

# Presentation for Fiscal Year Ending March 2015

May 13, 2015

**JTEKT Corporation**

## 1. Results for Fiscal 2014

## 2. Forecasts for Fiscal 2015

## 3. Mid-Term Management Plan

# 1-1) Consolidated Performance

**• The highest sales & ordinary income in history**

(100 million yen)

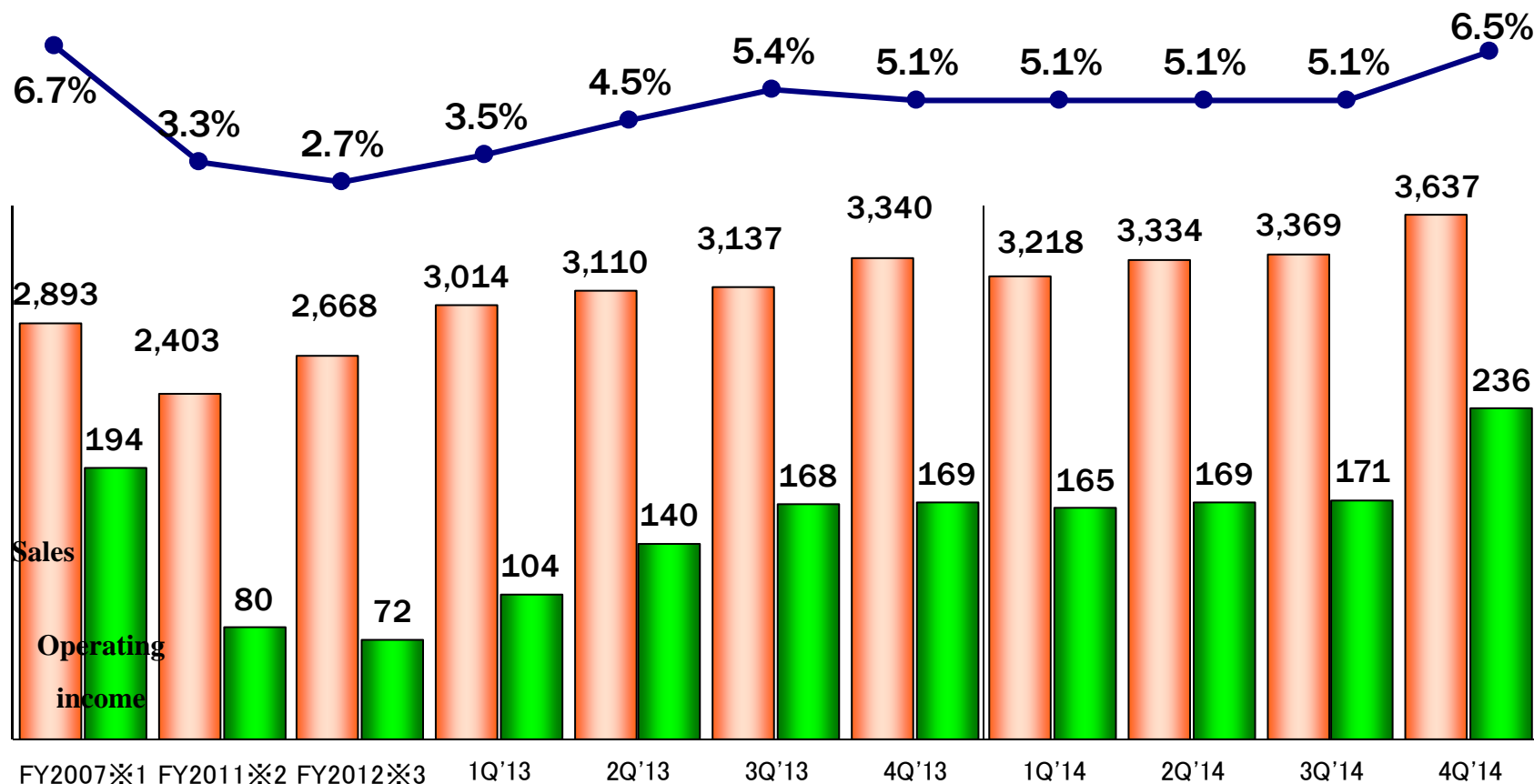
	FY2013	FY2014	Increase /Decrease	Increase /Decrease (%)
( ): profit margin on sales				
<b>Net Sales</b>	<b>12,601</b>	<b>13,559</b>	<b>+958</b>	<b>+7.6%</b>
<b>Operating Income</b>	(4.6%) <b>582</b>	(5.5%) <b>741</b>	<b>+159</b>	<b>+27.4%</b>
<b>Ordinary Income</b>	(4.9%) <b>618</b>	(5.9%) <b>793</b>	<b>+175</b>	<b>+28.3%</b>
<b>Net Income</b>	(1.9%) <b>233</b>	(3.1%) <b>425</b>	<b>+191</b>	<b>+81.8%</b>
<b>Exchange Rate (Apr.~Mar.)</b>	100 yen/USD 134 yen/EUR	110 yen/USD 138 yen/EUR	+10 yen +4 yen	

		FY2013	FY2014	Increase/Decrease
<b>Dividend</b>	<b>Interim</b>	<b>7 yen</b>	<b>14 yen</b>	<b>7 yen</b>
	<b>Annual</b>	<b>11 yen</b>	<b>20 yen</b>	<b>9 yen</b>

# 1-2) Quarter Trend

Operating income rate

(100 million yen)



1US\$	113yen	78yen	82yen	98yen	98yen	99yen	102yen	101yen	103yen	113yen	118yen
1EUR	160yen	107yen	105yen	128yen	130yen	136yen	139yen	139yen	136yen	141yen	133yen

\*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.

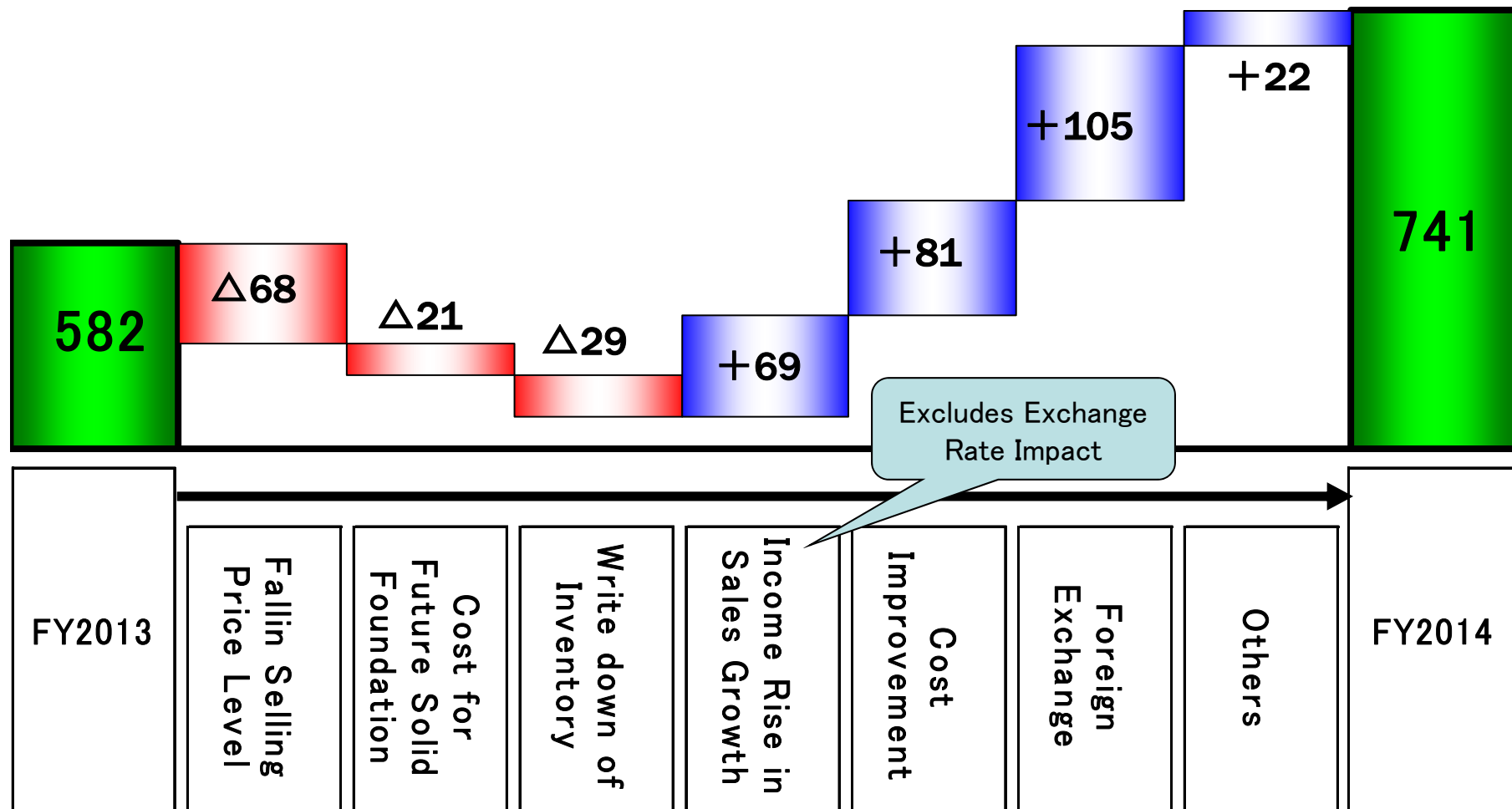
# 1-3) Operating Income Change Analysis

**Operating Income +159**

(100 million yen)

**Negative impact  $\Delta 118$**

**Positive impact +277**



# 1-3) Progress for Future Solid Foundation

Towards Mid-term management plan , proactive and strategic progress for future solid foundation realized cost for 15billion yen .

## Executed in FY2014

- **Asset control**  
 Examine dead stock & equipment for productive usage / disposal, impair idling equipment, impair fixed asset in overseas subsidiary
- **Personnel management / BCP(Business Continuity Plan) / Safety action**  
 Define global core posts/ improve language skill, problem solution skill, safety education/ preventive measures against disaster
- **Business restructuring**  
 Rebuild steering and bearing business in Europe , and the other low profit subsidiaries.



## Future object

- Appropriate asset value  
 Cost and labor reduction for asset control.
- Utilize global human resource  
 Improve of education system  
 Terminate labor accidents
- Build up BCM(Business Continuity Management)
- Improve future global profit

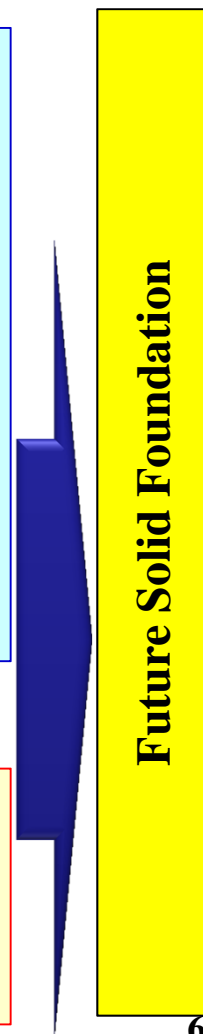
## Not realized in FY2014

- Cultivate profit from KARIYA Reborn
- Examine dead stock in all subsidiaries
- Rebuild bearing business in North America



## Future object

- Improvement in Machine Tools future profit
- Cost and labor reduction for asset control.
- Secured future profit

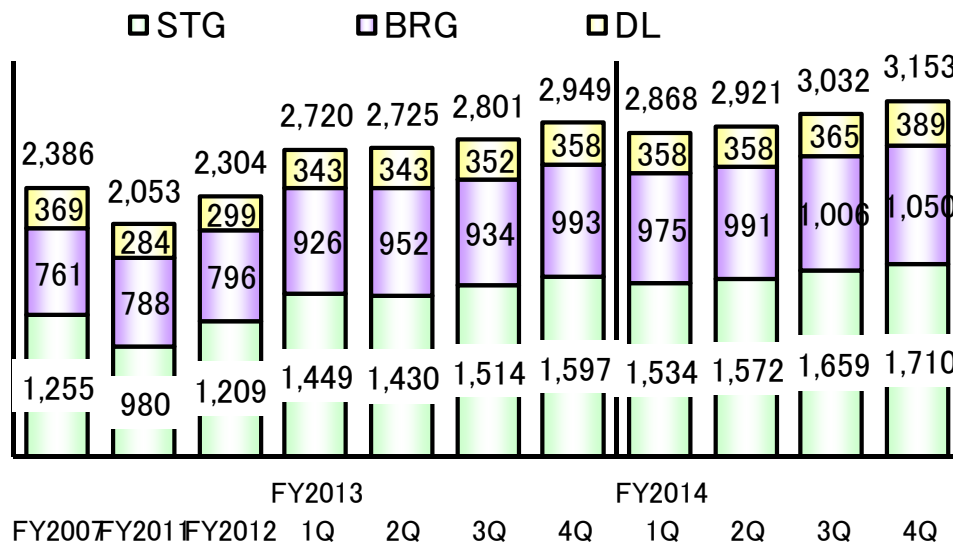


# 1-5) Financial Result by Product [Mechanical Components]

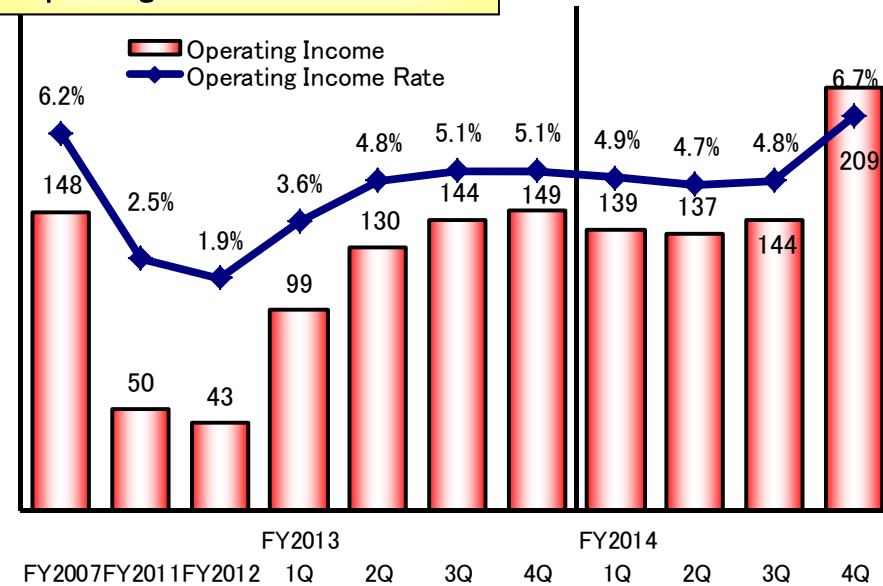
(100million yen)

Mechanical Components		FY2013	FY2014	Increase /Decrease	Increase /Decrease(%)
Steering Systems	Net Sales	5,991	6,477	+486	+8.1%
Bearings	Net Sales	3,807	4,026	+219	+5.8%
Driveline Components	Net Sales	1,397	1,472	+75	+5.4%
【 Total 】	Net Sales	11,195	11,977	+781	+7.0%
	Operating Income	523	631	+107	+20.6%
	Operating Income(%)	4.7%	5.3%		

Net Sales Quarter Trend



Operating Income Quarter Trend

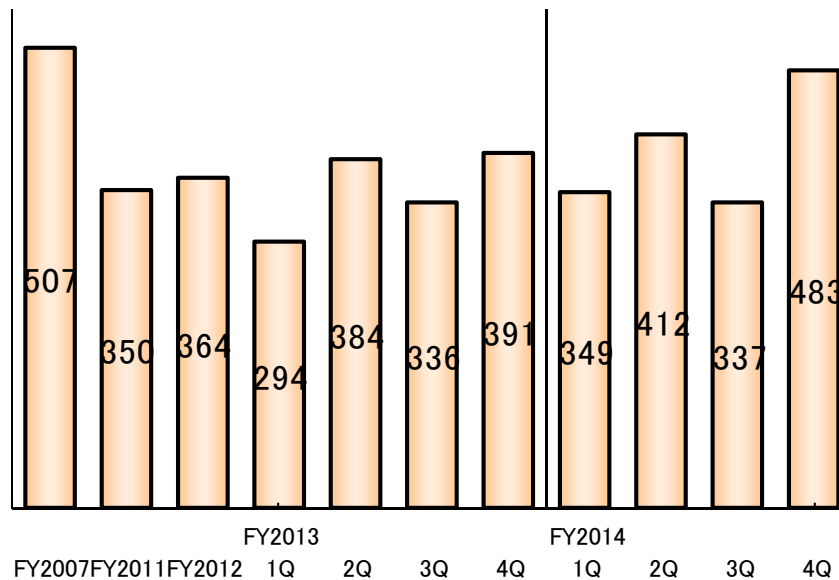


# 1-5) Financial Result by Product 【Machine Tools & Other】

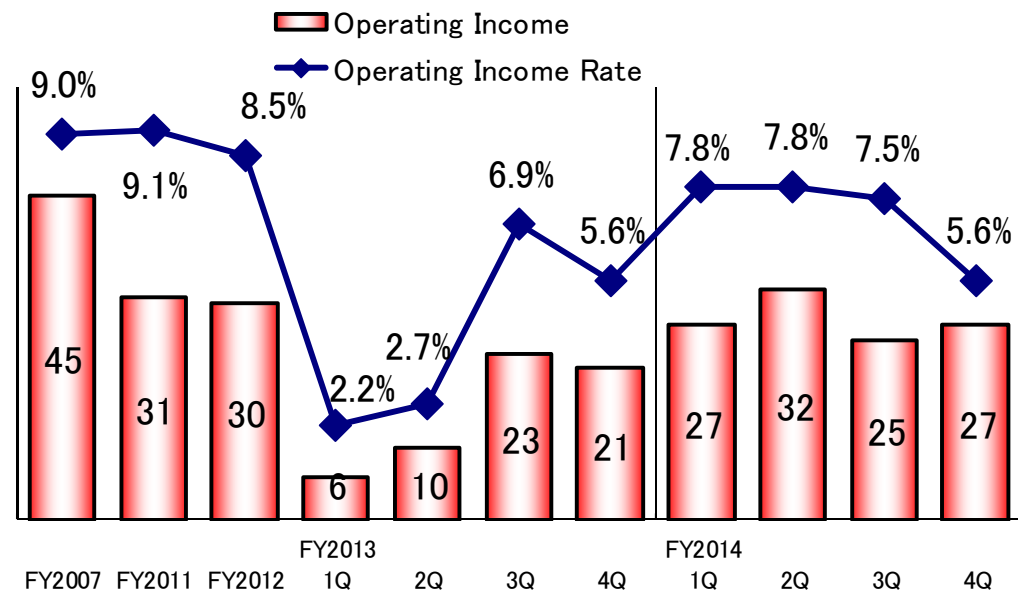
(100 million yen)

Machine Tools & Other	FY2013	FY2014	Increase / Decrease	Increase / Decrease (%)
Net Sales	1,406	1,582	+176	+12.6%
Operating Income	62	112	+49	+80.2%
Operating Income Rate	4.4%	7.1%		

