



Dec 25 2023
Quantum Solutions Co., Ltd.

Regarding Our Capital and Business Alliance with JP GAMES, Inc.



We would like to announce that we have reached a capital and business alliance with JP GAMES Co., Ltd. (hereinafter referred to as "JP GAMES")



1. Purpose and reason for this capital and business alliance

Since our listing on the Tokyo Stock Exchange in November 2002, we have been operating a business based on IT technology, which is our core business. We have expanded our business with a focus on IT key content in response to the demands of the times. However, starting from May of this year, we ventured into the field of AI technology. As previously disclosed in the announcement on "Notice of Establishment of Joint Venture Company (Equity Method Affiliate)" dated July 3, 2023, we established Compass Cloud AI Japan Co., Ltd. on August 4, 2023, as a joint venture company with a 50% investment from our company and a 50% investment from Compass Cloud Technology Pte. Ltd., a Singaporean company, under the equity method. However, due to operational reasons, after discussions between both companies, it was agreed that a majority of the officers would be dispatched from our company, and as of August 9, it became a consolidated subsidiary of our company. Subsequently, ongoing discussions on the operation of the joint venture company were conducted

between both companies, leading to the postponement of timely disclosure. Based on the current criteria and discussions with the auditing firm, we have been treating the joint venture company as a consolidated subsidiary since the "2024 Second Quarter Financial Highlights (Japanese Standards) (Consolidated)" dated October 13, 2023. We will continue to advance the deployment of AI Edge Computing, Cloud Storage, Cloud Gaming, and Digital Avatar businesses in Japan, utilizing ARM-based Edge Service Hardware (*).

On the other hand, JP GAMES is a game company founded by Mr. Tabata, known as the producer of Final Fantasy XV. Within Japan, they have engaged in game development with numerous major companies and have developed influential games with a wide range of impact, such as the official game for the Tokyo Paralympics. Currently, JP GAMES is preparing for the development of "Project GEMINA," which aims to become a new RPG by leveraging technology and expertise of AAA game development.. Under Mr. Tabata's leadership, JP GAMES strives to provide players worldwide with experiences that go beyond the boundaries of game design.

Both companies initiated discussions in early October 2023 after our representative, Mark Pink, was introduced to JP GAMES through Mr. Allan Brearley, a business consultant, approximately three months ago. With the goal of integrating their respective technological capabilities and creativity and revolutionizing the gaming industry by providing innovative games utilizing AI technology, the capital and business alliance was established.

(*) Glossary

- Edge computing:

In our edge computing business, we provide hardware solutions that include core AI algorithms and operating systems adjusted to various scenarios. These scenarios encompass not only intrusion detection, crowd detection, health and safety assessment, and secure area access detection, but also extend beyond them. Our solutions facilitate the distribution of computational power between multiple devices located at the network edge, enabling the deployment of computing resources that are very close to the user's applications.

- Cloud storage:

Our cloud storage products are composed of high-density storage solutions designed to operate within limited physical storage constraints while meeting significant storage capacity requirements, without compromising the low power consumption characteristics of storage devices.

- Cloud gaming :

Through our cloud gaming technology, users can participate in instant-play cloud gaming and foster a robust gaming community where games can be efficiently discovered based on individual preferences. Additionally, our interactive live streaming game solution allows gamers to participate in gameplay without downloading game files, enabling simultaneous viewing of live streams and gameplay across different screens.

- Digital Avatar:

Digital Avatar technology utilizes advanced computer vision, machine learning, and artificial intelligence algorithms to create highly realistic virtual representations that closely resemble real individuals. These avatars exhibit lifelike behavior and enable users to have real-time interaction and immersive experiences.

2. Capital alliance details, etc.

(1) Details of capital alliance

We acquire shares of JP GAMES (hereinafter referred to as "Share Acquisition") from TBT Office, a major shareholder of JP GAMES, under the following terms:

- ① Number of shares acquired for this stock acquisition: 110 common shares (2.5 % of issued shares)
- ② Total amount of this stock acquisition: 122,500,000 yen
- ③ Deadline for Share Acquisition: January 31st, 2024
- ④ Other conditions: Agreeing to negotiate the acquisition of shares from a major shareholder who currently holds 30.8% of JP GAMES' issued shares.

3. Overview of capital and business alliance partner

(1)	Name	JP GAMES, Inc.		
(2)	Location	1-14-16 Kudankita, Chiyoda - ku , Tokyo		
(3)	Representative's title and name	Representative Director Hajime Tabata		
(4)	Business details	<p>1. Business related to planning, development, production, and sales of computer software and content</p> <p>2. Provision of various information services</p> <p>3. Business related to buying, selling, and licensing of intellectual property rights such as copyrights, patent rights, trademark rights, and design rights.</p> <p>4. Investment operations in stocks, bonds, etc.</p> <p>5. All operations incidental to or related to each of the above items</p>		
(5)	Capital	99 million yen		
(6)	Date of establishment	November 9, 2018		
(7)	Major shareholders and shareholding ratio	TBT Office LLC 56.7% Dentsu Group Inc. 10.4 % Sumitomo Mitsui Banking Corporation 2.1 % Other shareholders 30.8%		
(8)	Relationship between Quantum Solutions Co., Ltd. And JP Games	Capital relationship	Not applicable.	
		Personal relationships	Representative Director Mr. Tabata has been appointed as our advisor on December 1, 2023.	
		Business relationship	Not applicable.	
		Applicability to related parties	Not applicable.	
(9)	Consolidated business results and consolidated financial position of the company for the past three years			
	Fiscal year end	December 2020	December 2021	December 2022
	Consolidated net assets	△22 million yen	418 million yen	530 million yen
	Consolidated total assets	2,295 million yen	3,620 million yen	2,699 million yen
	Consolidated net assets per share	- yen	95,000 yen	120,454 yen
	Consolidated sales	400 million yen	1,173 million yen	2,295 million yen

Consolidated profit	279 million yen	△811 million yen	△82 million yen
Consolidated ordinary profit	362 million yen	△807 million yen	178 million yen
Net profit attributes to parent company shareholders	162 million yen	39 million yen	113 million yen
Consolidated net profit per share	36,818 yen	8,864 yen	25,682 yen
Dividend per share	- yen	- yen	- yen

4. Schedule

(1) Board of Directors resolution date	December 15, 2023
(2) Effective date of board resolution	December 22, 2023 (Same conditions for resolution at JP GAMES)
(3) Contract date	December 22, 2023
(4) Stock acquisition date	December 22, 2023 – January 31, 2024 (planned)

5. Future outlook

We expect the impact on our financial performance for the fiscal year ending in February 2024 to be minimal. However, we believe that in the medium to long term, it will contribute to the enhancement of our corporate value as a group. Furthermore, Mr. Tabata, the Representative Director of JPGAMES, assumed the position of advisor to our company as of December 1, 2023, and both companies will engage in discussions regarding the business partnership details. If the need for timely disclosure arises in the future, we will promptly disclose the information.

(Reference) Consolidated performance forecast for the current fiscal year (published on October 13, 2023) and consolidated results for the previous fiscal year

(Unit: million yen)

	Consolidated sales	Consolidated operating profit	Consolidated ordinary profit	Net profit attributable to owners of parent company
Consolidated earnings forecast for the current fiscal year (February 2024)	2,070	45	150	125
Previous consolidated results (February 2023)	264	△394	△156	△954

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Press Contact



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