

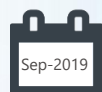
Needs Well Inc.

**Financial Results for the Fiscal Year 2019**  
**(October 2018 – September 2019)**

November 29, 2019



**NeedsWell**  
Try & Innovation



## 1. FY 2019 Financial Highlights

- 1) Summary
- 2) Sales by service line
- 3) Operating profit analysis
- 4) Profit & Loss results
- 5) Balance Sheet results



## 2. Growth Strategies

- 1) Management philosophy
- 2) Trails of growth
- 3) Basic policy
- 4) Targets
- 5) Our strengths
- 6) Growth strategies



## 3. Action to support growth strategies

- 1) ESG/SDGs
- 2) Human resources development



## 4. FY 2020 Financial Forecasts

- 1) Summary
- 2) Profit & Loss Forecasts
- 3) Dividends and shareholder returns



## 5. Reference Materials

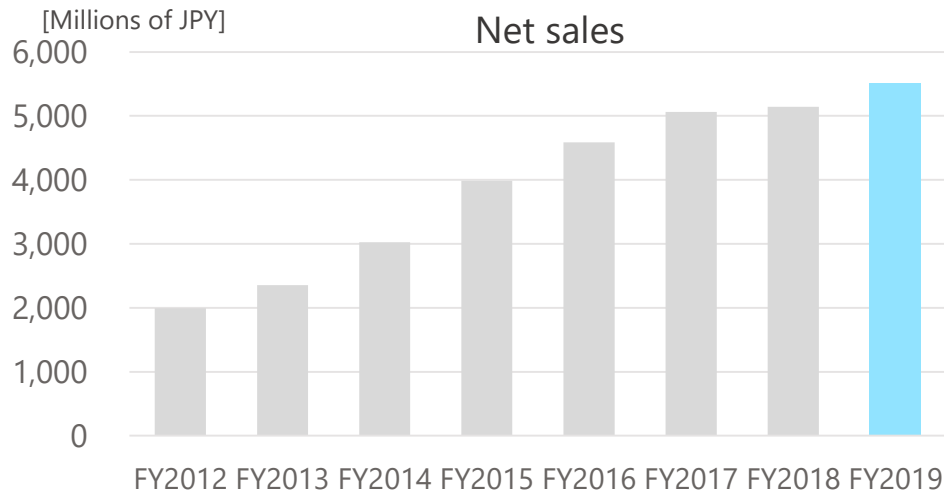
- 1) Company profile
- 2) Business field
- 3) Comparison with our company and other companies
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# FY2019 Financial Highlights

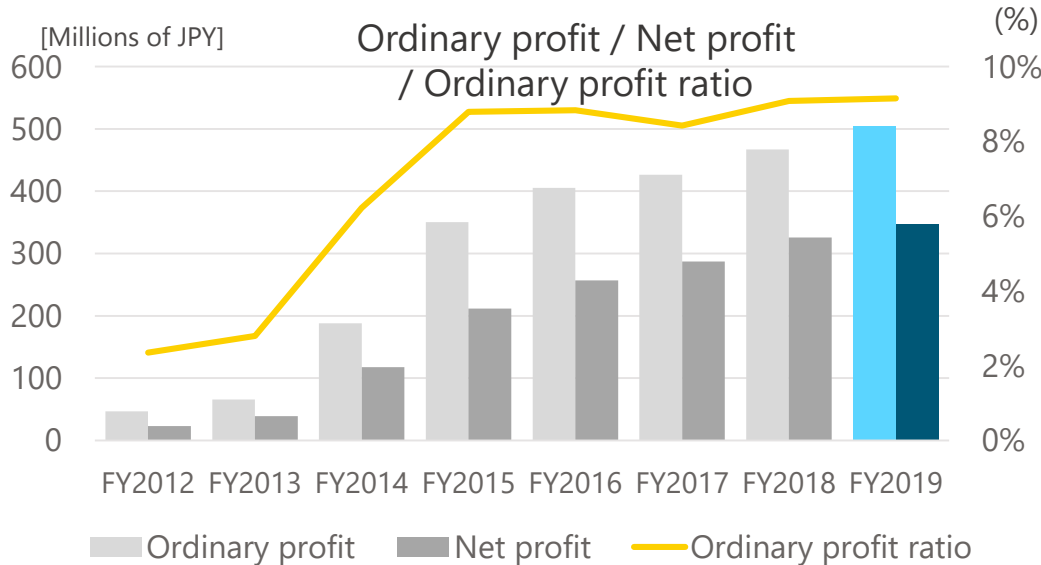
# 1) Summary -1-



Achieved record high sales and profit for **8 consecutive terms!**



**Net sales** **5,517** million JPY  
(Year on Year 107.3%)



**Ordinary profit** **505** million JPY  
(Year on Year 108.1%)

**Net profit** **347** million JPY  
(Year on Year 106.8%)

# 1) Summary -2-

Solution business is on a growth track. Year on Year **166.7%**

Our  
Solutions

NWSP / Cooperation solutions

- UTM
- Asset management

Work-AI Service

- Sales education solution

Other  
companies'  
Solutions

Concur / Cooperation solution

- AI-OCR

WinActor / Cooperation solution

- AI-OCR

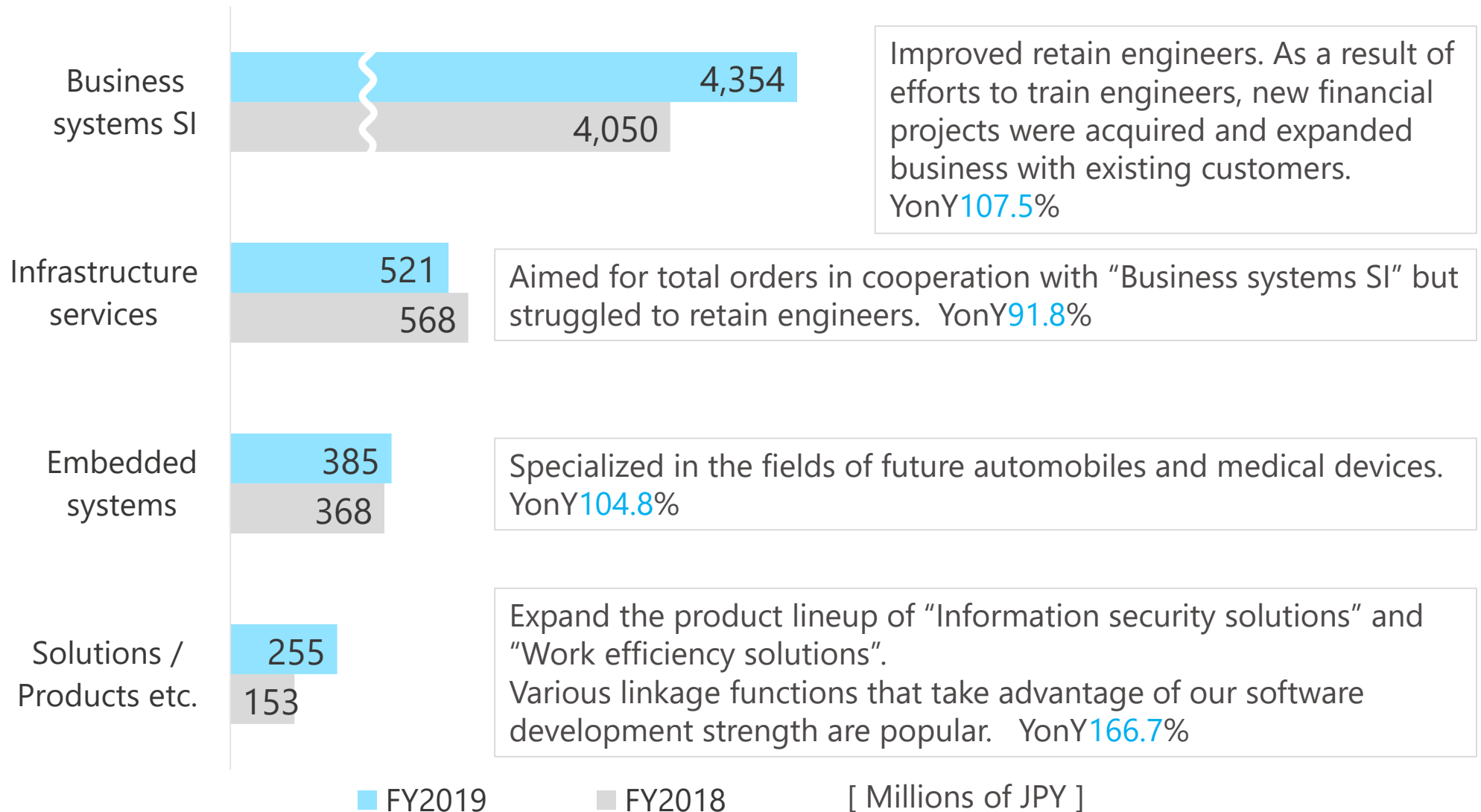
- Solution business is on a growth track and increase of orders from customers.
- Leveraging the strengths of development companies, we offer unique linkage functions with our own solutions and other companies' solutions.



