

Tokyo Stock Exchange 1st Section: Securities Code 3992

Needs Well Inc.

**Financial Results**  
**for the Third Quarter of Fiscal Year 2021**  
**(October 1, 2020 – June 30, 2021)**

August 5, 2021



**NeedsWell**  
Try & Innovation



1. 2021/9 3Q Financial report summary



2. 2021/9 Results forecast



3. Growth strategy



4. Reference

# 1.1) Financial highlights①

Overcame the impact of COVID-19 by rapidly developing the competency of new-graduate employees and acquiring high-value-added projects, achieved **significantly higher profits** year on year

✓ Results and dividend forecasts were revised upward in June 2021

✓ Steady progress toward increasing profit for **10**<sup>FY2021/9</sup> consecutive fiscal years

**[Total]** (October 1, 2020 ~ June 30, 2021)

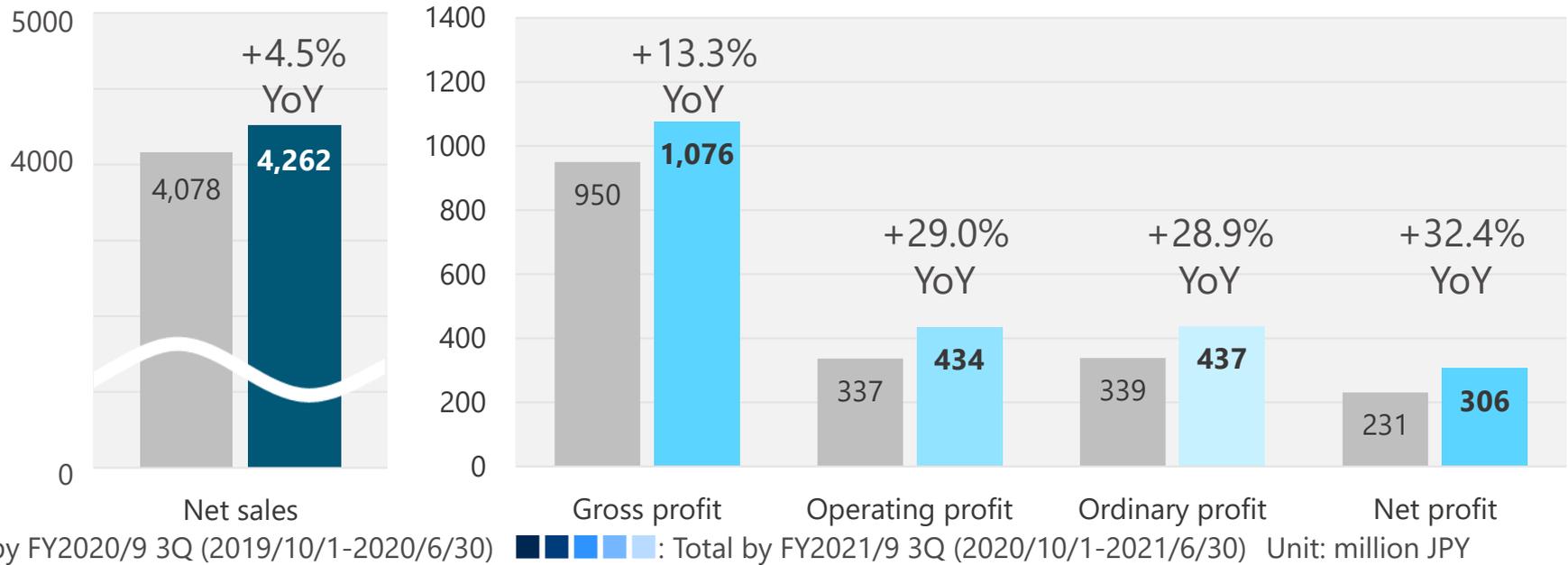
- Sales increased **4.5%** YoY, gross profit increased **13.3%** YoY
- Ordinary profit increased **28.9%** YoY, net profit increased **32.4%** YoY

**[Third quarter]** (April 1, 2021 ~ June 30, 2021)

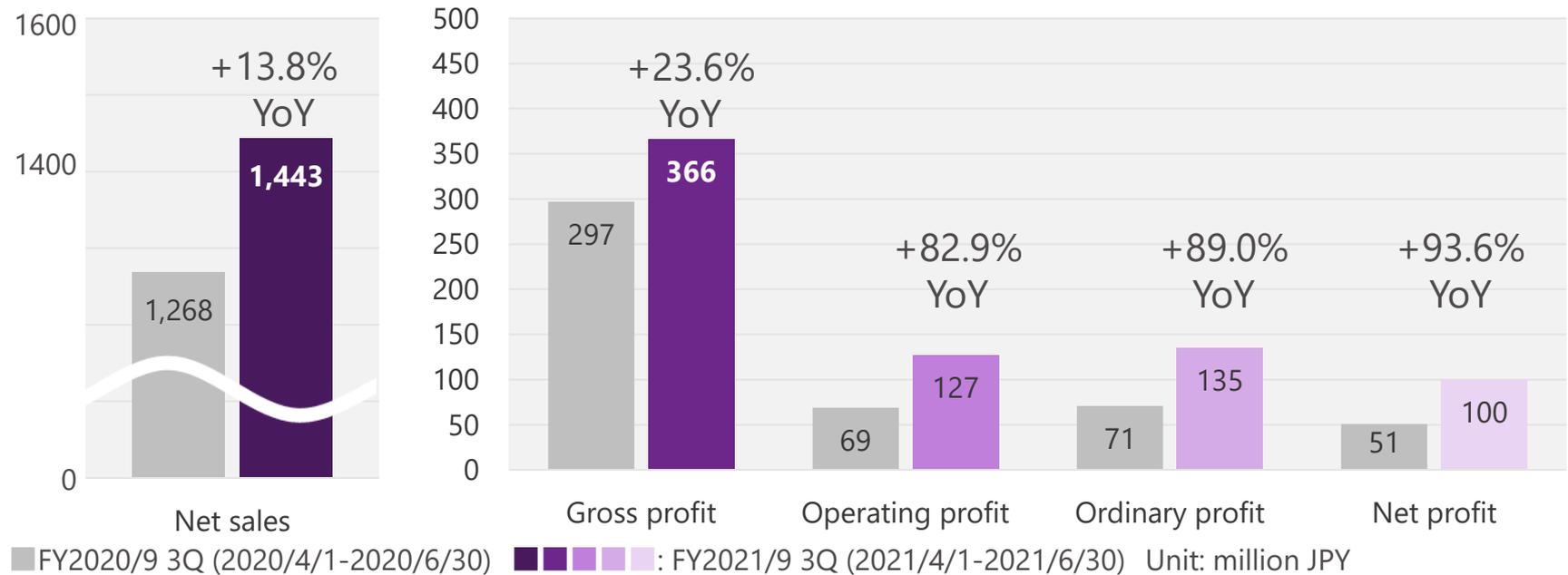
- Sales increased **13.8%** YoY, gross profit increased **23.6%** YoY
- Ordinary profit increased **89.0%** YoY, net profit increased **93.6%** YoY

# 1.1) Financial highlights②

Year-on-year comparison  
Total



Year-on-year comparison  
Third quarter



## 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

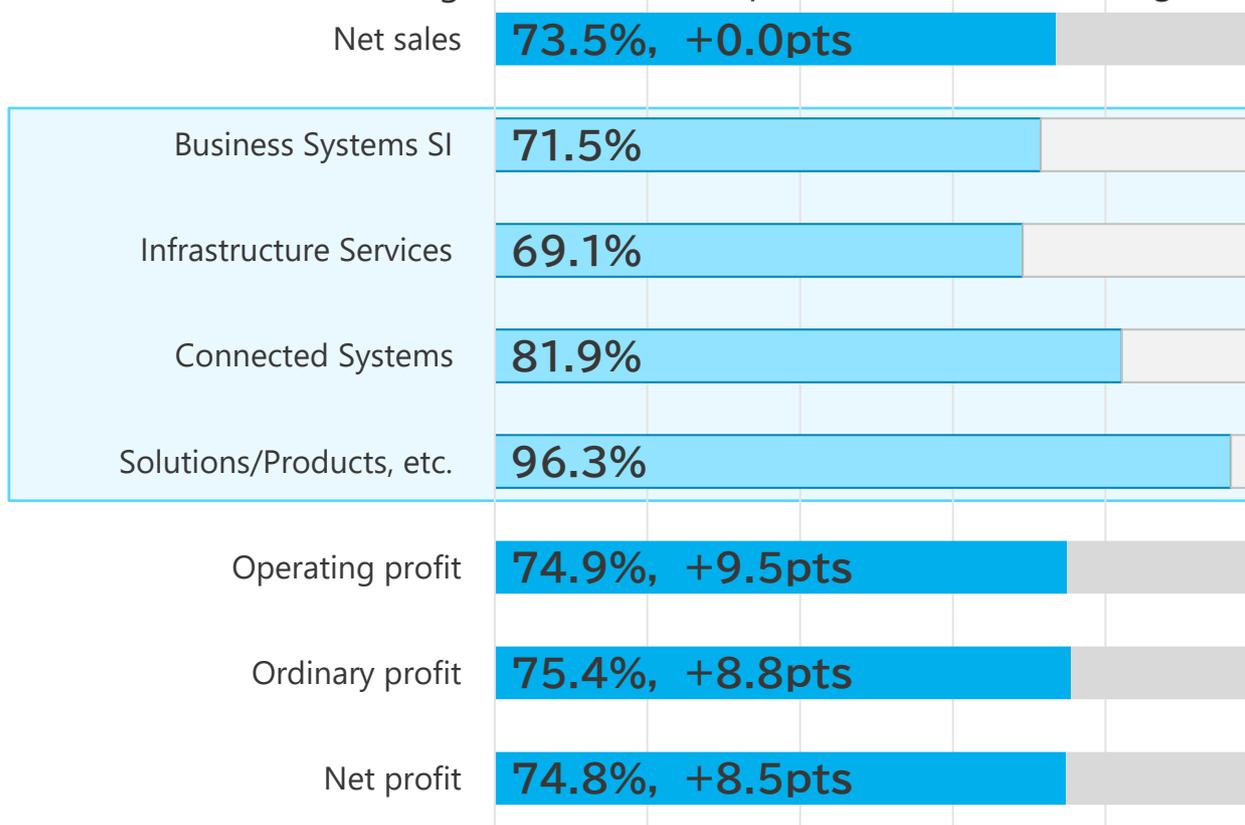
→ Increase market capitalization by **improving corporate value**

