



[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, 2018



January 19, 2018

1. Consolidated Financial Results for the Second
Quarter of the Year Ending May 31, 2018

2. Forecast for the Year Ending May 31, 2018

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Quarter of the Year Ending May 31, 2018

2. Forecast for the Year Ending May 31, 2018

Second Quarter of the Year Ending May 31, 2018

Outline of Consolidated Financial Results



Unit: Millions of yen

	Plan	Against plan	Actual	Year-on-year	Previous year
Net Sales	2,760	+227 +8.3%	2,987	+578 +24.0%	2,409
Operating Income (Income ratio)	170 (6.2%)	+150 +88.4%	320 (10.7%)	+191 +149.4%	128 (5.3%)
Ordinary Income (Income ratio)	190 (6.9%)	+152 +80.1%	342 (11.4%)	+191 +127.2%	150 (6.3%)
Net Income of the Quarter (Income ratio)	70 (2.5%)	+98 +141.4%	168 (5.7%)	+72 +74.5%	96 (4.0%)

Second Quarter of the Year Ending May 31, 2018

Overview of Consolidated Financial Results - 1



Net Sales

+ ¥578M YOY (+ 24.0%)

Acceptance inspections for control systems went ahead of schedule, the Automotive Systems segment showed strong performance, and the Particular Information Systems, Embedded Systems, and Industrial and Public Systems segments performed well

Operating Income

+ ¥191M YOY (+ 149.4%)

Due to factors including continued strong performance that started in the second half of the previous year

Ordinary Income

+ ¥191M YOY (+ 127.2%)

Due to increased operating income

Net Income of the Quarter

+ ¥72M YOY (+ 74.5%)

Due to increased ordinary income

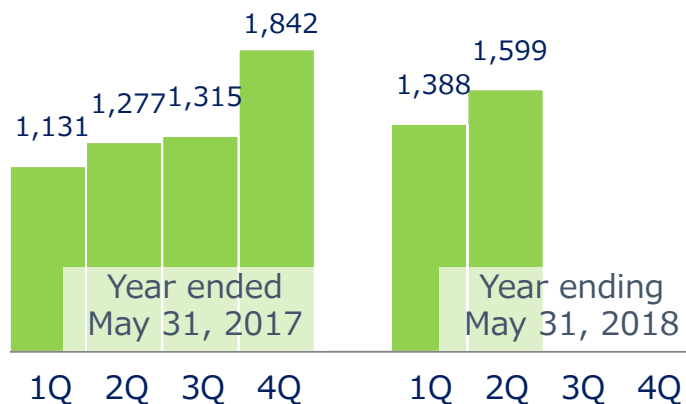
[Major topics]

- Continued strong performance that started in the second half of the previous year, and evening out the first and second halves after uneven concentration in the second half of the previous year
- Began reviewing salaries, etc., in efforts towards work style reform
- In the Automotive Systems segment, performance was strong for autonomous driving related systems
- The IoT field in construction machines performed well
- Extraordinary losses of 84 million yen were recorded for commemorations of the 50th anniversary of the company

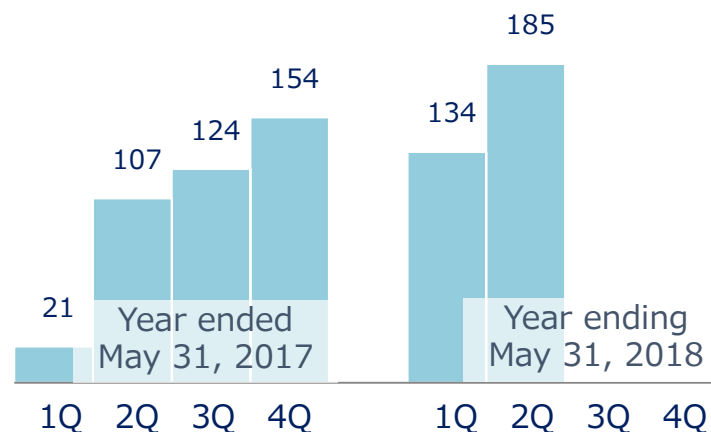
Performance Trend by Quarter of Consolidated Financial Results

