



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, 2020



January 17, 2020

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2020

2. Initiatives Related to the 5th Medium-Term Business Plan

3. Forecast for the Year Ending May 31, 2020

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Second Quarter of the Year Ending May 31, 2020
Outline of Consolidated Financial Results
(figures announced at the beginning of the fiscal year)

Unit: Millions of yen

	Plan	Against plan	Actual	Year- on-year	Previous year
Net Sales	3,650	+22 +0.6%	3,672	+389 +11.9%	3,283
Operating Income (Income Ratio)	350 (9.6%)	-7 -2.1%	342 (9.3%)	+43 +14.4%	299 (9.1%)
Ordinary Income (Income Ratio)	370 (10.1%)	+2 +0.7%	372 (10.1%)	+46 +14.2%	326 (9.9%)
Net Income of the Quarter (Income Ratio)	250 (6.8%)	+0 +0.1%	250 (6.8%)	+2 +1.1%	247 (7.5%)

(1) Second Quarter of the Year Ending May 31, 2020

Overview of Consolidated Financial Results

Net Sales

+ ¥389 million YoY (+11.9%)

Order conditions were good for industrial & public information systems, automotive systems, particular information systems, and embedded systems, and those for off-shore development were also strong.

Operating Income

+ ¥43 million YoY (+14.4%)

Due to improvement in terms of orders and greater productivity

Ordinary Income

+ ¥46 million YoY (+14.2%)

Due to increase in operating income

Net Income of the Quarter

+ ¥2 million YoY (+1.1%)

Due to extraordinary income last year

Major topics

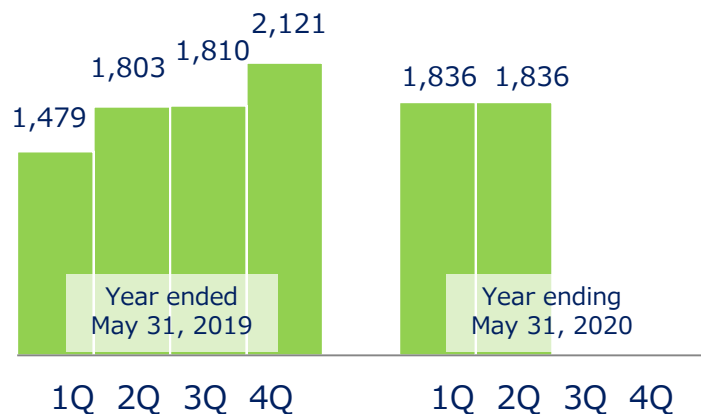
- Invest in good workplace environments
- Move and expand Yokohama Office as scope of operations grows
- Transform IPD Dalian Engineering (100 employees) into consolidated subsidiary
- Undertake stock buyback (200,000 shares) to raise shareholder return
- Raise the dividend: Interim/year-end, ¥13; Full-year previous fiscal year, ¥25 → current fiscal year, ¥26
- End system of discretionary work
- Introduce real-time labor management
- Launch interval work system

