

Japan Process Development Co., Ltd.

Financial Results Briefing

Financial Results for the Second Quarter (Accumulated Period) of the Year Ending May 31, 2015



January 9, 2015

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2015

2. Forecast for the year ending May 31, 2015

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2. Forecast for the year ending May 31, 2015

Second Quarter of the Year Ending May 31, 2015

Outline of Consolidated Financial Results



JAPAN PROCESS
DEVELOPMENT CO.,LTD.

Unit: Millions of yen

	Plan	Against plan	Actual	Year-on-year	Previous year
Net Sales	2,400	333	2,733	330	2,402
		13.9%		13.8%	
Operating Income (Income ratio)	120 (5.0%)	127	247 (9.0%)	142	105 (4.4%)
		106.1%		135.2%	
Ordinary Income (Income ratio)	136 (5.7%)	127	263 (9.6%)	139	123 (5.1%)
		93.6%		113.0%	
Net Income of the Quarter (Income ratio)	82 (3.4%)	77	159 (5.8%)	95	64 (2.7%)
		94.7%		148.8%	

Second Quarter of the Year Ending May 31, 2015

Overview of Consolidated Financial Results - 1



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Net Sales

+ ¥330M YOY (+13.8%)

Acceptance inspections were ahead of schedule for some sales, and although sales for IT Management Services fell slightly, other segments were strong

Operating Income

+ ¥142M YOY (+135.2%)

On-site assignment of new employees was accelerated compared to plans, and the utilization rate for engineers was improved company-wide

Ordinary Income

+ ¥139M YOY (+113.0%)

Due to increase in operating income

Net Income of the Quarter

+ ¥ 95M YOY (+148.8%)

Due to increase in ordinary income



【 Major topics 】

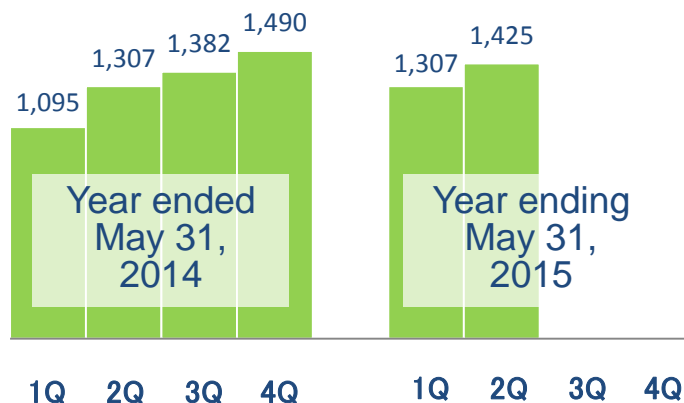
- On-site assignment of new employees was accelerated compared to plans, and the utilization rate for engineers was improved company-wide
- Increase in project inquiries, lack of resources
- Use of partners, strengthened recruitment
- Advance of multiple customers in some fields
- Diversification of offshore development in Dalian
- Continuation of working groups involving industry trade organizations
- Absorption-type merger decided on for the consolidated subsidiary IPS Co., Ltd.

(Scheduled for June 1, 2015)

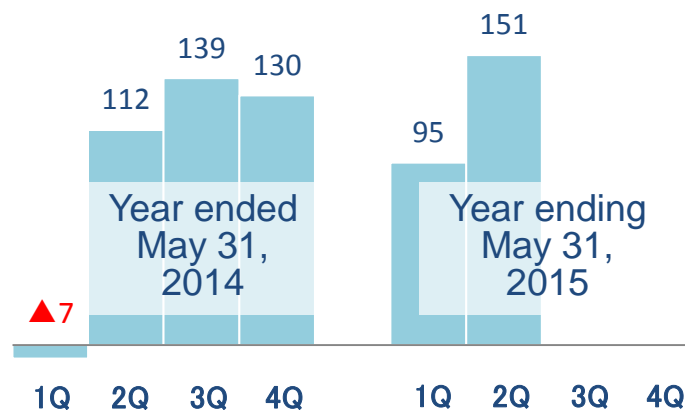
Overview of Consolidated Financial Results (Performance Trend by Quarter)

