



May 9, 2016

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (FY2015)

[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 29, 2016
 Scheduled date of payment of dividend: June 30, 2016
 Scheduled date of filing of Annual Securities Report: June 29, 2016
 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, 2016 (Apr. 1, 2015–Mar. 31, 2016)

(1) Consolidated results of operations (Percentages for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal years ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Mar. 31, 2016	21,952	3.1	775	(23.2)	751	(35.6)	270	(46.8)
Mar. 31, 2015	21,297	7.7	1,009	60.2	1,166	37.5	509	9.2

Note: Comprehensive income (Millions of yen) Fiscal year ended Mar. 31, 2016: 804 (down 3.7%)

Fiscal year ended Mar. 31, 2015: 834 (up 13.1%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
Fiscal years ended	Yen	Yen	%	%	%
Mar. 31, 2016	11.65	-	1.0	1.9	3.5
Mar. 31, 2015	21.92	-	1.8	2.9	4.7

Reference: Equity in earnings of associates (Millions of yen) Fiscal year ended Mar. 31, 2016: (23)

Fiscal year ended Mar. 31, 2015: (31)

(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, 2016	39,068	28,479	71.7	1,205.17
As of Mar. 31, 2015	40,463	28,377	69.0	1,201.59

Reference: Shareholders' equity (Millions of yen) As of Mar. 31, 2016: 28,021 As of Mar. 31, 2015: 27,938

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal years ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Mar. 31, 2016	299	(779)	(716)	12,671
Mar. 31, 2015	1,584	384	(295)	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, 2015	-	7.00	-	10.00	17.00	395	77.6	1.4
Fiscal year ended Mar. 31, 2016	-	20.00	-	10.00	30.00	697	257.5	2.5
Fiscal year ending Mar. 31, 2017 (forecast)	-	10.00	-	10.00	20.00		46.5	

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

Please refer to "Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years" on page 5 for details.

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

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	22,700	3.4	1,500	93.3	1,550	106.3	1,000	269.1	43.01

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

Note: Please refer to “Changes in Accounting Policies” on page 19 for further information.

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2016: 23,267,169 shares As of Mar. 31, 2015: 23,267,169 shares

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

As of Mar. 31, 2016: 16,293 shares As of Mar. 31, 2015: 15,836 shares

(c) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2016: 23,251,092 shares Fiscal year ended Mar. 31, 2015: 23,251,753 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income	
Fiscal years ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Mar. 31, 2016	10,575	0.1	357	(54.0)	847	(47.4)	474	(54.7)
Mar. 31, 2015	10,567	12.8	777	142.0	1,610	114.3	1,047	99.1

	Net income per share	Diluted net income per share
Fiscal years ended	Yen	Yen
Mar. 31, 2016	20.42	-
Mar. 31, 2015	45.06	-

(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, 2016	32,440	27,407	84.5	1,178.79
As of Mar. 31, 2015	32,970	27,769	84.2	1,194.34

Reference: Shareholders' equity (Millions of yen) As of Mar. 31, 2016: 27,407 As of Mar. 31, 2015: 27,769

* Information regarding the implementation of audit procedure

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

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

Forecasts of future performance in this report are based on assumption judged to be valid information available to the Company's management at the time this report was prepared, but are not promises by the Company regarding future performance. Actual results may differ substantially from the forecasts for a number of reasons. Please refer to “Analysis of Results of Operations” on page 2 for forecast assumptions and notes of caution for usage.

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

(a) Summary of the fiscal year under review

In the fiscal year that ended on March 31, 2016, there were concerns over a possible slowdown in the global economy in the first half. However, led by the United States and Japan, economic recovery stayed on track. In the second half, the outlook became increasingly uncertain because of slowing economic growth in China and other sources of concern.

Companies in the electronic equipment, automotive and industrial equipment manufacturing sectors are the major customer segments of the Zuken Group. Although capital expenditures recovered in certain sectors, businesses in general became more cautious about capital investment in the second half because of the uncertain outlook.

The Zuken Group made substantial investments aimed at growth in order to become a “truly global company” that provides the best possible solutions to the each region of Japan, Europe, Americas and Asia. Our major actions during the current fiscal year were as follows.

- (i) In the electronics manufacturing sector, we continued to concentrate on sales of the CR-8000 Design Force electronic design solution system, our core product, in Japan and overseas. In Japan, as a part of the capital investment program, we acquired a business that was in competition with our electronic design solution systems and further expanded our customer base. In the U.S. Silicon Valley, Zuken SOZO Center (SOZO means “creation”) persistently continued its marketing activities. As a result, we succeeded in having major global electronic equipment design and development companies steadily adopt more of our products. This will lead to the strengthening of our business foundations in the United States over the medium to long-term. The next step is to increase sales in emerging countries in Asia where the supply chains of these U.S. design and development companies are concentrated.
- (ii) More electronic devices used for products are finding their way into the automotive and industrial equipment manufacturing sectors and as a result wiring design solutions are becoming more important to connect these devices. In response to this growing demand, we focused on expanding sales of Cabling Designer and Harness Designer, systems for designing wiring for components used in transportation equipment, in Japan. In Asia, our subsidiary in India started full-scale operations and sales were strong centering on Cabling Designer. In the United States, we acquired our partner company in E3.series of wiring solution systems for transportation and industrial equipment and reinforced our marketing system. In our research and development operations, we strengthened cooperation between our bases in Japan and Germany. We also developed Architecture Planner, which is a next-generation automotive electrical and electronic design system for conceptual design work. These actions reflect our awareness of the big effect that designs at the conceptual and planning stages have on the ability of finished products to compete successfully.
- (iii) For manufacturing operations, we added new functions to our infrastructure systems for managing design data as solutions for manufacturers in all sectors and stepped up marketing these systems. The most important aspect of these marketing activities was our focus on increasing sales of the DS-2 infrastructure system for managing electronic designs and the DS-2 Espresso, a DS-2 system package structured for quick installation. In addition, we have expanded its customer base by enabling these data management systems to support electronic design data as well as wiring and other design data.

(b) Results of the fiscal year under review

(Consolidated results)

Net sales	21,952 million yen	(up 3.1% year on year)
Ordinary income	751 million yen	(down 35.6% year on year)
Profit attributable to owners of parent	270 million yen	(down 46.8% year on year)

By taking these actions, net sales increased from the previous fiscal year. Sales growth was mainly attributable to higher sales of Zuken's major product CR-8000 Design Force, the advanced electronic design solution systems, and strong growth in sales of client services, despite of a decrease in IT solutions sales from the previous fiscal year.

Profits decreased due to the growth in expenses for the extensive product development activities aimed at future growth.

Sales by product category were as follows.

