



May 7, 2018

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (FY2017)

[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  
 Contact: Susumu Yoshida, General Manager of Finance Department Tel: +81-45-942-1511  
 Scheduled date of Annual General Shareholders' Meeting: June 28, 2018  
 Scheduled date of payment of dividend: June 29, 2018  
 Scheduled date of filing of Annual Securities Report: June 28, 2018  
 Preparation of supplementary materials for financial results: None  
 Holding of financial results meeting: None

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018)

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

Fiscal years 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	%
Mar. 31, 2018	23,582	6.2	2,025	26.9	2,114	34.6	1,511	25.3
Mar. 31, 2017	22,199	1.1	1,596	105.7	1,571	109.2	1,206	345.1

Note: Comprehensive income (Millions of yen) Fiscal year ended Mar. 31, 2018: 2,512 (up 379.5%)  
 Fiscal year ended Mar. 31, 2017: 524 (down 34.8%)

Fiscal years ended	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Mar. 31, 2018	65.01	-	5.2	5.0	8.6
Mar. 31, 2017	51.87	-	4.3	3.9	7.2

Reference: Equity in earnings of associates (Millions of yen) Fiscal year ended Mar. 31, 2018: (3)  
 Fiscal year ended Mar. 31, 2017: 1

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2018	43,647	30,547	69.0	1,295.47
As of Mar. 31, 2017	40,530	28,535	69.3	1,208.84

Reference: Shareholders' equity (Millions of yen) As of Mar. 31, 2018: 30,119 As of Mar. 31, 2017: 28,106

(3) Consolidated cash flows

Fiscal years ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Mar. 31, 2018	3,547	(592)	(558)	16,609
Mar. 31, 2017	2,586	(595)	(482)	14,046

### 2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Mar. 31, 2017	-	10.00	-	10.00	20.00	465	38.6	1.7
Fiscal year ended Mar. 31, 2018	-	10.00	-	12.00	22.00	511	33.8	1.8
Fiscal year ending Mar. 31, 2019 (forecast)	-	12.00	-	12.00	24.00		31.0	

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)

(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
	25,500	8.1	2,500	23.4	2,600	22.9	1,800	19.1	77.42

Note: 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) 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

(3) Number of outstanding shares (common stock)

(a) Number of shares outstanding at the end of the period (including treasury shares)

As of Mar. 31, 2018: 23,267,169 shares As of Mar. 31, 2017: 23,267,169 shares

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

As of Mar. 31, 2018: 17,057 shares As of Mar. 31, 2017: 16,715 shares

(c) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2018: 23,250,220 shares Fiscal year ended Mar. 31, 2017: 23,250,749 shares

**Reference: Summary of Non-consolidated Financial Results**

**Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018)**

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

Fiscal years ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Mar. 31, 2018	9,977	3.2	837	53.2	1,562	70.2	1,344	31.6
Mar. 31, 2017	9,670	(8.6)	546	26.7	917	8.3	1,021	115.2

Fiscal years ended	Net income per share	Diluted net income per share
	Yen	Yen
Mar. 31, 2018	57.84	-
Mar. 31, 2017	43.94	-

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2018	34,726	29,434	84.8	1,265.99
As of Mar. 31, 2017	33,120	28,281	85.4	1,216.40

Reference: Shareholders' equity (Millions of yen) As of Mar. 31, 2018: 29,434 As of Mar. 31, 2017: 28,281

\* This financial report is not subject to audit 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. Overview of Results of Operations, etc., (4) Outlook" on page 4 for forecast assumptions and notes of caution for usage.

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## 1. Overview of Results of Operations, etc.

### (1) Results of Operations

In the fiscal year that ended on March 31, 2018, gradual economic recoveries continued to take place in Japan, Europe and the United States. However, the outlook remained uncertain because of concerns about slowing economic growth in emerging Asian countries, U.S. policies and other reasons.

In the electronic equipment, automotive and industrial equipment manufacturing sectors, which are the major customer segments of the Zuken Group, although companies in certain industries continue to hold down capital investment, there are clear signs of a recovery backed by recovering corporate earnings.

The Zuken Group took proactive actions during the fiscal year for increasing sales of our core products, developing IT systems and making substantial investments for growth with the goal of becoming a “truly global company” able to supply the best-in-class solutions to manufacturers worldwide. Our major actions during the fiscal year were as follows.

#### (i) Design/Engineering Solutions

We continued to place priority on increasing sales of the CR-8000 Design Force, a PCB design and analysis solution that is our core product. There was steady progress with sales of this system in Japan as well as to large companies in Europe and the United States. Sales of the E3.series of electrical wire harness design solutions were higher due to increased sales activities to companies in the automobile and industrial machinery industries in Europe and the United States.

We increased the speed of development activities for the eCADSTAR, a completely new PCB design system using the latest advances in technologies. This new system will replace the CADSTAR, a PCB design system that is ideal for relatively small design team. The goal is to further increase our market share by using the eCADSTAR to stimulate demand in the PCB design market for small and midsize enterprises. Another project under way is the development of a new wire harness design system. For this project, the ZUKEN development bases in Japan and Germany are working closely together to incorporate their respective technologies in this new design system.

Speeding up business activities for manufacturers of panels and other electric control system equipment is one more theme in this category. To accomplish this, we acquired a wiring design system development and sales company that has a large number of customers in the market.

#### (ii) Design Data Management Solutions

During the fiscal year, there were many activities for more growth of sales of the DS-2 design data management system, which has scalable functions in order to meet the various requirements of even large design environments, and the DS-2 Espresso, which has appropriately selected pre-set functions to allow rapid introduction at customer site. The DS-E3 data management system was developed for use with the E3.series of wire harness design systems used in the automobile and industrial equipment industries. The DS-E3 is structured for the management and utilization of wiring design data, which are essential capabilities as the use of electric components in a variety of products largely grows and becomes more complex. We anticipate substantial demand at our customers for this new system.

#### (iii) Other Activities

There is a serious shortage of engineers in the manufacturing sector. To meet this need, we focused on upgrading the know-how of engineers and expanding our service that provides companies with highly skilled engineers. In this category, there was also growth in sales of network security products and storage products because of the rapid growth in the use of cloud services.

