



May 8, 2017

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (FY2016)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section  
 Stock code: 6947 URL: <http://www.zuken.co.jp>  
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 Scheduled date of Annual General Shareholders' Meeting: June 29, 2017  
 Scheduled date of payment of dividend: June 30, 2017  
 Scheduled date of filing of Annual Securities Report: June 29, 2017  
 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, 2017 (Apr. 1, 2016 – Mar. 31, 2017)

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

Fiscal years ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Mar. 31, 2017	22,199	1.1	1,596	105.7	1,571	109.2	1,206	345.1
Mar. 31, 2016	21,952	3.1	775	(23.2)	751	(35.6)	270	(46.8)

Note: Comprehensive income (Millions of yen) Fiscal year ended Mar. 31, 2017: 524 (down 34.8%)  
 Fiscal year ended Mar. 31, 2016: 804 (down 3.7%)

Fiscal years ended	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Mar. 31, 2017	51.87	-	4.3	3.9	7.2
Mar. 31, 2016	11.65	-	1.0	1.9	3.5

Reference: Equity in earnings of associates (Millions of yen) Fiscal year ended Mar. 31, 2017: 1  
 Fiscal year ended Mar. 31, 2016: (23)

(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, 2017	40,530	28,535	69.3	1,208.84
As of Mar. 31, 2016	39,068	28,479	71.7	1,205.17

Reference: Shareholders' equity (Millions of yen) As of Mar. 31, 2017: 28,106 As of Mar. 31, 2016: 28,021

(3) Consolidated cash flows

Fiscal years ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Mar. 31, 2017	2,586	(595)	(482)	14,046
Mar. 31, 2016	299	(779)	(716)	12,671

### 2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Mar. 31, 2016	Yen -	Yen 20.00	Yen -	Yen 10.00	Yen 30.00	Millions of yen 697	% 257.5	% 2.5
Fiscal year ended Mar. 31, 2017	Yen -	Yen 10.00	Yen -	Yen 10.00	Yen 20.00	Millions of yen 465	% 38.6	% 1.7
Fiscal year ending Mar. 31, 2018 (forecast)	Yen -	Yen 10.00	Yen -	Yen 10.00	Yen 20.00		% 33.2	

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

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

(Percentages represent year-on-year changes)

Full year	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	24,000	8.1	1,900	19.0	2,000	27.2	1,400	16.1	60.21

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 14 for further information.

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2017: 23,267,169 shares As of Mar. 31, 2016: 23,267,169 shares

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

As of Mar. 31, 2017: 16,715 shares As of Mar. 31, 2016: 16,293 shares

(c) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2017: 23,250,749 shares Fiscal year ended Mar. 31, 2016: 23,251,092 shares

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

**Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (Apr. 1, 2016 – Mar. 31, 2017)**

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

Fiscal years ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Mar. 31, 2017	9,670	(8.6)	546	26.7	917	8.3	1,021	115.2
Mar. 31, 2016	10,575	0.1	431	(44.5)	847	(47.4)	474	(54.7)

Fiscal years ended	Net income per share	Diluted net income per share
	Yen	Yen
Mar. 31, 2017	43.94	-
Mar. 31, 2016	20.42	-

(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, 2017	33,120	28,281	85.4	1,216.40
As of Mar. 31, 2016	32,440	27,407	84.5	1,178.79

Reference: Shareholders' equity (Millions of yen) As of Mar. 31, 2017: 28,281 As of Mar. 31, 2016: 27,407

\* The current financial report is not subject to audit procedures.

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

Forecasts of future performance in this report are based on assumption judged to be valid information available to the Company's management at the time this report was prepared, but are not promises by the Company regarding future performance. Actual results may differ substantially from the forecasts for a number of reasons. Please refer to “1. Overview of Results of Operations, etc., (4) Outlook” on page 4 for forecast assumptions and notes of caution for usage.

