

Tokyo Stock Exchange Prime Market: Securities Code 3992

Needs Well Inc.

Financial Results for the Fiscal Year 2023

(October 1, 2022 – September 30, 2023)

November 09, 2023



NeedsWell
Try & Innovation



1. 2023/9 Financial report summary



2. 2024/9 Results forecast



3. Growth strategy



4. Reference







Needs Well has transitioned to consolidated accounting from the current fiscal year (FY2023/9).

"Year-on-year" ratio in this document is calculated by comparison with the figures of non-consolidated financial results for the same period of the previous year.

1.1) Financial highlights

Both net sales and profit far exceeded those for the previous fiscal year
Ordinary profit margin was 13.0%, indicating higher profitability

- Expanded sales channels and reinforced the customer base through active capital and business alliances and business alliances
- Improvement in the education system led to a smooth start for new graduate employees
- Expanded projects for DX of life insurance companies and cloud building, as well as public sector projects through bidding
- The Solutions Business gave momentum to our growth, driven by a paperless work environment, the invoice system, and the revised Preservation of Electronic Records Act

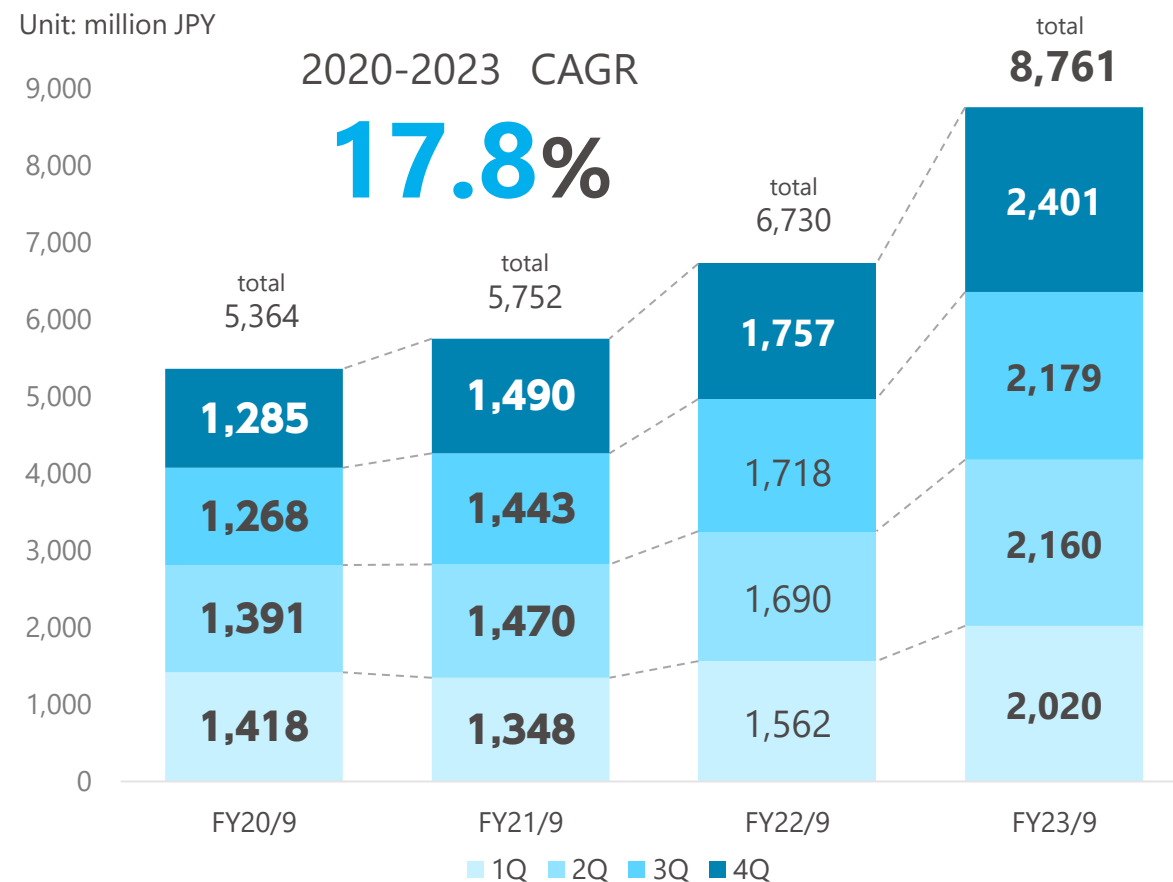
<div>NeedsWell Group</div> <div> Try & Innovation NeedsWell</div> <div> 零壹製作株式会社 Zeroichi Production co.,Ltd.</div> <div> BO STUDIO</div> <div> 株式会社コムソフト</div>	Net Sales	8,761	million JPY	YoY	+30.2	%	
	Ordinary profit	1,135	million JPY	YoY	+56.6	%	Ordinary profit margin 13.0 %
	Profit attributable to owners of parent	837	million JPY	YoY	+67.7	%	Net profit ratio 9.6 %

1.2) Trends/comparison by FY

Despite increasing provision for winter bonuses in the fourth quarter, strong performance resulted in **the highest** net sales and profit since the Company's establishment.

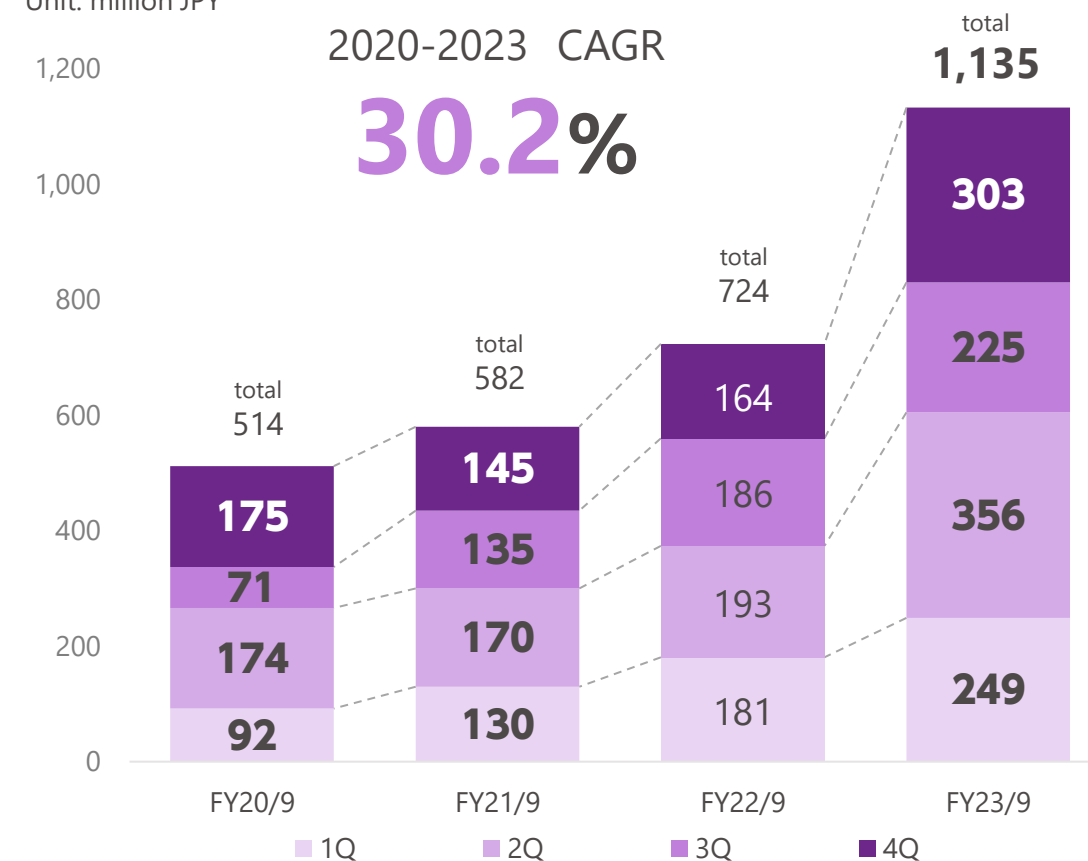
[Net sales by quarter]

