

Needs Well Inc.

**Financial Results**  
**for the Second Quarter of Fiscal Year 2022**  
**(October 1, 2021 – March 31, 2022)**

May 12, 2022



**NeedsWell**  
Try & Innovation



1. 2022/9 2Q Financial report summary



2. 2022/9 Results forecast



3. Growth strategy



4. Reference

# 1.1) Financial highlights 1

## Double-digit Growth in Net Sales

Expansion of sales channels through business alliances and strong performance in solutions business

Net sales

**3,253** million JPY YoY **+15.4** %

Ordinary profit

**374** million JPY YoY **+24.3** %

Ordinary profit margin

**11.5** %

Net profit

**259** million JPY YoY **+25.8** %

Net profit ratio

**8.0** %

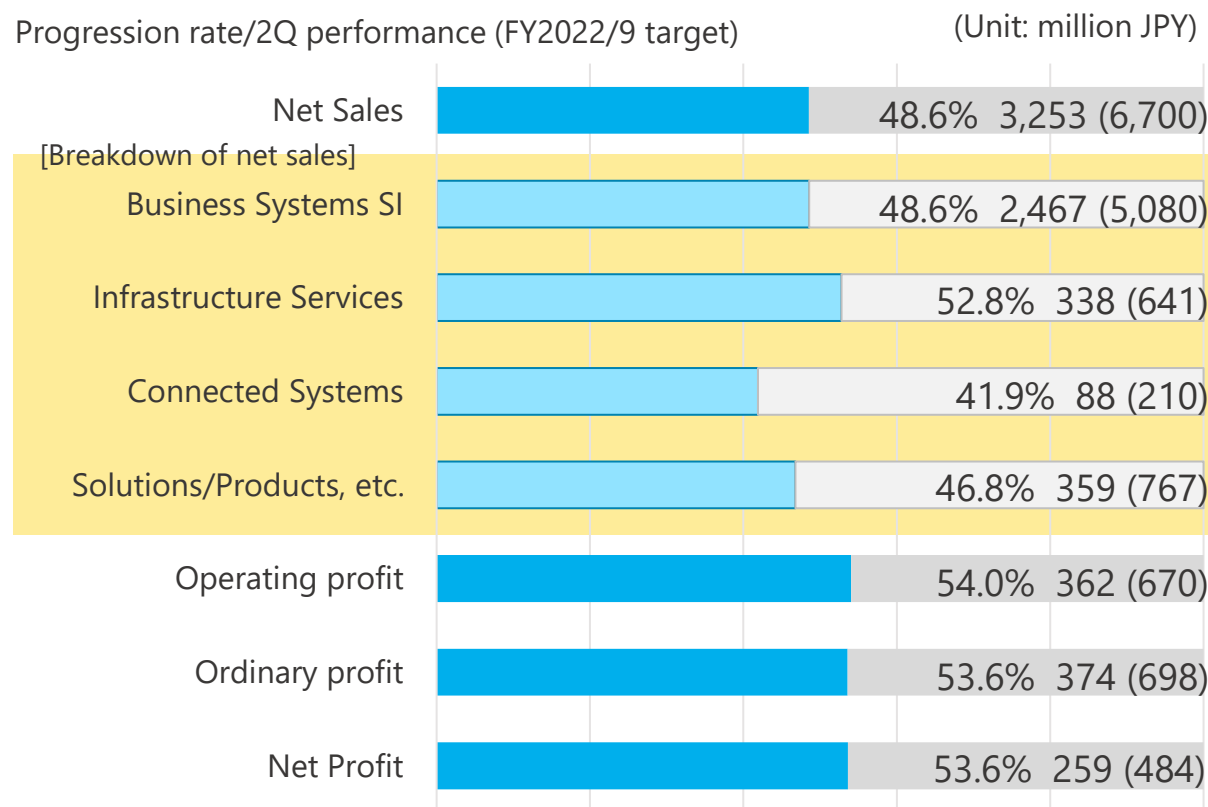
\* The Company has applied the standard for revenue recognition from the beginning of the current fiscal year. Net sales increased by 20,045 thousand yen due to the impact of the application of the standard for revenue recognition. There is no impact on gross profit, operating profit, ordinary profit, and net profit.

## 1.2) Performance progression rate

### Net Sales 48% and Ordinary Profit 53% Progress vs. Upward Revision

Business Systems SI: Strong performance in life insurance and telecommunications, developed new businesses for government ministries

Solutions/Products, etc.: Remained strong due to the Revised Preservation of Electronic Records Act, DX, and telework



#### Business Systems SI

In addition to expansion in insurance and telecommunications, new orders were acquired for government ministries.

#### Infrastructure Services

Sales were strong due to coordination between Business System SI and Solutions/Products, etc., for total orders as well as VDIs and network equipment construction orders, etc.

#### Connected Systems


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

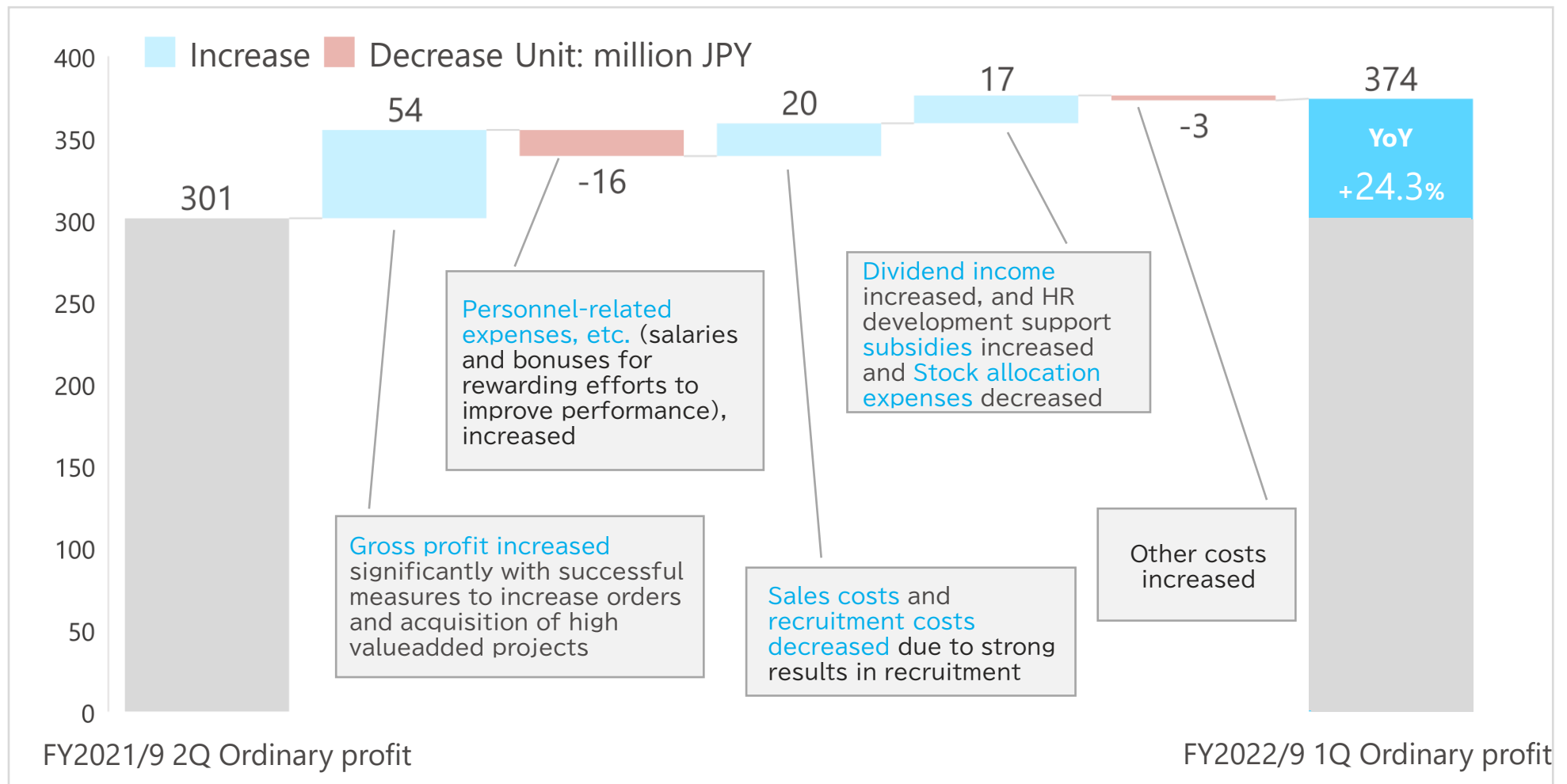
#### Solutions/Products, etc.

Unique solutions for expense management cloud such as [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. Released [Es Prophetter](#), a solution that automates quotes using AI.