- ① Performance (achieving the Medium-Term Management Plan)
- ② IR/PR
- ③ Capital policy
- ④ Sustainability

# 1.3) Performance progression rate

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

Progression rate, 3Q performance (FY21/9 target)



Sales for telecommunications were strong due to demand for revision of price plans for mobile phones. In August 2021, started providing logistics WMS that has been in R&D.

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 remaining negative impact of COVID-19.

Expanded solution lineup. In particular, Needs Well's unique solutions for the Concur series, Speed EA and Invoice PA, remained strong. Focus on IT re-engineering for supporting corporate DX.

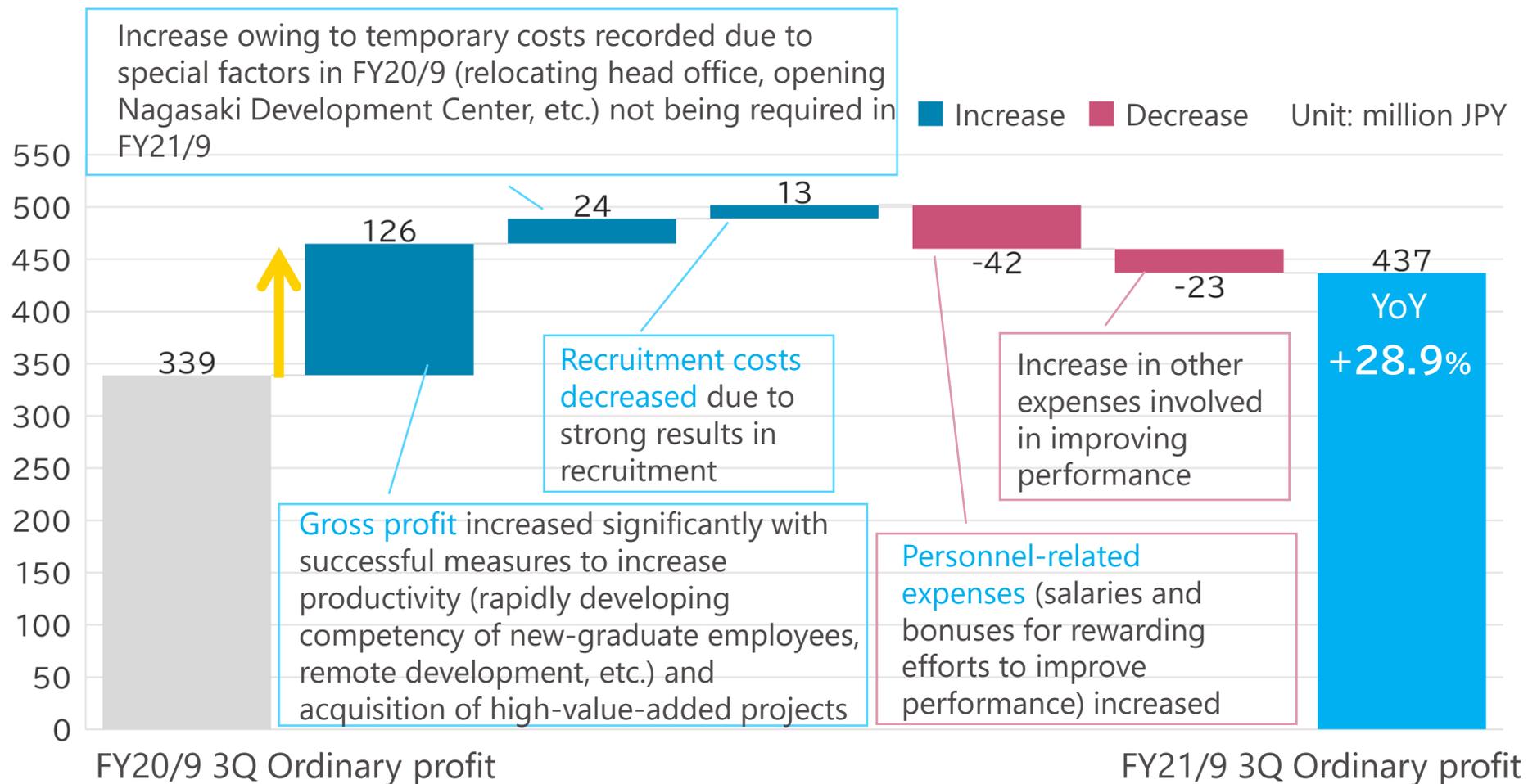
Progress rates and year-on-year comparisons are calculated based on figures after the upward revision of results.

[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 28.9%** ↑ year on year with the significant contribution of gross profit having increased 13.3% 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 **10.3%**  
(Up 2.0 pts year-on-year)

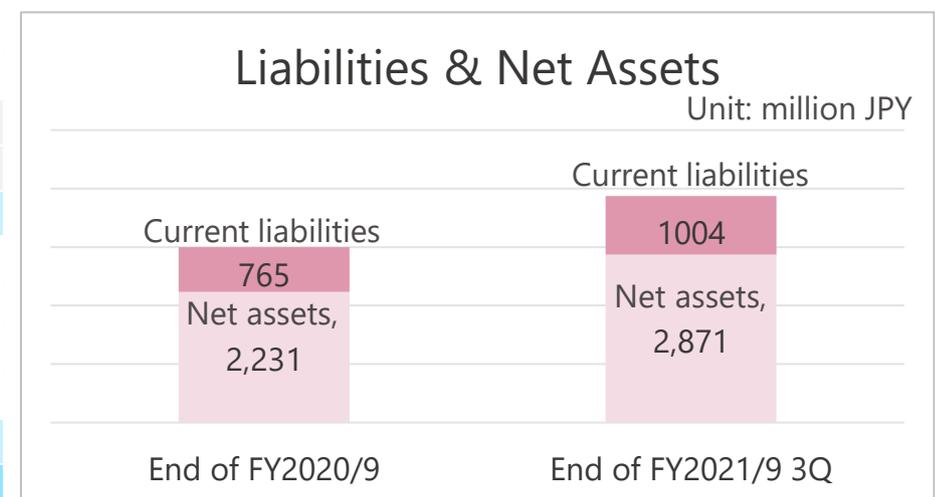
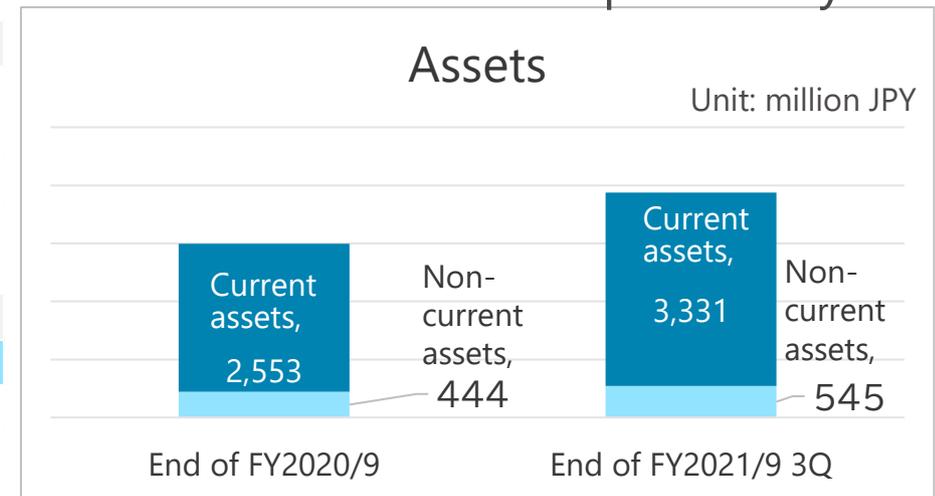
Unit: million JPY	FY2020/9 3Q Financial Results		FY2021/9 3Q Financial Results		
	Result	Net Sales	Result	Net Sales	Year-on-year
Net sales	4,078	-	4,262	-	104.5%
Business Systems SI	※	※	3,260	76.5%	※
Infrastructure Services	※	※	424	10.0%	※
Connected Systems	※	※	147	3.5%	※
Solutions/Products, etc.	※	※	429	10.1%	※
Gross profit	950	23.3%	1,076	25.3%	113.3%
SG&A expenses	613	15.0%	642	15.1%	104.7%
Temporary cost (investment)	24	0.6%	0	0.0%	0.0%
Others	588	14.4%	642	15.1%	109.1%
Operating profit	337	8.3%	434	10.2%	129.0%
Non-operating profit	2	0.1%	11	0.3%	533.4%
Non-operating expenses	0	0.0%	8	0.2%	5621.6%
Ordinary profit	339	8.3%	437	10.3%	128.9%
Net profit	231	5.7%	306	7.2%	132.4%

