



August 6, 2018

**Summary of Consolidated Financial Results**  
**for the First Quarter of Fiscal Year Ending March 31, 2019 (FY2018)**  
**(Three Months Ended June 30, 2018)**

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section  
 Stock code: 6947 URL: <http://www.zuken.co.jp>  
 Representative: Makoto Kaneko, President and Representative Director  
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 Scheduled date of filing of Quarterly Report: August 8, 2018  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: None  
 Holding of quarterly financial results meeting: None

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

**1. Consolidated Financial Results for the First Quarter Ended June 30, 2018 (Apr. 1, 2018 – Jun. 30, 2018)**

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Jun. 30, 2018	5,640	16.3	297	814.6	345	358.6	254	868.1
Jun. 30, 2017	4,849	5.7	32	-	75	-	26	-

Note: Comprehensive income (Millions of yen) Three months ended Jun. 30, 2018: 529 (up 99.0%)

Three months ended Jun. 30, 2017: 265 (n.a.)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Three months ended				
Jun. 30, 2018	10.93	-	-	-
Jun. 30, 2017	1.13	-	-	-

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	%	%
As of Jun. 30, 2018	43,724	30,780	30,780	30,547	69.5	69.0
As of Mar. 31, 2018	43,647	30,547	30,547	30,119	69.0	69.0

Reference: Shareholders' equity (Millions of yen) As of Jun. 30, 2018: 30,387 As of Mar. 31, 2018: 30,119

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	10.00	-	12.00	22.00
Fiscal year ending Mar. 31, 2019	-	-	-	-	-
Fiscal year ending Mar. 31, 2019 (forecast)	-	12.00	-	12.00	24.00

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

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
Full year	25,500	8.1	2,500	23.4	2,600	22.9	1,800	19.1	77.42	77.42

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

**\* Notes**

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

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

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

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

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

(c) Changes in accounting-based estimates: None

(d) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Jun. 30, 2018:	23,267,169 shares	As of Mar. 31, 2018:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Jun. 30, 2018:	17,087 shares	As of Mar. 31, 2018:	17,057 shares
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(c) Average number of shares outstanding during the period

Three months ended Jun. 30, 2018:	23,250,089 shares	Three months ended Jun. 30, 2017:	23,250,395 shares
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\* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

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

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first quarter of the fiscal year ending on March 31, 2019, gradual economic recoveries continued to take place in Japan, Europe and the United States. However, the overall outlook remained uncertain because of concerns about U.S. economic policies, slowing economic growth in emerging Asian countries and other reasons. In the electronic equipment, automotive and industrial equipment manufacturing sectors, which are the major customer segments of the Zuken Group, although companies in certain industries continue to hold down capital investment, there are clear signs of a recovery backed by recovering corporate earnings.

Net sales in the first quarter were 5,640 million yen, 16.3% higher than one year earlier. One reason was the growth in sales of IT solutions due to strong sales of our DS-CR design data management system and PLM (Product Lifecycle Management) platform PreSight visual BOM. Higher sales of Circuit design solutions led by the E3.series of wire harness design systems also contributed to the first quarter sales growth.

Earnings increased significantly due to the growth in sales. Ordinary profit was 345 million yen, 358.6% higher than one year earlier, and profit attributable to owners of parent was 254 million yen, 868.1% higher than one year earlier.

### (2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year increased 76 million yen from the end of the previous fiscal year to 43,724 million yen.

Current assets decreased 26 million yen. The main factors include a decrease of 1,595 million yen in notes and accounts receivable-trade and an increase of 1,140 million yen in cash and deposits. Non-current assets increased 102 million yen. The main factors include an increase of 185 million yen in investments and other assets and a decrease of 74 million yen in intangible assets.

Total liabilities decreased 156 million yen from the end of the previous fiscal year to 12,943 million yen. Current liabilities decreased 180 million yen. The main factors include decreases of 476 million yen in income taxes payable and 355 million yen in provision for bonuses, while there was an increase of 849 million yen in advances received. Non-current liabilities increased 24 million yen mainly due to an increase in net defined benefit liability.

