

Tokyo Stock Exchange 1st Section: Securities Code 3992

Needs Well Inc.

**Financial Results**  
**for the First Quarter of Fiscal Year 2021**  
**(October 1, 2020 – December 31, 2020)**

February 8, 2021



**NeedsWell**  
Try & Innovation



1. 2021/9 1Q Financial report summary



2. 2021/9 Results forecast



3. Growth strategy



4. Reference

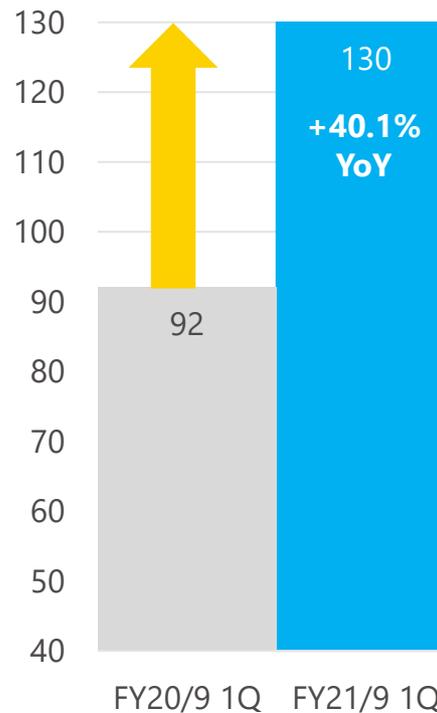
# 1.1) Financial highlights

**Sales decreased year on year** due to the negative impact of COVID-19, but **profit increased year on year** due to efforts to improve productivity

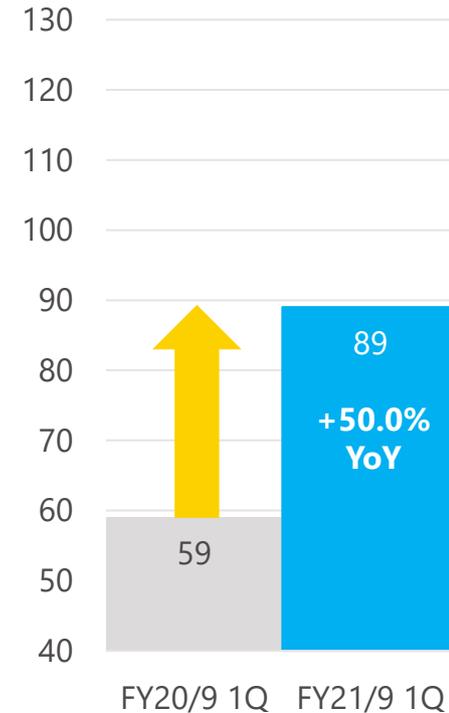
(Unit: million JPY) Net sales



(Unit: million JPY) Ordinary profit

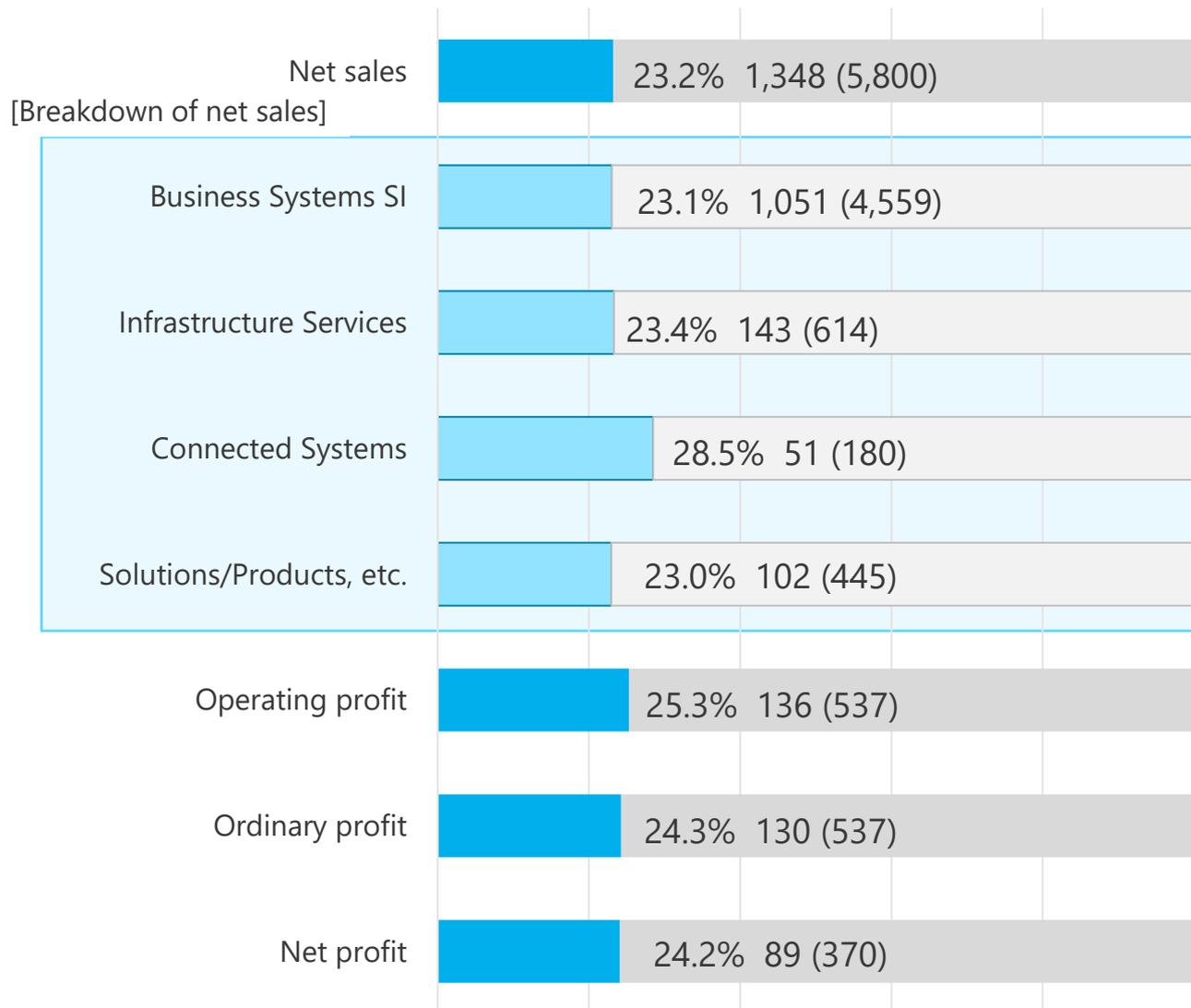


(Unit: million JPY) Net profit



# 1.2) Performance progression rate

Progression rate/1Q performance (FY21/9 target) (Unit: million JPY)



Despite the negative impact of the spread of COVID-19, sales for telecommunications remained strong due to demand for revisions of price plans for mobile phones. Aim to expand sales through new collaboration with two companies in the logistics industry.

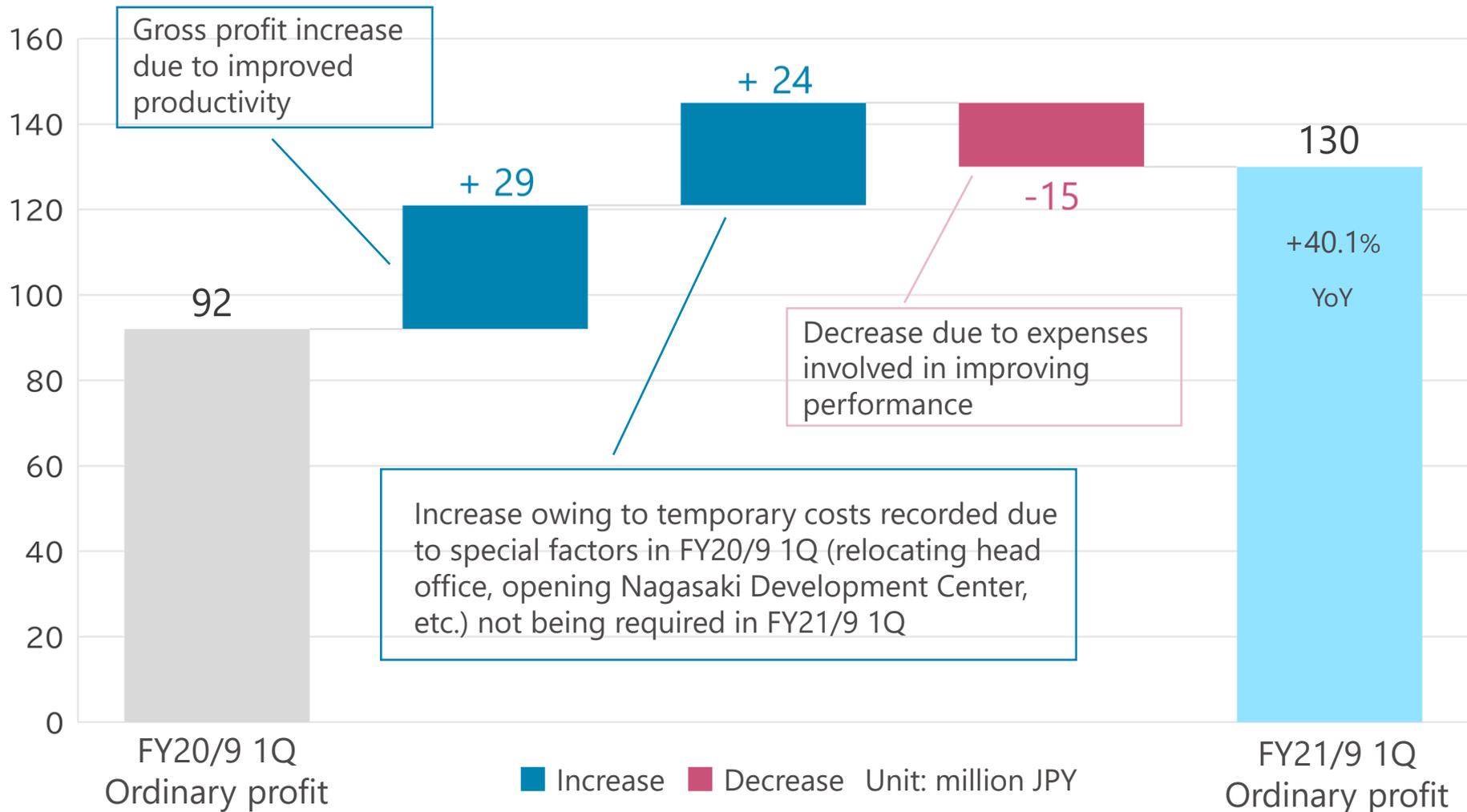
Development continued at a stable pace due to coordination between Business Systems SI and Solutions/Products, etc., for total orders.

