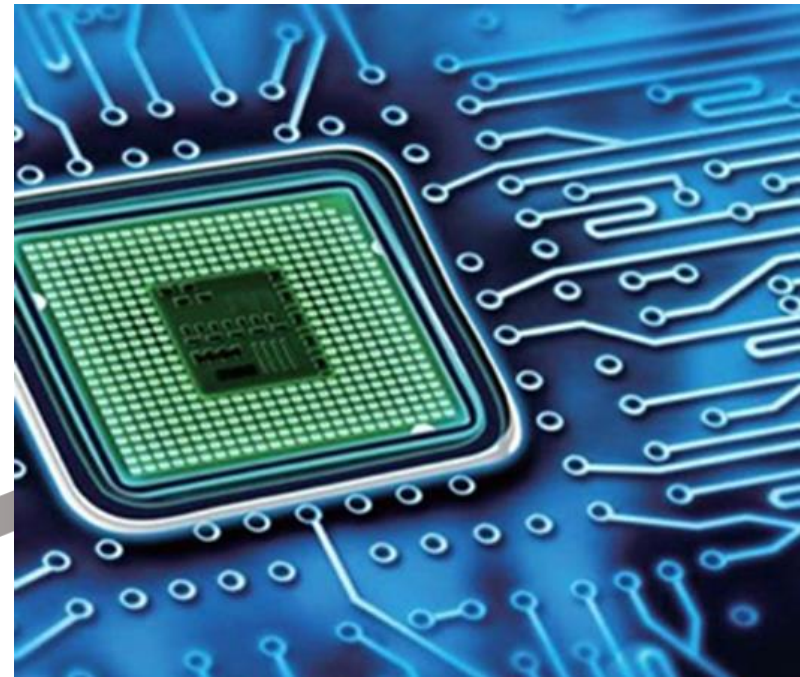


Progress and Outlook of Medium-term Business Plan

(April 2019 - March 2022)

December 10, 2019



ZUKEN Inc.

**Tokyo Stock Exchange, First Section
Securities code: 6947**

Contents

- Key Themes for More Progress
- First Half Progress and Outlook of FY3/20
(First Year of the Three-year Business Plan)

Corporate Profile



Key Themes for More Progress

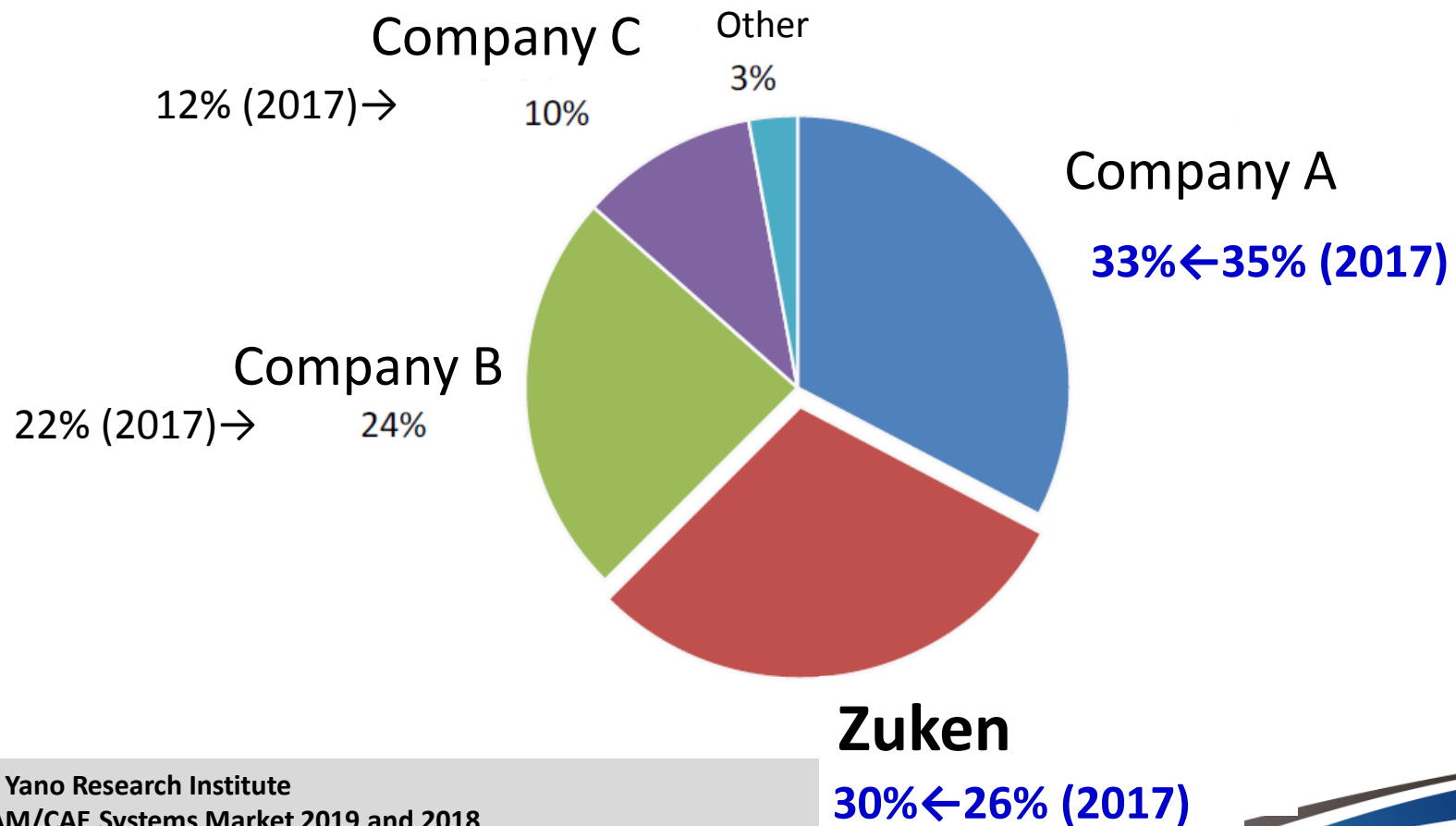
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Key Themes for More Progress

