

First-Half Results for Fiscal Year Ending March 2015

November 13, 2014

JTEKT Corporation

1. First Half Results for Fiscal 2014

2. Forecasts for Fiscal 2014

3. Mid-Term Management Plan

1-1) Consolidated Performance

• The highest sales & Net Income in history

(100 million yen)

() : profit margin on sales

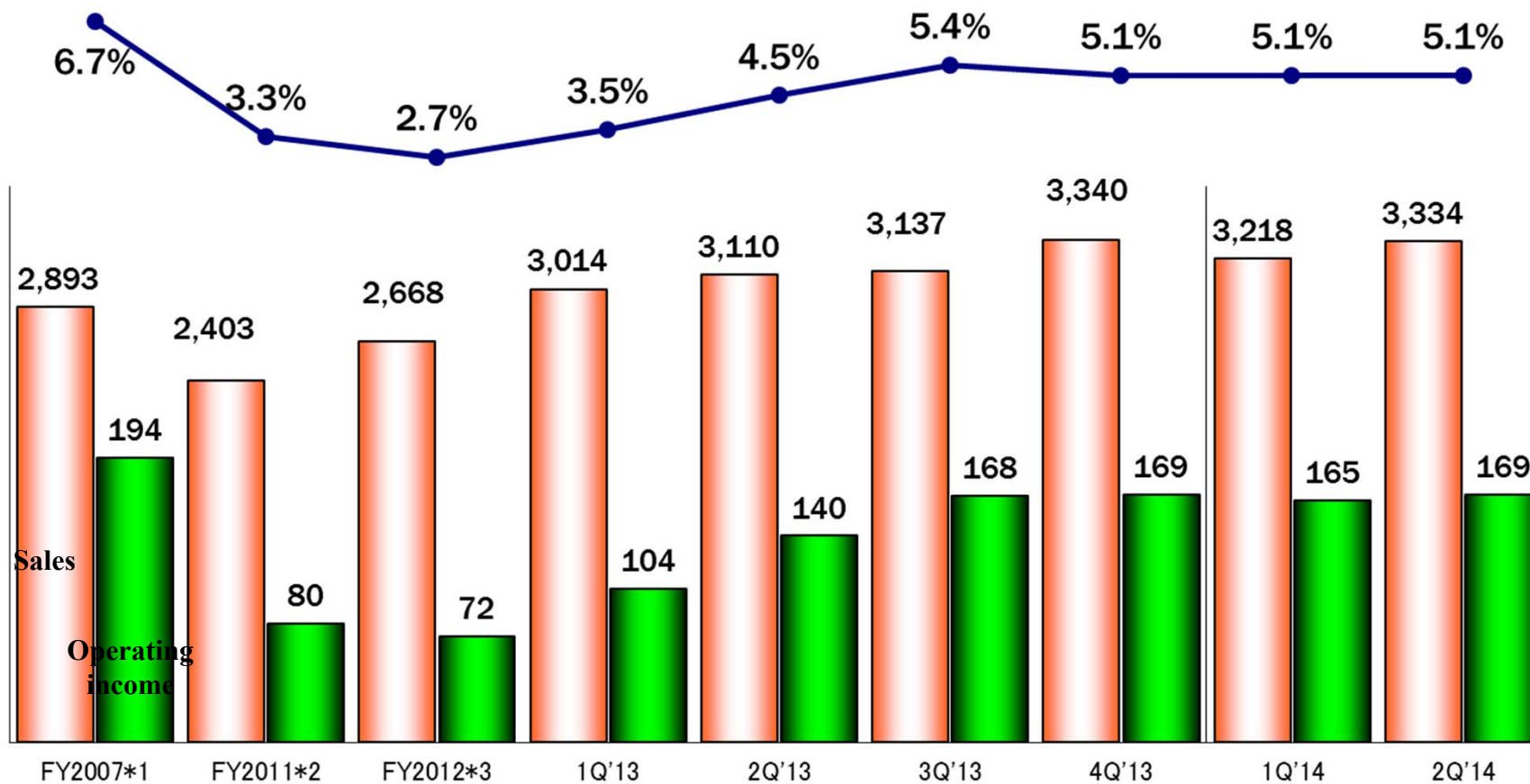
	First-Half FY2013	First-Half FY2014	Increase /Decrease	Increase /Decrease(%)
Net Sales	6,124	6,552	+428	+7.0%
Operating Income	(4.0%) 244	(5.1%) 334	+90	+36.9%
Ordinary Income	(4.5%) 276	(5.4%) 353	+76	+27.5%
Net Income	(0.6%) 34	(3.4%) 222	+188	+549.4%
Exchange Rate (Apr.-Sep.)	98yen/USD 129yen/EUR	102yen/USD 137yen/EUR	+4yen +8yen	

		FY2013	FY2014	Increase / Decrease
Dividend	Interim	7yen	14yen	7yen
	Annual	11yen	14yen	3yen

1-2) Quarter Trend

Operating income rate

(100 million yen)

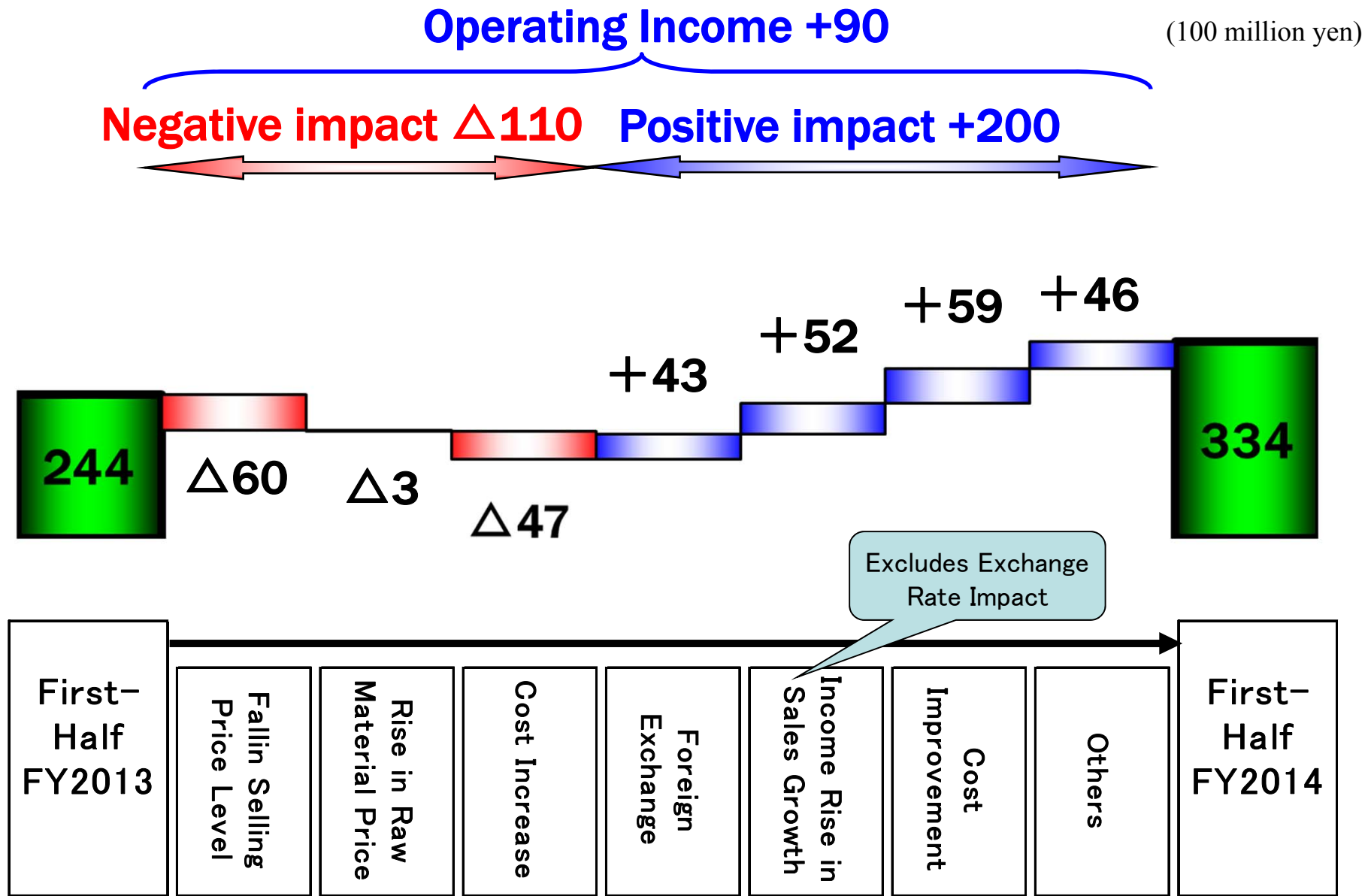


1US\$	113yen	78yen	82yen	98yen	98yen	99yen	102yen	101yen	103yen
1EUR	160yen	107yen	105yen	128yen	130yen	136yen	139yen	139yen	136yen

*1 Quarterly Average to compare with “Before Financial Crisis”.

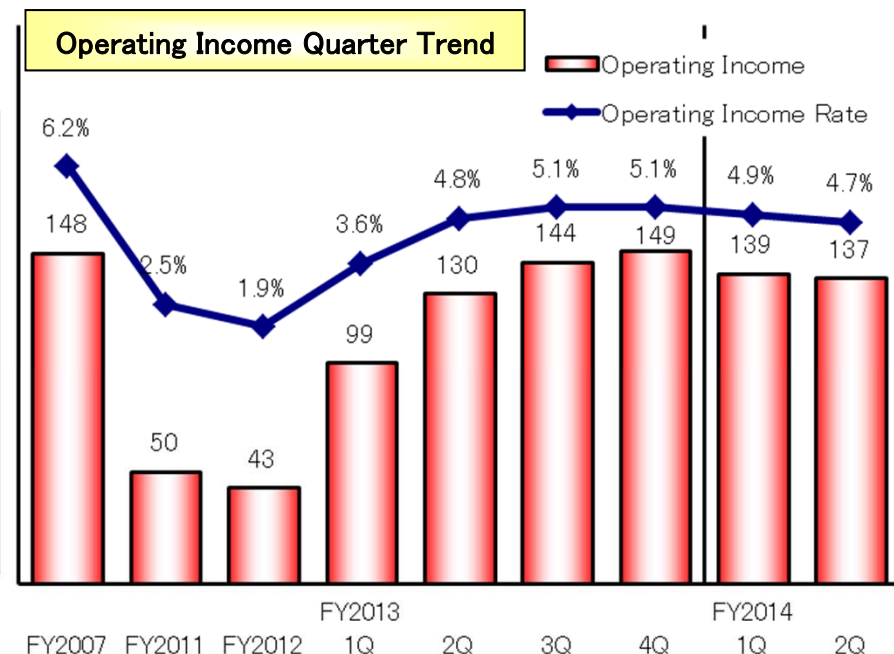
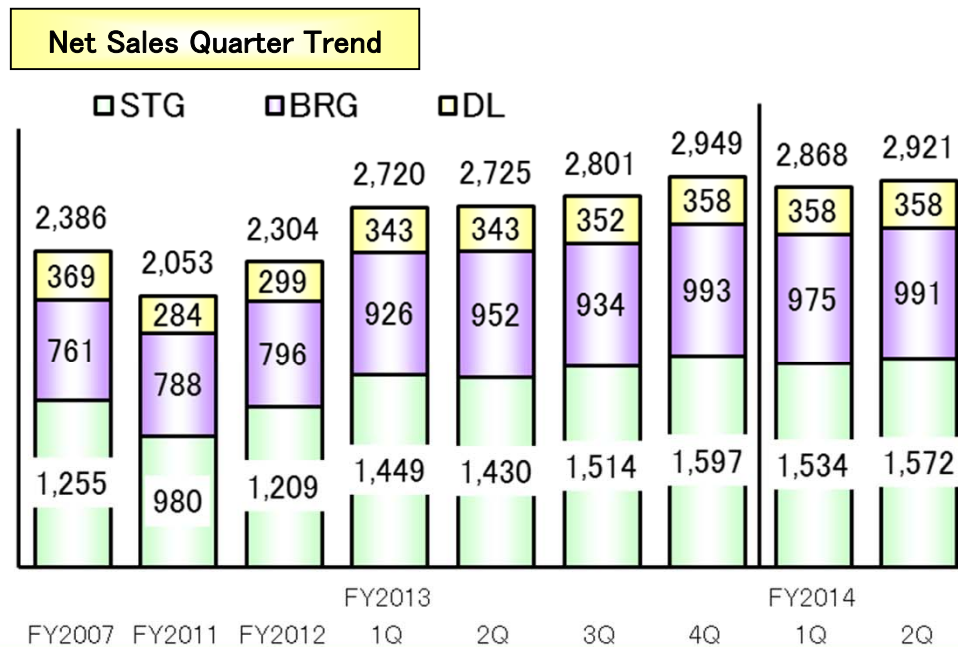
*2 Quarterly Average excluding impact from “Fiscal Year Unification”. *3 Quarterly Average as well as following pages.

1-3) Operating Income Change Analysis



1-4) Financial Result by Product 【Mechanical Components】

Mechanical Components		First-Half FY2013	First-Half FY2014	Increase / Decrease	Increase / Decrease (%)
Steering System	Net Sales	2,880	3,106	+226	+7.9%
Bearings	Net Sales	1,878	1,966	+88	+4.7%
Driveline Components	Net Sales	686	717	+30	+4.4%
【 Total 】	Net Sales	5,445	5,790	+345	+6.3%
	Operating income	229	276	+46	+20.3%
	Operating income (%)	4.2%	4.8%		

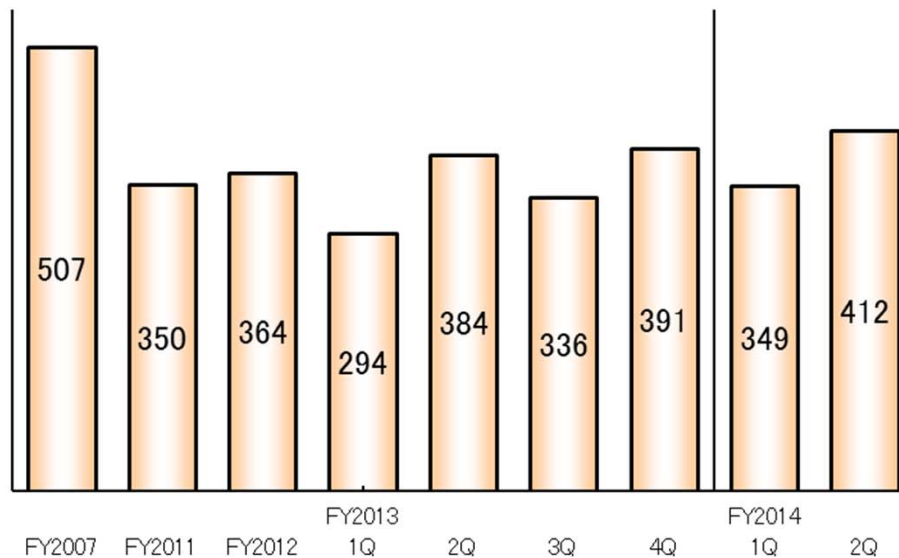


1-4) Financial Result by Product [Machine Tools]

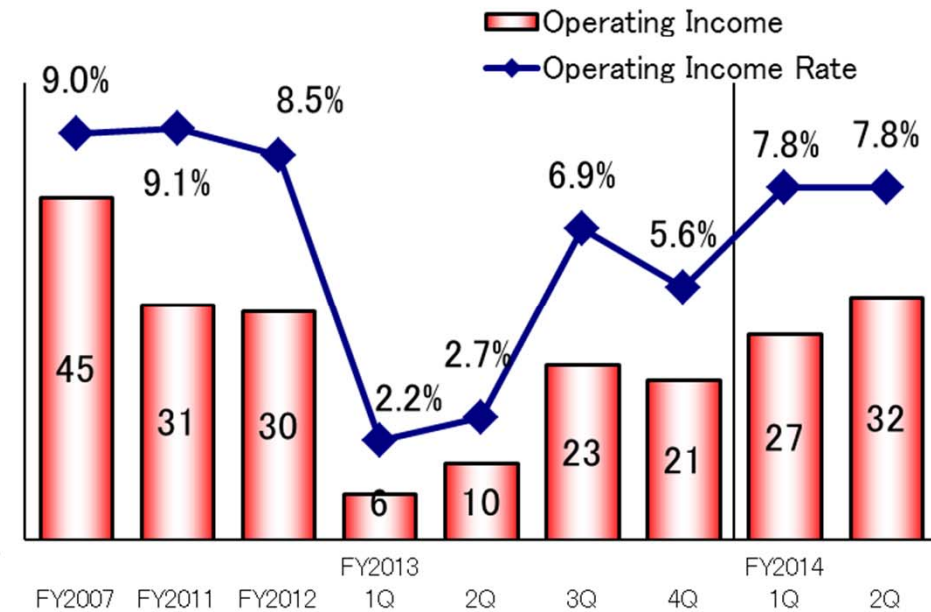
(100 million yen)