#### Consolidated results

Net sales	23,582 million yen	(up 6.2% year on year)
Ordinary profit	2,114 million yen	(up 34.6% year on year)
Profit attributable to owners of parent	1,511 million yen	(up 25.3% year on year)

Fiscal year sales were higher than one year earlier and reached a record high. Steady growth in sales of the CR-8000 Design Force PCB design and analysis solution, our core product, and higher sales of the E3.series of wire harness design systems contributed to sales growth.

Earnings were much higher than one year earlier because of growth in sales of internally produced software, which has a high profit margin.

Sales by product category were as follows.

#### Sales by product

Printed Circuit Board design solutions	3,772 million yen	(up 2.0% year on year)
Circuit design solutions	4,947 million yen	(up 10.0% year on year)
IT solutions	4,799 million yen	(up 2.1% year on year)
Client services	10,058 million yen	(up 8.3% year on year)

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 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 DS-E3	

## (2) Financial Position

Total assets at the end of the fiscal year under review increased 3,116 million yen from the end of the previous fiscal year to 43,647 million yen. The main factors were increases of 2,615 million yen in cash and deposits and 393 million yen in investment securities.

Liabilities at the end of the fiscal year under review increased 1,104 million yen from the end of the previous fiscal year to 13,099 million yen. The main factors were increases of 496 million yen in advances received and 322 million yen in income taxes payable.

Net assets at the end of the fiscal year under review increased 2,011 million yen from the end of the previous fiscal year to 30,547 million yen and the shareholders' equity ratio was 69.0%.

## (3) Cash Flows

Cash and cash equivalents (hereafter "cash") at the end of the fiscal year under review increased 2,562 million yen over the end of the previous fiscal year to 16,609 million yen.

Cash flows by category were as follows.

#### Cash flows from operating activities

Net cash provided by operating activities increased 960 million yen from the previous fiscal year to 3,547 million yen. The main cash inflows were profit before income taxes of 2,093 million yen (a year-on-year increase of 661 million yen), depreciation of 681 million yen (a year-on-year increase of 28 million yen), and an increase in net defined benefit asset or liability of 628 million yen (a year-on-year increase of 321 million yen).

#### Cash flows from investing activities

Net cash used in investing activities increased 3 million yen from the previous fiscal year to 592 million yen. The main cash outflows include purchase of non-current assets of 553 million yen (a year-on-year decrease of 50 million yen).

### Cash flows from financing activities

Net cash used in financing activities increased 76 million yen from the previous fiscal year to 558 million yen. This was mainly due to cash dividends paid of 465 million yen (same level as in the previous fiscal year).

Cash flow indicators were as follows:

Fiscal years ended	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Shareholders' equity ratio	69.0%	71.7%	69.3%	69.0%
Shareholders' equity ratio based on market prices	60.0%	70.6%	78.2%	78.1%
Interest-bearing debt to cash flow ratio	2.5%	11.1%	0.9%	0.9%
Interest coverage ratio	17,001.1	3,275.1	36,726.9	28,300.6

Calculation formula: Shareholders' equity ratio: Shareholders' equity / Total assets  
 Shareholders' equity ratio based on market prices: Market capitalization / Total assets  
 Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows  
 Interest coverage ratio: Operating cash flows / Interest payments

- Notes: 1. All indicators are calculated based on consolidated figures.  
 2. Market capitalization is calculated based on the number of shares outstanding (excluding treasury shares).  
 3. Operating cash flows are calculated using the figures for operating cash flows on the consolidated statement of cash flows.  
 4. Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest.

### (4) Outlook

Although economies are recovering in Japan and other countries, the outlook is likely to remain unclear because of concerns about U.S. economic policies and other reasons. Despite this uncertainty, we expect more growth in business domains where the Zuken Group is active. The main reason is the urgent need for design and manufacturing process innovations in response to dramatic changes taking place in the global business climate for manufacturers.

The Zuken Group is determined to achieve more growth in corporate value by supplying innovative solutions that help client companies upgrade their manufacturing operations.

We forecast net sales of 25,500 million yen, ordinary profit of 2,600 million yen, and profit attributable to owners of parent of 1,800 million yen in the fiscal year ending March 31, 2019.

\* The above forecasts are based on information available at the time this report was prepared and actual results may differ from these forecasts for a number of reasons.

## 2. Basic Approach for the Selection of Accounting Standards

The ZUKEN Group will continue to prepare consolidated financial statements in accordance with generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards by taking into account associated factors in Japan and other countries.

## 3. Consolidated Financial Statements and Notes

## (1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY2016	FY2017
	(As of Mar. 31, 2017)	(As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	14,253,644	16,868,686
Notes and accounts receivable-trade	5,195,460	5,375,965
Securities	6,700,000	6,700,000
Merchandise and finished goods	285,834	269,857
Work in process	54,826	95,659
Raw materials and supplies	2,809	3,908
Deferred tax assets	407,384	520,387
Other	2,124,177	2,172,359
Allowance for doubtful accounts	(23,323)	(44,416)
Total current assets	29,000,814	31,962,406
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,274,513	9,273,296
Accumulated depreciation	(6,320,061)	(6,383,419)
Buildings and structures, net	2,954,451	2,889,876
Machinery, equipment and vehicles	86,037	94,375
Accumulated depreciation	(41,919)	(46,995)
Machinery, equipment and vehicles, net	44,117	47,380
Tools, furniture and fixtures	1,871,571	1,885,042
Accumulated depreciation	(1,522,083)	(1,503,203)
Tools, furniture and fixtures, net	349,488	381,839
Land	3,009,821	3,015,103
Leased assets	64,232	52,694
Accumulated depreciation	(42,599)	(26,475)
Leased assets, net	21,633	26,218
Total property, plant and equipment	6,379,512	6,360,419
Intangible assets		
Goodwill	790,754	661,482
Other	739,373	699,954
Total intangible assets	1,530,127	1,361,437
Investments and other assets		
Investment securities	2,695,806	3,089,690
Deferred tax assets	486,170	401,131
Other	453,294	487,166
Allowance for doubtful accounts	(15,032)	(14,962)
Total investments and other assets	3,620,238	3,963,024
Total non-current assets	11,529,879	11,684,881
Total assets	40,530,693	43,647,287

