



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, 2018



January 18, 2019

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2019

2. Key Initiatives

3. Forecast for the Year Ending May 31, 2019

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2019

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Second Quarter of the Year Ending May 31, 2019

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	3,200	+83 +2.6%	3,283	+295 +9.9%	2,987
Operating Income (Income ratio)	190 (5.9%)	+109 +57.6%	299 (9.1%)	- 20 - 6.5%	320 (10.7%)
Ordinary Income (Income ratio)	210 (6.6%)	+116 +55.3%	326 (9.9%)	- 15 - 4.7%	342 (11.4%)
Net Income of the Quarter (Income ratio)	140 (4.4%)	+107 +76.7%	247 (7.5%)	+78 +46.4%	168 (5.7%)

Second Quarter of the Year Ending May 31, 2019

Overview of Consolidated Financial Results - 1



Net Sales

+ ¥295M YOY (+ 9.9%)

Increased revenues as order conditions improved and off-shore development expanded amid a favorable environment for orders company-wide

Operating Income

- ¥20M YOY (- 6.5%)

Due to investments aimed at continuous growth

Ordinary Income

- ¥15M YOY (- 4.7%)

Due to decreased operating income

Net Income of the Quarter

+ ¥78M YOY (+ 46.4%)

The anniversary commemoration project last year had incurred an extraordinary loss, and negative goodwill was recorded

Second Quarter of the Year Ending May 31, 2019

Overview of Consolidated Financial Results - 2



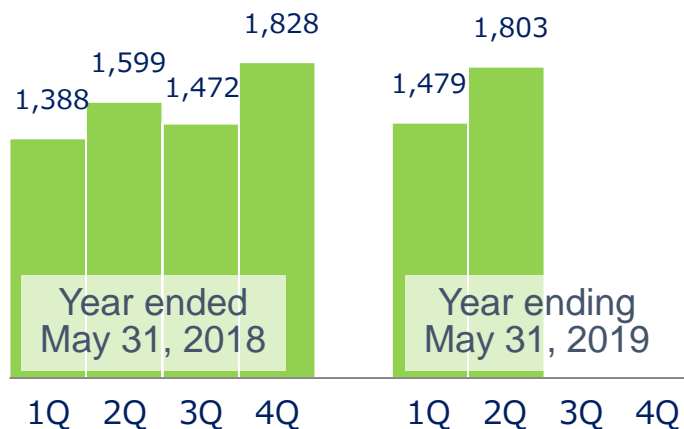
Major topics

- Invest in good workplace environments
 - Move into Keihin Office (nearby station, intelligent building)
 - Establish new development sites in the Kawasaki and Minatomirai areas
- Raise the base salary of all employees, and establish a new student loan debt repayment support system
- Less income year-on-year but significantly more than the plan at the start of the year through improved order conditions and shifting to more contracting and expanding off-shore development, while also improving productivity through enhanced project management
- Raise the dividend: Interim 10 yen → 12 yen, Full year 20 yen → 24 yen

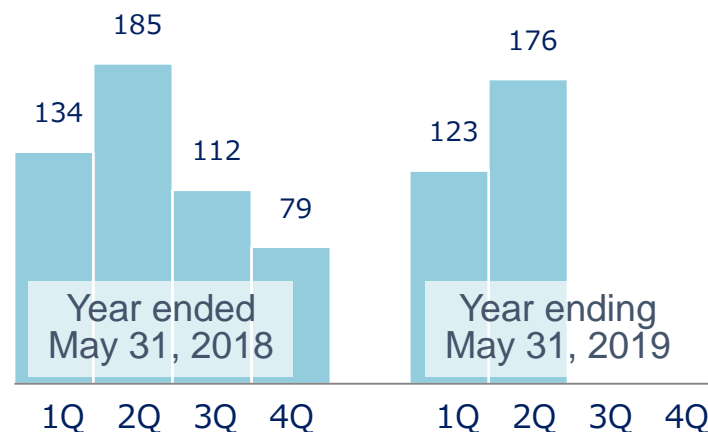
Performance Trend by Quarter of Consolidated Financial Results

