



November 7, 2016

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2017 (FY2016)
(Six Months Ended September 30, 2016)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section
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Scheduled date of filing of Quarterly Report: November 7, 2016
Scheduled date of payment of dividend: December 2, 2016
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2016 (Apr. 1, 2016–Sep. 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Sep. 30, 2016	9,928	(2.4)	309	94.9	185	(5.3)	89	83.4
Sep. 30, 2015	10,174	7.3	158	-	195	305.6	48	-

Note: Comprehensive income (Millions of yen) Six months ended Sep. 30, 2016: (169) (n.a.)
Six months ended Sep. 30, 2015: 89 (up 771.0%)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
Sep. 30, 2016	3.84	-
Sep. 30, 2015	2.10	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2016	38,555	28,075	71.8
As of Mar. 31, 2016	39,068	28,479	71.7

Reference: Shareholders' equity (Millions of yen) As of Sep. 30, 2016: 27,664 As of Mar. 31, 2016: 28,021

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	20.00	-	10.00	30.00
Fiscal year ending Mar. 31, 2017	-	10.00	-	-	-
Fiscal year ending Mar. 31, 2017 (forecast)	-	-	-	10.00	20.00

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

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

*** Notes**

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

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

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

- | | |
|--------------------------------------------------------------------------------------|------|
| (a) Changes in accounting policies due to revisions in accounting standards, others: | 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 “2. Matters Related to Summary Information (Notes) (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements” on page 3 for further information.

(4) Number of outstanding shares (common stock)

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

As of Sep. 30, 2016:	23,267,169 shares	As of Mar. 31, 2016:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Sep. 30, 2016:	16,303 shares	As of Mar. 31, 2016:	16,293 shares
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(c) Average number of shares outstanding during the period

Six months ended Sep. 30, 2016:	23,250,874 shares	Six months ended Sep. 30, 2015:	23,251,231 shares
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* Information regarding the implementation of quarterly review procedures

The current quarterly financial statements in this report are exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for these quarterly 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 “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 2 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	2
2. Matters Related to Summary Information (Notes)	3
(1) Changes in Significant Subsidiaries during the Period	3
(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	3
(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements	3
(4) Additional Information	3
3. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	6
Quarterly Consolidated Statement of Comprehensive Income	7
(3) Quarterly Consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Segment Information	9
4. Supplementary Information	10
(1) Sales and Orders	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the fiscal year ending on March 31, 2017, the outlook for the global economy remained uncertain. Although the U.S. and Japanese economies continued to recover gradually, there are concerns about the effects of the U. K. leaving the EU and slowing economic growth in China and emerging Asian countries. In the electronic equipment, automotive and industrial equipment manufacturing sectors which are the major customer segments of the Zuken Group, businesses in certain industries seemed to be holding down capital investment because of uncertainty over future economic outlook.

Net sales in the first half were 9,928 million yen, marginally (2.4%) lower than one year earlier. This is mainly because yen-denominated sales were lower due to the recent appreciation of the yen. However, sales in local currencies were strong as sales of E3.series of wiring solution systems for transportation equipment increased.

Strong sales lifted operating income. Profit attributable to owners of parent was also on the rising trend, increasing 83.4% compared with one year earlier to 89 million yen. Despite a foreign exchange loss of 179 million yen, ordinary income at 185 million yen (down 5.3% year on year) was almost unchanged from one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the fiscal year under review decreased 512 million yen from the end of the previous fiscal year to 38,555 million yen.

Current assets decreased 39 million yen. The main factors were decreases of 3,714 million yen in securities and 1,540 million yen in notes and accounts receivable-trade, while there was an increase of 4,719 million yen in cash and deposits. Non-current assets decreased 472 million yen. The main factors were decreases of 200 million yen in investments and other assets and 158 million yen in intangible assets.

Total liabilities decreased 108 million yen from the end of the previous fiscal year to 10,480 million yen. Current liabilities decreased 137 million yen. The main factors were decreases of 458 million yen in accounts payable-trade, and 254 million yen in other current liabilities mainly due to a decrease in accounts payable-other, while there was a 685 million yen increase in advances received. Non-current liabilities increased 28 million yen, mainly due to an increase in net defined benefit liability.

Net assets decreased 403 million yen from the end of the previous fiscal year to 28,075 million yen, and the shareholders' equity ratio was 71.8%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2017 that was released on May 9, 2016. Many of the Zuken Group's customers use a fiscal year that ends in March. As a result, a large percentage of the deliveries and final acceptances of our products occur in March each year. Consequently, sales and profits tend to be disproportionately concentrated in the fourth quarter in each fiscal year.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

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 first quarter of 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.

This change has no effect on the results of operations.