\* 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 3Q	
Unit: million JPY		Result	Result	Year-on-year
	Cash and deposits	1,780	2,403	623
	Accounts receivable	689	870	180
	Prepaid expenses	34	34	0
	<b>Total current assets</b>	<b>2,553</b>	<b>3,331</b>	<b>778</b>
Assets	Software	58	59	1
	Investment securities	83	109	25
	Deferred tax assets	97	165	68
	Leasehold and guarantee deposits	85	84	-1
	Insurance funds	76	76	0
	<b>Total non-current assets</b>	<b>444</b>	<b>545</b>	<b>100</b>
<b>Total assets</b>		<b>2,997</b>	<b>3,876</b>	<b>879</b>
Liabilities	Accounts payable - trade	101	142	40
	Accounts payable - others	137	153	15
	Accrued corporate tax, etc.	107	127	19
	Accrued consumption taxes	106	81	-24
	Provision for bonuses	265	138	-126
	<b>Total current liabilities</b>	<b>765</b>	<b>1,004</b>	<b>238</b>
	<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>		<b>765</b>	<b>1,004</b>	<b>238</b>
Equity	Share capital	415	651	236
	Legal capital surplus	271	508	236
	Retained earnings brought forward	1,522	1,692	170
	Valuation difference on available-for-sale securities	22	16	-6
	<b>Total net assets</b>	<b>2,231</b>	<b>2,871</b>	<b>640</b>
<b>Total liabilities and net assets</b>		<b>2,997</b>	<b>3,876</b>	<b>879</b>

Equity ratio at **74.0%**  
remain unchanged from the  
previous year





1. 2021/9 3Q Financial report summary



2. 2021/9 Results forecast



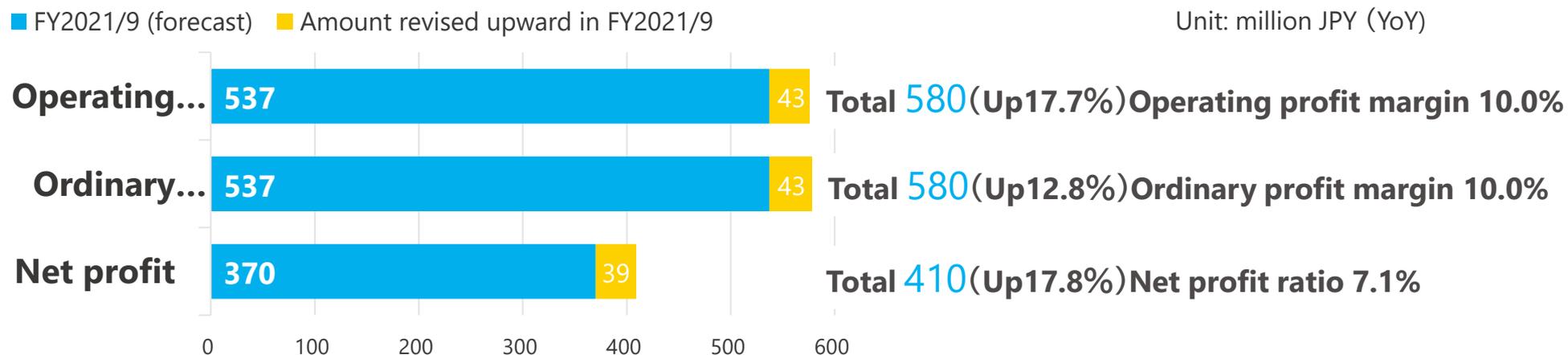
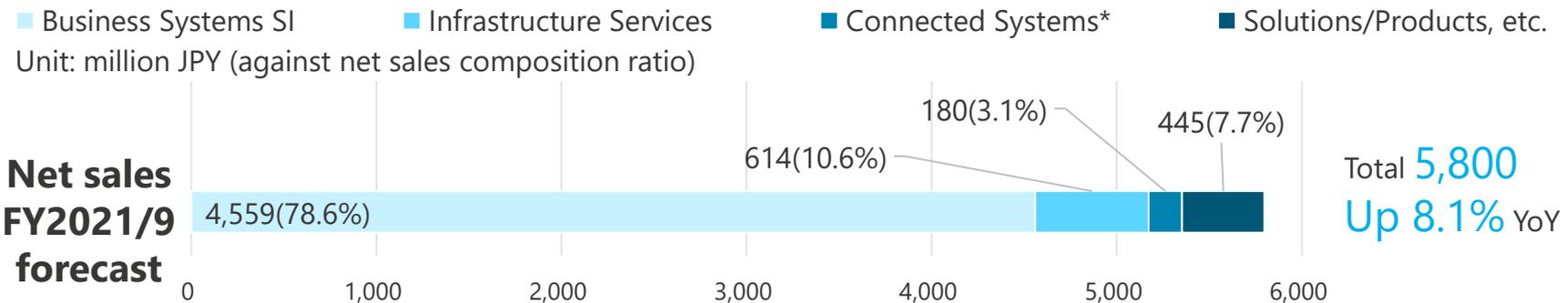
3. Growth strategy



4. Reference

## 2.1) Results forecast

On top of the initial announcement of **increased sales** and a forecast of **increased profit for 10 consecutive fiscal years** made at the beginning of the fiscal year (November 2020), **profits were revised further upward** (June 2021) due to increased productivity from rapidly developing the competency of new-graduate employees and the acquisition of high-value-added projects



[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)"

## 2.2) Dividends and shareholder returns

Plan to increase dividends for 3 consecutive fiscal years

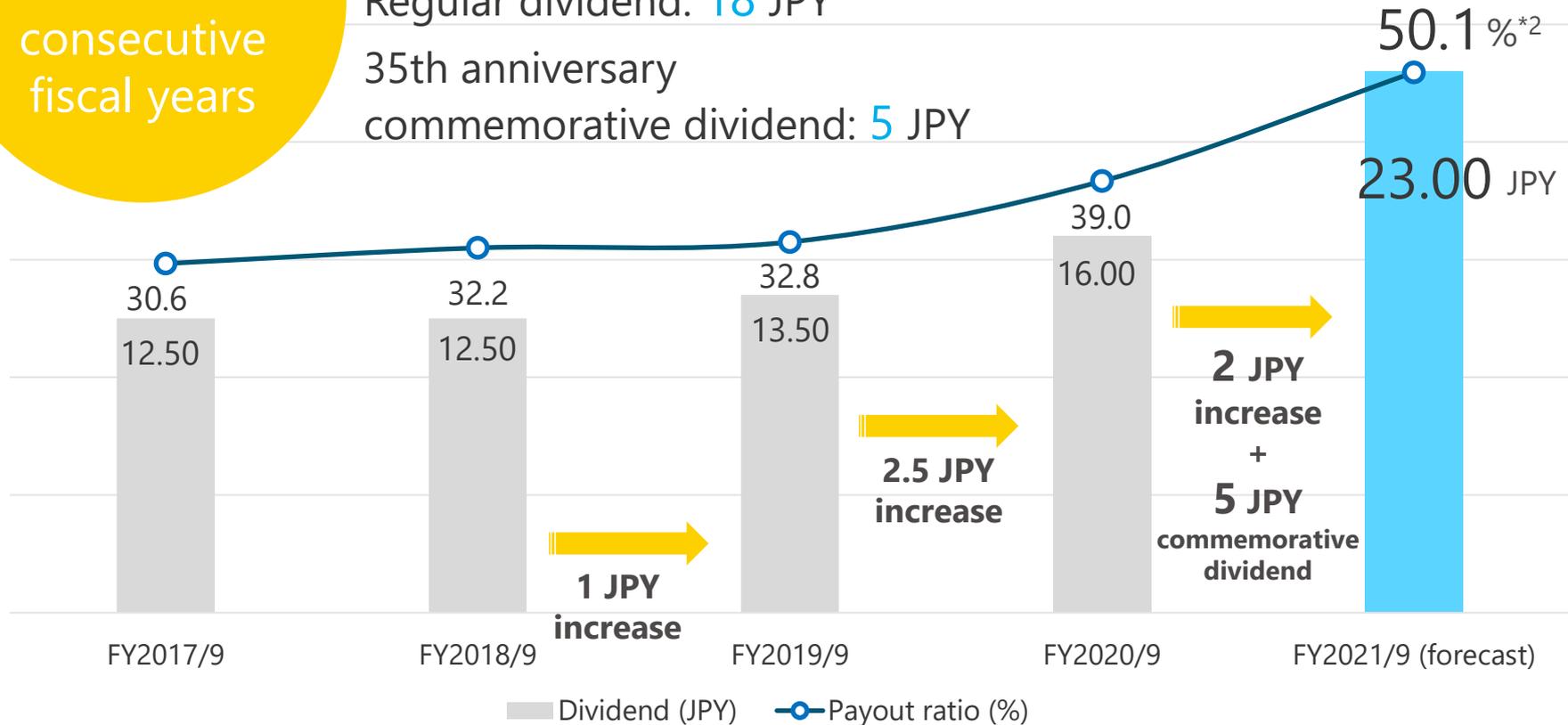
Dividend per share: 23.00 JPY/share\*1

+7 JPY (YoY), plan for substantial returns

Regular dividend: 18 JPY

35th anniversary

commemorative dividend: 5 JPY



\*1 The dividend for the fiscal year 2021/9 is the dividend forecast after revision. [Reference] [June 28, 2021, "Notice on Revision of Dividend Forecast \(Dividend Increase/Commemorative Dividend\)"](#)

\*2 The dividend payout ratio for the fiscal year 2021/9 is calculated using the dividend forecast after revision, assuming that stock acquisition rights will not be exercised after the end of the third quarter under review (June 30, 2021).

