

Needs Well Inc.

Financial Results

for the second quarter of fiscal year 2020
(October 2019 – March 2020)

May 14, 2020



NeedsWell
Try & Innovation



1. 2020/09 2Q Financial report summary



2. 2020/09 Forecast



3. Growth Strategy



4. Action plans of growth strategy



5. Reference

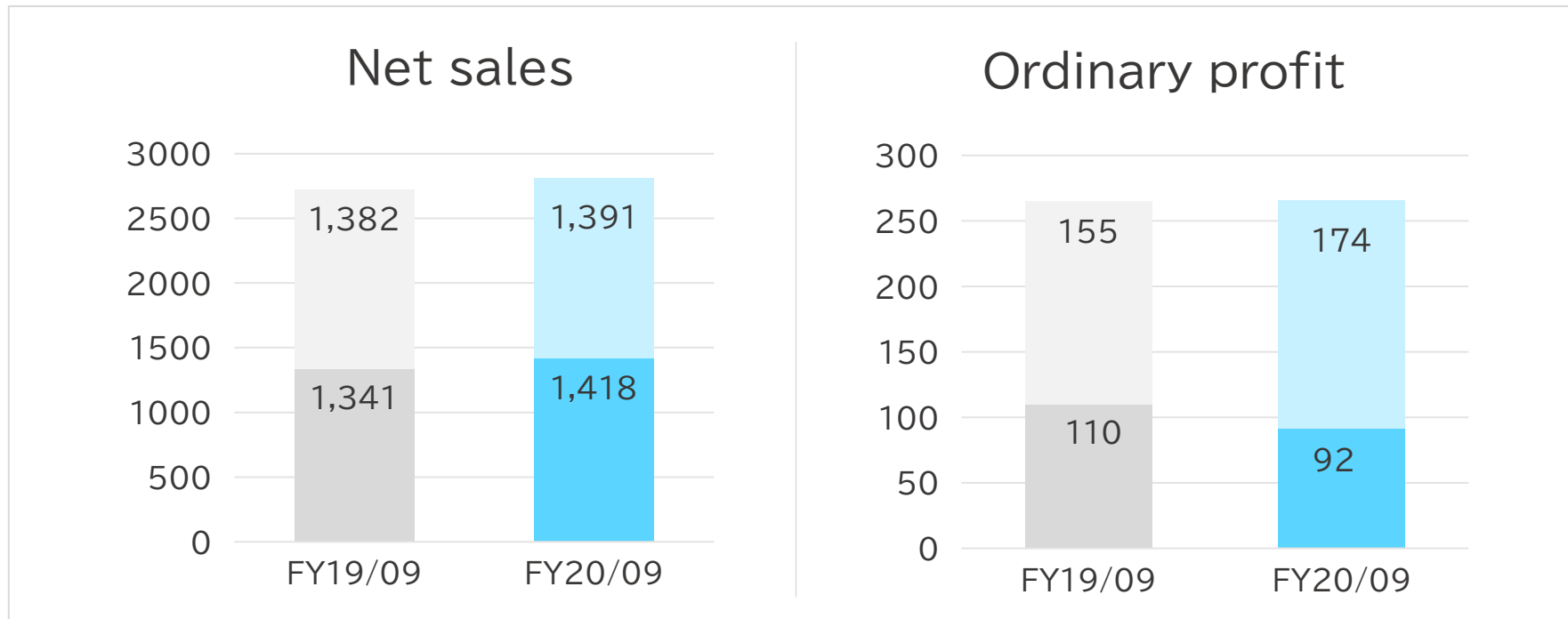
1) Summary

☆ Net Sales + 3.1% year on year

☆ Ordinary profit

Compensated onetime expense incurred by moving HQ and opening Nagasaki Development Center in 1Q. + 0.3% year on year

■ 1Q ■ 2Q (Unit: million yen)



2) Performance rate

2Q Actual · Performance rate · FY20 plan (Unit: million yen)

Net Sales 【Sales details】	2,809	46.8%	6,000
Business Systems SI	2,214	50.7%	4,364
Infrastructure services	273	44.7%	611
Embedded systems	167	37.8%	443
Solutions / Products etc.	154	26.7%	579
Operating Profit	267	48.7%	549
Ordinary Profit	267	48.6%	550
Profit	179	47.4%	379

Won new financial projects and expanded transactions with existing customers by securing personnel and training engineers.
+2.7% year on year

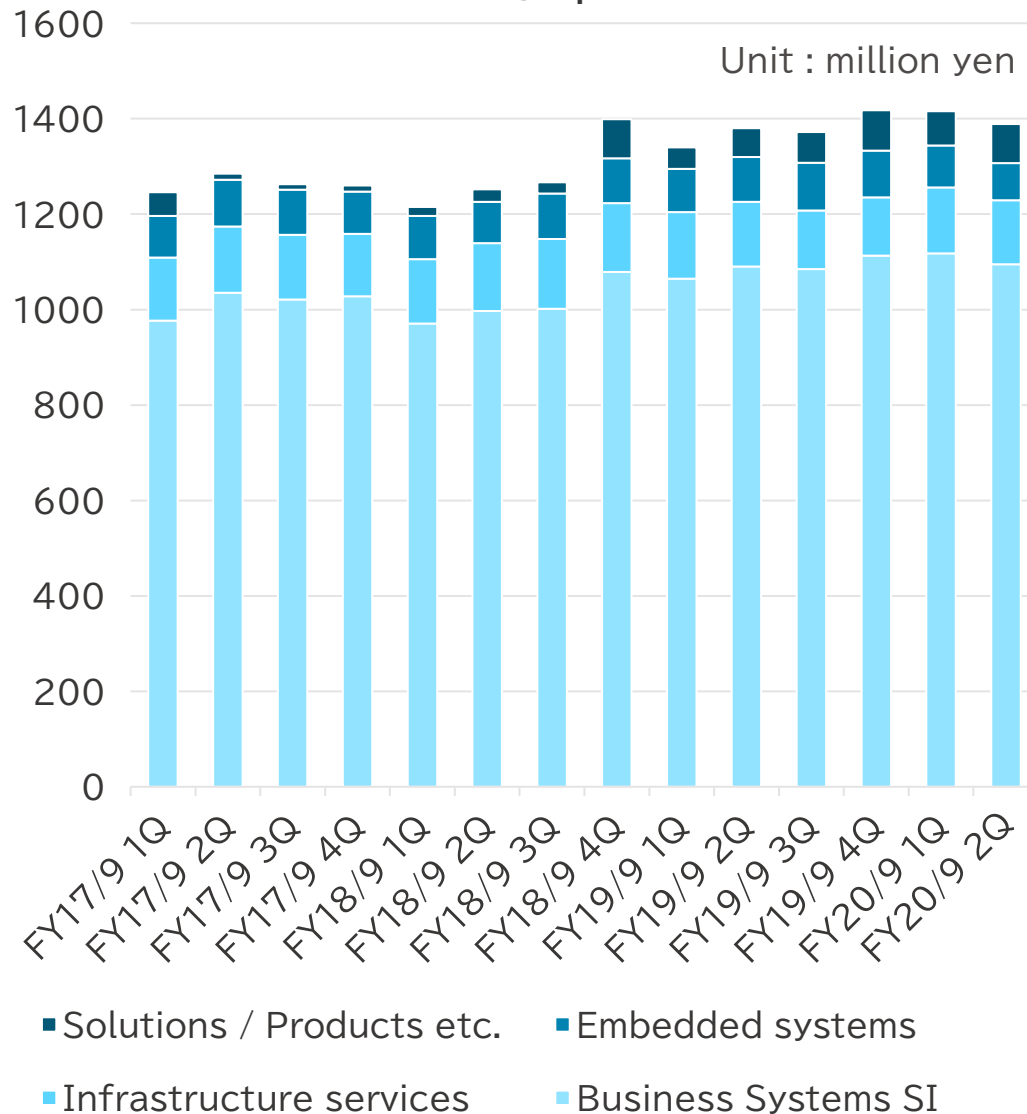
Aimed for total orders coordinated with business operation system development, but faced difficulty securing human resources.
-1.0% year on year

Although specialized in potential fields such as “automobile” and “medical device”, but faced difficulty securing human resources.
-10.1% year on year

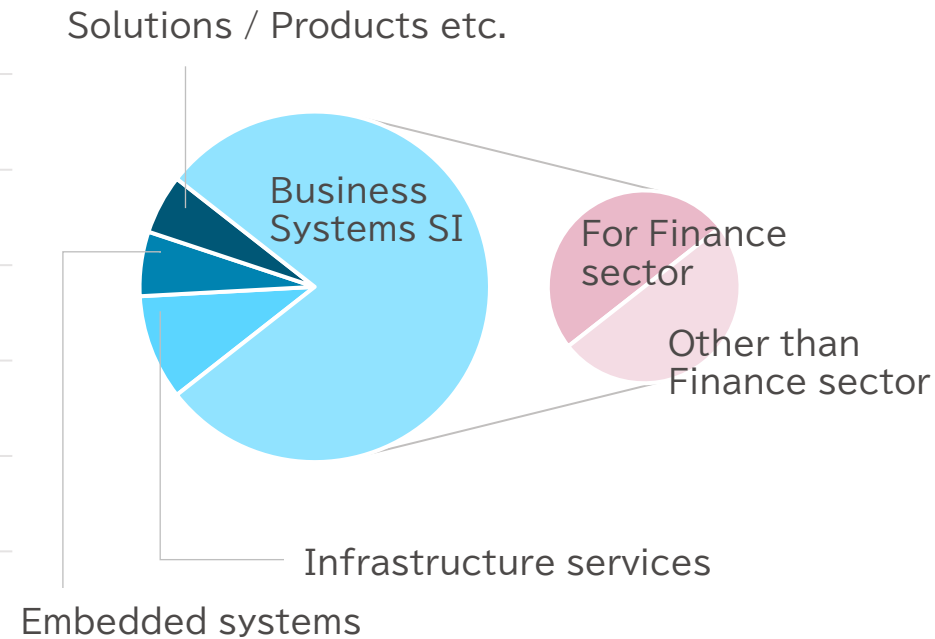
Expanded the products line up with ‘Information Security Solutions’ and ‘Operation Optimizing Solutions’ products. Highly acclaimed with various integration system provided by utilizing software development.
+45.7% year on year

