

Leap to become a global EV technology company with innovative MicroEVs

The First Japanese Listed EV Company with the strategy of "BORN IN JAPAN, SOLD GLOBALLY"

This report analyzes corporate value based on the GCC Management™ perspective, which emphasizes three elements: Growth (sales growth), Connection (strategic connection of all stakeholders, leading to improved stability), and Confidence (enhanced trust and lowered business risks).

Strategic move of the transformation into EV business

In August 2021, they changed the company name from Bit One Group Co., Ltd. to Quantum Solutions Co., Ltd. (QS), which means a leap forward. QS was founded in 1999 as an internet consulting company. Since its founding, it has been working on business innovation, but the profitability of the current business has been sluggish, and it has been in the red for the sixth consecutive year since FY02 / 17.

In 2021, QS welcomed managers from Shanghai, and in August 2021, QS signed a joint venture agreement with FOMM Corporation (FOMM), a Japanese venture company specializing in small EVs, and established a joint venture company to promote EVs as a new business and is developing it into a pillar of growth.

QS's partner, FOMM, has a track record in the Thai market that rivals Tesla's.

FOMM is notable for 1) developing one of the world's smallest 4-seater compact EV, which has been in a mass production in Thailand since 2019 and was approved as a Japanese kei car standard in 2021; 2) developing the "Float Drive" that floats on water and enables movement on water in case of flooding and normal recharging, and a unique replacement system with a small cassette-type battery; and 3) that the application of the battery replacement system was adopted as a project commissioned by the Ministry of the Environment.

In 2021, FOMM achieved a 7% market share in Thailand's EV market, where the world leaders in EVs are competing fiercely, thanks to a track record of the number of EV registrations that rivals Tesla's in the Thai EV market¹. Based on this partnership with FOMM, in August 2021, QS announced its strategy of "Born in Japan, Sold Globally". Investing in QS means that you can participate in the growth opportunities that FOMM will offer.

"Born in Japan, Sold Globally"

From April 2022, the company started an initiative to sell EVs certified in Japan and Thailand on consignment to FOMM for manufacturing. Prior to that, in March 2022, QS entered into a business partnership with Duke New Energy Vehicle Co. Limited (Duke), a developer and manufacturer of electric vehicles based in Jiangsu, China. The partnership aims to develop customized EVs developed by FOMM for markets around the world, to manufacture them on an OEM basis in China, and to begin full-scale global sales as soon as possible. QS continues to look for other OEM partners and will pursue a multiple-OEM strategy. As these strategies progress, the "Made in China" strategy will also become very important.

Through these efforts, J-Phoenix Research(JPR) expects that QS might achieve the same market share in the global market in EVs as in Thailand, backed by a high level of trust in the Japanese brand, increasing demand for environmentally friendly small EVs, and manufacturing cost competitiveness in China. Based on the assumption that this strategy will be realized, JPR estimated shareholder value based on the assumption that QS will have, rather conservative, a 1% share of the global EV market, in which the number of units are projected to reach around 50 million units according to Yano Research Institute in the research disclosed in Sep 2021². On the basis of the assumptions, the shareholder value of QS was estimated to be around 100 billion yens at a 18% WACC(Weighted Average Cost of Capital). Significant upside can be expected if the strategies are realized.

1. According to Kyodo News Group, the details of EV sales in Thailand in 2021 are: 663 MG[a brand of Shanghai Automotive Group of China and CP Group of Thailand], 200 Volvo, 166 German Porsche, 125 Tesla, 102 FOMM, 61 Nissan, etc.2. Yano Research Institute Ltd. forecasted global new vehicle sales of next-generation vehicles(xEVs) at 50.26 million units in 2030 in a study released in September 2021.

Basic Report

Written and Edited by
J-Phoenix Research Inc.
Osamu Miyashita, Yosuke Kashiwao
www.j-phoenix.com

Corporate Profile

Headquarters	Chiyoda, Tokyo
President & CEO	SHAO YUN
Established	December 1, 1999
Capital	2,658JPY 1 mil.
Listed	November 1, 2002
URL	www.quantum-s.co.jp/
Industry	Information and communication industry

Key Indicators (as of May 27, 2022)

Stock price	839 yen
Highest in 52 weeks	974 yen
Lowest in 52 weeks	711 yen
Outstanding Shares	11,696,231 stocks
Trading Units	100 stocks
Market Capitalization	9,813 JPY 1 mil.
Prospective Dividend	--
Estimated EPS	-21.45 yen
Estimated PER	--
Actual BPS (Feb 2022)	77.36 yen
Actual PBR	10.85 times

Performance Trends	Sales	YoY	Operational Profit	YoY	Ordinary Profit	YoY	Net Profit	YoY	EPS	Stock price	
	(JPY 1 mil.)	%	(JPY 1 mil.)	%	(JPY 1 mil.)	%	(JPY 1 mil.)	%	(yen)	High(yen)	Low(yen)
Results for FY02/2019	618	-40.1%	-480	nm	-510	nm	-1,111	nm	-155.75	2,280	349
Results for FY02/2020	456	-26.1%	-295	nm	-311	nm	-321	nm	-35.95	462	203
Results for FY02/2021	245	-46.3%	-378	nm	-377	nm	-392	nm	-36.4	840	162
Results for FY02/2022	256	4.5%	-360	nm	-311	nm	-280	nm	-24.79	1,019	462
Plan 02/2023	370	44.2%	-260	nm	-250	nm	-250	nm	-21.45	-	-

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1. Investment summary

Future story & share holder value

FOMM ONE
World's smallest
class 4-seater EV



Future created by Japanese & Shanghai management

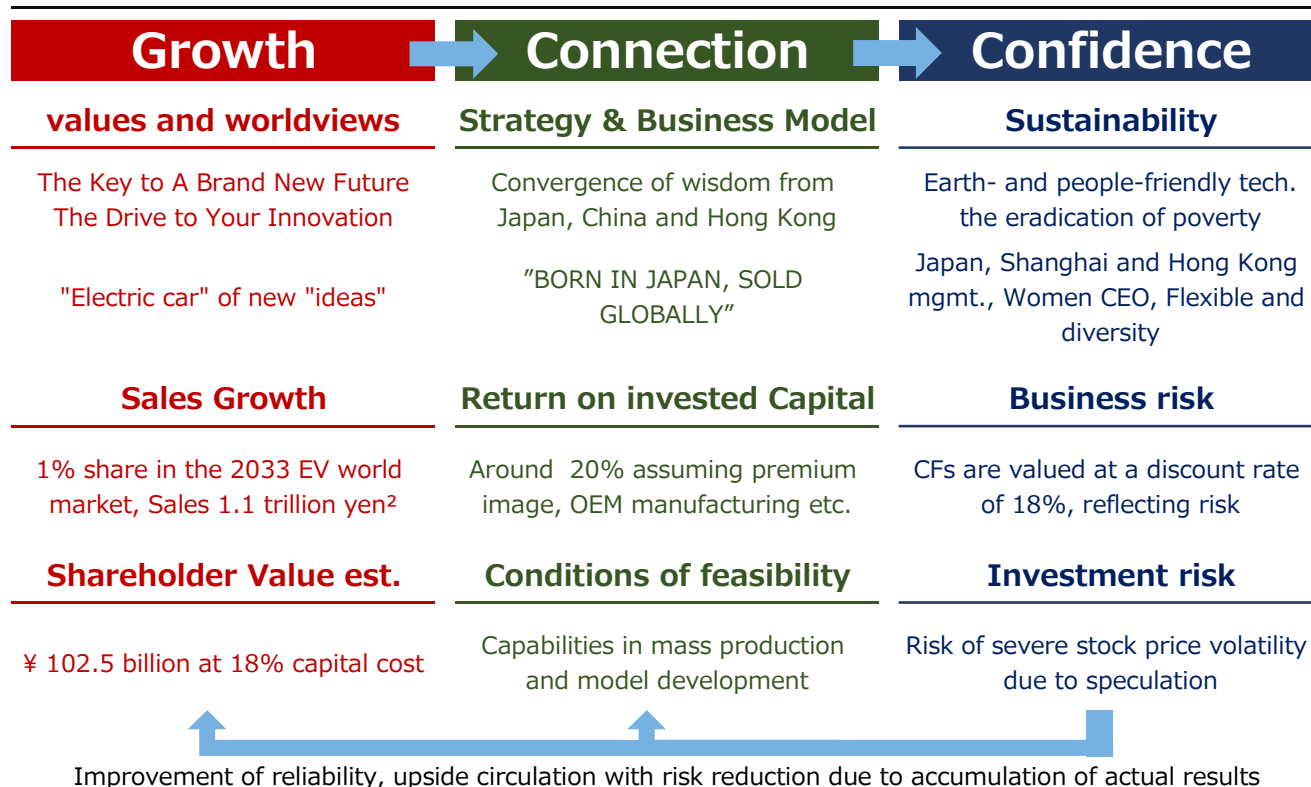
Integration of future story and shareholder value starting from values and worldview

Potential shareholder value of up to around 100 billion yen

QS is working with an EV venture company, FOMM, in Japan and in the discussion with potential OEM partners in China to develop a new "idea" of electric vehicle business globally, based on its values of "providing the key to a completely new future and the driving force for innovation". JPR created the future story from the perspective of GCC Management™ as shown below, which emphasizes the three elements of corporate value: Growth, Connection, and Confidence. Based on this premise, JPR estimated shareholder value. Although the risks are high, JPR believes that shareholder value of up to 100 billion yen could be realized in the next 2-3 years¹ if the strategy planned by QS are realized in the next 2-3 years.

