



**(1st Quarter, Fiscal Year Ending March 2023)
Financial Results Presentation Materials**

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

August 12, 2022

Company Profile

Company Name

FLECT Co., Ltd.

Established

August 2005

Capital Stock

684 million yen (as of June 2022)

Number of Employees

194 (as of June 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

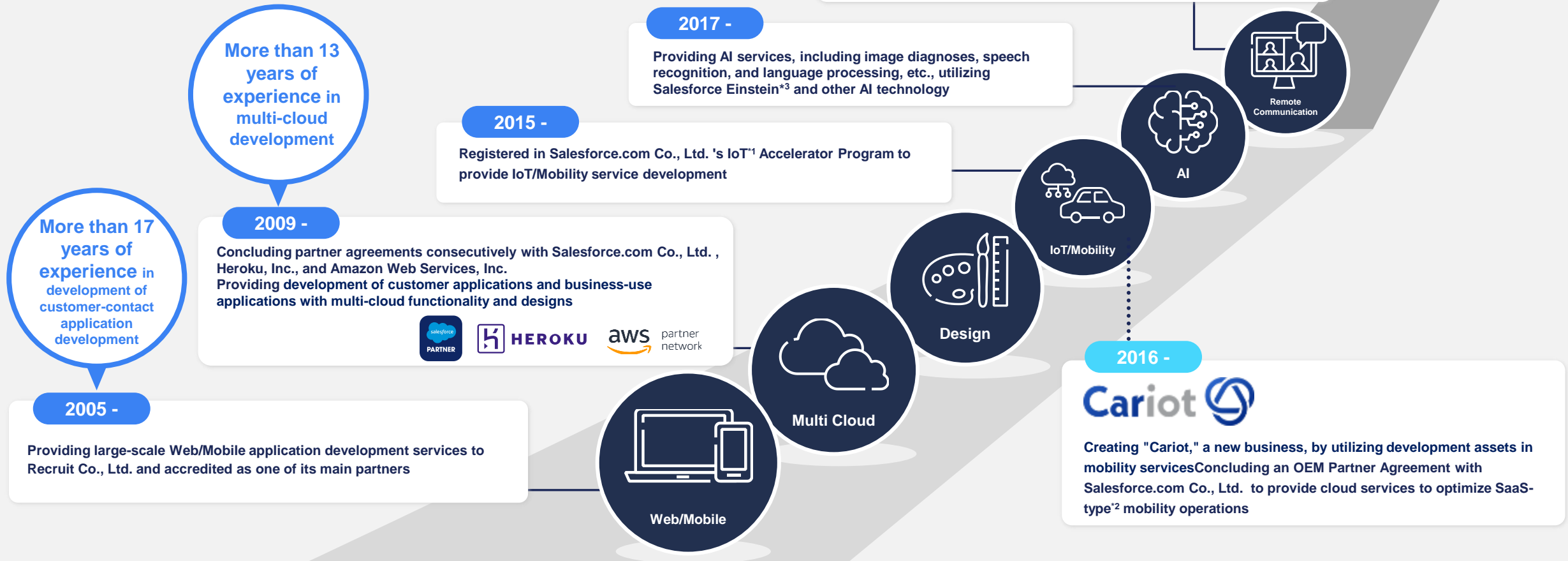
Cariot

Cloud service that innovates the way drivers work and connects vehicles and companies

Cariot is a cloud service that provides work efficiency, peace of mind and safety in the field by using real-time information on commercial vehicles used for logistics, door-to-door services, sales, etc., and management operation DX. We support the work style innovation of all people involved with vehicles, centered on drivers and also including managers, staff and customers.



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
 *5: Salesforce.com Co., Ltd. changes company name to Salesforce Japan Co., Ltd. as of February 2022

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

March 2022

MuleSoft Japan

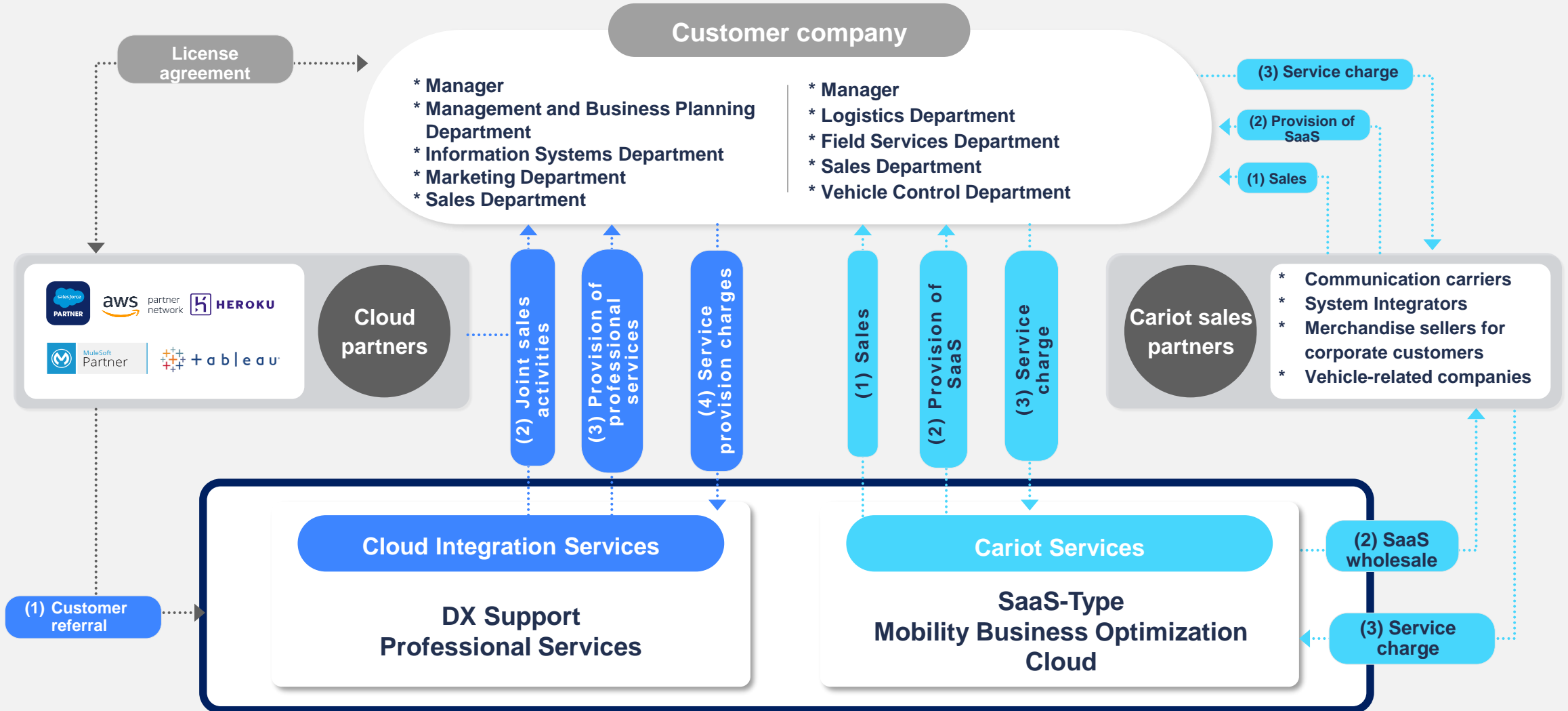
“MuleSoft Japan Partner Enablement Award 2022”

Awarded for our achievements in MuleSoft business



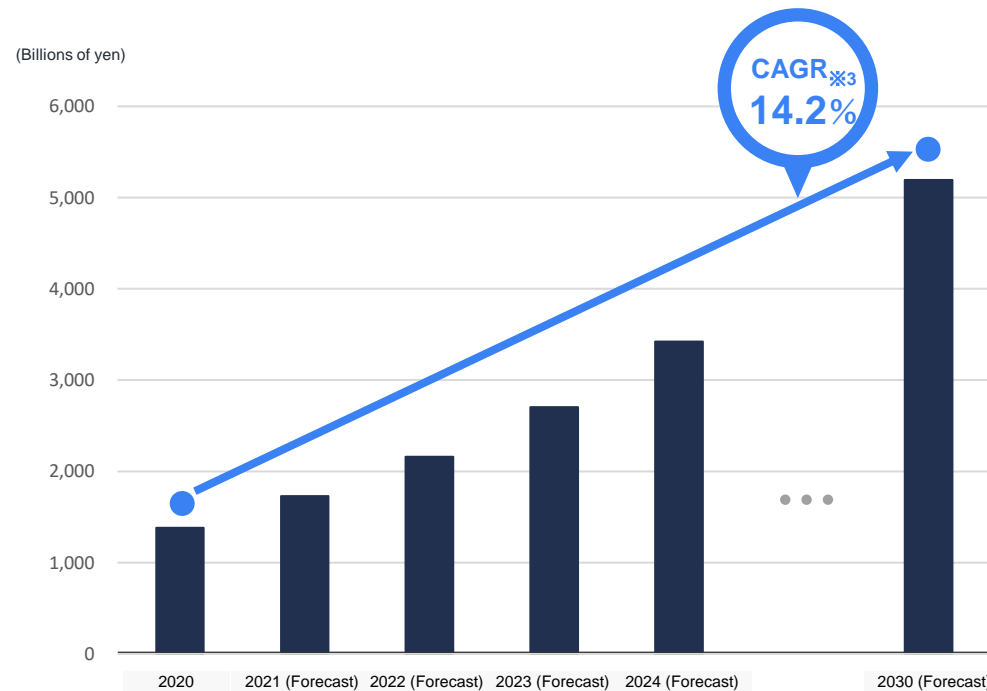
Service Flow

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.

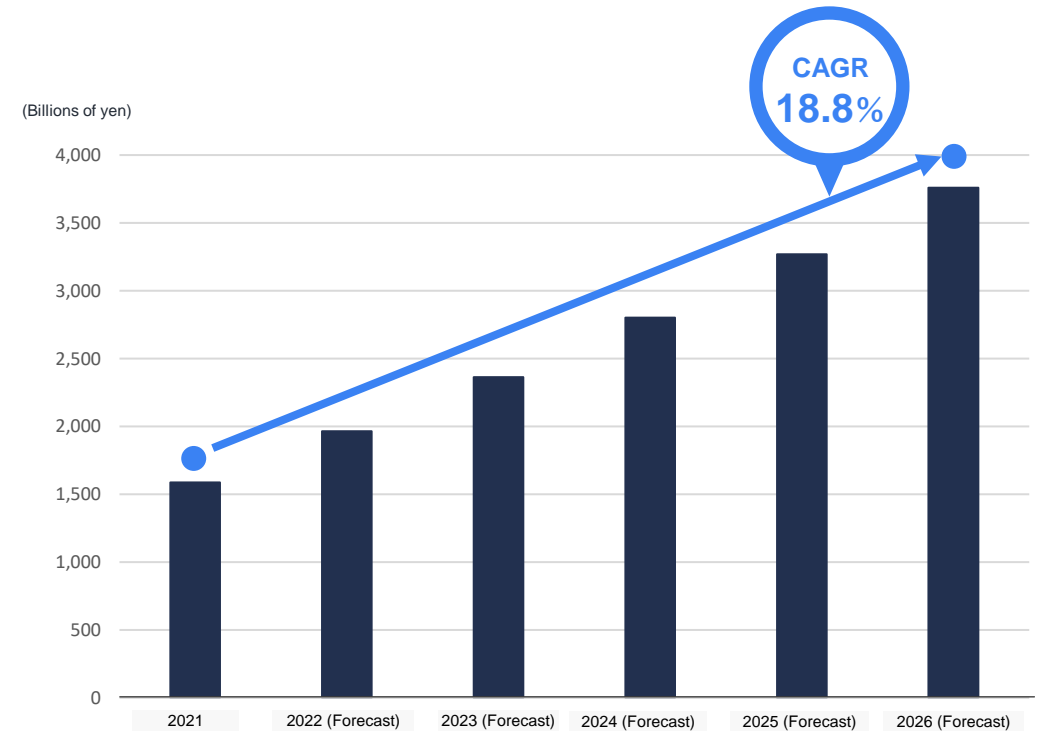


Both DX and Cloud Markets in Japan Are Steadily Expanding Despite the COVID-19 Pandemic

