



November 6, 2017

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2018 (FY2017)
(Six Months Ended September 30, 2017)

[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: November 8, 2017
 Scheduled date of payment of dividend: December 4, 2017
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2017 (Apr. 1, 2017 – Sep. 30, 2017)

(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	%
Six months ended								
Sep. 30, 2017	10,458	5.3	489	58.4	555	199.3	336	276.9
Sep. 30, 2016	9,928	(2.4)	309	94.9	185	(5.3)	89	83.4

Note: Comprehensive income (Millions of yen) Six months ended Sep. 30, 2017: 641 (n.a.)

Six months ended Sep. 30, 2016: (169) (n.a.)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended				
Sep. 30, 2017	14.49		-	
Sep. 30, 2016	3.84		-	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen		Millions of yen		%	
As of Sep. 30, 2017	41,304		28,910		69.0	
As of Mar. 31, 2017	40,530		28,535		69.3	

Reference: Shareholders' equity (Millions of yen) As of Sep. 30, 2017: 28,520 As of Mar. 31, 2017: 28,106

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	10.00	-	10.00	20.00
Fiscal year ending Mar. 31, 2018	-	10.00			
Fiscal year ending Mar. 31, 2018 (forecast)			-	10.00	20.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018)

(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	24,000	8.1	1,900	19.0	2,000	27.2	1,400	16.1	60.21

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

(a) Changes in accounting policies due to revisions in accounting standards, others: None

(b) Changes in accounting policies other than (a) above: None

(c) Changes in accounting-based estimates: None

(d) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Sep. 30, 2017:	23,267,169 shares	As of Mar. 31, 2017:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Sep. 30, 2017:	16,987 shares	As of Mar. 31, 2017:	16,715 shares
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(c) Average number of shares outstanding during the period

Six months ended Sep. 30, 2017:	23,250,312 shares	Six months ended Sep. 30, 2016:	23,250,874 shares
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* The current quarterly financial report is not subject to quarterly review procedures.

* Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on assumption judged to be valid and information available to the Company's management at the time this report was prepared, but are not promises by the Company regarding future performance. Actual results may differ substantially from the forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 2 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the fiscal year ending on March 31, 2018, gradual economic recoveries continued to take place in Japan, Europe and the United States. However, the overall outlook remained uncertain because of concerns about slowing economic growth in Asia, 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 businesses in certain industries remain cautious about making capital investment, there are clear signs of recovery among businesses in general.

Net sales in the first half were 10,458 million yen, 5.3% higher than one year earlier. One reason was steady growth in sales of IT solutions led by network security products. Sales of Circuit design and IC solutions were also higher than one year earlier. Higher sales of the E3.series of electrical wire harness design solution, mainly in Europe and the United States, also contributed to the first-half sales growth.

Earnings increased significantly due to the growth in sales. Ordinary profit was 555 million yen, 199.3% higher than one year earlier, and profit attributable to owners of parent was 336 million yen, 276.9% higher than one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year increased 773 million yen from the end of the previous fiscal year to 41,304 million yen.

Current assets increased 801 million yen. The main factors were increases of 2,045 million yen in cash and deposits and 181 million yen in work in process, while there was a 1,588 million yen decrease in notes and accounts receivable-trade. Non-current assets decreased 28 million yen. The main factors include a decrease of 44 million yen in intangible assets.

Total liabilities increased 398 million yen from the end of the previous fiscal year to 12,393 million yen. Current liabilities increased 266 million yen. The main factors include an increase of 606 million yen in advances received, while there was a decrease of 284 million yen in accounts payable-trade. Non-current liabilities increased 131 million yen mainly due to an increase in net defined benefit liability.

Net assets increased 375 million yen from the end of the previous fiscal year to 28,910 million yen, and the shareholders' equity ratio was 69.0%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2018 that was released on May 8, 2017. Many of the Zuken Group's customers use a fiscal year that ends in March. As a result, a large percentage of the deliveries and final acceptances of our products occur in March each year. Consequently, sales and profits tend to be disproportionately concentrated in the fourth quarter in each fiscal year.