Machine Tools	First-Half FY2013	First-Half FY2014	Increase / Decrease	Increase / Decrease(%)
Net Sales	679	761	+82	+12.2%
Operating Income	17	59	+42	+249.3%
Operating Income Rate	7.0%	17.8%		

Net Sales Quarter Trend



Operating Income Quarter Trend



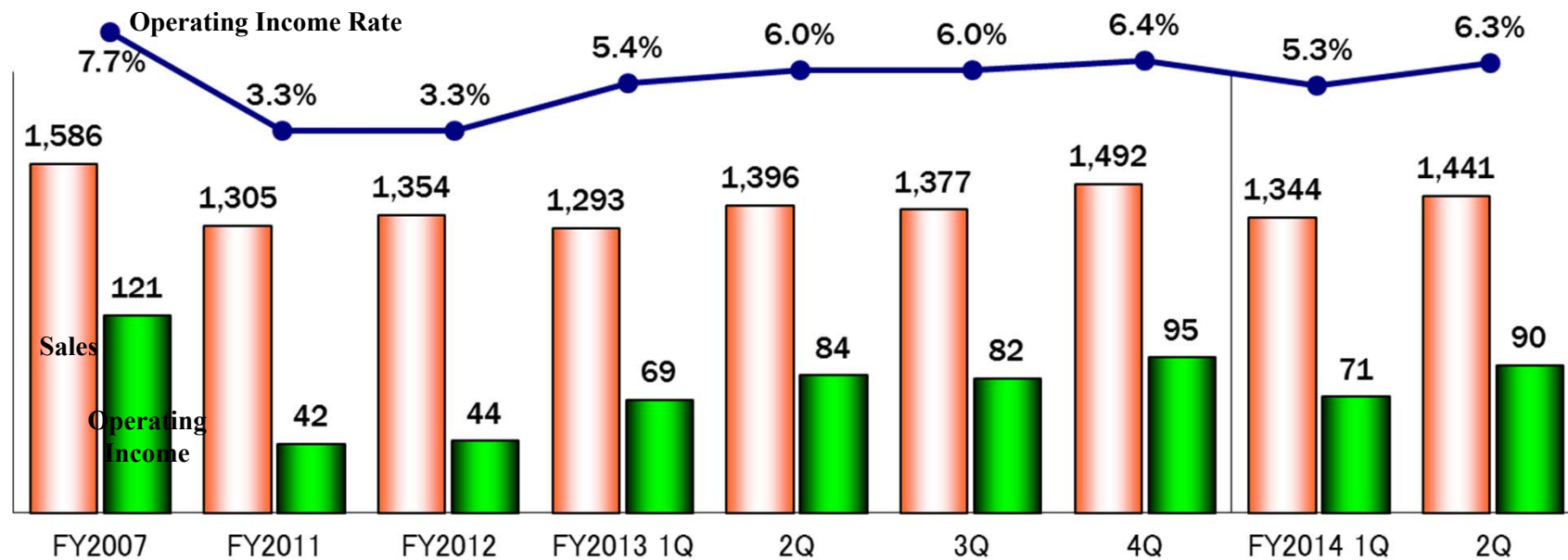
1-5) Financial Result by Region [Japan]

(100 million yen)

Japan	First-Half FY2013	First-Half FY2014	Increase /Decrease	Increase /Decrease(%)
Net Sales	2,689	2,786	+96	+3.6%
Operating Income	154	162	+8	+5.2%
Operating Income (%)	5.7%	5.8%		

Quarter Trend

(100 million yen)

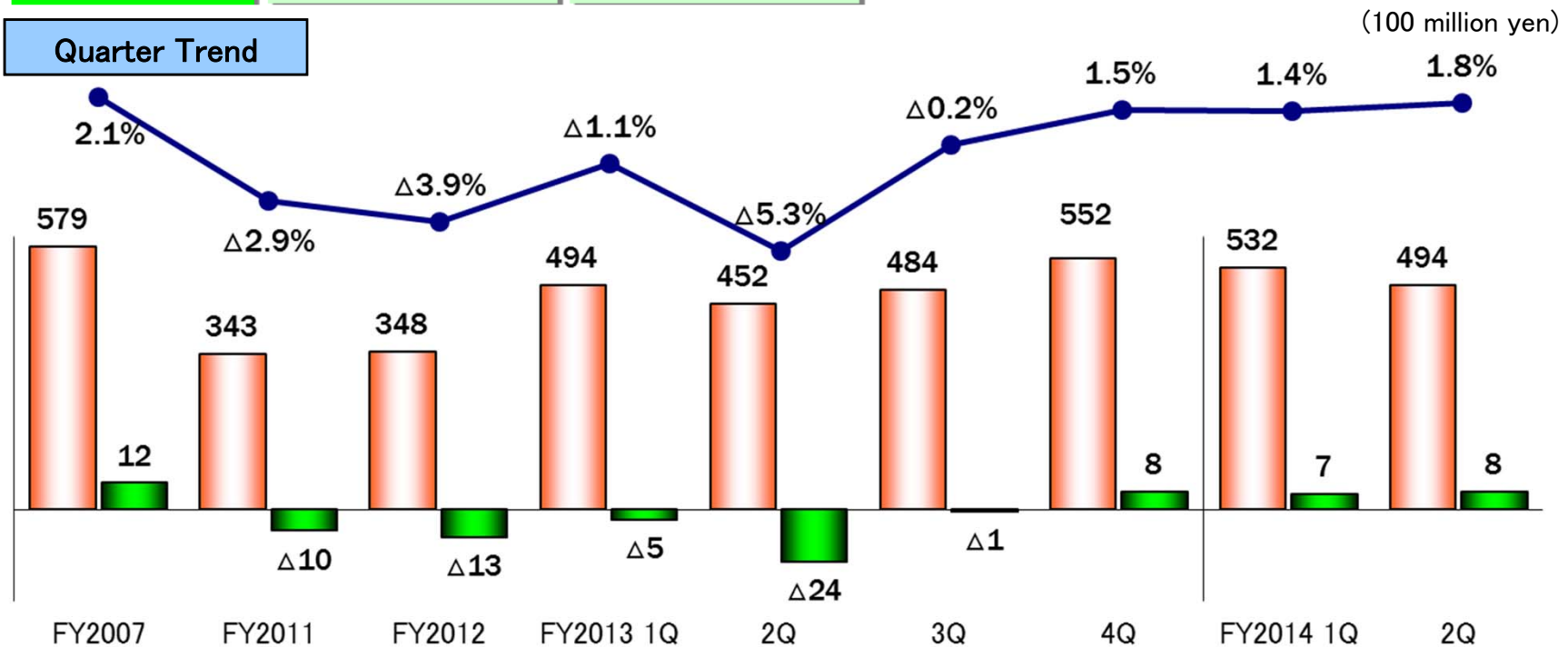


1-5) Financial Result by Region [Europe]

(100 million yen)

Europe	First-Half FY2013	First-Half FY2014	Increase /Decrease	Increase /Decrease (%)
Net Sales	947	1,027	+80	+8.4%
Operating Income	△29	+16	+45	—
Operating Income (%)	△3.1%	1.6%		

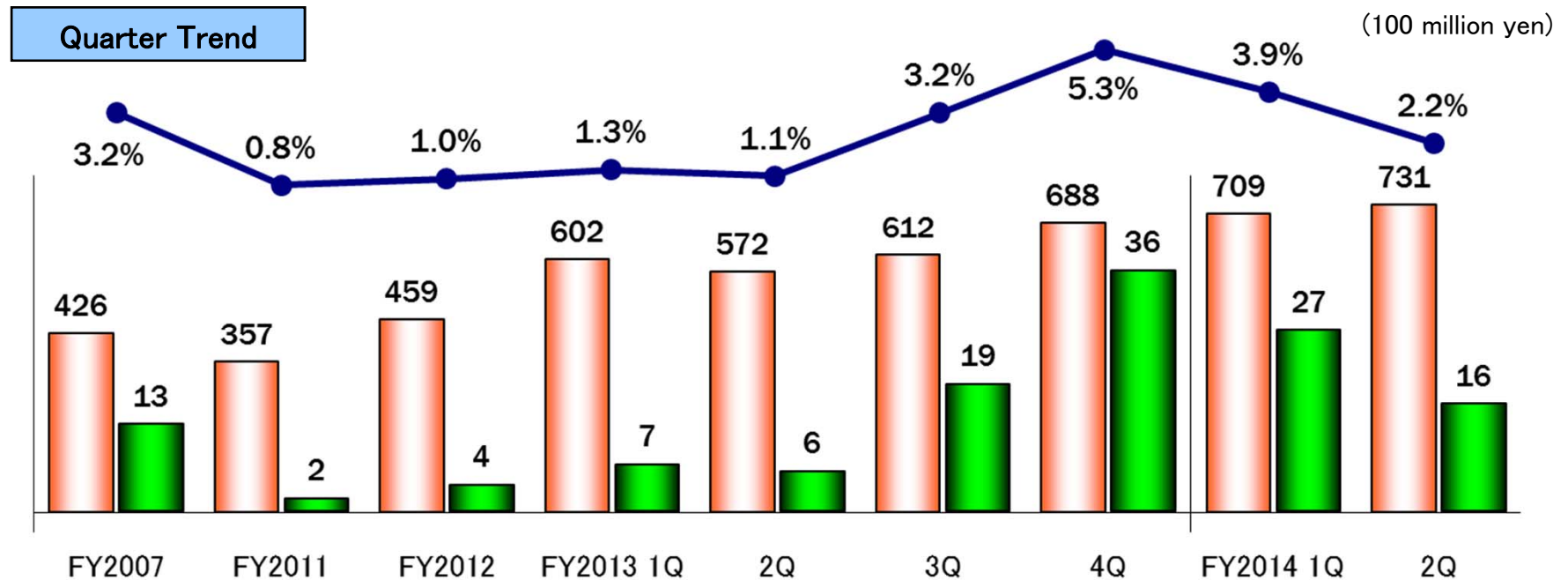
Quarter Trend



1-5) Financial Result by Region (North America)

(100 million yen)

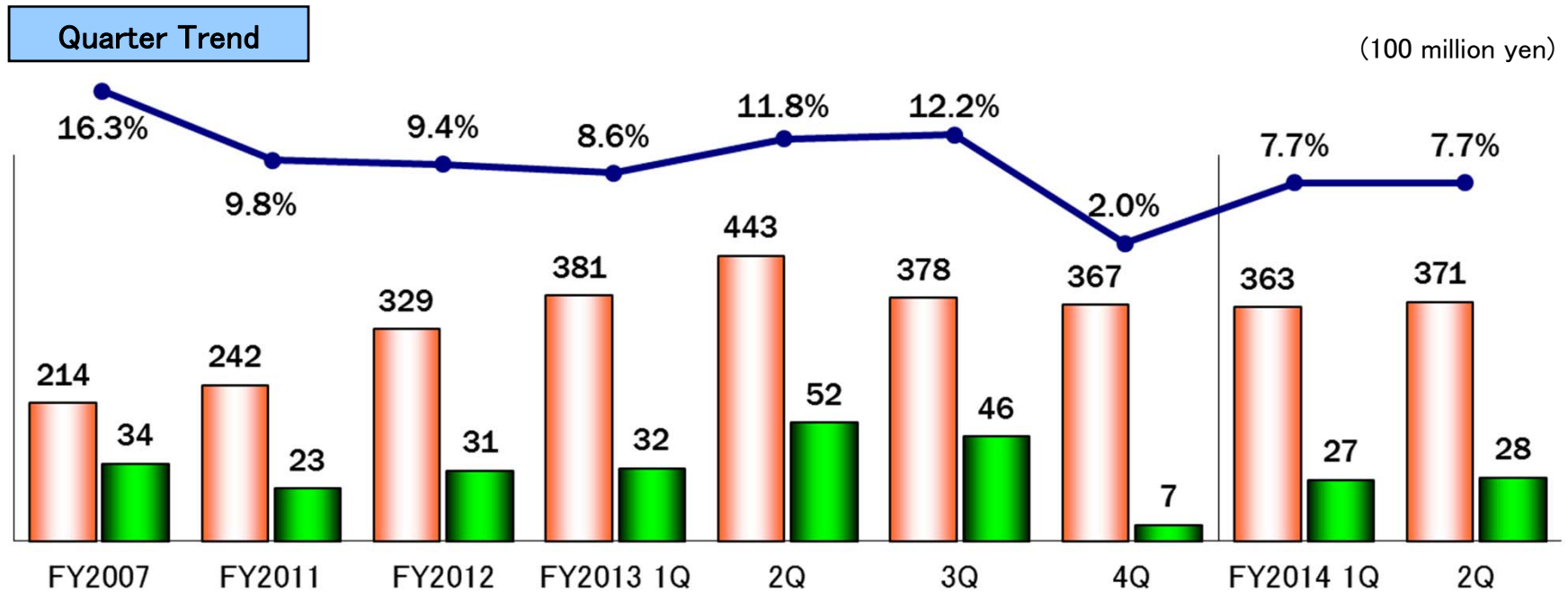
North America	First-Half FY2013	First-Half FY2014	Increase / Decrease	Increase / Decrease (%)
Net Sales	1,174	1,440	+266	+22.6%
Operating Income	13	44	+30	+219.3%
Operating Income (%)	1.2%	3.1%		



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

(100 million yen)

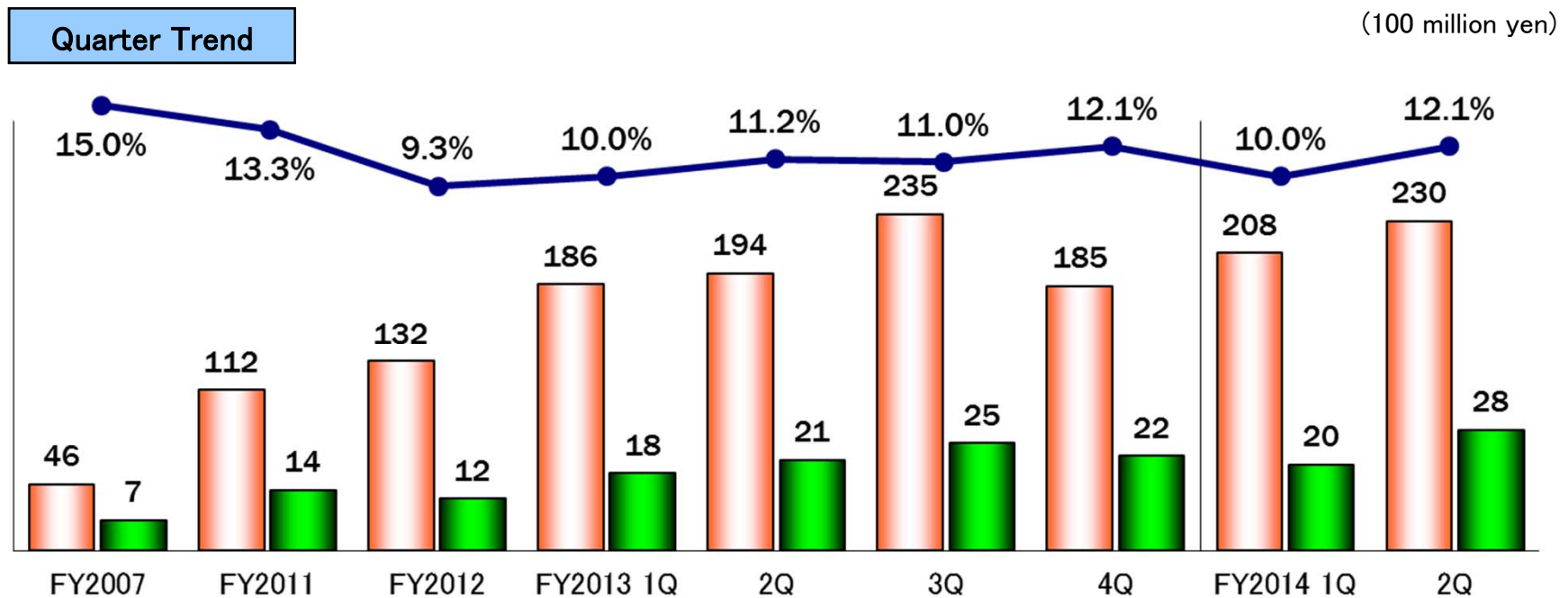
Asia-Oceania	First-Half FY2013	First-Half FY2014	Increase / Decrease	Increase / Decrease (%)
Net Sales	824	735	△89	△10.9%
Operating Income	84	56	△27	△33.1%
Operating Income (%)	10.3%	7.7%		



1-5) Financial Result by Region 【China】

(100 million yen)

