

Japan Process Development Co., Ltd.

Financial Results Briefing

**Financial Results for the Second Quarter (Accumulated
Period) of the Year Ending May 31, 2014**



January 10, 2014

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2014

2. Forecast for the year ending May 31, 2014

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2. Forecast for the year ending May 31, 2014

Second Quarter of the Year Ending May 31, 2014

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	2,300	102 4.5%	2,402	11 0.5%	2,391
Operating Income	35	70 200.4%	105	9 10.4%	95
Ordinary Income	50	73 147.2%	123	8 7.5%	114
Net Income of the Quarter	25	39 156.7%	64	7 13.9%	56

Second Quarter of the Year Ending May 31, 2014

Overview of Consolidated Financial Results - 1



JAPAN PROCESS
DEVELOPMENT CO.,LTD.

Net Sales

+¥11M YOY

Although Transportation Systems performed poorly, Industrial, Public, and Embedded Systems performed well

Operating Income

+¥9M YOY

Although we had to respond to defects and there were unprofitable projects in Transportation Systems, improvements included a reduction in downtime in areas such as smartphone development and increased staff members for vehicular information development

Ordinary Income

+¥8M YOY

Due to increase in operating income

Net Income of the
Quarter

+¥7M YOY

Due to decrease in impairment loss on investment securities from the previous year (10 million yen)



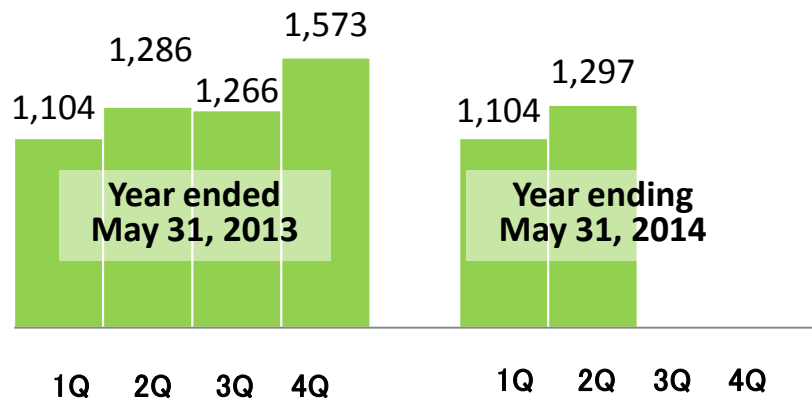
[Major topics]

- Advance of subcontracting, offshore development
- Although proposals were actively made in response to the globalization of customers, results were limited
- Increase in project inquiries
- Use of partners, strengthened recruitment
- Sales activities to acquire new clients bore fruit
- Continuation of working groups involving industry trade organizations

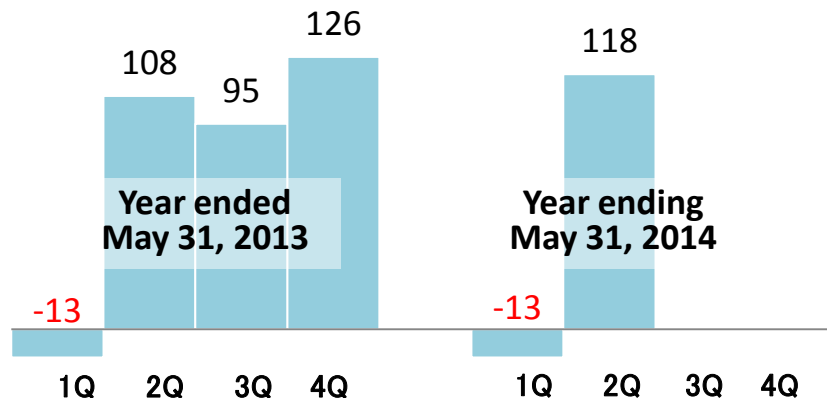
Overview of Consolidated Financial Results (Performance Trend by Quarter)

