

Progress and Outlook of Medium-term Business Plan (April 2016 - March 2019)

July 6, 2018

ZUKEN Inc.

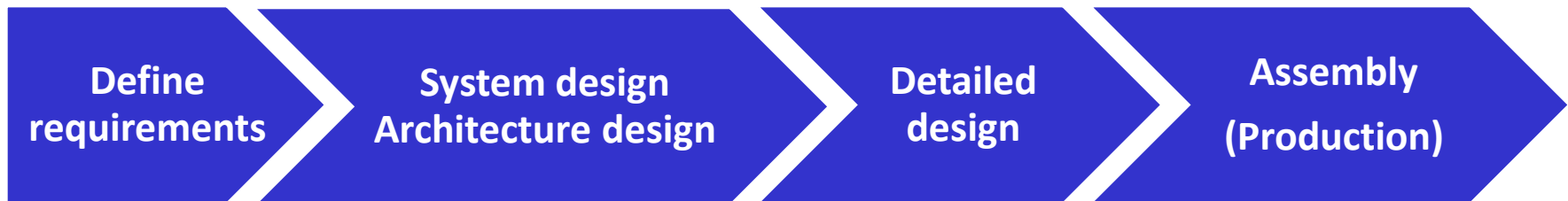
Tokyo Stock Exchange, First Section
Securities code: 6947

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“Building a Base for the Next Three Years”**
- **Second-year Results and Final-year Outlook of the Current
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Building a Base for the Next Three-year Plan

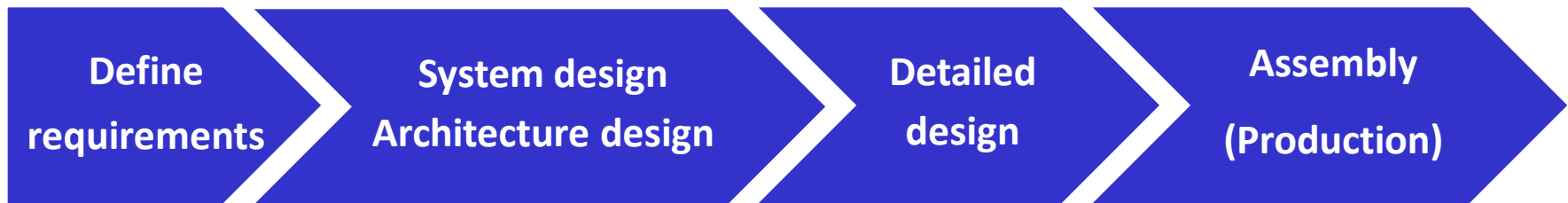
The Manufacturing Process



ZUKEN's current coverage

Building a Base for the Next Three-year Plan

The Manufacturing Process

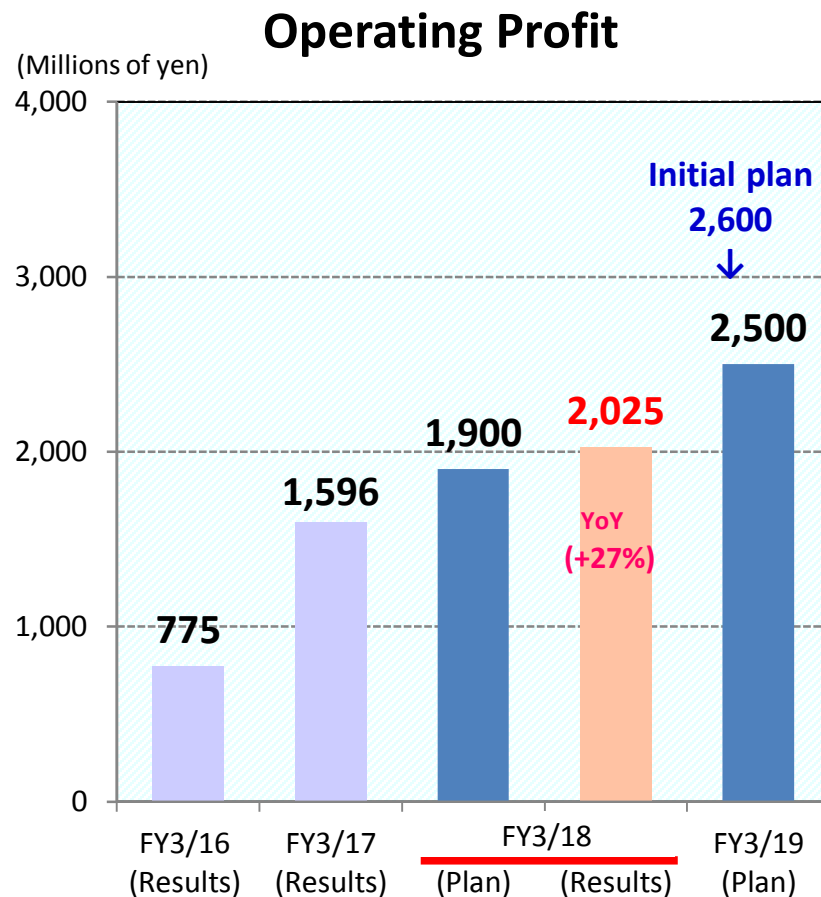
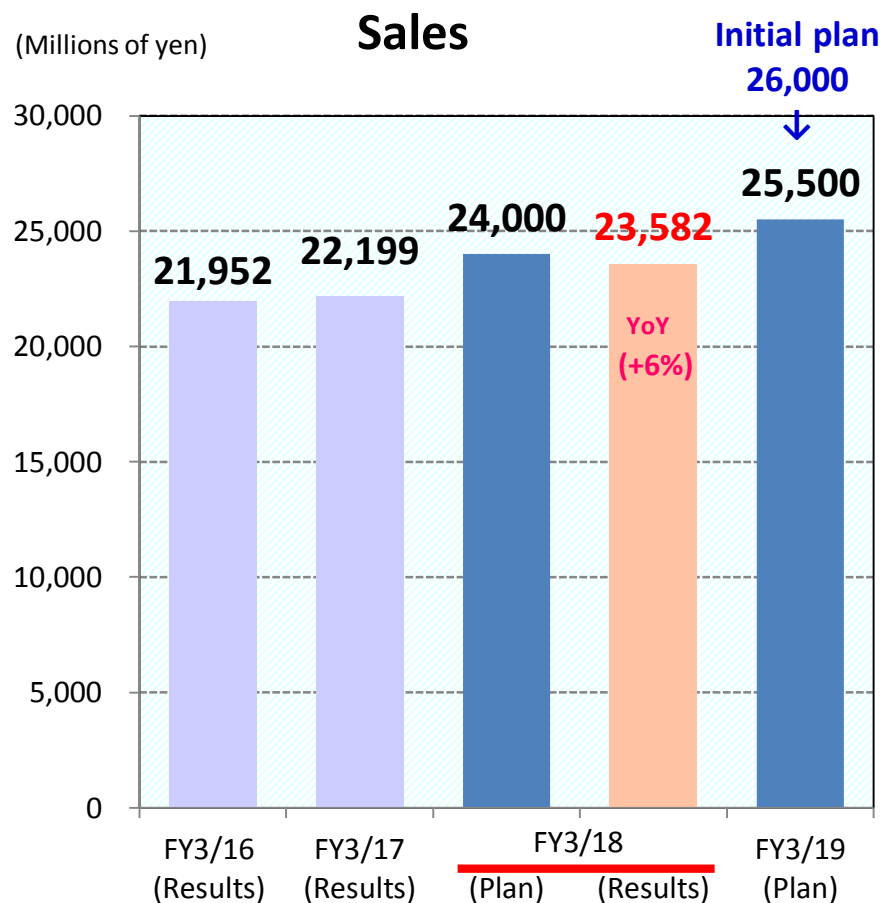


