



November 11, 2019

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2020 (FY2019)
(Six Months Ended September 30, 2019)

[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: November 13, 2019
 Scheduled date of payment of dividend: December 3, 2019
 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 Second Quarter Ended September 30, 2019

(April 1, 2019 – September 30, 2019)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Sep. 30, 2019	13,705	9.8	1,778	36.8	1,826	30.9	1,419	44.2
Sep. 30, 2018	12,477	19.3	1,299	165.4	1,395	151.4	984	192.2

Note: Comprehensive income (Millions of yen) Six months ended Sep. 30, 2019: 1,788 (down 17.2%)
 Six months ended Sep. 30, 2018: 2,159 (up 236.5%)

Six months ended	Net income per share	Diluted net income per share
	Yen	Yen
Sep. 30, 2019	61.04	-
Sep. 30, 2018	42.34	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2019	48,440	34,493	70.3
As of Mar. 31, 2019	47,190	33,050	69.1

Reference: Shareholders' equity (Millions of yen) As of Sep. 30, 2019: 34,069 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	-	14.00	-	-	-
Fiscal year ending Mar. 31, 2020 (forecast)	-	-	-	15.00	29.00

Note: Revisions to the most recently announced dividend forecast: Yes

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

(Percentages represent year-on-year changes)

Full year	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
	28,300	5.6	3,100	1.6	3,200	0.3	2,250	6.5	96.78

Note: Revisions to the most recently announced consolidated forecast: Yes

*** 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 Sep. 30, 2019:	23,267,169 shares	As of Mar. 31, 2019:	23,267,169 shares
----------------------	-------------------	----------------------	-------------------

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

As of Sep. 30, 2019:	17,590 shares	As of Mar. 31, 2019:	17,480 shares
----------------------	---------------	----------------------	---------------

(c) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	23,249,634 shares	Six months ended Sep. 30, 2018:	23,250,069 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) Quarterly Consolidated Statement of Cash Flows	7
(4) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment Information	8
3. Supplementary Information	9
(1) Sales and Orders	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the fiscal year ending on March 31, 2020, gradual economic recoveries continued to take place in Japan and the United States. However, the outlook remained uncertain because of concerns about a protracted U.S.-China trade friction, the BREXIT issue 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 overall due to wariness about the prospects for the future, while the positive sentiment towards investment continued in the IT sector.

Net sales in the first half were 13,705 million yen, 9.8% higher than one year earlier. This was the third consecutive fiscal year of record-high sales for the first half. There was steady growth worldwide in sales of our core CR-8000 Design Force, electronics system design solution series, that resulted in higher sales of our Printed Circuit Board design solutions. In addition, as sales of our E3.series wire harness design systems and our domestic subsidiaries' 3D solutions for the construction industry saw growth, and made significant increase in sales of Circuit design solutions, that contributed to overall sales growth as well.

Earnings rose to new heights, benefiting from sales growth. As a result, ordinary profit was 1,826 million yen, 30.9% higher than one year earlier, and profit attributable to owners of parent was 1,419 million yen, 44.2% higher than one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year increased 1,249 million yen from the end of the previous fiscal year to 48,440 million yen.

Current assets increased 56 million yen. The main factors include increases of 1,109 million yen in cash and deposits, 173 million yen in work in process and 359 million yen in other current assets due to an increase in prepaid expenses, while there was a decrease of 1,609 million yen in notes and accounts receivable-trade. Non-current assets increased 1,192 million yen. The main factors include increases of 718 million yen in investment securities and 549 million yen in goodwill.

Total liabilities decreased 194 million yen from the end of the previous fiscal year to 13,946 million yen. Current liabilities decreased 368 million yen mainly due to decreases of 710 million yen in other current liabilities due to a decrease in accounts payable-other, 263 million yen in income taxes payable and 164 million yen in accounts payable-trade, while there was an increase of 782 million yen in advances received. Non-current liabilities increased 174 million yen mainly due to an increase in deferred tax liabilities included in other non-current liabilities.

Net assets increased 1,443 million yen from the end of the previous fiscal year to 34,493 million yen, and the shareholders' equity ratio was 70.3%.

