

[Securities code: 9651]



**JAPAN PROCESS DEVELOPMENT CO.,LTD.**

**Year Ended May 31, 2024**

# **Financial Results Briefing**

July 19, 2024

Japan Process Development Co., Ltd.

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## ■ Operating results

- ✓ Net sales and operating profit both **reached the highest levels since listing for the 3rd consecutive year**
- ✓ Operating profit margin of 10% achieved

## ■ Giving back to shareholders

- ✓ Dividends grew ¥2 more than the forecast from the beginning of the year to ¥38 per share (increase of ¥3), the 5th consecutive year of dividend increase

## ■ Giving back to employees

- ✓ Increased salaries for all employees by an average of approximately 3.6% **for the 2nd consecutive year**
- ✓ Total amount of earnings-linked bonuses **reach record high for the 7th consecutive year**
- ✓ Average annual income exceeds ¥7.5 million

## ■ Donating for social contribution purposes

- ✓ Donated a total of ¥7 million to 2 entities as one part of CSR initiatives
  - Ranzan Gakuen, A carehouse for emotionally disturbed children
  - NPO Reach Alternatives
- ✓ Donated ¥1 million to support disaster areas and victims of the Noto Peninsula Earthquake

# 1.1 Consolidated Business Performance

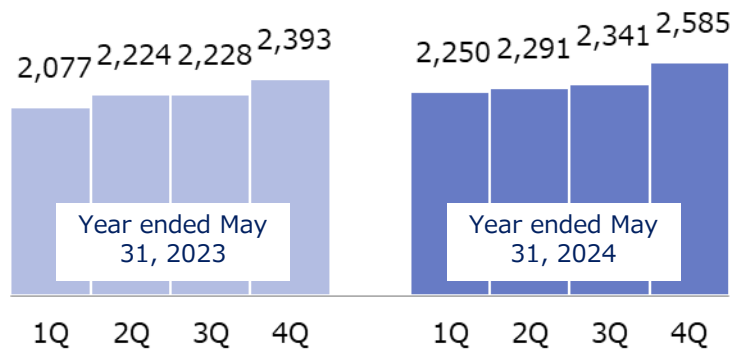
- Net sales: **¥9.468** billion (YoY change +¥544 million),  
Operating income: **¥0.956** billion (YoY change +¥48million)

Unit (Millions of yen)	Previous year	Actual	YoY change	Overview
Net Sales	8,923	9,468	+544 +6.1%	<ul style="list-style-type: none"> <li>• Steadily received orders for projects planned at the beginning of the year</li> <li>• Scale of orders expanded due to an increase in large-scale projects</li> </ul>
Operating Income (profit margin)	908 10.2%	956 10.1%	+48 +5.3%	<ul style="list-style-type: none"> <li>• Increased salary costs were absorbed through productivity improvements, etc.</li> <li>• Costs were contained through consolidation of offices, etc.</li> </ul>
Ordinary Income (profit margin)	967 10.8%	1,008 10.6%	+40 +4.2%	<ul style="list-style-type: none"> <li>• Increased along with the rise in operating income</li> </ul>
Current Net Income (profit margin)	682 7.6%	730 7.7%	+47 +7.0%	<ul style="list-style-type: none"> <li>• Tax saving thanks to tax credits for promotion of salary increases continue to be strong</li> </ul>

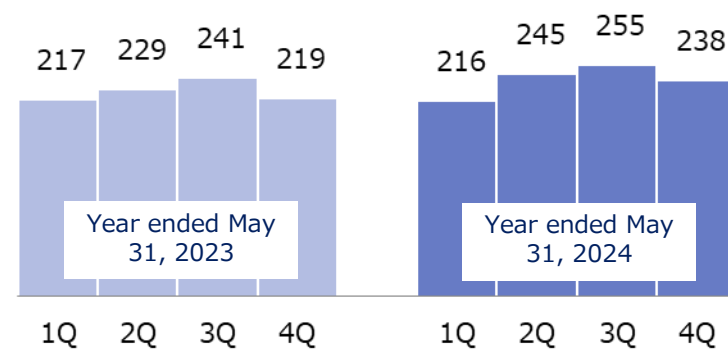
# 1.2 Quarterly Changes

- Sales grew steadily toward the end of the year
- Profits were impacted by recruitment-related expenses in 4Q

