

ZUKEN (6947)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2016		21,952	775	751	270	11.7	30.0	1,205
FY03/2017		22,199	1,596	1,571	1,206	51.9	20.0	1,209
FY03/2018CoE		24,000	1,900	2,000	1,400	60.2	20.0	-
FY03/2017	YoY	1.1%	105.7%	109.2%	345.1%	-	-	-
FY03/2018CoE	YoY	8.1%	19.0%	27.2%	16.1%	-	-	-
Consolidated Quarters (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY03/2017		4,590	(186)	(284)	(251)	-	-	-
Q2 FY03/2017		5,338	495	470	340	-	-	-
Q3 FY03/2017		5,057	83	195	146	-	-	-
Q4 FY03/2017		7,213	1,203	1,190	970	-	-	-
Q1 FY03/2018		4,849	32	75	26	-	-	-
Q1 FY03/2018	YoY	5.7%	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (10 October 2017)

Car Drives ZUKEN

ZUKEN, holding the core competence in the development of “EDA (Electronic Design Automation) system for PCBs (Printed Circuit Boards)” being adopted by manufacturers belonging to automotive and/or industrial machinery industry, is planning to see consistent earnings growth going forward by means of providing them with IT solutions on design and data management to cope with changing manufacturing environment in line with introductions of new technologies associated with IoT and AI (Artificial Intelligence).

While being exposed to automotive industry by almost 50% in terms of sales when indirect sales included, the Company is highly competitive with market shares of 60% in the mainstay Japan as far as the domains with which it is involved. Thus, the Company is likely to benefit a lot from all those changes in the manufacturing environment this time around. On the overseas side, the Company sees high operating profit margin in Asia, while starting to see improving earnings in Europe and in the United States. The Company’s midterm management plan is calling for prospective sales increasing by 5.8% in terms of CAGR and 49.6% for earnings through FY03/2017 to FY03/2019.

[Consolidated Financial Results for Q1 FY03/2018 \(7 August 2017\)](#)

[Progress and Outlook of Medium-term Business Plan \(5 July 2017\)](#)

[Presentation of Zuken's Medium-Term Business Plan \(11 July 2016\)](#)

IR Representative: General Manager, Corporate Marketing Division, Mamoru Hirayama
(+81 45 942 1511 m-hirayama@zuken.co.jp)

