



November 6, 2023

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2024 (FY2023)
(Six Months Ended September 30, 2023)

[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
 Contact: Susumu Yoshida, General Manager of Finance Department Tel: +81-45-942-1511
 Scheduled date of filing of Quarterly Report: November 8, 2023
 Scheduled date of payment of dividend: December 4, 2023
 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, 2023
(April 1, 2023 – September 30, 2023)

(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, 2023	17,879	11.0	1,996	5.5	2,384	13.9	1,638	15.8
Sep. 30, 2022	16,103	7.5	1,892	2.2	2,093	7.1	1,414	4.3

Note: Comprehensive income (Millions of yen) Six months ended Sep. 30, 2023: 2,140 (up 52.0%)
 Six months ended Sep. 30, 2022: 1,408 (down 56.1%)

Six months ended	Net income per share	Diluted net income per share
	Yen	Yen
Sep. 30, 2023	71.57	-
Sep. 30, 2022	60.86	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2023	60,884	39,299	63.7
As of Mar. 31, 2023	62,498	41,355	65.4

Reference: Shareholders' equity (Millions of yen) As of Sep. 30, 2023: 38,810 As of Mar. 31, 2023: 40,884

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2023	Yen -	Yen 20.00	Yen -	Yen 25.00	Yen 45.00
Fiscal year ending Mar. 31, 2024	-	25.00			
Fiscal year ending Mar. 31, 2024 (forecast)			-	25.00	50.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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
	37,000	5.5	4,600	3.9	4,900	3.5	3,350	4.8	148.40

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

At the Board of Directors meeting held on June 19, 2023, ZUKEN resolved the purchase of its own shares and the repurchase was completed on October 16, 2023. Net income per share is calculated considering the result of this repurchase of treasury shares.

*** 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, 2023:	23,267,169 shares	As of Mar. 31, 2023:	23,267,169 shares
----------------------	-------------------	----------------------	-------------------

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

As of Sep. 30, 2023:	909,047 shares	As of Mar. 31, 2023:	18,611 shares
----------------------	----------------	----------------------	---------------

(c) Average number of shares outstanding during the period

Six months ended Sep. 30, 2023:	22,897,696 shares	Six months ended Sep. 30, 2022:	23,248,681 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
Subsequent Events.....	9
3. Supplementary Information	10
(1) Sales and Orders.....	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half, although the outlook remains uncertain due to accelerating inflation worldwide, concerns about slowing economic growth in China and other events, the economy continued to recover slowly as economic activity returned to normal after the pandemic. 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 half increased 11.0% from one year earlier to 17,879 million yen, a new record for the first half of a fiscal year. Sales of all solution categories increased significantly. In particular, sales of the core electronic design system CR-8000 series and E3.series, a wire harness design system, were strong in Japan, Europe and the United States.

Although expenses increased because of active investment in development and a large volume of sales activities, earnings were higher because of the big increase in sales. Operating profit increased 5.5% to 1,996 million yen, ordinary profit increased 13.9% to 2,384 million yen and profit attributable to owners of parent increased 15.8% to 1,638 million yen. All three are record highs for the first half of a fiscal year.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year decreased 1,613 million yen from the end of the previous fiscal year to 60,884 million yen.

Current assets decreased 1,749 million yen. The main factors include decreases of 1,505 million yen in notes and accounts receivable-trade and 1,211 million yen in cash and deposits. There was an increase of 618 million yen in other current assets due to an increase in prepaid expenses. Non-current assets increased 136 million yen. The main factors include an increase of 140 million yen in investments and other assets from the evaluation of investment securities at market value.

Total liabilities increased 442 million yen from the end of the previous fiscal year to 21,584 million yen. Current liabilities increased 460 million yen. There was an increase of 1,321 million yen in advances received and decreases of 401 million yen in income taxes payable and 314 million yen in other current liabilities due to a decrease in accounts payable-other. Non-current liabilities decreased 17 million yen mainly due to a decrease in retirement benefit liability.

Net assets decreased 2,056 million yen from the end of the previous fiscal year to 39,299 million yen mainly due to repurchase of treasury shares of 3,604 million yen, and the shareholders' equity ratio was 63.7%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2024 that was released on May 15, 2023.

