

Tokyo Stock Exchange 1st Section: Securities Code 3992

Needs Well Inc.

# Financial Results for the Fiscal Year 2020

(October 1, 2019 – September 30, 2020)

November 12, 2020



NeedsWell  
Try & Innovation



1. 2020/9 Financial report summary



2. 2021/9 Results forecast



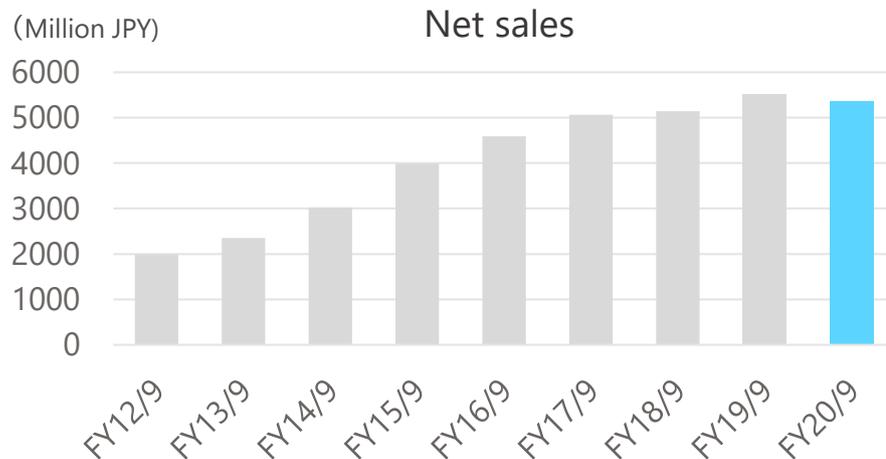
3. Growth strategy



4. Reference

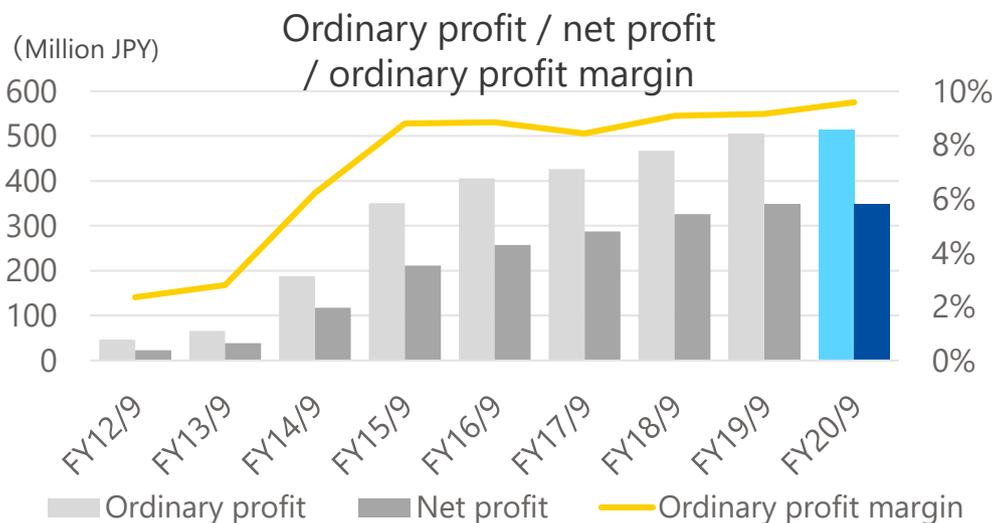
# 1) Financial highlights

Net sales **decreased** due to the spread of COVID-19,  
ordinary profit **increased** due to cost reduction



Net sales

**5,364.01** million JPY  
(97.2% year-on-year)



Ordinary  
profit

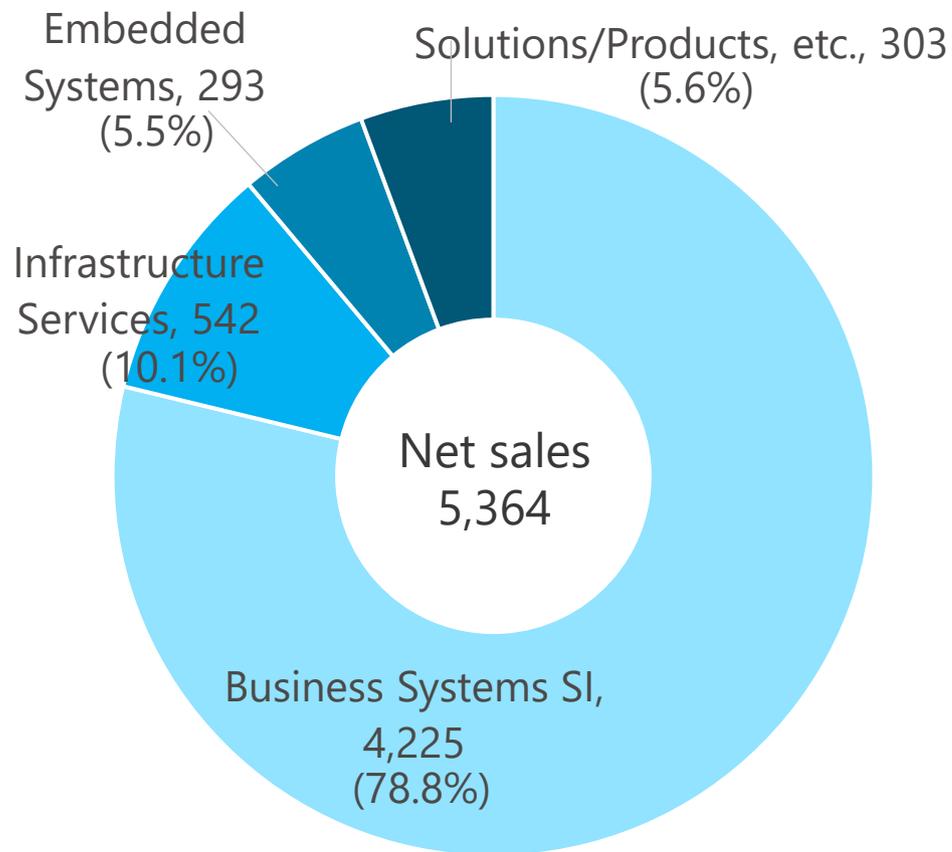
**514.26** million JPY  
(101.8% year-on-year)

