



February 8, 2023

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2023 (FY2022)
(Nine Months Ended December 31, 2022)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange
 Stock code: 6947 URL: <https://www.zuken.co.jp>
 Representative: Jinya Katsube, President and Representative Director
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 Scheduled date of filing of Quarterly Report: February 10, 2023
 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, 2022

(April 1, 2022 – December 31, 2022)

(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, 2022	24,760	10.6	3,022	22.8	3,193	19.0	2,153	(10.1)
Dec. 31, 2021	22,390	13.1	2,462	67.1	2,683	63.5	2,394	121.7

Note: Comprehensive income (Millions of yen) Nine months ended Dec. 31, 2022: 2,131 (-%)

Nine months ended Dec. 31, 2021: (147) (-%)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
Dec. 31, 2022	92.63	-
Dec. 31, 2021	103.00	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2022	58,580	39,779	67.1
As of Mar. 31, 2022	59,105	38,616	64.7

Reference: Shareholders' equity (Millions of yen) As of Dec. 31, 2022: 39,332 As of Mar. 31, 2022: 38,238

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	16.00	-	21.00	37.00
Fiscal year ending Mar. 31, 2023	-	20.00	-		
Fiscal year ending Mar. 31, 2023 (forecast)				20.00	40.00

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

The year-end dividend for the fiscal year ended March 31, 2022 includes a special dividend of 5 yen.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	33,500	6.3	4,100	5.0	4,300	2.9	3,050	1.6	131.19

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, 2022:	23,267,169 shares	As of Mar. 31, 2022:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Dec. 31, 2022:	18,551 shares	As of Mar. 31, 2022:	18,471 shares
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(c) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2022:	23,248,660 shares	Nine months ended Dec. 31, 2021:	23,248,975 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 assumptions 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, although the outlook remains uncertain due to the prolonged Ukraine crisis and other events, the economy continued to recover slowly as restrictions due to the pandemic were eased and economic activity returned to normal. Manufacturers in the electronics, automotive and industrial sectors, which are the main customers of the Zuken Group, are continuing to make substantial capital expenditures including a large volume of IT investments.

Net sales in the first nine months increased 10.6% from one year earlier to 24,760 million yen, a new record in the first nine months following the record-high sales in the first nine months of the previous fiscal year. Sales of all solution categories were higher. This was primarily due to strong sales of the “E3.series” of wire harness design systems and the DS series of data management systems in Europe and Japan. Higher sales of network security products at a subsidiary in Japan also contributed to sales.

Profits increased due to sales growth. Operating profit increased 22.8% to 3,022 million yen and ordinary profit was up 19.0% to 3,193 million yen both increased to new all-time highs for the first nine-month period. Profit attributable to owners of parent decreased 10.1% to 2,153 million yen. Even though profit declined year-on-year because there was extraordinary income in the previous fiscal year, it was second only to the previous fiscal year.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year decreased 525 million yen from the end of the previous fiscal year to 58,580 million yen.

Current assets decreased 304 million yen. The main factors include decreases of 840 million yen in cash and deposits, and 758 million yen in notes and accounts receivable-trade, and an increase of 976 million yen in other current assets due to an increase in prepaid expenses. Non-current assets decreased 220 million yen. The main factors include a decrease of 324 million yen in investments and other assets primarily due to a decrease in investment securities, and an increase of 63 million yen in property, plant and equipment due to an increase in tools, furniture and fixtures.

Total liabilities decreased 1,688 million yen from the end of the previous fiscal year to 18,801 million yen. Current liabilities decreased 1,844 million yen. There were decreases of 2,375 million yen in income taxes payable and 540 million yen in accounts payable-trade, and an increase of 1,405 million yen in advances received. Non-current liabilities increased 155 million yen mainly due to an increase in retirement benefit liability.

Net assets increased 1,163 million yen from the end of the previous fiscal year to 39,779 million yen, and the shareholders' equity ratio was 67.1%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2023 that was released on May 9, 2022.

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

	(Thousands of yen)	
	FY2021	Third quarter of FY2022
	(As of Mar. 31, 2022)	(As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	27,191,189	26,350,266
Notes and accounts receivable-trade	6,030,420	5,272,298
Securities	6,700,000	6,700,000
Merchandise and finished goods	683,085	647,089
Work in process	103,141	453,702
Raw materials and supplies	1,700	1,501
Other	4,579,181	5,555,843
Allowance for doubtful accounts	(29,361)	(26,251)
Total current assets	45,259,357	44,954,449
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,705,363	2,617,276
Land	3,015,103	3,015,103
Other, net	485,936	637,133
Total property, plant and equipment	6,206,402	6,269,513
Intangible assets		
Goodwill	184,948	155,513
Other	743,981	814,007
Total intangible assets	928,929	969,521
Investments and other assets	6,711,198	6,386,981
Total non-current assets	13,846,530	13,626,016
Total assets	59,105,887	58,580,465

	(Thousands of yen)	
	FY2021 (As of Mar. 31, 2022)	Third quarter of FY2022 (As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	1,140,865	600,014
Income taxes payable	2,606,634	231,110
Advances received	9,361,007	10,766,855
Provision for bonuses	1,023,881	656,025
Other provisions	123,170	89,173
Other	2,227,089	2,295,431
Total current liabilities	16,482,648	14,638,610
Non-current liabilities		
Retirement benefit liability	3,803,764	3,924,101
Other	203,324	238,499
Total non-current liabilities	4,007,088	4,162,600
Total liabilities	20,489,736	18,801,211
Net assets		
Shareholders' equity		
Share capital	10,117,065	10,117,065
Capital surplus	8,662,477	8,662,477
Retained earnings	17,852,882	19,053,273
Treasury shares	(19,279)	(19,552)
Total shareholders' equity	36,613,144	37,813,263
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,463,414	1,149,777
Foreign currency translation adjustment	153,932	376,471
Remeasurements of defined benefit plans	8,050	(7,379)
Total accumulated other comprehensive income	1,625,397	1,518,869
Non-controlling interests	377,608	447,120
Total net assets	38,616,150	39,779,253
Total liabilities and net assets	59,105,887	58,580,465

