

First-Half Results for Fiscal Year Ending March 2016

November 12, 2015

JTEKT Corporation

JTEKT CORPORATION

1. First-Half Results for Fiscal 2015

2. Forecasts for Fiscal 2015

3. Mid-Term Management Plan

JTEKT CORPORATION

1-1) Summary

Consolidated Performance

| | |
|--------------------------|---|
| Sales | Among strong sales of Japanese automotive manufacturer in China and steady market recovery in Europe , sales as a whole increased |
| Profit & Loss | Profit increased mainly from sales increase in China and yen depreciation |

Financial Result by Product

| | |
|----------------------------------|---|
| Mechanical Components | <ul style="list-style-type: none"> • Steering <increases both in sales & profit> Profit increased mainly from sales increase in Europe and China • Bearing <increases both in sales & profit> Profit increased mainly from sales increase in North America and China • Driveline <increases both in sales & profit> Profit increased mainly from sales increase in Japan and recovery in profitability in North America |
| Machine Tools & Other | <ul style="list-style-type: none"> • Machine Tools <increase in sales & decrease in profit> Slight increase in sales. Decrease in profit mainly from decline in profitability of JTEKT Corp. |

3

1-2) Consolidated Performance

The highest sales & income in history

| | First-Half FY2014 | First-Half FY2015 | Increase /Decrease | Increase /Decrease(%) |
|----------------------------------|--------------------------|--------------------------|--------------------|-----------------------|
| Net Sales | 6,552 | 7,018 | +465 | +7.1% |
| Operating Income | (5.1%) 334 | (5.8%) 403 | +69 | +20.9% |
| Ordinary Income | (5.4%) 353 | (6.0%) 421 | +68 | +19.4% |
| Net Income ※ | (3.4%) 222 | (4.0%) 283 | +61 | +27.6% |
| Exchange Rate (Apr.~Sep.) | 102yen/USD 137yen/EUR | 120yen/USD 133yen/EUR | +18yen △4yen | |

※:Net Income attributable to shareholder of the parent

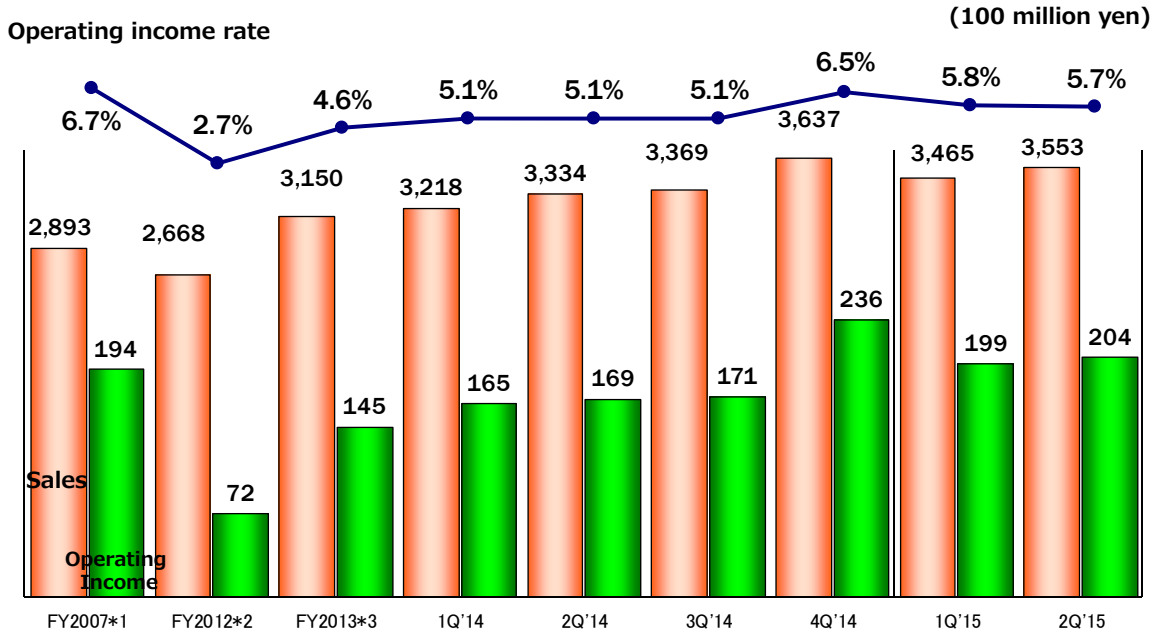
():profit margin on sales

| | | FY2014 | FY2014 | Increase/Decrease |
|-----------------|----------------|--------|--------------|-------------------|
| Dividend | Interim | 14yen | 21yen | +7yen |
| | Annual | 20yen | 21yen | +1yen |

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1-3) Quarter Trend

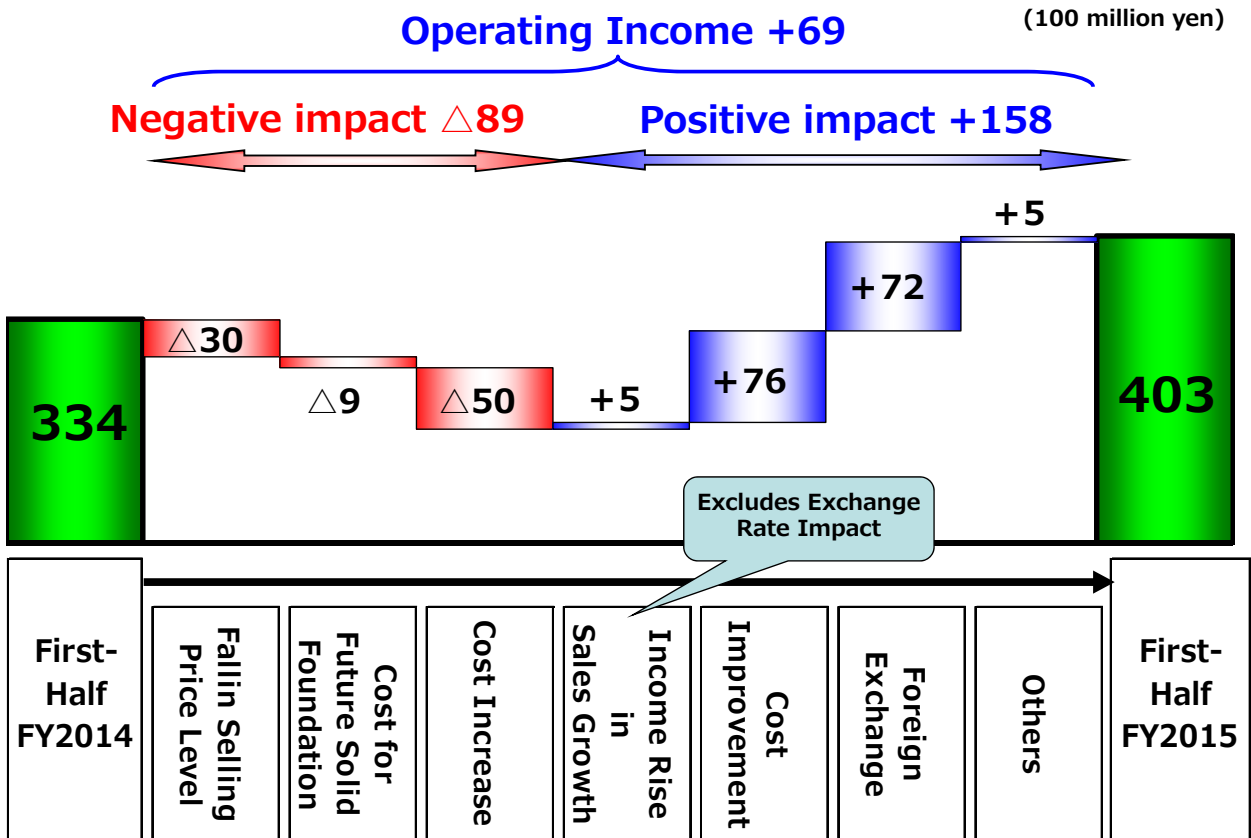


| | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1US\$ | 113yen | 82yen | 99yen | 101yen | 103yen | 113yen | 118yen | 120yen | 121yen |
| 1EUR | 160yen | 105yen | 133yen | 139yen | 136yen | 141yen | 133yen | 132yen | 134yen |

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

*2&3 Quarterly Average as well as following pages.