2.0 Company Profile

Japan's Largest Supplier of CAD/CAM for PCBs

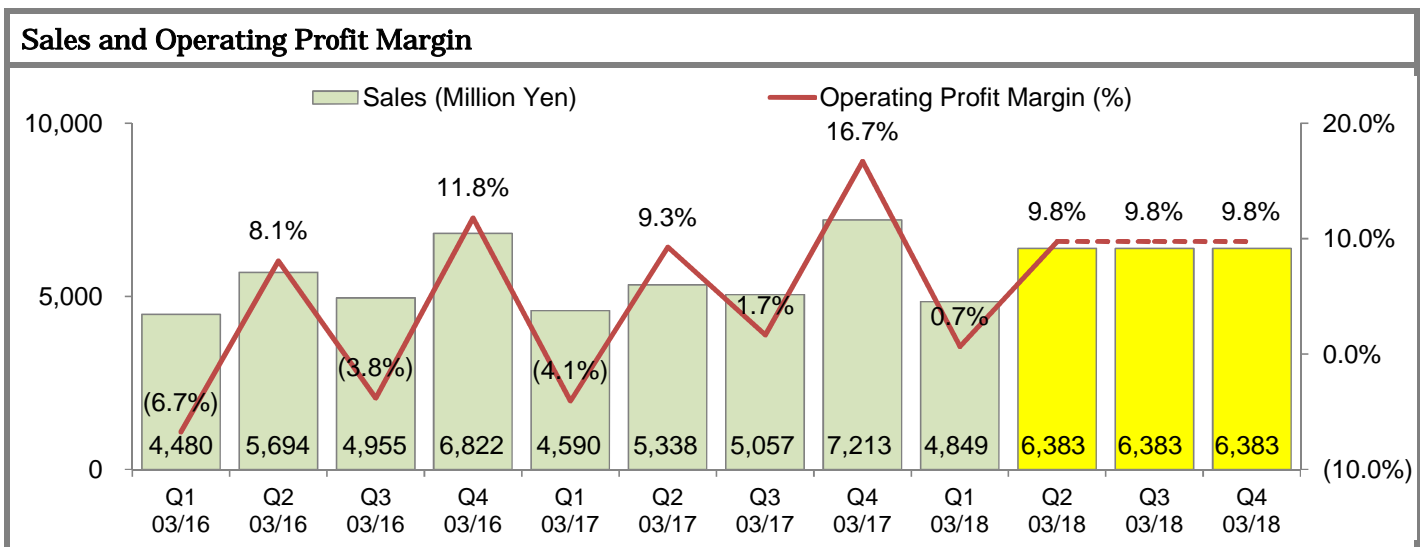
Company Name	ZUKEN INC. Company Website IR Information Share Price
Established	17 December 1976
Listing	15 June 1987: Tokyo Stock Exchange 1st Section (Ticker: 6947)
Capital	¥10,117m (As of the end of June 2017)
No. of Shares	23,267,169 shares, including 16,853 treasury shares (As of the end of June 2017)
Main Features	<ul style="list-style-type: none"> ● Developing and selling packaged software of board/circuit design ● Also involved with database on electronic parts and on procurement ● As well as with network security and data storage at the same time
Businesses	"Research & development, manufacture and sales of solutions related to processes from design to manufacture mainly of electronics, automotive-related and industrial machinery manufacturers as well as client service operations incidental thereto"
Top Management	President and Representative Director: Makoto Kaneko
Shareholders	Makoto Kaneko 19.3%, Makoto Kaneko Holdings 13.9% (As of the end of March 2017)
Headquarters	Tsuzuki-ku, Yokohama-city, Kanagawa-prefecture, JAPAN
No. of Employees	Consolidated: 1,197, Unconsolidated: 409 (As of the end of March 2017)

Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY06/2018 Results

In Q1 FY03/2018, sales came in at ¥4,849m (up 5.7% YoY), operating profit ¥32m (versus operating loss of ¥186m during the same period in the previous year) and operating profit margin 0.7% (up 4.8% points). Operating profit margin substantially improving over the previous year could suggest that the trends of surging earnings in FY03/2017 are rather accelerating. In FY03/2017, sales came in at ¥22,199m (up 1.1% YoY), operating profit ¥1,596m (up 105.7%) and operating profit margin 7.2% (up 3.7% points).



Source: Company Data, WRJ Calculation (Q2 to Q4 FY03/2018: based on assumption of full-year Company forecasts pro rata)

In FY03/2017, sales of Design & Automation domain came in at ¥14,492m (down 2.3%) and sales of Data Management domain ¥7,707m (up 8.2%). Thus, sales as a whole for the Company increased by no more than 1.1%, due to decreasing sales on the mainstay Design & Automation domain side. However, this was basically in line with yen having been appreciated.

Still, earnings were almost immune to this, given exposure to foreign-currency-denominated expenses exceeding a certain level. Meanwhile, sales increased by 6.7% and accounted for no less than 31% of Design & Automation domain in regards to the mainstay operations of wire harness design. More importantly, in Q1 FY03/2018, sales as a whole for the Company increased by 5.7% over the same period in the previous year with almost no impacts from forex changes, suggesting steady growth trends for sales as a whole for the Company persisting.

