

Tokyo Stock Exchange 1st Section: Securities Code 3992

Needs Well Inc.

# Financial Results for the Fiscal Year 2021 (October 1, 2020 – September 30, 2021)

November 11, 2021



NeedsWell  
Try & Innovation



1. 2021/9 Financial report summary



2. 2022/9 Results forecast



3. Growth strategy



4. Reference

# 1.1) Financial highlights①

Profit increase for **10** consecutive fiscal years and record-high profit achieved

Strong performance of telecommunications, logistics and solutions overcame the impact of COVID-19

Net sales

**5,752** million JPY YoY **+7.2** % —

Ordinary profit

**582** million JPY YoY **+13.2** %

Ordinary profit margin

**10.1** %

Net profit

**421** million JPY YoY **+21.0** %

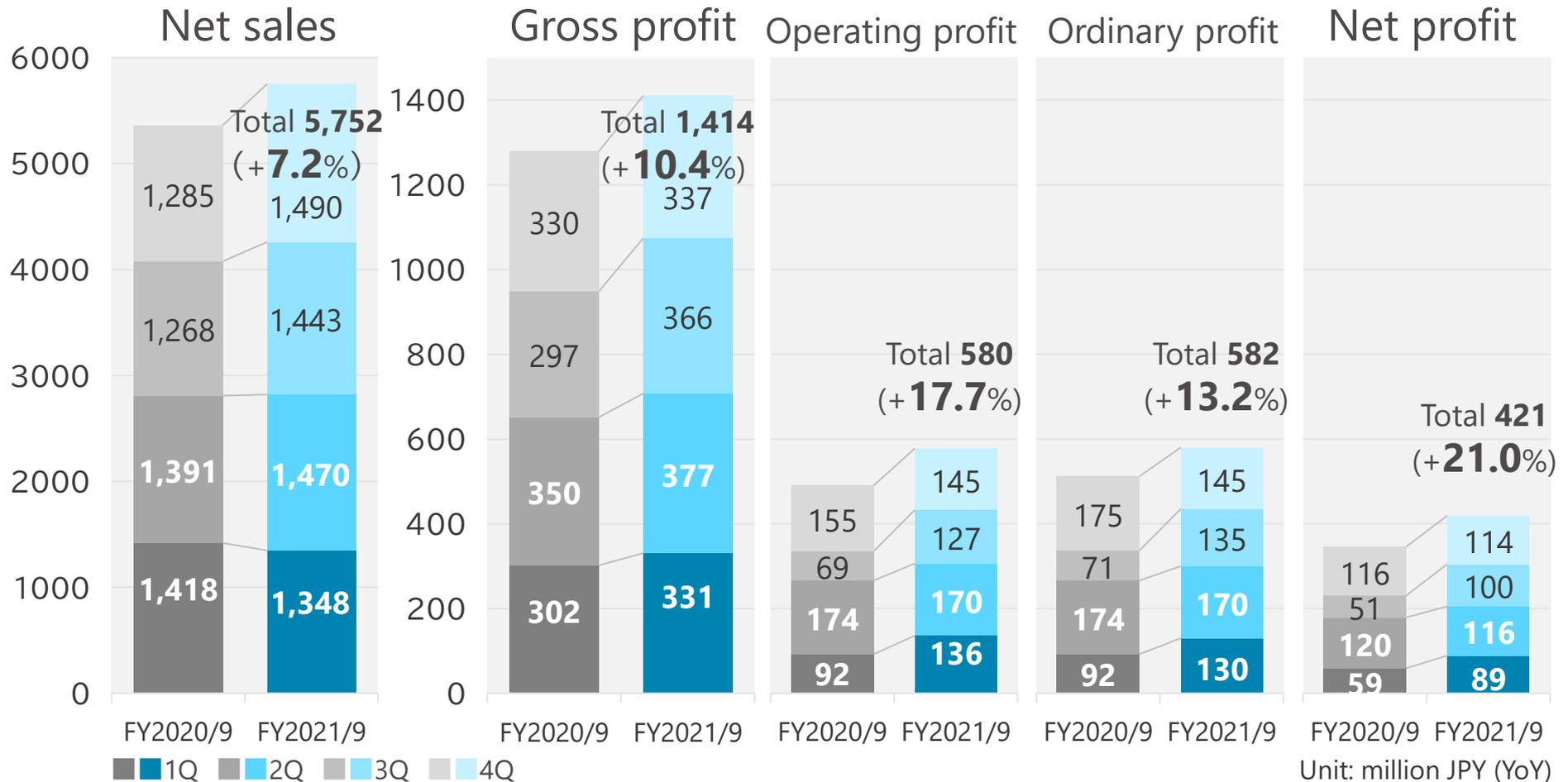
Net profit ratio

**7.3** %

# 1.1) Financial highlights②

**Net sales** Increased YoY from 2Q onwards despite stalling in Q1

**Profits** Profits at operating profit and lower levels declined YoY in 4Q due to higher bonuses and education expenses to secure talent as well as lower COVID-19 subsidies, but **all profit levels achieved double-digit growth over the full year**



# 1. 2) Tokyo Stock Exchange's market restructuring

In consideration of the Tokyo Stock Exchange's market restructuring in April 2022, Needs Well will enact **medium- and long-term** measures in seeking to satisfy the criteria to list on the **Prime Market**

\* Although Needs Well does not currently satisfy the criteria for market capitalization of tradable shares in the Prime Market, the Company plans to release a "Plan for Compliance with Listing Criteria" upon consultation with the Board of Directors and **apply transitional measures to transition to the Prime Market**

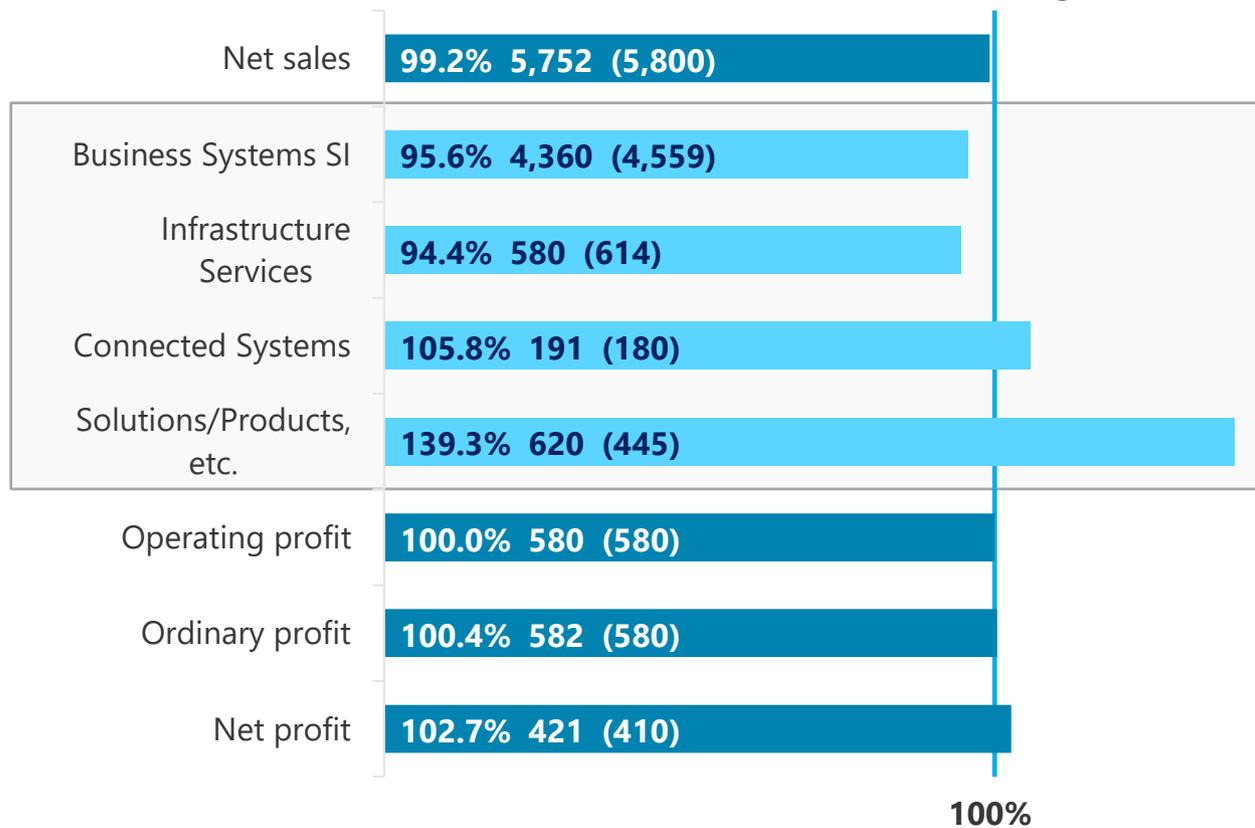
Status of compliance with criteria for transition to Prime Market As of July 2021	
Number of tradable shares	Compliant
Market capitalization of tradable shares	Non-compliant
Ratio of tradable shares	Compliant
Trading value	Compliant
Number of shareholders	Compliant

- Increase market capitalization by **improving corporate value**
- ① Performance (achieving the Medium-Term Management Plan)
  - ② Capital policy
  - ③ IR/PR
  - ④ Sustainability

# 1.3) Performance progression rate

Sales were strong for Business Systems SI orders in the telecommunications and logistics related sector and the wide selection of high-value-added projects available for Solutions/Products, etc.

Performance achievement rate, actual sales, (target)



### Business Systems SI

Sales for telecommunications were strong due to system development resulting from the revision of price plans for mobile phones, paperless efforts, and growing trend of e-commerce site improvement. Sales for logistics also increased.

### Infrastructure Services

Development continued at a stable pace by capturing demand for infrastructure enhancement in e-commerce site and public projects.

### Connected Systems

Development continued at a stable pace despite the remaining negative impact of COVID-19.

### Solutions/Products, etc.

Unique solutions for expense management cloud, Speed EA, Invoice PA, and RPA, remained strong. Focus on IT re-engineering for supporting corporate DX and industry-specific AI solutions, Work AI.

