

# Presentation for Fiscal Year Ending March 2014

May 14, 2014

**JTEKT Corporation**

## 1. Results for Fiscal 2013

## 2. Forecasts for Fiscal 2014

## 3. VISION • Mid-Term Management Plan

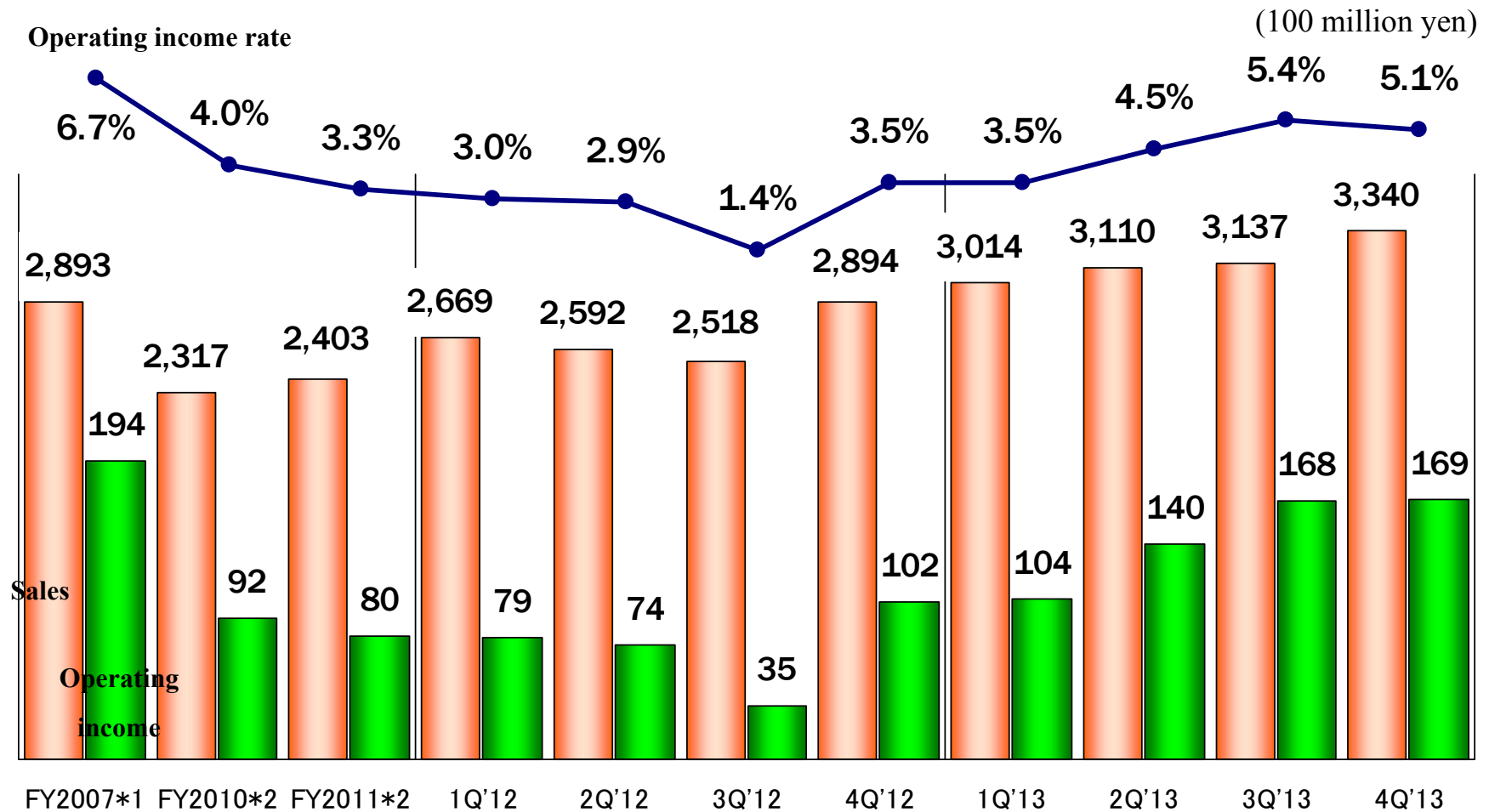
# 1-1) Consolidated Performance

- The highest sales in history
- The highest Operating & Ordinary Income in history after FY2008(Financial Crisis)

	FY2012	FY2013	Increase /Decrease	Increase /Decrease (%)
( ): profit margin on sales				
Net Sales	<b>10,675</b>	<b>12,601</b>	<b>1,926</b>	<b>+18.0%</b>
Operating Income	(2.7%) <b>291</b>	(4.6%) <b>582</b>	<b>290</b>	<b>+99.6%</b>
Ordinary Income	(3.2%) <b>342</b>	(4.9%) <b>618</b>	<b>276</b>	<b>+80.7%</b>
Net Income	(1.3%) <b>138</b>	(1.9%) <b>233</b>	<b>95</b>	<b>+68.7%</b>
Exchange Rate (Apr.~Mar.)	83yen/USD 107yen/EUR	100yen/USD 134yen/EUR	+17yen +27yen	

		FY2012	FY2013	Increase/Decrease
Dividend	Interim	<b>7yen</b>	<b>7yen</b>	—
	Annual	<b>9yen</b>	<b>11yen</b>	<b>2yen</b>

# 1-2) Quarter Trend



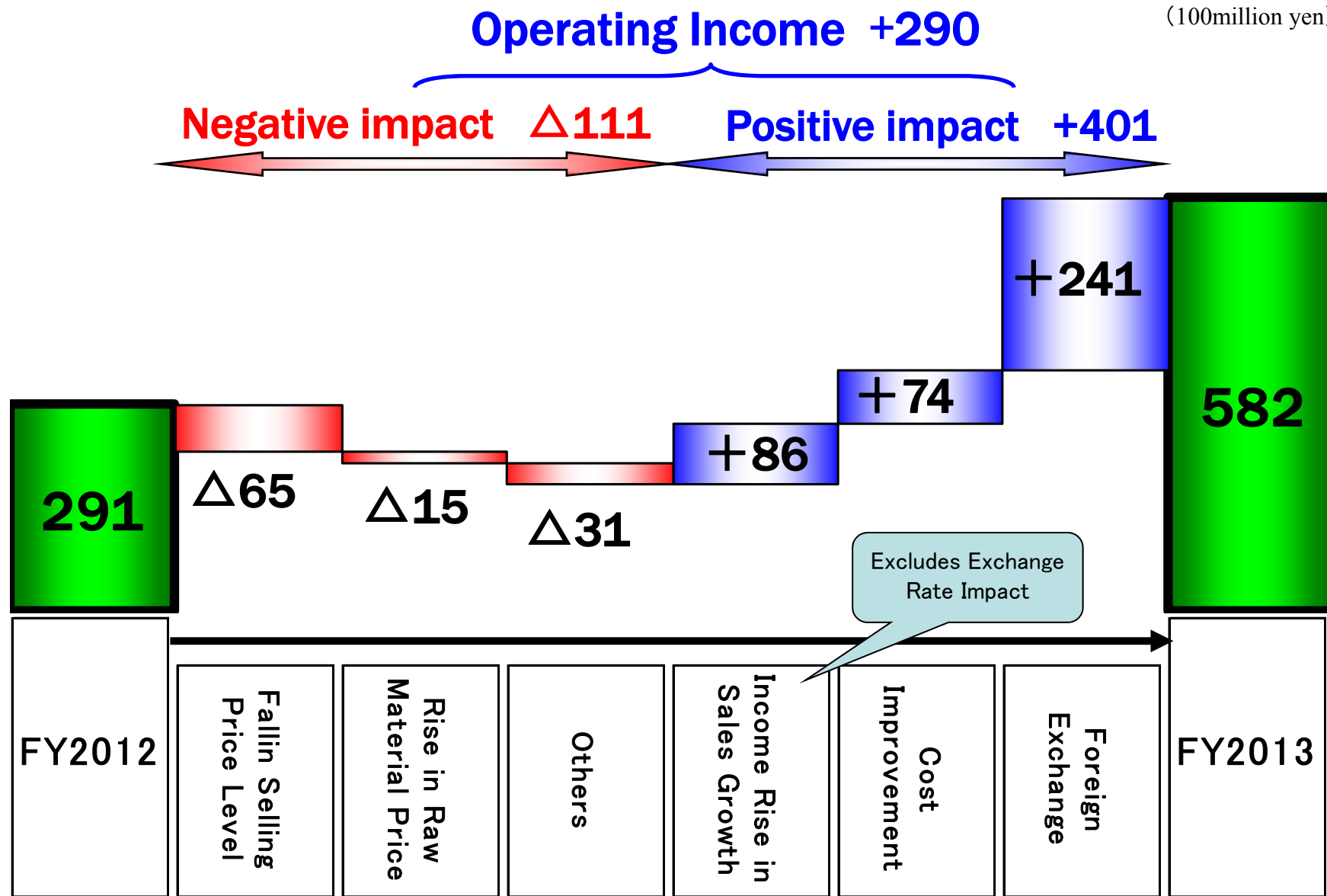
1US\$	113yen	84yen	78yen	79yen	78yen	80yen	90yen	98yen	98yen	99yen	102yen
1EUR	160yen	112yen	107yen	102yen	97yen	104yen	119yen	128yen	130yen	136yen	139yen

\*1 Quarterly Average to compare with "Before Financial Crisis"

\*2 Quarterly Average excluding impact from "Fiscal Year Unification" as well as following pages.