**Improving the competitiveness**  
through differentiation.

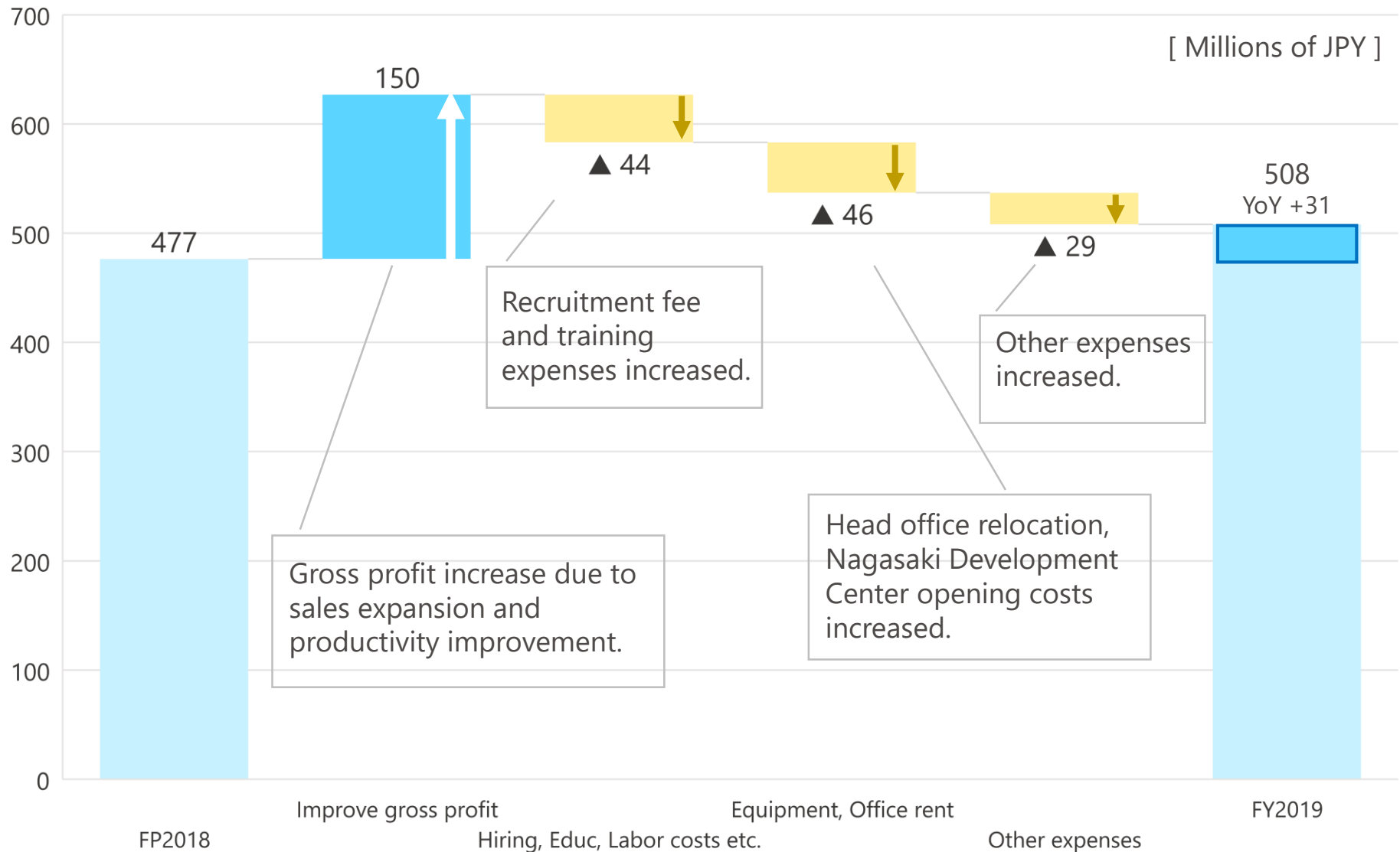
## 2) Sales by service line

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



# 3) Operating profit analysis

Main reasons for YoY changes in operating profit



## 4) Profit & Loss results

Increased sales growth by 7.3%, ordinary profit margin 9.2%, realized high profitability

Millions of JPY

	FY2018		FY2019		
	Annual	Net sales ratio	Result	Net sales ratio	Year on Year
Net sales	5,140	-	5,517	-	107.3%
Business systems SI	4,050	78.8%	4,354	78.9%	107.5%
Infrastructure services	568	11.1%	521	9.5%	91.8%
Embedded systems	368	7.2%	385	7.0%	104.8%
Solutions / Products etc.	153	3.0%	255	4.6%	166.7%
Gross profit	1,150	22.4%	1,300	23.6%	113.1%
SG&A expenses	673	13.1%	792	14.4%	117.7%
Operating profit	476	9.3%	508	9.2%	106.6%
Non-operating profit	1	0.0%	1	0.0%	69.9%
Non-operating expense	11	0.2%	4	0.1%	38.3%
Ordinary profit	467	9.1%	505	9.2%	108.1%
Net profit	325	6.3%	347	6.3%	106.8%



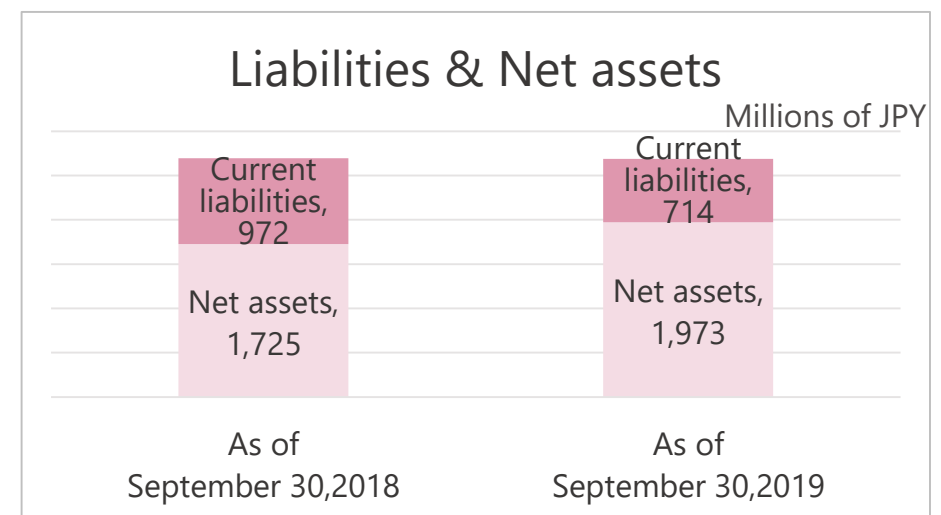
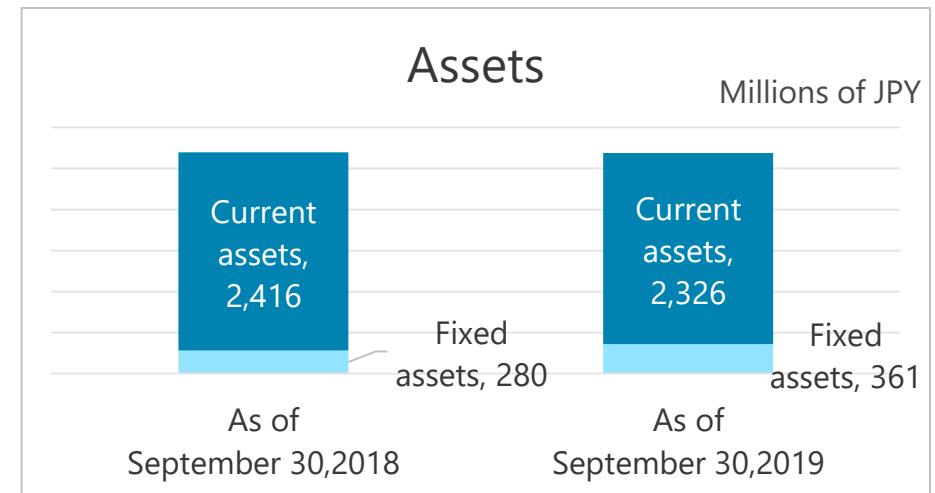
# 5) Balance Sheet results

Millions of JPY

	As of Sep 30,2018	As of Sep 30,2019	Year on Year
	Result	Result	
<b>Assets</b>			
Cash and deposits	1,693	1,548	-144
Accounts receivable	691	705	13
Work in process	7	25	17
<b>Total current assets</b>	<b>2,416</b>	<b>2,326</b>	<b>-89</b>
Deferred tax assets	107	102	-5
<b>Total fixed assets</b>	<b>280</b>	<b>361</b>	<b>80</b>
<b>Total assets</b>	<b>2,697</b>	<b>2,688</b>	<b>-9</b>
<b>Liabilities</b>			
Accounts payable	254	146	-108
Payable	170	128	-42
Income taxes payable	80	100	20
Provision for bonuses	274	241	-33
<b>Total current liabilities</b>	<b>972</b>	<b>714</b>	<b>-257</b>
<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>972</b>	<b>714</b>	<b>-257</b>
<b>Net assets</b>			
Common stock	411	414	2
Additional paid-in capital	267	270	2
Retained earnings	1,045	1,287	242
<b>Total retained earnings</b>	<b>1,046</b>	<b>1,288</b>	<b>242</b>
<b>Total shareholders' equity</b>	<b>1,725</b>	<b>1,973</b>	<b>248</b>
<b>Total net assets</b>	<b>1,725</b>	<b>1,973</b>	<b>248</b>
<b>Total liabilities and net assets</b>	<b>2,697</b>	<b>2,688</b>	<b>-9</b>