Unit: Millions of yen

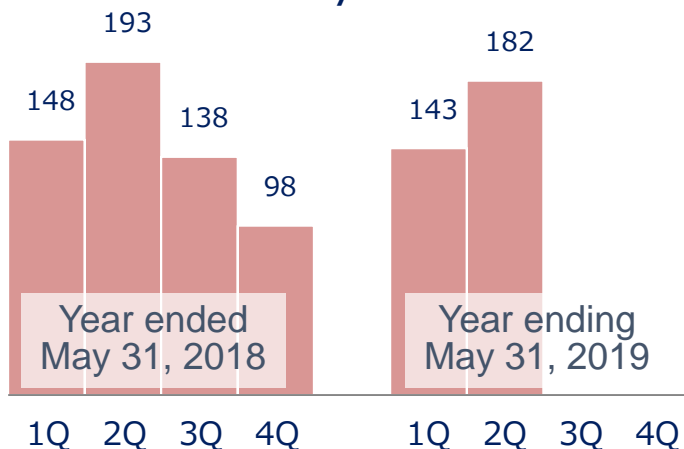
Net Sales



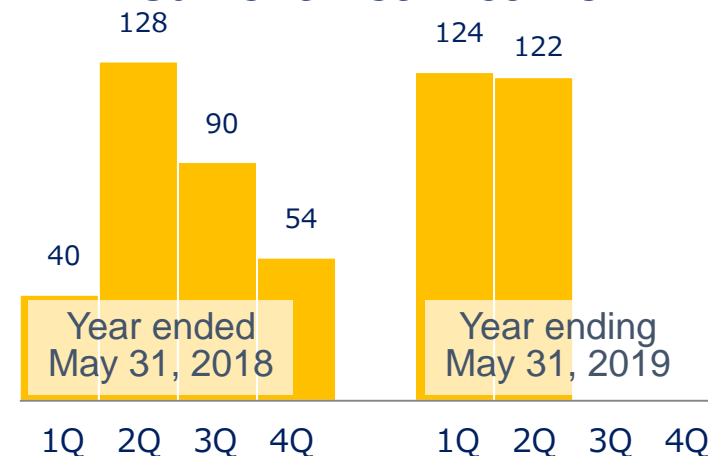
Operating Income



Ordinary Income



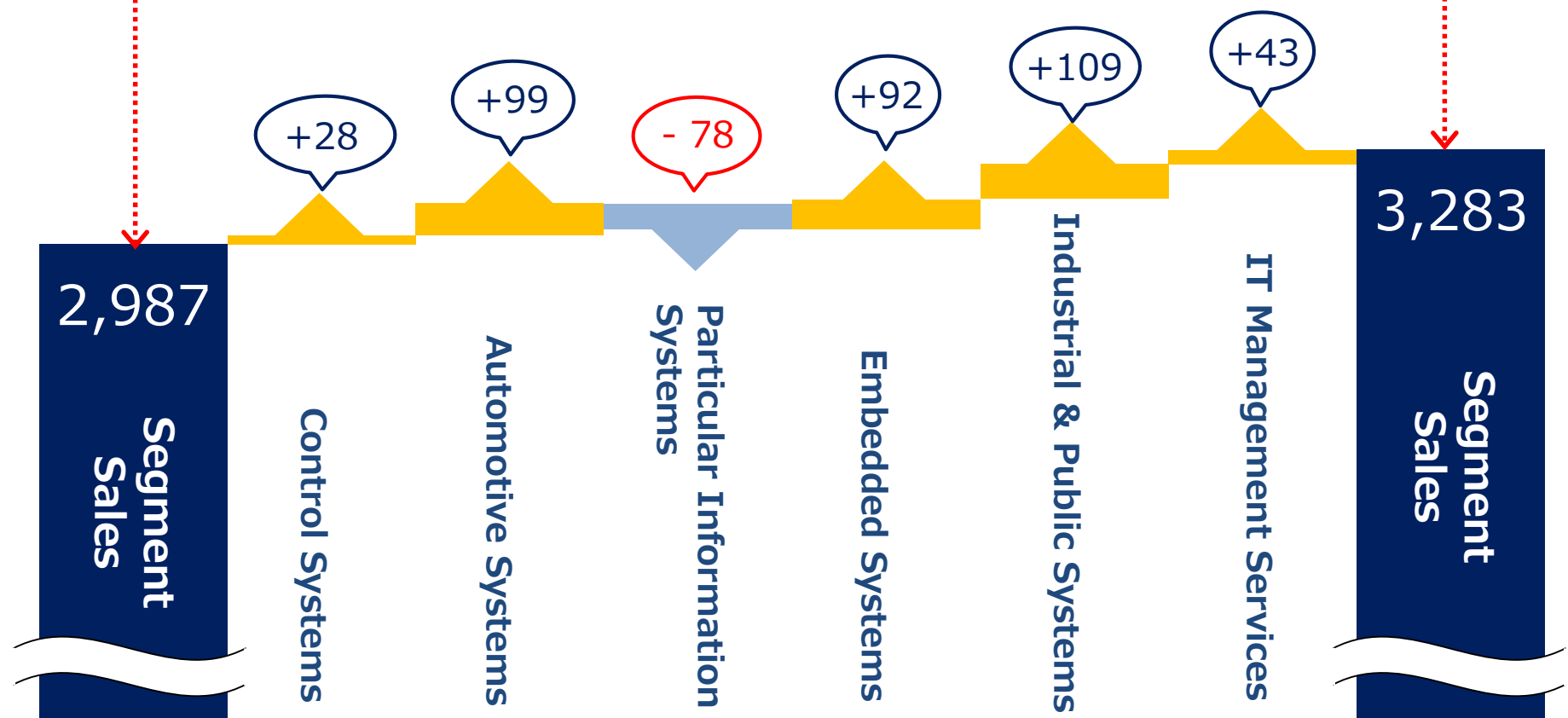
Current Net Income



Changes in Sales by Segment for the Second Quarter of the Year Ending May 31, 2019

Unit: Millions of yen

Increase of 295 Million yen (+9.9% YOY)



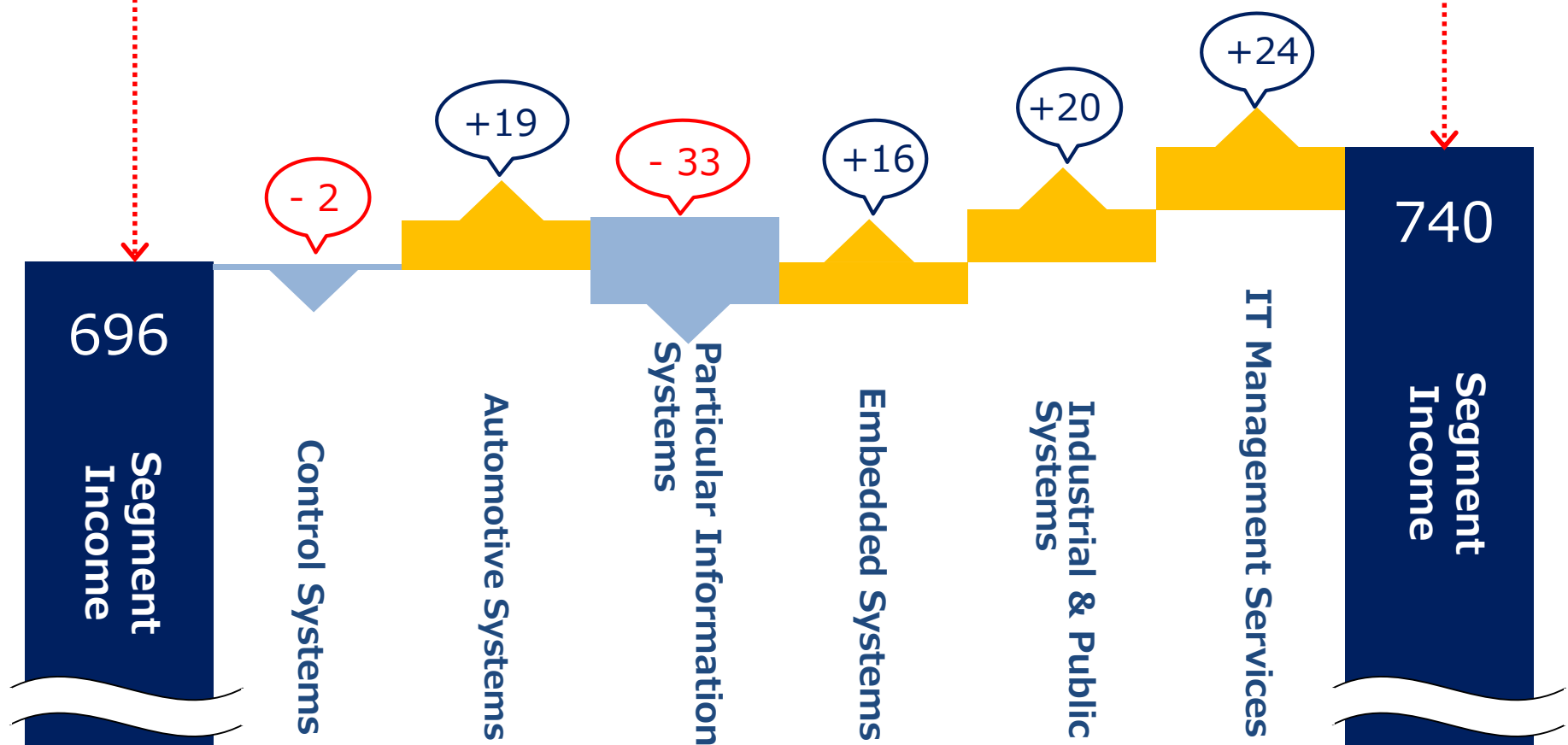
Second Quarter of the Year
Ended May 31, 2018

