

Progress and Outlook of Medium-term Business Plan

(April 2016 - March 2019)

December 6, 2017

ZUKEN Inc.

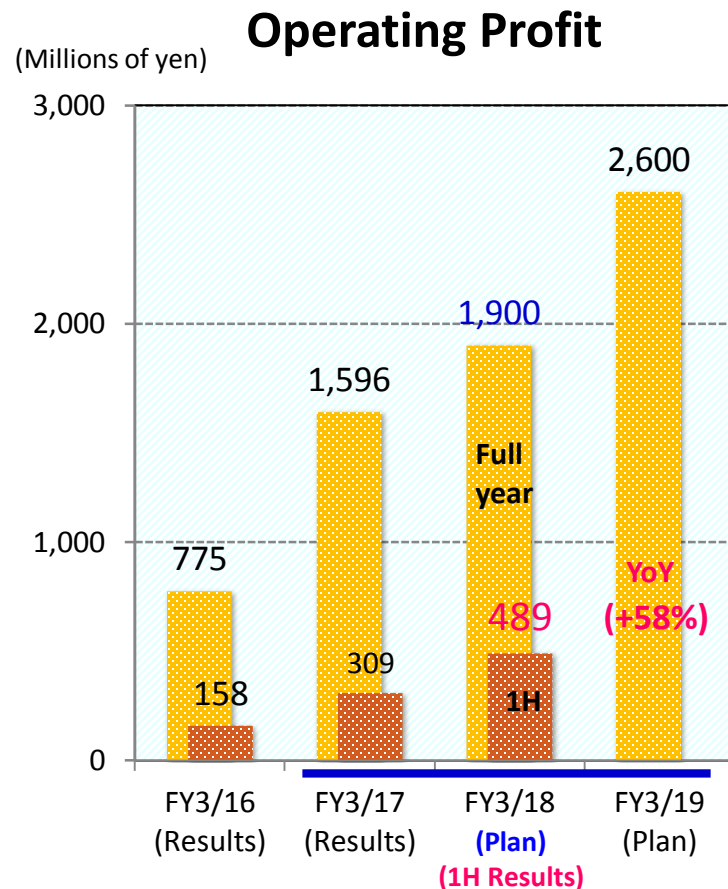
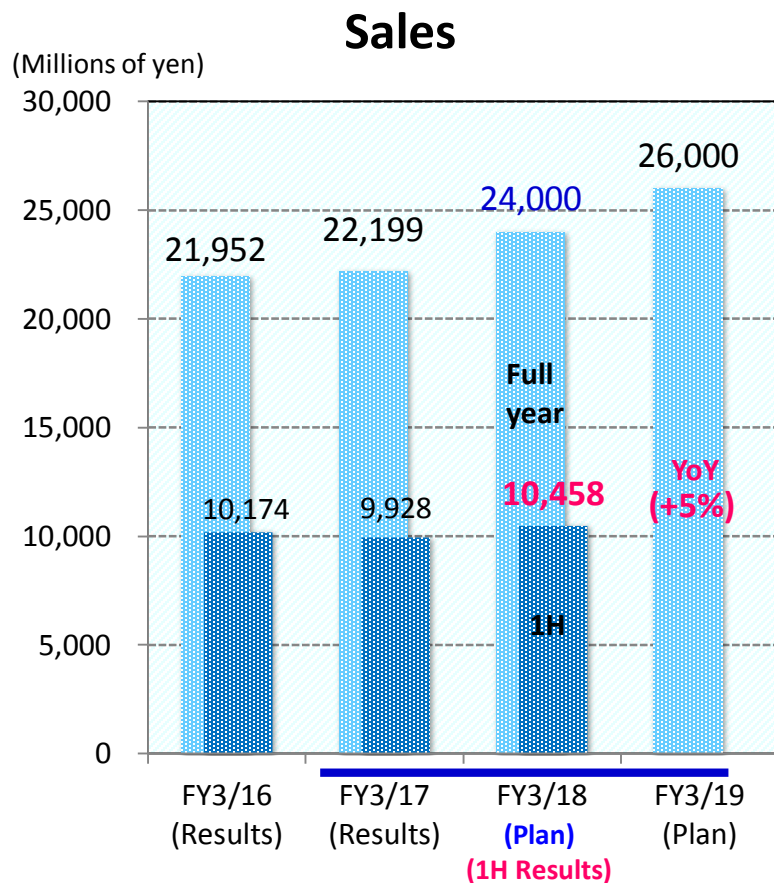
Tokyo Stock Exchange, First Section
Securities code: 6947