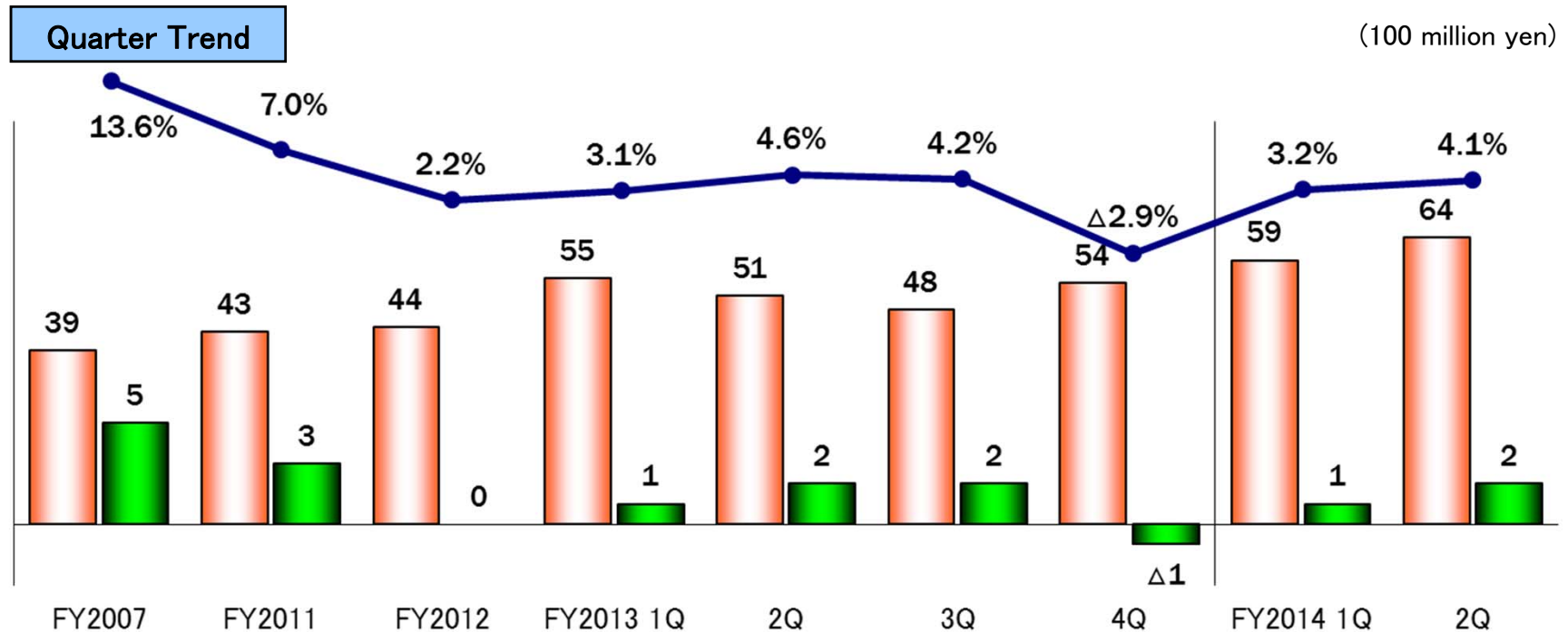
China	First-Half FY2013	First-Half FY2014	Increase / Decrease	Increase / Decrease (%)
Net Sales	381	439	+58	+15.2%
Operating Income	39	48	+9	+23.9%
Operating Income (%)	10.3%	11.1%		



1-5) Financial Result by Region **【Other】**

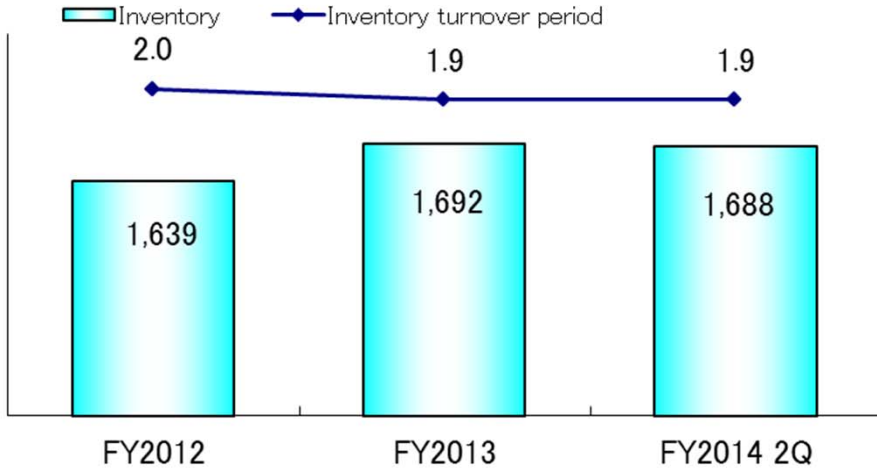
(100 million yen)

Other	First-Half FY2013	First-Half FY2014	Increase / Decrease	Increase / Decrease (%)
Net Sales	107	123	+16	+15.8%
Operating Income	4	4	+0	+10.1%
Operating Income (%)	3.8%	3.6%		



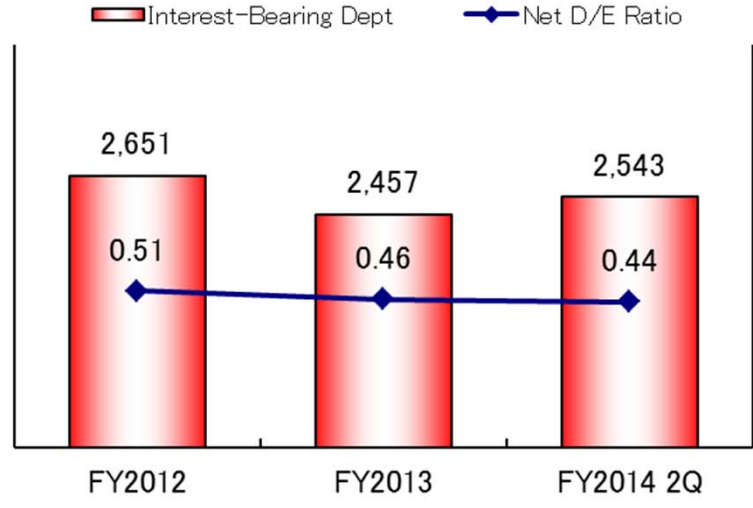
1-6) Financial Data

Inventories

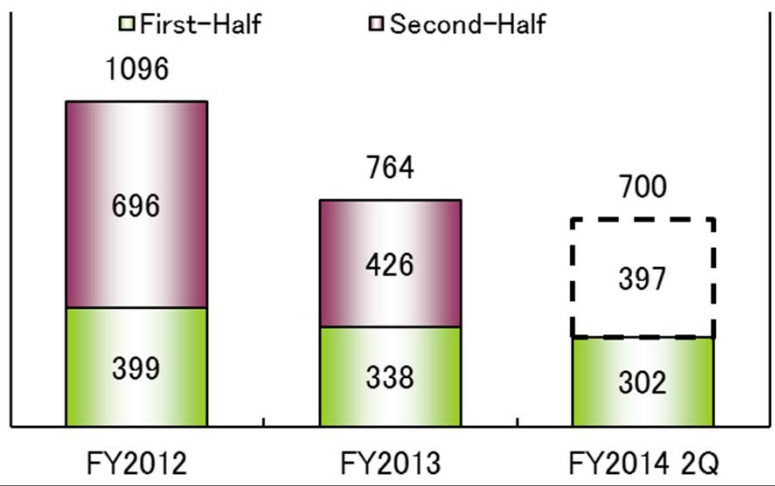


Interest-Bearing Dept

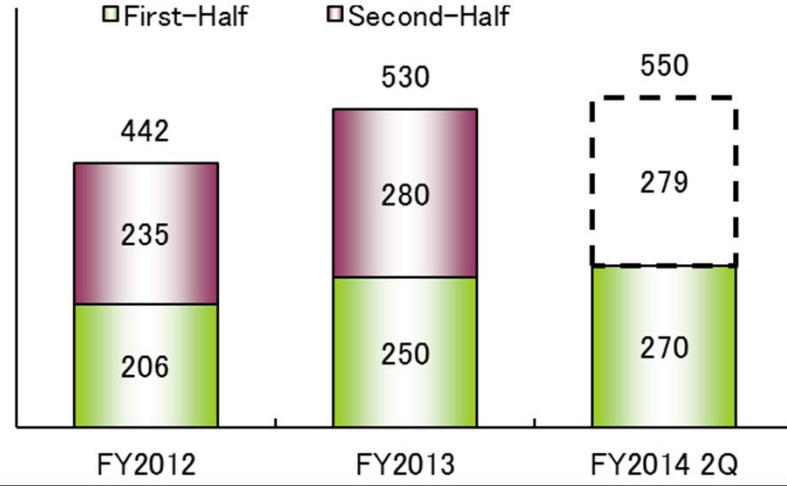
(100 million yen)



Capital Expenditure



Depreciation



1. First half results for Fiscal 2014

2. Forecast for fiscal 2014

3. Mid-Term Management Plan

2-1) External Environment

- **Sustainable in developed countries**
 - US Market remains expanding at a moderate pace
 - Modest recovery remaining in Europe Market
- **Sluggishness in emerging countries**
 - Stable growth with uncertainty in China Market
 - Weak growth in emerging countries except China
- **Depressed recovery in Japan**

2-2) Full Year Forecast ~Revised on Oct. 31~

(100 million yen)

	FY2013 (Actual)	FY2014(Expected)			Increase /Decrease	Increase /Decrease (%)
		1st-Half	2nd-Half	Full Year		
Net Sales	12,601	6,552	6,547	13,100	+498	+4.0%
Operating Income	(4.6%) 582	(5.1%) 334	(5.3%) 345	(5.2%) 680	+97	+16.8%
Ordinary Income	(4.9%) 618	(5.4%) 353	(5.1%) 336	(5.3%) 690	+71	+11.5%
Net Income	(1.9%) 233	(3.4%) 222	(2.7%) 177	(3.1%) 400	+166	+71.1%
Exchange Rate (Apr.~Mar.)	99yen/USD 133yen/EUR	102yen/USD 137yen/EUR	95yen/USD 130yenEUR	99yen/USD 134yen/EUR	— +1yen	
Capital Expenditure	764	302	397	700	△64	△8.4%
Depreciation	530	270	279	550	+19	+3.7%
Dividend	14yen	14yen	14yen	28yen	+14yen	

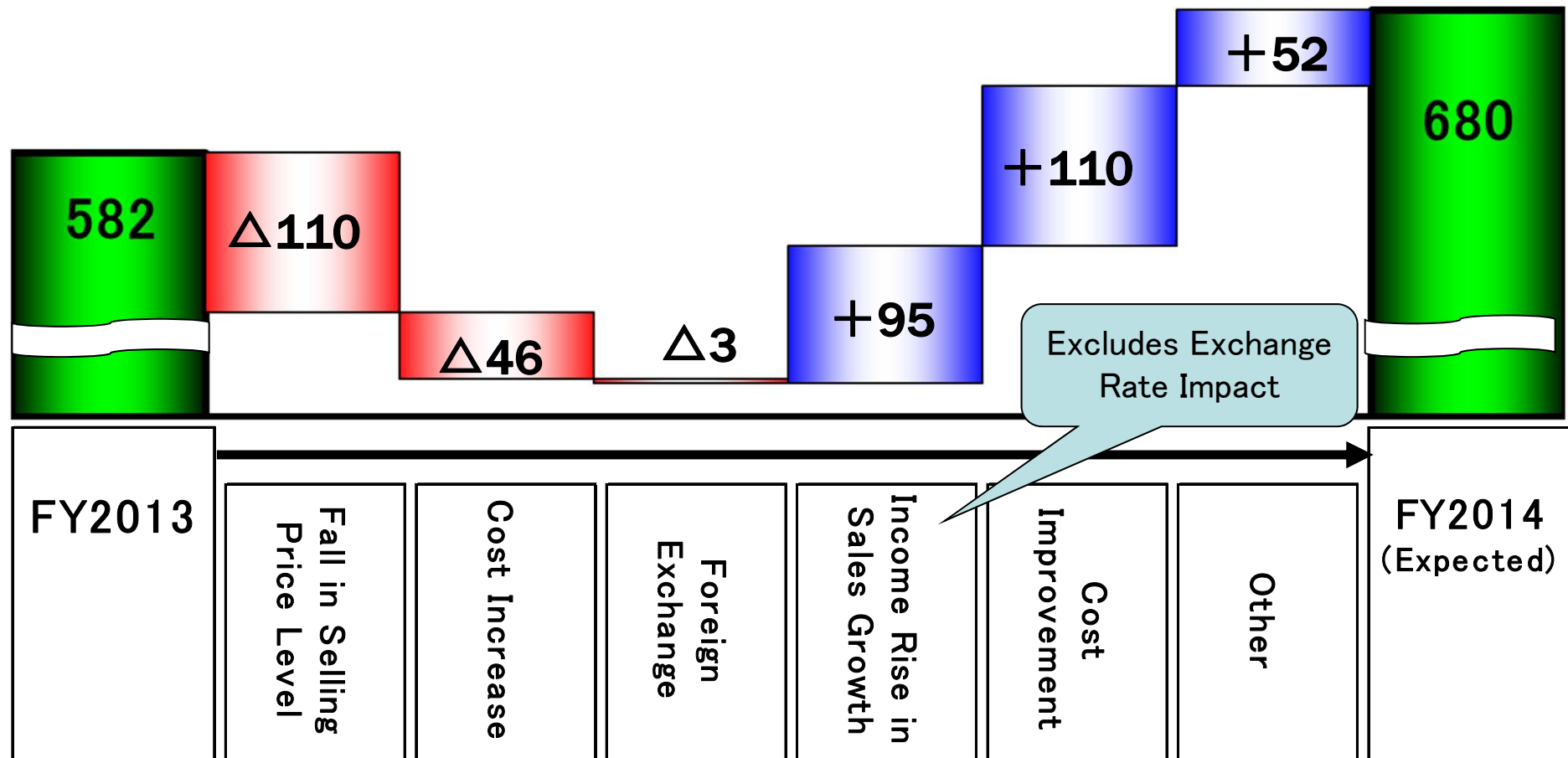
(): Profit Margin on sales

2-3) Operating Income Change Analysis

Operating Income +98

(100 million yen)

Negative Impact $\Delta 159$ **Positive Impact +257**



2-4) Net Sales by Product

(100 million yen)

	FY2013 (Actual)	FY2014(Expected)			Increase /Decrease	Increase /Decrease (%)	
		1st-Half	2nd-Half	Full Year			
Mechanical Components	Steering System	5,991	3,106	3,063	6,170	+178	+3.0%
	Bearings	3,807	1,966	1,998	3,965	+157	+4.1%
	Driveline Components	1,397	717	707	1,425	+27	+2.0%
	【Total】	11,195	5,790	5,769	11,560	+364	+3.3%
Machine Tools & Other	1,406	761	778	1,540	+133	+9.5%	
【Sales Total】	12,601	6,552	6,547	13,100	+498	+4.0%	

2-5) Net Sales by Region

(100 million yen)

	FY2013 (Actual)	FY2014(Expected)			Increase /Decrease	Increase /Decrease (%)
		1st-Half	2nd-Half	Full Year		
Japan	5,560	2,786	2,853	5,640	+79	+1.4%
Europe	1,983	1,027	972	2,000	+16	+0.8%
North America	2,475	1,440	1,349	2,790	+314	+12.7%
Asia - Oceania	1,570	735	724	1,460	△110	△7.0%
China	801	439	530	970	+168	+21.0%
Other	209	123	116	240	+30	+14.6%
【Sales Total】	12,601	6,552	6,547	13,100	+498	+4.0%

