

Tokyo Stock Exchange 1st Section: Securities Code 3992

Needs Well Inc.

Financial Results
for the Second Quarter of Fiscal Year 2021
(October 1, 2020 – March 31, 2021)

May 12, 2021



NeedsWell
Try & Innovation



1. 2021/9 2Q Financial report summary



2. 2021/9 Results forecast



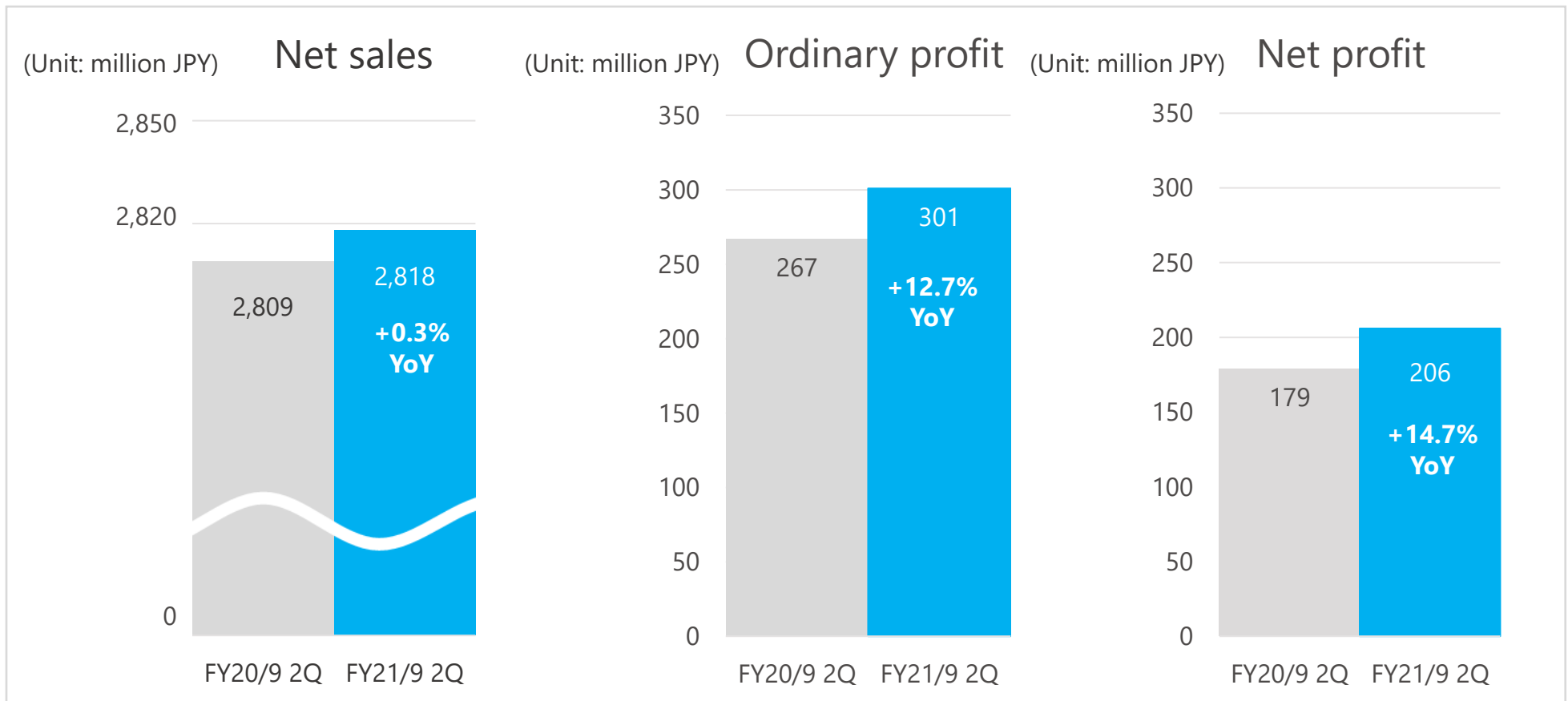
3. Growth strategy



4. Reference

1.1) Financial highlights

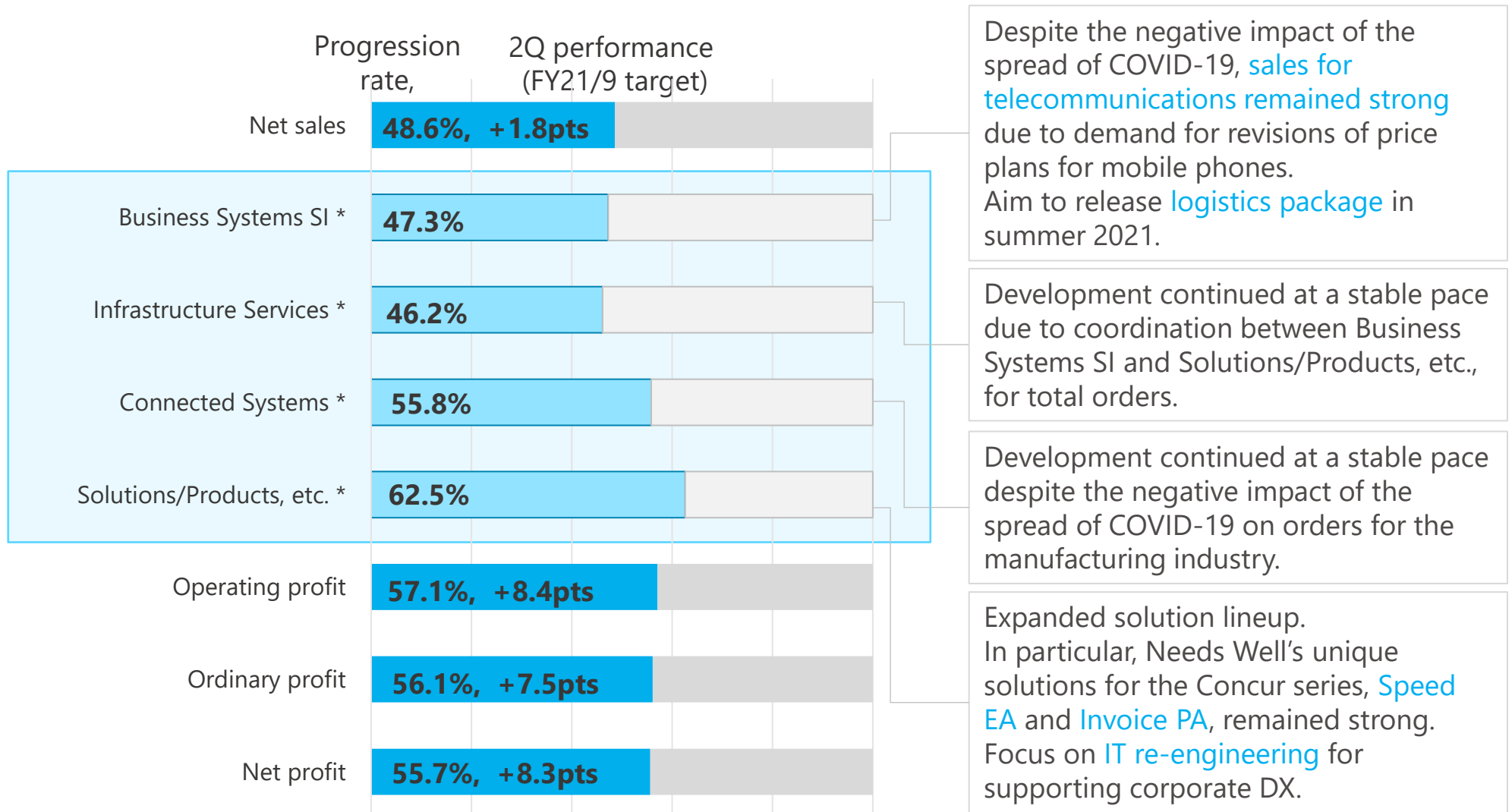
Sales and profits both **reached** record high levels on a second quarter basis since Needs Well's establishment in 1986




1.2) Performance progression rate

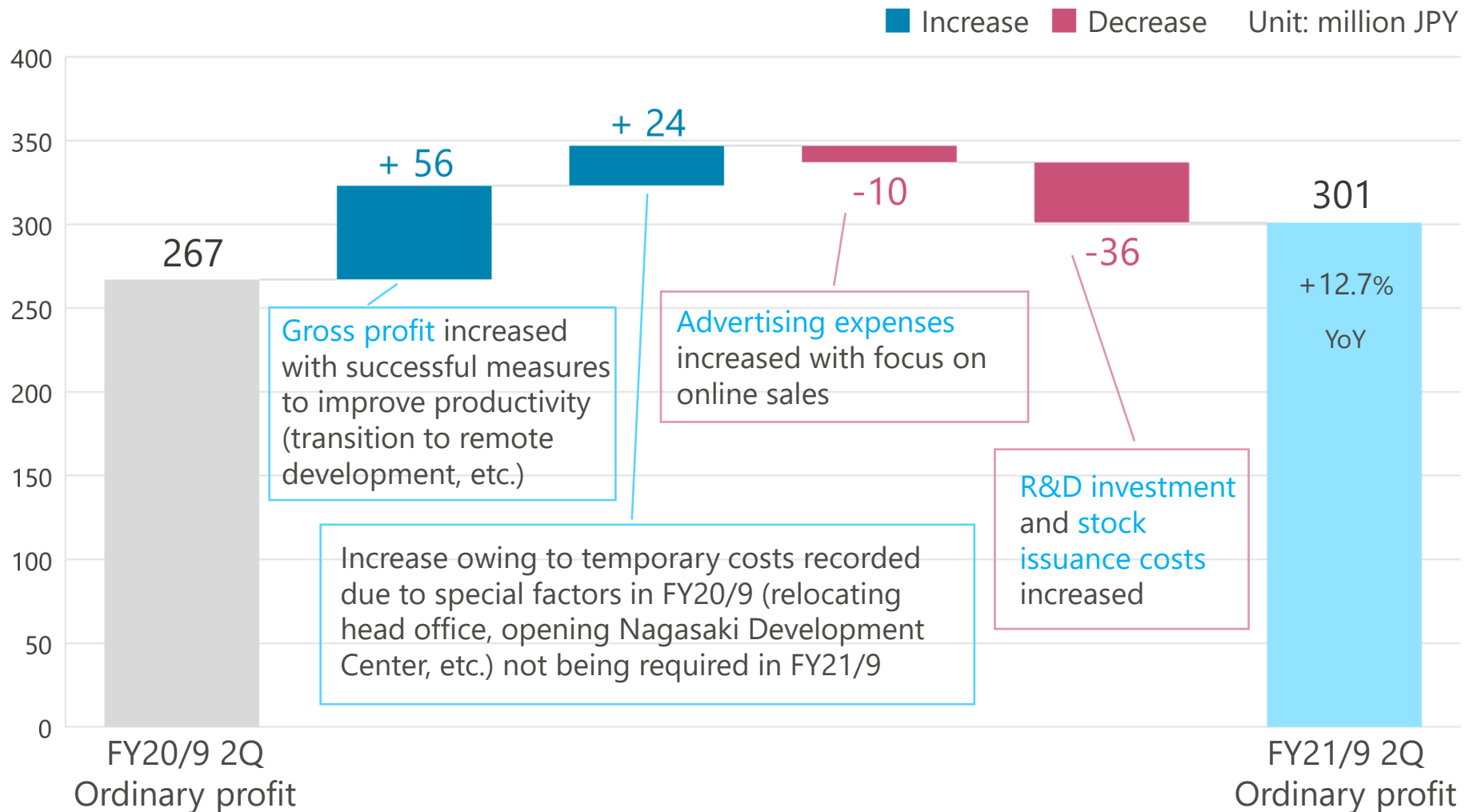
Sales progression was on a level **1.8pts higher** year on year

