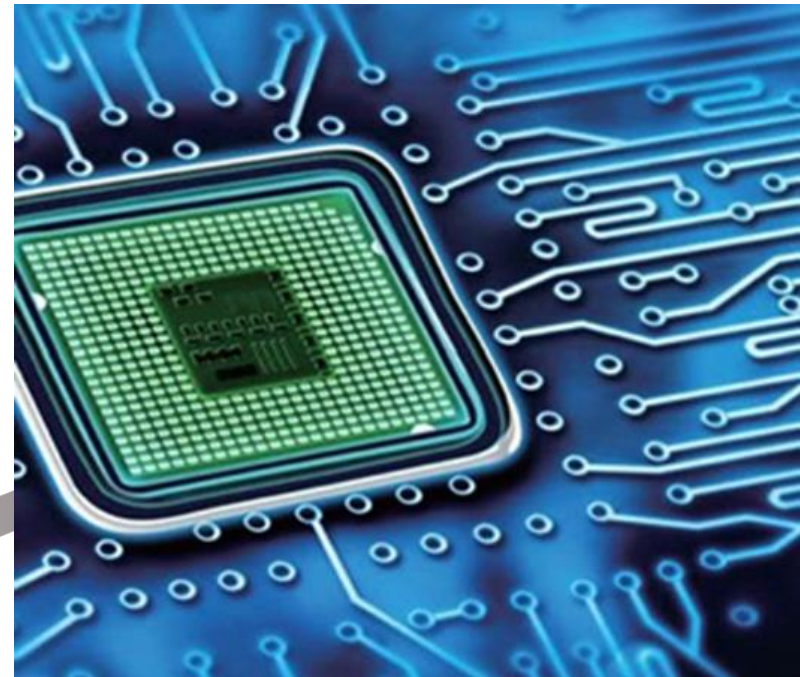


Medium-term Business Plan (April 2019 - March 2022)

July 12, 2019



ZUKEN Inc.

Tokyo Stock Exchange, First Section
Securities code: 6947

Contents

- **Summary and Basic Policies of the New Medium-term Business Plan**
- **Medium-term Business Plan**

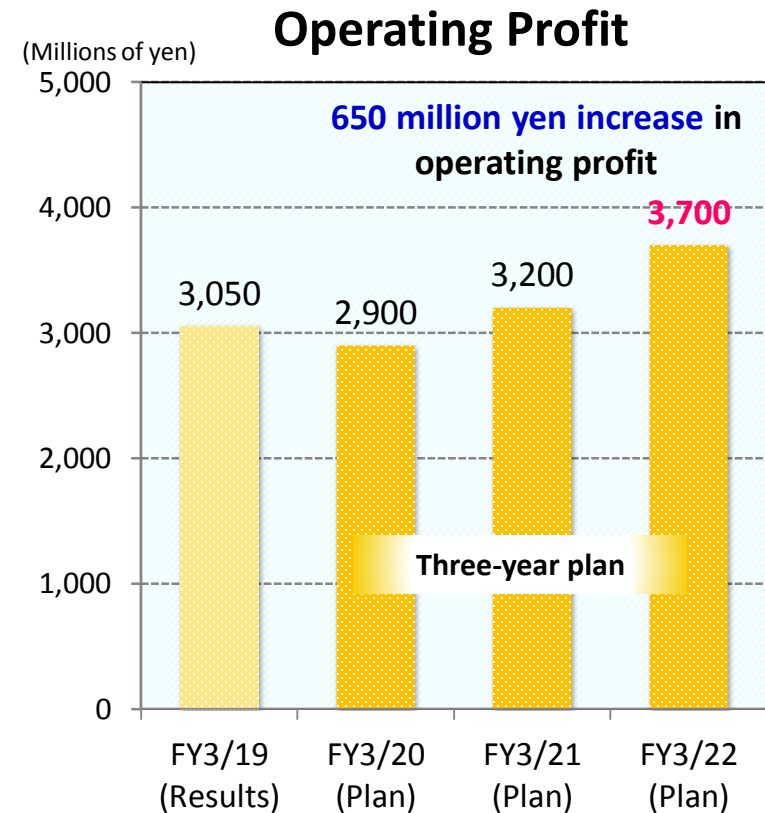
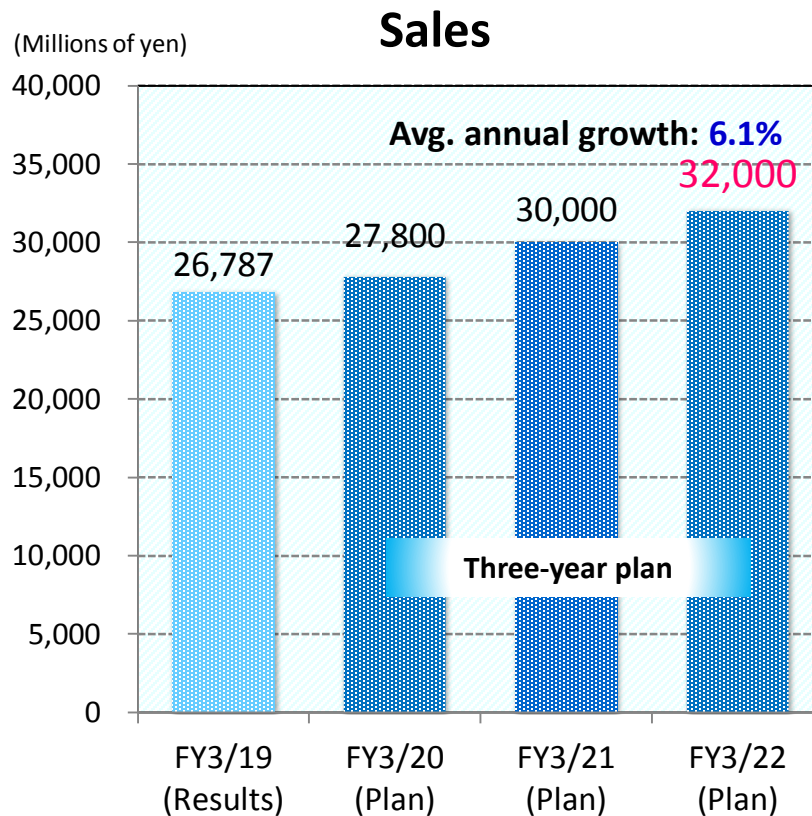
Corporate Profile (Reference)



