

Excellent Corporate Management

creating corporate value and aiming at winning all stakeholders' hearts and minds

The second interview with

" QUICK CO., LTD. "

4318 TSE First Section
Mr. Tsutomu Wano, Managing Director, Chairman and CEO

August 6, 2019

J-Phoenix Research, Inc.

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QUICK CO., LTD., Attracting Attention for Three Attracting Elements

J-Phoenix Research, Inc. (Abbr. "JPR") believes that "1) Contributing to society (growth as a challenger" "2) Relationship (connection)with Stakeholders " and "3) Trust (peace of mind)" are important as the 3 elements of management that create corporate value and win the hearts and minds of all stakeholders. We plan to conduct interviews with the managers of listed companies that practice these three principles and publish articles as guidelines for other listed companies.

At the second meeting, we interviewed Tsutomu Wano, President and Group CEO of QUICK CO., LTD.[4318], which is a recruitment consulting agency that introduces professionals such as nurses and in construction-related field. (Interview: June 4, 2019) ※ Hereinafter honorific titles omitted.



Left: Mr. Tsutomu Wano, Managing Director, Chairman and CEO; Right: Mr. Osamu Miyashita, Representative Director, Our Company

Sales and profits increased for the ninth consecutive years. What is the secret to your company's strong performance?

Dominate the recruitment market for professional jobs with confidence and achievements as "Human Resources Department of Japan"

MIYASHITA: Chairman Wano, thank you for giving me the opportunity to interview you today. First of all, I would like to ask you about your company's recent achievements. In the fiscal year ended March 19, you have achieved growth in both sales and profits for the 9th consecutive year. In the current financial year, net sales increased by 14.3% and operating income increased by 17.4% compared with last financial year, which shows stable growing performance. What do you think of the factors behind the current strong business results?

Wano: Fortunately, the business environment and our policies fit well, and we achieved this performance. In the business environment, our business benefited from a labor shortage due to a rise in the ratio of job openings to job applicants and a decline in the unemployment rate, which provided a tailwind for Our Company's operations. In addition, Our Company has continued to develop its business by actively referring and dispatching personnel in professional jobs where there is a severe shortage of talents. I think that is why our business was able to charge at a higher unit price.

MIYASHITA: Yes, you have a strong business environment, but what do you think are the reasons for this steady growth despite many competitors?

Wano: One strategy is to specialize in recruitment consulting for professional jobs and expand in this field. We have been pioneering the market by targeting low-fee but easily accessible posts that we used to do in job posting magazines, and we are focusing on the improvement of web sites and differentiating through improvement of usage satisfaction etc. Furthermore, not only in Our Company, but also in the recruitment consulting industry, where "Trust" and "Achievements" are emphasized, we strived to raise worker satisfaction while taking care of new markets. Based on our management philosophy of "Making everyone involved happy", we are conscious of our relationship with companies' human resources department, employees and all stakeholders.

Mission since the Company's founding - "Making everyone involved happy"

Miyashita: I see. Increase in both sales and profit can be attributed to QUICK CO., LTD.'s accumulated trust and achievements as the "Human Resources Department of Japan", with its highest priority placed on the happiness of workers. The management philosophy of "Making everyone involved happy" applies perfectly to the concept of GCC (* To be described later), which Our Company emphasizes greatly, and I feel that Your Company is achieving

the ideal corporate management and corporate value creation. Could you tell me more about your Company's corporate philosophy?

Wano: "Making everyone involved happy" has been a long-standing philosophy since the Company's founding, and I want to make all stakeholders happy, including shareholders, business partners, job seekers, readers of all media, as well as our employees, their families and local communities. We intend to create value by specializing in "people" and "information" among management resources and providing optimal matching, and to contribute to the happiness of people from all over Japan. To this end, we aim to create a strong base that is not affected by economic trends and to provide the best service possible.

Miyashita: I want to know more about the attracting points of your Company. I would like to ask a question in line with corporate value framework called '(Happiness Value Added)' that we consider according to GCC management philosophy. First of all, with regard to "sales growth" equivalent to "G", you said that your company is developing business with the aim of achieving a revenue of 100 billion. What is your outlook for the domestic recruitment consulting business?

