

Japan Process Development Co., Ltd.

Financial Results Briefing

Year Ended May 31, 2014



July 11, 2014

1. Consolidated financial results
for the year ended May 31, 2014

2. Forecast for the year ending
May 31, 2015

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Outline of the Consolidated Financial Results for the Year Ended May 31, 2014



JAPAN PROCESS
DEVELOPMENT CO.,LTD.

Unit: In Millions of Yen

	Plan	Against plan	Actual	Year-on-year	Previous year
Net Sales	5,300	-24 -0.5%	5,275	44 0.9%	5,230
Operating Income	340	35 10.4%	375	58 18.6%	316
Ordinary Income	385	40 10.6%	425	58 16.0%	366
Current Net Income	215	26 12.2%	241	32 15.7%	208

Overview of the Consolidated Financial Results - 1

Net Sales

+¥ 44M YOY

Although sales in Transportation Systems were weak, Industrial & Public Information Systems and Embedded Systems performed strongly

Operating Income

+¥ 58M YOY

While the Transportation Systems segment was affected by unprofitable projects and the necessity for response to defects, across the other segments there was an overall improvement in the operating rate and an increase in operating income

Ordinary Income

+¥ 58M YOY

Increase in operating income

Current Net Income

+¥ 32M YOY

Decrease in the loss on valuation of securities (10M) in previous year

Overview of the Consolidated Financial Results - 2

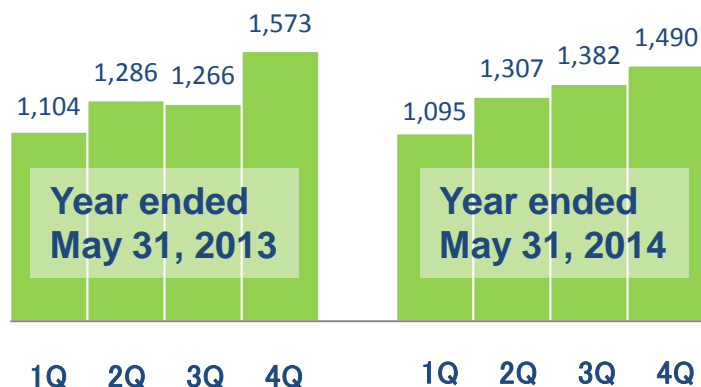
[Major topics]

- Completion of a large-scale subcontracting project utilizing offshore resources
- Start of contract for development of automobile control systems
- Development of multiple clients for individual fields
- Proposals were actively made in response to the globalization of customers, but results were limited
- Increase in inquiries about projects, tendency for shortage of resources
- Utilization of partners, improvement in recruitment strategy
- Continued working group activities involving industrial trade organizations

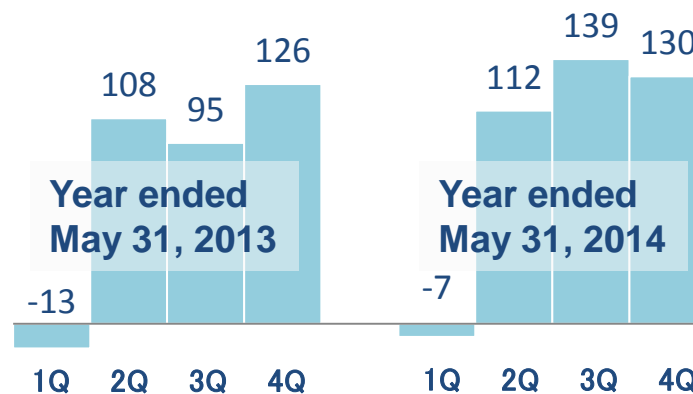
Overview of Consolidated Financial Results (Performance Trend by Quarter)

