



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, 2021



January 15, 2021

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2021

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

3. Forecast for the Year Ending May 31, 2021

## 1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2021

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

## 3. Forecast for the Year Ending May 31, 2021

# Summary of Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2021

Unit: Millions of yen

|  | Forecast      | Compared<br>to forecast | Actual         | YoY change    | Previous<br>year |
|--|---------------|-------------------------|----------------|---------------|------------------|
| Net Sales                                      | 3,260         | +97<br>+3.0%            | 3,357          | -315<br>-8.6% | 3,672            |
| Operating Income<br>(income ratio)             | 280<br>(8.6%) | +36<br>+13.1%           | 316<br>(9.4%)  | -26<br>-7.6%  | 342<br>(9.3%)    |
| Ordinary Income<br>(income ratio)              | 320<br>(9.8%) | +33<br>+10.6%           | 353<br>(10.5%) | -18<br>-5.0%  | 372<br>(10.1%)   |
| Net Income of the<br>Quarter<br>(income ratio) | 210<br>(6.4%) | +25<br>+12.1%           | 235<br>(7.0%)  | -14<br>-5.9%  | 250<br>(6.8%)    |

# Overview of Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2021 (1) YoY



JAPAN PROCESS  
DEVELOPMENT CO.,LTD.

## Net Sales

YoY: -315 million yen (-8.6%)

Although sales of embedded and particular information systems were strong, in control systems, inspection and acceptance were concentrated in the second half, and onboard control systems were affected by the coronavirus

## Operating Income

YoY: -26 million yen (-7.6%)

The income ratio was maintained at the same level as the previous year due to a review of the development system in anticipation of lower sales

## Ordinary Income

YoY: -18 million yen (-5.0%)

Due to factors such as surrender value of insurance

## Net Income of the Quarter

YoY: -14 million yen (-5.9%)

Due to decrease in corporate taxes

# Overview of Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2021 (2) Compared to Plan



## Net Sales

Compared to plan: +97 million yen (+3.0%)

Due to acceptance inspection of conventional lines and bullet trains in the first half of the fiscal year in the Control Systems, and the minor impact of the coronavirus in the AD/ADAS field

## Operating Income

Compared to plan: +36 million yen (+13.1%)

Due to sales increase, productivity improvement, and cost reduction

## Ordinary Income

Compared to plan: +33 million yen (+10.6%)

Due to donation in response to torrential rains (outside of budget) and foreign exchange loss at IPD Dalian

## Net Income of the Quarter

Compared to plan: +25 million yen (+12.1%)

Due to an increase in corporate taxes

## Efforts to prevent coronavirus infection and transmission

- Establishment of guidelines
- Working remotely, refraining from domestic and overseas business trips, and using web conferences and training programs in consideration of the health of employees and customers
- Currently working together with our customers to carry out business without lowering the level of service



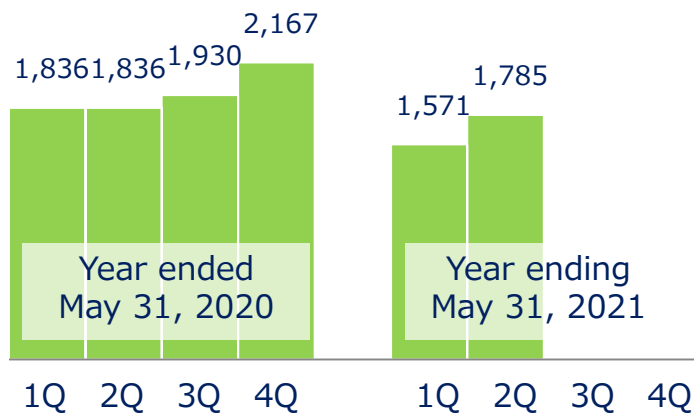
- Use of remote work (used by approximately 70% in the first wave)
- Reviewed the development system and improved productivity
- Reduced expenses for transportation, meetings, etc.
- Special allowance for spending time with family using originally budget benefit expenses that were unused (6M)
- Perform company information briefings and interviews using the Internet for new graduate recruitment  
(32 students in 2020, 34 students in 2021 accepting unofficial decision → target 40)