- **Medium-term Plan Progress and Upcoming Activities**
(Assessment at midpoint of the three-year plan and initiatives for the rest of the term to ensure the goal)
- **Performance in First Half of FY3/18 and Outlook for Product Categories and Regions**

Medium-term Plan Progress and Upcoming Activities

**(Assessment at midpoint of the three-year plan and
initiatives for the rest of the term to ensure the goal)**

1. Medium-term Sales/Earnings Targets and Past Results



Note: Foreign exchange rate assumptions for FY3/18 are **115** yen/USD and **120** yen/EUR.
Average exchange rates in 1H FY3/18 were **111** yen/USD and **126** yen/EUR.

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

2. Assessment at Midpoint of the Three-year Plan (1)

■ 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**

- ✓ Debut of the new DS-2 system, a new platform for the management of wire harness designs and multi-vendor environment data for parts and designs (May 2017)
- ✓ Debut of Architecture Planner for trade-off studies at the initial stage of automotive E/E designs from both logical and physical perspective (October 2016)
- ✓ Announced integration in FY3/20 of two product lines: the E3.series and Cabling Designer (October 2017)

Building a foundation for a next-generation design environments with solutions such as module design, model-based development and global distributed development that meet the requirements of today's designs

2. Assessment at Midpoint of the Three-year Plan (1)

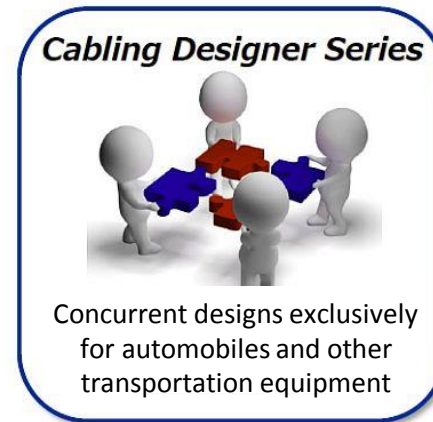
Development Goals (5)



- Two powerful solutions for designing and manufacturing wire harnesses



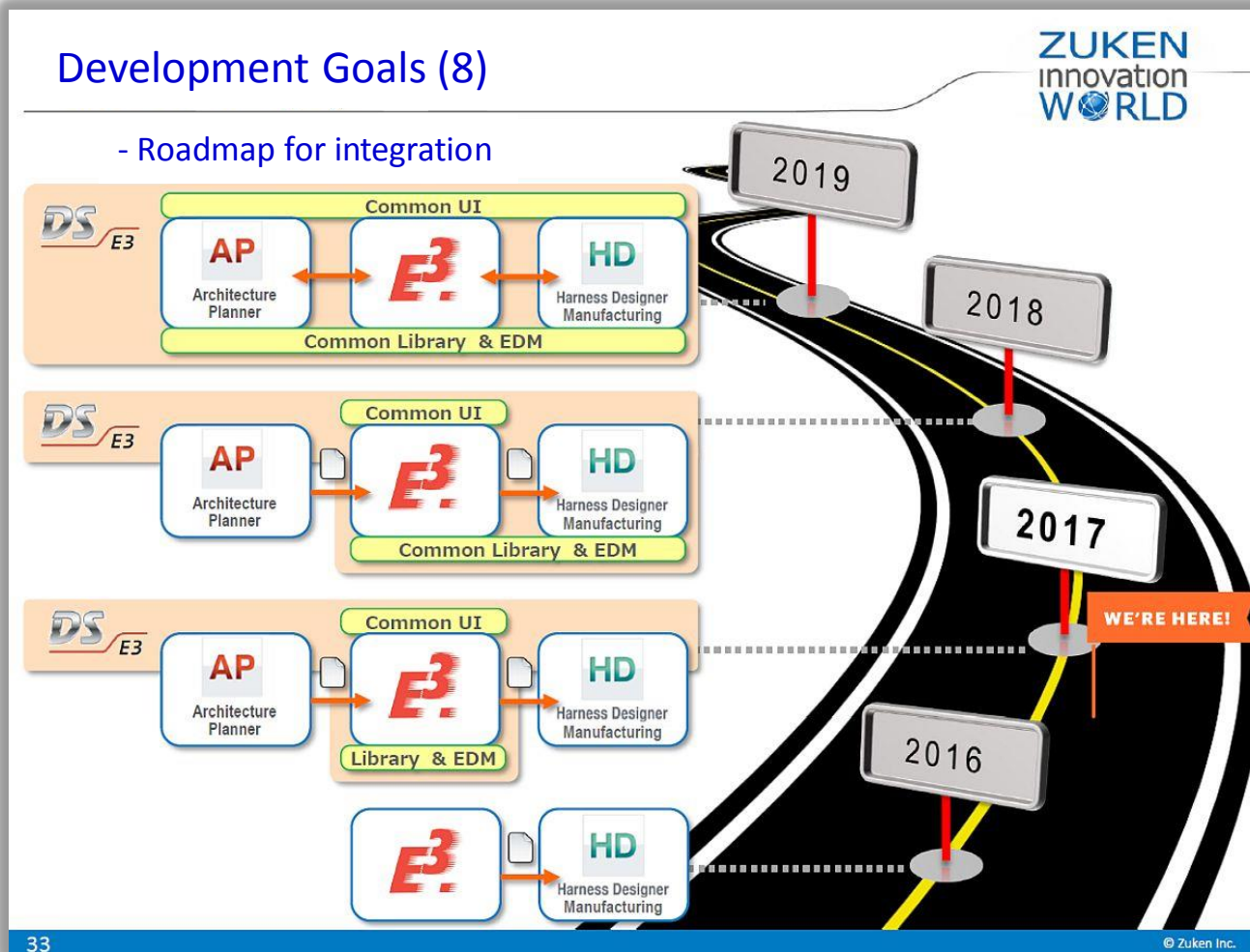
Widely used in Europe and the U.S.
Multi-purpose functions
A long history in the machinery market
Dynamic cycles due to database-centric designs
Ideally suited for logic designs