Unit: Millions of Yen

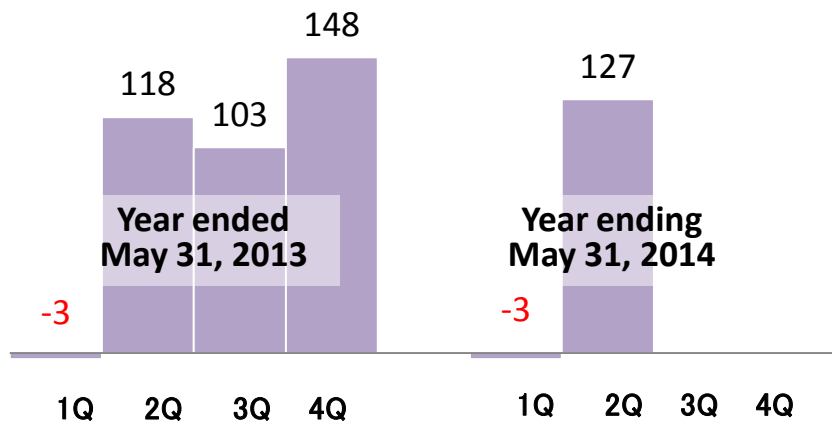
Net Sales



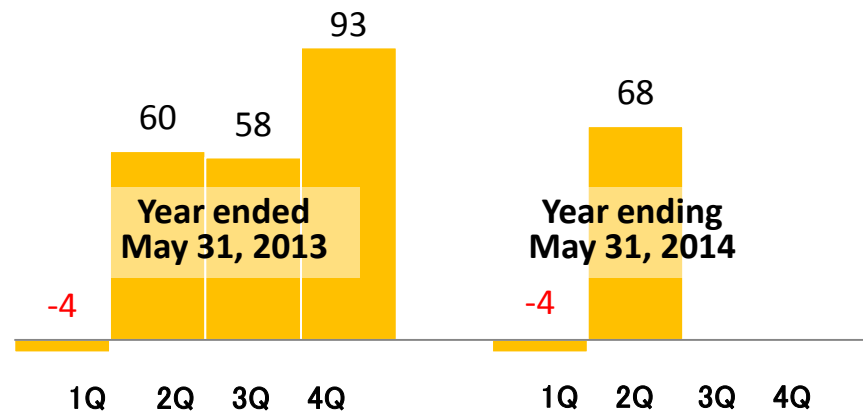
Operating Income



Ordinary Income



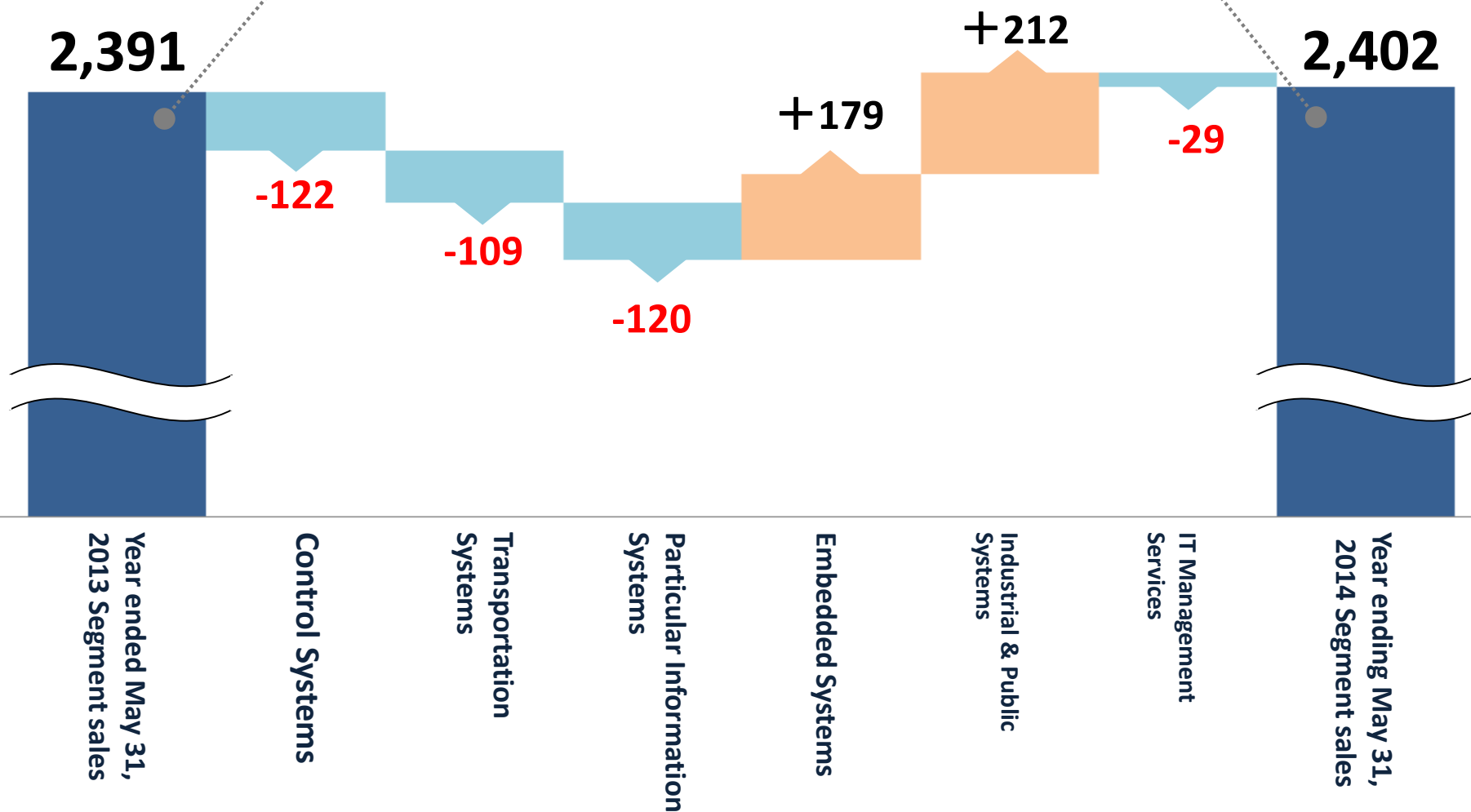