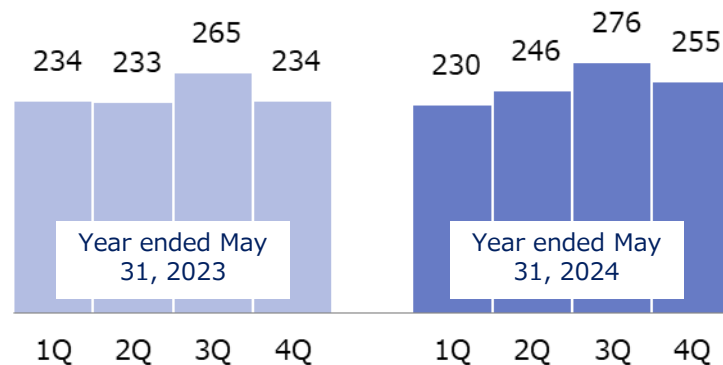
### Net Sales



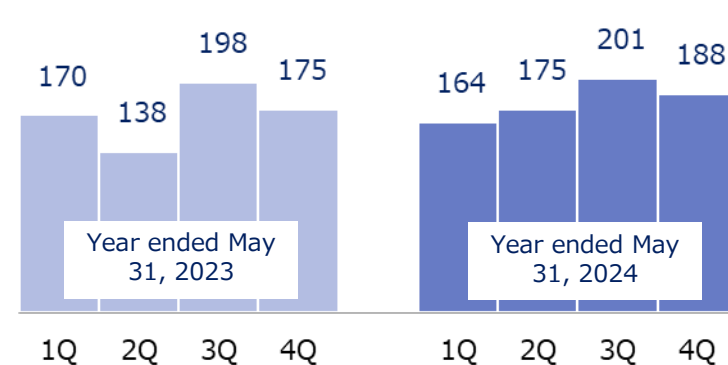
### Operating Income



### Ordinary Income



### Current Net Income



# 1.3 Net Sales by Business Segment

- Net sales increased in all business segments
- Control Systems expanded significantly due to an increase in railway-related development projects

(Unit : Millions of yen)

	Actual	YoY change		Sales composition ratio (YoY change)	
<b>Consolidated</b>	<b>9,468</b>	<b>+544</b>	<b>+6.1%</b>	<b>—</b>	
<b>Control Systems</b>	<b>1,620</b>	<b>+191</b>	<b>+13.4%</b>	<b>17.1%</b>	<b>(+1.1pt)</b>
<b>Automotive Systems</b>	<b>2,268</b>	<b>+120</b>	<b>+5.6%</b>	<b>24.0%</b>	<b>(-0.1pt)</b>
<b>Particular Information Systems</b>	<b>1,341</b>	<b>+97</b>	<b>+7.8%</b>	<b>14.2%</b>	<b>(+0.2pt)</b>
<b>Embedded Systems</b>	<b>1,363</b>	<b>+29</b>	<b>+2.2%</b>	<b>14.4%</b>	<b>(-0.6pt)</b>
<b>Industry &amp; ICT Solutions</b>	<b>2,874</b>	<b>+106</b>	<b>+3.9%</b>	<b>30.4%</b>	<b>(-0.7pt)</b>

\*1: Aerospace field was transferred from the Industry & ICT Solutions segment to the Particular Information Systems segment from year ended May 31, 2024, and figures from the previous fiscal year have been reclassified into the segment classifications after the change for comparison and analysis.

# 1.4 Income by Business Segment

- Business Segments excluding Automotive Systems accumulated profit
- Control Systems and Particular Information Systems accumulated profit through improved productivity
- Automotive Systems was burdened by the costs of opening the Kawasaki Office, a one-off cost

(Unit : Millions of yen)

	Actual	YoY change		Income composition ratio (YoY change)	
<b>Consolidated</b>	<b>2,065</b>	<b>+121</b>	<b>+6.3%</b>	<b>—</b>	
<b>Control Systems</b>	<b>375</b>	<b>+72</b>	<b>+24.1%</b>	<b>18.2%</b>	<b>(+2.6pt)</b>
<b>Automotive Systems</b>	<b>585</b>	<b>-37</b>	<b>-6.1%</b>	<b>28.3%</b>	<b>(-3.7pt)</b>
<b>Particular Information Systems</b>	<b>267</b>	<b>+42</b>	<b>+18.8%</b>	<b>13.0%</b>	<b>(+1.4pt)</b>
<b>Embedded Systems</b>	<b>302</b>	<b>+1</b>	<b>+0.5%</b>	<b>14.7%</b>	<b>(-0.8pt)</b>
<b>Industry &amp; ICT Solutions</b>	<b>533</b>	<b>+42</b>	<b>+8.7%</b>	<b>25.9%</b>	<b>(+0.6pt)</b>

\*1: Aerospace field was transferred from the Industry & ICT Solutions segment to the Particular Information Systems segment from year ended May 31, 2024, and figures from the previous fiscal year have been reclassified into the segment classifications after the change for comparison and analysis.



## ■ Control Systems

- In Power system control systems, including renewable energy, the project structure will be maintained
- ATOS expanded its project structure through renewal projects started in the previous year
- Conventional traffic control systems performing well due to orders for projects utilizing AI
- Bullet trains traffic control systems remained flat despite completion of some projects

## ■ Automotive Systems

- AD/ADAS-related business performed well, including receiving new contracts
- Onboard information related sales remained flat
- Electrification-related saw a decrease in both sales and profits due to a reduction in development scale

## ■ Particular Information Systems

- Satellite imagery-related business was strong well with an increase in orders
- Crisis management-related business remained flat as existing projects slowed, but the company expanded its project structure to prepare for new projects to be launched in the next year
- Aerospace related project structure contracted as some projects entered the testing phase

## ■ Embedded Systems

- Storage device business project structure contracted impacted by the sluggish semiconductor market
- New storage development performed well in the first half, but the project structure contracted in the second half impacted by the sluggish semiconductor market
- IoT construction equipment-related project structure expanded due to increase in development volume

## ■ Industry & ICT Solutions

- In government social infrastructure-related business, development was strong, with new orders received in addition to the development projects started in the previous year
- In road equipment-related the project structure was steady due to expansion of the business
- IoT Cloud was steady due to increase in development volume and the project structure expanded
- Railroad station equipment development was steady due to new orders
- The system architecture related business was generally flat