Scope of business over the next 3 years

Second-year Results and Final-year Outlook of the Current Medium-term Plan

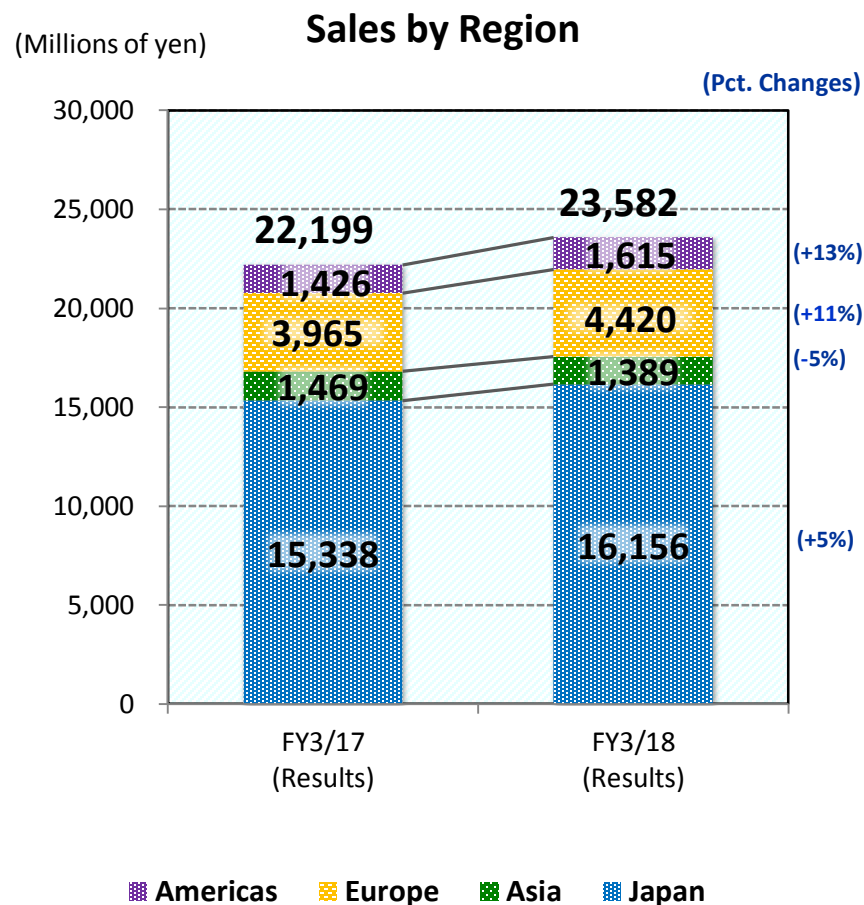
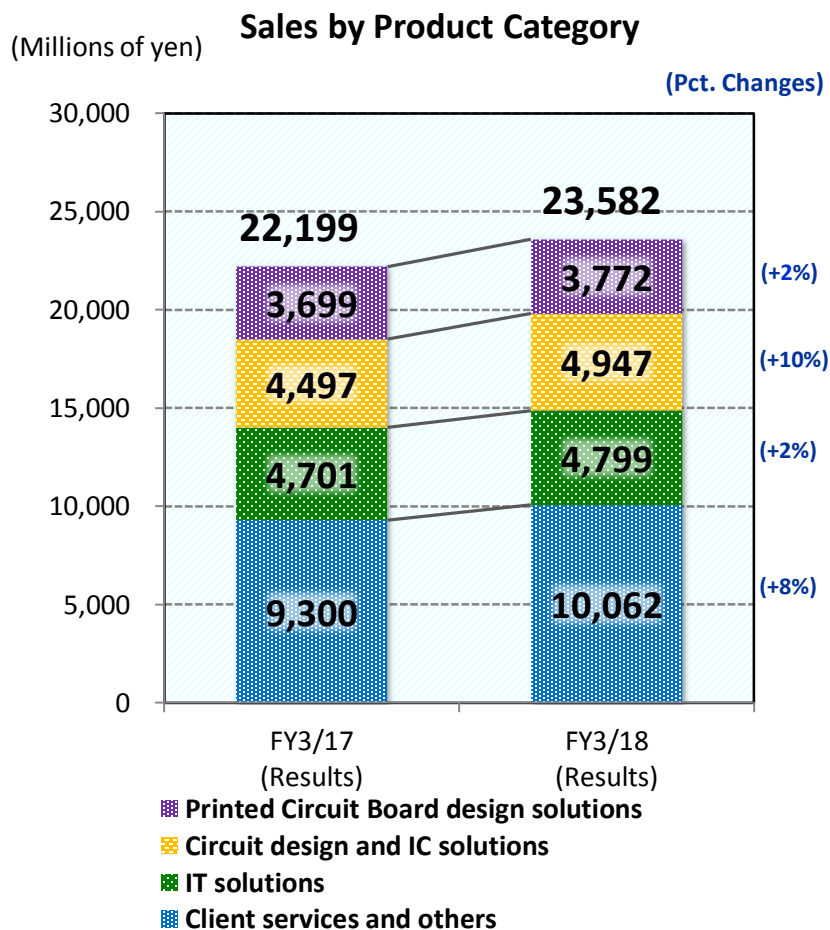