Unit: In Millions of Yen

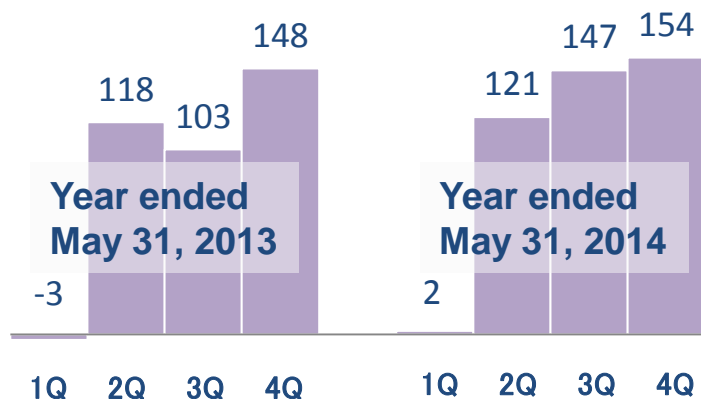
Net Sales



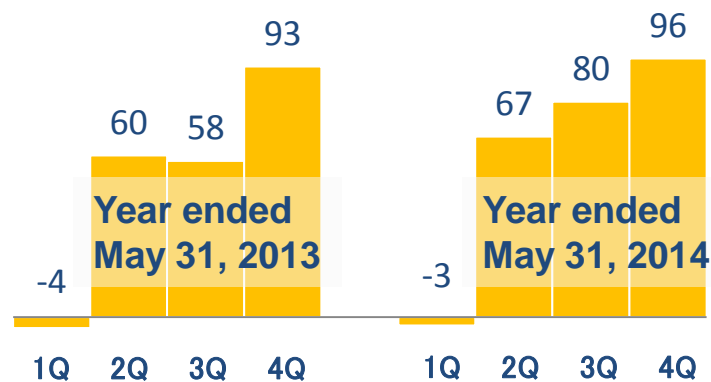
Operating Income



Ordinary Income



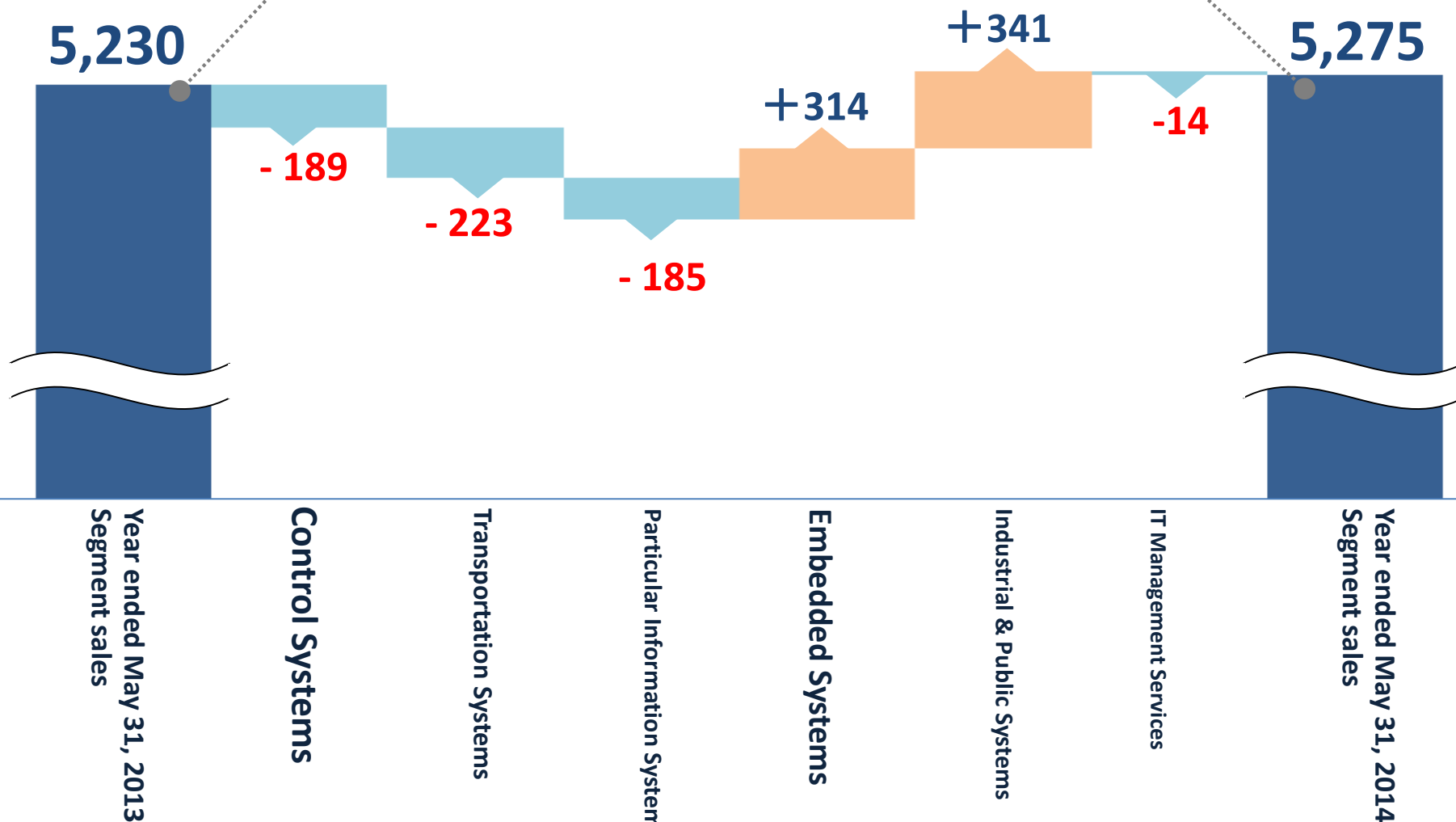