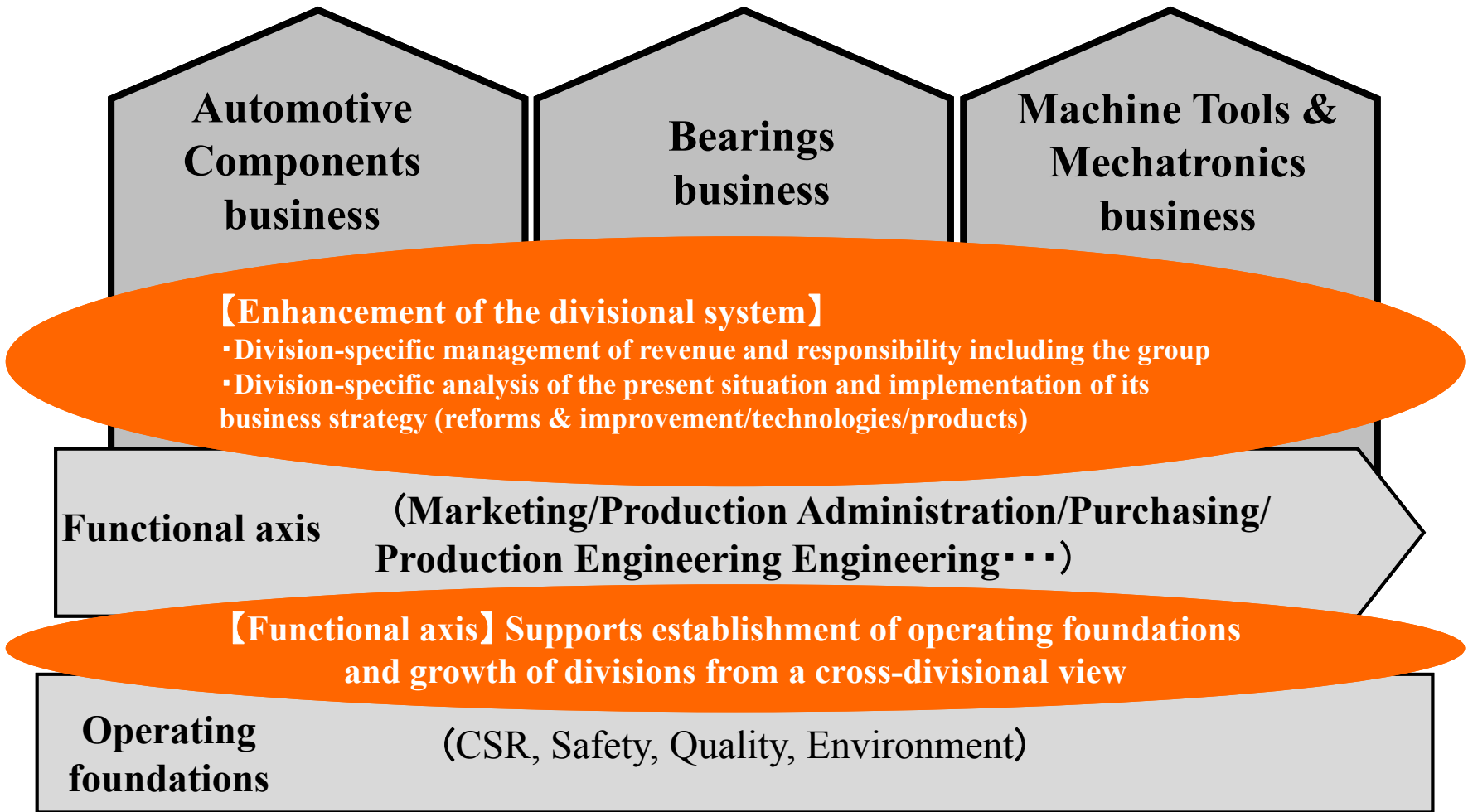
1. First Half Results for Fiscal 2014

2. Forecasts for Fiscal 2014

3. Mid-Term Management Plan

3-1) 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
Product Power Reinforcement	<ul style="list-style-type: none"> ▪ functional safety, small & light, power saving, automatic driving ▪ Promotion of key Parts & Components strategy(Column/MCU) ▪ Launch competitive products onto the market (RP/DP-EPS, Next generation EPS)
Revolution of Business Model	<ul style="list-style-type: none"> ▪ Strengthening of front loading activities and global-business negotiation skills ▪ Reinforcement of pricing strategy and cost planning
Construction of supply system	<ul style="list-style-type: none"> ▪ Construction of supply system in growing markets ▪ Appropriate arrangement of resources

3-2) Automotive Components(2) – Efforts in Steering System

Actual performance until the 2nd quarter

- Maintained the market share by utilizing the global supply system (No.1 in the world)
- Looking ahead 5 years from now, reinforced product power and constructed and improved the supply system

Product Power Reinforcement

- ◆ **Global R&D network**
- ◆ **Developed lower assist EPS**
- ◇ Launched a new-standard column
- ◇ Developed and evaluated standard MCU Series

Revolution of Business Model

- ◇ Response to global PJs (global customers)
- Plenty of orders from Japanese customers
- Expanding sales for mid-size and large cars to Euro-American customers

Construction of Supply System

- ◆ **A new base set up in Mexico (start of production in 2015)**
- ◆ **Restructured and reinforced supply foundations of bases in North America**
- ◇ Brazil: Started EPS production
- ◇ Thailand: Increased production capacity
- ◇ China: Launched lower EPS and transferred and expanded the technical center



A new base in Mexico (not an actual plan)

3-2) Automotive Components(3) Global R&D Network

Oobeya working activities and cooperation

- Sales/
- Design
- Prod. tech./
- Prod. control
- Procurement/
- Prototyping/Mfg.



<Japan>

- R&D center
- Automotive components engineering HQ

Strengthening of global management
Strengthening of element development

<Other regions/emerging countries>

BRAZIL
South America Technical Center

CHINA
Technical Center / Technical office
ECU engineering (JAST)

ASEAN
Technical Center

INDIA
Stationing and detachment of engineers (JSAI)

Strengthening of evaluation functions and customer handling for the time being



<North America>

N.A. Technical Center

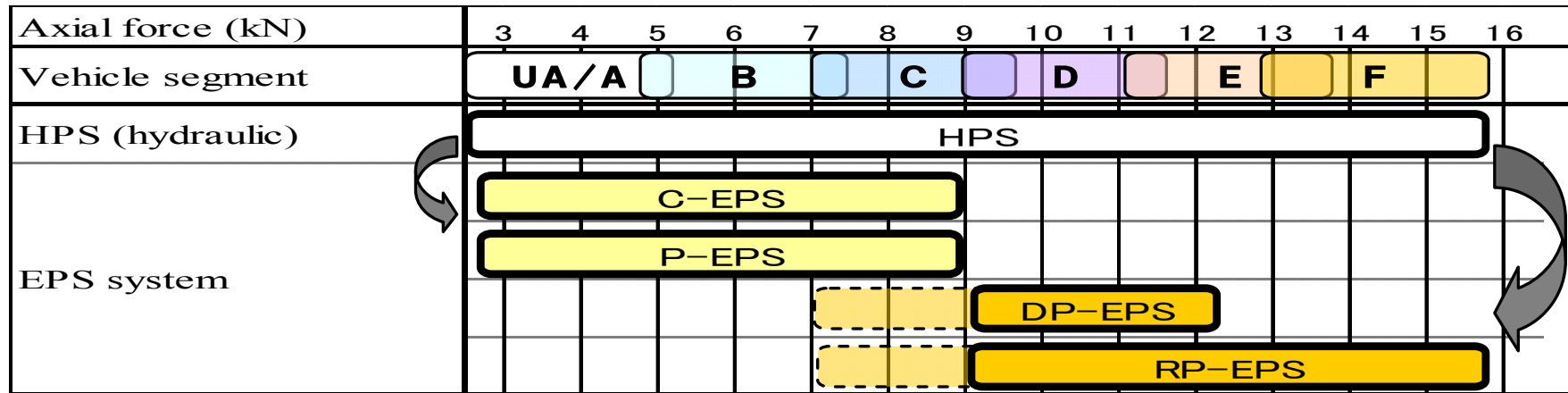
<Europe>

European Technical Center



Mass production development

3-2) Automotive Components(4) Lower Assist EPS Development



Line-up comparison with competitors		JTEKT	A Corp.	D Corp.	E Corp.
Hydraulic	HPS (hydraulic)	○	○	×	○
	H-EPS (electric power pump)	○	○	×	×
Column assist	C-EPS (column type)	○	○		×
Lower assist	P-EPS (pinion)	○	×		○
	DP-EPS (dual pinion)	○	○		×
	RP-EPS (rack parallel)	○	○		×

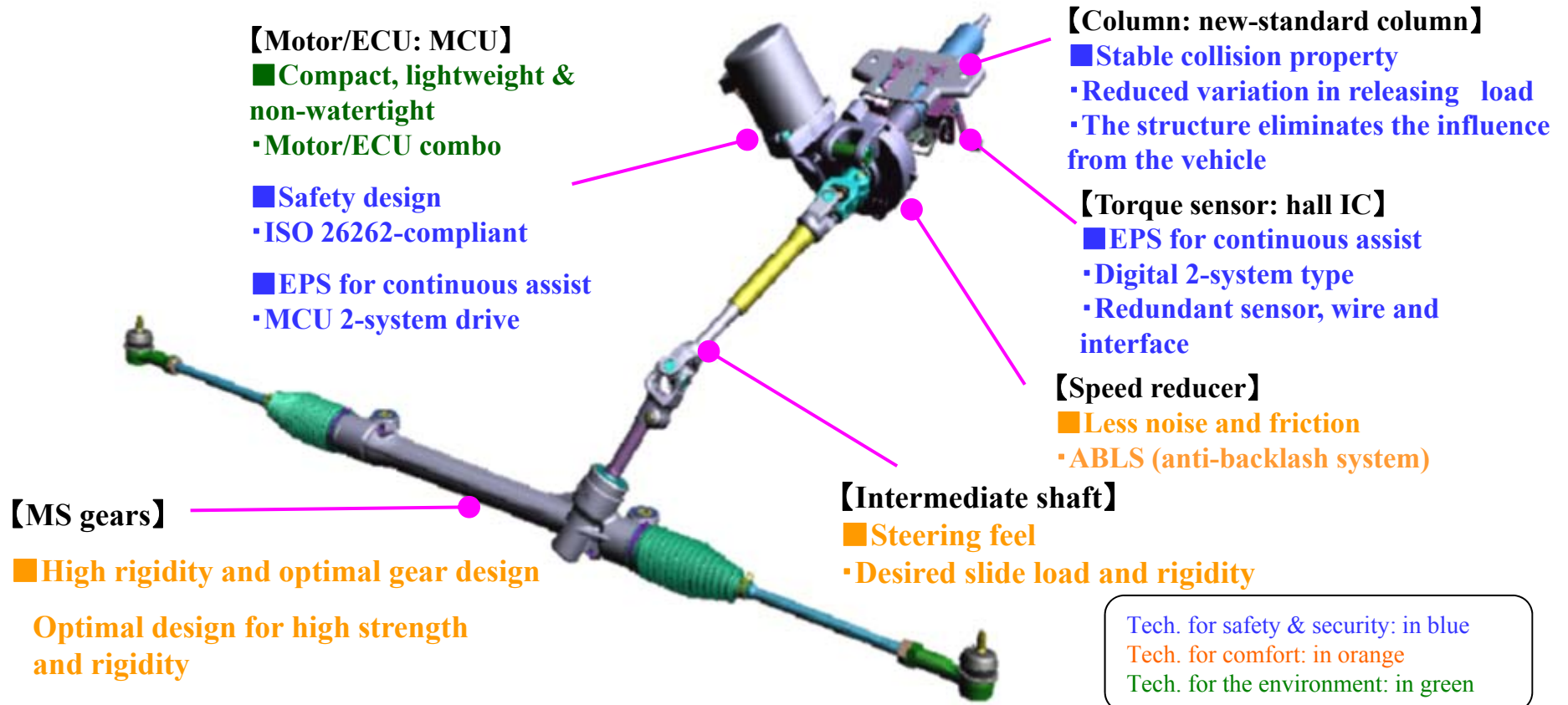
- Expansion of DP-EPS/development of RP-EPS in anticipation of application of EPS to mid-size and large cars
- EPS series for each vehicle segment to cover a wide range of vehicles from compact to large cars and SUVs

3-2) Automotive Components(5)

FYI) C-EPS (column type)

The world's first EPS system we put to practical use in 1988

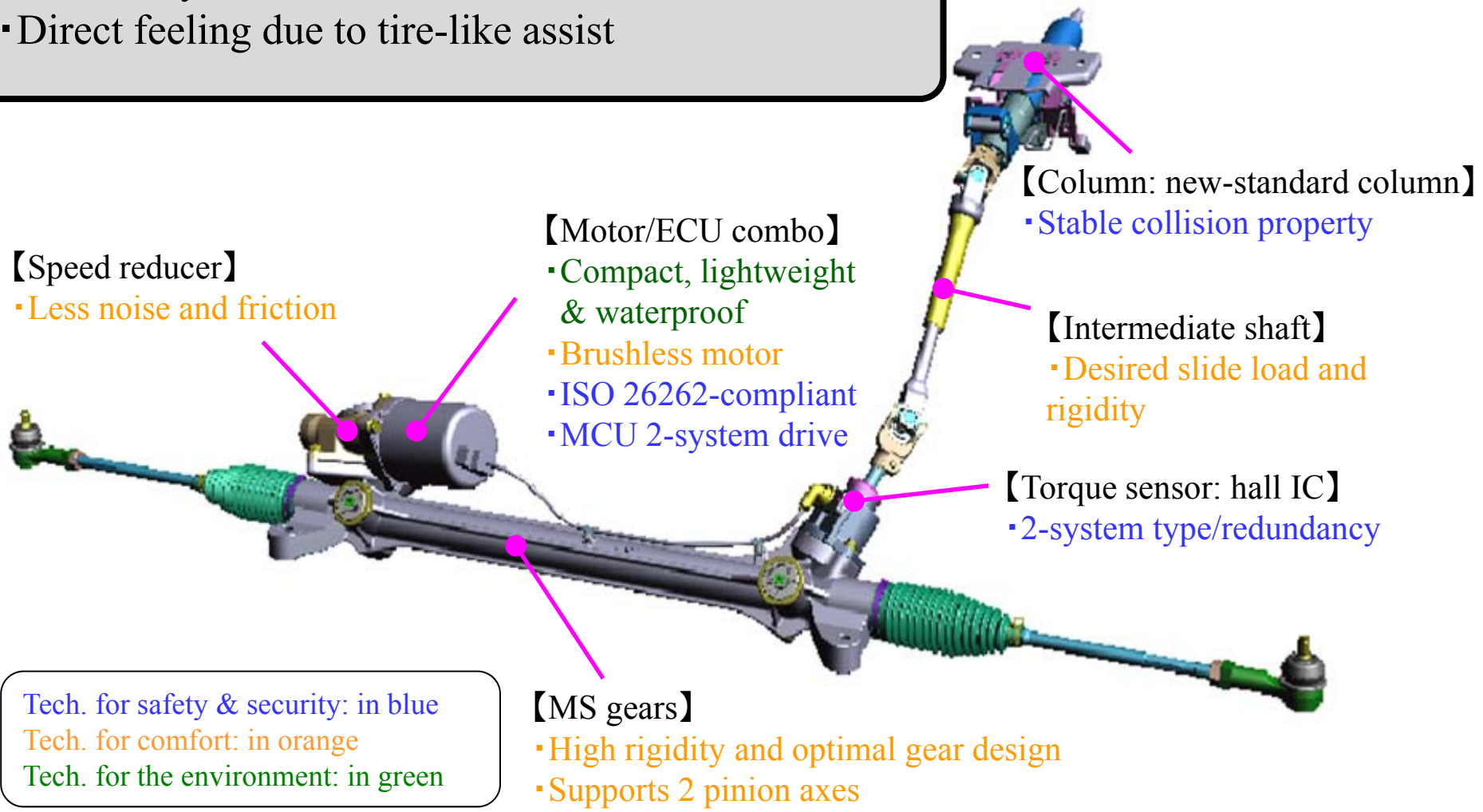
- An EPS system for compact cars
- Highly appreciated by auto manufacturers around the globe because of the interior motor, which eliminates the need for heat resistance and waterproof property to achieve fuel saving, downsizing and cost reduction



3-2) Automotive Components(6)

FYI) DP-EPS (dual pinion)

- An EPS system for mid-size cars
- Direct feeling due to tire-like assist



Tech. for safety & security: in blue
 Tech. for comfort: in orange
 Tech. for the environment: in green

3-2) Automotive Components(7)

FYI RP-EPS (rack parallel)

- A steering system suitable for mid-size and large cars
- Large output but compactness, lightweight and excellent steering feel

【Speed reducer】

- Less noise and friction

【Motor/ECU combo】

- Compact, lightweight & waterproof
- Brushless motor
- ISO 26262-compliant
- MCU 2-system drive