1. Medium-term Sales and Earnings Targets and Results for FY3/18



Foreign exchange rate assumptions for FY3/18 were **115 yen/USD** and **120 yen/EUR**.
Average exchange rates in FY3/18 were **111 yen/USD** and **130 yen/EUR**.

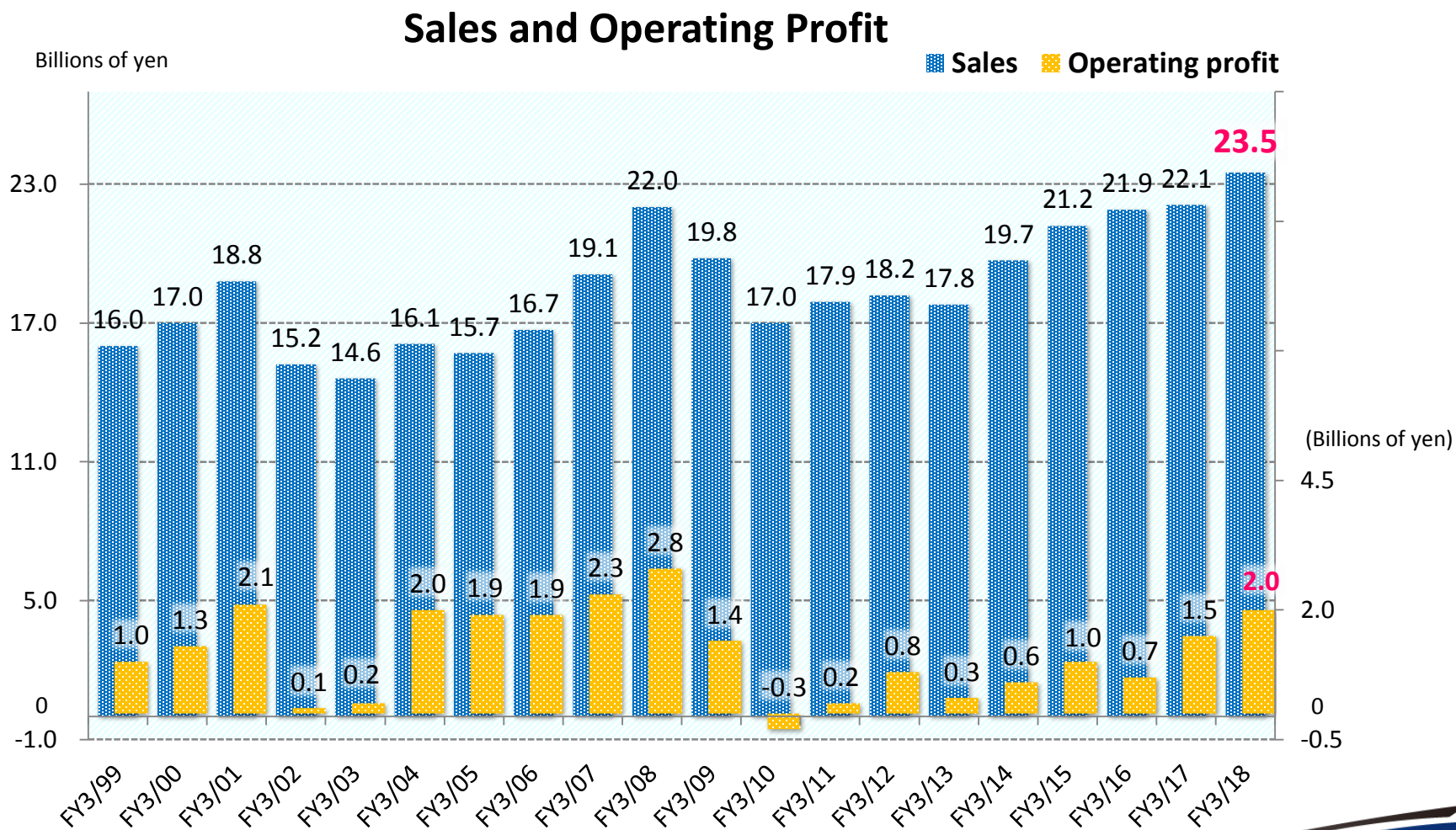
2. FY3/18 Sales by Product Category and Region (vs. FY3/17)



Average exchange rates in FY3/17 were **108** yen/USD and **119** yen/EUR.

