

Tokyo Stock Exchange Prime Market: Securities Code 3992

Needs Well Inc.
Financial Results
for the First Quarter of Fiscal Year 2024
(October 1, 2023 – December 31, 2023)

February 08, 2024



NeedsWell
Try & Innovation



1. 2024/9 1Q Financial report summary



2. 2024/9 Results forecast



3. Growth strategy



4. Reference





At the beginning of the previous fiscal year (FY2023/9), we acquired BO STUDIO and conducted Purchase Price Allocation (PPA), resulting in the finalization of amortization for customer-related assets in FY2023/9 4Q.

In accordance with the Accounting Standard for Business Combinations, amortization related to PPA has been deemed to be evenly distributed from the beginning of FY2023/9. As such, year-on-year comparisons are calculated based on the figures under ① in the table below.

Unit: million JPY	FY2023/9							
	① Values used to calculate year-on-year comparisons in this document In the case PPA is deemed to be evenly amortized from the beginning of FY2023/9. Figures in () are differences from those under ②.				② Published values In the case PPA is only amortized in 4Q.			
	1Q	2Q	3Q	Full year 4Q*	1Q	2Q	3Q	Full year 4Q*
Net sales	2,020 (0)	4,180 (0)	6,359 (0)	8,761 (0)	2,020	4,180	6,359	8,761
Operating profit	<u>239</u> (-10)	<u>573</u> (-20)	<u>774</u> (-30)	1,100 (0)	<u>248</u>	<u>593</u>	<u>804</u>	1,100
Ordinary profit	<u>239</u> (-10)	<u>586</u> (-20)	<u>802</u> (-30)	1,135 (0)	<u>249</u>	<u>606</u>	<u>831</u>	1,135
Profit attributable to owners of parent	<u>160</u> (-7)	<u>392</u> (-13)	<u>537</u> (-20)	837 (0)	<u>167</u>	<u>405</u>	<u>557</u>	837

* There is no impact on figures under "Full year (4Q)."



Our service lines changed from the first quarter of the current fiscal year (FY2024/9) as follows:

- Business Systems SI and Connected Systems were consolidated into Business Systems SI.
- "Infrastructure Services" was renamed to "IT Infrastructure," and Software Testing and IT Support, which were previously part of Business Systems SI, were consolidated into IT Infrastructure.

1.1 Financial highlights

Ordinary profit **increased 45.8%** year-on-year, and ordinary profit margin was **14.6%**, indicating higher profitability

Strong performance continues from the previous year

- ✓ Steadily expanded public sector projects through bidding due to synergies within the group
- ✓ Expanded orders through online sales initiatives
- ✓ Business efficiency improvement resulted in SG&A expenses rate of 8.7%, improvement of 2.0 pt year-on-year

NeedsWell Group



零吉製作株式会社
Zeroichi Production co.,Ltd.



株式会社コムソフト

Net Sales	2,392 million JPY	YoY +18.5 %	
Ordinary profit	349 million JPY	YoY +45.8 %	Ordinary profit margin 14.6 %
Profit attributable to owners of parent	250 million JPY	YoY +56.0 %	Net profit ratio 10.5 %