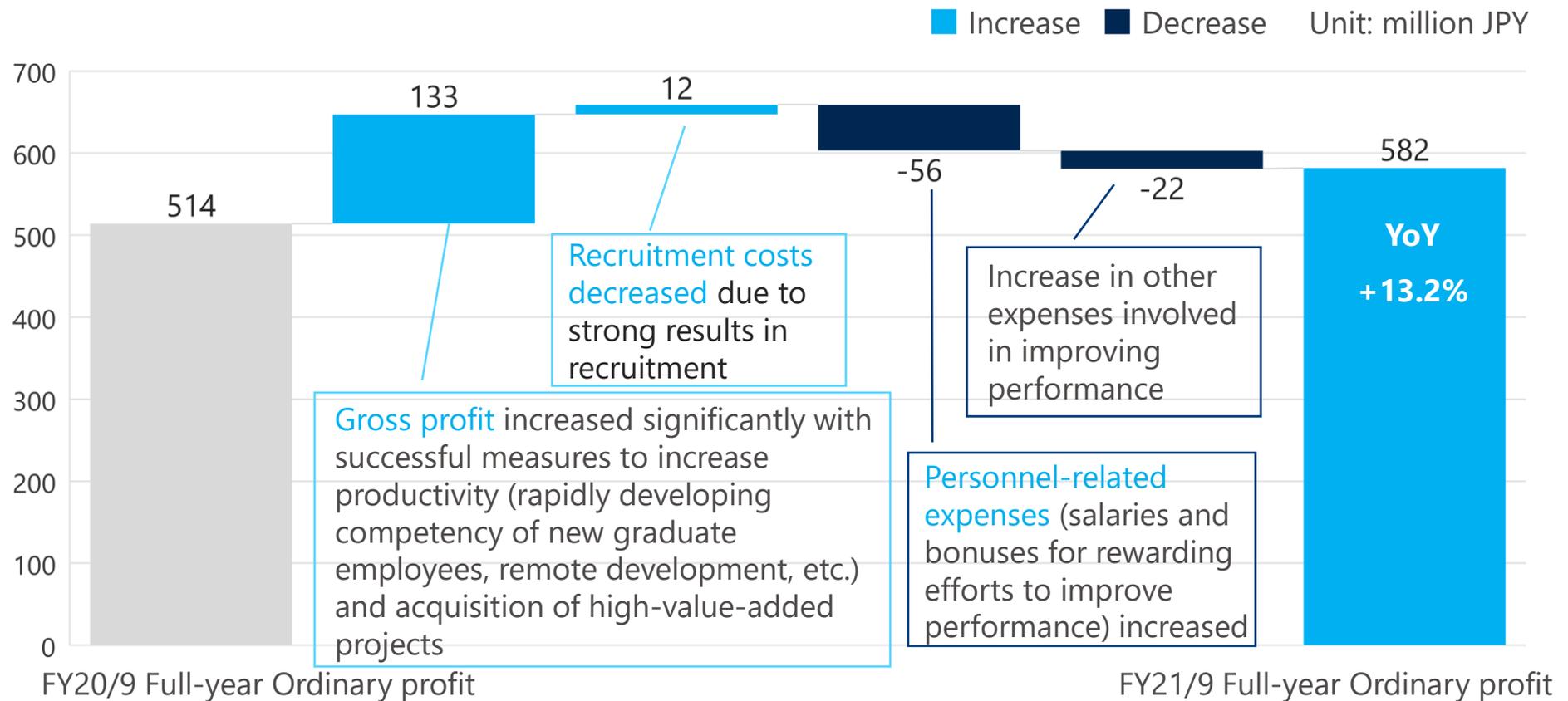
Performance achievement rates are calculated based on figures after the upward revision of results.

[Reference] June 21, 2021, "Notice on Upward Revision of Results Forecast"

June 24, 2021, "Partial Correction of 'Notice on Upward Revision of Results Forecast' (Correction of numerical data, other information)"

# 1.4) Ordinary profit analysis

Ordinary profit **increased 13.2%**  year on year with the significant contribution of gross profit having increased 10.4% year on year due to improved productivity and acquisition of high-value-added projects



# 1.5) Profit & loss statement

Ordinary profit ratio remained at a high level of **10.1%**  
(Up 0.5 pts year-on-year)

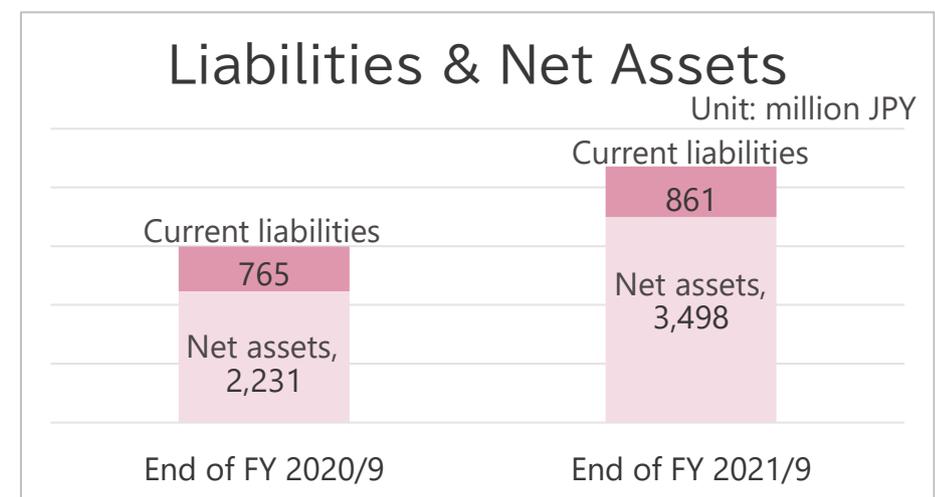
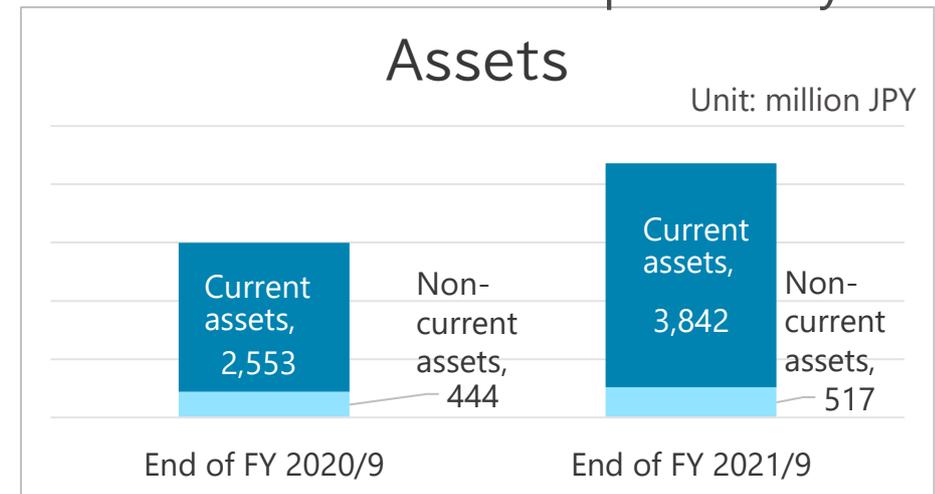
Unit: million JPY	FY2020/9 Financial Results		FY2021/9 Financial Results		
	Result	Net Sales	Result	Net Sales	Year-on-year
Net sales	5,364	-	5,752	-	107.2%
Business Systems SI	※	※	4,360	75.8%	※
Infrastructure Services	※	※	580	10.1%	※
Connected Systems	※	※	191	3.3%	※
Solutions/Products, etc.	※	※	620	10.8%	※
Gross profit	1,280	23.9%	1,414	24.6%	110.4%
SG&A expenses	787	14.7%	833	14.5%	105.8%
Temporary cost (investment)	24	0.5%	0	0.0%	0.0%
Others	763	14.2%	833	14.5%	109.3%
Operating profit	492	9.2%	580	10.1%	117.7%
Non-operating profit	21	0.4%	12	0.2%	58.7%
Non-operating expenses	0	0.0%	10	0.2%	6114.5%
Ordinary profit	514	9.6%	582	 10.1%	113.2%
Net profit	347	6.5%	421	7.3%	121.0%

\* From the fiscal year 2021/9, Needs Well reorganized all service lines and launched the development of "Connected Systems" to strengthen our connected technology. As such, year-on-year comparisons for each service line are not available and therefore have not been included.

# 1.6) Balance sheet

*Selection of significant entries only	FY2020/9	FY2021/9	
Unit: million JPY	Result	Result	Year-on-year
Cash and deposits	1,780	2,868	1,088
Accounts receivable	689	938	248
Prepaid expenses	34	25	-8
<b>Total current assets</b>	<b>2,553</b>	<b>3,842</b>	<b>1,289</b>
<b>Assets</b>			
Software	58	82	23
Investment securities	83	114	31
Deffered tax assets	97	118	21
Leasehold and guarantee deposits	85	83	-1
Insurance funds	76	76	0
<b>Total non-current assets</b>	<b>444</b>	<b>517</b>	<b>73</b>
<b>Total assets</b>	<b>2,997</b>	<b>4,360</b>	<b>1,362</b>
<b>Liabilities</b>			
Accounts payable - trade	101	143	41
Accounts payable - others	137	149	11
Accrued corporate tax, etc.	107	124	16
Accrued consumption taxes	106	91	-14
Provision for bonuses	265	302	37
<b>Total current liabilities</b>	<b>765</b>	<b>861</b>	<b>95</b>
<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>765</b>	<b>861</b>	<b>95</b>
<b>Equity</b>			
Share capital	415	907	492
Legal capital surplus	271	763	492
Retained earnings brought forward	1,522	1,807	285
Valuation difference on available-for-sale securities	22	20	-2
<b>Total net assets</b>	<b>2,231</b>	<b>3,498</b>	<b>1,266</b>
<b>Total liabilities and net assets</b>	<b>2,997</b>	<b>4,360</b>	<b>1,362</b>