- (1) Being the leading enterprise PCB solution vendor**
- (2) Model-Based Systems Engineering (MBSE) is evolving in many industries**
- (3) Start working on a next-gen. design environment**

Competitive Landscape for PCB Solutions

Global Market Share for PCB Design CAD (2018)



Source: Yano Research Institute
CAD/CAM/CAE Systems Market 2019 and 2018

Zuken
30% ← 26% (2017)

Why is Zuken the PCB Solution Leader **now**?

Developing new products through combination and linkage of advanced technologies involving ADAS, self-driving cars, 5G, AI and other fields



Required capabilities for enterprise PCB solutions

Smooth links with analysis, mechanical design and other external CAE systems

Semiconductor/package /PCB co-designs, SiP designs and multi-board designs

Ready for the latest manufacturing technologies (FOWLP, power module designs, etc.)

Stress-free performance in using large volumes of design data

Proven 3D PCB design technology released in 2011 ahead of all competitors

CR-8000

The performance for the above required capabilities of the CR-8000 is superior to all competing products in the market now.

Why MBSE needed now?

Conventional engineering process

Determine basic concept and requirements based on experience and imagination

Plan/Conceptual design

Repeated trial-and-error process to convert conceptual design into a product based on the basic concept. Basic concept may be revised in the detailed design stage of the product to be released. Increasing complexity of requirements rapidly boosts design iterations and verifications.

Detailed Design

MBSE process

“Systems model” is created and optimized for all requirements and necessary functions for the product. In theory, the design can be almost completely finished at this stage even for complex requirements.

Plan/Conceptual design

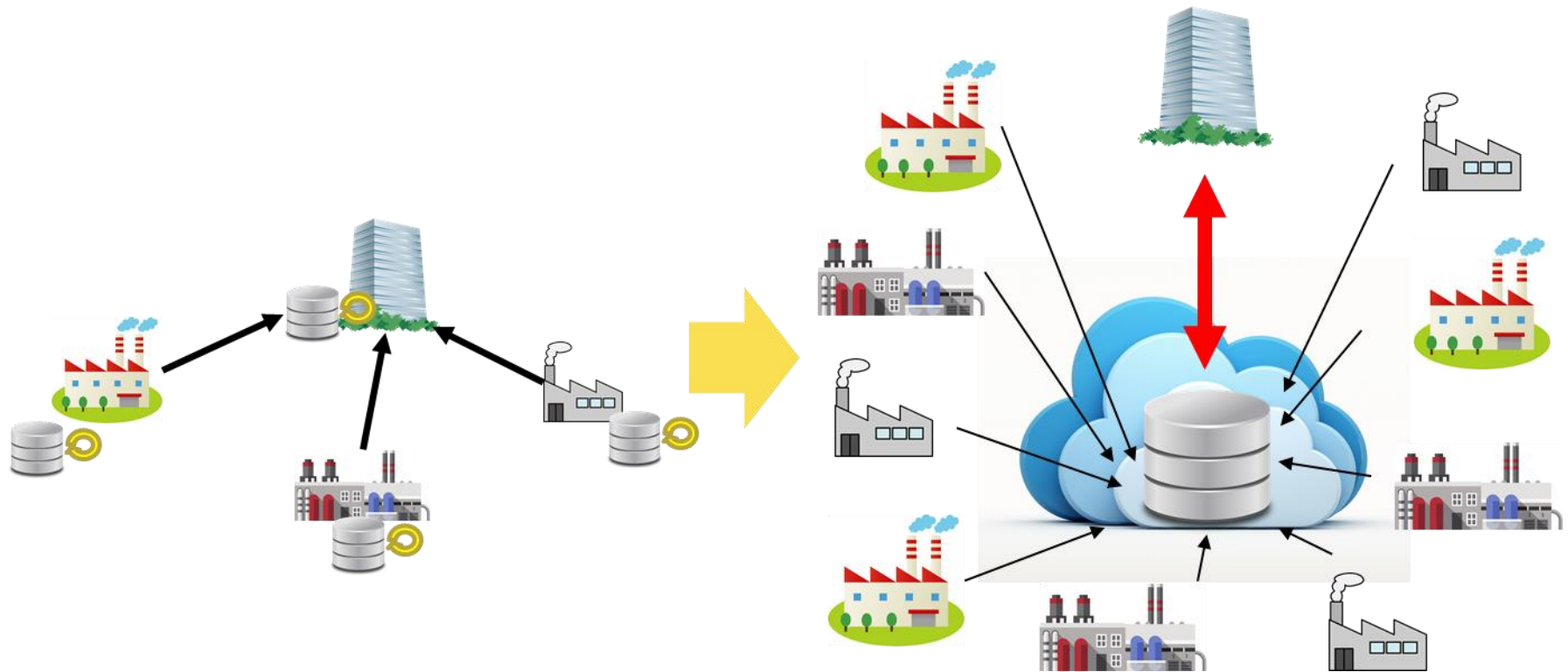
A detailed product design of each domain is completed in accordance with the plan and requirements

Detailed Design

What is different with MBSE?

