

Japan Process Development Co., Ltd.

Financial Results Briefing

Year Ended May 31, 2012



July 13, 2012

1. Consolidated financial results for the year ended May 31, 2012

2. Forecast for the year ending May 31, 2013

3. Third Medium-Term Business Plan

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Outline of the Consolidated Financial Results for the Year Ended May 31, 2012

Unit: Millions of yen

	Plan	Against plan	Actual	Year-on- year	Previous year
Net Sales	5,000	-352 -7.1%	4,647	-235 -4.8%	4,883
Operating Income	260	-10 -4.2%	249	15 6.7%	233
Ordinary Income	300	-2 -0.8%	297	-40 -11.9%	337
Current Net Income	165	-13 -8.1%	151	-42 -22.0%	194

Overview of the Consolidated Financial Results - 1

Net Sales

-¥235M YOY

Industrial & Public Information Systems, IT Management Services and Control Systems performed favorably but were unable to compensate for the sharp fall in sales of Embedded Systems.

Operating Income

+¥15M YOY

A slight increase in income was achieved by decreasing idle workers by shifting them to business segments that were performing favorably.

Ordinary Income

-¥40M YOY

Year-on-year decrease in income due to presence of income from the surrender of an insurance in the previous fiscal year.

Current Net Income

-¥42M YOY

Decrease in income due to decrease in the career development support subsidy due to a change in the subsidy system.

