

ZUKEN (6947)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2017		22,199	1,596	1,571	1,206	51.9	20.0	1,209
FY03/2018		23,582	2,025	2,114	1,511	65.0	22.0	1,295
FY03/2019CoE		25,500	2,500	2,600	1,800	77.4	24.0	-
FY03/2018	YoY	6.2%	26.9%	34.6%	25.3%	-	-	-
FY03/2019CoE	YoY	8.1%	23.4%	22.9%	19.1%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2018		10,458	489	555	336	-	-	-
Q3 to Q4 FY03/2018		13,123	1,535	1,559	1,174	-	-	-
Q1 to Q2 FY03/2019		12,477	1,299	1,395	984	-	-	-
Q3 to Q4 FY03/2019CoE		13,022	1,200	1,204	815	-	-	-
Q1 to Q2 FY03/2019	YoY	19.3%	165.4%	151.4%	192.2%	-	-	-
Q3 to Q4 FY03/2019CoE	YoY	(0.8%)	(21.9%)	(22.8%)	(30.6%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (17 December 2018)

Paradigm Shift


ZUKEN, providing manufacturers in Japan and overseas with design solutions, is to see long-term growth driven by paradigm shift on the manufacture. For example, automotive-related manufacturers, with which the Company is heavily involved as far as we could see, is currently in the middle of making progress for “once-in-century” technology innovation taking advantage of IoT (Internet of Things) and AI (Artificial Intelligence) in order to cope with new development themes like self-driving preceded by EV (Electric Vehicle). In line with this, electronics manufacturers as well as industrial machinery manufacturers are aggressively investing in own capability to develop product. The Company, providing them with Electrical & Electronics CAD/CAM software as solution package or packaged software with market share more than 60% in Japan, sees surging sales and earnings driven by increasing investment in the said domain with them. Meanwhile, the Company is trying to get at future growth by means of beefing up exposure to the area of concept design. Given above-mentioned paradigm shift on the manufacture, customers are seeing excess complication and/or sophistication for each product to develop, creating needs to make innovation in the process of concept design. In order to cope with this, the Company has already set up dedicated division, while having started to offer consulting services based on new method, i.e., MBSE (Model-Based Systems Engineering). Going forward, the Company places the utmost emphasis on developing solution package or packaged software to launch, based on this new method.

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2.0 Company Profile

Providing Comprehensive IT Solutions on the Manufacture

Company Name	ZUKEN INC. Company Website IR Information Share Price (Japanese)	
Established	17 December 1976	
Listing	15 June 1987: Tokyo Stock Exchange 1st Section (ticker: 6947)	
Capital	¥10,117m (as of the end of September 2018)	
No. of Shares	23,267,169 shares, including 17,137 treasury shares (as of the end of Sep. 2018)	
Main Features	<ul style="list-style-type: none"> ● The largest of design solutions in Japan with market share more than 60% ● License sales of packaged software to design PCB and circuit ● Propelling MBSE (Model-Based Systems Engineering) 	
Businesses	<ul style="list-style-type: none"> . Printed Circuit Board Design Solutions . Circuit Design Solutions . IT Solutions . Client Services . Other 	
Top Management	President and Representative Director: Makoto Kaneko	
Shareholders	Makoto Kaneko 19.3%, Makoto Kaneko Holdings 13.9% (as of the end of Sep. 2018)	
Headquarters	Tsuzuki-ku, Yokohama-city, Kanagawa-prefecture, JAPAN	
No. of Employees	Consolidated: 1,301, Parent: 408 (as of the end of September 2018)	

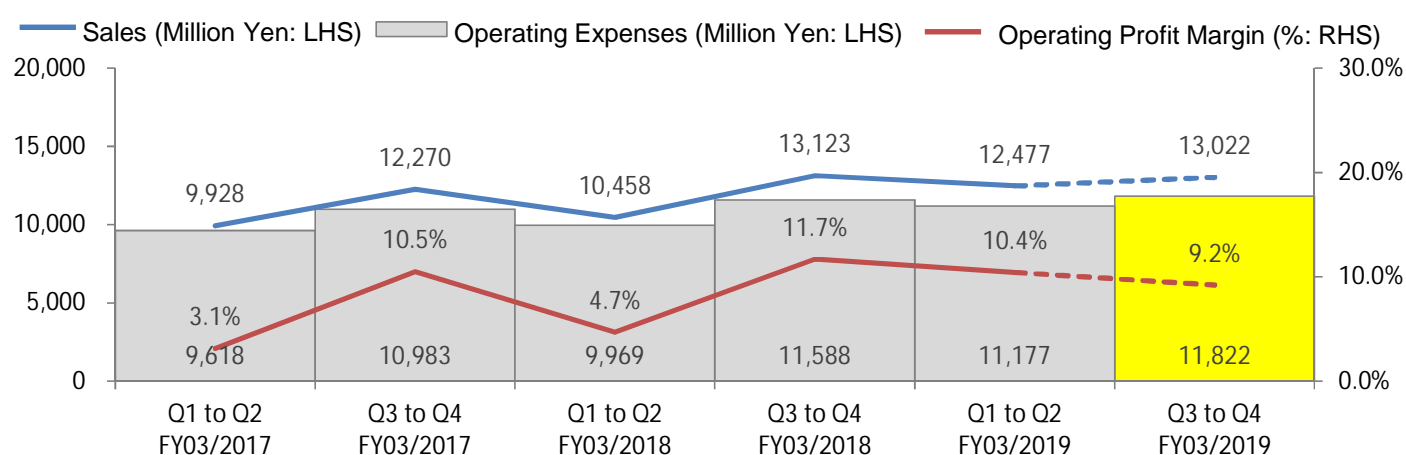
Source: Company Data

3.0 Recent Trading and Prospects

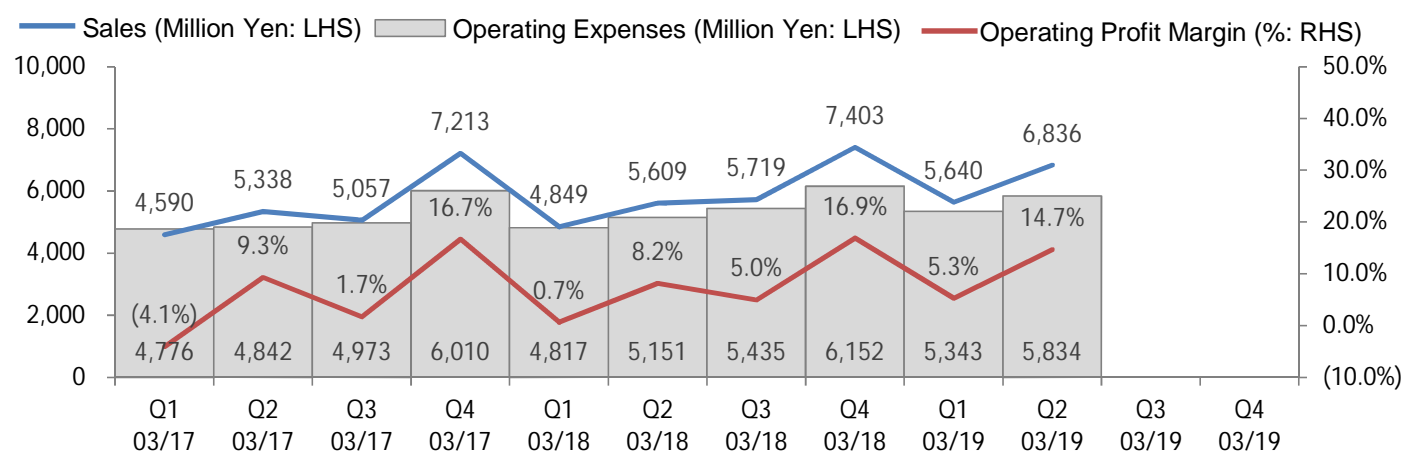
Q1 to Q2 FY03/2019 Results

In Q1 to Q2 FY03/2019, sales came in at ¥12,477m (up 19.3% YoY), operating profit ¥1,299m (up 165.4%), recurring profit ¥1,395m (up 151.4%) and profit attributable to owners of parent ¥984m (up 192.2%), while operating profit margin 10.4% (up 5.7% points). Meanwhile, FY03/2019 initial Company forecasts have remained unchanged. Based on this, it is suggested that the Company sees progress rate of 48.9% for sales in Q1 to Q2 and 52.0% for operating profit versus 44.3% and 24.1%, respectively, for the results over the same period in the previous year. Thus, on a simple calculation basis, the Company sees high progress rate for earnings in particular. In the first place, the Company tends to see concentration of sales and earnings in H2 to a large extent.

