



August 8, 2016

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2017 (FY2016)
(Three Months Ended June 30, 2016)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section
 Stock code: 6947 URL: <http://www.zuken.co.jp>
 Representative: Makoto Kaneko, President and Representative Director
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 Scheduled date of filing of Quarterly Report: August 10, 2016
 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, 2016 (Apr. 1, 2016–Jun. 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2016	4,590	2.5	(186)	-	(284)	-	(251)	-
Jun. 30, 2015	4,480	8.1	(302)	-	(224)	-	(210)	-

Note: Comprehensive income (Millions of yen) Three months ended Jun. 30, 2016: (405) (n.a.)

Three months ended Jun. 30, 2015: (49) (n.a.)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2016	(10.80)	-
Jun. 30, 2015	(9.07)	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2016	38,459	27,839	71.3
As of Mar. 31, 2016	39,068	28,479	71.7

Reference: Shareholders' equity (Millions of yen) As of Jun. 30, 2016: 27,425 As of Mar. 31, 2016: 28,021

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	20.00	-	10.00	30.00
Fiscal year ending Mar. 31, 2017	-				
Fiscal year ending Mar. 31, 2017 (forecast)		10.00	-	10.00	20.00

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

The dividend per share for 2Q-end of the fiscal year ended March 31, 2016 includes commemorative dividend of 10 yen.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		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	22,700	3.4	1,500	93.3	1,550	106.3	1,000	269.1	43.01

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: | Yes |
| (b) Changes in accounting policies other than (a) above: | None |
| (c) Changes in accounting-based estimates: | None |
| (d) Restatements: | None |

Note: Please refer to “2. Matters Related to Summary Information (Notes) (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements” on page 3 for further information.

(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, 2016:	23,267,169 shares	As of Mar. 31, 2016:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Jun. 30, 2016:	16,293 shares	As of Mar. 31, 2016:	16,293 shares
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(c) Average number of shares outstanding during the period

Three months ended Jun. 30, 2016:	23,250,876 shares	Three months ended Jun. 30, 2015:	23,251,280 shares
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* Information regarding the implementation of quarterly review procedures

The current quarterly financial statements in this report are exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for these quarterly financial statements have not been completed.

* 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 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. Matters Related to Summary Information (Notes)	3
(1) Changes in Significant Subsidiaries during the Period	3
(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	3
(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements	3
(4) Additional Information	3
3. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	6
Quarterly Consolidated Statement of Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment Information	8
4. Supplementary Information	9
(1) Sales and Orders	9

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, 2017, the outlook for the global economy remained uncertain. Although the U.S. and Japanese economies continued to recover gradually, there were slowing economic growth in China, U.K. leaving the EU and other sources of concern about economic slowdown. In the electronic equipment, automotive and industrial equipment manufacturing sectors which are the major customer segments of the Zuken Group, businesses in certain industries seemed to be holding down capital investment because of uncertainty over future economic outlook.

Net sales in the first quarter were 4,590 million yen, 2.5% higher than one year earlier. Although Printed Circuit Board design solutions and Circuit design and IC solutions sales decreased, IT solutions sales such as sales of PreSight visual BOM, an infrastructure system for product data management, and network-related products remained strong.

Operating loss was lower due to the growth in sales. However, a foreign exchange loss of 132 million yen led to an ordinary loss of 284 million yen, compared with an ordinary loss of 224 million yen one year earlier and loss attributable to owners of parent was 251 million yen, compared with a loss of 210 million yen one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year under review decreased 608 million yen from the end of the previous fiscal year to 38,459 million yen.

Current assets decreased 327 million yen. The main factors were decreases of 3,711 million yen in securities and 1,693 million yen in notes and accounts receivable-trade, while there was an increase of 4,492 million yen in cash and deposits. Non-current assets decreased 280 million yen. The main factors were decreases of 106 million yen in intangible assets and 106 million yen in investments and other assets.