Unit: Millions of yen

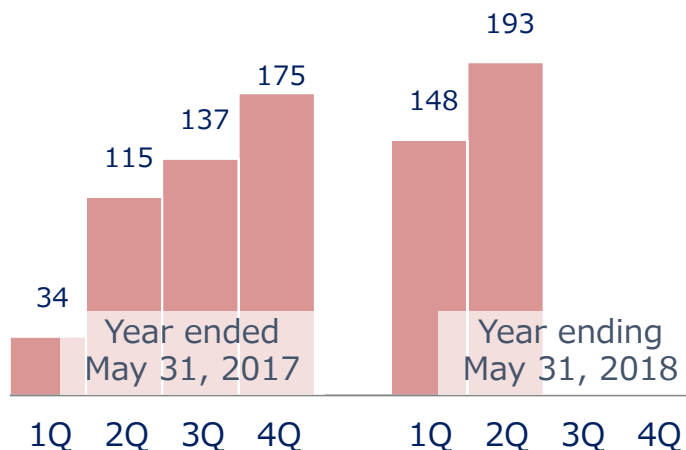
Net Sales



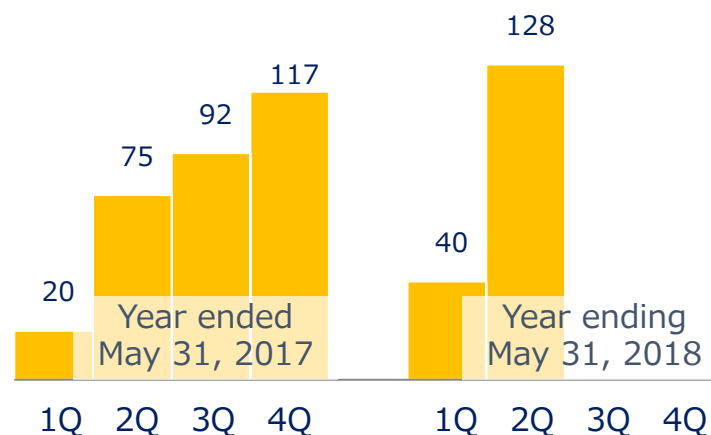
Operating Income



Ordinary Income



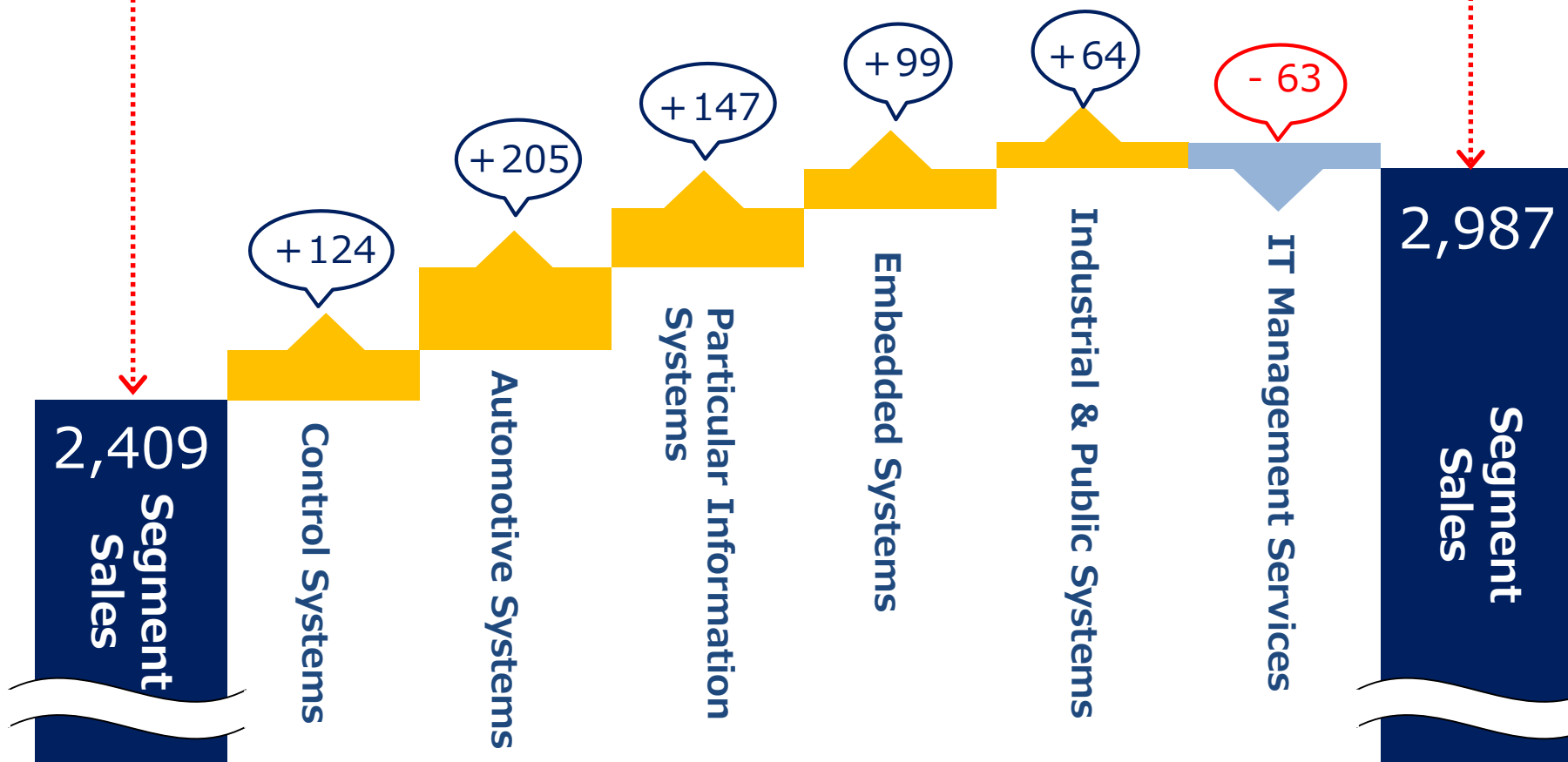
Current Net Income



Changes in sales by segment for the Second Quarter of the Year Ending May 31, 2018

Unit: Millions of yen

Increase of 578 Million yen (+24.0% YOY)