【Column: new-standard column】

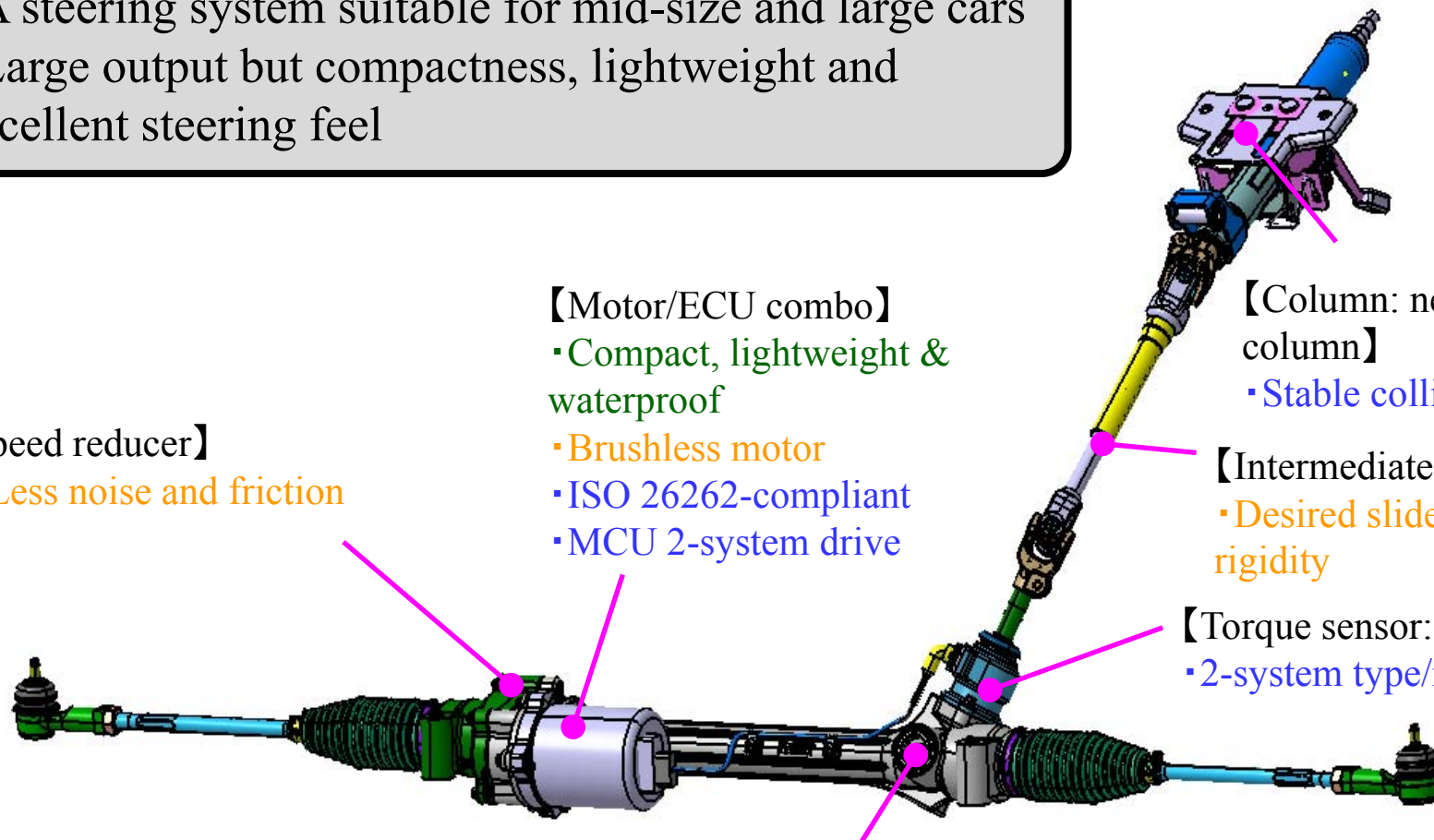
- Stable collision property

【Intermediate shaft】

- Desired slide load and rigidity

【Torque sensor: hall IC】

- 2-system type/redundancy



【R&P】

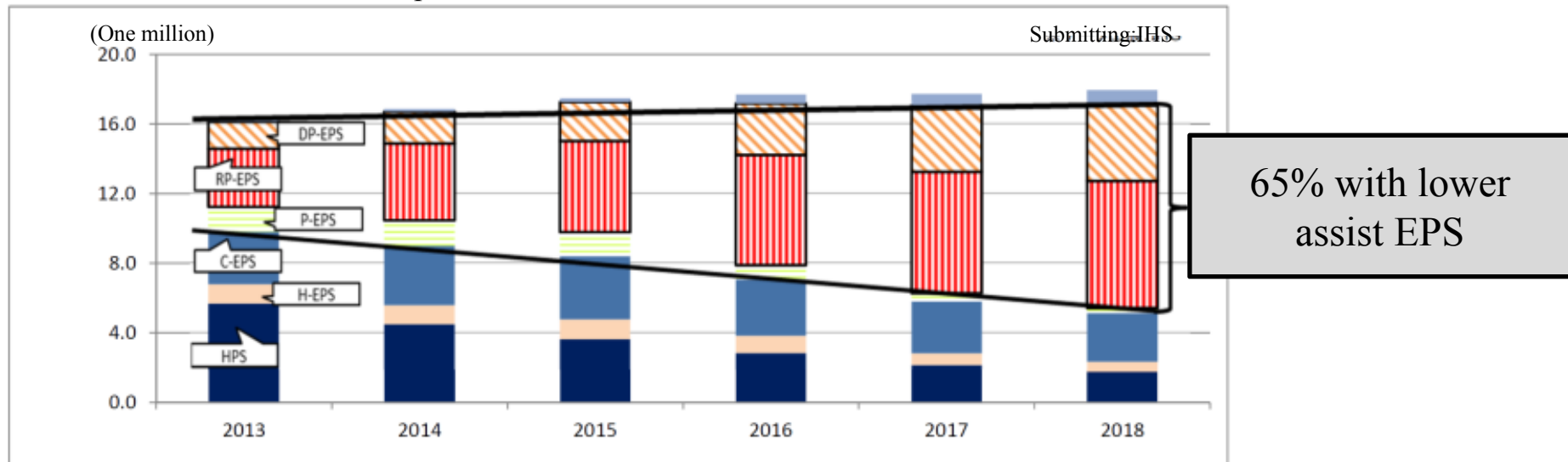
- High rigidity and optimal gear design

Tech. for safety & security: in blue
 Tech. for comfort: in orange
 Tech. for the environment: in green

3-2) Automotive Components(8) – Construction of supply system

(1) Trend in the North American market

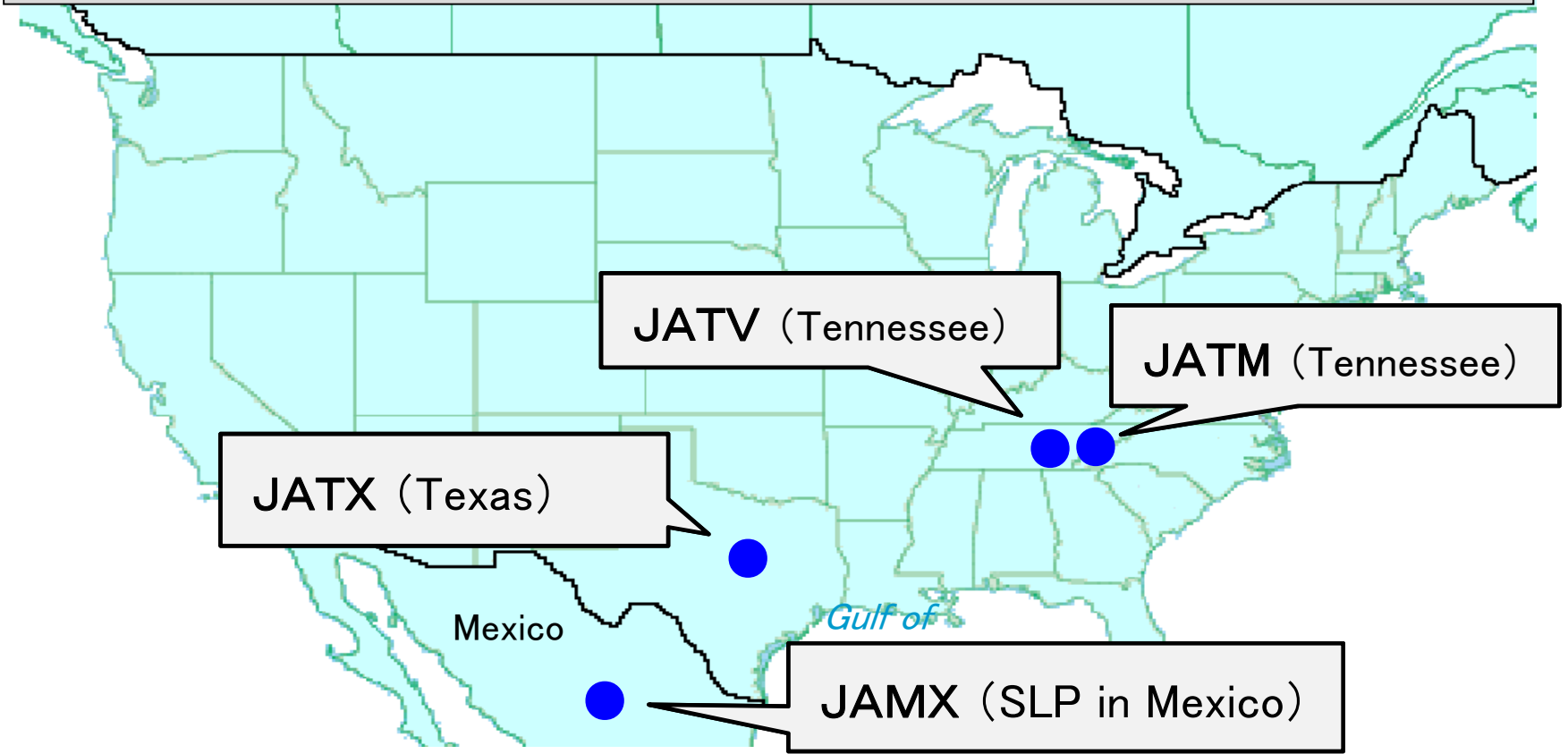
EPS prediction of demand in North America market



- Shrinking demand for HPS
- Fuel consumption regulation accelerates the shift from HPS to lower assist EPS, especially in segments C and D (mid-size and large)

3-2) Automotive Components(9) – Construction of supply system

(2) Construction of North American steering supply system
▪ Dealing with the changes in product configuration caused by the spread of lower assist EPS



3-2) Automotive Components business Plan (10) - driveline



Objective

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

Target of FY2018 (driveline)	Be a leading company on torque control devices
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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

3-2) Automotive Components(11) Efforts in Drive Line

Actual performance until the 2nd quarter

<p>ITCC / TORSEN</p>	<ul style="list-style-type: none"> ▪ Maintained the top market share in the big markets of North America and Japan ▪ Sales expansion activities in the promising markets of Europe and China
<p>CVJ</p>	<ul style="list-style-type: none"> ▪ Increased revenue of the CVJ business thanks to Oobeya activities

Product Power Reinforcement

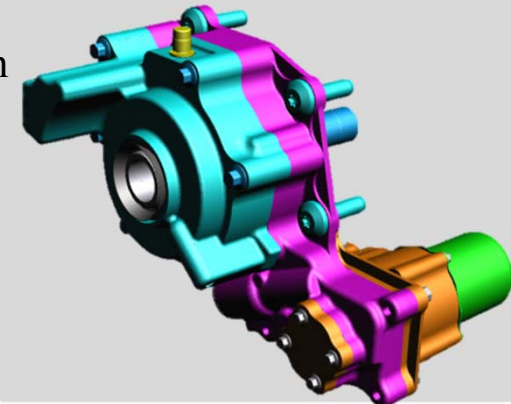
◇ **Downsizing/Cost reduction/Function enhancement**

◇ **Efforts for unitization and modularization**

【A driving force transmission unit with a disconnection function】

- Higher energy efficiency with the disconnection function, which keeps the drive system from rotating while 4-wheel driving is not necessary

- A high-response actuator and a low-drag clutch combined in a compact unit as an add-on for the existing differential



3-2) Automotive Components(12) Efforts in Drive Line

Customer Increase

Market Development

◇ Developed a system for approach to European and Chinese customers

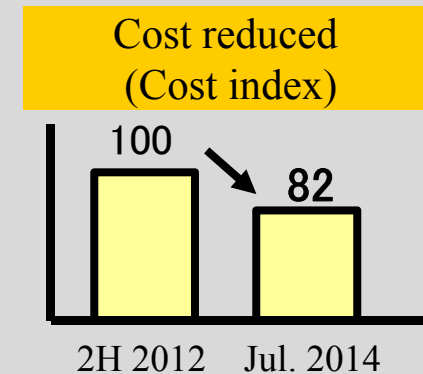
- Started front loading to European customers
- Strengthened marketing and benchmark

Revenue Base Reinforcement

◇ Tadamisaki Plant revenue raising activities

Continued (CVJ Oobeya activities)

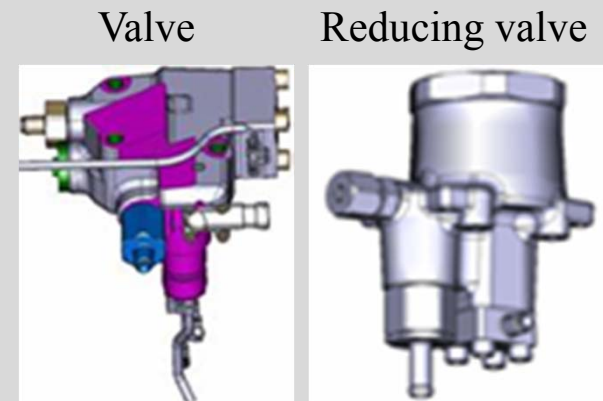
- Brought the results of activities in the mother plant to Thailand and North America



Next-Generation Product Development

◇ Developed parts for FCVs

- Completed development of high-pressure hydrogen supply valves (start of mass production this fiscal year) ahead of full scale spread of FCVs



3-3) Bearings Business Plan (1)

Objective

Constitutional Improvement and Following with Global Market Growth

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

Markets of focus (Industrial machine field)
Steel
Machine tools
Wind power generation
Agricultural machinery/ Construction machinery
Special environments (Ex:Medical/Semiconductors)
Development of high value added products High reliability Better performance and quality

3-3) Bearings Business Plan (2) Efforts

Actual performance until the 2nd quarter

- Restructured the domestic production system and foreign plants (Europe and China)
- Rebuilt the domestic sales system thru merger with sales subsidiaries

<p>Restructuring of domestic and foreign plants</p>	<ul style="list-style-type: none"> ◆ Restructured the domestic production system (made Kokubu Plant the mother plant of industrial machine bearings) ◆ Restructured foreign plants (higher profitability and base restructuring)
<p>Strengthen product competitiveness corresponded to market trend</p>	<ul style="list-style-type: none"> ◆ Proposed products meeting customer needs ◇ Utilized the Large Size Bearing Engineering Development Center ◇ Introduced a super-size bearing evaluation test machine
<p>Strengthen competitive product by sales revolution</p>	<ul style="list-style-type: none"> ◆ Merger with sales subsidiaries (sales system optimization) <ul style="list-style-type: none"> ▪ The prompt delivery system reinforced and more variety of products ▪ Consolidated inventory control (a center warehouse and small lot order management) ◇ Improved sales techniques (sales engineer training)
<p>Establishment of production power and production engineering power</p>	<ul style="list-style-type: none"> ◇ Multi-production and small lot production line <ul style="list-style-type: none"> ▪ Thorough process integration and single changeover ▪ Reduced machining lead time and in-process inventory ▪ Reduced the base unit of investment

“Kokubu Plant restructuring” overview (1)

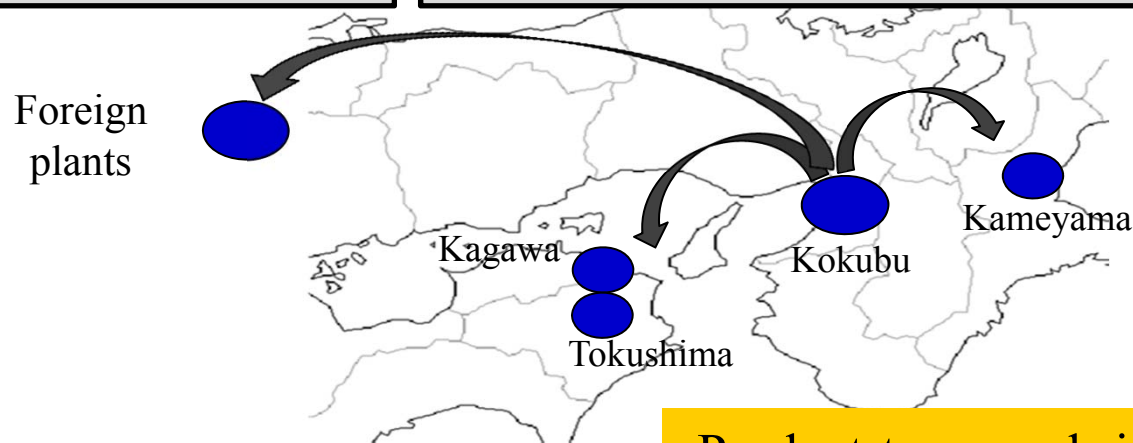
Production line	Activities
Mid-size and large	<ul style="list-style-type: none"> ▪ Development of the optimal cost line based on the lot size ▪ Establishment of a system supporting small lots
Aviation/rail	<ul style="list-style-type: none"> ▪ Greater product power thru integration of important safety-part processes ▪ Greater product power thru a much cleaner assembly process
Machine tool	<ul style="list-style-type: none"> ▪ Innovative machining technology of products for spindles (compilation into a single standard)
Extra large	<ul style="list-style-type: none"> ▪ Greater product power thru a much cleaner assembly process ▪ Large-scale heat treatment: Greater product power thru an innovative building method

3-3) Bearings Business Plan (4) Restructuring of Domestic Prod. System



“Kokubu Plant restructuring” overview (2)