Second Quarter of the Year
Ending May 31, 2019

Changes in Profits by Segment for the Second Quarter of the Year Ending May 31, 2019

Unit: Millions of yen

Increase of 44 Million yen (+6.4% YOY)



Second Quarter of the Year
Ended May 31, 2018

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

Second Quarter of the Year
Ending May 31, 2019

(1) Segment Information for the Second Quarter of the Year Ending May 31, 2019

Control Systems

- Workload increased in power plant monitoring and control operations and energy distribution automation
- Operations expanded with bullet train traffic control replacement projects, traffic control for conventional lines and Tokyo area traffic control (ATOS) performed well

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2018 (Income Ratio)	Second Quarter Year ending May 31, 2019 (Income Ratio)	Change (Percentage of change)
Control Systems	Net Sales	514	542	+28 (+5.5%)
	Income	136 (26.4%)	133 (24.6%)	- 2 (-1.8%)

*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, 2019

Automotive Systems

- In self-driving/ADAS where there is vigorous demand, in-car network controls and infrastructure software showed strong performance
- For in-car control, engine control and transmission control were unchanged, but vehicle electrification projects increased
- Expanded off-shore development at Group company in Dalian, China

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2018 (Income Ratio)	Second Quarter Year ending May 31, 2019 (Income Ratio)	Change (Percentage of change)
Automotive Systems	Net Sales	750	850	+99 (+13.3%)
	Income	165 (22.1%)	185 (21.8%)	+19 (+11.7%)

*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, 2019

Particular Information Systems

- Acceptance inspections for large contracting jobs in risk management take place in the second half, so sales and profits both decreased
- In image recognition/identification which is an area of specialization, operations expanded for road sign recognition jobs in self-driving/ADAS

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2018 (Income Ratio)	Second Quarter Year ending May 31, 2019 (Income Ratio)	Change (Percentage of change)
Particular Information Systems	Net Sales	300	222	- 78 (-26.2%)
	Income	80 (26.8%)	47 (21.4%)	- 33 (-41.0%)

*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, 2019

Embedded Systems

- In storage devices, performance was strong for enterprise devices
- Operations expanded in research and development for next-generation storage prototypes geared toward large-scale cloud
- In medical, expanded scope of responsibility for development of drug packing machines
- Performance was strong in IoT projects for construction machine manufacturers

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2018 (Income Ratio)	Second Quarter Year ending May 31, 2019 (Income Ratio)	Change (Percentage of change)
Embedded Systems	Net Sales	379	472	+92 (+24.4%)
	Income	100 (26.4%)	116 (24.6%)	+16 (+16.0%)

*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, 2019

Industrial & Public Information Systems

- Performance was strong in engineering services for development of station service equipment and for railroad subsidiaries
- In AI, a new medical device image analysis project order was received
- In IoT, operations expanded for communication control security projects

Unit: Millions of yen

Business Segment		Second Quarter Year ended May 31, 2018 (Income Ratio)	Second Quarter Year ending May 31, 2019 (Income Ratio)	Change (Percentage of change)
Industrial & Public Information Systems	Net Sales	646	756	+109 (+17.0%)
	Income	159 (24.6%)	179 (23.7%)	+20 (+12.8%)

*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, 2019

IT Management Services

- In system architecture services, the field of public cloud was strategically expanded
- In maintenance and operation services, performance was strong in large projects for railroad subsidiaries

