



[Securities code : 9651]

Japan Process Development Co., Ltd.

Financial Results Briefing

Financial Results for the Second Quarter (Accumulated Period) of the Year Ending May 31, 2017



January 18, 2017

1. Consolidated Financial Results for the Second
Quarter of the Year Ending May 31, 2017

2. Forecast for the Year Ending May 31, 2017

3. Progress of the 4th Medium-Term Business Plan

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Second Quarter of the Year Ending May 31, 2017

Outline of Consolidated Financial Results



Unit: Millions of yen

	Plan	Against plan	Actual	Year-on- year	Previous year
Net Sales	2,527	-117 -4.7%	2,409	-365 -13.2%	2,775
Operating Income (Income ratio)	115 (4.6%)	+13 +11.7%	128 (5.3%)	-118 -48.1%	247 (8.9%)
Ordinary Income (Income ratio)	142 (5.6%)	+8 +6.1%	150 (6.3%)	-119 -44.2%	269 (9.7%)
Net Income of the Quarter (Income ratio)	92 (3.6%)	+4 +5.3%	96 (4.0%)	-78 -44.7%	175 (6.3%)

Second Quarter of the Year Ending May 31, 2017

Overview of Consolidated Financial Results - 1



JAPAN PROCESS
DEVELOPMENT CO.,LTD.

Net Sales

- ¥365M YOY (- 13.2%)

Net sales decreased company-wide YOY due to factors including a trend of concentrated sales in the second half, a return to normal levels in model development for in-car information systems, and the termination of some development in Particular Information Systems

Operating Income

- ¥118M YOY (- 48.1%)

While operating income decreased due to the drop in net sales YOY, it was up against the plan thanks to factors including the early introduction of new employee and reduced outsourcing costs

Ordinary Income

- ¥119M YOY (- 44.2%)

Decreased due to reduced operating income

Net Income of the Quarter

- ¥78M YOY (- 44.7%)

Decreased due to reduced Ordinary income

Second Quarter of the Year Ending May 31, 2017

Overview of Consolidated Financial Results - 2



JAPAN PROCESS
DEVELOPMENT CO.,LTD.

[Major topics]

- Acceptance inspections of contracted development in Control Systems related to transportation and Particular Information Systems were concentrated during the second half
- The securing of resources and technology shifts in Automotive Systems didn't progress according to plans
- Entered the construction machinery IoT field and medical equipment development markets
- We have joined specialist associations and conventions (including security) and are continuously gathering information and implementing working group activities
- While focused investments were made in human resources for the acquisition of pioneering technology, etc, plans were not achieved



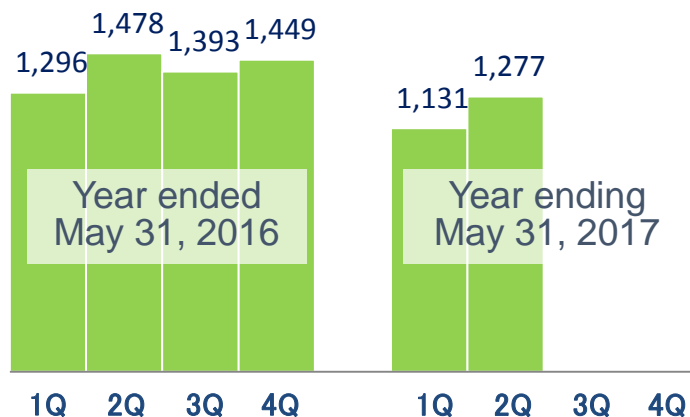
[Major topics]

- There are plans to continue donating approximately 1% of after-tax income to the following two organizations as part of CSR efforts
 - The SBI Children's Hope Foundation
 - Japan Center for Conflict Prevention
- Created framework for advance checks so that employees don't suffer from overwork, and strengthened coordination with industrial physicians
- Considering shifting from a one-member outside director structure to a two-member outside director structure (Two-member structure for independent officers)

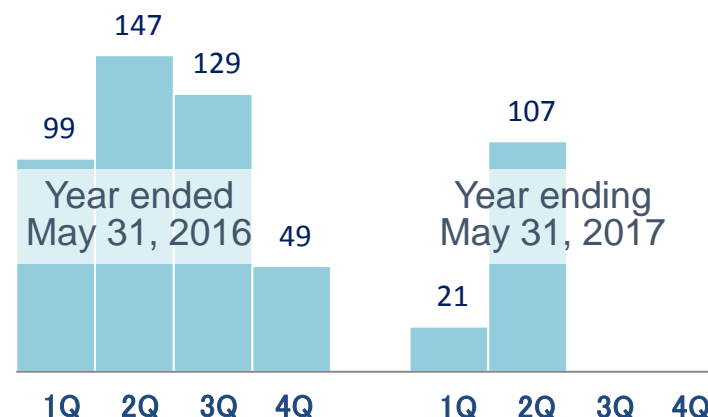
Overview of Consolidated Financial Results (Performance Trend by Quarter)