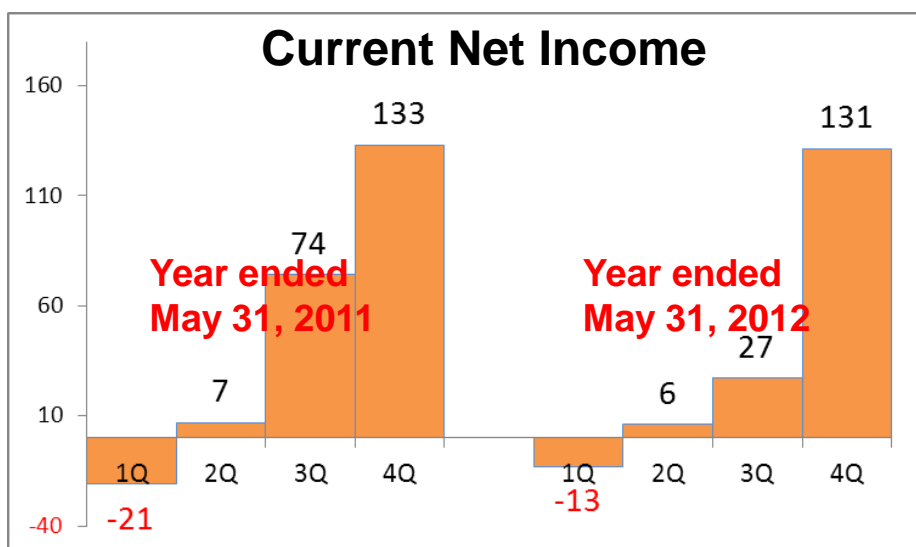
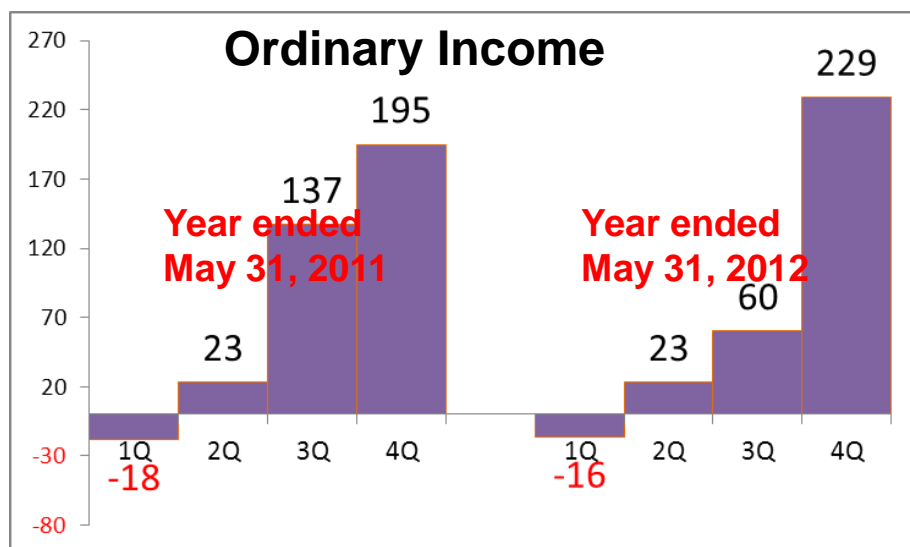
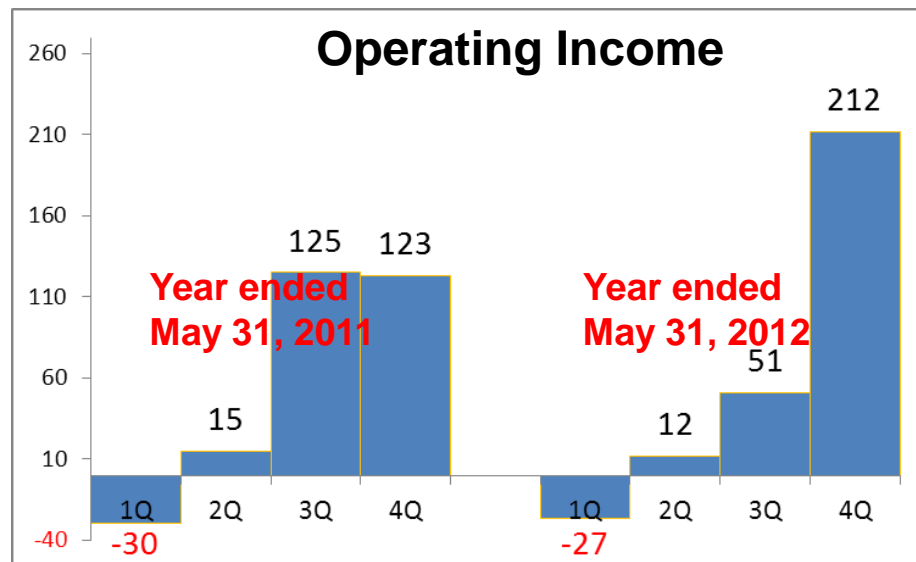
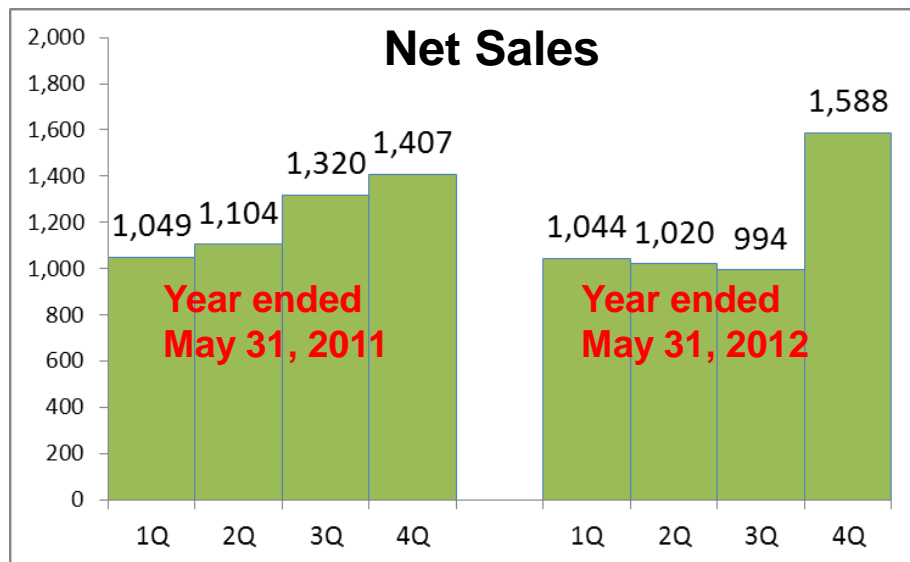
Overview of the Consolidated Financial Results - 2

