CORPORATE PROFILE 2020

ZUKEN

The Partner For Success

The Partner For Success

Ring of Scenery – a contemporary sculpture at the front entrance of the Global Headquarters and R&D Center in Yokohama, Japan. It symbolizes the engagement between Zuken and customers.

Message from the Chairman

Transcending our roots in conventional electrical and electronic design automation, we seek to be a solutions company that provides comprehensive support throughout the engineering lifecycle. To that end, we go to great lengths to consider and swiftly implement the requisite organization and management systems, and thereby evolve our portfolio of solutions and services. We aspire to be a partner capable of deeply understanding the essential issues of our customers and working with them to define the future of digital engineering.

The world now faces unprecedented difficulties that are impacting people's lifestyles. Nevertheless, manufacturing companies continue to take on the challenge of product development to realize a better society while responding to the "new normal" and rapid technological innovation.

Today more than ever, we must create true value as The Partner for Success.

Makoto Kaneko

Chairman and CEO

Message from the President

Making the Evolutionary Leap to an Engineering IT Company

Jinya Katsube
President and COO

Supply chain disruptions due to the COVID-19 pandemic have caused great damage to global manufacturing. Furthermore, companies are being called upon to introduce telework and other working practice reforms. The situation can no longer be considered temporary, so manufacturing must be restructured to accommodate the shape of the world to come. Digital transformation is set to make a massive leap forward. Under these circumstances, the adoption of our solutions shows no signs of abating; indeed, quite the opposite. Our offerings will surely become even more essential in light of the difficulties of today and the "new normal" of the future.

Modern engineering involves multiple highly complex and interconnected technical fields, so achieving a high level of refinement at the conceptual stage and eliminating rework and modifications in subsequent processes is key. At the same time, it is essential to build an engineering chain that digitally integrates all processes from concept through to design, development, validation, and production. Doing so will provide the infrastructure for engineers from various fields to communicate smoothly and innovate products with ease, even in a distributed working environment.

The evolution of conventional processes through digital transformation will continue to gain momentum. Zuken's goal is to make even greater progress as an engineering IT company that empowers manufacturing for greater resilience in the face of change.

Design and Manufacturing Collaboration

Solutions and Services for MBSE and MBD*

Design and Engineering Data Management

Electric and Electronic (E/E) Design Automation

Consulting and Operation Support

Solutions for Customers

Expertise in Technology Integration

Resourcefulness

Acquisition of State-of-the-Art Technologies

Core Competencies

Solid Financial Base

Business Foundation

Globalized Operations and R&D

Customer Base in Broad Fields

Our Value

A Trusted Partner for Product Development

Zuken steps forward, smoothly linking conceptual design to detailed design

* MBSE: Model-Based Systems Engineering; MBD: Model-Based Development

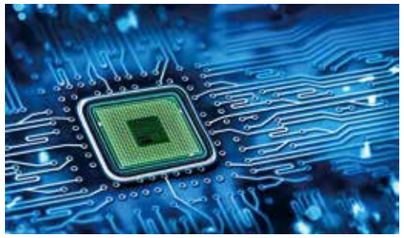
ZUKEN

Zuken brings automation and efficiency to electrical and electronic design,
supporting manufacturers across a broad range of industries in the quest for greater sophistication
and optimization through the entire product development process.

Main Industries Served by Zuken Worldwide

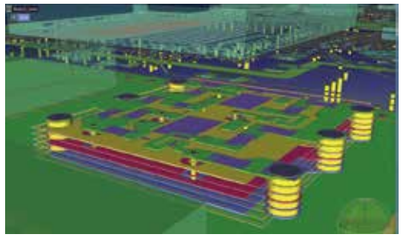
- Industrial Machinery
- Consumer Electronics
- Electronic Components
- Medical Devices
- Mobility, Special-Purpose Vehicles
- Rail Transport
- Aerospace

Zuken's Business Domains



Electronic Design Automation

Since its establishment, Zuken's core business has been the development and sale of the electronic design automation software needed to implement the advanced functions of today's ever-evolving electronics products. Zuken's design automation software is now used by electronics manufacturers worldwide, together with our unique solutions for managing electronic components and design data (PDM/PLM) based on extensive expertise in electronics design.