Unit: million JPY



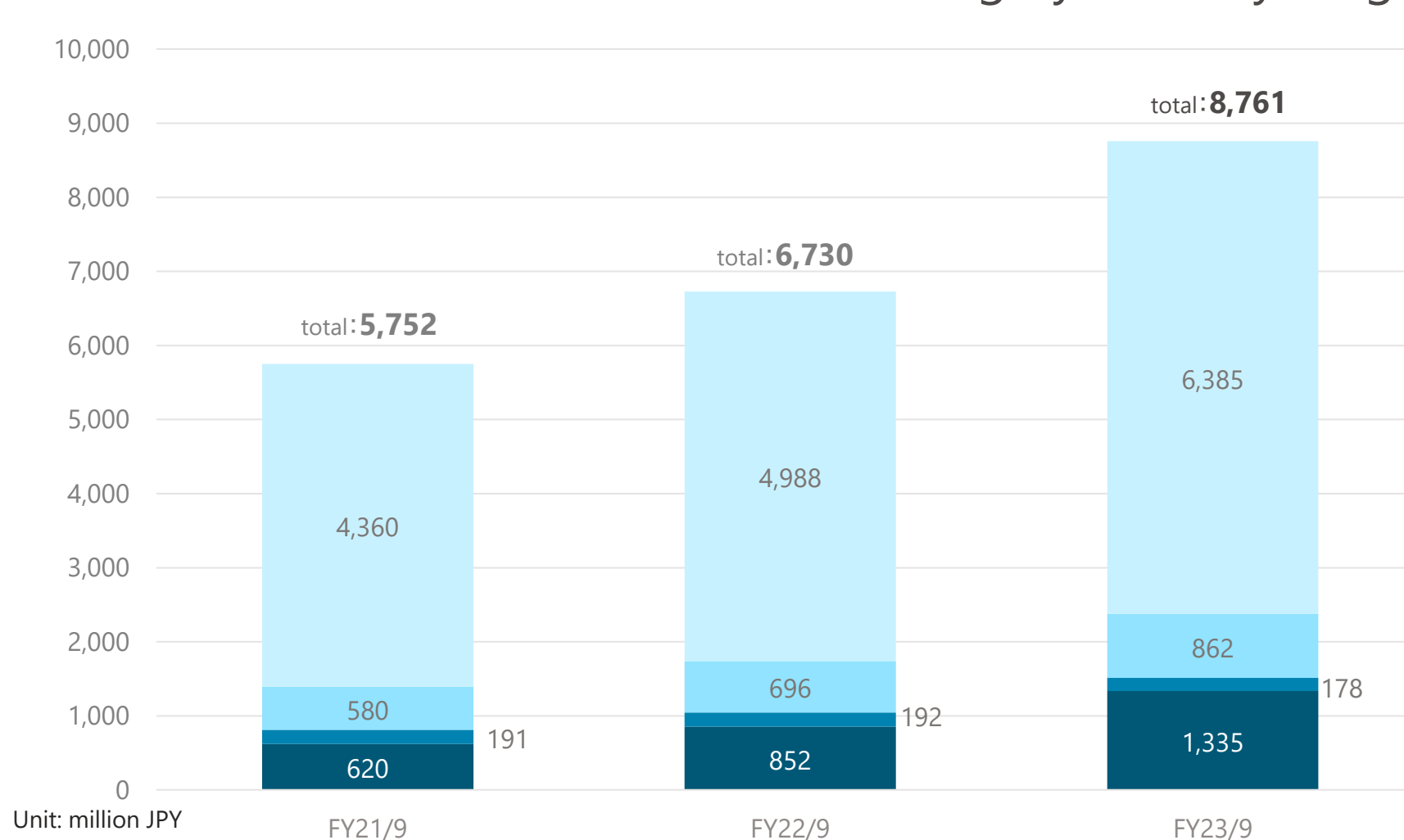
[Ordinary profit by quarter]

Unit: million JPY



1.3) Net Sales Trends by Service Line

Main service lines, Business Systems SI, Infrastructure Services, and Solutions, maintained high year-on-year growth



✓ Summary of the third quarter of 2023/9

■ Business Systems SI 128.0% year-on-year

Steady growth has been seen due to growth in projects for DX of life insurance companies, public sector projects through bidding, and projects for financial system migration, as well as the addition of sales from a newly consolidated subsidiary.

■ Infrastructure Services 123.8% year-on-year

Strong growth in contracts for public sector projects through bidding
Strong growth in orders for cloud-related projects

■ Connected Systems 92.9% year-on-year

We have continued stable development for projects for medical care, but growth remains stagnant due to the manufacturing sector's underperformance.

