

Needs Well Inc.

Financial Results for the First Quarter of Fiscal Year 2020 (October 2019 – December 2019)

February 7, 2020



NeedsWell
Try & Innovation



1. FY 2020 the First Quarter Financial Highlights



2. FY 2020 Financial Forecasts



3. Growth Strategies



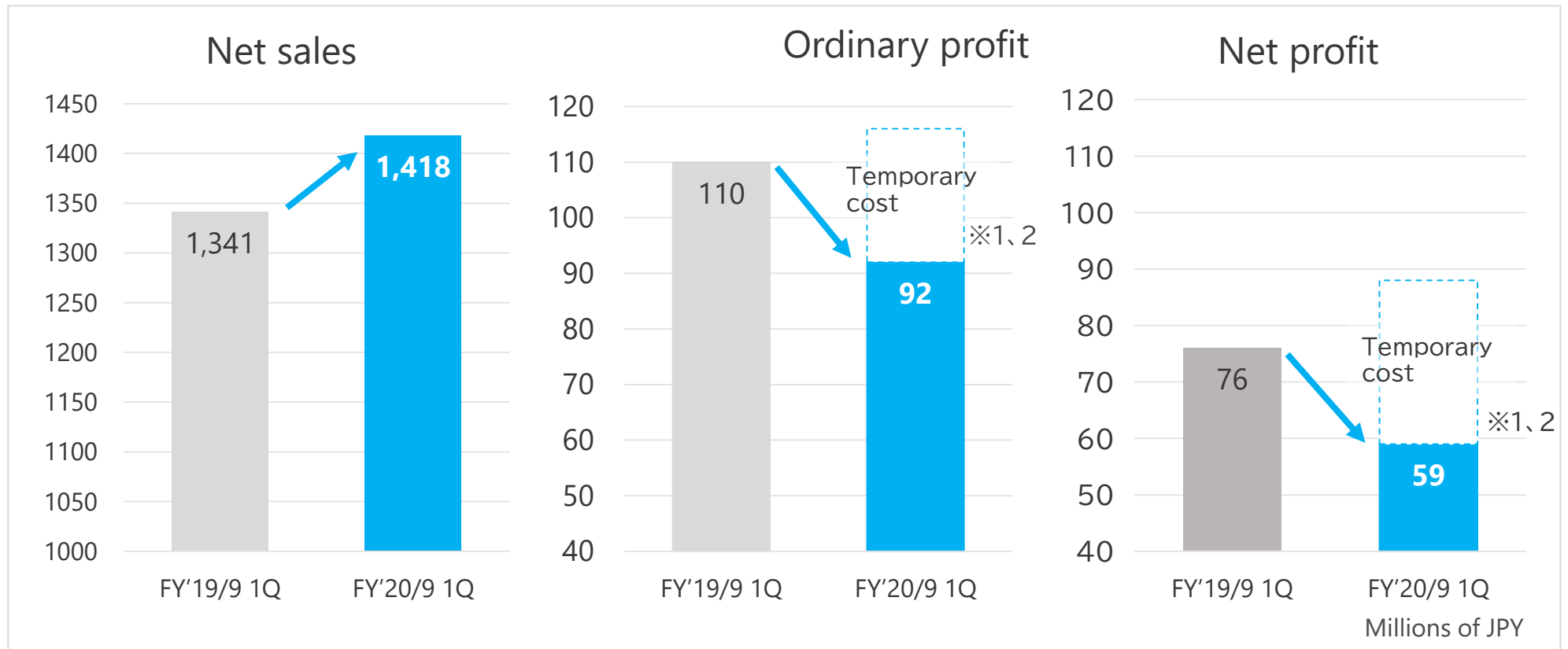
4. Action to support growth strategies



5. Reference Materials

1) Summary

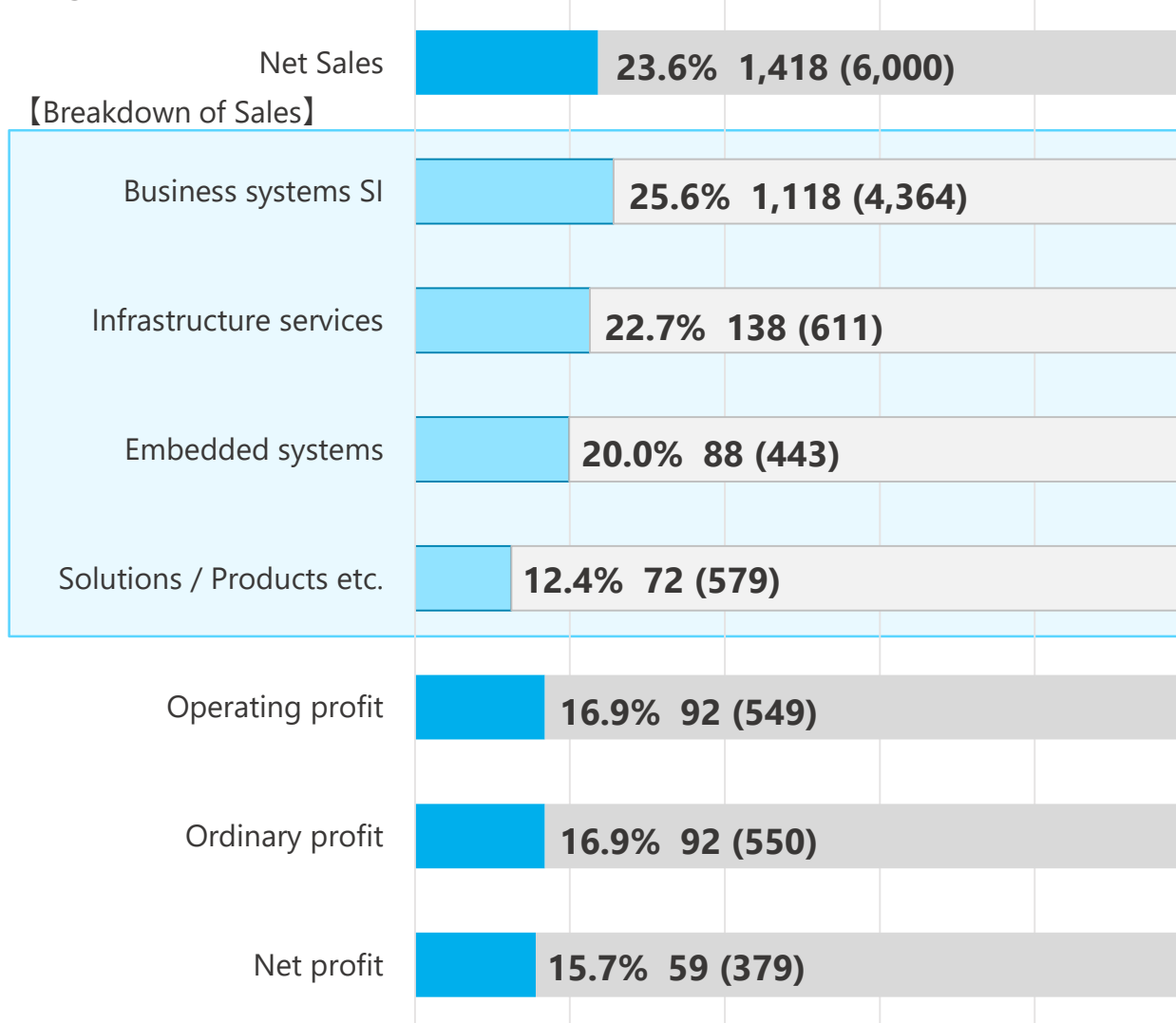
- ☆ Sales remained strong.
- ☆ The profit decreased because of the temporary cost for investment in advance.



- ※1 Our head office relocation and establishment of the Nagasaki Development Center took SG&A expenses, about 24 millions of JPY, as investment in advance temporary. It does not occur after next fiscal year.
- ※2 The temporary cost is already considered to forecast of this fiscal year. We don't change of the 2Q and FY forecasts.

2) Progression rate

progression rate, result of the the First quarter (Forecast FY'20/9) Millions of JPY



Improved retain engineers. As a result of efforts to train engineers, new financial projects were acquired and expanded business with existing customers. YonY105.0%

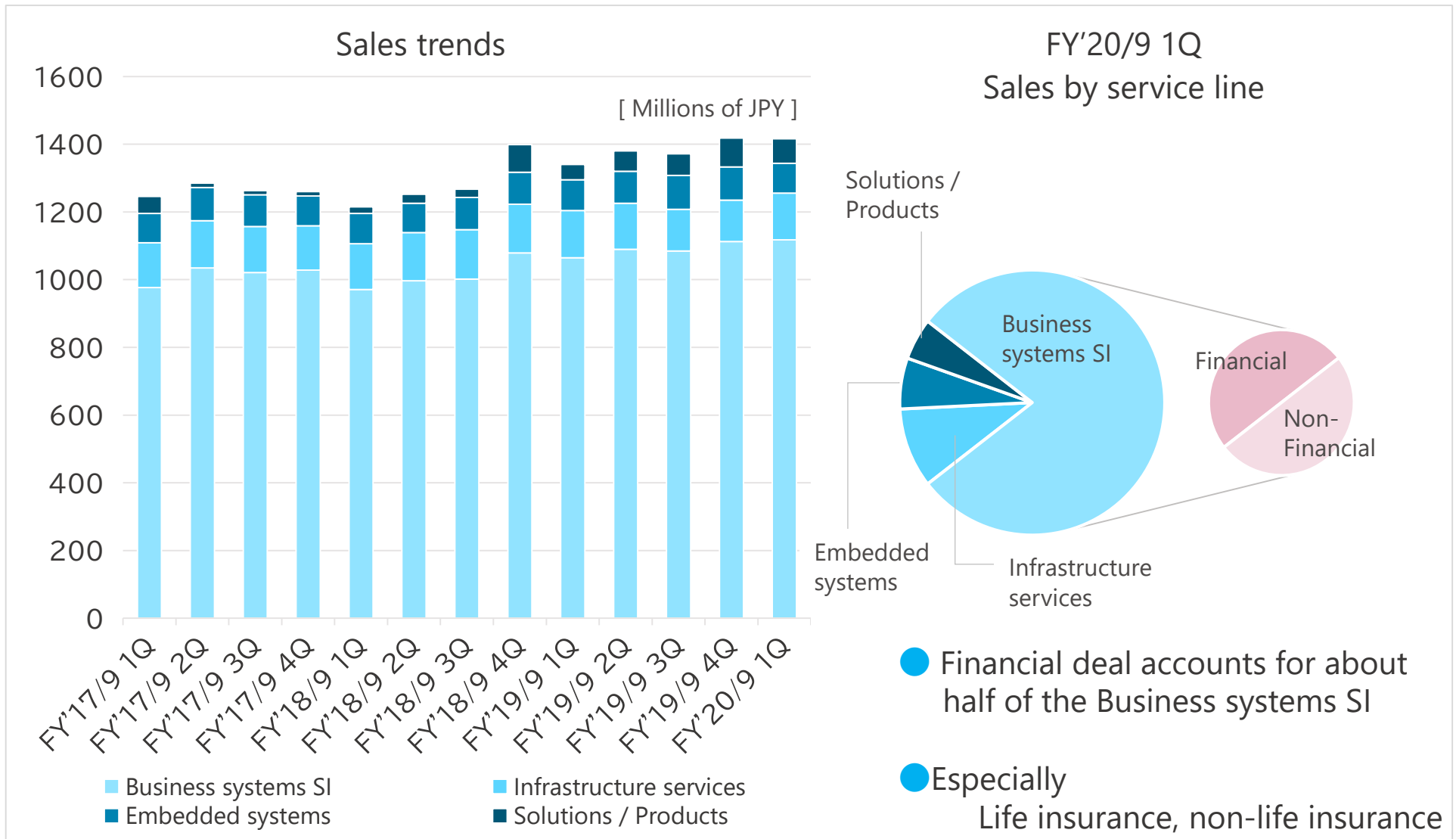
Aimed for total orders in cooperation with "Business systems SI". Struggled to retain engineers. YonY99.6%