The domestic DX market is expanding at a CAGR of 14.2% from 2020 to 2030.*₁



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



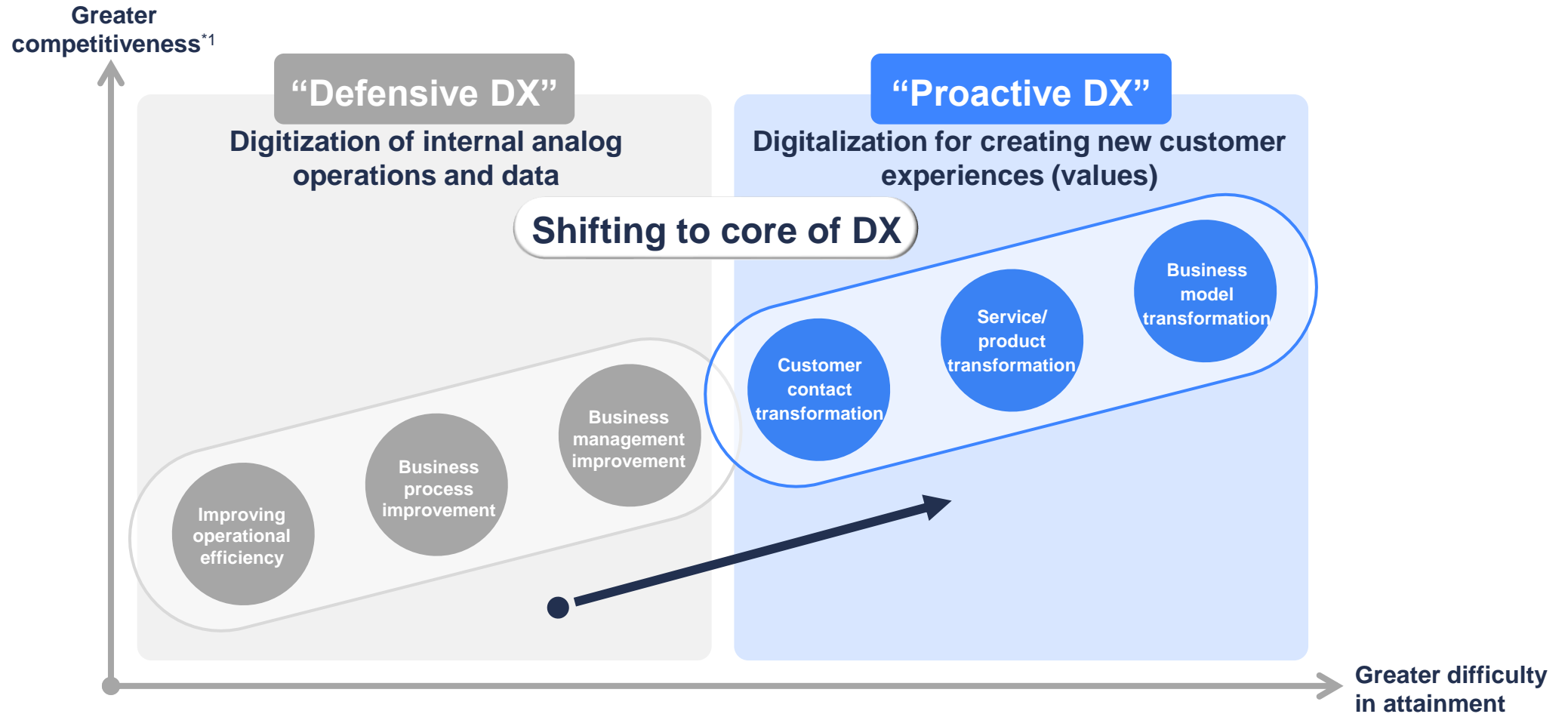
*1: Quoted from "2022 Future Prospects of the Digital Transformation Market," Fuji Chimera Research Institute, Inc.

*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

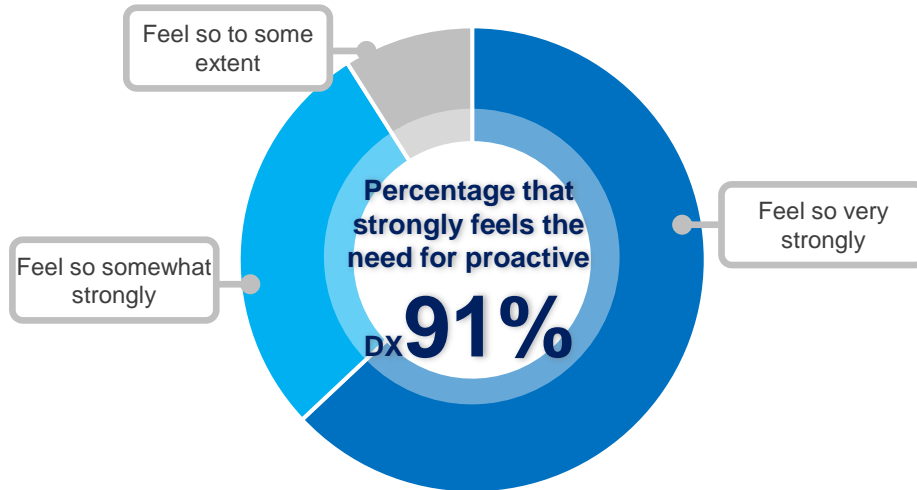
Companies can enhance their competitiveness by shifting from “Defensive DX,” digitizing internal analog operations and data through replacement of paper documents with data in order to cut costs, to “Proactive DX,” creating new customer experiences designed to enhance revenue and customer engagement.



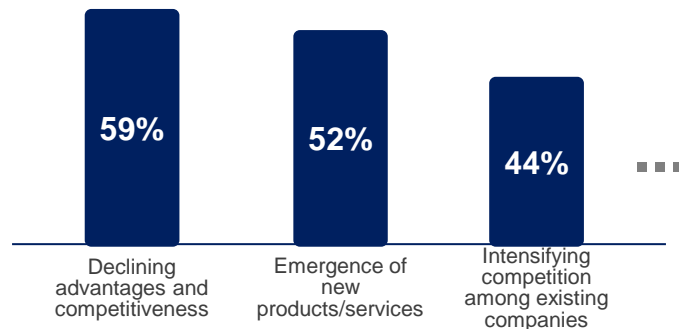
*1: Compiled proprietarily based on “Survey on Digitization Initiatives in Japanese Companies,” NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.

Current DX Status in Japan

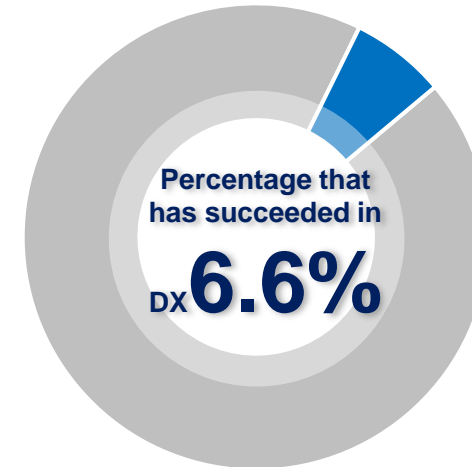
About 90% of the companies have strong needs for “Proactive DX.” This is due to their concerns about the potential decline of their own advantage and competitiveness.*1



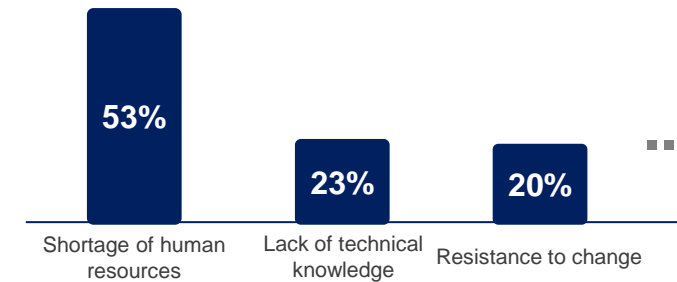
Challenges associated with concerns about the proliferation of digital technology



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>)

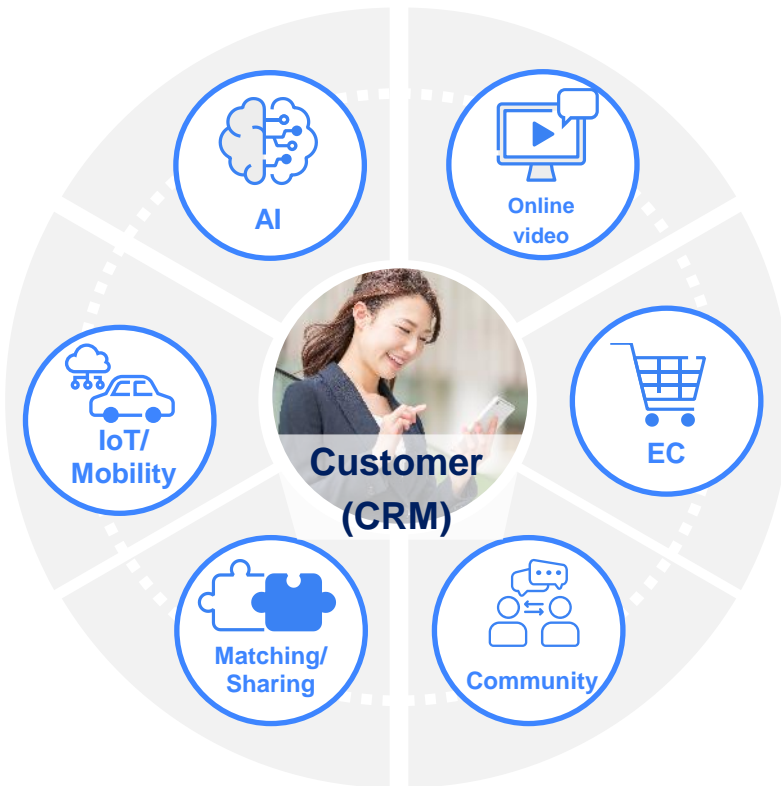
*2: Compiled proprietarily, based on “The Essential Nature of DX for Japanese Companies (FY2020),” ABeam Consulting Ltd.

*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*₁ intending to actively promote DX*₂.