Unit: Millions of yen

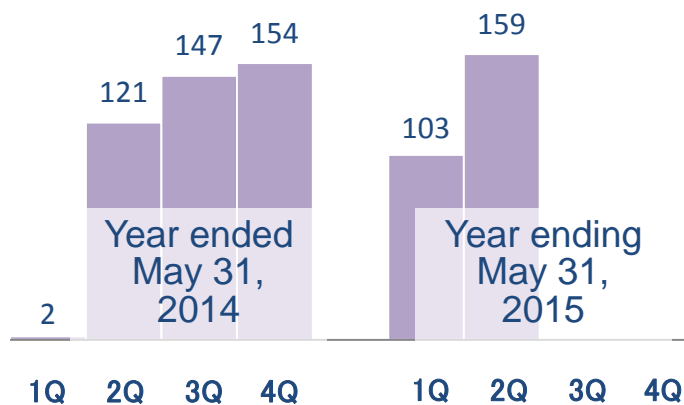
Net Sales



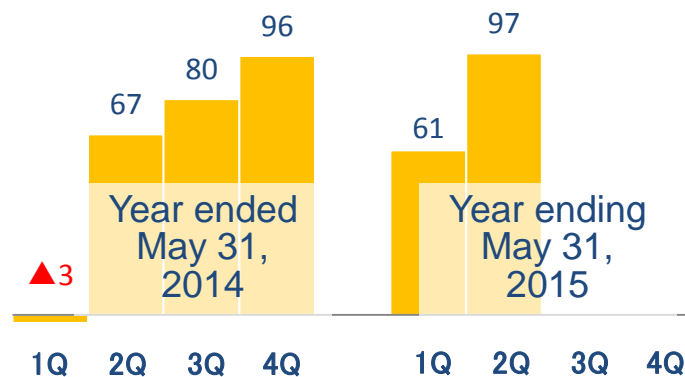
Operating Income



Ordinary Income

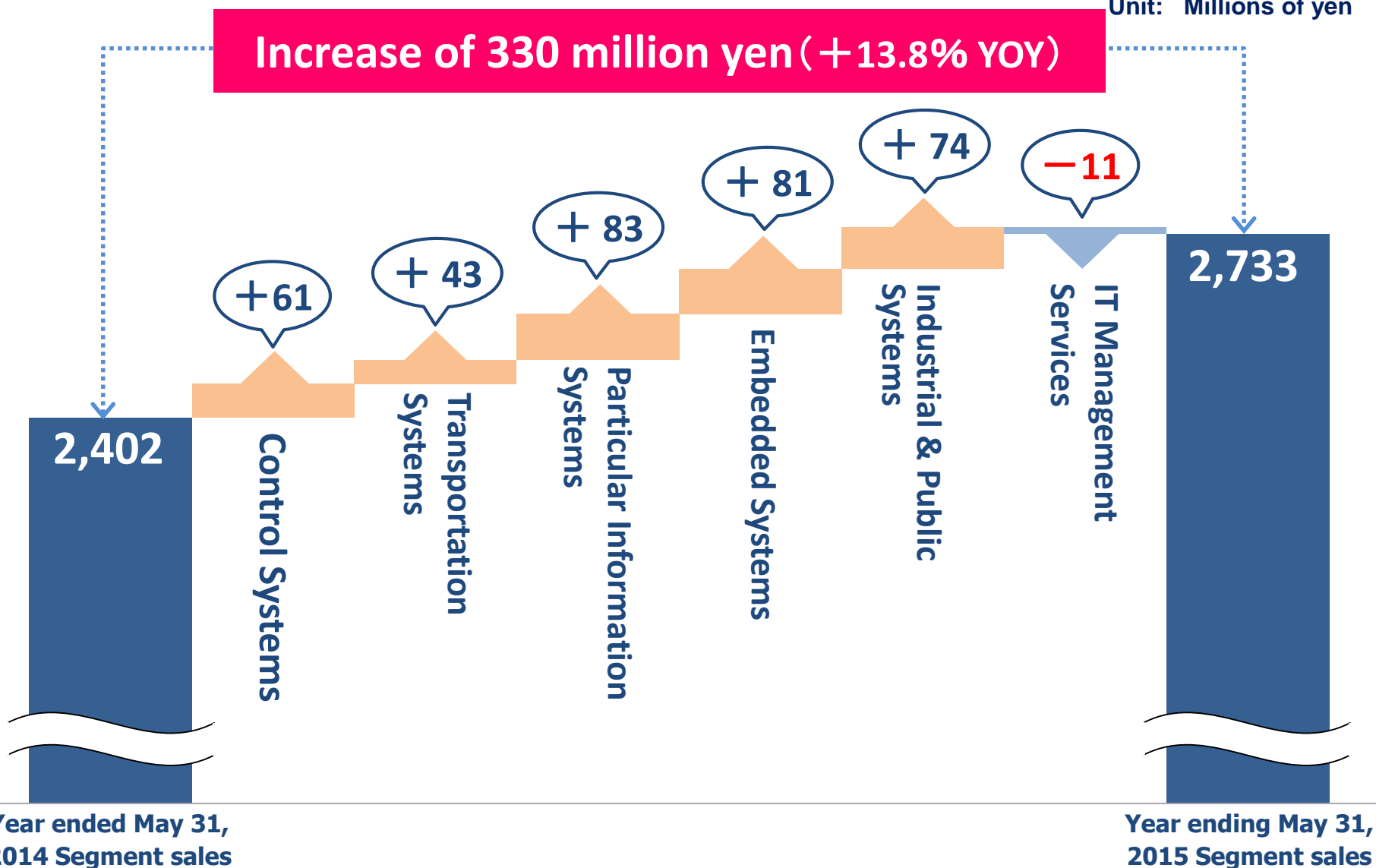


Current Net Income



Changes in sales by segment for the Second Quarter of the Year Ending May 31, 2015

