



February 7, 2019

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2019 (FY2018)
(Nine Months Ended December 31, 2018)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section
 Stock code: 6947 URL: <https://www.zuken.co.jp>
 Representative: Makoto Kaneko, President and Representative Director
 Contact: Susumu Yoshida, General Manager of Finance Department Tel: +81-45-942-1511
 Scheduled date of filing of Quarterly Report: February 8, 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 Third Quarter Ended December 31, 2018 (Apr. 1, 2018 – Dec. 31, 2018)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Dec. 31, 2018	18,899	16.8	1,898	145.4	1,999	130.2	1,397	191.4
Dec. 31, 2017	16,178	8.0	773	96.7	868	128.1	479	103.4

Note: Comprehensive income (Millions of yen) Nine months ended Dec. 31, 2018: 1,798 (up 49.5%)
 Nine months ended Dec. 31, 2017: 1,203 (up 988.9%)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
Dec. 31, 2018	60.10	-
Dec. 31, 2017	20.63	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2018	44,138	31,770	71.1
As of Mar. 31, 2018	43,647	30,547	69.0

Reference: Shareholders' equity (Millions of yen) As of Dec. 31, 2018: 31,366 As of Mar. 31, 2018: 30,119

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	10.00	-	12.00	22.00
Fiscal year ending Mar. 31, 2019	-	12.00	-		
Fiscal year ending Mar. 31, 2019 (forecast)				12.00	24.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)

(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	25,500	8.1	2,500	23.4	2,600	22.9	1,800	19.1	77.42

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

*** 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 Dec. 31, 2018:	23,267,169 shares	As of Mar. 31, 2018:	23,267,169 shares
----------------------	-------------------	----------------------	-------------------

(b) Number of treasury shares at the end of the period

As of Dec. 31, 2018:	17,267 shares	As of Mar. 31, 2018:	17,057 shares
----------------------	---------------	----------------------	---------------

(c) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2018:	23,250,040 shares	Nine months ended Dec. 31, 2017:	23,250,254 shares
----------------------------------	-------------------	----------------------------------	-------------------

* 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	2
2. Quarterly Consolidated Financial Statements and Notes	3
(1) Quarterly Consolidated Balance Sheet	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
Quarterly Consolidated Statement of Income	5
Quarterly Consolidated Statement of Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7
Additional Information	7
Segment Information	7
3. Supplementary Information	8
(1) Sales and Orders	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending on March 31, 2019, gradual economic recoveries continued to take place in Japan, Europe and the United States. However, the overall outlook remained uncertain because of slowing economic growth in emerging Asian countries, concerns about U.S. economic policies and other reasons. In the electronic equipment, automotive and industrial equipment manufacturing sectors, which are the major customer segments of the Zuken Group, there were clear signs of an aggressive approach to capital investments backed by recovering corporate earnings.

Net sales in the first nine months were 18,899 million yen, 16.8% higher than one year earlier, as growth in all solutions sales remained steady. In particular, there was a strong growth in sales of Circuit design solutions led by the E3.series of wire harness design systems. Significant growth in sales of IT solutions due to strong sales of our DS-CR design data management system and network systems also contributed to the sales growth.

Earnings increased significantly due to the growth in sales. Ordinary profit was 1,999 million yen, 130.2% higher than one year earlier, and profit attributable to owners of parent was 1,397 million yen, 191.4% higher than one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased 491 million yen from the end of the previous fiscal year to 44,138 million yen.

Current assets increased 123 million yen. The main factors include increases of 1,098 million yen in cash and deposits, 272 million yen in work in process and 212 million yen in other current assets due to an increase in prepaid expenses, while there was a decrease of 1,513 million yen in notes and accounts receivable-trade. Non-current assets increased 367 million yen. The main factors include an increase of 641 million yen in investments and other assets primarily due to an increase in investment securities and a decrease of 202 million yen in intangible assets.

Total liabilities decreased 731 million yen from the end of the previous fiscal year to 12,368 million yen. Current liabilities decreased 760 million yen mainly due to decreases of 444 million yen in income taxes payable and 269 million yen in provision for bonuses. Non-current liabilities increased 28 million yen mainly due to an increase in net defined benefit liability.

Net assets increased 1,223 million yen from the end of the previous fiscal year to 31,770 million yen, and the shareholders' equity ratio was 71.1%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2019 that was released on May 7, 2018.

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

	(Thousands of yen)	
	FY2017 (As of Mar. 31, 2018)	Third quarter of FY2018 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	16,868,686	17,967,481
Notes and accounts receivable-trade	5,375,965	3,862,328
Securities	6,700,000	6,700,000
Merchandise and finished goods	269,857	333,004
Work in process	95,659	367,660
Raw materials and supplies	3,908	2,858
Other	2,172,359	2,385,343
Allowance for doubtful accounts	(44,416)	(52,831)
Total current assets	31,442,019	31,565,844
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,889,876	2,803,718
Land	3,015,103	3,015,103
Other, net	455,438	470,884
Total property, plant and equipment	6,360,419	6,289,706
Intangible assets		
Goodwill	661,482	537,099
Other	699,954	621,613
Total intangible assets	1,361,437	1,158,712
Investments and other assets		
Investment securities	3,089,690	4,078,025
Other	1,393,722	1,046,685
Total investments and other assets	4,483,412	5,124,710
Total non-current assets	12,205,268	12,573,129
Total assets	43,647,287	44,138,974