Growth: Becoming a 100-billion Yen Company through cross-border human resource business

In Japan, we will expand and capture specialized areas one by one

Wano: We develop human resource services that specialize in specialized fields such as nurses, but we will continue to expand while incorporating new business areas one by one without changing the policy. As it is a blue ocean, it is difficult to estimate the market size, but I think the potential market is big, so I am continuing to invest upfront.

Miyashita: We can expect stable growth in Japan, but it seems that overseas businesses also contribute to earnings. This seems to be expected to grow further due to recent deregulation. In addition, I believe that the growth of Indeed is contributing to earnings, and further growth by combining your company's analog and digital strengths can be expected, what do you think?

Becoming the "Human Resources Departments of the world" through Oversea business

Wano: First of all, since human resource business relating to specific skills and interns has huge risks, we have yet to decide whether or not to start overseas expansion. Currently, in our overseas business, we provide human resource related services, such as referral, dispatching and personnel and labor consulting to local Japanese companies that has expanded overseas. However, the target of 100 billion yen cannot be achieved by only

targeting Japanese. On the other hand, it is said that there are more than 800,000 foreign students from Asia, mainly Chinese, who are currently seeking employment in English-speaking countries and Western companies. I believe that it is an opportunity to connect these two, and in order to achieve this, I would like to focus on global human resource services - "cross-border recruitment", including support for changing jobs across borders.

Miyashita: Up until now, Japanese people living in foreign countries and local Japanese companies were the main targets, but companies and people will become more global from now on. To be sure, Chinese students are numerous and excellent. I think that such people can also be brought in if the jobs in Japan are attractive. However, there are many global human resource companies, how will you differentiate your company from others?

Wanno: Global talent companies basically aim for high commissions in the form of headhunting. For example, I think it's close to a scout for talents in financial industry and for high-skilled engineers. Therefore, there are not many companies that are expanding cross-border in terms of numbers. In addition, because the human resource industry has become a regulated industry in China, there is no such expansion movement as it is treated carefully. In conclusion, we believe that global cross-border recruitment business is very promising in the future. In order to target the needs of a wide area of the world, a website is essential, and we intend to construct it and expand across the world.

Connection: Improving ROIC in the 'Indeed' Business

ROIC 52.9% through One-Stop Solutions and Network in the Human Resources Field

Miyashita: Well, I see. Next, I would like to ask about "ROIC (return on invested capital)" which is equivalent to "Connection" in the GCC concept. The characteristic of your company is the extensive care for the target personnel and recruiting companies, but in what ways do you provide these solutions?

Wano: We provide one-stop solutions for recruiting. We support customers in all areas related to human resources, from recruitment advertisements, human resource and labor consulting to in-house training. However, I think that this is a great advantage not only for the client company but also for job seekers. We also build a network of human resource fields and build trust by providing information to personnel in charge of corporate human resource departments.

Miyashita: By promoting "networking of human resources" in the context of "Japan's human resources department," you are strengthening ties. With such a measure, your company's ROIC (return on invested capital) is a spectacular 52.9%. This is the top level among listed companies in Japan. Also, as a future direction, the Indeed business can be expected to

improve the profitability, is that the case?

The key factor of the Indeed business is "Programmatic Advertising"

Wano: The growth in Indeed is great. 80% of sales in Indeed are attributed to Indeed as commissions, and only the remaining 20% are sales goes to our company, so our revenues as an agent are not that large. However, as more information is shown and more job seekers click on the information posted, the higher our operational revenues will grow, and we intend to increase profits by strengthening this service.

Miyashita: I also believe that "Programmatic Advertising" will be a driver for expanding profit margins in the future. Among them, eole Inc. [2334], the company which our company wrote a report on the other day, is also aiming at the market top with programmatic advertising. Did you know the company called eole Inc.? (* The report of eole Inc. [2334] is here.)

https://j-phoenix.com/wp-content/uploads/2019/05/2334_eole_midtermVision_20190517.pdf.pdf

Wano: No, I didn't know that, but it sounds like a very interesting company. I felt it has an affinity with our company.

Confidence: It is essential for employees of recruitment agencies to be happy Happy cycle starting from employee happiness

Miyashita: I believe that employees of recruitment agencies should have its employees working actively in the first place. I think your Company is doing well in this regard. In short, employees feel that helping others is a pleasant thing to do. I think that because the people who work here are happy, this job is worth doing and customers are enjoying using your services. What do you think?