Profits have already achieved **over 50%** by 2Q



1.3) Ordinary profit analysis

Ordinary profit **increased 12.7%**  year on year with the contribution of increased gross profit due to improved productivity



1.4) Profit & loss statement

Ordinary profit ratio remained at a high level of **10.7%**
(Up 1.2 pts year-on-year)

Unit: million JPY	FY2020/9 2Q Financial Results		FY2021/9 2Q Financial Results		
	Result	Net Sales	Result	Net Sales	Year-on-year
Net sales	2,809	-	2,818	-	100.3%
Business Systems SI	※	※	2,156	76.5%	※
Infrastructure Services	※	※	283	10.1%	※
Connected Systems	※	※	100	3.6%	※
Solutions/Products, etc.	※	※	278	9.9%	※
Gross profit	653	23.3%	709	25.2%	108.6%
SG&A expenses	386	13.7%	403	14.3%	104.4%
Temporary cost (investment)	24	0.9%	0	0.0%	0.0%
Others	361	12.9%	403	14.3%	111.6%
Operating profit	267	9.5%	306	10.9%	114.8%
Non-operating profit	0	0.0%	2	0.1%	5448.1%
Non-operating expenses	0	0.0%	7	0.3%	6178.9%
Ordinary profit	267	9.5%	301	10.7%	112.7%
Net profit	179	6.4%	206	7.3%	114.7%

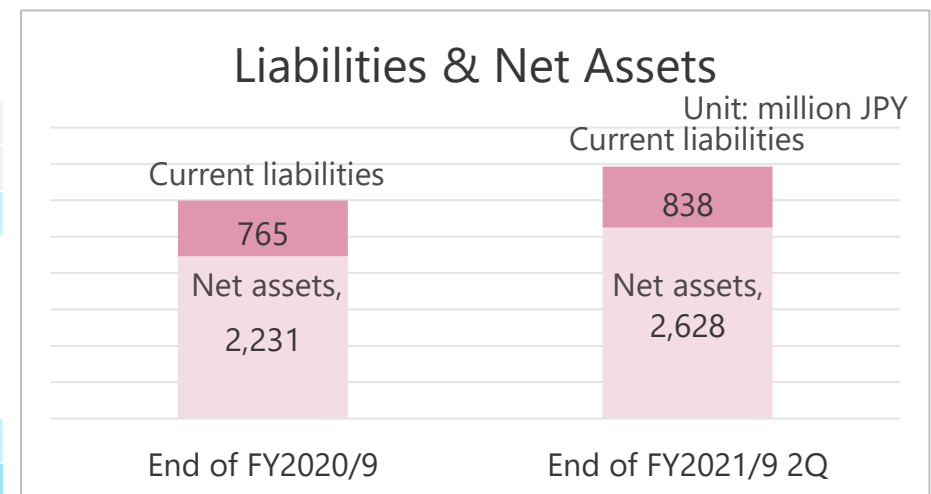
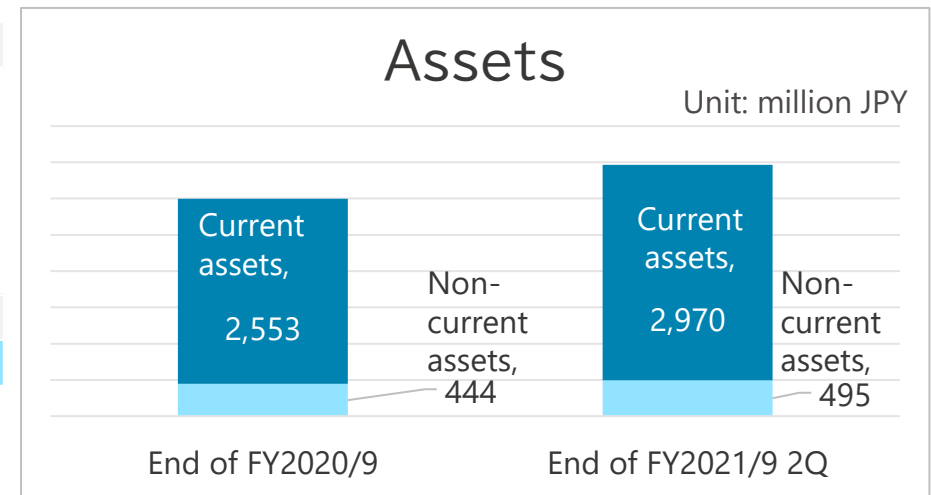
* From the fiscal year 2021/9, Needs Well reorganized all service lines and launched the development of "Connected Systems" to strengthen our connected technology. As such, year-on-year comparisons for each service line are not available and therefore have not been included.

1.5) Balance sheet

*Selection of significant entries only	FY2020/9	FY2021/9 2Q	
Unit: million JPY	Result	Result	Year-on-year
Cash and deposits	1,780	2,038	258
Accounts receivable	689	871	181
Prepaid expenses	34	45	11
Total current assets	2,553	2,970	417
Assets			
Software	58	65	6
Investment securities	83	111	28
Deffered tax assets	97	115	18
Leasehold and guarantee deposits	85	84	0
Insurance funds	76	76	0
Total non-current assets	444	495	51
Total assets	2,997	3,466	468
Liabilities			
Accounts payable - trade	101	146	44
Accounts payable - others	137	132	-5
Accrued corporate tax, etc.	107	130	22
Accrued consumption taxes	106	74	-31
Provision for bonuses	265	306	40
Total current liabilities	765	838	72
Total non-current liabilities	0	0	0
Total liabilities	765	838	72
Equity			
Share capital	415	578	163
Legal capital surplus	271	435	163
Retained earnings brought forward	1,521	1,591	70
Valuation difference on available-for-sale securities	22	18	-4
Total net assets	2,231	2,628	396
Total liabilities and net assets	2,997	3,466	468

Equity ratio at **75.7%**

Up **1.2** pts YoY





1. 2021/9 2Q Financial report summary



2. 2021/9 Results forecast



3. Growth strategy

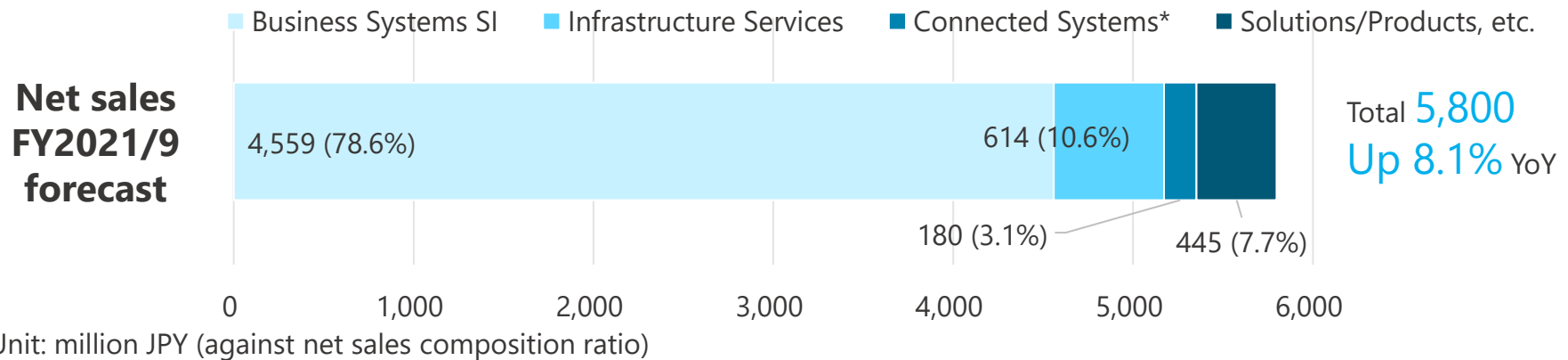


4. Reference

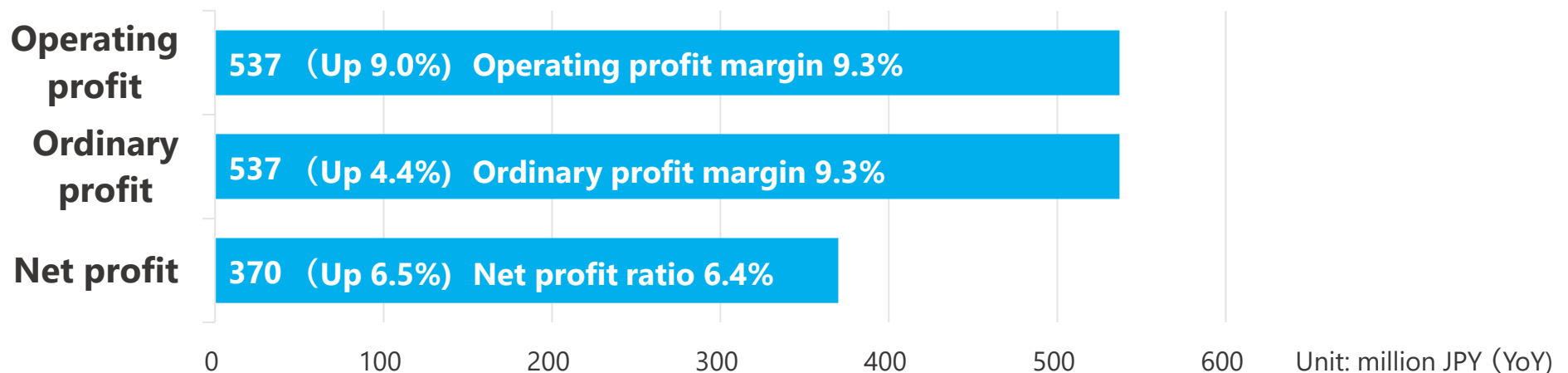
2.1) Results forecast

Plan to **increase sales and profits** through newly launched Logistics Business, strengthening solutions, etc.