Development continued at a stable pace despite the negative impact of the spread of COVID-19 on orders for the manufacturing industry.

Expanded solution lineup. Solutions for RPA management/control and Speed EA and Invoice PA, solutions for the Concur series, etc., remained strong. Newly launched provision of IT re-engineering services.

# 1.3) Ordinary profit analysis

**Ordinary profit** increased 40.1% year on year as a **decline in sales** was covered by **improved productivity** and **cost reductions**



# 1.4) Profit & loss statement

Ordinary profit ratio remained at a high level of 9.7%  
(Up 3.1 pts year-on-year)

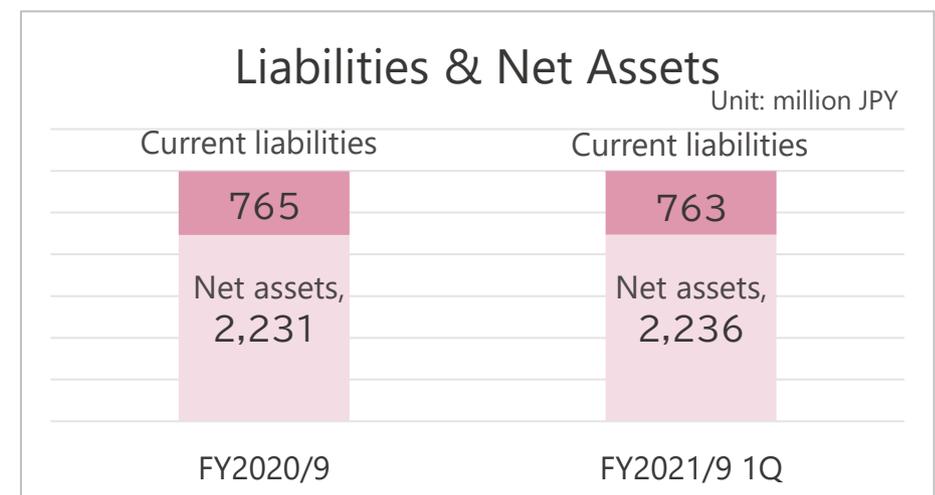
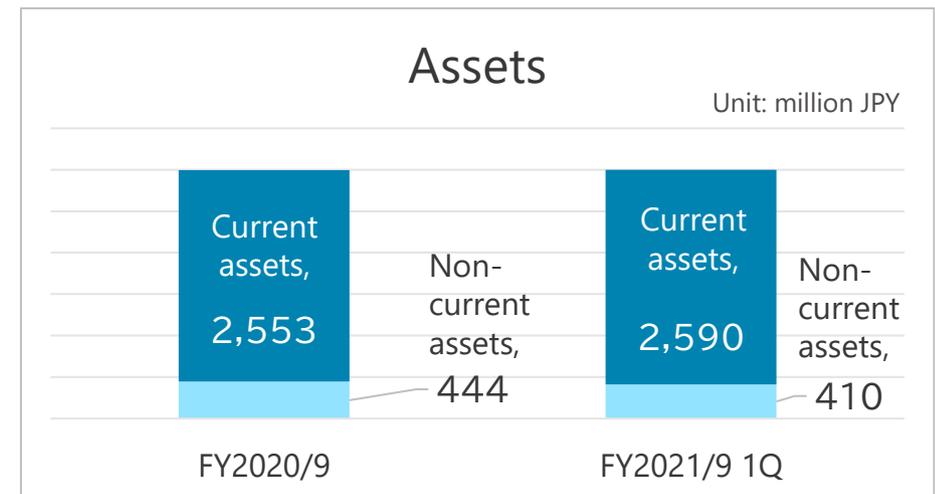
Unit: million JPY	FY2020/9 1Q Financial Results		FY2021/9 1Q Financial Results		
	Result	Net sales	Result	Net sales	Year-on-year
Net sales	1,418	-	1,348	-	95.1%
Business Systems SI	※	※	1,051	77.9%	※
Infrastructure Services	※	※	143	10.7%	※
Connected Systems	※	※	51	3.8%	※
Solutions/Products, etc.	※	※	102	7.6%	※
Gross profit	302	21.3%	331	24.6%	109.7%
SG&A expenses	209	14.8%	195	14.5%	93.3%
Temporary cost (investment)	24	1.8%	0	0.0%	0.0%
Others	184	13.0%	195	14.5%	105.9%
Operating profit	92	6.6%	136	10.1%	146.5%
Non-operating profit	0	0.0%	0	0.0%	4359.1%
Non-operating expenses	0	0.0%	6	0.5%	41206168.8%
Ordinary profit	92	6.6%	130	9.7%	140.1%
Net profit	59	4.2%	89	6.6%	150.0%

\* 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.

# 1.5) Balance sheet

*Selection of significant entries only		FY2020/9	FY2021/9 1Q	
Unit: million JPY		Result	Result	Year-on-year
	Cash and deposits	1,780	1,751	-28
	Accounts receivable	689	747	57
	Prepaid expenses	34	49	15
	<b>Total current assets</b>	<b>2,553</b>	<b>2,590</b>	<b>37</b>
Assets	Software	58	58	0
	Investment securities	83	86	2
	Deferred tax assets	97	55	-41
	Leasehold and guarantee deposits	85	85	0
	Insurance funds	76	76	0
	<b>Total non-current assets</b>	<b>444</b>	<b>410</b>	<b>-34</b>
	<b>Total assets</b>	<b>2,997</b>	<b>3,000</b>	<b>2</b>
Liabilities	Accounts payable - trade	101	218	116
	Accounts payable - other	137	178	40
	Accrued consumption taxes	106	92	-13
	Provision for bonuses	265	152	-112
	<b>Total current liabilities</b>	<b>765</b>	<b>763</b>	<b>-2</b>
	<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total liabilities</b>	<b>765</b>	<b>763</b>	<b>-2</b>
Equity	Share capital	415	437	21
	Legal capital surplus	271	293	21
	Retained earnings brought forward	1,521	1,474	-46
	Valuation difference on available-for-sale securities	22	25	2
	<b>Total net assets</b>	<b>2,231</b>	<b>2,236</b>	<b>4</b>
	<b>Total liabilities and net assets</b>	<b>2,997</b>	<b>3,000</b>	<b>2</b>

Continued stable financial position  
Equity ratio at **74.5%**





1. 2021/9 1Q Financial report summary



2. 2021/9 Results forecast



3. Growth strategy

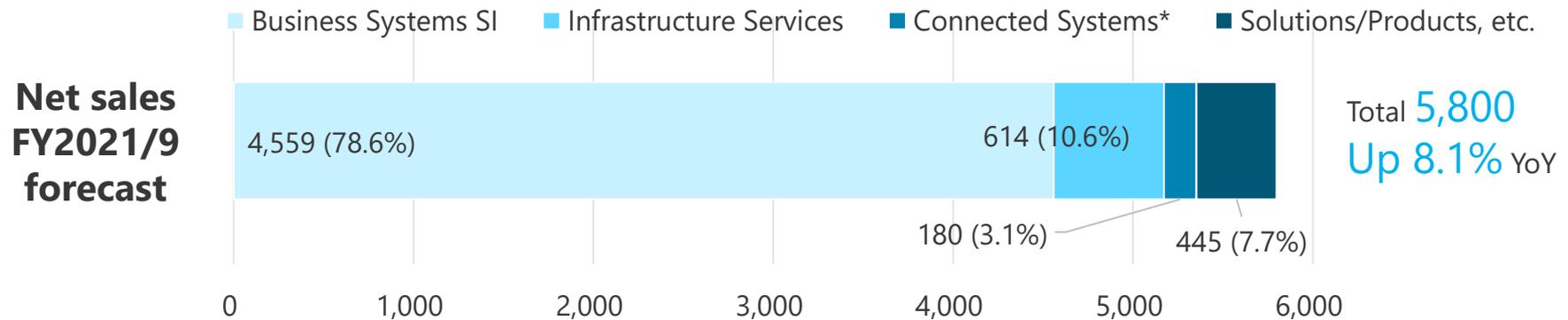


4. Reference

## 2.1) Results forecast

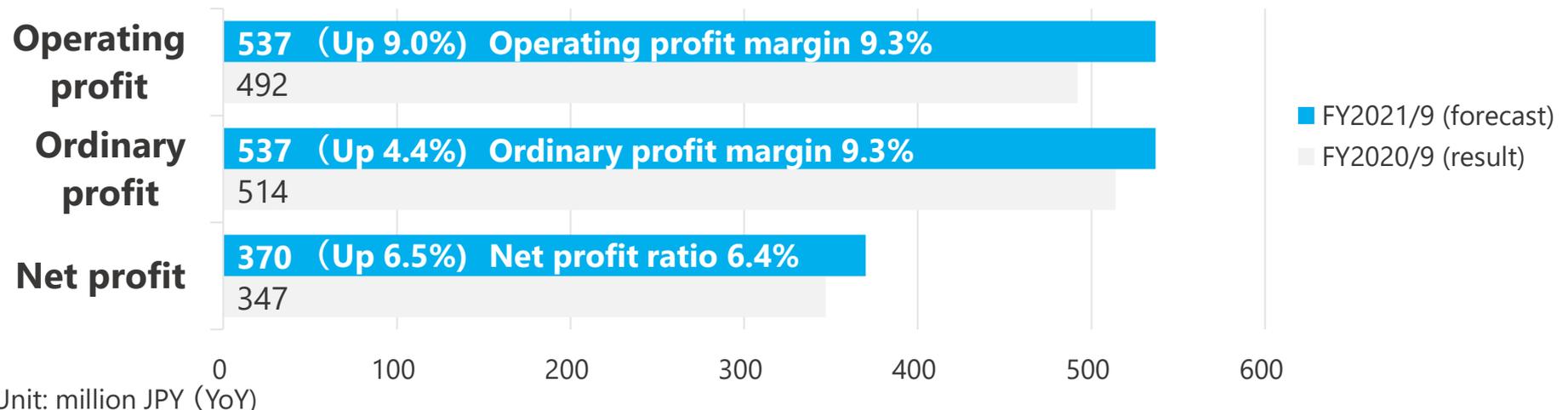
Aim to increase sales and profits through newly launched Logistics Business, strengthening solutions, etc.

