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## Summary of Non-consolidated Financial Results for the Second Quarter of the Fiscal Year 2021

October 29, 2021

Company name: Quest Co., Ltd.  
 Stock exchanges: TSE JASDAQ(Standard)  
 Stock code: 2332 URL <https://www.quest.co.jp/>  
 Representative: Representative Director Akio Oka  
 President and Chief Executive Officer  
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 Scheduled date of filing of Quarterly Business Report: November 8, 2021  
 Preparation of supplementary on quarterly financial results: Yes (in Japanese)  
 Holding of quarterly financial results meeting: Yes (for Analyst)

(Amounts less than one million yen are rounded down)

### 1. Non-consolidated financial results for the Q2 of FY2021 (April 1, 2021 – September 30, 2021)

(1) Non-consolidated operating results (Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021 Q2	5,759	9.1	447	17.9	472	18.5	328	19.9
FY2020 Q2	5,277	6.8	379	4.7	398	5.4	273	4.6

	Earnings per share		Earnings per share (Diluted)	
	Yen		Yen	
FY2021 Q2	63.28		-	
FY2020 Q2	52.86		-	

### (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
FY2021 Q2	7,105	5,309	74.7	1,023.00
FY2020	7,233	5,198	71.9	1,002.66

(Reference) Shareholder's equity: FY2021 Q2: 5,309 Million yen, FY2020: 5,198 Million yen

### 2. Dividends

	Annual dividends per share				
	Q1	Q2	Q3	Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	-	0.00	-	40.00	40.00
FY2021	-	0.00	-	0.00	0.00
FY2021(Forecast)	-	0.00	-	40.00	40.00

(Notes) Changes from the previous forecast of dividends : None

### 3. Forecast of non-consolidated financial results for the FY2021 (April 1, 2021 – March 31, 2022)

(Percentage figures are changes from the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	11,860	6.1	888	1.0	932	1.6	646	1.5	124.55

(Notes) Changes from the previous forecast of financial results : Yes

We revised up the financial results forecast for the FY2021.

Please refer to "Notice of the forecast of the Financial Results for FY2021" issued on October 29, 2021.

#### 4. Notes

(1)Application of special accounting method for preparing quarterly non-consolidated financial statements. None

(2)Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes  
Changes in accounting policies due to other reasons: None  
Changes in accounting estimates: None  
Restatement of prior period financial statements after error corrections: None

(3)Number of issued shares (Common shares)

Total number of issued shares(including treasury shares)

FY2021 Q2	5,487,768 shares	FY2020	5,487,768 shares
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Number of treasury shares

FY2021 Q2	297,936 shares	FY2020	303,388 shares
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Average number of shares

FY2021 Q2	5,186,514 shares	FY2020 Q2	5,180,129 shares
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\* This document is not within the scope of the auditing process by the external auditor.

\* Cautionary statement concerning appropriate use of financial forecasts and other explanatory notes

- The financial forecasts contained in this document are based on the information currently available and certain assumptions deemed reasonable. Actual results may vary from these forecasts for various reasons.

\* Supplementary on quarterly financial results in Japanese

- The quarterly financial results meeting for the analysts is scheduled on November 17, 2021. The meeting material will be available on our website immediately after the meeting.

## Qualitative information of this quarterly financial statements

### (1) Explanation of operation results

During the first half of the current fiscal year (April 1, 2021 to September 30, 2021), although the Japanese economy continued to face an unstable environment due to the impact of the new coronavirus, there are signs of recovery in future economic activities, with the vaccination rate exceeding 70% and the withdrawal of the declarations of a state of emergency at the end of September. However, there are still concerns about the sixth wave of the new coronavirus and the impact on the problems with the supply-demand balance of semiconductors in some industries, including the automobile industry and the situation is still expected to remain uncertain.