* There has been no revision to the results forecast announced on November 12, 2020



* From the fiscal year 2021/9, Needs Well reorganized all service lines and launched the development of "Connected Systems" to strengthen our connected technology. As such, year-on-year comparisons for each service line are not available and therefore have not been included.



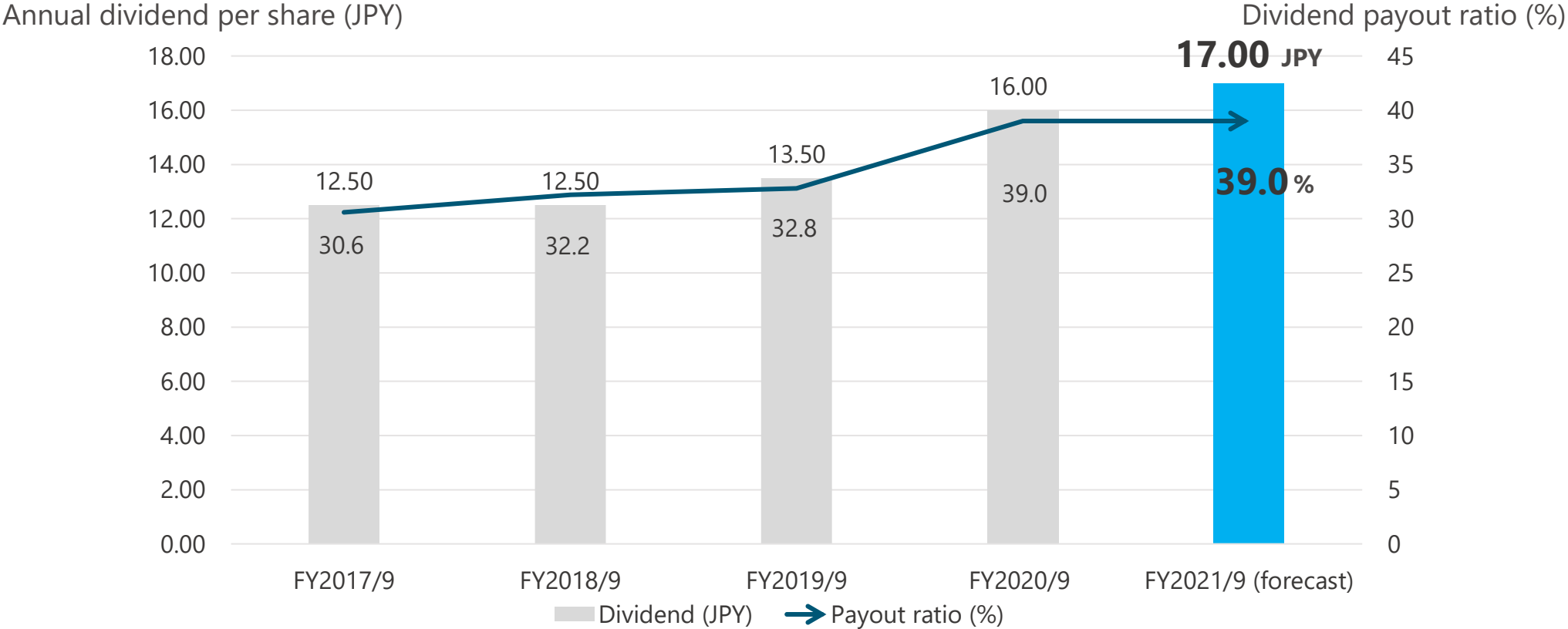
2.2) Dividends and shareholder returns

Dividend per share: **+1 JPY** (YoY) increase forecast (FY2021/9)

* There has been no revision to the dividend forecast announced on November 12, 2020

Annual dividend forecast: 17.00 JPY/share

Dividend payout ratio forecast: 39.0%



* Needs Well conducted stock splits on May 12, 2017 at a ratio of 100 shares per share, 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.



1. 2021/9 2Q Financial report summary



2. 2021/9 Results forecast



3. Growth strategy



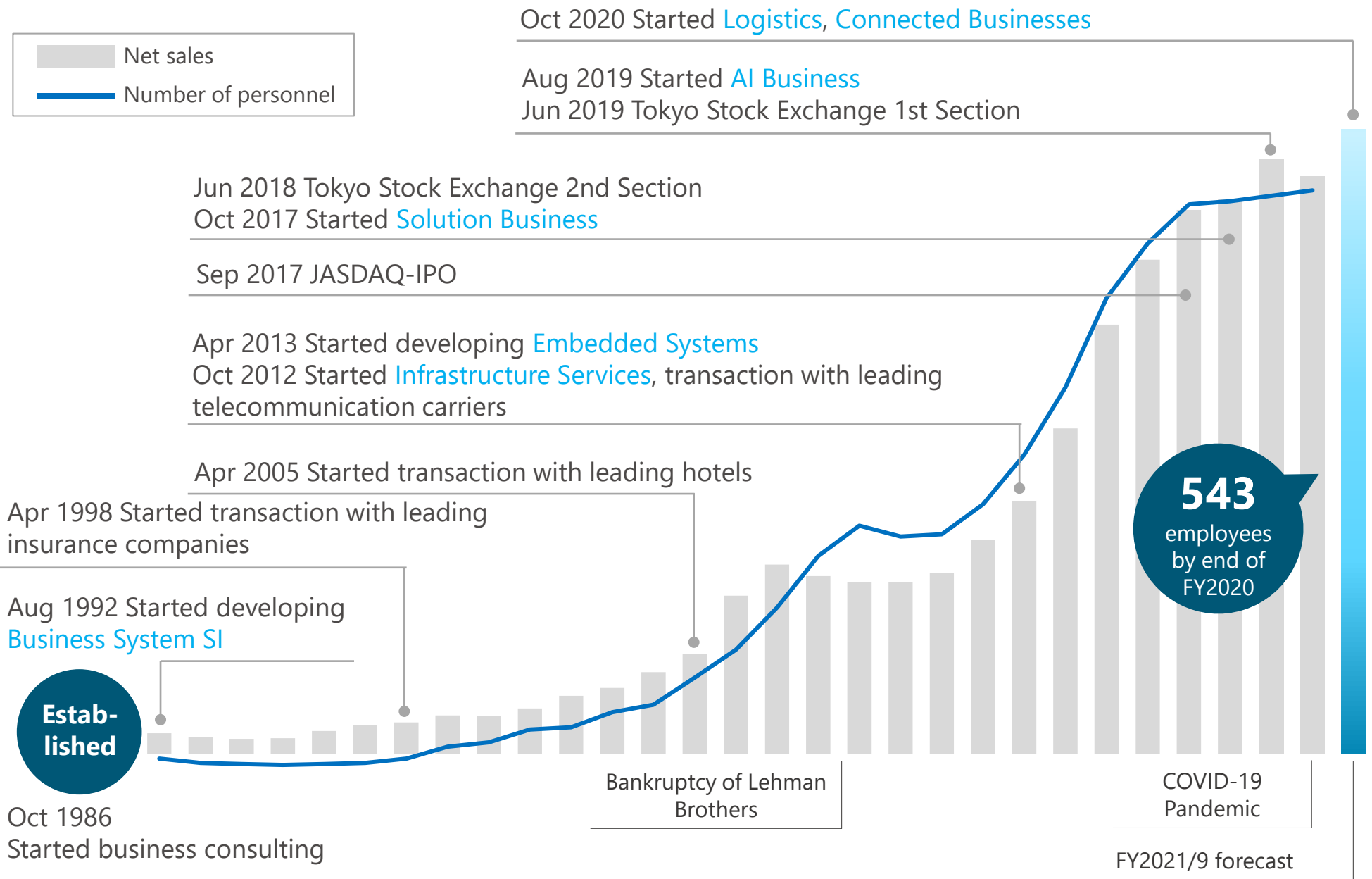
4. Reference

3.1) Management philosophy



Contributing Broadly to the Economy and Society

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**.

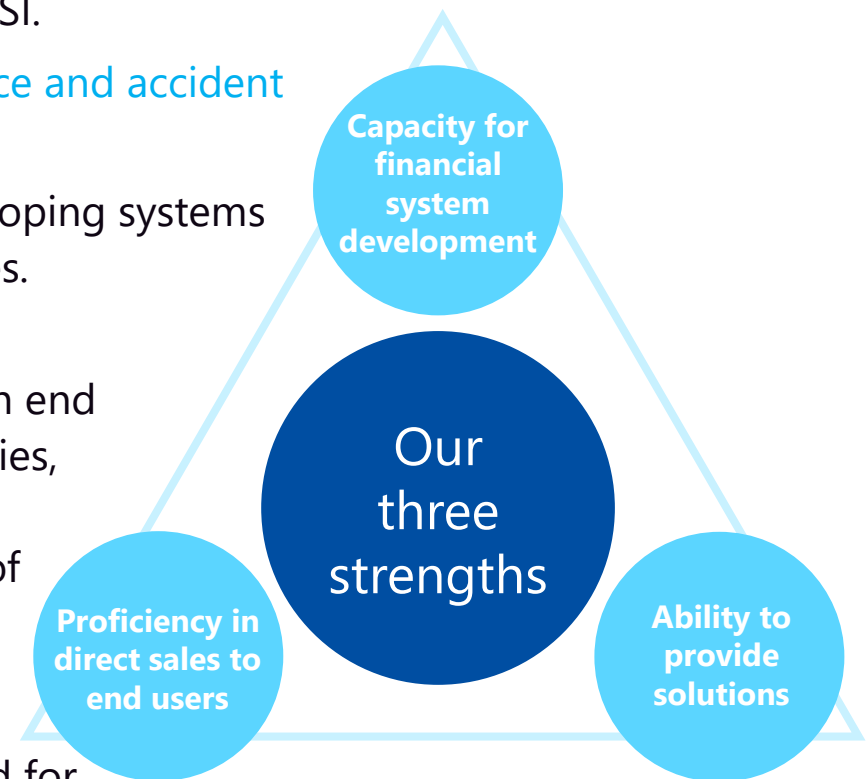
Strong performance record in developing systems for banks, credit cards, and securities.