2,409
Segment Sales

2,987
Segment Sales

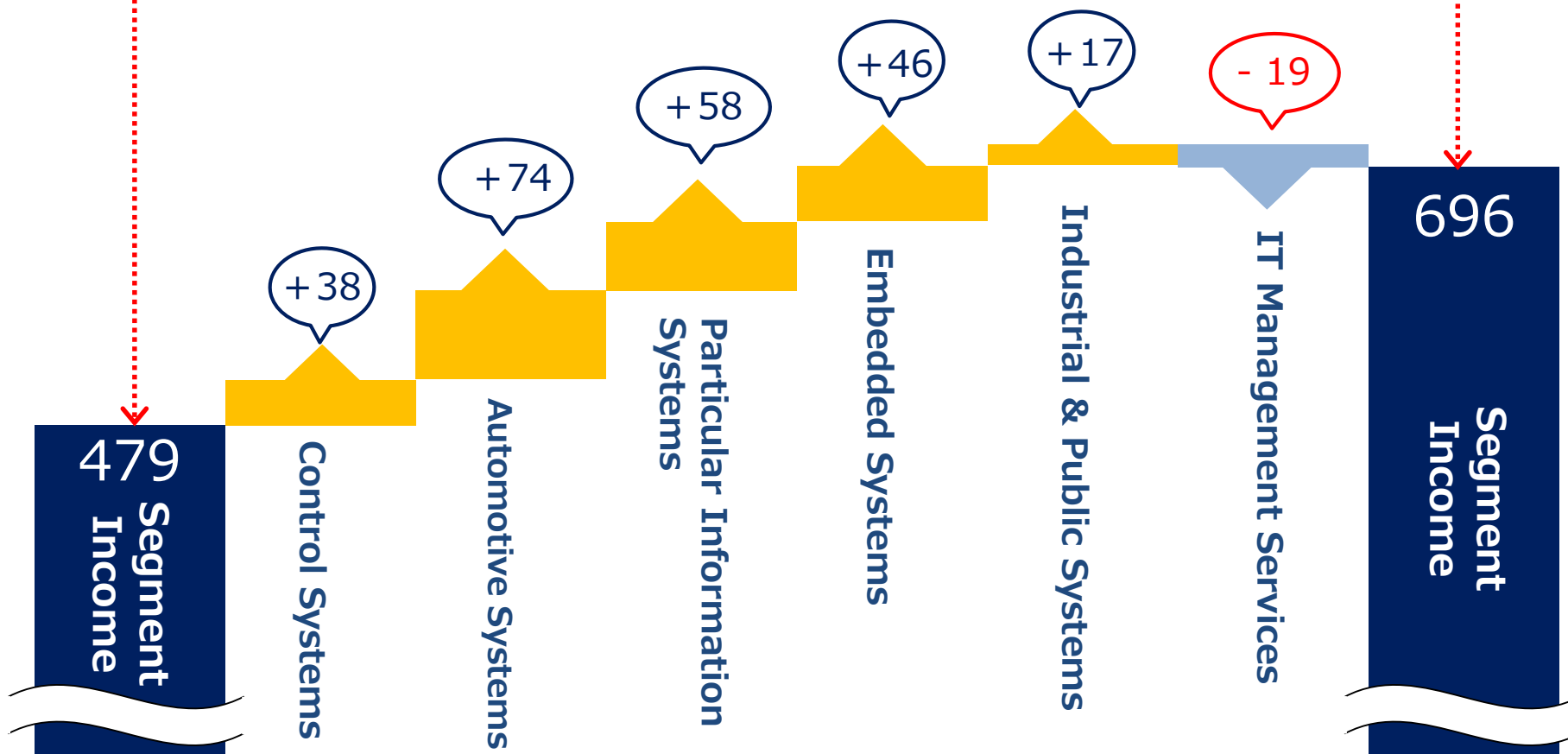
Second Quarter of the Year
Ended May 31, 2017

Second Quarter of the Year
Ending May 31, 2018

Changes in profits by segment for the Second Quarter of the Year Ending May 31, 2018

Unit: Millions of yen

Increase of 216 Million yen (+45.2% YOY)



Second Quarter of the Year Ended May 31, 2017

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

Second Quarter of the Year Ending May 31, 2018

(1) Segment information for the Second Quarter of the Year Ending May 31, 2018

Control Systems

- In energy-related systems, there was less work in monitoring of power plant controls, while work ended in wide area power systems and shifted to energy liberalization
- In transportation related systems, performance was strong as contracted jobs for conventional line traffic management were ahead of schedule and the increased workload from the end of the previous year in acceptance inspections was maintained

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2017 (Income Ratio)	Second Quarter Year ending May 31, 2018 (Income Ratio)	Change (Percentage of change)
Control Systems	Net Sales	389	514	+124 (+32.0%)
	Income	97 (24.9%)	136 (26.4%)	+38 (+39.9%)

*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, 2018

Automotive Systems

- For in-car information systems, there was no change in development for model types
- For in-car control systems, there was no change in engine control, while transmission controls performed well
- ADAS had strong performance in in-car cameras and in-car network controls
- Completed preparations for offshore development at group company in Dalian, China
- In the ADAS field, there has also been good performance in transactions with new clients

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2017 (Income Ratio)	Second Quarter Year ending May 31, 2018 (Income Ratio)	Change (Percentage of change)
Automotive Systems	Net Sales	544	750	+205 (+37.8%)
	Income	91 (16.7%)	165 (22.1%)	+74 (+81.9%)

*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, 2018

Particular Information Systems

- In risk management systems, workload for large-scale contracted jobs including acceptance inspections increased
- In map information systems, expanded business scope in satellite image processing
- Handling several orders for ADAS in-car camera image recognition

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2017 (Income Ratio)	Second Quarter Year ending May 31, 2018 (Income Ratio)	Change (Percentage of change)
Particular Information Systems	Net Sales	153	300	+147 (+95.6%)
	Income	21 (14.2%)	80 (26.8%)	+58 (+268.6%)

*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, 2018

Embedded Systems

- In storage devices, enterprise SSDs performed well, and there was no change in SSDs for consumers and HDD development
- We had overconcentration on SSDs, and are now focusing our efforts on developing new fields
- For pharmaceutical packaging machines, business scope expanded
- Business is going well with IoT construction machine manufacturers

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2017 (Income Ratio)	Second Quarter Year ending May 31, 2018 (Income Ratio)	Change (Percentage of change)
Embedded Systems	Net Sales	279	379	+99 (+35.6%)
	Income	53 (19.1%)	100 (26.4%)	+46 (+87.3%)