Net assets increased 233 million yen from the end of the previous fiscal year to 30,780 million yen, and the shareholders' equity ratio was 69.5%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2019 that was released on May 7, 2018. Many of the Zuken Group's customers use a fiscal year that ends in March. As a result, a large percentage of the deliveries and final acceptances of our products occur in March each year. Consequently, sales and profits tend to be disproportionately concentrated in the fourth quarter in each fiscal year.

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

	(Thousands of yen)	
	FY2017 (As of Mar. 31, 2018)	First quarter of FY2018 (As of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	16,868,686	18,009,114
Notes and accounts receivable-trade	5,375,965	3,780,362
Securities	6,700,000	6,700,000
Merchandise and finished goods	269,857	274,469
Work in process	95,659	225,119
Raw materials and supplies	3,908	4,214
Other	2,172,359	2,464,847
Allowance for doubtful accounts	(44,416)	(42,272)
Total current assets	31,442,019	31,415,854
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,889,876	2,857,121
Land	3,015,103	3,015,103
Other, net	455,438	480,538
Total property, plant and equipment	6,360,419	6,352,763
Intangible assets		
Goodwill	661,482	617,699
Other	699,954	669,024
Total intangible assets	1,361,437	1,286,723
Investments and other assets	4,483,412	4,668,771
Total non-current assets	12,205,268	12,308,259
Total assets	43,647,287	43,724,113

	(Thousands of yen)	
	FY2017 (As of Mar. 31, 2018)	First quarter of FY2018 (As of Jun. 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	726,558	518,071
Income taxes payable	573,228	96,231
Advances received	5,256,136	6,105,828
Provision for bonuses	799,513	444,464
Provision for directors' bonuses	53,370	-
Provision for loss on business liquidation	1,576	1,552
Other provision	7,940	7,022
Other	1,864,426	1,929,055
<b>Total current liabilities</b>	<b>9,282,751</b>	<b>9,102,227</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	3,541,427	3,579,829
Other	275,473	261,227
<b>Total non-current liabilities</b>	<b>3,816,901</b>	<b>3,841,057</b>
<b>Total liabilities</b>	<b>13,099,652</b>	<b>12,943,284</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,117,065	10,117,065
Capital surplus	8,659,021	8,659,016
Retained earnings	10,675,443	10,650,467
Treasury shares	(15,716)	(15,760)
<b>Total shareholders' equity</b>	<b>29,435,814</b>	<b>29,410,788</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,124,695	1,405,372
Foreign currency translation adjustment	146,943	99,116
Remeasurements of defined benefit plans	(587,708)	(527,736)
<b>Total accumulated other comprehensive income</b>	<b>683,930</b>	<b>976,752</b>
<b>Non-controlling interests</b>	<b>427,891</b>	<b>393,288</b>
<b>Total net assets</b>	<b>30,547,635</b>	<b>30,780,829</b>
<b>Total liabilities and net assets</b>	<b>43,647,287</b>	<b>43,724,113</b>

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

(Thousands of yen)

	First three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)
Net sales	4,849,812	5,640,497
Cost of sales	1,232,486	1,502,732
Gross profit	3,617,325	4,137,764
Selling, general and administrative expenses	3,584,837	3,840,622
Operating profit	32,488	297,142
Non-operating income		
Interest income	1,082	1,277
Dividend income	20,389	17,540
Rent income	11,566	12,129
Foreign exchange gains	-	2,508
Other	12,589	15,647
Total non-operating income	45,627	49,103
Non-operating expenses		
Share of loss of entities accounted for using equity method	2,369	-
Foreign exchange losses	56	-
Other	315	602
Total non-operating expenses	2,742	602
Ordinary profit	75,374	345,643
Extraordinary income		
Gain on sales of non-current assets	1,002	17
Gain on liquidation of subsidiaries	-	23,321
Total extraordinary income	1,002	23,338
Extraordinary losses		
Loss on disposal of non-current assets	2,219	147
Total extraordinary losses	2,219	147
Profit before income taxes	74,157	368,834
Income taxes-current	28,360	46,124
Income taxes-deferred	25,803	86,353
Total income taxes	54,164	132,477
Profit	19,992	236,356
Loss attributable to non-controlling interests	(6,246)	(17,668)
Profit attributable to owners of parent	26,239	254,024