(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 FY2021 (Apr. 1, 2021 – Dec. 31, 2021)	First nine months of FY2022 (Apr. 1, 2022 – Dec. 31, 2022)
Net sales	22,390,021	24,760,436
Cost of sales	6,824,334	7,699,980
Gross profit	15,565,687	17,060,456
Selling, general and administrative expenses	13,103,617	14,038,192
Operating profit	2,462,070	3,022,263
Non-operating income		
Interest income	4,631	14,428
Dividend income	79,378	32,681
Share of profit of entities accounted for using equity method	60,837	194,618
Subsidy income	41,076	70,832
Other	41,057	32,155
Total non-operating income	226,981	344,716
Non-operating expenses		
Interest expenses	1,439	1,804
Foreign exchange losses	-	170,585
Other	3,756	1,156
Total non-operating expenses	5,196	173,545
Ordinary profit	2,683,855	3,193,433
Extraordinary income		
Gain on sale of non-current assets	579	5,121
Gain on sale of investment securities	5,808,953	-
Total extraordinary income	5,809,533	5,121
Extraordinary losses		
Loss on disposal of non-current assets	208	5,266
Retirement benefit expenses	3,490,776	-
Total extraordinary losses	3,490,984	5,266
Profit before income taxes	5,002,403	3,193,289
Income taxes-current	2,457,077	700,650
Income taxes-deferred	117,085	254,967
Total income taxes	2,574,162	955,618
Profit	2,428,240	2,237,670
Profit attributable to non-controlling interests	33,705	84,083
Profit attributable to owners of parent	2,394,535	2,153,586

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

(Thousands of yen)

	First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)	First nine months of FY2022 (Apr. 1, 2022 – Dec. 31, 2022)
Profit	2,428,240	2,237,670
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,021,740)	(320,467)
Foreign currency translation adjustment	6,122	222,539
Remeasurements of defined benefit plans, net of tax	449,976	(15,429)
Share of other comprehensive income of entities accounted for using equity method	(10,226)	6,829
Total other comprehensive income	(2,575,868)	(106,527)
Comprehensive income	(147,627)	2,131,142
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(181,332)	2,047,058
Comprehensive income attributable to non-controlling interests	33,705	84,083

(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 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.

II. First nine months of FY2022 (Apr. 1, 2022 – Dec. 31, 2022)

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	9,794,561	2,552,003	1,048,031	376,652	13,771,247	-	13,771,247
Client services	6,996,746	2,284,883	990,007	717,551	10,989,189	-	10,989,189
Sales to third parties	16,791,307	4,836,886	2,038,038	1,094,204	24,760,436	-	24,760,436
Intersegment sales or transfers	1,002,789	807,567	64,179	93,844	1,968,381	(1,968,381)	-
Total	17,794,097	5,644,453	2,102,217	1,188,048	26,728,817	(1,968,381)	24,760,436
Segment profit (loss)	2,224,959	493,674	(46,148)	310,702	2,983,187	39,075	3,022,263

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 39,075 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 nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)		First nine months of FY2022 (Apr. 1, 2022 – Dec. 31, 2022)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	15,625,359	69.8	16,791,307	67.8
Europe	4,054,023	18.1	4,836,886	19.5
Americas	1,644,253	7.3	2,038,038	8.2
Asia	1,066,383	4.8	1,094,204	4.5
Total	22,390,021	100.0	24,760,436	100.0

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

Segment	First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)		First nine months of FY2022 (Apr. 1, 2022 – Dec. 31, 2022)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	17,587,932	10,875,668	18,230,170	11,995,424
Europe	3,603,050	1,579,398	3,912,774	1,750,461
Americas	1,560,164	1,309,383	2,075,448	1,893,833
Asia	922,340	405,346	878,367	362,105
Total	23,673,487	14,169,796	25,096,760	16,001,824

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 FY2021 (Apr. 1, 2021 – Dec. 31, 2021)		First nine months of FY2022 (Apr. 1, 2022 – Dec. 31, 2022)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	2,976,012	13.3	3,016,507	12.2
Circuit design solutions	4,847,125	21.6	5,325,913	21.5
IT solutions	4,818,577	21.5	5,426,388	21.9
Client services	9,745,841	43.6	10,989,189	44.4
Others	2,464	0.0	2,437	0.0
Total	22,390,021	100.0	24,760,436	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)		First nine months of FY2022 (Apr. 1, 2022 – Dec. 31, 2022)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	3,240,209	1,108,554	2,998,743	959,994
Circuit design solutions	5,030,644	1,626,152	5,715,248	1,950,352
IT solutions	5,723,960	2,101,782	6,045,232	2,436,374
Client services	9,669,586	9,325,884	10,332,711	10,652,328
Others	9,086	7,422	4,824	2,773
Total	23,673,487	14,169,796	25,096,760	16,001,824

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 E3.infinite Cabling Designer Harness Designer
Major products of IT solutions	DS-CR DS-2 Espresso DS-E3 DS-E3.infinite GENESYS PreSight visual BOM

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.