Equity ratio at **80.2%**  
remain unchanged from the  
previous year





1. 2021/9 Financial report summary



2. 2022/9 Results forecast



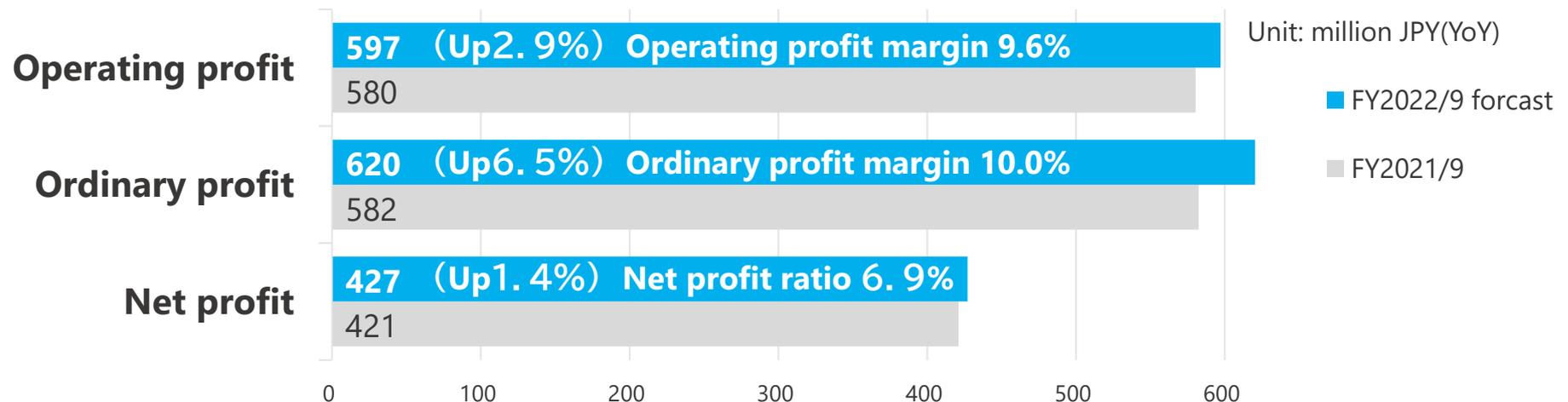
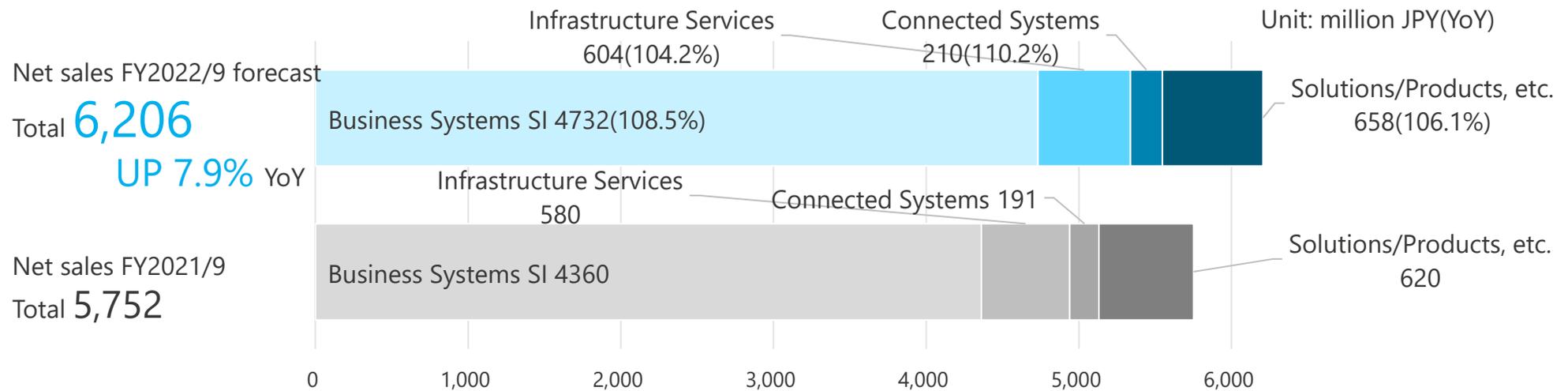
3. Growth strategy



4. Reference

## 2.1) Results forecast

Forecast of **increase in revenue** for 2 consecutive fiscal years & **increase in profit** for 11 consecutive fiscal years with increased productivity from rapidly developing the competency of new graduate employees and the acquisition of high-value-added projects



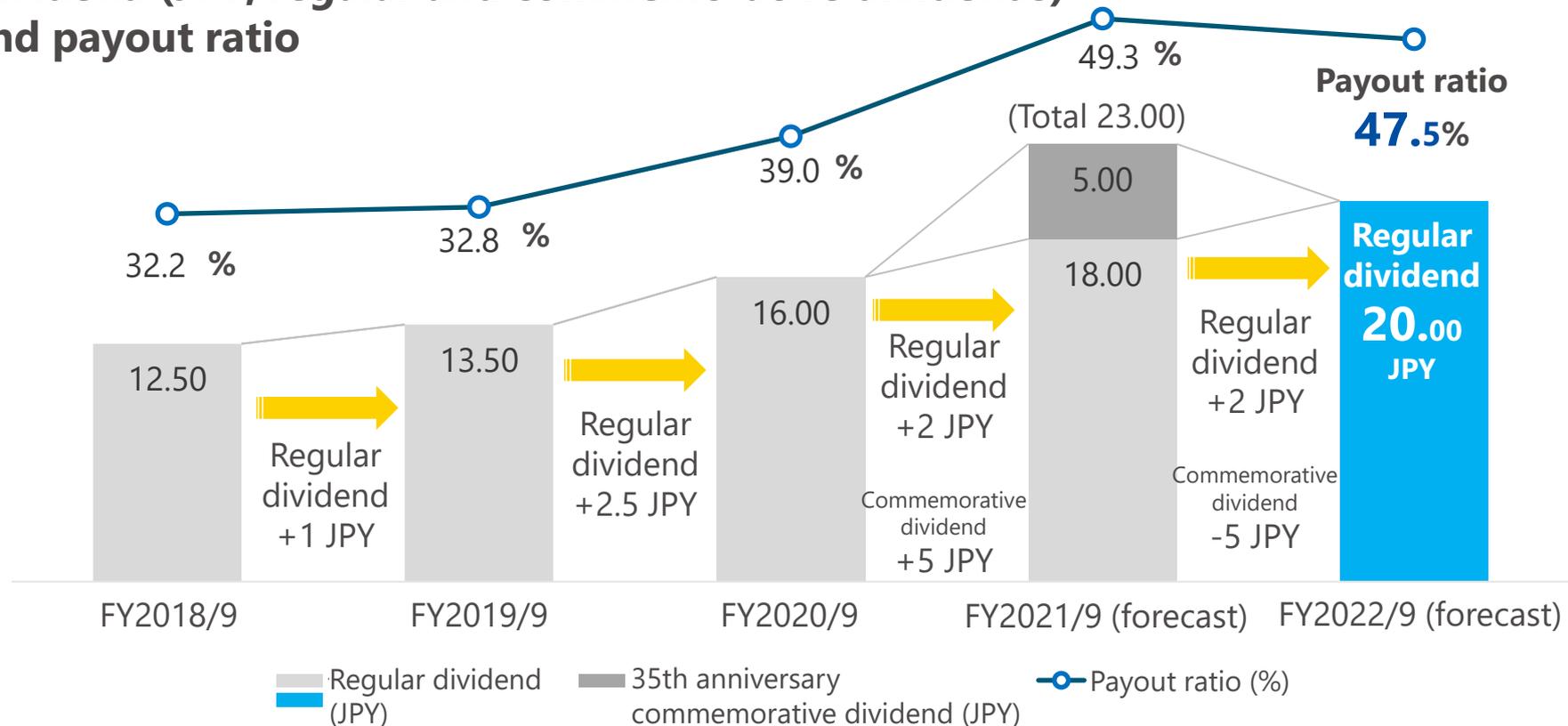
## 2.2) Dividends and shareholder returns

FY22/9 forecast Dividend per share: 20.00 JPY/share

2 JPY increase in regular dividend

Dividend increase for 4 consecutive fiscal years

Dividend (JPY; regular and commemorative dividends) and payout ratio



\* The Company plans to pay a commemorative dividend of 5.00 JPY in addition to a regular dividend of 18.00 JPY in commemoration of the Company's 35th anniversary for the fiscal year 2021/9.

\* Needs Well conducted stock splits on May 12, 2017 at a ratio of 100 shares per share, on April 1, 2018 at a ratio of 2 shares per share, and on January 1, 2019 at a ratio of 2 shares per share. Past annual dividends per share have been retrospectively adjusted based on these stock splits.



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## 3.1) Management philosophy

Management philosophy

Contributing Broadly to the  
Economy and Society

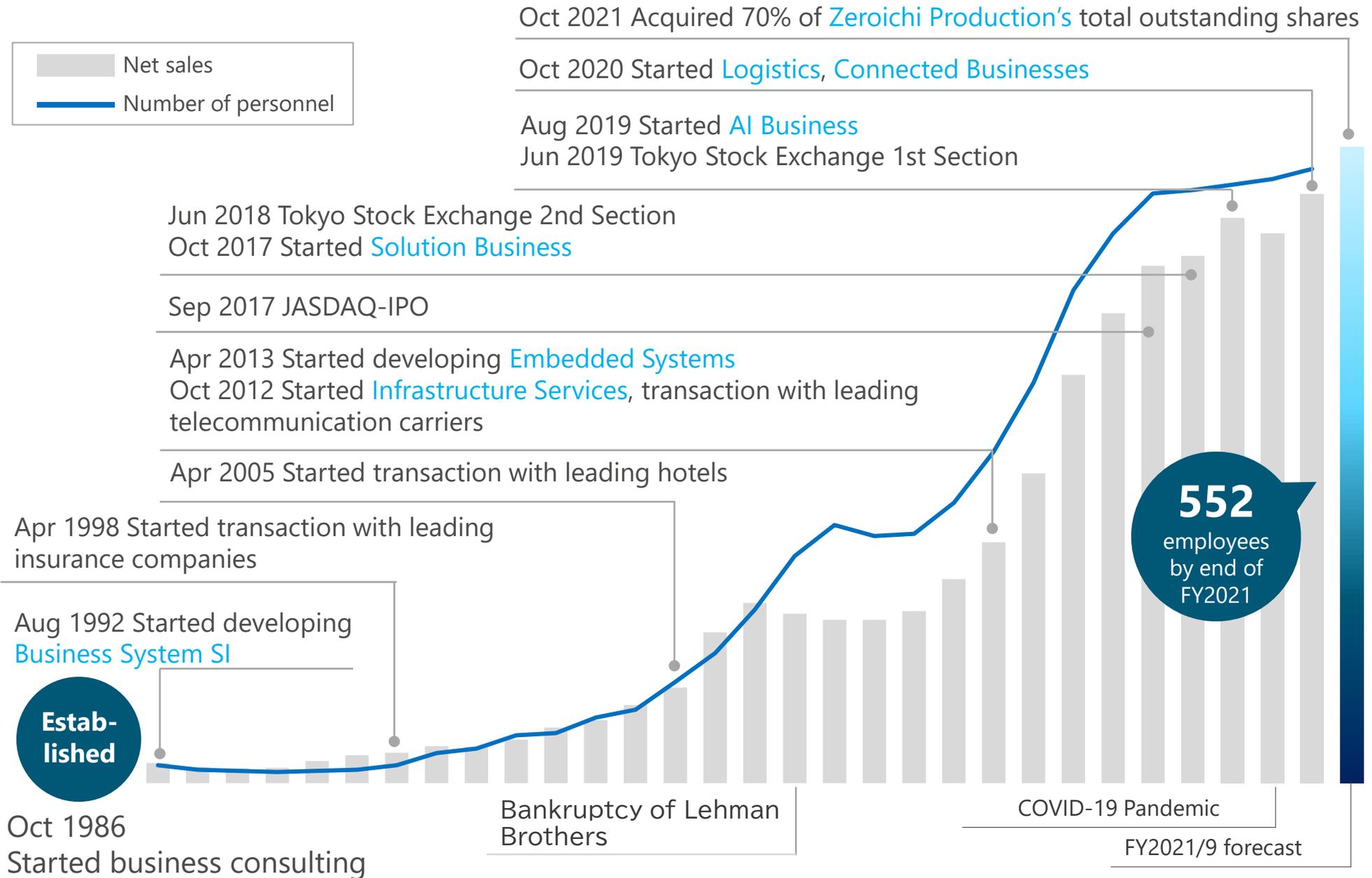
Business slogan

Try & Innovation



Constantly evolving,  
Needs Well continues to contribute broadly to  
the economy and society with challenges and  
innovations.

