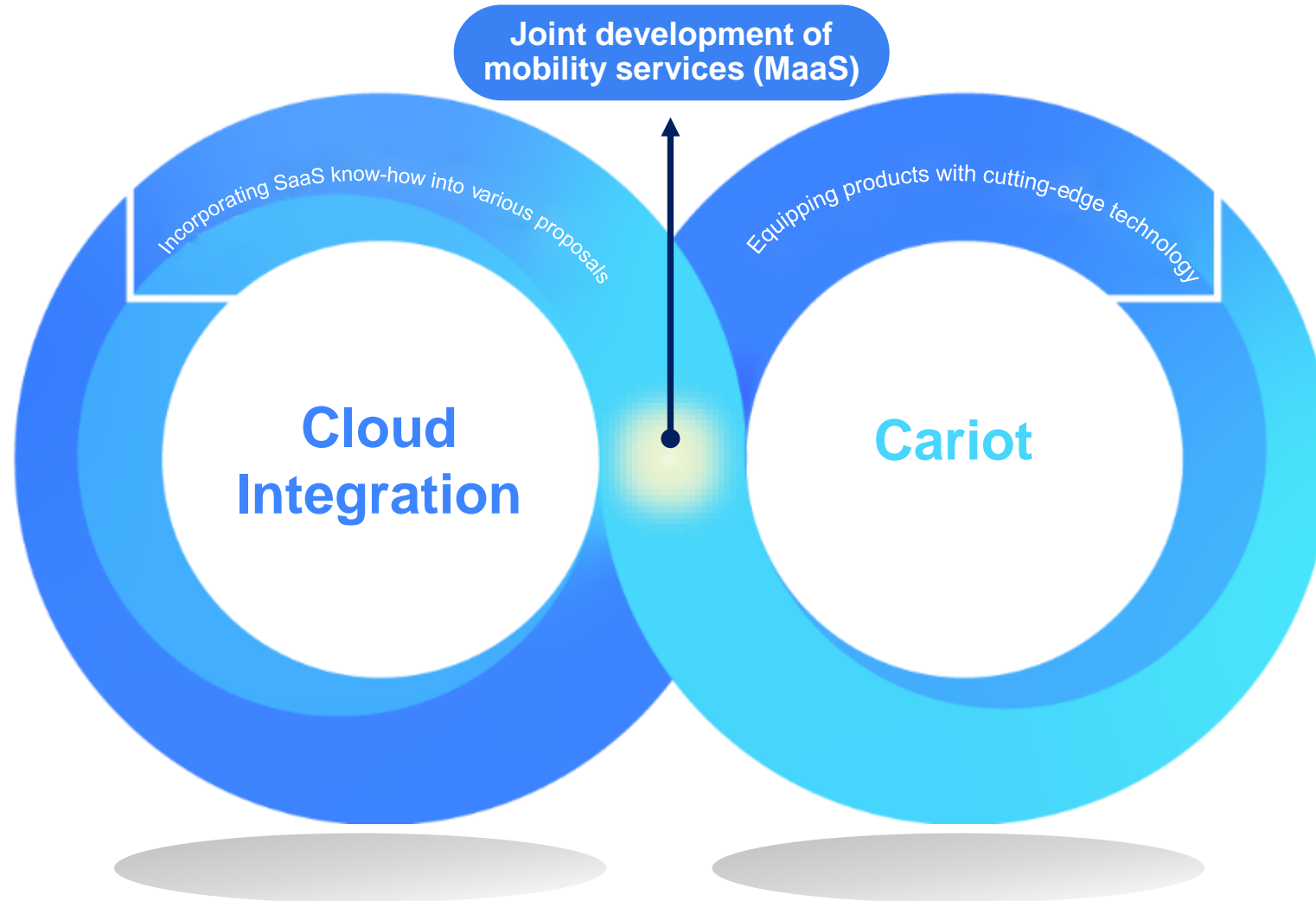
## R&D Investments to Create High Added Value with Cutting-edge Technology

We apply our cutting-edge cloud technology obtained through R&D expeditiously to a wide variety of issues taking place in companies and society. Through accumulating this know-how, we can create packages of the most advanced cloud technology, which can then be rolled out to similar issues and constitute our unique competitiveness ahead of our competitors in specialized fields totally unfamiliar to them.



## SaaS Business Investment in Cariot

In conjunction with the growing Cariot Services, we create synergy by aligning and integrating both services.



# Appendix

# Management Team



**Founder/  
Representative Director and CEO**

## Koji Kurokawa

**Starting a company as a student and accumulating entrepreneurial experience in IT for 20 years**

Based on his experience of founding a predecessor IT company, Mr. Kurokawa established FLECT Co., Ltd. in 2005. As Representative Director and CEO, he launched its cloud services and established the business bases and has steadfastly directed its course at the helm. With the mission of "Pursuit of Everyone's Fulfilment of Life through the Internet," he firmly intends to maximize the happiness all stakeholders of the Company can enjoy and values it can present.



**Director and COO**

## Masaoki Ohashi

**Selected one of the 99 people capable of changing the IoT in Japan**

Mr. Ohashi joined Sony Ericsson Mobile Communications in 2004 and was first engaged in the development of smartphone middleware. He joined FLECT Co., Ltd. in 2007, and was appointed director in 2009. He then took charge of its cloud business, and successfully led it onto a path of growth. Subsequently he took up the Company's IoT initiatives, and started up Cariot, the Company's connected car business, and has led it to growth. Since 2017, Mr. Ohashi has supervised overall company operations.



**External Director, Audit and Supervisory Committee Member**

## Yosuke Tetsukawa

**Representative Partner, Improve Tax Co.  
Certified Public Accountant**



**External Director, Audit and Supervisory Committee Member**

## Akihito Fujiwara

**Standing Audit and Supervisory Board Member,  
Recruit Holdings Co., Ltd.**



**External Director, Audit and Supervisory Committee Member**

## Shuya Ogawa

**Attorney at Law, Partner, TMI Associates**

## About handling of this document

- This material has been prepared exclusively for providing information about the Company, and has not been offered as solicitation to buy or sell its securities. Forward-looking statements about future prospects are formulated based on information as at the date of issuance of this material, and thus contain various risks and uncertain factors, and do not guarantee any future results and achievements. Furthermore, information concerning parties other than the Company has not undergone verification about its accuracy or fitness, etc., which cannot be guaranteed.