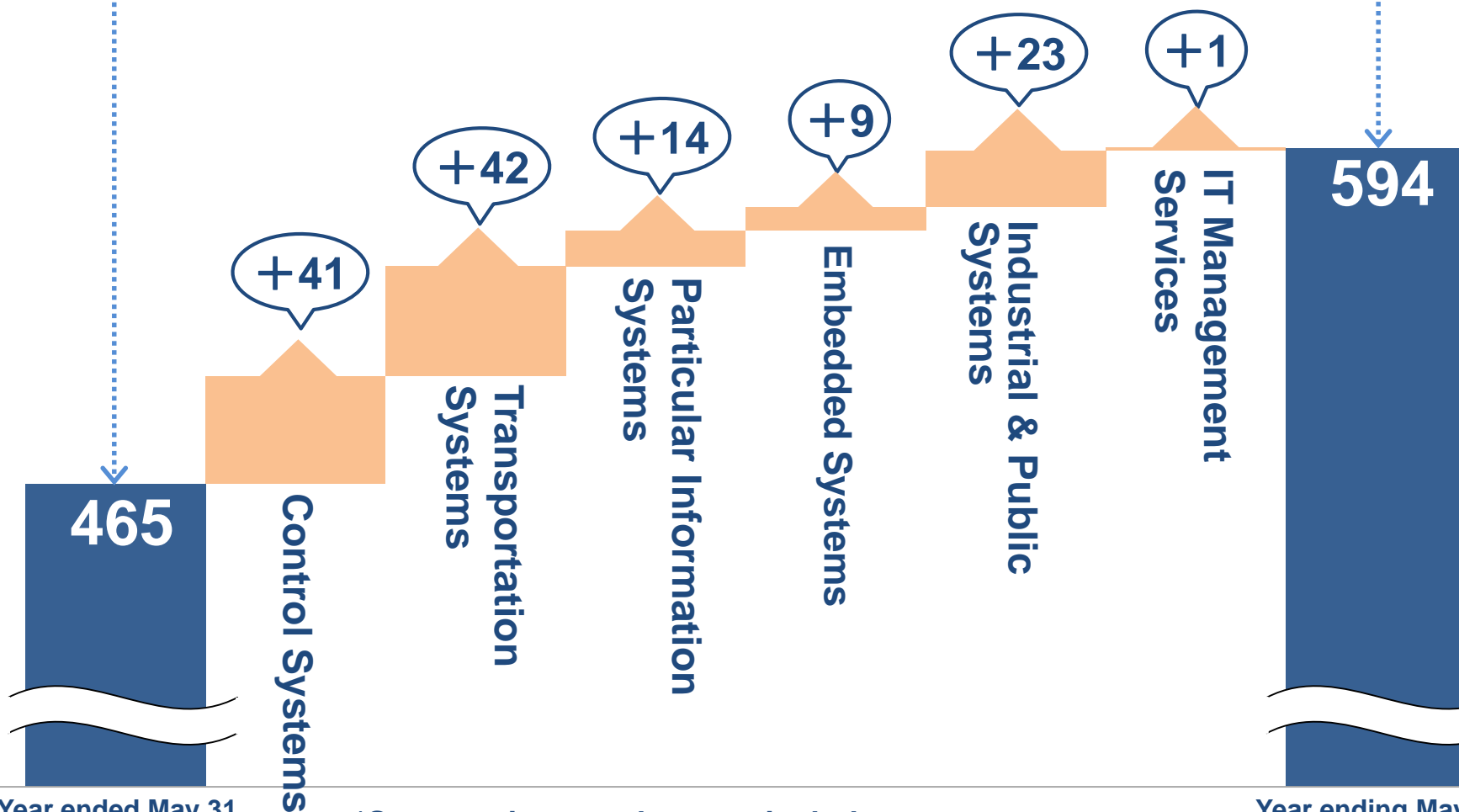
Unit: Millions of yen



Changes in profits by segment for the Second Quarter of the Year Ending May 31, 2015

Unit: Millions of yen

Increase of 128million yen(+27.6% YOY)



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

Year ended May 31, 2014 Segment Income

Year ending May 31, 2015 Segment Income

(1) Segment information for the Second Quarter of the Year Ending May 31, 2015



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Control Systems Division

- Volume of development increased accompanying a period of updates in domestic power generation
 - Although overseas projects increased, because order unit prices declined, the Dalian subsidiary was used to reduce costs
- Performance remained strong for motorization projects for next-generation vehicles
- On-site assignment of new employees was accelerated compared to plans

Unit: Millions of yen

Business Segment		Year ended May 31, 2014 (Income Ratio)	Year ending May 31, 2015 (Income Ratio)	Change (Percentage of change)
Control Systems	Net Sales	409	470	+61 (+14.9%)
	Income	75 (18.5%)	116 (24.7%)	+40 (+53.7%)

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

(2) Segment information for the Second Quarter of the Year Ending May 31, 2015



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DEVELOPMENT CO.,LTD.

Transportation Systems Division

- Bullet train system development cycle completed for time being
 - Traffic control systems for domestic bullet trains flat
 - Delay in system development for overseas railway project
- Increase in replacement projects for conventional lines
- Decrease in warranty response due to factors such as complete overhauls conducted in the previous fiscal year

Unit: Millions of yen

Business Segment		Year ended May 31, 2014 (Income Ratio)	Year ending May 31, 2015 (Income Ratio)	Change (Percentage of change)
Transportation Systems	Net Sales	168	210	+42 (+25.5%)
	Income	-26 (-15.7%)	15 (7.2%)	+41 (—)

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

(3) Segment information for the Second Quarter of the Year Ending May 31, 2015



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Particular Information Systems Division

