



[Securities code : 9651]

Japan Process Development Co., Ltd.

Financial Results Briefing

Year Ended May 31, 2016



July 19, 2016

1. Consolidated Financial Results for the Year Ended May 31, 2016

2. Efforts on the Year Ending May 31, 2017

3. Performance Targets for the Year Ending May 31, 2017

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3. Performance Targets for the Year Ending May 31, 2017

Outline of the Consolidated Financial Results for the Year Ended May 31, 2016



Unit: In Millions of Yen

	Plan	Against plan	Actual	Year-on-year	Previous year
Net Sales	5,450	+168	5,618	-195	5,813
		+3.1%		-3.4%	
Operating Income (Income Ratio)	370 (6.8%)	+55	425 (7.6%)	-62	487 (8.4%)
		+15.1%		-12.7%	
Ordinary Income (Income Ratio)	420 (7.7%)	+59	479 (8.5%)	-54	534 (9.2%)
		+14.1%		-10.3%	
Current Net Income (Income Ratio)	295 (5.4%)	+9	304 (5.4%)	-5	310 (5.3%)
		+3.4%		-1.7%	

Overview of the Consolidated Financial Results for the Year Ended May 31, 2016 – 1 Year-on-year



Net Sales

-¥195M YOY (-3.4%)

IT Management Services grew significantly and Control Systems were firm, but net sales decreased for the overall company due to the completion of large-scale projects in the previous year for Particular Information Systems and Industrial & Public Information Systems

Operating Income

-¥62M YOY (-12.7%)

Operating income decreased because of putting in technicians in advance for Embedded Systems, as well as over-assignment due to rotation in Control Systems

Ordinary Income

-¥54M YOY (-10.3%)

Decreased due to reduced operating income

Current Net Income

-¥5M YOY (-1.7%)

Decreased slightly due to reduced expenses such as corporate tax

Overview of the Consolidated Financial Results for the Year Ended May 31, 2016 – 2 Against plan



Net Sales

+¥168M compared to plan (+3.1%)

Net sales were firm for Control Systems and Particular Information Systems with drastic growth in IT Management Services, despite the fact that some Embedded Systems development projects were suspended, causing results that were significantly below the plan

Operating Income

+¥55M compared to plan (+15.1%)

We planned to focus on advance technology acquisition and human resource development, but we did not realize our plan and the income ratio increased (6.8%→7.6%)

Ordinary Income

+¥59M compared to plan (+14.1%)

Increased due to increased operating income (7.7%→8.5%)

Current Net Income

+¥9M compared to plan (+3.4%)

Due to offsetting of subsidiary merger profits

Overview of the Consolidated Financial Results for the Year Ended May 31, 2016 - 2

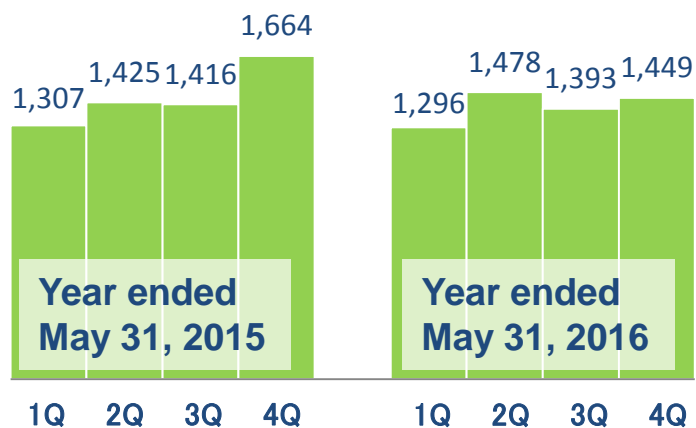
[Major topics]

- We are carrying out strategic actions for self-driving for automobiles, a field of focus
- Regarding the IoT, we have joined specialist associations and conventions (including security) and are continuously gathering information and implementing working group activities
- We are focusing on investing in human resources as a priority, including advance technology acquisition for further growth, but did not realize our plan
- We are continually donating to two groups and making contributions for relief after the Kumamoto Earthquake as one facet of CSR

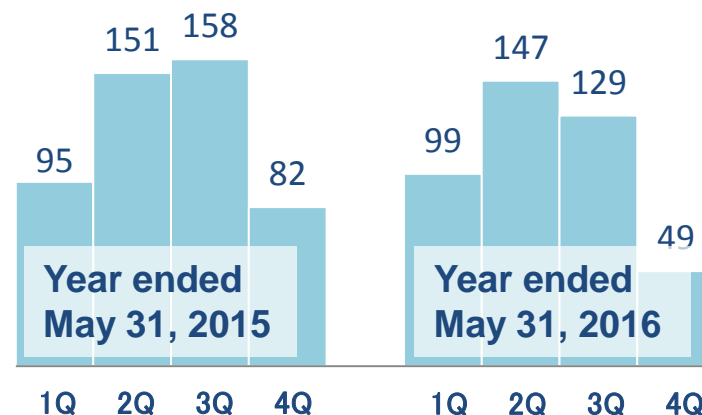
Overview of Consolidated Financial Results (Performance Trend by Quarter)

