

Tokyo Stock Exchange First Section:Securities Code 3992

Needs Well Inc.

Financial Results

for the Third Quarter of Fiscal Year 2020
(October 2019 - June 2020)

August 21, 2020



NeedsWell
Try & Innovation



1. 2020/09 3Q Financial report summary



2. 2020/09 Forecasts



3. Growth Strategy



4. Action plans of growth strategy



5. Reference

1) Summary

3Q result slumped slightly due to the negative impact of COVID-19



Net Sales

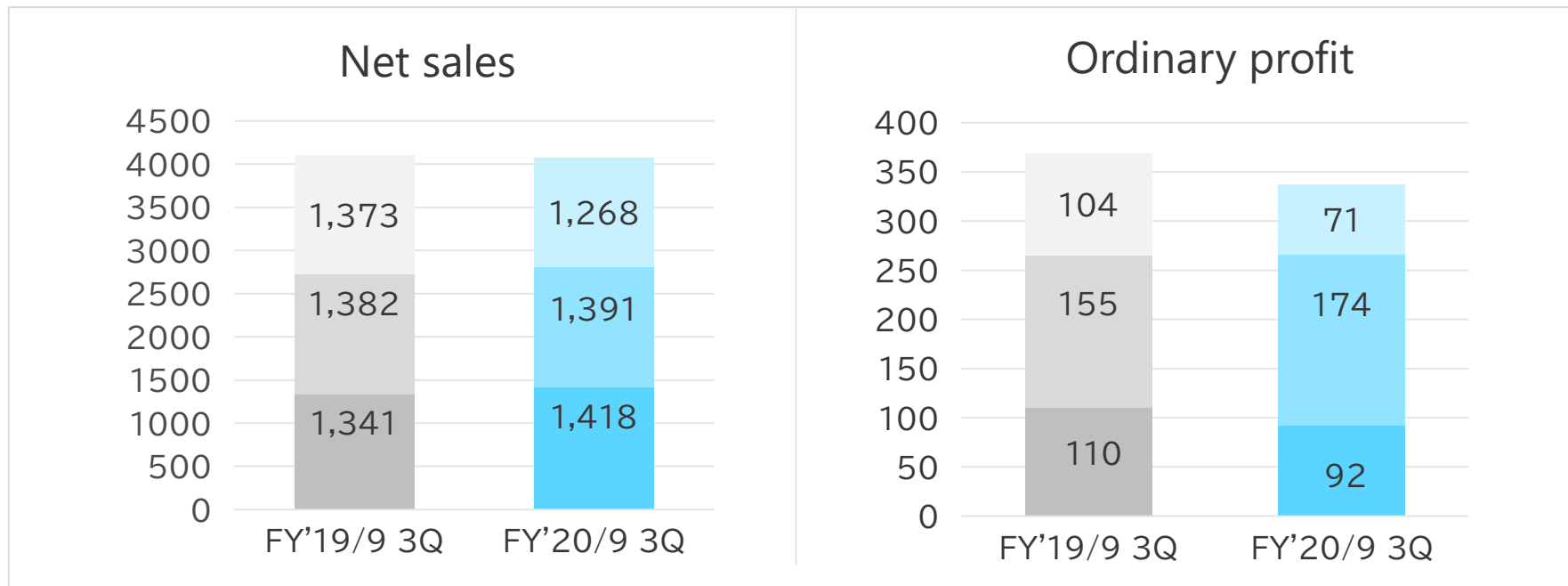
With temporary waiting, cancellation and postponement of projects **99.5%** year-on-year



Ordinary Profit

Due to decrease in sales **91.5%** year-on-year

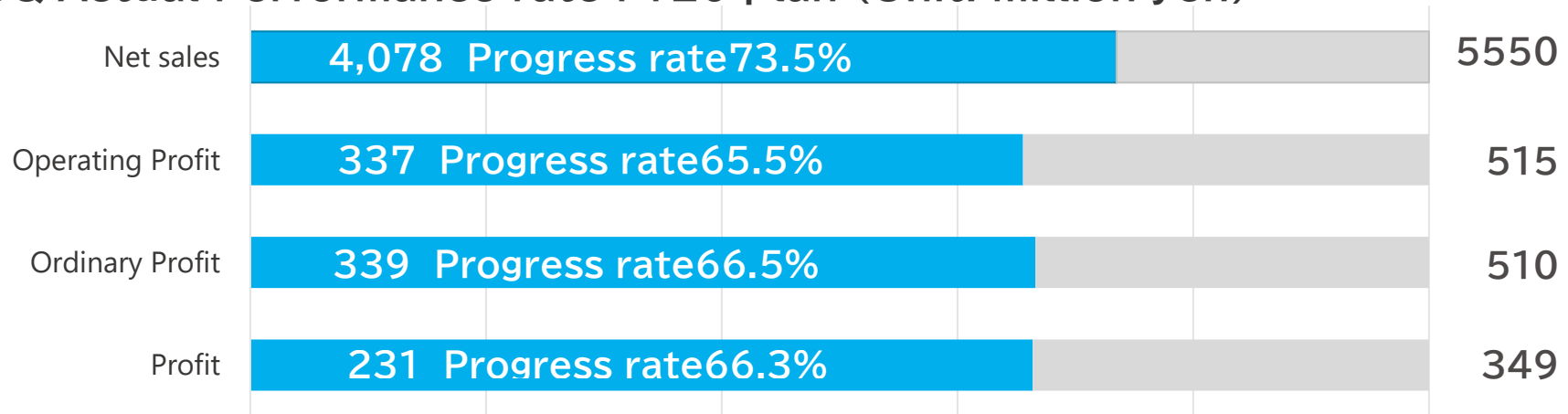
■ 1Q ■ 2Q ■ 3Q Unit: million yen



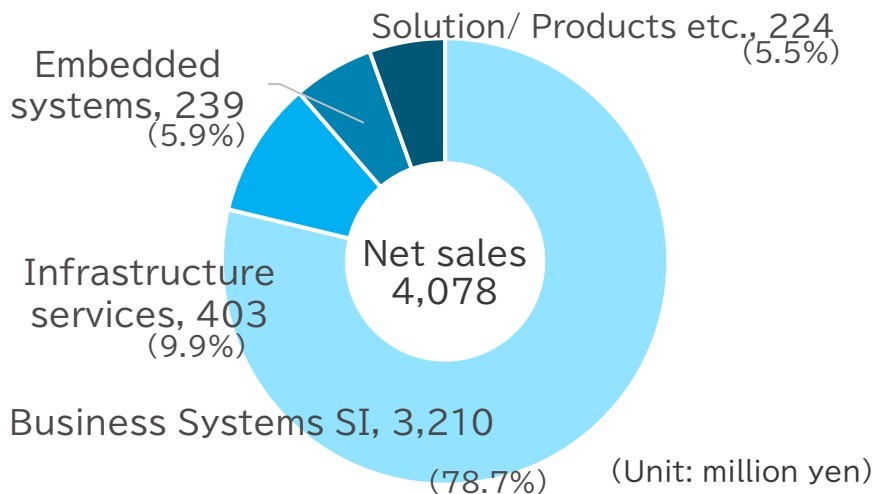
2) Performance rate

Performance is expected to improve
by activating new graduates

■ 3Q Actual Performance rate FY20 plan (Unit: million yen)



■ Sales by the service lineup



■ Business Systems SI

Temporary waiting and postponement occurred for some projects. **99.1%** year-on-year.

■ Infrastructure services

Continue development relatively stably. **101.1%** year-on-year

■ Embedded systems

Orders for manufacturing projects decreased. **83.6%** year-on-year

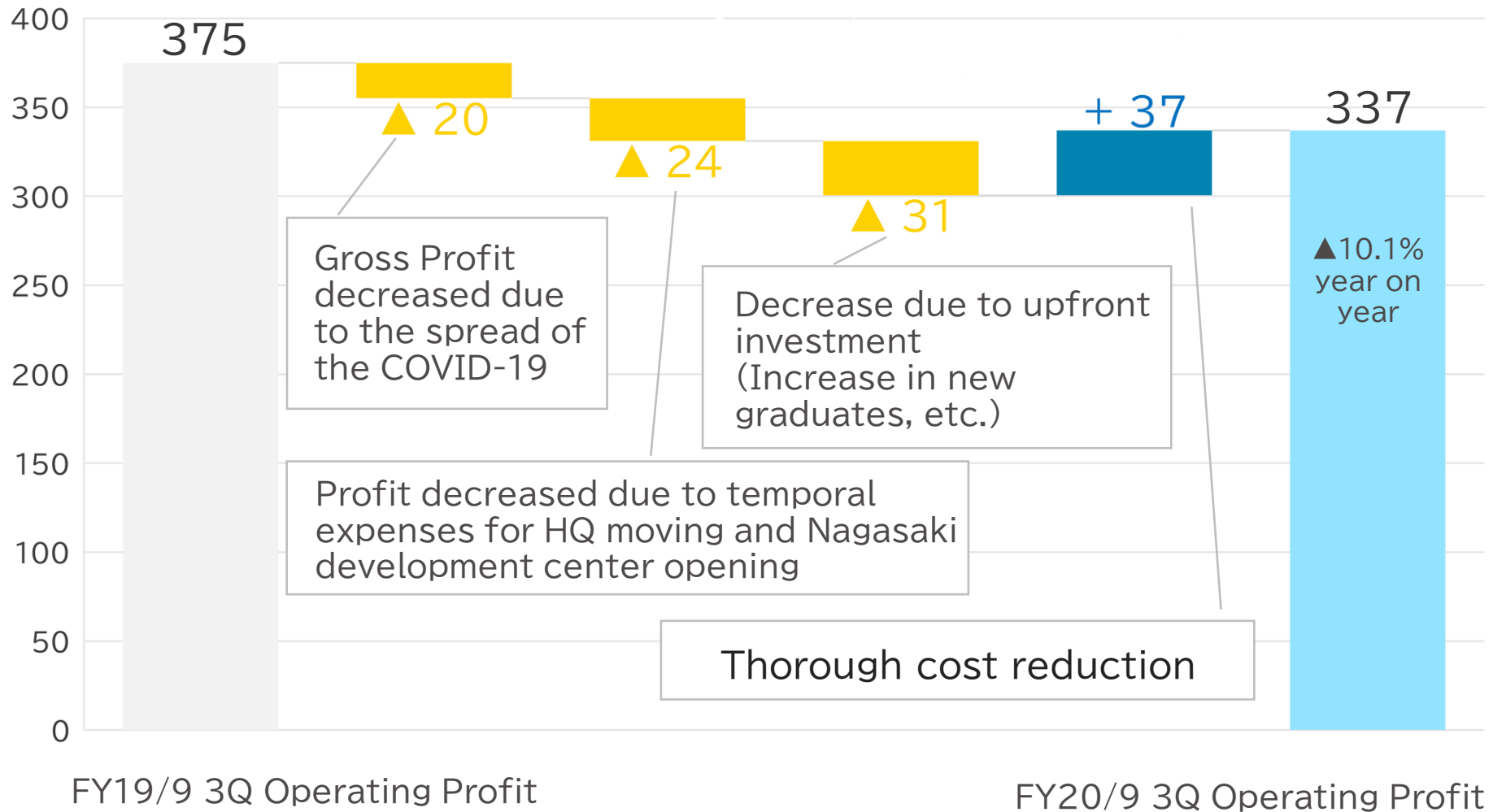
■ Solution/ Products etc.