Unit: Millions of yen

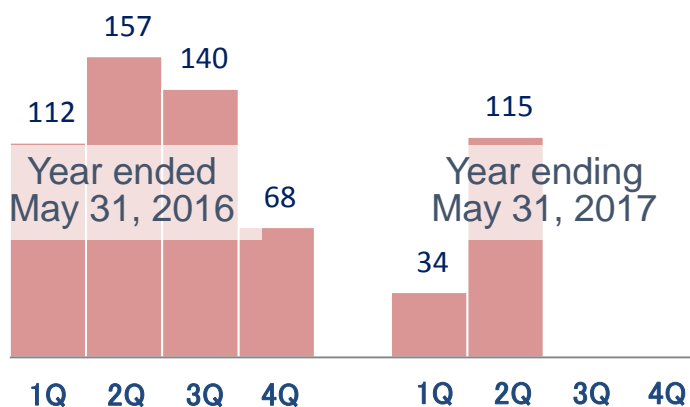
Net Sales



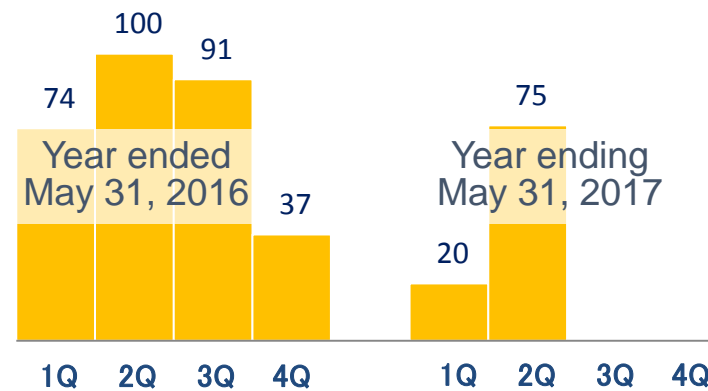
Operating Income



Ordinary Income



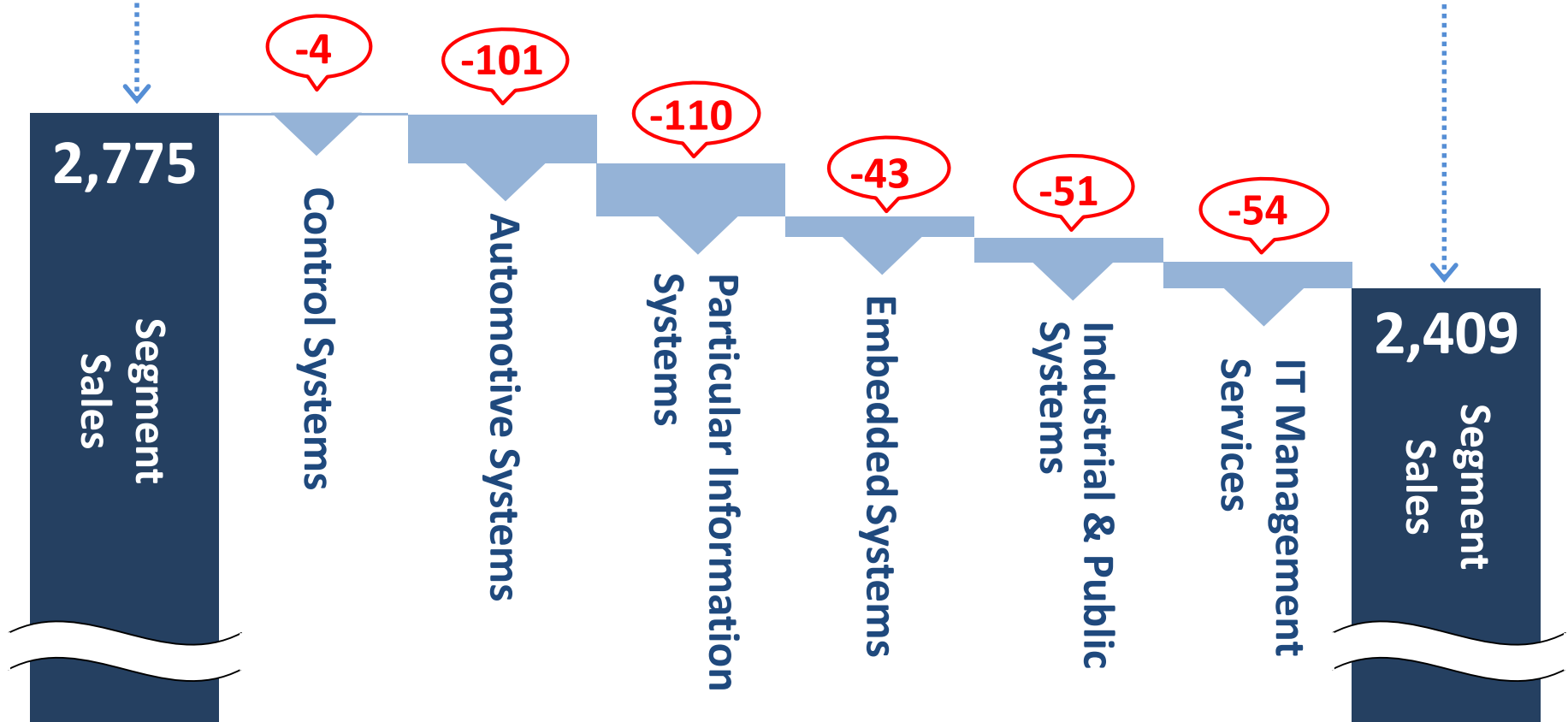
Current Net Income



Changes in sales by segment for the Second Quarter of the Year Ending May 31, 2017

