



[Securities code : 9651]

Japan Process Development Co., Ltd.

Financial Results Briefing

Year Ended May 31, 2017



July 21, 2017

C o n t e n t s

1. Consolidated Financial Results for the Year Ended May 31, 2017

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

3. Forecast for the Year Ending May 31, 2018

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Outline of the Consolidated Financial Results for the Year Ended May 31, 2017



Unit: In Millions of Yen

	Plan	Against plan	Actual	Year-on-year	Previous year
Net Sales	5,642	-74 -1.3%	5,567	-51 -0.9%	5,618
Operating Income (Income Ratio)	393 (7.0%)	+14 +3.8%	407 (7.3%)	-18 -4.2%	425 (7.6%)
Ordinary Income (Income Ratio)	446 (7.9%)	+18 +4.1%	464 (8.3%)	-14 -3.1%	479 (8.5%)
Current Net Income (Income Ratio)	296 (5.2%)	+10 +3.5%	306 (5.5%)	+1 +0.4%	304 (5.4%)

Overview of the Consolidated Financial Results for the Year Ended May 31, 2017 – 1



Net Sales

-¥51M YOY (-0.9%)

Decreased as IT Management Services operations contracted significantly, despite good performance in Industrial & Public Systems and Control Systems

Operating Income

-¥18M YOY (-4.2%)

Major improvements from eliminating quality defects in the transportation field within Control Systems could not offset the decrease in IT services

Ordinary Income

-¥14M YOY (-3.1%)

Decreased due to reduced operating income

Current Net Income

+¥1M YOY (+0.4%)

Increased slightly due to reduced expenses such as corporate tax

Overview of the Consolidated Financial Results for the Year Ended May 31, 2017 – 2

[Major topics]

- Sales and profits are concentrated more into the second half than usual since the timing of acceptance inspections for contracted jobs was concentrated into the second half
- In the new Automotive Systems segment, in-car control systems and ADAS *1 both have performed well this fiscal year despite a large decrease in in-car information systems
- Entered the construction machinery IoT field and medical equipment development markets
- For the 50th anniversary of the company we are paying a commemorative dividend of 15 yen to shareholders, and a commemorative bonus to employees
- We have joined specialist associations and conventions (including IoT security) and are continuously gathering information and implementing working group activities

*1 ADAS: Advanced Driving Assistant System

Overview of the Consolidated Financial Results for the Year Ended May 31, 2017 – 3

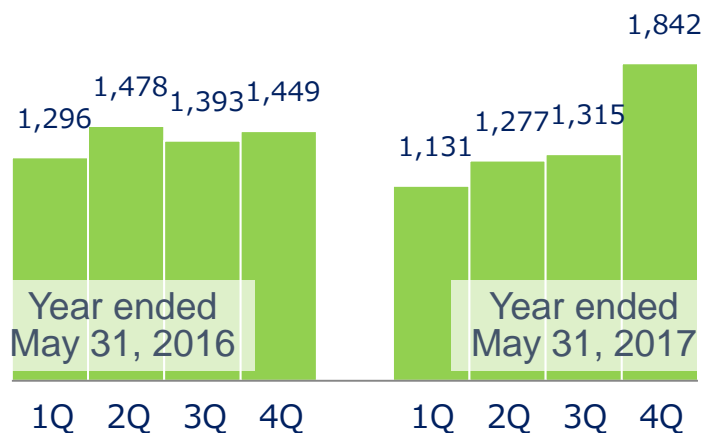
[Major topics]

- We are continually 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
- Making progress with improvements to keep employees from being overworked, creating a framework for advance checks and strengthening coordination with industrial physicians
- Moving forward with preparations to shift from one outside director to two (We currently have two independent officers)

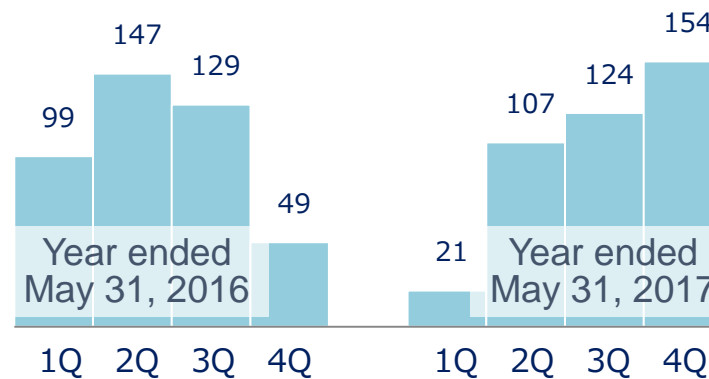
Overview of Consolidated Financial Results (Performance Trend by Quarter)

