

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

July 5, 2017

ZUKEN Inc.

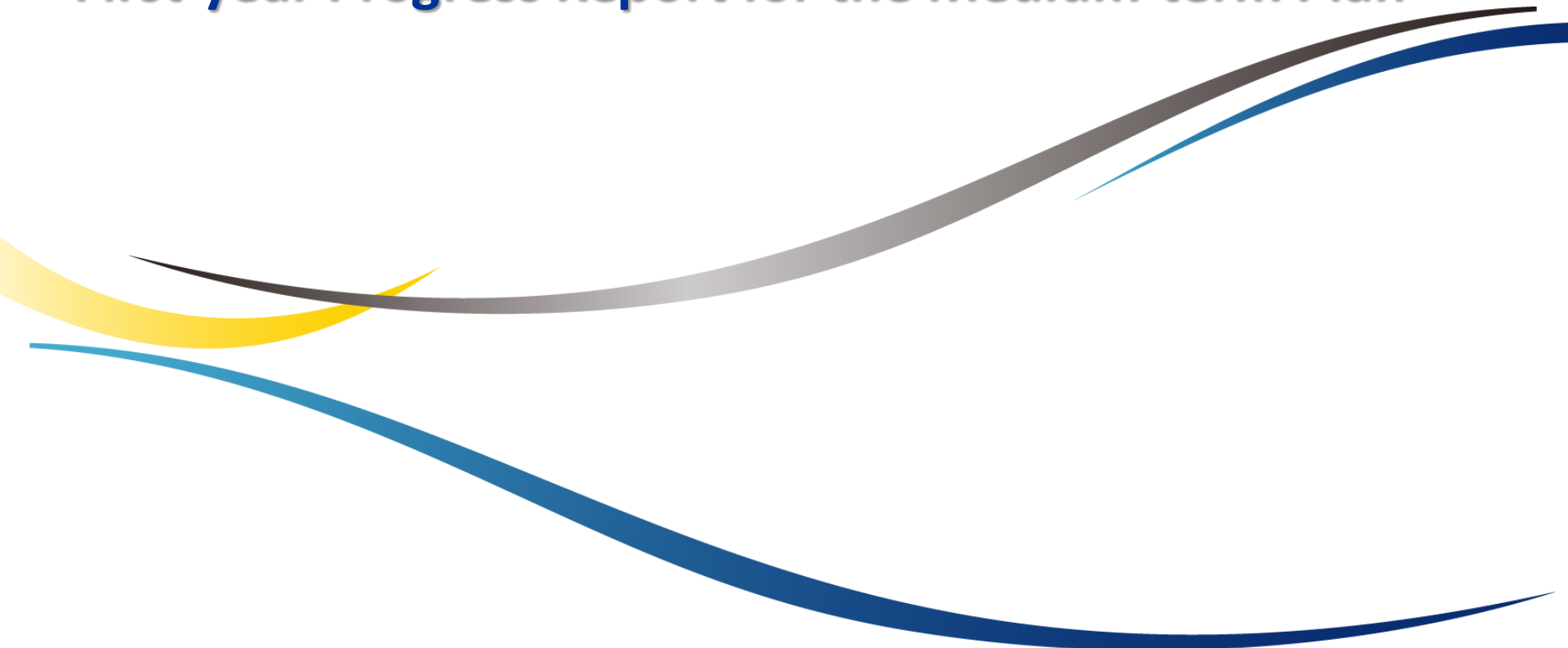
Tokyo Stock Exchange, First Section  
Securities code: 6947

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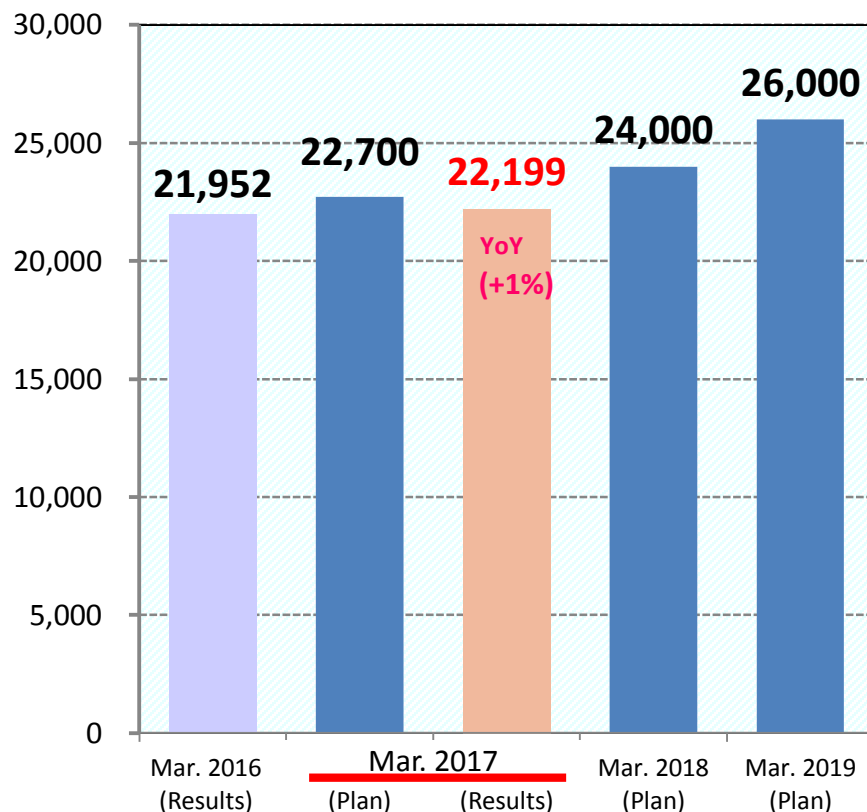
## **First-year Progress Report for the Medium-term Plan**