Second Quarter of the Year Ending May 31, 2020

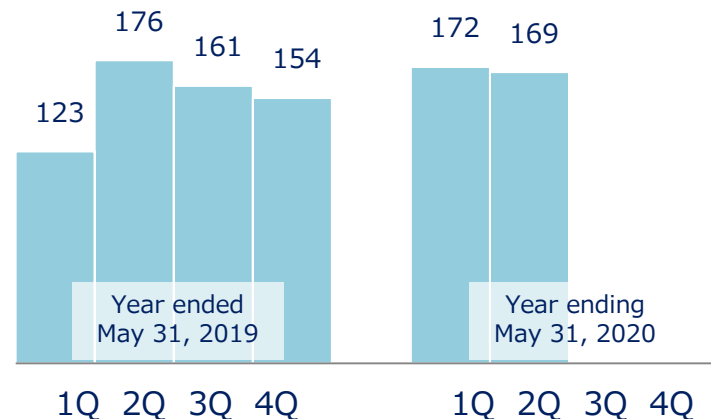
Performance Trend by Quarter

Unit: Millions of yen

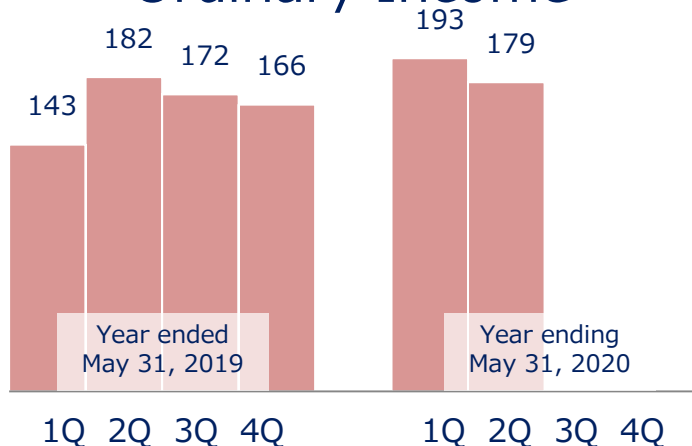
Net Sales



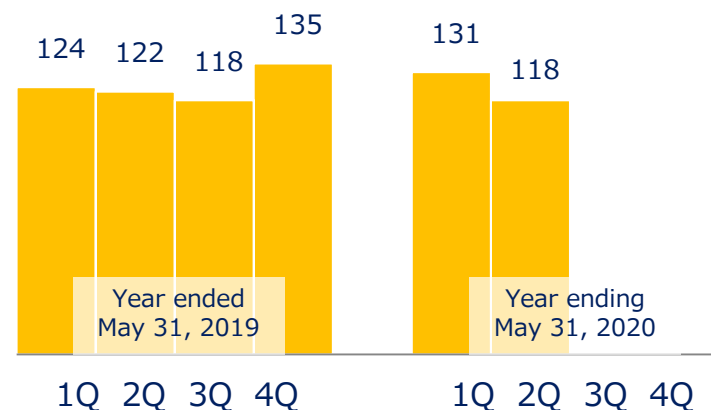
Operating Income



Ordinary Income



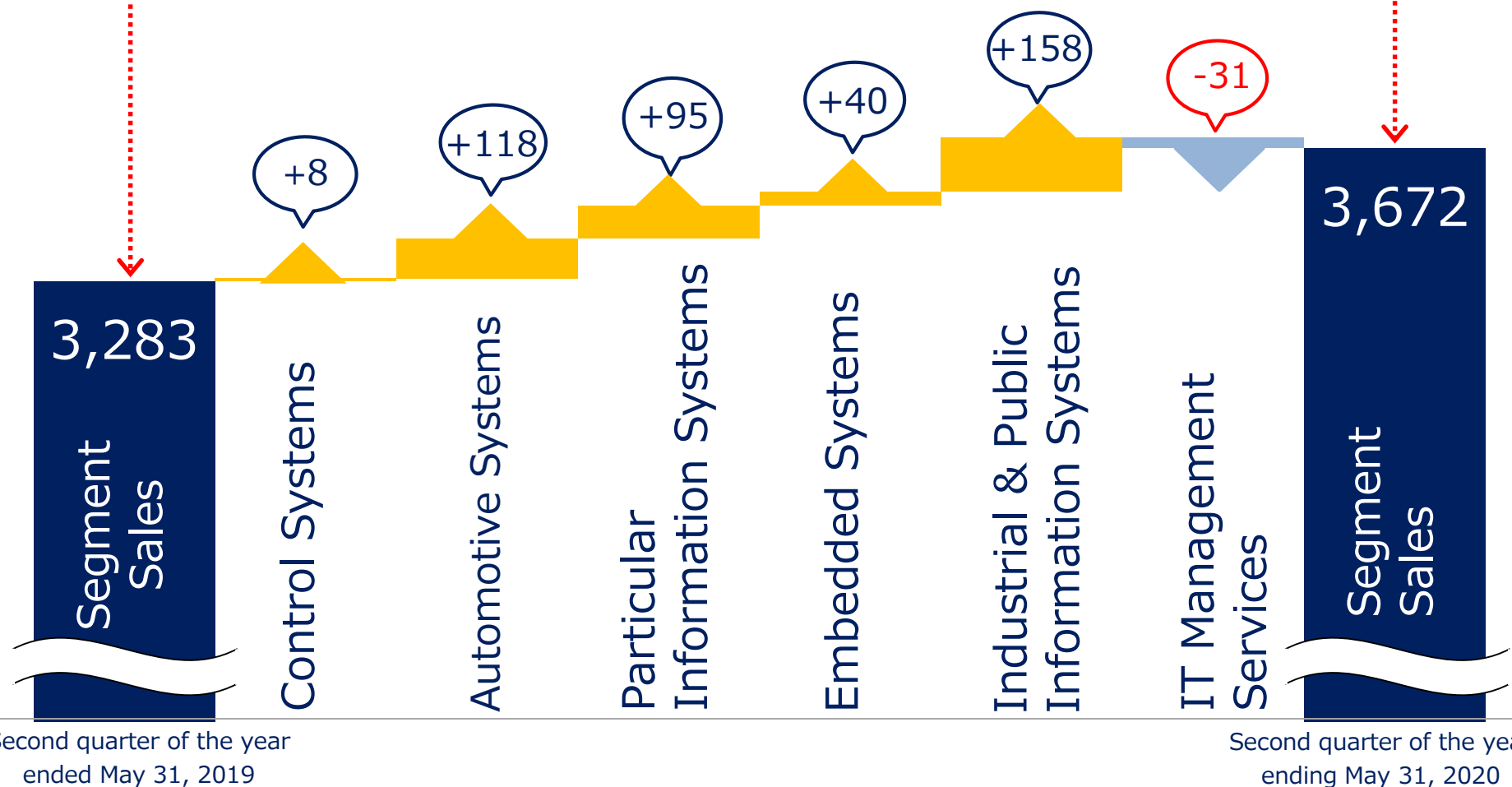
Current Net Income



Change in Sales by Segment for the Second Quarter of the Year Ending May 31, 2020

Unit: Millions of yen

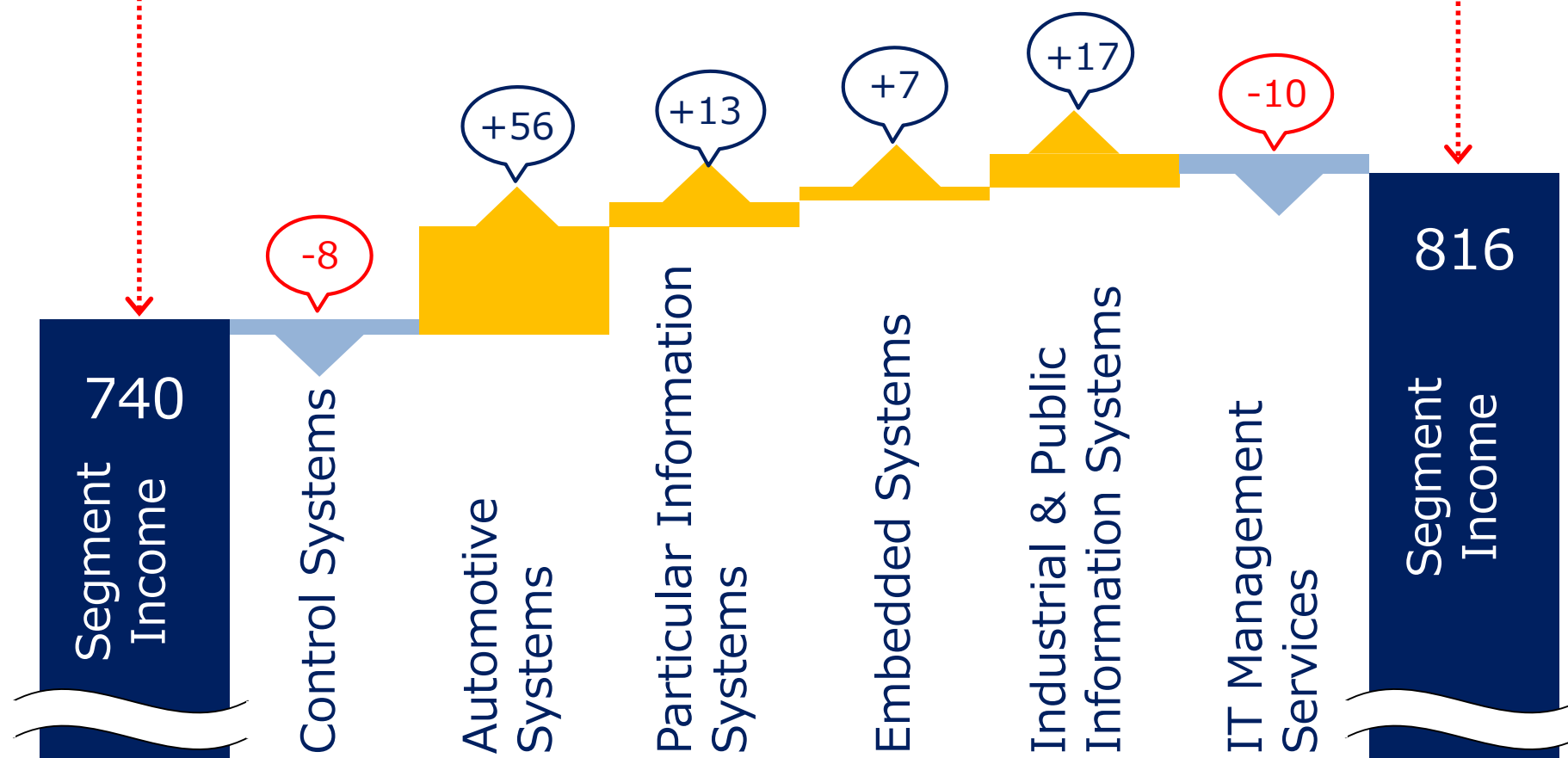
Increase of ¥389 million (+11.9% YoY)



Change in Income by Segment for the Second Quarter of Year Ending May 31, 2020

Unit: Millions of yen

Increase of ¥75 million yen (+10.3% 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, 2020

Control Systems

- For thermal power plant monitoring and control operations, development volume declined, and there was a shift toward plant controls and free distribution
- Development volume rose for traffic control for conventional lines and Tokyo area traffic control (ATOS), but bullet train traffic control was flat

Unit: Millions of yen

Business Segment		Second quarter year ended May 31, 2019 (income ratio)	Second quarter year ending May 31, 2020 (income ratio)	Change (Percent change)
Control Systems	Net Sales	542	551	+8 (1.5%)
	Income	133 (24.6%)	125 (22.7%)	-8 (-6.3%)

* 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, 2020

Automotive Systems

- For self-driving/ADAS products with firm demand, in-car network control and infrastructure software boasted strong performance
- For in-car control, vehicle electrification projects and transmission control were unchanged, but engine control decreased

* ADAS (advanced driver assistance system)

Unit: Millions of yen

Business Segment		Second quarter year ended May 31, 2019 (income ratio)	Second quarter year ending May 31, 2020 (income ratio)	Change (Percent change)
Automotive Systems	Net Sales	850	969	+118 (+14.0%)
	Income	185 (21.8%)	241 (24.9%)	+56 (+30.5%)

* 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, 2020

Particular Information Systems

- As for risk management systems, there was an increase in development projects, and both sales and income rose because delivery inspections were concentrated in the second half for the previous year.
- Projects related to image recognition/identification for self-driving/ADAS were unchanged.