- Manufacturing phase continued for newly commissioned projects in the previous fiscal year in the geographic information field, and development returning to normal levels for resources satellite image projects, resulting in the division contracting somewhat while staying strong
- The crisis management field is expanding as it is overwhelmed with large-scale projects

Unit: Millions of yen

Business Segment		Year ended May 31, 2014 (Income Ratio)	Year ending May 31, 2015 (Income Ratio)	Change (Percentage of change)
Particular Information Systems	Net Sales	248	331	+82 (+33.4%)
	Income	58 (23.6%)	72 (21.8%)	+13 (+23.3%)

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

(4) Segment information for the Second Quarter of the Year Ending May 31, 2015



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Embedded Systems Division

- Decline in platform development for smartphones
- In vehicular information systems development, traditional projects have been strong and the scale of overseas projects has expanded
- SSD (storage devices) development was robust
- The semiconductor and electronics components sector that orders were received for in the previous fiscal year has been flat

Unit: Millions of yen

Business Segment		Year ended May 31, 2014 (Income Ratio)	Year ending May 31, 2015 (Income Ratio)	Change (Percentage of change)
Embedded Systems	Net Sales	538	619	+80 (+15.0%)
	Income	135 (25.2%)	144 (23.3%)	+8 (+6.5%)

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

(5) Segment information for the Second Quarter of the Year Ending May 31, 2015



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Industrial & Public Systems Division

- In IC card development, orders received for personal number card development
- Next-generation station administration device system continued
- In development for large-scale sports-related systems projects, continued 1.5 generation development
- Railway subsidiary engineering services strong

Unit: Millions of yen

Business Segment		Year ended May 31, 2014 (Income Ratio)	Year ending May 31, 2015 (Income Ratio)	Change (Percentage of change)
Industrial & Public Systems	Net Sales	583	657	+74 (+12.7%)
	Income	138 (23.7%)	161 (24.6%)	+23 (+16.8%)