Net profit

**347.98** million JPY  
(100.1% year-on-year)

## 2) Performance results

- Business Systems SI and Embedded Systems slumped due to the negative impact of the spread of COVID-19
- Sales of Solutions/Products, etc. remained strong



Unit: million JPY (sales composition ratio)

### ■ Business Systems SI

Some projects were canceled or postponed despite striving to secure personnel and train engineers.  
97.0% year-on-year

### ■ Infrastructure Services

Development continued at a stable pace.  
103.9% year-on-year

### ■ Embedded Systems

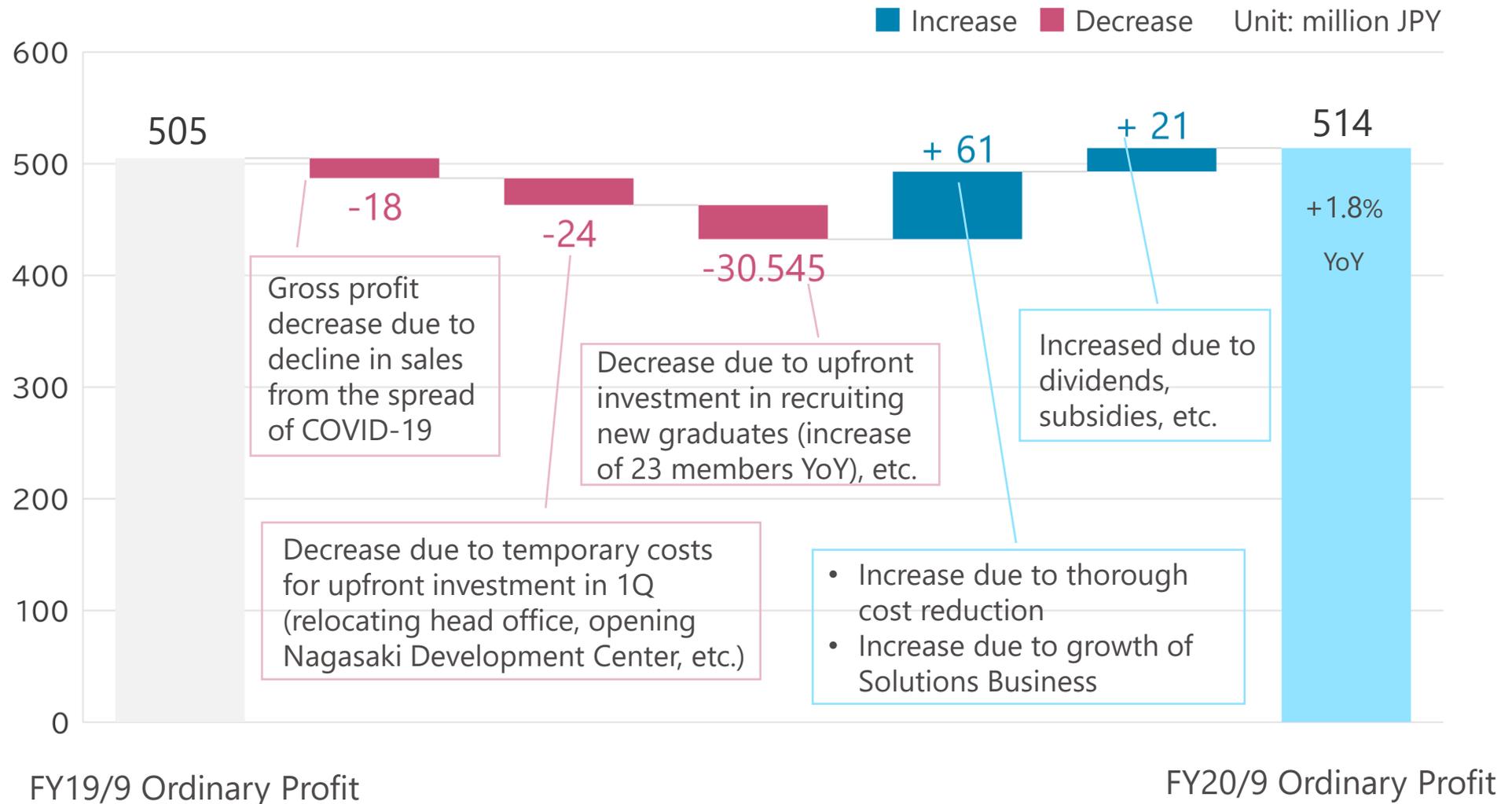
Some orders for the manufacturing industry were canceled or postponed despite focusing on automobiles and medical devices, which are fields with potential for future growth.  
76.0% year-on-year

### ■ Solutions/Products, etc.

Expanded solution lineup. Integrated functions (AI-OCR, RPA, etc.) provided by leveraging our strengths in software development have been popular.  
118.5% year-on-year

### 3) Ordinary profit analysis

Ordinary profit **increased** as the effects of declined sales were covered by cost reduction, etc.



## 4) Profit & loss statement

Ordinary profit ratio remained at a high level of 9.6%  
(Up 0.4 pts year-on-year)