3) Sales by the service lineup

Sales transition by service lineup

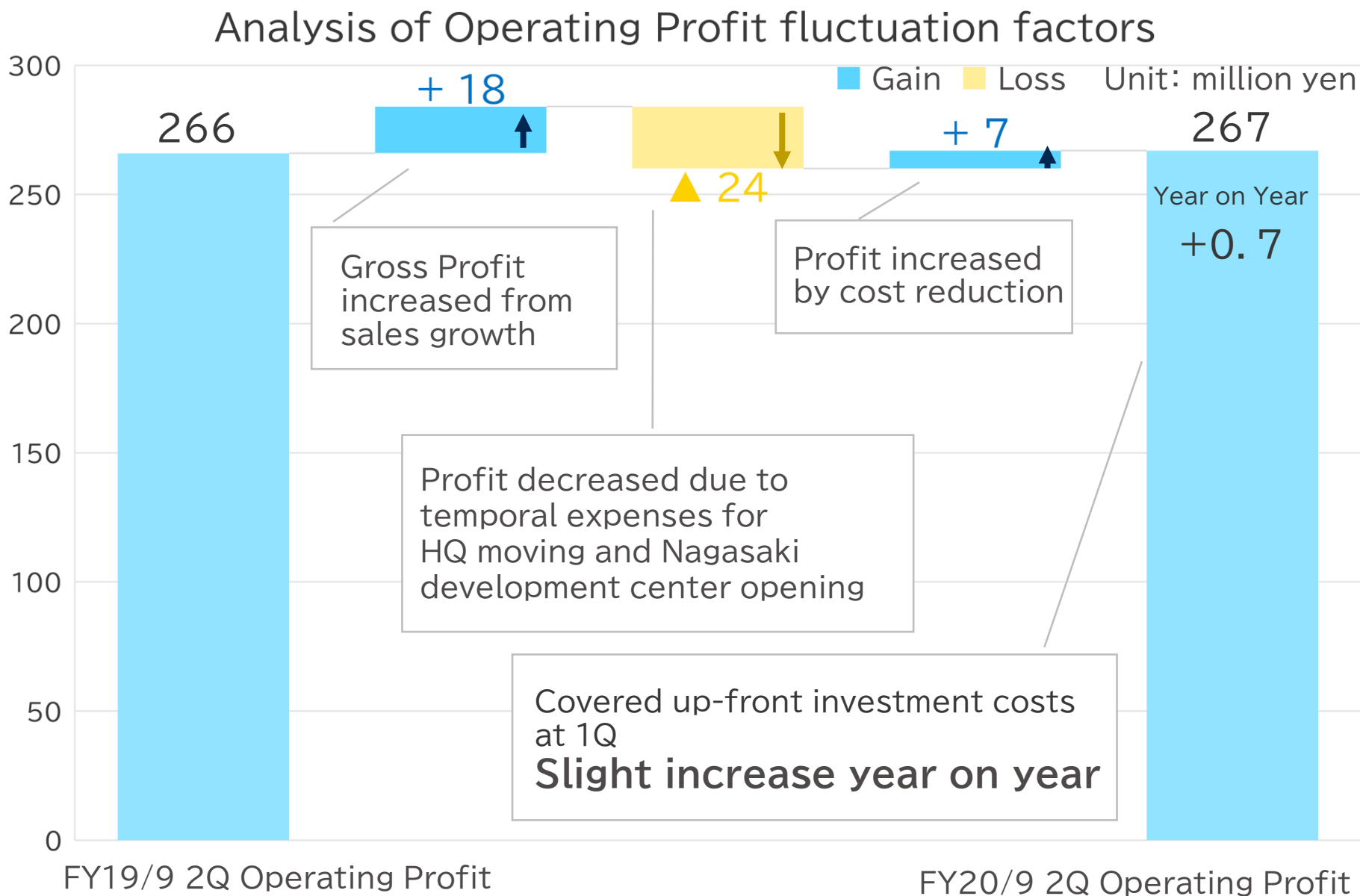


FY20/9 2Q
Sales by service lineup



- Approx. 50% of Business Systems SI are projects for finance sectors
- Especially going strong with life insurance /Non-life insurance

4) Analysis of operating profit fluctuation factors



5) Profit & loss results

Covered up-front investment costs on 1Q.
 Ordinary profit ratio increased +2.9pts year on year

Millions of JPY	FY19/9 2Q		FY20/9 2Q		
	Result	Net sales ratio	Result	Net sales ratio	Year on year
Net sales	2,724	-	2,809	-	103.1%
Business systems SI	2,155	79.1%	2,214	78.8%	102.7%
Infrastructure services	276	10.1%	273	9.7%	99.0%
Embedded systems	186	6.8%	167	6.0%	89.9%
Solutions / Products etc.	106	3.9%	154	5.5%	145.7%
Gross profit	634	23.3%	653	23.3%	103.0%
SG&A expenses	368	13.5%	386	13.7%	104.9%
Temporary cost	0	0.0%	24	0.9%	—
Others	368	13.5%	361	12.9%	98.1%
Operating profit	266	9.8%	267	9.5%	100.3%
Non-operating profit	0	0.0%	0	0.0%	352.4%
Non-operating expenses	0	0.0%	0	0.0%	55.7%
Ordinary profit	266	9.8%	267	9.5%	100.3%
Profit	185	6.8%	179	6.4%	96.8%

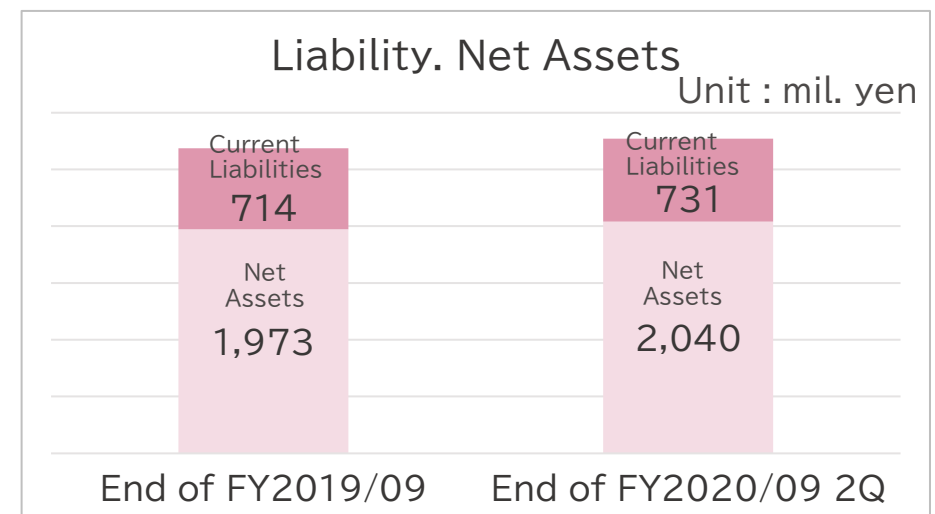
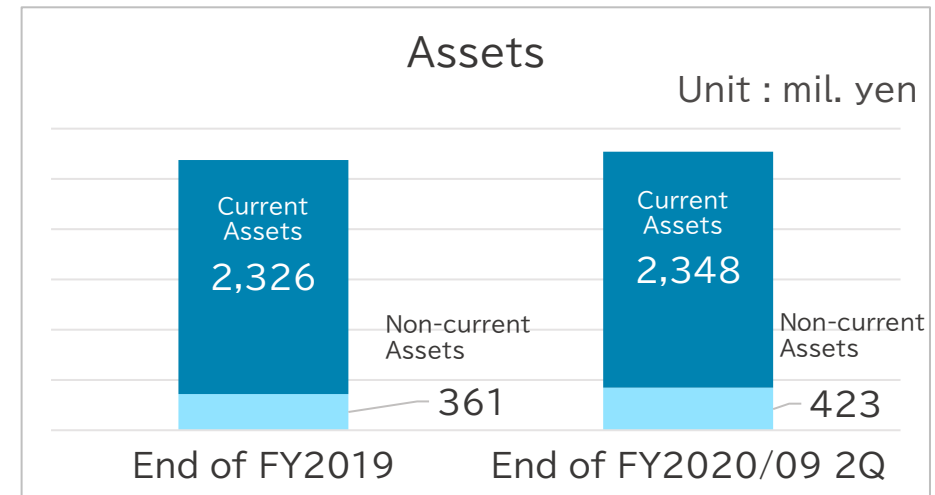
6) Balance sheet results

Millions of JPY	As of	As of	
	Sep 30,2019	Mar 31,2020	Year on Year
	Result	Result	
Assets			
Cash and deposits			
Accounts receivable	705	766	60
Total current assets	2,326	2,348	21
Software	65	58	-7
Investment securities	0	52	52
Deferred tax assets	102	100	-1
Leasehold and guarantee deposits	85	86	1
Insurance funds	76	76	0
Total non-current assets	361	423	62
Total assets	2,688	2,771	83
Liabilities			
Accounts payable	146	136	-9
Payable	128	119	-8
Income taxes payable	100	98	-2
Provision for bonuses	241	258	16
Total current liabilities	714	731	16
Total non-current liabilities	0	0	0
Total liabilities	714	731	16
Net assets			
Share capital	414	414	0
Legal capital surplus	270	270	0
Retained earnings brought forward	1,287	1,353	65
Total net assets	1,973	2,040	66
Total liabilities and net assets	2,688	2,771	83

