(2nd Quarter, Fiscal Year Ending March 2024) Financial Results Presentation Materials

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

November 7, 2023

Company Profile

Company Name	FLECT Co., Ltd.
Established	August 2005
Capital Stock	694 million yen (as of September 2023)
Number of Employees	294 (as of September 2023)
Address	11F, Hamamatsucho Bldg., 1-1-1 Shibaura, Minato-ku, Tokyo
Business Description	・Cloud Integration Services ・Cariot Services

Vision

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.

Representative Director CEO
Koji Kurokawa

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.
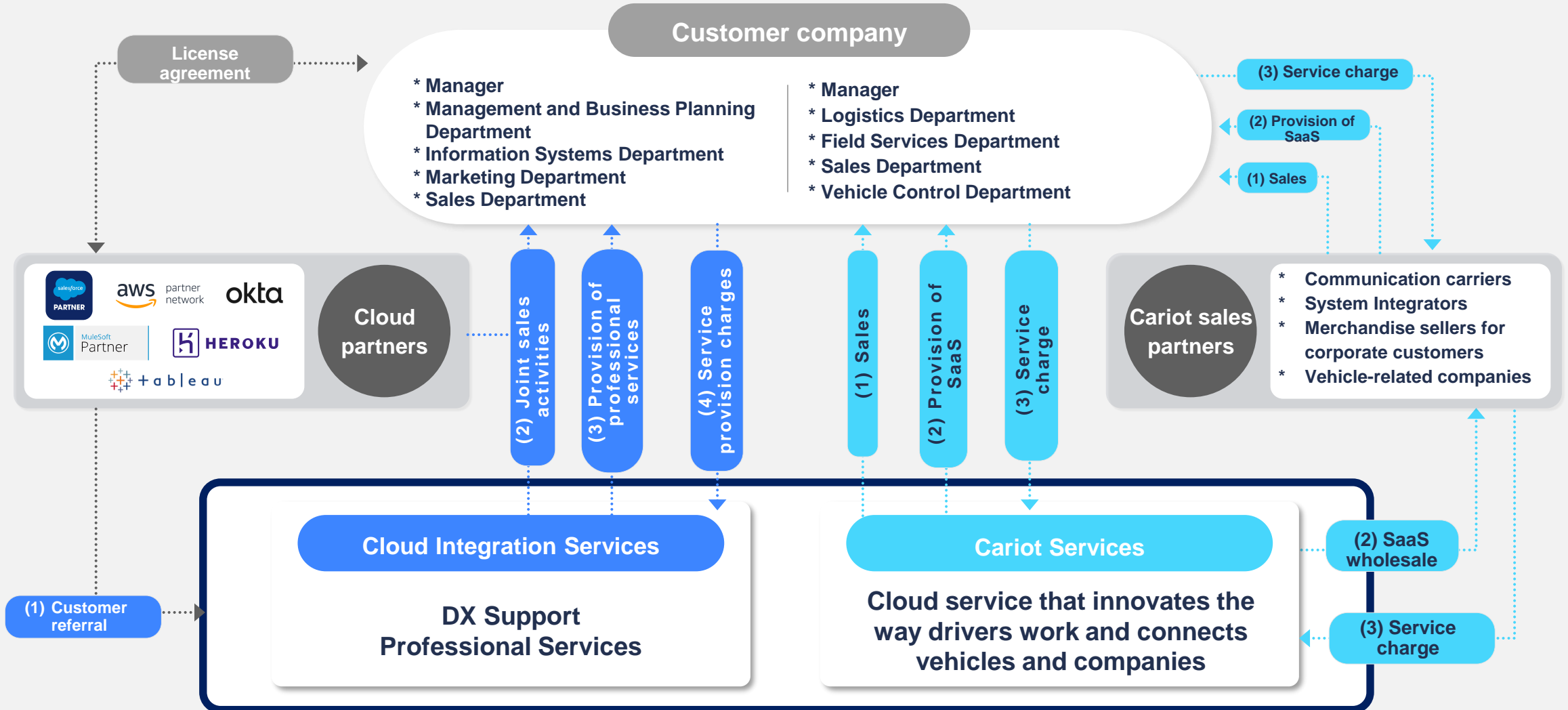

Cariot

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

Cariot is the company's cloud service that provides work efficiency, peace of mind and safety in the field by using real-time information on commercial vehicles and vehicle management work DX.
We support the work style innovation of all people involved with vehicles, centered on drivers and also including managers, staff and customers.
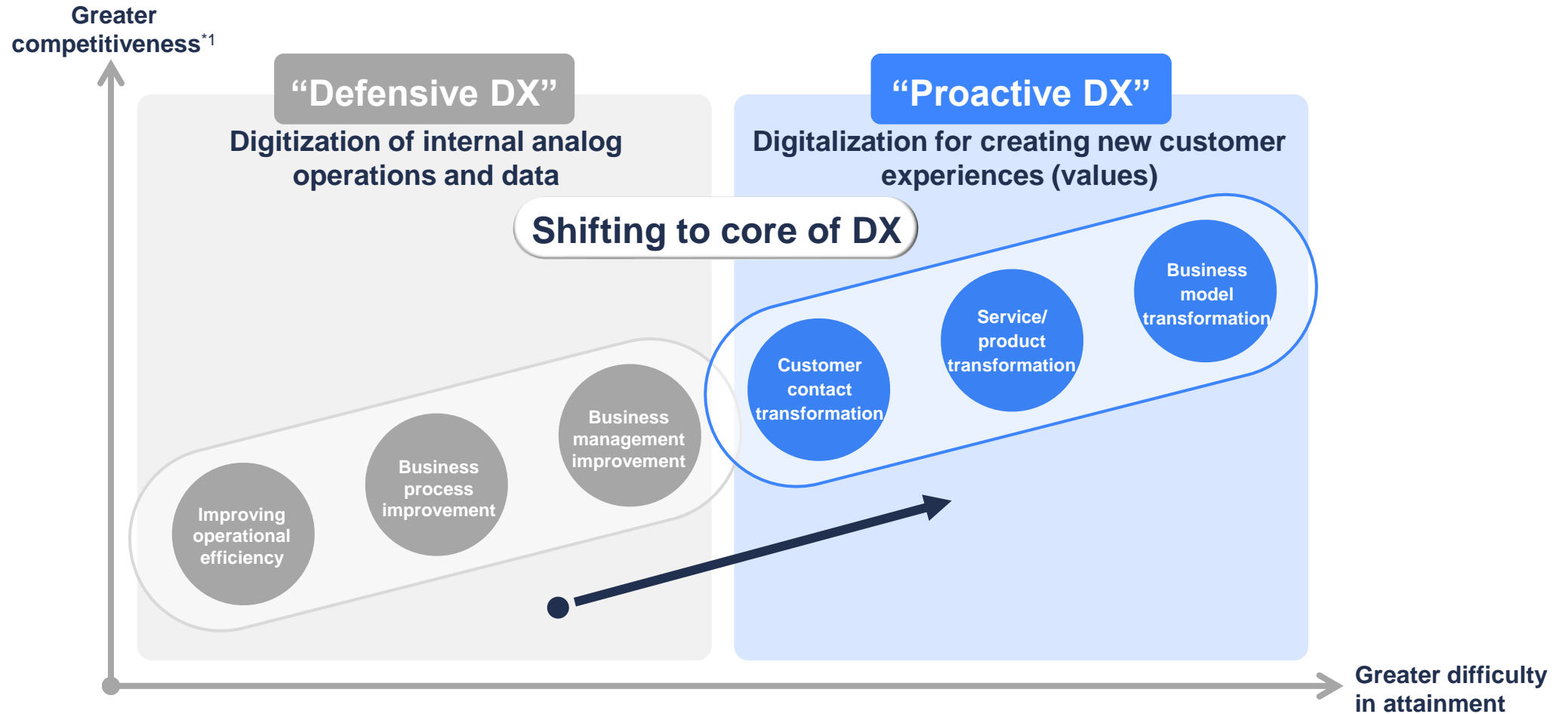
Service Flow

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.

Customer company

License agreement

* Manager
* Management and Business Planning Department
* Information Systems Department
* Marketing Department
* Sales Department

* Manager
* Logistics Department
* Field Services Department
* Sales Department
* Vehicle Control Department

(3) Service charge
(2) Provision of SaaS
(1) Sales

Cloud partners

salesforce PARTNER
aws partner network
okta
MuleSoft Partner
HEROKU
+ableau

(2) Joint sales activities
(3) Provision of professional services
(4) Service provision charges

(1) Sales
(2) Provision of SaaS
(3) Service charge

Cariot sales partners

* Communication carriers
* System Integrators
* Merchandise sellers for corporate customers
* Vehicle-related companies

Cloud Integration Services

DX Support
Professional Services

Cariot Services

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

(2) SaaS wholesale

(3) Service charge

(1) Customer referral

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.

Greater competitiveness[1]

"Defensive DX"
Digitization of internal analog operations and data

"Proactive DX"
Digitalization for creating new customer experiences (values)

Shifting to core of DX

Improving operational efficiency

Business process improvement

Business management improvement

Customer contact transformation

Service/ product transformation

Business model transformation

Greater difficulty in attainment

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

We support the digital transformation of companies' new and existing business, including IoT / mobility, AI services, community and EC services that connect with customers, and the building of API coordination and ID authentication infrastructure.

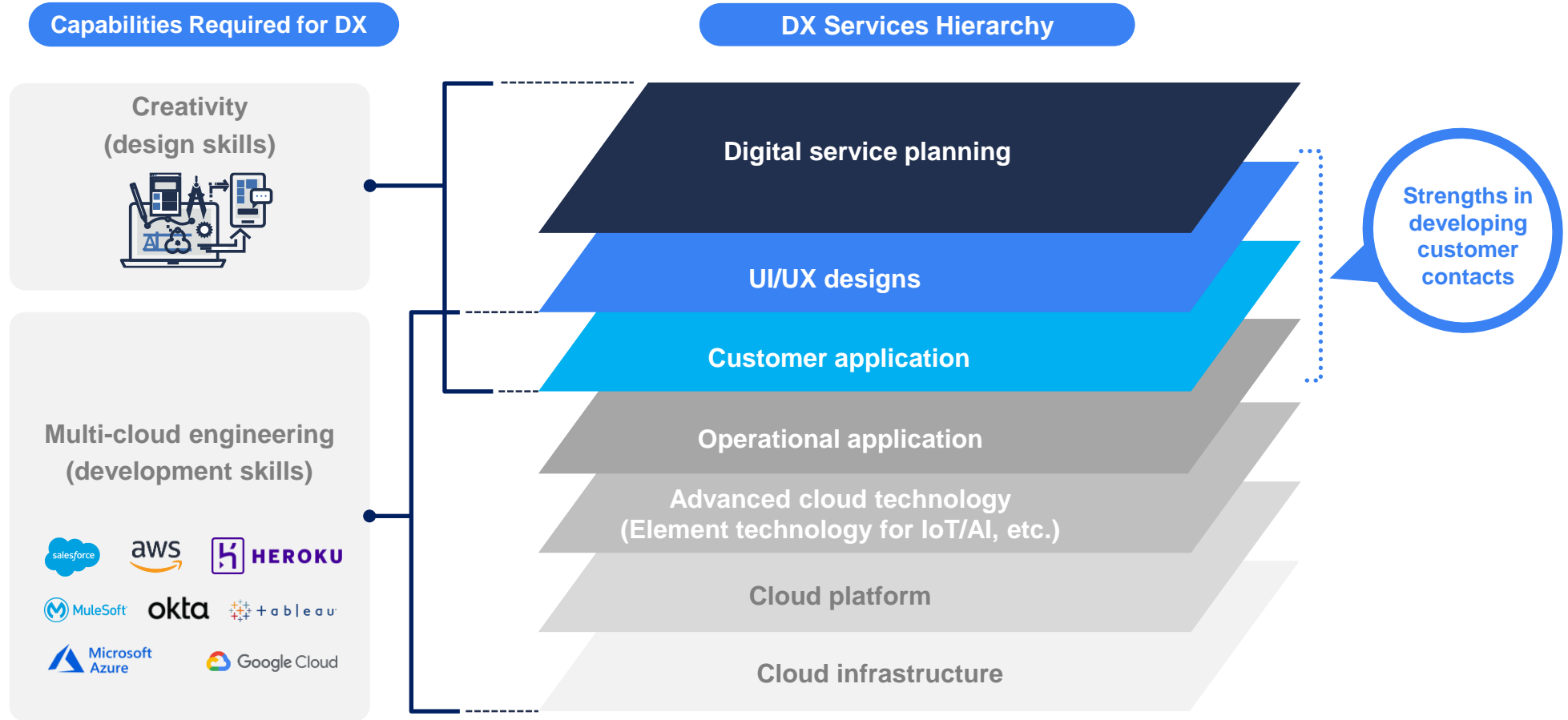Our customer base is centering on major companies[*1] intending to actively promote DX, Major companies accounted for 92% of the total sales[*2].

DX provision services

Community
ID authentication
EC
顧客(CRM)
API coordination
IoT/ Mobility
AI
Online video
Matching/ Sharing

KOMATSU
ANA
NTT docomo
信頼される安心を、社会へ。 SECOM
RECRUIT
JGC 日揮グローバル株式会社
HONDA
ブリヂストンリテールジャパン株式会社
JPX JAPAN EXCHANGE GROUP
経済産業省 Ministry of Economy, Trade and Industry
大塚商会
ヤマト運輸
CASIO
ADVANTEST

*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)
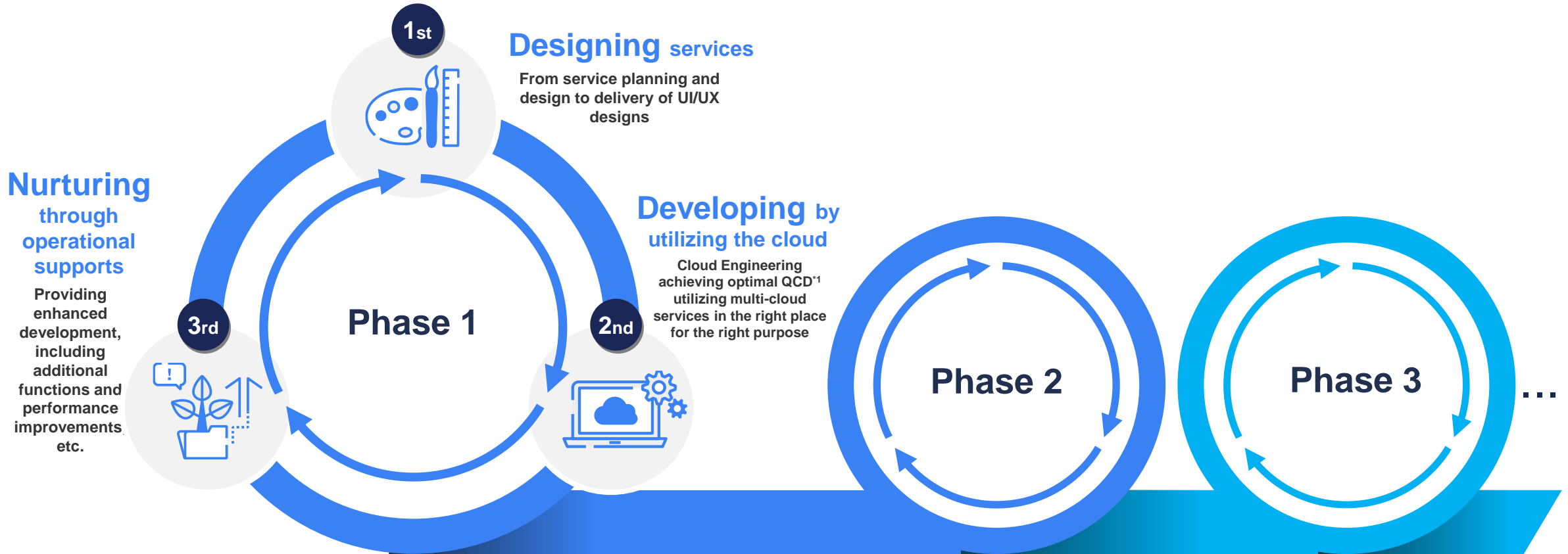*2: Figures for the 1H fiscal year ending March 2024

One-stop Service that Create Digital Services

We take advantage of the "Creativity (design skills)" that can achieve proactive DX and the "multi-cloud engineering" capabilities (development skills), and of the strengths in developing value-creating customer contacts (front end).

Capabilities Required for DX

DX Services Hierarchy

Creativity (design skills)

Multi-cloud engineering (development skills)

salesforce aws HEROKU

MuleSoft okta +ableau

Microsoft Azure Google Cloud

Digital service planning

UI/UX designs

Customer application

Operational application

Advanced cloud technology (Element technology for IoT/AI, etc.)

Cloud platform

Cloud infrastructure

Strengths in developing customer contacts

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.

1st

Designing services

From service planning and design to delivery of UI/UX designs

Nurturing **through operational supports**

Providing enhanced development, including additional functions and performance improvements etc.

3rd

Phase 1

2nd

Developing by **utilizing the cloud**

Cloud Engineering achieving optimal QCD[1] utilizing multi-cloud services in the right place for the right purpose

Phase 2

Phase 3

...

