



August 8, 2023

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2024 (FY2023)
(Three Months Ended June 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: August 9, 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 First Quarter Ended June 30, 2023 (April 1, 2023 – June 30, 2023)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Jun. 30, 2023	8,441	9.6	775	(9.5)	1,050	5.6	687	1.2
Jun. 30, 2022	7,703	9.8	856	50.3	994	49.5	679	58.1

Note: Comprehensive income (Millions of yen) Three months ended Jun. 30, 2023: 1,373 (up 82.5%)
 Three months ended Jun. 30, 2022: 752 (down 40.2%)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
Jun. 30, 2023	29.63	-
Jun. 30, 2022	29.21	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2023	63,365	41,544	64.8
As of Mar. 31, 2023	62,498	41,355	65.4

Reference: Shareholders' equity (Millions of yen) As of Jun. 30, 2023: 41,077 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	-	-	-	-	-
Fiscal year ending Mar. 31, 2024 (forecast)	-	25.00	-	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)

	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	37,000	5.5	4,600	3.9	4,900	3.5	3,350	4.8	144.09

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

Only the full-year forecast is shown because Zuken manages performance on a fiscal year basis.

*** 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 Jun. 30, 2023:	23,267,169 shares	As of Mar. 31, 2023:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Jun. 30, 2023:	160,367 shares	As of Mar. 31, 2023:	18,611 shares
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(c) Average number of shares outstanding during the period

Three months ended Jun. 30, 2023:	23,201,231 shares	Three months ended Jun. 30, 2022:	23,248,698 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 quarter, although the outlook remains uncertain due to accelerating inflation worldwide and other events, the economy continued to recover slowly as 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 quarter increased 9.6% from one year earlier to 8,441 million yen, a new record for the first quarter of the fiscal year. Sales of all solution categories were higher. In particular, sales of Printed Circuit Board design solutions grew significantly due to firm sales of our core electronic design system CR-8000 Design Force.

Profits increased due to foreign exchange gains and other factors, although operating profit was lower than in the same period of the previous fiscal year because of active investment in development for the future. Ordinary profit increased 5.6% to 1,050 million yen, and profit attributable to owners of parent increased 1.2% to 687 million yen.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year increased 867 million yen from the end of the previous fiscal year to 63,365 million yen.

Current assets increased 581 million yen. The main factors include increases of 918 million yen in cash and deposits and 907 million yen in other current assets due to an increase in prepaid expenses, and a decrease of 1,758 million yen in notes and accounts receivable-trade. Non-current assets increased 286 million yen. The main factors include an increase of 252 million yen in investments and other assets primarily due to an increase in investment securities.

Total liabilities increased 679 million yen from the end of the previous fiscal year to 21,821 million yen. Current liabilities increased 600 million yen. There was an increase of 1,653 million yen in advances received and decreases of 632 million yen in income taxes payable and 528 million yen in provision for bonuses. Non-current liabilities increased 78 million yen mainly due to an increase in retirement benefit liability.

Net assets increased 188 million yen from the end of the previous fiscal year to 41,544 million yen, and the shareholders' equity ratio was 64.8%.

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

	(Thousands of yen)	
	FY2022 (As of Mar. 31, 2023)	First quarter of FY2023 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	28,506,871	29,425,852
Notes and accounts receivable-trade	6,688,912	4,930,175
Securities	6,700,000	6,700,000
Merchandise and finished goods	593,209	895,683
Work in process	101,238	331,410
Raw materials and supplies	1,768	2,334
Other	5,439,189	6,346,291
Allowance for doubtful accounts	(37,623)	(57,047)
Total current assets	47,993,566	48,574,700
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,577,438	2,588,207
Land	3,009,821	3,009,821
Other, net	732,346	761,966
Total property, plant and equipment	6,319,606	6,359,995
Intangible assets		
Goodwill	147,863	146,592
Other	854,403	848,691
Total intangible assets	1,002,267	995,283
Investments and other assets	7,182,731	7,435,645
Total non-current assets	14,504,605	14,790,925
Total assets	62,498,172	63,365,625

	(Thousands of yen)	
	FY2022 (As of Mar. 31, 2023)	First quarter of FY2023 (As of Jun. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	751,939	824,880
Income taxes payable	826,012	193,368
Advances received	11,469,101	13,122,970
Provision for bonuses	1,150,839	622,779
Other provisions	111,544	25,683
Other	2,613,485	2,734,198
Total current liabilities	16,922,923	17,523,880
Non-current liabilities		
Retirement benefit liability	3,982,222	4,009,791
Other	237,108	287,719
Total non-current liabilities	4,219,330	4,297,510
Total liabilities	21,142,254	21,821,390
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	20,202,231
Treasury shares	(19,737)	(612,704)
Total shareholders' equity	38,855,831	38,369,069
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,622,185	2,089,070
Foreign currency translation adjustment	417,293	628,794
Remeasurements of defined benefit plans	(11,251)	(9,931)
Total accumulated other comprehensive income	2,028,227	2,707,933
Non-controlling interests	471,859	467,232
Total net assets	41,355,918	41,544,235
Total liabilities and net assets	62,498,172	63,365,625