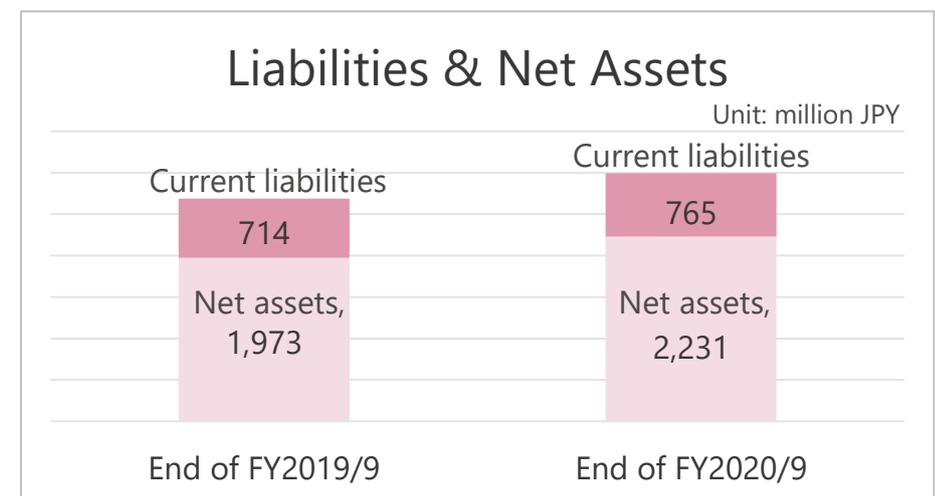
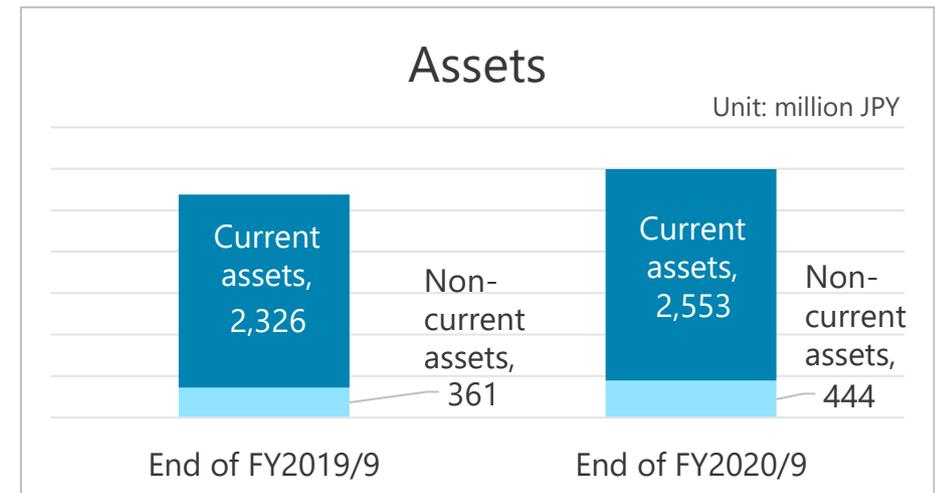
Unit: million JPY	FY2019/9		FY2020/9		Year-on-year
	Result	Net sales ratio	Result	Net sales ratio	
Net sales	5,517	-	5,364	-	97.2%
Business Systems SI	4,354	78.9%	4,225	78.8%	97.0%
Infrastructure Services	521	9.5%	542	10.1%	103.9%
Embedded Systems	385	7.0%	293	5.5%	76.0%
Solutions/Products, etc.	255	4.6%	303	5.6%	118.5%
Gross profit	1,300	23.6%	1,280	23.9%	98.5%
SG&A expenses	792	14.4%	787	14.7%	99.4%
Temporary cost (investment)	0	0.0%	24	0.5%	-
Others	792	14.4%	763	14.2%	96.3%
Operating profit	508	9.2%	492	9.2%	97.0%
Non-operating profit	1	0.0%	21	0.4%	1658.5%
Non-operating expenses	4	0.1%	0	0.0%	4.0%
Ordinary profit	505	9.2%	514	9.6%	101.8%
Net profit	347	6.3%	347	6.5%	100.1%

# 5) Balance sheet

*Selection of significant entries only Unit: million JPY	End of FY2019/9	End of FY2020/9	
	Result	Result	Year-on-year
Cash and deposits	1,548	1,780	231
Accounts receivable	705	689	-15
Prepaid expenses	47	34	-13
<b>Total current assets</b>	<b>2,326</b>	<b>2,553</b>	<b>226</b>
<b>Assets</b>			
Software	65	58	-6
Investment securities	0	83	83
Deferred tax assets	102	97	-5
Leasehold and guarantee deposits	85	85	0
Insurance funds	76	76	0
<b>Total non-current assets</b>	<b>361</b>	<b>444</b>	<b>82</b>
<b>Total assets</b>	<b>2,688</b>	<b>2,997</b>	<b>309</b>
<b>Liabilities</b>			
Accounts payable - trade	146	101	-44
Accounts payable - other	128	137	9
Accrued consumption taxes	47	106	59
Provision for bonuses	241	265	23
<b>Total current liabilities</b>	<b>714</b>	<b>765</b>	<b>50</b>
<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>714</b>	<b>765</b>	<b>50</b>
<b>Equity</b>			
Share capital	414	415	0
Legal capital surplus	270	271	0
Retained earnings brought forward	1,287	1,521	233
Valuation difference on available-for-sale securities	0	22	22
<b>Total net assets</b>	<b>1,973</b>	<b>2,231</b>	<b>258</b>
<b>Total liabilities and net assets</b>	<b>2,688</b>	<b>2,997</b>	<b>309</b>

