



Securities code: 9651

Japan Process Development Co., Ltd. Financial Results Briefing

Year Ended May 31, 2020



July 21, 2020

1. Consolidated Financial Results for the Year Ended May 31, 2020

2. Key Initiatives for the Year Ending May 31, 2021

3. Numerical Targets for the Year Ending May 31, 2021

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Summary of Consolidated Financial Results for Year Ended May 31, 2020

Unit: Millions of yen

	Forecast	Compared to forecast	Actual	YoY change	Previous year
Net Sales	7,620	+150	7,770	+555	7,215
		+2.0%		+7.7%	
Operating Income (income ratio)	635 (8.3%)	+92	727 (9.4%)	+112	615 (8.5%)
		+14.6%		+18.3%	
Ordinary Income (income ratio)	685 (9.0%)	+100	785 (10.1%)	+120	665 (9.2%)
		+14.7%		+18.1%	
Current Net Income (income ratio)	470 (6.2%)	+88	558 (7.2%)	+57	501 (6.9%)
		+18.8%		+11.5%	

Overview of Consolidated Financial Results for Year Ended May 31, 2020 (1)



Net Sales

+¥555 million YoY (+7.7%)

Promoted partnerships among group companies, expanded contracted development and offshore development, and made active use of partner companies.

Operating Income

+¥112 million YoY (+18.3%)

Due to greater productivity through stronger project management and more efficient work processes.

Ordinary Income

+¥120 million YoY (+18.1%)

Due to increase in operating income.

Current Net Income

+¥57 million YoY (+11.5%)

Shed negative goodwill from previous year's M&A and recorded impairment loss on company-owned resort facilities.

Overview of Consolidated Financial Results for Year Ended May 31, 2020 (2) Major Topics

1) Investing in continued growth

(1) Good workplace environment/facilities

- Moved and expanded Yokohama Office and renovated Hitachi Office.
- Moved head office from Hamamatsucho to Osaki.

(2) Employee-friendly systems

- Eliminated discretionary work system (imputed overtime pay)

(3) Human resource training

- AUTOSAR, A-SPICE, AI/DL, English classes, etc.

2) Actively proposing that customers develop and promote remote work environment to prevent the spread of the novel coronavirus

- ▣ Slight impact on earnings

* DL = deep learning

Overview of Consolidated Financial Results for Year Ended May 31, 2020 (3) Major Topics

3) Establishing partnerships among group companies

- Expanded IPD Dalian, system (100 people), and development space.
- Led by JPD strengthened partnership with Algorithm Laboratory and IPD Dalian and increased net sales and income.
- Expanded partnership with Trensar Technology Solutions (India) and expanded the digital camera and photo imaging fields.



Posted record earnings for third consecutive fiscal year since being listed.

Overview of Consolidated Financial Results for Year Ended May 31, 2020 (4) Major Topics



4) Giving back to employees

Set to pay record earnings-linked bonuses for third consecutive year.

5) Giving back to shareholders

(1) Acquired treasury shares: 200,000 shares in November 2019.

(2) Increased dividend for third consecutive year, ¥20 → ¥25 → ¥26

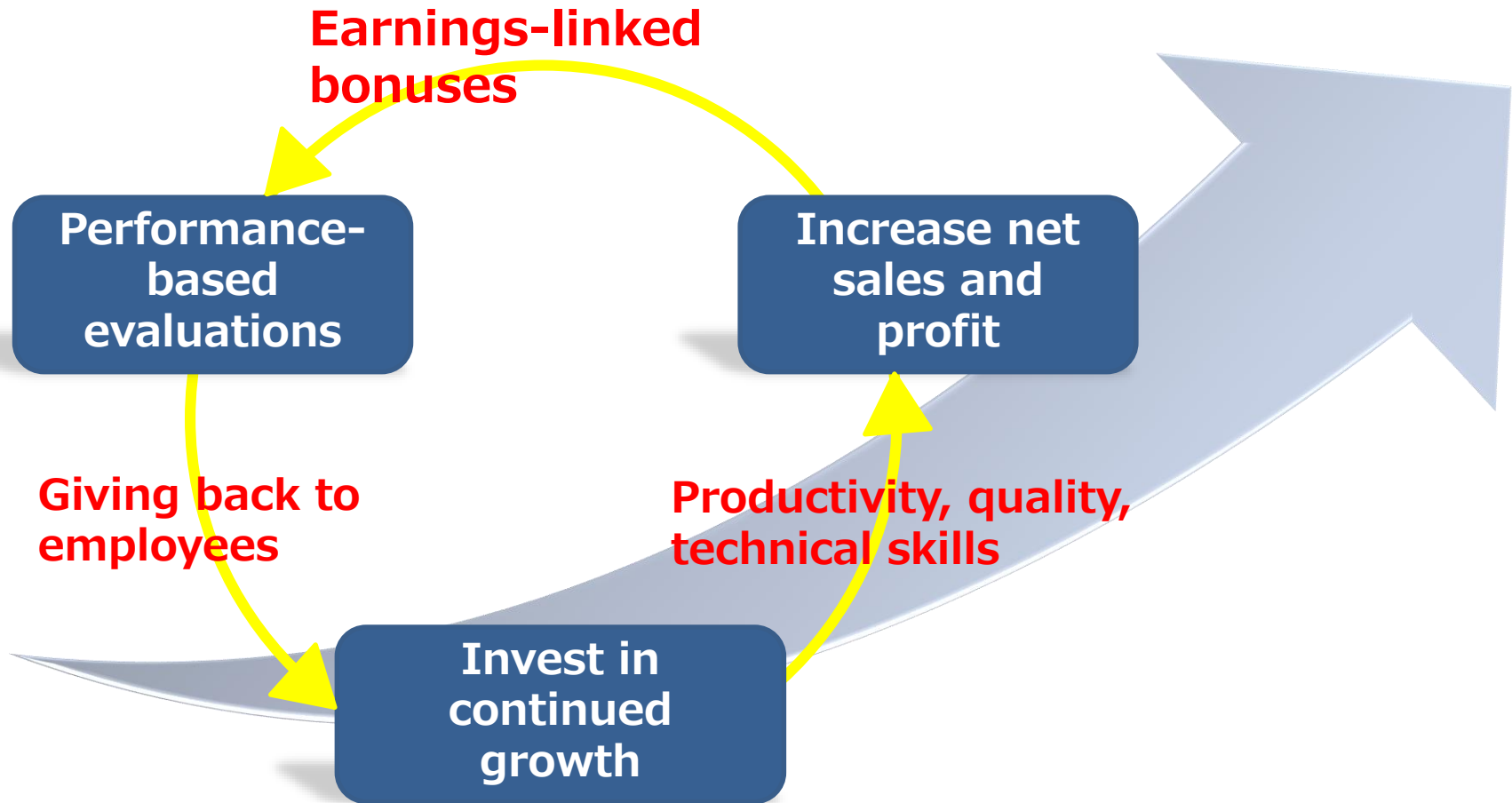
(year ended May 31, 2020).