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

(6) Segment information for the Second Quarter of the Year Ending May 31, 2015



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IT Management Services Division

- Validation services have reduced or remained steady
- Construction services remained flat, although there were some projects
- In repair, maintenance, and operation services, accounting systems performance remained strong
- Profits increased due to improvement in the utilization rate

Unit: Millions of yen

Business Segment		Year ended May 31, 2014 (Income Ratio)	Year ending May 31, 2015 (Income Ratio)	Change (Percentage of change)
IT Management Services	Net Sales	454	443	-11 (-2.5%)
	Income	83 (18.4%)	84 (19.0%)	+1 (+0.7%)

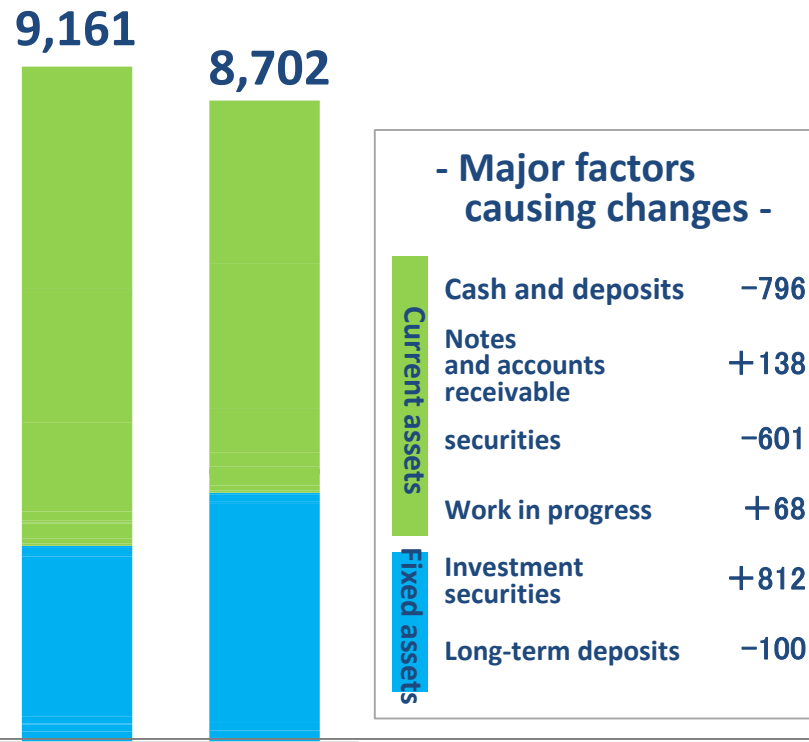
*Segment income does not include corporate expenses that have not been allocated to the segments.

Consolidated financial statements

Unit: Millions of yen

Assets

**Assets : Decrease of
459 million yen**



- Major factors causing changes -

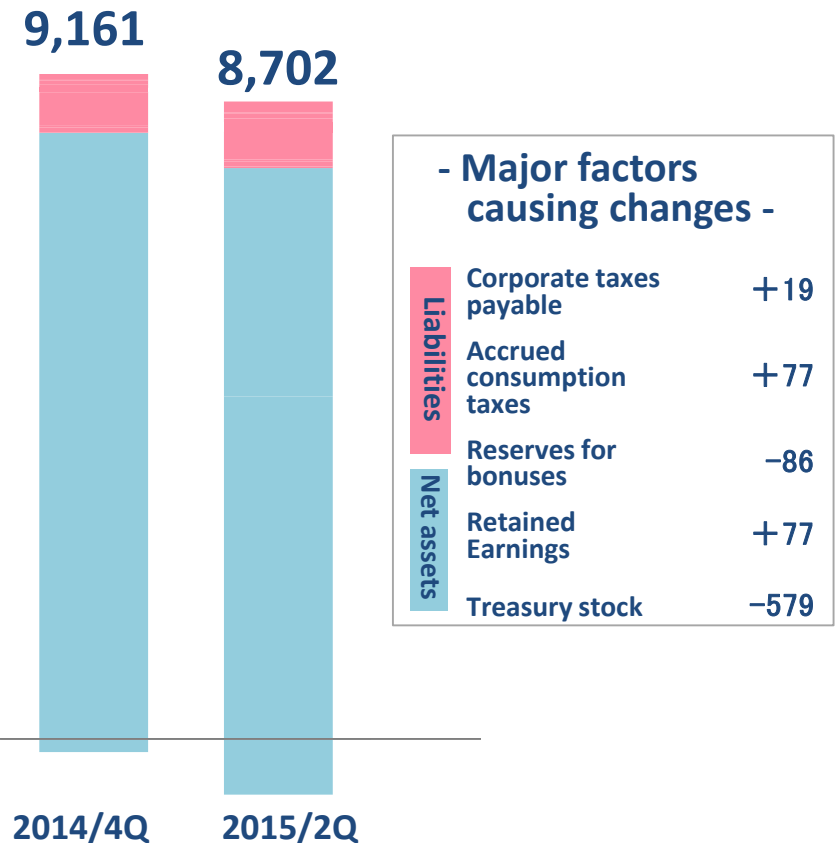
Category	Change
Cash and deposits	-796
Notes and accounts receivable	+138
securities	-601
Work in progress	+68
Investment securities	+812
Long-term deposits	-100