# 1-3) Operating Income Change Analysis

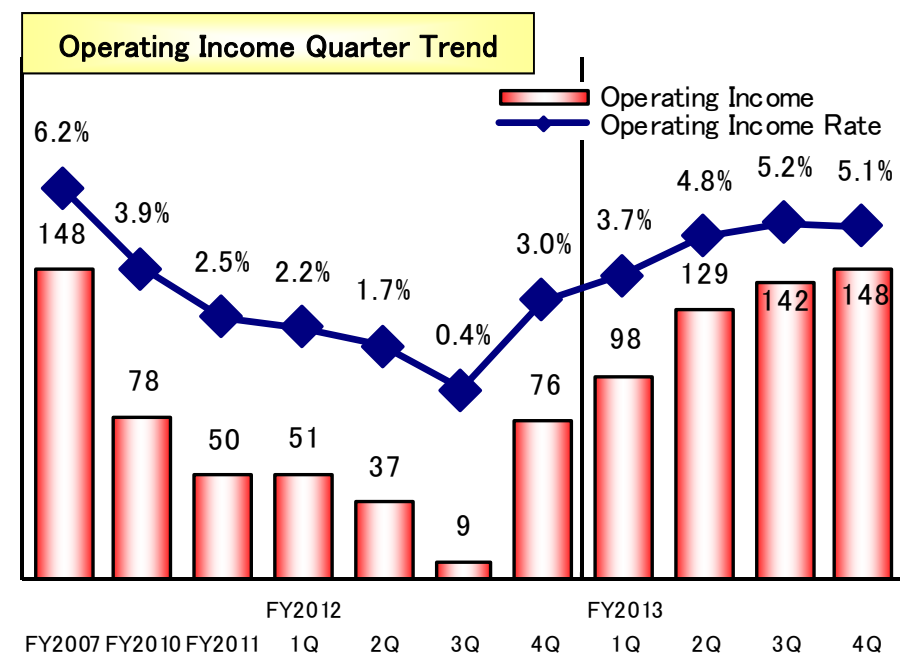
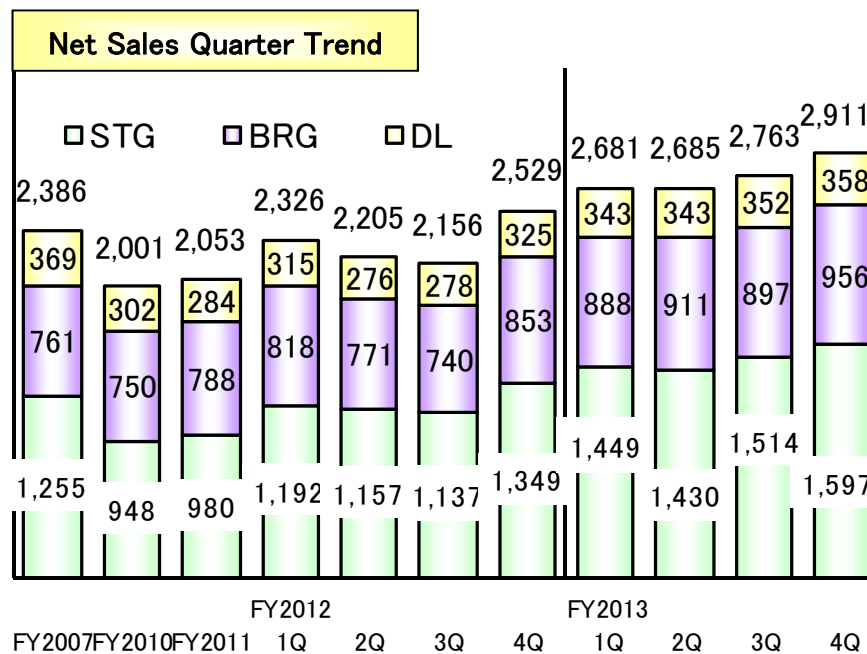
(100million yen)



# 1-4) Financial Result by Product [Mechanical Components]

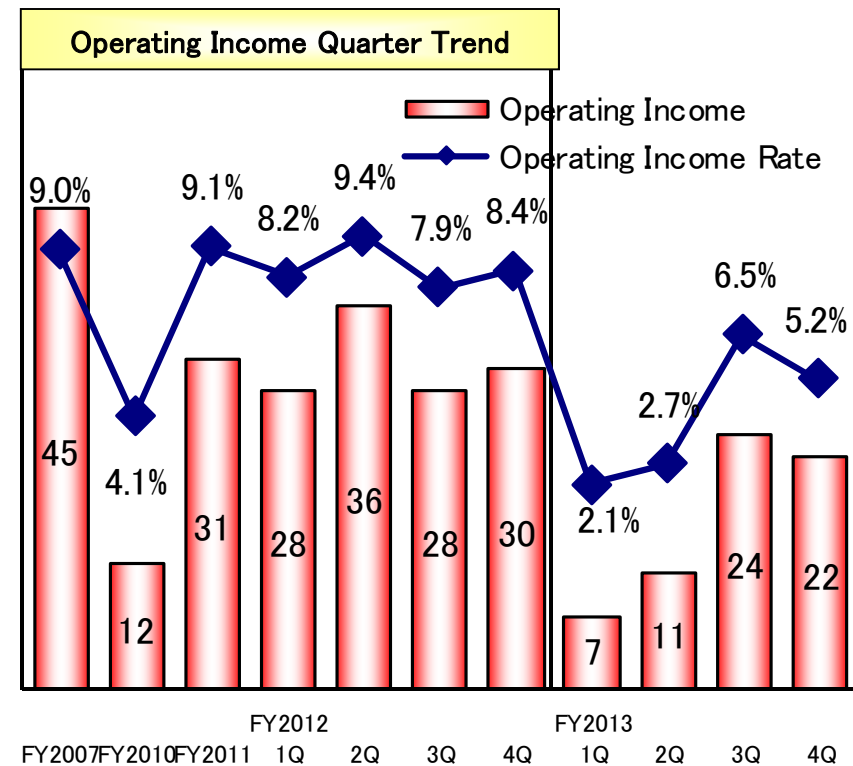
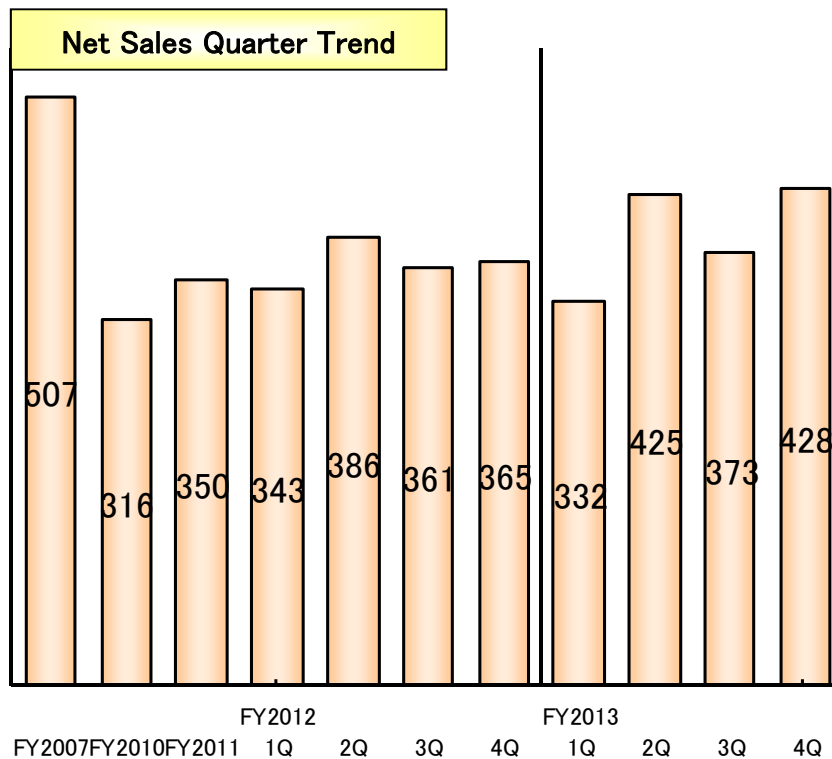
(100million yen)

Mechanical Components		FY2012	FY2013	Increase /Decrease	Increase /Decrease(%)
Steering System	Net Sales	4,837	5,991	+1,154	+23.9%
Bearings	Net Sales	3,184	3,653	+469	+14.7%
Driveline Components	Net Sales	1,196	1,397	+200	+16.8%
【 Total 】	Net Sales	9,217	11,042	+1,824	+19.8%
	Operating Income	174	520	+345	+197.4%
	Operating Income(%)	1.9%	4.7%		