Unit: Millions of yen

Business Segment		Second quarter year ended May 31, 2019 (income ratio)	Second quarter year ending May 31, 2020 (income ratio)	Change (Percent change)
Particular Information Systems	Net Sales	222	317	+95 (+42.8%)
	Income	47 (21.4%)	60 (19.2%)	+13 (+28.3%)

* 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, 2020

Embedded Systems

- Development of storage devices and new storage devices was firm.
- For IoT construction machines, the system was expanded through various efforts including participating in development peripheral to operating systems.
- The business was firm for various reasons including new orders for the development of core self-driving/ADAS software.

Unit: Millions of yen

Business Segment		Second quarter year ended May 31, 2019 (income ratio)	Second quarter year ending May 31, 2020 (income ratio)	Change (Percent change)
Embedded Systems	Net Sales	472	512	+40 (+8.5%)
	Income	116 (24.6%)	124 (24.2%)	+7 (+6.7%)

* 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, 2020

Industrial & Public Information Systems

- Performance was strong for railway maintenance and facility management-related development, development of station service equipment, and engineering services for railroad subsidiaries
- System related to digital cameras and photo imaging expanded
- Business related to aerospace, AI, and IoT was flat
- Scale of robotics-related development expanded

Unit: Millions of yen

Business Segment		Second quarter year ended May 31, 2019 (income ratio)	Second quarter year ending May 31, 2020 (income ratio)	Change (Percent change)
Industrial & Public Information Systems	Net Sales	756	915	+158 (+21.0%)
	Income	179 (23.7%)	196 (21.5%)	+17 (+9.7%)

* 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, 2020

IT Management Services

- For system maintenance and operation services, efforts are underway to restructure the business by withdrawing from low-profit projects and shifting to architecture operations, etc.
- For architecture operations, focus is on orders for public clouds

Unit: Millions of yen

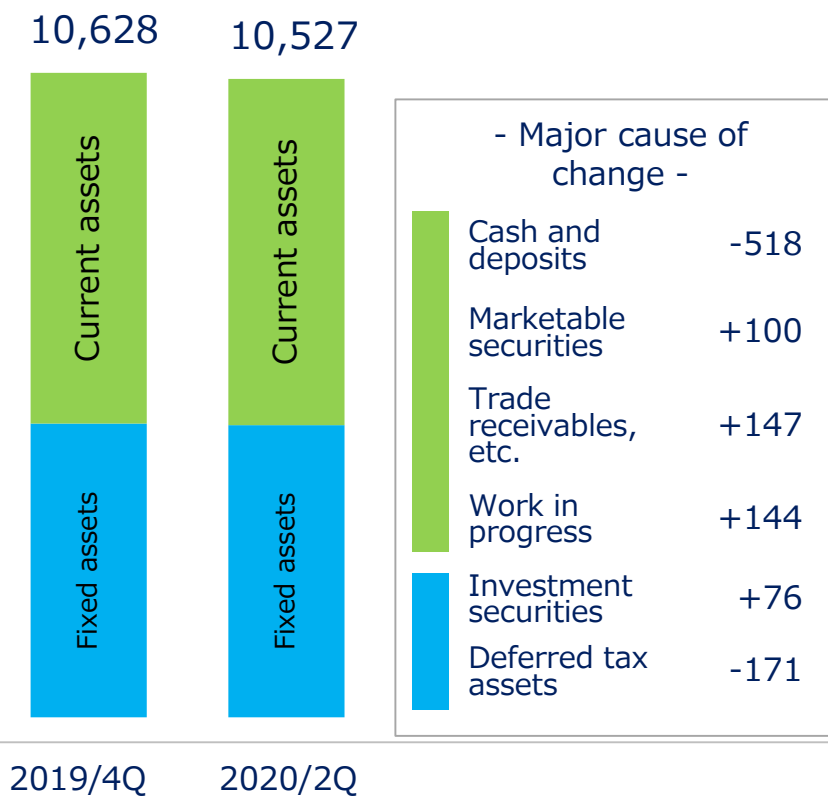
Business Segment		Second quarter year ended May 31, 2019 (income ratio)	Second quarter year ending May 31, 2020 (income ratio)	Change (Percent change)
IT Management Services	Net Sales	439	407	-31 (-7.2%)
	Income	78 (17.9%)	67 (16.7%)	-10 (-13.6%)

