



February 8, 2021

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2021 (FY2020)
(Nine Months Ended December 31, 2020)

[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
Contact: Susumu Yoshida, General Manager of Finance Department Tel: +81-45-942-1511
Scheduled date of filing of Quarterly Report: February 10, 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 Third Quarter Ended December 31, 2020

(April 1, 2020 – December 31, 2020)

(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, 2020	19,795	(3.9)	1,473	(34.0)	1,641	(29.6)	1,079	(37.6)
Dec. 31, 2019	20,606	9.0	2,230	17.5	2,332	16.7	1,729	23.8

Note: Comprehensive income (Millions of yen) Nine months ended Dec. 31, 2020: 2,592 (down 5.4%)

Nine months ended Dec. 31, 2019: 2,740 (up 52.4%)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
Dec. 31, 2020	46.45	-
Dec. 31, 2019	74.40	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2020	52,222	36,866	70.0
As of Mar. 31, 2020	51,445	35,013	67.2

Reference: Shareholders' equity (Millions of yen) As of Dec. 31, 2020: 36,554 As of Mar. 31, 2020: 34,583

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	14.00	-	15.00	29.00
Fiscal year ending Mar. 31, 2021	-	15.00	-		
Fiscal year ending Mar. 31, 2021 (forecast)				15.00	30.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	29,000	(1.0)	2,700	(20.4)	2,800	(19.7)	1,750	(32.6)	75.27

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, 2020:	23,267,169 shares	As of Mar. 31, 2020:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Dec. 31, 2020:	17,965 shares	As of Mar. 31, 2020:	17,680 shares
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(c) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2020:	23,249,342 shares	Nine months ended Dec. 31, 2019:	23,249,607 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 nine months of the fiscal year ending on March 31, 2021, the business climate remained challenging because of the impact of the COVID-19 pandemic on the global economy. Manufacturers in the electronics, automotive and industrial equipment sectors are the main customers of the Zuken Group. Even though companies in these sectors still have a commitment to making IT investments, they continue to take a conservative stance on capital expenditures overall due to the uncertain economic outlook.

In the first nine months, there was a small year-on-year decrease of 3.9% in net sales to 19,795 million yen. Sales remained near an all-time high, second only to the record set in the same period of the previous fiscal year. The main reasons are increasing sales of IT solutions, primarily network security products, and the strong performance of the client services category.

Although investments for future growth are continuing, operating profit in the third quarter was higher than one year earlier because of a decline in expenses. In the fiscal year's first nine months, ordinary profit was 1,641 million yen, down 29.6% from one year earlier, and profit attributable to owners of parent decreased 37.6% to 1,079 million yen. Both of these declines are smaller than in the first half of the fiscal year.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased 777 million yen from the end of the previous fiscal year to 52,222 million yen.

Current assets decreased 1,327 million yen. The main factors include a decrease of 2,544 million yen in notes and accounts receivable-trade, and increases of 504 million yen in other current assets due to an increase in prepaid expenses and 345 million yen in cash and deposits. Non-current assets increased 2,104 million yen. The main factors include an increase of 2,417 million yen in investments and other assets primarily due to an increase in investment securities.

Total liabilities decreased 1,076 million yen from the end of the previous fiscal year to 15,356 million yen. Current liabilities decreased 1,909 million yen. There were decreases of 590 million yen in accounts payable-trade, 550 million yen in income taxes payable, and 330 million yen in provision for bonuses. Non-current liabilities increased 832 million yen mainly due to an increase in deferred tax liabilities included in other non-current liabilities.

Net assets increased 1,853 million yen from the end of the previous fiscal year to 36,866 million yen, and the shareholders' equity ratio was 70.0%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2021 that was released on August 5, 2020. 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)	
	FY2019 (As of Mar. 31, 2020)	Third quarter of FY2020 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	20,574,644	20,920,575
Notes and accounts receivable-trade	6,407,981	3,863,853
Securities	6,700,000	6,700,000
Merchandise and finished goods	403,944	431,978
Work in process	264,482	600,928
Raw materials and supplies	1,862	1,511
Other	2,749,149	3,253,742
Allowance for doubtful accounts	(29,587)	(27,563)
Total current assets	37,072,477	35,745,027
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,849,901	2,738,146
Land	3,015,103	3,015,103
Other, net	511,651	486,856
Total property, plant and equipment	6,376,656	6,240,106
Intangible assets		
Goodwill	913,777	718,027
Other	602,140	621,828
Total intangible assets	1,515,917	1,339,855
Investments and other assets		
Investment securities	5,385,293	7,809,511
Other	1,095,547	1,088,496
Total investments and other assets	6,480,840	8,898,008
Total non-current assets	14,373,415	16,477,971
Total assets	51,445,892	52,222,998

