

Needs Well Inc.

# **Financial Results** **for the First Quarter of Fiscal Year 2022** **(October 1, 2022 – December 31, 2022)**

February 10, 2022



**NeedsWell**  
Try & Innovation



1. 2022/9 1Q Financial report summary



2. 2022/9 Results forecast





3. Growth strategy



4. Reference

# 1.1) Financial highlights①

-  Double-digit sales **growth** owing to effects of business alliances with various companies  
 Expanded sales channels and received new orders for regional banks, credit cards, and payment services
-  Ordinary profit and net profit strongly **increased** by **about 40%** year on year

Net sales

**1,562** million JPY YoY **+15.9** %

Ordinary profit

**181** million JPY YoY **+39.1** %

Ordinary profit margin

**11.6** %

Net profit

**125** million JPY YoY **+40.1** %

Net profit ratio

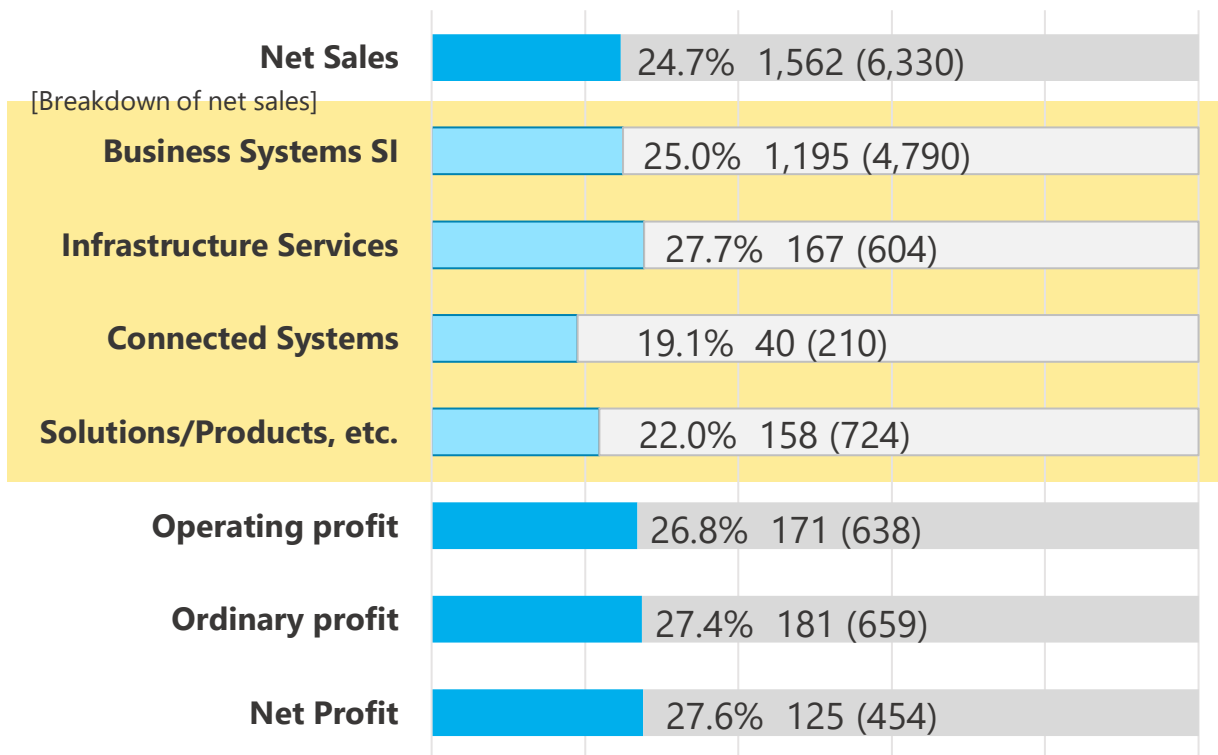
**8.0** %

## 1.2) Performance progression rate

Business Systems SI successfully **developed new businesses** for the financial sector

With the **Revised Preservation of Electronic Records Act, DX, and telework** as keywords, sales of Solutions/Products, etc., continued to expand

Progression rate/1Q performance (FY22/9 target) (Unit: million JPY)



### Business Systems SI

In addition to expansion in insurance and telecommunications, new orders were acquired for credit cards, payment services, and regional banks that became new clients.

### Infrastructure Services

Sales were strong due to coordination between Business System SI and Solutions/Products, etc., for total orders.

### Connected Systems


Affected by the spread of COVID-19, orders for the manufacturing industry decreased.

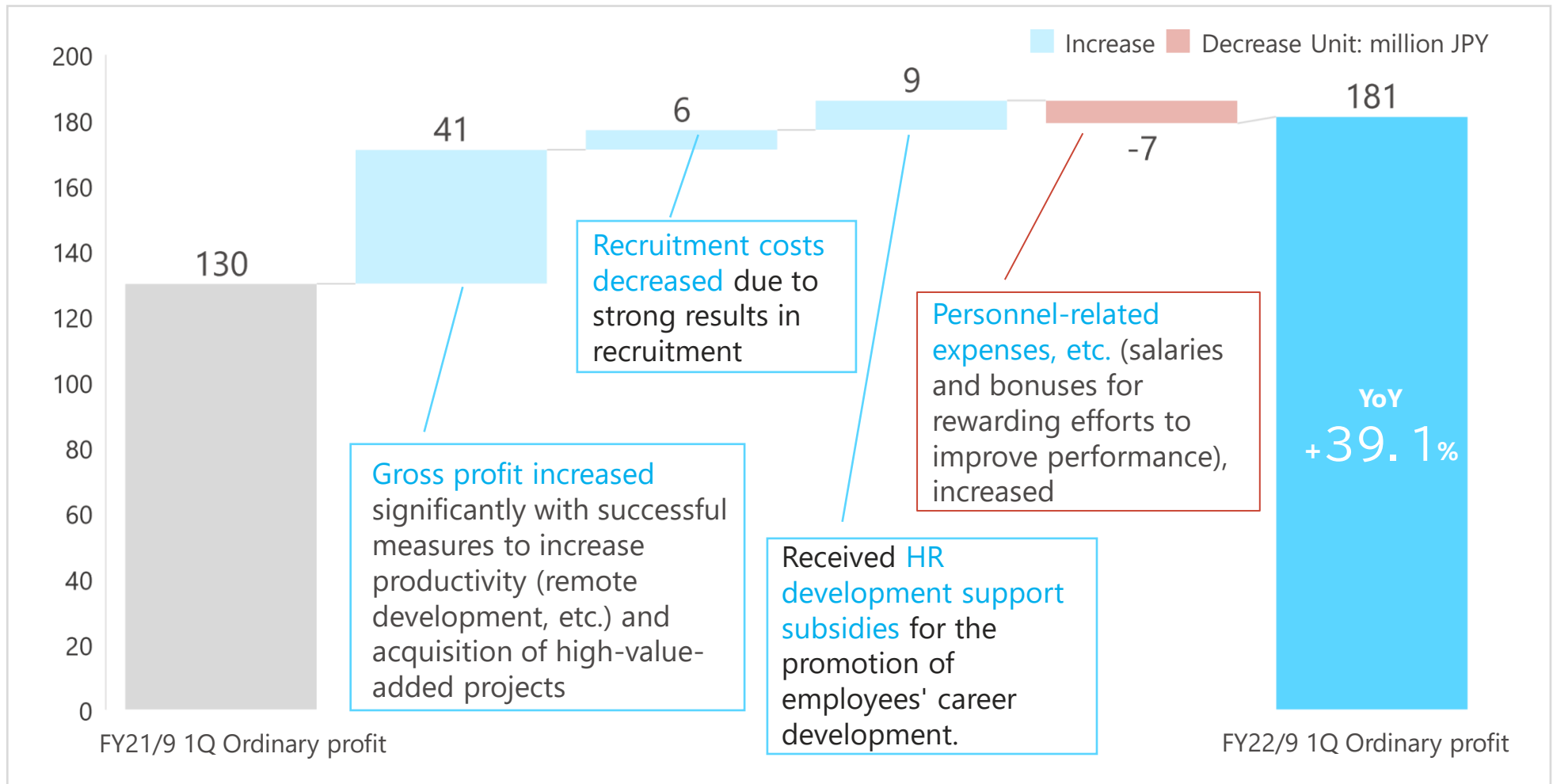
### Solutions/Products, etc.

Unique solutions for expense management cloud, **Speed EA**, **Invoice PA**, and RPA remained strong. Focused on **IT re-engineering** for supporting corporate DX and **Work AI**, an industry-specific AI solution.