Unit: In Millions of Yen

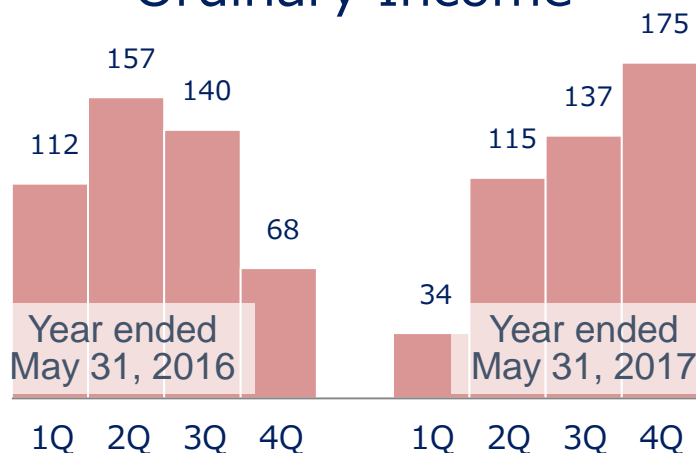
Net Sales



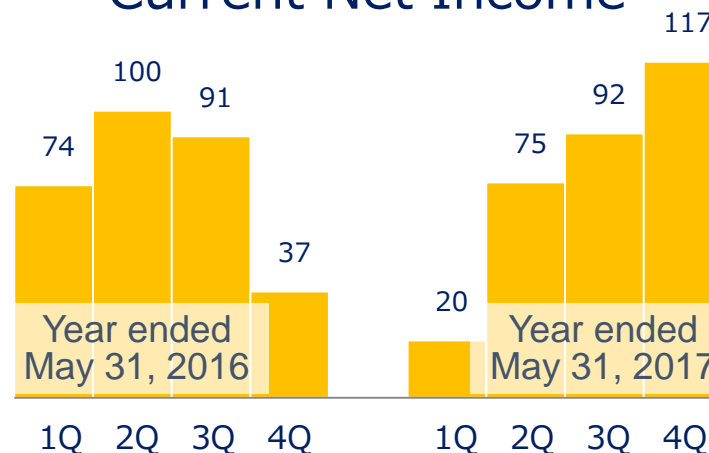
Operating Income



Ordinary Income



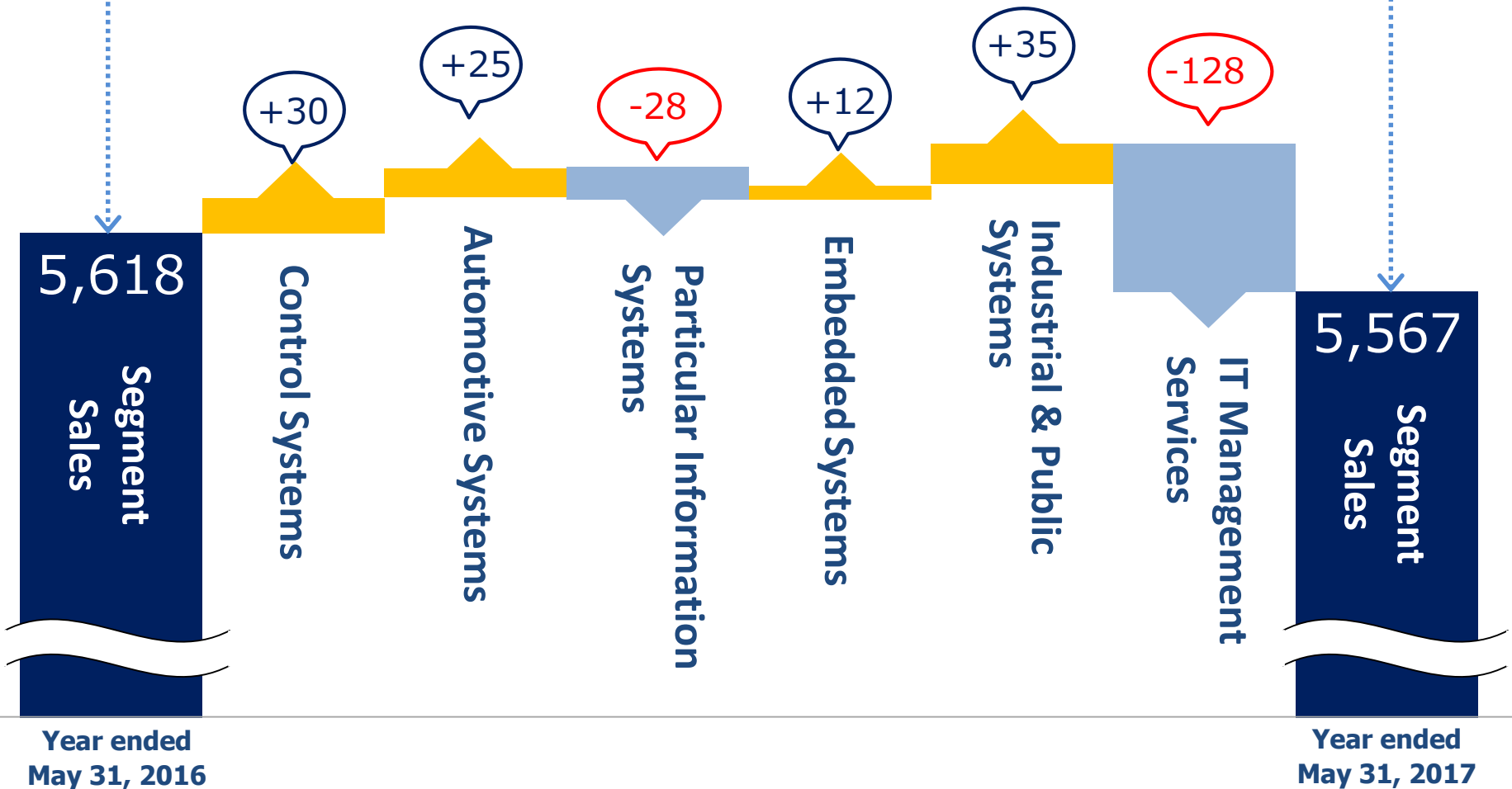
Current Net Income



Changes in Sales by Segment in the Year Ended May 31, 2017

Unit: In Millions of Yen

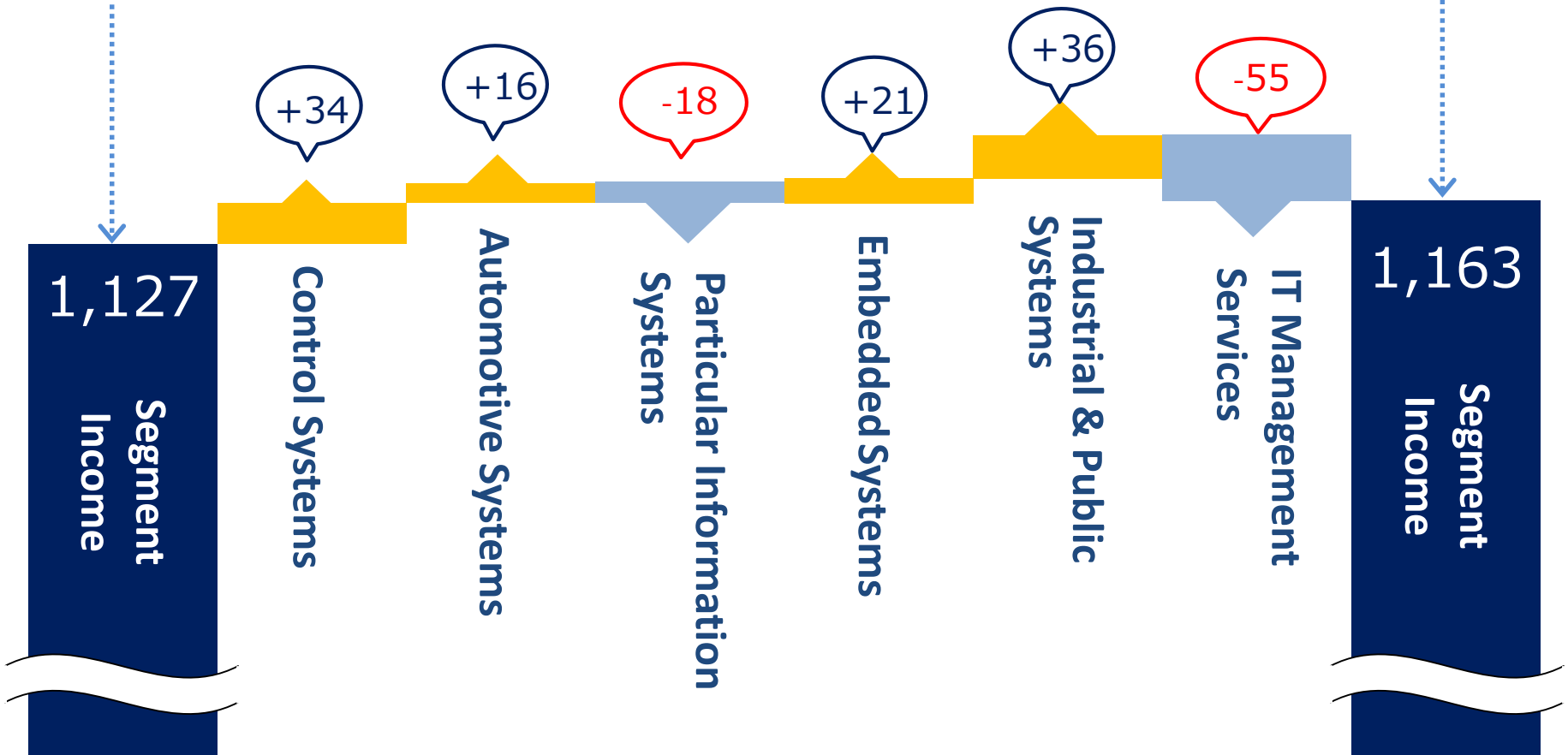
Decrease of 51 million yen (-0.9% YOY)