(4) Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

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

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY2015	Second quarter of FY2016
	(As of Mar. 31, 2016)	(As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	5,371,750	10,091,422
Notes and accounts receivable-trade	5,166,296	3,626,022
Securities	14,176,278	10,461,481
Merchandise and finished goods	250,812	261,178
Work in process	39,712	258,868
Raw materials and supplies	4,056	3,638
Other	2,123,942	2,382,114
Allowance for doubtful accounts	(34,725)	(26,391)
Total current assets	27,098,122	27,058,334
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,040,116	2,956,982
Land	3,009,821	3,009,821
Other, net	393,335	363,046
Total property, plant and equipment	6,443,272	6,329,849
Intangible assets		
Goodwill	972,798	836,936
Other	746,717	723,799
Total intangible assets	1,719,515	1,560,736
Investments and other assets	3,807,100	3,606,679
Total non-current assets	11,969,889	11,497,265
Total assets	39,068,011	38,555,600

	(Thousands of yen)	
	FY2015 (As of Mar. 31, 2016)	Second quarter of FY2016 (As of Sep. 30, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	953,098	494,937
Income taxes payable	236,091	196,928
Advances received	4,018,128	4,703,375
Provision for bonuses	784,217	759,300
Provision for directors' bonuses	18,000	-
Provision for loss on business liquidation	26,859	1,411
Other provision	11,402	8,676
Other	1,514,603	1,260,223
Total current liabilities	7,562,401	7,424,853
Non-current liabilities		
Net defined benefit liability	2,771,814	2,836,042
Other	254,787	219,382
Total non-current liabilities	3,026,601	3,055,424
Total liabilities	10,589,003	10,480,278
Net assets		
Shareholders' equity		
Capital stock	10,117,065	10,117,065
Capital surplus	8,657,753	8,657,736
Retained earnings	8,888,024	8,744,910
Treasury shares	(14,678)	(14,688)
Total shareholders' equity	27,648,164	27,505,024
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	533,667	630,331
Foreign currency translation adjustment	48,758	(170,080)
Remeasurements of defined benefit plans	(209,334)	(300,593)
Total accumulated other comprehensive income	373,091	159,657
Non-controlling interests	457,752	410,640
Total net assets	28,479,008	28,075,321
Total liabilities and net assets	39,068,011	38,555,600

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

(Thousands of yen)

	First six months of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)
Net sales	10,174,535	9,928,196
Cost of sales	2,658,044	2,593,751
Gross profit	7,516,491	7,334,445
Selling, general and administrative expenses	7,357,821	7,025,238
Operating income	158,669	309,207
Non-operating income		
Interest income	7,051	3,545
Dividend income	9,853	15,307
Rent income	26,172	20,961
Other	21,382	24,249
Total non-operating income	64,459	64,064
Non-operating expenses		
Foreign exchange losses	3,347	179,006
Share of loss of entities accounted for using equity method	14,264	7,805
Other	9,786	1,028
Total non-operating expenses	27,398	187,840
Ordinary income	195,730	185,431
Extraordinary income		
Gain on sales of non-current assets	4,051	1,852
Gain on sales of investment securities	16,932	852
Total extraordinary income	20,983	2,704
Extraordinary losses		
Loss on disposal of non-current assets	496	633
Loss on liquidation of business	-	57,479
Loss on valuation of golf club membership	10,530	-
Total extraordinary losses	11,026	58,113
Profit before income taxes	205,686	130,022
Income taxes-current	223,417	126,810
Income taxes-deferred	(80,289)	(40,755)
Total income taxes	143,127	86,055
Profit	62,558	43,967
Profit (loss) attributable to non-controlling interests	13,822	(45,427)
Profit attributable to owners of parent	48,736	89,395