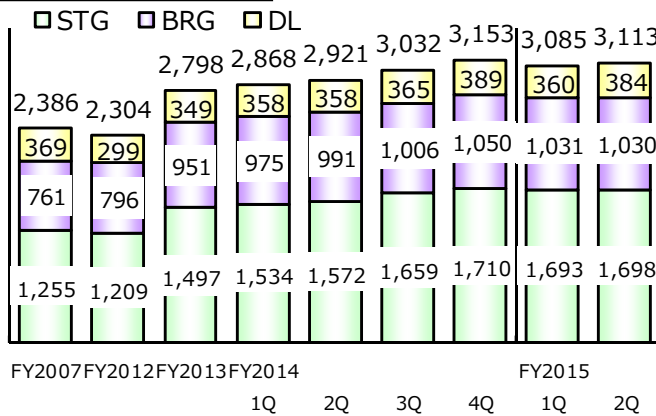
1-4) Operating Income Change Analysis



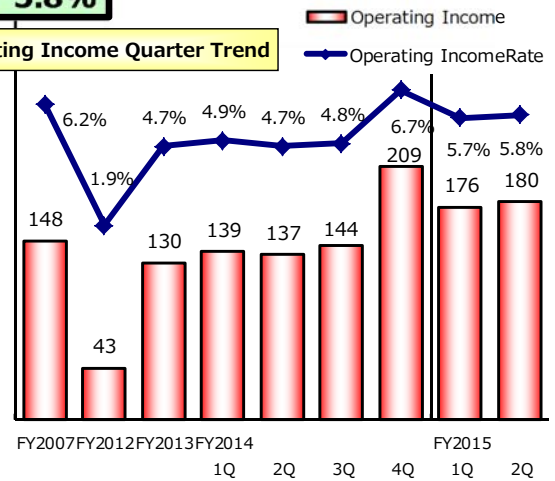
1-5) Financial Result by Product (Mechanical Components)

| Mechanical Components | | First-Half FY2014 | First-Half FY2015 | Increase /Decrease | Increase /Decrease(%) |
|-----------------------|---------------------|-------------------|-------------------|--------------------|-----------------------|
| Steering Systems | Net Sales | 3,106 | 3,391 | +284 | +9.2% |
| Bearings | Net Sales | 1,966 | 2,062 | +95 | +4.9% |
| Driveline Components | Net Sales | 717 | 744 | +27 | +3.8% |
| Total | Net Sales | 5,790 | 6,198 | +408 | +7.0% |
| | Operating Income | 276 | 357 | +80 | +29.3% |
| | Operating Income(%) | 4.8% | 5.8% | | |

Net Sales Quarter Trend



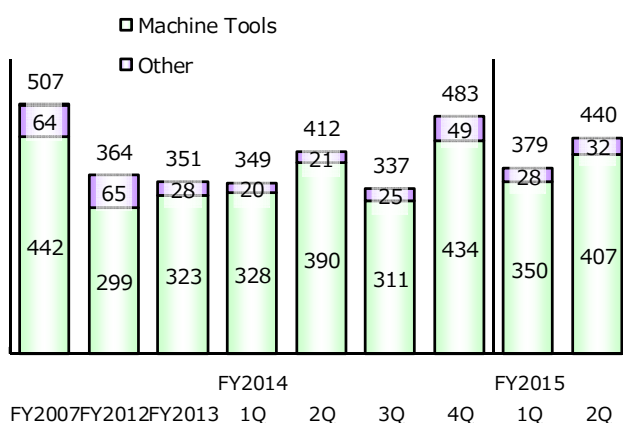
Operating Income Quarter Trend



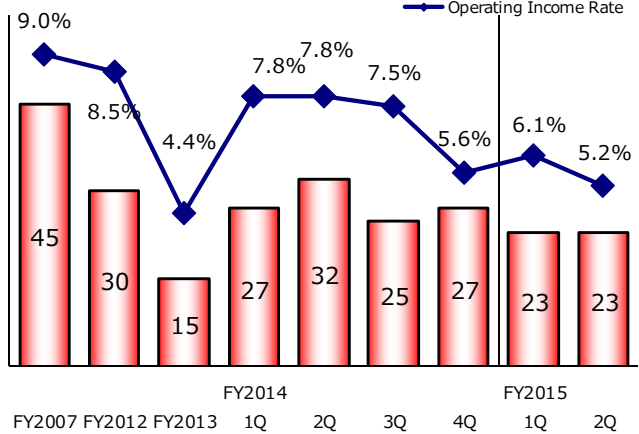
1-5) Financial Result by Product (Machine Tools & Other)

| Machine Tools & Other | | First-Half FY2014 | First-Half FY2015 | Increase /Decrease | Increase /Decrease(%) |
|-----------------------|---------------------|-------------------|-------------------|--------------------|-----------------------|
| Machine Tools | Sales | 719 | 758 | 38 | +5.4% |
| Other | Sales | 42 | 60 | 18 | +44.0% |
| Total | Sales | 761 | 819 | 57 | +7.5% |
| | Operating Income | 59 | 46 | △13 | △22.2% |
| | Operating Income(%) | 7.8% | 5.6% | | |

Net Sales Quarter Trend



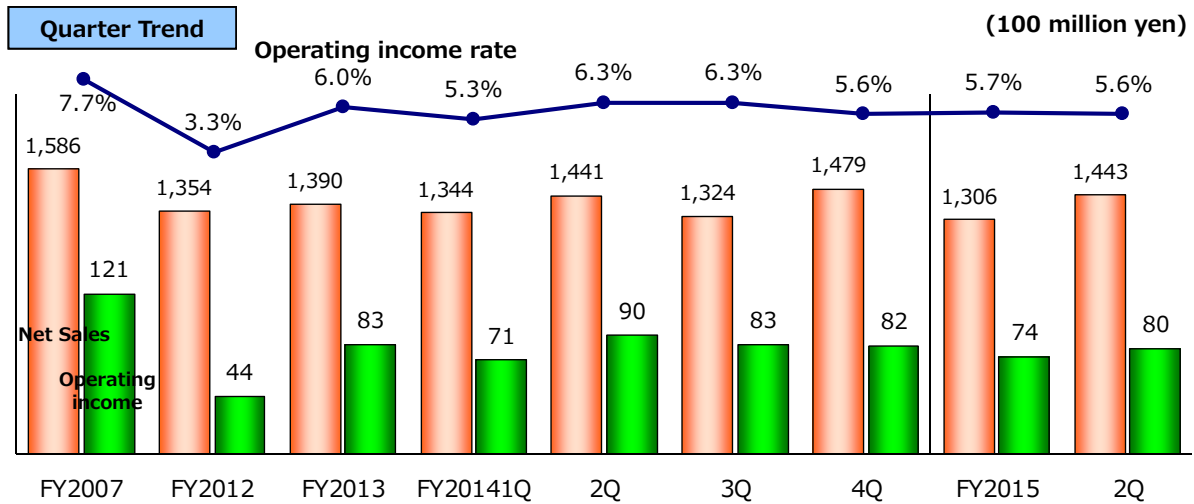
Operating Income Quarter Trend



1-6) Financial Result by Region (Japan)

(100million yen)

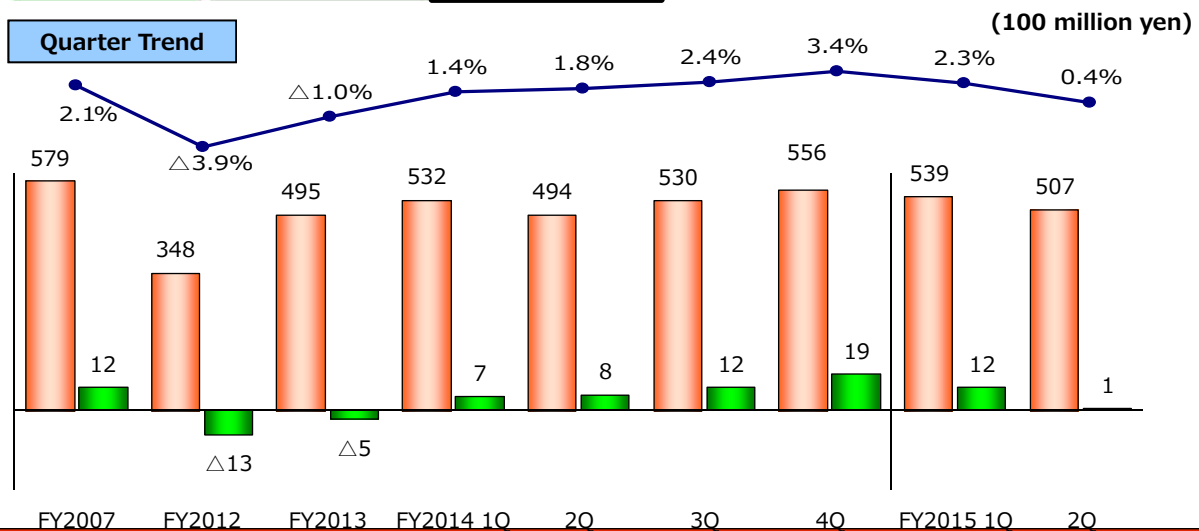
| Japan | First-Half FY2014 | First-Half FY2015 | Increase /Decrease | Increase /Decrease(%) |
|---------------------|-------------------|-------------------|--------------------|-----------------------|
| Net Sales | 2,786 | 2,749 | △36 | △1.3% |
| Operating Income | 162 | 154 | △7 | △4.7% |
| Operating Income(%) | 5.8% | 5.6% | | |