Changes in Profits by Segment in the Year Ended May 31, 2017

Unit: In Millions of Yen

Increase of 35 Million yen (+3.2% YOY)



Year ended
May 31, 2016

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

Year ended
May 31, 2017

Performance by Segment for Year Ended May 31, 2017 -1

Control Systems

- In energy-related systems there was less work in monitoring of power plant controls, but more work in the wide area power systems field
- In transportation related systems, there was a high concentration of multiple contracted jobs for conventional line traffic management, but quality, cost, and delivery timing were all favorable, boosting 4Q figures. Income ratio recovered thanks to elimination of quality defects

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2016 (Income Ratio)	Year ended May 31, 2017 (Income Ratio)	Change (Percentage of change)
Control Systems	Net Sales	934	965	+30 (+3.3%)
	Income	194 (20.8%)	229 (23.8%)	+34 (+17.9%)

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

Performance by Segment for Year Ended May 31, 2017 -2

Automotive Systems

- In-car information systems declined significantly as there was a convergence in development for model types
- For in-car control, engine control and transmission control both performed well
- ADAS showed strong performance, advancing from in-car cameras to in-car network control
- Began doing business with new clients in the ADAS field

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2016 (Income Ratio)	Year ended May 31, 2017 (Income Ratio)	Change (Percentage of change)
Automotive Systems	Net Sales	1,282	1,308	+25 (+2.0%)
	Income	232 (18.1%)	249 (19.0%)	+16 (+7.2%)

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

Performance by Segment for Year Ended May 31, 2017 -3

Particular Information Systems

- Risk management systems operations contracted significantly as the development phase ended for some projects
- Large-scale contracted jobs were completed up to unit testing, and contributed to 4Q numbers
- ADAS in car camera image recognition performed strongly

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2016 (Income Ratio)	Year ended May 31, 2017 (Income Ratio)	Change (Percentage of change)
Particular Information Systems	Net Sales	506	478	-28 (-5.5%)
	Income	101 (20.1%)	83 (17.5%)	-18 (-17.7%)

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

Performance by Segment for Year Ended May 31, 2017 -4

Embedded Systems

- In storage devices, enterprise SSDs performed well but consumer SSDs declined and there was generally no overall change
- We had overconcentration on SSDs, and are now focusing our efforts on developing new fields
- Increased business with two medical equipment manufacturers
- Started doing business with IoT construction machine manufacturers

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2016 (Income Ratio)	Year ended May 31, 2017 (Income Ratio)	Change (Percentage of change)
Embedded Systems	Net Sales	609	622	+12 (+2.1%)
	Income	124 (20.4%)	145 (23.4%)	+21 (+17.4%)

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

Performance by Segment for Year Ended May 31, 2017 -5

Industrial & Public Information Systems

- Station service equipment development and IC card development were strong
- While Quasi-Zenith Satellite Systems declined after reaching a peak, operations expanded with subsequent satellite development job orders
- In-car systems for railroad maintenance vehicles expanded
- Engineering services for railroad subsidiaries decreased

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2016 (Income Ratio)	Year ended May 31, 2017 (Income Ratio)	Change (Percentage of change)
Industrial & Public Systems	Net Sales	1,265	1,301	+35 (+2.8%)
	Income	292 (23.1%)	328 (25.2%)	+36 (+12.4%)

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

Performance by Segment for Year Ended May 31, 2017 -6

IT Management Services

- Strong areas in architecture services included JP1 architecture and monitoring automation
- In maintenance and operation services, improvements to internal information systems of clients declined after a peak, while services for telecom carriers increased
- Accounting systems operations contracted as more clients produced in-house

Unit: In Millions of Yen

Business Segment		Year ended May 31, 2016 (Income Ratio)	Year ended May 31, 2017 (Income Ratio)	Change (Percentage of change)
IT Management Services	Net Sales	1,019	890	-128 (-12.6%)
	Income	181 (17.8%)	126 (14.2%)	-55 (-30.6%)

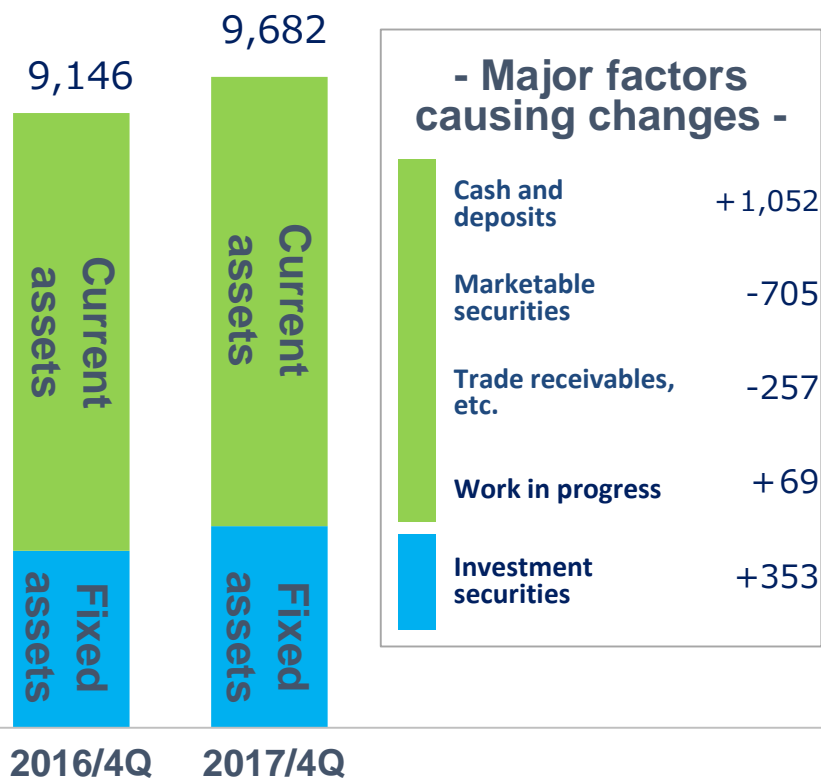
*Segment income does not include corporate expenses that have not been allocated to the segments.