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

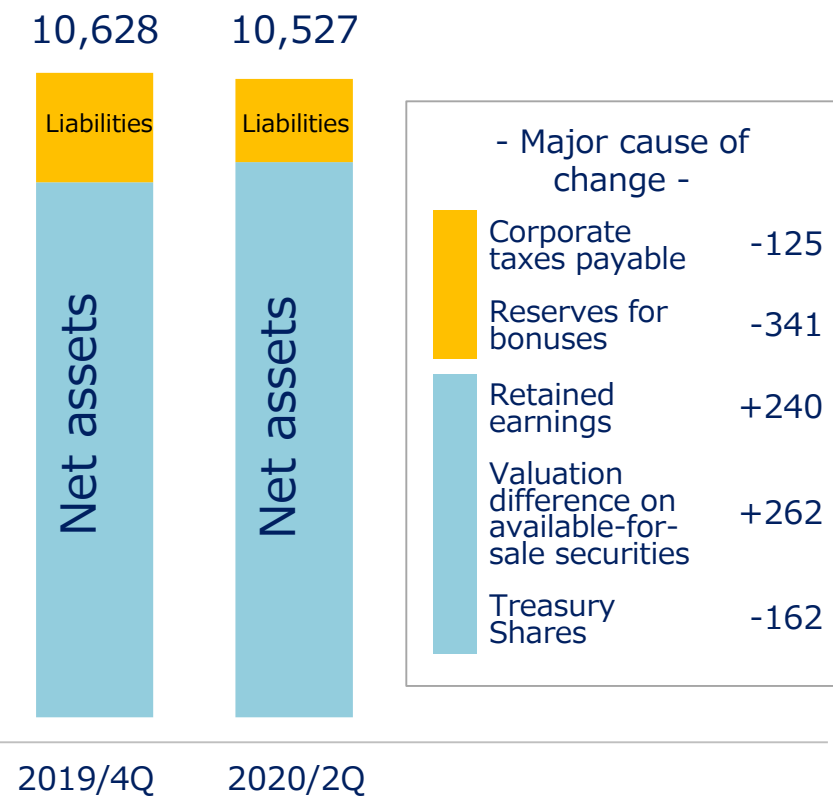
Consolidated Financial Position

Unit: Millions of yen

Assets



Liabilities and net assets



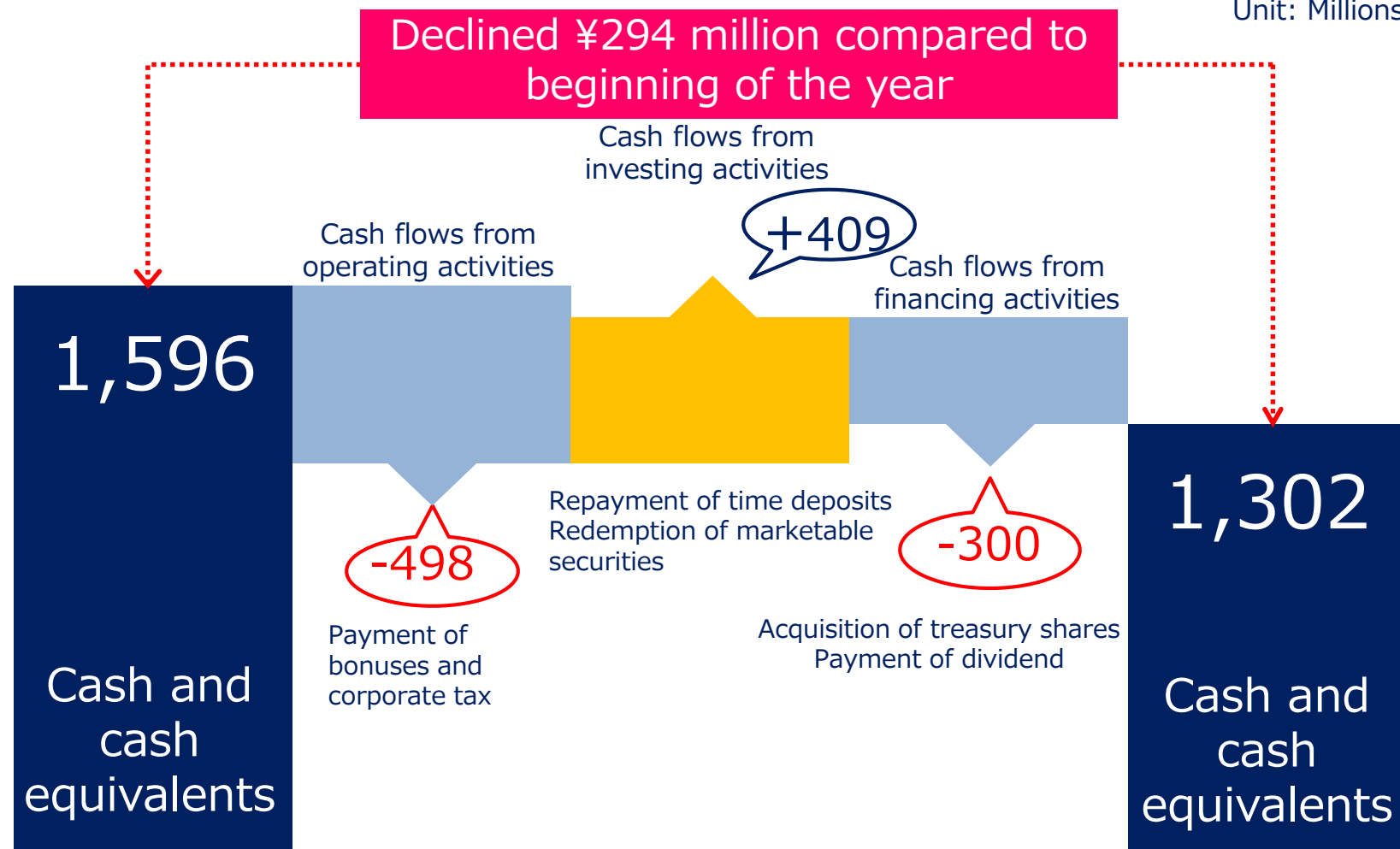
Financial Indicators (Other)

	Second quarter year ended May 31, 2019	Second quarter year ending May 31, 2020	(Reference) Year ended May 31, 2019
Net Assets	¥8,799 million	¥9,155 million	¥8,822 million
Net Assets per Share	¥894.27	¥948.12	¥896.61
Net Income per Share	¥25.29	¥25.51	¥51.09
Capital-to-Assets Ratio	88.0%	87.0%	83.0%
Treasury Shares	805,287	988,048	805,287 shares
No. of employees	549	644	560

Second Quarter of the Year Ending May 31, 2020

Consolidated Cash Flows

Unit: Millions of yen



At beginning of the year
ending May 31, 2020

At end of the second quarter of the year
ending May 31, 2020

* The balance at the end of the second quarter of the year ending May 31, 2020, includes an increase of ¥95 million due to bringing a new company into the scope of consolidation and exchange-rate movements.

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2020

2. Initiatives Related to the 5th Medium-Term Business Plan

3. Forecast for the Year Ending May 31, 2020

Vision Embodied in the 5th Medium-Term Business Plan

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



Basic policy (From Year Ending May 31, 2019 to Year Ending May 31, 2021)

1. Turn acquired business into main business areas and develop new fields
 - (1) Make self-driving/ADAS*₁ 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 (Total Software Engineering Service)*₂

*₁ : ADAS : Advanced Driver Assistance System *₂: Company-made term

Vision Embodied in the 5th Medium-Term Business Plan

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



Basic policy (From Year Ending May 31, 2019 to Year Ending May 31, 2021)

1. Turn acquired business into main business areas and develop new fields
 - (1) *Make self-driving/ADAS*1 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 (Total Software Engineering Service)*2*

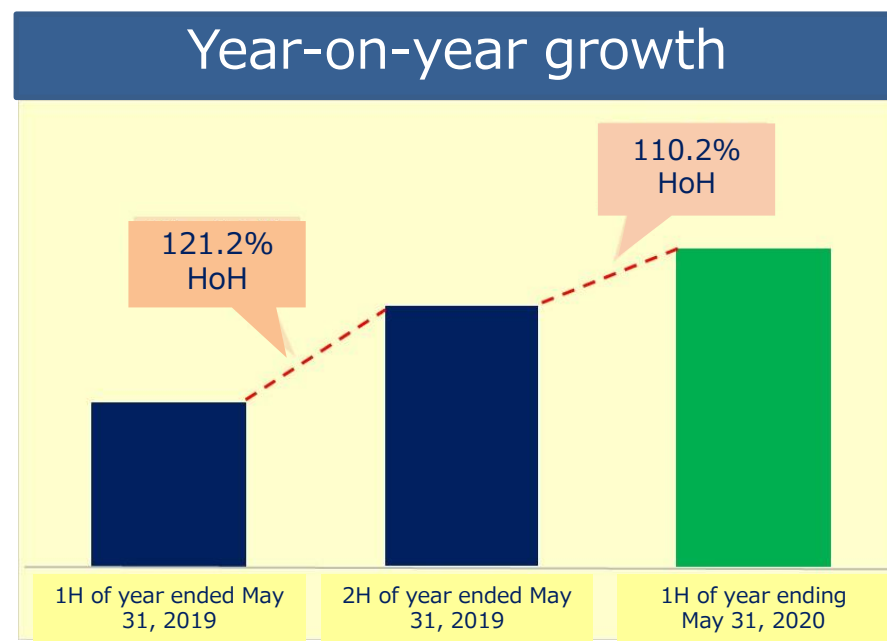
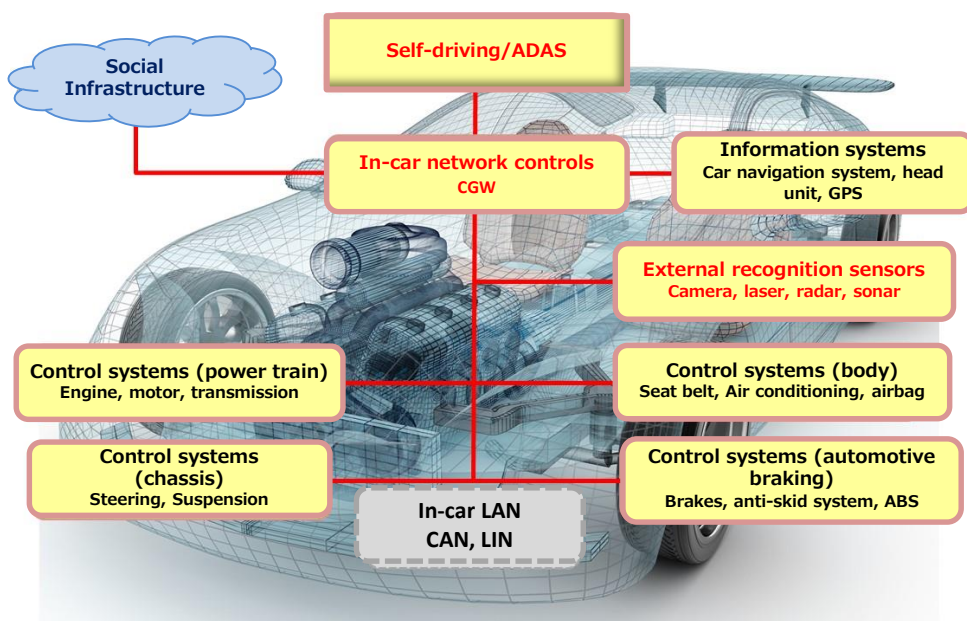
**1 : ADAS : Advanced Driver Assistance System *2: Company-made term*