# Second Quarter of the Year Ending May 31, 2021

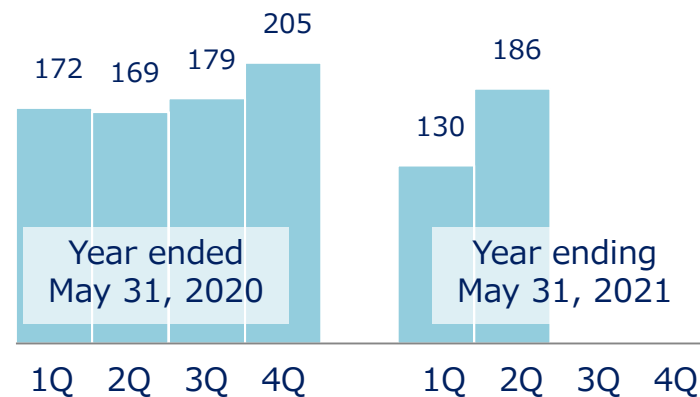
## Performance Trend by Quarter

Unit: Millions of yen

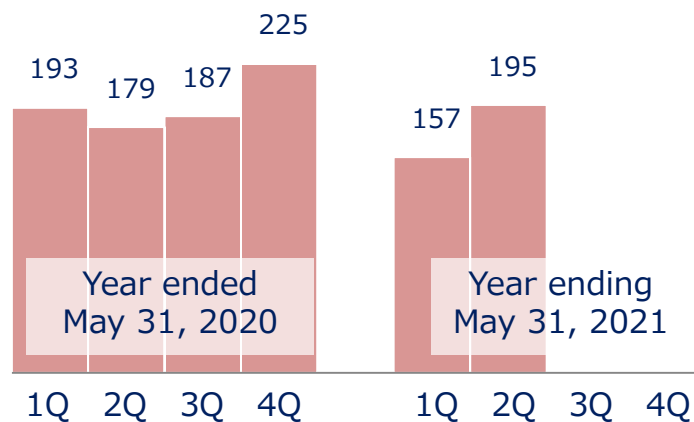
### Net Sales



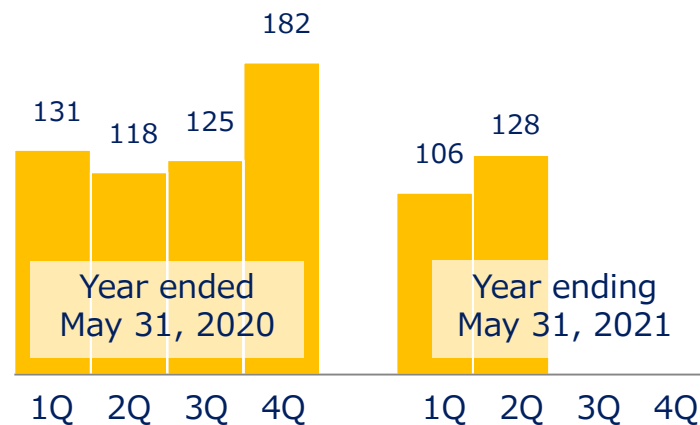
### Operating Income



### Ordinary Income



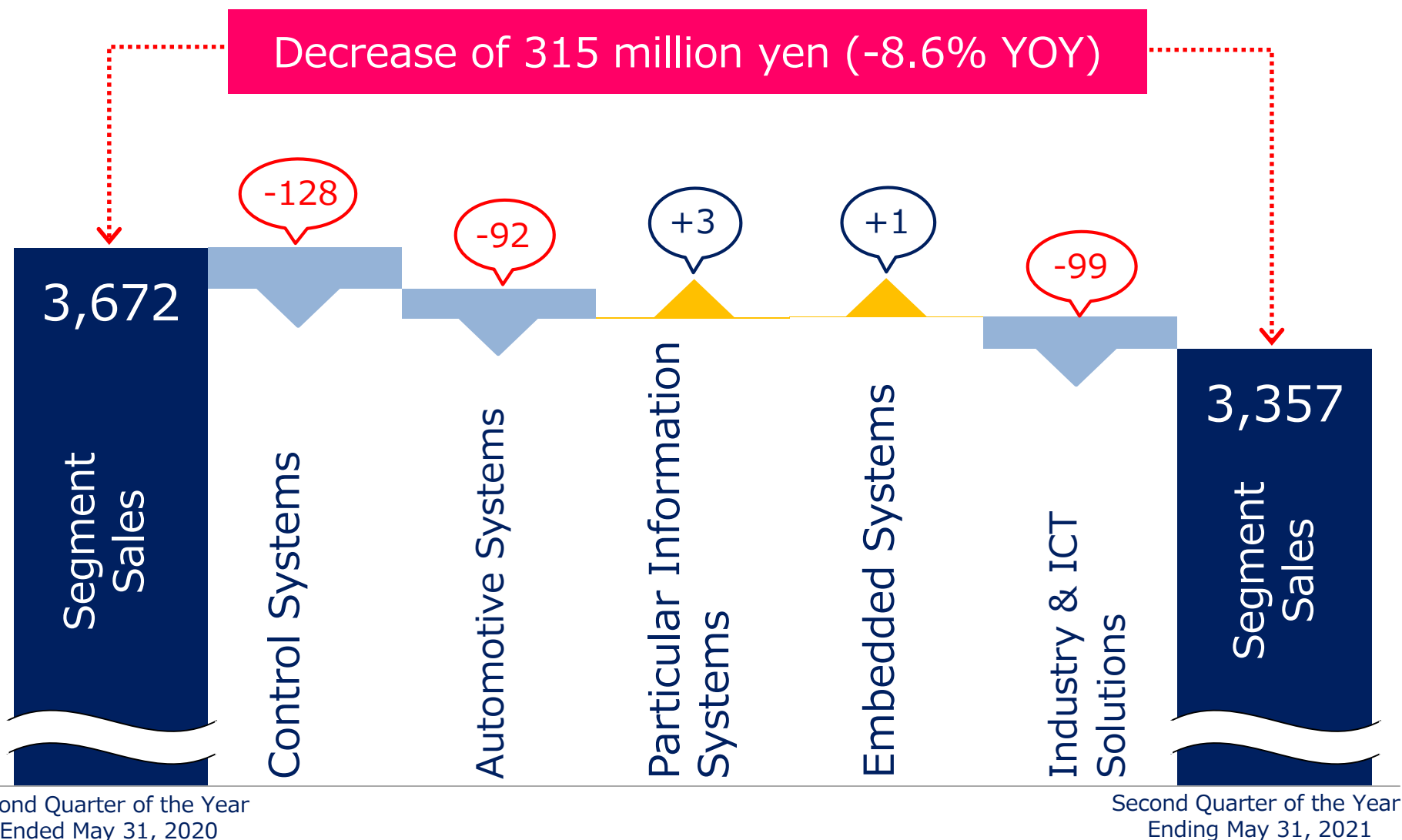
### Current Net Income





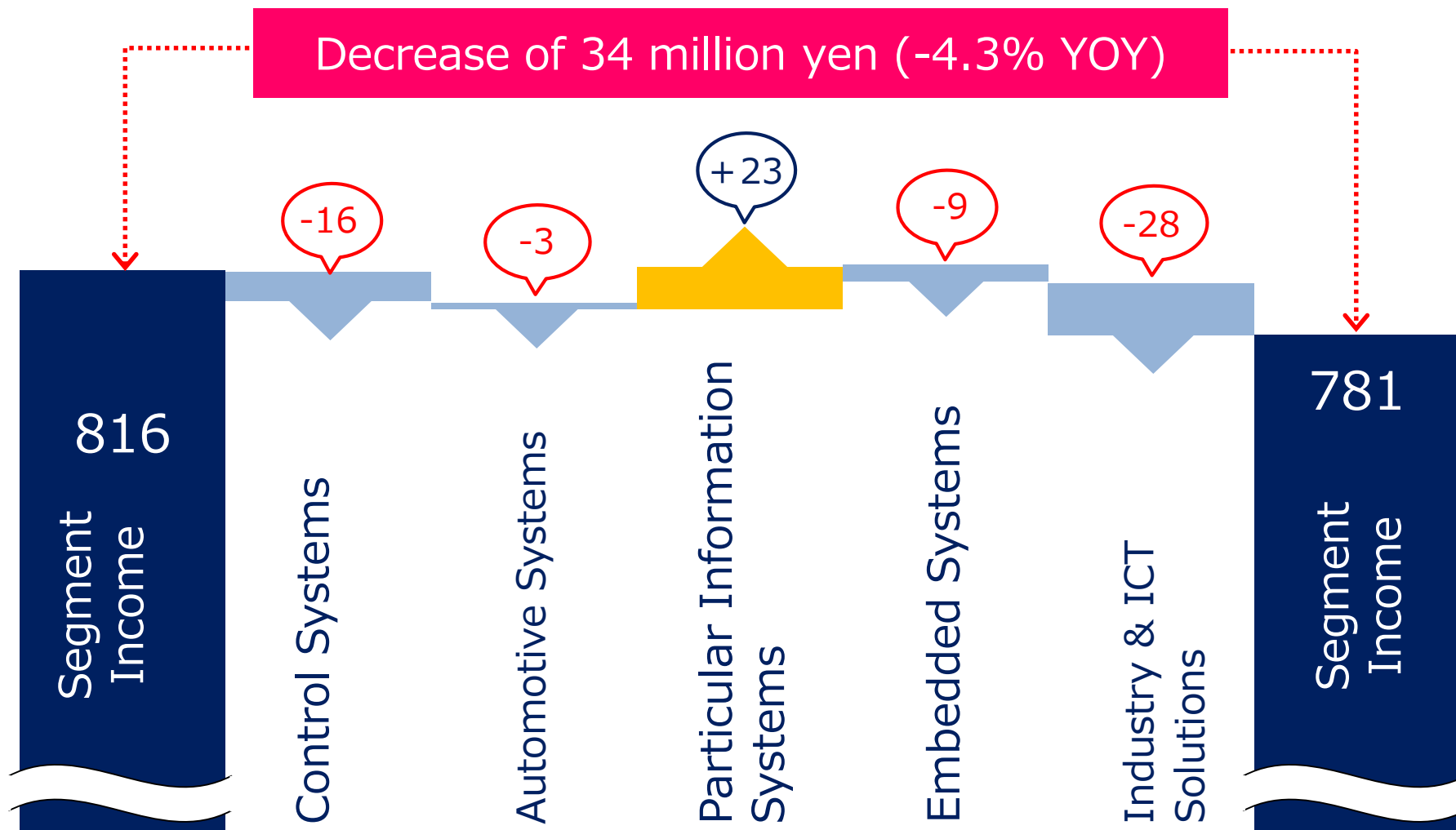
# Change in Sales by Business Segment for the Second Quarter of the Year Ending May 31, 2021

