



August 4, 2021

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2022 (FY2021)
(Three Months Ended June 30, 2021)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section
 Stock code: 6947 URL: <https://www.zuken.co.jp>
 Representative: Jinya Katsube, President and Representative Director
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 Scheduled date of filing of Quarterly Report: August 5, 2021
 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, 2021 (April 1, 2021 – June 30, 2021)

(1) Consolidated results of operations (Percentages represent 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	%
Three months ended								
Jun. 30, 2021	7,014	18.3	569	396.9	665	286.1	429	369.3
Jun. 30, 2020	5,928	(2.5)	114	(65.2)	172	(50.9)	91	(64.8)

Note: Comprehensive income (Millions of yen) Three months ended Jun. 30, 2021: 1,258 (up 54.1%)

Three months ended Jun. 30, 2020: 816 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended		
Jun. 30, 2021	18.47	-
Jun. 30, 2020	3.94	-

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 three months ended June 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 Jun. 30, 2021	58,914	39,707	66.8
As of Mar. 31, 2021	57,168	38,842	67.4

Reference: Shareholders' equity (Millions of yen) As of Jun. 30, 2021: 39,375 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 Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. All figures as of June 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	-				
Fiscal year ending Mar. 31, 2022 (forecast)		16.00	-	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)

	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	31,000	7.6	3,500	21.0	3,600	14.2	2,500	17.0	107.53

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

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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, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 7 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 Jun. 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 Jun. 30, 2021:	18,103 shares	As of Mar. 31, 2021:	18,026 shares
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(c) Average number of shares outstanding during the period

Three months ended Jun. 30, 2021:	23,249,085 shares	Three months ended Jun. 30, 2020:	23,249,456 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

The European, U.S. and Chinese economies were on track for a recovery during the first quarter due to progress with vaccinations. But the outlook is unclear because of uncertainty about the magnitude of the impact on the global economy of the spread of infections caused by the variants. Manufacturers in the electronics, automotive and industrial equipment sectors are the main customers of the Zuken Group. Although companies in these sectors remained cautious about capital expenditures, many companies continue to make substantial IT investments.

Net sales in the first quarter increased to 7,014 million yen, 18.3% higher than one year earlier and a new record high for the first quarter of a fiscal year. Sales in all solution categories increased. Sales of the DS-2 series of engineering data management platforms and the network security products of a subsidiary in Japan were particularly strong, making a big contribution to the growth of IT solutions sales.

Earnings were much higher because of the big increase in sales. Ordinary profit was 665 million yen, 286.1% higher than one year earlier, and profit attributable to owners of parent was up 369.3% to 429 million yen. Both are all-time highs for the first quarter of a fiscal year.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year increased 1,746 million yen from the end of the previous fiscal year to 58,914 million yen.

Current assets increased 889 million yen. The main factors include increases of 2,264 million yen in cash and deposits and 776 million yen in other current assets due to an increase in prepaid expenses, and a decrease of 2,276 million yen in notes and accounts receivable-trade. Non-current assets increased 857 million yen. The main factors include an increase of 907 million yen in investments and other assets primarily due to an increase in investment securities.

Total liabilities increased 881 million yen from the end of the previous fiscal year to 19,207 million yen. Current liabilities increased 448 million yen. There were an increase of 1,641 million yen in advances received, and decreases of 442 million yen in income taxes payable, 372 million yen in provision for bonuses and 325 million yen in accounts payable-trade. Non-current liabilities increased 433 million yen mainly due to an increase in deferred tax liabilities included in other non-current liabilities.

Net assets increased 864 million yen from the end of the previous fiscal year to 39,707 million yen, and the shareholders' equity ratio was 66.8%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2022 that was released on May 10, 2021. 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)	
	FY2020	First quarter of FY2021
	(As of Mar. 31, 2021)	(As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	21,693,586	23,958,566
Notes and accounts receivable-trade	6,806,824	4,529,903
Securities	6,700,000	6,700,000
Merchandise and finished goods	466,069	481,368
Work in process	101,913	246,343
Raw materials and supplies	2,158	1,812
Other	3,525,251	4,302,121
Allowance for doubtful accounts	(19,098)	(54,089)
Total current assets	39,276,705	40,166,025
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,760,128	2,722,002
Land	3,015,103	3,015,103
Other, net	488,222	490,217
Total property, plant and equipment	6,263,454	6,227,322
Intangible assets		
Goodwill	656,516	640,674
Other	640,839	643,182
Total intangible assets	1,297,355	1,283,857
Investments and other assets		
Investment securities	9,114,007	10,055,827
Other	1,216,553	1,181,832
Total investments and other assets	10,330,561	11,237,659
Total non-current assets	17,891,371	18,748,839
Total assets	57,168,076	58,914,864

	(Thousands of yen)	
	FY2020 (As of Mar. 31, 2021)	First quarter of FY2021 (As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,166,026	841,026
Income taxes payable	578,485	135,536
Advances received	7,688,741	9,329,983
Provision for bonuses	925,619	553,607
Other provisions	110,116	18,987
Other	2,181,249	2,219,143
Total current liabilities	12,650,238	13,098,284
Non-current liabilities		
Retirement benefit liability	4,457,677	4,529,608
Other	1,218,060	1,579,968
Total non-current liabilities	5,675,738	6,109,577
Total liabilities	18,325,976	19,207,861
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	15,651,495
Treasury shares	(17,734)	(17,966)
Total shareholders' equity	34,376,739	34,413,070
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,510,039	5,163,662
Foreign currency translation adjustment	48,857	168,175
Remeasurements of defined benefit plans	(430,263)	(368,957)
Total accumulated other comprehensive income	4,128,633	4,962,880
Non-controlling interests	336,727	331,051
Total net assets	38,842,100	39,707,003
Total liabilities and net assets	57,168,076	58,914,864