Unit: Millions of yen

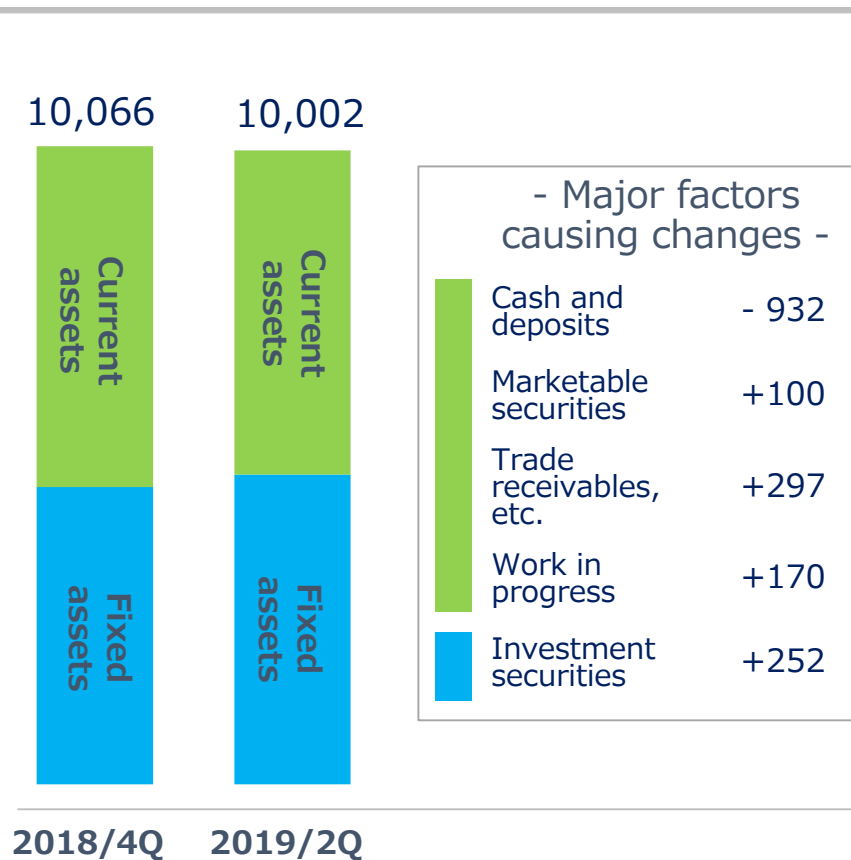
Business Segment		Second Quarter Year ended May 31, 2018 (Income Ratio)	Second Quarter Year ending May 31, 2019 (Income Ratio)	Change (Percentage of change)
IT Management Services	Net Sales	395	439	+43 (+11.1%)
	Income	54 (13.8%)	78 (17.9%)	+24 (+44.2%)

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

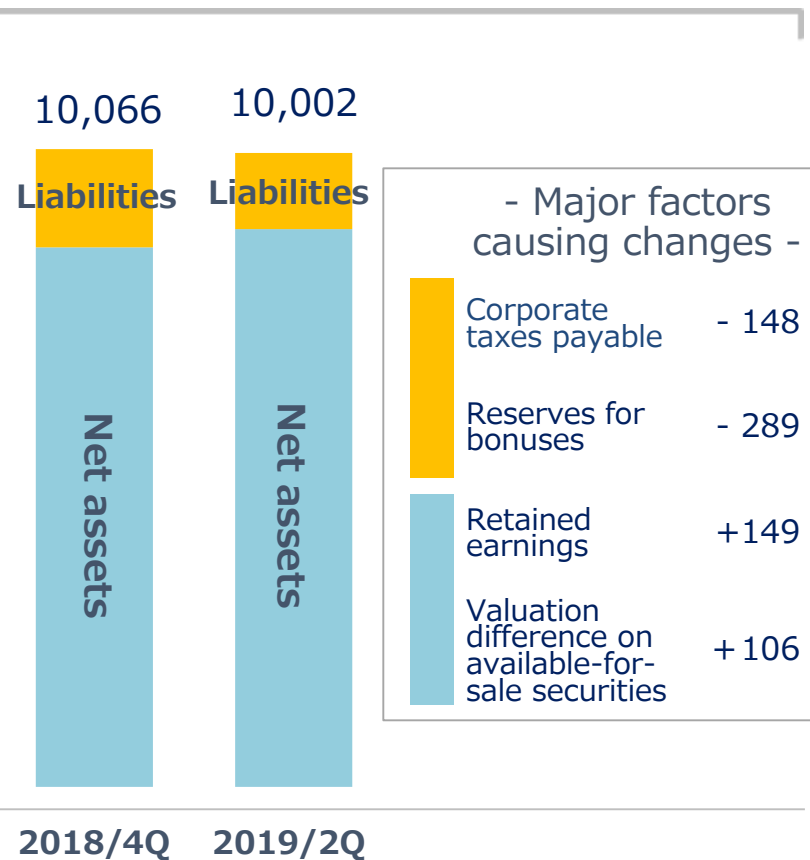
Consolidated Financial Statements

Unit: Millions of yen

Assets



Total liabilities and net assets



Financial Indicators (Other)

	Year ended May 31, 2018	Second Quarter Year Ending May 31, 2019	(Reference) Second Quarter Year Ended May 31, 2018
Net Assets	¥8,341M	¥8,799M	¥8,514M
Net Assets per Share	¥847.25	¥894.27	¥866.46
Net Income per Share	¥17.17	¥25.29	¥31.88
Capital-to-assets Ratio	90.0%	88.0%	84.6%
Treasury Shares	800,150 _{shares}	805,287 _{shares}	818,103 _{shares}
No. of employees	535	549	545

