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February 8, 2024

Consolidated Financial Results for the Three Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: Needs Well Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 3992
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 Scheduled date of filing quarterly securities report: February 8, 2024
 Scheduled date of commencing dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for Individual Investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial results for the three months ended December 31, 2023 (from October 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
December 31, 2023	2,392	18.5	348	45.7	349	45.8	250	56.0
December 31, 2022	2,020	–	239	–	239	–	160	–

Note: Comprehensive income For the three months ended December 31, 2023: ¥267 million (72.5%)
 For the three months ended December 31, 2022: ¥154 million (–%)

	Profit per share	Diluted earnings per share
Three months ended	Yen	Yen
December 31, 2023	13.15	–
December 31, 2022	8.16	8.15

Notes: 1. As of the end of the fiscal year ended September 30, 2023, the Company finalized the provisional accounting treatment for business combinations. The figures for the three months ended December 31, 2022 thus reflect the finalized content of the provisional accounting treatment.

2. The Company conducted a stock split on June 1, 2023 at a ratio of 2 shares per share of ordinary shares. The profit per share and diluted earnings per share have been calculated based on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	5,425	3,722	68.5
September 30, 2023	5,947	3,713	62.3

Reference: Equity
 As of December 31, 2023: ¥3,714 million
 As of September 30, 2023: ¥3,705 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen
September 30, 2023	–	0.00	–	13.50	13.50
September 30, 2024	–				
Fiscal year ending September 30, 2024 (Forecast)		0.00	–	15.00	15.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial results forecast for the fiscal year ending September 30, 2024 (October 1, 2023 to September 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter (cumulative)	4,600	10.0	650	9.6	660	8.9	430	6.0	22.53
Full year	10,500	19.8	1,400	27.2	1,400	23.3	900	7.5	47.15

Note: Revisions to the forecast of financial results most recently announced: None

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies (Company name) –

Excluded: – companies (Company name) –

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	20,349,600 shares
As of September 30, 2023	20,349,600 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023	1,261,858 shares
As of September 30, 2023	1,261,858 shares

(iii) Average number of shares during the period (cumulative)

Three months ended December 31, 2023	19,087,742 shares
Three months ended December 31, 2022	19,724,448 shares

Note: The Company conducted a stock split on June 1, 2023 at a ratio of 2 shares per share of ordinary shares. The number of issued shares (ordinary shares) has been calculated based on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

* Quarterly Financial results reports are exempt from quarterly review by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notes on forward-looking statements)

Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Unit: thousands of yen)

	As of September 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	2,519,899	1,767,527
Notes and accounts receivable - trade, and contract assets	1,827,706	2,010,173
Merchandise	3,404	4,242
Prepaid expenses	33,991	46,276
Other	5,461	4,515
Allowance for doubtful accounts	-11,255	-12,223
Total current assets	4,379,208	3,820,512
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,604	41,604
Accumulated depreciation	-9,568	-10,303
Buildings and structures, net	32,036	31,300
Furniture and fixtures	33,489	33,884
Accumulated depreciation	-23,556	-24,467
Furniture and fixtures, net	9,932	9,417
Land	10,347	10,347
Total property, plant and equipment	52,316	51,065
Intangible assets		
Software	58,560	60,345
Software in progress	7,135	1,841
Goodwill	370,217	356,680
Customer-related assets	389,593	380,388
Other	440	437
Total intangible assets	825,947	799,693
Investments and other assets		
Investment securities	357,571	380,076
Deferred tax assets	151,622	144,731
Leasehold and guarantee deposits	100,993	148,924
Insurance funds	76,546	76,546
Other	3,775	3,762
Total investments and other assets	690,510	754,041
Total non-current assets	1,568,774	1,604,800
Total assets	5,947,982	5,425,313

(Unit: thousands of yen)

	As of September 30, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	648,157	657,916
Short-term borrowings	13,000	13,000
Current portion of long-term borrowings	6,481	7,195
Accounts payable - other	502,533	230,104
Accrued expenses	7,136	6,170
Income taxes payable	230,613	108,746
Accrued consumption taxes	157,783	160,520
Contract liabilities	6,596	17,022
Deposits received	76,894	135,303
Provision for bonuses	379,197	181,274
Provision for bonuses for directors (and other officers)	17,800	3,120
Other	531	–
Total current liabilities	2,046,727	1,520,374
Non-current liabilities		
Long-term borrowings	38,044	36,109
Retirement benefit liability	14,523	14,337
Deferred tax liabilities	134,760	131,576
Total non-current liabilities	187,327	182,022
Total liabilities	2,234,054	1,702,396
Net assets		
Shareholders' equity		
Share capital	908,446	908,446
Capital surplus	765,815	765,815
Retained earnings	2,659,896	2,653,192
Treasury shares	–694,264	–694,264
Total shareholders' equity	3,639,893	3,633,190
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,817	81,430
Total accumulated other comprehensive income	65,817	81,430
Non-controlling interests	8,216	8,295
Total net assets	3,713,927	3,722,916
Total liabilities and net assets	5,947,982	5,425,313

(2) Quarterly consolidated statement of income and Quarterly consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Three Months Ended December 31)

(Unit: thousands of yen)

	Three Months Ended December 31, 2022 (from October 1, 2022 to December 31, 2022)	Three Months Ended December 31, 2023 (from October 1, 2023 to December 31, 2023)
Net sales	2,020,097	2,392,995
Cost of sales	1,565,443	1,835,263
Gross profit	454,654	557,732
Selling, general and administrative expenses	215,506	209,218
Operating profit	239,148	348,513
Non-operating income		
Interest income	4	4
Dividend income	0	—
Reversal of allowance for doubtful accounts	308	994
Subsidy income	284	—
Surrender value of insurance policies	435	—
Miscellaneous income	537	384
Total non-operating income	1,571	1,384
Non-operating expenses		
Interest expenses	232	190
Share of loss of entities accounted for using equity method	377	—
Miscellaneous losses	218	10
Total non-operating expenses	828	200
Ordinary profit	239,890	349,697
Extraordinary income		
Gain on sale of investment securities	407	—
Total extraordinary income	407	—
Profit before income taxes	240,297	349,697
Income taxes	79,704	98,062
Profit	160,593	251,635
Profit (loss) attributable to non-controlling interests	-282	654
Profit attributable to owners of parent	160,875	250,980

(Quarterly consolidated statement of comprehensive income)
(Three Months Ended December 31)

	(Unit: thousands of yen)	
	Three Months Ended December 31, 2022 (from October 1, 2022 to December 31, 2022)	Three Months Ended December 31, 2023 (from October 1, 2023 to December 31, 2023)
Profit	160,593	251,635
Other comprehensive income		
Valuation difference on available-for-sale securities	-5,671	15,613
Total other comprehensive income	-5,671	15,613
Comprehensive income	154,922	267,249
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	155,204	266,594
Comprehensive income attributable to non-controlling interests	-282	654

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

Not applicable.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are reasonably determined based on the amount of profit before income taxes for the three months ended December 31, 2023, and multiplied by the effective tax rate after applying tax effect accounting, estimated for the entire fiscal year ending September 30, 2024.

(Segment information)

This information is omitted because the Group operates a single segment, the information service business, which primarily involves software development and related auxiliary services.