Unit: Millions of yen



# Change in Income by Business Segment for the Second Quarter of the Year Ending May 31, 2021

Unit: Millions of yen



Second Quarter of the Year  
Ended May 31, 2020

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

Second Quarter of the Year  
Ending May 31, 2021

## Control Systems

- Although the workload for power systems increased, acceptance inspection is in the second half and the development of monitoring and control systems for thermal power plants declined
- Bullet train traffic control performance was strong, and inspection and acceptance for Autonomous decentralized Transport Operation control System (ATOS) and conventional line traffic control was concentrated in the second half

Unit: Millions of yen

| Business Segment |           | Second quarter of the<br>year ended May 31,<br>2020<br>(income ratio) | Second quarter of the<br>year ending May 31,<br>2021<br>(income ratio) | Change<br>(percent change) |
|------------------|-----------|---|--|----------------------------|
| Control Systems  | Net Sales | 551   | 422  | -128<br>(-23.3%)           |
|                  | Income    | 125<br>(22.7%)  | 108<br>(25.6%)   | -16<br>(-13.5%)            |

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

## Automotive Systems

- In self-driving/ADAS where there is vigorous demand, in-car network controls and infrastructure software showed robust performance
- For onboard control systems, while electrification projects were strong, engine control and transmission control declines were unchanged

(ADAS: Advanced Driver Assistance System)

Unit: Millions of yen

| Business Segment      |           | Second quarter of the<br>year ended May 31,<br>2020<br>(income ratio) | Second quarter of the<br>year ending May 31,<br>2021<br>(income ratio) | Change<br>(percent change) |
|-----------------------|-----------|---|--|----------------------------|
| Automotive<br>Systems | Net Sales | 969   | 877  | -92<br>(-9.5%)             |
|                       | Income    | 241<br>(24.9%)  | 237<br>(27.1%)   | -3<br>(-1.6%)              |

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

## Particular Information Systems

- In image recognition/identification products, sales of video surveillance-related products were strong
- New orders received for public systems were strong
- In crisis management, workload decreased as we entered the testing phase

Unit: Millions of yen

| Business Segment                     |           | Second quarter of the<br>year ended May 31,<br>2020<br>(income ratio) | Second quarter of the<br>year ending May 31,<br>2021<br>(income ratio) | Change<br>(percent change) |
|--------------------------------------|-----------|---|--|----------------------------|
| Particular<br>Information<br>Systems | Net Sales | 317   | 320  | +3<br>(+1.2%)              |
|                                      | Income    | 60<br>(19.2%)   | 84<br>(26.4%)  | +23<br>(+39.0%)            |

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

## Embedded Systems

- Sales of storage devices were strong, and orders were also received for the development of new application products
- In IoT construction equipment, development of operating system peripherals remained flat
- Development of self-driving/ADAS infrastructure software was completed

Unit: Millions of yen

| Business Segment    |           | Second quarter of the<br>year ended May 31,<br>2020<br>(income ratio) | Second quarter of the<br>year ending May 31,<br>2021<br>(income ratio) | Change<br>(percent change) |
|---------------------|-----------|---|--|----------------------------|
| Embedded<br>Systems | Net Sales | 512   | 513  | +1<br>(+0.2%)              |
|                     | Income    | 124<br>(24.2%)  | 115<br>(22.4%)   | -9<br>(-7.3%)              |

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

## Industry & ICT Solutions

- Cloud system construction, imaging solutions, and railroad-related business were steady
- Aerospace-related and IoT-related businesses were flat
- Business-related and medical-related businesses decreased significantly due to reduced R&D expenses and termination of development

Unit: Millions of yen

| Business Segment            |           | Second quarter of the<br>year ended May 31,<br>2020<br>(income ratio) | Second quarter of the<br>year ending May 31,<br>2021<br>(income ratio) | Change<br>(percent change) |
|-----------------------------|-----------|---|--|----------------------------|
| Industry & ICT<br>Solutions | Net Sales | 1,322   | 1,223  | -99<br>(-7.5%)             |
|                             | Income    | 264<br>(20.0%)  | 235<br>(19.3%)   | -28<br>(-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

11,295



10,907



- Major cause of  
change -

|                         |      |
|-------------------------|------|
| Cash and deposits       | +213 |
| Marketable securities   | +299 |
| Trade receivables, etc. | -893 |
| Work in progress        | +240 |
| Investment securities   | -230 |
| Deferred tax assets     | -35  |

2020/4Q

2021/2Q

## Liabilities and net assets

11,295



10,907



- Major cause of  
change -

|   |      |
|---|------|
| Accounts payable - other                              | -109 |
| Consumption taxes payable                             | -102 |
| Reserves for bonuses                                  | -430 |
| Retained earnings                                     | +109 |
| Valuation difference on available-for-sale securities | +120 |