Summary and Basic Policies of the New Medium-term Business Plan



New Medium-term Business Plan: Sales and Operating Profit Targets

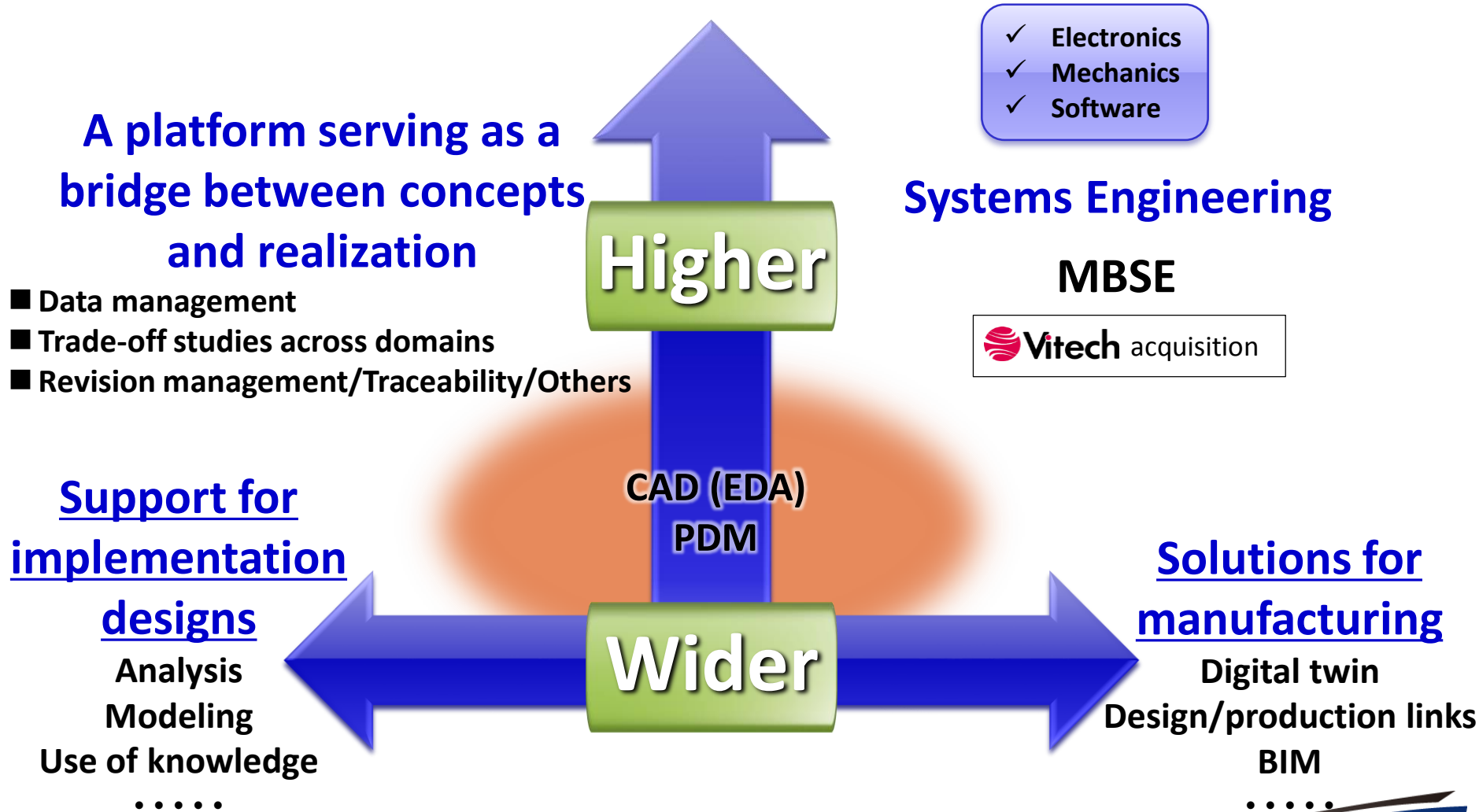


*Foreign exchange rate assumptions for the plan are 110 yen/USD and 125 yen/EUR.

Priorities in formulating the new plan

- Raise sales to 30 billion yen in the plan's second year
- Use Systems Engineering (MBSE) to establish a growth trajectory
- Make investments for growth along with steady earnings distributions to shareholders

Core Strategies of the New Three-year Plan



Core Strategies of the New Three-year Plan

(1) Migration to the latest solutions at major customers

→ Focus: CR-8000 in **Europe and the U.S.**, the new wire harness solution in **Japan**

(2) Increase sales of data management products

→ Expand data management coverage to include wire harness design products and third-party products as well as Zuken EDA products

Going one more step

The goal is an even broader range of activities by the entire Zuken Group, ...extending from model preparation and verification to model data management.

(3) Build a Zuken Business Model in the systems engineering field (MBSE)

Core Strategies of the New Three-year Plan

■ Build a Zuken Business Model in the systems engineering field

Become a **2 billion yen business** in the systems engineering field (Software, consulting, education)

2022

- Training and recruiting of people with specialized skills
- Convergence with current solutions (E/E + Systems engineering)
- Strengthen key competences by using M&A, partnerships and other measures



2019

- Established a department responsible for the systems engineering field (Process Innovation Promotion Department)
- Acquired the U.S. company Vitech; ; using collaboration with third parties in the MBSE sector
- Started projects with advanced customers

During the next 3 years, make systems engineering about 10% of every solution segment

Core Strategies of the New Three-year Plan

Systems engineering is vital to the development of products (systems) that can be used with any type of systems. MBSE uses models to perform system engineering tasks.

System engineering is a “4W/1H” process.

Success requires engineering **activities** for determining what to accomplish and why, where and when the project needs to be performed, as well as how to complete a project.

A system model consists of a block diagram of all system functions and is created and used by system engineers.

What ?

What does the system need to accomplish?
At what level are these functions required?
What are the essential aspects of the system and what factors must be considered for creating the system?