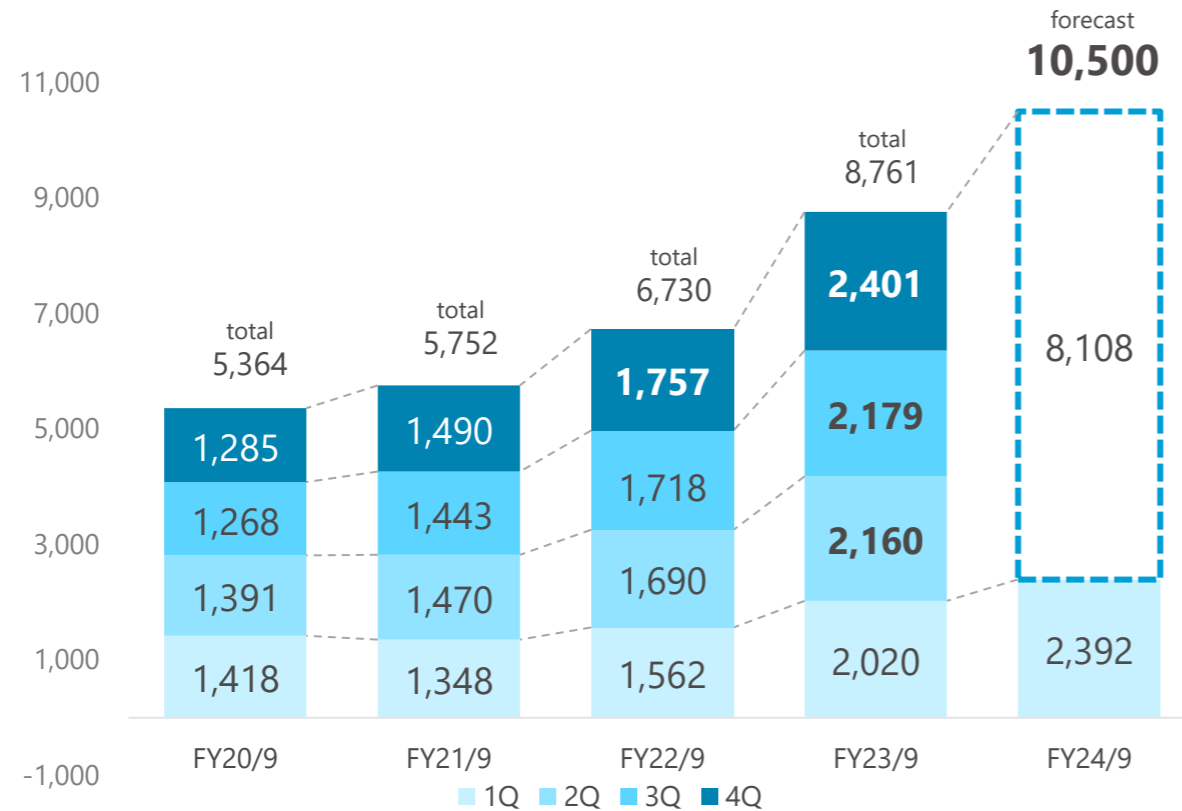
1.2 Trends/comparison by FY

Net sales by quarter **increased 18.5% year-on-year**

Ordinary profit by quarter **increased 45.8% year-on-year**

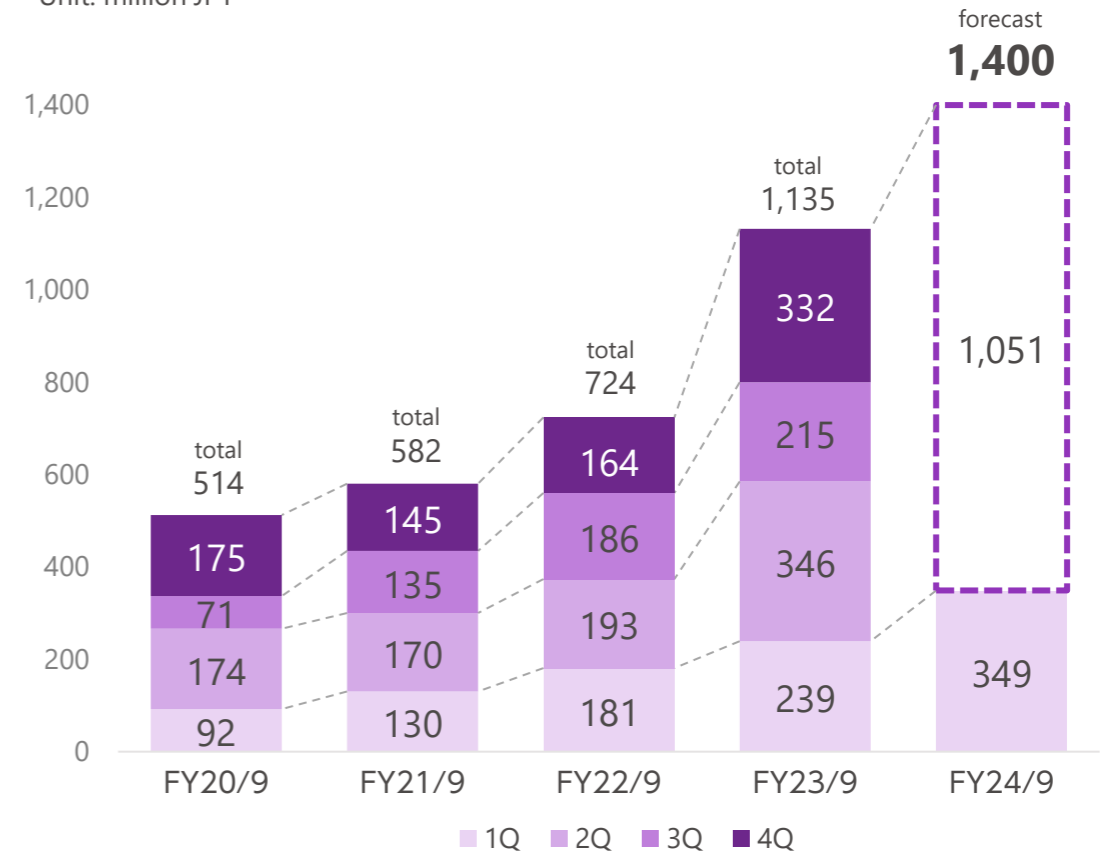
[Net sales by quarter]

Unit: million JPY



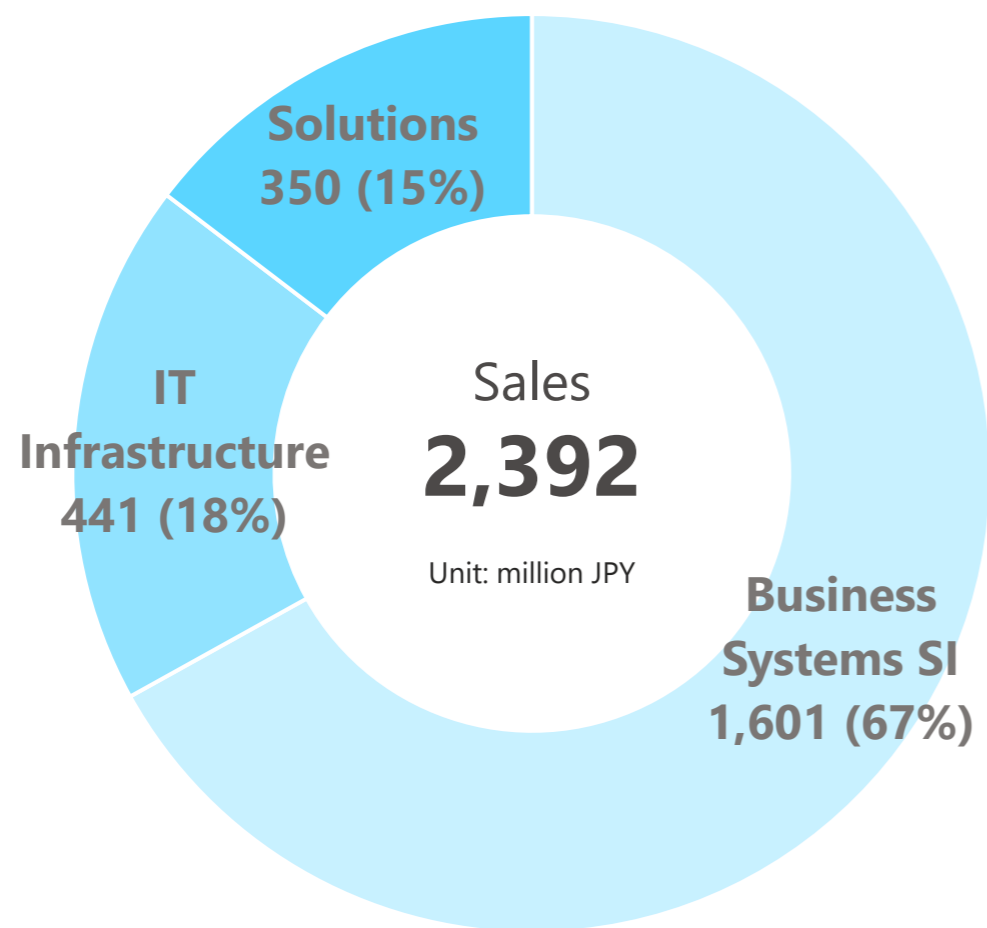
[Ordinary profit by quarter]

Unit: million JPY



1.3 Net Sales Trends by Service Line

In main service line, Business Systems SI, migration development progressed smoothly
IT Infrastructure and Solutions maintained high year-on-year growth



✓ Summary of the first quarter of 2024/9

■ Business Systems SI 109.9% year-on-year

Migration development and projects for public agencies and life insurance companies progressed smoothly.

■ IT Infrastructure 143.0% year-on-year

Software Testing and IT Support were newly added to our menu. With the digitalization of society, the complexity of system infrastructure and software is increasing, resulting in growing demand for highly specialized technology such as quality analysis and operational design. Our framework was strengthened to meet these needs.

■ Solutions 138.0% year-on-year

We focused on differentiation from other companies through the provision of unique solutions and services, further expanding orders.