Widely used in Japan/Asia
Functions specialized for transportation industry and proven track record in the industry
Highly optimized for concurrent designs and manufacturability designs of complex and large systems

This is a page from the materials used at
Zuken Innovation World in October 2017.

2. Assessment at Midpoint of the Three-year Plan (1)



This is a page from the materials used at
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2. Assessment at Midpoint of the Three-year Plan (2)

■ Expand operations in **North America and Asia**

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

- ✓ Establishment of the SOZO Center in Silicon Valley, integration of prominent resellers and other actions during the previous medium-term plan are producing benefits. Achieved the goals of increasing the number of strategic customers, raising sales and becoming profitable.
- ✓ Steady growth in India, but more work is needed concerning the use of ties with the North American market to target opportunities in Asia.

Generating several prospects through collaboration with Americas in Asia, but activities have not yet started producing significant growth.

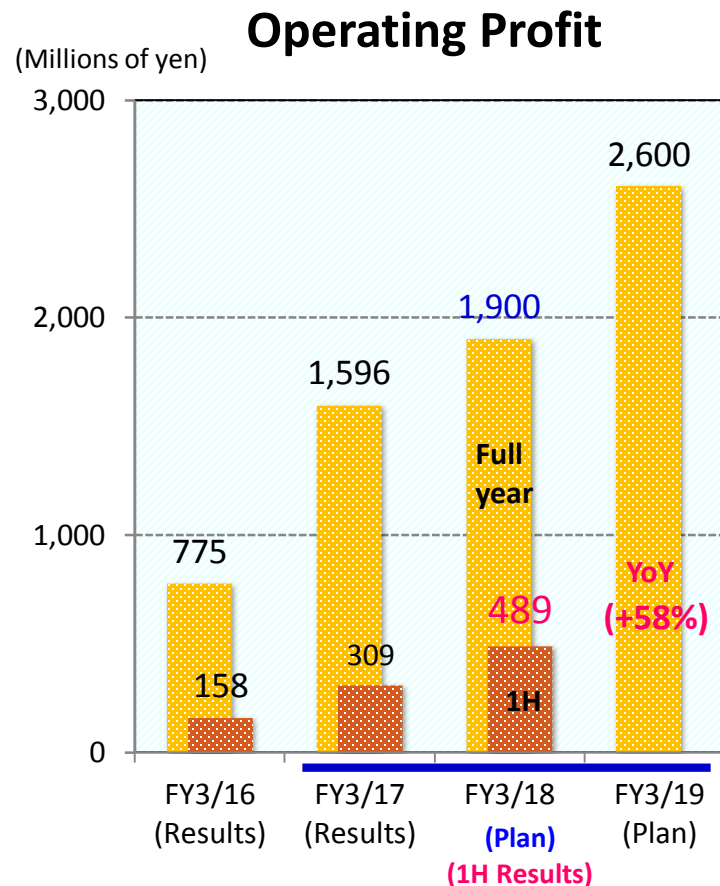
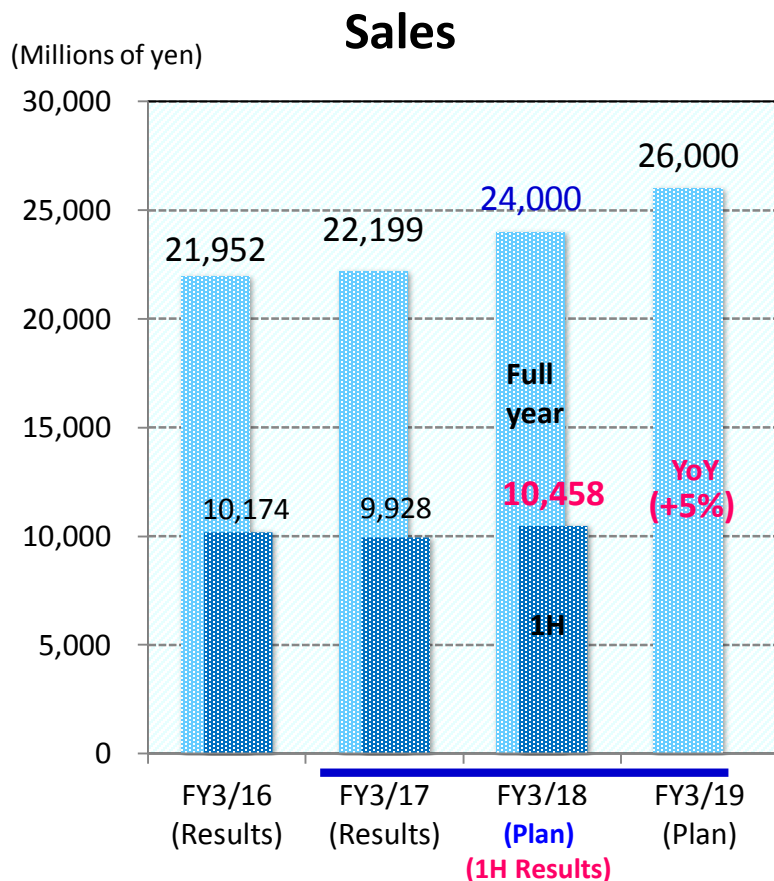