\*3 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 3Q Financial report summary



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3. Growth strategy



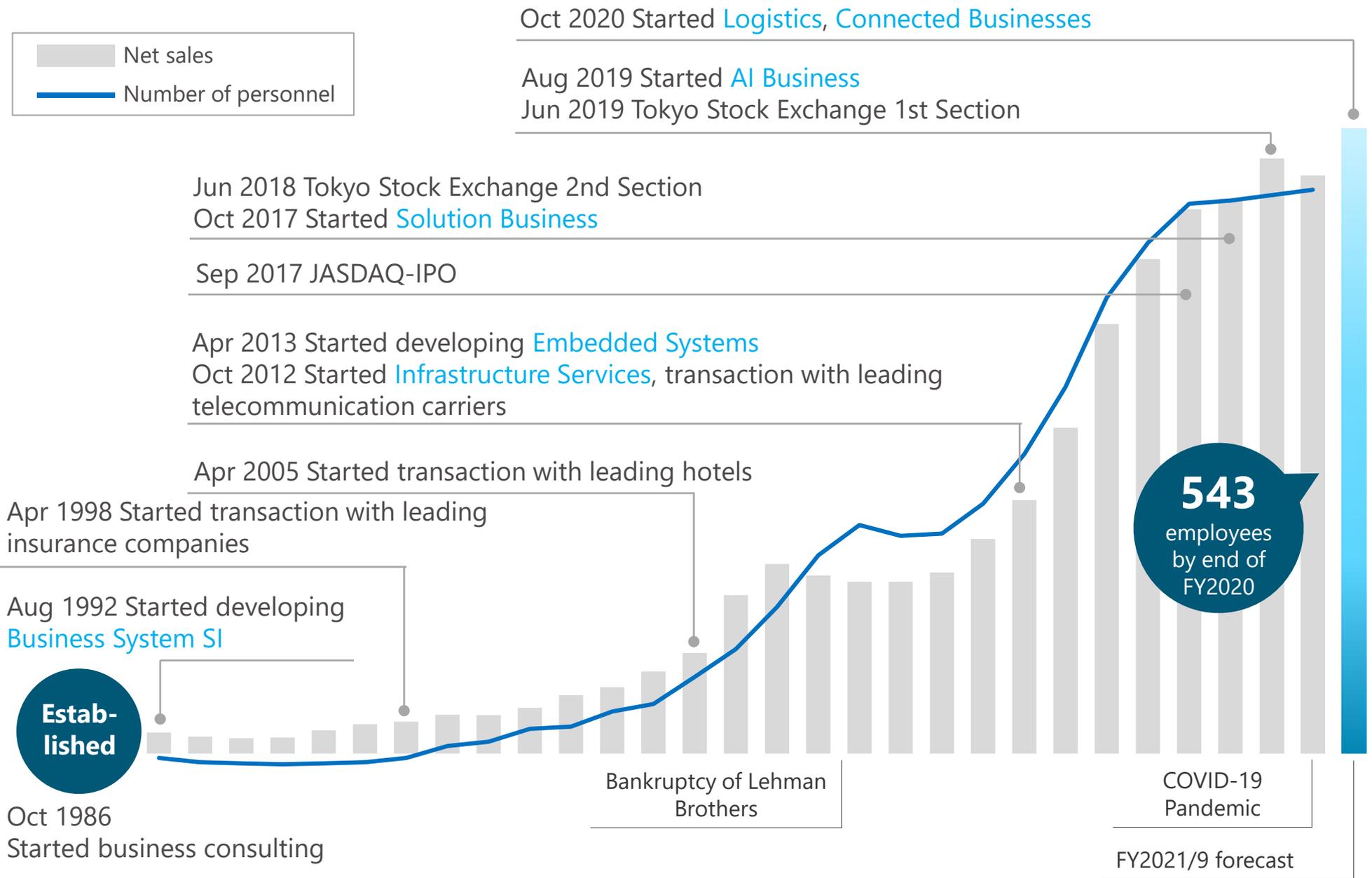
4. Reference

# 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**.

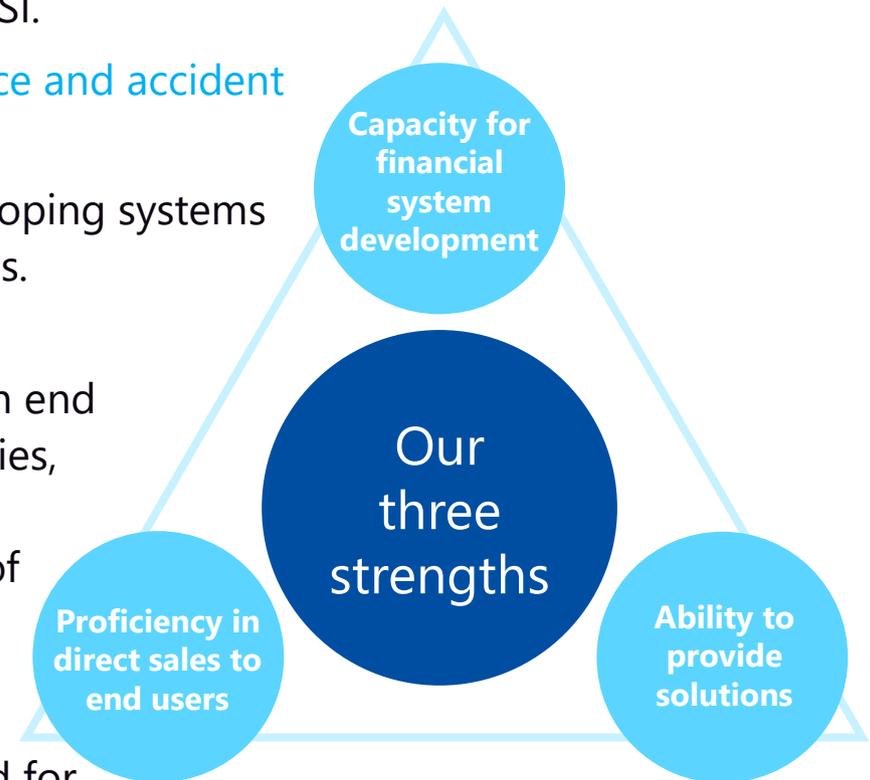
Strong performance record in developing systems for banks, credit cards, and securities.