# 1. Medium-term Sales and Earnings Targets and Results for FY3/17

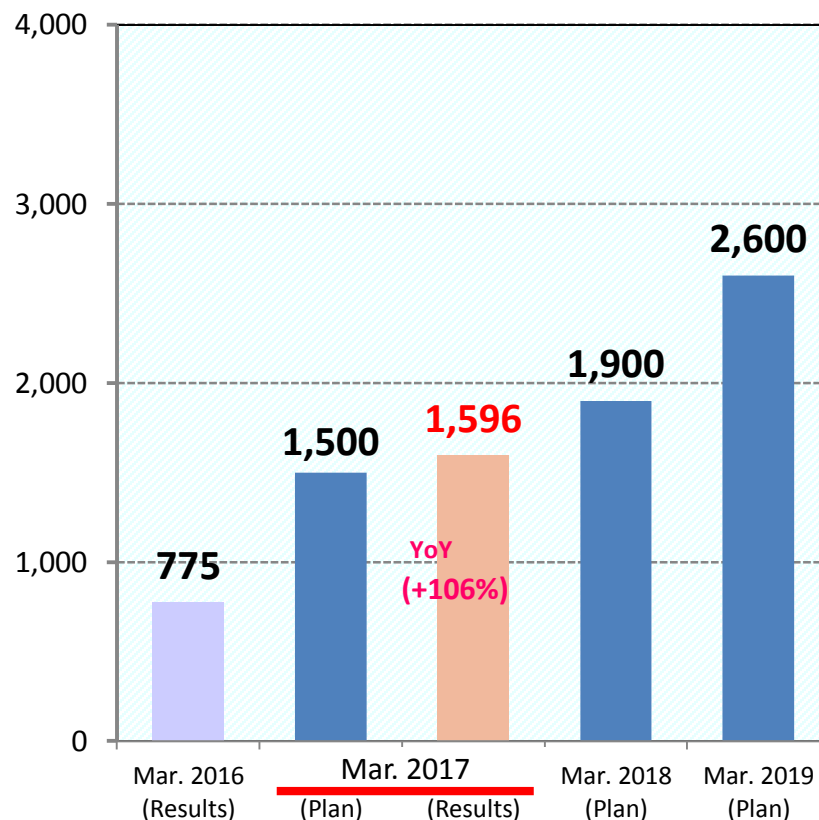
## Sales

Millions of yen



## Operating Profit

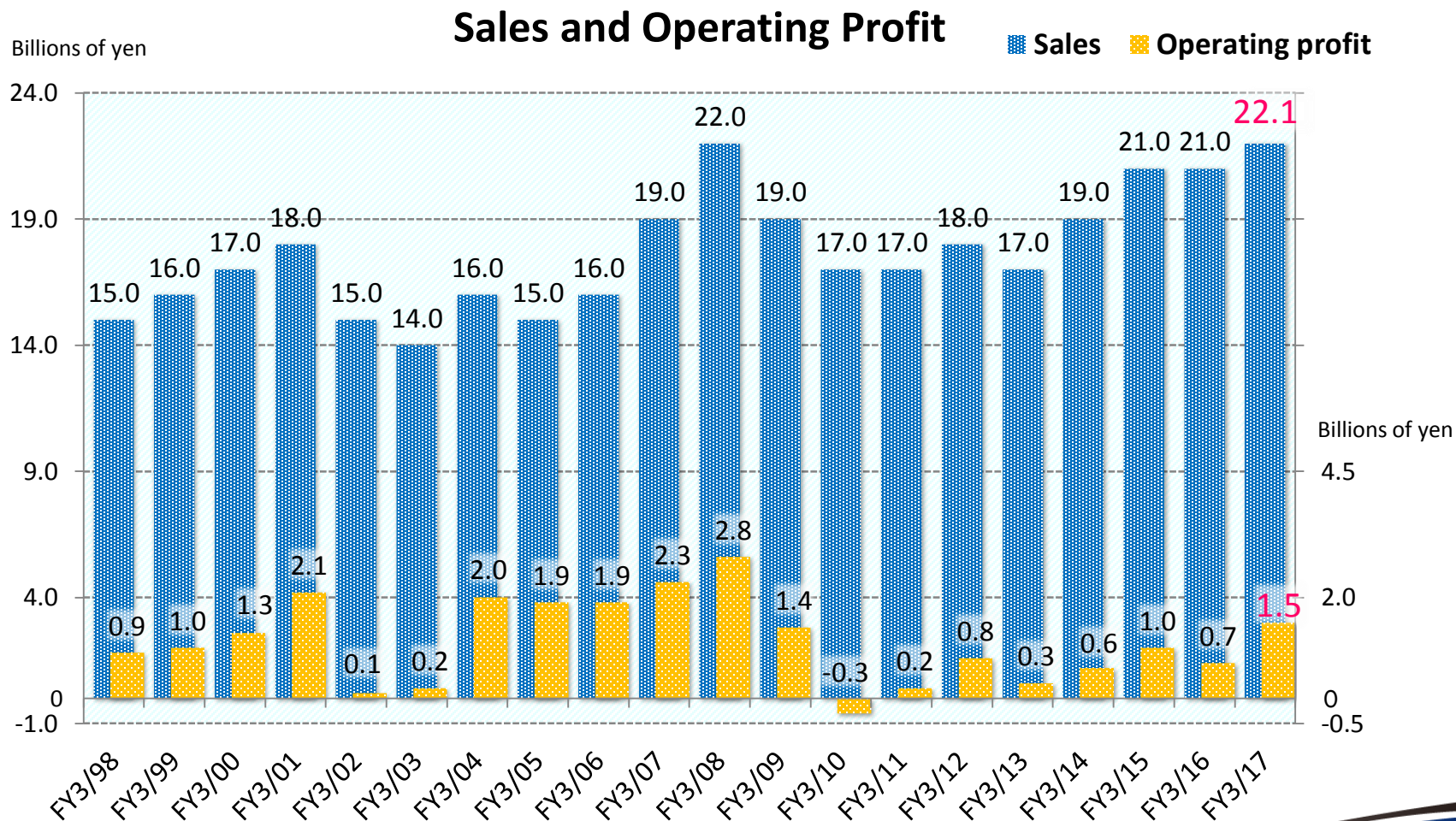
Millions of yen



Foreign exchange rate assumptions for FY3/17 were **110 yen/USD** and **125 yen/EUR**.