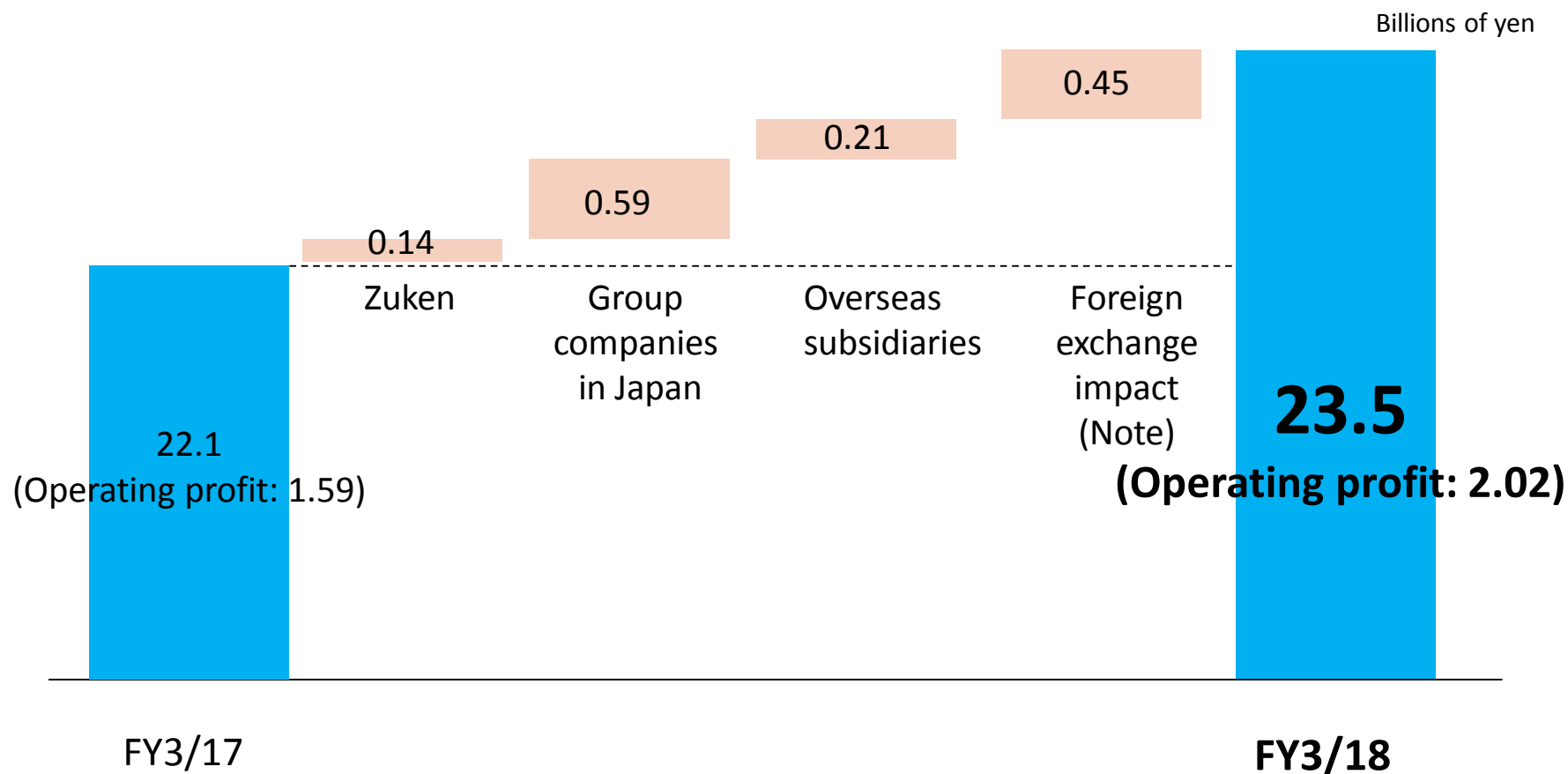
Average exchange rates in FY3/18 were **111** yen/USD and **130** yen/EUR.

3. Financial Summary (1999 - 2018)



Sales reached a new record high

4. Components of Change in Sales from FY3/17 to FY3/18 (1)



Average exchange rates in FY3/17 were **108** yen/USD and **119** yen/EUR.

Average exchange rates in FY3/18 were **111** yen/USD and **130** yen/EUR.

Note: Impact of foreign exchange rates on sales of overseas subsidiaries

5. Components of Change in Sales from FY3/17 to FY3/18 (2)

Sales (*) (Millions of yen)	FY3/17 (Ratio to total sales)	FY3/18 (Ratio to total sales)	YoY change
Zuken (Parent company)	8,885 (40%)	9,023 (38%)	+137
Group companies in Japan	6,670 (30%)	7,259 (31%)	+588
Overseas subsidiaries	6,642 (30%)	7,300 (31%)	+657

Operating profit (Millions of yen)	FY3/17	FY3/18	YoY change
Zuken (Parent company)	546	837	+290
Group companies in Japan	492	673	+181
Overseas subsidiaries	484	520	+35

* Excludes transactions among group companies.