Specialized in the fields of future automobiles and medical devices. Struggled to retain engineers. YonY97.1%

Expand the product lineup of "Information security solutions" and "Work efficiency solutions". Various linkage functions that take advantage of our software development strength are popular. YonY159.0%

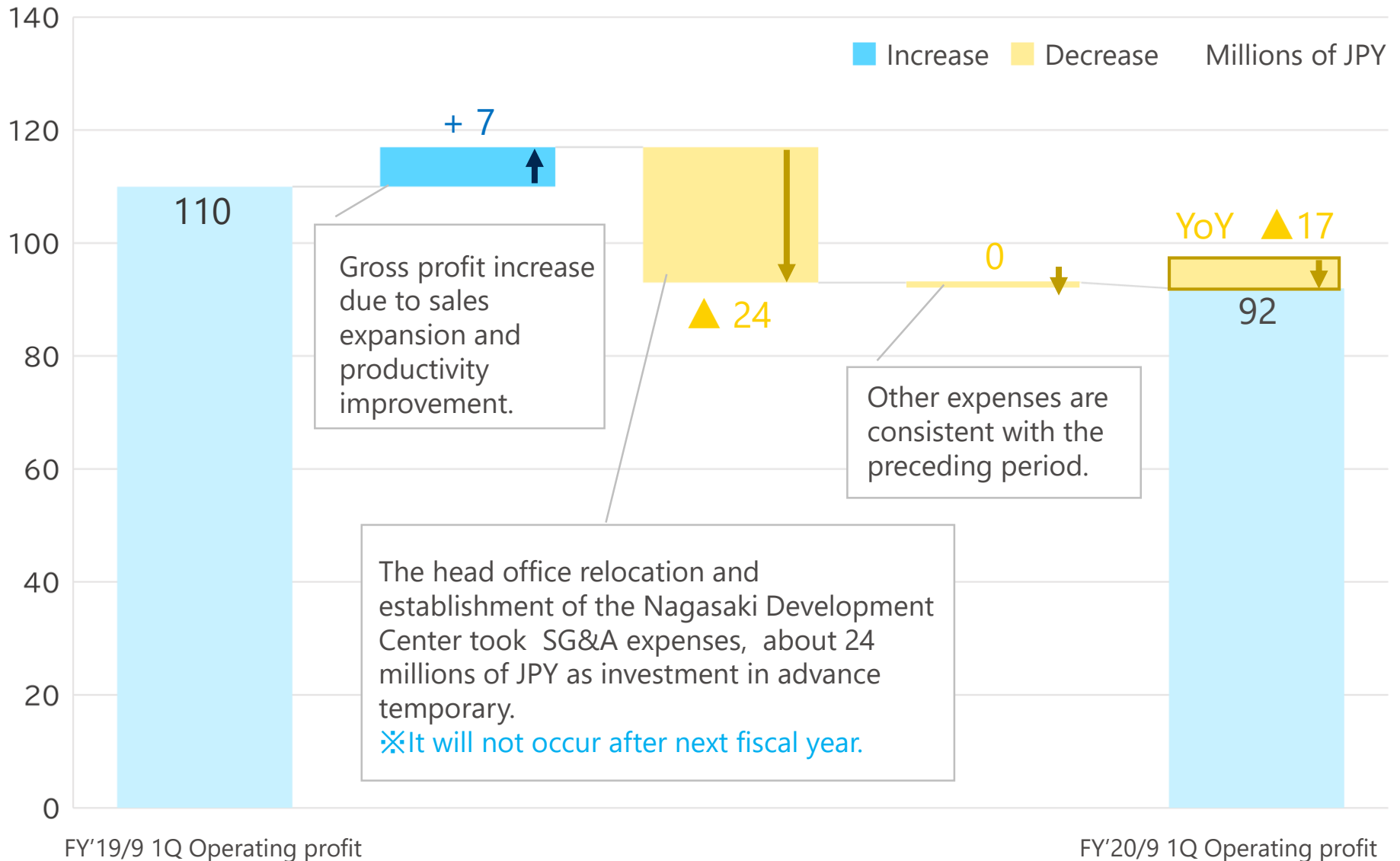
3) Sales by service line

Increased "Business systems SI" & "Solutions / Products etc."



4) Operating profit analysis

Main reasons for YoY changes in operating profit



5) Profit & Loss results

Investment in advance, head office relocation and establishment of Nagasaki Development Center, increased the temporary costs.

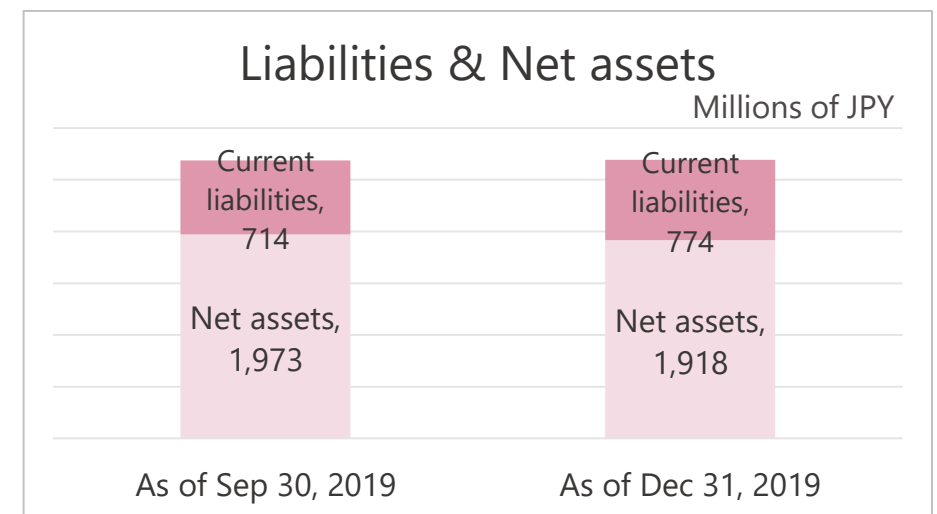
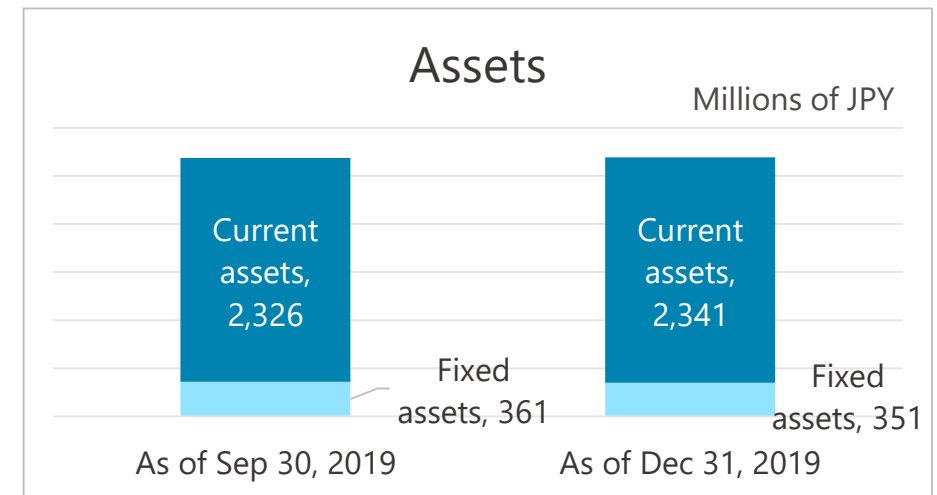
Millions of JPY	FY'19/9 1Q		FY'20/9 1Q		Year on Year
	Result	Net sales ratio	Result	Net sales ratio	
Net sales	1,341	-	1,418	-	105.7%
Business systems SI	1,065	79.4%	1,118	78.9%	105.0%
Infrastructure services	139	10.4%	138	9.8%	99.6%
Embedded systems	91	6.8%	88	6.3%	97.1%
Solutions / Products etc.	45	3.4%	72	5.1%	159.0%
Gross profit	295	22.0%	302	21.3%	102.5%
SG&A expenses	184	13.8%	209	14.8%	113.6%
Temporary cost	0	0.0%	24	1.8%	—
Others	184	13.8%	184	13.0%	100.1%
Operating profit	110	8.3%	92	6.6%	83.9%
Non-operating profit	0	0.0%	0	0.0%	312.8%
Non-operating expense	0	0.0%	0	0.0%	0.0%
Ordinary profit	110	8.3%	92	6.6%	83.9%
Net profit	76	5.7%	59	4.2%	78.4%

6) Balance Sheet results

Millions of JPY	As of Sep 30,2019	As of Dec 31,2019	
	Result	Result	Year on Year
Assets			
Cash and deposits	1,548	1,540	-7
Accounts receivable	705	741	36
Work in process	25	19	-6
Total current assets	2,326	2,341	14
Deferred tax assets	102	73	-28
Total fixed assets	361	351	-9
Total assets	2,688	2,692	4
Liabilities			
Accounts payable	146	270	123
Payable	128	165	37
Income taxes payable	100	7	-92
Provision for bonuses	241	140	-101
Total current liabilities	714	774	59
Total non-current liabilities	0	0	0
Total liabilities	714	774	59
Net assets			
Common stock	414	414	0
Additional paid-in capital	270	270	0
Retained earnings	1,287	1,233	-54
Total retained earnings	1,288	1,233	-54
Total shareholders' equity	1,973	1,918	-54
Total net assets	1,973	1,918	-54
Total liabilities and net assets	2,688	2,692	4