DX provision services

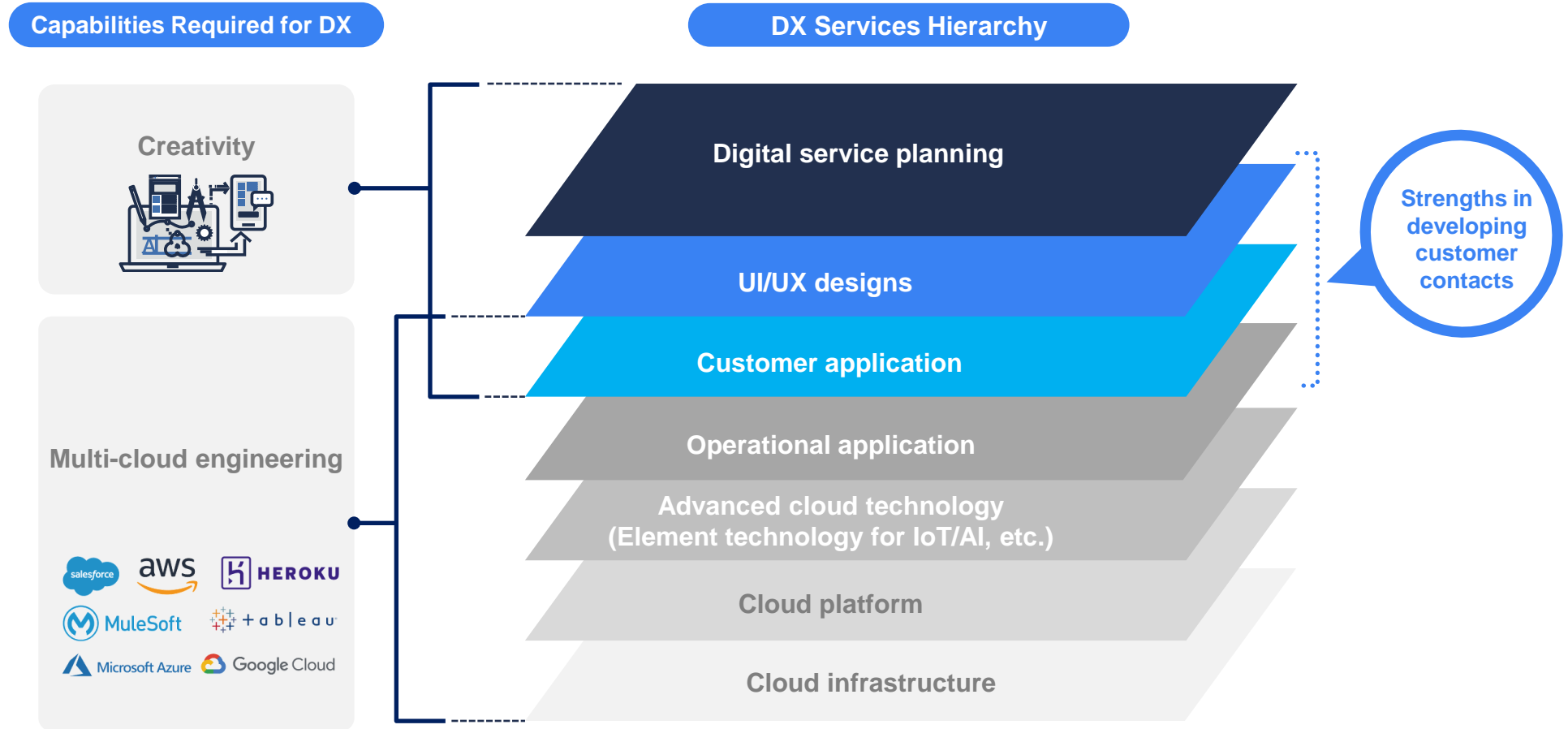


*1: Major companies: Those listed in Nikkei 225, Nikkei 400, or Nikkei 500; or their group companies or those whose sales are equivalent (100 billion yen or more)

*2: Major companies accounted for 95% of the total sales in 1Q fiscal year ending March 2023

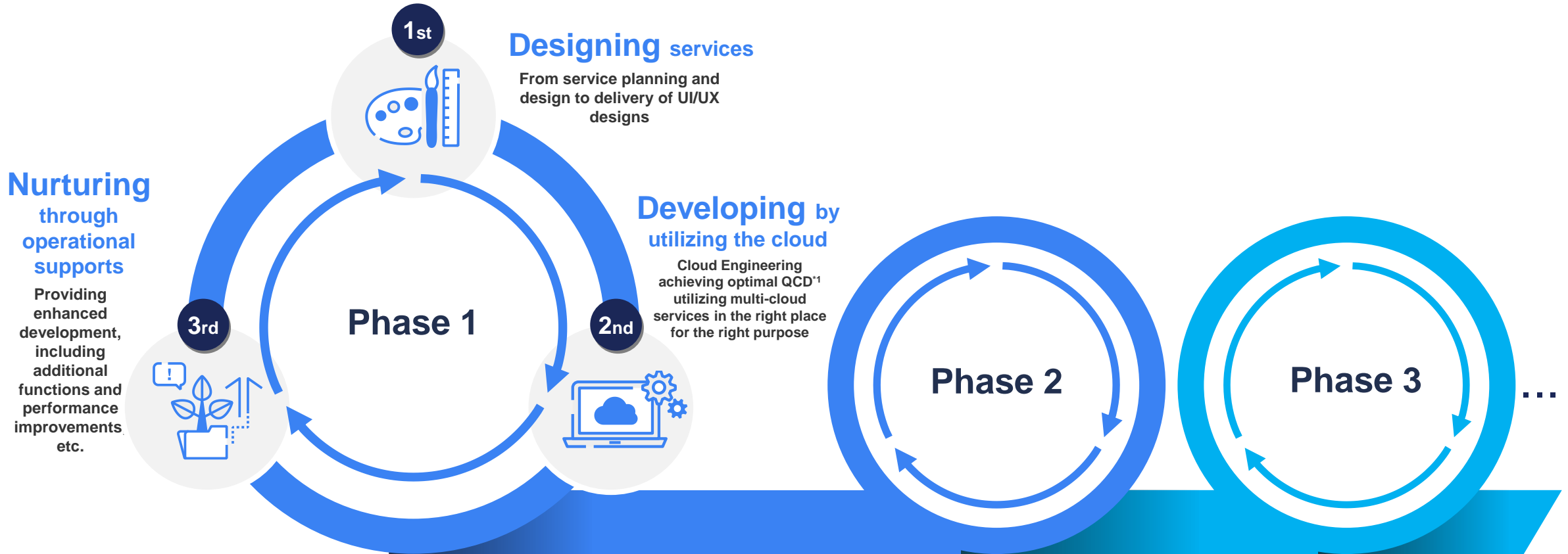
One-stop Service that Create Digital Services

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)

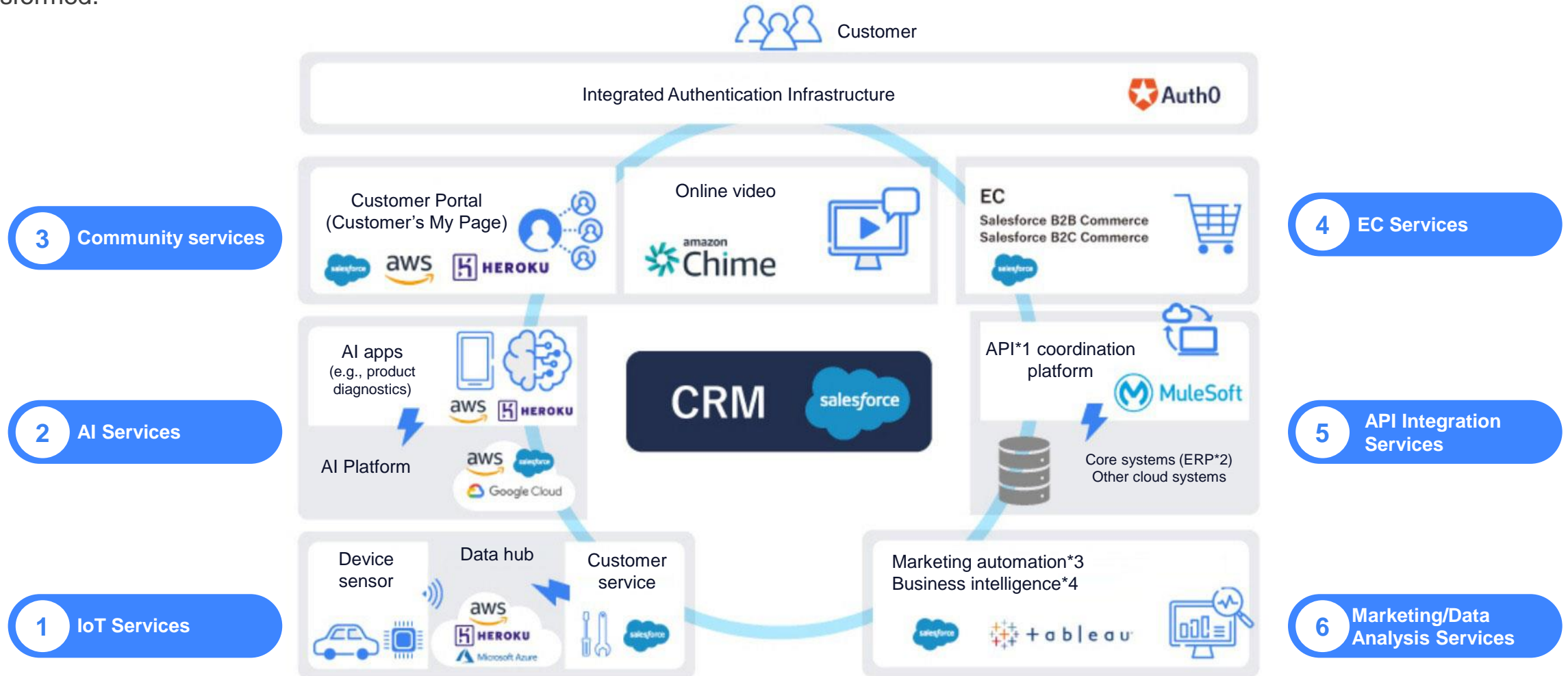
An average period of a single project cycle is about three months. A project does not end with the initial construction but supports DX service growth by repeating the delivery cycles.



*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.

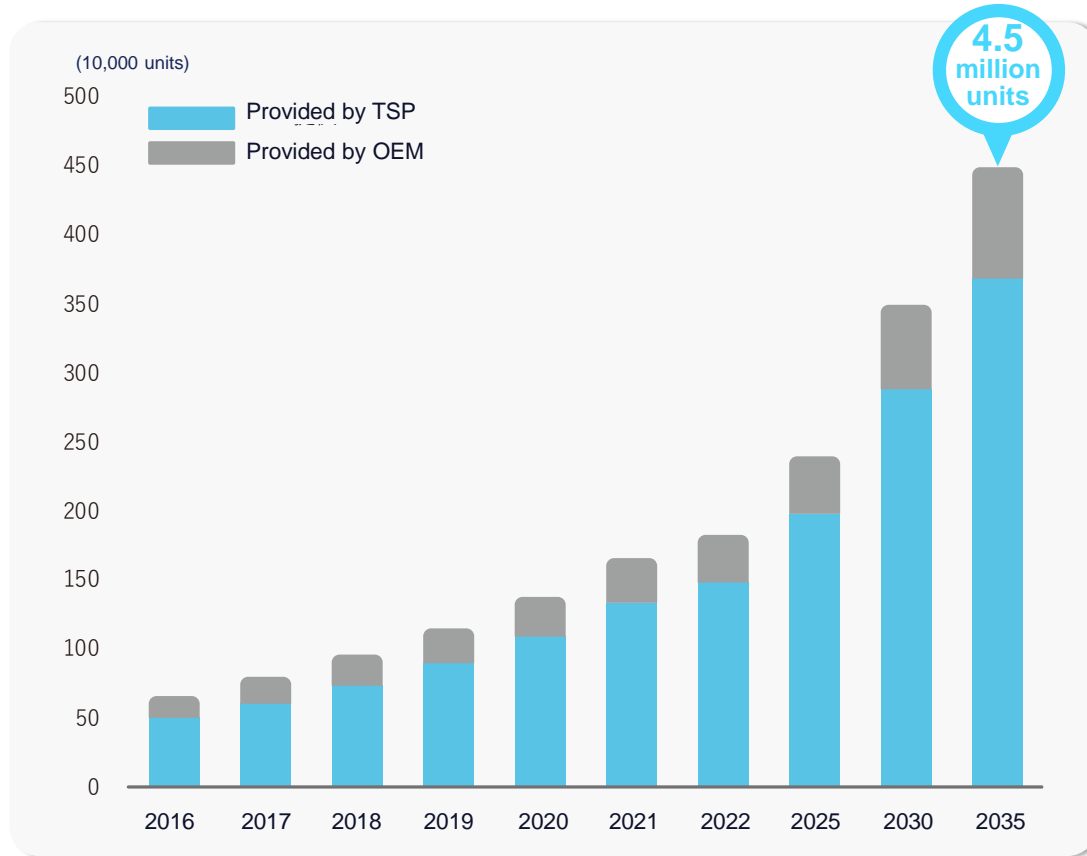


*1: Application Programming Interface: Interface specification used for multiple software products to exchange information with each other
 *2: Enterprise Resource Planning: An integrated core operational system
 *3 Marketing Automation: A tool to automate marketing activities
 *4 Business Intelligence: 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