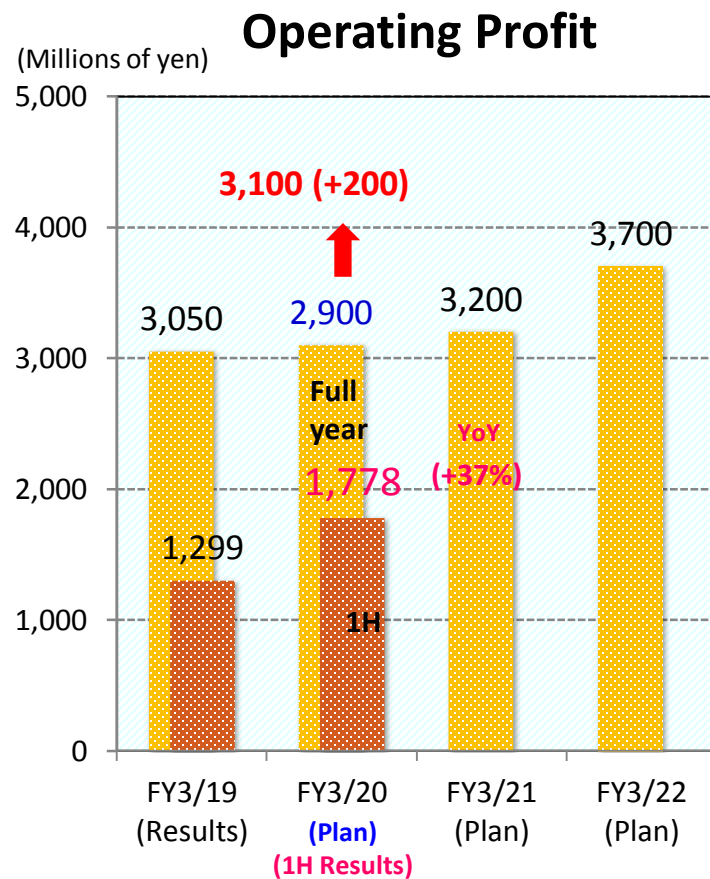
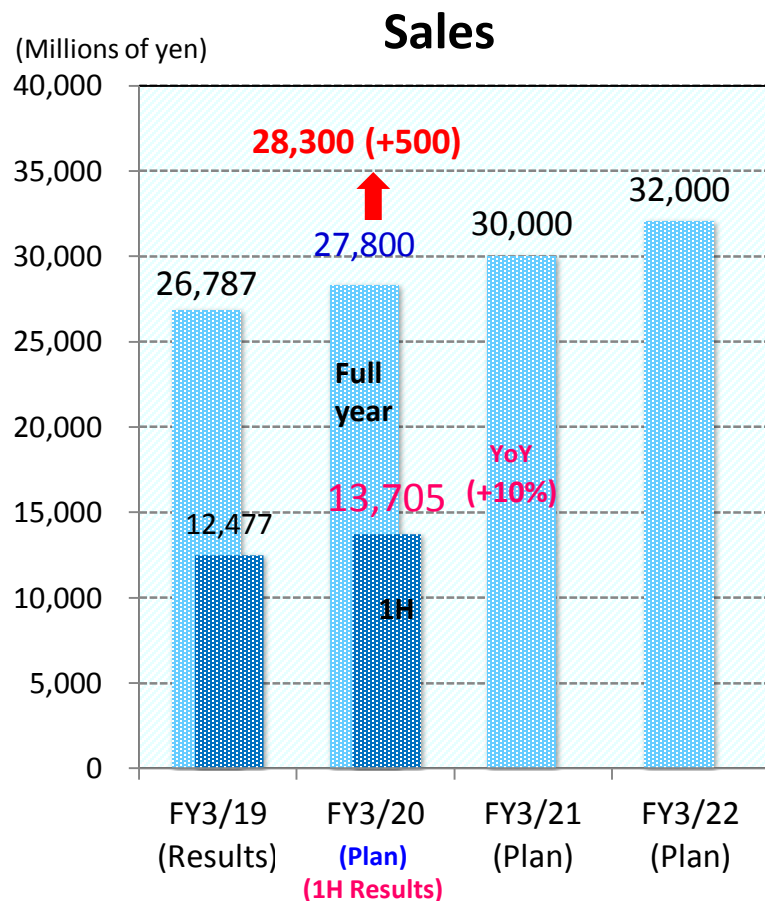
- Making conceptual designs as a “systems model” rather than a natural language enables simulation, verifications, trade-off studies and other tasks even at the concept stage. (Eliminates subsequent iterations)
- No distortions of the plan and conceptual goals at the detailed design stage (Goals of the plan are accurately passed on)
- The design intent underlying the product design can be retained. (Highly efficient design reuse and traceability)

“IT Platform” for Evolving Engineering Chain



- An open and flexible engineering chain (IoT, cloud)
- Encompasses all information from conceptual design to production and services (digital thread)
- An environment to retrieve the necessary information from an enormous volume of data (AI technology)