	(Thousands of yen)	
	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	823,903	726,558
Income taxes payable	250,629	573,228
Advances received	4,759,402	5,256,136
Provision for bonuses	793,761	799,513
Provision for directors' bonuses	38,400	53,370
Provision for loss on business liquidation	1,518	1,576
Other provision	9,047	7,940
Other	1,559,521	1,864,426
<b>Total current liabilities</b>	<b>8,236,184</b>	<b>9,282,751</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	3,506,552	3,541,427
Other	252,125	275,473
<b>Total non-current liabilities</b>	<b>3,758,678</b>	<b>3,816,901</b>
<b>Total liabilities</b>	<b>11,994,863</b>	<b>13,099,652</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,117,065	10,117,065
Capital surplus	8,657,736	8,659,021
Retained earnings	9,629,044	10,675,443
Treasury shares	(15,169)	(15,716)
<b>Total shareholders' equity</b>	<b>28,388,676</b>	<b>29,435,814</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	851,340	1,124,695
Foreign currency translation adjustment	(32,391)	146,943
Remeasurements of defined benefit plans	(1,101,576)	(587,708)
<b>Total accumulated other comprehensive income</b>	<b>(282,628)</b>	<b>683,930</b>
<b>Non-controlling interests</b>	<b>429,781</b>	<b>427,891</b>
<b>Total net assets</b>	<b>28,535,829</b>	<b>30,547,635</b>
<b>Total liabilities and net assets</b>	<b>40,530,693</b>	<b>43,647,287</b>

**(2) Consolidated Statements of Income and Comprehensive Income****Consolidated Statement of Income**

(Thousands of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	22,199,168	23,582,473
Cost of sales	6,434,018	6,413,787
Gross profit	15,765,150	17,168,686
Selling, general and administrative expenses	14,168,911	15,143,361
Operating profit	1,596,238	2,025,324
Non-operating income		
Interest income	8,939	17,878
Dividend income	24,031	31,628
Rent income	42,383	47,670
Share of profit of entities accounted for using equity method	1,475	-
Other	45,458	45,257
Total non-operating income	122,288	142,434
Non-operating expenses		
Foreign exchange losses	145,260	45,339
Share of loss of entities accounted for using equity method	-	3,906
Other	1,545	3,728
Total non-operating expenses	146,805	52,974
Ordinary profit	1,571,721	2,114,785
Extraordinary income		
Gain on sales of non-current assets	5,648	2,329
Surrender value of insurance	-	36,537
Gain on bargain purchase	-	35,996
Gain on sales of investment securities	6,440	3,317
Total extraordinary income	12,089	78,180
Extraordinary losses		
Loss on disposal of non-current assets	4,120	8,876
Retirement benefit expenses	-	90,265
Loss on litigation	89,154	-
Loss on liquidation of business	57,791	-
Total extraordinary losses	151,065	99,142
Profit before income taxes	1,432,745	2,093,823
Income taxes-current	345,986	709,679
Income taxes-deferred	(92,993)	(161,852)
Total income taxes	252,993	547,827
Profit	1,179,751	1,545,995
Profit (loss) attributable to non-controlling interests	(26,285)	34,589
Profit attributable to owners of parent	1,206,037	1,511,406

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Profit	1,179,751	1,545,995
Other comprehensive income		
Valuation difference on available-for-sale securities	317,672	273,354
Foreign currency translation adjustment	(80,436)	187,670
Remeasurements of defined benefit plans, net of tax	(892,242)	513,867
Share of other comprehensive income of entities accounted for using equity method	(713)	(8,334)
Total other comprehensive income	(655,720)	966,558
Comprehensive income	524,031	2,512,554
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	550,317	2,477,964
Comprehensive income attributable to non-controlling interests	(26,285)	34,589

**(3) Consolidated Statement of Changes in Equity**

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,117,065	8,657,753	8,888,024	(14,678)	27,648,164
Changes of items during period					
Dividends of surplus			(465,017)		(465,017)
Profit attributable to owners of parent			1,206,037		1,206,037
Other		(16)			(16)
Purchase of treasury shares				(491)	(491)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(16)	741,019	(491)	740,511
Balance at end of current period	10,117,065	8,657,736	9,629,044	(15,169)	28,388,676

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	533,667	48,758	(209,334)	373,091	457,752	28,479,008
Changes of items during period						
Dividends of surplus						(465,017)
Profit attributable to owners of parent						1,206,037
Other						(16)
Purchase of treasury shares						(491)
Net changes of items other than shareholders' equity	317,672	(81,150)	(892,242)	(655,720)	(27,970)	(683,690)
Total changes of items during period	317,672	(81,150)	(892,242)	(655,720)	(27,970)	56,821
Balance at end of current period	851,340	(32,391)	(1,101,576)	(282,628)	429,781	28,535,829

FY2017 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,117,065	8,657,736	9,629,044	(15,169)	28,388,676
Changes of items during period					
Dividends of surplus			(465,006)		(465,006)
Profit attributable to owners of parent			1,511,406		1,511,406
Other		1,285			1,285
Purchase of treasury shares				(546)	(546)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	1,285	1,046,399	(546)	1,047,138
Balance at end of current period	10,117,065	8,659,021	10,675,443	(15,716)	29,435,814

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	851,340	(32,391)	(1,101,576)	(282,628)	429,781	28,535,829
Changes of items during period						
Dividends of surplus						(465,006)
Profit attributable to owners of parent						1,511,406
Other						1,285
Purchase of treasury shares						(546)
Net changes of items other than shareholders' equity	273,354	179,335	513,867	966,558	(1,890)	964,668
Total changes of items during period	273,354	179,335	513,867	966,558	(1,890)	2,011,806
Balance at end of current period	1,124,695	146,943	(587,708)	683,930	427,891	30,547,635

