

Tokyo Stock Exchange Prime Market: Securities Code 3992

Needs Well Inc.

Financial Results for the Fiscal Year 2022

(October 1, 2021 – September 30, 2022)

November 10, 2022



NeedsWell
Try & Innovation



1. 2022/9 Financial report summary



2. 2023/9 Results forecast



3. Growth strategy



4. Reference



1.1) Net sales, ordinary profit

Significant increase in both net sales and profit year on year, showing a strong **trend of expansion**

- Expanded sales channels and reinforced **the customer base** through active capital and business alliances and business alliances
- Expanded projects for DX of life insurance companies, core system testing for telecommunication carriers, cards/payments, and VDI installation/cloud building
- **The Solutions Business** gave momentum to our growth, driven by a paperless work environment, telework, and the revised Preservation of Electronic Records Act

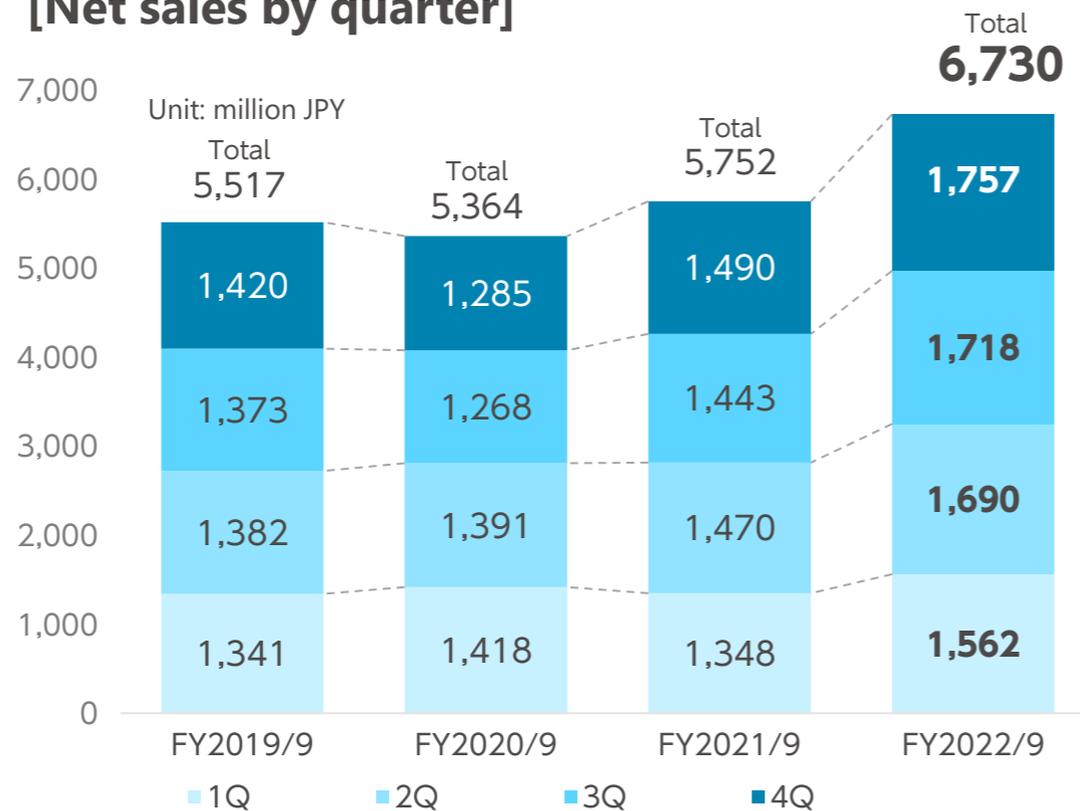
Net sales	6,730 million JPY	YoY	+17.0 %	
Ordinary profit	724 million JPY	YoY	+24.5 %	Ordinary profit margin 10.8 %
Net profit	499 million JPY	YoY	+18.5 %	Net profit ratio 7.4 %

1.2) Financial highlights: Net sales/ordinary profit, trends/comparison by FY

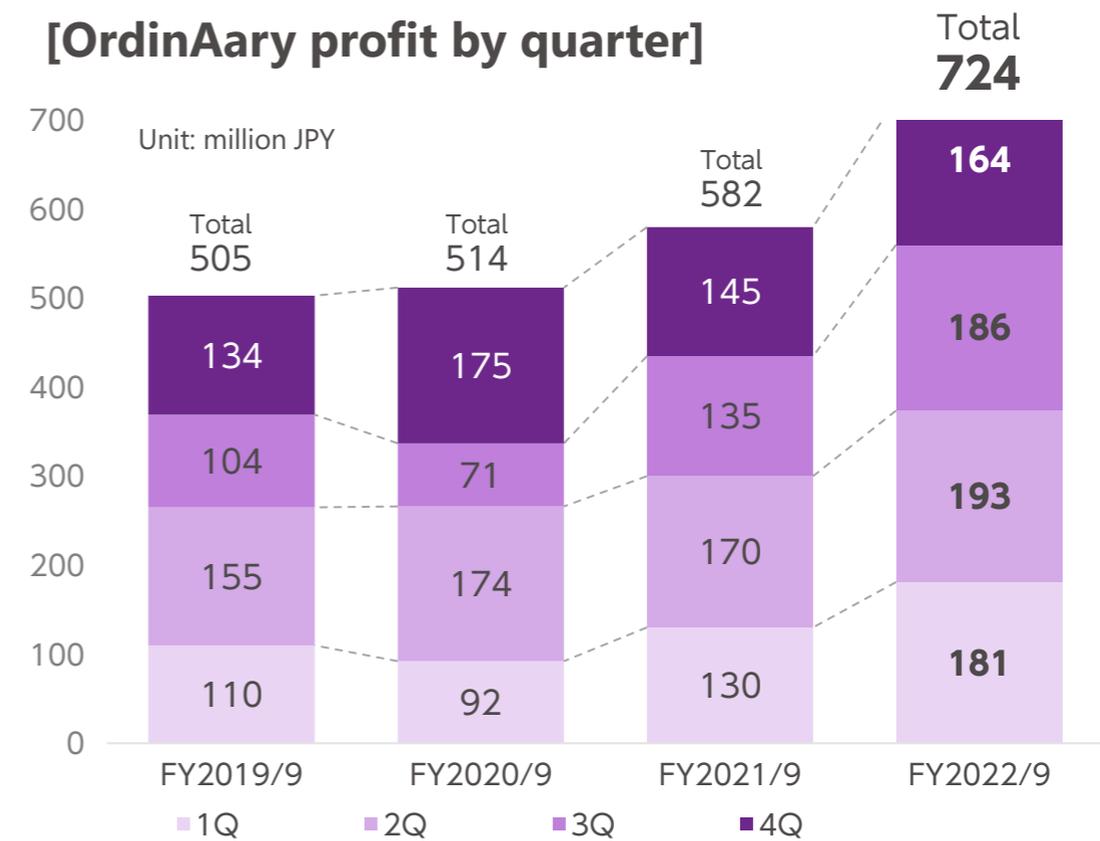
Both net sales and ordinary profit reached new highs since establishment

High level for salary increases of 2.15% and an annual bonus of 4.8 months due to strong performance

[Net sales by quarter]



[Ordinary profit by quarter]

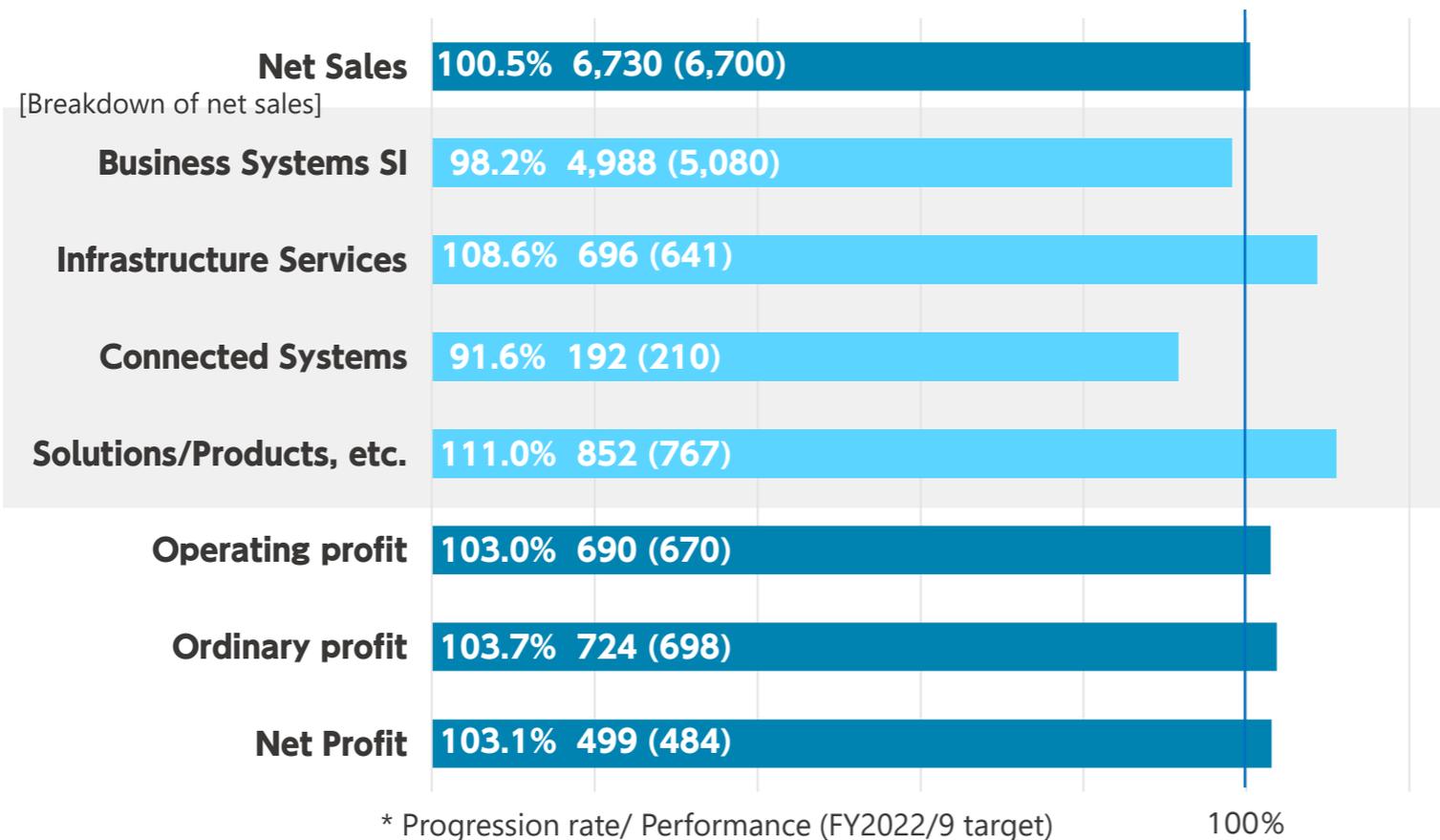


1.3) Performance progression rate

Progression rate on performance targets: 100.5% for net sales, 103.7% for ordinary income

Infrastructure Services: Strong performance in VDI installations and cloud-related projects

Solutions: Strong performance in solutions relating to the Revised Preservation of Electronic Records Act, DX, and telework



Business Systems SI
Core system testing for telecommunication carriers, development of information management systems and certificate issuing systems for a government agency, and agile software development for DX of insurance companies, etc., increased.

Infrastructure Services
In addition to coordination between Business Systems SI and Solutions/Products, etc., and VDI installation with full-scale entry into cloud-building initiatives, we captured demand for infrastructure enhancement in public projects.