Unit: In Millions of Yen

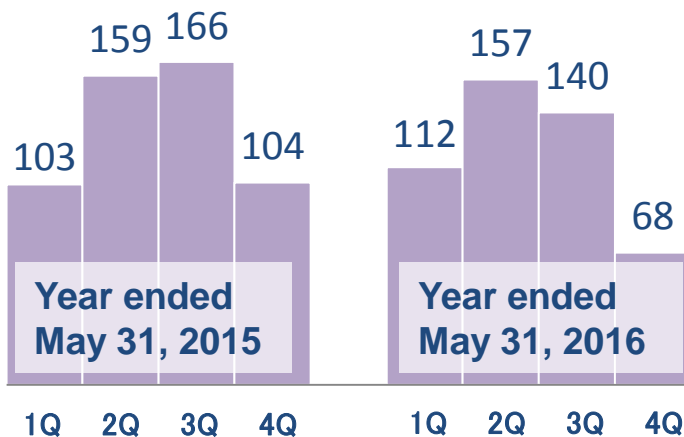
Net Sales



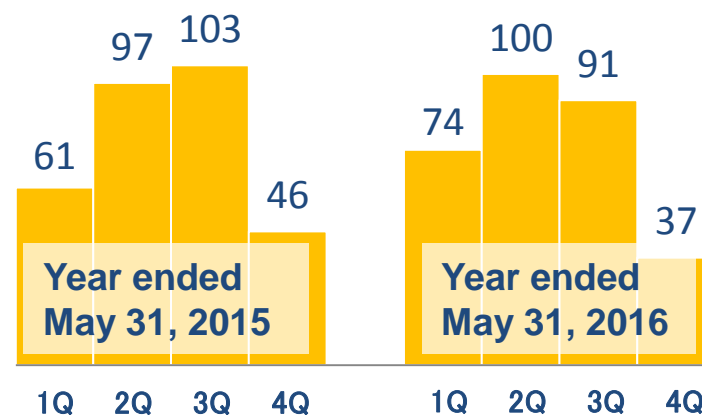
Operating Income



Ordinary Income



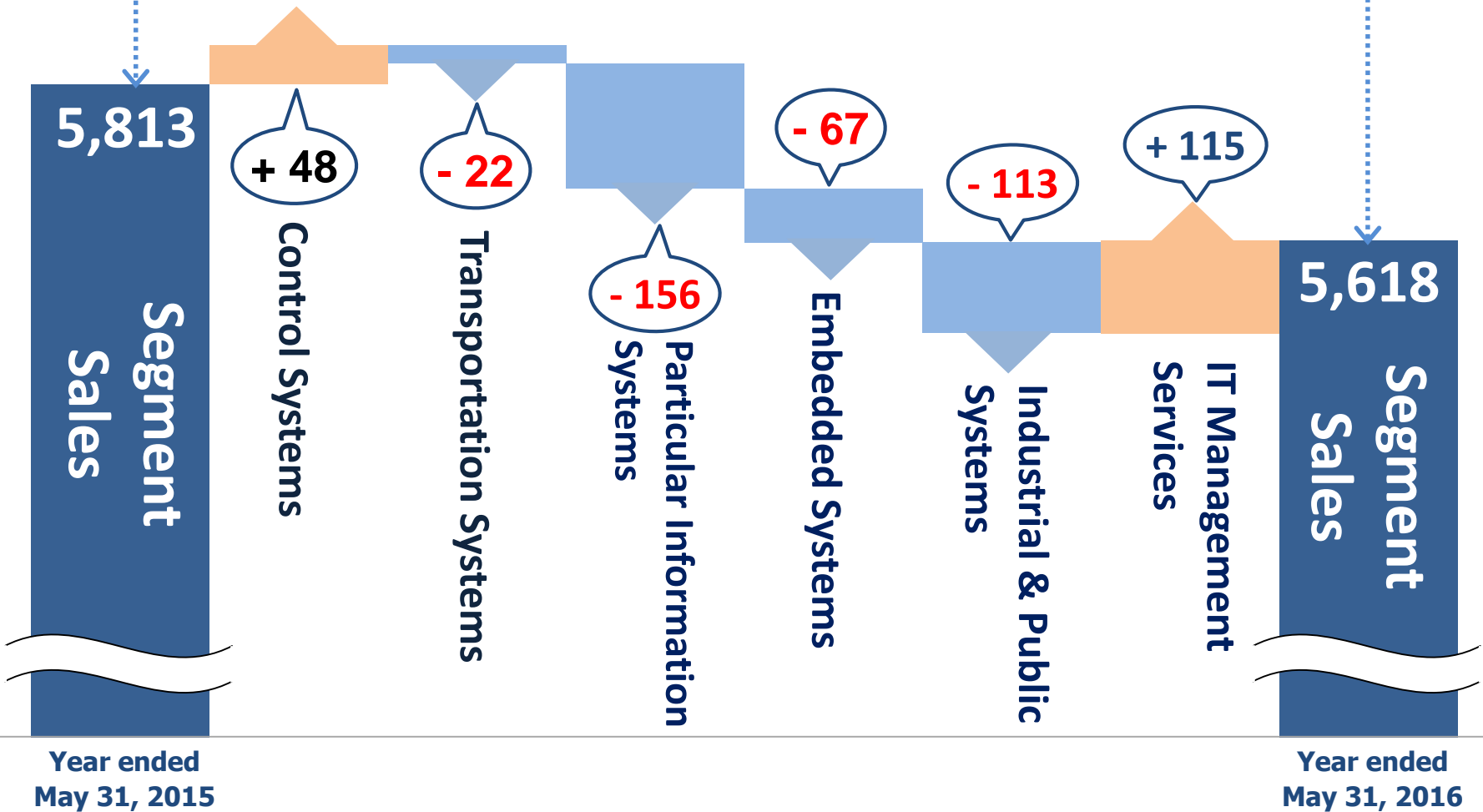
Current Net Income



Changes in Sales by Segment in the Year Ended May 31, 2016

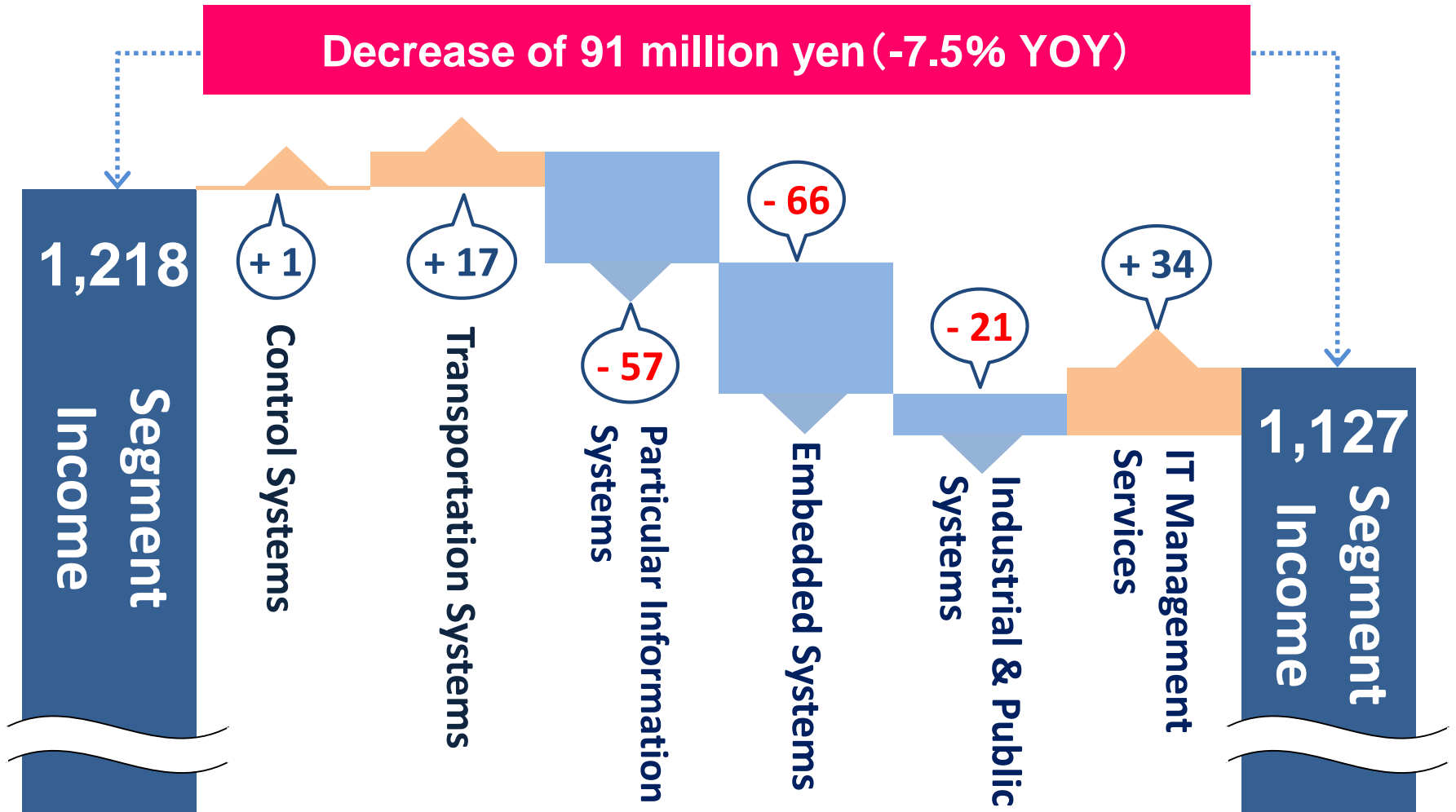
Unit: In Millions of Yen

Decrease of 195 million yen (-3.4% YOY)



Changes in Profits by Segment in the Year Ended May 31, 2016

Unit: In Millions of Yen



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

Year ended
May 31, 2015

Year ended
May 31, 2016

Performance by Segment for Year Ended May 31, 2016 -1

Control Systems

- In the energy field, we began energy management system (EMS) development
- In the automotive field, we shifted from engine control to continuously variable transmission (CVT) , and performance is strong
- Rotation of technicians led to over-assignment, resulting in decreased efficiency
- Performance was favorable for driving safety support system development

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2015 (Income Ratio)	Year ended May 31, 2016 (Income Ratio)	Change (Percentage of change)
Control Systems	Net Sales	1,000	1,048	+48 (+4.8%)
	Income	214 (21.4%)	216 (20.6%)	+1 (+0.8%)

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

Performance by Segment for Year Ended May 31, 2016 -2

Transportation Systems

- Traffic management system performance was firm, although development periods were delayed for some
- The maintenance phase continues for Shinkansen, and performance remains unchanged
- Overseas railroad projects entered the test phase, shrinking the structure
- Profits improved due to the completion of the handling of defects

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2015 (Income Ratio)	Year ended May 31, 2016 (Income Ratio)	Change (Percentage of change)
Transportation Systems	Net Sales	546	524	-22 (-4.0%)
	Income	77 (14.1%)	95 (18.1%)	+17 (+23.2%)

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

Performance by Segment for Year Ended May 31, 2016 -3

Particular Information Systems

- Sales decreased for both the risk management and geographical information fields due to the completion of large-scale projects in the previous year
- Performance was favorable due to the receipt of an automobile driving safety support system development project utilizing image analysis technology