Automotive & Machinery Design Solutions

Today's automobiles employ a range of electrical and electronic systems that are becoming ever more complex. Zuken develops and sells the electrical wire harness design software that is the linchpin of their development, as well as electrical and electronic control and design software for industrial machinery and equipment. Our technology utilizes 3D data to model wiring at a facility-level scale, enabling various simulations for smart factories.

Group Companies in Japan

Zuken Tec Inc.

Zuken Tec provides consulting, on-site manager and engineer dispatch, as well as contracting services that support a broad range of design and development operations, including CAD installation, startup, and operation.

Zuken NetWave Inc.

Zuken NetWave sells and supports state-of-the-art hardware and software for corporate networks, which are indispensable for today's business activities. These networks also include security and storage solutions.

Zuken Elmic Inc.

Zuken Elmic focuses on communication as the key element in technologies. It develops, sells, and provides support for middleware IP libraries, software, and related hardware for the embedded systems that support the security, industrial, and in-vehicle network fields.

Zuken PreSight Inc.

Zuken PreSight develops and markets creative products that support the manufacturing industry, including product lifecycle management (PLM) systems based on technology that coordinates lightweight 3D data and bill of materials (BOM). It also provides knowledge management solutions with a unique concept that reduces user burden.

DiverSync Corporation

DiverSync is devoted to planning and development of IT platforms to realize synchronized and bidirectional collaboration between design and manufacturing, which is the new standard in the age of the Internet of Things.

Zuken Alfatech Inc.

Zuken Alfatech provides a variety of solutions and services primarily to customers in the mechatronics industry, including development, sales, and support for electrical CAD. It sells and customizes 2D/3D general-purpose mechanical CAD and CAE systems. As a new business area, Zuken Alfatech is also developing 3D modeling applications for the construction field, which is a domain with excellent potential.

Zuken Modelinx Inc.

Zuken Modelinx provides comprehensive and expert services centered on development support for companies aiming to introduce and operate methods such as MBD (model-based design) and MBSE (model-based systems engineering) in product development.

Our History A Steady Accumulation of Value

Founded in 1976, Zuken's story mirrors the growth of the electronics industry. Zuken has provided behind-the-scenes support for the development of a multitude of electronic devices that have made society a better place, and as the use of electronics has spread, so have Zuken's solutions and businesses. All around the world, customers take on the challenge of creating new technologies. Zuken continues to accept this challenge.

Create 2000 at its launch

Zuken opened the floodgates with Japan's first CAD/CAM system for PCB design in 1978.

Contributed to the miniaturization of electronic devices

Our CAD/CAM technology established an unshakable position amid growing demand for smaller, thinner, and lighter electronic devices.

Zuken SOZO Center established

We have cultivated a global R&D and business network.

Vitech Corporation at Zuken Innovation World 2019

We continue to expand into new business fields and are pursuing an active partnership strategy.

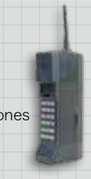
The Evolution of Electronic Products

Personal computers

Portable audio players

Home game consoles

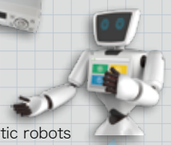
CD players



Mobile phones

LCD televisions

DVD players



Domestic robots

Laptop computers

Smartphones

Mass-produced electric vehicles

Wearable devices

Automated driving technology

Net Sales

1970s

Dec. 1976 Zukei Shori Gijutsu Kenkyusho Inc. established in Isogo-ku, Yokohama.

Jun. 1978 Japan's first full-scale CAD/CAM system Create 2000, for the design of printed circuit boards, developed.

1980s

Nov. 1983 Zuken America Inc. (now Zuken USA Inc.) established in California, United States.

Jan. 1988 CR-3000 (PWS), a printed circuit board CAE/CAD/CAM network workstation, developed.

1990 Sales surpass ¥10 billion

1990s

Oct. 1991 Registered on the Second Section of the Tokyo Stock Exchange as the first electronic design automation (EDA) corporation.

Jan. 1992 Zuken Europe GmbH (now Zuken GmbH) established in Germany.