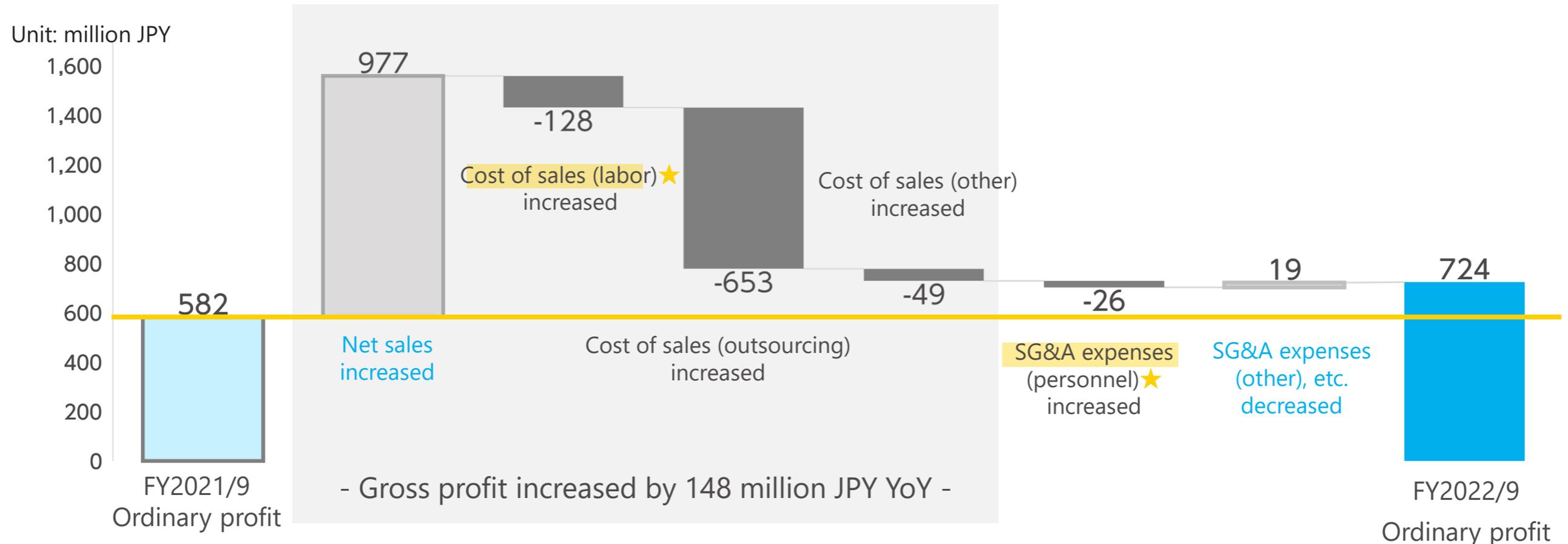
Connected Systems
Affected by the spread of COVID-19, orders for the manufacturing industry decreased.

Solutions/Products, etc.
Invoice PA, a unique solution for expense management, and RPA remained strong. We aim to further expand the business in the next fiscal year by introducing new solutions.

1.4) Ordinary profit analysis

Ordinary profit **increased 24.5% (142 million JPY) year on year**

- **Gross profit** increased by 148 million JPY (+10.5% year on year) due to increased orders and acquisition of high-value-added projects
- **Personnel-related expenses**★ increased by 152 million JPY (+4.8% year on year) due to additional employees, salary increases of 2.15% and an annual bonus of 4.8 months



1.5) Profit & loss statement

Ordinary profit ratio was **10.8%** (Up 0.7 pts YoY)

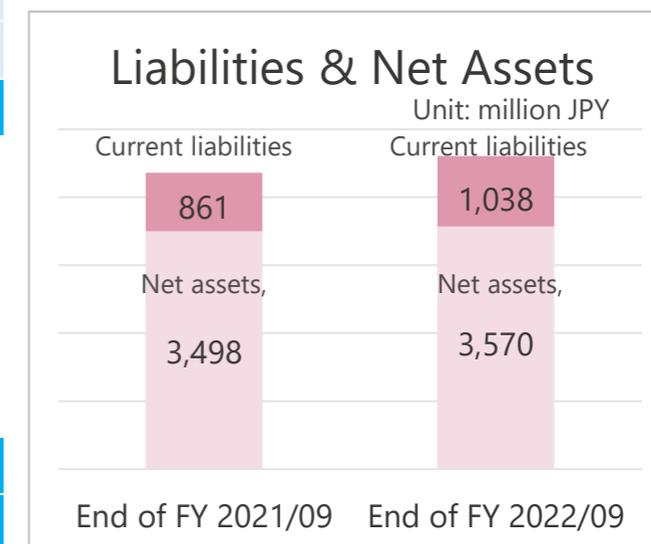
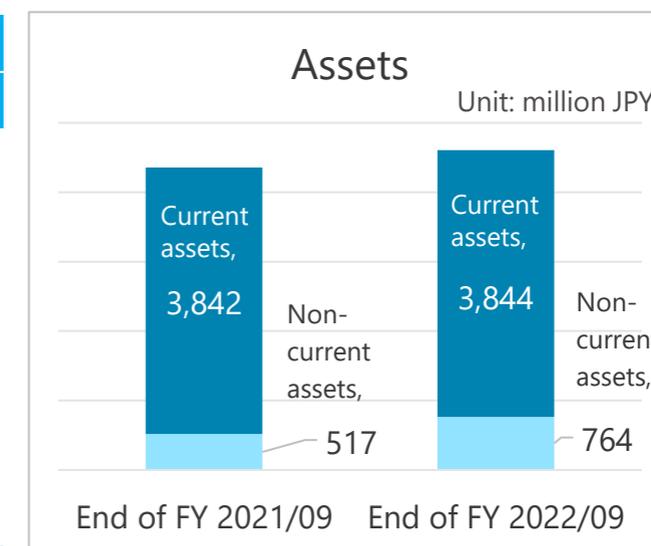
Unit: million JPY	FY2021/9 Financial Results		FY2022/9 Financial Results		
	Result	Net Sales	Result	Net Sales	Year-on-year
Net sales	5,752	-	6,730	-	117.0%
Business Systems SI	4,360	75.8%	4,988	74.1%	114.4%
Infrastructure Services	580	10.1%	696	10.3%	120.0%
Connected Systems	191	3.3%	192	2.9%	100.8%
Solutions/Products, etc.	620	10.8%	852	12.7%	137.4%
Gross profit	1,414	24.6%	1,562	23.2%	110.5%
SG&A expenses	833	14.5%	872	13.0%	104.6%
Operating profit	580	10.1%	690	10.3%	119.0%
Non-operating profit	12	0.2%	35	0.5%	281.5%
Non-operating expenses	10	0.2%	1	0.0%	14.3%
Ordinary profit	582	10.1%	724	10.8%	124.5%
Net profit	421	7.3%	499	7.4%	118.5%

1.6) Balance sheet

Equity ratio at **77.5%**, down **2.7** pts year on year due to acquisition of treasury shares

*Selection of significant entries only		FY2021/9		FY2022/9	
Unit: million JPY		Result	Result	Year-on-year	
Assets	Cash and deposits	2,868	2,609	-259	
	Accounts receivable	938	0	-938	
	<small>Accounts receivable - trade and contract assets</small>	0	1,163	1,163	
	Prepaid expenses	25	72	46	
	Other	9	0	-10	
	Total current assets	3,842	3,844	1	
	Buildings, net	31	29	-2	
	Software	82	81	-1	
	Software in progress				
	Investment securities	114	236	121	
	<small>Shares of subsidiaries and associates</small>	0	107	107	
	Deferred tax assets	118	136	17	
	<small>Leasehold and guarantee deposits</small>	83	83	0	
	Insurance funds	76	76	0	
	Other	3	3	0	
Total non-current assets	517	764	246		
Total assets	4,360	4,608	248		

*Selection of significant entries only		FY2021/9		FY2022/9	
Unit: million JPY		Result	Result	Year-on-year	
Liabilities	Accounts payable - trade	143	213	70	
	Accounts payable - others	149	150	0	
	Accrued corporate tax, etc.	124	180	56	
	Accrued consumption taxes	91	90	-1	
	Deposits received	41	44	2	
	Provision for bonuses	302	343	41	
	Other	8	15	6	
	Total current liabilities	861	1,038	176	
	Total non-current liabilities	0	0	0	
	Total liabilities	861	1,038	176	
Equity	Share capital	907	908	0	
	Legal capital surplus	763	764	0	
	Retained earnings brought forward	1,807	2,072	265	
	Treasury shares	0	-200	-199	
	<small>Valuation difference on available-for-sale securities</small>	20	24	4	
Total net assets	3,498	3,570	71		
Total liabilities and net assets	4,360	4,608	248		





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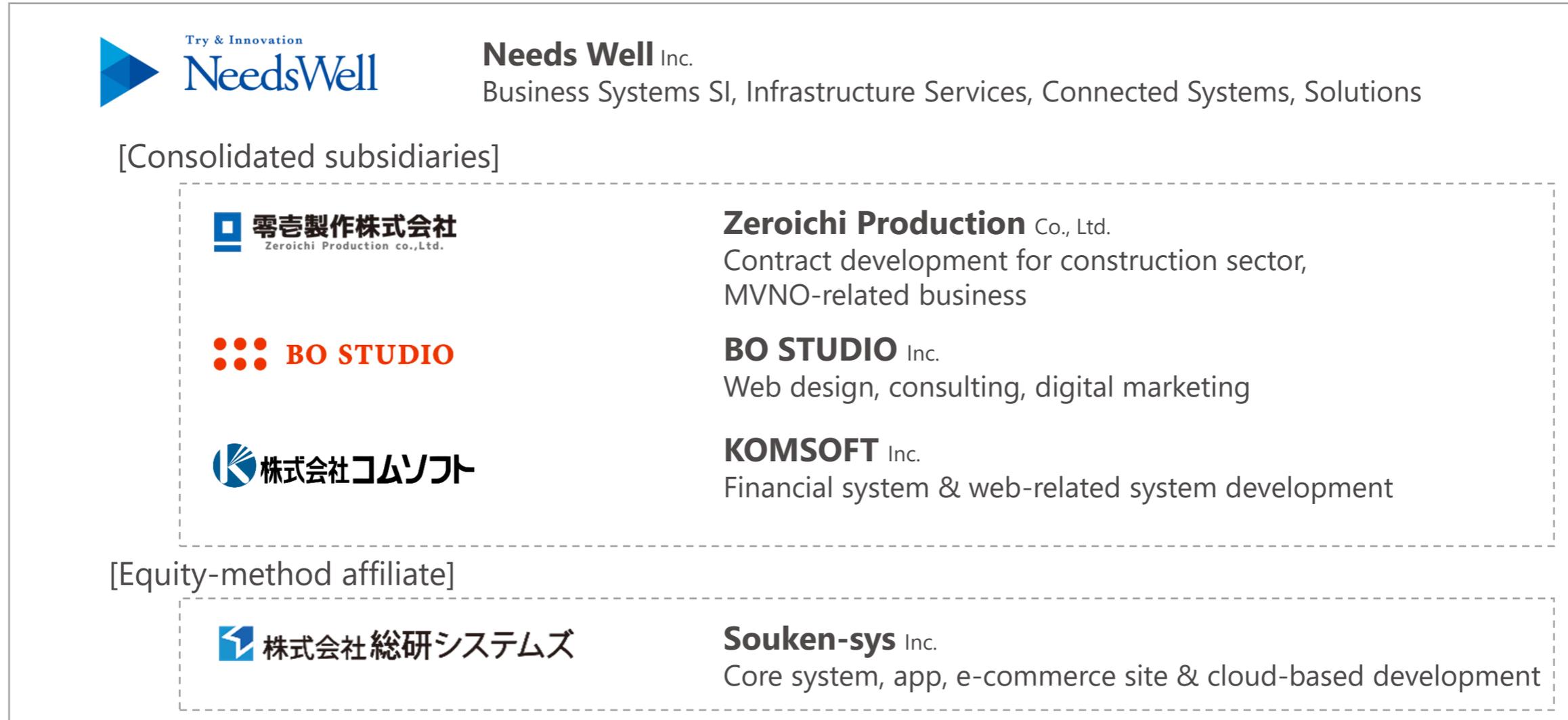


4. Reference



2.1) Transition to consolidated accounting

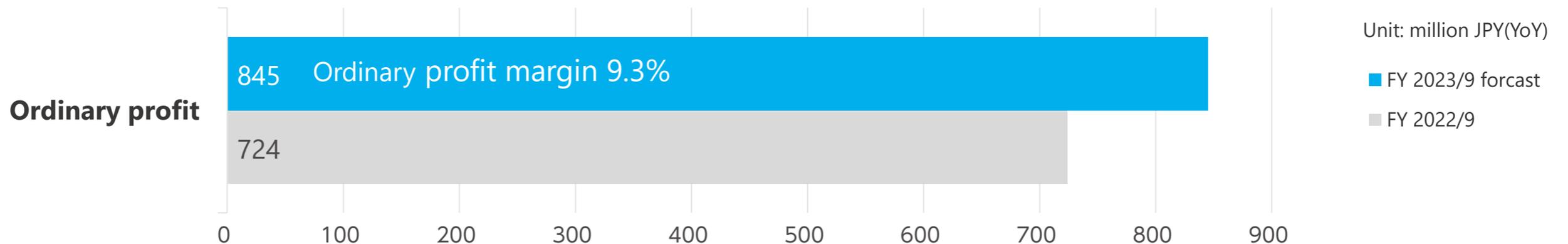
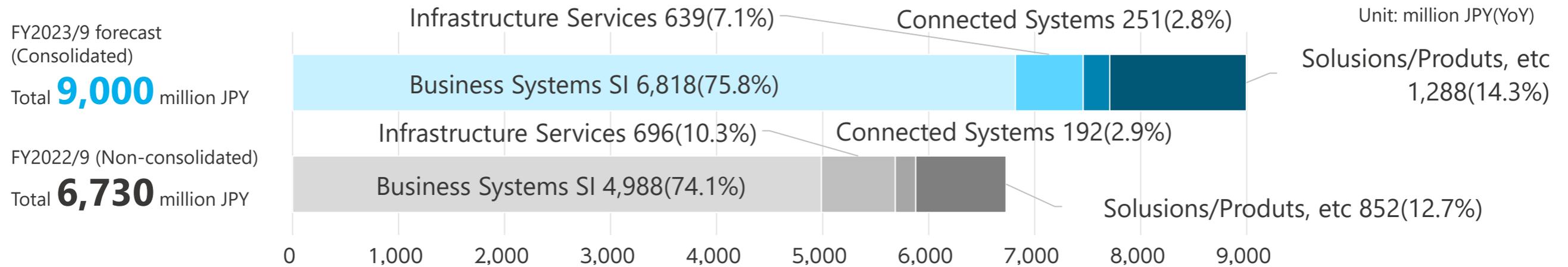
Transition to consolidated accounting from October 2022 with Needs Well's inclusion of subsidiaries and an equity-method affiliate