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

	(Thousands of yen)	
	First six months of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)
Profit	62,558	43,967
Other comprehensive income		
Valuation difference on available-for-sale securities	81,925	96,663
Foreign currency translation adjustment	(111)	(217,599)
Remeasurements of defined benefit plans, net of tax	(55,909)	(91,259)
Share of other comprehensive income of entities accounted for using equity method	1,243	(1,238)
Total other comprehensive income	27,147	(213,434)
Comprehensive income	89,706	(169,466)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	75,884	(124,038)
Comprehensive income attributable to non-controlling interests	13,822	(45,427)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)
Cash flows from operating activities		
Profit before income taxes	205,686	130,022
Depreciation	354,461	321,234
Decrease (increase) in notes and accounts receivable-trade	1,934,050	1,404,689
Increase (decrease) in notes and accounts payable-trade	(560,576)	(628,675)
Increase (decrease) in net defined benefit asset or liability	79,011	160,161
Other, net	(240,855)	606,481
Subtotal	1,771,777	1,993,915
Interest and dividend income received	18,264	19,980
Interest expenses paid	(47)	(36)
Income taxes paid	(397,873)	(176,235)
Payments for loss on liquidation of business	-	(57,479)
Net cash provided by (used in) operating activities	1,392,121	1,780,144
Cash flows from investing activities		
Decrease (increase) in time deposits	-	(109,500)
Purchase of property, plant and equipment	(81,735)	(73,002)
Purchase of intangible assets	(142,694)	(150,607)
Payments for transfer of business	(37,980)	-
Other, net	33,686	4,038
Net cash provided by (used in) investing activities	(228,723)	(329,071)
Cash flows from financing activities		
Cash dividends paid	(232,513)	(232,508)
Other, net	(11,222)	(7,548)
Net cash provided by (used in) financing activities	(243,735)	(240,056)
Effect of exchange rate change on cash and cash equivalents	77,621	(309,950)
Net increase (decrease) in cash and cash equivalents	997,283	901,065
Cash and cash equivalents at beginning of period	14,046,366	12,671,871
Cash and cash equivalents at end of period	15,043,649	13,572,936

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information

Segment Information

I. First six months of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)

Information about reportable segment net sales and profit or loss (Thousands of yen)

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the quarterly consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Sales to third parties	6,972,501	1,970,269	560,149	671,614	10,174,535	-	10,174,535
Intersegment sales or transfers	550,195	364,399	31,071	48,042	993,708	(993,708)	-
Total	7,522,697	2,334,669	591,221	719,656	11,168,243	(993,708)	10,174,535
Segment profit (loss)	388,593	(265,631)	(104,285)	199,661	218,337	(59,668)	158,669

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -59,668 thousand yen eliminated for intersegment transactions.

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

II. First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)

Information about reportable segment net sales and profit or loss (Thousands of yen)

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the quarterly consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Sales to third parties	6,855,828	1,765,698	613,903	692,766	9,928,196	-	9,928,196
Intersegment sales or transfers	363,359	359,671	34,848	46,302	804,182	(804,182)	-
Total	7,219,188	2,125,369	648,751	739,069	10,732,379	(804,182)	9,928,196
Segment profit (loss)	175,976	(84,587)	(35,349)	228,034	284,073	25,133	309,207

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

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

4. Supplementary Information

(1) Sales and Orders

(a) Sales

(Thousands of yen)

Segment	First six months of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)		First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	6,972,501	68.5	6,855,828	69.1
Europe	1,970,269	19.4	1,765,698	17.8
Americas	560,149	5.5	613,903	6.2
Asia	671,614	6.6	692,766	6.9
Total	10,174,535	100.0	9,928,196	100.0

(b) Orders received and order backlog

(Thousands of yen)

Segment	First six months of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)		First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	8,128,442	5,886,743	7,976,798	6,415,665
Europe	1,675,344	1,142,960	1,602,872	1,089,162
Americas	276,686	426,575	554,667	646,545
Asia	814,372	590,382	677,465	318,669
Total	10,894,846	8,046,662	10,811,804	8,470,043

Notes: 1. Intersegment transactions have been eliminated.

2. The above amounts are based on selling prices and the amounts do not include consumption taxes.

(Reference) Results by product category are as follows.

(a) Sales

(Thousands of yen)

Product category	First six months of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)		First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	1,824,107	17.9	1,727,983	17.4
Circuit design and IC solutions	2,034,262	20.0	1,907,820	19.2
IT solutions	1,866,436	18.3	1,743,341	17.6
Client services	4,447,861	43.8	4,548,336	45.8
Others	1,867	0.0	715	0.0
Total	10,174,535	100.0	9,928,196	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	First six months of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)		First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	1,826,096	698,522	1,738,627	635,560
Circuit design and IC solutions	2,360,155	987,459	2,215,856	1,085,833
IT solutions	2,345,219	1,029,834	2,225,923	1,118,683
Client services	4,361,687	5,330,343	4,630,065	5,629,350
Others	1,688	502	1,330	615
Total	10,894,846	8,046,662	10,811,804	8,470,043

Notes: 1. The above amounts are based on selling prices and the amounts do not include consumption taxes.

2. Names of major products by product category are as follows.

Major products of Printed Circuit Board design solutions	CR-8000 Design Force CR-8000 DFM Center	CR-5000 Board Designer
Major products of Circuit design and IC solutions	CR-8000 Design Gateway CR-8000 System Planner Architecture Planner E3.series Cabling Designer Harness Designer	CR-5000 System Designer
Major products of IT solutions	PreSight visual BOM DS-2 DS-2 Espresso	

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.