Medium-term Sales/Earnings Targets and 1H FY3/20 Results

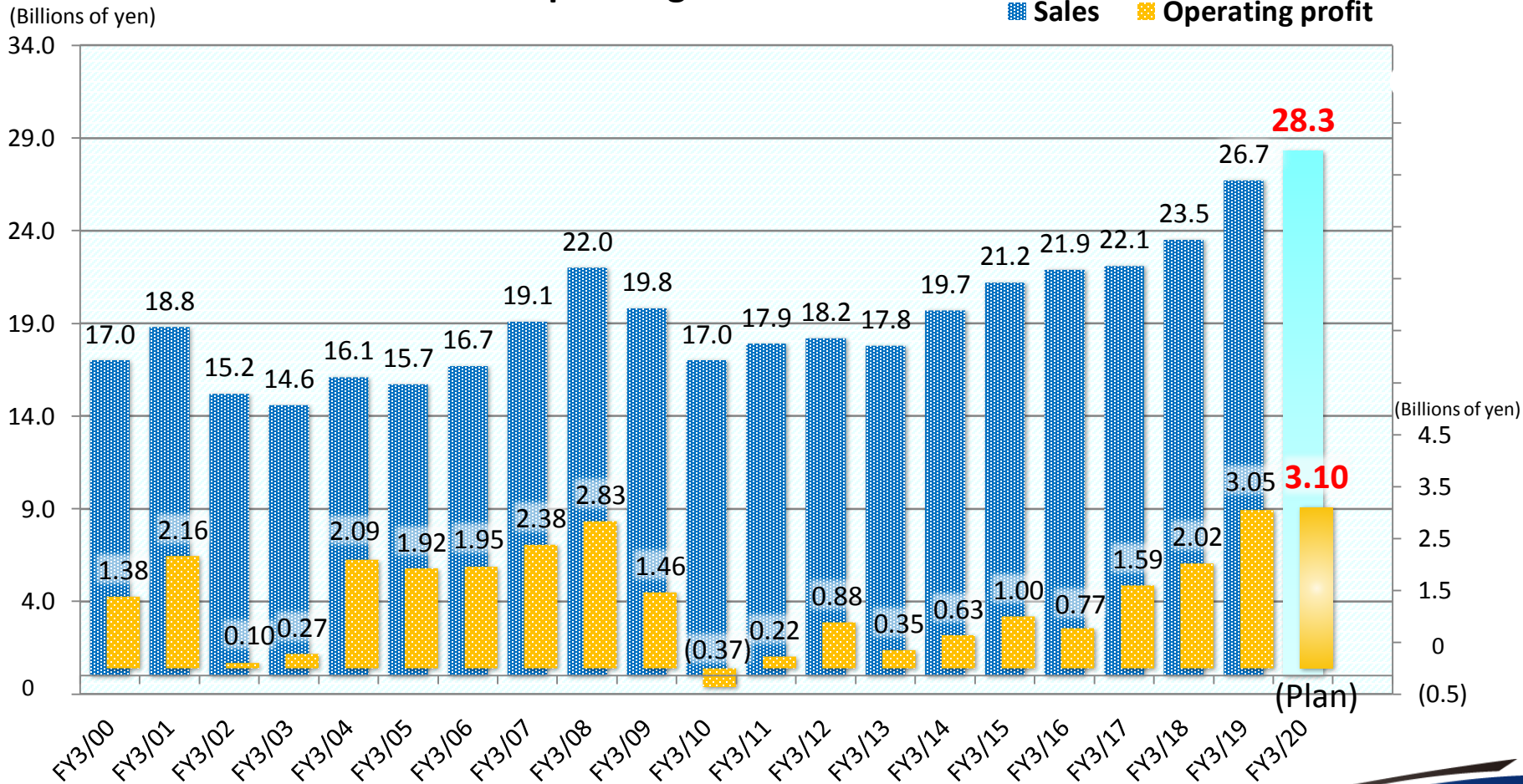


Note: Foreign exchange rate assumptions for the Medium-term Business Plan are **110** yen/USD and **125** yen/EUR.

Raised the full-year targets for the plan's first year based on performance in the first half of FY3/20