Unit: Millions of yen

Decrease of 365 Million yen (-13.2% YOY)



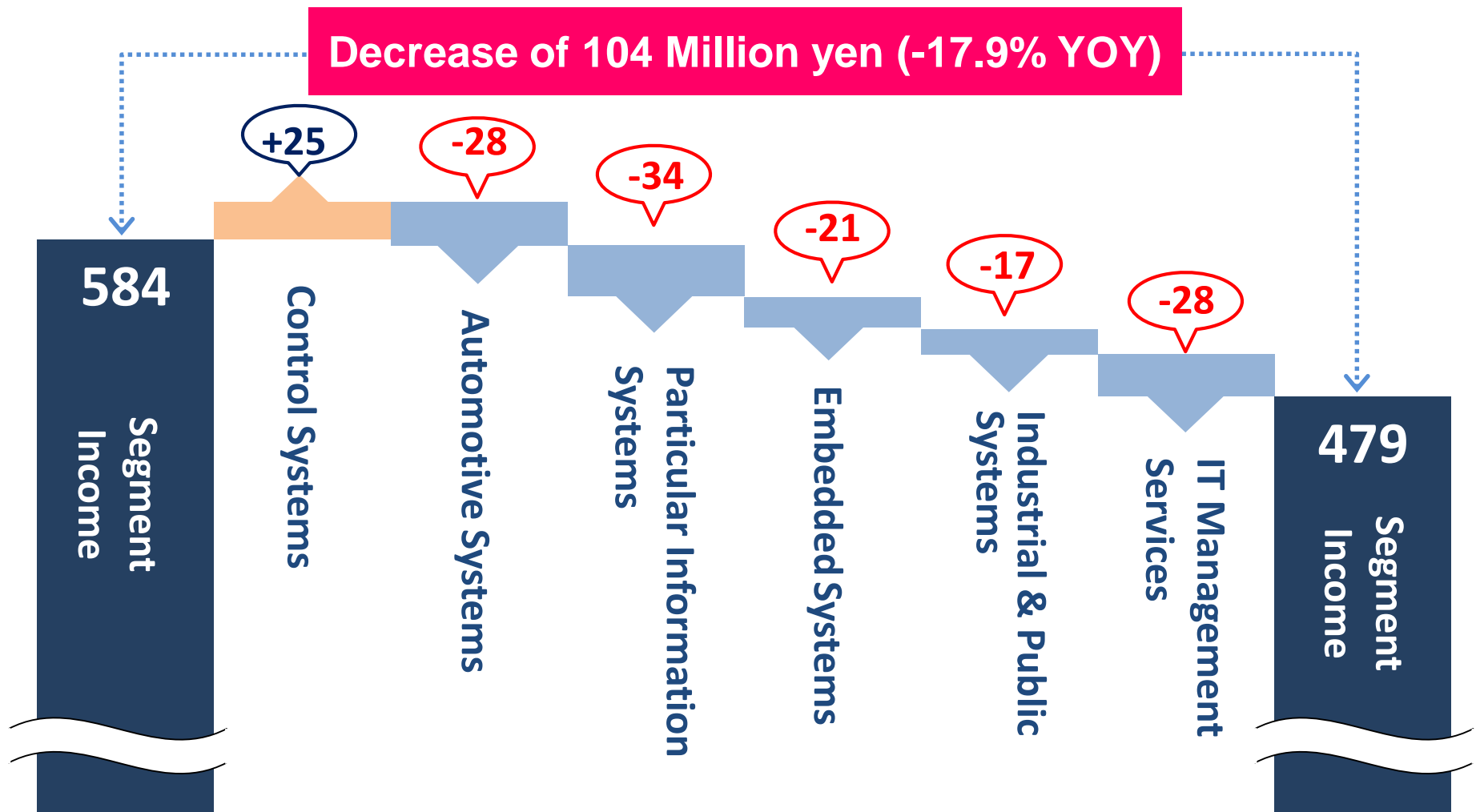
Second Quarter of the Year
Ended May 31, 2016

Second Quarter of the Year
Ending May 31, 2017

Changes in profits by segment for the Second Quarter of the Year Ending May 31, 2017

Unit: Millions of yen

Decrease of 104 Million yen (-17.9% YOY)



Second Quarter of the Year Ended May 31, 2016

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

Second Quarter of the Year Ending May 31, 2017

(1) Segment information for the Second Quarter of the Year Ending May 31, 2017

Control Systems

- In energy-related systems, while there was less power plant monitoring control work, as work increased for wide area power systems, both sales and profits increased
- In transportation-related systems, while there was an over-concentration of multiple projects in conventional line traffic management systems, sales decreased as acceptance inspections were concentrated starting from 3Q, and the income ratio recovered with progress in quality improvements