Performance achievement rates are calculated based on figures after the upward revision of results. [Reference] May. 9, 2022, "Notice on Upward Revision of Results Forecast"

## 1.3) Ordinary profit analysis

Ordinary profit increased 24.3%  year on year due to Increased orders and acquisition of high-value-added projects



## 1.4) Profit & loss statement

Ordinary profit ratio was **11.5%** (Up 0.8 pts YoY)

Unit: million JPY	FY2021/9 2Q Financial Results		FY2022/9 2Q Financial Results		
	Result	Net Sales	Result	Net Sales	Year-on-year
Net sales	2,818	-	3,253	-	115.4%
Business Systems SI	2,156	76.5%	2,467	75.8%	114.4%
Infrastructure Services	283	10.1%	338	10.4%	119.4%
Connected Systems	100	3.6%	88	2.7%	87.8%
Solutions/Products, etc.	278	9.9%	359	11.0%	129.1%
Gross profit	709	25.2%	764	23.5%	107.7%
SG&A expenses	403	14.3%	402	12.4%	99.9%
Operating profit	306	10.9%	362	11.1%	118.0%
Non-operating profit	2	0.1%	12	0.4%	636.1%
Non-operating expenses	7	0.3%	0	0.0%	9.8%
Ordinary profit	301	10.7%	374	<b>11.5%</b>	124.3%
Net profit	206	7.3%	259	8.0%	125.8%

# 1.5) Balance sheet

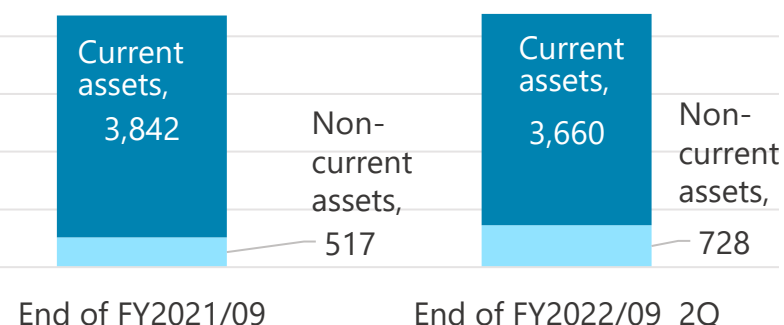
Equity ratio at **78.3%**

Remained at a high level despite being **down 1.9 pts** year on year due to the acquisition of treasury shares

*Selection of significant entries only		FY2021/9	FY2022/9 2Q	
Unit: million JPY		Result	Result	Year-on-year
Assets	Cash and deposits	2,868	2,359	-509
	Accounts receivable	938	0	-938
	Accounts receivable - trade and contract assets	0	1,143	1,143
	Prepaid expenses	25	41	16
	Other	9	115	105
	<b>Total current assets</b>	<b>3,842</b>	<b>3,660</b>	<b>-182</b>
	Buildings, net	31	30	-1
	Software	82	68	-14
	Software in progress	2	30	28
	Investment securities	114	266	151
	Shares of subsidiaries and associates	0	45	45
	Deferred tax assets	118	118	0
	Leasehold and guarantee deposits	83	82	0
	Insurance funds	76	76	0
	Other	7	8	0
	<b>Total non-current assets</b>	<b>517</b>	<b>728</b>	<b>210</b>
	<b>Total assets</b>	<b>4,360</b>	<b>4,388</b>	<b>28</b>
Liabilities	Accounts payable - trade	143	214	71
	Accounts payable - others	149	141	-8
	Accrued corporate tax, etc.	124	133	8
	Accrued consumption taxes	91	77	-14
	Deposits received	41	40	-1
	Provision for bonuses	302	338	36
	Other	8	7	0
	<b>Total current liabilities</b>	<b>861</b>	<b>952</b>	<b>91</b>
Equity	<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total liabilities</b>	<b>861</b>	<b>952</b>	<b>91</b>
	Share capital	907	908	0
	Legal capital surplus	763	764	0
	Retained earnings brought forward	1,807	1,832	25
	Treasury shares	0	-91	-91
	Valuation difference on available-for-sale securities	20	21	1
<b>Total net assets</b>		<b>3,498</b>	<b>3,435</b>	<b>-63</b>
<b>Total liabilities and net assets</b>		<b>4,360</b>	<b>4,388</b>	<b>28</b>

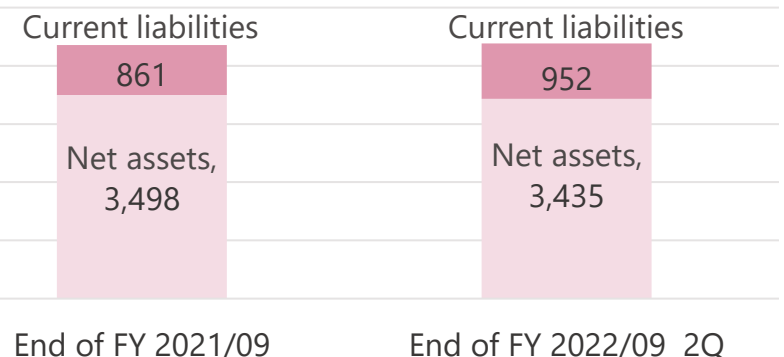
## Assets

Unit: million JPY



## Liabilities & Net Assets

Unit: million JPY





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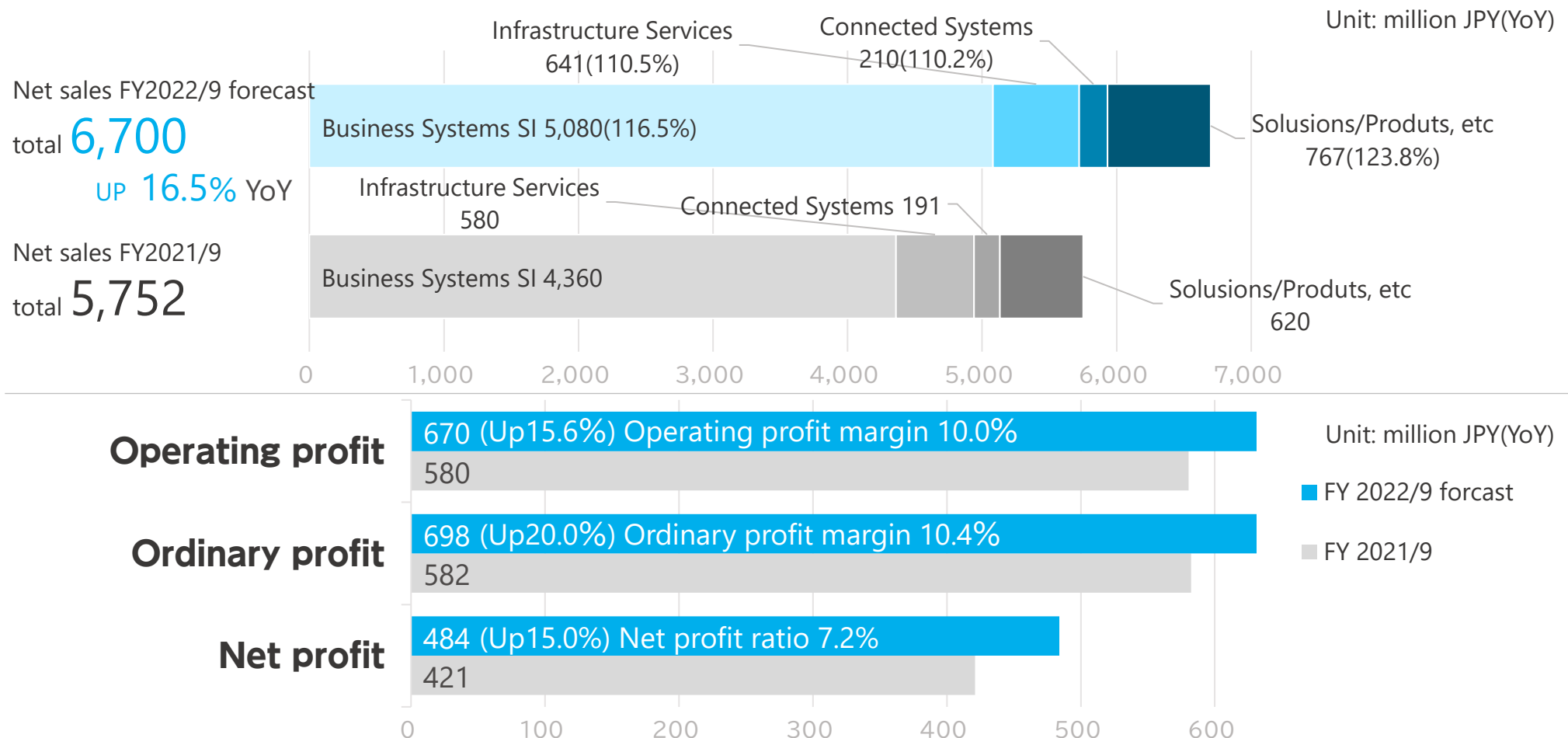
4. Reference



## 2.1) Forecast

Second upward revision to this fiscal year's results due to the results of the capital and business alliance, etc.

Forecast of **increase in revenue** for 2 consecutive fiscal years & **increase in profit** for 11 consecutive fiscal years

