



November 5, 2018

**Summary of Consolidated Financial Results**  
**for the Second Quarter of Fiscal Year Ending March 31, 2019 (FY2018)**  
**(Six Months Ended September 30, 2018)**

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section  
 Stock code: 6947 URL: <http://www.zuken.co.jp>  
 Representative: Makoto Kaneko, President and Representative Director  
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 Scheduled date of filing of Quarterly Report: November 7, 2018  
 Scheduled date of payment of dividend: December 4, 2018  
 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, 2018 (Apr. 1, 2018 – Sep. 30, 2018)**

(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	%
Six months ended								
Sep. 30, 2018	12,477	19.3	1,299	165.4	1,395	151.4	984	192.2
Sep. 30, 2017	10,458	5.3	489	58.4	555	199.3	336	276.9

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

Six months ended Sep. 30, 2017: 641 (n.a.)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended				
Sep. 30, 2018	42.34		-	
Sep. 30, 2017	14.49		-	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen		Millions of yen		%	
As of Sep. 30, 2018	45,580		32,411		70.2	
As of Mar. 31, 2018	43,647		30,547		69.0	

Reference: Shareholders' equity (Millions of yen) As of Sep. 30, 2018: 31,992 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 Sep. 30, 2018:	23,267,169 shares	As of Mar. 31, 2018:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Sep. 30, 2018:	17,137 shares	As of Mar. 31, 2018:	17,057 shares
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(c) Average number of shares outstanding during the period

Six months ended Sep. 30, 2018:	23,250,069 shares	Six months ended Sep. 30, 2017:	23,250,312 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 half 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 concerns about U.S. economic policies, slowing economic growth in Asia 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 half were 12,477 million yen, 19.3% higher than one year earlier due to steady growth in all solutions sales. In particular, there was a significant growth in sales of IT solutions due to strong sales of our DS-CR design data management system and network systems. Higher sales of Circuit design solutions led by the E3.series of wire harness design systems also contributed to the first half sales growth.

Earnings increased due to the growth in sales. Ordinary profit was 1,395 million yen, 151.4% higher than one year earlier, and profit attributable to owners of parent was 984 million yen, 192.2% 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 1,932 million yen from the end of the previous fiscal year to 45,580 million yen.

Current assets increased 440 million yen. The main factors include increases of 980 million yen in cash and deposits, 271 million yen in other current assets due to an increase in prepaid expenses and 144 million yen in work in process, while there was a decrease of 949 million yen in notes and accounts receivable-trade. Non-current assets increased 1,492 million yen. The main factors include an increase of 1,625 million yen in investments and other assets primarily due to an increase in investment securities and a decrease of 136 million yen in intangible assets.

Total liabilities increased 69 million yen from the end of the previous fiscal year to 13,168 million yen. Current liabilities decreased 66 million yen mainly due to a decrease of 204 million yen in income taxes payable. Non-current liabilities increased 136 million yen mainly due to an increase in net defined benefit liability.

Net assets increased 1,863 million yen from the end of the previous fiscal year to 32,411 million yen, and the shareholders' equity ratio was 70.2%.

### (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	Second quarter of FY2018
	(As of Mar. 31, 2018)	(As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	16,868,686	17,849,572
Notes and accounts receivable-trade	5,375,965	4,425,977
Securities	6,700,000	6,700,000
Merchandise and finished goods	269,857	266,738
Work in process	95,659	240,636
Raw materials and supplies	3,908	3,856
Other	2,172,359	2,443,661
Allowance for doubtful accounts	(44,416)	(48,405)
Total current assets	31,442,019	31,882,038
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,889,876	2,838,005
Land	3,015,103	3,015,103
Other, net	455,438	511,293
Total property, plant and equipment	6,360,419	6,364,402
Intangible assets		
Goodwill	661,482	590,592
Other	699,954	634,312
Total intangible assets	1,361,437	1,224,904
Investments and other assets		
Investment securities	3,089,690	5,200,056
Other	1,393,722	908,856
Total investments and other assets	4,483,412	6,108,913
Total non-current assets	12,205,268	13,698,220
Total assets	43,647,287	45,580,259

	(Thousands of yen)	
	FY2017 (As of Mar. 31, 2018)	Second quarter of FY2018 (As of Sep. 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	726,558	754,545
Income taxes payable	573,228	369,054
Advances received	5,256,136	5,603,950
Provision for bonuses	799,513	853,794
Other provision	62,887	30,600
Other	1,864,426	1,603,812
<b>Total current liabilities</b>	<b>9,282,751</b>	<b>9,215,757</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	3,541,427	3,647,062
Other	275,473	305,988
<b>Total non-current liabilities</b>	<b>3,816,901</b>	<b>3,953,050</b>
<b>Total liabilities</b>	<b>13,099,652</b>	<b>13,168,808</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,117,065	10,117,065
Capital surplus	8,659,021	8,659,016
Retained earnings	10,675,443	11,380,777
Treasury shares	(15,716)	(15,841)
<b>Total shareholders' equity</b>	<b>29,435,814</b>	<b>30,141,017</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,124,695	2,208,283
Foreign currency translation adjustment	146,943	150,105
Remeasurements of defined benefit plans	(587,708)	(507,300)
<b>Total accumulated other comprehensive income</b>	<b>683,930</b>	<b>1,851,089</b>
<b>Non-controlling interests</b>	<b>427,891</b>	<b>419,344</b>
<b>Total net assets</b>	<b>30,547,635</b>	<b>32,411,450</b>
<b>Total liabilities and net assets</b>	<b>43,647,287</b>	<b>45,580,259</b>