Continued stable financial position

➔ Capital adequacy ratio **71.3%**
YoY 2.2pts DOWN





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4. Action to support growth strategies

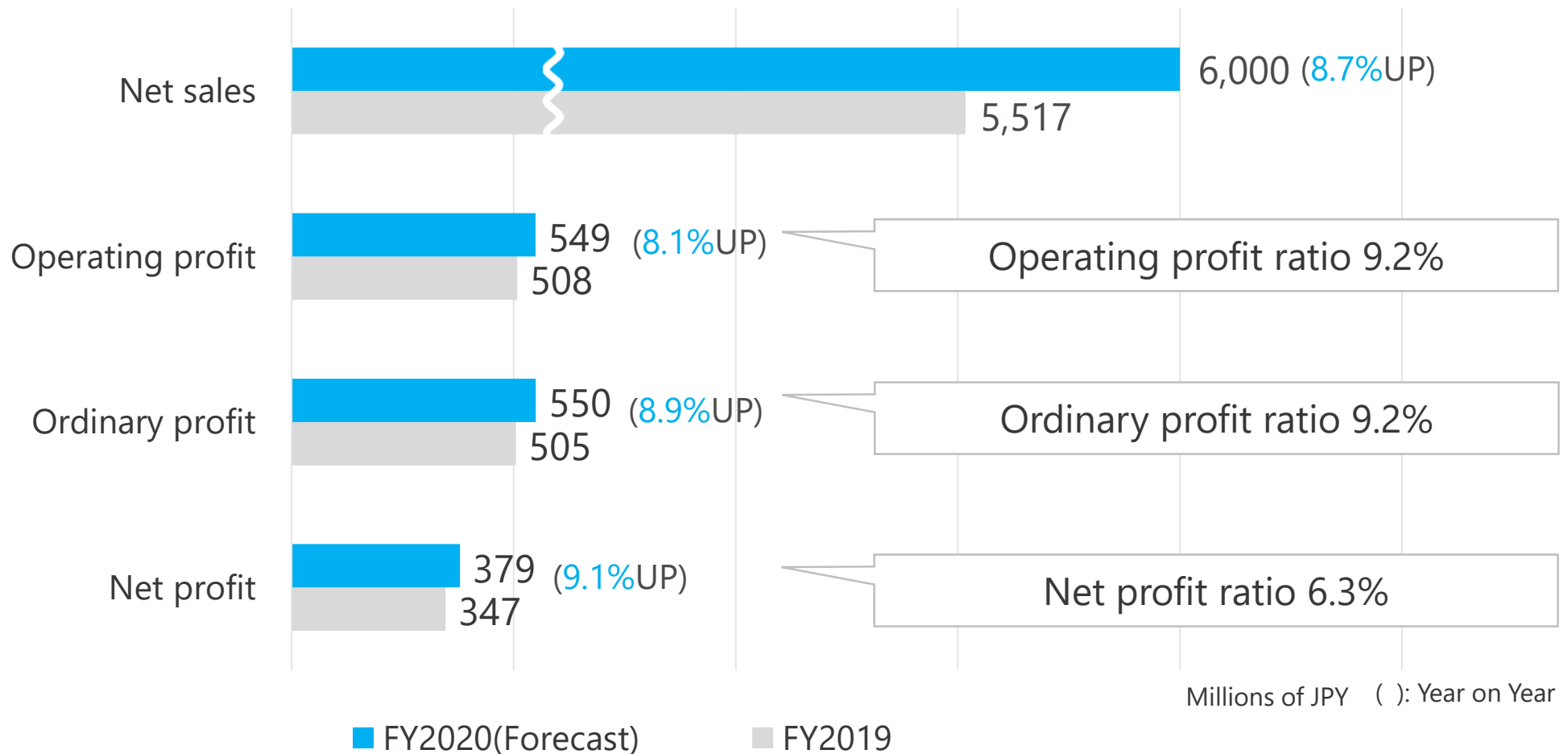


5. Reference Materials

1) Summary

Furthermore stable growth.
We aim to **increase sales and profit**
for **9** consecutive terms.

※ There is no change of the 2Q and FY forecasts.

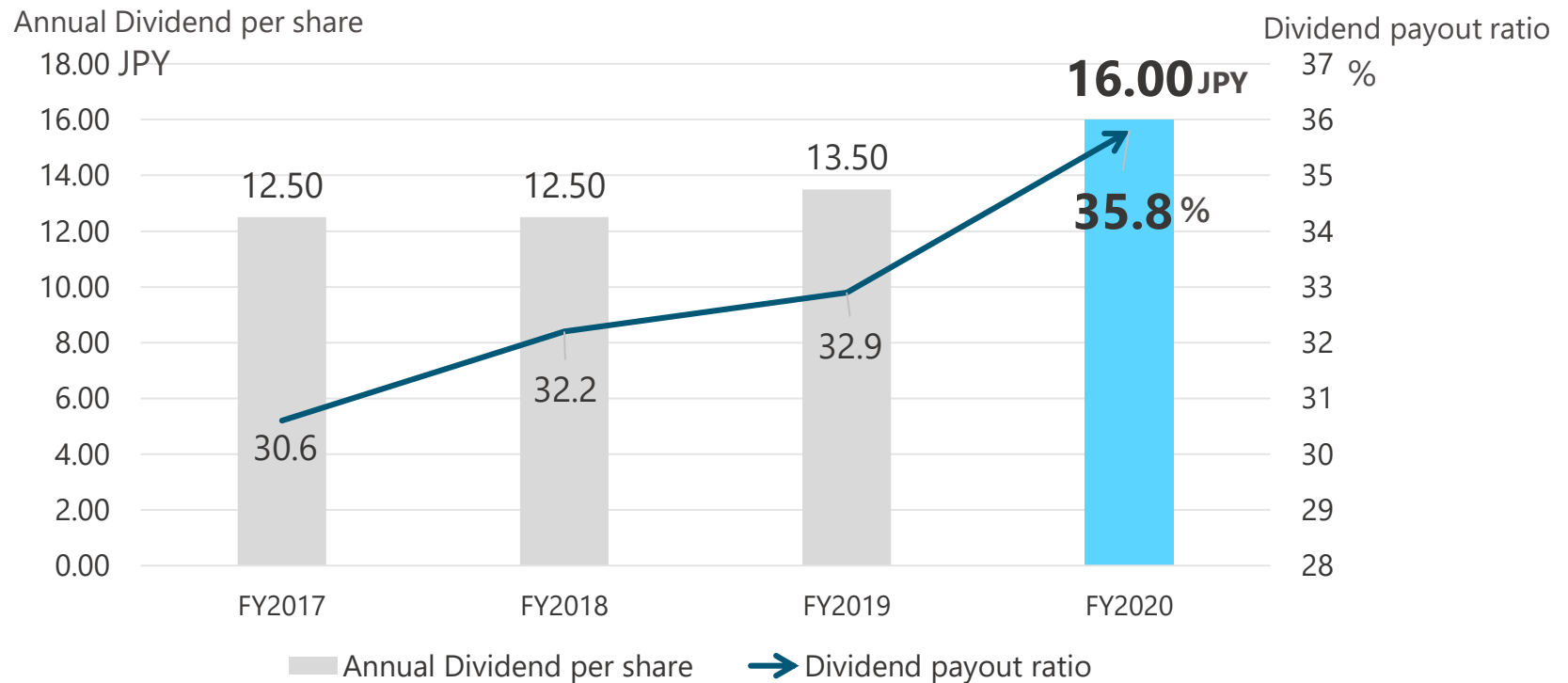


2) Dividends and shareholder returns

Dividend per share **+2.50 JPY**(YoY) **increase** forecast

Dividend annual forecast **16.00 JPY**/share, Dividend payout ratio forecast **35.8%**

※ There is no change of the dividend annual forecast.



We split 100 shares per share on May 12, 2017, split 2 shares per share on April 1, 2018, 2 shares per share on January 1, 2019. A stock split is conducted at the share ratio.

The annual dividend per share in the past is calculated based on this stock split.



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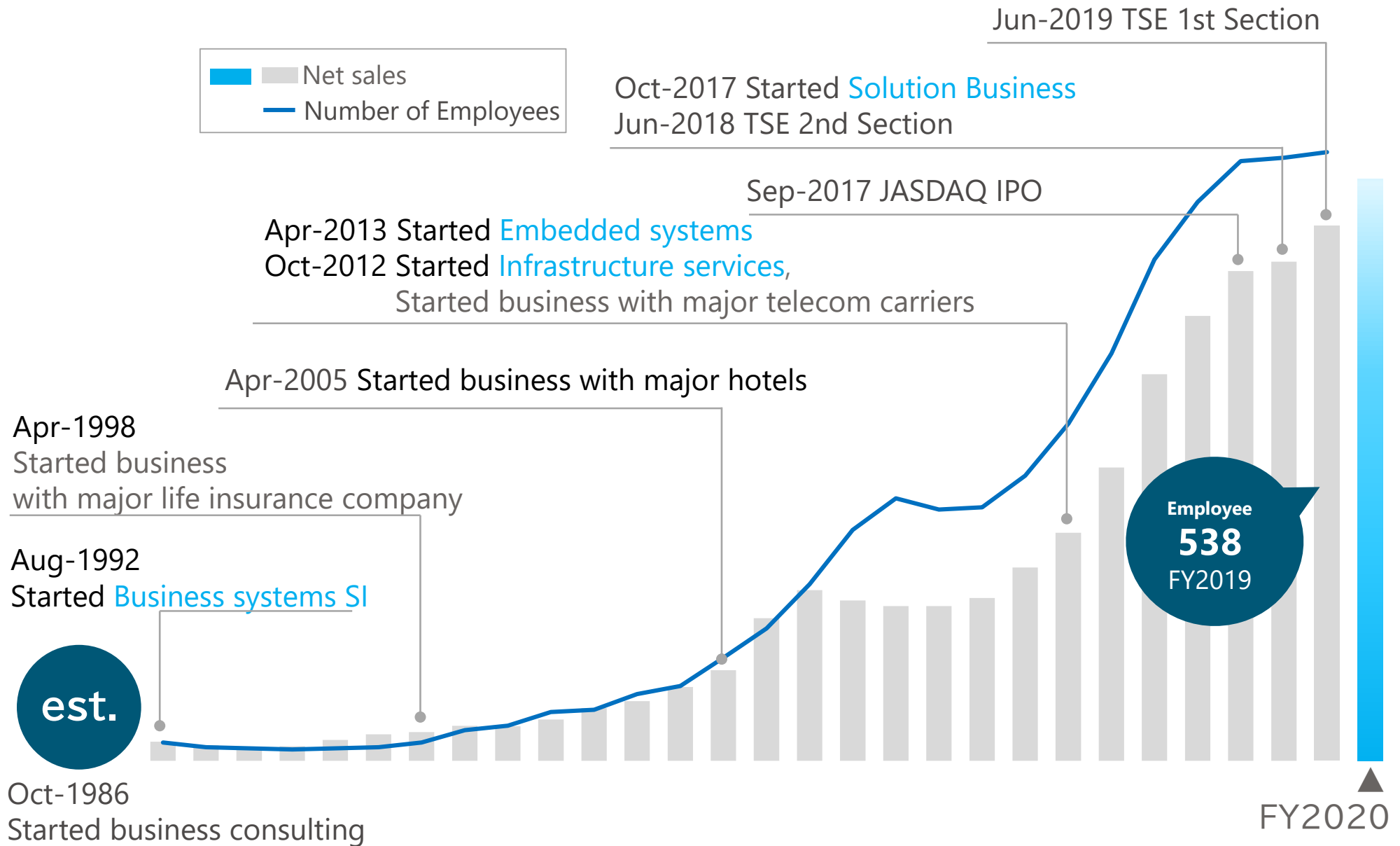
1) Management Philosophy

