

Tokyo Stock Exchange 1st Section: Securities Code 3992

Needs Well Inc.

Medium-Term Management Plan

(Fiscal Year 2021 – Fiscal Year 2023)

November 12, 2020



NeedsWell
Try & Innovation

- 
1. Business environment
 - 1) Business environment & strategy
 - 2) Growth track

 2. Management strategy
 - 1) Management philosophy
 - 2) Medium-Term Vision: Improve corporate value
 - 3) Medium-Term Basic Policy

 3. Growth strategy
 - 1) Improve business value
 - (1) Performance targets
 - (2) Sales composition ratio by service line
 - (3) Positioning of service lines
 - (4) Our three strengths
 - (5) Promotion policies: Sales growth
Increased profit
Investment

 - 2) Improve social value
 - (1) Initiatives directly linked to business
 - (2) Initiatives supported by systems and activities

 4. Reference
 - Company profile
 - Business fields
 - Business system diagram

1. Business environment



1) Business environment & strategy

IT investment has stagnated due to the spread of COVID-19, but IT investment demand is expected to continue expanding in the medium to long term

“Post-COVID” / “With-COVID” Growth Strategy

Current situation



Aim to acquire new orders and improve profitability

- Shift from dispatch and residential styles, in which development is performed for client companies on-site, by promoting the enhancement of remote development performed at our head office and nearshore base in Nagasaki
- Introduce online sales through web conferences, etc. to sales activities that previously revolved around face-to-face sales and exhibitions
- Develop sales advantages by providing an enhanced lineup of new solutions
- Aim to expand business field by engaging in system development for the logistics industry

Investment for future growth



Agile response to the influx of development projects accompanying the recovery of domestic demand

- Practical application of nearshore development bases and acquisition of highly capable personnel

Other initiatives



Active exploration

- Research and development of solutions utilizing AI technology
- Search for target companies to proactively pursue M&A growth

2) Growth track

Oct 2020 Started **Logistics, Connected Businesses**

Aug 2019 Started **AI Business**

Jun 2019 Tokyo Stock Exchange 1st Section

Jun 2018 Tokyo Stock Exchange 2nd Section

Oct 2017 Started **Solution Business**

Sep 2017 JASDAQ-IPO

Apr 2013 Started developing **Embedded Systems**

Oct 2012 Started **Infrastructure Services**, transaction with leading telecommunication carriers