2020/4Q

2021/2Q

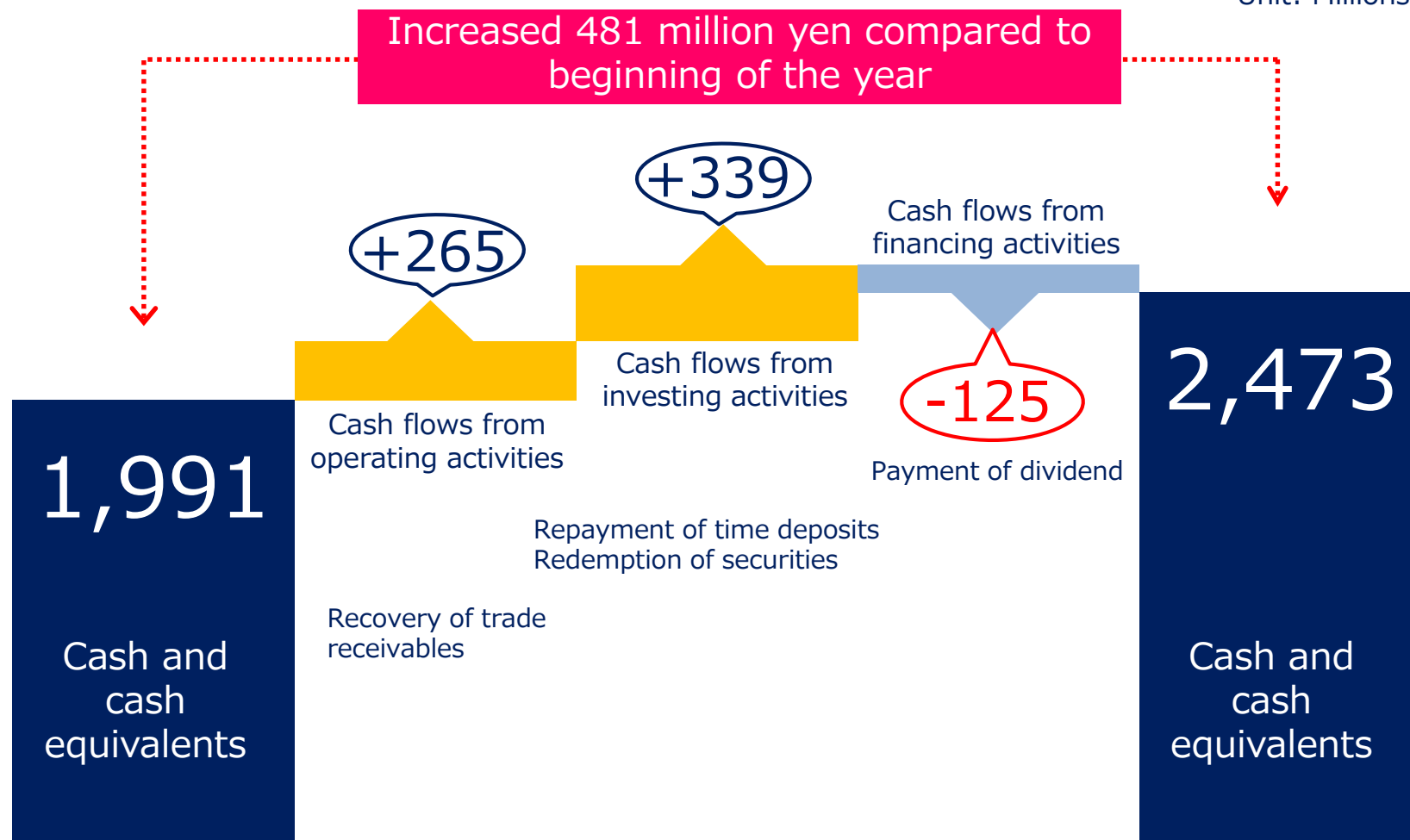


# Financial Indicators (Other)

|                            | Second quarter<br>of the year<br>ended May 31,<br>2020 | Second quarter<br>of the year<br>ending May 31,<br>2021 | (Reference)<br>Year ended May<br>31, 2020 |
|----------------------------|--|---|---|
| Net assets                 | ¥9,155 million   | ¥9,645 million  | ¥9,396 million                            |
| Net Assets per<br>Share    | ¥948.12  | ¥996.79   | ¥973.0                                    |
| Net Income per<br>Share    | ¥25.51   | ¥24.37  | ¥57.4                                     |
| Capital-to-assets<br>ratio | 87.0%  | 88.4%   | 83.2%                                     |
| Treasury Shares            | 988,048 shares   | 968,505 shares  | 988,048 shares                            |
| No. of employees           | 644  | 662   | 657                                       |

# Consolidated Cash Flows for the Second Quarter of the Year Ending May 31, 2021

Unit: Millions of yen



At beginning of the year  
ending May 31, 2021

At end of second quarter of the year  
ending May 31, 2021

\* The balance at the end of the second quarter of the year ending May 31, 2021, includes an increase of 1 million yen due to exchange rate movements.

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2021

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

3. Forecast for the Year Ending May 31, 2021

# Basic Policy of the 5th Medium-Term Business Plan

## 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 businesses into main business areas and develop new fields
  - (1) Make self-driving/ADAS\*1 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 (Total Software Engineering Service) \*2