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2015 (Income Ratio)	Year ended May 31, 2016 (Income Ratio)	Change (Percentage of change)
Particular Information Systems	Net Sales	663	506	-156 (-23.6%)
	Income	159 (24.0%)	101 (20.1%)	-57 (-36.0%)

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

Performance by Segment for Year Ended May 31, 2016 -4

Embedded Systems

- In the in-car information system field, sales decreased due to some suspended development projects, and profit decreased because of putting in technicians in advance
- SSD storage devices were strong for consumers and corporate customers
- We started transactions with new customers towards medical care and IoT

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2015 (Income Ratio)	Year ended May 31, 2016 (Income Ratio)	Change (Percentage of change)
Embedded Systems	Net Sales	1,321	1,253	-67 (-5.1%)
	Income	307 (23.3%)	240 (19.2%)	-66 (-21.8%)

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

Performance by Segment for Year Ended May 31, 2016 -5

Industrial & Public Systems

- Sales decreased significantly due to the completion of large sports projects in the previous period
- Performance was favorable for the Quasi-Zenith Satellite System, which entered the test phase
- The work amount increased for station service equipment development, including development and reconstruction projects
- Engineering services for railroad subsidiaries decreased

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2015 (Income Ratio)	Year ended May 31, 2016 (Income Ratio)	Change (Percentage of change)
Industrial & Public Systems	Net Sales	1,378	1,265	-113 (-8.2%)
	Income	313 (22.7%)	292 (23.1%)	-21 (-6.7%)

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

Performance by Segment for Year Ended May 31, 2016 -6

IT Management Services

- Validation services for digital devices were strong
- Architecture services for the financial industry were strong
- The maintenance/operation services structure expanded with renovation of the customer's in-house information system
- Accounting systems were strong due to the start of new development

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2015 (Income Ratio)	Year ended May 31, 2016 (Income Ratio)	Change (Percentage of change)
IT Management Services	Net Sales	903	1,019	+115 (+12.8%)
	Income	147 (16.3%)	181 (17.8%)	+34 (+23.4%)