Expanded AI solution lineup. The various cooperation functions provided by leveraging the strengths of software development are well received. **131.6%** year-on-year

3) Analysis of operating profit fluctuation factors

Earnings declined reflecting upfront investment to increased new graduates

■ Gain ■ Loss Unit: million yen



4) Profit & loss results

Ordinary income ratio 8.3% (Still at high level)

Sales fell short of the initial forecast, while **Upfront investment** remains at the initial forecast level to secure Needswell's future growth.

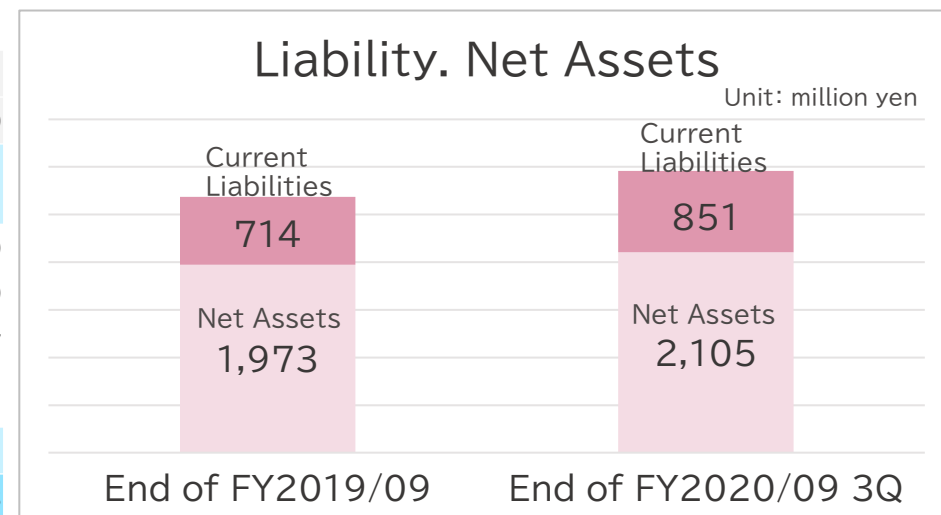
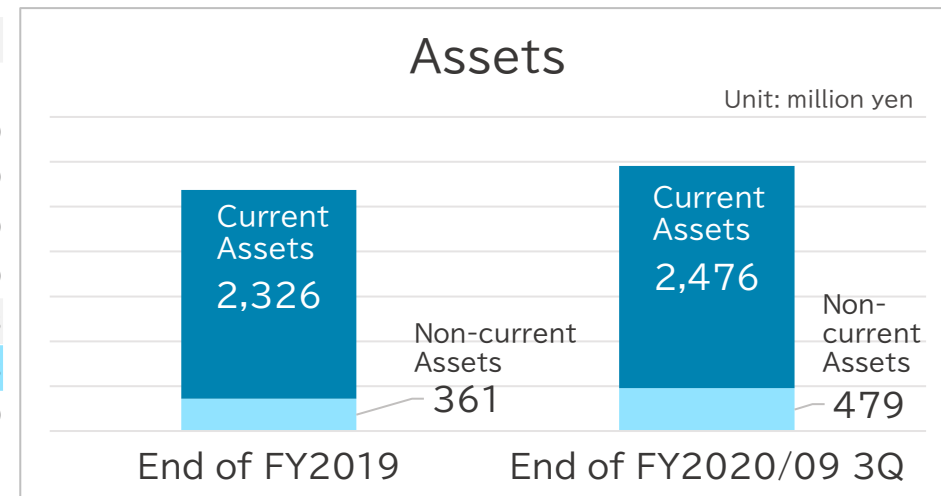
Millions of JPY	FY19/9 3Q		FY20/09 3Q		
	Result	Net sales ratio	Result	Net sales ratio	Year on year
Net sales	4,097	-	4,078	-	99.5%
Business Systems SI	3,240	79.1%	3,210	78.7%	99.1%
Infrastructure services	399	9.7%	403	9.9%	101.1%
Embedded systems	286	7.0%	239	5.9%	83.6%
Solutions / Products etc.	170	4.2%	224	5.5%	131.6%
Gross profit	970	23.7%	950	23.3%	97.9%
SG&A expenses	595	14.5%	613	15.0%	102.9%
Temporary cost	0	0.0%	24	0.6%	—
Others	595	14.5%	588	14.4%	98.7%
Operating profit	375	9.2%	337	8.3%	89.9%
Non-operating profit	0	0.0%	2	0.1%	14331.2%
Non-operating expenses	4	0.1%	0	0.0%	3.7%
Ordinary profit	370	9.1%	339	8.3%	91.5%
Profit	255	6.2%	231	5.7%	90.8%

5) Balance sheet results


Millions of JPY	Sep 30,2019	Jul. 30,2020	
	Result	Result	Year on Year
Cash and deposits	1,548	1,735	186
Accounts receivable	705	665	-39
Prepaid expenses	47	44	-2
Total current assets	2,326	2,476	149
Software	65	53	-11
Investment securities	0	70	70
Deferred tax assets	102	143	40
Leasehold and guarantee deposits	85	86	0
Insurance funds	76	76	0
Total non-current assets	361	479	118
Total assets	2,688	2,956	268
Accounts payable	146	106	-40
Payable	128	133	5
Income taxes payable	100	86	-13
Provision for bonuses	241	138	-102
Total current liabilities	714	851	136
Total non-current liabilities	0	0	0
Total liabilities	714	851	136
Share capital	414	414	0
Legal capital surplus	270	271	0
Retained earnings brought forward	1,287	1,404	117
Valuation difference on available-for-sales securities	0	13	13
Total net assets	1,973	2,105	131
Total liabilities and net assets	2,688	2,956	268

Continuous stable financial structure

➔ Equity ratio at **71.2%**



 1. 2020/09 3Q Financial report summary

 2. 2020/09 Forecasts

 3. Growth Strategy

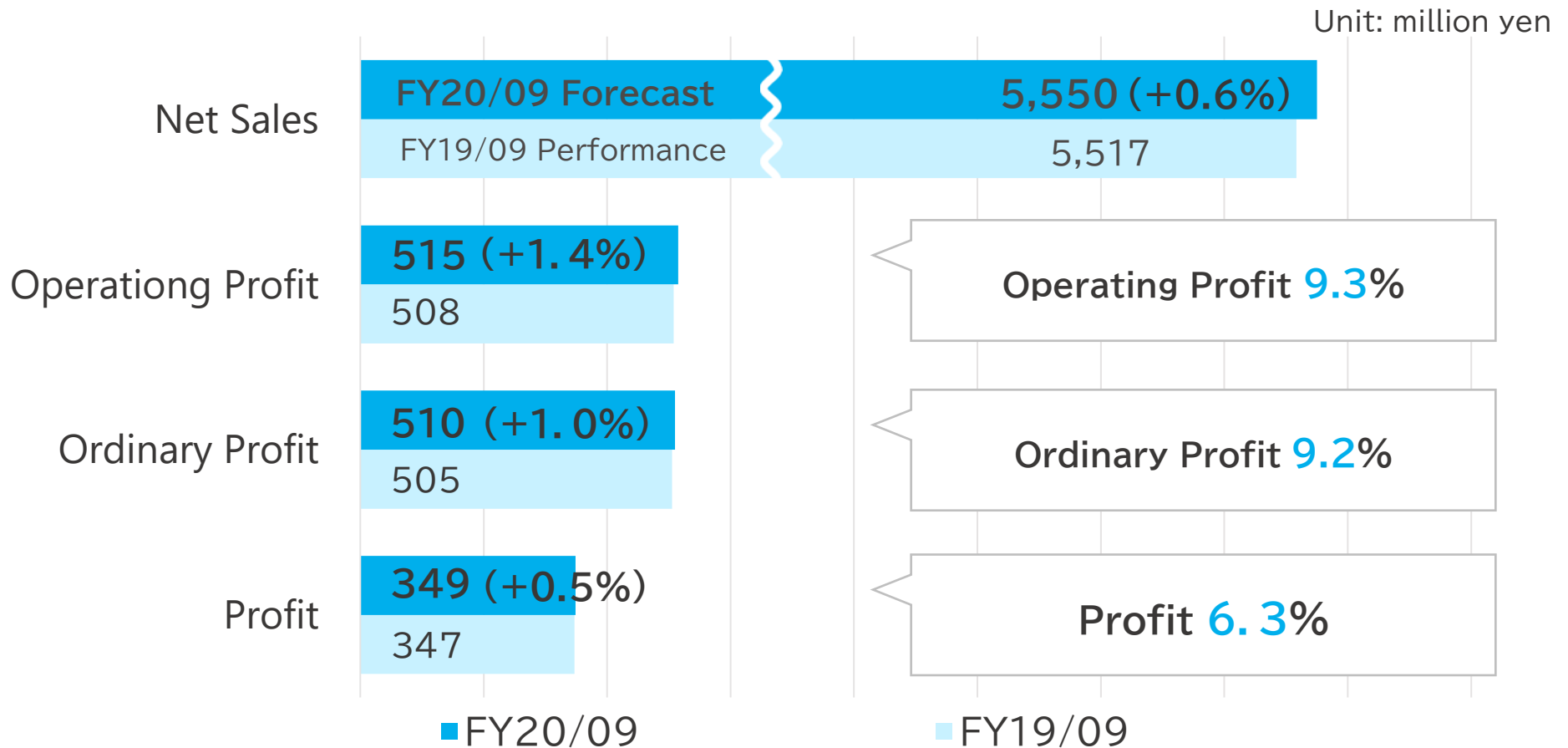
 4. Action plans of growth strategy

 5. Reference

1) Earnings forecast①

Despite the downward revision of sales and profit forecast due to the spread of COVID-19

9 consecutive - year
increase in sales and earnings is projected



1) Earnings forecast②

Continuous growth of IT investment demand is expected in the medium to long term, despite the currently stagnated achievements

Current situation

➔ NeedsWell aims to win orders and improve profitability.