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

	(Thousands of yen)	
	First three months of FY2022 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY2023 (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	7,703,896	8,441,843
Cost of sales	2,289,820	2,640,392
Gross profit	5,414,075	5,801,450
Selling, general and administrative expenses	4,557,881	5,026,289
Operating profit	856,194	775,161
Non-operating income		
Interest income	3,536	12,024
Dividend income	21,278	20,875
Foreign exchange gains	-	118,825
Share of profit of entities accounted for using equity method	70,885	86,788
Subsidy income	44,816	25,410
Other	9,511	14,891
Total non-operating income	150,027	278,814
Non-operating expenses		
Interest expenses	642	2,387
Commission for purchase of treasury shares	-	1,184
Foreign exchange losses	10,443	-
Other	456	2
Total non-operating expenses	11,542	3,574
Ordinary profit	994,679	1,050,401
Extraordinary income		
Gain on sale of non-current assets	1,918	1,445
Total extraordinary income	1,918	1,445
Extraordinary losses		
Loss on disposal of non-current assets	543	4,335
Total extraordinary losses	543	4,335
Profit before income taxes	996,055	1,047,511
Income taxes-current	124,422	112,358
Income taxes-deferred	164,356	241,125
Total income taxes	288,779	353,483
Profit	707,276	694,028
Profit attributable to non-controlling interests	28,180	6,608
Profit attributable to owners of parent	679,095	687,419

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

(Thousands of yen)

	First three months of FY2022 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY2023 (Apr. 1, 2023 – Jun. 30, 2023)
Profit	707,276	694,028
Other comprehensive income		
Valuation difference on available-for-sale securities	(95,767)	449,364
Foreign currency translation adjustment	145,976	211,501
Remeasurements of defined benefit plans, net of tax	(5,143)	1,319
Share of other comprehensive income of entities accounted for using equity method	185	17,519
Total other comprehensive income	45,251	679,705
Comprehensive income	752,527	1,373,733
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	724,347	1,367,125
Comprehensive income attributable to non-controlling interests	28,180	6,608

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. First three months of FY2022 (Apr. 1, 2022 – Jun. 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	2,892,453	860,486	322,581	88,421	4,163,943	-	4,163,943
Client services	2,262,914	737,122	312,395	227,520	3,539,953	-	3,539,953
Sales to third parties	5,155,368	1,597,608	634,977	315,942	7,703,896	-	7,703,896
Intersegment sales or transfers	297,886	255,539	19,268	22,010	594,704	(594,704)	-
Total	5,453,254	1,853,148	654,245	337,953	8,298,601	(594,704)	7,703,896
Segment profit	569,408	197,683	857	78,695	846,644	9,549	856,194

Notes: 1. Adjustment amount in segment profit includes amount of 9,549 thousand yen eliminated for intersegment transactions.

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

II. First three months of FY2023 (Apr. 1, 2023 – Jun. 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	3,104,640	881,022	377,068	233,964	4,596,697	-	4,596,697
Client services	2,564,164	740,085	302,423	238,472	3,845,146	-	3,845,146
Sales to third parties	5,668,805	1,621,108	679,492	472,437	8,441,843	-	8,441,843
Intersegment sales or transfers	383,892	269,033	25,764	26,130	704,820	(704,820)	-
Total	6,052,697	1,890,142	705,256	498,568	9,146,664	(704,820)	8,441,843
Segment profit (loss)	629,739	38,180	(35,939)	143,672	775,652	(490)	775,161

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -490 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, 392,200 shares of the ZUKEN's common stock (acquisition cost: 1,579,013 thousand yen) were repurchased from June 20, 2023 to July 31, 2023 (contract basis).

3. Supplementary Information

(1) Sales and Orders

(a) Sales (Thousands of yen)

Segment	First three months of FY2022 (Apr. 1, 2022 – Jun. 30, 2022)		First three months of FY2023 (Apr. 1, 2023 – Jun. 30, 2023)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	5,155,368	66.9	5,668,805	67.2
Europe	1,597,608	20.7	1,621,108	19.2
Americas	634,977	8.2	679,492	8.0
Asia	315,942	4.2	472,437	5.6
Total	7,703,896	100.0	8,441,843	100.0

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

Segment	First three months of FY2022 (Apr. 1, 2022 – Jun. 30, 2022)		First three months of FY2023 (Apr. 1, 2023 – Jun. 30, 2023)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	7,474,189	12,875,382	8,285,859	14,308,733
Europe	1,313,107	2,414,399	1,745,693	3,064,969
Americas	686,622	1,940,328	568,617	2,245,597
Asia	310,797	560,989	801,570	984,944
Total	9,784,717	17,791,100	11,401,741	20,604,245

Note: Intersegment transactions have been eliminated.

(Reference) Results by product category are as follows.

(a) Sales

(Thousands of yen)

Product category	First three months of FY2022 (Apr. 1, 2022 – Jun. 30, 2022)		First three months of FY2023 (Apr. 1, 2023 – Jun. 30, 2023)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	1,000,960	13.0	1,241,154	14.7
Circuit design solutions	1,662,201	21.6	1,678,665	19.9
IT solutions	1,500,781	19.5	1,676,877	19.9
Client services	3,539,953	45.9	3,845,146	45.5
Others	0	0.0	0	0.0
Total	7,703,896	100.0	8,441,843	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	First three months of FY2022 (Apr. 1, 2022 – Jun. 30, 2022)		First three months of FY2023 (Apr. 1, 2023 – Jun. 30, 2023)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	1,280,603	1,265,933	1,911,576	1,690,152
Circuit design solutions	2,127,372	2,044,292	2,503,349	2,372,339
IT solutions	2,009,614	2,323,065	2,600,304	2,802,913
Client services	4,366,126	12,156,420	4,385,124	13,735,252
Others	1,000	1,387	1,385	3,586
Total	9,784,717	17,791,100	11,401,741	20,604,245

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.