1-6) Financial Result by Region (Europe)

(100million yen)

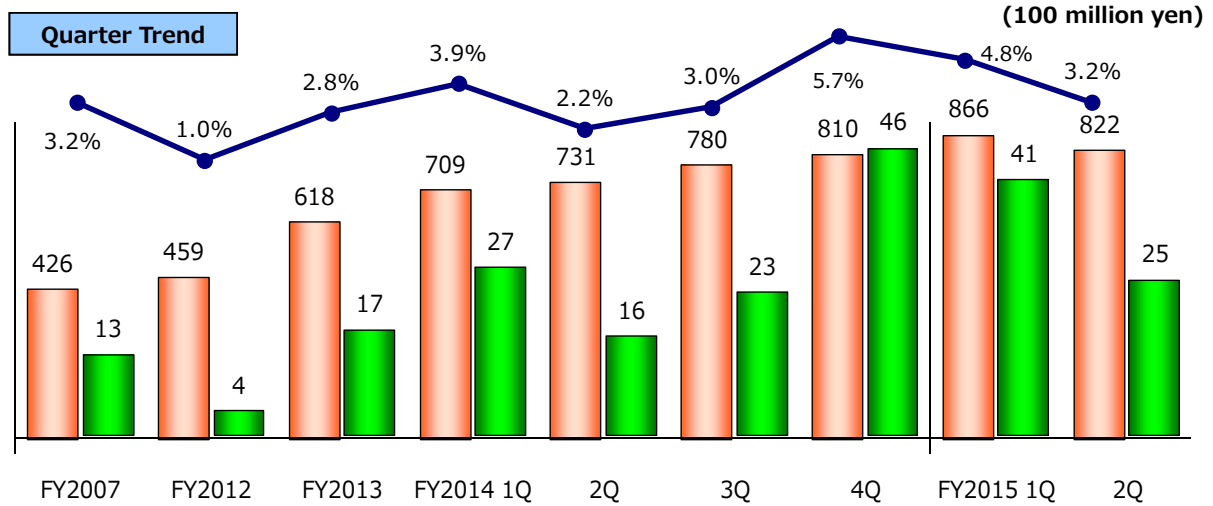
| Europe | First-Half FY2014 | First-Half FY2015 | Increase /Decrease | Increase /Decrease(%) |
|---------------------|-------------------|-------------------|--------------------|-----------------------|
| Net Sales | 1,027 | 1,047 | +20 | +2.0% |
| Operating Income | 16 | 14 | △2 | △14.0 |
| Operating Income(%) | 1.6% | 1.4% | | |



1-6) Financial Result by Region (North America)

(100 million yen)

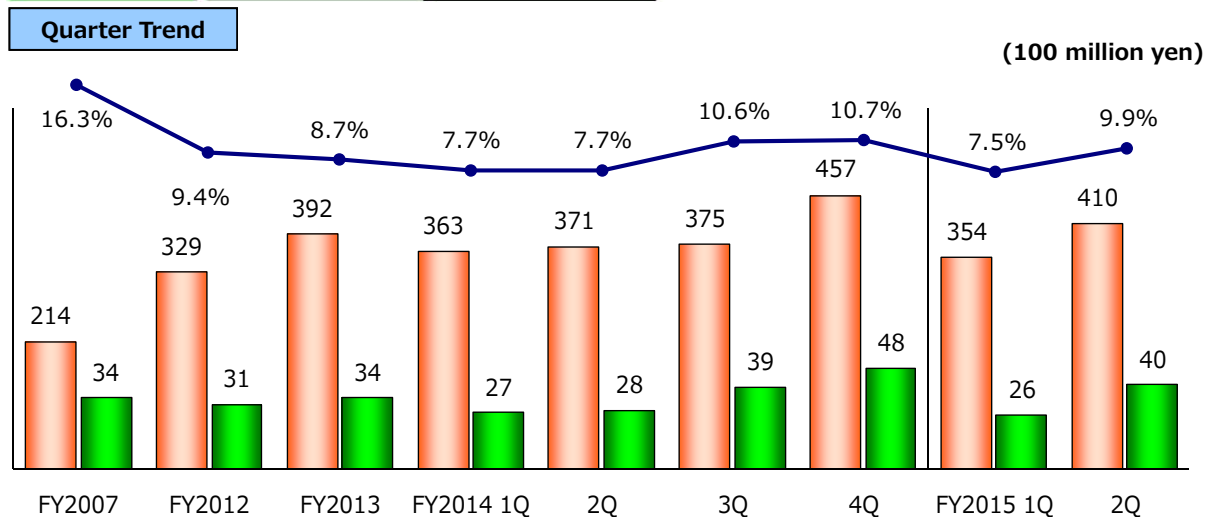
| North America | First-Half FY2014 | First-Half FY2015 | Increase /Decrease | Increase /Decrease(%) |
|---------------------|-------------------|-------------------|--------------------|-----------------------|
| Net Sales | 1,440 | 1,689 | + 248 | +17.2% |
| Operating Income | 44 | 67 | + 23 | +53.3% |
| Operating Income(%) | 3.1% | 4.0% | | |



1-6) Financial Result by Region (Asia/Oceania)

(100 million yen)

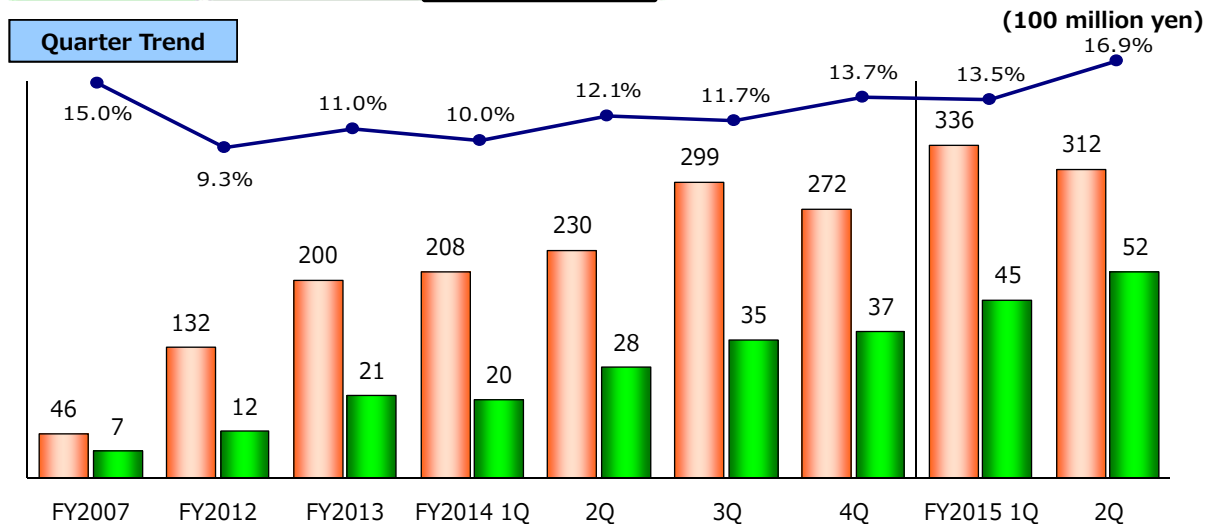
| Asia/Oceania | First-Half FY2014 | First-Half FY2015 | Increase /Decrease | Increase /Decrease(%) |
|---------------------|-------------------|-------------------|--------------------|-----------------------|
| Net Sales | 735 | 765 | + 30 | +4.1% |
| Operating Income | 56 | 67 | + 10 | +19.1% |
| Operating Income(%) | 7.7% | 8.8% | | |



1-6) Financial Result by Region (China)

(100 million yen)