# 1-4) Financial Result by Product [Machine Tools]

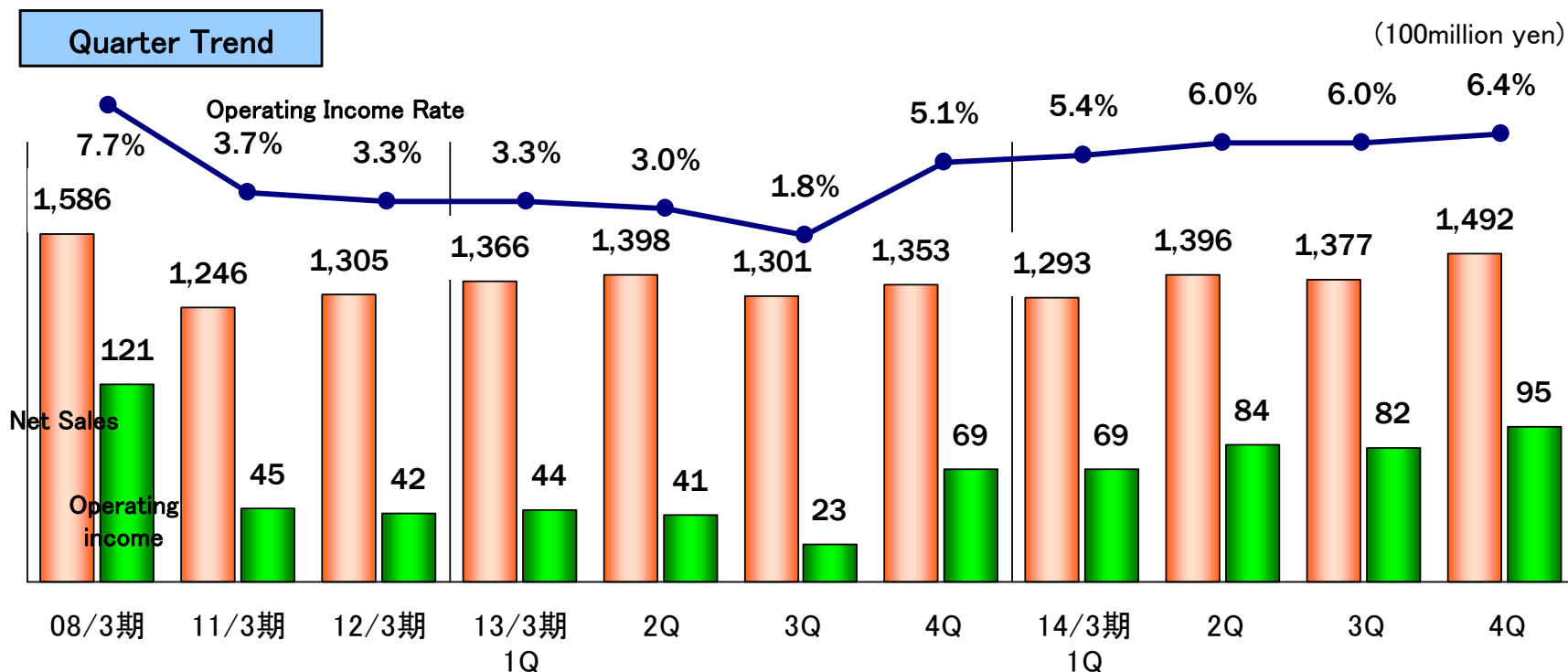
Machine Tools	(100million yen)			
	FY2012	FY2013	Increase /Decrease	Increase /Decrease(%)
Net Sales	1,457	1,559	+102	+7.0%
Operating Income	123	65	△58	△47.4%
Operating Income Rate	8.5%	4.2%		



# 1-5) Financial Result by Region [Japan]

(100million yen)

Japan	FY2012	FY2013	Increase /Decrease	Increase /Decrease(%)
Net Sales	5,419	5,560	+140	+2.6%
Operating Income	179	333	+154	+86.0%
Operating Income(%)	3.3%	6.0%		

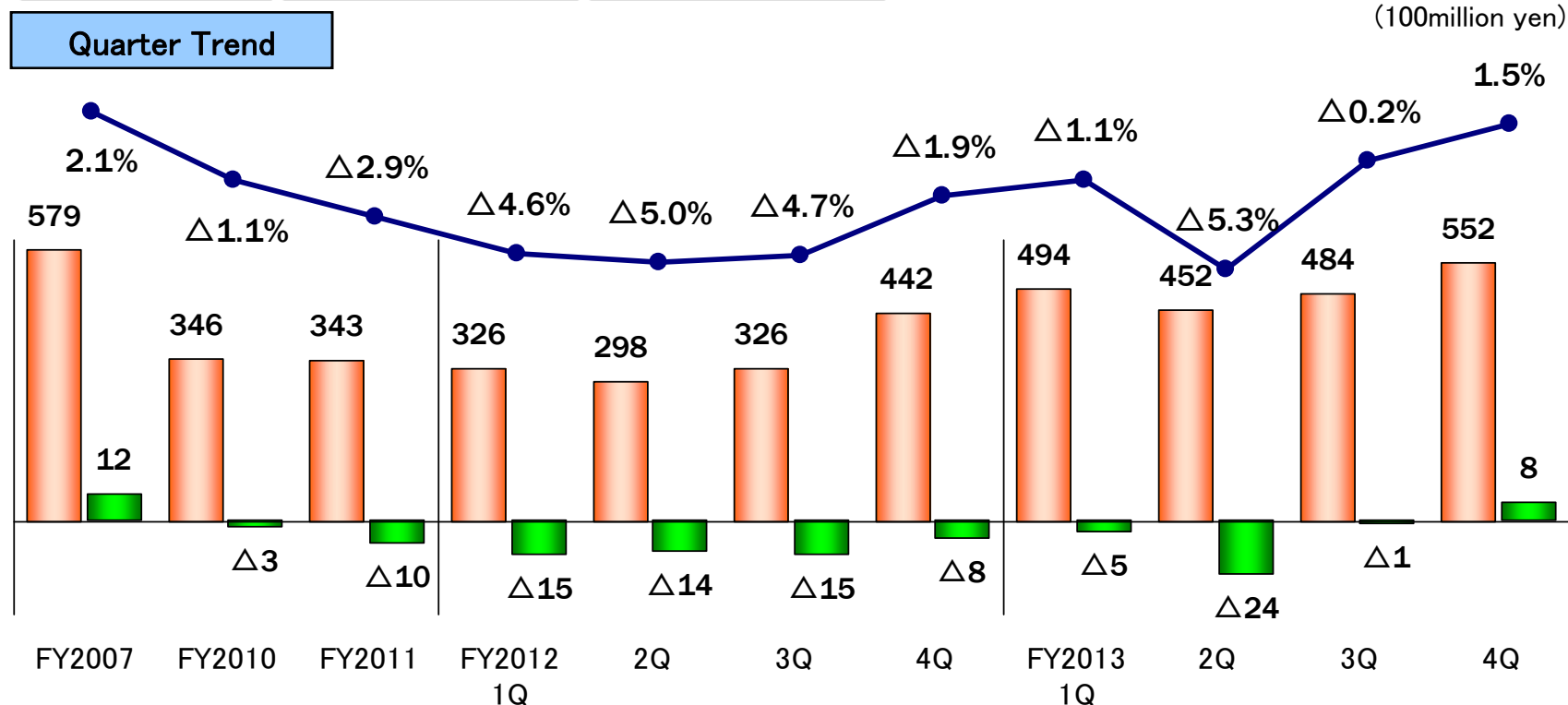




# 1-5) Financial Result by Region [Europe]

(100million yen)

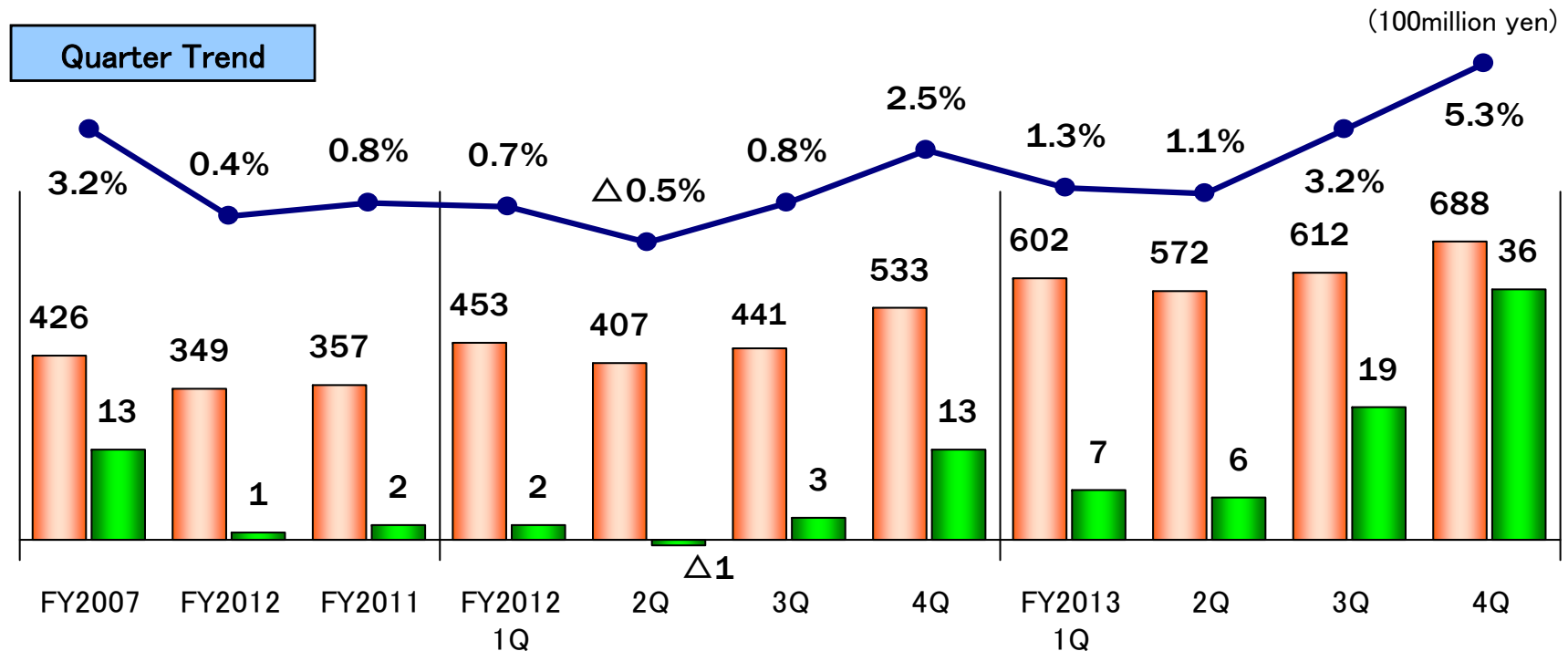
Europe	FY2012	FY2013	Increase /Decrease	Increase /Decrease(%)
Net Sales	1,393	1,983	+590	+42.4%
Operating Income	△53	△20	+33	—
Operating Income(%)	△3.9%	△1.0%		