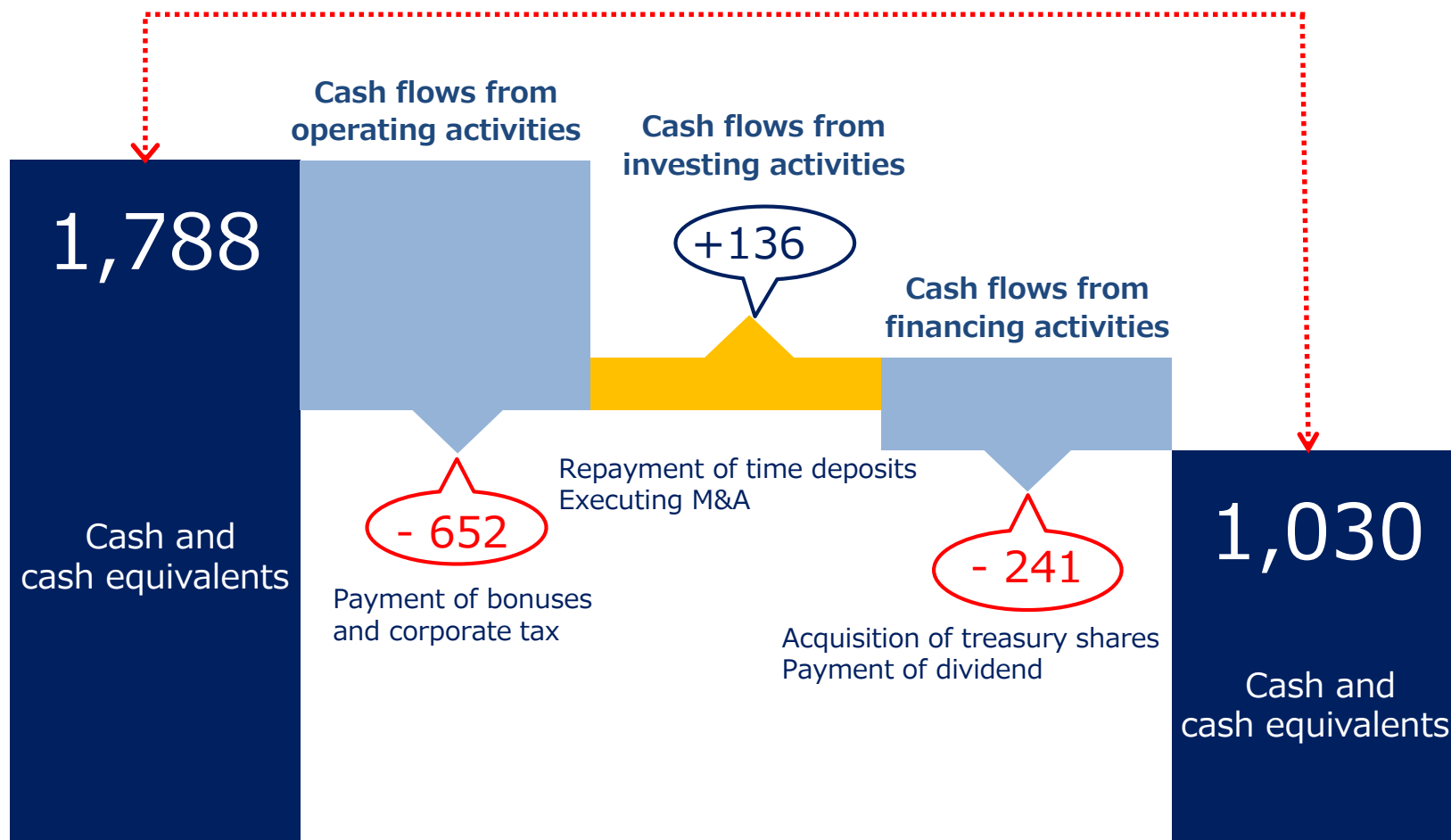
* Common stock was split 2-for-1 effective December 1, 2017.

Figures for the second quarter of the year ended in May 2018 were calculated on the assumption that a stock split would take place.

Second Quarter of the Year Ending May 31, 2019

Consolidated Cash Flows

Unit: Millions of yen



At beginning of the Year
of the Ending May 31, 2019

At end of the Second quarter
of the Year Ending May 31, 2019

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2019

2. Key Initiatives

3. Forecast for the Year Ending 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

(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 Assistant System *2 : Company-made term

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

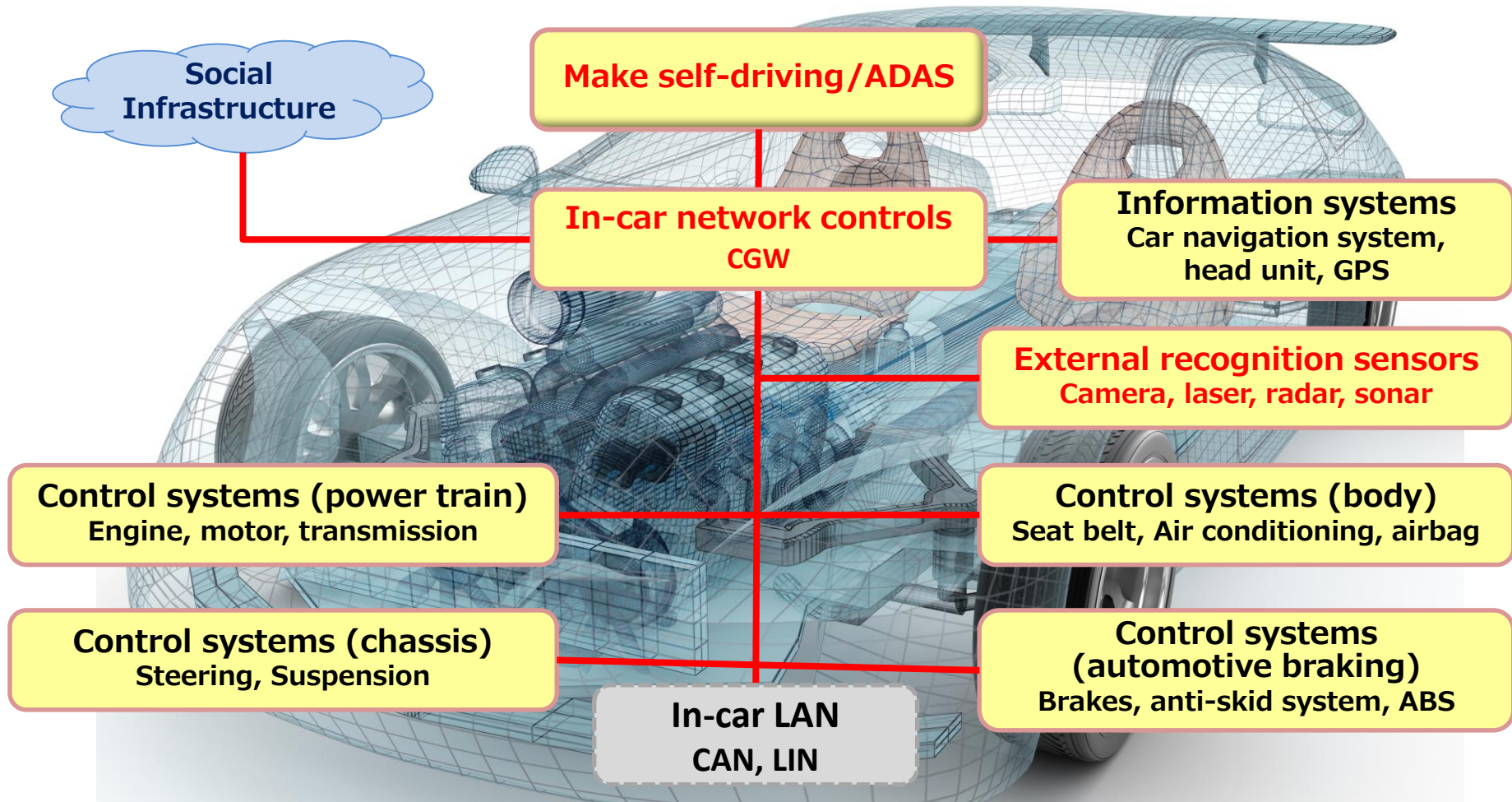
(From Year Ending May 31, 2019 to Year Ending May 31, 2021)

