



November 7, 2022

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2023 (FY2022)
(Six Months Ended September 30, 2022)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange
 Stock code: 6947 URL: <https://www.zuken.co.jp>
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 Scheduled date of filing of Quarterly Report: November 9, 2022
 Scheduled date of payment of dividend: December 2, 2022
 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, 2022

(April 1, 2022 – September 30, 2022)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Sep. 30, 2022	16,103	7.5	1,892	2.2	2,093	7.1	1,414	4.3
Sep. 30, 2021	14,981	14.6	1,851	91.7	1,953	82.9	1,357	93.1

Note: Comprehensive income (Millions of yen) Six months ended Sep. 30, 2022: 1,408 (down 56.1%)
 Six months ended Sep. 30, 2021: 3,207 (up 58.6%)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
Sep. 30, 2022	60.86	-
Sep. 30, 2021	58.37	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2022	58,572	39,521	66.8
As of Mar. 31, 2022	59,105	38,616	64.7

Reference: Shareholders' equity (Millions of yen) As of Sep. 30, 2022: 39,122 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 Sep. 30, 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 Sep. 30, 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

Six months ended Sep. 30, 2022:	23,248,681 shares	Six months ended Sep. 30, 2021:	23,249,028 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 half of the current fiscal year, although the outlook remains uncertain due to the prolonged Ukraine crisis and other events, the Japanese economy continued to recover slowly as restrictions due to the pandemic were eased and economic activity began to return 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 half increased 7.5% from one year earlier to 16,103 million yen, a new first half record following the record-high sales in the first half of the previous fiscal year. The main contributor to sales growth was a big increase in IT solutions sales. This was primarily due to higher sales of the DS Series of data management systems in Japan and Europe and of network security products at a subsidiary in Japan.

Profits increased due to sales growth, although expenses were higher because of vigorous sales activities, an increase in product development expenditures and other reasons. Operating profit increased 2.2% to 1,892 million yen and ordinary profit was up 7.1% to 2,093 million yen both increased to new all-time highs for the second consecutive first-half period. Profit attributable to owners of parent increased 4.3% to 1,414 million yen.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year decreased 533 million yen from the end of the previous fiscal year to 58,572 million yen.

Current assets decreased 438 million yen. The main factors include a decrease of 1,080 million yen in notes and accounts receivable-trade and an increase of 653 million yen in other current assets due to an increase in prepaid expenses. Non-current assets decreased 94 million yen. The main factors include a decrease of 258 million yen in investments and other assets primarily due to a decrease in investment securities, and an increase of 117 million yen in property, plant and equipment due to an increase in tools, furniture and fixtures.

Total liabilities decreased 1,438 million yen from the end of the previous fiscal year to 19,050 million yen. Current liabilities decreased 1,536 million yen. There were decreases of 2,269 million yen in income taxes payable and 531 million yen in accounts payable-trade, and an increase of 1,608 million yen in advances received. Non-current liabilities increased 97 million yen mainly due to an increase in retirement benefit liability.

Net assets increased 905 million yen from the end of the previous fiscal year to 39,521 million yen, and the shareholders' equity ratio was 66.8%.

(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	Second quarter of FY2022
	(As of Mar. 31, 2022)	(As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	27,191,189	27,253,304
Notes and accounts receivable-trade	6,030,420	4,950,411
Securities	6,700,000	6,700,000
Merchandise and finished goods	683,085	483,938
Work in process	103,141	234,777
Raw materials and supplies	1,700	1,941
Other	4,579,181	5,233,121
Allowance for doubtful accounts	(29,361)	(36,951)
Total current assets	45,259,357	44,820,542
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,705,363	2,644,610
Land	3,015,103	3,015,103
Other, net	485,936	664,454
Total property, plant and equipment	6,206,402	6,324,168
Intangible assets		
Goodwill	184,948	168,482
Other	743,981	806,458
Total intangible assets	928,929	974,941
Investments and other assets	6,711,198	6,452,482
Total non-current assets	13,846,530	13,751,592
Total assets	59,105,887	58,572,134

	(Thousands of yen)	
	FY2021 (As of Mar. 31, 2022)	Second quarter of FY2022 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	1,140,865	609,727
Income taxes payable	2,606,634	337,046
Advances received	9,361,007	10,969,733
Provision for bonuses	1,023,881	1,010,307
Other provisions	123,170	62,031
Other	2,227,089	1,957,454
Total current liabilities	16,482,648	14,946,300
Non-current liabilities		
Retirement benefit liability	3,803,764	3,869,533
Other	203,324	235,142
Total non-current liabilities	4,007,088	4,104,675
Total liabilities	20,489,736	19,050,975
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	18,779,639
Treasury shares	(19,279)	(19,552)
Total shareholders' equity	36,613,144	37,539,628
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,463,414	1,238,299
Foreign currency translation adjustment	153,932	347,174
Remeasurements of defined benefit plans	8,050	(2,236)
Total accumulated other comprehensive income	1,625,397	1,583,237
Non-controlling interests	377,608	398,292
Total net assets	38,616,150	39,521,158
Total liabilities and net assets	59,105,887	58,572,134