6) Continuing to donate 1% of after-tax income (target) to 2 entities as one part of CSR

- SBI Children's Hope Foundation
- NPO Reach Alternatives

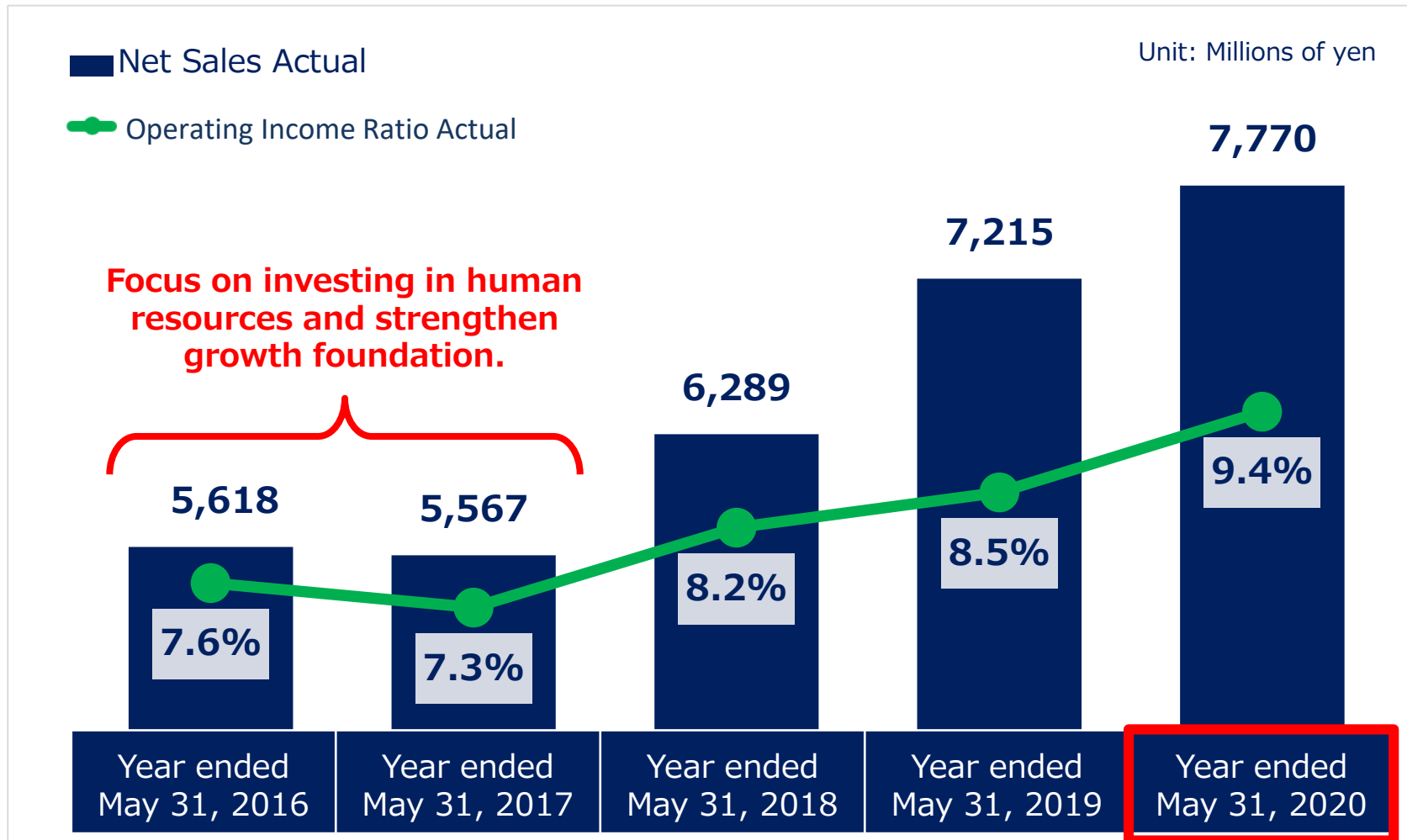
Vision for the company

Increase corporate value
★ Giving back to shareholders ★



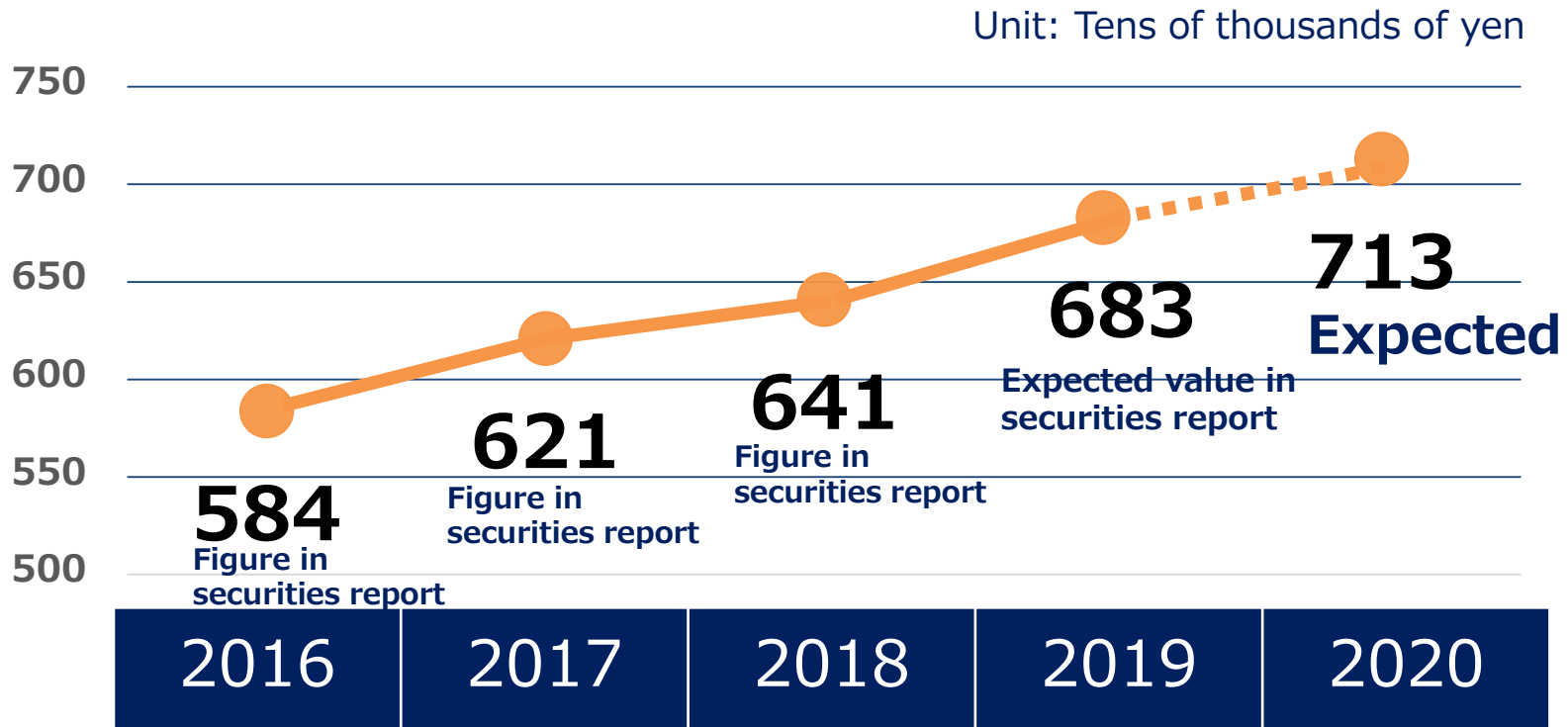
Human resources, good workplace environment/system, and facilities

