



[Securities code : 9651]

Japan Process Development Co., Ltd.

Financial Results Briefing

Year Ended May 31, 2018



July 20, 2018

1 . Consolidated Financial Results for the Year
Ended May 31, 2018

2 . Basic Policy of the Medium-Term Business Plan
(From Year Ending May 31, 2019 to Year Ending May 31, 2021)

3 . Forecast for the Year Ending May 31, 2019

4 . Planned Numerical Targets for the Year Ending
May 31, 2019

1 . Consolidated Financial Results for the Year Ended May 31, 2018

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Outline of the Consolidated Financial Results for the Year Ended May 31, 2018



Unit: Millions of Yen

	Plan	Against plan	Actual	Year-on- year	Previous year
Net Sales	5,800	+489 +8.4%	6,289	+721 13.0%	5,567
Operating Income (Income Ratio)	430 (7.4%)	+82 +19.3%	512 (8.2%)	+105 +25.8%	407 (7.3%)
Ordinary Income (Income Ratio)	495 (8.5%)	+84 +17.0%	579 (9.2%)	+114 +24.7%	464 (8.3%)
Current Net Income (Income Ratio)	280 (4.8%)	+34 +12.2%	314 (5.0%)	+7 +2.5%	306 (5.5%)

Overview of the Consolidated Financial Results for the Year Ended May 31, 2018 – 1



Net Sales

+¥721M YOY (+13.0%)

Control Systems, Automotive Systems, Particular Information Systems, and Embedded Systems performed well

Operating Income

+¥105M YOY (+25.8%)

Profitability resulting from better conditions for orders and plentiful projects as a result of improved value of services

Ordinary Income

+¥114M YOY (+24.7%)

Due to increased operating income

Current Net Income

+¥7M YOY (+2.5%)

Due to extraordinary loss (expenses from commemoration of 50th anniversary) and increase in corporate tax, etc.

Overview of the Consolidated Financial Results for the Year Ended May 31, 2018 – 2

[Major topics]

- Balancing work style reforms with our best (non-consolidated) business performance since being listed
- Producing major results for the last year of the Medium-Term Business Plan, including efforts in focus areas and actively leveraging business partnerships
- Employee participation rate of 77% for 50th anniversary commemorative trip, also with many family member participants
- Disclosure of policies on treasury share holding and disposal, share split
- Issuance of restricted stock as compensation to managers and above, with the goal of boosting corporate value from the perspective of shareholders
- Concluding M&A agreements
- Acquisition of treasury shares (200,000 shares)

Overview of the Consolidated Financial Results for the Year Ended May 31, 2018 – 3

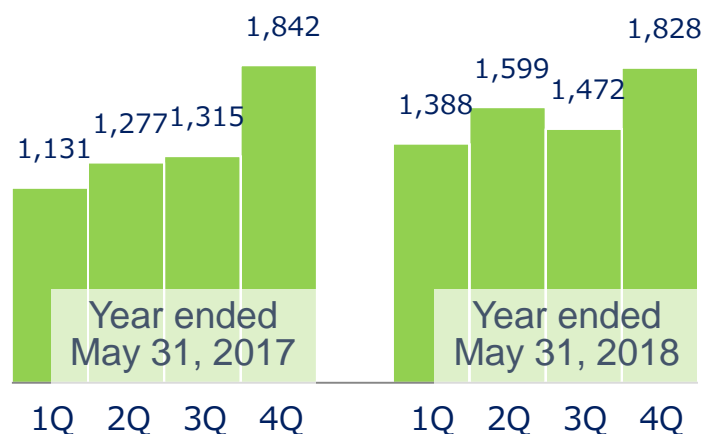
[Major topics]

- 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
- We are planning to transition from having one outside director to having two (planning to propose at the general shareholders' meeting)

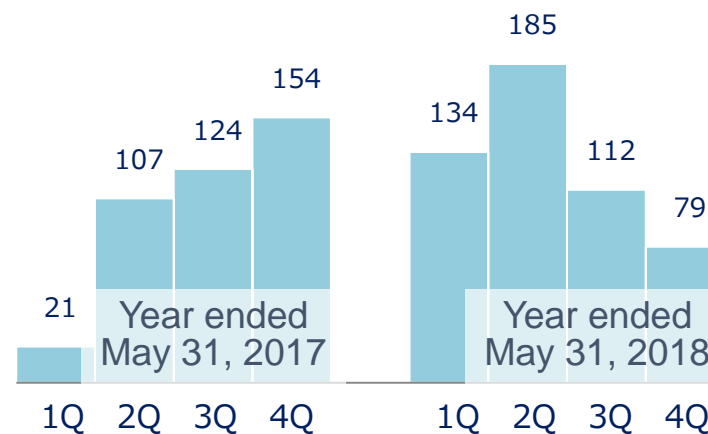
Overview of Consolidated Financial Results (Performance Trend by Quarter)

