



August 5, 2020

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2021 (FY2020)
(Three Months Ended June 30, 2020)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section
 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 6, 2020
 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, 2020 (April 1, 2020 – June 30, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Jun. 30, 2020	5,928	(2.5)	114	(65.2)	172	(50.9)	91	(64.8)
Jun. 30, 2019	6,082	7.8	329	10.9	351	1.6	259	2.3

Note: Comprehensive income (Millions of yen) Three months ended Jun. 30, 2020: 816 (-%)

Three months ended Jun. 30, 2019: (122) (-%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended				
Jun. 30, 2020	3.94		-	
Jun. 30, 2019	11.18		-	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen		Millions of yen		%	
As of Jun. 30, 2020	51,531		35,458		68.1	
As of Mar. 31, 2020	51,445		35,013		67.2	

Reference: Shareholders' equity (Millions of yen) As of Jun. 30, 2020: 35,109 As of Mar. 31, 2020: 34,583

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	14.00	-	15.00	29.00
Fiscal year ending Mar. 31, 2021	-				
Fiscal year ending Mar. 31, 2021 (forecast)		15.00	-	15.00	30.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	29,000	(1.0)	2,700	(20.4)	2,800	(19.7)	1,750	(32.6)	75.27	

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

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, 2020:	23,267,169 shares	As of Mar. 31, 2020:	23,267,169 shares
----------------------	-------------------	----------------------	-------------------

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

As of Jun. 30, 2020:	17,730 shares	As of Mar. 31, 2020:	17,680 shares
----------------------	---------------	----------------------	---------------

(c) Average number of shares outstanding during the period

Three months ended Jun. 30, 2020:	23,249,456 shares	Three months ended Jun. 30, 2019:	23,249,686 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) Notes to Quarterly Consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7
Segment Information	7
3. Supplementary Information	8
(1) Sales and Orders	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the fiscal year ending on March 31, 2021, the COVID-19 pandemic caused stagnation in the global economy and the business climate has become extremely challenging. Manufacturers in the electronics, automotive and industrial equipment sectors are the main customers of the Zuken Group. Although companies in these sectors still have a strong commitment to making IT investments, capital expenditures overall are lackluster due to the uncertainty of the economic outlook.

Net sales in the first quarter were 5,928 million yen, 2.5% lower than one year earlier. Sales were down only slightly from the record-high quarterly sales in the same period a year earlier, although there was the postponement of deliveries and acceptance inspections of some products that were originally scheduled for the first quarter to the second quarter or later due to sluggish corporate activity.

Earnings decreased due to lower sales and the growth in expenses resulting from the increasing speed of new product development activities. As a result, ordinary profit was 172 million yen, 50.9% lower than one year earlier, and profit attributable to owners of parent was 91 million yen, 64.8% lower than one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year increased 85 million yen from the end of the previous fiscal year to 51,531 million yen.

Current assets decreased 746 million yen. The main factors include a decrease of 2,697 million yen in notes and accounts receivable-trade and an increase of 1,190 million yen in cash and deposits. Non-current assets increased 832 million yen. The main factors include an increase of 976 million yen in investments and other assets primarily due to an increase in investment securities.

Total liabilities decreased 360 million yen from the end of the previous fiscal year to 16,072 million yen. Current liabilities decreased 672 million yen mainly due to decreases of 643 million yen in income taxes payable, 404 million yen in provision for bonuses and 359 million yen in accounts payable-trade. There was an increase of 1,027 million yen in advances received. Non-current liabilities increased 312 million yen mainly due to an increase in deferred tax liabilities included in other non-current liabilities.

Net assets increased 445 million yen from the end of the previous fiscal year to 35,458 million yen, and the shareholders' equity ratio was 68.1%.

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

The forecast for the fiscal year ending March 31, 2021 was undecided because of the difficulty of determining a reasonable prediction for the impact of the COVID-19 pandemic. At this time, we are announcing a forecast that uses currently available information based on the performance of client companies.