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

	(Thousands of yen)	
	FY2016	Second quarter of FY2017
	(As of Mar. 31, 2017)	(As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	14,253,644	16,299,173
Notes and accounts receivable-trade	5,195,460	3,607,179
Securities	6,700,000	6,700,000
Merchandise and finished goods	285,834	285,106
Work in process	54,826	236,681
Raw materials and supplies	2,809	5,143
Other	2,531,561	2,697,478
Allowance for doubtful accounts	(23,323)	(28,082)
Total current assets	29,000,814	29,802,680
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,954,451	2,892,043
Land	3,009,821	3,009,821
Other, net	415,239	457,226
Total property, plant and equipment	6,379,512	6,359,091
Intangible assets		
Goodwill	790,754	751,304
Other	739,373	734,535
Total intangible assets	1,530,127	1,485,840
Investments and other assets	3,620,238	3,656,854
Total non-current assets	11,529,879	11,501,786
Total assets	40,530,693	41,304,466

	(Thousands of yen)	
	FY2016 (As of Mar. 31, 2017)	Second quarter of FY2017 (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	823,903	539,739
Income taxes payable	250,629	241,794
Advances received	4,759,402	5,365,864
Provision for bonuses	793,761	777,136
Provision for directors' bonuses	38,400	-
Provision for loss on business liquidation	1,518	1,580
Other provision	9,047	8,537
Other	1,559,521	1,568,260
Total current liabilities	8,236,184	8,502,913
Non-current liabilities		
Net defined benefit liability	3,506,552	3,631,015
Other	252,125	259,547
Total non-current liabilities	3,758,678	3,890,563
Total liabilities	11,994,863	12,393,476
Net assets		
Shareholders' equity		
Capital stock	10,117,065	10,117,065
Capital surplus	8,657,736	8,658,457
Retained earnings	9,629,044	9,733,434
Treasury shares	(15,169)	(15,587)
Total shareholders' equity	28,388,676	28,493,370
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	851,340	882,437
Foreign currency translation adjustment	(32,391)	155,756
Remeasurements of defined benefit plans	(1,101,576)	(1,011,071)
Total accumulated other comprehensive income	(282,628)	27,122
Non-controlling interests	429,781	390,497
Total net assets	28,535,829	28,910,989
Total liabilities and net assets	40,530,693	41,304,466

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

(Thousands of yen)

	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	9,928,196	10,458,887
Cost of sales	2,593,751	2,780,677
Gross profit	7,334,445	7,678,209
Selling, general and administrative expenses	7,025,238	7,188,461
Operating profit	309,207	489,748
Non-operating income		
Interest income	3,545	2,088
Dividend income	15,307	20,389
Rent income	20,961	23,234
Foreign exchange gains	-	2,312
Other	24,249	22,157
Total non-operating income	64,064	70,181
Non-operating expenses		
Share of loss of entities accounted for using equity method	7,805	3,803
Foreign exchange losses	179,006	-
Other	1,028	1,080
Total non-operating expenses	187,840	4,883
Ordinary profit	185,431	555,046
Extraordinary income		
Gain on sales of non-current assets	1,852	1,030
Gain on sales of investment securities	852	-
Total extraordinary income	2,704	1,030
Extraordinary losses		
Loss on disposal of non-current assets	633	1,829
Loss on liquidation of business	57,479	-
Total extraordinary losses	58,113	1,829
Profit before income taxes	130,022	554,247
Income taxes-current	126,810	229,308
Income taxes-deferred	(40,755)	(7,167)
Total income taxes	86,055	222,141
Profit	43,967	332,106
Loss attributable to non-controlling interests	(45,427)	(4,788)
Profit attributable to owners of parent	89,395	336,895

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

(Thousands of yen)