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	1,432,745	2,093,823
Depreciation	653,205	681,921
Gain on bargain purchase	-	(35,996)
Amortization of goodwill	153,520	157,798
Interest and dividend income	(32,971)	(49,506)
Foreign exchange losses (gains)	43,089	(576)
Share of (profit) loss of entities accounted for using equity method	(1,475)	3,906
Loss (gain) on sales of investment securities	(6,440)	(3,317)
Loss on liquidation of business	57,791	-
Decrease (increase) in notes and accounts receivable-trade	(79,742)	(48,567)
Increase (decrease) in notes and accounts payable-trade	(199,708)	49,139
Increase (decrease) in net defined benefit asset or liability	307,193	628,443
Other, net	607,096	481,557
Subtotal	2,934,303	3,958,625
Interest and dividend income received	33,560	48,825
Interest expenses paid	(70)	(125)
Income taxes paid	(323,290)	(459,960)
Payments for loss on liquidation of business	(57,791)	-
Net cash provided by (used in) operating activities	2,586,712	3,547,365
Cash flows from investing activities		
Decrease (increase) in time deposits	(17,100)	(33,120)
Purchase of property, plant and equipment	(280,699)	(272,910)
Purchase of intangible assets	(323,482)	(280,958)
Proceeds from sales and redemption of investment securities	11,210	32,750
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(43,710)
Other, net	14,404	5,545
Net cash provided by (used in) investing activities	(595,665)	(592,404)
Cash flows from financing activities		
Decrease in short-term loans payable	-	(18,207)
Repayments of long-term loans payable	-	(34,459)
Purchase of treasury shares	(491)	(546)
Cash dividends paid	(465,017)	(465,006)
Other, net	(16,507)	(40,341)
Net cash provided by (used in) financing activities	(482,016)	(558,560)
Effect of exchange rate change on cash and cash equivalents	(134,146)	166,115
Net increase (decrease) in cash and cash equivalents	1,374,884	2,562,515
Cash and cash equivalents at beginning of period	12,671,871	14,046,756
Cash and cash equivalents at end of period	14,046,756	16,609,271

**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Basis of Presenting the Consolidated Financial Statements**

## 1. Scope of consolidation

## (1) Number of consolidated subsidiaries: 21

Main consolidated subsidiaries: Zuken USA Inc., Zuken GmbH, Zuken Limited, Zuken Tec Inc., Zuken NetWave Inc.

Alfatech Inc. was included in the scope of consolidation due to the purchase of its stock by the Company in the fiscal year under review.

## (2) Number of non-consolidated subsidiaries: 2

These subsidiaries are not included in the scope of consolidation since each of them is a small-scale business whose total assets, net sales, profit (equity in earnings) and retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.

## 2. Application of equity method

Number of non-consolidated subsidiaries not accounted for under the equity method: 2

These subsidiaries are not included in the scope of application of the equity method since each of them is a small-scale business whose profit (equity in earnings) and retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.

## 3. Fiscal year-end of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end of Zuken Korea Inc., Zuken Singapore Pte. Ltd. and Zuken Taiwan Inc. is the end of February, and the fiscal year-end of Zuken Shanghai Technical Center Co., Ltd. and one other company is the end of December.

The consolidated financial statements include the financial statements of consolidated subsidiaries as of their fiscal year-end. However, adjustments to the consolidated financial statements are made as needed for significant transactions at the above five subsidiaries with different fiscal year-ends that occur between their fiscal year-ends and the fiscal year-end for the consolidated financial statements.

## 4. Accounting standards

## (1) Valuation standards and methods for principal assets

## (a) Securities

Available-for-sale securities

Marketable securities: Stated at fair value using quoted market price on the balance sheet date. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.)

Non-marketable securities: Stated at cost determined by the moving-average method.

## (b) Inventories

Valued at the cost method (the book value on the balance sheet is written down to reflect the effect of lower profitability).

Merchandise: Primarily stated at cost, determined by the moving-average method.

Finished goods and work in process: Stated at cost, determined by the specific identification method at the Company and its major consolidated subsidiaries, and stated at cost, determined by the periodic average method at some consolidated subsidiaries.

Raw materials: Stated at cost, determined by the moving-average method at the Company, and stated at cost, determined by the specific identification method at major consolidated subsidiaries.

Supplies: Stated at cost, determined by the last purchased price method at the Company and its major consolidated subsidiaries.

## (2) Depreciation and amortization of significant depreciable assets

## (a) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment at the Company and its domestic consolidated subsidiaries is calculated by the declining-balance method, except for facilities attached to buildings and structures acquired on or after April 1, 2016 and buildings (excluding attached facilities) of which depreciation is calculated by the straight-line method. Overseas consolidated subsidiaries compute depreciation mainly by the straight-line method.

Estimated useful lives of principle assets are as follows:

Buildings and structures:	3 years to 60 years
Tools, furniture and fixtures:	2 years to 20 years

(b) Intangible assets (excluding leased assets)

Software for sale at the Company and its domestic consolidated subsidiaries is amortized using the straight-line method over the period of validity starting when sales begin (not more than three years) and software for internal use at these companies is amortized using the straight-line method over the estimated useful lives (not more than five years).

Amortization of other intangible assets is calculated by the straight-line method.

(c) Leased assets

Depreciation of finance lease transaction where there is no transfer of ownership is calculated based on the straight-line method, assuming the lease period to be the useful lives and a residual value of zero.

(3) Recognition of significant allowances

(a) Allowance for doubtful accounts

To prepare for losses on doubtful accounts such as notes and account receivables-trade and loans receivable, allowances equal to the estimated amount of uncollectible receivables are booked for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.

(b) Provision for bonuses

To provide for employee bonus obligation, the Company and some consolidated subsidiaries provide an allowance at the amount based on the estimated bonus obligations.

(c) Provision for directors' bonuses

To provide for directors' bonuses, the Company and some consolidated subsidiaries provide an allowance at the amount based on the estimated bonus obligations.

(d) Provision for loss on business liquidation

To provide for losses on business liquidation and rationalization, the Company provides an allowance at the amount based on the estimated loss.

(4) Accounting for retirement benefit

(a) Allocation method for the estimated retirement benefit obligations

For the determination of retirement benefit obligations, the benefit formula standard is used as the method for allocating estimated retirement payments over the period ending in the fiscal year under review.

(b) Accounting for actuarial gain or loss

Actuarial gain or loss is amortized and charged to expenses in the year following the fiscal year in which such gain or loss is recognized by the straight-line method over five years.

(5) Recognition of significant income and expenses

Recognition criteria for net sales and cost of sales of completed construction contracts

(a) The portion of contracted work deemed to have been completed by the end of the fiscal year under review

The percentage-of-completion standard (with the percentage of completion estimated on the cost-to-cost basis).