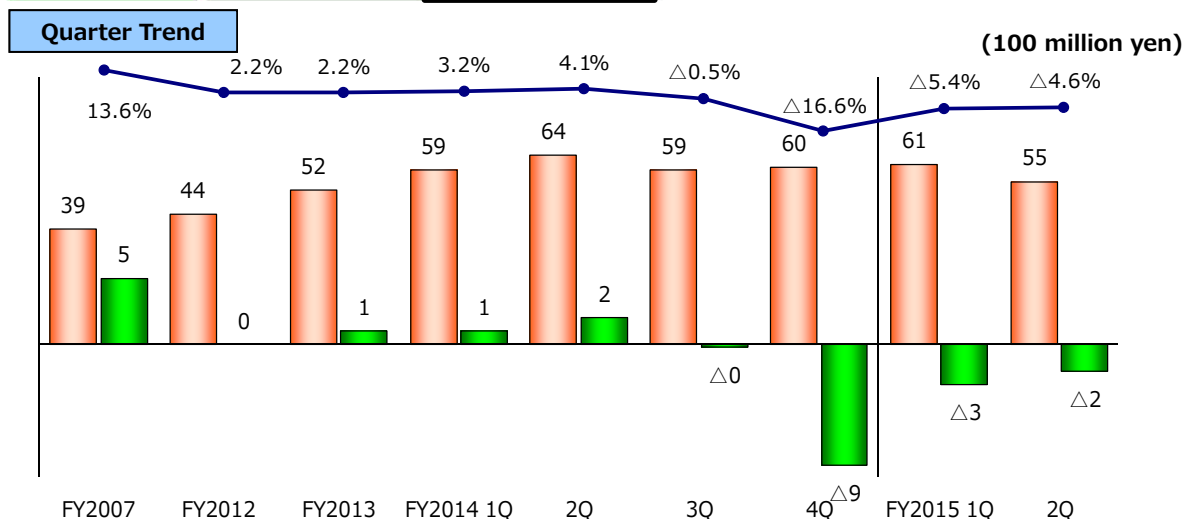
| China | First-Half FY2014 | First-Half FY2015 | Increase /Decrease | Increase /Decrease(%) |
|---------------------|-------------------|-------------------|--------------------|-----------------------|
| Net Sales | 439 | 649 | +210 | +47.9% |
| Operating Income | 48 | 98 | +49 | +101.7% |
| Operating Income(%) | 11.1% | 15.2% | | |



1-6) Financial Result by Region (South America/Other)

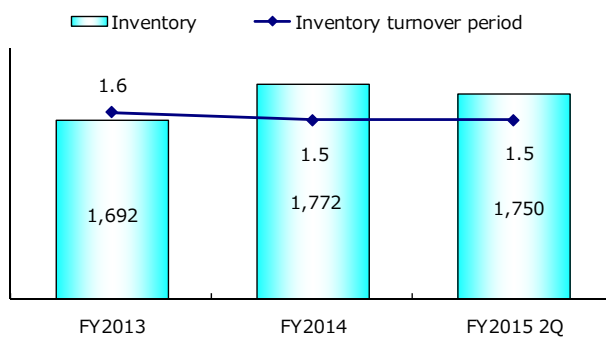
(100 million yen)

| South America/ Other | First-Half FY2014 | First-Half FY2015 | Increase /Decrease | Increase /Decrease(%) |
|----------------------|-------------------|-------------------|--------------------|-----------------------|
| Net Sales | 123 | 117 | △6 | △5.3% |
| Operating Income | 4 | △5 | △10 | — |
| Operating Income(%) | 3.6% | △5.0% | | |



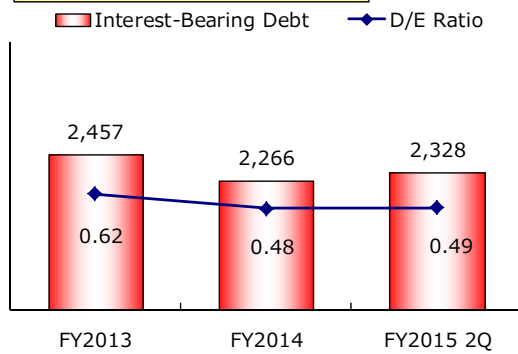
1-7) Financial Data

Inventory

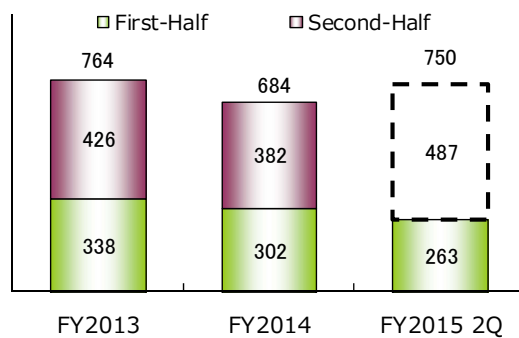


Interest-Bearing Debt

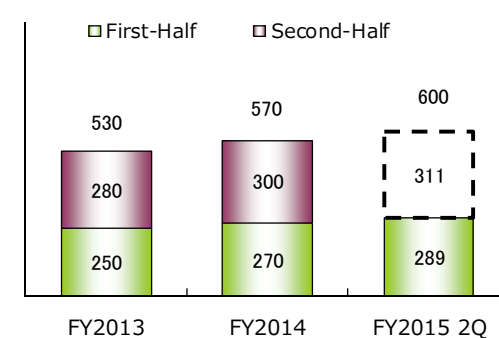
(100 million yen)



Capital Expenditure



Depreciation



Value & Technology

技に夢を求めて 価値ある技術をあなたのもとへ

1. First-Half results for Fiscal 2015

2. Forecast for fiscal 2015

3. Mid-Term Management Plan

Forecast for External Environment

- Sustainable in developed countries
 - US Market remains expanding at moderate pace
 - Modest recovery remaining in Europe Market
- China Market slow down gradually
- Emerging countries except China remains in weak growth
- Restrained recovery in Japan

Our Attention

- Japanese automotive manufacturer's production in China
- Automotive production in Asia and Japan where the market is sluggish

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

The highest sales & income in history

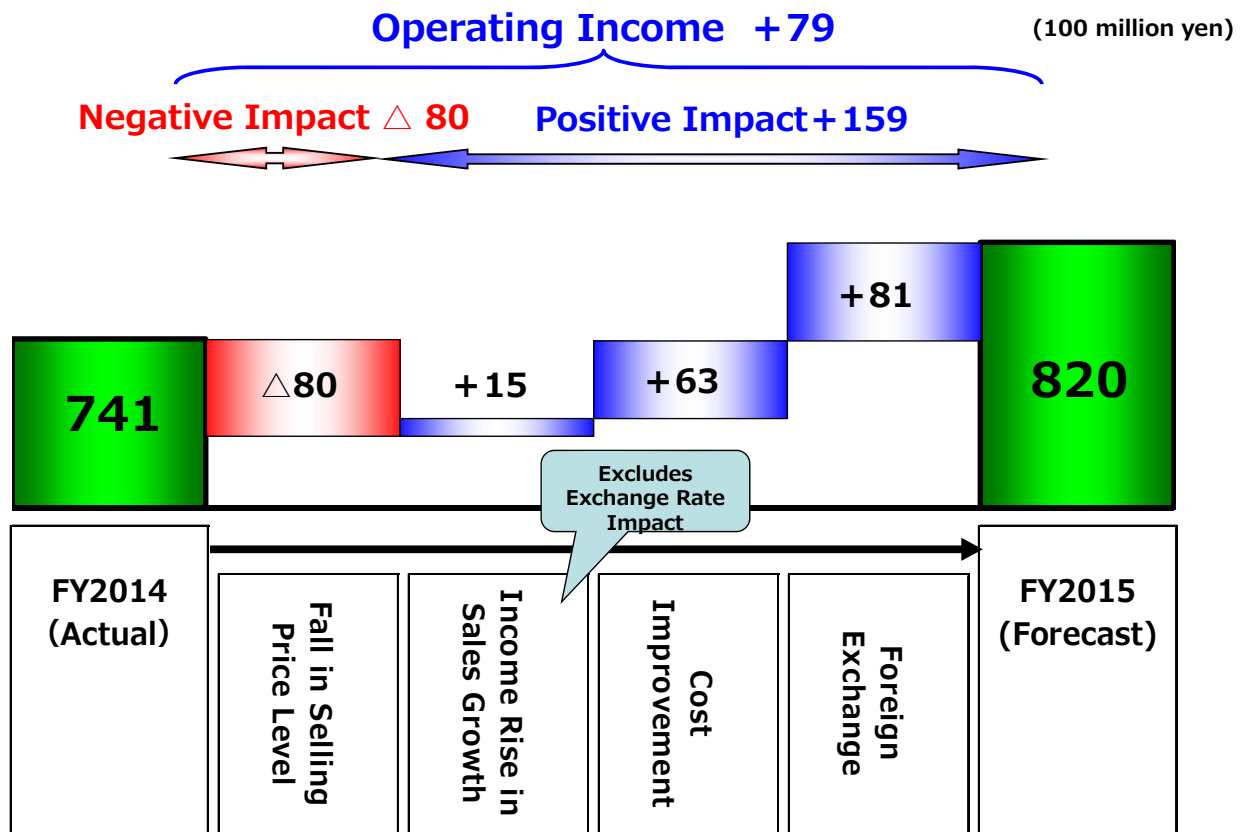
(100 million yen)