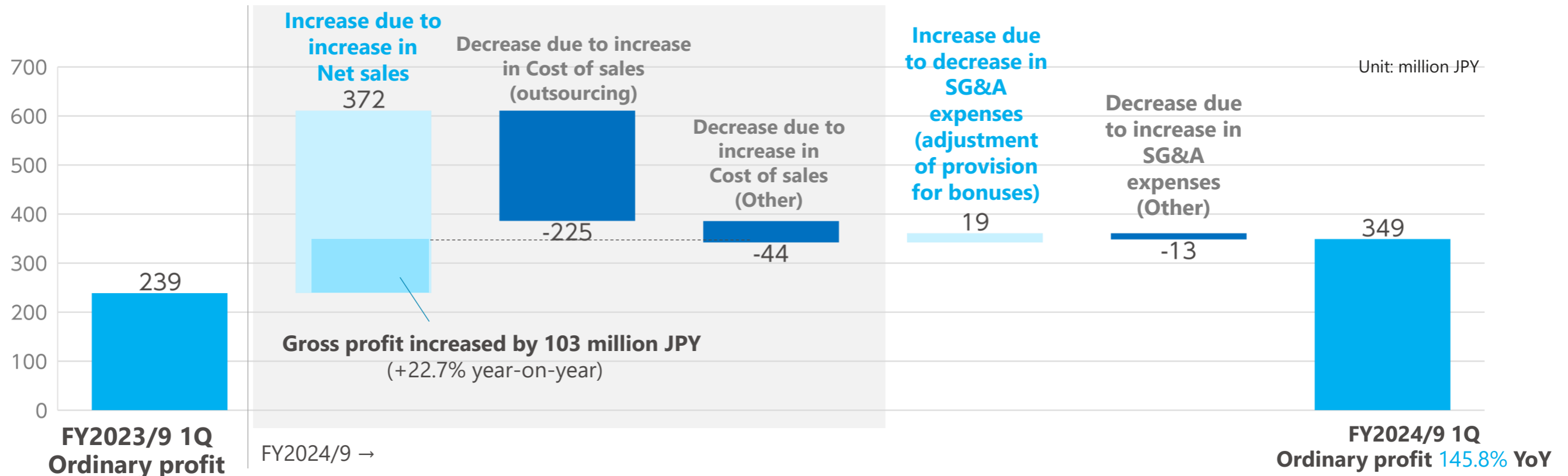
There were also many orders from users who were not yet compliant with the revised Preservation of Electronic Records Act or the invoice system.

We embarked on the development of generative AI solutions through industry-academia collaboration with Nagasaki University. We launched multiple new solutions such as WMS-Picking, BP-Collabo, and smartphone rental services.

1.4 Ordinary profit analysis

ordinary profit **increased 45.8% year-on-year**, showing significant growth

- ✓ **Gross profit** increased by 103 million JPY (+22.7% year-on-year) due to increased orders and acquisition of high-value-added projects.
- ✓ **SG&A expenses** decreased by 6 million JPY (97.1% year-on-year) due to business efficiency improvement, efficiency enhancement through online sales activities, adjustment of provision for bonuses, etc. SG&A expenses rate was 8.7% (2.0 pt improvement year-on-year)



1.5 Profit & loss statement

SG&A expenses rate and ordinary profit margin achieved targets, and ROE remained at a high level

Unit: million JPY	FY2023/9 1Q Financial Results		FY2024/9 1Q Financial Results				
	Result	Net Sales	Result	Net Sales	Year-on-year	Achievement rate	Forecast
Net sales	2,020	-	2,392	-	118.5%	22.8%	10,500
Business Systems SI ※1	1,457	72.2%	1,601	66.9%	109.9%	20.7%	7,735
IT Infrastructure	308	15.3%	441	18.4%	143.0%	48.3%	914
Solutions	253	12.6%	350	14.6%	138.0%	18.9%	1,851
Gross profit	454	22.5%	557	23.3%	122.7%	-	-
M&A-related amortization	22	1.1%	22	1.0%	100.0%	-	-
Others	192	9.5%	186	7.8%	96.7%	-	-
SG&A expenses	215	10.7%	209	8.7%	97.1%	-	-
Operating profit	239	11.8%	348	14.6%	145.7%	24.9%	1,400
Non-operating profit	1	0.1%	1	0.1%	88.1%	-	-
Non-operating expenses	0	0.0%	0	0.0%	24.2%	-	-
Ordinary profit	239	11.9%	349	14.6%	145.8%	25.0%	1,400
Net profit	160	8.0%	250	10.5%	156.0%	27.1%	925

KPI achievement

Item	Numerical targets	Results
Net sales growth rate	20% or more	18.5%
Gross profit margin	25% or more	23.3%
SG&A expenses rate	10% or less	8.7%
Ordinary profit margin	10% or more	14.6%
EPS *2	¥30 or more	Renewal for the full year only
PER *2	30 times or more	Renewal for the full year only
ROE *2	20% or more	Renewal for the full year only

* 1 Business Systems SI figures for FY2023/9 1Q include those of Connected Systems.

* 2 EPS, PER, and ROE will be judged when the full-year results for the fiscal year ending September 2024 are finalized.

1.6 Balance sheet

Maintained a stable financial position (equity ratio : 68.5%)

*Selection of significant entries only		FY2023/9	FY2023/9 1Q	
Unit: million JPY		Result	Result	Year-on-year
Assets	Cash and deposits	2,519	1,767	-752
	Accounts receivable - trade and contract assets	1,827	2,010	182
	Prepaid expenses	33	46	12
	Others	-2	-3	-1
	Total current assets	4,379	3,820	-558
	Buildings, net	32	31	0
	Software	58	60	1
	Software in progress	7	1	-5
	goodwill	370	356	-13
	Customer-related assets	389	380	-9
	Investment securities	357	380	22
	Deferred tax assets	151	144	-6
	Leasehold and guarantee deposits	100	148	47
	Insurance funds	76	76	0
	Other	24	23	0
	Total non-current assets	1,568	1,604	36
Total assets	5,947	5,425	-522	

*Selection of significant entries only		FY2023/9	FY2023/9 1Q	
Unit: million JPY		Result	Result	Year-on-year
Liabilities	Accounts payable - trade	648	657	9
	loans	19	20	0
	Accounts payable - others	502	230	-272
	Accrued corporate tax, etc.	230	108	-121
	Accrued consumption taxes	157	160	2
	Deposits received	76	135	58
	Provision for bonuses	379	181	-197
	Others	32	26	-5
	Total current liabilities	2,046	1,520	-526
	loans	38	36	-1
Equity	Long-term deferred tax liabilities	134	131	-3
	other	14	14	0
	Total non-current liabilities	187	182	-5
Total liabilities	2,234	1,702	-531	
Equity	Share capital	908	908	0
	Legal capital surplus	765	765	0
	Retained earnings brought forward	2,659	2,653	-6
	Treasury shares	-694	-694	0
	Valuation difference on available-for-sale securities	65	81	15
	Non-controlling interests	8	8	0
Total net assets	3,713	3,722	8	
Total liabilities and net assets	5,947	5,425	-522	