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

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

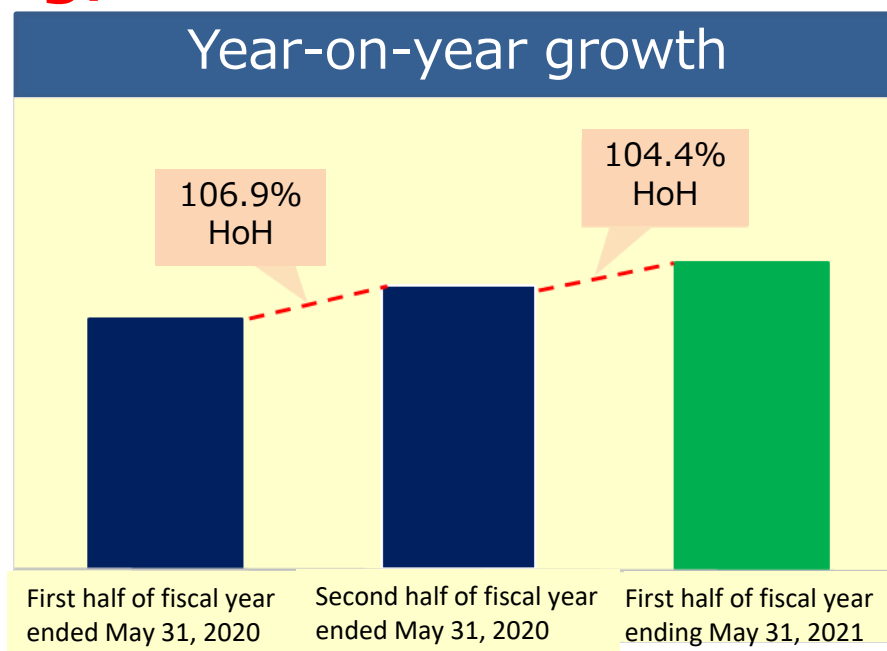
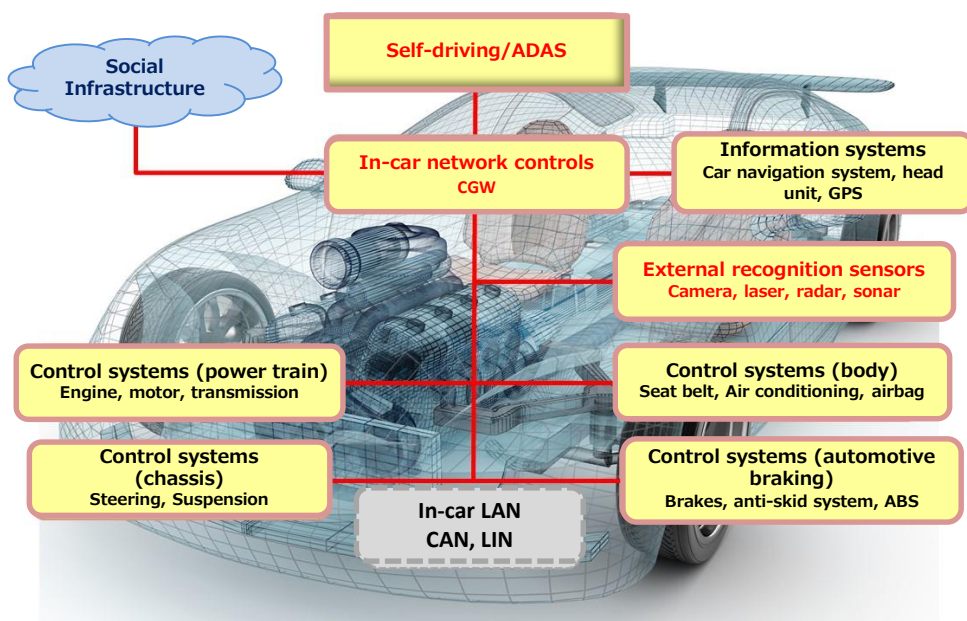
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# Basic Policy (1) Turn acquired business into main business areas and develop new fields (1)

## 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.**

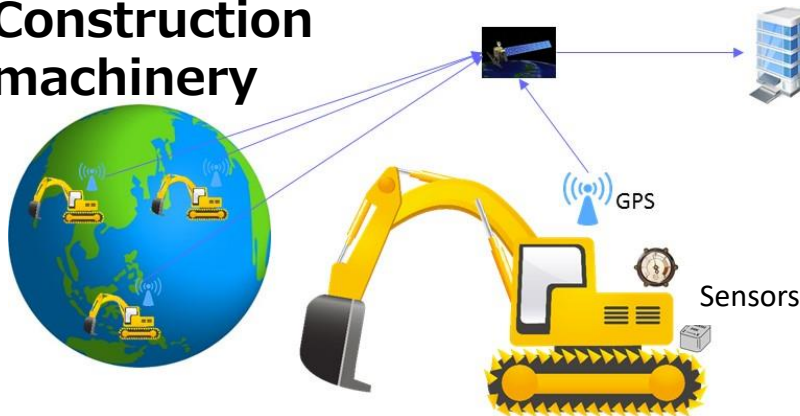
# Basic Policy (1) Turn acquired business into main business areas and develop new fields (2)