Performance achievement rates are calculated based on figures after the upward revision of results. [Reference] Dec. 10, 2021, "[Notice on Upward Revision of Results Forecast](#)"


## 1.3) Ordinary profit analysis

Ordinary profit increased 39.1%  year on year due to improved productivity and acquisition of high-value-added projects



## 1.4) Profit & loss statement

Ordinary profit ratio was **11.6%** (Up 1.9 pts YoY)

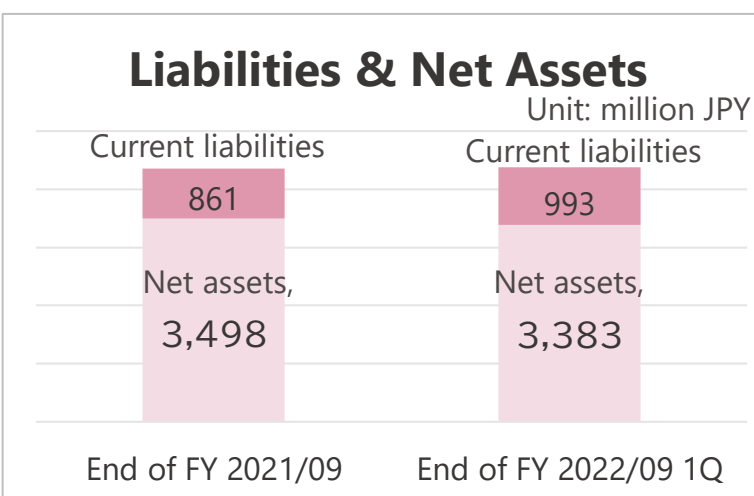
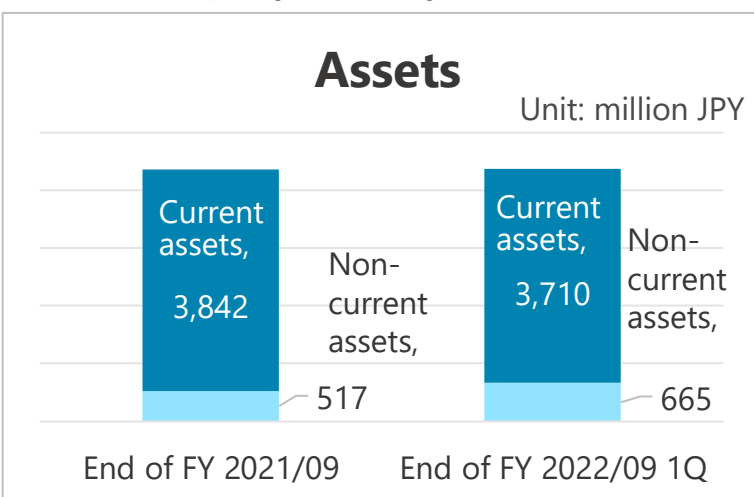
Unit: million JPY	FY2021/9 1Q Financial Results		FY2022/9 1Q Financial Results		
	Result	Net Sales	Result	Net Sales	Year-on-year
Net sales	1,348	-	1,562	-	115.9%
Business Systems SI	1,051	77.9%	1,195	76.5%	113.8%
Infrastructure Services	143	10.7%	167	10.7%	116.5%
Connected Systems	51	3.8%	40	2.6%	78.4%
Solutions/Products, etc.	102	7.6%	158	10.2%	155.5%
Gross profit	331	24.6%	373	23.9%	112.6%
SG&A expenses	195	14.5%	202	13.0%	103.5%
Operating profit	136	10.1%	171	10.9%	125.6%
Non-operating profit	0	0.0%	10	0.7%	1547.1%
Non-operating expenses	6	0.5%	0	0.0%	2.8%
Ordinary profit	130	9.7%	181	 11.6%	139.1%
Net profit	89	6.6%	125	8.0%	140.1%

# 1.5) Balance sheet

*Selection of significant entries only		FY2021/9 1Q		FY2022/9 1Q	
Unit: million JPY		Result	Result	Year-on-year	
Assets	Cash and deposits	2,868	2,669	-199	
	Accounts receivable	938	0	-938	
	Accounts receivable - trade and contract assets	0	1,001	1,001	
	Prepaid expenses	25	39	13	
	Other	9	0	-8	
	<b>Total current assets</b>	<b>3,842</b>	<b>3,710</b>	<b>-131</b>	
	Buildings, net	31	31	0	
	Software	82	74	-7	
	Investment securities	114	202	87	
	Shares of subsidiaries and associates	0	45	45	
	Deferred tax assets	118	122	3	
	Leasehold and guarantee deposits	83	83	0	
	Insurance funds	76	76	0	
	Other	9	29	20	
	<b>Total non-current assets</b>	<b>517</b>	<b>665</b>	<b>147</b>	
<b>Total assets</b>		<b>4,360</b>	<b>4,376</b>	<b>16</b>	
Liabilities	Accounts payable - trade	143	346	203	
	Accounts payable - others	149	194	44	
	Accrued corporate tax, etc.	124	63	-60	
	Accrued consumption taxes	91	101	9	
	Deposits received	41	124	83	
	Provision for bonuses	302	158	-144	
	Other	8	4	-3	
	<b>Total current liabilities</b>	<b>861</b>	<b>993</b>	<b>131</b>	
<b>Total non-current liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total liabilities</b>		<b>861</b>	<b>993</b>	<b>131</b>	
Equity	Share capital	907	908	0	
	Legal capital surplus	763	764	0	
	Retained earnings brought forward	1,807	1,699	-108	
	Treasury shares	0	0	0	
	Valuation difference on available-for-sale securities	20	11	-8	
<b>Total net assets</b>		<b>3,498</b>	<b>3,383</b>	<b>-115</b>	
<b>Total liabilities and net assets</b>		<b>4,360</b>	<b>4,376</b>	<b>16</b>	

Equity ratio at **77.3%**

Remained at a high level despite being down 2.9 pts year on year





1. 2022/9 1Q Financial report summary



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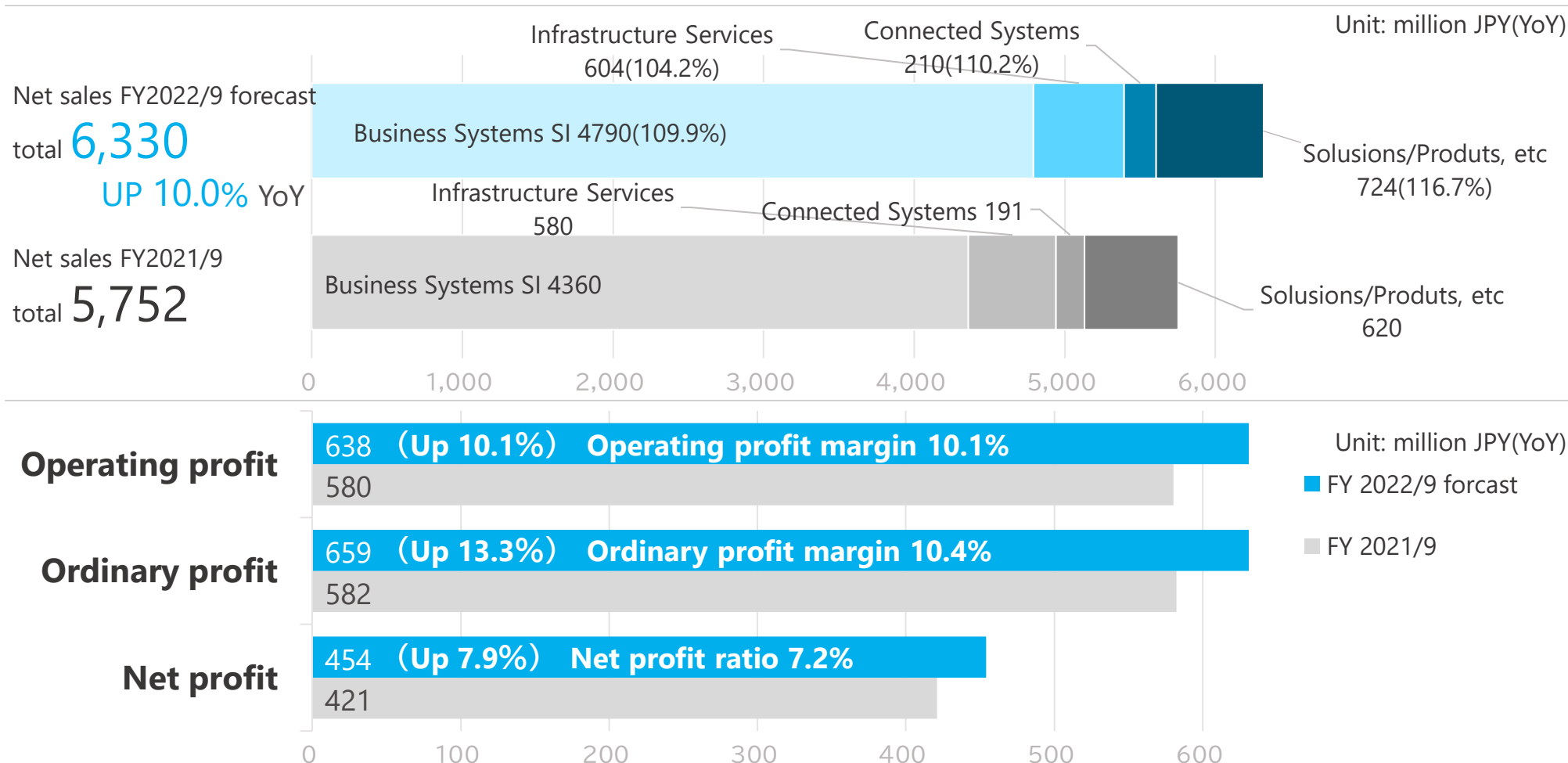