Net Sales Quarter Trend



Operating Income Quarter Trend

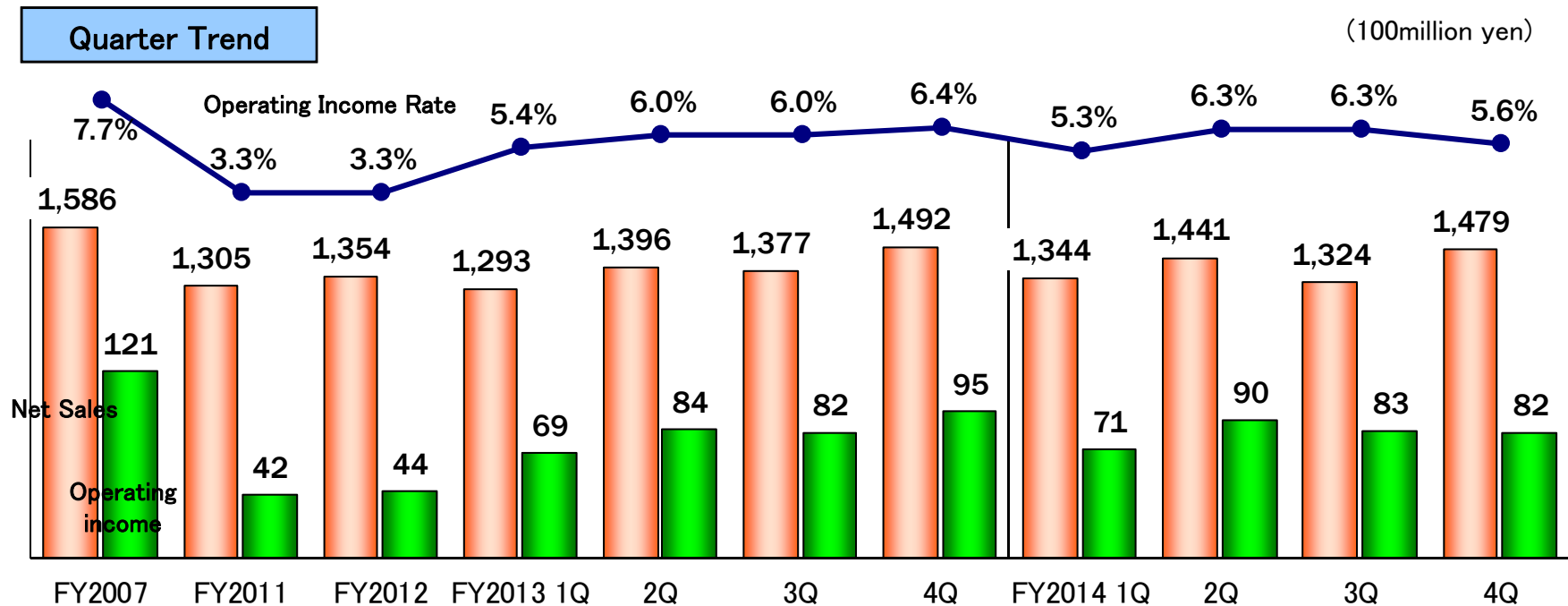




# 1-6) Financial Result by Region [Japan]

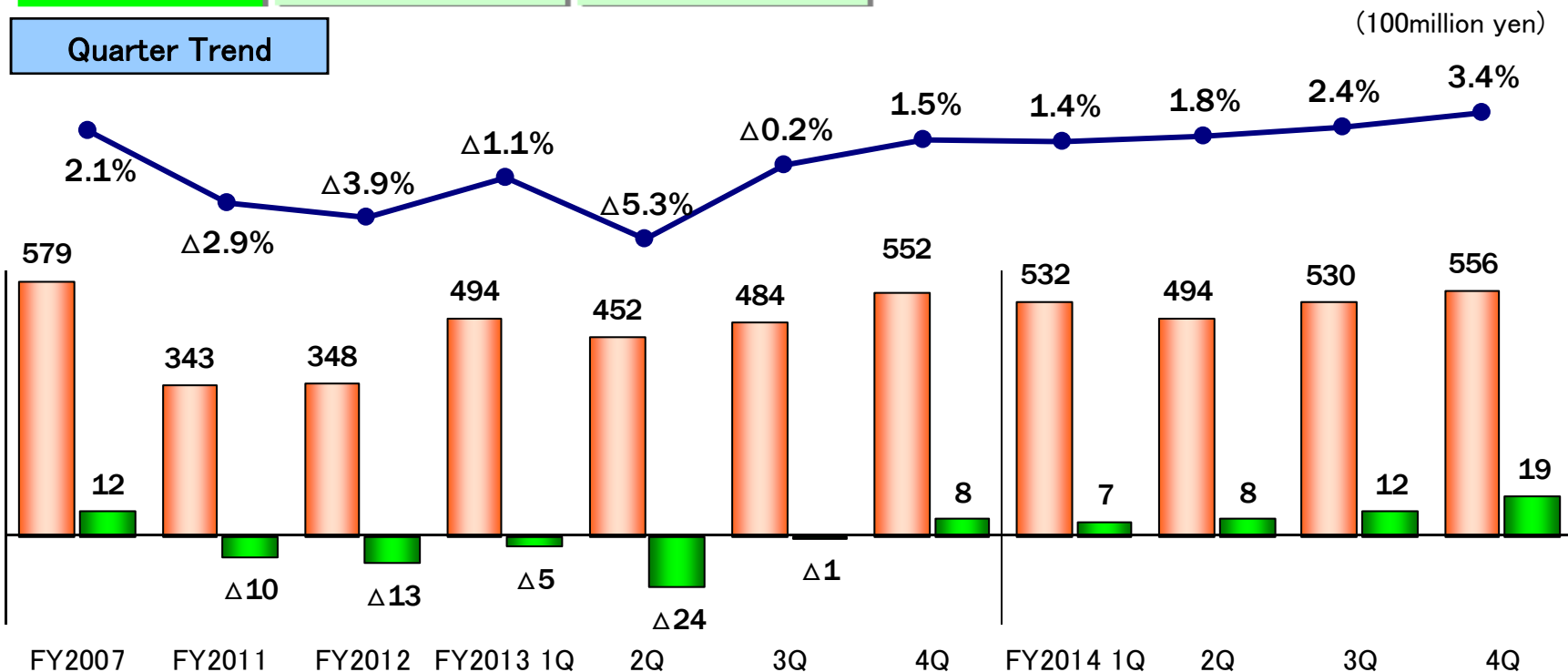
(100million yen)

Japan	FY2013	FY2014	Increase /Decrease	Increase /Decrease(%)
Net Sales	5,560	5,590	+30	+0.5%
Operating Income	333	328	△5	△1.6%
Operating Income (%)	6.0%	5.9%		



# 1-6) Financial Result by Region [Europe]

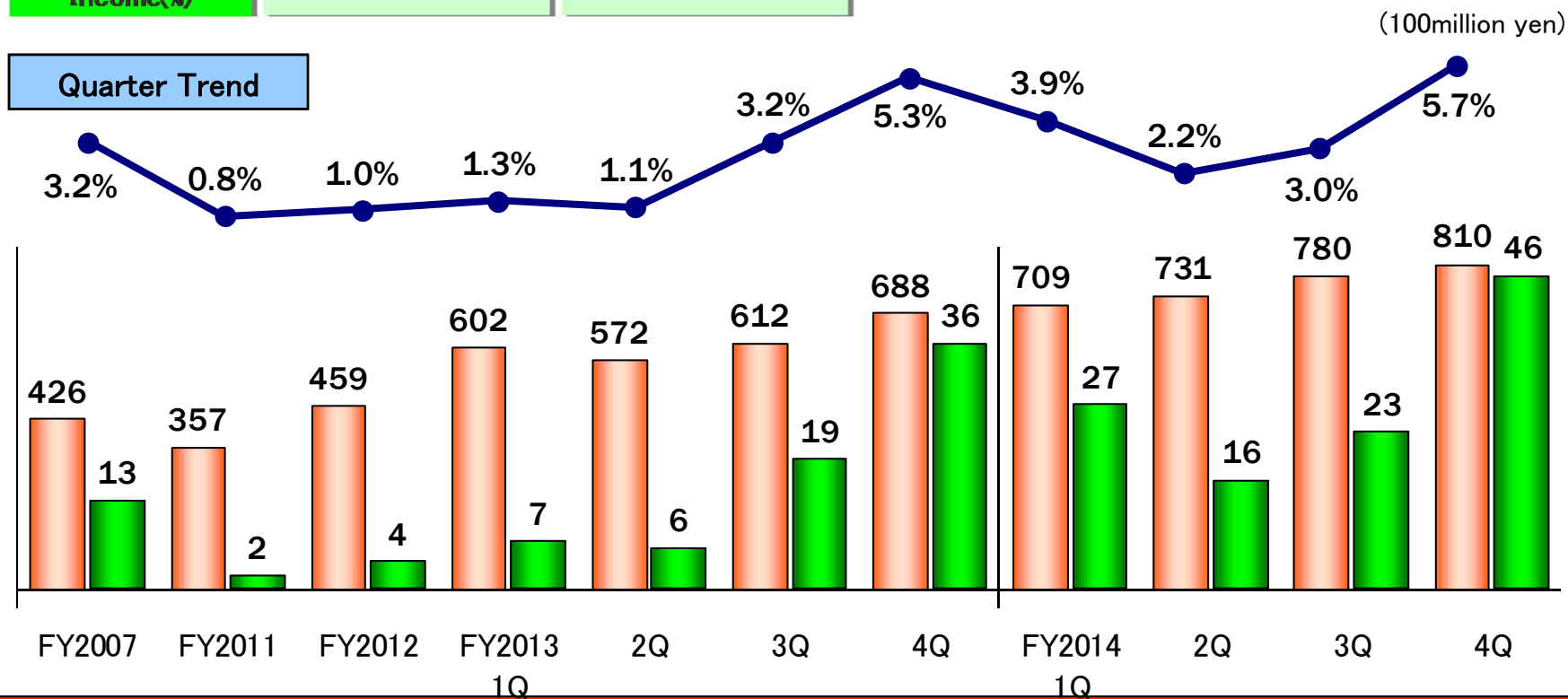
Europe	FY2013	FY2014	Increase /Decrease	Increase /Decrease(%)
Net Sales	1,983	2,114	+130	+6.6%
Operating Income	Δ20	+48	+68	—
Operating Income(%)	Δ1.0%	2.3%		



# 1-6) Financial Result by Region [North America]

(100million yen)

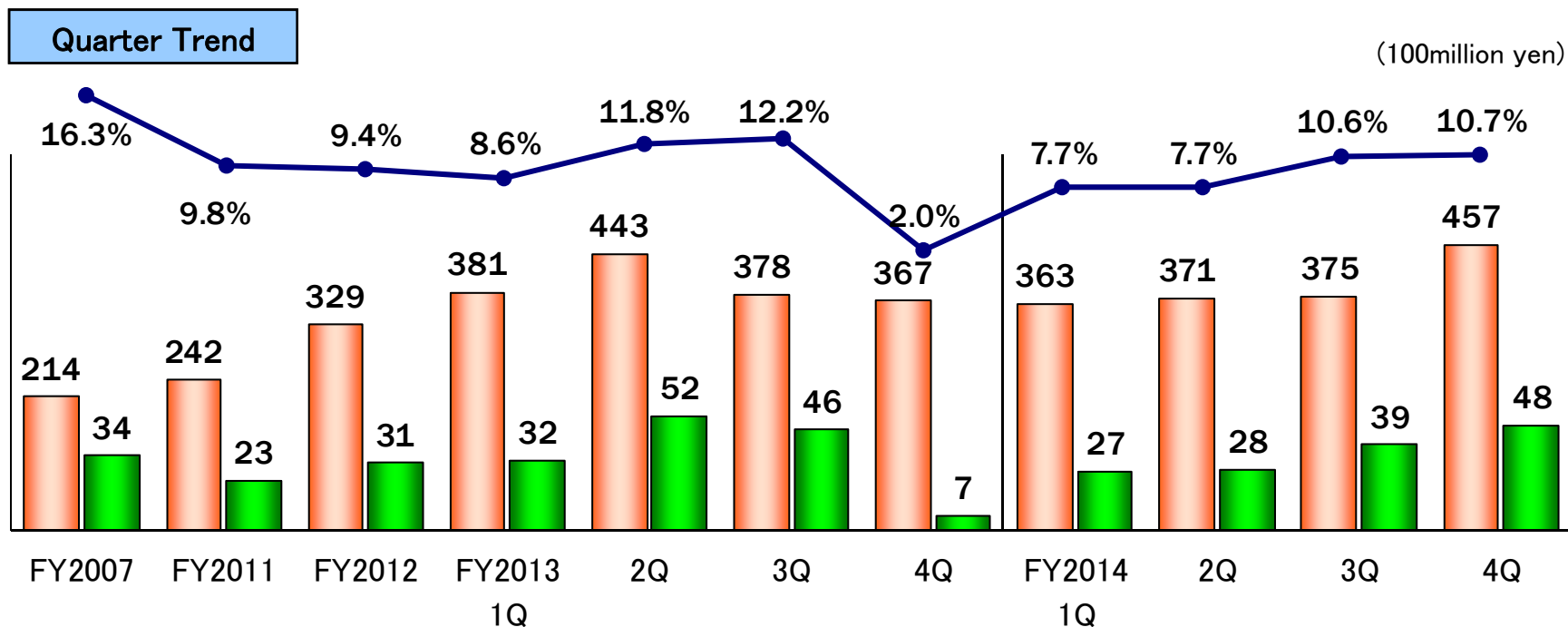
North America	FY2013	FY2014	Increase /Decrease	Increase /Decrease(%)
Net Sales	2,475	3,031	+ 555	+22.4%
Operating Income	68	113	+ 45	+66.1%
Operating Income(%)	2.8%	3.8%		



# 1-6) Financial Result by Region [Asia·Oceania]

(100million yen)

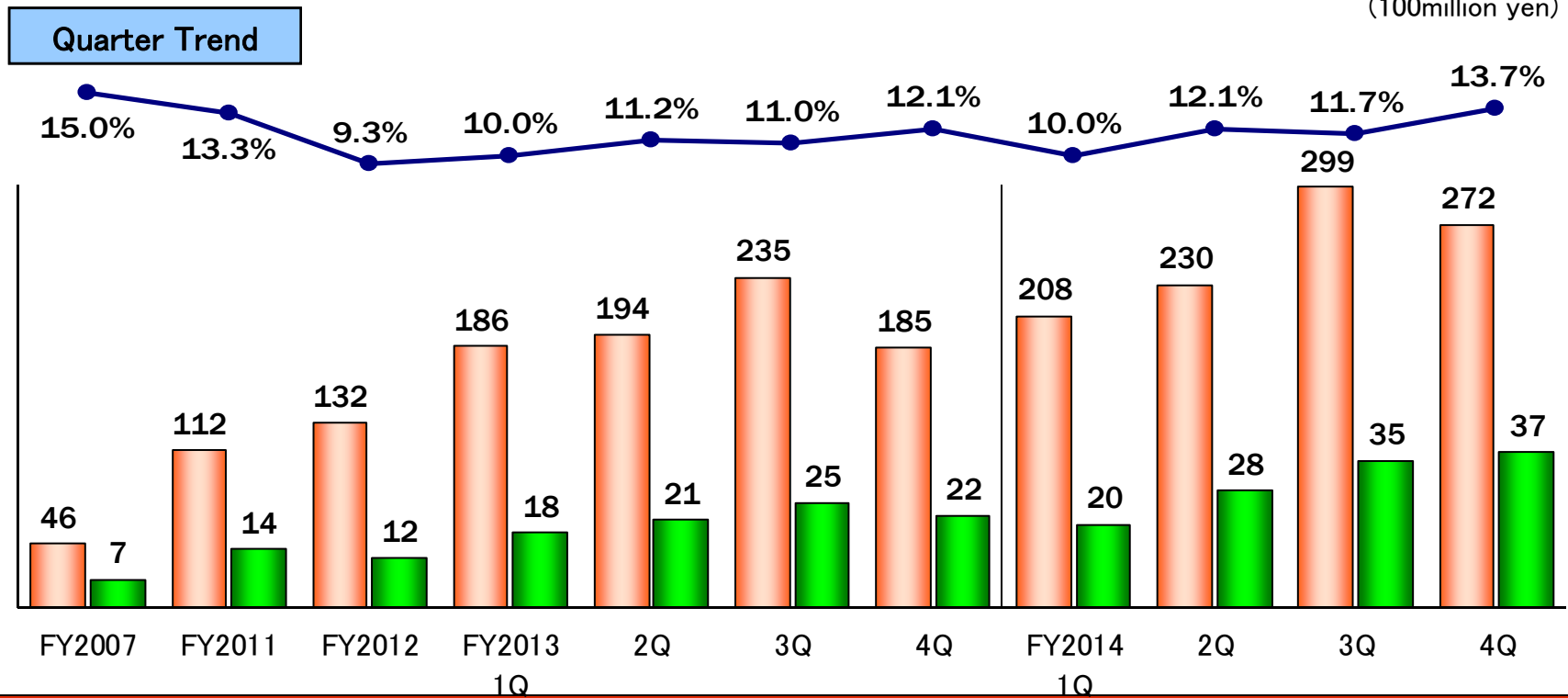
Asia·Oceania	FY2013	FY2014	Increase / Decrease	Increase / Decrease(%)
Net Sales	1,570	1,568	△2	△0.1%
Operating Income	136	145	+8	+6.1%
Operating Income(%)	8.7%	9.3%		



# 1-6) Financial Result by Region 【China】

(100million yen)

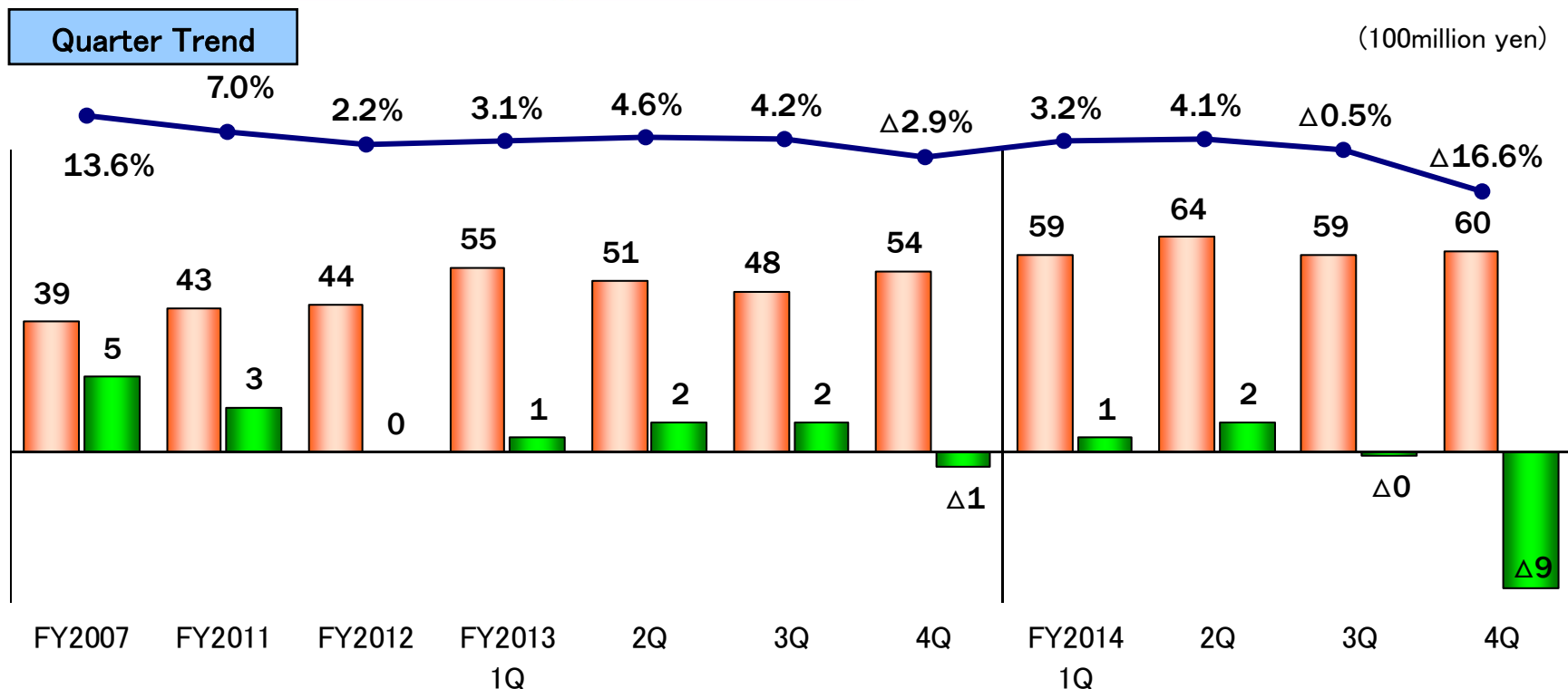
China	FY2013	FY2014	Increase / Decrease	Increase / Decrease(%)
Net Sales	801	1,011	+209	+26.1%
Operating Income	87	121	+33	+38.3%
Operating Income(%)	11.0%	12.0%		