Apr 2005 Started transaction with leading hotels

Apr 1998 Started transaction with leading insurance companies

Aug 1992 Started developing **Business System SI**

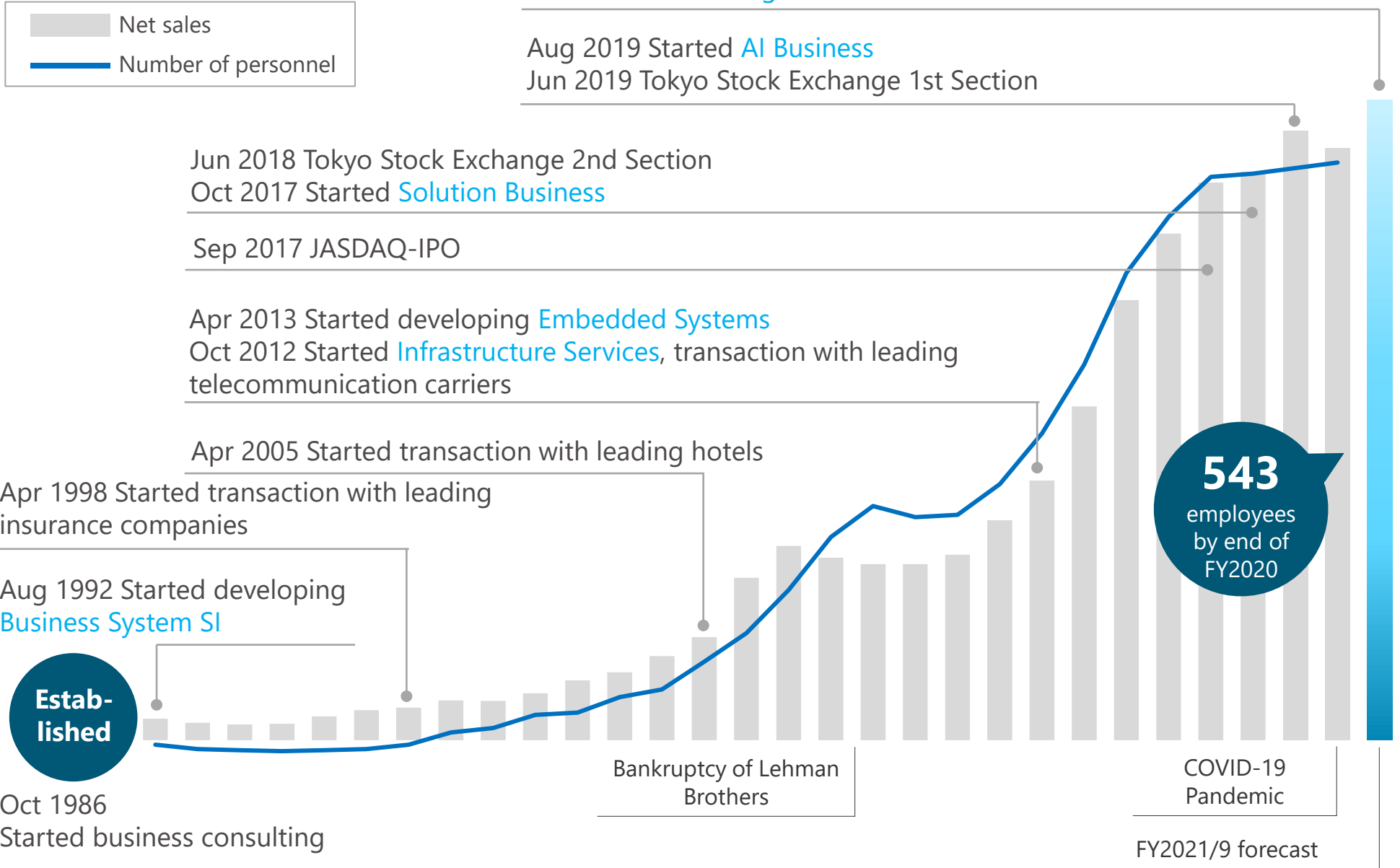
**Estab-
lished**

Oct 1986
Started business consulting

Bankruptcy of Lehman Brothers

COVID-19 Pandemic

FY2021/9 forecast

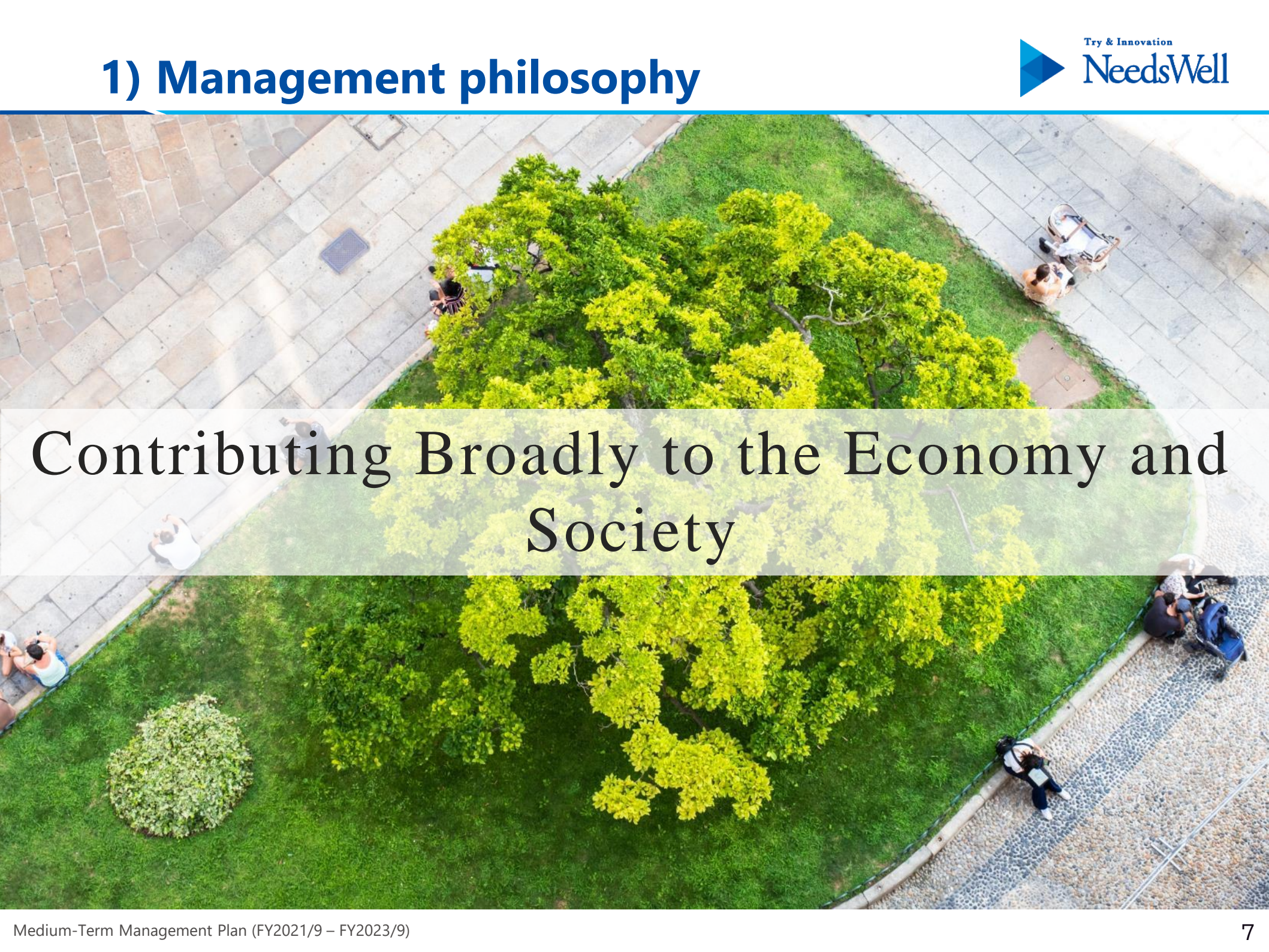


543
employees
by end of
FY2020

2. Management strategy

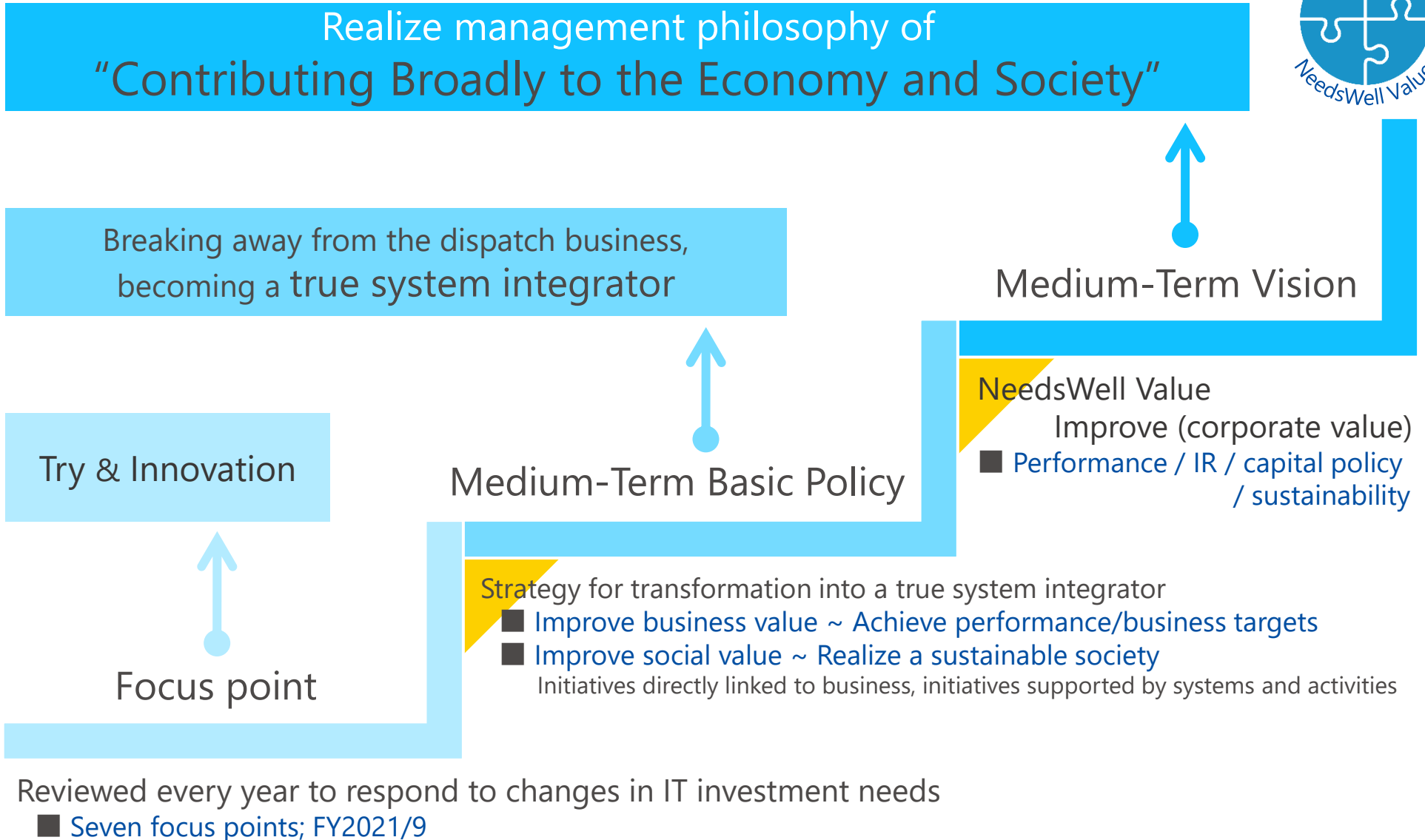