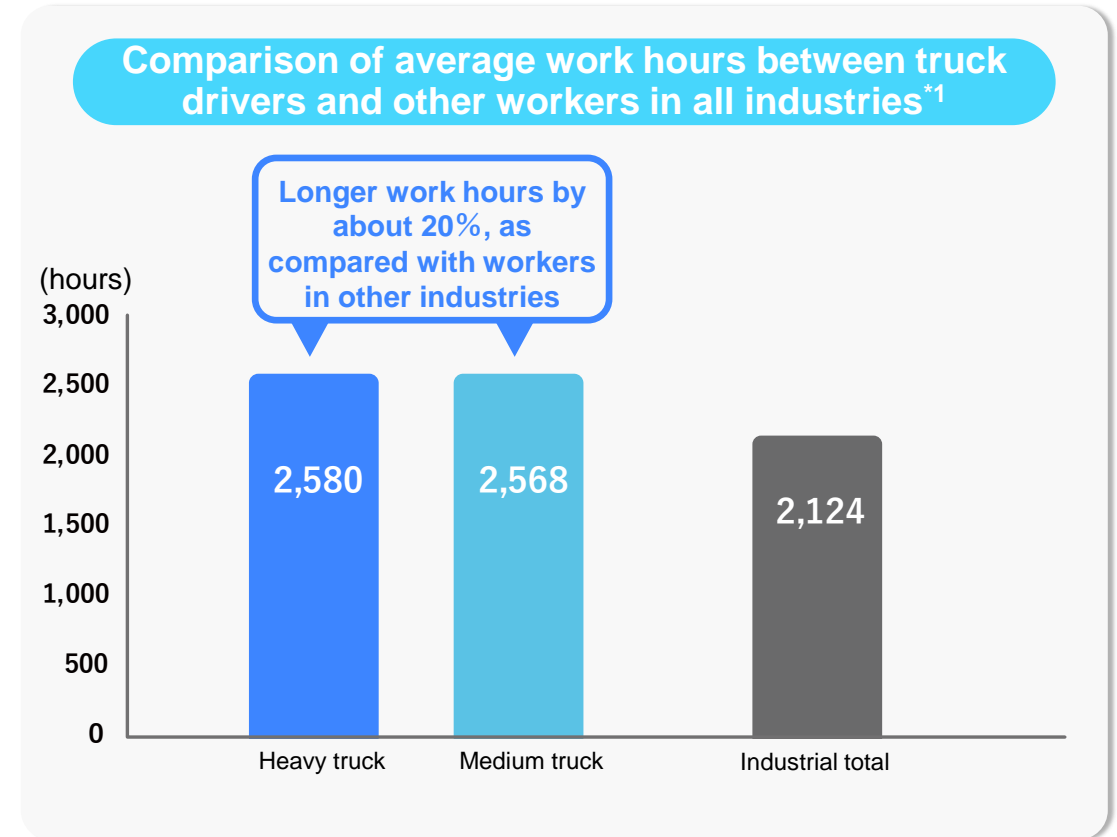
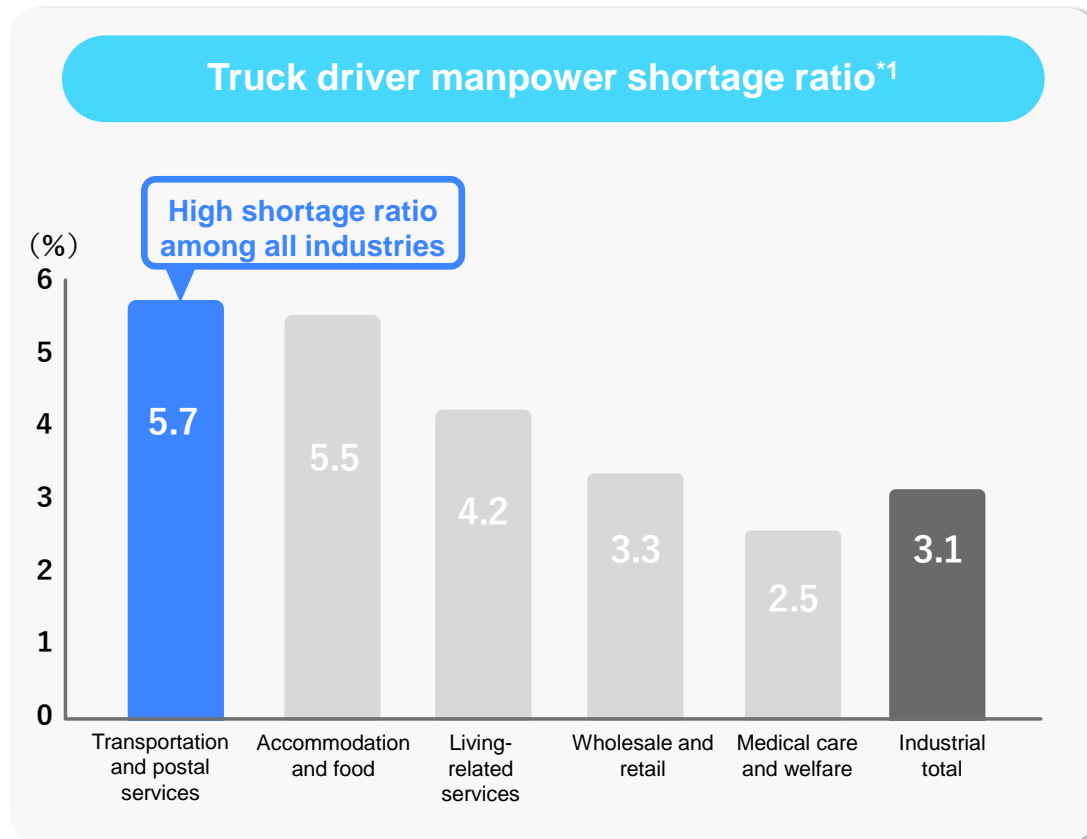
*1: Propriarily compiled, based on "Current State of Connected Car-related Markets and Telematics Strategies in 2019," Fuji Keizai Co., Ltd. TSP (Telematics Service Provider) represents third parties; OEM (Original Equipment Manufacturer) represents auto manufacturers.

*2: TAM: Total Addressable Market indicates the largest market opportunity that can be obtained. The monetary values are propiarily 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 service that innovates the way drivers work and connects vehicles and companies

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 1st quarter
of the fiscal year ending March 2023**

(1st quarter, fiscal year ending March 2023) Financial results summary

1 Record quarterly sales due to vigorous demand for DX support

Net loss recorded due to a one-time increase in costs.

Sales **1,172** million yen

+56.2%
(Compared to
FY2021 1Q)

Net loss **-20** million yen

-54 million yen
(Compared to
FY2021 1Q)

* FY2021 : fiscal year ended March 2022

2 ARPA increased due to focus on transactions with existing major customers

Number of quarterly contract customers of major companies **34** companies

-5 companies
(Compared to
FY2021 4Q)

Quarterly average revenue per account (ARPA) of major companies **30.8** million yen

+6.1 million yen
(Compared to
FY2021 4Q)

* FY2021 : fiscal year ended March 2022

3 The number of engineers and other employees increased significantly

In addition to 18 new science graduate school graduate employees, the number of mid-career recruits advanced in excess of plans.

Number of engineers and other employees^{*1} **148** people

+46 people
(Compared to
FY2021 1Q)

+30 people
(Compared to
FY2021 4Q)

* FY2021 : fiscal year ended March 2022

4 Results forecast for FY2022 maintained due to strong sales and recruitment

Sales **4,772** million yen

+31.0%
(Compared to FY2021)

Net income **275** million yen

+3.3%
(Compared to FY2021)

* FY2021 : fiscal year ended March 2022

* FY2022 : fiscal year ending March 2023

(1st quarter, fiscal year ending March 2023) Topics

The growth of cloud integration services was driven by DX support for the mainstream businesses of major companies.

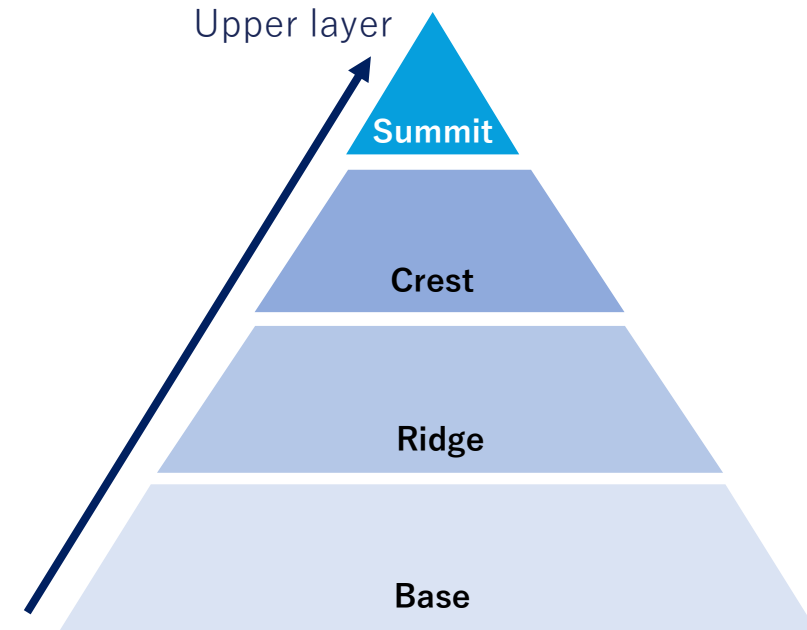
Salesforce multi-cloud deals increased in size

Multi-cloud deals adopting the Salesforce platform increased in size and cross-selling to existing customers grew in support of proactive DX in the mainstream businesses of major companies.



Certified as “Summit^{*1}”, the top Salesforce partner rank

In recognition of our rich development results using the Salesforce platform, we were certified at “Summit” level, the highest rank in the Salesforce consulting partner program.



^{*1} Salesforce ranks partners on its consulting partner program. It implements comprehensive evaluations based on a variety of indicators, including product and industry expertise, customer satisfaction surveys and the number of qualified personnel.

(1st quarter, fiscal year ending March 2023) Results Highlights

Against the backdrop of vigorous inquiries about DX support, sales reached a record quarterly high of 1,172 million yen (up 56.2% year-on-year). On the other hand, we had too many orders just as we shifted to an organizational structure with a view to further growth in the future, and in some projects, planned man-hours for quality assurance in development were excessive. This resulted in cost increases due to the addition of resources, so our gross margin decreased to 38.5% (down 4.1 points year-on-year), operating income decreased by 26 million yen. We expect a turnaround in the 2nd quarter and a return to the planned profit margin level in the 3rd quarter.