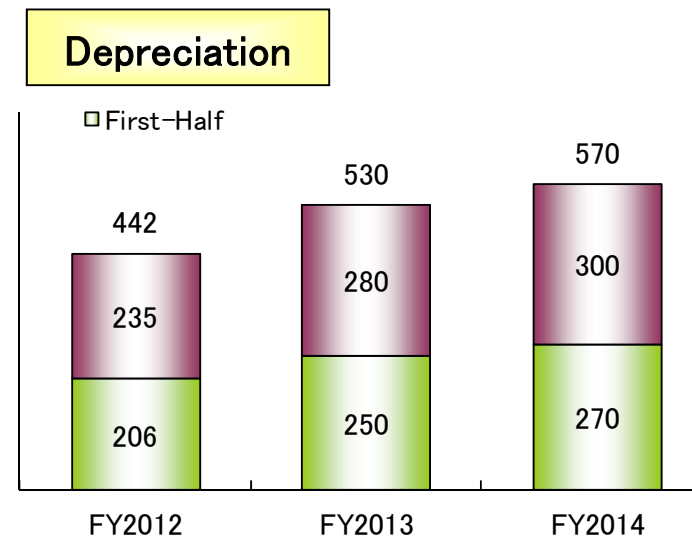
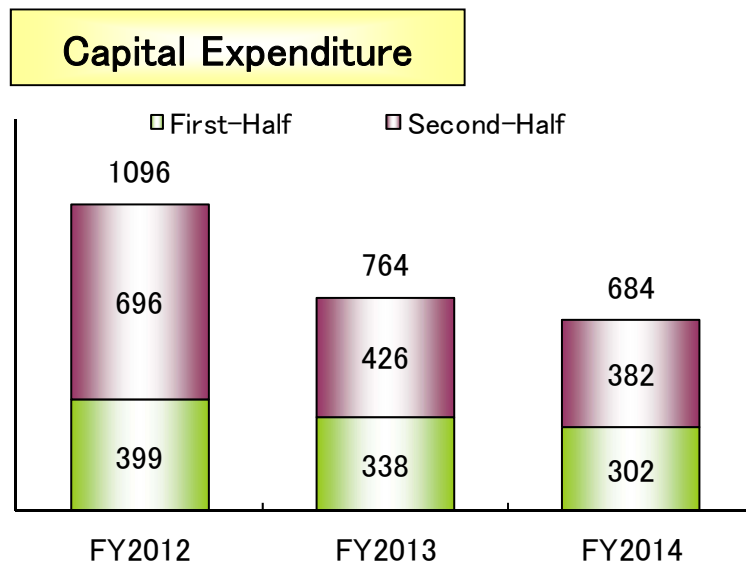
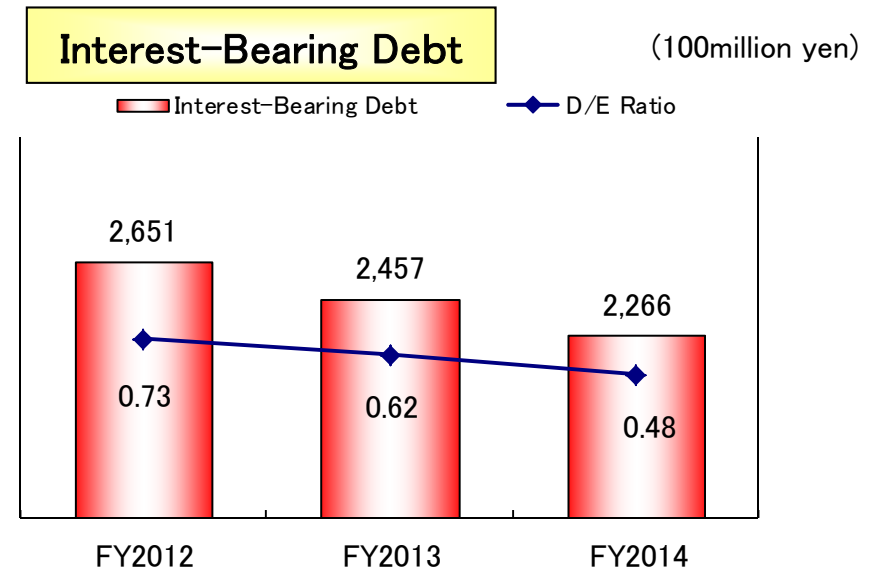
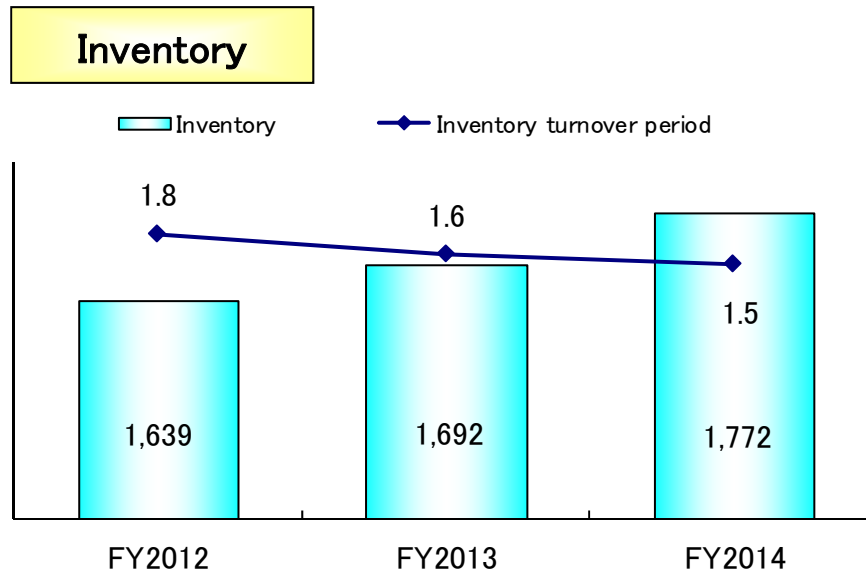
# 1-6) Financial Result by Region 【South America /Other】

(100million yen)

South America / Other	FY2013	FY2014	Increase / Decrease	Increase / Decrease(%)
Net Sales	209	243	+34	+16.3%
Operating Income	4	Δ5	Δ10	—
Operating Income(%)	2.2%	Δ2.4%		



# 1-7) Financial Data



## 1. Results for Fiscal 2014

## 2. Forecasts for Fiscal 2015

## 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**
  - China Market remains in growth but restrained
  - Emerging countries except China remains in weak growth in spite of positive influence from US and Europe
- **Restrained recovery in Japan**

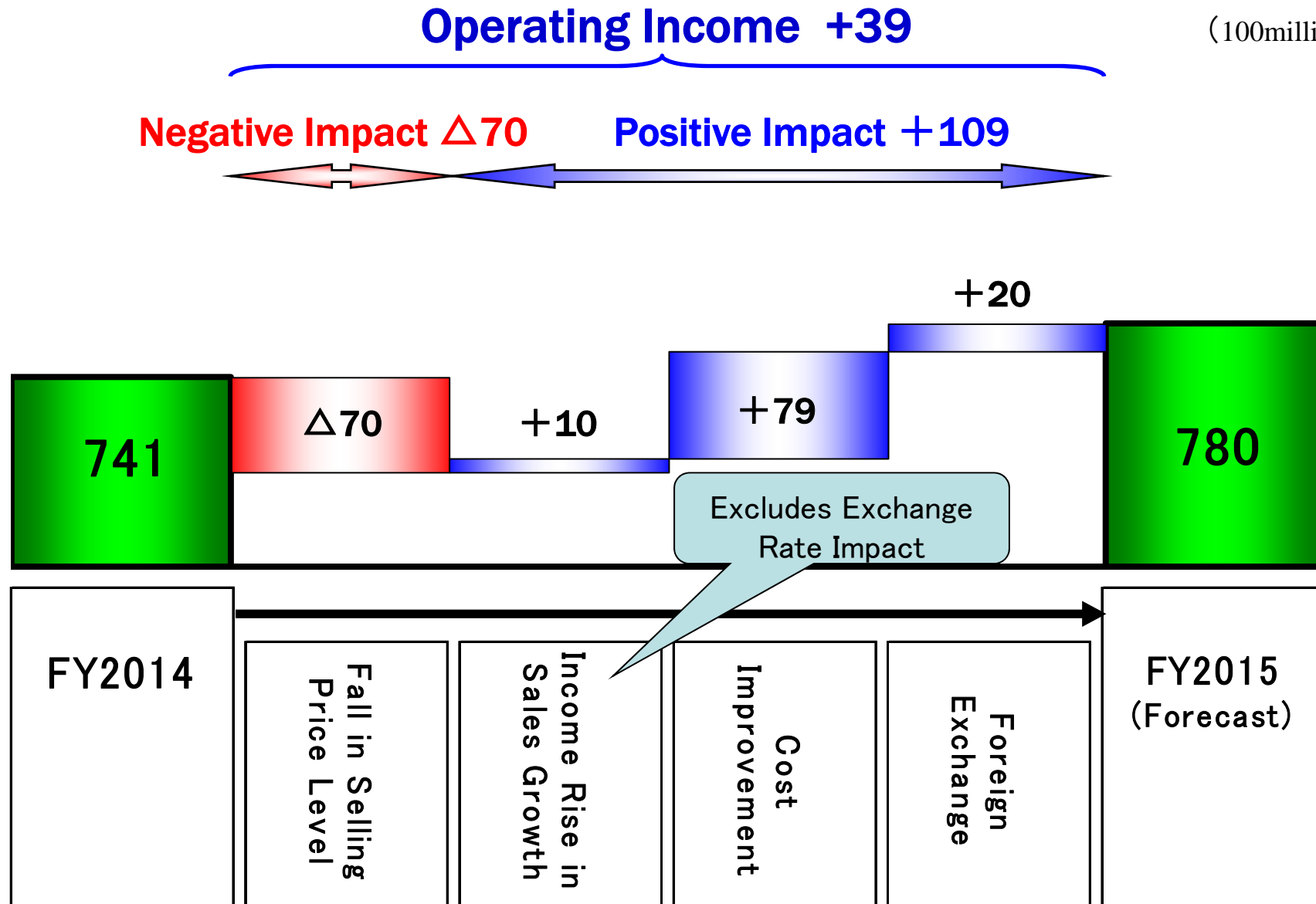
## 2-2) Forecasts for Fiscal 2015

(100million yen)

	FY2014 (Actual)	FY2015 (Forecast)	Increase /Decrease	Increase /Decrease(%)
Net Sales	<b>13,559</b>	<b>13,700</b>	<b>+141</b>	<b>+1.0%</b>
Operating Income	(5.5%) <b>741</b>	(5.7%) <b>780</b>	<b>+39</b>	<b>+5.2%</b>
Ordinary Income	(5.9%) <b>793</b>	(5.8%) <b>800</b>	<b>+7</b>	<b>+0.8%</b>
Net Income	(3.1%) <b>425</b>	(3.6%) <b>490</b>	<b>+65</b>	<b>+15.2%</b>
Exchange Rate (Apr.~Mar.)	<b>110 yen/USD</b> <b>138 yen/EUR</b>	<b>115 yen/USD</b> <b>125 yen/EUR</b>	<b>+5 yen</b> <b>△13 yen</b>	
Capital Expenditure	<b>684</b>	<b>750</b>	<b>+66</b>	<b>+9.6%</b>
Depreciation	<b>570</b>	<b>600</b>	<b>△30</b>	<b>+5.3%</b>

( ) : Profit Margin on sales

# 2-3) Operating Income Change Analysis



# 2-4) Net Sales by Product

(100million yen)

		FY2014 (Actual)	FY2015 (Forecast)			Increase /Decrease	Increase /Decrease (%)
			1st-Half	2nd-Half	Full Year		
Mechanical Components	Steering Systems	6,477	3,265	3,450	6,715	+237	+3.7%
	Bearings	4,026	1,950	2,000	3,950	△76	△1.9%
	Driveline Components	1,472	700	740	1,440	△32	△2.2%
	【Total】	11,977	5,915	6,190	12,105	+127	+1.1%
Machine Tools & Other		1,582	785	810	1,595	+12	+0.8%
【Sales Total】		13,559	6,700	7,000	13,700	+140	+1.0%

## 2-5) Net Sales by Region

(100 million yen)

	FY2014 (Actual)	FY2015 (Forecast)			Increase /Decrease	Increase /Decrease (%)
		1st-Half	2nd-Half	Full Year		
Japan	5,590	2,565	2,725	5,290	△300	△5.4%
Europe	2,114	995	1,025	2,020	△94	△4.5%
North America	3,031	1,570	1,590	3,160	+128	+4.2%
Asia - Oceania	1,568	790	800	1,590	+21	+1.4%
China	1,011	635	715	1,350	+338	+33.5%
South America / Other	243	145	145	290	+46	+19.0%
<b>【Sales Total】</b>	<b>13,559</b>	<b>6,700</b>	<b>7,000</b>	<b>13,700</b>	<b>+140</b>	<b>+1.0%</b>

## 1. Results for Fiscal 2014

## 2. Forecasts for Fiscal 2015

## 3. *Mid-Term Management Plan*

# Mid-term Management Plan (2015-2019)



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### **2. Outline of Mid-term Management Plan**

#### **(Business Operations Strategies)**

- 1) Automotive Systems Business Operations Strategies**
- 2) Bearing Business Operations Strategies**
- 3) Machine Tools & Mechatronics Business Operations Strategies**

#### **(Actions of Functional Units)**

- 4) Global HR Management**
- 5) Strengthening Financial Basis**
- 6) Operational Reform of Indirect Departments**

### **3. Numerical Value Perspective**



# 1. Summary of the First year

Management Environment

Management Index (Consolidated)

## 3-1) Management Environment

### [FY 2014]

With growth in earnings and the effect of depreciation of the yen, we have accelerated the strengthening of the business foundation, solidified our footing, and have at the same time worked on “bullet loading”.

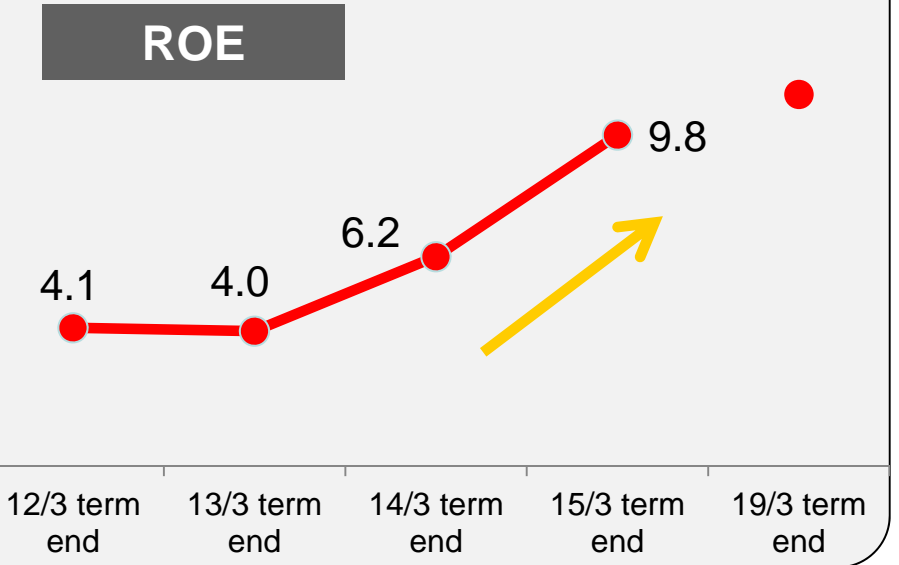
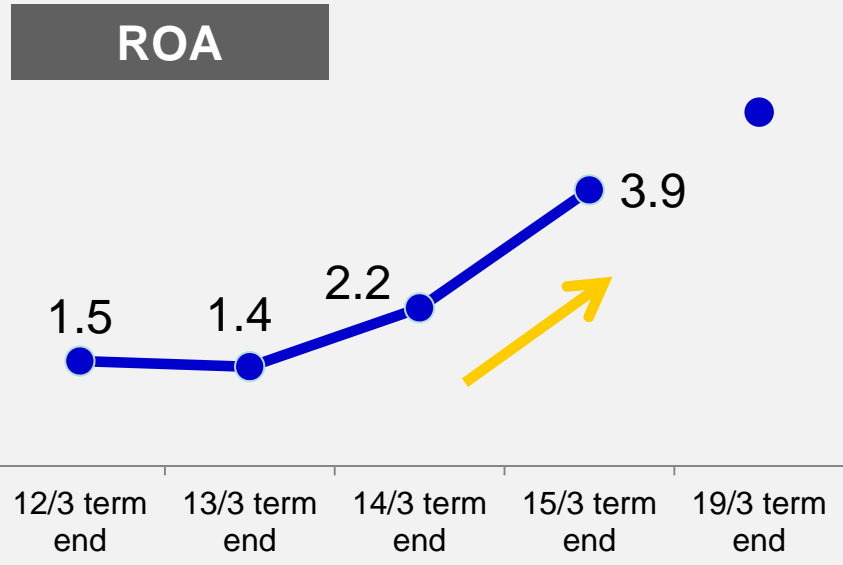
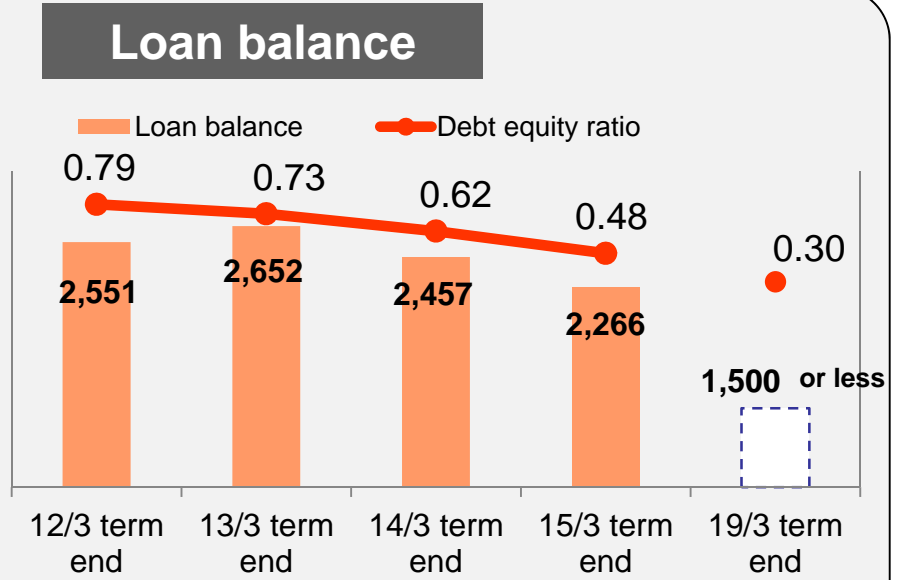
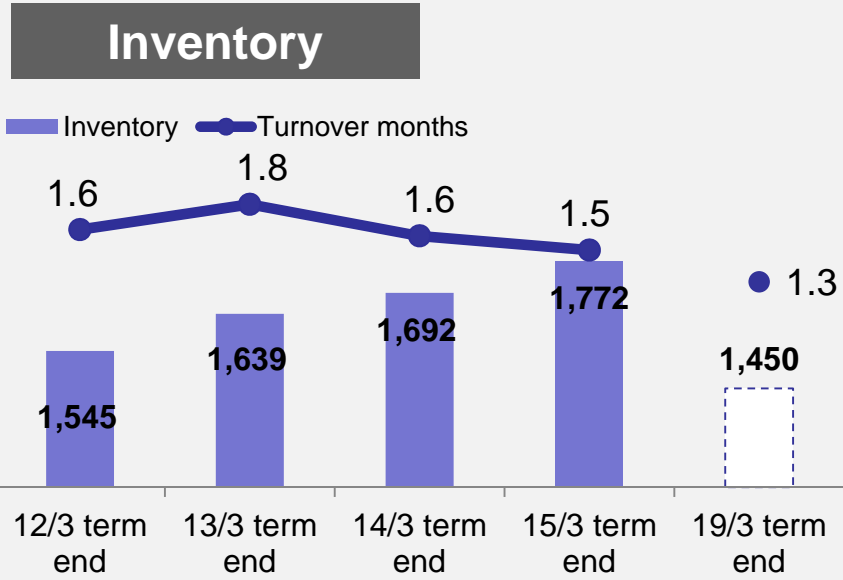
### [Favorable conditions]

- ① Enhancement of cooperation with customers at development step (frontloading activity)
- ② Enhancement of marketing (restructuring of sales companies and dealers)
- ③ Established goal for structural reform. (Creation of profits in Europe/Reorganization of Chinese oversea subsidiaries)

### [Unfavorable conditions]

- ① Did not achieve cost down/Increased inventory
- ② Did not achieve improvement in productivity
- ③ Lack of benchmarks, insufficient crisis awareness, insufficient speed