2014/4Q

2015/2Q

Total liabilities and net assets

Liabilities: Increase of 17 million yen
Net assets: Decrease of 476 million yen



- Major factors causing changes -

Category	Change
Corporate taxes payable	+19
Accrued consumption taxes	+77
Reserves for bonuses	-86
Retained Earnings	+77
Treasury stock	-579

2014/4Q

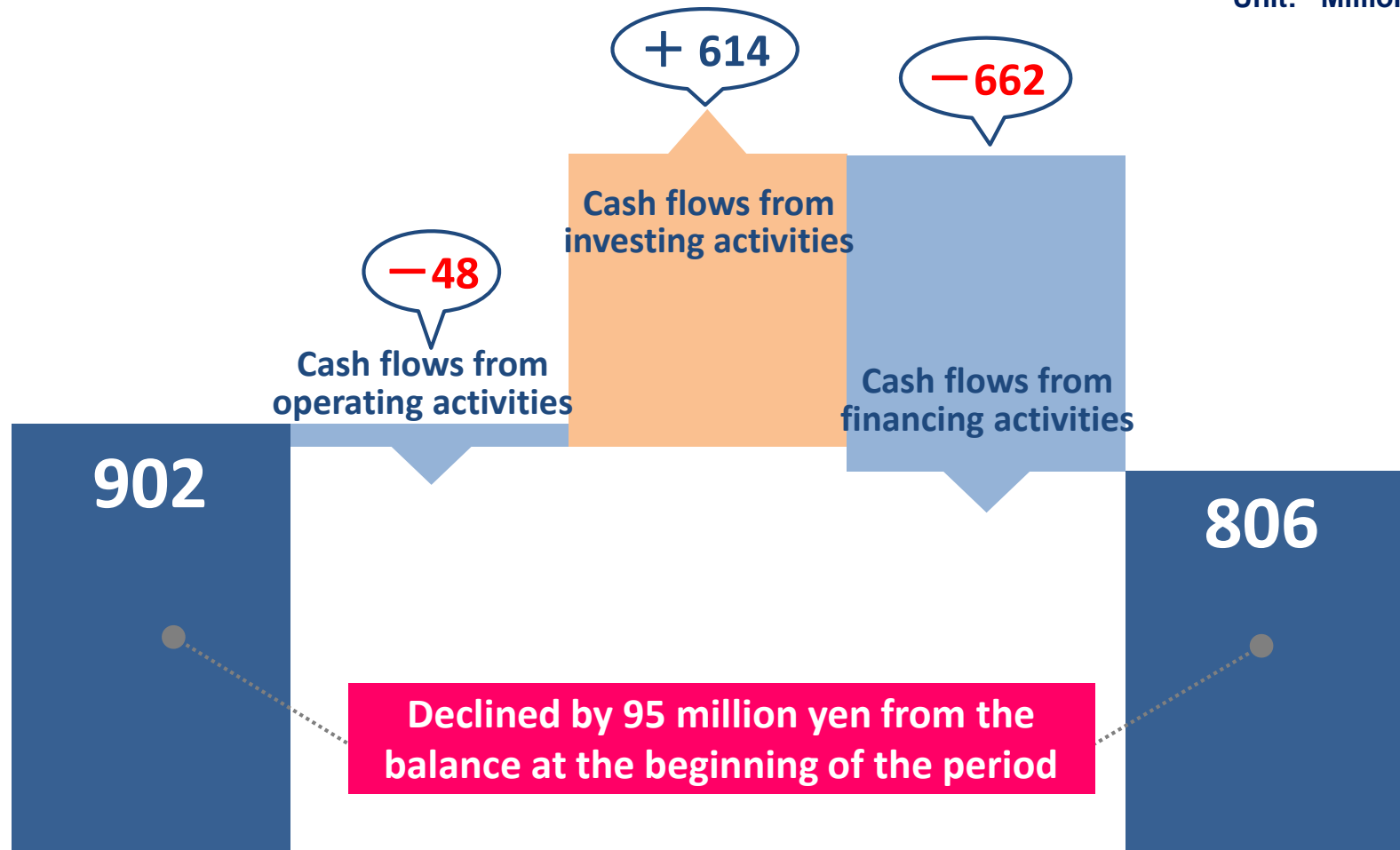
2015/2Q

Financial Indicators (Other)

	Year ended May 31, 2014	Second Quarter Year Ending May 31, 2015	(Reference) Second Quarter Year Ended May 31, 2014
Net Assets	¥8,214M	¥7,737M	¥8,121M
Net Assets per Share	¥1,481.36	¥1,571.71	¥1,464.62
Net Income per Share	¥43.50	¥30.88	¥11.58
Capital-to-assets Ratio	89.7%	88.91%	91.6%
Treasury Shares	200,134 shares	822,634 shares	200,134 shares
No. of employees	559	553	543