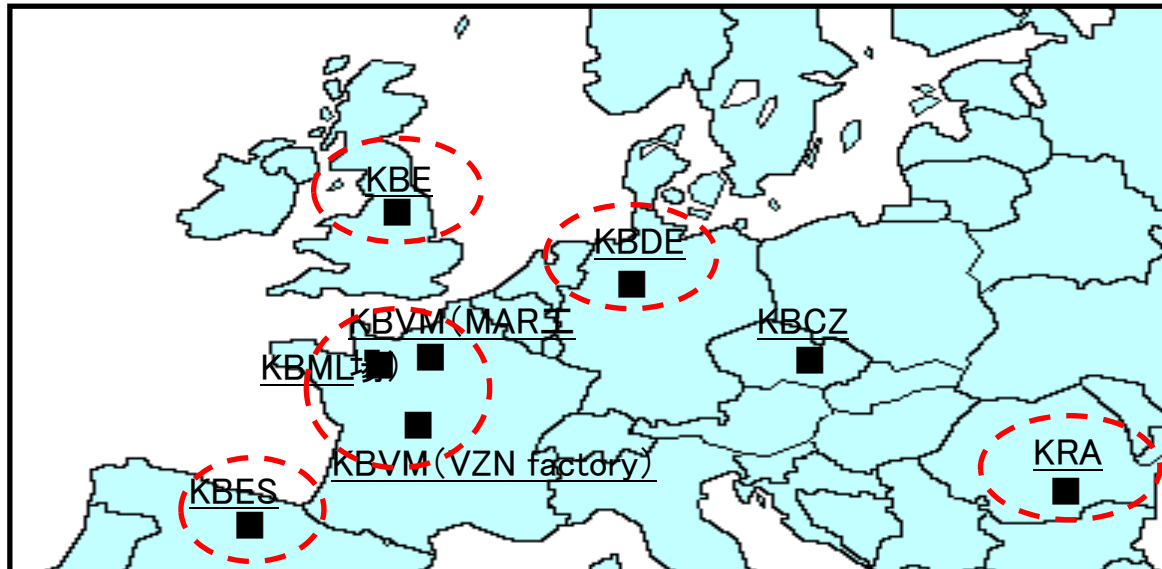
Production line	Activities
TRB	<ul style="list-style-type: none"> ▪ Focusing on mid- and large-size Expansion of sophisticated products and reduction in machining lead time
HUB	<ul style="list-style-type: none"> ▪ Streamlining and cost optimization thru more productive human resources, equipment and space ▪ Restructuring of plants including the HUB supply chain



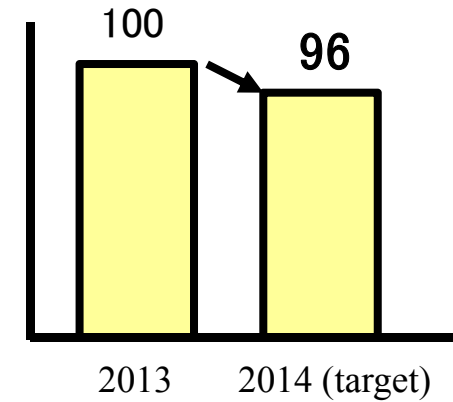
Product-type- and size-specific restructuring to be followed by supply chain streamlining

3-3) Bearings Business Plan (5) Restructuring of Foreign Plants

(1) European bearing plants restructuring map



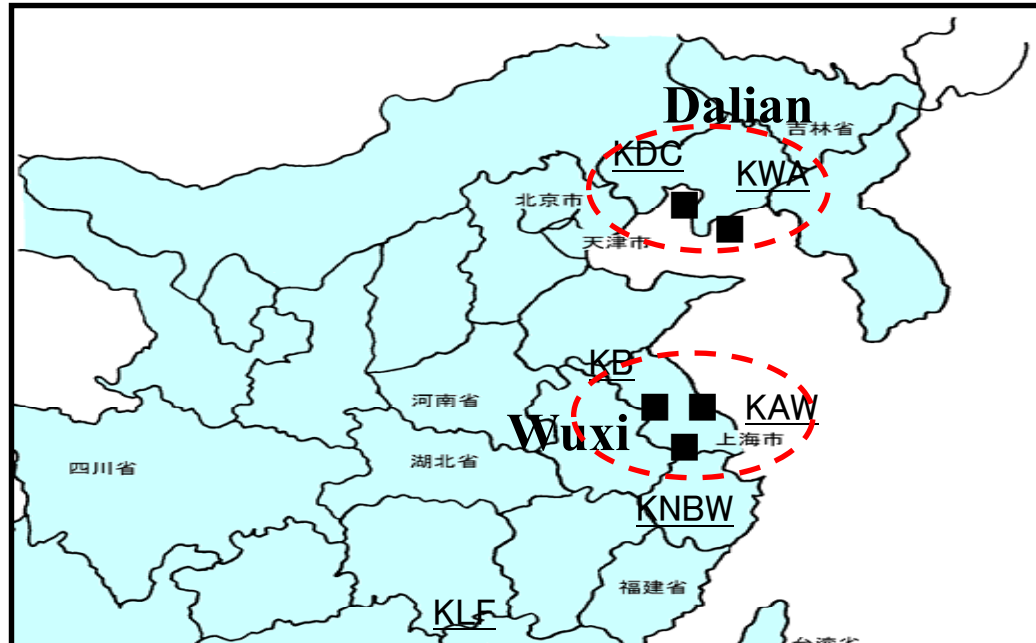
Cost reduced (Cost index)



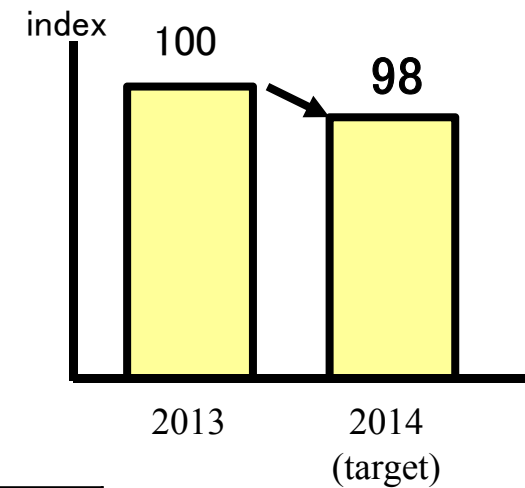
Plant (country)	Restructuring/structural reform
KBE (UK)	To be turned into a HUB-only plant
KBVM/KBML (France)	Plant and management division restructuring
KBES (Spain)	To be closed
KBDE (Germany)	Reviewing of the organization and logistics

3-3) Bearings Business Plan (6) Restructuring of Foreign Plants

(2) Chinese bearing plants restructuring map



Cost reduced (Cost index)



Plant (region)	Restructuring
KDC (Dalian)	Consolidation of miniature and small-diameter SBB production bases
WKB (Wuxi)	SBB production to be limited to small size
KAW (Wuxi)	SBB production to be limited to mid-size

3-3) Bearings Business Plan (7) Product Power Reinforcement

(1) Examples of product development meeting customer needs

<p>Steel</p>	<ul style="list-style-type: none"> ▪ Large hyper couplings for driving steel
<p>Special environment</p>	<ul style="list-style-type: none"> ▪ High-corrosion, long-lived bearings (roller guard pro bearings)
<p>Agricultural machinery</p>	<ul style="list-style-type: none"> ▪ Tapered roller bearings with higher wear resistance (Super Dura bearings)
<p>Automobile</p>	<ul style="list-style-type: none"> ▪ 3rd generation tapered roller hub unit
	<ul style="list-style-type: none"> ▪ Needle roller bearings for fast-rotating planetaries
	<ul style="list-style-type: none"> ▪ Ultrathin thrust needle roller bearings

3-3) Bearings Business Plan (8) Product Power Reinforcement

Large Size Bearing Engineering Development Center



Evaluation test machine for the steel industry



Evaluation test machine for the wind power generation industry



Evaluation test machine for the rail industry

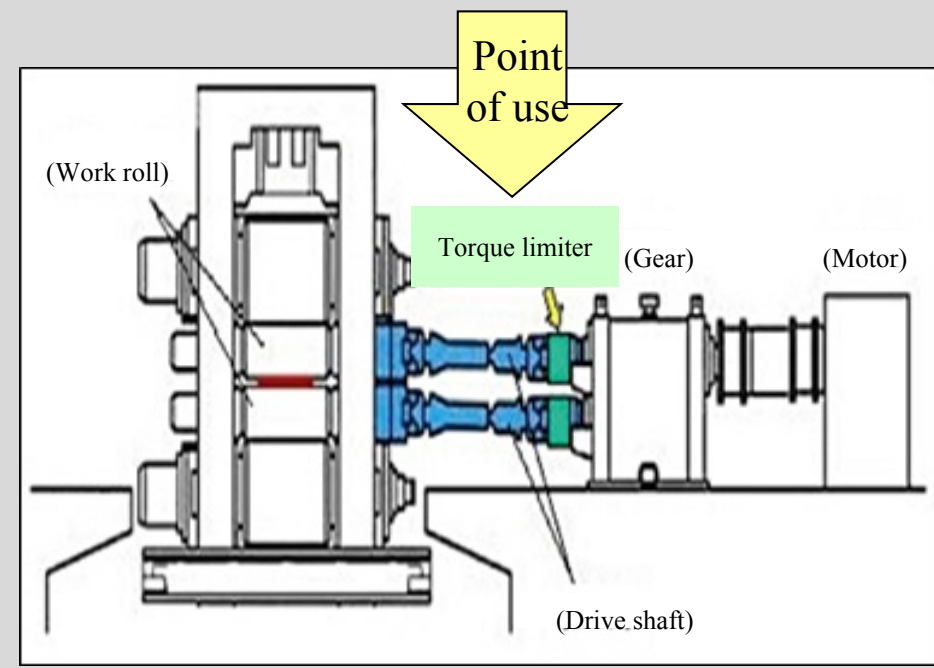


3-3) Bearings Business Plan (9) Product Power Reinforcement

(2) Examples of product development meeting customer needs (industrial machine bearings)

Large hyper couplings for driving steel (torque limiter)

- Developed hyper couplings for large drive shafts to protect the drive system from instantaneous excessive torque of a steel rolling machine



3-3) Bearings Business Plan (10) Product Power Reinforcement

(3) Examples of product development meeting customer needs (industrial machine bearings)

High-corrosion, long-lived bearings (roller guard pro bearings)

- Best for transfer rolls in film manufacturing apparatus and other chemical solution tanks
- High-hardness, high-corrosion resistant stainless steel for bearing rings and anticorrosive ceramic for rolling elements
- A bearing unit with aligning rings absorbs slack in the transfer roll



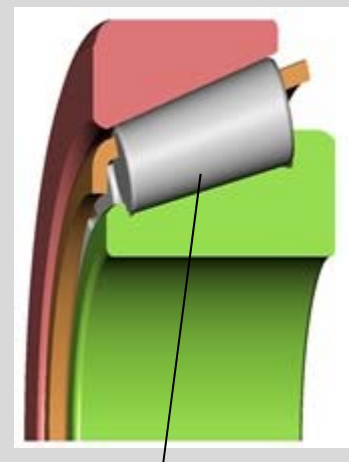
High-corrosion, long-lived bearings
(with aligning rings)

3-3) Bearings Business Plan (11) Product Power Reinforcement

(4) Examples of product development meeting customer needs (industrial machine bearings)

Tapered roller bearings with higher wear resistance (Super Dura bearings)

- Special surface treatment applied to the roller surface significantly increases wear resistance
- Bearings for the joint part connecting the front to the rear of a vehicle like a tractor controls the fretting wear caused by micro-oscillation and boasts life more than three times longer than conventional products



Specially treated roller surface



3-3) Bearings Business Plan (12) Product Power Reinforcement

(5) Examples of product development meeting customer needs (automotive bearings)

For pickup trucks and large SUVs

3rd generation tapered roller hub unit

- Integration of the inner ring with the axis (the 3rd generation unit) achieves the axial strength 20 times greater than conventional products and reduction in weight by 600g per vehicle
- Seal design optimization more than doubles the resistance to mud-salt water compared to conventional products
- Our unique low torque technology reduces dragging torque by 50%
- Higher axial deflection precision reduces vibration around the brake



For driving wheels (left)
 and coupled driving wheels (right)

3-3) Bearings Business Plan (13) Product Power Reinforcement

(6) Examples of product development meeting customer needs (automotive bearings)

For automatic transmission

Needle roller bearings for fast-rotating planetaries

- Multi-stage automatic transmission helps speed up and downsize planetary gears
- Optimal shaping of the section of the cage prevents an increase in weight and ensures strength of the base of the column and the rib part where large stress occurs during high-speed rotation
- An increase in speed by 5 to 15% and reduction in shaft width by approx. 10%



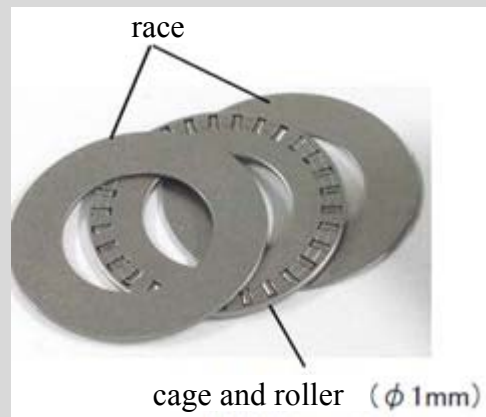
3-3) Bearings Business Plan (14) Product Power Reinforcement

(7) Examples of product development meeting customer needs (automotive bearings)

For automatic transmission

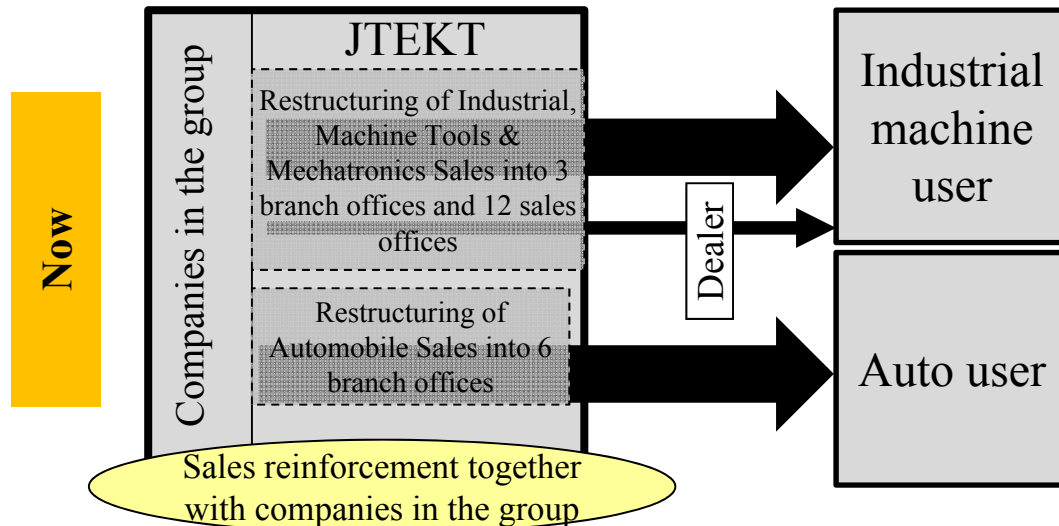
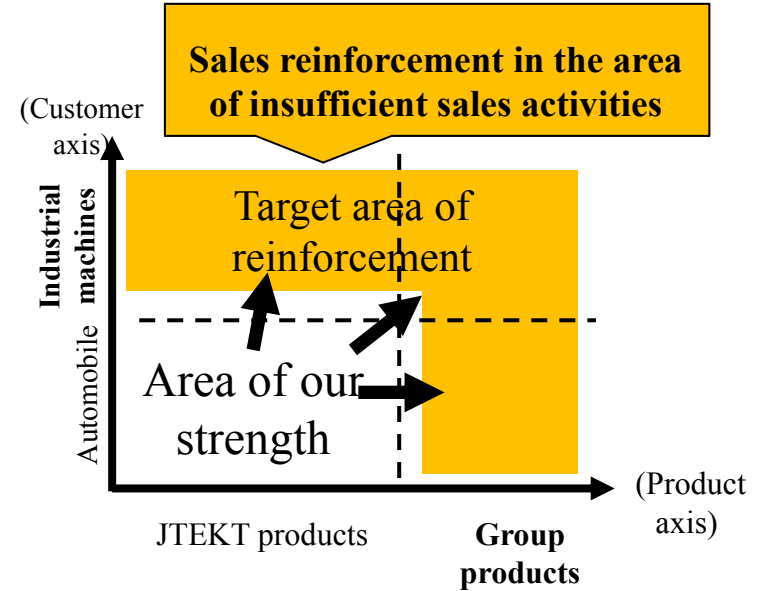
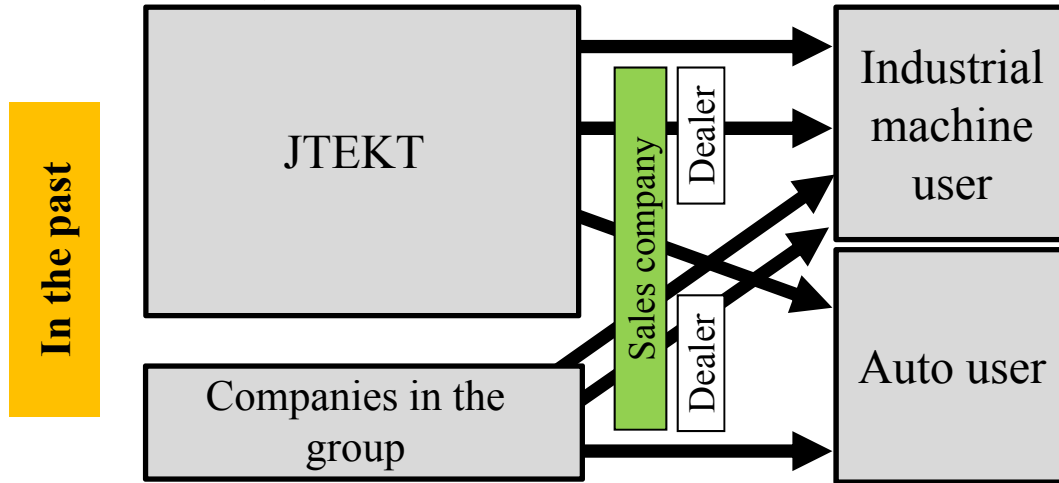
Ultrathin thrust needle roller bearings

- Rolling of the part usually being the slipping sliding part of automatic transmission planetary gears
- Reduction in friction by 80% or more, with existing copper washers
- Small-diameter rollers with the outer diameter of 1 mm and 2.5 mm in length. The world's smallest thrust needle roller bearings with two races and usable in the space of 2 mm in thickness.