### 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.

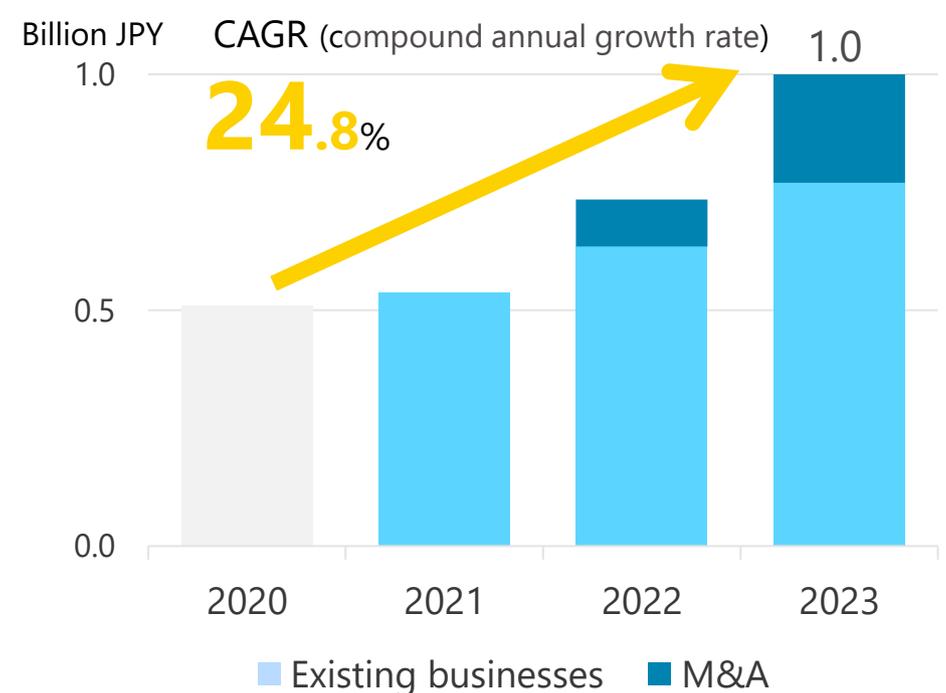
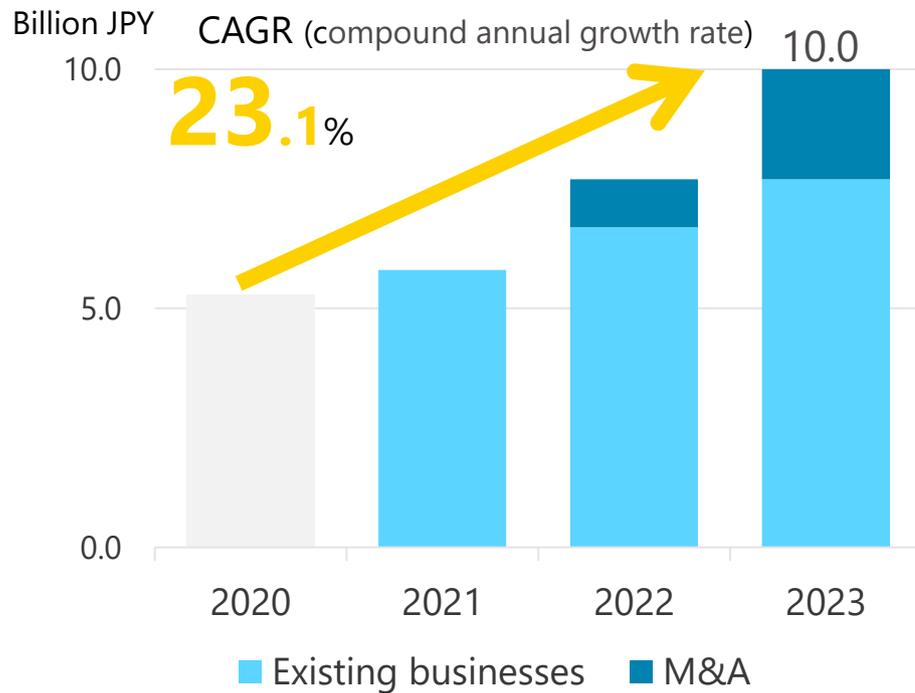
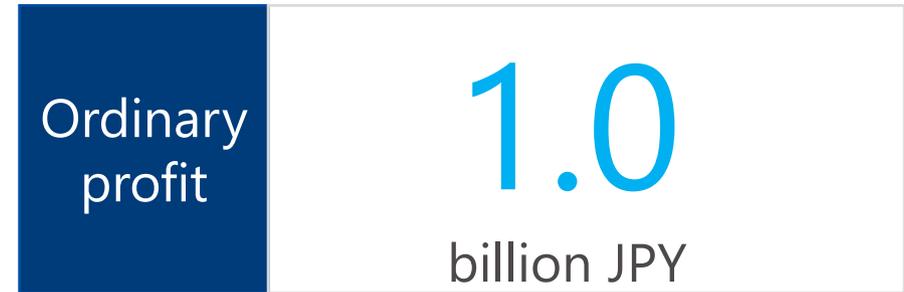
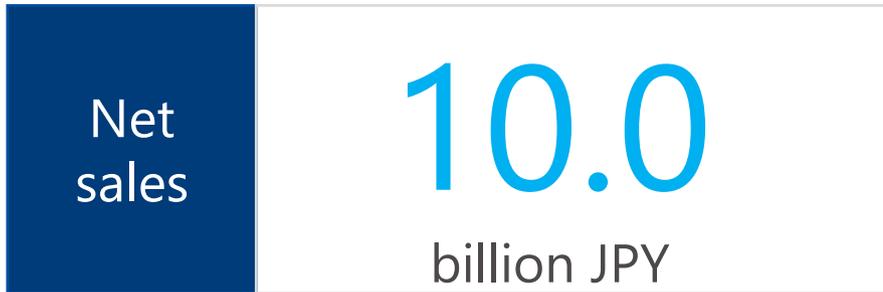
### Ability to provide solutions

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



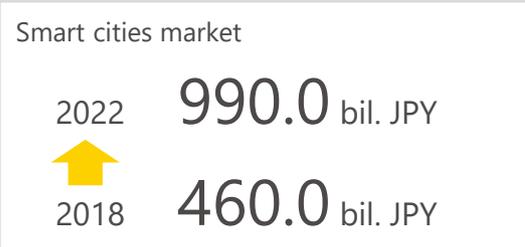
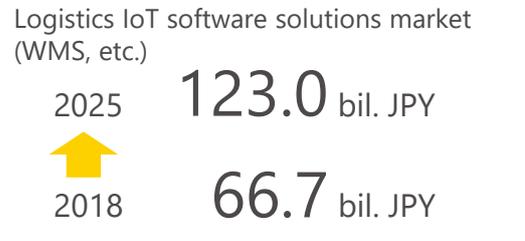
# 3.5) 1 Performance targets