Continuous stable financial structure



Equity Ratio at **73.6%**
0.2pts increase vs previous FY





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3. Growth Strategy



4. Action plans of growth strategy

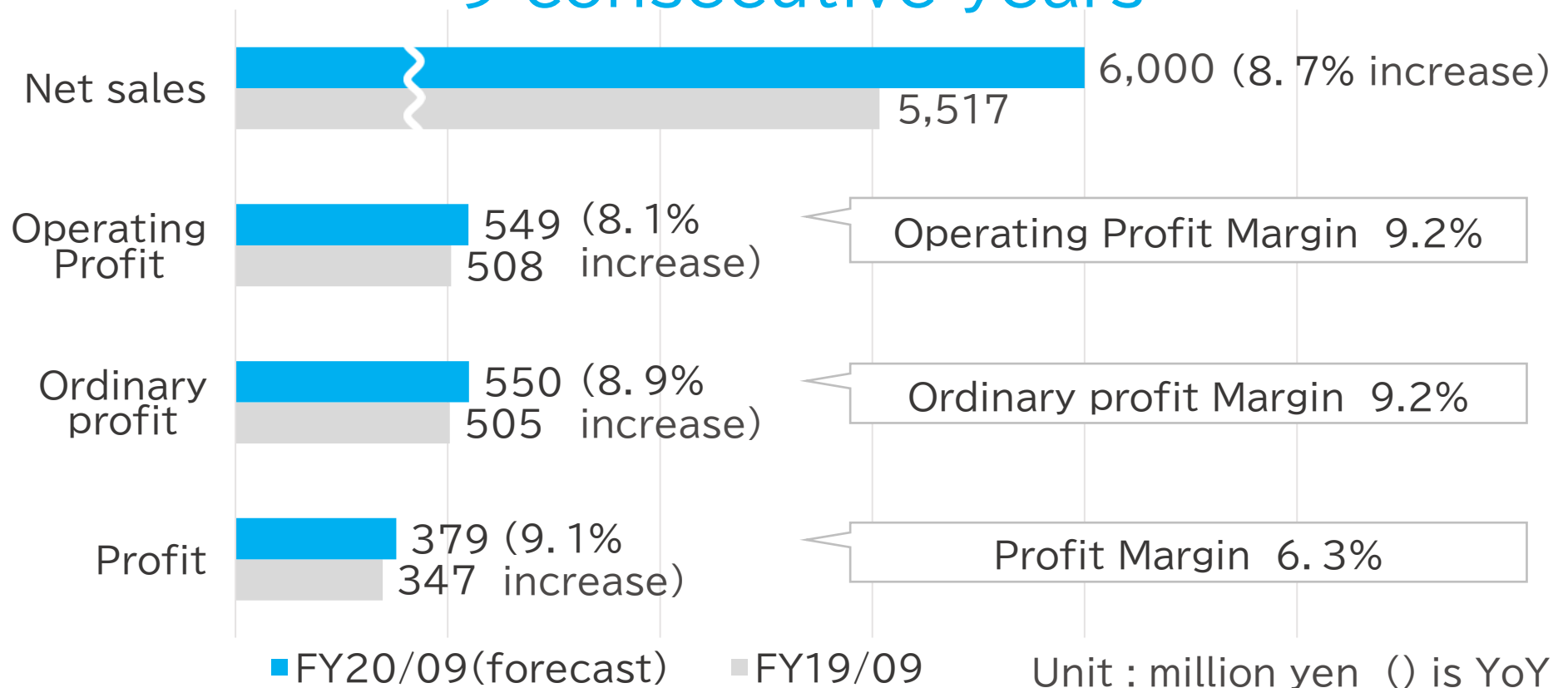


5. Reference

1) Forecast

It's too early to assess the full impact of the COVID-19 at this time and we don't change the annual forecast of FY 2020.

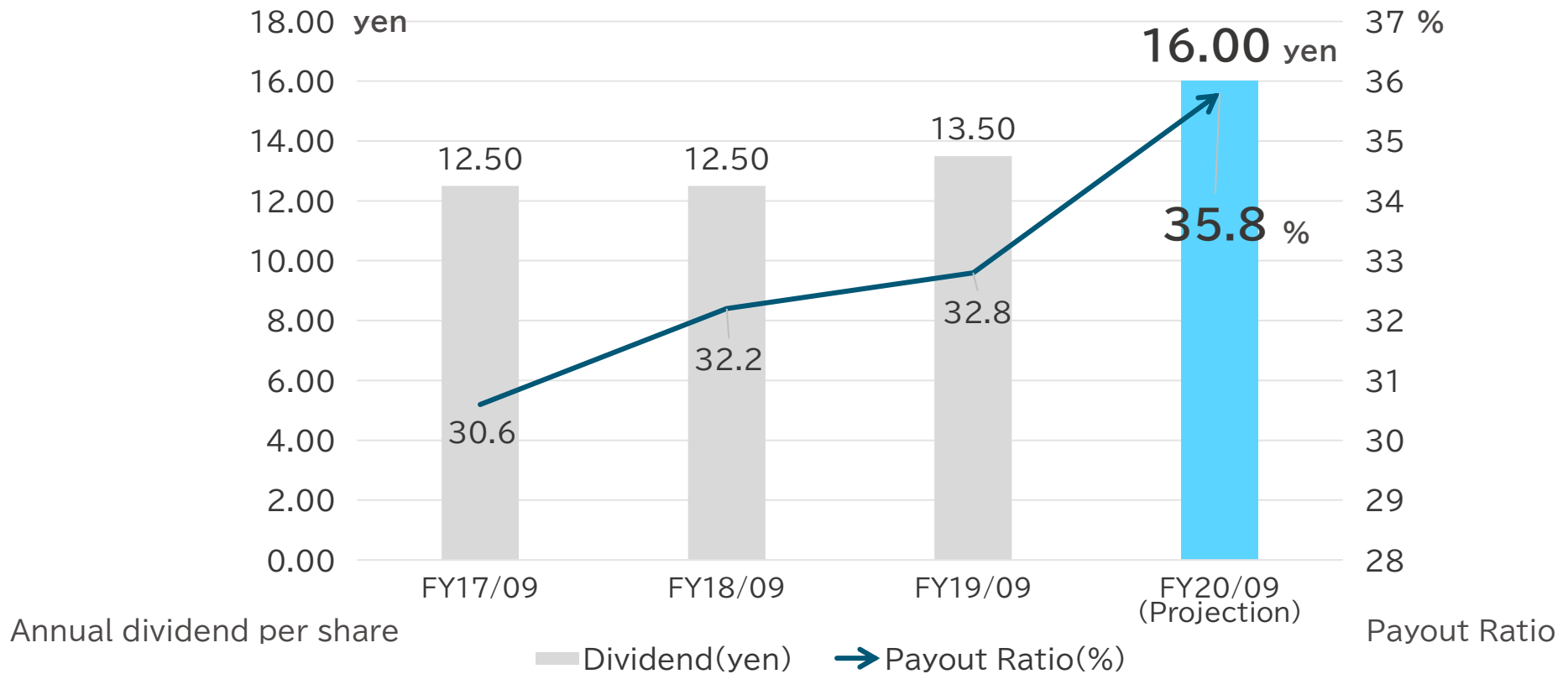
Projecting increase in sales and earnings for 9 consecutive years



2) Dividends and shareholder returns

Expecting dividend per share as **16.00** yen which is 2.50 yen more than the previous year

Annual dividend forecast **16.00 yen**/per share Payout ratio **35.8%**



The company conducted stock split on 12th May 2017 at a ratio of 100 shares per share, the company conducted stock split on 1st April 2018 at a ratio of 2 shares per share, the company conducted stock split on 1st January 2019 at a ratio of 2 shares per share. The past annual dividend per share has been adjusted for any stock splits retrospectively.



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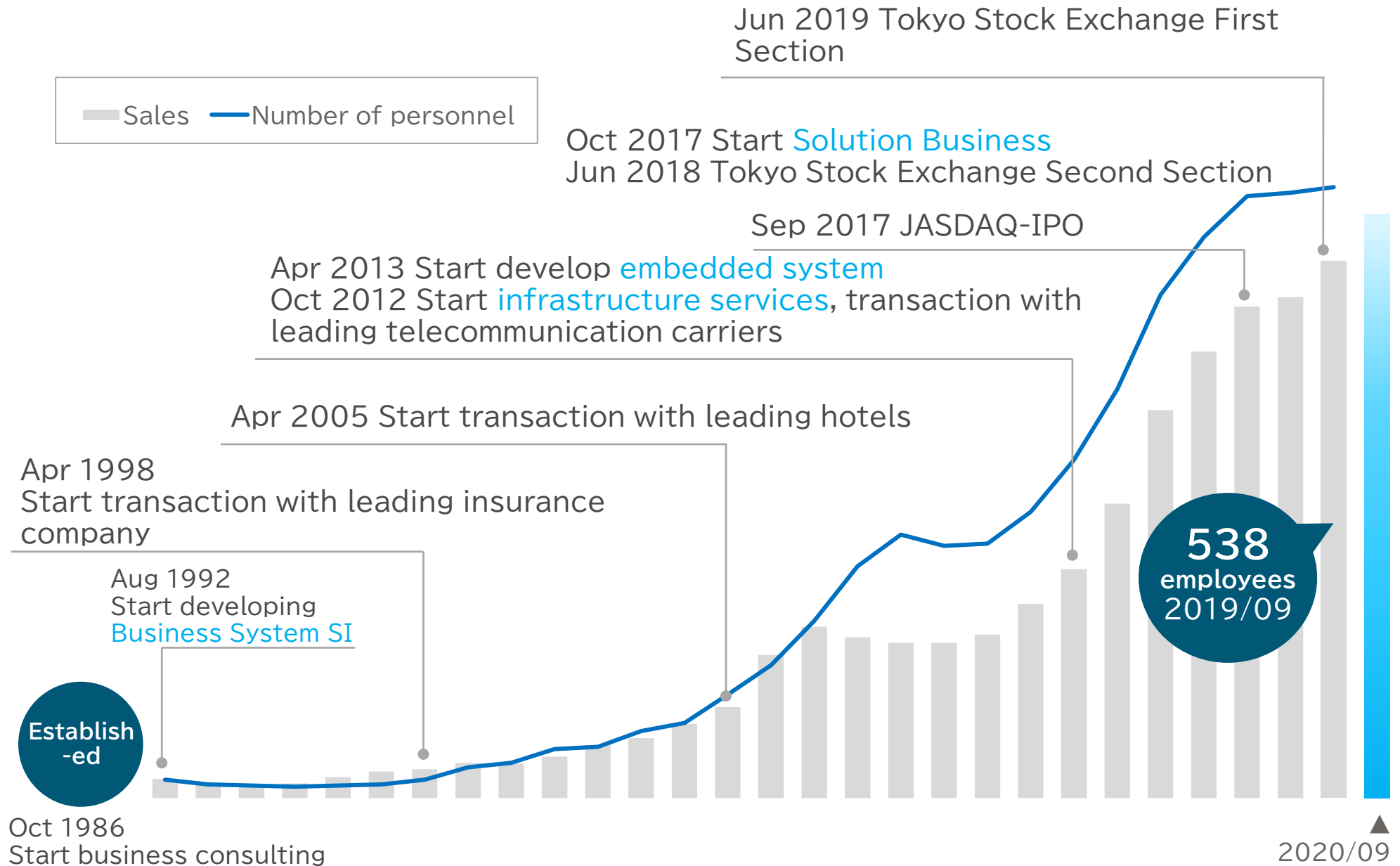
1) Management philosophy