The forecast is based on the assumption that the second quarter will be challenging because sales activities were partially limited in the first quarter. Nevertheless, we do not see a significant change in sales in the third and fourth quarters since the order backlog at the end of the first quarter was higher than the same period a year earlier.

We forecast net sales of 29,000 million yen, ordinary profit of 2,800 million yen, and profit attributable to owners of parent of 1,750 million yen in the fiscal year ending March 31, 2021.

*These forecasts are based on information available at the time this report was prepared. Actual results may differ from these forecasts due to a continuation of the spread of COVID-19 and many other reasons.

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

	(Thousands of yen)	
	FY2019	First quarter of FY2020
	(As of Mar. 31, 2020)	(As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	20,574,644	21,764,921
Notes and accounts receivable-trade	6,407,981	3,710,084
Securities	6,700,000	6,700,000
Merchandise and finished goods	403,944	480,088
Work in process	264,482	455,478
Raw materials and supplies	1,862	1,947
Other	2,749,149	3,244,262
Allowance for doubtful accounts	(29,587)	(31,219)
Total current assets	37,072,477	36,325,565
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,849,901	2,812,136
Land	3,015,103	3,015,103
Other, net	511,651	498,419
Total property, plant and equipment	6,376,656	6,325,658
Intangible assets		
Goodwill	913,777	841,837
Other	602,140	580,852
Total intangible assets	1,515,917	1,422,690
Investments and other assets		
Investment securities	5,385,293	6,438,625
Other	1,095,547	1,018,461
Total investments and other assets	6,480,840	7,457,087
Total non-current assets	14,373,415	15,205,436
Total assets	51,445,892	51,531,001

	(Thousands of yen)	
	FY2019 (As of Mar. 31, 2020)	First quarter of FY2020 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	1,177,418	817,605
Income taxes payable	716,954	73,622
Advances received	6,783,516	7,811,353
Provision for bonuses	902,008	497,461
Other provisions	136,807	9,830
Other	2,303,253	2,137,160
Total current liabilities	12,019,959	11,347,033
Non-current liabilities		
Retirement benefit liability	4,192,059	4,192,586
Other	220,565	532,681
Total non-current liabilities	4,412,625	4,725,268
Total liabilities	16,432,584	16,072,301
Net assets		
Shareholders' equity		
Share capital	10,117,065	10,117,065
Capital surplus	8,659,023	8,659,023
Retained earnings	14,175,240	13,918,015
Treasury shares	(16,778)	(16,904)
Total shareholders' equity	32,934,550	32,677,200
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,266,875	2,997,894
Foreign currency translation adjustment	(86,604)	(78,588)
Remeasurements of defined benefit plans	(531,321)	(486,554)
Total accumulated other comprehensive income	1,648,949	2,432,751
Non-controlling interests	429,808	348,747
Total net assets	35,013,308	35,458,699
Total liabilities and net assets	51,445,892	51,531,001

(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 FY2019 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)
Net sales	6,082,121	5,928,865
Cost of sales	1,705,773	1,687,640
Gross profit	4,376,347	4,241,224
Selling, general and administrative expenses	4,046,821	4,126,573
Operating profit	329,525	114,651
Non-operating income		
Interest income	3,832	2,503
Dividend income	41,965	39,849
Subsidy income	6,286	18,455
Other	10,010	10,686
Total non-operating income	62,093	71,495
Non-operating expenses		
Foreign exchange losses	40,076	12,884
Other	248	892
Total non-operating expenses	40,325	13,777
Ordinary profit	351,293	172,369
Extraordinary income		
Gain on sales of non-current assets	1,676	38
Total extraordinary income	1,676	38
Profit before income taxes	352,970	172,408
Income taxes-current	71,310	29,711
Income taxes-deferred	39,329	110,338
Total income taxes	110,640	140,050
Profit	242,330	32,357
Loss attributable to non-controlling interests	(17,636)	(59,160)
Profit attributable to owners of parent	259,966	91,517