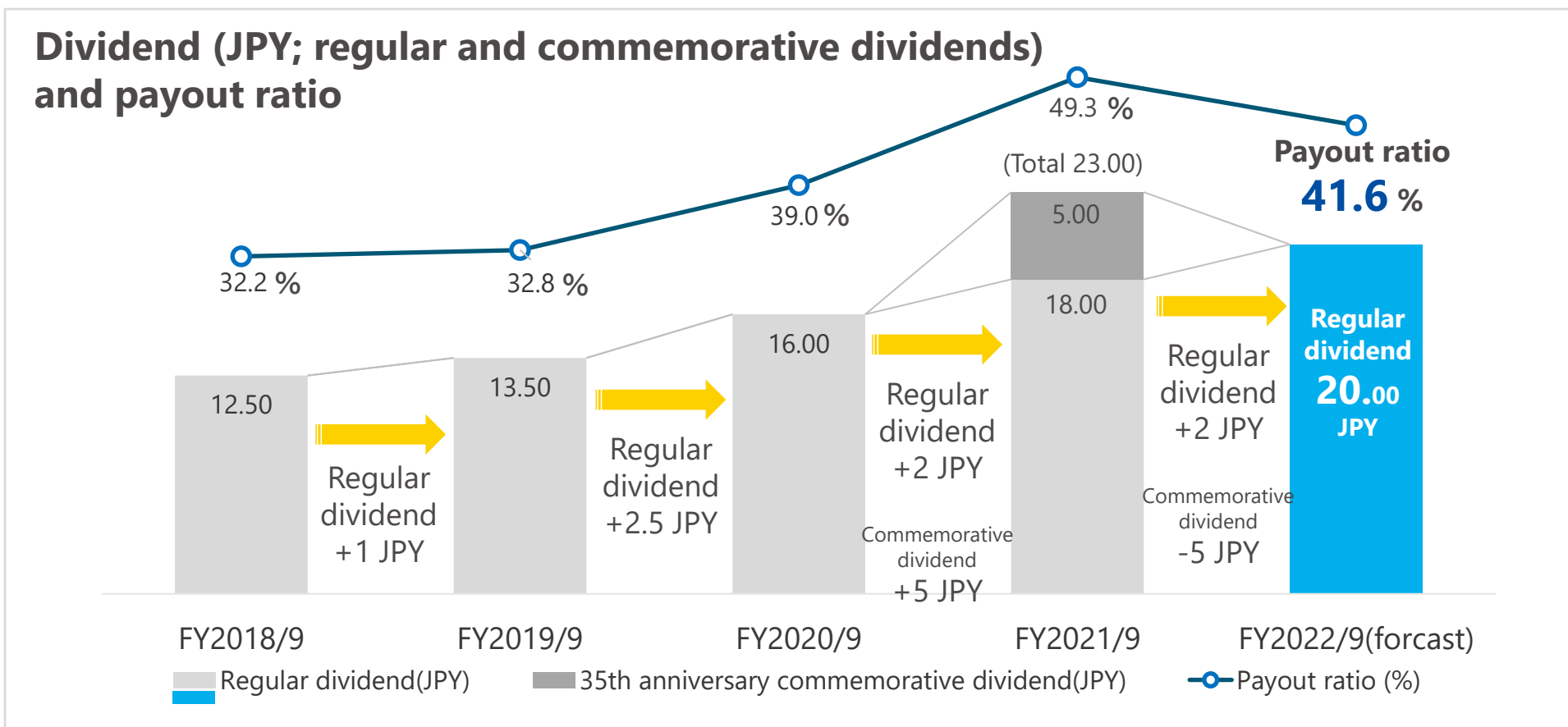


\*Performance achievement rates are calculated based on figures after the upward revision of results. [Reference] May 9, 2022, "Notice on Upward Revision of Results Forecast"

\*Performance achievement has been revised upon recording salary increases and provision for bonuses at higher levels than in previous years.

## 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

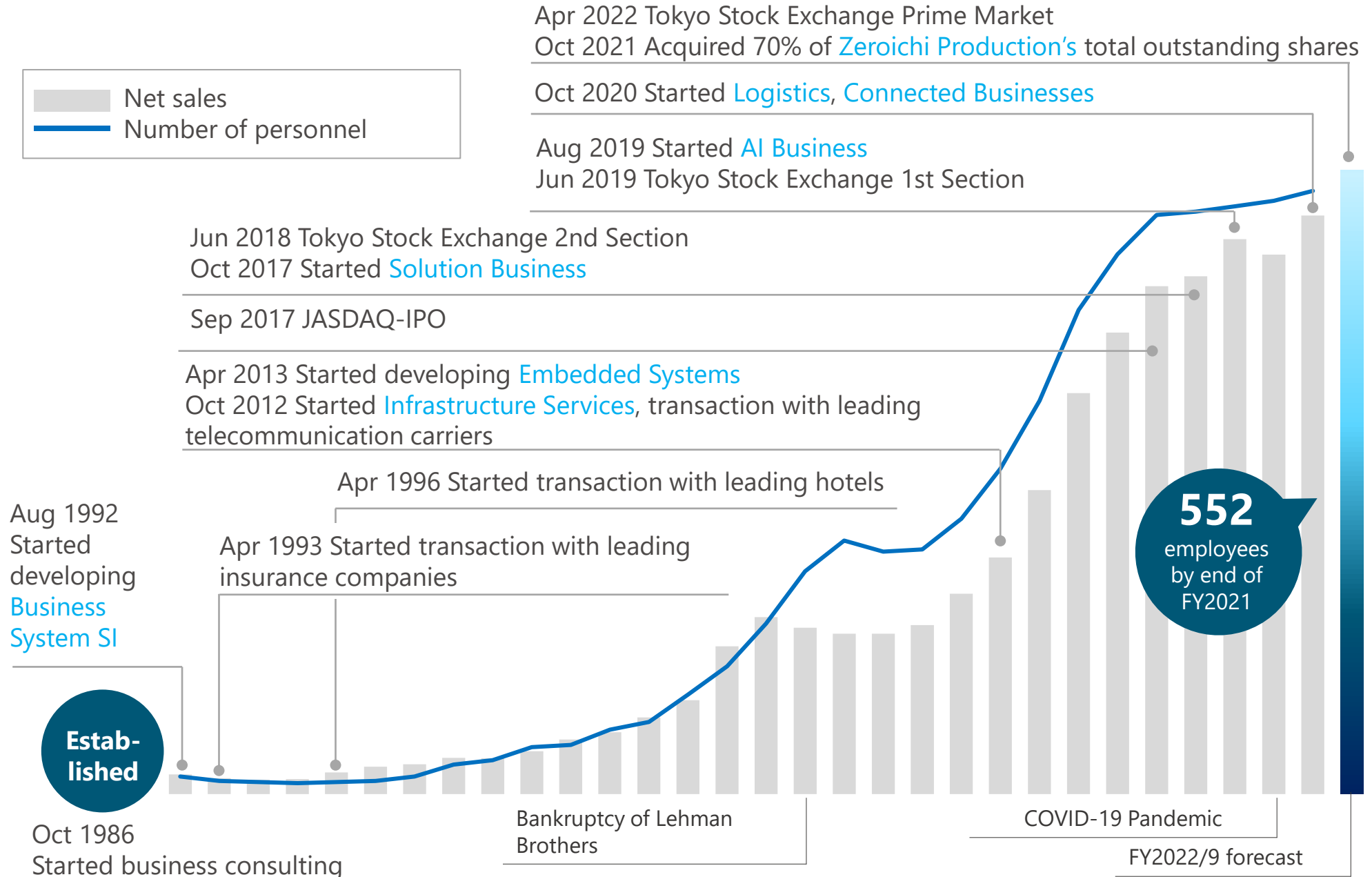
Business slogan

## 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**.

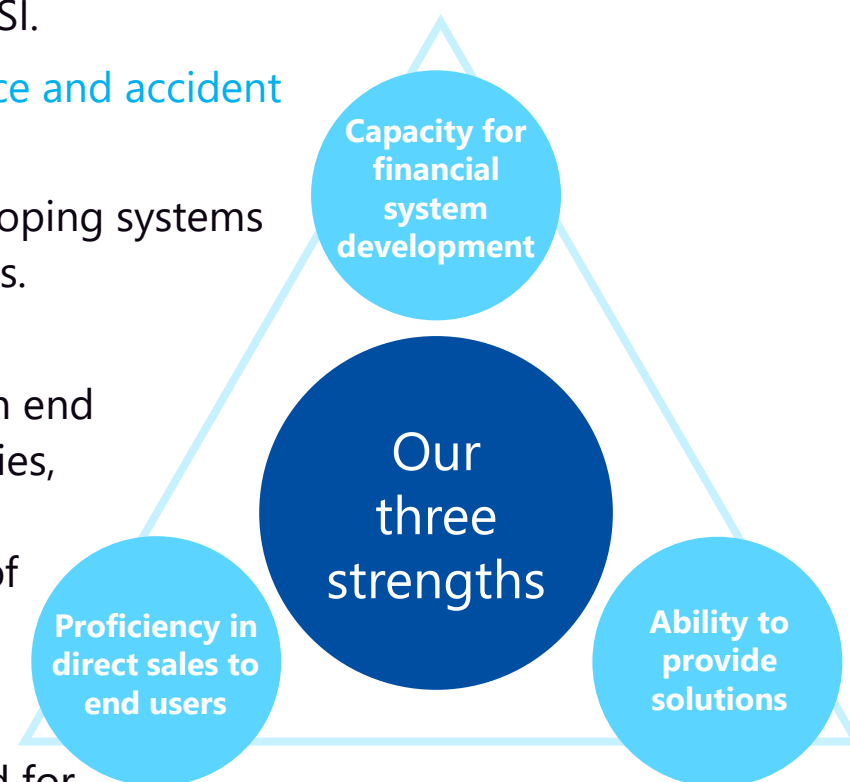
Strong performance record in developing systems for banks, credit cards, and securities.