1) Management philosophy

An aerial photograph of a park area. A large, vibrant green tree with yellow-green foliage is the central focus. The surrounding area includes paved walkways, a grassy lawn, and several people walking or sitting. A semi-transparent white banner is overlaid across the middle of the image, containing the text 'Contributing Broadly to the Economy and Society'.

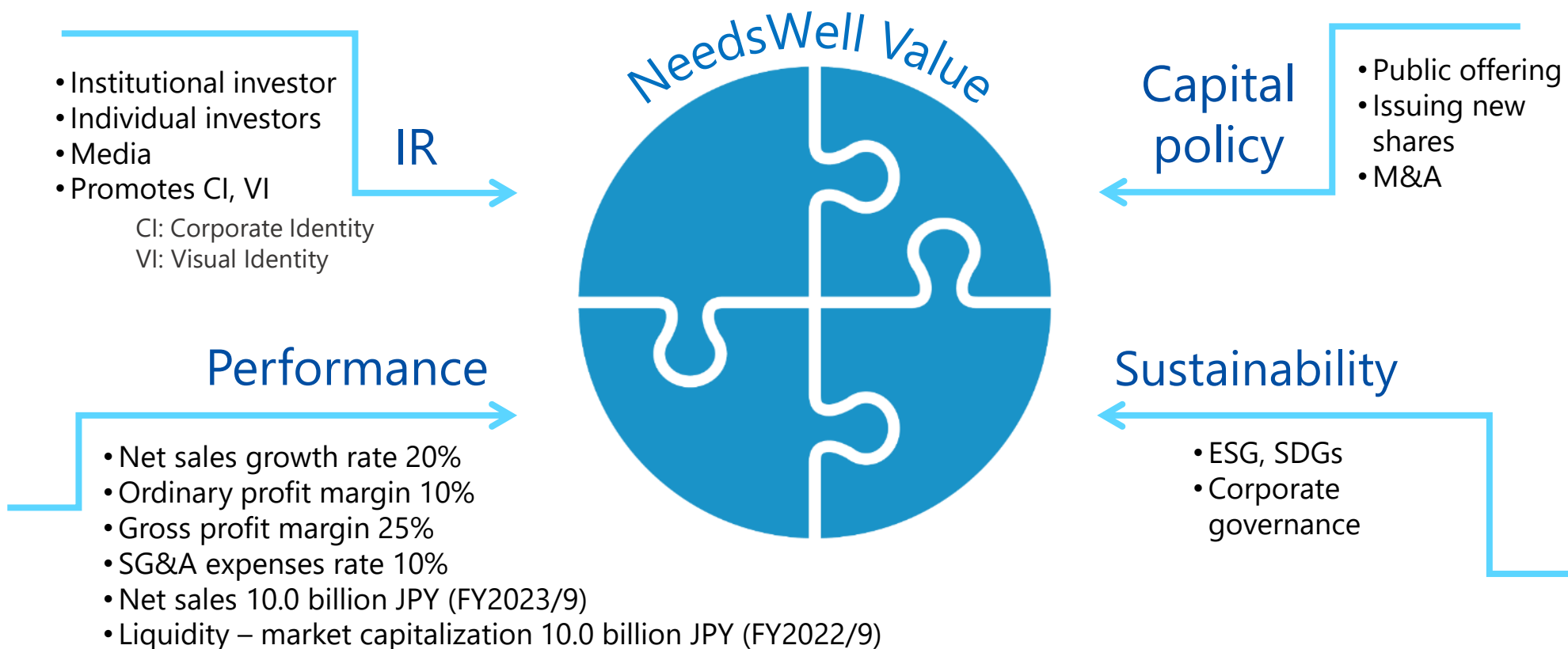
Contributing Broadly to the Economy and Society