Continued stable financial position

➔ Capital adequacy ratio **73.4%**  
YoY**9.5**pts UP



# Growth Strategies

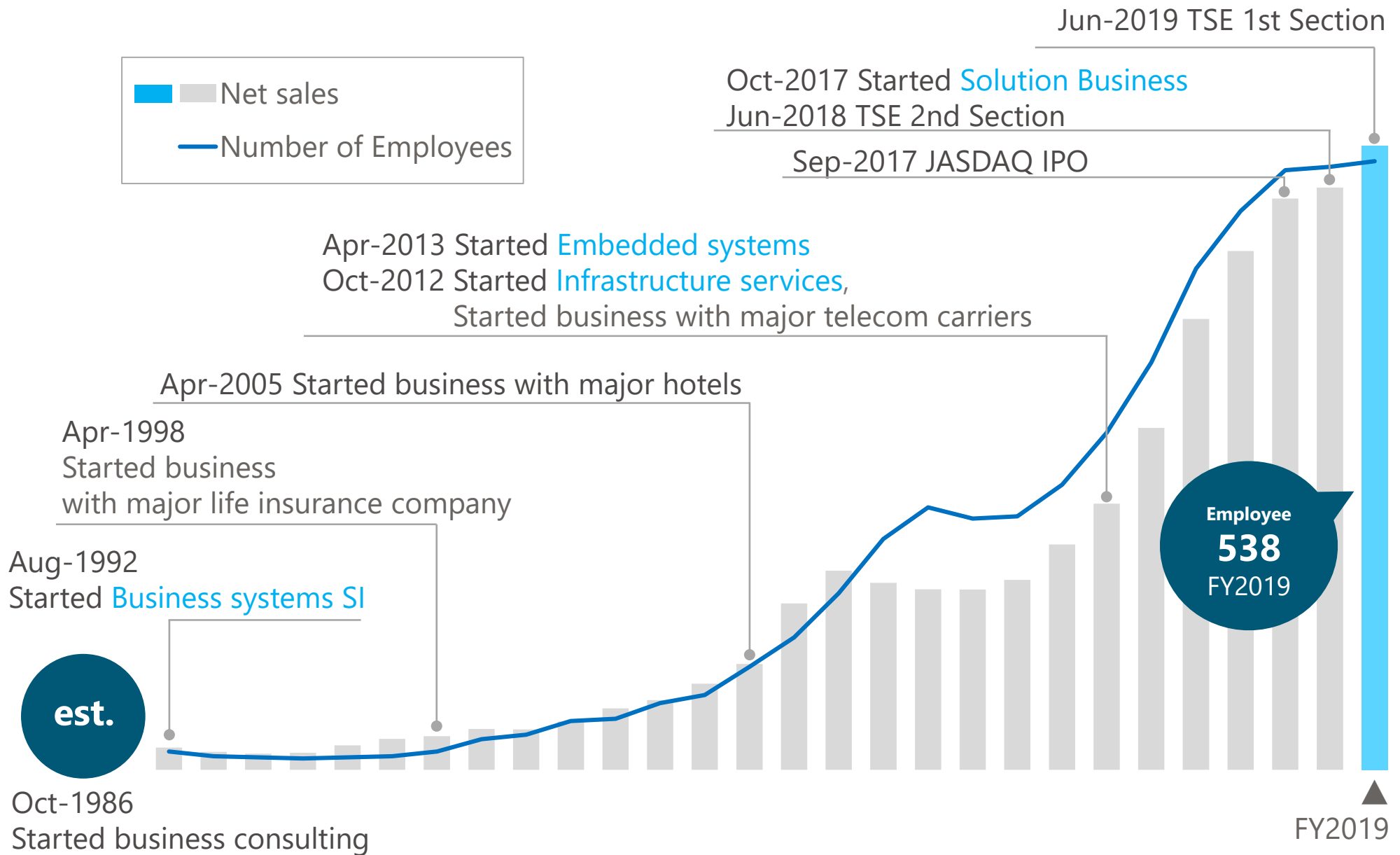
# 1) Management Philosophy

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%

## Near future

### Target

Market capitalization  
25 billion JPY

Net sales  
10 billion JPY



FY 2019



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%.



### 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

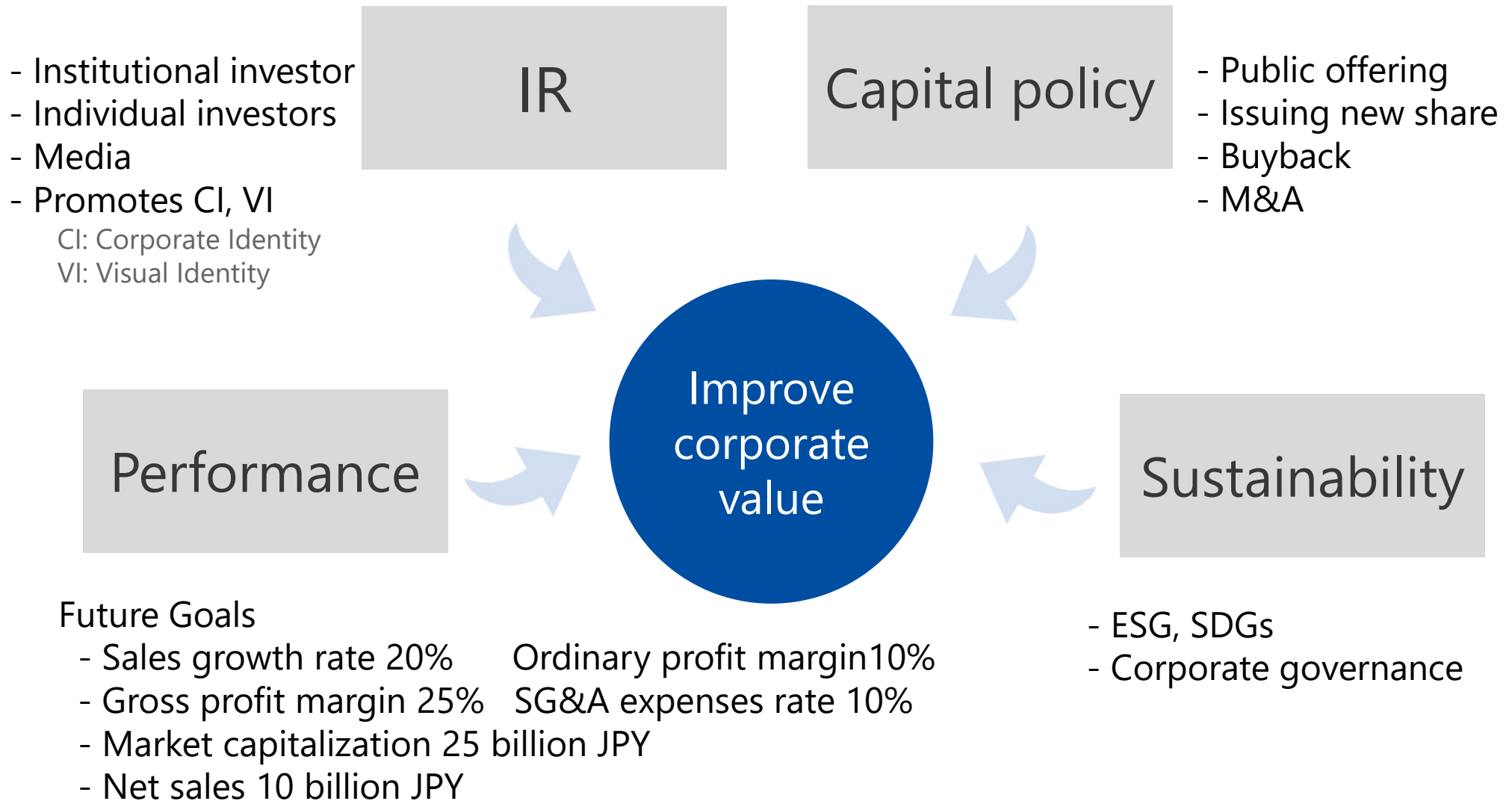
### 6 Priority items.

- 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

Various approaches to improve corporate value.