Invest in continued growth and earnings



Giving back to employees through performance-based system

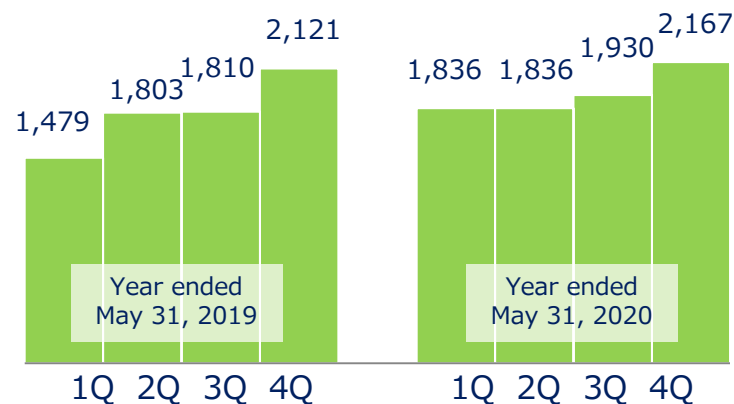
Average annual salary (giving back to employees)



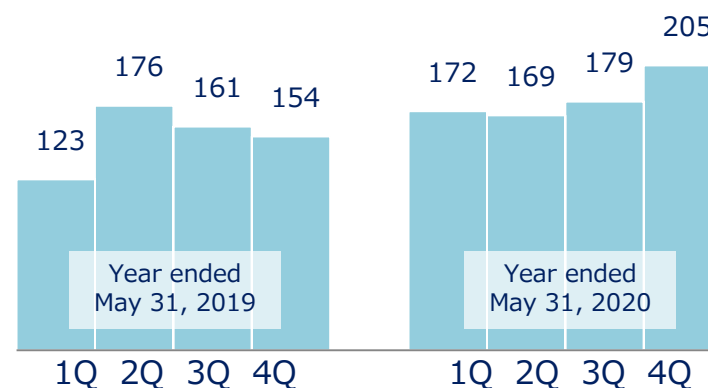
Summary of Consolidated Financial Results for Year Ended May 31, 2020 (by Quarter)