The IT services market is experiencing a higher-than-expected increase in demand due to the accelerating pace of DX (\*1), which is driving client companies to improve their productivity, to promote investments in labor-saving and automation using AI (\*2) and RPA (\*3), and also to promote IT investments in response to human resource shortages and work style reforms. From the Ministry of Economy, Trade and Industry's "Current Survey of Selected Service Industries, August 2021", in the section on information service industry, sales by business category from April 2021 to August 2021 (cumulative total), which is the sum of "made-to-order software" and "outsourced system operations and maintenance", to which the Company mainly belongs, increased by 13.5% compared to the same period of the last fiscal year. Although the Company's sales growth rate for a single fiscal year is lower than this, for the period from April 2020 to August 2021, it is 8.7% higher than the same period of the previous year, which is corresponding to the industry average.

In those situations, the Company is preparing to create sustainable growth and new strengths based on the following basic policies, set forth in the "Medium-term management plan for fiscal years 2021-2023" as the first phase of the medium- to long term vision "Quest Vision 2030", formulated in the previous fiscal year.

#### ① Change of Business structure

The Company will seek and provide new services for operations and maintenance, application development, and system solutions that can respond immediately to changes in the times and customer needs.

#### ② Change of Industrial portfolio

Defining semiconductors as a domain to be strengthened and healthcare and medical as new domains to be entered, the Company will strive to diversify its business between external and domestic demand and respond appropriately and swiftly to changes in the market environment.

#### ③ Change of Business constitution

In order to become a data-driven digital company that accumulates business activities as digital data and continues to evolve, we will accelerate and promote the construction of a corporate operating system (infrastructure) that will serve as the foundation for the future, strengthen human resource development, and enhance the improvement of services.

As a result of these efforts, the Company's operating results for the for the second quarter of the current fiscal year (cumulative total) are as follows.

Net sales increased by 9.1% year on year to 5,759 million yen. We have been expanding our investments for the future since the current fiscal year, and have invested in education to acquire new technologies in growth fields and in internal DX on a larger scale than the previous year. In addition, in line with the Quest Vision 2030, we implemented brand improvement measures to enhance our corporate value, through the production of a promotional video, renewal and enhancement of our website, and renewal of our logo, which we have used for many years. On the other hand, due to the significant increase in customer demand from the previous year, operating income increased by 17.9% to 447 million yen, ordinary income increased by 18.5% to 447 million yen and net income increased by 19.9% to 328 million yen.

Operating results by business segment are as follows.

In the systems development business, sales to the customers in semiconductor (40.7% of the total), financial (18.0%), and information and telecommunications (12.0%) , in descending order of growth, increased due to an increase in development projects, as well as an expansion of solutions such as cloud ERP and digital workplace.

As a result, net sales increased by 10.5% year on year to 3,169 million yen. Segment income increased by 13.7% year on year to 558 million yen, due to increased sales and business improvement activities.

In the infrastructure services business, sales to the semiconductor (12.7% of the total), the electronics (excluding semiconductors) (26.5%), and the public and social sectors (8.7%), in descending order of growth, increased due to the expansion of network services, cloud services and remote monitoring. As a result, net sales increased by 7.8% year on year to 2,577 million yen. Segment income increased 7.6% year on year to 440 million yen due to increased sales.

Note: Inter-segment transactions have been offset and eliminated.

Segment income is stated before allocation of corporate expenses, etc.

\*1. DX: Digital Transformation

\*2. AI: Artificial Intelligence

\*3. RPA: Robotic Process Automation

## (2) Explanation of Financial Position

### ① Assets, Liabilities, and Net Assets

#### < Assets >

The balance of assets at the end of the second quarter of the current fiscal year was 7,105 million yen, a decrease of 128 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 76 million yen in notes and accounts receivable-trade and contract assets, and a decrease of 67 million yen in cash and deposits.

#### < Liabilities >

The balance of liabilities at the end of the second quarter of the current fiscal year was 1,796 million yen, a decrease of 239 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 72 million yen in income taxes payable, a decrease of 69 million yen in accrued consumption taxes, and a decrease of 40 million yen in accounts payable-other.

#### < Net assets >

The balance of net assets at the end of the second quarter of the current fiscal year was 5,309 million yen, an increase of 110 million yen compared to the end of the previous fiscal year. This was mainly due to an increase of 120 million yen in retained earnings brought forward.

### ② Cash flows

The balance of cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter of the current fiscal year was 2,986 million yen, an increase of 286 million yen compared to the end of the same quarter of the previous fiscal year.