## 3.2) Growth track



## 3.3) Medium-Term Basic Policy

Breaking away from the dispatch business,  
becoming a **true system integrator**

## 3.4) Our three strengths

### Capacity for financial system development

Financial sector accounts for 50% of net sales in main service line, Business Systems SI.

Particularly advanced in **life insurance and accident insurance sectors**.

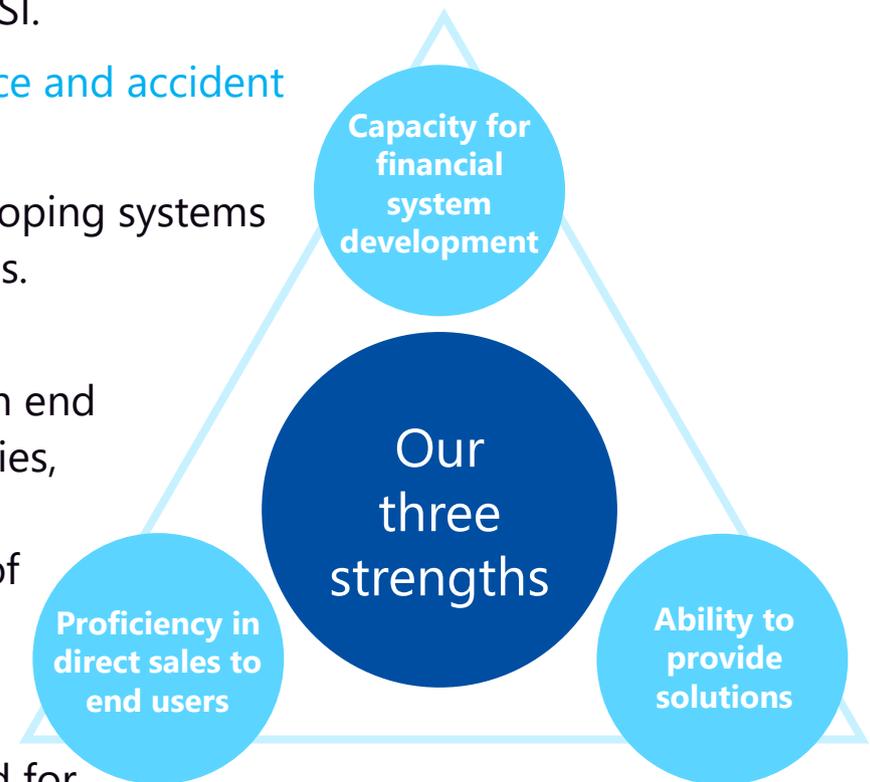
Strong performance record in developing systems for banks, credit cards, and securities.

### Proficiency in direct sales to end users

High level of direct transactions with end users such as life insurance companies, leading hotels, telecommunications carriers, etc., composing **over 50%** of sales.

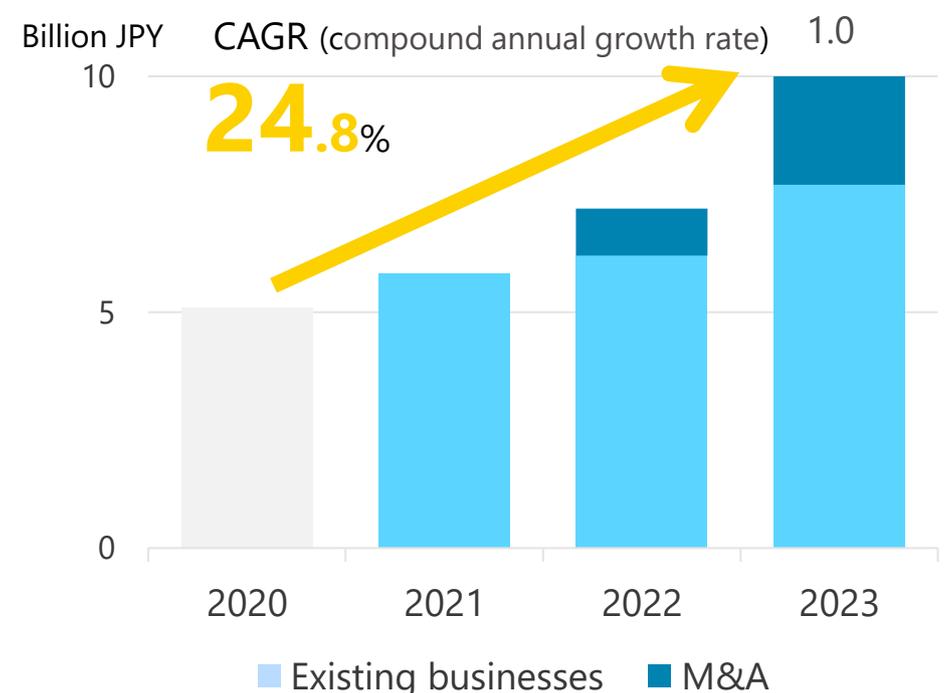
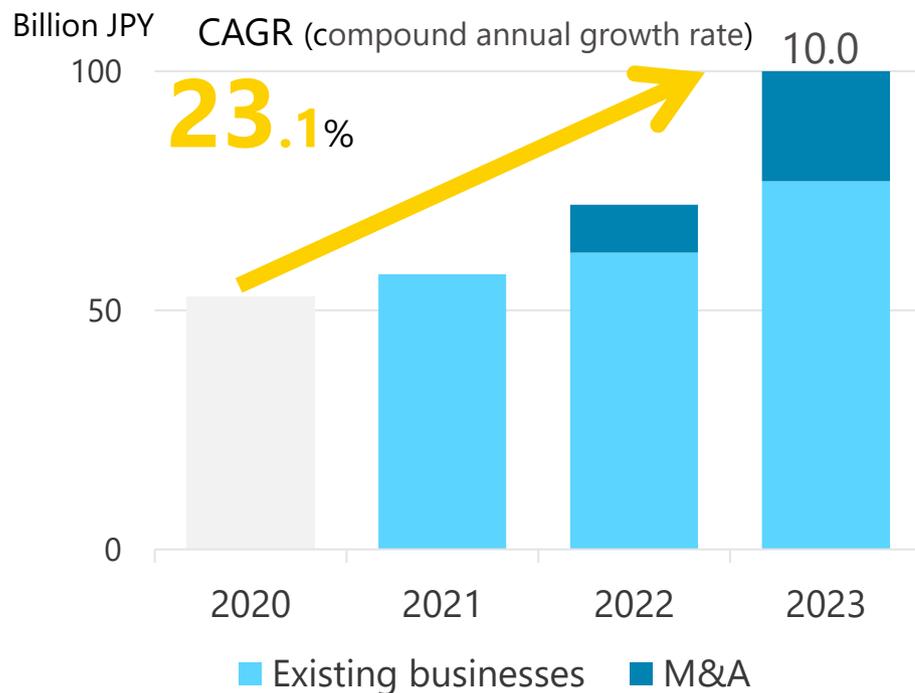
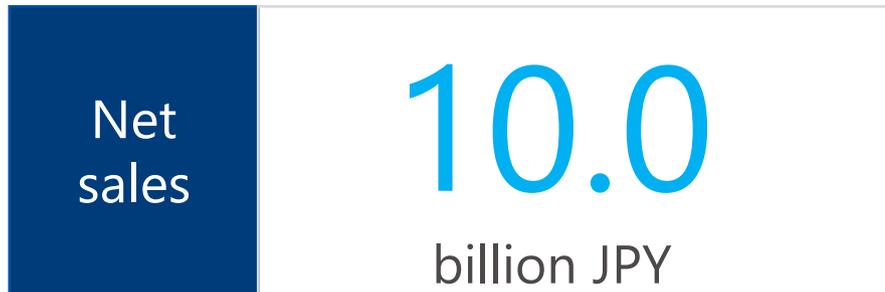
### Ability to provide solutions

Provides solution services optimized for each customer's business objectives through **5G, AI, RPA, remote work, etc.**



# 3.5) 1 Performance targets

FY2023/9



# 3.5) 2 Promotion policies: Sales growth

## Market scale (our forecast)

Logistics IoT software solutions market (WMS, etc.)

2023 103.0 bil. JPY  
 ↑  
 2020 80.0 bil. JPY

Smart cities market

2023 1,200.0 bil. JPY  
 ↑  
 2020 680.0 bil. JPY

AI's major markets\*

2023 64.0 bil. JPY  
 ↑  
 2020 32.0 bil. JPY

\* AI's major markets: Image recognition, speech recognition, speech synthesis, language analysis, search and retrieval, translation

### Logistics Business

Logistics industry is facing a serious labor shortage as the selection of diversifying needs continues to increase. There is urgent demand for immediate investment in streamlining, improving quality, and reducing environmental burden through the use of AI, IoT, etc.

### Connected Business

Proceed to engage in connected technologies to enrich lives, such as smart cities which utilize IoT and AI to make the entire neighborhood more efficient and convenient, etc.

### Solutions Business

Demand for investment is high due to structural reform for DX. Introduce unique and differentiated products with integration functions that utilize AI and RPA.

### M&A

Expand the scale of existing technologies and strengthen/introduce new technologies. Focus on logistics, connected functionality, AI, IoT, web, etc.