Current Net Income



Changes in sales by segment for the Second Quarter of the Year Ending May 31, 2014

Unit: Millions of Yen

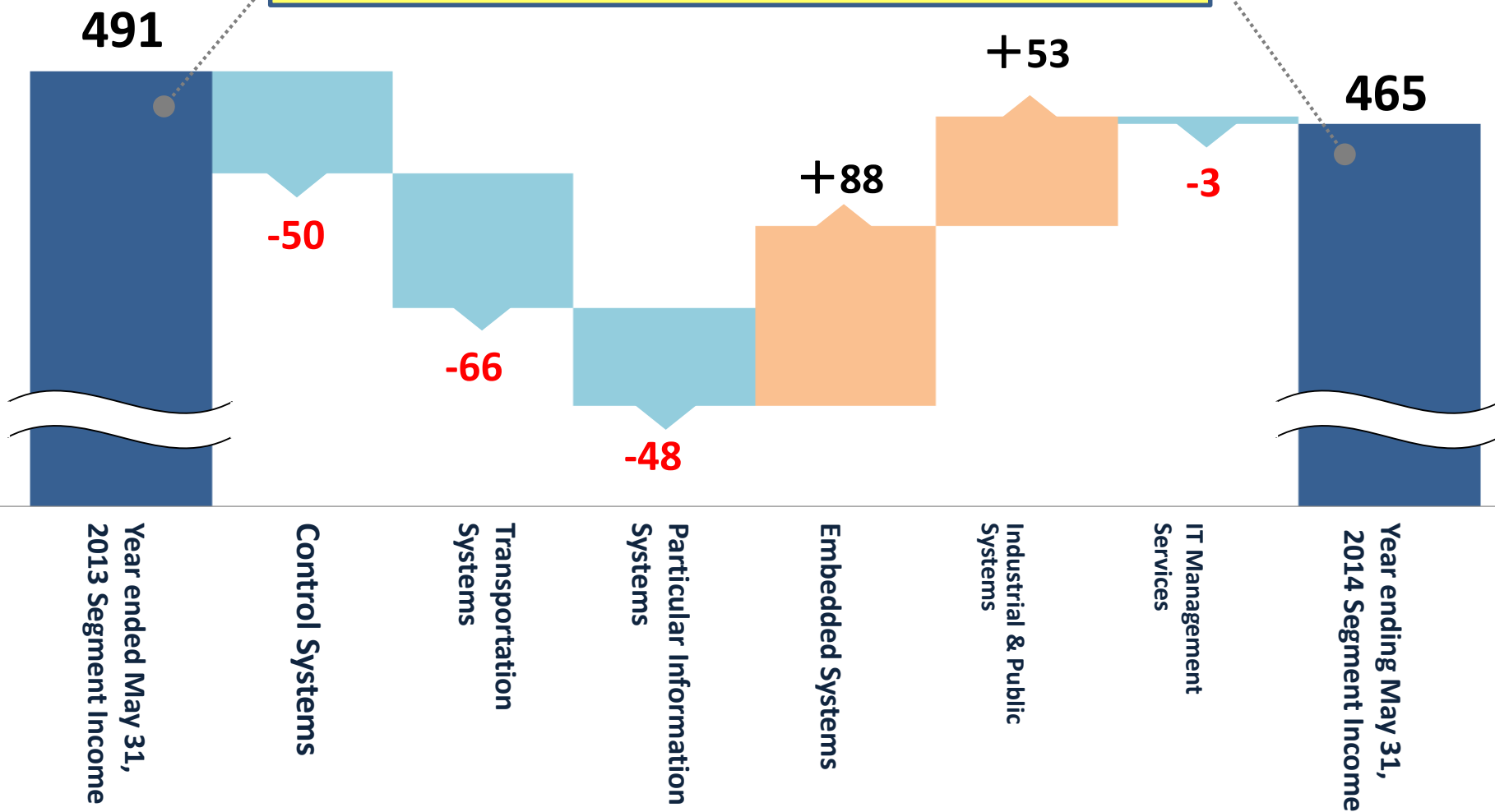
Increase of 11 million yen (+0.5% YOY)