(Sales by product)

Printed Circuit Board design solutions	3,940 million yen	(up 2.2% year on year)
Circuit design and IC solutions	4,545 million yen	(up 3.5% year on year)
IT solutions	4,471 million yen	(down 4.3% year on year)
Client services	8,986 million yen	(up 7.5% year on year)

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	

(c) Forecasts for the fiscal year ending March 31, 2017

The overall economic outlook is likely to become more uncertain as concerns rise over slowing economies in China and other emerging countries in Asia.

On the other hand, Internet of Things (IoT) is showing signs of spreading throughout the world and this in turn is promoting digitization and networking environment for a wide range of devices. As a result, we expect that the areas in which the Zuken Group should apply its software technologies will continue to expand.

The Zuken Group is dedicated to achieving more growth in corporate value by developing and increasing sales of globally competitive solutions and directly targeting our customers' complex challenges.

We expected net sales of 22,700 million yen, ordinary income of 1,550 million yen, and profit attributable to owners of parent of 1,000 million yen in the fiscal year ending March 31, 2017.

* 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) Analysis of Financial Position

(a) Assets, liabilities and net assets

Total assets at the end of the fiscal year under review decreased 1,395 million yen from the end of the previous fiscal year to 39,068 million yen. The main factors were decreases of 1,520 million yen in securities, 538 million yen in notes and accounts receivable-trade, and 250 million yen in investment securities, while there were increases of 550 million yen in net defined benefit asset and 168 million yen in goodwill.

Liabilities at the end of the fiscal year under review decreased 1,497 million yen from the end of the previous fiscal year to 10,589 million yen. The main factors were decreases of 1,536 million yen in net defined benefit liability and 221 million yen in other under current liabilities mainly due to a decrease in accrued consumption taxes, while there was an increase of 302 million yen in advances received.

Net assets at the end of the fiscal year under review increased 101 million yen from the end of the previous fiscal year to 28,479 million yen and the shareholders' equity ratio was 71.7%. The main factor was an increase of 679 million yen in remeasurements of defined benefit plans, while there was a decrease of 426 million yen in retained earnings mainly due to cash dividends paid.

(b) Cash flows

Cash and cash equivalents (hereafter "cash") at the end of the fiscal year under review decreased 1,374 million yen over the end of the previous fiscal year to 12,671 million yen. Cash flows by category were as follows.

Cash flows from operating activities

Net cash provided by operating activities decreased 1,285 million yen from the previous fiscal year to 299 million yen. The main cash inflows were profit before income taxes of 716 million yen (a year-on-year decrease of 413 million yen), depreciation of 710 million yen (a year-on-year decrease of 48 million yen), and a decrease in notes and accounts receivable-trade of 468 million yen (an increase of 801 million yen in the previous fiscal year). The main cash outflows were a decrease in net defined benefit asset or liability of 1,591 million yen due to contribution to pension funds that our UK subsidiaries have (an increase of 339 million yen in the previous fiscal year).

Cash flows from investing activities

Net cash used in investing activities totaled 779 million yen, compared with 384 million yen provided in the previous fiscal year. The main cash outflows were purchase of non-current assets of 673 million yen (a year-on-year increase of 53 million yen) and payments for transfer of business of 127 million yen.

Cash flows from financing activities

Net cash used in financing activities increased 421 million yen from the previous fiscal year to 716 million yen. This was mainly due to cash dividends paid of 697 million yen (a year-on-year increase of 372 million yen).

Cash flow indicators were as follows:

Fiscal years ended	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Shareholders' equity ratio	75.2%	70.3%	69.0%	71.7%
Shareholders' equity ratio based on market prices	43.7%	49.1%	60.0%	70.6%
Interest-bearing debt to cash flow ratio	6.1%	1.8%	2.5%	11.1%
Interest coverage ratio	-	17,779.3	17,001.1	3,275.1

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.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

Distributing profits to shareholders is one of the highest management priorities of the Zuken Group. The basic policy is to pay a stable and consistent dividend. In addition, we will continue to consider suitable and highly effective methods of returning earnings to shareholders while taking into account business performance, operating conditions and other factors. Profit distributions will also reflect the need to retain earnings for strengthening business operations and financial soundness and for funding upcoming business activities.

Based on the policy of paying a stable dividend, we plan to pay a year-end dividend of 10 yen per share for the fiscal year ended March 31, 2016. This dividend also reflects the financial condition, outlook for performance in the fiscal year ending on March 31, 2017, and other items. With the interim dividend of 20 yen (including a commemorative dividend of 10 yen) per share, this will result in a dividend of 30 yen per share for the fiscal year that ended on March 31, 2016. For the fiscal year ending on March 31, 2017, we plan to pay a dividend of 20 yen per share, the sum of interim and year-end dividends of 10 yen per share.

	Dividend per share (Yen)		
	2Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2016	20 (Ordinary dividend: 10) (Commemorative dividend: 10)	10	30 (Ordinary dividend: 20) (Commemorative dividend: 10)
Fiscal year ending Mar. 31, 2017	10	10	20
Reference: Fiscal year ended Mar. 31, 2015	7	10	17

2. Corporate Group

The Zuken Group consists of ZUKEN Inc., 20 subsidiaries and two affiliates (one affiliate accounted for under the equity method and one affiliate not accounted for under the equity method). Group companies are engaged in solutions business including research and development, manufacturing and sales activities involving processes from design to production and associated client services especially in electronics, automotive, and industrial equipment manufacturing sectors. Major business activities and the roles of group companies are shown below.