2) Medium-Term Vision



2) Medium-Term Vision: Improve Corporate Value

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



3) Medium-Term Basic Policy

Breaking away from the dispatch business,
becoming a **true system integrator**

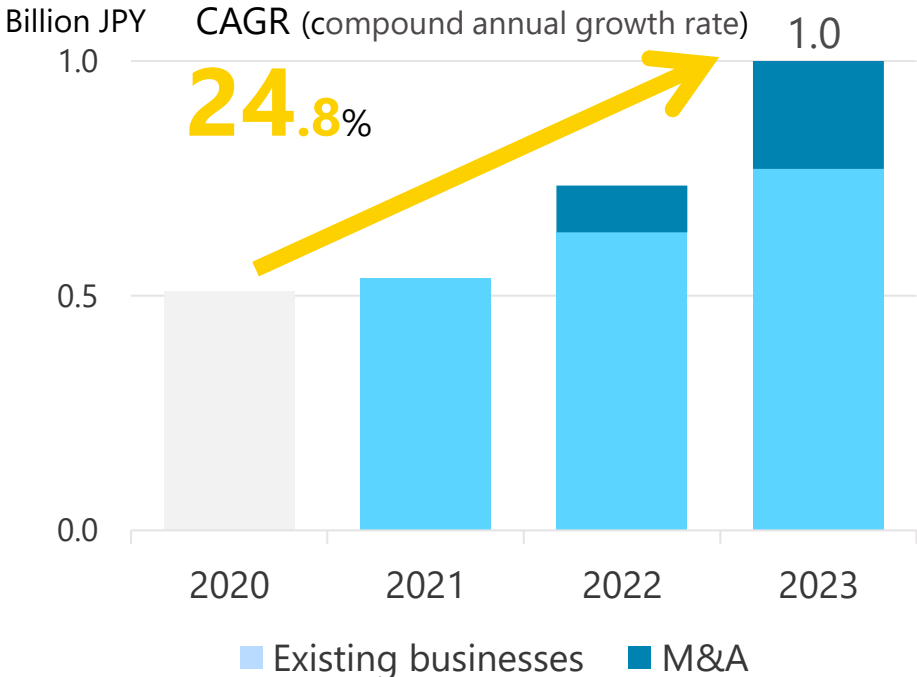
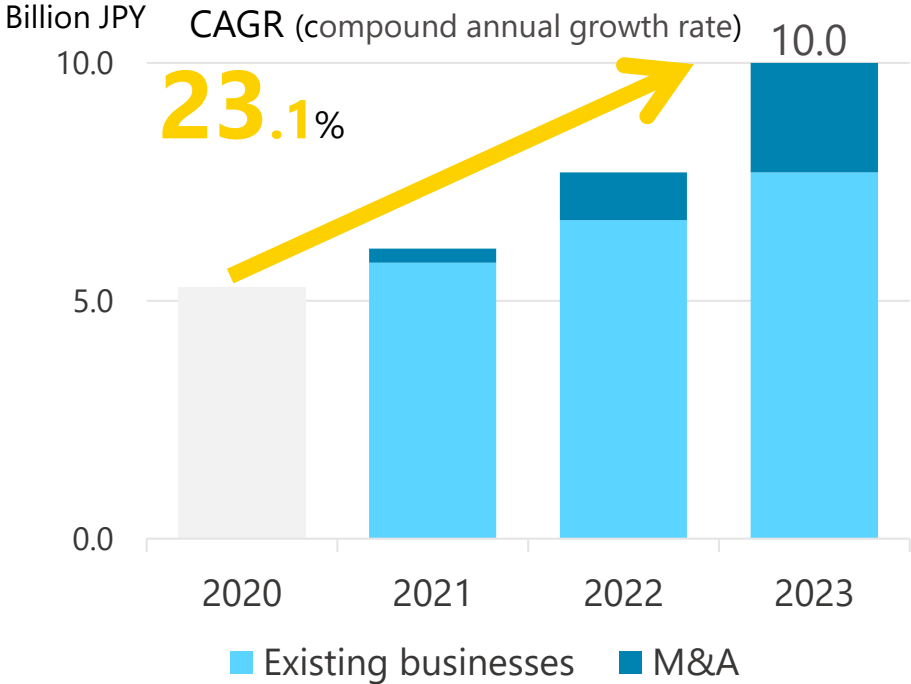
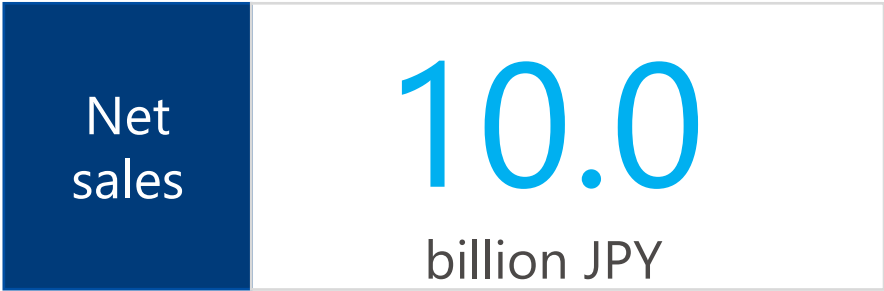
3. Growth strategy