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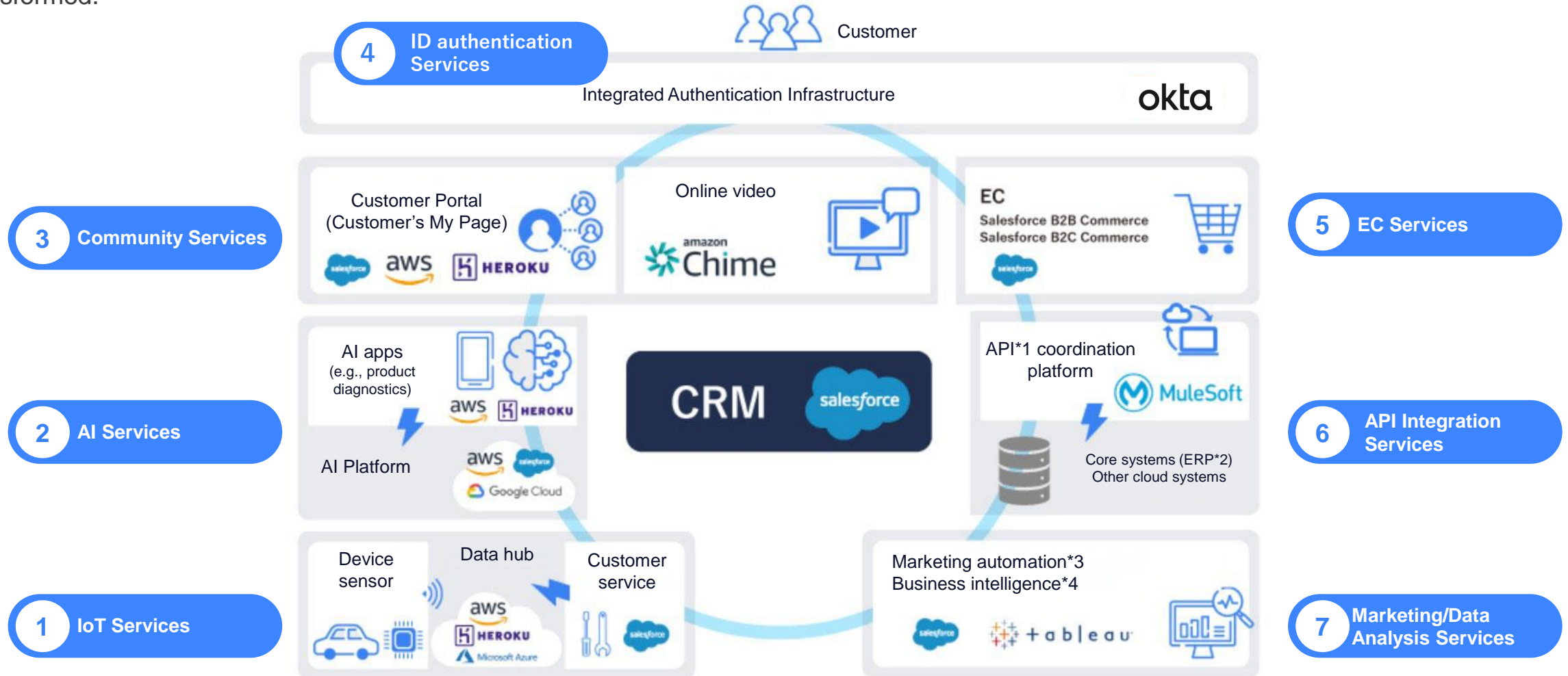
*1: Application Programming Interface: Interface specification used for multiple software products to exchange information with each other
*2: Enterprise Resource Planning: An integrated core operational system
*3 Marketing Automation: A tool to automate marketing activities
*4 Business Intelligence: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

(10,000 units)

- Provided by TSP
- Provided by OEM

4.5 million units

Chart values (y-axis): 0, 50, 100, 150, 200, 250, 300, 350, 400, 450, 500

x-axis years: 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2025, 2030, 2035
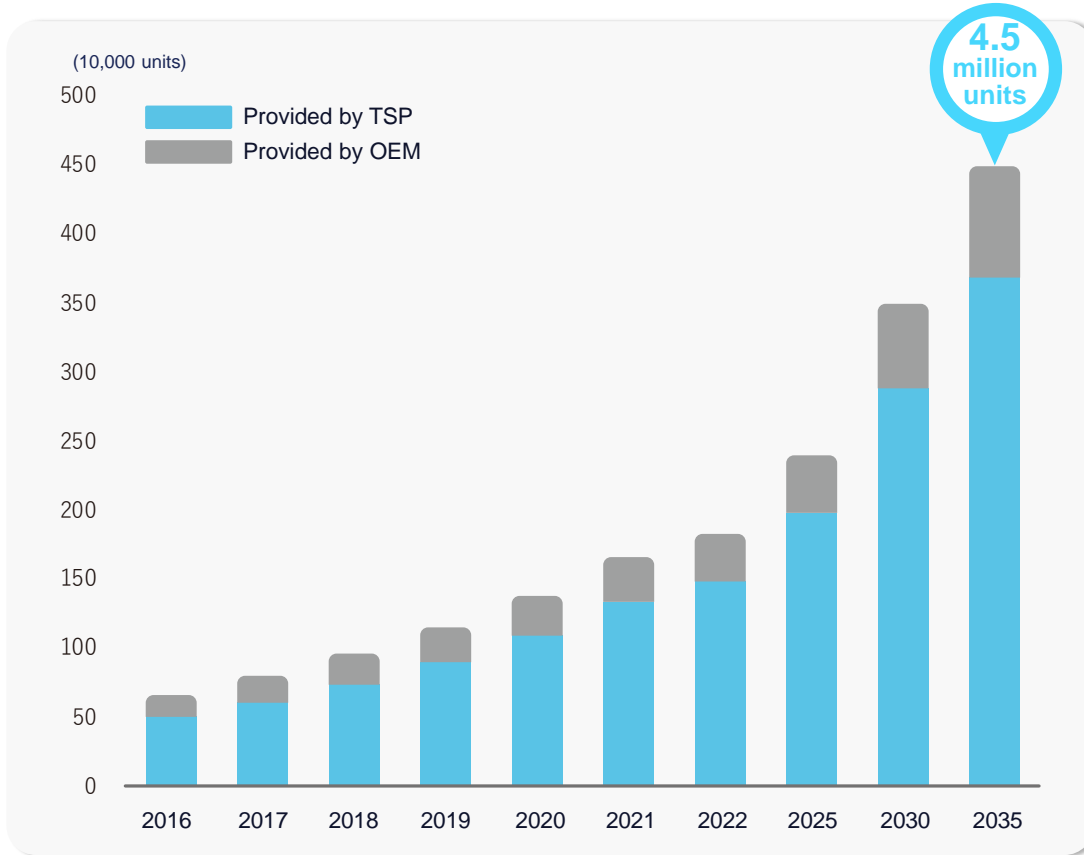
2022

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

2022

Domestic commercial vehicle telematics
1.83 million units/67.6 billion yen

*1: Proprietarily 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 proprietarily 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 January 2023) 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."
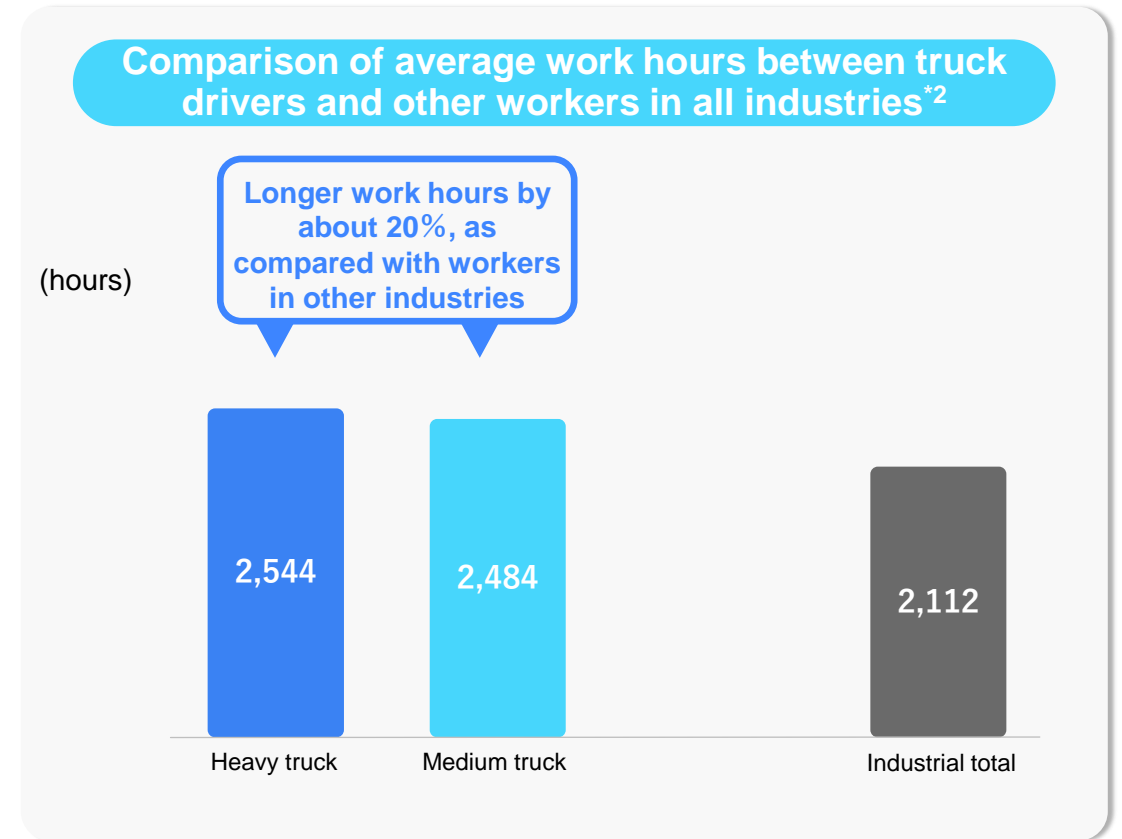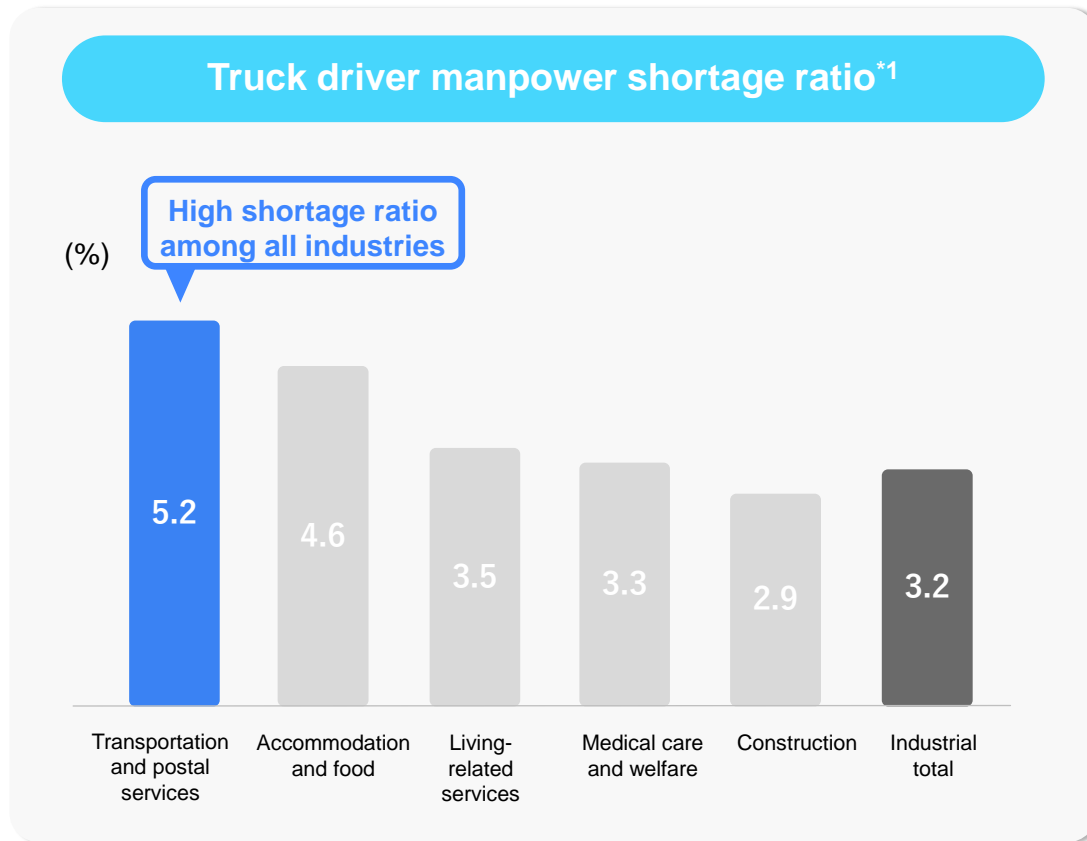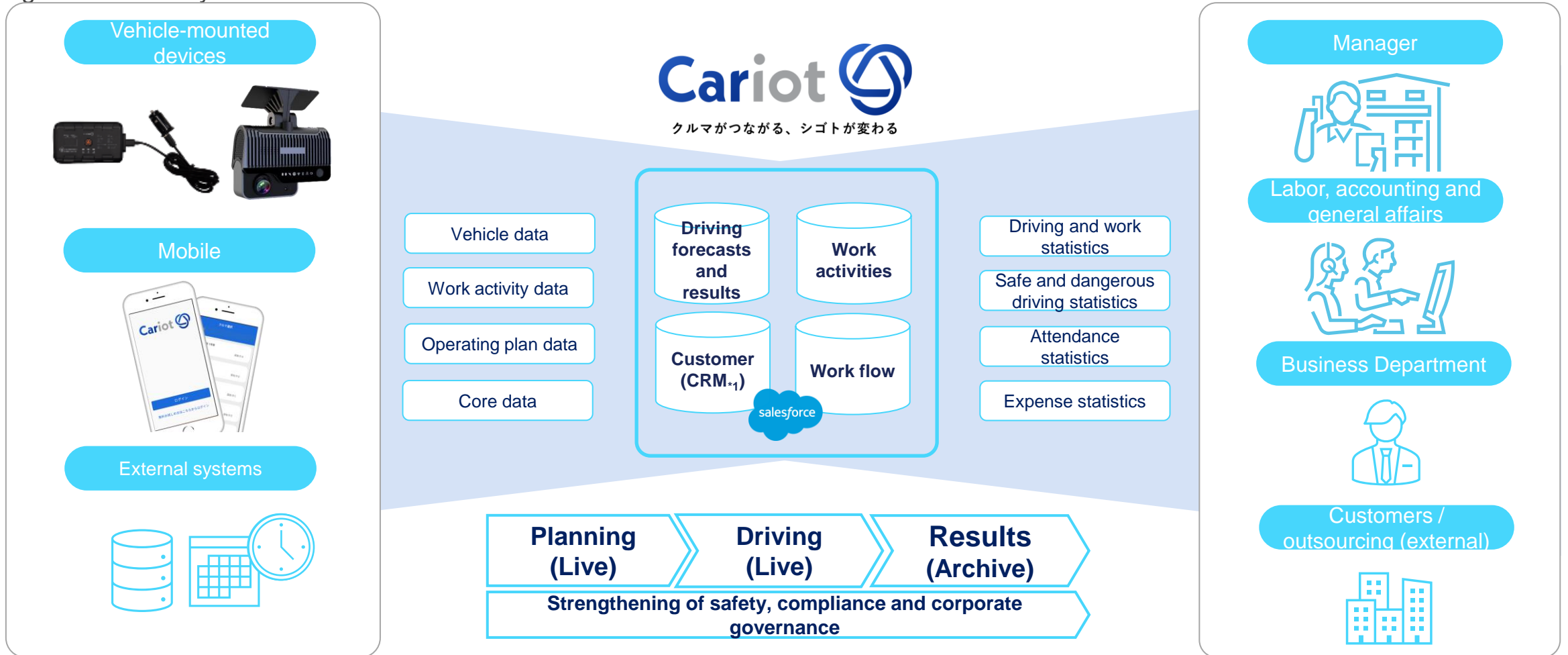
Truck driver manpower shortage ratio[1]

(%)

High shortage ratio among all industries

Transportation and postal services	Accommodation and food	Living-related services	Medical care and welfare	Construction	Industrial total
5.2	4.6	3.5	3.3	2.9	3.2

Comparison of average work hours between truck drivers and other workers in all industries[2]

(hours)

Longer work hours by about 20%, as compared with workers in other industries

Heavy truck	Medium truck	Industrial total
2,544	2,484	2,112

"Cariot," a cloud that innovates the way drivers work and connects vehicles and companies

This is a cloud service with which vehicle data can be obtained, visualized and used simply and in real-time by means of vehicle-mounted devices and smartphone applications.It provides a consistent, digital work experience, from driving forecast management to statistical analysis, to support the greater efficiency of vehicle-related work.

Vehicle-mounted devices

Mobile

External systems

Cariot
クルマがつながる、シゴトが変わる

Vehicle data	
Work activity data	
Operating plan data	
Core data	

Driving forecasts and results

Work activities

Customer (CRM*1)

Work flow

salesforce

Driving and work statistics
Safe and dangerous driving statistics
Attendance statistics
Expense statistics

Manager

Labor, accounting and general affairs

Business Department

Customers / outsourcing (external)

Planning (Live) → Driving (Live) → Results (Archive)

Strengthening of safety, compliance and corporate governance

*1 Abbreviation of Customer Relationship Management, a customer management system.

Financial results for the 2nd Quarter of the fiscal year ending March 2024

(2nd Quarter, Fiscal Year Ending March 2024) Financial Results Summary

1 **Highest ever 1H sales and profits at each level**

Unprofitable projects settled down as planned and profit increased significantly. We posted record highs for both sales and profit in 1H, and results remained strong.

1H, fiscal year ending March 2024

Sales	**3,061** million yen	**+26.0%** (YoY)
Operating income	**243** million yen	**+420.7%** (YoY)
Net income	**165** million yen	**+411.4%** (YoY)

2 **We realized an increase in new customers and the expansion of business with existing customers at the same time.**

While acquiring new customers, ARPA decreased slightly, but was maintained at the same level as 1Q.

Major companies Number of quarterly contract customers **43** companies **+3 companies** (QoQ)

Major companies Quarterly average revenue per account (ARPA) **31.8** million yen **-1.4 million yen** (QoQ)

3 **The number of engineers and other employees increased steadily.**

In the human resources seller's market, progress exceeded plans. We will continue to focus on human resources, aiming to add to the number of recruits.

As of the end of September 2023

Number of engineers and other employees*1 **244** people

+84people (YoY)

+11 people (Compared to June 2023)

4 **Strong demand for DX remains unchanged and there is no change in the results forecast**

Although we have performed strongly recently, the forecast for 2H is cautious. In addition, we will also consider the expansion of investment for future growth in accordance with the progress of results.

Forecast of results for full term, FY2023

Sales	**6,395** million yen	**+20.5%** (YoY)
Operating income	**553** million yen	**+114.5%** (YoY)
Net income	**385** million yen	**+73.1%** (YoY)

*1 Professional human resources such as engineers and managers in the Cloud Integration Services Division, excluding administrative personnel (as of the end of September 2023)

(2nd Quarter, Fiscal Year Ending March 2024) Topics

We received an order for a project from the Japan Association for the 2025 World Exposition. In addition, we disclosed an NTT DOCOMO, INC. development case.

Order received from the Japan Association for the 2025 World Exposition

We were selected as the best proposal provider for the "Introduction, operation and maintenance of services and infrastructure for personnel related to the 2025 World Exposition in Japan" and received an order for this project.