| | FY2014 (Actual) | FY2015 | | Full Year (Forecast) | Increase /Decrease | Increase /Decrease(%) |
|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-----------------------|--------------------------|
| | | 1st-Half (Actual) | 2nd-Half (Forecast) | | | |
| Net Sales | 13,559 | 7,018 | 7,081 | 14,100 | +540 | +4.0% |
| Operating Income | (5.5%) 741 | (5.8%) 403 | (5.9%) 416 | (5.8%) 820 | +78 | +10.6% |
| Ordinary Income | (5.9%) 793 | (6.0%) 421 | (6.1%) 428 | (6.0%) 850 | +56 | +7.1% |
| Net Income ※ | (3.1%) 425 | (4.0%) 283 | (3.5%) 246 | (3.8%) 530 | +104 | +24.7% |
| Exchange Rate (Apr.~Mar.) | 110Yen/USD 138Yen/EUR | 120Yen/USD 133Yen/EUR | 115Yen/USD 130Yen/EUR | 118Yen/USD 132Yen/EUR | +8Yen △6Yen | |
| Capital Expenditure | 684 | 263 | 487 | 750 | +65 | +9.6% |
| Depreciation | 570 | 289 | 311 | 600 | +29 | +5.2% |
| Dividend | 34Yen | 21Yen | 21Yen | 42Yen | +8Yen | |

※ : Net Income attributable to shareholder of the parent

() : Profit Margin on sales

2-3) Operating Income Change Analysis



JTEKT CORPORATION

2-4) Activities for B/S Clean-up Project

Towards Mid-term management plan, proceed clean-up of our subsidiary's balance sheets as one of the most important projects in this FY2015.

Activities

Classify all balances by necessity in group and reflect onto B/S

Future object

Reinforce future Asset efficiency & Solid Foundation

Activities during 2nd-half of FY2015

B/S Clean-up project shall be done by the end of this fiscal year

⇒ Estimate 7 or 8 billion yen for FY2015

Accumulating from last FY, 20 billion yen in total

(=Net Assets ×4%)

2-5) Net Sales by Product

(100 million yen)

| | | FY2014 (Actual) | FY2015 | | | Increase /Decrease | Increase /Decrease(%) |
|-----------------------|----------------------|--------------------|----------------------|------------------------|-------------------------|-----------------------|--------------------------|
| | | | 1st-Half (Actual) | 2nd-Half (Forecast) | Full Year (Forecast) | | |
| Mechanical Components | Steering Systems | 6,477 | 3,391 | 3,343 | 6,735 | +257 | +4.0% |
| | Bearings | 4,026 | 2,062 | 2,077 | 4,140 | +113 | +2.8% |
| | Driveline Components | 1,472 | 744 | 765 | 1,510 | +37 | +2.5% |
| | Total | 11,977 | 6,198 | 6,186 | 12,385 | +407 | +3.4% |
| Machine Tools & Other | Machine Tools | 1,464 | 758 | 831 | 1,590 | +125 | +8.5% |
| | Other | 117 | 60 | 64 | 125 | +7 | +6.0% |
| | Total | 1,582 | 819 | 895 | 1,715 | +132 | +8.4% |
| Sales Total | | 13,559 | 7,018 | 7,081 | 14,100 | +540 | +4.0% |

JTEKT CORPORATION

2-6) Net Sales by Region

(100 million yen)

| | FY2014 (Actual) | FY2015 | | | Increase /Decrease | Increase /Decrease(%) |
|-------------------------|--------------------|----------------------|------------------------|-------------------------|-----------------------|--------------------------|
| | | 1st-Half (Actual) | 2nd-Half (Forecast) | Full Year (Forecast) | | |
| Japan | 5,590 | 2,749 | 2,815 | 5,565 | △25 | △0.5% |
| Europe | 2,114 | 1,047 | 1,027 | 2,075 | △39 | △1.9% |
| North America | 3,031 | 1,689 | 1,590 | 3,280 | +248 | +8.2% |
| Asia/Oceania | 1,568 | 765 | 834 | 1,600 | +31 | +2.0% |
| China | 1,011 | 649 | 690 | 1,340 | +328 | +32.5% |
| South America/ Other | 243 | 117 | 122 | 240 | △3 | △1.5% |
| Sales Total | 13,559 | 7,018 | 7,081 | 14,100 | +540 | +4.0% |

JTEKT CORPORATION

1. First-Half Results for Fiscal 2015

2. Forecast for fiscal 2015

3. Mid-Term Management Plan

3) Progress of Mid-term Management Plan

Mid-Term Management Plan (2015-2019)



CONTENTS

1. Review of the First Half of FY 2015

2. Progress Status of Mid-term Management Plan

- 1) Automotive Systems Business Operations
- 2) Bearing Business Operations
- 3) Machine Tools & Mechatronics Business Operations
(Enhancement of Fundamentals)
 - 4) Global HR Management
 - 5) Strengthening Financial Basis
 - 6) Operational Reform of Indirect Departments
 - 7) Establishment of Global Business Basis