\* There has been no revision to the results forecast announced on November 12, 2020



Unit: million JPY (against net sales composition ratio)

\* 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.



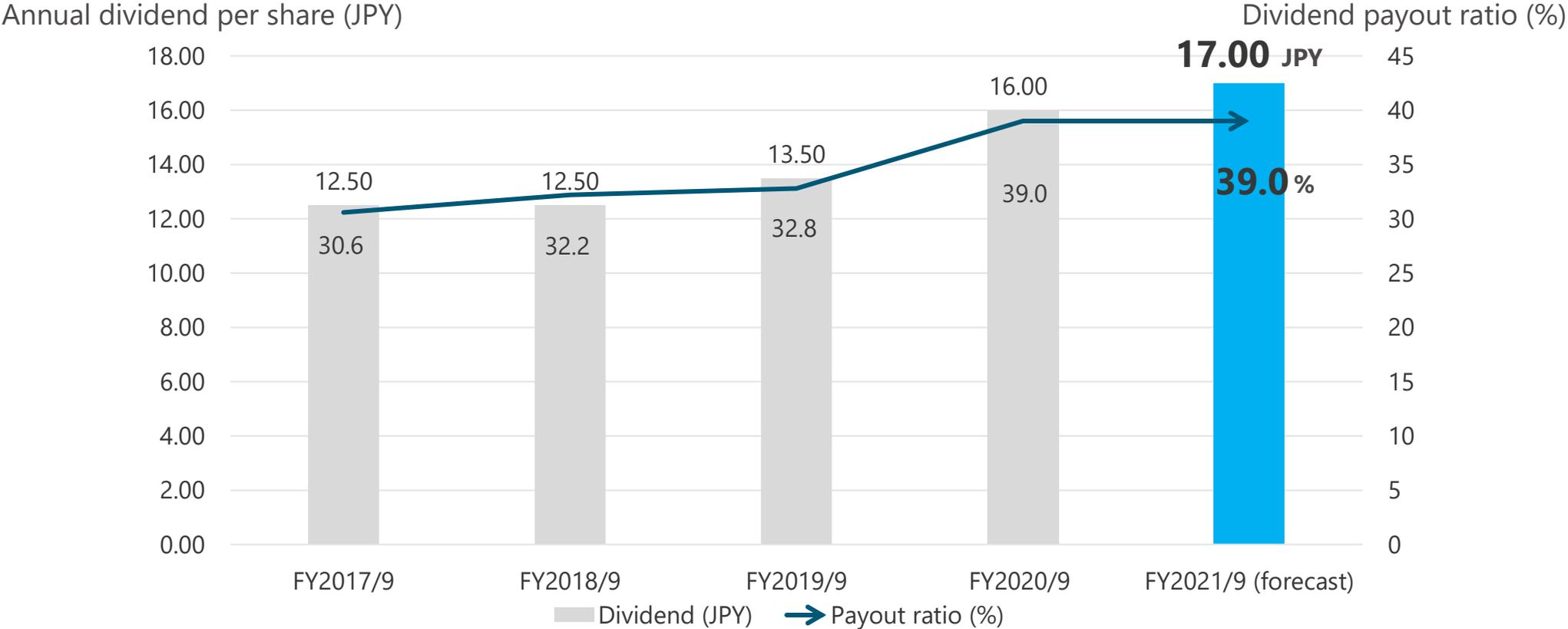
## 2.2) Dividends and shareholder returns

Dividend per share: **+1 JPY** (YoY) increase forecast (FY2021/9 )

\* There has been no revision to the dividend forecast announced on November 12, 2020

Annual dividend forecast: 17.00 JPY/share

Dividend payout ratio forecast: 39.0%



\* 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.



