



November 8, 2021

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2022 (FY2021)
(Six Months Ended September 30, 2021)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section
 Stock code: 6947 URL: <https://www.zuken.co.jp>
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 Scheduled date of filing of Quarterly Report: November 10, 2021
 Scheduled date of payment of dividend: December 2, 2021
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2021

(April 1, 2021 – September 30, 2021)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Sep. 30, 2021	14,981	14.6	1,851	91.7	1,953	82.9	1,357	93.1
Sep. 30, 2020	13,071	(4.6)	966	(45.7)	1,068	(41.5)	702	(50.5)

Note: Comprehensive income (Millions of yen) Six months ended Sep. 30, 2021: 3,207 (up 58.6%)
 Six months ended Sep. 30, 2020: 2,022 (up 13.1%)

Six months ended	Net income per share	Diluted net income per share
	Yen	Yen
Sep. 30, 2021	58.37	-
Sep. 30, 2020	30.22	-

Note: Effective from the beginning of the first quarter of the fiscal year ending on March 31, 2022, Zuken applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. All figures for the six months ended September 30, 2021 incorporate this accounting standard.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2021	61,265	41,656	67.4
As of Mar. 31, 2021	57,168	38,842	67.4

Reference: Shareholders' equity (Millions of yen) As of Sep. 30, 2021: 41,317 As of Mar. 31, 2021: 38,505

Note: Effective from the beginning of the first quarter of the fiscal year ending on March 31, 2022, Zuken applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. All figures as of September 30, 2021 incorporate this accounting standard.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	15.00	-	15.00	30.00
Fiscal year ending Mar. 31, 2022	-	16.00	-	-	-
Fiscal year ending Mar. 31, 2022 (forecast)	-	-	-	16.00	32.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

Full year	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	31,000	7.6	3,500	21.0	3,600	14.2	3,200	49.7	137.64

Note: Revisions to the most recently announced consolidated forecast: Yes

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

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|--|------|
| (a) Changes in accounting policies due to revisions in accounting standards, others: | Yes |
| (b) Changes in accounting policies other than (a) above: | None |
| (c) Changes in accounting-based estimates: | None |
| (d) Restatements: | None |

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 8 for further information.

(4) Number of outstanding shares (common stock)

(a) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2021:	23,267,169 shares	As of Mar. 31, 2021:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Sep. 30, 2021:	18,234 shares	As of Mar. 31, 2021:	18,026 shares
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(c) Average number of shares outstanding during the period

Six months ended Sep. 30, 2021:	23,249,028 shares	Six months ended Sep. 30, 2020:	23,249,402 shares
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* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on assumption judged to be valid and information available to the Company’s management at the time this report was prepared, but are not promises by the Company regarding future performance. Actual results may differ substantially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 2 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, the overall economic outlook remained uncertain owing to concerns about re-resurgence in COVID-19 infections, although the economies in Europe and the United States were recovering gradually as restrictions on some activities were progressively eased. Manufacturers in the electronics, automotive and industrial equipment sectors are the main customers of the Zuken Group, and many companies in these sectors continued to make substantial IT investments and there are signs of recovery in overall capital expenditures.

Net sales in the first half increased to 14,981 million yen, 14.6% higher than one year earlier and a new record high for the first half of a fiscal year. Sales in all solution categories steadily increased. Sales of our core CR-8000 series, an electronic system design solution series and the “E3.series,” a wire harness design system, were particularly strong in Europe, the United States and Japan.

Earnings were much higher because of the increase in sales. Operating profit was 1,851 million yen, 91.7% higher than one year earlier, and ordinary profit was up 82.9% to 1,953 million yen. Both are all-time highs for the first half of a fiscal year. Profit attributable to owners of parent was up 93.1% to 1,357 million yen.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year increased 4,097 million yen from the end of the previous fiscal year to 61,265 million yen.

Current assets increased 1,645 million yen. The main factors include increases of 3,145 million yen in cash and deposits and 731 million yen in other current assets due to an increase in prepaid expenses, and a decrease of 2,403 million yen in notes and accounts receivable-trade. Non-current assets increased 2,452 million yen. The main factors include an increase of 2,517 million yen in investments and other assets primarily due to an increase in investment securities.