Continued stable financial position

➔ Equity ratio at **74.5%**  
Up 1.0 pts YoY





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2. 2021/9 Results forecast



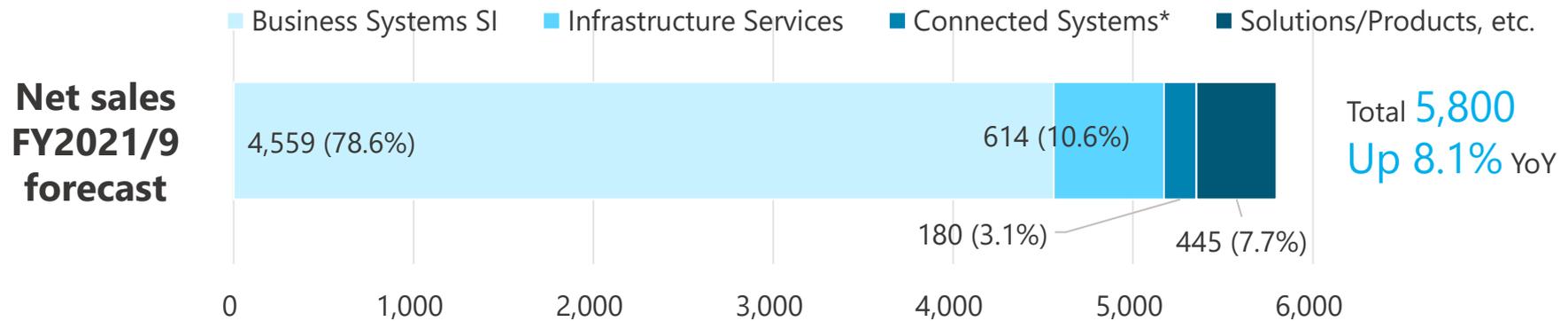
3. Growth strategy



4. Reference

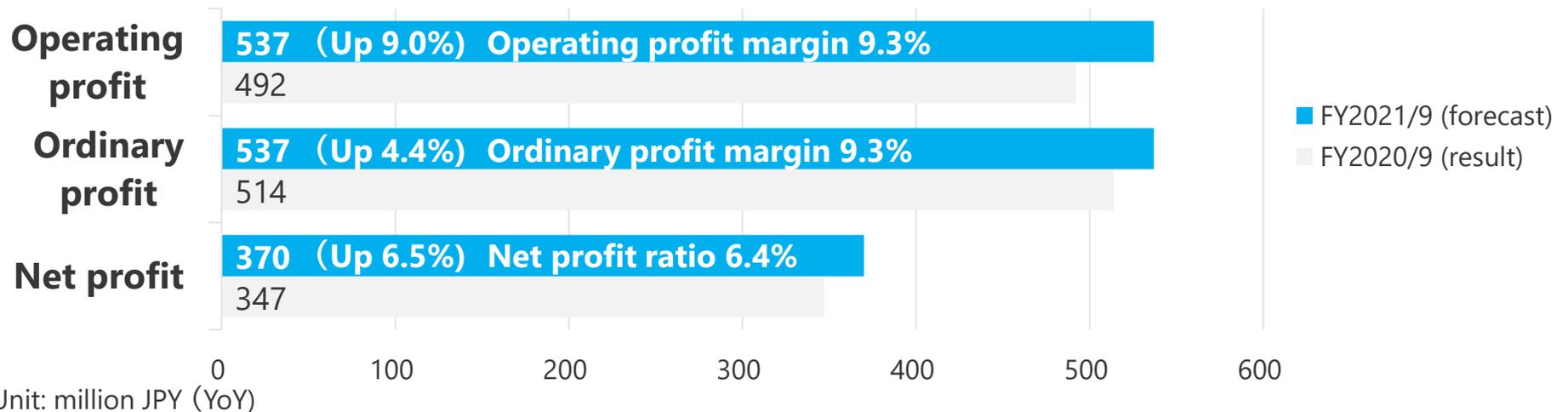
# 1) Results forecast

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



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.



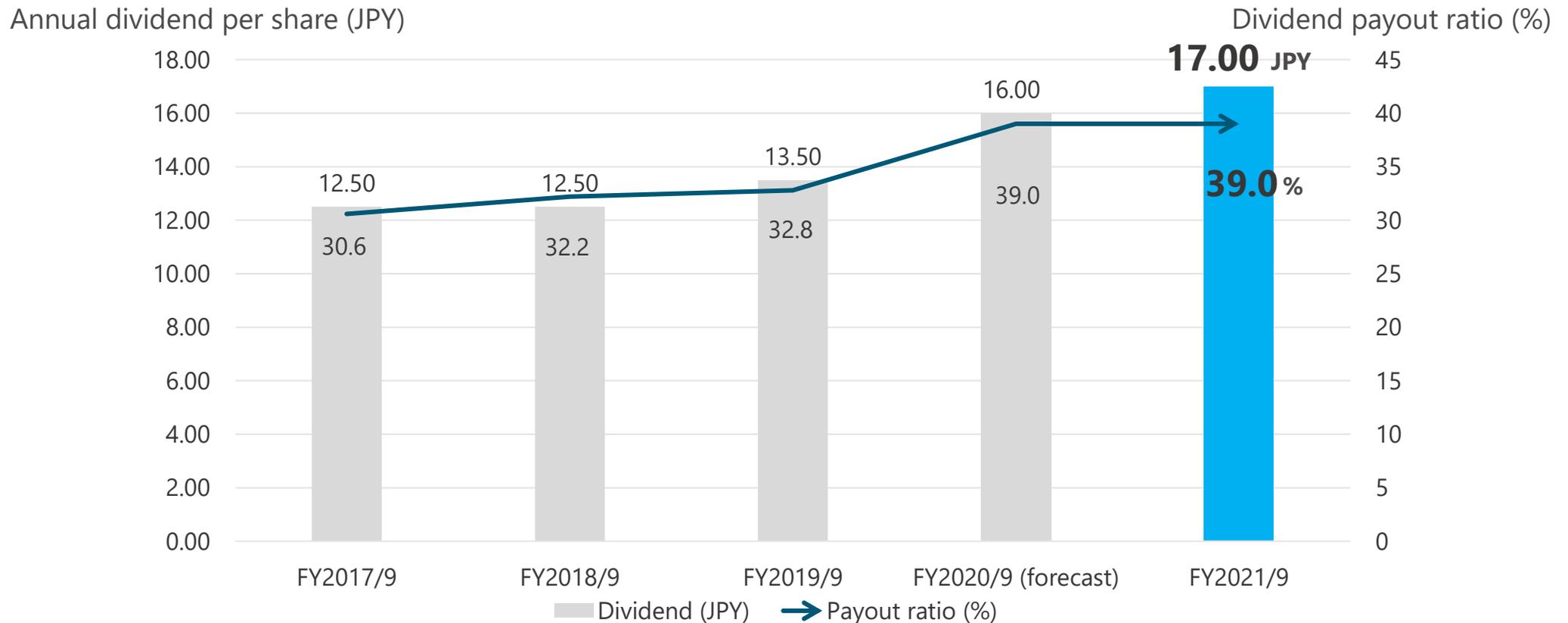
Unit: million JPY (YoY)

## 2) Dividends and shareholder returns

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

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.