■ Promote CR-8000 Design Force in the fields of **Cutting-edge LSI, Packaging, and PCB Technologies**

Promoted the superiority of Design Force to increase the use at companies at the forefront of technological progress in their industries (3D laminated system-in-package (SiP), electronic-mechanical co-designs, etc.).

3. Actions to Reach the Goals of the Three-year Plan

- Use the new DS-2 for sales involving advanced, next-generation E/E development projects
- *Europe and Americas:*
Encourage users to shift from the CR-5000 to the CR-8000
- *Asia:*
Increase business with local companies (i.e. not affiliates of Japanese companies)
- Establish a presence in the model-based development and model-based system engineering field
→ Use M&A and/or technology partnerships for a quick start
- Step up sales activities involving solutions for manufacturing technologies and security solutions
(The extensive use of IoT in manufacturing processes is creating many opportunities for this business)

1. Medium-term Sales/Earnings Targets and Past Results



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No change in the medium-term sales and earnings targets.

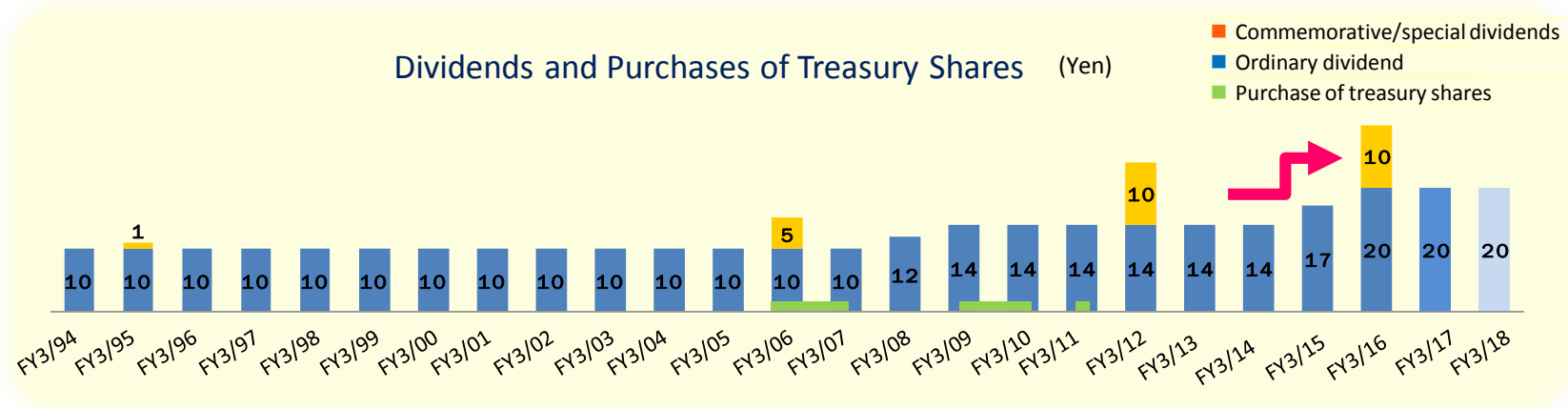
4. 1H FY3/18 Sales and Earnings by Region

