

Tokyo Stock Exchange 1st Section: Securities Code 3992

Needs Well Inc.

Supplementary Materials on Financing

with 5th Series of Share Acquisition Rights through Third-Party Allotment (Subject to Exercise Price Amendment)

November 25, 2020



NeedsWell
Try & Innovation

1. Purpose of financing
 - (1) Growth strategy
 - (2) Investment strategy
 - (3) Details on use of funds
2. Overview of share acquisition rights
3. Structure of share acquisition rights
4. Features of share acquisition rights
5. Frequently asked questions (FAQ)



1. Purpose of financing

(1) Growth strategy

Work to expand sales in focus sectors
Aim for sales of 10.0 billion JPY (CAGR: 23.1%) in FY2023/9

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

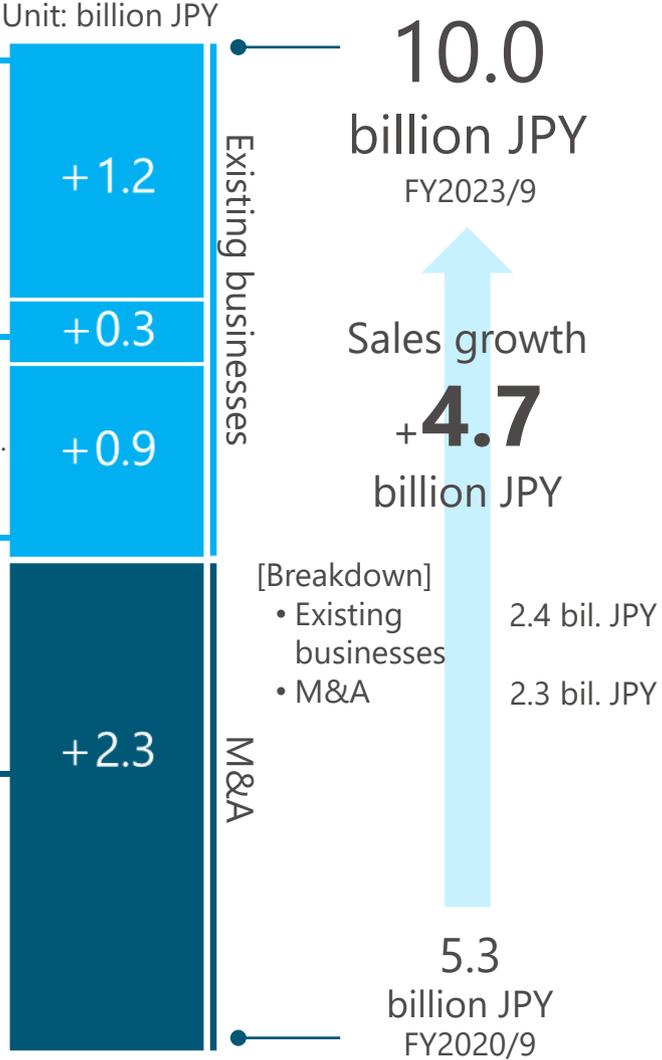
- ### Logistics Business

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.



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

1. Purpose of financing

(2) Investment strategy

Active investment to realize our growth strategy; **2.7 billion JPY** by FY2023/9

Research and development

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

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.

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.

- Acquire cutting-edge technologies in order to provide Needs Well's unique products and services and differentiate ourselves from competitors
- Expand into new business fields