4. Reference



## 2.1) Results forecast

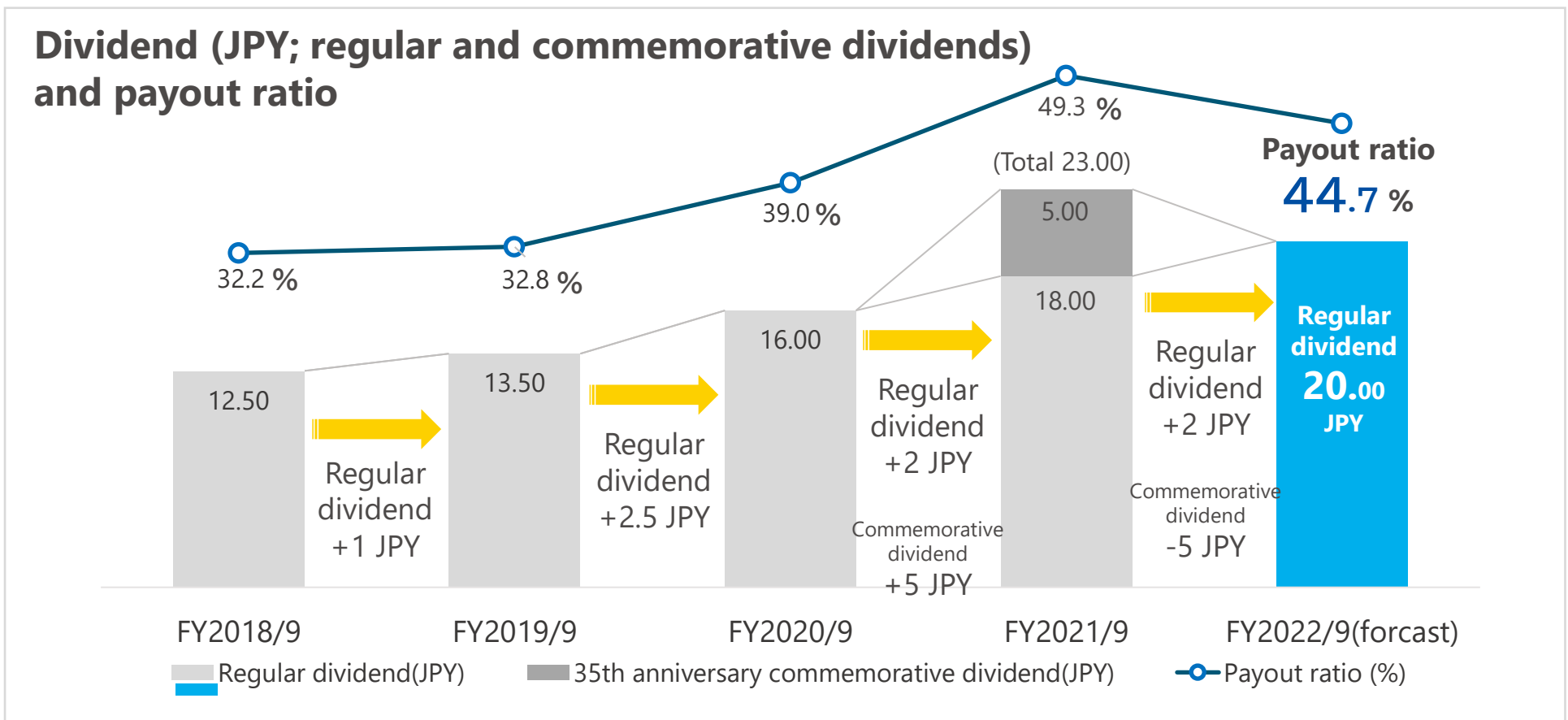
Forecast of **increase in revenue** for 2 consecutive fiscal years & **increase in profit** for **11 consecutive fiscal years** with increased productivity from rapidly developing the competency of new graduate employees and the acquisition of high-value-added projects



Performance achievement rates are calculated based on figures after the upward revision of results. Needs Well plans to re-examine the results forecast for FY2022/9 at the end of FY2022/9 2Q. In the event of any changes to the results forecast, the Company will announce them promptly.

## 2.2) Dividends and shareholder returns

FY22/9 forecast Dividend per share: 20.00 JPY/share  
 2 JPY increase in regular dividend  
 Dividend increase for 4 consecutive fiscal years



\* The Company plans to pay a commemorative dividend of 5.00 JPY in addition to a regular dividend of 18.00 JPY in commemoration of the Company's 35th anniversary for the fiscal year 2021/9.

\* Needs Well conducted stock splits 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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## 3.1) Management philosophy

Management philosophy

Contributing Broadly to the  
Economy and Society

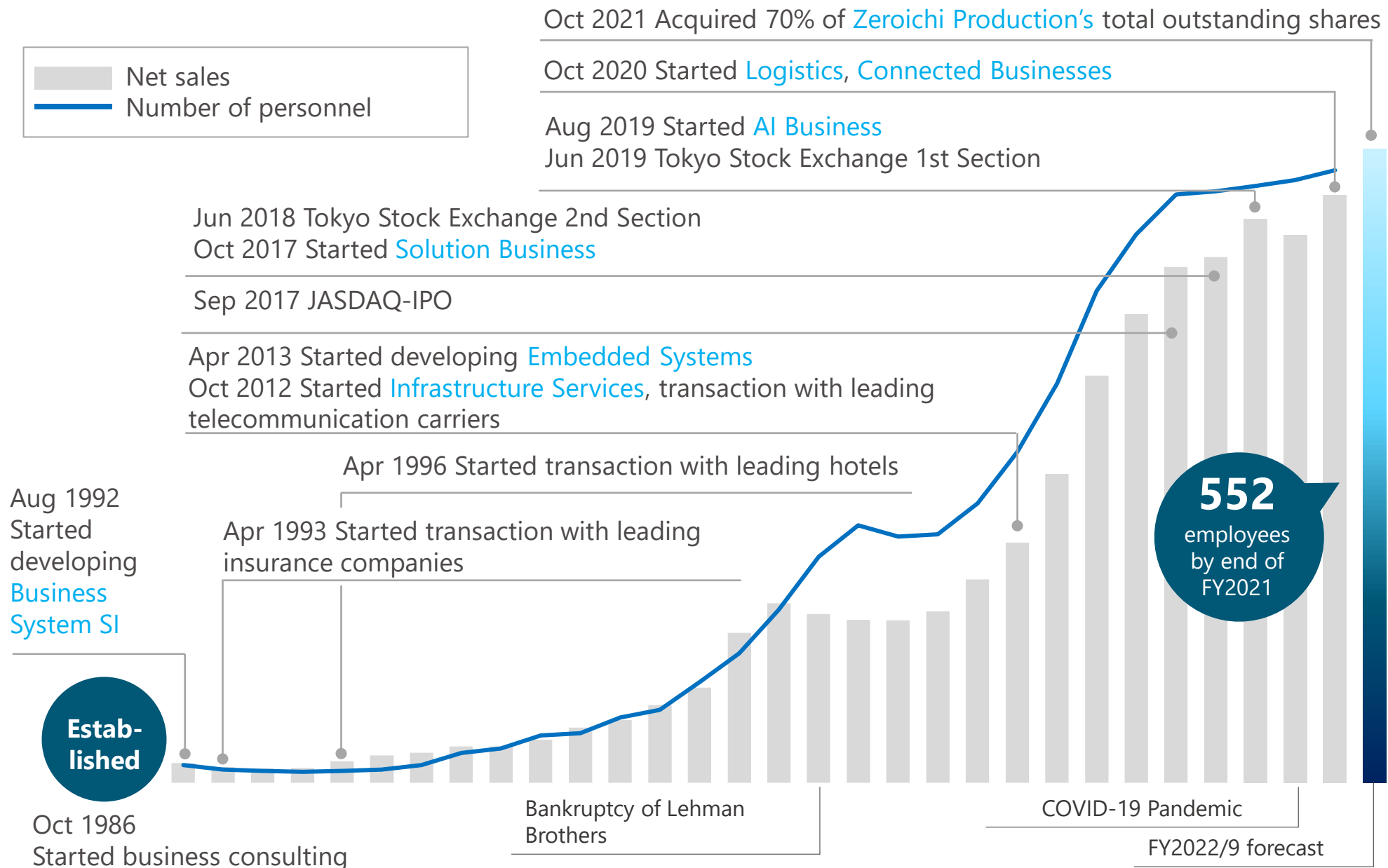
Business slogan

Try & Innovation



Constantly evolving,  
Needs Well continues to contribute broadly to the  
economy and society with challenges and innovations.

## 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**.

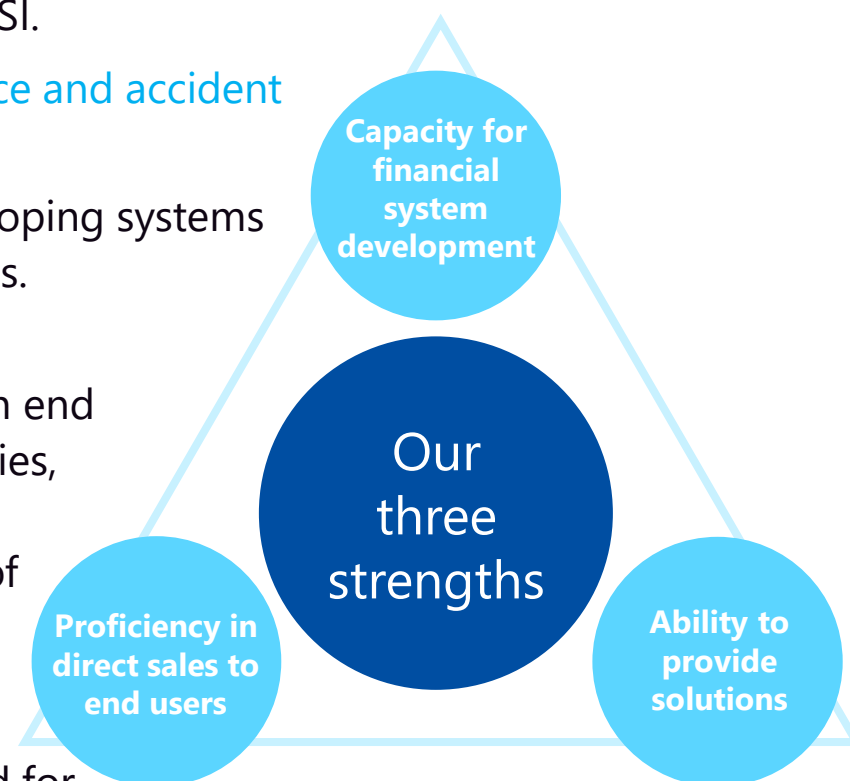
Strong performance record in developing systems for banks, credit cards, and securities.