FY2023/9



# 3.5) 2 Promotion policies: Sales growth

## Market scale (our forecast)



### Logistics 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.

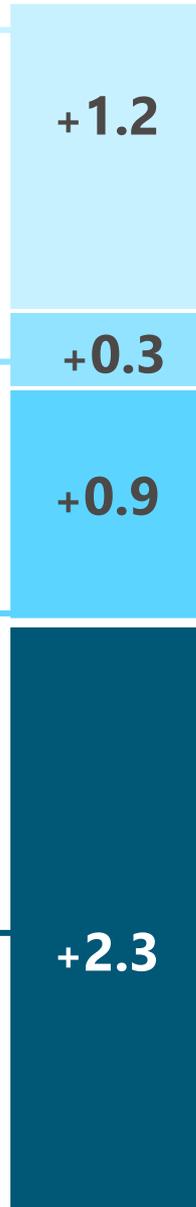
### Solutions Business

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



Existing businesses

M&A

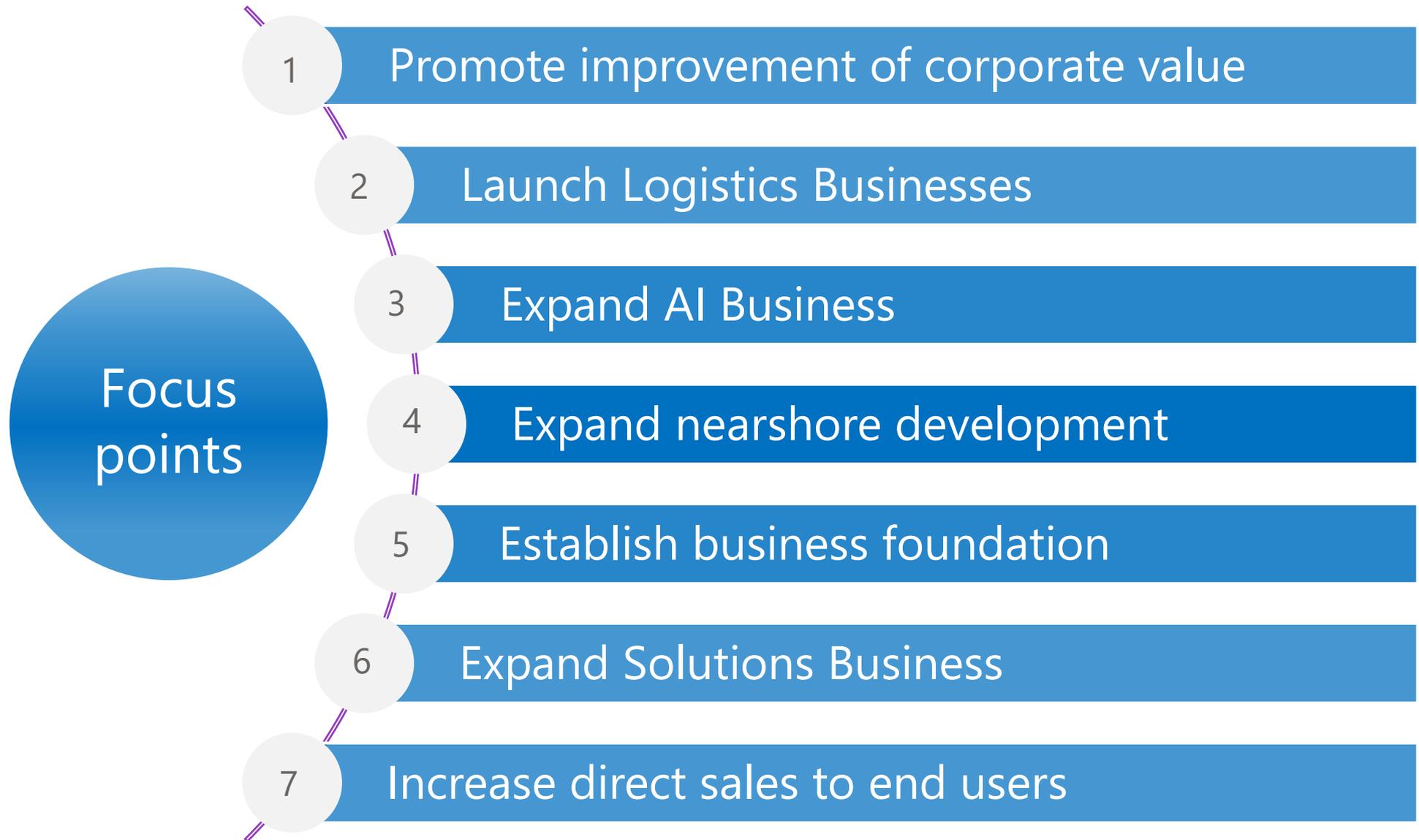


- [Breakdown]
- Existing businesses 2.4 bil. JPY
  - M&A 2.3 bil. JPY



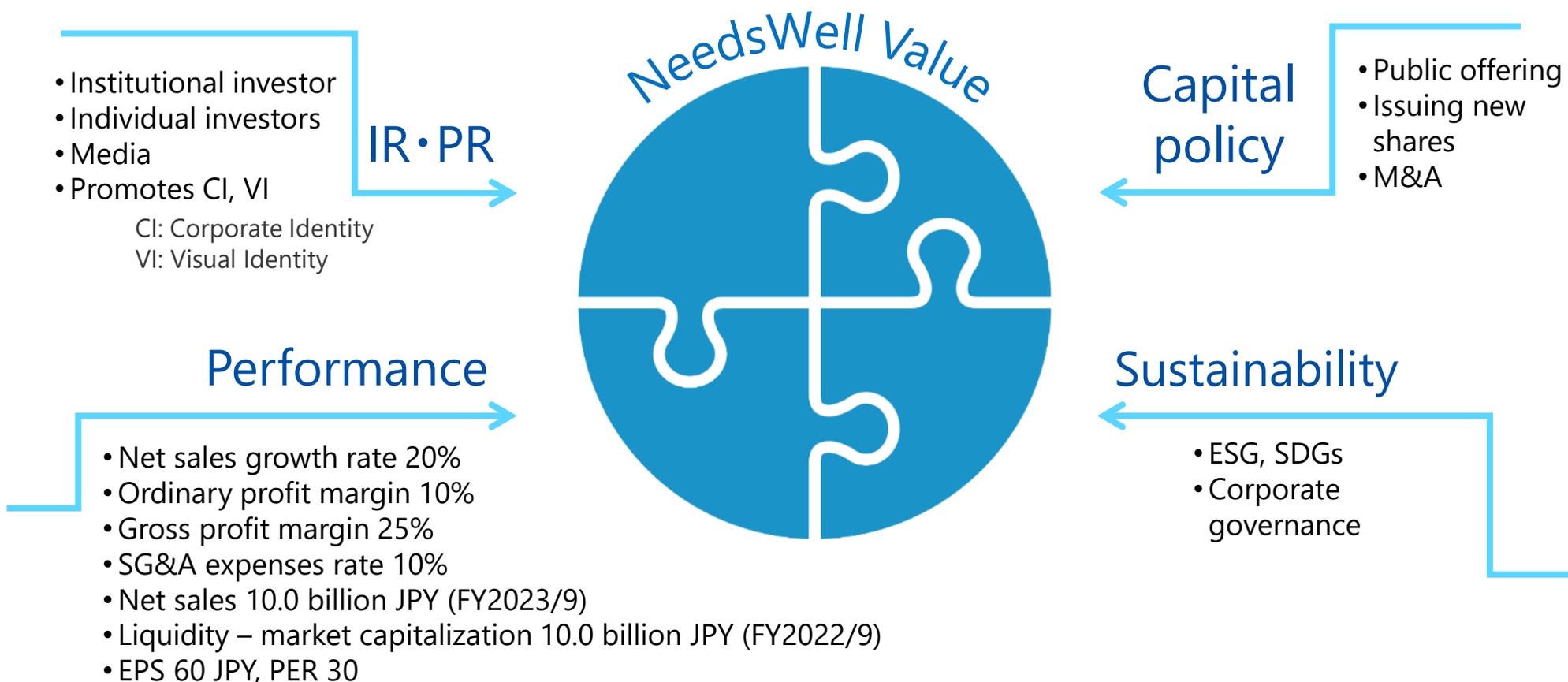
\* AI's major markets: Image recognition, speech recognition, speech synthesis, language analysis, search and retrieval, translation

## 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



## 3.6)-2 Launch Logistics Businesses

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



Smart warehouses made possible by a **paperless design** which doesn't require pick lists

**SmartWMS** Launched Aug. 2021

### Advanced analysis functions

- Indicators for work volume equalization and optimal staff distribution
- Optimal locations for improve efficiency of picking operations

Sales	FY2022/9	0.15 billion JPY
targets	FY2023/9	0.20 billion JPY
	FY2024/9	0.25 billion JPY

**Needs Well Inc.**

**SmartWMS**

Customer installation/  
maintenance

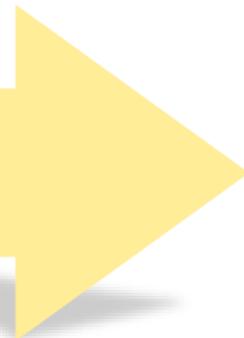
**Office FA.com Co., Ltd.**

Automated warehouses, WCS  
Installation support for  
material handling equipment  
Internal warehouse design

**Logi-Revo Co., Ltd.**

Logistics business consulting  
Overall summary of customer  
installations  
Warehouse design and  
operation consulting

Leveraging the strengths of these three companies to quickly accommodate requests ranging from **WMS installation** to **automated warehouses and operation/maintenance**



## 3.6)-3 Expand AI Business

Expand AI Business by expanding the  Work AI lineup



### AI Remote Education

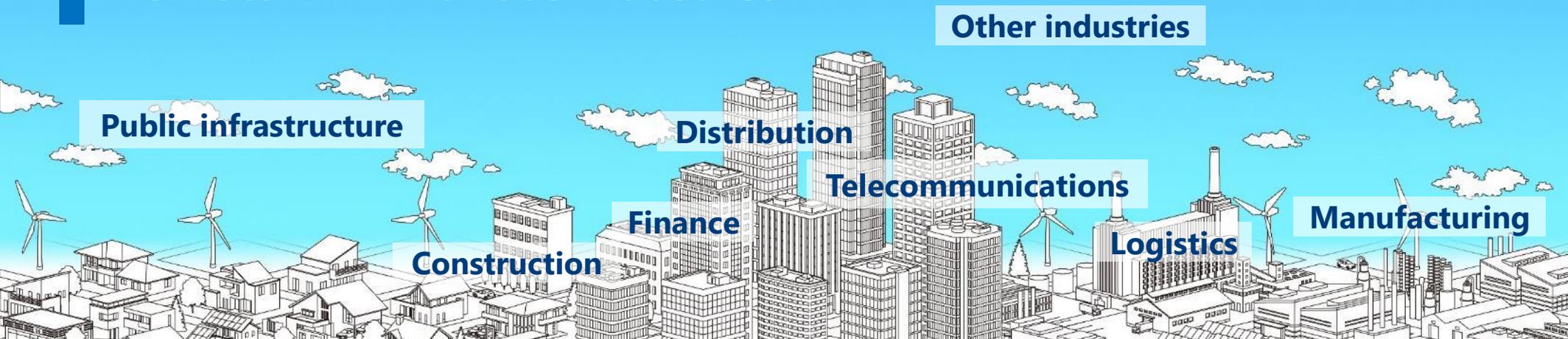
Quantitative visualization of business talks with numerical values and graphs.

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 provide solutions for **supporting corporate DX**

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

Net sales composition ratio target

15.0% in FY2023/9 (FY2020/9 results: 5.6%)

### 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  2025 Solutions for issues related to the 2025 Digital Cliff



## 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

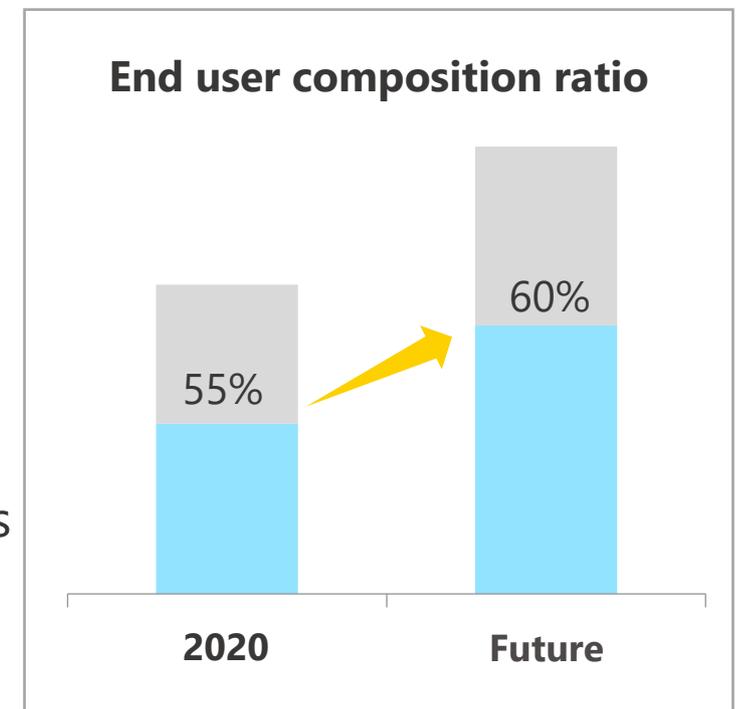
- Secure repeat customers
- Train highly skilled engineers and expand the scope of expertise sectors
- Cultivate new sectors of expertise

### 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.

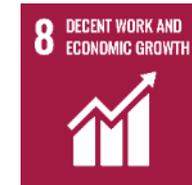
- Feb. 2020: Entered into capital and business alliance agreement with [ITFOR Inc.](#)
- Mar. 2020: Entered into core partner agreement with [Meiji Yasuda Life Insurance Company](#) and [Meiji Yasuda System Technology Limited](#)
- Dec. 2020: Started collaborating in logistics sector with [Logi-Revo 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.](#)