2.2) Forecast (Consolidated)

Toward achieving the Medium-Term Management Plan Targets of
Net sales: 10.0 billion JPY & Ordinary profit: 1.0 billion JPY

Needs Well will continue efforts throughout FY2023/9 to **expand existing businesses** and **conclude M&A contracts at a pace that exceeds forecasts**



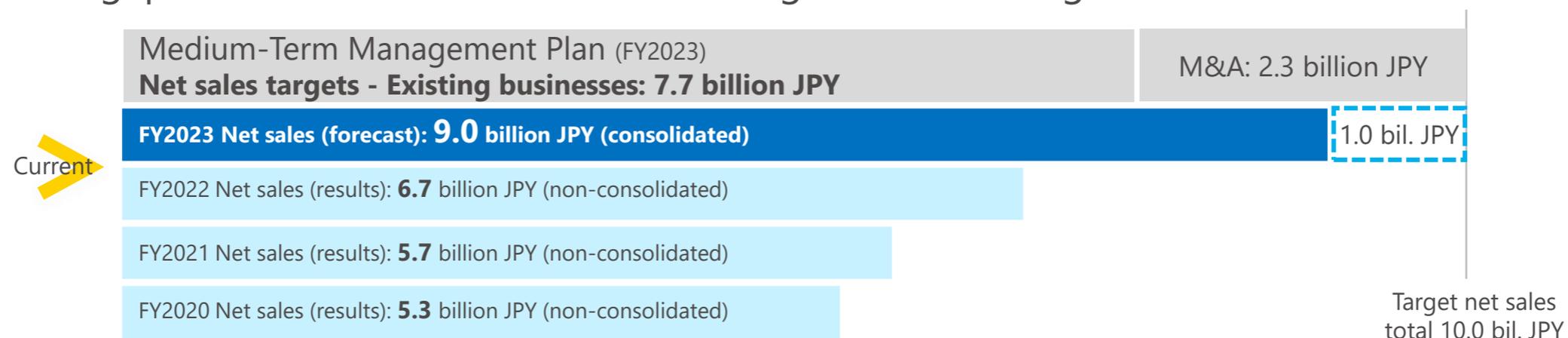
Medium-Term Management Plan Targets for FY2023/9

Net sales: 10.0 billion JPY Ordinary profit: 1.0 billion JPY

Present situation

While existing businesses are steadily expanding to exceed the target of 7.7 billion JPY, we are facing issues in the scale of concluding M&A contracts

With current FY2023 forecast for net sales of **9.0 billion JPY**, measures necessary to cover gap in relation to Medium-Term Management Plan target for net sales of **10.0 billion JPY**



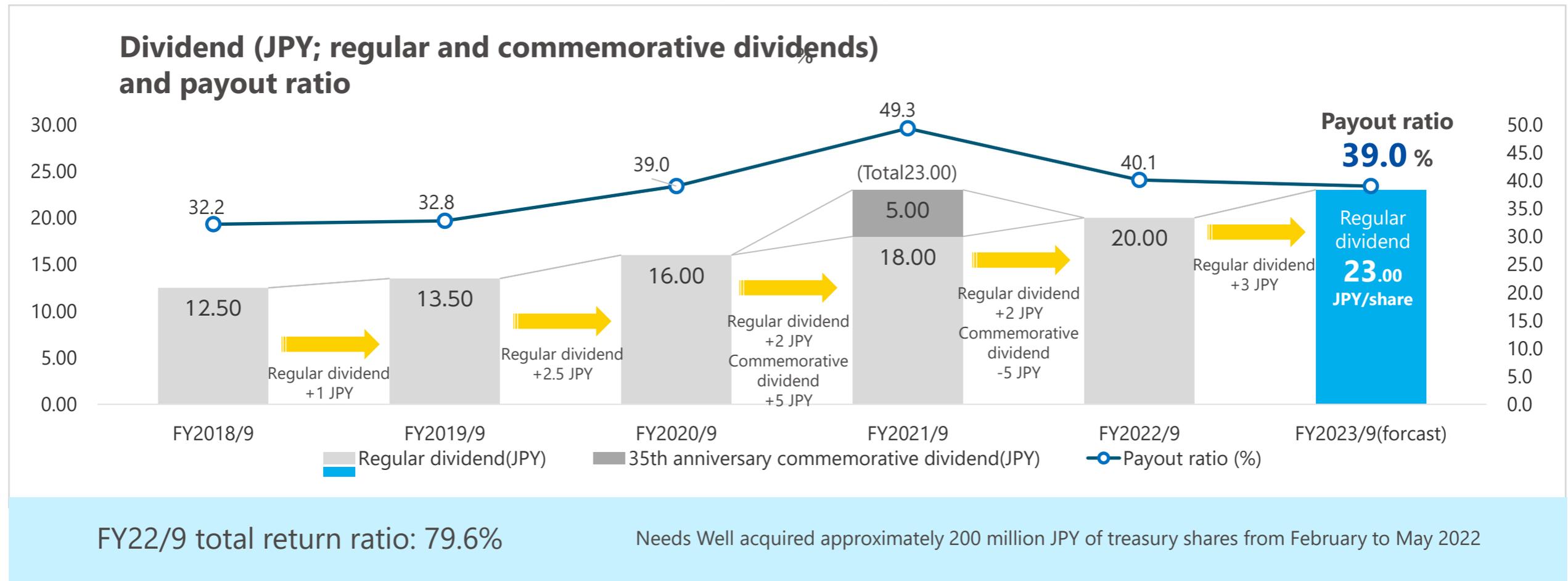
Measures & revisions

- 1) Cover delays in M&A by increased sales from capital and business alliances / business alliances
- 2) Continue to explore M&A projects that have the potential for synergies. Now working on evaluating the value of several projects
- 3) If a large amount of additional funding is required, consider bank loans instead of fund-raising through the issuance of new shares

2.4) Dividends and shareholder returns

FY23/9 forecast Dividend per share: **23 JPY/share** **3 JPY** increase in **regular dividend**

In addition to shareholder returns, we will work to increase employee salaries and bonuses in seeking economic growth and securing talent.



* 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 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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4. Reference



3.1) Management philosophy

Management philosophy

Contributing Broadly to the Economy and Society

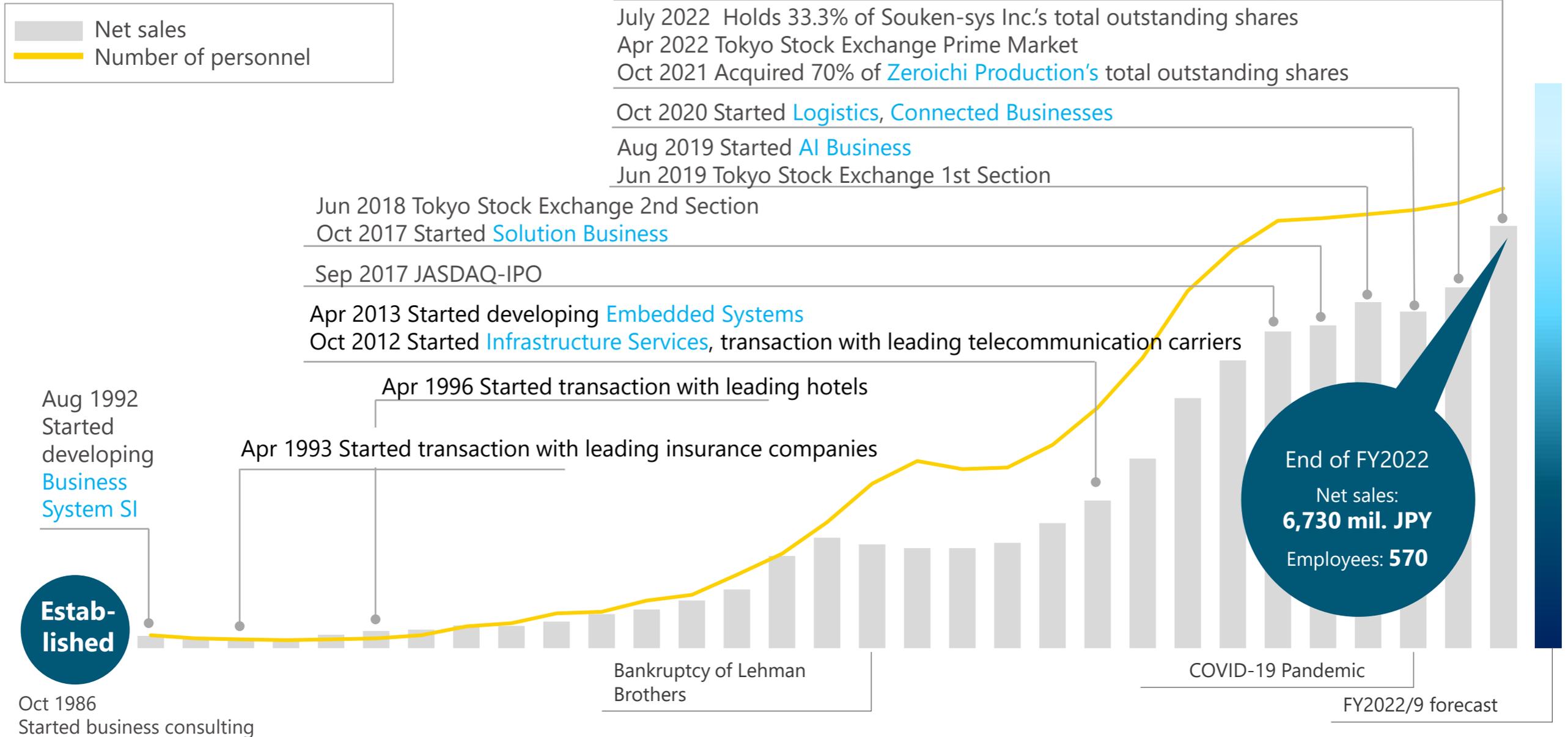
Business slogan

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

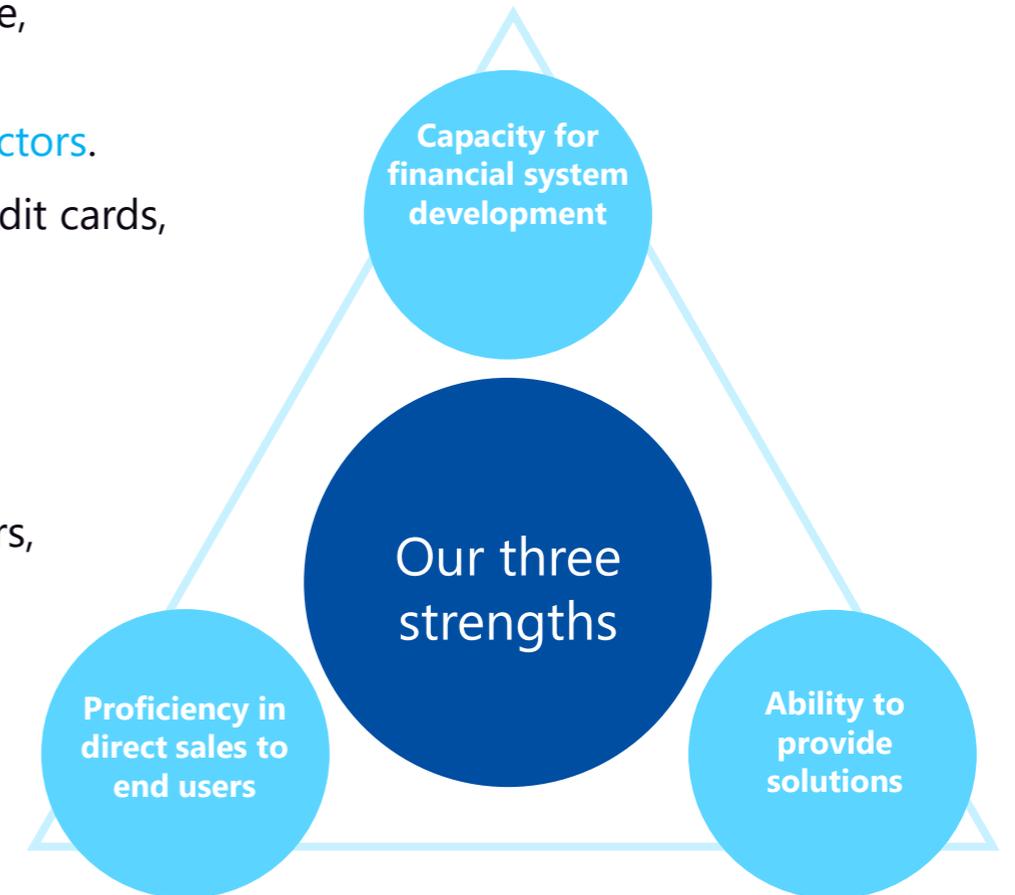
Financial sector accounts for 50% of net sales in main service line, Business Systems SI.
Particularly advanced in **life insurance and accident insurance sectors**.
Strong performance record in developing systems for banks, credit cards, and securities.