Consolidated financial statements

Unit: In Millions of Yen

Assets

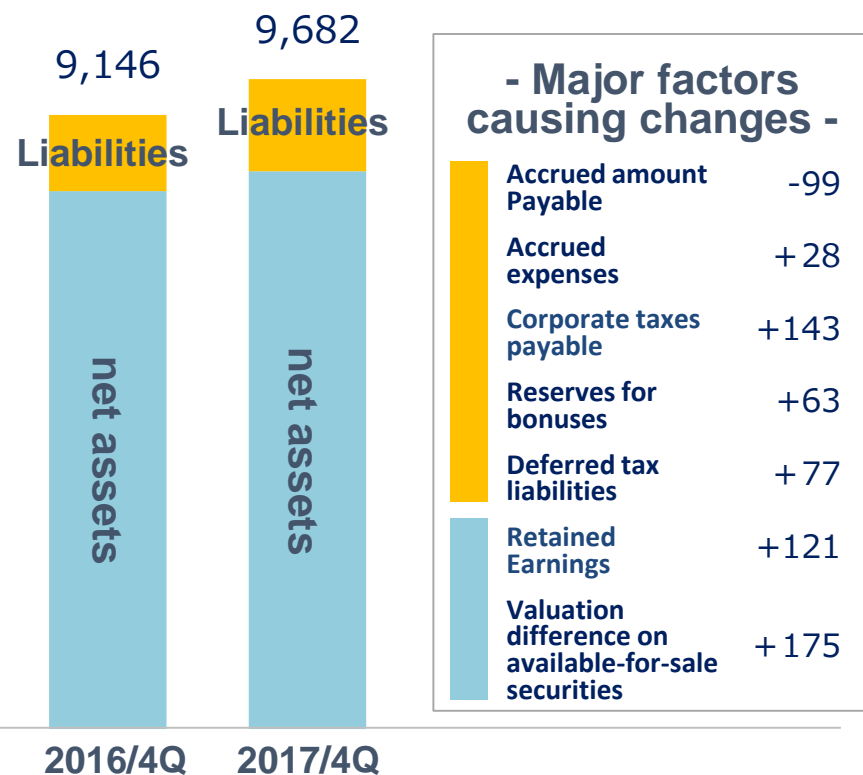
Assets: Increase of 535 Million yen



Total liabilities and net assets

Liabilities : Increase of 238 Million yen

Net assets : Increase of 296 Million yen

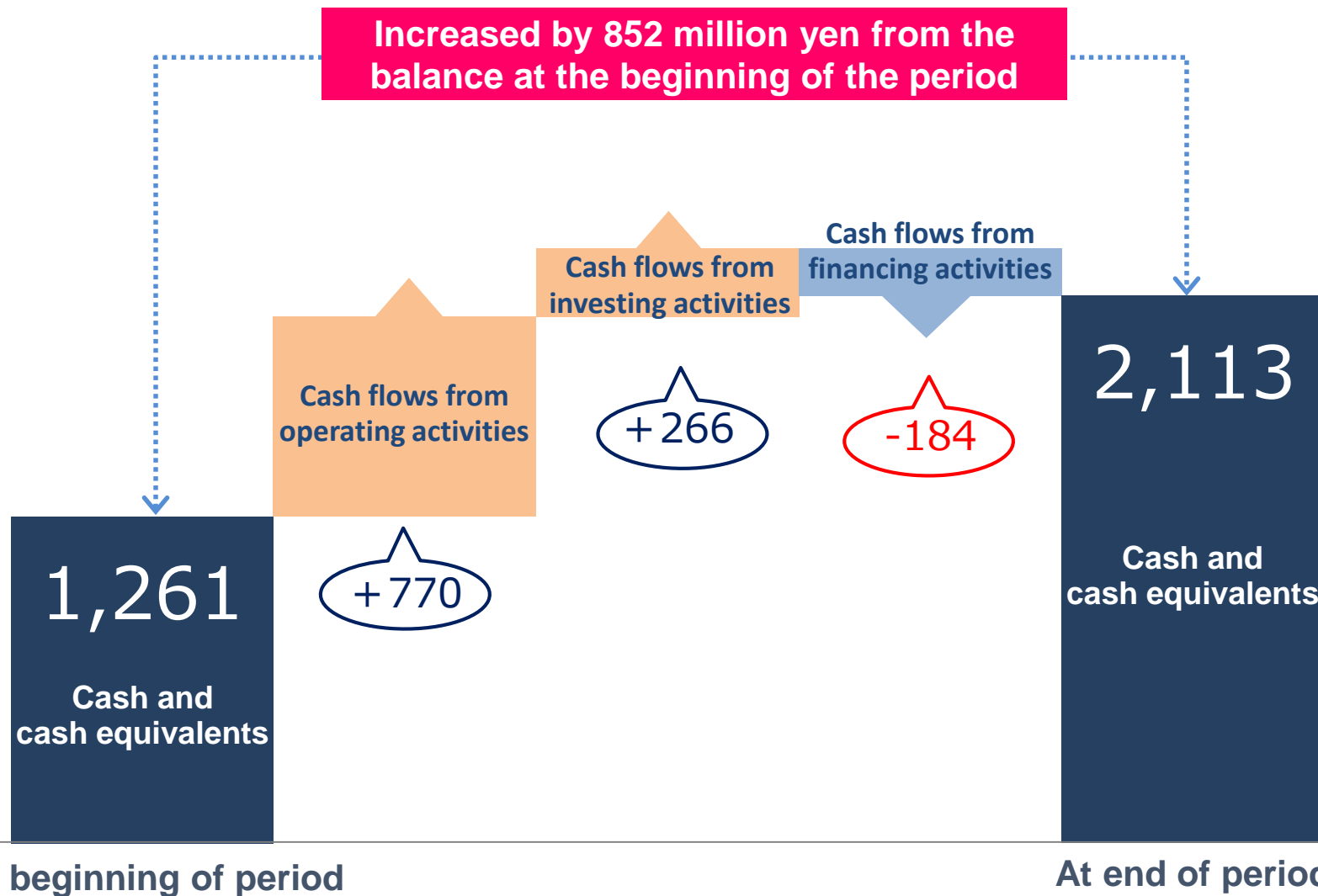


Financial Indicators (Other)