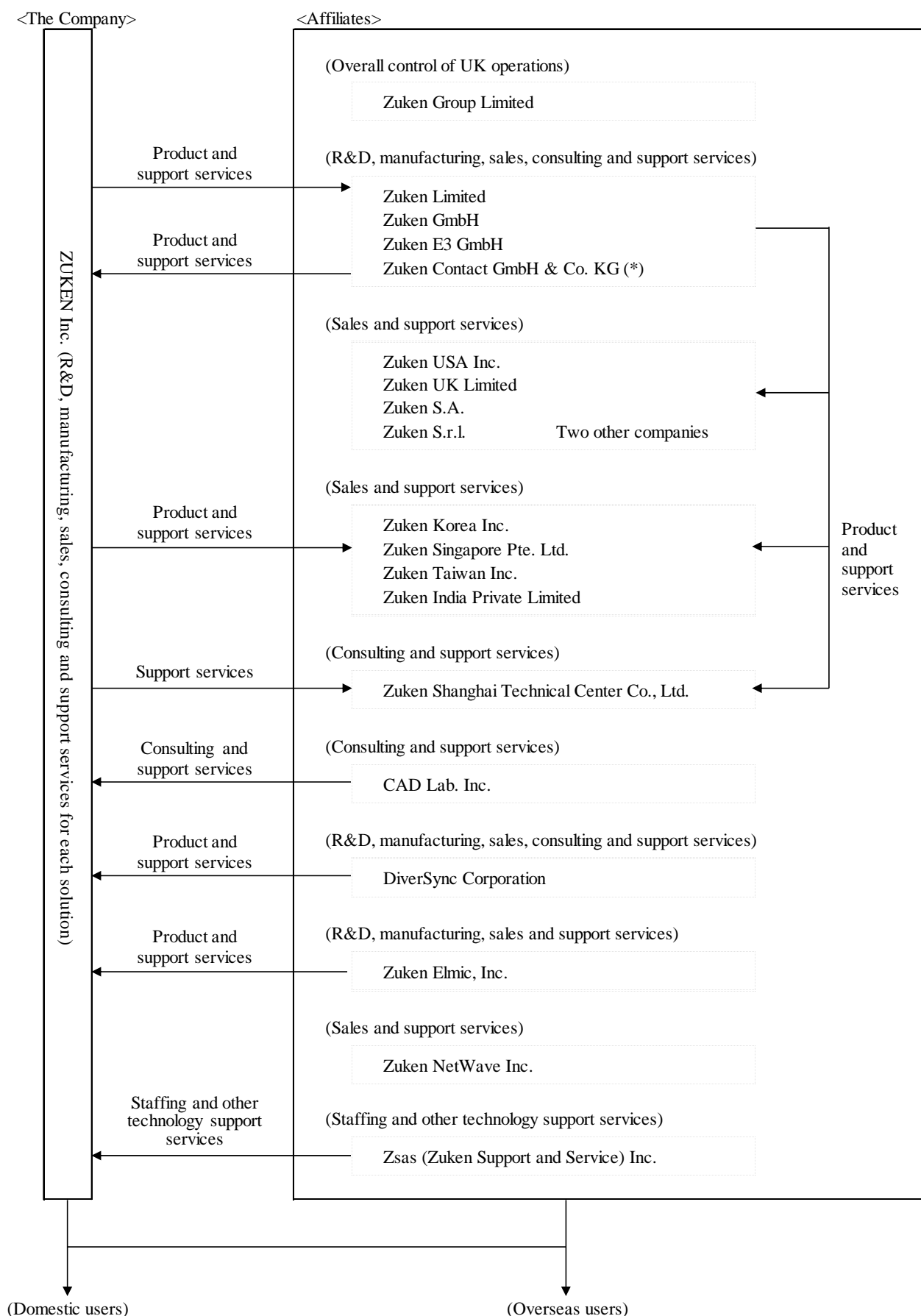
Business activities	Company name (reportable segment)	Major product category
Software R&D Manufacturing, sales and consulting Support services	ZUKEN Inc. (Japan)	Printed Circuit Board design solutions
	Zuken Limited (Europe)	Circuit design and IC solutions
	Zuken GmbH (Europe)	IT solutions Client services
	Zuken E3 GmbH (Europe)	Circuit design and IC solutions
	Zuken Contact GmbH & Co. KG (*)	Client services
	DiverSync Corporation (Japan)	IT solutions Client services
Software sales Support services	Zuken USA Inc. (Americas)	Printed Circuit Board design solutions
	Zuken UK Limited (Europe)	Circuit design and IC solutions
	Zuken S.A. (Europe)	IT solutions
	Zuken S.r.l. (Europe)	Client services
	Zuken Korea Inc. (Asia)	
	Zuken Singapore Pte. Ltd. (Asia)	
	Zuken Taiwan Inc. (Asia)	
	Zuken India Private Limited (Asia)	
	Two other companies	
Consulting Support services	CAD Lab. Inc. (Japan)	
	Zuken Shanghai Technical Center Co., Ltd. (Asia)	
Middleware R&D Manufacturing, sales and support services	Zuken Elmic, Inc. (Japan)	Circuit design and IC solutions Client services
Network systems sales Support services	Zuken NetWave Inc. (Japan)	IT solutions Client services
Staffing and other technology support services	Zsas (Zuken Support and Service) Inc. (Japan)	Printed Circuit Board design solutions Circuit design and IC solutions IT solutions Client services
Overall control of UK operations	Zuken Group Limited (Europe)	_____

Notes: 1. Zuken Contact GmbH & Co. KG (*) is an affiliate accounted for under the equity method. All other companies in the above table are consolidated subsidiaries.

2. Zuken Elmic, Inc. has been listed on the Tokyo Stock Exchange Second Section.

3. CAD Lab Inc. changed its name to Zuken PreSight Inc. as of April 1, 2016.

The diagram below provides a visual representation of the positioning and relationships of businesses within the group.



3. Management Policies

(1) **Basic Management Policy**

The Zuken Group is dedicated to making a significant contribution to the advancement of the manufacturing sector by assisting in the development and manufacture of products. Our goal is to assist a broad range of manufacturers, primarily in the electronics, automotive, and industrial equipment manufacturing sectors, improve design and manufacturing efficiency and raise productivity. To accomplish this goal, we are concentrating on supplying the best possible solutions while constantly adapting to changes in market needs.

(2) **Performance Targets**

The Zuken Group is fulfilling increasingly important roles in the electronics, automotive, and industrial equipment manufacturing sectors, which are the group's primary markets, as demand for these products grows in emerging countries and technological advances are needed for environmental and other requirements. In addition, markets that the Zuken Group can serve are expanding as all manufacturers rapidly increase the use of electronics in their products. To capitalize on these opportunities, we will continue our solutions business while aggressively entering new markets and technology domains. We are determined to generate long-term returns for shareholders as we continue increasing the scope and scale of our business activities. Consequently, sustaining the growth of earnings per share is one of our key performance indicators.

(3) **Medium- and Long-term Business Strategy and Issues**

The Zuken Group will add new functions to its products, expand the application areas of its design data management solutions and strive to enhance efficiency of design and production operations at manufacturers in various sectors.

We will work on the following issues to accomplish this goal.

(a) Upgrade functions of design systems and increase their sales

In the electronics manufacturing industry, we will add more functions of our core products, electronic design solutions system CR-8000 series, and market it aggressively throughout the world. In addition, we plan to increase coordination among our Japanese, UK and German bases to actively develop new electronic design systems for the markets in Europe, Americas, and Asia.

We expect electronic control and digitization to further spread in the automotive and industrial equipment manufacturing sectors. In response, we will continue to focus on expanding sales of our wiring design systems. In addition, we will step up marketing of Architecture Planner, the design system to support product development at the conceptual and planning stages and accelerate development of new wiring design systems to meet emerging customer needs.