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)

NeedsWell

#### 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

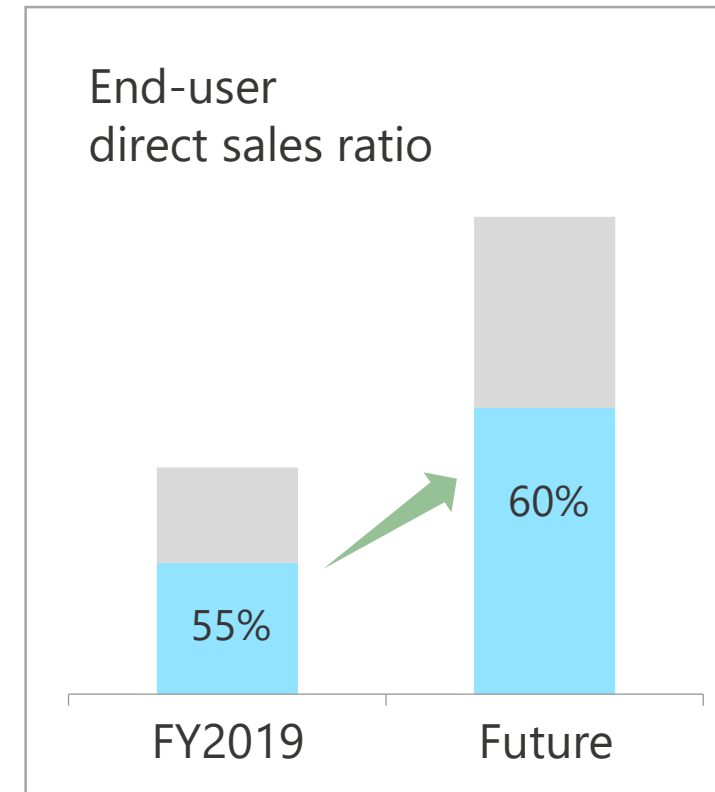
- Maintain ongoing projects
- Train high-skilled engineers and expand the scale of project.

### 2. New customer development

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

### 3. Expansion solution business

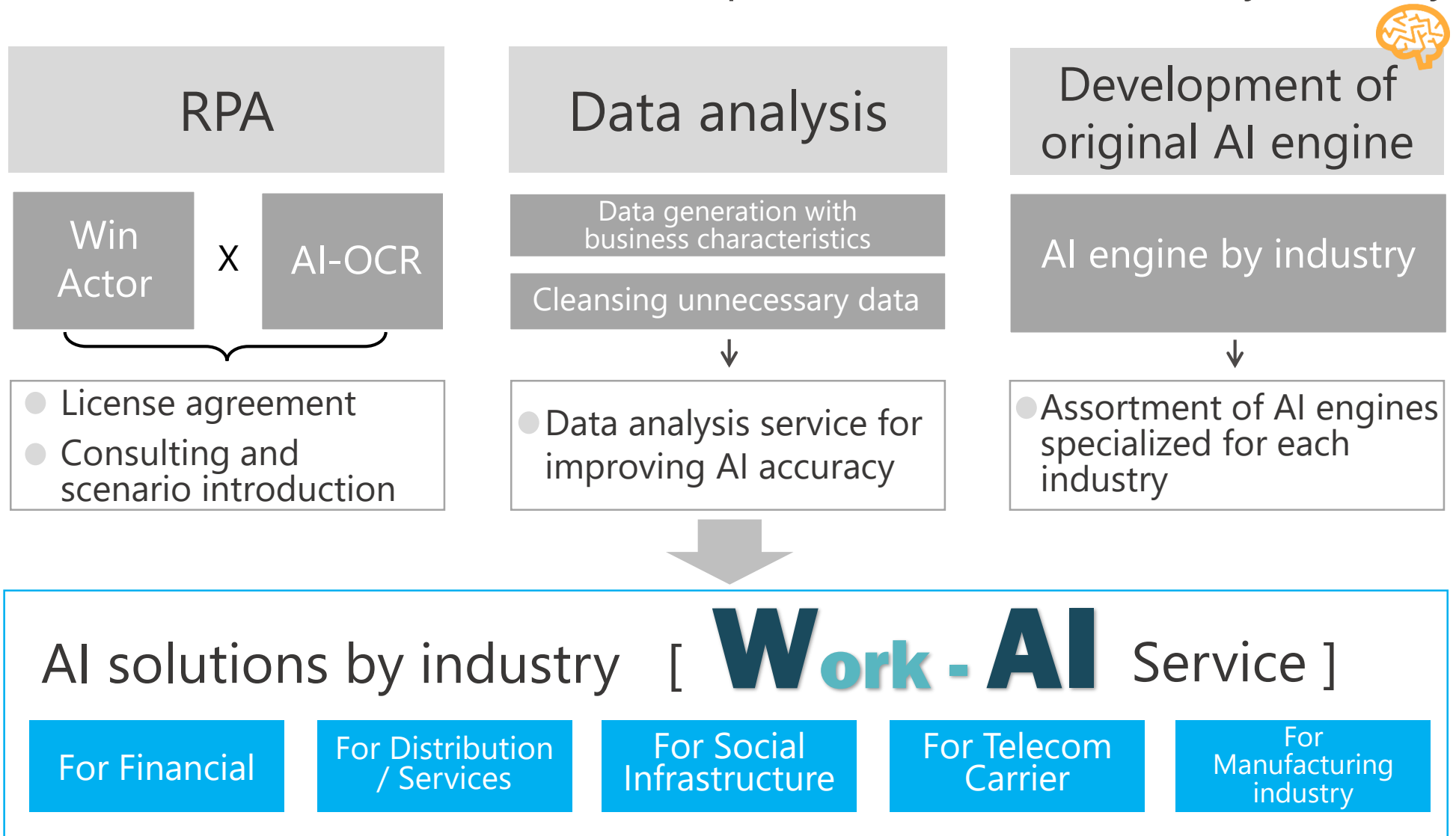
- Focus on solution business with high sales ratio to end users.



## 6) Growth strategies – 5. Start up AI business

Established AI Group in July 2019.

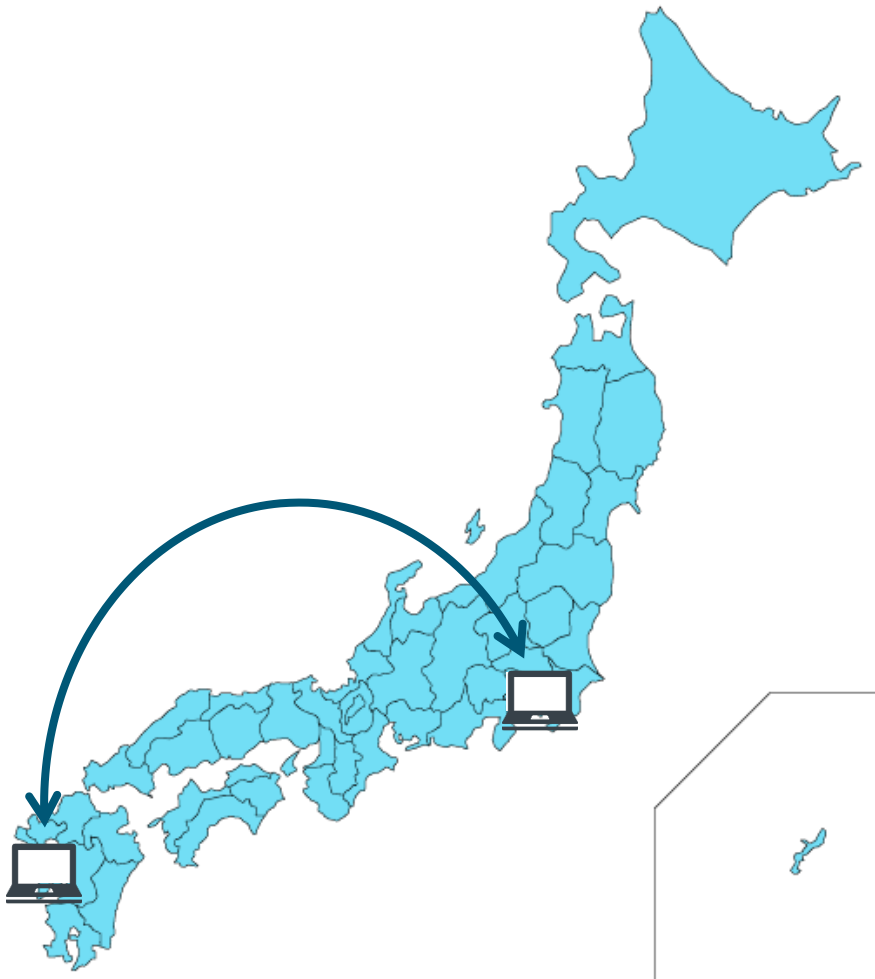
Started AI business in earnest and provide of AI solutions by industry.



## 6) Growth strategies – 6. Start up nearshore development

Opened Nagasaki Development Center in October 2019.

Aiming for **100 employees** in FY2024.



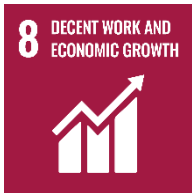
Promote recruitment of new graduates and U-turns in Nagasaki and retain talented people who want to find employment.