Current Net Income



Changes in sales by segment in the Year Ended May 31, 2014

Unit: In Millions of Yen

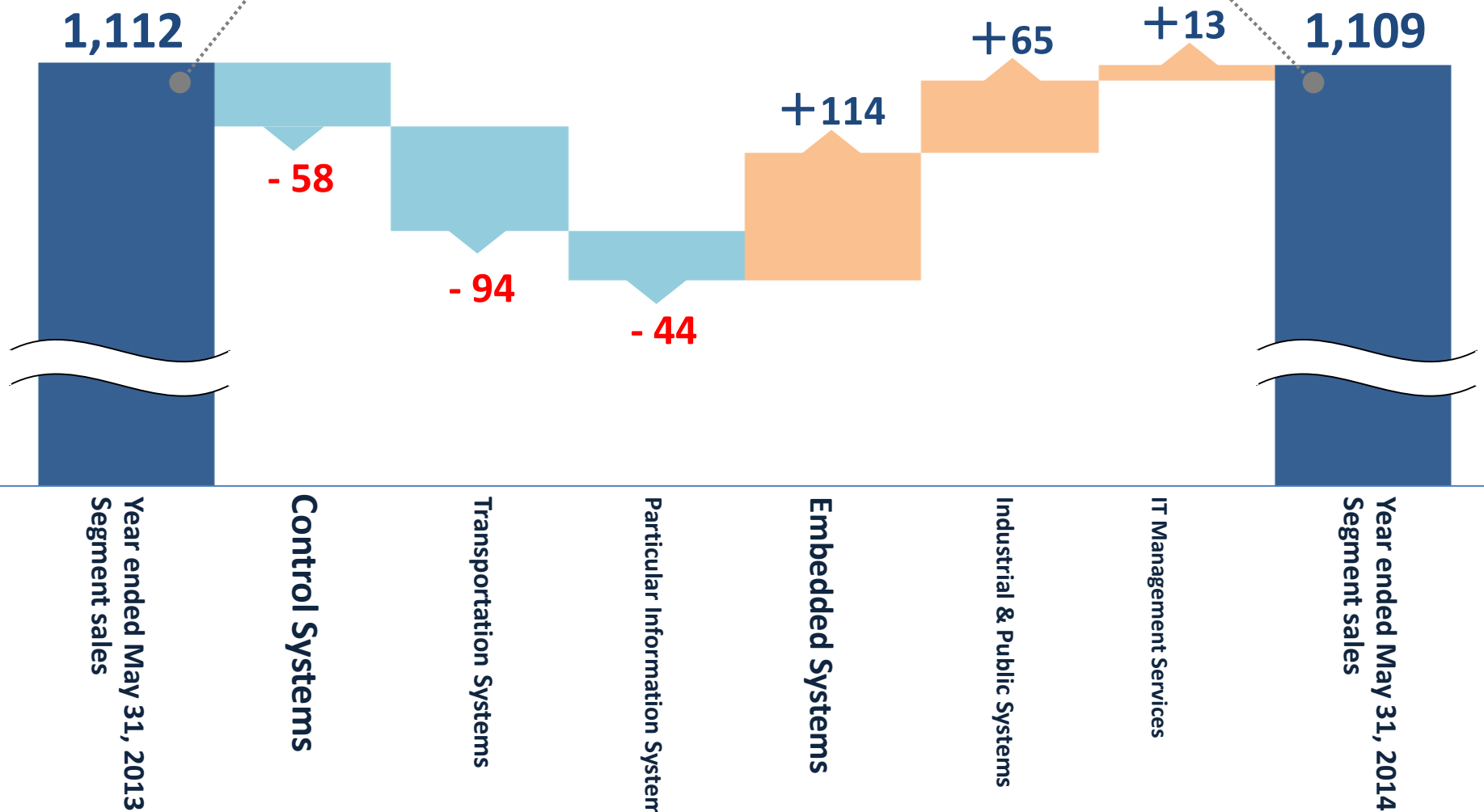
Increase of 44 million yen (+0.9% YOY)