Extensive Contribution to the Society



Night view from Mt.Inasa, Nagasaki

2) Our growth track



3) Fundamental policy

Transformation of business style

from personnel dispatching to

System integration

4) Target

“2010 Growth”

Sales Growth Ratio 20%
Ordinary Profit Margin 10%

“2510 Management Structure”

Gross Profit Rate 25%
SG&A Rate 10%



2019/09



Personnel Dispatching Business >>> System Integration Business

5) Our strength

Source of our strength

- 3 superiorities with industry and technical knowledge

① High level of finance system SI ability

50% of sales of our main business system development are for finance sector.
We have successfully achieved a number of system development projects in insurance, bank, and credit card companies.

② More than 50% of direct sales ratio

More than 50% of sales are direct sales with end-user such as life insurance companies / leading hotels / telecommunication carriers.



NeedsWell
Try & Innovation

③ High level of proposals / ability to provide solutions

We provide the most suitable solution service for the customers' business purposes such as 5G, AI, RPA, Remote work, etc.

High quality system development

Knowledge that accumulated with more than 20 years of system development experiences.

Wide range of business field / technical experiences

More than 300 company trade records

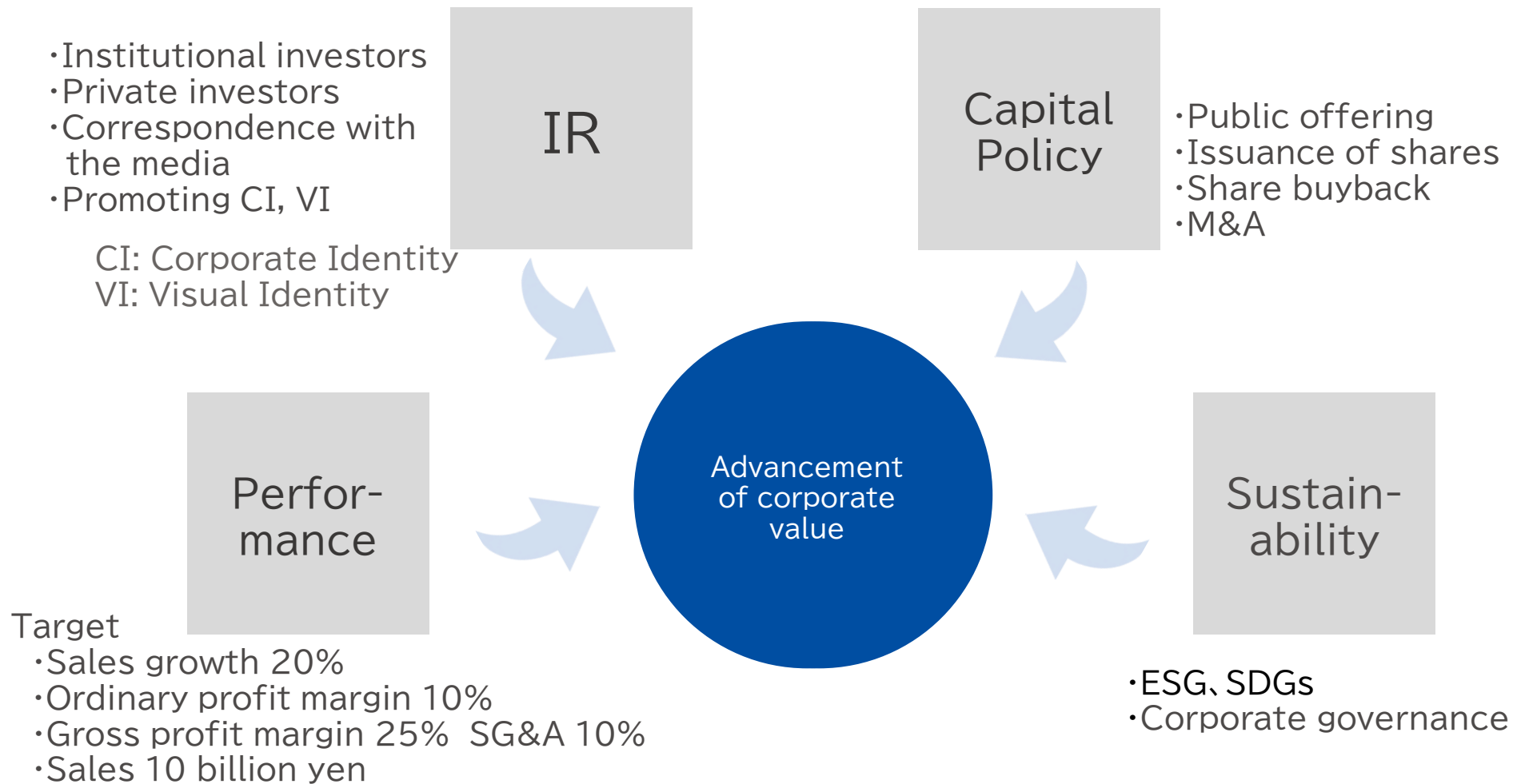
6) Growth strategy

6 Key Focus Points

- 1 Improvement of corporate value
- 2 Establishment of business foundation
- 3 Expansion of solution business
- 4 Increase in direct sales with end users
- 5 Launching of AI business
- 6 Establishment of nearshore development

6) Growth strategy – 1. Improvement of corporate value ①

Pursuing advancement of corporate value from various approach



Aggressively pursue alliances and acquisitions to leverage our strength

Policy

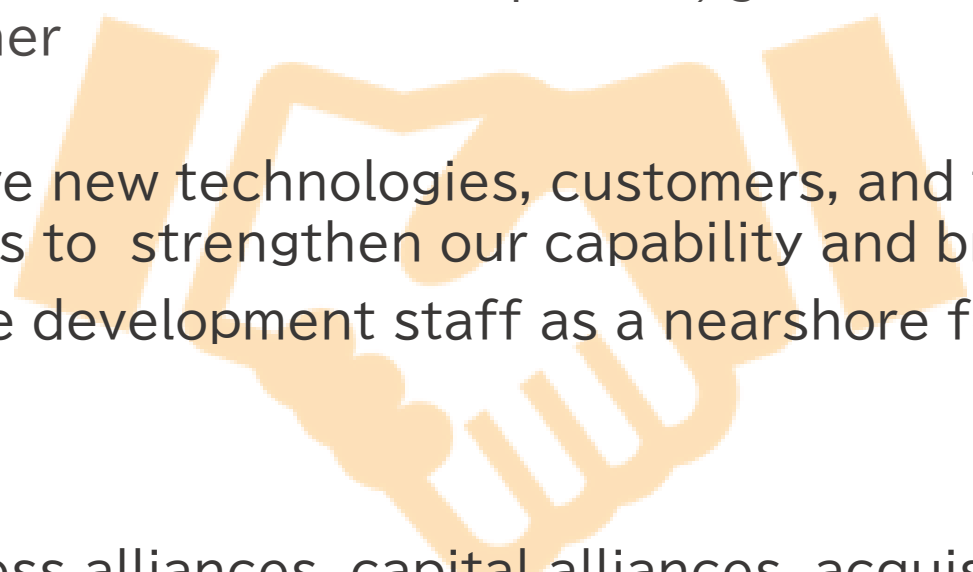
- + Actively pursue alliances and M&A with high synergies to increase corporate value and expand business performance
- + Collaborate with counter parties, grow and prosper together

Purpose

- + Acquire new technologies, customers, and trade regions to strengthen our capability and brands
- + Secure development staff as a nearshore foothold

Scheme

- + Business alliances, capital alliances, acquisitions, etc.



6) Growth strategy – 2. Establishment of business foundation

Establish business foundation
that supports continuing growth.



Business Systems SI

- Accumulate **financial business knowledge**
- Develop **highly skilled technician** who could participate in upstream process



Expanding
of financial
field



Infrastructure services

- Coordination** with Business Systems SI



Winning
orders for
large scale



Embedded systems

- Specialized in **automobile** and **medical equipment**



Winning
orders for
specialized
field

Best Solutions for Customers

Solutions for securing information

Information security measures that will become more important with arrival of 5G and Remote work

NW Security Police

VOTIRO
SECURED.