Sales (*) (Millions of yen)	FY3/17 (1H) (Ratio to total sales)	FY3/18 (1H) (Ratio to total sales)	YoY change
Japan (Parent company and group companies in Japan)	6,856 (69%)	7,117 (68%)	+261
Overseas subsidiaries	3,072 (31%)	3,341 (32%)	+269
Operating profit (Millions of yen)	FY3/17 (1H)	FY3/18 (1H)	YoY change
Japan (Parent company and group companies in Japan)	167	364	+197
Overseas subsidiaries	108	131	+23

*Only external sales

5. 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 business foundation and financial soundness.



Results Ordinary dividend

Zuken has paid an annual dividend per share of at least ¥10 every year since its listing in 1987. The year-end dividend for FY3/15 was raised from ¥7 to ¥10, resulting in an annual dividend of ¥20 since FY3/16. Zuken plans to continue to increase the dividend.

Commemorative dividend and special dividend

Commemorative dividends were paid in FY3/95 and FY3/06, and special dividend was paid in FY3/12. In FY3/16, a commemorative dividend of 10 yen per share was distributed.

Purchase of treasury shares

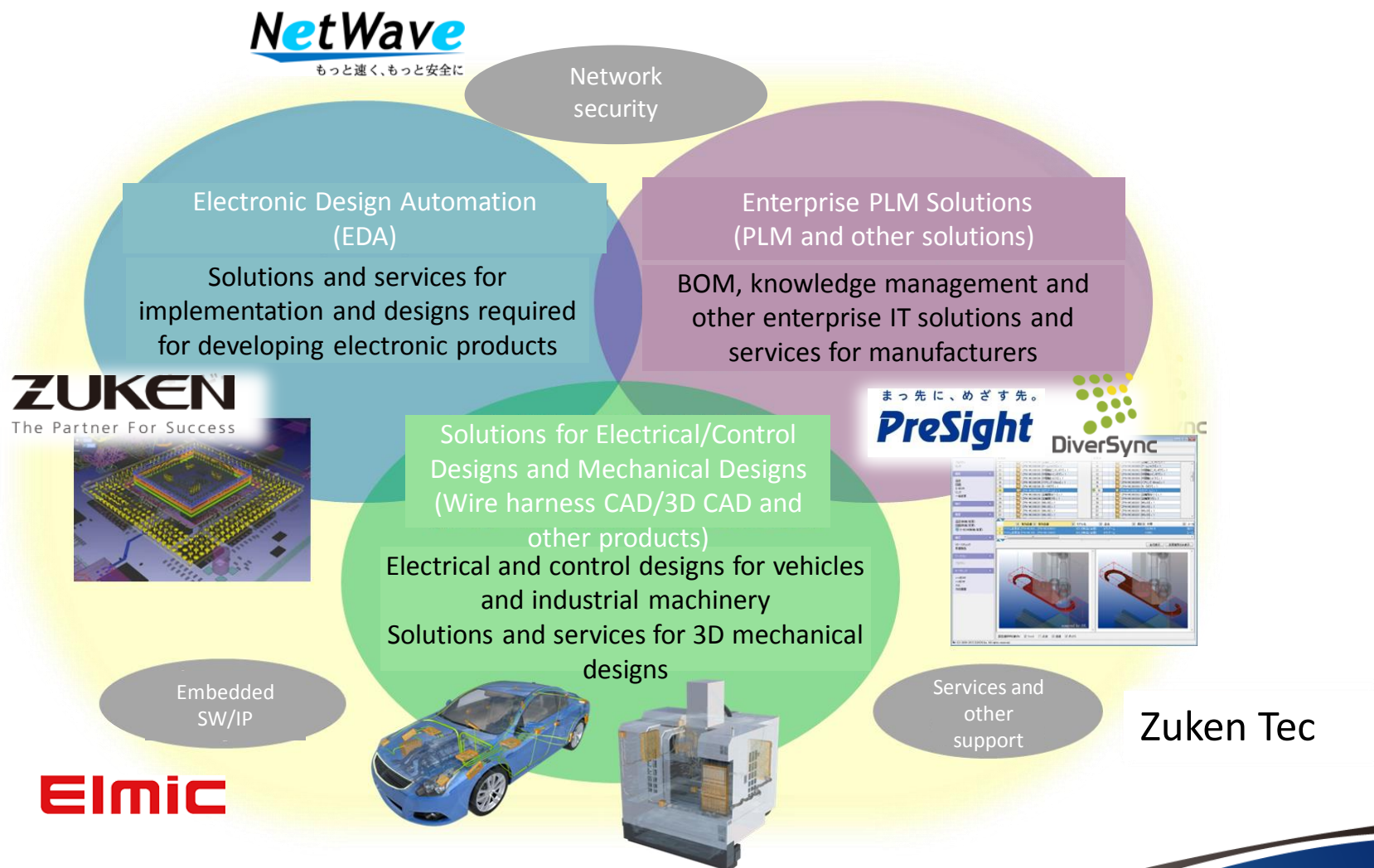
Jun. 2005 – Jun. 2006	2,000,000 shares
Nov. 2008 – Nov. 2009	636,500 shares
Feb. 2011 – Mar. 2011	2,000,000 shares
Total	4,636,500 shares