1.7 Major initiatives in FY2024/9

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

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.• Introduced a system of shares with restriction on transfer for employees• Introduced ManaSupport to the Needs Well Group to achieve swift profit and loss estimates |
| November 2023 | <ul style="list-style-type: none">• Started offering WMS-Picking• Started offering BP-Collabo, a project information distribution site |
| December 2023 | <ul style="list-style-type: none">• Introduced a business improvement proposal system aimed at identifying areas to improve business efficiency |
| January 2024 | <ul style="list-style-type: none">• Added Software Testing and IT Support to our service menu• Added Microsoft Power Platform Introduction Support Service to our business efficiency solutions• Formed a business alliance with FS Software Development Co., Ltd.• Started offering Smartphone Rental Service |
| February 2024 | <ul style="list-style-type: none">• Started offering System UI/UX Revamp• Started offering DX through AI-OCR Utilization and Business Efficiency Improvement through Generative AI/RPA Utilization |

1.8 Our response to social issues

Addressing social needs and issues arising from labor shortages due to aging population

Social needs and issues	Our response
Demand for system development is increasing more and more	<ul style="list-style-type: none"> ① Testing services for quality assurance ② Migration services to modernize outdated and difficult-to-handle legacy systems ③ IT outsourcing services to provide IT personnel ④ SmartWMS to offer DX solutions to the logistics industry ⑤ Developing and providing solutions without human intervention, using AI and RPA
Due to recruitment difficulties, securing talented personnel has become challenging	<ul style="list-style-type: none"> ⑥ Recruiting and training talented individuals, even those without prior experience, by increasing salaries, including initial salary ⑦ Recruiting candidates who wish to return to regional areas, in addition to hiring in the Kanto region ⑧ Utilizing talent in regional areas through nearshore development ⑨ Promoting prosperous coexistence through core partnership with business partners ⑩ Preventing technological hollowing out through business alliances with core partners
Short-term turnover among employees is increasing	<ul style="list-style-type: none"> ⑪ Revising salary increase criteria to promote meritocracy ⑫ Implementing wage increases to counter inflation ⑬ Introducing a return-to-work support system to assist employees on leave in returning to work ⑭ Introducing a comeback system to rehire former employees ⑮ Preventing mismatches between job responsibilities and aptitude to improve motivation → Double job system, internal FA system, and on-the-job training and mentor system ⑯ Providing social skills training, such as asset formation, alongside technical training ⑰ Granting restricted shares (RS) for employees at no cost



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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**.

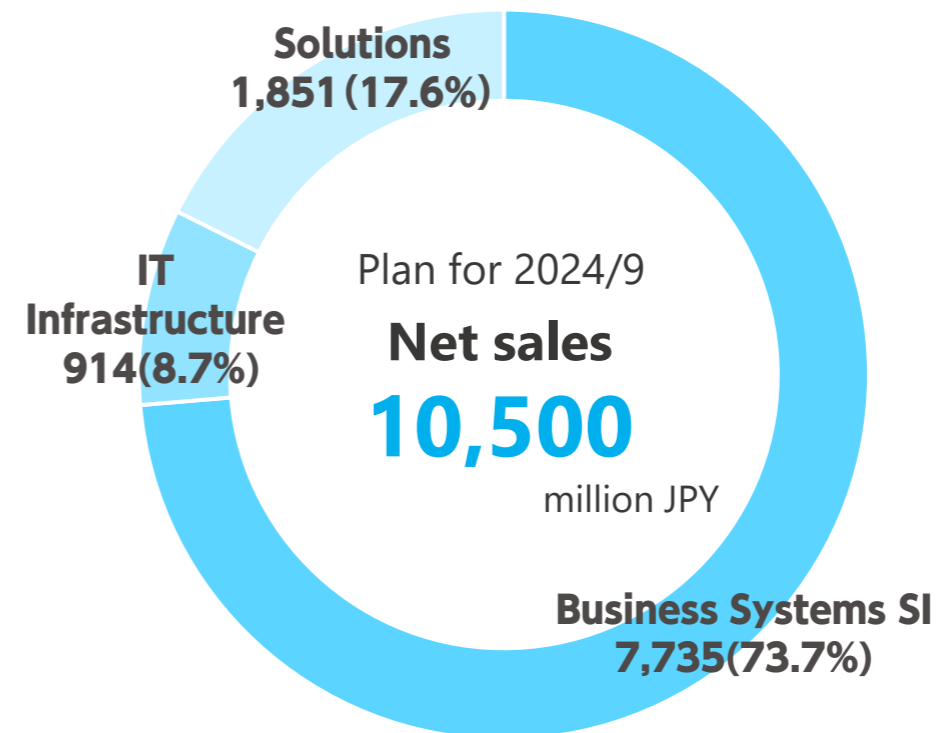
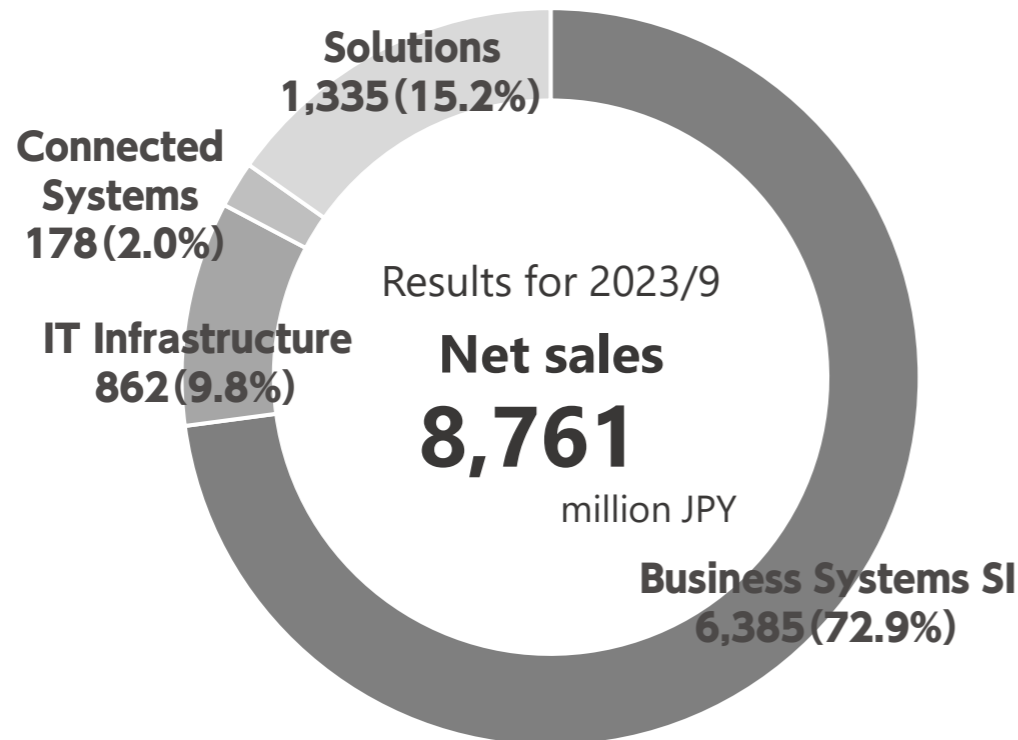
	Result		Medium-Term Management Plan		
	FY2022	FY2023	FY2024	FY2025	CAGR 2022-2025(%)
sales	67 Existing Businesses 67 M&A -	87 Existing Businesses 81 M&A* 6	110 Existing Businesses 105 M&A * 5	130 Existing Businesses 129 M&A * 1	25.3
Ordinary Income	7	11	15	18	36.7