Changes in profits by segment for the Second Quarter of the Year Ending May 31, 2014

Unit: Millions of Yen

Decrease of 25 million yen (-5.2% YOY)



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

(1) Segment information for the Second Quarter of the Year Ending May 31, 2014

Control Systems Division

- Volume of system development for domestic power generation decreased
 - Although efforts were made to expand the scope covered, both sales and profits decreased
 - Although overseas project increased, because unit prices declined the Dalian subsidiary was used to reduce costs
- Motorization projects for next-generation vehicles performed strongly

Unit: Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ending May 31, 2014 (Income Ratio)	Change (Percentage of change)
C o n t r o l S y s t e m s	Net Sales	531	409	-122 (-23.0%)
	Income	125 (23.7%)	75 (18.5%)	-50 (-39.8%)

*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, 2014

Transportation Systems Division

- No change in the Hokuriku and Hokkaido Shinkansen extension
- Shinkansen system development cycle completed for time being
- Delay in system development for overseas railway project
- Decrease in large-scale development for conventional lines

Unit: Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ending May 31, 2014 (Income Ratio)	Change (Percentage of change)
Transportation S y s t e m s	Net Sales	277	168	-109 (-39.4%)
	Income	39 (14.3%)	-26 (-15.7)	-66 (—)

*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, 2014

Particular Information Systems Division

- Newly commissioned crisis management project entered manufacturing phase, gradually expanding
- Environmental resource-related projects expanded
- Overall sales and profits down YOY accompanying the completion of large-scale subcontracting projects for which there was high demand

Unit: Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ending May 31, 2014 (Income Ratio)	Change (Percentage of change)
Particular Information Systems	Net Sales	368	248	-120 (-32.6%)
	Income	106 (28.9%)	58 (23.6%)	-48 (-45.1%)

*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, 2014

Embedded Systems Division

- Although there were some fluctuations in volume, smartphone development was mostly flat
- Steady progress in newly launched vehicle development
- Short-range wireless technologies leveraged to acquire new customers
- SSD (storage devices) development was robust

Unit: Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ending May 31, 2014 (Income Ratio)	Change (Percentage of change)
E m b e d d e d S y s t e m s	Net Sales	358	538	179 (50.2%)
	Income	47 (13.2%)	135 (25.2%)	88 (186.6%)

*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, 2014

Industrial & Public Systems Division

- IC card system development was robust
- Development of content management products performed strongly in response to the expansion of customer operations
- Steady development of newly launched sport-related systems
- Development of public systems such as ETC systems and automated ticket vending machines performed well