## Contents of Attachments

1. Overview of Results of Operations, etc. ....	2
(1) Results of Operations .....	2
(2) Financial Position .....	3
(3) Cash Flows .....	3
(4) Outlook.....	4
2. Basic Approach for the Selection of Accounting Standards.....	4
3. Consolidated Financial Statements and Notes.....	5
(1) Consolidated Balance Sheet .....	5
(2) Consolidated Statements of Income and Comprehensive Income.....	7
Consolidated Statement of Income.....	7
Consolidated Statement of Comprehensive Income.....	8
(3) Consolidated Statement of Changes in Equity .....	9
(4) Consolidated Statement of Cash Flows .....	11
(5) Notes to Consolidated Financial Statements .....	12
Going Concern Assumption .....	12
Basis of Presenting the Consolidated Financial Statements .....	12
Changes in Accounting Policies .....	14
Additional Information .....	14
Notes to Consolidated Balance Sheet.....	15
Notes to Consolidated Statement of Income .....	15
Notes to Consolidated Statement of Comprehensive Income.....	16
Notes to Consolidated Statement of Changes in Equity .....	16
Notes to Consolidated Statement of Cash Flows.....	17
Financial Instruments .....	18
Marketable Securities .....	20
Segment Information.....	21
Per-share Information.....	23
Subsequent Events.....	23
Omission of Disclosure .....	23
4. Production, Orders and Sales.....	24
5. Non-consolidated Financial Statements .....	25
(1) Balance Sheet .....	25
(2) Statement of Income.....	27
(3) Statement of Changes in Equity .....	28

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

### (1) Results of Operations

In the fiscal year that ended on March 31, 2017, the outlook for the global economy remained uncertain. Although Japanese and overseas economies continued to recover gradually, there are concerns about the effects of the Britain's decision to leave the EU and the change of government in the United States.

In the electronic equipment, automotive and industrial equipment manufacturing sectors which are the major customer segments of the Zuken Group, although capital investment is showing signs of improvement, businesses in general continued to take cautious stance because of growing uncertainty over future economic outlook.

The Zuken Group took proactive actions during the fiscal year for developing and selling products and providing associated services with the goal of becoming a "truly global company" able to supply the best-in-class solutions to manufacturers worldwide. Our major actions during the current fiscal year were as follows.

#### (i) Design/Engineering Solutions

The CR-8000 Design Force electronics system design solution and the E3.series of electrical wire harness design solution are the major products in this category. Sales activities were stepped up for capturing orders from large automobile, aerospace and semiconductor companies in Europe and the United States. A long time is needed for these companies to place an order and start using new systems. These sales activities resulted in a number of new orders during the fiscal year. In addition, sales of Architecture Planner started. Designed for the automobile industry, this new product provides support for the initial and conceptual stages of designs, which play a critical role in the creation of competitive products.

New product development activities included measures to establish close links between the CR-8000 Design Force and the most advanced analytic tools. Providing these links makes it possible to use computers to easily verify design data in order to create an even more efficient environment for design work.

#### (ii) Design Data Management Solutions

The DS-2 design data management system is structured for compatibility with our mainstay electronics system design solution as well as with electrical wire harness design solution and the electronic design systems of other companies. Manufacturers need to utilize design data efficiently because of the large numbers of engineers required to create new products. This broad compatibility makes it possible to sell the DS-2 for use with many types of design systems in order to meet these needs of manufacturers. Sales activities have already produced significant results that are expected to lead to more sales growth. Most significantly, a multinational company in California's Silicon Valley has started using the DS-2 with the design systems of other companies.

The PLM (Product Lifecycle Management) platform PreSight visual BOM has a strengthened interface for seamless dataflow with manufacturing resource planning systems to enable production costs, procurement schedule and other relevant information to be examined at the design stage.

#### (iii) Other Activities

Network security sales are increasing along with the rapid growth in the volume of data stored in the cloud. Furthermore, there is strong demand for the engineer temporary staffing service, analysis and verification services, and other services because of the inability of manufacturers to recruit sufficient numbers of engineers.

#### Consolidated results

Net sales	22,199 million yen	(up 1.1% year on year)
Ordinary profit	1,571 million yen	(up 109.2% year on year)
Profit attributable to owners of parent	1,206 million yen	(up 345.1% year on year)

Fiscal year sales were higher than one year earlier despite the negative effect of the yen's appreciation on yen conversions of overseas sales. Higher sales of the E3.series of wiring solution systems and the DS-2 Design Data Management System in Europe and the United States contributed to sales growth. In Japan, network security sales increased.