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.

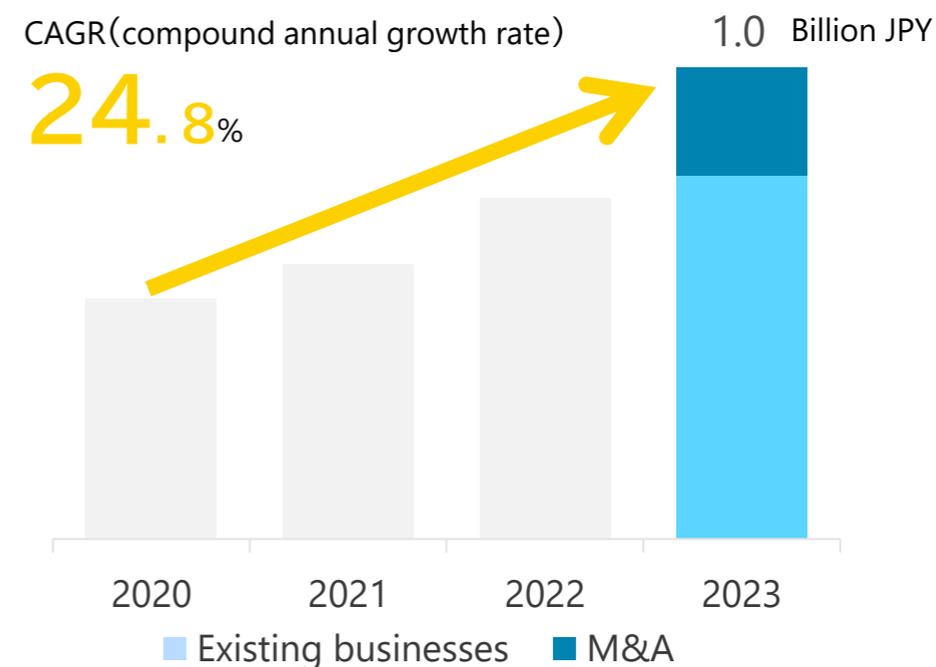
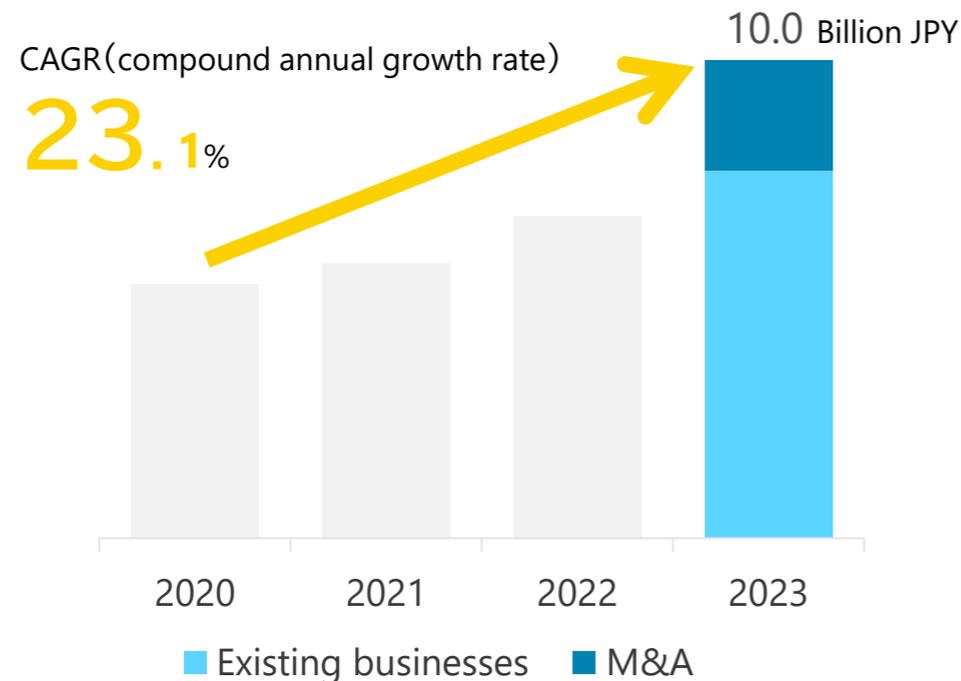
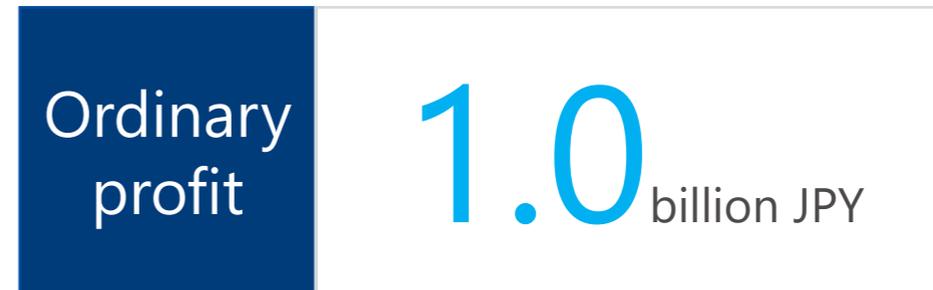
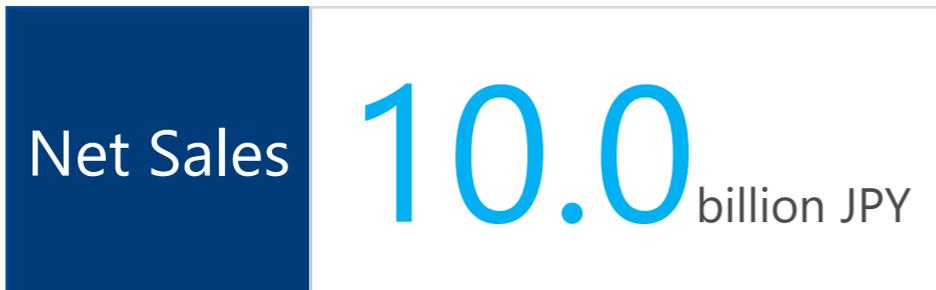
Ability to provide solutions

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



3.5) 1 Performance targets

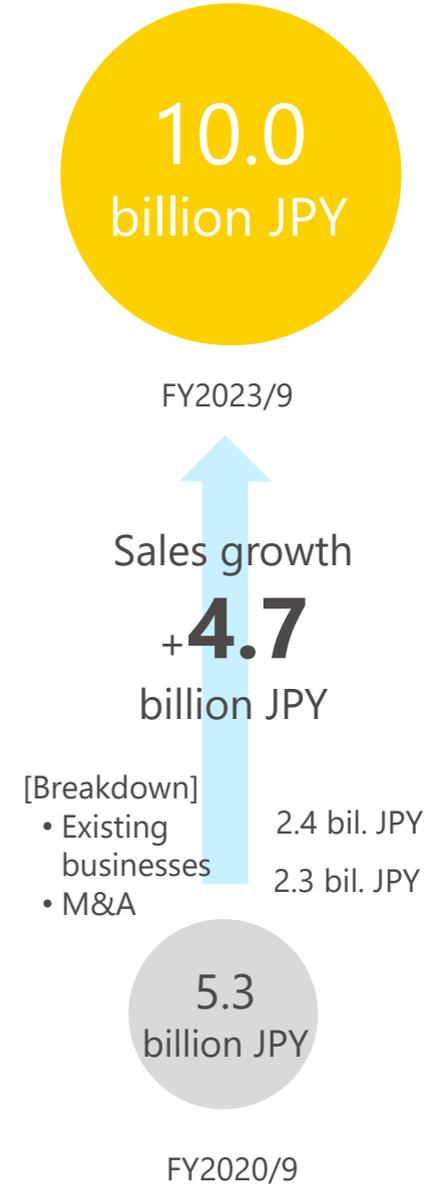
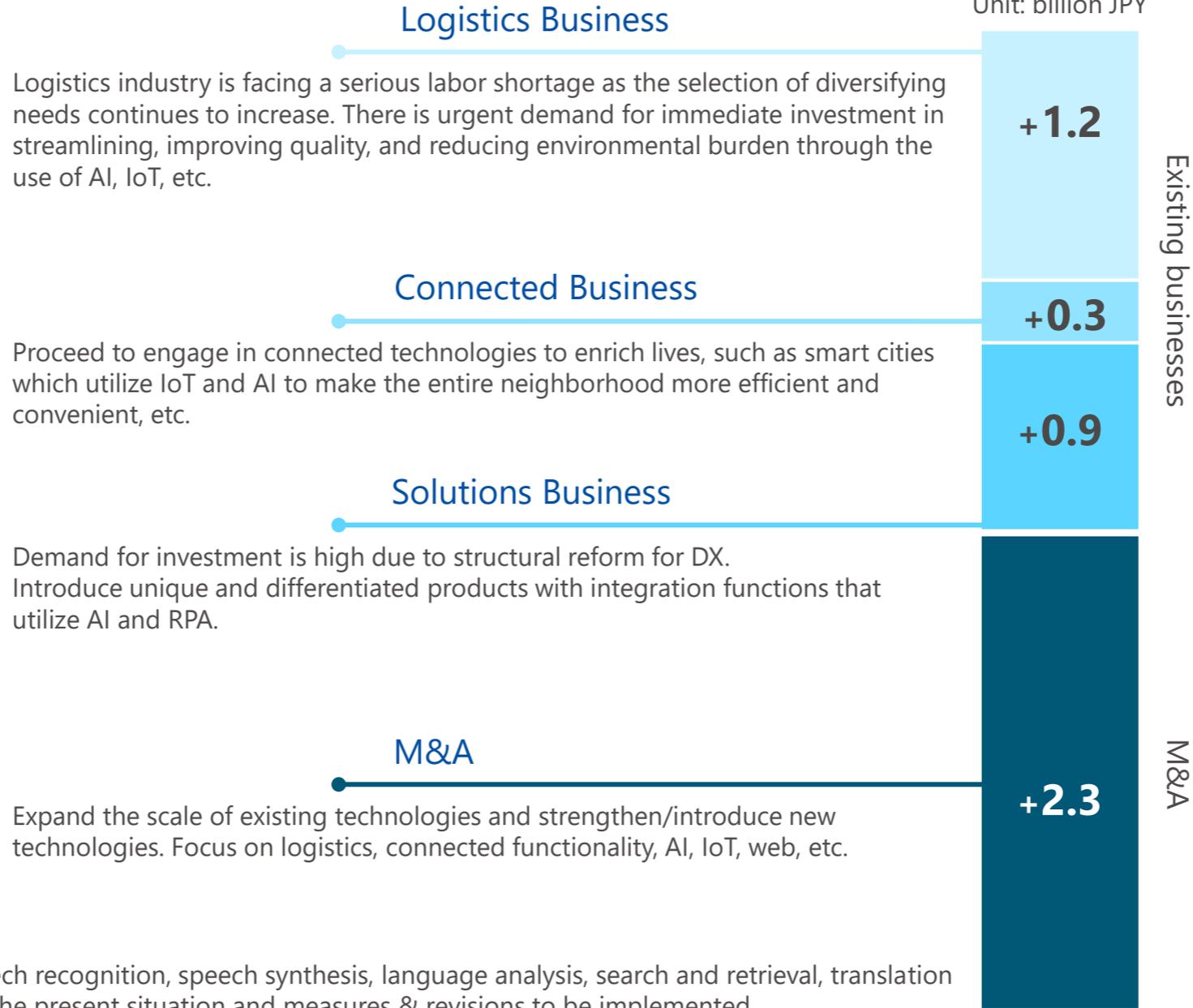
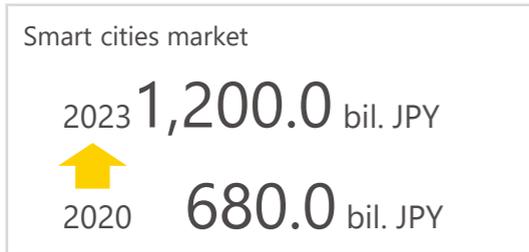
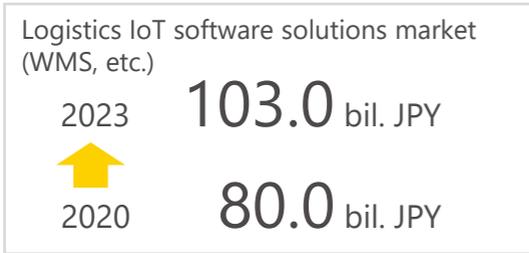
FY2023/9



* Please refer to page 12 for an analysis of the present situation and measures & revisions to be implemented.