[Major topics]

- **Shift made from development for feature phones to development for smartphones**
 - Recovery from the delay in the execution of the shift has already been made; however, there was a significant year-on-year decline
- **Overseas business for social infrastructure-related areas, such as Control Systems and Transportation Systems, gained momentum**
- **IT Management Services performed favorably due to progress in use of cloud computing and the special procurement created by the earthquake in Japan**
- **Joined industry organizations and participated in working groups**
 - Japan Embedded System Technology Association (JASA)
 - Japan Smart Community Alliance (JSCA)

Overview of Consolidated Financial Results (Performance Trend by Quarter)

Unit: Millions of Yen



Sales by Business Segment in the Year Ended May 31, 2012

Business Segment	Year ended May 31, 2011 (Composition ratio)	Year ended May 31, 2012 (Composition ratio)	Change (Percentage of change)
Control Systems	928 (18.9%)	1,007 (21.7%)	79 (8.5%)
Transportation Systems	1,008 (20.6%)	871 (18.8%)	-136 (-13.5%)
Particular Information Systems	580 (11.8%)	558 (12.0%)	-22 (-3.8%)
Embedded Systems	1,198 (24.4%)	647 (13.9%)	-550 (-46.0%)
Industrial & Public Systems	392 (8.0%)	591 (12.7%)	199 (50.9%)
IT Management Services	801 (16.3%)	969 (20.9%)	167 (20.9%)
Total (unit: millions of yen)	4,909	4,647	

Note: The Year ended May 31, 2011 includes sales that should be cancelled out between segments.

Income Performance by Business Segment in the Year Ended May 31, 2012

Business Segment	Year ended May 31, 2011 (Profit margin)	Year ended May 31, 2012 (Profit margin)	Change (Percentage of change)
Control Systems	242 (26.2%)	271 (26.9%)	28 (11.7%)
Transportation Systems	274 (27.3%)	187 (21.5%)	-87 (-31.7%)
Particular Information Systems	112 (19.4%)	91 (16.3%)	-21 (-19.2%)
Embedded Systems	255 (21.3%)	74 (11.5%)	-180 (-70.8%)
Industrial & Public Systems	42 (10.9%)	163 (27.6%)	120 (282.3%)
IT Management Services	104 (13.0%)	248 (25.6%)	144 (138.3%)
Total (unit: millions of yen)	1,032 (21.0%)	1,036 (22.3%)	3 (0.4%)

Note: Segment income include company-wide expense not allocated to each segment.

Financial Indicators (Other)

	Year ended May 31, 2011	Year ended May 31, 2012
Current Net Income	¥194M	¥151M
Net Assets	¥8,102M	¥8,085M
Net Assets per Share	¥1,461.23	¥1,458.20
Net Income per Share	¥35.05	¥27.35
Capital-to-assets Ratio	91.9%	93.8%
Treasury Shares	200,092 shares	200,092 shares
No. of employees	548	555

Consolidated Cash Flows

Unit: Millions of Yen

Item	Year ended May 31, 2011	Year ended May 31, 2012
Cash flow from operating activities	372	-259
Cash flow from investing activities	288	-757
Cash flow from financing activities	-166	-166
Net increase (decrease) in cash and cash equivalents	493	-1,183
Cash and cash equivalents at beginning of year	1,510	2,004
Cash and cash equivalents at end of year	2,004	821