- Shift from the Resident type to the Remote type
 - Promote development at the headquarters and nearshore base in Nagasaki
- Shift sales activities from face-to-face to via-online such as web conference
- Enhancement of product lineup of new solutions
- Expand business domain by developing systems for the logistics industry

After-Corona/With Corona Growth Strategy

Investment for future growth

➔ NeedsWell responds to development of projects that increase with the recovery of domestic demand.

- Secure excellent human resources and train with existing employees

Other efforts

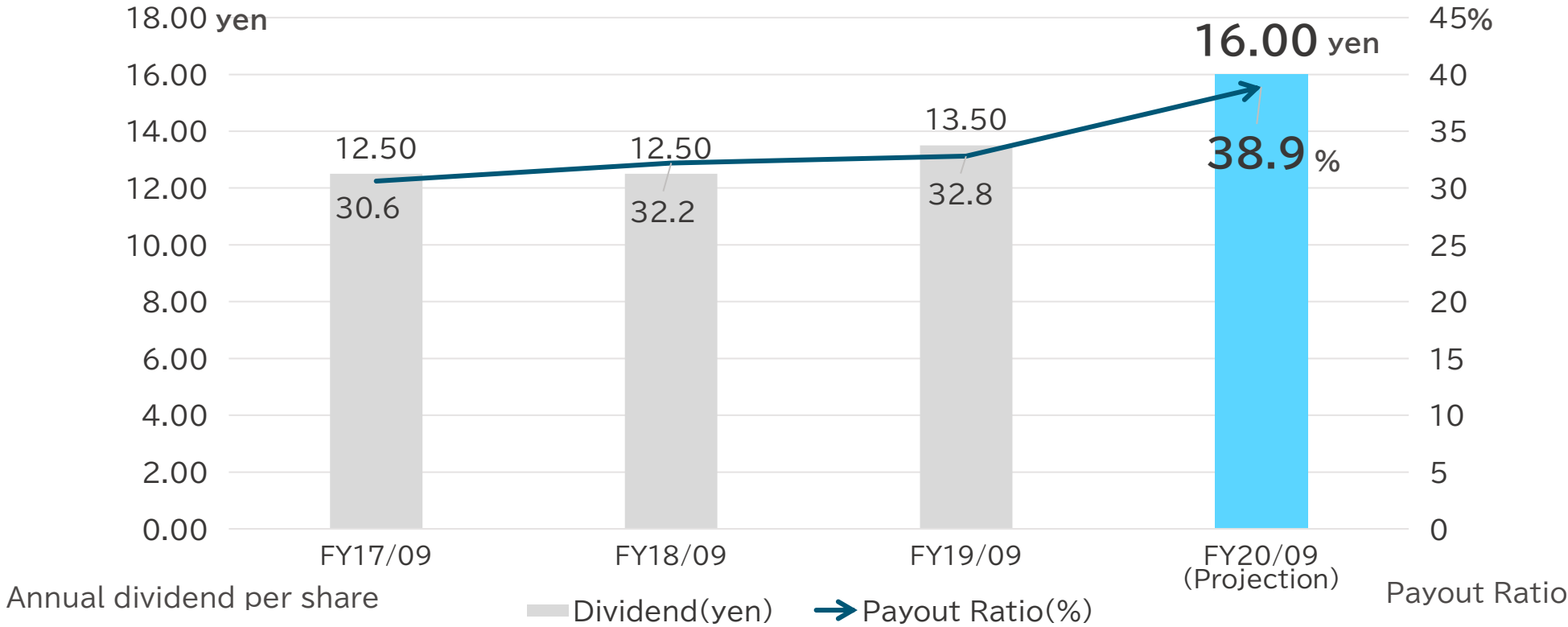
➔ NeedsWell considers dynamically.

- Research and development of solutions utilizing AI technology
- Search for target companies to proactively pursue M&A growth

2) Dividends and shareholder returns


The dividend forecast remains unchanged
 Dividend per share
 Increase by **+2.50** yen from the previous year

Annual dividend forecast **16.00** yen/per share Payout ratio **38.9%**



※ 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.

 1. 2020/09 3Q Financial report summary

 2. 2020/09 Forecasts

 3. Growth Strategy

 4. Action plans of growth strategy

 5. Reference

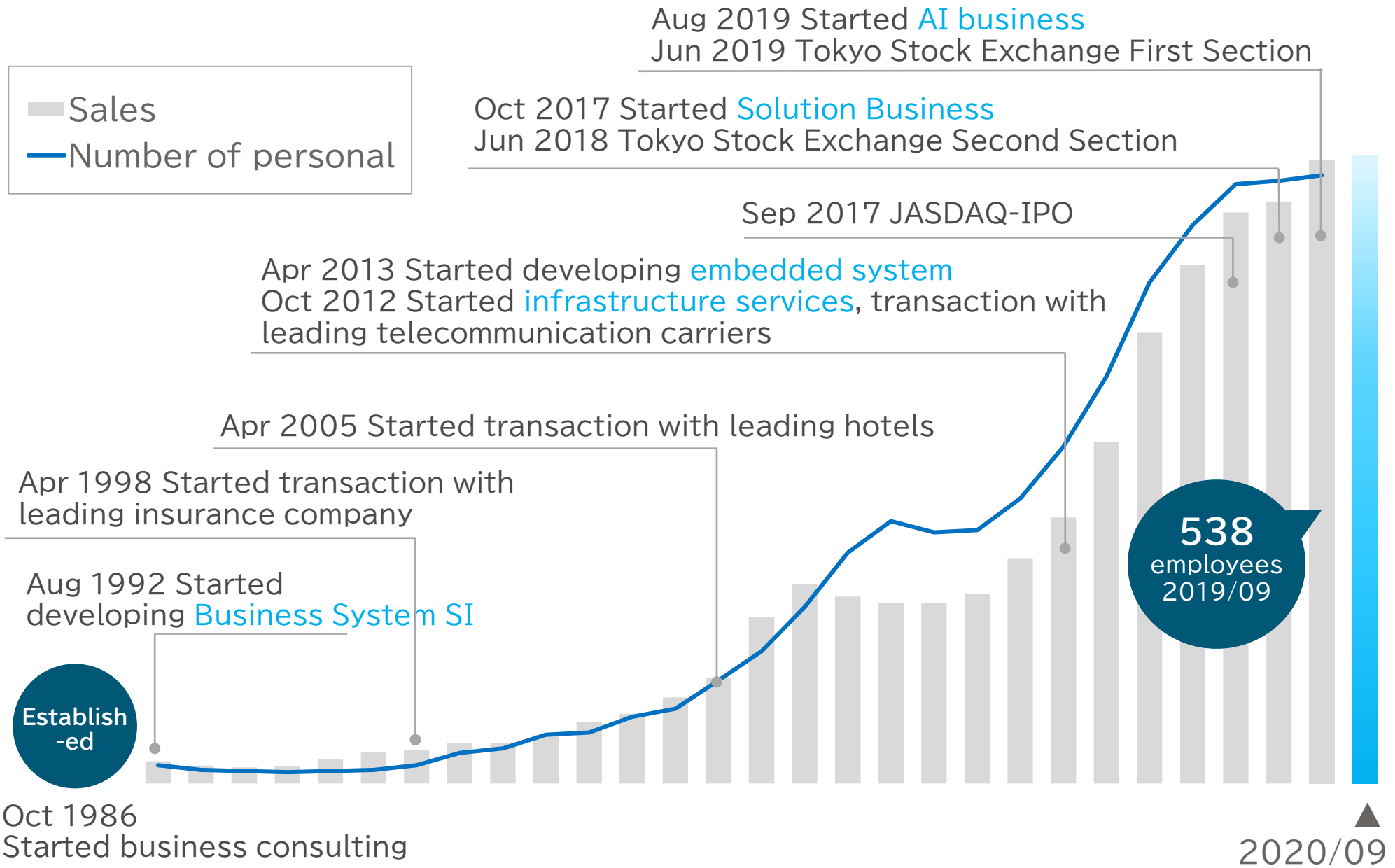
1) Management philosophy

Extensive Contribution to the Society



Night view from Mt.Inasa, Nagasaki

2) Growth track



3) Fundamental policy

Transformation of business style

from personnel dispatching to

System integration

4) Targets

“2010 Growth”

Sales Growth Ratio 20%
Ordinary Profit Margin 10%

“2510 Management Structure”

Gross Profit Ratio 25%
SG&A expenses rate 10%

Near future Target

Market capitalization 25 bil JPY

Liquidity-market capitalization 10 bil JPY

Net Sales 10 bil JPY



2019/09

Dispatch business ▶▶▶ **System Integration Business**

5) Strength

Source of NeedsWell's strength 3 superiorities

① High level of finance system SI ability

50% of sales of NeedsWell's main business system development are for finance sector.
NeedsWell has successfully achieved many 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 to end-users such as life insurance companies / leading hotels / telecommunication carriers.



③ High ability to propose and provide solutions

NeedsWell provides the most suitable solution service for the customers' business purposes such as **5G**, **AI**, **RPA**, **Remote work**.