Although there was a foreign exchange loss of 145 million yen, earnings were much higher than one year earlier because of the growth in sales and progress at group companies with becoming more profitable.

Sales by product category were as follows.

#### Sales by product

Printed Circuit Board design solutions	3,699 million yen	(down 6.1% year on year)
Circuit design and IC solutions	4,497 million yen	(down 1.1% year on year)
IT solutions	4,701 million yen	(up 5.1% year on year)
Client services	9,292 million yen	(up 3.4% 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	

## (2) Financial Position

Total assets at the end of the fiscal year under review increased 1,462 million yen from the end of the previous fiscal year to 40,530 million yen. The main factors were increases of 8,881 million yen in cash and deposits and 452 million yen in investment securities, while there were decreases of 7,476 million yen in securities and 550 million yen in net defined benefit asset.

Liabilities at the end of the fiscal year under review increased 1,405 million yen from the end of the previous fiscal year to 11,994 million yen. The main factors were increases of 741 million yen in advances received and 734 million yen in net defined benefit liability, while there was a decrease of 129 million yen in accounts payable-trade.

Net assets at the end of the fiscal year under review increased 56 million yen from the end of the previous fiscal year to 28,535 million yen and the shareholders' equity ratio was 69.3%.

## (3) Cash Flows

Cash and cash equivalents (hereafter "cash") at the end of the fiscal year under review increased 1,374 million yen over the end of the previous fiscal year to 14,046 million yen.

Cash flows by category were as follows.

#### Cash flows from operating activities

Net cash provided by operating activities increased 2,287 million yen from the previous fiscal year to 2,586 million yen. The main cash inflows were profit before income taxes of 1,432 million yen (a year-on-year increase of 715 million yen), depreciation of 653 million yen (a year-on-year decrease of 61 million yen), and an increase in net defined benefit asset or liability of 307 million yen (a decrease of 1,591 million yen in the previous fiscal year). The main cash outflows include a decrease in notes and accounts payable-trade of 199 million yen (an increase of 126 million yen in the previous fiscal year).

**Cash flows from investing activities**

Net cash used in investing activities decreased 183 million yen from the previous fiscal year to 595 million yen. The main cash outflows include purchase of non-current assets of 604 million yen (a year-on-year decrease of 69 million yen).

**Cash flows from financing activities**

Net cash used in financing activities decreased 234 million yen from the previous fiscal year to 482 million yen. This was mainly due to cash dividends paid of 465 million yen (a year-on-year decrease of 232 million yen).

Cash flow indicators were as follows:

Fiscal years ended	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Shareholders' equity ratio	70.3%	69.0%	71.7%	69.3%
Shareholders' equity ratio based on market prices	49.1%	60.0%	70.6%	78.2%
Interest-bearing debt to cash flow ratio	1.8%	2.5%	11.1%	0.9%
Interest coverage ratio	17,779.3	17,001.1	3,275.1	36,726.9

Calculation formula: Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

Notes: 1. All indicators are calculated based on consolidated figures.

2. Market capitalization is calculated based on the number of shares outstanding (excluding treasury shares).

3. Operating cash flows are calculated using the figures for operating cash flows on the consolidated statement of cash flows.

4. Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest.

**(4) Outlook**

The overall economic outlook is likely to become more uncertain as concerns rise over slowing economies in emerging countries and the direction of U.S. financial policies.

We anticipate more growth in the business domains where the Zuken Group can utilize its software technologies and other expertise. The main reasons are the increasing variety of products that are linked by the Internet of Things (IoT) and the outlook for rapid growth of markets associated with artificial intelligence.

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

We forecast net sales of 24,000 million yen, ordinary profit of 2,000 million yen, and profit attributable to owners of parent of 1,400 million yen in the fiscal year ending March 31, 2018.