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

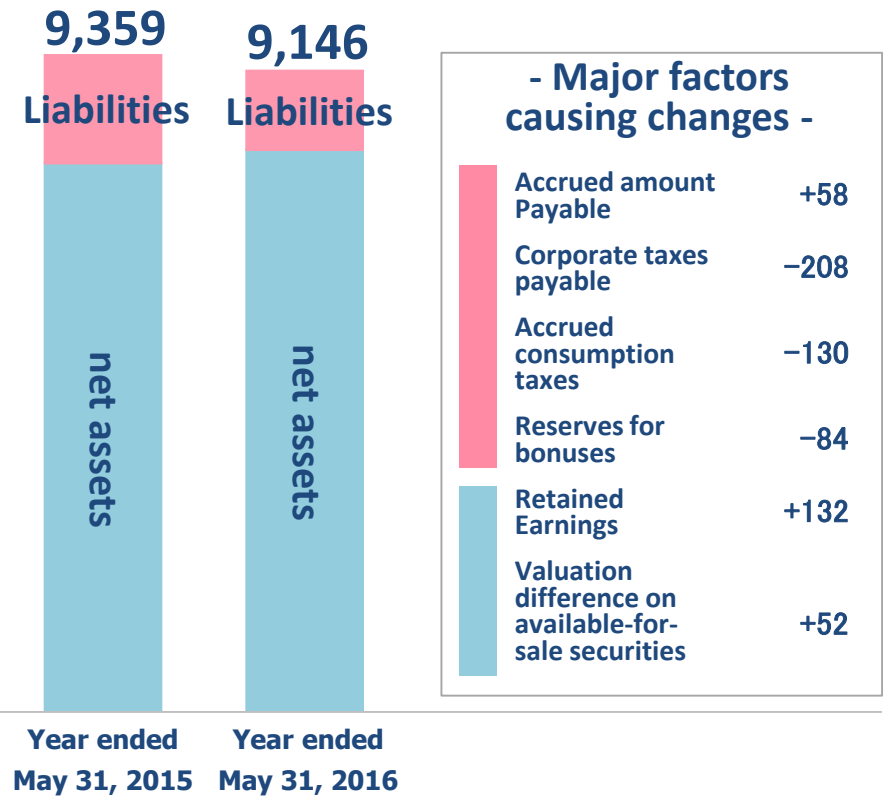
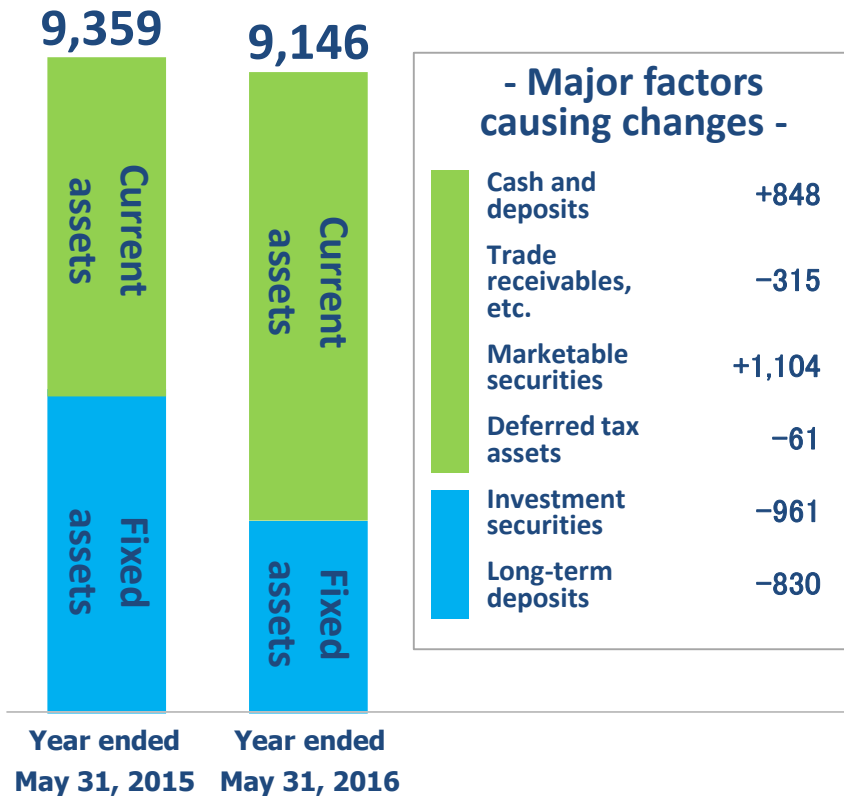
Unit: In Millions of Yen

Assets

Total liabilities and net assets

Assets : Decrease of 212 million yen

Liabilities : Decrease of 396 million yen
Net assets : Increase of 184 million yen

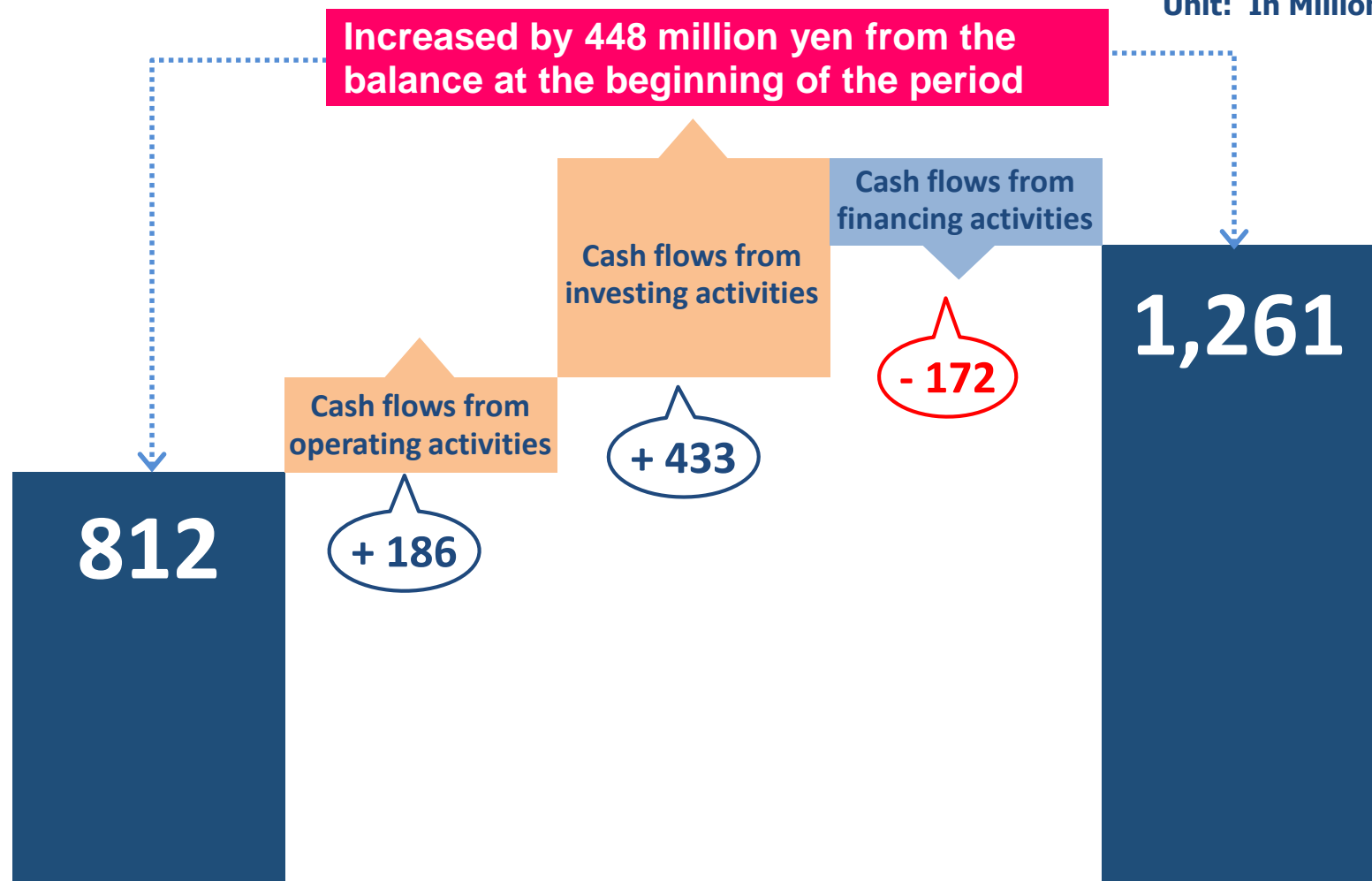


Financial Indicators (Other)