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

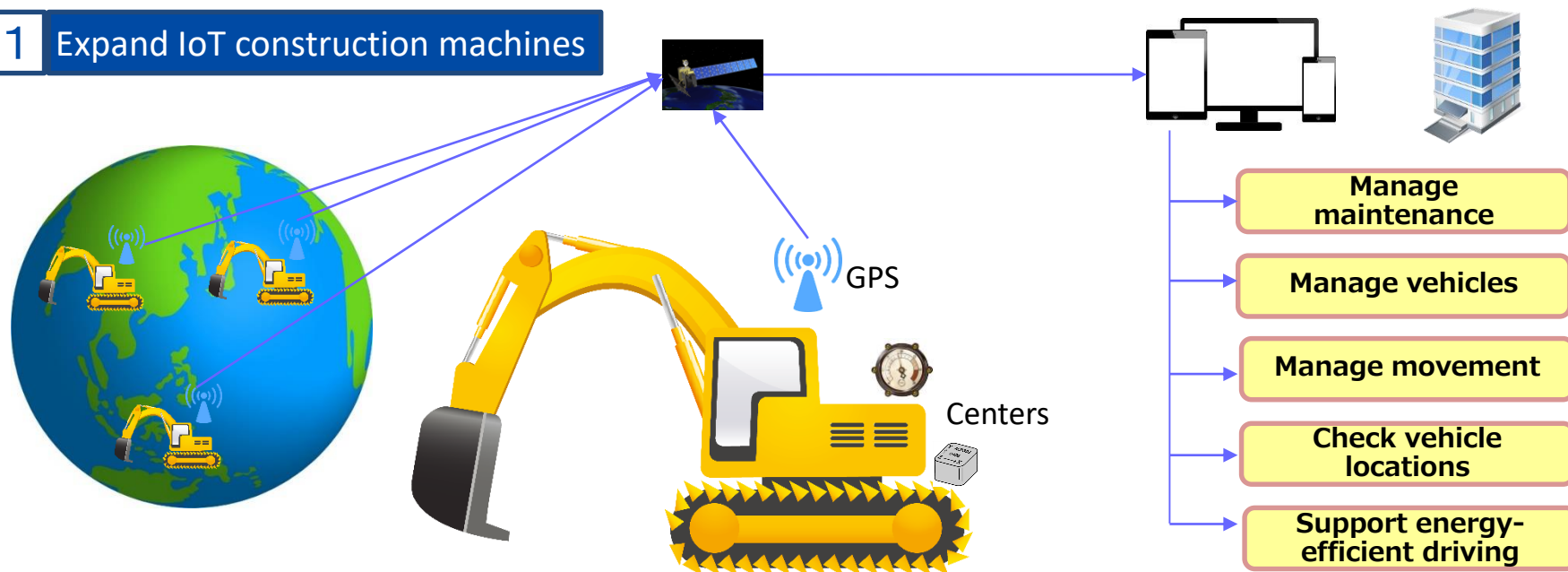
C A S E (Connected Autonomous Shared Electric)



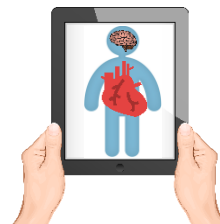
Establish self-driving/ADAS as a main business area

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



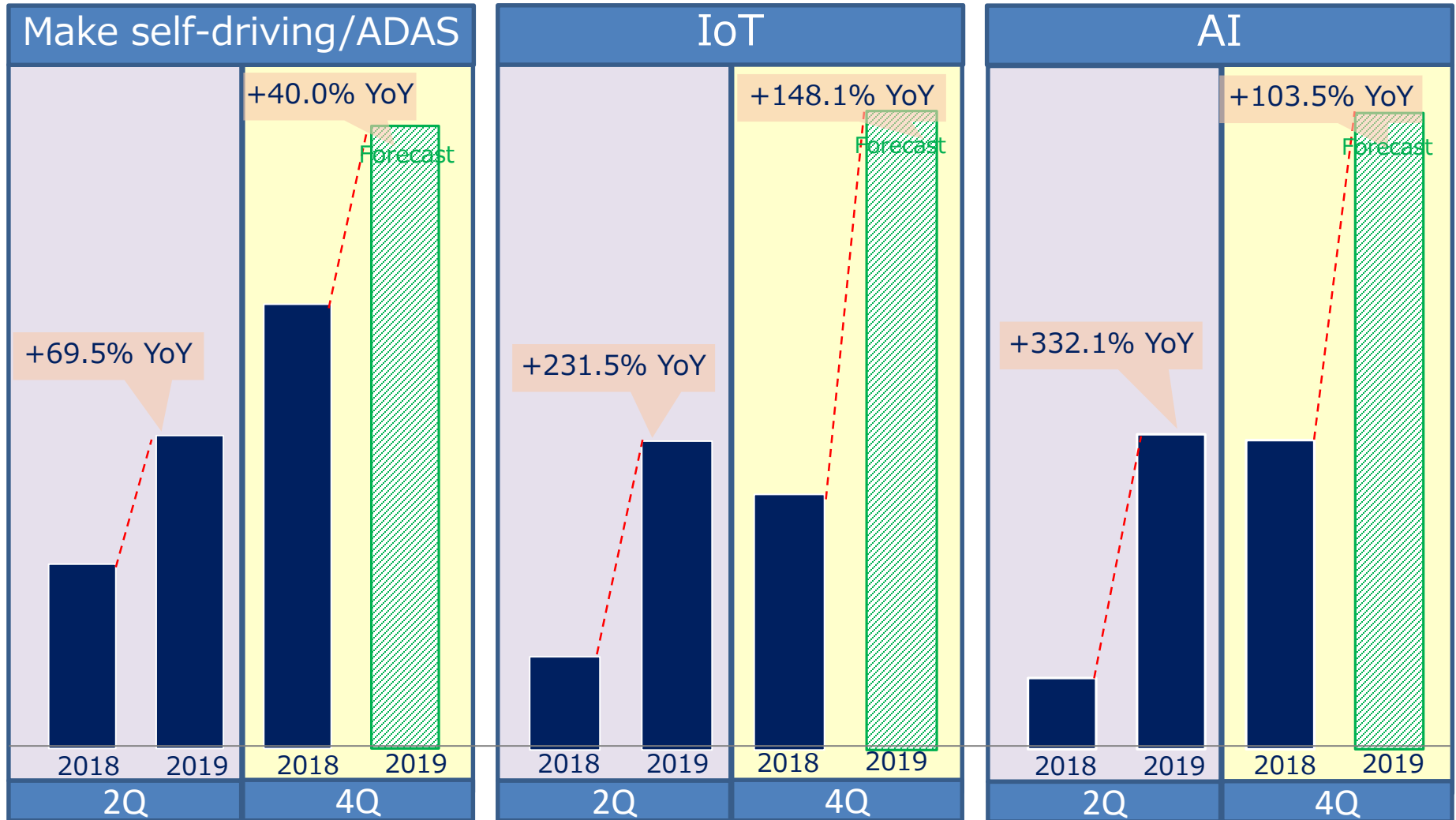
etc...