Changes in profits by segment in the Year Ended May 31, 2014

Unit: In Millions of Yen

Decrease of 2 million yen (-0.2% YOY)



*Segment income does not include corporate expenses that have not been allocated to the segments.

Performance by segment for year ended May 31, 2014 -1

Control Systems

- Volume of system development for domestic power generation decreased
 - The Dalian subsidiary was used to reduce costs because although overseas projects increased, unit prices decreased
- Motorization projects for next generation automobiles performed strongly
 - Business launched with one new customer

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2013	Year ended May 31, 2014	Change (Percentage of change)
		(Income Ratio)	(Income Ratio)	
Control Systems	Net Sales	1,065	876	-189 (-17.8%)
	Income	236 (22.2%)	177 (20.3%)	-58 (-24.7%)

*Segment income does not include corporate expenses that have not been allocated to the segments.

Performance by segment for year ended May 31, 2014 -2

Transportation Systems

- Shinkansen system development cycle completed one rotation
 - Leveling off in Hokuriku and Hokkaido Shinkansen extension
 - Delay in systems development for overseas rail projects
- Large-scale development of existing lines decreased
 - Expansion of scope of development to areas such as tracking control functions

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ended May 31, 2014 (Income Ratio)	Change (Percentage of change)
Transportation Systems	Net Sales	764	540	-223 (-29.3%)
	Income	126 (16.5%)	31 (5.9%)	-94 (-74.7%)

*Segment income does not include corporate expenses that have not been allocated to the segments.

Performance by segment for year ended May 31, 2014 -3

Particular Information Systems

- Geographical information projects in the crisis management field accepted in this period moved into the production phase and the system expanded
- In the environmental resources field, satellite imagery projects expanded
- With the completion of the special-order, large-scale subcontracting project, both sales and profits decreased overall in comparison with previous period

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ended May 31, 2014 (Income Ratio)	Change (Percentage of change)
Particular Information Systems	Net Sales	729	545	-184 (-25.3%)
	Income	182 (25.0%)	138 (25.4%)	-44 (-24.3%)

*Segment income does not include corporate expenses that have not been allocated to the segments.

Performance by segment for year ended May 31, 2014 -4

Embedded Systems

- Smartphone development decreased
- In the onboard information systems field, existing projects were strong, and there was system expansion in newly received overseas projects
- Development of SSD (storage devices) was strong
- Business launched with new customers in the field of semiconductors/electrical components, a key area

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ended May 31, 2014 (Income Ratio)	Change (Percentage of change)
E m b e d d e d S y s t e m s	Net Sales	836	1,150	314 (37.7%)
	Income	182 (21.8%)	296 (25.8%)	114 (63.1%)

*Segment income does not include corporate expenses that have not been allocated to the segments.

Performance by segment for year ended May 31, 2014 -5

Industrial & Public Systems

- New government projects were received in IC card system development
- Work began on systems development for next generation station service machines
- A large-scale subcontracting project in sport-related system development was completed utilizing offshore development (Dalian)

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ended May 31, 2014 (Income Ratio)	Change (Percentage of change)
Industrial & Public Systems	Net Sales	909	1,251	341 (37.6%)
	Income	233 (25.6%)	298 (23.9%)	65 (28.2%)

*Segment income does not include corporate expenses that have not been allocated to the segments.

Performance by segment for year ended May 31, 2014 -6

IT Management Services

- Verification services decreased further due to customer requirements
- In system construction services a turnaround has been attempted but has not been fully accomplished
- In maintenance and operation services, accounting systems maintained strong sales
- Operating rate improved and profits increased

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ended May 31, 2014 (Income Ratio)	Change (Percentage of change)
IT Management Services	Net Sales	925	911	-14 (-1.5%)
	Income	151 (16.4%)	165 (18.2%)	13 (9.0%)