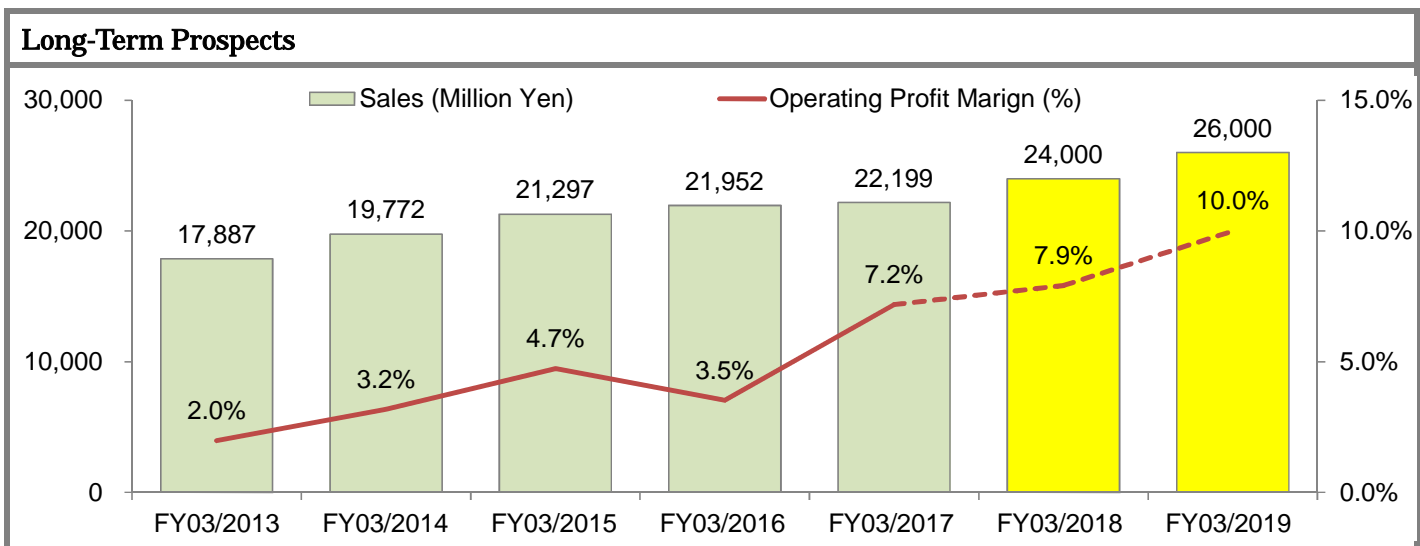
Long-Term Prospects

On 8 July 2016, the Company released its midterm management plan (FY03/2017 to FY03/2019), calling for prospective sales of ¥26,000m, operating profit of ¥2,600m and operating profit margin of 10.0% in FY03/2019, i.e., the last year of the plan. When based on FY03/2016 results, sales are to see CAGR of 5.8% and earnings 49.6% toward FY03/2019. Thus, the plan is calling for operating profit margin rising by 6.5% during the same period, while assuming forex rate of ¥100 per US dollar and ¥125 per euro.

Midterm Management Plan versus FT03/2017 Results and FY03/2018 Company Forecasts							
Sales	Midterm Plan (Million Yen)	Results (Million Yen)	CoE (Million Yen)	Operating Profit	Midterm Plan (Million Yen)	Results (Million Yen)	CoE (Million Yen)
FY03/2017	22,700	22,199	-	FY03/2017	1,500	1,596	-
FY03/2018	24,000	-	24,000	FY03/2018	1,900	-	1,900
FY03/2019	26,000	-	-	FY03/2019	2,600	-	-
FY03/2017	100	98	-	FY03/2017	100	106	-
FY03/2018	100	-	100	FY03/2018	100	-	100
FY03/2019	100	-	-	FY03/2019	100	-	-

Source: Company Data, WRJ Calculation

As mentioned earlier, sales of FY03/2017 or the first year of the midterm management plan fell short of assumptions due to yen higher than expected, but earnings were better. Meanwhile, FY03/2018 Company forecasts are going for prospective sales of ¥24,000m (up 8.1%), operating profit of ¥1,900m (up 19.0%) and operating profit margin of 7.9% (up 0.7% points), which are in line with assumptions of the midterm management plan.