Basic Policy (1)

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

1 Self-driving/ADAS

There will continue to be strong demand in the self-driving/ADAS field.



While keeping an eye on the restructuring trends in the automobile industry, the goal is to further expand our business making use of our strengths.

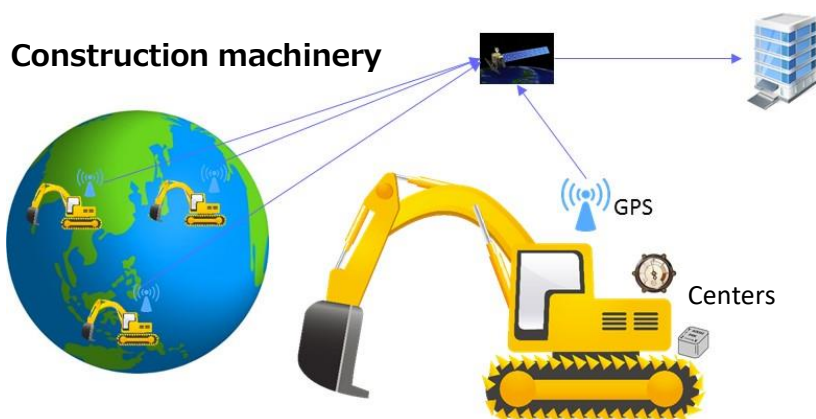
Basic Policy (1)

Turn acquired business into main business areas and develop new fields (2)

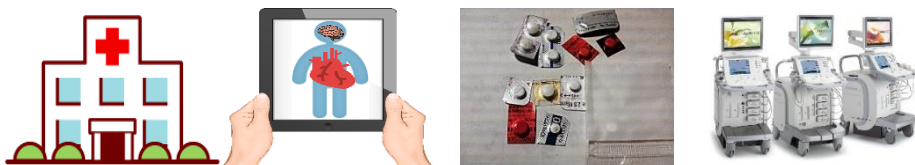
2

IoT/Security

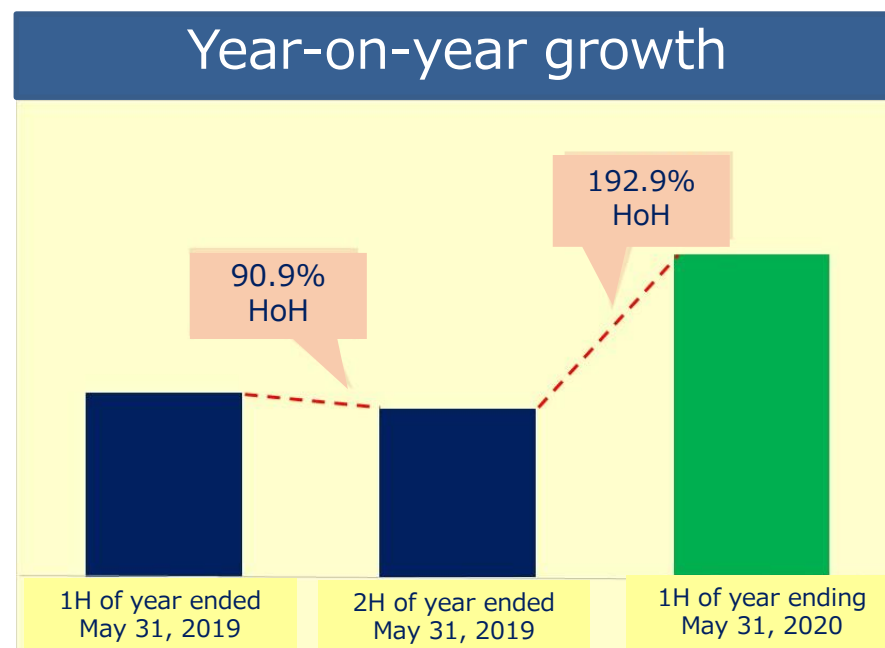
Expanding by melding control system and embedded system technologies



Medical devices



Year-on-year growth



Work to capture new technology and transform into core businesses

Basic Policy (1)

Turn acquired business into main business areas and develop new fields (3)