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3. Third Medium-Term Business Plan

Major Topics

- **Expansion in the development of next-generation vehicle control systems, next-generation electric motorization products, battery systems, etc.**
- **Increase in business related to new Shinkansen lines, overseas high-speed railways**
- **Embedded systems focused around parts manufacturers due to the trend toward smart components**
- **IT management services continue to perform favorably due to ongoing increase in the demand for clouds and data centers**

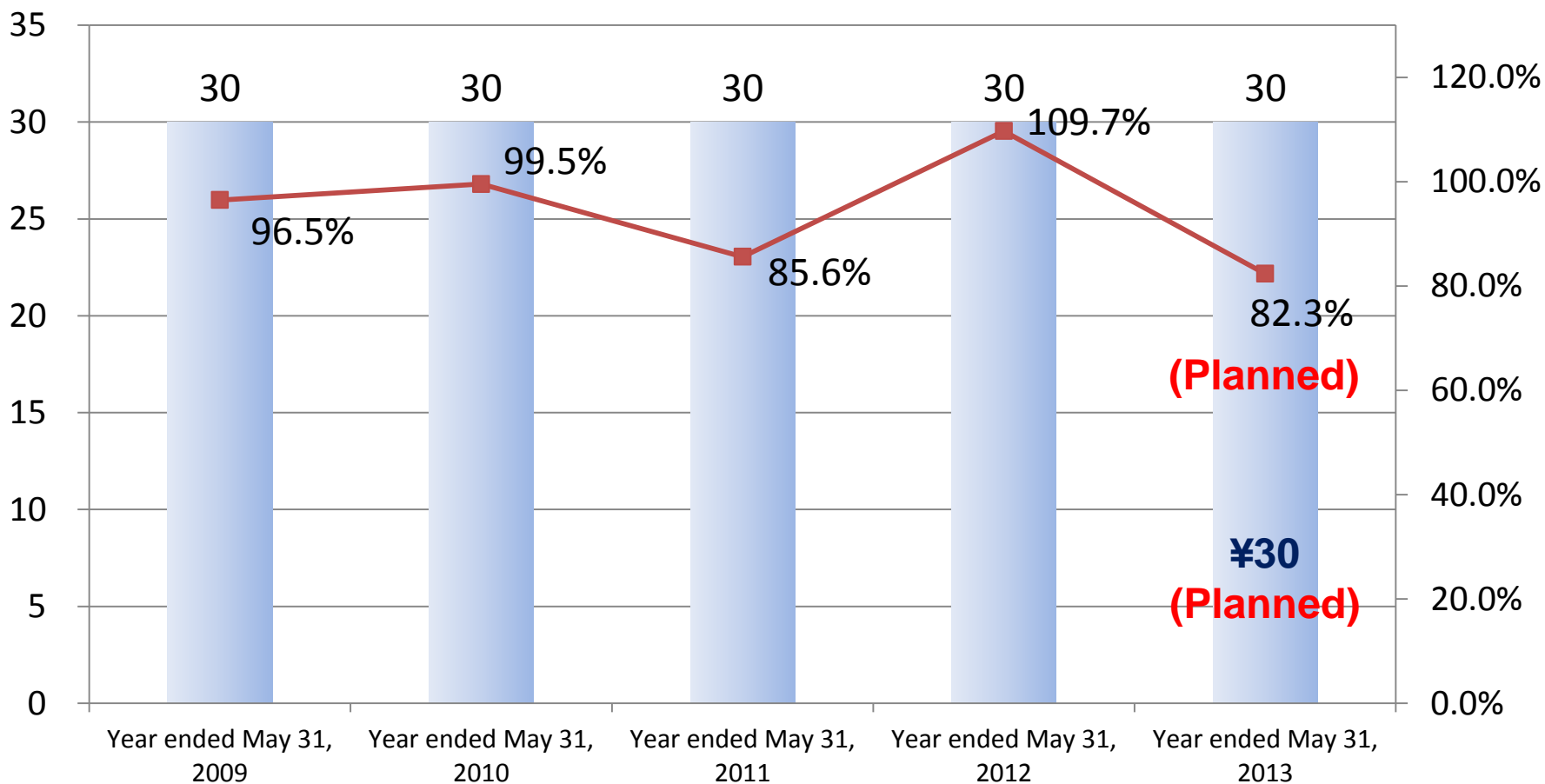
Planned Numerical Consolidated Targets for the Year Ending May 31, 2013