# 1-5) Financial Result by Region [North America]

(100million yen)

North America	FY2012	FY2013	Increase /Decrease	Increase /Decrease(%)
Net Sales	1,836	2,475	+639	+34.8%
Operating Income	17	68	+50	+282.3%
Operating Income(%)	1.0%	2.8%		



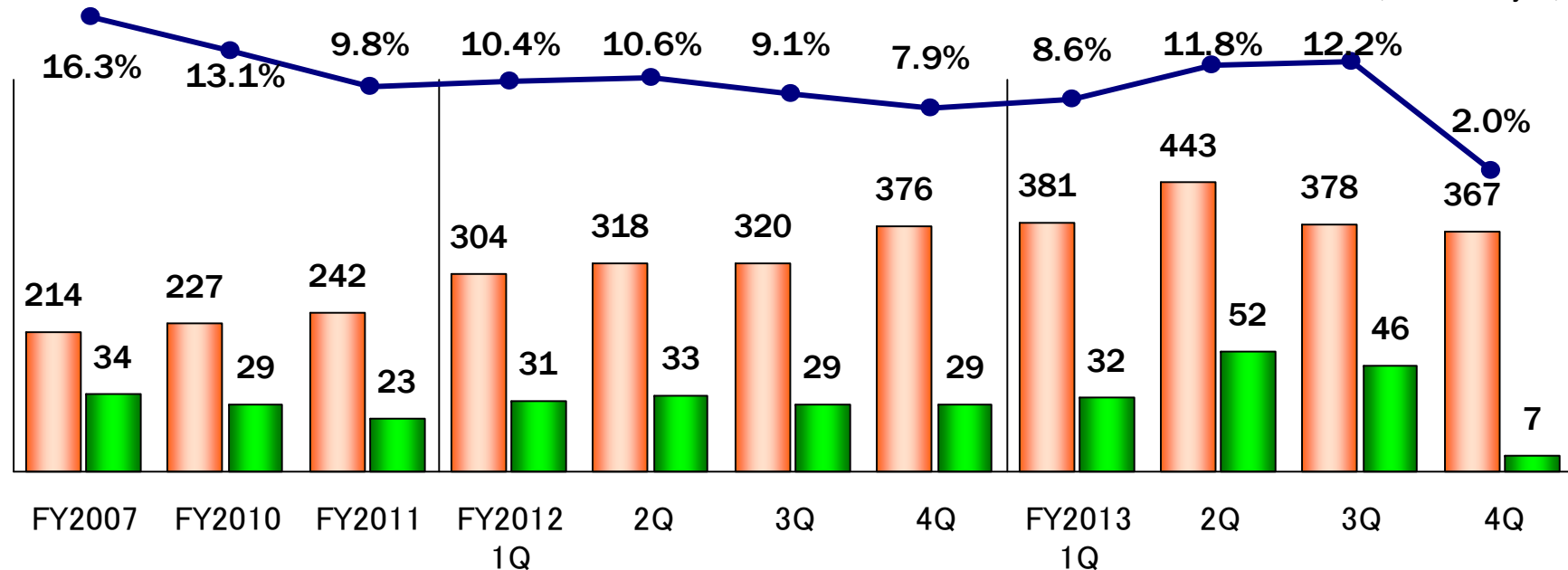
# 1-5) Financial Result by Region [Asia-Oceania]

(100million yen)

Asia-Oceania	FY2012	FY2013	Increase /Decrease	Increase /Decrease(%)
Net Sales	1,319	1,570	+250	+19.0%
Operating Income	124	136	+12	+10.4%
Operating Income(%)	9.4%	8.7%		

Quarter Trend

(100million yen)



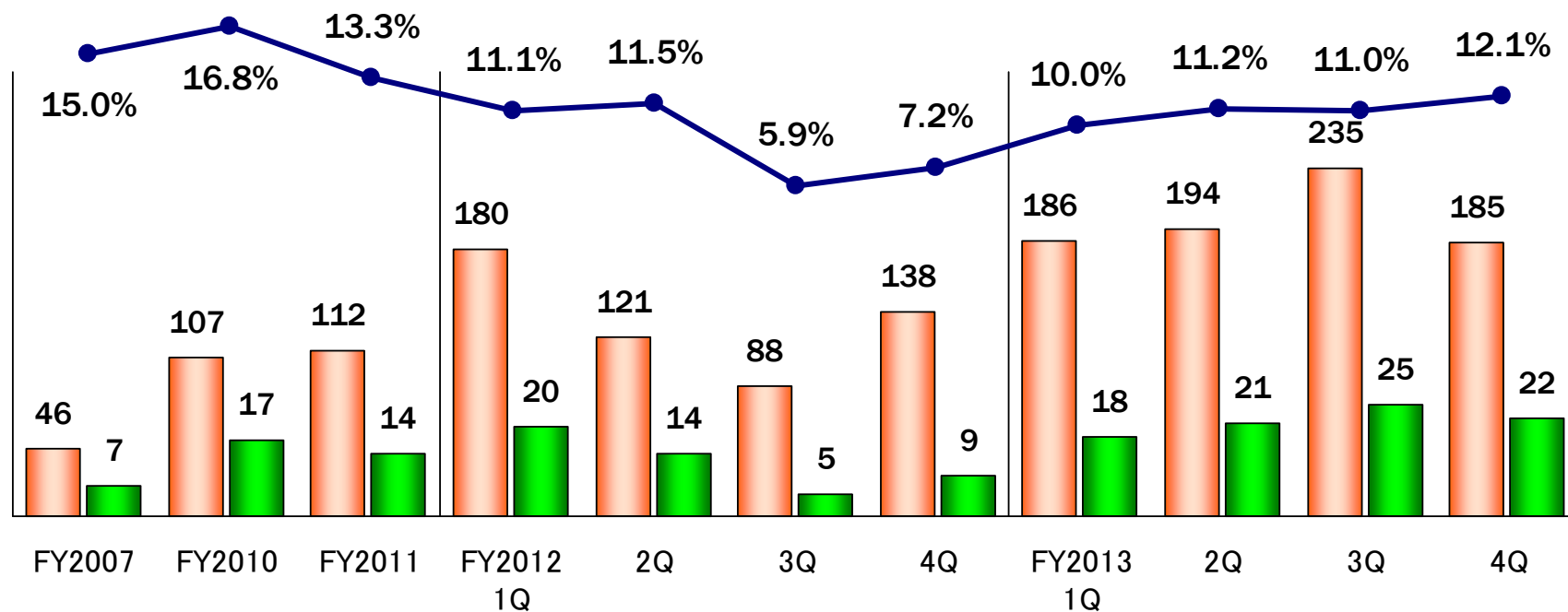
# 1-5) Financial Result by Region **【China】**

(100million yen)

China	FY2012	FY2013	Increase /Decrease	Increase /Decrease(%)
Net Sales	529	801	+272	+51.4%
Operating Income	49	87	+38	+78.0%
Operating Income(%)	9.3%	11.0%		