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

We have reviewed the current performance trends and revised the earnings and dividend forecasts for the fiscal year ending March 31, 2020 that were announced on May 13, 2019. For more information, please refer to "Revisions to Earnings and Dividend Forecasts" (Japanese version only) that was announced today (November 11, 2019).

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

	(Thousands of yen)	
	FY2018	Second quarter of FY2019
	(As of Mar. 31, 2019)	(As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	18,523,202	19,632,590
Notes and accounts receivable-trade	5,870,720	4,260,924
Securities	6,700,000	6,700,000
Merchandise and finished goods	345,764	365,396
Work in process	109,325	282,730
Raw materials and supplies	3,761	3,014
Other	2,336,168	2,695,526
Allowance for doubtful accounts	(25,786)	(20,113)
Total current assets	33,863,156	33,920,069
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,782,237	2,812,792
Land	3,015,103	3,015,103
Other, net	447,471	486,151
Total property, plant and equipment	6,244,812	6,314,046
Intangible assets		
Goodwill	492,088	1,041,937
Other	628,999	594,267
Total intangible assets	1,121,088	1,636,204
Investments and other assets		
Investment securities	4,919,667	5,638,373
Other	1,042,243	931,961
Total investments and other assets	5,961,910	6,570,335
Total non-current assets	13,327,811	14,520,586
Total assets	47,190,967	48,440,655

	(Thousands of yen)	
	FY2018 (As of Mar. 31, 2019)	Second quarter of FY2019 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	827,244	663,223
Income taxes payable	630,106	366,332
Advances received	5,455,151	6,238,099
Provision for bonuses	846,582	877,567
Other provisions	84,533	40,413
Other	2,273,360	1,563,012
Total current liabilities	10,116,979	9,748,648
Non-current liabilities		
Retirement benefit liability	3,842,064	3,840,635
Other	181,867	357,613
Total non-current liabilities	4,023,931	4,198,248
Total liabilities	14,140,911	13,946,896
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	13,324,033
Treasury shares	(16,365)	(16,560)
Total shareholders' equity	30,990,177	32,083,573
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,022,397	2,442,512
Foreign currency translation adjustment	22,984	(142,487)
Remeasurements of defined benefit plans	(428,220)	(313,801)
Total accumulated other comprehensive income	1,617,162	1,986,223
Non-controlling interests	442,715	423,962
Total net assets	33,050,055	34,493,759
Total liabilities and net assets	47,190,967	48,440,655

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

(Thousands of yen)

	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	12,477,423	13,705,971
Cost of sales	3,489,379	3,742,744
Gross profit	8,988,044	9,963,227
Selling, general and administrative expenses	7,688,094	8,184,443
Operating profit	1,299,950	1,778,784
Non-operating income		
Interest income	3,123	6,943
Dividend income	17,540	41,965
Subsidy income	6,969	21,866
Foreign exchange gains	22,828	-
Other	46,561	29,497
Total non-operating income	97,023	100,272
Non-operating expenses		
Foreign exchange losses	-	51,373
Other	1,392	1,004
Total non-operating expenses	1,392	52,378
Ordinary profit	1,395,580	1,826,677
Extraordinary income		
Gain on sales of non-current assets	24	1,715
Transfer of rights income	-	137,219
Gain on liquidation of subsidiaries	23,321	-
Total extraordinary income	23,345	138,934
Extraordinary losses		
Loss on disposal of non-current assets	861	2,678
Total extraordinary losses	861	2,678
Profit before income taxes	1,418,064	1,962,933
Income taxes-current	385,140	479,100
Income taxes-deferred	40,200	64,550
Total income taxes	425,341	543,650
Profit	992,722	1,419,282
Profit attributable to non-controlling interests	8,387	215
Profit attributable to owners of parent	984,335	1,419,067

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

	(Thousands of yen)	
	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	992,722	1,419,282
Other comprehensive income		
Valuation difference on available-for-sale securities	1,083,588	420,115
Foreign currency translation adjustment	3,161	(165,472)
Remeasurements of defined benefit plans, net of tax	80,408	114,418
Total other comprehensive income	1,167,158	369,061
Comprehensive income	2,159,881	1,788,343
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,151,494	1,788,128
Comprehensive income attributable to non-controlling interests	8,387	215