Unit: In Millions of Yen

	Year ended May 31, 2012 [Actual]	Year ending May 31, 2013 [Plan]	Change (Percentage of Change)
Net Sales	4,647	5,100	452 (9.7%)
Operating Income (Operating Income Ratio)	249 (5.4%)	310 (6.1%)	60 (24.5%)
Ordinary Income (Ordinary Income Ratio)	297 (6.4%)	350 (6.9%)	52 (17.6%)
Current Net Income (Net Income Ratio)	151 (3.3%)	202 (4.0%)	50 (33.2%)

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.



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External Environment - 1

- **Massive negative earnings in the financial results of light electrical appliance manufacturers**
 - Commoditization of digital products
 - Competitive edge of integral product development lost through the rise of Android OS, etc.
- **Internetworking + mobile + cloud + services will become mainstream going forward (i.e. everything becomes interconnected)**
 - From computer networking to mobile networking and further to sensor networking
 - The strengths of Japanese manufacturers will shift going forward from consumer products to the fields of sensors, semiconductors and components

External Environment - 2

- **Japanese capital expenditure in domestic social infrastructures is in a saturated state**
 - **With the decrease in the number of the population in Japan, large-scale facilities investment cannot be hoped for**
 - **Going forward, the Japanese market will be focused around sophistication and making devices/appliances smart**
 - **The primary battleground will be overseas markets**

- **Phase of major change in systems development (e.g. clouds)**
 - **Change in the uniquely Japanese system integrators and structure of multilayered subcontracting**
 - **Those without strengths and distinctive technologies will not be able to survive**



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

Continuation of Total Software Engineering Services (T-SES)

- In addition to extending functions, amplifying phases and expanding operations, a development style in support of this will be established to further enhance added value.
- The acquisition of technologies and education that will support high quality will be promoted.

What is T-SES?

