



August 5, 2019

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2020 (FY2019)
(Three Months Ended June 30, 2019)

[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: August 7, 2019
 Scheduled date of payment of dividend: -
 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 First Quarter Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Jun. 30, 2019	6,082	7.8	329	10.9	351	1.6	259	2.3
Jun. 30, 2018	5,640	16.3	297	814.6	345	358.6	254	868.1

Note: Comprehensive income (Millions of yen) Three months ended Jun. 30, 2019: (122) (-%)
 Three months ended Jun. 30, 2018: 529 (up 99.0%)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
Jun. 30, 2019	11.18	-
Jun. 30, 2018	10.93	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2019	46,417	32,582	69.3
As of Mar. 31, 2019	47,190	33,050	69.1

Reference: Shareholders' equity (Millions of yen) As of Jun. 30, 2019: 32,176 As of Mar. 31, 2019: 32,607

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	12.00	-	14.00	26.00
Fiscal year ending Mar. 31, 2020	-	-	-	-	-
Fiscal year ending Mar. 31, 2020 (forecast)	-	14.00	-	14.00	28.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-year changes)

	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
Full year	27,800	3.8	2,900	(4.9)	3,000	(6.0)	2,170	2.7	93.33

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

Only the full-year forecast is shown because Zuken manages performance on a fiscal year basis.

*** 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

(a) Changes in accounting policies due to revisions in accounting standards, others: None

(b) Changes in accounting policies other than (a) above: None

(c) Changes in accounting-based estimates: None

(d) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Jun. 30, 2019:	23,267,169 shares	As of Mar. 31, 2019:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Jun. 30, 2019:	17,490 shares	As of Mar. 31, 2019:	17,480 shares
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(c) Average number of shares outstanding during the period

Three months ended Jun. 30, 2019:	23,249,686 shares	Three months ended Jun. 30, 2018:	23,250,089 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 quarter of the fiscal year ending on March 31, 2020, gradual economic recoveries continued to take place in Japan, Europe and the United States. However, the outlook remained uncertain because of concerns about U.S. economic policies, slowing economic growth in China and other reasons. In the electronic equipment, automotive and industrial equipment manufacturing sectors that are the main customer segments of the Zuken Group, a cautious attitude toward capital investment was evident due to wariness about the prospects for the future. However, the positive sentiment towards investment continued in the IT sector.

Net sales in the first quarter were 6,082 million yen, 7.8% higher than one year earlier. This was the fourth consecutive fiscal year of record-high sales for the first quarter. There was steady growth in sales of our core CR-8000 electronics system design solution series in Japan, Europe and in the United States. In addition to strong expansion in sales of our domestic subsidiaries' network systems and 3D solutions for the construction industry also contributed to sales growth.

Earnings increased due to sales growth, despite the increase in costs resulting from the acceleration of new product development. Ordinary profit was 351 million yen, 1.6% higher than one year earlier, and profit attributable to owners of parent was 259 million yen, 2.3% higher than one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year decreased 773 million yen from the end of the previous fiscal year to 46,417 million yen.

Current assets decreased 276 million yen. The main factors include a decrease of 1,925 million yen in notes and accounts receivable-trade and an increase of 1,039 million yen in cash and deposits. Non-current assets decreased 497 million yen. The main factors include a decrease of 425 million yen in investments and other assets primarily due to a decrease in investment securities.

Total liabilities decreased 306 million yen from the end of the previous fiscal year to 13,834 million yen. Current liabilities decreased 300 million yen mainly due to decreases of 551 million yen in income taxes payable, 374 million yen in provision for bonuses and 293 million yen in accounts payable-trade, while there was an increase of 1,133 million yen in advances received. Non-current liabilities decreased 5 million yen mainly due to a decrease in retirement benefit liability.

Net assets decreased 467 million yen from the end of the previous fiscal year to 32,582 million yen, and the shareholders' equity ratio was 69.3%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2020 that was released on May 13, 2019. Many of the Zuken Group's customers use a fiscal year that ends in March. As a result, a large percentage of the deliveries and final acceptances of our products occur in March each year. Consequently, sales and profits tend to be disproportionately concentrated in the fourth quarter in each fiscal year.

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

	(Thousands of yen)	
	FY2018	First quarter of FY2019
	(As of Mar. 31, 2019)	(As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	18,523,202	19,562,598
Notes and accounts receivable-trade	5,870,720	3,944,937
Securities	6,700,000	6,700,000
Merchandise and finished goods	345,764	374,475
Work in process	109,325	245,699
Raw materials and supplies	3,761	3,353
Other	2,336,168	2,788,719
Allowance for doubtful accounts	(25,786)	(32,821)
Total current assets	33,863,156	33,586,962
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,782,237	2,751,698
Land	3,015,103	3,015,103
Other, net	447,471	475,991
Total property, plant and equipment	6,244,812	6,242,793
Intangible assets		
Goodwill	492,088	447,387
Other	628,999	603,874
Total intangible assets	1,121,088	1,051,262
Investments and other assets		
Investment securities	4,919,667	4,379,906
Other	1,042,243	1,156,703
Total investments and other assets	5,961,910	5,536,609
Total non-current assets	13,327,811	12,830,665
Total assets	47,190,967	46,417,627