Unit: Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ending May 31, 2014 (Income Ratio)	Change (Percentage of change)
Industrial & P u b l i c S y s t e m s	Net Sales	370	583	212 (57.3%)
	Income	84 (22.7%)	138 (23.7%)	53 (63.9%)

*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, 2014

IT Management Services Division

- There was a decline in sales and profits from verification services due to a slowdown in customers' product development, their use of offshore services which caused the occurrence of idle periods
- System development support services performed strongly due to factors including reconstruction demand
- Repair, maintenance, and operation services performed robustly

Unit: Millions of Yen

Business Segment		Year ended May 31, 2013 (Income Ratio)	Year ending May 31, 2014 (Income Ratio)	Change (Percentage of change)
IT Management S e r v i c e s	Net Sales	484	454	-29 (-6.1%)
	Income	87 (18.0%)	83 (18.4%)	-3 (-4.1%)

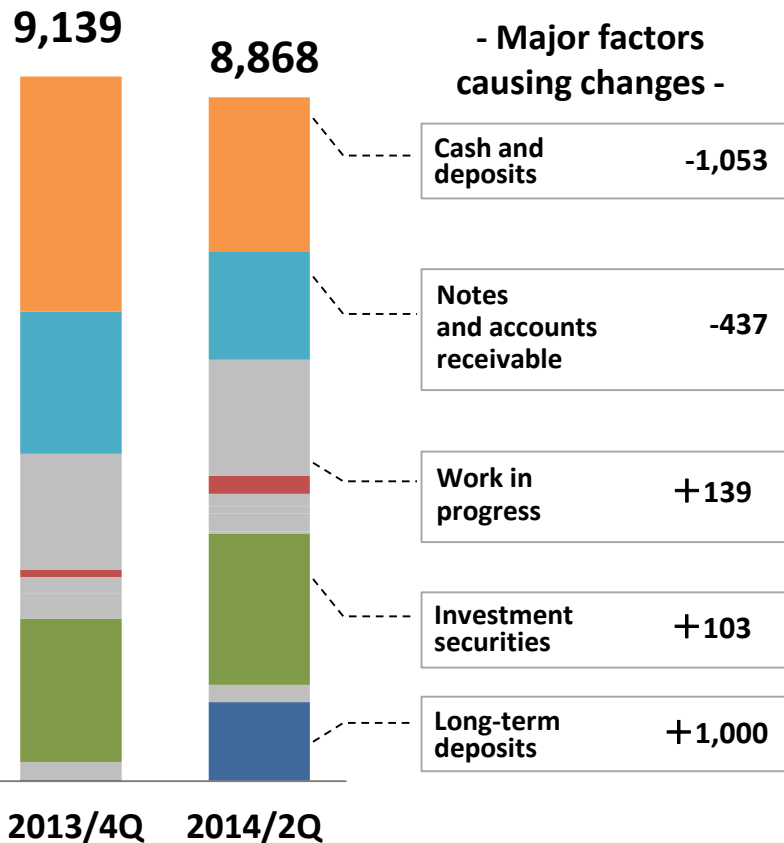
*Segment income does not include corporate expenses that have not been allocated to the segments.