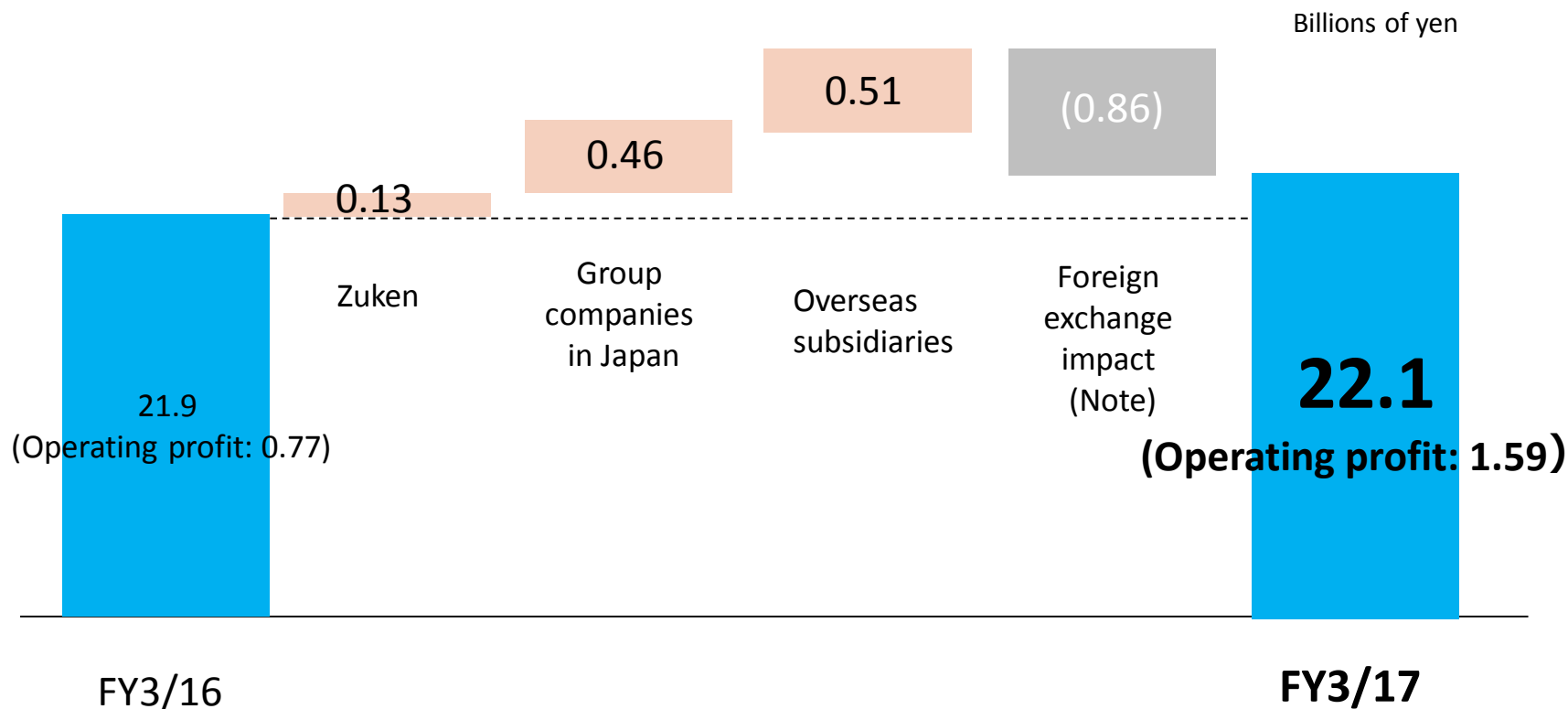
Average exchange rates in FY3/17 were **108 yen/USD** and **119 yen/EUR**.

## 2. Financial Summary (1998 - 2017)



**Sales reached new record high**

### 3. Components of Change in Sales from FY3/16 to FY3/17 (1)



Average exchange rates in FY3/16 were **120** yen/USD and **133** yen/EUR.

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

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

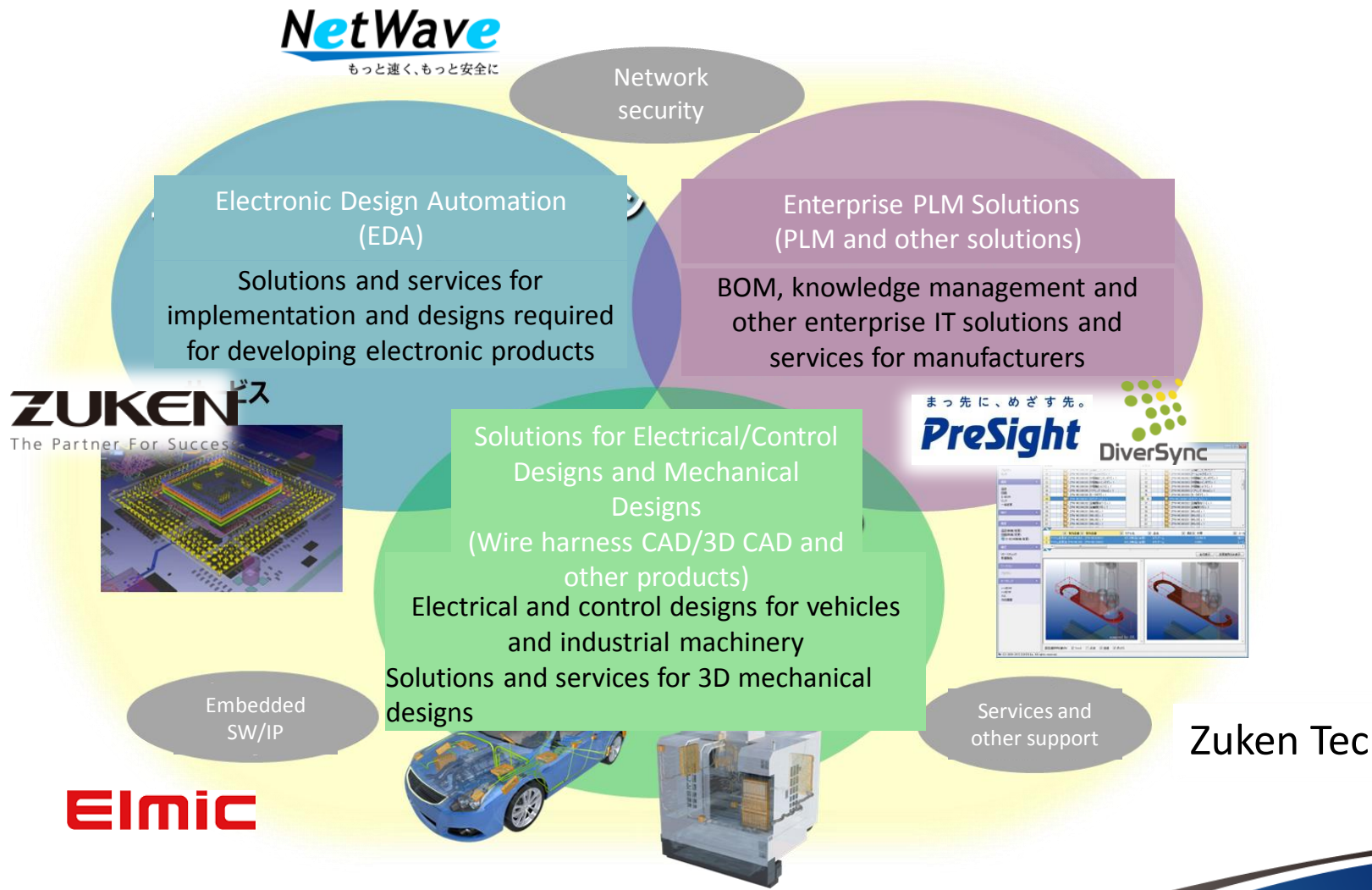
### 3. Components of Change in Sales from FY3/16 to FY3/17 (2)