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.

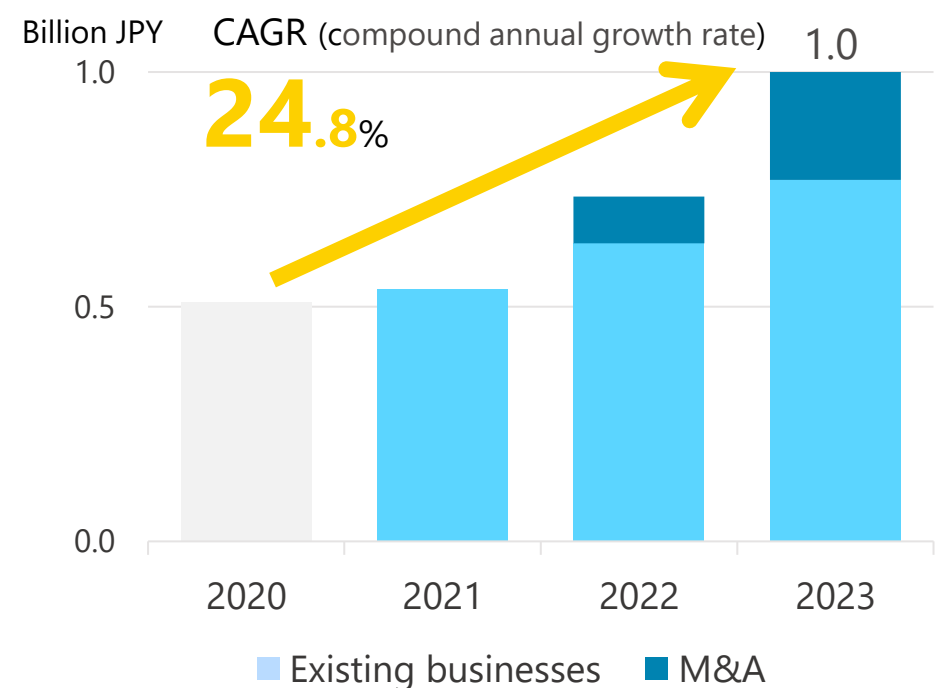
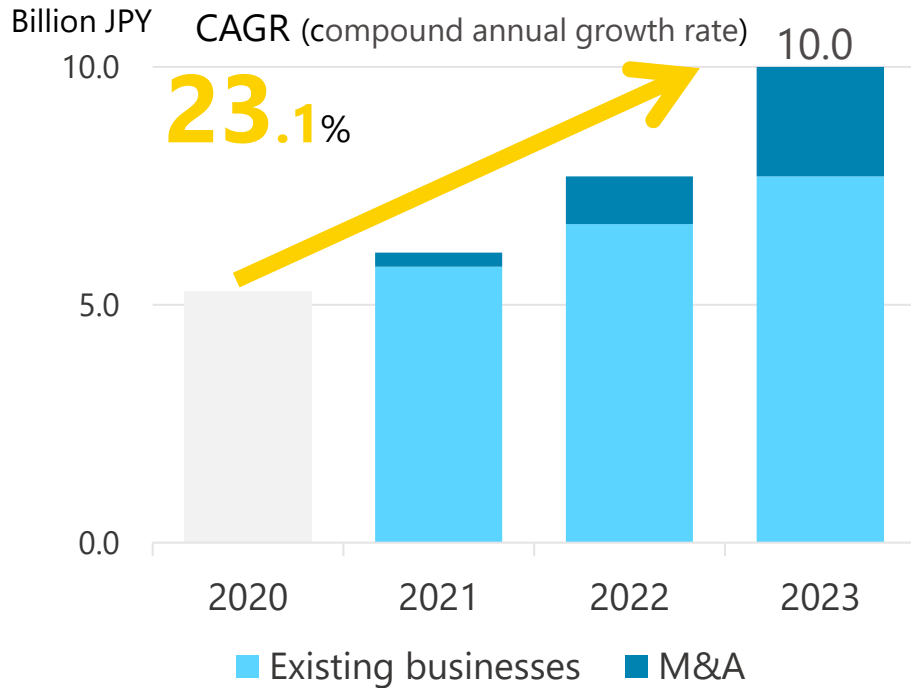
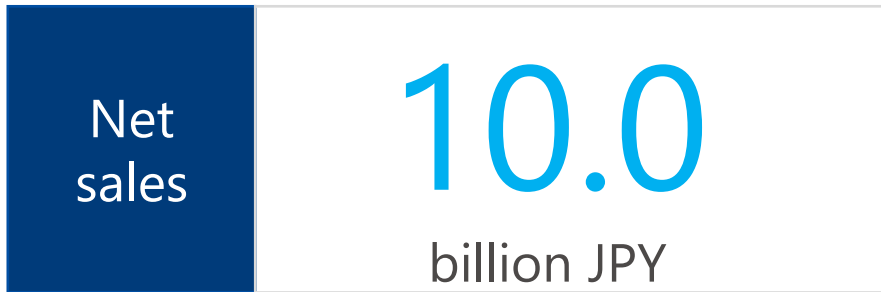
Ability to provide solutions

Provides solution services optimized for each customer's business objectives through **5G, AI, RPA, remote work, etc.**



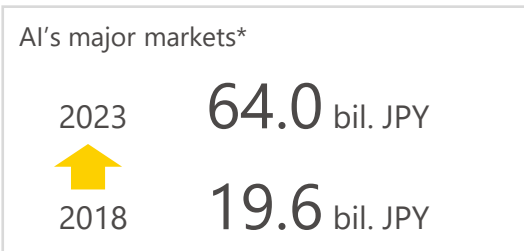
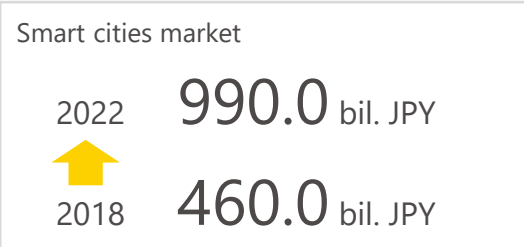
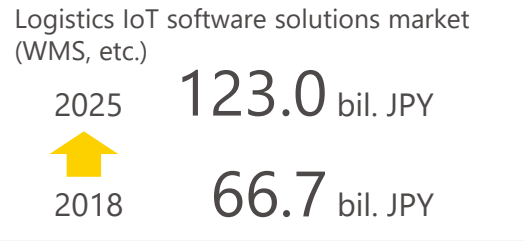
3.5) 1 Performance targets

FY2023/9



3.5) 2 Promotion policies: Sales growth

Market scale (our forecast)



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.

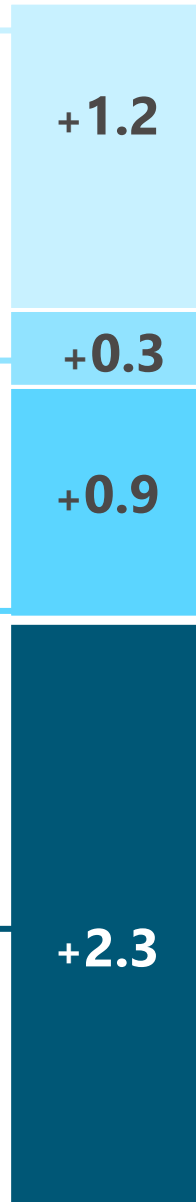
Solutions Business

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

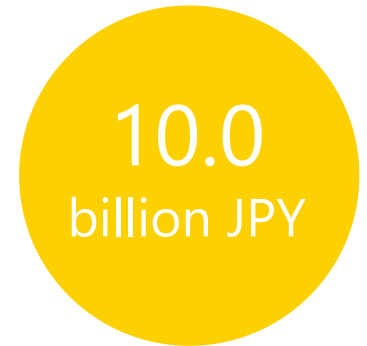
Expand the scale of existing technologies and strengthen/introduce new technologies. Focus on logistics, connected functionality, AI, IoT, web, etc.