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

	(Thousands of yen)	
	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)
Profit	242,330	32,357
Other comprehensive income		
Valuation difference on available-for-sale securities	(376,213)	731,019
Foreign currency translation adjustment	(55,866)	8,015
Remeasurements of defined benefit plans, net of tax	67,026	44,766
Total other comprehensive income	(365,053)	783,802
Comprehensive income	(122,723)	816,159
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(105,086)	875,319
Comprehensive income attributable to non-controlling interests	(17,636)	(59,160)

(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 FY2019 (Apr. 1, 2019 – Jun. 30, 2019)

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the quarterly consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Sales to third parties	4,232,449	1,134,123	439,699	275,849	6,082,121	-	6,082,121
Intersegment sales or transfers	273,897	210,753	10,229	18,888	513,768	(513,768)	-
Total	4,506,346	1,344,876	449,928	294,737	6,595,889	(513,768)	6,082,121
Segment profit (loss)	265,294	(6,425)	8,246	69,468	336,584	(7,059)	329,525

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -7,059 thousand yen eliminated for intersegment transactions.

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

II. First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the quarterly consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Sales to third parties	4,203,508	1,001,157	475,153	249,046	5,928,865	-	5,928,865
Intersegment sales or transfers	250,484	218,108	11,306	27,548	507,448	(507,448)	-
Total	4,453,993	1,219,265	486,460	276,594	6,436,314	(507,448)	5,928,865
Segment profit (loss)	133,222	(86,386)	1,368	68,687	116,890	(2,239)	114,651

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -2,239 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 three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)		First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	4,232,449	69.6	4,203,508	70.9
Europe	1,134,123	18.6	1,001,157	16.9
Americas	439,699	7.2	475,153	8.0
Asia	275,849	4.6	249,046	4.2
Total	6,082,121	100.0	5,928,865	100.0

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

Segment	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)		First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	6,204,370	8,762,795	6,216,406	9,675,653
Europe	906,487	1,394,468	799,875	1,497,646
Americas	193,546	1,086,266	345,660	1,280,661
Asia	401,762	470,198	293,744	469,844
Total	7,706,166	11,713,729	7,655,687	12,923,805

Notes: 1. Intersegment transactions have been eliminated.

2. The above amounts are based on selling prices and the amounts do not include consumption taxes.

(Reference) Results by product category are as follows.

(a) Sales (Thousands of yen)

Product category	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)		First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	883,738	14.5	805,368	13.6
Circuit design solutions	1,326,130	21.8	1,254,997	21.2
IT solutions	1,203,189	19.8	1,109,699	18.7
Client services	2,668,010	43.9	2,758,799	46.5
Others	1,051	0.0	0	0.0
Total	6,082,121	100.0	5,928,865	100.0

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

Product category	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)		First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	1,081,650	884,308	891,025	892,683
Circuit design solutions	1,839,768	1,694,060	1,589,617	1,418,200
IT solutions	1,502,747	1,349,390	1,798,775	1,673,289
Client services	3,281,584	7,785,561	3,376,240	8,939,262
Others	416	407	28	368
Total	7,706,166	11,713,729	7,655,687	12,923,805

Notes: 1. The above amounts are based on selling prices and the amounts do not include consumption taxes.

2. Name of major products by product category are as follows.

Major products of Printed Circuit Board design solutions	CR-8000 Design Force CR-8000 DFM Center CADSTAR eCADSTAR	CR-5000 Board Designer
Major products of Circuit design solutions	CR-8000 Design Gateway CR-8000 System Planner E3.series Cabling Designer Harness Designer	CR-5000 System Designer
Major products of IT solutions	PreSight visual BOM DS-CR DS-2 Espresso DS-E3 GENESYS	

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.