# 1.6 Consolidated Financial Position

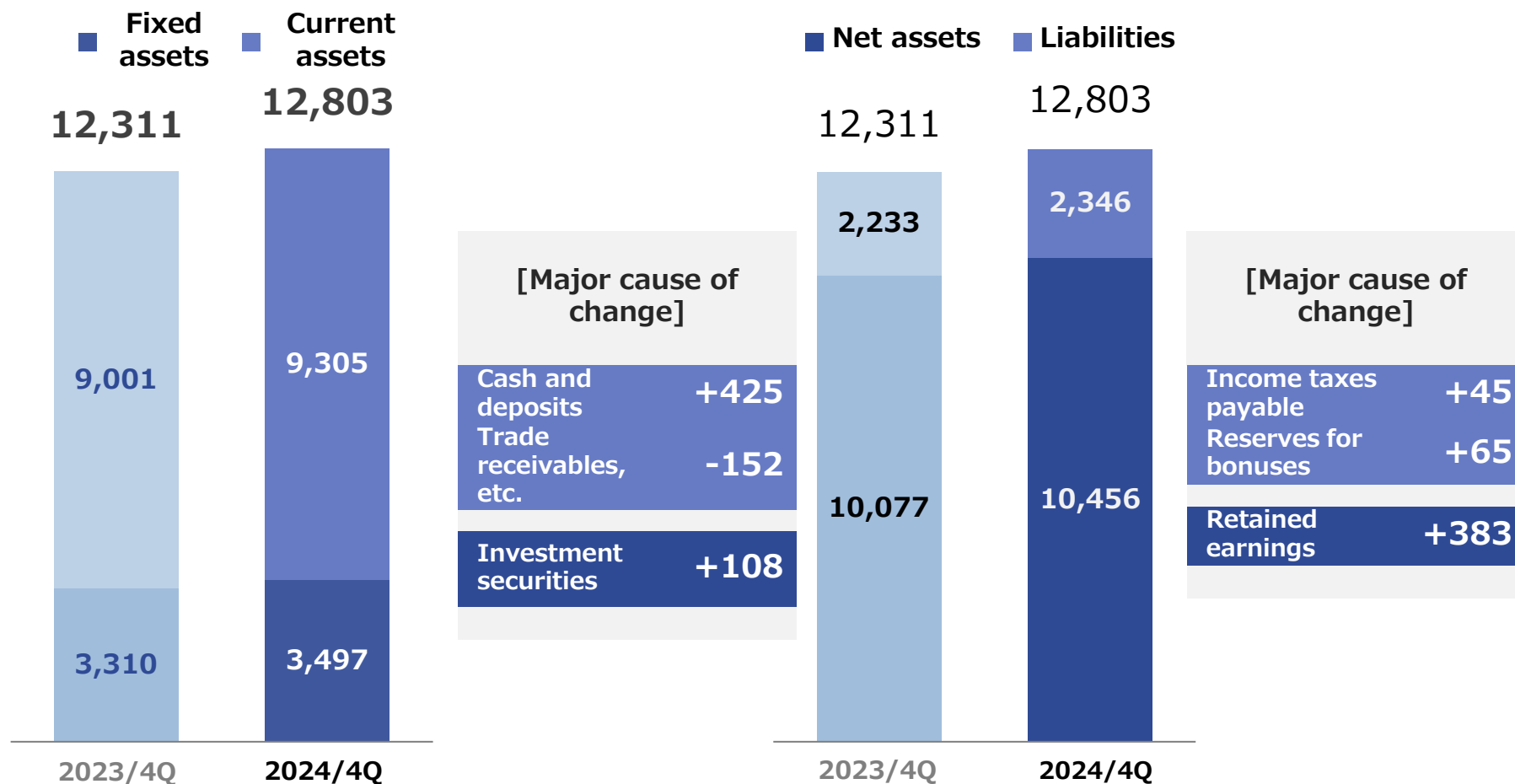
(Unit : Millions of yen)

## ■ Assets

Total assets **¥12.8**billion (+¥0.491 billion)

## ■ Liabilities and net assets

Capital-to-assets ratio **81.7%**



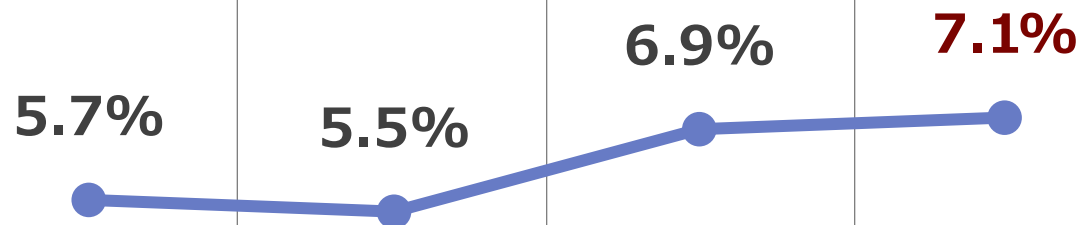
# 1.7 Financial Statements (Others)