### 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

Net  
sales

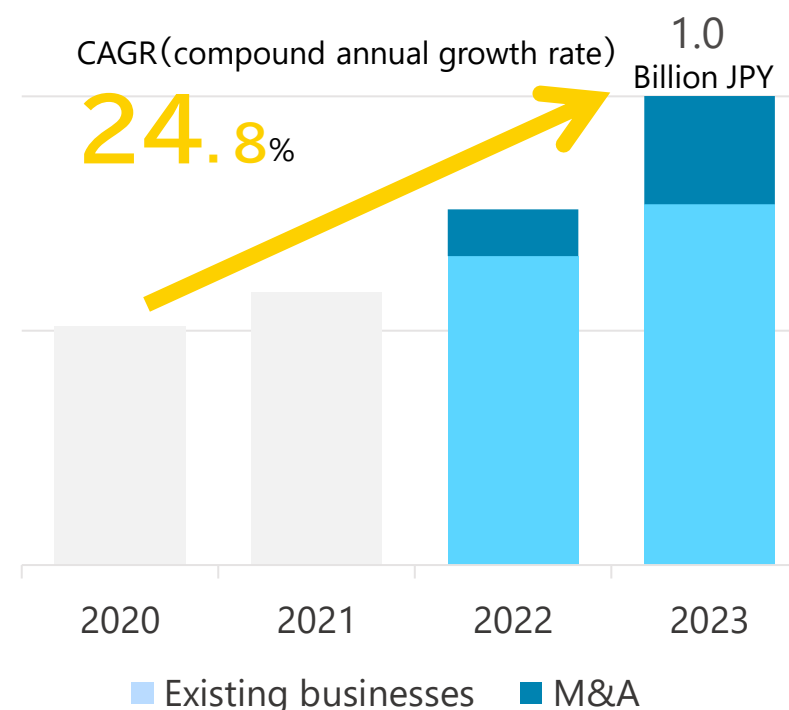
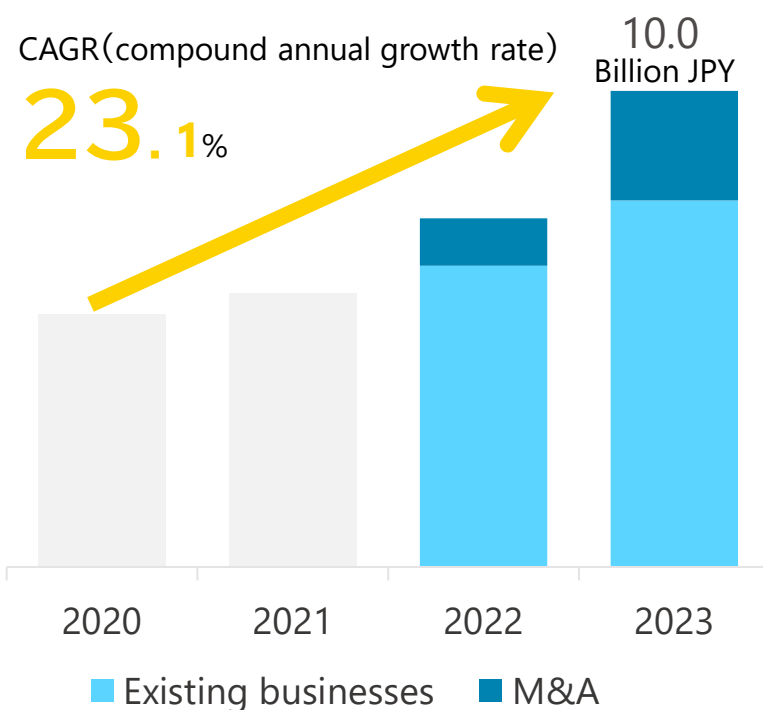
10.0

billion JPY

Ordinary  
profit

1.0

billion JPY





## 3.5) 2 Promotion policies: Sales growth

### Market scale (our forecast)

Logistics IoT software solutions market  
(WMS, etc.)

2023 **103.0** bil. JPY  
↑  
2020 **80.0** bil. JPY

Smart cities market

2023 **1,200.0** bil. JPY  
↑  
2020 **680.0** bil. JPY

AI's major markets\*

2023 **64.0** bil. JPY  
↑  
2020 **32.0** bil. JPY

### 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

**+1.2**

**+0.3**

**+0.9**

**+2.3**

Existing businesses

M&A

**10.0**  
billion JPY

FY2023/9

Sales growth

**+4.7**

billion JPY

[Breakdown]

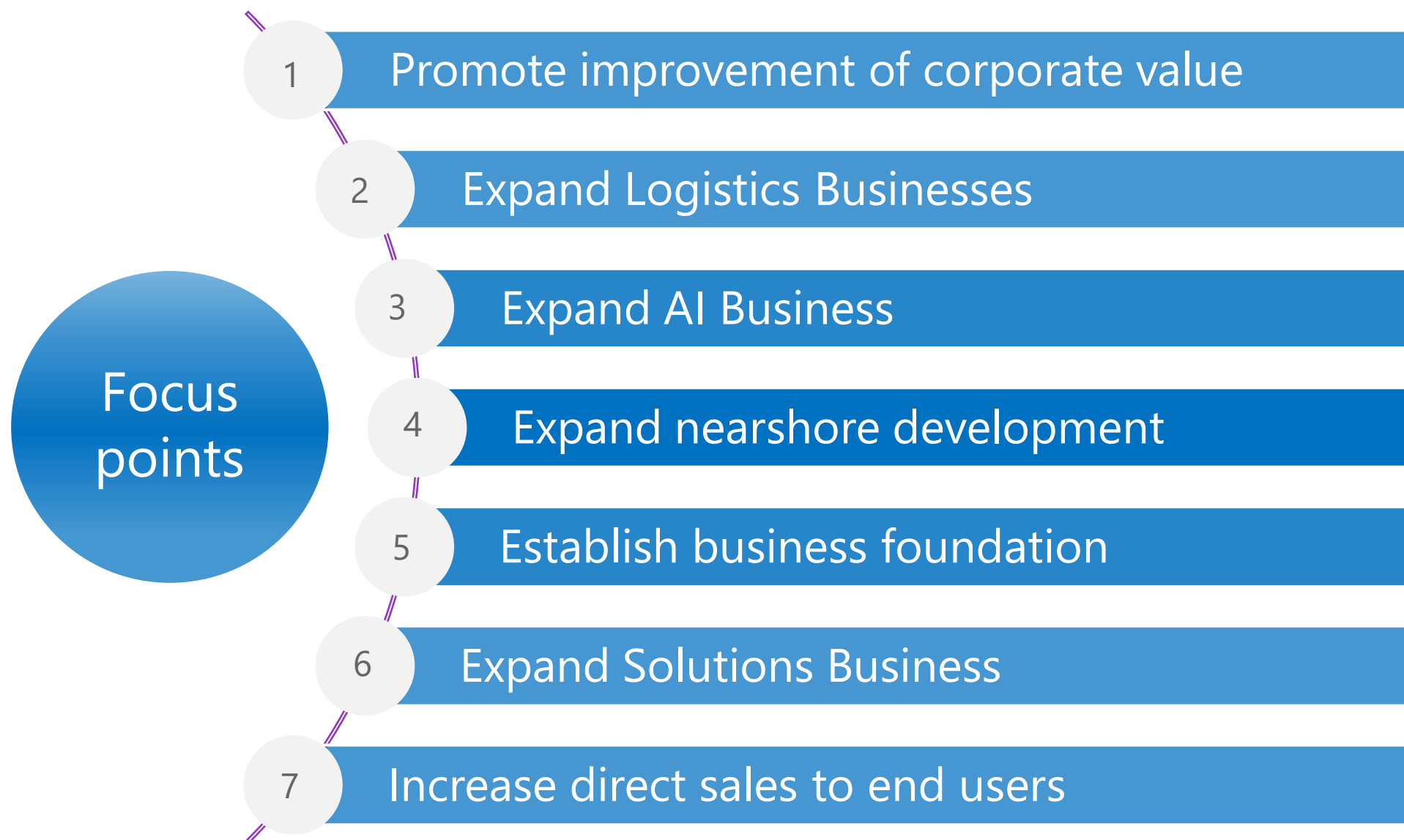
- Existing businesses 2.4 bil. JPY
- M&A 2.3 bil. JPY

**5.3**  
billion JPY

FY2020/9

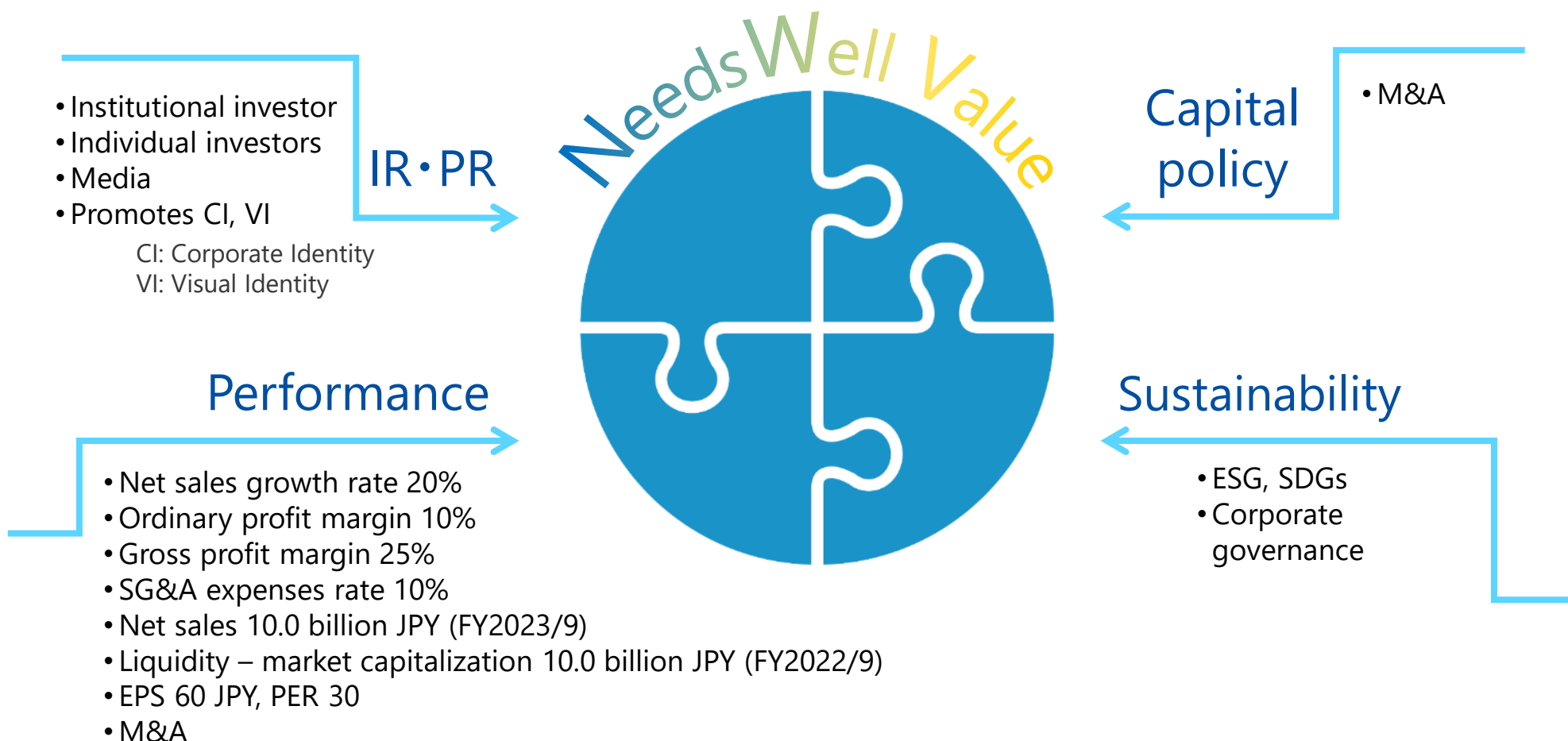
\* AI's major markets: Image recognition, speech recognition, speech synthesis, language analysis, search and retrieval, translation