With these services and infrastructure, we are planning to improve visitor services by streamlining the work of people related to the exposition.

* Published in the public recruitment of proposals related to the "Introduction, operation and maintenance of services and infrastructure for personnel related to the 2025 World Exposition in Japan" on the official website of the Japan Association for the 2025 World Exposition.
Click here for information on the public recruitment of proposals
Click here for the selection results

Disclosure of an NTT DOCOMO, INC. development case

We supported the development of an "online community," a common backyard platform between DOCOMO, sales agents and DOCOMO shops.

We improved the operational efficiency of work and productivity, and enabled the shift of human resources to customer handling and growth areas.
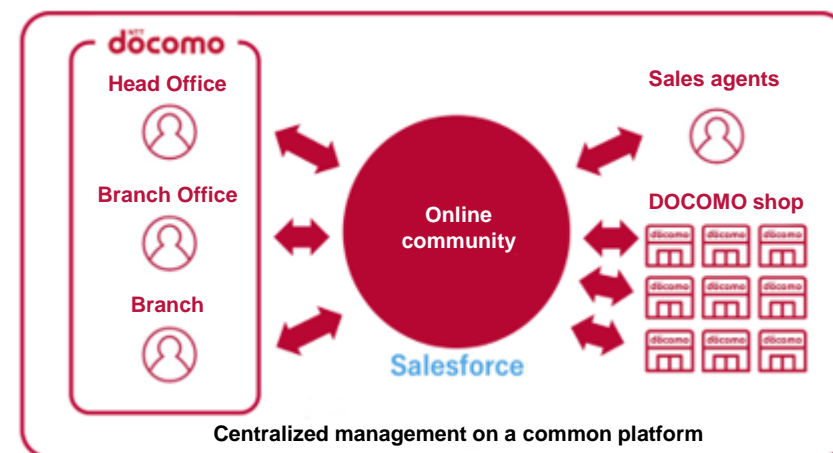

* Click here for the NTT DOCOMO, INC. development case

(2nd Quarter, Fiscal Year Ending March 2024) Results Trends

Against the backdrop of vigorous demand for DX support, sales reached a record high of 1,578 million yen (up 25.5% year-on-year).
The gross margin improved to 44.4% (up 7.0 pts year-on-year) as unprofitable projects settled down as planned in 2Q. Gross profit was a record high 700 million yen (up 49.0% year-on-year).
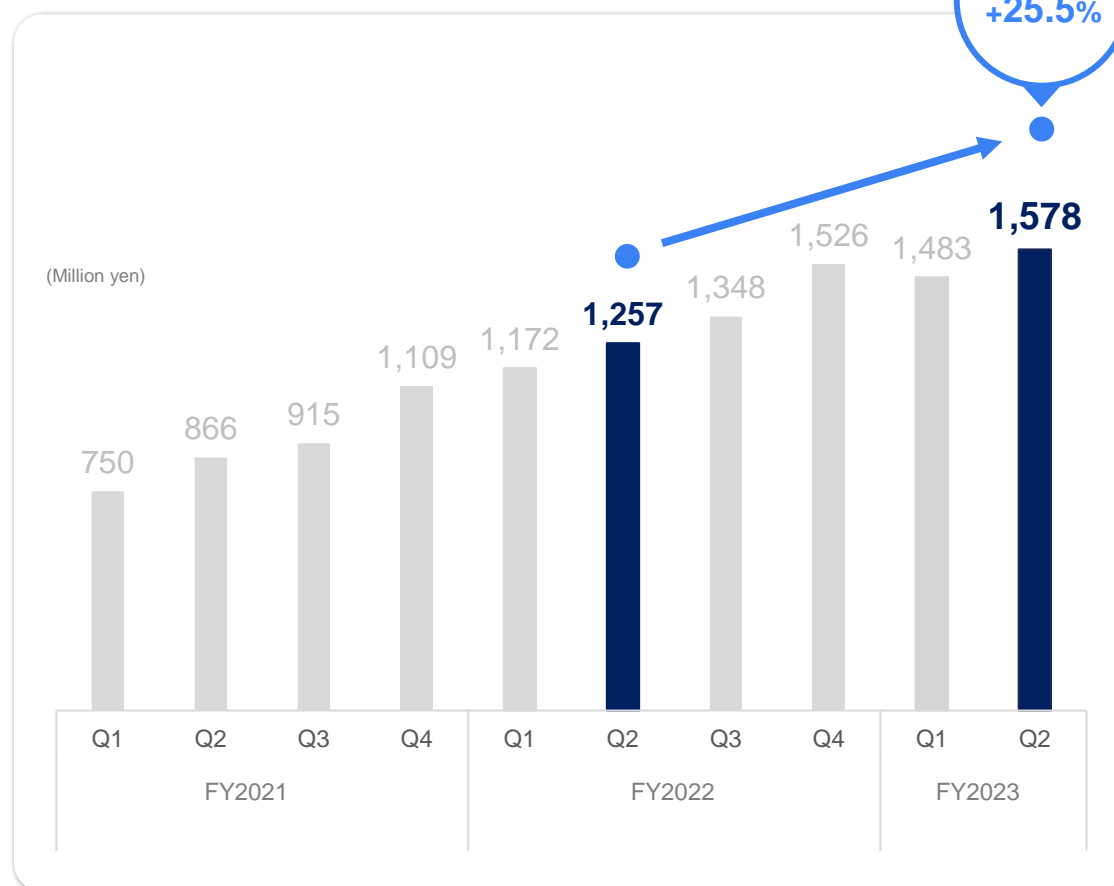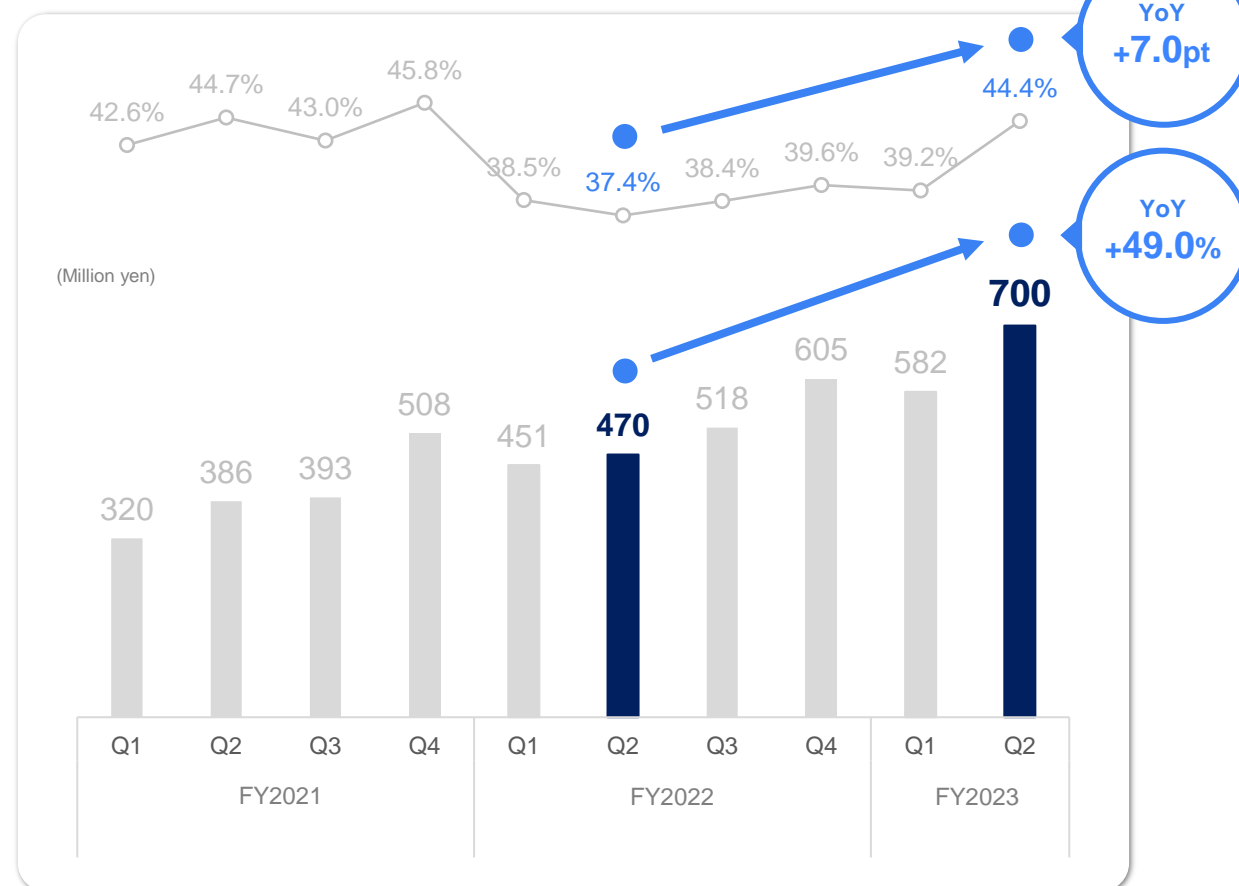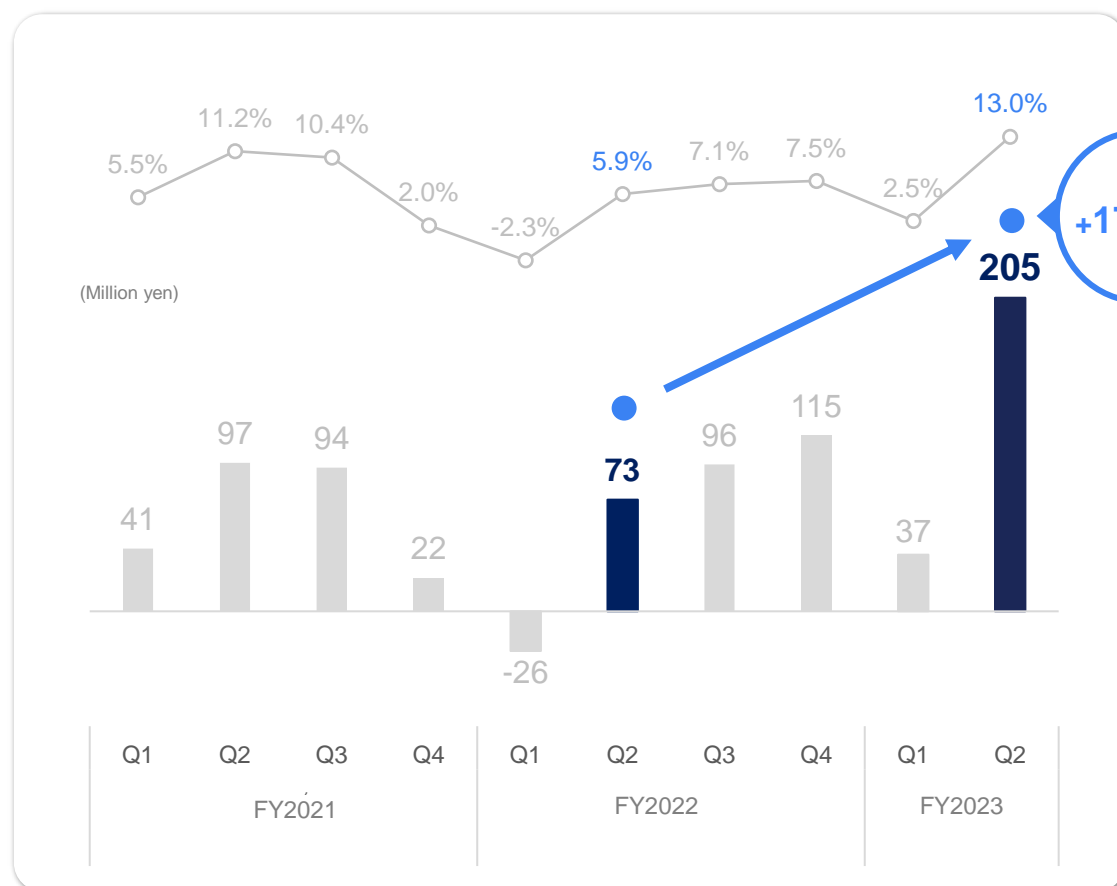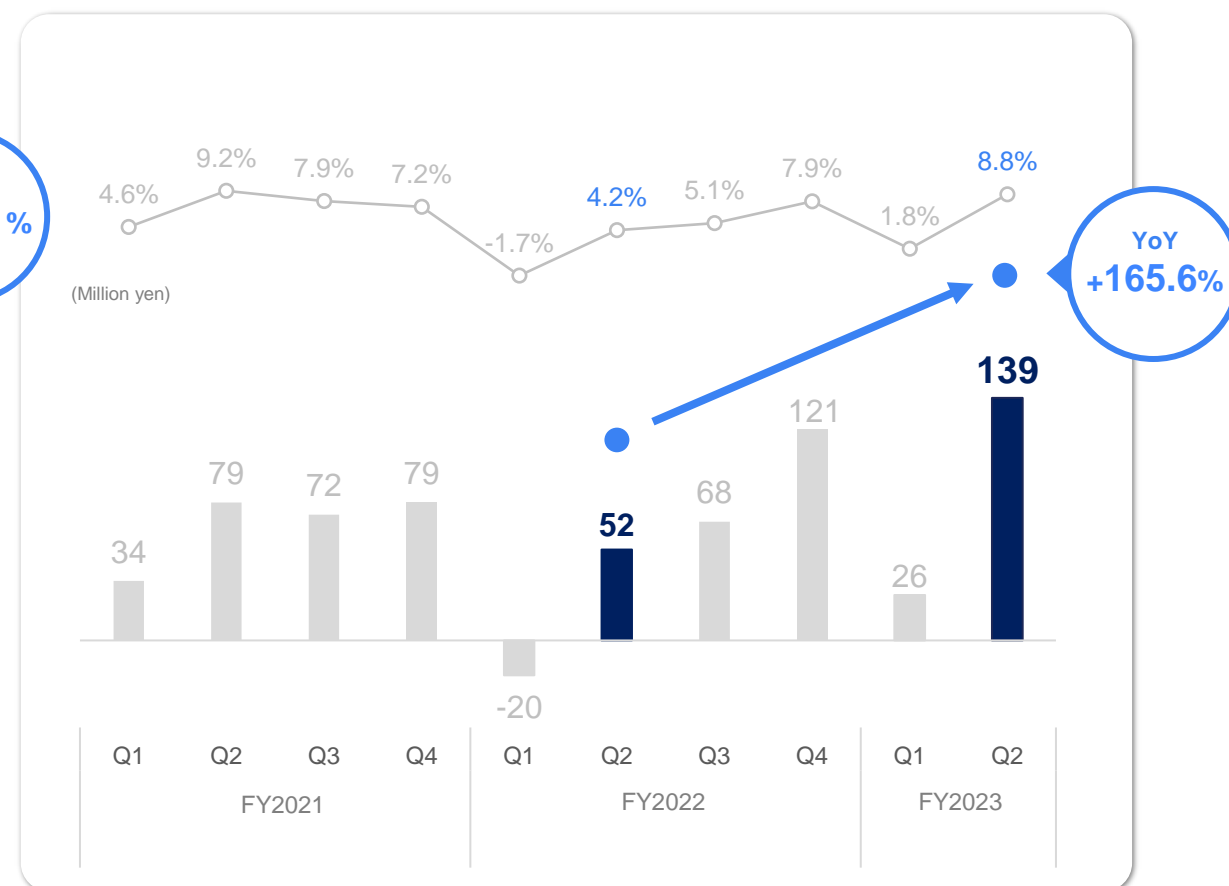
(2nd Quarter, Fiscal Year Ending March 2024) Results Trends

Operating income rose significantly to a record high of 205 million yen (up 179.1% year-on-year) as profit margins improved due to unprofitable projects settling down. Net income was a record high 139 million yen (up 165.6% year-on-year).