	Year Ended May 31, 2023	Year Ended May 31, 2024
Net Assets Per Share	<b>1,043.28 yen</b>	<b>1,081.14 yen</b>
Net Income Per Share	<b>70.70 yen</b>	<b>75.56 yen</b>
Capital-to-Assets Ratio	<b>81.9%</b>	<b>81.7%</b>
Treasury Shares	<b>985,439 shares</b>	<b>973,242 shares</b>
No. of Employees	<b>691</b>	<b>698</b>

# 1.8 Consolidated Cash Flows

Unit (Millions of yen)	Year Ended May 31, 2023	Year Ended May 31, 2024	Major Cause of Change
CF From Operating Activities	312	1,050	• Increase in current net income before tax adjustments
CF From Investing Activities	435	-291	• Acquisition of investment securities
CF From Financial Activities	-347	-347	• Payment of dividend
Cash And Cash Equivalents Year-end Balance	4,157	4,582	

# 1.9 Return on Equity (ROE)



	Year Ended May 31, 2021	Year Ended May 31, 2022	Year Ended May 31, 2023	Year Ended May 31, 2024
Net Income Per Share (¥)	56.3	55.6	70.7	75.6
Net Assets Per Share (¥)	999.9	1,002.9	1,043.3	1,081.1
Current Net Income (Million Yen)	544	532	682	730
Net Assets (Million Yen)	9,675	9,671	10,077	10,456

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- **+23.9%** growth in sales and **+36.4%** growth in operating income over 3 years achieved
- Operating profit margin of more than **10%** achieved
- Productivity increased by **8.5%** due to improvement in the total level of our T-SES

## ■ Basic Policies

1. Promotion of large-scale contracted projects for human resource development
  - (1) Strengthen sales capabilities to win orders for large-scale projects
  - (2) Improve new design capabilities
  - (3) Improve management capabilities
2. Improve the total level of T-SES

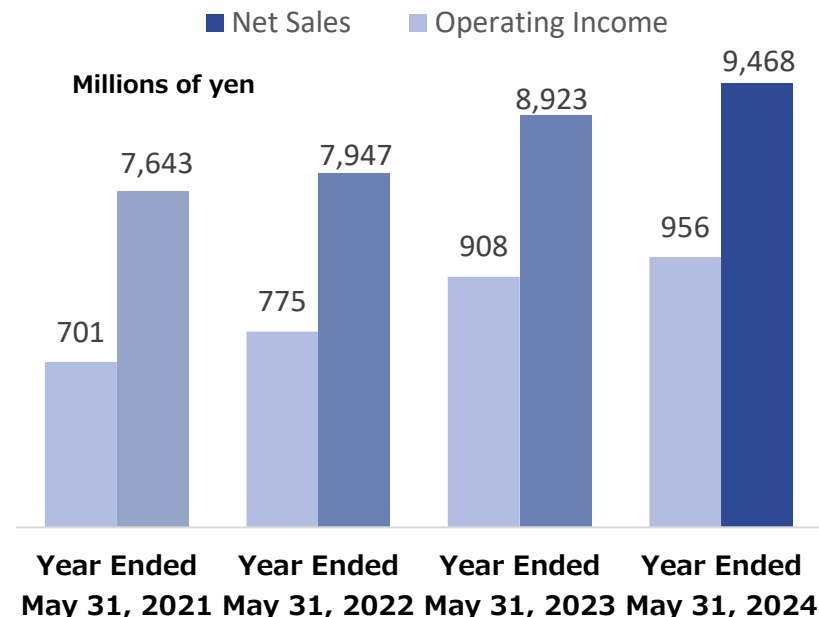
## ■ Action Results

1. Received orders for large-scale projects in the fields of energy, aerospace, crisis management, and cloud systems
2. Prepared to win lump-sum orders in AD/ADAS-related, ATOS, crisis management-related fields, etc.

## ■ Results and Issues

1. While management capabilities have improved through the completion of large-scale projects, there is a shortage of new design projects and new design skills are still in the process of being developed
2. Although the number of large-scale projects has increased due to strengthened sales force, the number is still insufficient
3. In each Business Segment, the total level of T-SES has steadily improved, and we aim to further improve it in the next Medium-Term Business Plan

## ■ Operating Results





## 2.2 The 7th Medium-Term Business Plan (1)

In the 7th Medium-Term Business Plan (fiscal year ending May 31, 2025 to fiscal year ending May 31, 2027), we aim to achieve growth beyond that of the previous Medium-Term Plan by enhancing productivity through continued human resource development and by increasing orders for new design projects and large-scale projects. In conjunction with this, we will set targets for management efficiency and promote capital policies, etc.

### ■ Medium-Term Management Targets (KPIs)

	Year Ending May 31, 2027 Management Targets	Year Ended May 31, 2024 Actual	Growth Rate
Business Revenue	Consolidated net sales <b>¥12 billion or more</b>	<b>¥9.46 billion</b>	<b>+26.8%</b>
	Consolidated operating income <b>¥1.2 billion or more</b>	<b>¥0.956 billion</b>	<b>+25.5%</b>
Management Efficiency	ROE <b>8% or more</b>	<b>7.1%</b>	<b>+0.9pt</b>
Shareholder Returns	<b>Progressive dividend policy</b>	Increase in dividends over 5 consecutive years	—

### ■ Dividend Policy

From the fiscal year ending May 31, 2025, we have changed our target to “continue to pay stable dividends and strive to achieve a consolidated payout ratio of **66%**.”