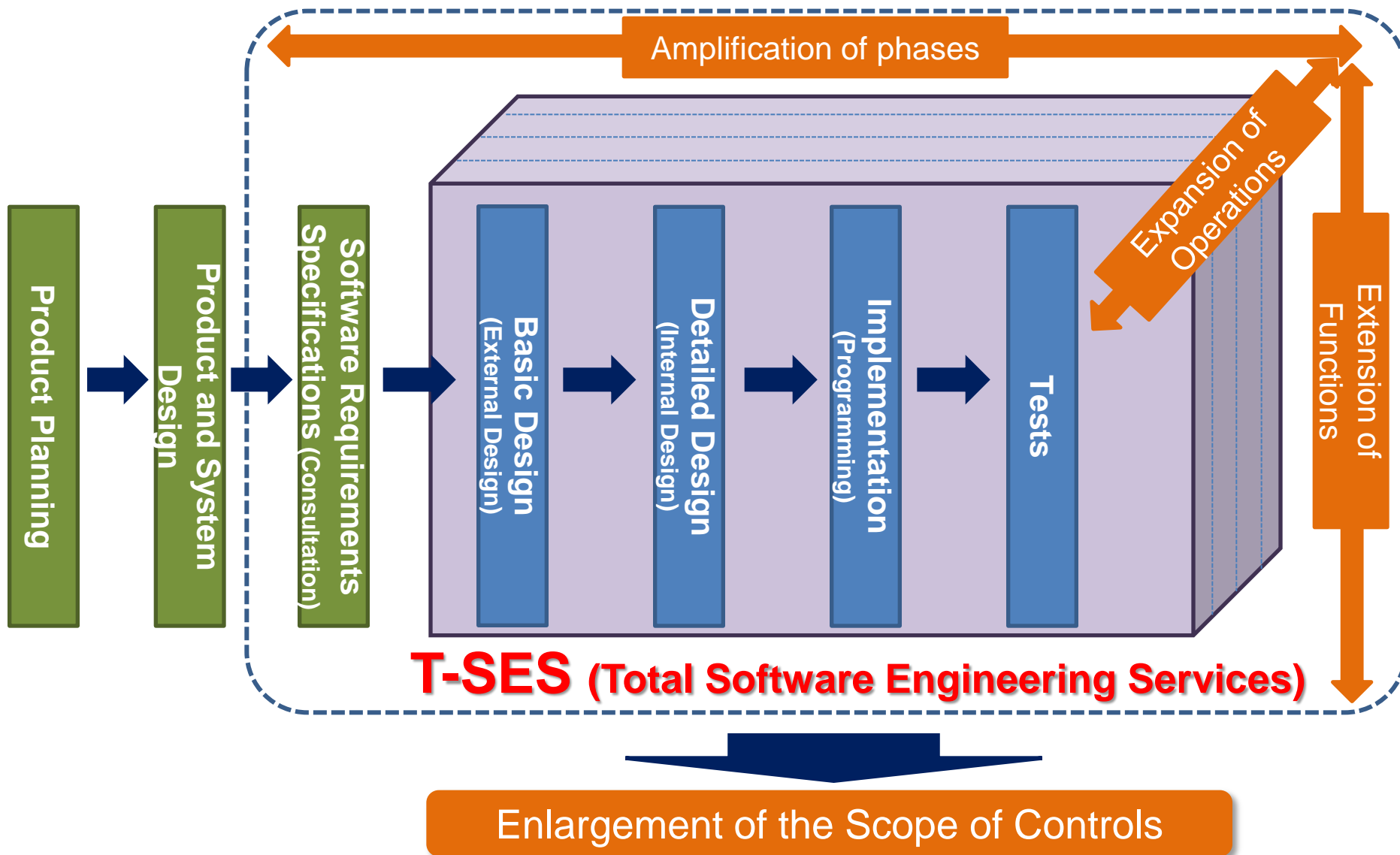
- T-SES refers to carrying out, with the Company's superior software engineering technologies as a basis, all software processes (from requirement definition to commercialization) on behalf of a customer.

What are software engineering technologies?

- | | | |
|--------------------------------|---------------------------------|---------------------------------------|
| ●Output capacity | ●Project management capacity | ●Quality management capacity |
| ●Process improvement capacity | ●Development technique capacity | ●Human resources development capacity |
| ●Customer interfacing capacity | | |

[Basic Strategy]

1. Continue T-SES - 2



The Company's Strengths

- ◆Energy systems: Power plant surveillance/control
- ◆Automotive systems: EV/PHV, batteries and onboard devices
- ◆Transportation systems: Railway traffic control systems and expressways
- ◆Particular information systems: Disaster prevention and remote sensing image processing
- ◆Embedded systems: Storage and mobile devices
- ◆Industrial & public information systems: Public services and train service devices
- ◆IT management services: System building, verification, operation and maintenance

Leverage the Company's strengths, integrate control and embedded systems technologies and uncover new areas of focus.

Social Infrastructure

◆Control systems area◆

Energy management
Environmental response

Disaster prevention/
Risk management

◆Embedded systems area◆

Making devices and electronic
parts smart-capable
IOT, networks and mobility

**Smart-C
ITS, Etc.**

Clouds
Utilization of “big” data

◆Business applications area◆

Note: Smart-C is a collective term coined by the Company and refers to smart communities, smart cities, smart towns, etc.