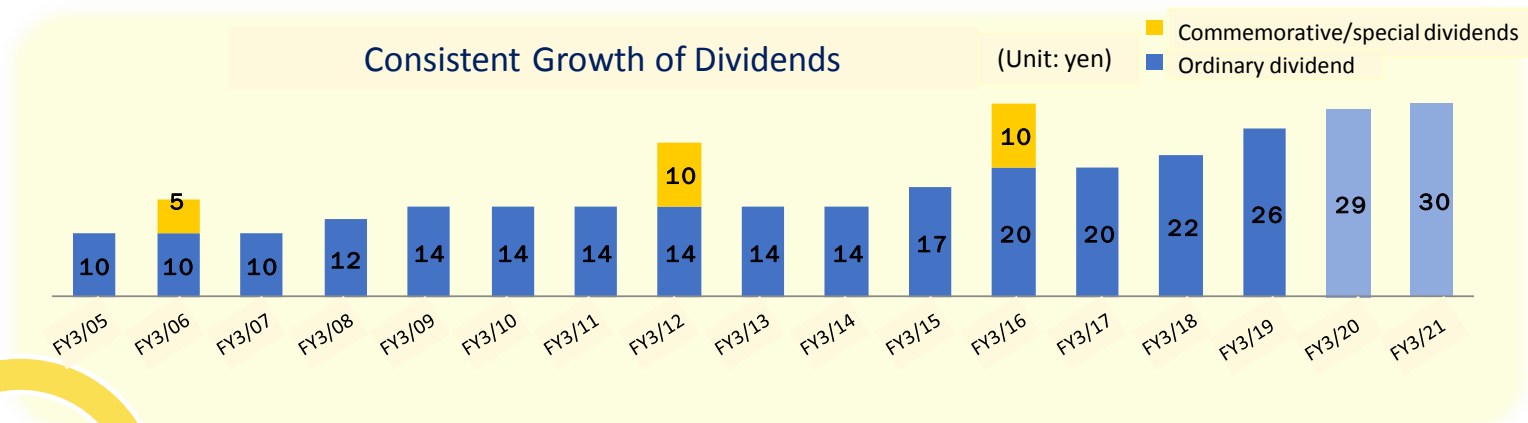
Financial Summary

Sales and Operating Profit



Forecast record-high sales and operating profit in FY3/20

Policy for Shareholder Distributions



Investments for growth

Stable shareholder distributions

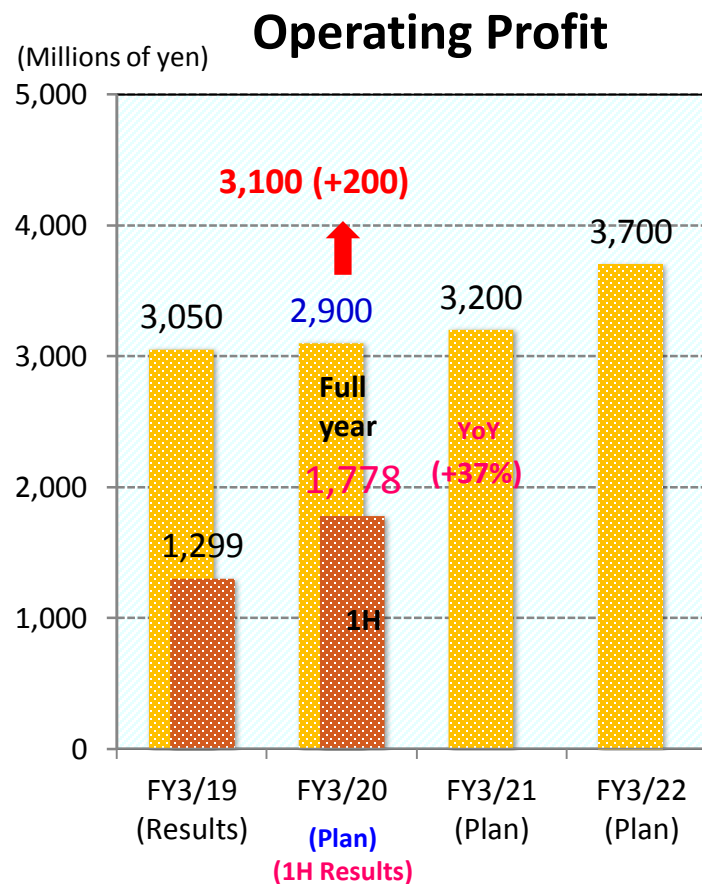
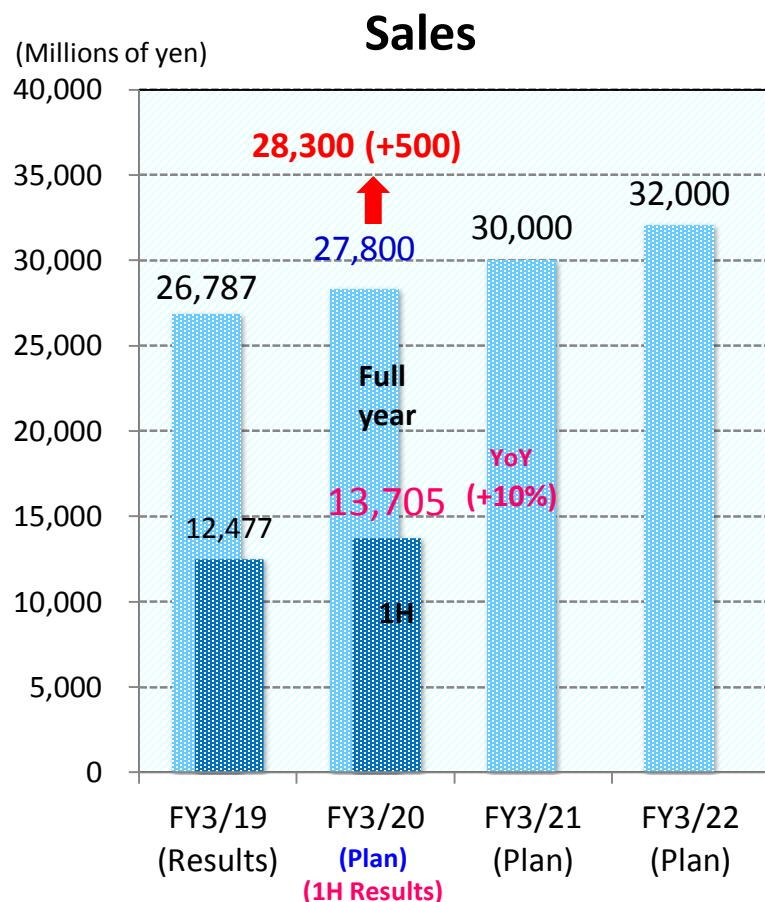
Financial soundness

- 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 FY3/20 was raised from 14 yen to 15 yen
- Zuken plans to pay an annual dividend of 29 yen for FY3/20 and 30 yen for FY3/21
- 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

Zuken will retain a progressive dividend policy

First Half Progress and Outlook of FY3/20 (First Year of the Three-year Business Plan)

Medium-term Sales/Earnings Targets and 1H FY3/20 Results



Note: Foreign exchange rate assumptions for the Medium-term Business Plan are **110** yen/USD and **125** yen/EUR.

Raised the full-year targets for the plan's first year based on performance in the first half of FY3/20

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 a broader range of activities by the entire Zuken Group, ...extending from model preparation and verification to model data management.