	Year ended May 31, 2015	Year ended May 31, 2016
Net Assets	¥7,827M	¥8,011M
Net Assets per Share	¥1,590.07	¥1,627.58
Net Income per Share	¥61.45	¥61.94
Capital-to-assets Ratio	83.6%	87.6%
Treasury Shares	822,634shares	822,634shares
No. of employees	561	550

Consolidated Cash Flows

Unit: In Millions of Yen

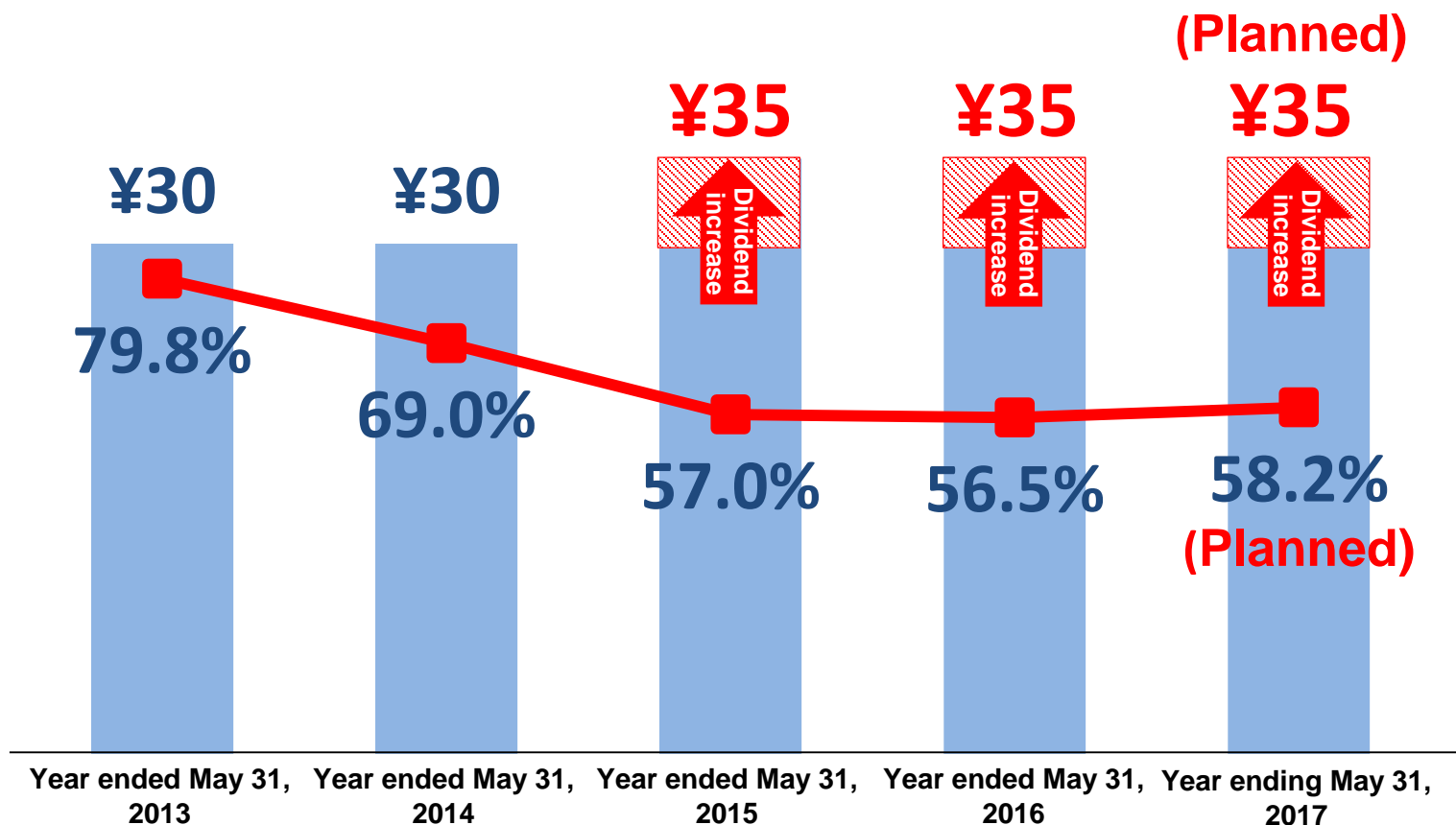


Cash and cash equivalents at beginning of period

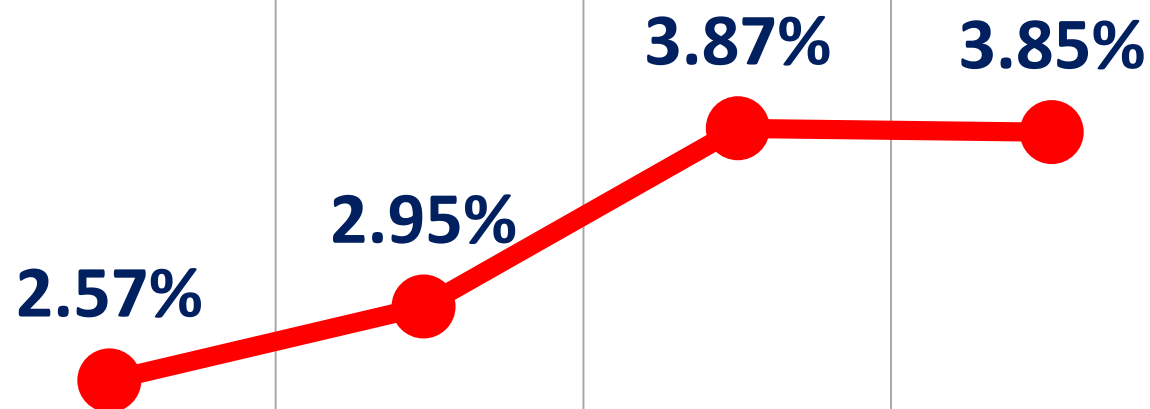
Cash and cash equivalents at end of period

Dividend Policy

(1) Continuation of stable dividends (2) Target of 50% or higher dividend ratio



Trend in Return on Equity (ROE)



	Year ended May 31,2013	Year ended May 31,2014	Year ended May 31,2015	Year ended May 31,2016
Net income per share	¥37.6	¥43.5	¥61.4	¥61.9
Net assets per share	¥1,466.9	¥1,481.4	¥1,590.1	¥1,627.6
Treasury Shares	200,092 Shares	200,134 Shares	822,634 Shares	822,634 Shares