Unit: billion JPY

+1.2

+0.3

+0.9

+2.3

Existing businesses

M&A

10.0 billion JPY

FY2023/9

Sales growth

+4.7 billion JPY

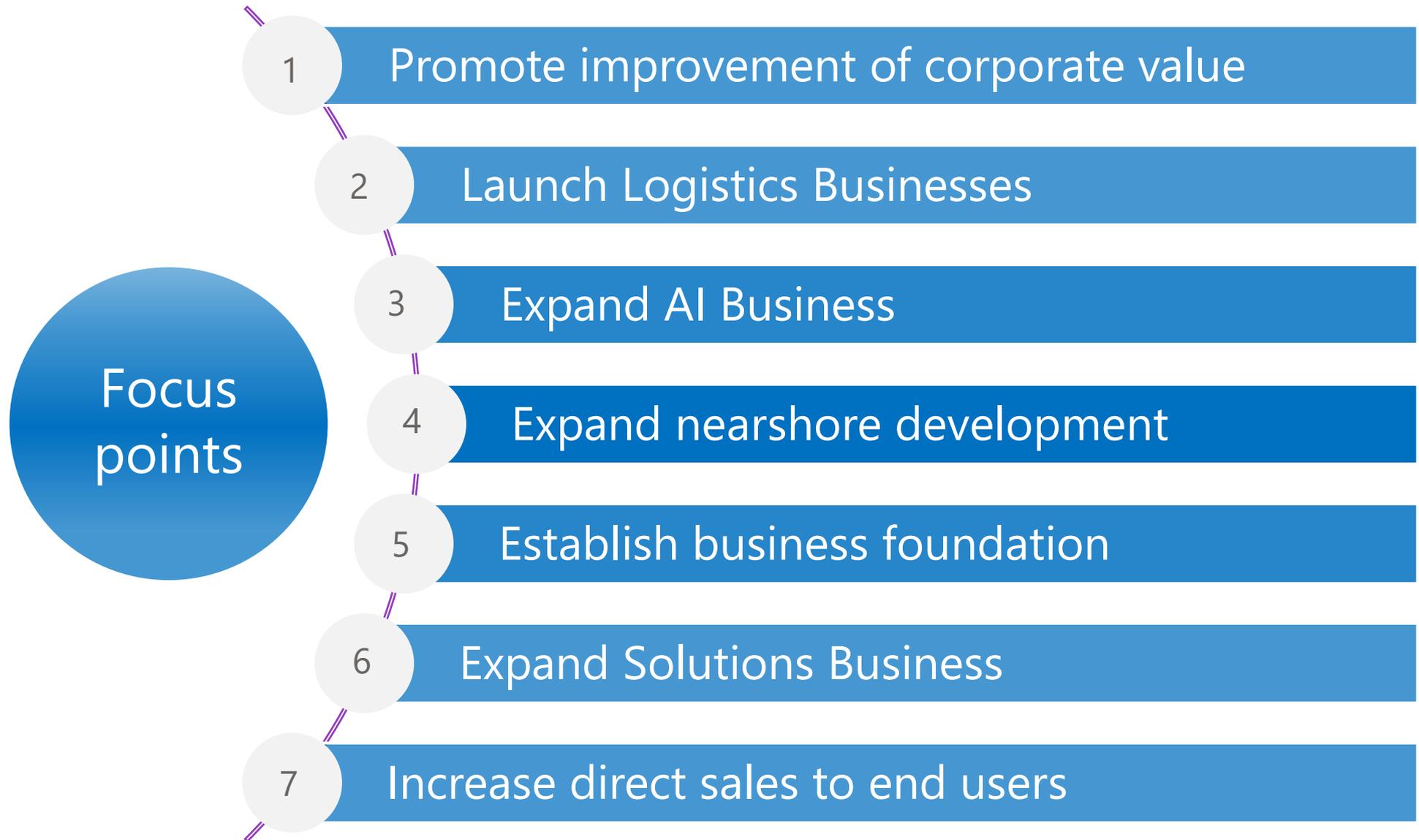
[Breakdown]

- Existing businesses 2.4 bil. JPY
- M&A 2.3 bil. JPY

5.3 billion JPY

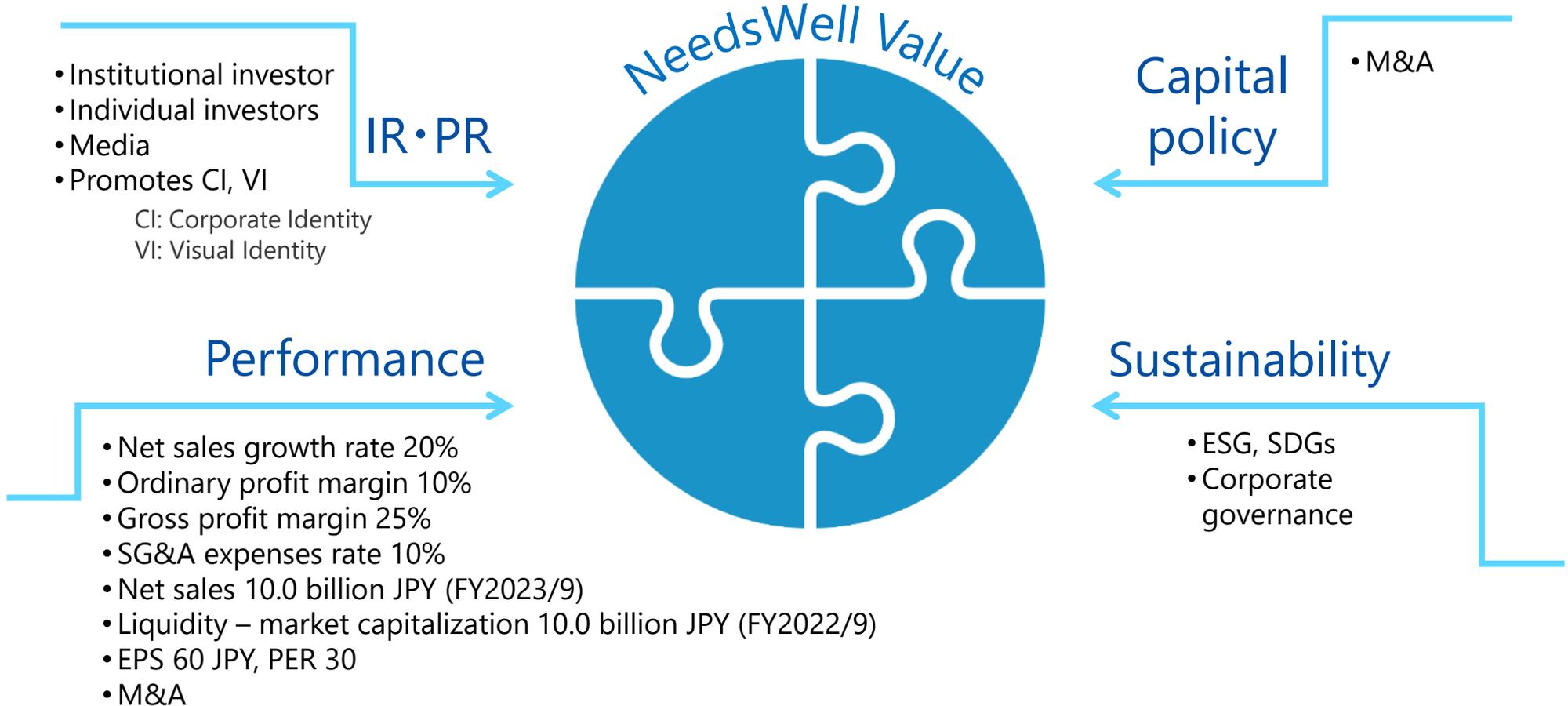
FY2020/9

## 3.6) Growth strategy



### 3.6) 1 Promote improvement of corporate value i

Promote our management philosophy of  
**“Contributing Broadly to the Economy and Society”**  
 through improvement of the **NeedsWell Value**



### 3.6) 1 Promote improvement of corporate value ii

Proactively pursue M&A, capital and business alliances, and the development of collaborative relationships



## 3.6) 2 Expand Logistics Businesses

Facing labor shortages as the needs of the Internet society continue to increase → Increased demand for system development



(Developed by Needs Well; launched in August 2021) realizes **3** smart aspects

### Manpower-saving, paperless system

- Improvement of operations at worksites with the use of handy terminals
- Elimination of paper from a series of tasks in warehouses

### Visualization of issues

- Productivity improvement with advanced analytical functions
- Optimization of staffing in warehouses



### Quick process with simple design

- Simple design focusing on the necessary and sufficient functions for warehouse management
- Quick and inexpensive provision
  - Warehouse flow and inventory management
  - Inventory management
  - Form and label issuance
  - Data analysis function

Quickly accommodate requests ranging from WMS installation to automated warehouses and operation / maintenance in collaboration with Logi Revo Co., Ltd. and Office FA.com Co., Ltd.

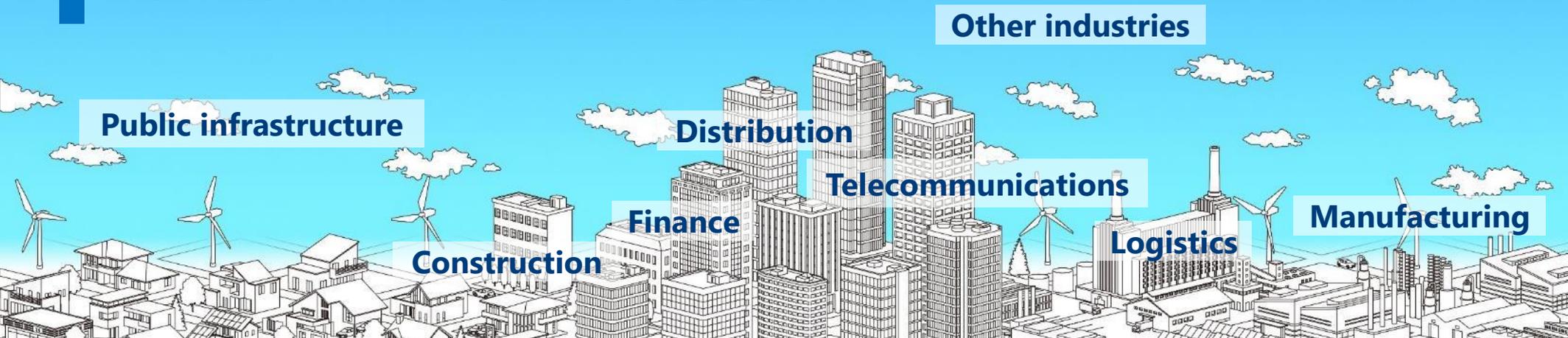
## 3.6) 3 Expand AI Business

### Expand AI Business by expanding the Work AI lineup

\* Work AI is a general term for **industry-specific AI solutions** developed to support corporate DX by utilizing know-how in integration for AI, RPA, etc.