Consolidated financial statements

Unit: Millions of Yen

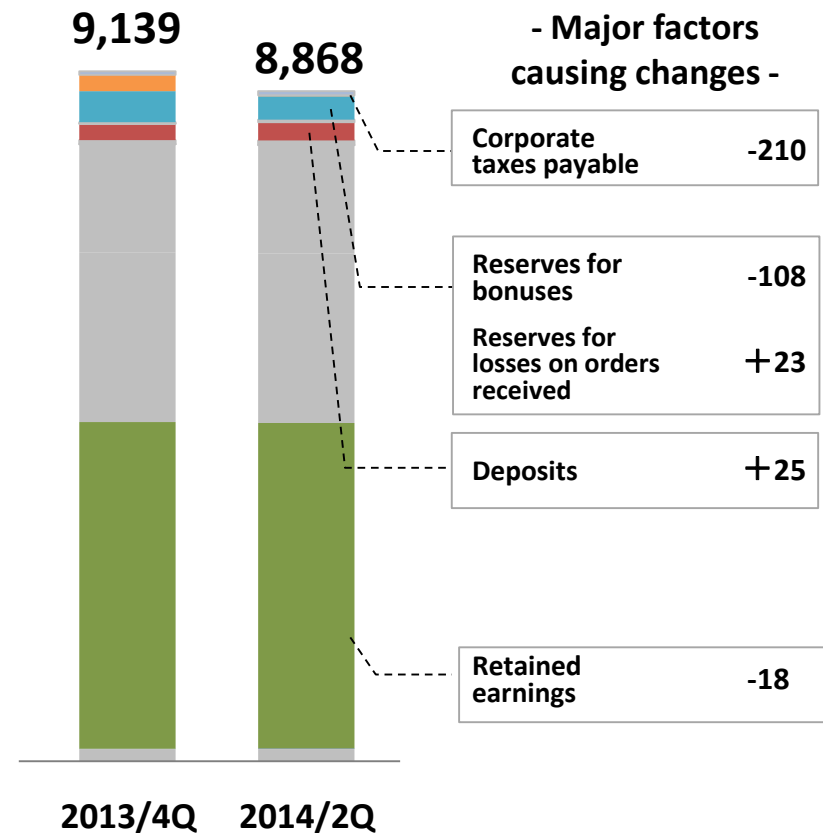
Assets

Assets: Decrease of 270 million yen



Total liabilities and net assets

Liabilities: Decrease of 258 million yen
Net assets: Decrease of 12 million yen



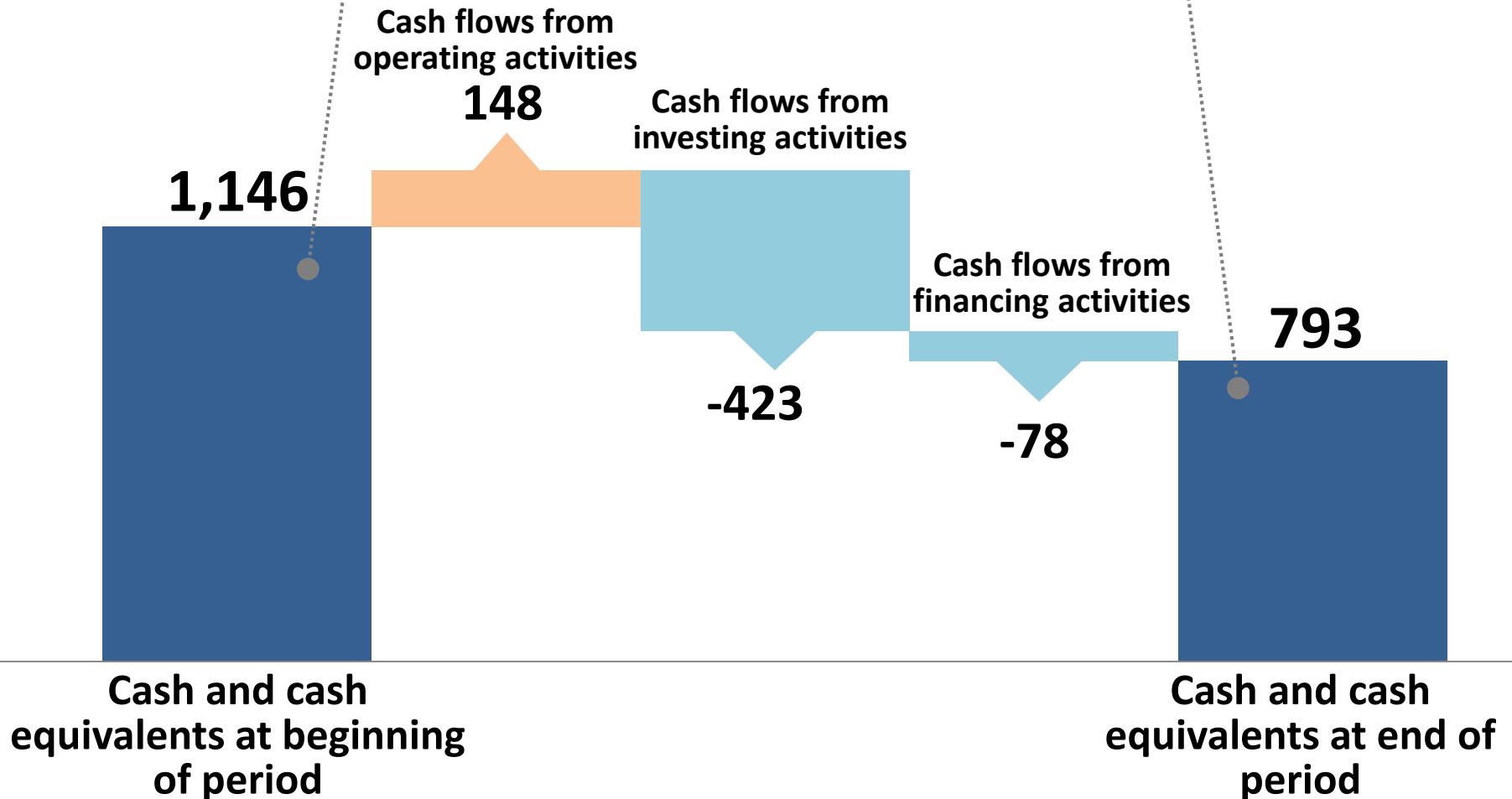
Financial Indicators (Other)