Sales, Operating Expenses and Operating Profit Margin on a Half-year basis



Sales, Operating Expenses and Operating Profit Margin on a Quarterly basis

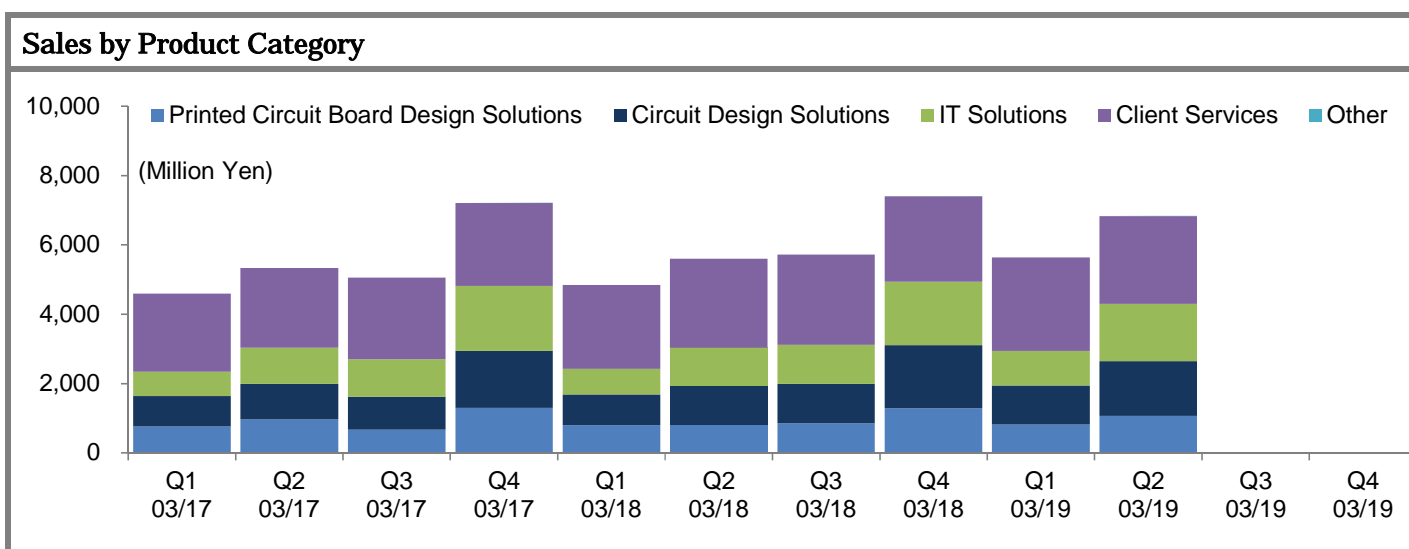


Source: Company Data, WRJ Calculation

Due to seasonal factors, sales as a whole for the Company are to increase in H2 (Q3 to Q4) over H1 (Q1 to Q2) and operating profit margin to rise as operating expenses (cost of sales and SG&A expenses) are to increase not as much. In regards to manufacturers based in Japan, accounting for almost 70% of sales as a whole for the Company, sales particularly concentrate in Q4, resulting in the same as a whole for the Company and thus operating profit margin high in particular.

The Company to make money mainly by means of license sales for diverse CAD/CAM software and other as solution package or packaged software, including consulting services prior to adoptions, is exposed to fixed cost comprising personnel cost, etc. to a large extent and not much to variable cost, suggesting high marginal profit ratio. Meanwhile, almost half are engineers to develop software out of the number of employees, having stood at 1,301 as of the end of September 2018 on a consolidated basis.

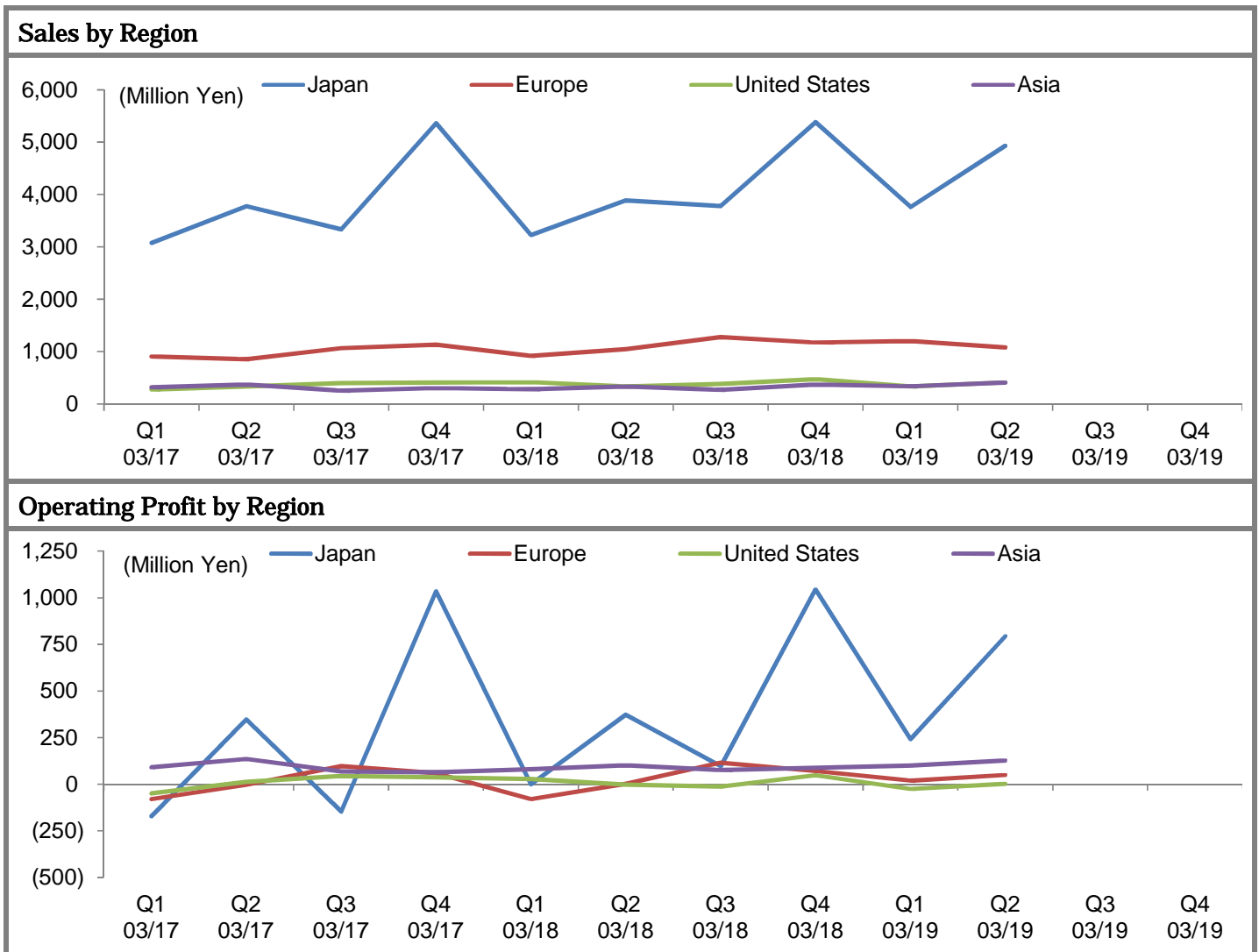
In Q1 to Q2 FY03/2019, sales increased a lot over the same period in the previous year as above-mentioned, substantially driving operating profit margin and thus operating profit. The Company's mainstay customer base, comprising automotive-related manufacturers, electronics manufacturers, industrial machinery manufacturers and electronic component manufacturers, are currently so keen on investing in own capability to develop product in a long-term view, given recent recovery of earnings. As far as we could see, sales of CAD/CAM software and consulting services carrying high marginal profit ratio are increasing favorably as a result of this.



Source: Company Data, WRJ Calculation

By product category, sales of Printed Circuit Board Design Solutions came in at ¥1,881m (up 16.1%), sales of Circuit Design Solutions ¥2,702m (up 35.2%), sales of IT Solutions ¥2,662m (up 44.2%), sales of Client Services ¥5,228m (up 4.7%) and sales of Other ¥3m. According to disclosure by the Company, sales of IT Solutions to have driven those as a whole for the Company most significantly benefited from strengths on “DS-2” or design data management software and on stocking and selling of security-related product by a subsidiary. Meanwhile, in regards to Circuit Board Design Solutions to have contributed almost as much benefited from strengths on “E3.series” or CAM/CAM software for wire harness design. The Company also suggests that all those trends are basically of the mainstay Japan.

As far as we could see, Q1 to Q2 results were better than assumptions of FY03/2019 initial Company forecasts. Paradigm shift on the manufacture, driven by “once-in-century” technology innovation taking advantage of IoT (Internet of Things) and AI (Artificial Intelligence), appears benefiting the Company more than initially assumed. Based on the contents of the disclosure by the Company, sales are now expected to come in at ¥13,022m (down 0.8% YoY) in H2, operating profit ¥1,200m (down 21.9%) and operating profit margin 9.2% (down 2.5% points). As far as we are concerned, the Company is fairly conservative on FY03/2019 Company forecasts, given an aforementioned factor that sales are to concentrate in Q4 to a large extent.



Source: Company Data, WRJ Calculation

Meanwhile, the Company’s business performance by region in Q1 to Q2 FY03/2019 is as follows:

In Japan, sales came in at ¥8,696m (up 22.2%), operating profit ¥1,038m (up 177.8%) and operating profit margin 11.9% (up 6.7% points). Having accounted for 69.7% of sales as a whole for the Company and 79.0% of operating profit (before elimination), it is the case that sales and earnings of the Company as a whole basically hinge of those of Japan. In the mainstay Japan, the Company holds market share more than 60% in regards to the market to which it is exposed, implying a major reliance on the market trends for sales. In fact, both Mentor Graphics Corporation and Cadence Design Systems, Inc. to compete with the Company are reasonably competitive negatively affecting to horizontal expansion for the Company in a sense. Still, when the Company is heavy involved with concept design based on MBSE (Model-Based Systems Engineering), the Company should be more distinguished and horizontal expansion shall start up.

In Europe, sales came in at ¥2,281m (up 15.8%), operating profit ¥70m (versus negative ¥76m during the same period in the previous year) and operating profit margin 3.1% (up 6.9% points). Locally, the Company has market share of 25% to 30%, which is roughly the same as that of each competitor, i.e., Mentor Graphics Corporation and Cadence Design Systems, Inc. Meanwhile, increasing sales over the same period in the previous year and improving earnings are attributable to migration of CAD/CAM software for electric circuit board design to “CR-8000 Design Force” from “CR-5000 Board Designer” on a full-fledged basis among some major customers, according to the Company. Meanwhile, it appears that a customer to have adopted “E3.series” or CAD/CAM software for wire harness design asked for additional customization to cope with each single need, having resulted in sales of consulting services carrying high gross profit margin for the Company.

In the United States, sales came in at ¥746m (down 1.0%), operating profit negative ¥23m (versus ¥26m during the same period in the previous year) and operating profit margin negative 3.1% (down 6.6% points). Locally speaking, Mentor Graphics Corporation and Cadence Design Systems, Inc. to compete with the Company are highly competitive and the Company has market share no more than some 10%. In Q1 to Q2, the Company has continued to see improvement of underlying earnings, driven by introduction of new scheme called “TBL (Time Base License)” mainly for major customers, where it collects compensation on a monthly basis using installment plan for license sales of software. However, sales have failed to increase over the same period in the previous year given a delayed booking of sales on a large-scale project, having resulted in earnings fallen into the red at the same time. However, on a full-year basis, the Company is going for making money three years in a row.