(These shares were retired in March 2011)

Performance in First Half of FY3/18 and Outlook for Product Categories and Regions



6. The Zuken Group Business Domains



Major Products and Group Companies in Each Product Category

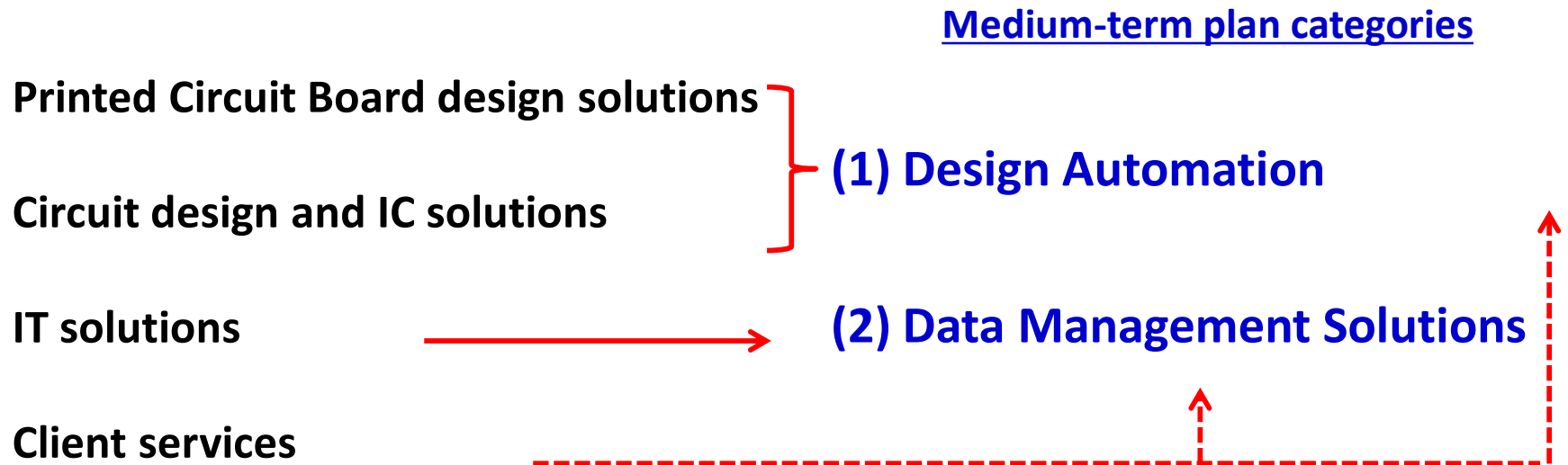
Major products by product category

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 and IC solutions	CR-8000 Design Gateway CR-8000 System Planner E3.series Cabling Designer Harness Designer Zuken Tec Elmic
IT solutions	visual BOM Knowledge Explorer DS-2 NetWave Zuken Tec まっ先に、めざす先。 PreSight DiverSync
Client services and others	Maintenance services for each product

visual BOM and Knowledge Explorer are products of Zuken PreSight Inc.