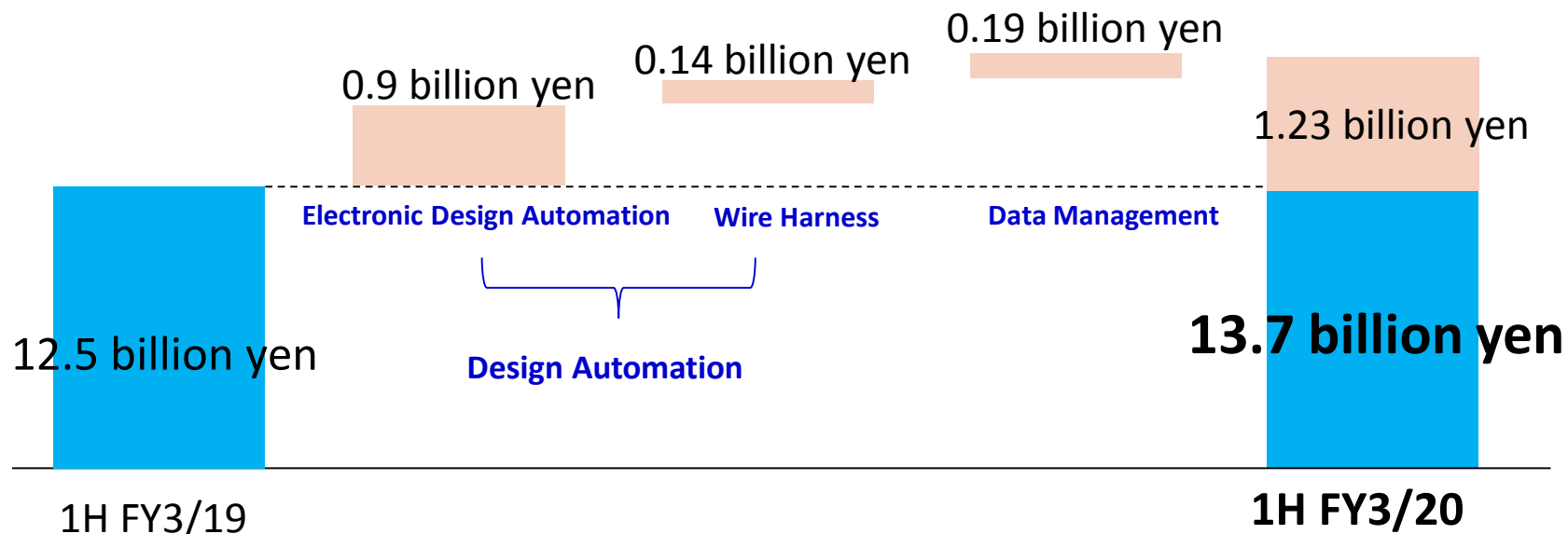
(3) Build a Zuken Business Model in the systems engineering field (MBSE)

Activities progressing as planned

1H FY3/20 Sales by Product Category vs. 1H FY3/19

Product Category (Millions of yen)	1H FY3/19	1H FY3/20	YoY change	
Design Automation	8,196	9,237	+1,041	+12.7%
(of which WH Design)	(2,422)	(2,558)	+135	+5.6%
Data Management Solutions	4,281	4,468	+187	+4.3%
Total Sales	12,477	13,705	+1,228	+9.8%

1H FY3/20 Product Category Sales



Electronic Design Automation

- Increasing speed of migration from CR-5000 to CR-8000 in Japan and other countries
- Strong demand in the automobile (including suppliers), electronic components, industrial machinery and many other industries

Wire Harness Design

- Solid demand for use in designs for aircraft and specialty vehicles
- Anticipate a gradual expansion of solutions for factories
- Strong sales of B-to-B mechanical design solutions

Data Management

- Strong sales of PDM as in FY3/19
- Demand for security solutions (provided by a Zuken affiliate) remained strong