In Asia, sales came in at ¥753m (up 21.9%), operating profit ¥228m (up 26.0%) and operating profit margin 30.3% (up 1.0% points). Basically, the Company here is involved with operations for local manufacturing bases of Japanese manufacturers. The reason why sales are increasing fast over the same period in the previous year is that investment appetite for design solutions is starting to recover across the board, according to the Company. Meanwhile, in regards to the situations of a financial-combine-related customer in Korea, the Company spots that the said appetite is remarkable for automotive parts and electronic components by application in particular. To add to this, the Company sees a high level of operating profit margin with stability here in Asia due mainly to relatively low local expenses.

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	FY	FY	FY	FY	FY	FY	FY	FY	FY	Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	Net Chg.
Sales	4,849	10,458	16,178	23,582	5,640	12,477	-	-	-	+2,018
Cost of Sales	1,232	2,780	4,407	6,413	1,502	3,489	-	-	-	+708
Gross Profit	3,617	7,678	11,770	17,168	4,137	8,988	-	-	-	+1,309
SG&A	3,584	7,188	10,997	15,143	3,840	7,688	-	-	-	+499
Operating Profit	32	489	773	2,025	297	1,299	-	-	-	+810
Non Operating Balance	42	65	95	89	48	95	-	-	-	+30
Recurring Profit	75	555	868	2,114	345	1,395	-	-	-	+840
Extraordinary Balance	(1)	0	(58)	(20)	23	22	-	-	-	+23
Profit before Income Taxes	74	554	810	2,093	368	1,418	-	-	-	+863
Total Income Taxes	54	222	338	547	132	425	-	-	-	+203
NP Belonging to Non-Controlling SHs	(6)	(4)	(8)	34	(17)	8	-	-	-	+13
Profit Attributable to Owners of Parent	26	336	479	1,511	254	984	-	-	-	+647
Sales YoY	+5.7%	+5.3%	+8.0%	+6.2%	+16.3%	+19.3%	-	-	-	-
Operating Profit YoY	-	+58.4%	+96.7%	+26.9%	+814.6%	+165.4%	-	-	-	-
Recurring Profit YoY	-	+199.3%	+128.1%	+34.6%	+358.6%	+151.4%	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	+276.9%	+103.4%	+25.3%	+868.1%	+192.2%	-	-	-	-
Gross Profit Margin	74.6%	73.4%	72.8%	72.8%	73.4%	72.0%	-	-	-	(1.4%)
(SG&A / Sales)	73.9%	68.7%	68.0%	64.2%	68.1%	61.6%	-	-	-	(7.1%)
Operating Profit Margin	0.7%	4.7%	4.8%	8.6%	5.3%	10.4%	-	-	-	+5.7%
Recurring Profit Margin	1.6%	5.3%	5.4%	9.0%	6.1%	11.2%	-	-	-	+5.9%
Profit Attributable to Owners of Parent Margin	0.5%	3.2%	3.0%	6.4%	4.5%	7.9%	-	-	-	+4.7%
Total Income Taxes / Profit before Income Taxes	73.0%	40.1%	41.8%	26.2%	35.9%	30.0%	-	-	-	(10.1%)
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	FY	FY	FY	FY	FY	FY	FY	FY	FY	Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	Net Chg.
Sales	4,849	5,609	5,719	7,403	5,640	6,836	-	-	-	+1,227
Cost of Sales	1,232	1,548	1,627	2,005	1,502	1,986	-	-	-	+438
Gross Profit	3,617	4,060	4,092	5,398	4,137	4,850	-	-	-	+789
SG&A	3,584	3,603	3,808	4,146	3,840	3,847	-	-	-	+243
Operating Profit	32	457	283	1,251	297	1,002	-	-	-	+545
Non Operating Balance	42	22	30	(5)	48	47	-	-	-	+24
Recurring Profit	75	479	313	1,245	345	1,049	-	-	-	+570
Extraordinary Balance	(1)	0	(57)	37	23	0	-	-	-	(1)
Profit before Income Taxes	74	480	255	1,283	368	1,049	-	-	-	+569
Total Income Taxes	54	167	116	209	132	292	-	-	-	+124
NP Belonging to Non-Controlling SHs	(6)	1	(3)	42	(17)	26	-	-	-	+24
Profit Attributable to Owners of Parent	26	310	142	1,031	254	730	-	-	-	+419
Sales YoY	+5.7%	+5.1%	+13.1%	+2.6%	+16.3%	+21.9%	-	-	-	-
Operating Profit YoY	-	(7.7%)	+237.8%	+4.1%	+814.6%	+119.3%	-	-	-	-
Recurring Profit YoY	-	+2.0%	+60.5%	+4.6%	+358.6%	+118.9%	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	(8.8%)	(2.5%)	+6.3%	+868.1%	+135.1%	-	-	-	-
Gross Profit Margin	74.6%	72.4%	71.5%	72.9%	73.4%	70.9%	-	-	-	(1.5%)
(SG&A / Sales)	73.9%	64.2%	66.6%	56.0%	68.1%	56.3%	-	-	-	(8.0%)
Operating Profit Margin	0.7%	8.2%	5.0%	16.9%	5.3%	14.7%	-	-	-	+6.5%
Recurring Profit Margin	1.6%	8.6%	5.5%	16.8%	6.1%	15.4%	-	-	-	+6.8%
Profit Attributable to Owners of Parent Margin	0.5%	5.5%	2.5%	13.9%	4.5%	10.7%	-	-	-	+5.1%
Total Income Taxes / Profit before Income Taxes	73.0%	35.0%	45.5%	16.3%	35.9%	27.9%	-	-	-	(7.1%)

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative, Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	FY	FY	FY	FY	FY	FY	FY	FY	FY	Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	Net Chg.
Japan	3,228	7,117	10,900	16,282	3,762	8,696	-	-	-	+1,578
Europe	919	1,969	3,247	4,420	1,202	2,281	-	-	-	+312
United States	418	754	1,140	1,615	334	746	-	-	-	(7)
Asia	283	617	891	1,264	341	753	-	-	-	+135
Sales	4,849	10,458	16,178	23,582	5,640	12,477	-	-	-	+2,018
Japan	0	373	470	1,516	243	1,038	-	-	-	+664
Europe	(79)	(76)	40	112	19	70	-	-	-	+146
United States	28	26	13	62	(25)	(23)	-	-	-	(49)
Asia	80	181	257	346	100	228	-	-	-	+47
Segment profit	29	505	782	2,037	336	1,313	-	-	-	+808
Elimination	2	(15)	(9)	(12)	(39)	(13)	-	-	-	+1
Operating Profit	32	489	773	2,025	297	1,299	-	-	-	+810
Japan	0.0%	5.2%	4.3%	9.3%	6.5%	11.9%	-	-	-	+6.7%
Europe	(8.6%)	(3.9%)	1.2%	2.5%	1.6%	3.1%	-	-	-	+6.9%
United States	6.8%	3.5%	1.2%	3.9%	(7.8%)	(3.1%)	-	-	-	(6.6%)
Asia	28.3%	29.4%	28.9%	27.4%	29.3%	30.3%	-	-	-	+1.0%
Elimination	0.1%	(0.1%)	(0.1%)	(0.1%)	(0.7%)	(0.1%)	-	-	-	+0.0%
Operating Profit Margin	0.7%	4.7%	4.8%	8.6%	5.3%	10.4%	-	-	-	+5.7%

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	FY	FY	FY	FY	FY	FY	FY	FY	FY	Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	Net Chg.
Japan	3,228	3,888	3,782	5,382	3,762	4,933	-	-	-	+1,045
Europe	919	1,049	1,277	1,173	1,202	1,079	-	-	-	+29
United States	418	336	385	475	334	412	-	-	-	+75
Asia	283	334	273	372	341	411	-	-	-	+77
Sales	4,849	5,609	5,719	7,403	5,640	6,836	-	-	-	+1,227
Japan	0	373	97	1,045	243	794	-	-	-	+421
Europe	(79)	2	116	71	19	50	-	-	-	+47
United States	28	(2)	(12)	48	(25)	2	-	-	-	+4
Asia	80	101	76	88	100	128	-	-	-	+27
Segment profit	29	475	277	1,254	336	976	-	-	-	+501
Elimination	2	(17)	5	(2)	(39)	26	-	-	-	+44
Operating Profit	32	457	283	1,251	297	1,002	-	-	-	+545
Japan	0.0%	9.6%	2.6%	19.4%	6.5%	16.1%	-	-	-	+6.5%
Europe	(8.6%)	0.3%	9.1%	6.1%	1.6%	4.7%	-	-	-	+4.4%
United States	6.8%	(0.6%)	(3.3%)	10.3%	(7.8%)	0.6%	-	-	-	+1.3%
Asia	28.3%	30.3%	28.0%	23.7%	29.3%	31.2%	-	-	-	+0.9%
United States	0.1%	(0.3%)	0.1%	(0.0%)	(0.7%)	0.4%	-	-	-	+0.7%
Operating Profit Margin	0.7%	8.2%	5.0%	16.9%	5.3%	14.7%	-	-	-	+6.5%

Source: Company Data, WRJ Calculation

Sales by Product Category (Cumulative, Quarterly)