Total liabilities increased 31 million yen from the end of the previous fiscal year to 10,620 million yen. Current liabilities increased 46 million yen. The main factors were decreases of 531 million yen in accounts payable-trade, 366 million yen in provision for bonuses while there was a 1,064 million yen increase in advances received. Non-current liabilities decreased 15 million yen, mainly due to a decrease in deferred tax liabilities.

Net assets decreased 639 million yen from the end of the previous fiscal year to 27,839 million yen, and the shareholders' equity ratio was 71.3%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2017 that was released on May 9, 2016. 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. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

This change has no effect on the results of operations.

(4) Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the first quarter of the current fiscal year, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY2015 (As of Mar. 31, 2016)	First quarter of FY2016 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	5,371,750	9,864,293
Notes and accounts receivable-trade	5,166,296	3,472,781
Securities	14,176,278	10,464,414
Merchandise and finished goods	250,812	247,089
Work in process	39,712	199,669
Raw materials and supplies	4,056	3,365
Other	2,123,942	2,544,881
Allowance for doubtful accounts	(34,725)	(26,311)
Total current assets	27,098,122	26,770,183
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,040,116	2,995,193
Land	3,009,821	3,009,821
Other, net	393,335	370,143
Total property, plant and equipment	6,443,272	6,375,158
Intangible assets		
Goodwill	972,798	879,633
Other	746,717	733,813
Total intangible assets	1,719,515	1,613,447
Investments and other assets	3,807,100	3,700,475
Total non-current assets	11,969,889	11,689,080
Total assets	39,068,011	38,459,264

	(Thousands of yen)	
	FY2015 (As of Mar. 31, 2016)	First quarter of FY2016 (As of Jun. 30, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	953,098	421,845
Income taxes payable	236,091	93,488
Advances received	4,018,128	5,082,938
Provision for bonuses	784,217	417,698
Provision for directors' bonuses	18,000	-
Provision for loss on business liquidation	26,859	1,440
Other provision	11,402	10,201
Other	1,514,603	1,581,024
Total current liabilities	7,562,401	7,608,638
Non-current liabilities		
Net defined benefit liability	2,771,814	2,782,696
Other	254,787	228,754
Total non-current liabilities	3,026,601	3,011,450
Total liabilities	10,589,003	10,620,089
Net assets		
Shareholders' equity		
Capital stock	10,117,065	10,117,065
Capital surplus	8,657,753	8,657,736
Retained earnings	8,888,024	8,404,353
Treasury shares	(14,678)	(14,678)
Total shareholders' equity	27,648,164	27,164,476
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	533,667	513,490
Foreign currency translation adjustment	48,758	(118,046)
Remeasurements of defined benefit plans	(209,334)	(134,686)
Total accumulated other comprehensive income	373,091	260,756
Non-controlling interests	457,752	413,941
Total net assets	28,479,008	27,839,175
Total liabilities and net assets	39,068,011	38,459,264

(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 FY2015 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)
Net sales	4,480,092	4,590,147
Cost of sales	1,111,309	1,200,374
Gross profit	3,368,782	3,389,772
Selling, general and administrative expenses	3,670,944	3,576,011
Operating loss	(302,161)	(186,238)
Non-operating income		
Interest income	1,780	1,012
Dividend income	9,853	15,307
Rent income	12,720	11,136
Foreign exchange gains	49,360	-
Other	11,932	15,749
Total non-operating income	85,647	43,205
Non-operating expenses		
Foreign exchange losses	-	132,194
Share of loss of entities accounted for using equity method	7,378	9,167
Other	1,000	597
Total non-operating expenses	8,378	141,959
Ordinary loss	(224,892)	(284,991)
Extraordinary income		
Gain on sales of non-current assets	2,162	67
Gain on sales of investment securities	-	870
Total extraordinary income	2,162	937
Extraordinary losses		
Loss on liquidation of business	-	59,362
Total extraordinary losses	-	59,362
Loss before income taxes	(222,730)	(343,417)
Income taxes-current	30,424	35,922
Income taxes-deferred	(28,319)	(86,051)
Total income taxes	2,105	(50,128)
Loss	(224,835)	(293,288)
Loss attributable to non-controlling interests	(14,004)	(42,125)
Loss attributable to owners of parent	(210,830)	(251,162)