3. Numerical Value Perspective

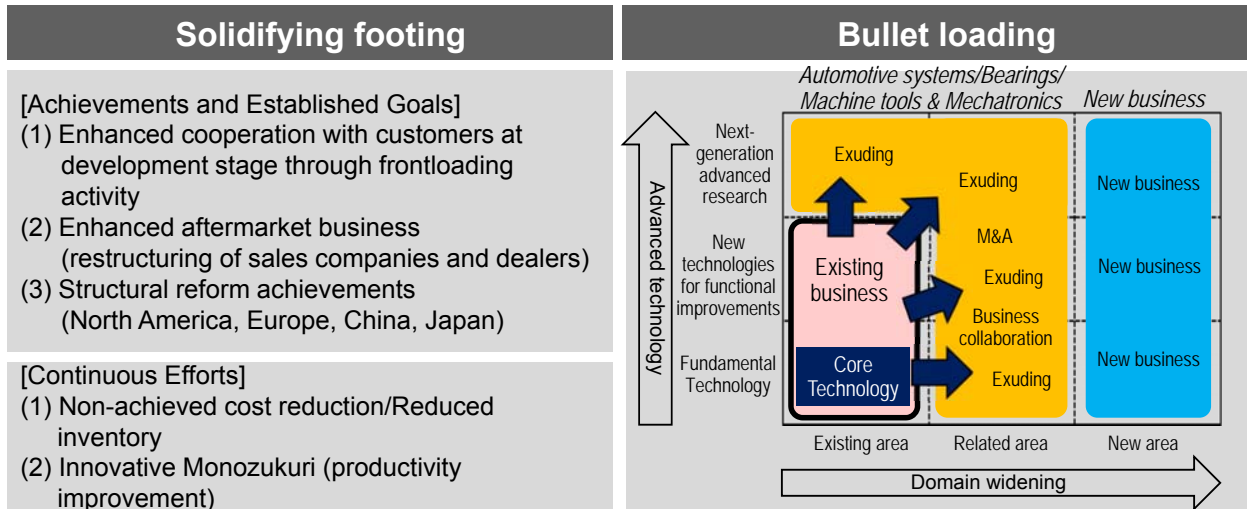
1. Review of the First Half of FY 2015

Summary

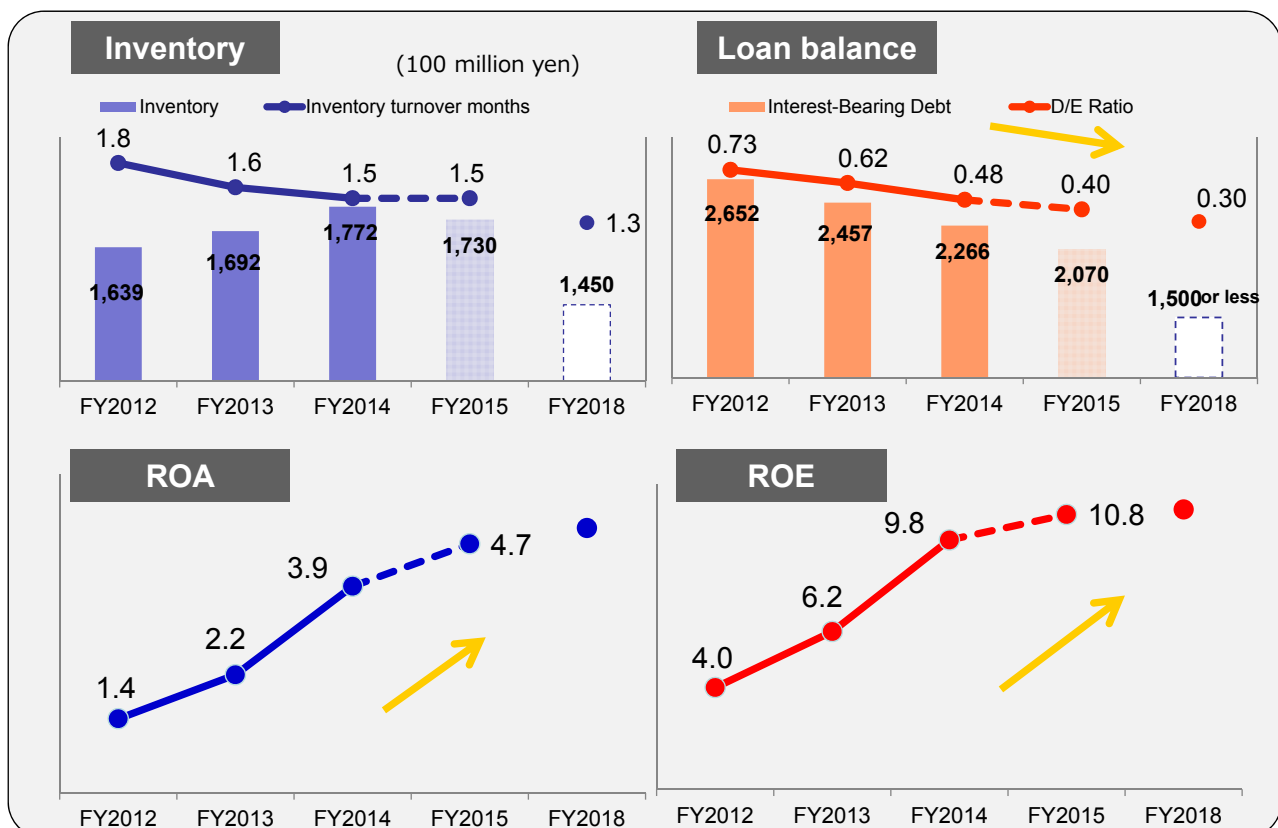
Management Index (Consolidated)

[First Half of FY 2015]

While emerging economies are decelerating, advanced economies (especially the United States and Europe) continue to be firm and the Japanese economy is recovering, during which we have enhanced actions to be "Global No. 1 & Only One" existence through results generated from "solidifying footing" and working on "bullet loading"

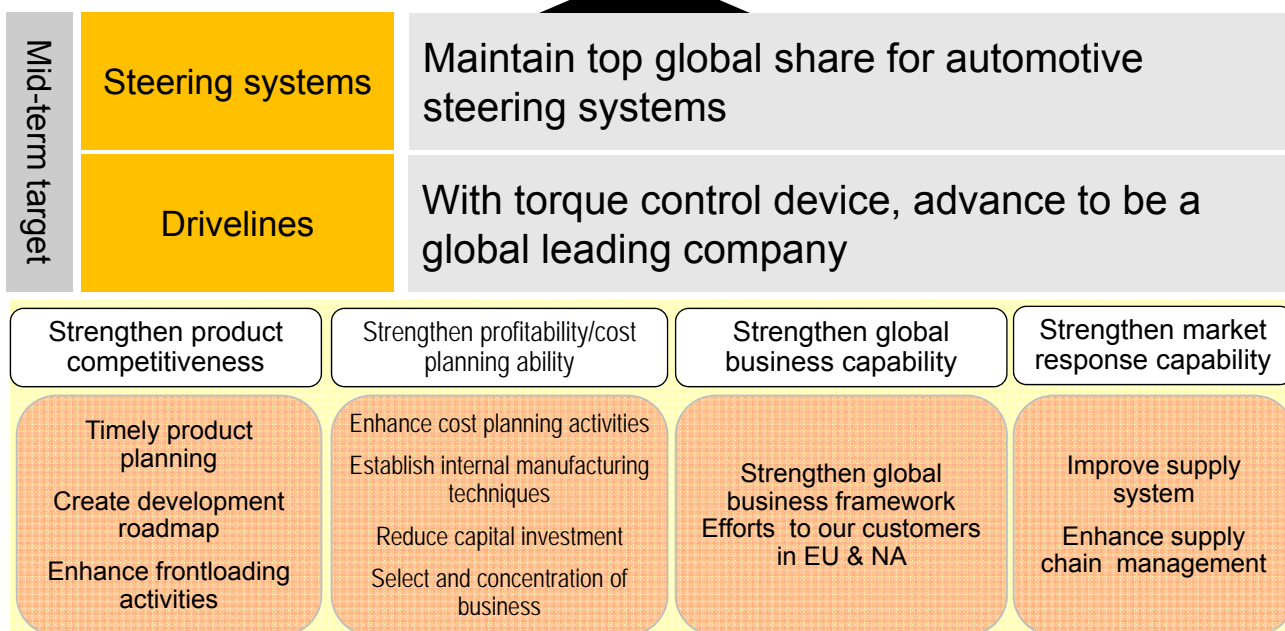


3-1) Review of the First Half of FY 2015 – Management Index (Consolidated)



1. Automotive Systems Business Operations Strategies

With “World No.1” & “Only One” spirit, continually deliver value to our customers and keep evolving as the all-time leading supplier in the market



Steering Systems Business

Roll & Aims

With “World No.1” & “Only One” spirit, continually deliver value to our customers and keep evolving as the all-time leading supplier in the market

Mid-term target Steering systems

Maintain top global share for automotive steering systems

Priority activities

Strengthen Product Competitiveness

- Correspond to functional safety, small, lightweight, fuel-saving, automatic driving
- Promote strategy for core components (column/MCU)
- Introduce competitive products into the market (RP/DP-EPS, next-generation EPS)

Business model revolution

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

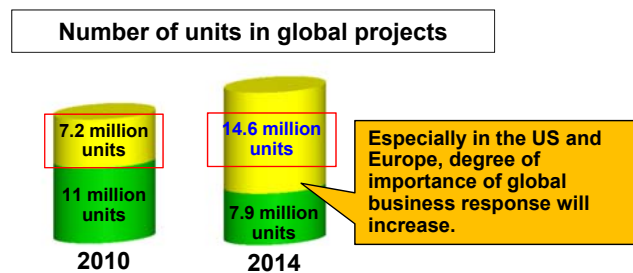
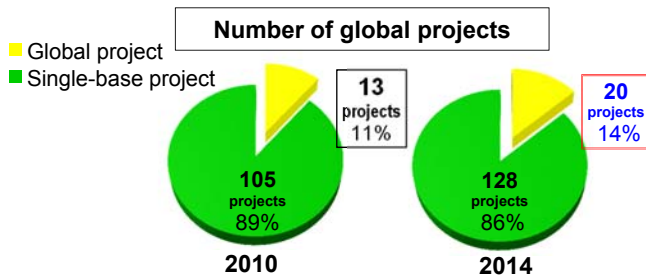
Improve supply method

- Improve global supply method
(Establish base in Mexico / Reorganize production associated with the expansion of downstream assist EPS in North America)

| | | | |
|--------------------|---------------------|--|---|
| Sales | Achievements | <ul style="list-style-type: none"> ✓ PM (Project Management) has taken root. (Strengthen global management) | <p>First half of FY 2015 Action Items</p> <p>Sales method</p> <ul style="list-style-type: none"> ➢ Strengthen PM System (project management office) ➢ Strengthen global project framework <p>Enhance cost competitiveness/profitability</p> <ul style="list-style-type: none"> ➢ Enhance promotion of sales price/cost strategy ➢ Promote sales price /cost strategy in China Enhance cost competitiveness through thorough benchmarking Reconstruct cost structure by improving manufacturing and purchasing methods ➢ Develop Internal manufacturing of next-generation products In-house production enhances competitiveness, a preventive move to supplier <p>Business Operations Strategies</p> <ul style="list-style-type: none"> ➢ Improve global supply/production methods North America: Start business for rack assist EPS Mexico: Start CEPS mass production |
| | Challenges | <ul style="list-style-type: none"> ✓ Intense cost competition (Price differences between regions) ✓ To expand customers in the U.S. | |
| Profit | Achievements | <ul style="list-style-type: none"> ✓ Profit conscious sales activities ✓ Market price conscious cost reduction activities | |
| | Challenges | <ul style="list-style-type: none"> ✓ To achieve a more resultful cost planning activities ✓ Handling of intense price competition | |
| Development | Achievements | <ul style="list-style-type: none"> ✓ Plans for next-generation products (evolution of products) ✓ Accelerated bullet loading for the future (Advanced Driving Assistant System, function safety) | |
| | Challenges | <ul style="list-style-type: none"> ✓ Speedy results including VE (Value Engineering) in order to establish solid foundation | |