1. 2021/9 1Q Financial report summary



2. 2021/9 Results forecast

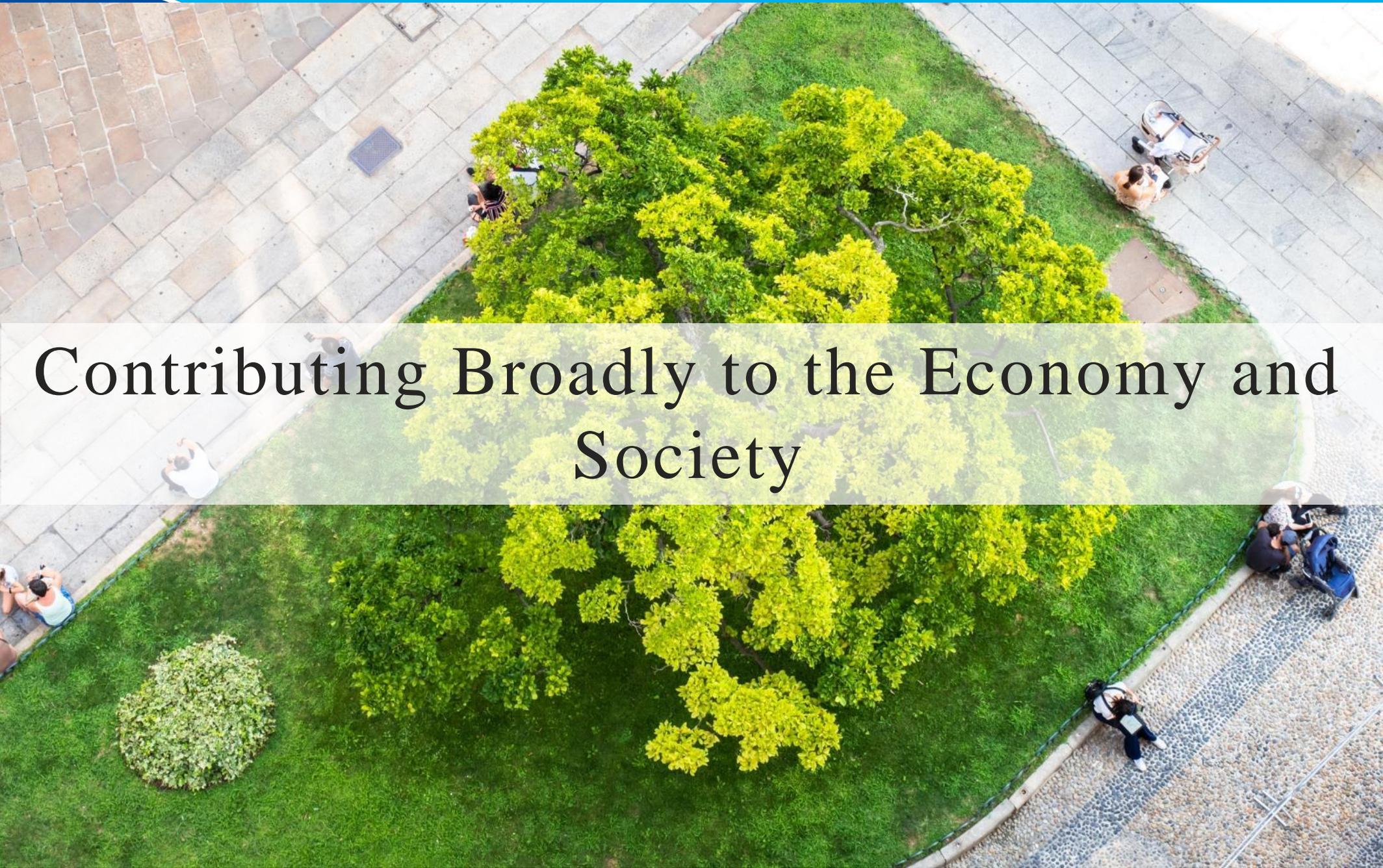


3. Growth strategy



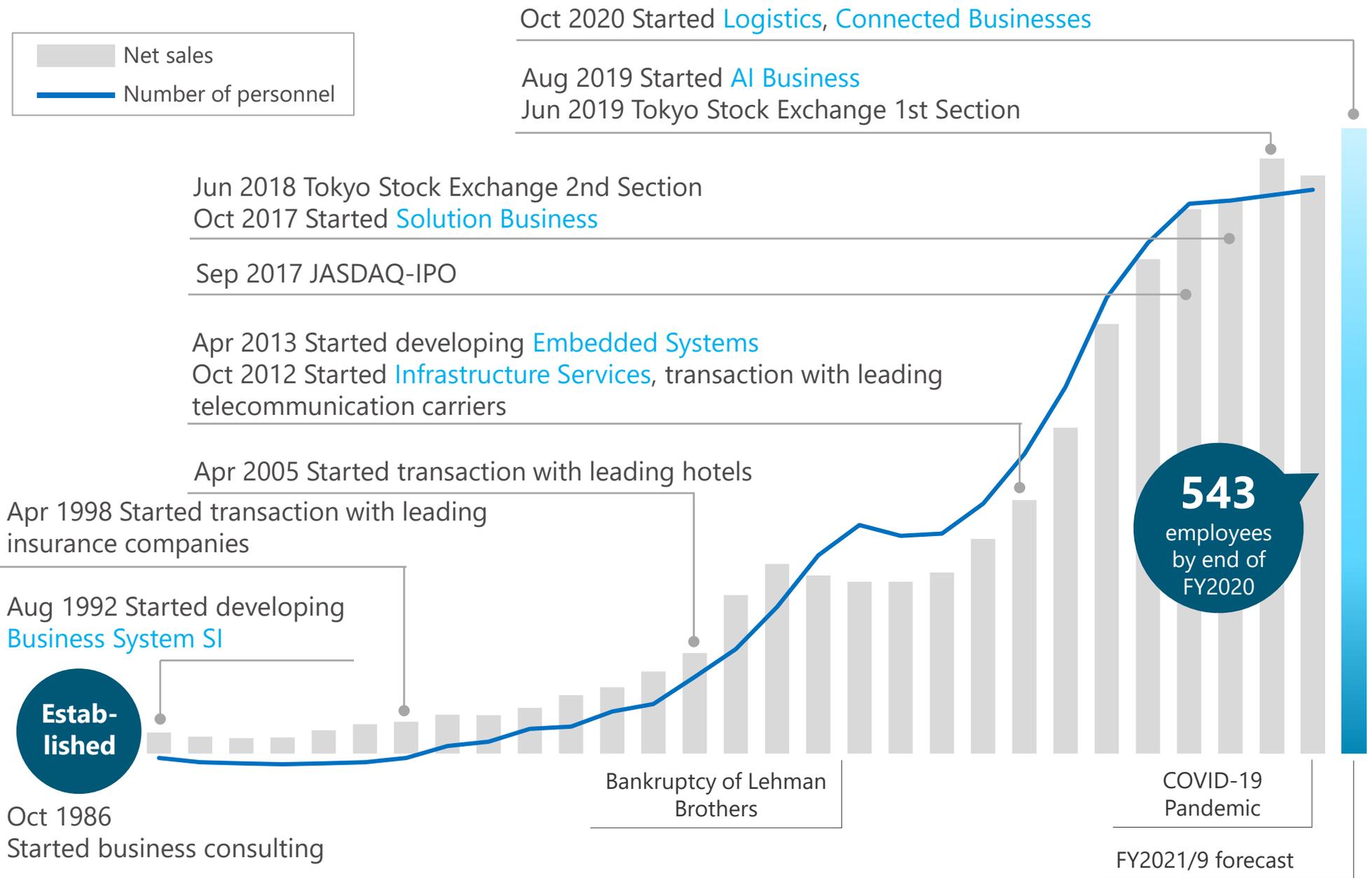
4. Reference

# 3.1) Management philosophy



Contributing Broadly to the Economy and Society

# 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**.

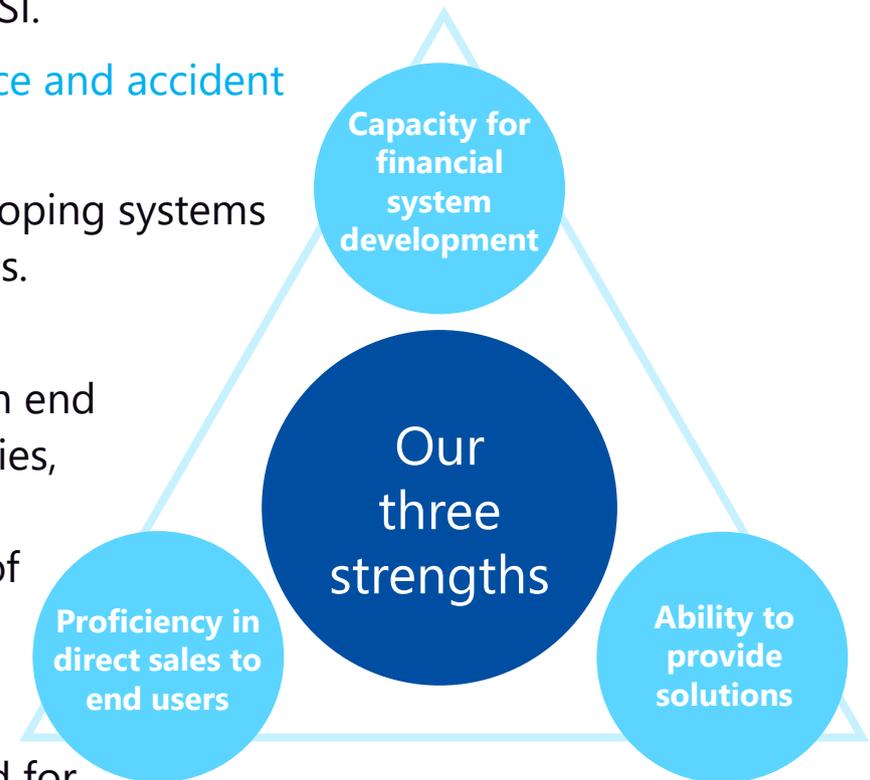
Strong performance record in developing systems for banks, credit cards, and securities.

### 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.

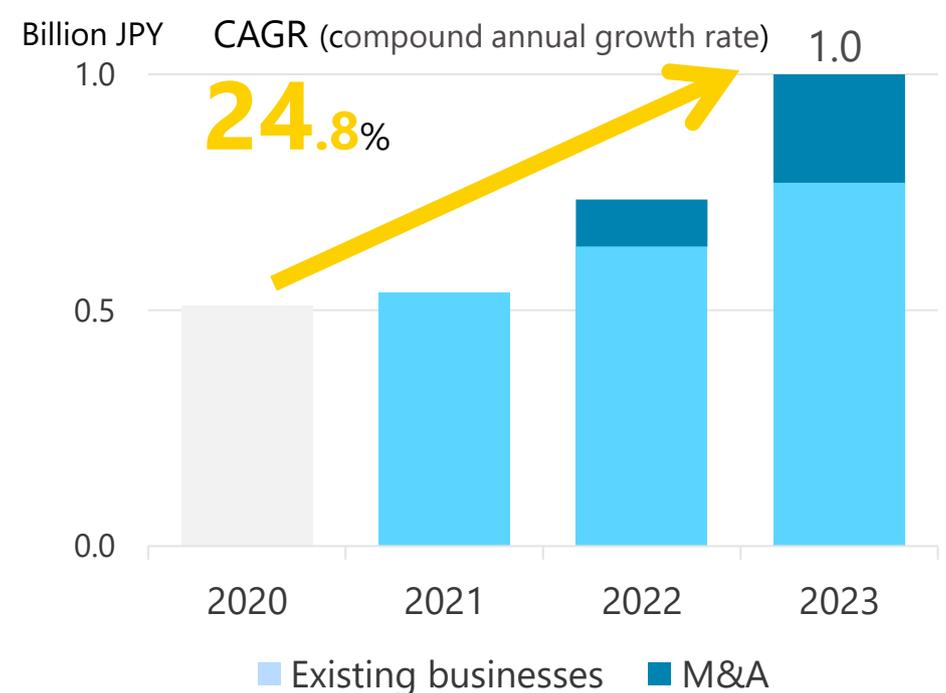
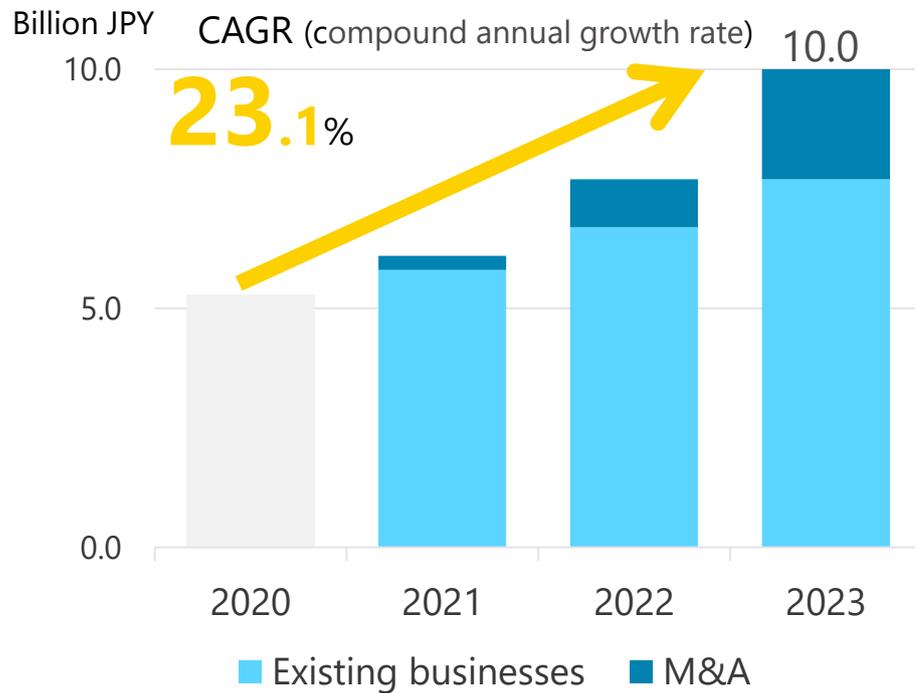
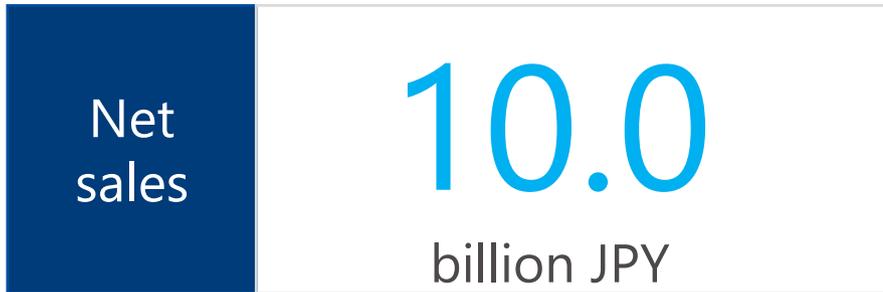
### Ability to provide solutions

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.)