1: JPR's own evaluations and expressions that may be useful in estimating shareholder value are also included, based on reliable external information JPR has independently researched.

Future Story and Shareholder Value



[Source] Compiled by JPR based on interviews with company officials and company disclosed materials.

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Shareholder Value Est. Model

Estimation through excess value (EVA)

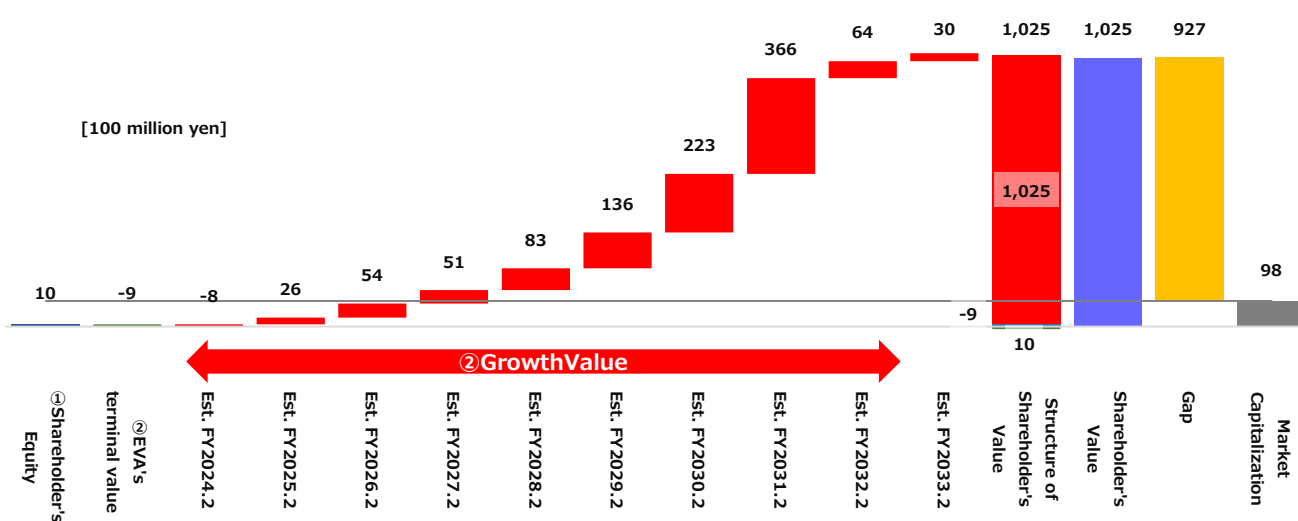
Major assumptions : 1% Share in the Global EV Market

It is very difficult to estimate the value of QS because QS just began EV business. However it would be reasonable to assume that QS could get around some shares, such as 1-5%, in the EV market on the long run, because QS's partner, FOMM achieved around 7% market share in the EV market in Thailand in 2021. Yano Research Institute Ltd. forecasted global new vehicle sales of next-generation vehicles(xEVs) at 50.26 million units in 2030 in a study released in September 2021. On the basis of this figures, and the assumption of that QS would have the 1% share in the EV market in 2030 JPR tries to figure out how much the shareholder's value would increase. The other assumptions for the estimation are listed in the table in the next page.

Over 100 billion yen (1,000 [100 million yen]) might be realized

The details of the financial model are showing in the next page. Below is the visualization how the sales grow, which is explained in the next page, would affects on the value step by step on each year. JPR expects that on the long-run, QS would approach the value over 100 billion yen if they are successfully implementing their "Born in Japan, Sold Globally"- strategy for the next two years. How the figures below are calculated is explained in detail in the section of "Reference". This calculation is based on the excess value valuation or Economic Value Added(EVA)- Valuation which is widely used by the listed companies which integrated the concept of shareholder value in the management system. EVA is also widely used by professional institutional investors for the valuation of the listed companies.

Excess value valuation of Quantum Solutions



[Source] JPR. Market Capitalization is based on the price on May 27th, 2022.

Other assumptions and the financial model

Factors	figures	units/assumptions
The number of global new vehicle sales of EVs in 2030 (Yano Research Institute)	50.26	million units
QS's market share in the global EV market in FY Feb. 2030	1	%
QS's number of sales units of EVs in FY Feb. 2030	502.6	thousand units
CAGR (Sales growth)	10	% in FY Feb 2031- Feb. 2032
	5	% in FY Feb 2032- Feb. 2033
	0	% in FY Feb 2034- Feb. 2035 and later
QS's average unit price of EVs	2	% in FY Feb 2031- Feb. 2032
QS's sales units in FY Feb 2024	5	thousand units ¹
QS's operating profit margin improvement due to the cost reduction through OEM in China which is expected in the full operation from FY 2024	3	% in FY ending Feb 2023
	5	% in FY ending Feb 2024
	15	% in FY ending Feb 2025-later
Invested Capital	-	see the definition in the section of "Reference".
Invested Capital to Sales ratio	30	% see note 2
Discount factor of future cash flow	18	% : Estimated weighted average cost of capital ("WACC", see the definition in the section of "Reference") The equivalent to the max level of WACC of Japanese listed companies JPR calculated on Apr 22, 2022.
Tax rate	30	% : Very conservative assumption because EV enjoys tax advantages.

1. According to Yano Research Institute Ltd. 2. An average figure on the basis of the latest results of listed electronics companies which have "Fab-less" operation calculated by JPR on the basis of the data from FactSet.

[100 millions of Yen]	2023.2	2024.2	2025.2	2026.2	2027.2	2028.2	2029.2	2030.2	2031.2	2032.2	2033.2
Sales	3	100	193	373	721	1,394	2,693	5,203	10,052	11,057	11,610
Operating income	-2	3	19	56	108	209	404	780	1,508	1,659	1,742
Operating margin	-66.7%	3.0%	10.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Sales growth rate		3233.3%	93.2%	93.2%	93.2%	93.2%	93.2%	93.2%	93.2%	10.0%	5.0%
NOPAT margin	-46.7%	2.1%	7.0%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Invested capital turnover ratio	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Percentage-of-year invested capital net sales ratio	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
WACC	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
ROIC = NOPAT margin ÷ invested capital net sales ratio	-155.6%	7.0%	23.3%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
NOPAT	-1	2	14	39	76	146	283	546	1,055	1,161	1,219
Invested capital × WACC	0	5	10	20	39	75	145	281	543	597	627
EVA	-2	-3	3	19	37	71	137	265	513	564	592
EVA = NOPAT - invested capital × WACC	-2	-3	3	19	37	71	137	265	513	564	592
Value created in each year	-9	-10	36	89	99	190	368	711	1,374	285	157
Discount Rate	100%	85%	72%	61%	52%	44%	37%	31%	27%	23%	19%
Present value of EVA	-9	-8	26	54	51	83	136	223	366	64	30
Invested capital ① Origin	1										
Over profit value (Permanent value of EVA of this term) ②	-9										
Growth value (Present value of increase in EVA) ③	1,025										
Non-business asset value ④	8										
Corporate value = ① + ② + ③ + ④	1,025										
Interest-bearing debt, etc.	-0										
Shareholder value	1,025										