Unit: Millions of yen

Business Segment		Second Quarter Year Ended May 31, 2016 (Income Ratio)	Second Quarter Year Ending May 31, 2017 (Income Ratio)	Change (Percentage of change)
Control Systems	Net Sales	394	389	-4 (-1.2%)
	Income	71 (18.1%)	97 (24.9%)	+25 (+36.1%)

*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, 2017

Automotive Systems

- In in-car information systems, there was a significant decrease in model development as it returned to normal levels
- While there was progress in developing partners, more time than planned was required for employee technology shifts
- Expansion into new fields delayed due to customer circumstances, operating ratio worsened

Unit: Millions of yen

Business Segment		Second Quarter Year Ended May 31, 2016 (Income Ratio)	Second Quarter Year Ending May 31, 2017 (Income Ratio)	Change (Percentage of change)
Automotive Systems	Net Sales	646	544	-101 (-15.7%)
	Income	119 (18.6%)	91 (16.7%)	-28 (-24.0%)

*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, 2017

Particular Information Systems

- In risk management-related systems, acceptance inspections for large-scale projects were concentrated from 3Q, and the structure contracted as the development phase ended for some projects
- Geographical information will be unchanged
- Image analysis systems in the ADAS field performed strongly

Unit: Millions of yen

Business Segment		Second Quarter Year Ended May 31, 2016 (Income Ratio)	Second Quarter Year Ending May 31, 2017 (Income Ratio)	Change (Percentage of change)
Particular Information Systems	Net Sales	264	153	-110 (-41.8%)
	Income	56 (21.3%)	21 (14.2%)	-34 (-61.2%)

*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, 2017

Embedded Systems

- Storage server structure contracted as work volume decreased
- In storage devices, while SSD for companies were strong, work volume decreased in HDD development
- Infrastructure system development in the ADAS field was strong
- New orders received for medical equipment development

*SSD: Solid State Drive HDD: Hard Disk Drive

Unit: Millions of yen

Business Segment		Second Quarter Year Ended May 31, 2016 (Income Ratio)	Second Quarter Year Ending May 31, 2017 (Income Ratio)	Change (Percentage of change)
Embedded Systems	Net Sales	323	279	-43 (-13.4%)
	Income	74 (23.2%)	53 (19.1%)	-21 (-28.5%)

*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, 2017

Industrial & Public Information Systems

- Station service equipment development and IC card development were strong
- Structure contracted for Quasi-Zenith Satellite System in the test phase
- Maintenance phase continued for sports related and convenience store related systems
- Engineering services for railroad subsidiaries decreased

Unit: Millions of yen

Business Segment		Second Quarter Year Ended May 31, 2016 (Income Ratio)	Second Quarter Year Ending May 31, 2017 (Income Ratio)	Change (Percentage of change)
Industrial & Public Information Systems	Net Sales	634	582	-51 (-8.2%)
	Income	159 (25.1%)	141 (24.3%)	-17 (-10.9%)

*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, 2017

IT Management Services

- Strategically moved from validation services to architecture services
- Strong areas in architecture services included JP1 architecture and monitoring automation
- The maintenance/operation services structure expanded with the peaking of renovation of in-house information systems
- Accounting systems contracted with the progress of internal production by customers

Unit: Millions of yen

Business Segment		Second Quarter Year Ended May 31, 2016 (Income Ratio)	Second Quarter Year Ending May 31, 2017 (Income Ratio)	Change (Percentage of change)
IT Management Services	Net Sales	512	458	-54 (-10.6%)
	Income	102 (20.0%)	73 (16.1%)	-28 (-27.8%)

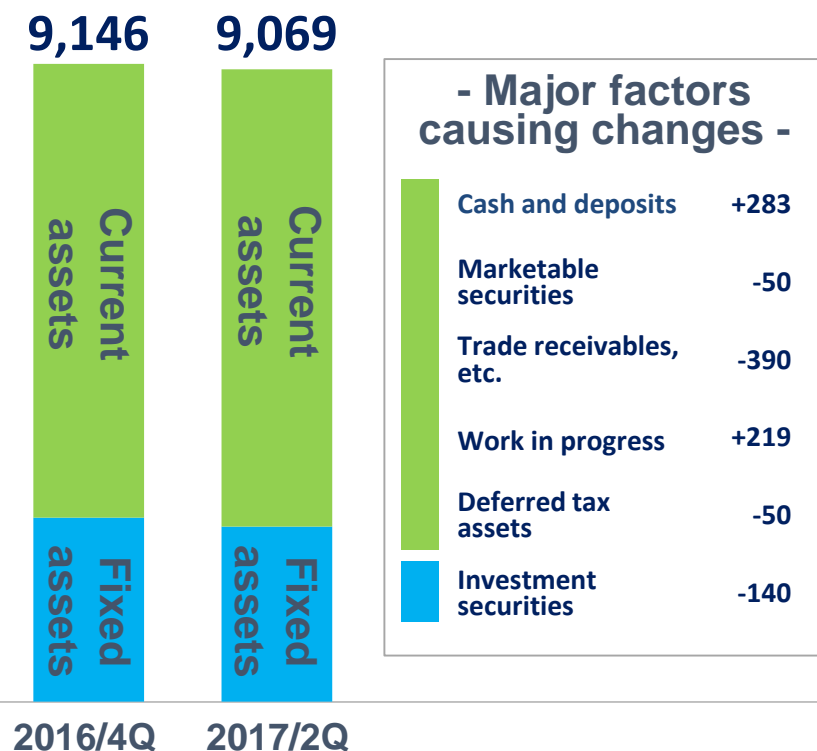
*Segment income does not include corporate expenses that have not been allocated to the segments.