*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, 2018

Industrial & Public Information Systems

- Station service equipment development, IC card development, and engineering services for railway subsidiaries declined marginally
- In Quasi-Zenith Satellite Systems, climate change forecasting and satellite augmentation performed well
- In-car systems for railroad maintenance vehicles performed well
- Development for dispatching and security systems performed well

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2017 (Income Ratio)	Second Quarter Year ending May 31, 2018 (Income Ratio)	Change (Percentage of change)
Industrial & Public Information Systems	Net Sales	582	646	+64 (+11.0%)
	Income	141 (24.3%)	159 (24.6%)	+17 (+12.2%)

*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, 2018

IT Management Services

- In architecture services, risk management and satellites were among the fields that performed well, and began doing business with new clients
- In maintenance and operations services, services for telecom carriers performed well
- Verification services strategically contracted
- Accounting systems experienced convergence the previous year, and sales decreased overall as a result

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2017 (Income Ratio)	Second Quarter Year ending May 31, 2018 (Income Ratio)	Change (Percentage of change)
IT Management Services	Net Sales	458	395	- 63 (- 13.8%)
	Income	73 (16.1%)	54 (13.8%)	- 19 (- 26.3%)

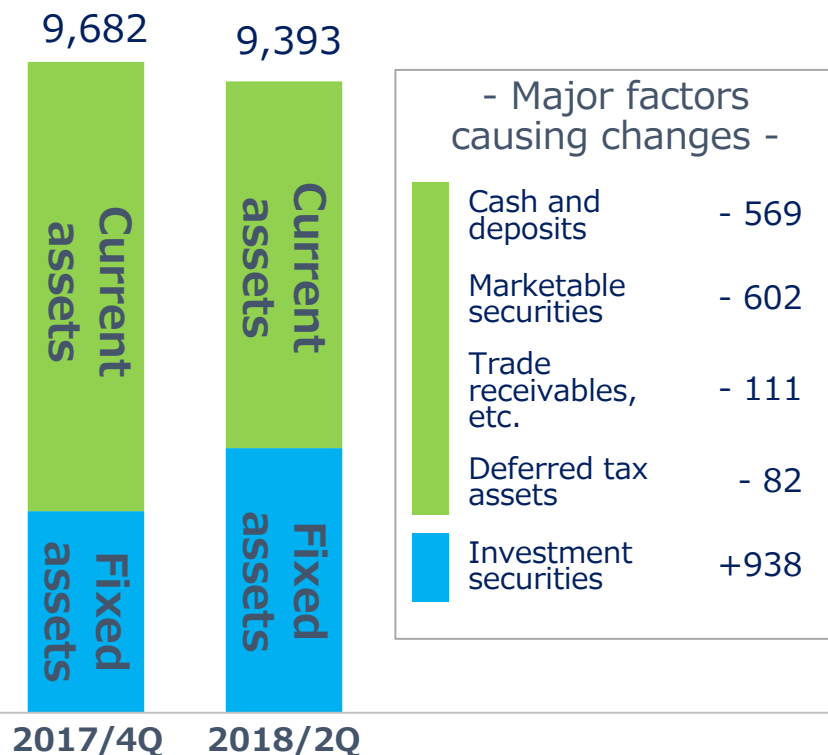
*Segment income does not include corporate expenses that have not been allocated to the segments.

Consolidated financial statements

Unit: Millions of yen

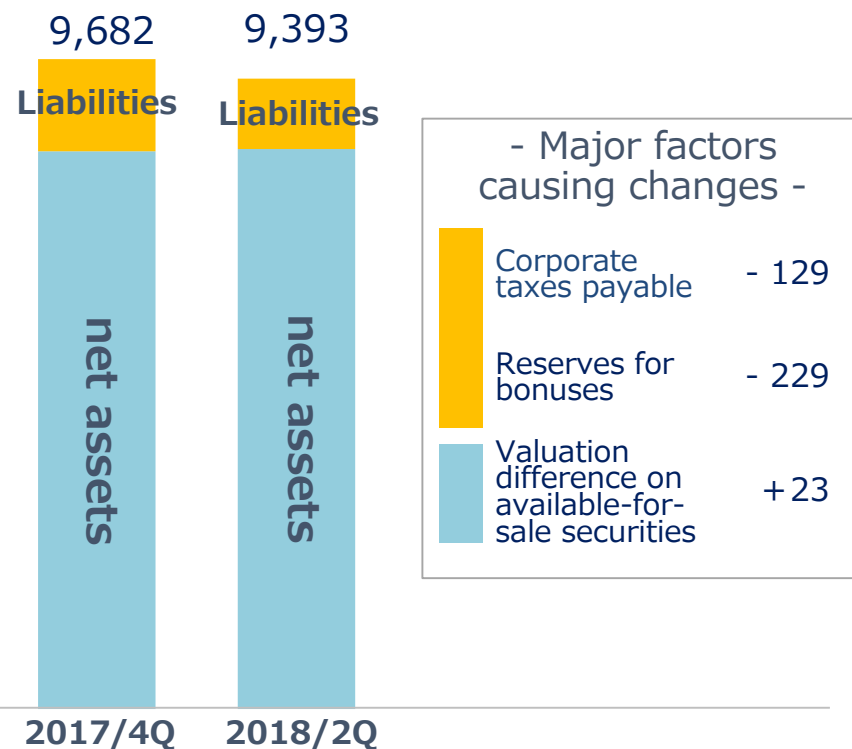
Assets

Assets : Decrease of 288 Million yen



Total liabilities and net assets

Liabilities : Decrease of 321 Million yen
Net assets : Increase of 32 Million yen