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

## Action to support growth strategies

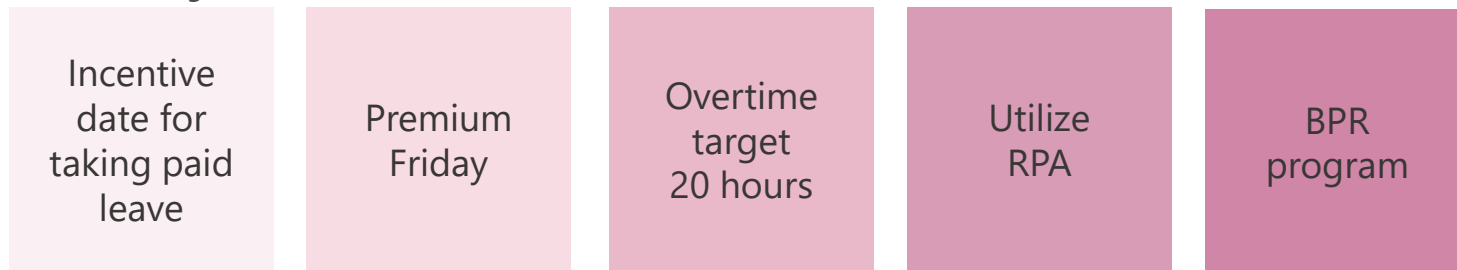
# 1) Human resources development



## 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.



### IT education using AI

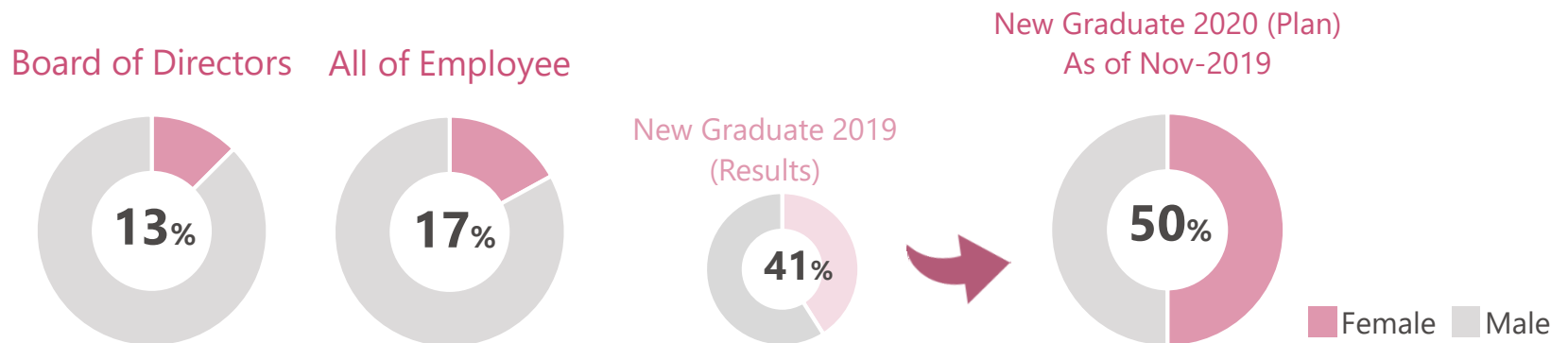
AI experience seminar for students will be held during FY2020.  
 Our AI engineers and general affairs dept are planning a program that it can feel attractive of AI.

### Supporting regional revitalization projects

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



### Promoting diversity and gender equality



## 2) ESG/SDGs -2-



### 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.



### 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

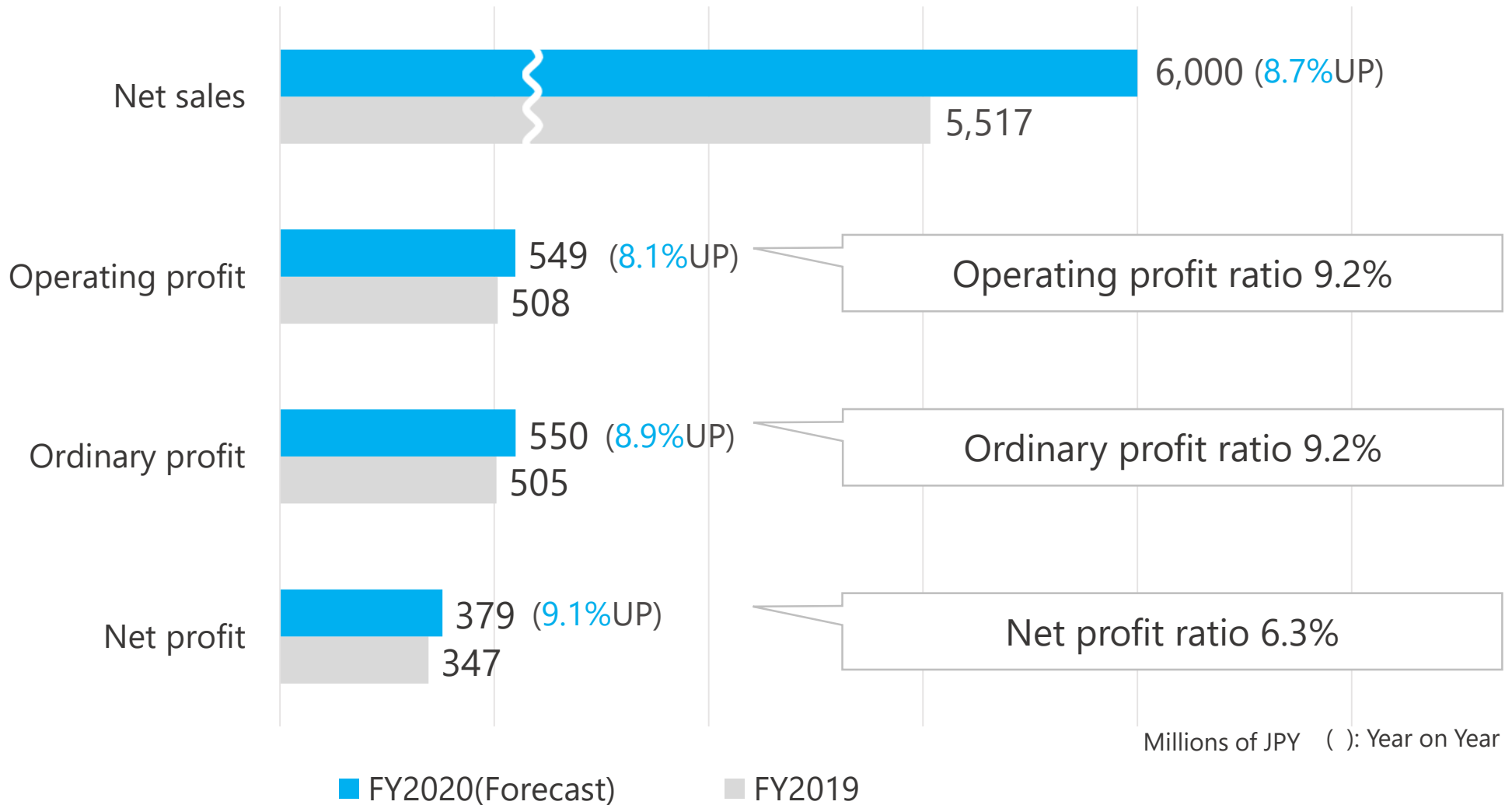
We are constantly reviewing our governance system to create a more transparent and fair corporate structure.