Consolidated financial statements

Unit: Millions of yen

Assets

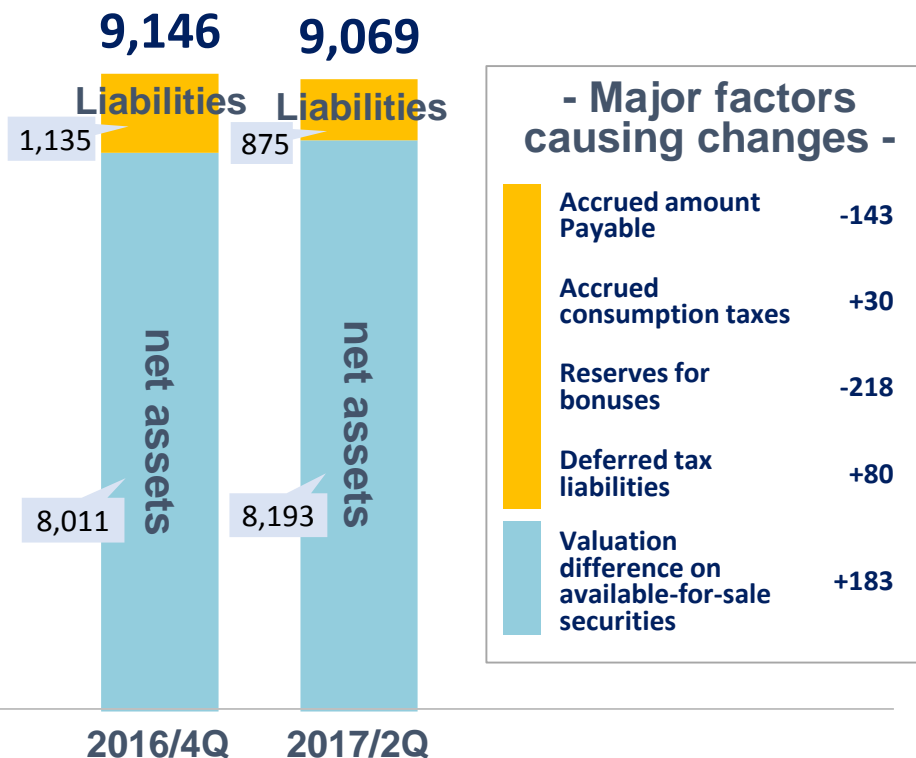
Assets : Decrease of 77 Million yen



Total liabilities and net assets

Liabilities : Decrease of 259 Million yen

Net assets : Increase of 181 Million yen



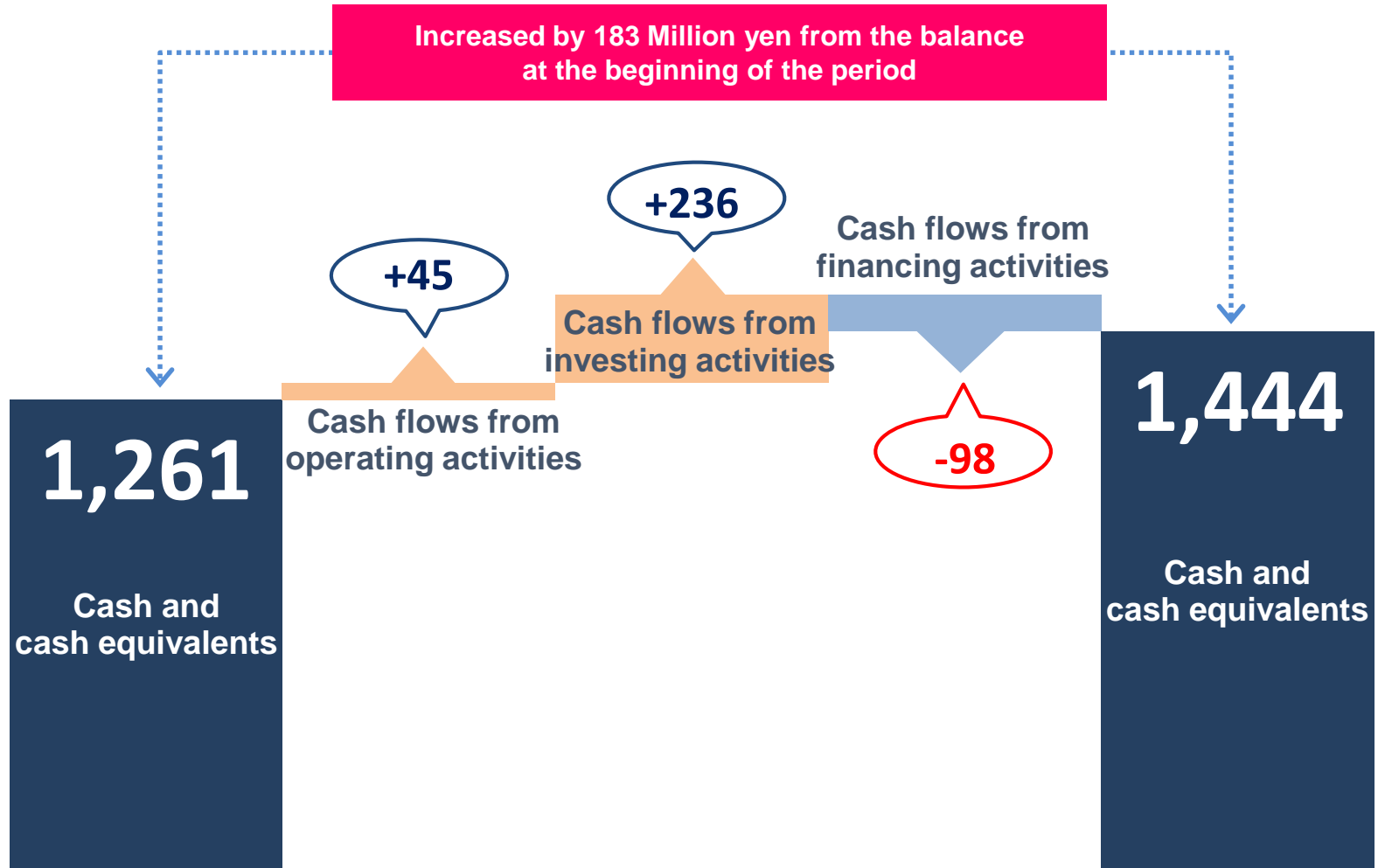
Financial Indicators (Other)

	Year ended May 31, 2016	Second Quarter Year Ending May 31, 2017	(Reference) Second Quarter Year Ended May 31, 2016
Net Assets	¥8,011M	¥8,193M	¥7,958M
Net Assets per Share	¥1,627.58	¥1,664.48	¥1,616.81
Net Income per Share	¥61.94	¥19.68	¥35.55
Capital-to-assets Ratio	87.6%	90.3%	90.4%
Treasury Shares	822,634 shares	822,634 shares	822,634 shares
No. of employees	550	533	545