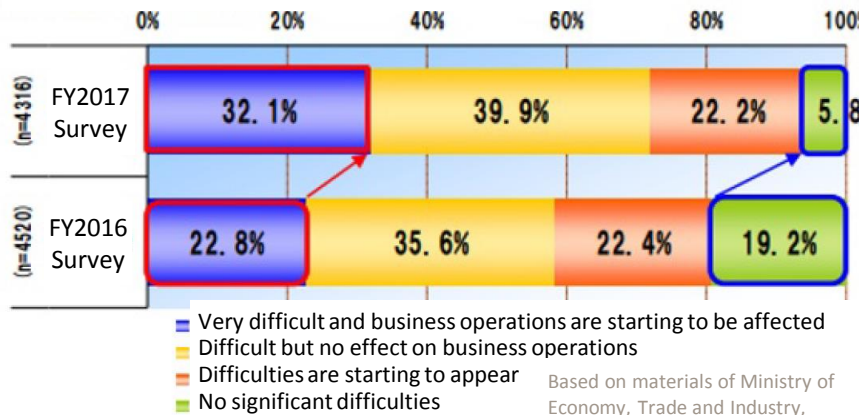
6. Second-year Results and Final-year Outlook of the Current Medium-term Plan

- A broad recovery in Japan extending to the electronics industry in general as well as automobiles and automotive electronics. Growth in the number of projects at customers' premises for design/engineering process innovation.
- The shortage of skilled engineers and increasing interest in security are supporting strong growth of almost all businesses of group companies in Japan.
- Orders in Europe and the United States from major high-tech companies are sound and expected to remain strong; orders in Asia were relatively weak except in South Korea, where orders are starting to recover.

6. Second-year Results and Final-year Outlook of the Current Medium-term Plan

Fiscal 2018 Manufacturing White Paper of the Ministry of Economy, Trade and Industry

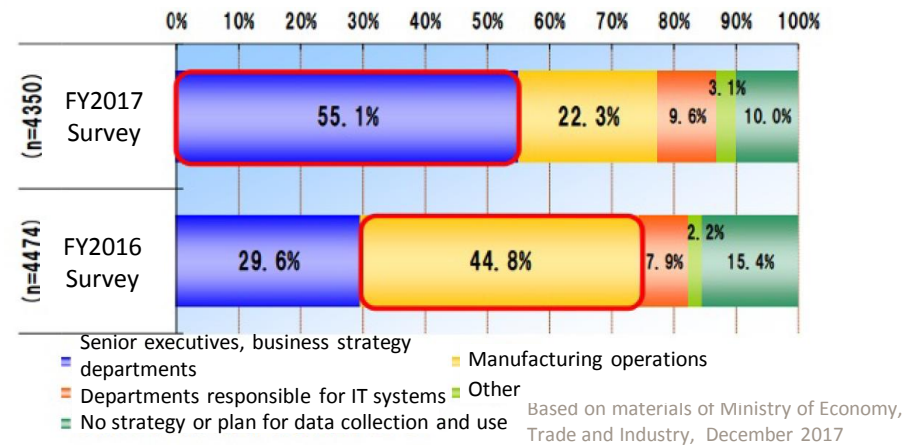
Difficulty of Recruiting Employees



Difficulty of Recruiting Employees
Source: Fiscal 2018 Manufacturing White Paper

“Recruiting people is a big problem”

Departments Responsible for Data Collection and Use



Departments responsible for strategies and plans involving the collection and use of data
Source: Fiscal 2018 Manufacturing White Paper

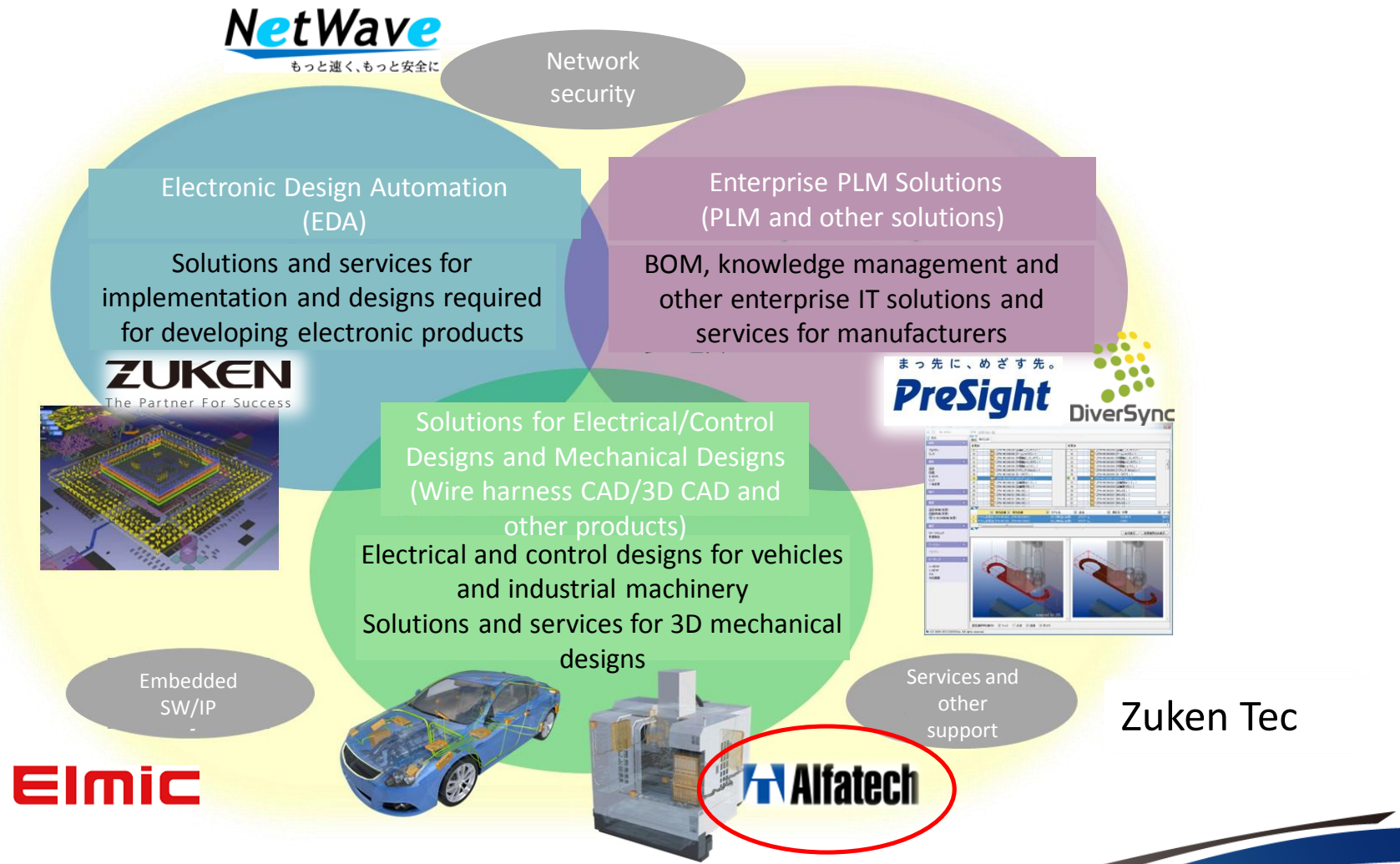
“Data use is shifting from business unit issues to manage issues”