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	1,418,064	1,962,933
Depreciation	337,130	326,956
Transfer of rights income	-	(137,219)
Decrease (increase) in trade receivables	978,030	1,559,699
Increase (decrease) in trade payables	(147,630)	(643,186)
Increase (decrease) in retirement benefit liability	173,057	139,755
Other, net	(165,924)	(18,382)
Subtotal	2,592,727	3,190,557
Interest and dividends received	21,303	47,900
Interest paid	(183)	(185)
Income taxes paid	(560,817)	(730,119)
Net cash provided by (used in) operating activities	2,053,030	2,508,152
Cash flows from investing activities		
Decrease (increase) in time deposits	(77,140)	56,160
Purchase of property, plant and equipment	(182,408)	(187,966)
Purchase of intangible assets	(92,138)	(115,590)
Purchase of investment securities	(549,000)	(100,800)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(432,557)
Proceeds from transfer of rights	-	137,219
Other, net	23,884	16,719
Net cash provided by (used in) investing activities	(876,802)	(626,816)
Cash flows from financing activities		
Repayments of short-term borrowings	-	(79,443)
Repayments of long-term borrowings	-	(25,797)
Dividends paid	(279,001)	(325,495)
Other, net	(23,177)	(25,385)
Net cash provided by (used in) financing activities	(302,178)	(456,123)
Effect of exchange rate change on cash and cash equivalents	30,283	(225,192)
Net increase (decrease) in cash and cash equivalents	904,332	1,200,020
Cash and cash equivalents at beginning of period	16,609,271	18,137,895
Cash and cash equivalents at end of period	17,513,603	19,337,916

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. First six months of FY2018 (Apr. 1, 2018 – Sep. 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	8,696,092	2,281,628	746,670	753,032	12,477,423	-	12,477,423
Intersegment sales or transfers	602,947	427,140	18,661	38,142	1,086,892	(1,086,892)	-
Total	9,299,040	2,708,768	765,332	791,175	13,564,316	(1,086,892)	12,477,423
Segment profit (loss)	1,038,064	70,209	(23,335)	228,530	1,313,469	(13,519)	1,299,950

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -13,519 thousand yen eliminated for intersegment transactions.

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

II. First six months of FY2019 (Apr. 1, 2019 – Sep. 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	9,930,905	2,238,767	875,373	660,924	13,705,971	-	13,705,971
Intersegment sales or transfers	542,606	482,707	30,630	43,545	1,099,490	(1,099,490)	-
Total	10,473,512	2,721,475	906,003	704,470	14,805,462	(1,099,490)	13,705,971
Segment profit	1,459,144	90,057	40,543	188,915	1,778,660	123	1,778,784

Notes: 1. Adjustment amount in segment profit includes amount of 123 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 six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)		First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	8,696,092	69.7	9,930,905	72.5
Europe	2,281,628	18.3	2,238,767	16.3
Americas	746,670	6.0	875,373	6.4
Asia	753,032	6.0	660,924	4.8
Total	12,477,423	100.0	13,705,971	100.0

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

Segment	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)		First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	10,177,154	7,683,701	11,398,264	8,258,232
Europe	2,023,764	1,438,969	2,005,449	1,335,413
Americas	421,678	792,294	393,002	978,141
Asia	662,878	517,861	679,572	354,206
Total	13,285,475	10,432,826	14,476,288	10,925,994

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 six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)		First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	1,881,795	15.1	2,297,586	16.8
Circuit design solutions	2,702,065	21.7	3,325,286	24.3
IT solutions	2,662,380	21.3	2,719,102	19.8
Client services	5,228,072	41.9	5,362,158	39.1
Others	3,109	0.0	1,836	0.0
Total	12,477,423	100.0	13,705,971	100.0

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

Product category	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)		First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	2,095,057	897,707	2,512,169	892,748
Circuit design solutions	3,080,355	1,247,473	3,547,152	1,437,472
IT solutions	3,260,124	1,453,758	3,088,424	1,417,038
Client services	4,845,641	6,832,533	5,327,718	7,178,705
Others	4,297	1,353	823	29
Total	13,285,475	10,432,826	14,476,288	10,925,994

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.