Second Quarter of the Year Ending May 31, 2017

Consolidated Cash Flows

Unit: Millions of yen

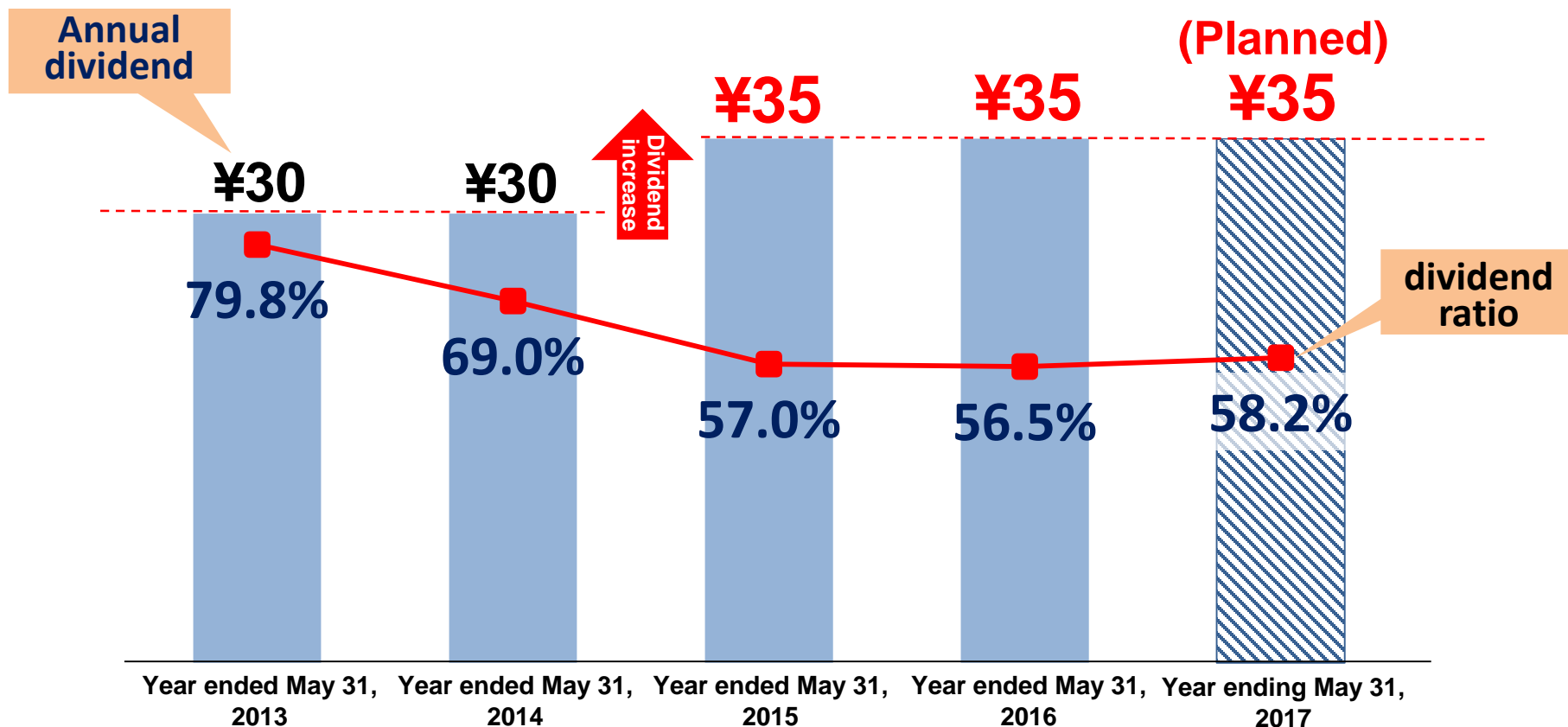


At beginning of period

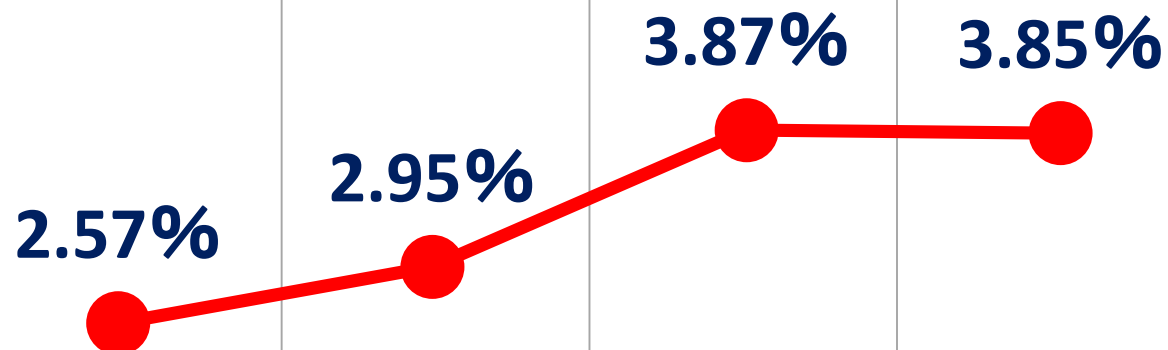
At end of the Second quarter

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 Second
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2. Forecast for the Year Ending May 31, 2017

3. Progress of the 4th Medium-Term Business Plan



◆ Control Systems

- In the energy field, work volume will decrease for wide area power systems, focus on getting orders for energy management system
- Acceptance inspection of conventional line contract work in the transportation field will be concentrated during the second half, secure sales and profits while prioritizing quality

◆ Automotive Systems

- In in-car control systems, work volume will continue to increase for CVT control
- Operating ratio will recover with progress in technology shifts
- Start utilization of IPD Dalian (onsite, offshore)
- Start of development in ADAS new fields that were delayed
- Focus on securing further partners

◆ Particular Information Systems

- Acceptance inspection of risk management contracted projects will be concentrated during the second half
- Geographical information will be unchanged
- In-car camera image recognition systems in the ADAS field will be strong
- Same level of sales and profits as the previous year will be secured for Particular Information Systems overall

◆ Embedded Systems

- Customer budgets will experience a recovery trend in storage servers
- Aim for the expansion of construction machinery IoT projects through the steady pursuit of development
- Aim for the expansion of medical equipment development through new product development
- In-car camera infrastructure systems in the ADAS field will be strong



◆ Industrial & Public Information Systems

- While there will be contraction for the Quasi-Zenith Satellite System in the maintenance phase, we will shift to next-generation large projects
- While engineering services for railroad subsidiaries will be flat, joint development in contracted projects with other companies will be commenced
- IC card development will be strong, and other services will remain flat

◆ IT Management Services

- Validation services will be unchanged
- While architecture services will be strong, securing resources will be an issue
- While some areas of maintenance and operations services will peak-out, performance will remain stable YOY as a shift is made to other projects