High quality system development

Knowledge accumulated with more than 20 years of system development experiences

Wide range of business field / technical experiences

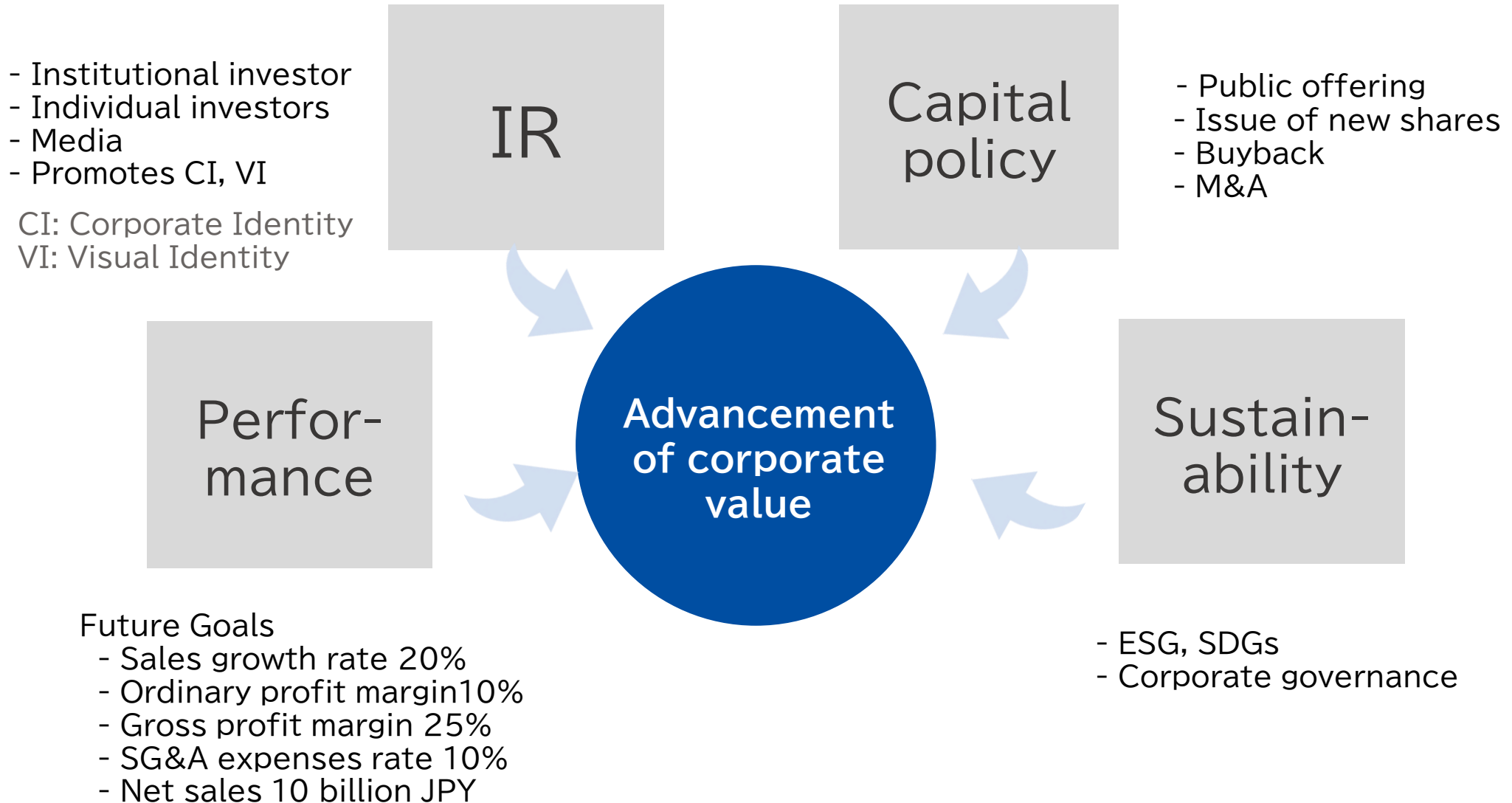
More than 300 company trade records

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 to end-users
- 5 Launching of AI business
- 6 Establishment of nearshore development

Various approaches to improve corporate value



Aggressive alliances and acquisitions to leverage NeedsWell's strength

Policy

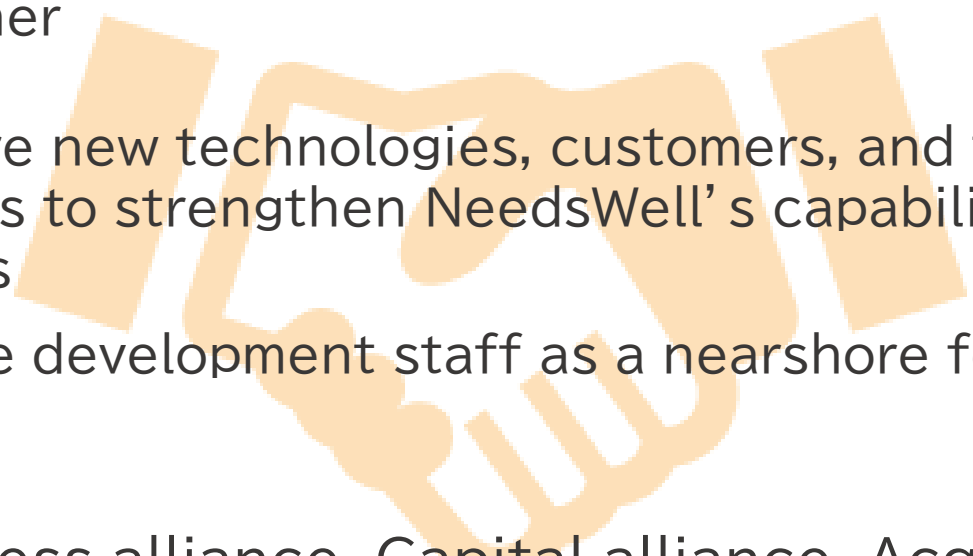
- + Actively pursue alliances and M&A with high synergies to increase corporate value and expand business
- + Collaborate with counter parties, grow and prosper together

Purpose

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

Scheme

- + Business alliance, Capital alliance, Acquisition, etc.



6) Growth strategy

2. Establishment of business foundation

Establish business foundation
to support continuous growth



Business Systems SI

- Accumulate **financial business knowledge**
- Develop **highly skilled technician** who can 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 resolve labor shortages by RPA and cloud
Automates routine work and streamlines telework

WinActor

ホットプロファイル

SAP Concur

New Short time implementation
Speed EA service

New Automate invoice entry
Invoice PA service

■ Solutions utilizing AI

Assist for the DX(Digital Transformation) by AI technology

Work AI

Speak Analyzer
powered by UpSighter

DX Suite
Leading the Digital.

Cut the introduction period in half !

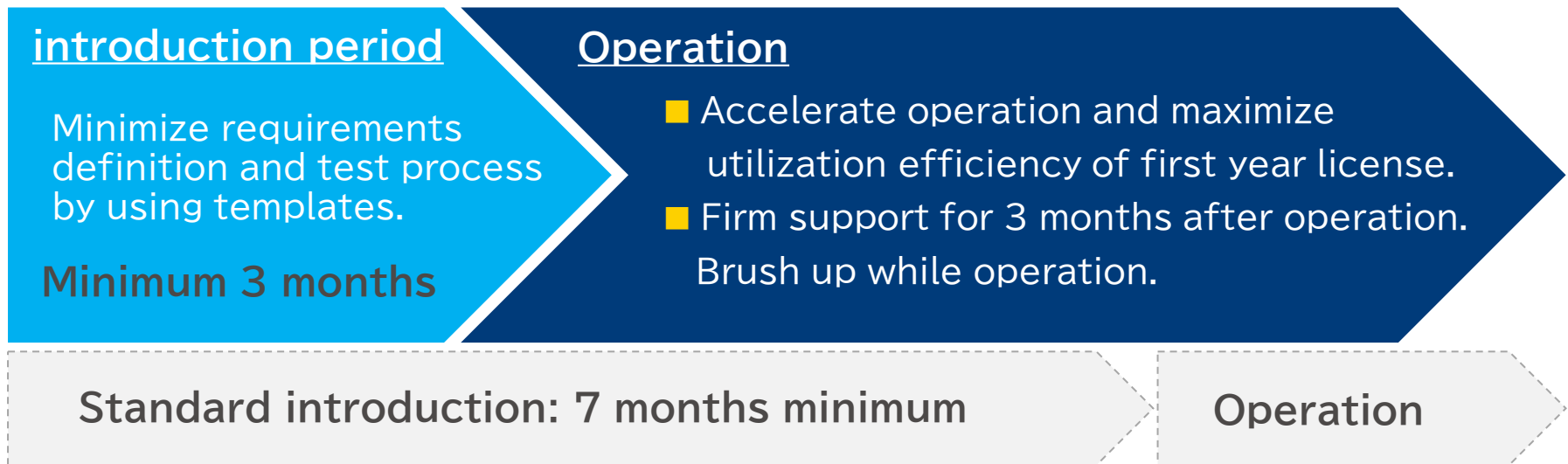
Speed EA service

The full service of introducing Concur Expense for your company takes 7 months.

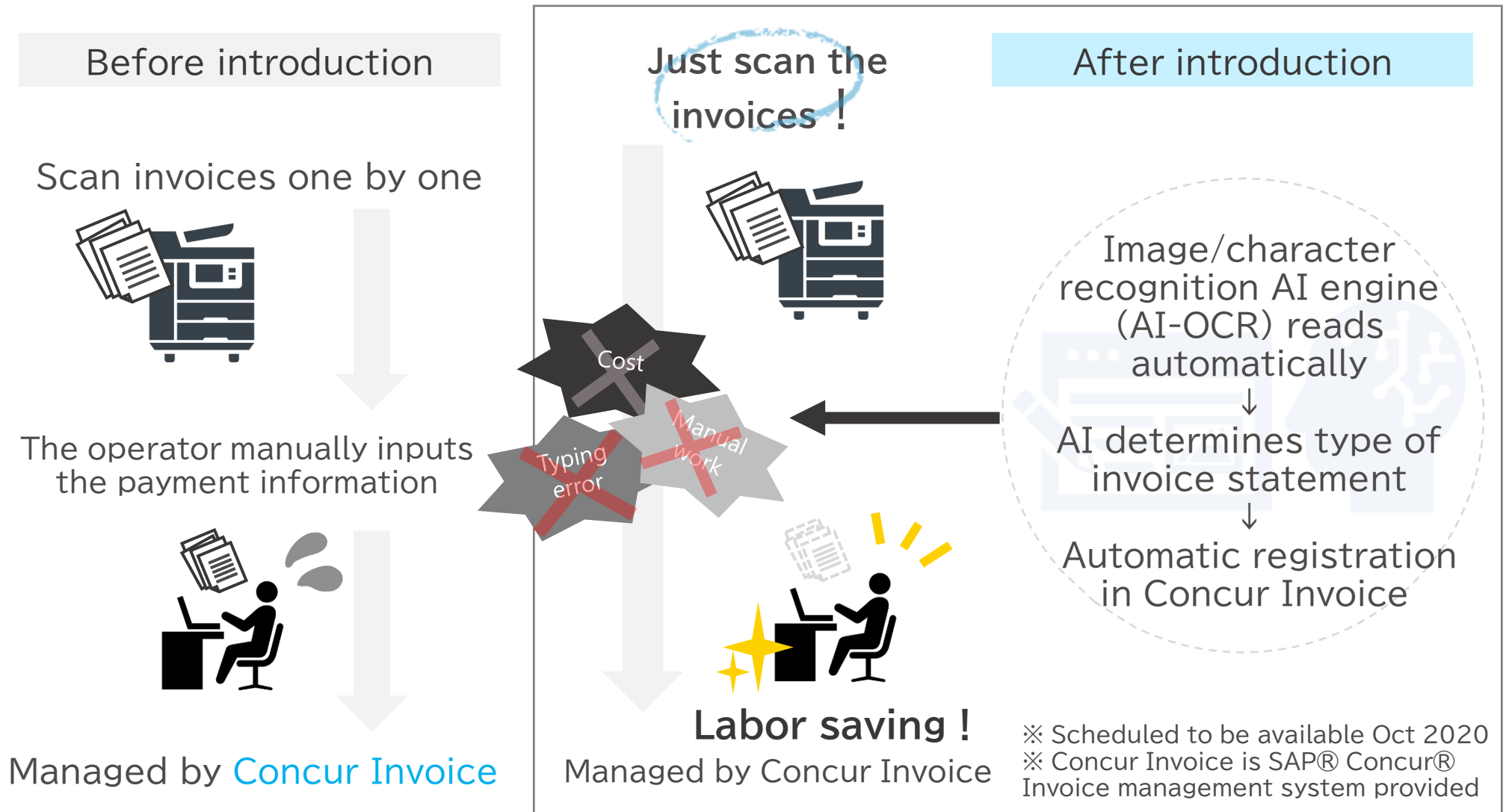
NeedsWell provides the original installation package service