* 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 high-demand, revenue-generating **IT Infrastructure** and **Solutions** further



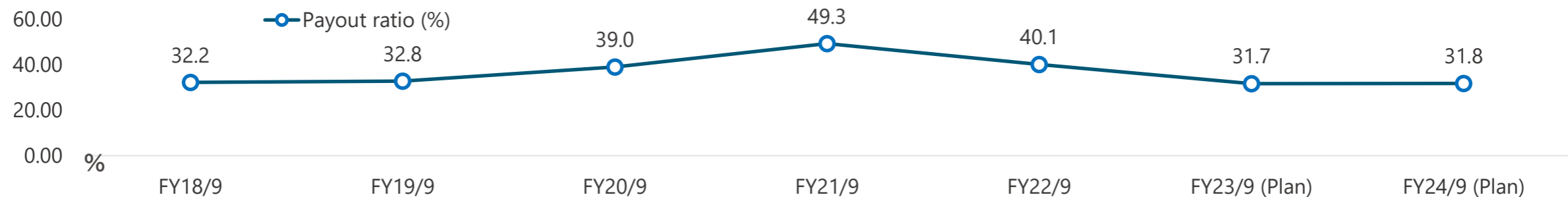
Unit: million JPY (% to net sales)

2.3 (1) 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.

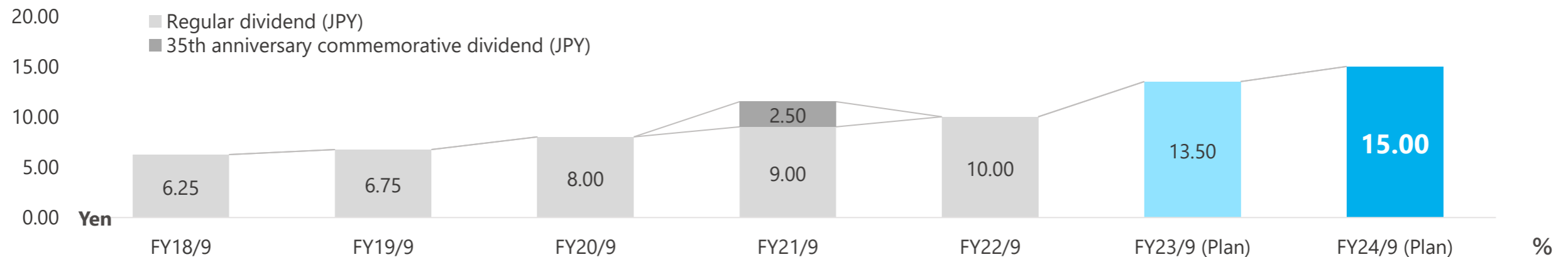
Payout ratio trend



* 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

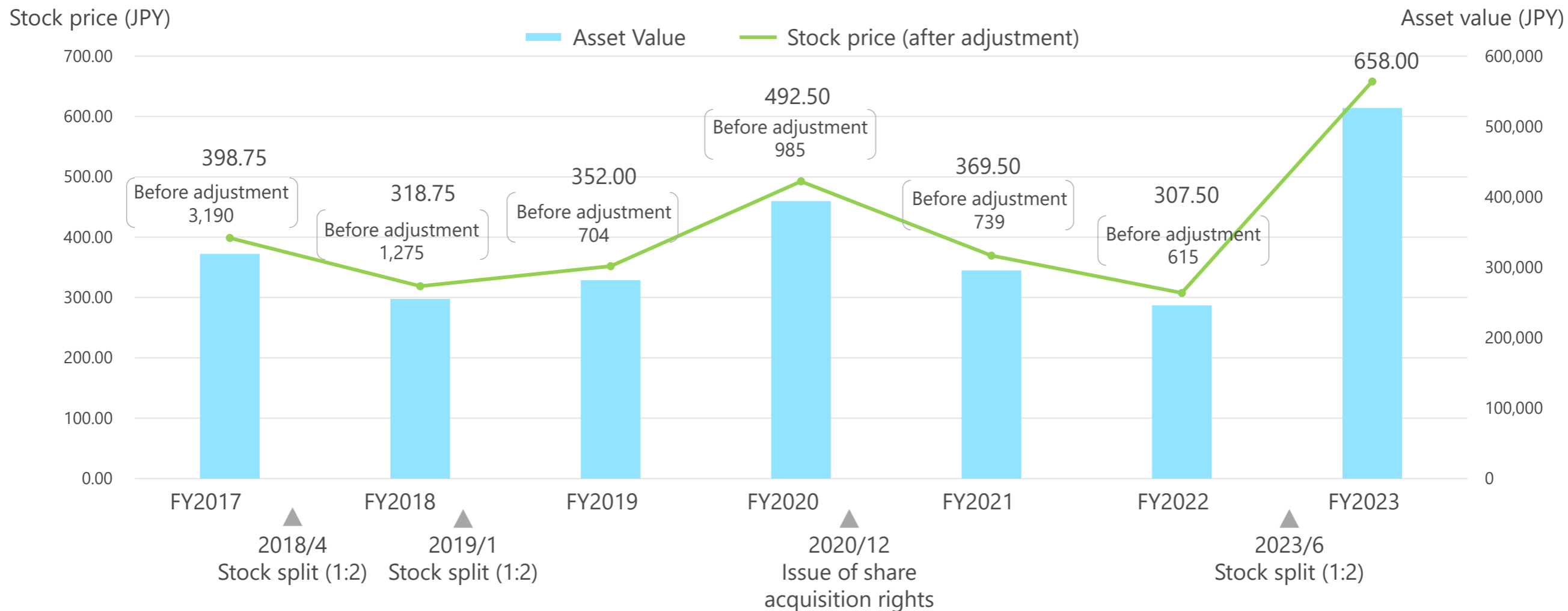


* The Company paid a commemorative dividend in commemoration of the Company's 35th anniversary for the fiscal year 2021/9.

* 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.