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

# FY2020 Financial Forecasts

# 1) Summary

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



## 2) Profit & Loss forecasts

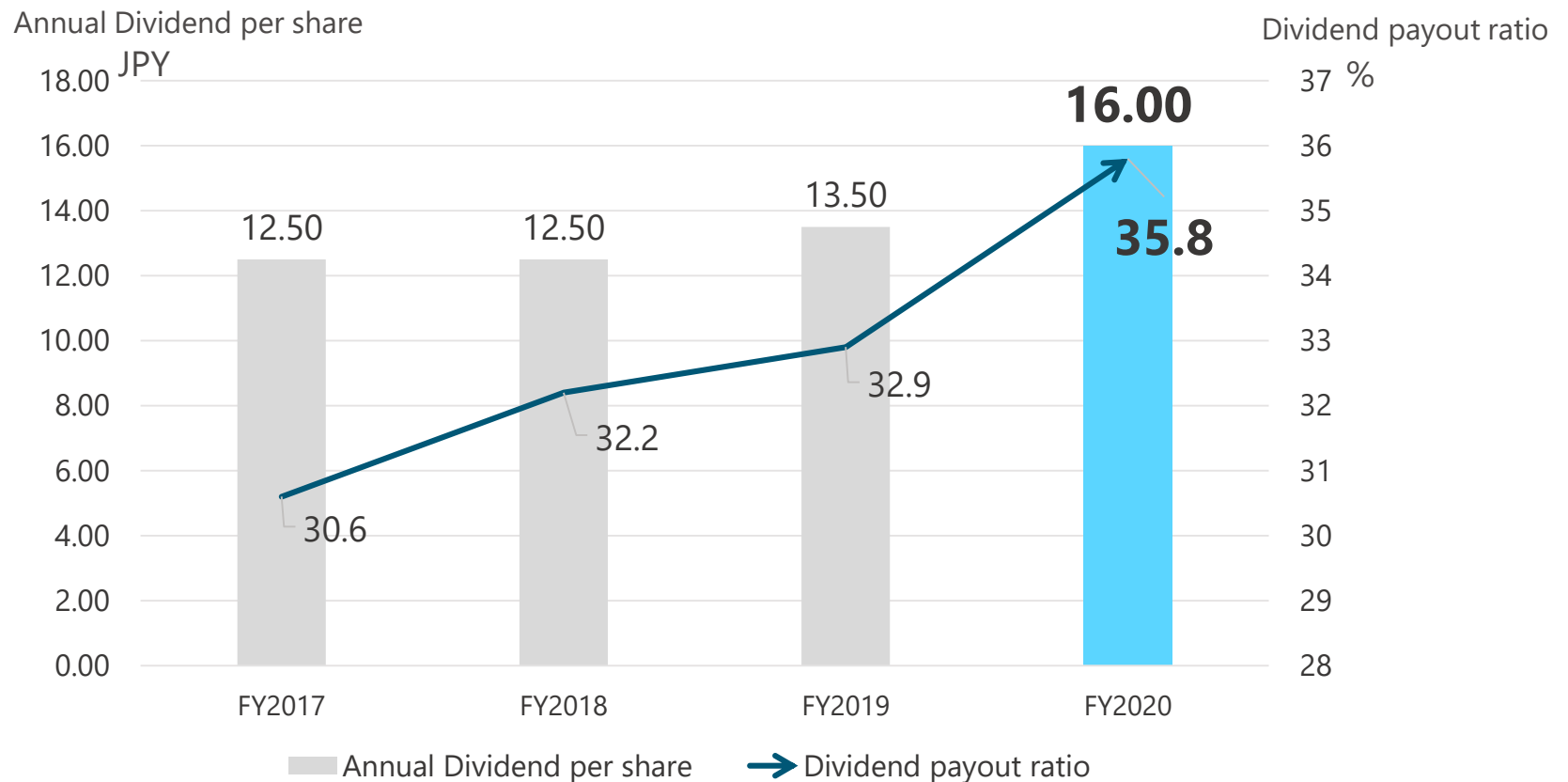
Millions of JPY

	FY2019		FY2020		
	Annual	Net sales ratio	Forecast	Net sales ratio	Year on Year
Net sales	5,517	-	6,000	-	108.7%
Business systems SI	4,354	78.9%	4,364	72.7%	100.2%
Infrastructure services	521	9.5%	611	10.2%	117.3%
Embedded systems	385	7.0%	443	7.4%	115.1%
Solutions / Products etc.	255	4.6%	579	9.7%	226.6%
Gross profit	1,300	23.6%	1,469	24.5%	113.0%
SG&A expenses	792	14.4%	920	15.3%	116.1%
Operating profit	508	9.2%	549	9.2%	108.1%
Non-operating profit	1	0.0%	1	0.0%	77.1%
Non-operating expense	4	0.1%	0	0.0%	8.4%
Ordinary profit	505	9.2%	550	9.2%	108.9%
Net profit	347	6.3%	379	6.3%	109.1%

### 3) 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%**



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.

# Reference Materials

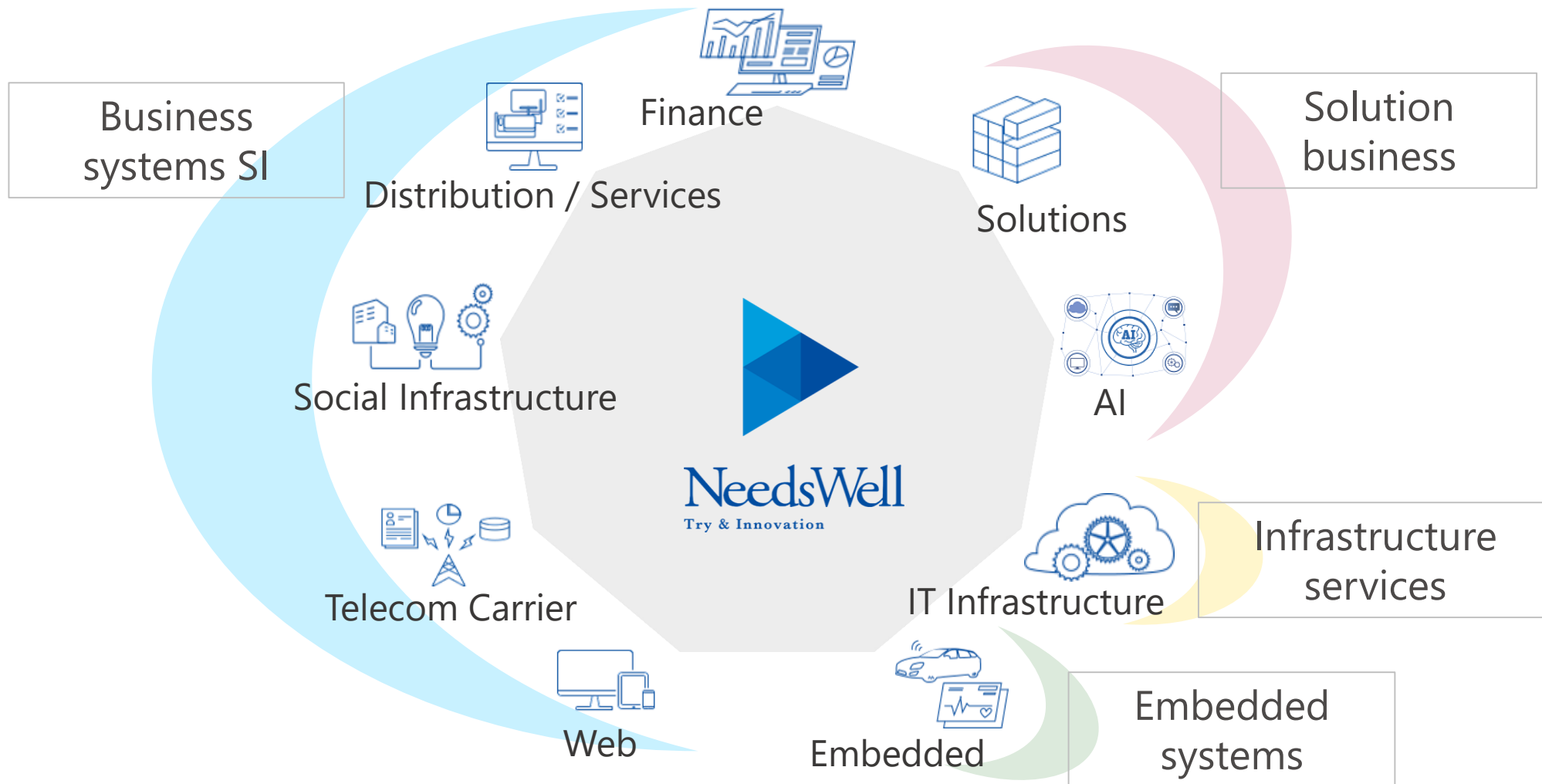
# 1) Company profile

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: <a href="https://www.needswell.com">https://www.needswell.com</a>		
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	Director    Hiroki Yanagawa <input type="checkbox"/> External <input type="checkbox"/> Independent
	Executive Vice President	Yukio Kubota	Director    Hideaki Sakaue <input type="checkbox"/> External <input type="checkbox"/> Independent
	Executive Director	Takeshi Tsukada	Audit & Supervisory Board Member    Toshio Yamamoto <input type="checkbox"/> External <input type="checkbox"/> Independent
	Director	Hiromi Kimura	Audit & Supervisory Board Member    Yuji Dai <input type="checkbox"/> External
	Director	Kazuhiko Kato	Audit & Supervisory Board Member    Kotaro Niwa <input type="checkbox"/> External
	Director	Nobumasa Goto	