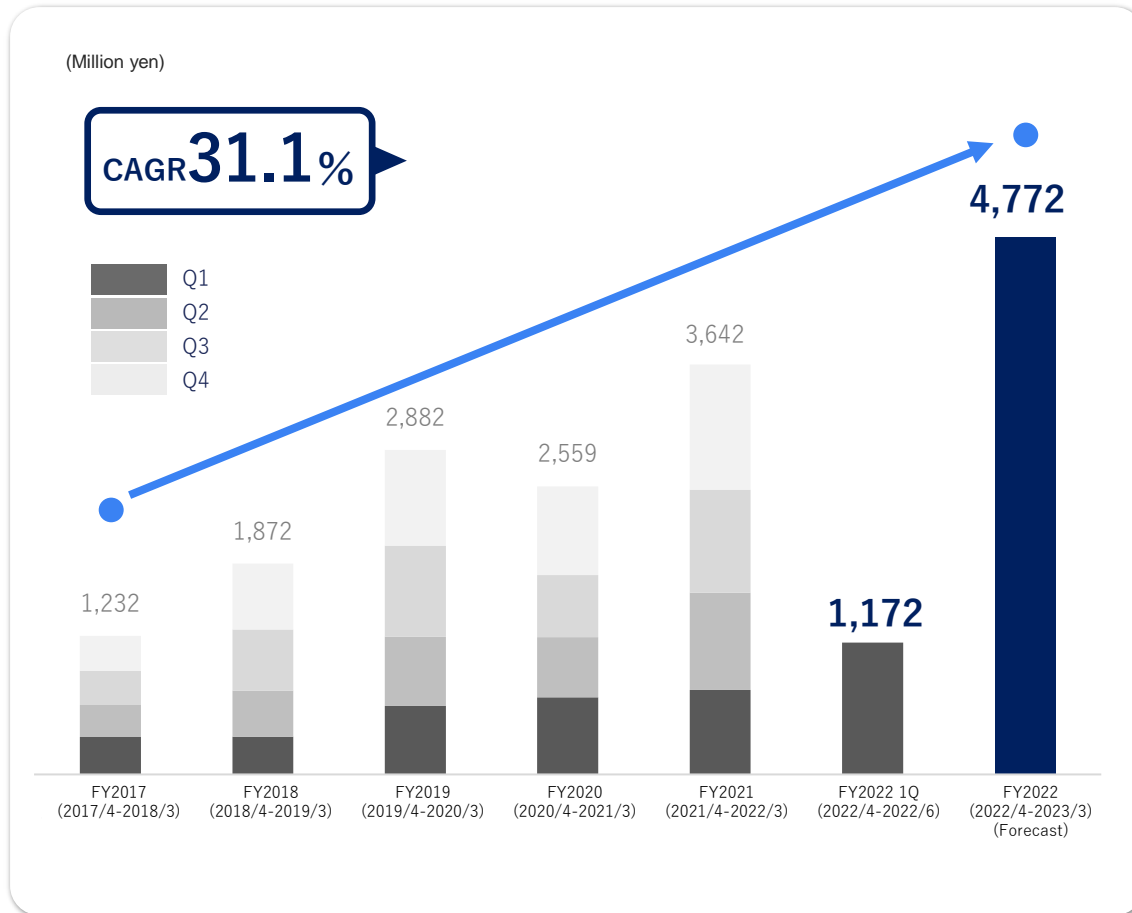
(Million yen)

	FY2021 1Q	FY2022 1Q	YoY		FY2022 (fiscal year ending March 2023) forecast	Forecast- actual progress rate
			Change in amount	Rate of change		
Sales	750	1,172	+422	+56.2%	4,772	+24.6%
Gross profit	320	451	+131	+41.1%	2,148	+21.0%
(%)	42.6%	38.5%	- 4.1pt		45.0%	
Operating income (operating loss)	41	- 26	- 68	-	386	-
(%)	5.5%	-	-		8.1%	
Net income (Net loss)	34	- 20	- 54	-	275	-
(%)	4.6%	-	-		5.8%	

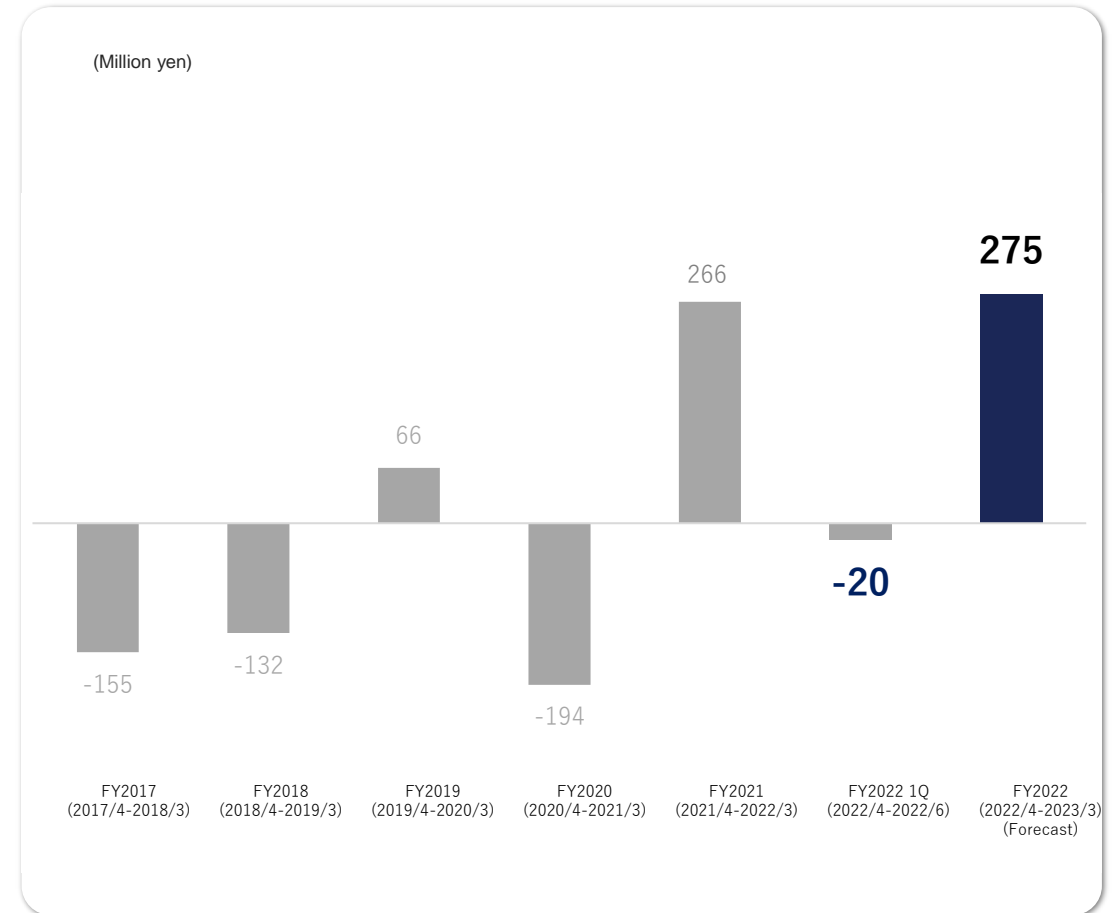
Trend in Results

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 (Forecast)

(1st quarter, fiscal year ending March 2023) Balance Sheet

The main changes were current assets decreasing by 182 million yen and current liabilities decreasing by 128 million yen. Equity ratio of 50.2% is a sound financial foundation.

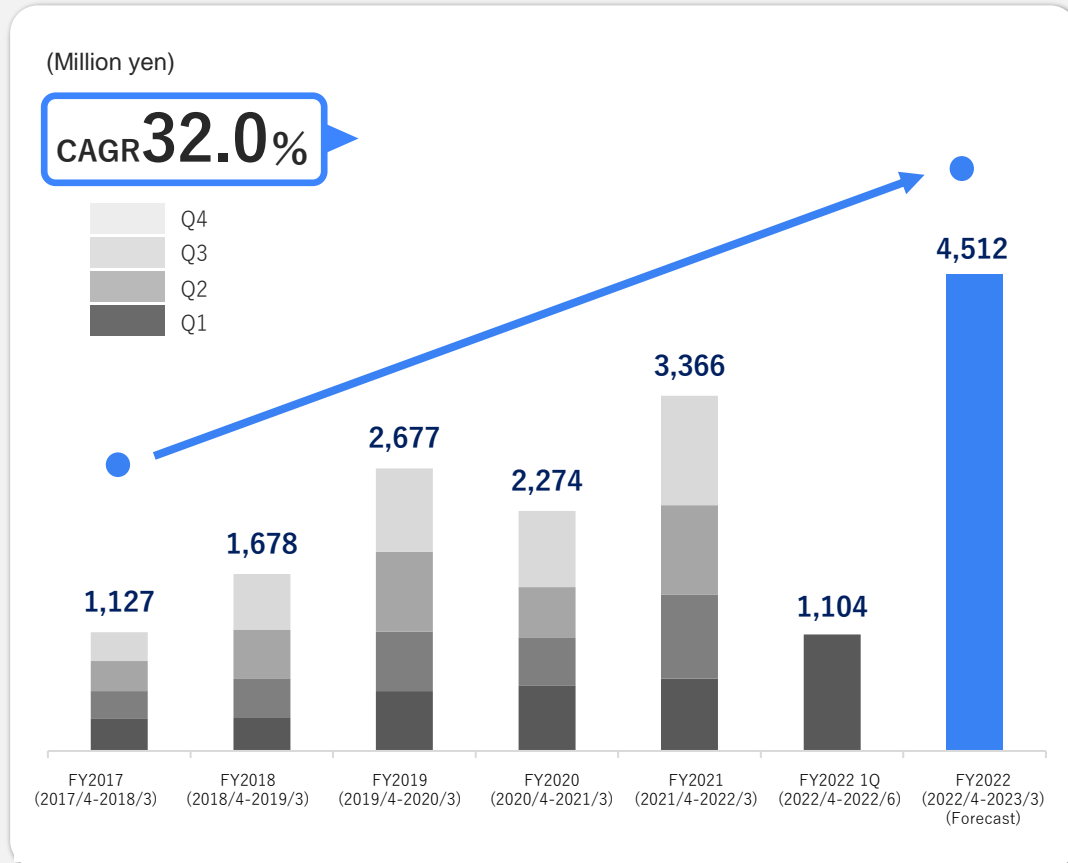
(Million yen)

	FY2021 (March 31, 2022)	FY2022 (June 30, 2022)	Change in amount
Total assets	2,692	2,537	-155
Current assets	2,425	2,242	-182
Fixed assets	267	294	-26
Total liabilities	1,400	1,263	-136
Current liabilities	766	638	-128
Fixed liabilities	633	625	-8
Net assets	1,291	1,273	-18
Total assets	2,692	2,537	-155
Cash and deposits	1,639	1,287	-351
Interest-bearing liabilities	691	673	-18
Equity ratio	48.0%	50.2%	+2.2pt

Trend in Results

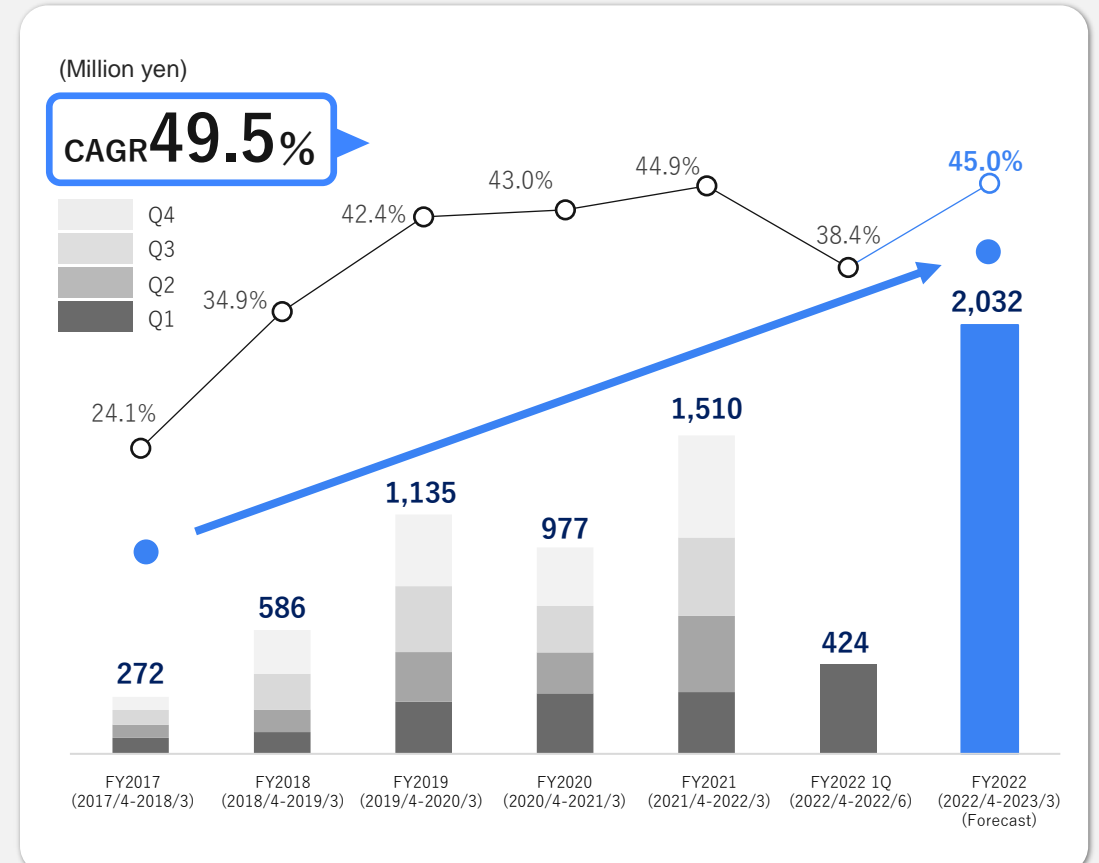
Sales

In the 1st quarter of the term ending March 2023, we achieved our highest ever quarterly sales. Sales are progressing above those planned. We expect record sales for the full term with a CAGR of 32.0%*1.