Consolidated Cash Flows

Unit: Millions of yen

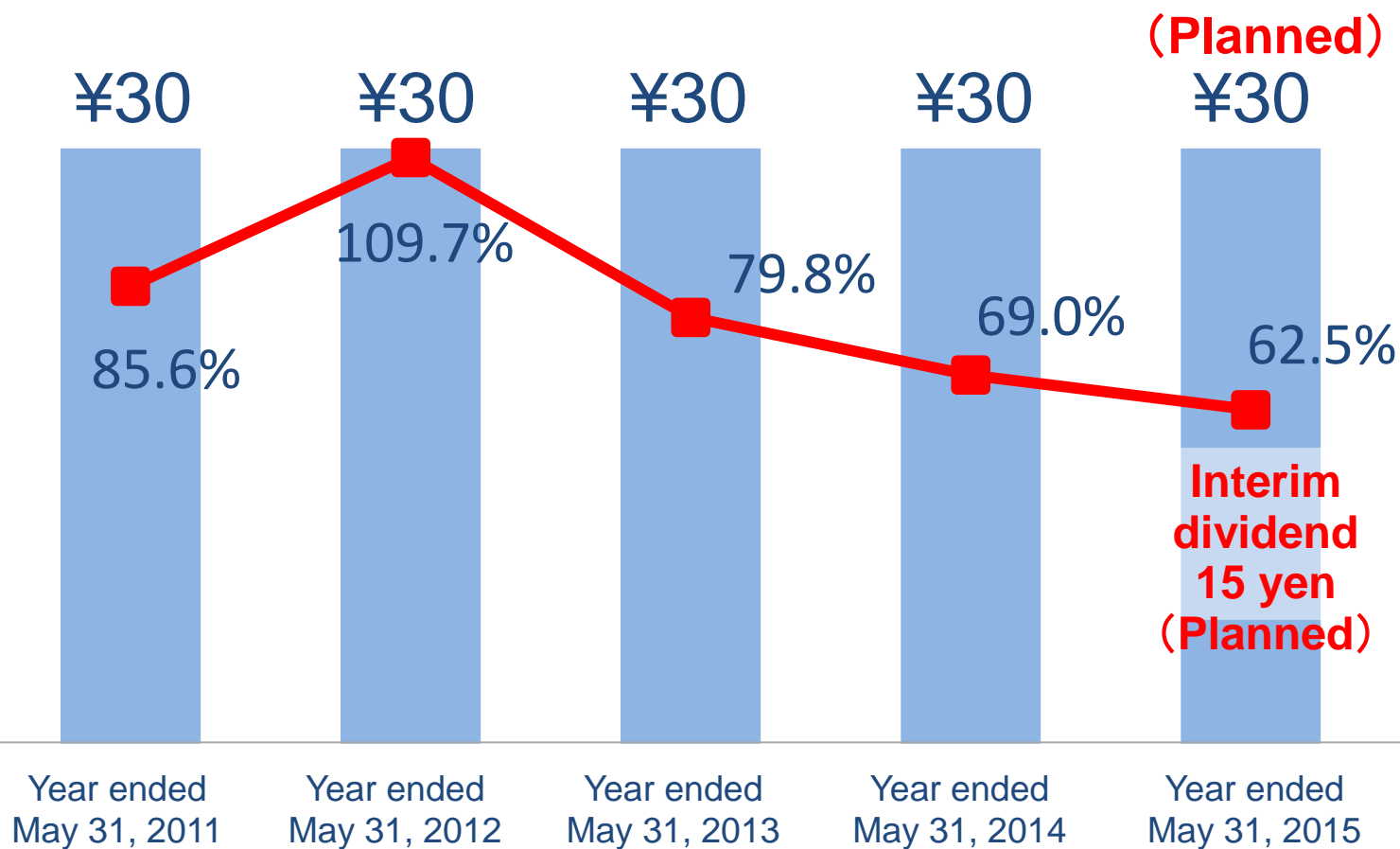


Cash and cash equivalents at
beginning of period

Cash and cash equivalents
at end of period

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.



1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2015

2. Forecast for the year ending May 31, 2015

Priority issues

1) Uncover new areas of focus

- (1) Advanced acquisition of technologies (functional safety, formal methods, etc.)
- (2) Continuing industry activities
- (3) Implementation of a company-wide flexible sales system

2) Promote globalization in step with customers

- (1) Standardization (packaging, adoption of shared and international standards)
- (2) Reducing costs
- (3) Actively proposing to customers based on the above perspectives

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

In addition to expanding the scope of phases, function, operations, and control, establish a development style to support this and improve added value

Status of efforts in response to priority issues

1) Uncover new areas of focus

- Development system expanded in vehicular information systems development**
- Expand transactions with semiconductor and parts manufacturers and continue to develop new customers**
- Commence efforts in quasi-zenith satellites**
- Reorganize efforts and develop strategies with railway subsidiaries**
- Launch advanced technology acquisition projects**
- Continue education on object-orientation, functional safety, and formal methods**
- Actively participate in working groups involving industry trade organizations**

Status of efforts in response to priority issues

2) Promote globalization in step with customers

- **Diversification of scope of offshore development, increase in development value for project areas including power plant control-related, traffic-related, sports-related, etc.**

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

- **Continue large-scale subcontracting for sports-related systems development**
- **In conventional line systems development, get orders at multiple sites for the tracking control function acquired during the previous fiscal year**

(1) Outlook for year ending May 31, 2015

Control Systems

- Continue update period for existing power plant control systems, work volume continues to increase
- Continue function standardization, cost reduction, and offshore development function proposals for globalization