### 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

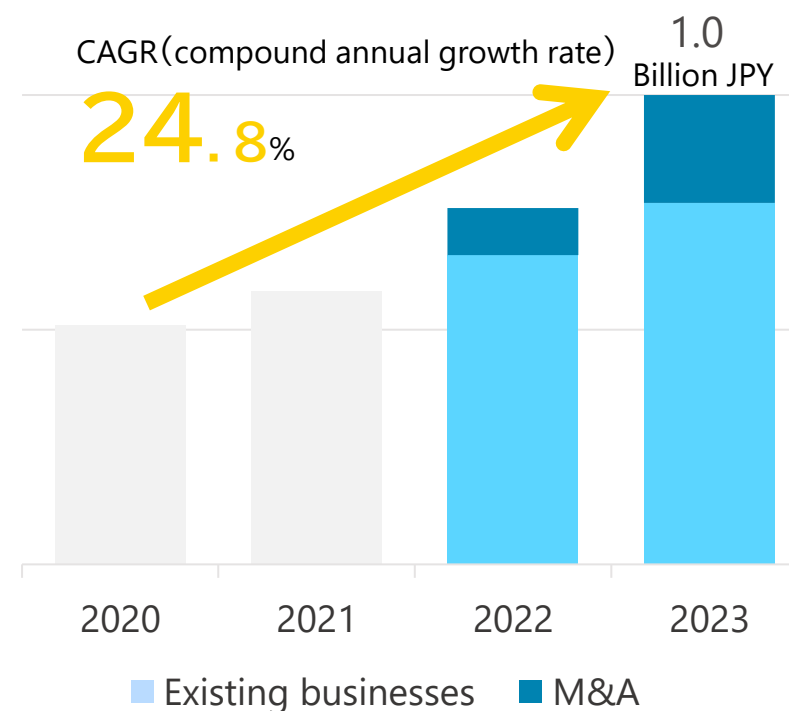
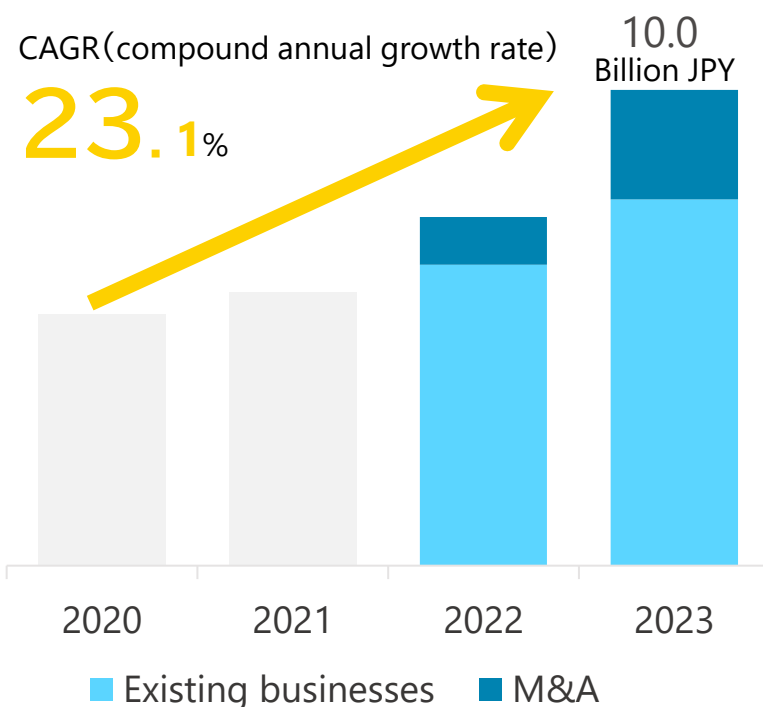
10.0

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]

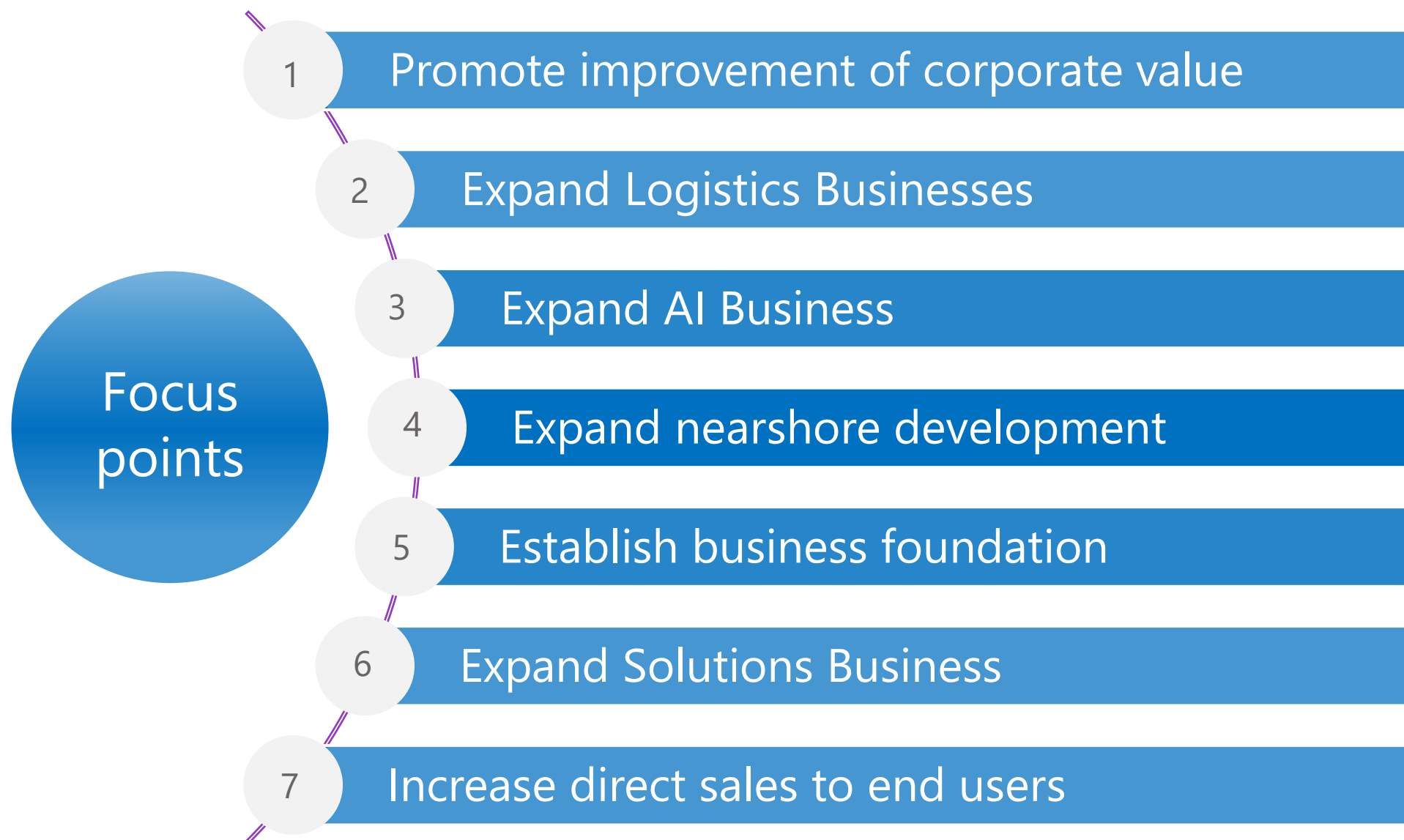
- Existing businesses 2.4 bil. JPY
- M&A 2.3 bil. JPY

5.3  
billion JPY

FY2020/9

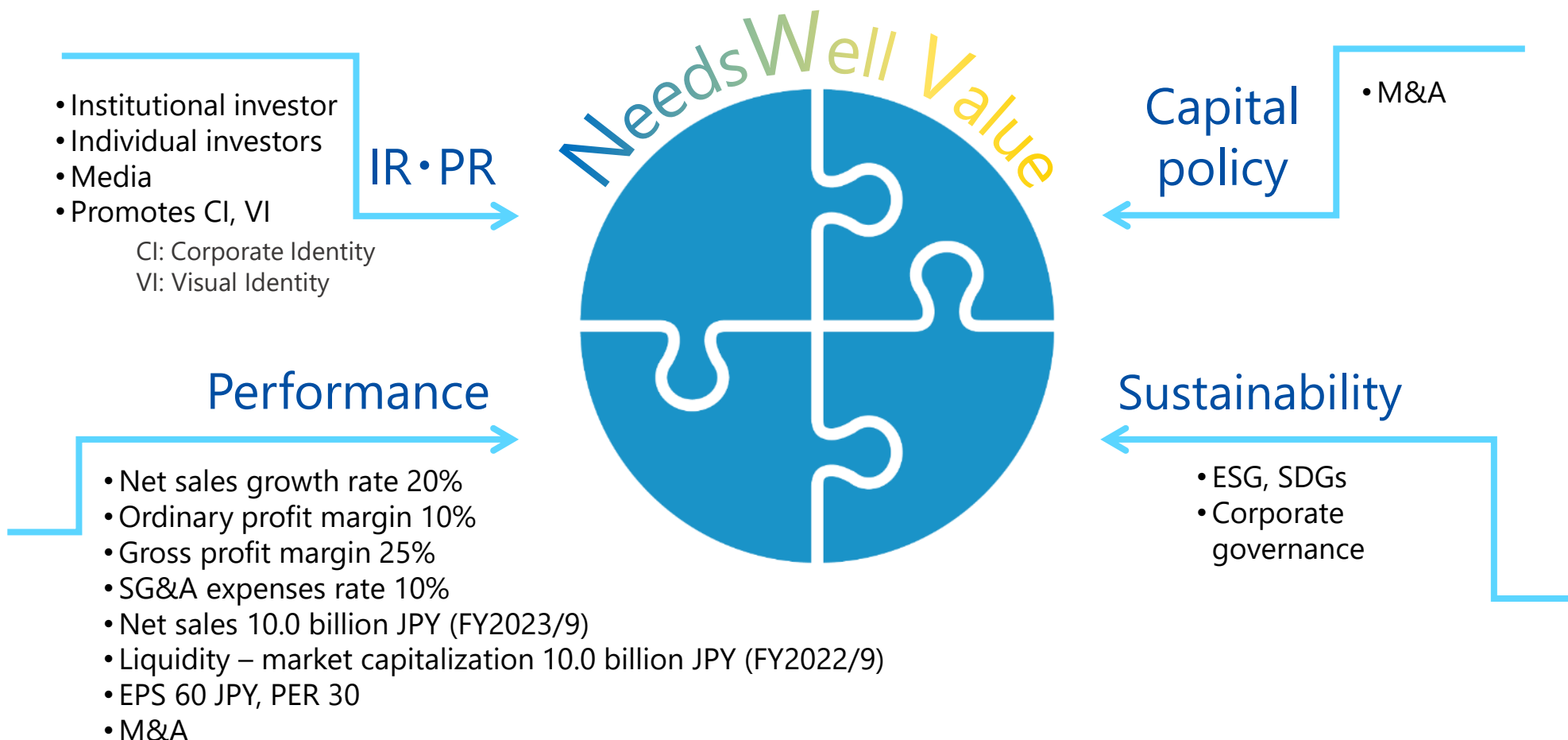
\* AI's major markets: Image recognition, speech recognition, speech synthesis, language analysis, search and retrieval, translation