Financial Indicators (Other)

	Year ended May 31, 2017	Second Quarter Year Ending May 31, 2018	(Reference) Second Quarter Year Ended May 31, 2017
Net Assets	¥8,308M	¥8,341M	¥8,193M
Net Assets per Share	¥1,687.9	¥1,694.5	¥1,664.5
Net Income per Share	¥62.2	¥34.3	¥19.7
Capital-to-assets Ratio	85.8%	88.8%	90.3%
Treasury Shares	822,674 _{shares}	400,075 _{shares}	822,634 _{shares}
No. of employees	548	535	533

Second Quarter of the Year Ending May 31, 2018

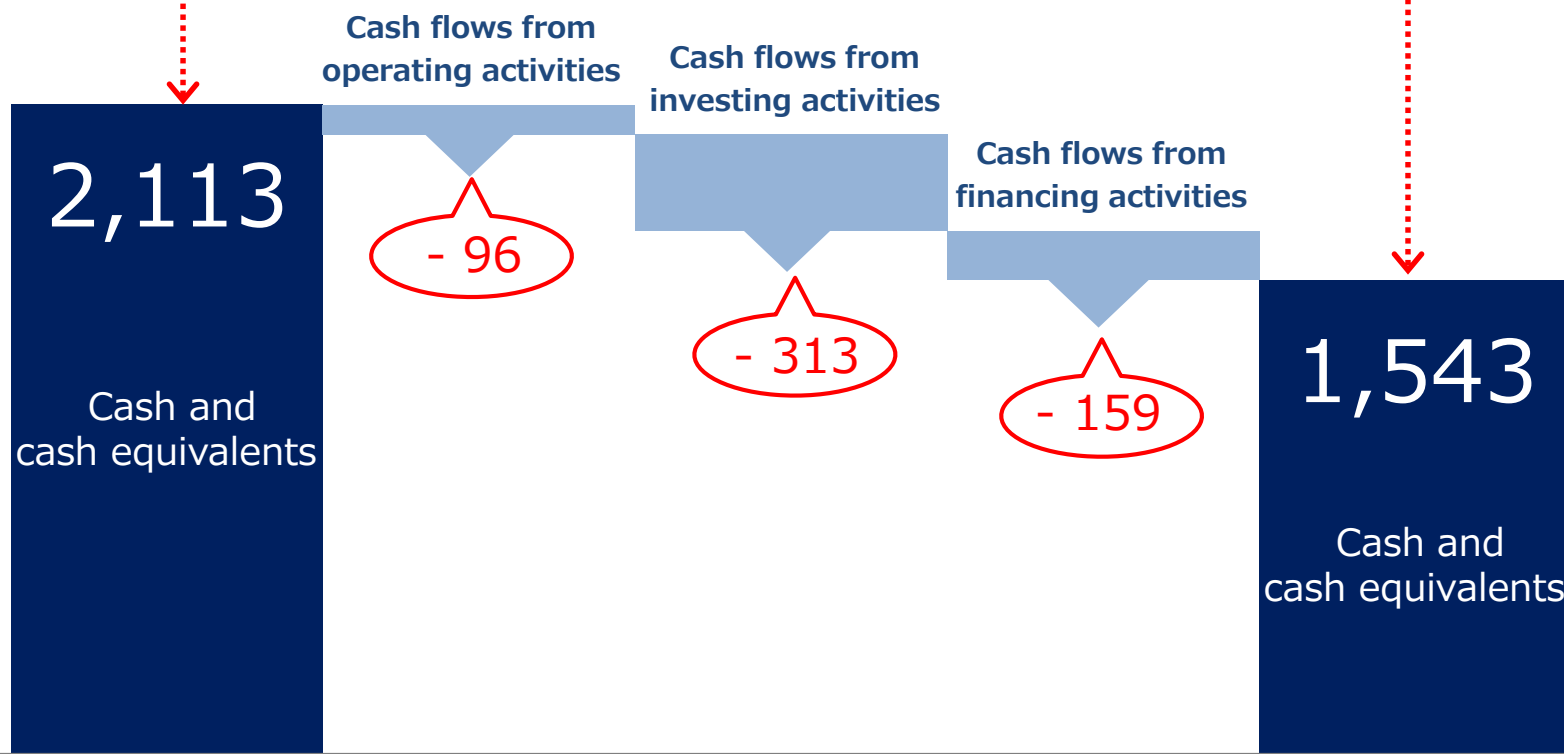
Consolidated Cash Flows



JAPAN PROCESS
DEVELOPMENT CO.,LTD.