Shortage of experienced workers + Interest in data-driven manufacturing
Solid demand for engineering IT and support of skilled engineers

Product Category and Regional (Overseas) Performance



The Zuken Group Business Domains



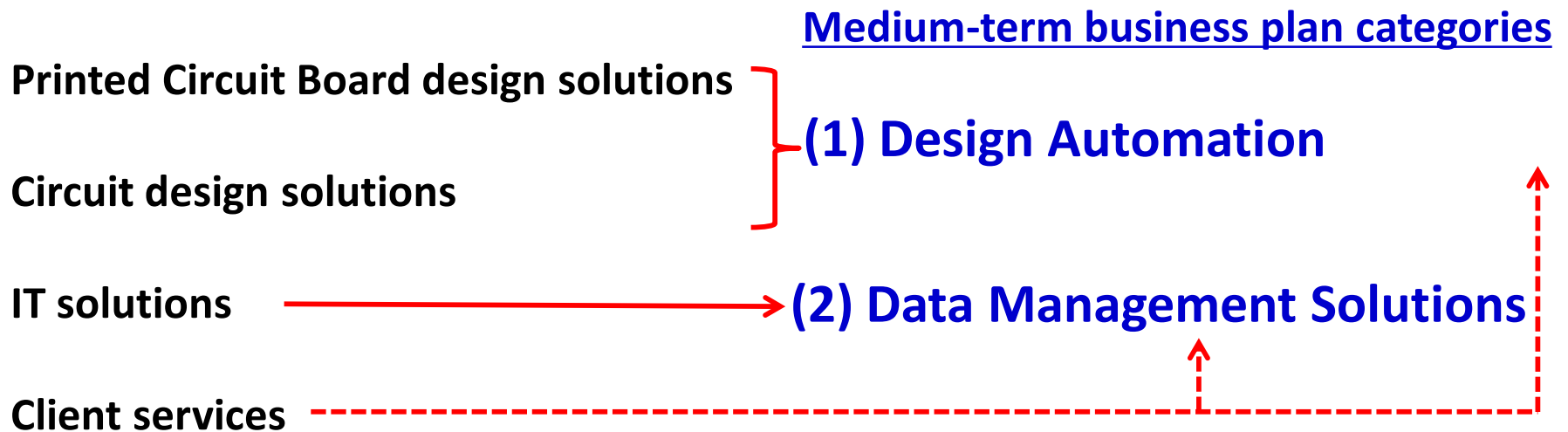
Major Products and Group Companies in Each Product Category

Major products by product category

Product Category	Major Products
Printed Circuit Board design solutions	CR-8000 Design Force CR-8000 DFM Center CR-5000 Board Designer Zuken Tec
Circuit design solutions	CR-8000 Design Gateway CR-8000 System Planner E3.series Cabling Designer Harness Designer ACAD-DENKI Zuken Tec Elmic Alfatech
IT solutions	visual BOM Knowledge Explorer DS-2 NetWave もっと速く、もっと安全に Zuken Tec まっ先に、めざす先。 PreSight DiverSync
Client services and others	Maintenance services for each product
Software for electric circuit board designs Software for wire harness designs	

Product Categories Used for the Medium-term Plan Explanation

The following product categories are used in discussions of the medium-term plan in order to show more clearly the relationships between product categories in IR materials and progress toward business performance goals.



7. FY3/18 Sales by Product Category (vs. FY3/17)

Product Category (Millions of yen)	FY3/17	FY3/18	YoY change	YoY growth rate
Design Automation	14,492	15,582	+1,090	+8%
(of which WH Design)	(4,432)	(4,840)	+408	+9%
Data Management Solutions	7,707	8,000	+293	+4%
Total Sales	22,199	23,582	+1,383	+6%

8. Assessment of Basic Policies and Core Strategies of Medium-term Business Plan

Basic Policies and Core Strategies of Medium-term Business Plan

- Create a new market for E/E Design PDM (Product Data Management)

**E/E: Electrical & Electronic*

- Accelerate the business of Next-generation Products with Automakers

- Expand operations in North America and Asia

Use relationships with strategic customers in North America for development in the Asian supply chain

- Promote CR-8000 Design Force in the fields of Cutting-edge LSI, Packaging, and PCB Technologies

- Use timely M&A to consolidate the business foundations and take on the challenge of additional 1.0 billion yen sales

Started selling new products for E/E design data management

Introduced new solutions for automobiles
These actions are not yet generating earnings but are expected to contribute to future earnings