Unit: Millions of Yen

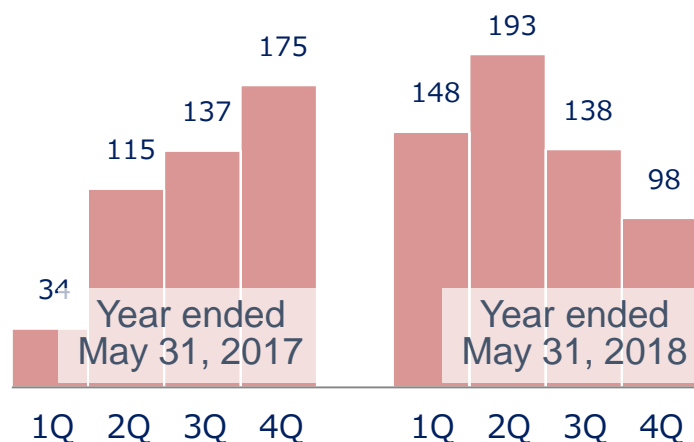
Net Sales



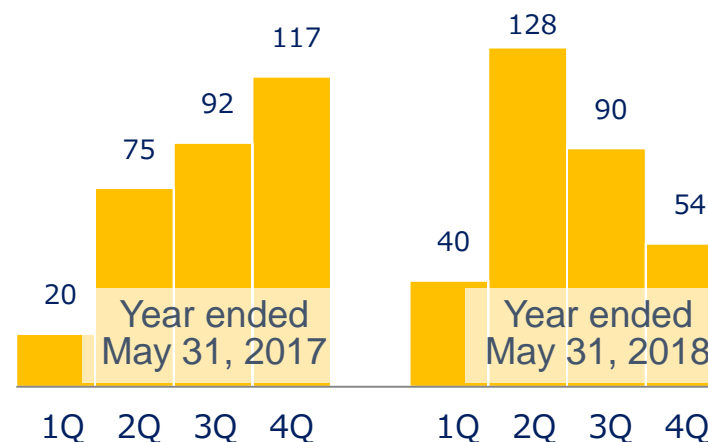
Operating Income



Ordinary Income



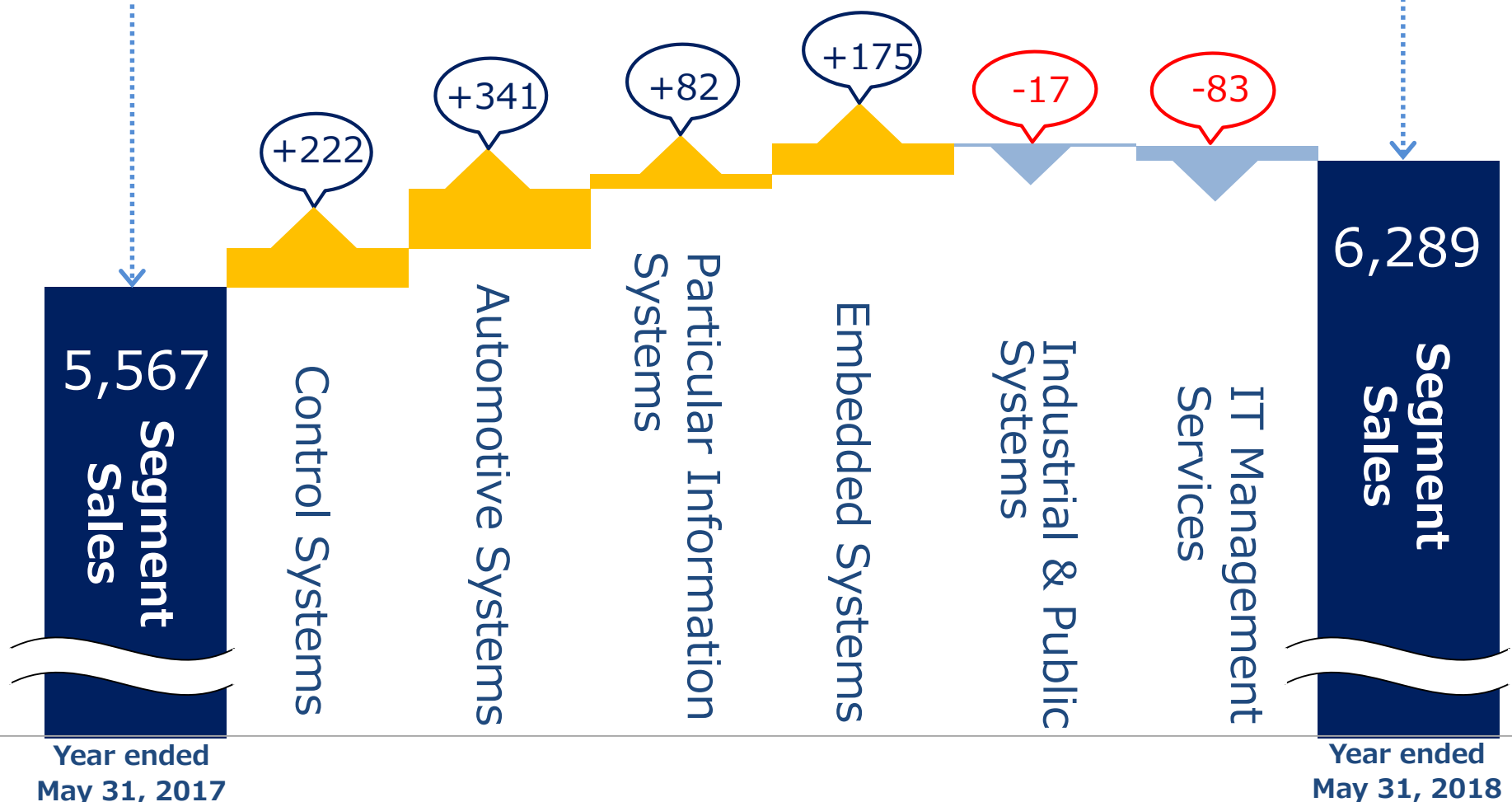
Current Net Income



Changes in Sales by Segment in the Year Ended May 31, 2018

Unit: Millions of Yen

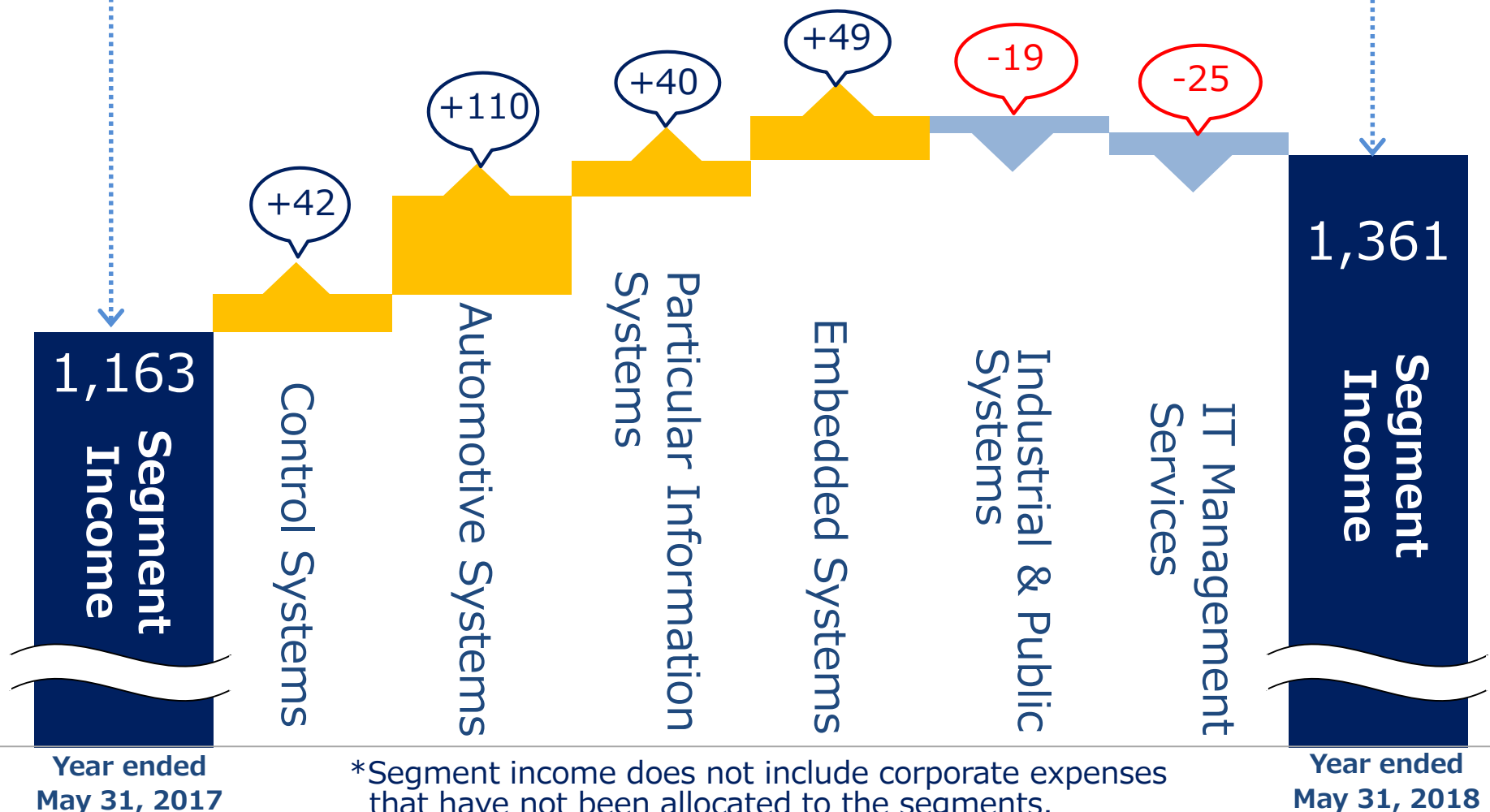
Increase of 721 Million yen (+13.0% YOY)