Jan. 1992 Zuken Korea Inc. established in South Korea.

Aug. 1992 Zuken Singapore Pte. Ltd. established in Singapore.

Apr. 1994 EDA vertical integration solution CR-5000 developed.

Jun. 1994 Zuken acquired all shares of Racal-Redac Ltd. of the United Kingdom.

Sep. 1994 Moved to the First Section of the Tokyo Stock Exchange.

2000s

Mar. 2000 Zuken acquired all shares of INCASES Engineering GmbH.

Mar. 2002 Began providing wire harness design software for the automotive industry.

Jun. 2002 Zuken (Shanghai) Technical Center Co., Ltd. established in China.

Feb. 2004 ePLM DS-2, a PLM solution specially designed for the electrical and electronics industries, announced.

Aug. 2005 Zuken Taiwan Inc. established in Taiwan.

May 2006 Zuken acquired Germany's CIM-TEAM (now Zuken E3 GmbH).

Jun. 2007 V54EE, a mechanical CAD system specially designed for the electronics industry, released.

Jun. 2009 Enterprise PLM PreSight released.

2008 Sales surpass ¥20 billion

2010s

May 2010 Zuken acquired a 14% share in Lattice Technology Co., Ltd.

Jun. 2011 Visual BOM, a new generation engineering platform that merges bill of materials technology with the ultra lightweight 3D format XVL, released.

Oct. 2011 CR-8000, a next-generation electronic device design platform, released globally. Design Force launched, which completed Zuken's system level electronics design environment.

Sep. 2013 Zuken SOZO Center established in Silicon Valley, United States.

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

Dec. 2014 Zuken and Toyo Business Engineering (now Business Engineering Corporation) concluded an agreement on a capital and business alliance.

Feb. 2015 DiverSync Corporation established.

Mar. 2015 Zuken India Private Limited established in India.

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

Apr. 2016 Zuken split off its PreSight Division to establish Zuken PreSight Inc.

Dec. 2017 Zuken acquired all shares of Alfatech Inc. (now Zuken Alfatech Inc.) and made it a subsidiary.

Aug. 2019 Zuken acquired Vitech Corporation (now Zuken Vitech Inc.) of the United States.

Sep. 2019 Zuken and Ghelia Inc. concluded an agreement on a capital and business alliance.

Oct. 2019 Zuken Modelinx Inc. established.

Japan & Asia

Our head office is in Yokohama, the city where Zuken was founded. The head office oversees product and business development in Japan and worldwide.

The operating environment faced by manufacturing industries is increasingly global and borderless. Companies look to Asia as not only a manufacturing base, but as an important center for product development. We have therefore established subsidiaries in China, South Korea, Taiwan, Singapore, and India. We have built a system for accurately identifying the needs of customers in each region to offer the best possible solutions.

Americas

North America has many innovative companies that greatly influence manufacturing worldwide, and is also an important business development base for Zuken. In this market Zuken provides many leading U.S. high-tech companies with advanced solutions. In addition, to develop products and businesses for global markets, the Zuken SOZO Center promotes strategic partnerships with companies that own innovative technologies.

Europe

Zuken has a strong business foundation in Europe, a region that is home to many leading companies in global markets such as industrial machinery and automotive products. We complement our European sales network with bases that carry out core technology development. Our Global Automotive and Transportation Competence Center in Germany is part of Zuken's organization for developing next-generation automotive electronic and electrical design solutions for global markets.

Distribution of Personnel

(As of the End of March 2020)

Japan (Zuken Inc.) 408

Global 386

*Excluding domestic affiliated companies and employees stationed overseas.

● Headquarters ○ Regional headquarters ● Business locations ■ Main R&D offices ▲ Sales offices

Japan & Asia

Japan	●○■ Global Headquarters/ R&D Center (Yokohama)
	● Center Minami Building (Yokohama)
	● Shin-Yokohama Building (Yokohama)
	● Kansai Branch (Osaka)
	● Nagoya Branch (Nagoya)
South Korea	● Zuken Korea Inc.
Singapore	● Zuken Singapore Pte. Ltd.
Taiwan	● Zuken Taiwan Inc.
China	● Zuken Shanghai Technical Center
	● Zuken Inc. Shenzhen Representative Office
India	● Zuken India Private Limited

Americas

USA	○ Zuken USA Inc. (American Headquarters)
	●■ Zuken SOZO Center (Zuken Inc., US branch)
	●■ Zuken Vitech Inc.