		<p><b>AI Remote Education</b></p> <p>Quantitative visualization of business talks with numerical values and graphs.</p> <p>AI comparison of information with top performing models to provide feedback on points needing improvement.</p>
	<p>Demonstration test in progress</p>	<p><b>AI automation of rough estimation of parts and materials</b></p> <p>Aiming at the automation and accuracy improvement of rough estimation of parts and materials in the construction industry.</p>

### Promote DX in various industries



## 3.6) 4 Expand nearshore development

Nagasaki Development Center aims to maintain  
**100 employees** in FY2024/9

Utilize nearshore bases to acquire highly competent personnel and provide solutions for labor shortages

### Nearshore utilization

- Expand nearshore development system by accepting orders for out-of-office projects
- Promote transition from dispatch and residential styles while standardizing nearshore development

### Personnel acquisition

- Recruiting and training highly competent engineers who seek local employment
  - Recruiting from local universities
  - Recruiting U-turn and I-turn personnel



## 3.6) 5 Establish business foundation

Establishing a business foundation for stable development into the future as a listed company

### Business Systems SI

- Expand into the **financial** sector by accumulating business knowledge and training highly-skilled engineers
- New development into the **logistics** sector

### Infrastructure Services

- **Coordinate with Business Systems SI** for total orders

### Connected Systems

- Strengthen **connected** technology in addition to specialization in automobiles and medical equipment

▶▶▶ Service line composition

Service lines that **establish the business foundation**

**Business Systems  
SI**

**Infrastructure  
Services**

**Connected Systems**

+

Service line that **accelerates business expansion and increases added value**

**Solutions/Products,  
etc.**

## 3.6) 6 Expand Solutions Business

Expanding the Solutions Business to accelerate business expansion and increase added value

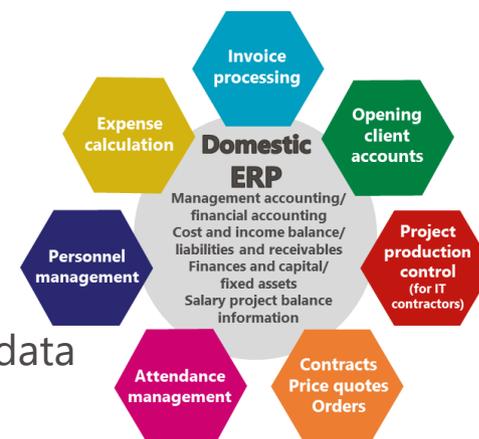
Net sales composition ratio target **15.0%** in FY2023/9 (FY2021/9 results: 10.8%)

### Expansion strategy

- ✓ Provide DX centered on  **solutions from Needs Well**

Coordinating peripheral systems based on ERP

- Digitization of paper documents, going paperless
- Prevent transcription mistakes/redundant entries by coordinating data
- Reduce manual data entry by utilizing RPA



- ✓ Provide  **for issues related to the 2025 Digital Cliff**

- ✓ Plan to provide collaboration solutions combining RPA tools and business chat tools (January 2022)

Receive user inquiries through AI chat bots and deploy RPA to handle processes and actions requested by users

## 3.6) 7 Increase direct sales to end users

Stabilize orders and improve profitability,  
maintain and expand end user direct sales ratio to **over 50%**

### Maintain and expand existing users

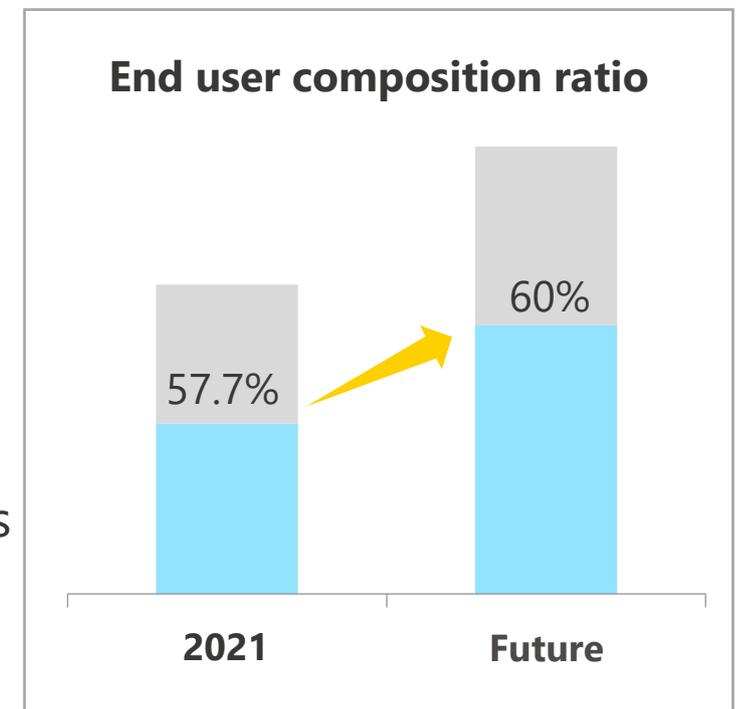
- Secure repeat customers
- Train highly skilled engineers and expand the scope of expertise sectors
- Cultivate new sectors of expertise

### Cultivate new users

- Horizontal expansion by introducing Needs Well's development results and business know-how to new companies that are similar to existing users

### Expand Solutions Business

- Focus on Solution Business with a high ratio of sales to end users



## 3.7) 1 Initiatives directly linked to business

Aim for **sustainable management** through business strategies that incorporate the perspectives of SDGs, ESG, and CSR

### Nearshore Development Promotion: Nagasaki Development Center to maintain 100 employees by 2024

Promote development by committing to QCD (quality, cost, and delivery) through remote development system that utilizes nearshore bases.

Aim to maintain 100 employees at the Nagasaki Development Center by 2024 and contribute to **prosperous urban development through the development of an industrial foundation, technological innovation, and creating employment opportunities** by utilizing highly competent local human resources.



### Development of new solutions to assist DX

Assist client companies in realizing and promoting DX to overcome the "2025 Digital Cliff" by building platforms using AI technology, providing systems, analyzing data, saving labor through RPA integration, etc. Contribute to **building the industrial foundation of a digital society**.

### Collaboration with partner companies

Promote partnerships with contractors and suppliers and aim to establish a structure for continuing to develop together over a long period of time.

- Feb. 2020: Entered into capital and business alliance agreement with **ITFOR Inc.**
- Mar. 2020: Entered into core partner agreement with **Meiji Yasuda Life Insurance Company** and **Meiji Yasuda System Technology Limited**
- Dec. 2020: Started collaborating in logistics sector with **Logi-Revo Co., Ltd.** and **Office FA.com Co., Ltd.**
- Mar. 2021: Entered into capital and business alliance agreement with **Souken-sys Inc.**
- Jul. 2021: Entered into capital and business alliance agreement with **Canon IT Solutions Inc.**
- Oct. 2021: Acquired 70% of **Zeroichi Production's** outstanding shares



## 3.7) 2 Initiatives supported by systems and activities

### Work style reform & personnel development

- Incentive dates for paid leave, Premium Friday, overtime target of 20 hours
- Expand selection of employees eligible for remote work
- System for encouraging skill improvement and motivation



### Increase ratio of female employees and managers

Target female manager ratio: 30%, target female employee ratio: 30%



### AI education for students

Arrange AI programming experiences and 5 days/3 weeks internships for students  
Conduct programming classes on apps for submitting electronic applications and creating interactive AI chatbots (2020)



### Donate to assistance programs for repaying student loans

Contribute to projects by Nagasaki Prefecture for assisting young adults in the repayment of their student loans  
Develop leaders who will establish themselves and play central roles in the local community



### Support for V-Varen Nagasaki of the Soccer J League

Concluded a sponsorship agreement to support the promotion of sports culture and revitalization of the local community



Please view the following link for other initiatives and more information:  
<https://www.needswell.com/ir/sdgs>



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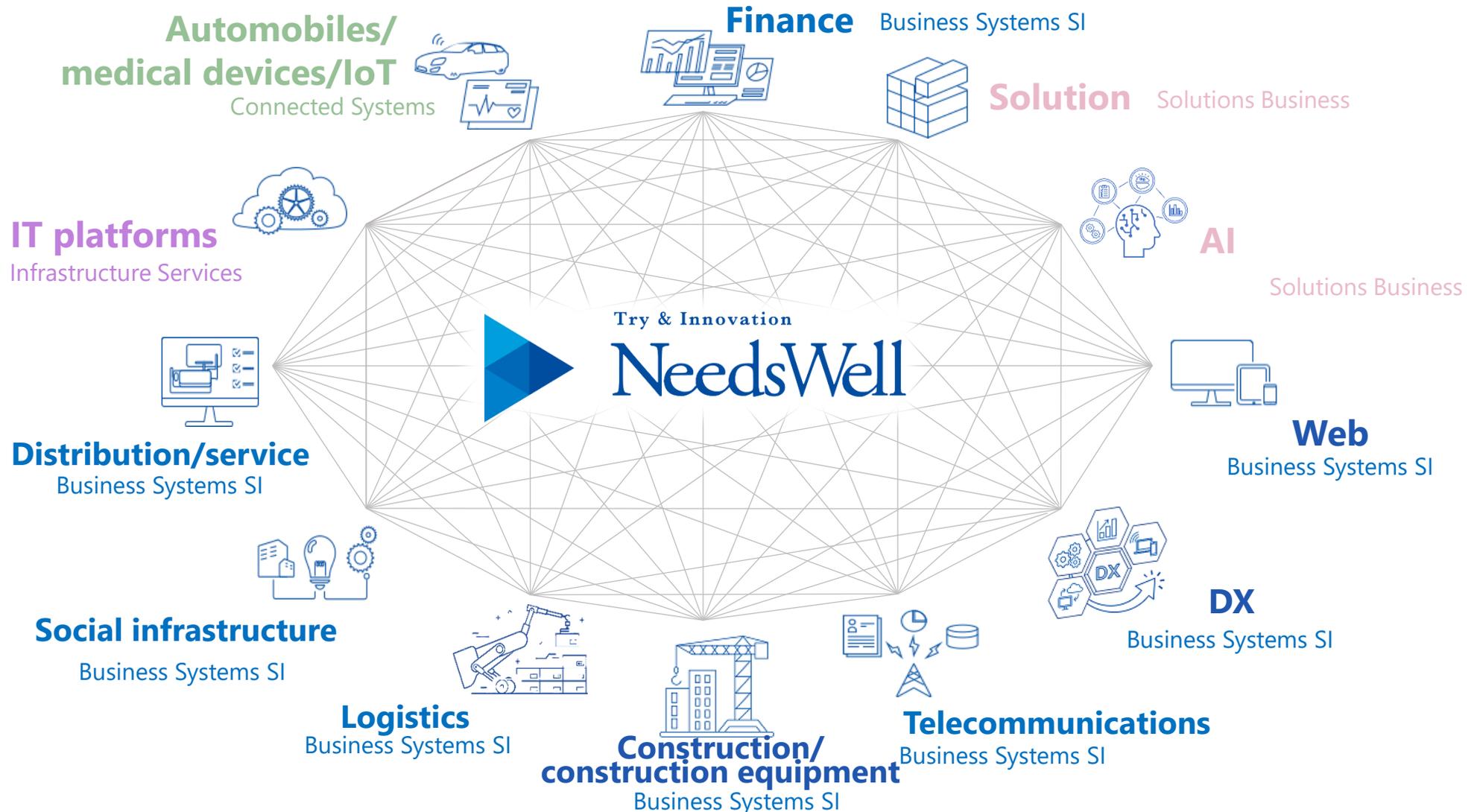
# Company profile