2

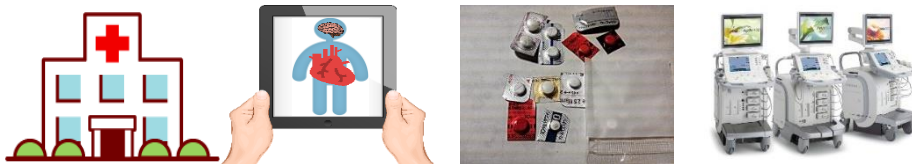
IoT/security

## Expanding by melding control system and embedded system technologies

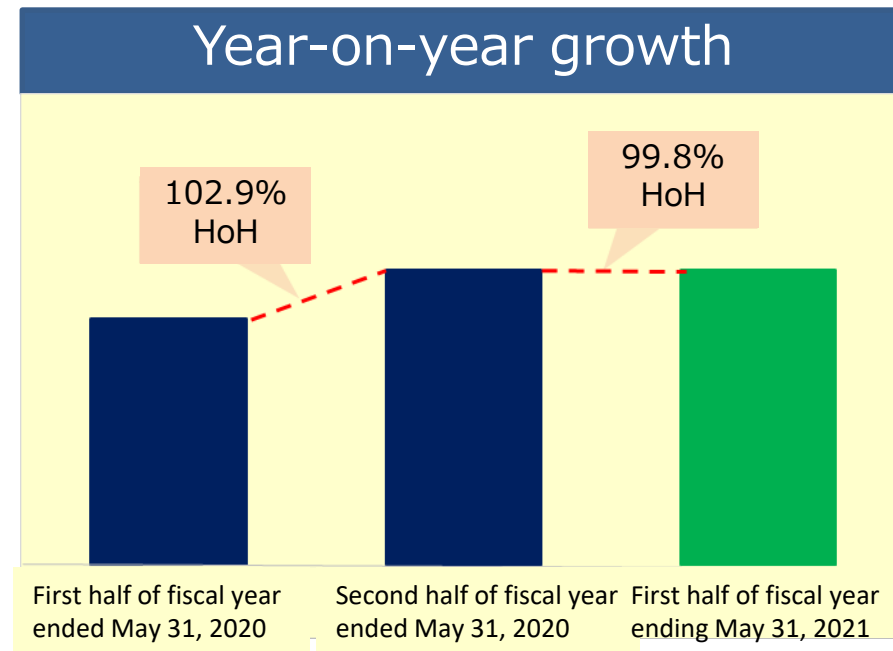
Construction machinery



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

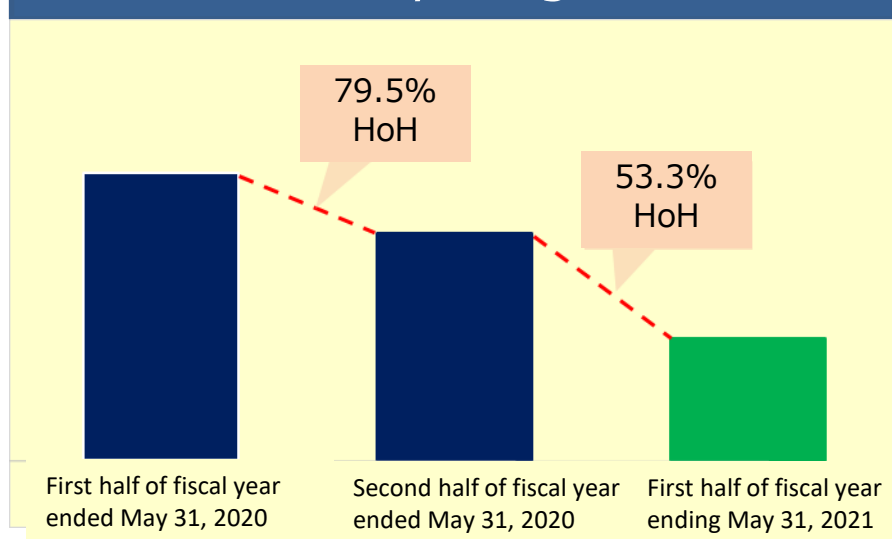


**Robotics / AI**

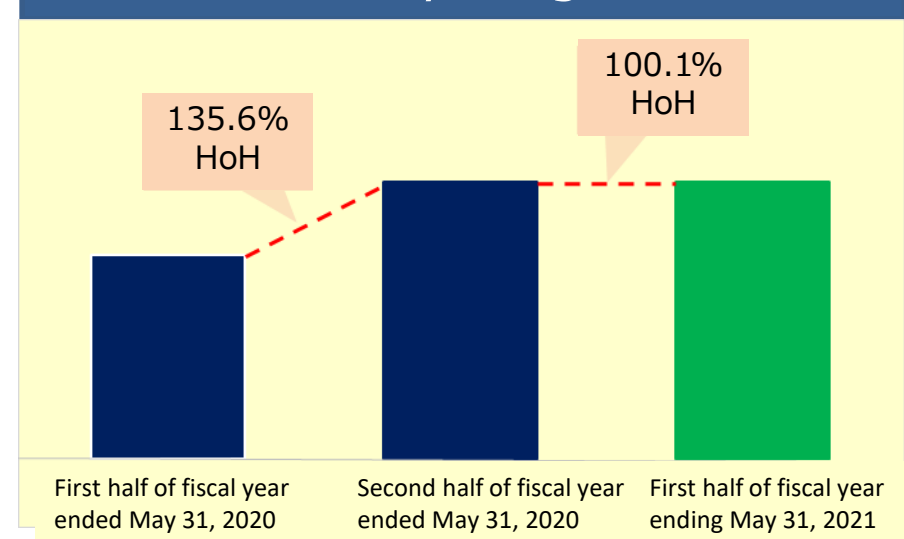


**Cloud / Network**

#### Year-on-year growth



#### Year-on-year growth



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



# Basic Policy of the 5th Medium-Term Business Plan

## Vision Embodied in the 5th Medium-Term Business Plan

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

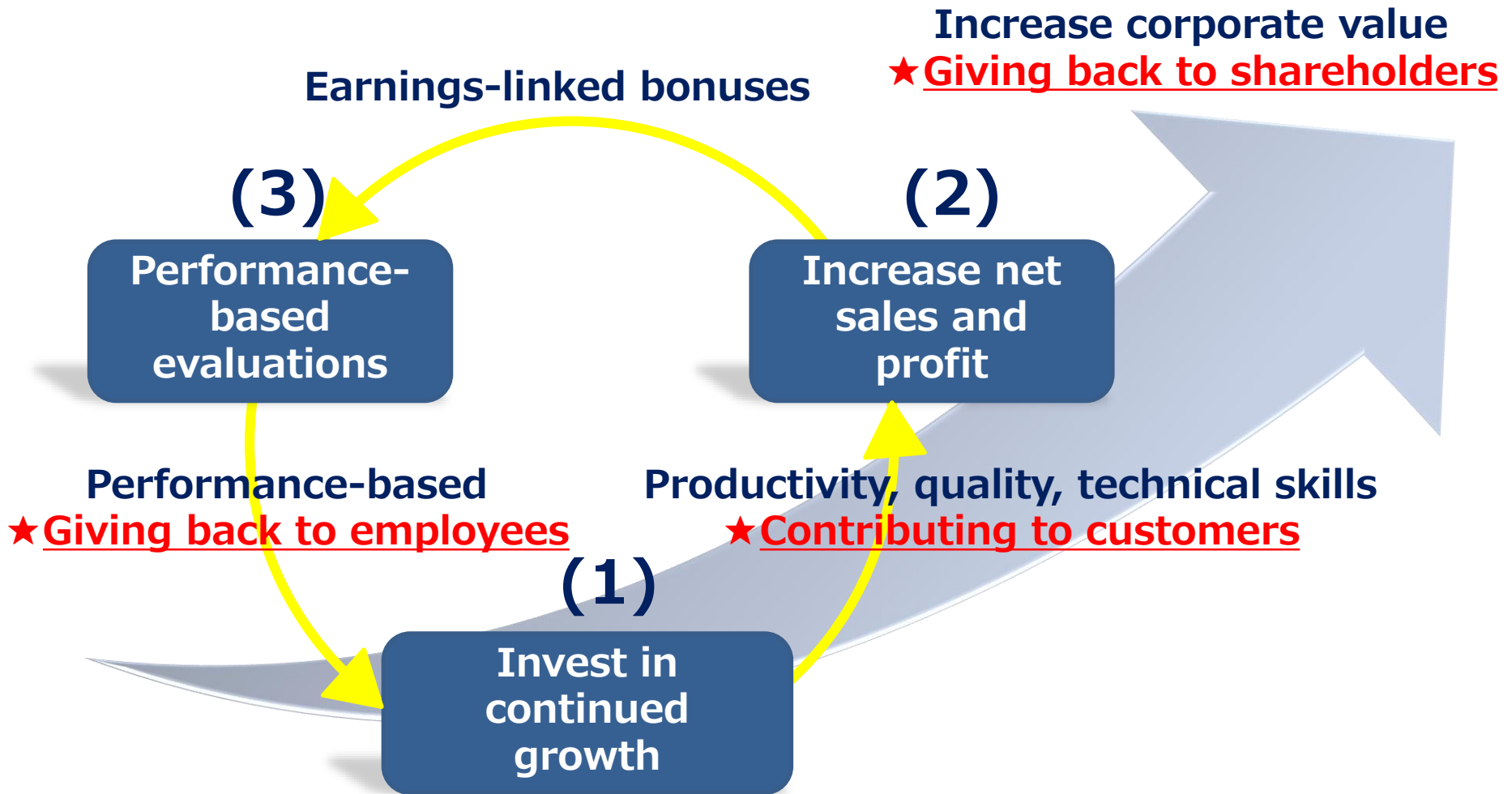


## Basic policy (From Year Ending May 31, 2019 to Year Ending May 31, 2021)

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# Vision for the company