[Source] JPR

Potential for early stock price appreciation

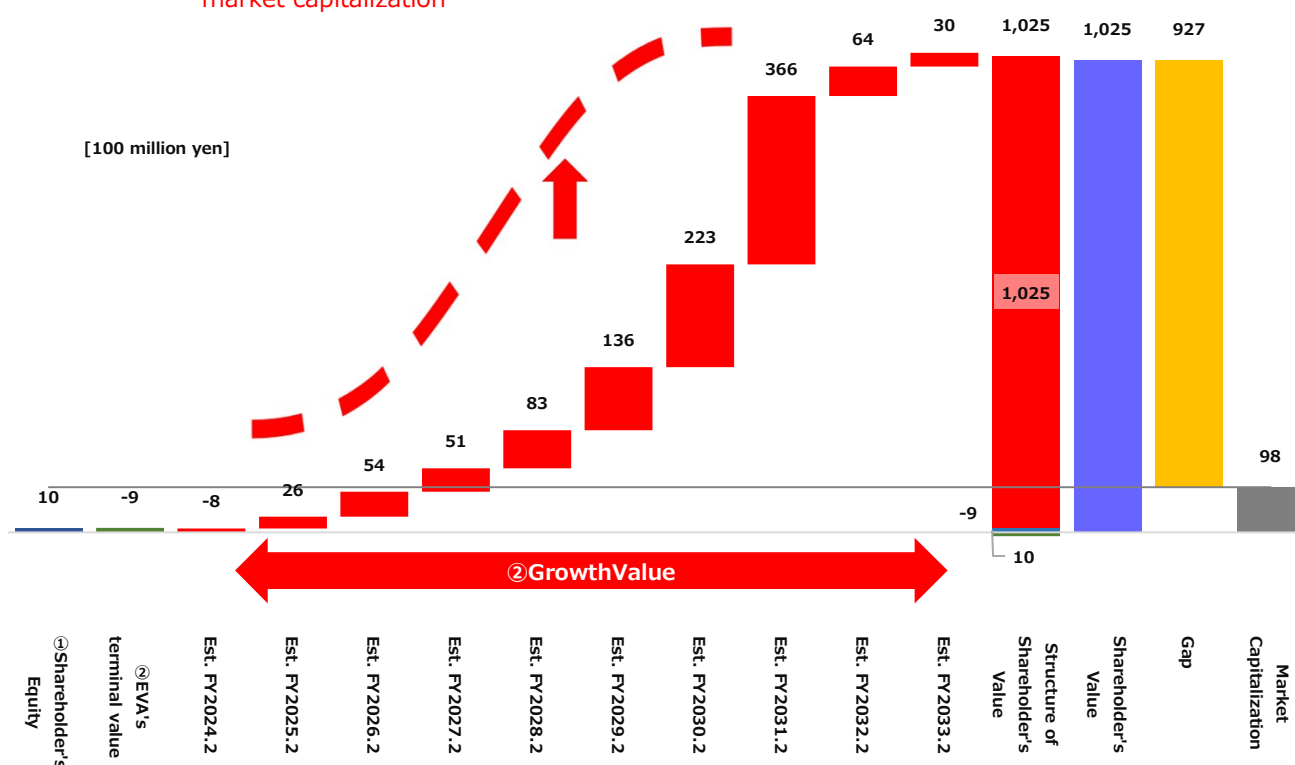
Possibility of accelerated realization of shareholder value

Asset Light/Asset Heavy Strategy

QS will utilize the global network of managers from Shanghai and Hong Kong to optimally develop two strategies in EV business which is explained in detail in the part of "3. Future Story" : an "asset-light strategy" that focuses on business alliances and develops without assets, and an "asset-heavy strategy" in which the company invests on its own. An early disclosure of specific details about these two strategies in the coming years may raise the probability of a production system and a global expansion strategy at an earlier stage. In such a case, expectations for the realization of shareholder value might increase, and it could be assumed that the market capitalization may reflect such expectations at an earlier stage.

Image of the effects of the realization of the concept of the Asset Light/Asset Heavy strategy

Possibility of early reflection of shareholder value expectations from realization of the concept in market capitalization



[Source] JPR

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2.Overviews

Company Overviews



Company Overviews

Company Overviews

Name	Quantum Solutions Co.,Ltd.
Year Established	1999
Representative	Shao Yun
Head Office Location	Kudan VIGAS Building, 1-10-9 Kudan-kita, Chiyoda-ku, Tokyo
Capital stock	2,658 million yen
Number of Employees	Six
Fiscal Year End	February
Business Purpose	Contents development and distribution Software outsourced development
Listing Date	November 19, 2002
Stock Exchange Listings	Tokyo Stock Exchange Standard

Source: Prepared by JPR based on company data

Subsidiaries

Name	Overview	Capital stock	Investment Ratio
FASTEPS SINGAPORE PTE. LTD.	Singapore: Information technology consultants whose main activity is real estate developers as a secondary activity, except cybersecurity.	SGD1	100%
Quantum Automotive Limited	Hong Kong, China: EV and automobile-related business.	HKD400m	100%
Choice Ace Holdings Limited	Hong Kong, China: EV and automobile-related business.	HKD400m	100%
Quantum FOMM Limited <u>Quantum FOMM</u>	Hong Kong: The joint venture has exclusive sublicensable rights to manufacture and sell the "FOMM ONE" in the People's Republic of China, Malaysia, Singapore, Indonesia, and Latin America.	HKD30,000	67%
 PROCARE Eyelash	Japan: Wholesale company specializing in eyelash extension products.	JPY60.26m	100%
Bit One Co., Ltd.	Japan: System solution business	JPY135m	100%
 Cross One Inc.	Japan: In the information and telecommunications industry, Cross One offer products as a total office solution partner by developing outsourcing business and franchise stores for major companies.	JPY10m	100%

[Source] JPR created on the basis of QS's materials etc.

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Company History

Months-Years	
May-1999	Established Zion Ltd. to establish an Internet consulting firm
Feb-2000	Reorganized as Zion Corporation
Nov-2002	Listed on the Tokyo Stock Exchange Mothers market
Jul-2007	Company name changed to Seven Seas Tech Works Co.
Sep-2012	Company name changed to Fasteps Corporation
Jul-2015	Market is changed to the Second
Nov-2015	Acquisition of shares of M&K Corporation (now Pro Care Lab Inc.) (now a consolidated subsidiary)
May-2016	Transitioned from a company with a board of auditors to a company with an audit committee
Jan-2018	Established Mining One Corporation (currently CrossOne Corporation) for virtual currency mining business
Jan-2018	Established BIT ONE HONG KONG LIMITED (now Quantum Automotive Limited) to launch a virtual currency exchange operation business in Hong Kong.
Feb-2018	Established FASTEPS SINGAPOREPTE. LTD. to launch the business of operating a virtual currency exchange in Singapore
Dec-2018	Started virtual currency exchange in Singapore
Feb-2019	Started virtual currency related consulting business
Jul-2019	Head office relocated to 1-10-9 Kudan-kita, Chiyoda-ku, Tokyo
Sep-2019	Company name changed to Bit One Group Inc.
Nov-2018	Established Cross One Corporation as a wholly owned subsidiary of Mining One Corporation (currently Cross One Corporation)
Aug-2020	BIT ONE HONG KONG LIMITED changed its name to Asia TeleTech Investment Limited
Sep-2020	Launched a new business in Hong Kong that uses AI technology to match nonferrous metal transactions.
Aug-2021	Changed trade name to Quantum Solutions Inc.
Aug-2021	Announcement of Establishment of Joint Venture with FOMM Corporation
Sep-2021	New market segment "Standard Market" selected
Jan-2022	Concluded a basic agreement with FOMM, Inc. for the sale and manufacture of EV
Mar-2022	Asia TeleTech Investment Limited (now Quantum Automotive Limited) signs a business alliance agreement with Jiangsu Gongke New Energy Automobile Co.
Mar-2022	Asia TeleTech Investment Limited changes its name to Quantum Automotive Limited
Mar-2022	Discontinuance of the nonferrous metals commerce matching business

[Source] JPR created on the basis of QS's materials etc.

■ Main M&A/ Business Alliance of QS

Months-Years	The Partner	Outline of the Partner	Purpose of the Partnership
Jul-2020	SenseTime Japan Ltd.	Japanese subsidiary of SenseTime, a company engaged in research and development of artificial intelligence and face recognition technology based on deep learning technology.	Purchase and sales of products using the company's artificial intelligence technology based on its deep learning technology
Oct-2020	Viettel Business Solutions Corporation	B2B ICT solution business at a branch of ViettelGroup (Vietnam Telecom)	Collaboration in related businesses that integrate 5G and AI technologies
Jul-2021	FOMM Corporation	R&D-oriented mobility manufacturer that plans and develops mobility through creative design technology	Launch of new business and capital and business alliance with FOMM, Inc.
Jan-2022	FOMM Corporation	same as above	Exclusive manufacturing and sales of FOMMONE in the target region
Mar-2022	FOMM Corporation	same as above	Execution of a contract with FOMM to outsource the manufacturing of electric vehicles in Thailand and borrowing of funds
Mar-2022	Jiangsu Duke New Energy Vehicle Co., Ltd.	A Chinese EV manufacturer established over 10 years ago. The company has a track record of developing, manufacturing, and selling more than five models in China, Indonesia, and other countries, and possesses quick-charging and energy storage technologies that enable a vehicle to travel 600 km on a 15-minute charge.	Reduce manufacturing costs of EVs, develop technologies, sell EVs in target regions, and develop vehicles that comply with laws and regulations in each country

[Source] JPR created on the basis of QS's materials etc.

