



February 7, 2022

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2022 (FY2021)
(Nine Months Ended December 31, 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
 Contact: Susumu Yoshida, General Manager of Finance Department Tel: +81-45-942-1511
 Scheduled date of filing of Quarterly Report: February 9, 2022
 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, 2021

(April 1, 2021 – December 31, 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	%
Nine months ended								
Dec. 31, 2021	22,390	13.1	2,462	67.1	2,683	63.5	2,394	121.7
Dec. 31, 2020	19,795	(3.9)	1,473	(34.0)	1,641	(29.6)	1,079	(37.6)

Note: Comprehensive income (Millions of yen) Nine months ended Dec. 31, 2021: (147) (-%)
 Nine months ended Dec. 31, 2020: 2,592 (down 5.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
Dec. 31, 2021	103.00	-
Dec. 31, 2020	46.45	-

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 nine months ended December 31, 2021 incorporate this accounting standard.

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen		Millions of yen		%	
As of Dec. 31, 2021	56,260		37,928		66.8	
As of Mar. 31, 2021	57,168		38,842		67.4	

Reference: Shareholders' equity (Millions of yen) As of Dec. 31, 2021: 37,557 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 December 31, 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)

	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	3,200	49.7	137.64

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

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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 Dec. 31, 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 Dec. 31, 2021:	18,364 shares	As of Mar. 31, 2021:	18,026 shares
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(c) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2021:	23,248,975 shares	Nine months ended Dec. 31, 2020:	23,249,342 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 current fiscal year, the economy recovered slowly as economic activities resumed. However, the overall outlook of the economy remained uncertain due to the spread of COVID-19 variants, shortages of semiconductors and other factors. 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 overall capital expenditures continued to recover.

Net sales in the first nine months increased to 22,390 million yen, 13.1% higher than one year earlier and a new record high for the first nine months of a fiscal year. Sales in all solution categories increased. Sales of the “E3.series,” a wire harness design system, were particularly strong and contributed to a significant increase in sales of Circuit design solutions.

Earnings were higher because of the increase in sales. Operating profit was 2,462 million yen, 67.1% higher than one year earlier, and ordinary profit was up 63.5% to 2,683 million yen. In addition, Zuken booked an extraordinary loss in connection with the buyout of the retirement pension plan of a U.K. subsidiary. But an extraordinary gain on sale of shares held for policy purposes offset the loss and profit attributable to owners of the parent was up 121.7% to 2,394 million yen. Income was also record high at all profit levels.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year decreased 908 million yen from the end of the previous fiscal year to 56,260 million yen.

Current assets increased 3,101 million yen. The main factors include increases of 4,282 million yen in cash and deposits and 895 million yen in other current assets due to an increase in prepaid expenses, and a decrease of 2,564 million yen in notes and accounts receivable-trade. Non-current assets decreased 4,009 million yen. The main factors include a decrease of 3,879 million yen in investments and other assets primarily due to a decrease in investment securities.

Total liabilities increased 5 million yen from the end of the previous fiscal year to 18,331 million yen. Current liabilities increased 1,760 million yen. There were increases of 1,414 million yen in income taxes payable and 1,205 million yen in advances received, and decreases of 429 million yen in accounts payable-trade and 353 million yen in provision for bonuses. Non-current liabilities decreased 1,754 million yen. There were decreases of 1,031 million yen in other current liabilities due to a decrease in deferred tax liabilities and 722 million yen in retirement benefit liability.

Net assets decreased 913 million yen from the end of the previous fiscal year to 37,928 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 November 8, 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	Third quarter of FY2021
	(As of Mar. 31, 2021)	(As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	21,693,586	25,976,480
Notes and accounts receivable-trade	6,806,824	4,242,286
Securities	6,700,000	6,700,000
Merchandise and finished goods	466,069	719,131
Work in process	101,913	343,006
Raw materials and supplies	2,158	1,819
Other	3,525,251	4,421,119
Allowance for doubtful accounts	(19,098)	(26,124)
Total current assets	39,276,705	42,377,719
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,760,128	2,643,754
Land	3,015,103	3,015,103
Other, net	488,222	539,501
Total property, plant and equipment	6,263,454	6,198,359
Intangible assets		
Goodwill	656,516	554,811
Other	640,839	678,266
Total intangible assets	1,297,355	1,233,078
Investments and other assets		
Investment securities	9,114,007	3,127,230
Other	1,216,553	3,323,682
Total investments and other assets	10,330,561	6,450,913
Total non-current assets	17,891,371	13,882,351
Total assets	57,168,076	56,260,070

	(Thousands of yen)	
	FY2020 (As of Mar. 31, 2021)	Third quarter of FY2021 (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,166,026	736,033
Income taxes payable	578,485	1,993,445
Advances received	7,688,741	8,894,336
Provision for bonuses	925,619	571,948
Other provisions	110,116	71,230
Other	2,181,249	2,143,405
Total current liabilities	12,650,238	14,410,398
Non-current liabilities		
Retirement benefit liability	4,457,677	3,735,028
Other	1,218,060	186,299
Total non-current liabilities	5,675,738	3,921,327
Total liabilities	18,325,976	18,331,725
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	17,244,551
Treasury shares	(17,734)	(18,947)
Total shareholders' equity	34,376,739	36,005,146
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,510,039	1,478,073
Foreign currency translation adjustment	48,857	54,980
Remeasurements of defined benefit plans	(430,263)	19,712
Total accumulated other comprehensive income	4,128,633	1,552,765
Non-controlling interests	336,727	370,432
Total net assets	38,842,100	37,928,345
Total liabilities and net assets	57,168,076	56,260,070