[Basic Strategy]

2. Uncover New Areas of Focus - 3

Smart-C

新しい街づくりとしてのスマートコミュニティのイメージ

コントロールセンター

地域の情報・エネルギー・交通を
最適に管理する
コントロールセンター

- ・ 企業・自治体対住民、住民対住民の様々なサービスを管理・提供する拠点
- ・ 変動の多い自然エネルギーを地域内で有効活用するため、各家庭やオフィスで余った電力を地域内で有効利用
- ・ 電気バスや電気自動車の位置情報と充電状態を管理することで、交通管理とエネルギー管理を一体化

IT services

Power generation

Power system control

Building management

Transportation

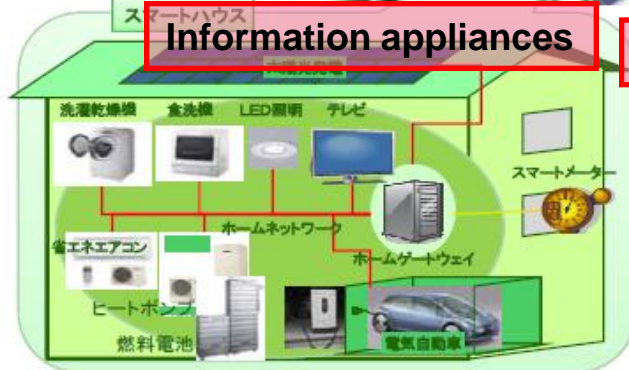
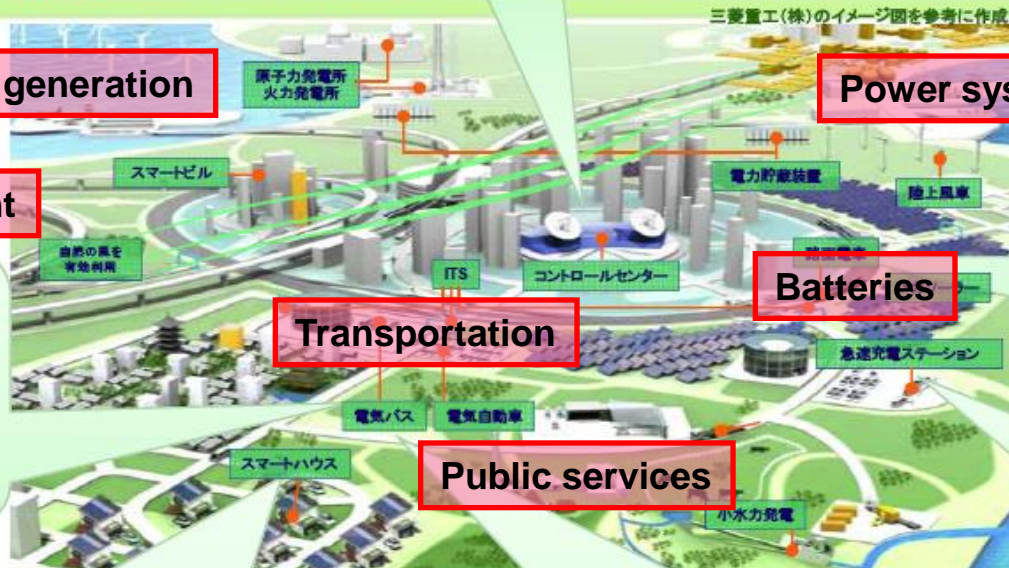
Batteries

Public services

Information appliances

Traffic control systems

Automobiles



Source: Ministry of Economy, Trade and Industry

3. Promote Globalization in Step with Customers

Background

- ◆ Japanese domestic capital investment in social infrastructures is in a saturated state.
- ◆ Customers are focusing on global markets, especially in rolling out business in newly developing countries.



