



November 9, 2020

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2021 (FY2020)
(Six Months Ended September 30, 2020)

[Japanese GAAP]

Company name: ZUKEN Inc. Listing: Tokyo Stock Exchange, First Section
 Stock code: 6947 URL: <https://www.zuken.co.jp>
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 Scheduled date of filing of Quarterly Report: November 11, 2020
 Scheduled date of payment of dividend: December 2, 2020
 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, 2020

(April 1, 2020 – September 30, 2020)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

Six months 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	%
Sep. 30, 2020	13,071	(4.6)	966	(45.7)	1,068	(41.5)	702	(50.5)
Sep. 30, 2019	13,705	9.8	1,778	36.8	1,826	30.9	1,419	44.2

Note: Comprehensive income (Millions of yen) Six months ended Sep. 30, 2020: 2,022 (up 13.1%)
 Six months ended Sep. 30, 2019: 1,788 (down 17.2%)

Six months ended	Net income per share	Diluted net income per share
	Yen	Yen
Sep. 30, 2020	30.22	-
Sep. 30, 2019	61.04	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2020	52,462	36,646	69.2
As of Mar. 31, 2020	51,445	35,013	67.2

Reference: Shareholders' equity (Millions of yen) As of Sep. 30, 2020: 36,328 As of Mar. 31, 2020: 34,583

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	14.00	-	15.00	29.00
Fiscal year ending Mar. 31, 2021	-	15.00	-	-	-
Fiscal year ending Mar. 31, 2021 (forecast)	-	-	-	15.00	30.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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
	29,000	(1.0)	2,700	(20.4)	2,800	(19.7)	1,750	(32.6)	75.27

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 Sep. 30, 2020:	23,267,169 shares	As of Mar. 31, 2020:	23,267,169 shares
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(b) Number of treasury shares at the end of the period

As of Sep. 30, 2020:	17,855 shares	As of Mar. 31, 2020:	17,680 shares
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(c) Average number of shares outstanding during the period

Six months ended Sep. 30, 2020:	23,249,402 shares	Six months ended Sep. 30, 2019:	23,249,634 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	2
2. Quarterly Consolidated Financial Statements and Notes	3
(1) Quarterly Consolidated Balance Sheet	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
Quarterly Consolidated Statement of Income	5
Quarterly Consolidated Statement of Comprehensive Income	6
(3) Quarterly Consolidated Statement of Cash Flows	7
(4) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment Information	8
3. Supplementary Information	9
(1) Sales and Orders	9

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, 2021, stagnation in the global economy continued due to the COVID-19 pandemic. Although signs of improvement appeared late in the second quarter the overall situation remained challenging. Manufacturers in the electronics, automotive and industrial equipment sectors are the main customers of the Zuken Group. Even though companies in these sectors still have a strong commitment to making IT investments, they continue to take a conservative stance on capital expenditures overall due to the uncertainty of the economic outlook.

Net sales decreased 4.6% year on year to 13,071 million yen in the first half of the current fiscal year. Although net sales were short of the record sales in the same period a year earlier, sales of IT solutions, primarily network-related products, were firm, second only to the record set in the same period of the previous fiscal year. The order backlog reached an all-time high at the end of the first half as orders from companies with strong commitment to IT investments increased and contributed to building up the backlog.

As a result, ordinary profit was 1,068 million yen, 41.5% lower than one year earlier, and profit attributable to owners of parent was 702 million yen, 50.5% lower than one year earlier. Earnings decreased due to lower sales and an increase in investment for future growth, including new product development activities.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year increased 1,016 million yen from the end of the previous fiscal year to 52,462 million yen.

Current assets decreased 520 million yen. The main factors include a decrease of 2,470 million yen in notes and accounts receivable-trade and an increase of 1,281 million yen in cash and deposits. Non-current assets increased 1,536 million yen. The main factors include an increase of 1,755 million yen in investments and other assets primarily due to an increase in investment securities.

Total liabilities decreased 616 million yen from the end of the previous fiscal year to 15,815 million yen. Current liabilities decreased 1,241 million yen. There were decreases of 726 million yen in other current liabilities due to a decrease in accounts payable-other, 447 million yen in accounts payable-trade and 447 million yen in income taxes payable, and an increase of 484 million yen in advances received. Non-current liabilities increased 624 million yen mainly due to an increase in deferred tax liabilities included in other non-current liabilities.

Net assets increased 1,633 million yen from the end of the previous fiscal year to 36,646 million yen, and the shareholders' equity ratio was 69.2%.