## 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	○



#### Quantitative approach

i. Improve management index values through expanding performance

ii. Improve ratio of tradable shares by capital policy

#### Qualitative approach

iii. Increase understanding and recognition by strengthening IR/PR

iv. Enhancing social value through sustainable management

# Acquire treasury shares

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

Progress status as of April 30, 2022

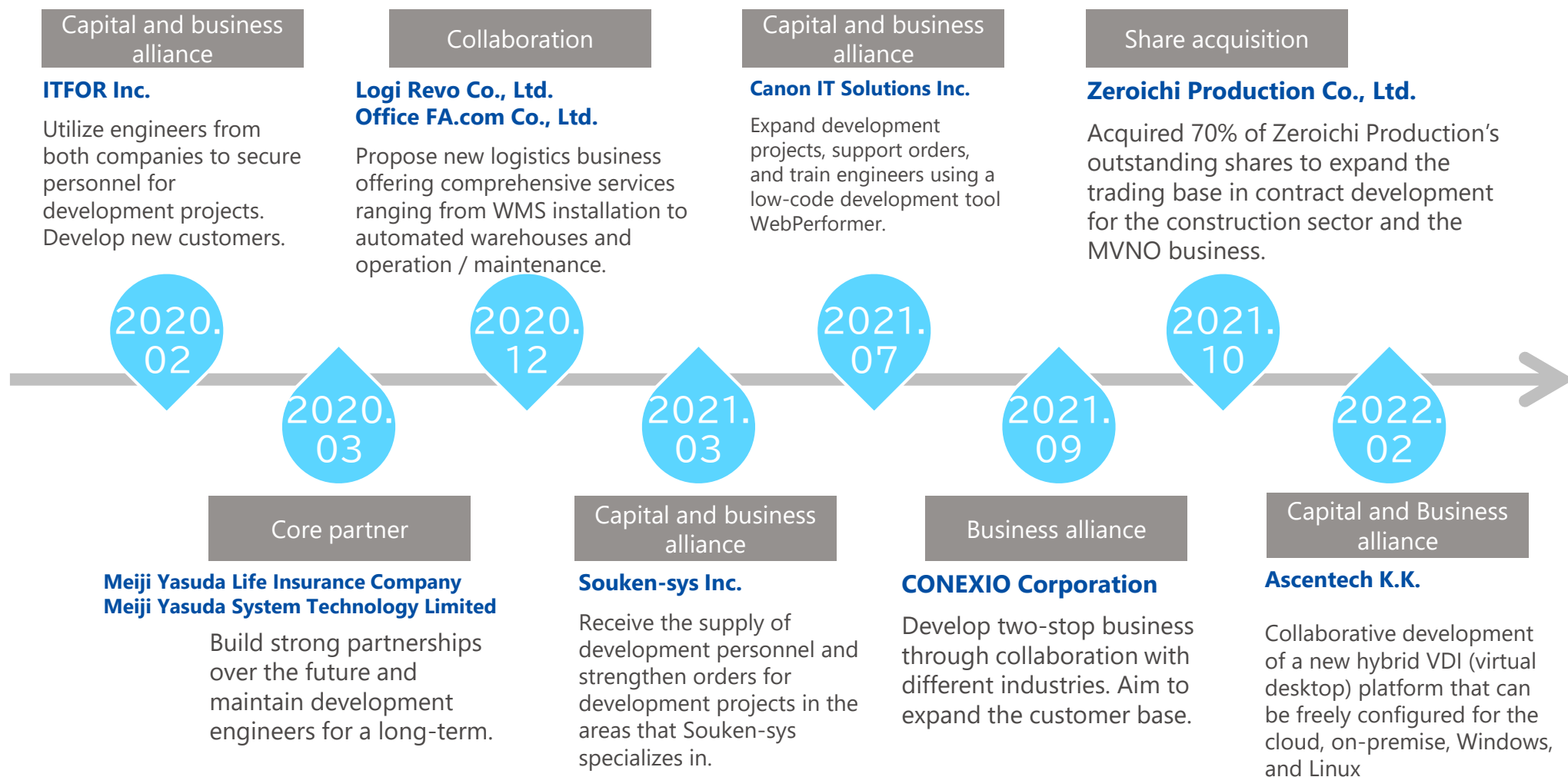
Acquired treasury shares (cumulative): 251,300 shares (progress rate of 73.91%)

Contract price (cumulative): 163 million JPY (progress rate of 81.57%)

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

## 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.

#### Work AI



#### AI Remote Education **Speak Analyzer**

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.

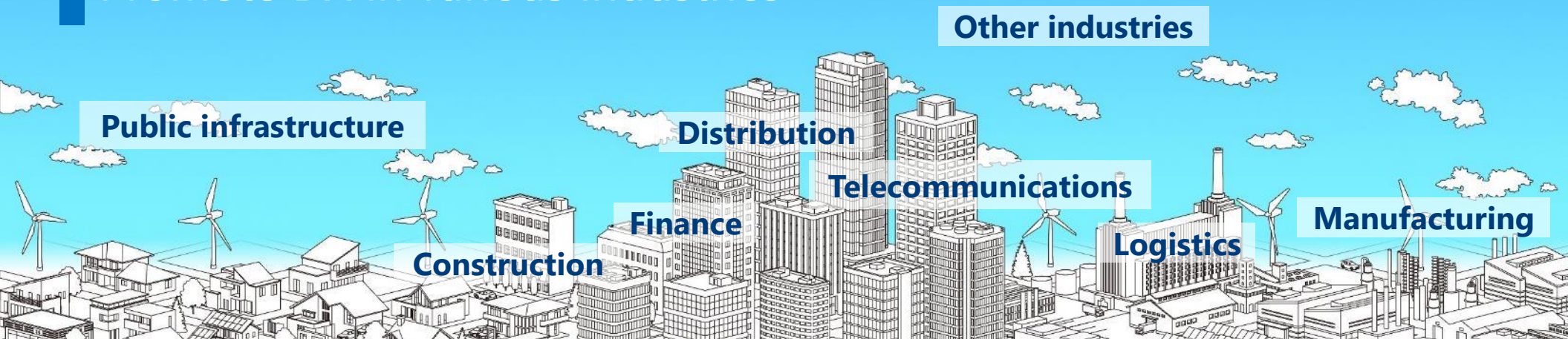


#### AI automation of rough estimation of parts and materials

#### **Es Prophetter**

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

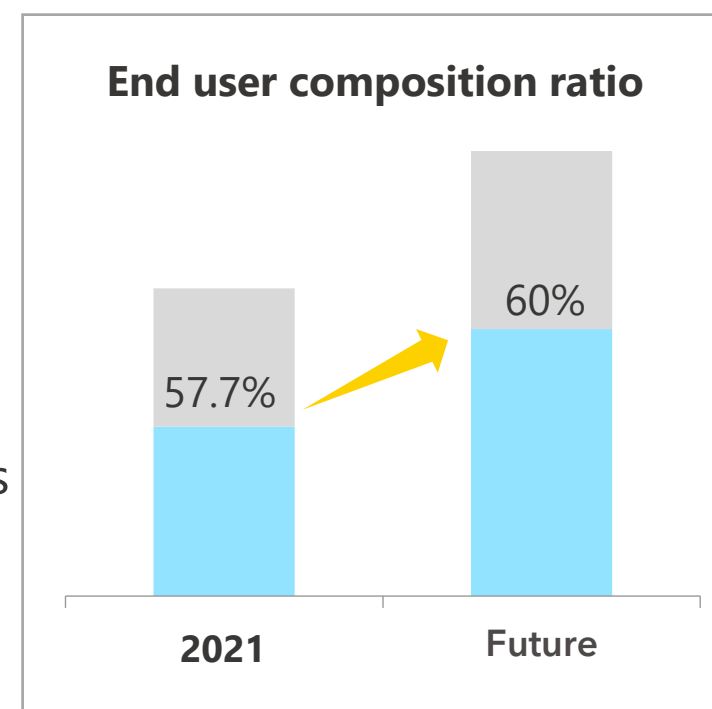
- Secure repeat customers
- Train highly skilled engineers and expand the scope of expertise sectors
- Cultivate new sectors of expertise