Major business alliances, etc., excerpted from FOMM press release

Months-Years	partners	Outline of Partners	Purpose of the Partnership
Oct-2017	YAMADA DENKI Co.,Ltd.	Largest consumer electronics retailer	FOMM forms a capital and business alliance with Yamada Denki, one of the largest electronics retailer in Japan promoting a comprehensive environmental business. FOMM aims to build a next-generation mobility business that goes beyond environmental considerations as an EV manufacturer.
Nov-2017	FUNAI ELECTRIC CO., LTD.	An electrical equipment manufacturer that mainly manufactures and sells audio/visual equipment	FOMM forms a capital and business alliance with Funai Electric, which will further accelerate the production of compact electric vehicles that maximally contribute to the environment by combining FOMM's development technology with Funai Electric's production system.
Oct-2018	Shikoku Electric Power CO.,Inc.	In addition to the electrical business, the company is involved in the information and telecommunications, construction and engineering, and energy businesses, as well as the manufacture of electrical equipment and other products, trading, real estate, transportation, and services, and research and development related to the electrical business.	By combining the knowledge and technology of Shikoku Electric Power Company, which has been promoting community-based initiatives, and FOMM, we will be able to realize mobility services suited to local communities in Shikoku and build a new electric power business utilizing EVs. FOMM's knowledge and technologies will be combined with those of Shikoku Electric Power Company, which has been promoting community-based initiatives, to realize mobility services suited to local communities in Shikoku.
Apr-2019	Shanghai Huizhong Automotive Manufacturing Co., Ltd.	A wholly owned subsidiary of Huayu Automotive Systems Corporation (HASCO), with two R&D centers and 19 production sites in China.	Jointly develop EV platforms for next-generation vehicles by combining FOMM's compact and lightweight technology with SHAC's expertise in cost reduction.

[Source]FOMM WEB site <https://www.fomm.co.jp/news>

Shareholders

rank	Name	Number of shares held	Number of shares held	Shareholding ratio (%)
1	PHILLIP SECURITIES CLIENTS (RETAIL)	2,490,054	21.30	5/11/2022
2	INTERACTIVEBROKERSLLC	2,003,300	17.10	5/11/2022
3	KGIASIALIMITED-CLIENTACCOUNT	1,871,500	16.00	5/11/2022
4	OKASAN INTERNATIONAL(ASIA) LIMITED A/C CLIENT	1,574,490	13.50	5/11/2022
5	SCBHK AC SUN HUNG KAI INVESTMENT SERVICES LIMITED - CLIENT AC	799,600	6.80	5/11/2022
6	KGIASIALIMITED-CLIENTACCOUNT(2)	621,600	5.30	5/11/2022
7	BNP PARIBAS SECURITIES SERVICES SINGAPORE/JASDAC/UOB KAY HIAN PRIVATE LIMITED	398,300	3.40	5/11/2022
8	Kazuya Hirose	115,500	0.90	5/11/2022
9	SAXO BANK A/S(CLIENT ASSETS)	100,000	0.80	5/11/2022
10	Nobuaki Honda	97,000	0.80	5/11/2022

[Source]QS's materials

3.Future Story

History since inception

Six consecutive fiscal years of losses since 2017

MicroEVs a pillar of growth

Maximizing human networks in Japan and Hong Kong/China

A History of Setbacks in the Pursuit of Innovation

Seek next growth business

The company was founded in 1999 by Mr. Hitoyuki Kobayashi, who was involved in building data communication services for NTT DoCoMo. The company grew with consulting on cell phone internet technology and system construction for mobile carriers as its core business, and was listed on the TSE Mothers in November 2002. While earnings growth in its core business has been sluggish due to the technological changes, the company has been trying to expand its business by entering the crypto asset and blockchain fields since 2017. However earnings growth has been not improving and the company has been in the red for six consecutive fiscal years since 2017. Its current mainstay business is eyelash salons operated mainly in Tokyo by a subsidiary acquired in 2015. The eyelash salons have also seen stagnant earnings amid the Corona pandemic, and the company has continued to search for its next growth business.

Started EV business initiatives due to change in management

After struggling to expand its business, in 2020, QS welcomed top managers from Hong Kong. As a result, the company has a unique management structure with human networks in Japan and Hong Kong/China. In order to take full advantage of these characteristics of top management team, the decision was made to make MicroEVs a pillar of growth, which, although a late starter, has a potential to become a global leader by optimizing the technological strengths of Japan and China. In August 2021, QS agreed to establish a joint venture with FOMM Corporation ("FOMM"), a Japanese venture company specializing in small EVs, to promote EVs as a new business and develop them into a growth pillar.

Management Team



Ms. Shao Yun (邵雲) – Chief Executive Officer

- Joined Quantum Group to become the CEO in May 2020.
- Director of business development of a licensed virtual currency exchange in Japan from January 2019 to April 2020



Simon Zhang (張鋒) – Chief Executive Officer (Quantum Automotive, Quantum FOMM)

- Joined the firm in April 2022; CEO of Quantum Automotive and Quantum FOMM.
- EMBA from Tsinghua University, China; MBA from HEC Paris
- Consecutive Investment Division Manager of AXA Group Holding and Grisons Peak LLP; Executive Director of Merrill Lynch Asia Pacific and CEO of China HKBridge Holdings; and Vice President of China Wanda Group Capital and Legal Center



Kazuo Ishikawa (石川 和男) – Director (Audit & Supervisory Board Member)

- Joined on May 26, 2022.
- He joined the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry) in April 1989, and has served as a Planning Officer in the Cabinet Secretariat and as a member of the Green Innovation Working Group of the Subcommittee on Regulations and Policy Revolution in the Government Revitalization Unit of the Cabinet Office, as well as teaching at several universities. He has been a visiting professor and full-time professor.
- He is the author of numerous books. He has appeared on numerous television programs as a controversialist. He has a wide range of insight on business and government.

[Source] Company materials

values and worldviews

A New Tomorrow
A New Future

Creating the "!" of
technology



comparable to
Tesla in Thailand

energy saving and
resources

ease to use for
everyone

environment-
friendly

contribution to
the local economy

What QS thinks important

The Key to A Brand New Future The Drive to Your Innovation

As a company that pursues "What do people need?", QS focuses on innovative and current trends, and is constantly searching for new businesses that are "breakthrough" and "revolutionary", and new-generation businesses that can win in the global market. Based on the partnership with FOMM, in August 2021, QS announced its strategy of "Born in Japan, Sold Globally".

"Electric car" of new "ideas"

FOMM, QS's joint venture partner, is targeting the global market with a new "idea" of "electric vehicles" and aims to provide technology that will impress customers around the world with its philosophy of "imagination and action". The company aims to contribute to global environmental conservation by expanding its EV business in emerging countries where the automobile market is growing, and by developing the small EV industry globally through a licensing system that contributes to CO2 reduction from manufacturing to disposal. And to "contribute to local economic development", FOMM is building a "Micro-Fab System" where people in emerging countries can assemble their own small EVs that can be sold at low prices in the future and generate income.

Becoming a World Leader in Compact EVs

Leverage FOMM's achievements of a 7% market share in Thailand's EV market

In 2021, FOMM achieved a 7% market share in Thailand's EVs market, where the world leaders in EVs are competing fiercely, thanks to a track record of EVs registrations that rivals Tesla's in the Thai EVs market. QS aims to become one of the global leaders in MicroEV as FOMM achieved in Thailand, backed by a high level of trust in the Japanese brand, increasing demand for environmentally friendly small EVs, and manufacturing cost competitiveness in China.

Contribution to Sustainability

In addition, product suppliers are promoting the establishment of environmentally friendly battery recycling systems. In addition to that they are trying to contribute the development of the local economy through licensing the MicroEV fab to the local manufacturing companies as mentioned already. They also focuses on the user-friendly interface using Internet for ease of use that leaves no one behind. The followings can be listed as are the list of SDGs QS would contribute.

■ The Potential list of SDGs QS contributes



[Source] JPR

Creating a New Form of Vehicle

Striving to realize the ultimate vehicle, the "Kinto-Un"



FOMM's Overview

Based in Kanagawa Prefecture, FOMM is a venture company founded in 2013 by automotive engineers who had been engaged in the development of small cars and small electric vehicles at Suzuki Motor Corporation and Toyota Auto Body Corporation, and have been promoting R&D, design, production, and battery technology development for small EVs since its establishment. They established factory in Thailand with production capacity of 5,000 units per year. EV sales in Thailand started in April 2019. EV sales in Japan started in January 2021. As explained, in August 2021, they they agreed on forming a joint venture with QS. In January 2022, the company will sign a license agreement with the joint venture to advance into the global market.

FOMM's operation



Operation in Thailand



[Source] JPR created on the basis of QS's materials etc.

FOMM's promotion activities

Tokyo Motor Show 2019



Bangkok International Motor Show



[Source] JPR created on the basis of QS's materials etc.

Strategy & Business Model

Developing the best small EV for the market

Organization maximizing the wisdom of Japan, China and Hong Kong

What is most noteworthy about QS is that it is a system that brings together the wisdom of Japan, China and Hong Kong. By combining the wisdom of China, which has become the world's largest EV market, and the wisdom of Japan, which is currently the world leader in the automotive industry, a system has been established to develop a unique strategy to become a global leader in EVs despite its late start. EX-Toyota Group engineer (Mr. Tsurumaki, CEO of FOMM) is deeply involved in the management of the company, and in collaboration with the management from Hong Kong, they are designing a global strategy that combines the wisdom of China and Hong Kong with the wisdom of Japan.