3-3) Bearings Business Plan (15) Product Power Reinforcement

Reviewing of the domestic sales system (merger with sales subsidiaries)



- 1) Avoiding base and function overlap for:
Sales system optimization
Prompt delivery system reinforcement
More variety of products and more sales at the market
- 2) Clear specification of sales systems
between industrial machine and automotive fields

3-4) Machine Tools & Mechatronics Business Plan (1)

Objective

True total production system supplier full of customer reliance

Policy according to products

grinder	No.1 share in the world by superior precision
cutting/MC	Precision & processing technology for resistant material developing high value-added market
control/system	Aim to be top3 system supplier in the bearing system

Target for FY 2018

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

Enforce of sales	<ul style="list-style-type: none"> ▪ Narrow down targets by strengthening marketing ▪ Strengthen sales engineering and reorganize the sales network ▪ New business model of customer support
Product Power Reinforcement	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Cut lead time by 1/2 and raise productivity 1.5 times by 2018 through Kariya ReBORN ▪ Improvement of price competitiveness through improvement of in-house manufactured added value

3-4) Machine Tools & Mechatronics(2) Efforts

Actual performance until the 2nd quarter

◆ **Remodeling to a new-type machine and sales expansion**

(A new CNC cylindrical grinding machine and a new function of horizontal type machining centers)

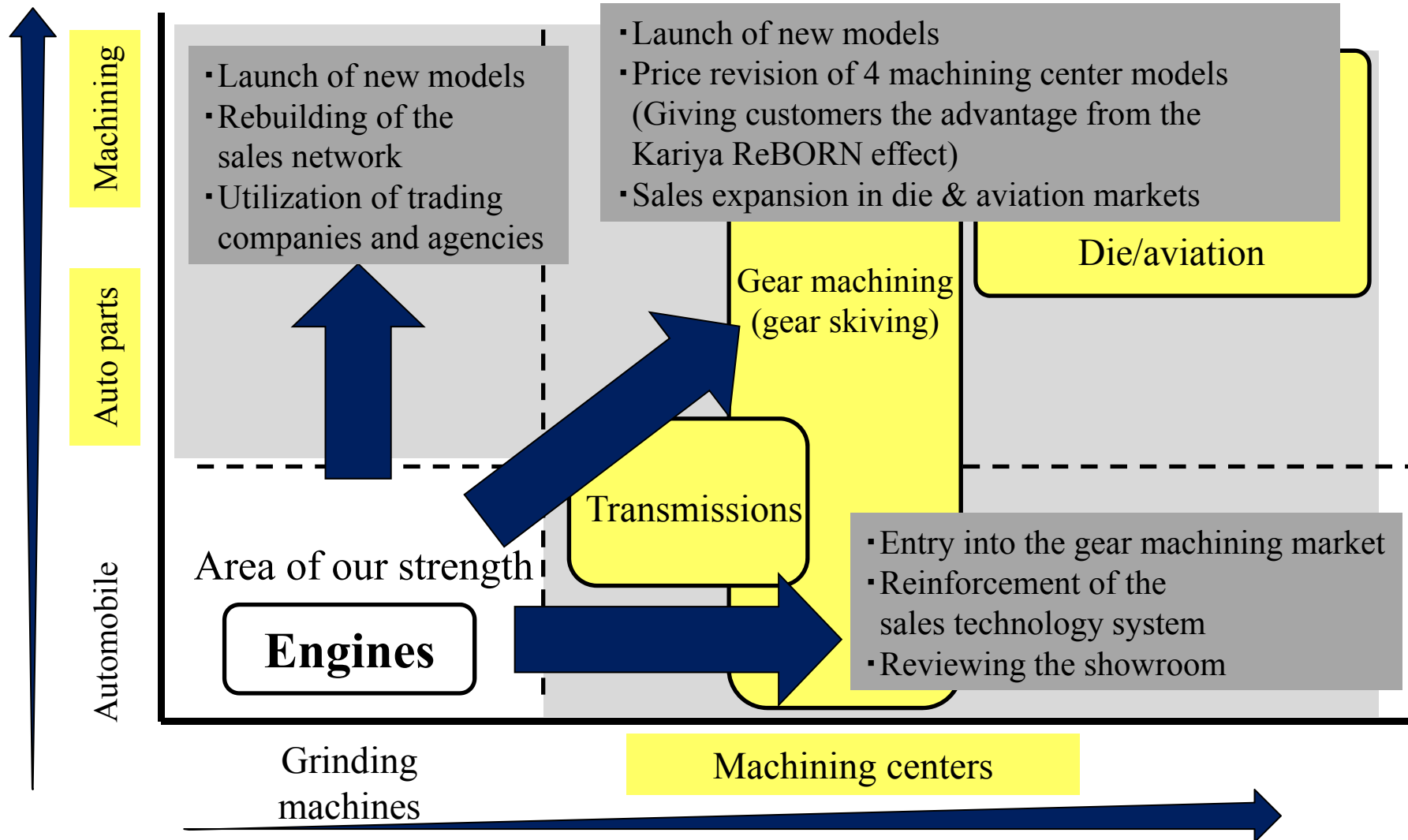
◆ **Entry into the gear machining market**

▪ Packaging of general-purpose machines and machining technologies (skiving)

<p>More sales strength</p>	<p>◆ Independence from specific customers and workpieces ◆ Establishment of an after-sale service business model ◆ Expansion of mechatronics sales</p>
<p>Product power reinforcement</p>	<p>◆ Launch of new products (grinding machines/ machining centers) ◆ Entry into the gear machining market ◇ Oobeya activities to reduce the cost of standard machines</p>
<p>Manufacturing reforms</p>	<p>◆ Thorough reaping of the “Kariya (Kariya Plant) ReBORN” effect</p> <p>▪ Shorter assembly lead time and higher machining productivity ▪ Scraping-less</p>

3-4) Machine Tools & Mechatronics(3) More sales strength

(1) Independence from specific customers and workpieces

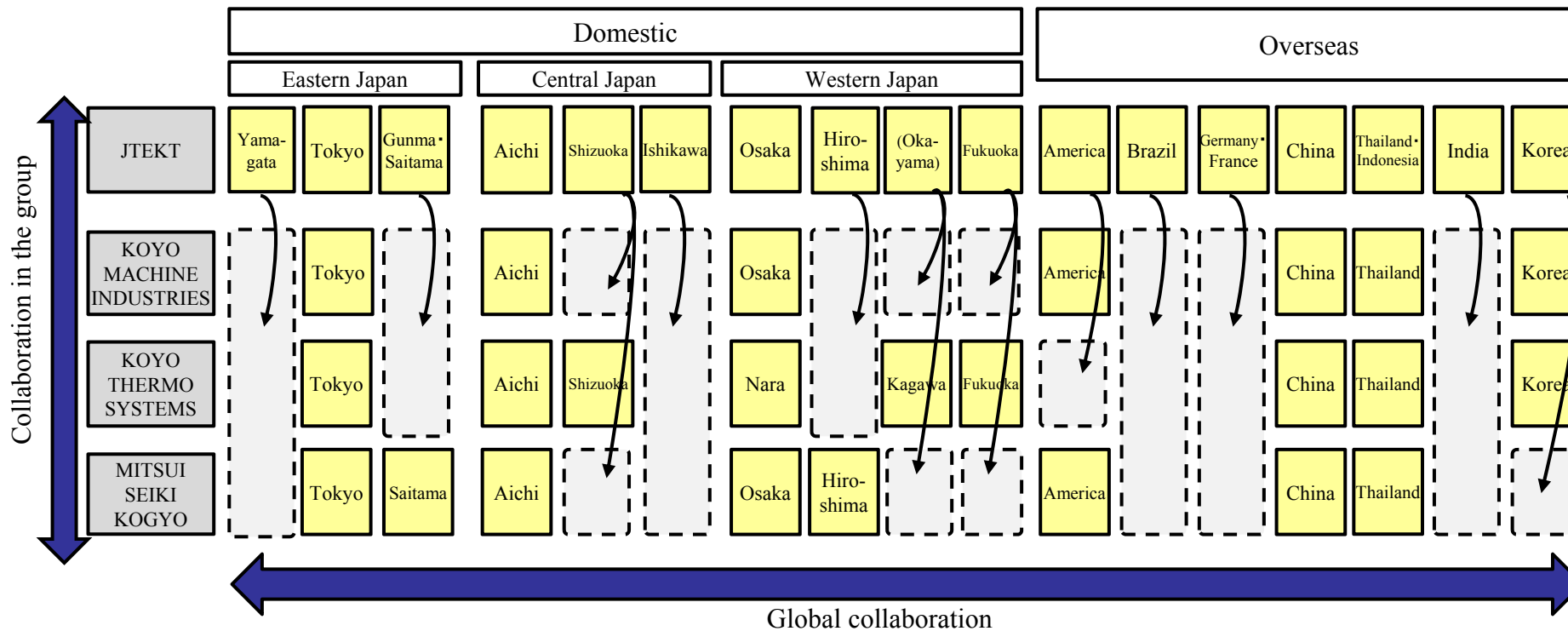


3-4) Machine Tools & Mechatronics(4) More sales strength

(2) Establishment of an after-sale service business model

Collaboration in the group	Providing the comprehensive after-sale service needed by customers in collaboration with companies in the group
Further efforts	Service technicians in prioritized regions circuit & visiting services Remote diagnosis

Collaboration between service bases in the group



3-4) Machine Tools & Mechatronics(5) More sales strength

(3) Expansion of mechatronics sales

① Higher visualization

(Andon and movable monitors)

② Motion development/PLC add-on technology

▪ TOYOPUC-Plus enables connection to multiple forms of competitors' communications (add-on of our functions to user equipment for sales expansion)

Target of sales expansion

<Automobiles>

Sales expansion from vehicle to unit factories

<Auto parts>

Spread toward customers' unit factories

<Machining>

Consideration of sales expansion

Control/system

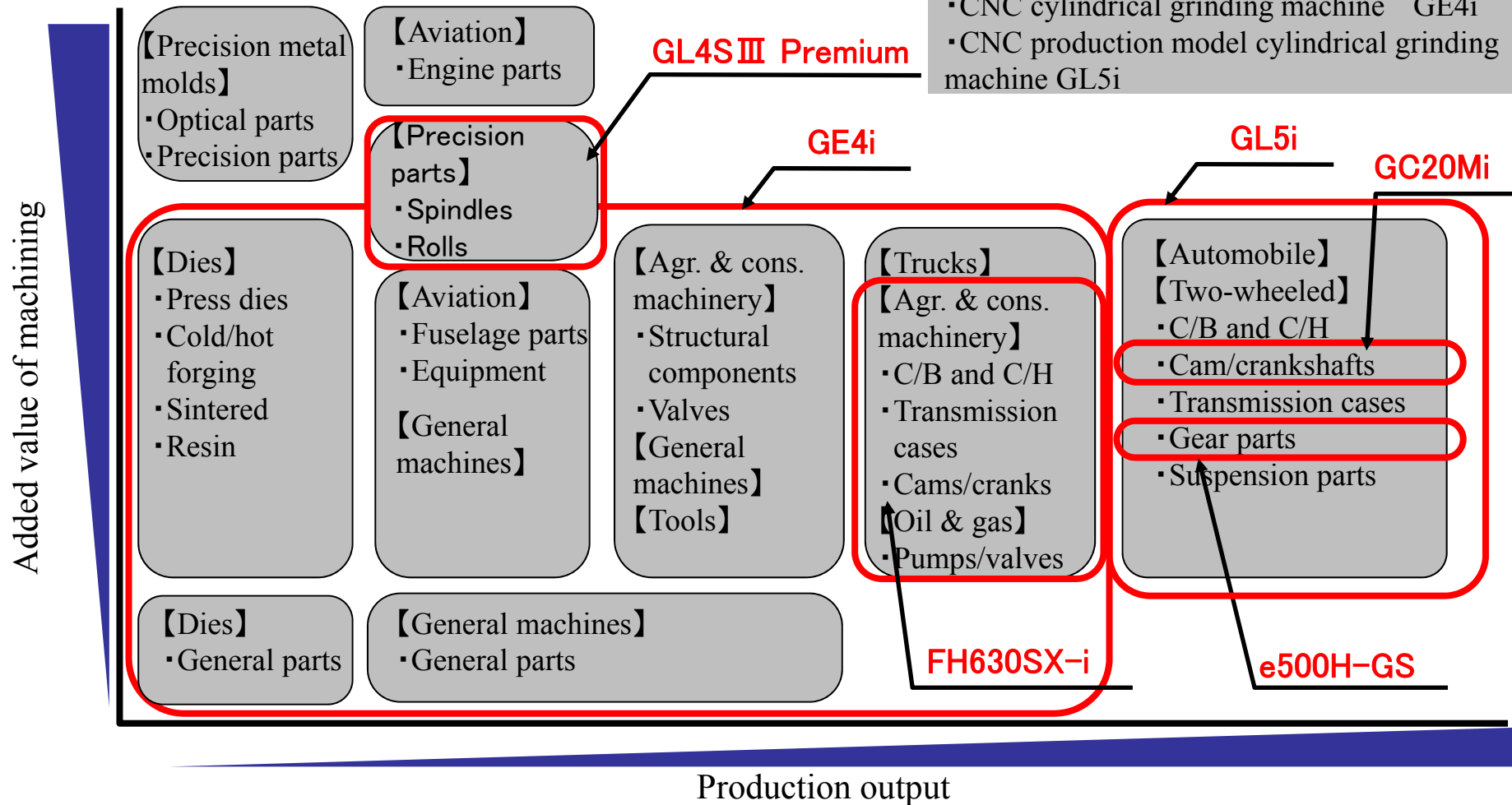
⇒ Optimal-system proposal to customers to become one of the top three companies in the industry

3-4) Machine Tools & Mechatronics(7) Product Power Reinforcement



(1) Launch of new products

- CBN camshaft grinding machine GC20Mi
- Horizontal type machining center FH630SX-i
- Gear skiving machine e500H-GS
- CNC cylindrical grinding machine GL4S III Premium
- CNC cylindrical grinding machine GE4i
- CNC production model cylindrical grinding machine GL5i



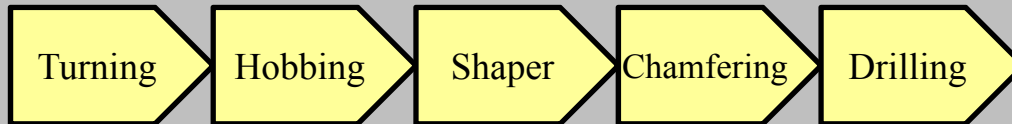
(2) Entry into the gear machining market

- Development of a new gear machining method (skiving technology)
- Packaging of general-purpose machines and machining technologies (jigs and tools)

Features of e500H-GS

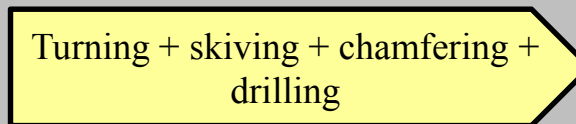
Integration of gear machining processes with a general-purpose machining center

Conventional processes:



※One unit required for each process

New method:

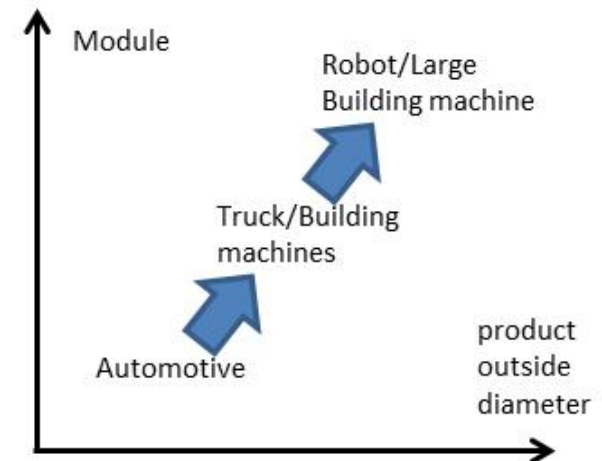


※One machining center can cover five processes from turning to drilling

※ One chuck processing provides stable machining accuracy



- Self-development of cutting tools/machining technology
- Sales expansion targeting trucks and construction machines



Thorough reaping of the “Kariya ReBORN” effect”

1) Completed by Sep. 2014

- ◆ Reduction in assembly lead time by subassembly/streamlining
 - Mid-size and small machining centers : ▲67%
 - Large machining centers : ▲45%
 - TOP centers : ▲50%
 - Mid-size and small grinding machines : ▲37%
- ◆ Higher machining productivity : 100%→133%
- ◆ Machining centers Abolition of machining correction with scraping