2.3 (2) Dividends and shareholder returns

Asset value **growth** through **long-term ownership**
Image of the asset value trend if 100 shares were purchased upon our listing
(in September 2017) and held continuously





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3. Growth strategy



4. Reference



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

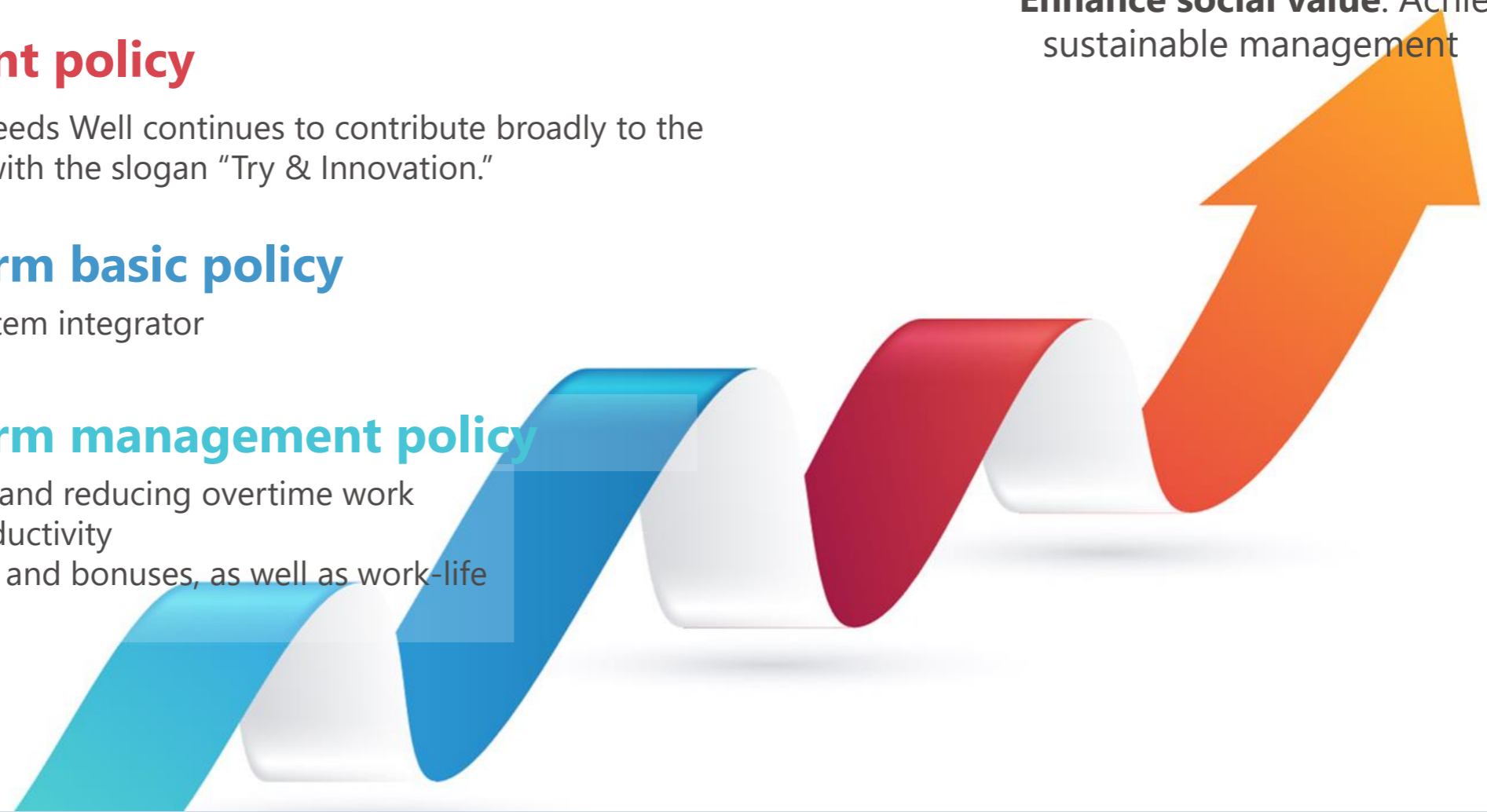
■ Medium-term management policy

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 Focus area [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 **WMS**  **Picking** (AI picking carts, AI application to the 2024 issue)
- Develop SmartWMS **for other industries**, e.g., drugstores, etc.



3.2 Focus area [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.

Development of generative AI solutions through industry-academia collaboration

Build AI for automatically generating financial statements and AI for automatically diagnosing qualifications and feasibility of proposals for projects through bidding

3.2 Focus area [Expand Solutions Business] 1

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

Addition of new solutions



Support service for introducing accompanying style guidance

- Provide user-friendly guidance tailored to individual users
- Assist system administrators in reducing their workload and facilitate early establishment within the company



Solution to improve efficiency of procurement operations

- Support partner searches in various industries as an efficient procurement scheme



Solution to improve work efficiency utilizing smartphones

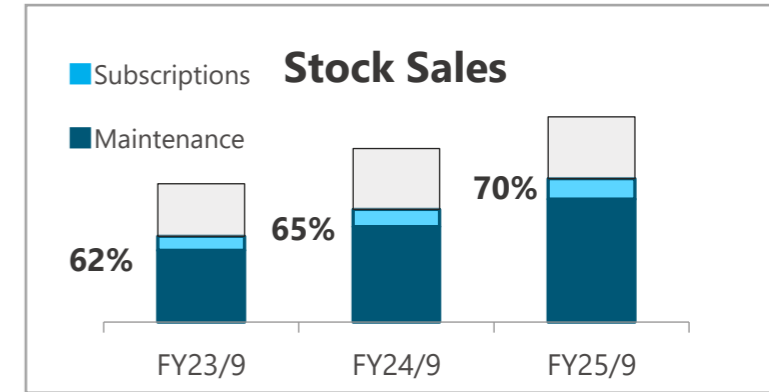
- Propose optimal service configurations and plans tailored to operational purposes and implementation scales
- Maximize operational efficiency and effectiveness while reducing total costs

3.3 Revenue expansion and targets

Expand stock sales: increasing to 70% by 2025

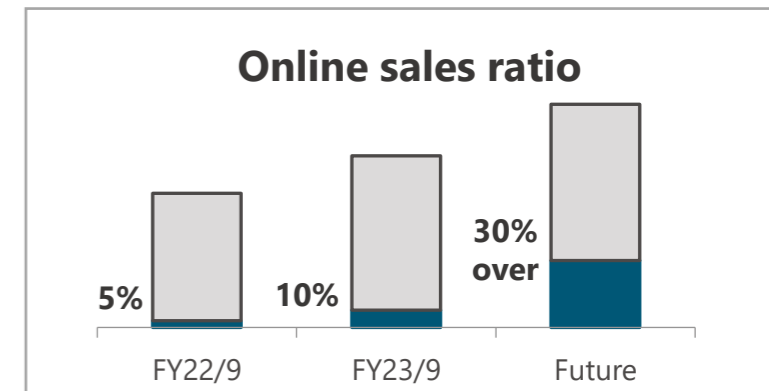
- Ensure stable revenue through the expansion of stock sales, leveraging our development know-how.
- Maintain and expand ongoing transactions with customers we have cultivated over time.

