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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]

February 12, 2025

Company name: Quest Co., Ltd.

Listing: Tokyo

Securities code: 2332

URL: <https://www.quest.co.jp/>

Representative: Ichiro Seizawa

Representative Director, Chairman, President and Chief
Executive Officer

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Director, Senior Executive Officer

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: None

Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2024	11,007	4.0	781	(1.3)	834	(0.7)	554	(2.0)
December 31, 2023	10,588	0.0	791	(6.1)	840	(6.1)	565	(6.3)

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥426 million [(26.4) %]

Nine months ended December 31, 2023: ¥579 million [(3.4) %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	103.43	-
December 31, 2023	105.63	-

EBITDA: Nine months ended December 31, 2024: ¥955 million

Nine months ended December 31, 2023: ¥970 million

EBITDA margin: Nine months ended December 31, 2024: 8.7%

Nine months ended December 31, 2023: 9.2%

Please refer to "1.Summary of Business Results, (1) Summary of Business Results for the Nine Months Ended December 31, 2024 of the Consolidated Fiscal Year Ending March 31, 2025" for above formula.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2024	9,300	6,959	74.8	1,298.52
March 31, 2024	9,460	6,787	71.7	1,267.74

(Reference) Equity: As of December 31, 2024: ¥6,959 million

As of March 31, 2024: ¥6,787 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	49.00	49.00
Fiscal year ending March 31, 2025	-	0.00	-		
Fiscal year ending March 31, 2025 (Forecast)				54.00	54.00

(Note) Revision to the forecast for dividends announced most recently: Yes

Year-end dividend of fiscal year ending March 31, 2025 (Forecast) consists of ordinary dividend JPY 49.00 and memorial dividend JPY 5.00 for the 60th anniversary of the foundation.

For more information, please refer to "Notice of Revision of Dividend Forecast, Memorial dividend for the 60th anniversary of foundation" announced today.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	15,000	5.4	1,050	5.2	1,090	2.7	720	3.4	134.52

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)

Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2024: 5,487,768 shares

March 31, 2024: 5,487,768 shares

2) Number of treasury shares at the end of the period:

December 31, 2024: 128,018 shares

March 31, 2024: 133,579 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 5,357,629 shares

Nine months ended December 31, 2023: 5,352,073 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

- The financial forecasts contained in this document are based on the information currently available and certain assumptions deemed reasonable, and are not intended as a promise that they will be achieved.

And actual results may differ significantly due to various factors. For the assumptions used in forecasting business results and precautions regarding the use of earnings forecasts, please refer to "1. Summary of Business Results (3) Explanation of consolidated financial forecasts and other forward-looking information.

1. Summary of Business Results

(1) Summary of Business Results for the Nine Months Ended December 31, 2024 of the Consolidated Fiscal Year Ending March 31, 2025

During the Nine months ended December 31, 2024 of the current consolidated fiscal year, the Japanese economy continued to show a gradual recovery trend on the back of improved employment and income environment.

On the other hand, the outlook remains uncertain due to rising prices, US policy trends and the situation in the Middle East.

In the information services industry, to which our group belongs, the Ministry of Economy, Trade and Industry's "Current Survey of Selected Service Industries, November 2024", showed that total sales in the information services industry (cumulative total for April - November) increased 5.2% compared to the same month of the previous year. The sales of "made-to-order software" increased 7.7% and the sales of "outsourced system operations and maintenance" increased 4.0%, compared to the same month of the previous year. In addition to business process efficiency needs and information security measures, demand for cloud computing of existing systems and support for the introduction of AI technology has been accelerated, and demand for IT and DX investments are expected to continue to grow.

In this business environment, we are carrying out the activities to strengthen its foundation and steady growth based on the following basic policies set forth in the "Medium-term management plan for fiscal years 2024 –2026", as the second phase of the medium- to long-term vision "Quest Vision 2030" (*1).