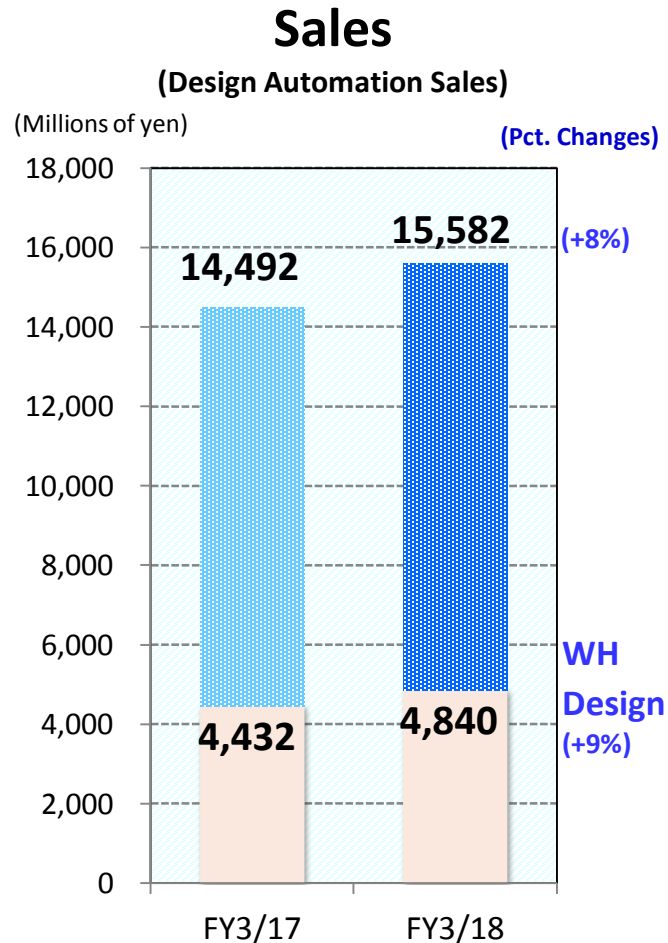
Making progress with strengthening ties with strategic customers in North America
More actions needed for growth in China and other Asian countries

Recent technological challenges in PCB designs have increased demand for the CR-8000
Anticipate large-scale migration of major users in Europe and U.S.

Acquired Alfatech Inc. in December 2017
Will continue to consider timely M&A opportunities

9. Product Category Sales and Initiatives (1)

Design Automation



FY3/18 Overview

- In Japan, an increase in medium-term design reform projects mainly at large companies.
- Upgrade of CR-8000 capabilities increased the migration from the CR-5000 among major customers in Europe and the United States.
- Strengthen CR-8000 marketing and promotional activities for large high-tech companies in India, China and other countries.

Initiatives and Goals

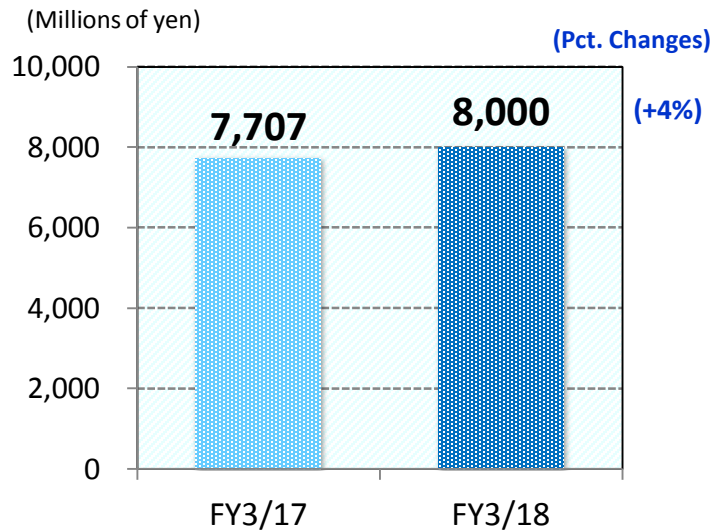
- In Japan, use accomplishments at design reform projects for large companies that were first to use these advances in order to receive orders from companies in other industries too.
- In Europe and the United States, continue measures to increase the migration of major customers to the CR-8000.
- Increase the use of proposals for using the CR-8000 to receive orders from large high-tech companies in India, China and other countries.

9. Product Category Sales and Initiatives (2)

Data Management Solutions

Sales

(Data Management Solutions Sales)



FY3/18 Overview

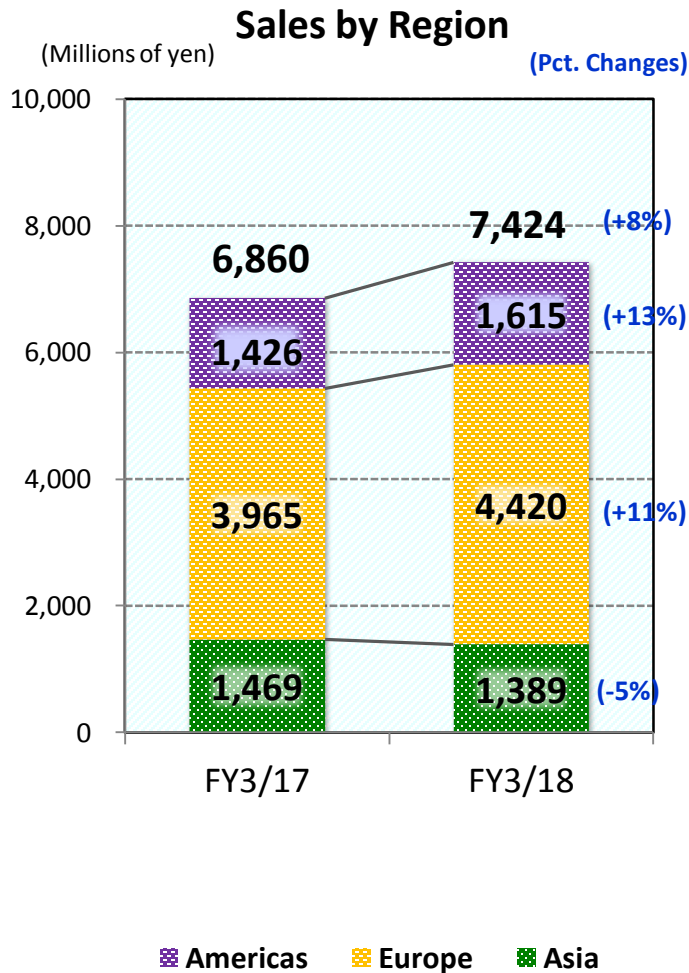
- In Japan, there was a big increase in network security sales (at Zuken NetWave) just as in FY3/17.
- Focused on the DS-E3 for wire harness designs, mainly in Europe and the United States, for the DS-2 design data management system.