Sales by Product Category	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	YoY Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	
Printed Circuit Board Design Solutions	802	1,620	2,477	3,772	812	1,881	-	-	-	+261
Circuit Design Solutions	888	1,999	3,131	4,947	1,131	2,702	-	-	-	+702
IT Solutions	737	1,845	2,974	4,799	1,001	2,662	-	-	-	+816
Client Services	2,421	4,992	7,593	10,058	2,694	5,228	-	-	-	+235
Other	0	0	0	3	0	3	-	-	-	+2
Sales	4,849	10,458	16,178	23,582	5,640	12,477	-	-	-	+2,018
Printed Circuit Board Design Solutions	+5.3%	(6.2%)	+3.3%	+2.0%	+1.3%	+16.1%	-	-	-	-
Circuit Design Solutions	+0.9%	+4.8%	+9.5%	+10.0%	+27.4%	+35.2%	-	-	-	-
IT Solutions	+4.8%	+5.9%	+5.2%	+2.1%	+35.8%	+44.2%	-	-	-	-
Client Services	+7.9%	+9.8%	+10.1%	+8.3%	+11.3%	+4.7%	-	-	-	-
Other	+800.0%	(27.6%)	(59.3%)	(51.7%)	+77.8%	+500.2%	-	-	-	-
Sales (YoY)	+5.7%	+5.3%	+8.0%	+6.2%	+16.3%	+19.3%	-	-	-	-
Printed Circuit Board Design Solutions	16.5%	15.5%	15.3%	16.0%	14.4%	15.1%	-	-	-	-
Circuit Design Solutions	18.3%	19.1%	19.4%	21.0%	20.1%	21.7%	-	-	-	-
IT Solutions	15.2%	17.6%	18.4%	20.4%	17.8%	21.3%	-	-	-	-
Client Services	49.9%	47.7%	46.9%	42.7%	47.8%	41.9%	-	-	-	-
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-

Sales by Product Category	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	YoY Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	
Printed Circuit Board Design Solutions	802	818	857	1,294	812	1,069	-	-	-	+251
Circuit Design Solutions	888	1,111	1,131	1,816	1,131	1,570	-	-	-	+459
IT Solutions	737	1,108	1,128	1,825	1,001	1,660	-	-	-	+552
Client Services	2,421	2,571	2,600	2,464	2,694	2,533	-	-	-	(37)
Other	0	0	0	2	0	2	-	-	-	+2
Sales	4,849	5,609	5,719	7,403	5,640	6,836	-	-	-	+1,227
Printed Circuit Board Design Solutions	+5.3%	(15.3%)	+28.2%	(0.6%)	+1.3%	+30.7%	-	-	-	-
Circuit Design Solutions	+0.9%	+8.1%	+18.8%	+11.0%	+27.4%	+41.4%	-	-	-	-
IT Solutions	+4.8%	+6.6%	+4.0%	(2.6%)	+35.8%	+49.9%	-	-	-	-
Client Services	+7.9%	+11.6%	+10.7%	+2.9%	+11.3%	(1.5%)	-	-	-	-
Other	+800.0%	(39.3%)	(75.3%)	(48.8%)	+77.8%	+589.0%	-	-	-	-
Sales (YoY)	+5.7%	+5.1%	+13.1%	+2.6%	+16.3%	+21.9%	-	-	-	-
Printed Circuit Board Design Solutions	16.5%	14.6%	15.0%	17.5%	14.4%	15.6%	-	-	-	-
Circuit Design Solutions	18.3%	19.8%	19.8%	24.5%	20.1%	23.0%	-	-	-	-
IT Solutions	15.2%	19.8%	19.7%	24.7%	17.8%	24.3%	-	-	-	-
Client Services	49.9%	45.8%	45.5%	33.3%	47.8%	37.1%	-	-	-	-
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	FY 03/2018	FY 03/2018	FY 03/2018	FY 03/2018	FY 03/2019	FY 03/2019	FY 03/2019	FY 03/2019	FY 03/2019	
Cash & Deposit	15,748	16,299	15,999	16,868	18,009	17,849	-	-	-	+1,550
Accounts Receivables	3,453	3,607	3,959	5,375	3,780	4,425	-	-	-	+818
Securities	6,700	6,700	6,700	6,700	6,700	6,700	-	-	-	-
Inventory	486	526	581	369	503	511	-	-	-	(15)
Other	2,821	2,669	2,568	2,127	2,422	2,395	-	-	-	(274)
Current Assets	29,210	29,802	29,809	31,442	31,415	31,882	-	-	-	+2,079
Tangible Assets	6,357	6,359	6,343	6,360	6,352	6,364	-	-	-	+5
Intangible Assets	1,531	1,485	1,416	1,361	1,286	1,224	-	-	-	(260)
Investments & Other Assets	3,719	3,656	3,929	4,483	4,668	6,108	-	-	-	+2,452
Fixed Assets	11,607	11,501	11,690	12,205	12,308	13,698	-	-	-	+2,196
Total Assets	40,817	41,304	41,499	43,647	43,724	45,580	-	-	-	+4,275
Accounts Payables	448	539	542	726	518	754	-	-	-	+214
Short Term Debt	-	-	-	-	-	-	-	-	-	-
Advance Payment	5,736	5,365	5,246	5,256	6,105	5,603	-	-	-	+238
Other	2,247	2,597	2,486	3,300	2,478	2,857	-	-	-	+259
Current Liabilities	8,432	8,502	8,274	9,282	9,102	9,215	-	-	-	+712
Long Term Debt	-	-	-	-	-	-	-	-	-	-
Other	3,841	3,890	3,986	3,816	3,841	3,953	-	-	-	+62
Fixed Liabilities	3,841	3,890	3,986	3,816	3,841	3,953	-	-	-	+62
Total Liabilities	12,273	12,393	12,261	13,099	12,943	13,168	-	-	-	+775
Shareholders' Equity	28,182	28,493	28,403	29,435	29,410	30,141	-	-	-	+1,647
Other	361	417	834	1,111	1,370	2,270	-	-	-	+1,852
Net Assets	28,544	28,910	29,238	30,547	30,780	32,411	-	-	-	+3,500
Total Liabilities & Net Assets	40,817	41,304	41,499	43,647	43,724	45,580	-	-	-	+4,275
Equity Capital	28,145	28,520	28,852	30,119	30,387	31,992	-	-	-	+3,472
Interest Bearing Debt	-	-	-	-	-	-	-	-	-	0
Net Debt	(15,748)	(16,299)	(15,999)	(16,868)	(18,009)	(17,849)	-	-	-	(1,550)
Equity Ratio	69.0%	69.0%	69.5%	69.0%	69.5%	70.2%	-	-	-	+1.1%
Net Debt Equity Ratio	(56.0%)	(57.1%)	(55.5%)	(56.0%)	(59.3%)	(55.8%)	-	-	-	+1.4%
ROE (12 months)	5.3%	5.2%	5.1%	5.2%	5.9%	7.1%	-	-	-	+2.0%
ROA (12 months)	4.9%	4.9%	5.1%	5.0%	5.6%	6.8%	-	-	-	+1.9%
Days for Inventory Turnover	36	31	33	17	31	23	-	-	-	-
Quick Ratio	228%	234%	241%	240%	239%	242%	-	-	-	-
Current Ratio	346%	350%	360%	339%	345%	346%	-	-	-	-

Source: Company Data, WRJ Calculation

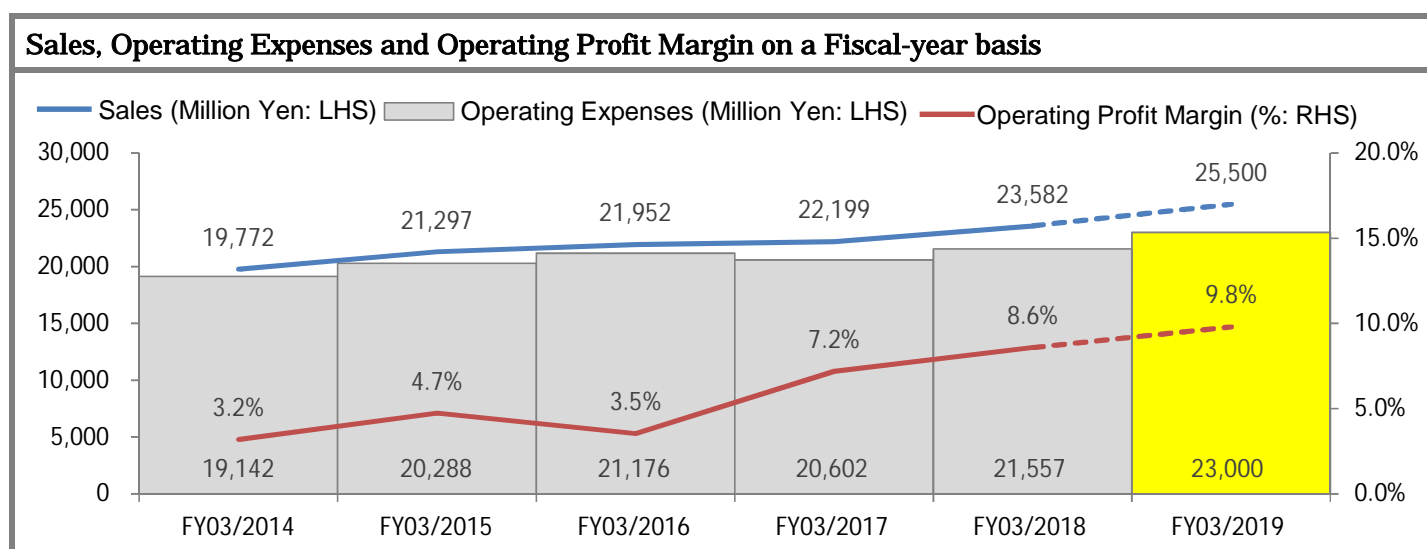
Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	FY 03/2018	FY 03/2018	FY 03/2018	FY 03/2018	FY 03/2019	FY 03/2019	FY 03/2019	FY 03/2019	FY 03/2019	
Operating Cash Flow	-	2,378	-	3,547	-	2,053	-	-	-	(325)
Investing Cash Flow	-	(380)	-	(592)	-	(876)	-	-	-	(495)
Operating CF & Investing CF	-	1,997	-	2,954	-	1,176	-	-	-	(821)
Financing Cash Flow	-	(266)	-	(558)	-	(302)	-	-	-	(35)

Source: Company Data, WRJ Calculation

FY03/2019 Company Forecasts

FY03/2019 Company forecasts (released on 7 May 2018) are going for prospective sales of ¥25,500m (up 8.1% YoY), operating profit of ¥2,500m (up 23.4%), recurring profit of ¥2,600m (up 22.9%) and profit attributable to owners of parent of ¥1,800m (up 19.1%), while operating profit margin of 9.8% (up 1.2% points). At the same time, Company forecasts are going for prospective dividend of ¥24.0 per share, implying payout ratio of 31.0%.