Sales (*) Millions of yen	FY3/16 (Ratio to total sales)	FY3/17 (Ratio to total sales)	YoY change
<b>Zuken (Parent company)</b>	8,754 (40%)	<b>8,885</b> (40%)	+131
<b>Overseas subsidiaries</b>	6,991 (32%)	<b>6,642</b> (30%)	(348)
<b>Group companies in Japan</b>	6,206 (28%)	<b>6,670</b> (30%)	+464

Operating profit Millions of yen	FY3/16	FY3/17	YoY change
<b>Zuken (Parent company)</b>	431	<b>546</b>	+115
<b>Overseas subsidiaries</b>	34	<b>484</b>	+449
<b>Group companies in Japan</b>	319	<b>492</b>	+172

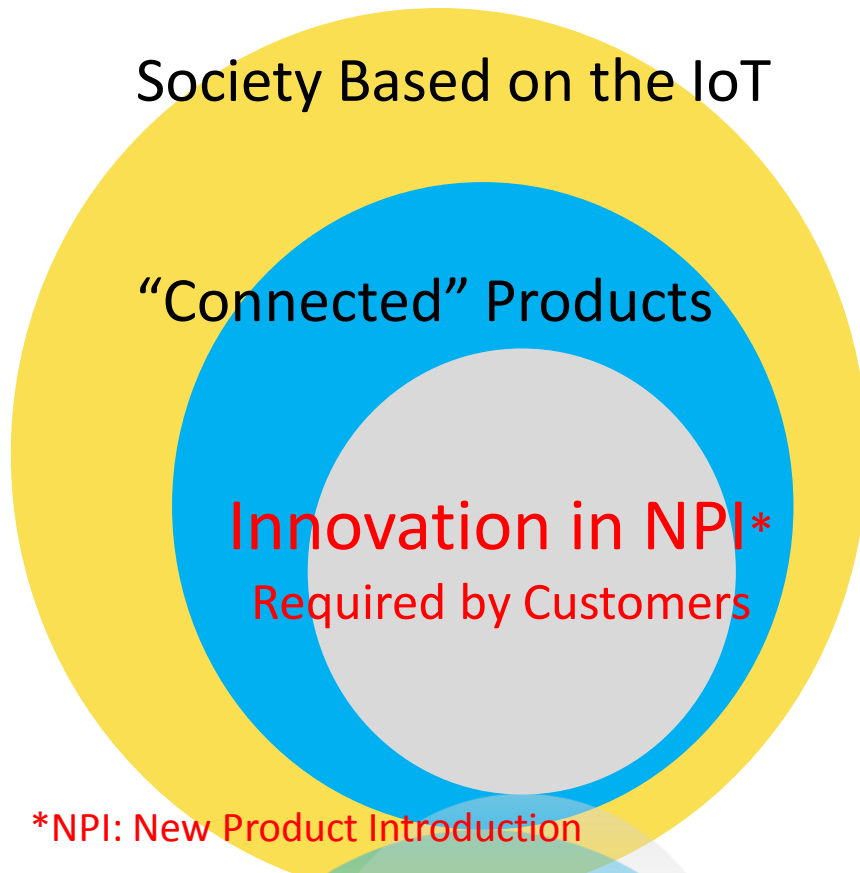
\* Excludes transactions among group companies.

## 4. The Zuken Group Business Domains



## 5. Reinforcing Operations for the Age of IoT Manufacturing

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### **(1) Focus on System Design**