	(Thousands of yen)	
	FY2019 (As of Mar. 31, 2020)	Third quarter of FY2020 (As of Dec. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	1,177,418	586,795
Income taxes payable	716,954	166,067
Advances received	6,783,516	6,755,066
Provision for bonuses	902,008	571,969
Other provisions	136,807	48,298
Other	2,303,253	1,982,465
Total current liabilities	12,019,959	10,110,662
Non-current liabilities		
Retirement benefit liability	4,192,059	4,289,709
Other	220,565	955,729
Total non-current liabilities	4,412,625	5,245,438
Total liabilities	16,432,584	15,356,101
Net assets		
Shareholders' equity		
Share capital	10,117,065	10,117,065
Capital surplus	8,659,023	8,662,477
Retained earnings	14,175,240	14,557,661
Treasury shares	(16,778)	(17,561)
Total shareholders' equity	32,934,550	33,319,641
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,266,875	3,602,290
Foreign currency translation adjustment	(86,604)	62,200
Remeasurements of defined benefit plans	(531,321)	(429,625)
Total accumulated other comprehensive income	1,648,949	3,234,865
Non-controlling interests	429,808	312,389
Total net assets	35,013,308	36,866,897
Total liabilities and net assets	51,445,892	52,222,998

(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 FY2019 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	20,606,832	19,795,774
Cost of sales	5,746,021	5,920,083
Gross profit	14,860,810	13,875,690
Selling, general and administrative expenses	12,630,225	12,402,413
Operating profit	2,230,584	1,473,277
Non-operating income		
Interest income	9,048	5,737
Dividend income	66,278	67,605
Subsidy income	28,778	51,871
Other	36,972	51,411
Total non-operating income	141,078	176,625
Non-operating expenses		
Foreign exchange losses	36,615	4,988
Interest expenses	1,361	1,704
Other	821	1,401
Total non-operating expenses	38,799	8,093
Ordinary profit	2,332,863	1,641,809
Extraordinary income		
Gain on sales of non-current assets	2,159	941
Transfer of rights income	137,269	-
Total extraordinary income	139,429	941
Extraordinary losses		
Loss on disposal of non-current assets	4,749	9,720
Total extraordinary losses	4,749	9,720
Profit before income taxes	2,467,544	1,633,029
Income taxes-current	594,108	408,824
Income taxes-deferred	148,753	217,583
Total income taxes	742,861	626,407
Profit	1,724,682	1,006,621
Loss attributable to non-controlling interests	(5,080)	(73,281)
Profit attributable to owners of parent	1,729,762	1,079,902

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

(Thousands of yen)

	First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)
Profit	1,724,682	1,006,621
Other comprehensive income		
Valuation difference on available-for-sale securities	971,839	1,335,415
Foreign currency translation adjustment	(73,469)	148,804
Remeasurements of defined benefit plans, net of tax	117,664	101,695
Total other comprehensive income	1,016,034	1,585,915
Comprehensive income	2,740,716	2,592,537
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,745,796	2,665,818
Comprehensive income attributable to non-controlling interests	(5,080)	(73,281)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 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	14,744,980	3,473,889	1,409,661	978,301	20,606,832	-	20,606,832
Intersegment sales or transfers	808,687	666,448	41,772	64,263	1,581,172	(1,581,172)	-
Total	15,553,667	4,140,337	1,451,434	1,042,565	22,188,005	(1,581,172)	20,606,832
Segment profit	1,748,033	124,012	62,631	287,845	2,222,521	8,062	2,230,584

Notes: 1. Adjustment amount in segment profit includes amount of 8,062 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 FY2020 (Apr. 1, 2020 – Dec. 31, 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	14,131,456	3,318,930	1,440,633	904,753	19,795,774	-	19,795,774
Intersegment sales or transfers	759,361	653,529	37,374	78,359	1,528,624	(1,528,624)	-
Total	14,890,817	3,972,459	1,478,008	983,112	21,324,399	(1,528,624)	19,795,774
Segment profit	1,112,894	49,222	70,164	260,151	1,492,431	(19,154)	1,473,277

Notes: 1. Adjustment amount in segment profit includes amount of -19,154 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 FY2019 (Apr. 1, 2019 – Dec. 31, 2019)		First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	14,744,980	71.6	14,131,456	71.4
Europe	3,473,889	16.9	3,318,930	16.8
Americas	1,409,661	6.8	1,440,633	7.3
Asia	978,301	4.7	904,753	4.5
Total	20,606,832	100.0	19,795,774	100.0

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

Segment	First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)		First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	16,268,015	8,313,909	15,763,218	9,294,516
Europe	2,863,502	1,010,307	2,483,591	921,472
Americas	1,115,724	1,050,699	1,159,934	1,082,361
Asia	896,810	265,274	891,588	433,187
Total	21,144,053	10,640,191	20,298,332	11,731,538

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 FY2019 (Apr. 1, 2019 – Dec. 31, 2019)		First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	3,237,737	15.7	2,821,542	14.3
Circuit design solutions	5,151,313	25.0	3,972,817	20.1
IT solutions	4,078,347	19.8	4,429,213	22.4
Client services	8,137,471	39.5	8,571,420	43.2
Others	1,962	0.0	779	0.0
Total	20,606,832	100.0	19,795,774	100.0

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

Product category	First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)		First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	3,437,586	888,724	3,103,677	1,102,718
Circuit design solutions	5,517,436	1,549,422	4,453,349	1,559,394
IT solutions	4,436,830	1,409,310	5,099,603	1,655,061
Client services	7,748,488	6,789,941	7,638,990	7,412,093
Others	3,711	2,791	2,710	2,271
Total	21,144,053	10,640,191	20,298,332	11,731,538

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 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 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.