Initiatives and Goals

- Start sales activities for the new DS-E3 in Japan, targeting existing large E3 users; also leverage the data management function to increase new users of the E3.series.
- In Europe and the United States, where there are many E3 users, aim for growth in orders due to the enormous potential market for the DS-E3.
- Anticipate strong demand in network security and PLM (Products Lifecycle Management) in association with growth of the IoT.

10. Overseas Sales and Initiatives

Overseas Business



FY3/18 Overview

- Americas –Sales remained strong in the automobile, aerospace and electric power sectors; sales of all major products were up more than 10%
- Europe –Business with major customers in the automobile, railway car and electric power sectors is sound; large migration of users from the CR-5000 to the CR-8000; also concentrated on capturing data management orders
- Asia –Strong sales in the Korean automotive sector, but there was intense manufacturing sector competition in China and a decline in capital expenditures in India following the start of the goods and services tax (GST)

Initiatives and Goals

- Americas –Increase CR and E3 sales by using data management to differentiate these products
- Europe – Increase migration of key customers from the CR-5000 to the CR-8000; increase data management products to both CR and E3 users
- Asia –In China, focus on increasing sales to Chinese companies; in India, with the GST now in place, expect a recovery companies; in Korea, the focus is the migration of key customers to the CR-8000 and more data management orders

10. Overseas Sales and Initiatives



Join our premium event 22 May, Bengaluru 23 May, Hyderabad 25 May, Pune	ZUKEN innovation WORLD	<i>India 2018</i> Bengaluru Hyderabad Pune
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Zuken's first large-scale corporate sales event in India took place in May 2018

11. Second-year Results and Final-year Outlook of the Current Medium-term Plan

- A broad recovery in Japan extending to the electronics industry in general as well as automobiles and automotive electronics. Growth in the number of projects at customers' premises for design/engineering process innovation.
- The shortage of skilled engineers and increasing interest in security are supporting strong growth of almost all businesses of group companies in Japan.
- Orders in Europe and the United States from major high-tech companies are sound and expected to remain strong; orders in Asia were relatively weak except in South Korea, where orders are starting to recover.

**We expect market conditions in Japan and overseas to remain favorable in FY3/19
Sales growth is possible, but there may also be an increase in development and
investment projects**

**We are aiming for the goals of the plan's final year and preparing to start the next
three-year plan**

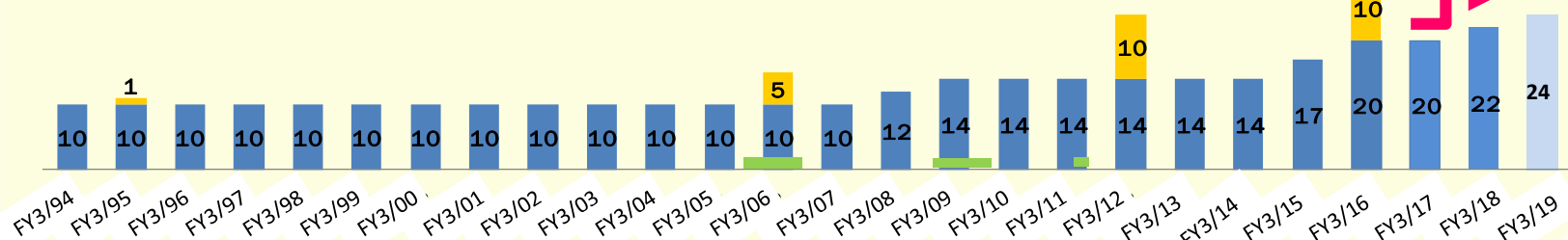
12. Shareholder Distributions

Policy Distributing profits to shareholders is one of the highest management priorities of the Zuken Group. We will continue to consider suitable and highly effective methods of returning earnings to shareholders by taking into account business performance, operating conditions and other factors while strengthening our business foundation and financial soundness.

Dividends and Purchases of Treasury Stock

(Unit: yen)

■ Commemorative/special dividends
■ Ordinary dividend
■ Purchase of treasury shares



Results Ordinary dividend

Zuken has paid an annual dividend per share of at least ¥10 every year since its listing in 1987. The dividend has increased several times since 2008 and the year-end dividend for FY3/18 was raised from ¥10 to ¥12. Zuken plans to pay an annual dividend of ¥24 for FY3/19 and has the goal of continuing to raise the dividend.

Commemorative dividends and special dividend

FY3/95: Commemorative dividend ¥ 1

FY3/06: Commemorative dividend ¥5

FY3/12: Special dividend ¥10

FY3/16: Commemorative dividend ¥10

Purchase of treasury shares

Jun. 2005 – Jun. 2006	2,000,000 shares
Nov. 2008 – Nov. 2009	636,500 shares
Feb. 2011 – Mar. 2011	2,000,000 shares
Total	4,636,500 shares

(These shares were retired in March 2011)