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

(Thousands of yen)

	First three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)
Profit	19,992	236,356
Other comprehensive income		
Valuation difference on available-for-sale securities	89,250	280,677
Foreign currency translation adjustment	114,590	(47,827)
Remeasurements of defined benefit plans, net of tax	41,416	59,972
Share of other comprehensive income of entities accounted for using equity method	684	-
Total other comprehensive income	245,942	292,822
Comprehensive income	265,935	529,178
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	272,182	546,847
Comprehensive income attributable to non-controlling interests	(6,246)	(17,668)

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Additional Information**

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

Effective from the beginning of the first quarter of the current fiscal year, the Company applied Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

**Segment Information****I. First three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017)**

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

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the quarterly consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Sales to third parties	3,228,444	919,943	418,187	283,237	4,849,812	-	4,849,812
Intersegment sales or transfers	228,686	199,460	19,264	12,258	459,668	(459,668)	-
Total	3,457,130	1,119,403	437,451	295,495	5,309,481	(459,668)	4,849,812
Segment profit (loss)	520	(79,068)	28,238	80,108	29,799	2,689	32,488

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 2,689 thousand yen eliminated for intersegment transactions.

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

**II. First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)**

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

	Reportable segment					Adjustment amount (Note 1)	Appropriated amount in the quarterly consolidated statement of income (Note 2)
	Japan	Europe	Americas	Asia	Total		
Net sales							
Sales to third parties	3,762,198	1,202,244	334,614	341,440	5,640,497	-	5,640,497
Intersegment sales or transfers	362,549	181,280	9,739	16,751	570,321	(570,321)	-
Total	4,124,748	1,383,525	344,353	358,191	6,210,818	(570,321)	5,640,497
Segment profit (loss)	243,501	19,337	(25,963)	100,117	336,993	(39,850)	297,142

Notes: 1. Adjustment amount in segment profit (loss) includes amount of -39,850 thousand yen eliminated for intersegment transactions.

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

### 3. Supplementary Information

#### (1) Sales and Orders

##### (a) Sales

(Thousands of yen)

Segment	First three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017)		First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	3,228,444	66.6	3,762,198	66.7
Europe	919,943	19.0	1,202,244	21.3
Americas	418,187	8.6	334,614	5.9
Asia	283,237	5.8	341,440	6.1
Total	4,849,812	100.0	5,640,497	100.0

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

(Thousands of yen)

Segment	First three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017)		First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	4,725,607	7,149,316	5,314,583	7,755,024
Europe	854,492	1,426,292	1,035,847	1,483,931
Americas	210,799	893,879	140,800	900,548
Asia	326,899	645,854	356,317	629,189
Total	6,117,799	10,115,343	6,847,549	10,768,694

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 three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017)		First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	802,409	16.5	812,672	14.4
Circuit design solutions	888,189	18.3	1,131,412	20.1
IT solutions	737,594	15.2	1,001,576	17.8
Client services	2,421,528	50.0	2,694,674	47.7
Others	90	0.0	160	0.0
Total	4,849,812	100.0	5,640,497	100.0

(b) Orders received and order backlog

(Thousands of yen)

Product category	First three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017)		First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	882,745	761,373	945,027	808,586
Circuit design solutions	1,206,462	1,157,735	1,508,643	1,234,426
IT solutions	1,047,722	888,416	1,292,838	1,142,719
Client services	2,980,369	7,307,408	3,097,980	7,579,896
Others	500	410	3,059	3,065
Total	6,117,799	10,115,343	6,847,549	10,768,694

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

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

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

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