### 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





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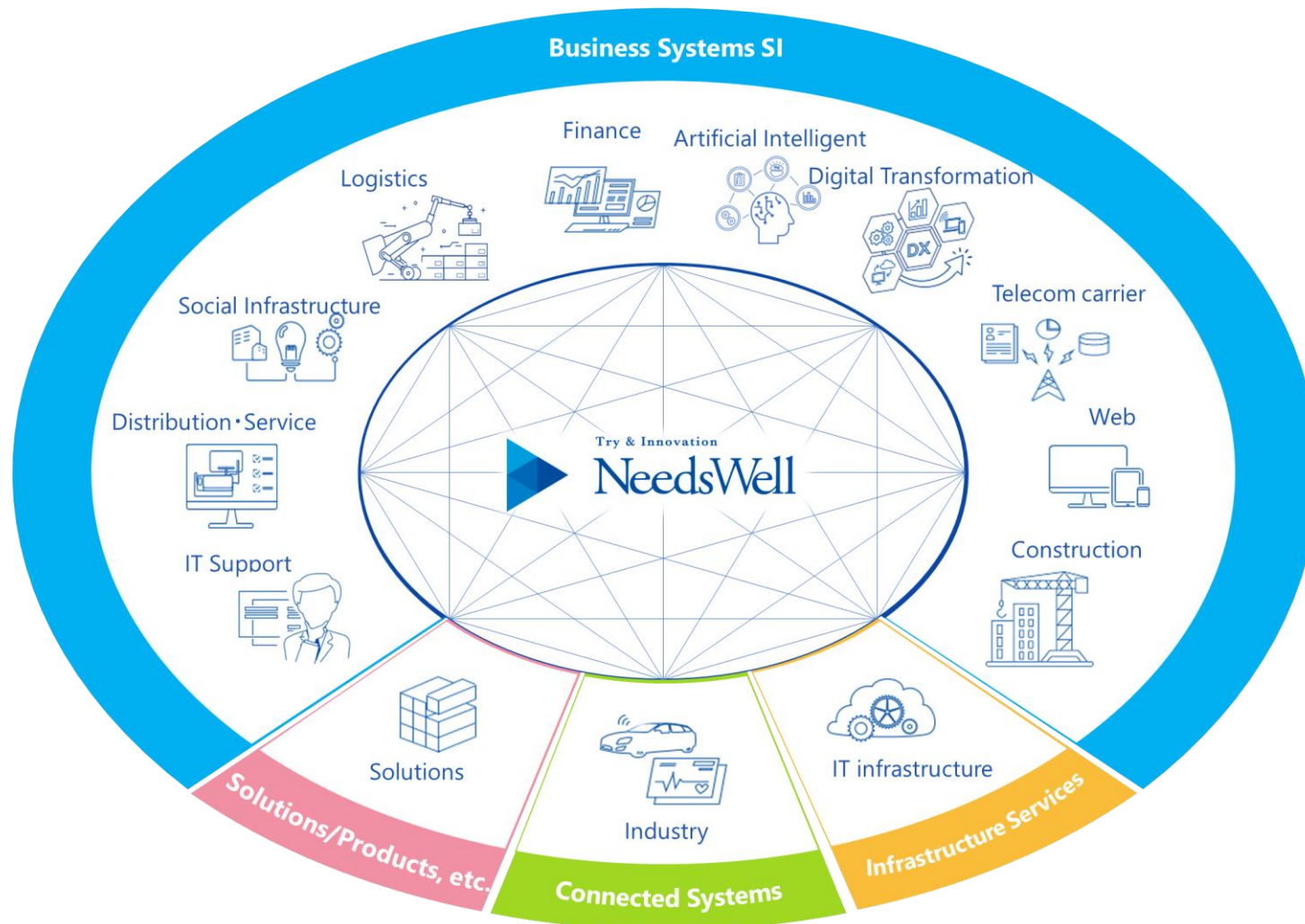
## 4.1) Company profile

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, Prime Market (3992)
Paid-in Capital	907 million JPY	Net sales	5,752 million JPY
Number of Employees	582 As of April,2022		
Qualification	Worker dispatch business Privacy mark	ISO27001 (ISMS) Certified ISO9001 (QMS) Certified	
Board of Directors As of April,2022	President and CEO <b>Kozo Funatsu</b> Executive Director <b>Nobumasa Goto</b> Director <b>Keiho Akiyama</b> Director <b>Kazuhiro Shinohara</b> Director <b>Hajime Matsuoka</b> Director <b>Hiroki Yanagawa</b> Director <b>Hideaki Sakaue</b> Director <b>Mamoru Yasuoka</b>	Audit & Supervisory Board Member <b>Kazuhiko Kato</b> Audit & Supervisory Board Member <b>Kotaro Niwa</b> Audit & Supervisory Board Member <b>Shigeru Sato</b>	<div> <div>E</div> <div>I</div> </div> <div> <div>E</div> <div>I</div> </div> <div> <div>E</div> <div>I</div> </div> <p>E : External officer I : Independent officer</p>

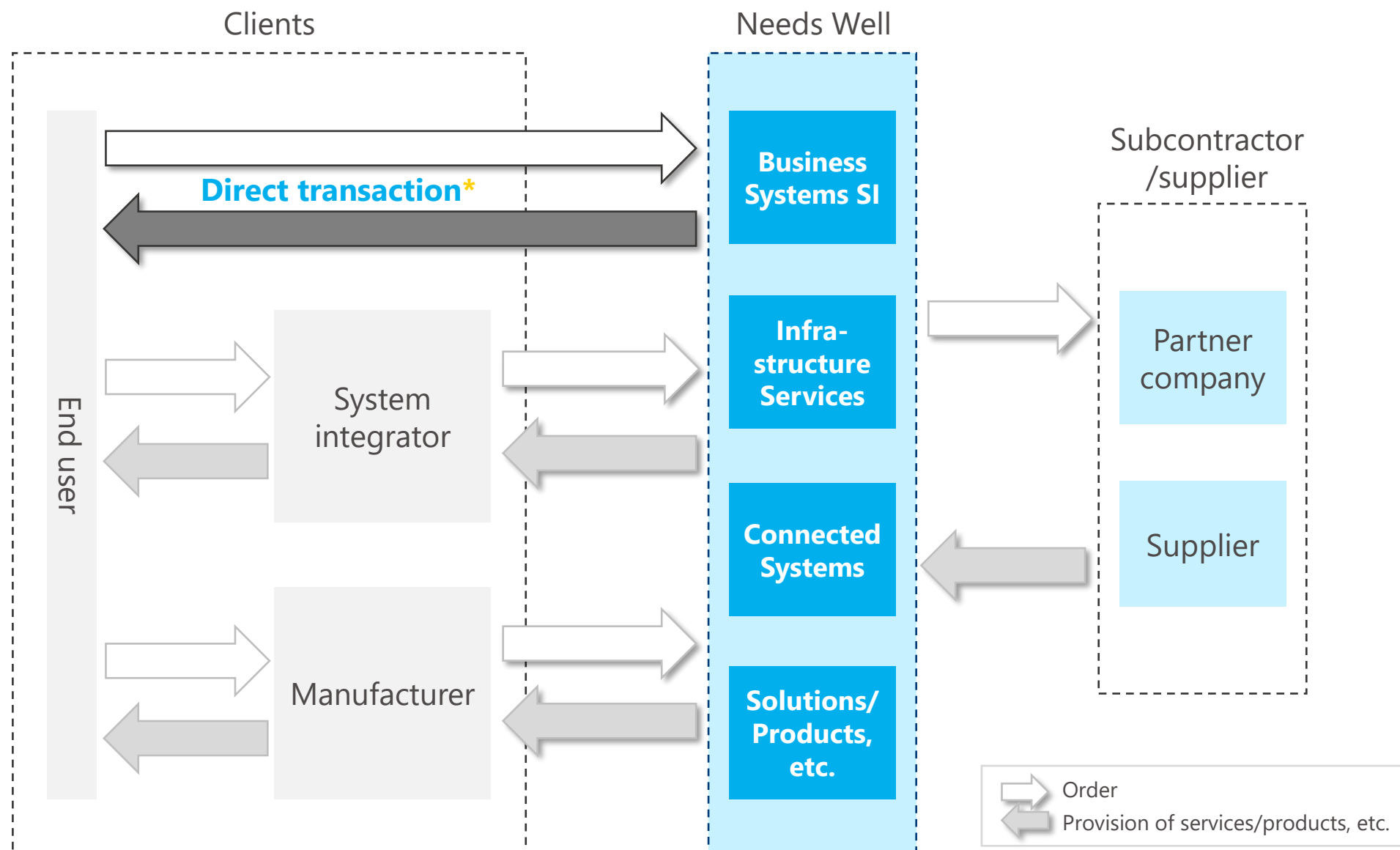
## 4. 2) 事業領域

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)