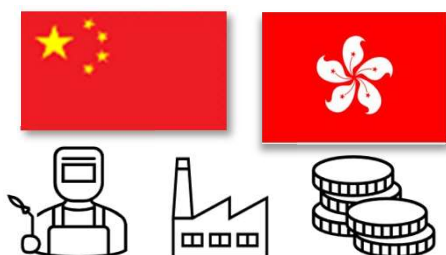
Organization maximizing the wisdom of Japan, China and Hong Kong

Wisdom of China and Hong Kong

Global Human Network

Production Capacity of EV

Experience from the largest EV market

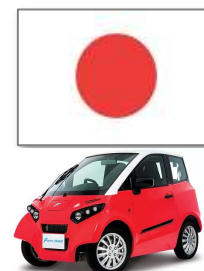


Wisdom of Japan

Quality

Design Technology

Trusted Brand



CEO



Shao Yun

Management Division

General Affairs

Finance and Accounting



Mobility Division

Production and Distribution

- Lease of factory
- Parts Sourcing
- Production
- Distribution
- After sales service

Mobility Service

- Planning & developing
- Mobility-as-a-Service planning

Mobility Technology

- Body design
- Electric equipment and system
- Technical management
- Quality Assurance

[Source] JPR created on the basis of QS's materials etc.

Characteristics of Business Expansion Strategy

Asset Light/Asset Heavy Strategy

QS will utilize its global network of managers from China and Hong Kong to optimally develop two strategies: an "asset-light strategy" that focuses on business alliances and develops without assets, and an "asset-heavy strategy" that invests on its own. By flexibly combining these two strategies, QS aims to achieve high growth while improving capital efficiency.

Asset Light Strategy

QS aims to build a platform for flexible expansion based on proprietary intellectual property. Aim to achieve growth while lightening the capital burden by working with strategic partners to jointly develop flexible sales channels, secondary development, and production lines in response to increasing demand.

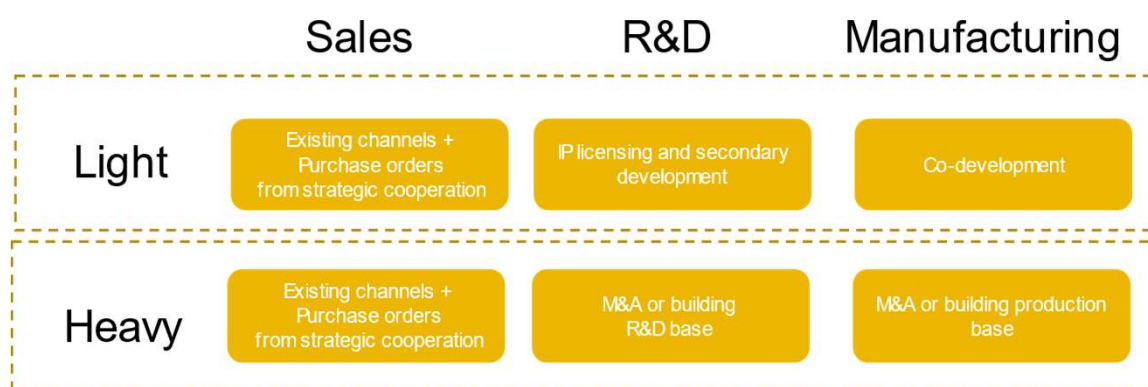
Asset heavy strategy

The company will invest in-house in platforms that integrate online and offline services, important service locations, battery charging-related stations, and important R&D and production infrastructure.

Agile Financing

The company will flexibly implement investments with funding from funds and banks, and pursue a variety of vehicle models, diverse market development, and high scale-up potential in the future.

■ Asset Light/Asset Heavy Strategy



Aiming for flexible growth with as few assets as possible through various alliance strategies. Currently negotiating alliances with a variety of global companies

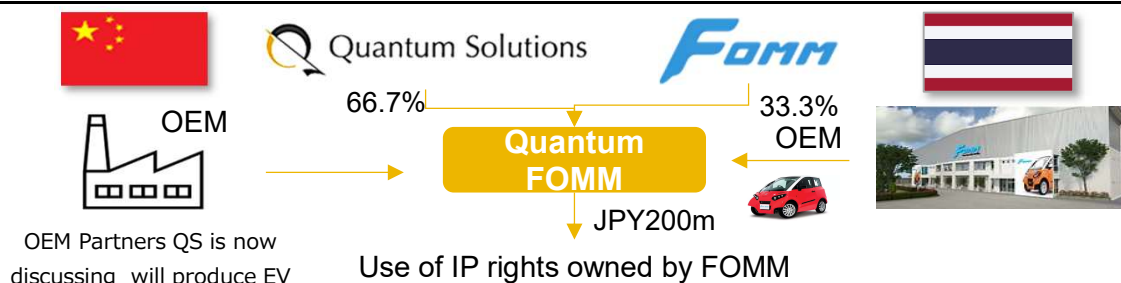
[Source] JPR created on the basis of QS's materials etc.

"BORN IN JAPAN, SOLD GLOBALLY"

Production chain

FOMM designed MicroEV brand in Japan, one of the few approved by the government, with kei-cars, Japanese-unique-type of small cars with 40 % of all cars sold in Japan, huge market potential. QS is preparing the rollout of sales channels and global mass distribution of FOMM. QS established a JV, Quantum FOMM(QF), with FOMM as the following figures and QF is entering the EV market by acquiring production and distribution rights from FOMM. Although production was suspended in 2021 due to the impact of the pandemic the production facility is currently located in Thailand. QS is now seeking OEM partners in China where production cost would 20-30% lower than in Thailand.

Quantum FOMM's investment structure and production system

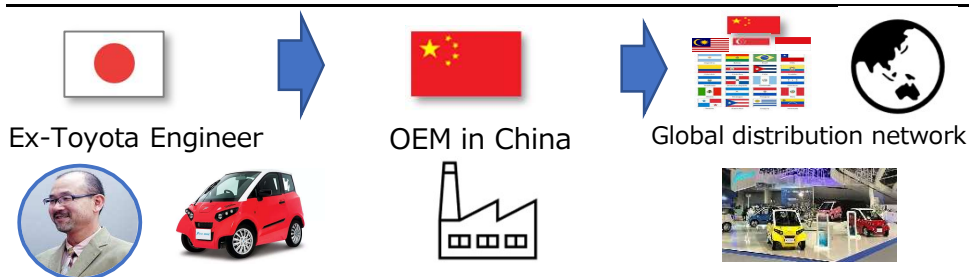


[Source] JPR created on the basis of QS's materials etc.

Core strategy

The catchphrase that has been adopted as the strategy for combining the wisdom of China and Hong Kong with that of Japan is "BORN IN JAPAN, MADE IN CHINA, SOLD GLOBALLY". QS will adopt a strategy to develop, produce, and sell the most suitable MicroEVs for the market in stages, with the EV business by QF as the framework for growth.

"BORN IN JAPAN, MADE IN CHINA, SOLD GLOBALLY"



[Source] JPR created on the basis of QS's materials etc.

Developing the plan to be leader in EV

"BORN IN JAPAN"-strategy

QS's partner, FOMM has a leading "MicroEV development capabilities" .

QS's partner in Japan, FOMM is notable for 1) developing the world's smallest 4-seater compact EV, "FOMM ONE", which has been in the mass production in Thailand since 2019 and was approved as a Japanese kei car standard in 2021; 2) developing a "float drive" that floats on water even in floods and an easy-to-use battery charging and replacement system; and 3) participating in various government renewable energy projects.

"BORN IN JAPAN"-FOMM ONE

is one of the smallest 4-seat EVs in the world



Model	FOMM ONE (kei-car)	Toyota C+pod (Super-mini)	Nissan Leaf EV	Nissan E-NV200
Length (mm) *Width (mm) *Height (mm)	2585*1295*1550	2490*1290*1550	4480*1790*1540	4560*1755*1845
Wheelbase (mm)	1760	1780	2690	2725
Maximum Speed (km/h)	80	60	144	120
Recharge Mileage (km)	166	150	311	317
Recharge Time (h)	7.5	5	8	8
Weight (kg)	620	670 - 690	1523 - 1544	1592 - 1619
Number of Seats	4	2	5	5

[Source] JPR created on the basis of QS's materials etc.

Car sharing service in Japan to be introduced

FOMM ONE is the first car-sharing service in Japan to be introduced in the Omiya and Saitama-shintoshin area by Saitama City, ENEOS Holdings Corporation, and Open Street Inc., and has been well received.

Float-Drive

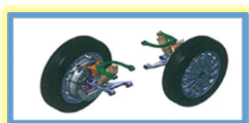
FOMM One is waterproof and floats. FOMM One's capability to float on water is a highlight feature dealing with the climate of the local markets. Japan is an earthquake-prone country, and the likelihood of tsunamis and floods is relatively high. In Thailand, flooding often occurs during the monsoon season. For both countries, the ability to float on water is attractive.

Steering Accelerator System

The unique control system, in which the pedal is operated by a hand-held gas pedal lever, provides excellent interior space efficiency. It is expected to prevent "mis-step accidents" by the elderly, which are on the increase in Japan, by pursuing new operability that is easy for everyone to use.