Disarmer

Symantec
Web Isolation

MobiControl

Solutions for efficient operation

Promote work style reforming and eliminate labour shortages by utilizing IPA (AI x RPA). Automates routine work and streamlines telework

WINACTOR

CONCUR

ホットプロファイル

Solutions utilizing AI

Assist for the DX(Digital Transformation) by AI technology

Work AI

Speak Analyzer
powered by UpSighter

DX Suite
Leading the Digital.

Stabilizing orders and revenue improvement

Maintain and expand over 50% of end-user ratio

① Maintain and expand existing users

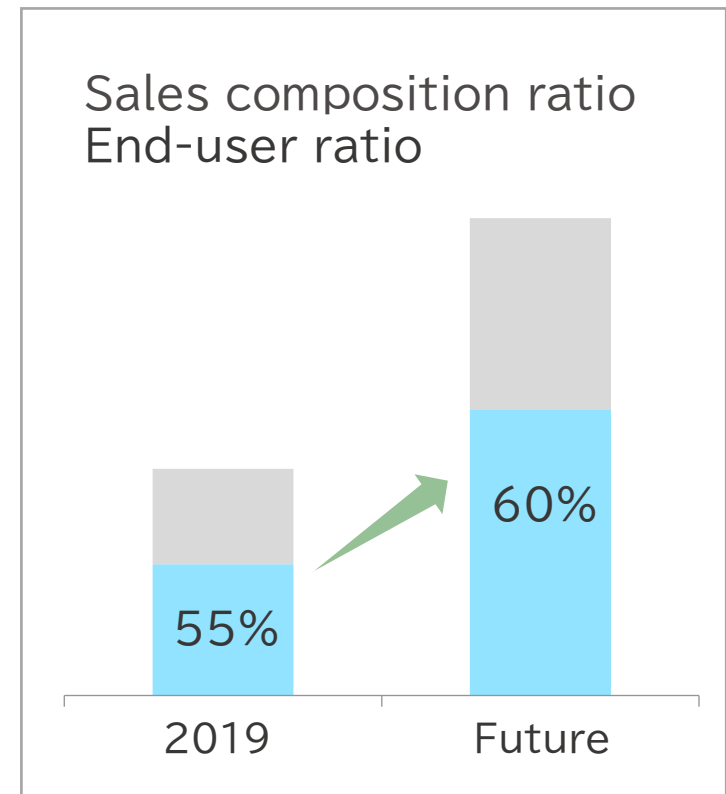
- Securing of repeat customers
- To develop highly skilled engineers and expand the scope of their own field of work
- Develop into work fields outside of their own field

② Cultivation of new users

- Cross expansion by introducing development experiences and business knowledge

③ Expanding solution business

- Focusing on solution business that is high in sales ratio to the end-users



5. Launching of AI business

We develop an original brand for our AI solutions which assist the DX(Digital Transformation), named ‘Work AI’ .



- For finance sector
- For public infrastructure
- For manufacturing industry
- For distribution service
- For telecommunications
- For other industry

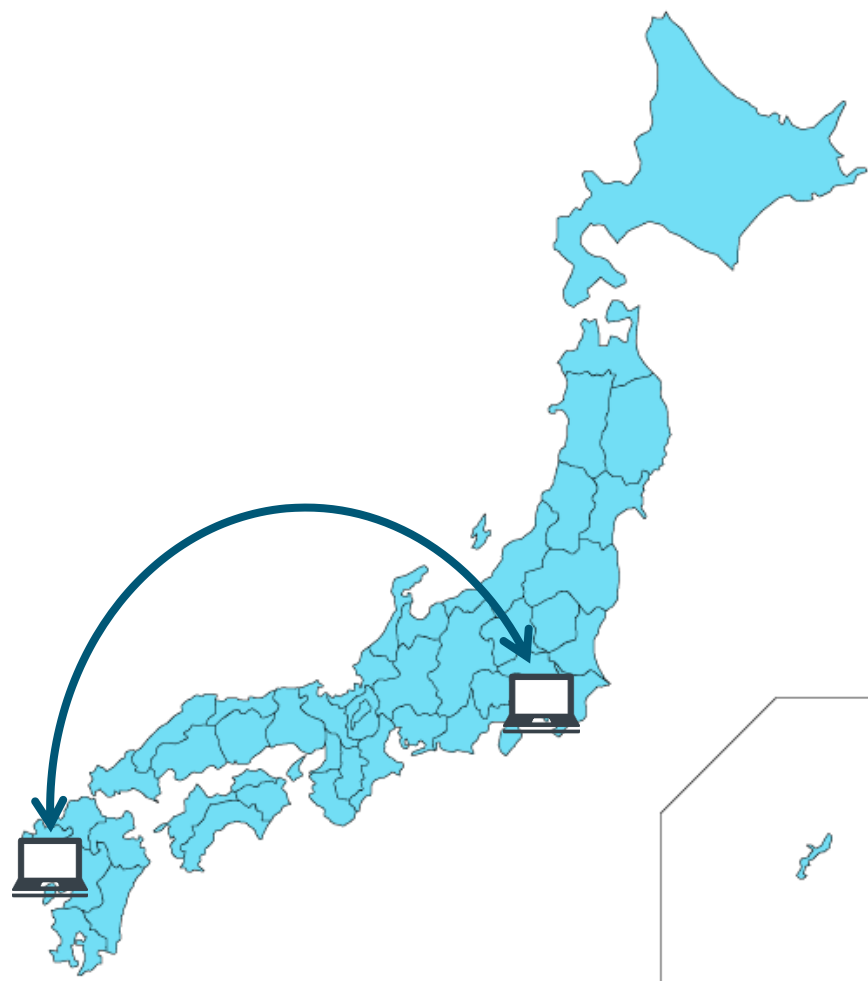


First solution of Work AI (sales start on April 9, 2020).

Speak Analyzer analyzes and evaluates for business talk of sales staffs, operators of call-center, and so on. Compare to the best talk model and clarify the user’s issues. Easy to use in telework. A model that can analyze facial expressions and emotions will be developed.

Opened Nagasaki Development Center in Oct 2019

Target **100staff** by September 2024



Promote hiring newly grads/
U-turn hiring in Nagasaki, and
acquire highly competent
personnel who want to be
employed locally



Overcome lost opportunity
from lack of personnel by near
shore development



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1) Human resource development



Promoting work style reformation, increase skills and motivation
Utilize various system and tools to develop human resource

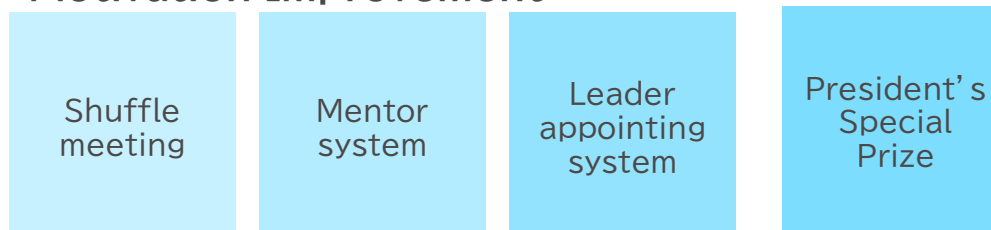
Work style reformation



Skill improvement



Motivation Improvement



2) ESG/SDGs①

To realize management philosophy
 “Continue to contribute extensively for economic community”.
 We are initiating for sustainable society with ESG·SDGs committee.



Sport promotion support.

Concluded sponsor support agreement with **V·Varen Nagasaki** of Succor J League. Supporting the promotion of sports culture and revitalization of local community.



IT Education·IT Promotion by utilizing AI

We hold an **AI experience seminar** for students with a program to experience the appeal of AI

Provincial generating project support

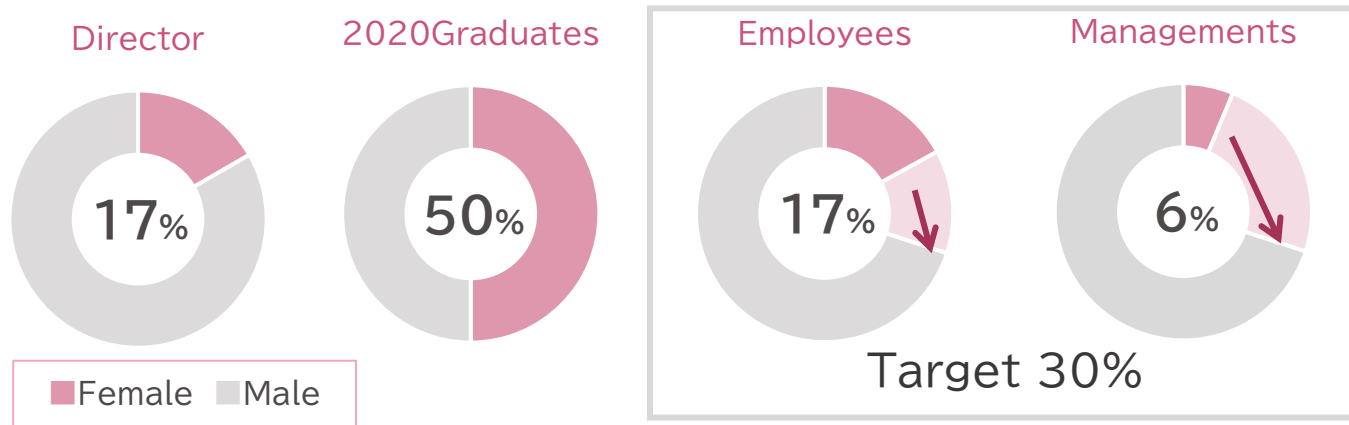
We are supporting Nagasaki province generating project “**Human resource development for young people who support the future of region**”

2) ESG/SDGs②



Promoting diversity·gender equality

We are aiming for 30% female employees and managers ratio.