Gross profit (Gross margin)

Although the gross profit margin declined in the 1st quarter of the term ending March 2023 due to a temporary increase in costs, the rate of progress is at a similar level to previous years, and gross operating income for the full year is scheduled to grow at a CAGR of 49.5%*1.

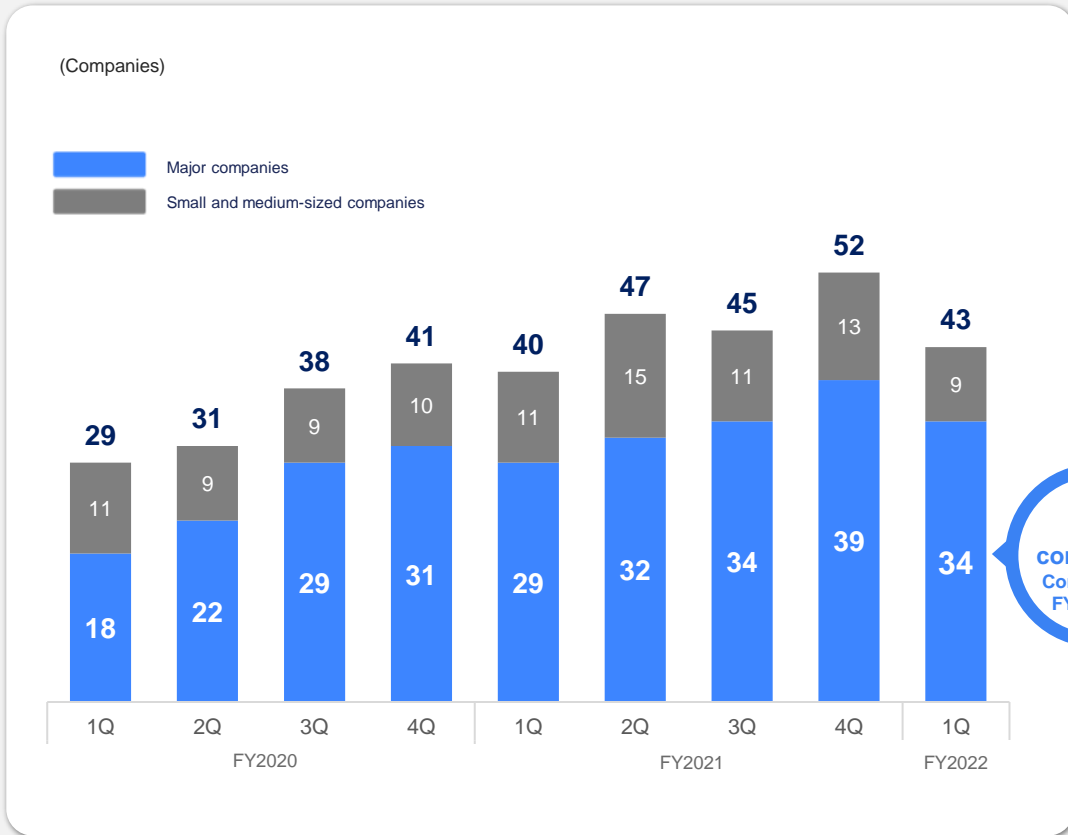


*1 CAGR is the average annual growth rate from FY2017 to FY2022 (Forecast)

KPI Trends (Monthly Basis)

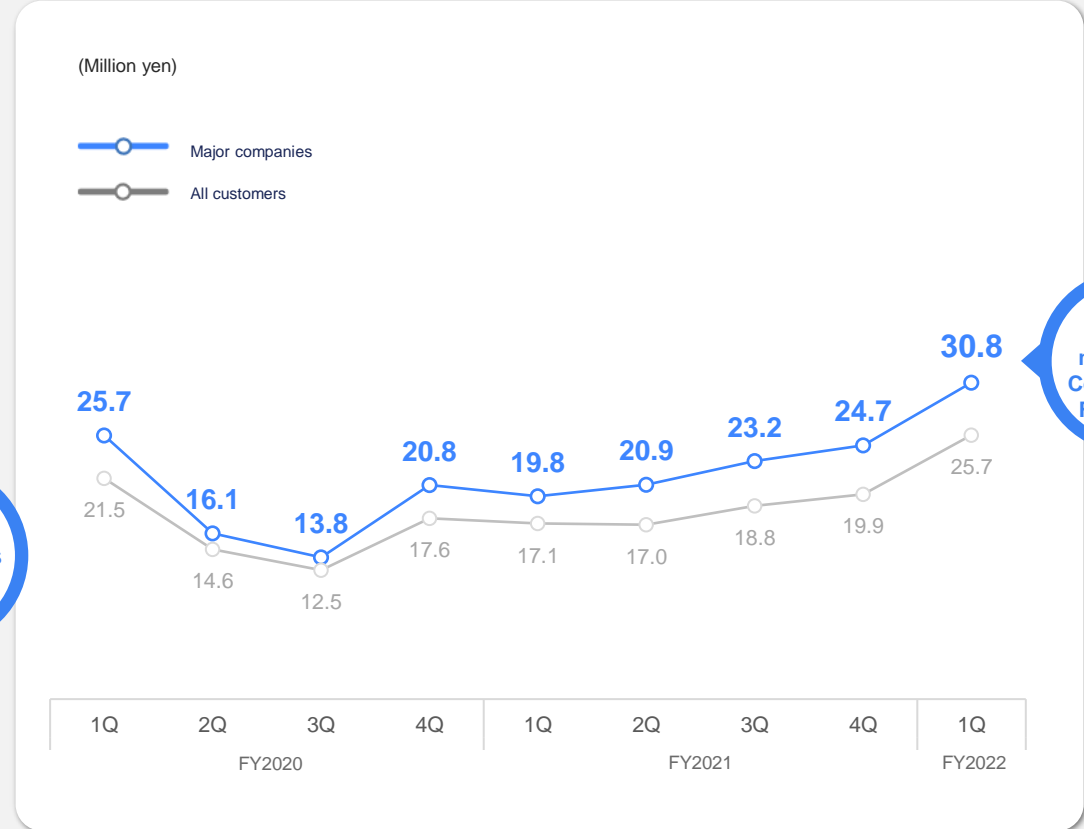
Number of monthly contract customers^{*1}

The number of major company quarterly contract customers decreased by 5 in the 1st quarter of the term ending March 2023 to 34 companies compared to the 4th quarter of the term ended March 2022.



Monthly average revenue per account (ARPA)^{*2}

As a result of focusing on the expansion of transactions with existing major customers, ARPA for major companies increased by 6.1 million yen to 30.8 million yen in the 1st quarter of the term ending March 2023.



*1 Number of contract customers during the quarterly accounting period excluding resale matters. A resale matter is a resale of a license purchased by the company to a customer, and those customers are excluded because the amount is small at the company.

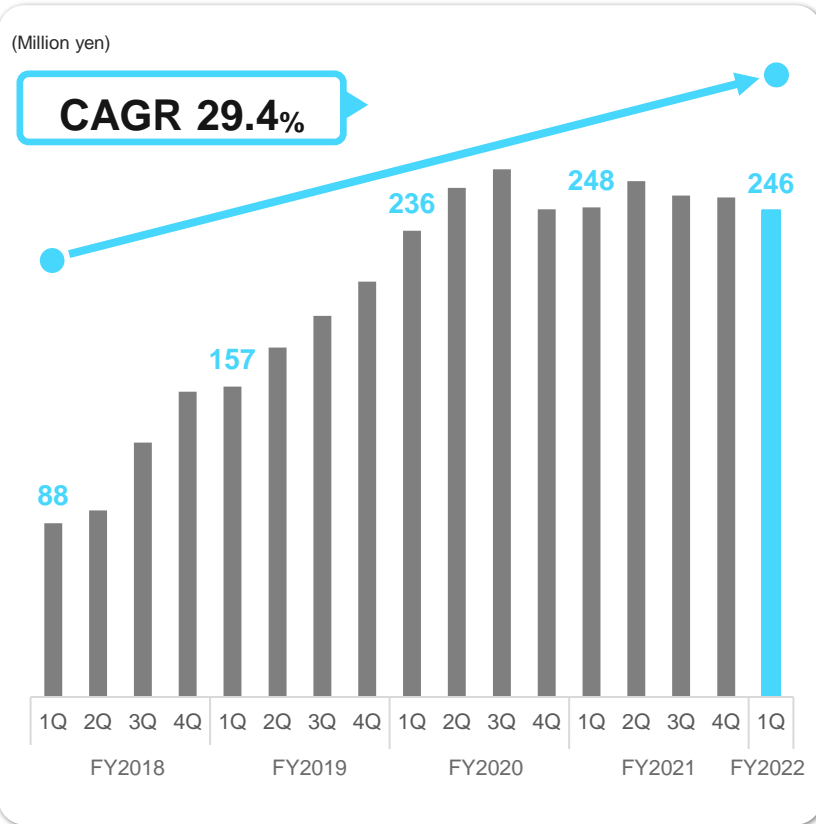
*2 This is an acronym of average revenue per account (average sales per customer) and is average quarterly sales per customer excluding resale matters. Calculated by quarterly sales excluding resale matters / number of quarterly contract customers

KPI Trends

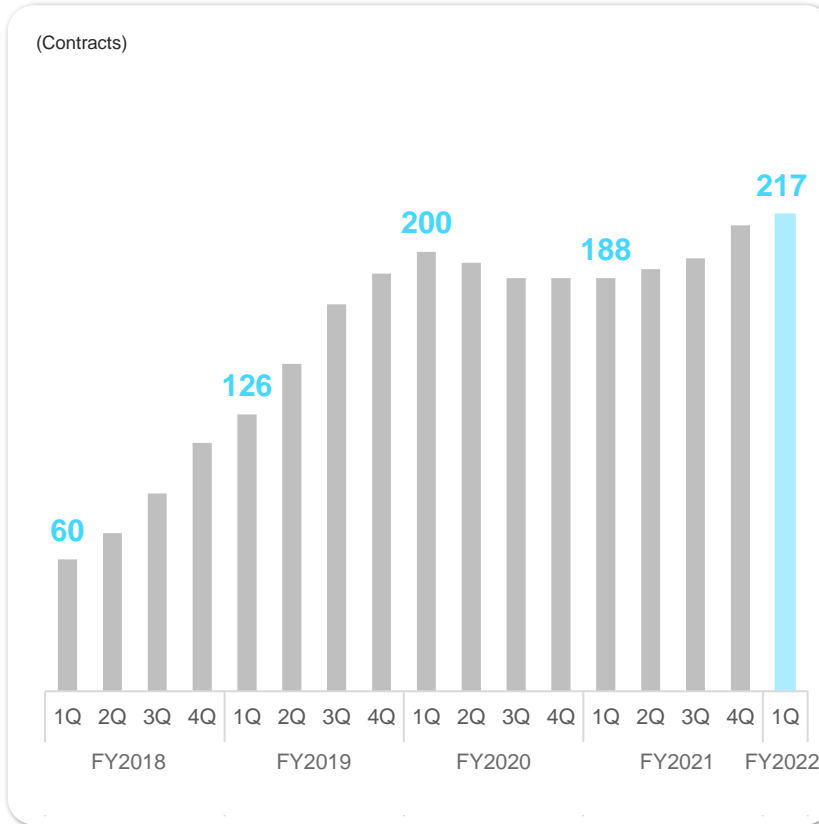
Although ARR recovered temporarily in the 2nd quarter of the term ended March 2022 after decreasing from the 4th quarter of the term ended March 2021 due to the impact of COVID-19, it decreased by 7 million yen compared to the previous quarter to 246 million yen in the 1st quarter of the term ending March 2023 due to cancellations for cost reductions associated with a deterioration in customer results caused by soaring costs as seen in fuel prices.