Speed Expense Assist (Speed EA)

that packages only what is required to start operating Concur Expense and realizes installation in a minimum of 3 months



Automate invoice input work with AI Invoice PA service



Stabilize orders, Improve revenue
and Expand end-user ratio to **over 50%**

① Maintain and expand existing users

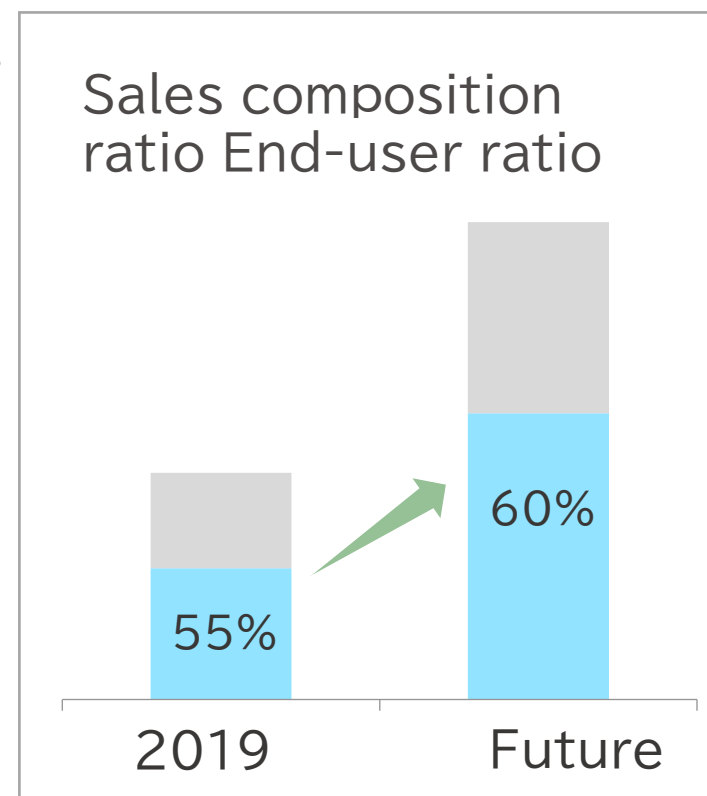
- Secure of repeat customers
- Develop highly skilled engineers and expand their expertise
- Develop new work fields

② Cultivation of new users

- Cross expansion by introducing development experiences and business knowledge

③ Expanding solution business

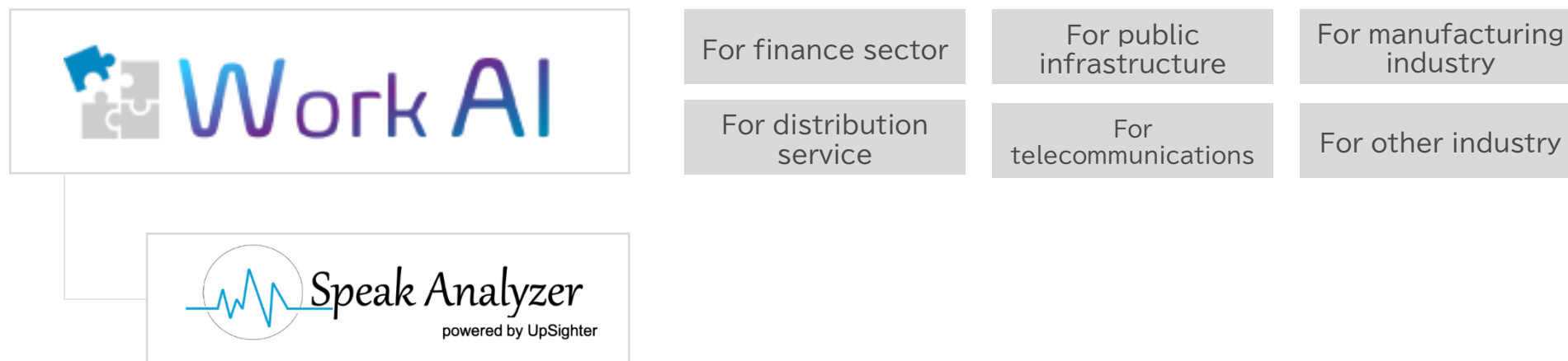
- Focusing on solution business that shows high ratio in sales to the end-users



6) Growth strategy

5. Launching of AI business

NeedsWell is developing an original brand for AI solutions which assists the DX(Digital Transformation), named “ **Work AI** ”



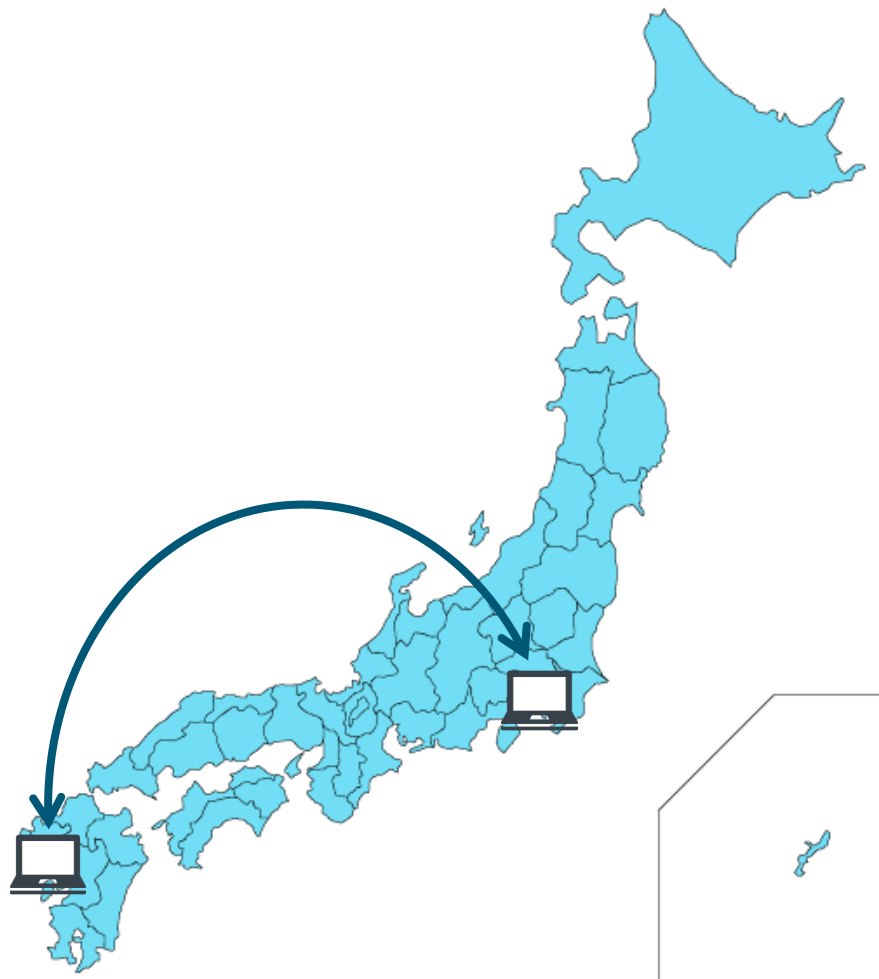
First solution of Work AI (sales start on April 9, 2020).

Speak Analyzer analyzes and evaluates business talks of sales staff, call-center operators, and so on, compares them to the best talk model and clarifies the user's issues. Easy to use in telework.

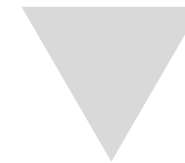
A model that can analyze facial expressions and emotions will be developed.

6) Growth strategy 6. Establishment of near shore development

Nagasaki Development Center, opened in Oct 2019,
will have **100staff** by September 2024



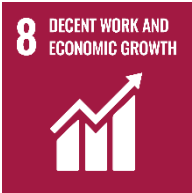
Promote hiring newly grads/
U-turn workers in Nagasaki,
and acquire highly competent
personnel who seek local
employment.