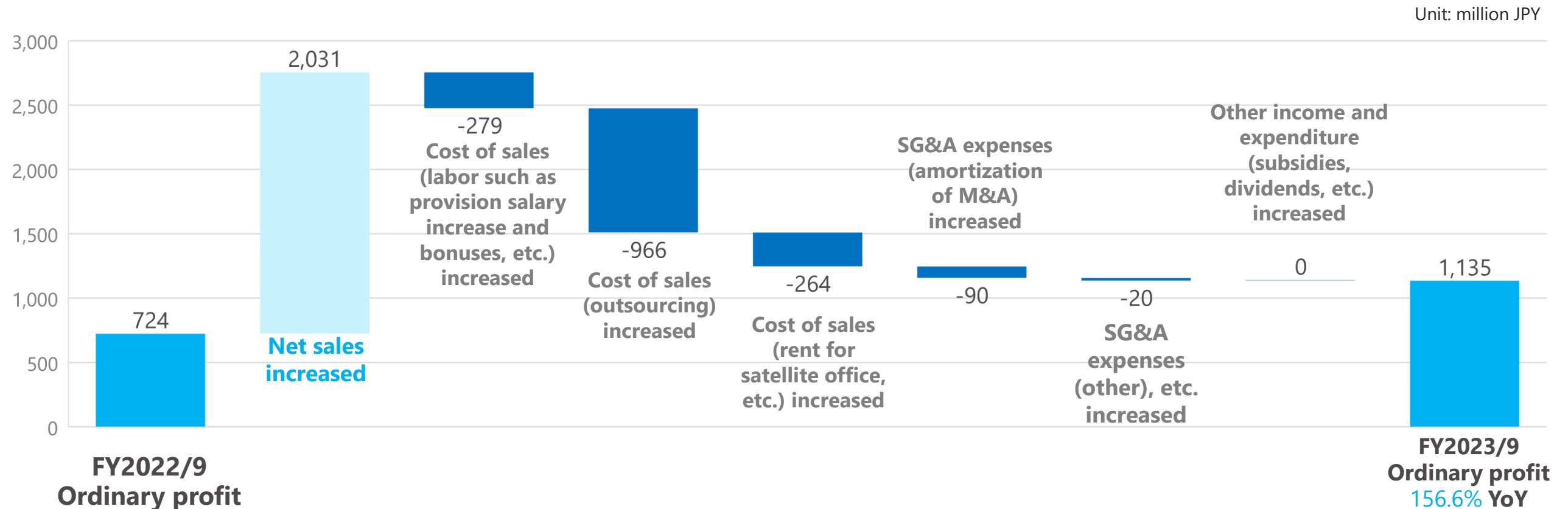
■ Solutions 156.6% year-on-year

The Solutions Business gave momentum to our growth, driven by a paperless work environment, the invoice system, and the revised Preservation of Electronic Records Act.

1.4) Ordinary profit analysis

ordinary profit **increased 56.6% year-on-year**, showing significant growth

- ✓ **Gross profit** increased by 521 million JPY (+33.3% year-on-year) due to increased orders and
- ✓ acquisition of high-value-added projects.
Training expenses for 65 new graduates who joined Needs Well in April increased.



1.5) Profit & loss statement

Net sales growth rate, ordinary profit margin, EPS, ROE achieved targets.

Unit: million JPY	FY2022/9 Financial Results		FY2023/9 Financial Results				
	Result	Net Sales	Result	Net Sales	Year-on-year		
Net sales	6,730	-	8,761	-	130.2%	96.7%	9,059
Business Systems SI	4,988	74.1%	6,385	72.9%	128.0%	92.8%	6,881
Infrastructure Services	696	10.3%	862	9.8%	123.8%	134.9%	639
Connected Systems	192	2.9%	178	2.0%	92.9%	71.3%	251
Solutions	852	12.7%	1,335	15.2%	156.6%	103.7%	1,288
Gross profit	1,562	23.2%	2,083	23.8%	133.3%	-	-
M&A-related amortization	-	-	90	1.0%	-	-	-
Others	872	13.0%	892	10.2%	102.3%	-	-
SG&A expenses	872	13.0%	983	11.2%	112.7%	-	-
Operating profit	690	10.3%	1,100	12.6%	159.3%	100.1%	1,100
Non-operating profit	35	0.5%	37	0.4%	106.0%	-	-
Non-operating expenses	1	0.0%	3	0.0%	209.9%	-	-
Ordinary profit	724	10.8%	1,135	13.0%	156.6%	101.3%	1,121
Net profit	499	7.4%	837	9.6%	167.7%	111.9%	748

KPI achievement

Item	Numerical targets	Results
Net sales growth rate	20% or more	30.2%
Gross profit margin	25% or more	23.8%
SG&A expenses rate	10% or less	11.2%
Ordinary profit margin	10% or more	13.0%
EPS		
2023.6.1 After taking into account stock split	¥30 or more	42.63 yen
PER 2023.3.31	30 times or more	15.4 times
ROE	20% or more	23.2%

1.6) Balance sheet

Maintained a stable financial position despite investing approx. 500 million JPY in M&A, etc. (equity ratio : 62.3%)

*Selection of significant entries only		FY2022/9	FY2023/9	
Unit: million JPY		Result	Result	Year-on-year
Assets	Cash and deposits	2,609	2,519	-89
	Accounts receivable - trade and contract assets	1,163	1,827	664
	Prepaid expenses	72	33	-38
	Others	0	-2	-1
	Total current assets	3,844	4,379	535
	Buildings, net	29	32	2
	Software	81	58	-22
	Software in progress	3	7	3
	goodwill	-	370	370
	Customer-related assets	-	389	389
	Investment securities	236	357	121
	Deferred tax assets	136	151	15
	Leasehold and guarantee deposits	83	100	17
	Insurance funds	76	76	0
	Other	117	24	-92
Total non-current assets		764	1,568	804
Total assets		4,608	5,947	1,339

*Selection of significant entries only		FY2022/9	FY2023/9	
Unit: million JPY		Result	Result	Year-on-year
Liabilities	Accounts payable - trade	213	648	434
	loans	-	19	19
	Accounts payable - others	150	502	352
	Accrued corporate tax, etc.	180	230	49
	Accrued consumption taxes	90	157	67
	Deposits received	43	76	32
	Provision for bonuses	343	379	35
	Others	15	32	16
	Total current liabilities	1,038	2,046	1,008
	loans	-	38	38
	Long-term deferred tax liabilities	-	134	134
	other	-	14	14
	Total non-current liabilities	0	187	187
	Total liabilities	1,038	2,234	1,195
Equity	Share capital	908	908	0
	Legal capital surplus	764	765	1
	Retained earnings brought forward	2,072	2,659	587
	Treasury shares	-200	-694	-494
	Valuation difference on available-for-sale securities	24	65	41
	Non-controlling interests	0	8	8
Total net assets		3,570	3,713	143
Total liabilities and net assets		4,608	5,947	1,339

1.7) Major initiatives in FY2023/9

To achieve sustained growth, various measures to **improve employee satisfaction, skills, and performance** are continuously implemented.

FY2023/9

October 2022	<ul style="list-style-type: none">• Acquired BO STUDIO and KOMSOFT as subsidiaries, and initiated consolidated accounting including Zeroichi Production• Opened a satellite office in Daimon due to expand the business• Formed a business alliance with PB Systems, Inc.
December 2022	<ul style="list-style-type: none">• Introduced a system of remuneration of shares with restriction on transfer for Directors
March 2023	<ul style="list-style-type: none">• Revised the results forecast upward (first time)
April 2023	<ul style="list-style-type: none">• Increased employee salary by 3% on average, up to 27%• Introduced a double job system
June 2023	<ul style="list-style-type: none">• Conducted a stock split at a ratio of 2 shares per share• Purchased 0.5 billion yen of treasury shares
September 2023	<ul style="list-style-type: none">• Revised the results forecast upward (second time)• Increased dividends (first time)

FY2024/9

October 2023	<ul style="list-style-type: none">• Introduced an internal FA system and a return-to-work support system• Strengthened collaboration with FUJI YAKUHIN Co., Ltd.• Increased dividends (second time)• Introduced a system of shares with restriction on transfer for employees
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2.1) Medium-Term Management Plan 2023-2025

To achieve the Medium-Term Management Plan FY2025 Targets of **13.0 billion JPY in net sales** and **1.8 billion JPY in ordinary profit**, Needs Well will continue efforts to **expand existing businesses**.