	Year ended May 31, 2016	Year ended May 31, 2017
Net Assets	¥8,011M	¥8,308M
Net Assets per Share	¥1,627.58	¥1,687.91
Net Income per Share	¥61.94	¥62.22
Capital-to-assets Ratio	87.6%	85.8%
Treasury Shares	822,634shares	822,674shares
No. of employees	550	548

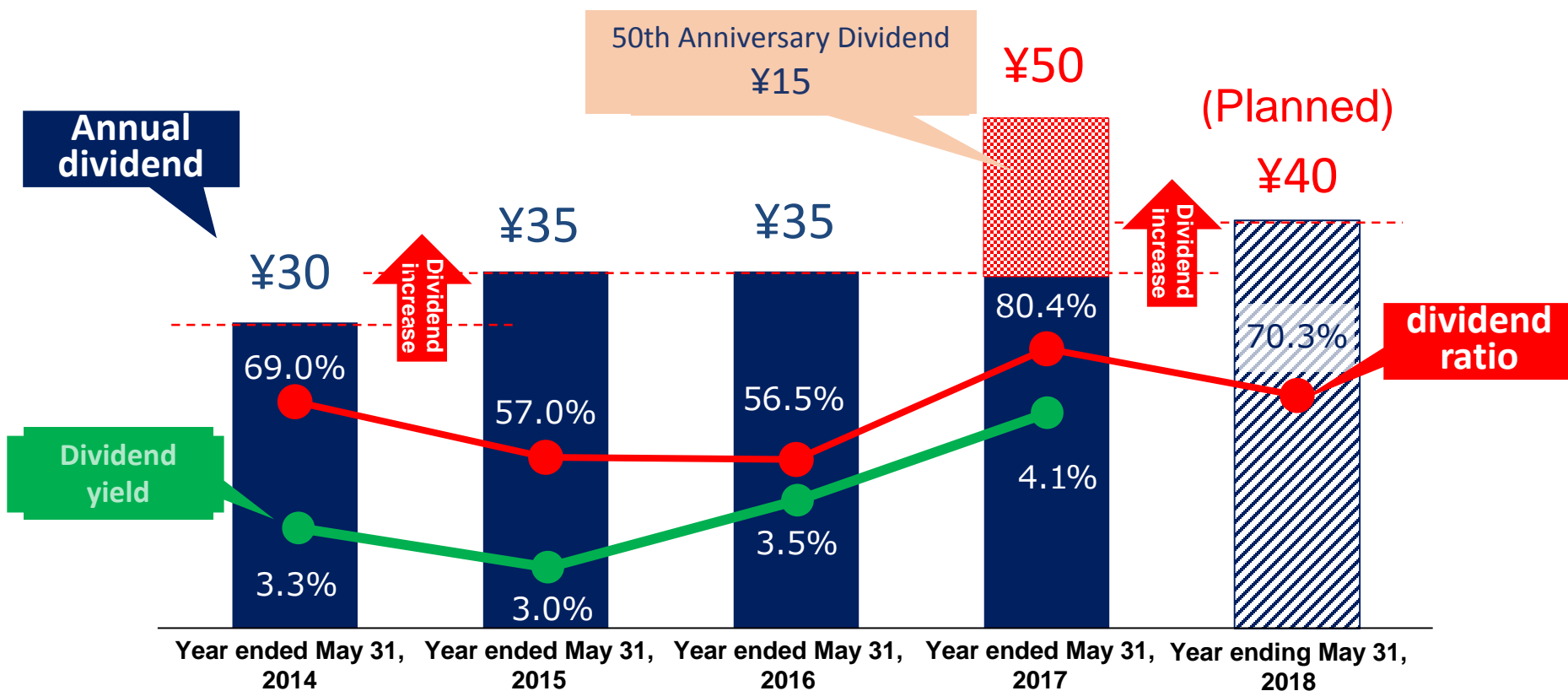
Consolidated Cash Flows for the Year Ended May 31, 2017

Unit: In Millions of Yen

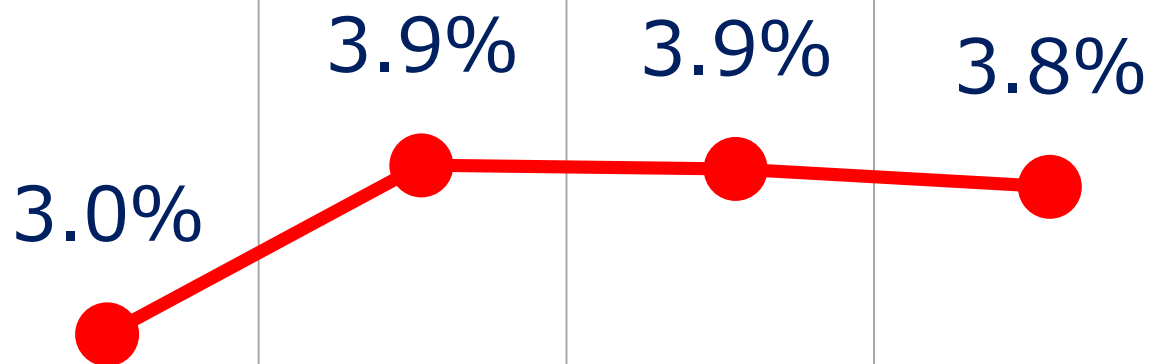


Dividend Policy

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



Trend in Return on Equity (ROE)



	Year ended May 31,2014	Year ended May 31,2015	Year ended May 31,2016	Year ended May 31,2017
Net income per share	¥43.5	¥61.4	¥61.9	¥62.2
Net assets per share	¥1,481.4	¥1,590.1	¥1,627.6	¥1,687.9
Treasury Shares	200,134 Shares	822,634 Shares	822,634 Shares	822,674 Shares

C o n t e n t s

1. Consolidated Financial Results for the Year Ended May 31, 2017

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

3. Forecast for the Year Ending May 31, 2018

Basic Policy of the 4th Medium-Term Business Plan

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) Maintain multiple clients in each field

2. Invest in human resources as a priority

3. Restructure efforts on T-SES

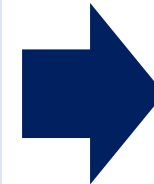
*T-SES: Total Software Engineering Service (Company-made term)

1.(1) Aims of the next core businesses

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

◆ Spread of industrial Internet

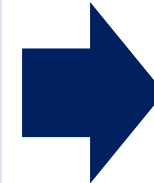
The U.S. General Electric Company's (GE) strategy is to bolster competitiveness in aiming to achieve a service that "repairs before breakdown" by connecting via the Internet equipment