As of September, 2021

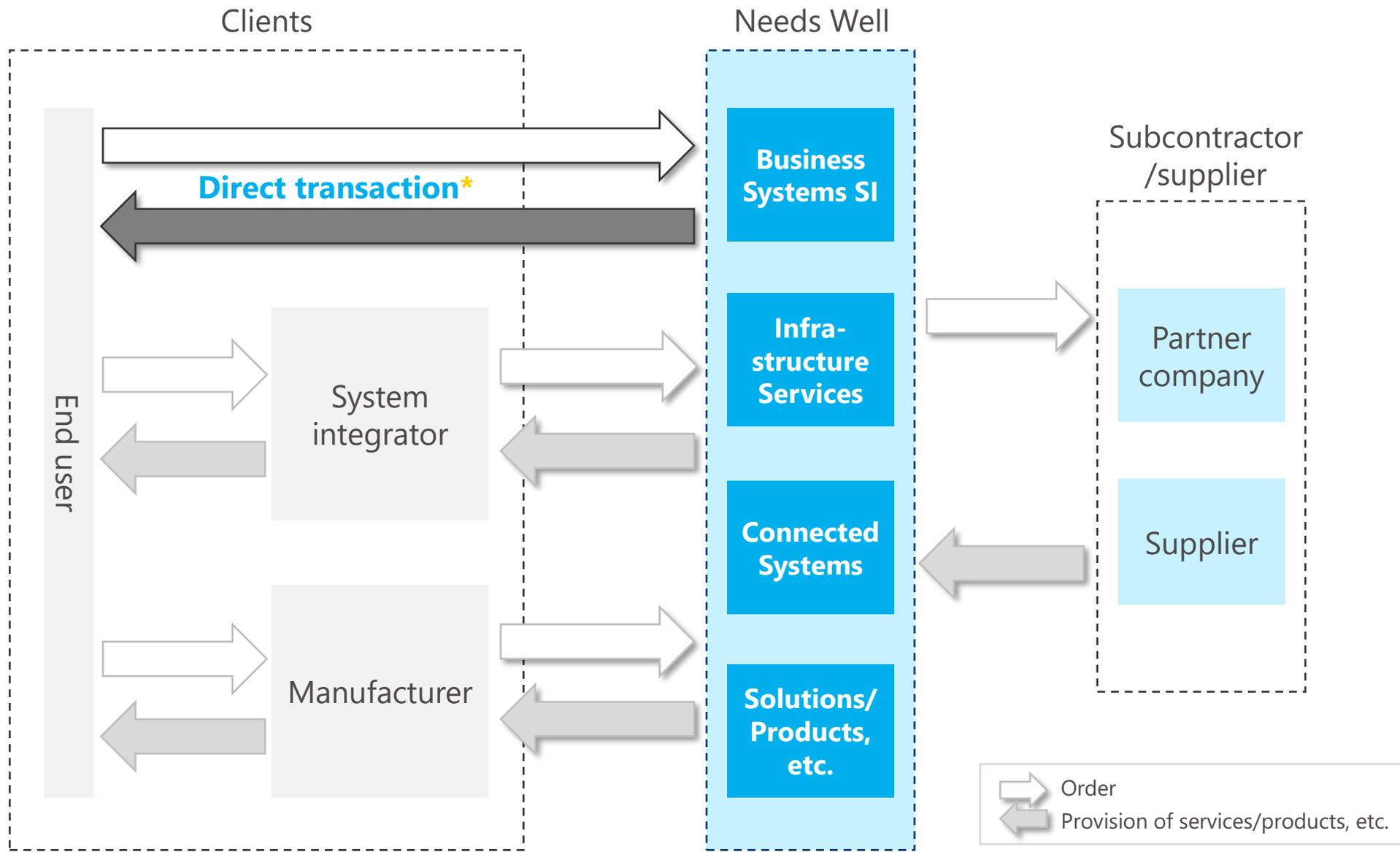
Company Name	Needs Well Inc		
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan		
Office	<ul style="list-style-type: none"> <li>- Shinjuku Office : 5F, South Tower, 13-15 Tomihisa-cho, Shinjuku-ku, Tokyo, 162-0067 Japan</li> <li>- Nagasaki Office: 5F, Meijiyasudaseimei Nagasakikozenmachi building, 2-21 Kozen-machi, Nagasaki-shi, Nagasaki, 850-0032 Japan</li> </ul>		
Contact	TEL: +81-3-6265-6763 FAX: +81-3-6265-6764 URL: <a href="https://www.needswell.com">https://www.needswell.com</a>		
Representative	President and CEO <b>Kozo Funatsu</b>		
Established	October 1, 1986	Stock Listing	Tokyo Stock Exchange, 1st Section (3992)
Paid-in Capital	907 million JPY	Net sales	5,752 million JPY
Number of Employees	552		
Qualification	Worker dispatch business Privacy mark	ISO27001 (ISMS) Certified ISO9001 (QMS) Certified	
Board of Directors	President and CEO <b>Kozo Funatsu</b> Senior Managing Director <b>Nobumasa Goto</b> Executive Director <b>Takeshi Tsukada</b> Director <b>Hiromi Kimura</b> Director <b>Keiho Akiyama</b> Director <b>Kazuhiro Shinohara</b> Director <b>Hiroki Yanagawa</b> <input type="checkbox"/> E <input type="checkbox"/> I Director <b>Hideaki Sakaue</b> <input type="checkbox"/> E <input type="checkbox"/> I E : External officer I : Independent officer	Audit & Supervisory Board Member <b>Kazuhiko Kato</b> Audit & Supervisory Board Member <b>Kotaro Niwa</b> <input type="checkbox"/> E <input type="checkbox"/> I Audit & Supervisory Board Member <b>Mamoru Yasuoka</b> <input type="checkbox"/> E <input type="checkbox"/> I	

# Business fields

Needs Well provides total IT services through four services focused on **Business Systems SI for finance.**



# Business system diagram

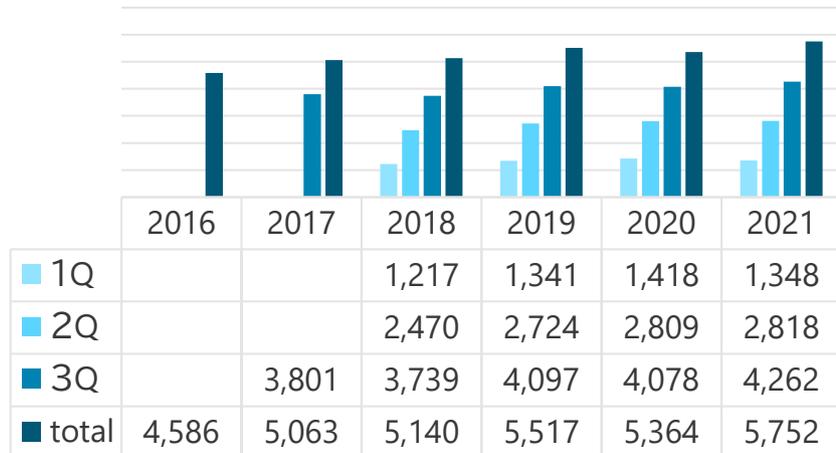


\* High level of **direct transactions with end users** (approx. **57.7%** of all sales)