Contributing broadly and
Sustaining to society.



Night view from Mt. Inasayama. (Nagasaki Pref.)

2) Trails of growth



3) Basic policy

Breakthrough from the dispatch business,
Become a true **System Integrator**.

4) Targets

2010: Growth

Sales growth rate **20%**
Ordinary profit margin **10%**

2510: Management constitution

Gross profit margin **25%**
SG&A expenses rate **10%**



FY 2019



Near future Target

Market capitalization
25 billion JPY

Liquidity -
market capitalization
10 billion JPY

Net sales
10 billion JPY

Dispatch business >>> Become a true System Integrator.

5) Our strengths

Well of strength ~ 3 “High” and know-how, performance.

1. High Financial system development capabilities.

The financial sector accounts for 50% of sales in our main business “System development”.
Especially, we have strengths in [Life insurance](#), [Accident insurance systems](#), and we have many performance in [Bank](#), [Credit card systems](#).

2. High End-user direct sales ratio.

[Over 50% of sales composition.](#)
For life insurance companies, major hotels, and telecommunications carriers etc., end-user direct sales ratio Over 50%.



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3. High Proposal and provision capabilities of solution business.

[Related to 5G and AI, RPA so on,](#)
We provide optimal solution services tailored to customers' business objectives.

High quality system development
Knowledge + know-how
accumulated over 20 years of system
development.

Performance in a wide range of industries
and technologies.
Approx. 300 customers.

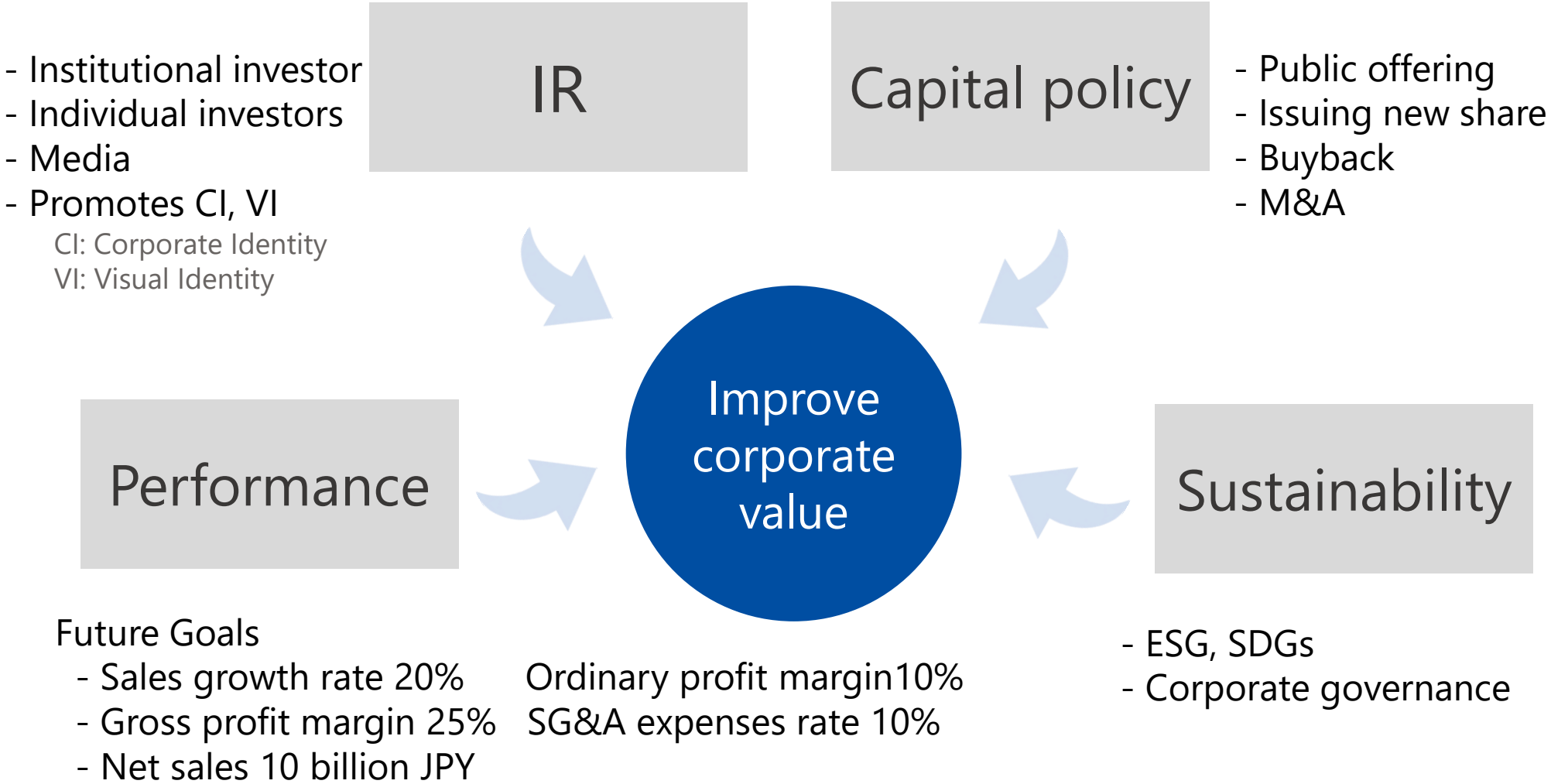
6) Growth strategies

6 Priority items.

- 1 Improve corporate value
- 2 Establish business foundation
- 3 Expansion of solution business
- 4 Expansion of end-user direct sales
- 5 Start up AI business
- 6 Start up nearshore development

6) Growth strategies - 1. Improve corporate value -1-

Various approaches to improve corporate value.



In addition to organic growth,
actively pursue M&A Growth

Policy

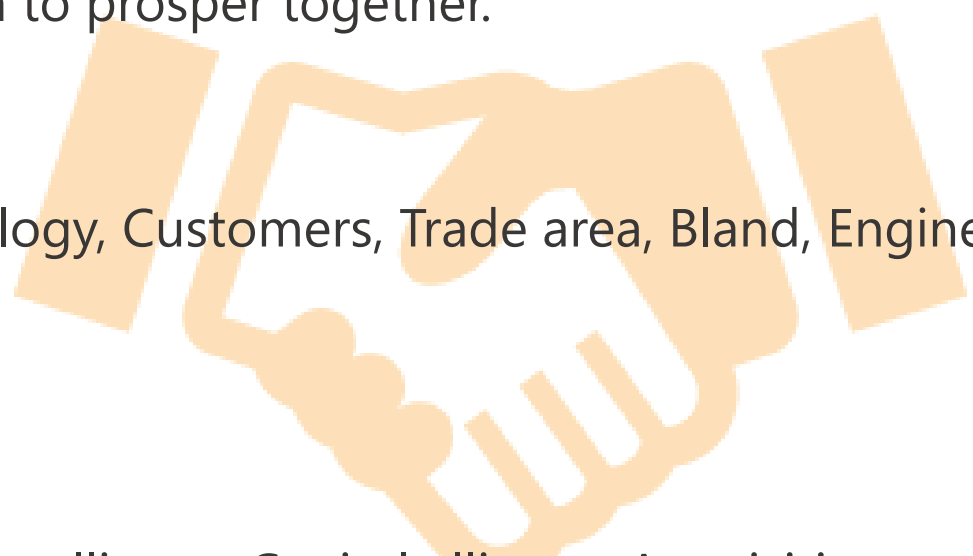
- + We actively pursue M&A and business alliance with the company which we can expect high synergy for increasement corporate value
- + We aim to prosper together.

Purpose

- + Technology, Customers, Trade area, Bland, Engineers

Scheme

- + Business alliance, Capital alliance, Acquisition, etc.



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



Business systems SI

- Accumulating financial business knowledge
- Train high-skilled engineers from upstream processes



Expansion
Financial
sector



Infrastructure services

- Cooperation with business systems SI



Order from
Large project



Embedded systems

- Automobile, specialized in the field of medical equipment.



Order from
specialized
field

6) Growth strategies - 3. Expansion of solution business

Differentiate by providing linkage functions with various products.

Information security solutions

Information security measures become even more important with the arrival of the 5G era

NW Security Police



Work efficiency solutions

Promote work style reform and solve labor shortages by utilizing IPA (AI x RPA)

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Work-AI

IPA (AI & RPA) X System development

WINACTOR



Stabilize orders and improve profitability, maintain and expand end-user direct sales ratio Over 50%.