2) To be completed by Mar. 2015

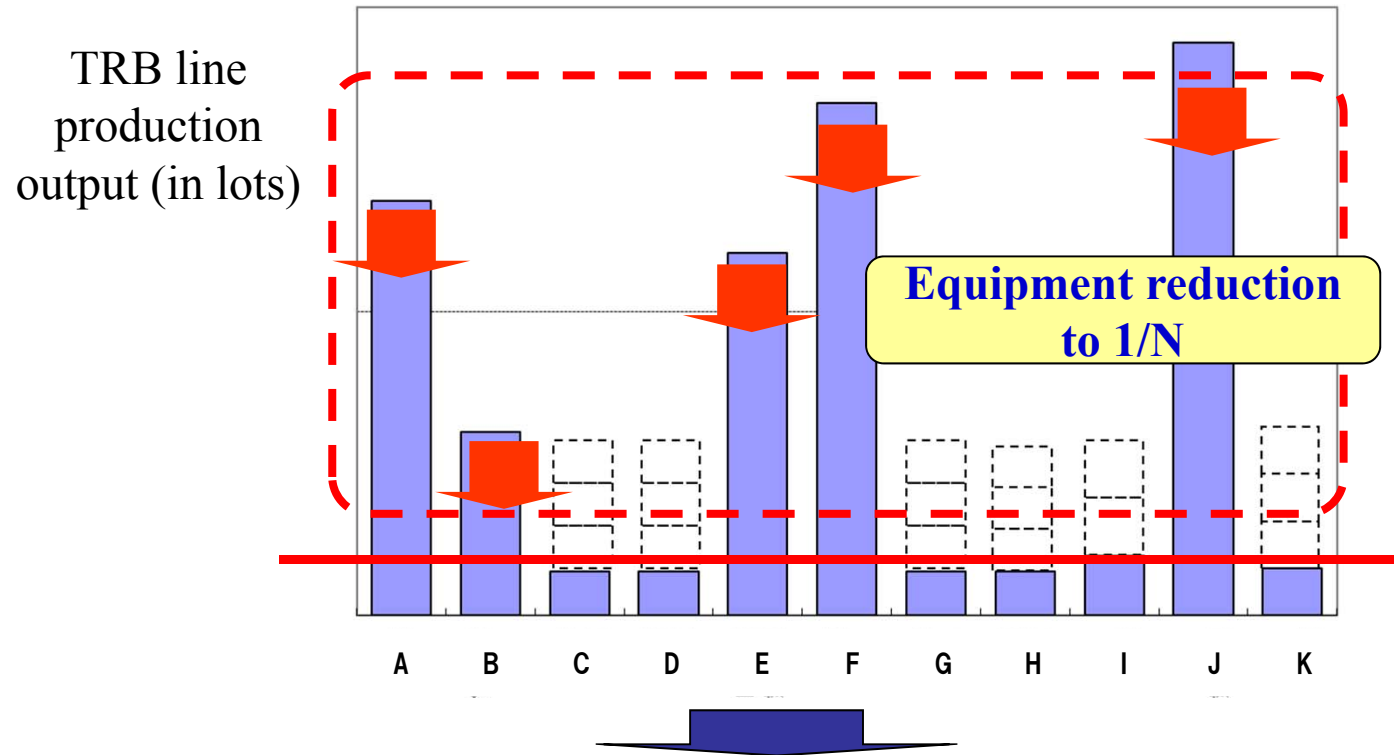
- ◆ Oobeya activities to reduce costs (by 30%)

Expansion to “Machine Tools & Mechatronics
Operations ReBORN (the whole group)”

3-5) Strengthening of Fundamentals (1) Equipment/Process Improvement

Main Activities

1) Development of a production line that keeps pace with sales performance
 → Inventory reduction by product-type- and size-specific optimal production

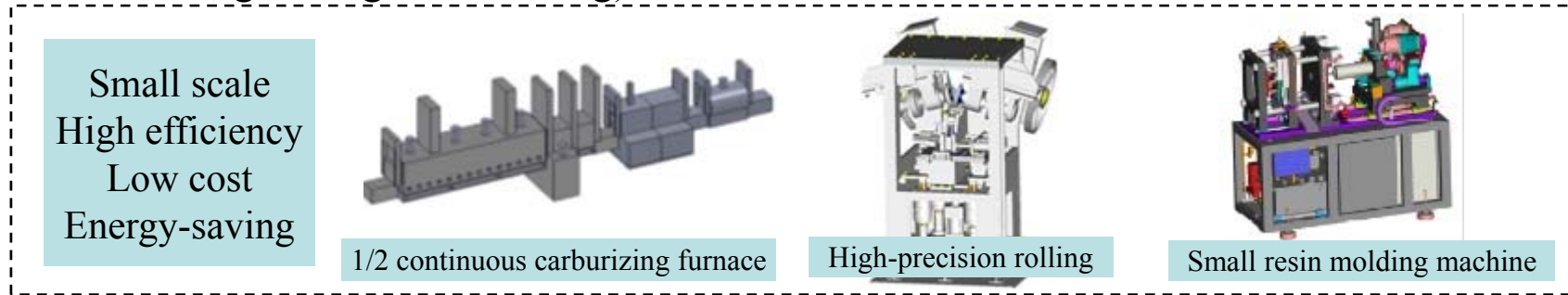


- Abolition of concentrated processes: small-scale and general-purpose heat treatment. No process of grinding 1.
- One-piece flow: A new method of cone roller grinding. Compact resin molding.

3-5) Strengthening of Fundamentals (2) Equipment/Process Improvement **Koyo** **TOYODA**

2) Faster setup and small-volume production support

- **Reduction in setup time:** Now working to reduce from 90 min. (max., 2013) to 10 min. or less
- **Equipment reduction to 1/N**
 - Tadamisaki: **CVJ small-scale forging line** (capacity of 1/2, space- and energy-saving)
 - Tokushima: **SBB resin cage molding** (capacity of 1/4, space- and energy-saving)
 - Examples of “1/N equipment” under development (casting, forging, press, heat treatment, grinding and forming)



3) Reduction in the base unit of investment

- For individual product types and processes, **working to reduce the base unit of investment by 40% and the in-house production cost by 30%**
- Utilization of local equipment to establish a mass production line

3-5) Strengthening of Fundamentals (3) Fostering of human resources



Objective

Global operation of human resource foundations based on the JTEKT WAY

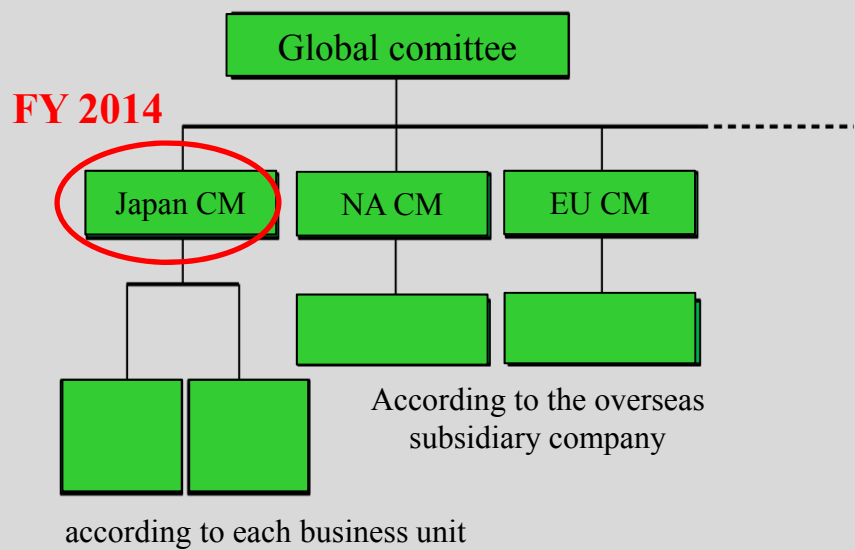
Goals for fiscal 2018

- ① Recruiting and fostering of global management human resources
- ② Optimal global/local deployment of human resources

Main Activities

Recruiting, fostering and optimal deployment of management human resources

- Post evaluation and human resource inventory count completed
- Developed a succession plan of JTEKT department managers (Japan Committee)
- Selected 35 candidates for the next generation management and started their training



3-5) Strengthening of Fundamentals (4)

Fostering of human resources

Main Activities

Higher skills of individuals and the organization

<Ensuring essential understanding>

- Providing problem-solving training for all the major career path employees by the end of fiscal 2014
- Planning to provide problem-solving training for employees at all levels (130M yen of education cost, 4,000 employees in total)

<Greater English proficiency>

- Sending more employees abroad for English study in preparation for setting certain TOEIC scores as a necessary requirement for promotion

<Promotion of diversity>

- Development of an action plan for supporting female employees' career

Education system (abstract)

Focus of reinforcement

	Multi-lingual communication		Problem solving		Management	Technical education	
Manager				Problem creation training	The next generation proprietor upbringing education		
Mid level	Studying abroad	English education	Problem solving training			Special/professional skill training	Supervisor upbringing education
new/young							

3-5) Strengthening of Fundamentals (5) Operational Reforms

Objective

Thorough improvement of operational efficiency in back-office departments through operational reform activities

① Standardization of operations

Storing in a filing system visible to and usable by anyone and shared throughout the company
 Standard man-hours and actual performance identification

② Creating a work climate for constant repetition of the SDCA cycle
(stability of operational reform activities)

③ Use of a multi-skilled worker fostering chart to visualize the skills of workplaces and individuals and to develop a career plan for individual employees

Main Activities

Starting model activities from the mass production design department in the technology division

- 22 out of 34 divisions (65%) in the technology division and business divisions
- Setting model themes and starting operational reform activities



- Learning operational reform methods (approaches and how to use tools)
- 6 standardization themes completed

Actual performance so far (- 2014, a hop and a step)

Reduction in wasted funds and assets

- Surplus (earned) -

Proper management of consolidated fixed costs
Reinforced tax risk management

- Assets -

Effective use of consolidated funds and
expansion of the CMS
Monitoring of abnormally delinquent accounts receivable
and abnormally long-term inventory
Reduction in the base unit of capital investment

Introduction of division-specific BS management

2013: Test development of division-specific BS and visualization of issues through BS analysis
2014: Actual performance identification and BS management target setting
2015: Incorporation into plans and actual performance follow-up

Remaining issues (2014 - 2018, a step and a jump)

- ◆ Setting of BS index evaluation standards
- ◆ BS/CF business management driven by individual divisions

Introduction of division-specific BS management

Background

- ◆ Worsening financial health since 2011 due to an increase in investment

Basic principle

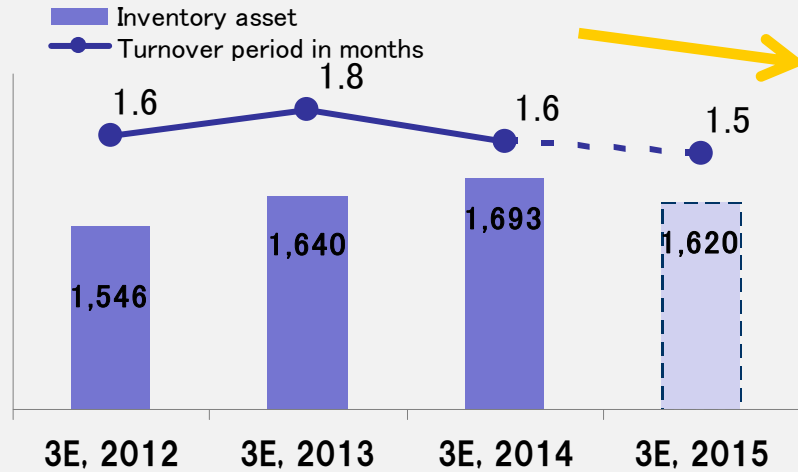
- ◆ To reduce wasted assets and funds and achieve a good balance between investment, debt and revenue in preparation for achieving the mid-term objective of ROA

Measures

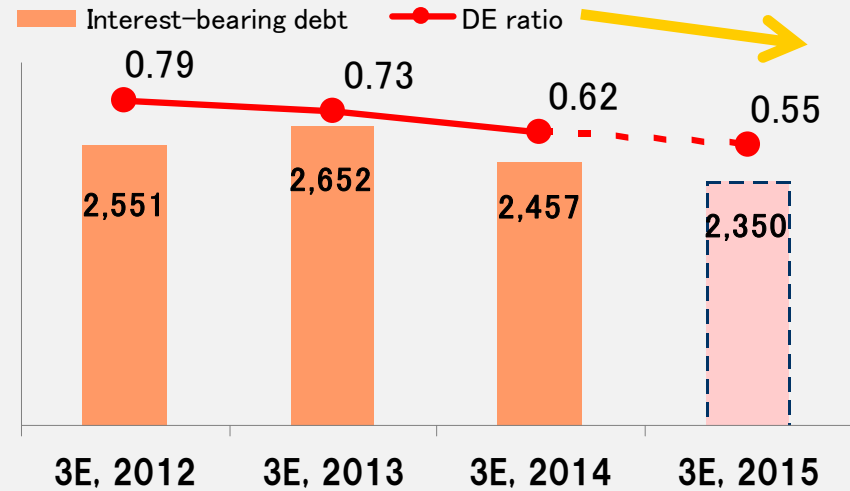
- ◆ Adding BS items to business activity goals
Revenue management + division-specific management of asset and investment efficiency
- ◆ Management of business asset efficiency
Setting an operating index of operating revenue and business assets

3-5) Strengthening of Fundamentals (8)

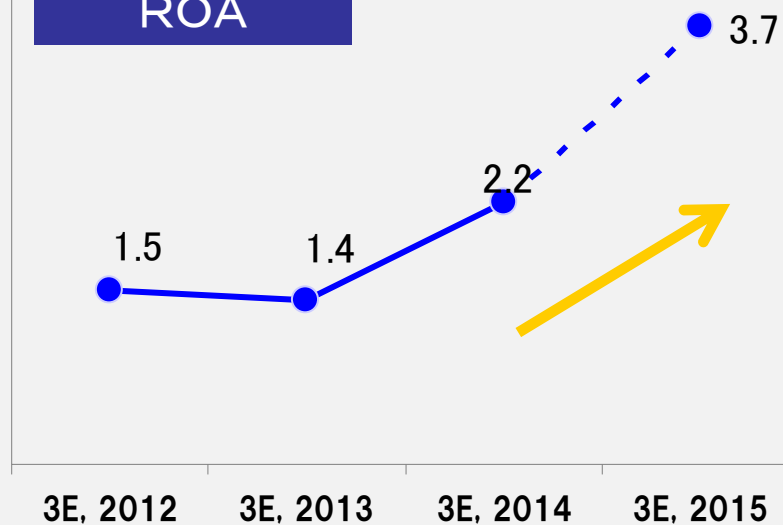
Inventory asset



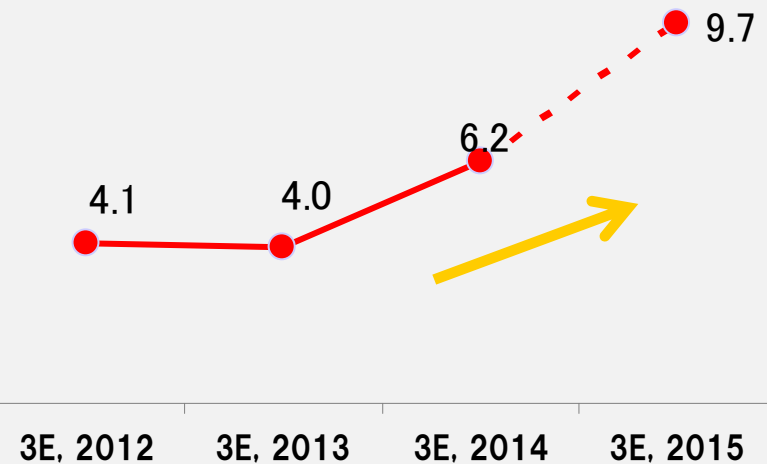
Interest-bearing debt



ROA



ROE



Efforts to slim the BS

Fund in hand

- ◆ More financing within the group (the CMS in the region and financing between regions)

Inventory reduction

- ◆ Straightening out the inventory in branch offices and sales subsidiaries
- ◆ Reduction in the intermediate inventory by reviewing processes and distribution channels
- ◆ Reduction in the safety stock by higher productivity
- ◆ Reduction in the CKD transportation inventory by promoting local procurement

Fixed assets

- ◆ Reinforcement of investment management on a consolidated basis

3-5) Forecasts for The Management Index

	FY2013 Result	Forecasts for FY2014	FY2018 Target
Operating Income Ratio	4.6%	5.2%	7.5%
Capital Expenditure	76.4 billion yen	70 billion yen	75 billion yen
Depreciation	53 billion yen	55 billion yen	60 billion yen
R & D percentage	3.2%	3.3%	4.0%
ROA	2.2%	3.7%	4.5%
Exchange Rate Assumption	100 yen/USD 134 yen/EUR	95 yen/USD 135 yen/EUR <small>* 3rd quarter and later</small>	90 yen/USD 115 yen/EUR