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

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

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

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

## 3. Consolidated Financial Statements and Notes

## (1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY2015	FY2016
	(As of Mar. 31, 2016)	(As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	5,371,750	14,253,644
Notes and accounts receivable-trade	5,166,296	5,195,460
Securities	14,176,278	6,700,000
Merchandise and finished goods	250,812	285,834
Work in process	39,712	54,826
Raw materials and supplies	4,056	2,809
Deferred tax assets	340,642	407,384
Other	1,783,300	2,124,177
Allowance for doubtful accounts	(34,725)	(23,323)
Total current assets	27,098,122	29,000,814
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,276,977	9,274,513
Accumulated depreciation	(6,236,861)	(6,320,061)
Buildings and structures, net	3,040,116	2,954,451
Machinery, equipment and vehicles	87,238	86,037
Accumulated depreciation	(56,078)	(41,919)
Machinery, equipment and vehicles, net	31,159	44,117
Tools, furniture and fixtures	1,926,075	1,871,571
Accumulated depreciation	(1,595,498)	(1,522,083)
Tools, furniture and fixtures, net	330,577	349,488
Land	3,009,821	3,009,821
Leased assets	62,820	64,232
Accumulated depreciation	(31,222)	(42,599)
Leased assets, net	31,598	21,633
Total property, plant and equipment	6,443,272	6,379,512
Intangible assets		
Goodwill	972,798	790,754
Other	746,717	739,373
Total intangible assets	1,719,515	1,530,127
Investments and other assets		
Investment securities	2,242,835	2,695,806
Net defined benefit asset	550,487	-
Deferred tax assets	580,697	486,170
Other	450,319	453,294
Allowance for doubtful accounts	(17,240)	(15,032)
Total investments and other assets	3,807,100	3,620,238
Total non-current assets	11,969,889	11,529,879
Total assets	39,068,011	40,530,693

	(Thousands of yen)	
	FY2015	FY2016
	(As of Mar. 31, 2016)	(As of Mar. 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	953,098	823,903
Income taxes payable	236,091	250,629
Advances received	4,018,128	4,759,402
Provision for bonuses	784,217	793,761
Provision for directors' bonuses	18,000	38,400
Provision for loss on business liquidation	26,859	1,518
Other provision	11,402	9,047
Other	1,514,603	1,559,521
<b>Total current liabilities</b>	<b>7,562,401</b>	<b>8,236,184</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	2,771,814	3,506,552
Other	254,787	252,125
<b>Total non-current liabilities</b>	<b>3,026,601</b>	<b>3,758,678</b>
<b>Total liabilities</b>	<b>10,589,003</b>	<b>11,994,863</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,117,065	10,117,065
Capital surplus	8,657,753	8,657,736
Retained earnings	8,888,024	9,629,044
Treasury shares	(14,678)	(15,169)
<b>Total shareholders' equity</b>	<b>27,648,164</b>	<b>28,388,676</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	533,667	851,340
Foreign currency translation adjustment	48,758	(32,391)
Remeasurements of defined benefit plans	(209,334)	(1,101,576)
<b>Total accumulated other comprehensive income</b>	<b>373,091</b>	<b>(282,628)</b>
<b>Non-controlling interests</b>	<b>457,752</b>	<b>429,781</b>
<b>Total net assets</b>	<b>28,479,008</b>	<b>28,535,829</b>
<b>Total liabilities and net assets</b>	<b>39,068,011</b>	<b>40,530,693</b>