(b) Other contracted works

The completed-contract standard.

(6) Translation of significant foreign currency-denominated assets and liabilities

Foreign currency receivables and payables are translated into Japanese yen at year-end exchange rates and resulting exchange gains or losses are recognized in earnings currently. All assets and liabilities of overseas consolidated subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates, and income and expenses into Japanese yen at the average of the exchange rates in effect during each fiscal period, and resulting exchange gains or losses are included in foreign currency translation adjustment and non-controlling interests under the net assets section.

## (7) Amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method within 15 years, with the number of years determined by the origin of the goodwill.

## (8) Scope of cash and cash equivalents on consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand and readily available deposits and short-term investments which can be easily converted to cash and are exposed to little risk of change in value.

## (9) Other significant accounting policies in the preparation of consolidated financial statements

## (a) Accounting for consumption taxes, etc.

Consumption taxes, etc. are accounted by the tax-exclusion method.

**Notes to Consolidated Balance Sheet**

Investments and other assets for non-consolidated subsidiaries are as follows.

	(Thousands of yen)	
	FY2016	FY2017
	(As of Mar. 31, 2017)	(As of Mar. 31, 2018)
Other (Investments in capital)	14,815	14,500

**Notes to Consolidated Statement of Income**

1. Major items of selling, general and administrative expenses are as follows.

	(Thousands of yen)	
	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Salaries and allowances	4,870,762	5,142,067
Depreciation	542,321	575,727
Provision of allowance for doubtful accounts	-	22,176
Provision for bonuses	468,517	525,972
Provision for directors' bonuses	38,400	53,370
Retirement benefit expenses	377,543	573,919
Research and development expenses	3,433,541	3,458,539

2. Total amount of research and development expenses included in general and administrative expenses

	(Thousands of yen)	
	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
	3,433,541	3,458,539

3. Breakdown of gain on sales of non-current assets is as follows.

	(Thousands of yen)	
	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Vehicles	5,442	2,299
Tools, furniture and fixtures, and others	206	29
Total	5,648	2,329

4. Breakdown of loss on disposal of non-current assets is as follows.

	(Thousands of yen)	
	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Buildings, etc.	2,241	1,975
Tools, furniture and fixtures, and others	1,879	6,901
Total	4,120	8,876

**Notes to Consolidated Statement of Comprehensive Income**

Re-classification adjustments and tax effect with respect to other comprehensive income

(Thousands of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Valuation difference on available-for-sale securities:		
Amount incurred during the period	452,485	397,200
Re-classification adjustments	5,256	(3,317)
Before tax effect adjustments	457,741	393,883
Tax effect	(140,068)	(120,528)
Valuation difference on available-for-sale securities	317,672	273,354
Foreign currency translation adjustment:		
Amount incurred during the period	(80,436)	187,670
Remeasurements of defined benefit plans, net of tax:		
Amount incurred during the period	(1,057,498)	133,794
Re-classification adjustments	179,626	440,342
Before tax effect adjustments	(877,871)	574,136
Tax effect	(14,370)	(60,269)
Remeasurements of defined benefit plans, net of tax	(892,242)	513,867
Share of other comprehensive income of entities accounted for using equity method:		
Amount incurred during the period	(713)	(8,334)
Total other comprehensive income	(655,720)	966,558

**Notes to Consolidated Statement of Changes in Equity**

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

1. Type of share and number of shares of outstanding shares and treasury shares (Shares)

	Number of shares as of Apr. 1, 2016	Increase	Decrease	Number of shares as of Mar. 31, 2017
Outstanding shares				
Common stock	23,267,169	-	-	23,267,169
Total	23,267,169	-	-	23,267,169
Treasury shares				
Common stock (Note)	16,293	422	-	16,715
Total	16,293	422	-	16,715

Note: Number of treasury shares of common stock increased 422 shares due to the acquisition of odd-lot shares.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting on Jun. 29, 2016	Common stock	232,508	10	Mar. 31, 2016	Jun. 30, 2016
Board of Directors' meeting on Nov. 7, 2016	Common stock	232,508	10	Sep. 30, 2016	Dec. 2, 2016

(2) Dividends with a record date in the fiscal year under review but an effective date in the following fiscal year

Resolution	Type of share	Total dividends (Thousands of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting on Jun. 29, 2017	Common stock	232,504	Retained earnings	10	Mar. 31, 2017	Jun. 30, 2017

FY2017 (Apr. 1, 2017 – Mar. 31, 2018)

## 1. Type of share and number of shares of outstanding shares and treasury shares (Shares)

	Number of shares as of Apr. 1, 2017	Increase	Decrease	Number of shares as of Mar. 31, 2018
Outstanding shares				
Common stock	23,267,169	-	-	23,267,169
Total	23,267,169	-	-	23,267,169
Treasury shares				
Common stock (Note)	16,715	342	-	17,057
Total	16,715	342	-	17,057

Note: Number of treasury shares of common stock increased 342 shares due to the acquisition of odd-lot shares.

## 2. Dividends

## (1) Dividend payment

Resolution	Type of share	Total dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting on Jun. 29, 2017	Common stock	232,504	10	Mar. 31, 2017	Jun. 30, 2017
Board of Directors' meeting on Nov. 6, 2017	Common stock	232,501	10	Sep. 30, 2017	Dec. 4, 2017

## (2) Dividends with a record date in the fiscal year under review but an effective date in the following fiscal year

Resolution	Type of share	Total dividends (Thousands of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting on Jun. 28, 2018	Common stock	279,001	Retained earnings	12	Mar. 31, 2018	Jun. 29, 2018

**Notes to Consolidated Statement of Cash Flows**

Reconciliation of cash and cash equivalents at end of period and amount of consolidated balance sheet is made as follows.

(Thousands of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Cash and deposits	14,253,644	16,868,686
Time deposit with maturities over three months	(206,888)	(259,415)
Cash and cash equivalents	14,046,756	16,609,271

## Financial Instruments

### 1. Conditions of financial instruments

#### (1) Policy for handling financial instruments

Safety is the highest priority of the Zuken Group when investing funds in financial instruments, while also taking into account credit risk, interest rates and other factors. Funds are invested in financial instruments that are believed to have an extremely small risk of the value falling below face value.