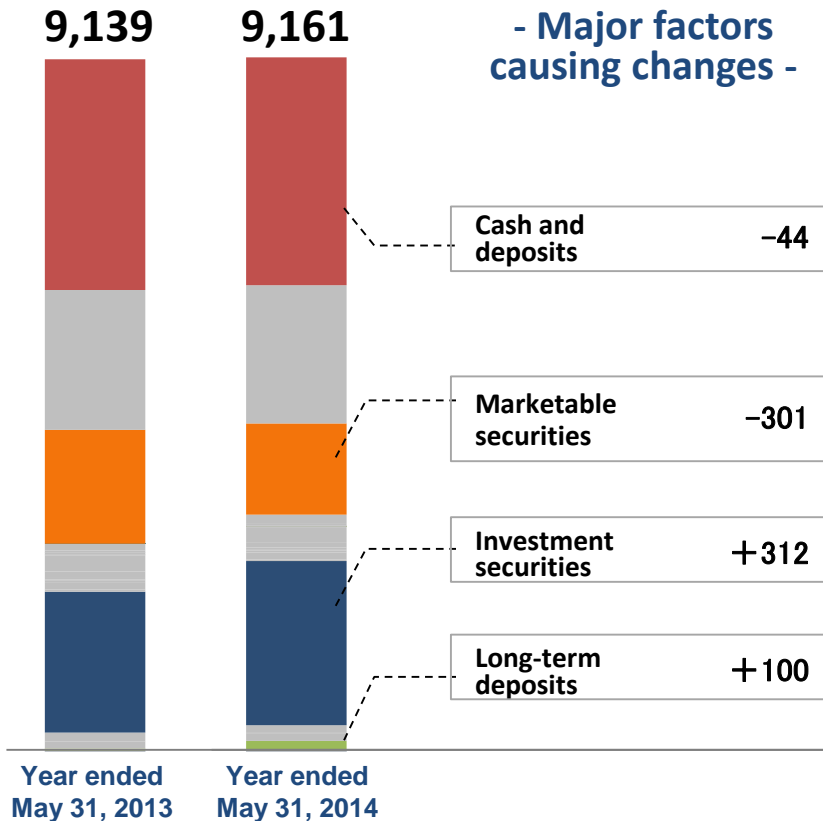
*Segment income does not include corporate expenses that have not been allocated to the segments.