	Year ended May 31, 2013	Second Quarter Year Ending May 31, 2014	(Reference) Second Quarter Year Ended May 31, 2013
Net Assets	¥8,133M	¥8,121M	¥8,061M
Net Assets per Share	¥1,466.86	¥1,464.62	¥1,453.87
Net Income per Share	¥37.59	¥11.58	¥10.16
Capital-to-assets Ratio	89.0%	91.6%	92.1%
Treasury Shares	200,092 shares	200,092 shares	200,092 shares
No. of employees	559	543	532

Consolidated Cash Flows

Unit: Millions of Yen

Declined by 353 million yen from the balance at the beginning of the period



1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2014

2. Forecast for the year ending May 31, 2014

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

- Launch advanced technology acquisition projects
- Invited external lecturers to conduct education on object-orientation, functional safety, and formal methods
- Active participation in working groups such as JASA (Japan Embedded Systems Technology Association), JSCA (Japan Smart Community Alliance), PMIJ (Project Management Institute of Japan)
- Implementation of cross-organizational sales meetings

2) Promote globalization in step with customers

- Promote offshore development in Dailan, China (expected to grow from 70 M (last year) to 155 M this year)

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

- Large-scale subcontracting in Industrial and Public Systems for sports-related systems development
- Bundled subcontracting of multiple functions in conventional line systems development in Transportation Systems

Control Systems

- Aim to expand scope of operations to fields such as substation monitoring, storage batteries, EAM, and cloud technologies
- Continue to propose next-generation systems development for thermal monitoring and control
- Motorization projects for next-generation vehicle to continue to perform well
- Improvement of model development technologies to also improve productivity
- Focus on vehicle functional safety

Transportation Systems

- Elimination of unprofitable projects, improvement of profits through a complete overhaul
- Promotion of the expansion of the scope of business and subcontracting
- Promotion of offshore development

Particular Information Systems

- Increase in crisis management-related subcontracting projects, expansion of systems
- In the crisis management applied field of environmental resource-related projects, gain new customers such as those for a satellite image systems project
- Develop new areas utilizing skills such as mathematical calculations and new algorithms

Embedded Systems

- Leverage short-range wire technologies to develop new customers with a focus on parts manufacturers
- In vehicular information systems, new projects to enter the full-fledged development phase, systems to be expanded
- Use current semiconductor-related technologies for deployment to new customers

Industrial & Public Information Systems

- Aim to complete sports-related systems, strengthen proposal for secondary development
- Busy in response to next-generation equipment for station administration devices and consumption tax support
- Continue promotion of subcontracting, offshore development

IT Management Services

- Strengthen systems development education, expand operations
- Expand verifications services to include hardware verification
- Expand services from simple operation services to all areas of the IT service management field