Cash flows and factors affecting cash flows as of the end of the second quarter of the current fiscal year are as follows.

#### < Cash flows from operating activities >

As a result of operating activities, net cash provided by operating activities amounted to 142 million yen (net cash provided of 293 million yen in the same period of the previous fiscal year). This was mainly due to income before income taxes of 472 million yen and income taxes paid of 177 million yen.

<Cash flows from investing activities>

As a result of investing activities, net cash used in investing activities amounted to 2 million yen (net cash used of 105 million yen in the same period of the previous fiscal year). This was mainly due to the acquisition of tangible asset of 2 million yen.

<Cash flows from financing>

As a result of financing activities, net cash used in financing activities amounted to 207 million yen (net cash used of 181 million yen in the same period of the previous fiscal year). This was mainly due to dividend payment of 205 million yen.

**(3) Explanation for the forecast of financial results and other future information**

For the full fiscal year ending March 31, 2022, based on the business results through the second quarter (cumulative), we have revised upward our forecasts for net sales, operating income, ordinary income, and net income to 11,860 million yen, 888 million yen, 932 million yen, and 646 million yen, respectively.

As vaccination against the new coronavirus accelerates and economic activity is expected to recover and show signs of normalization, DX is expected to accelerate, triggered by cloud computing and digitalization, in addition to increased investment in infrastructure development due to customers' telework environments and BCP measures. On the other hand, if the business conditions of client companies worsen due to the effects of the semiconductor supply-demand balance problem and rising raw material and purchase prices caused by the yen's weakening, it is expected to affect the acquisition of new orders and depress IT investment in our customers.

We will continue to focus on investments to achieve the plan for the current fiscal year and achieve sustainable growth by further strengthening cooperation with our customers, expanding sales, improving profit margins through operational improvements, etc., and reducing expenses, while steadily implementing investments toward the goals set forth in our medium- to long-term vision "Quest Vision 2030.

Quarterly Non-consolidated Financial Statements  
Quarterly Non-consolidated Balance Sheets

(Thousand yen)

	As of March 31,2021	As of September 30,2021
<b>Assets</b>		
Current assets		
Cash and deposits	2,853,917	2,786,269
Notes and accounts receivable - trade	2,452,636	-
Notes and accounts receivable - trade, and contract assets	-	2,376,186
Money held in trust	200,000	200,000
Work in process	69,150	50,547
Prepaid expenses	69,544	75,101
Other	4,229	4,894
Total current assets	5,649,477	5,492,999
Non-current assets		
Property, plant and equipment		
Buildings, net	19,693	18,568
Vehicles, net	2,323	1,741
Tools, furniture and fixtures, net	19,931	19,657
Land	376	376
Leased assets, net	9,600	8,000
Total property, plant and equipment	51,925	48,344
Intangible assets		
Software	12,051	9,536
Other	5,643	5,643
Total intangible assets	17,695	15,180
Investments and other assets		
Investment securities	1,087,730	1,064,213
Shares of subsidiaries and associates	76,399	76,399
Long-term loans receivable	4,800	3,600
Long-term prepaid expenses	19,318	14,459
Prepaid pension costs	67,992	162,496
Deferred tax assets	130,037	99,169
Other	128,340	128,438
Total investments and other assets	1,514,618	1,548,776
Total non-current assets	1,584,239	1,612,301
Total assets	7,233,717	7,105,301

(Thousand yen)

	As of March 31,2021	As of September 30,2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	366,371	334,502
Lease obligations	3,480	3,557
Accounts payable - other	113,496	72,611
Accrued expenses	182,102	169,367
Income taxes payable	212,346	139,921
Accrued consumption taxes	196,126	127,057
Advances received	39,669	44,467
Deposits received	28,402	31,477
Provision for bonuses	635,578	605,897
Provision for loss on projects	575	2,366
Other	742	243
Total current liabilities	1,778,892	1,531,471
Non-current liabilities		
Lease obligations	7,432	5,634
Provision for retirement benefits	245,931	255,740
Provision for retirement benefits for directors (and other officers)	3,275	3,275
Total non-current liabilities	256,639	264,649
Total liabilities	2,035,531	1,796,121
<b>Net assets</b>		
Shareholders' equity		
Share capital	491,031	491,031
Capital surplus		
Legal capital surplus	492,898	492,898
Other capital surplus	6,173	10,531
Total capital surplus	499,072	503,430
Retained earnings		
Legal retained earnings	29,890	29,890
Other retained earnings		
General reserve	830,000	830,000
Retained earnings brought forward	3,165,785	3,286,608
Total retained earnings	4,025,675	4,146,498
Treasury shares	(212,170)	(208,816)
Total shareholders' equity	4,803,609	4,932,143
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	394,576	377,036
Total valuation and translation adjustments	394,576	377,036
Total net assets	5,198,185	5,309,179
Total liabilities and net assets	7,233,717	7,105,301