#### (2) Details of financial instruments, their risks and risk management system

Notes and accounts receivable-trade, which are operating receivables, are vulnerable to credit risk associated with customers. The Company performs rigorous credit management for each customer and supervise payment dates and balances. In addition, there are measures to quickly identify doubtful receivables caused by a decline in a customer's financial soundness or other event and to reduce the amount of these receivables.

Marketable securities and investment securities are mainly stock of companies with relationships with the Zuken Group. These securities are vulnerable to risk associated with changes in their market prices. The Company periodically checks fair values, the financial condition of issuers and other items in order to quickly identify securities that may need to be written down and reduce the amount of these securities.

Accounts payable-trade, which is operating debt, is mostly due within one year.

#### (3) Supplemental explanation concerning fair values, etc. of financial instruments

Fair value of the financial instrument is measured at a quoted market price, if available, or reasonably assessed value if a quoted market price is not available. As the calculation of the reasonably assessed value incorporates varying factors, the amount may vary if different assumptions are used.

### 2. Items related to fair values of financial instruments

The book value, fair value, and their differences are shown as follows. However, financial instruments whose fair value is deemed to be extremely difficult to measure are not included (please refer to Note 2 below.)

FY2016 (As of Mar. 31, 2017)

(Thousands of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	14,253,644	14,253,644	-
(2) Notes and accounts receivable-trade	5,195,460	5,195,460	-
(3) Marketable securities and investment securities	9,103,306	9,103,306	-
Assets total	28,552,411	28,552,411	-
(1) Accounts payable-trade	823,903	823,903	-
Liabilities total	823,903	823,903	-

FY2017 (As of Mar. 31, 2018)

(Thousands of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	16,868,686	16,868,686	-
(2) Notes and accounts receivable-trade	5,375,965	5,375,965	-
(3) Marketable securities and investment securities	9,497,190	9,497,190	-
Assets total	31,741,842	31,741,842	-
(1) Accounts payable-trade	726,558	726,558	-
Liabilities total	726,558	726,558	-

## Notes 1. Matters concerning determination of fair value of financial instruments and marketable securities

Assets

## (1) Cash and deposits, and (2) Notes and accounts receivable-trade

Fair value of the financial instruments in these categories is deemed to be equal to their carrying amount.

## (3) Marketable securities and investment securities

For fair value of the financial instruments in these categories, stocks are valued based on their prices on securities exchanges. Fair value of bond investment trust is deemed to be equal to its carrying amount. Please refer to the section "Marketable Securities" for information about securities categorized by purpose.

Liabilities

## (1) Accounts payable-trade

Fair value of the financial instrument in this category is deemed to be equal to their carrying amount because they are settled within a short period of time.

## 2. Financial instruments whose fair values are deemed to be extremely difficult to measure

Item	(Thousands of yen)	
	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
Unlisted stocks	292,500	292,500

These instruments are not included in the above table because there are no market prices and the fair values are deemed to be extremely difficult to measure.

## 3. Balance of money claims and marketable securities with maturity scheduled to be redeemed in the subsequent fiscal years

## FY2016 (As of Mar. 31, 2017)

	(Thousands of yen)			
	Due within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	14,253,644	-	-	-
Notes and accounts receivable-trade	5,195,460	-	-	-
Total	19,449,104	-	-	-

## FY2017 (As of Mar. 31, 2018)

	(Thousands of yen)			
	Due within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	16,868,686	-	-	-
Notes and accounts receivable-trade	5,375,965	-	-	-
Total	22,244,652	-	-	-

**Marketable Securities**

## 1. Available-for-sale securities

FY2016 (As of Mar. 31, 2017)

(Thousands of yen)

Type	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeds acquisition cost			
(1) Shares	2,403,306	1,176,592	1,226,714
(2) Bonds	-	-	-
(3) Others	-	-	-
Sub-total	2,403,306	1,176,592	1,226,714
Securities with book value not exceeding acquisition cost			
(1) Shares	-	-	-
(2) Bonds	-	-	-
(3) Others	6,700,000	6,700,000	-
Sub-total	6,700,000	6,700,000	-
Total	9,103,306	7,876,592	1,226,714

Note: Unlisted stocks (book value of 292,500 thousand yen) are not included in available-for-sale securities in the above table because there are no market prices and the fair values are deemed to be extremely difficult to measure.

FY2017 (As of Mar. 31, 2018)

(Thousands of yen)

Type	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeds acquisition cost			
(1) Shares	2,797,190	1,176,592	1,620,598
(2) Bonds	-	-	-
(3) Others	-	-	-
Sub-total	2,797,190	1,176,592	1,620,598
Securities with book value not exceeding acquisition cost			
(1) Shares	-	-	-
(2) Bonds	-	-	-
(3) Others	6,700,000	6,700,000	-
Sub-total	6,700,000	6,700,000	-
Total	9,497,190	7,876,592	1,620,598

Note: Unlisted stocks (book value of 292,500 thousand yen) are not included in available-for-sale securities in the above table because there are no market prices and the fair values are deemed to be extremely difficult to measure.

## 2. Available-for-sale securities sold

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

Type	Sales amount	Aggregate gains	Aggregate losses
(1) Shares	11,210	6,440	-
(2) Bonds	-	-	-
(3) Others	-	-	-
Total	11,210	6,440	-

FY2017 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

Type	Sales amount	Aggregate gains	Aggregate losses
(1) Shares	32,750	3,317	-
(2) Bonds	-	-	-
(3) Others	-	-	-
Total	32,750	3,317	-

### Segment Information

#### 1. General information about reportable segments

Reportable segments of the Zuken Group are based on the group's components from which financial information can be obtained separately, so that CEO can judge how to distribute management resources and to periodically evaluate its performance.

The group is engaged in solutions business including research and development, manufacturing and sales activities involving processes from design to production in related client services especially in electronics, automotive, and industrial equipment manufacturing sectors. In the domestic market, the Company and its domestic affiliates are in charge and in overseas, each sales subsidiary which is an independent management unit in each country is in charge in Europe (mainly UK, Germany, and France), Americas, and Asia (mainly Korea, Singapore, and China).