Source: Company Data, WRJ Calculation

In FY03/2017, the Company paid dividend of ¥20.0 per share, implying payout ratio of 38.6%, which was followed by ¥22.0 per share, implying payout ratio of 33.8%, in FY03/2018. When compared with all those figures, it is suggested that FY03/2019 Company forecast are going for increases of dividend two years in a row and decreases of payout ratio also two years in a row at the same time. The Company has an idea of actively sharing earnings with shareholders, while also trying to get at consistent and stable dividend not to be affected by short-term earnings. Thus, the Company claims that it should increase dividend meeting with a midterm earnings trend at any appropriate opportunity. On top of this, the Company also claims that it is keen on merger and acquisition to procure new technologies, etc., suggesting needs to maintain some room on the financial side for the Company to flexibly make business decision. In other words, it appears that the Company is aiming at maximization of total returns for shareholders, comprising income gain and capital gain. Meanwhile, total assets stood at ¥45,580m versus equity capital of ¥31,922 and net cash of ¥17,849m as of the end of Q2 FY03/2019, implying it is quite important for the Company to take advantage of this excess financial room in order to drive future growth.

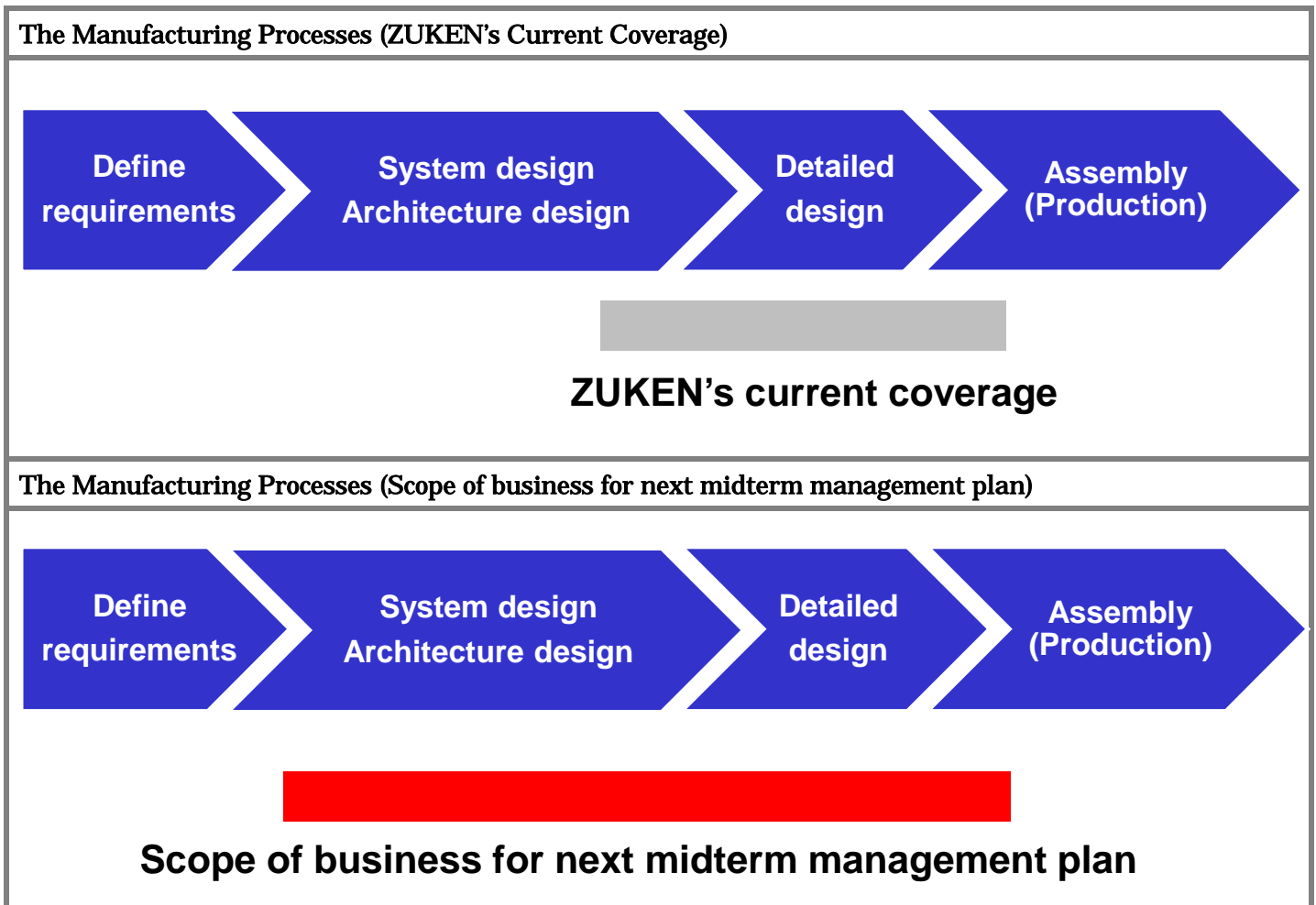
FY03/2019 Company Forecasts

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2019CoE	7-May-18	Q4 Results	25,500	2,500	2,600	1,800
FY03/2019CoE	6-Aug-18	Q1 Results	25,500	2,500	2,600	1,800
FY03/2019CoE	5-Nov-18	Q2 Results	25,500	2,500	2,600	1,800
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY03/2019CoE	7-May-18	Q4 Results	25,500	2,500	2,600	1,800
FY03/2019CoE	5-Nov-18	Q2 Results	25,500	2,500	2,600	1,800
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY03/2019CoE	7-May-18	Q4 Results	-	-	-	-
Q1 to Q2 FY03/2019CoE	6-Aug-18	Q1 Results	-	-	-	-
Q1 to Q2 FY03/2019Act	5-Nov-18	Q2 Results	12,477	1,299	1,395	984
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY03/2019CoE	7-May-18	Q4 Results	-	-	-	-
Q1 to Q2 FY03/2019Act	5-Nov-18	Q2 Results	12,477	1,299	1,395	984
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY03/2019CoE	7-May-18	Q4 Results	-	-	-	-
Q3 to Q4 FY03/2019CoE	6-Aug-18	Q1 Results	-	-	-	-
Q3 to Q4 FY03/2019CoE	5-Nov-18	Q2 Results	13,023	1,201	1,205	816
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY03/2019CoE	7-May-18	Q4 Results	-	-	-	-
Q3 to Q4 FY03/2019CoE	5-Nov-18	Q2 Results	13,023	1,201	1,205	816
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-

Source: Company Data, WRJ Calculation

Long-Term Prospects

In July 2019, the Company is planning to release next midterm management plan (FY03/2020 to FY03/2022) with a gist for the Company to deeply involved with process of concept design (system design, architecture design) with customers, which is to drive growth to be assumed in next midterm management plan, according to the Company. Meanwhile, it appears that automotive-related manufacturers are the key driver for growth by customer base, accounting for no less than some 50% of sales as a whole for the Company when in-car-related sales with electronics manufacturers and electronics manufacturers being included.



Source: Company Data, WRJ Calculation

The Company is the provider of comprehensive IT solutions on the manufacture, having provided manufacturers in Japan and overseas with design solutions. In other words, the Company has been facilitating detailed design and assembly (production) by customers through providing CAD/CAM software as solution package or packaged software to materialize concept design (system design, architecture design) formulated by customers in line with requirements on design of each product to be developed and launched in the market.

Meanwhile, given paradigm shift on the manufacture driven by “once-in-century” technology innovation taking advantage of IoT (Internet of Things) and AI (Artificial Intelligence), requirements to be defined prior to concept design (system design, architecture design) are getting too complicated and/or too sophisticated to be dealt with by means of existing method based on “reconciliation by manpower”. Thus, new method to cope with this is now demanded and MBSE (Model-Based Systems Engineering) is one of the choices.

The development of product by manufacturers at the moment starts up with definition of requirements by system architect in line with contents of each project to develop product, which is followed by the process of concept design (system design, architecture design) to confirm product specifications. The deliverables from here are “product-specification sheets”, often compiled in the form of data with Word and/or Excel. Then, based on the contents of the deliverables to be literally delivered, in-house engineers make progress with the process of detailed design by means of taking advantage of CAD/CAM software. Almost always, a single system architect to be selected out of senior skilled engineers is in charge of concept design (system design, architecture design) or just a few, while engineers in big crowds, comprising those of mechatronics, electrical, software, etc., are in charge of detailed design based on the contents of concept design compiled in the deliverables or “product-specification sheets”.

The problem in all those above-mentioned processes is that “reconciliation by manpower” often intervenes, when the contents of “product-specification sheets” are being input in CAD/CAM software. That is to say, as it is not always the case that the contents of “product-specification sheets” are initially all input into CAD/CAM software properly, so-called “starting over” based on “reconciliation by manpower” additionally takes place often. Most recently, given requirements on design increasingly complicated and/or sophisticated in line with paradigm shift on the manufacture, it is almost impossible to cope with by means of “reconciliation by manpower”. In particular, it is crucial for automotive-related manufacturers to solve the problem, currently confronting a major theme to develop self-driving scheme on top of also being exposed to needs to consistently confirm safety and quality in the first place. The Company suggests that the problem may have started to delay development of product and that this could give impacts to quality of product going forward.

One of the ideas to solve the problem is introduction of new method of MBSE (Model-Based Systems Engineering) for example. It is advocated here to implement “Systems Engineering” by means of using “Model” as common language. Meanwhile, “Systems Engineering” is of idea to succeed the whole operations by means of optimizing the all processes including diverse factors in some different specialty domains with consistent validations from the very first part of the processes. According to definition by INCOSE (International Council on Systems Engineering) or the international organization of “Systems Engineering”, “Systems” is of the combination of elements to interact with each other set up with purpose to accomplish objectives, including hardware, software, human resources, information, facilities, services and all the other supportive elements.