- ★ The Company will keep in step with customers and aim for the global market.
- ★ The Company will leverage its accumulated know-how and technologies and make proposals to customers so that they can exhibit a strong competitive edge in the global market.
 - Standardization (packaging, commonalization and international standardization)
 - Cost reduction (moving offshore, acquiring leading technologies)

Technological Strategy/Quality Strategy

◆ Technological Strategy

- Proactive investment in required technology
- Promotion of the application of global standards/specifications
- Proactive participation in industry activities, such as those of JSCA, OSGi and JASA

◆ Quality Strategy

- Promotion of quality enhancement for T-SES
- Acquisition of PMP (Project Management Professional) credentials
- Nurturing of project managers, ongoing construction of a nurturing environment

Human Resources Strategy/Sales and Partner Strategy

◆ Human Resources Strategy

- Hire new graduates and mid-career recruits for an annual increase of employees by 10%
- Raise the foreign-language ability level of all employees in order to respond to globalization
- Stimulate in-house employee rotation in order increase their skills

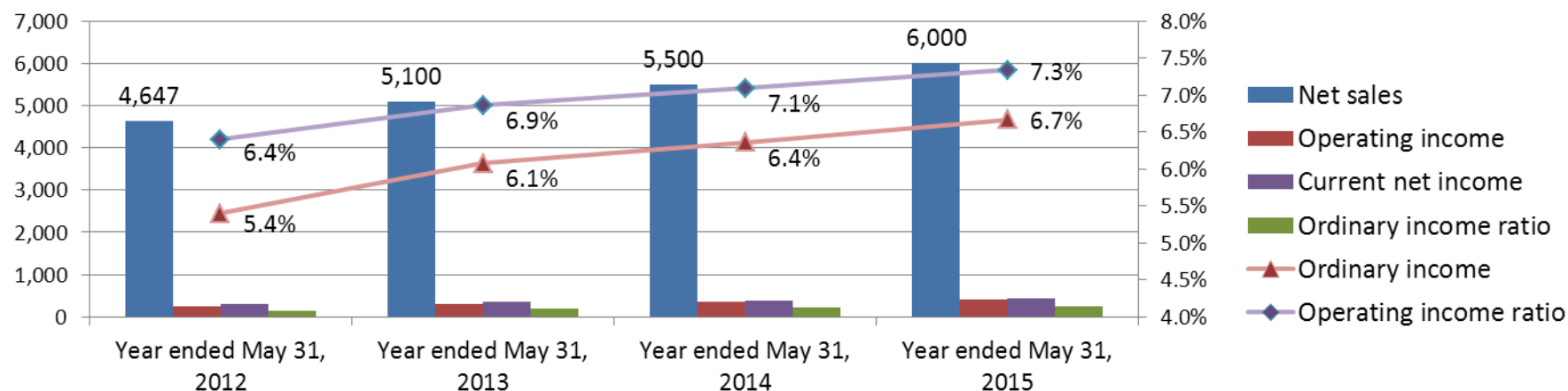
◆ Sales and Partner Strategy

- Make efficient utilization of those dedicated to sales through promotion of information sharing
- Cultivate new customers through effective utilization of company-wide human networks, etc.
- Cultivate partners in rural areas
- Aim for an outsourcing ratio of 30% in the final fiscal year

Numerical Targets of the Medium-Term Business Plan

Unit: In Millions of Yen

	Year ended May 31, 2012 (Actual)	Year ending May 31, 2013 (Plan)	Year ending May 31, 2014 (Plan)	Year ending May 31, 2015 (Plan)
Net Sales	4,647	5,100	5,500	6,000
Operating Income	249	310	350	400
Operating Income Ratio	5.4%	6.1%	6.4%	6.7%
Ordinary Income	297	350	390	440
Ordinary Income Ratio	6.4%	6.9%	7.1%	7.3%
Current Net Income	151	202	225	255
Net Income Ratio	3.3%	4.0%	4.1%	4.3%



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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