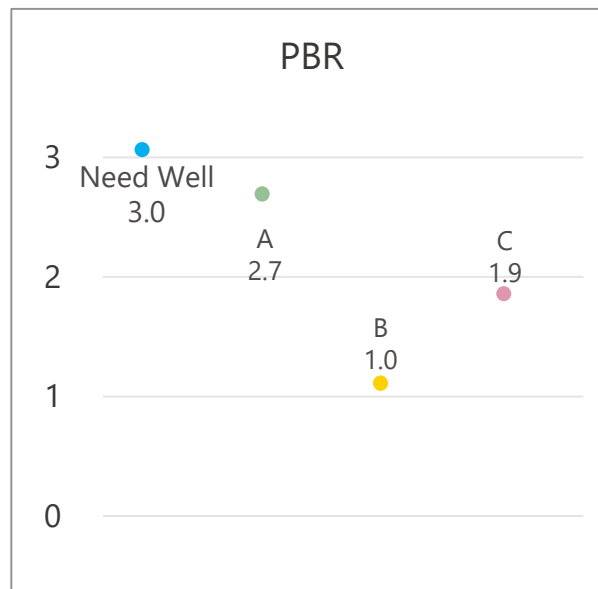
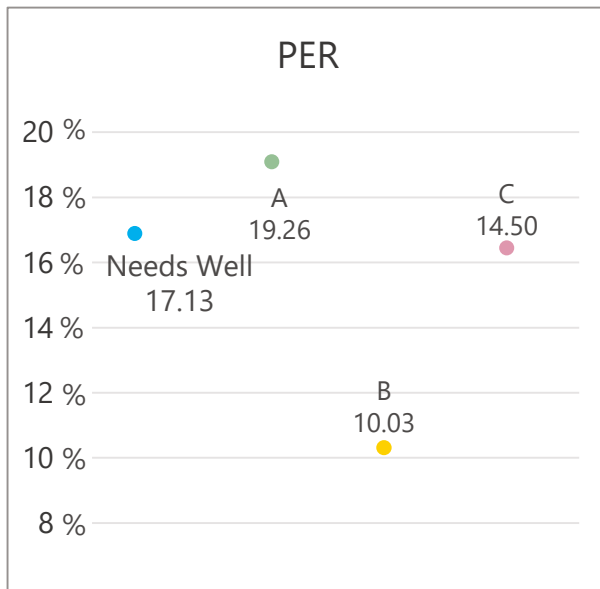
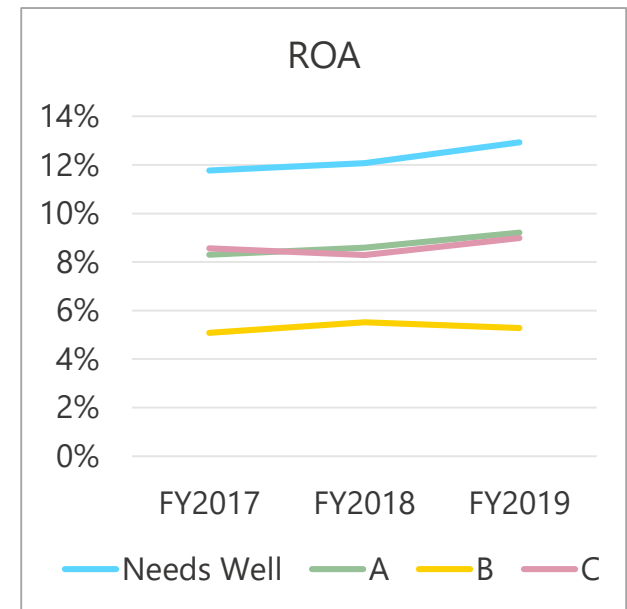
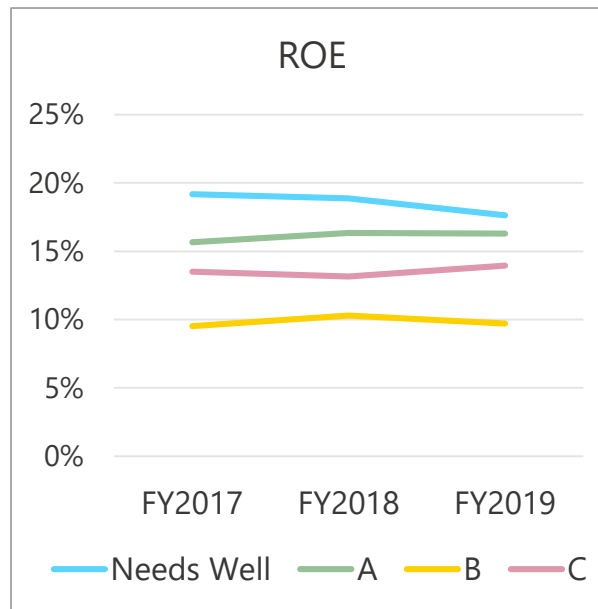
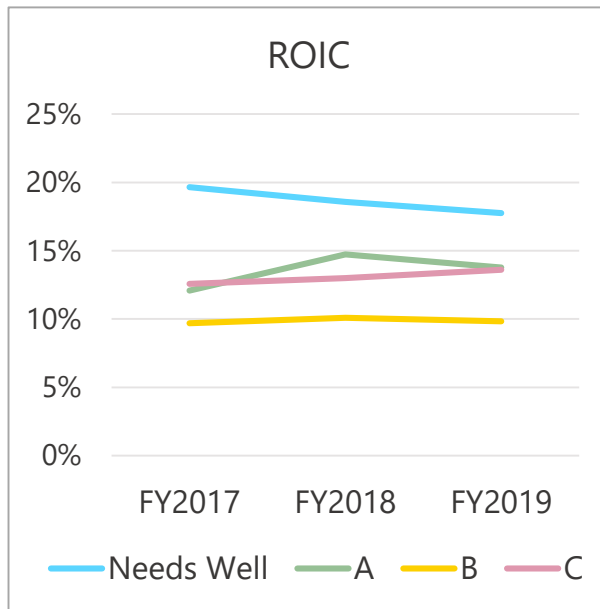


## 2) Business field

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



### 3) Comparison with our company and other companies



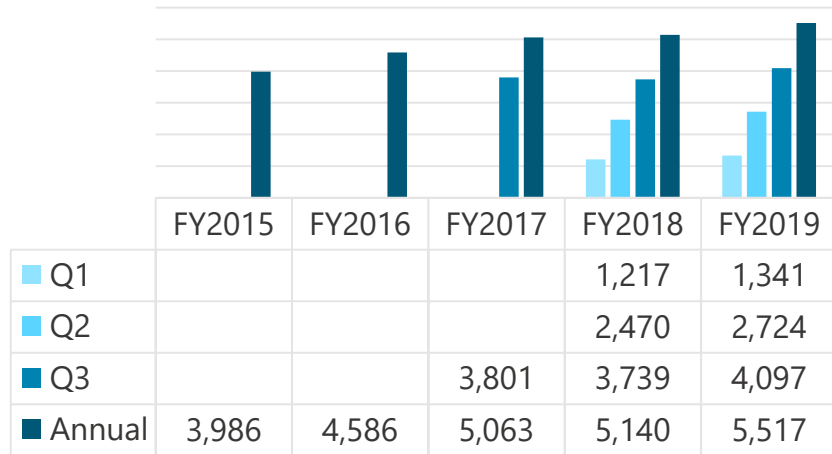
- We selected and compared companies with near close our business domains and market capitalization from the Information & Communication.