# Business results 1

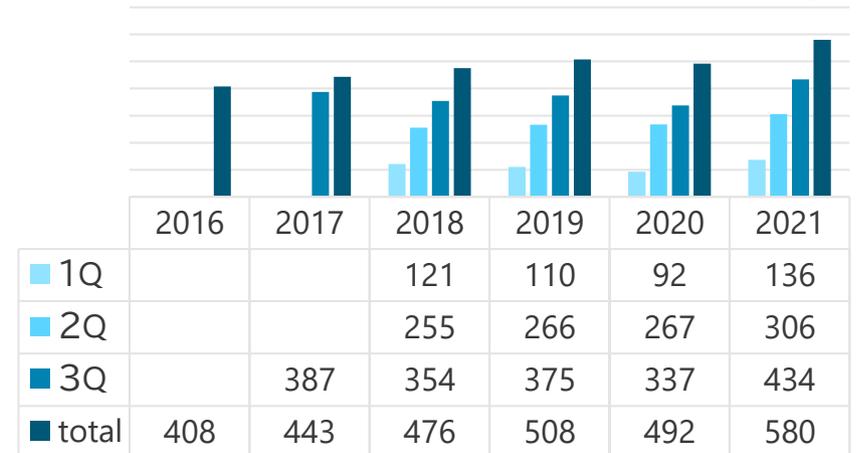
## Net sales

Unit : million yen



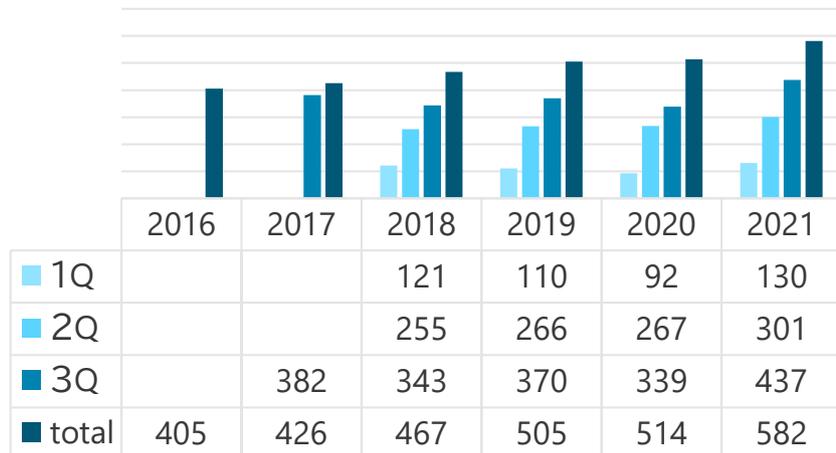
## Operating profit

Unit : million yen



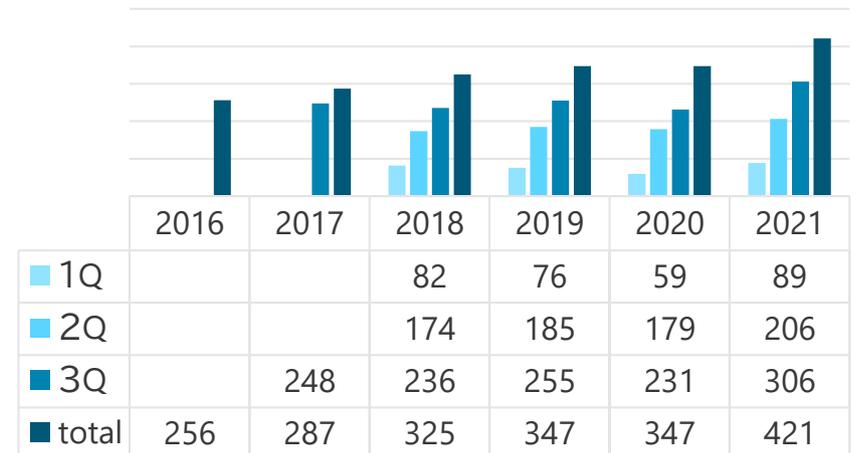
## Ordinary profit

Unit : million yen



## Profit

Unit : million yen



# Business results 2

## Profit per share

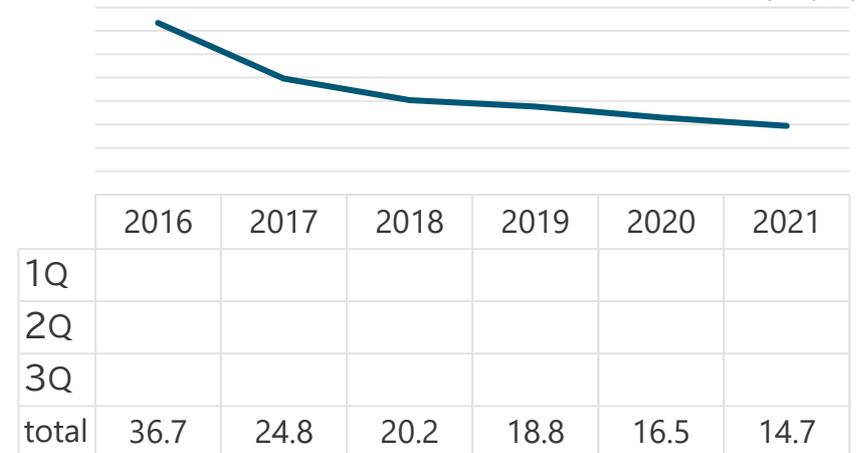
unit:Yen



\* Figures are after split adjusted as of May 12, 2017 ratio of 100 shares per share, as of Apr 1, 2018 ratio of 2 shares per share, as of Jan 1, 2019 ratio of 2 shares per share.

## ROE

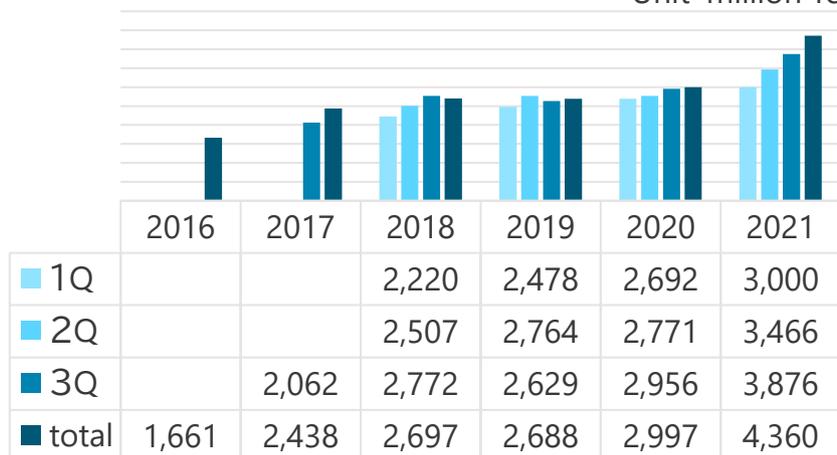
unit:%



\* This index is updated every year

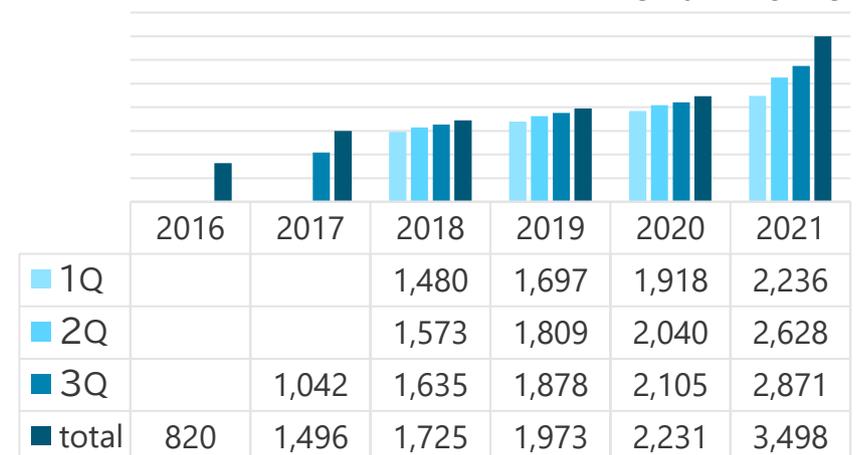
## Total assets

Unit: million Yen



## Net assets

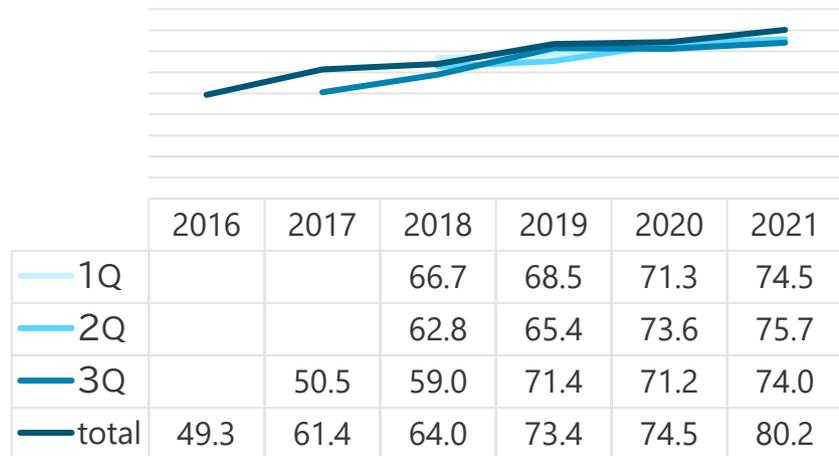
Unit: million Yen



# Business results 3

## Capital adequacy ratio

unit:%

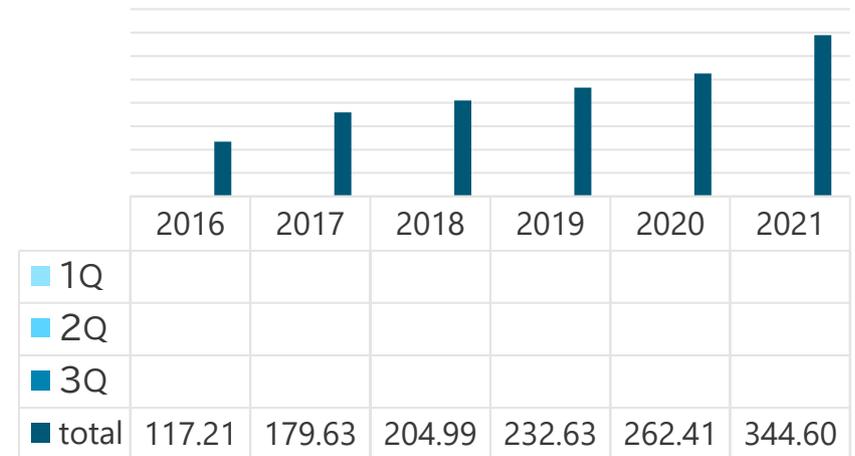


\* 2Q is total of 1Q and 2Q

\* 3Q is total of 1Q to 3Q

## Net assets per share

unit:Yen



\* Figures are after split adjusted as of May 12, 2017 ratio of 100 shares per share, as of Apr 1, 2018 ratio of 2 shares per share, as of Jan 1, 2019 ratio of 2 shares per share.

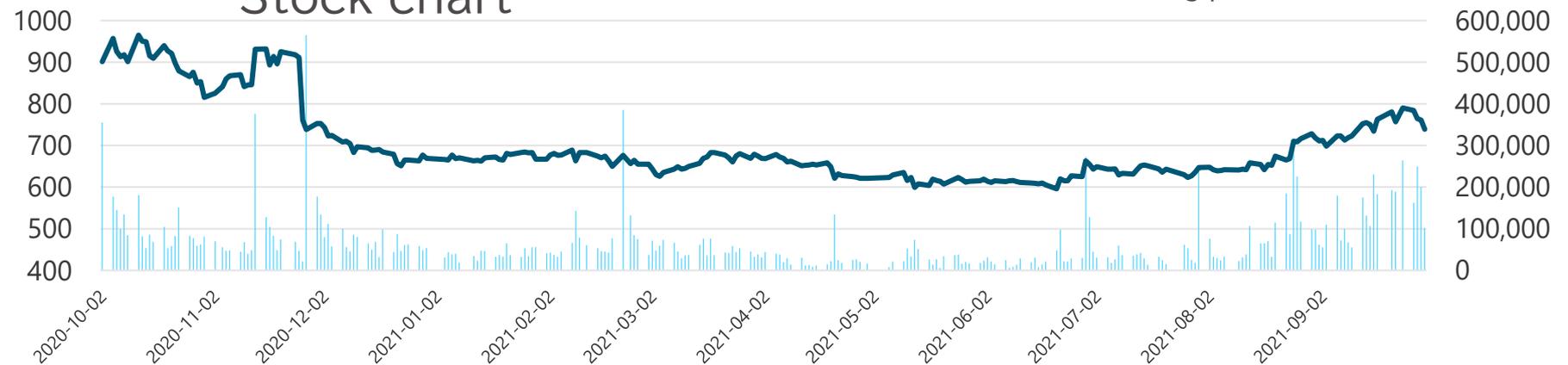
\* This index is updated every year

stock price:yen

## Stock chart

■ volume ■ closing price

Volume:shares





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- All statements described herein have been prepared by Needs Well based on the currently available information.
- Actual results may differ from forecasts due to various factors in the future.

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