## 3.6) Growth strategy



## 3.6) 1 Promote improvement of corporate value i

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



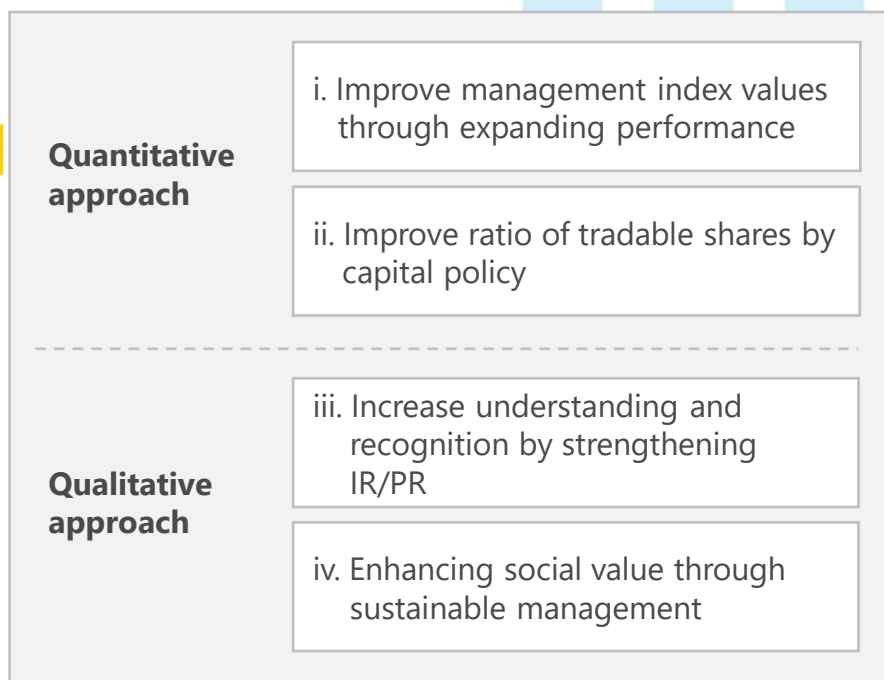
### 3.6) 1 Promote improvement of corporate value ii

Needs Well has chosen to be included in the **Prime Market** for the Tokyo Stock Exchange market restructuring in April 2022

Needs Well aims to satisfy all listing criteria by the end of September 2023 by improving corporate value based on our [“Plan for Compliance with Listing Criteria.”](#)

Increase **market capitalization** by improving corporate value

Listing criteria (Prime Market)	Status of compliance
Market capitalization of tradable shares	×
Number of shareholders	○
Number of tradable shares	○
Ratio of tradable shares	○
Average daily trading value	○



## 3.6) 1 Promote improvement of corporate value iii

### Resolved to **acquire treasury shares** (Board of Directors meeting held on February 10, 2022)

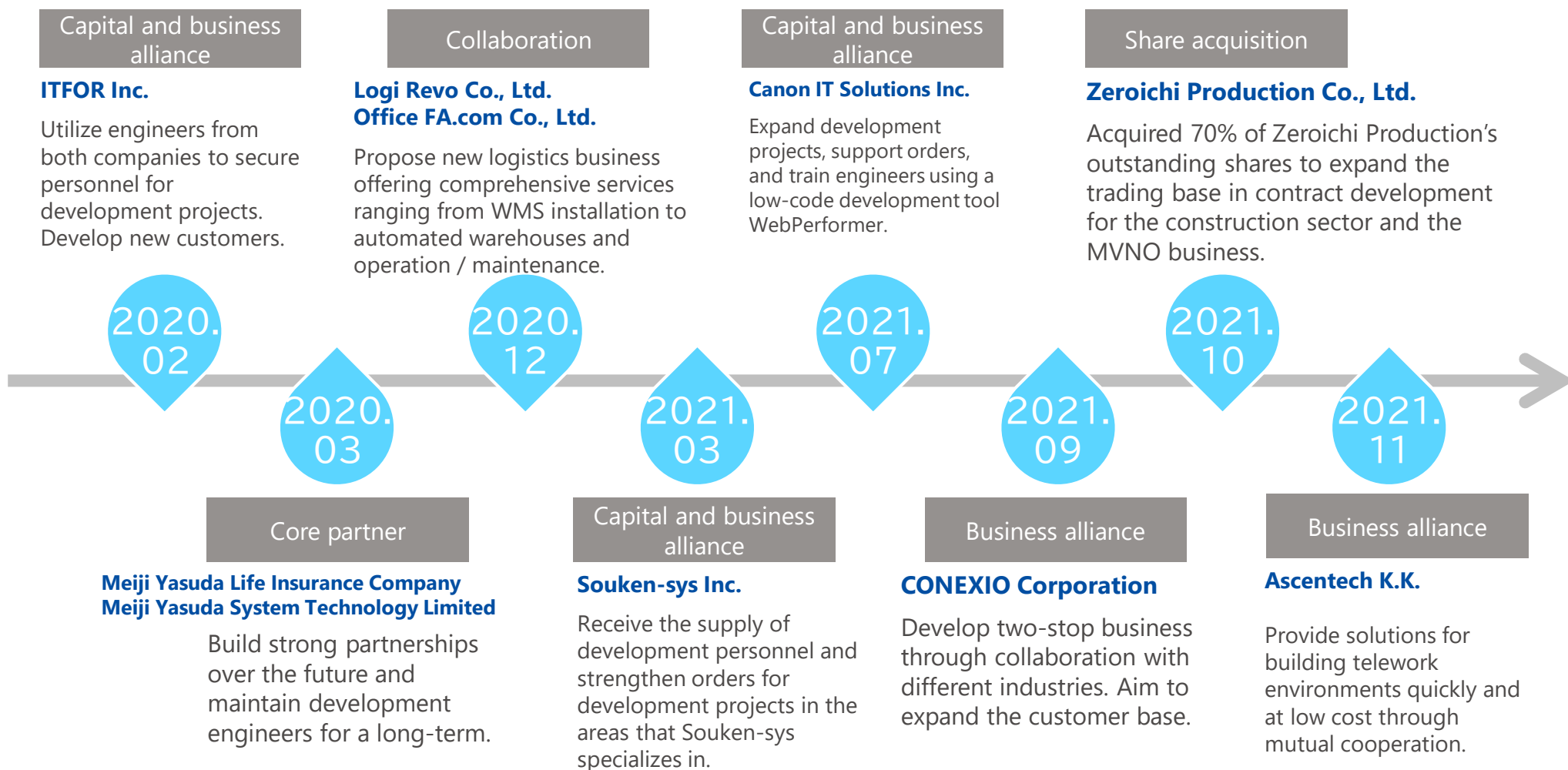
Needs Well believes that its current stock price is undervalued considering its profit levels and will purchase treasury shares for the following purposes:

- **Improvement** of **stock price** and **EPS**
- Execution of **flexible capital policies** in response to changes in the business environment

1	Class of shares to be purchased	Common stock
2	Total number of shares to be purchased	340,000 shares Ratio to total number of shares issued (excluding treasury stock) 3.3%
3	Total amount to be delivered in exchange for the purchase	Up to 200,000,000 Yen
4	Purchase period	From February 14, 2022 to August 12, 2022
5	Purchase method	Market purchase on the Tokyo Stock Exchange
Reference: Status of treasury share holdings as of January 31, 2022 Total number of shares issued (excluding treasury shares): 10,167,768 shares Number of treasury shares: 232 shares		

## 3.6) 1 Promote improvement of corporate value iv

Proactively pursue M&A, capital and business alliances, and the development of collaborative relationships  
Expanding **sales channels, orders, products, and engineers** for further growth



## 3.6) 2 Expand Logistics Businesses

With the growing needs of an Internet-based society,  
IT resolves **issues in logistics warehouses** facing labor shortages

Warehouse Management System  realizes 3 smart aspects

### Manpower-saving, paperless system

- Improvement of operations at worksites with the use of handy terminals
- Elimination of paper from a series of tasks in warehouses
- Work with robots

### Visualization of issues

- Productivity improvement with advanced analytical functions
- Optimization of staffing in warehouses
- Improve the loading rate of delivery vehicles



### Easy-to-operate system

- Uniform operability to prevent input errors
- Search items can be freely set by each person in charge

Quickly accommodate requests ranging from WMS  
installation to automated warehouses and operation /  
maintenance in collaboration with Logi Revo Co., Ltd. and Office FA.com Co., Ltd.