Europe

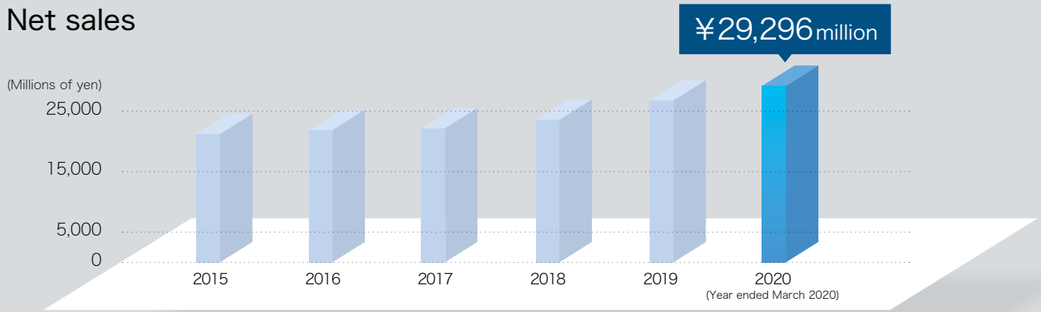
UK	■ Zuken Ltd. (Zuken Technology Center)
	● Zuken Group Ltd.
	● Zuken UK Ltd.
Germany	○ Zuken GmbH (European Headquarters)
	●■ Zuken E3 GmbH (Laemmerweg)
	● Zuken E3 GmbH (Sedanstr.)
	■ Zuken GmbH (EMC Technology Center)
	● Zuken E3 GmbH Office Nord
	■ Zuken E3 GmbH (Global Automotive and Transportation Competence Center)
Poland	● Zuken E3 GmbH Sp.z o.o
Switzerland	● Zuken E3 GmbH, Zweigniederlassung
France	● Zuken S.A.
Italy	● Zuken S.r.l.
Netherlands	● Zuken GmbH, Sales Office Benelux

Financial Information A Solid Financial Foundation

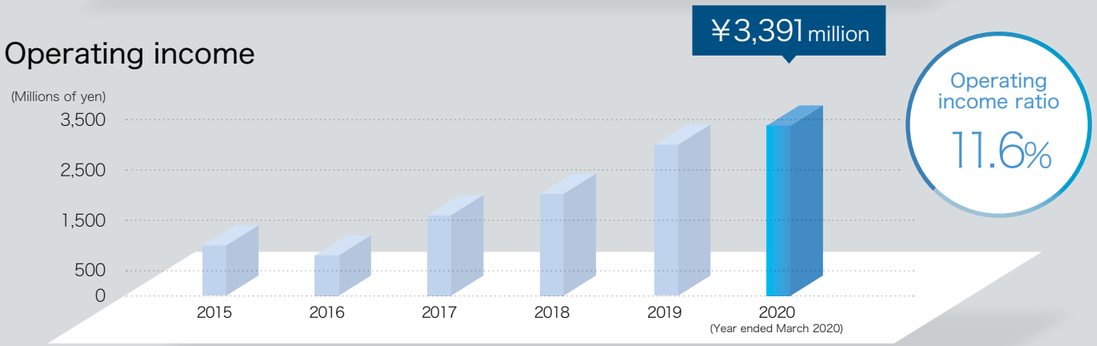
For the manufacturing industry, product development is an important, fundamental operation that determines future growth. Zuken provides solutions required for competitive product development. For us to support our customers' strategic product development and give them long-term confidence in our solutions, we must have solid financial foundations ourselves.

Also, in the world of information technology, where technological innovation is intense, we must invest flexibly in order to continue providing cutting-edge technology in a timely manner. For this reason, since our founding, we have established and maintained a solid financial foundation as one of our most important management strategies.