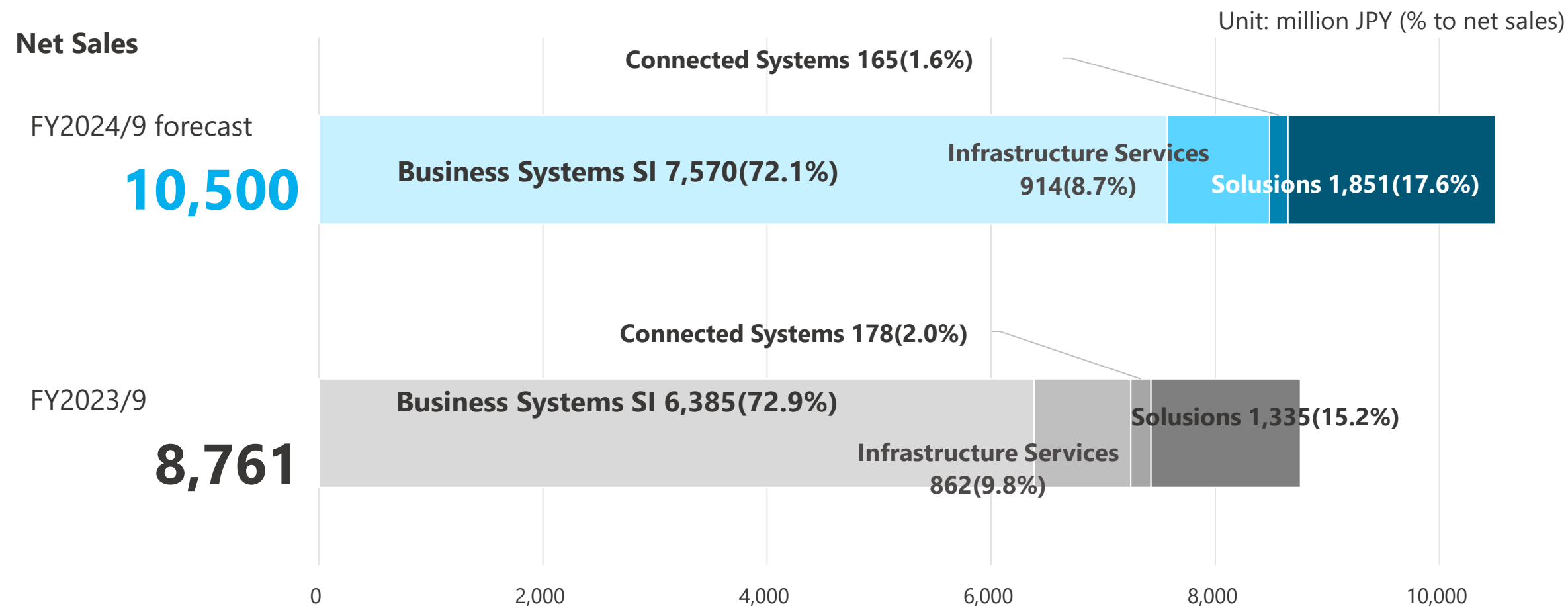
	Result		Medium-Term Management Plan		
	FY2022	FY2023	FY2024	FY2025	CAGR 2022-2025 (%)
sales	67	87	110	130	25.3
	Existing Businesses 67 M&A -	Existing Businesses 81 M&A* 6	Existing Businesses 105 M&A * 5	Existing Businesses 129 M&A * 1	
Ordinary Income	7	11	15	18	36.7

* M&A sales in the previous year are included in existing businesses.

* As of the date of this release, the specific partner of the M&A after 2024 has not been decided, but we are conducting research.

2.2) Sales Plan by Service Line (Consolidated) for FY2024/9

Continue to focus on **Business Systems SI** as our core business, and expand revenue-generating **Solutions** further

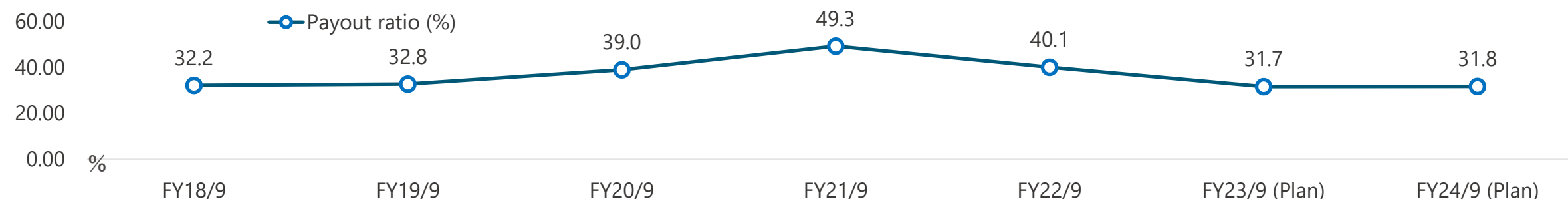


2.3) Dividends and shareholder returns

FY24/9 Dividends per share: **15 JPY/share** **1.5 JPY** increase year-on-year

While emphasizing shareholder returns, we will work to increase employee salaries and bonuses in seeking economic growth and securing talent.

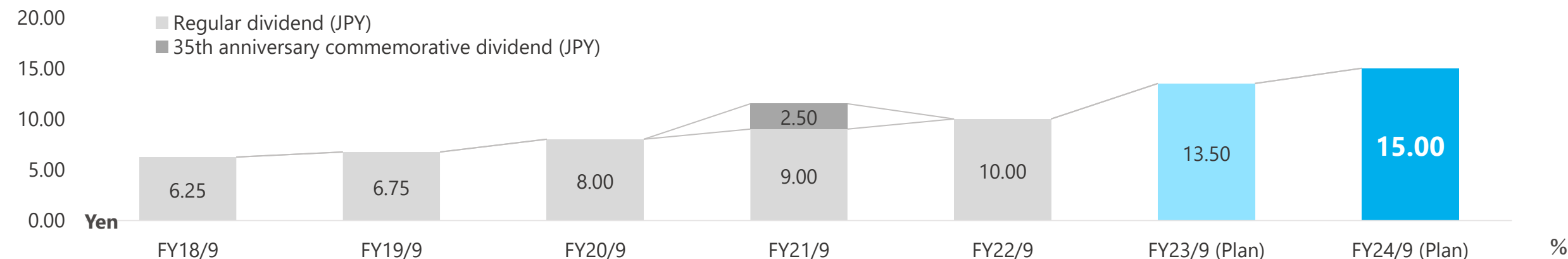
Payout ratio trend



* Total return ratio (%) = (Payments for dividends + Payments for treasury share purchase) / Profit

* Due to treasury share purchase in 2022 and 2023, the total return ratios for 2022 and 2023 were 79.6% and 90.5%, respectively.

Dividend trend



* The Company paid a commemorative dividend in commemoration of the Company's 35th anniversary for the fiscal year 2021/9.