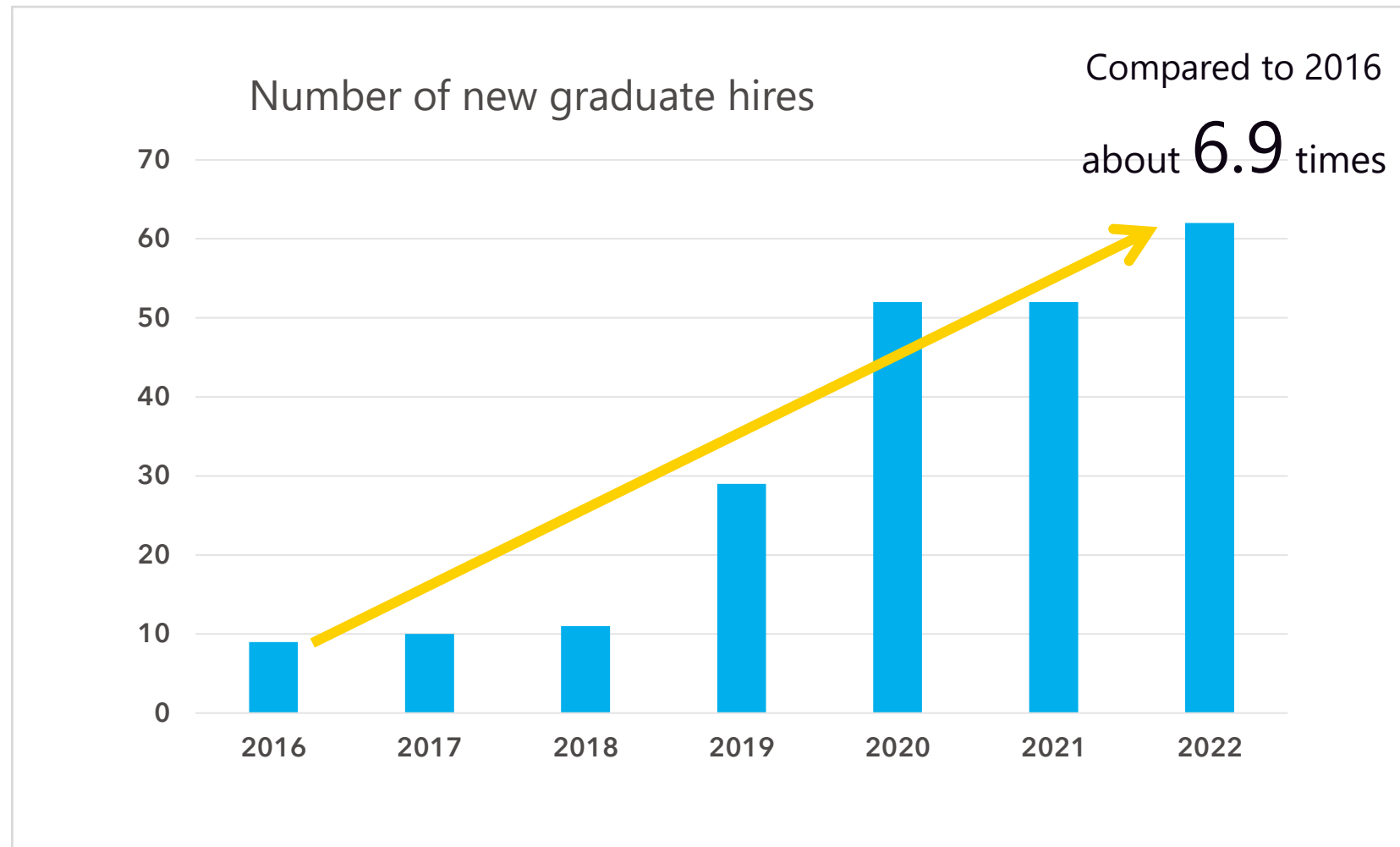


## 4.4) Personnel development

### 1 Strengthening new graduate hires

Hire new graduates and develop professional human resources

Aim to pass on corporate philosophy and culture and enhance engagement

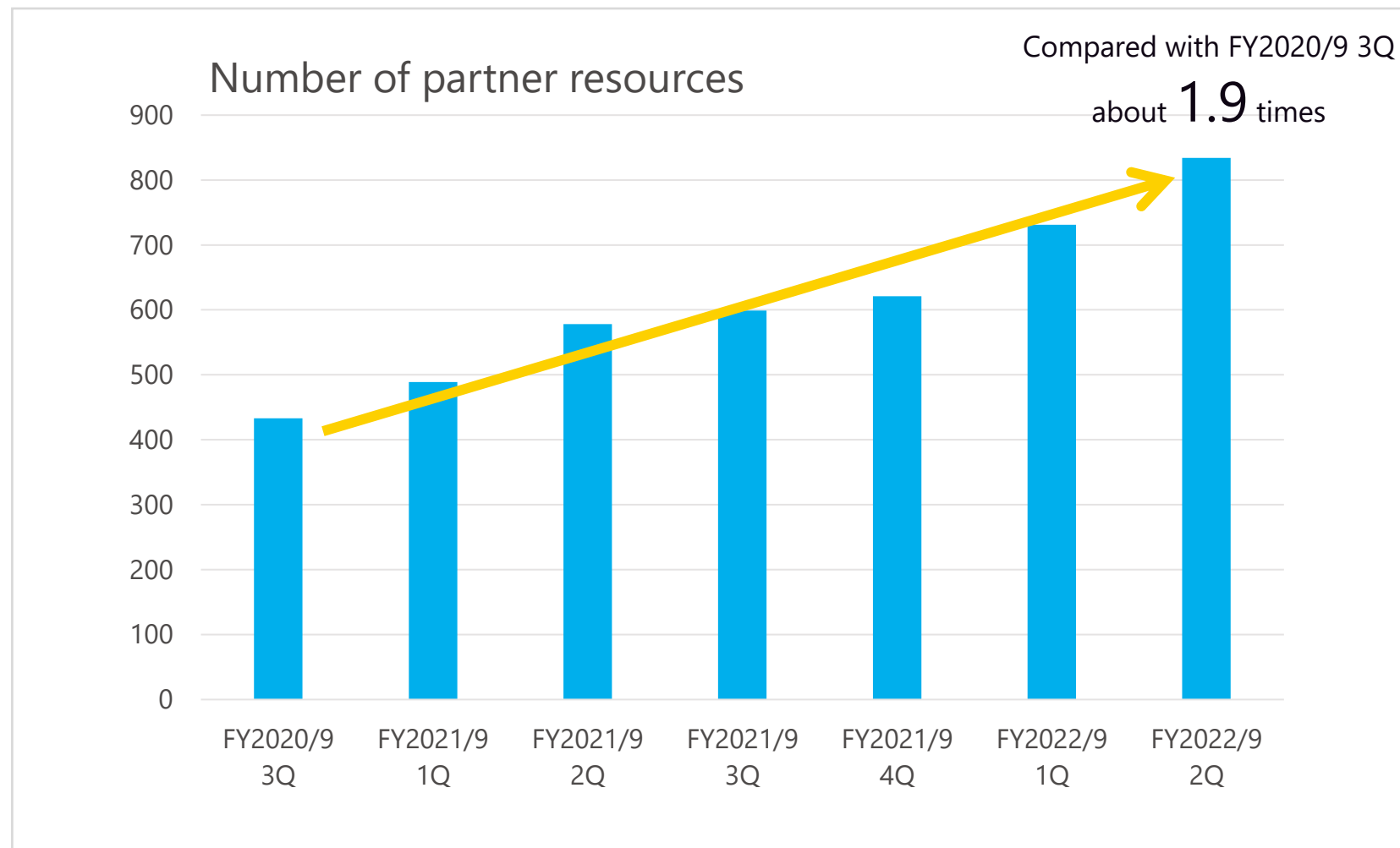


## 4.4) Personnel development

### 2 Strengthening collaboration with partners

Strengthen cooperation with core partners to develop and aim for prosperous coexistence

Shared strategies / long-term trust / stable transactions



## 4.5) 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.



## 4.5) 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)

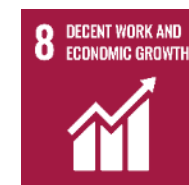
### Donate to assistance programs for repaying student loans

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

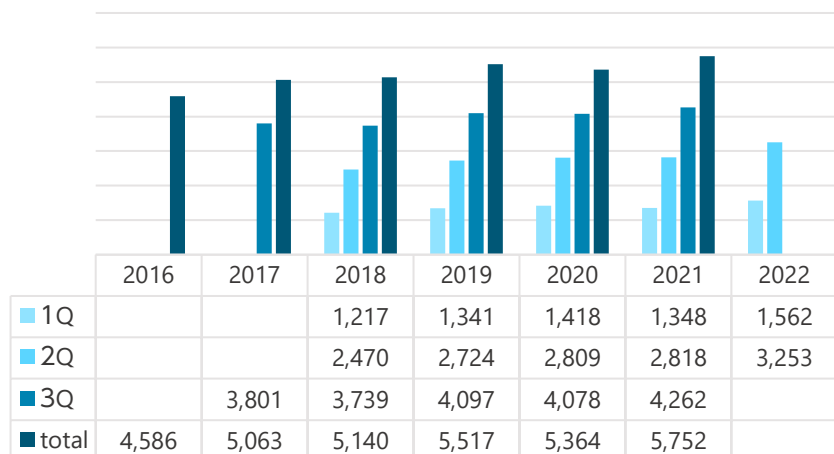
Please view the following link for other initiatives and more information:  
<https://www.needswell.com/ir/sdgs>