Quarter Trend

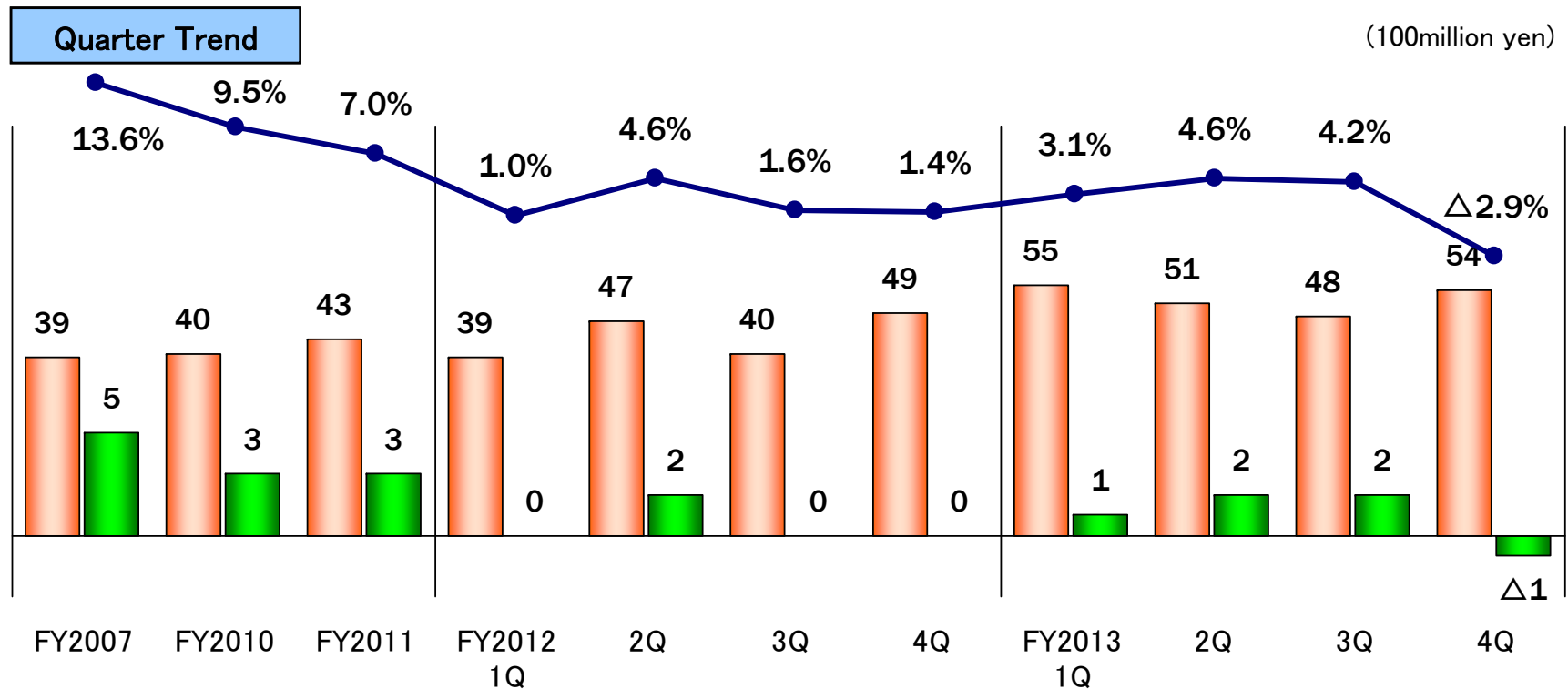
(100million yen)



# 1-5) Financial Result by Region **[Other]**

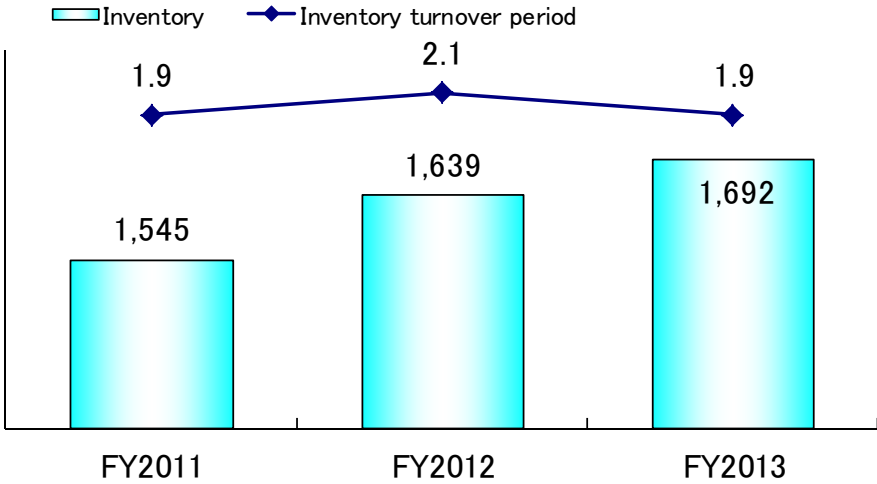
(100million yen)

Other	FY2012	FY2013	Increase /Decrease	Increase /Decrease(%)
Net Sales	176	209	+33	+18.8%
Operating Income	3	4	+0	+18.5%
Operating Income(%)	2.2%	2.2%		

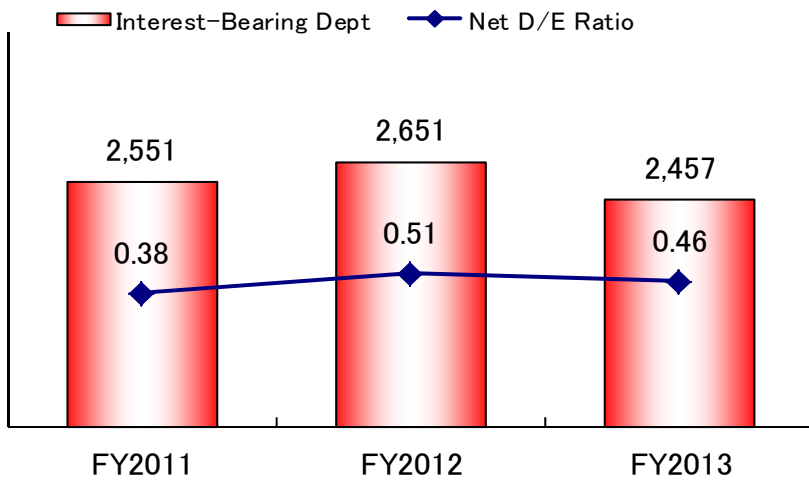


# 1-6) Financial Data

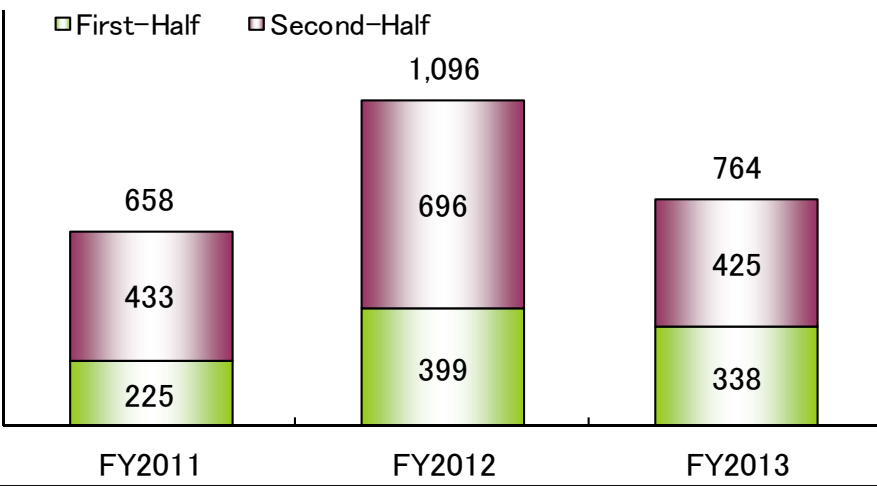
**Inventories**



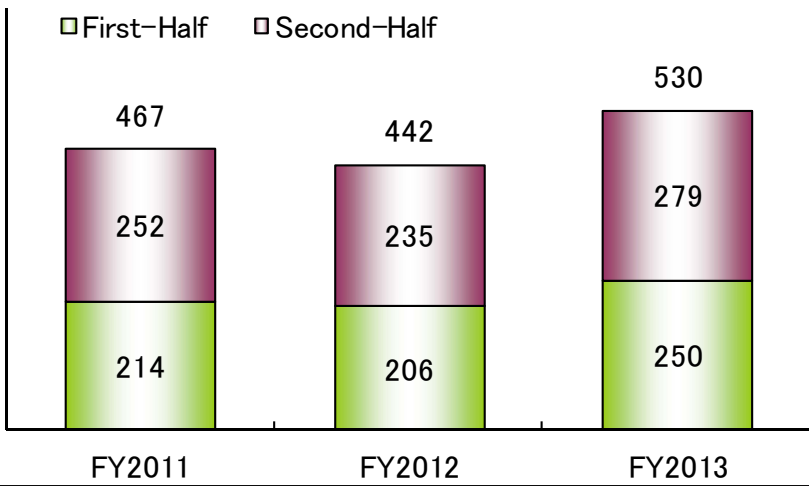
**Interest-Bearing Dept**



**Capital Expenditure**



**Depreciation**



## 1. Results for Fiscal 2013

## 2. Forecasts for Fiscal 2014

## 3. VISION • Mid-Term Management Plan

## 2-1) External Environment

- **Sustainable mainly in developed countries**
  - US Market maintain good condition
  - Slow recovery in Europe Market
- **Stable growth in China,  
Slow down in emerging countries**
- **Lower demand concern in Japan Market  
from consumption tax increase**