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

We currently maintain the consolidated forecast for the fiscal year ending March 31, 2021 that was released on August 5, 2020. 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)	
	FY2019	Second quarter of FY2020
	(As of Mar. 31, 2020)	(As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	20,574,644	21,855,752
Notes and accounts receivable-trade	6,407,981	3,937,219
Securities	6,700,000	6,700,000
Merchandise and finished goods	403,944	406,197
Work in process	264,482	428,810
Raw materials and supplies	1,862	7,876
Other	2,749,149	3,255,744
Allowance for doubtful accounts	(29,587)	(39,529)
Total current assets	37,072,477	36,552,072
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,849,901	2,775,147
Land	3,015,103	3,015,103
Other, net	511,651	495,064
Total property, plant and equipment	6,376,656	6,285,315
Intangible assets		
Goodwill	913,777	778,840
Other	602,140	609,060
Total intangible assets	1,515,917	1,387,900
Investments and other assets		
Investment securities	5,385,293	7,154,901
Other	1,095,547	1,081,908
Total investments and other assets	6,480,840	8,236,809
Total non-current assets	14,373,415	15,910,025
Total assets	51,445,892	52,462,098

	(Thousands of yen)	
	FY2019 (As of Mar. 31, 2020)	Second quarter of FY2020 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	1,177,418	730,186
Income taxes payable	716,954	269,217
Advances received	6,783,516	7,268,246
Provision for bonuses	902,008	905,633
Other provisions	136,807	28,189
Other	2,303,253	1,577,065
Total current liabilities	12,019,959	10,778,539
Non-current liabilities		
Retirement benefit liability	4,192,059	4,227,078
Other	220,565	810,164
Total non-current liabilities	4,412,625	5,037,242
Total liabilities	16,432,584	15,815,782
Net assets		
Shareholders' equity		
Share capital	10,117,065	10,117,065
Capital surplus	8,659,023	8,662,477
Retained earnings	14,175,240	14,529,129
Treasury shares	(16,778)	(17,259)
Total shareholders' equity	32,934,550	33,291,412
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,266,875	3,494,990
Foreign currency translation adjustment	(86,604)	808
Remeasurements of defined benefit plans	(531,321)	(459,163)
Total accumulated other comprehensive income	1,648,949	3,036,635
Non-controlling interests	429,808	318,268
Total net assets	35,013,308	36,646,316
Total liabilities and net assets	51,445,892	52,462,098

(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 FY2019 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	13,705,971	13,071,338
Cost of sales	3,742,744	3,903,443
Gross profit	9,963,227	9,167,894
Selling, general and administrative expenses	8,184,443	8,201,826
Operating profit	1,778,784	966,067
Non-operating income		
Interest income	6,943	4,117
Dividend income	41,965	39,849
Subsidy income	21,866	40,145
Other	29,497	35,704
Total non-operating income	100,272	119,818
Non-operating expenses		
Foreign exchange losses	51,373	15,168
Other	1,004	2,212
Total non-operating expenses	52,378	17,380
Ordinary profit	1,826,677	1,068,505
Extraordinary income		
Gain on sales of non-current assets	1,715	932
Transfer of rights income	137,219	-
Total extraordinary income	138,934	932
Extraordinary losses		
Loss on disposal of non-current assets	2,678	302
Total extraordinary losses	2,678	302
Profit before income taxes	1,962,933	1,069,135
Income taxes-current	479,100	318,227
Income taxes-deferred	64,550	115,678
Total income taxes	543,650	433,905
Profit	1,419,282	635,229
Profit (loss) attributable to non-controlling interests	215	(67,402)
Profit attributable to owners of parent	1,419,067	702,631