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

	(Thousands of yen)	
	FY2022 (As of Mar. 31, 2023)	Second quarter of FY2023 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	28,506,871	27,295,499
Notes and accounts receivable-trade	6,688,912	5,183,881
Securities	6,700,000	6,700,000
Merchandise and finished goods	593,209	740,681
Work in process	101,238	324,842
Raw materials and supplies	1,768	1,605
Other	5,439,189	6,057,412
Allowance for doubtful accounts	(37,623)	(60,319)
Total current assets	47,993,566	46,243,603
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,577,438	2,560,888
Land	3,009,821	3,009,821
Other, net	732,346	763,344
Total property, plant and equipment	6,319,606	6,334,054
Intangible assets		
Goodwill	147,863	133,603
Other	854,403	850,076
Total intangible assets	1,002,267	983,680
Investments and other assets	7,182,731	7,323,375
Total non-current assets	14,504,605	14,641,110
Total assets	62,498,172	60,884,713

	(Thousands of yen)	
	FY2022 (As of Mar. 31, 2023)	Second quarter of FY2023 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	751,939	653,213
Income taxes payable	826,012	424,525
Advances received	11,469,101	12,790,215
Provision for bonuses	1,150,839	1,159,924
Other provisions	111,544	56,488
Other	2,613,485	2,298,794
Total current liabilities	16,922,923	17,383,161
Non-current liabilities		
Retirement benefit liability	3,982,222	3,962,084
Other	237,108	239,683
Total non-current liabilities	4,219,330	4,201,768
Total liabilities	21,142,254	21,584,929
Net assets		
Shareholders' equity		
Share capital	10,117,065	10,117,065
Capital surplus	8,662,477	8,662,477
Retained earnings	20,096,025	21,153,600
Treasury shares	(19,737)	(3,623,748)
Total shareholders' equity	38,855,831	36,309,394
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,622,185	1,768,021
Foreign currency translation adjustment	417,293	741,646
Remeasurements of defined benefit plans	(11,251)	(8,611)
Total accumulated other comprehensive income	2,028,227	2,501,056
Non-controlling interests	471,859	489,333
Total net assets	41,355,918	39,299,784
Total liabilities and net assets	62,498,172	60,884,713

(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 FY2022 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	16,103,629	17,879,632
Cost of sales	5,019,356	5,671,721
Gross profit	11,084,272	12,207,911
Selling, general and administrative expenses	9,192,223	10,211,691
Operating profit	1,892,049	1,996,219
Non-operating income		
Interest income	8,587	24,153
Dividend income	21,278	20,875
Foreign exchange gains	-	83,133
Share of profit of entities accounted for using equity method	128,599	191,327
Subsidy income	53,850	52,969
Other	18,957	27,417
Total non-operating income	231,272	399,877
Non-operating expenses		
Interest expenses	1,253	3,379
Commission for purchase of treasury shares	-	7,206
Foreign exchange losses	27,756	-
Other	1,098	599
Total non-operating expenses	30,108	11,184
Ordinary profit	2,093,213	2,384,912
Extraordinary income		
Gain on sale of non-current assets	5,050	4,416
Total extraordinary income	5,050	4,416
Extraordinary losses		
Loss on disposal of non-current assets	5,169	4,845
Total extraordinary losses	5,169	4,845
Profit before income taxes	2,093,094	2,384,483
Income taxes-current	487,964	630,612
Income taxes-deferred	154,894	86,372
Total income taxes	642,859	716,984
Profit	1,450,234	1,667,498
Profit attributable to non-controlling interests	35,255	28,709
Profit attributable to owners of parent	1,414,979	1,638,788

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

	(Thousands of yen)	
	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)
Profit	1,450,234	1,667,498
Other comprehensive income		
Valuation difference on available-for-sale securities	(225,382)	131,184
Foreign currency translation adjustment	193,241	324,353
Remeasurements of defined benefit plans, net of tax	(10,286)	2,639
Share of other comprehensive income of entities accounted for using equity method	267	14,650
Total other comprehensive income	(42,159)	472,828
Comprehensive income	1,408,075	2,140,326
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,372,819	2,111,617
Comprehensive income attributable to non-controlling interests	35,255	28,709