1. Consolidated Financial Results for the Year Ended May 31, 2016

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Vision of the 4th Medium-Term Business Plan

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

Basic Policy of the 4th Medium-Term Business Plan

1. Focus efforts on the next core businesses

- (1) Invest in IoT, vehicles, and environment/energy
- (2) Accommodate clients' overseas expansion
- (3) Plow deep into and expand existing fields

2. Invest in human resources as a priority

3. Restructure efforts on T-SES

*T-SES : Total Software Engineering Service

1. Focus efforts on the next core businesses

[Aims of the 4th Medium-Term Business Plan]

◆ Spread of industrial Internet

The U.S. General Electric Company's (GE) strategy is to bolster competitiveness in aiming to achieve a service that "repairs before breakdown" by connecting via the Internet equipment



IoT

◆ Acceleration of vehicle electrification and informatization

Growing needs of vehicles that lead to safe driving support



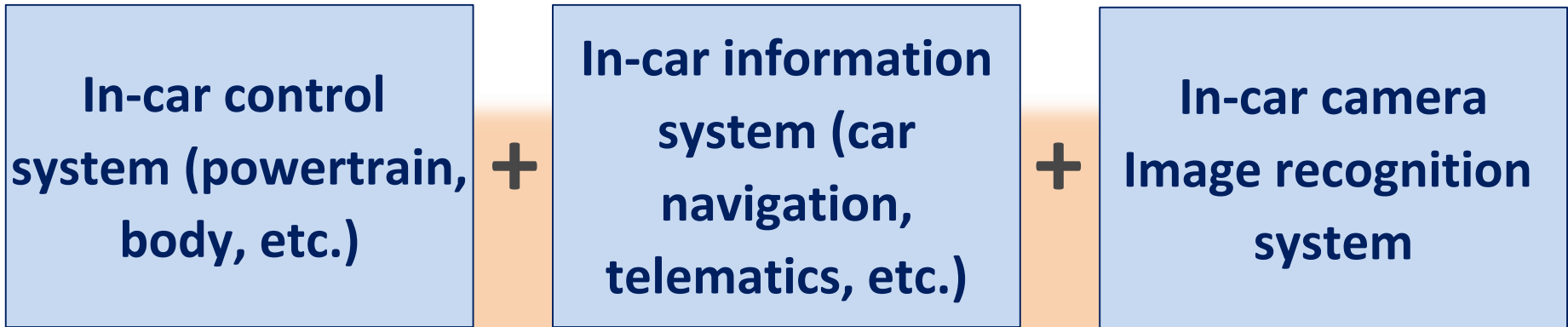
Vehicles

◆ Progress of medium- to long-term Smart-C efforts

- Energy-conserving and renewable-energy efforts since 3.11
- Progress of separating electrical power production from power distribution/transmission



Environment
/Energy



Establishing the new Automotive System Business Division

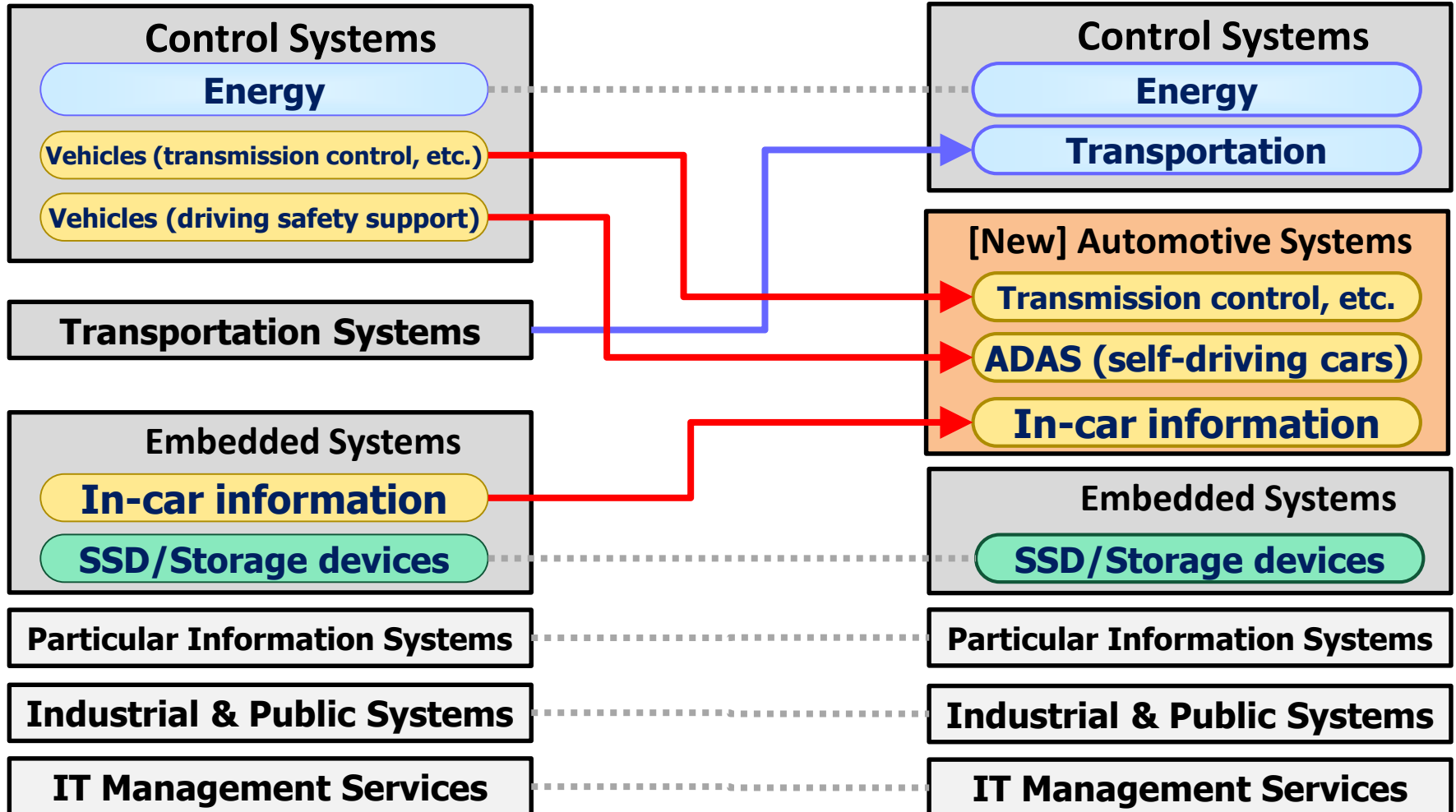
We will aim to help customers strengthen their presence by leveraging our extensive automobile-related technologies.