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

# 4) Performance trends -1-

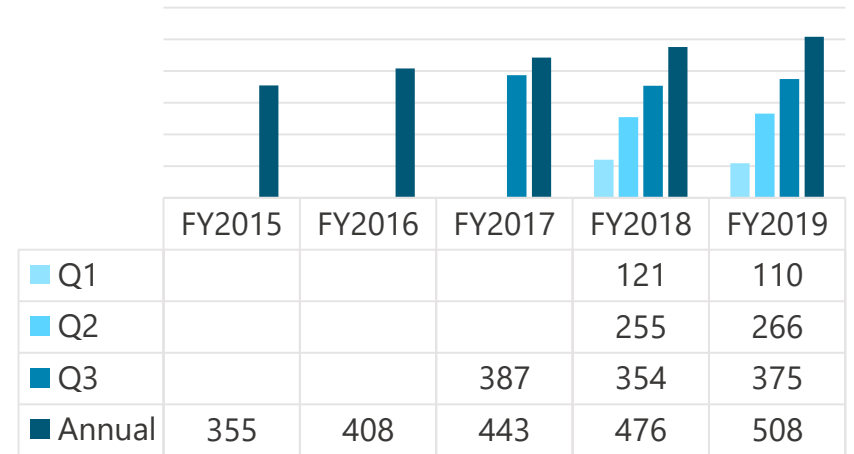
### Net sales

Millions of JPY



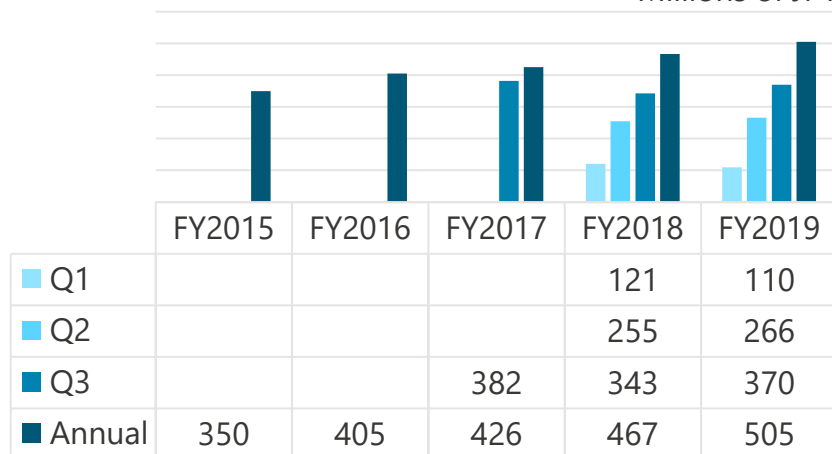
### Operating profit

Millions of JPY



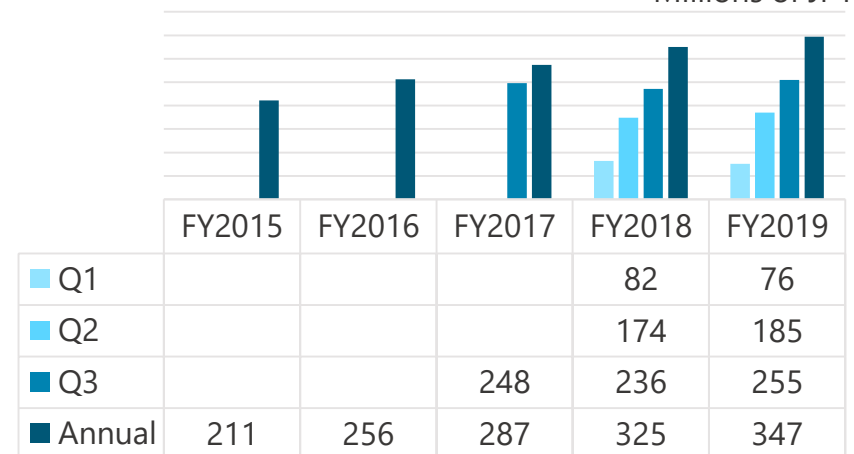
### Ordinary profit

Millions of JPY



### Net profit

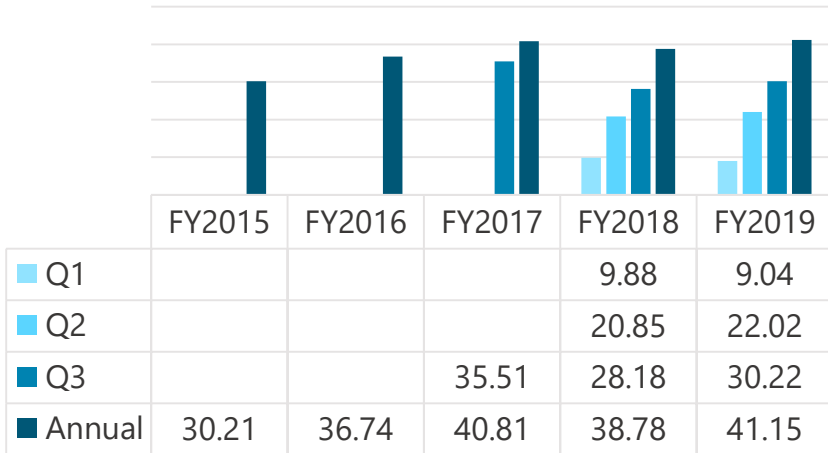
Millions of JPY



# 4) Performance trends -2-

### Basic earnings per share

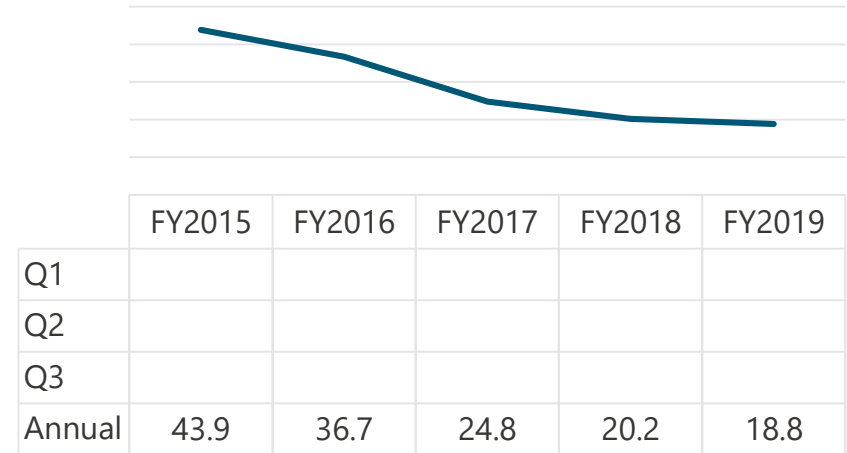
JPY



- 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

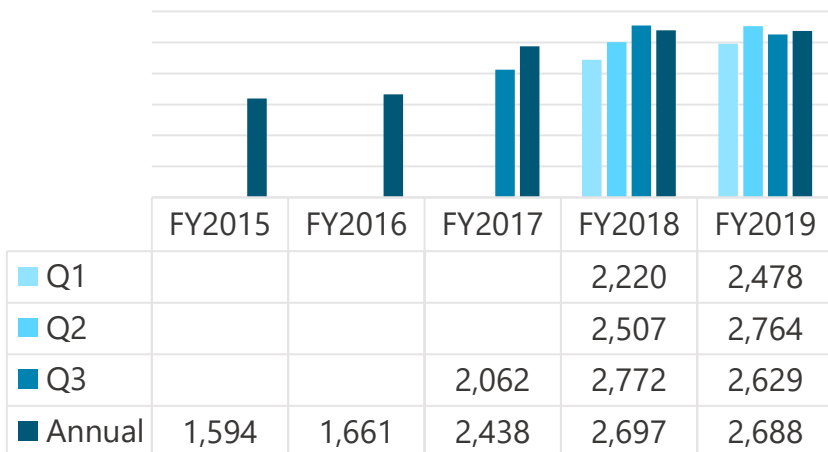
%



- This indicator is updated by annual year.

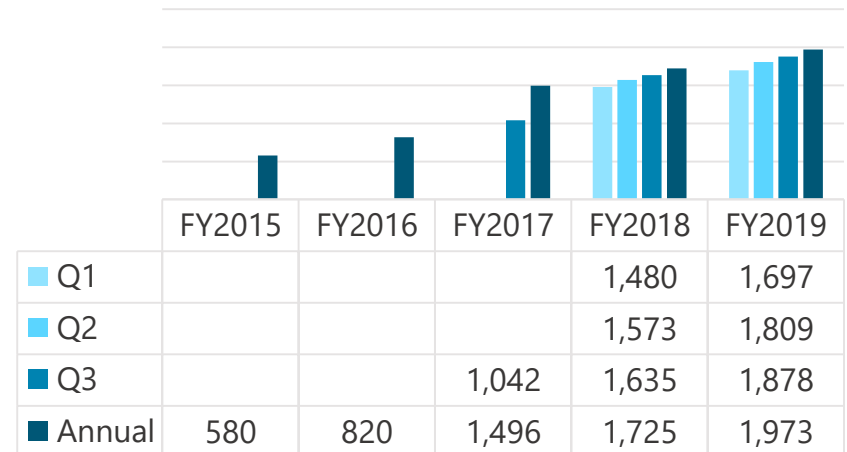
### Total assets

Millions of JPY



### Net assets

Millions of JPY



# 4) Performance trends -3-

### Capital adequacy ratio

%

	FY2015	FY2016	FY2017	FY2018	FY2019
Q1				66.7	68.5
Q2				62.8	65.4
Q3			50.5	59.0	71.4
Annual	36.4	49.3	61.4	64.0	73.4

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

### Net assets per share

JPY

	FY2015	FY2016	FY2017	FY2018	FY2019
Q1					
Q2					
Q3					
Annual	82.98	117.21	179.63	204.99	232.63

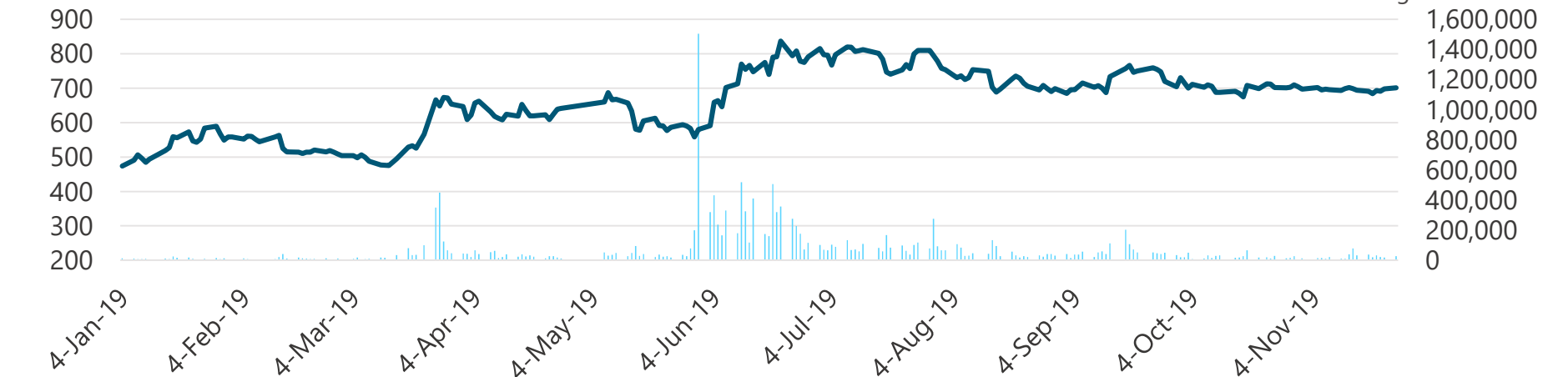
- After adjustment of 100 splits as of May 12, 2017, 2 splits as of April 1, 2018, and 2 splits as of January 1, 2019.
- This indicator is updated by annual year.

### Stock chart

Trading volume Closing price

Stock price : JPY

Trading volume: Share





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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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