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	2,093,094	2,384,483
Depreciation	354,299	407,249
Amortization of goodwill	23,461	25,941
Share of loss (profit) of entities accounted for using equity method	(128,599)	(191,327)
Decrease (increase) in trade receivables	1,227,930	1,693,718
Decrease (increase) in inventories	67,503	(370,505)
Increase (decrease) in trade payables	(785,215)	(362,119)
Increase (decrease) in accrued consumption taxes	(100,740)	(102,708)
Increase (decrease) in advances received	1,320,687	979,605
Decrease (increase) in prepaid expenses	(546,113)	(580,402)
Increase (decrease) in retirement benefit liability	31,422	(72,219)
Other, net	(324,625)	(253,570)
Subtotal	3,233,104	3,558,146
Interest and dividends received	91,660	160,513
Interest paid	(1,253)	(3,379)
Income taxes paid	(2,678,599)	(1,029,112)
Net cash provided by (used in) operating activities	644,911	2,686,168
Cash flows from investing activities		
Decrease (increase) in time deposits	204,400	22,560
Purchase of property, plant and equipment	(301,374)	(205,431)
Purchase of intangible assets	(207,676)	(168,342)
Other, net	(8,296)	17,172
Net cash provided by (used in) investing activities	(312,947)	(334,041)
Cash flows from financing activities		
Purchase of treasury shares	-	(3,611,217)
Dividends paid	(488,222)	(581,213)
Other, net	(40,579)	(36,769)
Net cash provided by (used in) financing activities	(528,802)	(4,229,200)
Effect of exchange rate change on cash and cash equivalents	438,928	684,628
Net increase (decrease) in cash and cash equivalents	242,091	(1,192,445)
Cash and cash equivalents at beginning of period	26,900,029	28,399,343
Cash and cash equivalents at end of period	27,142,120	27,206,897

(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 FY2022 (Apr. 1, 2022 – Sep. 30, 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	6,459,669	1,574,363	664,113	227,965	8,926,111	-	8,926,111
Client services	4,595,664	1,480,466	645,690	455,695	7,177,517	-	7,177,517
Sales to third parties	11,055,333	3,054,830	1,309,803	683,661	16,103,629	-	16,103,629
Intersegment sales or transfers	637,102	525,315	42,343	53,429	1,258,190	(1,258,190)	-
Total	11,692,435	3,580,146	1,352,146	737,090	17,361,819	(1,258,190)	16,103,629
Segment profit (loss)	1,381,763	308,535	(10,511)	181,478	1,861,265	30,784	1,892,049

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 30,784 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 FY2023 (Apr. 1, 2023 – Sep. 30, 2023)

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	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 quarterly consolidated statement of income.

Subsequent Events

Repurchase of treasury shares

At the Board of Directors meeting held on June 19, 2023, 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., and implemented the acquisition as follows.

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 1,100,000 shares
(4.73% of total number of shares outstanding, excluding treasury shares) |
| (3) Total value of shares to be repurchased: | Up to 4 billion yen |
| (4) Period for repurchase: | From June 20, 2023 to March 29, 2024 |
| (5) Method of repurchase: | Purchase on the Tokyo Stock Exchange |

3. Result of repurchase

As a result of the purchase on the Tokyo Stock Exchange, 998,300 shares of the ZUKEN's common stock (acquisition cost: 3,999,917 thousand yen) were repurchased from June 20, 2023 to October 16, 2023 (contract basis).

The repurchase was completed because the authorized total value of the repurchase was reached.

3. Supplementary Information

(1) Sales and Orders

(a) Sales (Thousands of yen)

Segment	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)		First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	11,055,333	68.7	12,140,405	67.9
Europe	3,054,830	19.0	3,347,629	18.7
Americas	1,309,803	8.1	1,463,495	8.2
Asia	683,661	4.2	928,102	5.2
Total	16,103,629	100.0	17,879,632	100.0

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

Segment	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)		First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	13,115,746	12,616,973	13,747,368	13,298,642
Europe	2,832,199	2,467,443	3,448,537	3,042,993
Americas	1,254,397	1,943,497	1,229,694	2,196,727
Asia	571,006	465,123	1,163,456	914,947
Total	17,773,350	17,493,037	19,589,056	19,453,311

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 FY2022 (Apr. 1, 2022 – Sep. 30, 2022)		First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	1,939,069	12.0	2,183,978	12.2
Circuit design solutions	3,374,679	21.0	3,802,374	21.3
IT solutions	3,611,275	22.4	4,053,126	22.7
Client services	7,177,517	44.6	7,838,407	43.8
Others	1,087	0.0	1,745	0.0
Total	16,103,629	100.0	17,879,632	100.0

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

Product category	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)		First six months of FY2023 (Apr. 1, 2023 – Sep. 30, 2023)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	2,102,263	1,159,742	3,063,501	1,921,449
Circuit design solutions	3,836,487	2,065,565	4,882,162	2,645,538
IT solutions	4,456,277	2,667,852	4,586,256	2,416,150
Client services	7,375,935	11,598,189	7,053,781	12,466,362
Others	2,387	1,687	3,354	3,809
Total	17,773,350	17,493,037	19,589,056	19,453,311

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.