■ Transformation of Business Portfolio

- Aiming to improve profitability through deepening our existing customer-oriented business (core services) which is one of our strengths, and expanding our solution services.
- Reorganizing the organizational structure of our business units based on Customer/Industry and IT technology to expand our value providing to customers and our service menu, from the beginning of FY2024.

■ Future Investment in Employees and Technology

- Expanding human capital investment and keeping on investing in the acquisition of new technologies, particularly in priority areas.
- Strengthening human resource development, technology development, and business design in order to establish solution services that bring high added value.

■ Strengthening Business Structure and Management Bases

- Building a solid business foundation that supports the realization of sustainable growth and increased corporate value.
- Working to raise awareness and improve executing ability through project base activities, aimed at achieving high resource mobility and data-driven management.

As a result of the above, the business results of our group for the Nine months ended December 31, 2024 of the current consolidated fiscal year are as follows.

We conduct portfolio management by defining eight client industries as three domains, "priority strengthening domains", "stable growth domains" and "social issues solver domains", while allocating resources appropriately according to the supply and demand trends of client industries.

Net sales increased by 4.0% to 11,007 million yen, compared to the same period of the previous consolidated fiscal year, due to an increase in new orders from customers in the semiconductor sector (image sensor, memory) of priority strengthening domains, entertainment sector of stable growth domains and mobility & logistics sector of social issues solver domains.

Regarding the profits, operating profit amounted 781 million yen, decreased by 1.3%, ordinary profit amounted 834 million yen, decreased by 0.7% and net profit attributable to owners of parent amounted 554 million yen, decreased by 2.0%, compared to the same period of the previous consolidated fiscal year respectively.

This was due to continued efforts to increase investment in human capital, including improving employee compensation and training, and these growth investments, as well as higher costs related to rising prices.

Applying the consolidated accounting, amortization expense of Customer-related assets and goodwill will be recorded over a certain period of the time. As an indicator to ensure comparability, EBITDA (*2) and EBITDA margin (*3) for the Nine months ended December 31,2024 of the consolidated fiscal year were 955 million yen and 8.7%, respectively. As a reference, EBITDA and EBITDA margin for the same period of the previous consolidated fiscal year were 970 million yen and 9.2%, respectively.

Operating results by segment are as follows.

In the system development business, due to an increase in orders for development projects from major customers in the semiconductor, entertainment and mobility & logistics sector, net sales amounted 6,846 million yen, increased by 6.2%, and segment profit was 1,237 million yen, increased by 13.1% compared to the same period of the previous consolidated fiscal year, respectively.

In the infrastructure services business, due to an increase in services provided to the customers in the semiconductor sector and public & social sector, net sales amounted 4,134 million yen, increased by 0.1%, compared to the same period of the previous consolidated fiscal year. However, segment profit was 632 million yen, decreased by 12.6%, compared to the same period of the previous consolidated fiscal year.

(Notes) 1. Inter-segment transactions are offset and eliminated.

2. Segment profit is before allocation of corporate expenses, etc.

3. In April 2024, a major reorganization was implemented to strengthen the business foundation, including subcontractor management. As a result, the allocation of increased overhead costs has resulted in large fluctuations in segment profit versus the same period of the previous year among segments.

*1. Quest Vision2030 : Please refer to our website.

https://www.quest.co.jp/irinfo/quest_vision2030/

*2. EBITDA: Net profit before income taxes + Interest expense + Depreciation and amortization
+ Amortization of Customer-related assets + Amortization of goodwill

*3. EBITDA margin: EBITDA divided by net sales.

(2) Summary of Financial Position for the Nine Months Ended December 31,2024 of the Consolidated Fiscal Year Ending March 31, 2025

1) Summary of Assets, Liabilities and Net Assets

<Assets>

Total assets at the end of the Nine months ended December 31,2024 of this consolidated fiscal year, decreased 159 million yen from the end of the previous consolidated fiscal year to 9,300 million yen. This was mainly due to a decrease of 213 million yen in Cash and deposits, and a decrease of 196 million yen in Investment securities.