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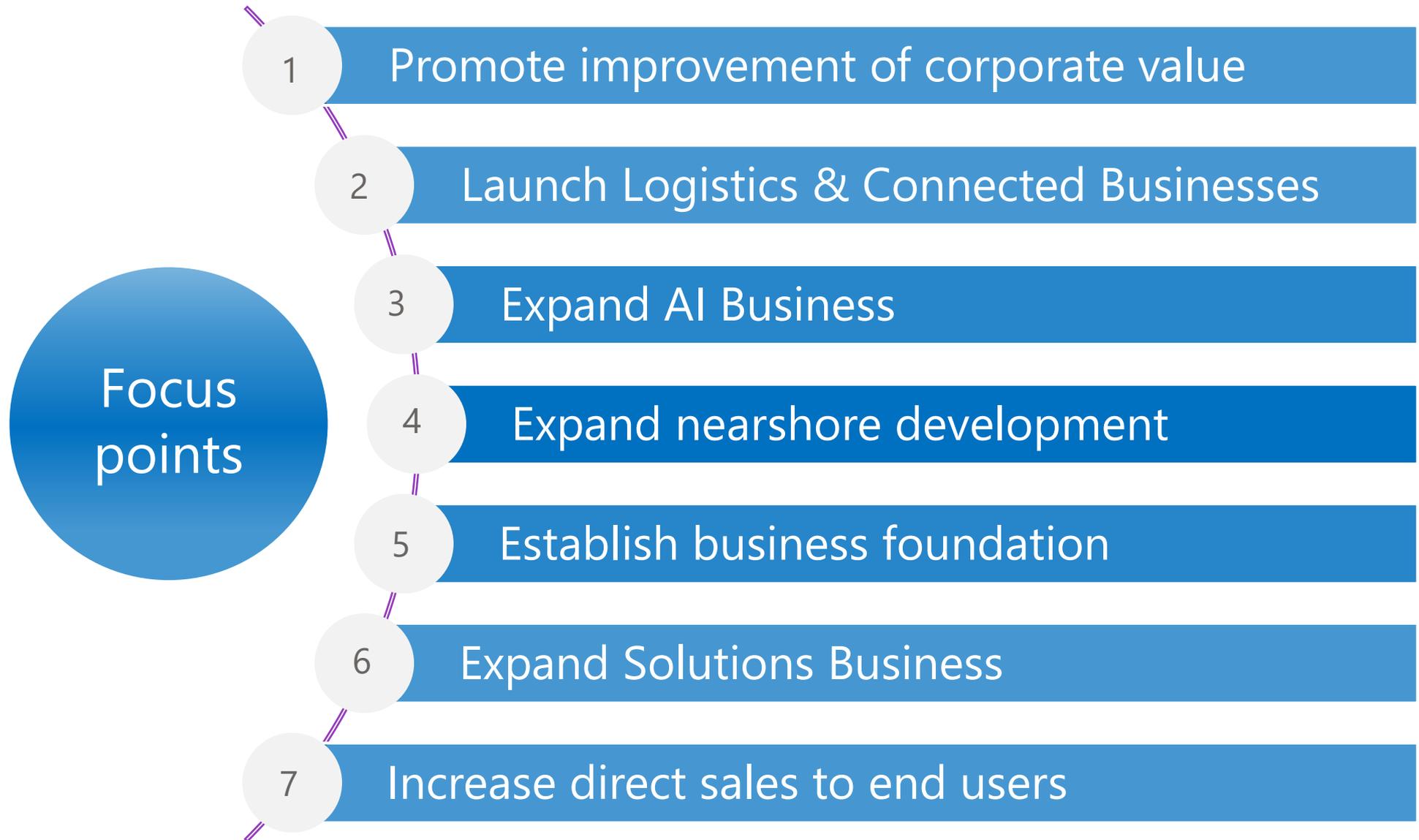