Model-Based System Engineering  
Model-Based Development

### **(2) Enhance System Integration Capability**

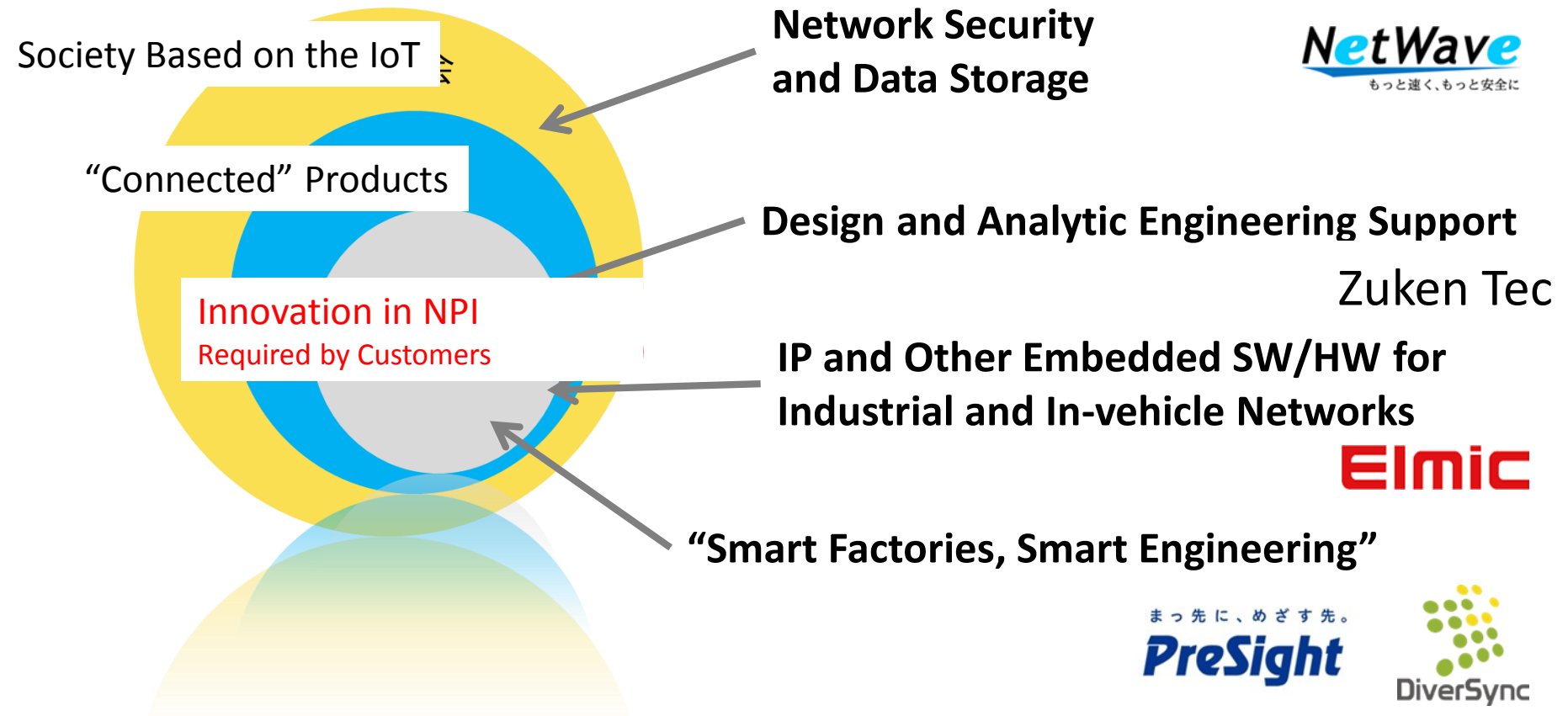
Convergence of solutions and process consulting  
Not excluding integration of third parties' technologies  
→ Platform strategy

### **(3) Extensive Involvement in R&D Projects of Advanced Technologies**

i.e. Open innovation (with universities and other companies)

Use Zuken Group synergies, partnerships and M&A

## 6. Zuken Group Synergies for the IoT Age



Use all Zuken Group resources to supply a diverse array of infrastructure products, elemental technologies and services required by the age of IoT

## **Product Category and Regional (Overseas) Performance**

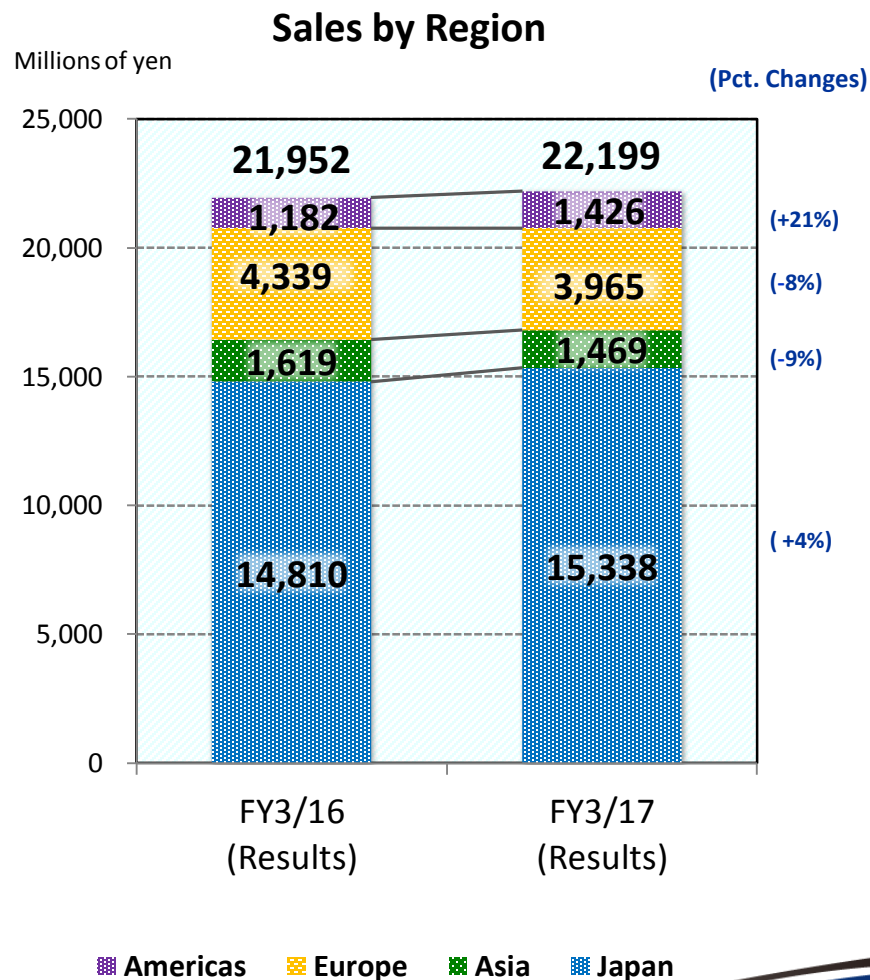
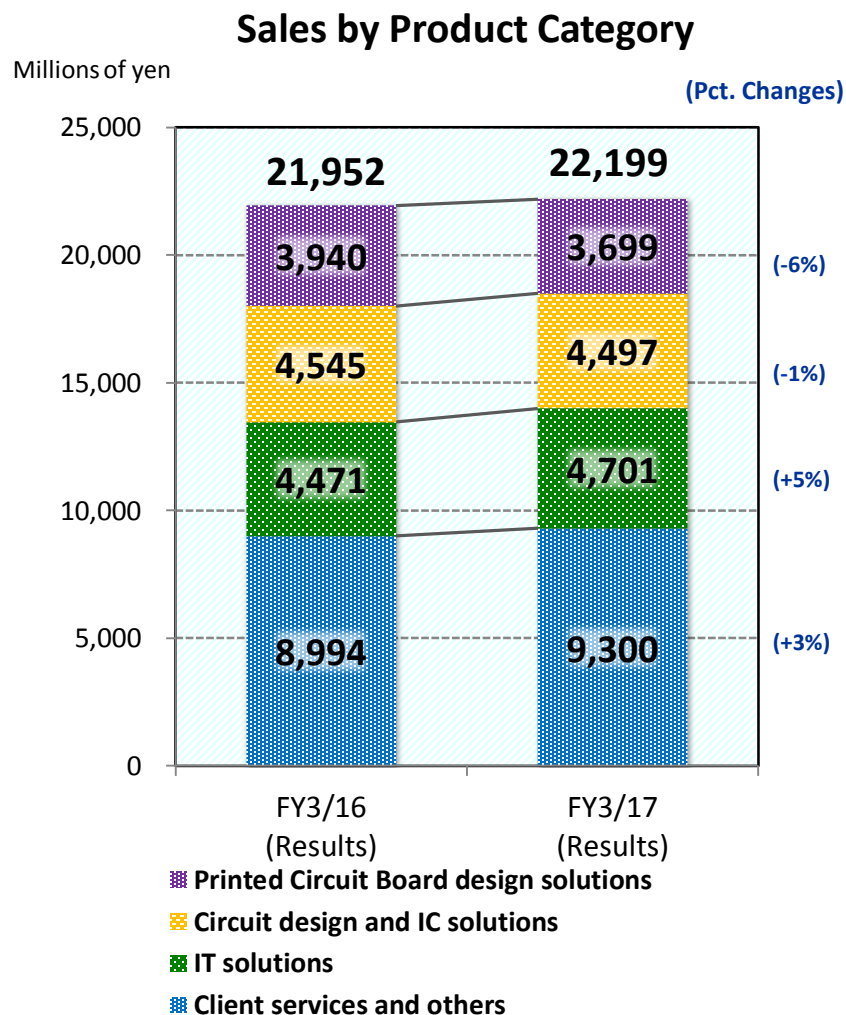


