



November 11, 2024

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2025 (FY2024)
(Six Months Ended September 30, 2024)

[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 Semi-annual Report: November 13, 2024
 Scheduled date of payment of dividend: December 6, 2024
 Preparation of supplementary materials for financial results: None
 Holding of 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, 2024

(April 1, 2024 – September 30, 2024)

(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, 2024	19,079	6.7	2,322	16.4	2,484	4.2	1,627	(0.7)
Sep. 30, 2023	17,879	11.0	1,996	5.5	2,384	13.9	1,638	15.8

Note: Comprehensive income (Millions of yen) Six months ended Sep. 30, 2024: 1,593 (down 25.5%)
 Six months ended Sep. 30, 2023: 2,140 (up 52.0%)

Six months ended	Net income per share	Diluted net income per share
	Yen	Yen
Sep. 30, 2024	73.16	-
Sep. 30, 2023	71.57	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2024	63,088	40,682	64.3
As of Mar. 31, 2024	63,879	41,017	63.3

Reference: Shareholders' equity (Millions of yen) As of Sep. 30, 2024: 40,547 As of Mar. 31, 2024: 40,454

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2024	Yen -	Yen 25.00	Yen -	Yen 30.00	Yen 55.00
Fiscal year ending Mar. 31, 2025	-	50.00			
Fiscal year ending Mar. 31, 2025 (forecast)			-	50.00	100.00

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

Please refer to the press release "Notice of Change in Dividend Policy (Introduction of DOE), Revisions to Dividend from Surplus (Interim Dividend) and Year-end Dividend Forecast (Dividend Increase)" announced today (November 11, 2024).

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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
	41,000	6.6	5,500	14.7	5,900	8.5	4,000	3.4	179.78

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Application of special accounting methods for presenting semi-annual 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, 2024:	22,249,804 shares	As of Mar. 31, 2024:	22,249,804 shares
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(b) Number of treasury shares at the end of the period

As of Sep. 30, 2024:	170 shares	As of Mar. 31, 2024:	10 shares
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(c) Average number of shares outstanding during the period

Six months ended Sep. 30, 2024:	22,249,669 shares	Six months ended Sep. 30, 2023:	22,897,696 shares
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* The current financial report is not subject to quarterly (semi-annual) 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. Overview of Results of Operations, etc., (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. Overview of Results of Operations, etc.

(1) Results of Operations

In the first half of the current fiscal year, the economic outlook remained uncertain due to concerns about the possibility of an economic downturn in China and other reasons. Despite this uncertainty, the economy slowly recovered, supported by strong corporate earnings. The speed of the digital transformation of the manufacturing sector is increasing. Manufacturers in the electronics, automobile and industrial equipment sectors, which are the major customers of the Zuken Group, are continuing to make substantial IT investments for the digital transformation.

Net sales in the first half increased to 19,079 million yen, 6.7% higher than one year earlier and a new record high for the first half of a fiscal year. Sales in all solution categories increased. One reason for this performance is the continuing growth of sales in Japan of the core CR-8000 Design Force electronic design system and the DS-CR design data management system. In Europe, the E3 series of wire harness design system and DS-E3 electrical design data management system posted strong sales.

Earnings increased due to sales growth. Operating profit increased 16.4% to 2,322 million yen, and ordinary profit increased 4.2% to 2,484 million yen, despite foreign exchange losses and costs associated with making a listed subsidiary a wholly-owned subsidiary. Both operating and ordinary profit rose to new all-time highs for the first half. Profit attributable to owners of parent decreased 0.7% to 1,627 million yen, second only to the first half of the previous fiscal year.

(2) Financial Position

Total assets at the end of the second quarter of the current fiscal year decreased 791 million yen from the end of the previous fiscal year to 63,088 million yen.

Current assets decreased 765 million yen. The main factors include a decrease of 1,782 million yen in notes and accounts receivable-trade, and increases of 311 million yen in cash and deposits and 348 million yen in other mainly due to an increase in prepaid expenses. Non-current assets decreased 25 million yen. The main factors include a decrease of 78 million yen in property, plant and equipment due to a decrease in buildings and structures.

Total liabilities decreased 456 million yen from the end of the previous fiscal year to 22,405 million yen. Current liabilities decreased 444 million yen. There were decreases of 173 million yen in accounts payable-trade and 760 million yen in other current liabilities due to a decrease in accounts payable-other, and an increase of 501 million yen in advances received. Non-current liabilities decreased 12 million yen mainly due to a decrease in retirement benefit liability.