Unit: Millions of yen

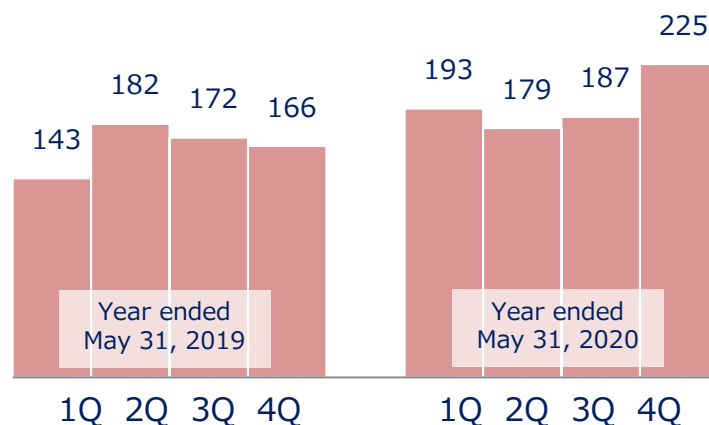
Net Sales



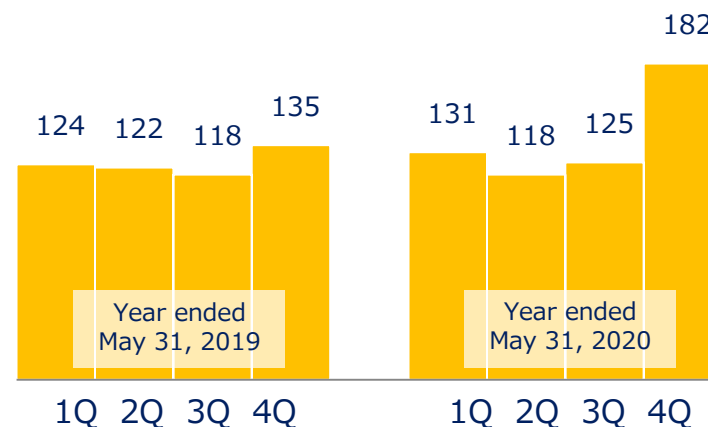
Operating Income



Ordinary Income



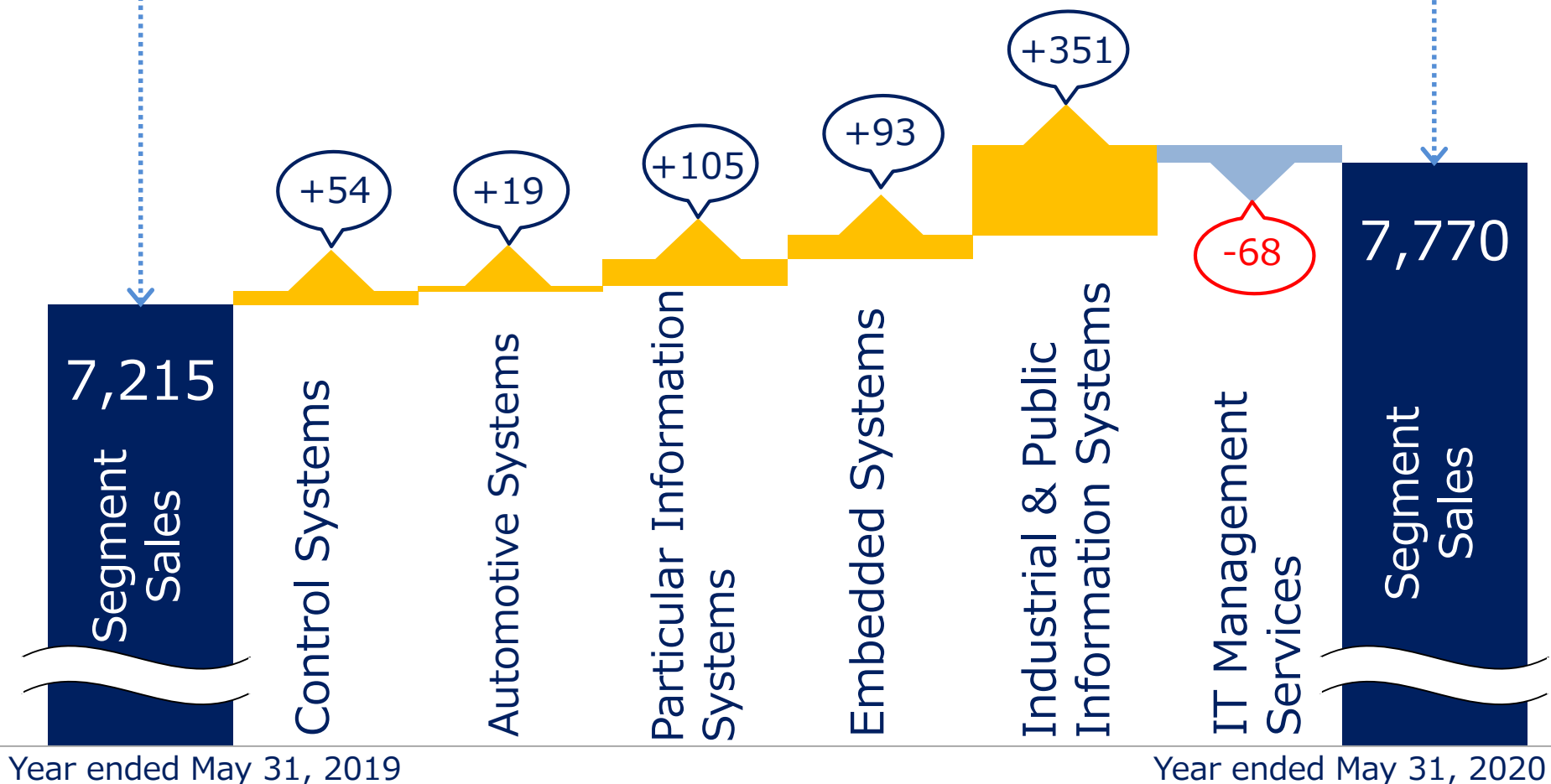
Current Net Income



Change in Sales by Business Segment for Year Ended May 31, 2020

Unit: Millions of yen

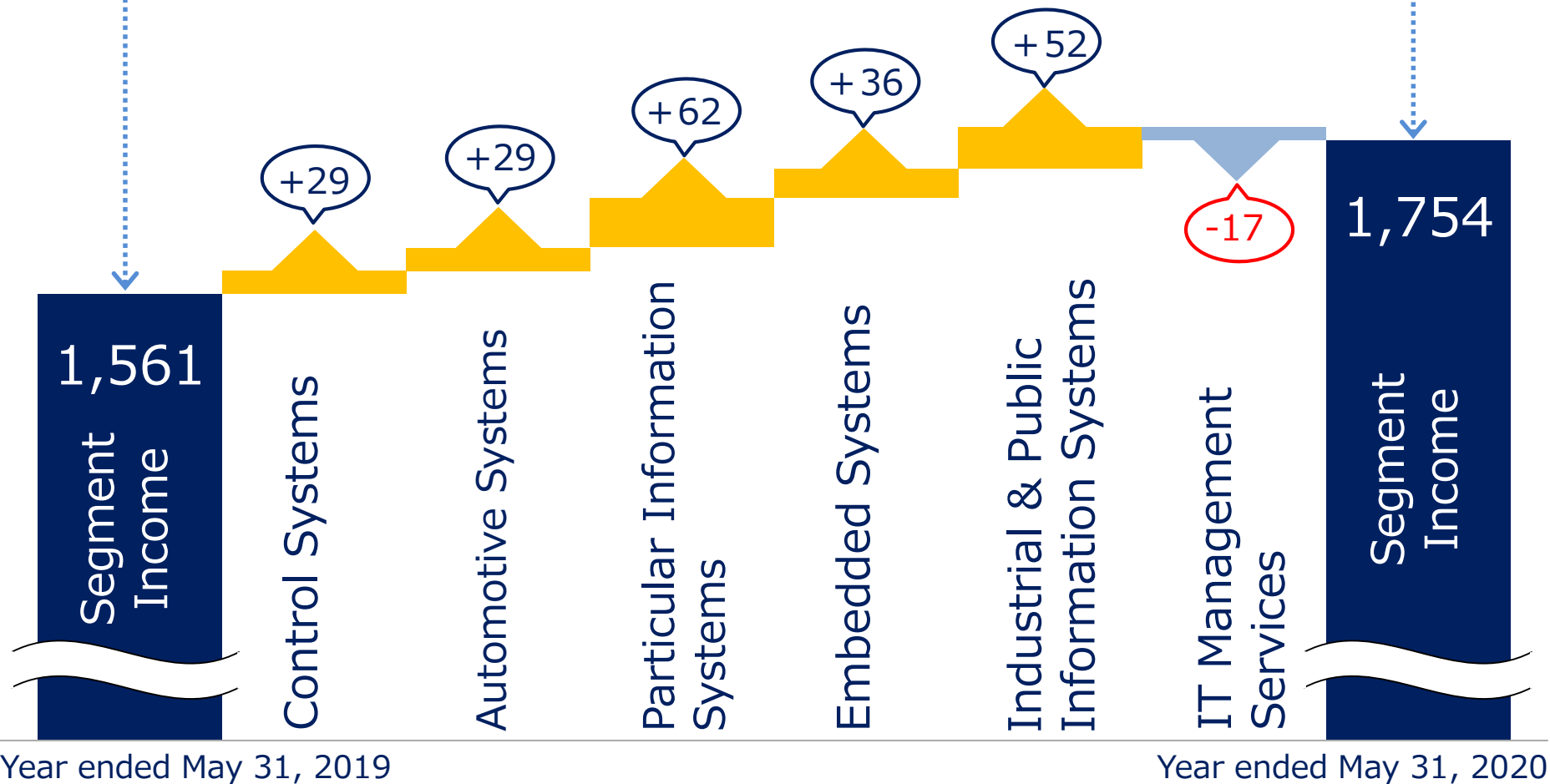
Increase of ¥555 million (+7.7% YoY)



Change in Income by Business Segment for Year Ended May 31, 2020

Unit: Millions of yen

Increase of ¥192 million (+12.4% YoY)



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

Segment Information for Year Ended May 31, 2020 (1)

Control Systems

- For energy related operations, expanded power distribution operations and developed new customers.
- For transportation related operations, improved income ratio by ensuring quality and increasing efficiency for ATOS and bullet trains and expanded scope of operations for local lines.
- For overall control system operations, made use of IPD Dalian and increased both sales and income.