In-wheel Motor System

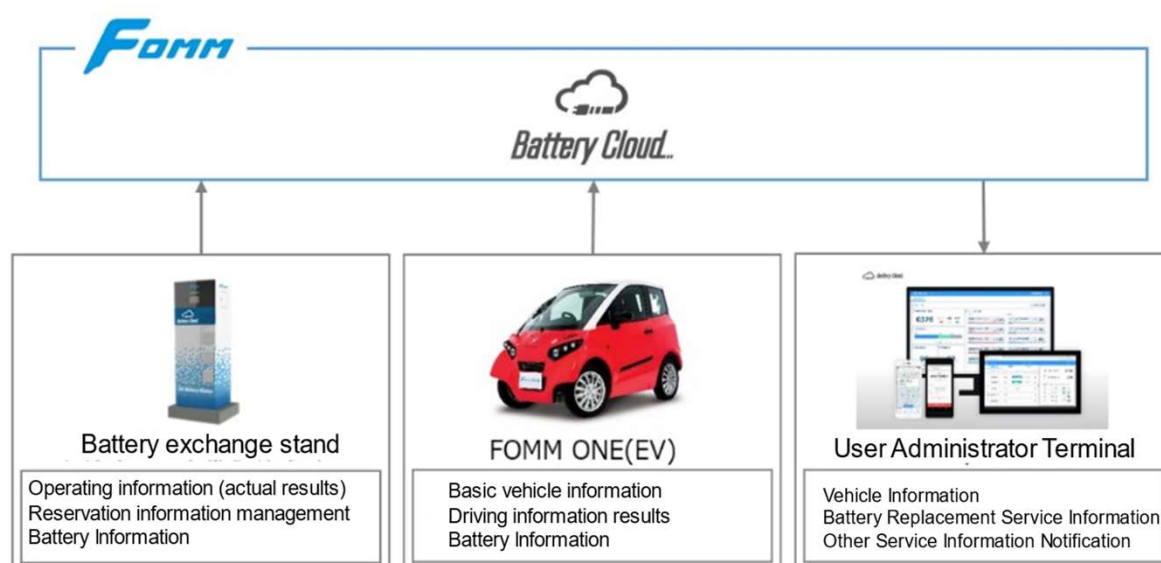
Reduction of assembly parts in the main process by modularization. Improved driving performance, space efficiency, and power consumption. During deceleration, the rotation of the wheels is converted into regenerative energy to extend the driving distance.



Swapping Battery System

FOMM is not limited to small EVs, but is developing a proprietary system to manage the replacement program for the small cassette-type batteries installed in EVs. Battery Exchange Station allows car owners to replace their batteries by technicians. Battery Cloud Station is also designed for charging battery, which is fully developed and has prototypes in Japan and Thailand. Replacement can be finished within 5 minutes with professional assistance.

■ "BORN IN JAPAN" Battery Cloud



[Source] Company materials

Battery Manufacturer

DuraPower Group provides their battery's and is specialized in research, design, manufacturing and system integration of advanced lithium battery technology.

Proprietary "Battery Cloud®" system

The Battery Cloud® system is FOMM's proprietary battery charging and replacement technology. Development of the Battery Cloud® system has been completed up to the prototype stage, with prototypes in Japan and Thailand. QS is in discussions with several large Japanese companies to make this happen with government support.

Future "MADE IN CHINA"-Strategy

35-45% cost reduction through "MADE IN CHINA" - capability

FOMM ONE is currently manufactured at a plant in Thailand, but in the future, the company plans to promote a "Made in China" strategy in which the product will be manufactured in China. If production is completely shifted to China, a 35% cost reduction is expected.

Summary of cost reduction analysis

Factor	Sub-factor	Previous Cost (CNY)	Estimate Cost (CNY)	Percent Savings
Production / Sourcing	Labor	CNY ~3,000	CNY 1,500-3,000 per vehicle*	0%
	Parts Sourcing	CNY ~68,840	CNY ~39,238	43%
Government	China VAT	--	Rebated to manufacturer	0%
	China Dual Credit	--	CNY ~2,500-3,000 per vehicle (split between manufacturer and FOMM)	3%
	Import Fees	Free (Japan) -- (Thailand)	Free (Japan) Free (Thailand)	0% 0%
Shipping	International Freight	CNY ~5,800 (Thailand to Japan) CNY ~ 0 (Sell in Thailand)	CNY ~1,900 (China to Japan) CNY ~5,800 (China to Thailand)	-30%
Design & Feature Changes	*dependent upon Quantum FOMM strategy and outsourcing partner			
TOTAL	To Japan	CNY ~77,640	CNY ~42,638	45%
	To Thailand	CNY ~71,840	CNY ~46,538	35%



OEM in China

35-45%
Cost reduction

[Source] JPR created on the basis of the material provided by QS

Subsidiary in Hong Kong is in discussion with OEM partners in China

QS's 100% owned subsidiary in Hong Kong, Quantum Automotive Limited (Quantum Automotive), is responsible for developing production capacity in China through OEM contracts with EV manufacturing companies in China. Currently Quantum Automotive is in discussion with Duke New Energy Vehicle Co. Limited (Duke), a developer and manufacturer of electric vehicles based in Jiangsu, China. The partnership aims to develop customized EVs and other vehicles developed by FOMM for markets around the world, manufacture them on an OEM basis in China, and begin full-scale global sales as soon as possible. "MADE IN CHINA" would reduce the production cost by 45% compared to that of Japan and 35% compared to that of Thailand.

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To develop vehicles that comply with country-specific laws and regulations with OEM partners

Fast-charging technology capable of driving 600 km in 15 minutes

Enabling more rapid scale-up with multiple OEM strategies

An OEM Partner Candidate

Quantum Automotive Limited, a Hong Kong subsidiary of QS, has entered into a business alliance agreement with ATT and Chinese EV manufacturer Jiangsu Duke New Energy Automobile Company Limited ("Jiangsu Duke") in order to reduce manufacturing costs, develop technology, sell vehicles in the target regions, and develop vehicles that comply with regulations in the respective countries. ("Jiangsu Duke") and Jiangsu Duke have entered into a business alliance agreement. Both parties plan to reduce the manufacturing cost of EVs, develop technologies, sell EVs in the target regions, and develop vehicles that comply with the laws and regulations of each country. Jiangsu Duke is a Chinese EV manufacturer that has been in business for more than 10 years, and has developed, manufactured, and sold more than five models in China, Indonesia, and other countries. In addition, the company has established its own sales network not only in China but also in Indonesia and other countries.

Characteristics of Jiangsu Duke, a potential OEM partner

Year established	August 2011
Achievements	Development, manufacturing, and sales of more than 5 models in Indonesia and other countries
Technologies	Rapid charging and energy storage technology that enables a 600-kilometer run on a 15-minute charge Manufacture of all-aluminum chassis"
Sales network	established own sales network not only in China but also in Indonesia and other countries

[Source] JPR created on the basis of QS's materials etc.

Promote multiple OEM partner strategy

In addition to Jiangsu Duke, QS is negotiating with several other EV companies to become OEM partners. By working with multiple OEMs, QS aims to build a system that allows for more flexible and easier scale-up.

"SOLD GLOBALLY"-Strategy

Developing global distribution network

QS plans to establish a sales network in Japan and Thailand in FY2022, to be followed by a global sales network in China, Malaysia, Singapore, Indonesia, Latin America, and other regions from FY2023 to FY2024.

"SOLD GLOBALLY"-capability is developing stepwise

FY2022



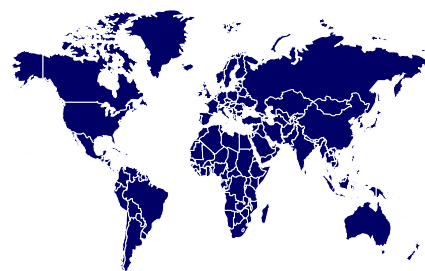
Planning distribution in existing markets through contracted dealers in Japan and Thailand

FY2023~



Develop in exclusive markets in China, Malaysia, Singapore, Indonesia and Latin America

FY2024~



Develop in rest of the world

[Source] JPR created on the basis of the material provided by QS

Leader in MicroEV in Thai Stepwise world development

Development plan

They created the gradual develop plan as the followings. The table below explain the gradual development plan to become a leader in EV global market.

Short term

QS focuses on the production relocation to left-hand-traffic countries, such as Malaysia and Indonesia for existing markets. QS is looking for more efficient and cost-effective supply chain network. They are collaborating with local OEM partners and is gaping to achieve meaningful reduce cost to position for large scale international distribution.




Medium term

QS is planning to have production expansion to right-hand traffic countries, such as China. China has the most efficient supply chain network in the mid-term. Lower cost allows for lower selling price with higher margin. QS is among to sell to developing Latin American markets with aggregate population of more than 654 million in 2021.

Long term

QS would be leveraging on the then global production base covering both left-hand-traffic and right-hand-traffic countries, expand their product portfolio with utility vans and two-wheels drive.