Consolidated financial statements

Unit: In Millions of Yen

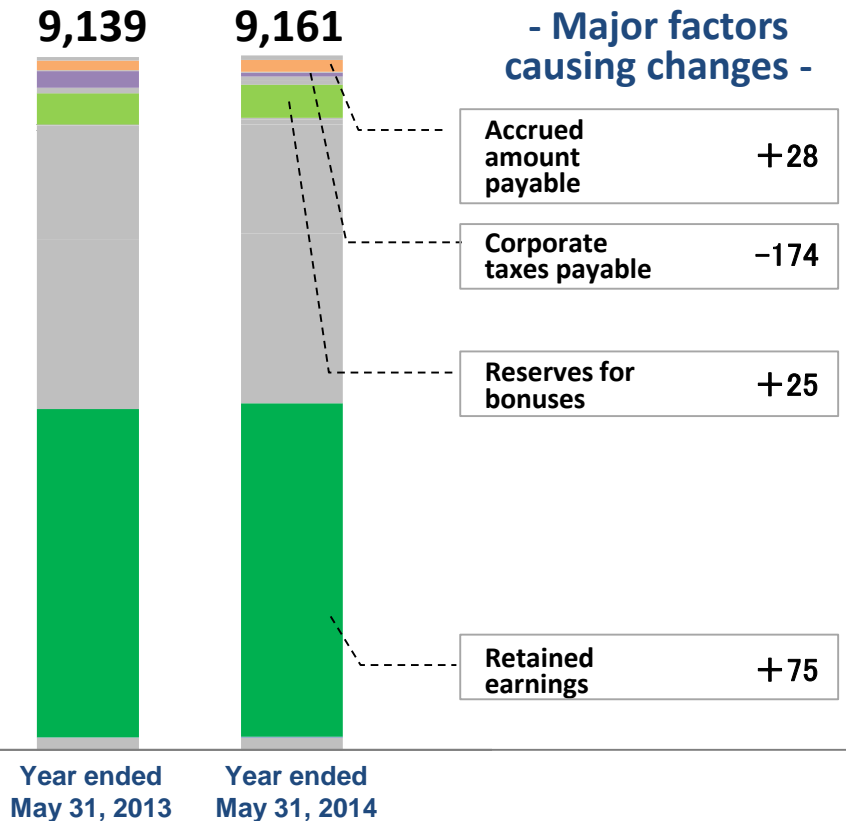
Assets

Assets : Increase of 21 million yen



Total liabilities and net assets

Liabilities : Decrease of 58 million yen
Net assets : Increase of 80 million yen



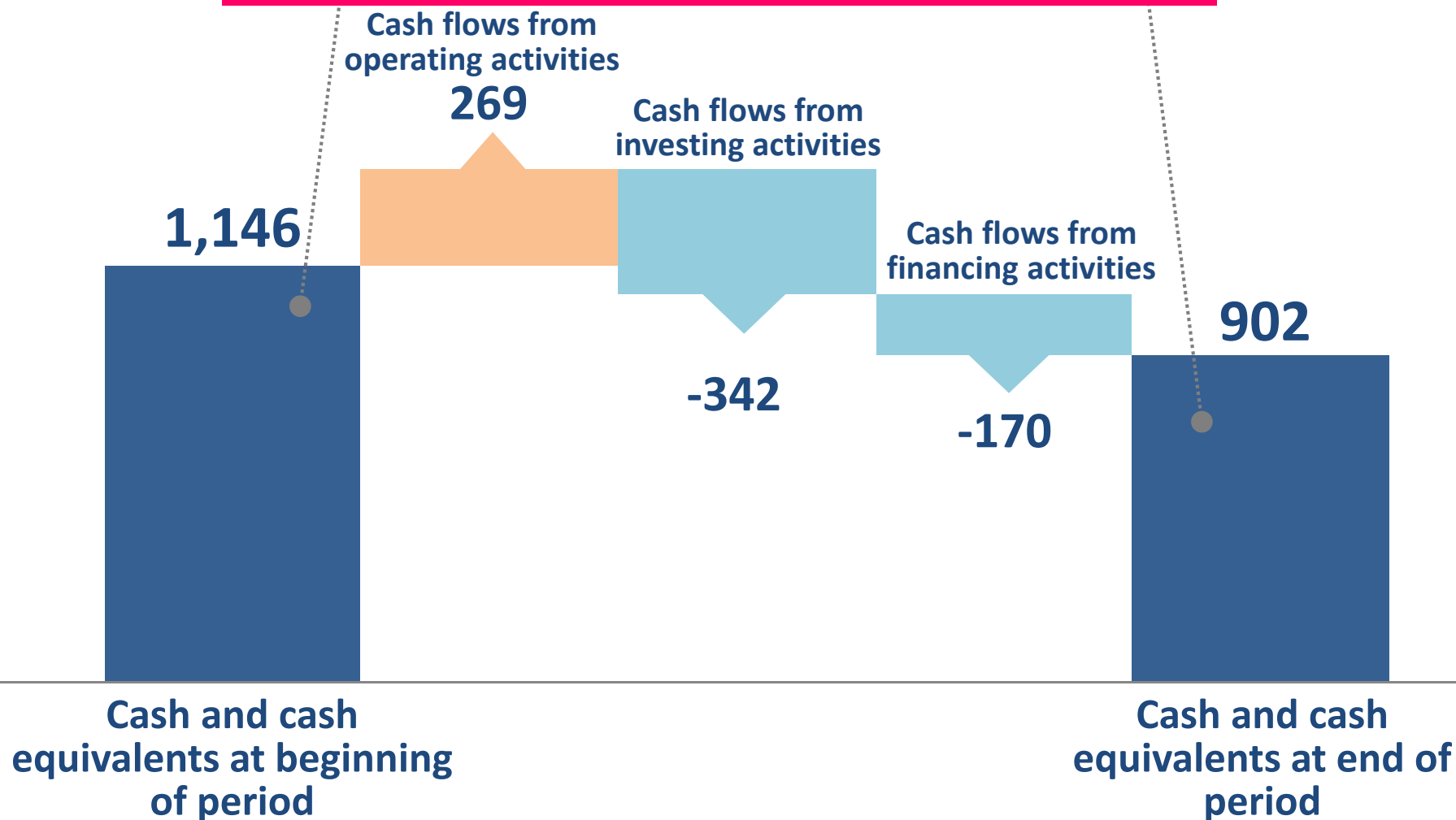
Financial Indicators (Other)