Unit: Millions of yen

Business Segment		Year ended May 31, 2019 (income ratio)	Year ended May 31, 2020 (income ratio)	Change (Percent change)
Control Systems	Net Sales	1,290	1,344	+54 (+4.2%)
	Income	287 (22.3%)	317 (23.6%)	+29 (+10.2%)

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

Segment Information for Year Ended May 31, 2020 (2)

Automotive Systems

- Shifted from engines/transmissions to AD/ADAS field, dramatically expanded the field, and made progress in strengthening partnership with IPD Dalian.
- Selected as one of three strategic partners for customer in Yokohama.
- Moved forward with preparations for offshore development with IPD Dalian in existing fields.
- Obtained positive response with regard to developing new customers in the AD/ADAS field.

* AD/ADAS (self-driving/advanced driver assistance system)

Unit: Millions of yen

Business Segment		Year ended May 31, 2019 (income ratio)	Year ended May 31, 2020 (income ratio)	Change (Percent change)
Automotive Systems	Net Sales	1,867	1,887	+19 (+1.0%)
	Income	420 (22.5%)	449 (23.8%)	+29 (+7.1%)

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

Segment Information for Year Ended May 31, 2020 (3)

Particular Information Systems

- Suspended development of geographical information systems but increased sales by capturing new risk management projects and improved income ratio through greater work efficiency.
- Developed new customers in the image processing field.
- Steadily expanded image recognition/identification to meet targets in Medium-Term Business Plan.

Unit: Millions of yen

Business Segment		Year ended May 31, 2019 (income ratio)	Year ended May 31, 2020 (income ratio)	Change (Percent change)
Particular Information Systems	Net Sales	594	699	+105 (+17.7%)
	Income	107 (18.1%)	169 (24.2%)	+62 (+58.0%)

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

Segment Information for Year Ended May 31, 2020 (4)

Embedded Systems

- Participated in planning of three new products in addition to core SSD and dramatically expanded sales.
- Worked to build greater trust with customers, moved forward with efforts to capture stable orders, and expanded contracted development in the field of IoT construction equipment.
- Aimed to expand medical business but struggled to do so because of customers' situation.

Unit: Millions of yen

Business Segment		Year ended May 31, 2019 (income ratio)	Year ended May 31, 2020 (income ratio)	Change (Percent change)
Embedded Systems	Net Sales	951	1,044	+93 (+9.9%)
	Income	217 (22.9%)	254 (24.3%)	+36 (+16.8%)

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

Segment Information for Year Ended May 31, 2020 (5)

Industrial & Public Information Systems

- Captured orders for packages for Toshiba ticket machines and expanded sales.
- Moved forward with efforts to create a stable foundation for aerospace-related operations.
- Strengthened partnership with Trensar Technology Solutions (India) regarding digital cameras and photo imaging and dramatically increased sales.

Unit: Millions of yen

Business Segment		Year ended May 31, 2019 (income ratio)	Year ended May 31, 2020 (income ratio)	Change (Percent change)
Industrial & Public Information Systems	Net Sales	1,606	1,957	+351 (+21.9%)
	Income	366 (22.8%)	419 (21.4%)	+52 (+14.4%)

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

Segment Information for Year Ended May 31, 2020 (6)

IT Management Services

- Made progress with shift from maintenance/operation to construction as planned.
- Expanded construction of public cloud, a field of focus, but did not meet targets.
- Made progress in improving efficiency of education in order to expand construction services but have not reached goal because of the broad technical scope.

Unit: Millions of yen

Business Segment		Year ended May 31, 2019(income ratio)	Year ended May 31, 2020 (income ratio)	Change (Percent change)
IT Management Services	Net Sales	905	836	-68 (-7.6%)
	Income	162 (17.9%)	144 (17.3%)	-17 (-10.9%)