Operating income (quarterly accounting period)

(Million yen)

	FY2021				FY2022				FY2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Margin %	5.5%	11.2%	10.4%	2.0%	-2.3%	5.9%	7.1%	7.5%	2.5%	13.0%
Value	41	97	94	22	-26	73	96	115	37	205

YoY +179.1%

Net income (quarterly accounting period)

(Million yen)

	FY2021				FY2022				FY2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Margin %	4.6%	9.2%	7.9%	7.2%	-1.7%	4.2%	5.1%	7.9%	1.8%	8.8%
Value	34	79	72	79	-20	52	68	121	26	139

YoY +165.6%

(1H, Fiscal Year Ending March 2024) Financial Results Summary

1H sales were a record high 3,061 million yen (up 26.0% year-on-year). Sales exceeded the plan and are performing well. Profits at each level have also progressed higher than planned as unprofitable projects settled down in 2Q.
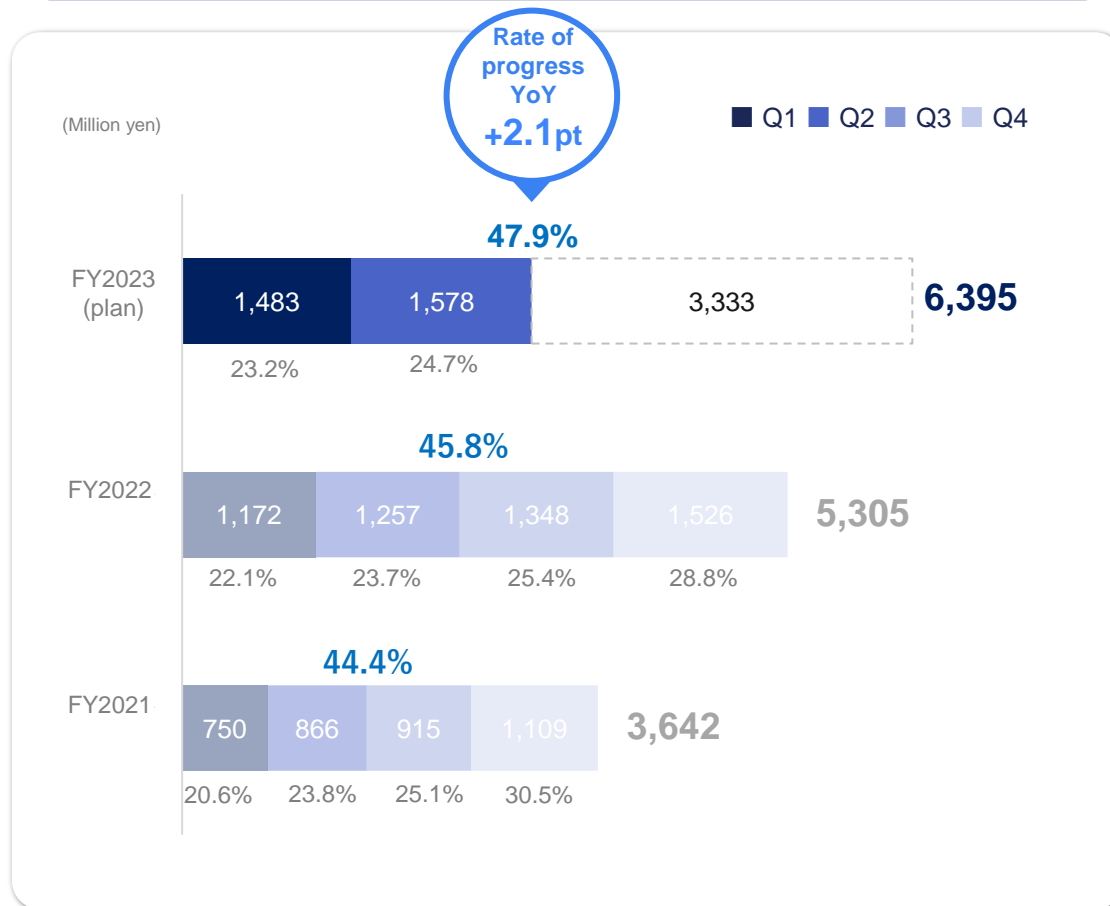
(Million yen)

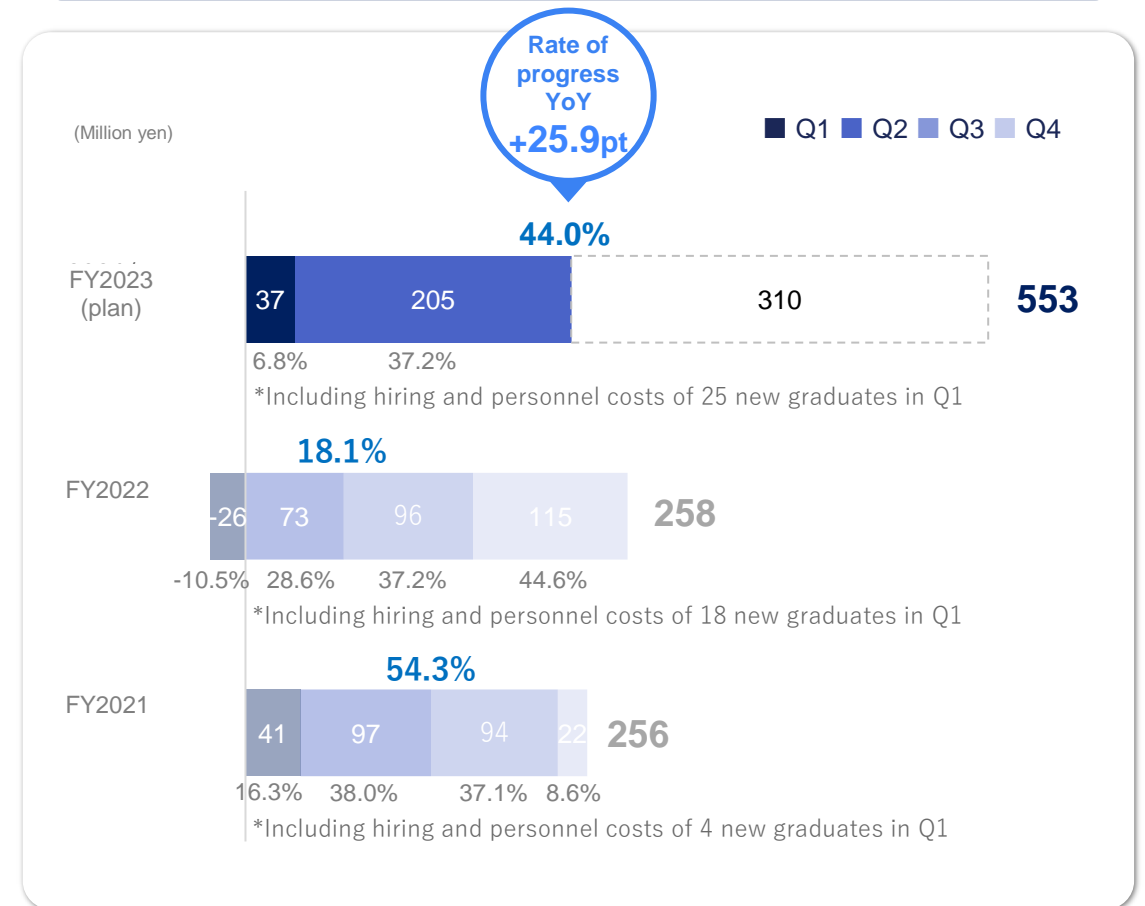|	1H, FY2022 (Apr.-Sep.)	1H, FY2023 (Apr.-Sep.)	YoY		Results forecast for full term, FY2023	Results progress rate
			Change in amount	Rate of change		
Sales	2,429	3,061	+631	+26.0%	6,395	47.9%
Gross profit	921	1,282	+360	+39.1%	2,740	46.8%
(%)	37.9%	41.9%	+4.0pt		42.9%	
SG&A	874	1,038	+164	+18.7%	2,187	47.5%
(%)	36.0%	33.9%	-2.1pt		34.2%	
Operating income	46	243	+196	+420.7%	553	44.0%
(%)	1.9%	8.0%	+6.0pt		8.7%	
Net income	32	165	+133	+411.4%	385	42.9%
(%)	1.3%	5.4%	+4.1pt		6.0%	

(1H, Fiscal Year Ending March 2024) Results Progress

Sales remained strong at a rate of progress of 47.9%, which was above the previous fiscal year. Operating income was higher than planned due to sales remaining steady, in addition to unprofitable projects settling down. Although we have performed strongly recently, the forecast for 2H is cautious. In addition, we will also consider the expansion of investment for future growth in accordance with the progress of results.

Sales - rate of progress

(Million yen)

Rate of progress YoY **+2.1pt**

■ Q1 ■ Q2 ■ Q3 ■ Q4

FY2023 (plan) — **47.9%**
| 1,483 | 1,578 | 3,333 | **6,395** |
| 23.2% | 24.7% | | |

FY2022 — **45.8%**
| 1,172 | 1,257 | 1,348 | 1,526 | **5,305** |
| 22.1% | 23.7% | 25.4% | 28.8% | |

FY2021 — **44.4%**
| 750 | 866 | 915 | 1,109 | **3,642** |
| 20.6% | 23.8% | 25.1% | 30.5% | |

Operating income - rate of progress

(Million yen)

Rate of progress YoY **+25.9pt**

■ Q1 ■ Q2 ■ Q3 ■ Q4

FY2023 (plan) — **44.0%**
| 37 | 205 | 310 | **553** |
| 6.8% | 37.2% | | |

*Including hiring and personnel costs of 25 new graduates in Q1

FY2022 — **18.1%**
| -26 | 73 | 96 | 115 | **258** |
| -10.5% | 28.6% | 37.2% | 44.6% | |

*Including hiring and personnel costs of 18 new graduates in Q1

FY2021 — **54.3%**
| 41 | 97 | 94 | 22 | **256** |
| 16.3% | 38.0% | 37.1% | 8.6% | |

*Including hiring and personnel costs of 4 new graduates in Q1

(2nd Quarter, Fiscal Year Ending March 2024) Selling, General and Administrative Expenses

SG&A expenses increased year-on-year to 494 million yen (up 24.7% year-on-year) in 2Q of the term ending March 2024, but the SG&A ratio remained at a level slightly lower than the previous 2Q at 31.3% (down 0.2 pts year-on-year) due to the effect of increased revenue, despite salary revisions (increases).

Quarterly accounting periods
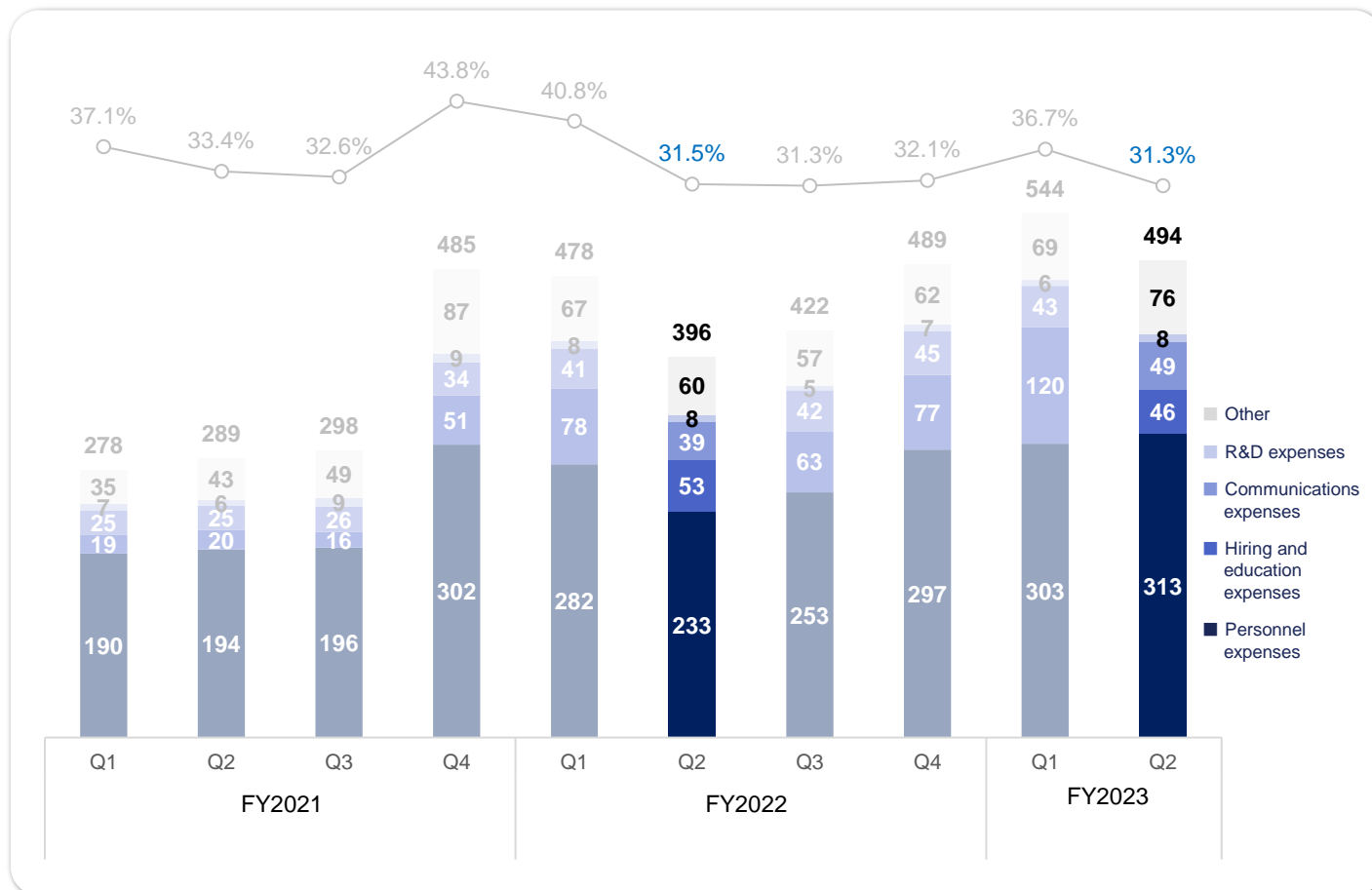
Full term
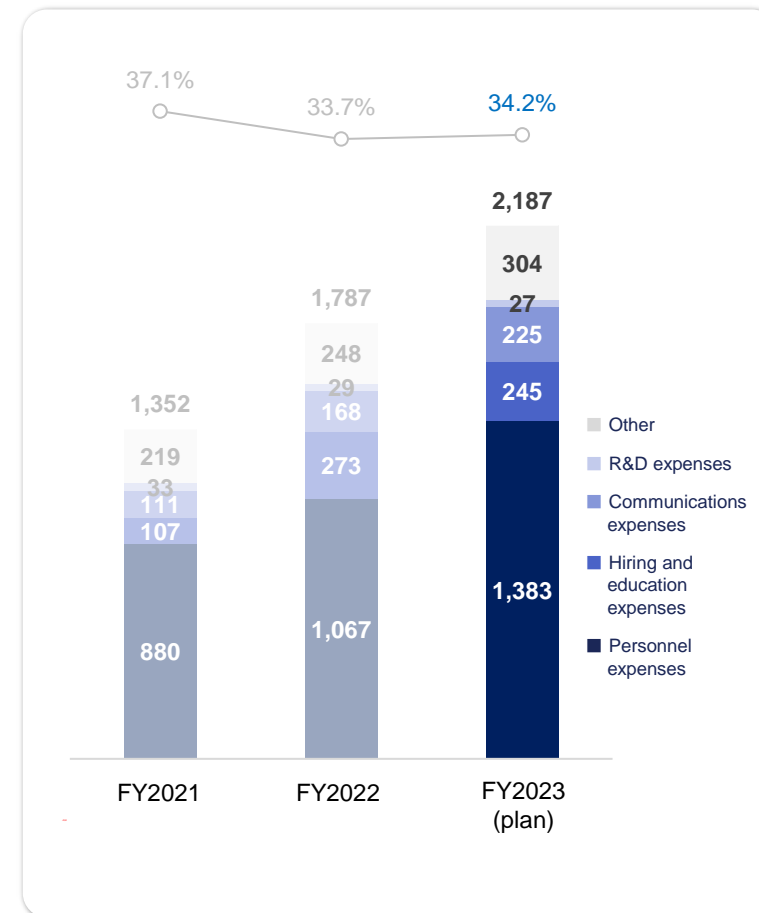
(2nd Quarter, Fiscal Year Ending March 2024) Balance Sheet

The main changes are current assets increasing by 280 million yen and current liabilities increasing by 160 million yen. The equity ratio of 53.5% is a sound financial foundation.
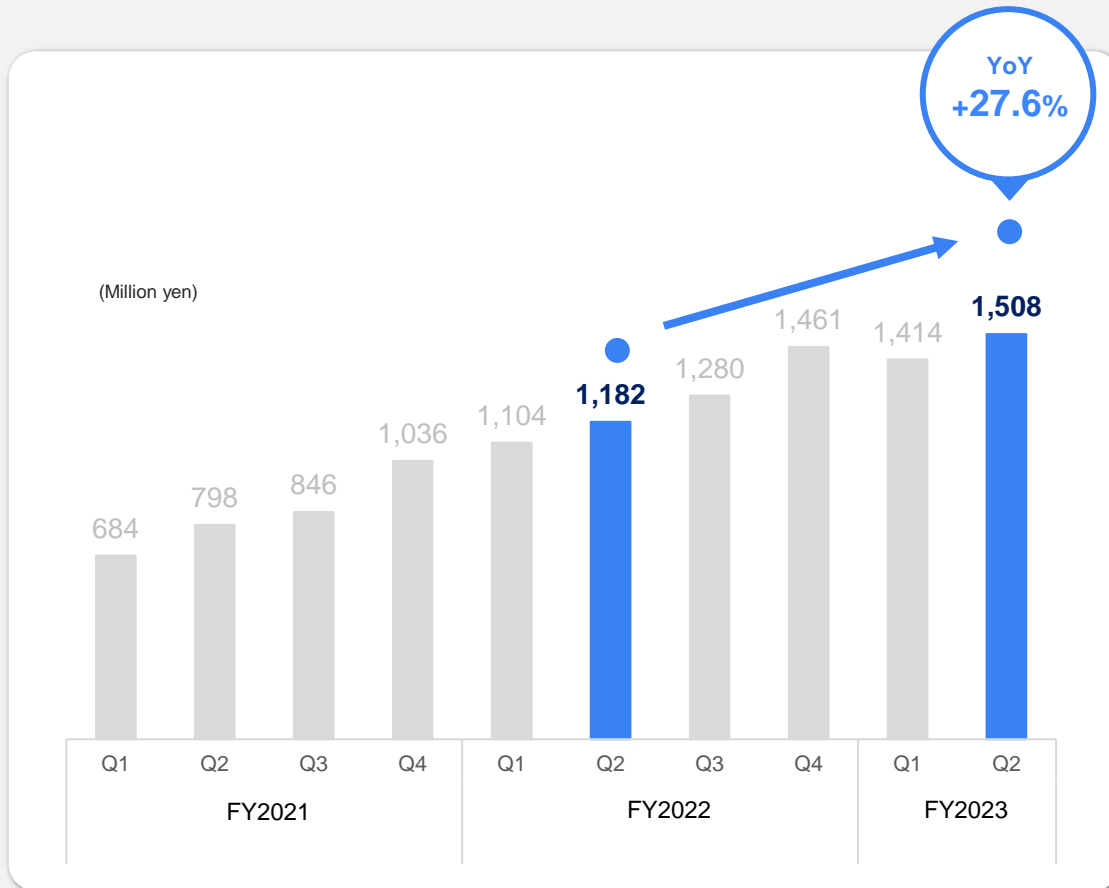
(Million yen)