Total liabilities increased 1,283 million yen from the end of the previous fiscal year to 19,609 million yen. Current liabilities increased 490 million yen. There were an increase of 1,505 million yen in advances received, and decreases of 472 million yen in other current liabilities due to a decrease in accounts payable-other, 324 million yen in accounts payable-trade and 199 million yen in income taxes payable. Non-current liabilities increased 793 million yen mainly due to an increase in deferred tax liabilities included in other non-current liabilities.

Net assets increased 2,813 million yen from the end of the previous fiscal year to 41,656 million yen, and the shareholders' equity ratio was 67.4%.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

We have reviewed the current performance trends and revised the consolidated forecast for the fiscal year ending March 31, 2022 that was announced on May 10, 2021. For more information, please refer to “Revision to Earnings Forecast” that was announced today (November 8, 2021).

2. Quarterly Consolidated Financial Statements and Notes(1) **Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2020	Second quarter of FY2021
	(As of Mar. 31, 2021)	(As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	21,693,586	24,839,319
Notes and accounts receivable-trade	6,806,824	4,403,130
Securities	6,700,000	6,700,000
Merchandise and finished goods	466,069	505,431
Work in process	101,913	238,096
Raw materials and supplies	2,158	1,824
Other	3,525,251	4,256,321
Allowance for doubtful accounts	(19,098)	(22,170)
Total current assets	39,276,705	40,921,953
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,760,128	2,682,242
Land	3,015,103	3,015,103
Other, net	488,222	538,273
Total property, plant and equipment	6,263,454	6,235,619
Intangible assets		
Goodwill	656,516	593,444
Other	640,839	666,730
Total intangible assets	1,297,355	1,260,174
Investments and other assets		
Investment securities	9,114,007	11,645,309
Other	1,216,553	1,202,891
Total investments and other assets	10,330,561	12,848,200
Total non-current assets	17,891,371	20,343,994
Total assets	57,168,076	61,265,947

	(Thousands of yen)	
	FY2020 (As of Mar. 31, 2021)	Second quarter of FY2021 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,166,026	841,877
Income taxes payable	578,485	379,215
Advances received	7,688,741	9,194,280
Provision for bonuses	925,619	966,986
Other provisions	110,116	49,218
Other	2,181,249	1,709,005
Total current liabilities	12,650,238	13,140,582
Non-current liabilities		
Retirement benefit liability	4,457,677	4,524,470
Other	1,218,060	1,944,814
Total non-current liabilities	5,675,738	6,469,285
Total liabilities	18,325,976	19,609,867
Net assets		
Shareholders' equity		
Share capital	10,117,065	10,117,065
Capital surplus	8,662,477	8,662,477
Retained earnings	15,614,931	16,579,011
Treasury shares	(17,734)	(18,428)
Total shareholders' equity	34,376,739	35,340,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,510,039	6,170,360
Foreign currency translation adjustment	48,857	105,610
Remeasurements of defined benefit plans	(430,263)	(298,911)
Total accumulated other comprehensive income	4,128,633	5,977,058
Non-controlling interests	336,727	338,894
Total net assets	38,842,100	41,656,079
Total liabilities and net assets	57,168,076	61,265,947

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
(For the Six-month Period)

(Thousands of yen)

	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	13,071,338	14,981,684
Cost of sales	3,903,443	4,568,502
Gross profit	9,167,894	10,413,181
Selling, general and administrative expenses	8,201,826	8,561,432
Operating profit	966,067	1,851,749
Non-operating income		
Interest income	4,117	3,947
Dividend income	39,849	68,467
Subsidy income	40,145	32,270
Other	35,704	19,677
Total non-operating income	119,818	124,362
Non-operating expenses		
Foreign exchange losses	15,168	17,495
Other	2,212	4,679
Total non-operating expenses	17,380	22,175
Ordinary profit	1,068,505	1,953,937
Extraordinary income		
Gain on sale of non-current assets	932	574
Total extraordinary income	932	574
Extraordinary losses		
Loss on disposal of non-current assets	302	136
Total extraordinary losses	302	136
Profit before income taxes	1,069,135	1,954,374
Income taxes-current	318,227	551,298
Income taxes-deferred	115,678	43,895
Total income taxes	433,905	595,194
Profit	635,229	1,359,180
Profit (loss) attributable to non-controlling interests	(67,402)	2,167
Profit attributable to owners of parent	702,631	1,357,012