IoT

◆ Acceleration of vehicle electrification and informatization

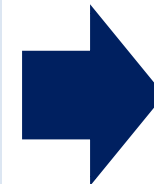
Growing needs of vehicles that lead to safe driving support



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

1.(1) Progress of the next core businesses

IoT

- Increased business with two medical equipment manufacturers, targeting the field of IoT for medical purposes
- Began working with manufacturers of IoT construction machinery

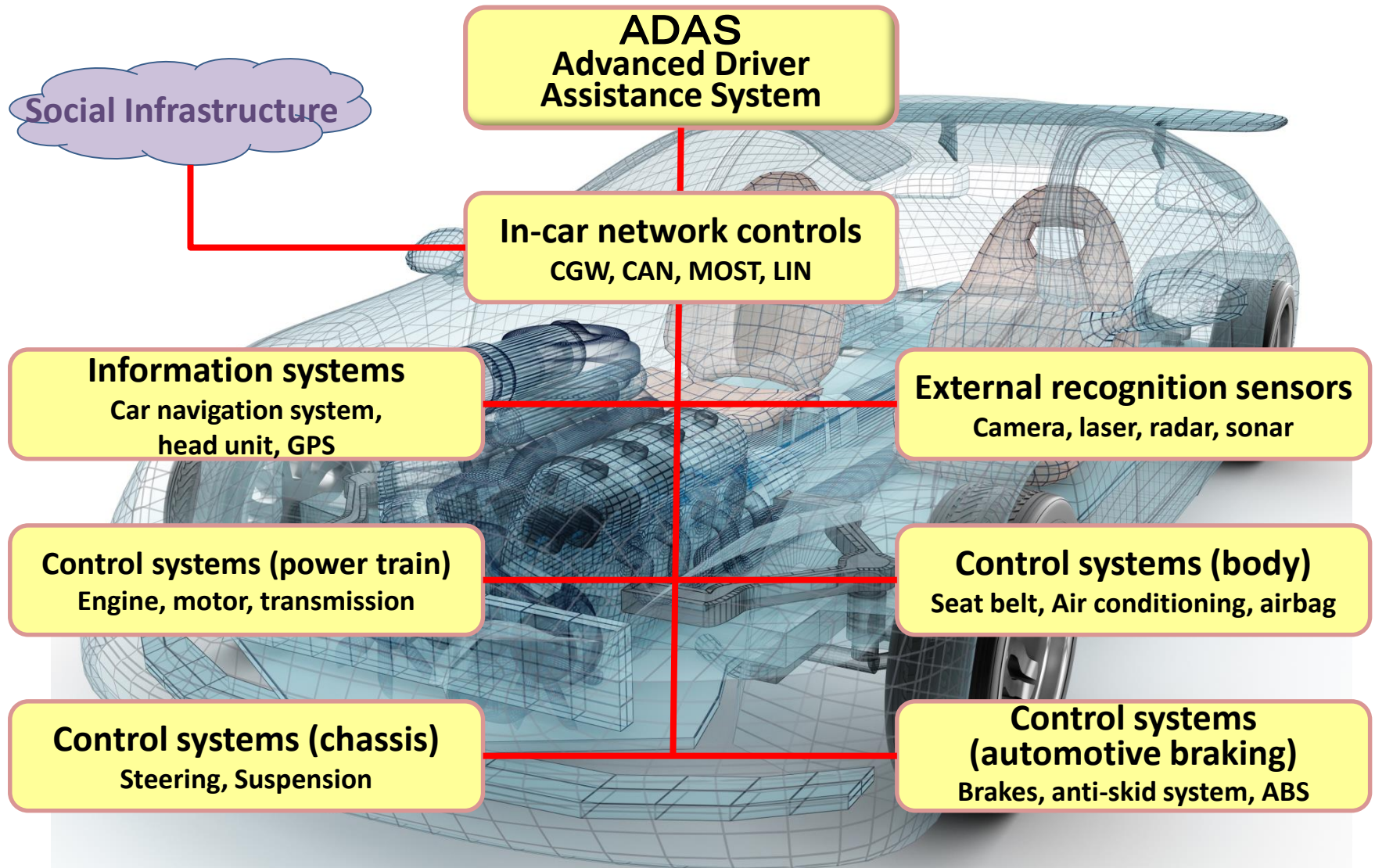
Vehicles

- Established the new automotive systems division which is working together with the Particular Information Systems Division and the Embedded Systems Division and growing the ADAS field

Environment/Energy

- Entered the wide area power systems field in the power producer/supplier system

1.(1) Next core businesses (Vehicles)



1.(2) Progress of the overseas expansion

Control Systems

- On-site and off-shore utilization of IPD Dalian for projects to
- On-site and off-shore utilization of IPD Dalian in replacement projects for conventional lines
- Launch of the Taiwan High Speed Rail replacement project
- Handling multiple large-scale power plant projects in other countries