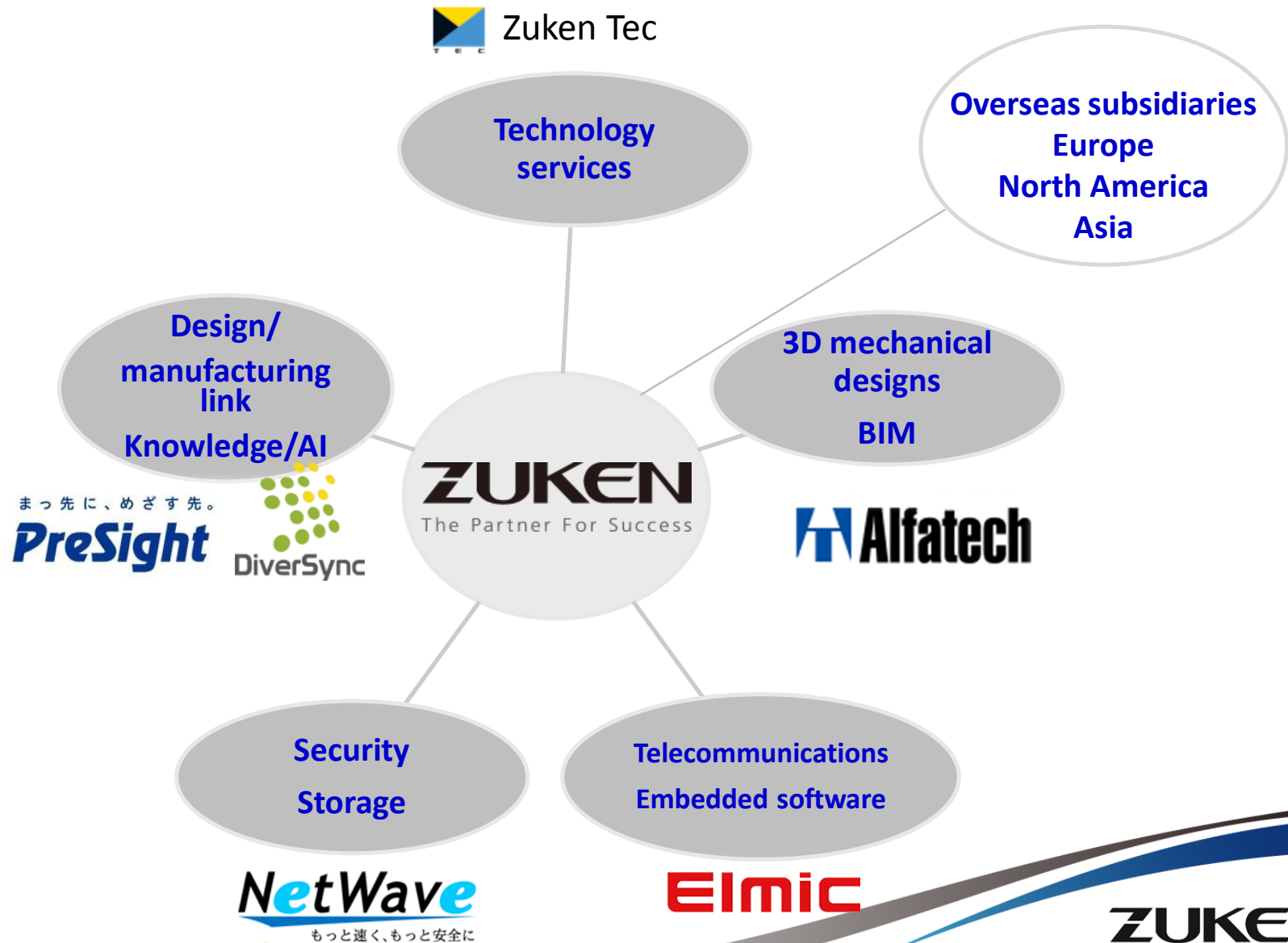
When ?

When will the system be used? What is the best timing for using the system effectively?

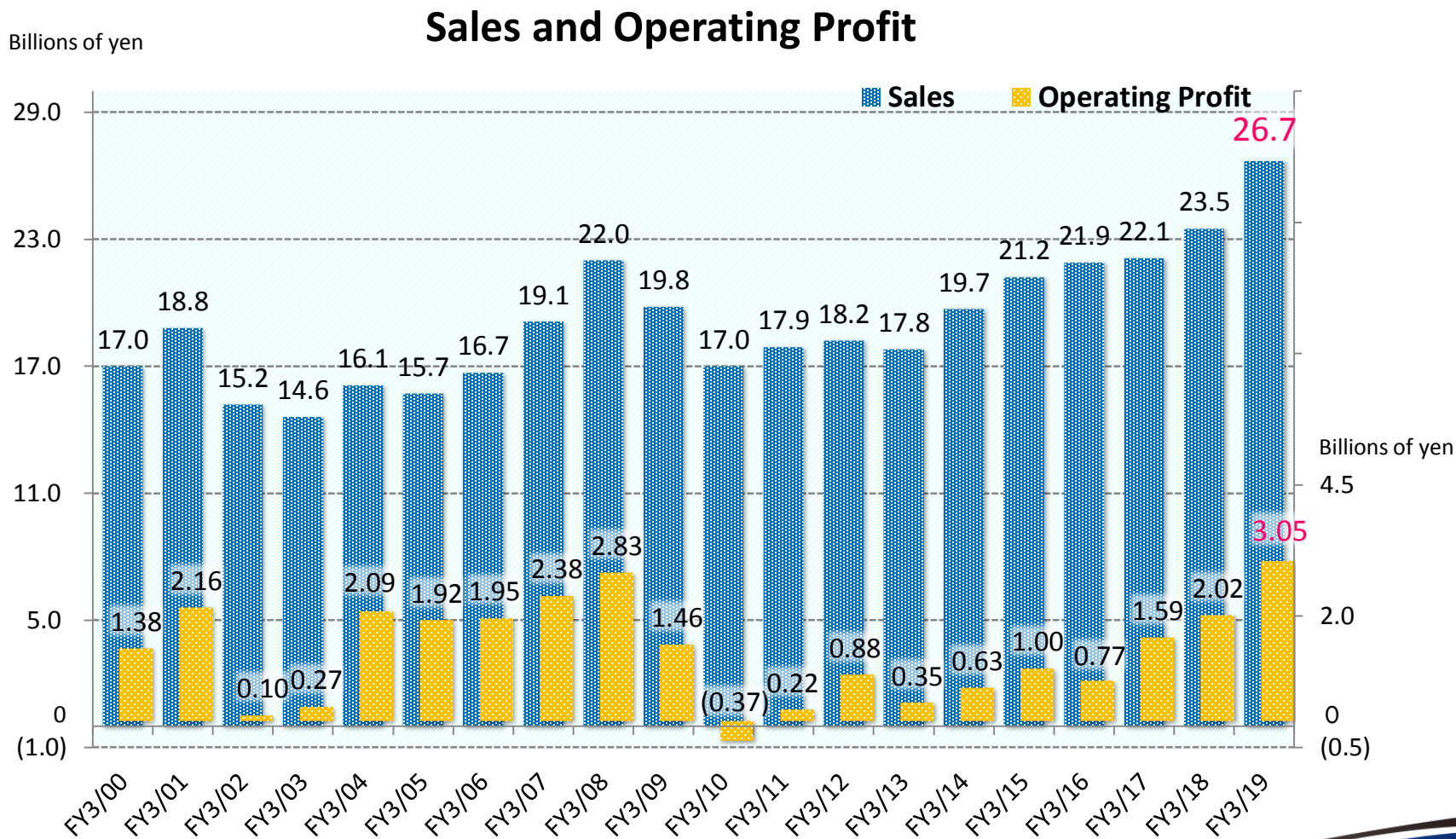
How ?

How can the system be created? What are the properties and unique characteristics of the method required to create the system? How will the roles be assigned to the different elements of the system? How much will each element contribute to the system's operation? How can each element and the entire system be constructed as planned?