### ■ Business Activities

#### Basic Policies

Improve the level of T-SES and expand our fields of focus

1. Increase the number of human resources capable of new designs
2. Improve estimating and management capabilities

1. We will increase productivity through human resource training and improve the total level of T-SES, and expand the scope of our business by increasing the number of orders for large-scale projects and new design projects.
2. We will increase the number of engineers by strengthening hiring and expanding our business partners.
3. By improving productivity and increasing the number of engineers, we aim to achieve consolidated net sales of 12 billion yen.

### ■ Businesses of Focus, Fields of Focus

#### Focus on the digital transformation (DX) of social infrastructure

Our vision for the DX of social infrastructure is to convert to advanced systems that are maintainable, scalable, and equipped with cybersecurity.

We are contributing to the transformation of social infrastructure into “secure” and “smart” platforms, and will focus on developing new systems equipped with the latest technologies such as IoT, cloud computing, and AI.

In the current Medium-Term Business Plan, we will focus on expanding scope in the areas of AD/ADAS for Automotive Systems, Cloud Systems such as Government Cloud, and Aerospace and Crisis Management for Particular Information Systems.

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### 3.1 Consolidated Business Performance Forecast for year ending May 31, 2025

- Net sales: **¥10**billion (YoY change +¥531 million),
- Operating income: **¥1** billion (YoY change +¥43million)

Unit (Millions of yen)	Year ended May 31, 2024 Actual	Year ending May 31, 2025 Expected	Change (percent change)
<b>Net Sales</b>	<b>9,468</b>	<b>10,000</b>	<b>+531</b> +5.6%
<b>Operating Income</b> (profit margin)	<b>956</b> 10.1%	<b>1,000</b> 10.0%	<b>+43</b> +4.6%
<b>Ordinary Income</b> (profit margin)	<b>1,008</b> 10.8%	<b>1,060</b> 10.6%	<b>+51</b> +5.1%
<b>Current Net Income</b> (profit margin)	<b>730</b> 7.6%	<b>755</b> 7.6%	<b>+24</b> +3.4%

## ■ Human Investment

### 1. Manager and leader training

We will expand PM training to increase the number of managers and leaders capable of handling large-scale projects

### 2. IT architect training

We will expand advanced technical training to increase the number of human resources capable of overseeing the entire process and creating new designs

### 3. Enhance hiring (approx. 10% of employees)

We will enhance mid-career hiring to acquire highly skilled engineers and new graduates in order to handle large-scale projects

### 4. Increase salaries (for the 3rd consecutive year)

To maintain our competitiveness, we have increased our average by approximately 3.8% for all employees since June

## ■ Invest In Good Workplace Environments

### 1. Optimize working styles

We will continue hybrid working to optimize the balance between regular work and telework

### 2. Newly establish and consolidate offices

We will continue to study this

## ■ Giving Back To Society

### 1. Donating as one part of our social contribution activities

We donate, in principle, 1% of our after-tax profits to activities aimed at developing Japan's future human resources and restoring hope to people in conflict zones around the world

## ■ Control Systems

- In Power Grid, we will aim for large scale contracting in the second half of the fiscal year
- In ATOS, we will aim to win lump-sum orders for equipment by expanding the scope of functions
- In conventional trains, we will secure sales through multiple renovation projects and AI operation control packages
- In bullet trains, we will expand the scope of functions for the development of the next generation

## ■ Automotive Systems

- In AD/ADAS, we will expand its scope through derivative development by winning lump-sum orders for multiple vehicle models
- In onboard information systems, development will peak in the first half of the fiscal year
- In ICE development, inverter development, and BMS development, the project structure will contract

## ■ Particular Information Systems

- In the Aerospace business, we will maintain the project structure through new projects even though large projects peaked out
- In the crisis management field, major projects will become congested, and development volume will increase for the next year
- Major projects in the image recognition/identification field will peak in the first half of the fiscal year

## ■ Embedded Systems

- Storage development for enterprise will recover
- IoT construction equipment will expand its scope to include OS and APP development
- We will resume BSW development of AD/ADAS

## ■ Industry & ICT Solutions

- Railroad station equipment development will expand its scope to support QR codes
- In the road equipment-related business, the ETC testing equipment project structure will contract
- In cloud system development, development volume will increase due to new customer acquisition in addition to government cloud and railroad field
- In the system architecture related business, the project structure will expand by receiving orders for large-scale projects
- In IoT cloud service development, the project structure will be maintained