3. Growth strategy



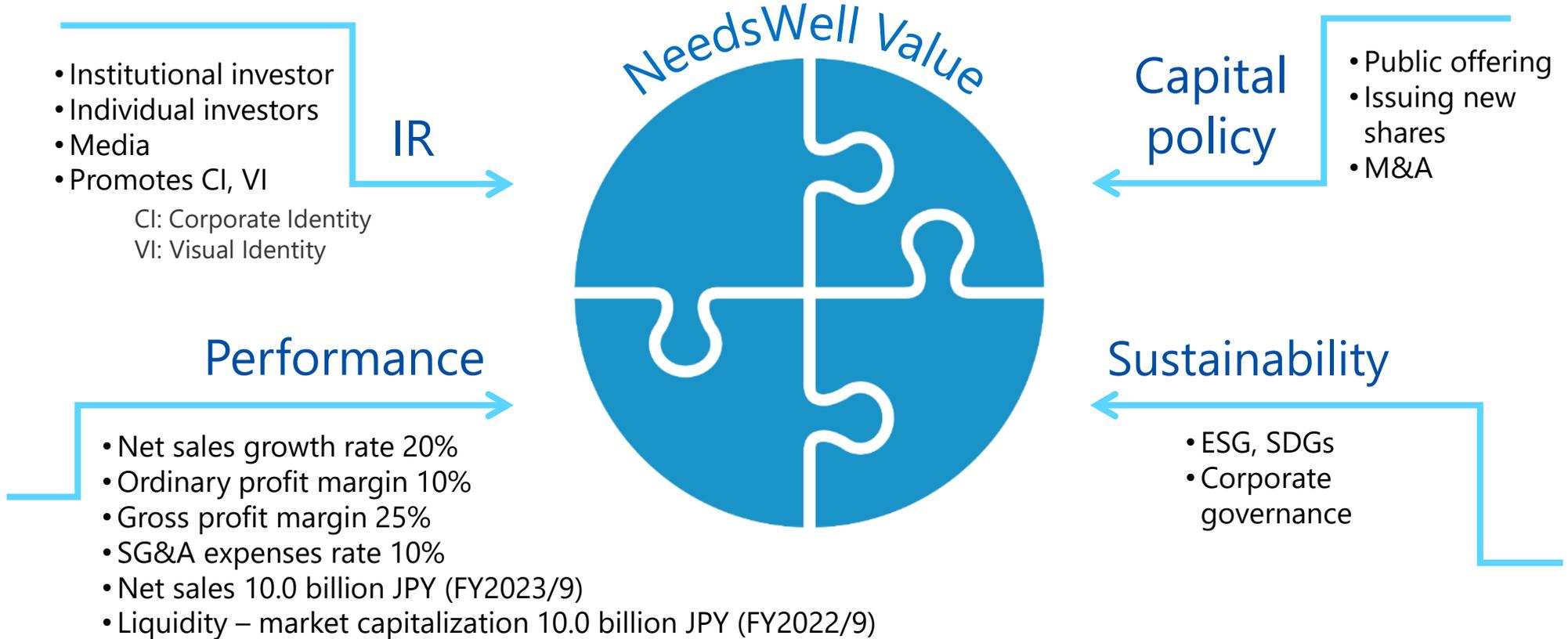
4. Reference

### 3. Growth strategy



# 1) Promote improvement of corporate value

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

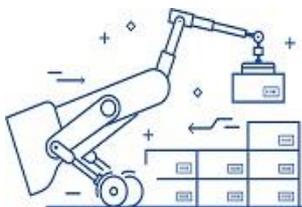


## 2) Launch Logistics & Connected Businesses

Digital society brought about by AI x big data;  
newly launched Logistics, Connected Businesses

### Logistics Business

Seeking business alliances in the logistics industry for joint development of **logistics systems**



- WCS (warehouse control system) for managing AGVs (automated guided vehicles), etc.
- WMS (warehouse management system) optimized for integration with WCS



**Saving labor and improving efficiency**  
at logistics sites

### Connected Business

Exploring the potential of telematics and smart cities by collecting and utilizing data while strengthening connected technologies

### 3) Expand AI Business

Expand AI Business by expanding the  Work AI lineup



#### AI Remote Education

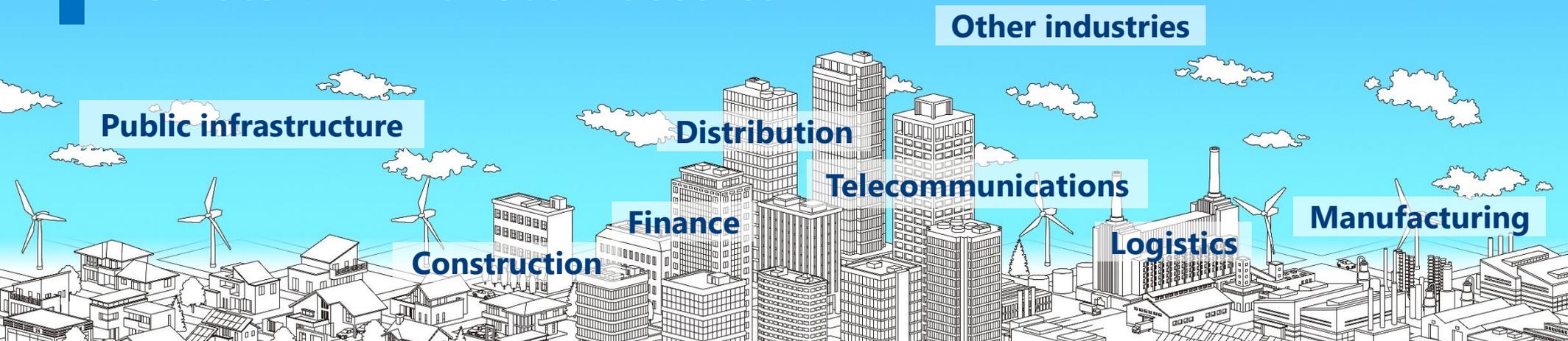
Quantitative visualization of business talks with numerical values and graphs.

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



## 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



## 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**

+

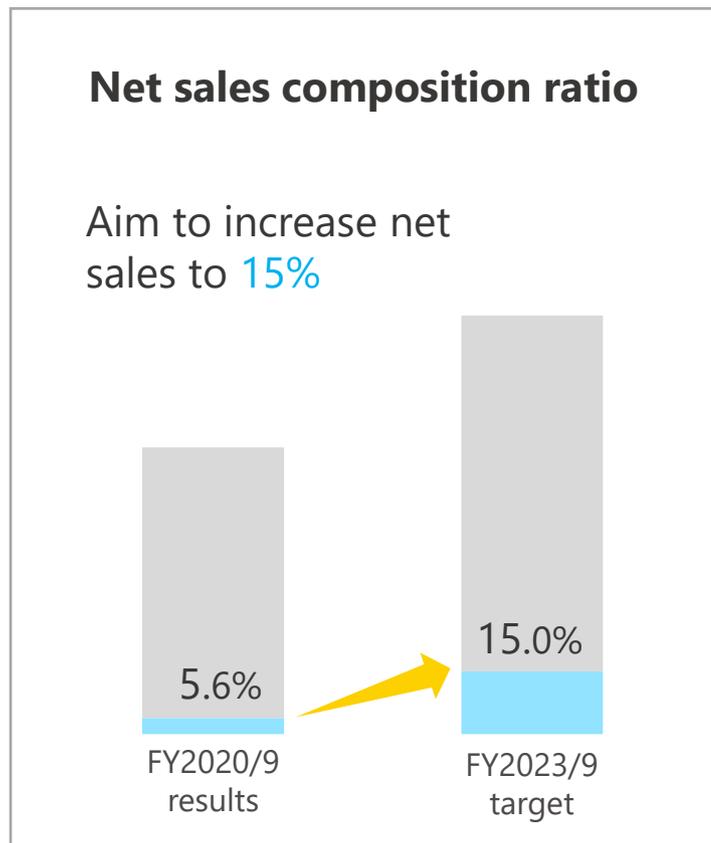
Service line that **accelerates business expansion and increases added value**