# Basic Policies and Core Strategies of Medium-term Business Plan

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- Create a new market for  
**E/E Designs 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 relationship with strategic customers in North America for development in the Asian supply chain*
- Promote CR-8000 Design Force in the field of  
**Cutting-edge LSI, Packaging, PCB Technologies**
- Timely **M&A**  
to consolidate the business foundations and take on the challenge  
of **additional 1.0 billion yen** sales

## 7. FY3/17 Sales by Product Category and Region (vs. FY3/16)



Average exchange rates in FY3/16 were **120** yen/USD and **133** yen/EUR.

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

# Major Products by Product Category and Related Group Companies

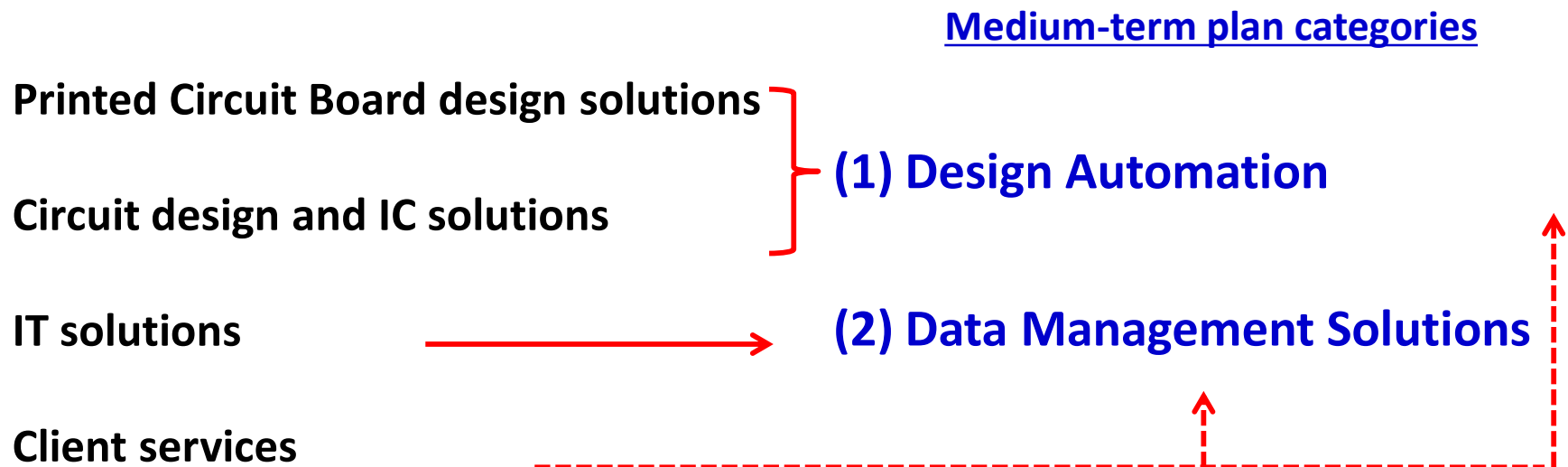
Major products by product category

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
Client services and others	Maintenance services for each product PreSight DiverSync

# Product Categories Used for the Medium-term Plan Explanation

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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.



## 8. FY3/17 Sales by Product Category (vs. FY3/16)

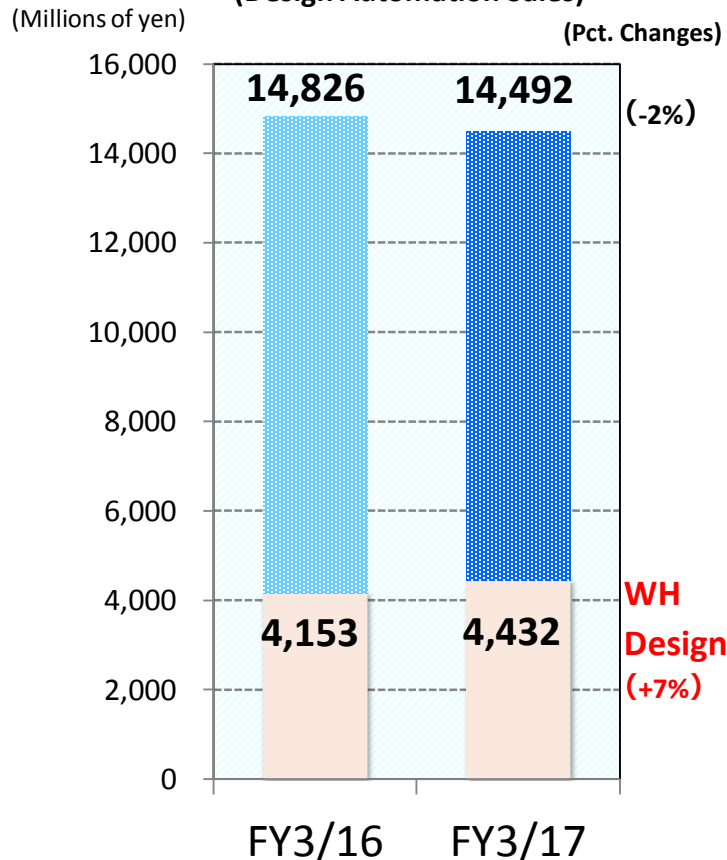
Product Category Millions of yen	FY3/16	FY3/17	YoY change	YoY growth rate
<b>Design Automation</b>	14,826	<b>14,492</b>	<b>(334)</b>	<b>-2%</b>
(of which WH Design)	(4,153)	<b>(4,432)</b>	<b>+278</b>	<b>+7%</b>
<b>Data Management Solutions</b>	7,125	<b>7,707</b>	<b>+581</b>	<b>+8%</b>
<b>Total Sales</b>	21,952	<b>22,199</b>	<b>+246</b>	<b>+1%</b>