1) Improve business value

(1) Performance targets

FY2023/9

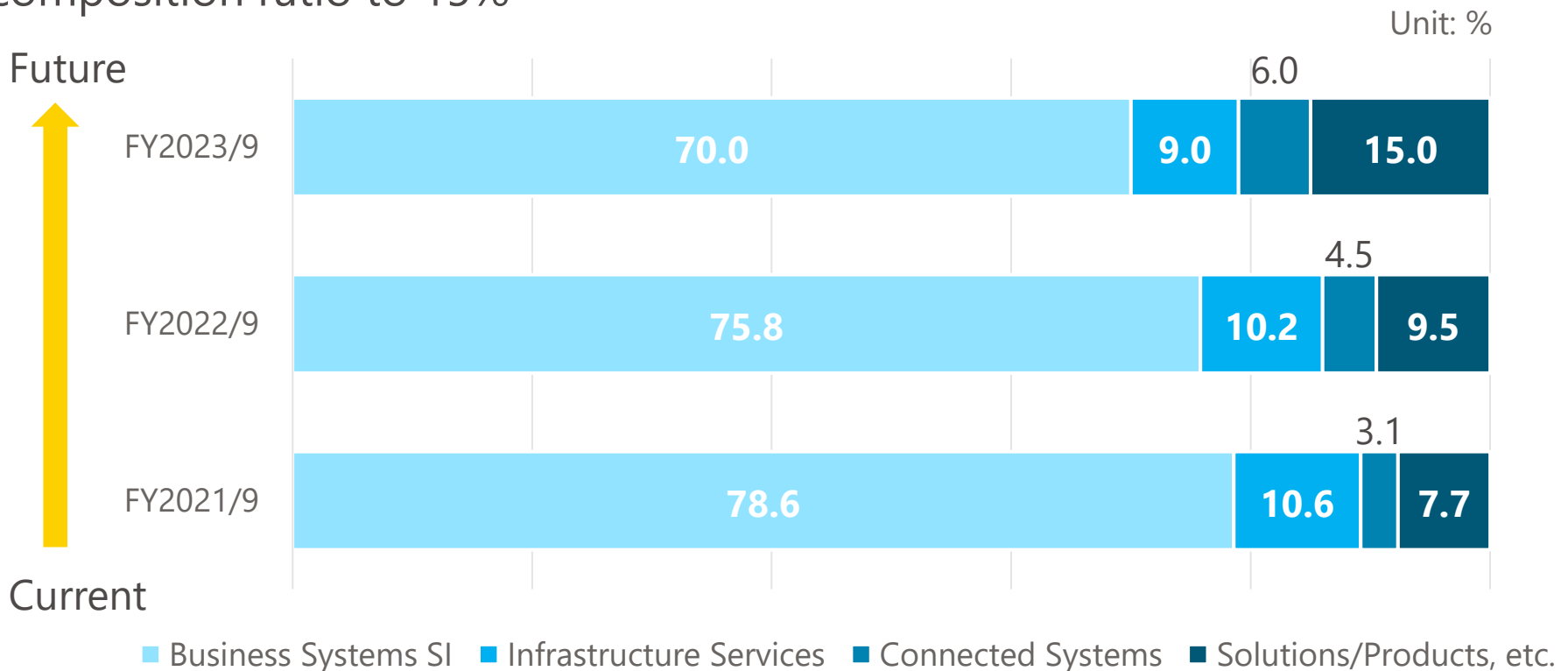


1) Improve business value

(2) Sales composition ratio by service line

FY2023/9

- Ensure that main service line, Business Systems SI, maintains a 70% composition ratio and reliably secures profits
- Position Solutions/Products, etc. as a growth driver and increase sales composition ratio to 15%



1) Improve business value

(3) Positioning of service lines

Establish a solid business foundation with Business Systems SI, Infrastructure Services, and Connected Systems, and use Solutions/Products, etc. to accelerate business expansion and increase added value



Service lines that establish the business foundation

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 that accelerates business expansion and increases added value

Solutions/Products, etc.

- Enhance service lineup by introducing **new solutions**
 - Invoice PA
 - Speed EA
 - Speak Analyzer
 - IT Re-engineering etc.
 - **Integrate AI, IoT technologies** with solutions provided by other companies
- Strengthen competitiveness by expanding functions

1) Improve business value

(4) Our three strengths

Capacity for financial system development

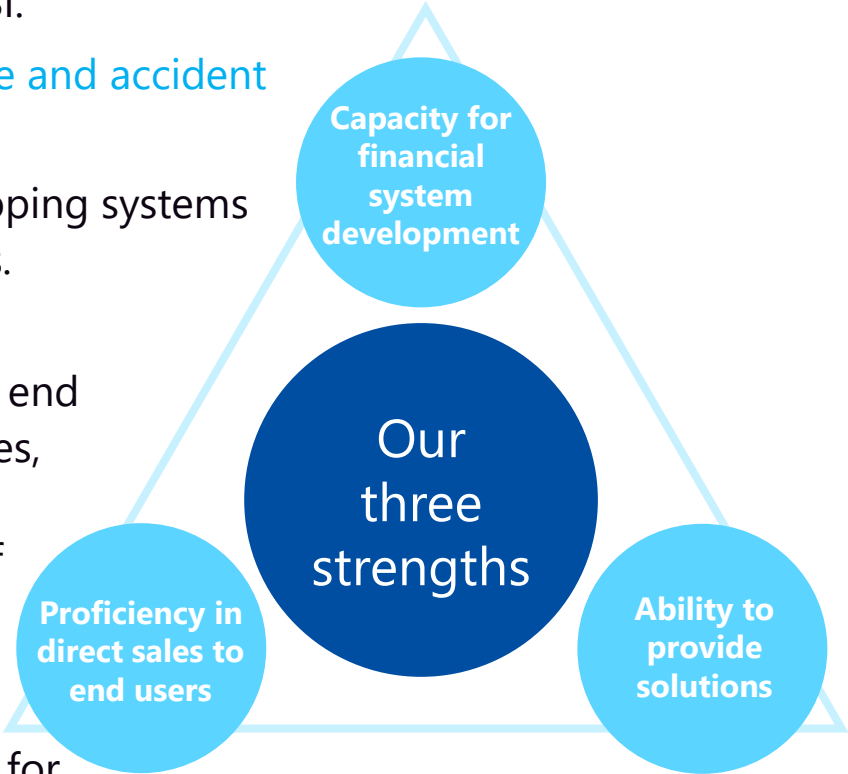
Financial sector accounts for 50% of net sales in main service line, Business Systems SI. Particularly advanced in **life insurance and accident insurance sectors**. Strong performance record in developing systems for banks, credit cards, and securities.

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.**



1) Improve business value (5) Promotion policies: Sales growth

Market scale (our forecast)

Logistics IoT software solutions market (WMS, etc.)