The number of contracts decreased from the 2nd quarter of the term ended March 2021 due to the impact of COVID-19, but we are on course for recovery and the number increased to a record 217 contracts in the 1st quarter of the term ending March 2023.

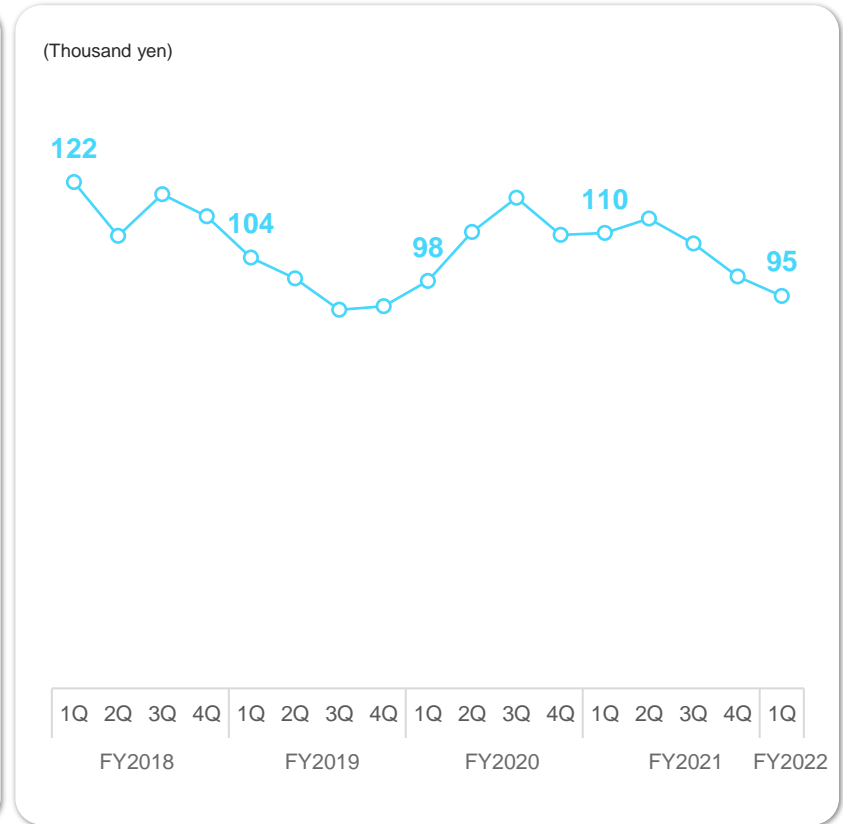
ARR¹



Number of contracts²



ARPA³



*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

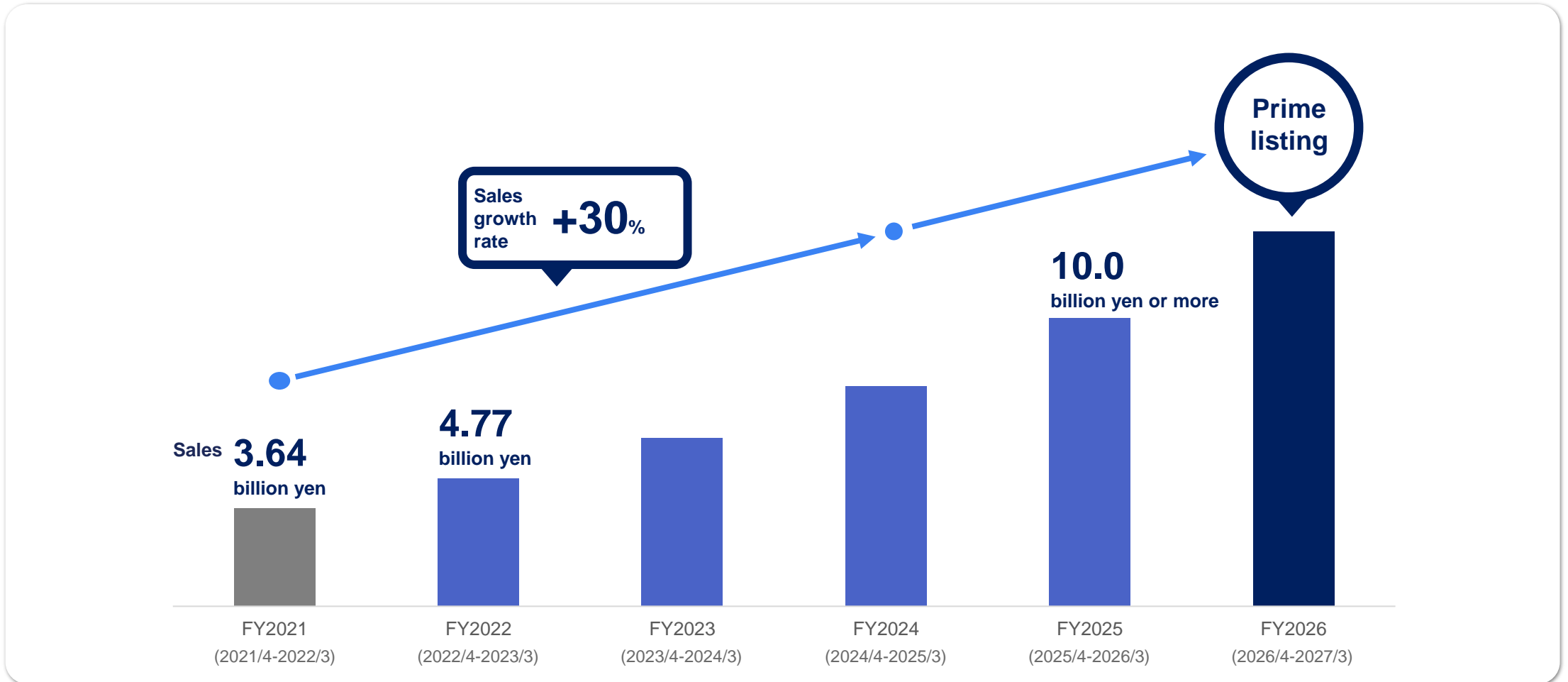
*2 Number of contracts per month at end of quarter

*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

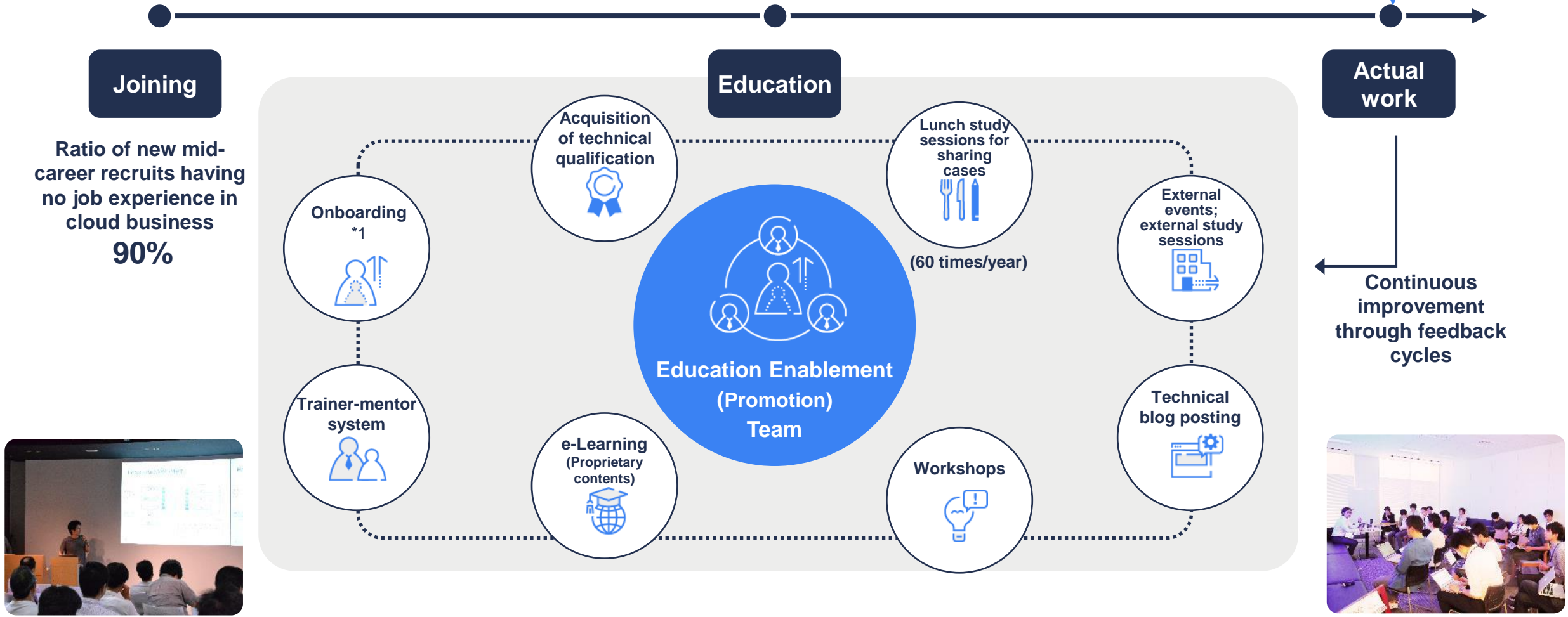


MA/BI Services

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

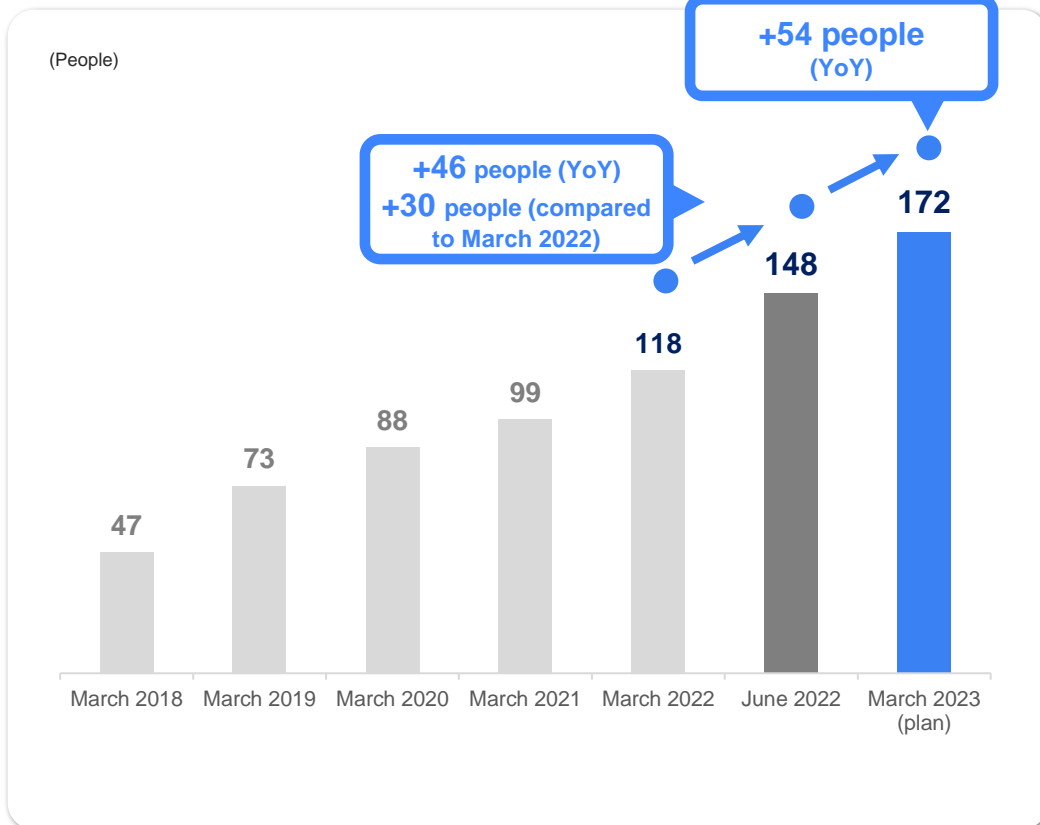


*1: A series of workforce development steps to fully induct mid-career recruits into an organization until they can be recognized as valuable assets