## 9. Product Category Sales and Initiatives (1)

### Design Automation

#### Sales

(Design Automation Sales)



#### FY3/17 Overview

- Lower yen translations of Europe/US sales due to the yen's strength caused sales to decline; Europe and US sales both increased on a local currency basis
- Sales to the automotive industry were strong worldwide  
Sales in the electronic component sector are slowly recovering

#### Initiatives and Goals

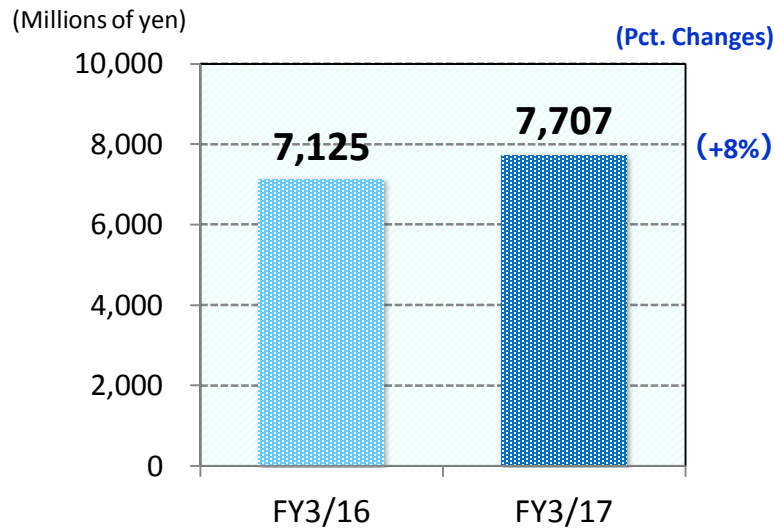
- Concentrating on sales growth in the automotive and industrial machinery sectors due to increasing use of electrical parts and IT manufacturing processes
- Growth in use of new technologies and processes is especially rapid in the automotive industry – Translate these opportunities into business growth

## 9. Product Category Sales and Initiatives (2)

### Data Management Solutions

#### Sales

(Data Management Solutions Sales)



#### FY3/17 Overview

- Significant increase in Japan in sales of the network security business (at Zuken NetWave)
- Received orders from major customers in North America and China for the core DS-2 data management system

#### Initiatives and Goals

- Start selling the new DS-E3 in Europe first, mainly to major E3 users; start selling DS-E3 in Japan in the second half of FY3/18
- Start global marketing for the DS-E3 as a platform product for electric and electronic (E/E) design data management
- Anticipate strong demand in network security and PLM (Products Lifecycle Management) in association with growth of the IoT

# Topics: E/E Design Data Management Solutions

## Announcement of New Product

### Zuken Announces new Strategy for Streamlining Data and Workflow Management and Increasing Electrical and Electronic Engineering Productivity

New electrical data and workflow solution available now

18 May 2017 – Munich, Germany – Zuken announces a new strategy for increasing engineering productivity in the manufacturing sector, based on:

- A new, streamlined approach for managing electrical and electronic engineering data and processes, based on handling work-in-progress data within the ECAD environment.
- A new electrical data and workflow management solution, DS-E3, which joins Zuken's existing portfolio of data management applications.

Christoph Letterer, Head of Electrical and Software Engineering Tallormade, Stadler Rail said: "Receiving version-proof data from our electrical design team forms the basis of our optimized manufacturing process. Stadler has therefore decided to use DS-E3 for managing its electrical engineering work-in-progress data."

Benjamin Nixdorf, Managing Director Europe, Zuken, said: "This new solution has the potential to boost productivity in many sectors, as it can meet the challenges of design reuse, configure-to-order, and electromechanical product development."

#### Increase productivity by reducing interfaces

The impetus for Zuken's new approach is the number of companies spending increasing amounts on technology to cope with growing design complexity, coupled with the pressure to increase engineering productivity.

"Receiving version-proof data from our electrical design team forms the basis of our optimized manufacturing process. Stadler has therefore decided to use DS-E3 for managing its electrical engineering work-in-progress data."

Christoph Letterer, Head of Electrical and Software Engineering Tallormade, Stadler Rail

Zuken has challenged the assumption that it makes sense to hold all the interdisciplinary data and workflow information in one system. By managing work-in-progress data information within a discipline-specific environment, engineering processes are streamlined and synchronized with cross-discipline PLM and ERP systems.

Known as 'domain data management', this approach combats one of the main reasons PLM and other systems fail to provide the required depth of integration, take longer, and cost more than expected. Understanding the native ECAD data model enables design reuse, and offers the missing link that PLM, ERP and other systems need in order to run efficiently.

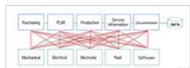
#### Direct integration increases productivity

Zuken's new electrical data and workflow management solution integrates directly into Zuken's E3 series suite for electrical and fluid design, so engineers do not need to leave their CAD application to carry out everyday tasks. Engineers can increase their productivity by reducing the number of individual applications and user interfaces they use.

DS-E3 is designed specifically for electrical design and manufacturing engineers. It provides them with current, validated material information and workflow, design data and BOM information to improve tasks and workflows.



Zuken's DS-E3 manages electrical data and workflow in its native format, then synchronizes with cross-discipline PLM and ERP systems.



Zuken has challenged the assumption that it makes sense to hold all interdisciplinary data and workflow information in one system, as integrations are numerous, expensive and time-consuming, and companies are dynamic.