* Needs Well conducted stock splits on April 1, 2018, January 1, 2019, and June 1, 2023, 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 and medium-term policy

■ Management philosophy

Contributing Broadly to the Economy and Society

■ Management policy

Constantly evolving, Needs Well continues to contribute broadly to the economy and society with the slogan "Try & Innovation."

■ Medium-term basic policy

Transition to a true system integrator

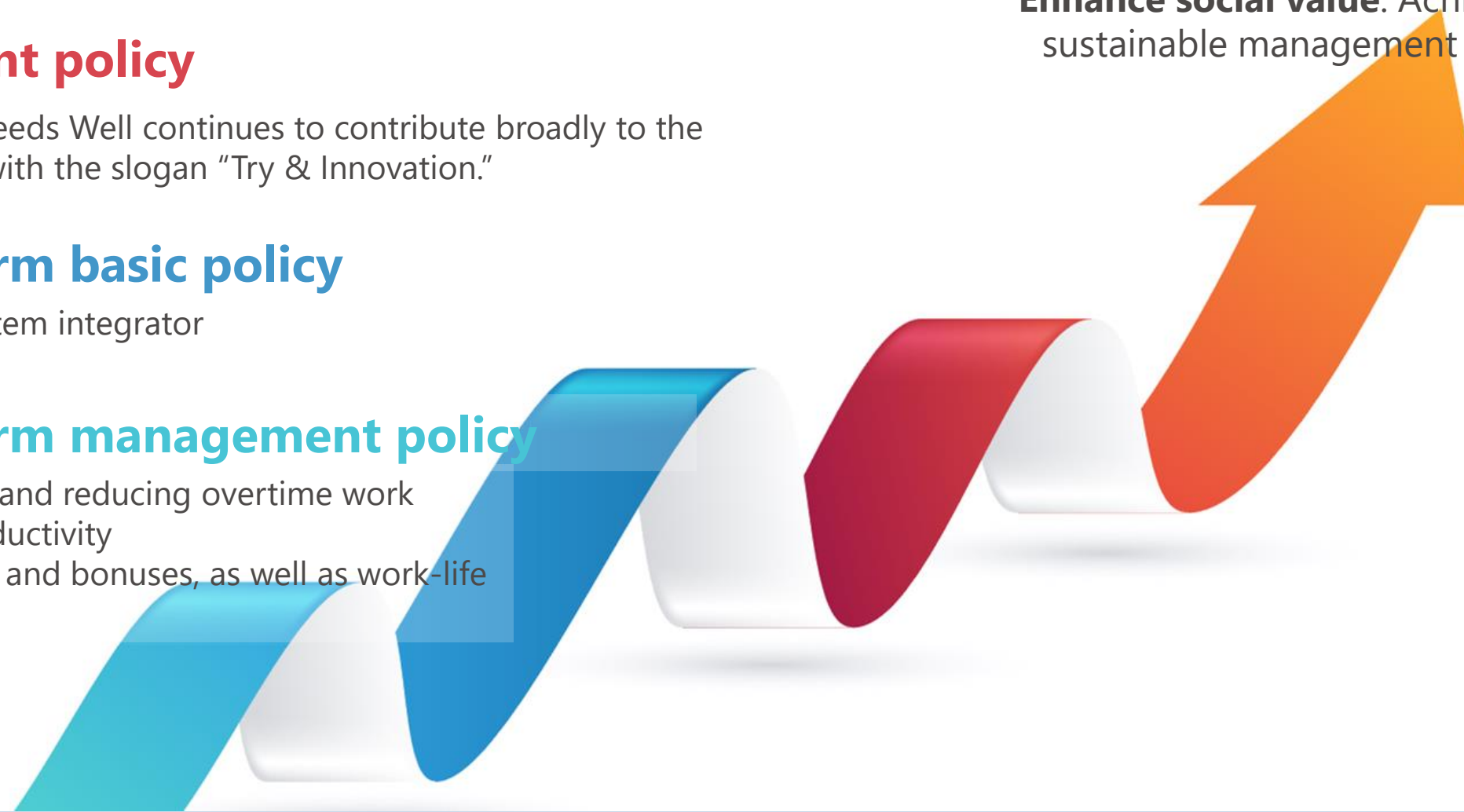
■ Medium-term management policy

Improving profitability and reducing overtime work through increased productivity
Achieving high salaries and bonuses, as well as work-life balance

Enhance corporate value

Enhance business value: Achieving performance and business targets

Enhance social value: Achieving sustainable management



3.2) Growth strategy



3.2) Focus area [Expand Migration Development Business]

Provision of **consistent migration services**,
from migration development to quality testing

The demand for migration has been increasing more than ever due to various factors such as the withdrawal of domestic manufacturers from general-purpose computers, the migration of legacy systems to new platforms, and a shortage of skilled personnel and technicians in current systems.

Utilization of a nearshore base in Nagasaki

- Aggregate engineers specialized in migration development
→ Expand technical know-how and scope of services

Enhancement of quality testing services

- Conduct reliable, high-quality testing
- Contribute to the reduction of human costs
- Increase productivity through effective utilization of development engineers

3.2) Focus area [Expand IT Outsourcing Business]

Support for business efficiency improvement and establishment of a long-term framework to meet the demand caused by talent shortages in corporate DX

As the demand for DX and business improvement increases year by year, more companies are facing challenges in controlling all aspects of IT internally. We offer proposals that adapt flexibly to measures against personnel shortages and contract arrangements of each company, providing **comprehensive management, operation, and support**.

Details of support

Operational design and monitoring

Leverage know-how cultivated over many years of operation to establish a stable and secure operational framework.



Taking on operations

Take on system operations, such as restoration, backup, and vulnerability management.



Managed services

Take on everything from migration, design, and construction to maintenance and operation, achieving high quality and on-going cost reduction through technical capabilities cultivated over the years.



3.2) Expand Logistics Businesses

Increased rate of online shopping has expanded needs for advanced logistics warehouses

Feature of Warehouse Management System

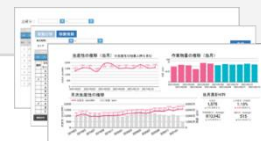


Manpower-saving, paperless system

- 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

Sales strategies of Warehouse Management System



- **Expand sales** of SmartWMS by **collaborating with logistics hardware manufactures**
- Promote SmartWMS **integrated solutions** (AI picking carts, AI application to the 2024 issue)
- Develop SmartWMS **for other industries**, e.g., drugstores, etc.



3.2) Expand AI Business






Expand AI Business by expanding the Work AI lineup

Develop and provide generative AI solutions through industry-academia collaboration, and strengthen orders for the **Prophetter Series and **Chat Document****

Work AI

* 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.



	AI automation of rough estimation of parts and materials
	Detection of normality and abnormality of objects acquired by camera using image recognition AI (deep learning).
	Predictive AI is used to analyze data acquired from various center data to improve the quality of the manufacturing process.
	Predictive AI is used to predict various abnormalities and prevent breakdowns and failures before they occur.
 Chat Document	Interactive AI chatbot provides solutions FAQ, searches for documents Simple-to-use process of sending text to chatbot from browser or chat tool, allowing sought-after information to be instantly retrieved.