(b) Support for increasing efficiency of the entire data management system-based design process

More engineers are getting involved in the design process as manufactured products are becoming more sophisticated and complex. As a result, design data management and quick and precise data sharing are taking on added importance in the manufacturing industry. In direct response to these needs, the Zuken Group will add more functions to its infrastructure system for design data management to enable centralized management of variety of design data. Moreover, as Zuken's infrastructure systems can be installed irrespective of the design system in use the Group will actively market these systems not only for electronic design applications but also to design divisions in a variety of other industries. Through these initiatives we will further expand the Group's business.

The Zuken Group is dedicated to achieving more growth in corporate value by using these initiatives to develop and increase sales of globally competitive solutions and directly target our customers' complex problems.

4. 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.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY2014	FY2015
	(As of Mar. 31, 2015)	(As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	5,252,859	5,371,750
Notes and accounts receivable-trade	5,705,030	5,166,296
Securities	15,696,959	14,176,278
Merchandise and finished goods	271,201	250,812
Work in process	67,494	39,712
Raw materials and supplies	3,567	4,056
Deferred tax assets	333,965	340,642
Other	1,658,223	1,783,300
Allowance for doubtful accounts	(35,124)	(34,725)
Total current assets	28,954,177	27,098,122
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,156,722	9,276,977
Accumulated depreciation	(6,104,157)	(6,236,861)
Buildings and structures, net	3,052,564	3,040,116
Machinery, equipment and vehicles	98,706	87,238
Accumulated depreciation	(73,369)	(56,078)
Machinery, equipment and vehicles, net	25,336	31,159
Tools, furniture and fixtures	1,991,046	1,926,075
Accumulated depreciation	(1,638,900)	(1,595,498)
Tools, furniture and fixtures, net	352,145	330,577
Land	3,009,821	3,009,821
Leased assets	58,938	62,820
Accumulated depreciation	(22,160)	(31,222)
Leased assets, net	36,778	31,598
Construction in progress	2,398	-
Total property, plant and equipment	6,479,044	6,443,272
Intangible assets		
Goodwill	836,119	1,004,236
Other	724,828	715,279
Total intangible assets	1,560,947	1,719,515
Investments and other assets		
Investment securities	2,493,402	2,242,835
Net defined benefit asset	-	550,487
Deferred tax assets	498,207	580,697
Other	492,709	450,319
Allowance for doubtful accounts	(14,816)	(17,240)
Total investments and other assets	3,469,502	3,807,100
Total non-current assets	11,509,495	11,969,889
Total assets	40,463,672	39,068,011

	(Thousands of yen)	
	FY2014	FY2015
	(As of Mar. 31, 2015)	(As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	938,362	953,098
Income taxes payable	373,341	236,091
Advances received	3,715,976	4,018,128
Provision for bonuses	765,653	784,217
Provision for directors' bonuses	26,268	18,000
Provision for loss on business liquidation	-	26,859
Other provision	12,738	11,402
Other	1,736,218	1,514,603
Total current liabilities	7,568,558	7,562,401
Non-current liabilities		
Net defined benefit liability	4,308,728	2,771,814
Other	209,319	254,787
Total non-current liabilities	4,518,048	3,026,601
Total liabilities	12,086,607	10,589,003
Net assets		
Shareholders' equity		
Capital stock	10,117,065	10,117,065
Capital surplus	8,657,753	8,657,753
Retained earnings	9,314,627	8,888,024
Treasury shares	(14,159)	(14,678)
Total shareholders' equity	28,075,286	27,648,164
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	672,273	533,667
Foreign currency translation adjustment	79,341	48,758
Remeasurements of defined benefit plans	(888,358)	(209,334)
Total accumulated other comprehensive income	(136,743)	373,091
Non-controlling interests	438,522	457,752
Total net assets	28,377,065	28,479,008
Total liabilities and net assets	40,463,672	39,068,011

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

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales	21,297,830	21,952,240
Cost of sales	5,701,538	6,052,626
Gross profit	15,596,292	15,899,613
Selling, general and administrative expenses	14,586,669	15,123,754
Operating income	1,009,622	775,859
Non-operating income		
Interest income	20,540	15,684
Dividend income	6,696	17,682
Rent income	49,161	51,242
Subsidy income	8,616	22,551
Foreign exchange gains	68,199	-
Other	36,901	21,547
Total non-operating income	190,115	128,708
Non-operating expenses		
Foreign exchange losses	-	113,057
Share of loss of entities accounted for using equity method	31,300	23,890
Other	1,995	16,356
Total non-operating expenses	33,295	153,304
Ordinary income	1,166,442	751,263
Extraordinary income		
Gain on sales of non-current assets	1,677	7,201
Gain on sales of investment securities	-	19,967
Total extraordinary income	1,677	27,169
Extraordinary losses		
Loss on disposal of non-current assets	3,363	1,515
Provision for loss on business liquidation	-	26,859
Loss on valuation of investment securities	-	20,999
Loss on valuation of golf club membership	-	12,180
Special retirement expenses	28,989	-
Provision of allowance for doubtful accounts of golf club membership	5,200	-
Total extraordinary losses	37,553	61,554
Profit before income taxes	1,130,565	716,877
Income taxes-current	556,876	445,798
Income taxes-deferred	55,888	(23,234)
Total income taxes	612,765	422,564
Profit	517,800	294,313
Profit attributable to non-controlling interests	8,095	23,379
Profit attributable to owners of parent	509,705	270,933

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY2014	FY2015
	(Apr. 1, 2014 – Mar. 31, 2015)	(Apr. 1, 2015 – Mar. 31, 2016)
Profit	517,800	294,313
Other comprehensive income		
Valuation difference on available-for-sale securities	353,752	(138,606)
Foreign currency translation adjustment	(127,061)	(30,767)
Remeasurements of defined benefit plans, net of tax	93,968	679,023
Share of other comprehensive income of entities accounted for using equity method	(3,653)	184
Total other comprehensive income	317,004	509,834
Comprehensive income	834,805	804,148
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	826,709	780,768
Comprehensive income attributable to non-controlling interests	8,095	23,379

(3) Consolidated Statement of Changes in Equity

FY2014 (Apr. 1, 2014 – Mar. 31, 2015)

(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	8,986,688	(13,209)	27,748,297
Cumulative effects of changes in accounting policies			143,761		143,761
Restated balance	10,117,065	8,657,753	9,130,450	(13,209)	27,892,059
Changes of items during period					
Dividends of surplus			(325,528)		(325,528)
Profit attributable to owners of parent			509,705		509,705
Purchase of treasury shares				(949)	(949)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	184,176	(949)	183,226
Balance at end of current period	10,117,065	8,657,753	9,314,627	(14,159)	28,075,286