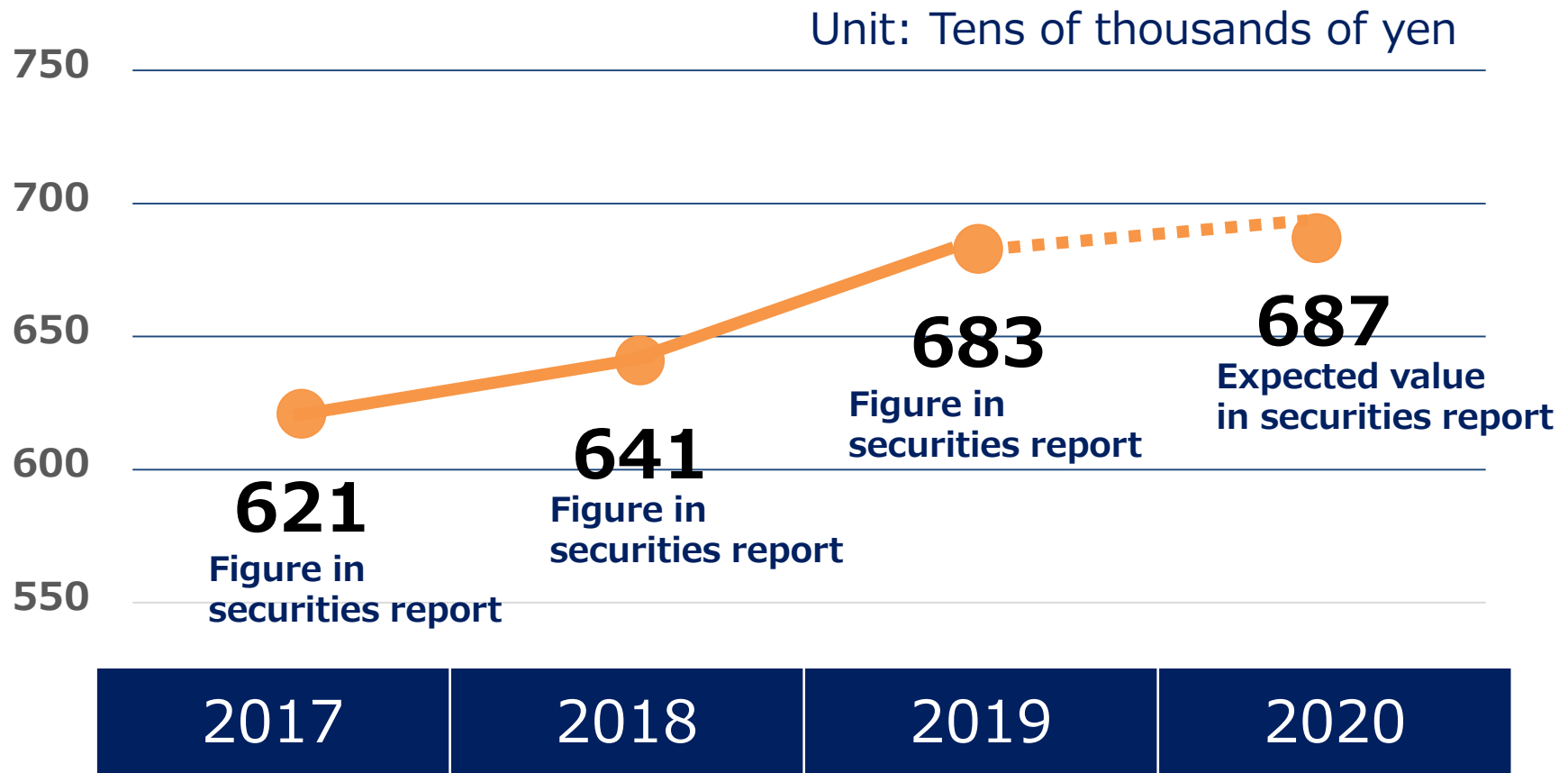
**Human resources, good workplace environment/system, and facilities**

## 2. Invest in continued growth

- ◆ Establishment of a company-wide remote work environment in response to the declaration of a state of emergency triggered by the coronavirus
- ◆ Continue to invest in technical training, etc.
- ◆ While the development of a comfortable working environment was completed by the end of the previous term, we will consider securing development space and making capital investments in response to the external environment as we promote take-home development
- ◆ Algorithm Laboratory PMI smooth, merger by absorption (June 2021)  
→Targeting the next M&As for further business expansion
- ◆ Strengthen recruitment of new graduates (target: 40) and continue mid-career recruitment