3.2) Expand Solutions Business

Clarify the purposes and guidelines of solutions business and aim to expand business

Purpose

- Enhance corporate value
- Improve capability to receive orders
- Improve profitability / "Transition from increasing unit price to increasing value"



Policy

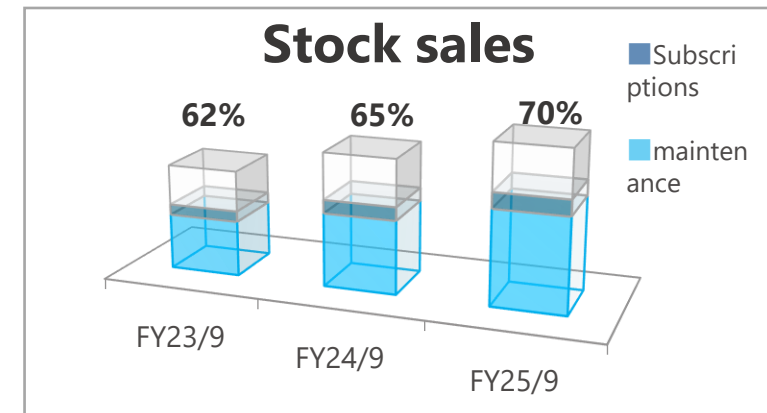
- Create solutions together with customers, instead of research and development
- Focus on services and improve quality of services
- Offer added value
- Ongoing support by offering subscriptions

3.3) Revenue expansion and targets

Expand stock sales: increasing to 70% by 2025

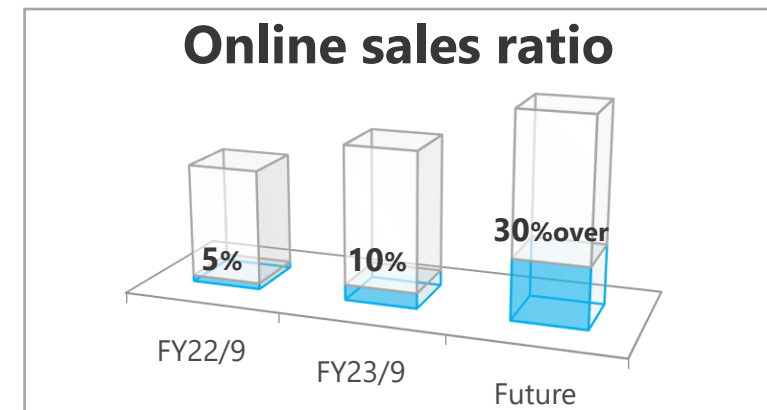
- Ensure stable revenue through the expansion of stock sales, leveraging our development know-how.
- Maintain and expand ongoing transactions with customers we have cultivated over time.

Stock sales: System maintenance and operation for at least two years, subscription-based solutions, etc.



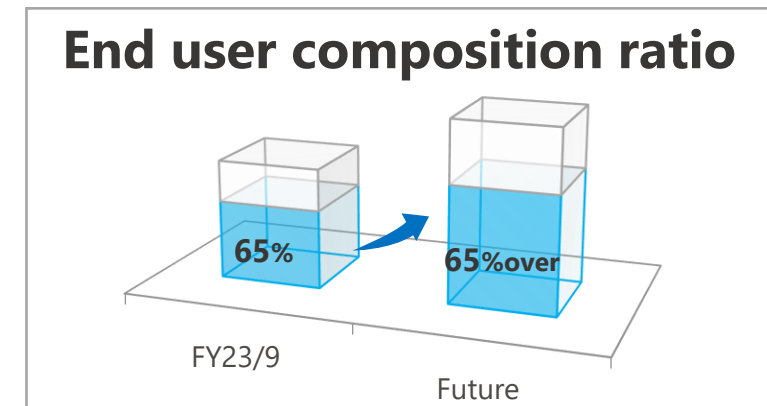
Promote online sales activities: aiming for at least 30% of net sales

- Reached out to new target groups through successful implementation of measures such as seminars, exhibitions, website, and press releases. Inquiries from end users through online tools increased.



Increase direct sales to end users: maintaining and expanding over 65% of net sales

- Focus on continuing to work with existing customers, expanding the scale of projects in relevant sectors, and cultivating new sectors of expertise.
- Cultivate new users by targeting companies in the same or similar industries as existing users.
- Focus on the Solutions Business, which accounts for a high percentage of sales to end users.





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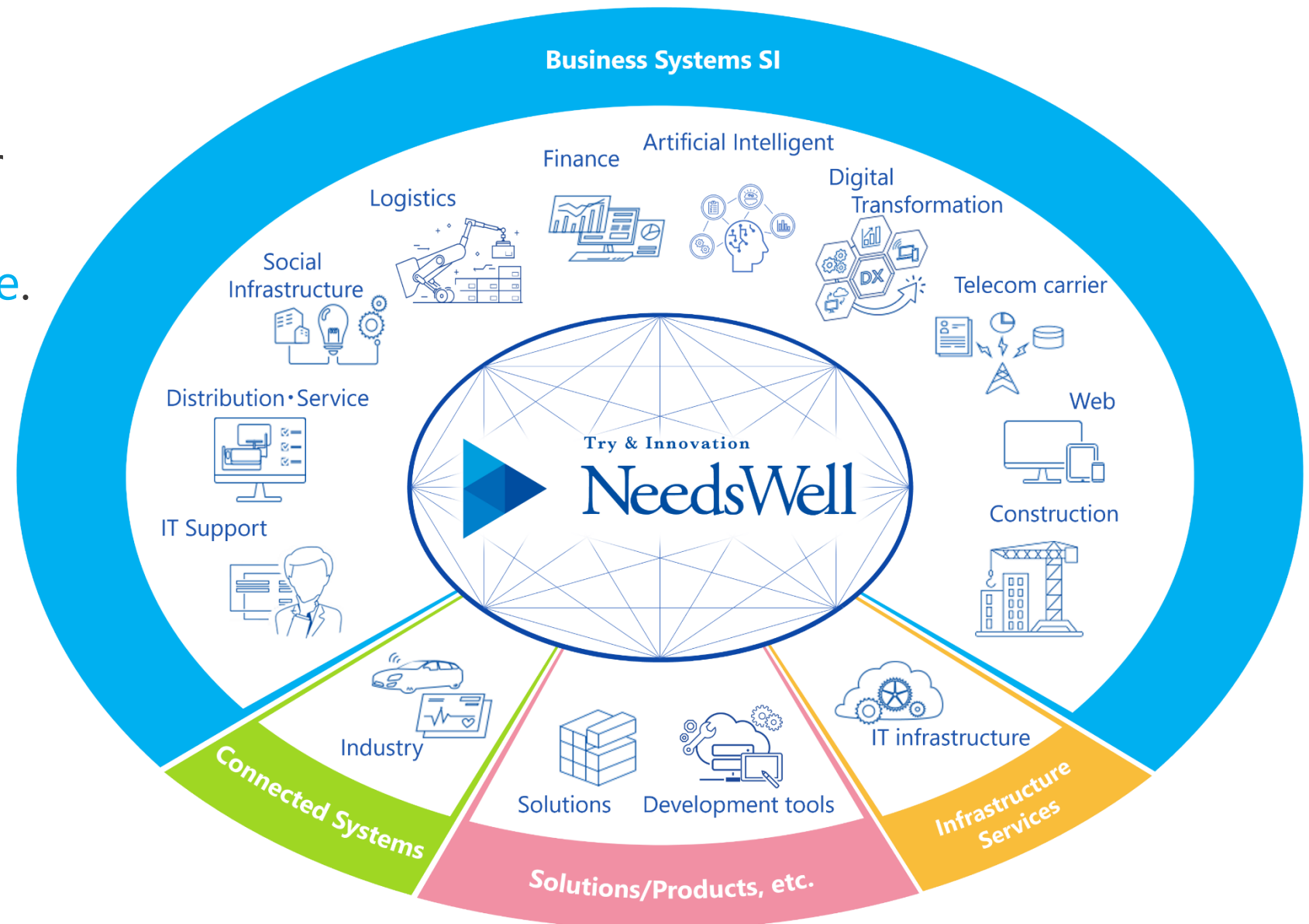
4.1) Company profile