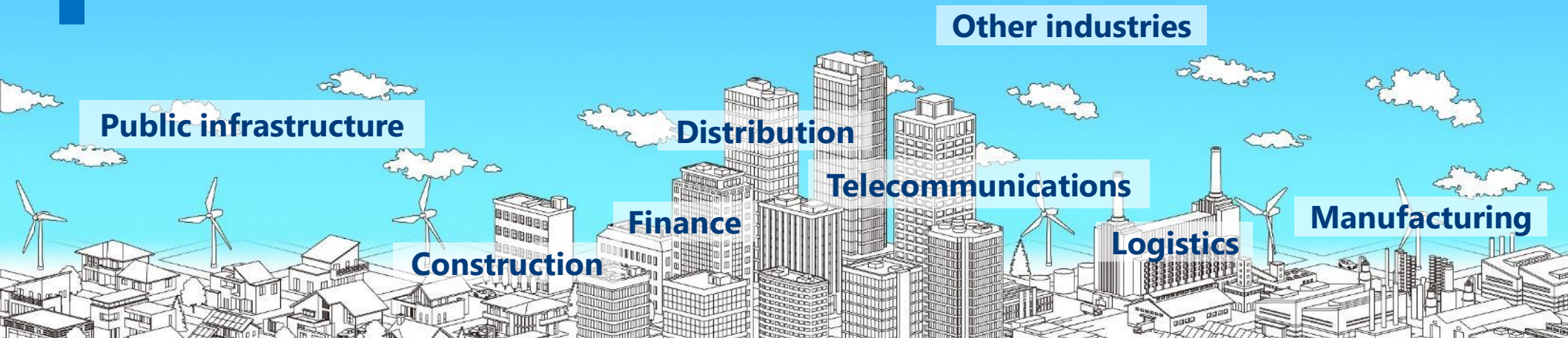
## 3.6) 3 Expand AI Business

### Expand AI Business by expanding the Work AI lineup

\* Work AI is a general term for **industry-specific AI solutions** developed to support corporate DX by utilizing know-how in integration for AI, RPA, etc.

		<b>AI Remote Education</b> 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.
	Demonstration test in progress	<b>AI automation of rough estimation of parts and materials</b> Aiming at the automation and accuracy improvement of rough estimation of parts and materials in the construction industry.

### 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

### 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

### Personnel acquisition

- Recruiting and training highly competent engineers who seek local employment
  - Recruiting from local universities
  - Recruiting U-turn and I-turn personnel



## 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 (FY2021/9 results: 10.8%)

### Expansion strategy

✓ **Provide DX centered on solutions from Needs Well**



Coordinating peripheral systems based on ERP

- Improve productivity by introducing electronic contracts and approvals
- Paperless accounting department in preparation for the Revised Preservation of Electronic Records Act
- Improve productivity by making general affairs and year-end tax adjustment work paperless
- Build a secure telework environment
- Improve business efficiency by centralizing user authentication for multiple systems



✓ **Provide 2025 Solutions for issues related to the 2025 Digital Cliff**

✓ **Plan to provide collaboration solutions combining RPA tools and business chat tools (2022)**

Receive user inquiries through AI chat bots and deploy RPA to handle processes and actions requested by users

## 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

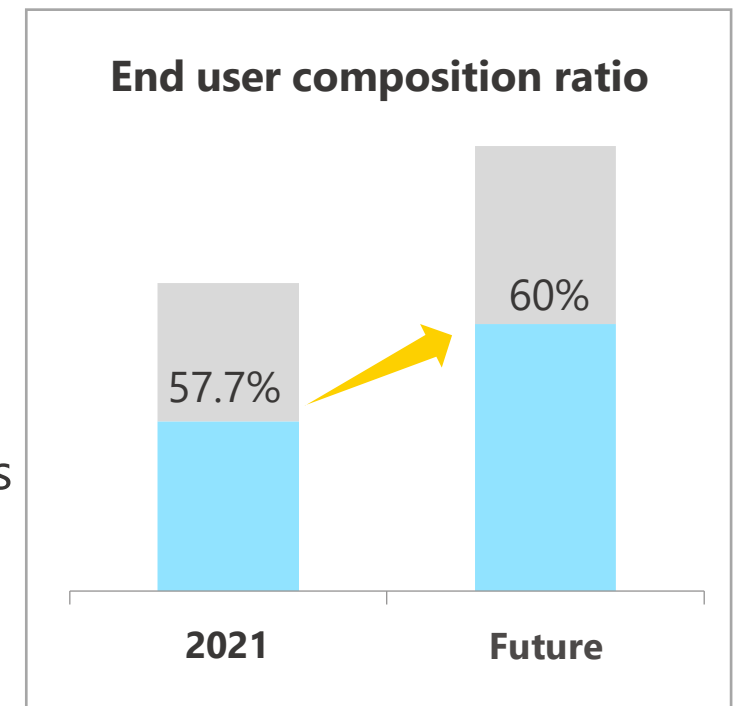
- Secure repeat customers
- Train highly skilled engineers and expand the scope of expertise sectors
- Cultivate new sectors of expertise

### 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
- Develop with various solution products

### Develop new users by expanding solutions business

- Focus on Solution Business with a high ratio of sales to end users



## 3.6) 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.



## 3.6) 2 Initiatives supported by systems and activities

### Work style reform & personnel development

- Promote a healthy work-life balance by incentive dates for paid leave, Premium Friday (leaving work early on the last Friday of the month), reducing overtime work, etc.
- 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 day/3 week internships for students  
Conduct programming classes on apps for submitting electronic applications and creating interactive AI chatbots, WinActor (RPA) to improve efficiency of school operations, taste data analysis, etc. (2020 and 2021)

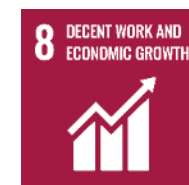
### Donate to assistance programs for repaying student loans

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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## 4.1) Company profile

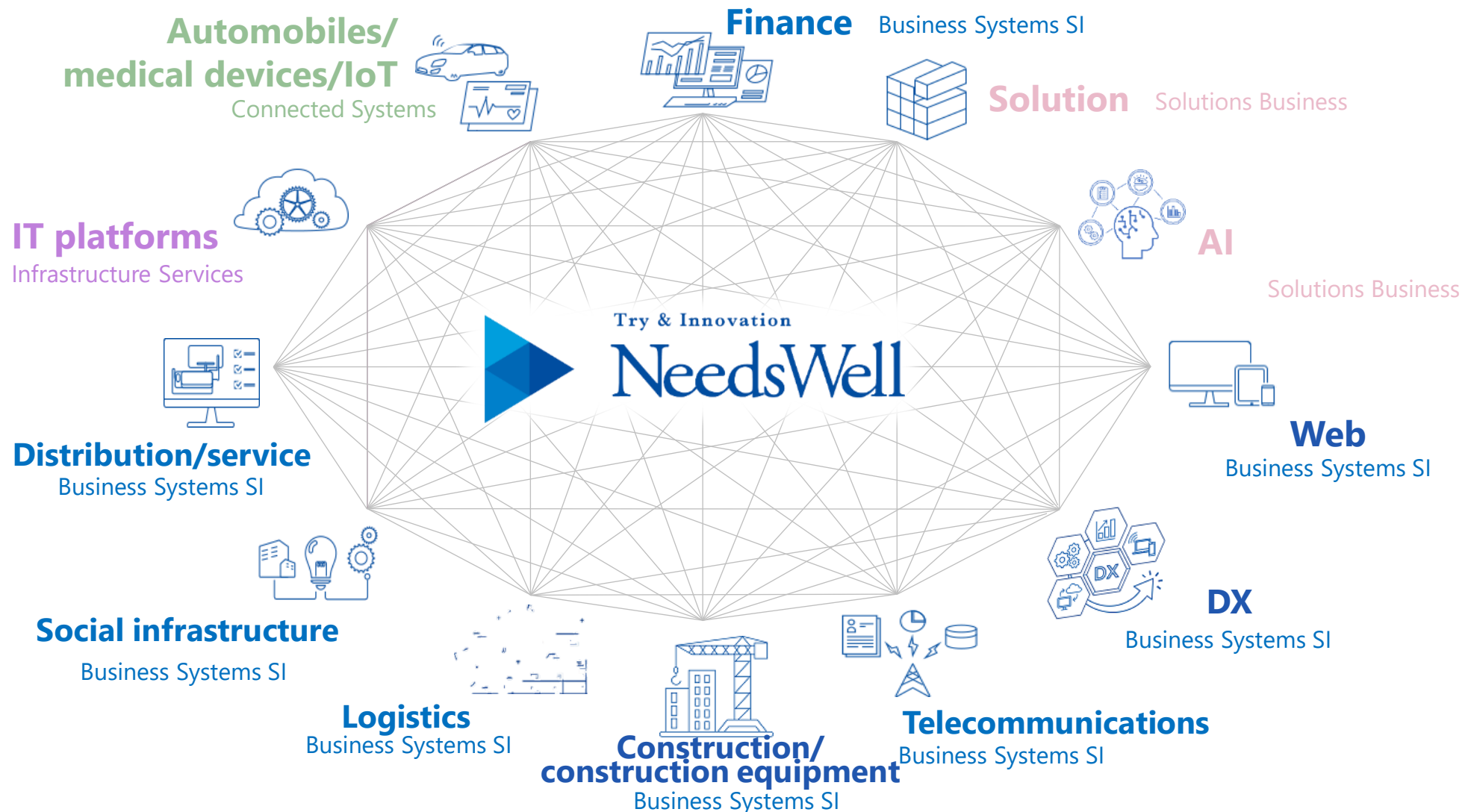
As of September,2021

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	907 million JPY	Net sales	5,752 million JPY
Number of Employees	552		
Qualification	Worker dispatch business Privacy mark	ISO27001 (ISMS) Certified ISO9001 (QMS) Certified	
Board of Directors As of February,2022	President and CEO	<b>Kozo Funatsu</b>	Audit & Supervisory
	Executive Director	<b>Nobumasa Goto</b>	Board Member <b>Kazuhiko Kato</b>
	Director	<b>Keiho Akiyama</b>	Audit & Supervisory
	Director	<b>Kazuhiro Shinohara</b>	Board Member <b>Kotaro Niwa</b> <span>E</span> <span>I</span>
	Director	<b>Hajime Matsuoka</b>	Audit & Supervisory
	Director	<b>Hiromi Kimura</b>	Board Member <b>Shigeru Sato</b> <span>E</span> <span>I</span>
	Director	<b>Hiroki Yanagawa</b> <span>E</span> <span>I</span>	
	Director	<b>Hideaki Sakaue</b> <span>E</span> <span>I</span>	
	Director	<b>Mamoru Yasuoka</b> <span>E</span> <span>I</span>	E : External officer I : Independent officer