Reference: Product Category

Major products by product category

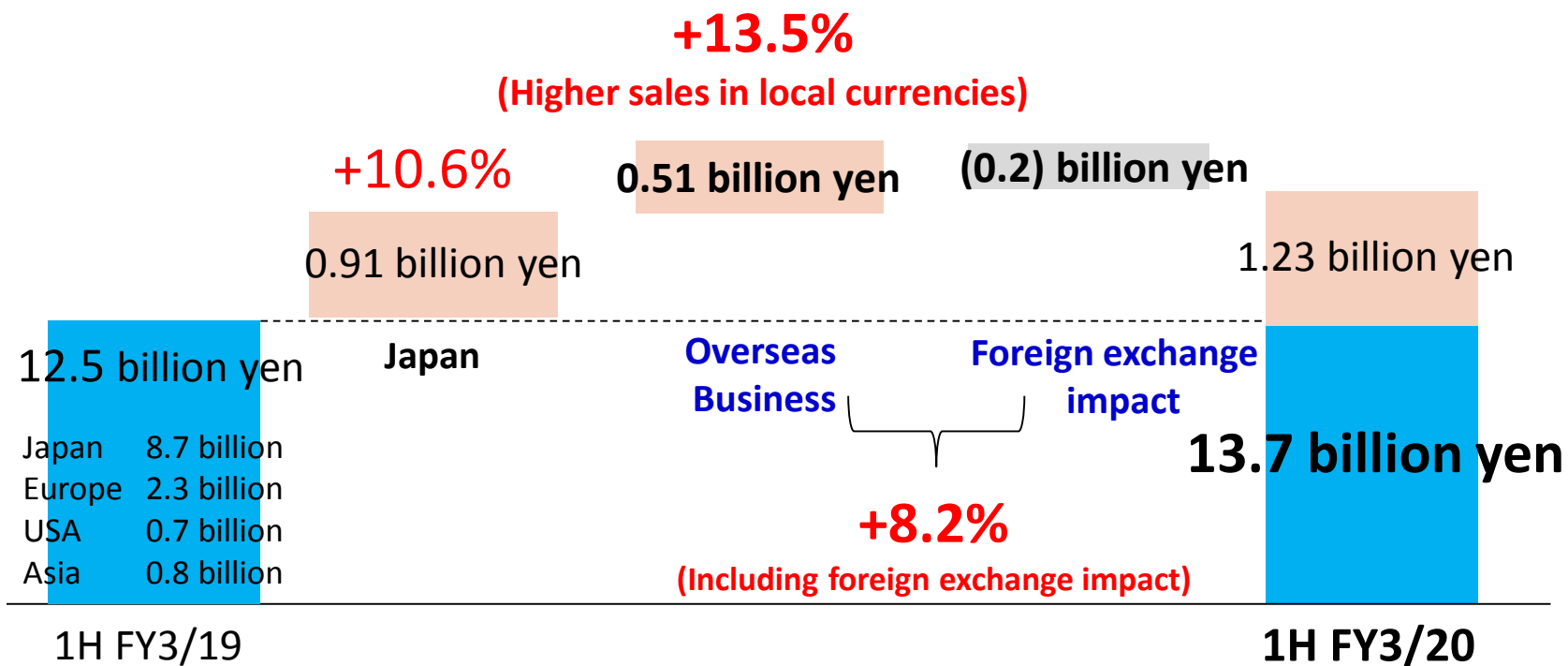
Product Category Used in Earnings Releases	Major Products
Printed Circuit Board design solutions	Design Automation CR-8000 Design Force CR-8000 DFM Center CR-5000 Board Designer
Circuit design solutions	CR-8000 Design Gateway CR-8000 System Planner E3.series Cabling Designer Harness Designer
IT solutions	Data Management PreSight/visual BOM Knowledge Explorer DS-2 (DS-CR/DS-E3)
Client services and Others	Divided among all of the above product categories Maintenance services for each product

Reference: First Half Sales by Solutions

Sales (Millions of yen)	1H FY3/19	1H FY3/20	YoY change
Printed Circuit Board design solutions	1,881	2,297	+415
Circuit design solutions	2,702	3,325	+623
IT solutions	2,662	2,719	+56
Client services	5,231	5,363	+133
Total	12,477	13,705	+1,228

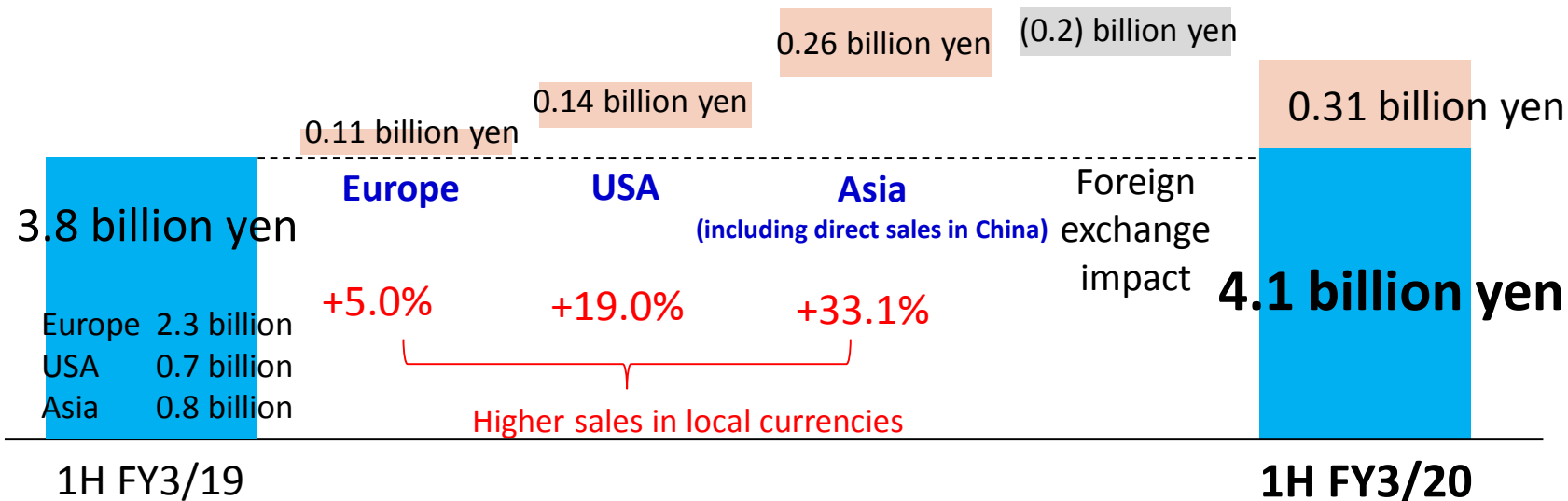
1H FY3/20 Overseas Business Sales

Average exchange rates in 1H FY3/19 were 110 yen/USD and 130 yen/EUR.
Average exchange rates in 1H FY3/20 were 109 yen/USD and 121 yen/EUR.



1H FY3/20 Overseas Sales by Region

Average exchange rates in 1H FY3/19 were 110 yen/USD and 130 yen/EUR.
Average exchange rates in 1H FY3/20 were 109 yen/USD and 121 yen/EUR.