As of September,2023

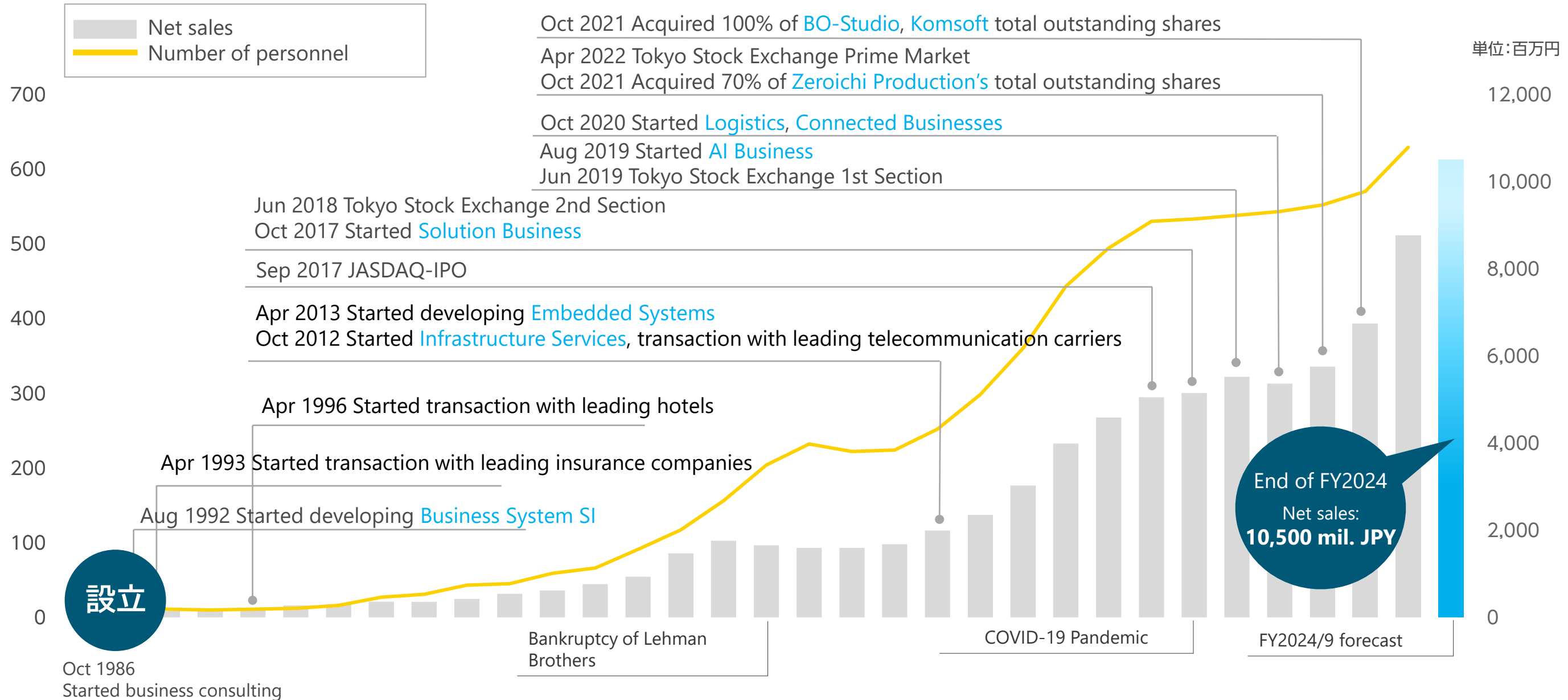
Company Name	Needs Well Inc.	Representative	President and CEO Kozo Funatsu
Established	October 1, 1986	Stock Listing	Tokyo Stock Exchange, Prime Market (3992)
Paid-in Capital	908 million JPY	Net sales	8,761 million JPY
Number of Employees	629 (Consolidated)	Fiscal year end	September
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan TEL: +81-3-6265-6763 FAX: +81-3-6265-6764 URL: https://www.needswell.com		
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 		
Group structure	<p>■ Consolidated subsidiaries</p> <p>Zeroichi Production Co., Ltd. (Head Office: Nasushiobara-shi)</p> <p>BO STUDIO Inc. (Head Office: Shibuya-ku, Tokyo)</p> <p>KOMSOF Inc. (Head Office: Toshima-ku, Tokyo)</p>		