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

(Thousands of yen)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	21,952,240	22,199,168
Cost of sales	6,052,626	6,434,018
Gross profit	15,899,613	15,765,150
Selling, general and administrative expenses	15,123,754	14,168,911
Operating profit	775,859	1,596,238
Non-operating income		
Interest income	15,684	8,939
Dividend income	17,682	24,031
Rent income	51,242	42,383
Subsidy income	22,551	14,344
Share of profit of entities accounted for using equity method	-	1,475
Other	21,547	31,113
Total non-operating income	128,708	122,288
Non-operating expenses		
Foreign exchange losses	113,057	145,260
Share of loss of entities accounted for using equity method	23,890	-
Other	16,356	1,545
Total non-operating expenses	153,304	146,805
Ordinary profit	751,263	1,571,721
Extraordinary income		
Gain on sales of non-current assets	7,201	5,648
Gain on sales of investment securities	19,967	6,440
Total extraordinary income	27,169	12,089
Extraordinary losses		
Loss on disposal of non-current assets	1,515	4,120
Loss on litigation	-	89,154
Loss on liquidation of business	-	57,791
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	-
Total extraordinary losses	61,554	151,065
Profit before income taxes	716,877	1,432,745
Income taxes-current	445,798	345,986
Income taxes-deferred	(23,234)	(92,993)
Total income taxes	422,564	252,993
Profit	294,313	1,179,751
Profit (loss) attributable to non-controlling interests	23,379	(26,285)
Profit attributable to owners of parent	270,933	1,206,037

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY2015	FY2016
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Profit	294,313	1,179,751
Other comprehensive income		
Valuation difference on available-for-sale securities	(138,606)	317,672
Foreign currency translation adjustment	(30,767)	(80,436)
Remeasurements of defined benefit plans, net of tax	679,023	(892,242)
Share of other comprehensive income of entities accounted for using equity method	184	(713)
Total other comprehensive income	509,834	(655,720)
Comprehensive income	804,148	524,031
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	780,768	550,317
Comprehensive income attributable to non-controlling interests	23,379	(26,285)

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

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
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-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	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

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

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

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

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

(Thousands of yen)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	716,877	1,432,745
Depreciation	714,494	653,205
Amortization of goodwill	139,235	153,520
Interest and dividend income	(33,367)	(32,971)
Foreign exchange losses (gains)	5,185	43,089
Share of (profit) loss of entities accounted for using equity method	23,890	(1,475)
Loss (gain) on valuation of investment securities	20,999	-
Loss (gain) on sales of investment securities	(19,967)	(6,440)
Loss on liquidation of business	-	57,791
Decrease (increase) in notes and accounts receivable-trade	468,216	(79,742)
Increase (decrease) in notes and accounts payable-trade	126,252	(199,708)
Increase (decrease) in net defined benefit asset or liability	(1,591,996)	307,193
Other, net	304,675	607,096
Subtotal	874,497	2,934,303
Interest and dividend income received	33,403	33,560
Interest expenses paid	(91)	(70)
Income taxes paid	(608,281)	(323,290)
Payments for loss on liquidation of business	-	(57,791)
Net cash provided by (used in) operating activities	299,526	2,586,712
Cash flows from investing activities		
Decrease (increase) in time deposits	(22,500)	(17,100)
Proceeds from redemption of securities	3,480	-
Purchase of property, plant and equipment	(301,652)	(280,699)
Purchase of intangible assets	(372,003)	(323,482)
Proceeds from sales and redemption of investment securities	21,562	11,210
Payments for transfer of business	(127,935)	-
Other, net	19,680	14,404
Net cash provided by (used in) investing activities	(779,367)	(595,665)
Cash flows from financing activities		
Purchase of treasury shares	(518)	(491)
Cash dividends paid	(697,536)	(465,017)
Other, net	(18,676)	(16,507)
Net cash provided by (used in) financing activities	(716,731)	(482,016)
Effect of exchange rate change on cash and cash equivalents	(177,922)	(134,146)
Net increase (decrease) in cash and cash equivalents	(1,374,494)	1,374,884
Cash and cash equivalents at beginning of period	14,046,366	12,671,871
Cash and cash equivalents at end of period	12,671,871	14,046,756

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

Not applicable.