	(Thousands of yen)	
	FY2018 (As of Mar. 31, 2019)	First quarter of FY2019 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	827,244	533,644
Income taxes payable	630,106	78,990
Advances received	5,455,151	6,588,424
Provision for bonuses	846,582	472,557
Other provisions	84,533	11,175
Other	2,273,360	2,131,878
Total current liabilities	10,116,979	9,816,669
Non-current liabilities		
Retirement benefit liability	3,842,064	3,823,596
Other	181,867	194,490
Total non-current liabilities	4,023,931	4,018,087
Total liabilities	14,140,911	13,834,756
Net assets		
Shareholders' equity		
Share capital	10,117,065	10,117,065
Capital surplus	8,659,016	8,659,034
Retained earnings	12,230,462	12,164,933
Treasury shares	(16,365)	(16,381)
Total shareholders' equity	30,990,177	30,924,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,022,397	1,646,184
Foreign currency translation adjustment	22,984	(32,881)
Remeasurements of defined benefit plans	(428,220)	(361,193)
Total accumulated other comprehensive income	1,617,162	1,252,109
Non-controlling interests	442,715	406,110
Total net assets	33,050,055	32,582,871
Total liabilities and net assets	47,190,967	46,417,627

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

(Thousands of yen)

	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	5,640,497	6,082,121
Cost of sales	1,502,732	1,705,773
Gross profit	4,137,764	4,376,347
Selling, general and administrative expenses	3,840,622	4,046,821
Operating profit	297,142	329,525
Non-operating income		
Interest income	1,277	3,832
Dividend income	17,540	41,965
Foreign exchange gains	2,508	-
Other	27,776	16,296
Total non-operating income	49,103	62,093
Non-operating expenses		
Foreign exchange losses	-	40,076
Other	602	248
Total non-operating expenses	602	40,325
Ordinary profit	345,643	351,293
Extraordinary income		
Gain on sales of non-current assets	17	1,676
Gain on liquidation of subsidiaries	23,321	-
Total extraordinary income	23,338	1,676
Extraordinary losses		
Loss on disposal of non-current assets	147	-
Total extraordinary losses	147	-
Profit before income taxes	368,834	352,970
Income taxes-current	46,124	71,310
Income taxes-deferred	86,353	39,329
Total income taxes	132,477	110,640
Profit	236,356	242,330
Loss attributable to non-controlling interests	(17,668)	(17,636)
Profit attributable to owners of parent	254,024	259,966

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

(Thousands of yen)

	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)
Profit	236,356	242,330
Other comprehensive income		
Valuation difference on available-for-sale securities	280,677	(376,213)
Foreign currency translation adjustment	(47,827)	(55,866)
Remeasurements of defined benefit plans, net of tax	59,972	67,026
Total other comprehensive income	292,822	(365,053)
Comprehensive income	529,178	(122,723)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	546,847	(105,086)
Comprehensive income attributable to non-controlling interests	(17,668)	(17,636)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)**

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	3,762,198	1,202,244	334,614	341,440	5,640,497	-	5,640,497
Intersegment sales or transfers	362,549	181,280	9,739	16,751	570,321	(570,321)	-
Total	4,124,748	1,383,525	344,353	358,191	6,210,818	(570,321)	5,640,497
Segment profit (loss)	243,501	19,337	(25,963)	100,117	336,993	(39,850)	297,142

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -39,850 thousand yen eliminated for intersegment transactions.

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

II. First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)

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	4,232,449	1,134,123	439,699	275,849	6,082,121	-	6,082,121
Intersegment sales or transfers	273,897	210,753	10,229	18,888	513,768	(513,768)	-
Total	4,506,346	1,344,876	449,928	294,737	6,595,889	(513,768)	6,082,121
Segment profit (loss)	265,294	(6,425)	8,246	69,468	336,584	(7,059)	329,525

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -7,059 thousand yen eliminated for intersegment transactions.

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

3. Supplementary Information

(1) Sales and Orders

(a) Sales

(Thousands of yen)

Segment	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)		First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	3,762,198	66.7	4,232,449	69.6
Europe	1,202,244	21.3	1,134,123	18.6
Americas	334,614	5.9	439,699	7.2
Asia	341,440	6.1	275,849	4.6
Total	5,640,497	100.0	6,082,121	100.0

(b) Orders received and order backlog

(Thousands of yen)

Segment	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)		First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	5,314,583	7,755,024	6,204,370	8,762,795
Europe	1,035,847	1,483,931	906,487	1,394,468
Americas	140,800	900,548	193,546	1,086,266
Asia	356,317	629,189	401,762	470,198
Total	6,847,549	10,768,694	7,706,166	11,713,729

Notes: 1. Intersegment transactions have been eliminated.

2. The above amounts are based on selling prices and the amounts do not include consumption taxes.

(Reference) Results by product category are as follows.

(a) Sales (Thousands of yen)

Product category	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)		First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	812,672	14.4	883,738	14.5
Circuit design solutions	1,131,412	20.1	1,326,130	21.8
IT solutions	1,001,576	17.8	1,203,189	19.8
Client services	2,694,674	47.7	2,668,010	43.9
Others	160	0.0	1,051	0.0
Total	5,640,497	100.0	6,082,121	100.0

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

Product category	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)		First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	945,027	808,586	1,081,650	884,308
Circuit design solutions	1,508,643	1,234,426	1,839,768	1,694,060
IT solutions	1,292,838	1,142,719	1,502,747	1,349,390
Client services	3,097,980	7,579,896	3,281,584	7,785,561
Others	3,059	3,065	416	407
Total	6,847,549	10,768,694	7,706,166	11,713,729

Notes: 1. The above amounts are based on selling prices and the amounts do not include consumption taxes.

2. Name of major products by product category are as follows.

Major products of Printed Circuit Board design solutions	CR-8000 Design Force CR-8000 DFM Center CADSTAR eCADSTAR	CR-5000 Board Designer
Major products of Circuit design solutions	CR-8000 Design Gateway CR-8000 System Planner Architecture Planner E3.series Cabling Designer Harness Designer	CR-5000 System Designer
Major products of IT solutions	PreSight visual BOM DS-CR DS-2 Espresso DS-E3	

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.