The Company set up a new division to propel process innovation in April 2018 in order to promote adoptions of MBSE (Model-Based Systems Engineering) with customers, having already started up consulting services for some major customers looking to future adoptions, while trying to get at launch of solution package or packaged software to cope with this as soon as possible.

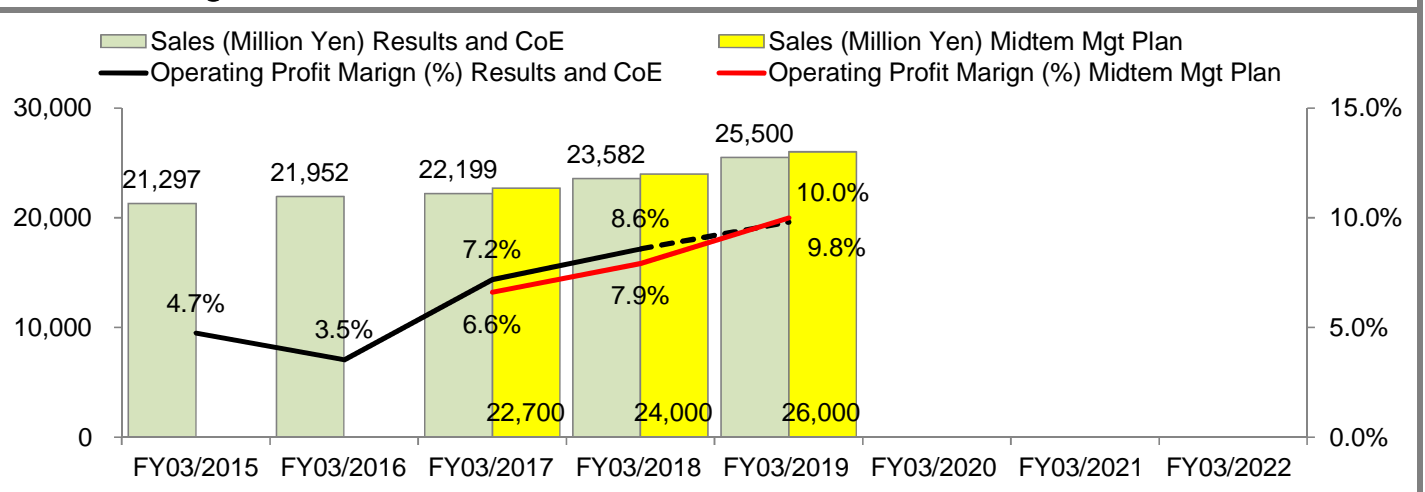
Prior to complication and/or sophistication of requirements on design, the Company had already launched solution package of packaged software to cope with concept design (system design, architecture design) in some parts. Meanwhile, the Company is currently thinking of externally procuring new technologies to achieve above-mentioned objective by means of merger and acquisition, etc. Still, the Company has already built close credibility with customers also in this domain and is now expected to play the role of standard-bear on MBSE (Model-Based Systems Engineering). At the end of the day, it is suggested that the Company is very likely benefiting from paradigm shift on the manufacture among manufacturers.

The Company has already developed and launched “CR-8000 System Planner” or CAD/CAM software for electronic circuit board design to cope with concept design (system design, architecture design). Thus, as far as electronic circuit board design is concerned, solution package or packaged software to examine concept design (system design, architecture design) has been available in the market for some time. Going forward, it could be the case that this has additional capability to cope with MBSE (Model-Based Systems Engineering). On top of this, the Company also spots that a customer has already benefited from adoption of “CR-8000 System Planner”, combined with “DS-2” or design data management software, given reduced expenses and early development of product with them.

At the release of next midterm management plan (FY03/2020 to FY03/2022), the Company is planning to imply prospective sales, etc., stemming from concept design (system design, architecture design) based on MBSE (Model-Based Systems Engineering). This suggests that it should be granted that the Company has been getting involved with MBSE (Model-Based Systems Engineering) to more than a certain extent. More importantly, customers feel secure with the Company in a midterm view with its management strategy to aggressively lead future innovation of technologies like this, which is one of the reasons why sales as a whole for the Company are surging at the moment, according to the Company.

On the other hand, it remains uncertain how much the Company has to spend on R&D expenses, etc. to achieve the objective. Nevertheless, given the Company’s management policy going for long-term earnings growth with stability as the primary issue, it should be the case that development of solution package or packaged software to cope with MBSE (Model-Based Systems Engineering) makes progress as early as possible with spending on R&D expenses, etc. within the limit to meet with prospective sales.

Midterm Management Plan (FY03/2017 to FY03/2019)

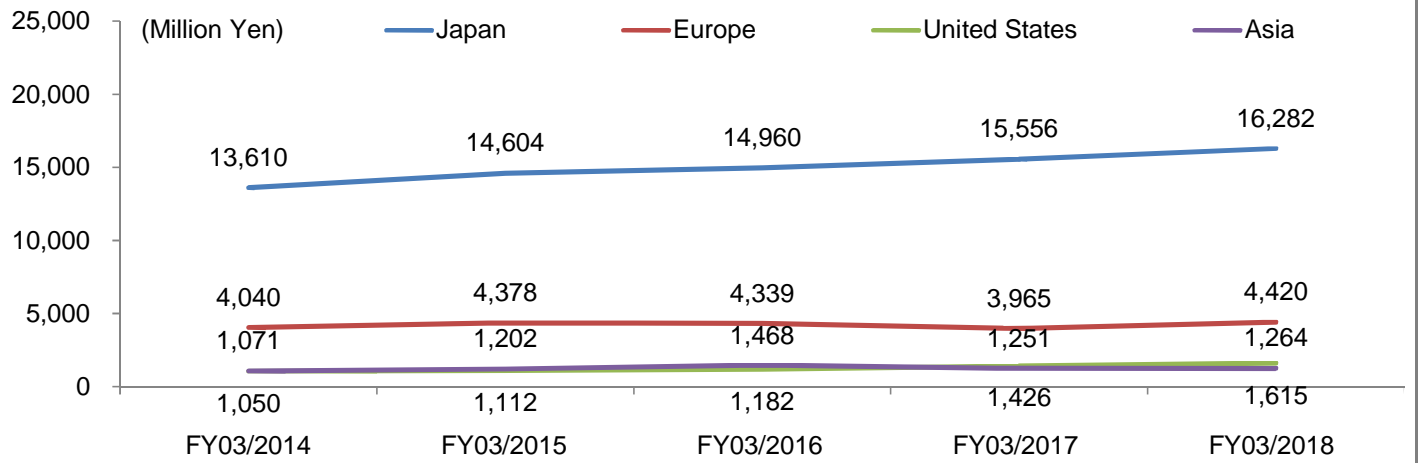


Source: Company Data, WRJ estimates

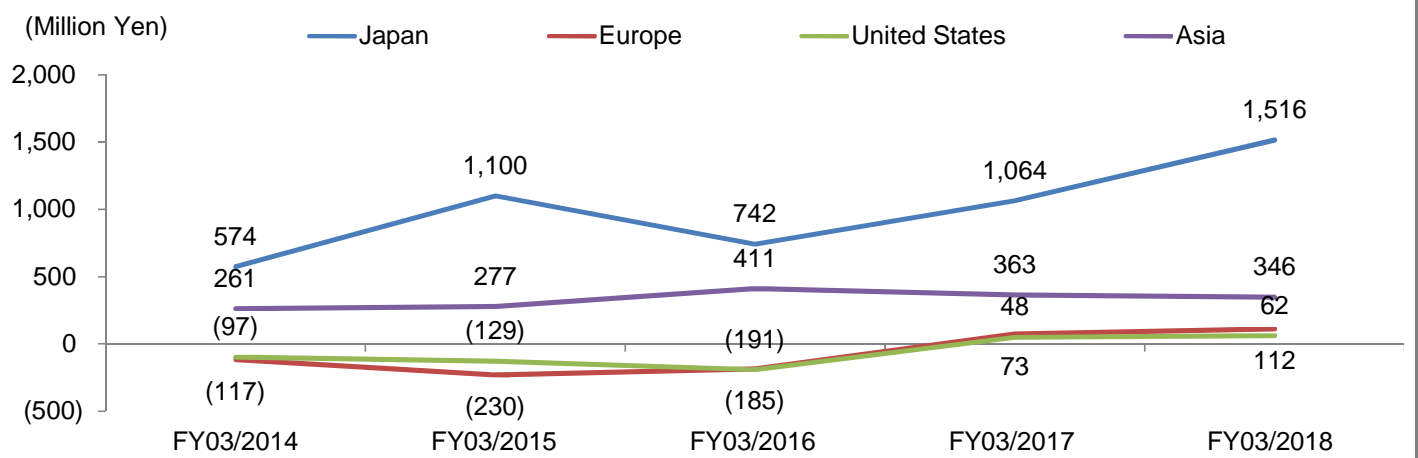
In the existing midterm management plan (FY03/2017 to FY03/2019), the Company is going for prospective sales of ¥26,000m, operating profit of ¥2,600m and operating profit margin of 10.0%. When based on FY03/2016 results, sales are to see CAGR of 5.9% and 49.6% for earnings with operating profit margin improving by 6.5% points over the three-year period. Meanwhile, FY03/2019 Company forecasts (released on 7 May 2018) are going for prospective sales of ¥25,500m (up 8.1% YoY), operating profit of ¥2,500m (23.4%) and operating profit margin of 9.8% (up 1.2% points). Still, as far as we are concerned, it appears that Company forecasts are fairly conservative, paying too much respect to a factor that sales are to concentrate quite a lot in Q4. In reality, even midterm management plan could be exceeded in our view.