# 3-1) Management Index (Consolidated)



## 2. Outline of Mid-term Management Plan

Achievement of JTEKT GROUP VISION

Automotive  
Systems  
business  
operations  
strategies

Bearing  
business  
operations  
strategies

Machine Tools &  
Mechatronics  
business  
operations  
strategies

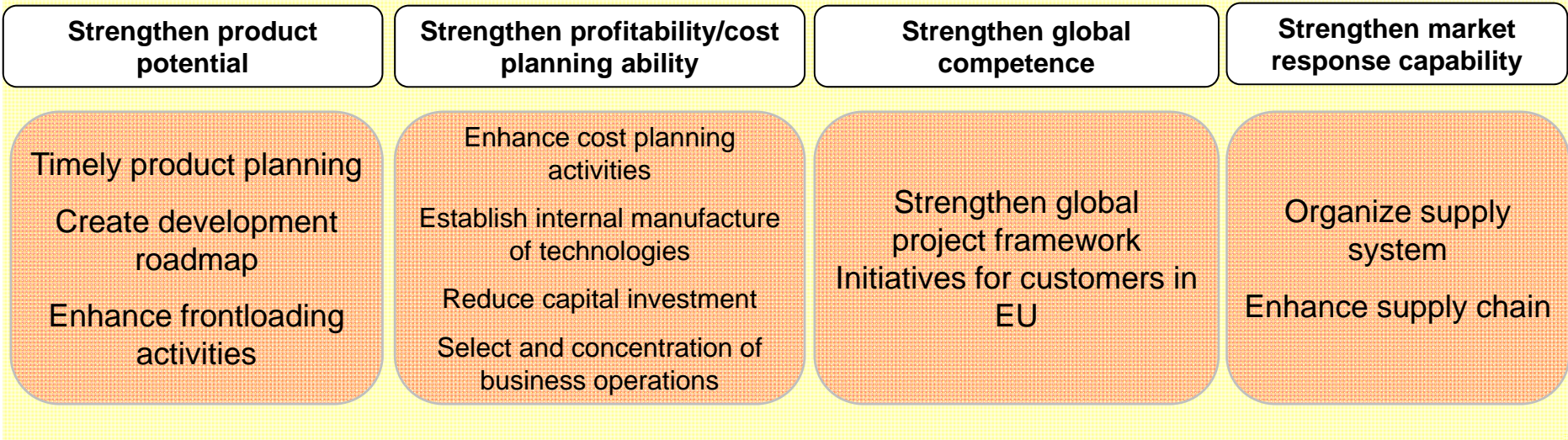
Functional Units

Business operations are key units

# Automotive Systems Business Operations Strategies

# 3-2-1) Ideal for Automotive Systems Business Operations

**Be the all-time leading supplier in the market with the spirit of “World No.1” & “Only One”, through delivering value to customers**



# 3-2-1) Actions (Steering Systems) ①

Ideal

**Be the all-time leading supplier in the market with the spirit of “World No.1” & “Only One”, through delivering value to customers**

Mid-term target  
Steering systems

**Maintain the top global share in automotive steering systems**

Priority activities

Strengthen  
Product  
Potential

- Function safety, small size/lightweight/fuel-saving, support for automated driving
- Promotion of strategy for core components (column/MCU)
- Introduction of products with competitive power into the market (RP/DP-EPS, next-generation EPS)

Business model  
revolution

- Strengthen capabilities for global projects/frontloading activities
- Strengthen sales price strategy/cost planning ability

Organize supply  
system

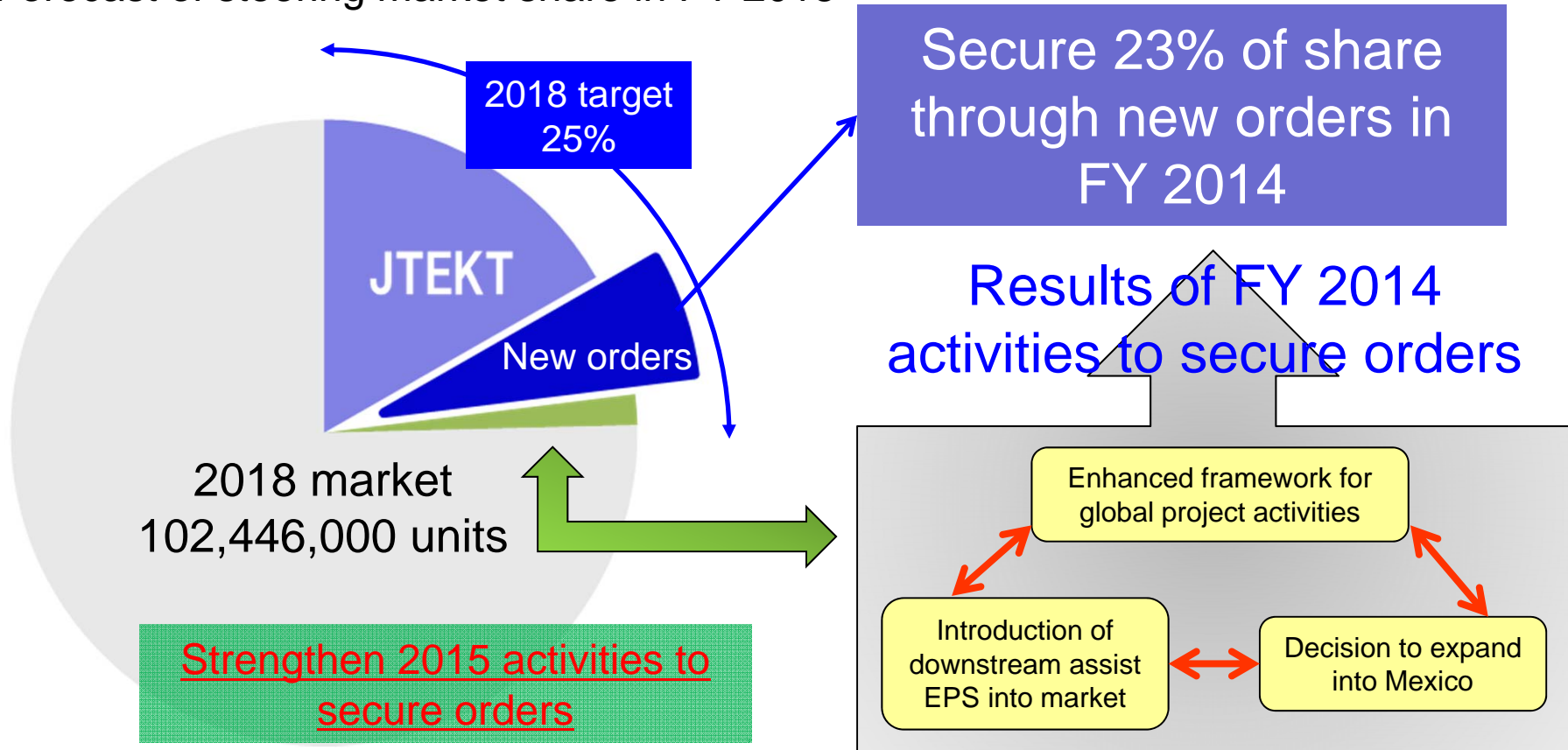
- Organize a global supply system  
(Establish base in Mexico/Reorganize production in line with expansion of downstream assist EPS in North America)

# 3-2-1) Actions (Steering Systems ) ②

Results of activities in FY 2014 (Activities to maintain top share)

\*According to JTEKT research based on market data

Forecast of steering market share in FY 2018



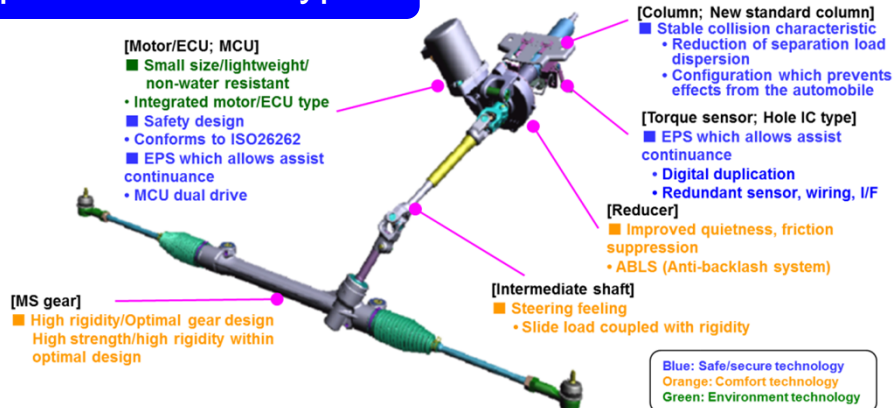
***Established outlook to maintain top share for FY 2018***



# 3-2-1) Actions (Steering Systems) ③

## Electric power steering systems lineup

### Upstream assist type

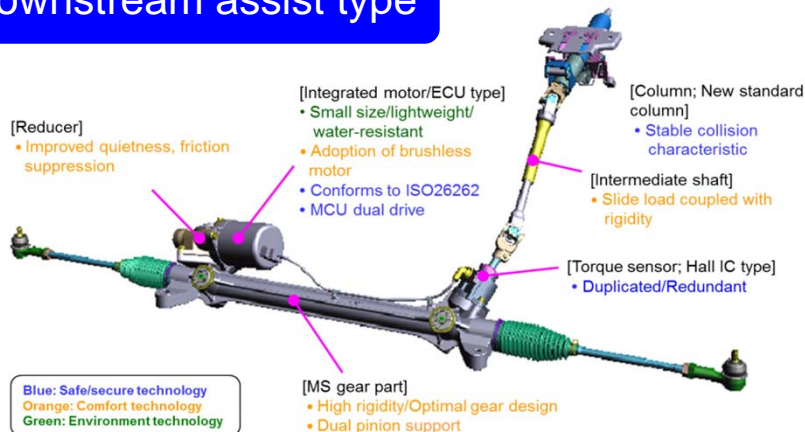


### C-EPS (Column type)

EPS system which, in 1998, JTEKT was first in the world to successfully apply practically.

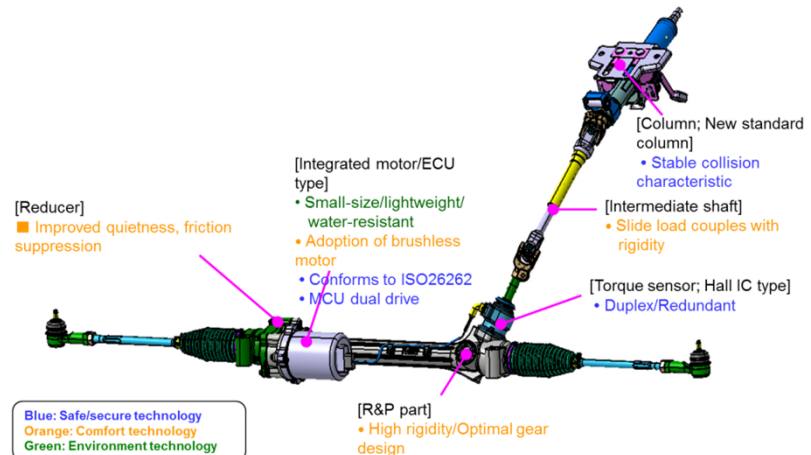
- EPS system for compact cars
- Safe and secure, with no need for heat or water resistance as the motor is encased internally, which in turn achieves low fuel consumption/compactness/low cost, drawing support from carmakers throughout the world.

### Downstream assist type



### DP-EPS (Dual pinion type)

- EPS system for medium-size automobiles
- Direct feeling due to closeness of assist to tires



### RP-EPS (Rack parallel type)

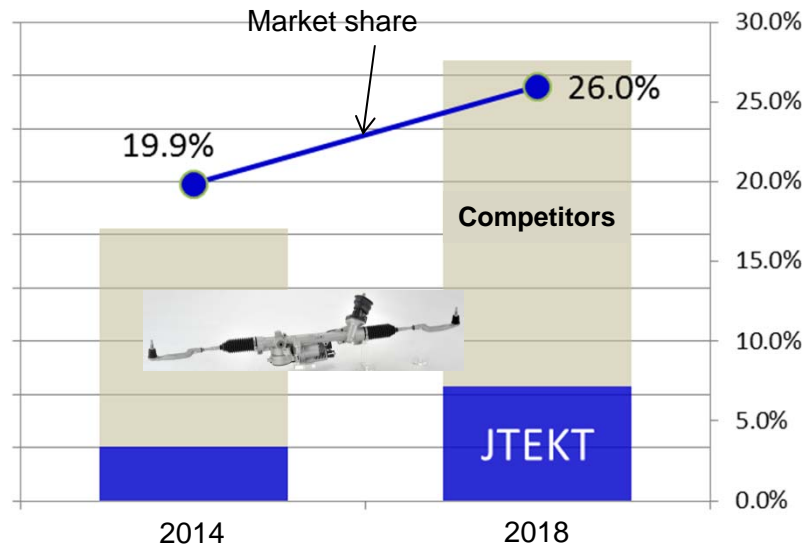
- Steering system suited for automobiles of medium-size or larger
- High-output system that is small-size, lightweight, and has a high level of steering feeling

# 3-2-1) Actions (Steering Systems) ④

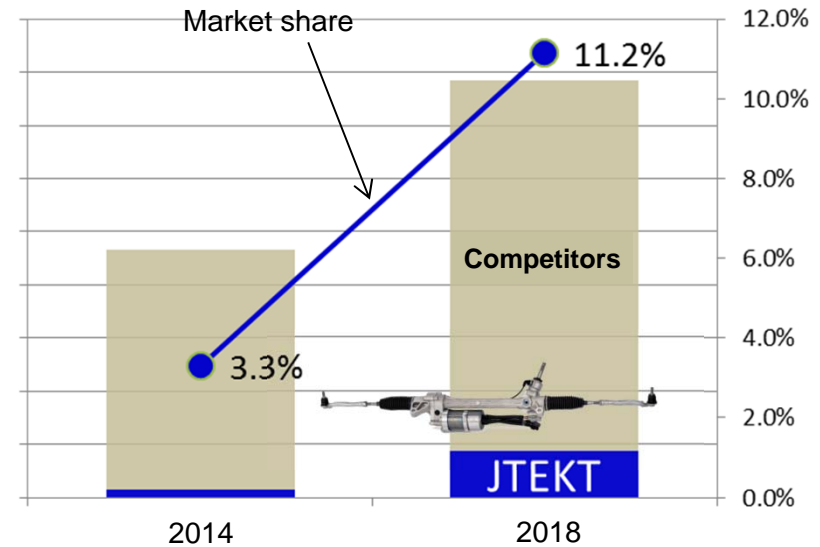
Results of activities in FY 2014 (Expansion of downstream assist business)

\*According to JTEKT research based on market data

## DP-EPS (Dual pinion type)



## RP-EPS (Rack parallel type)



- ✓ Downstream assist EPS market has greatly expanded, mainly in automobiles of medium-size or larger
- ✓ Orders from customers in Japan and EU have grown, without losing sales alongside market growth



Carefully followed changes in market trends, contributed greatly to maintaining top share

## 3-2-1) Actions (Steering Systems) ⑤

### Results of activities in FY 2014 (Strengthened product potential)

- ✓ Completion of development of next-generation column that can be proposed to customers in EU and the U.S.
- ✓ Acquired orders from Japanese customers. Mass production in Japan/North America scheduled to start in 2017

#### Inner tube contraction type column with guaranteed function

Column with new structure which absorbs impact on the tube sliding part

- Contains less parts than conventional column, with enhanced weight reduction
- Improves steering feeling due to better vibrational rigidity
- Suppresses separation load dispersion and improves impact absorption at collision



We are promoting the further improvement of our competitive power through in-house development and shift to in-house manufacture for core components of EPS systems (Implement for C-EPS as well)

We are at the same time developing an internally manufactured, next-generation MCU to strengthen the competitiveness of the MCU, a core component of EPS

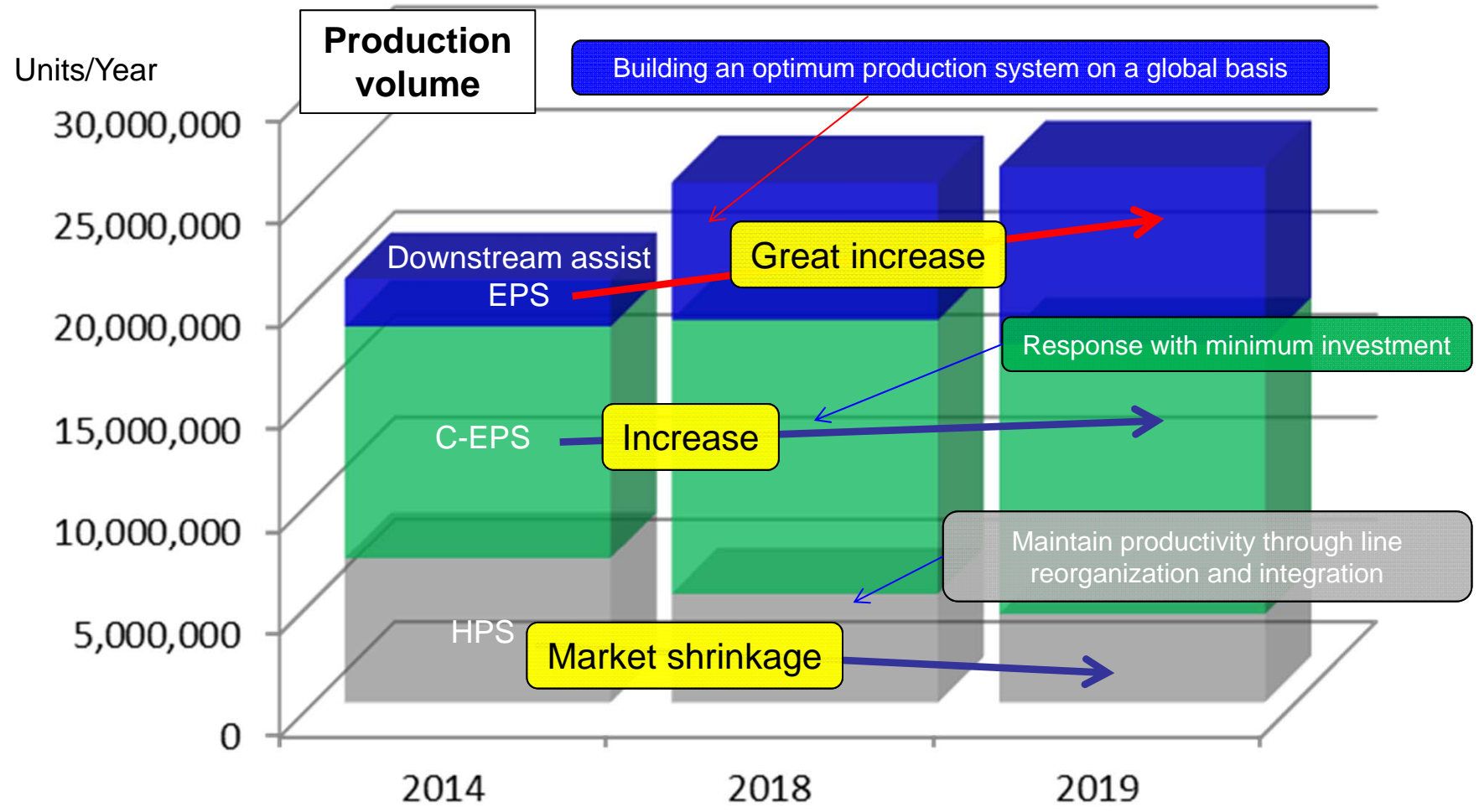


# 3-2-1) Reflection of Steering in FY 2014 and Future Response

Sales	Achievements	<ul style="list-style-type: none"> <li>✓ PM (Project Management) system has been established (Strengthen global management)</li> </ul>	<p>Actions to be taken in and after FY 2015</p> <p><b>Selling method</b></p> <ul style="list-style-type: none"> <li>➤ Further enhancement of PM (Project Management) system</li> </ul> <p><b>Enhance cost competitiveness/profitability</b></p> <ul style="list-style-type: none"> <li>➤ Reform manufacturing method                             <ul style="list-style-type: none"> <li>• Reduce investment/low-cost equipment</li> <li>• Unmanned operation, new technology</li> </ul> </li> <li>➤ Enhance cost competitiveness through thorough benchmarking</li> <li>➤ Reform purchasing method</li> </ul> <p><b>Technology</b></p> <ul style="list-style-type: none"> <li>➤ Accelerate development of next-generation products (Low-cost, competitive products)                             <ul style="list-style-type: none"> <li>⇒ Introduce next-generation products to maintain C-EPS foundation</li> </ul> </li> <li>➤ Complete development of mass production of downstream EPS (RP-EPS)</li> </ul>
	Challenges	<ul style="list-style-type: none"> <li>✓ Increasing cost competition (Price differences between regions)</li> <li>✓ Response to further expansion of customer base in the U.S.</li> </ul>	
Revenue	Achievements	<ul style="list-style-type: none"> <li>✓ Sales activities with regards to revenue</li> <li>✓ Cost reduction activities that consider market prices</li> </ul>	
	Challenges	<ul style="list-style-type: none"> <li>✓ <u>Insufficient achievements from cost planning activities</u></li> <li>✓ <u>Response to increasing price competition</u></li> </ul>	
Development	Achievements	<ul style="list-style-type: none"> <li>✓ Plan for next-generation products (evolution of products)</li> <li>✓ Accelerated bullet-loading for the future (ADAS, function safety)</li> </ul>	
	Challenges	<ul style="list-style-type: none"> <li>✓ Preliminary achievement of results for establishing a foundation including VAVE (Value Analysis and Value Engineering)</li> </ul>	