(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 FY2020 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY2021 (Apr. 1, 2021 – Jun. 30, 2021)
Net sales	5,928,865	7,014,839
Cost of sales	1,687,640	2,119,893
Gross profit	4,241,224	4,894,945
Selling, general and administrative expenses	4,126,573	4,325,285
Operating profit	114,651	569,659
Non-operating income		
Interest income	2,503	2,009
Dividend income	39,849	68,467
Subsidy income	18,455	22,814
Other	10,686	11,502
Total non-operating income	71,495	104,793
Non-operating expenses		
Foreign exchange losses	12,884	8,049
Other	892	917
Total non-operating expenses	13,777	8,966
Ordinary profit	172,369	665,486
Extraordinary income		
Gain on sale of non-current assets	38	-
Total extraordinary income	38	-
Profit before income taxes	172,408	665,486
Income taxes-current	29,711	102,856
Income taxes-deferred	110,338	138,809
Total income taxes	140,050	241,665
Profit	32,357	423,820
Loss attributable to non-controlling interests	(59,160)	(5,676)
Profit attributable to owners of parent	91,517	429,496

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

(Thousands of yen)

	First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY2021 (Apr. 1, 2021 – Jun. 30, 2021)
Profit	32,357	423,820
Other comprehensive income		
Valuation difference on available-for-sale securities	731,019	653,622
Foreign currency translation adjustment	8,015	119,317
Remeasurements of defined benefit plans, net of tax	44,766	61,306
Total other comprehensive income	783,802	834,247
Comprehensive income	816,159	1,258,067
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	875,319	1,263,743
Comprehensive income attributable to non-controlling interests	(59,160)	(5,676)

(3) 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 46,226 thousand yen, cost of sales decreased 46,477 thousand yen. Operating profit, ordinary profit and profit before income taxes increased 251 thousand yen each in the first three months of the current fiscal year. In addition, the new standard reduced retained earnings at the beginning of the first quarter 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 quarter of the previous fiscal year.

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

Effective from the beginning of the first quarter of the fiscal year ending on March 31, 2022, Zuken applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019), etc. and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Measurement of Fair Value 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 three months of FY2020 (Apr. 1, 2020 – Jun. 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	4,203,508	1,001,157	475,153	249,046	5,928,865	-	5,928,865
Intersegment sales or transfers	250,484	218,108	11,306	27,548	507,448	(507,448)	-
Total	4,453,993	1,219,265	486,460	276,594	6,436,314	(507,448)	5,928,865
Segment profit (loss)	133,222	(86,386)	1,368	68,687	116,890	(2,239)	114,651

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -2,239 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 FY2021 (Apr. 1, 2021 – Jun. 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	2,778,709	638,147	276,329	161,401	3,854,588	-	3,854,588
Client services	2,082,543	645,571	242,241	189,893	3,160,250	-	3,160,250
Sales to third parties	4,861,253	1,283,719	518,571	351,295	7,014,839	-	7,014,839
Intersegment sales or transfers	340,916	227,639	14,768	27,788	611,113	(611,113)	-
Total	5,202,170	1,511,359	533,339	379,083	7,625,952	(611,113)	7,014,839
Segment profit (loss)	475,991	(34,149)	24,772	109,038	575,653	(5,993)	569,659

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -5,993 thousand yen eliminated for intersegment transactions.

2. Segment profit (loss) 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 quarter of the previous fiscal year.

3. Supplementary Information

(1) Sales and Orders

(a) Sales (Thousands of yen)

Segment	First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)		First three months of FY2021 (Apr. 1, 2021 – Jun. 30, 2021)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	4,203,508	70.9	4,861,253	69.3
Europe	1,001,157	16.9	1,283,719	18.3
Americas	475,153	8.0	518,571	7.4
Asia	249,046	4.2	351,295	5.0
Total	5,928,865	100.0	7,014,839	100.0

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

Segment	First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)		First three months of FY2021 (Apr. 1, 2021 – Jun. 30, 2021)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	6,216,406	9,675,653	7,025,739	11,077,581
Europe	799,875	1,497,646	1,001,867	1,760,553
Americas	345,660	1,280,661	348,436	1,173,396
Asia	293,744	469,844	383,921	587,091
Total	7,655,687	12,923,805	8,759,964	14,598,622

Note: Intersegment transactions have been eliminated.

(Reference) Results by product category are as follows.

(a) Sales (Thousands of yen)

Product category	First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)		First three months of FY2021 (Apr. 1, 2021 – Jun. 30, 2021)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	805,368	13.6	892,210	12.7
Circuit design solutions	1,254,997	21.2	1,478,095	21.1
IT solutions	1,109,699	18.7	1,484,282	21.2
Client services	2,758,799	46.5	3,160,250	45.0
Others	0	0.0	0	0.0
Total	5,928,865	100.0	7,014,839	100.0

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

Product category	First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)		First three months of FY2021 (Apr. 1, 2021 – Jun. 30, 2021)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	891,025	892,683	1,104,825	1,053,839
Circuit design solutions	1,589,617	1,418,200	1,799,533	1,755,452
IT solutions	1,798,775	1,673,289	1,991,476	1,700,966
Client services	3,376,240	8,939,262	3,862,592	10,086,027
Others	28	368	1,536	2,336
Total	7,655,687	12,923,805	8,759,964	14,598,622

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.