	Accumulated other comprehensive income				Non-control ling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	318,521	210,057	(982,326)	(453,747)	385,606	27,680,156
Cumulative effects of changes in accounting policies						143,761
Restated balance	318,521	210,057	(982,326)	(453,747)	385,606	27,823,918
Changes of items during period						
Dividends of surplus						(325,528)
Profit attributable to owners of parent						509,705
Purchase of treasury shares						(949)
Net changes of items other than shareholders' equity	353,752	(130,715)	93,968	317,004	52,915	369,920
Total changes of items during period	353,752	(130,715)	93,968	317,004	52,915	553,146
Balance at end of current period	672,273	79,341	(888,358)	(136,743)	438,522	28,377,065

FY2015 (Apr. 1, 2015 – Mar. 31, 2016)

(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	9,314,627	(14,159)	28,075,286
Cumulative effects of changes in accounting policies					
Restated balance	10,117,065	8,657,753	9,314,627	(14,159)	28,075,286
Changes of items during period					
Dividends of surplus			(697,536)		(697,536)
Profit attributable to owners of parent			270,933		270,933
Purchase of treasury shares				(518)	(518)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(426,602)	(518)	(427,121)
Balance at end of current period	10,117,065	8,657,753	8,888,024	(14,678)	27,648,164

	Accumulated other comprehensive income				Non-control ling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	672,273	79,341	(888,358)	(136,743)	438,522	28,377,065
Cumulative effects of changes in accounting policies						
Restated balance	672,273	79,341	(888,358)	(136,743)	438,522	28,377,065
Changes of items during period						
Dividends of surplus						(697,536)
Profit attributable to owners of parent						270,933
Purchase of treasury shares						(518)
Net changes of items other than shareholders' equity	(138,606)	(30,582)	679,023	509,834	19,229	529,064
Total changes of items during period	(138,606)	(30,582)	679,023	509,834	19,229	101,942
Balance at end of current period	533,667	48,758	(209,334)	373,091	457,752	28,479,008

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from operating activities		
Profit before income taxes	1,130,565	716,877
Depreciation	759,177	710,770
Amortization of goodwill	118,202	142,959
Interest and dividend income	(27,236)	(33,367)
Foreign exchange losses (gains)	(30,649)	5,185
Share of (profit) loss of entities accounted for using equity method	31,300	23,890
Loss (gain) on valuation of investment securities	-	20,999
Loss (gain) on sales of investment securities	-	(19,967)
Decrease (increase) in notes and accounts receivable-trade	(801,962)	468,216
Increase (decrease) in notes and accounts payable-trade	348,072	126,252
Increase (decrease) in net defined benefit asset or liability	339,574	(1,591,996)
Other, net	191,591	304,675
Subtotal	2,058,635	874,497
Interest and dividend income received	29,688	33,403
Interest expenses paid	(93)	(91)
Income taxes paid	(503,428)	(608,281)
Net cash provided by (used in) operating activities	1,584,802	299,526
Cash flows from investing activities		
Decrease (increase) in time deposits	102,700	(22,500)
Purchase of securities	(1,999,900)	-
Proceeds from redemption of securities	4,016,180	3,480
Purchase of property, plant and equipment	(228,950)	(301,652)
Purchase of intangible assets	(391,229)	(372,003)
Purchase of investment securities	(1,092,684)	-
Proceeds from sales and redemption of investment securities	-	21,562
Payments for transfer of business	-	(127,935)
Other, net	(22,015)	19,680
Net cash provided by (used in) investing activities	384,099	(779,367)
Cash flows from financing activities		
Proceeds from share issuance to non-controlling shareholders	49,000	-
Purchase of treasury shares	(949)	(518)
Cash dividends paid	(325,528)	(697,536)
Other, net	(17,595)	(18,676)
Net cash provided by (used in) financing activities	(295,073)	(716,731)
Effect of exchange rate change on cash and cash equivalents	65,764	(177,922)
Net increase (decrease) in cash and cash equivalents	1,739,591	(1,374,494)
Cash and cash equivalents at beginning of period	12,306,774	14,046,366
Cash and cash equivalents at end of period	14,046,366	12,671,871

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

Not applicable.

Basis of Presenting the Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 20

Name of the consolidated subsidiaries are stated in the Section “2. Corporate Group.”

2. Application of equity method

(1) Number of affiliates accounted for under the equity method: 1 (Zuken Contact GmbH & Co. KG)

(2) Number of affiliates not accounted for under the equity method: 1 (Zuken Contact Verwaltungs GmbH)

Zuken Contact Verwaltungs GmbH is not included in the scope of application of the equity method since it is a small-scale business whose net income (equity in earnings) and retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.

(3) The fiscal year-end of Zuken Contact GmbH & Co. KG is different from the fiscal year-end for the consolidated financial statements. ZUKEN Inc. (the “Company”) prepares provisional accounts for Zuken Contact GmbH & Co. KG as of the fiscal year-end for the 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

Held-to-maturity debt securities: Stated at cost determined by the amortized cost method (straight-line method).

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.

With respect to investments in investment partnerships (regard as marketable securities under Article 2-2 of the Japanese Financial Instruments and Exchange Act), the net amount equivalent to the level of equity based on the most recently available financial statements for the reporting date specified in the partnership agreement is used.

(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)

The Company and its domestic consolidated subsidiaries compute depreciation of buildings (excluding attached structures) by the straight-line method, other than buildings, the declining-balance method is used. 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.

Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations, etc.

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and other standards effective from the current fiscal year. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income has been revised and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

The Company has adopted these accounting standards, etc. from the beginning of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

The application of these standards does not have a material effect on earnings.

Reclassifications

Consolidated statement of income

“Dividend income” and “Subsidy income,” which were included in “Other” under “Non-operating income” in the previous fiscal year, have been presented as separate line items in the fiscal year under review given the increased materiality in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, 52,214 thousand yen in “Other” under “Non-operating income” shown in the previous fiscal year’s consolidated statement of income is reclassified and divided into “Dividend income” of 6,696 thousand yen, “Subsidy income” of 8,616 thousand yen, and “Other” of 36,901 thousand yen.

Consolidated statement of cash flows

“Proceeds from sales of property, plant and equipment,” under “Cash flows from investing activities” which was presented as a separate line item in the previous fiscal year, has been included in “Other” in the fiscal year under review given the reduced materiality in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, 2,431 thousand yen of “Proceeds from sales of property, plant and equipment” under “Cash flows from investing activities” shown in the previous fiscal year’s consolidated statement of cash flows is reclassified and included in “Other.”