	Year ended May 31, 2013	Year ended May 31, 2014
Net Assets	¥8,133M	¥8,214M
Net Assets per Share	¥1,466.86	¥1,481.36
Net Income per Share	¥37.59	¥43.50
Capital-to-assets Ratio	89.0%	89.7%
Treasury Shares	200,092 shares	200,134 shares
No. of employees	560	559

Consolidated Cash Flows

Unit: In Millions of Yen

Declined by 244 million yen from the balance at the beginning of the period



1. Consolidated financial results
for the year ended May 31, 2014

2. Forecast for the year ending
May 31, 2015

The Company's business environment

- ◆ **Mitsubishi Hitachi Power Systems launched in February this year**
 - **Global-scale major realignment in the heavy electric industry set in motion**
 - **Significant changes in international energy and rail businesses**
- ◆ **Loss of momentum for electronics manufacturers, integration of automobiles and electronics**
 - **Electronics and electrical component manufacturers also focusing on the automobile sector**
- ◆ **Further advancement of cloud computing**
 - **Expansion of sensor networks, “My Number” (National ID No.) system, etc.**
- ◆ **Shortage of resources in the data processing industry as a whole**

Vision of the Third Medium-Term Business Plan

**To contribute to safety security, comfort
and convenience in the social infrastructure field**



Basic Policy of the Third Medium-Term Business Plan

- 1. Uncover new areas of focus**
- 2. Promote globalization in step with customers**
- 3. Continue T-SES**

Priority issues

1) Uncover new areas of focus

- (1) Advanced acquisition of technologies (object-oriented, functional safety, formal methods, model-based development)
- (2) Continuing industry activities (gathering information on cutting-edge technology trends, etc.)
- (3) Implementation of a company-wide flexible sales system

2) Promote globalization in step with customers

Standardization and cost reduction to increase ability to compete overseas

- (1) Standardization (packaging, adoption of shared and international standards)
- (2) Reducing costs (offshore development, utilization of tools)

3) Continue T-SES (Total Software Engineering Services)

Expansion of scope of phases, function, operations, and control to improve added value

Control Systems Division

- Increase in workload with the start of the renewal period for existing power plant control systems
- Promotion of functional standardization, cost-reduction, and offshore development to respond to globalization
- Increase in motorization projects for next generation automobiles
- Focus on model-based development and functional safety

Transportation Systems Division

- Use of offshore development for steady completion of a number of projects acquired in previous year in the field of tracking control systems
- Improvement in revenue due to normalization of work through the general inspection carried out in previous year
- Improvement of infrastructure ready for pileup of existing rail line projects from 3rd quarter

Particular Information Systems Division

- Expansion of function scope in the current system in preparation for major projects next year and beyond in the crisis management field
Further system expansion for geographical information projects received in previous year
- Aim to improve value for customer by participating from the technical review stage

Embedded Systems Division

- Completion of projects currently in development and expansion of projects for “connect to car” functions in the field of onboard information systems
- Continued good results for storage devices
- Promote expansion of initiatives with existing semi-conductor/electrical components manufacturers, continued leverage of short-range wire technologies to develop new customers among components manufacturers

Industrial & Public Information Systems Division

- Rearrangement of organizational structure (Business Units) in order to clarify goals and strategies
- Leveling off in next generation development for station service machine-related development
- Completion of primary development of sport-related systems, focus on expansion of function scope of related systems and offshore development
- Strong results for engineering services of railway subsidiaries

IT Management Services Division

- Further improvement of training for system construction technicians, to improve service levels and to accelerate focus on system construction services
- Launch of initiatives to expand services from simple operation services to all areas of the IT service management field