Zuken Group

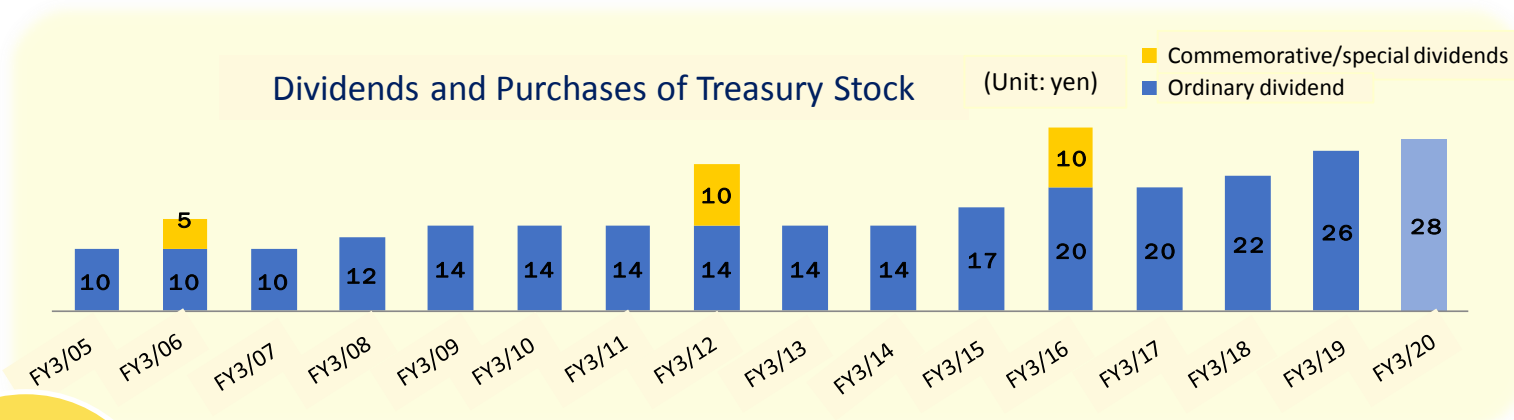


Financial Summary (2000 - 2019)



Sales and Operating Profit reached a new record high

Policy for Shareholder Distributions



- Zuken has paid an annual dividend per share of at least 10 yen every year since its listing in 1987.
- The dividend has increased several times since 2008 and the year-end dividend for FY3/19 was raised from 12 yen to 14 yen. Zuken plans to pay an annual dividend of 28 yen for FY3/20
- 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

A progressive dividend policy consisting of stability and consistency while aiming for higher dividends

Investments for growth

Stable shareholder distributions

Financial soundness

Corporate Profile (Reference)

Corporate Profile



ZUKEN Inc.

Established: December 17, 1976

Capital: 10,117,065,000 yen

Employees: 407 (non-consolidated)

1,328 (consolidated) (As of March 31, 2019)

Tokyo Stock Exchange, First Section

Securities code: 6947

- A Japanese engineering software vendor with global presence
- More than 40 years of experience in the electronic design automation industry (Backed by a consistently sound financial position)
- In-house development of technologies along with the use of alliances, M&A and other measures to acquire new technologies quickly as needed

History

December 1976	Established as Zukei Shori Gijutsu Kenkyusho Inc.	June 2009	Announced the release of "PreSight," a new product of PLM Solutions
June 1978	Developed Japan's first CAD/CAM system "Create 2000" for the design of printed circuit boards.	May 2010	Concluded an equity alliance with Lattice Technology Co., Ltd., making Zuken the second-largest shareholder after Toyota
November 1983	Established ZUKEN AMERICA Inc. (now ZUKEN USA Inc.) in the United States.	June 2011	Announced the release of "visual BOM" that integrated bill of materials technology with the ultra lightweight 3D format XVL.
January 1988	Developed a new CAD system "CR-3000."	January 2011	Announced worldwide the release of the "CR-8000," a new generation electronic device design platform.
October 1991	Registered in the Second Section of the Tokyo Stock Exchange as a first EDA corporation.	September 2013	Established "Zuken SOZO Center" in Silicon Valley, North America.
January 1992	Established ZUKEN EUROPE GmbH (now ZUKEN GmbH) in Germany.	August 2014	Established Global Automotive and Transportation Competence Center in Erlangen, Germany.
January 1992	Established ZUKEN KOREA Inc. in Seoul.	December 2014	Concluded a capital and business alliance with Toyo Business Engineering.
August 1992	Established ZUKEN SINGAPORE Pte. Ltd. in Singapore.	February 2015	Established DiverSync Corporation.
April 1994	Developed EDA vertical integration solution "CR-5000."	March 2015	Established ZUKEN INDIA Pte. Ltd. in India.
June 1994	Acquired all the shares of Racal-Redac Ltd. of the United Kingdom.	July 2015	Took over YDC Corporation's CADVANCE business (CAD and PDM operations).
September 1994	Moved up to the First Section of the Tokyo Stock Exchange.	April 2016	The PreSight Division was spun off as Zuken PreSight Inc.
March 2000	Acquired all the shares of INCASES Engineering GmbH.	December 2017	Alfatech Inc. (now Zuken Alfatech Co., Ltd.) became a wholly owned subsidiary
March 2002	Started provision of a wire harness design environment for the automotive industry.		
June 2002	Established Shanghai Technical Center in Shanghai.		
February 2004	Announced the release of "ePLM Platform DS-2," a PLM solution specially designed for the electrical and electronics industries.		
August 2005	Established ZUKEN TAIWAN Inc. in Taiwan.		
May 2006	Acquired CIM-TEAM (now ZUKEN E3 GmbH) of Germany.		
June 2007	Released "V54EE" based on "Catia V5."		

History

December 1976	Established a	<u>(1) Developed Japan's first CAD/CAM system for printed circuit boards</u>	nt," a new product of PLM
June 1978	Developed J the design o	<u>Converts the PCB design process from the internal systems of individual companies to general-purpose CAD package software</u>	Lattice Technology Co., gest shareholder after
November 1983	Established Z the United S		OM" that integrated bill of a lightweight 3D format
January 1988	Developed a		
October 1991	Registered in the Second Section of the Tokyo Stock Exchange as	<u>(2) Started overseas operations soon after establishment</u>	of the "CR-8000," a new n platform.
January 1992	Established Z Germany.	<u>Soon after our establishment, we started overseas operations and established relationships with prominent customers, resulting in the acquisition of world-class technologies</u>	n Silicon Valley, North
January 1992	Established Z		nd Transportation
August 1992	Established Z		Competence Center in Erlangen, Germany.
April 1994	Developed EDA vertical integration solution "CR-5000."		alliance with Toyo Business
June 1994	Acquired all Kingdom.	<u>(3) Played a major role in the advancement of Japan's electronic products</u>	n.
September 1994	Moved up to	<u>A supplier of technologies that were vital for making products smaller, lighter and more energy efficient as well as for outstanding quality</u>	in India.
March 2000	Acquired all		VANCE business (CAD and
March 2002	Started prov the automot		ff as Zuken PreSight Inc.
June 2002	Established Shanghai Technical Center in Shanghai		h Co., Ltd.) became a wholly
February 2004	Announced t solution spe industries.	<u>(4) Mechanical and electro-mechanical design solutions, bill of materials (BOM) systems and other innovative solutions</u>	
August 2005	Established Z	<u>Used in-house development, partnerships and M&A to steadily add more business domains in the design and engineering field</u>	
May 2006	Acquired CIM		
June 2007	Released "V		