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



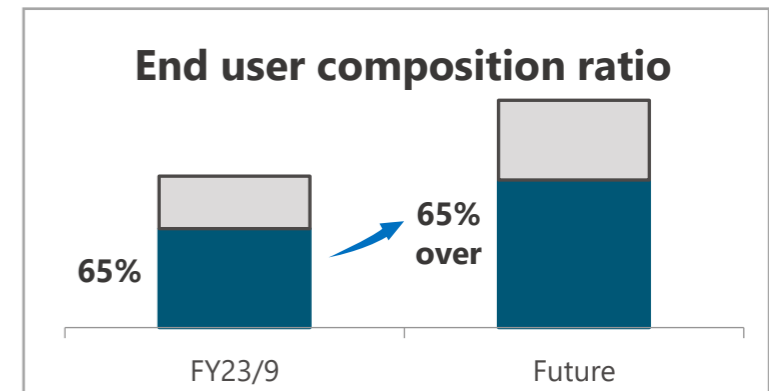
Promote online sales activities: aiming for at least 30% of net sales

- 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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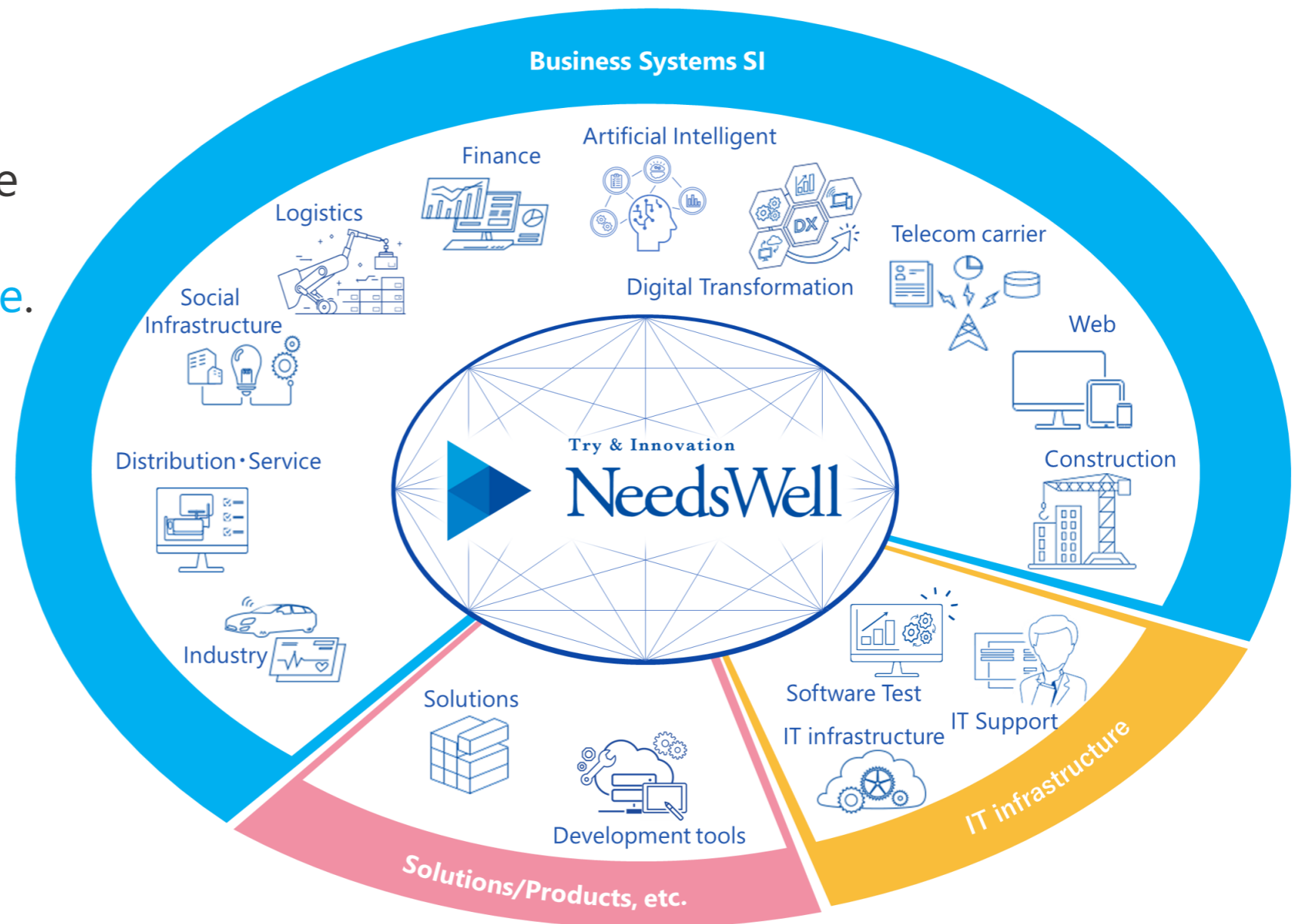
4.1 Company profile