- Maintain strong performance for motorization projects for next-generation vehicles
- Focus on model-based development and functional safety

Transportation Systems

- Inquiries regarding overseas bullet train projects
- Continued high volumes of replacement projects for conventional lines
- Maintain profits through the normalization of work as a result of complete overhauls conducted in the previous fiscal year

Particular Information Systems

- System expected to contract as the geographic information field enters the test phase
- System expected to be maintained in the crisis management field as there continue to be high volumes of large-scale projects
- Focus on improving value for customers by participation from the technical review phase

Embedded Systems

- In vehicular information systems development, gradually expand systems in response to customer needs for system expansion
- SSD (storage devices) expected to remain strong
- Expand transactions with existing semiconductor and parts manufacturers, leverage short-range wireless technologies to continue developing new customers among parts manufacturers

(3) Outlook for year ending May 31, 2015

Industrial & Public Information Systems

- In the station administration device field, new projects for next-generation equipment development are anticipated
- Maintain 1.5 generation development in sports-related systems, and scale expected to gradually contract with work returning to normal levels starting from 3Q
- Although some contraction is expected for railway subsidiary engineering services, scale expected to be maintained with a shift to other projects

IT Management Services

- IT services will remain flat overall
- Respond to lack of resources through means such as mid-career recruitment and partner companies
- Further strengthen the development of engineers for system construction and improve service levels while accelerating the focus on construction services

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



Unit: 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 (Income Ratio)	375 (7.1%)	385 (7.2%)	9 (2.6%)
Ordinary Income (Income Ratio)	425 (8.1%)	430 (8.0%)	4 (1.0%)
Current Net Income (Income Ratio)	241 (4.6%)	266 (5.0%)	24 (10.3%)

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.

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