Global Locations and Affiliates in Japan

Head Office/Central Research Facility: Tsuzuki-ku, Yokohama

Locations in Japan: Yokohama, Osaka and Nagoya

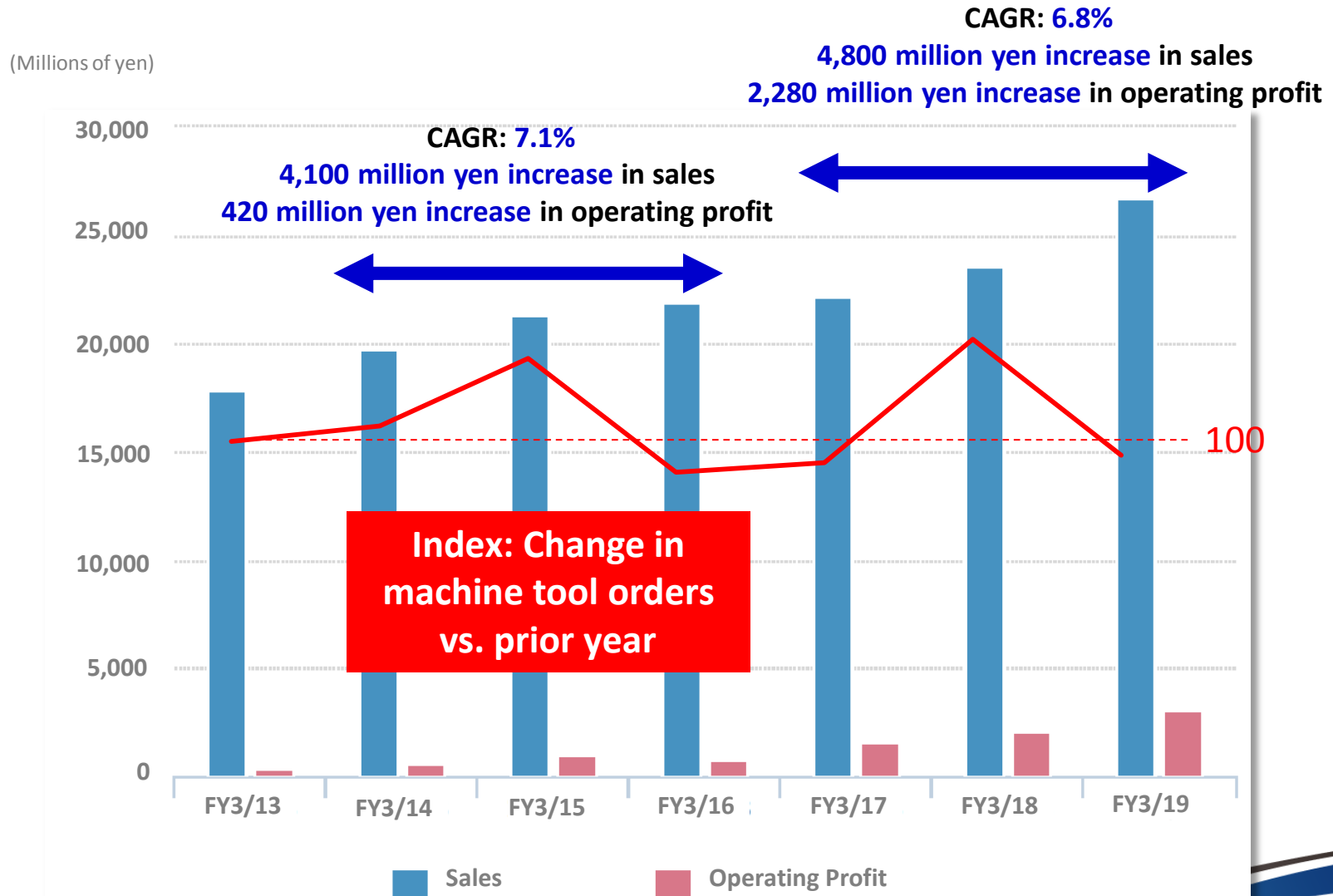
Overseas Locations: 5 countries in Asia, 8 countries in Europe and the United States

Domestic Affiliates: 6 (Zuken Tec Inc., Zuken Netwave Inc., Zuken Elmic Inc., Zuken PreSight Inc., DiverSync Corporation, Zuken Alfatech Inc.)



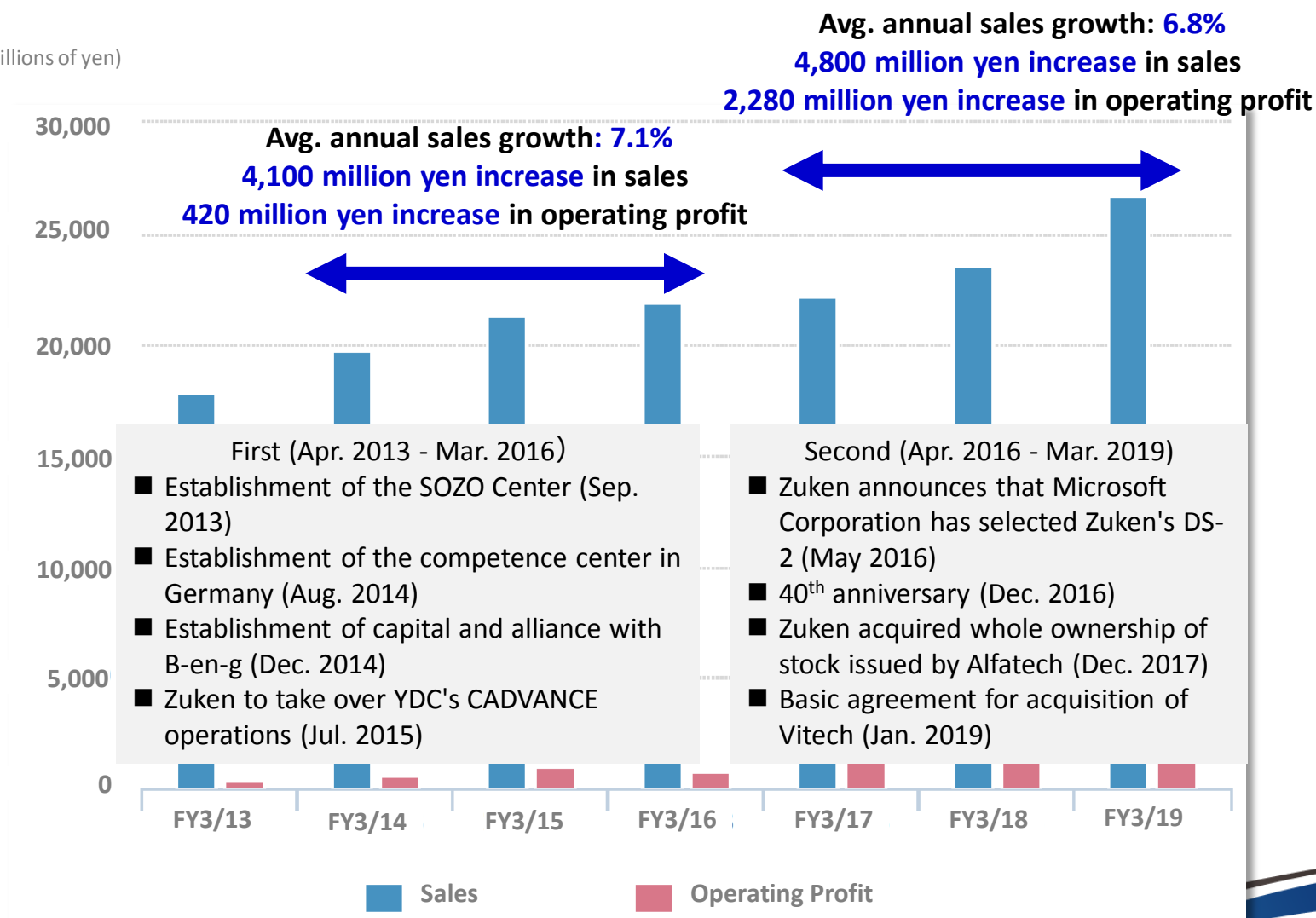
Medium-term Business Plan

Accomplishments of Past Medium-term Business Plans



Accomplishments of Past Medium-term Business Plans

(Millions of yen)