	(Thousands of yen)	
	FY2017 (As of Mar. 31, 2018)	Third quarter of FY2018 (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	726,558	562,422
Income taxes payable	573,228	128,601
Advances received	5,256,136	5,328,215
Provision for bonuses	799,513	529,548
Other provision	62,887	57,632
Other	1,864,426	1,915,963
Total current liabilities	9,282,751	8,522,384
Non-current liabilities		
Net defined benefit liability	3,541,427	3,664,436
Other	275,473	181,183
Total non-current liabilities	3,816,901	3,845,620
Total liabilities	13,099,652	12,368,004
Net assets		
Shareholders' equity		
Capital stock	10,117,065	10,117,065
Capital surplus	8,659,021	8,659,016
Retained earnings	10,675,443	11,514,823
Treasury shares	(15,716)	(16,043)
Total shareholders' equity	29,435,814	30,274,861
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,124,695	1,429,593
Foreign currency translation adjustment	146,943	96,905
Remeasurements of defined benefit plans	(587,708)	(434,512)
Total accumulated other comprehensive income	683,930	1,091,986
Non-controlling interests	427,891	404,122
Total net assets	30,547,635	31,770,969
Total liabilities and net assets	43,647,287	44,138,974

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

(Thousands of yen)

	First nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	16,178,494	18,899,838
Cost of sales	4,407,957	5,290,019
Gross profit	11,770,536	13,609,818
Selling, general and administrative expenses	10,997,146	11,711,585
Operating profit	773,390	1,898,233
Non-operating income		
Interest income	3,902	5,264
Dividend income	31,628	34,707
Rent income	35,312	37,608
Other	34,129	55,213
Total non-operating income	104,973	132,793
Non-operating expenses		
Foreign exchange losses	4,462	29,626
Share of loss of entities accounted for using equity method	3,870	-
Other	1,186	1,732
Total non-operating expenses	9,520	31,359
Ordinary profit	868,843	1,999,668
Extraordinary income		
Gain on sales of non-current assets	2,295	327
Gain on liquidation of subsidiaries	-	23,321
Gain on bargain purchase	35,996	-
Total extraordinary income	38,291	23,648
Extraordinary losses		
Loss on disposal of non-current assets	6,806	3,799
Retirement benefit expenses	90,208	-
Total extraordinary losses	97,015	3,799
Profit before income taxes	810,119	2,019,517
Income taxes-current	257,520	476,323
Income taxes-deferred	81,079	152,647
Total income taxes	338,599	628,971
Profit	471,519	1,390,546
Loss attributable to non-controlling interests	(8,040)	(6,834)
Profit attributable to owners of parent	479,560	1,397,381

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

(Thousands of yen)

	First nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)
Profit	471,519	1,390,546
Other comprehensive income		
Valuation difference on available-for-sale securities	204,206	304,898
Foreign currency translation adjustment	264,224	(50,038)
Remeasurements of defined benefit plans, net of tax	271,464	153,196
Share of other comprehensive income of entities accounted for using equity method	(8,334)	-
Total other comprehensive income	731,560	408,056
Comprehensive income	1,203,080	1,798,602
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,211,120	1,805,437
Comprehensive income attributable to non-controlling interests	(8,040)	(6,834)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

Effective from the beginning of the first quarter of the current fiscal year, the Company applied Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

Segment Information**I. First nine months of FY2017 (Apr. 1, 2017 –Dec. 31, 2017)**

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	10,900,017	3,247,162	1,140,164	891,150	16,178,494	-	16,178,494
Intersegment sales or transfers	645,965	642,288	39,633	48,896	1,376,783	(1,376,783)	-
Total	11,545,982	3,889,450	1,179,798	940,046	17,555,278	(1,376,783)	16,178,494
Segment profit	470,878	40,501	13,565	257,824	782,770	(9,380)	773,390

Notes: 1. Adjustment amount in segment profit includes amount of -9,380 thousand yen eliminated for intersegment transactions.

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

II. First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 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	12,991,160	3,587,951	1,232,980	1,087,745	18,899,838	-	18,899,838
Intersegment sales or transfers	890,397	674,577	28,656	62,308	1,655,939	(1,655,939)	-
Total	13,881,557	4,262,528	1,261,637	1,150,053	20,555,777	(1,655,939)	18,899,838
Segment profit	1,386,122	180,621	18,283	327,226	1,912,255	(14,021)	1,898,233

Notes: 1. Adjustment amount in segment profit includes amount of -14,021 thousand yen eliminated for intersegment transactions.

2. Segment profit 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 nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)		First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	10,900,017	67.4	12,991,160	68.7
Europe	3,247,162	20.1	3,587,951	19.0
Americas	1,140,164	7.0	1,232,980	6.5
Asia	891,150	5.5	1,087,745	5.8
Total	16,178,494	100.0	18,899,838	100.0

(b) Orders received and order backlog

(Thousands of yen)

Segment	First nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)		First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	11,761,305	6,637,911	14,343,441	7,554,920
Europe	2,777,023	1,080,159	2,778,755	839,706
Americas	881,523	851,163	1,215,228	1,083,809
Asia	843,298	577,900	883,464	409,610
Total	16,263,150	9,147,134	19,220,889	9,888,046

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 nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)		First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	2,477,941	15.3	2,974,448	15.7
Circuit design solutions	3,131,250	19.4	4,137,811	21.9
IT solutions	2,974,550	18.4	3,901,330	20.6
Client services	7,593,884	46.9	7,882,316	41.8
Others	867	0.0	3,930	0.0
Total	16,178,494	100.0	18,899,838	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	First nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)		First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	2,350,352	558,199	3,029,287	731,741
Circuit design solutions	3,369,437	1,110,759	4,856,943	1,577,944
IT solutions	3,733,941	1,340,555	4,680,411	1,631,408
Client services	6,807,981	6,137,049	6,646,305	5,942,774
Others	1,438	570	7,941	4,176
Total	16,263,150	9,147,134	19,220,889	9,888,046

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.