★ In April 2020, We made a voluntary declaration for the active participation of women at the Nagasaki Women’s Promotion Council.



Reducing electricity·paper usage

Nominate ESG committee member from each division, and educate·build ecology awareness within the company

- Energy saving activity
- Digitalizing internal documents and workflow etc.

2) ESG/SDGs③



Promote cooperation with partners

Promote cooperation with partners and aim to establish structure to develop together for many years to come

- Core partners system
- Opening of partners meeting etc.

★ In March 2020, we signed a core partner agreement with Meiji Yasuda Life Insurance Company, Meiji Yasuda System Technology Co., Ltd., for the purpose of building a strong future partner relationship and maintaining long-term development engineers.



Establish governance structure with high transparency

To establish corporate structure with more transparency and fair, we are constantly implementing self-evaluation and reviewing of governance structure

- Reviewing of effectiveness of Board of Directors
- Reviewing of advisory committee etc.



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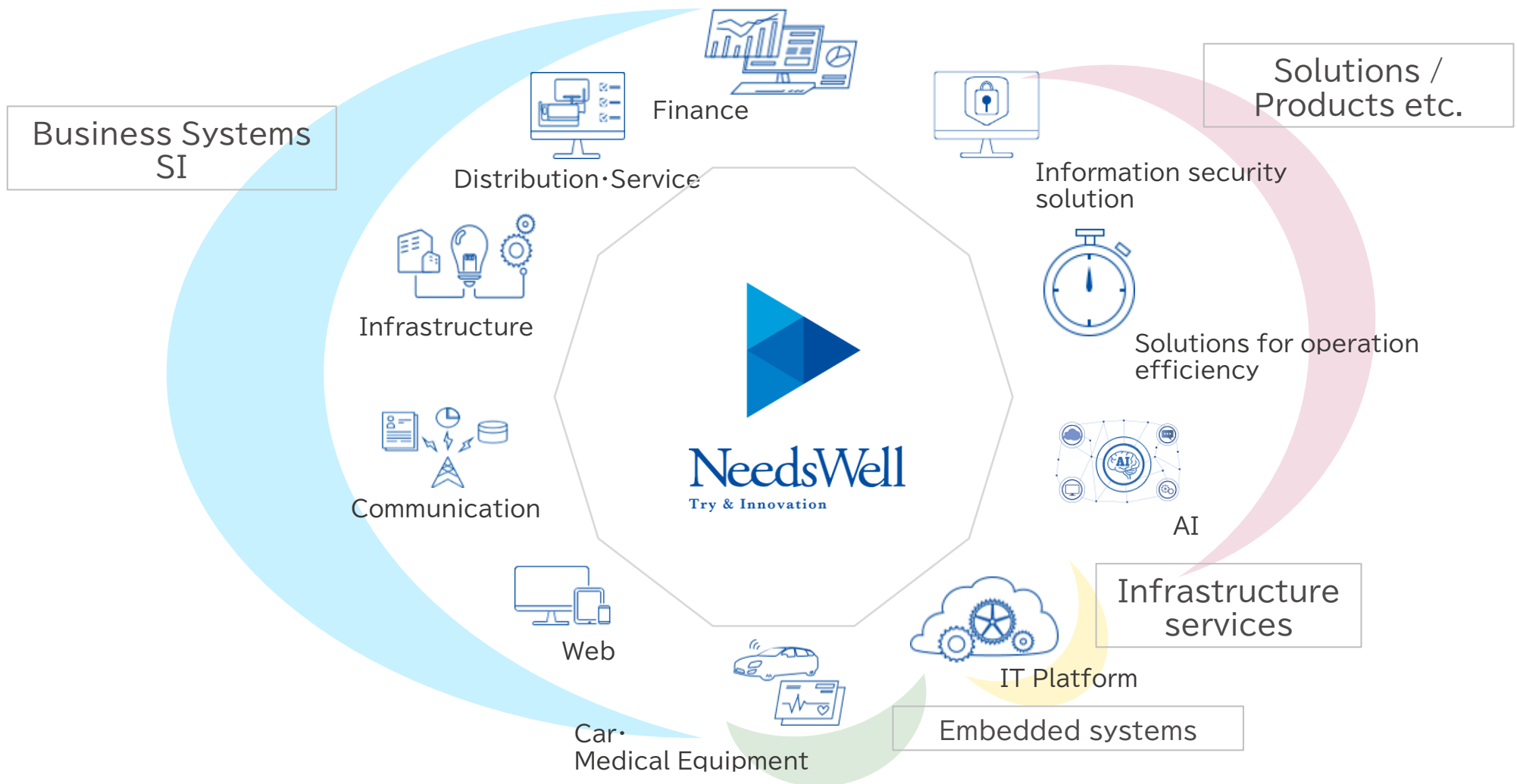
1) Company profile

* As of September 30, 2019

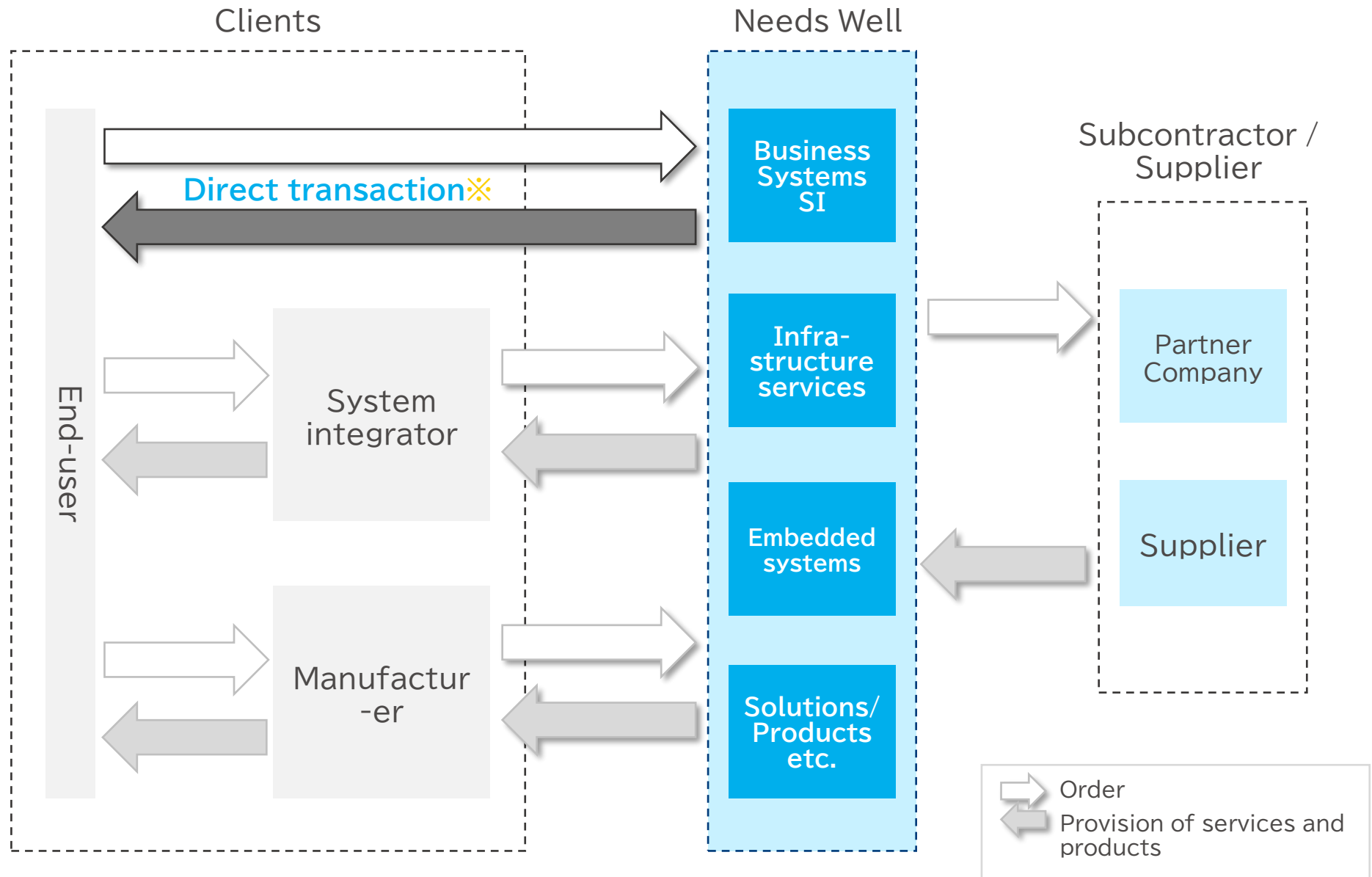
Company Name	Needs Well Inc.		
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan		
Office	- Shinjuku Office : 5F, South Tower, 13-15 Tomihisa-cho, Shinjuku-ku, Tokyo, 162-0067 Japan - Nagasaki Office: 5F, Meijiyasudaseimei Nagasakikozenmachi building, 2-21 Kozen-machi,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

2) Business scope

Needs Well provides total IT services with four services focused on the **Business Systems SI** for **finance sector**.