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

	(Thousands of yen)	
	First three months of FY2015 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)
Loss	(224,835)	(293,288)
Other comprehensive income		
Valuation difference on available-for-sale securities	170,867	(20,177)
Foreign currency translation adjustment	(1,576)	(167,805)
Remeasurements of defined benefit plans, net of tax	4,528	74,647
Share of other comprehensive income of entities accounted for using equity method	1,663	1,001
Total other comprehensive income	175,482	(112,334)
Comprehensive income	(49,352)	(405,622)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(35,348)	(363,497)
Comprehensive income attributable to non-controlling interests	(14,004)	(42,125)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information

Segment Information

I. First three months of FY2015 (Apr. 1, 2015 – Jun. 30, 2015)

Information about reportable segment net sales and profit or loss (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							
Sales to third parties	2,880,058	997,803	285,399	316,831	4,480,092	-	4,480,092
Intersegment sales or transfers	223,880	168,510	15,502	40,136	448,029	(448,029)	-
Total	3,103,938	1,166,313	300,901	356,967	4,928,122	(448,029)	4,480,092
Segment profit (loss)	(217,756)	(167,624)	(48,554)	115,127	(318,807)	16,645	(302,161)

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 16,645 thousand yen eliminated for intersegment transactions.

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

II. First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)

Information about reportable segment net sales and profit or loss (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							
Sales to third parties	3,077,512	909,817	280,888	321,928	4,590,147	-	4,590,147
Intersegment sales or transfers	190,100	179,509	21,294	28,753	419,657	(419,657)	-
Total	3,267,612	1,089,326	302,183	350,682	5,009,805	(419,657)	4,590,147
Segment profit (loss)	(172,151)	(80,617)	(49,109)	91,788	(210,089)	23,851	(186,238)

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 23,851 thousand yen eliminated for intersegment transactions.

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

4. Supplementary Information

(1) Sales and Orders

(a) Sales

(Thousands of yen)

Segment	First three months of FY2015 (Apr. 1, 2015 – Jun. 30, 2015)		First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	2,880,058	64.3	3,077,512	67.0
Europe	997,803	22.3	909,817	19.8
Americas	285,399	6.4	280,888	6.1
Asia	316,831	7.0	321,928	7.1
Total	4,480,092	100.0	4,590,147	100.0

(b) Orders received and order backlog

(Thousands of yen)

Segment	First three months of FY2015 (Apr. 1, 2015 – Jun. 30, 2015)		First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	4,593,662	6,293,224	4,324,930	6,542,113
Europe	1,026,666	1,501,969	953,744	1,301,122
Americas	108,479	541,896	338,980	771,170
Asia	389,432	564,123	305,984	333,856
Total	6,118,240	8,901,214	5,923,641	8,948,262

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 FY2015 (Apr. 1, 2015 – Jun. 30, 2015)		First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	846,029	18.9	761,908	16.6
Circuit design and IC solutions	900,228	20.1	880,363	19.2
IT solutions	582,358	13.0	703,621	15.3
Client services	2,150,689	48.0	2,244,243	48.9
Others	785	0.0	10	0.0
Total	4,480,092	100.0	4,590,147	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	First three months of FY2015 (Apr. 1, 2015 – Jun. 30, 2015)		First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	879,190	735,849	900,537	764,534
Circuit design and IC solutions	1,266,860	1,033,484	1,216,880	1,112,427
IT solutions	1,145,998	1,121,028	906,772	839,925
Client services	2,825,356	6,010,121	2,898,327	6,230,263
Others	835	731	1,122	1,112
Total	6,118,240	8,901,214	5,923,641	8,948,262

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

2. Names 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	CR-5000 Board Designer
Major products of Circuit design and IC solutions	CR-8000 Design Gateway CR-8000 System Planner Architecture Planner E3.series Cabling Designer Harness Designer	CR-5000 System Designer
Major products of IT solutions	PreSight visual BOM DS-2 DS-2 Espresso	

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.