(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 FY2021 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	14,981,684	16,103,629
Cost of sales	4,568,502	5,019,356
Gross profit	10,413,181	11,084,272
Selling, general and administrative expenses	8,561,432	9,192,223
Operating profit	1,851,749	1,892,049
Non-operating income		
Interest income	3,947	8,587
Dividend income	68,467	21,278
Share of profit of entities accounted for using equity method	-	128,599
Subsidy income	32,270	53,850
Other	19,677	18,957
Total non-operating income	124,362	231,272
Non-operating expenses		
Interest expenses	1,018	1,253
Foreign exchange losses	17,495	27,756
Other	3,661	1,098
Total non-operating expenses	22,175	30,108
Ordinary profit	1,953,937	2,093,213
Extraordinary income		
Gain on sale of non-current assets	574	5,050
Total extraordinary income	574	5,050
Extraordinary losses		
Loss on disposal of non-current assets	136	5,169
Total extraordinary losses	136	5,169
Profit before income taxes	1,954,374	2,093,094
Income taxes-current	551,298	487,964
Income taxes-deferred	43,895	154,894
Total income taxes	595,194	642,859
Profit	1,359,180	1,450,234
Profit attributable to non-controlling interests	2,167	35,255
Profit attributable to owners of parent	1,357,012	1,414,979

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

(Thousands of yen)

	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)
Profit	1,359,180	1,450,234
Other comprehensive income		
Valuation difference on available-for-sale securities	1,660,320	(225,382)
Foreign currency translation adjustment	56,752	193,241
Remeasurements of defined benefit plans, net of tax	131,351	(10,286)
Share of other comprehensive income of entities accounted for using equity method	-	267
Total other comprehensive income	1,848,424	(42,159)
Comprehensive income	3,207,605	1,408,075
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,205,437	1,372,819
Comprehensive income attributable to non-controlling interests	2,167	35,255

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	1,954,374	2,093,094
Depreciation	334,499	354,299
Amortization of goodwill	91,190	23,461
Share of loss (profit) of entities accounted for using equity method	-	(128,599)
Decrease (increase) in trade receivables	2,177,768	1,227,930
Decrease (increase) in inventories	(175,256)	67,503
Increase (decrease) in trade payables	(438,904)	(785,215)
Increase (decrease) in accrued consumption taxes	(78,089)	(100,740)
Increase (decrease) in advances received	1,482,485	1,320,687
Decrease (increase) in prepaid expenses	(736,989)	(546,113)
Increase (decrease) in retirement benefit liability	202,099	31,422
Other, net	(151,353)	(324,625)
Subtotal	4,661,824	3,233,104
Interest and dividends received	65,978	91,660
Interest paid	(1,018)	(1,253)
Income taxes paid	(748,468)	(2,678,599)
Net cash provided by (used in) operating activities	3,978,315	644,911
Cash flows from investing activities		
Decrease (increase) in time deposits	-	204,400
Purchase of property, plant and equipment	(155,033)	(301,374)
Purchase of intangible assets	(162,973)	(207,676)
Purchase of investment securities	(138,909)	-
Other, net	(11,837)	(8,296)
Net cash provided by (used in) investing activities	(468,754)	(312,947)
Cash flows from financing activities		
Dividends paid	(348,737)	(488,222)
Other, net	(17,696)	(40,579)
Net cash provided by (used in) financing activities	(366,434)	(528,802)
Effect of exchange rate change on cash and cash equivalents	722	438,928
Net increase (decrease) in cash and cash equivalents	3,143,849	242,091
Cash and cash equivalents at beginning of period	21,412,529	26,900,029
Cash and cash equivalents at end of period	24,556,378	27,142,120

(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 FY2021 (Apr. 1, 2021 – Sep. 30, 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	6,353,944	1,279,812	606,903	329,972	8,570,633	-	8,570,633
Client services	4,204,775	1,300,689	491,089	414,496	6,411,051	-	6,411,051
Sales to third parties	10,558,720	2,580,502	1,097,993	744,468	14,981,684	-	14,981,684
Intersegment sales or transfers	604,463	474,109	29,013	52,592	1,160,179	(1,160,179)	-
Total	11,163,183	3,054,611	1,127,006	797,061	16,141,863	(1,160,179)	14,981,684
Segment profit	1,403,363	133,617	88,489	227,821	1,853,292	(1,542)	1,851,749

Notes: 1. Adjustment amount in segment profit includes amount of -1,542 thousand yen eliminated for intersegment transactions.

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

II. 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.

3. Supplementary Information

(1) Sales and Orders

(a) Sales (Thousands of yen)

Segment	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)		First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	10,558,720	70.5	11,055,333	68.7
Europe	2,580,502	17.2	3,054,830	19.0
Americas	1,097,993	7.3	1,309,803	8.1
Asia	744,468	5.0	683,661	4.2
Total	14,981,684	100.0	16,103,629	100.0

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

Segment	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)		First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	12,690,072	11,044,448	13,115,746	12,616,973
Europe	2,025,720	1,463,722	2,832,199	2,467,443
Americas	901,162	1,159,787	1,254,397	1,943,497
Asia	728,159	525,614	571,006	465,123
Total	16,345,114	14,193,573	17,773,350	17,493,037

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 FY2021 (Apr. 1, 2021 – Sep. 30, 2021)		First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	2,073,331	13.8	1,939,069	12.0
Circuit design solutions	3,288,988	22.0	3,374,679	21.0
IT solutions	3,207,011	21.4	3,611,275	22.4
Client services	6,411,051	42.8	7,177,517	44.6
Others	1,300	0.0	1,087	0.0
Total	14,981,684	100.0	16,103,629	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)		First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	2,321,762	1,083,951	2,102,263	1,159,742
Circuit design solutions	3,480,378	1,623,947	3,836,487	2,065,565
IT solutions	3,817,984	1,803,999	4,456,277	2,667,852
Client services	6,722,467	9,679,653	7,375,935	11,598,189
Others	2,522	2,021	2,387	1,687
Total	16,345,114	14,193,573	17,773,350	17,493,037

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.