To overcome the lost
opportunities caused by the
shortage of personnel near
shore development

-  1. 2020/09 3Q Financial report summary
-  2. 2020/09 Forecasts
-  3. Growth Strategy
-  4. Action plans of growth strategy
-  5. Reference

1) Human resource development



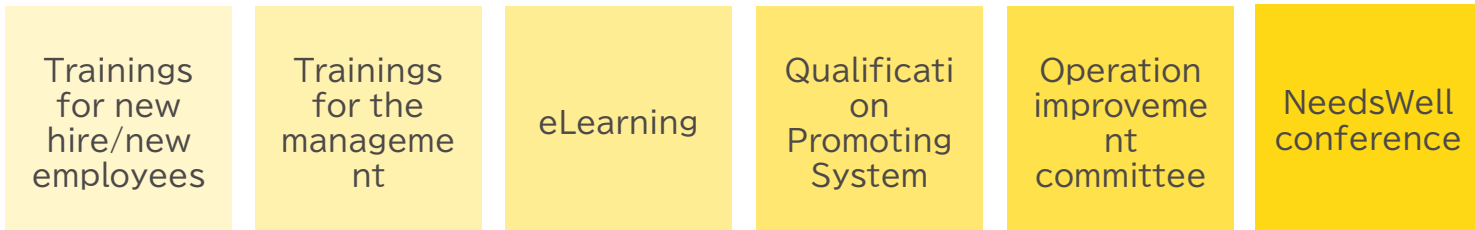
Promoting work style reformation, increase skills and motivation

Utilize various system and tools to develop human resource

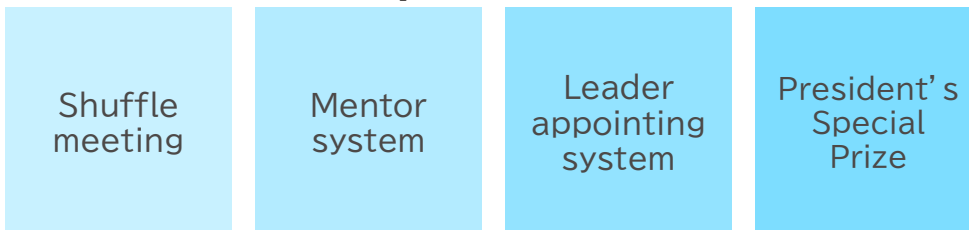
Work style reformation



Skill improvement



Motivation Improvement



2) ESG/SDGs

1. Initiatives directly linked to business

In order to realize “Extensive Contribution to the Society”,
Aiming for **sustainable management** with a business strategy that
incorporates **SDGs**, **ESG**, and **CSR** perspectives

Near Shore Development Promotion: Nagasaki Development Center to be 100 staff by 2024



Promote development by committing to QCD with a remote development system utilizing nearshore.



NeedsWell aims to have 100 staff in the Nagasaki Development Center by 2024 and contribute to the **creation of a prosperous, industrial bases, technological innovation, and employment** by utilizing excellent local human resources.

Development of new solution to assist DX

By building a platform using AI technology, providing a system, analyzing data, and labor saving realized by RPA cooperation, NeedsWell assists client companies in the realization and promotion of DX .

We will contribute to **building the industrial base of the digital society**.



Collaboration with partner companies

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

Promotion of Remote working



In response to the voices of NeedsWell's employees, we have introduced a work-at-home system for the employees who are working shorter hours for childcare and/or on childcare/family care leave.



Reduction of commuting load

reduces infection risk, stress, and fatigue of employees

Working at home

promotes women's success by reducing the hurdles for both men and women to balance home and work



Utilization of web conference

promotes paperless and protects forest resources



From April 2020, as a countermeasure for Covid-19, NeedsWell is introducing our solution products related to remote work at home and providing them to customers.

NW Security Police

Shut out unauthorized connections to remote work environments



Automates simple tasks and routine tasks by RPA. Improves work efficiency of telework



Improve your business talk skills through remote training. AI feeds back weak points

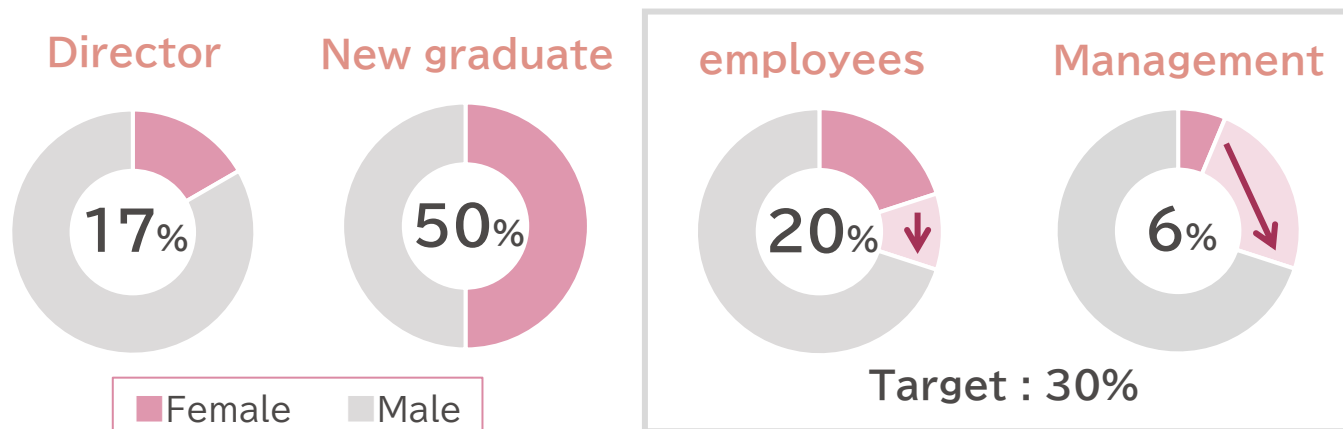


Settle expenses and manage invoices anytime, anywhere in the cloud



Promotion of diversity and gender equality

20% of NeedsWell's employees are female, compared to $\pm 10\%$ in IT industry. We foster the corporate culture to enable and encourage long-term employment of female workers through changes of their life stage such as marriage, childbirth and child raising. Almost all of NeedsWell's female employees return to work after giving birth and utilize time-saving and/or telework system.



★ In April 2020, at the “Nagasaki Women’s Achievement Promotion Council”, NeedsWell made voluntary declaration for the [active participation of women](#). We will support women so that they can play an active role.

- Female managers ratio : 30% or more
- Female employee ratio : 30% or more
- Overtime hours of all employees : Within 20 hours on average
- Promote remote work to make it easier for employees on childcare leave to return and realize flexible working styles

2) ESG/SDGs

2. Initiatives supported by systems and activities③



Sport promotion support

NeedsWell concluded a sponsorship contract with Soccer J League **V. VAREN Nagasaki**. We support the promotion of sports culture and revitalization of the region.



©2005 VVN



©2018 VVN



IT education・IT promotion by utilizing AI

NeedsWell holds an **AI experience seminar** for students offering a program to experience the appealing aspects of AI.

Support of regional revitalization projects

NeedsWell is supporting the “**Human resource development for young people who will bear the future of the region**” project that Nagasaki Prefecture is working on.



Reduction of electricity and paper usage

EGS members appointed from each department are engaging in enlightening and fostering eco-consciousness of employees.



Highly transparent governance system

In order to establish a more transparent and fair corporate system, NeedsWell is constantly evaluating and reviewing NeedsWell's governance system.

-  1. 2020/09 3Q Financial report summary
-  2. 2020/09 Forecasts
-  3. Growth Strategy
-  4. Action plans of growth strategy
-  5. Reference