# DS-Z

## DS CR

## DS E3

## Data Management System Proprietary for Zuken's PCB Design Solutions



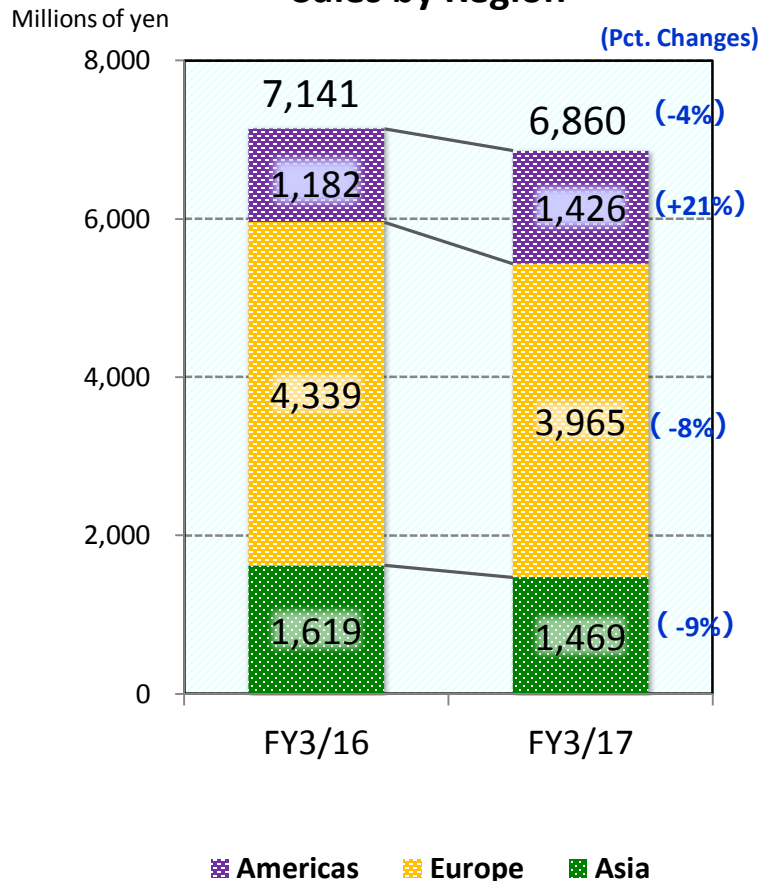
## Expand the Scope of System as Electric/Electronic Design Data Management Platform to cover Wire Harnesses Design

Sales of the DS-E3 started in Germany in May 2017 and are scheduled to begin in Japan in October. Plan to sell this new system to major E3.series users in Europe and North America, where the E3.series are widely used.

## 10. Overseas Sales and Initiatives

### Overseas Business

#### Sales by Region



#### FY3/17 Overview

- Americas – Strong sales, mainly for the E3 .series
- Europe – Firm demand for Zuken products among existing key customers in the industrial machinery, automotive components and other industries (local currency sales up 4%)
- Asia – Strong orders from automotive components companies in China and government owned aerospace companies in India, but sales to major Korean customers and Japanese companies in SE Asia were down

#### Initiatives and Goals

- Americas – Increase data management product sales by continuing to focus on capturing orders from strategic customers
- Europe – Reinforce marketing of new data management products; promote key customers migrate from CR-5000 to CR-8000
- Asia – Diversify customer segments in China and India to build a base for steady growth; strengthen sales activities for local companies in SEA

## Overview and Outlook

The slide features three large, flowing, wavy lines that sweep across the lower half of the page. From left to right, the colors are yellow, grey, and blue. The lines overlap and curve in a dynamic, organic fashion, creating a sense of movement and flow.

## 11. Medium-term Business Plan First-year Overview and Outlook

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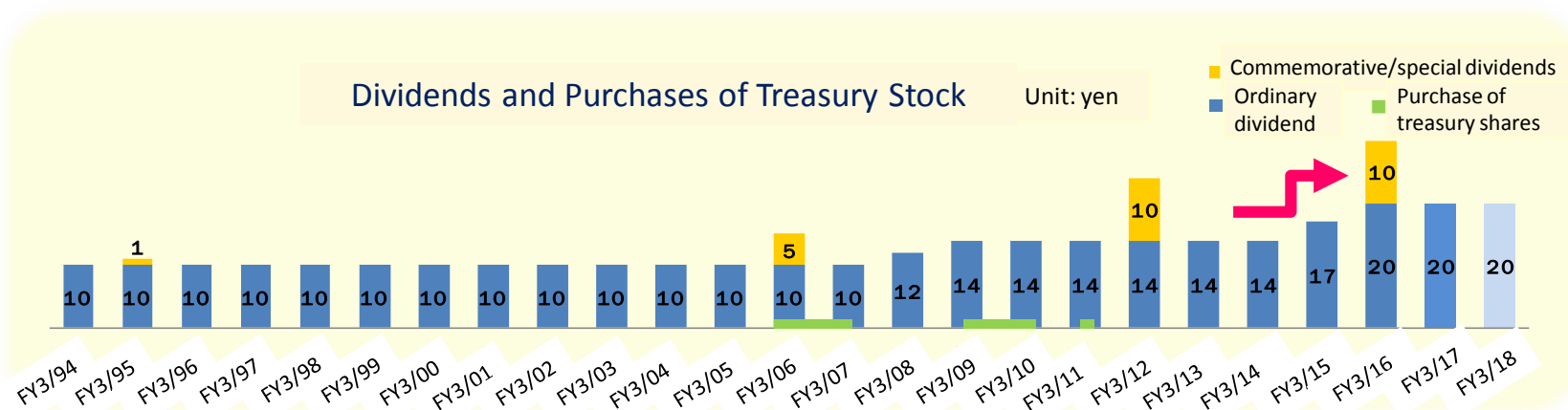
- **Market conditions in Japan are slowly recovering. Companies continue to make substantial investments in new technologies and processes, specially in the automotive and IoT related business sectors.**
- **Drive growth in Europe and North America with key strategic customers by creating proposals for migrating to the CR-8000 and through active promotion of the new DS-E3 data management system.**
- **In Asia, although there is uncertainty over the market conditions, aim to increase sales backed by India, where demand to our solutions is strong, and other sources of growth.**

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

## 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 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
<b>Total</b>	<b>4,636,500 shares</b>

(These shares were retired in March 2011)