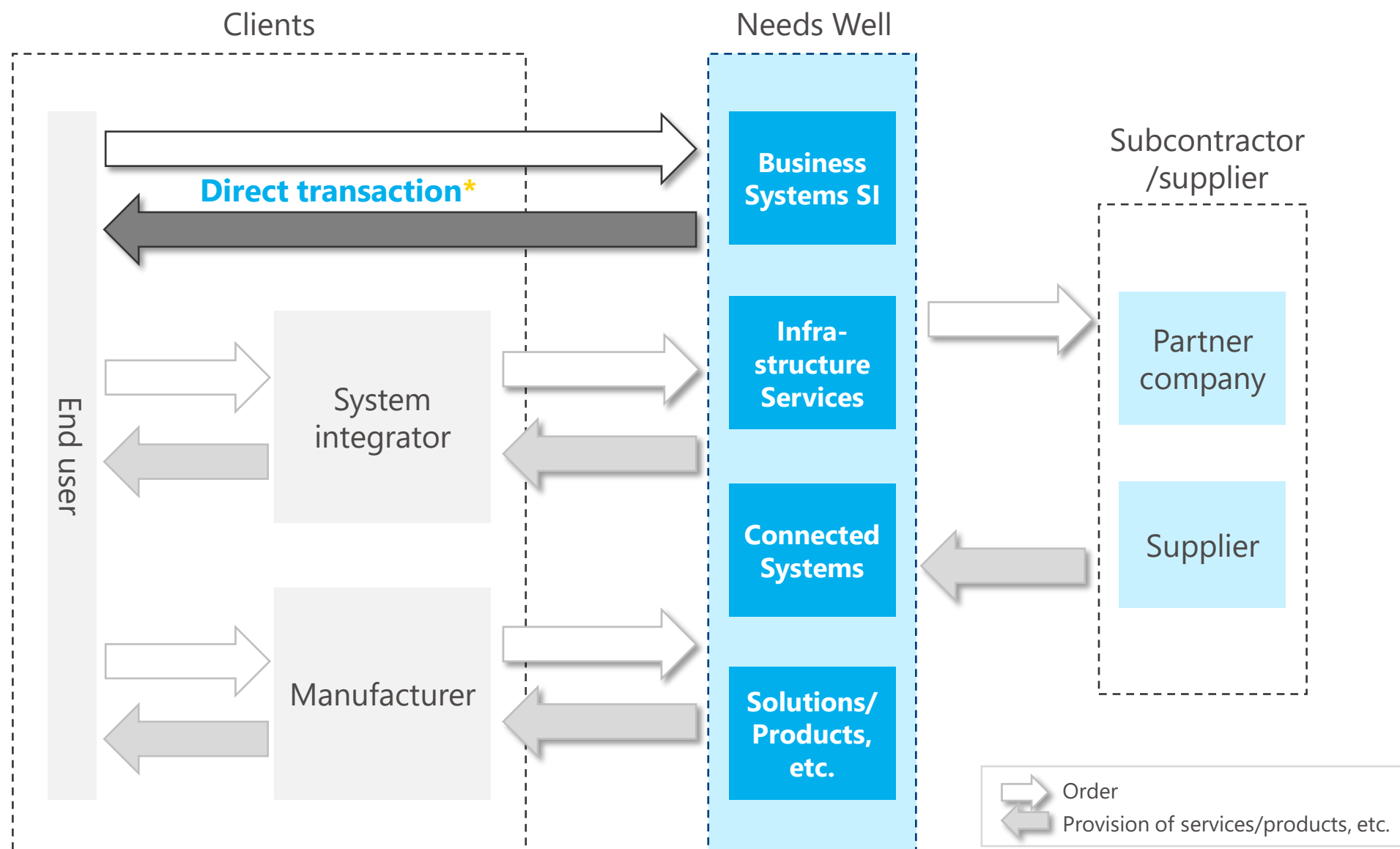


## 4.2) Business fields

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



## 4.3) Business system diagram

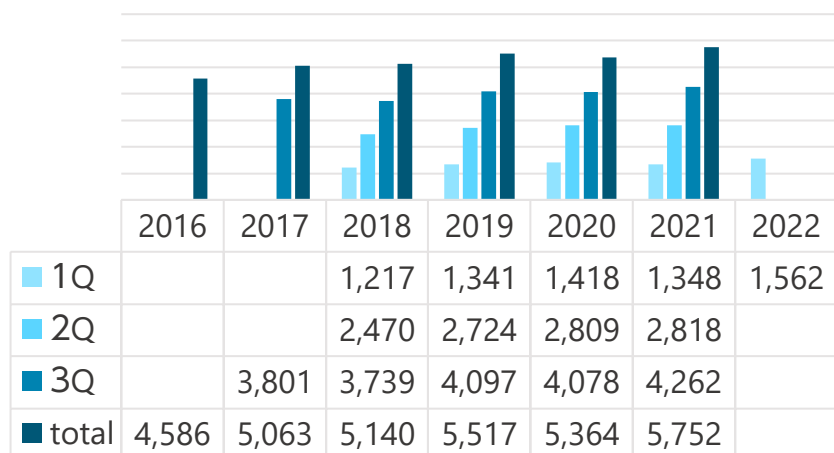


\* High level of **direct transactions with end users** (approx. **57.7%** of all sales)