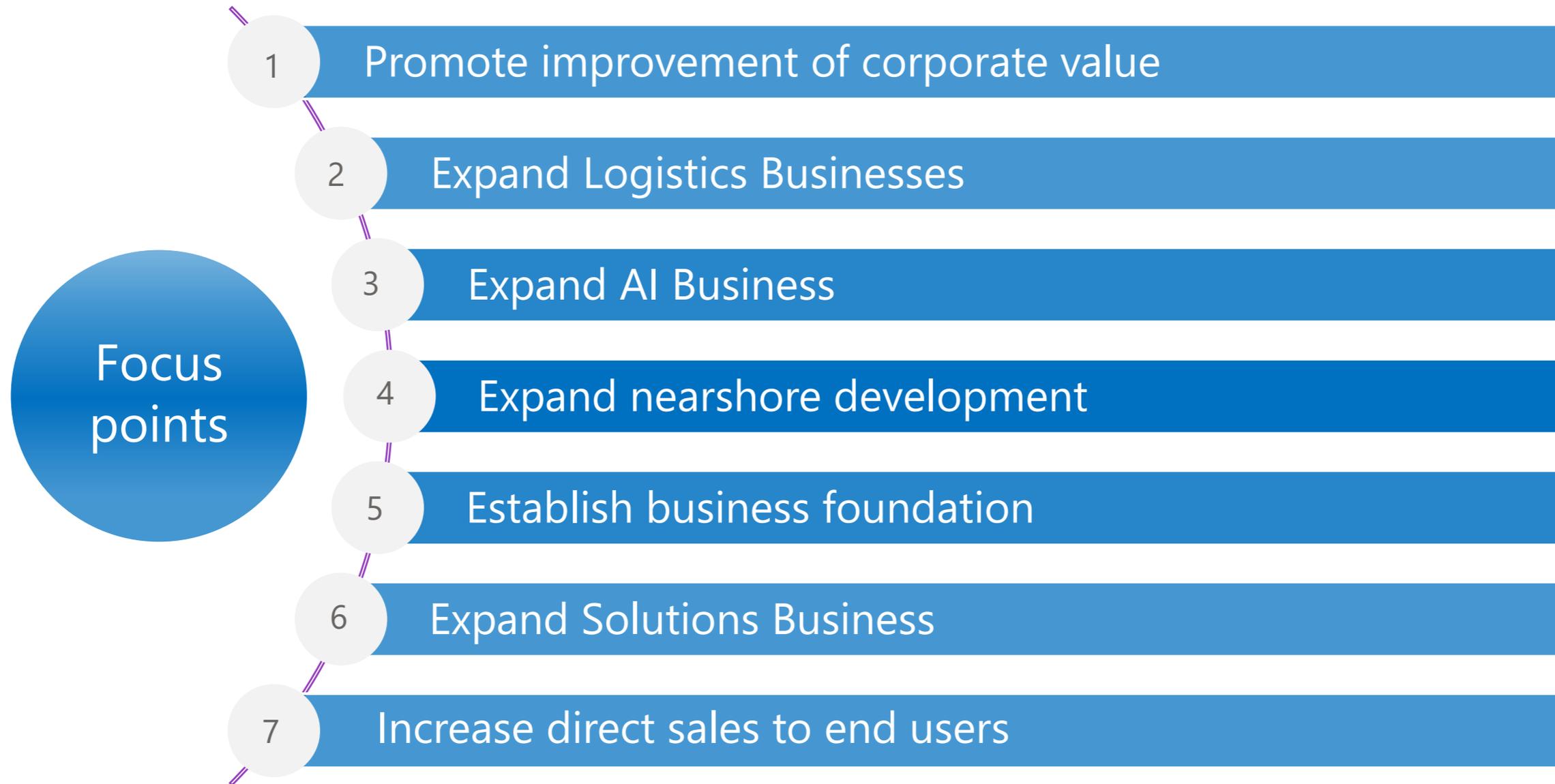
3.5) 2 Promotion policies: Sales growth

Market scale (our forecast)



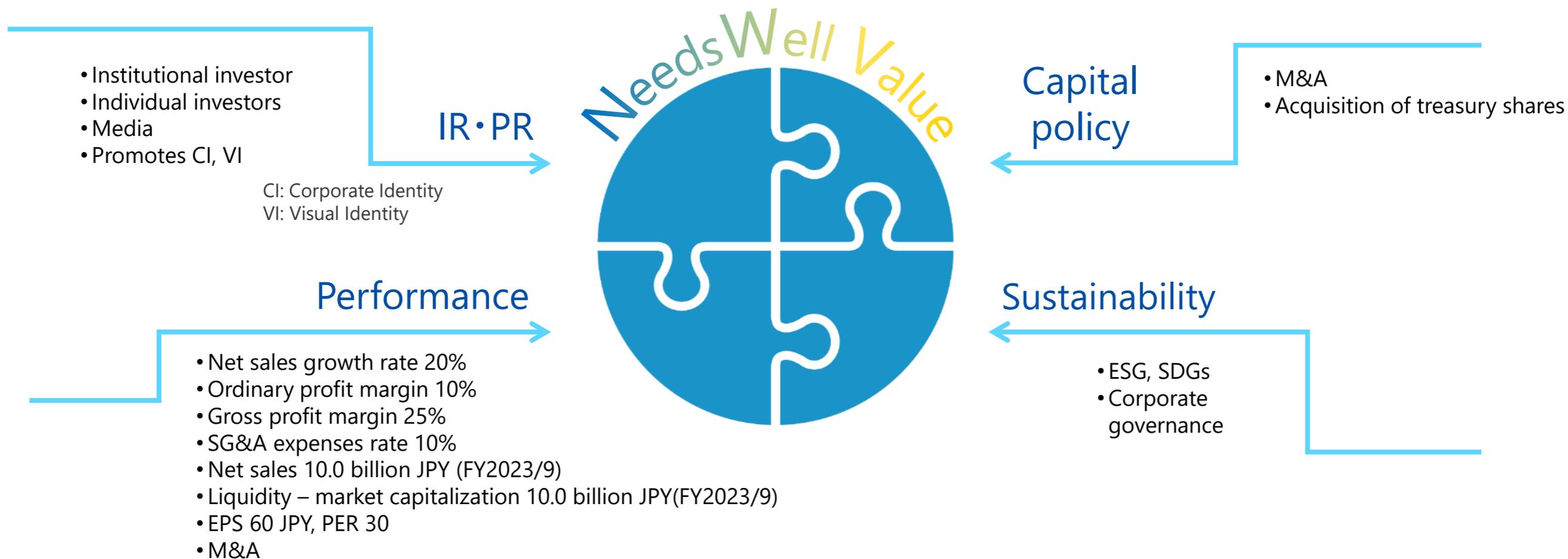
* AI's major markets: Image recognition, speech recognition, speech synthesis, language analysis, search and retrieval, translation
 * * Please refer to page 12 for an analysis of the present situation and measures & revisions to be implemented.

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
Expanding **sales channels, orders, products, and engineers** for further growth

Feb. 2020	Capital and business alliance	ITFOR Inc.	Utilize engineers from both companies to secure personnel for development projects. Develop new customers.
Mar.2020	Core partner	Meiji Yasuda Life Insurance Company, Meiji Yasuda System Technology Limited	Build strong partnerships over the future and maintain development engineers for a long-term.
Dec. 2020	Collaboration	Logi Revo Co., Ltd. Office FA.com Co., Ltd.	Propose new logistics business offering comprehensive services ranging from WMS installation to automated warehouses and operation / maintenance.
Mar.2021	Capital and business alliance	Souken-sys Inc.	Receive the supply of development personnel and strengthen orders for development projects in the areas that Souken-sys specializes in.
Jul. 2021	Capital and business alliance	Canon IT Solutions Inc.	Expand development projects, support orders, and train engineers using a low-code development tool WebPerformer.
Sep. 2021	Business alliance	CONEXIO Corporation	Develop two-stop business through collaboration with different industries. Aim to expand the customer base.
Oct. 2021	Share acquisition	Zeroichi Production Co., Ltd.	Acquired 70% of Zeroichi Production's outstanding shares to expand the trading base in contract development for the construction sector and the MVNO business.
Nov.2021	Business alliance	Ascentech K.K.	Sell, install, and maintain solutions for building telework environment. through mutual cooperation.
Feb. 2022	Capital and Business alliance	Ascentech K.K.	Collaborative development of a new hybrid VDI (virtual desktop) platform that can be freely configured for the cloud, on-premise, Windows, and Linux
Jul. 2022	Equity investment	Souken-sys Inc.	Increase orders for development projects in the areas of Souken-sys's specialty by receiving provided development personnel. Currently holds 33.3% of the company's total outstanding shares through additional investment.
Jul. 2022	Business alliance	Sakura Information Systems Co.,	Expand areas for collaboration such as finance/payment, public infrastructure/ energy, and IT infrastructure, share knowledge, and strengthen our project capacity.
Sep. 2022	Business alliance	Sumitomo Mitsui Card Co., Ltd.	Meet needs for further improving efficiency of expense reports for companies through introducing SAP Concur and corporate credit cards.
Oct. 2022	Equity investment	BO STUDIO Inc.	Allow provision of comprehensive selection of services covering every step involved in web design (front-end, back-end, operation and maintenance) to customers and strengthen DX support for public offices, local governments, and private corporations.
Oct. 2022	Equity investment	KOMSOFI Inc.	Further strengthen capacity for financial system development and develop customer base.
Oct. 2022	Business alliance	PB Systems, Inc.	Establish cooperative system for Citrix Cloud-related projects, including technical assistance, engineer training, etc.

3.6) 2 Expand Logistics Businesses

Increased rate of online shopping has expanded needs for advanced logistics warehouses

Warehouse Management System  realizes 3 smart aspects

- **Expand sales** of SmartWMS by **collaborating with logistics hardware manufacturers**
- **Store development** for ordered SmartWMS
- Develop SmartWMS **for other industries**, e.g., convenience stores, etc.

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
- Work with robots

Visualization of issues

- Productivity improvement with advanced analytical functions
- Optimization of staffing in warehouses
- Improve the loading rate of delivery vehicles



Easy-to-operate system

- Uniform operability to prevent input errors
- Search items can be freely set by each person in charge

3.6) 3 Expand AI Business

Expand AI Business by expanding the Work AI lineup

Work AI

* 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.



AI Remote Education **Speak Analyzer**

AI comparison of information with top performing models to provide feedback on points needing improvement.



AI automation of rough estimation of parts and materials **Es Prophetter**

Aiming at the automation and accuracy improvement of rough estimation of parts and materials in the construction industry.



Interactive AI chatbot provides solutions FAQ, searches for documents **Chat Document**

Simple-to-use process of sending text to chatbot from browser or chat tool, allowing sought-after information to be instantly retrieved.