2025 **123.0** bil. JPY  
 ↑  
 2018 **66.7** bil. JPY

Smart cities market

2022 **990.0** bil. JPY  
 ↑  
 2018 **460.0** bil. JPY

AI's major markets\*

2023 **64.0** bil. JPY  
 ↑  
 2018 **19.6** bil. JPY

### 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]

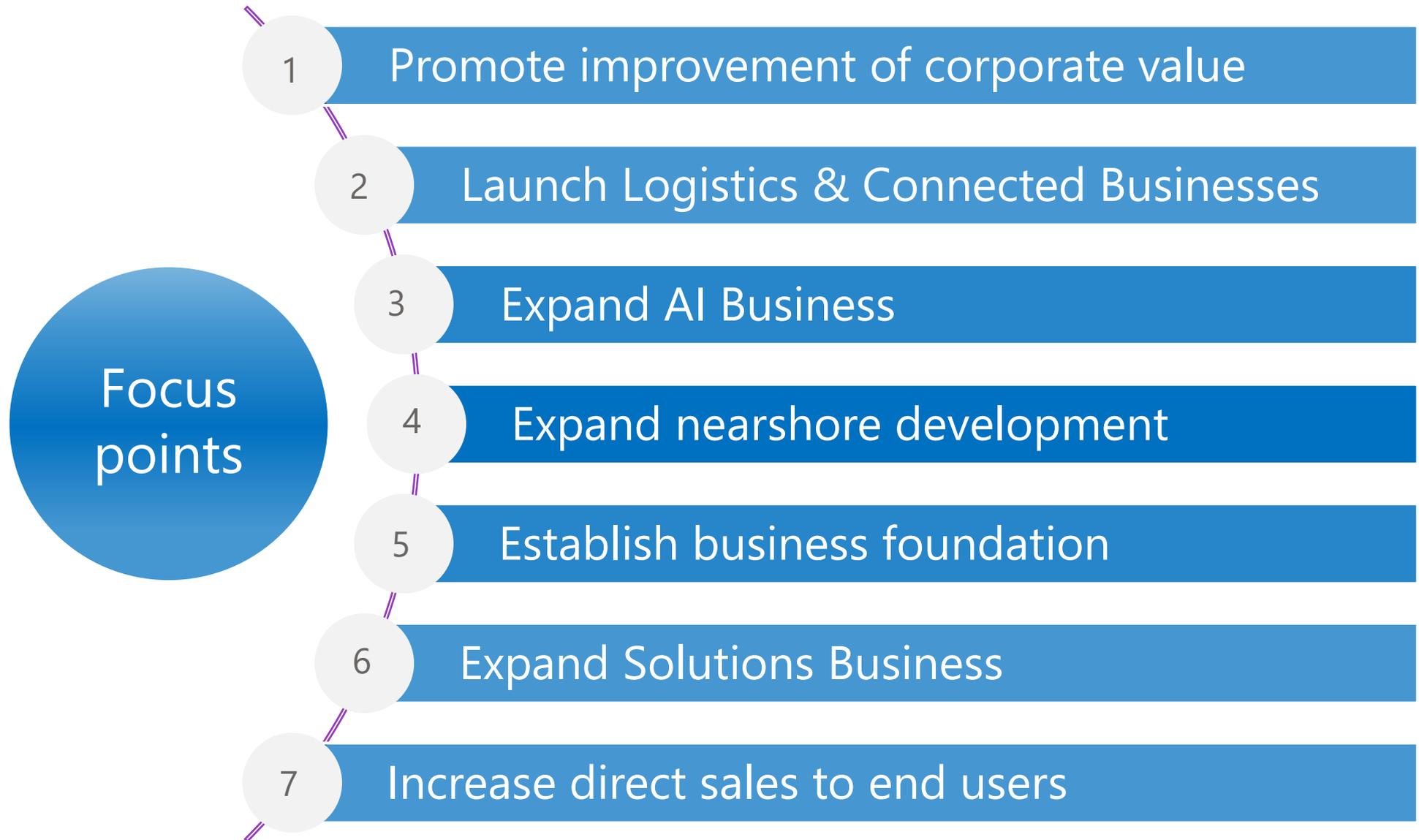
- Existing businesses 2.4 bil. JPY
- M&A 2.3 bil. JPY

**5.3**  
billion JPY

FY2020/9

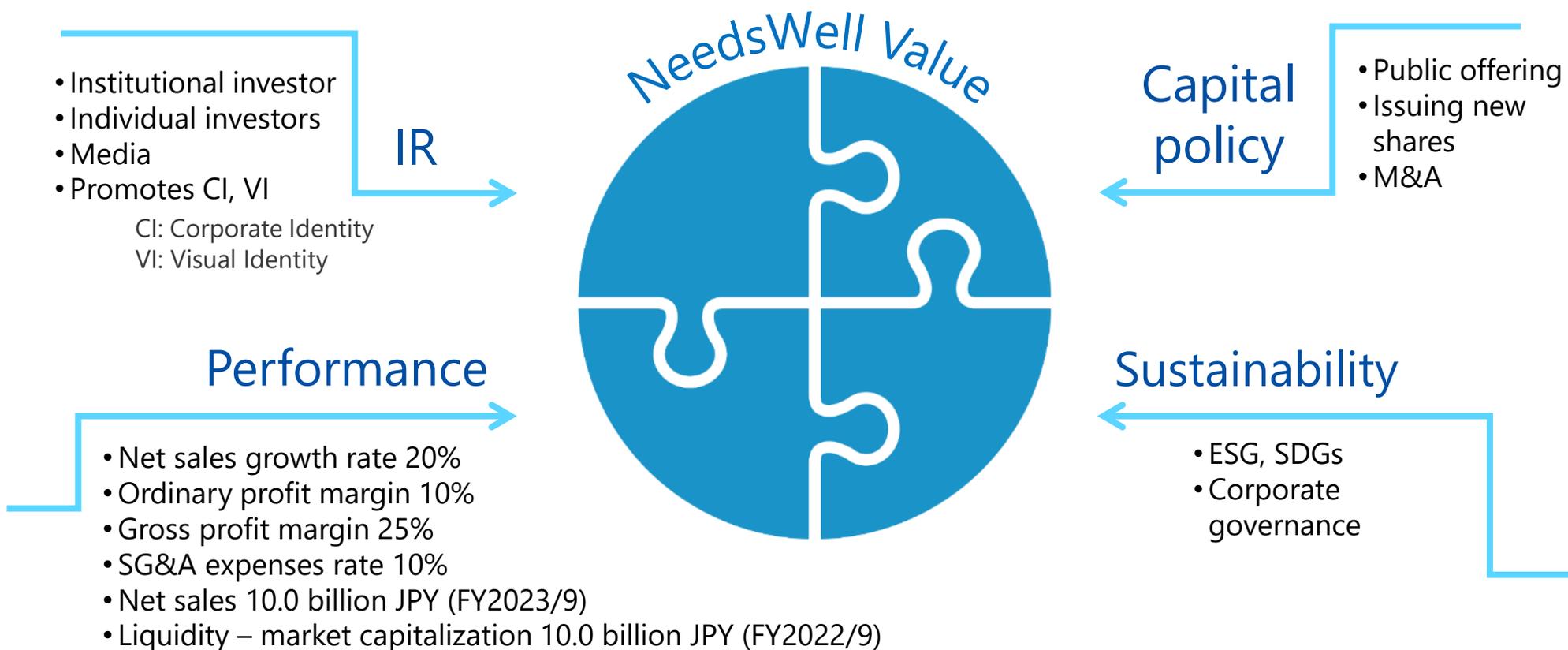
\* AI's major markets: Image recognition, speech recognition, speech synthesis, language analysis, search and retrieval, translation

## 3.6) Growth strategy



## 3.6)-1 Promote improvement of corporate value

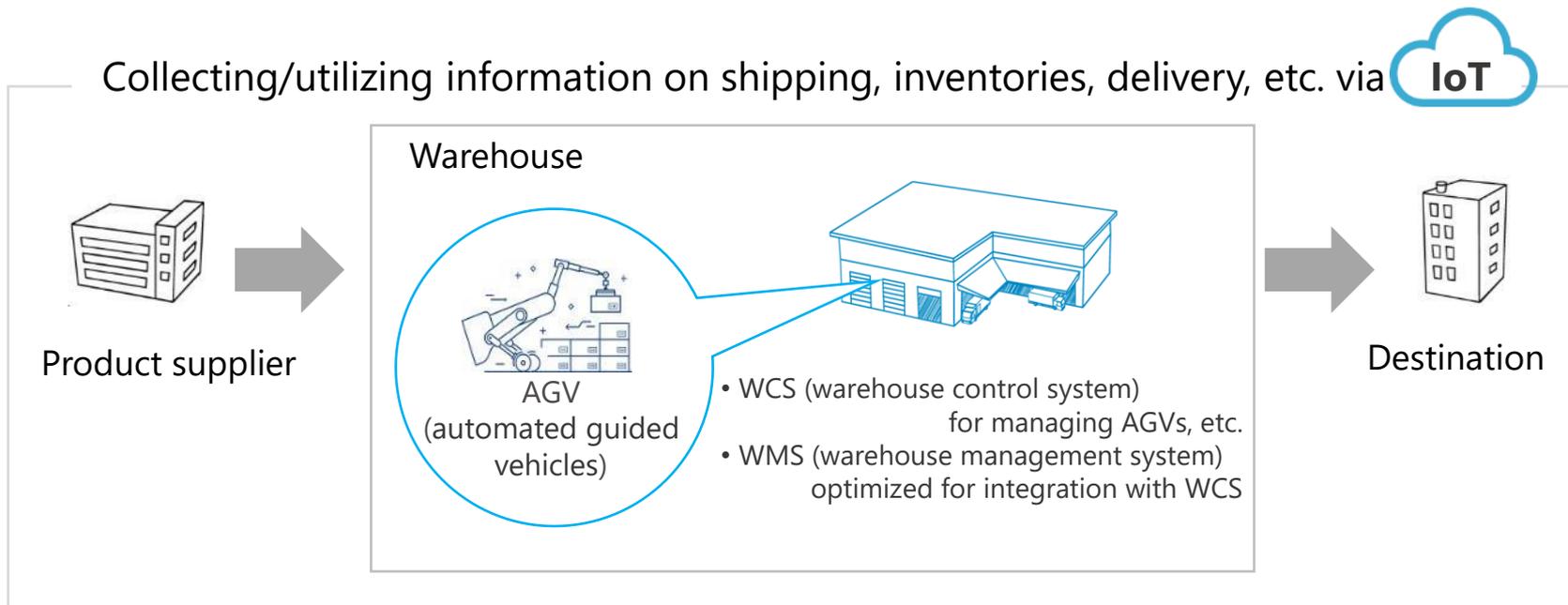
Promote our management philosophy of  
“Contributing Broadly to the Economy and Society”  
through improvement of the NeedsWell Value