Net assets decreased 334 million yen from the end of the previous fiscal year to 40,682 million yen, and the shareholders' equity ratio was 64.3%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2025 that was released on May 13, 2024. 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. Semi-annual Consolidated Financial Statements and Notes(1) **Semi-annual Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2023 (As of Mar. 31, 2024)	Second quarter of FY2024 (As of Sep. 30, 2024)
Assets		
Current assets		
Cash and deposits	28,447,612	28,759,251
Notes and accounts receivable-trade	7,248,491	5,466,096
Securities	6,700,000	6,700,000
Merchandise and finished goods	433,950	627,807
Work in process	184,107	352,385
Raw materials and supplies	1,396	1,105
Other	5,919,228	6,267,480
Allowance for doubtful accounts	(37,848)	(43,132)
Total current assets	48,896,939	48,130,995
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,499,841	2,441,485
Land	3,009,821	3,009,821
Other, net	736,920	716,405
Total property, plant and equipment	6,246,583	6,167,711
Intangible assets		
Goodwill	110,427	80,887
Other	824,617	804,185
Total intangible assets	935,045	885,073
Investments and other assets	7,800,989	7,904,679
Total non-current assets	14,982,617	14,957,464
Total assets	63,879,557	63,088,460

	(Thousands of yen)	
	FY2023 (As of Mar. 31, 2024)	Second quarter of FY2024 (As of Sep. 30, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	774,308	601,000
Income taxes payable	818,003	848,278
Advances received	12,888,531	13,390,483
Provision for bonuses	1,198,773	1,197,274
Other provisions	107,248	65,727
Other	3,000,379	2,239,829
Total current liabilities	18,787,244	18,342,594
Non-current liabilities		
Retirement benefit liability	3,813,933	3,776,781
Other	261,277	286,289
Total non-current liabilities	4,075,210	4,063,070
Total liabilities	22,862,454	22,405,665
Net assets		
Shareholders' equity		
Share capital	10,117,065	10,117,065
Capital surplus	8,662,477	7,851,515
Retained earnings	18,802,945	19,763,224
Treasury shares	(39)	(668)
Total shareholders' equity	37,582,447	37,731,136
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,080,581	2,124,022
Foreign currency translation adjustment	811,548	709,354
Remeasurements of defined benefit plans	(19,962)	(16,761)
Total accumulated other comprehensive income	2,872,166	2,816,615
Non-controlling interests	562,488	135,042
Total net assets	41,017,102	40,682,794
Total liabilities and net assets	63,879,557	63,088,460

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

	(Thousands of yen)	
	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)	First six months of FY2024 (Apr. 1, 2024 – Sep. 30, 2024)
Net sales	17,879,632	19,079,661
Cost of sales	5,671,721	5,729,682
Gross profit	12,207,911	13,349,979
Selling, general and administrative expenses	10,211,691	11,027,299
Operating profit	1,996,219	2,322,679
Non-operating income		
Interest income	24,153	50,658
Dividend income	20,875	23,966
Foreign exchange gains	83,133	-
Share of profit of entities accounted for using equity method	191,327	233,154
Subsidy income	52,969	24,842
Other	27,417	38,941
Total non-operating income	399,877	371,563
Non-operating expenses		
Interest expenses	3,379	1,763
Foreign exchange losses	-	69,154
Commission expenses	-	138,881
Commission for purchase of treasury shares	7,206	-
Other	599	299
Total non-operating expenses	11,184	210,099
Ordinary profit	2,384,912	2,484,142
Extraordinary income		
Gain on sale of non-current assets	4,416	2,137
Total extraordinary income	4,416	2,137
Extraordinary losses		
Loss on disposal of non-current assets	4,845	273
Total extraordinary losses	4,845	273
Profit before income taxes	2,384,483	2,486,007
Income taxes-current	630,612	776,000
Income taxes-deferred	86,372	60,497
Total income taxes	716,984	836,497
Profit	1,667,498	1,649,509
Profit attributable to non-controlling interests	28,709	21,736
Profit attributable to owners of parent	1,638,788	1,627,773