As of September,2023

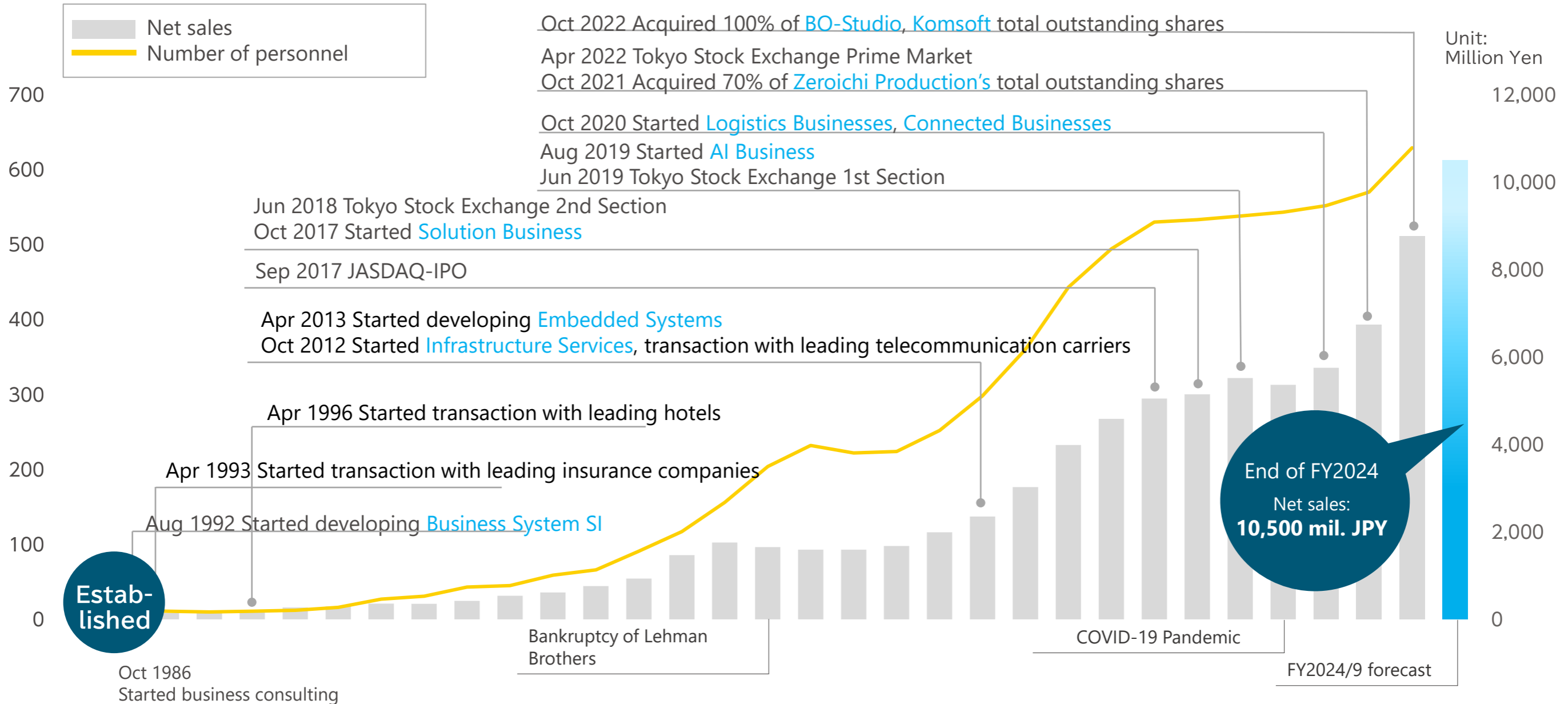
Company Name	Needs Well Inc.	Representative	President and CEO Kozo Funatsu
Established	October 1, 1986	Stock Listing	Tokyo Stock Exchange, Prime Market (3992)
Paid-in Capital	908 million JPY	Net sales	8,761 million JPY
Number of Employees	629 (Consolidated)	Fiscal year end	September
Head Office	13F, 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	<ul style="list-style-type: none"> ■ Consolidated subsidiaries Zeroichi Production Co., Ltd. (Head Office: Nasushiobara-shi) BO STUDIO Inc. (Head Office: Shibuya-ku, Tokyo) KOMSOF Inc. (Head Office: Toshima-ku, Tokyo) 		

4.2 Business fields

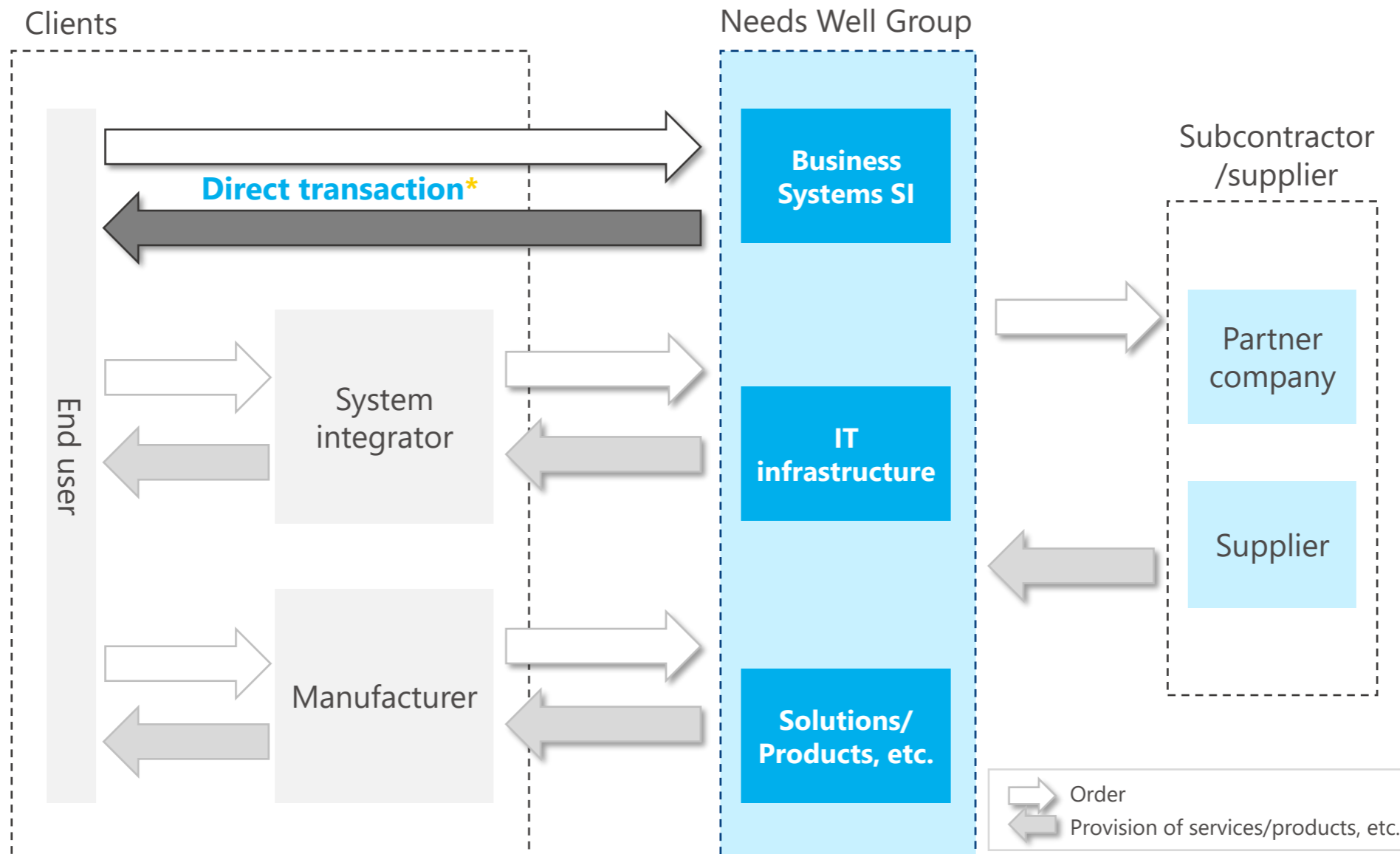
Needs Well provides total IT services through three services focused on **Business Systems SI** for finance.



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

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 65%** 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**, **internal FA system**, **return-to-work support system**, and **comeback system** to find suitable jobs and enhance motivation
- 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>



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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.

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