Unit: billion JPY



Existing businesses

M&A



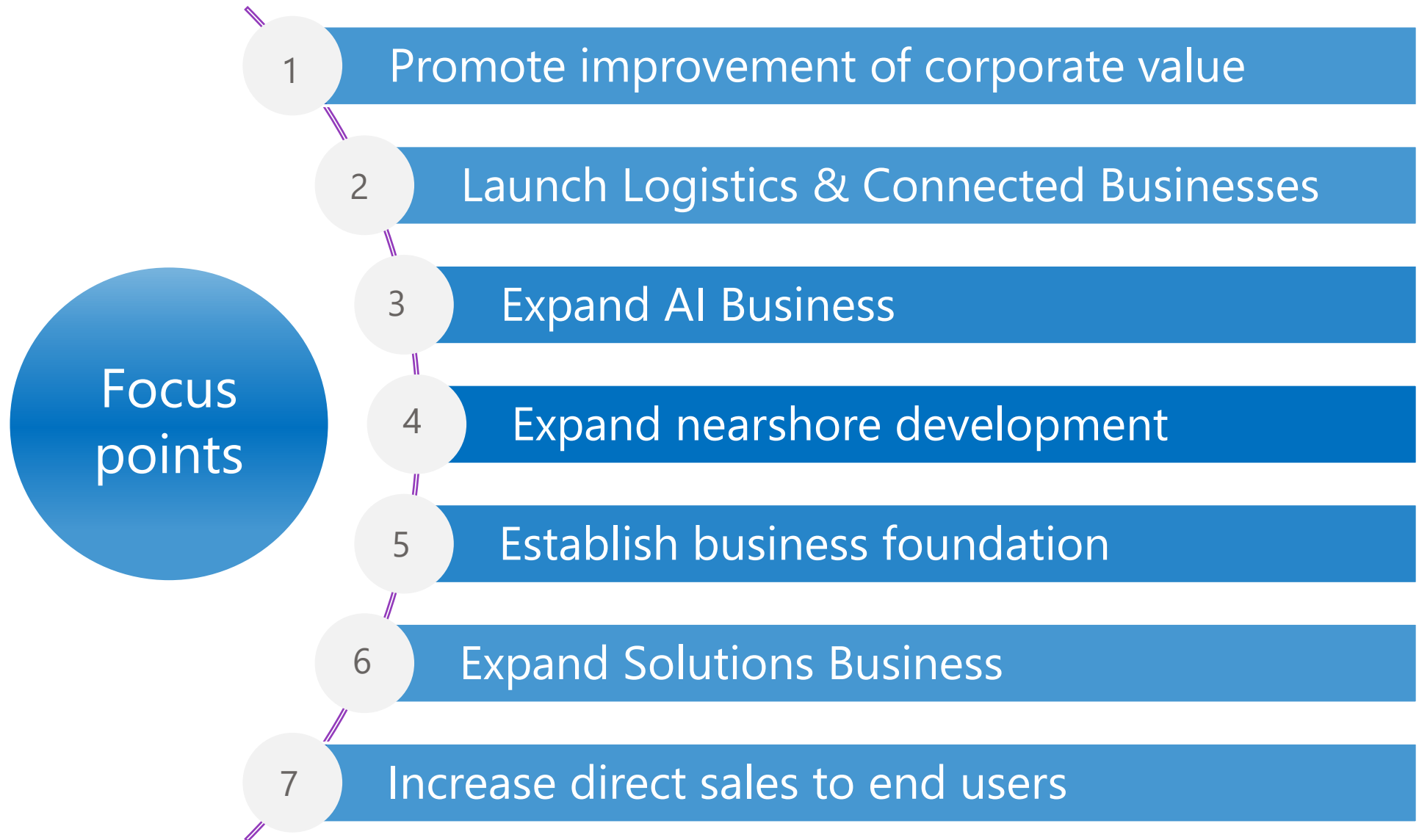
Sales growth
+4.7 billion JPY

- [Breakdown]
- Existing businesses 2.4 bil. JPY
 - M&A 2.3 bil. JPY



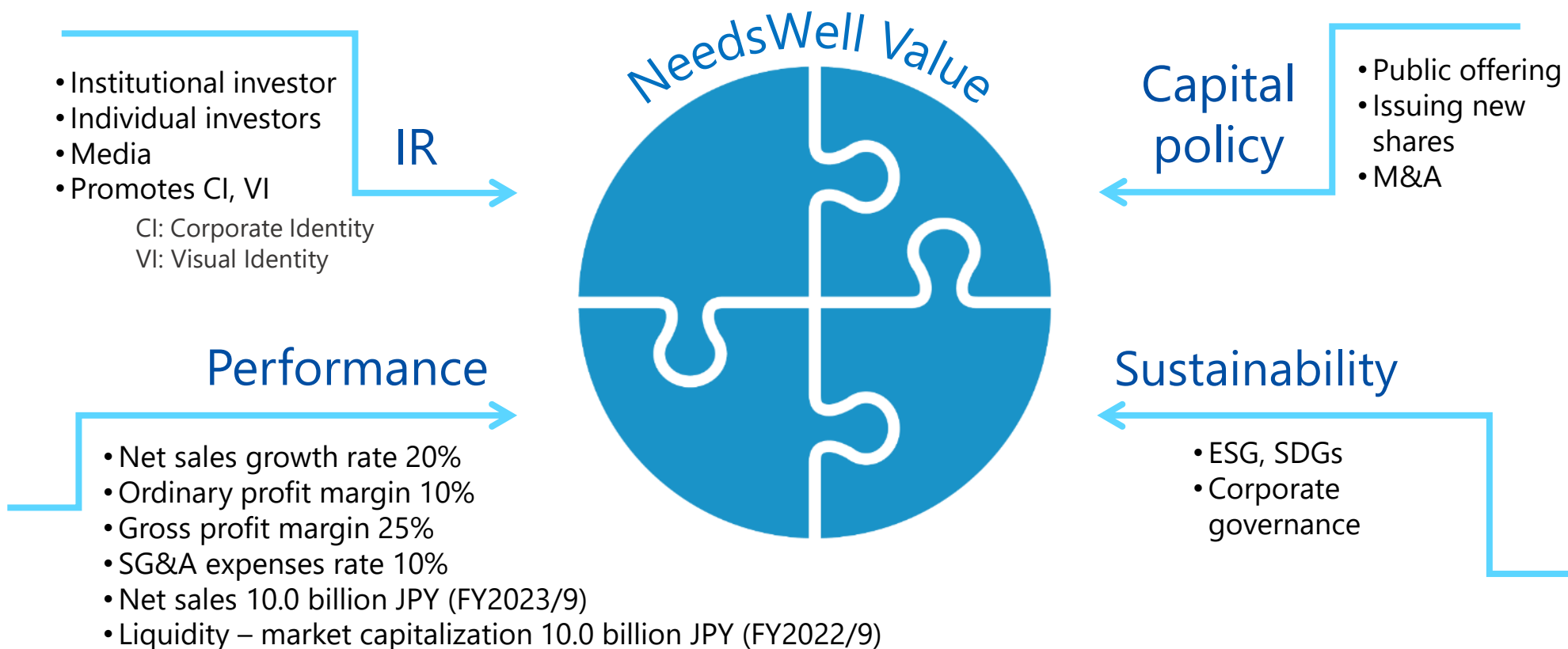
* AI's major markets: Image recognition, speech recognition, speech synthesis, language analysis, search and retrieval, translation

3.6) Growth strategy



3.6)-1 Promote improvement of corporate value

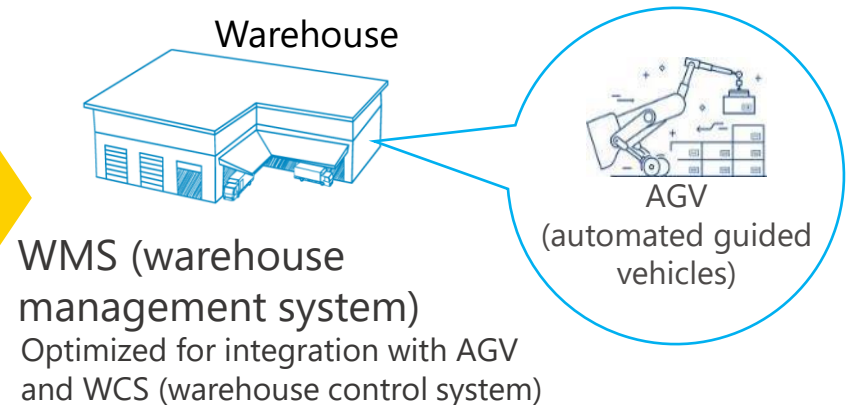
Promote our management philosophy of
“Contributing Broadly to the Economy and Society”
through improvement of the NeedsWell Value



3.6)-2 Launch Logistics & Connected Businesses

Logistics ▶▶▶ Facing labor shortages as the needs of the Internet society continue to increase → Increased demand for system development

Packaging WMS (warehouse management systems)
Scheduled for release in
summer 2021



Connected ▶▶▶ In addition to the conventional development of Embedded Systems, enter the connected sector through data collection/utilization, and contribute to building smart cities through autonomous driving and medical care

Examples of development

- Image analysis programs for ultrasonic devices (ultrasonic diagnostic equipment)
- Programs for collecting large amounts of analytical data from blood, urine and other biological components, and producing an image displaying the results

- Programs that recognize objects and human bodies from radar and sensor image data and control steering and braking for autonomous driving
- Programs to control devices that analyze radar and sensor information at disaster sites, calculate optimal routes based on comparisons with geographic information, and automatically move vehicles

3.6)-3 Expand AI Business

Expand AI Business by expanding the  Work AI lineup



AI Remote Education

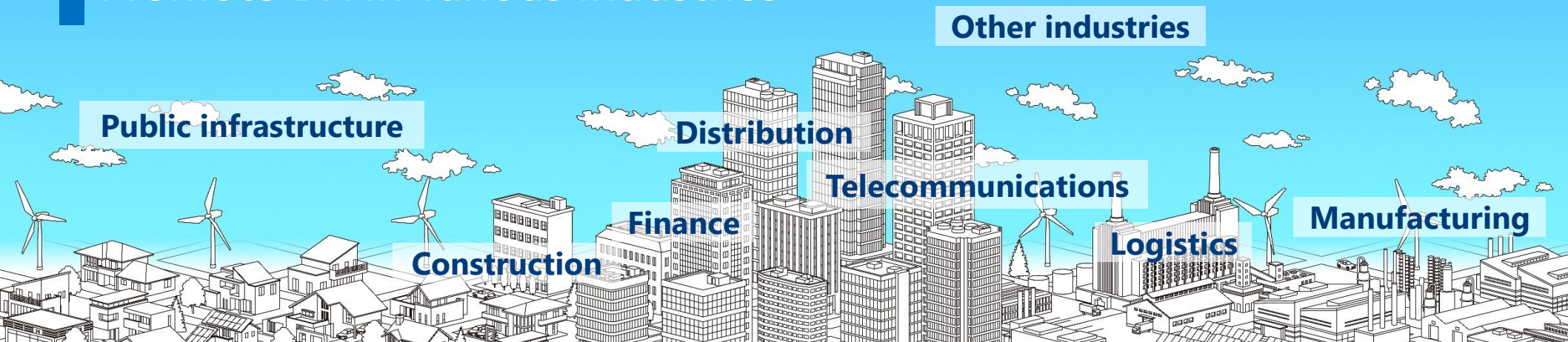
Quantitative visualization of business talks with numerical values and graphs.

AI comparison of information with top-performing models to provide feedback on points needing improvement.