## 2-2) Forecasts for Fiscal 2014

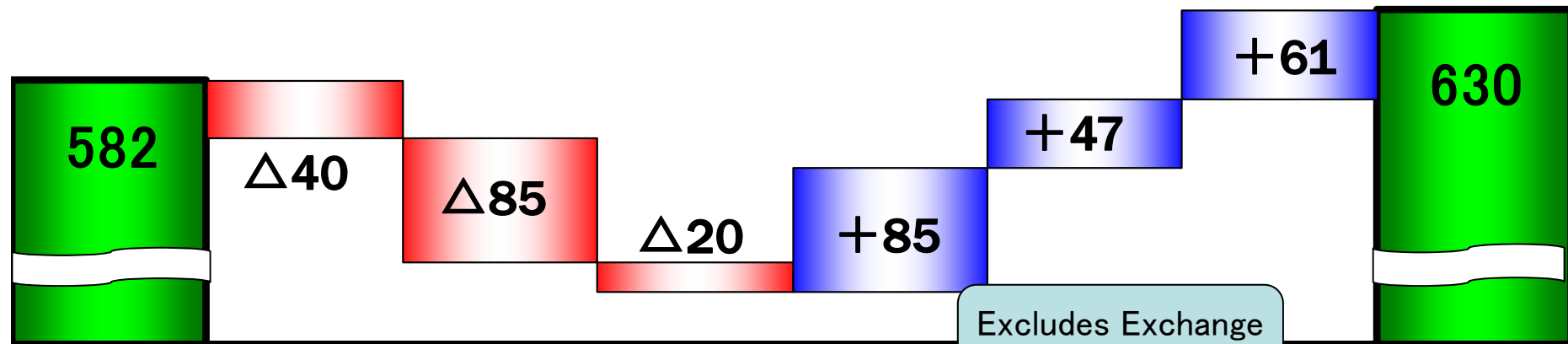
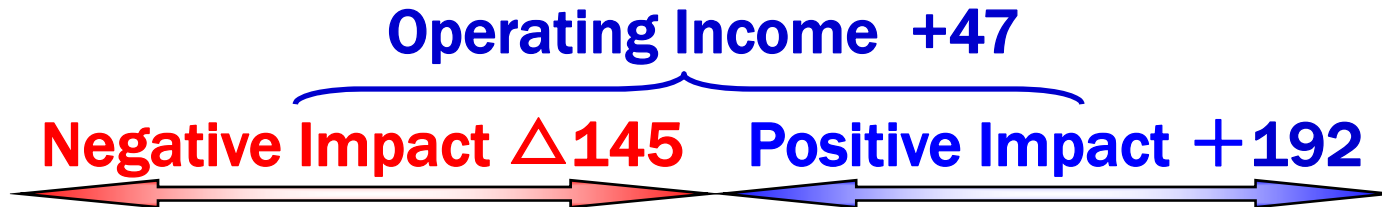
(100million yen)

	<b>FY2013 (Actual)</b>	<b>FY2014 (Forecast)</b>	<b>Increase /Decrease</b>	<b>Increase /Decrease(%)</b>
<b>Net Sales</b>	<b>12,601</b>	<b>12,700</b>	<b>+98</b>	<b>+0.8%</b>
<b>Operating Income</b>	(4.6%) <b>582</b>	(5.0%) <b>630</b>	<b>+47</b>	<b>+8.2%</b>
<b>Ordinary Income</b>	(4.9%) <b>618</b>	(4.9%) <b>620</b>	<b>+1</b>	<b>+0.2%</b>
<b>Net Income</b>	(1.9%) <b>233</b>	(2.8%) <b>350</b>	<b>+116</b>	<b>+49.7%</b>
<b>Exchange Rate (Apr.~Mar.)</b>	<b>100yen/USD 134yen/EUR</b>	<b>95yen/USD 130yen/EUR</b>	<b>+5yen △4yen</b>	
<b>Capital Expenditure</b>	<b>764</b>	<b>700</b>	<b>△64</b>	<b>△8.4%</b>
<b>Depreciation</b>	<b>530</b>	<b>550</b>	<b>+19</b>	<b>+3.7%</b>

( ): Profit Margin on sales

# 2-3) Operating Income Change Analysis

(100millionyen)



Excludes Exchange Rate Impact

FY2013	Foreign Exchange	Fall in Selling Price Level	Rise in Raw Material Price	Income Rise in Sales Growth	Cost Improvement	Other	FY2014 (Forecast)
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## 2-4) Net Sales by Product

(100million yen)

		FY2013 (Actual)	FY2014 (Forecast)	Increase /Decrease	Increase /Decrease(%)
Mechanical Components	Steering System	5,991	6,005	+13	+0.2%
	Bearings	3,653	3,675	+21	+0.6%
	Driveline Components	1,397	1,390	△7	△0.5%
	【 T o t a l 】	11,042	11,070	+27	+0.3%
Machine Tools		1,559	1,630	+70	+4.5%
【 S a l e s T o t a l 】		12,601	12,700	+98	+0.8%

## 2-5) Net Sales by Region

(100million yen)

	<b>FY2013 (Actual)</b>	<b>FY2014 (Forecast)</b>	<b>Increase /Decrease</b>	<b>Increase /Decrease(%)</b>
Japan	<b>5,560</b>	<b>5,530</b>	<b>△30</b>	<b>△0.5%</b>
Europe	<b>1,983</b>	<b>2,020</b>	<b>+36</b>	<b>+1.8%</b>
North America	<b>2,475</b>	<b>2,505</b>	<b>+29</b>	<b>+1.2%</b>
Asia-Oceania	<b>1,570</b>	<b>1,510</b>	<b>△60</b>	<b>△3.9%</b>
China	<b>801</b>	<b>905</b>	<b>+103</b>	<b>+12.9%</b>
Other	<b>209</b>	<b>230</b>	<b>+20</b>	<b>+9.8%</b>
<b>【Sales Total】</b>	<b>12,601</b>	<b>12,700</b>	<b>+98</b>	<b>+0.8%</b>

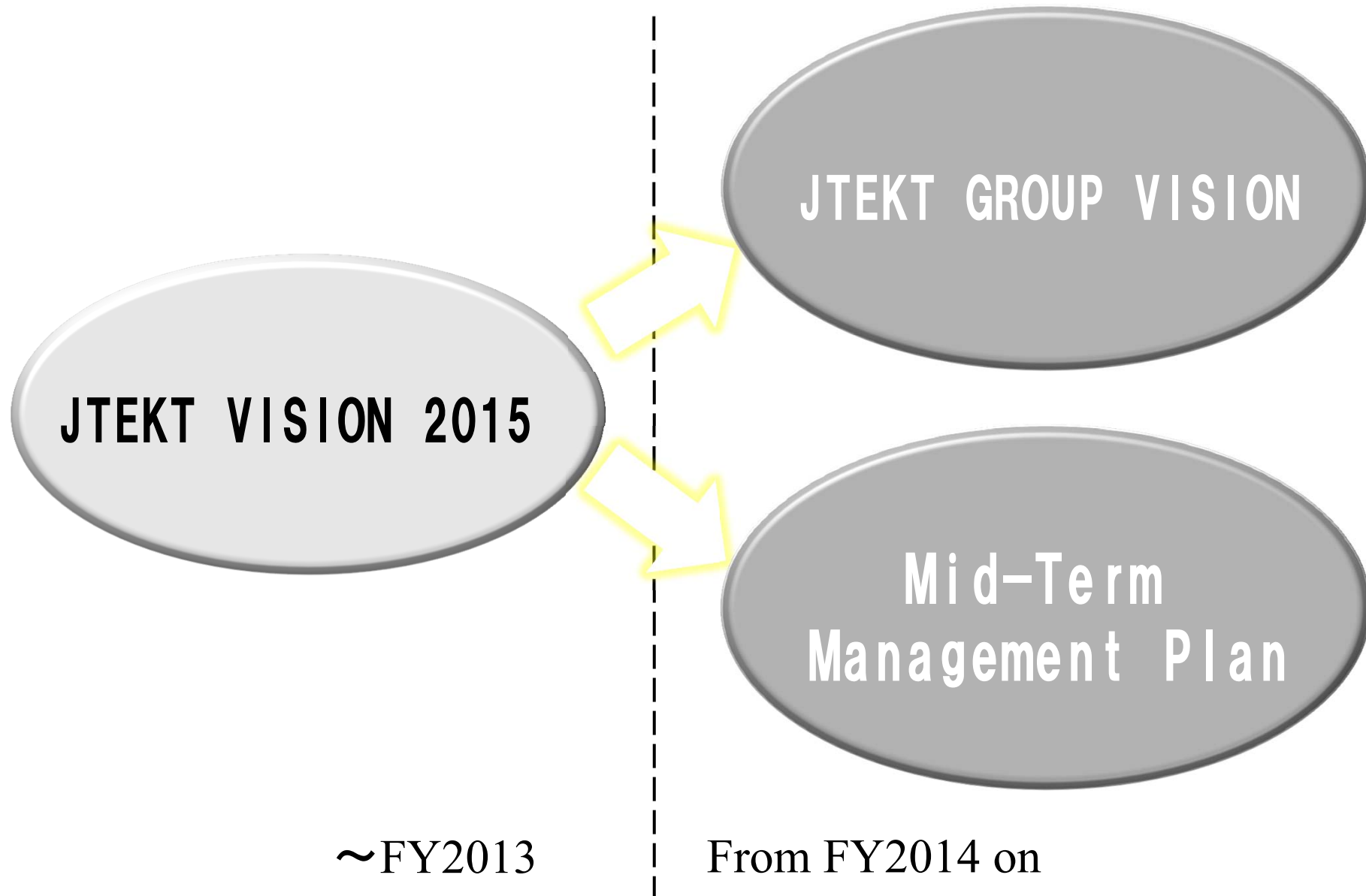
## 1. Results for Fiscal 2013

## 2. Forecasts for Fiscal 2014

## 3. *VISION • Mid-Term Management Plan*

3-1)

## In drawing up the VISION and the Mid-Term Management Plan



## 3-2) JTEKT GROUP VISION

GROUP VISION

# Shaping a Better Future through the Spirit of “No.1 & Only One”

We will be an invaluable partner with our customers, our suppliers, and our team members. We will deliver “No.1, Only One” products and services through “Building Value,” “Building Excellent Products,” and “Building Professionals.”