1. Maintain and expand exist-customer

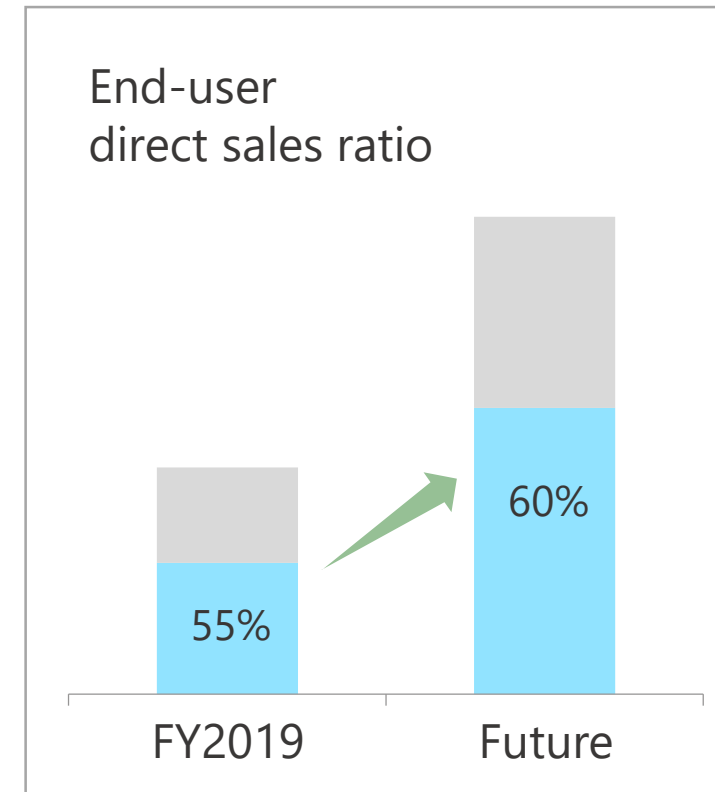
- Maintain ongoing projects
- Train high-skilled engineers and expand the scale of project.

2. New customer development

- Introduce our development results and business know-how to similar/existing companies, horizontal expansion.

3. Expansion solution business

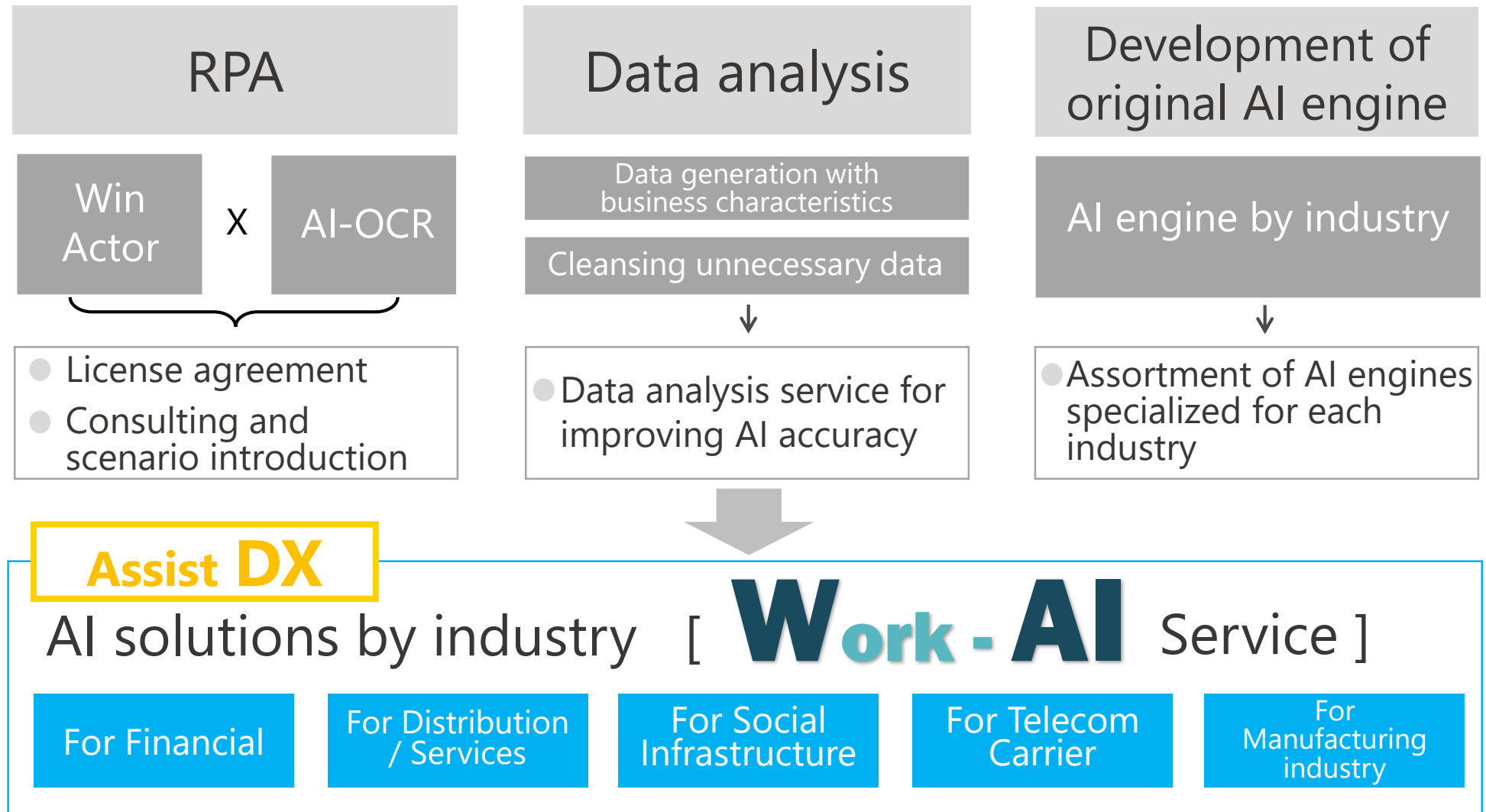
- Focus on solution business with high sales ratio to end users.



6) Growth strategies - 5. Start up AI business

Established AI Group in July 2019.

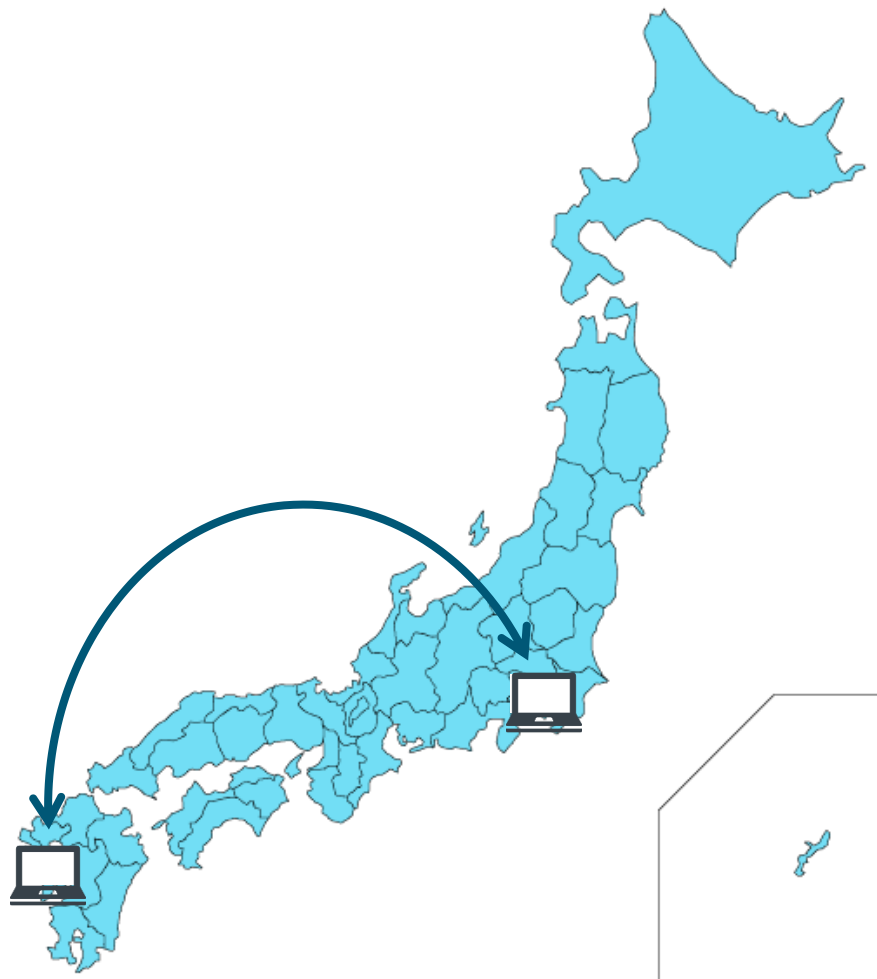
Started AI business in earnest and provide of AI solutions by industry.



6) Growth strategies - 6. Start up nearshore development

Opened Nagasaki Development Center in October 2019.

Aiming for **100 employees** in FY2024.



Promote recruitment of new graduates and U-turns in Nagasaki and retain talented people who want to find employment.



Promote lump sum contract and overcome opportunity loss due to solve labor shortages by nearshore development.



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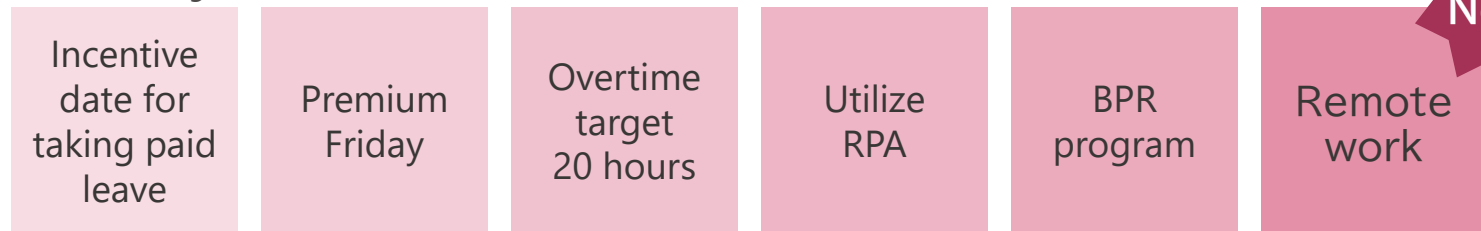
1) Human resources development



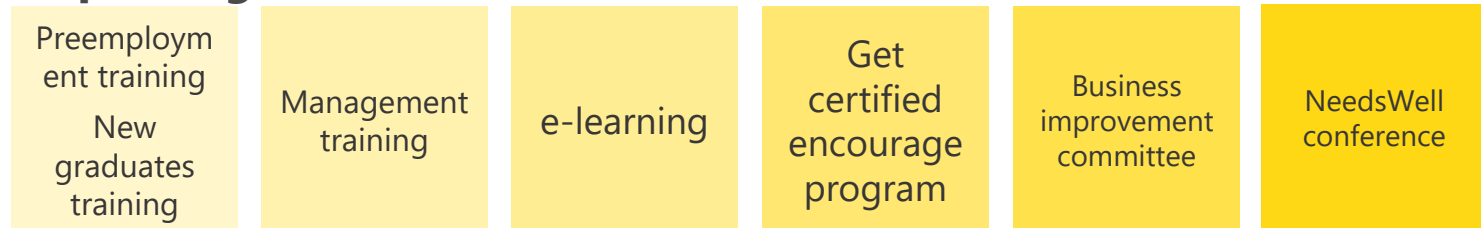
Work style reform and efforts to improve skills and motivation.