Promote DX in various industries



3.6) 4 Expand nearshore development

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

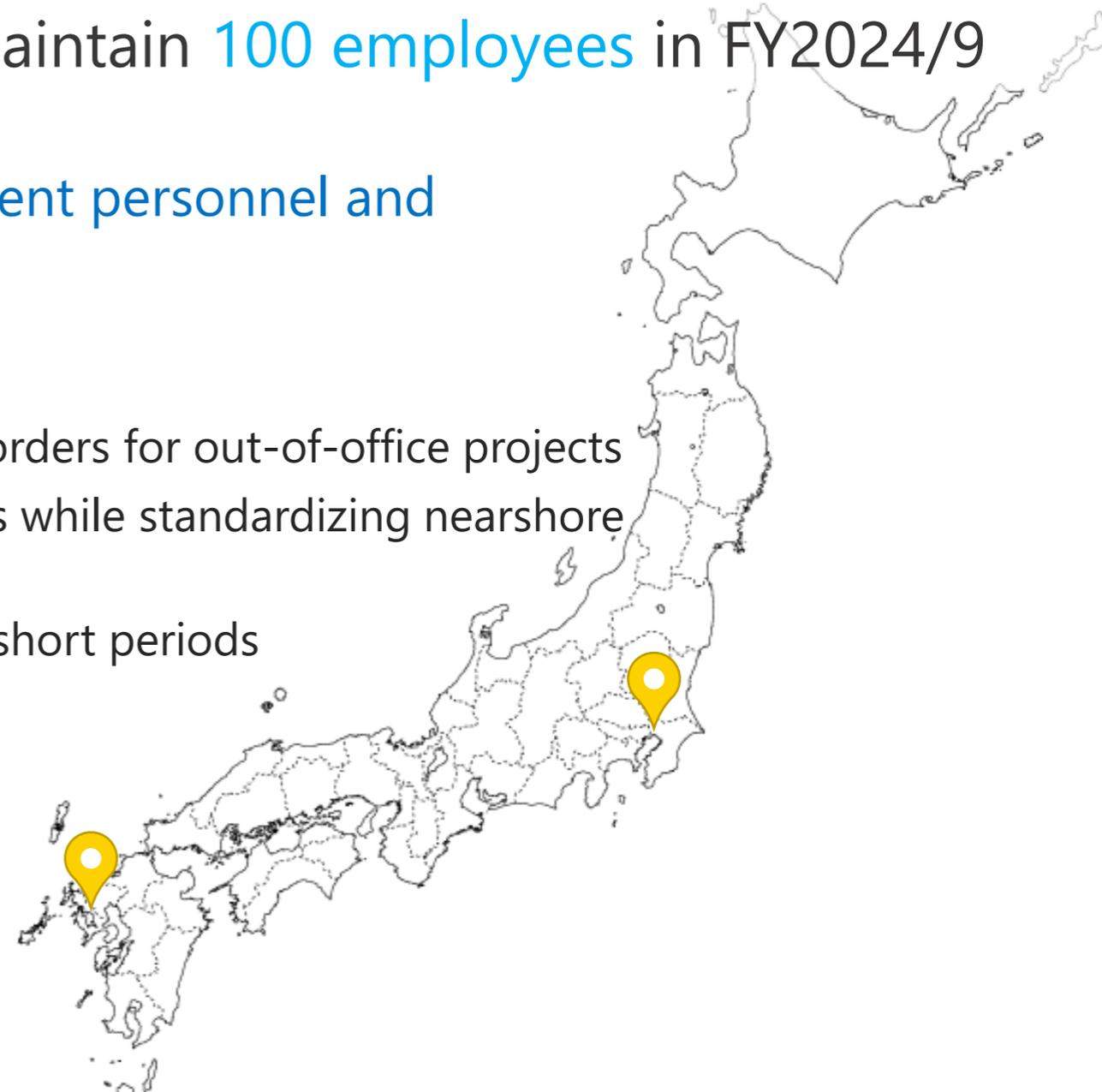
Utilize nearshore bases to acquire highly competent personnel and provide solutions for labor shortages

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
- Build secure remote development environments over short periods

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
- Expand as stock business by extending contracts for system maintenance and development, operation, etc.
- Promote projects in collaboration with business alliance partners

Infrastructure Services

- **Coordinate with Business Systems SI** for total orders
- Expand orders for **cloud**-related projects

Connected Systems

- Strengthen **connected** technology for **IoT** and **ICT** 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%** (FY2022/9 results: 12.7%)

Expansion strategy

✓ Provide DX centered on IT Re-Engineering Service solutions from Needs Well

Coordinating peripheral systems based on ERP

- Improve productivity by introducing electronic contracts and approvals
- Paperless accounting department in preparation for the Revised Preservation of Electronic Records Act
- Improve productivity by making general affairs and year-end tax adjustment work paperless
- Build a secure telework environment
- Improve business efficiency by centralizing user authentication for multiple systems



✓ Provide Invoice PA CoNeCt imPaC 'N-navi', related with SAP Concur

✓ Provide collaboration solutions RPA tools and business chat tools 'Chat Director'

✓ Provide IT help-desk service 'N-help'

✓ Launch development of new solutions

- Promote QOL for senior citizens in cooperation with local governments with 'Frailty Prevention'
- Integrate SAP Concur and core systems with 'N-Bridge Series'

3.6) 7 Increase direct sales to end users

Stabilize orders and improve profitability,
maintain and expand end user direct sales ratio to **over 60%**

Maintain and expand existing users

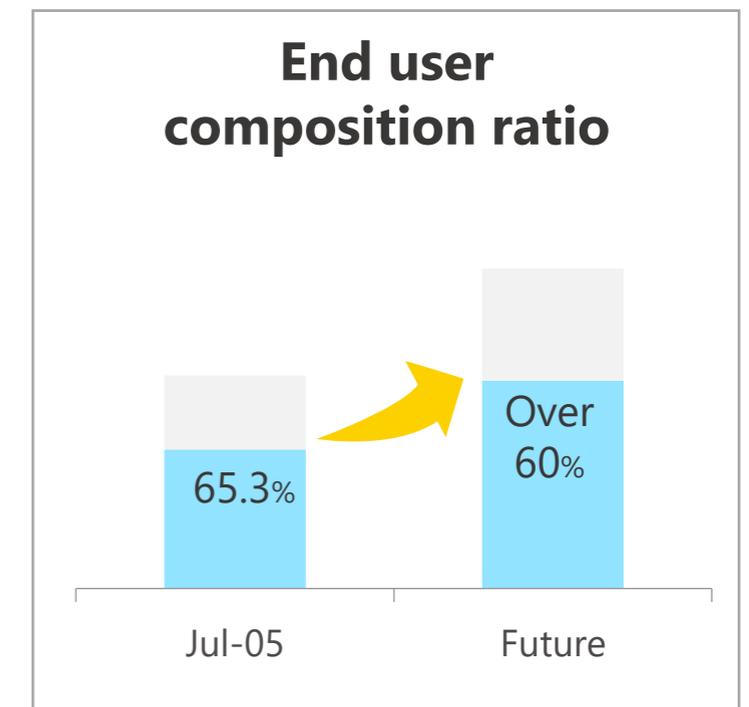
- Secure repeat customers
- Train highly skilled engineers and expand the scope of expertise sectors
- Cultivate new sectors of expertise

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
- Develop with various solution products

Develop new users by expanding solutions business

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





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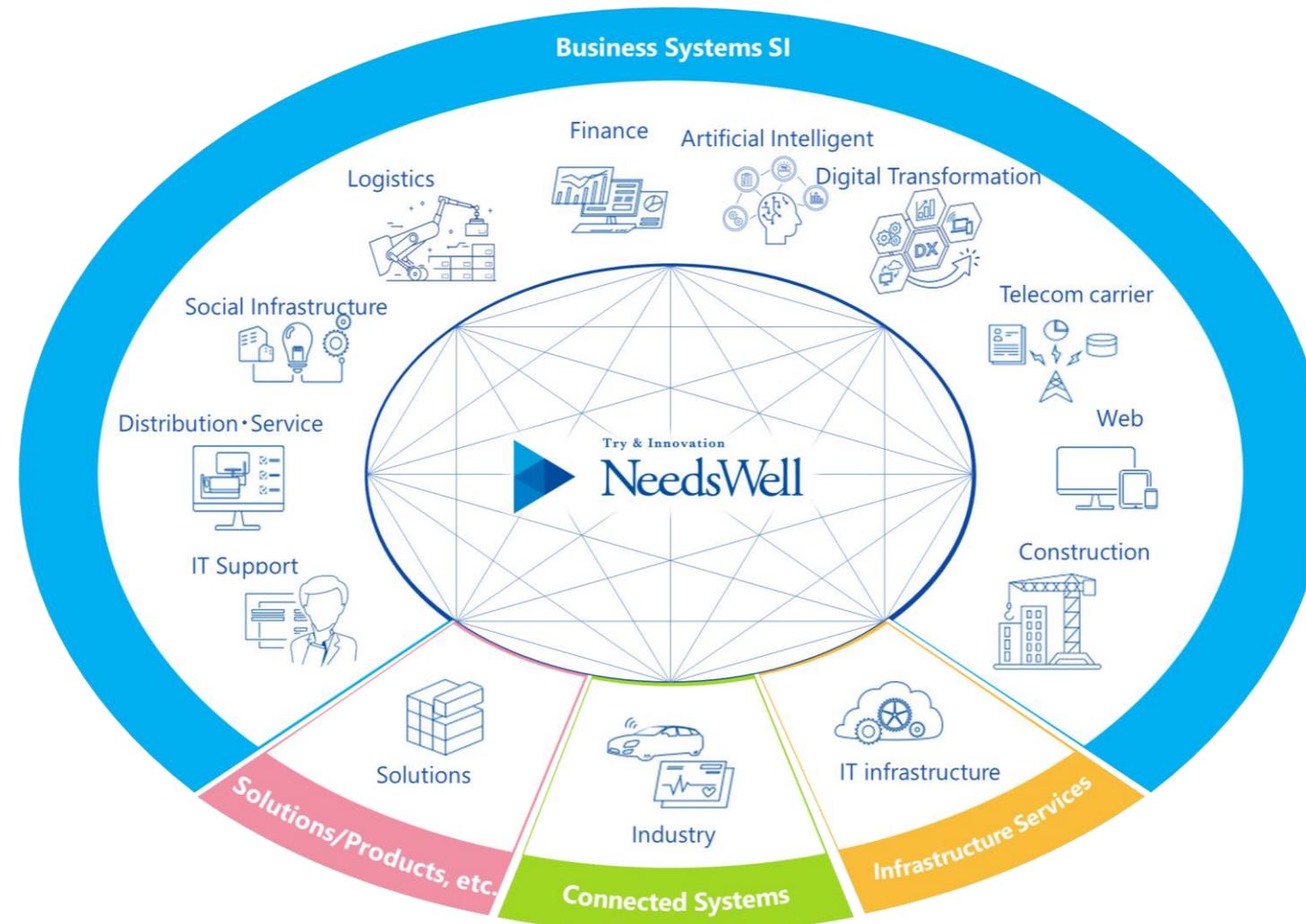
4.1) Company profile

As of September,2021

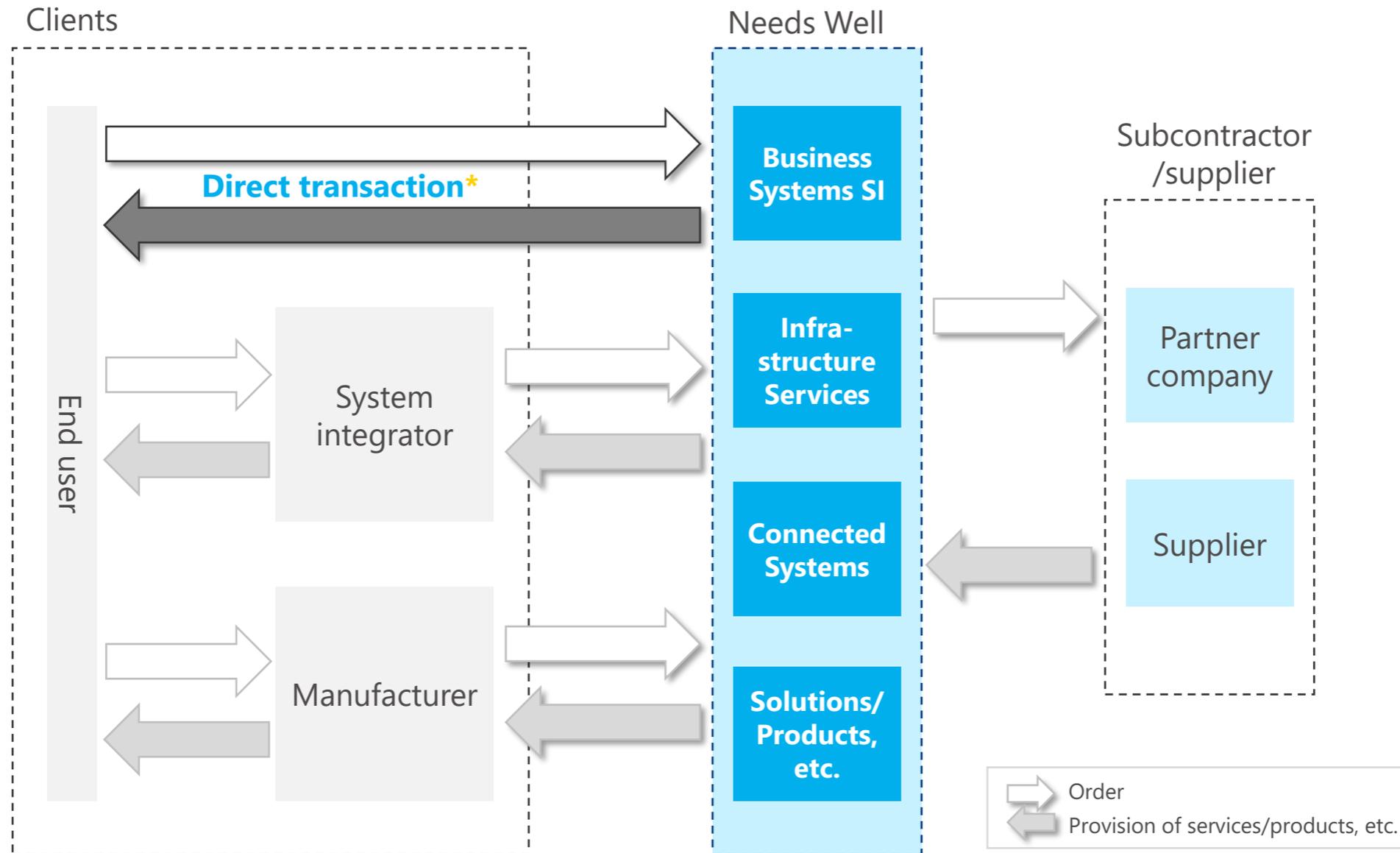
Company Name	Needs Well Inc.	Representative	President and CEO Kozo Funatsu
Established	October 1, 1986	Stock Listing	Tokyo Stock Exchange, Prime Market (3992)
Paid-in Capital	908 million JPY	Net sales	6,730 million JPY
Number of Employees	570	Fiscal year end	September
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan TEL: +81-3-6265-6763 FAX: +81-3-6265-6764 URL: https://www.needswell.com		
Office	<ul style="list-style-type: none"> - Shinjuku Office : 5F, South Tower, 13-15 Tomihisa-cho, Shinjuku-ku, Tokyo, 162-0067 Japan - Nagasaki Office: 5F, Meijiyasudaseimei Nagasakikozenmachi building, 2-21 Kozen-machi, Nagasaki-shi, Nagasaki, 850-0032 Japan 		
Qualification	Worker dispatch business ISO27001 (ISMS) Certified , Privacy mark ISO9001 (QMS) Certified		
Board of Directors As of November 30,2022	President and CEO Executive Director Director Director Director Director Director	Kozo Funatsu Nobumasa Goto Keiho Akiyama Hajime Matsuoka Hiroki Yanagawa (E) (I) Hideaki Sakaue (E) (I) Mamoru Yasuoka (E) (I)	Audit & Supervisory Board Member Kazuhiko Kato Audit & Supervisory Board Member Kotaro Niwa (E) (I) Audit & Supervisory Board Member Shigeru Sato (E) (I) E : External officer I : Independent officer
NeedsWell Group As of October 4,2022	<ul style="list-style-type: none"> ■ Consolidated subsidiaries ■ Equity-method affiliate 	<ul style="list-style-type: none"> Zeroichi Production Co., Ltd. (Head Office: Nasushiobara-shi, Tochigi President and CEO: Hiroyuki Waki) BO STUDIO Inc. (Head Office: Shibuya-ku, Tokyo President and CEO: Keiho Akiyama) KOMSOFT Inc. (Head Office: Toshima-ku, Tokyo President and CEO: Nobumasa Goto) Souken-sys Inc. (Head Office: Shinjuku-ku, Tokyo President and CEO: Tamotsu Shimizu) 	