Meanwhile, the Company argues that substantial increases of earnings growth combined with surging operating profit margin during the said period (FY03/2017 to FY03/2019) are attributable to the fact that the level of operating profit margin in FY03/2016 to be compared with was very low, i.e., 3.5%. In those days, the Company used to make losses in the United States and Europe, while earnings as a whole for the Company were negatively affected by initial costs associated with new subsidiaries in Japan. However, to date, the Company has been seeing underlying earnings in the United States and Europe buoyant, while the Company does not suffer from above-mentioned initial expenses in Japan any more.

Sales by Region



Operating Profit by Region

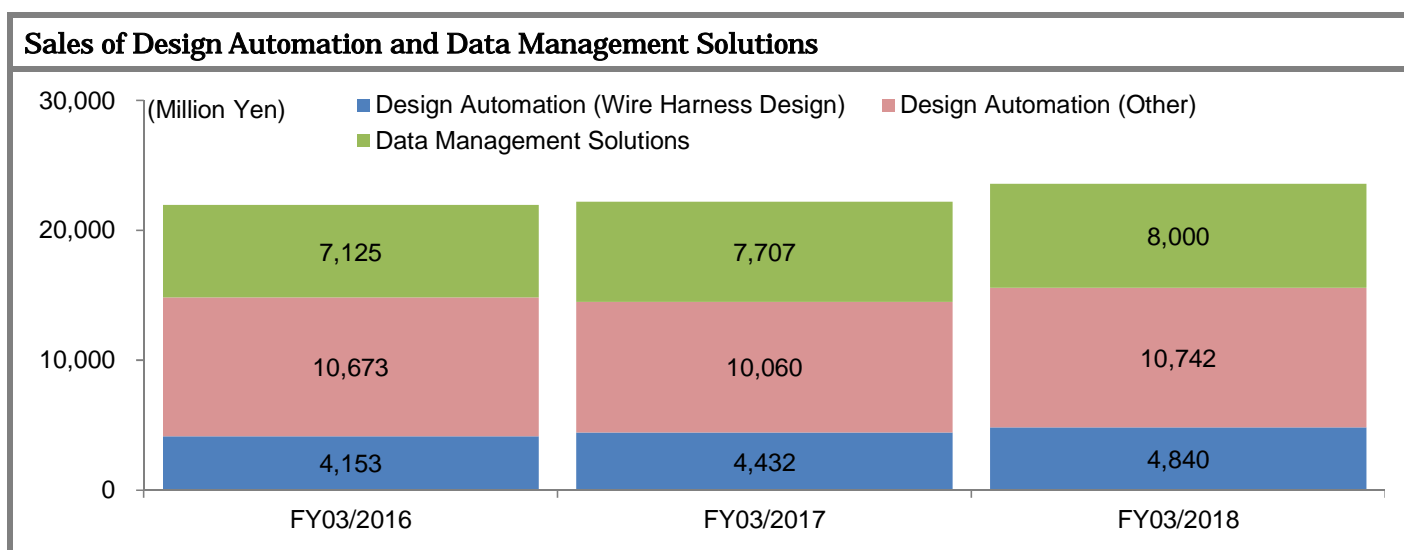


Source: Company Data, WRJ estimates

4.0 Business Model

Supporting Product Design by Manufacturers

The Company is heavily involved with development, manufacture and sales of diverse IT systems, consulting services, etc. to support product design as well as sophistication and/or optimization on development operations as a whole with manufacturers. In FY03/2018, sales of Design Automation came in at ¥15,582m (up 7.5% YoY) by domain, having accounted for 66% of sales as a whole for the Company, while Data Management Solutions ¥8,000m and 34%. Meanwhile, sales of Design Automation comprised those of ¥4,840m (up 9.2%) on the wire harness design side, having accounted for 21% of sales as a whole for the Company and those of ¥10,742m (up 6.8%) for the rest, having accounted for the remaining 46%.



Source: Company Data

Meanwhile, all those sales by domain are correlated to aforementioned sales by product category as follows: Sales of Design Automation (66% of total) comprise those of Printed Circuit Board Design Solutions and Circuit Design Solutions as well as those of Client Services (maintenance services, etc. for users of the Company's software) associated with both of them, while sales of Data Management Solutions (34%) those of IT Solutions and Client Services associated with this. Thus, the Company, being involved with product design and development operations as a whole with manufacturers, is directly exposed to product design by 66% in terms of sales and 34% indirectly, implying a comprehensive exposure to provision of design solutions not only that of pure product design.

Sales of Printed Circuit Board Design Solutions mainly comprise license sales of CAD/CAM software for electric circuit board design, i.e., “CR-8000 Design Force”, “CR-8000 DFM Center”, “CR-5000 Board Designer”, etc. Amongst others, “CR-8000 Design Force” offers cutting edge solutions, including 3D design and/or multi-board design. Generally speaking, all those features had been too high in specifications over the past few years, but most recently migrations are going on in Japan and overseas as time has caught up with this. Meanwhile, sales of Circuit Design Solutions mainly comprise license sales of CAM/CAM software for electric circuit board design, i.e., “CR-8000 Design Gateway” and “CR-8000 System Planner” as well as those of CAD/CAM software for wire harness design, i.e., “E3.series”, “Cabling Designer”, “Harness Designer”, “ACAD-DENKI”, etc. When based on above-mentioned figures, it is implied that more than 30% of sales in Design Automation are of CAD/CAM software for wire harness design.

On the IT Solutions side, sales mainly comprise those of design data management software, i.e., “visual BOM”, “Knowledge Explorer” and “DS-2”. For example, the Company is proud of “DS-2” or PLM (Product Lifecycle Management) software in that its adoption rate is the highest out of all the equivalents as far as the domestic electronics industry in Japan is concerned. This software improves efficiency of the manufacture by means of carrying out unified management for product information on any aspect of the overall lifecycle, including that of plan, design, manufacture, sales and disposal. Most recently, the use of PLM (Product Lifecycle Management) software is increasingly important as far as we could see, given a trend that information obtained through IoT (Internet of Things) is also getting managed with this.

5.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Sales	19,772	21,297	21,952	22,199	23,582	25,500	+1,917
Cost of Sales	5,251	5,701	6,052	6,434	6,413	-	-
Gross Profit	14,521	15,596	15,899	15,765	17,168	-	-
SG&A	13,890	14,586	15,123	14,168	15,143	-	-
Operating Profit	630	1,009	775	1,596	2,025	2,500	+474
Non Operating Balance	217	156	(24)	(24)	89	100	+10
Recurring Profit	848	1,166	751	1,571	2,114	2,600	+485
Extraordinary Balance	80	(35)	(34)	(138)	(20)	-	-
Profit before Income Taxes	928	1,130	716	1,432	2,093	-	-
Total Income Taxes	441	612	422	252	547	-	-
NP Belonging to Non-Controlling SHs	20	8	23	(26)	34	-	-
Profit Attributable to Owners of Parent	466	509	270	1,206	1,511	1,800	+288
Sales YoY	+10.5%	+7.7%	+3.1%	+1.1%	+6.2%	+8.1%	-
Operating Profit YoY	+77.7%	+60.2%	(23.2%)	+105.7%	+26.9%	+23.4%	-
Recurring Profit YoY	+73.1%	+37.5%	(35.6%)	+109.2%	+34.6%	+22.9%	-
Profit Attributable to Owners of Parent YoY	+53.5%	+9.2%	(46.8%)	+345.1%	+25.3%	+19.1%	-
Gross Profit Margin	73.4%	73.2%	72.4%	71.0%	72.8%	-	-
(SG&A / Sales)	70.3%	68.5%	68.9%	63.8%	64.2%	-	-
Operating Profit Margin	3.2%	4.7%	3.5%	7.2%	8.6%	9.8%	+1.2%
Recurring Profit Margin	4.3%	5.5%	3.4%	7.1%	9.0%	10.2%	+1.2%
Profit Attributable to Owners of Parent Margin	2.4%	2.4%	1.2%	5.4%	6.4%	7.1%	+0.6%
Total Income Taxes / Profit before Income Taxes	47.5%	54.2%	58.9%	17.7%	26.2%	-	-

Source: Company Data, WRJ Calculation

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Sales By Product Category

Sales By Product Category (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Printed Circuit Board Design Solutions	2,996	3,855	3,940	3,699	3,772	-	-
Circuit Design Solutions	4,509	4,393	4,545	4,497	4,947	-	-
IT Solutions	4,360	4,673	4,471	4,701	4,799	-	-
Client Services	7,894	8,357	8,986	9,292	10,058	-	-
Other	11	17	7	7	3	-	-
Sales	19,772	21,297	21,952	22,199	23,582	25,500	+1,917
Printed Circuit Board Design Solutions	+16.7%	+28.7%	+2.2%	(6.1%)	+2.0%	-	-
Circuit Design Solutions	(1.0%)	(2.6%)	+3.5%	(1.1%)	+10.0%	-	-
IT Solutions	+24.4%	+7.2%	(4.3%)	+5.1%	+2.1%	-	-
Client Services	+8.9%	+5.9%	+7.5%	+3.4%	+8.3%	-	-
Other	(12.9%)	+55.9%	(55.5%)	(1.4%)	(51.7%)	-	-
Sales (YoY)	+10.5%	+7.7%	+3.1%	+1.1%	+6.2%	+8.1%	-
Printed Circuit Board Design Solutions	15.2%	18.1%	18.0%	16.7%	16.0%	-	-
Circuit Design Solutions	22.8%	20.6%	20.7%	20.3%	21.0%	-	-
IT Solutions	22.1%	21.9%	20.4%	21.2%	20.4%	-	-
Client Services	39.9%	39.2%	40.9%	41.9%	42.7%	-	-
Other	0.1%	0.1%	0.0%	0.0%	0.0%	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Japan	13,610	14,604	14,960	15,556	16,282	-	-
Europe	4,040	4,378	4,339	3,965	4,420	-	-
United States	1,050	1,112	1,182	1,426	1,615	-	-
Asia	1,071	1,202	1,468	1,251	1,264	-	-
Sales	19,772	21,297	21,952	22,199	23,582	25,500	+1,917
Japan	574	1,100	742	1,064	1,516	-	-
Europe	(117)	(230)	(185)	73	112	-	-
United States	(97)	(129)	(191)	48	62	-	-
Asia	261	277	411	363	346	-	-
Segment profit	620	1,018	777	1,549	2,037	-	-
Elimination	9	(9)	(1)	46	(12)	-	-
Operating Profit	630	1,009	775	1,596	2,025	2,500	+474
Japan	4.2%	7.5%	5.0%	6.8%	9.3%	-	-
Europe	(2.9%)	(5.3%)	(4.3%)	1.8%	2.5%	-	-
United States	(9.3%)	(11.6%)	(16.2%)	3.4%	3.9%	-	-
Asia	24.4%	23.1%	28.0%	29.0%	27.4%	-	-
Elimination	0.0%	(0.0%)	(0.0%)	0.2%	(0.1%)	-	-
Operating Profit Margin	3.2%	4.7%	3.5%	7.2%	8.6%	9.8%	+1.2%