Particular Information Systems, Automotive Systems

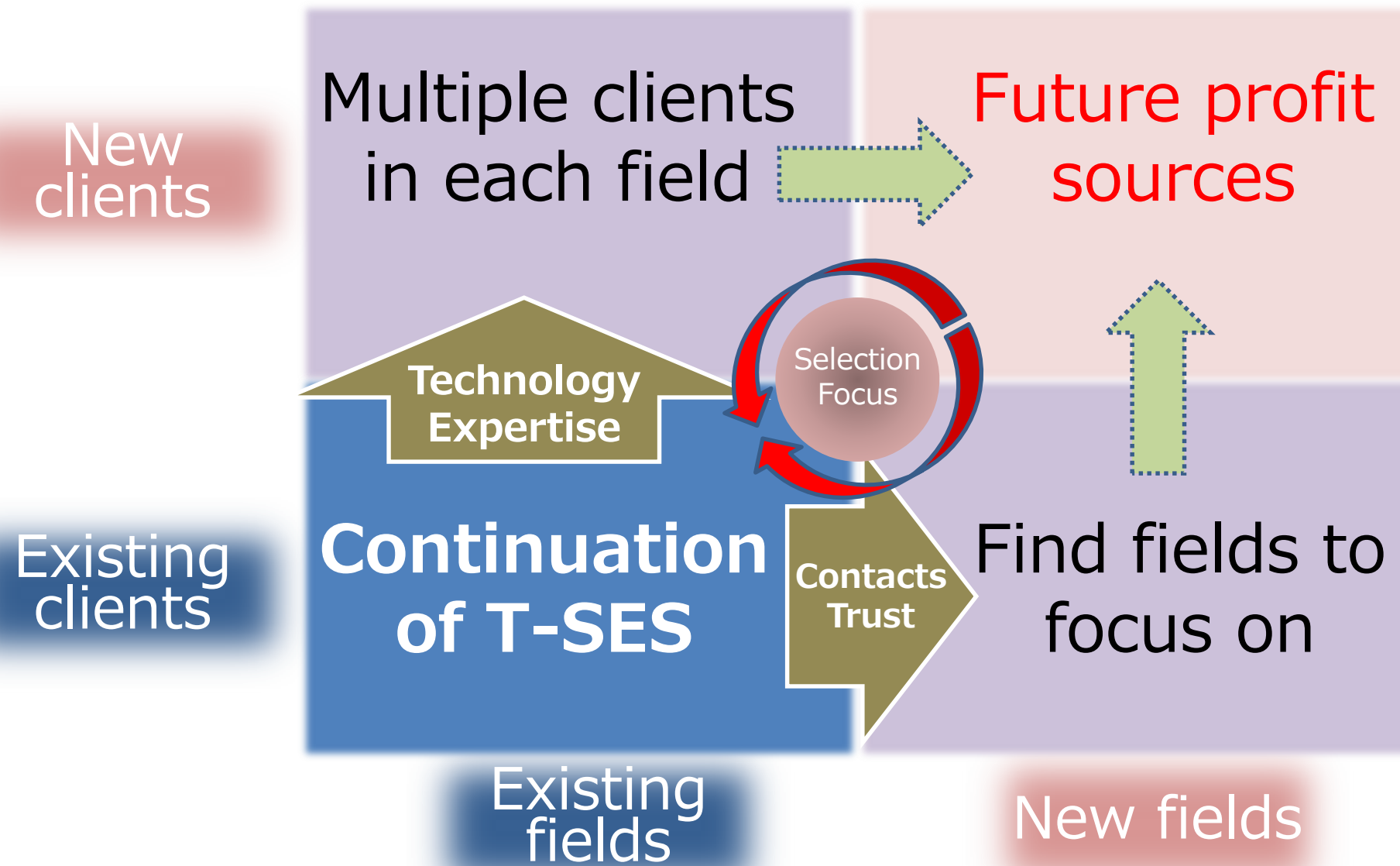
- Doing overseas testing for recognition of road signs by in-car cameras, receiving strong positive response from clients

Automotive Systems

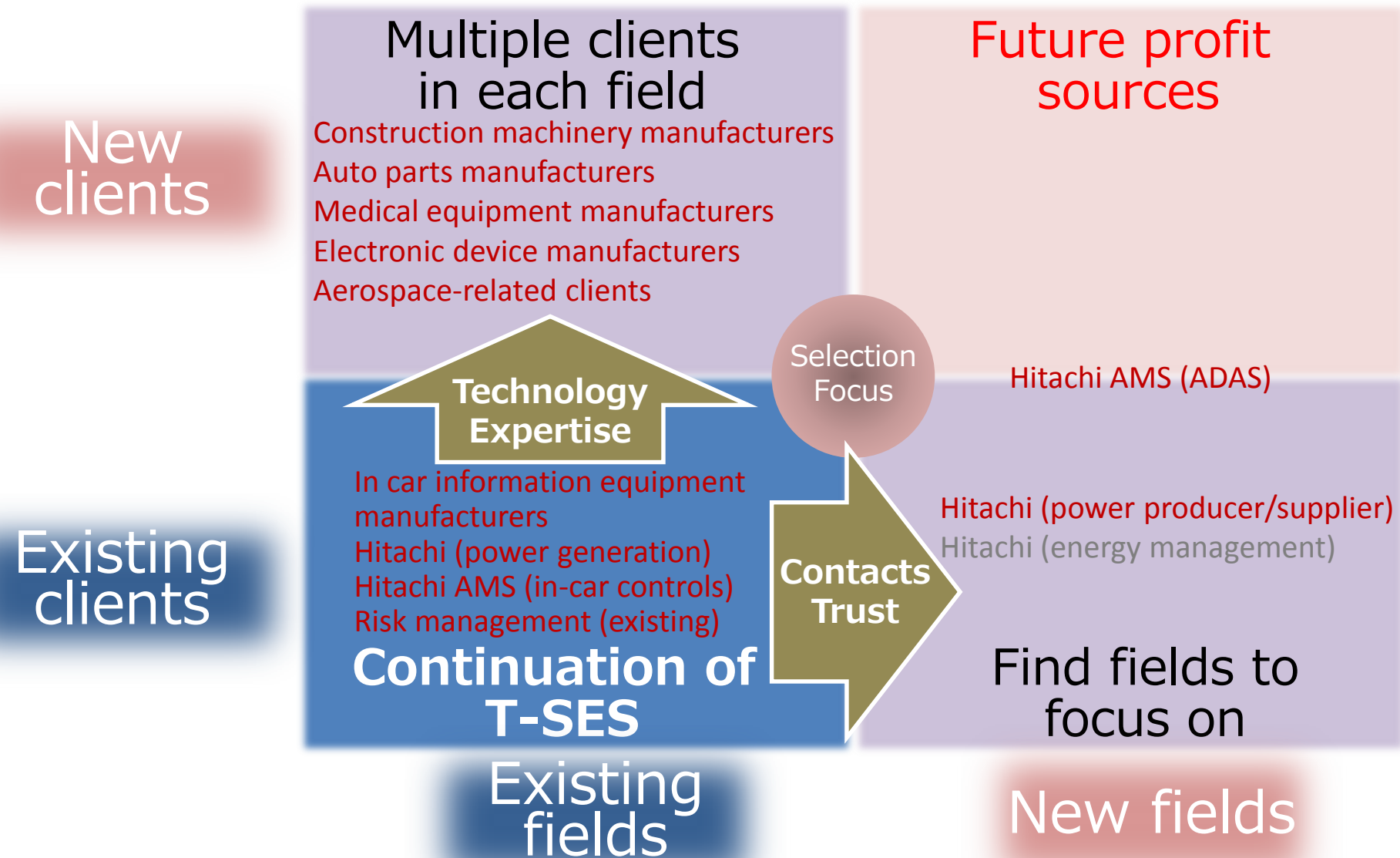
- Continuing development of IVI (car navigation) for overseas OEMs

Progress of the 4th Medium-Term Business Plan -5

1. Focus efforts on the next core businesses



1. Progress of the next core businesses



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 - (3) Maintain multiple clients in each field
2. Invest in human resources as a priority
3. Restructure efforts on T-SES

*T-SES: Total Software Engineering Service (弊社造語)

2. Progress of investing in human resources as a priority

Policy on Investing in Human Resources as a Priority (Continuing Objectives from Period 50)

[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

- × Struggling mightily, as large-scale hiring by big companies exacerbates the fact that there is more demand than supply
 - Brought more people in by changing our introductory company info materials and putting more effort into holding briefing sessions at head office



2. Progress of Investing in human resources as a priority

Policy on Investing in Human Resources as a Priority (Continuing Objectives from Period 50)