Entering the **logistics sector**, which is facing labor shortages as the selection of diversifying needs continues to increase

Three companies collaborating to **save labor and improve efficiency for logistics warehouses**

Logi-Revo Co., Ltd.	: Consultation for logistics systems, logistics warehouse design
Office FA.com Co., Ltd.	: Logistics warehouse design, AGV/WCS/WMS development
Needs Well Inc.	: <b>Packaging WMS</b> to provide <b>logistics solutions</b>



## Entering the connected sector through data collection/utilization

Contribution to building smart cities through autonomous driving and medical care



### SMART BUILDINGS

### SMART HEALTH

### SMART ENERGY

### SMART MOBILITY

### PUBLIC SAFETY

Examples of past development)

- Image analysis programs for ultrasonic devices (ultrasonic diagnostic equipment)
- Programs for collecting large amounts of analytical data from blood, urine and other biological components, and producing an image displaying the results

Examples of past development)

- Programs that recognize objects and human bodies from radar and sensor image data and control steering and braking for autonomous driving
- Programs to control devices that analyze radar and sensor information at disaster sites, calculate optimal routes based on comparisons with geographic information, and automatically move vehicles

# 3.6)-3 Expand AI Business

Expand AI Business by expanding the  Work AI lineup



## AI Remote Education

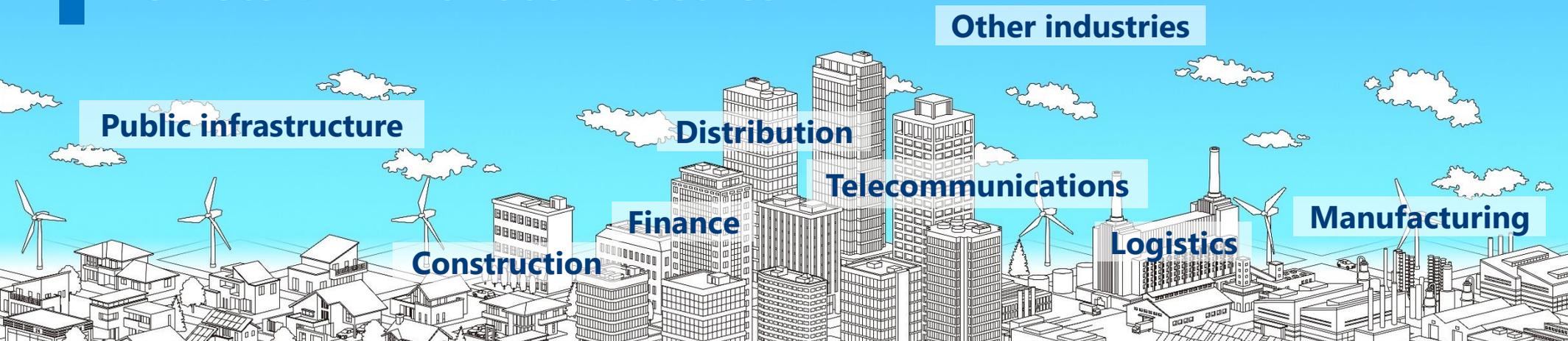
Quantitative visualization of business talks with numerical values and graphs.

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

Utilizing know-how in integration for AI, AI-OCR, RPA, etc.

to propose solutions for overcoming the 2025 Digital Cliff

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

### Personnel acquisition

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

### 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



## 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**

+

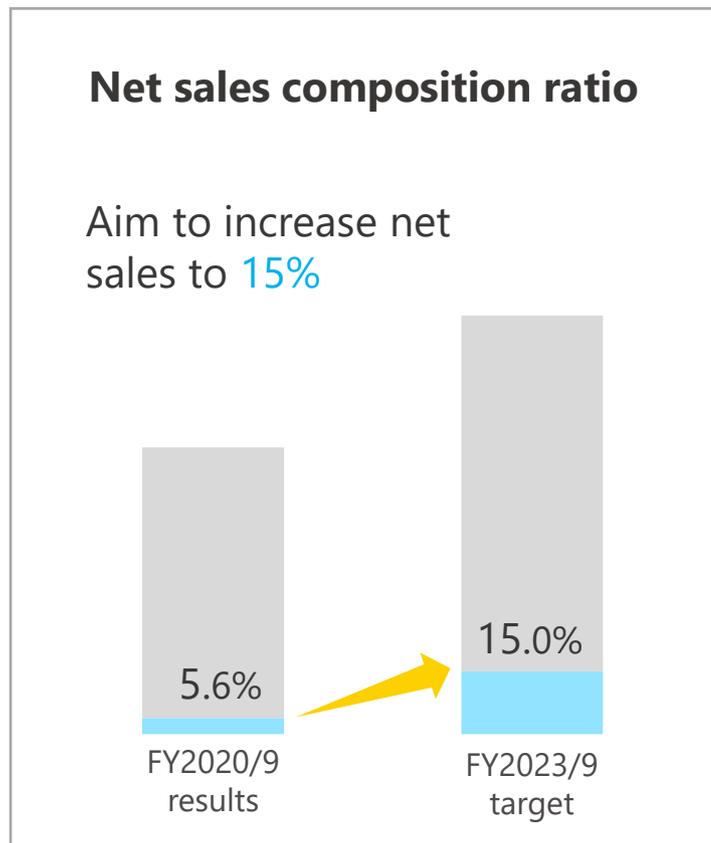
Service line that **accelerates business expansion and increases added value**

**Solutions/Products,  
etc.**

## 3.6)-6 Expand Solutions Business

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

### Expansion strategy



- Add Needs Well's unique functions for AI, RPA, etc. to solutions provided by other companies
- Enhance lineup with IT re-engineering service, etc.
- Start subscription sales of **NW Security Police** (unauthorized access prevention solution)
- Package WMS (warehouse management system) developed by the Logistics Business for horizontal expansion as a solution for the logistics industry
- Continuous research and development to quickly incorporate future-oriented and cutting-edge technologies based on client needs and market trends



## 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

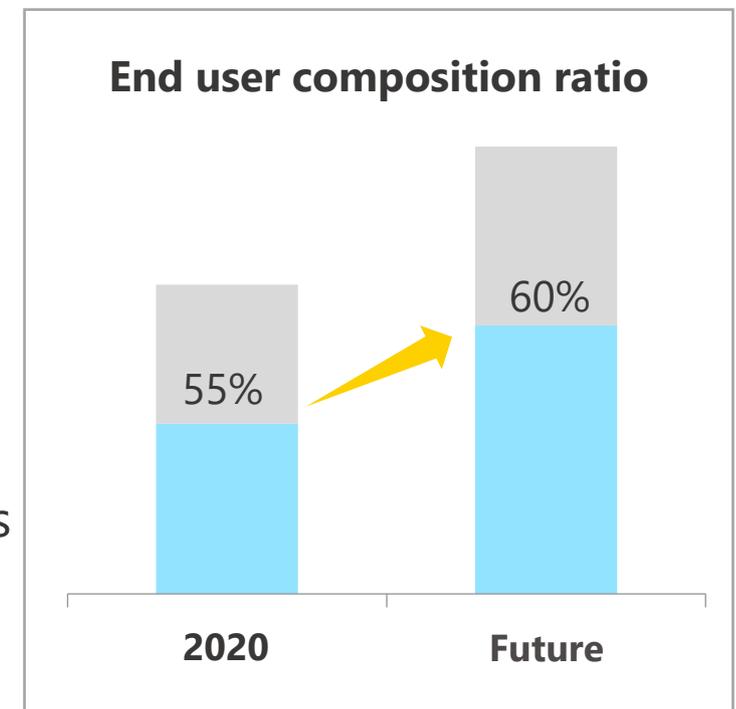
- Secure repeat customers
- Train highly skilled engineers and expand the scope of expertise sectors
- Cultivate new sectors of expertise

### 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.

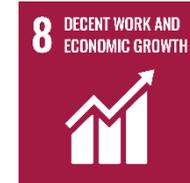
In March 2020, Needs Well entered into a **core partner agreement** with Meiji Yasuda Life Insurance Company and Meiji Yasuda System Technology Limited for the purpose of building a strong future partnership and maintaining long-term development engineers.