**Basis of Presenting the Consolidated Financial Statements**

## 1. Scope of consolidation

## (1) Number of consolidated subsidiaries: 20

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

## (2) Number of non-consolidated subsidiaries: 2 (Zuken Bremen GmbH &amp; Co. KG and 1 other company)

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

## 2. Application of equity method

## (1) Number of non-consolidated subsidiaries accounted for under the equity method: 1 (Zuken Bremen GmbH &amp; Co. KG)

## (2) Number of non-consolidated subsidiaries not accounted for under the equity method: 1 (Zuken Bremen Verwaltungs GmbH)

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

## (3) The fiscal year-end of Zuken Bremen GmbH &amp; Co. KG is different from the fiscal year-end for the consolidated financial statements. ZUKEN Inc. (the "Company") prepares provisional accounts for Zuken Bremen GmbH &amp; 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

## Available-for-sale securities

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

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

## (b) Inventories

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

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

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

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

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

(2) Depreciation and amortization of significant depreciable assets

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

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

Estimated useful lives of principle assets are as follows:

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

(b) Intangible assets (excluding leased assets)

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

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

(c) Leased assets

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

(3) Recognition of significant allowances

(a) Allowance for doubtful accounts

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

(b) Provision for bonuses

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

(c) Provision for directors' bonuses

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

(d) Provision for loss on business liquidation

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

(4) Accounting for retirement benefit

(a) Allocation method for the estimated retirement benefit obligations

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

(b) Accounting for actuarial gain or loss

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

(5) Recognition of significant income and expenses

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

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

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

(b) Other contracted works

The completed-contract standard.

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

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

(7) Amortization method and amortization period of goodwill

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

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

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

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

(a) Accounting for consumption taxes, etc.

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

### **Changes in Accounting Policies**

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

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

The effect of this change on the consolidated financial statements is insignificant.

### **Additional Information**

#### Application of Implementation Guidance on Recoverability of Deferred Tax Assets

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

**Notes to Consolidated Balance Sheet**

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

	(Thousands of yen)	
	FY2015	FY2016
	(As of Mar. 31, 2016)	(As of Mar. 31, 2017)
Other (Investments in capital)	12,399	14,815

**Notes to Consolidated Statement of Income**

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

	(Thousands of yen)	
	FY2015	FY2016
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Salaries and allowances	5,201,732	4,870,762
Depreciation	611,642	542,321
Provision for bonuses	487,804	468,517
Provision for directors' bonuses	18,000	38,400
Retirement benefit expenses	495,393	377,543
Research and development expenses	3,367,298	3,433,541

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

	(Thousands of yen)	
	FY2015	FY2016
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
	3,367,298	3,433,541

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

	(Thousands of yen)	
	FY2015	FY2016
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Vehicles	7,064	5,442
Tools, furniture and fixtures, and others	137	206
Total	7,201	5,648

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

	(Thousands of yen)	
	FY2015	FY2016
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Buildings, etc.	29	2,241
Tools, furniture and fixtures, and others	1,486	1,879
Total	1,515	4,120

**Notes to Consolidated Statement of Comprehensive Income**

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

(Thousands of yen)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Valuation difference on available-for-sale securities:		
Amount incurred during the period	(231,384)	452,485
Re-classification adjustments	(3,035)	5,256
Before tax effect adjustments	(234,419)	457,741
Tax effect	95,813	(140,068)
Valuation difference on available-for-sale securities	(138,606)	317,672
Foreign currency translation adjustment:		
Amount incurred during the period	(30,767)	(80,436)
Remeasurements of defined benefit plans, net of tax:		
Amount incurred during the period	409,755	(1,057,498)
Re-classification adjustments	289,728	179,626
Before tax effect adjustments	699,484	(877,871)
Tax effect	(20,460)	(14,370)
Remeasurements of defined benefit plans, net of tax	679,023	(892,242)
Share of other comprehensive income of entities accounted for using equity method:		
Amount incurred during the period	184	(713)
Total other comprehensive income	509,834	(655,720)

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

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

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

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

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

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

## 2. Dividends

## (1) Dividend payment

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

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

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

**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)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Cash and deposits	5,371,750	14,253,644
Short-term investments included in securities account	7,476,278	-
Time deposit with maturities over three months	(176,156)	(206,888)
Cash and cash equivalents	12,671,871	14,046,756

**Financial Instruments**

## 1. Conditions of financial instruments

## (1) Policy for handling financial instruments

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

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

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

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

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

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

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

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

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

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	-

FY2016 (As of Mar. 31, 2017)

(Thousands of yen)

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

## 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)	
	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
Unlisted stocks	292,500	292,500

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

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

## 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	-	-	-

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

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

**Marketable Securities**

## 1. Available-for-sale securities

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.