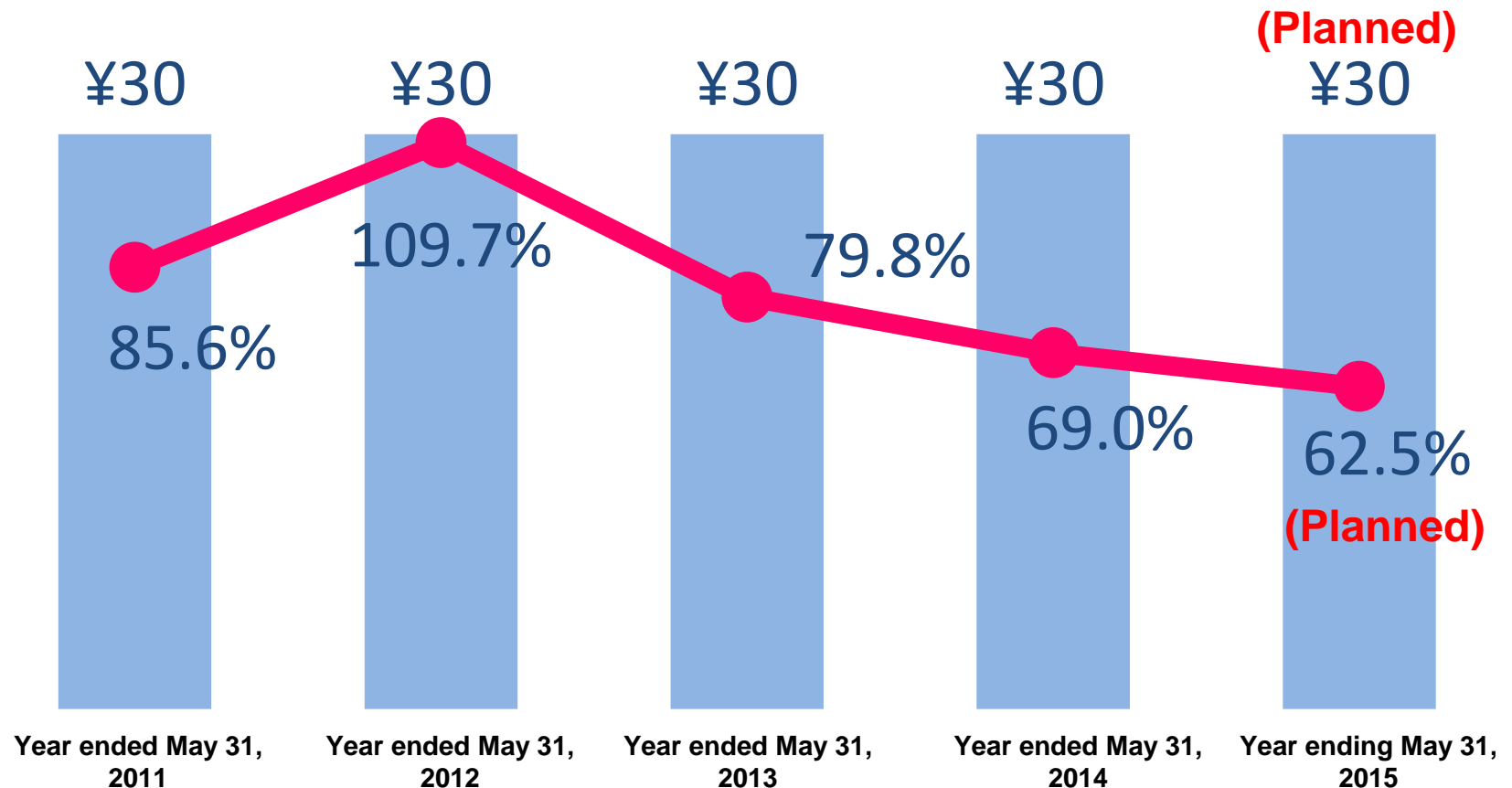
Planned Numerical Consolidated Targets for the Year Ending May 31, 2015

Unit: In Millions of Yen

	Year ended May 31, 2014 [Actual]	Year ending May 31, 2015 [Plan]	Change (Percentage of Change)
Net Sales	5,275	5,350	74 (1.4%)
Operating Income (Operating Income Ratio)	375 (7.1%)	385 (7.2%)	9 (2.6%)
Ordinary Income (Ordinary Income Ratio)	425 (8.1%)	430 (8.0%)	4 (1.0%)
Current Net Income (Net Income Ratio)	241 (4.6%)	266 (5.0%)	24 (10.3%)

Trend in Shareholder Dividends

We will position the return of our profits to our shareholders as a key managerial policy, executing it with the ongoing provision of stable dividends and a dividend payout ratio of over 50% as our target.



We will raise corporate value through **T-SES*** and contribute to safety, security, comfort and convenience in the social infrastructure field.

*T-SES = Total Software Engineering Services

Disclaimer

This material contains “forward-looking statements” based on current forecasts and assumptions. Japan Process Development Co., Ltd. in no way warrants the realization of such forward-looking statements, which are subject to risks and uncertainties that could cause actual outcomes and results to differ from these statements.

Contact for inquiries: Hideki Yoneshima, Department Manager, Corporate Planning Department

keikibu@jpd.co.jp