**Solutions/Products,  
etc.**

## 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



## 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

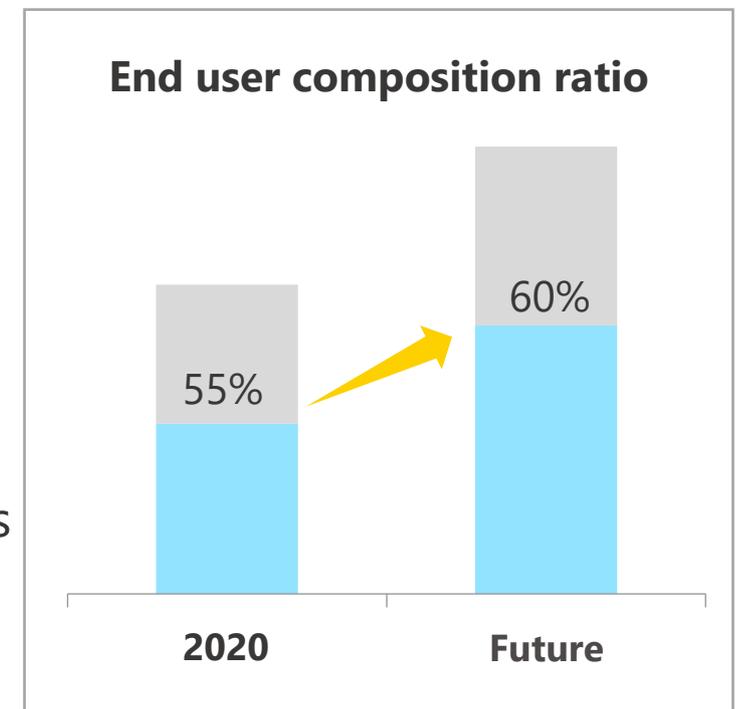
- Secure repeat customers
- Train highly skilled engineers and expand the scope of expertise sectors
- Cultivate new sectors of expertise

### 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





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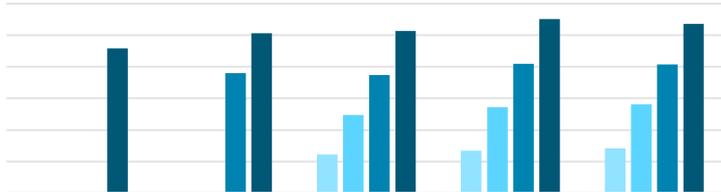


4. Reference

# Business results ①

## Net sales

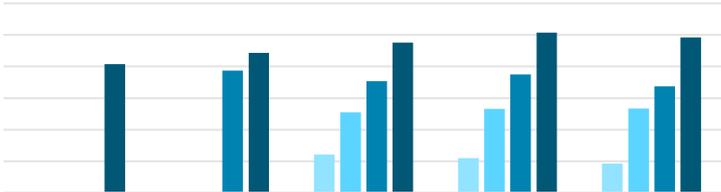
Unit : million yen



	2016	2017	2018	2019	2020
1Q			1,217	1,341	1,418
2Q			2,470	2,724	2,809
3Q		3,801	3,739	4,097	4,078
total	4,586	5,063	5,140	5,517	5,364

## Operating profit

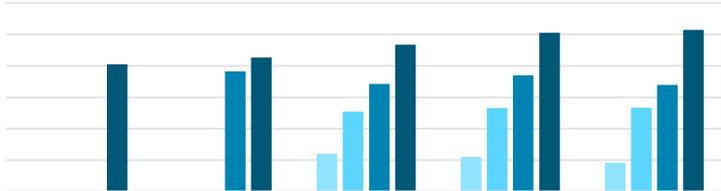
Unit : million yen



	2016	2017	2018	2019	2020
1Q			121	110	92
2Q			255	266	267
3Q		387	354	375	337
total	408	443	476	508	492

## Ordinary profit

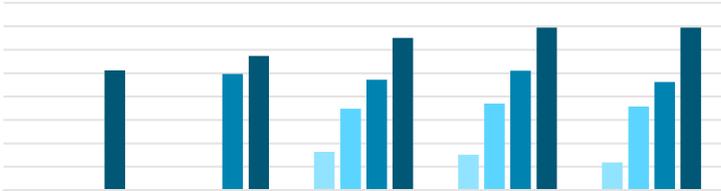
Unit : million yen



	2016	2017	2018	2019	2020
1Q			121	110	92
2Q			255	266	267
3Q		382	343	370	339
通期	405	426	467	505	514

## Profit

Unit : million yen

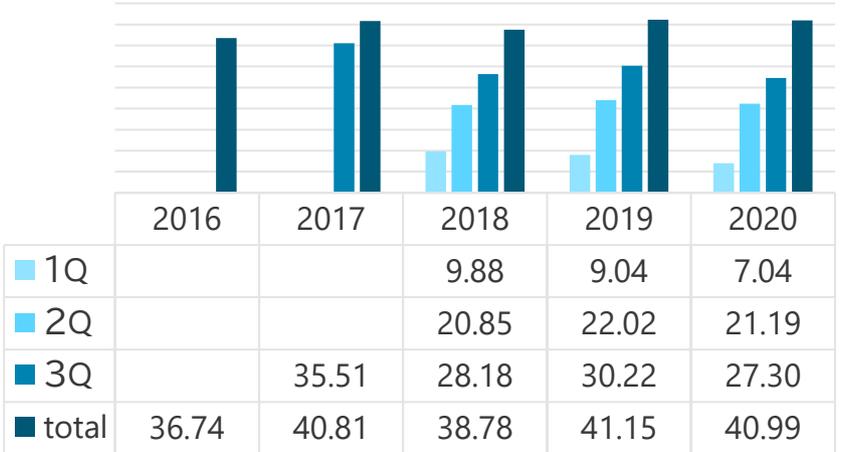


	2016	2017	2018	2019	2020
1Q			82	76	59
2Q			174	185	179
3Q		248	236	255	231
total	256	287	325	347	347