Core Strategies of the New Three-year Plan

(1) Migration to the latest solutions at major customers

→ Focus: CR-8000 in Europe and the U.S., the new wire harness solution in Japan

(2) Increase sales of data management products

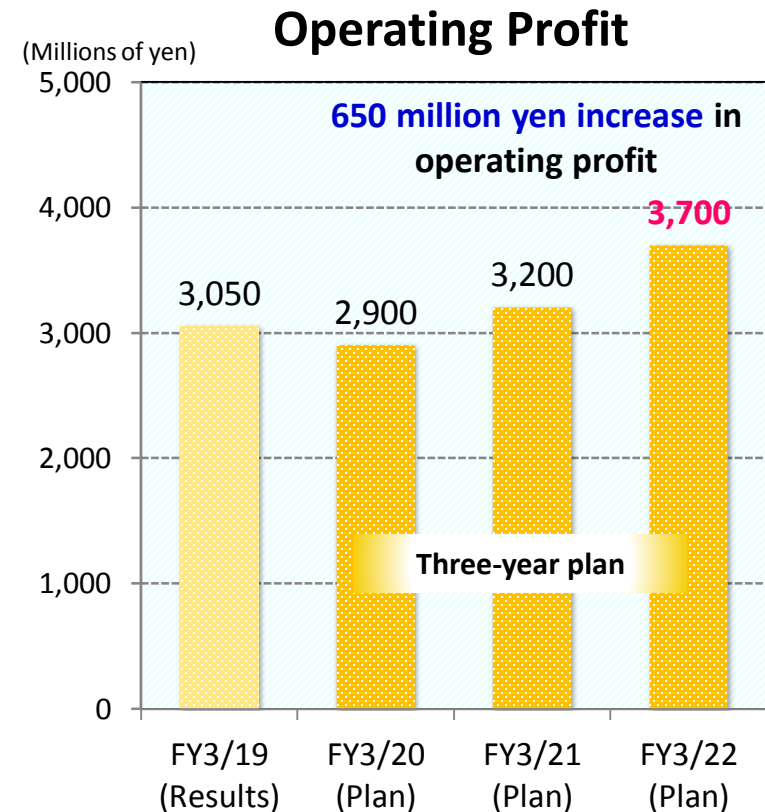
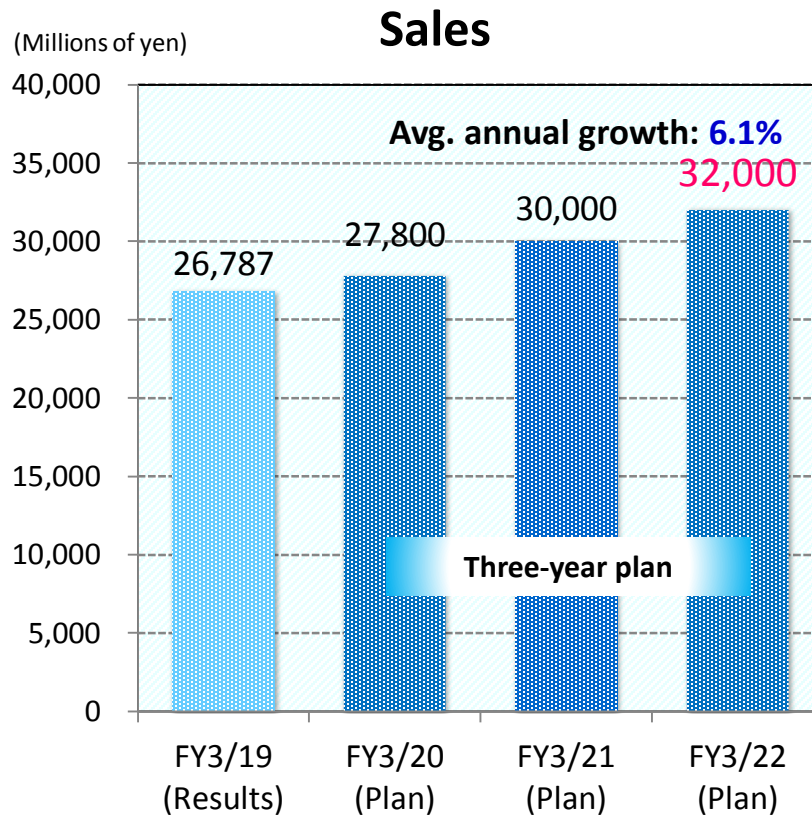
→ Expand data management coverage to include wire harness design products and third-party products as well as Zuken EDA products

Going one more step

The goal is an even broader range of activities by the entire Zuken Group, ...extending from model preparation and verification to model data management.

(3) Build a Zuken Business Model in the systems engineering field (MBSE)

New Medium-term Business Plan: Sales and Operating Profit Targets



*Foreign exchange rate assumptions for the plan are 110 yen/USD and 125 yen/EUR.