## 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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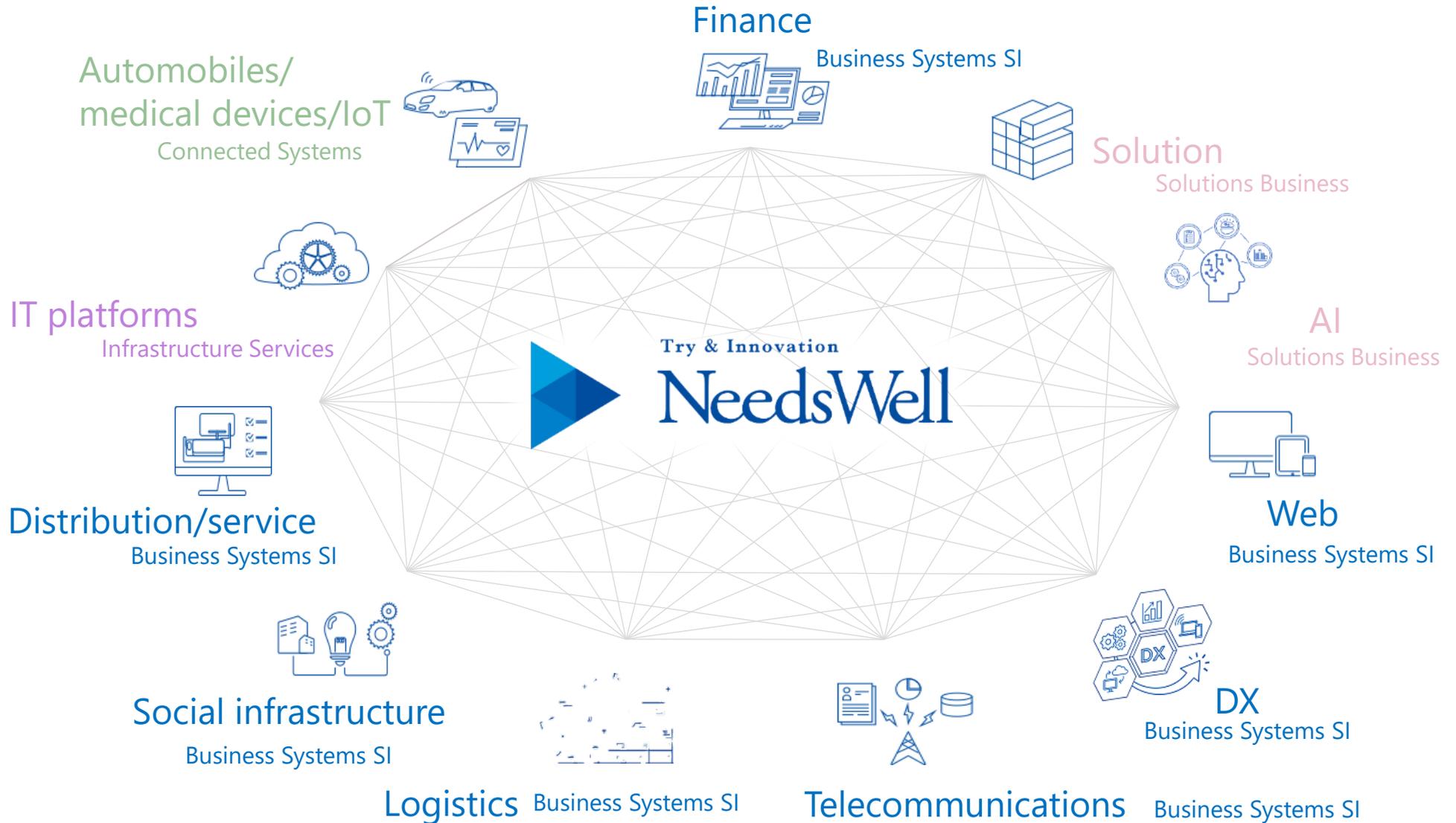
4. Reference

# Company profile

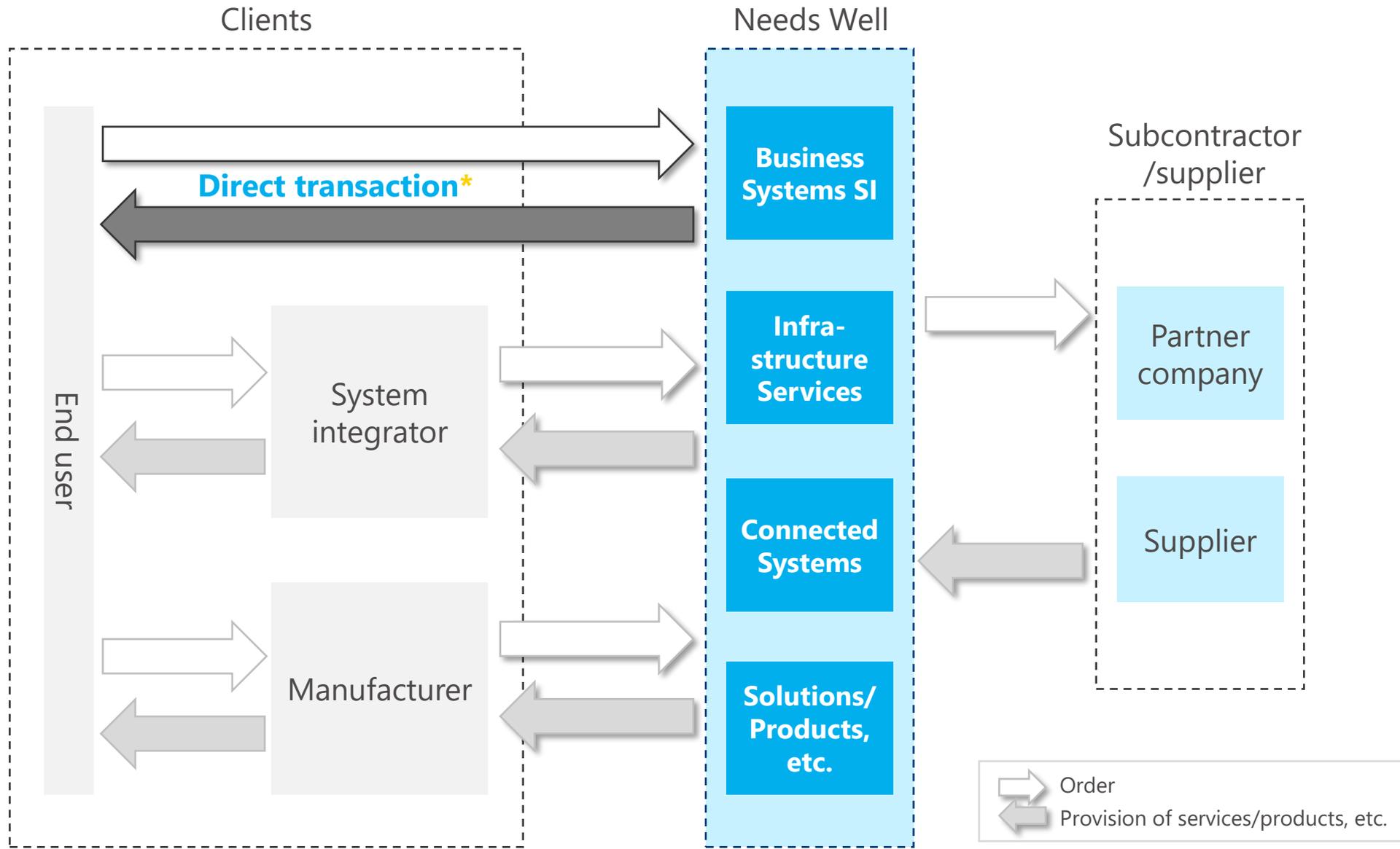
Company Name	Needs Well Inc		
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan		
Office	<ul style="list-style-type: none"> <li>- Shinjuku Office : 5F, South Tower, 13-15 Tomihisa-cho, Shinjuku-ku, Tokyo, 162-0067 Japan</li> <li>- Nagasaki Office: 5F, Meijiyasudaseimei 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	651 million JPY as of June, 2021	Net sales	5,364 million JPY as of September, 2020
Number of Employees	565 as of April, 2021		
Qualification	Worker dispatch business Privacy mark	ISO27001 (ISMS) Certified ISO9001 (QMS) Certified	
Board of Directors as of December, 2020	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

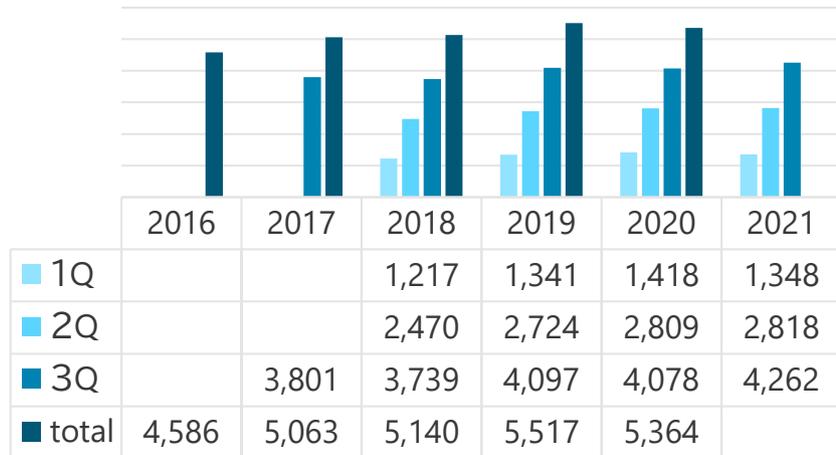


\* High level of **direct transactions with end users** (approx. **55%** of all sales)