# Business results ②

## Profit per share

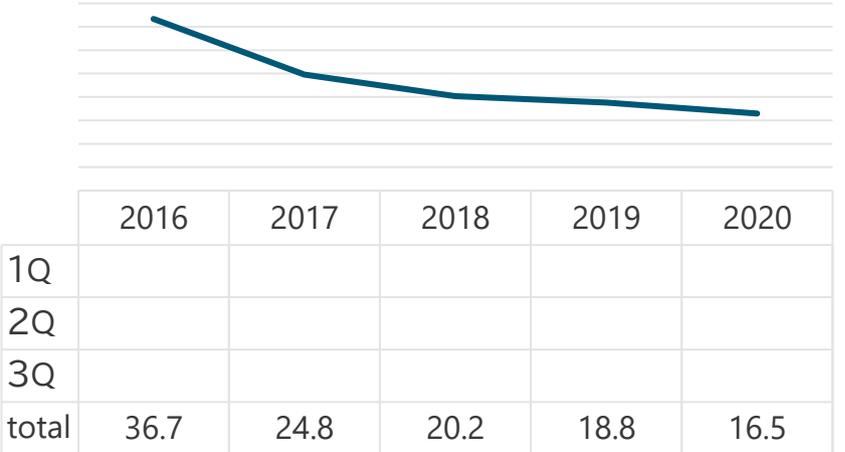
unit:Yen



\* 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

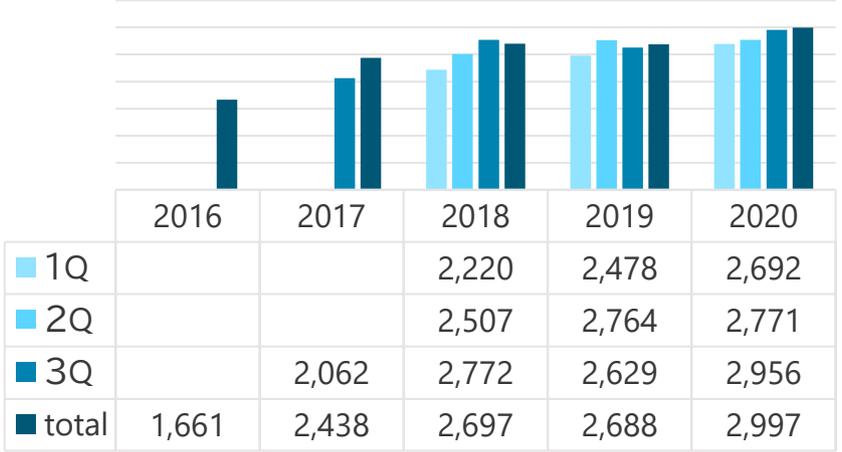
unit:%



\* This index is updated every year

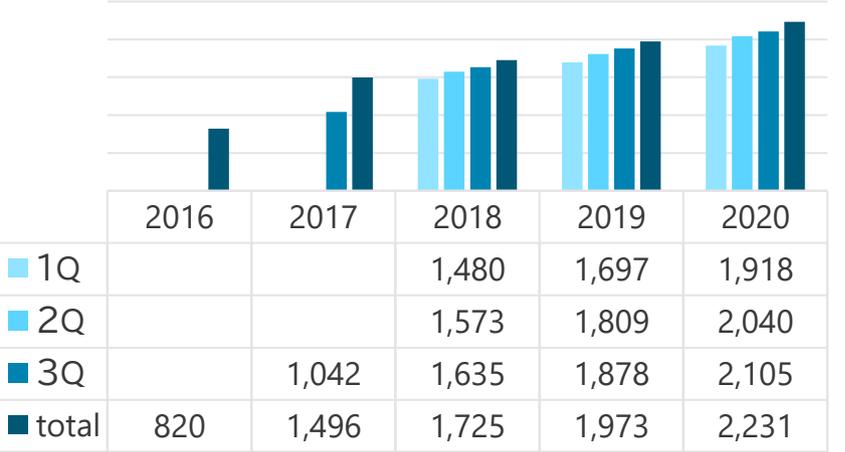
## Total assets

Unit: million Yen



## Net assets

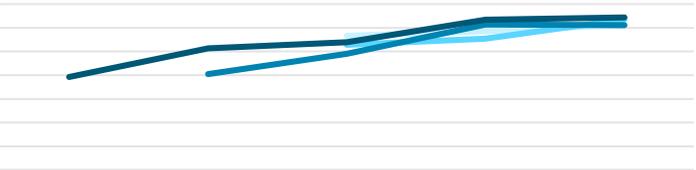
Unit: million Yen



# Business results ③

## Capital adequacy ratio

unit:%



	2016	2017	2018	2019	2020
1Q			66.7	68.5	71.3
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
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.

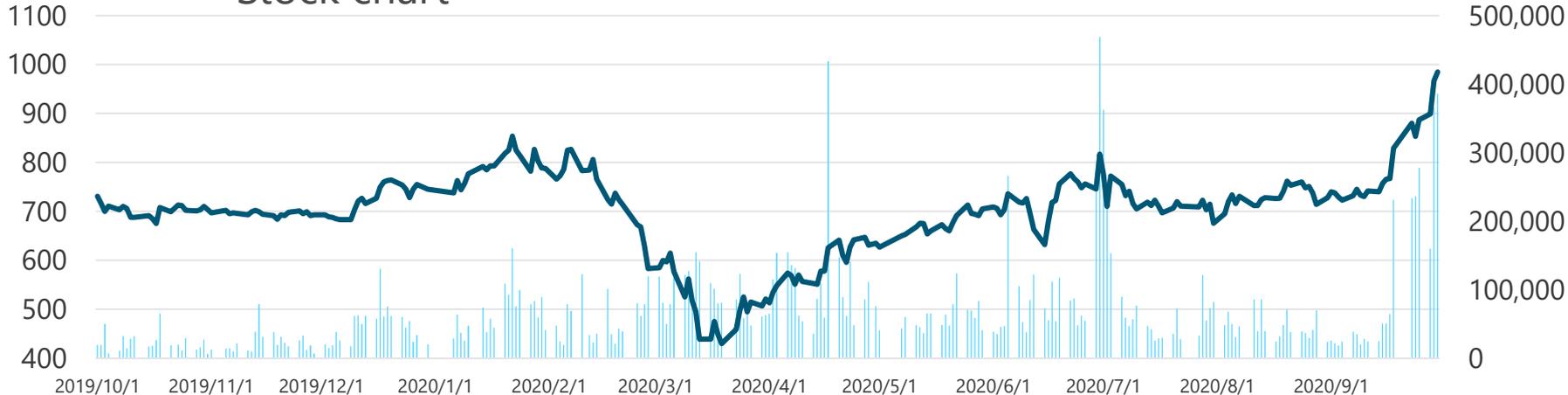
\* This index is updated every year

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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