4.2) Business fields

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



4.3) Business system diagram



* High level of **direct transactions with end users** (approx. **65.3%** of all sales)

4.4) 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

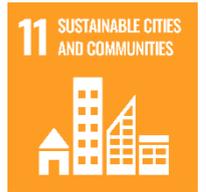
Promote development by committing to QCD (quality, cost, and delivery) through remote development system that utilizes nearshore bases.

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.

Certified as the first registered business operator of the Nagasaki Prefecture SDGs Registration System.

Participated in the "SDGs Public-Private Partnership Platform for Regional Revitalization" established by the Cabinet Office.

Participated in the Cabinet Office's "Public-Private Partnership Platform for Regional Revitalization SDGs"



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.



4.4) 2 Initiatives supported by systems and activities

Work style reform & personnel development

- Promote a healthy work-life balance by incentive dates for paid leave, Premium Friday (leaving work early on the last Friday of the month), reducing overtime work, etc.
- 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 day/3 week internships for students

Conduct programming classes on apps for submitting electronic applications and creating interactive AI chatbots, WinActor (RPA) to improve efficiency of school operations, taste data analysis, etc. (2020 - 2022)

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

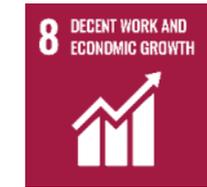
Develop leaders who will establish themselves and play central roles in the local community

Support for V-Varen Nagasaki of the Soccer J League

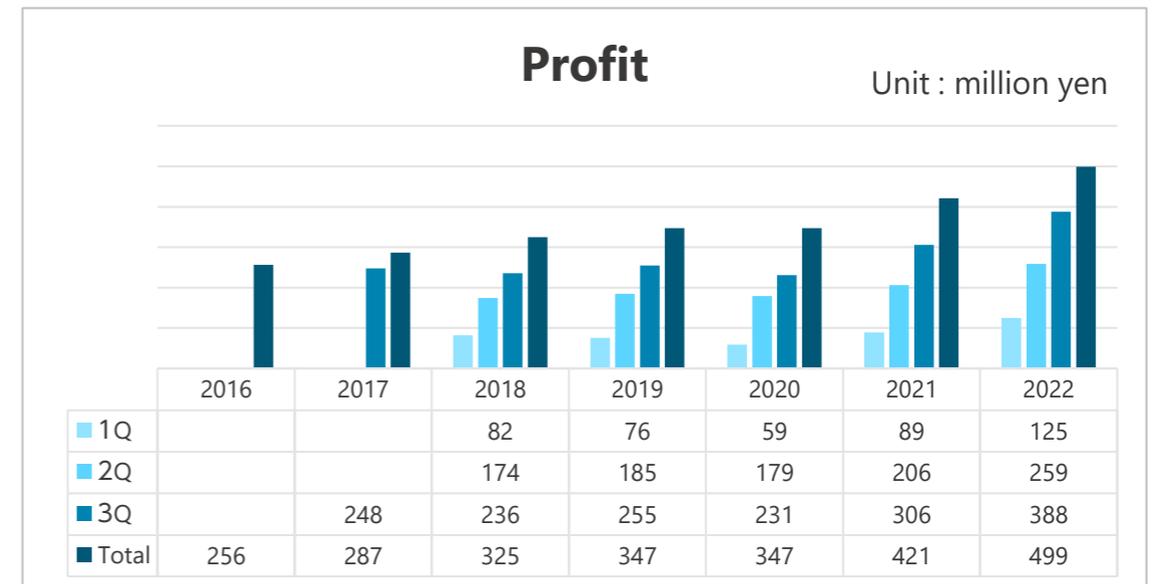
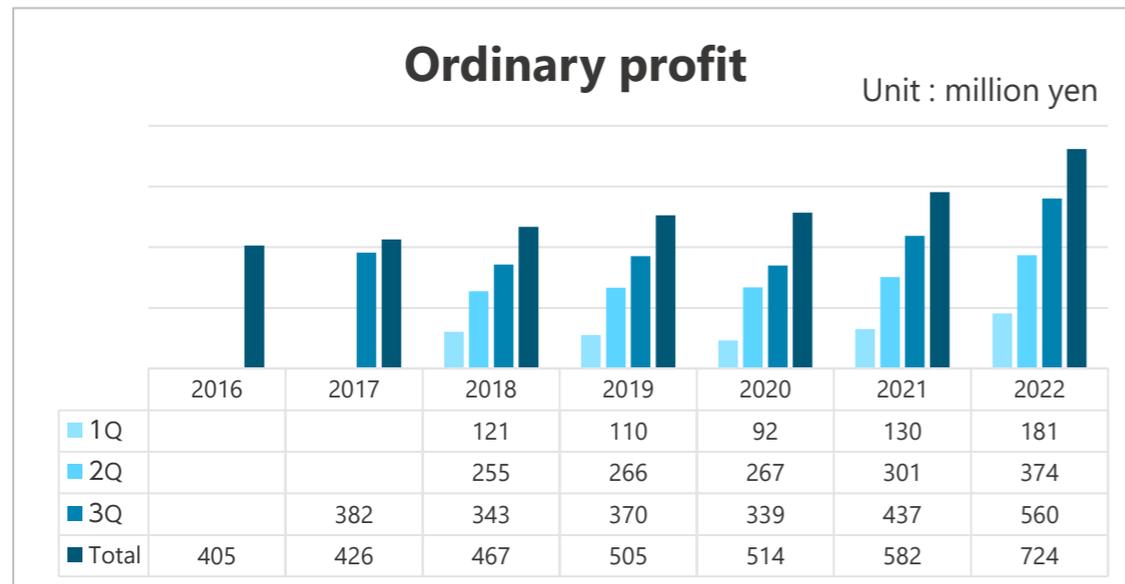
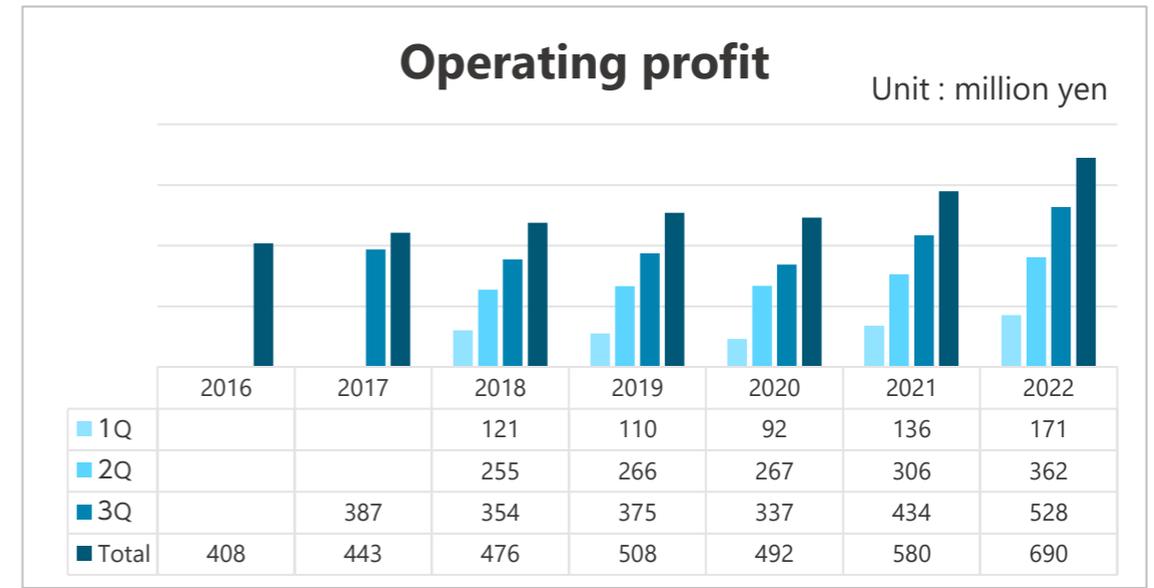
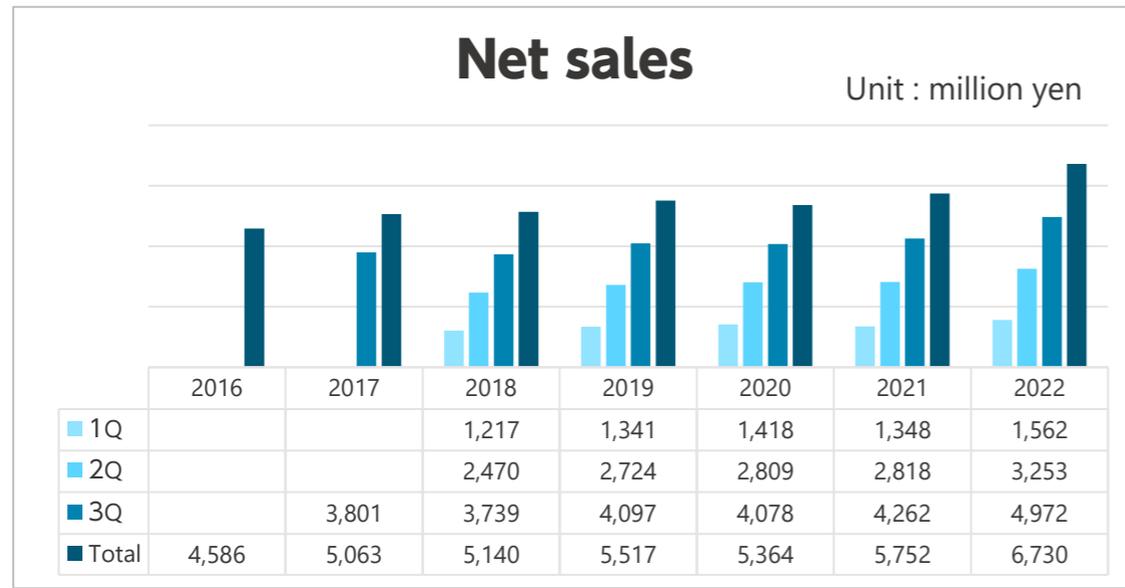
Concluded a sponsorship agreement to support the promotion of sports culture and revitalization of the local community

Please view the following link for other initiatives and more information:

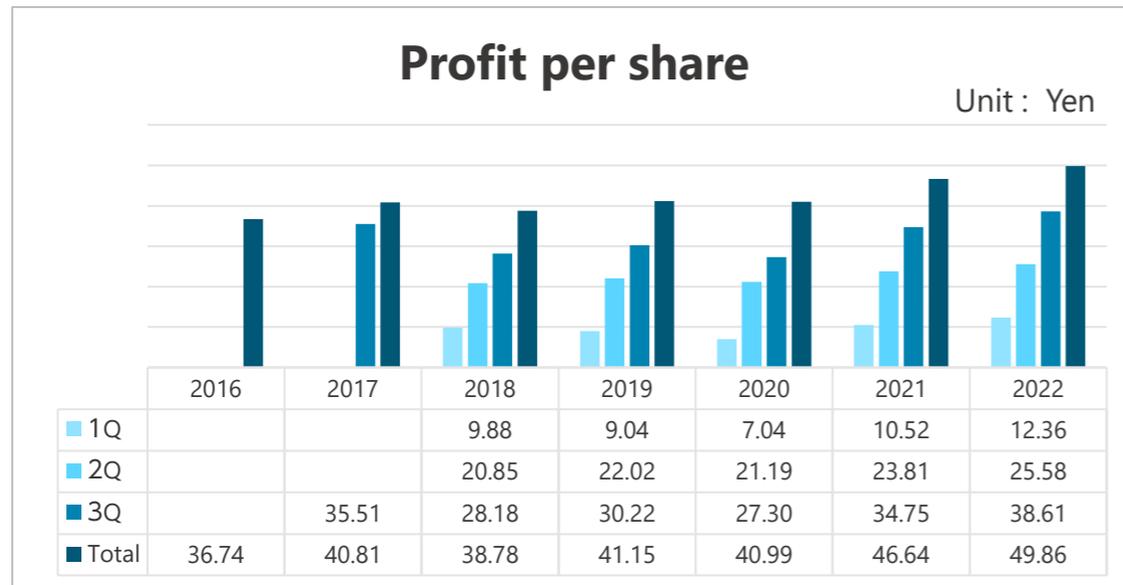
<https://www.needswell.com/ir/sdgs>



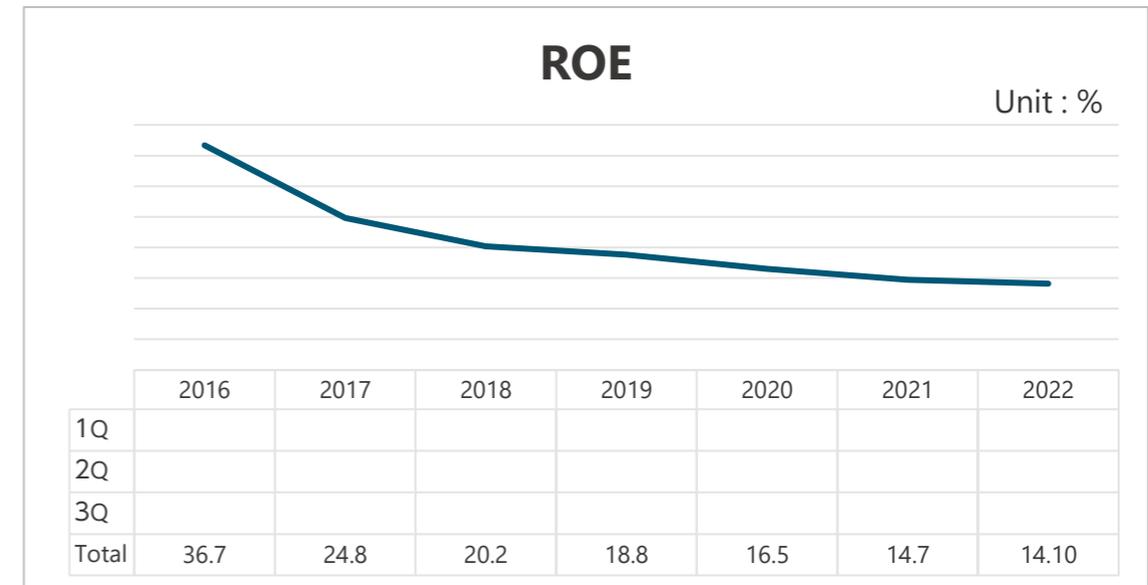
4.5) Business results 1



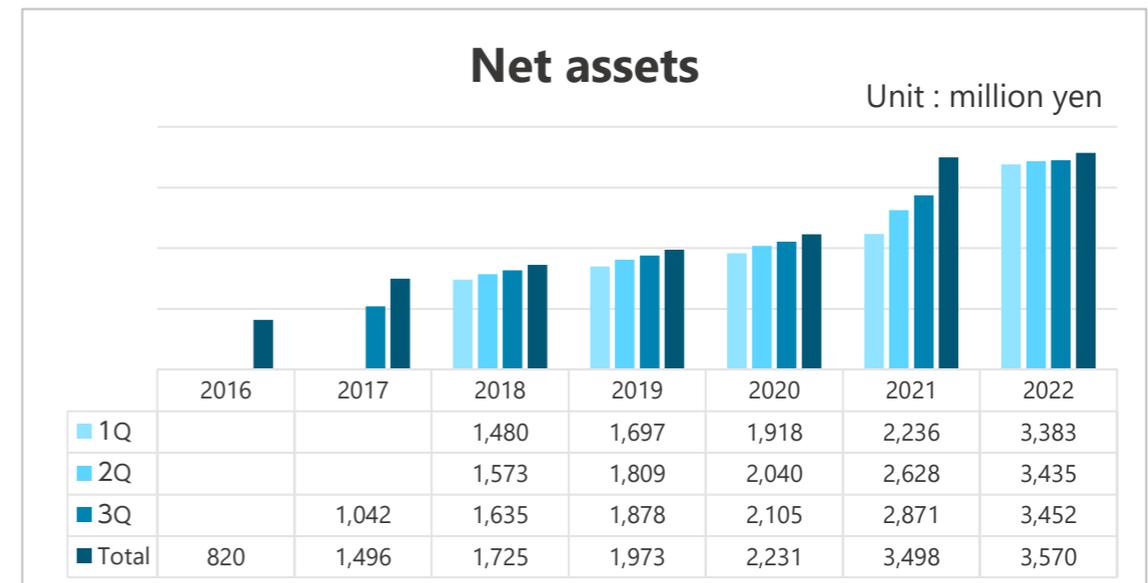
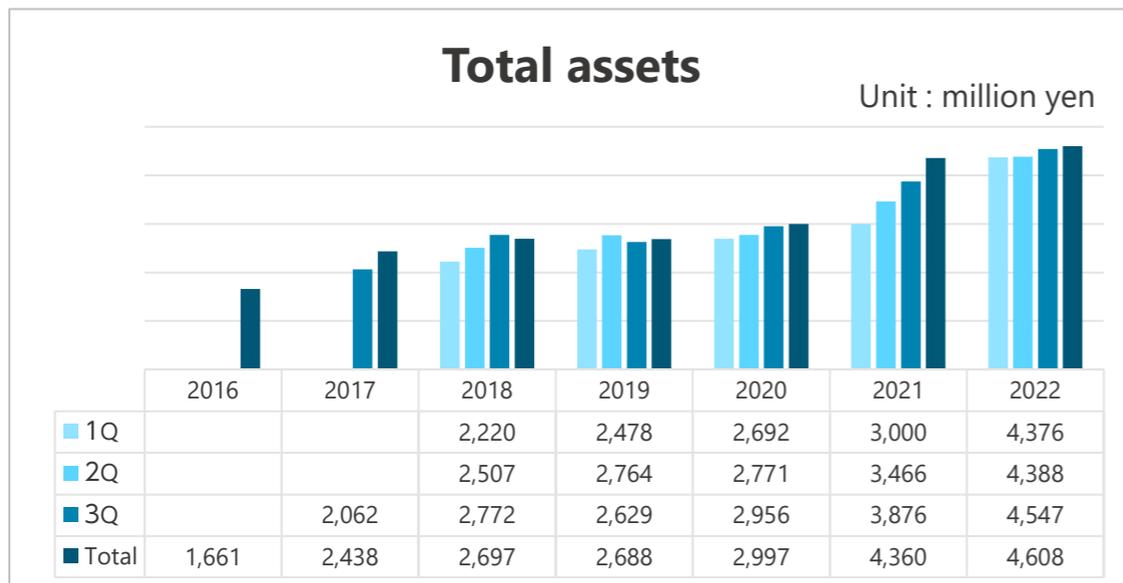
4.5) Business results 2



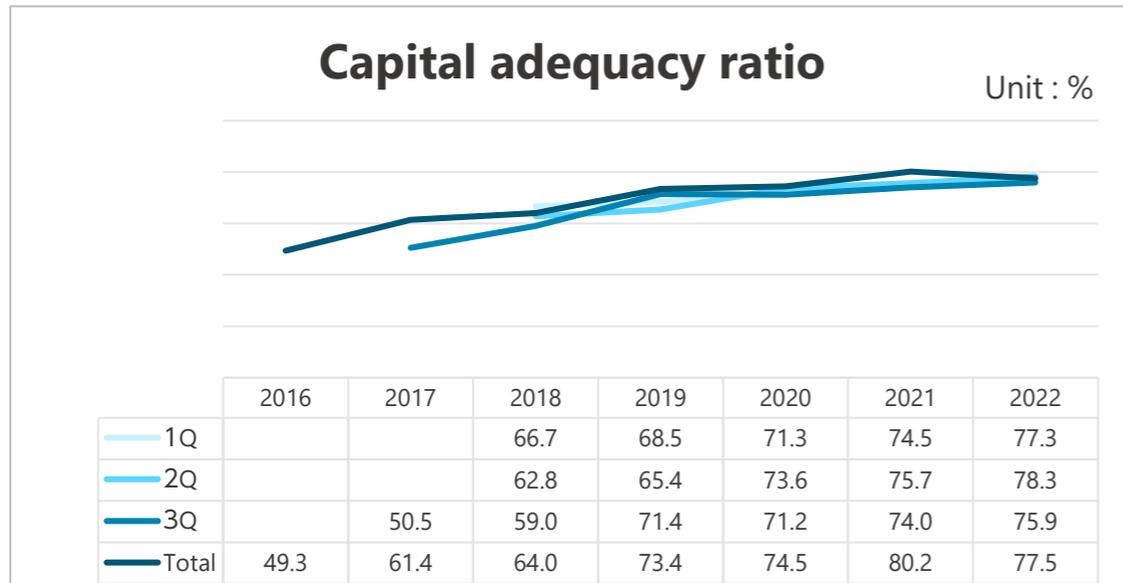
* Figures are after split adjusted as of May 12, 2017 ratio of 100 shares per share, as of Apr 1, 2018 ratio of 2 shares per share, as of Jan 1, 2019 ratio of 2 shares per share.



* This index is updated every year

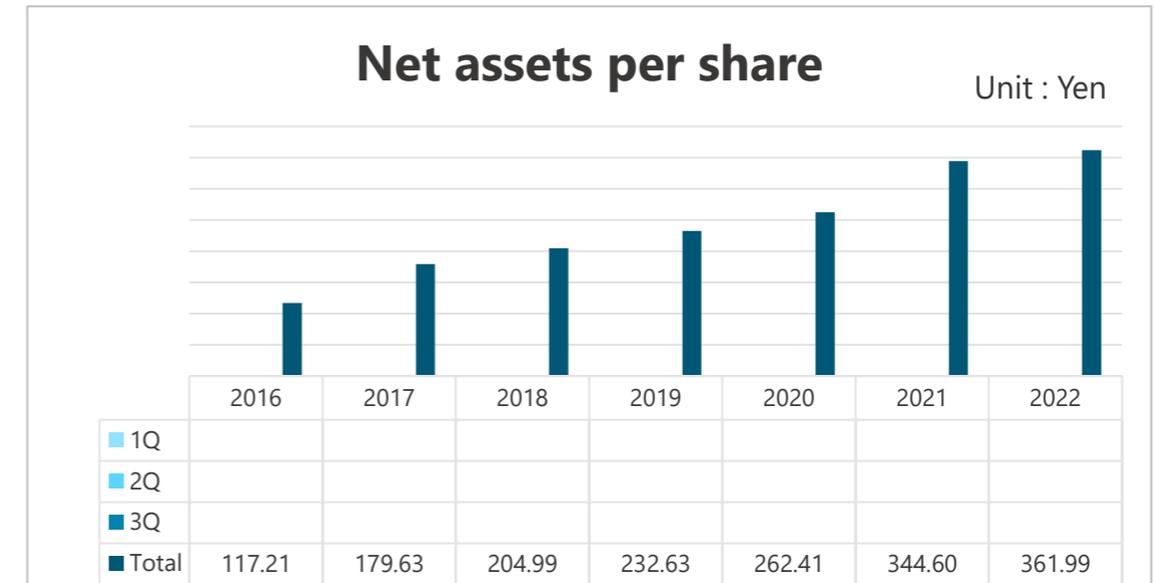


4.5) Business results 3



* 2Q is total of 1Q and 2Q

* 3Q is total of 1Q to 3Q



* 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





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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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