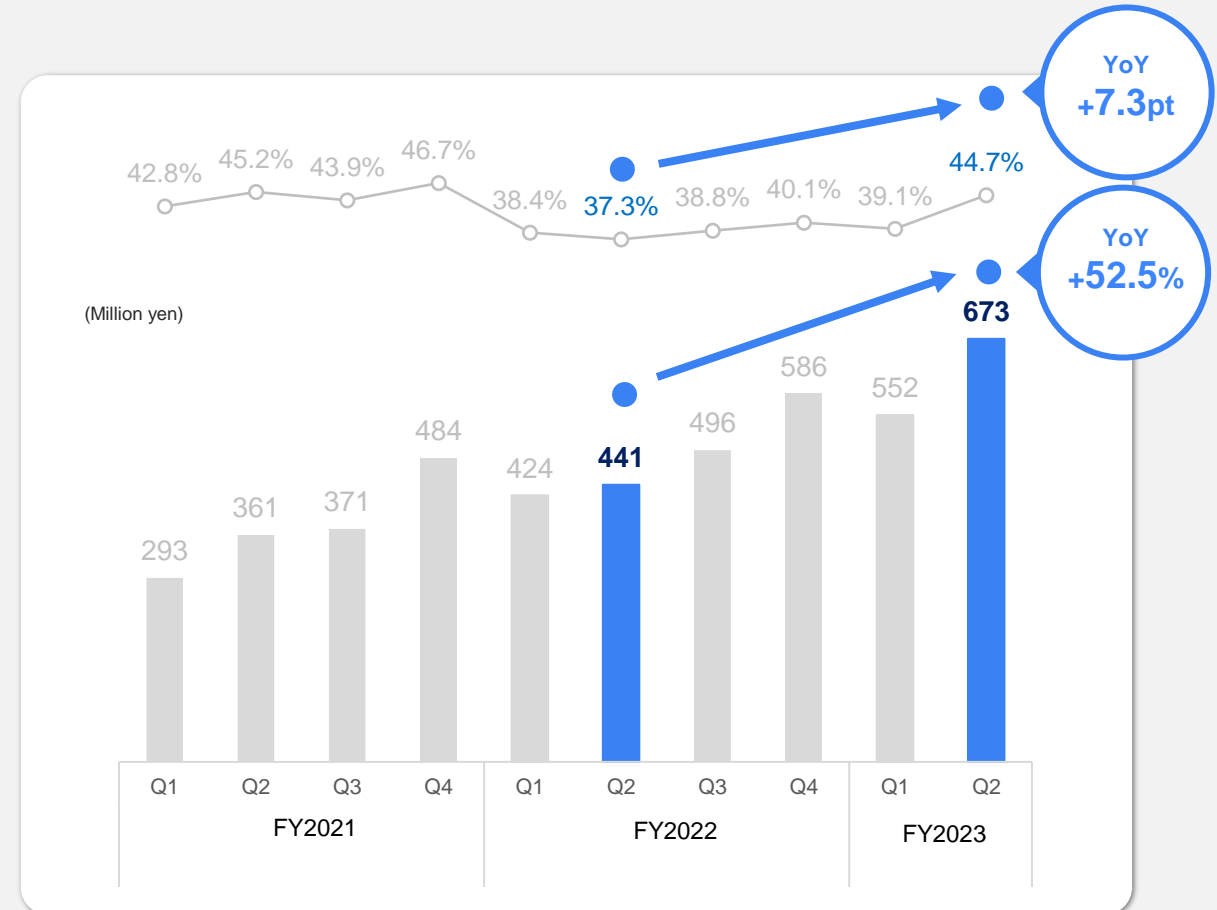|	FY2022 (As of term-end)	FY2023 (September 30, 2023)	Change in amount
Total assets	**2,881**	**3,180**	**+299**
Current assets	2,577	2,858	+280
Fixed assets	304	322	+18
Total liabilities	**1,351**	**1,479**	**+128**
Current liabilities	768	929	+160
Fixed liabilities	582	550	-32
Net assets	**1,530**	**1,701**	**+170**
Total assets	**2,881**	**3,180**	**+299**
Cash and deposits	1,155	1,386	+231
Interest-bearing liabilities	633	614	-18
Equity ratio	53.1%	53.5%	+0.4pt

Trend in Results

Sales (quarterly accounting period)

Against the backdrop of vigorous demand for DX support, sales reached a record high of 1,508 million yen (up 27.6% year-on-year).

YoY +27.6%

(Million yen)

684	798	846	1,036	1,104	**1,182**	1,280	1,461	1,414	**1,508**
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
FY2021				FY2022				FY2023	

## Gross profit (quarterly accounting period)

The gross margin improved significantly to 44.7% (up 7.3 pts year-on-year) due to unprofitable projects settling down, and we achieved record high gross profit.

YoY +7.3pt

YoY +52.5%

42.8% 45.2% 43.9% 46.7% 38.4% **37.3%** 38.8% 40.1% 39.1% 44.7%

(Million yen)

|									
293	361	371	484	424	**441**	496	586	552	**673**
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
FY2021				FY2022				FY2023	

KPI Trends（Quarterly Basis）

Number of quarterly contract customers[*1]

The number of major company quarterly contract customers increased by three in 2Q of the term ending March 2024 compared to 1Q to 43 companies as a result of continuing to work on the acquisition of new customers.
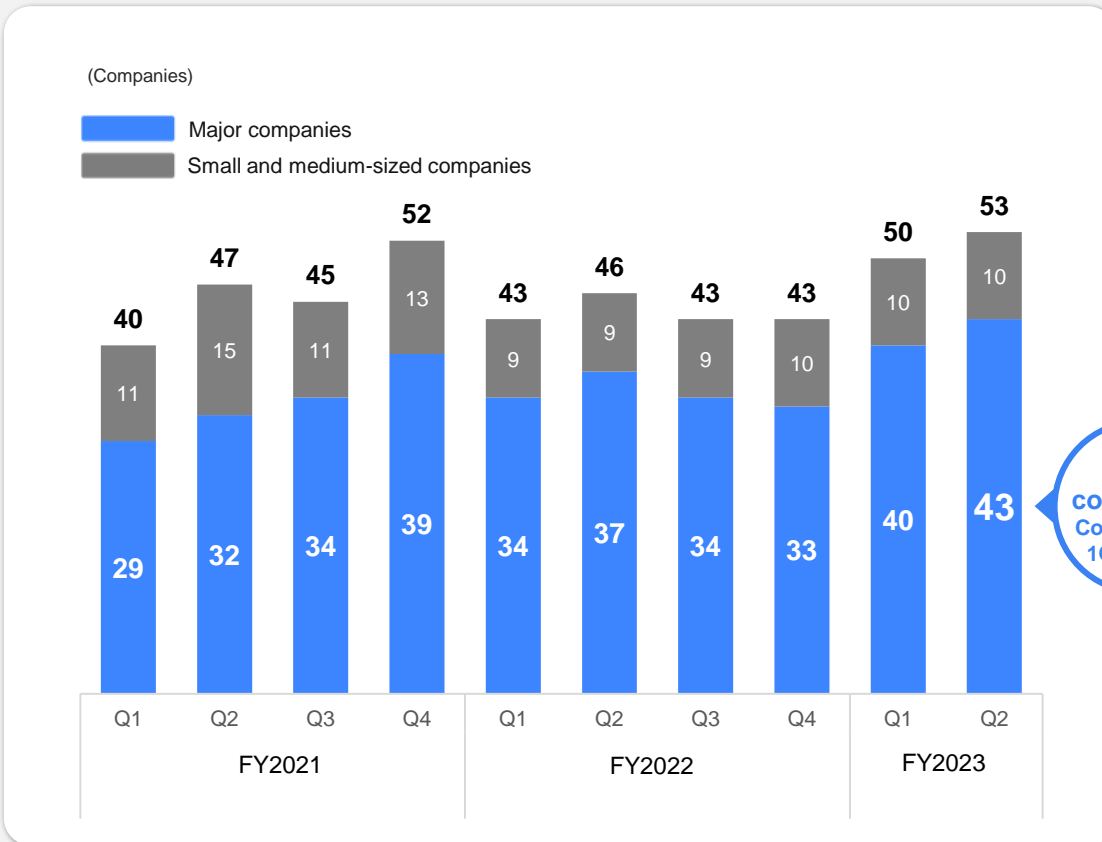
Quarterly average revenue per account (ARPA[*2])

ARPA for major companies in 2Q of the term ending March 2024 remained at the same level as 1Q as we expanded transactions with existing customers while acquiring new customers. We expect the expansion of transactions with new customers from 3Q on.
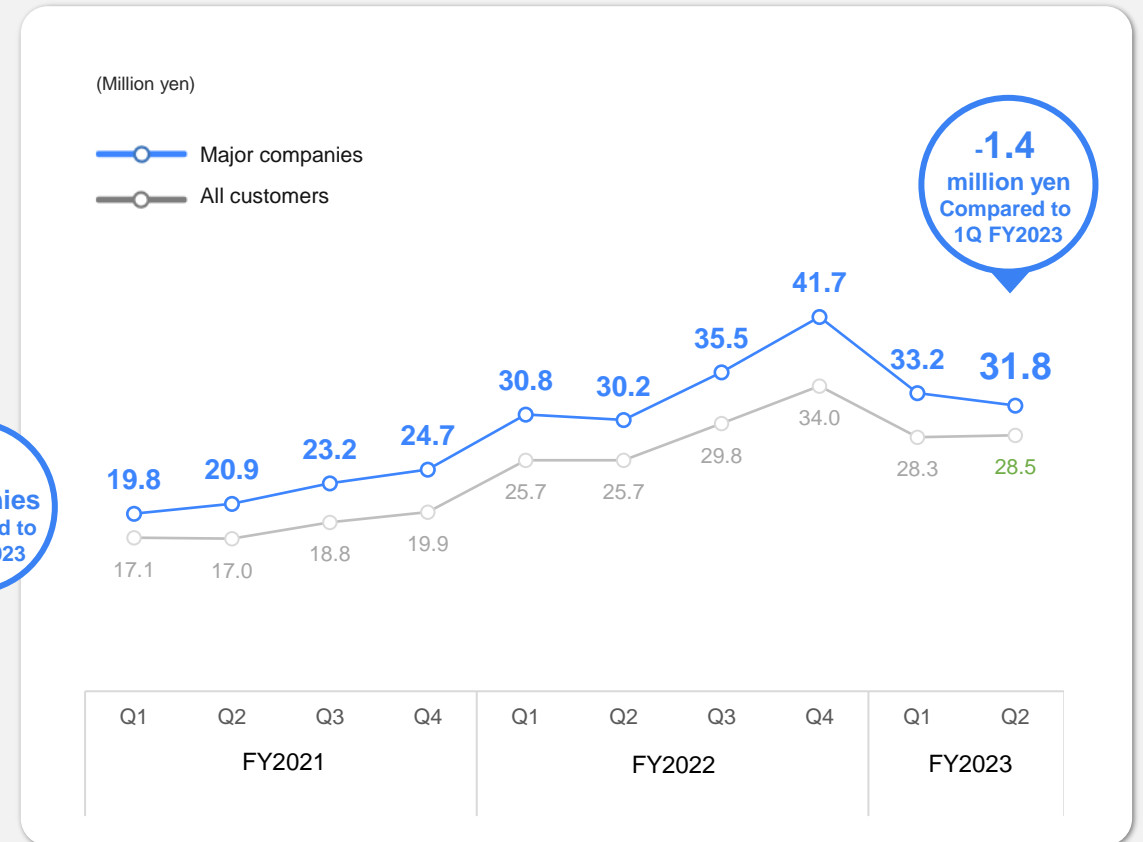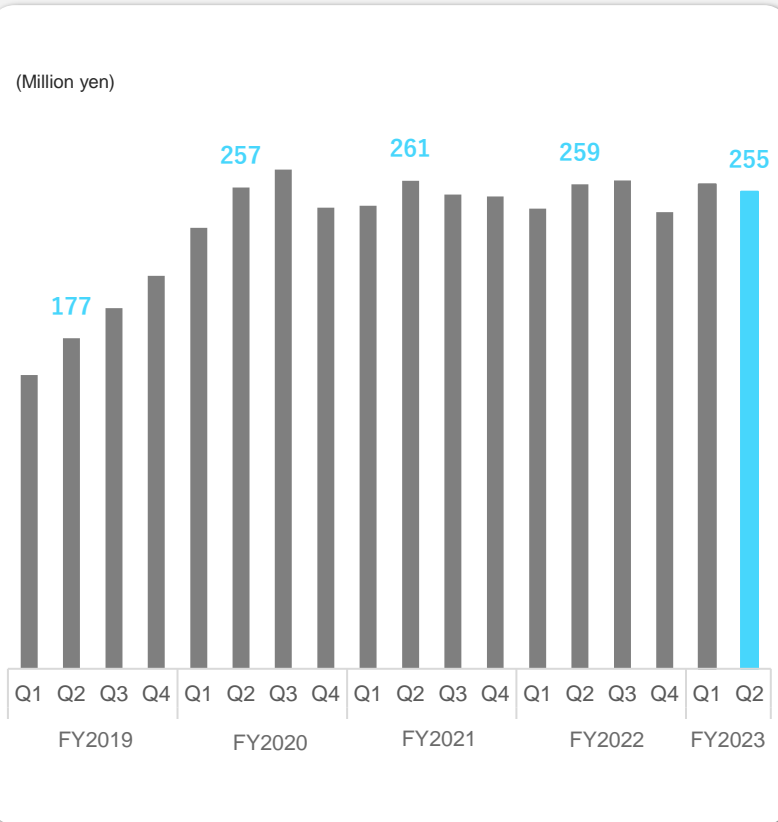
*1 Number of contract customers in the quarterly accounting period excluding resales. Resales are where the company resells purchased licenses to customers and are excluded because the amount at the company is small.
*2 Abbreviation of average revenue per account (average sales per customer), or quarterly average sales per customer excluding resales. Calculated by dividing quarterly sales excluding resales by the number of quarterly contract customers
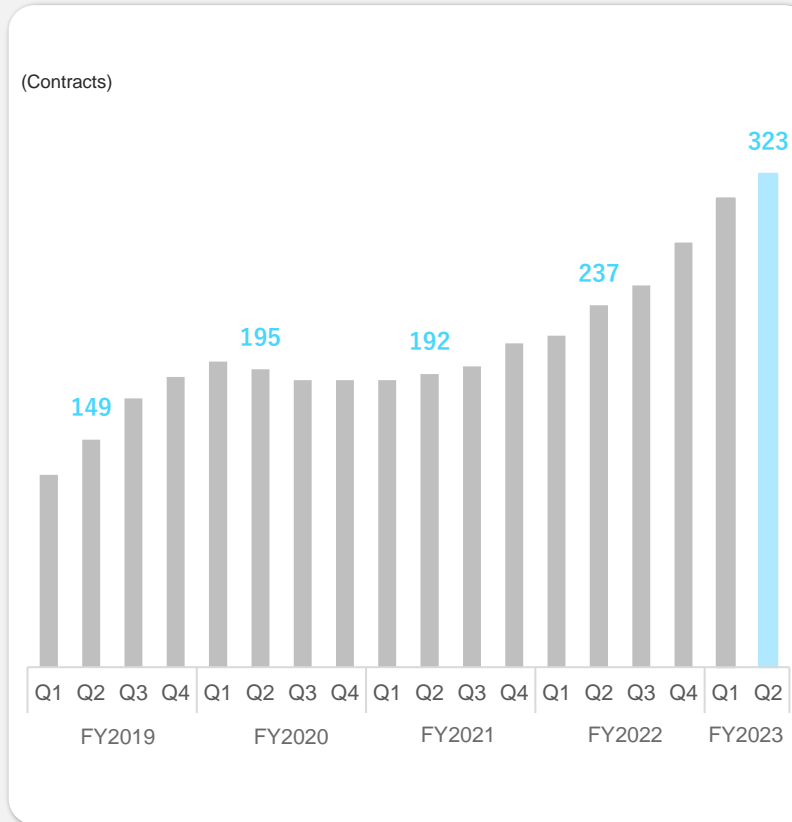
KPI Trends

As a result of focusing on targeted areas where we can take advantage of our competitive superiority, such as small to medium companies' delivery trucks, garbage trucks, and sales and door-to-door service vehicles, we obtained a large number of new customers, with the number of contracts increasing to a record high of 323 in 2Q of the term ending March 2024. On the other hand, ARR for 2Q of the term ending March 2024 was 255 million yen, down 4 million yen from the previous quarter, due to cancellations by customers acquired under past strategies.
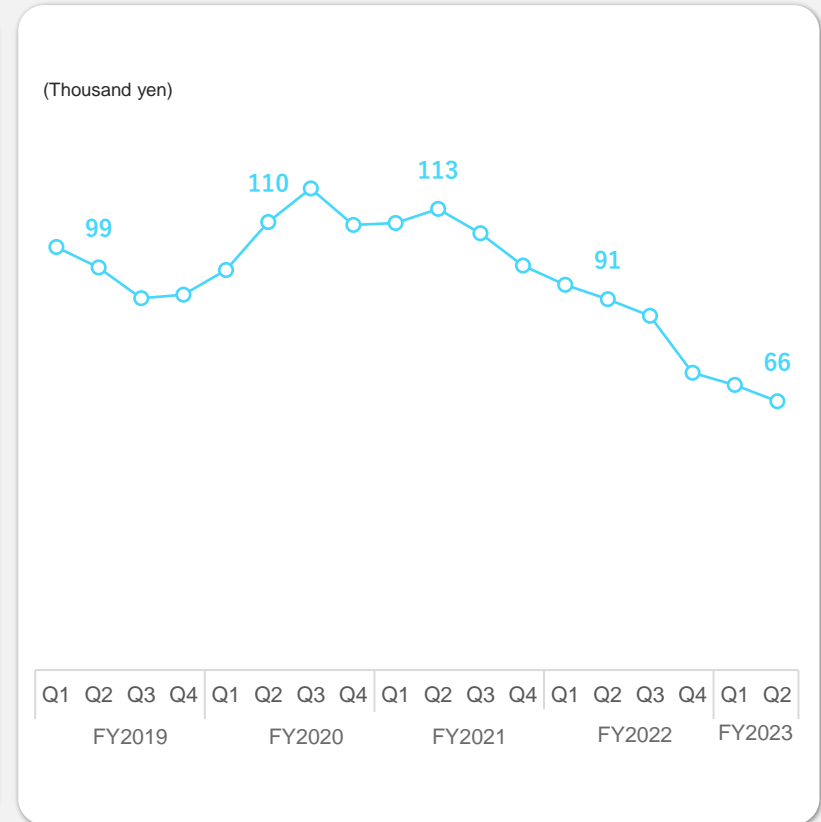
ARR[1]

(Million yen)

Chart values: 177, 257, 261, 259, 255

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	FY2019				FY2020				FY2021				FY2022				FY2023	

Number of contracts[2]

(Contracts)

Chart values: 149, 195, 192, 237, 323

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	FY2019				FY2020				FY2021				FY2022				FY2023	

ARPA[3]

(Thousand yen)

Chart values: 99, 110, 113, 91, 66

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	FY2019				FY2020				FY2021				FY2022				FY2023	