FY2016 (As of Mar. 31, 2017)

(Thousands of yen)

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

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

## 2. Available-for-sale securities sold

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	-

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

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

## 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 periodically evaluate its performance.

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

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

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

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

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

Intersegment sales or transfers are based on market price.

3. Information about net sales, profit or loss, segment assets, and other material items for each reportable segment  
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	13,694	7,868	716,088	(1,593)	714,494
Amortization of goodwill	22,355	102,583	14,296	-	139,235	-	139,235
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	42,402	19,213	710,899	-	710,899

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 profit in the consolidated statement of income.

## FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

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

Notes: 1. Contents of adjustments are as follows.

- (1) Adjustment amount in segment profit includes amount of 46,628 thousand yen eliminated for intersegment transactions.
  - (2) Adjustment amount in segment assets includes amount of -4,430,563 thousand yen eliminated for intersegment transactions and total company assets of 18,779,845 thousand yen. The total company assets are mainly composed of surplus funds (deposits and marketable securities), and long-term invested assets (investment securities) of the Company.
2. Segment profit is adjusted with operating profit in the consolidated statement of income.

**Per-share Information**

(Yen)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	1,205.17	1,208.84
Net income per share	11.65	51.87

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

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	270,933	1,206,037
Amount not available to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Thousands of yen)	270,933	1,206,037
Average number of shares outstanding during period (Shares)	23,251,092	23,250,749

**Subsequent Events**

Not applicable.

**Omission of Disclosure**

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

#### 4. Production, Orders and Sales

##### (1) Sales and Orders

###### (a) Sales

(Thousands of yen)

Segment	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)		FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	14,960,942	68.2	15,556,406	70.1
Europe	4,339,775	19.8	3,965,263	17.9
Americas	1,182,922	5.4	1,426,008	6.4
Asia	1,468,600	6.6	1,251,490	5.6
Total	21,952,240	100.0	22,199,168	100.0

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

(Thousands of yen)

Segment	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)		FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	15,524,833	5,294,694	15,913,864	5,652,153
Europe	4,412,634	1,419,997	4,049,532	1,403,369
Americas	1,311,854	783,852	1,739,386	1,104,837
Asia	1,396,501	351,067	1,479,397	605,164
Total	22,645,823	7,849,611	23,182,181	8,765,524

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	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)		FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	3,940,439	18.0	3,699,747	16.7
Circuit design and IC solutions	4,545,666	20.7	4,497,482	20.3
IT solutions	4,471,949	20.4	4,701,900	21.2
Client services	8,986,267	40.9	9,292,233	41.8
Others	7,916	0.0	7,804	0.0
Total	21,952,240	100.0	22,199,168	100.0

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

(Thousands of yen)

Product category	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)		FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	3,914,444	653,599	3,728,014	674,046
Circuit design and IC solutions	4,716,222	813,040	4,518,406	824,325
IT solutions	4,557,479	639,214	4,636,629	575,149
Client services	9,450,442	5,743,758	10,291,326	6,692,002
Others	7,234	-	7,804	-
Total	22,645,823	7,849,611	23,182,181	8,765,524

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	

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

	(Thousands of yen)	
	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	1,095,997	9,387,538
Notes receivable-trade	160,149	101,209
Accounts receivable-trade	2,623,807	2,358,465
Securities	14,113,086	6,700,000
Inventories	31,298	38,994
Deferred tax assets	177,792	248,064
Other	214,915	242,866
Allowance for doubtful accounts	(270)	(490)
Total current assets	18,416,777	19,076,649
Non-current assets		
Property, plant and equipment		
Buildings	2,908,577	2,833,913
Structures	42,824	39,791
Vehicles	5,692	13,006
Tools, furniture and fixtures	110,691	100,117
Land	3,009,559	3,009,559
Leased assets	8,012	920
Total property, plant and equipment	6,085,357	5,997,308
Intangible assets		
Other	691,255	405,130
Total intangible assets	691,255	405,130
Investments and other assets		
Investment securities	2,239,335	2,692,306
Shares of subsidiaries and associates	917,593	1,142,963
Investments in capital of subsidiaries and associates	2,429,229	2,429,229
Long-term loans receivable from subsidiaries and associates	84,510	63,106
Long-term trade accounts receivables from subsidiaries	865,380	665,951
Deferred tax assets	459,162	349,810
Other	348,872	369,920
Allowance for doubtful accounts	(97,289)	(72,102)
Total investments and other assets	7,246,795	7,641,186
Total non-current assets	14,023,409	14,043,626
Total assets	32,440,186	33,120,275