Quarterly Non-consolidated Statements of Income

Quarterly Non-consolidated Statements of Income (For the six months)

(Thousand yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Net sales	5,277,427	5,759,988
Cost of sales	4,373,186	4,757,589
Gross profit	904,241	1,002,399
Selling, general and administrative expenses		
Salaries and bonuses	172,232	173,810
Remuneration for directors (and other officers)	79,894	81,579
Provision for bonuses	42,022	52,293
Retirement benefit expenses	5,775	5,570
Depreciation	6,946	5,956
Rent expenses	43,271	43,541
Other	174,341	191,817
Total selling, general and administrative expenses	524,484	554,570
Operating profit	379,756	447,829
Non-operating income		
Interest income	13	13
Dividend income	17,393	20,137
Gain on investments in investment partnerships	-	1,763
Other	1,776	2,577
Total non-operating income	19,182	24,490
Non-operating expenses		
Interest expenses	295	222
Loss on investments in investment partnerships	391	-
Other	0	83
Total non-operating expenses	687	305
Ordinary profit	398,252	472,014
Profit before income taxes	398,252	472,014
Income taxes - current	82,391	105,207
Income taxes - deferred	42,055	38,608
Total income taxes	124,446	143,816
Profit	273,805	328,197



## Quarterly Non-consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	398,252	472,014
Depreciation	11,563	10,158
Increase (decrease) in provision for bonuses	(85,947)	(29,680)
Increase (decrease) in provision for loss on project contracts	464	1,790
Increase (decrease) in provision for retirement benefits	(32,937)	9,808
Interest and dividend income	(17,406)	(20,150)
Interest expenses	295	222
Share-based payment expenses	4,412	4,474
Loss (gain) on investments in investment partnerships	391	(1,763)
Decrease (increase) in trade receivables	139,328	76,449
Decrease (increase) in inventories	(57,411)	18,602
Decrease (increase) in prepaid expenses	33,543	3,224
Decrease (increase) in prepaid pension costs	-	(94,503)
Increase (decrease) in trade payables	(328)	(31,868)
Increase (decrease) in accounts payable - other	(8,723)	(43,555)
Increase (decrease) in advances received	15,959	4,798
Increase (decrease) in deposits received	(2,106)	3,075
Increase (decrease) in accrued expenses	(7,527)	(12,735)
Increase (decrease) in accrued consumption taxes	(62,314)	(69,068)
Other, net	4,312	(1,650)
Subtotal	333,822	299,641
Interest and dividends received	17,406	20,150
Interest paid	(295)	(222)
Income taxes paid	(57,621)	(177,244)
Net cash provided by (used in) operating activities	293,311	142,325
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,390)	(2,886)
Purchase of investment securities	(100,000)	-
Proceeds from collection of short-term loans receivable	1,200	1,200
Payments of leasehold and guarantee deposits	(3,263)	(475)
Proceeds from refund of leasehold and guarantee deposits	30	150
Net cash provided by (used in) investing activities	(105,423)	(2,012)
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(1,648)	(1,721)
Purchase of treasury shares	(93)	(758)
Proceeds from disposal of treasury shares	-	67
Dividends paid	(180,059)	(205,548)
Net cash provided by (used in) financing activities	(181,802)	(207,961)
Net increase (decrease) in cash and cash equivalents	6,085	(67,648)
Cash and cash equivalents at beginning of period	2,693,425	3,053,917
Cash and cash equivalents at end of period	2,699,511	2,986,269