2025 **123.0** bil. JPY
 ↑
 2018 **66.7** bil. JPY

Smart cities market

2022 **990.0** bil. JPY
 ↑
 2018 **460.0** bil. JPY

AI's major markets*

2023 **64.0** bil. JPY
 ↑
 2018 **19.6** 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

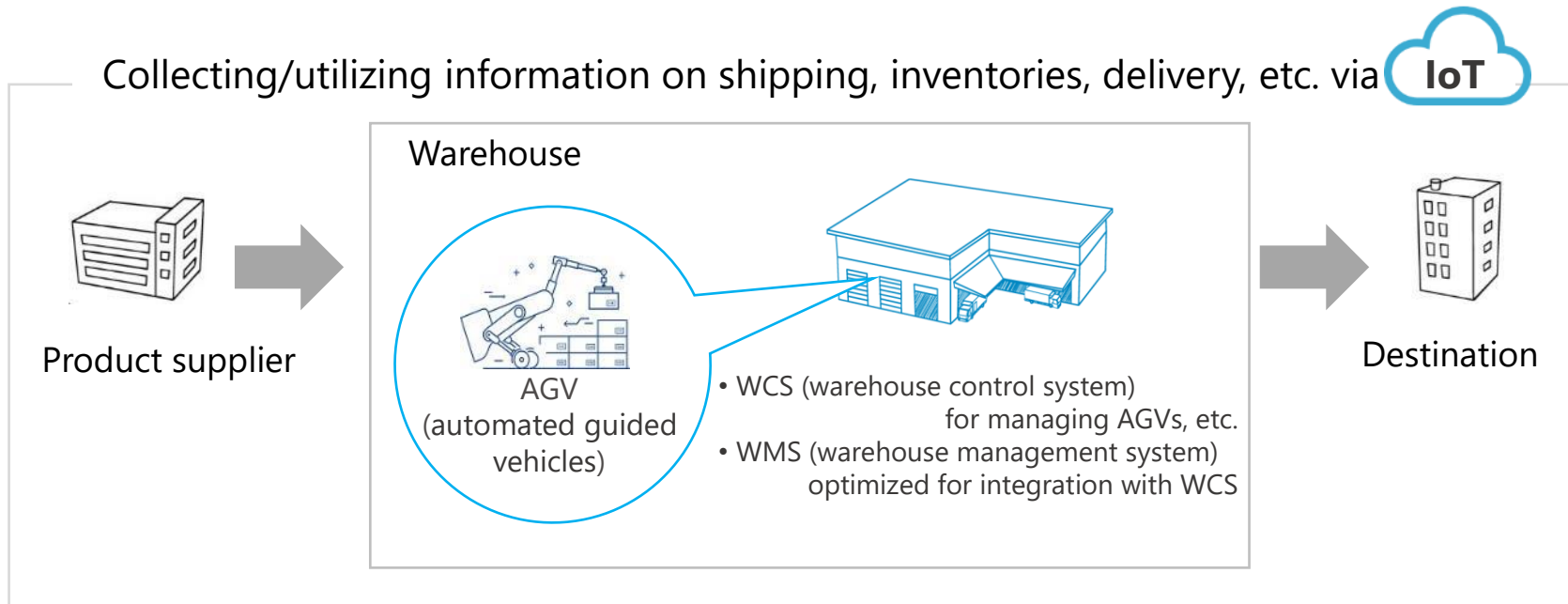
* AI's major markets: Image recognition, speech recognition, speech synthesis, language analysis, search and retrieval, translation

1) Improve business value

(5) Promotion policies: Sales growth, Logistics Business

Entering the **logistics sector**, which is facing labor shortages as the selection of diversifying needs continues to increase

Seeking business alliances in the logistics industry to **save labor and improve efficiency for logistics warehouses**



Packaging WMS currently under development

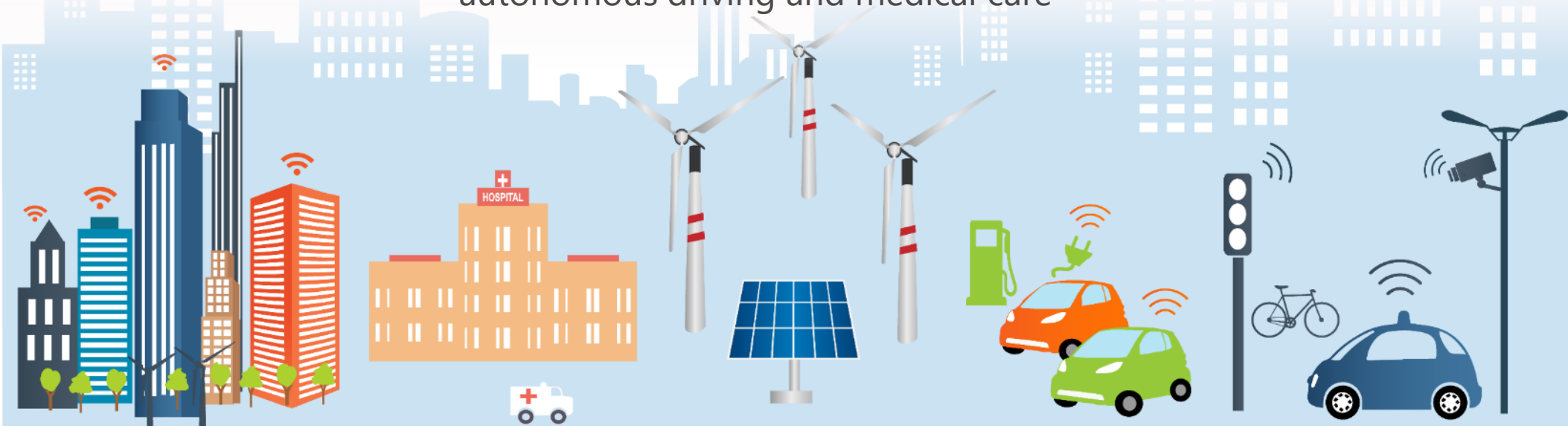


Aim for development as a **logistics solution**

1) Improve business value (5) Promotion policies: Sales growth, Connected Business

Entering the connected sector through data collection/utilization

Contribution to building smart cities through autonomous driving and medical care



SMART BUILDINGS

SMART HEALTH

SMART ENERGY

SMART MOBILITY

PUBLIC SAFETY

Examples of past 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

Examples of past development)


- 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

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

- Add integration functions to stand-alone solutions.

Differentiate and strengthen competitiveness by independently enhancing different functions with AI, IoT, RPA, etc.