[Fields for which work is progressing]

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

1. Initiatives for turning acquired business into main business areas and developing new fields

◆ Year-on-year growth rate



Basic Policy of the 5th Medium-Term Business Plan

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

(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
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2. Invest in continued growth
3. Maintain efforts on T-SES (Total Software Engineering Service) *2

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

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**

2. Invest in continued growth

1) Invest in good workplace environments

- Move Keihin Office into an intelligent building near the station
- Establish new development sites in the Kawasaki and Minatomirai areas
- Improve the development environment at the Hitachi Office

2) Invest in production facilities

- Implement simulator tools that enable testing for various in-car devices

2. Invest in continued growth

3) Invest in human resources

(1) Initiatives to bring in and keep technicians

- Work with more mid-career hiring agents, increase exhibits at job fairs
- Continuously hire outstanding technicians in China (Dalian)
66 in fiscal 2017 → 85 in fiscal 2018 → (Planning 100 in fiscal 2019)
- Made Algorithm Laboratory, Inc., a strong player in the social infrastructure field, into a subsidiary

(2) Initiatives to improve technical capability

- Maintain training in AI/DL, A-SPICE, MBD, IoT security, and object-oriented development applications in the control field, etc.

2. Invest in continued growth

- 4) Utilize and revise systems to be more employee-friendly
 - Establish a new student loan debt repayment support system
 - Regularly allot paid vacation days and follow up on their usage
 - Do more to prevent overwork
 - Start using a rest interval system

To achieve additional growth

Establishing main business areas and developing new ones

Make self-driving/ADAS

Aerospace

Construction machine

Medical-related



Image recognition/identification

IoT

AI

Network

Security

Cloud



Increase collaboration with external companies and accelerate the speed of initiatives

(1) Collaboration with an Indian company that is strong in medical image processing technology

- Related to medical image management package

(2) Business alliances with companies that are strong in image recognition/identification technology and AI algorithms (in Japan)

1. Consolidated Financial Results for the Second Quarter of the Year Ending May 31, 2019

2. Key Initiatives

3. Forecast for the Year Ending May 31, 2019

Control Systems

- Expand in energy distribution automation, and develop new business such as energy management systems
- Strong performance in conventional line replacement projects and bullet train traffic control
- Win batch orders for bullet train replacement projects in Taiwan

Automotive Systems

- Strong performance in self-driving/ADAS, and expansion toward becoming a main business area
- Generally no change in engine control and transmission control
- Additional work in off-shore development due to more contracting projects

Particular Information Systems

- Acceptance inspections for large contracting jobs in risk management scheduled in the second half, work on winning orders for the next large contracting jobs next year
- Aim to bring in new clients for image recognition/identification

Embedded Systems

- Strong performance in storage devices for enterprises
- Development of next-generation storage devices for large-scale cloud
- Focus on shifting toward the next core businesses
(IoT construction machines, medical-related, stereo cameras/BSW)

Industrial & Public Information Systems

- Strong performance in station service equipment
- Focus on expanding aerospace-related to make it a main business area
- Strong performance with distribution warehouses in IoT-related
- Focus on bringing in new orders in AI-related

IT Management Services

- Expand the area of public cloud in system architecture services, and make it a main business area
- Strong performance in large projects for railroad subsidiaries in maintenance and operation services