In the future, we will further concentrate our efforts towards self-driving cars

Changes to Segments

Year ended
May 31,2016

Year ending
May 31,2017



*ADAS (Advanced Driving Assistant System)

1. Focus efforts on the next core businesses

Time is still required for developing Japan's IoT and environment/energy fields

◆ Spread of industrial Internet

The U.S. General Electric Company's (GE) strategy is to bolster competitiveness in aiming to achieve a service that "repairs before breakdown" by connecting via the Internet equipment



IoT

◆ Progress of medium- to long-term Smart-C efforts

- Energy-conserving and renewable-energy efforts since 3.11
- Progress of separating electrical power production from power distribution/transmission



Environment
/Energy

- 1) Researching where business opportunities exist
- 2) Accumulating practical experience, even for small projects
- 3) Ascertaining which technologies are required and proactively acquiring them in advance

Background

- Expanding into overseas markets is a must since the domestic market is saturated
- The social infrastructure is emphasizing overseas exports publicly and privately (in all aspects)
- Clients must also be able to compete globally



- Continue to expand overseas together with clients
- Learn about global standards, functional safety, etc., to compete overseas
- Promote packaging and offshoring
- Acquire skills to be able to conduct business directly with overseas companies (Skills to read/write business and technical documents rather than English conversation)

Efforts on the Year Ending May 31, 2017 –6

Plow deep into and expand existing fields

Initiatives in Period 50

- 1) Expanding transactions with existing customers
 - Expanding transactions, such as proposals for the overall success of customers' projects

- 2) Developing new customers based on our fields of expertise and the technologies that are our strengths
 - It is important to develop more new customers exactly when our main businesses are secure
 - We must constantly develop new customers because of short lifecycles for embedded products in particular

- 3) After acquiring a customer, we will expand the scale aiming towards our next core businesses
 - We will aim to expand to the BU scale, even when starting with small projects

Vision of the 4th Medium-Term Business Plan

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



Basic Policy of the 4th Medium-Term Business Plan

1. Focus efforts on the next core businesses
 - (1) Invest in IoT, vehicles, and environment/energy
 - (2) Accommodate clients' overseas expansion
 - (3) Plow deep into and expand existing fields
2. Invest in human resources as a priority
3. Restructure efforts on T-SES

2. Invest in human resources as a priority

Policy on Investing in Human Resources as a Priority (Continuing Objectives from Period 49)

[Recruitment]

- New graduates and mid-career hires must together account for 10% of all employees
⇒ 40 new graduates → 50 in the last fiscal year,
10 mid-career hires → 15 in the last fiscal year
- Employ 30% of mid-career hires at the Head Office (employment expenses are borne by the Head Office), where they are members of business divisions
⇒ Employment by the Head Office focuses on young employees with some job experience and advanced technicians
- Strengthen the recruiter system and adopt/implement a new recruiting method

[Education]

- Double the amount of the current education-related costs (Invest roughly 3.5% of sales)
- Aim to conduct an average of 50 hours of education per year for each person in business divisions (In the past, the average was 25 hours per person)

Vision of the 4th Medium-Term Business Plan

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



Basic Policy of the 4th Medium-Term Business Plan

1. Focus efforts on the next core businesses
 - (1) Invest in IoT, vehicles, and environment/energy
 - (2) Accommodate clients' overseas expansion
 - (3) Plow deep into and expand existing fields
2. Invest in human resources as a priority
3. Restructure efforts on T-SES



3. Restructure efforts on T-SES

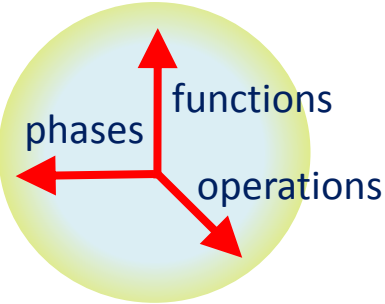
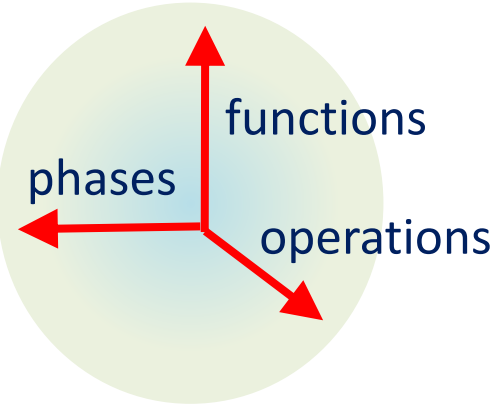
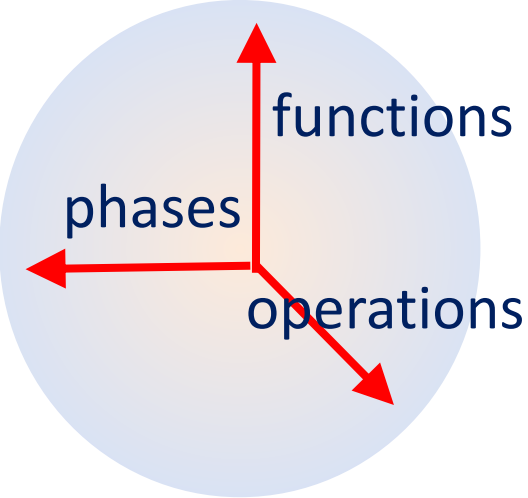
(1) Redefine T-SES

To guide clients (or end users) in making proper decisions on specifications and undertake everything consistently until completion after such decisions are made, in accordance with the knowledge JPD itself has.

(2) Reconstruct initiatives

- (1) Set a T-SES target field for each business unit (BU) and clarify the stance to be taken upon achieving it.**
- (2) Set the 3 axes of functions, phases, and operations to be attained each fiscal year in the current medium-term business plan as well as the scope of control of each.**
- (3) Determine specific actions for achievement and the method of measuring the outcome.**
- (4) Operate the PDS cycle in accordance with the plan.**