[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)



Stuck at 60% of the target

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*T-SES: Total Software Engineering Service (弊社造語)

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. Progress of efforts on T-SES

Control Systems

- Operations improvements with clients in the transportation field are advancing
- Despite preparations for T-SES being complete, we decided to hold off on it as there was a convergence of multiple conventional lines projects

Industrial & Public Information Systems

- Despite taking steady actions toward T-SES in station service equipment, subsequent approaches aimed at winning batch orders were rejected by the client and our plans were abandoned

Particular Information Systems

- Although we won the order for studies on risk management application frameworks which we proposed last year, full-scale development has yet to begin

C o n t e n t s

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Control Systems

(Energy)

- Leading standard package development with the aim of being more competitive overseas
- Moving toward power producer/supplier and energy management, from energy generation and conversion to energy transmission and distribution

(Transportation)

- Take on the T-SES for conventional lines which we should have handled but postponed in the previous period
- Larger scope of responsibility in bullet train replacement

Automotive Systems

- Larger scope of responsibility and technical domain for ADAS
- Higher quality and productivity thanks to work process improvement
- Established the new Katsuta Office, expanded contracted development including off-shore development
- Expand the share of the new office in concert with expansion strategies of clients

Particular Information Systems

- Expanded functional range in development on application frameworks for risk management
- Active investment in image recognition and identification (including AI) with a focus on expanding domains of utilization in ADAS, risk management, etc.

Embedded Systems

- Accelerate movement away of overconcentration on SSDs and toward the next core businesses (IoT construction machinery manufacturers, medical equipment manufacturers)

Industrial & Public Information Systems

- Develop information-related fields in the Control and Embedded Systems segments which we consider our strengths
- Expand toward the next core businesses with multiple clients in each field
- Work towards offshore development in anticipation of insufficient resources within Japan

IT Management Services

- Architecture is aiming to increase sales and acquire even more new clients
- Maintenance and operation services aim to achieve differentiation by improving the value of our services





Planned Numerical Consolidated Targets for the Year Ending May 31, 2018

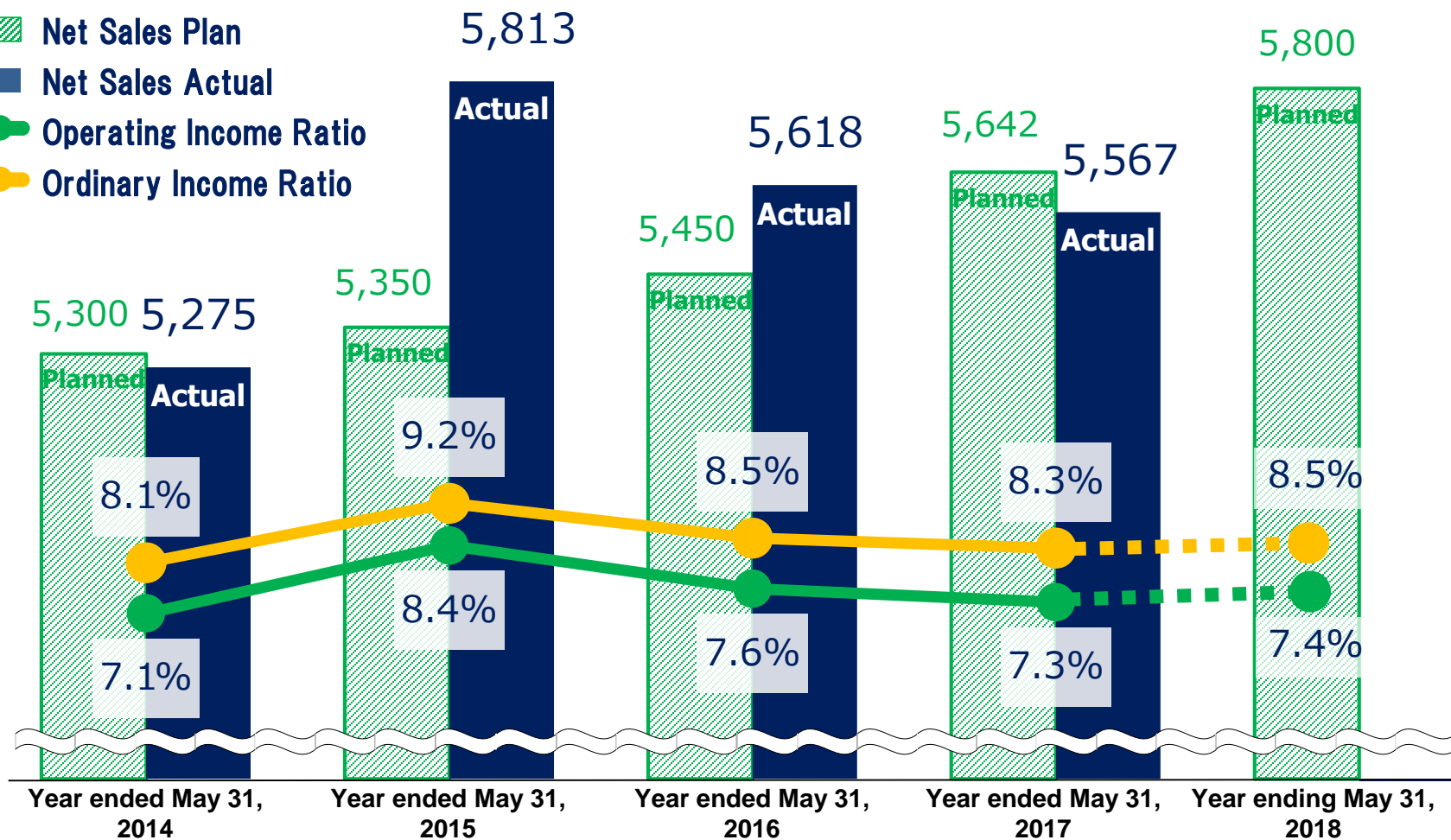
Unit: Millions of yen

	Year ended May 31, 2017 [Actual]	Year ending May 31, 2018 [Plan]	Change (Percentage of Change)
Net Sales	5,567	5,800	+232 +4.2%
Operating Income (Income Ratio)	407 (7.3%)	430 (7.4%)	+22 +5.4%
Ordinary Income (Income Ratio)	464 (8.3%)	495 (8.5%)	+30 +6.6%
Current Net Income (Income Ratio)	306 (5.5%)	280 (4.8%)	-26 -8.6%

Trend in Consolidated Figures

Unit: Millions of yen

-  Net Sales Plan
-  Net Sales Actual
-  Operating Income Ratio
-  Ordinary Income Ratio



← the 3rd Medium-Term Business Plan →

← the 4rd Medium-Term Business Plan →

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