# 3-2-1) Expansion of Steering Business

<For continuous growth of business operations>



Respond to changes to market trends in a timely manner, and build an optimum production system

# 3-2-1) Actions (Drivelines) ①

Ideal

**Be the all-time leading supplier in the market with the spirit of “World No.1” & “Only One”, through delivering value to customers**

Mid-term  
target  
Drivelines

**Be a leading company in torque control devices**

Priority activities

Strengthen Product Potential

- Size reduction/Cost reduction/High performance
- Unitization/Modularization
- Product development in new fields (Corresponding with HV/EV)

Customer base expansion  
Explore new markets

- Strengthen approach to overseas customers and promote activities for understanding the market
- Cooperate with overseas subsidiaries to build a business/sales engineering framework

Organize supply system

- Thorough application of existent production capability

## 3-2-1) Actions (Drivelines) ②

### Results of activities in FY 2014 (Strengthened product potential)

- ✓ Developed next-generation torque control devices as main products
- ✓ Strengthened efforts towards customers in Japan/U.S. for proposal-type products which respond to environmental requirements (small-size/lightweight/improved fuel consumption)

#### Driving force transmission unit with disconnect mechanism

- Stops rear wheel power transmission at times when 4WD is not needed
- Unitization of highly responsive actuator and low drag clutch



Finished setting development outlook for establishing top position in products that can be proposed regardless of OEM or differential gear supplier

# 3-2-1) Actions (Drivelines) ③

## Results of activities in FY 2014 (Customer base expansion/Market development)

[EU] Launched team for development of market in Japan/EU

- Increased number of engineers in EU
- Participated in parts exhibition/Correspondence for winter/cold environment test vehicle demonstration
- Synergized product development with EU technologies (TORSEN/electric pump)

Strengthened actions for expanding sales in EU/China

[China] Launched team for development of market in Japan/China

- Expanded customer base (Deployed existing products)
- Conducted survey on trends of electrification/green products



Scope of sales per region in 2014

North America

Strengthened response to projects for disconnects for customers in the U.S.

- Collaborative Oobeya activities\* between Japan and the U.S.
- Collaboration with differential gear suppliers

Orders for next-gen. propeller shafts

- SOP: May 2015

\*Oobeya activity: Multifaceted examination and information sharing at one time by the meeting of all concerned sections and parties at one location.

✓ Investment of resources in EU/China, completed organization of framework for expanding JTEKT presence (Promote market demands and assessment of sales expansion potential)

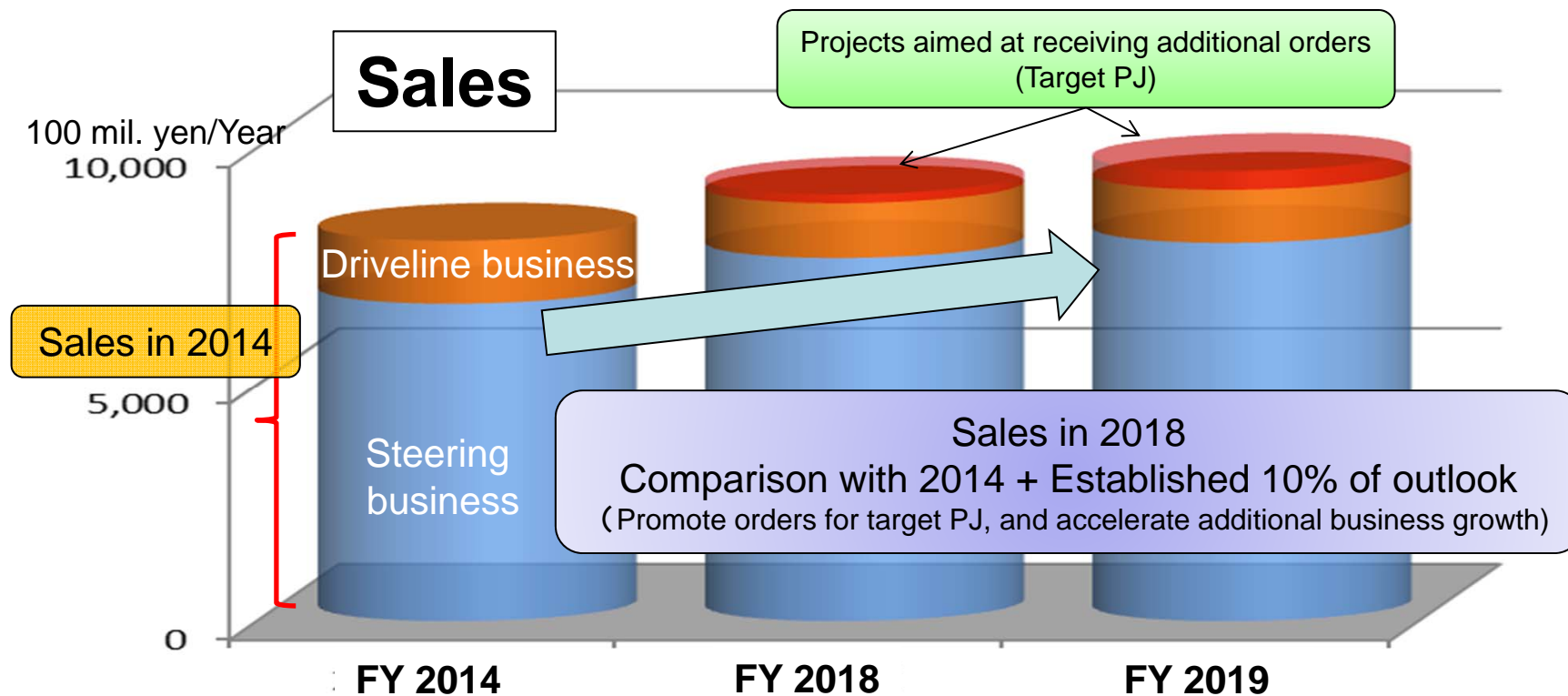


# 3-2-1) Reflection of Drivelines in FY 2014 and Actions to Be Taken

Sales	Achievements	<ul style="list-style-type: none"> <li>✓ Organized driveline market survey framework in EU</li> <li>✓ <b>Verification of marketability of each product has been finished</b></li> </ul>	<p>Actions to be taken in and after FY 2015</p> <p><b>Selling method</b></p> <ul style="list-style-type: none"> <li>➤ Reform selling method                             <ul style="list-style-type: none"> <li>• Enhance actions for priority projects (Roll out PM system)</li> <li>• Promote market development (e.g.) EU market</li> <li>• Expand synergy with EU subsidiaries</li> </ul> </li> </ul> <p><b>Enhance cost competitiveness/profitability</b></p> <ul style="list-style-type: none"> <li>➤ Reform manufacturing method                             <ul style="list-style-type: none"> <li>• Reduce investment</li> <li>• Unmanned operation, new technology</li> </ul> </li> <li>➤ Enhance cost competitiveness through thorough benchmarking</li> <li>➤ Reform purchasing method</li> </ul> <p><b>Business operations strategy</b></p> <ul style="list-style-type: none"> <li>➤ Implement selection and centralization                             <ul style="list-style-type: none"> <li>• Shift resources to businesses of focus</li> </ul> </li> <li>➤ Bullet-loading for future                             <ul style="list-style-type: none"> <li>• Respond to HEV/EV markets, accelerate planning of new products</li> </ul> </li> </ul>
	Challenges	<ul style="list-style-type: none"> <li>✓ <b>Did not achieve objective for orders from target projects</b></li> </ul>	
Revenue	Achievements	<ul style="list-style-type: none"> <li>✓ Results of Oobeya activities for key products (e.g. set plan to create profitable CVJ business, increased ITCC profitability)</li> </ul>	
	Challenges	<ul style="list-style-type: none"> <li>✓ <b>Insufficient results from activities to enhance cost competitiveness</b></li> </ul>	
Development	Achievements	<ul style="list-style-type: none"> <li>✓ <b>Disconnect unit: Transitioned to negotiation phase with customers (Continuing proposals for customers in Japan/U.S.)</b></li> </ul>	
	Challenges	<ul style="list-style-type: none"> <li>✓ <b>Acceleration of development of products contributing to reduced fuel consumption</b></li> </ul>	

# 3-2-1) Automotive Systems Business Operations Mid-term Business Plan

<For sustainable business growth>



Promote the sustainable growth of businesses in response to the expansion of the automobile market

## 1. Further enhancement of global project activity framework

- ✓ PM (Expansion of project management office)
- ✓ Develop activities for driveline projects

## 2. Further enhancement of competitiveness

- ✓ Acceleration of core components strategy (MCU, column, intermediate shaft, MS gear)
  - Achieve a price that outdoes other companies, including for in-house manufacturing

## 3. Product development

- ✓ RP-EPS: From completion of mass production development to mass production (Commercialization)
- ✓ Evolution of disconnect into next-generation product
- ✓ Development and commercialization of next-generation electric oil pump

## 4. Business operations strategies

- ✓ Launch hub in Mexico and establish it as a competitive base
- ✓ Reform business operations in North/Central America

# Bearing Business Operations Strategies

# 3-2-2) FY 2014 Mid-term Plan (2014-2018)

## Ideal

Follow the growth of the global market and strengthen operational capability

Product/Industry-related strategies



Tackling to priority tasks  
(Structural reform, production, sales, engineering)

Strategy for Products	
<b>TRB</b> (Tapered Roller Bearings)	<ul style="list-style-type: none"> <li>• Maintain the top position</li> <li>• Pursue further low friction</li> </ul>
<b>NRB</b> (Needle Roller Bearings)	<ul style="list-style-type: none"> <li>• Expansion of synergy due to business integration</li> <li>• Promote development of complex products</li> </ul>
<b>HUB</b> (Hub units)	<ul style="list-style-type: none"> <li>• Maintain B-HUB*</li> <li>• Strengthen/expand T-HUB**</li> </ul>
<b>SBB</b> (Single Ball Bearings)	<ul style="list-style-type: none"> <li>• Shift to high value-added product fields</li> </ul>

Strategy for business types (Industrial Machine field)
Steel
Machine tools
Windmills
Agricultural/construction M/C
SP environments (medical/semiconductor)

\*B-HUB: Ball hub units      \*\*T-HUB: Tapered roller hub units

## 3-2-2) FY 2014 Mid-term Plan (2014-2018)

### Priority action items in FY 2014

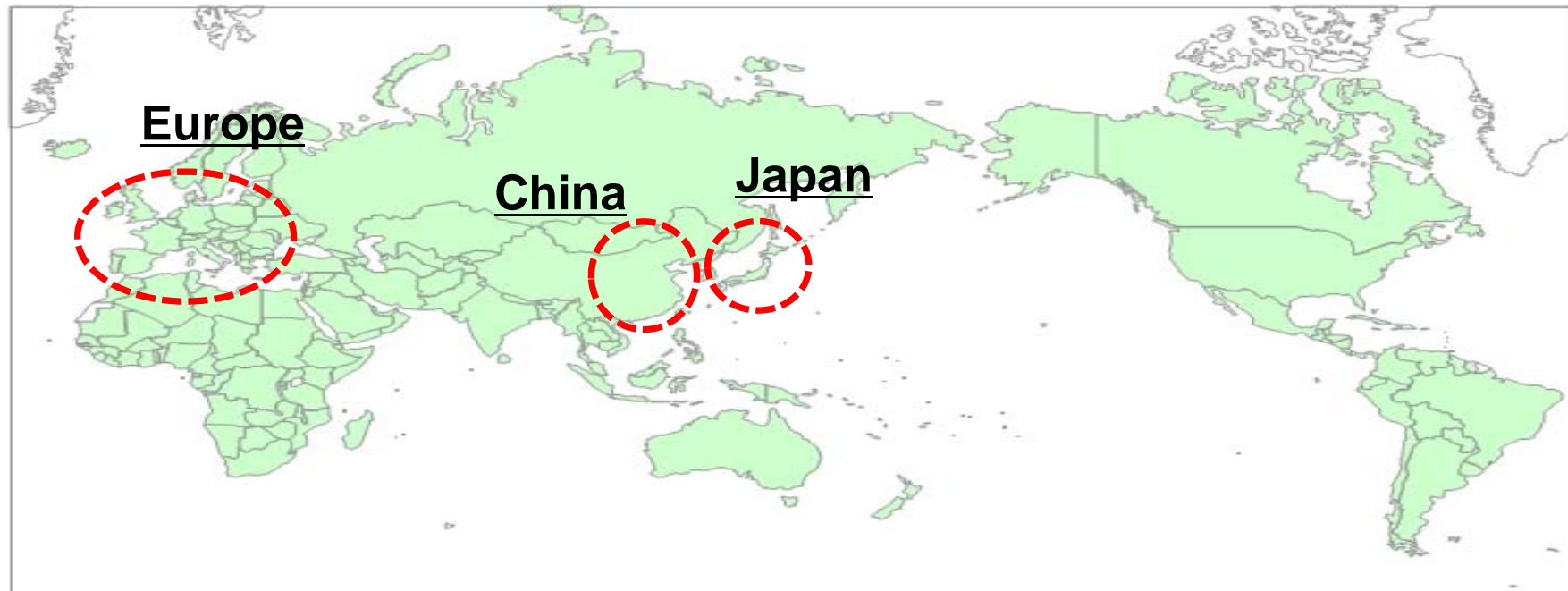
<b>Structural Reform</b>	<ul style="list-style-type: none"><li>• Reorganize Kokubu plant</li><li>• Reorganize plants outside Japan</li></ul>
<b>Establish productivity and production engineering capability</b>	<ul style="list-style-type: none"><li>• Strengthen production line for multi-product/small-lot manufacturing</li></ul>
<b>Sales Innovation Enhance sales force</b>	<ul style="list-style-type: none"><li>• Reorganize sales structure and network to expand business for industrial OEM and aftermarket segments</li><li>• Promote proactive sales activities and strengthen application engineering capability (Newly established Application Engineering Dept.)</li></ul>
<b>Strengthen product potential to be compatible to market changes</b>	<ul style="list-style-type: none"><li>• Strengthen priority products, develop unit module products</li><li>• Add another strong business area in addition to the steel-related business area</li></ul>

## 3-2-2) Achievements and Challenges ① Structural Reform

Structural Reform	Achievements	<ul style="list-style-type: none"><li>• Outline of reorganization of plants in Japan and outside Japan has been determined</li></ul>
	Challenges	<ul style="list-style-type: none"><li>• Clarification of roles of each region</li><li>• Enhancement of business constitution for stable business management in all regions</li></ul>

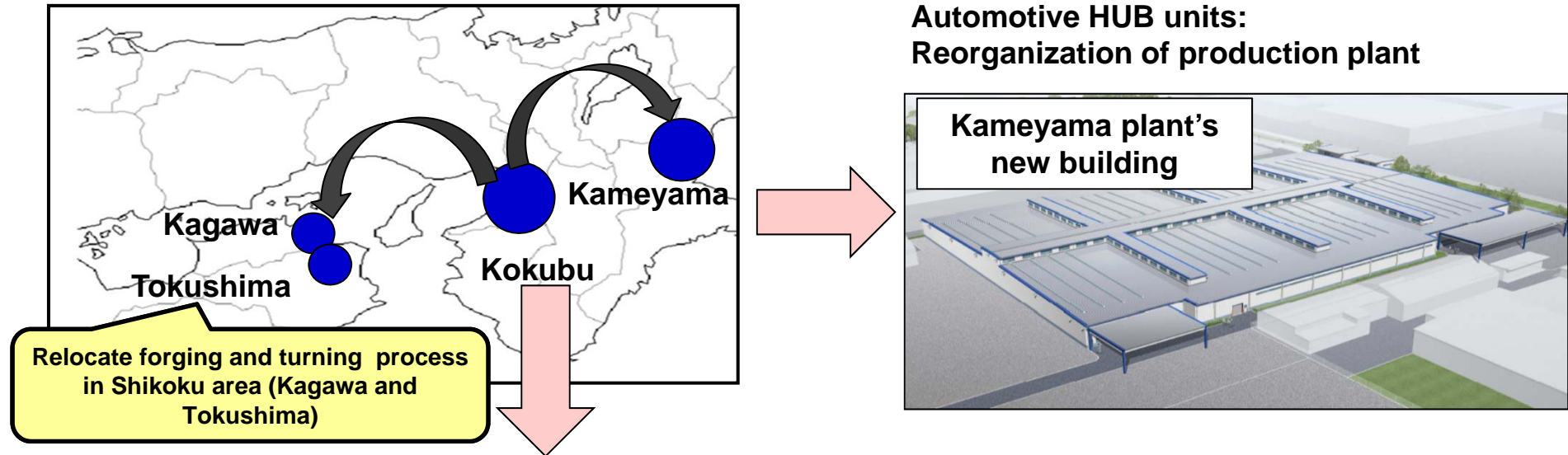
### ◆ Reorganization of plants in Japan and outside Japan

<Focus on three regions>



## 3-2-2) Achievements and Challenges ① Structural Reform

### ◆ Reorganization of production resources in Japan



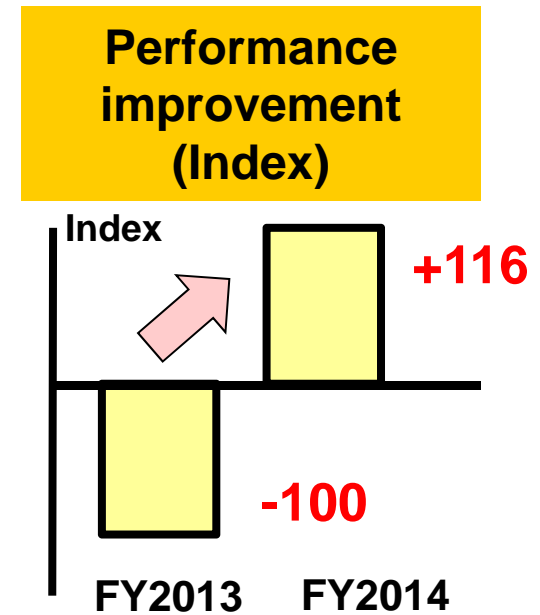
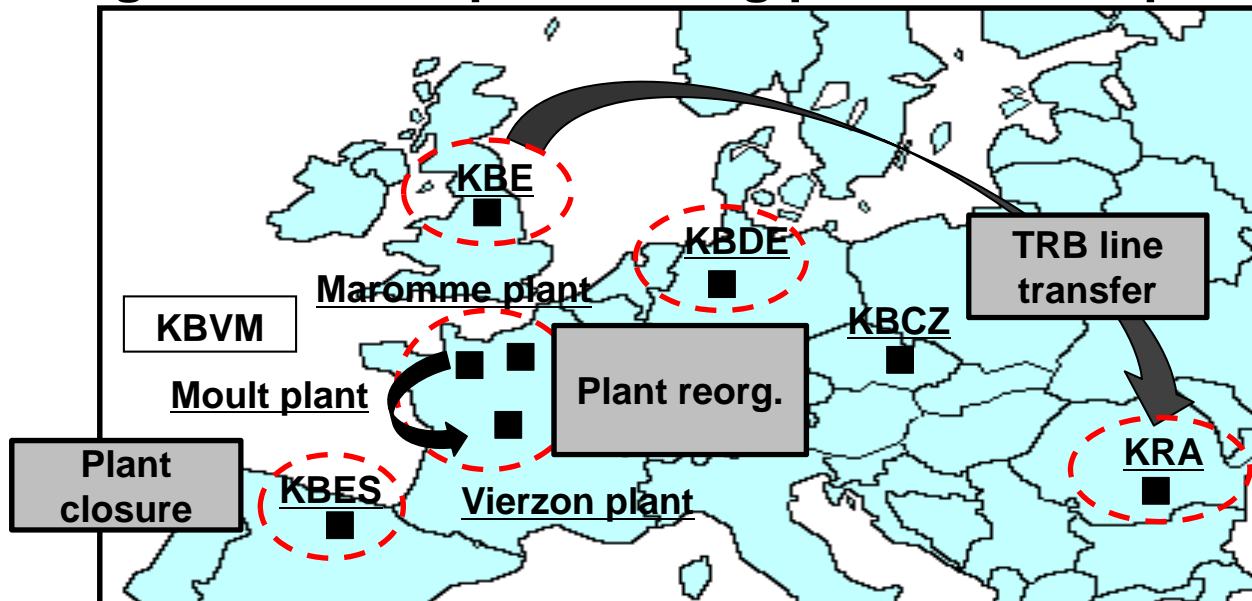
### Kokubu: Reform as a mother plant for industrial machine bearings