4.2) Business fields

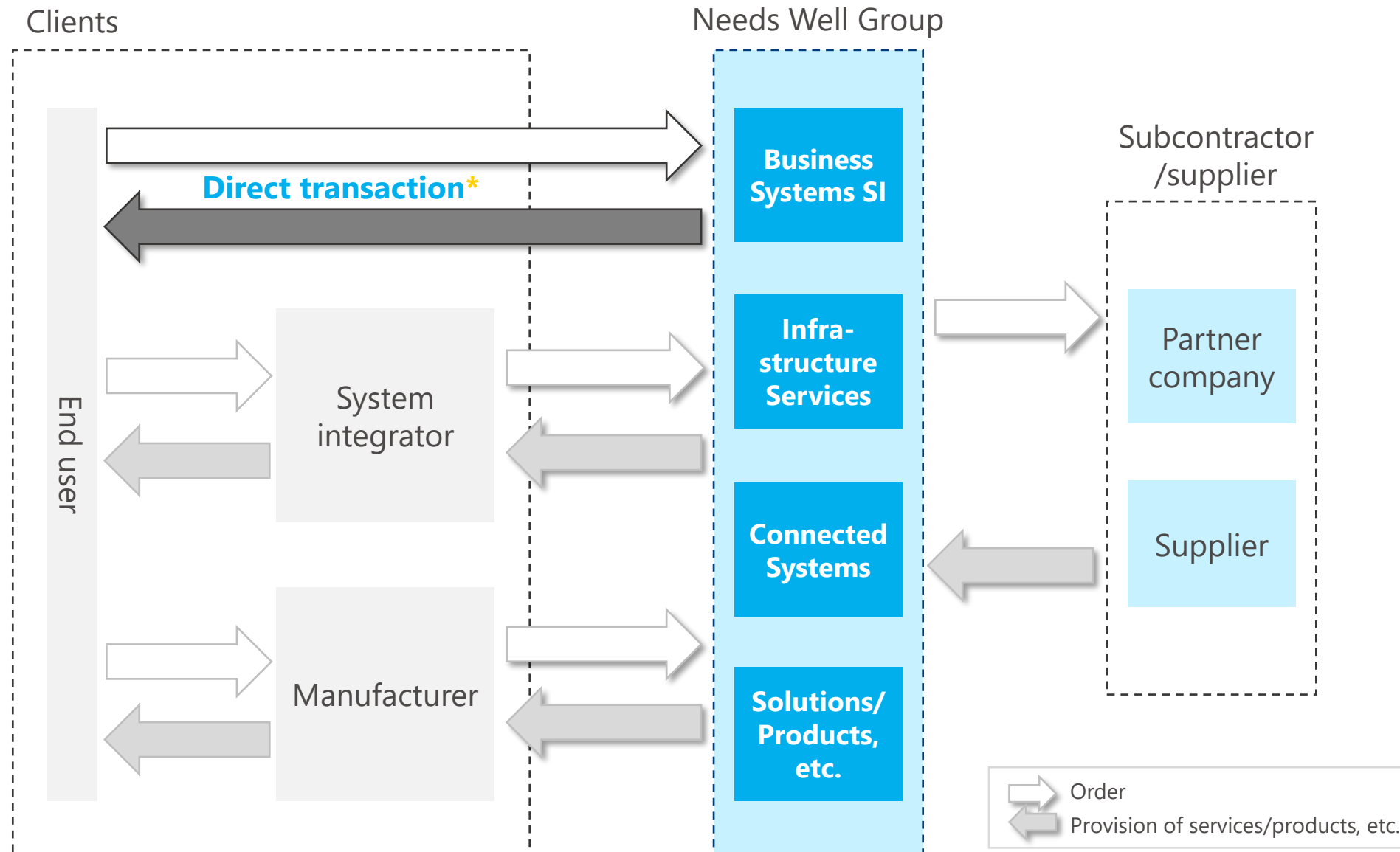
Needs Well provides total IT services through four services focused on **Business Systems SI** for finance.



4.3) Growth track



4.4) Business system diagram



* High level of **direct transactions with end users** (approx. **65%** of all sales)

4.5) Our three strengths

Capacity for financial system development

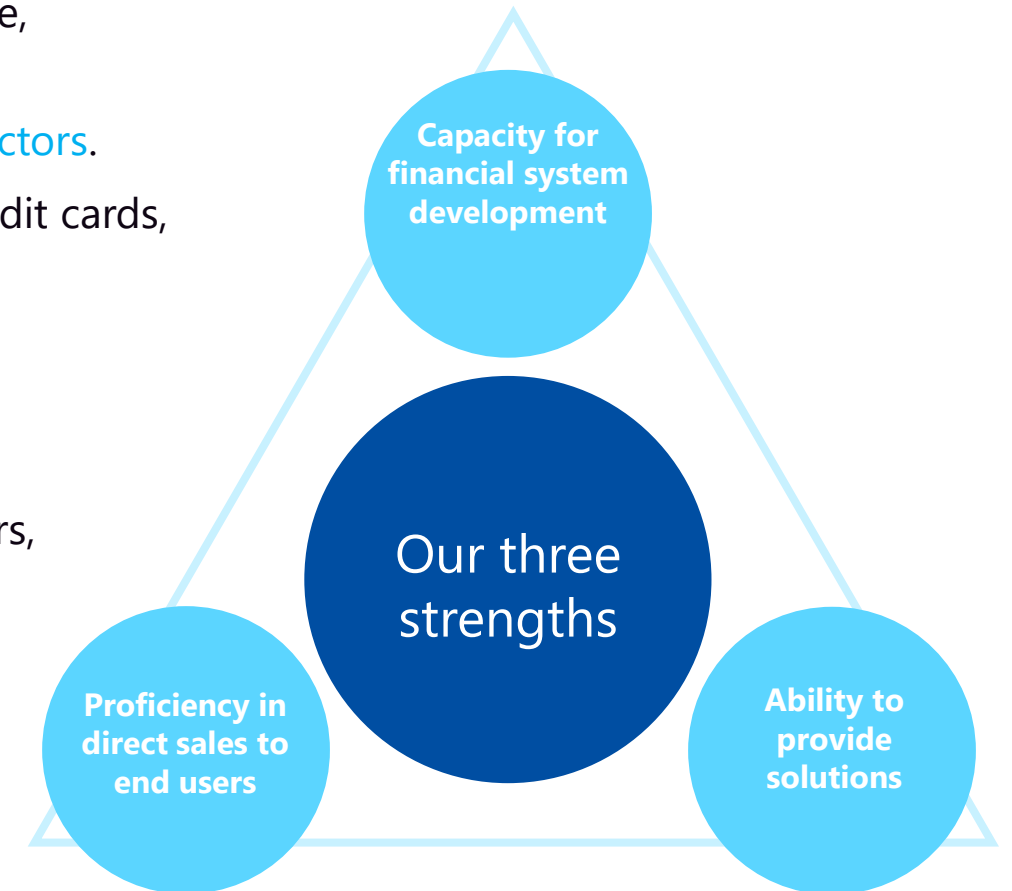
Financial sector accounts for 50% of net sales in main service line, Business Systems SI.
Particularly advanced in **life insurance and accident insurance sectors**.
Strong performance record in developing systems for banks, credit cards, and securities.

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 / AI

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



4.6) 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.

Certified as the first registered business operator of the Nagasaki Prefecture SDGs Registration System.

Participated in the "SDGs Public-Private Partnership Platform for Regional Revitalization" established by the Cabinet Office.

Participated in the Cabinet Office's "Public-Private Partnership Platform for Regional Revitalization SDGs"

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](#).

[Frailty prevention solution](#) is under development to extend the healthy life expectancy of senior citizens and help local governments reduce health care costs.

Embark on the development of new solutions using [generative AI](#), etc. through [industry-academia collaboration](#)

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.



4.6) 2 Initiatives supported by systems and activities

Work style reform & personnel development

- Introduction of a [double job system](#), an [internal FA system](#), and a [return-to-work support system](#) to find suitable jobs
- 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
- On-the-job training and mentor system to draw out skills and motivation

Increase ratio of female employees and managers

- Increase the ratio of female employees by promoting meritocracy and gender equality
- Target female manager ratio: 30%, target female employee ratio: 30%

AI education for students

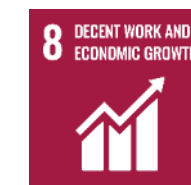
- Arrange AI programming experiences and 5 day/3 weeks internships for students
- Conduct programming classes on apps for submitting electronic applications and creating interactive AI chatbots, WinActor (RPA) to improve efficiency of school operations, taste data analysis, etc. (2020~)

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>



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