# 3.4 Giving Back to Shareholders

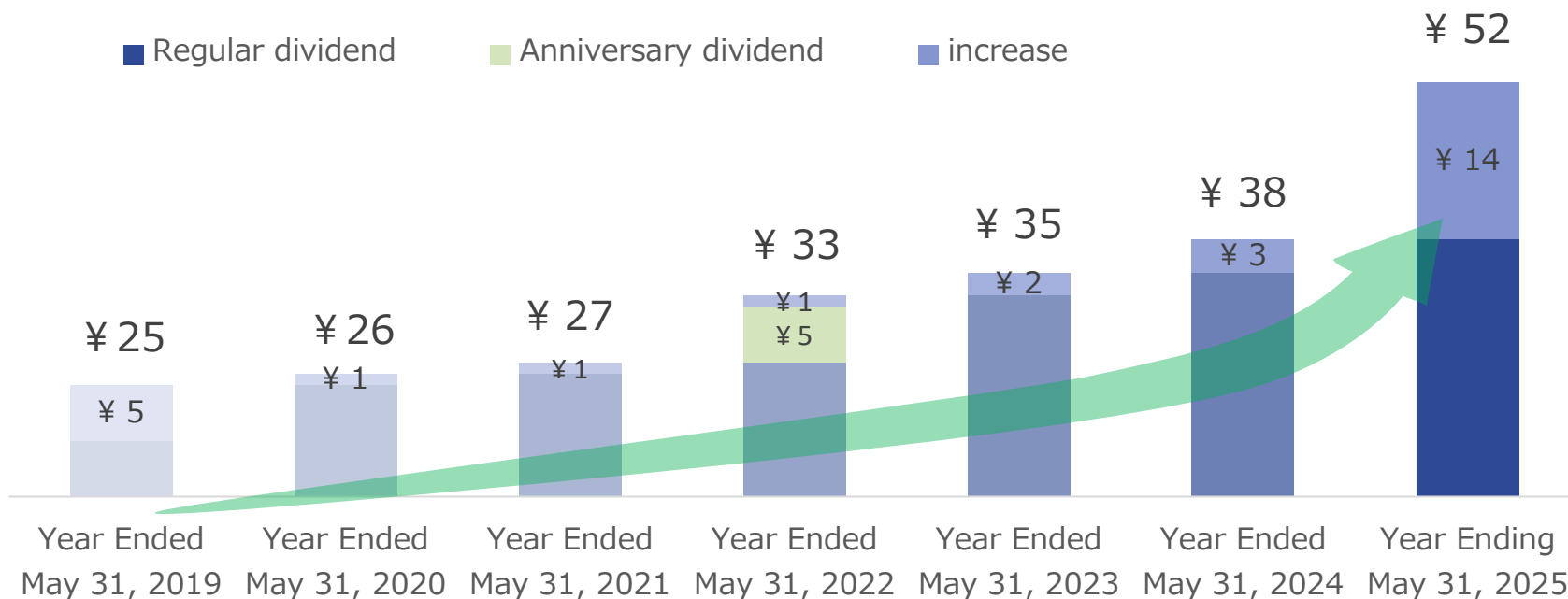
## ■ Dividend Policy

With respect to giving back to shareholders, we have previously committed to returning 1/2 of our profits to shareholders. However, we have decided to raise this amount to 2/3 of profits, aiming to further increase shareholder value, and have changed our dividend policy to “continue to pay stable dividend and strive to achieve a consolidated payout ratio of **66%**.”

## ■ Dividend Forecast

The annual dividend for the year ended May 31, 2024 was **¥38** per share, **an increase for the 5th consecutive year.**

We forecast the annual dividend for the year ending May 31, 2025 to be **¥52** per share (interim dividend: ¥26, year-end dividend: ¥26), an increase of **¥14** per share based on the new dividend policy.





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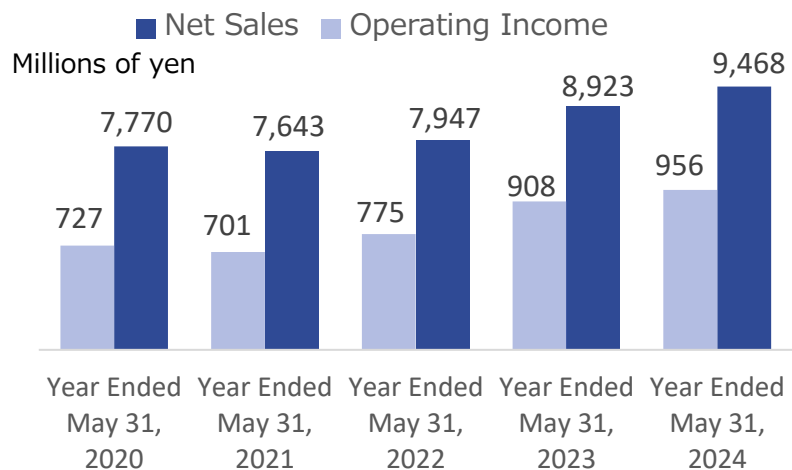
**Forecast for Year Ending May 31, 2025**

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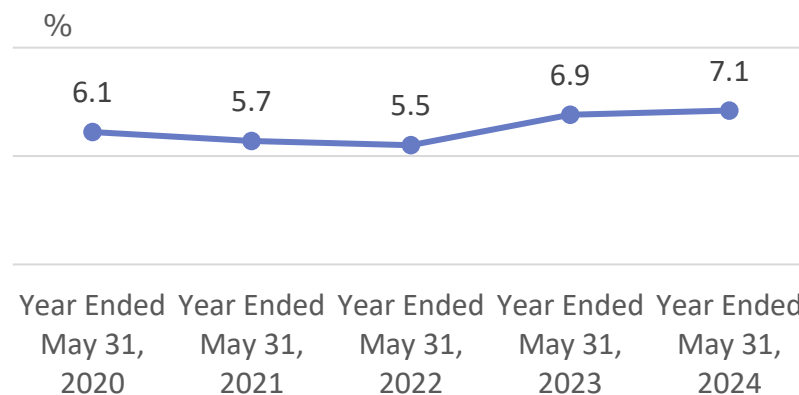
**Appendix**