Production line	Action item
Medium and large size bearings	<ul style="list-style-type: none"> <li>Establish optimum production lines to suit production volume</li> </ul>
Bearings for machinery	<ul style="list-style-type: none"> <li>Innovation of manufacturing methods for spindle bearings</li> </ul>
Extra large size bearings	<ul style="list-style-type: none"> <li>Strengthen product potential by improving cleanliness of assemble line</li> </ul>



# 3-2-2) Achievements and Challenges ① Structural Reform

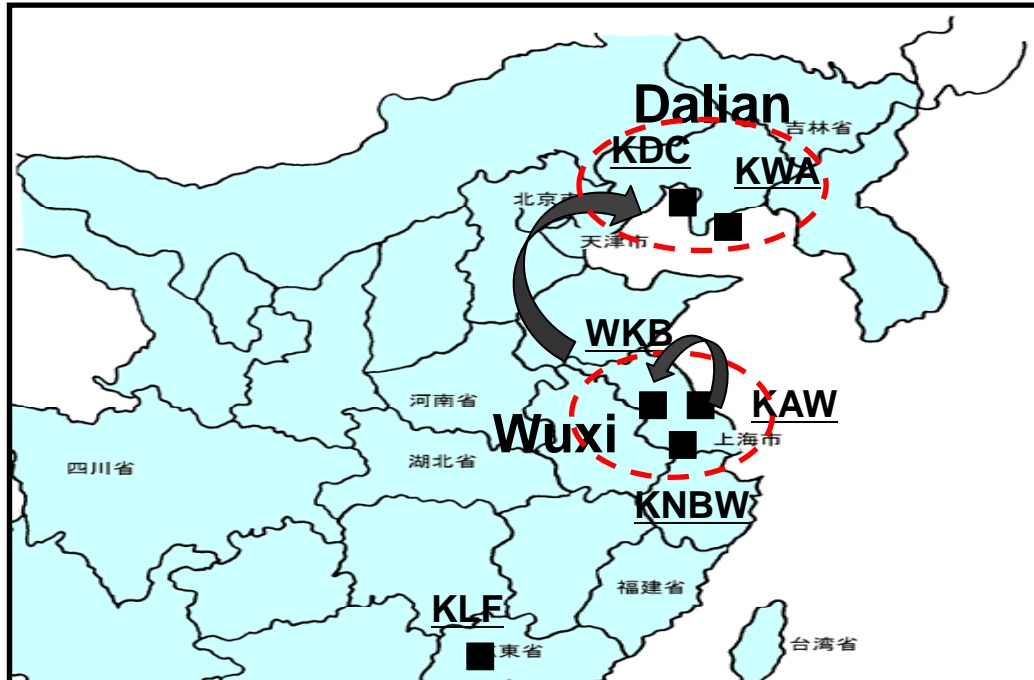
## ◆ Reorganization map of bearing plants in Europe



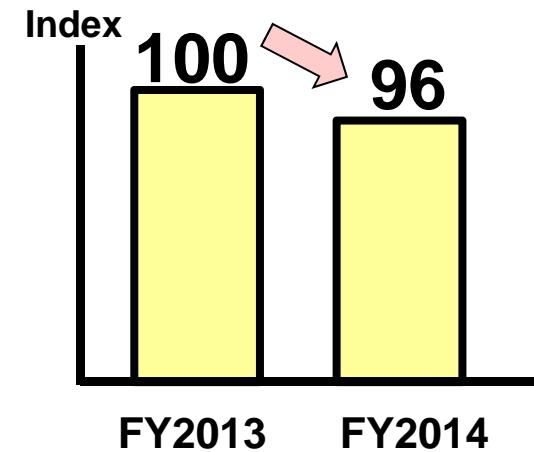
Plant (Country)	Reorg./Structural reform	Action item
KBE (UK)	Reform as plant specialized for HUB units	Transfer and unify TRB production to KRA (Romania)
KBVM (France)	Reform plant and administration section	Review product line in each plant/streamline company organization
KBES (Spain)	Plant closure	Stopped operation (Dec. 2014)
KBDE (Germany)	Review company organization and logistics	Reorganize and integrate production lines. Improve logistics/streamline company organization.

### 3-2-2) Achievements and Challenges ① Structural Reform

#### ◆ Reorganization map of bearing plants in China



#### Cost improvement (Cost index)



Plant (Region)	Action item
KDC (Dalian)	• Miniature and small dia. SBB plant
WKB (Wuxi)	• Small size SBB plant
KAW (Wuxi)	• Medium size SBB plant

# 3-2-2) Achievements and Challenges ② Production

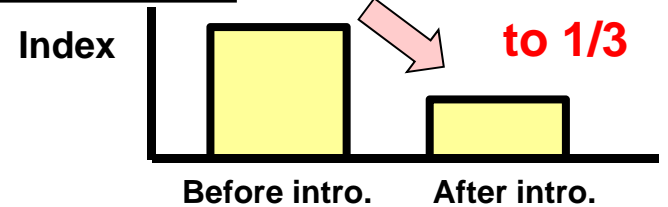
Production	Achievements	<ul style="list-style-type: none"> <li>• Cost reduction activity has been settled through promotion of Oobeya activities</li> <li>• Model line specification for multi-product/small-lot manufacturing</li> <li>• Reduction of investment per unit (Design completed)</li> </ul>
	Challenges	<ul style="list-style-type: none"> <li>• Establish optimal process and optimal line structure</li> <li>• Continue improvement activities for increasing floor management</li> </ul>

◆ Model line of multi-product/small-lot production  
Complex grinding for cylindrical large size products

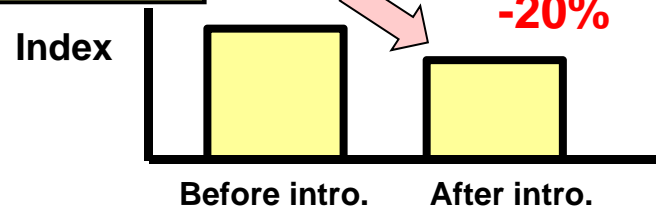


## Actual effect (Index)

Changeover time

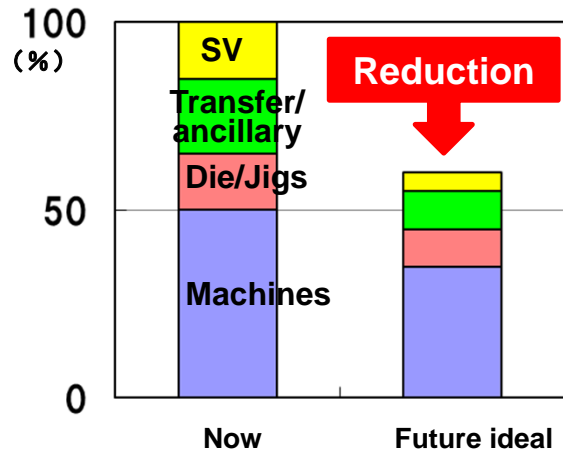


Cost



## ◆ Reduction of investigation per unit

[Idea for a reduction of investigation per unit at mass production line]



$$\text{Investigation per unit} = \frac{\text{Capital Investment}}{\text{Production capability}}$$

- ① Reduction of investment
- ② Improvement in production capability

	① Reduction of capital investment	② Production capacity improvement
Measure	<ol style="list-style-type: none"> <li>1. Machine specifications</li> <li>2. In-house drawings for ancillary / transfer machines</li> <li>3. Use local low cost machines</li> <li>4. Minimize number of machines/processes</li> <li>5. Modify line formations</li> </ol>	<ol style="list-style-type: none"> <li>1. Improvement efficiency of work</li> <li>2. Reduction of actual machining time</li> </ol>

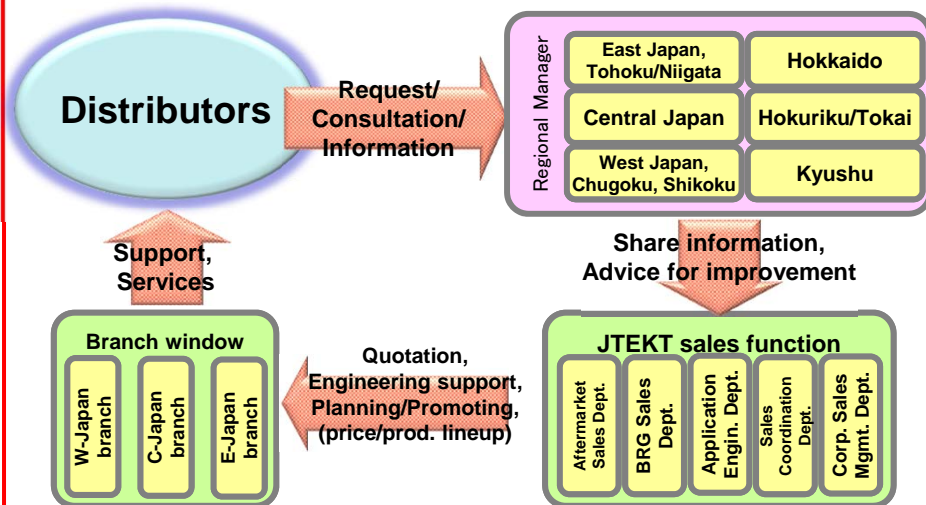
# 3-2-2) Achievements and Challenges ③ Sales

Sales	Achievements	<ul style="list-style-type: none"> <li>• Reorganization of sales network in Japan (Merger with Koyo sales)</li> <li>• Setup action plan of product lineup for aftermarket</li> </ul>
	Challenges	<ul style="list-style-type: none"> <li>• Activity to increase brand power in the global market place</li> <li>• Estimate market trends and setup regional strategies by marketing</li> </ul>

## ◆ Sales organization and products ①

- Apply regional sales management system (Japan/North & South America/Europe/ASEAN/China)

\* Regional management system in Japan



## ◆ Sales organization and products ②

- Continue activity to increase brand power
- Improve search system of products on JTEKT homepage
- Issue new catalogs
- Improve packaging (robustness, design)

\* Sample



New catalogs



New Design

# 3-2-2) Achievements and Challenges ④ Engineering

<b>Engineering</b>	<b>Achievements</b>	<ul style="list-style-type: none"> <li>• Proceeded with development through selection of targets for high value-added products</li> <li>• Application-specific action plan has been clarified</li> </ul>
	<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Start of development of next-generation value-added products, enhancement of fundamental technology</li> <li>• Clarification of technology scenario</li> </ul>

◆Large Size Bearing Technology Development Center



◆Examples of developed products matched to customer needs

<b>Industrial machinery</b>	<ul style="list-style-type: none"> <li>• Longer life/higher speed JHS-series spherical roller bearings</li> </ul>
<b>Industrial machinery</b>	<ul style="list-style-type: none"> <li>• Traction drive unit used in reducer for high precision feeding application</li> </ul>
<b>Automotive</b>	<ul style="list-style-type: none"> <li>• Next-generation super-low friction torque tapered roller bearing (LFT-IV)</li> </ul>
<b>Automotive</b>	<ul style="list-style-type: none"> <li>• Bearings that contribute to reliability enhancement of fuel cell vehicles</li> </ul>

# 3-2-2) Examples of strengthening product potential

## (1) Example of developed products matched to customer needs (Industrial machine bearings)

### Longer life/higher speed JHS-series spherical roller bearings

- Spherical roller bearing with longer life and higher speed, able to respond to harsher conditions

**Outer ring**  
 • JTEKT-spec. steel

**Roller**  
 • Roller maximized  
 • Number of rollers increased  
 • Roller position stabilized

**Inner ring**  
 • JTEKT-spec. steel

Bearing configuration

\* JHS is a registered trademark of JTEKT.

**Longer life**  
 Max.  
**x4**  
 (compared to JTEKT products)

**Axial load performance**  
 Max.  
**20% increase**  
 (compared to JTEKT products)

**Higher speed**  
 Allowable rotation speed  
 Max.  
**25% increase**  
 (compared to JTEKT products)

**Durable in high temperature**  
 up to **200°C**

## 3-2-2) Examples of strengthening product potential

### (2) Example of developed products matched to customer needs (Industrial machine bearings)

#### Traction drive unit

- Reducer for high precision feeding application created from bearing core technology which speed gears cannot attain



Low rotational  
fluctuation

No backlash

Low noise

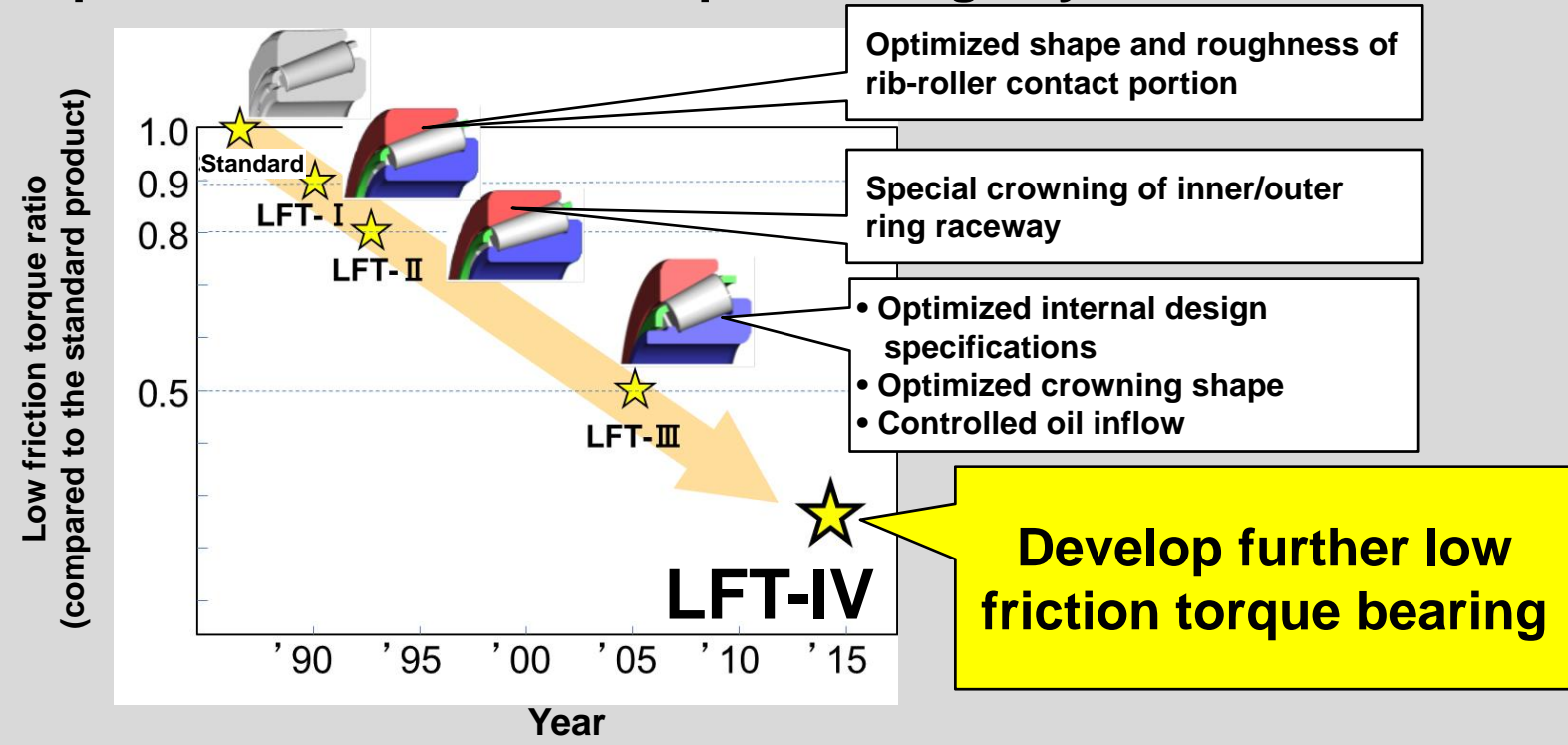


# 3-2-2) Examples of strengthening product potential

## (3) Example of developed products matched to customer needs (Automotive bearings)

### Next-generation super-low friction torque tapered roller bearing (LFT-IV)

- Development of low friction torque bearing beyond LFT-III



# 3-2-2) Examples of strengthening product potential

## (4) Example of developed products matched to customer needs (Automotive bearings)

Bearings that contribute to reliability enhancement of fuel cell vehicles

- Bearings adopted in production type fuel cell vehicle “MIRAI”



HUB unit

High rigidity



Ball bearing for transmission counter drive

Thin, low torque



Tapered roller bearing for transmission differential side

Low torque

# 3-2-2) FY 2015 Mid-term Plan (2015-2019)

Long term vision of bearing operations

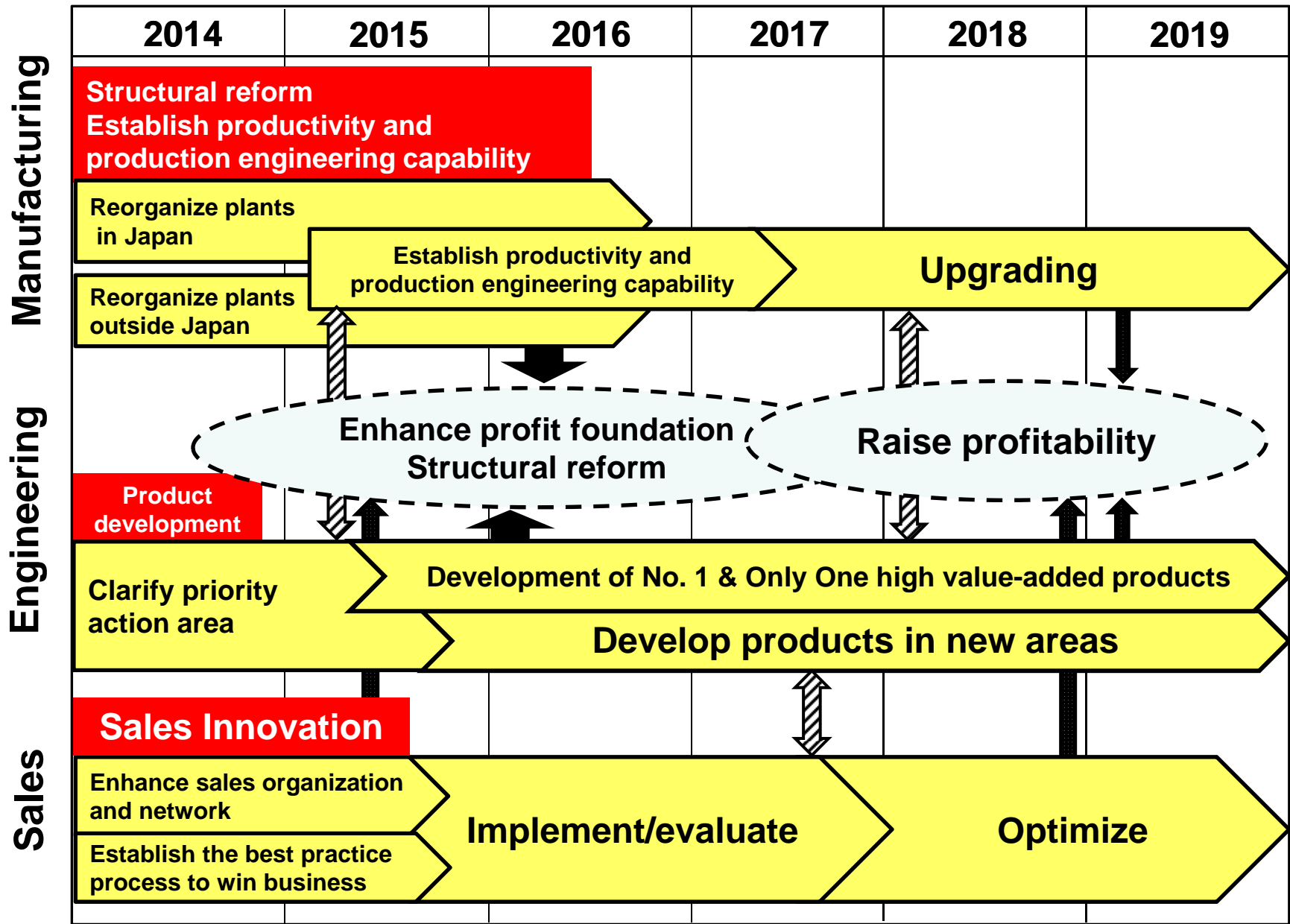
**Continue creating value, impress customers  
and be praised for business operations  
— Raise the "Koyo" brand to the top brand in the world —**