Notes to Consolidated Balance Sheet

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

(Thousands of yen)

	FY2014 (As of Mar. 31, 2015)	FY2015 (As of Mar. 31, 2016)
Other (Investments in capital)	36,105	12,399

Notes to Consolidated Statement of Income

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

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Salaries and allowances	4,996,406	5,201,732
Depreciation	661,420	607,918
Provision of allowance for doubtful accounts	11,206	7,063
Provision for bonuses	490,876	487,804
Provision for directors' bonuses	26,268	18,000
Retirement benefit expenses	558,800	495,393
Research and development expenses	3,141,257	3,367,298

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

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
	3,141,257	3,367,298

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

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Vehicles	147	7,064
Tools, furniture and fixtures	1,529	137
Total	1,677	7,201

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

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Buildings, etc.	12	29
Tools, furniture and fixtures	3,351	1,486
Total	3,363	1,515

Notes to Consolidated Statement of Comprehensive Income

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

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Valuation difference on available-for-sale securities:		
Amount incurred during the period	508,794	(231,384)
Re-classification adjustments	-	(3,035)
Before tax effect adjustments	508,794	(234,419)
Tax effect	(155,042)	95,813
Valuation difference on available-for-sale securities	353,752	(138,606)
Foreign currency translation adjustment:		
Amount incurred during the period	(127,061)	(30,767)
Remeasurements of defined benefit plans, net of tax:		
Amount incurred during the period	(237,641)	409,755
Re-classification adjustments	341,737	289,728
Before tax effect adjustments	104,095	699,484
Tax effect	(10,127)	(20,460)
Remeasurements of defined benefit plans, net of tax	93,968	679,023
Share of other comprehensive income of entities accounted for using equity method:		
Amount incurred during the period	(3,653)	184
Total other comprehensive income	317,004	509,834

Notes to Consolidated Statement of Changes in Equity

FY2014 (Apr. 1, 2014 – Mar. 31, 2015)

1. Type of share and number of shares of outstanding shares and treasury shares

(Shares)

	Number of shares as of Apr. 1, 2014	Increase	Decrease	Number of shares as of Mar. 31, 2015
Outstanding shares				
Common stock	23,267,169	-	-	23,267,169
Total	23,267,169	-	-	23,267,169
Treasury shares				
Common stock (Note)	14,869	967	-	15,836
Total	14,869	967	-	15,836

Note: Number of treasury shares of common stock increased 967 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. 27, 2014	Common stock	162,766	7	Mar. 31, 2014	Jun. 30, 2014
Board of Directors' meeting on Nov. 4, 2014	Common stock	162,762	7	Sep. 30, 2014	Dec. 2, 2014

(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. 26, 2015	Common stock	232,513	Retained earnings	10	Mar. 31, 2015	Jun. 29, 2015

FY2015 (Apr. 1, 2015 – Mar. 31, 2016)

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

	Number of shares as of Apr. 1, 2015	Increase	Decrease	Number of shares as of Mar. 31, 2016
Outstanding shares				
Common stock	23,267,169	-	-	23,267,169
Total	23,267,169	-	-	23,267,169
Treasury shares				
Common stock (Note)	15,836	457	-	16,293
Total	15,836	457	-	16,293

Note: Number of treasury shares of common stock increased 457 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. 26, 2015	Common stock	232,513	10	Mar. 31, 2015	Jun. 29, 2015
Board of Directors' meeting on Nov. 9, 2015	Common stock	465,023	20	Sep. 30, 2015	Dec. 2, 2015

(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, 2016	Common stock	232,508	Retained earnings	10	Mar. 31, 2016	Jun. 30, 2016

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)	
	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Cash and deposits	5,252,859	5,371,750
Short-term investments included in securities account	8,972,818	7,476,278
Time deposit with maturities over three months	(179,312)	(176,156)
Cash and cash equivalents	14,046,366	12,671,871

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 bonds held to maturity and 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.)

FY2014 (As of Mar. 31, 2015)

(Thousands of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	5,252,859	5,252,859	-
(2) Notes and accounts receivable-trade	5,705,030	5,705,030	-
(3) Marketable securities and investment securities	17,851,085	17,851,085	-
Assets total	28,808,975	28,808,975	-
(1) Accounts payable-trade	938,362	938,362	-
Liabilities total	938,362	938,362	-

FY2015 (As of Mar. 31, 2016)

(Thousands of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	5,371,750	5,371,750	-
(2) Notes and accounts receivable-trade	5,166,296	5,166,296	-
(3) Marketable securities and investment securities	16,126,613	16,126,613	-
Assets total	26,664,660	26,664,660	-
(1) Accounts payable-trade	953,098	953,098	-
Liabilities total	953,098	953,098	-

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. Bonds are valued based on securities exchange prices or prices provided by financial institutions. 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)	
	FY2014 (As of Mar. 31, 2015)	FY2015 (As of Mar. 31, 2016)
Unlisted stocks	315,135	292,500
Investment in partnership	24,141	-

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

FY2014 (As of Mar. 31, 2015)

	(Thousands of yen)			
	Due within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	5,252,859	-	-	-
Notes and accounts receivable-trade	5,705,030	-	-	-
Total	10,957,889	-	-	-

FY2015 (As of Mar. 31, 2016)

	(Thousands of yen)			
	Due within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	5,371,750	-	-	-
Notes and accounts receivable-trade	5,166,296	-	-	-
Total	10,538,046	-	-	-

Marketable Securities

1. Available-for-sale securities

FY2014 (As of Mar. 31, 2015)

(Thousands of yen)

Type	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeds acquisition cost			
(1) Shares	2,178,266	1,181,362	996,904
(2) Bonds	-	-	-
(3) Others	-	-	-
Sub-total	2,178,266	1,181,362	996,904
Securities with book value not exceeding acquisition cost			
(1) Shares	-	-	-
(2) Bonds	-	-	-
(3) Others	15,672,818	15,672,818	-
Sub-total	15,672,818	15,672,818	-
Total	17,851,085	16,854,180	996,904

Note: Unlisted stocks (book value of 315,135 thousand yen) and investment in partnership (book value of 24,141 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.

FY2015 (As of Mar. 31, 2016)

(Thousands of yen)

Type	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeds acquisition cost			
(1) Shares	1,950,335	1,181,362	768,973
(2) Bonds	-	-	-
(3) Others	-	-	-
Sub-total	1,950,335	1,181,362	768,973
Securities with book value not exceeding acquisition cost			
(1) Shares	-	-	-
(2) Bonds	-	-	-
(3) Others	14,176,278	14,176,278	-
Sub-total	14,176,278	14,176,278	-
Total	16,126,613	15,357,640	768,973

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

FY2014 (Apr. 1, 2014 – Mar. 31, 2015)

Not applicable.

FY2015 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

Type	Sales amount	Aggregate gains	Aggregate losses
(1) Shares	21,562	19,967	-
(2) Bonds	-	-	-
(3) Others	-	-	-
Total	21,562	19,967	-

3. Securities written down for impairment

Non-marketable available-for-sale securities of 20,999 thousand yen were written down for the fiscal year ended March 31, 2016.