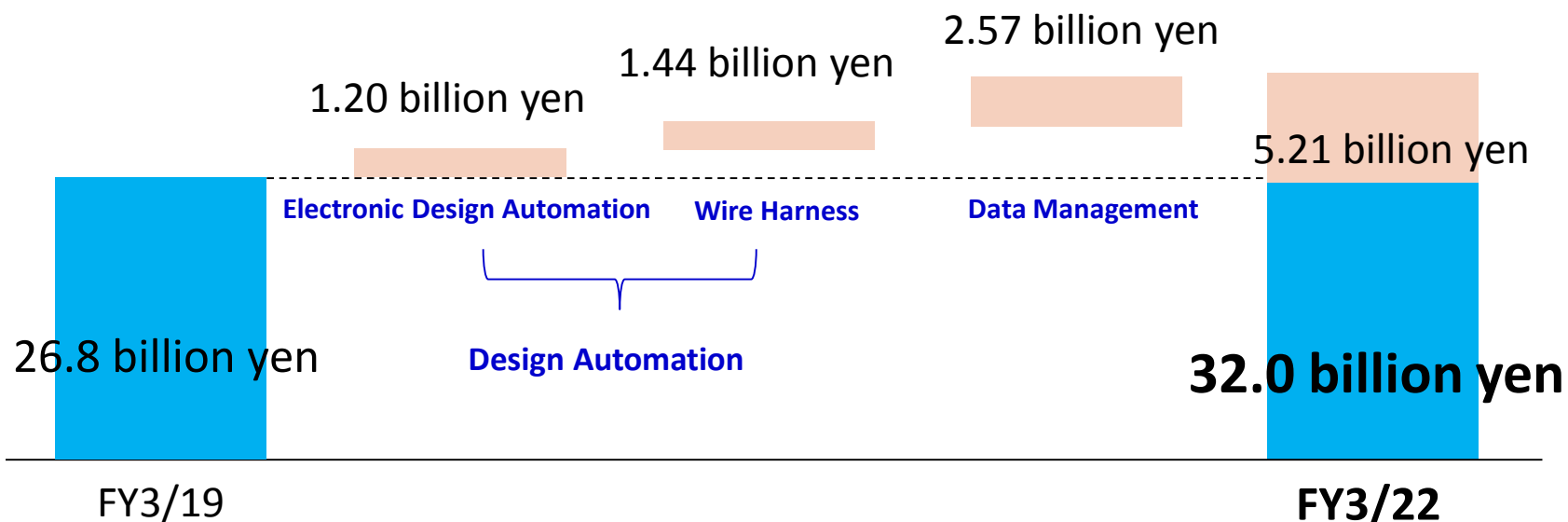
Priorities in formulating the new plan

- Raise sales to 30 billion yen in the plan's second year
- Use Systems Engineering (MBSE) to establish a growth trajectory
- Make investments for growth along with steady earnings distributions to shareholders

Sales Plan by Product Category

Product Category (Millions of yen)	FY3/19	FY3/22	YoY change
Design Automation	17,539	20,180	+2,640
(of which WH Design)	(5,059)	(6,495)	+1,436
Data Management Solutions	9,249	11,821	+2,572
Total Sales	26,787	32,000	+5,212

Sales Plan by Product Category



Electronic Design Automation

- Many key customers in Europe started switching to the CR-8000 (p.18 (1))
- Good prospects for growth of new designs due to increasing use of new technologies (5G, LPWA and others) in Japan and other countries

Wire Harness Design

- Business climate remains favorable due to increasing use of electrical/electronic components in cars, the IoT for industrial applications and other trends
- Goal is higher sales in the second half due to the planned March 2020 launch of a new E3.series product (p.18 (1))

Data Management

- More data management projects in Japan and other countries because of an increasing need to produce electric/electronics designs more efficiently (p.18 (2))
- Anticipate demand for solutions involving security (provided by a Zuken affiliate) to remain strong

Sales Plan by Solutions (Reference)

Sales (Millions of yen)	FY3/19	FY3/22	YoY change
Printed Circuit Board design solutions	4,222	4,768	+546
Circuit design solutions	6,122	7,713	+1,591
IT solutions	5,919	7,555	+1,637
Client services	10,517	11,964	+1,446

Product Category (Reference)

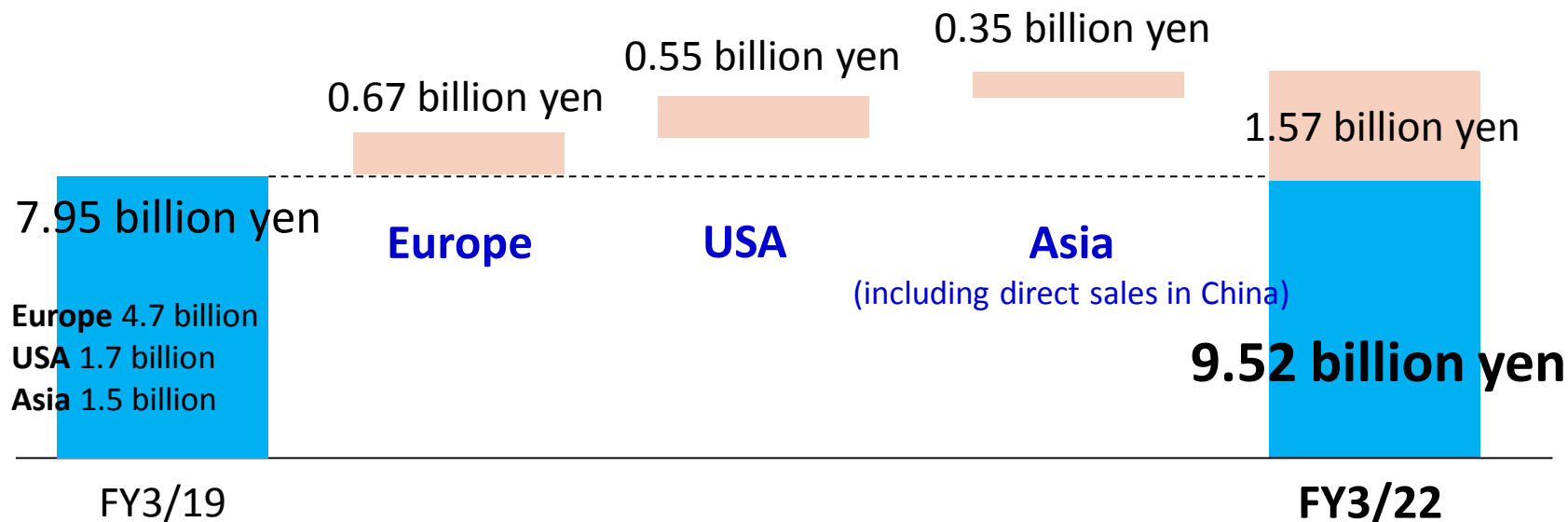
Major products by product category

Product Category	Major Products
Printed Circuit Board design solutions	CR-8000 Design Force CR-8000 DFM Center CR-5000 Board Designer
Circuit design solutions	CR-8000 Design Gateway CR-8000 System Planner E3.series Cabling Designer Harness Designer
IT solutions	PreSight/visual BOM Knowledge Explorer DS-2 (DS-CR/DS-E3)
Client services and Others	Maintenance services for each product

Divided among all of the above product categories

Overseas Business

Average exchange rates in FY3/19 were 111 yen/USD and 128 yen/EUR.
Assumptions for FY3/22 are 110 yen/USD and 125 yen/EUR.