We are working on human resource development using various programs and tools.

Work style reform



Improving skills



Improving motivation



2) ESG/SDGs -1-

To realize our management philosophy
 “Contribute broadly sustaining to the society.”
 ESG / SDGs Committee has begun working on a sustainable society.



Sports promotion support

We are supporting Soccer team,
 ‘ V-Varen Nagasaki ’.



IT education using AI

AI experience seminar for students will be held during FY2020.
 Our AI engineers and general affairs dept are planning a program that it can feel attractive of AI.

Supporting regional revitalization projects

We have been supporting the local revitalization project in Nagasaki Prefecture since 2018.

2) ESG/SDGs -2-

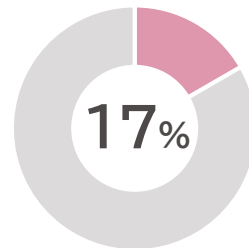


Promoting diversity and gender equality

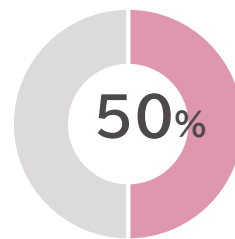
We aim to achieve a 30% ratio of female managers.



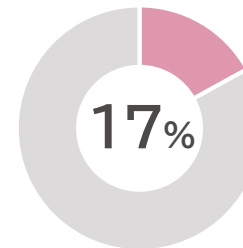
Board of Directors



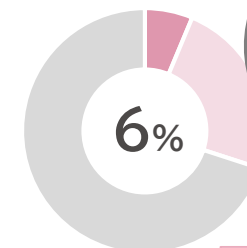
New Graduate 2020 (Plan)



All of Employee



Managers



Female Male



Reduce electricity and paper usage

ESG committee members appointed from each department are carrying out reduction activities.

- Power saving
- Digitalization of internal documents and workflows etc.

2) ESG/SDGs -3-



Promote collaboration with partners

We are promoting cooperation with partner companies and aiming for it can develop together for a long time.

- Core partner program
- Partner meeting etc.



Create a high transparent governance system

We are constantly reviewing our governance system to create a more transparent and fair corporate structure.

- Board effectiveness evaluation
- Think about advisory committees, etc.



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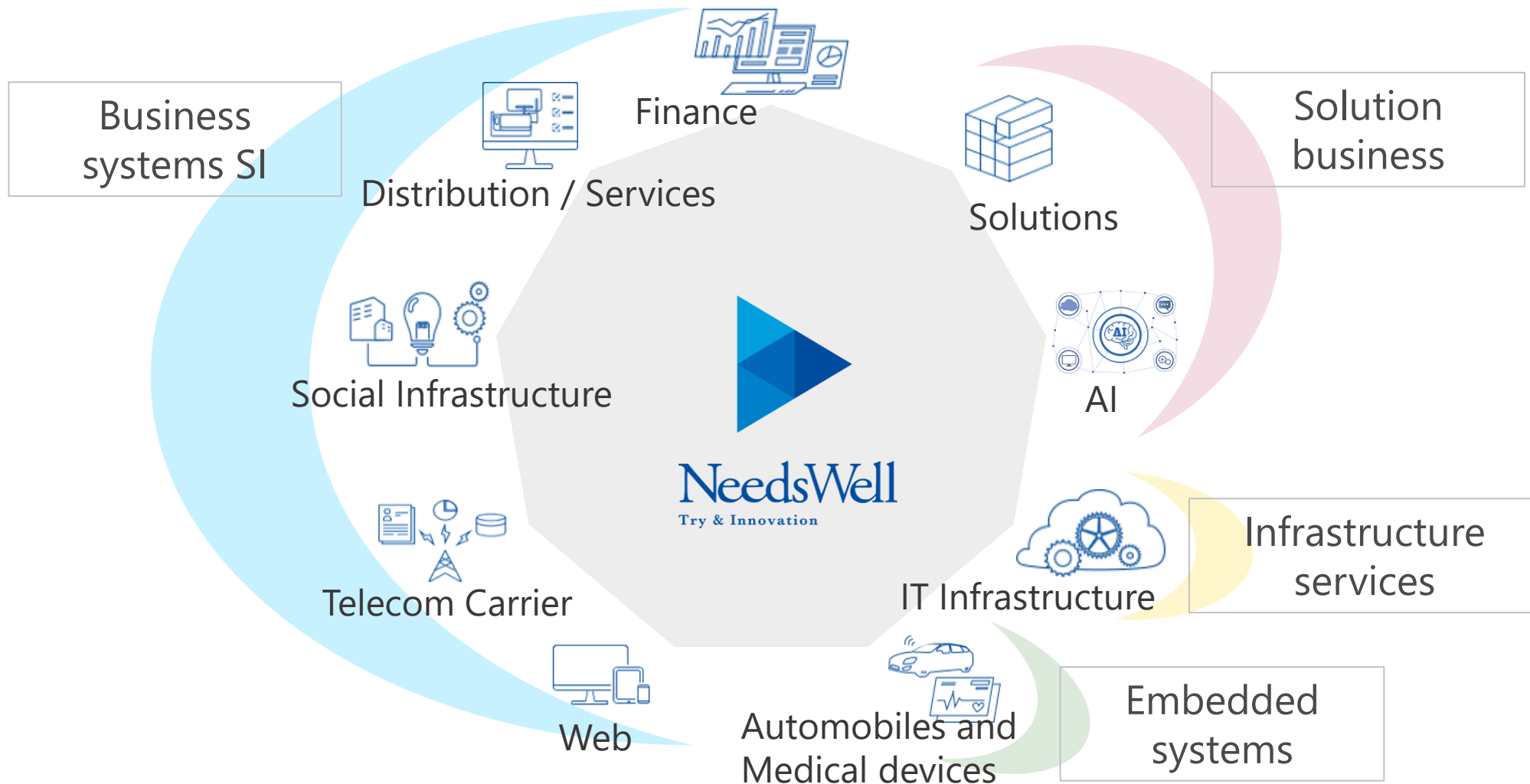
5. Reference Materials

1) Company profile

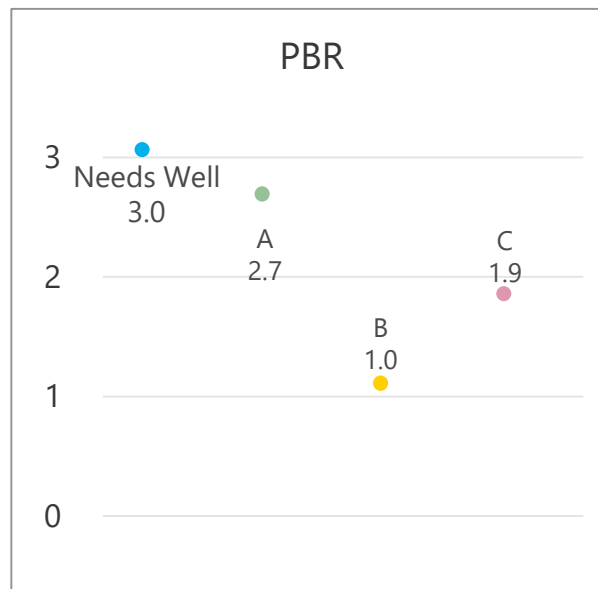
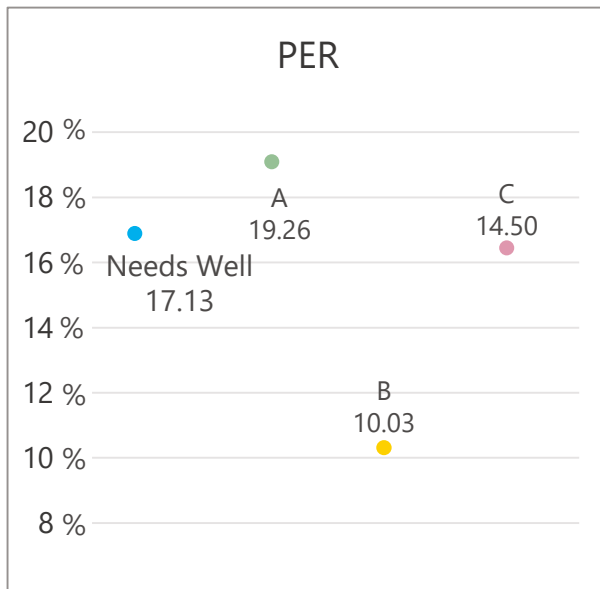
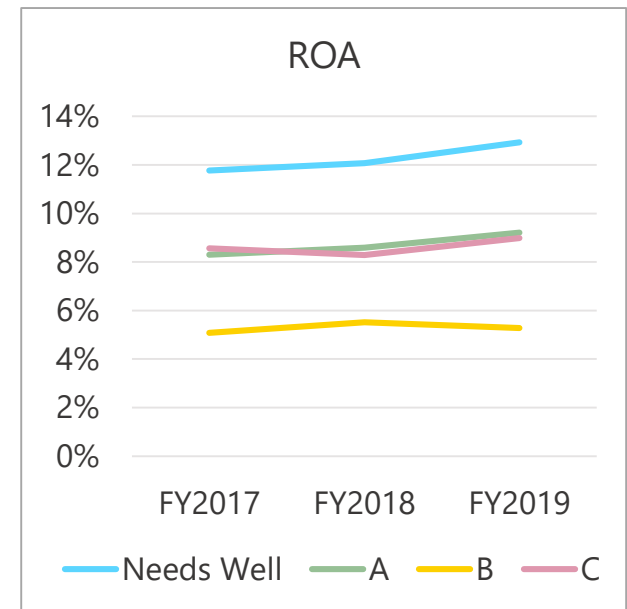
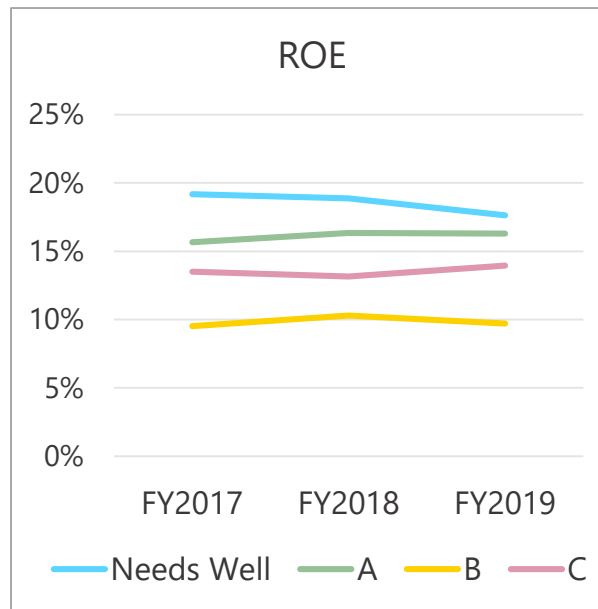
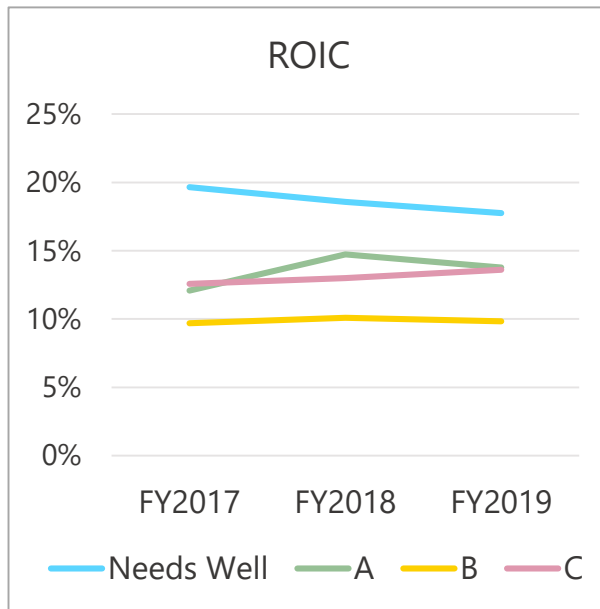
Company Name	Needs Well Inc.		
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan		
Office	- Shinjuku Office : 5F, South Tower, 13-15 Tomihisa-cho, Shinjuku-ku, Tokyo, 162-0067 Japan - Nagasaki Office: 5F, Meijiyasudaseimei Nagasakikozenmachi building, 2-21 Kozen-machi, Nagasaki-shi, Nagasaki, 850-0032 Japan		
Contact	TEL: +81-3-6265-6763 FAX: +81-3-6265-6764 URL: https://www.needswell.com		
Representative	President and CEO Kozo Funatsu		
Established	October 1, 1986	Stock Listing	Tokyo Stock Exchange, 1st Section (3992)
Paid-in Capital *	414 million JPY	Net sales *	5,517 million JPY
Number of Employees *	538	Member organizations	Japan Information Technology Service Industry Association (JISA)
Qualification	Worker dispatch business Privacymark	ISO27001 (ISMS) Certified ISO9001 (QMS) Certified	
Board of Directors *	President and CEO Kozo Funatsu Executive Director Takeshi Tsukada Executive Director Nobumasa Goto Director Hiromi Kimura Director Hiroki Yanagawa <input type="checkbox"/> External <input type="checkbox"/> Independent Director Hideaki Sakaue <input type="checkbox"/> External <input type="checkbox"/> Independent	Audit & Supervisory Board Member Kazuhiko Kato Audit & Supervisory Board Member Toshio Yamamoto <input type="checkbox"/> External <input type="checkbox"/> Independent Audit & Supervisory Board Member Yuji Dai <input type="checkbox"/> External Audit & Supervisory Board Member Kotaro Niwa <input type="checkbox"/> External	