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

Consolidated Financial Position

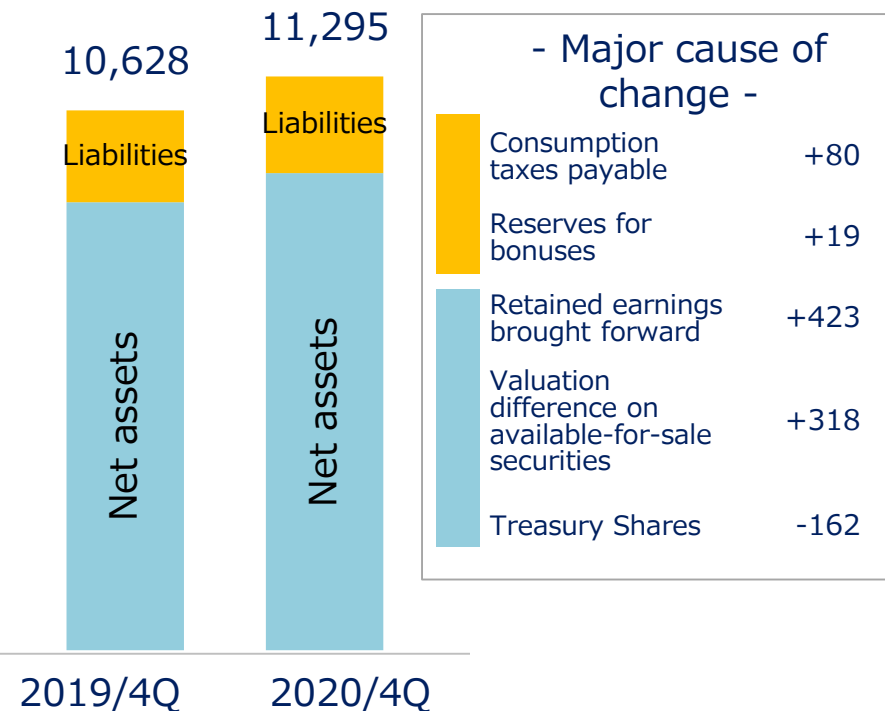
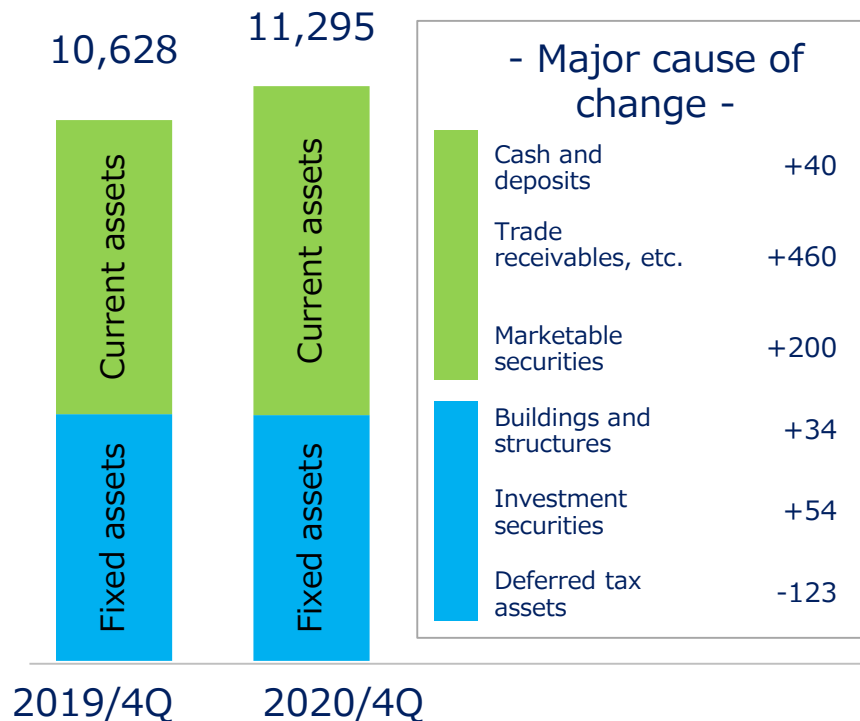
Unit: Millions of yen

Assets

Liabilities and net assets

Assets: +¥666 million

Liabilities: +¥92 million
Net assets: +¥574 million

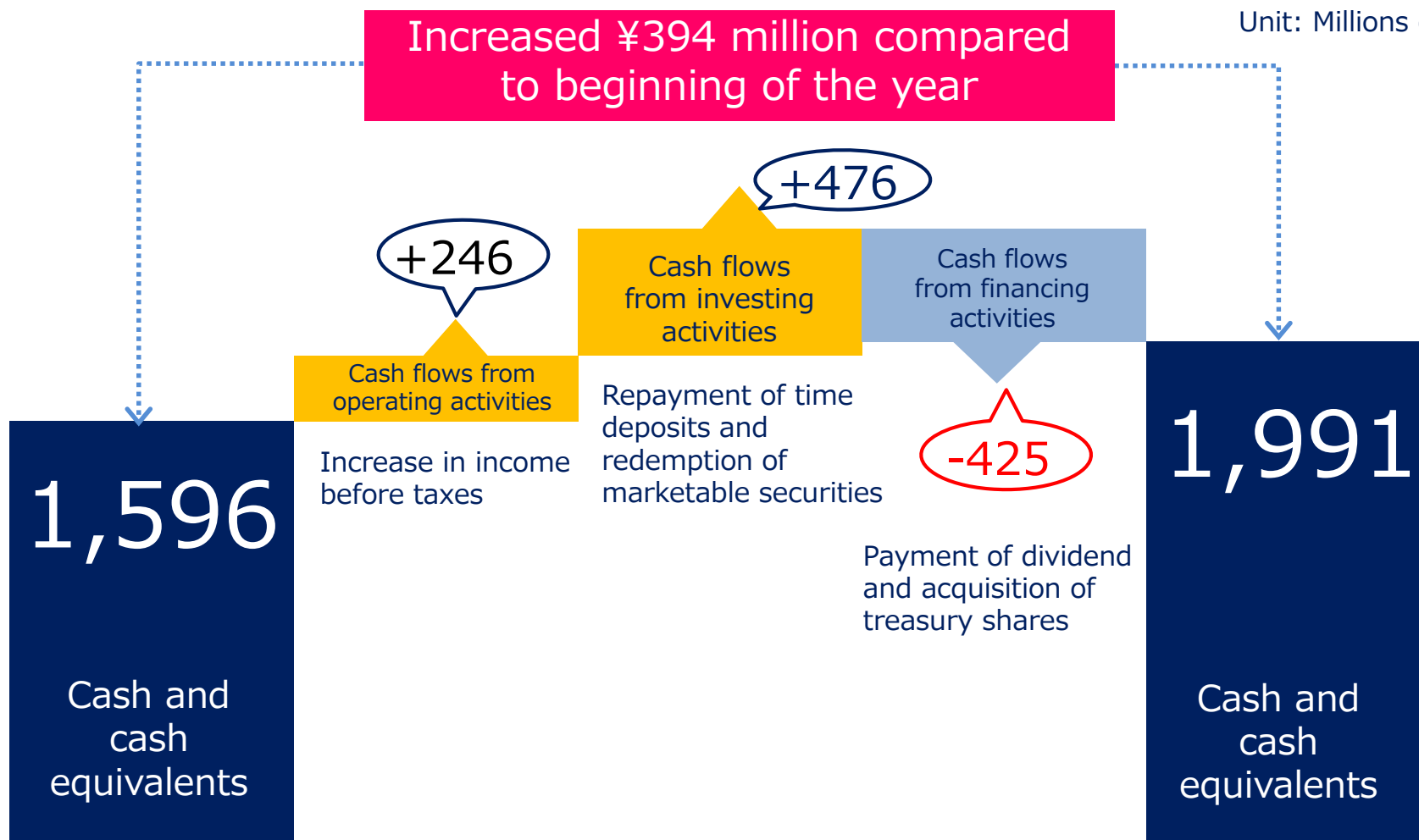


Financial Indicators (Other)

	Year ended May 31, 2019	Year ended May 31, 2020
Net assets	¥8,822 million	¥9,396 million
Net Assets per Share	¥896.6	¥973.0
Net Income per Share	¥51.1	¥57.4
Capital-to-assets ratio	83.0%	83.2%
Treasury Shares	805,287 shares	988,048 shares
No. of employees	560	657