## 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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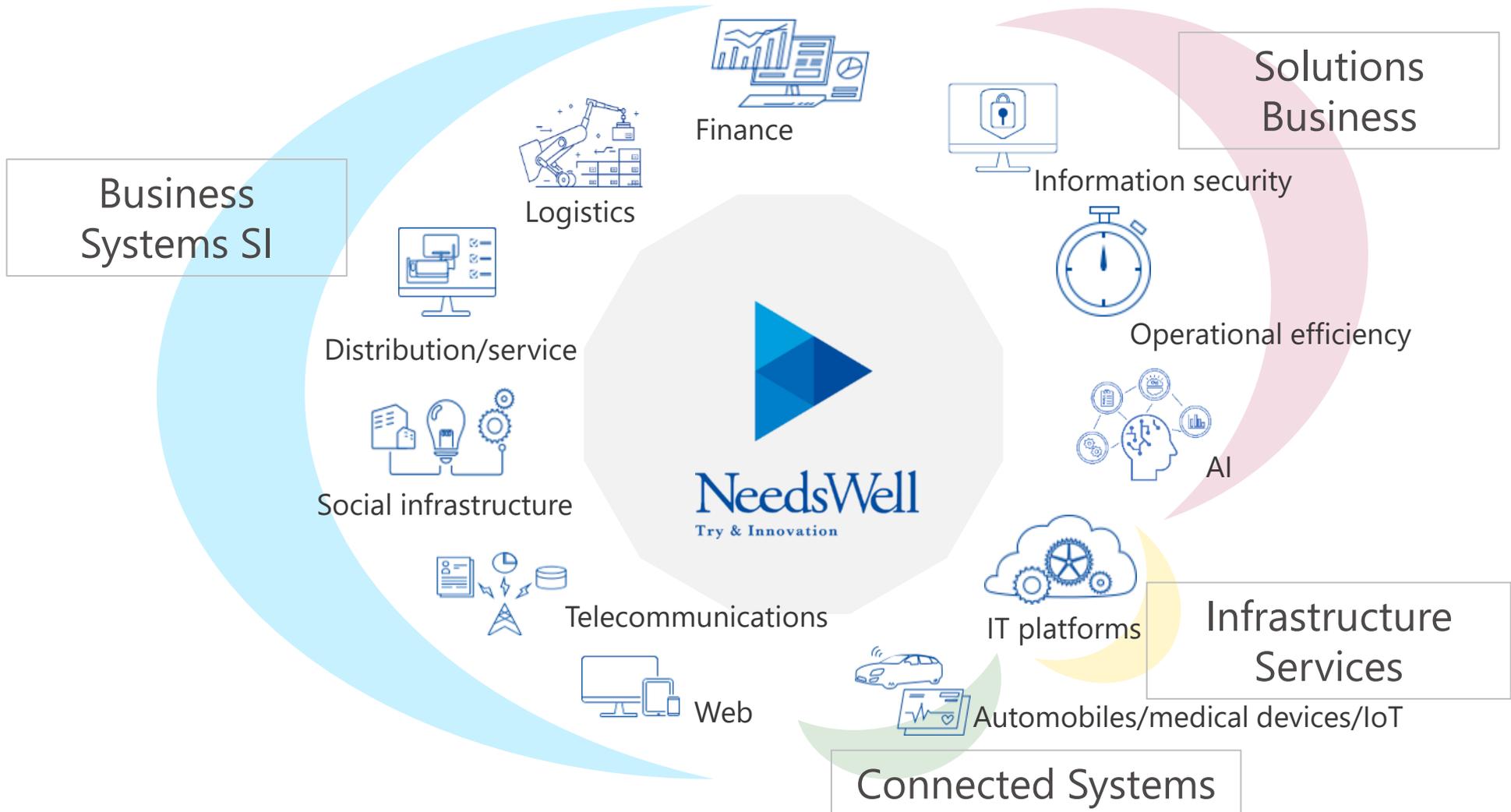
# Company profile

※ As of September 30, 2020

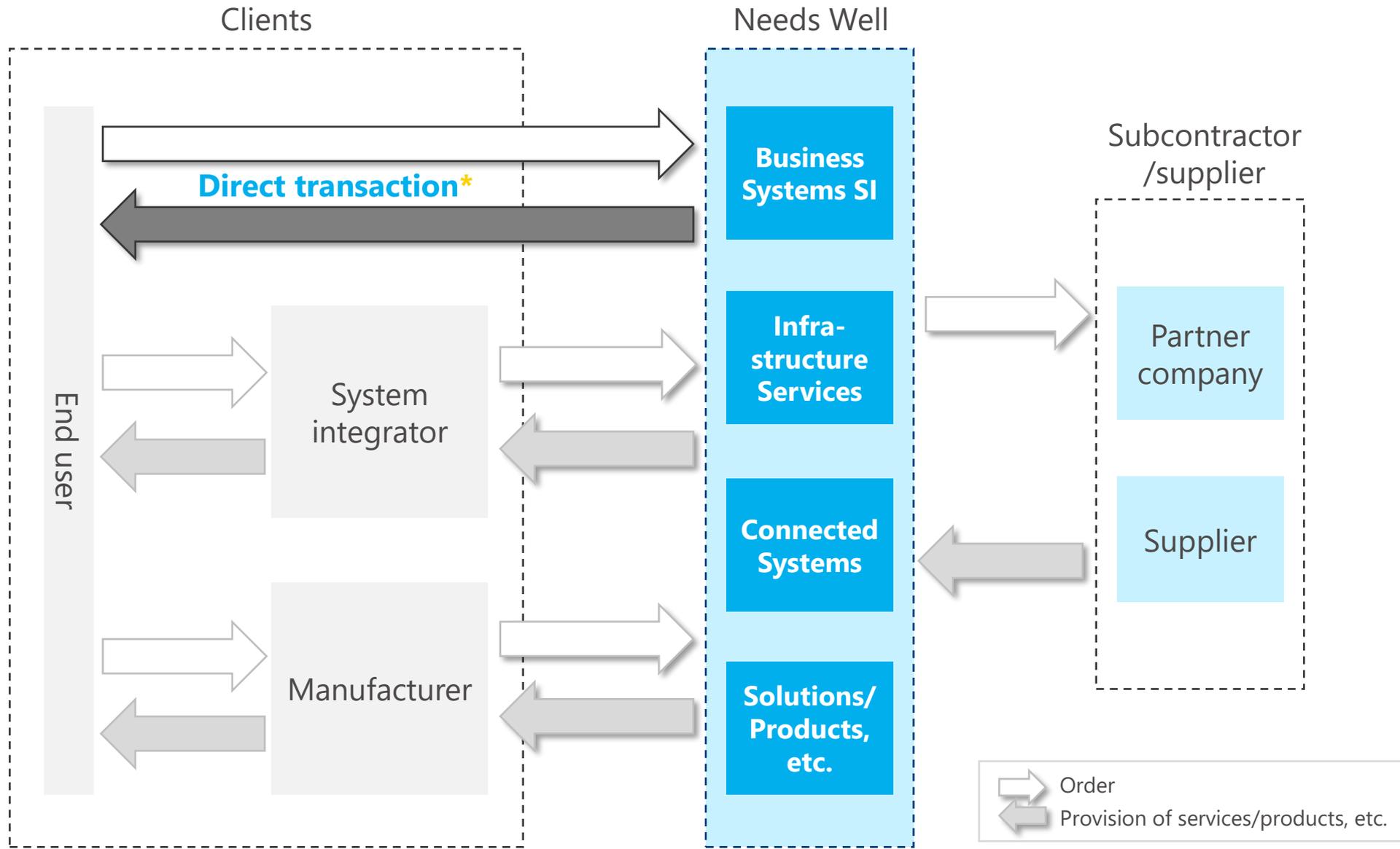
Company Name	Needs Well Inc		
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan		
Office	<ul style="list-style-type: none"> <li>- Shinjuku Office : 5F, South Tower, 13-15 Tomihisa-cho, Shinjuku-ku, Tokyo, 162-0067 Japan</li> <li>- Nagasaki Office: 5F, Meijiyasudaseimei 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 *	415 million JPY	Net sales *	5,364 million JPY
Number of Employees *	543		
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	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	
	E :External officer I :Independent officer		