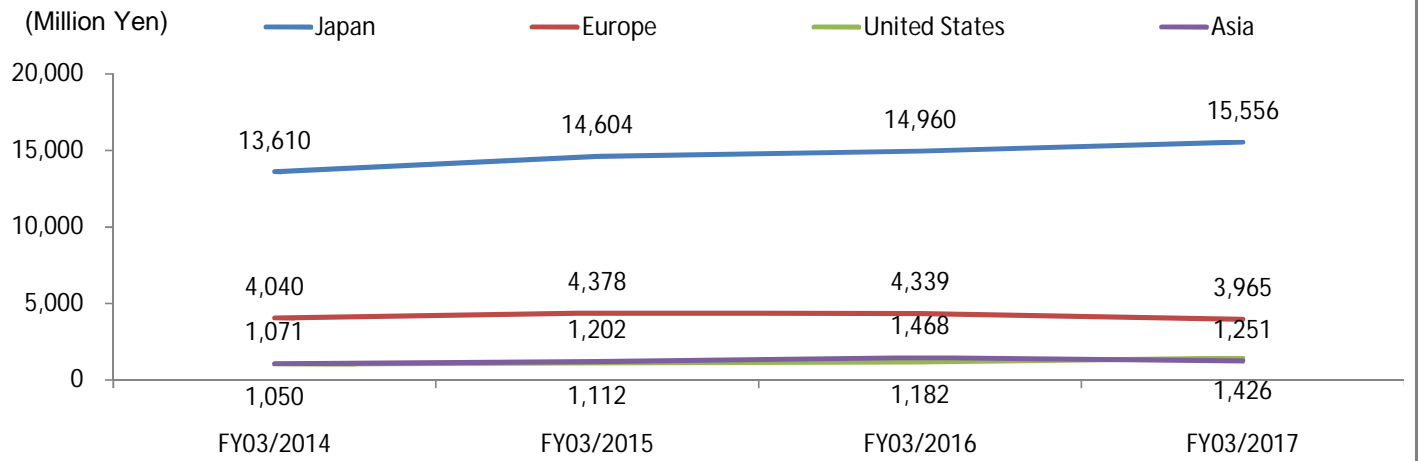


Source: Company Data, WRJ Calculation

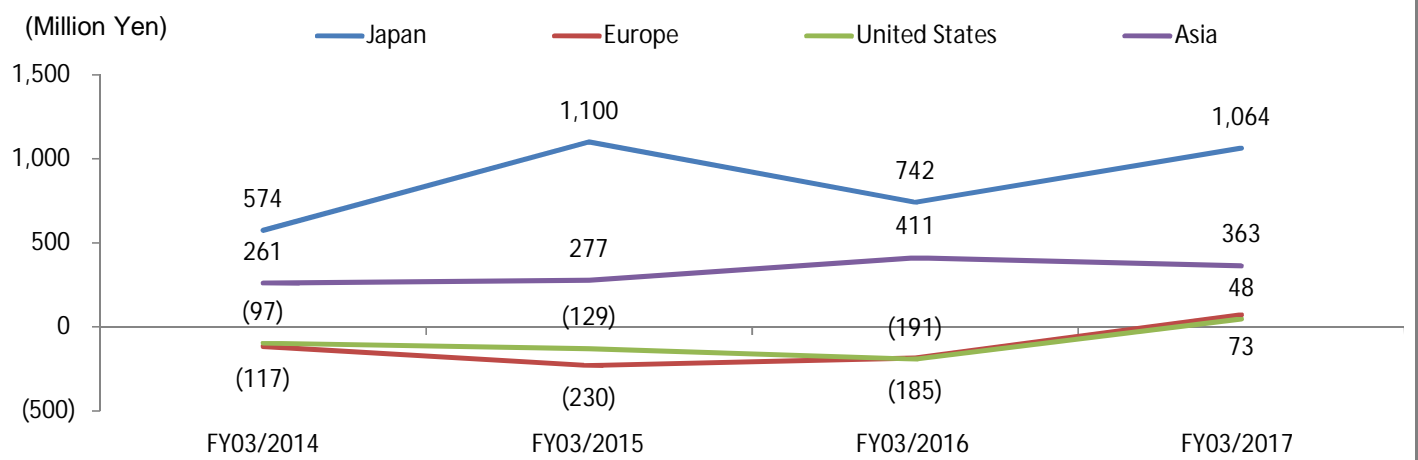
The Company, advocating "to remain the best partner of customers worldwide with three elements of core competence, problem-solving capability and trust cultivated over the past 40 years", is expected to achieve the target of midterm management plan by means of taking advantages of all those three elements. Meanwhile, as priority measures, the Company enhances the core competence in the development of "EDA (Electronic Design Automation) system for PCBs (Printed Circuit Boards)" to promote the de facto standardization of the "CR-8000" series, while propelling the introductions of low-end product "eCADSTAR" corresponding to needs in Asia, etc. at the same time.