Europe

- Progress as planned with project for migration to the CR-8000 at major customers
- Promoting sales of the E3.series in the industrial machinery sector in the second half

USA

- Stable growth trajectory backed by growth of the time-based license business
- Consistently receiving orders from large, prominent customers in the aerospace and industrial machinery sectors

Asia

- Weak sales in Korea but expect a second half recovery
- Steady growth of sales to prominent local companies in China, India and other countries

Upward Revision in FY3/20 Forecasts and Outlook

- Demand in Japan for migration to the CR-8000 (circuitry, PCB) is very strong. Due to the outlook for sales to remain high throughout the fiscal year, Zuken has raised the **sales forecast 500 million yen and the operating profit forecast 200 million yen.**
- There is still a risk of a downturn in market conditions due to prolonged political instability. But **there are excellent prospects for more growth over the medium term in demand directly linked to Zuken solutions** involving automation and other labor-saving measures, safety and security, and new technologies such as the IoT, 5G technology and self-driving cars.

There is no change in the current targets for the following fiscal years.

Corporate Profile

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Corporate Profile



ZUKEN Inc.

Established: December 17, 1976

Capital: 10,117,065,000 yen

Employees: 417 (non-consolidated)
1,384 (consolidated) (As of Sep. 30, 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 Corporation (now Business Engineering Corporation).
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.	August 2019	Acquired Vitech Corporation of USA.
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."		

Global Locations and Affiliates in Japan

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

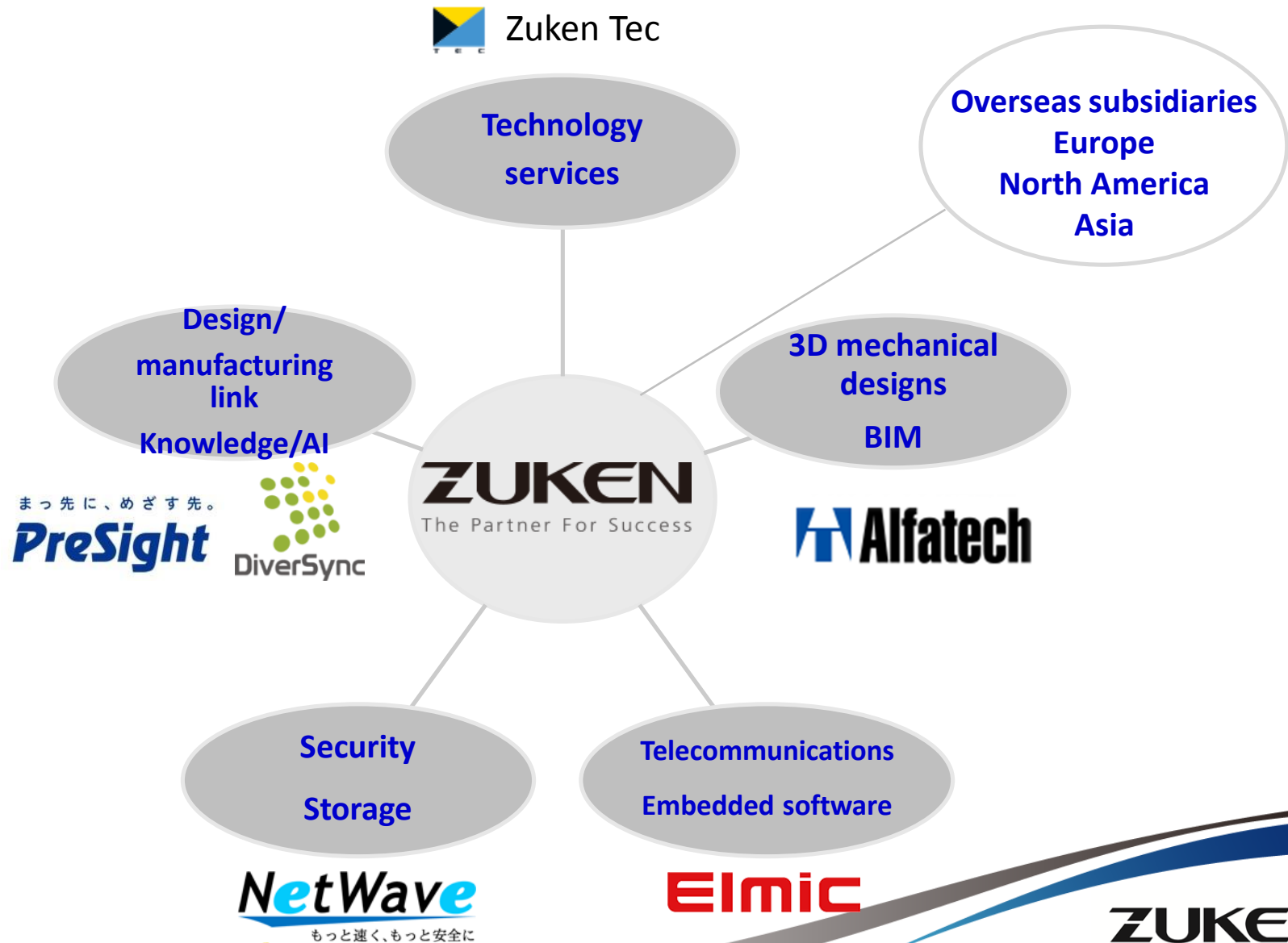
Locations in Japan: Yokohama, Osaka and Nagoya

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

Domestic Affiliates: 7 (Zuken Tec Inc., Zuken Netwave Inc., Zuken Elmic Inc., Zuken PreSight Inc., Zuken Alfatech Inc., and two other companies)



Zuken Group



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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