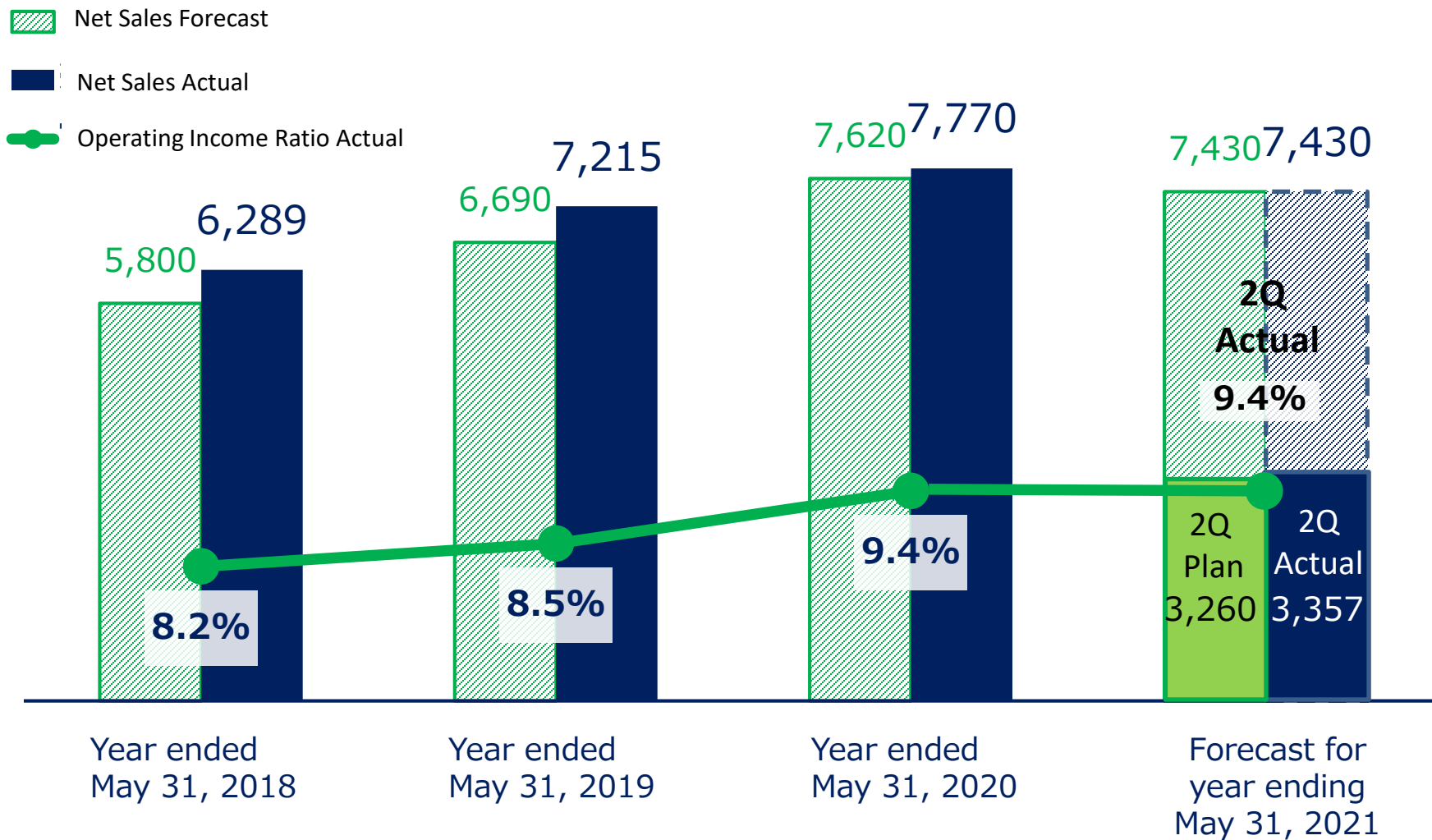
# Giving back to employees through performance-based system

## Average annual salary (giving back to employees)



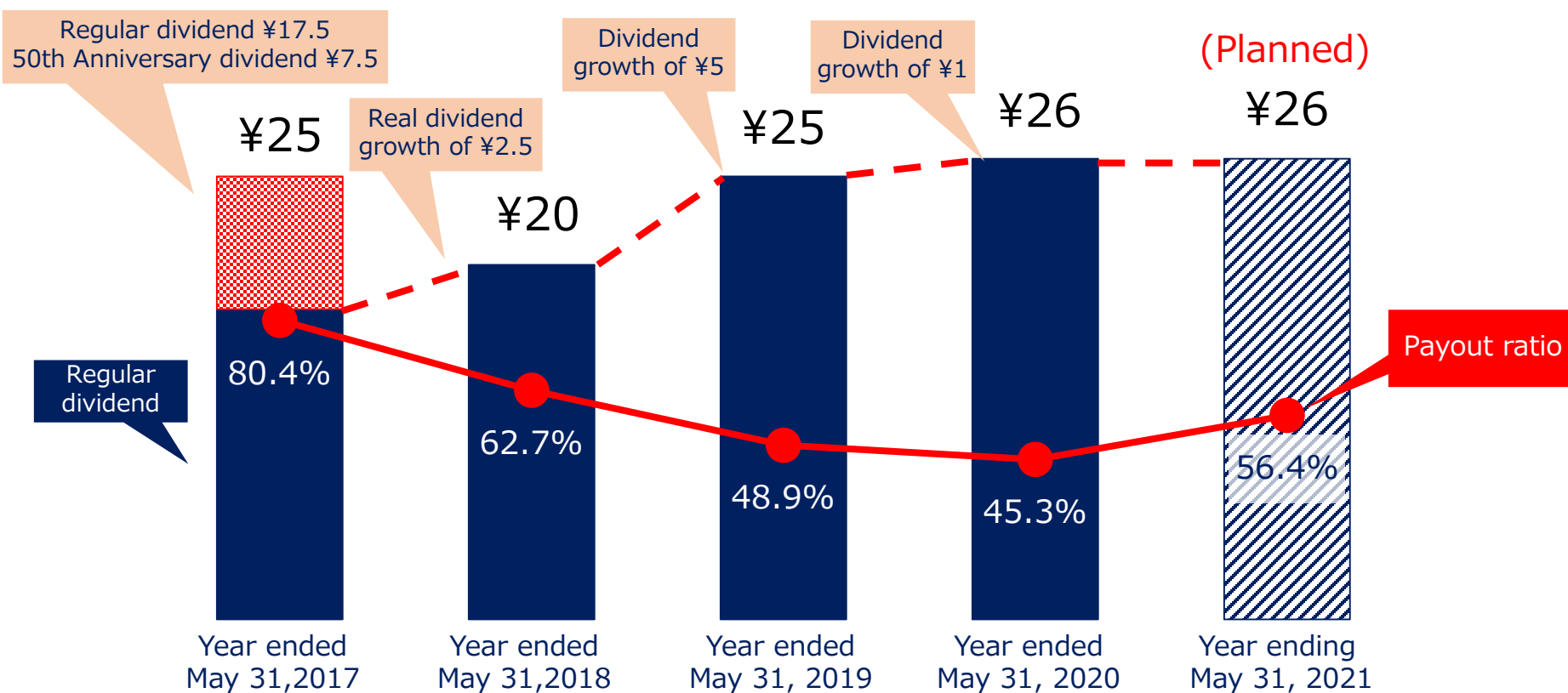
- ◆ Concerns about decline in and postponement of investment in system development for the next fiscal year and beyond due to a decrease in railroad users
- ◆ While there are concerns over a decrease in investment in existing fields due to a decline in automobile sales, there are expectations for an increase in development investment due to intensifying competition in AD/ADAS development
- ◆ Integration of Hitachi AMS and Honda component manufacturers  
→Expectations for expansion of scope of system development
- ◆ Expectations of increased demand for semiconductors due to continued remote work
- ◆ Expectations for expansion of cloud environment construction and system development due to the advance of DX

# Business Performance



## 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.

Contact for inquiries: Hideki Yoneshima, Department Manager,  
Corporate Planning Department

[keikibu@jpd.co.jp](mailto:keikibu@jpd.co.jp)