### Building Value

Provide value to customers by delivering products and services that exceed their expectations.

### Building Excellent Products

Astonish the world with “Monozukuri,” the art of refined craftsmanship and superior quality.

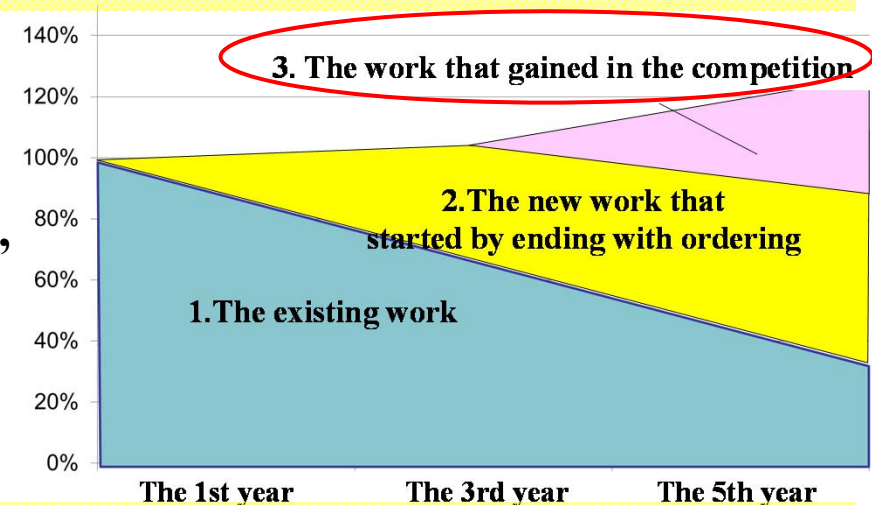
### Building Professionals

Develop a team composed of individuals working together, acting with initiative, confidence, pride, and passion as global members of JTEKT.

## 3-3) Outline of the Plan – Aim

### (1) Always consider what should be done with eyes fixed on a point for 5 year

- Conduct business aggressively with anticipation of future change.
- Consider the priority of necessary action and resources to achieve the targets in a mid-term, and construct the scenario to fulfill it steadily.
- Set the process indicators for the activities toward the state we want to be qualitatively and quantitatively.



### (2) Review & revise the 5 year plan annually (Turn the PDCA)

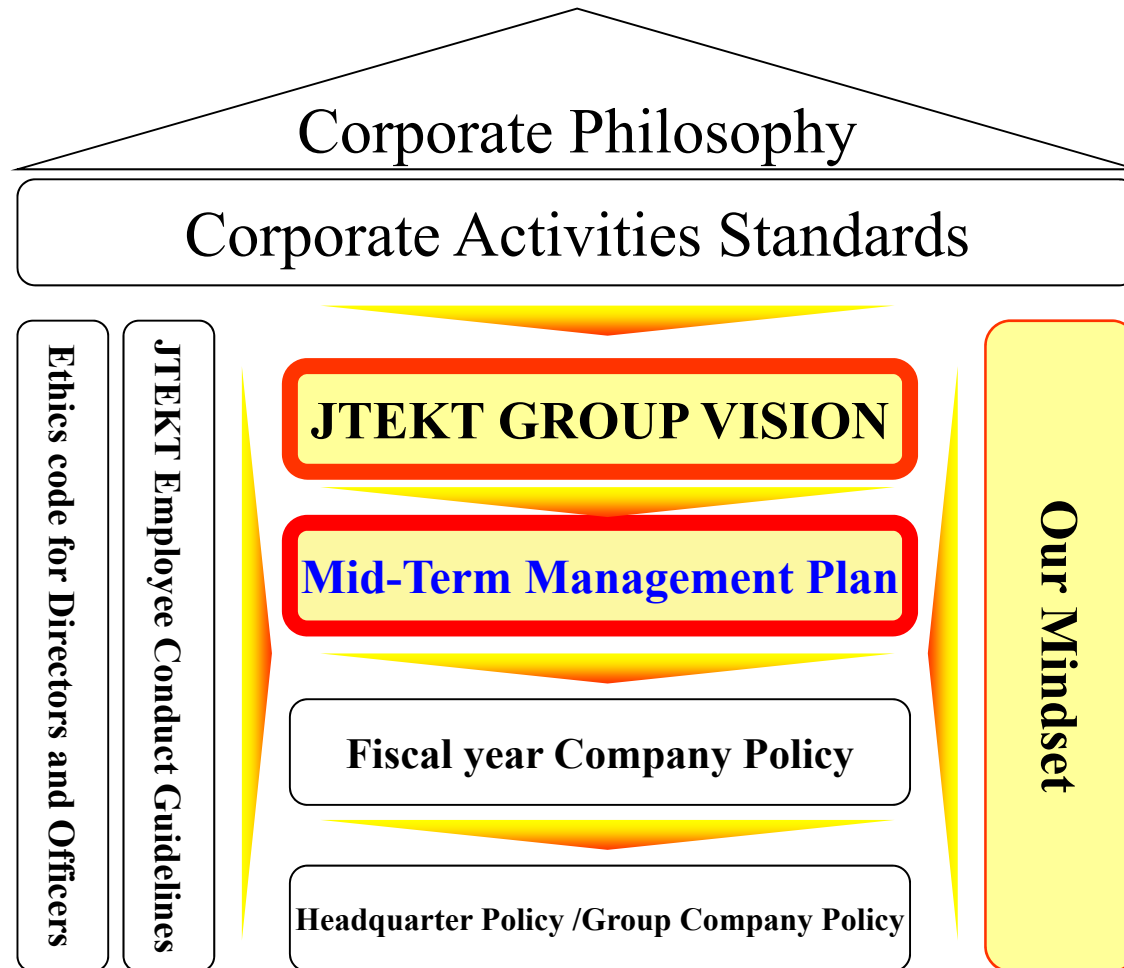
- Evaluate the activities and results annually, update and verify the 5-year plan with environment change being reflected.

### (3) Consider group and global management with 3 business units as the pivots

- Pursue growth not only non-consolidated, but consolidated as a whole group.



# 3-3) Outline of the Plan - Position



## 【JTEKT GROUP VISION】

The expected state we aim to commonly (universal things)

## 【 Mid-Term Management Plan】

Detail strategies, measures and target figures to fulfill the VISION

## 【 Our Mindset 】

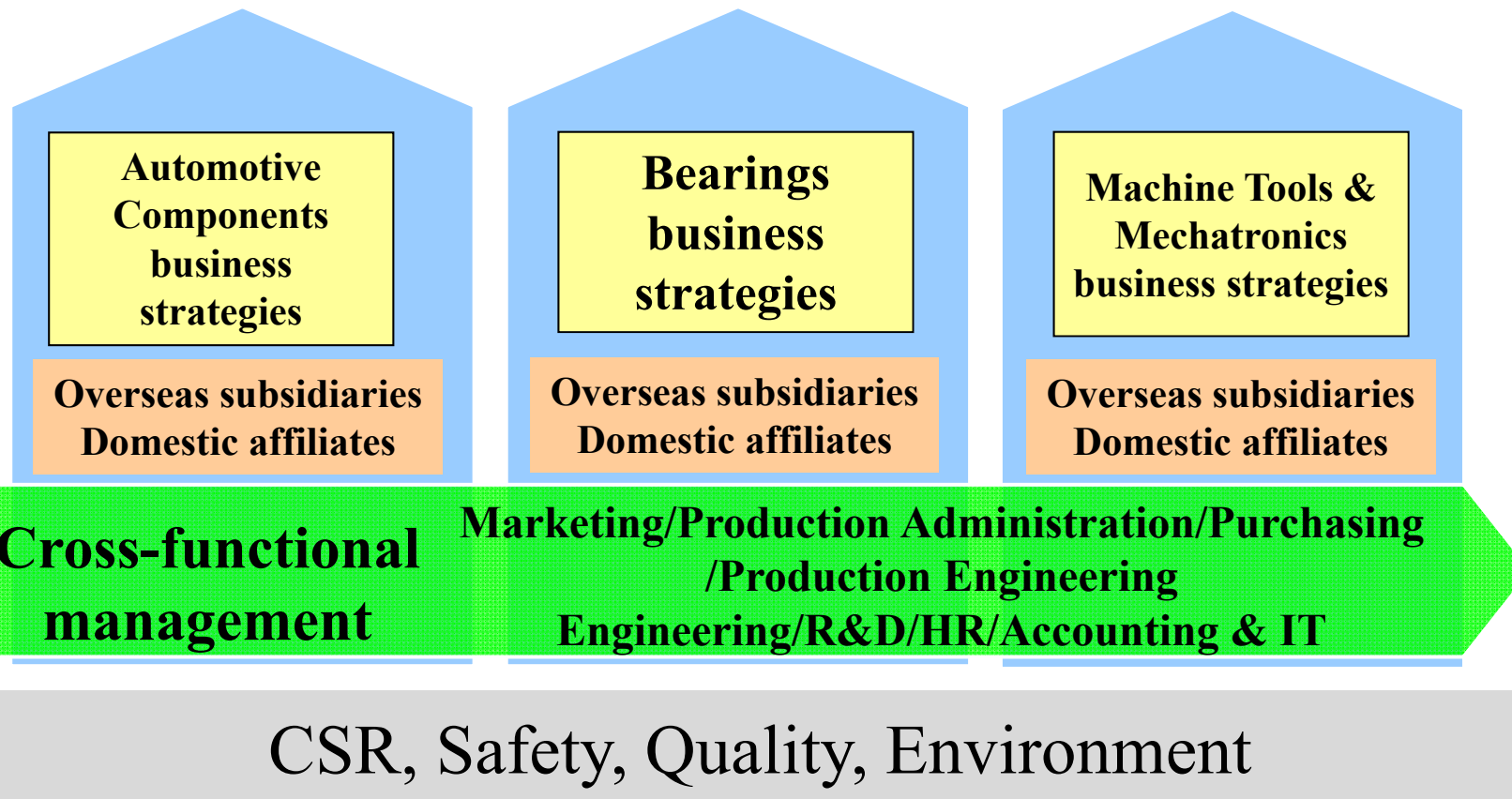
Support of the way of thinking on pushing forward work