Utilizing know-how in integration for AI, AI-OCR, RPA, etc.

to propose solutions for overcoming the 2025 Digital Cliff

Promote DX in various industries



3.6)-4 Expand nearshore development

Nagasaki Development Center aims to maintain
100 employees in FY2024/9

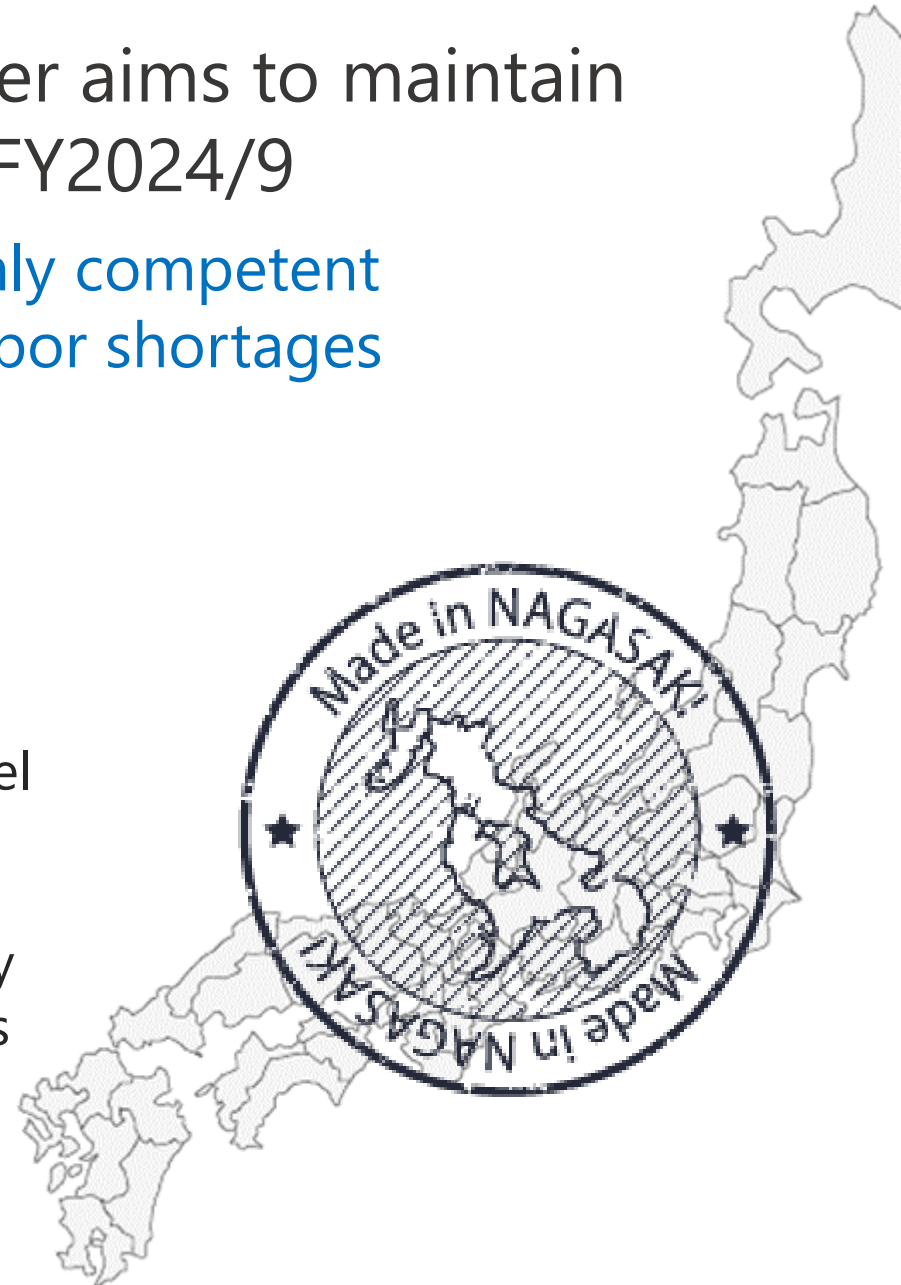
Utilize nearshore bases to acquire highly competent personnel and provide solutions for labor shortages

Personnel acquisition

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

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



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**

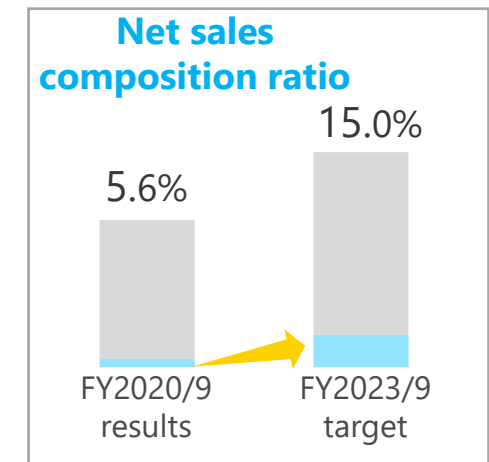
**Solutions/Products,
etc.**

3.6)-6 Expand Solutions Business

Expanding the Solutions Business to accelerate business expansion and increase added value

Expansion strategy

- Add Needs Well's unique integration functions for AI, RPA, etc. to solutions provided by other companies.
- Package WMS (warehouse management system) developed by the Logistics Business as a solution for the logistics industry scheduled for **release in summer 2021**.
- Continuous research and development to quickly incorporate future-oriented and cutting-edge technologies based on client needs and market trends.



✓ May 2021

- Established a specialized team to strengthen DX support.
- Support in-house system efficiency and DX with **IT re-engineering service**.

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

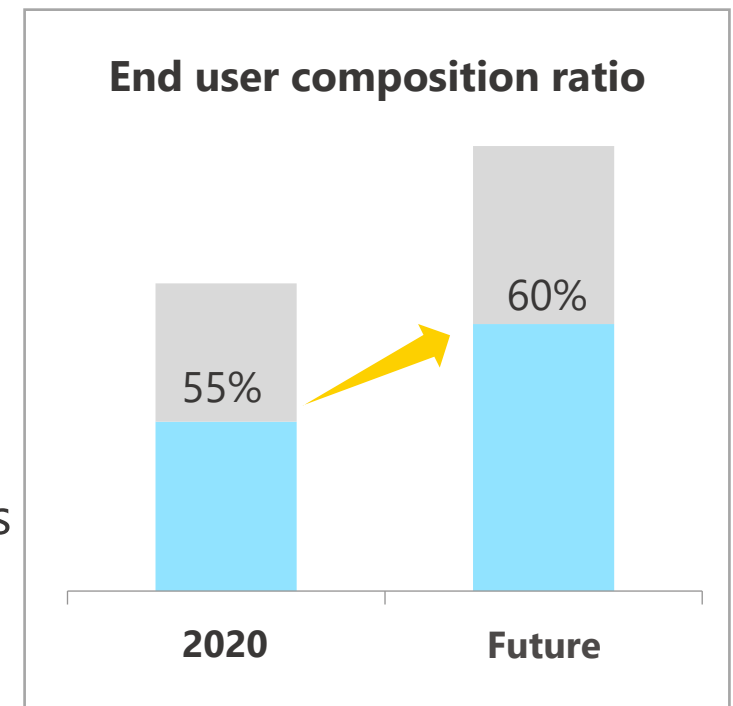
- Secure repeat customers
- Train highly skilled engineers and expand the scope of expertise sectors
- Cultivate new sectors of expertise

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

Expand Solutions Business

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



3.7) 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.

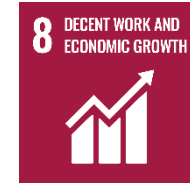
- Feb. 2020: Entered into **capital and business alliance agreement** with ITFOR Inc.
- Mar. 2020: Entered into **core partner agreement** with Meiji Yasuda Life Insurance Company and Meiji Yasuda System Technology Limited
- Dec. 2020: Started **collaborating in logistics sector** with Logi-Revo Co., Ltd. and Office FA.com Co., Ltd.
- Mar. 2021: Entered into **capital and business alliance agreement** with souken-sys Inc.



3.7) 2 Initiatives supported by systems and activities

Work style reform & personnel development

- Incentive dates for paid leave, Premium Friday, overtime target of 20 hours
- 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 days/3 weeks internships for students
Conduct programming classes on apps for submitting electronic applications and creating interactive AI chatbots (2020)



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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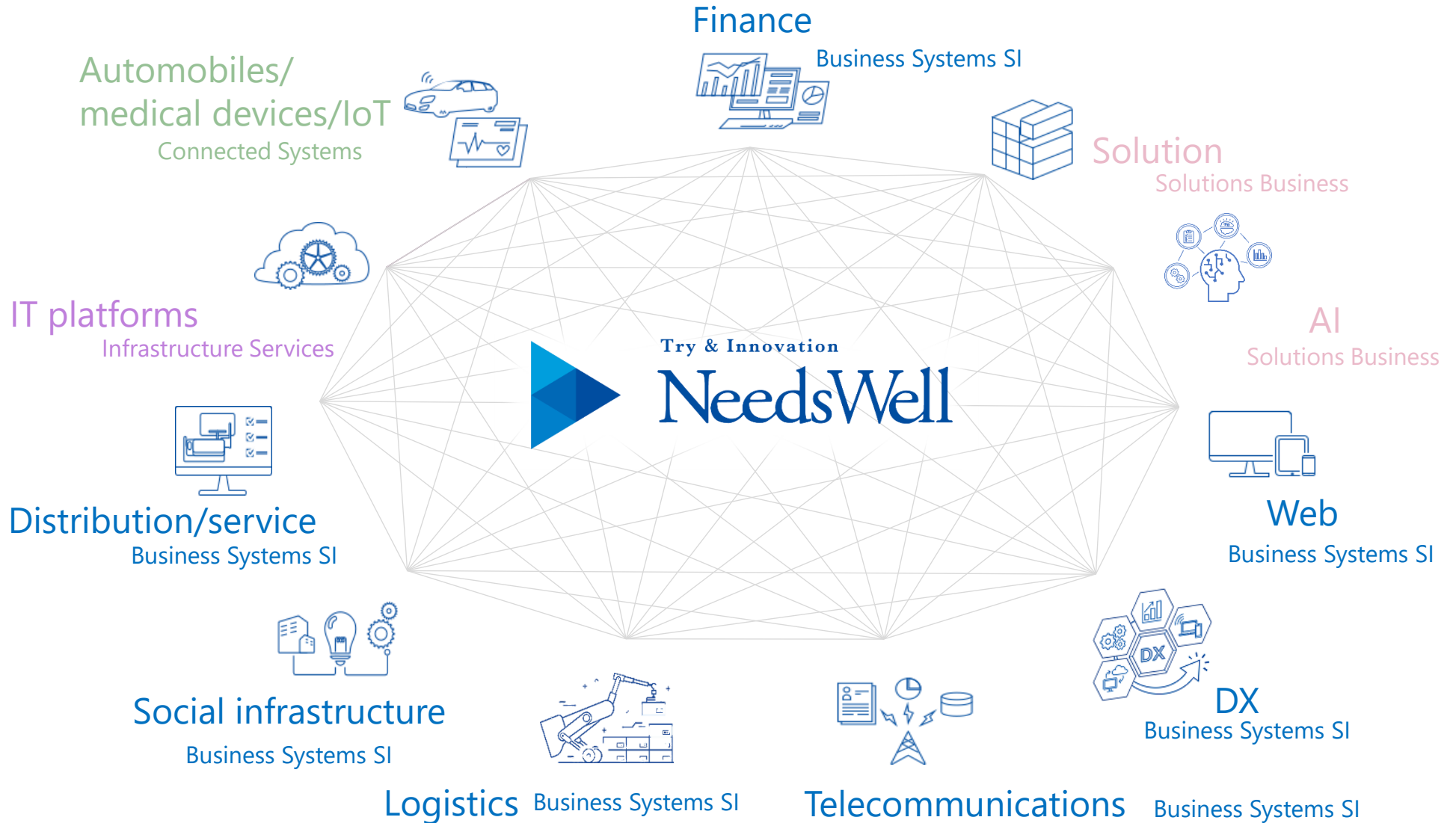
4. Reference