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)
Profit	1,419,282	635,229
Other comprehensive income		
Valuation difference on available-for-sale securities	420,115	1,228,115
Foreign currency translation adjustment	(165,472)	87,412
Remeasurements of defined benefit plans, net of tax	114,418	72,158
Total other comprehensive income	369,061	1,387,685
Comprehensive income	1,788,343	2,022,915
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,788,128	2,090,317
Comprehensive income attributable to non-controlling interests	215	(67,402)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	1,962,933	1,069,135
Depreciation	326,956	347,224
Amortization of goodwill	77,234	134,145
Transfer of rights income	(137,219)	-
Decrease (increase) in trade receivables	1,559,699	2,476,260
Decrease (increase) in inventories	(192,832)	(172,458)
Increase (decrease) in trade payables	(643,186)	(924,535)
Increase (decrease) in accrued consumption taxes	(140,789)	(177,213)
Increase (decrease) in advances received	788,138	484,511
Decrease (increase) in prepaid expenses	(382,559)	(433,289)
Increase (decrease) in retirement benefit liability	139,755	85,532
Other, net	(167,574)	(323,262)
Subtotal	3,190,557	2,566,050
Interest and dividends received	47,900	45,413
Interest paid	(185)	(1,138)
Income taxes paid	(730,119)	(753,268)
Net cash provided by (used in) operating activities	2,508,152	1,857,057
Cash flows from investing activities		
Decrease (increase) in time deposits	56,160	-
Purchase of property, plant and equipment	(187,966)	(104,684)
Purchase of intangible assets	(115,590)	(154,075)
Purchase of investment securities	(100,800)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(432,557)	-
Proceeds from transfer of rights	137,219	-
Other, net	16,719	(21,259)
Net cash provided by (used in) investing activities	(626,816)	(280,019)
Cash flows from financing activities		
Repayments of short-term borrowings	(79,443)	-
Repayments of long-term borrowings	(25,797)	-
Dividends paid	(325,495)	(348,742)
Other, net	(25,385)	(41,864)
Net cash provided by (used in) financing activities	(456,123)	(390,606)
Effect of exchange rate change on cash and cash equivalents	(225,192)	97,652
Net increase (decrease) in cash and cash equivalents	1,200,020	1,284,085
Cash and cash equivalents at beginning of period	18,137,895	20,306,950
Cash and cash equivalents at end of period	19,337,916	21,591,035

(4) Notes to Quarterly Consolidated Financial StatementsGoing Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information

I. First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)

1. 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	9,930,905	2,238,767	875,373	660,924	13,705,971	-	13,705,971
Intersegment sales or transfers	542,606	482,707	30,630	43,545	1,099,490	(1,099,490)	-
Total	10,473,512	2,721,475	906,003	704,470	14,805,462	(1,099,490)	13,705,971
Segment profit	1,459,144	90,057	40,543	188,915	1,778,660	123	1,778,784

Notes: 1. Adjustment amount in segment profit includes amount of 123 thousand yen eliminated for intersegment transactions.

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

II. First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)

1. 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	9,438,578	2,090,753	930,416	611,589	13,071,338	-	13,071,338
Intersegment sales or transfers	496,608	432,962	21,344	52,834	1,003,750	(1,003,750)	-
Total	9,935,187	2,523,716	951,760	664,423	14,075,088	(1,003,750)	13,071,338
Segment profit (loss)	816,756	(36,024)	2,839	181,561	965,133	934	966,067

Notes: 1. Adjustment amount in segment profit (loss) includes amount of 934 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 six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)		First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)	
	Amount	Composition (%)	Amount	Composition (%)
Japan	9,930,905	72.5	9,438,578	72.2
Europe	2,238,767	16.3	2,090,753	16.0
Americas	875,373	6.4	930,416	7.1
Asia	660,924	4.8	611,589	4.7
Total	13,705,971	100.0	13,071,338	100.0

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

Segment	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)		First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
Japan	11,398,264	8,258,232	11,336,049	9,560,225
Europe	2,005,449	1,335,413	1,606,941	1,252,597
Americas	393,002	978,141	725,566	1,182,976
Asia	679,572	354,206	637,295	460,206
Total	14,476,288	10,925,994	14,305,853	12,456,006

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 FY2019 (Apr. 1, 2019 – Sep. 30, 2019)		First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)	
	Amount	Composition (%)	Amount	Composition (%)
Printed Circuit Board design solutions	2,297,586	16.8	1,843,258	14.1
Circuit design solutions	3,325,286	24.3	2,674,703	20.5
IT solutions	2,719,102	19.8	2,922,876	22.4
Client services	5,362,158	39.1	5,630,131	43.0
Others	1,836	0.0	368	0.0
Total	13,705,971	100.0	13,071,338	100.0

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

Product category	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)		First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
Printed Circuit Board design solutions	2,512,169	892,748	2,140,604	1,110,040
Circuit design solutions	3,547,152	1,437,472	3,017,943	1,426,713
IT solutions	3,088,424	1,417,038	3,588,374	1,650,105
Client services	5,327,718	7,178,705	5,557,251	8,267,495
Others	823	29	1,679	1,650
Total	14,476,288	10,925,994	14,305,853	12,456,006

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 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 GENESYS	

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.