Unit: Millions of yen

Decreased by 569 Million yen from the balance
at the beginning of the period



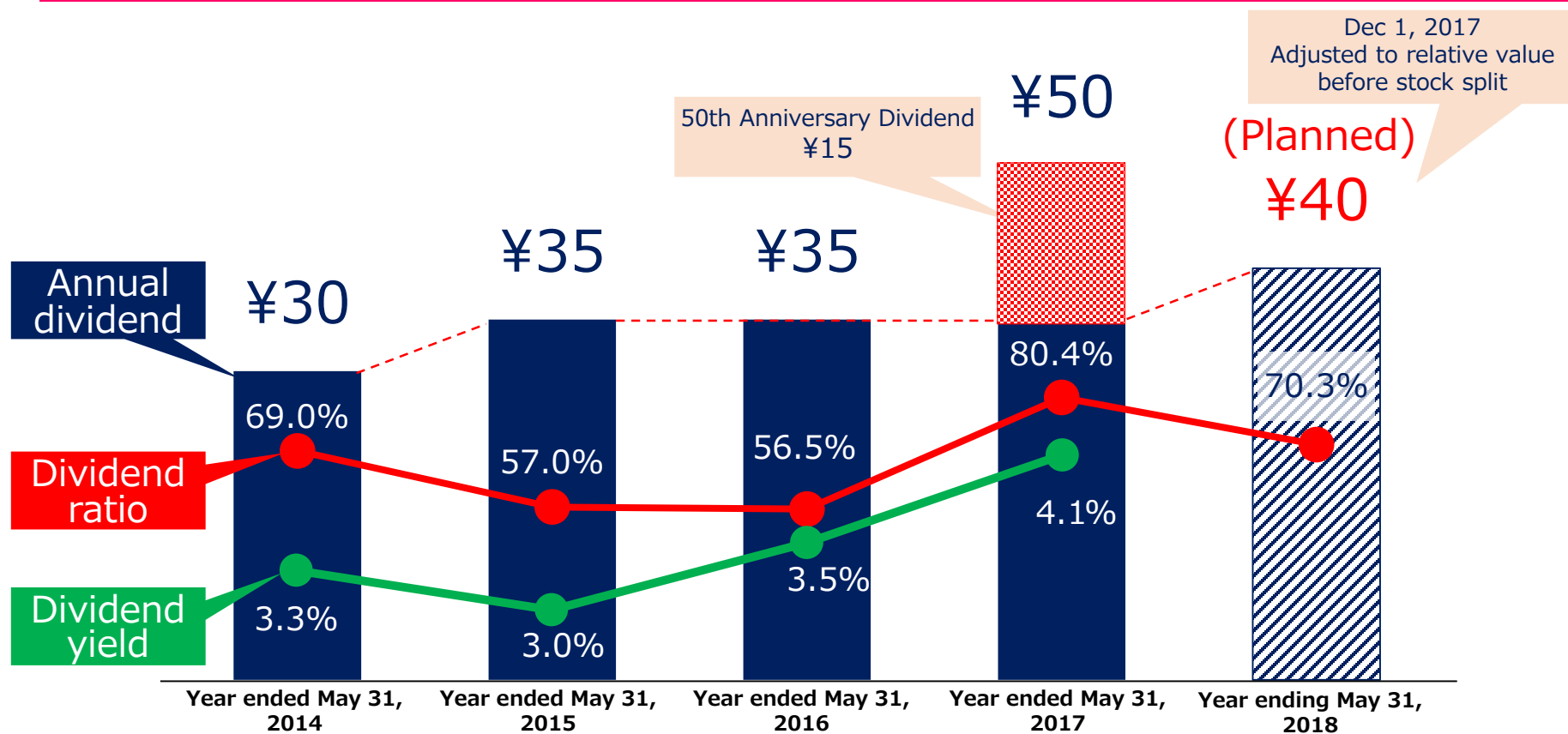
At beginning of the Year
of the Ending May 31, 2018

At end of the Second quarter
of the Year Ending May 31, 2018

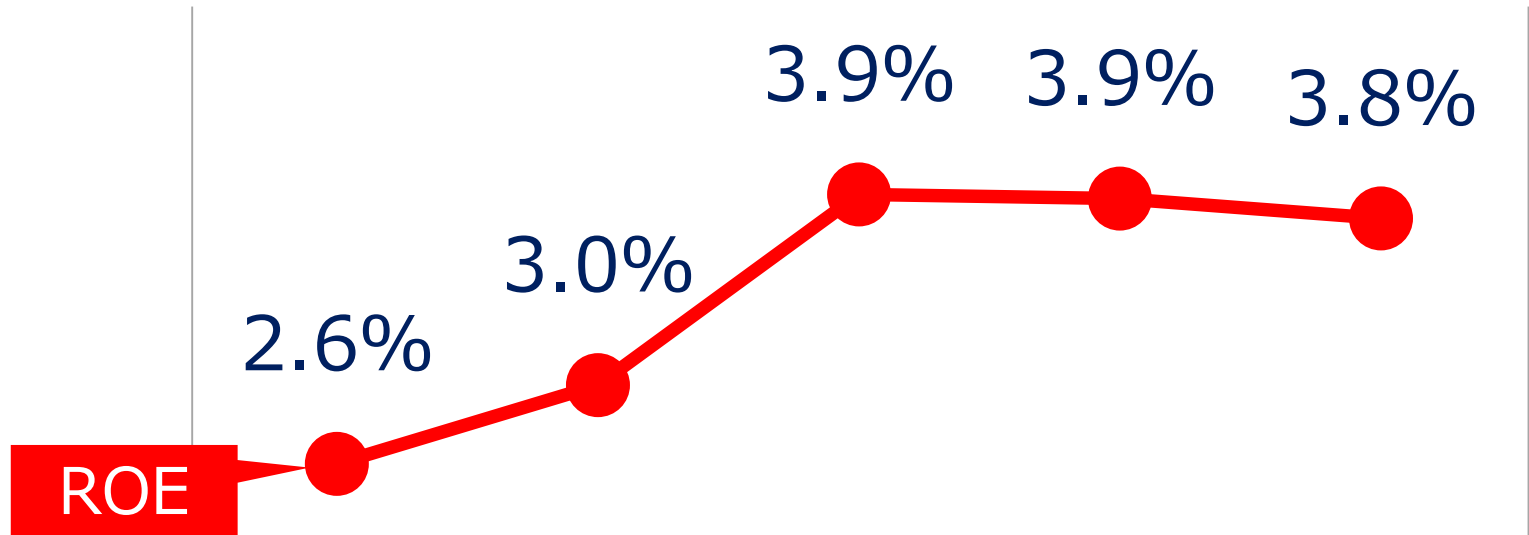
Trend in Shareholder Dividends

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	Year ended May 31, 2017
Net income per share	¥37.6	¥43.5	¥61.4	¥61.9	¥62.2
Net assets per share	¥1,466.9	¥1,481.4	¥1,590.1	¥1,627.6	¥1,687.9
Treasury Shares	200,092 shares	200,134 shares	822,634 shares	822,634 shares	822,674 shares