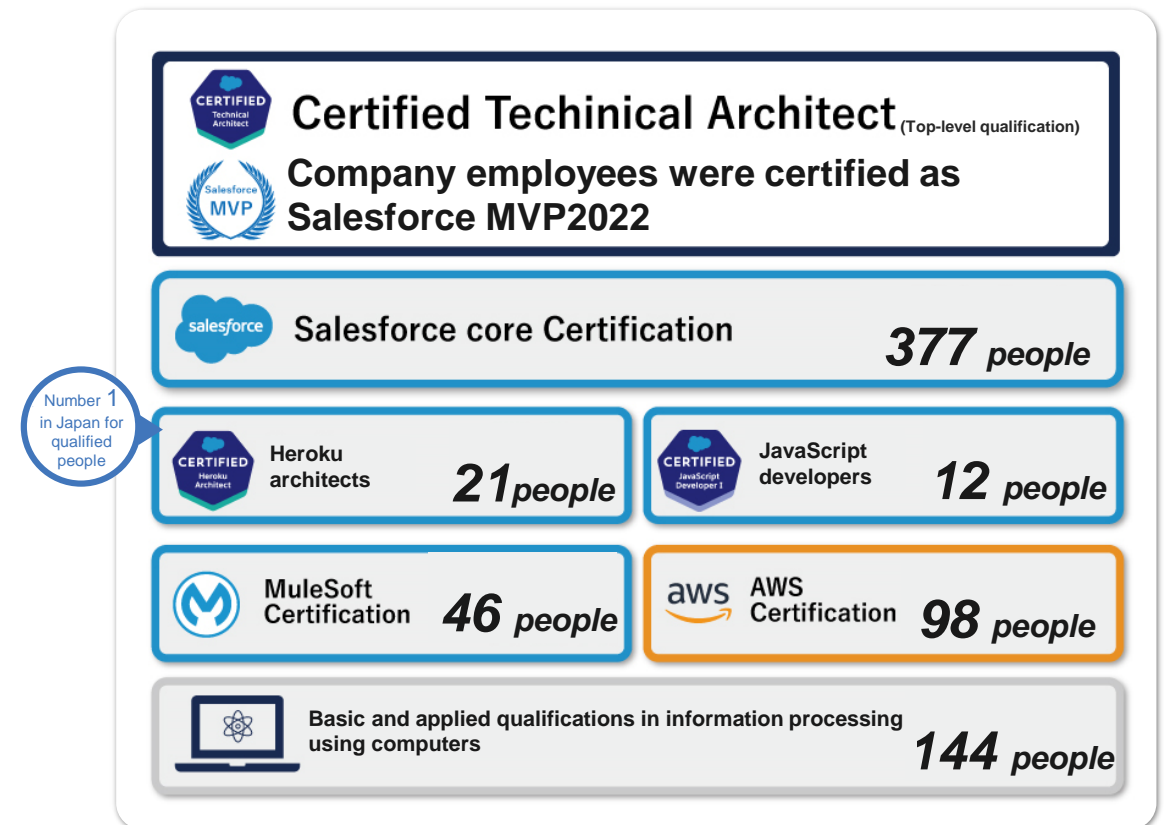
Organizational expansion centered on cloud engineers and other professional employees

The number of cloud engineers and other employees increased by 46 year-on-year, and by 30 compared to the end of the term ended March 2022 to 148 people as of the end of June 2022. In addition to accepting 18 new science graduate school graduate employees, the number of mid-career recruits also advanced in excess of plans. We will continue to strengthen recruitment towards a 172-person structure by the end of March 2023.

Trend in the number of engineers and other employees*1



Promotion of the acquisition of multi-cloud qualifications*2

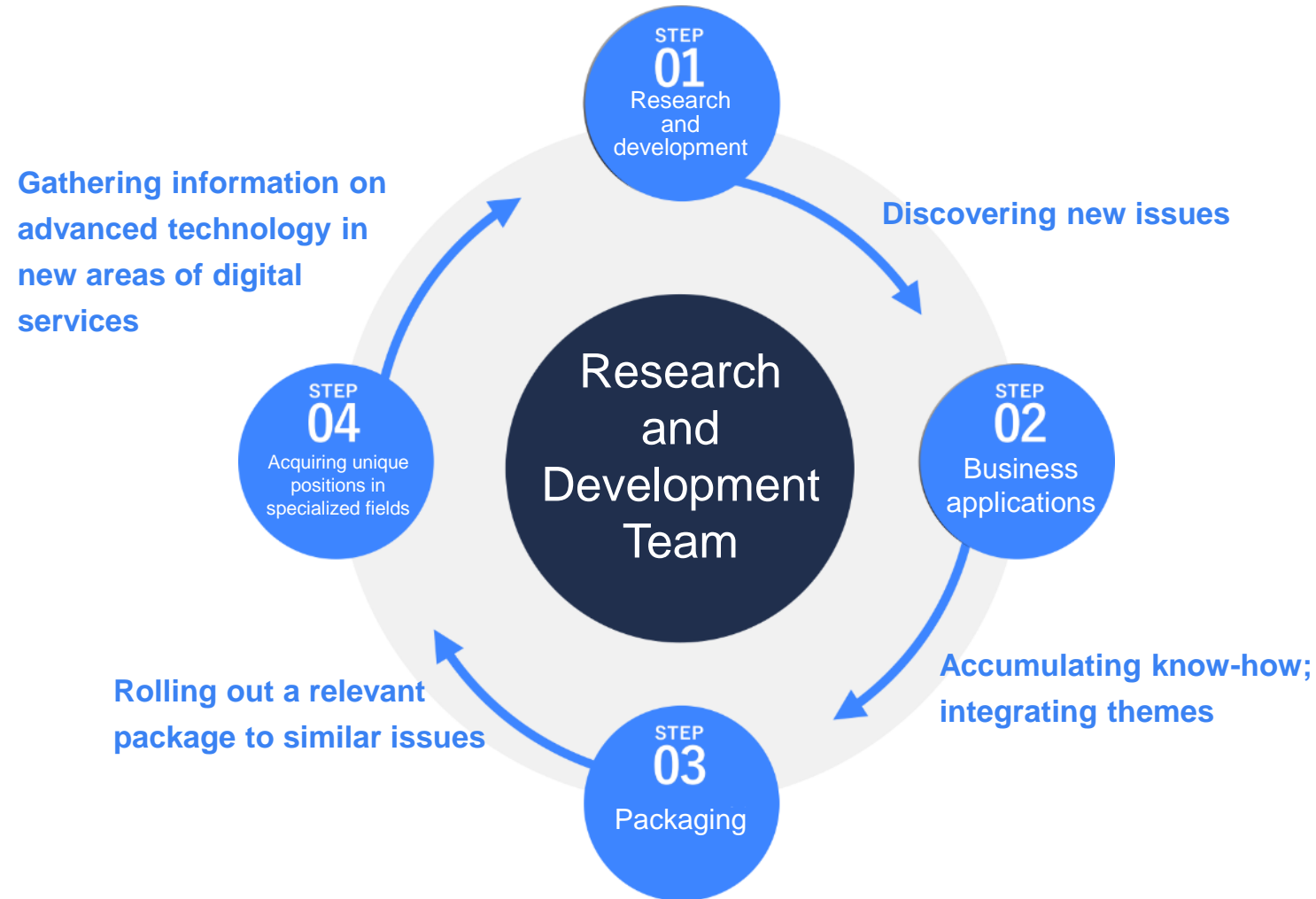


*1 Professional human resources such as engineers and managers in Cloud Integration Services Division, excluding administrative personnel

*2 Total number of qualified people as of the end of June 2022

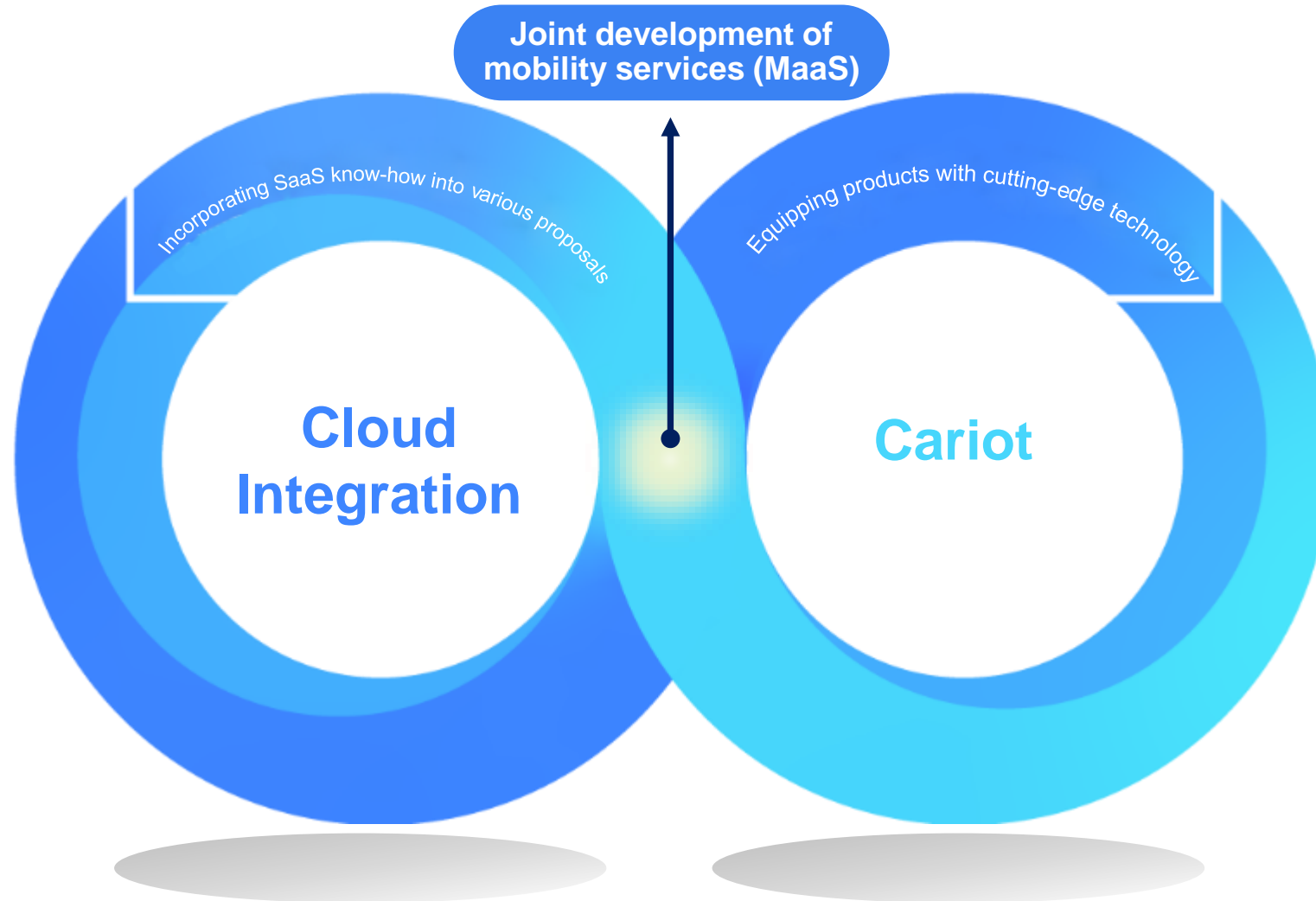
R&D Investments to Create High Added Value with Cutting-edge Technology

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

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



External Director, Audit and Supervisory Committee Member

Shuya Ogawa

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