3 Additional core fields

Develop additional core fields

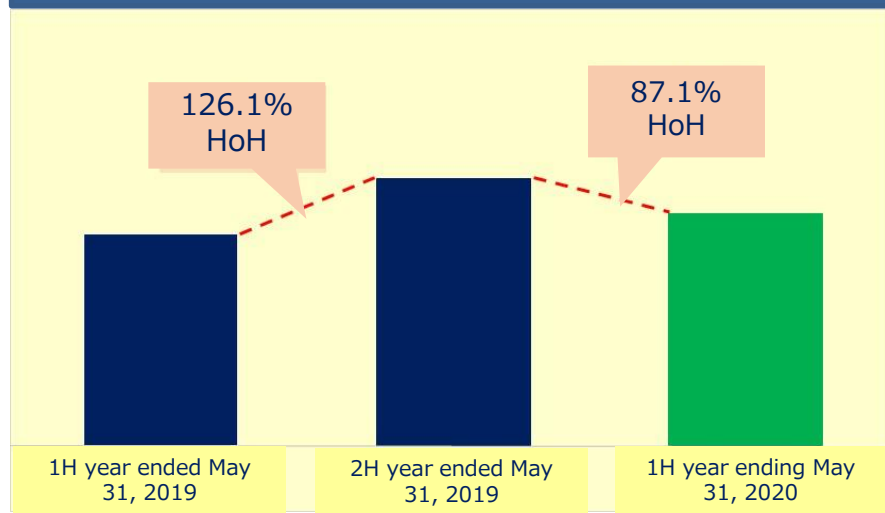


Robotics / AI

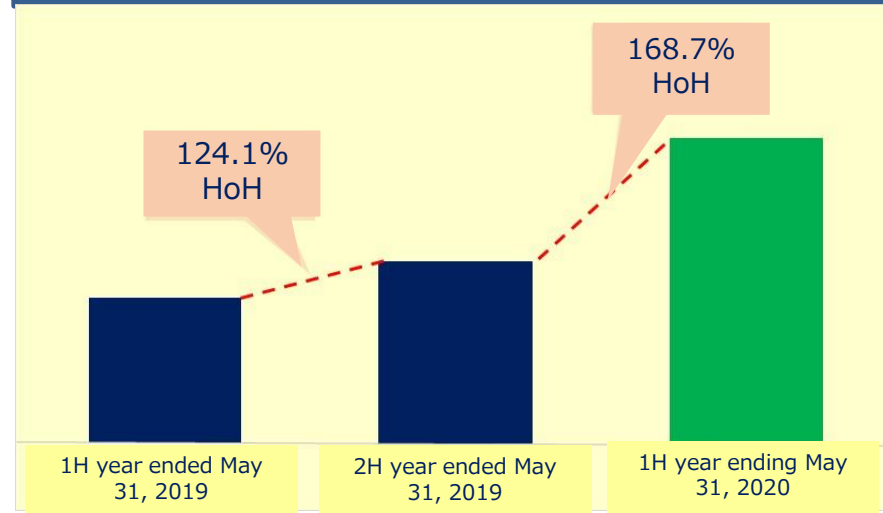


Cloud / Network

Year-on-year growth



Year-on-year growth



Work to expand existing projects, win new projects, etc.

Vision Embodied in the 5th Medium-Term Business Plan

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

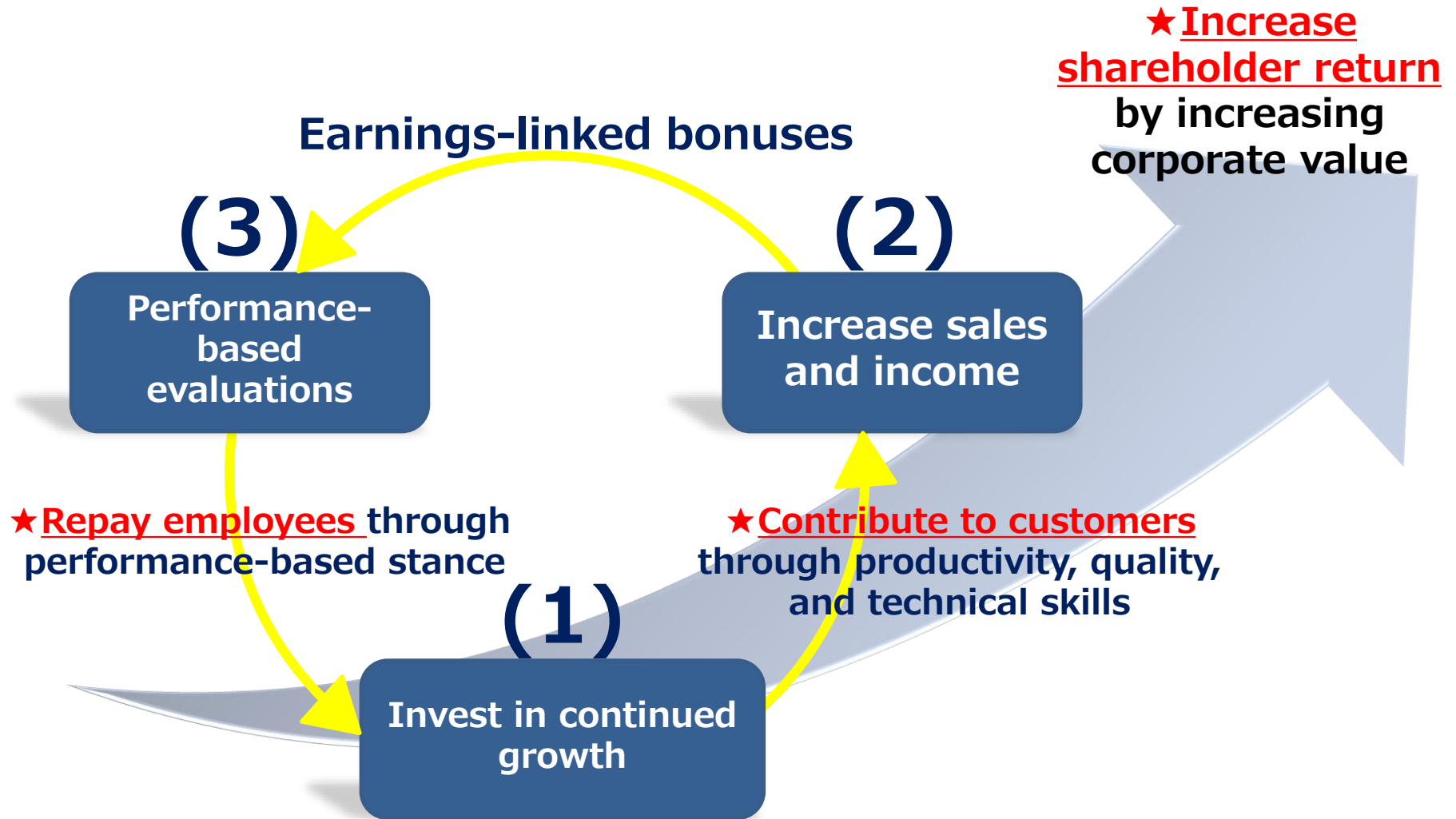


Basic policy (From Year Ending May 31, 2019 to Year Ending May 31, 2021)

1. *Turn acquired business into main business areas and develop new fields*
 - (1) *Make self-driving/ADAS*1 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 (Total Software Engineering Service)*2*

**1 : ADAS : Advanced Driver Assistance System *2: Company-made term*

Vision for the company



Human resources, environment/system conducive to work, and facilities

2. Invest in continued growth (1)

1) Invest in good workplace environments

- Move and expand Yokohama Office (Oct. 2019–)
 - Expand the automobile field through partnerships related to automotive systems, embedded systems, and particular information systems
- Renovate the Hitachi Office (completed Dec. 2019)
- Preparing to move headquarters to Osaki (move in Feb. 2020)

2) Invest in production facilities

- Traceability management tools, modeling tools, project management tools, Web conferences, etc.

3) Invest in human resources

- Continue last year's efforts and conduct both company-wide and individual department training
- Reinforce new graduate recruiting: 23 this year → 31 next year (as of Jan. 9)

2. Invest in continued growth (2)

4) Work-style reforms

→ Share information on overtime, overwork, and state of interval work at the Monthly Management Meeting and reduce overtime and excess work

5) Utilize and revise systems to be more employee-friendly

→ Promote use of student loan debt repayment support system

→ Regularly provide paid vacation days and follow up on their usage

6) Expand IPD Dalian Engineering's office space (completed Dec.)