Changes in Profits by Segment in the Year Ended May 31, 2018

Unit: Millions of Yen

Increase of 198 Million yen (+17.0% YOY)



Performance by Segment for Year Ended May 31, 2018 -1

Control Systems

- In energy-related systems, from existing power plant monitoring and control operations we entered the business of dynamic energy distribution systems which are in high demand amidst the separation of electrical power production from power distribution/transmission
- In transportation-related systems, there was a high concentration of multiple contracted jobs for conventional line traffic management, but performance was strong as off-shore utilization of IPD Dalian produced good quality, low costs, and favorable delivery periods

Unit: Millions of Yen

Business Segment		Year ended May 31, 2017 (Income Ratio)	Year ended May 31, 2018 (Income Ratio)	Change (Percentage of change)
Control Systems	Net Sales	965	1,188	+222 (+23.0%)
	Income	229 (23.8%)	272 (22.9%)	+42 (+18.4%)

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

Performance by Segment for Year Ended May 31, 2018 -2

Automotive Systems

- Sales and profits both increased significantly, as personnel were strategically shifted to self-driving systems for which operations were expanded, and in-car control systems also performed well
- As development projects increased, more operations were taken off-shore in line with activities to improve business operations
- In-car information systems had generally no overall change

Unit: Millions of Yen

Business Segment		Year ended May 31, 2017 (Income Ratio)	Year ended May 31, 2018 (Income Ratio)	Change (Percentage of change)
Automotive Systems	Net Sales	1,308	1,650	+341 (+26.1%)
	Income	249 (19.0%)	359 (21.8%)	+110 (+44.3%)

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

Performance by Segment for Year Ended May 31, 2018 -3

Particular Information Systems

- Performance was strong, as large contracted jobs for risk management were completed without incident, and orders outside of plan were also taken on efficiently
- Satellite image processing for geographical information systems performed well
- Expanded scope of responsibility for in-car camera image recognition for self-driving systems

Unit: Millions of Yen

Business Segment		Year ended May 31, 2017 (Income Ratio)	Year ended May 31, 2018 (Income Ratio)	Change (Percentage of change)
Particular Information Systems	Net Sales	478	561	+82 (+17.2%)
	Income	83 (17.5%)	124 (22.1%)	+40 (+48.0%)

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

Performance by Segment for Year Ended May 31, 2018 -4

Embedded Systems

- In storage devices, performance was strong for enterprise SSDs
- We had overconcentration on SSDs, and are now focusing our efforts on developing new fields
- As planned, sales doubled for future focus clients in areas such as IoT construction machines, medical-related, and stereo cameras/BSW

Unit: Millions of Yen

Business Segment		Year ended May 31, 2017 (Income Ratio)	Year ended May 31, 2018 (Income Ratio)	Change (Percentage of change)
Embedded Systems	Net Sales	622	798	+175 (+28.2%)
	Income	145 (23.4%)	195 (24.5%)	+49 (+34.2%)

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

Performance by Segment for Year Ended May 31, 2018 -5

Industrial & Public Information Systems

- The aerospace field expanded and performed well
- IC card development was unchanged, development of station service equipment decreased
- In-car systems for railroad maintenance vehicles converged and entered the maintenance phase
- Began contracted development jobs for IoT construction machines with intention to make it one of our next core businesses

Unit: Millions of Yen

Business Segment		Year ended May 31, 2017 (Income Ratio)	Year ended May 31, 2018 (Income Ratio)	Change (Percentage of change)
Industrial & Public Systems	Net Sales	1,301	1,284	-17 (-1.3%)
	Income	328 (25.2%)	308 (24.0%)	-19 (-5.9%)

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

Performance by Segment for Year Ended May 31, 2018 -6

IT Management Services

- Strategically shifted toward architecture services, and performance was strong in fields such as aerospace
- In maintenance and operation services, strong performance in projects for railroad subsidiaries could not compensate for deterioration in accounting systems

Unit: Millions of Yen

Business Segment		Year ended May 31, 2017 (Income Ratio)	Year ended May 31, 2018 (Income Ratio)	Change (Percentage of change)
IT Management Services	Net Sales	890	807	-83 (-9.4%)
	Income	126 (14.2%)	100 (12.5%)	-25 (-20.0%)

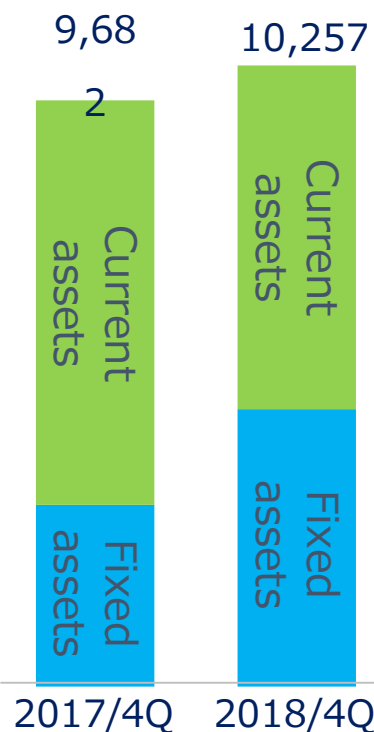
*Segment income does not include corporate expenses that have not been allocated to the segments.