	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)
Profit	43,967	332,106
Other comprehensive income		
Valuation difference on available-for-sale securities	96,663	31,096
Foreign currency translation adjustment	(217,599)	196,483
Remeasurements of defined benefit plans, net of tax	(91,259)	90,505
Share of other comprehensive income of entities accounted for using equity method	(1,238)	(8,334)
Total other comprehensive income	(213,434)	309,750
Comprehensive income	(169,466)	641,857
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(124,038)	646,646
Comprehensive income attributable to non-controlling interests	(45,427)	(4,788)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	130,022	554,247
Depreciation	321,234	335,802
Decrease (increase) in notes and accounts receivable-trade	1,404,689	1,652,917
Increase (decrease) in notes and accounts payable-trade	(628,675)	(254,514)
Increase (decrease) in net defined benefit asset or liability	160,161	240,180
Other, net	606,481	97,171
Subtotal	1,993,915	2,625,804
Interest and dividend income received	19,980	22,556
Interest expenses paid	(36)	(26)
Income taxes paid	(176,235)	(269,876)
Payments for loss on liquidation of business	(57,479)	-
Net cash provided by (used in) operating activities	1,780,144	2,378,457
Cash flows from investing activities		
Decrease (increase) in time deposits	(109,500)	(105,715)
Purchase of property, plant and equipment	(73,002)	(108,000)
Purchase of intangible assets	(150,607)	(162,179)
Other, net	4,038	(5,013)
Net cash provided by (used in) investing activities	(329,071)	(380,908)
Cash flows from financing activities		
Cash dividends paid	(232,508)	(232,504)
Other, net	(7,548)	(34,257)
Net cash provided by (used in) financing activities	(240,056)	(266,762)
Effect of exchange rate change on cash and cash equivalents	(309,950)	210,351
Net increase (decrease) in cash and cash equivalents	901,065	1,941,138
Cash and cash equivalents at beginning of period	12,671,871	14,046,756
Cash and cash equivalents at end of period	13,572,936	15,987,894

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. First six months of FY2016 (Apr. 1, 2016 – Sep. 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	6,855,828	1,765,698	613,903	692,766	9,928,196	-	9,928,196
Intersegment sales or transfers	363,359	359,671	34,848	46,302	804,182	(804,182)	-
Total	7,219,188	2,125,369	648,751	739,069	10,732,379	(804,182)	9,928,196
Segment profit (loss)	175,976	(84,587)	(35,349)	228,034	284,073	25,133	309,207

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 25,133 thousand yen eliminated for intersegment transactions.

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

II. First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)

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	7,117,193	1,969,584	754,503	617,605	10,458,887	-	10,458,887
Intersegment sales or transfers	439,580	403,835	27,823	31,360	902,601	(902,601)	-
Total	7,556,774	2,373,420	782,327	648,966	11,361,488	(902,601)	10,458,887
Segment profit (loss)	373,649	(76,155)	26,174	181,343	505,011	(15,263)	489,748

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -15,263 thousand yen eliminated for intersegment transactions.

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

3. Supplementary Information

(1) Sales and Orders

(a) Sales

(Thousands of yen)

Segment	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)		First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	6,855,828	69.1	7,117,193	68.0
Europe	1,765,698	17.8	1,969,584	18.8
Americas	613,903	6.2	754,503	7.2
Asia	692,766	6.9	617,605	6.0
Total	9,928,196	100.0	10,458,887	100.0

(b) Orders received and order backlog

(Thousands of yen)

Segment	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)		First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	7,976,798	6,415,665	8,477,912	7,012,872
Europe	1,602,872	1,089,162	1,814,703	1,388,072
Americas	554,667	646,545	405,541	755,946
Asia	677,465	318,669	604,749	588,897
Total	10,811,804	8,470,043	11,302,906	9,745,789

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 six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)		First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	1,727,983	17.4	1,620,441	15.5
Circuit design and IC solutions	1,907,820	19.2	1,999,267	19.1
IT solutions	1,743,341	17.6	1,845,762	17.6
Client services	4,548,336	45.8	4,992,897	47.8
Others	715	0.0	518	0.0
Total	9,928,196	100.0	10,458,887	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)		First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	1,738,627	635,560	1,552,357	616,299
Circuit design and IC solutions	2,215,856	1,085,833	2,387,986	1,237,468
IT solutions	2,225,923	1,118,683	2,504,253	1,237,733
Client services	4,630,065	5,629,350	4,857,590	6,654,088
Others	1,330	615	718	200
Total	10,811,804	8,470,043	11,302,906	9,745,789

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.