Company profile

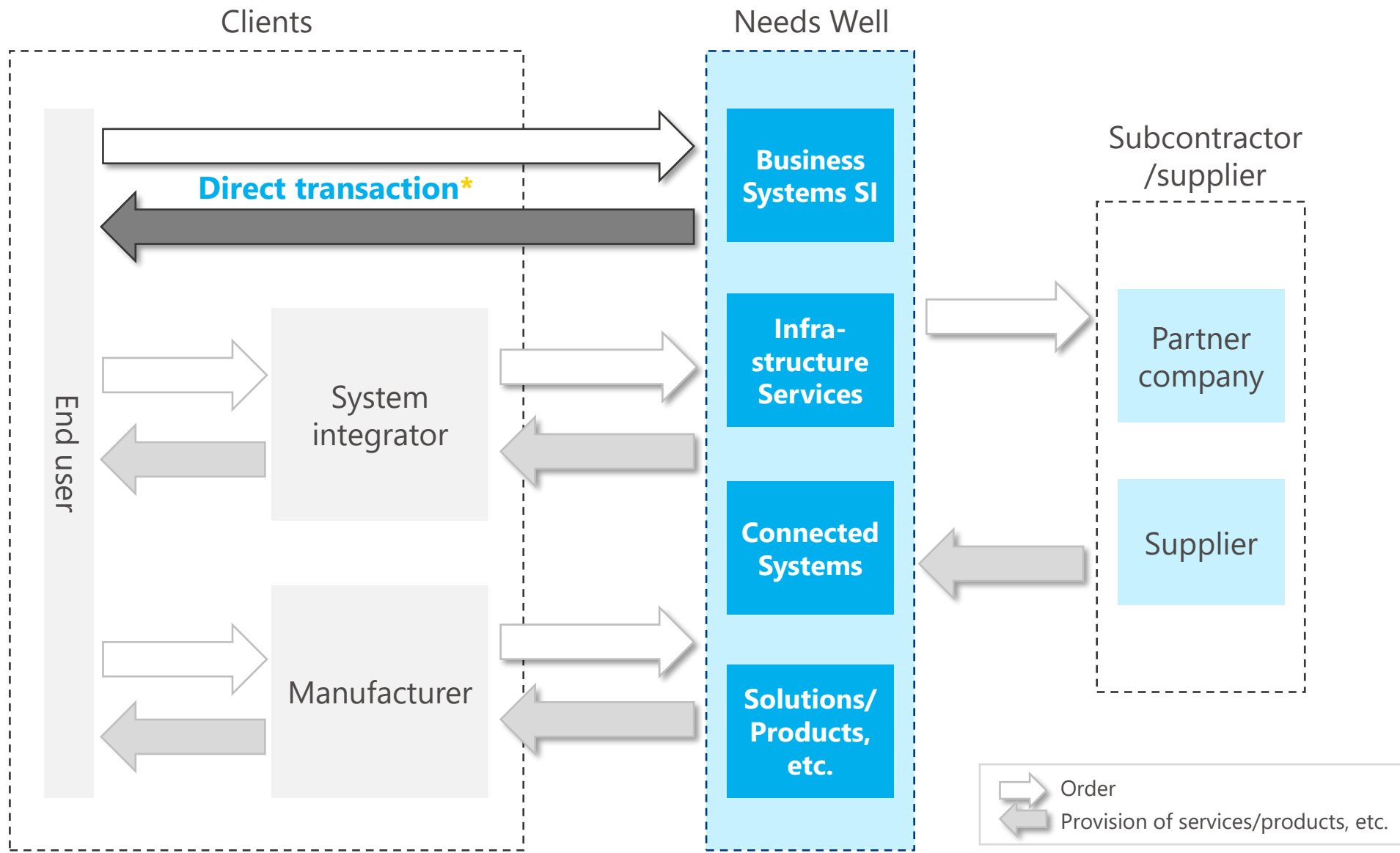
Company Name	Needs Well Inc		
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan		
Office	<ul style="list-style-type: none"> - Shinjuku Office : 5F, South Tower, 13-15 Tomihisa-cho, Shinjuku-ku, Tokyo, 162-0067 Japan - Nagasaki Office: 5F, Meijiyasudaseimei Nagasakikozenmachi 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	578 million JPY as of March, 2021	Net sales	5,364 million JPY as of September, 2020
Number of Employees	565 as of April, 2021		
Qualification	Worker dispatch business Privacy mark	ISO27001 (ISMS) Certified ISO9001 (QMS) Certified	
Board of Directors as of December, 2020	President and CEO Kozo Funatsu Senior Managing Director Nobumasa Goto Executive Director Takeshi Tsukada Director Hiromi Kimura Director Keiho Akiyama Director Kazuhiro Shinohara 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 Kotaro Niwa <input type="checkbox"/> E <input type="checkbox"/> I Audit & Supervisory Board Member Mamoru Yasuoka <input type="checkbox"/> E <input type="checkbox"/> I	

Business fields

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



Business system diagram

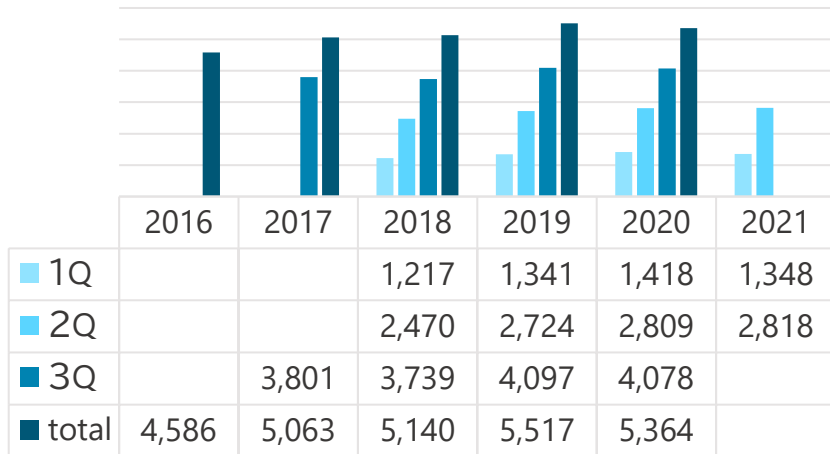


* High level of **direct transactions with end users** (approx. **55%** of all sales)