Consolidated Financial Statements

Unit: Millions of Yen

Assets

Assets : Increase of 574 Million yen



- Major factors causing changes -

Cash and deposits	- 325
Marketable securities	- 802
Trade receivables, etc.	+64
Deferred tax assets	+60
Investment securities	+1,534

Total liabilities and net assets

Liabilities : Increase of 368 Million yen
Net assets : Increase of 205 Million yen



- Major factors causing changes -

Accrued amount Payable	+53
Reserves for bonuses	+144
Deferred tax liabilities	+71
Capital surplus	- 151
Retained Earnings	- 162
Treasury stock	+359
Valuation difference on available-for-sale securities	+ 160

Financial Indicators (Other)

	Year ended May 31, 2017	Year ended May 31, 2018
Net Assets	¥8,308M	¥8,514M
Net Assets per Share	¥843.96	¥866.46
Net Income per Share	¥31.11	¥31.88
Capital-to-assets Ratio	85.8%	83.0%
Treasury Shares	1,645,348shares	818,103shares
No. of employees	548	545

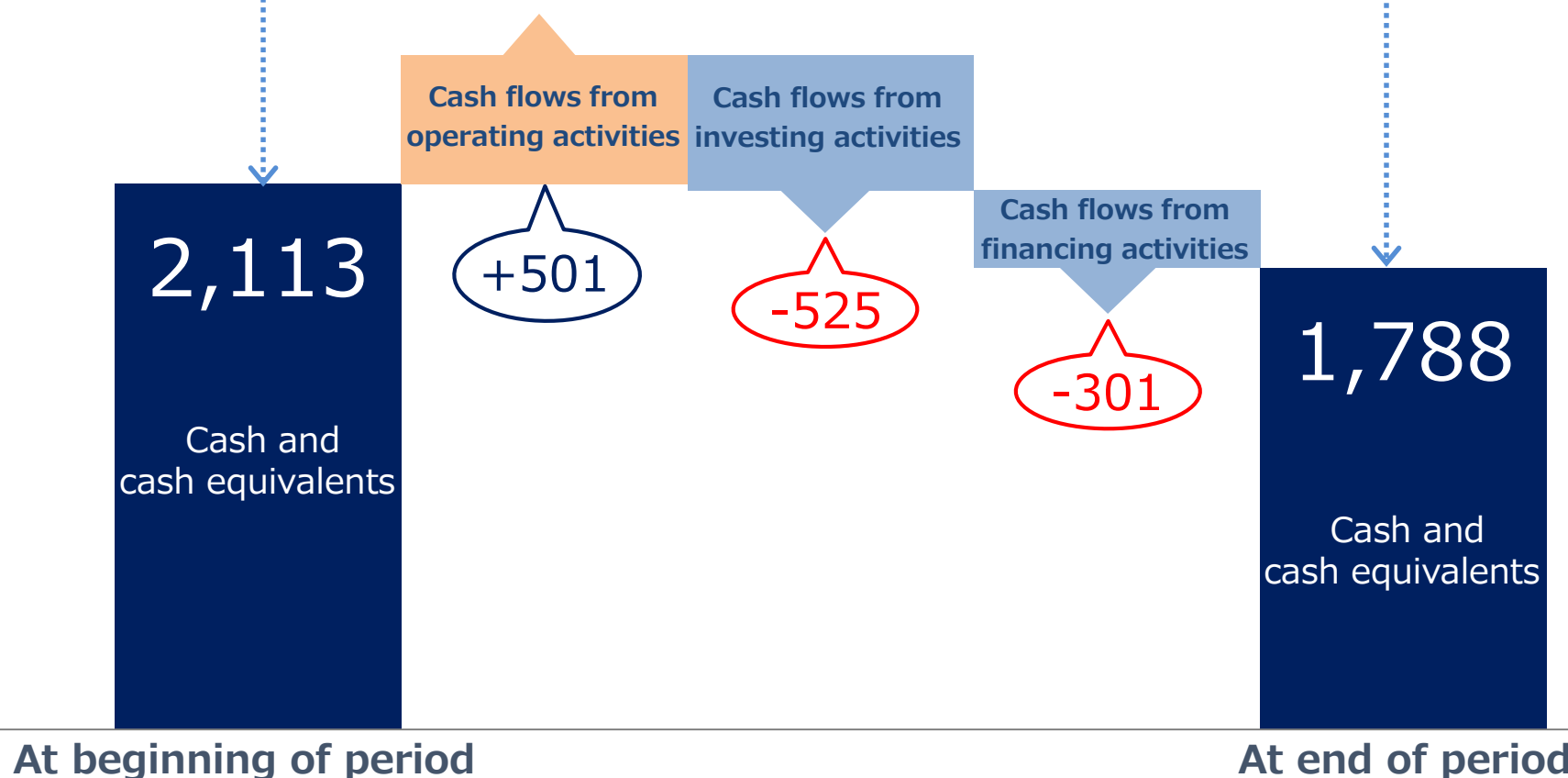
* Common stock was split 2-for-1 effective December 1, 2017.

Calculations were made on the assumption of a stock split at the beginning of the year ended May 31, 2017.

Consolidated Cash Flows for the Year Ended May 31, 2018

Unit: Millions of Yen

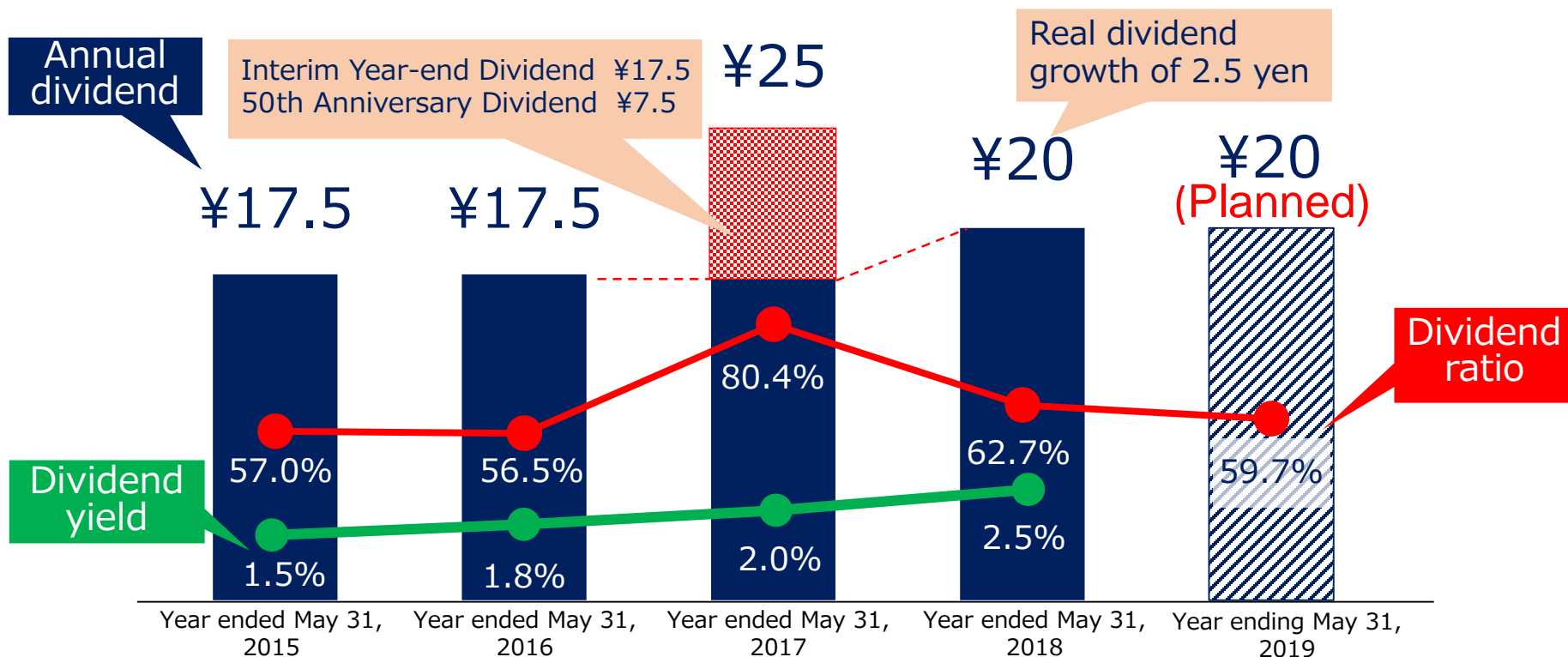
Declined by 325 Million yen from the balance
at the beginning of the period