In the event that the actual value of securities at the end of the fiscal year has fallen significantly compared to the acquisition cost, the whole difference is impaired.

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 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 subsidiaries 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 income 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
FY2014 (Apr. 1, 2014 – Mar. 31, 2015)

(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	14,604,091	4,378,505	1,112,898	1,202,335	21,297,830	-	21,297,830
Intersegment sales or transfers	920,681	709,876	52,888	86,719	1,770,165	(1,770,165)	-
Total	15,524,772	5,088,382	1,165,786	1,289,055	23,067,996	(1,770,165)	21,297,830
Segment profit (loss)	1,100,231	(230,339)	(129,170)	277,973	1,018,695	(9,072)	1,009,622
Segment assets	17,784,564	4,890,245	732,899	1,592,550	25,000,260	15,463,411	40,463,672
Other items							
Depreciation and amortization	604,044	138,686	10,194	10,132	763,057	(3,879)	759,177
Amortization of goodwill	20	130,761	-	-	130,781	-	130,781
Investment in companies accounted for using equity method	-	34,556	-	-	34,556	-	34,556
Increase in property, plant and equipment and intangible assets	483,748	127,003	6,520	3,515	620,787	-	620,787

Notes: 1. Contents of adjustments are as follows.

- (1) Adjustment amount in segment profit (or loss) includes amount of -9,072 thousand yen eliminated for intersegment transactions.
- (2) Adjustment amount in segment assets includes amount of -2,638,142 thousand yen eliminated for intersegment transactions and total company assets of 18,101,554 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.
- (3) Adjustment amount of depreciation and amortization includes amount of -3,879 thousand yen eliminated for intersegment transactions.

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

FY2015 (Apr. 1, 2015 – Mar. 31, 2016)

(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	14,960,942	4,339,775	1,182,922	1,468,600	21,952,240	-	21,952,240
Intersegment sales or transfers	1,026,508	755,606	67,919	103,056	1,953,091	(1,953,091)	-
Total	15,987,451	5,095,382	1,250,841	1,571,656	23,905,331	(1,953,091)	21,952,240
Segment profit (loss)	742,610	(185,345)	(191,379)	411,715	777,600	(1,741)	775,859
Segment assets	19,487,103	5,580,884	945,961	1,467,580	27,481,529	11,586,481	39,068,011
Other items							
Depreciation and amortization	560,112	134,413	9,969	7,868	712,364	(1,593)	710,770
Amortization of goodwill	22,355	102,583	18,021	-	142,959	-	142,959
Investment in companies accounted for using equity method	-	10,851	-	-	10,851	-	10,851
Increase in property, plant and equipment and intangible assets	582,435	66,847	5,159	19,213	673,656	-	673,656

Notes: 1. Contents of adjustments are as follows.

- (1) Adjustment amount in segment profit (loss) includes amount of -1,741 thousand yen eliminated for intersegment transactions.
- (2) Adjustment amount in segment assets includes amount of -4,765,940 thousand yen eliminated for intersegment transactions and total company assets of 16,352,421 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.
- (3) Adjustment amount of depreciation and amortization includes amount of -1,593 thousand yen eliminated for intersegment transactions.

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

Per-share Information

(Yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Net assets per share	1,201.59	1,205.17
Net income per share	21.92	11.65

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

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	509,705	270,933
Amount not available to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Thousands of yen)	509,705	270,933
Average number of shares outstanding during period (Shares)	23,251,753	23,251,092

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.

6. Production, Orders and Sales

(1) Sales and Orders

(a) Sales

(Thousands of yen)

Segment	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)		FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	14,604,091	68.6	14,960,942	68.2
Europe	4,378,505	20.6	4,339,775	19.8
Americas	1,112,898	5.2	1,182,922	5.4
Asia	1,202,335	5.6	1,468,600	6.6
Total	21,297,830	100.0	21,952,240	100.0

(b) Orders received and order backlog

(Thousands of yen)

Segment	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)		FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	14,801,540	4,579,620	15,524,833	5,294,694
Europe	4,373,288	1,391,753	4,412,634	1,419,997
Americas	1,038,405	706,991	1,311,854	783,852
Asia	1,413,910	473,524	1,396,501	351,067
Total	21,627,145	7,151,890	22,645,823	7,849,611

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	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)		FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	3,855,539	18.1	3,940,439	18.0
Circuit design and IC solutions	4,393,589	20.6	4,545,666	20.7
IT solutions	4,673,862	21.9	4,471,949	20.4
Client services	8,357,034	39.3	8,986,267	40.9
Others	17,803	0.1	7,916	0.0
Total	21,297,830	100.0	21,952,240	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)		FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	3,850,185	691,292	3,914,444	653,599
Circuit design and IC solutions	4,385,959	655,568	4,716,222	813,040
IT solutions	4,710,457	554,408	4,557,479	639,214
Client services	8,662,058	5,249,939	9,450,442	5,743,758
Others	18,485	681	7,234	-
Total	21,627,145	7,151,890	22,645,823	7,849,611

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	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 Expresso	

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

	(Thousands of yen)	
	FY2014	FY2015
	(As of Mar. 31, 2015)	(As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	1,069,484	1,095,997
Notes receivable-trade	117,801	160,149
Accounts receivable-trade	3,358,892	2,623,807
Securities	15,633,783	14,113,086
Inventories	48,349	31,298
Deferred tax assets	199,224	177,792
Other	209,882	214,915
Allowance for doubtful accounts	(690)	(270)
Total current assets	20,636,728	18,416,777
Non-current assets		
Property, plant and equipment		
Buildings	2,906,948	2,908,577
Structures	45,959	42,824
Vehicles	8,827	5,692
Tools, furniture and fixtures	118,554	110,691
Land	3,009,559	3,009,559
Leased assets	12,608	8,012
Total property, plant and equipment	6,102,456	6,085,357
Intangible assets		
Other	557,022	691,255
Total intangible assets	557,022	691,255
Investments and other assets		
Investment securities	2,467,771	2,239,335
Shares of subsidiaries and associates	917,593	917,593
Investments in capital of subsidiaries and associates	739,946	2,429,229
Long-term loans receivable from subsidiaries and associates	-	84,510
Long-term trade accounts receivables from subsidiaries	864,847	865,380
Deferred tax assets	361,215	459,162
Other	336,271	348,872
Allowance for doubtful accounts	(12,966)	(97,289)
Total investments and other assets	5,674,679	7,246,795
Total non-current assets	12,334,158	14,023,409
Total assets	32,970,887	32,440,186