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

	(Thousands of yen)	
	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)	First six months of FY2024 (Apr. 1, 2024 – Sep. 30, 2024)
Profit	1,667,498	1,649,509
Other comprehensive income		
Valuation difference on available-for-sale securities	131,184	37,756
Foreign currency translation adjustment	324,353	(102,193)
Remeasurements of defined benefit plans, net of tax	2,639	3,200
Share of other comprehensive income of entities accounted for using equity method	14,650	5,684
Total other comprehensive income	472,828	(55,551)
Comprehensive income	2,140,326	1,593,958
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,111,617	1,572,221
Comprehensive income attributable to non-controlling interests	28,709	21,736

(3) Semi-annual Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)	First six months of FY2024 (Apr. 1, 2024 – Sep. 30, 2024)
Cash flows from operating activities		
Profit before income taxes	2,384,483	2,486,007
Depreciation	407,249	424,522
Amortization of goodwill	25,941	28,065
Share of loss (profit) of entities accounted for using equity method	(191,327)	(233,154)
Decrease (increase) in trade receivables	1,693,718	1,743,540
Decrease (increase) in inventories	(370,505)	(361,929)
Increase (decrease) in trade payables	(362,119)	(592,421)
Increase (decrease) in accrued consumption taxes	(102,708)	(205,596)
Increase (decrease) in advances received	979,605	592,123
Decrease (increase) in prepaid expenses	(580,402)	(322,968)
Increase (decrease) in retirement benefit liability	(72,219)	(19,522)
Other, net	(253,570)	(271,330)
Subtotal	3,558,146	3,267,336
Interest and dividends received	160,513	202,085
Interest paid	(3,379)	(1,763)
Income taxes paid	(1,029,112)	(732,718)
Net cash provided by (used in) operating activities	2,686,168	2,734,939
Cash flows from investing activities		
Decrease (increase) in time deposits	22,560	(51,336)
Purchase of property, plant and equipment	(205,431)	(124,851)
Purchase of intangible assets	(168,342)	(161,727)
Other, net	17,172	1,041
Net cash provided by (used in) investing activities	(334,041)	(336,874)
Cash flows from financing activities		
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(1,248,864)
Purchase of treasury shares	(3,611,217)	(629)
Dividends paid	(581,213)	(667,493)
Other, net	(36,769)	(38,230)
Net cash provided by (used in) financing activities	(4,229,200)	(1,955,218)
Effect of exchange rate change on cash and cash equivalents	684,628	(114,947)
Net increase (decrease) in cash and cash equivalents	(1,192,445)	327,899
Cash and cash equivalents at beginning of period	28,399,343	27,295,903
Cash and cash equivalents at end of period	27,206,897	27,623,802

(4) Notes to Semi-annual Consolidated Financial Statements**Segment Information**

I. First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)

1. 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 semi-annual consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Solutions	6,949,473	1,828,336	841,244	422,171	10,041,225	-	10,041,225
Client services	5,190,931	1,519,292	622,251	505,931	7,838,407	-	7,838,407
Sales to third parties	12,140,405	3,347,629	1,463,495	928,102	17,879,632	-	17,879,632
Intersegment sales or transfers	730,836	603,349	50,441	55,830	1,440,457	(1,440,457)	-
Total	12,871,241	3,950,978	1,513,937	983,933	19,320,090	(1,440,457)	17,879,632
Segment profit (loss)	1,630,989	170,574	(98,681)	274,580	1,977,463	18,755	1,996,219

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 18,755 thousand yen eliminated for intersegment transactions.

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

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

II. First six months of FY2024 (Apr. 1, 2024 – Sep. 30, 2024)

1. 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 semi-annual consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Solutions	7,263,780	2,191,526	778,557	499,263	10,733,127	-	10,733,127
Client services	5,732,936	1,518,799	518,892	575,905	8,346,534	-	8,346,534
Sales to third parties	12,996,716	3,710,325	1,297,449	1,075,169	19,079,661	-	19,079,661
Intersegment sales or transfers	880,533	678,879	58,373	61,964	1,679,751	(1,679,751)	-
Total	13,877,250	4,389,205	1,355,823	1,137,134	20,759,413	(1,679,751)	19,079,661
Segment profit (loss)	2,248,308	297,923	(600,883)	336,168	2,281,517	41,162	2,322,679

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 41,162 thousand yen eliminated for intersegment transactions.

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

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Going Concern Assumption

Not applicable.