Trend in Shareholder Dividends

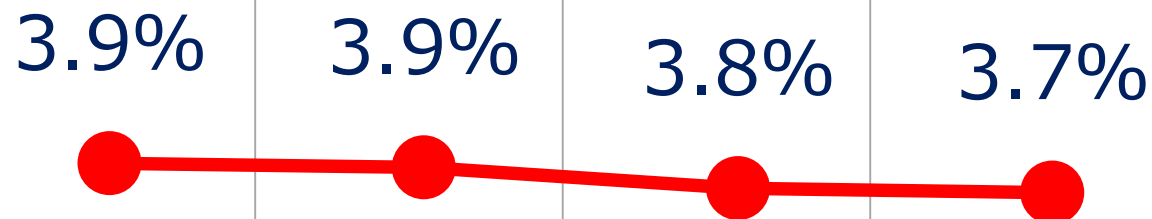
Dividend Policy

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



* Common stock was split 2-for-1 effective December 1, 2017.
Annual dividend amount and dividend yield were calculated on the assumption of a stock split at the beginning of the year ended May 31, 2015.

Trend in Return on Equity (ROE)



	Year ended May 31,2015	Year ended May 31,2016	Year ended May 31,2017	Year ended May 31,2018
Net income per share	¥30.7	¥31.0	¥31.1	¥31.9
Net assets per share	¥795.0	¥813.8	¥844.0	¥866.5
Treasury Shares	1,645,268 shares	1,645,268 shares	1,645,348 shares	818,103 shares

* Common stock was split 2-for-1 effective December 1, 2017.

Calculations were made on the assumption of a stock split at the beginning of the year ended May 31, 2015.

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(From Year Ending May 31, 2019 to Year Ending May 31, 2021)**

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May 31, 2019

Vision of the 5th Medium-Term Business Plan

Utilize software to contribute to safety, security, comfort and convenience in the social infrastructure field.



Basic Policy of the 5th Medium-Term Business Plan

1. Turn acquired business into main business areas and develop new fields
 - (1) Make self-driving/ADAS* and IoT into main business areas
 - (2) Develop additional focus fields with AI, networks, security, cloud, etc.
2. Invest in continued growth
3. Maintain efforts on T-SES

**ADAS : Advanced Driver Assistant System*

Vision of the 5th Medium-Term Business Plan

Utilize software to contribute to safety, security, comfort and convenience in the social infrastructure field.