## 【Fiscal year Company Policy】

It clarify the important plan of the first year based on Mid-Term Management Plan, and ties to a Headquarter Policy and Group Company Policy

## 3-3) Outline of the Plan - Structure

**Establish business and profit foundation robust to environmental changes by enhancing group business tie-up for the realization of JTEKT Group Vision**



### Objective

**Become the all-time global leading supplier with the spirit of “No.1” & “ONLY ONE”, through delivering value to customers**

### Target of FY2018

**Steering System** Maintain the top global share on automotive steering system

**Drive Line** Be a leading company on torque control devices

### Market trend

- Large expansion in EPS demands focused in China, India, and ASEAN
- Downstream demands for EPS (DP/RP) will increase along with electrification
- Demand for 4WD units will increase together with the overall increase in automobile demand

## 3-4) Business Strategies – Automotive Components Business

### Steering System

#### Steering Target for FY2018

**Maintain the top global share on automotive steering system**

#### Product Power Reinforcement

- Product power reinforcement (functional safety, small & light, power saving, automatic driving & personal commuter applicable)
- Promotion of key Parts & Components strategy
- Launch competitive products onto the market (RP/DP-EPS, Next generation EPS)

#### Revolution of Business Model

- Front loading activities
- Strengthening of correspondence to customers within Europe, the Americas and emerging nations
- Reinforcement of pricing strategy and cost planning

#### Construction of supply system

- Construction of supply system in growing markets
- Appropriate arrangement of resources

## 3-4) Business Strategies – Automotive Components Business

### Drive Line

#### Drive Line Target for FY2018

**Be a leading company on torque control devices  
(Establishment of top share position in the 4WD business)**

#### **Product Power Reinforcement**

- Downsizing/Price reduction/High functionalization
- Unitization/Modularization (system proposal for torque management products)
- Product development in new fields (HV/EV measure / Development to front driving module)

#### **Customer Expansion/Market Development**

- Strengthening of approaches to overseas customers and promotion of activities for understanding the market
- Cooperate with overseas local subsidiaries to build a business/sales engineering framework

#### **Supply System Organization**

- Thorough use of existing production capability

# 3-5) Business Strategies - Bearings

## Ideal Situation

### Constitutional Improvement and Following with Global Market Growth

#### Policy according to products

<b>TRB</b> (Tapered roller bearings)	Maintain top position Pursue even lower friction
<b>NRB</b> (Needle roller bearings)	Expand synergy with former Torrington Company Promote development of compound products
<b>HUB</b> (Hub unit)	Maintain ball HUB Strengthen/expand tapered HUB
<b>SBB</b> (Single ball bearing)	Shift to areas of high added value

#### Markets of focus (Industrial machine field)

<b>Steel</b>
<b>Machine tools</b>
<b>Wind power generation</b>
<b>Agricultural machinery/ Construction machinery</b>
<b>Special environments (Ex:Medical/Semiconductors)</b>

## Market trend

- Demands are increasing for automotive and industrial machine products
- Dramatic commoditization and quick price decline

# 3-5) Business Strategies – Bearings

## Ideal Situation

### Constitutional Improvement and Following with Global Market Growth

<p><b>Restructuring of domestic and foreign plants</b></p>	<ul style="list-style-type: none"> <li>▪ Restructuring of Kokubu Plant (Become the high-yield mother plant of industrial machinery)</li> <li>▪ Restructuring of foreign plants (Structural reform in every region according to product type and size)</li> </ul>
<p><b>Strengthen product competitiveness corresponded to market trend</b></p>	<ul style="list-style-type: none"> <li>▪ Strengthening of key products, development of unit and module products</li> <li>▪ Add another strong business area on top of the steel-related business area</li> <li>*Items related to FY2013 presentation: Establishment of Large Size Bearing Engineering Development Center</li> </ul>
<p><b>Strengthen competitive product by sales revolution</b></p>	<ul style="list-style-type: none"> <li>▪ Organize sales expansion framework of industrial machinery/market fields</li> <li>▪ Strengthen proposal-based sales and sales engineering (Creation of new Sales Engineering Dept.)</li> <li>*Items related to FY2013 presentation: Merger with Koyo Sales Co., Ltd.)</li> </ul>
<p><b>Establishment of production power and production engineering power</b></p>	<ul style="list-style-type: none"> <li>▪ Multi-production and small lot production line (Process Integration and pursuit for single set-up)</li> </ul>

## Ideal Situation

**True total production system supplier full of customer reliance**

### Policy according to products

grinder

**No.1 share in the world by superior precision**

cutting/  
machining center

**Precision & processing technology for resistant material  
developing high value-added market**

control/system

**Aim to be top3 system supplier in the bearing system**

## Market trend

- Reduction in domestic demands, shift to overseas production
- Acceleration of production changes within the domestic manufacturing industry (Systemization, shift to all-purpose, shift to small-scale)
- Energy saving demands from the position of global environmental awareness
- Intensification of "Volume Zone" competition with manufacturers in developing nations



### Target for FY 2018

## Contribution to customers' production by proposing and supplying products for meeting customer needs

### **Enforce of sales**

- Narrow down targets by strengthening marketing
- Strengthen sales engineering and reorganize the sales network
- New business model of customer support

### **Product Power Reinforcement**

- Focus on products with high added value
- Switch to design where design process can be easily standardized  
→ Reduce cost of general-purpose cutting/  
General-purpose MC by 20-30%

### **Production Revolution**

- Cut lead time by ½ and raise productivity 1.5 times by 2018 through Kariya ReBORN
- Improvement of price competitiveness through improvement of in-house manufactured added value

## 3-7) Strengthening of Production Engineering

### Main Activities

#### ■ Reduction of investment cost units

- Develop a global standard line compatible with the characteristics of each region  
→ **50% reduction in investment cost units** by 2018 through net ratio improvement and review of optimum specs

#### ■ Development production line matched with selling speed

#### ■ Process Integration and pursuit for single set-up

- Shorten the setup change cycle of new equipment by 10 minutes and existent equipment by 30 minutes, and reduce inventory stock

#### ■ Strategic equipment investment

- **Create an investment plan for N+2 years ahead to be reviewed/revised each year**  
Balance productive capacity and equipment renewal to achieve reproduction on an expanded scale and maintain quality

### Main Activities

#### ■ Global training of successors

- Formulate a Global Succession Plan
- Make inventory of global posts and global human resources
- Create a succession committee at every region and develop globally



#### ■ Training system organization

- Improve training for problem solving ability
- Enforce essential understanding, which is the basis of “thinking and acting”
- Enhancement of position-based training/technical training/managerial training/deployment-type training
- Raise foreign language ability, with focus on English

## 3-9) Improve Financials

### Strengthen earning power

- Ensure a 7.5% operating income ratio through business axis activities

### Strengthening Financial base

- Reduce debt-bearing liabilities to 100 trillion yen by speeding up capital turnover and creating cash



### Investments towards growth

Extended reproduction  
Strengthen prior investments in research and development



Creation of future revenue sources

## 3-10) Figure Targets

	<b>FY2013 Result</b>	<b>FY2018 Target</b>
<b>Operating Income Ratio</b>	<b>4.6%</b>	<b>7.5%</b>
<b>Capital Expenditure</b>	<b>76.4 billion yen</b>	<b>75 billion yen</b>
<b>Depreciation</b>	<b>53 billion yen</b>	<b>60 billion yen</b>
<b>R &amp; D percentage</b>	<b>3.2%</b>	<b>4.0%</b>
<b>ROA</b>	<b>2.2%</b>	<b>4.5%</b>
<b>Exchange Rate Assumption</b>	<b>100 yen/USD 134 yen/EUR</b>	<b>90 yen/USD 115 yen/EUR</b>