(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 FY2020 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	19,795,774	22,390,021
Cost of sales	5,920,083	6,824,334
Gross profit	13,875,690	15,565,687
Selling, general and administrative expenses	12,402,413	13,103,617
Operating profit	1,473,277	2,462,070
Non-operating income		
Interest income	5,737	4,631
Dividend income	67,605	79,378
Share of profit of entities accounted for using equity method	-	60,837
Other	103,282	82,133
Total non-operating income	176,625	226,981
Non-operating expenses		
Interest expenses	1,704	1,439
Foreign exchange losses	4,988	-
Other	1,401	3,756
Total non-operating expenses	8,093	5,196
Ordinary profit	1,641,809	2,683,855
Extraordinary income		
Gain on sale of non-current assets	941	579
Gain on sale of investment securities	-	5,808,953
Total extraordinary income	941	5,809,533
Extraordinary losses		
Loss on disposal of non-current assets	9,720	208
Retirement benefit expenses	-	3,490,776
Total extraordinary losses	9,720	3,490,984
Profit before income taxes	1,633,029	5,002,403
Income taxes-current	408,824	2,457,077
Income taxes-deferred	217,583	117,085
Total income taxes	626,407	2,574,162
Profit	1,006,621	2,428,240
Profit (loss) attributable to non-controlling interests	(73,281)	33,705
Profit attributable to owners of parent	1,079,902	2,394,535

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

	(Thousands of yen)	
	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)
Profit	1,006,621	2,428,240
Other comprehensive income		
Valuation difference on available-for-sale securities	1,335,415	(3,021,740)
Foreign currency translation adjustment	148,804	6,122
Remeasurements of defined benefit plans, net of tax	101,695	449,976
Share of other comprehensive income of entities accounted for using equity method	-	(10,226)
Total other comprehensive income	1,585,915	(2,575,868)
Comprehensive income	2,592,537	(147,627)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,665,818	(181,332)
Comprehensive income attributable to non-controlling interests	(73,281)	33,705

(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 107,676 thousand yen, cost of sales decreased 121,367 thousand yen, and operating profit, ordinary profit and profit before income taxes increased 13,691 thousand yen each in the first nine months of the current fiscal year. In addition, the new standard reduced retained earnings at the beginning of the first nine months 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 nine months 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 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.

II. First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 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	9,228,373	2,078,572	894,409	442,823	12,644,179	-	12,644,179
Client services	6,396,986	1,975,451	749,843	623,560	9,745,841	-	9,745,841
Sales to third parties	15,625,359	4,054,023	1,644,253	1,066,383	22,390,021	-	22,390,021
Intersegment sales or transfers	891,397	682,277	46,414	83,212	1,703,302	(1,703,302)	-
Total	16,516,757	4,736,301	1,690,668	1,149,596	24,093,324	(1,703,302)	22,390,021
Segment profit	1,809,796	221,406	101,222	327,863	2,460,288	1,781	2,462,070

Notes: 1. Adjustment amount in segment profit includes amount of 1,781 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 nine months of the previous fiscal year.

3. Supplementary Information

(1) Sales and Orders

(a) Sales (Thousands of yen)

Segment	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)		First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	14,131,456	71.4	15,625,359	69.8
Europe	3,318,930	16.8	4,054,023	18.1
Americas	1,440,633	7.3	1,644,253	7.3
Asia	904,753	4.5	1,066,383	4.8
Total	19,795,774	100.0	22,390,021	100.0

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

Segment	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)		First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	15,763,218	9,294,516	17,587,932	10,875,668
Europe	2,483,591	921,472	3,603,050	1,579,398
Americas	1,159,934	1,082,361	1,560,164	1,309,383
Asia	891,588	433,187	922,340	405,346
Total	20,298,332	11,731,538	23,673,487	14,169,796

Note: Intersegment transactions have been eliminated.

(Reference) Results by product category are as follows.

(a) Sales (Thousands of yen)

Product category	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)		First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	2,821,542	14.3	2,976,012	13.3
Circuit design solutions	3,972,817	20.1	4,847,125	21.6
IT solutions	4,429,213	22.4	4,818,577	21.5
Client services	8,571,420	43.2	9,745,841	43.6
Others	779	0.0	2,464	0.0
Total	19,795,774	100.0	22,390,021	100.0

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

Product category	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)		First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	3,103,677	1,102,718	3,240,209	1,108,554
Circuit design solutions	4,453,349	1,559,394	5,030,644	1,626,152
IT solutions	5,099,603	1,655,061	5,723,960	2,101,782
Client services	7,638,990	7,412,093	9,669,586	9,325,884
Others	2,710	2,271	9,086	7,422
Total	20,298,332	11,731,538	23,673,487	14,169,796

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.