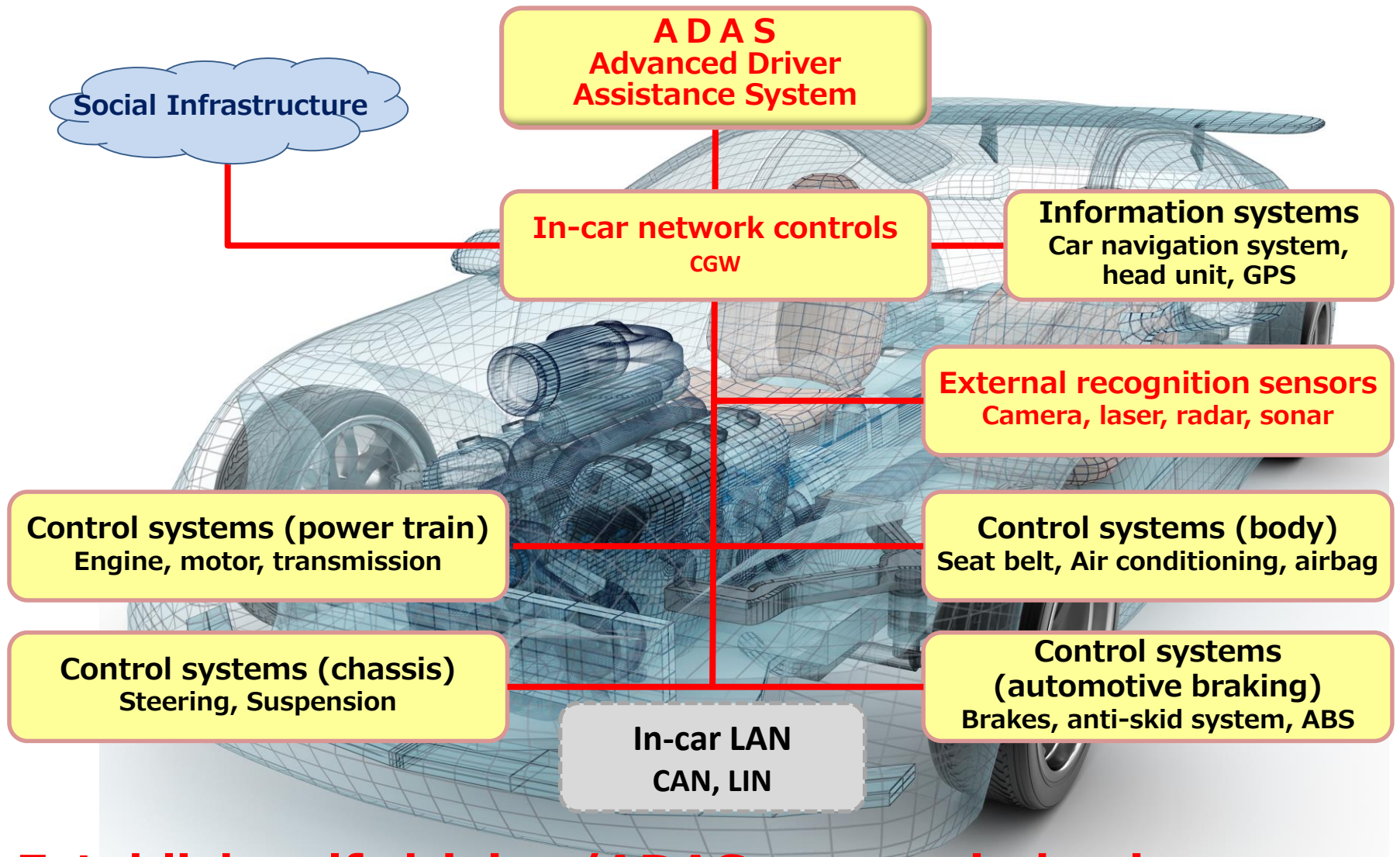


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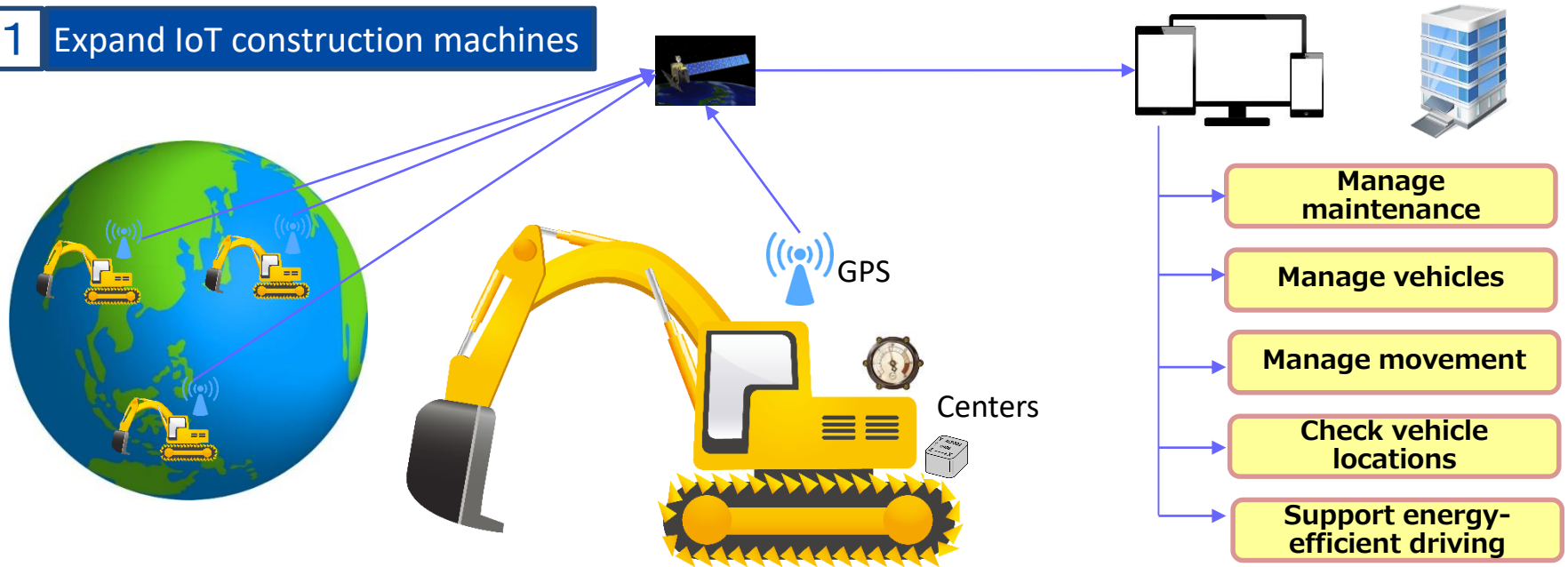
Basic Policy (1) 1. Turn acquired business into main business areas and develop new fields



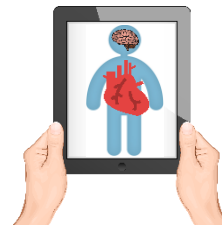
Establish self-driving/ADAS as a main business area

Basic Policy (2) 1. Turn acquired business into main business areas and develop new fields

1 Expand IoT construction machines



2 Field of IoT for medical



Business in the IoT field captured in the previous Medium-Term Plan **to be nurtured into a main business area**

Basic Policy (3) 1. Turn acquired business into main business areas and develop new fields

Develop additional focus fields



AI

Network



Security

Cloud



etc...

[Fields for which work is progressing]

AI image recognition/identification, AI infrastructure systems,
Robotics, IoT construction machine cloud infrastructure

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**ADAS : Advanced Driver Assistant System*

Basic Policy (4)

2. Invest in continued growth

- (1) Invest in good workplace environments
 - Offices, facilities, etc.
- (2) Invest in production facilities
 - Development and verification tools, H/W, etc.
- (3) Invest in human resources
 - Hiring, training, prior art, etc.
- (4) Utilize and revise systems to be more employee-friendly
 - Employee benefits, rules, etc.

Investment

Continued growth

Results

Employees get established,
are more active and more productive

Results



Improve employee peace of mind, health, enjoyment, growth, sense of purpose, etc.

**Create a psychological and material foundation
for continued growth**

Vision of the 5th Medium-Term Business Plan

Utilize software to contribute to safety, security, comfort and convenience in the social infrastructure field.