## 4.6) Business results 1

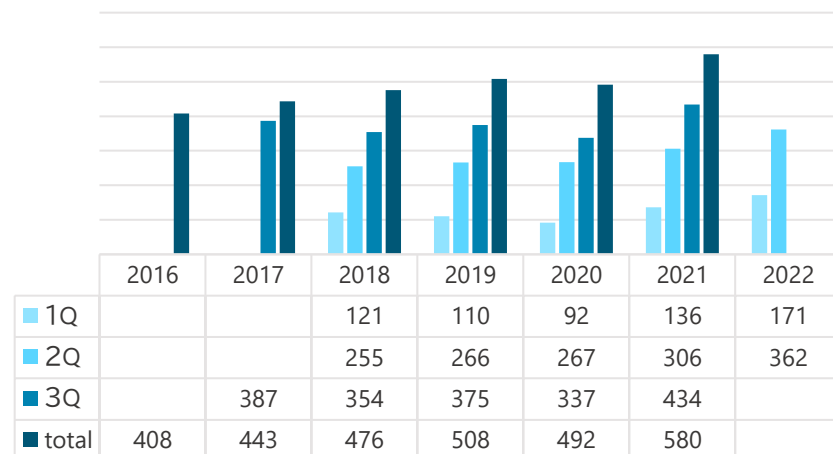
### Net sales

Unit : million yen



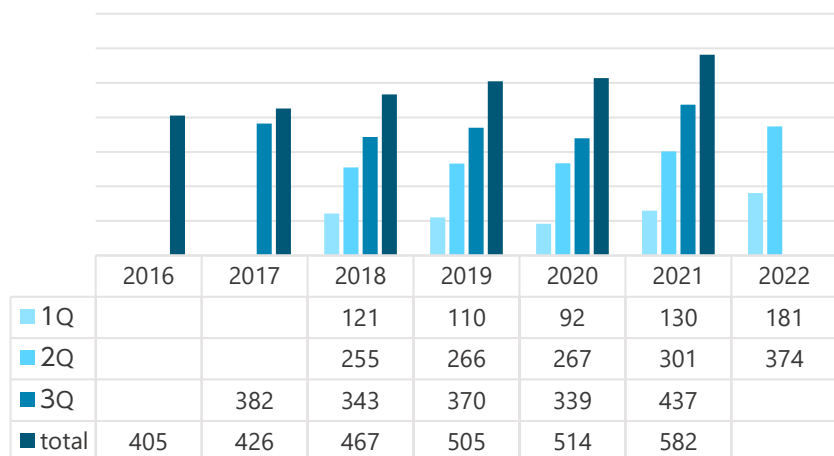
### Operating profit

Unit : million yen



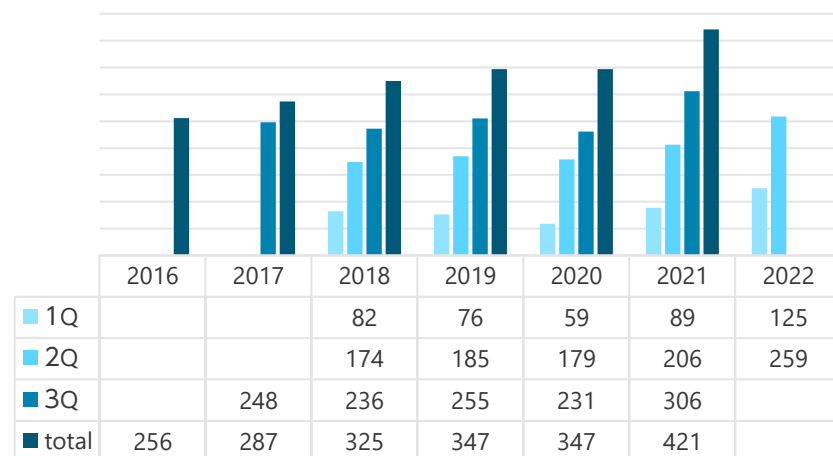
### Ordinary profit

Unit : million yen



### Profit

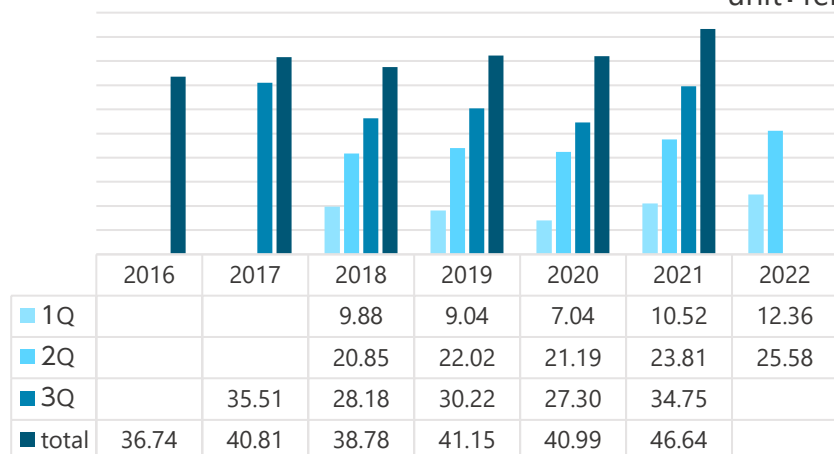
Unit : million yen



## 4.6) Business results 2

### Profit per share

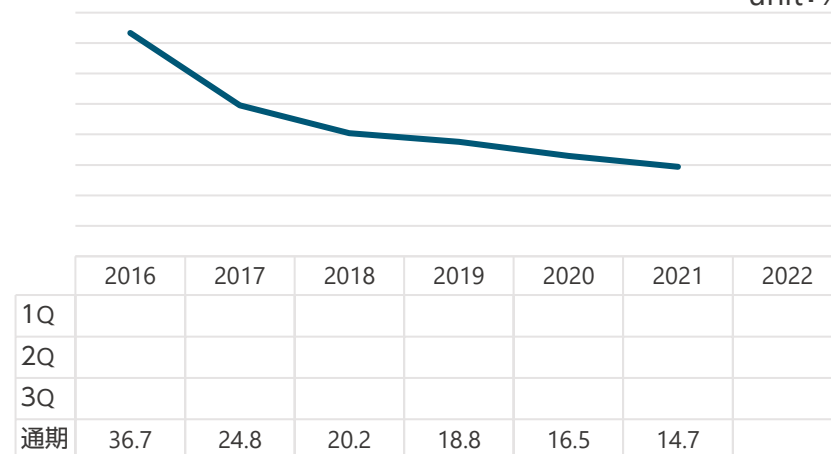
unit:Yen



\* 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

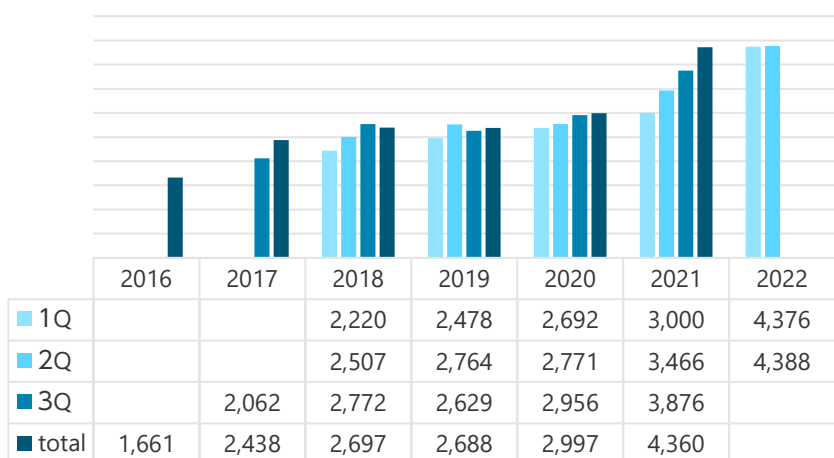
unit:%



\* This index is updated every year

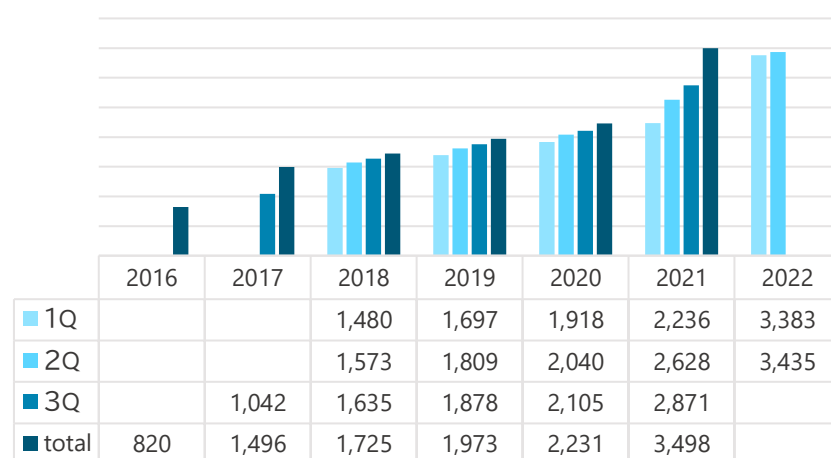
### Total assets

Unit: million Yen



### Net assets

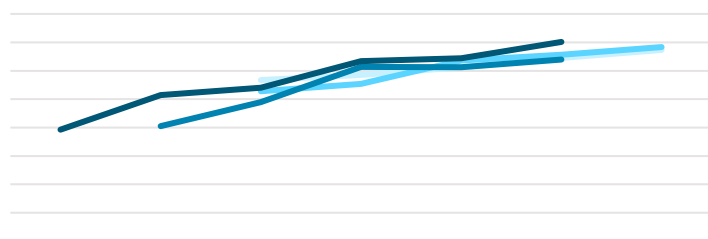
Unit: million Yen



## 4.6) Business results 3

### Capital adequacy ratio

unit:Yen



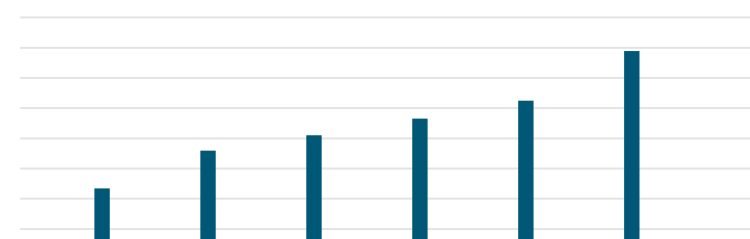
	2016	2017	2018	2019	2020	2021	2022
1Q			66.7	68.5	71.3	74.5	77.3
2Q			62.8	65.4	73.6	75.7	78.3
3Q		50.5	59.0	71.4	71.2	74.0	
total	49.3	61.4	64.0	73.4	74.5	80.2	

\* 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	2021	2022
1Q							
2Q							
3Q							
total	117.21	179.63	204.99	232.63	262.41	344.60	

\* 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.

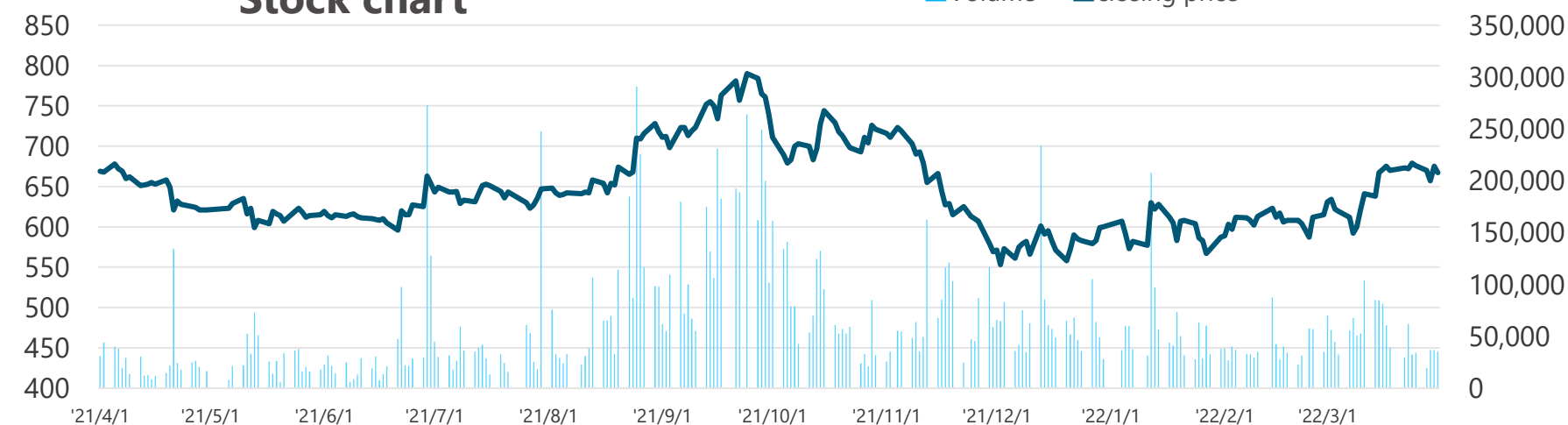
\* This index is updated every year

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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