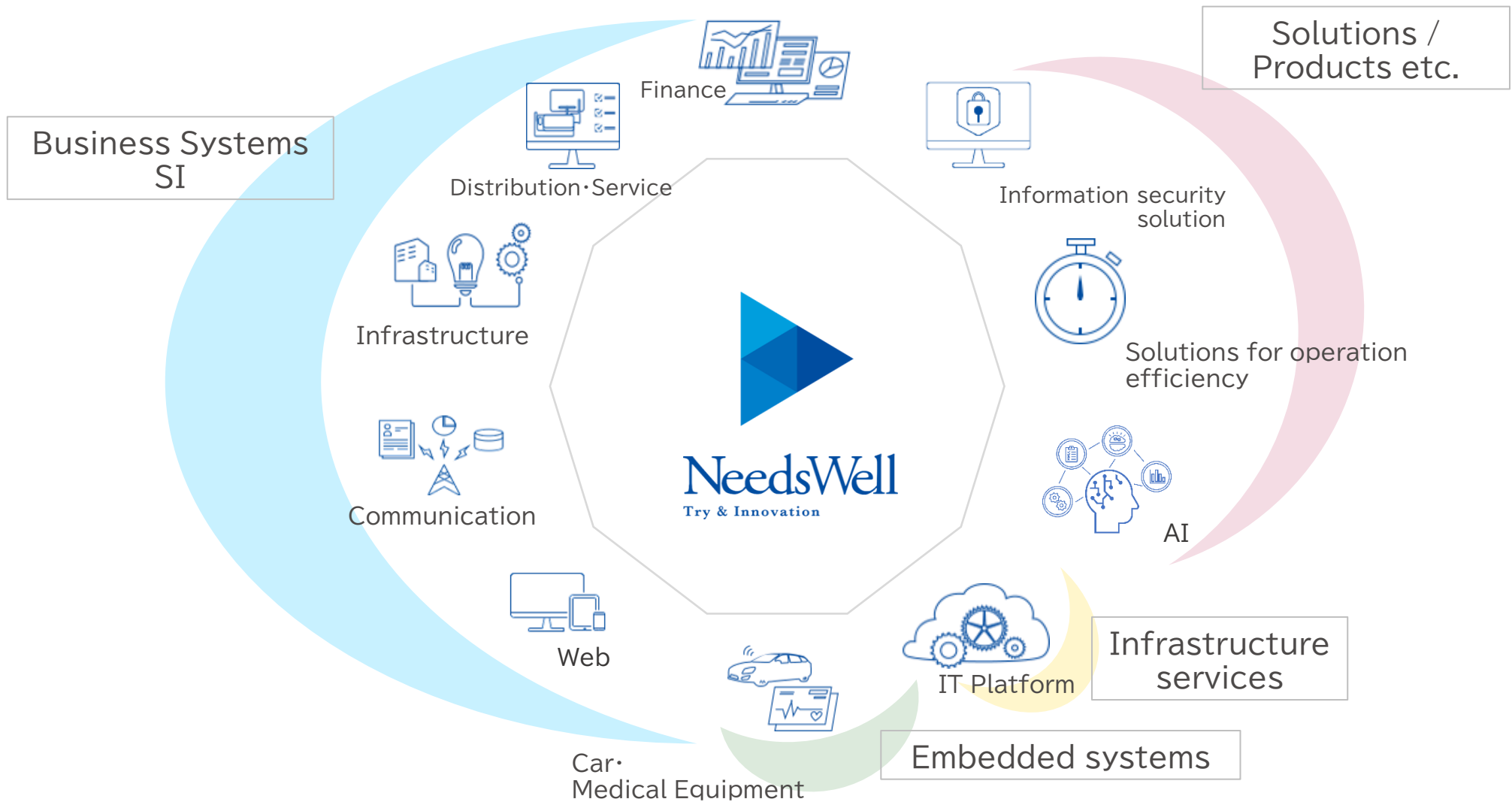
1) Company profile

※ As of September 30, 2019

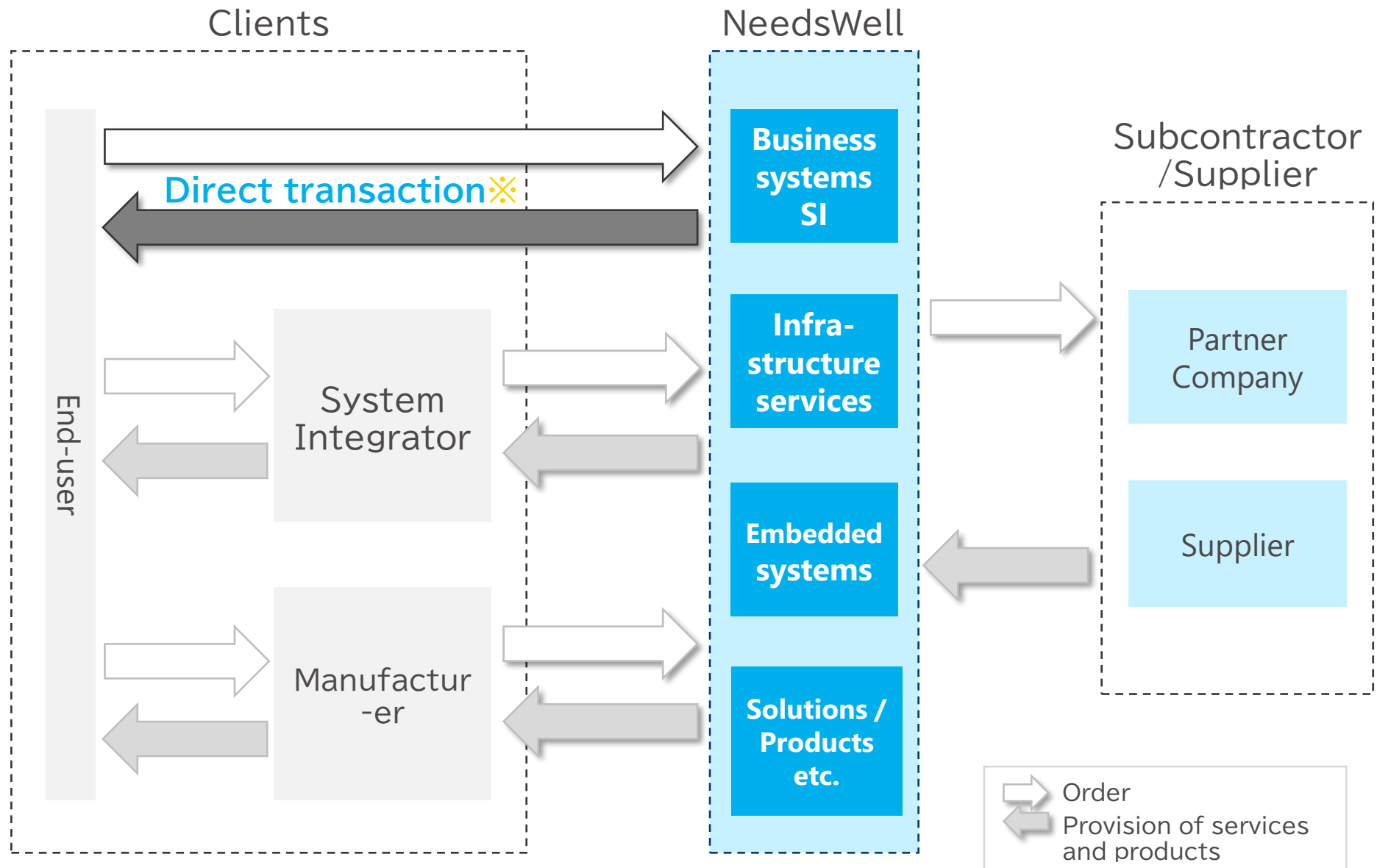
Company Name	Needs Well Inc		
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan		
Office	<ul style="list-style-type: none"> - Shinjuku Office : 5F, South Tower, 13-15 Tomihisa-cho, Shinjuku-ku, Tokyo, 162-0067 Japan - Nagasaki Office: 5F, Meijiyasudaseimei Nagasakikozenmachi 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 Privacy mark	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

NeedsWell's 4 services



3) Business system diagram

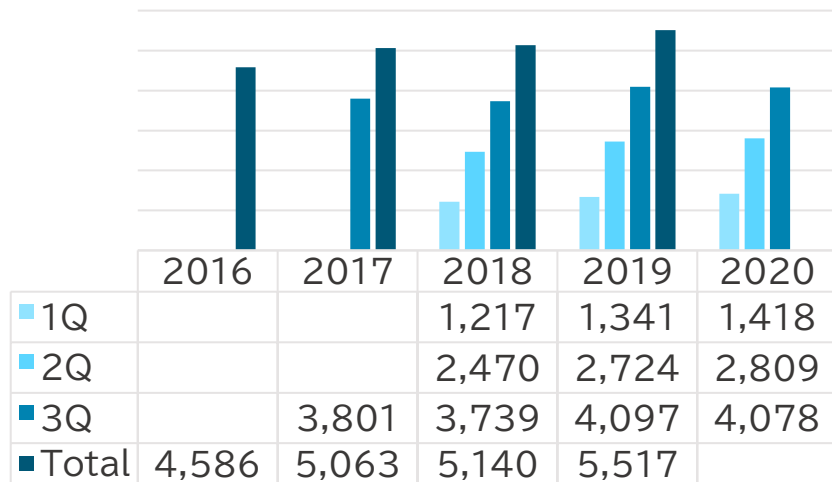


⌘ High level of direct transactions with end-users. For 55% of transactions.