Europe

- Consistently high volume of CR-8000 transition projects among large tier 1 automotive parts companies and other companies (p.18 (1))
- Expect even faster growth of the E3.series in the industrial machinery sector due to the launch of a new product (p.18 (1))

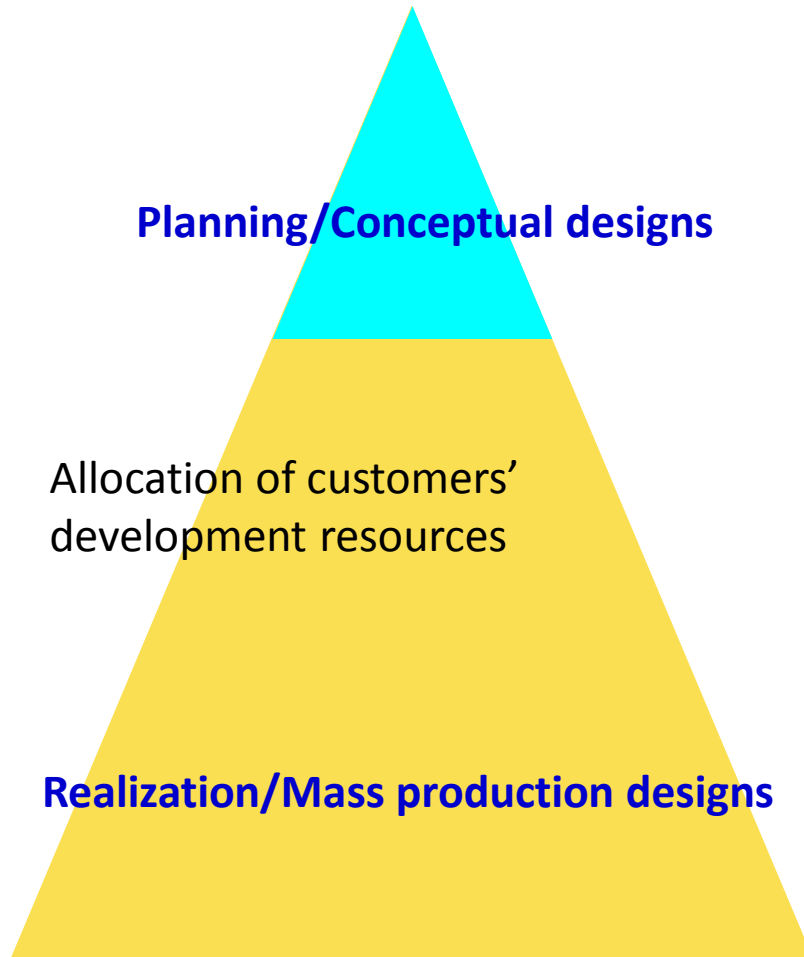
USA

- Stable growth trajectory backed by increasing TBL business for large customers
- Receipt of expansion project orders from prominent customers in the aerospace and industrial machinery sectors (p.18 (2))

Asia

- Uncertain business climate due to U.S.-China tension (an upturn is possible, too)
- Priority is increasing sales to prominent local companies in China, India and other countries

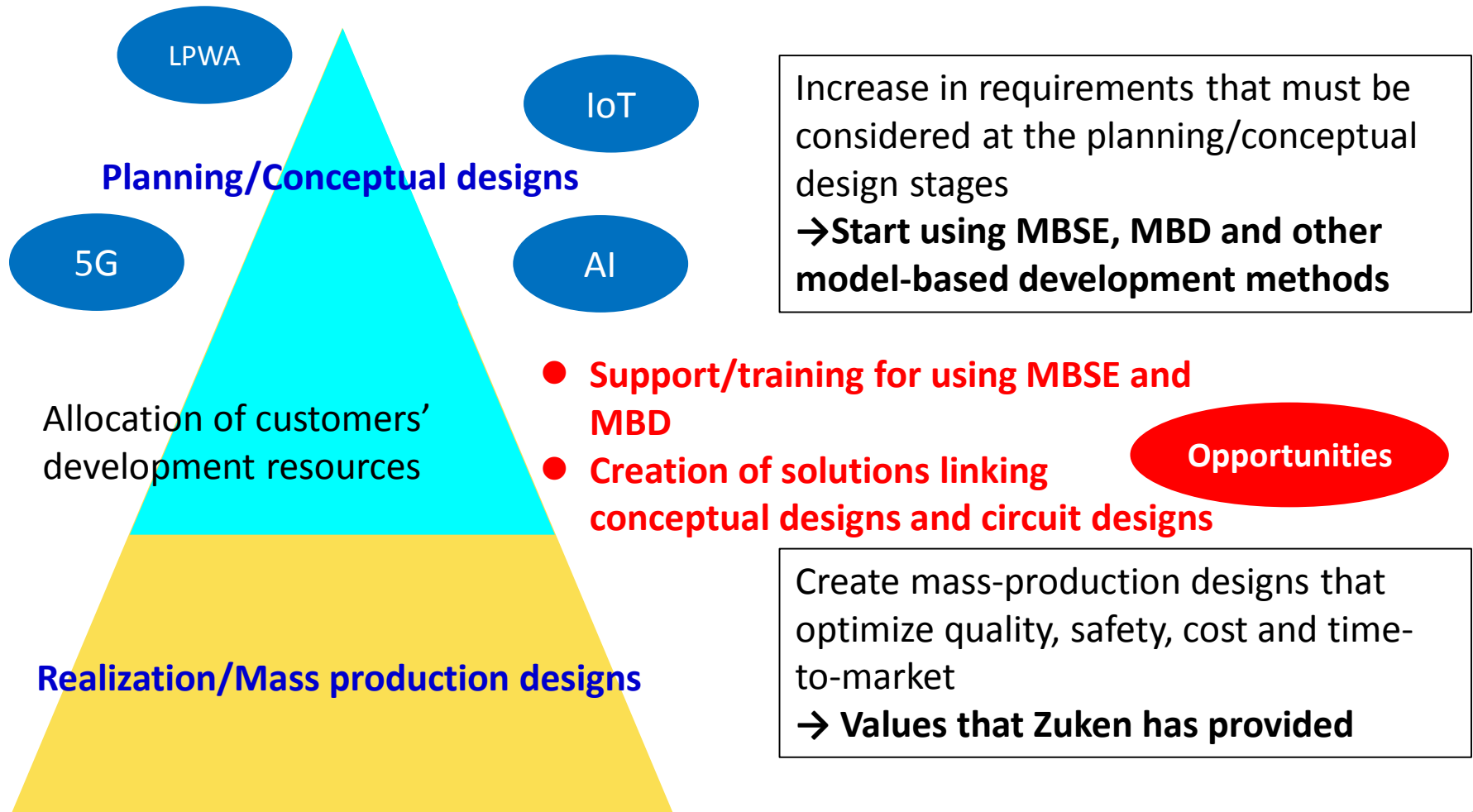
Aiming to be the Systems Engineering Experts (p.18 (3))



Create mass-production designs that optimize quality, safety, cost and time-to-market

→ **Values that Zuken has provided**

Aiming to be the Systems Engineering Experts (p.18 (3))



**Conventional solutions will still be a large part of the volume of business during the three years of the new plan.
However, customers will continue to shift their resources.**

Thank you for your attention.

Precautions

Information in this presentation includes forward-looking statements about results of operations and other items. These statements are judgments of the Zuken Group based on information available when this presentation was prepared and include potential risks and uncertainties. Therefore, actual results of operations and other aspects of future performance may differ greatly from these forward-looking statements. Risk factors that may affect the Zuken Group's performance include, but are not limited to, changes in the economies of various countries, capital expenditures of the group's customers, changes in the demand for the group's products, progress with the development of new products, competition with other companies, and foreign exchange rate movements.

The performance targets in this presentation are not forecasts or current outlooks for future results of operations. These figures are goals that the Zuken Group will attempt to reach by implementing its business strategies.

The Partner For Success **ZUKEN**



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