# 4.1 Data (5 years)

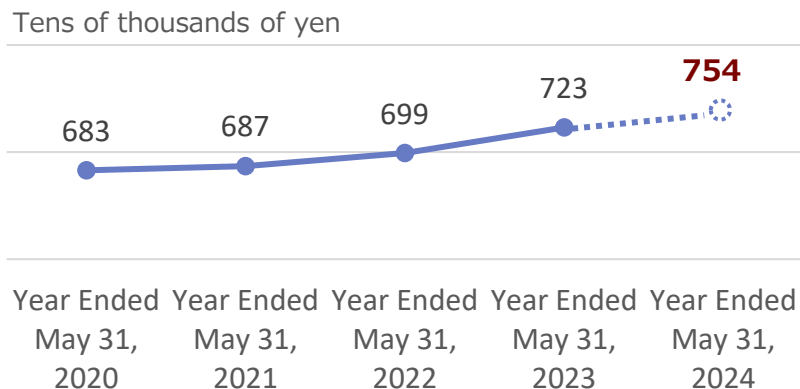
## Net Sales and Operating Income



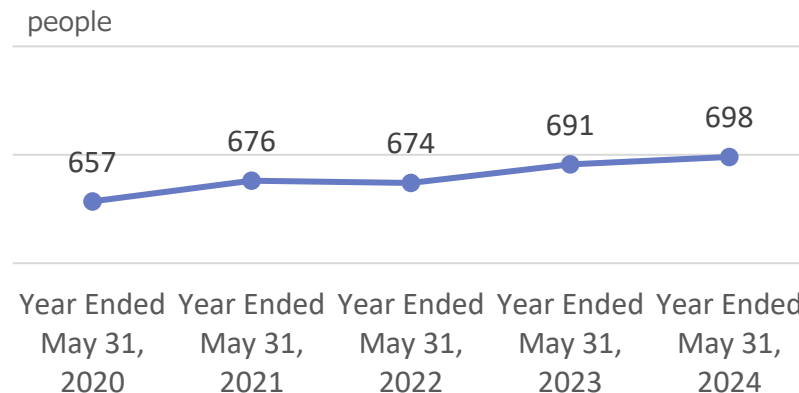
## ROE



## Average Annual Salary

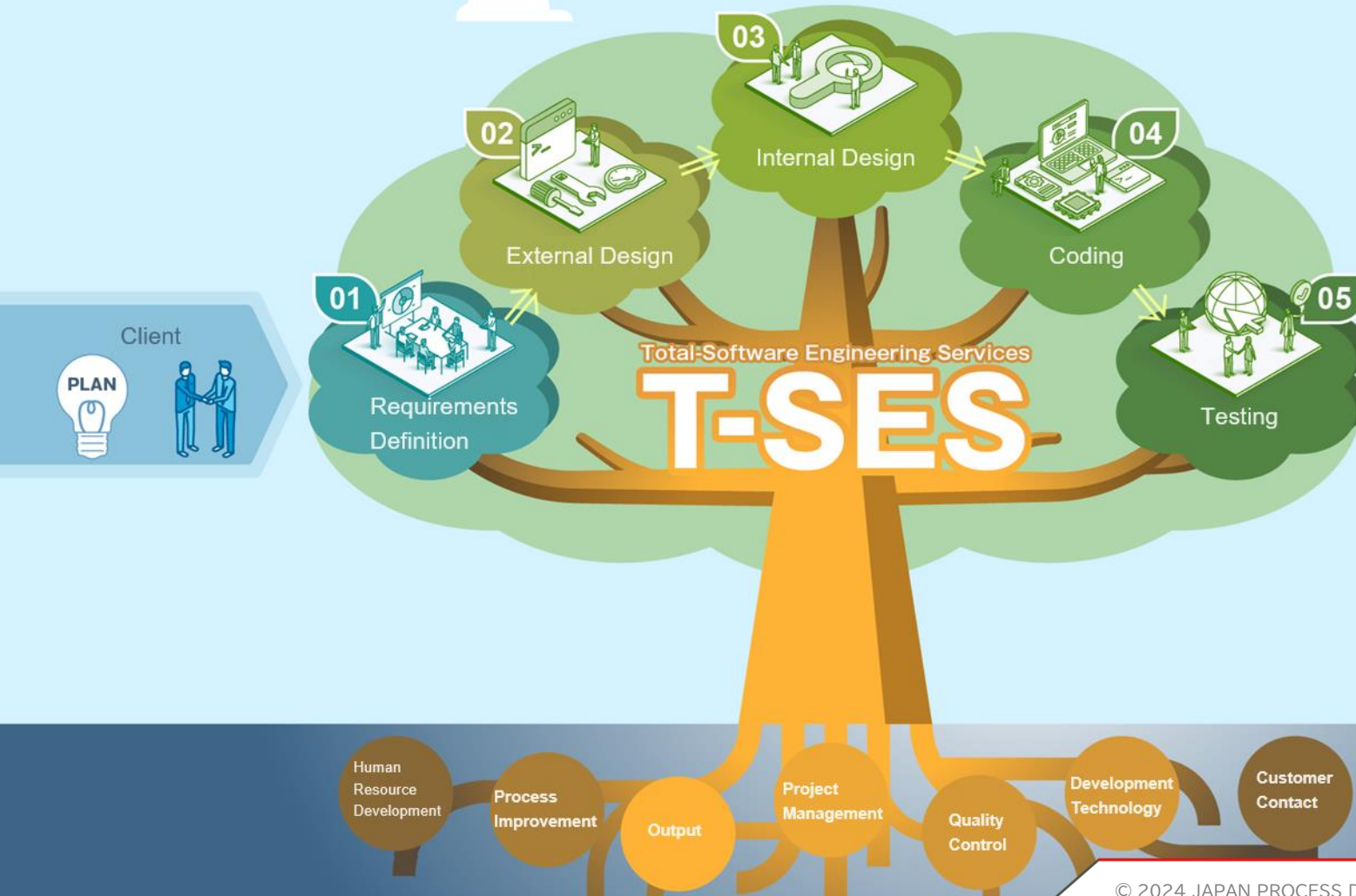


## No. of Employees



## ■ T-SES (Total Software Engineering Services)

To guide clients (or end-users) in making decisions on specifications and undertake everything consistently until completion after such decisions are mean, in accordance with the knowledge JPD itself has.



# 4.3 Explanation of Terms

## ■ AD/ADAS

Auto Driving is a general term for functions and technologies that aim to reach a destination based solely on the vehicle's judgment.

Advanced Driving Assistance System (ADAS) is a general term for functions and technologies that support the driver's driving operations.

## ■ ATOS

The **A**utonomous **d**ecentralized **T**ransport **O**peration control **S**ystem (ATOS) is an autonomous decentralized train traffic control system installed by East Japan Railway Company on its lines in the Tokyo metropolitan area.

## ■ BSP

Board **S**upport **P**ackage (BSP) is a software library required to run an OS on a CPU board.

## ■ BSW

Basic **S**oftware (BSW) is a standard software module that provides essential services to run upper-layer software functions.

## ■ ICE

An **I**nternal **C**ombustion **E**ngine (ICE) is a conventional engine that burns fuel, such as gasoline or diesel fuel, in a cylinder.