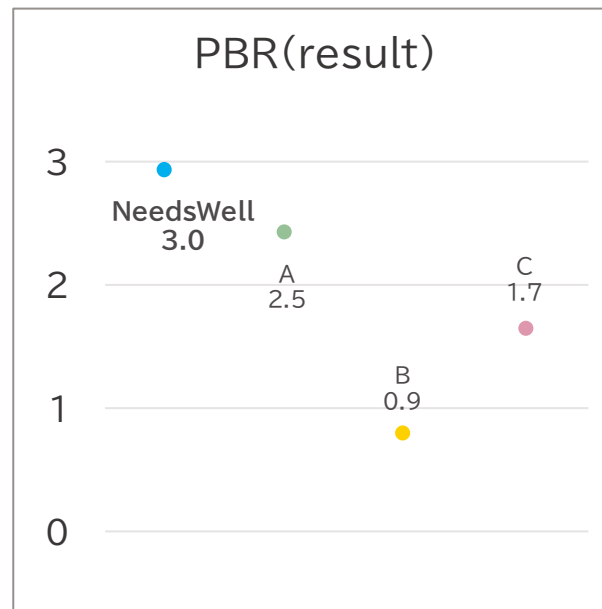
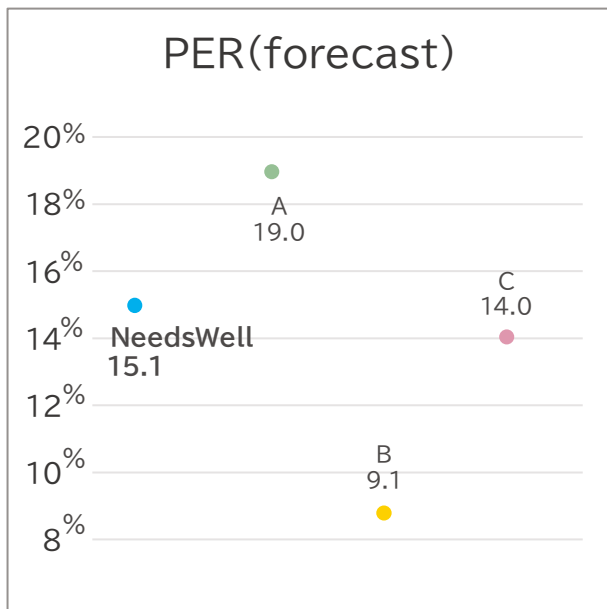
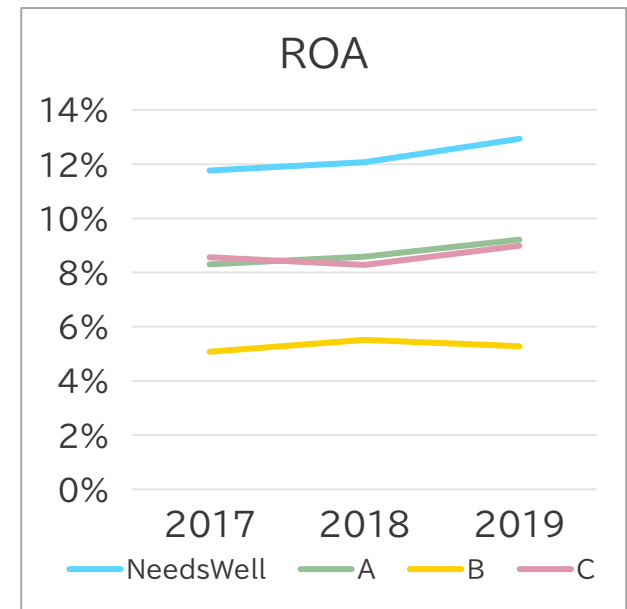
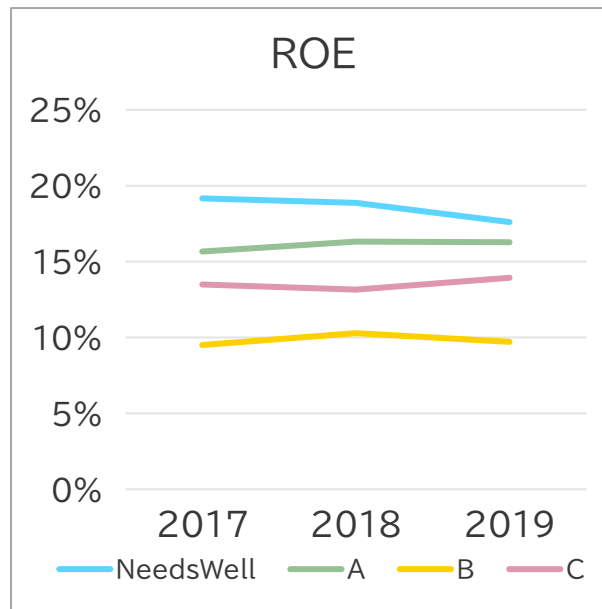
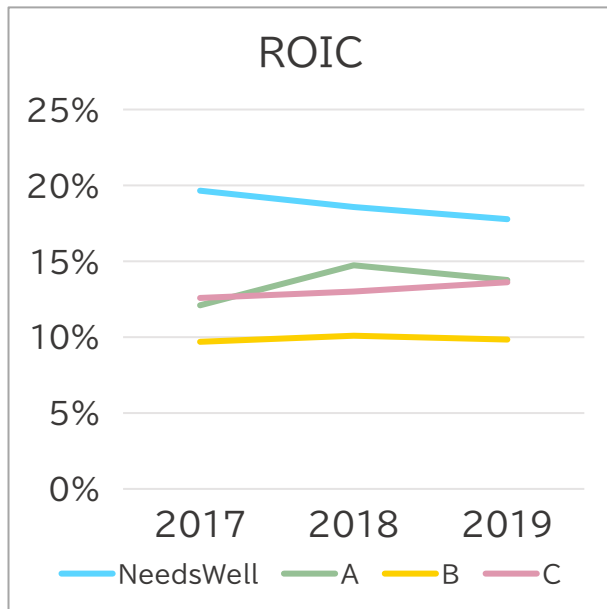


3) Business system diagram



※High level of direct transactions with **End users**.
For 55% of transactions.

4) Comparison between industry peers



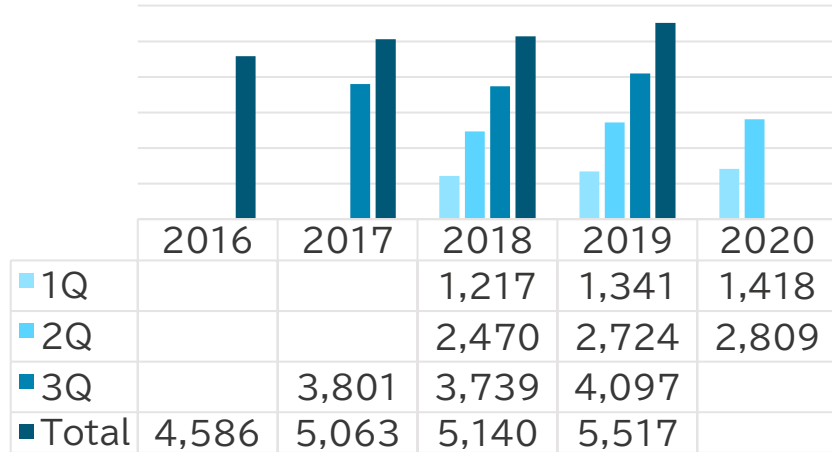
■ Comparison by selecting companies that conducts business operation similar and similar market capitalization from information and communication sector