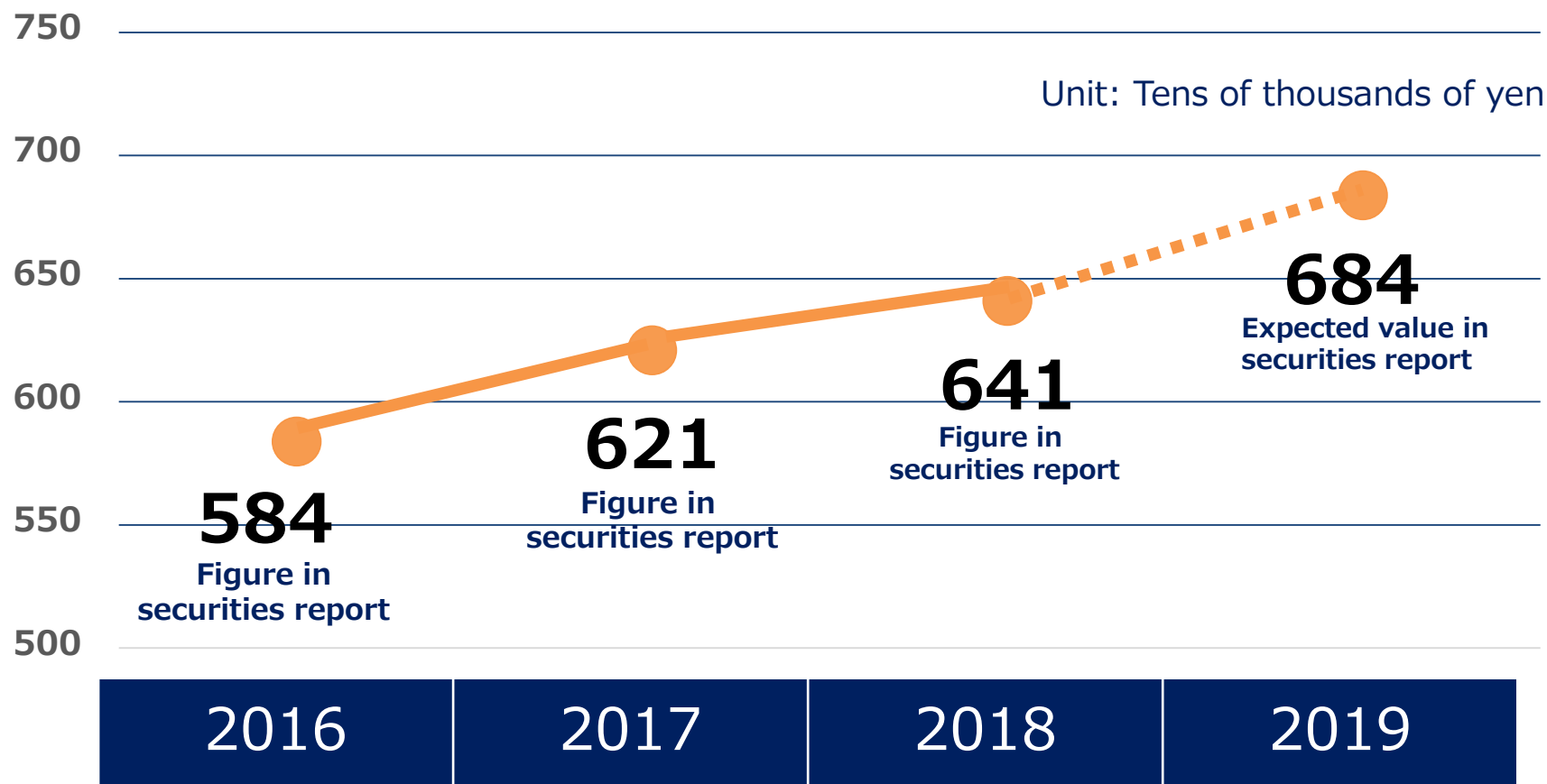
→ Continue to strengthen hiring (100 this year → 110 expected next year)



Sales +11.9% YoY
Operating income +14.4% YoY

Employee return through performance-based system

Average annual salary (employee return)



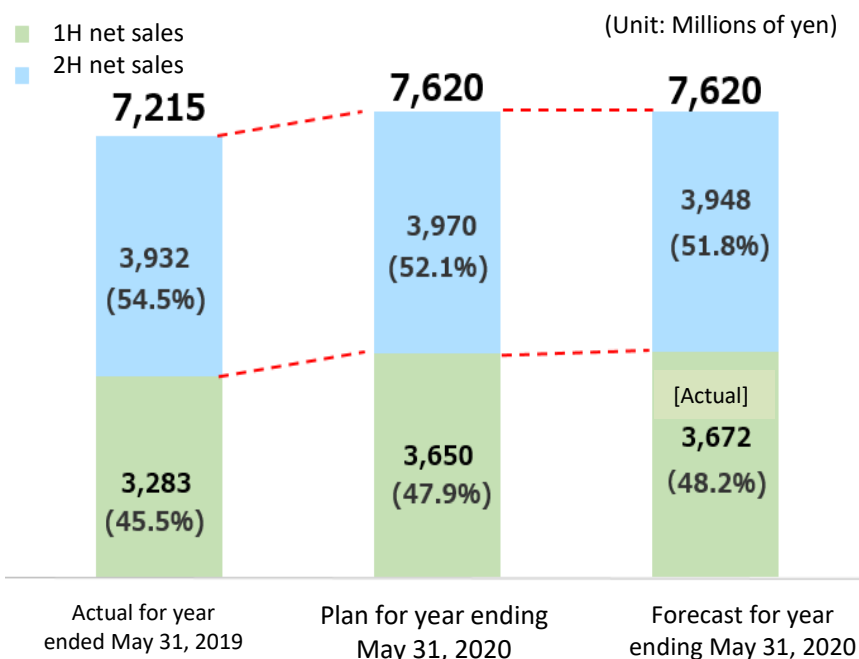
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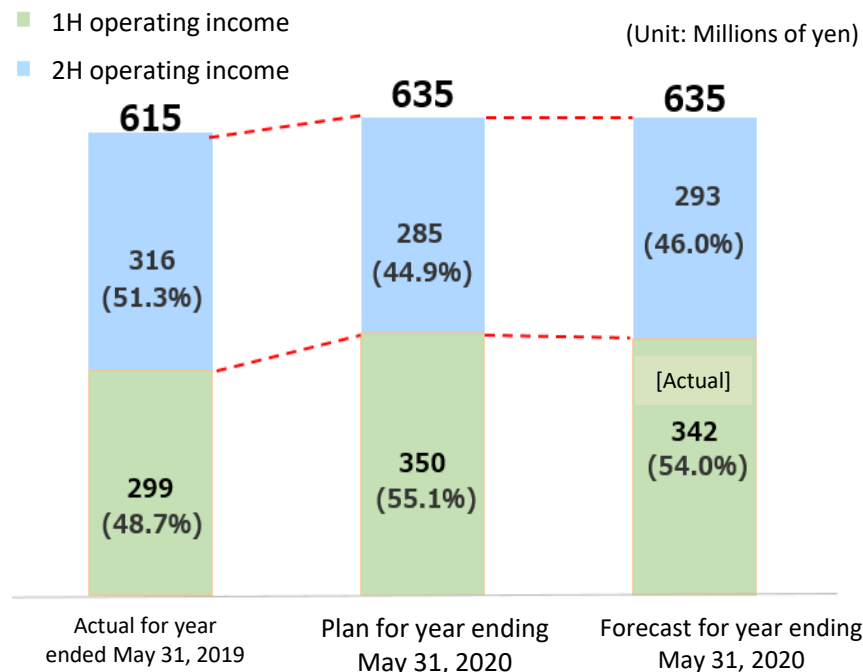
3. Forecast for the Year Ending May 31, 2020