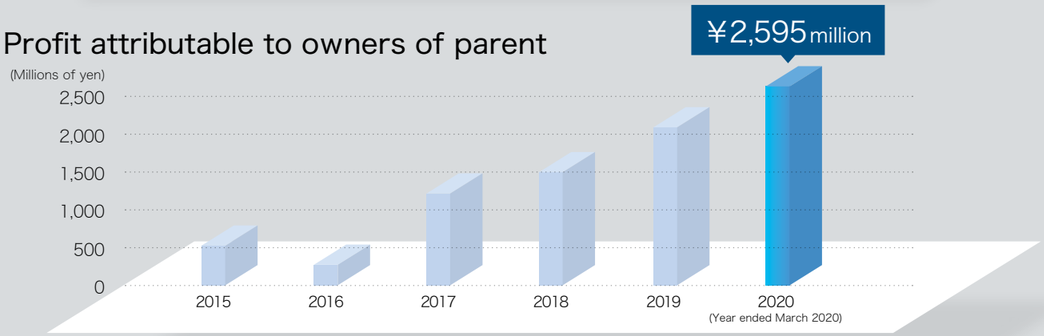
Net sales



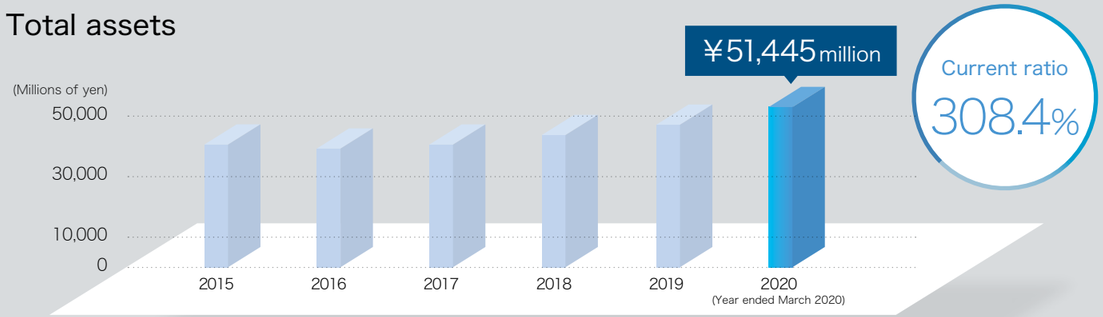
Operating income



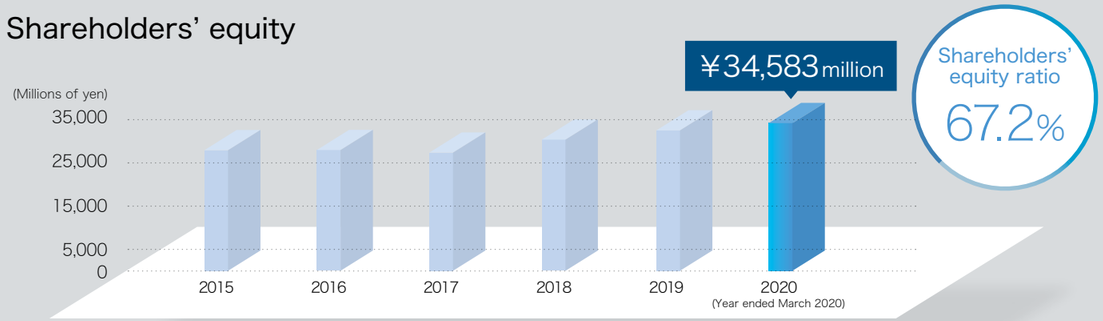
Profit attributable to owners of parent



Total assets

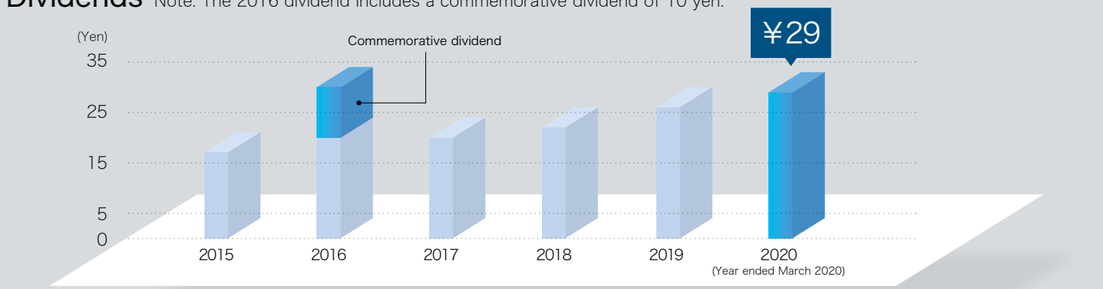


Shareholders' equity



Dividends

Note: The 2016 dividend includes a commemorative dividend of 10 yen.



CLOSE UP

The Zuken Group Is DX[1]-Ready

Group Operations

Now is the time that Zuken must demonstrate its “dynamic capabilities”[2]

The market had been strong, backed by recent technological innovation in a wide range of industrial fields, such as communications and industrial machinery, as well as in automobiles. However, positive market sentiment suddenly evaporated when the COVID-19 pandemic broke as the fiscal year ended March 2020 came to a close. The outlook has become uncertain. How will Zuken’s operations and management adapt to a world transformed by the pandemic? What is your perception of the current business environment?

The Japanese government declared a state of emergency just after the new fiscal year began. This period is the most important time of year for Zuken and many customers. Coming at such a critical period, the pandemic has been an extremely challenging test of our abilities, requiring a rapid response. We had to support customers in making sure that they could continue new product development operations without interruption, while simultaneously ensuring our own business continuity and the safety of customers, employees and business partners. Compromise in either respect was not an option. As one team, everyone from employees at each business unit through to senior management lived up to their responsibilities in responding to the state of emergency. The challenges were numerous, but I would say that we passed the first part of this test.

However, the changes to corporate behavior in the manufacturing industry are likely to be permanent even should the effects of COVID-19 subside. Naturally, Zuken must evolve its businesses accordingly. Our internal discussions have addressed issues such as how we should build engagement with customers, how we should adapt internal work practices, and how we should provide the solutions and services that customers require given the “new normal.” Now we must cement Zuken’s “dynamic capabilities” by rapidly putting our conclusions into action.

