



February 6, 2020

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2020 (FY2019)
(Nine Months Ended December 31, 2019)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section
 Stock code: 6947 URL: <https://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 filing of Quarterly Report: February 7, 2020
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Third Quarter Ended December 31, 2019

(April 1, 2019 – December 31, 2019)

(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	%
Nine months ended								
Dec. 31, 2019	20,606	9.0	2,230	17.5	2,332	16.7	1,729	23.8
Dec. 31, 2018	18,899	16.8	1,898	145.4	1,999	130.2	1,397	191.4

Note: Comprehensive income (Millions of yen) Nine months ended Dec. 31, 2019: 2,740 (up 52.4%)

Nine months ended Dec. 31, 2018: 1,798 (up 49.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
Dec. 31, 2019	74.40	-
Dec. 31, 2018	60.10	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2019	49,601	35,120	70.0
As of Mar. 31, 2019	47,190	33,050	69.1

Reference: Shareholders' equity (Millions of yen) As of Dec. 31, 2019: 34,701 As of Mar. 31, 2019: 32,607

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	12.00	-	14.00	26.00
Fiscal year ending Mar. 31, 2020	-	14.00	-		
Fiscal year ending Mar. 31, 2020 (forecast)				15.00	29.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	28,300	5.6	3,100	1.6	3,200	0.3	2,250	6.5	96.78

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 Dec. 31, 2019:	23,267,169 shares	As of Mar. 31, 2019:	23,267,169 shares
----------------------	-------------------	----------------------	-------------------

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

As of Dec. 31, 2019:	17,630 shares	As of Mar. 31, 2019:	17,480 shares
----------------------	---------------	----------------------	---------------

(c) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2019:	23,249,607 shares	Nine months ended Dec. 31, 2018:	23,250,040 shares
----------------------------------	-------------------	----------------------------------	-------------------

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

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

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	2
2. Quarterly Consolidated Financial Statements and Notes	3
(1) Quarterly Consolidated Balance Sheet	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
Quarterly Consolidated Statement of Income	5
Quarterly Consolidated Statement of Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7
Segment Information	7
3. Supplementary Information	8
(1) Sales and Orders	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending on March 31, 2020, gradual economic recoveries continued to take place in Japan and the United States. However, the outlook remained uncertain because of concerns about U.S.-China trade friction, the BREXIT issue and other reasons. In the electronic equipment, automotive and industrial equipment manufacturing sectors that are the main customer segments of the Zuken Group, a cautious attitude toward capital investment was evident due to concerns about the prospects for the future, while the positive sentiment towards investment continued in the IT sector.

Net sales in the first nine months were 20,606 million yen, 9.0% higher than one year earlier. This was a record-high sales following similar stellar performance in the first and second quarters. Sales of our E3.series wire harness design systems and our domestic subsidiaries' 3D solutions for the construction industry were strong and made significant increase in sales of Circuit design solutions. In addition, there was steady growth in sales centered on our core CR-8000 Design Force, electronics system design solution series, that resulted in higher sales of our Printed Circuit Board design solutions and contributed to overall sales growth as well.

Earnings rose to new heights, benefiting from sales growth. As a result, ordinary profit was 2,332 million yen, 16.7% higher than one year earlier, and profit attributable to owners of parent was 1,729 million yen, 23.8% higher than one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased 2,410 million yen from the end of the previous fiscal year to 49,601 million yen.

Current assets increased 428 million yen. The main factors include increases of 1,136 million yen in cash and deposits, 405 million yen in other current assets due to an increase in prepaid expenses and 358 million yen in work in process, while there was a decrease of 1,536 million yen in notes and accounts receivable-trade. Non-current assets increased 1,982 million yen. The main factors include increases of 1,513 million yen in investment securities and 489 million yen in goodwill.

Total liabilities increased 340 million yen from the end of the previous fiscal year to 14,481 million yen. Current liabilities decreased 233 million yen mainly due to decreases of 445 million yen in income taxes payable, 309 million yen in other current liabilities due to a decrease in accounts payable-other, and 188 million yen in provision for bonuses, while there was an increase of 657 million yen in advances received. Non-current liabilities increased 573 million yen mainly due to an increase in deferred tax liabilities included in other non-current liabilities.

Net assets increased 2,070 million yen from the end of the previous fiscal year to 35,120 million yen, and the shareholders' equity ratio was 70.0%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2020 that was released on November 11, 2019.

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

	(Thousands of yen)	
	FY2018	Third quarter of FY2019
	(As of Mar. 31, 2019)	(As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	18,523,202	19,659,879
Notes and accounts receivable-trade	5,870,720	4,334,417
Securities	6,700,000	6,700,000
Merchandise and finished goods	345,764	409,464
Work in process	109,325	467,702
Raw materials and supplies	3,761	2,713
Other	2,336,168	2,741,696
Allowance for doubtful accounts	(25,786)	(24,705)
Total current assets	33,863,156	34,291,168
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,782,237	2,788,071
Land	3,015,103	3,015,103
Other, net	447,471	581,109
Total property, plant and equipment	6,244,812	6,384,283
Intangible assets		
Goodwill	492,088	982,084
Other	628,999	589,734
Total intangible assets	1,121,088	1,571,818
Investments and other assets		
Investment securities	4,919,667	6,433,365
Other	1,042,243	921,183
Total investments and other assets	5,961,910	7,354,549
Total non-current assets	13,327,811	15,310,652
Total assets	47,190,967	49,601,821