■ PER and PBR calculated on the basis of the closing price of May 12, 2020

5) Business results ①

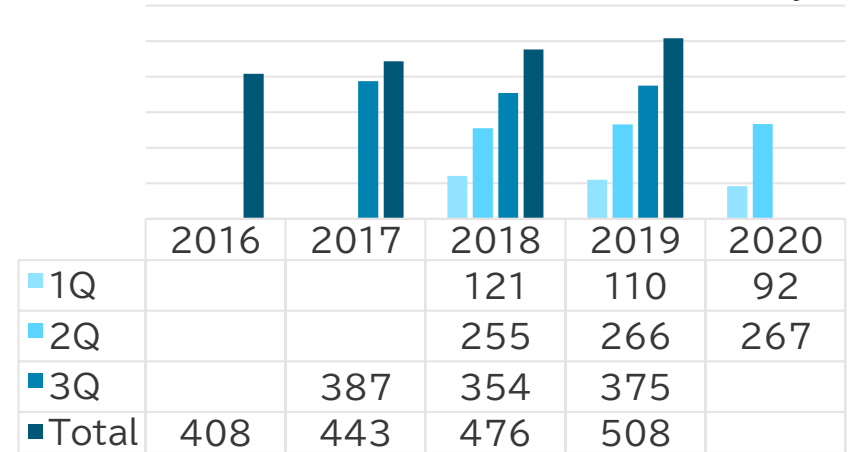
Net sales

Unit : million yen



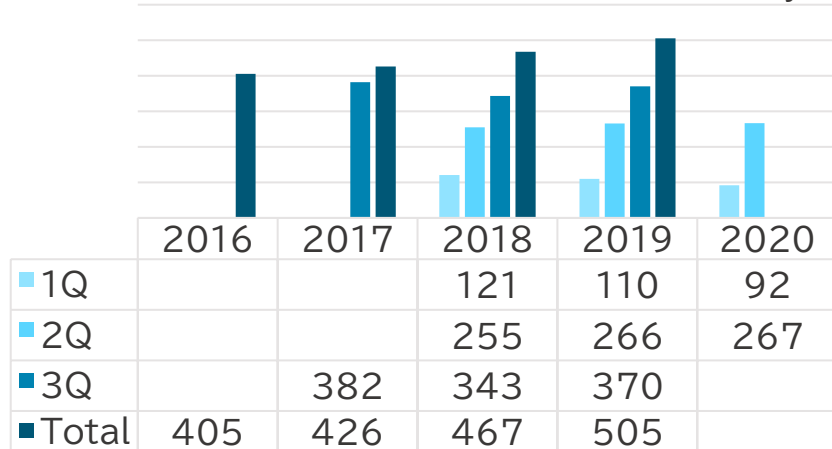
Operating profit

Unit : million yen



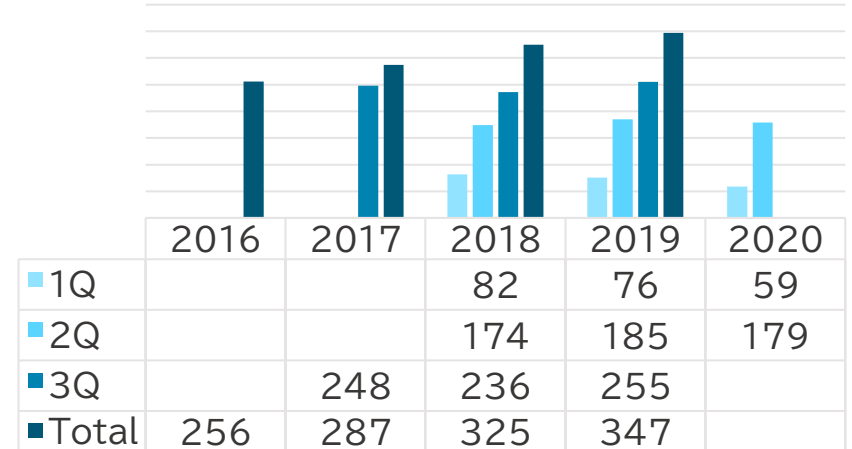
Ordinary profit

Unit : million yen



Profit

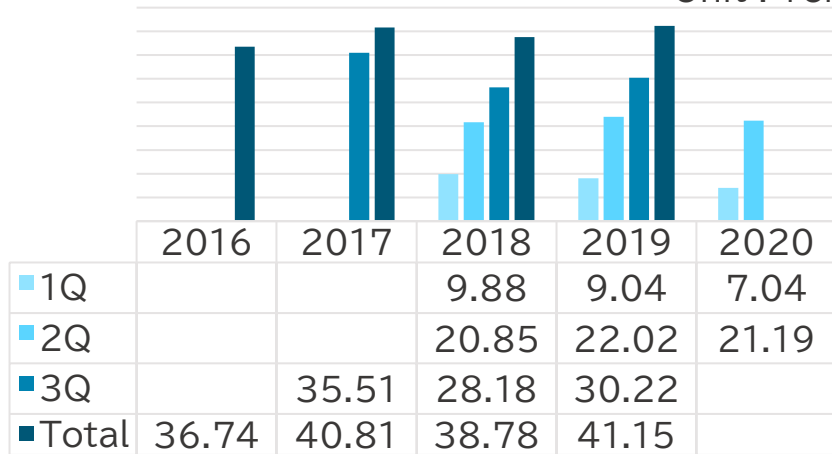
Unit : million yen



5) Business results ②

Profit per share

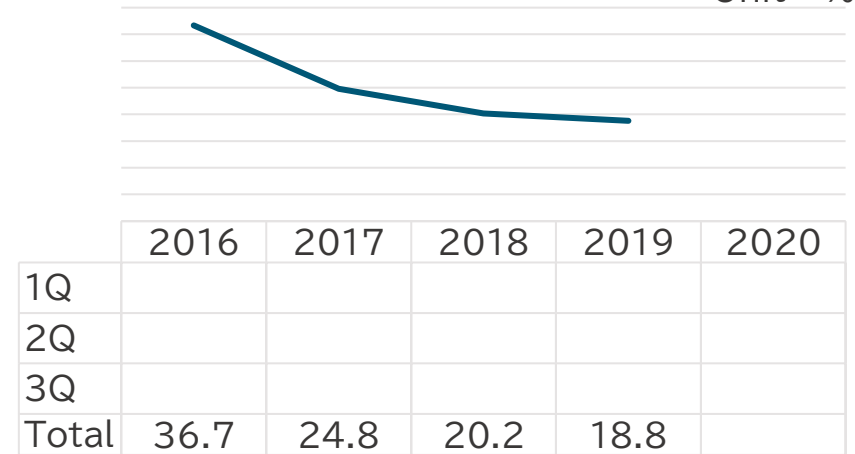
Unit : Yen



* 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

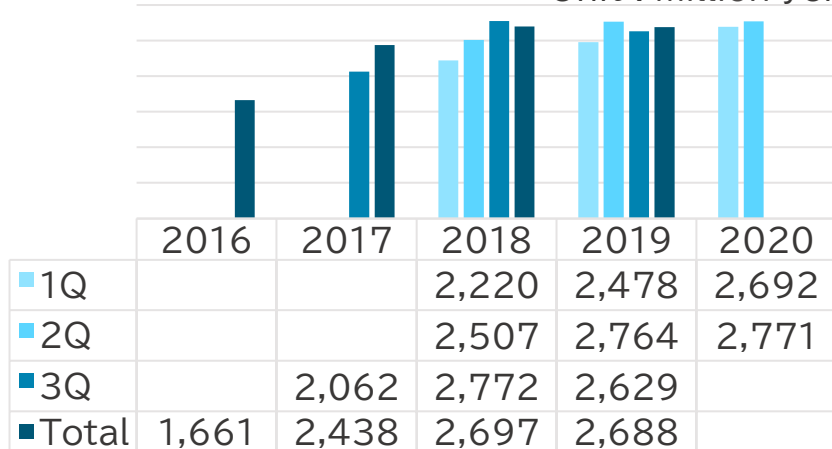
Unit : %



* This index is updated every year

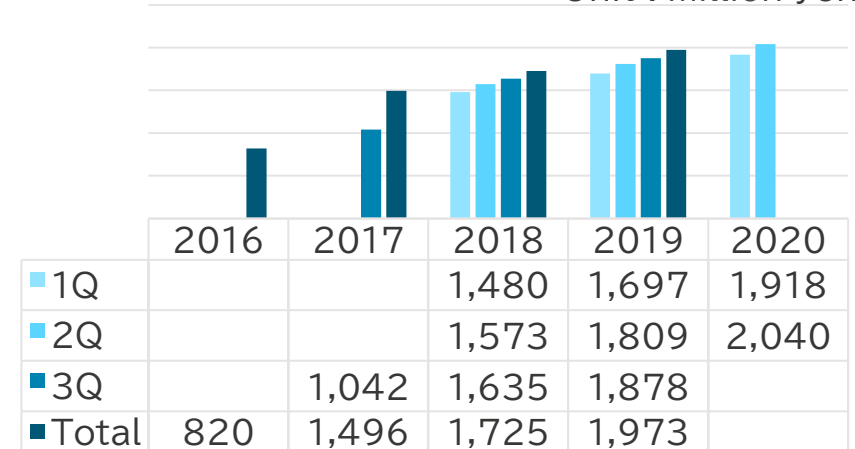
Total assets

Unit : million yen



Net assets

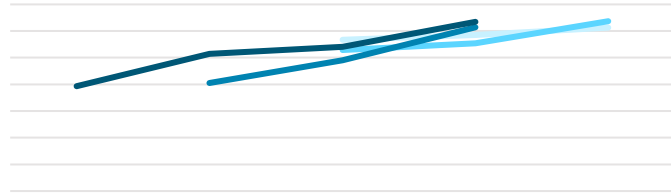
Unit : million yen



5) Business results ③

Capital adequacy ratio

Unit : %

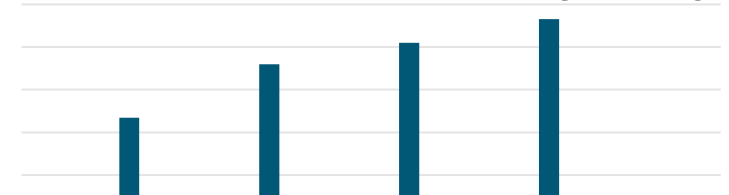


	2016	2017	2018	2019	2020
1Q			66.7	68.5	71.3
2Q			62.8	65.4	73.6
3Q		50.5	59.0	71.4	
Total	49.3	61.4	64.0	73.4	

- * 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	

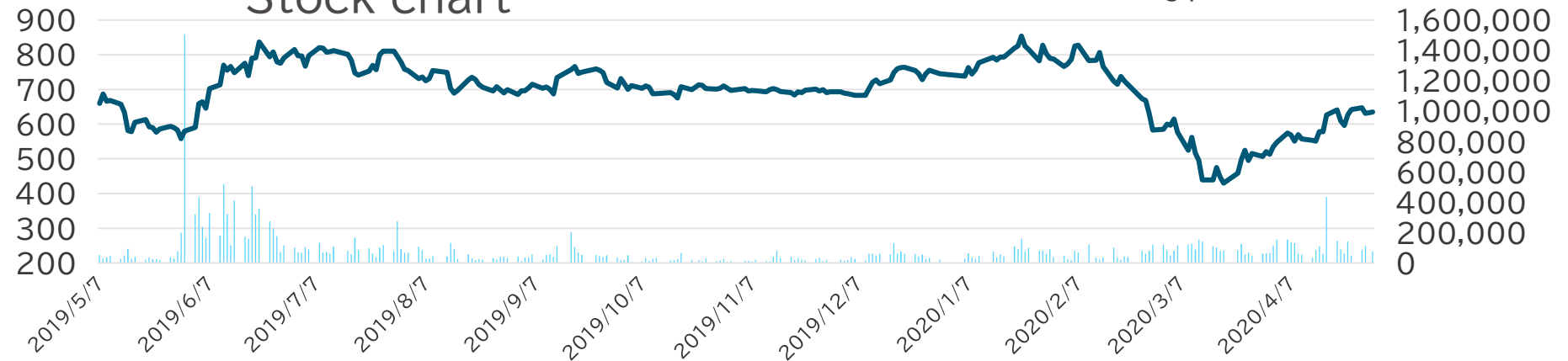
- * Figures are after split adjusted as of May 12, 2017 ratio of 100 shares per share, as of Apr 1, 2018 ratio of 2 shares per share, as of Jan 1, 2019 ratio of 2 shares per share.
- * This index is updated every year

stock price:yen

Stock chart

■ volume ■ closing price

volume:shares





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- All statements described 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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