Wano: I think that's right. I think it is manifested in our company through the phrase "Low turnover rate". After all, it is a feature that the basis of the way of thinking is thoroughly taught. As Mr. Miyashita said, supporting people's lives is very rewarding which is a pleasure that cannot be exchanged by money. However, the salary cannot be too low, so I carefully consider the balance as well.

QUICK CO., LTD. Strategies for Creating Corporate Value and Reorganizing from a Management Perspective

MIYASHITA: Thank you for describing the various initiatives in detail. I would like to summarize some of the QUICK CO., LTD.'s actions you have taught me so far. The three theoretical factors of corporate value are: sales growth, profitability on invested capital, and control of business risk, which, in difficult words, control of the cost of capital. However, this is generally not quite touching, so JPR organizes it into more exciting concepts. It's a concept called "Excitement of Growth- Growing through social contribution as a challenger"; "Excitement of Connection- Enhancement of profitability and asset efficiency by bonding of all stakeholders"; "Excitement of Confidence- Enhancement of reliability and security". At Our Company, we have adopted the acronym- 'GCC' Management®*. If this can be put into practice, the five desires of human beings advocated by Maslow's psychology theory can be satisfied, and happiness and improvement of corporate value can be achieved simultaneously. Your Company's corporate management and value creation initiatives can be summarized neatly in this way. (That's all for the interview.)

Achieving Happiness and Value Improvement Simultaneously by Linking Five Elements of Human Needs with Three Elements of Corporate Value Creation

Happiness perspective

Corporate Value perspectives

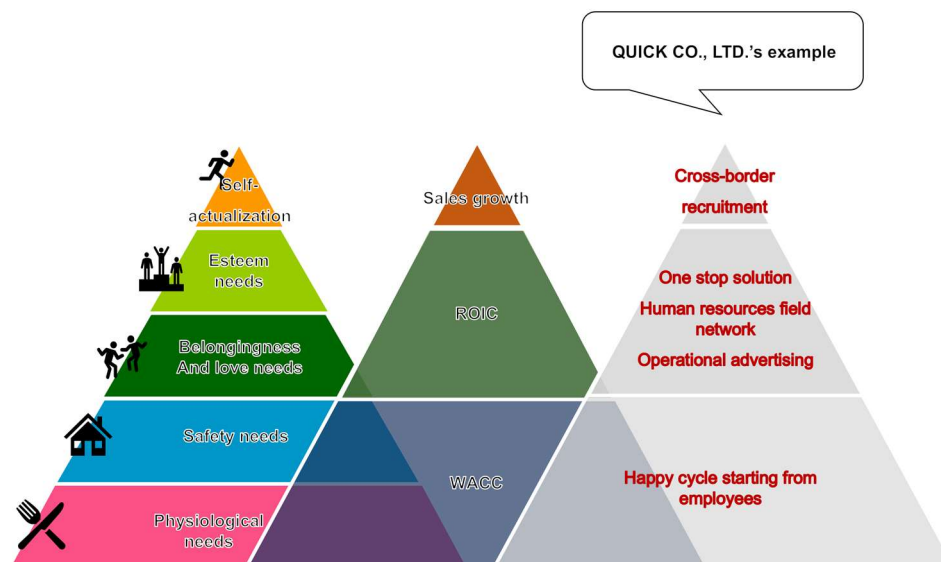


The following elements are also incorporated:

- (1) Integration of financial and non-financial information;
- (2) management being conscious of ROIC and capital costs (addressing corporate governance);
- (3) systemization and visualization in coping with ESG and SDGs

Maximizing Happiness Value Added®

QUICK CO., LTD.'s Initiatives and the long-term drivers of corporate values



Corporate Value Valuation under the Excess Profit Framework

JPR tried to evaluate corporate value based on interview articles. Under the conservative assumption of achieving sales of ¥50 billion in 10 years, we theoretically estimated shareholder value of ¥74.2 billion using "excess profit method" which estimates shareholder value based on 3 factors of corporate value. This is more than double the current market value.

J-Phoenix Research Inc. Connecting Managers, Employees, and Investors through Value Creation

EVA® Corporate Value Analysis Report

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August 6, 2019 as of August 5, 2019

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QUICK CO.,LTD.'s shareholder value can be estimated at 74.2 billion yen.