	(Thousands of yen)	
	FY2014	FY2015
	(As of Mar. 31, 2015)	(As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	751,535	584,537
Accounts payable-other	645,333	554,969
Income taxes payable	246,204	59,569
Advances received	502,476	590,742
Provision for bonuses	357,710	320,042
Provision for directors' bonuses	23,000	14,500
Provision for loss on business liquidation	-	26,609
Other	198,487	194,489
Total current liabilities	2,724,749	2,345,460
Non-current liabilities		
Provision for retirement benefits	2,135,081	2,265,360
Provision for loss on business of subsidiaries and associates	217,000	302,000
Long-term accounts payable-other	104,850	104,850
Other	19,319	14,523
Total non-current liabilities	2,476,250	2,686,733
Total liabilities	5,200,999	5,032,194
Net assets		
Shareholders' equity		
Capital stock	10,117,065	10,117,065
Capital surplus		
Legal capital surplus	8,657,753	8,657,753
Total capital surplus	8,657,753	8,657,753
Retained earnings		
Legal retained earnings	311,082	311,082
Other retained earnings		
General reserve	6,325,000	6,825,000
Retained earnings brought forward	1,700,871	978,102
Total retained earnings	8,336,954	8,114,184
Treasury shares	(14,159)	(14,678)
Total shareholders' equity	27,097,613	26,874,324
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	672,273	533,667
Total valuation and translation adjustments	672,273	533,667
Total net assets	27,769,887	27,407,992
Total liabilities and net assets	32,970,887	32,440,186

(2) Statement of Income

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales	10,567,902	10,575,169
Cost of sales	3,044,193	2,974,386
Gross profit	7,523,708	7,600,782
Selling, general and administrative expenses	6,746,701	7,243,683
Operating income	777,006	357,098
Non-operating income		
Interest income	70	552
Interest on securities	11,760	8,776
Dividend income	616,841	449,908
Rent income	153,479	158,715
Foreign exchange gains	53,402	-
Other	26,346	25,907
Total non-operating income	861,900	643,860
Non-operating expenses		
Foreign exchange losses	-	105,177
Taxes and dues	11,596	16,731
Rent cost of real estate	16,463	15,768
Loss on investments in partnership	-	14,200
Other	348	1,411
Total non-operating expenses	28,408	153,288
Ordinary income	1,610,498	847,670
Extraordinary income		
Gain on sales of investment securities	-	3,035
Total extraordinary income	-	3,035
Extraordinary losses		
Loss on disposal of non-current assets	479	583
Provision for loss on business of subsidiaries and associates	168,000	85,000
Provision of allowance for doubtful accounts for subsidiaries and associates	-	81,899
Provision for loss on business liquidation	-	26,859
Loss on valuation of golf club membership	-	12,180
Provision of allowance for doubtful accounts of golf club membership	5,200	-
Total extraordinary losses	173,679	206,521
Income before income taxes	1,436,819	644,184
Income taxes-current	337,208	150,119
Income taxes-deferred	51,915	19,298
Total income taxes	389,124	169,417
Net income	1,047,695	474,766

(3) Statement of Changes in Equity

FY2014 (Apr. 1, 2014 – Mar. 31, 2015)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of current period	10,117,065	8,657,753	8,657,753	311,082	6,325,000	878,006	7,514,088
Cumulative effects of changes in accounting policies						100,698	100,698
Restated balance	10,117,065	8,657,753	8,657,753	311,082	6,325,000	978,705	7,614,787
Changes of items during period							
Dividends of surplus						(325,528)	(325,528)
Net income						1,047,695	1,047,695
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	-	722,166	722,166
Balance at end of current period	10,117,065	8,657,753	8,657,753	311,082	6,325,000	1,700,871	8,336,954

	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	(13,209)	26,275,697	318,521	318,521	26,594,219
Cumulative effects of changes in accounting policies		100,698			100,698
Restated balance	(13,209)	26,376,396	318,521	318,521	26,694,918
Changes of items during period					
Dividends of surplus		(325,528)			(325,528)
Net income		1,047,695			1,047,695
Purchase of treasury shares	(949)	(949)			(949)
Net changes of items other than shareholders' equity			353,752	353,752	353,752
Total changes of items during period	(949)	721,216	353,752	353,752	1,074,968
Balance at end of current period	(14,159)	27,097,613	672,273	672,273	27,769,887

FY2015 (Apr. 1, 2015 – Mar. 31, 2016)

(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	6,325,000	1,700,871	8,336,954
Cumulative effects of changes in accounting policies							
Restated balance	10,117,065	8,657,753	8,657,753	311,082	6,325,000	1,700,871	8,336,954
Changes of items during period							
Provision of general reserve					500,000	(500,000)	
Dividends of surplus						(697,536)	(697,536)
Net income						474,766	474,766
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	500,000	(722,769)	(222,769)
Balance at end of current period	10,117,065	8,657,753	8,657,753	311,082	6,825,000	978,102	8,114,184

	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	(14,159)	27,097,613	672,273	672,273	27,769,887
Cumulative effects of changes in accounting policies					
Restated balance	(14,159)	27,097,613	672,273	672,273	27,769,887
Changes of items during period					
Provision of general reserve					
Dividends of surplus		(697,536)			(697,536)
Net income		474,766			474,766
Purchase of treasury shares	(518)	(518)			(518)
Net changes of items other than shareholders' equity			(138,606)	(138,606)	(138,606)
Total changes of items during period	(518)	(223,288)	(138,606)	(138,606)	(361,894)
Balance at end of current period	(14,678)	26,874,324	533,667	533,667	27,407,992

8. Others

(1) Change in Representative Director

Not applicable.

(2) Changes in Other Board Members (Scheduled for June 29, 2016)

(a) Candidate for promoting director

Yoshikazu Soma	Current position: Director and General Manager of Administration Division New position: Managing Director and General Manager of Administration Division
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(b) Candidates for director

Koichi Saotome	Current position: General Manager of Automotive and Machinery Business Unit New position: Director and General Manager of Automotive and Machinery Business Unit
Yoichi Arai	The head of Arai Law Office New position: Director

Note: Mr. Yoichi Arai is a candidate to become outside director. Mr. Arai is currently an outside audit & supervisory board member of the Company. As specified by the Tokyo Stock Exchange, a notice has been submitted to the exchange that Mr. Arai is an independent corporate officer. If Mr. Arai is elected as an outside director, the Company plans to continue to submit a notice that he is an independent corporate officer.

(c) Retiring directors

Toshihiro Shimauchi	Current position: Senior Managing Director
Gerhard Lipski	Current position: Director
Yasuo Ueno	Current position: Director

(d) Retiring audit & supervisory board member

Yoichi Arai	Current position: Audit & Supervisory Board Member (part-time)
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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.