Consolidated Cash Flows for Year Ended May 31, 2020

Unit: Millions of yen

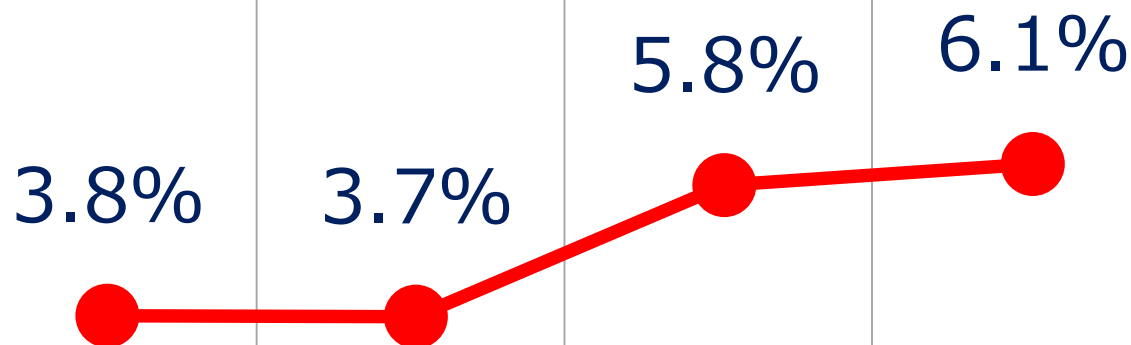


At beginning of the year ended May 31, 2020

At end of the year ended May 31, 2020

* The balance at the end of the year ended May 31, 2020, includes an increase of ¥96 million due to new companies included in the scope of consolidation and exchange rate movements.

Return on Equity (ROE)



	Year ended May 31, 2017	Year ended May 31, 2018	Year ended May 31, 2019	Year ended May 31, 2020
Net income per share (¥)	31.1	31.9	51.1	57.4
Net assets per share (¥)	844.0	866.5	896.6	973.0
Treasury shares	1,645,348	818,103	805,287	988,048

* Common stock was split 2-for-1 effective December 1, 2017. Figures were calculated assuming that a stock split took place at the beginning of the year ended May 31, 2017.

1. Consolidated Financial Results for the Year Ended May 31, 2020

2. Key Initiatives for the Year Ending May 31, 2021

3. Numerical Targets for the Year Ending May 31, 2021

Vision Embodied in the 5th Medium-Term Business Plan

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

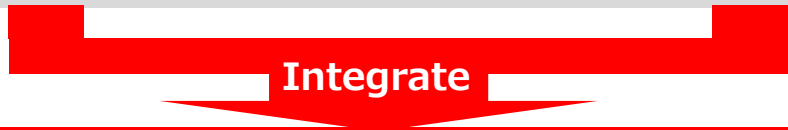


Basic Policy of the 5th Medium-Term Business Plan

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

* ADAS (advanced driver assistance system)

Change segments to transform acquired businesses into main businesses and develop new fields



Merge construction and development technologies and strive to expand business.



1) Challenge of large-scale contracted projects

Take on the challenge of large-scale contracted projects using organizational skills and scale of businesses and BUs.

2) Strengthening partnership among businesses

Share technological and sales skills of various businesses and leverage the power of the overall company to improve earnings for the whole company.

3) Strengthening partnerships among group companies

Generate synergies by leveraging the strengths of each group company.
(JPD, IPD Dalian, Algorithm Laboratory, and Treanser Technology Solutions (India))

Focus on results as this is the last year of the Medium-Term Business Plan.

Control Systems

- Expand the scope of direct business with power companies in the energy field.
- Develop new businesses (energy management and plant automation).
- Maintain the high efficiency and high income ratio of ATOS and bullet train and expand scope of responsibilities.
- Win orders for packages of local line traffic control system functions.

Automotive Systems

- Further expand the scope of responsibilities and work related to AD/ADAS.
- For on-board information, expand scope of work related to BSP development and enter CASE-related fields.
- Develop new customers (Tier 1).
- Continue to invest in education (AUTOSAR, A-SPICE) in preparation for growth in the automobile industry after the novel coronavirus subsides.

*BSP: Board Support Package (embedded Linux) *CASE: Connected, Autonomous, Shared, Electric

Particular Information Systems

- Expand scope of operations and scale of work in the existing risk management field.
- Actively make proposals to capture large-scale contracted risk management projects for the next fiscal year.
- Develop new business using connections with existing customers.
- Develop new customers using image recognition/identification products that incorporate our technical skills.

Embedded Systems

- For the semiconductor business, expand scope and develop new fields and introduce products with greater added value.
- For the construction equipment business, actively make proposals to customers and expand scope and scale of contracted work.
- Capture new projects in the medical and IoT field from existing customers and develop new customers.
- Continue to educate managers and engineers in order to expand the system.

Industry/ICT Solutions (tentative)

- Capture cloud-related projects that make use of our system development and construction technologies from existing customers and use cloud-related products and services to capture new customers.
- Use next-generation general-purpose technologies (AI, image processing, cloud) to capture new projects from existing customers and to develop new customers.
- Develop the healthcare business and make use of offshore (India) development.