# 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. **55%** of all sales)

# Business results ①

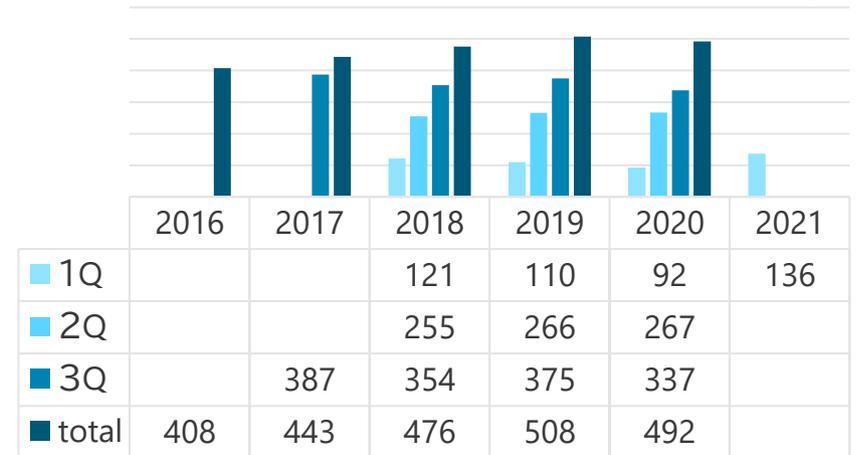
## Net sales

Unit : million yen



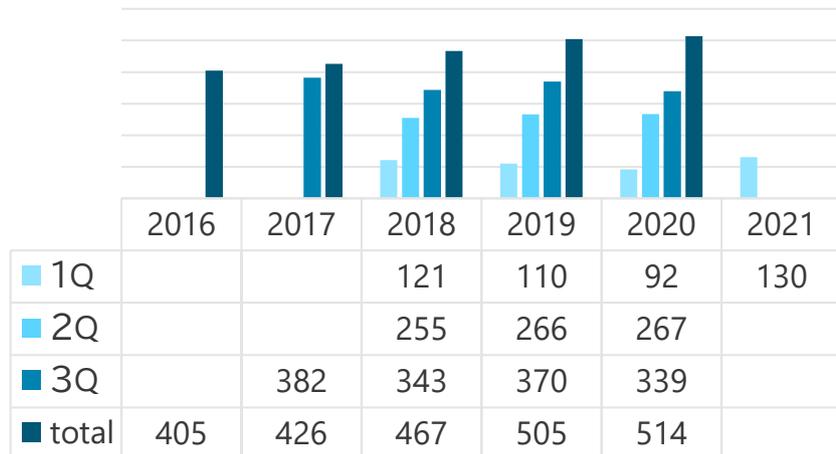
## Operating profit

Unit : million yen



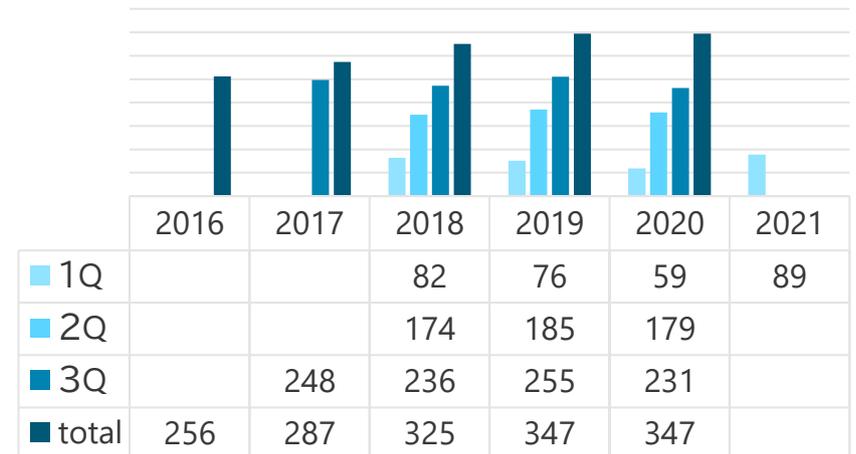
## Ordinary profit

Unit : million yen



## Profit

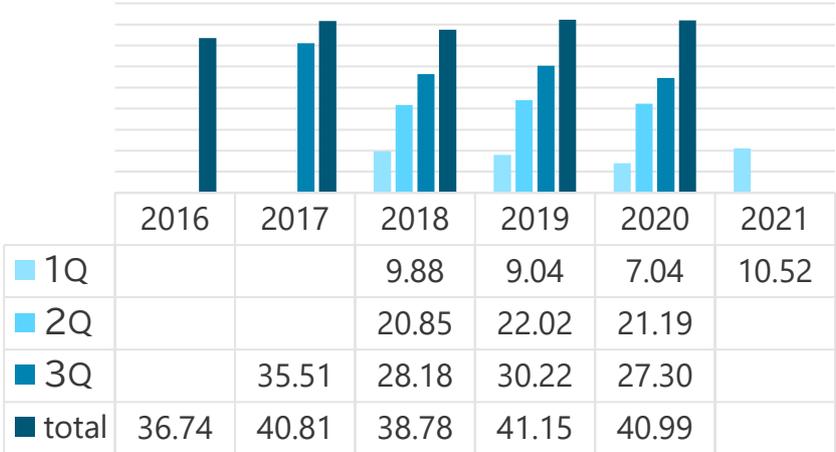
Unit : million yen



# Business results ②

## Profit per share

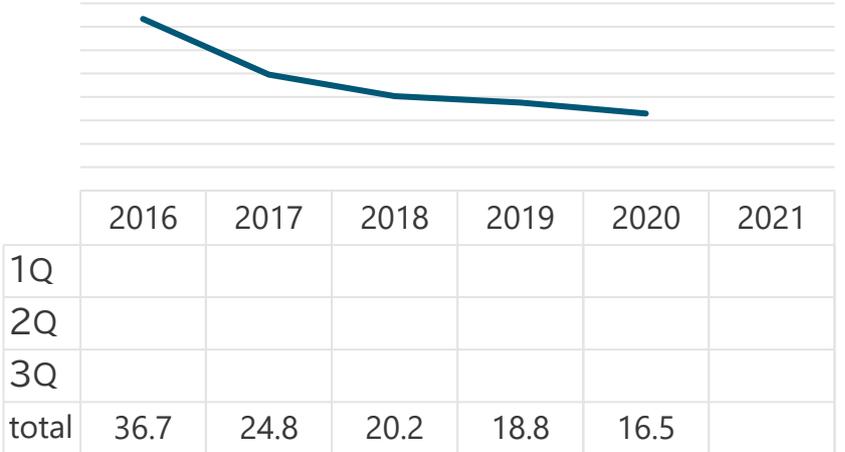
unit:Yen



\* 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

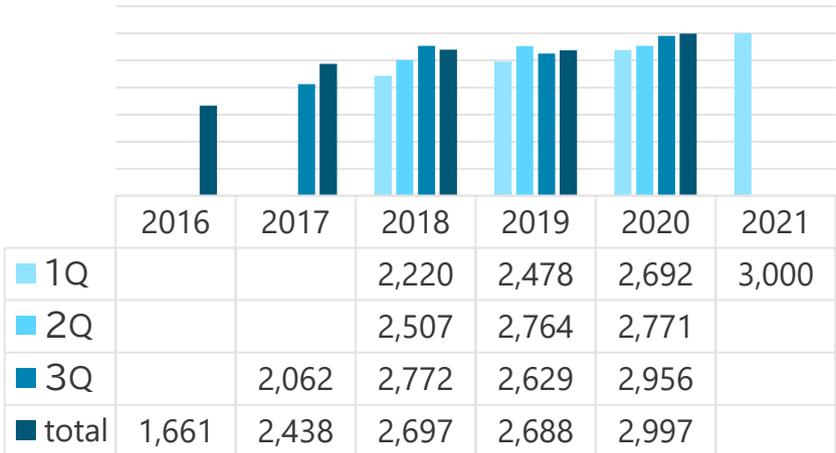
unit:%



\* This index is updated every year

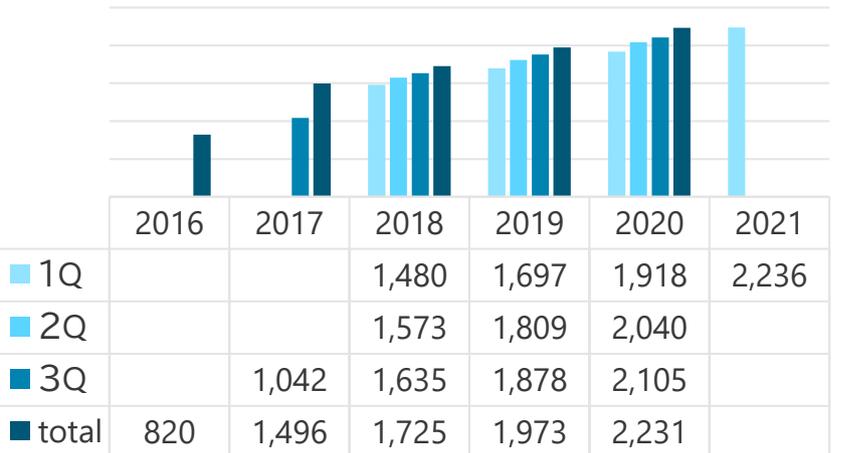
## Total assets

Unit:million Yen



## Net assets

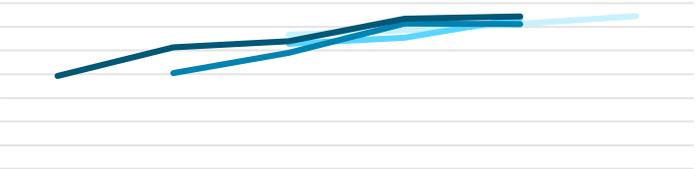
Unit:million Yen



# Business results ③

## Capital adequacy ratio

unit:%



	2016	2017	2018	2019	2020	2021
1Q			66.7	68.5	71.3	74.5
2Q			62.8	65.4	73.6	
3Q		50.5	59.0	71.4	71.2	
total	49.3	61.4	64.0	73.4	74.5	

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

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

## Net assets per share

unit:Yen



	2016	2017	2018	2019	2020	2021
1Q						
2Q						
3Q						
total	117.21	179.63	204.99	232.63	262.41	

\* 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.

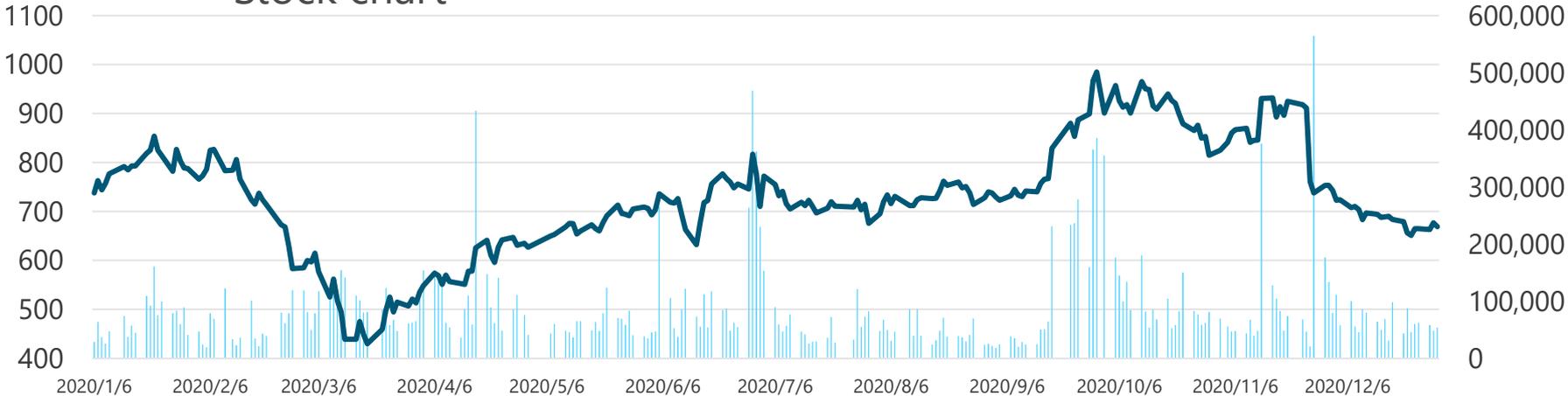
\* This index is updated every year

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.

Corporate Communication Division e-mail: [ir-contact@needswell.com](mailto:ir-contact@needswell.com)