*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
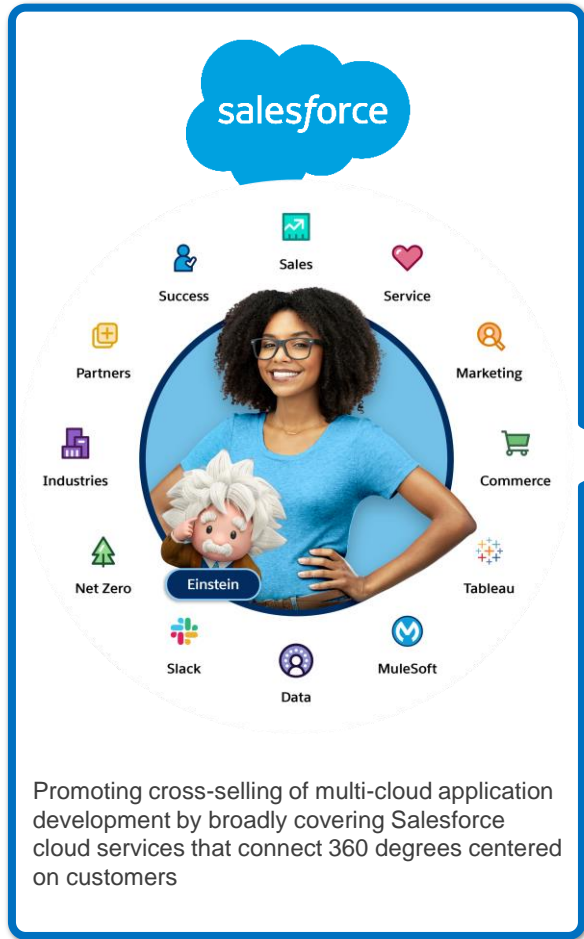
Growth Strategy

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 growth centered on Cloud Integration Services. We 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.
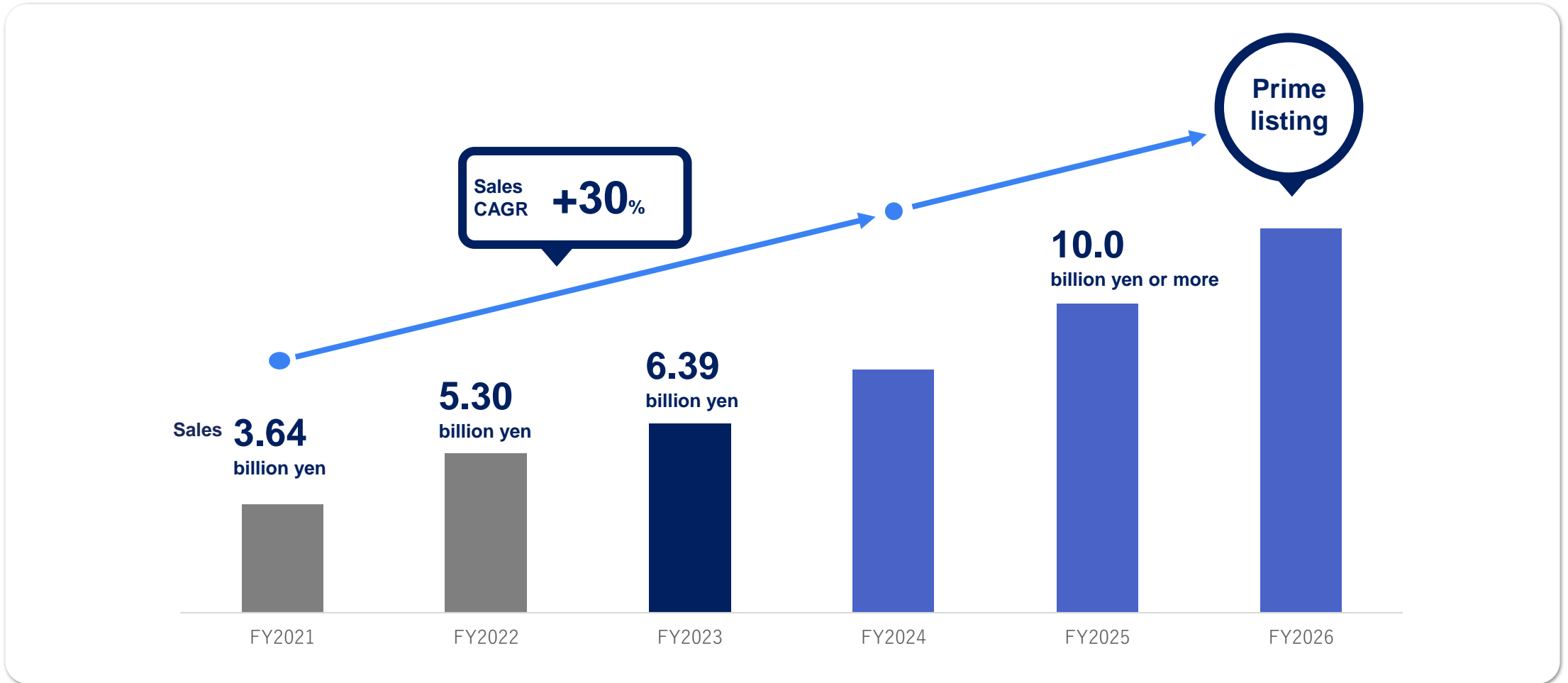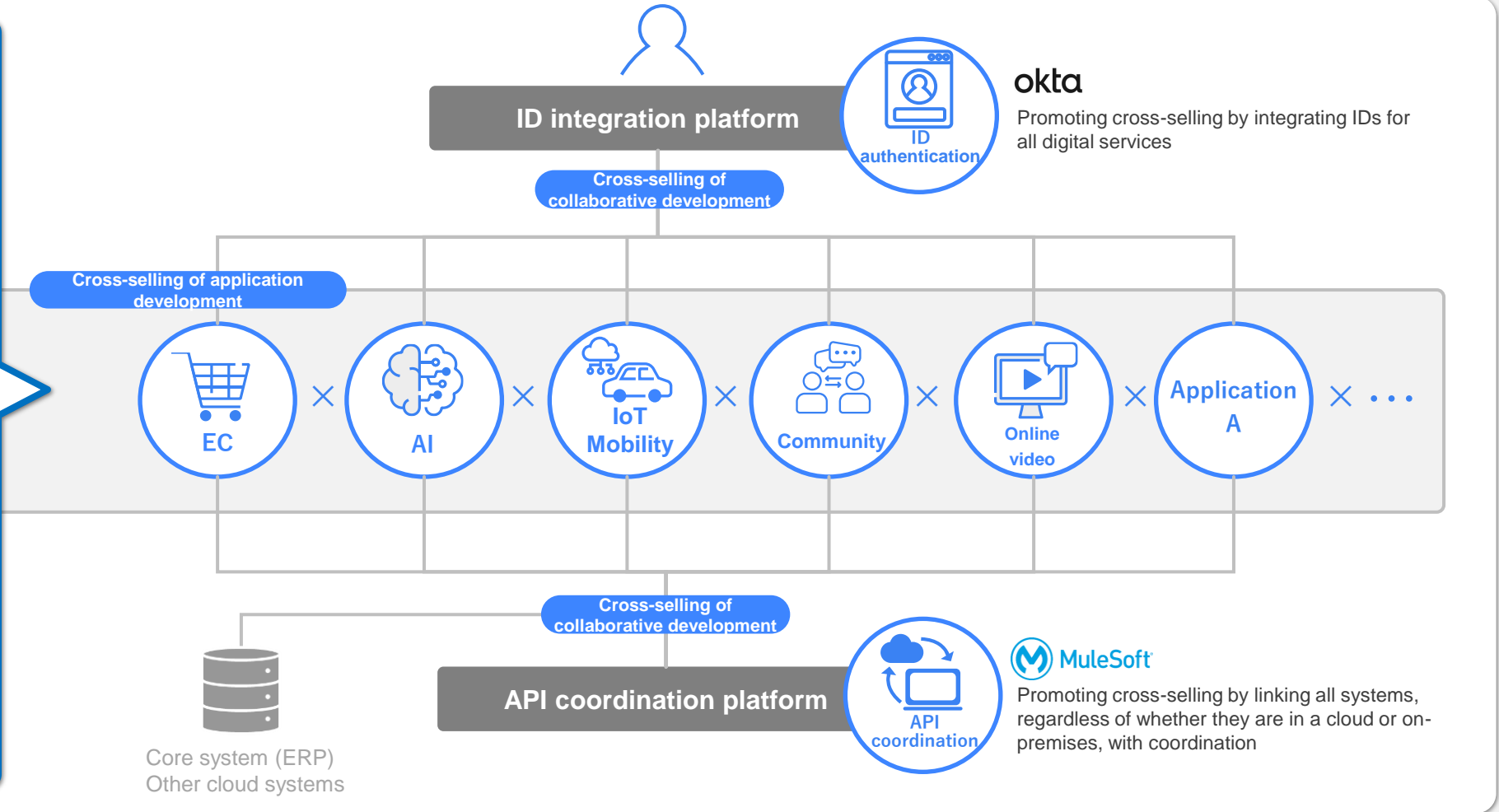
Enhancing and Developing Multi-cloud Services

In addition to multi-cloud application development, we will promote cross-selling through platform collaborative development to increase ARPA among existing customers. Further, we will also expand business channels by developing cloud partners towards increasing the number of contracted customers.

salesforce

Success · Sales · Service · Marketing · Partners · Commerce · Industries · Net Zero · Tableau · Slack · Data · MuleSoft · Einstein
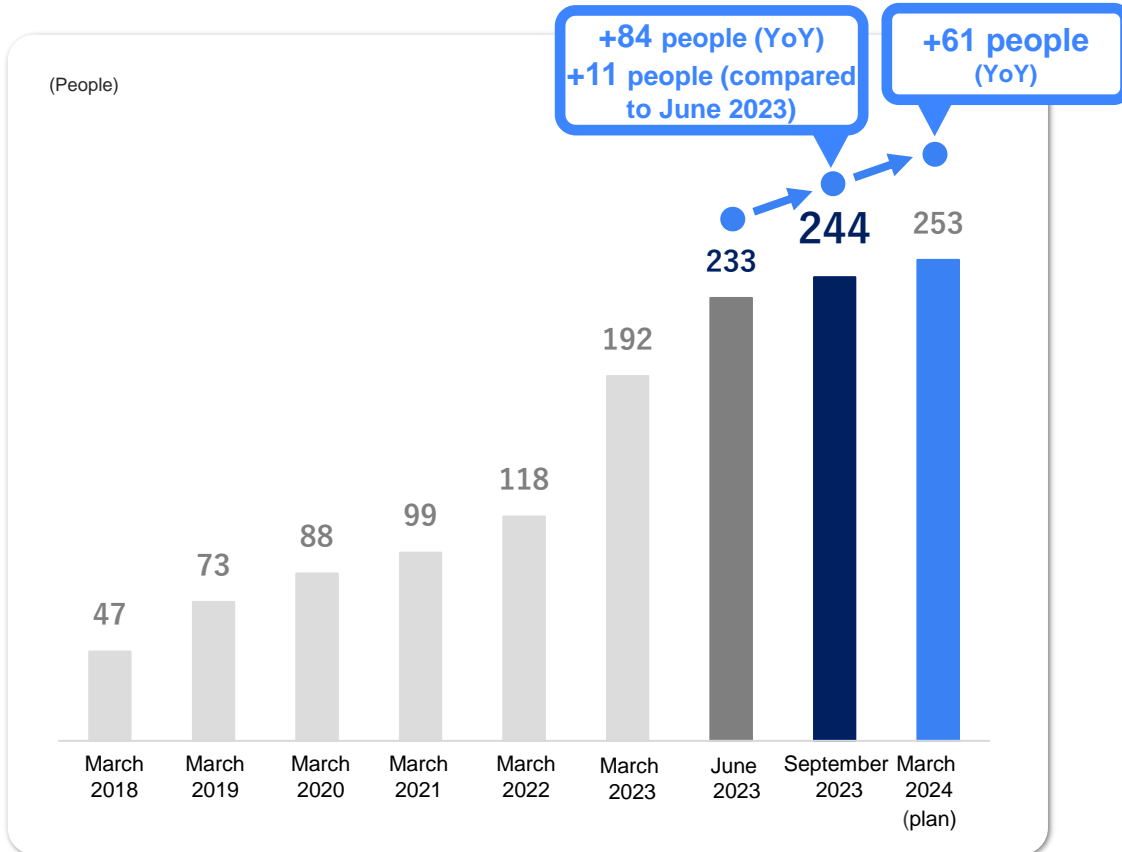
Promoting cross-selling of multi-cloud application development by broadly covering Salesforce cloud services that connect 360 degrees centered on customers

ID integration platform

ID authentication

okta
Promoting cross-selling by integrating IDs for all digital services

Cross-selling of collaborative development

Cross-selling of application development

EC × **AI** × **IoT Mobility** × **Community** × **Online video** × **Application A** × · · ·

Cross-selling of collaborative development

Core system (ERP)
Other cloud systems

API coordination platform

API coordination

MuleSoft
Promoting cross-selling by linking all systems, regardless of whether they are in a cloud or on-premises, with coordination
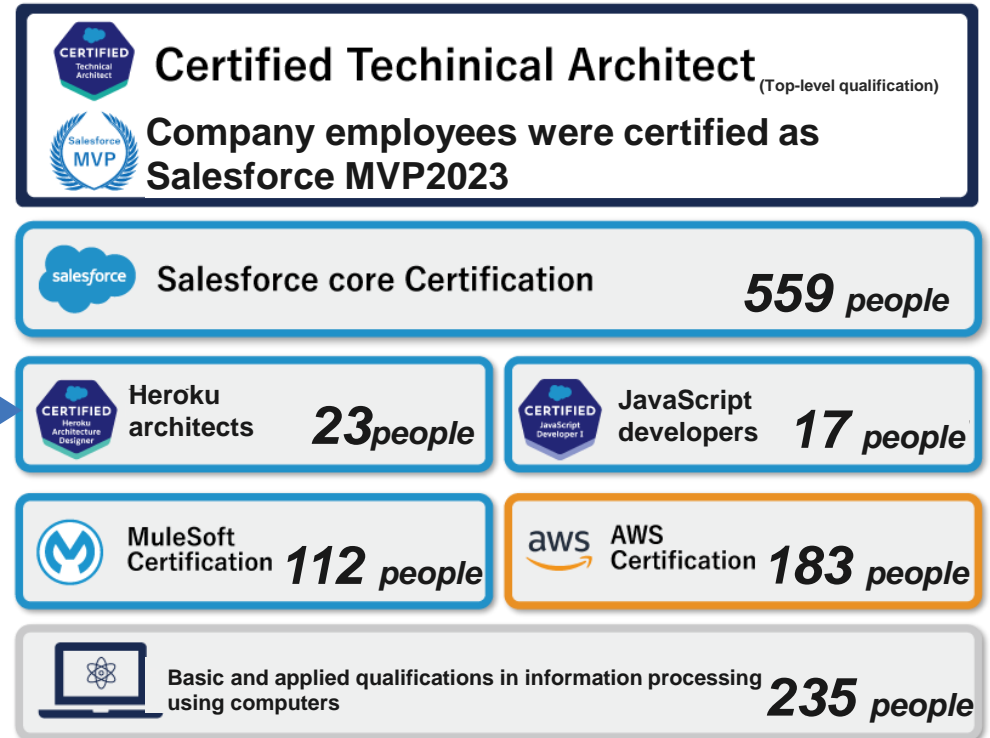
Organizational expansion centered on cloud engineers and other professional employees

The number of cloud engineers and other employees increased by 84 year-on-year, including 25 new graduates who joined the company in April, and by 11 compared with the end of June 2023 to 244 people as of the end of September 2023, progressing higher than planned. We will continue to strengthen recruitment activities aimed at adding further to the number of recruits. In addition, we have started hiring new graduates in autumn from this term, with five new graduates joining the company in October.

Trend in the number of engineers and other employees[*1]

(People)

+84 people (YoY)
+11 people (compared to June 2023)

+61 people (YoY)

	47	73	88	99	118	192	233	244	253
	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023	June 2023	September 2023	March 2024 (plan)

Promotion of the acquisition of multi-cloud qualifications[*2]

CERTIFIED Technical Architect
Salesforce MVP

Certified Techinical Architect (Top-level qualification)
Company employees were certified as Salesforce MVP2023

salesforce **Salesforce core Certification** — **559** people

Number 1 in Japan for qualified people

CERTIFIED Heroku Architecture Designer **Heroku architects** — **23** people

CERTIFIED JavaScript Developer I **JavaScript developers** — **17** people

MuleSoft Certification — **112** people

aws **AWS Certification** — **183** people

Basic and applied qualifications in information processing using computers — **235** people
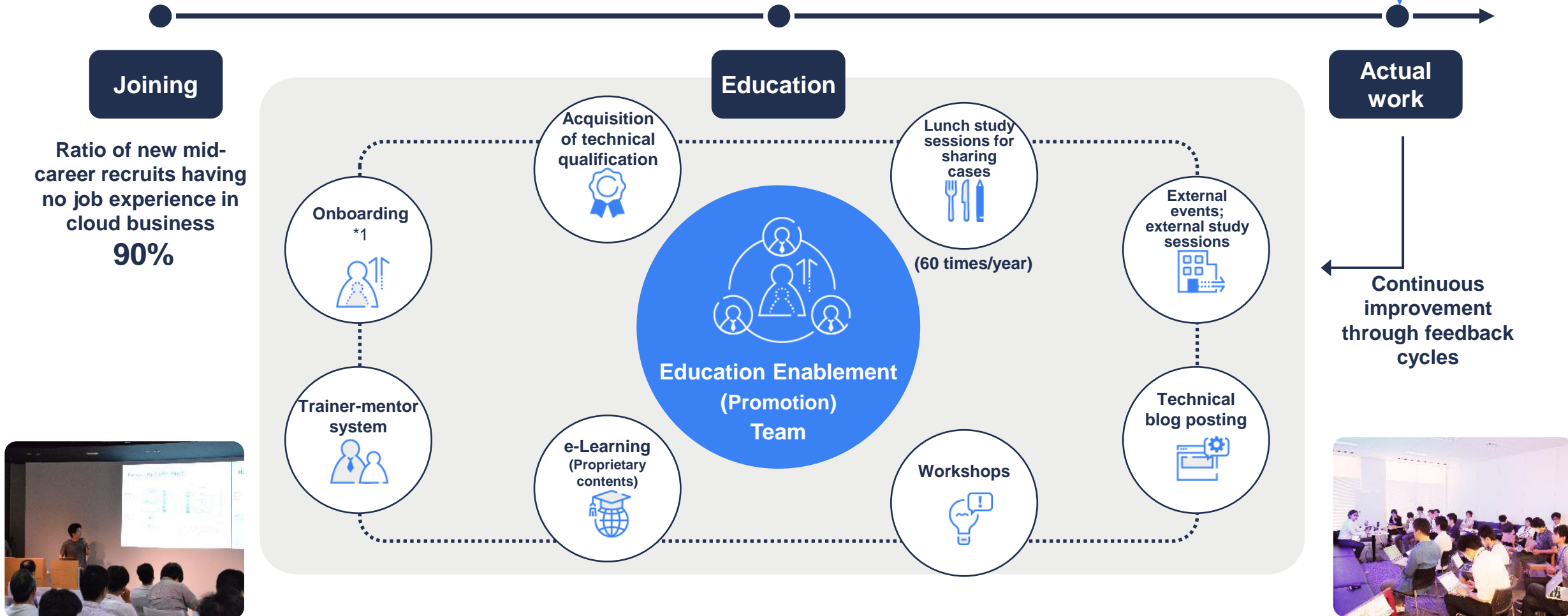
*1 Professional human resources such as engineers and managers in Cloud Integration Services Division, excluding administrative personnel
*2 Total number of qualified people as of the end of September 2023

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.