On top of "CR-8000", so does the Company for technology on design data management system by means of beefing up its compatibility with "E3-series" as well as with peers' EDA systems, trying to set up the core system in the era of IoT. At the same time, the Company is promoting de facto standardization for wire harness design system on a global basis through making progress in integration measures among existing systems.

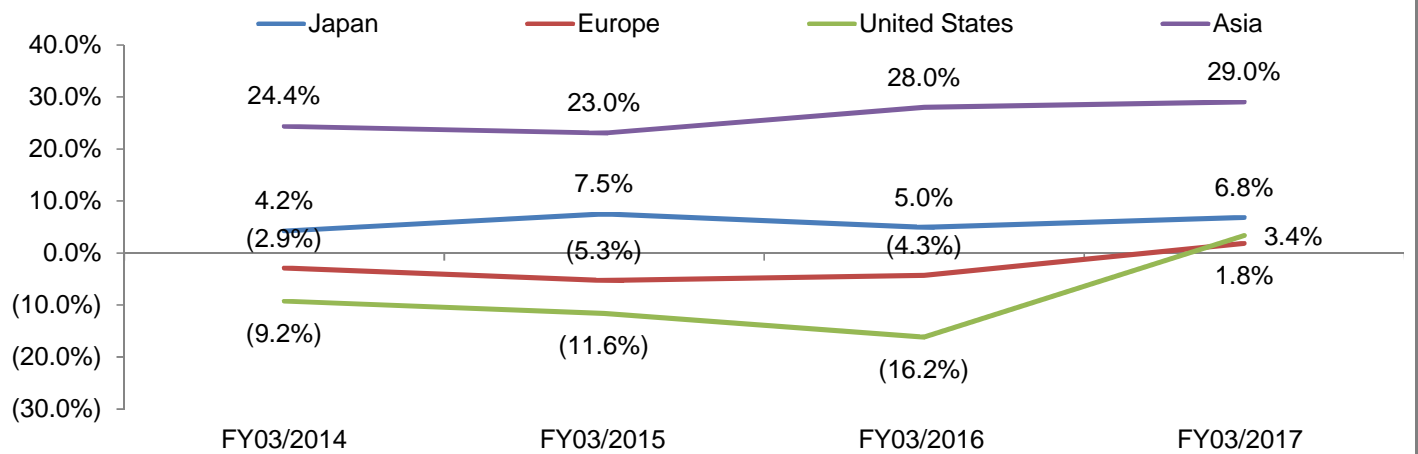
Sales



Operating Profit/Loss



Operating Profit Margin



Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

Company name: Walden Research Japan Incorporated

Head office: 4F Hulic Ginza 1-chome Building, 1-13-1 Ginza, Chuo-city, Tokyo 104-0061 JAPAN

URL: www.walden.co.jp

E-mail: info@walden.co.jp

Phone : +81 3 3553 3769