2) Business field

Needs Well focused on **Business systems SI** for **finance**
4 services provide total IT services.



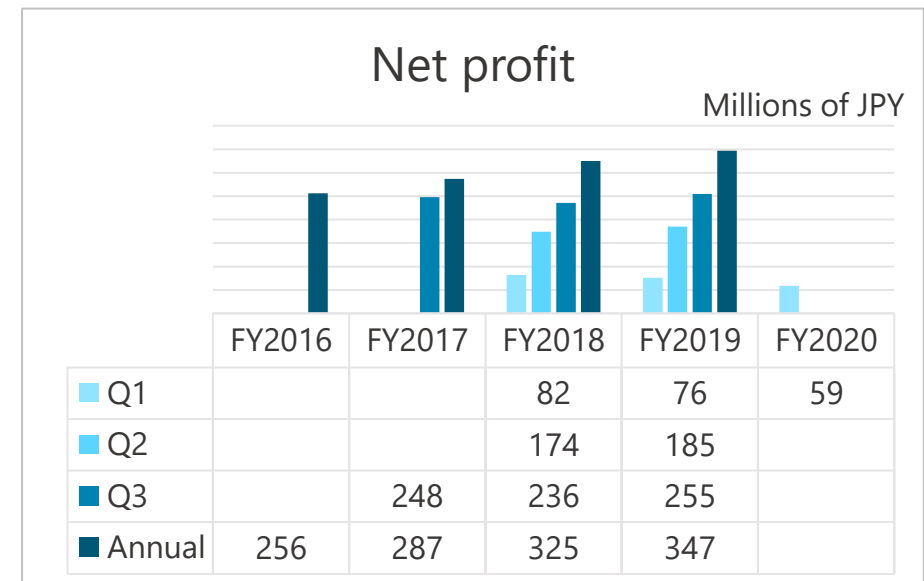
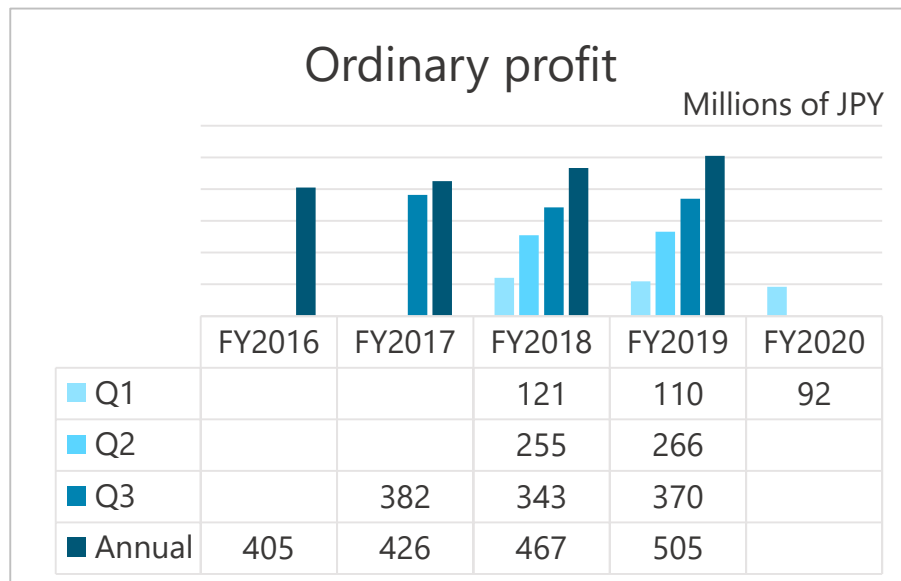
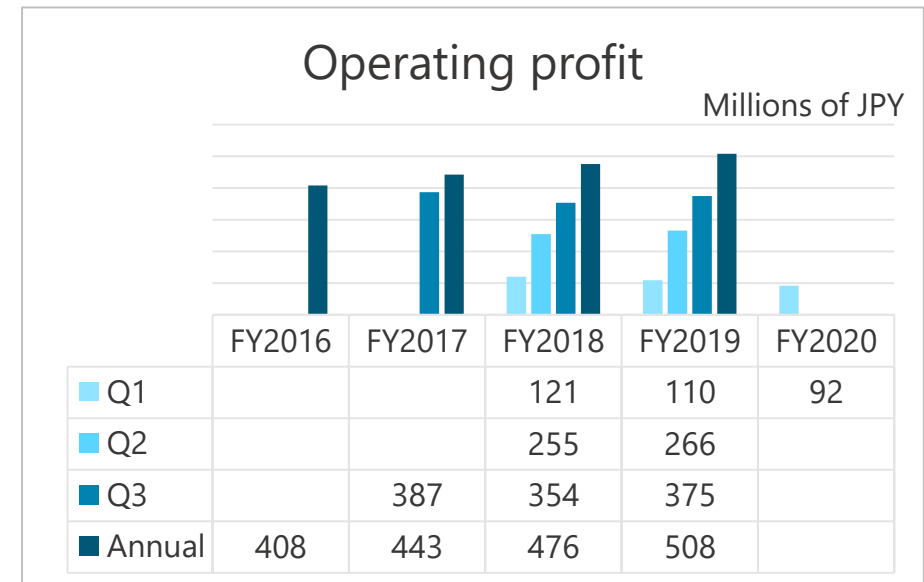
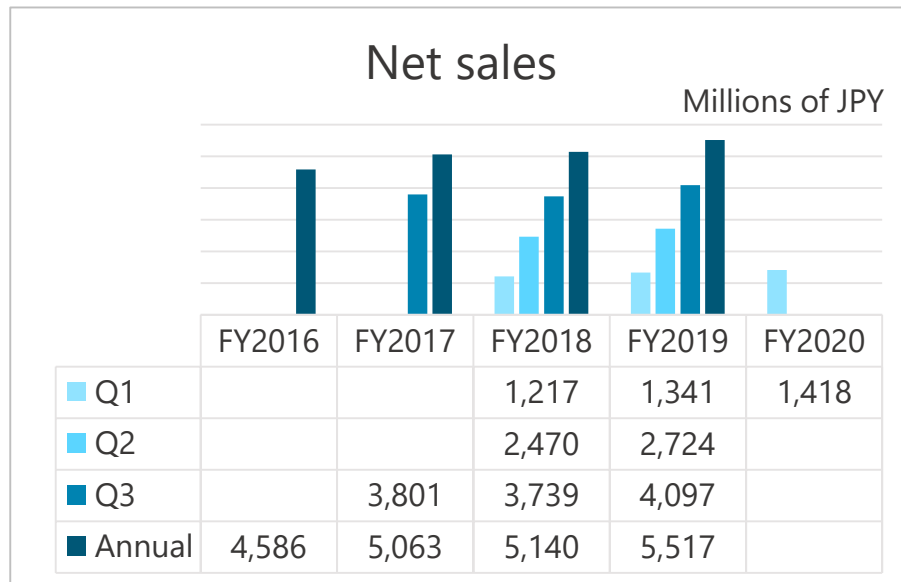
3) Comparison with our company and other companies



- We selected and compared companies with near close our business domains and market capitalization from the Information & Communication.

- PER and PBR are calculated using the closing price on November 5, 2019.