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
No. of Shares FY End (-000 Shares)	23,267	23,267	23,267	23,267	23,267	-	-
Net Profit / EPS (-000 Shares)	23,256	23,253	23,256	23,251	23,249	-	-
Treasury Shares FY End (-000 Shares)	15	16	16	17	17	-	-
Earnings per Share	20.08	21.92	11.65	51.87	65.01	77.42	-
Earnings per Share (Fully Diluted)	-	-	-	-	-	-	-
Book Value per Share	1,173.84	1,201.59	1,205.17	1,208.84	1,295.47	-	-
Dividend per Share	14.00	17.00	30.00	20.00	22.00	24.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings per Share	20.08	21.92	11.65	51.87	65.01	77.42	-
Book Value per Share	1,173.84	1,201.59	1,205.17	1,208.84	1,295.47	-	-
Dividend per Share	14.00	17.00	30.00	20.00	22.00	24.00	-
Payout Ratio	69.7%	77.6%	257.5%	38.6%	33.8%	31.0%	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	YoY Net Chg.
Cash & Deposit	5,071	5,252	5,371	14,253	16,868	-	-
Accounts Receivables	4,895	5,705	5,166	5,195	5,375	-	-
Securities	16,188	15,696	14,176	6,700	6,700	-	-
Inventory	228	342	294	343	369	-	-
Other	1,831	1,957	2,089	2,508	2,127	-	-
Current Assets	28,216	28,954	27,098	29,000	31,442	-	-
Tangible Assets	6,579	6,479	6,443	6,379	6,360	-	-
Intangible Assets	1,756	1,560	1,719	1,530	1,361	-	-
Investments & Other Assets	2,294	3,469	3,807	3,620	4,483	-	-
Fixed Assets	10,630	11,509	11,969	11,529	12,205	-	-
Total Assets	38,846	40,463	39,068	40,530	43,647	-	-
Accounts Payables	705	938	953	823	726	-	-
Short Term Debt	-	-	-	-	-	-	-
Advance Payment	3,530	3,715	4,018	4,759	5,256	-	-
Other	2,359	2,914	2,591	2,652	3,300	-	-
Current Liabilities	6,595	7,568	7,562	8,236	9,282	-	-
Long Term Debt	-	-	-	-	-	-	-
Other	4,570	4,518	3,026	3,758	3,816	-	-
Fixed Liabilities	4,570	4,518	3,026	3,758	3,816	-	-
Total Liabilities	11,166	12,086	10,589	11,994	13,099	-	-
Shareholders' Equity	27,748	28,075	27,648	28,388	29,435	-	-
Other	(68)	301	830	147	1,111	-	-
Net Assets	27,680	28,377	28,479	28,535	30,547	-	-
Total Liabilities & Net Assets	38,846	40,463	39,068	40,530	43,647	-	-
Equity Capital	27,294	27,938	28,021	28,106	30,119	-	-
Interest Bearing Debt	-	-	-	-	-	-	-
Net Debt	(5,071)	(5,252)	(5,371)	(14,253)	(16,868)	-	-
Equity Ratio	70.3%	69.0%	71.7%	69.3%	69.0%	-	-
Net Debt Equity Ratio	(18.6%)	(18.8%)	(19.2%)	(50.7%)	(56.0%)	-	-
ROE (12 months)	1.7%	1.8%	1.0%	4.3%	5.2%	-	-
ROA (12 months)	2.2%	2.9%	1.9%	3.9%	5.0%	-	-
Days for Inventory Turnover	16	22	18	19	21	-	-
Quick Ratio	151%	145%	139%	236%	240%	-	-
Current Ratio	428%	383%	358%	352%	339%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	YoY Net Chg.
Operating Cash Flow	1,243	1,584	299	2,586	3,547	-	-
Investing Cash Flow	(706)	384	(779)	(595)	(592)	-	-
Operating CF & Investing CF	536	1,968	(479)	1,991	2,954	-	-
Financing Cash Flow	(337)	(295)	(716)	(482)	(558)	-	-

Source: Company Data, WRJ Calculation

6.0 Other Information

“The Partner for Success”

In December 1976, Makoto Kaneko (born in 1945), current President and Representative Director with the Company, set up Zukei Shori Gijutsu Kenkyusho Inc. in Isogo-ku, Yokohama. Then, in June 1978, he had successfully developed “Create 2000” or the first Japanese CAD/CAM software for printed circuit board design on a full-fledged basis, which is the origin for the Company. At the dawn of Japan’s software industry in those days, it was cranky rather than innovated to “provide software as solution package or packaged software”, although this business model has been taken for granted to date. Since then, the Company has steadily cultivated customers in Japan and overseas, while setting up close relations with them by means of coping with cutting edge needs of each era. Meanwhile, the Company’s efforts over the years have materialized design solutions of increasingly greater breadth and depth, resulting in growth as unique provider of comprehensive IT solutions on the manufacture.

Meanwhile, the Company is trying to become "The Partner for Success" with its operations as a genuinely global entity. The Company’s mainstay customer base comprises automotive-related manufacturers, electronics manufacturers, industrial machinery manufacturers and electronic component manufacturers, while being also exposed to precision machinery, aerospace and aircraft work, etc. at the same time. In other words the Company’s customer base is diverse, while both the markets and manufacturers of all those industries are seeing rapid globalization and borderlessness. Now, given this, the Company is striving even harder to beef up operations as a genuinely global entity, based on a global perspective across the board, including those of marketing, development, sales and support services. Actually, "The Partner for Success" is a corporate message, suggesting that the Company persistently strives to be an organization which resolutely takes up the challenge of providing solutions for difficult issues in order to be a reliable partner supporting the success of the world's manufacturing industries.

Company History

Date	Events
December 1976	Zukei Shori Gijutsu Kenkyusho Inc. was established.
June 1978	Japan's first full scale CAD/CAM system "CR-2000," for the design of printed circuit boards was developed.
November 1983	ZUKEN AMERICA Inc. (now ZUKEN USA Inc.) was established in California in the United States.
June 1985	The company's name was changed from "Zukei Shori Gijutsu Kenkyusho Inc." to "Zuken Inc.".
June 1987	Shares were registered with the Japan Securities Dealers Association as over-the-counter registered stock.
January 1988	"CR-3000" a printed circuit board CAE/CAD/CAM network workstation was developed.
October 1991	Registered in the Second Section of the Tokyo Stock Exchange as a first EDA corporation.
January 1992	ZUKEN EUROPE GmbH (now ZUKEN GmbH) established in Germany.
January 1992	ZUKEN KOREA Inc. established in Seoul.
August 1992	ZUKEN SINGAPORE Pte. Ltd established in Singapore.
August 1993	Opening of the Beijing office in Beijing, China.
April 1994	EDA vertical integration solution "CR-5000" was developed.
June 1994	Zuken acquired all the shares of Racal-Redac Ltd. of the United Kingdom.
September 1994	Moved up to the First Section of the Tokyo Stock Exchange.
May 1997	Zuken Process Design Kenkyusho Inc. (Now Zuken Tec Inc.) established.
March 2000	Zuken acquired all the shares of INCASES Engineering GmbH.
April 2001	Zuken Netwave Inc. established.
June 2002	ZUKEN (SHANGHAI) TECHNICAL CENTER Co. Ltd. was established In China.
February 2004	Announcement of "ePLM DS-2," a PLM solution specially designed for the electrical and electronics industries.
August 2005	ZUKEN TAIWAN Inc. established in Taiwan.
May 2006	Zuken acquired Germany's CIM-TEAM (Now ZUKEN E3 GmbH).
June 2007	Release of "V54EE," a mechanical CAD system specially designed for the electronics industry, based on "Catia V5."
June 2008	Zuken acquired a 27% share in Elmic Wescom, Inc., and made it an associated company accounted for by the equity method.
June 2009	The SOC division was split up and integrated with Elmic Wescom, Inc. and at the same time Zuken received a share allotment from that company bringing Zuken's ration of voting rights to 40.4%. This made Elmic Wescom a consolidated subsidiary of Zuken based on the effective control standards.1st July: The name of Elmic Wescom, Inc. was changed to Zuken Elmic Inc.
May 2010	Zuken acquired a 14% share in Lattice Technology Co., Ltd., becoming the second biggest shareholder.
June 2011	Release of "visual BOM," a new generation engineering platform that merges bill of materials technology with the ultra lightweight 3D format XVL.

October 2011 Worldwide release of the "CR-8000 Series," a new generation electronic device design platform, and the start of sales of the new product "Design Force" completed Zuken's system level electronics design environment.

September 2013 "Zuken SOZO Center" was established in Silicon Valley, North America.

August 2014 Global Automotive and Transportation Competence Center was established in Erlangen, Germany.

December 2014 Zuken and Toyo Business Engineering Concluded an Agreement on Their Capital and Business Alliance.

February 2015 DiverSync Corporation was established.

March 2015 ZUKEN INDIA Pte. Ltd established in India.

July 2015 Zuken took over YDC Corporation's CADVANCE business (CAD and PDM operations)

April 2016 The PreSight division was split up as Zuken PreSight Inc.

December 2017 Zuken acquired whole ownership of stock issued by Alfatech (now Zuken Alfatech) Inc., establishing it as a wholly owned subsidiary.

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.

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