Therefore, the group consists of segments based on the sales structure. Reportable segments are divided into following four areas: Japan, Europe, Americas, and Asia. Each reportable segment consists of sales of solutions for processes extending from designs to production and related client services especially in electronics, automotive, and industrial equipment manufacturing sectors.

#### 2. Basis of measurement for net sales, profit or loss, segment assets, and other material items for each reportable segment

The accounting treatment methods for reportable segments are the same as those listed in the section "Basis of Presenting the Consolidated Financial Statements."

Profits for reportable segments are operating profit figures in the consolidated statement of income.

Intersegment sales or transfers are based on market price.

#### 3. Information about net sales, profit or loss, segment assets, and other material items for each reportable segment

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the consolidated financial statements (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Sales to third parties	15,556,406	3,965,263	1,426,008	1,251,490	22,199,168	-	22,199,168
Intersegment sales or transfers	753,243	803,438	67,551	74,611	1,698,845	(1,698,845)	-
Total	16,309,650	4,768,702	1,493,560	1,326,101	23,898,014	(1,698,845)	22,199,168
Segment profit	1,064,834	73,193	48,320	363,261	1,549,610	46,628	1,596,238
Segment assets	18,586,353	5,047,091	1,039,749	1,508,217	26,181,411	14,349,281	40,530,693
Other items							
Depreciation and amortization	521,988	107,226	16,721	7,269	653,205	-	653,205
Amortization of goodwill	29,806	97,918	25,794	-	153,520	-	153,520
Investment in companies accounted for using equity method	-	11,661	-	-	11,661	-	11,661
Increase in property, plant and equipment and intangible assets	497,685	97,230	5,665	3,600	604,181	-	604,181

Notes: 1. Contents of adjustments are as follows.

(1) Adjustment amount in segment profit includes amount of 46,628 thousand yen eliminated for intersegment transactions.

(2) Adjustment amount in segment assets includes amount of -4,430,563 thousand yen eliminated for intersegment transactions and total company assets of 18,779,845 thousand yen. The total company assets are mainly composed of surplus funds (deposits and marketable securities), and long-term invested assets (investment securities) of the Company.

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

FY2017 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the consolidated financial statements (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Sales to third parties	16,282,344	4,420,846	1,615,282	1,264,000	23,582,473	-	23,582,473
Intersegment sales or transfers	927,021	949,069	50,958	68,536	1,995,586	(1,995,586)	-
Total	17,209,365	5,369,916	1,666,240	1,332,536	25,578,059	(1,995,586)	23,582,473
Segment profit	1,516,597	112,069	62,559	346,122	2,037,348	(12,023)	2,025,324
Segment assets	19,598,028	5,893,632	1,027,760	1,545,778	28,065,199	15,582,088	43,647,287
Other items							
Depreciation and amortization	538,837	122,387	13,397	7,298	681,921	-	681,921
Amortization of goodwill	29,806	101,609	26,382	-	157,798	-	157,798
Investment in companies accounted for using equity method	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	458,853	92,984	11,966	3,514	567,319	-	567,319

Notes: 1. Contents of adjustments are as follows.

(1) Adjustment amount in segment profit includes amount of -12,023 thousand yen eliminated for intersegment transactions.

(2) Adjustment amount in segment assets includes amount of -4,514,100 thousand yen eliminated for intersegment transactions and total company assets of 20,096,189 thousand yen. The total company assets are mainly composed of surplus funds (deposits and marketable securities), and long-term invested assets (investment securities) of the Company.

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

**Per-share Information**

(Yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	1,208.84	1,295.47
Net income per share	51.87	65.01

Notes: 1. Diluted net income per share is not presented since there is no dilutive share.

2. Basis for calculation of net income per share is as follows.

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	1,206,037	1,511,406
Amount not available to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Thousands of yen)	1,206,037	1,511,406
Average number of shares outstanding during period (Shares)	23,250,749	23,250,220

**Subsequent Events**

Not applicable.

**Omission of Disclosure**

Disclosure of the notes on leases, derivatives, retirement benefits, stock options, deferred tax accounting, business combinations, asset retirement obligations, rental and other properties, and related party information was omitted since the disclosure of these information are not significant in the context of the summary of financial results.

#### 4. Production, Orders and Sales

##### (1) Sales and Orders

##### (a) Sales

(Thousands of yen)

Segment	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)		FY2017 (Apr. 1, 2017 – Mar. 31, 2018)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	15,556,406	70.1	16,282,344	69.0
Europe	3,965,263	17.9	4,420,846	18.7
Americas	1,426,008	6.4	1,615,282	6.8
Asia	1,251,490	5.6	1,264,000	5.5
Total	22,199,168	100.0	23,582,473	100.0

##### (b) Orders received and order backlog

(Thousands of yen)

Segment	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)		FY2017 (Apr. 1, 2017 – Mar. 31, 2018)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	15,913,864	5,652,153	16,727,717	6,202,639
Europe	4,049,532	1,403,369	4,578,519	1,682,579
Americas	1,739,386	1,104,837	1,623,691	1,054,301
Asia	1,479,397	605,164	1,267,923	610,561
Total	23,182,181	8,765,524	24,197,851	9,550,082

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	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)		FY2017 (Apr. 1, 2017 – Mar. 31, 2018)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	3,699,747	16.7	3,772,334	16.0
Circuit design solutions	4,497,482	20.3	4,947,766	21.0
IT solutions	4,701,900	21.2	4,799,749	20.4
Client services	9,292,233	41.8	10,058,851	42.6
Others	7,804	0.0	3,771	0.0
Total	22,199,168	100.0	23,582,473	100.0

##### (b) Orders received and order backlog

(Thousands of yen)

Product category	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)		FY2017 (Apr. 1, 2017 – Mar. 31, 2018)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	3,728,014	674,046	3,770,536	671,566
Circuit design solutions	4,518,406	824,325	4,948,779	855,631
IT solutions	4,636,629	575,149	5,076,399	849,428
Client services	10,291,326	6,692,002	10,398,198	7,173,290
Others	7,804	-	3,937	165
Total	23,182,181	8,765,524	24,197,851	9,550,082

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 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 DS-E3	