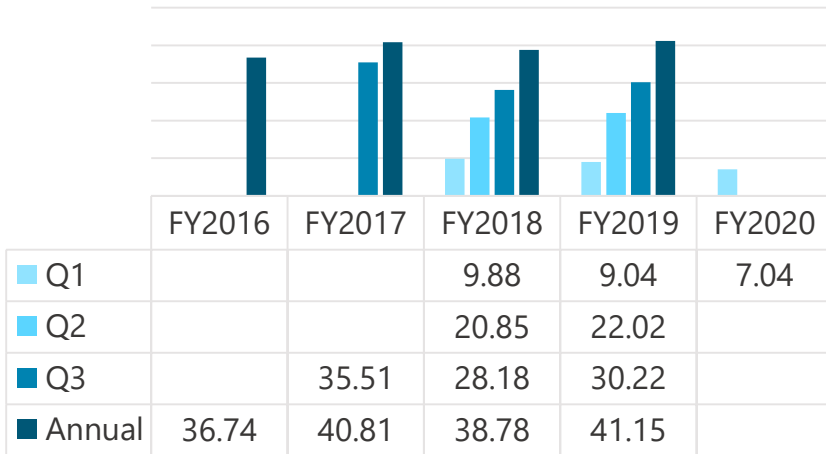
4) Performance trends -1-



4) Performance trends -2-

Basic earnings per share

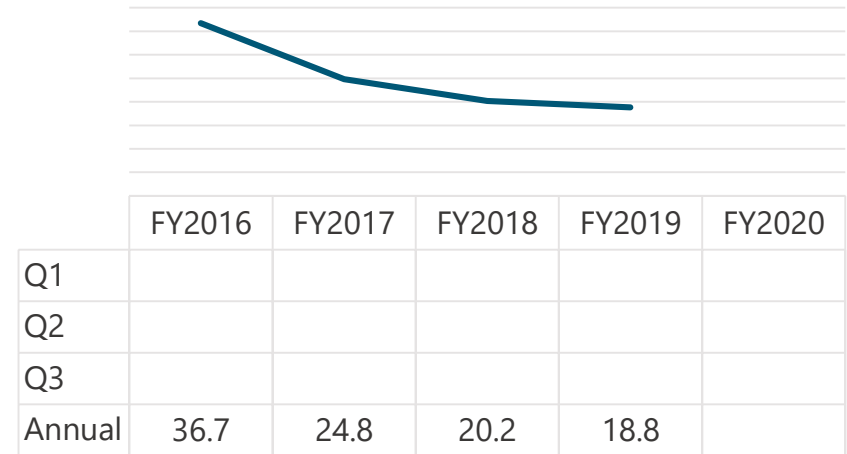
JPY



- After adjustment of 100 splits as of May 12, 2017,
2 splits as of April 1, 2018, and 2 splits as of January 1, 2019.

Rate of return on equity

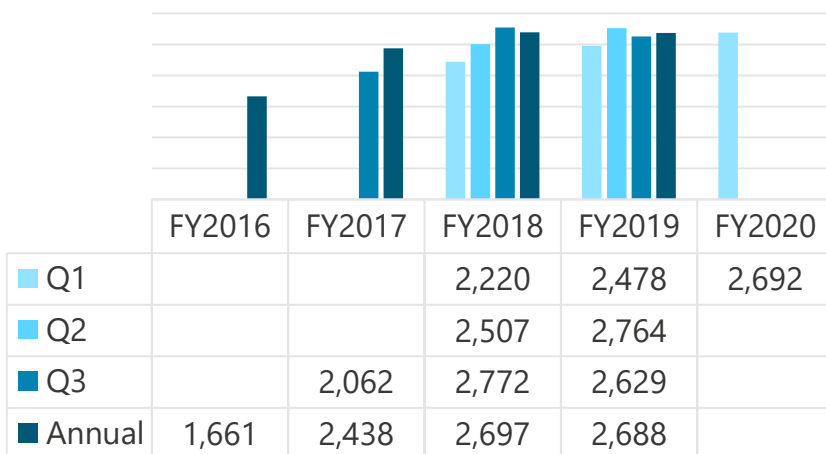
%



- This indicator is updated by annual year.

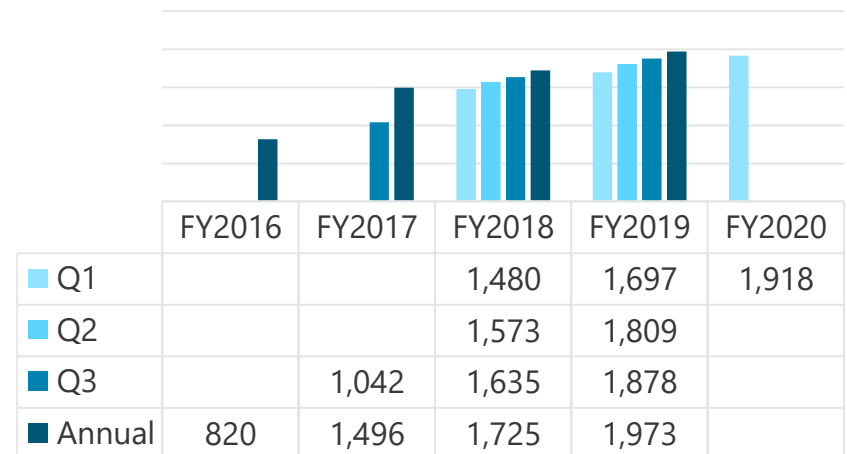
Total assets

Millions of JPY



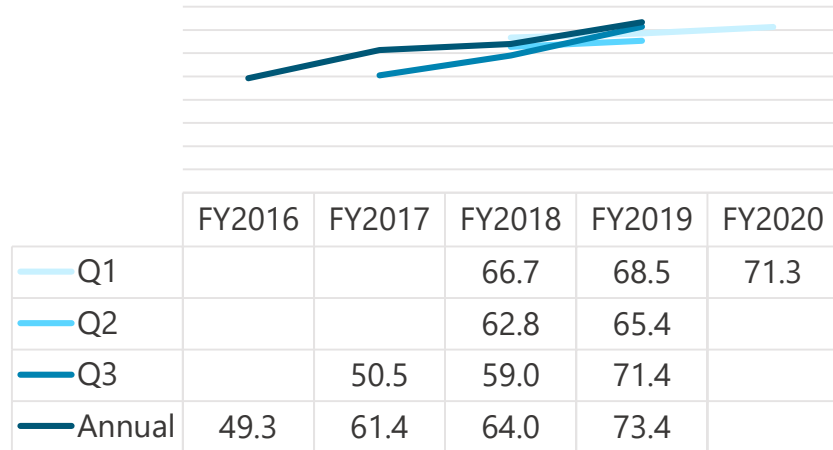
Net assets

Millions of JPY



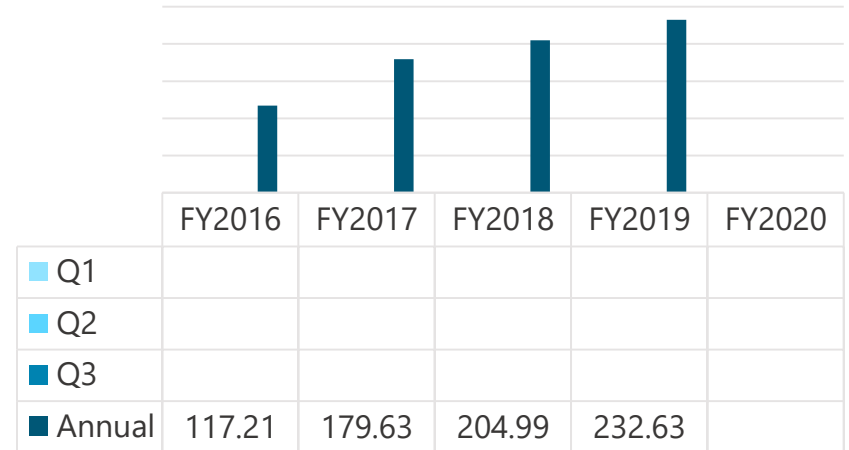
4) Performance trends -3-

Capital adequacy ratio %



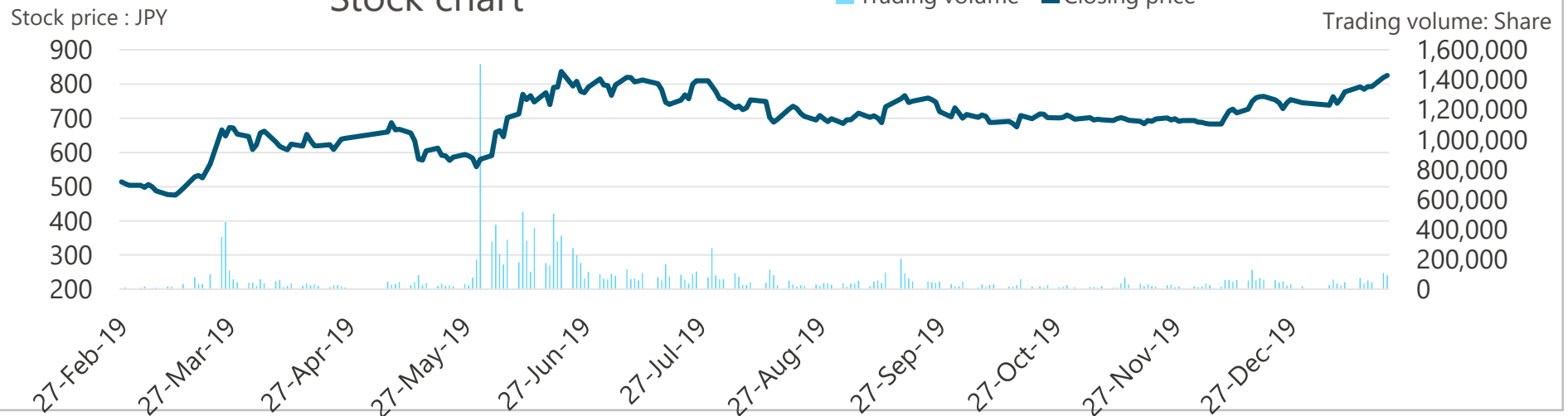
- Q2 is cumulative total from Q1 to Q2.
- Q3 is cumulative total from Q1 to Q3.

Net assets per share JPY



- After adjustment of 100 splits as of May 12, 2017, 2 splits as of April 1, 2018, and 2 splits as of January 1, 2019.
- This indicator is updated by annual year.

Stock chart





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- All statements described in these material are based on our judgment by currently available information.
- Actual results may differ from forecasts due to various factors in the future.

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