<Liabilities>

Total liabilities at the end of the Nine months ended December 31,2024 of this consolidated fiscal year, decreased 331 million yen from the end of the previous consolidated fiscal year to 2,341 million yen. This was mainly due to a decrease of 410 million yen in Provision for bonuses and a decrease of 181 million yen in Income taxes payable.

<Net Assets>

Net assets at the end of the Nine months ended December 31,2024 of this consolidated fiscal year, increased 172 million yen from the end of the previous consolidated fiscal year to 6,959 million yen. This was mainly due to an increase of 291 million yen in Retained earnings and a decrease of 128 million yen in Valuation difference on available-for-sale securities. Retained earnings increased 554 million yen due to Profit attributable to owners of parent and a decrease of 262 million yen by dividend payment.

(3) Explanation of consolidated financial forecasts and other forward-looking information

No revisions have been made to the consolidated earnings forecast announced on May 13, 2024.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	2,914,570	2,701,131
Notes and accounts receivable - trade, and contract assets	3,209,986	3,436,730
Securities	80,941	91,536
Money held in trust	200,000	200,000
Work in process	3,338	9,088
Other	266,974	264,617
Total current assets	6,675,811	6,703,104
Non-current assets		
Property, plant and equipment	220,638	209,149
Intangible assets		
Customer-related assets	463,070	431,497
Goodwill	229,437	172,078
Other	15,157	12,584
Total intangible assets	707,665	616,160
Investments and other assets		
Investment securities	998,214	801,478
Other	858,168	971,038
Total investments and other assets	1,856,382	1,772,516
Total non-current assets	2,784,686	2,597,826
Total assets	9,460,497	9,300,930

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	418,334	460,413
Income taxes payable	207,101	25,501
Contract liabilities	26,102	38,160
Provision for bonuses	792,026	381,278
Provision for bonuses for directors (and other officers)	7,535	5,000
Provision for loss on projects	2,466	562
Other	757,972	846,553
Total current liabilities	2,211,539	1,757,471
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	55,422	60,515
Retirement benefit liability	262,525	267,844
Asset retirement obligations	-	10,670
Other	143,299	244,709
Total non-current liabilities	461,247	583,739
Total liabilities	2,672,787	2,341,210
Net assets		
Shareholders' equity		
Share capital	491,031	491,031
Capital surplus	607,586	611,349
Retained earnings	5,383,869	5,675,639
Treasury shares	(93,829)	(89,995)
Total shareholders' equity	6,388,658	6,688,024
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	399,039	270,349
Remeasurements of defined benefit plans	11	1,346
Total accumulated other comprehensive income	399,051	271,695
Total net assets	6,787,709	6,959,720
Total liabilities and net assets	9,460,497	9,300,930

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the nine months)

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	10,588,347	11,007,281
Cost of sales	8,578,076	8,970,122
Gross profit	2,010,270	2,037,159
Selling, general and administrative expenses	1,218,615	1,256,092
Operating profit	791,655	781,066
Non-operating income		
Interest income	12	292
Dividend income	30,047	20,209
Gain on investments in investment partnerships	4,836	21,447
Share of profit of entities accounted for using equity method	8,371	-
Other	8,277	12,124
Total non-operating income	51,544	54,074
Non-operating expenses		
Interest expenses	456	625
Loss on retirement of non-current assets	2,196	-
Other	0	0
Total non-operating expenses	2,652	625
Ordinary profit	840,547	834,515
Profit before income taxes	840,547	834,515
Income taxes - current	81,318	91,709
Income taxes - deferred	193,914	188,682
Total income taxes	275,233	280,391
Profit	565,314	554,124
Profit attributable to owners of parent	565,314	554,124

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	565,314	554,124
Other comprehensive income		
Valuation difference on available-for-sale securities	13,782	(128,690)
Remeasurements of defined benefit plans, net of tax	5,330	1,334
Share of other comprehensive income of entities accounted for using equity method	(4,471)	-
Total other comprehensive income	14,641	(127,355)
Comprehensive income	579,956	426,768
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	579,956	426,768