Forecast for the Year Ending May 31, 2020

Net Sales



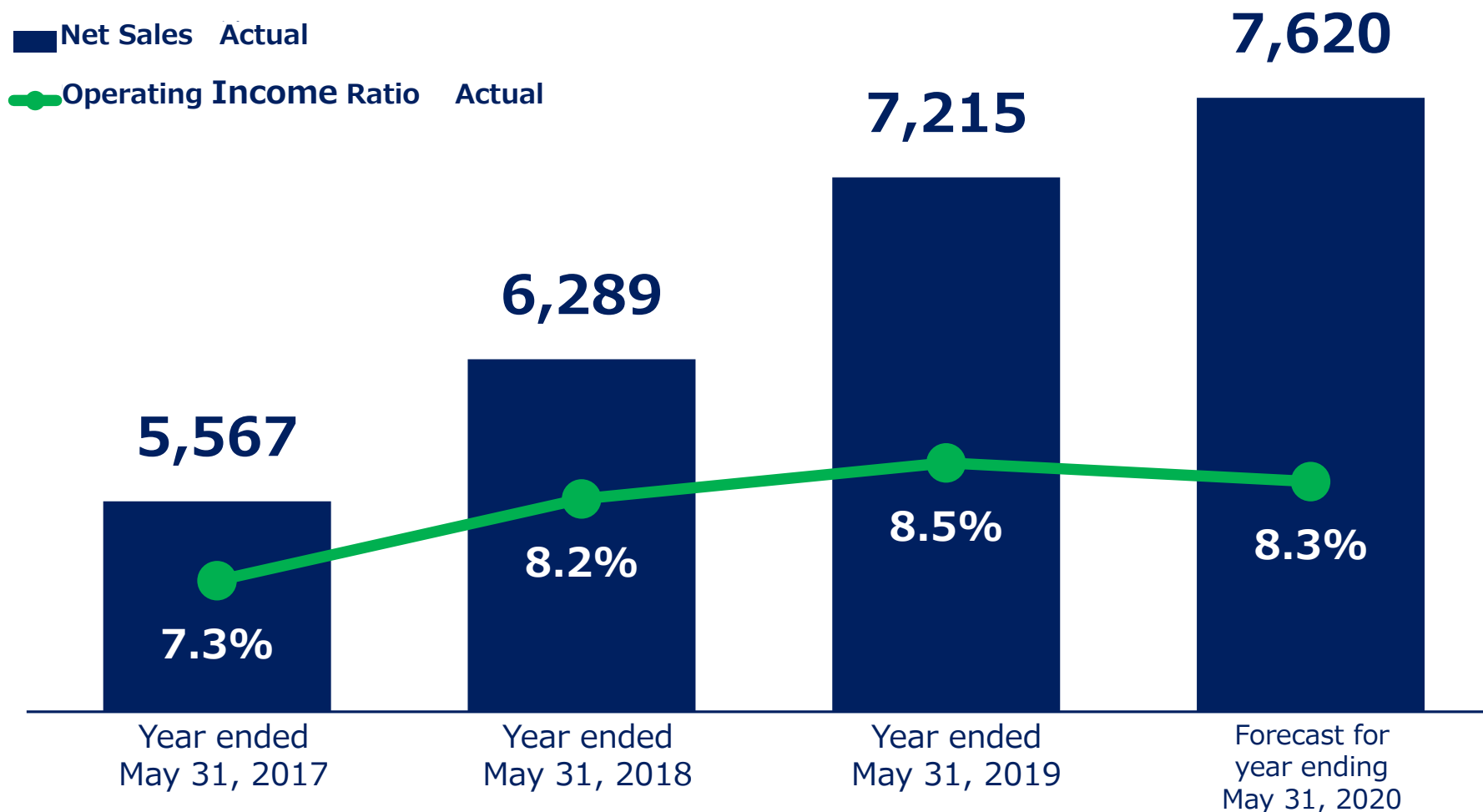
Operating Income



(Forecast for 2H)

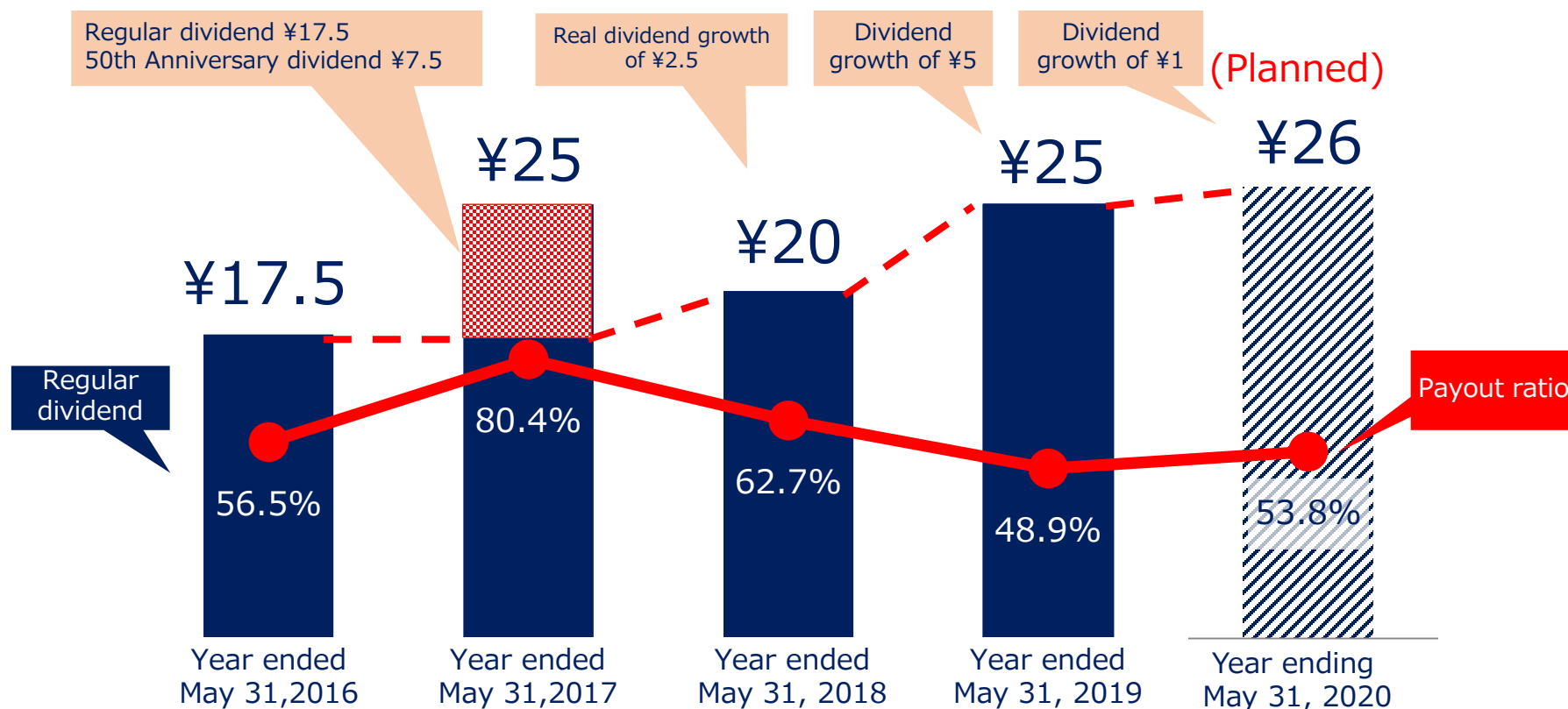
- Expect sales and income to generally increase as planned
- Expect restructuring of IT service to continue, both automotive systems and self-driving/ADAS to be firm, and in-car control to decline
- Expect particular information systems, embedded systems, and industrial & public information systems to be firm
- Forecast headquarters moving expenses for Feb.

Earnings



Dividend Policy

(1) Continue to pay stable dividend (2) Strive to achieve a payout ratio of 50% or higher



* Common stock was split 2-for-1 effective December 1, 2017.
Annual dividend amount was calculated on the assumption of a stock split at the beginning of the year ended May 31, 2016.

Utilize software 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. does not guarantee that things will occur as forecast as they are subject to risks and uncertainties that could cause actual results and earnings to differ from these statements.

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