Investment target by FY2023/9

Total
2.7 bil. JPY
0.2 bil. JPY

0.5 bil. JPY

2.0 bil. JPY

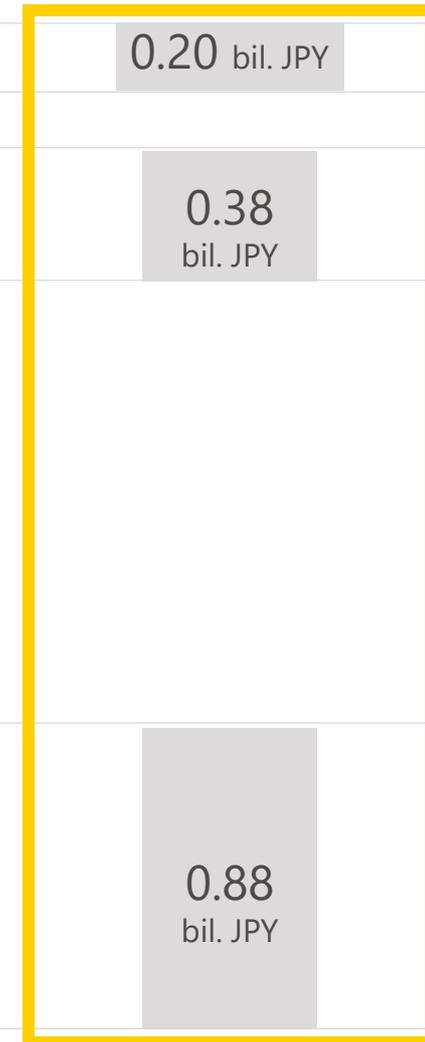
Funds raised through this series of financing

Total 1.46 bil. JPY

0.20 bil. JPY

0.38 bil. JPY

0.88 bil. JPY



1. Purpose of financing

(3) Details on use of funds

Secure funds for upfront investment to establish and strengthen the business foundation

12/2020 – 9/2022

M&A, capital/business alliances



- Logistics system-related technologies
- Connected functionality-related technologies
- Underlying technologies for AI and IoT
- Web solutions-related technologies
- Other peripheral technologies that have the potential for synergies with Needs Well's existing businesses



12/2020 – 9/2022

Personnel acquisition, education/training



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



Strengthen development system

12/2020 – 9/2023

Research and development



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



Enhance research and development

- Acquire cutting-edge technologies in order to provide Needs Well's unique products and services and differentiate ourselves from competitors
- Expand into new business fields

2. Overview of share acquisition rights

5th series of share acquisition rights through third-party allotment (share acquisition rights subject to exercise price amendment [subject to suspension provisions])

Estimated amount of funds raised		1.46 billion JPY *Amount calculated based on initial exercise price
No. of share acquisition rights		16,000 units
No. of potential shares / dilution rate		No. of potential shares: 1,600,000 shares Dilution rate (vs. total no. of voting rights): 18.82% (Total no. of voting rights as September 30, 2020: 85,032 units)
Exercisable period		December 14, 2020 to December 13, 2022 (2 years)
Exercise price	Initial	918 JPY (Closing price on the trading day immediately preceding the issuance resolution date [November 25, 2020])
	Upper limit	None
	Lower limit	551 JPY (60% of initial exercise price)
	Amendment to exercise price	90.5% of the closing price on the trading day immediately preceding the exercise request date (but not below the lower limit of the exercise price)
Suspension provision		Needs Well may, at its own discretion, specify a period during which the allottee is not permitted to exercise share acquisition rights. Suspensions may be specified up to 6 months before the final day of the exercise period.
Optional acquisition by Needs Well		Needs Well may acquire the remaining share acquisition rights at 100% of the issue price by providing prior notice at least 2 weeks in advance.
Purchase request by allottee		If the stock price falls below the lower limit of the exercise price for 5 consecutive trading days, or within 30 days before the final day of the exercisable period, the allottee can request to purchase the remaining share acquisition rights at 100% of the issue price. Needs Well will acquire the share acquisition rights remaining on the final day of the exercisable period at 100% of the issue price.
Allottee		Mizuho Securities Co., Ltd.

Note) Please refer to the press release titled "Notice on Issuance of 5th Series of Share Acquisition Rights through Third-Party Allotment (Issuance of Share Acquisition Rights Subject to Exercise Price Amendment [Subject to Suspension Provisions])" issued on November 25, 2020 for more information.

3. Structure of share acquisition rights

- The exercise price will be amended to an amount equal to 90.5% of the closing price on the Tokyo Stock Exchange on the trading day immediately preceding the exercise request
- The exercise price will not be amended to fall below the lower limit of the exercise price
- Needs Well may suspend the exercise of share acquisition rights as many times as necessary by specifying that period for suspension
- The amount of funds raised will change depending on future stock price movements



* The above is an illustration designed to provide an example of the structure for the share acquisition rights and does not guarantee that Needs Well's stock price will perform as depicted above.

4. Features of share acquisition rights

Design that can secure financing needed to meet funding demands

While raising funds through the planned allottees exercising the share acquisition rights at their own discretion, Needs Well will be able to **maintain flexibility in financing** by issuing specified suspensions based on current demand for funds and stock prices.