5. Non-consolidated Financial Statements(1) **Balance Sheet**

	(Thousands of yen)	
	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	9,387,538	10,309,999
Notes receivable-trade	101,209	103,561
Accounts receivable-trade	2,358,465	2,525,670
Securities	6,700,000	6,700,000
Inventories	38,994	45,451
Deferred tax assets	248,064	235,620
Other	242,866	214,467
Allowance for doubtful accounts	(490)	(520)
Total current assets	19,076,649	20,134,251
Non-current assets		
Property, plant and equipment		
Buildings	2,833,913	2,759,773
Structures	39,791	37,097
Vehicles	13,006	25,134
Tools, furniture and fixtures	100,117	122,953
Land	3,009,559	3,009,559
Leased assets	920	11,740
Total property, plant and equipment	5,997,308	5,966,257
Intangible assets		
Other	405,130	339,946
Total intangible assets	405,130	339,946
Investments and other assets		
Investment securities	2,692,306	3,086,190
Shares of subsidiaries and associates	1,142,963	1,478,786
Investments in capital of subsidiaries and associates	2,429,229	2,429,229
Long-term loans receivable from subsidiaries and associates	63,106	39,840
Long-term trade accounts receivables from subsidiaries and associates	665,951	712,705
Deferred tax assets	349,810	264,171
Other	369,920	324,673
Allowance for doubtful accounts	(72,102)	(49,537)
Total investments and other assets	7,641,186	8,286,059
Total non-current assets	14,043,626	14,592,262
Total assets	33,120,275	34,726,514

	(Thousands of yen)	
	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	522,754	425,206
Accounts payable-other	457,181	586,747
Income taxes payable	37,596	305,323
Advances received	635,742	639,810
Provision for bonuses	316,395	344,626
Provision for directors' bonuses	31,400	42,000
Provision for loss on business liquidation	1,518	1,576
Other	170,209	206,464
<b>Total current liabilities</b>	<b>2,172,798</b>	<b>2,551,755</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	2,282,981	2,392,935
Provision for loss on business of subsidiaries and associates	275,000	230,000
Long-term accounts payable-other	96,850	96,850
Other	10,840	20,650
<b>Total non-current liabilities</b>	<b>2,665,672</b>	<b>2,740,436</b>
<b>Total liabilities</b>	<b>4,838,470</b>	<b>5,292,192</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,117,065	10,117,065
Capital surplus		
Legal capital surplus	8,657,753	8,657,753
Total capital surpluses	8,657,753	8,657,753
Retained earnings		
Legal retained earnings	311,082	311,082
Other retained earnings		
General reserve	6,825,000	7,325,000
Retained earnings brought forward	1,534,733	1,914,442
Total retained earnings	8,670,816	9,550,525
Treasury shares	(15,169)	(15,716)
<b>Total shareholders' equity</b>	<b>27,430,465</b>	<b>28,309,627</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	851,340	1,124,695
<b>Total valuation and translation adjustments</b>	<b>851,340</b>	<b>1,124,695</b>
<b>Total net assets</b>	<b>28,281,805</b>	<b>29,434,322</b>
<b>Total liabilities and net assets</b>	<b>33,120,275</b>	<b>34,726,514</b>

**(2) Statement of Income**

(Thousands of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	9,670,525	9,977,689
Cost of sales	2,886,266	2,708,305
Gross profit	6,784,259	7,269,384
Selling, general and administrative expenses	6,237,578	6,431,744
Operating profit	546,680	837,639
Non-operating income		
Interest income	1,112	1,107
Dividend income	393,187	567,303
Foreign exchange gains	-	33,624
Rent income	156,248	162,023
Other	54,877	56,149
Total non-operating income	605,425	820,208
Non-operating expenses		
Rent cost of real estate	94,723	94,360
Foreign exchange losses	139,200	-
Other	479	1,113
Total non-operating expenses	234,403	95,474
Ordinary profit	917,703	1,562,373
Extraordinary income		
Gain on sales of non-current assets	1,787	535
Reversal of provision for loss on business of subsidiaries and associates	27,000	45,000
Reversal of allowance for doubtful account for subsidiaries and associates	22,979	22,495
Gain on sales of investment securities	5,256	-
Total extraordinary income	57,022	68,030
Extraordinary losses		
Loss on disposal of non-current assets	2,029	2,036
Total extraordinary losses	2,029	2,036
Profit before income taxes	972,695	1,628,367
Income taxes-current	52,035	306,098
Income taxes-deferred	(100,989)	(22,445)
Total income taxes	(48,953)	283,652
Profit	1,021,649	1,344,714

**(3) Statement of Changes in Equity**

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	10,117,065	8,657,753	8,657,753	311,082	6,825,000	978,102	8,114,184
Changes of items during period							
Dividends of surplus						(465,017)	(465,017)
Profit						1,021,649	1,021,649
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	-	556,631	556,631
Balance at end of current period	10,117,065	8,657,753	8,657,753	311,082	6,825,000	1,534,733	8,670,816

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(14,678)	26,874,324	533,667	533,667	27,407,992
Changes of items during period					
Dividends of surplus		(465,017)			(465,017)
Profit		1,021,649			1,021,649
Purchase of treasury shares	(491)	(491)			(491)
Net changes of items other than shareholders' equity			317,672	317,672	317,672
Total changes of items during period	(491)	556,140	317,672	317,672	873,813
Balance at end of current period	(15,169)	27,430,465	851,340	851,340	28,281,805

FY2017 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	10,117,065	8,657,753	8,657,753	311,082	6,825,000	1,534,733	8,670,816
Changes of items during period							
Provision of general reserve					500,000	(500,000)	
Dividends of surplus						(465,006)	(465,006)
Profit						1,344,714	1,344,714
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	500,000	379,708	879,708
Balance at end of current period	10,117,065	8,657,753	8,657,753	311,082	7,325,000	1,914,442	9,550,525

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(15,169)	27,430,465	851,340	851,340	28,281,805
Changes of items during period					
Provision of general reserve					
Dividends of surplus		(465,006)			(465,006)
Profit		1,344,714			1,344,714
Purchase of treasury shares	(546)	(546)			(546)
Net changes of items other than shareholders' equity			273,354	273,354	273,354
Total changes of items during period	(546)	879,161	273,354	273,354	1,152,516
Balance at end of current period	(15,716)	28,309,627	1,124,695	1,124,695	29,434,322

*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.*