<b>Ideal</b>	<b>Entire operations</b>	<ul style="list-style-type: none"> <li>• Be a highly profitable business unit by transitioning from quantity to quality</li> <li>• Build lean and competitive structure (Enhance the business structure to solidify footing for growth)</li> </ul>
	<b>Automotive BRG</b>	<ul style="list-style-type: none"> <li>• Enhance frontloading activities</li> <li>• Supply the market with well-timed, high value-added products</li> <li>• Maintain the third largest share</li> </ul>
	<b>Industrial/ aftermarket BRG</b>	<ul style="list-style-type: none"> <li>• Establish a solution proposal-type business model</li> <li>• Establish No. 1 &amp; Only 1 products and services, thereby improving brand potential</li> <li>• Expand global share</li> </ul>

# 3-2-2) FY 2015 Mid-term Plan (2015-2019)

Chronological table of business strategy



## Machine Tools & Mechatronics Business Operations Strategies

# 3-2-3) FY 2014 Mid-term Management Plan

**Ideal**

**True total production system supplier that is trusted by customers**

## Policies for each product

<b>Grinder</b>	Maintain the No.1 global share in extreme accuracy/productivity
<b>Cutting mach./MC</b>	Develop within fields of high value-added through high accuracy and hard-to-cut material machining technology
<b>Control/system</b>	Aim to be in the global top 3 for optimization systems

<b>Strengthen sales capability</b>	<ul style="list-style-type: none"> <li>• Narrow down targets by strengthening marketing</li> <li>• Establish an after-service business model</li> </ul>
<b>Strengthen product potential</b>	<ul style="list-style-type: none"> <li>• Focus on high value-added products</li> <li>• Standardization of design process to enable easy design</li> </ul>
<b>Monozukuri revolution</b>	<ul style="list-style-type: none"> <li>• Shorten lead time through Kariya ReBORN</li> <li>• Improved price competitiveness by improving in-house production of added value</li> </ul>

# 3-2-3) Activities in 2014

(Machine Tools & Mechatronics Operations Headquarters)

## Priority actions

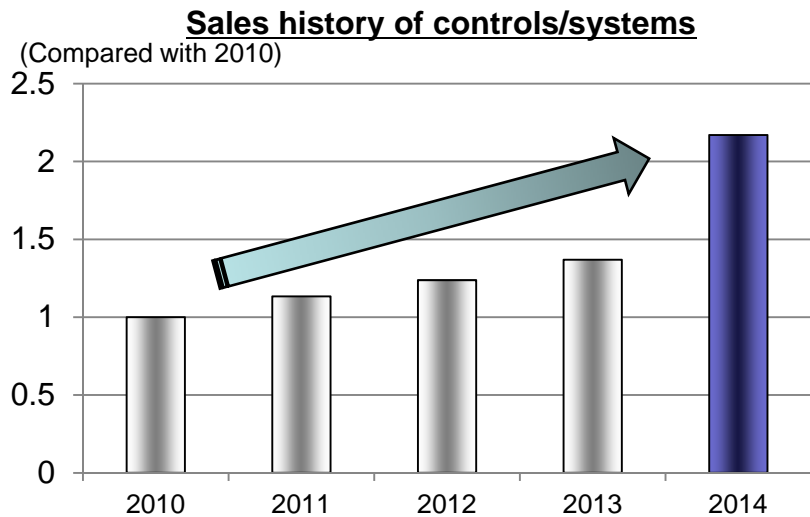
<b>Strengthen sales capability</b>	<ul style="list-style-type: none"><li>◆ Promote proposal-type sales that follow regional characteristics and customer aspects</li><li>◆ Improve amount of orders received and order determination ratio by restructuring the sales net and strengthening the sales engineering system</li><li>◆ Strengthen after-sales network system and after-service business suited to needs of the region</li><li>◆ Sales expansion for mechatronics products</li></ul>
<b>Strengthen product potential</b>	<ul style="list-style-type: none"><li>◆ Conduct product planning in coordination with marketing activities and timely release of new products (grinders/machining centers)</li><li>◆ Enter into gear machining market</li></ul>
<b>Monozukuri Revolution</b>	<ul style="list-style-type: none"><li>◆ Produce results from “Kariya ReBORN”<ul style="list-style-type: none"><li>• Reduced design lead time/Improved machining productivity</li><li>• Achieve “no scraping”</li></ul></li><li>◆ Reduce cost of standard machine through Oobeya activities</li><li>◆ Improve quality through design process reform</li></ul>

# 3-2-3) Review of FY 2014

(Machine tools and Mechatronics Operations Headquarters)

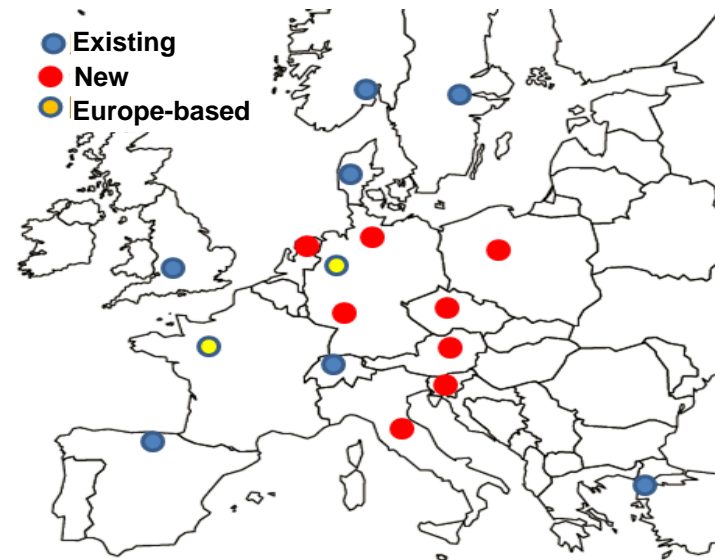
## Evaluation of priority actions (1)

Strengthen sales capability	Achievements	<ul style="list-style-type: none"> <li>◆ Increased sales of control systems</li> <li>◆ Expansion network of European dealers</li> </ul>
	Challenges	<ul style="list-style-type: none"> <li>◆ Sales activities with defined goal (breakaway/evolve from inquiry-based system)</li> <li>◆ Keep up with market trends</li> </ul>



- PLC sales ranks 5<sup>th</sup> in the industry at present
- Predicted that the sales will increase in and after 2015

### Map of dealers in Europe



- Enhancement of sales service network through expansion of dealers



# 3-2-3) Review of FY 2014

(Machine tools and Mechatronics Operations Headquarters)

## Evaluation of priority actions (2)

Strengthen product potential	Achievements	<ul style="list-style-type: none"><li>◆ Model change to new type machine/Sales expansion</li><li>◆ Entry into gear machining market</li></ul>
	Challenges	<ul style="list-style-type: none"><li>◆ Enhance system proposal ability with shared group technology</li><li>◆ Story-backed technology development and timely product development</li></ul>



<Cylindrical grinder: GE4i, GL4i, GL5i>

[A machine with which anyone can easily achieve high-grade *monozukuri*]



<Gear skiving center: e500H-GS>

[Gear machining technology integrated into a machining center]

# 3-2-3) Review of FY 2014

(Machine tools and Mechatronics Operations Headquarters)

## Evaluation of priority actions (3)

Monozukuri revolution	Achievements	<ul style="list-style-type: none"><li>◆ Implementation of Kariya ReBORN</li><li>◆ Reduced cost of standard parts through Oobeya activities</li></ul>
	Challenges	<ul style="list-style-type: none"><li>◆ Achieve definite results through Kariya ReBORN</li><li>◆ Activities to reduce cost of customized specifications</li></ul>

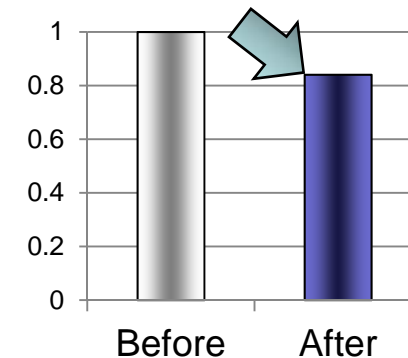
<FMS>



<Surface grinder>



Cost reduction



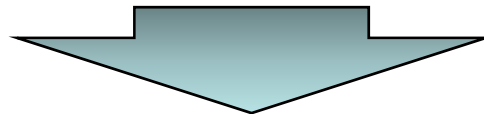
- FMS with unmanned operation  
No scraping, etc. due to surface grinding  
⇒ Cost reduction, shorter lead time

# 3-2-3) Review of FY 2014

(Machine tools and Mechatronics Operations Headquarters)

## Reflection of first fiscal year

- The first fiscal year has been devoted to maintaining work amount and improving the balance, while activities for constitution improvement and mid-term objectives were insufficient.
- It is urgent that we formulate strategies around the industry, customers and workpieces as an entire group, and build a competitive system.

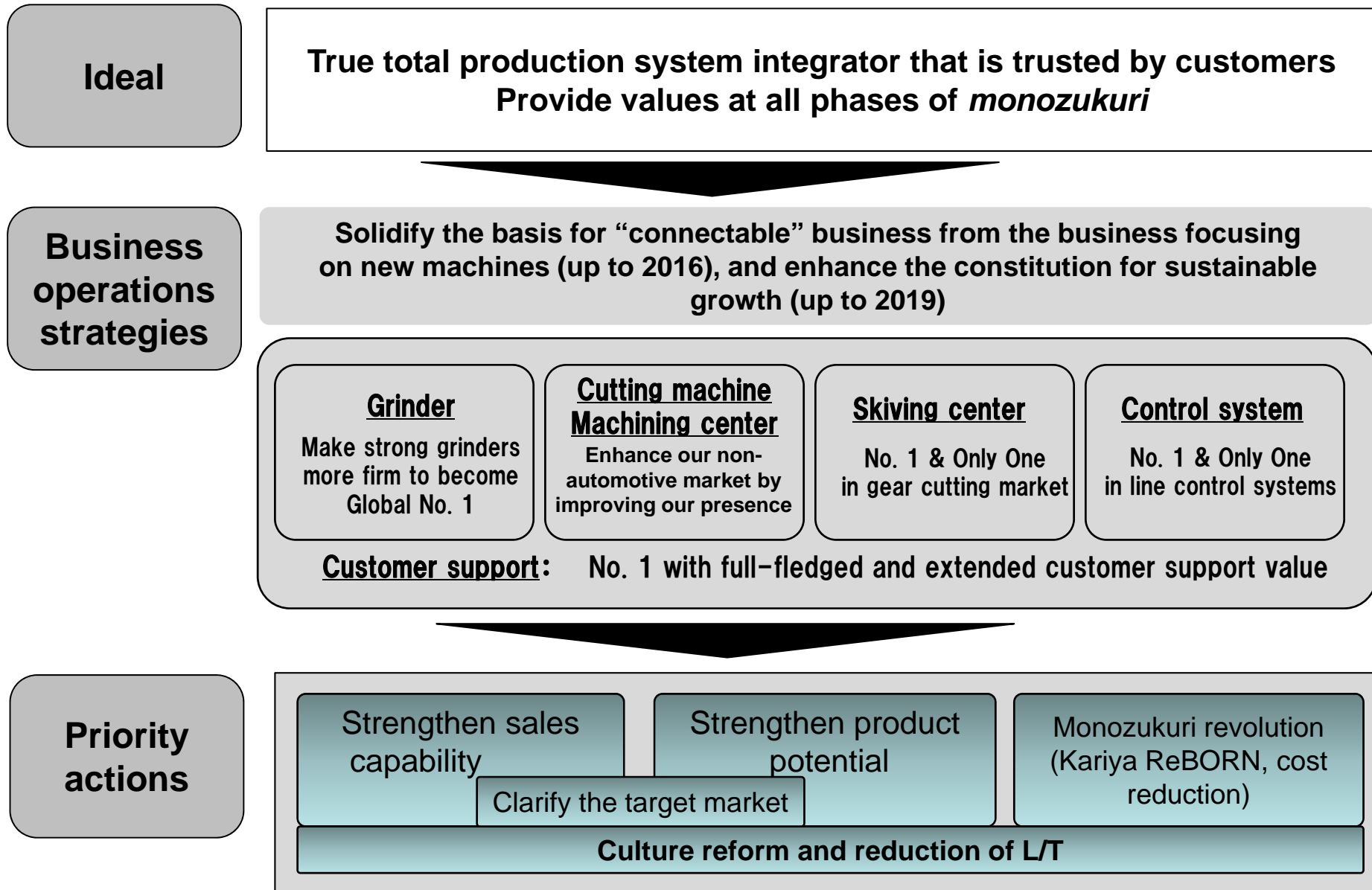


## Priority tasks to be taken

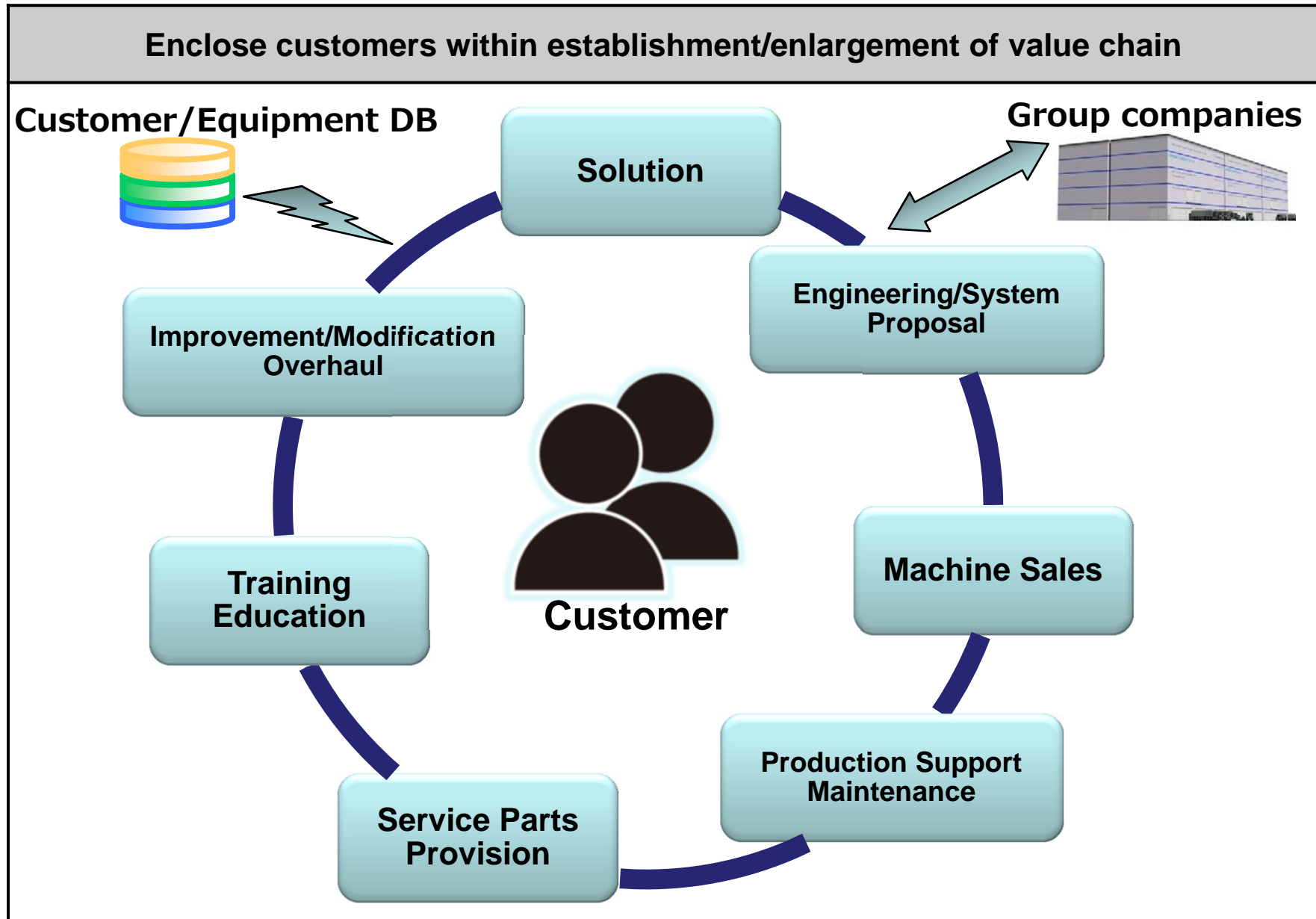
- **Enhance constitution**
- **Clarify target markets and regions**
- **Build a business model where earnings are produced from not only discrete machines but also from a value chain**
- **Cover processes through participation of all group companies to enhance differentiated system proposal ability**
- **Story-backed technology development and product development**

Shift to a value chain business model by utilizing shared group technology

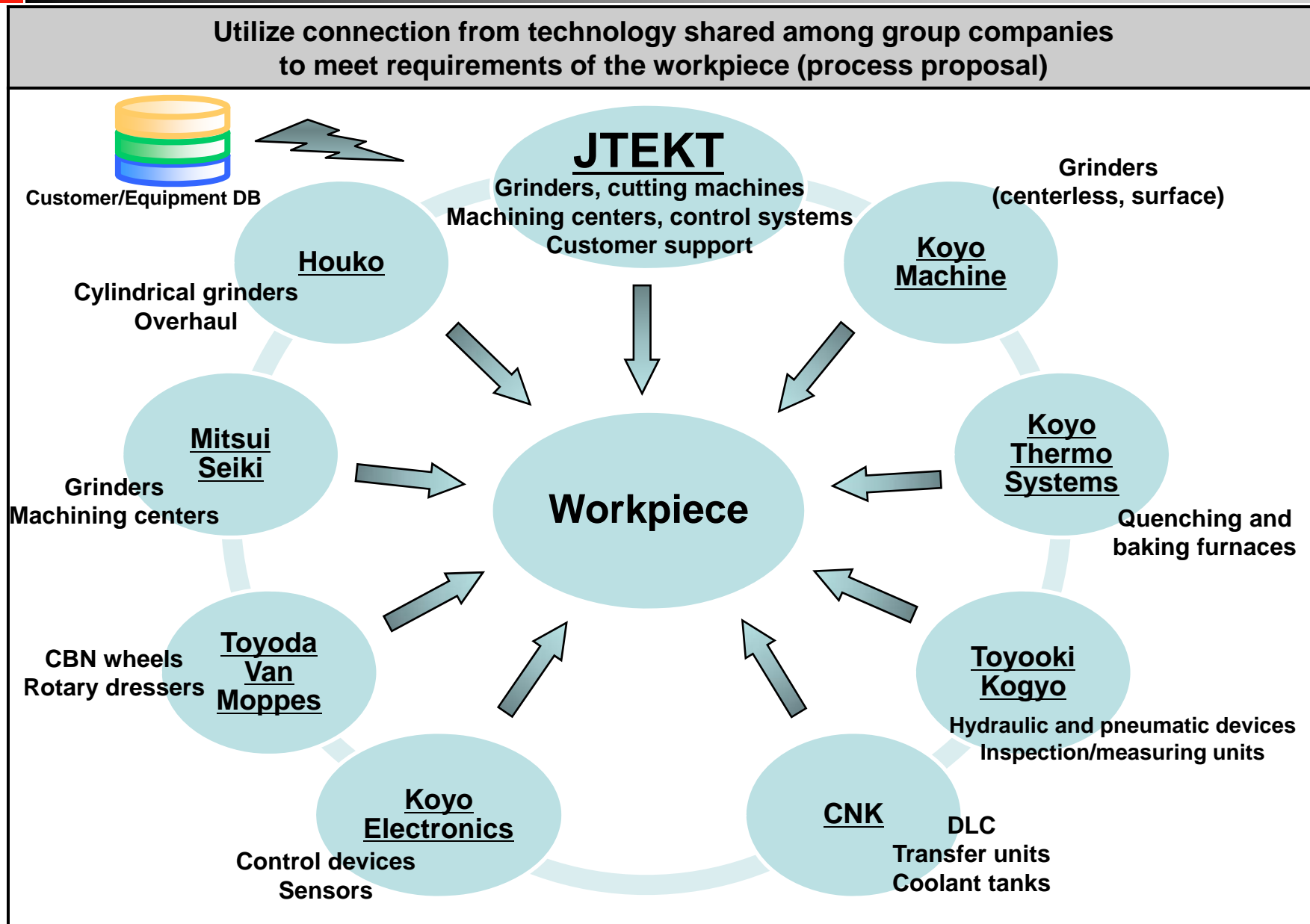
### 3-2-3) FY 2015 Mid-term Management Plan (system integrator)