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2018

2. Forecast for the Year Ending May 31, 2018

Control Systems

(Energy)

- Working on multiple simulator inquiries and orders
- Leading standard package development with the aim of being more competitive overseas

(Transportation)

- In conventional lines, the peak reached in the second half of the previous year will continue
- Tokyo area transport management system (ATOS) will also have a larger workload
- The high speed rail replacement project is proceeding well



Automotive Systems

- For in-car control, engine control and transmission control both performed well
- In-car information equipment will generally be unchanged
- Autonomous driving related systems will perform well
- Further expansion of the Katsuta Office which was newly built this year, and expansion of contracted development
- Launch offshore development in January at the group company in Dalian
- In response to client growth strategy, aim to boost market share at new locations
- Working to boost quality and productivity through business process improvement



Particular Information Systems

- Expanded functional range in development on application frameworks for risk management
- Continue accumulating expertise and operating business while actively investing in image recognition and identification as well as deep learning, with a focus on expanding the range of application for autonomous driving systems, risk management systems, etc.

Embedded Systems

- Accelerate movement away of overconcentration on SSDs and toward the next core businesses
- For medical equipment manufacturers, aim to expand functions and business scope in development of upcoming products
- Performance will be good with IoT construction machines manufacturers



Industrial & Public Information Systems

- Station service equipment and IC cards will have no change, engineering services for railway subsidiaries will decrease
- In-car systems for railroad maintenance vehicles will move to maintenance phase
- Performance will be strong in dispatching systems and with IoT construction machines manufacturers



IT Management Services

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

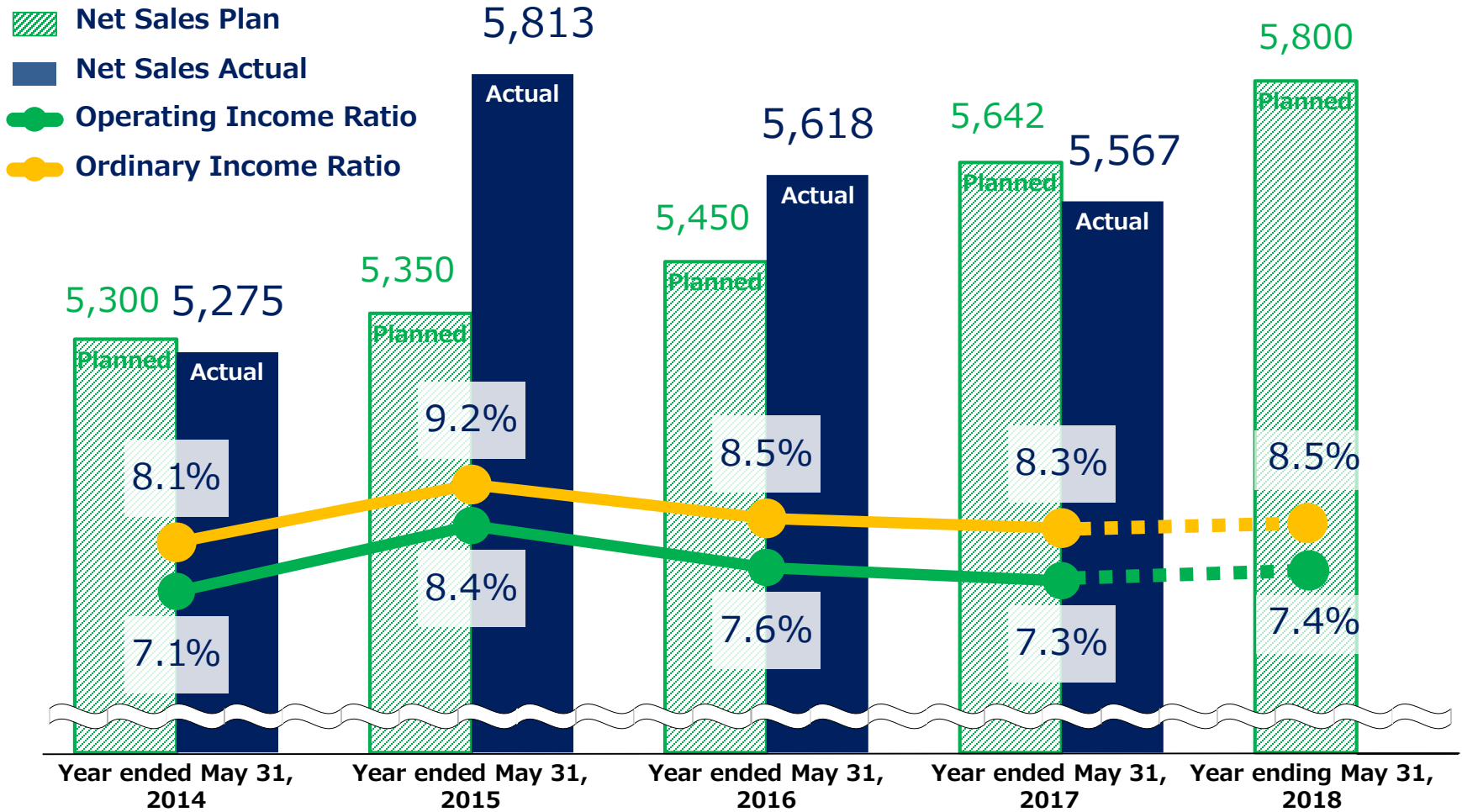
Planned Numerical Consolidated Targets for the Year Ending May 31, 2018

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



← the 3th Medium-Term Business Plan →

← the 4rd Medium-Term Business Plan →

Disclosed September 29, 2017

1. Basic policy on the acquisition of treasury shares

- (1) Our company considers returning profits to shareholders to be a key management policy. In addition to our objective of maintaining steady dividend payouts and a dividend payout ratio of at least 50%, we also flexibly return profits through the acquisition of treasury shares.
- (2) Our company moves forward in purchasing treasury shares in order to boost capital efficiency.