Our business environment will be unpredictable for the foreseeable future. However, the momentum of various technological innovations that existed before the COVID-19 pandemic was due to the demands of society at large, and has certainly not disappeared. Rather, current pressures will further increase digital transformation needs in all aspects. Even if progress eases off temporarily, it will soon rebound and accelerate further. The Zuken Group will collectively do its utmost to ensure customers are well equipped for the new normal and can achieve an even higher standard of product design and engineering as quickly as possible.

1. Digital transformation
2. The ability of managers and organizations to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. This term is part of the theory of strategic management proposed by Professor David J. Teece of the Haas School of Business at the University of California, Berkeley.

Yoshikazu Soma
Executive Vice President
and Director

R&D and Customer Support Operations

Supporting smarter engineering processes in the “new normal”

Kazuhiro Kariya
Senior Managing Director
General Manager, Technology Division

Zuken’s R&D and customer support operate as closely coordinated teams in Japan and around the world. How has the pandemic affected these operations?

Our response to the pandemic has seen very few hiccups. At the moment that the Japanese government declared a state of emergency on April 16, 85% of our technical departments, including customer support, had already completed the transition to telecommuting. Given that collaboration with overseas development bases, offshore partners, and subcontractors is an essential part of our business, we already had secure systems in place for distributed development, meaning we were able to quickly address any issues.

Our customer support system is in solid shape. Since 2011, all Zuken locations worldwide have been providing web-based support services via Zuken Global Support. This portal site enables that global exchange and sharing of information in Japanese and English. After the state of emergency declaration, we suspended telephone support and relied on the internet to handle inquiries, and have been able to operate as usual without issue. In addition, we were able to roll out regular global software updates and inform customers about new features without any problems at the height of the turmoil at the end of March and into April 2020.

What are Zuken’s policies for providing the solutions and services that customers need in the new normal following COVID-19?