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.

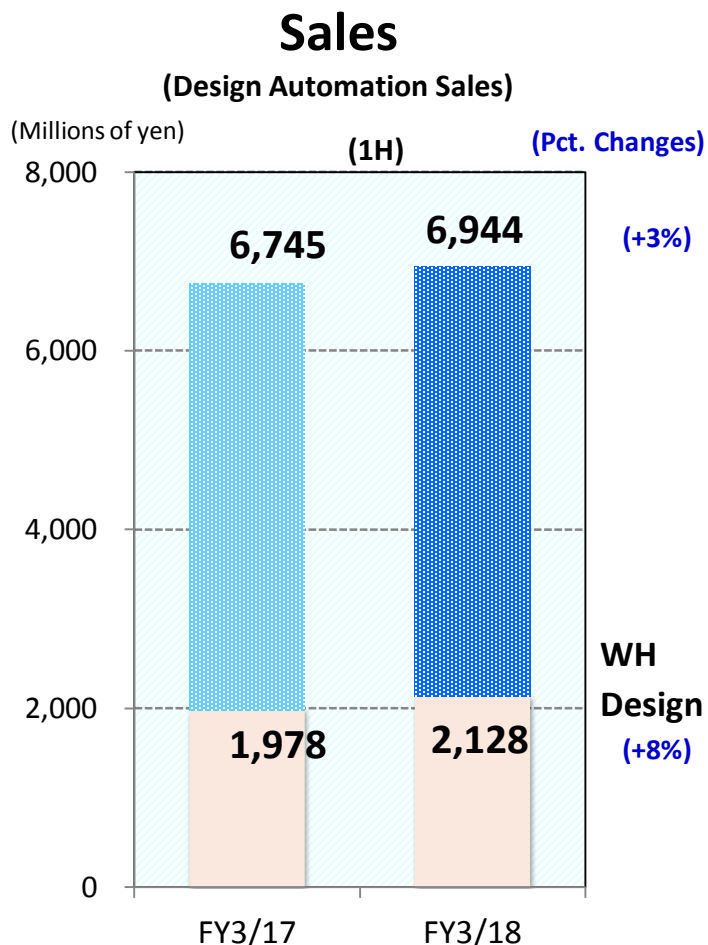


7. 1H FY3/18 Sales by Product Category (vs. 1H FY3/17)

Product Category Millions of yen	FY3/17 (1H)	FY3/18 (1H)	YoY change	YoY growth rate
Design Automation	6,745	6,944	+198	+3%
(of which WH Design)	(1,978)	(2,128)	+149	+8%
Data Management Solutions	3,182	3,514	+332	+10%
Total Sales	9,928	10,458	+530	+5%

8. Product Category Sales and Initiatives (1)

Design Automation



1H FY3/18 Overview

- Higher sales of wire harness products to industrial machinery and automobile companies in Europe and Americas.
- In Japan, an increase in projects for design process innovation from manufacturers of automobiles and automotive components
- Higher maintenance contracted sales also contributed to sales growth

2H FY3/18 Outlook

- Expect Europe/Americas sales in the industrial machinery and automobile sectors to remain strong; continuing to focus on shifting customers to the CR-8000
- Demand is firm in the automobile and B-to-B sectors and signs of a recovery in investments by consumer electronics companies are emerging

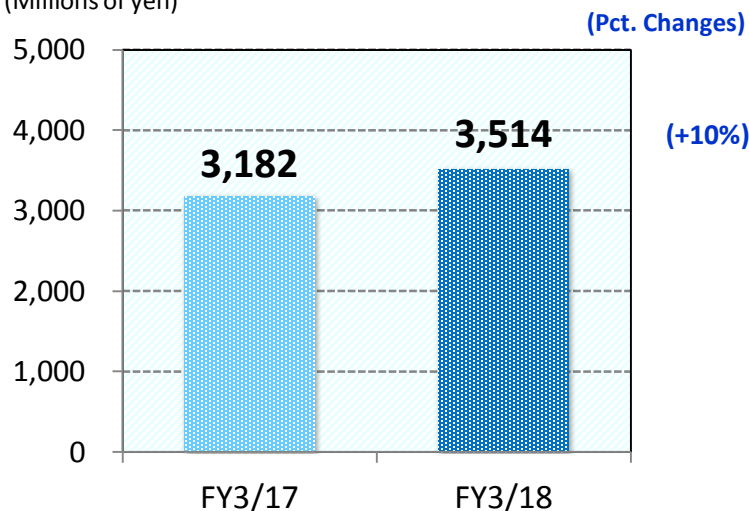
9. Product Category Sales and Initiatives (2)