Development Plan

	Immediate	Short Term	Medium Term	Long Term
 Production	OEM production of FOMM ONE in Thailand	Model change of FOMM ONE (and re-homologate) and manufacture in left-hand-traffic country (Thailand, Indonesia or Malaysia)	Design future EV models and manufacture in China or other right-hand-traffic homologated countries	Expand product portfolios into utility vans and 2 - wheels drive
 Distribution	Distribute FOMM ONE in existing Japan and Thailand	Distribute modified -FOMM ONE in Japan and Thailand, as well as other left-hand-traffic countries (ie. Indonesia, Malaysia, Singapore)	Distribute future EV models in right-hand-traffic countries (ie. China, Taiwan, Latin America)	Distribute suite of EV products globally
 Strategy	Speed to market to meet current demand	Significant cost reduction to position for large scale distribution in left-hand-traffic countries	Expansion into right-hand-traffic country	Production diversification

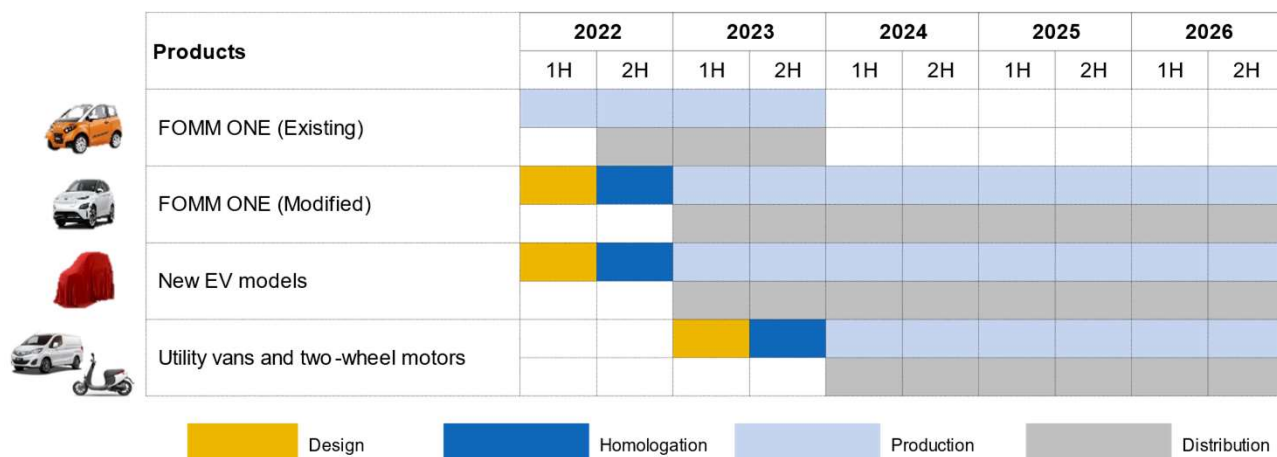
[Source] JPR created on the basis of the company materials

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Product development

The markets in the regions where QF will gradually manufacture and sell ultra-compact EVs will be as follows. QS is in the discussion with local partners to create distribution network. One of them is "Duke".

Product Roadmap

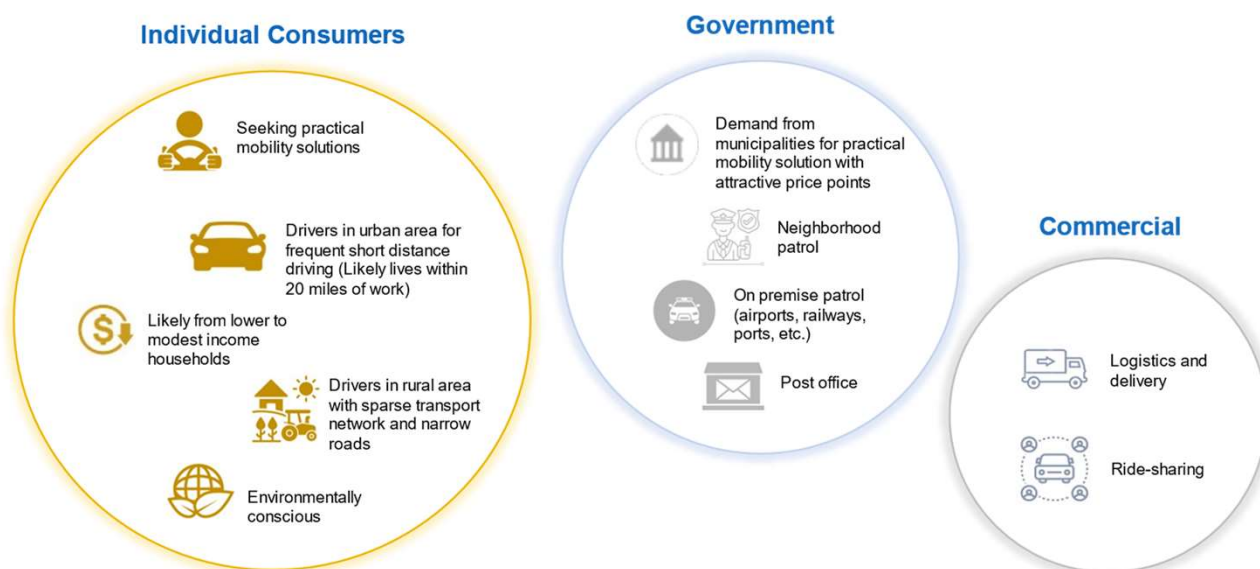


[Source] JPR created on the basis of the company materials

Target customers

QS is aiming to target various kinds of customers.

Target Customers



[Source] JPR created on the basis of the company materials



Target 1: Japan

Government Policies Driving the Demand for Electric Kei-Cars in Japan

There's promise for battery electric kei-cars in Japan with new BEV related policies and prevalent high demands. Japanese government has set the goal to be net-zero emissions by 2050; By the mid-2030s, all sales of new gasoline-only vehicles will be halted and Japan intends to ban gasoline-only car sales. The Japanese government is offering to subsidize our electric vehicle of JPY348,000 (i.e.,US\$2,722). According to the consultant engaged by QS, number of new EVs registration in Japan would be around 2 million units in the year of 2030.

Demand in the rural area and the rapidly aging population

The micro car has the advantage of being a small car with all the necessary features, making it particularly popular in rural regions, where public transportation alternatives do not exist.

The rapidly aging population drives demand for same and easy to drive cars, which makes electric kei cars extremely popular amongst the elderly.

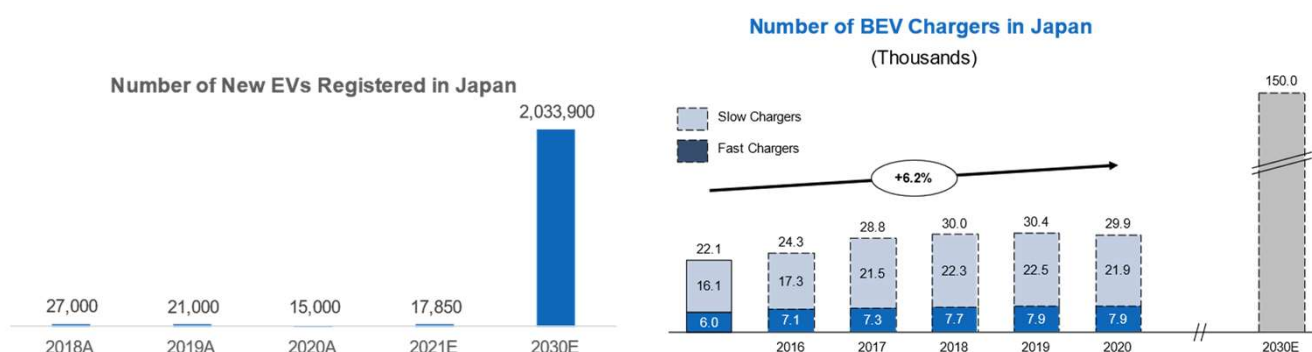
The increase in number of BEV chargers

It is expected that 150,000 BEV chargers will be installed in Japan in 2030. As adding battery technology to a kei-car will drastically increase its cost and dampen its competitive edge, Japan's Ministry of Economy, Trade and Industry will help lower the price of electric kei models by supporting research and development into smaller BEV batteries.

EV Development Project by Ministry of the Environment

In August 2021, the Ministry of Environment of Japan listed FOMM as one of the participants of its Replaceable Batteries for Electric Vehicles and Utilization of Renewable Energy Development Project.

Expected EV Market Size and Number of BEV Chargers in Japan



[Source] Research sponsored by Quantum Solutions.

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Target 2: Thailand

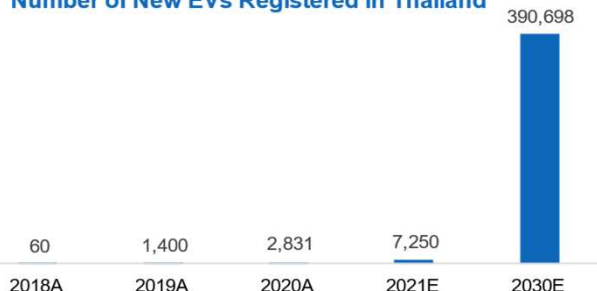
Thailand is Pushing Out Stimulus and Poised to Become a Dominant Market for Electric Vehicles

Thailand is aiming to have EVs account for 50% of its automotive production by 2030, and the Thai government will ban sales of new petrol and diesel cars by 2035. In November, 2020, Thailand BOI¹ approved a new EV Package and over \$1.1Bn USD (35Bn Baht) in large investment projects. Offering qualified projects with a 3-year tax holidays for PHEVs and BEVs and additional incentives for the production of both battery modules and battery cells. Infrastructure support, including charging stations and powers grid management are developing rapidly to enable comprehensive and integrated EV implementation. At least 12,000 EV charging stations and 1,450 battery swapping stations will be set up nationwide by 2030.