A value gap of 46.2 billion yen

J-Phoenix Research (JPR) has analyzed QUICK CO.,LTD.'s value by using the EVA (Economic Value Added) method, which breaks down the company's value into Invested capital, Economic Value Added, Growth Value, and components. Based on the company's earnings results and forecasts, its shareholder value can be estimated at ¥74.2 billion. Assumptions for the calculations are: sales of ¥34 billion and operating profit of ¥4.9 billion in about 5 years; sales of ¥50.1 billion and operating profit of ¥7.2 billion in about 10 years; and the ratio of Invested capital to Sales to stay at the present ratio of 19.7%. The gap between this estimated shareholder value and the present market capitalization is ¥46.2 billion, implying upside potential, while depending on evolution of market expectations.

① Shareholders' Equity 9.3 billion yen

- Invested capital is estimated at ¥4.1 billion as of June 30, 2019, and the ratio of Invested capital to Sales in FY3/2020 at 19.7% (A). Shareholders' equity, which subtracts Interest bearing debts, etc. and adds Nonbusiness assets from invested capital, is calculated to be ¥9.3 billion. [Shareholders' equity = Invested capital Interest bearing debts, etc. + Non-business assets]

② Economic Value Added 30.6 billion yen

- Net Operating Profit After Tax (NOPAT) for FY3/2020 is calculated to be approximately ¥2.0 billion and the NOPAT margin (NOPAT divided by Sales), 9.6% (B). Return on Invested Capital (ROIC), which is (B) divided by (A) is 49.1%.
- Weighted Average Cost of Capital (WACC), which indicates minimum return that investors demand from a company relative to its invested capital, is estimated at 5.8% for QUICK CO.,LTD., considering factors such as its stock price, financial strategy, and business risks. ROIC/WACC, which indicates shareholder value generated from invested capital, is therefore 8.5 times.
- Based on the above, Economic Value Added (EVA) in FY3/2020 is estimated at ¥1.78 billion. EVA's terminal value, calculated as EVA divided by WACC, in FY3/2020 is then estimated at ¥30.6 billion.

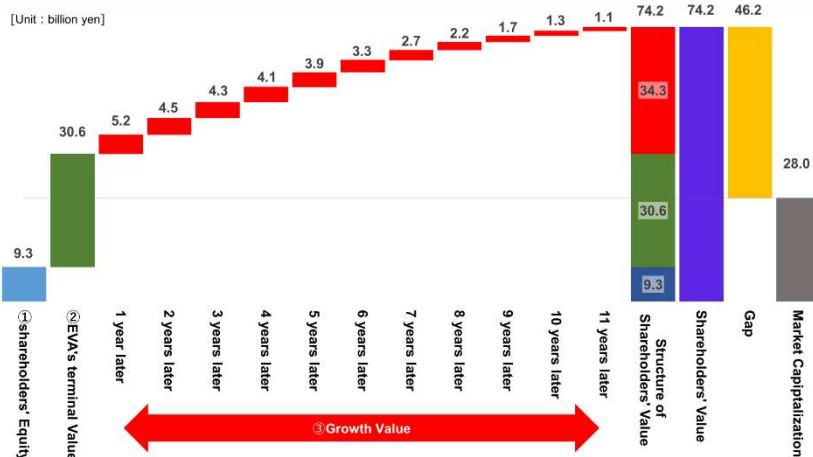
③ Growth Value 34.3 billion yen

- QUICK CO.,LTD.'s Growth Value is estimated at ¥34.3 billion, based on the assumption of sales of ¥34.0 billion and operating profit of ¥4.9 billion in 5 years.

Incorporating Non-business Assets 5.8 billion yen

- Assets other than those invested in businesses, such as cash and deposits which exceeds sales of over 1.5 months, are estimated as ¥5.8 billion yen.