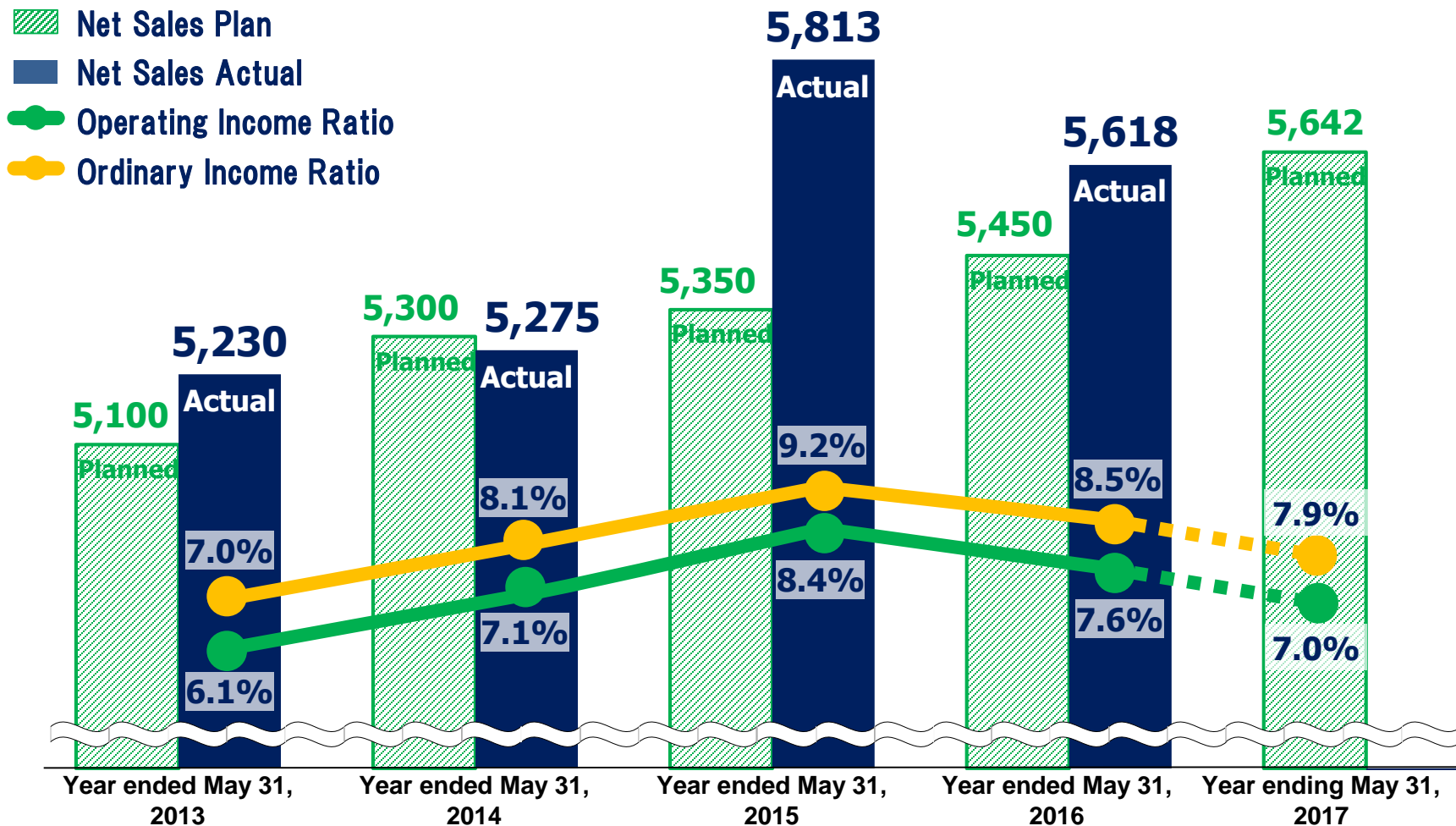
Planned Numerical Consolidated Targets for the Year Ending May 31, 2017

Unit: 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: Millions of yen



the 3rd Medium-Term Business Plan

the 4th Medium-Term Business Plan

1. Consolidated Financial Results for the Second
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3. Progress of the 4th Medium-Term Business Plan

Progress of the 4th Medium-Term Business Plan (1)

**Vision of the 4th Medium-Term Business Plan
(From Year ended May 31, 2016 To Year ending May 31, 2018)**

**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 vehicles, IoT, 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**

1. Focus efforts on the next core businesses

◆ 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

Progress of the 4th Medium-Term Business Plan (3)

1. Focus efforts on the next core businesses

1) Vehicles

- Focused on device development that will be important for ADAS as a strategic field
- Endeavored to shift to strategic fields by using outsourced personnel for simple technology areas and employees for advanced technology areas
- Further promoted the development of partners and the utilization of IPD Dalian

2) IoT

- Participated in replacement projects for large-scale construction machinery manufacturers, and aimed to leverage strong technologies in each segment for expansion company-wide

3) Environment/Energy

- Commenced with energy management systems, and aimed for expansion in related environment and energy fields

Progress of the 4th Medium-Term Business Plan (4)

2. Invest in human resources as a priority

- Focused on human resources with twice as many hours of education and education costs as in the past as a target
- While the target for hours of education was not achieved, there was a significant increase
- Education cost fell below the target due in part to efforts such as the use of internal experts as instructors rather than external instructors

3. Restructure efforts on T-SES

- In the transportation field, a full-fledged start aimed at T-SES will be made from the next fiscal year as issues are being shared with customers to advance T-SES and 7 lines will be converged and under development during the current fiscal year
- In station service equipment development, progress made in the expansion of phases and function scope

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.

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