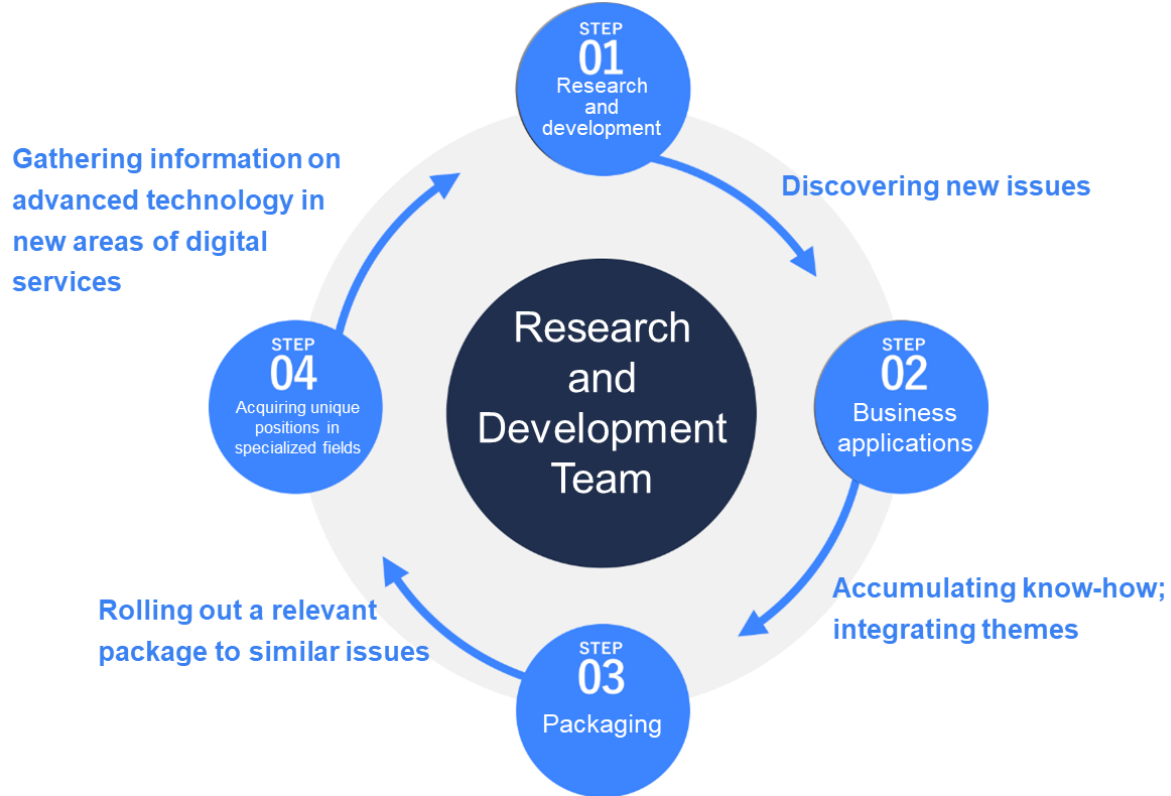**One month** from joining the company to project assignment

Joining

Education

Actual work

Ratio of new mid-career recruits having no job experience in cloud business
90%

Acquisition of technical qualification

Lunch study sessions for sharing cases

(60 times/year)

External events; external study sessions

Onboarding *1

Education Enablement (Promotion) Team

Technical blog posting

Trainer-mentor system

e-Learning (Proprietary contents)

Workshops

Continuous improvement through feedback cycles

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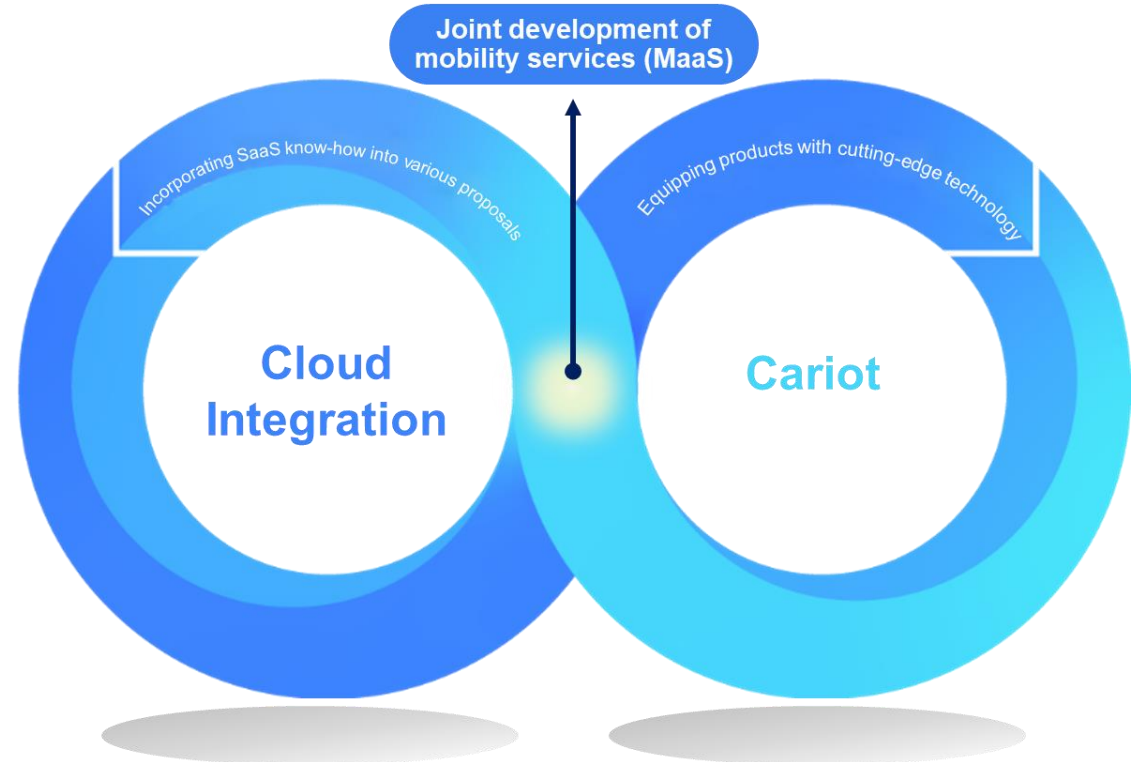
New business investment for future growth

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. Investment in SaaS Business Cariot which is created from R&D, we create synergy by aligning and integrating both services.

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

SaaS Business Investment in Cariot

STEP 01 Research and development

Discovering new issues

Gathering information on advanced technology in new areas of digital services

STEP 04 Acquiring unique positions in specialized fields

Research and Development Team

STEP 02 Business applications

Rolling out a relevant package to similar issues

STEP 03 Packaging

Accumulating know-how; integrating themes

Joint development of mobility services (MaaS)

Incorporating SaaS know-how into various proposals

Equipping products with cutting-edge technology
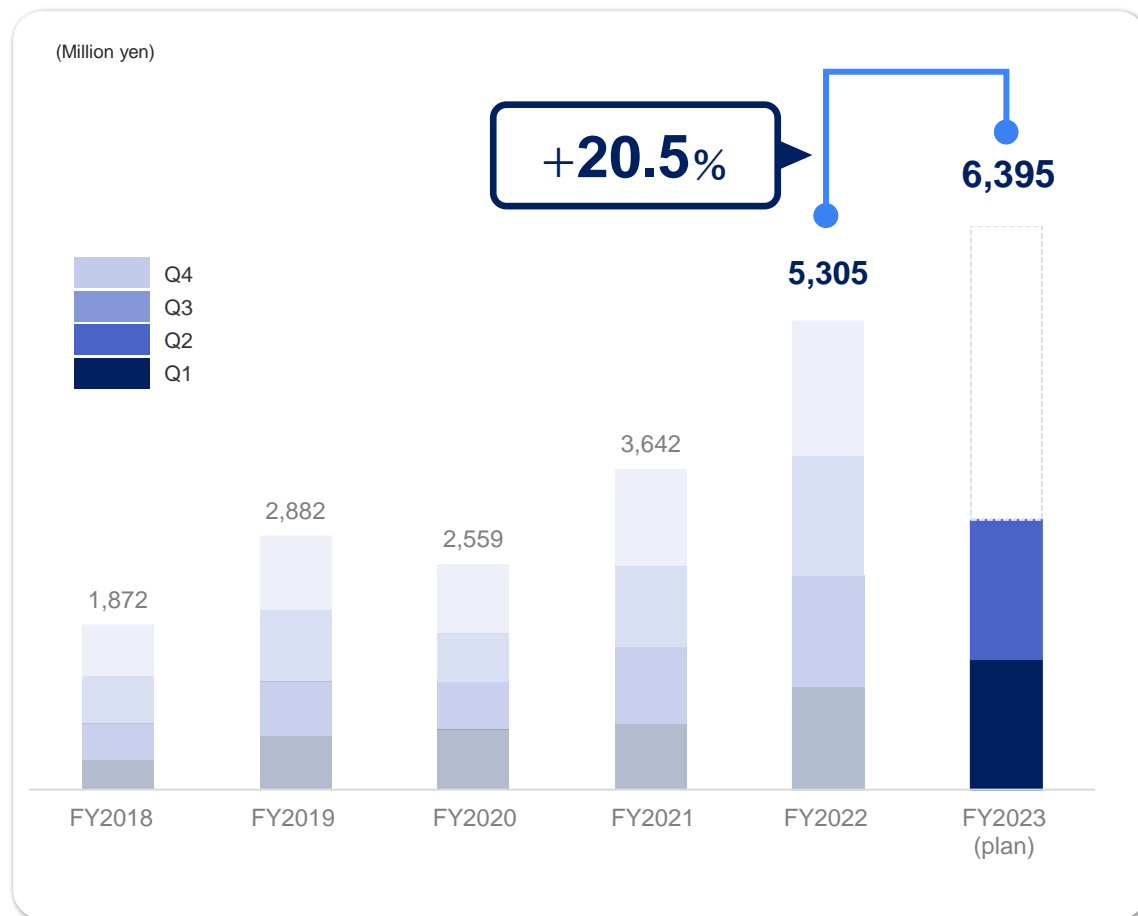
Cloud Integration
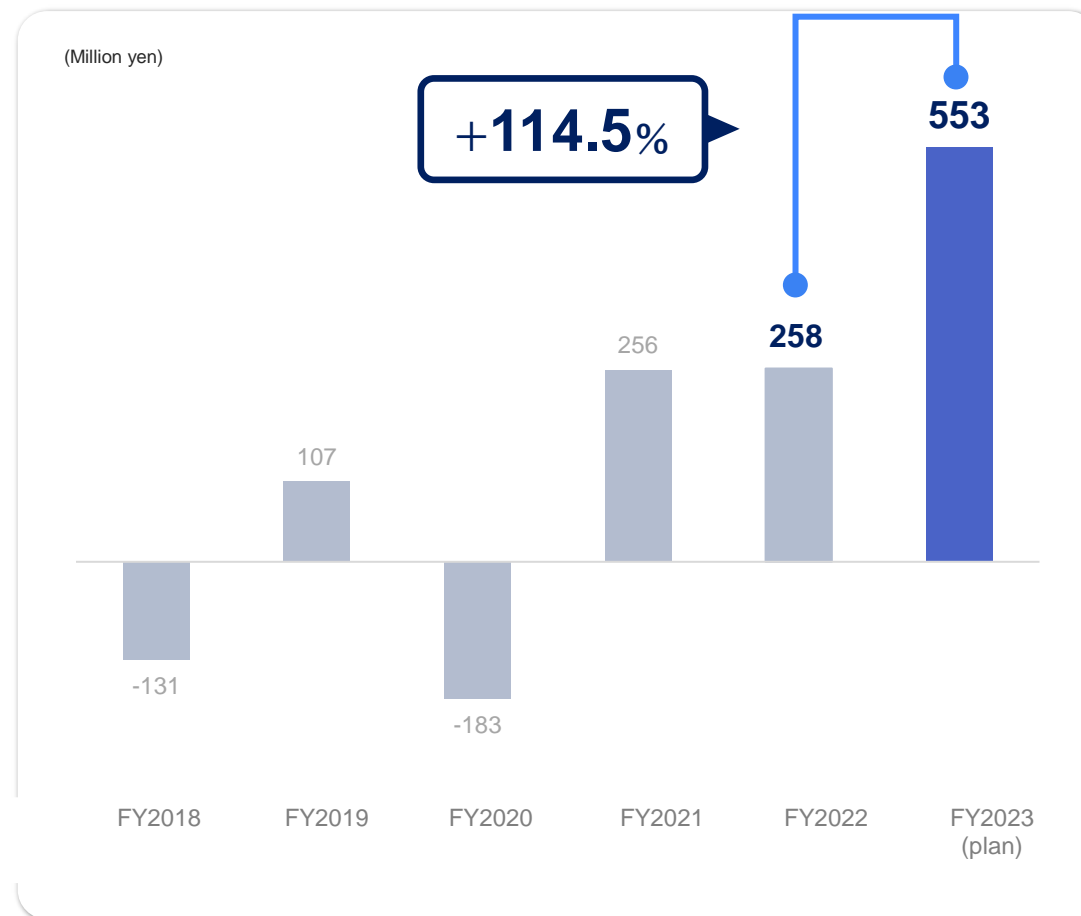
Cariot

Appendix

Results Trends

Against the backdrop of vigorous demand for DX support among major companies, sales for the term ended March 2023 were 5,305 million yen (up 45.7% year-on-year) and operating income was 258 million yen (up 0.7% year-on-year), record highs. We are planning record high results in the term ending March 2024 too, with sales of 6,395 million yen (up 20.5% year-on-year) and operating income of 553 million yen (up 114.5% year-on-year).
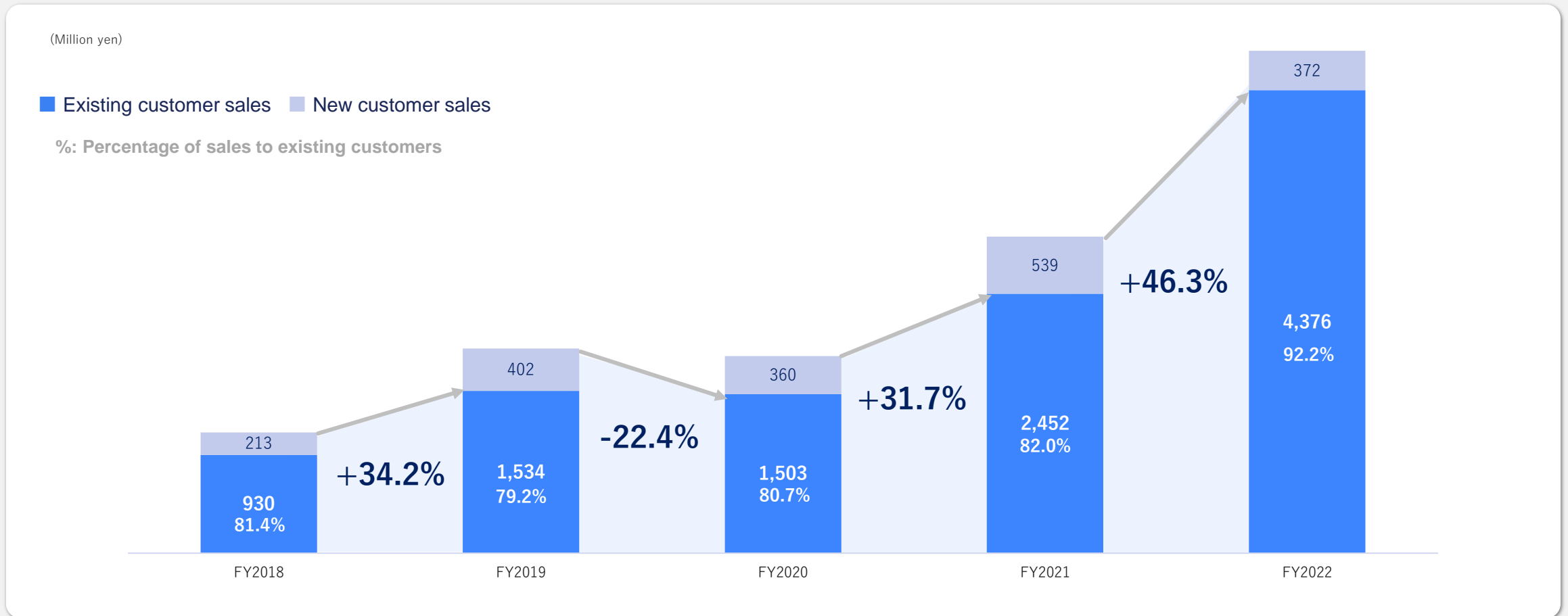
Sales

(Million yen)

Legend:
- Q4
- Q3
- Q2
- Q1

FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (plan)
1,872	2,882	2,559	3,642	5,305	6,395

+20.5%

Operating income

(Million yen)