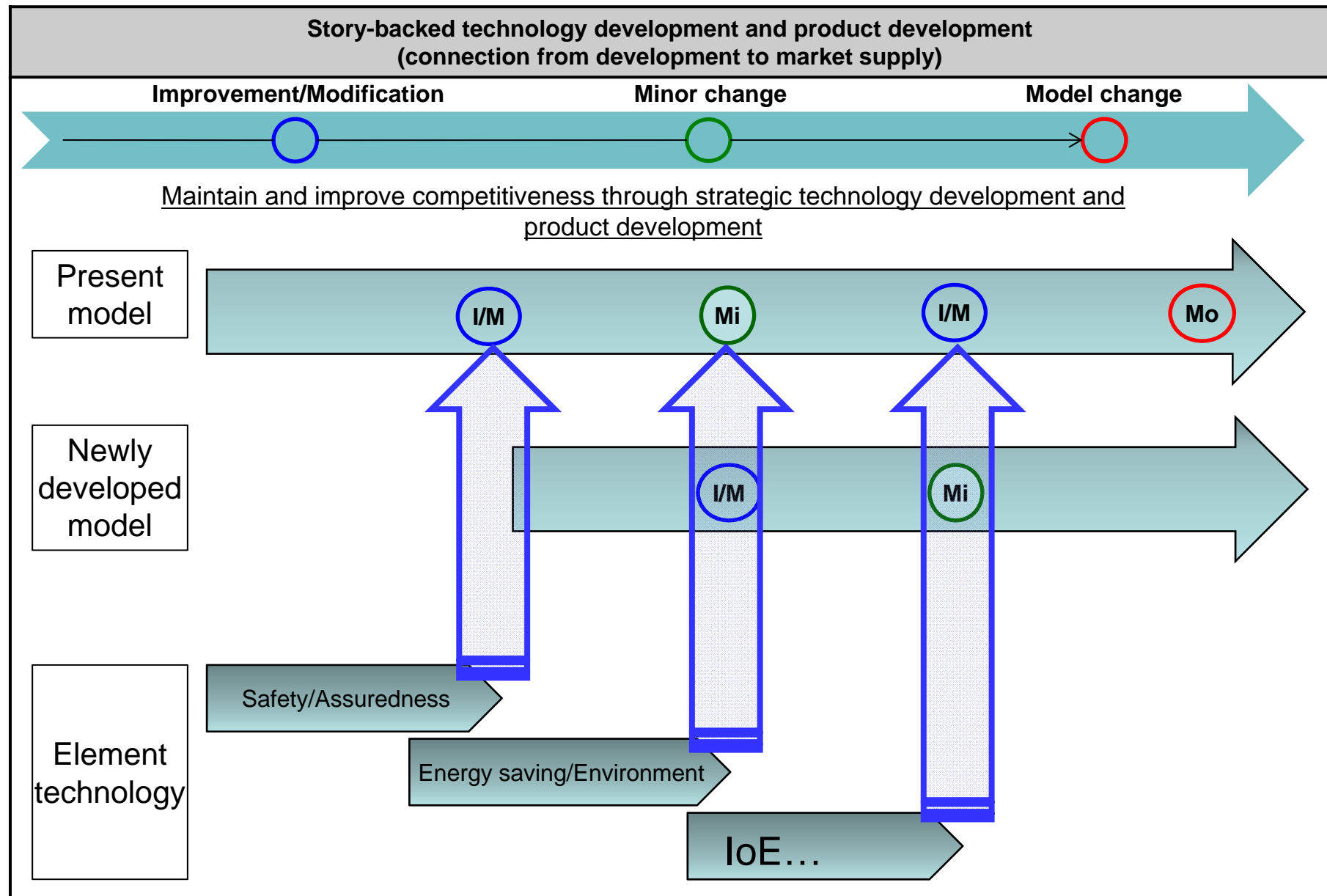
### 3-2-3) FY 2015 Mid-term Management Plan (Business Operations Strategies ①)



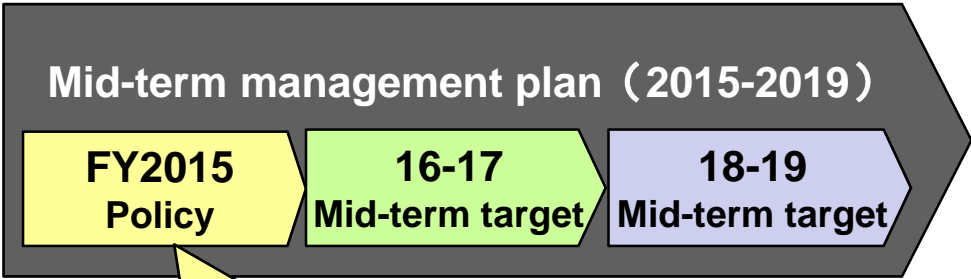
### 3-2-3) FY 2015 Mid-term Management Plan (Business Operations Strategies ②)



# 3-2-3) FY 2015 Mid-term Management Plan (Business Operations Strategies ③)



# 3-2-3) FY 2015 Mid-term Management Plan and Activities



Cut out first year of mid-term management plan

- Improve quality/cost
- Evolution of work method
- Reduce LT from inquiry to delivery (each process= reduce LT of division)

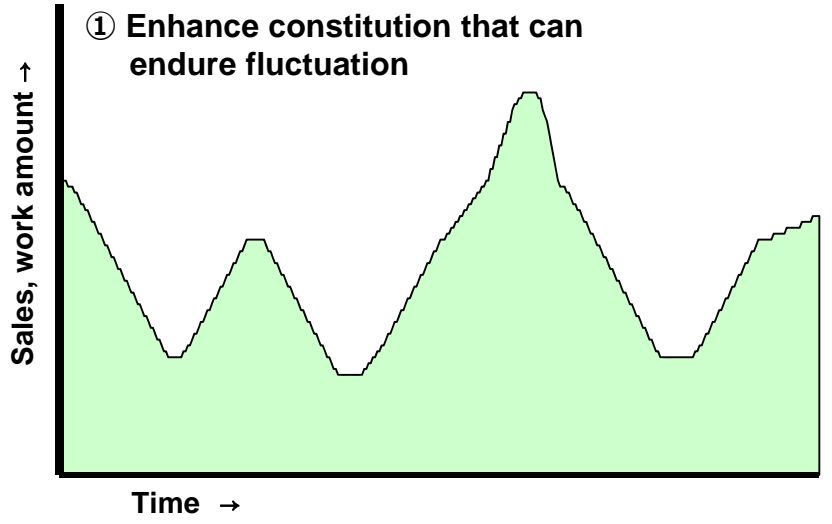
[Solidifying footing]

Development and business that anticipates orders 5-10 years into the future

- Introduce scheduled technology
- Expand value chain
- Enhance scheduled sales network
- Develop new methods

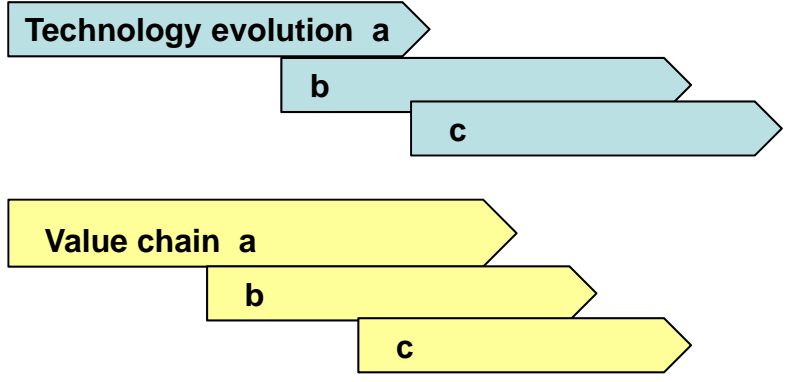
[Bullet loading]

[Industry with intense demand fluctuation]



② Clarify target market, expand business in a planned manner

- Promote work by ascertaining the situation 5-10 years ahead





## 3-2-3) FY 2015 Priority Actions

### FY 2015 Machine Tools & Mechatronics Operations Headquarters Key Policy

1. Strengthen constitution
2. Clarify target market
3. Produce results from Kariya ReBORN
4. Enhance mechatronics/controls business
5. Conversion to customer support value business

# Actions of Each Functional Unit

Global HR Management

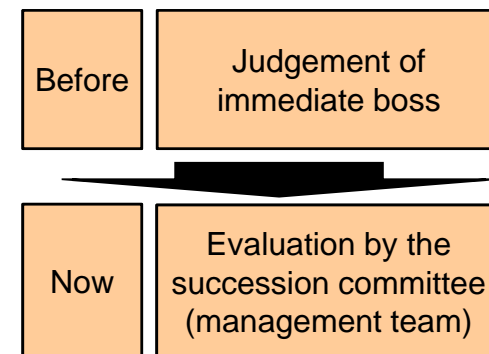
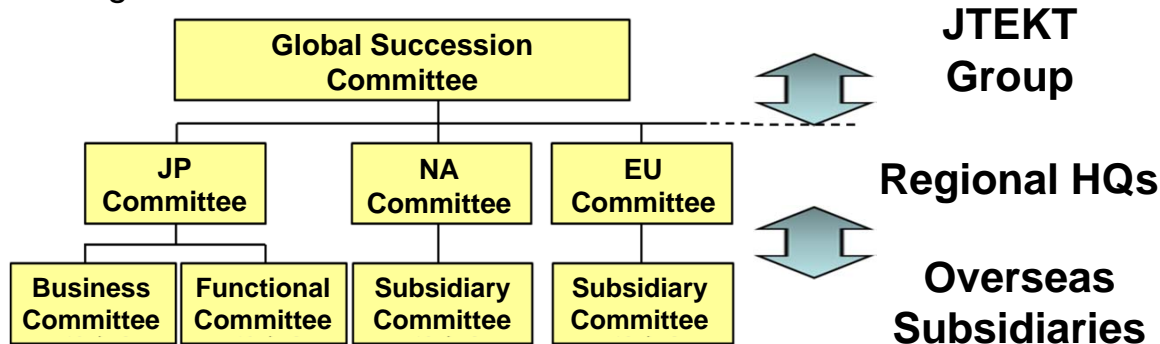
Strengthening Financial Basis

Operational Reform of Indirect Departments

# 3-2-4) Global HR Management ①

Ideal	① Appointment/development/optimized assignment of global management HR	
	FY 2014	From FY 2015
Introduction of succession plan	Introduction of succession plan to JTEKT department managers (JJP committee)	Practice of global succession and transfer of HR
Global HR system	Completion of global job post/grade post evaluation/HR inventory	Creation of global grade/evaluation/compensation systems
Global HR DB	Completion of DB setup	Creation of HR and job post information DBs

Configuration of Global Succession Committee



# 3-2-4) Global HR Management ②

Ideal		② Improvement of ability/organizational capabilities of individual employees	
		FY 2014	From FY 2015
Abilities of individual employee	Problem solving ability	Problem solving seminar for executive officers and all production line leaders	Seminar for all employees, expansion to group companies and to overseas
	English ability	Introduction of TOEIC as a requirement for promotion	Expansion of English training
	Engineering/supervisory ability	Establishment of rank-based training for production workers, organization of supervisors' expected roles	Global expansion of JFMS training (JTEKT Floor Management System)
Organizational ability		Creation of JTEKT WAY, promotion of diversity	

## 3-2-5) Strengthening Financial Basis ①

### Actions to improve financial standing

The following actions are being taken throughout JTEKT in order to cut the loan balance and secure strategic funds

#### 1. Activities to cut waste in fund and assets

- ① Leveling of global cash
- ② Organization of unnecessary retained assets and unprofitable business assets

#### 2. Activities to maintain and improve appropriate balance

- ① Create appropriate inventory
- ② Cut investment per unit

⇒ Introduction of B/S management for each business

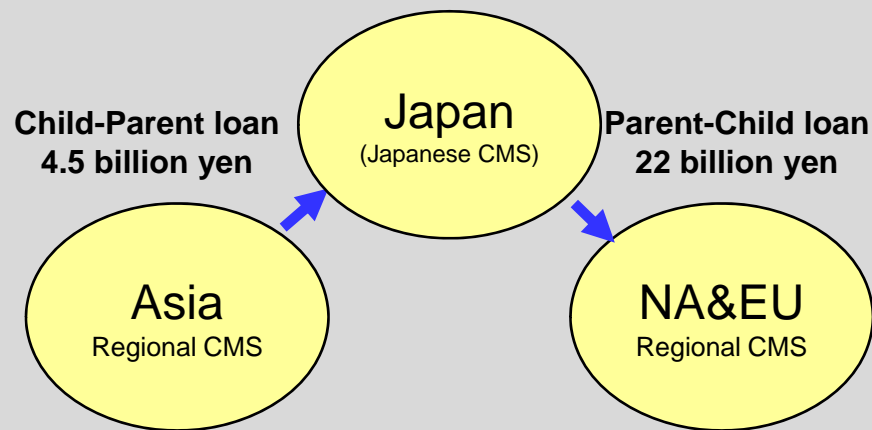
## 3-2-5) Strengthening Financial Basis ②

Examples of actions to improve financial standing

### 1. Activities to cut waste in cash and assets

#### ① Leveling of global cash maldistribution

Reduction of loan balance through the levelling of cash maldistribution among regions



→ Repayment of external loans payable

#### ② Organize unnecessary retained assets and unprofitable business assets

##### Closed/Reorganized companies

- NRB (EU) 2
- STG (France) 1 plant

##### Other activities

- Disposal of defective stock parts
- Disposal of unnecessary equipment (CVJ etc.)
- Impairment accounting (bearing business in India, etc.)
- Organize through accounts...etc.

# 3-2-5) Strengthening Financial Basis ③

Examples of actions to improve financial standing

## 2. Activities to maintain and improve appropriate balance

Introduction of B/S mgmt. for each business  
P/L mgmt. for each business  
 +  
B/S mgmt. for each business

- Outline of B/S mgmt. for each business
- Clarify responsibility of the mgmt. of remaining balance/liabilities of business operations
  - Management of business asset efficiency and business CF for business interest

Profit improvement and B/S streamlining  
 ⇄ Maintain at the same time  
Expense/strategic investment to build foundation

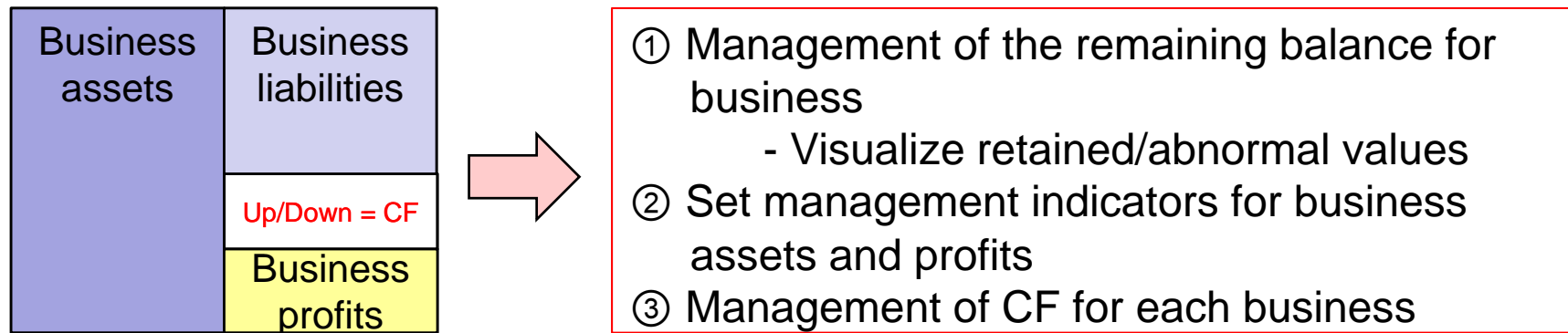
- Achieve mid-term P/L target
- Reduce loan balance
- Secure cash for strategy
- Improve ROA and ROE

# 3-2-5) Strengthening Financial Basis ④

## Examples of actions to improve financial standing

### 2. Activities to maintain and improve appropriate balance

#### Idea on B/S for each business (Reference)



Management items of business unit	A/R, A/P	Set a standard remaining balance to manage abnormalities	-> B/S, CF, and business assets efficiency mgmt. for each business unit
	Inventory, fixed assets, accrued expenses, reserve for quality warranties, etc.	Management of efficiency by looking at profit and remaining balance	
Non-management items of business unit	Cash, loans, loans payable, bonds, etc.	Management of remaining balance in each company based on a JTEKT group standard	-> Set a standard, manage abnormal values for each company
	Investment securities, deferred tax assets, capital, etc.	Items which determine remaining balance through regulations and JTEKT Japan strategies	



## 3-2-6) Operational Reform of Indirect Departments ①

### Background to undergo operational reforms

Due to the acceleration of globalization, the following items must be urgently undertaken:

- **Diversify human resources**
- **Create a global management mechanism** which can perform speedy decision-making

### Policy

**Continuously spiral up** the standardization of daily work and **shift** man-hour saving workload to **policy work**

### Ideal



1. **Level up the standardization** of daily work among all the indirect departments of the JTEKT group

↓

**Raise organizational performance (dept.-dept. cooperation) and ultimately**

↓

**establish small HQ/small indirect departments!!**

2. As global bases

- Work method, output quality & quantity, work time
- **Filing method**, individual skill management
- Management items for counting and analyzing (per unit), management ledger

**Same system in all JTEKT group companies!!**



## 3-2-6) Operational Reform of Indirect Departments ②

### Actions in previous term

Specialized production development to the first engineering department in charge, and **reduced rework of the engineering departments to remit the affect to downstream processes.** (29% of the operational reform activities for all indirect departments have begun)

### Actions in this term

- Expand to production engineering departments as planned
- **Significantly accelerate** the initial plan and expand to main indirect departments of head function/Sales & Marketing Headquarters/Purchasing Headquarters/PM & PE HQ/ Automotive Systems Business Headquarters/Bearing Operations Headquarters (57% begun)

### Mid-term plan

JTEKT: **Achieve Level 1**, achieve Level 3 in some departments (by end of FY 2017)  
 Group companies in Japan/overseas: **Start from Level 1 activity**, beginning with prioritized companies (FY 2017)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Each operations HQ., engineering dept.	Level 1 or 2		Level 2 or 3		
Head function, S & M HQ, PE HQ, Purchasing HQ, Prod. Admin. HQ	Level 1		Level 2 or 3		
Indirect departments etc. in plant		Level 1	Level 2 or 3		
Group companies in Japan			Level 1		
Group companies overseas			Level 1		

# Numerical Value Perspective

# 3-3 ) Numerical Value Perspective

	FY 2014 result	FY 2015 plan	FY 2019 target
Sale profit margin	5.5%	5.7%	8.0%
Capital investment	68.4 billion yen	75.0 billion yen	75.0 billion yen
Depreciation expenses	57.0 billion yen	60.0 billion yen	65.0 billion yen
Ratio of research and development	3.0%	3.1%	4.0%
ROA	3.9%	4.4%	5.0% or more
Exchange rate (April to March)	110 yen/USD 138 yen/EUR	115 yen/USD 125 yen/EUR	95 yen/USD 130 yen/EUR

**Thank You**