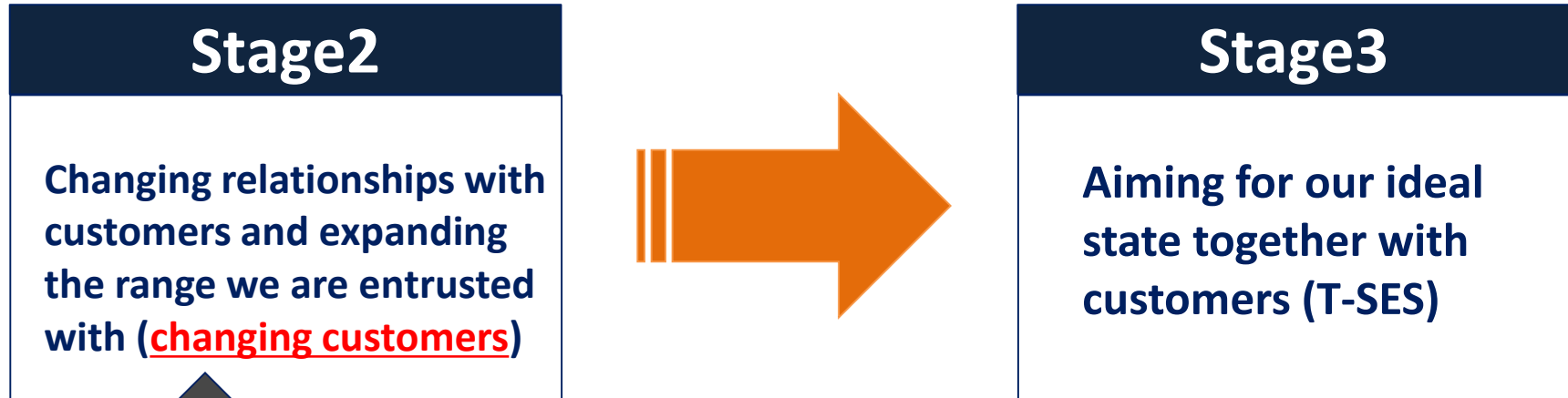
3. Restructure efforts on T-SES

Stage1	Stage2	Stage3
<p>Expansion in the given environment (self-change) Developing abilities and building trust</p> 	<p>Changing relationships with customers and expanding the range we are entrusted with (changing customers)</p> 	<p>Aiming for our ideal state together with customers (T-SES)</p> 

Expanding the control range for each of the three axes (passive state → state of autonomously carrying things through)

3. Restructure efforts on T-SES

From Stage2 to Stage3



[Transportation Systems]

- Several tracking control systems are successful, but issues are evident. We will propose improvement measures to customers.

[Particular Information Systems]

- We will propose frameworks for object-oriented designs in next-period development projects. Customers will decide whether to adopt them.

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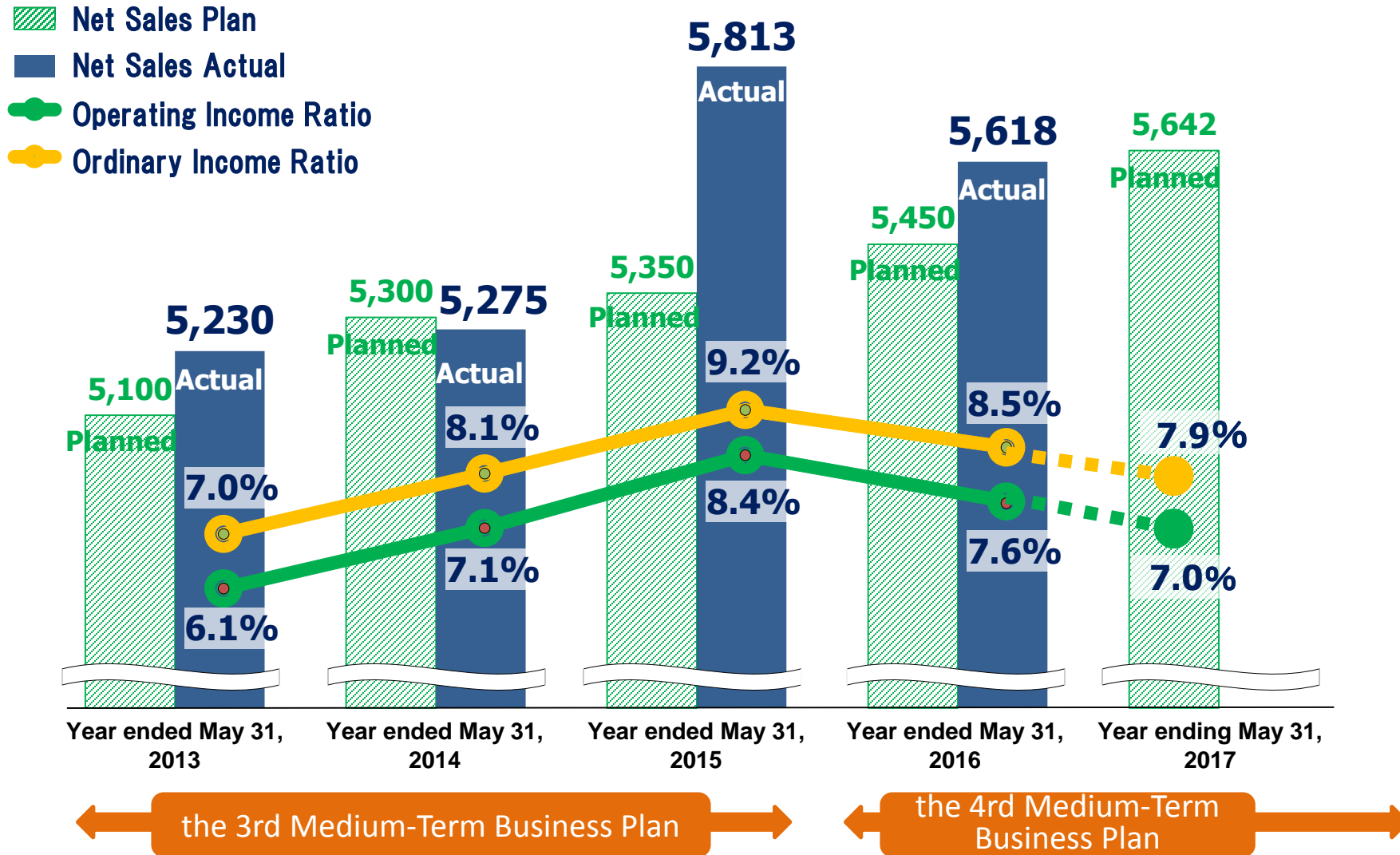
Planned Numerical Consolidated Targets for the Year Ending May 31, 2017

Unit: In Millions of Yen

	Year ended May 31, 2016 [Actual]	Year ending May 31, 2017 [Plan]	Change (Percentage of Change)
Net Sales	5,618	5,642	+23 (+0.4%)
Operating Income (Income Ratio)	425 (7.6%)	393 (7.0%)	-32 (-7.7%)
Ordinary Income (Income Ratio)	479 (8.5%)	446 (7.9%)	-33 (-7.0%)
Current Net Income (Income Ratio)	304 (5.4%)	296 (5.2%)	-8 (-2.9%)

Trend in Consolidated Figures

Unit: In Millions of Yen



We will contribute to safety, security, comfort and convenience in the social infrastructure field.

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