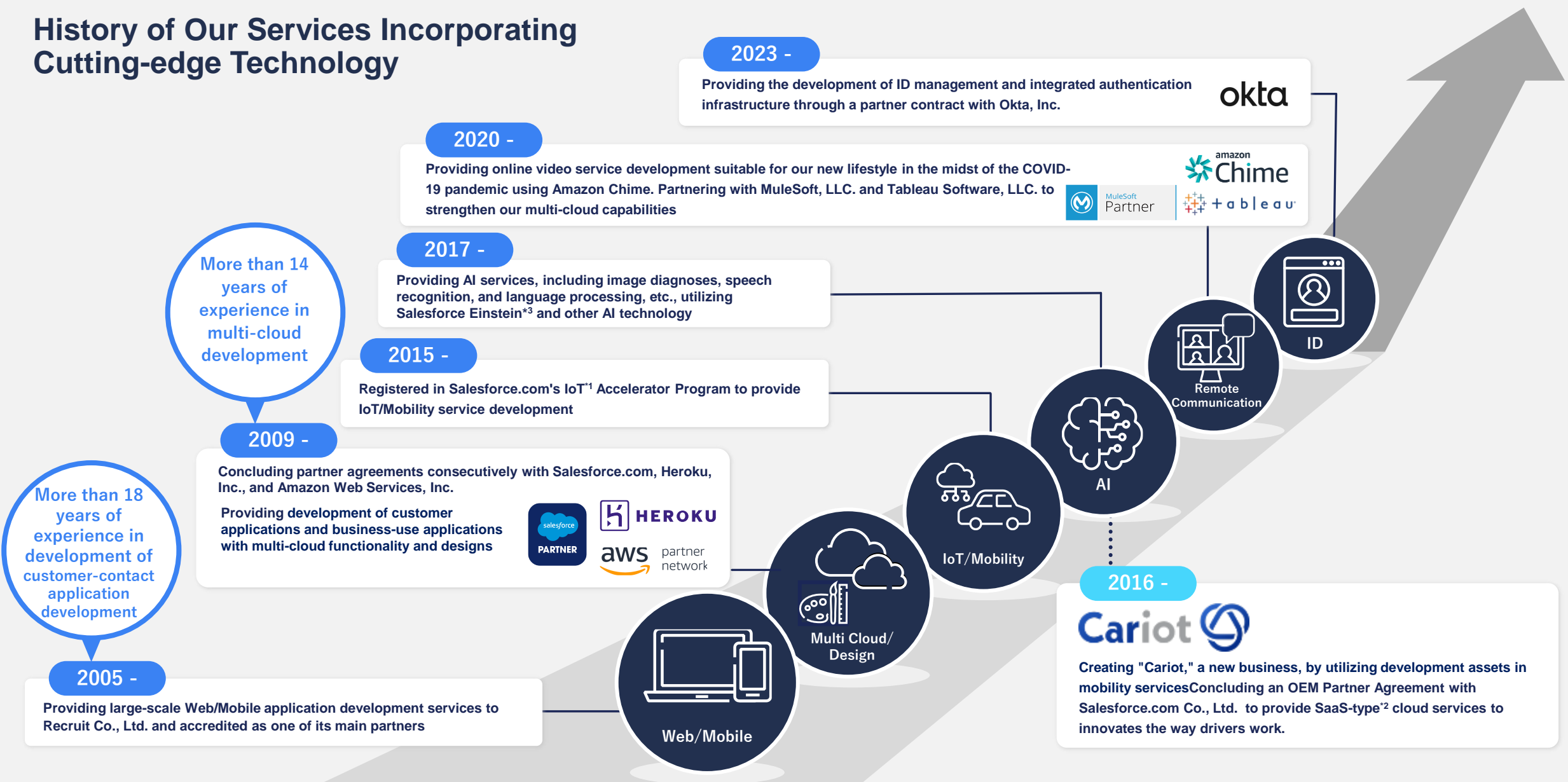| FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (plan)
-131	107	-183	256	258	553

+114.5%

Year-on-year sales growth rate for existing major company customers[1]

Because DX starts from small scale development and continues with the development of functional improvements, we will continue and expand business with existing customers. In the fiscal year ended March 2021, orders by some large customers were suspended due to the impact of COVID-19, but average year-on-year sales growth for existing customers from the fiscal year ended March 2019 through the fiscal year ended March 2023 was +22.4%.

(Million yen)

■ Existing customer sales ■ New customer sales

%: Percentage of sales to existing customers

	FY2018	FY2019	FY2020	FY2021	FY2022
New customer sales	213	402	360	539	372
Existing customer sales	930	1,534	1,503	2,452	4,376
%	81.4%	79.2%	80.7%	82.0%	92.2%

+34.2%   -22.4%   +31.7%   +46.3%

*1 Year-on-year sales growth rate for existing major company customers: Growth rate of total sales for major company customers with contracts prior to the previous fiscal year

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History of Our Services Incorporating Cutting-edge Technology

2023 -
Providing the development of ID management and integrated authentication infrastructure through a partner contract with Okta, Inc.

okta

2020 -
Providing online video service development suitable for our new lifestyle in the midst of the COVID-19 pandemic using Amazon Chime. Partnering with MuleSoft, LLC. and Tableau Software, LLC. to strengthen our multi-cloud capabilities

amazon Chime
MuleSoft Partner
+ tableau

More than 14 years of experience in multi-cloud development

2017 -
Providing AI services, including image diagnoses, speech recognition, and language processing, etc., utilizing Salesforce Einstein*3 and other AI technology

2015 -
Registered in Salesforce.com's IoT*1 Accelerator Program to provide IoT/Mobility service development

2009 -
Concluding partner agreements consecutively with Salesforce.com, Heroku, Inc., and Amazon Web Services, Inc.

Providing development of customer applications and business-use applications with multi-cloud functionality and designs

salesforce PARTNER
HEROKU
aws partner network

More than 18 years of experience in development of customer-contact application development

2005 -
Providing large-scale Web/Mobile application development services to Recruit Co., Ltd. and accredited as one of its main partners

ID

Remote Communication

AI

IoT/Mobility

Multi Cloud/ Design

Web/Mobile

2016 -

Cariot

Creating "Cariot," a new business, by utilizing development assets in mobility servicesConcluding an OEM Partner Agreement with Salesforce.com Co., Ltd. to provide SaaS-type*2 cloud services to innovates the way drivers work.

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

Our Domestically and 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. In addition, we are also certified as top domestic partners for Salesforce and MuleSoft.

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

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

May 2023
MuleSoft Japan
"MuleSoft Japan Partner Enablement Award 2023"
Awarded for our achievements in MuleSoft business

PARTNER INNOVATION AWARDS 2019 WINNER

salesforce PARTNER **Top partner rank 「Summit」 certification**

Summit
Crest
Ridge
Base

Top partner rank 「Expert」 certification

First certification in Japan
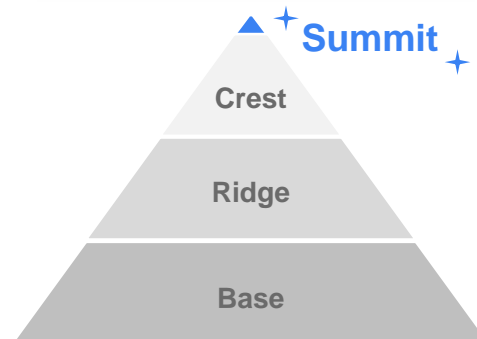
Both DX and Cloud Markets in Japan Are Steadily Expanding

The domestic DX market is expanding at a CAGR of 12.2% from 2021 to 2030.[*1]

(Billions of yen)

CAGR[*3] **12.2%**

	2021	2022 (Forecast)	2023 (Forecast)	2024 (Forecast)	2025 (Forecast)	2030 (Forecast)
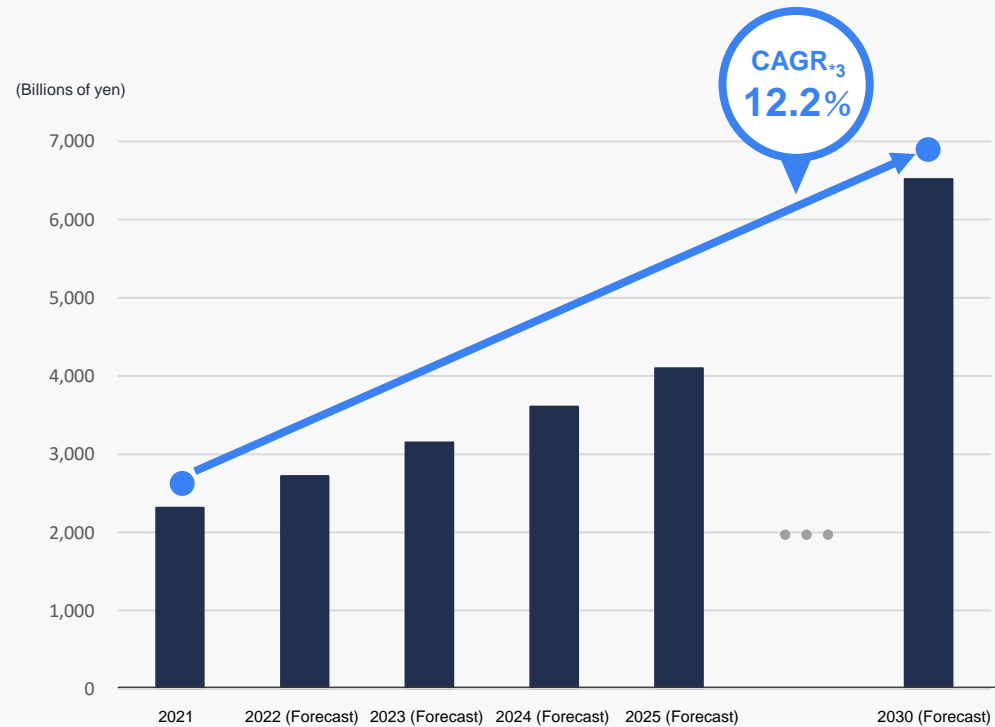
The domestic public cloud market is expanding at a CAGR of 16.8% from 2022 to 2027.[*2]

(Billions of yen)

CAGR **16.8%**

	2022	2023 (Forecast)	2024 (Forecast)	2025 (Forecast)	2026 (Forecast)	2027 (Forecast)

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]

Feel so to some extent

Feel so very strongly

Feel so somewhat strongly

Percentage that strongly feels the need for proactive DX

91%
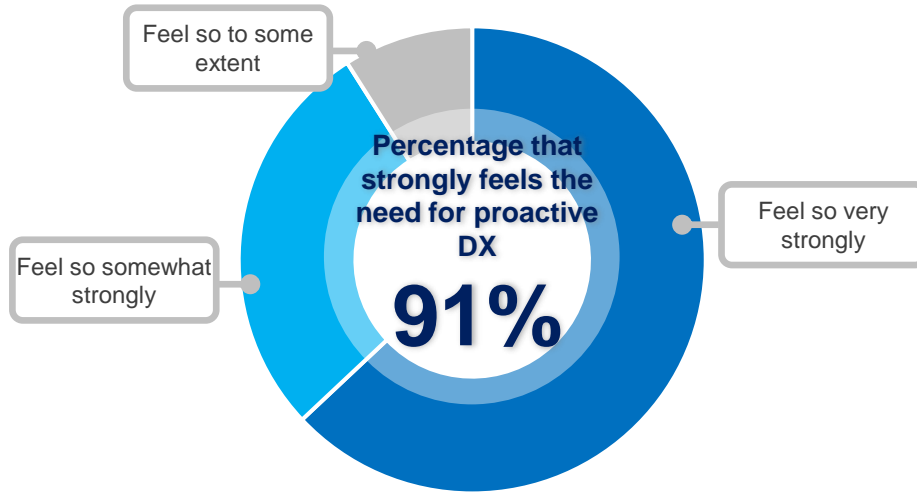
Challenges associated with concerns about the proliferation of digital technology

59%	52%	44%	...
Declining advantages and competitiveness	Emergence of new products/services	Intensifying competition among existing companies	
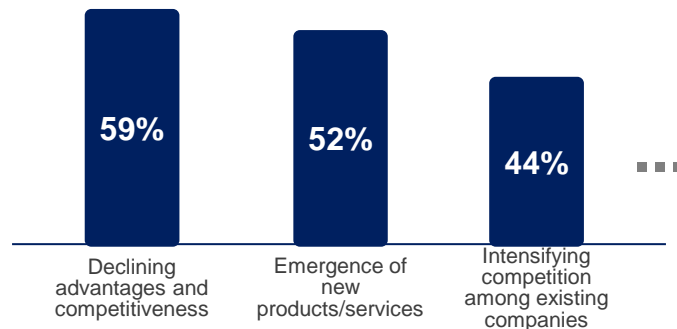
On the other hand, only 6.6% of all companies have succeeded in DX.[2] Challenges associated with the promotion of DX are manpower/organizational problems frequently cited as "insufficient digital human resources and relevant skills."[3]

Percentage that has succeeded in DX

6.6%
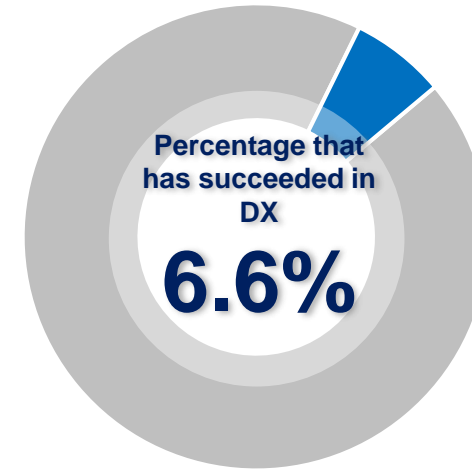
Challenges in promoting DX
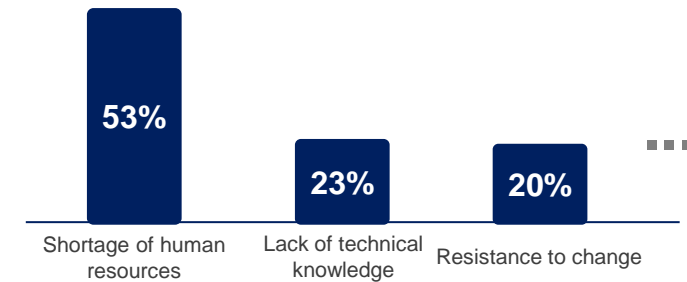
53%	23%	20%	...
Shortage of human resources	Lack of technical knowledge	Resistance to change	

Continuous Orders for DX Projects and Expansion with Cross-selling

We will continue to develop digital services while simultaneously promoting the development of multiple digital services.
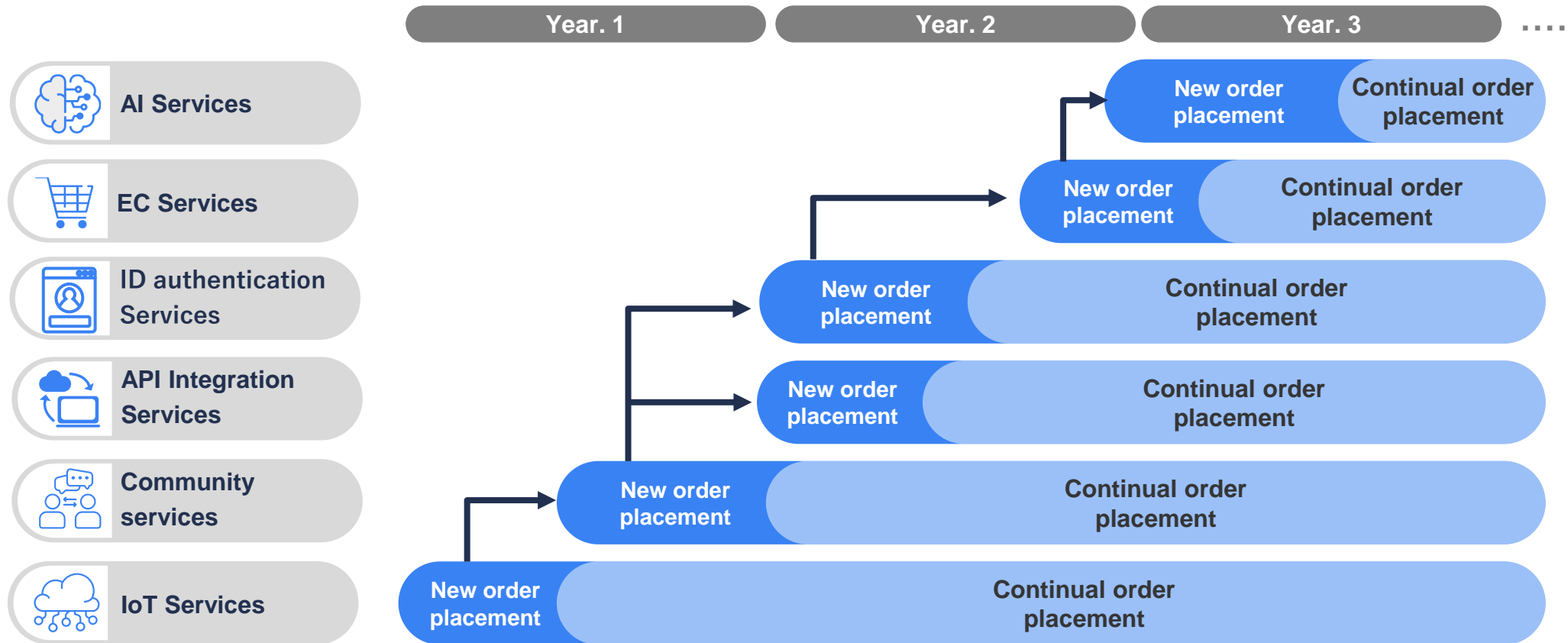
Sustainability Initiatives

In 2020, we joined the SDGs Public-Private Partnership Platform for Local Revitalization operated by the Cabinet Office, and have contributed to the SDGs through various initiatives

Society

Job satisfaction and job opportunities
- Provision of opportunities to improve skills and advance career with the theme of maximizing value of resume
- Provision of care for job satisfaction by monitoring the Employee Engagement Scores
- Recruitment of diverse human resources, such as local residents (full remote work), those with no cloud experience, foreign nationals, and elderly staff
- Short-time work and leave for childcare
- Reform of the way drivers work with Cariot service

Promotion of education
- Promotion of education by education enablement team
- Provision of a variety of educational opportunities, including the holding of internal and external technical study sessions, support for acquisition of qualifications, and in-house original e-learning
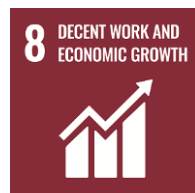
Technology innovation
- Research and development of advanced cloud technologies, social implementation of technological innovation through DX support for companies

Economic growth and productivity
- Improvement of productivity and creation of new customer experience value through DX support for companies
- Provision of diverse ways of working to maximize performance, including full remote work

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

Governance

Corporate governance
- Checks by a majority of outside directors
- Fair decision-making with a composition of directors with diverse knowledge

Compliance
- Establishment of a solid management foundation through compliance

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Environment

CO_2 emissions
- Support for mobility service development, contribution to CO_2 emissions reduction through Cariot service
- Contribution to reducing CO_2 emissions by eliminating physical servers

Conservation of natural resources
- Promotion of paperless operations with DX support

13 CLIMATE ACTION

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

Attorney at Law, Partner, TMI Associates

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