# Business results ①

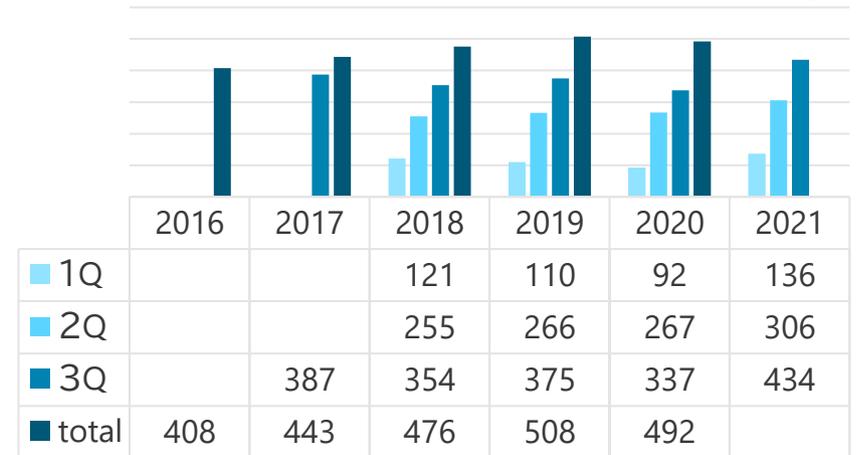
## Net sales

Unit : million yen



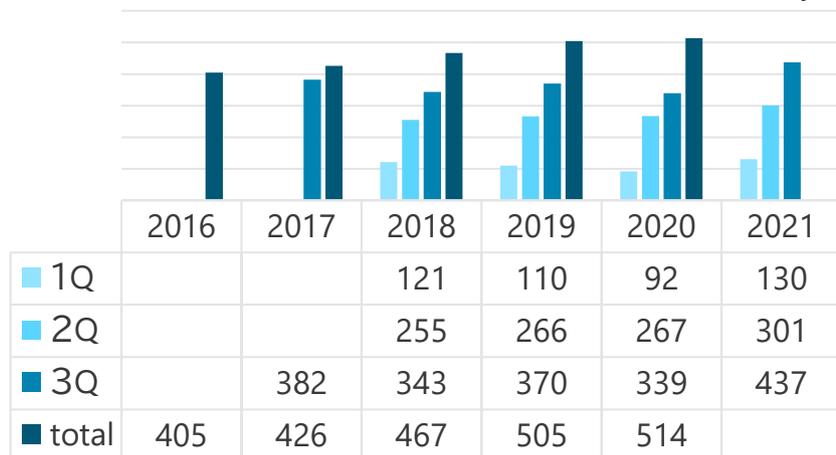
## Operating profit

Unit : million yen



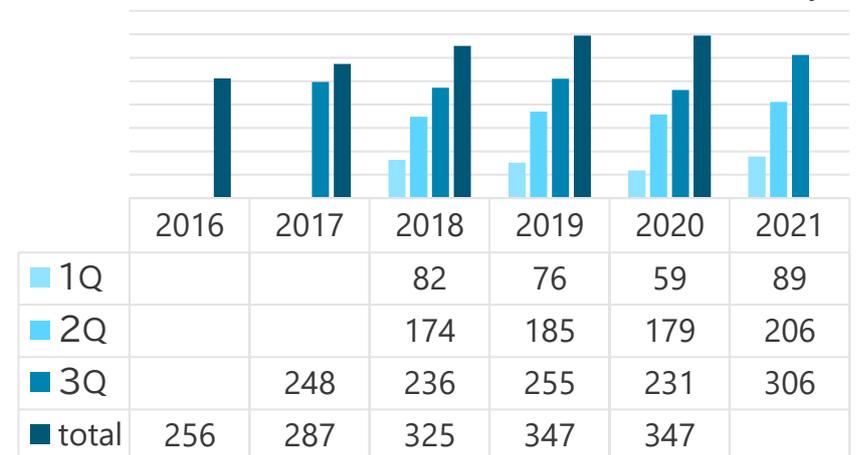
## Ordinary profit

Unit : million yen



## Profit

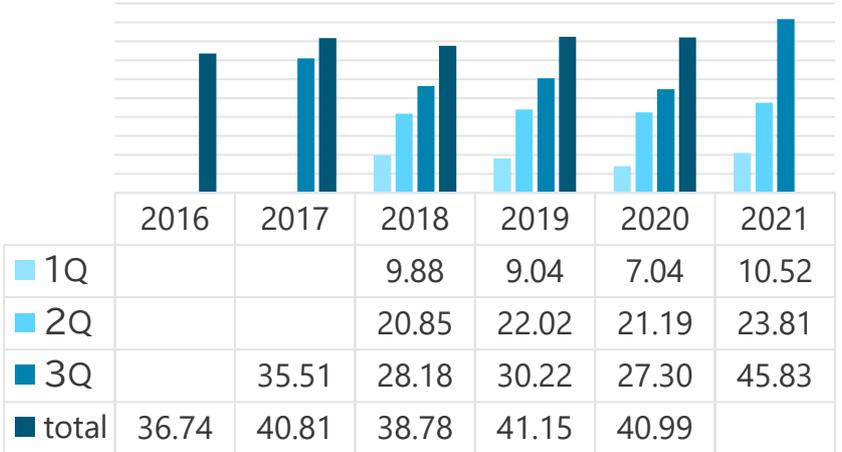
Unit : million yen



# Business results ②

## Profit per share

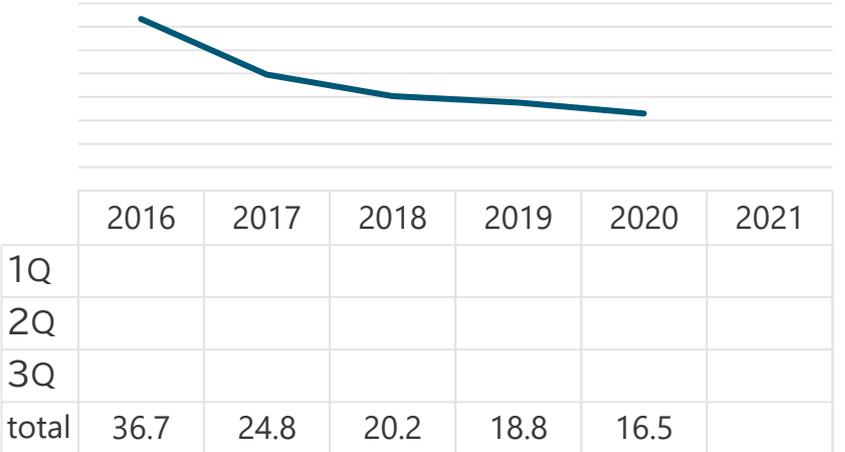
unit:Yen



\* 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

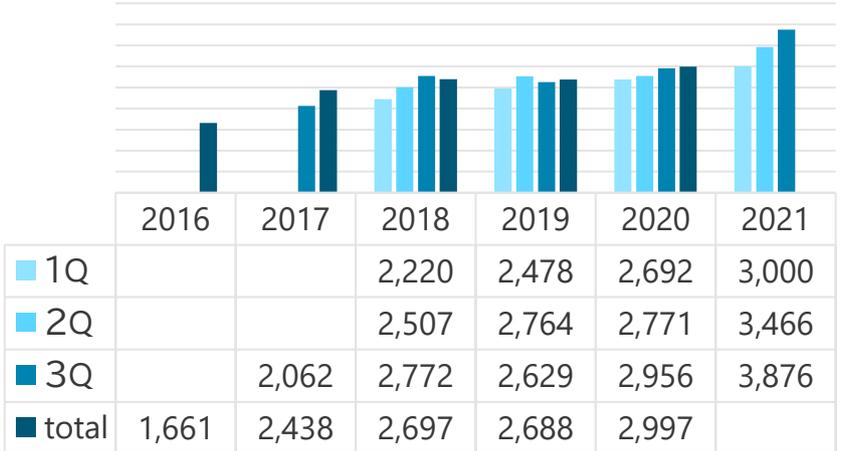
unit:%



\* This index is updated every year

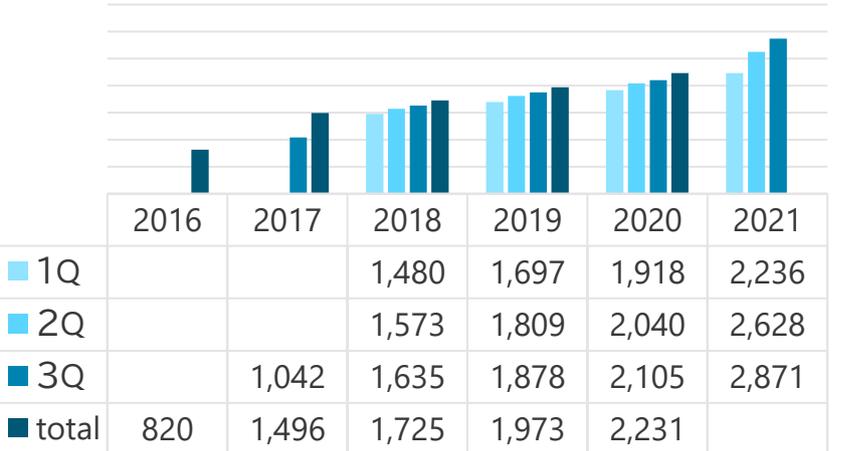
## Total assets

Unit: million Yen



## Net assets

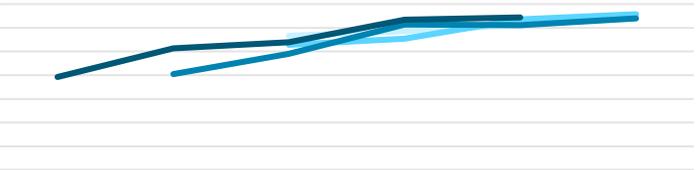
Unit: million Yen



# 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	75.7
3Q		50.5	59.0	71.4	71.2	74.0
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.

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