	(Thousands of yen)	
	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	584,537	522,754
Accounts payable-other	554,969	457,181
Income taxes payable	59,569	37,596
Advances received	590,742	635,742
Provision for bonuses	320,042	316,395
Provision for directors' bonuses	14,500	31,400
Provision for loss on business liquidation	26,609	1,518
Other	194,489	170,209
<b>Total current liabilities</b>	<b>2,345,460</b>	<b>2,172,798</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	2,265,360	2,282,981
Provision for loss on business of subsidiaries and associates	302,000	275,000
Long-term accounts payable-other	104,850	96,850
Other	14,523	10,840
<b>Total non-current liabilities</b>	<b>2,686,733</b>	<b>2,665,672</b>
<b>Total liabilities</b>	<b>5,032,194</b>	<b>4,838,470</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,117,065	10,117,065
<b>Capital surplus</b>		
Legal capital surplus	8,657,753	8,657,753
<b>Total capital surpluses</b>	<b>8,657,753</b>	<b>8,657,753</b>
<b>Retained earnings</b>		
Legal retained earnings	311,082	311,082
<b>Other retained earnings</b>		
General reserve	6,825,000	6,825,000
Retained earnings brought forward	978,102	1,534,733
<b>Total retained earnings</b>	<b>8,114,184</b>	<b>8,670,816</b>
Treasury shares	(14,678)	(15,169)
<b>Total shareholders' equity</b>	<b>26,874,324</b>	<b>27,430,465</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	533,667	851,340
<b>Total valuation and translation adjustments</b>	<b>533,667</b>	<b>851,340</b>
<b>Total net assets</b>	<b>27,407,992</b>	<b>28,281,805</b>
<b>Total liabilities and net assets</b>	<b>32,440,186</b>	<b>33,120,275</b>

**(2) Statement of Income**

(Thousands of yen)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	10,575,169	9,670,525
Cost of sales	2,974,386	2,886,266
Gross profit	7,600,782	6,784,259
Selling, general and administrative expenses	7,169,251	6,237,578
Operating profit	431,531	546,680
Non-operating income		
Interest income	552	1,112
Interest on securities	8,776	2,645
Dividend income	449,908	393,187
Rent income	158,715	156,248
Other	25,907	52,232
Total non-operating income	643,860	605,425
Non-operating expenses		
Foreign exchange losses	105,177	139,200
Rent cost of real estate	90,200	94,723
Taxes and dues	16,731	-
Loss on investments in partnership	14,200	-
Other	1,411	479
Total non-operating expenses	227,721	234,403
Ordinary profit	847,670	917,703
Extraordinary income		
Gain on sales of non-current assets	-	1,787
Gain on sales of investment securities	3,035	5,256
Reversal of provision for loss on business of subsidiaries and associates	-	27,000
Reversal of allowance for doubtful account for affiliates	-	22,979
Total extraordinary income	3,035	57,022
Extraordinary losses		
Loss on disposal of non-current assets	583	2,029
Provision for loss on business of subsidiaries and associates	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	-
Total extraordinary losses	206,521	2,029
Profit before income taxes	644,184	972,695
Income taxes-current	150,119	52,035
Income taxes-deferred	19,298	(100,989)
Total income taxes	169,417	(48,953)
Profit	474,766	1,021,649

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

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
Changes of items during period							
Provision of general reserve					500,000	(500,000)	
Dividends of surplus						(697,536)	(697,536)
Profit						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
Changes of items during period					
Provision of general reserve					
Dividends of surplus		(697,536)			(697,536)
Profit		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

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

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

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

*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.*