4) Business results ①

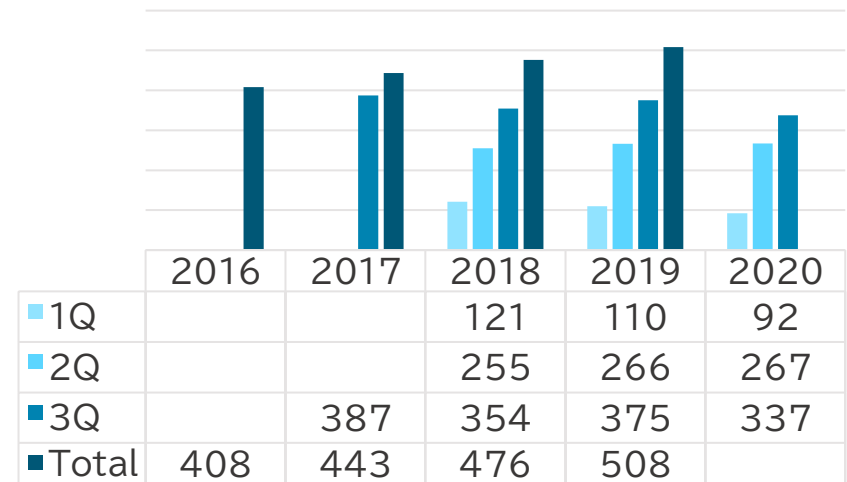
Net sales

Unit: million yen



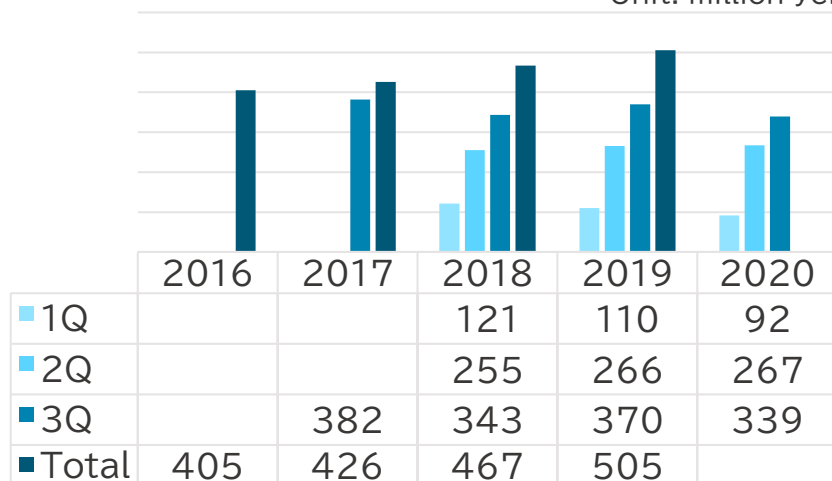
Operating profit

Unit: million yen



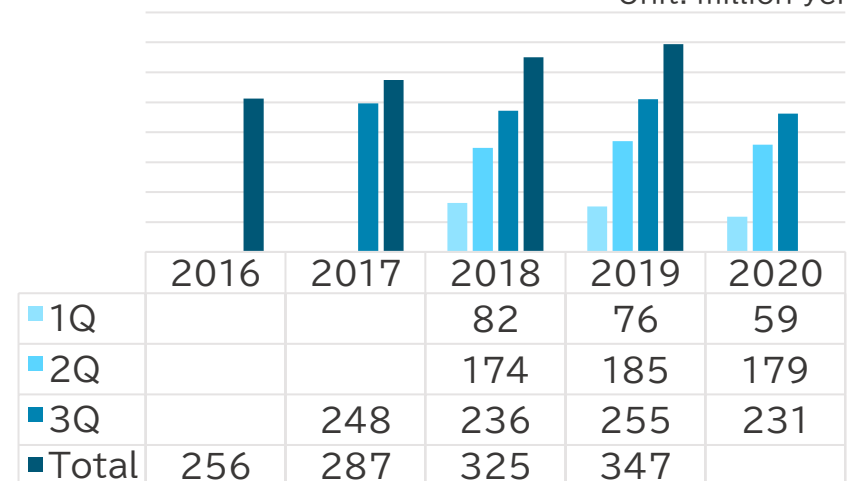
Ordinary profit

Unit: million yen



Profit

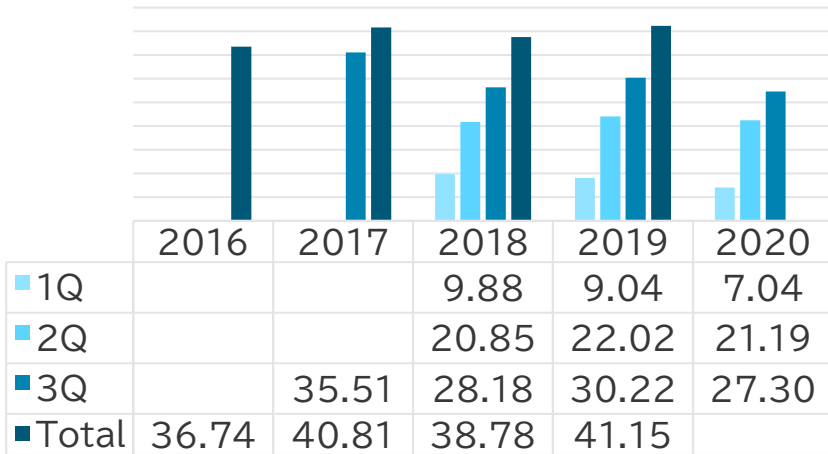
Unit: million yen



4) Business results ②

Profit per share

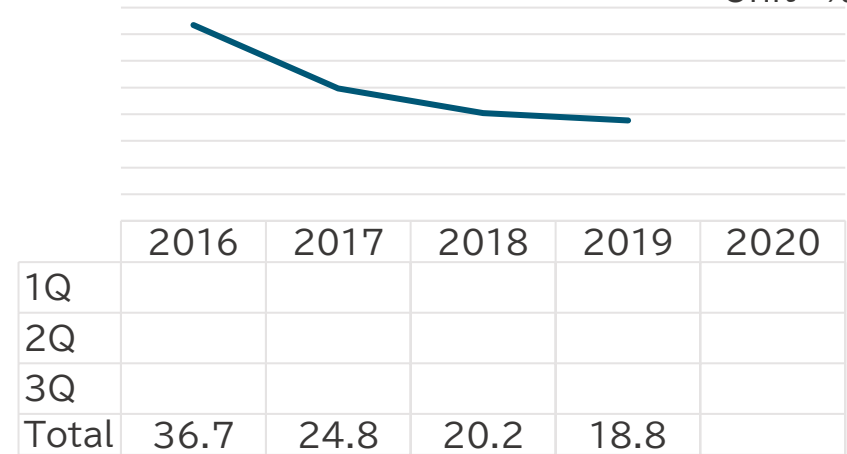
Unit: yen



* 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

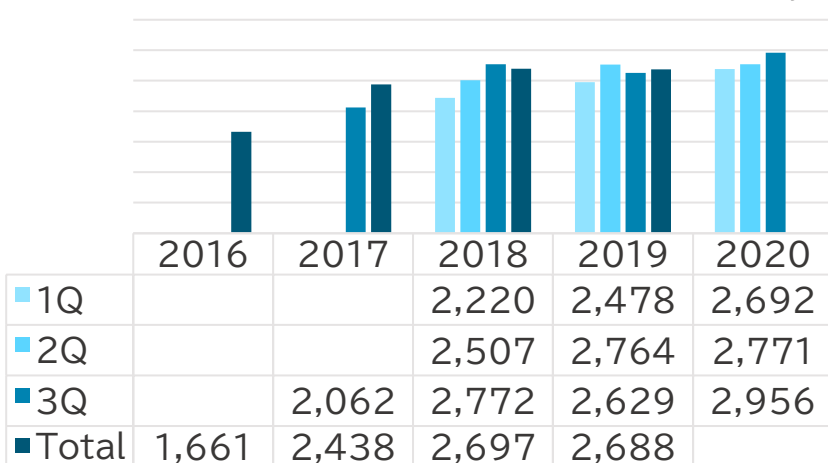
Unit: %



* This index is updated every year

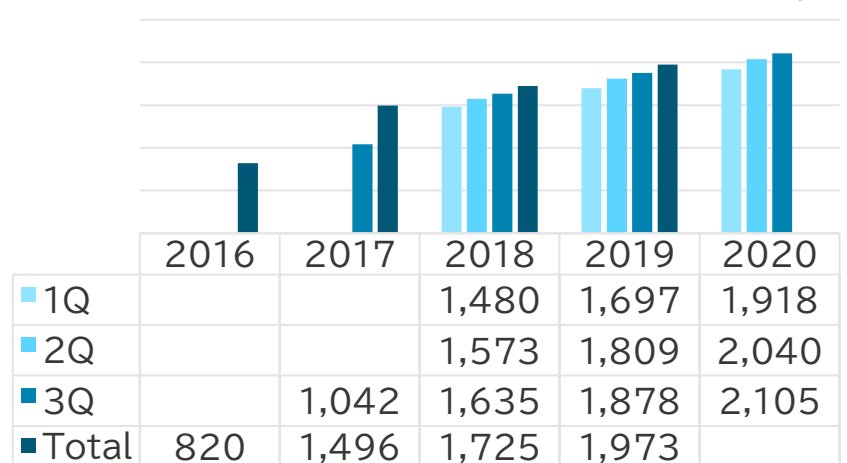
Total assets

Unit: million yen



Net assets

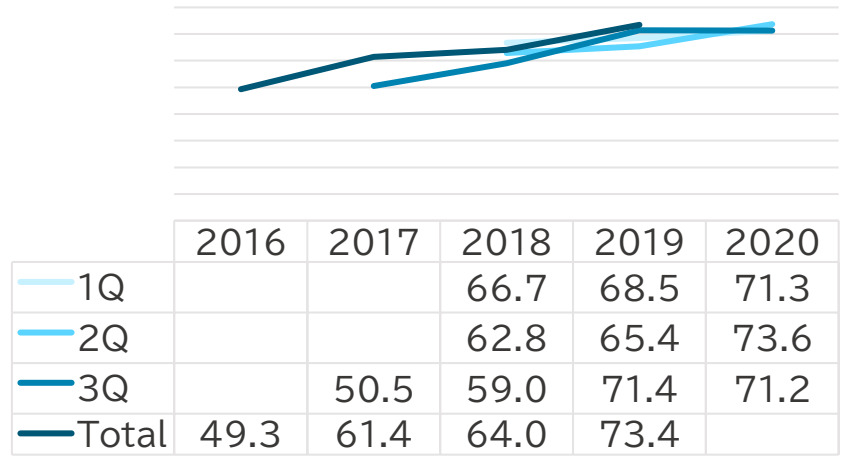
Unit: million yen



4) Business results ③

Capital adequacy ratio

Unit: %

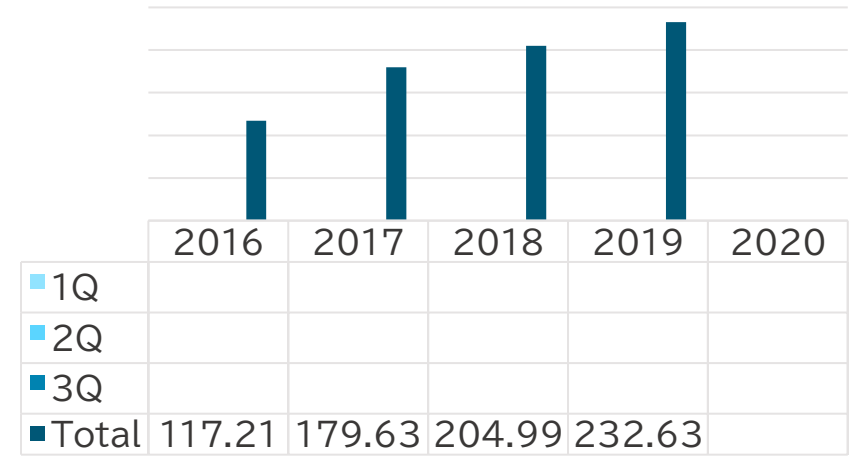


* 2Q is total of 1Q and 2Q

* 3Q is total of 1Q to 3Q

Net assets 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.

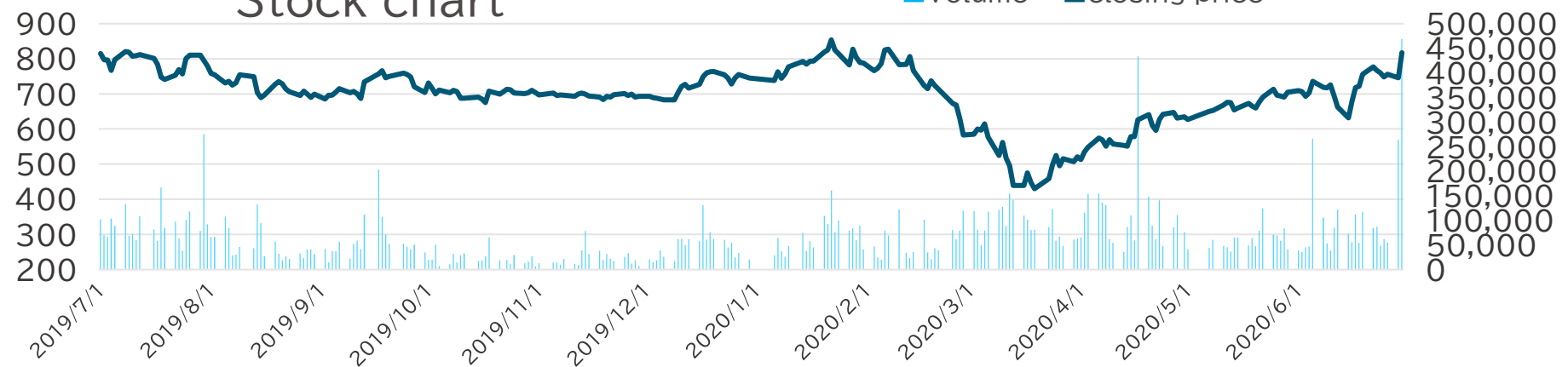
* This index is updated every year

Stock price: yen

Stock chart

■ Volume ■ closing price

volume: shares





NeedsWell

Try & Innovation

- All statements described herein are based on NeedsWell's judgment by currently available information.
- Actual results may differ from forecasts due to various factors in the future.

Corporate Communication Division TEL: +81-3-6265-6763

e-mail: ir-contact@needswell.com