Steering Systems – Enhancement of Global project Activity Framework

~ Surrounding Environment ~



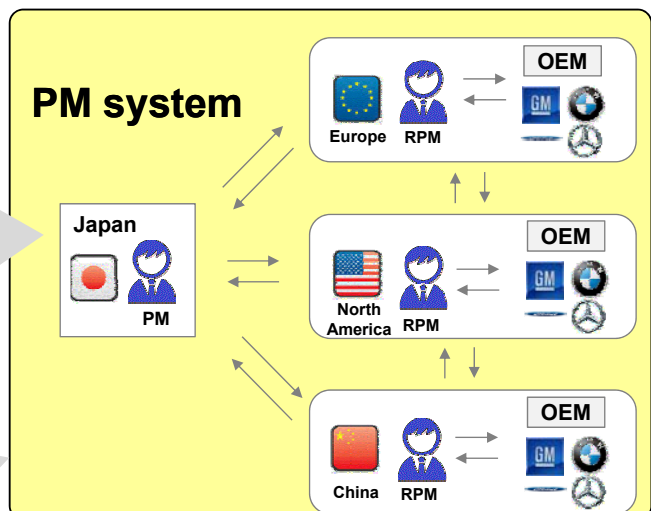
Further enhancement of PM system

- ✓ Further enhancement of PM (Project Management) office

| | 2014 | 2015 |
|-----------------------------|------|------|
| Number of projects | 3 | 6 |
| Number of PM members | 2 | 4 |

Bullet loading

- ✓ Reconstruct framework for global projects, Share regional target projects, business strategies and respond quickly



Improve global production structure

In North America established new plant, production line improvement in progress in order to answer to increase in new product business.

North America JNA

Exclusive use of JATV 2nd plant for downstream assist EPS



Before
1st plant: C-EPS/MS/HPS
2nd plant: Machine tools/Supply/Warehouse

↓
Space utilization such as reorganization and integration of HPS production lines

After
1st plant : C-EPS/MS/HPS
Machine tools/Supply/Warehouse
2nd plant : DP-EPS (FY 2016)
: RP-EPS (FY 2017)

Bullet loading

- Rack assist EPS production
- Start manual steering column business in the first half of FY 2017

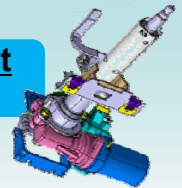


Mexico JAMX

Mass production/shipment start (Sep. 2015)



JAMX plant



Line Off ceremony (First mass produced product)



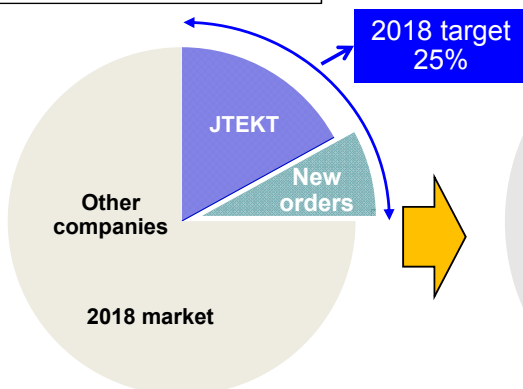
Bullet loading

- Enhance C-EPS capacity in FY 2017
- Local production of Intermediate Shafts in FY 2017
- Start DP-EPS business in FY 2018

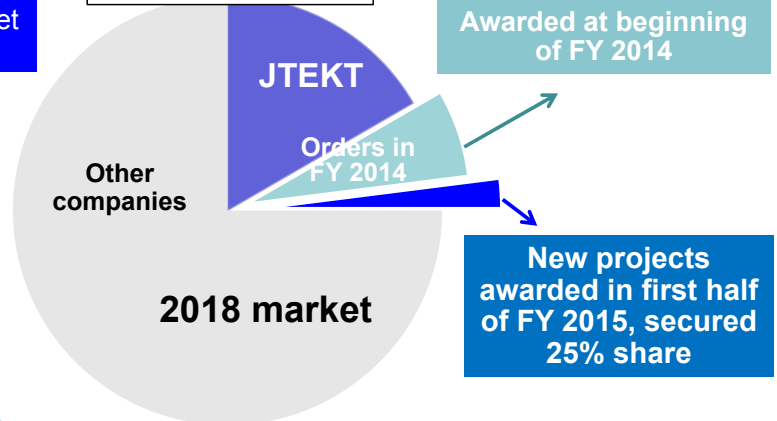
3-2-1) Steering Systems – Progress in FY 2015

Steering market share forecast in FY 2018

Planned Mid-term

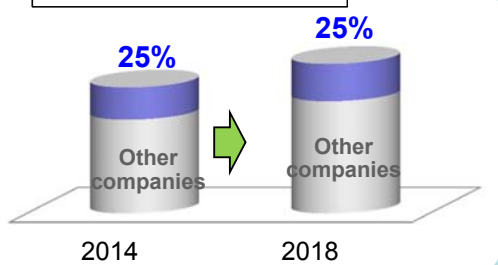


Result First half of FY 2015



*According to JTEKT research based on market data

Quantity and Share



Forecast to maintain top share for FY 2018 completed

Drivelines Business

3-2-1) Rolls & Aims of Drivelines

Rolls & Aims

With “World No.1” & “Only One” spirit, continually deliver value to our customers and keep evolving as the all-time leading supplier in the market

Mid-term target Drivelines

With torque control device, advance to be a global leading company

Priority activities

Strengthen Product Competitiveness

- Size reduction/Cost reduction/High performance
- Unitization/Modularization
- New field product developments (HV/EV correspondence)

Customer base expansion Market development

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

Improve production structure

- Thorough use of existing production capability

| | | |
|--------------------|--------------|---|
| Sales | Achievements | <ul style="list-style-type: none"> ✓ Started improvement for driveline market research framework in EU ✓ Products market verification has been completed |
| | Challenges | <ul style="list-style-type: none"> ✓ To win target projects. |
| Profit | Achievements | <ul style="list-style-type: none"> ✓ Results generated by Oobeya activities for key products (e.g. created profitable CVJ business plan, increased ITCC profitability) |
| | Challenges | <ul style="list-style-type: none"> ✓ A more resultful / enhance cost competitive activity |
| Development | Achievements | <ul style="list-style-type: none"> ✓ The Disconnect unit: Customer negotiation started (Continual proposal to customers in Japan/U.S.) |
| | Challenges | <ul style="list-style-type: none"> ✓ Accelerate product development to reduce fuel consumption |

First half of FY 2015 Action Items

Sales method

- **Further enhancement of PM system** (project management office)
- **EU customer / market research and sales expansion roadmap**

Enhance cost competitiveness/profitability

- **Enhance promotion of sales price/cost strategy**
- **Enhance Oobeya activities**
Enhance cost competitiveness through thorough benchmarking
Reconstruct cost structure by improving manufacturing and purchasing methods

Business operations strategy

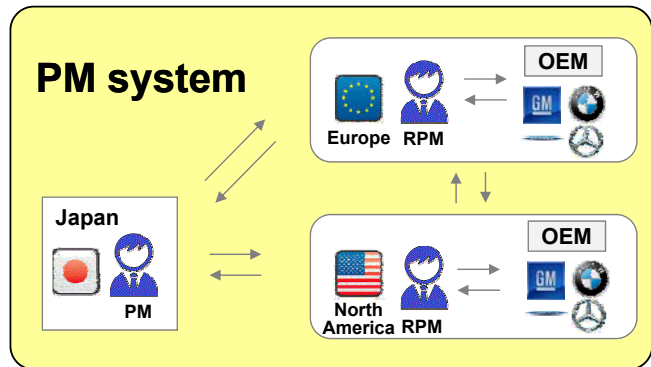
- **Bullet loading for future**
Accelerate next-generation product development
- **Select and concentration of business**
Transfer and unify damper pulley production to China

Drivelines – Strengthening Global Project Activity Framework

Further enhancement of PM system

- ✓ Global function enhanced by adding drive line function to PM (Project Management) office

| | 2014 | 2015 |
|-----------------------------|------|------|
| Number of projects | 0 | 4 |
| Number of PM members | 0 | 2 |



Bullet loading

EU Market Survey – Frontloading Activity

EU Sales Expansion – Make growing driveline business scenario through technical trend survey

<TCD>
AWD still tends to increase. As a system Conventional is demanded more than Disconnect.