## 4.4) Business results 1

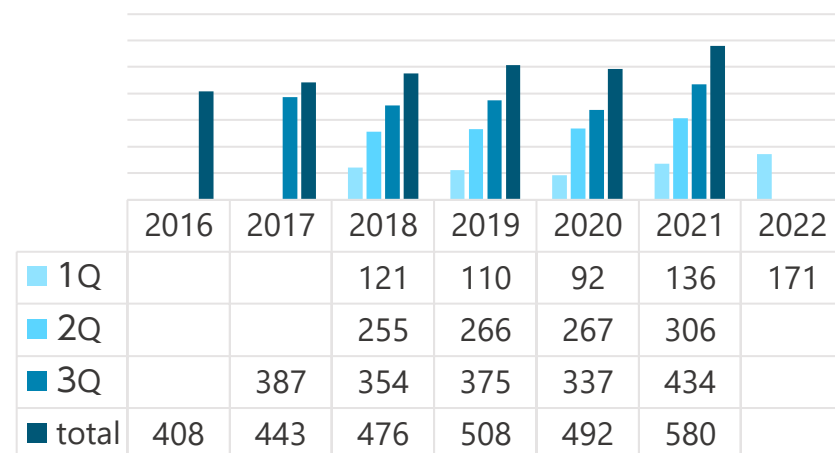
### Net sales

Unit : million yen



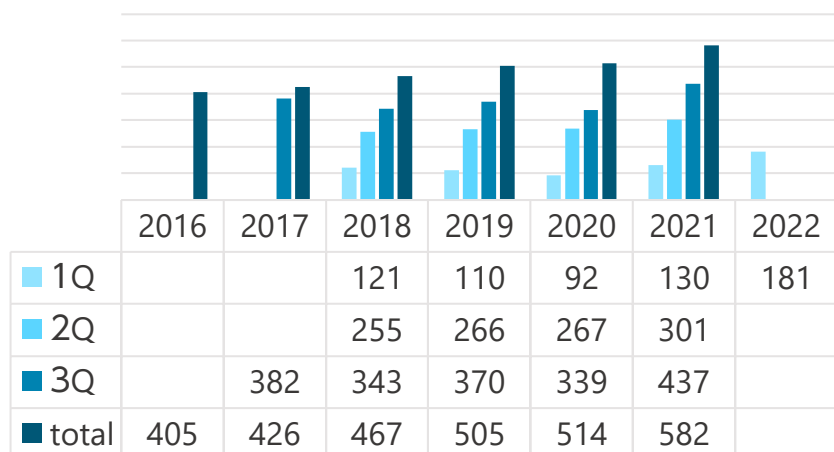
### Operating profit

Unit : million yen



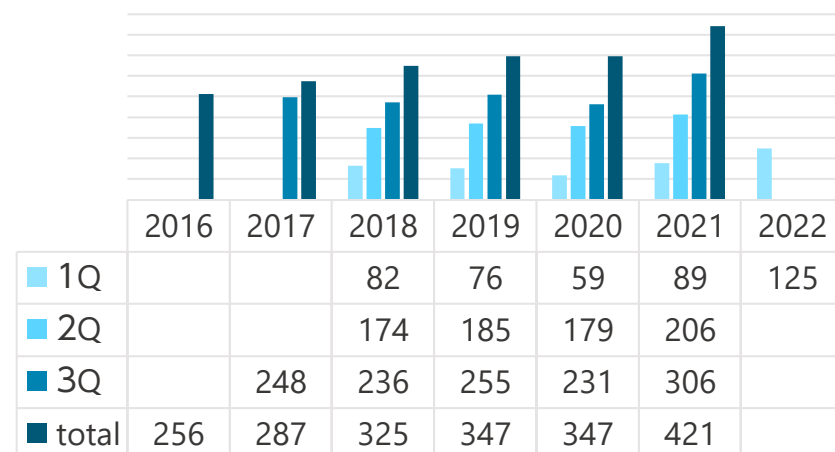
### Ordinary profit

Unit : million yen



### Profit

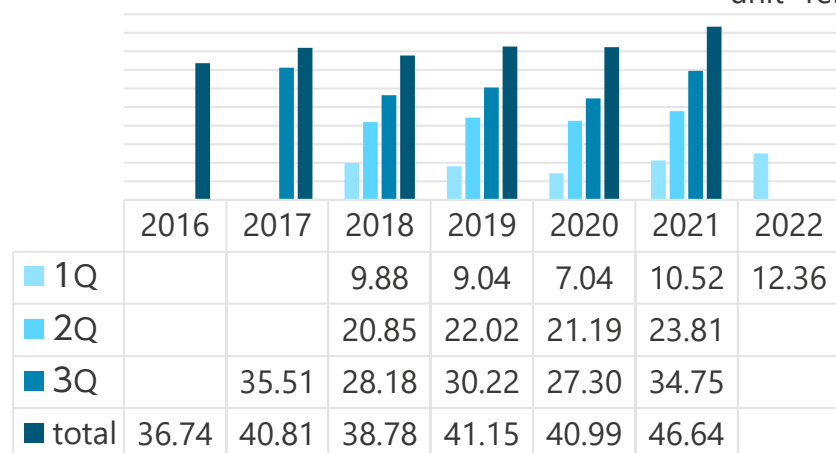
Unit : million yen



## 4.4) Business results 2

### Profit per share

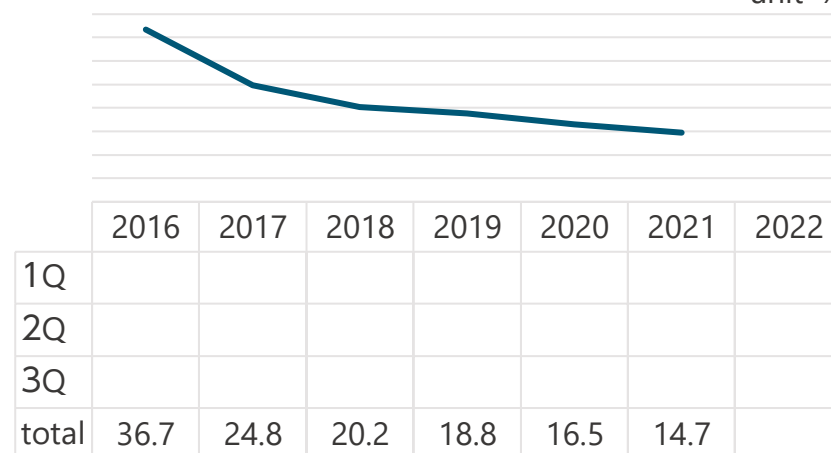
unit:Yen



\* 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

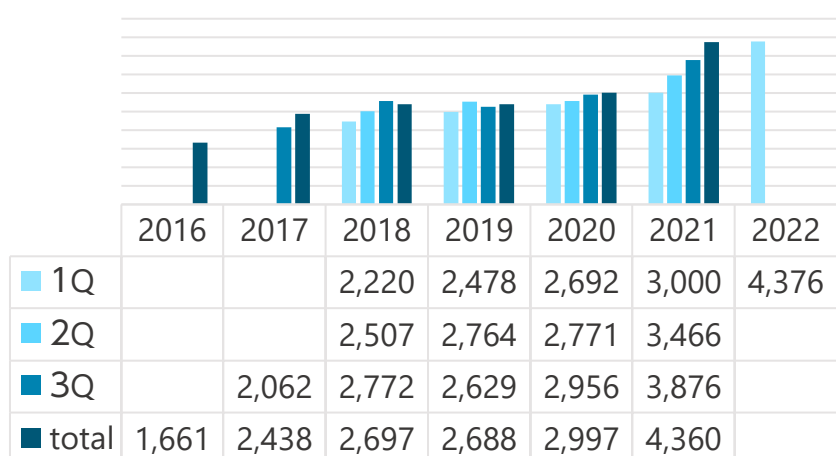
unit:%



\* This index is updated every year

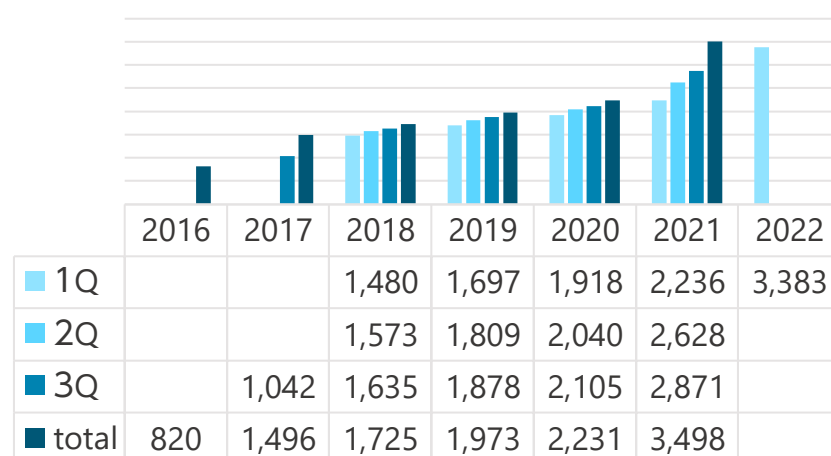
### Total assets

Unit:million Yen



### Net assets

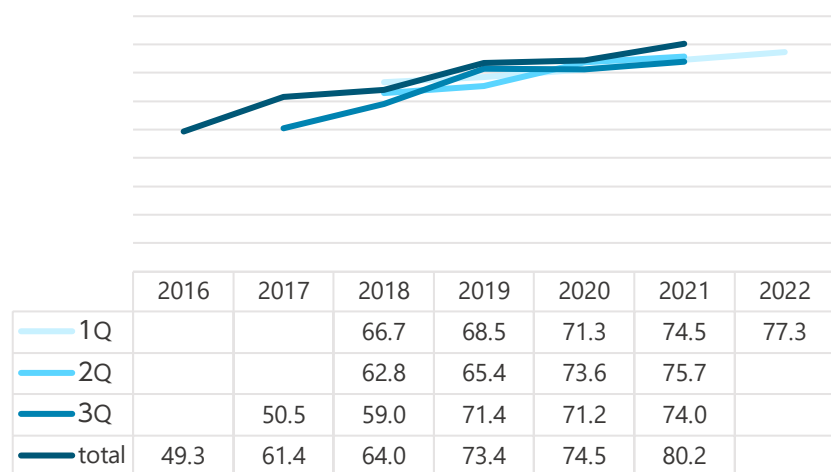
Unit:million Yen



## 4.4) Business results 3

### Capital adequacy ratio

unit:%

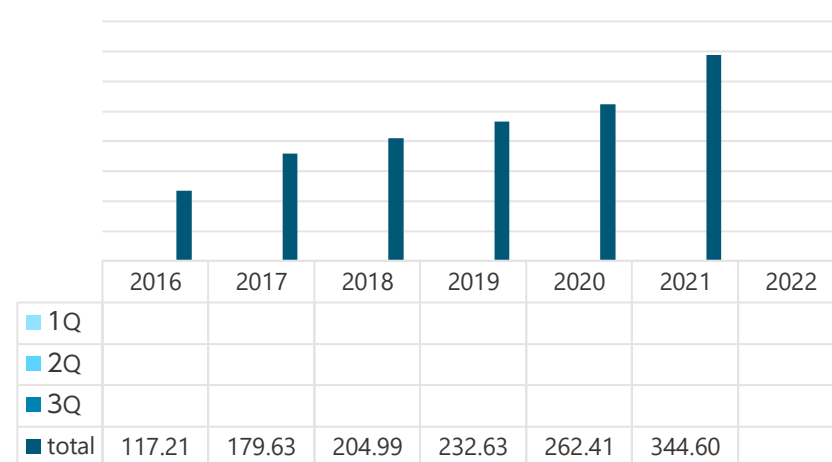


\* 2Q is total of 1Q and 2Q

\* 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.

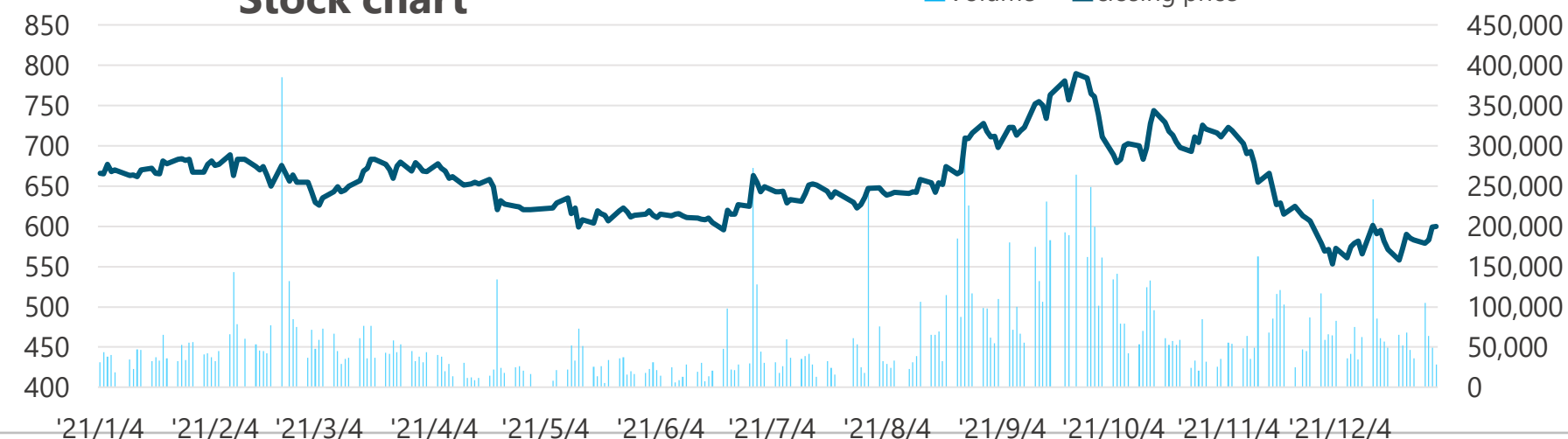
\* This index is updated every year

Stock price : yen

### Stock chart

Volume closing price

Volume:shares





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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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