EVA® based composition of shareholder value and analysis of value gap



[Prepared by using QUICK CO., LTD.'s disclosed materials, as of August 5, 2019]

ROIC·Excess profit Report: QUICK CO., LTD. (4318 TSE First Section)

J-Phoenix Research Inc. Connecting Managers, Employees, and Investors through Value Creation

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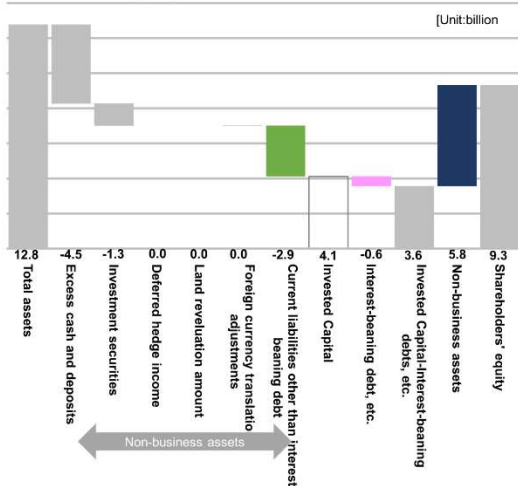
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① Invested Capital and Shareholders' Equity

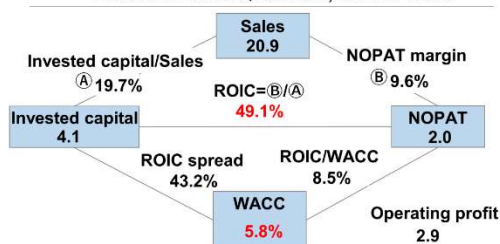
Ratio of Invested Capital to Quick.CO., LTD's expected sales of ¥20.7 billion for FY/2020
8.2% for Working capital and 11.4% for Non-current assets



② Economic Value Added



Drivers of EVA in QUICK CO., LTD.'s FY2020



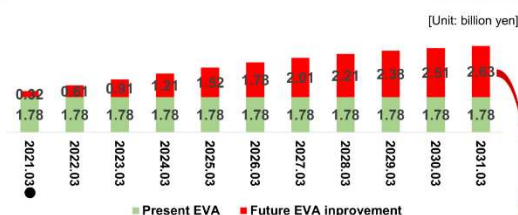
③ Growth Value

JPR's assumptions, based on QUICK CO., LTD.'s past growth rates and earnings trend (Unit: billion yen)

FY	2021.03	2022.03	2023.03	2024.03	2031.03
Sales	23.9	27.2	30.6	34.0	50.1
Sales growth Y-O-Y	13.9%	13.9%	12.5%	11.3%	2.7%
Operating profit	3.4	3.9	4.4	4.9	7.2
Operating profit margin	14.4%	14.4%	14.4%	14.4%	14.4%
NOPAT	2.4	2.7	3.0	3.4	5.0
NOPAT margin	9.9%	9.9%	9.9%	9.9%	9.9%
Invested capital/Sales	19.7%	19.7%	19.7%	19.7%	19.7%
ROIC	50.6%	50.6%	50.6%	50.6%	50.6%
Effective tax rate	30.9%	30.9%	30.9%	30.9%	30.9%
WACC	5.8%	5.8%	5.8%	5.8%	5.8%

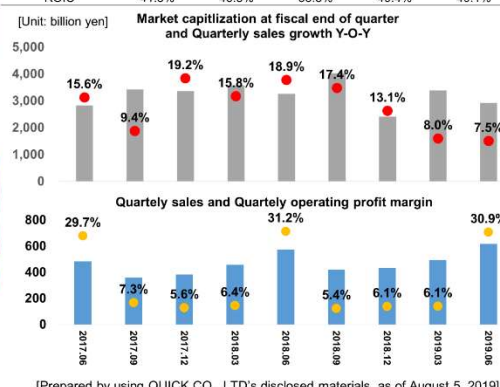
Past results and the company's forecasts for FY3/2020

FY	2016.03	2017.03	2018.03	2019.03	2020.03
Sales	12.5	14.6	16.8	19.2	20.9
Sales growth Y-O-Y	10.8%	16.6%	15.1%	14.3%	9.2%
Operating profit	1.7	2.0	2.2	2.6	2.9
Operating profit margin	13.5%	13.7%	13.1%	13.5%	13.9%
NOPAT margin	9.3%	9.5%	9.1%	9.3%	9.6%
Invested capital/Sales	22.3%	20.2%	16.9%	18.9%	19.7%
ROIC	41.8%	46.8%	53.8%	49.4%	49.1%



Present Value of the amount of improvement in future VBA=Growth value of 34.3 billion yen

Growth Value is estimated, assuming growth rate to decrease by 20% each year from FY3/2025 and to become zero in FY3/2031



[Prepared by using QUICK CO., LTD.'s disclosed materials, as of August 5, 2019]

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