Disclosed September 29, 2017

2. Basic policies on holding and retirement of treasury shares

- (1) Our company holds a certain number of treasury shares to implement our M&A strategy (M&A and business capital affiliation).
- (2) Our company holds a certain number of treasury shares as the capital to motivate officers and employees toward delivering sustained corporate value creation together with the company.
- (3) In order to do whatever possible to alleviate concerns by shareholders about dilution pertaining to retirement of treasury shares, our company maintains holdings up to a maximum of around 10% of all issued shares as treasury shares, and in principle retires any treasury shares in excess of this every fiscal year.



On October 31, 2017 we retired 422,674 of 822,674 total treasury shares
(7.4% of all issued shares)

Disclosed September 29, 2017

3. Share splits

(1) The purpose of share splits

In order to make it easier for investors to invest in our company, we execute share splits that lower the per-unit amount required to invest, with the goal of increasing the fluidity of our shares and attracting a larger pool of investors.

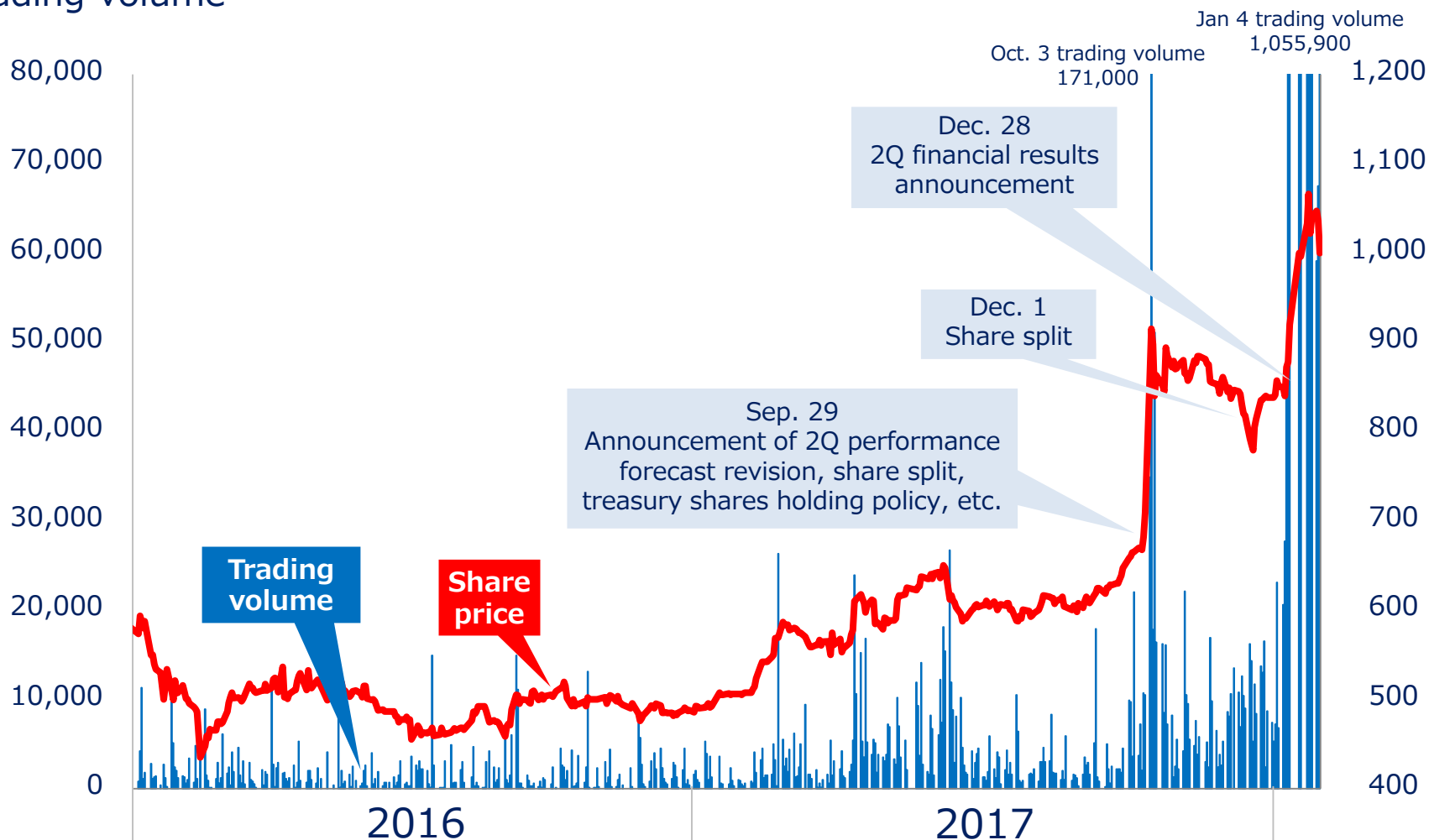
(2) Summary of share splits

We normally split shares by a 2-for-1 ratio.

Changes in Share Price

Trading volume

Share price



Share price up to November 30, 2017 before the share split is expressed in the same proportion as the price after the split

We strive to 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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