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

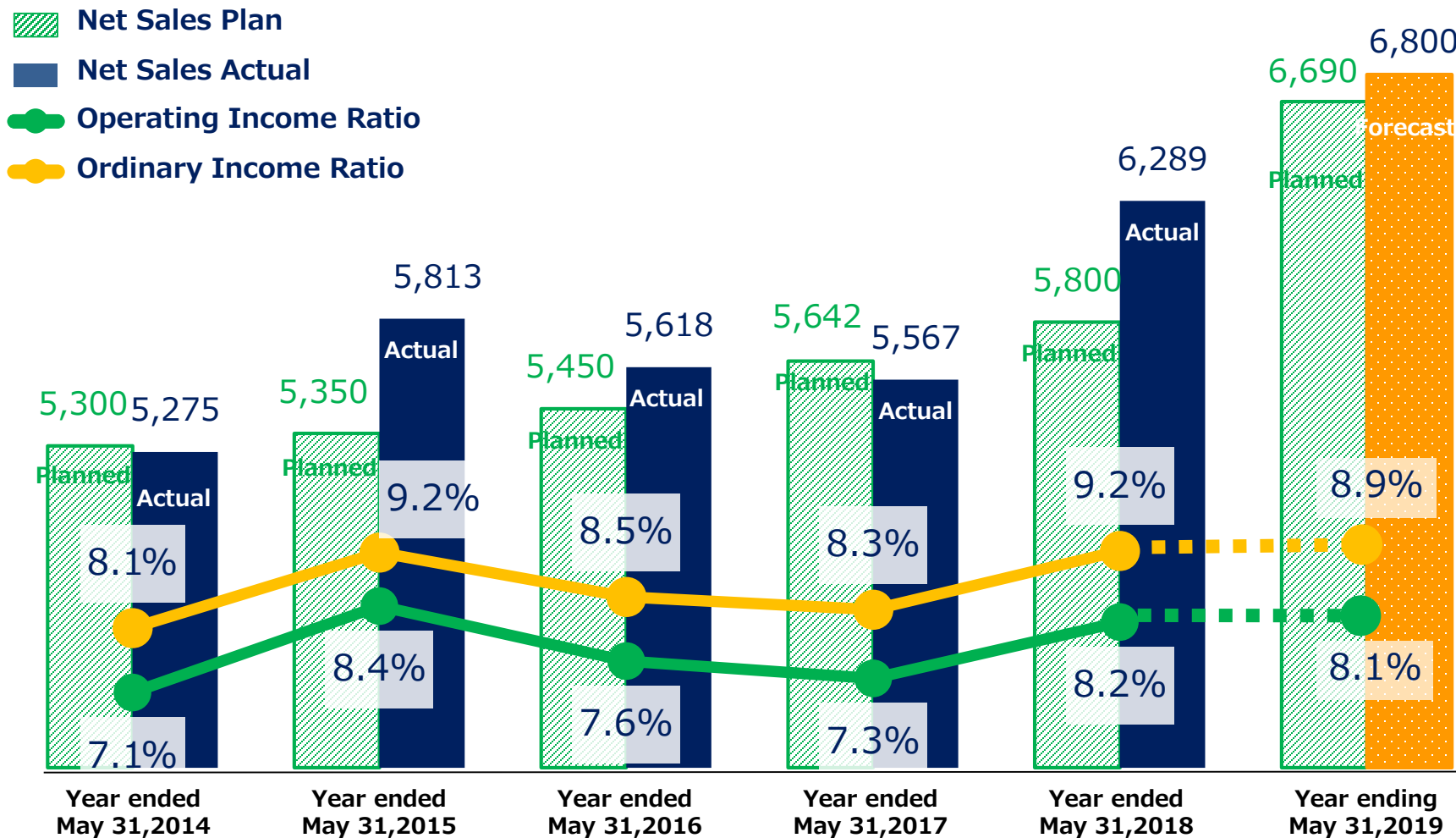


Unit: Millions of yen

	Year ended May 31, 2018 [Actual]	Year ending May 31, 2019 [Plan]	Change (Percentage of Change)
Net Sales	6,289	6,800	+510 +8.1%
Operating Income (Income Ratio)	512 (8.2%)	550 (8.1%)	+37 +7.2%
Ordinary Income (Income Ratio)	579 (9.2%)	605 (8.9%)	+25 +4.4%
Current Net Income (Income Ratio)	314 (5.0%)	430 (6.3%)	+115 +36.9%

Trend in Consolidated Figures

Unit: Millions of yen



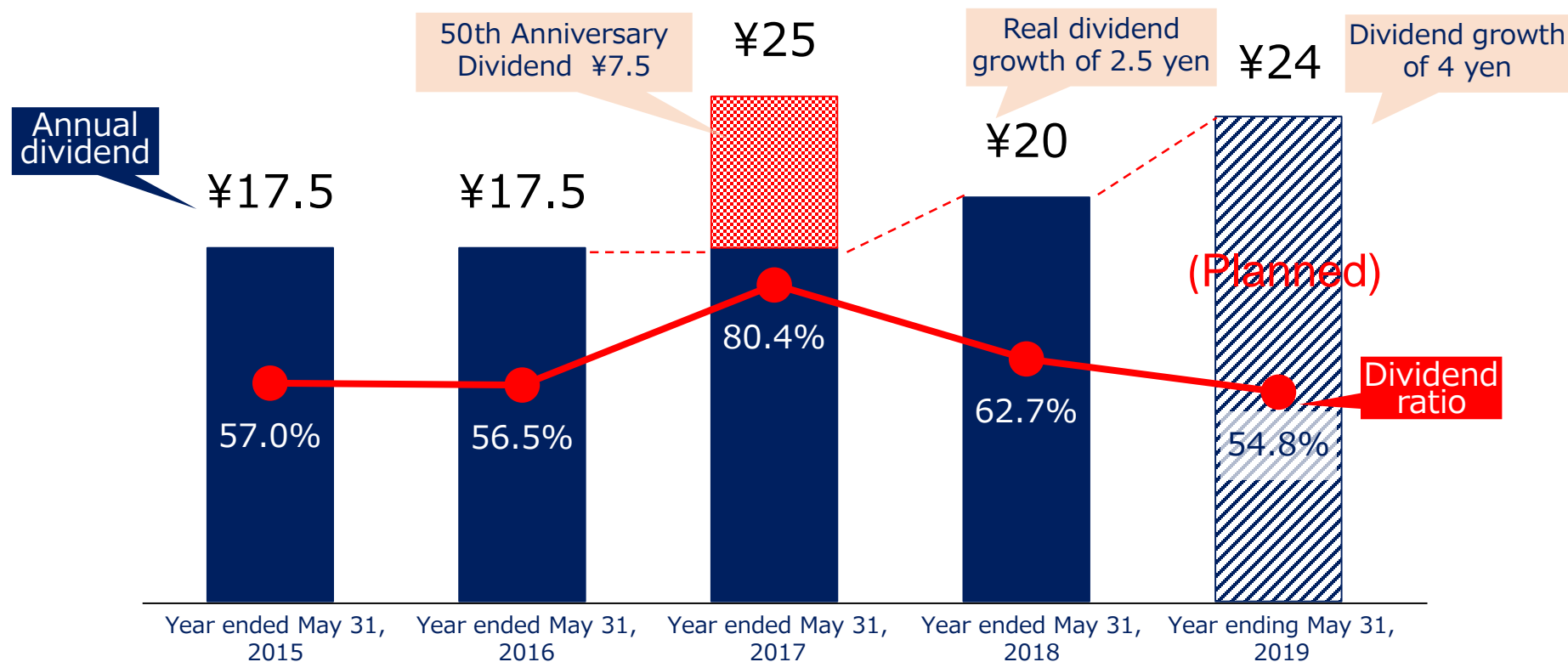
the 3rd Medium-Term Business Plan

the 4th Medium-Term Business Plan

the 5th Medium-Term Business Plan

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.

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. 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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