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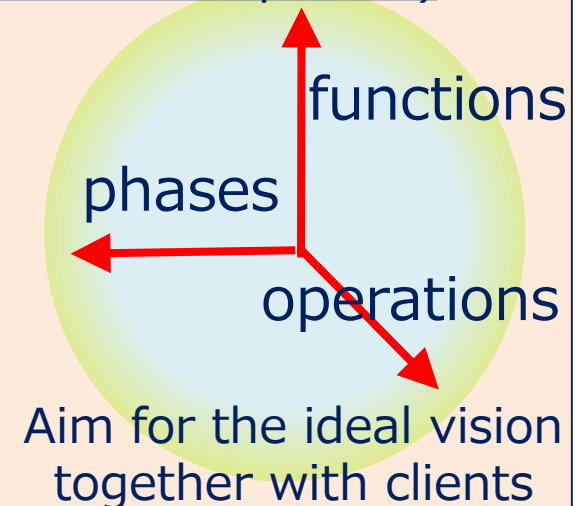
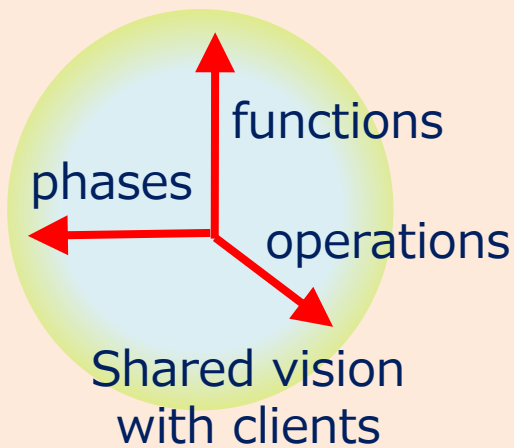
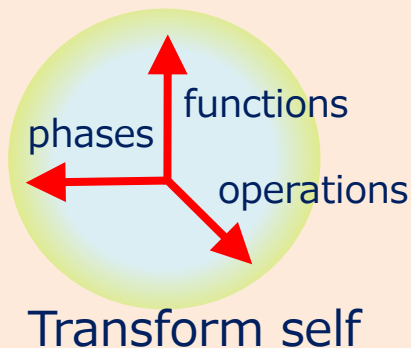
**ADAS : Advanced Driver Assistant System*

3. Maintain efforts on T-SES

Redefine T-SES (Total-Software Engineering Services)

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.

Expand the scope of control along each of the three axes
(Forced and unwilling->Acting autonomously toward completion)



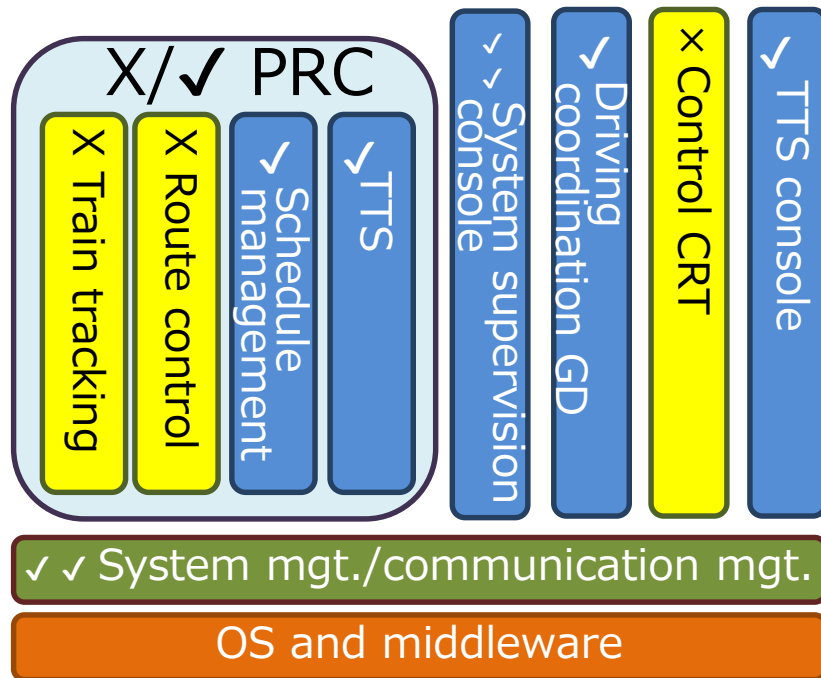
Maintain as long-term efforts that involve the clients

Basic Policy (6)

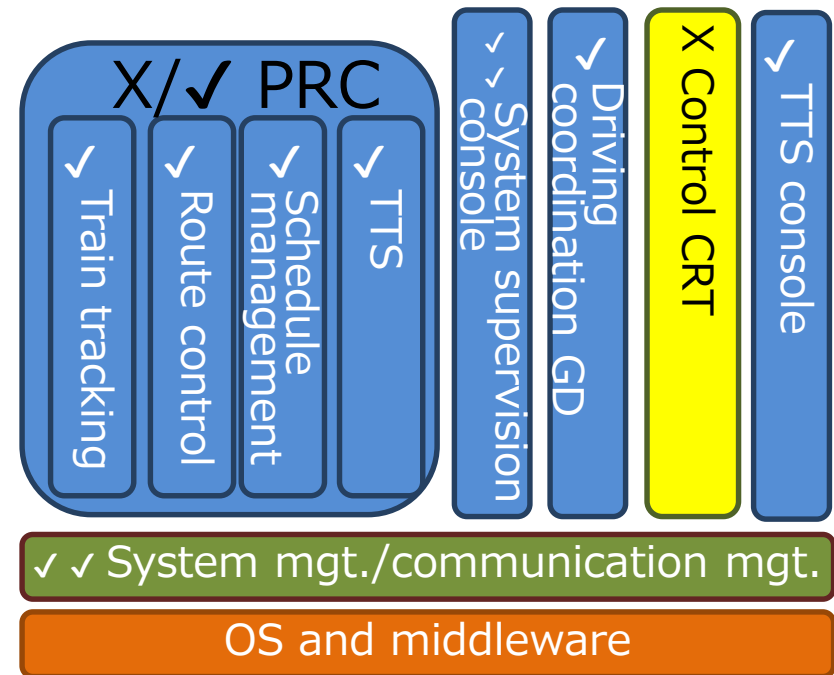
3. Maintain efforts on T-SES

Example) Conventional line traffic management systems

- At start of previous Medium-Term Business Plan



- Current



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Control Systems

(Energy)

- Enhance competitiveness in the energy generation field with standard package development
- Develop new business such as predictive diagnostics and EMS in addition to energy distribution systems

(Transportation)

- Plentiful projects, perform efficiently while maintaining quality
- Continue improvement proposals to clients and off-shore development

Automotive Systems

- Make the self-driving and ADAS fields into main business areas
- Boost quality and productivity through operational improvements
- Balance the ensuring of quality with increases in scope for off-shore development

Particular Information Systems

- Preparing for large-scale improvement projects
- Orders will continue to be steady
- Active investment in image recognition and identification (including AI) and making them into main business fields

Embedded Systems

- In storage, strong performance and start of work on subsequent models
- Accelerate shift toward next core businesses (IoT construction machines, medical-related, stereo cameras/BSW)

Industrial & Public Information Systems

- Make IoT construction machines a main business area
- Develop additional focus fields (AI, robotics, IoT, cloud)
- Solidification and expansion in the aerospace field
- Expand off-shore development

IT Management Services

- Make architecture services such as public cloud into a main business area
- Expand business by drawing on successful case examples and employing them elsewhere

Year Ending May 31, 2019

Efforts toward Continued Growth (1)

- (1) Invest in good workplace environments
 - Offices, facilities, etc.
- (2) Invest in production facilities
 - Development and verification tools, H/W, etc.
- (3) Invest in human resources
 - Hiring, training, prior art, etc.
- (4) Utilize and revise systems to be more employee-friendly
 - Employee benefits, rules, etc.