	(Thousands of yen)	
	FY2018 (As of Mar. 31, 2019)	Third quarter of FY2019 (As of Dec. 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	827,244	914,034
Income taxes payable	630,106	184,806
Advances received	5,455,151	6,112,468
Provision for bonuses	846,582	657,993
Other provisions	84,533	50,384
Other	2,273,360	1,963,767
Total current liabilities	10,116,979	9,883,455
Non-current liabilities		
Retirement benefit liability	3,842,064	3,944,390
Other	181,867	653,452
Total non-current liabilities	4,023,931	4,597,842
Total liabilities	14,140,911	14,481,298
Net assets		
Shareholders' equity		
Share capital	10,117,065	10,117,065
Capital surplus	8,659,016	8,659,023
Retained earnings	12,230,462	13,309,235
Treasury shares	(16,365)	(16,649)
Total shareholders' equity	30,990,177	32,068,674
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,022,397	2,994,236
Foreign currency translation adjustment	22,984	(50,484)
Remeasurements of defined benefit plans	(428,220)	(310,555)
Total accumulated other comprehensive income	1,617,162	2,633,196
Non-controlling interests	442,715	418,651
Total net assets	33,050,055	35,120,522
Total liabilities and net assets	47,190,967	49,601,821

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

(Thousands of yen)

	First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	18,899,838	20,606,832
Cost of sales	5,290,019	5,746,021
Gross profit	13,609,818	14,860,810
Selling, general and administrative expenses	11,711,585	12,630,225
Operating profit	1,898,233	2,230,584
Non-operating income		
Interest income	5,264	9,048
Dividend income	34,707	66,278
Subsidy income	10,087	28,778
Other	82,734	36,972
Total non-operating income	132,793	141,078
Non-operating expenses		
Foreign exchange losses	29,626	36,615
Other	1,732	2,183
Total non-operating expenses	31,359	38,799
Ordinary profit	1,999,668	2,332,863
Extraordinary income		
Gain on sales of non-current assets	327	2,159
Transfer of rights income	-	137,269
Gain on liquidation of subsidiaries	23,321	-
Total extraordinary income	23,648	139,429
Extraordinary losses		
Loss on disposal of non-current assets	3,799	4,749
Total extraordinary losses	3,799	4,749
Profit before income taxes	2,019,517	2,467,544
Income taxes-current	476,323	594,108
Income taxes-deferred	152,647	148,753
Total income taxes	628,971	742,861
Profit	1,390,546	1,724,682
Loss attributable to non-controlling interests	(6,834)	(5,080)
Profit attributable to owners of parent	1,397,381	1,729,762

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

	(Thousands of yen)	
	First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)
Profit	1,390,546	1,724,682
Other comprehensive income		
Valuation difference on available-for-sale securities	304,898	971,839
Foreign currency translation adjustment	(50,038)	(73,469)
Remeasurements of defined benefit plans, net of tax	153,196	117,664
Total other comprehensive income	408,056	1,016,034
Comprehensive income	1,798,602	2,740,716
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,805,437	2,745,796
Comprehensive income attributable to non-controlling interests	(6,834)	(5,080)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)**

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	12,991,160	3,587,951	1,232,980	1,087,745	18,899,838	-	18,899,838
Intersegment sales or transfers	890,397	674,577	28,656	62,308	1,655,939	(1,655,939)	-
Total	13,881,557	4,262,528	1,261,637	1,150,053	20,555,777	(1,655,939)	18,899,838
Segment profit	1,386,122	180,621	18,283	327,226	1,912,255	(14,021)	1,898,233

Notes: 1. Adjustment amount in segment profit includes amount of -14,021 thousand yen eliminated for intersegment transactions.

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

II. First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)

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	14,744,980	3,473,889	1,409,661	978,301	20,606,832	-	20,606,832
Intersegment sales or transfers	808,687	666,448	41,772	64,263	1,581,172	(1,581,172)	-
Total	15,553,667	4,140,337	1,451,434	1,042,565	22,188,005	(1,581,172)	20,606,832
Segment profit	1,748,033	124,012	62,631	287,845	2,222,521	8,062	2,230,584

Notes: 1. Adjustment amount in segment profit includes amount of 8,062 thousand yen eliminated for intersegment transactions.

2. Segment profit 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 nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)		First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	12,991,160	68.7	14,744,980	71.6
Europe	3,587,951	19.0	3,473,889	16.9
Americas	1,232,980	6.5	1,409,661	6.8
Asia	1,087,745	5.8	978,301	4.7
Total	18,899,838	100.0	20,606,832	100.0

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

Segment	First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)		First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	14,343,441	7,554,920	16,268,015	8,313,909
Europe	2,778,755	839,706	2,863,502	1,010,307
Americas	1,215,228	1,083,809	1,115,724	1,050,699
Asia	883,464	409,610	896,810	265,274
Total	19,220,889	9,888,046	21,144,053	10,640,191

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 nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)		First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	2,974,448	15.7	3,237,737	15.7
Circuit design solutions	4,137,811	21.9	5,151,313	25.0
IT solutions	3,901,330	20.6	4,078,347	19.8
Client services	7,882,316	41.8	8,137,471	39.5
Others	3,930	0.0	1,962	0.0
Total	18,899,838	100.0	20,606,832	100.0

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

Product category	First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)		First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	3,029,287	731,741	3,437,586	888,724
Circuit design solutions	4,856,943	1,577,944	5,517,436	1,549,422
IT solutions	4,680,411	1,631,408	4,436,830	1,409,310
Client services	6,646,305	5,942,774	7,748,488	6,789,941
Others	7,941	4,176	3,711	2,791
Total	19,220,889	9,888,046	21,144,053	10,640,191

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-CR DS-2 Espresso DS-E3	

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.