Consideration provided for excessive dilution

This arrangement differs from convertible bond-type bonds with share acquisition rights (standard MSCBs) where the number of potential shares increases when the exercise price is amended downward as the maximum number of shares to be increased by exercising share acquisition rights is fixed regardless of the movement of Needs Well's stock price after issuance, and the dilution of share value is limited to a **maximum of 18.81%** (vs. total number of issued shares).

Expectation to reduce impact on stock price

Through the establishment of a lower limit for exercise prices, this arrangement has been designed with consideration for **controlling exercise during stock price slumps** and avoiding the retention of an excessive supply of Needs Well shares, which could lead to a further stock price slump.

The share acquisition rights are subject to suspension provisions, and if Needs Well does not desire the allottee to exercise the share acquisition rights considering stock price movements or other factors, this method allows Needs Well to **specify designated suspension periods**.

Ensures flexibility of capital policy

Flexibility of capital policy can be ensured as, if a change in capital policy is necessary, **all of the remaining share acquisition rights can be acquired** throughout the issuance period at the discretion of Needs Well.

5. Frequently asked questions (FAQ) (1)

- 1.** Why did you choose this scheme (share acquisition rights [subject to exercise price amendment])?

In choosing a fundraising method from the various selection of equity financing methods available, we have attached importance to whether that method is able to raise an amount of funds that corresponds with our funding demands, in addition to whether it is composed based on a structure that is able to **reduce the impact on stock prices** and **control excessive dilution** in order to provide due consideration to the interests of existing shareholders.
- 2.** Why didn't you choose to perform a public offering?

While it is possible to raise the full amount of funds at one time when new shares are issued all at once through a public offering, etc., we also believe that this would cause a one-time dilution of per-share profit for that full amount at the same time, which may have a significant impact on the stock price.
- 3.** Why didn't you choose to perform a bank borrowing?

We believe that raising funds through bank borrowing is not an appropriate method for this series of financing as the total amount of funds raised would become a liability, resulting in a decline in financial soundness.

5. Frequently asked questions (FAQ) (2)

4. What are your thoughts on [dilution](#)?
- The maximum number of shares to be issued by exercising the share acquisition rights is fixed at 1,600,000 shares, and the dilution rate shall not exceed 18.82%, the ratio of shares to total voting rights as of September 30, 2020. In addition, by allocating the funds raised through this series of equity financing to its intended use, we will be able to further expand business, improve profits, and strengthen the financial position of Needs Well. As a result, we believe that this will [contribute to improving the profitability and corporate value of Needs Well in the medium to long term](#), and we therefore believe that issuing these share acquisition rights is a rational course of action that will contribute to improving shareholder value.
5. How will you [procure funding](#) if exercises don't achieve the expected results?
- If the expected amount of funding cannot be raised through the exercise of the share acquisition rights, funds will be allocated from cash on hand and borrowings from banks to fulfill the intended use of the funds.
6. How much will this impact the [business performance](#) for the current fiscal year?
- The impact of issuing share acquisition rights through third-party allotment will be reflected in the medium to long term, and the [impact on business performance for the current fiscal year \(FY2021/9\) will be immaterial](#). Furthermore, we believe that using the funds that are raised for the purposes described in the press release and [making the necessary investments](#) at the current point in time [will contribute to future business performance](#).



Try & Innovation

NeedsWell

- This document has been prepared with the intention to provide information on the issuance of the 5th series of share acquisition rights through third-party allotment (subject to exercise value change), and not for the purpose of soliciting investment or engaging in any other similar act. When making any investment decision, investors are asked to do so through their own judgment and at their own discretion.
- All statements described herein have been prepared by Needs Well based on our current outlook, forecast, and assumptions that are vulnerable to risk factors, which may result in actual performance differing from that portrayed in these statements. These risk factors and uncertainties include general information from domestic and international sources such as general fluctuations in industries and market environments, interest rates, and foreign exchange rates.
- Needs Well shall not be held liable for any impact or damages caused by the information contained herein.
- Unauthorized copying, reproduction, or transmission of this document is prohibited for any purpose.

Corporate Communication Division, Needs Well Inc.

TEL: +81-3-6265-6763 e-mail: ir-contact@needswell.com