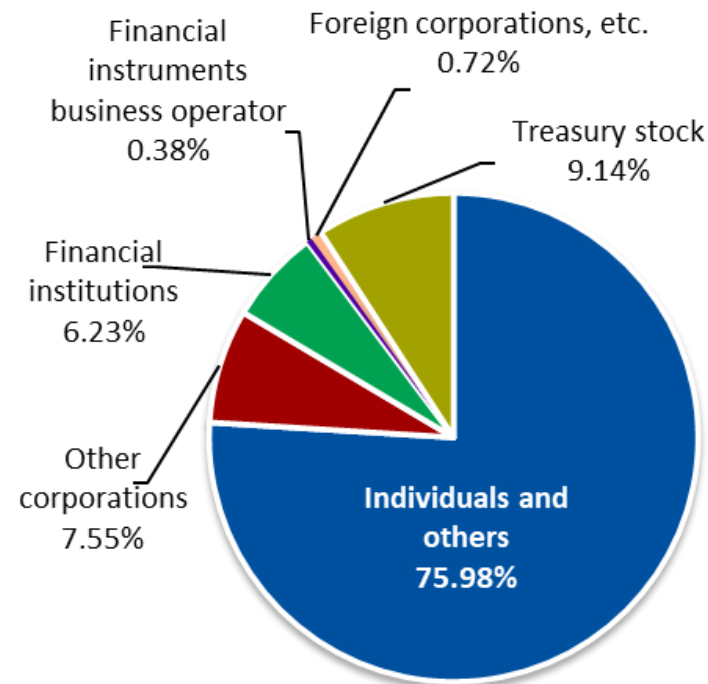
## ■ IoT

**I**nternet **o**f **T**hings (IoT) is a system in which various things that were not previously connected to the Internet are connected to servers and cloud services through a network and exchange information with each other.

# 4.4 Company Overview

<b>Company Name</b>	Japan Process Development Co., Ltd. (JPD)
<b>Date Established</b>	June 1967
<b>Representative</b>	Hitoshi Obu, Chairman and Representative Director Satoshi Azuma, President and Representative Director
<b>Head Office</b>	Gate City Osaki West Tower 22F, 1-11-1,Osaki, Shinagawa-ku,Tokyo, 141-0032, Japan TEL: +81-3-4531-2111 / FAX: +81-3-4531-2110
<b>Offices</b>	Hitachi City, Ibaraki Prefecture, Hitachinaka City, Ibaraki Prefecture, Kawasaki City, Kanagawa Prefecture, Yokohama City, Kanagawa Prefecture
<b>Exchange Listed</b>	Tokyo Securities Exchange Standard Market / 9651
<b>Number of Issued and Outstanding Shares</b>	9,671,778 (excluding 973,242 treasury stock) (As of May 31, 2024)
<b>Total Number of Shareholders</b>	3,329 (As of May 31, 2024)
<b>Affiliated Company</b>	IPD Dalian Engineering Limited (IPD Dalian)

<b>Status of Shares</b>	Distribution by Ownership
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## Japan Process Development utilizes 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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