1. Consolidated Financial Results for the Year Ended May 31, 2020

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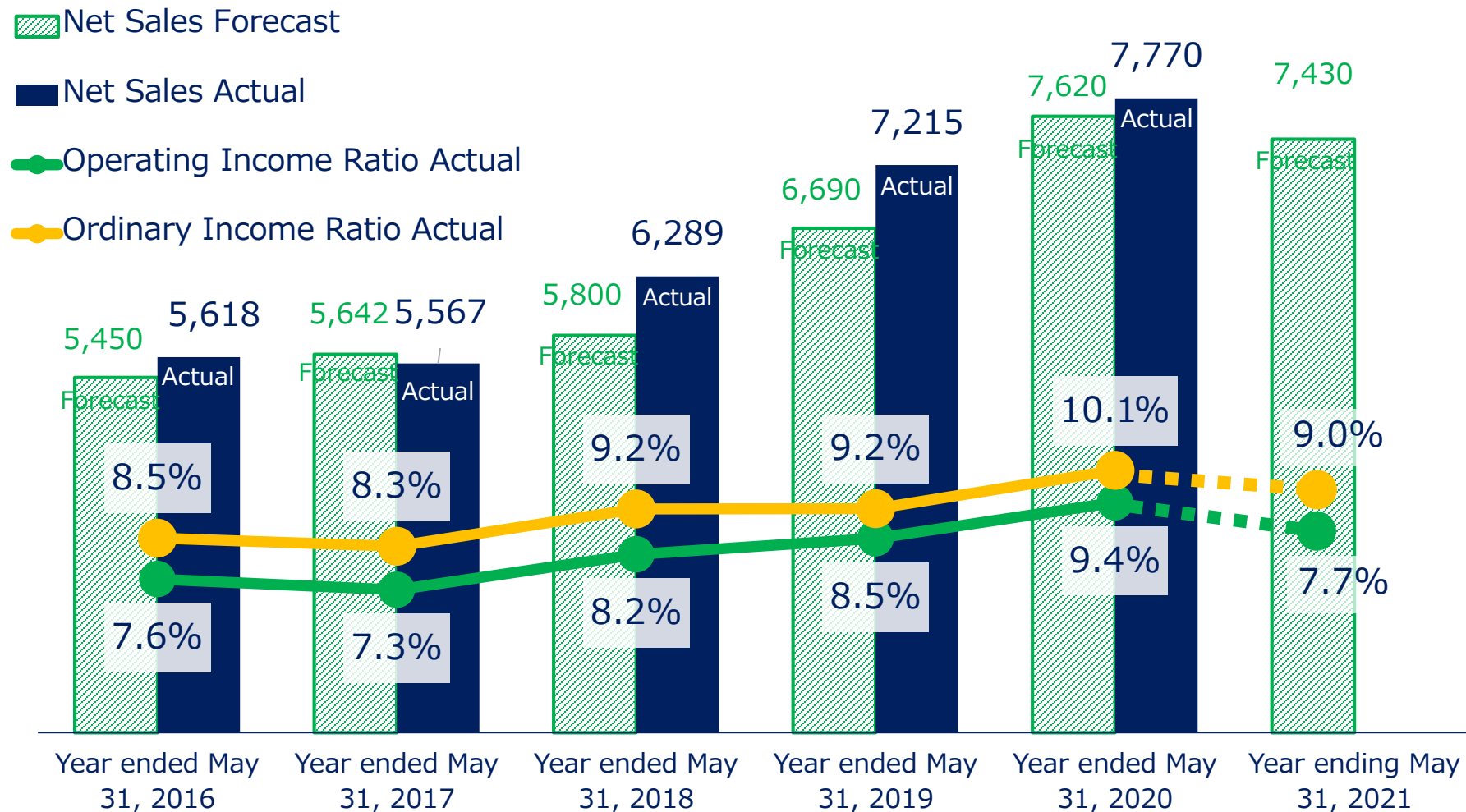
Consolidated Numerical Targets for Year Ending May 31, 2021

Unit: Millions of yen

	Year ended May 31, 2020 Actual	Year ending May 31, 2021 Forecast	Change (Percent change)
Net Sales	7,770	7,430	-340 -4.4%
Operating Income (income ratio)	727 (9.4%)	570 (7.7%)	-157 -21.7%
Ordinary Income (income ratio)	785 (10.1%)	665 (9.0%)	-120 -15.4%
Current Net Income (income ratio)	558 (7.2%)	445 (6.0%)	-113 -20.3%

Consolidated Figures

Unit: Millions of yen



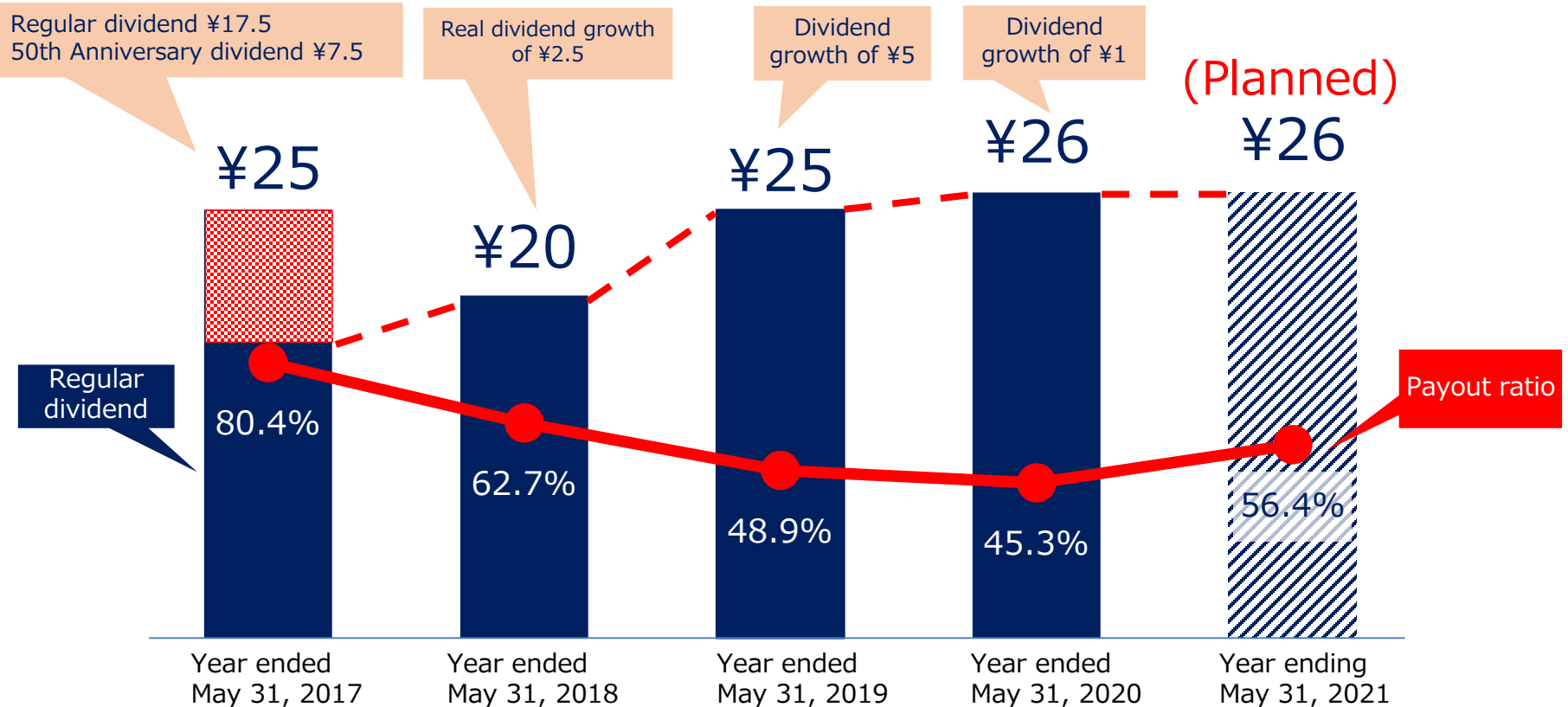
4th Medium-Term Business Plan

5th Medium-Term Business Plan

Shareholder Dividends

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, 2017.

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 the results 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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