**(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 FY2017 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	10,458,887	12,477,423
Cost of sales	2,780,677	3,489,379
Gross profit	7,678,209	8,988,044
Selling, general and administrative expenses	7,188,461	7,688,094
Operating profit	489,748	1,299,950
Non-operating income		
Interest income	2,088	3,123
Dividend income	20,389	17,540
Rent income	23,234	23,945
Foreign exchange gains	2,312	22,828
Other	22,157	29,585
Total non-operating income	70,181	97,023
Non-operating expenses		
Share of loss of entities accounted for using equity method	3,803	-
Other	1,080	1,392
Total non-operating expenses	4,883	1,392
Ordinary profit	555,046	1,395,580
Extraordinary income		
Gain on sales of non-current assets	1,030	24
Gain on liquidation of subsidiaries	-	23,321
Total extraordinary income	1,030	23,345
Extraordinary losses		
Loss on disposal of non-current assets	1,829	861
Total extraordinary losses	1,829	861
Profit before income taxes	554,247	1,418,064
Income taxes-current	229,308	385,140
Income taxes-deferred	(7,167)	40,200
Total income taxes	222,141	425,341
Profit	332,106	992,722
Profit (loss) attributable to non-controlling interests	(4,788)	8,387
Profit attributable to owners of parent	336,895	984,335

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

(Thousands of yen)

	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)
Profit	332,106	992,722
Other comprehensive income		
Valuation difference on available-for-sale securities	31,096	1,083,588
Foreign currency translation adjustment	196,483	3,161
Remeasurements of defined benefit plans, net of tax	90,505	80,408
Share of other comprehensive income of entities accounted for using equity method	(8,334)	-
Total other comprehensive income	309,750	1,167,158
Comprehensive income	641,857	2,159,881
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	646,646	2,151,494
Comprehensive income attributable to non-controlling interests	(4,788)	8,387



**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	554,247	1,418,064
Depreciation	335,802	337,130
Decrease (increase) in notes and accounts receivable-trade	1,652,917	978,030
Increase (decrease) in notes and accounts payable-trade	(254,514)	(147,630)
Increase (decrease) in net defined benefit asset or liability	240,180	173,057
Other, net	97,171	(165,924)
Subtotal	2,625,804	2,592,727
Interest and dividend income received	22,556	21,303
Interest expenses paid	(26)	(183)
Income taxes paid	(269,876)	(560,817)
Net cash provided by (used in) operating activities	2,378,457	2,053,030
Cash flows from investing activities		
Decrease (increase) in time deposits	(105,715)	(77,140)
Purchase of property, plant and equipment	(108,000)	(182,408)
Purchase of intangible assets	(162,179)	(92,138)
Purchase of investment securities	-	(549,000)
Other, net	(5,013)	23,884
Net cash provided by (used in) investing activities	(380,908)	(876,802)
Cash flows from financing activities		
Cash dividends paid	(232,504)	(279,001)
Other, net	(34,257)	(23,177)
Net cash provided by (used in) financing activities	(266,762)	(302,178)
Effect of exchange rate change on cash and cash equivalents	210,351	30,283
Net increase (decrease) in cash and cash equivalents	1,941,138	904,332
Cash and cash equivalents at beginning of period	14,046,756	16,609,271
Cash and cash equivalents at end of period	15,987,894	17,513,603

**(4) 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 six months of FY2017 (Apr. 1, 2017 – Sep. 30, 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	7,117,193	1,969,584	754,503	617,605	10,458,887	-	10,458,887
Intersegment sales or transfers	439,580	403,835	27,823	31,360	902,601	(902,601)	-
Total	7,556,774	2,373,420	782,327	648,966	11,361,488	(902,601)	10,458,887
Segment profit (loss)	373,649	(76,155)	26,174	181,343	505,011	(15,263)	489,748

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -15,263 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 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.

### 3. Supplementary Information

#### (1) Sales and Orders

##### (a) Sales

(Thousands of yen)

Segment	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)		First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	7,117,193	68.0	8,696,092	69.7
Europe	1,969,584	18.8	2,281,628	18.3
Americas	754,503	7.2	746,670	6.0
Asia	617,605	6.0	753,032	6.0
Total	10,458,887	100.0	12,477,423	100.0

##### (b) Orders received and order backlog

(Thousands of yen)

Segment	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)		First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	8,477,912	7,012,872	10,177,154	7,683,701
Europe	1,814,703	1,388,072	2,023,764	1,438,969
Americas	405,541	755,946	421,678	792,294
Asia	604,749	588,897	662,878	517,861
Total	11,302,906	9,745,789	13,285,475	10,432,826

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 FY2017 (Apr. 1, 2017 – Sep. 30, 2017)		First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	1,620,441	15.5	1,881,795	15.1
Circuit design solutions	1,999,267	19.1	2,702,065	21.7
IT solutions	1,845,762	17.6	2,662,380	21.3
Client services	4,992,897	47.8	5,228,072	41.9
Others	518	0.0	3,109	0.0
Total	10,458,887	100.0	12,477,423	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)		First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	1,552,357	616,299	2,095,057	897,707
Circuit design solutions	2,387,986	1,237,468	3,080,355	1,247,473
IT solutions	2,504,253	1,237,733	3,260,124	1,453,758
Client services	4,857,590	6,654,088	4,845,641	6,832,533
Others	718	200	4,297	1,353
Total	11,302,906	9,745,789	13,285,475	10,432,826

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.*