Business results ①

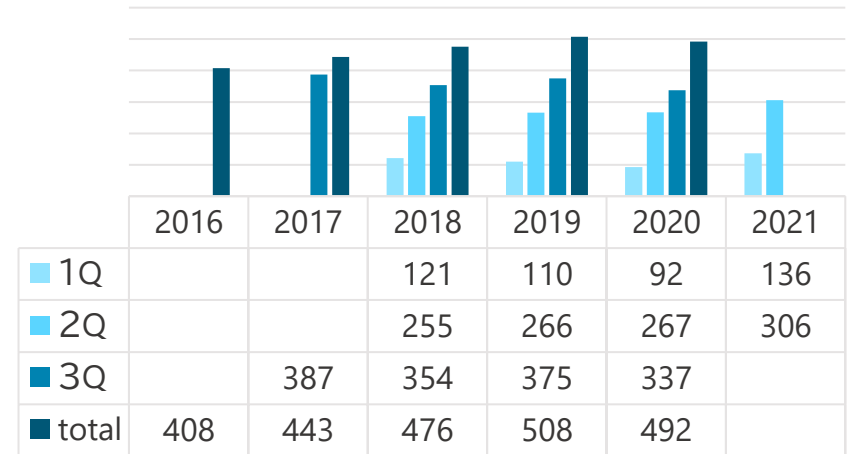
Net sales

Unit : million yen



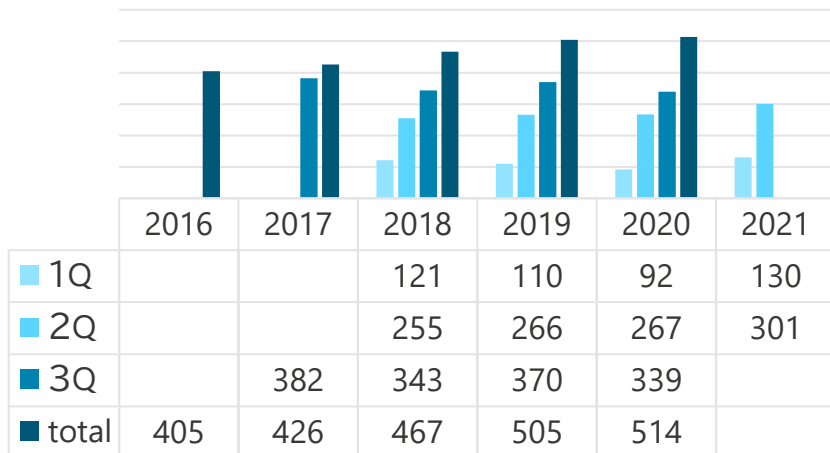
Operating profit

Unit : million yen



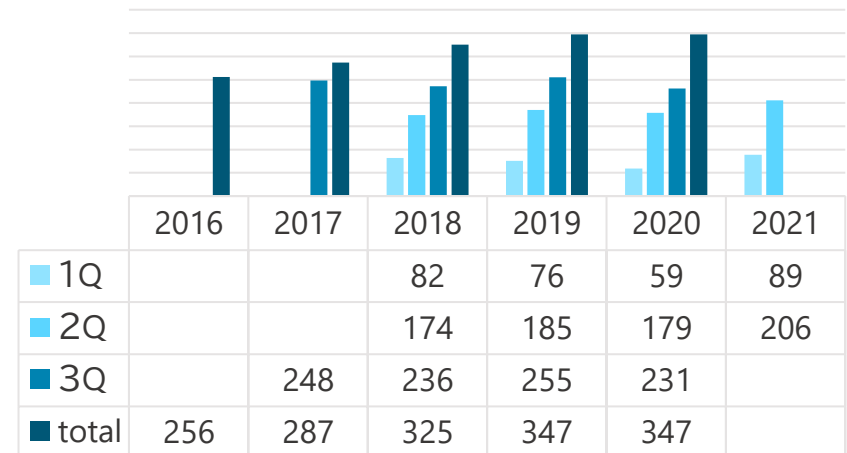
Ordinary profit

Unit : million yen

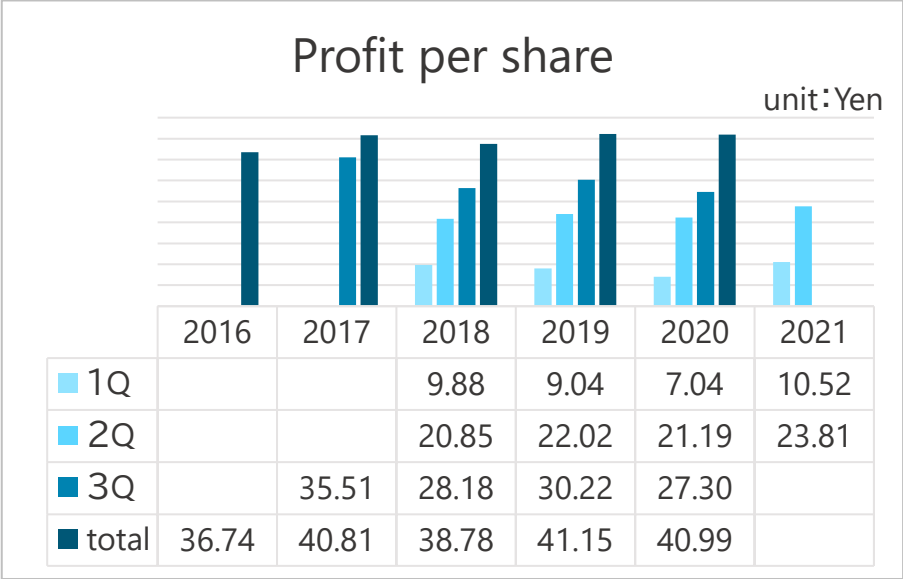


Profit

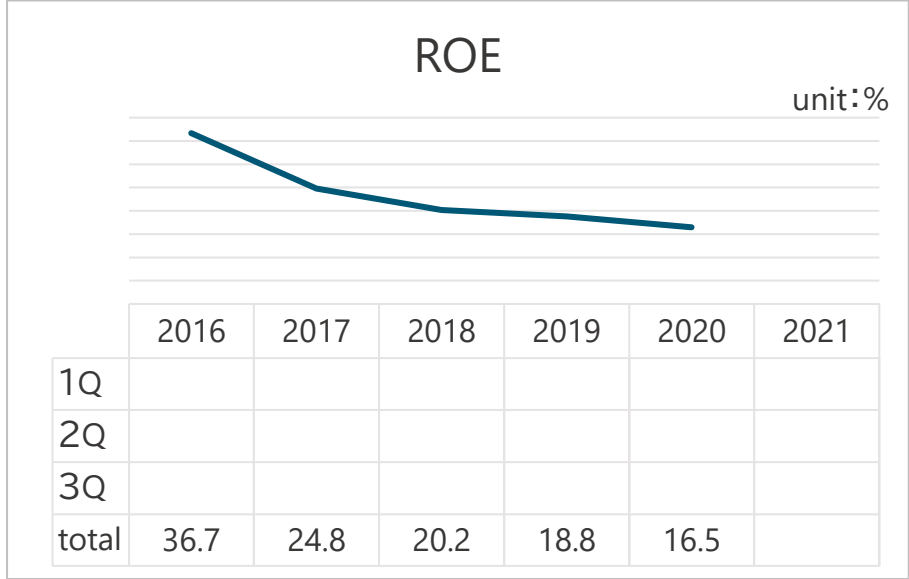
Unit : million yen



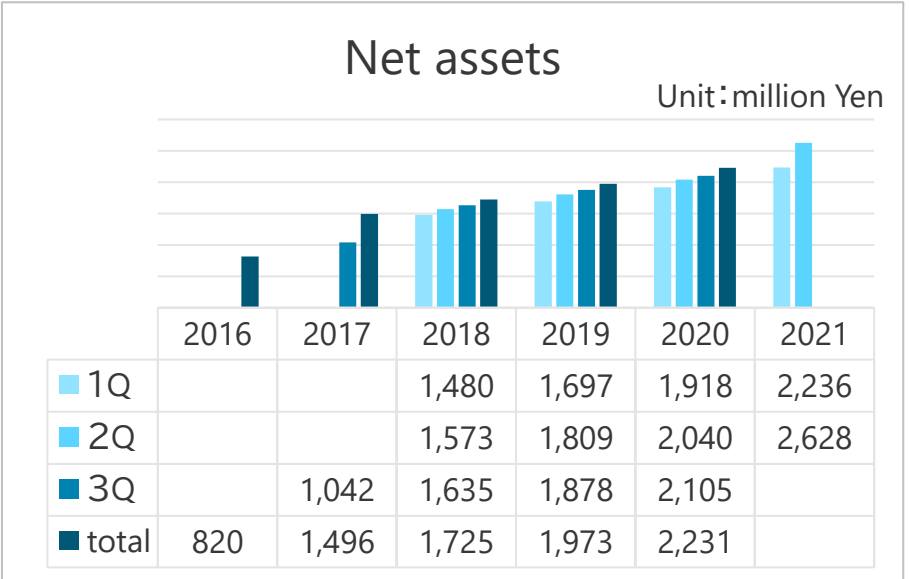
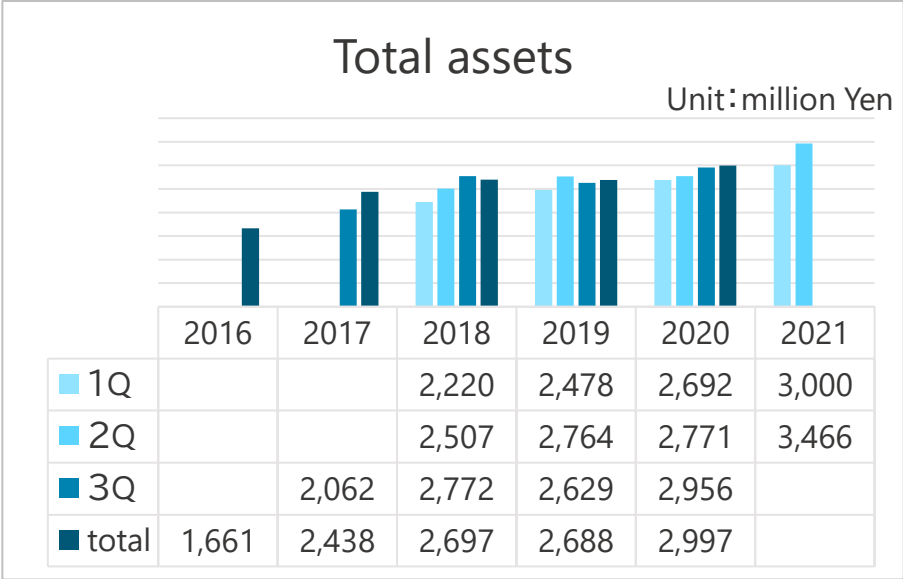
Business results ②



* 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.



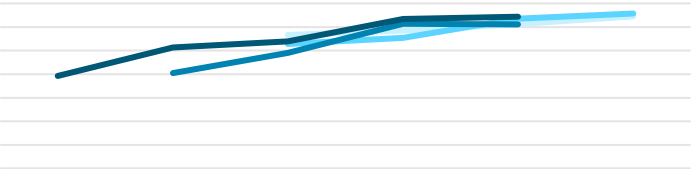
* This index is updated every year



Business results ③

Capital adequacy ratio

unit:%



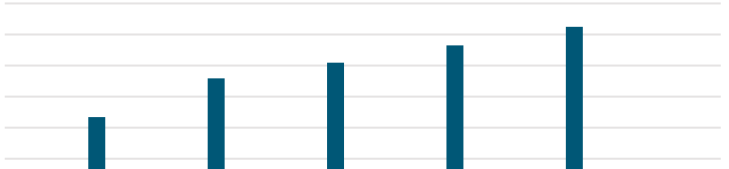
	2016	2017	2018	2019	2020	2021
1Q			66.7	68.5	71.3	74.5
2Q			62.8	65.4	73.6	75.7
3Q		50.5	59.0	71.4	71.2	
total	49.3	61.4	64.0	73.4	74.5	

* 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
1Q						
2Q						
3Q						
total	117.21	179.63	204.99	232.63	262.41	

* 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 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.

Corporate Communication Division e-mail: ir-contact@needswell.com