Data Management Solutions

Sales

(Data Management Solutions Sales)
(1H)

(Millions of yen)



1H FY3/18 Overview

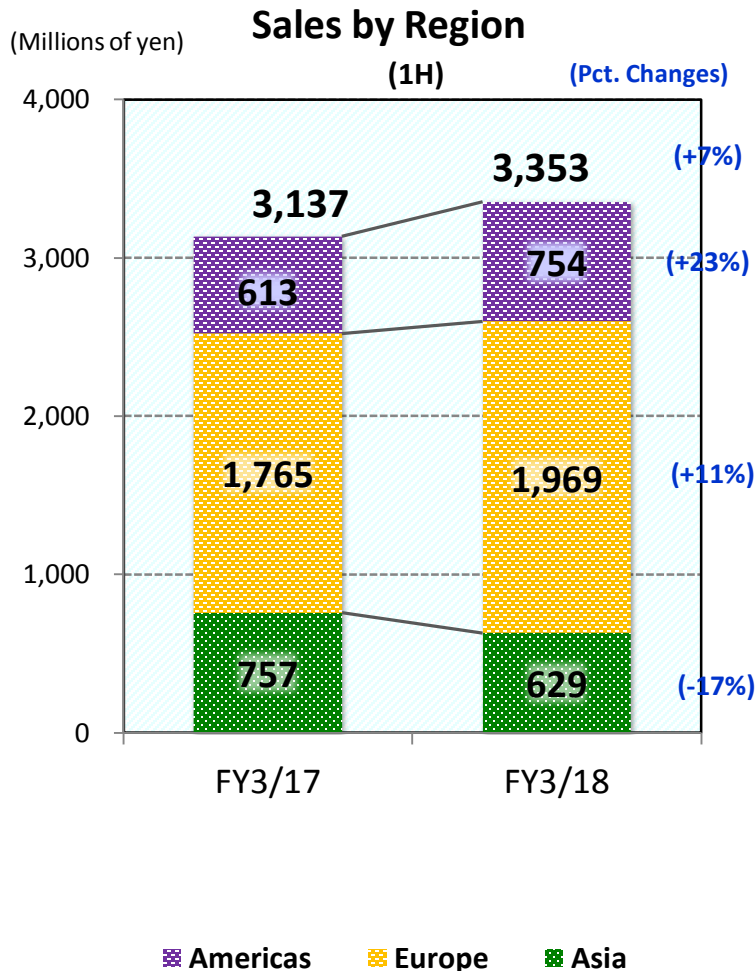
- In Japan, network security sales (at Zuken NetWave) were strong as in FY3/17
- Firm demand among large North American customers for DS-2 time-based licenses

2H FY3/18 Outlook

- Aiming to sell the new DS-E3 (expanded DS-2 version for wire harness data management) to major E3.series users
(DS-E3 sales started in Japan in 2H FY3/18)
- Offering current customers ideas for electronic design process innovations, such as module designs and design reuse
- Increase solution sales activities to sell network security and other products to the factory/production equipment management departments of companies

10. Overseas Sales and Initiatives

Overseas Business



1H FY3/18 Overview

- Americas – Strong sales, mainly for the E3.series
Increasing awareness of Zuken in many industries resulted in growth in the number of prospective customers for data management products
- Europe – Firm sales for Zuken products among existing key customers in the industrial machinery, automotive components and other industries
- Asia –Japanese companies in China and SE Asia are lowering their investments; strong orders from aerospace companies in India and automotive components companies in Korea

2H FY3/18 Outlook

- Americas –Continuing to focus on sales to strategic customers; concentrating on activities aimed at capturing orders by featuring data management products, which have an excellent reputation among users
- Europe –Reinforce marketing of new data management products; encourage key customers to shift from CR-5000 to CR-8000
- Asia –Strengthen activities to build relationships with local (non-Japanese) companies in China and India; expect sales growth in Korea due to higher sales of data management products