Quarterly Consolidated Statement of Comprehensive Income**(For the Six-month Period)**

(Thousands of yen)

	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)
Profit	635,229	1,359,180
Other comprehensive income		
Valuation difference on available-for-sale securities	1,228,115	1,660,320
Foreign currency translation adjustment	87,412	56,752
Remeasurements of defined benefit plans, net of tax	72,158	131,351
Total other comprehensive income	1,387,685	1,848,424
Comprehensive income	2,022,915	3,207,605
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,090,317	3,205,437
Comprehensive income attributable to non-controlling interests	(67,402)	2,167

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	1,069,135	1,954,374
Depreciation	347,224	334,499
Amortization of goodwill	134,145	91,190
Decrease (increase) in trade receivables	2,476,260	2,177,768
Decrease (increase) in inventories	(172,458)	(175,256)
Increase (decrease) in trade payables	(924,535)	(438,904)
Increase (decrease) in accrued consumption taxes	(177,213)	(78,089)
Increase (decrease) in advances received	484,511	1,482,485
Decrease (increase) in prepaid expenses	(433,289)	(736,989)
Increase (decrease) in retirement benefit liability	85,532	202,099
Other, net	(323,262)	(151,353)
Subtotal	2,566,050	4,661,824
Interest and dividends received	45,413	65,978
Interest paid	(1,138)	(1,018)
Income taxes paid	(753,268)	(748,468)
Net cash provided by (used in) operating activities	1,857,057	3,978,315
Cash flows from investing activities		
Purchase of property, plant and equipment	(104,684)	(155,033)
Purchase of intangible assets	(154,075)	(162,973)
Purchase of investment securities	-	(138,909)
Other, net	(21,259)	(11,837)
Net cash provided by (used in) investing activities	(280,019)	(468,754)
Cash flows from financing activities		
Dividends paid	(348,742)	(348,737)
Other, net	(41,864)	(17,696)
Net cash provided by (used in) financing activities	(390,606)	(366,434)
Effect of exchange rate change on cash and cash equivalents	97,652	722
Net increase (decrease) in cash and cash equivalents	1,284,085	3,143,849
Cash and cash equivalents at beginning of period	20,306,950	21,412,529
Cash and cash equivalents at end of period	21,591,035	24,556,378

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies**1. Application of the Accounting Standard for Revenue Recognition, etc.**

Effective from the beginning of the first quarter of the fiscal year ending on March 31, 2022, Zuken applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) etc. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the promised goods and services is transferred to customers. The main changes resulting from this application are as follows.

(1) Revenue recognition for sales of products

For some transactions, Zuken delivers the relevant products and provides free maintenance services within the warranty period based on the contract with the customer. Previously, Zuken did not recognize revenue for such maintenance services. However, Zuken has decided to identify performance obligations related to the delivery of products and performance obligations related to such maintenance services and recognize revenue when each performance obligation is satisfied.

(2) Revenue recognition for agent transactions

For some transactions, the Zuken Group previously recognized revenue based on the total amount of consideration received from the customer. However, for transactions in which the Zuken Group's role in providing goods or services to the customer is that of an agent, the Zuken Group has decided to recognize revenue based on the net amount received from the customer less the amount paid to the supplier.

For the application of the Accounting Standard for Revenue Recognition, etc., in accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales decreased 111,916 thousand yen, cost of sales decreased 120,478 thousand yen, and operating profit, ordinary profit and profit before income taxes increased 8,562 thousand yen each in the first six months of the current fiscal year. In addition, the new standard reduced retained earnings at the beginning of the first half by 44,195 thousand yen.

Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), Zuken has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

2. Application of the Accounting Standards for Fair Value Measurement, etc.

Effective from the beginning of the first quarter of the fiscal year ending on March 31, 2022, Zuken applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no significant change in the calculation method of fair value as a result of this application.

Segment Information

I. First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)

Information about reportable segment net sales and profit or loss

(Thousands of yen)

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the quarterly consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Sales to third parties	9,438,578	2,090,753	930,416	611,589	13,071,338	-	13,071,338
Intersegment sales or transfers	496,608	432,962	21,344	52,834	1,003,750	(1,003,750)	-
Total	9,935,187	2,523,716	951,760	664,423	14,075,088	(1,003,750)	13,071,338
Segment profit (loss)	816,756	(36,024)	2,839	181,561	965,133	934	966,067

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 934 thousand yen eliminated for intersegment transactions.

2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

II. First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)

Information about reportable segment net sales and profit or loss, and breakdown of revenue

(Thousands of yen)

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the quarterly consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Solutions	6,353,944	1,279,812	606,903	329,972	8,570,633	-	8,570,633
Client services	4,204,775	1,300,689	491,089	414,496	6,411,051	-	6,411,051
Sales to third parties	10,558,720	2,580,502	1,097,993	744,468	14,981,684	-	14,981,684
Intersegment sales or transfers	604,463	474,109	29,013	52,592	1,160,179	(1,160,179)	-
Total	11,163,183	3,054,611	1,127,006	797,061	16,141,863	(1,160,179)	14,981,684
Segment profit	1,403,363	133,617	88,489	227,821	1,853,292	(1,542)	1,851,749

Notes: 1. Adjustment amount in segment profit includes amount of -1,542 thousand yen eliminated for intersegment transactions.

2. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

Revenue Recognition

Information of breakdown on revenue from contracts with customers is as described in “Notes to Quarterly Consolidated Financial Statements (Segment Information).”

As described in “Changes in Accounting Policies,” in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), Zuken has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

3. Supplementary Information

(1) Sales and Orders

(a) Sales (Thousands of yen)

Segment	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)		First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	9,438,578	72.2	10,558,720	70.5
Europe	2,090,753	16.0	2,580,502	17.2
Americas	930,416	7.1	1,097,993	7.3
Asia	611,589	4.7	744,468	5.0
Total	13,071,338	100.0	14,981,684	100.0

(b) Orders received and order backlog (Thousands of yen)

Segment	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)		First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	11,336,049	9,560,225	12,690,072	11,044,448
Europe	1,606,941	1,252,597	2,025,720	1,463,722
Americas	725,566	1,182,976	901,162	1,159,787
Asia	637,295	460,206	728,159	525,614
Total	14,305,853	12,456,006	16,345,114	14,193,573

Note: Intersegment transactions have been eliminated.

(Reference) Results by product category are as follows.

(a) Sales (Thousands of yen)

Product category	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)		First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	1,843,258	14.1	2,073,331	13.8
Circuit design solutions	2,674,703	20.5	3,288,988	22.0
IT solutions	2,922,876	22.4	3,207,011	21.4
Client services	5,630,131	43.0	6,411,051	42.8
Others	368	0.0	1,300	0.0
Total	13,071,338	100.0	14,981,684	100.0

(b) Orders received and order backlog (Thousands of yen)

Product category	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)		First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	2,140,604	1,110,040	2,321,762	1,083,951
Circuit design solutions	3,017,943	1,426,713	3,480,378	1,623,947
IT solutions	3,588,374	1,650,105	3,817,984	1,803,999
Client services	5,557,251	8,267,495	6,722,467	9,679,653
Others	1,679	1,650	2,522	2,021
Total	14,305,853	12,456,006	16,345,114	14,193,573

Note: Name of major products by product category are as follows.

Major products of Printed Circuit Board design solutions	CR-8000 Design Force CR-8000 Board Designer CR-8000 DFM Center CADSTAR eCADSTAR
Major products of Circuit design solutions	CR-8000 Design Gateway CR-8000 System Planner E3.series Cabling Designer Harness Designer
Major products of IT solutions	DS-CR DS-2 Espresso DS-E3 PreSight visual BOM GENESYS

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.