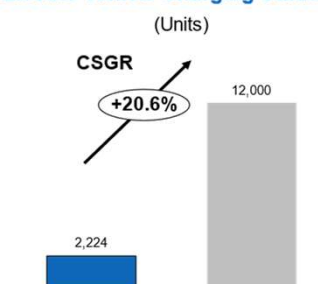
1: Board of Investment of Thailand (BOI): Investment promotion agency under the Thai Ministry of Industry responsible for formulating investment policies, approving investment projects, and granting benefits.

Expected EV Market Size and Number of BEV Chargers in Thailand

Number of New EVs Registered in Thailand



Number of Electric Vehicle Charging Stations in Thailand

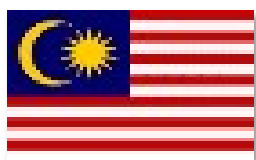


[Source] Research sponsored by Quantum Solutions.



Target 3: China

Vehicle OEMs can leverage subsidiaries from China's "Dual Credit" policy. The "Dual Credit" policy issued by the Ministry of Industry and Information Technology (MIIT) in 2017, allows vehicle OEMs that fail to meet fuel consumption control requirements to offset negative credits from excess fuel consumption with new energy credits they generate, or by buying new energy credits from other companies. The unit price of new energy credits in China has risen from RMB 300-500 initially to RMB 2,500-3,000 in 2021.



Target 4: Malaysia

Malaysia and other countries also support the development of EVs and provide policies support.

Malaysia government proposes EVs will benefit from a road tax exemption of up to 100%, while an income tax relief of up to RM2,500 will be provided on the cost of purchasing and installing, renting or taking up hire purchase facilities.

The Indonesian government is offering incentives, EV-related manufacturing companies are proposed to enjoy import tariff reductions for machinery and materials used for EV production.

Sustainability

Sustainable mobility by EVs and battery recycling

Environment

MicroEV

QS aims to make the EV business, which involves the manufacture and sale of MicroEV, the axis of its growth. By doing so, the company will contribute to the reduction of carbon dioxide emissions by promoting the spread of high-quality, low-cost EVs.

Battery Recycling

The batteries QS uses will be reused as their capacity decreases. QS aims to reduce environmental impact and costs by reusing them for emergency batteries and stationary storage batteries in stages, and finally material recycling them.

Society

MicroEV

The widespread use of high-quality MicroEV, such as FOMM ONE, will contribute to the realization of mobility that leaves no one behind, such as car sharing in urban areas and securing means of transportation in rural areas.

Steering Accelerator System

In addition, the steering accelerator system, which allows the driver to operate the accelerator by hand, will contribute to reducing the number of accidents caused by misplaced brake pedal pressure.

Governance

Risk

QS's governance risk is that manufacturing in China is key to both rapid growth and cost reduction which is still under discussion and not determined. If the business alliance is difficult or aborted, or if problems arise after the conclusion of the agreement, manufacturing will be done in Thailand, which may result in only manufacturing 5,000 units per year at this time.

Cost of capital

Given these risks, QS's cost of capital at this time is higher than that of other EV operators. QF will use Chinese capital. China has a more systematic supply chain for managing vehicle chassis and structure, more experienced manufacturing techniques and a more complete production line.



SDGs

No Poverty

QS and FOMM can contribute to the improvement of economic wealth by supporting industries in developing countries through the "Micro-fab" system.

Affordable and Clean Energy

The Battery Cloud® operated by FOMM can contribute to the supply of clean energy when combined with renewable energy. The batteries can store energy produced by renewable energy facilities, complementing the weak points of renewable energy generation.

Decent Work and Economic Growth

Through the widespread use of high-quality ultra-compact EVs such as the FOMM ONE, QS will contribute to the realization of mobility that leaves no one behind, such as car sharing in urban areas and securing means of transportation in rural areas.

Industry, Innovation and Infrastructure

QS and FOMM is leaders in MicroEVs and contributes the industry, innovation and infrastructure of the global EV markets.

Reduced Inequality

QS and FOMM can also contribute to reducing inequality in income opportunities through the "micro-fab" system.

Sustainable Cities and Communities

MicroEVs are tools for the friendly transportation for anyone in any area and contribute to the prosperities in the communications through the physical barrier free-transformation for anyone in the cities and local area.

Responsible Consumption and Production

Battery cloud system also implement an environment-friendly recycling system of battery, and the used batteries can be reused for various other purpose, such as the battery for emergency or battery for storage as a part of energy system as a whole, lengthening the life-time of battery and reducing the production costs of battery.

Partnerships for the goals

QS is very focused on a strategy of achieving its goals through diverse partnerships.

4. Financial performance in FY Feb/2022

Future
created by
Japanese &

Consolidated results

Focus on EV business

The mainstay eyelash salon business is struggling due to the impact of the new coronavirus and other factors. The company has found a way to make the most of its 5G and AI-related business and established a joint venture with a Japanese EV manufacturer, but the joint venture has yet to contribute to the company's performance. In April, the company will begin manufacturing and selling electric vehicles, which is expected to become a new pillar of its business.

Business Segment

System Solutions Business

As a part of its 5G and AI business, the company established a joint venture with a Japanese EV manufacturer and began manufacturing and selling EVs, with sales starting in April 2022, but the division's earnings fell short of the previous fiscal year's (FY02/22) earnings.

Eyelash Care Business

Although one store was closed in FY02/22, the number of customers visiting increased 9.7% YoY due to the introduction of new menu items. However, the unit price of new menu items declined, and new products were developed in the merchandise division. Sales in the merchandise division declined 79% y-o-y due to the lower unit prices of new menu items and delays in the development and launch of new products in the merchandise division. Division revenues and profits declined.

Outlook in FY Feb 2023

QS has in FY ending February 2023 another negative profit because they invest more than creating revenue. In Elylash care business is expected to be slightly positive. The investment in EV business makes the profit negative also in this fiscal year as well.

Results

FY	Sales(YoY)		Op. Profits (YoY)		Ord. Profits (YoY)		Net Profit (YoY)	
	JPY 1 mil.	%	JPY 1 mil.	%	JPY 1 mil.	%	JPY 1 mil.	%
Actual FY Feb 2022	256	4.5%	-360	nm	-311	nm	-280	nm

*Comprehensive income FY February 2022 △ 170 million yen

[Source:]Prepared by JPR based on company data

Reference

Corporate value
estimated by use of
ROIC and excess
return

Excess return analysis framework

Excess profit or economic value added is globally used as an indicator to estimate corporate value, evidenced by its adoption by Kao Corporation, a Grand Prix winner of the Tokyo Stock Exchange Fifth Corporate Value Improvement Award (FY2016). In the calculation of excess return, corporate value can be broken down into four elements: invested capital, excess return value, growth value, and non-business assets. This facilitates a better understanding of the structure that creates corporate value. A company might be overvalued or undervalued when its market cap is higher or is lower than its theoretical corporate value, respectively. The contribution of each year's corporate value can be visualized in the following figure, wherein shareholders' equity is simply represented as a sum of invested capital and non-business asset, subtracting interest-bearing debts. The figure below allows us to estimate how many years of growth might be incorporated into the stock price.

Breakdown of corporate value using excess return



[source] JPR

Estimated excess return is profit that exceeds investors' return expectations against invested capital. Its present value is "excess return value," while a potentially growing portion of excess return is "growth value." Moreover, assets not used in business are added as non-business asset value in estimating a theoretical corporate value. Theoretically, the estimated corporate value using excess return should be the same as the value estimated using the discount cash flow (DCF) model. This report calculates excess return by using the following figures in a simplified manner.

Excess return = NOPAT – Invested capital X WACC

Net Operating Profit After Tax (NOPAT) = Operating profit X (1 – Effective tax rate)

Invested capital = total assets – value of non-business assets – (the greater of the total surplus funds or the amount of current liabilities other than interest-bearing debt)

Value of non-business assets = deferred gains or losses on hedges + revaluation reserve for land + foreign exchange adjustment account

Total surplus funds = cash and deposits in excess of 1.5 months of monthly sales + short-term marketable securities + investment securities

Weighted average cost of capital (WACC) = After-tax interest rate of interest-bearing debt X (D / (E+D)) + Cost of shareholders' equity X (E / (D+E))

Cost of shareholders' equity = 0.5% + 5% X β

β = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company

E = Market cap at the time of calculation

D = Short-term interest-bearing debt + Long-term liabilities + Minority interests in the latest financial statements at the time of calculation

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