Our products already support remote work. Nevertheless, a large number of Zuken’s customers operate globally distributed supply chains, in many cases collaborating with external companies. We intend to enhance our services and solutions, as well as corresponding new licensing arrangements and schemes. Doing so will empower smooth internal and external collaboration in electronics design and manufacture that is as good as working together on location, with seamless integration into the global ecosystems of customers.

Zuken offers data management solutions (EDM, PDM and PLM) that cover electronics design and manufacturing processes from component selection to manufacturing preparation. The functions offered by our solutions play a major role in enabling remote engineering work. This is because design and manufacture under a distributed ecosystem necessitate the management of component data, design deliverables, and data exchange between companies. We believe that this has been the sticking point for our customers during the current crisis, so the evolution and innovation of Zuken’s solutions in this field will support reforms to work practices among engineers at client companies.

Sales Operations

The power of digital is driving new models for engagement with customers

Yasuo Ueno
Senior Managing Director
General Manager, Business Division

The most pronounced direct impact of stay-at-home recommendations has been on sales activities. Meeting customers face-to-face has become difficult or impossible. While there has been some gradual return to past norms, society as a whole has begun to embrace different standards for communication in an array of social settings. Will Zuken connect differently with its customers in the future?

Zuken’s solutions are not packaged products that customers can pick off a shelf and begin using immediately. Implementing our solutions requires exceptionally deep dialogue. One of our strengths is in proposing optimal solutions to each customer through detailed, conscientious communication. Learning from our experience during the current pandemic, we will increase use of channels that are not reliant on face-to-face contact for building communication and engagement. While the inconvenience to customers and Zuken may continue for some time, both parties are beginning to see the multiple advantages of remote communication via digital technologies.

While terrible, the COVID-19 pandemic has given Zuken the opportunity to introduce unique approaches to digital engagement with individual customers. As with many B-to-B companies, Zuken must make major changes, especially in Japan operations where sales activities have revolved around intense face-to-face communication. From the perspective of digital transformation, sales processes not requiring face-to-face contact are more advanced in markets such as the United States than in Japan. This is true even within the Zuken Group. Nevertheless, we do not intend to directly import the European and U.S. model to Japan. Instead, we will build on those existing approaches to structure a new digital communication platform in Japan that makes the most of Zuken’s existing strengths. By applying a variety of techniques, we will fine tune digital communication to focus on individual customers, rather than allow a drift toward one-size-fits-all approaches.

Many online shopping or news sites extrapolate from customer data and navigation history to generate automated suggestions. While our platform will use similar tools, importantly it will also enable sales representatives to tailor content to help customers find the best solution. We want our sales media to empower one-on-one engagement. Naturally, we will capitalize on benefits unique to digital such as rapid data analysis and deployment that outstrip standard analog approaches. Furthermore, we intend to efficiently expand customer contacts while overcoming time constraints and physical distances.

ZUKEN

The Partner For Success

Company Name	Zuken Inc.
Foundation	December 17, 1976
Head Office Location	2-25-1, Edahigashi, Tsuzuki-ku, Yokohama, 224-8585 Japan
Paid-in Capital	JPY 10,117,065,000
Number of Employees	418 (consolidated: 1,407; as of the end of March 2020)
Stock Listing	Tokyo Stock Exchange, First Section
Business Areas	Research and development of a wide variety of software solutions that support the optimization of product design and engineering operations for manufacturing industries, and marketing of software solutions with expert consulting services.
Directors and Auditors	Makoto Kaneko, Chairman and CEO Jinya Katsube, President and COO Yoshikazu Soma, Executive Vice President and Director Kazuhiro Kariya, Senior Managing Director Yasuo Ueno, Senior Managing Director Takeo Osawa, Director Koichi Saotome, Director Hiroyuki Fujiwara, Director Takashi Sano, Director[1] Yoichi Arai, Director[1] Fusao Wada, Full-time Audit & Supervisory Board Member Takashi Handa, Audit & Supervisory Board Member[2] Yoshinobu Maeba, Audit & Supervisory Board Member[2]

1. Takashi Sano and Yoichi Arai are outside directors.
2. Takashi Handa and Yoshinobu Maeba are outside audit and supervisory board members.