1	Automate invoice entry Invoice PA service	: AI-OCR for invoice management cloud Concur Invoice	plus +
2	Quickly implement Concur Speed EA service	: Quick operational know-how for expense settlement cloud Concur Expense	plus +
3	 IT Re-engineering Service	: Automatic integration of peripheral systems into core system	plus +
4	WinActor x AI-OCR	: AI-OCR for RPA tool WinActor	plus +

- Enhance lineup
- Start subscription sales of **NW Security Police** (unauthorized access prevention solution)
- Package WMS (warehouse management system) developed by the Logistics Business for horizontal expansion as a solution for the logistics industry
- Continuous research and development to quickly incorporate future-oriented and cutting-edge technologies based on client needs and market trends

1) Improve business value

(5) Promotion policies: Increased profit

Remote development/telework

- Shift from dispatch and residential styles to remote development through utilization of nearshore bases and telework while focusing on **efficient deployment of engineers**.
Aim to raise productivity and improve profitability through a management system based on thorough workload management.
Shifting to remote development offers many advantages for both Needs Well and our clients, including reducing the costs involved in maintaining development environments and reducing the burden of project management.
- Utilize remote work to reduce the burden of commuting and encourage a system that allows employees to concentrate on actual work performance.
Aim to raise productivity and improve profitability.

Solutions Business

- Focus on the **Solutions Business**, which can easily attract new users and offers **higher profit margins** than other service lines.
Aim to increase profit by providing **Needs Well's unique functions and expertise** to the standard implementation formats of solutions provided by other companies.

Increase direct sales to end users

- Ratio of direct sales to end users is over 50%, a high level in the software development industry.
Aim to further stabilize orders and improve profit with a **target ratio of 60%**.
 - 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 through horizontal expansion to 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.

1) Improve business value

(5) Promotion policies: Investment

Investment

Recruitment and training

Acquire and train highly competent engineers and personnel proficient in proposal-based sales who can contribute to projects in an upstream process. Continue to recruit highly competent new graduates and strengthen development and proposal systems.

- Employee recruitment
- Policy for retaining/securing personnel
- Technical training and management education, etc.

Research and development

Proactive investment to quickly incorporate future-oriented and cutting-edge technologies based on client needs and market trends

- Designing, manufacturing and testing prototypes that utilize cutting-edge technologies such as AI, IoT, etc.
- Marketing research and exploration of new solutions/services
- Development of new solutions/services
- Intellectual property strategies such as patents, trademarks, etc.

M&A, capital and business alliances

Active pursuit of M&A growth in addition to improving performance from the utilization of internal resources. Continue to explore peripheral fields that have the potential for synergies with our existing businesses.

- Logistics system-related technologies
- Connected functionality-related technologies
- AI, IoT underlying technologies
- Web solutions-related technologies
- Other peripheral technologies that have the potential for synergies with our existing businesses

Investment budget
(approximate)
2021 ~ 2023

0.5
billion JPY

0.2
billion JPY

2.0
billion JPY

2) Improve social value

(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.

In March 2020, Needs Well entered into a **core partner agreement** with Meiji Yasuda Life Insurance Company and Meiji Yasuda System Technology Limited for the purpose of building a strong future partnership and maintaining long-term development engineers.