Investment



Improve employee peace of mind, health, enjoyment, growth, sense of purpose, etc.

Continued growth

Results

Employees get established,
are more active and more productive

Results

**Create a psychological and material foundation
for continued growth**

Invest in good workplace environments

- ◆51st year: Established the Katsuta Office, expanded floor space of IPD Dalian
- ◆52nd year: Move into Keihin Office (nearby station, intelligent building)
 - Establish Kawasaki Branch Office of Keihin Office (Scheduled in Oct.)
 - Establish Project Room in the Minatomirai area (Scheduled in Oct.)

Invest in productivity improvements

- ◆51st year: Purchased tools for off-shore development in automotive
- ◆52nd year: Considering purchase of development/verification tools

Reward employees

- ◆ Increase of base pay by roughly 3% in conjunction with complete overhaul of salary table and rank advancements

Set appropriate work hours

- ◆ Commit to preventing overwork
- ◆ Continue efforts to reform work styles

Invest in human resources

- ◆ Devote funds and intelligence to hiring for new graduates and mid-career positions
- ◆ Expand hiring at IPD Dalian
 - Number of employees: Previous year: 65, This year: 85; hire even more
 - Promote offshore development since there are insufficient domestic resources
- ◆ Made Algorithm Laboratory, Inc. into a group company in June
- ◆ Continue working on additional M&A cases
- ◆ Invest in company-wide and department-specific training
(AI/DL, A-SPICE, UML, OO, MATLAB/Simulink, IoT security, management training, training to attain qualifications, etc.)

Efforts toward SDGs (1)

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



As a company specialized in systems development in the field of social infrastructure, we will continue making efforts toward the sustainable development goals (SDGs) adopted by the UN in 2015.

Vision of the 5th Medium-Term Business Plan

Utilize software to contribute to safety, security, comfort and convenience in the social infrastructure field.



[Contributions in specialized business areas]

Low-carbon high-efficiency power generation, HEVs, EVs, self-driving cars, railroads, aerospace, IoT, AI, disaster prevention, defense, energy management

[Support for specialized groups, etc.]

Donate roughly 1% of after-tax profits

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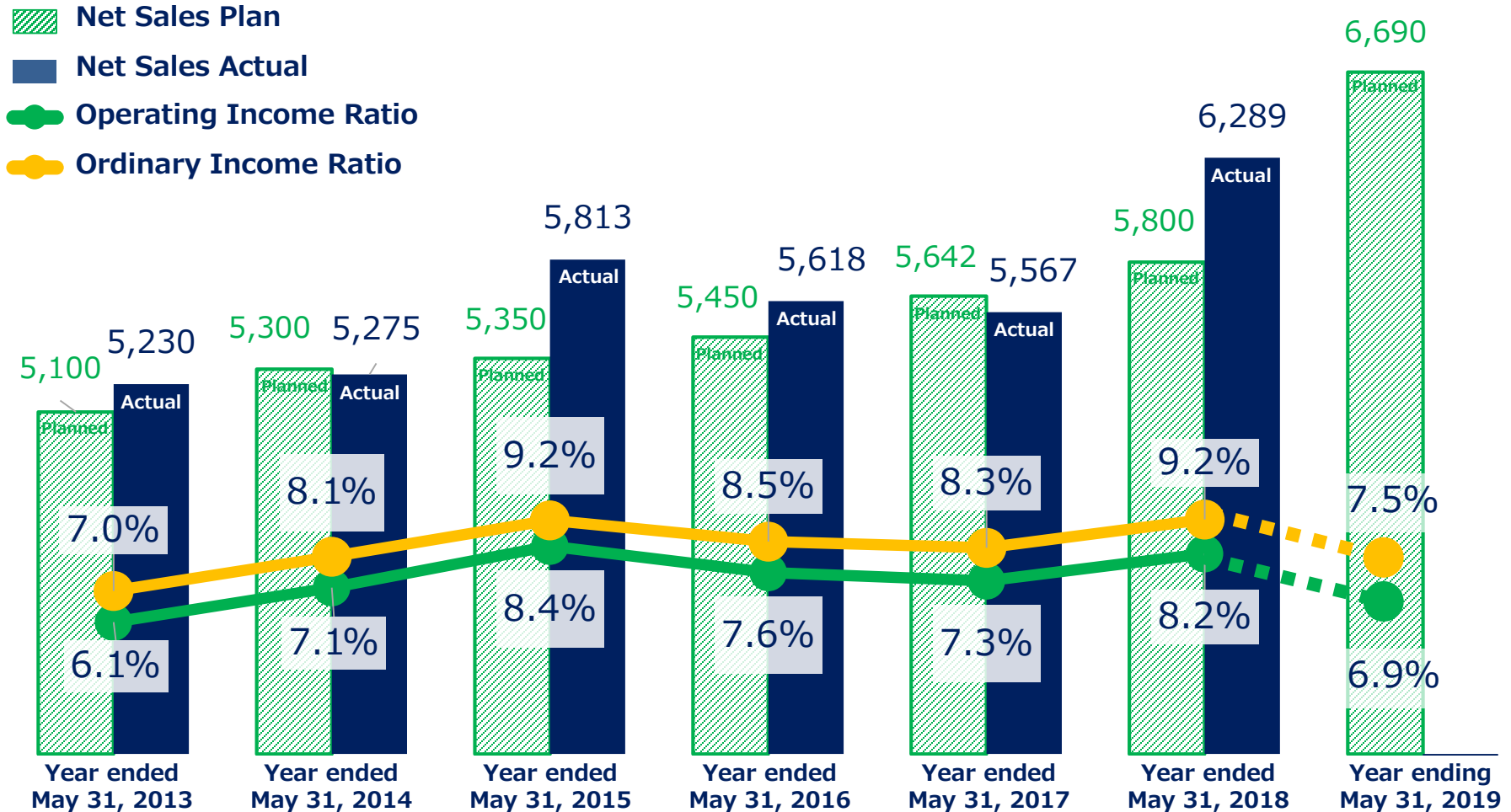
Planned Numerical Consolidated Targets for the Year Ending May 31, 2019

Unit: Millions of Yen

	Year ended May 31, 2018 [Actual]	Year ending May 31, 2019 [Plan]	Change (Percentage of Change)
Net Sales	6,289	6,690	+400 +6.4%
Operating Income (Income Ratio)	512 (8.2%)	460 (6.9%)	-52 -10.3%
Ordinary Income (Income Ratio)	579 (9.2%)	500 (7.5%)	-79 -13.7%
Current Net Income (Income Ratio)	314 (5.0%)	330 (4.9%)	+15 +5.1%

Trend in Consolidated Figures

Unit: Millions of Yen



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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