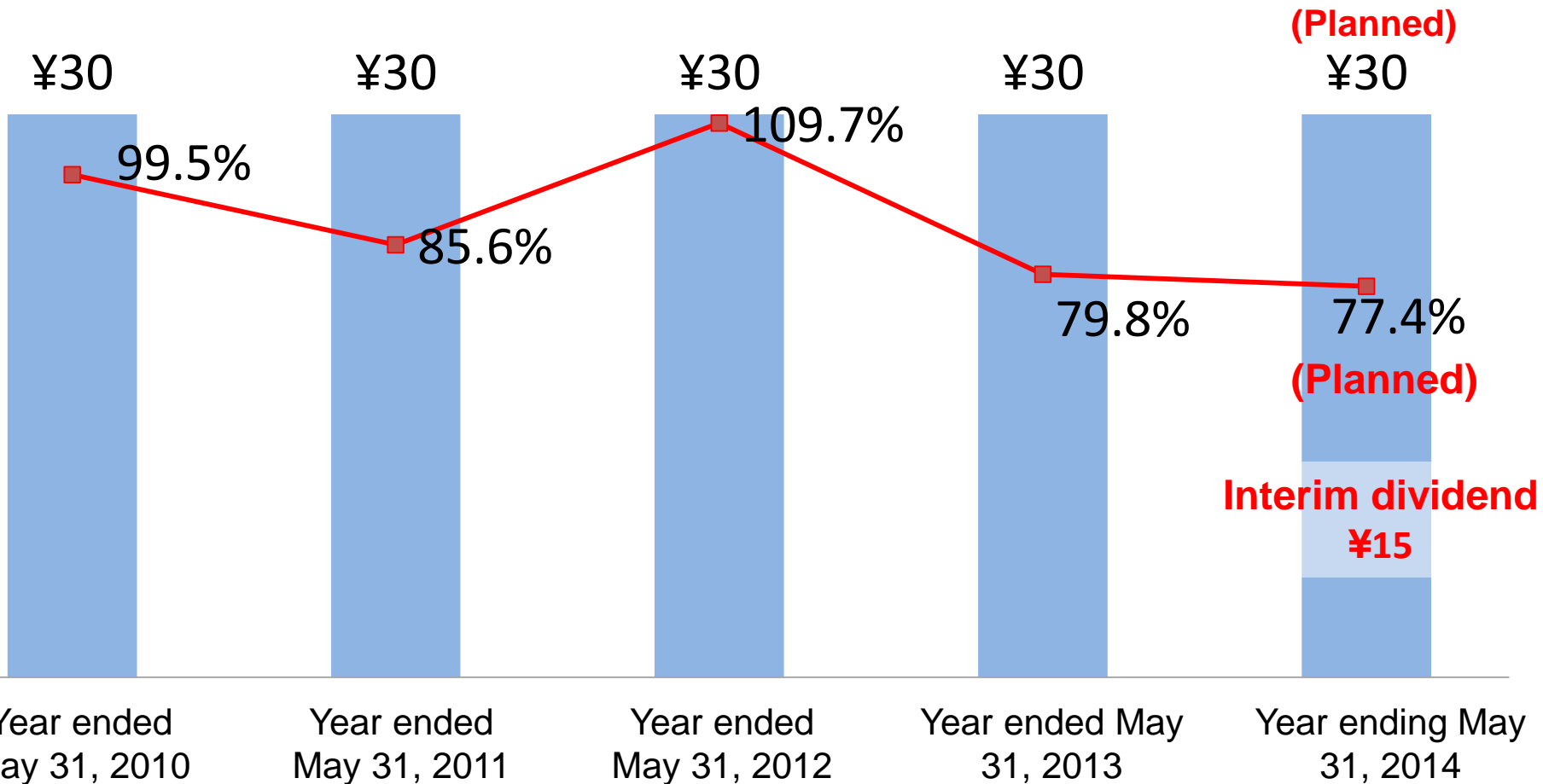
Planned Numerical Consolidated Targets for the Year Ending May 31, 2014

Unit: In Millions of Yen

	Year ended May 31, 2013 [Actual]	Year ending May 31, 2014 [Plan]	Change (Percentage of Change)
Net Sales	5,230	5,300	69 (1.3%)
Operating Income (Operating Income Ratio)	316 (6.1%)	340 (6.4%)	23 (7.4%)
Ordinary Income (Ordinary Income Ratio)	366 (7.0%)	385 (7.3%)	18 (5.0%)
Current Net Income (Net Income Ratio)	208 (4.0%)	215 (4.1%)	6 (3.1%)

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.



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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