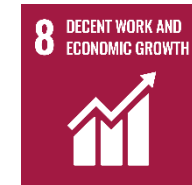


2) Improve social value

(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>

4. Reference



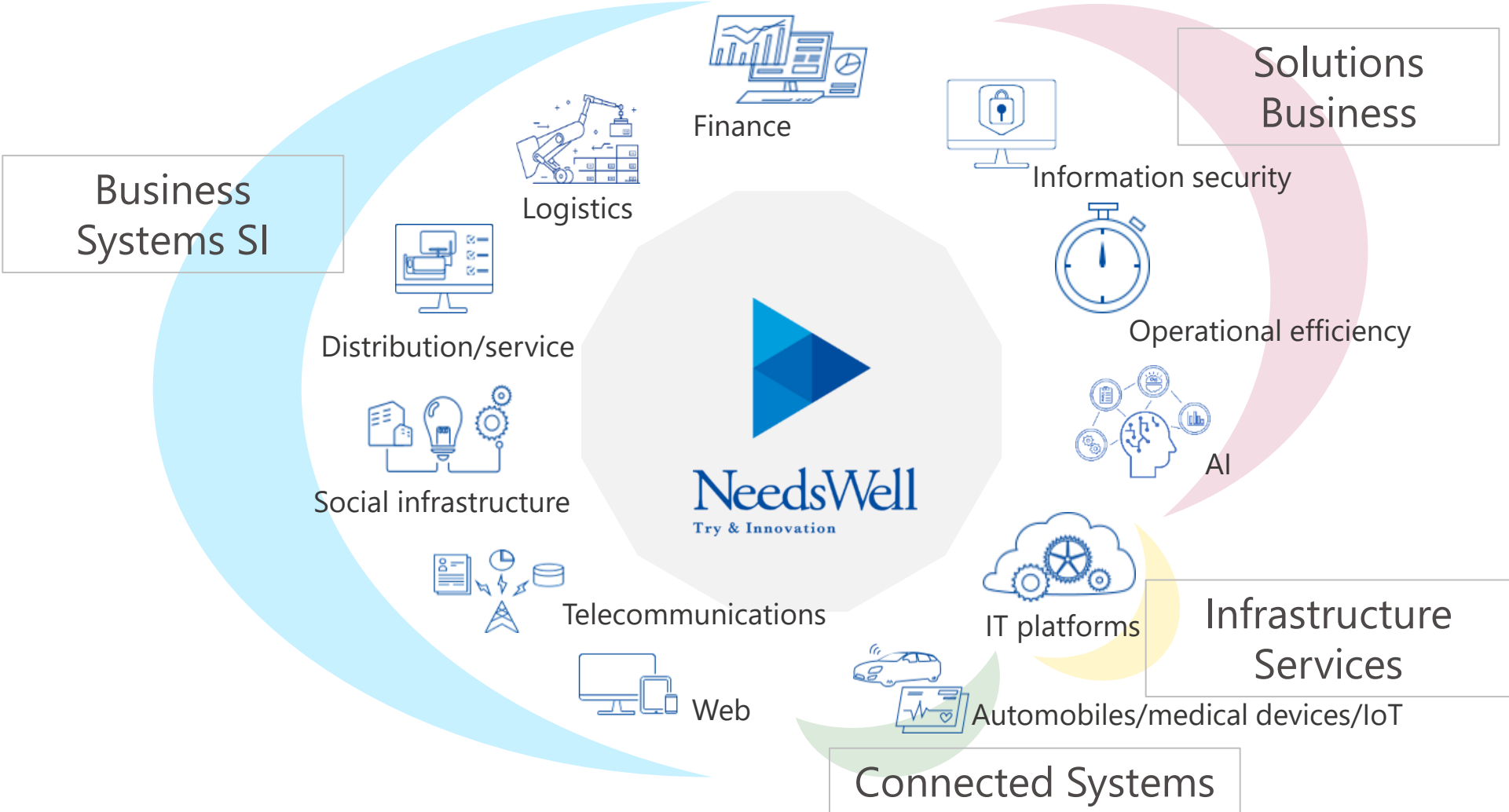
Company profile

※ As of September 30, 2020

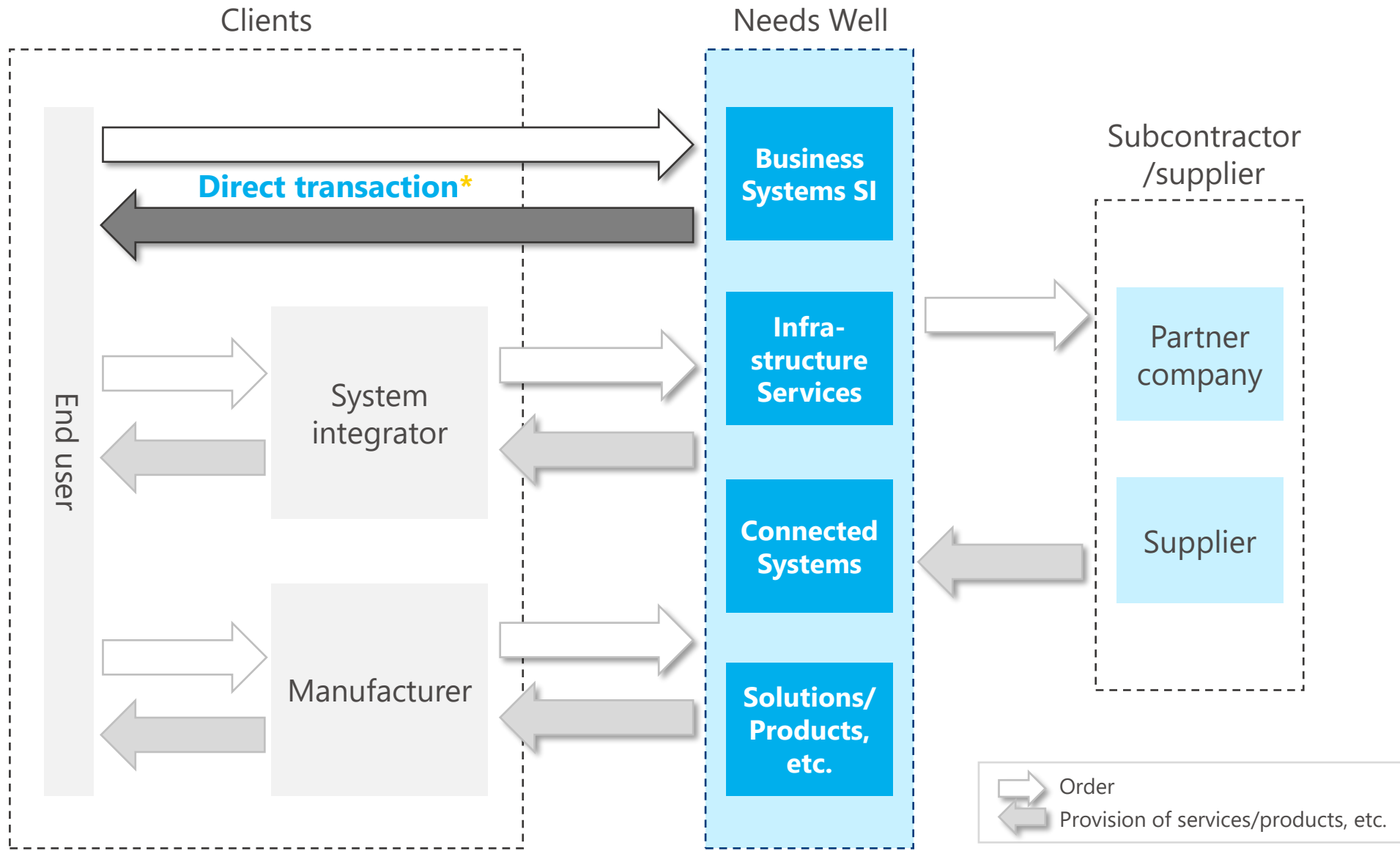
Company Name	Needs Well Inc		
Head Office	13F, New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo, 102-0094 Japan		
Office	<ul style="list-style-type: none"> - Shinjuku Office : 5F, South Tower, 13-15 Tomihisa-cho, Shinjuku-ku, Tokyo, 162-0067 Japan - Nagasaki Office: 5F, Meijiyasudaseimei Nagasakikozenmachi 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 *	415 million JPY	Net sales *	5,364 million JPY
Number of Employees *	543		
Qualification	Worker dispatch business Privacy mark	ISO27001 (ISMS) Certified ISO9001 (QMS) Certified	
Board of Directors *	President and CEO Kozo Funatsu Executive Director Takeshi Tsukada Executive Director Nobumasa Goto Director Hiromi Kimura 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 Toshio Yamamoto <input type="checkbox"/> E <input type="checkbox"/> I Audit & Supervisory Board Member Yuji Dai <input type="checkbox"/> E Audit & Supervisory Board Member Kotaro Niwa <input type="checkbox"/> E	

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)



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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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