Business Combinations

Transactions under common control

On May 13, 2024, the Zuken Board of Directors approved a resolution to conduct a tender offer pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948 including subsequent amendments) for the common stock of consolidated subsidiary Zuken Elmic, which is listed on the Standard Market of the Tokyo Stock Exchange (stock code 4770). The tender offer took place between May 14 and June 24, 2024.

1. Summary of the business combination

(1) Company acquired and its business activities

Company acquired: Zuken Elmic, Inc.

Business activities: Engineering services, protocol stacks, system platforms and other telecommunication middleware products

(2) Date of business combination

Acquisition through a tender offer: July 1, 2024 (deemed acquisition date: July 1, 2024)

(3) Method of business combination

Acquisition of shares with cash

(4) Name of the company after business combination

There is no change in the company's name.

(5) Other item concerning summary of business combination

The additional shares of Zuken Elmic purchased using this tender offer accounted for 46.21% of this company's voting rights. Following the tender offer, Zuken held 86.62% of all Zuken Elmic voting rights.

2. Summary of accounting methods applied

Accounting methods used for this acquisition as a transaction with non-controlling interests under common control are based on "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

3. Matters concerning additional purchase of subsidiary's shares

Acquisition cost and breakdown by type of consideration

Payment for the acquisition: Cash and deposits 1,248,864 thousand yen

Acquisition cost: 1,248,864 thousand yen

4. Change in ownership interest of Zuken due to transactions with non-controlling interests

(1) Major changes in capital surplus

Additional purchase of the subsidiary's shares

(2) Decrease in capital surplus due to transactions with non-controlling interests

810,928 thousand yen

Subsequent Events

Repurchase of treasury shares

At the Board of Directors meeting held on November 11, 2024, ZUKEN resolved the following matters pertaining to the purchase of its own shares pursuant to Article 156 of the Companies Act which is applicable in lieu of Article 165, Paragraph 3 of the Companies Act.

1. Reason for repurchase of shares

Shares are repurchased to improve capital efficiency and return more earnings to shareholders.

2. Details of repurchase

- | | |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------|
| (1) Type of shares to be repurchased: | Common stock of ZUKEN |
| (2) Total number of shares to be repurchased: | Up to 750,000 shares
(3.37% of total number of shares outstanding, excluding treasury shares) |
| (3) Total value of shares to be repurchased: | Up to 2.5 billion yen |
| (4) Period for repurchase: | From November 12, 2024 to March 31, 2025 |
| (5) Method of repurchase: | Purchase on the Tokyo Stock Exchange |

3. Supplementary Information

(1) Sales and Orders

(a) Sales (Thousands of yen)

Segment	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)		First six months of FY2024 (Apr. 1, 2024 – Sep. 30, 2024)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	12,140,405	67.9	12,996,716	68.1
Europe	3,347,629	18.7	3,710,325	19.4
Americas	1,463,495	8.2	1,297,449	6.8
Asia	928,102	5.2	1,075,169	5.7
Total	17,879,632	100.0	19,079,661	100.0

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

Segment	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)		First six months of FY2024 (Apr. 1, 2024 – Sep. 30, 2024)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	13,747,368	13,298,642	14,807,971	13,952,028
Europe	3,448,537	3,042,993	3,277,517	3,547,783
Americas	1,229,694	2,196,727	745,863	1,746,219
Asia	1,163,456	914,947	1,027,477	813,215
Total	19,589,056	19,453,311	19,858,830	20,059,247

Note: Intersegment transactions have been eliminated.

(Reference) Results by product category are as follows.

(a) Sales (Thousands of yen)

Product category	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)		First six months of FY2024 (Apr. 1, 2024 – Sep. 30, 2024)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	2,183,978	12.2	2,421,466	12.7
Circuit design solutions	3,802,374	21.3	4,144,510	21.7
IT solutions	4,053,126	22.7	4,166,394	21.8
Client services	7,838,407	43.8	8,346,534	43.8
Others	1,745	0.0	755	0.0
Total	17,879,632	100.0	19,079,661	100.0

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

Product category	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)		First six months of FY2024 (Apr. 1, 2024 – Sep. 30, 2024)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	3,063,501	1,921,449	2,343,056	1,547,257
Circuit design solutions	4,882,162	2,645,538	4,548,201	2,580,152
IT solutions	4,586,256	2,416,150	5,338,367	2,879,436
Client services	7,053,781	12,466,362	7,627,029	13,050,444
Others	3,354	3,809	2,175	1,956
Total	19,589,056	19,453,311	19,858,830	20,059,247

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.