



(Second section of the Tokyo Stock Exchange Stock code : 2338)

Quantum Solutions Co., Ltd. shifts to focus on the EV business for its core development and its EV development plans in China

(16 August 2021) According to the " Notice Regarding the Memorandum of Understanding for Capital and Business Alliance with Shanghai LingKang Consulting Co., Ltd." dated 21 June 2021, **Quantum Solutions Co., Ltd.** (hereinafter referred to as the "**Company**") signed a Memorandum of understanding with Shanghai LingKang Consulting Co., Ltd (hereinafter referred to as "**Lingkang**") in relation a business alliance including capital investment in the electric vehicle (hereinafter referred to as "**EV**") sector. In addition, according to "Notice Regarding the Start of New Business and Capital and Business Alliance with FOMM Corporation" dated 12 July 2021, the Company announced that subject to approval by the board of directors of FOMM Corporation (hereinafter referred to as "**FOMM**"), a Japanese company, the Company would forge a business alliance including capital investment with FOMM in the EV business. The Company considers that embarking on business in the EV sector is within the business direction of 5G communications and AI.

The Company is still discussing with Lingkang and FOMM the details of the respective capital and business alliances. The Company has not at this stage yet confirmed whether to cooperate with Lingkang or FOMM in any such alliance. However, it is the Company's intention to develop and focus on the EV sector as the core business in China. The reasons shift include: (1) Development of EV is a significant global trend. Take-up of EVs is expected to gradually replace the oil era of the past century plus and become mainstream in the next 30 to 50 years; (2) Japan's EV industry has been developing at a slow pace lagging behind that of China, the United States and Europe for nearly two-to-three years. However, the Company believes that Japan's EV industry will catch up with those countries in the next few years; (3) There is currently no influential listed electric vehicle company in Japan's capital market in stark contrast to the US' and China's capital markets. Tesla from the US and BYD from China have market capitalisations of more than US\$100 million and US\$150 billion respectively. In addition, there are many other listed EV companies in the US and China, and their market capitalisations have already reached very high levels. In the future, as the awareness of the EV market increases, the EV business is expected to become an important highlight in the Japanese capital market; (4) From the perspective of rapid emergence EVs and autonomous driving, the trend of intelligent EV Internet and the overall development of the EV industry, the demand for EVs is expected to be very high; (5) While FOMM is a Japanese electric vehicle brand, the current Japanese electric vehicle market is not mature. Therefore, at this stage of development, it is more practical to quickly enter a mature market to grow the Company within a short period. Therefore, the short-term development strategy is to enter the Chinese electric vehicle market.

Generally regarded as "The World's Factory" with the world's most complete industrial supply chain to produce automobiles, more than 50% of global auto parts manufacturing is related to China. In addition, most of the world's major auto parts companies have invested in China. Therefore, considering the stable auto parts supply and obvious cost reduction through elimination of import transportation fees and tariffs, it is beneficial to set up production facilities in China. In addition, apart from the advantages stated above, the Chinese government has implemented favourable policies for the EV business, and China is the largest market in the world. When mass production starts in China, the EVs can be exported to other countries. From the perspective of revenue generation, setting up production facilities in China offers considerable benefits.

In summary, the Company plans to focus on EV development and its production in China. The Company's EV business will be developed in the general direction outlined below.

(1) Short-term strategy

Through mass production in China, the Company aims to reduce the selling price to less than 60% of current prices.

(2) Mid-term strategy

Focusing on "Japanese branded, made in China" small electric vehicles for small towns and rural areas of China.

(3) Long-term strategy

Many large Internet companies in China have announced plans to enter the EV market. The EV market in China is expected to be completely Internet-enabled within a few years. Therefore, the Company will actively look for cooperation opportunities with Internet companies to leverage the Internetisation of EVs.

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【Quantum Solutions Co.,Ltd. Company Summary】

Company name : Quantum Solutions Co.,Ltd.
(Second section of the Tokyo Stock Exchange Stock code : 2338)

Address : 東京都千代田區九段北1-10-9

Representative : Chairman of the board 邵 贊

Capital : 2,559 million yen

Businesses : Content development and distribution
Software development

Company URL : <https://www.quantum-s.co.jp/>