<Oil Pump>
Due to Automated Manual Transmission increase, E-Clutch demand increases

<Torsen>
Large output power for small vehicle increases LSD business

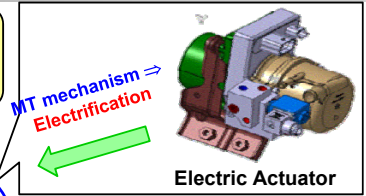
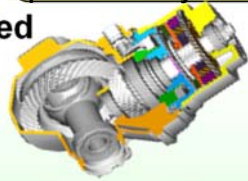
| | A | B | C | D | E | F | G |
|-----------------|---|---|---|---|---|---|---|
| ITCC | ○ | ○ | - | △ | □ | □ | □ |
| Oil pump | - | - | - | △ | - | △ | - |
| E-clutch | △ | △ | ○ | △ | △ | ○ | ○ |
| Torsen | ○ | □ | △ | △ | △ | □ | □ |

○: RFQ received, △: Technical meeting, □: Invite to cold environment test

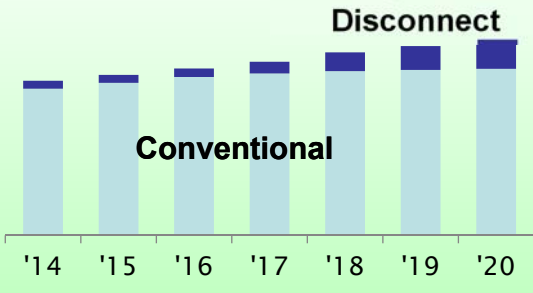
Strengthen product competitiveness

Strengthen product planning, bullet loading for the future
Accelerate product development to release new products early

Module 4WD integrated with differential gear



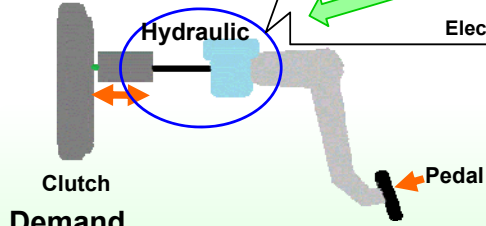
Demand trend



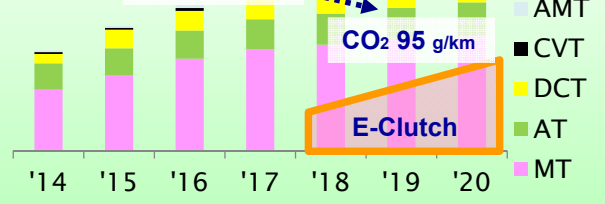
- ✓ Disconnect increases in North America only.
- ✓ Conventional system (ITCC) will continue to be mainstream
- ✓ Accelerated modularization (integration with differential gear)

Accelerate development of differential module integrated with ITCC with cooperation of differential gear supplier

E-Clutch



Demand trend



For MT-based auto transmission mechanism, M/T with hydraulic clutch will become popular

Develop E-Clutch market based on JTEKT hydraulic technology – Development completed

2. Bearing Business Operations Strategies

Long term vision for bearing operations

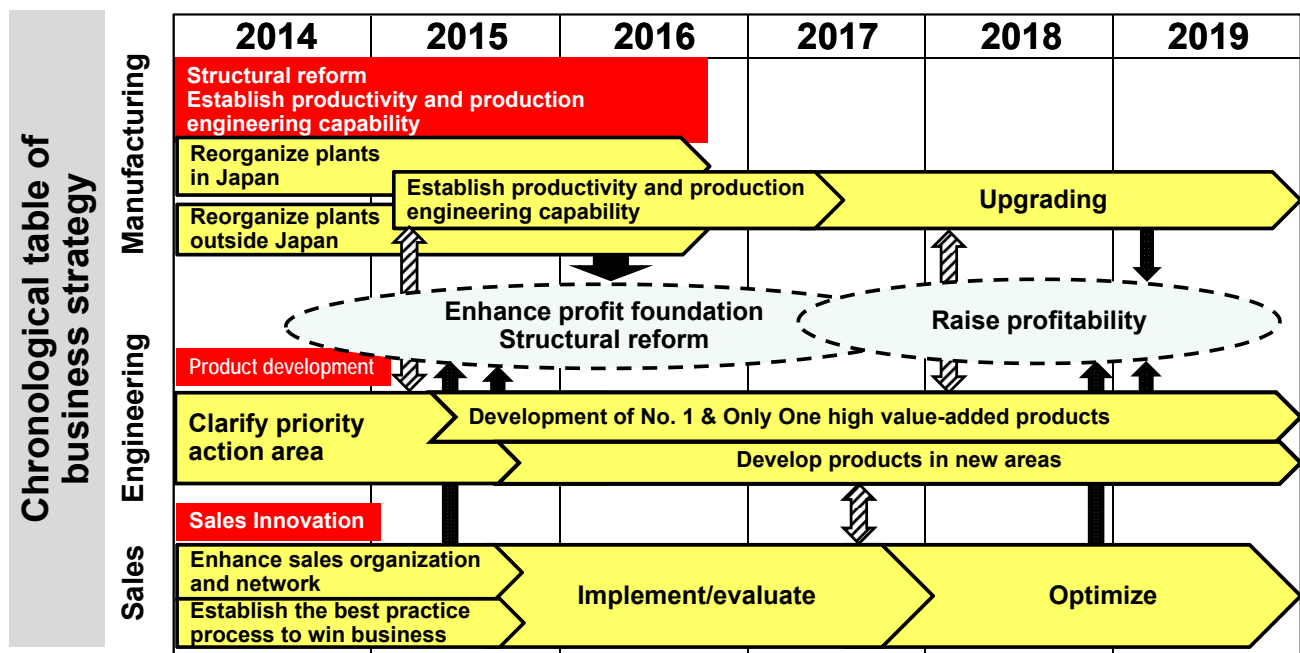
Continue creating value, impress customers and be praised for business operations
~ Lift the "Koyo" brand to be the top brand in the world ~

| | | |
|--------------|------------------------------------|--|
| Ideal | Entire business | <ul style="list-style-type: none"> • Be a highly profitable business unit by transitioning from quantity to quality • Build lean and competitive structure (Enhance the business structure to solidify footing for growth) |
| | Automotive BRG | <ul style="list-style-type: none"> • Enhance frontloading activities • Bring high value-added products to the market in timely manner • Maintain the position among the top 3 suppliers in the world |
| | Industrial/ aftermarket BRG | <ul style="list-style-type: none"> • Establish for providing proposal solution business model • Establish No. 1 & Only 1 products and services, thereby improving brand power • Expand global share |

Priority Tasks and Corresponding Actions
(Structural reform, production, sales, engineering)



Product/Industry-related strategies



Priority action item in FY 2015

| | |
|---|---|
| Structural reform | <ul style="list-style-type: none"> • Reorganize production resources in Japan • Reorganize plants outside Japan • Enhance business constitution |
| Establish productivity and production engineering capability | <ul style="list-style-type: none"> • Innovate production engineering capability • Cut capital investment per unit • Increase floor management |
| Sales Innovation Enhance sales force | <ul style="list-style-type: none"> • Enhance global sales activity framework with consideration for customers and establish position as leading supplier • Build the best sales process to win business • Build the optimum sales organization and network • Promote medium- to long-term sales development activities dedicated to industrial OEM and aftermarket segments |
| High value-added product development enhancement | <ul style="list-style-type: none"> • Select priority action area • Develop No. 1 & Only One products • Develop first articles |

3-2-2) Priority Tasks and Corresponding Actions (Structural Reform)

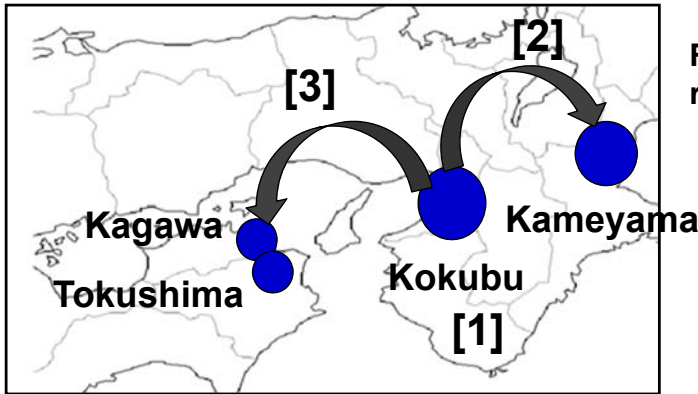
| | | |
|--------------------------|---------------------|--|
| Structural reform | Achievements | <ul style="list-style-type: none"> • Reorganization in Japan: Start of Kameyama plant's new building construction Completion of Kagawa plant's extended building construction and installation of forging machine • Reorganization outside Japan: Profit improvement through structural reform |
| | Challenges | <ul style="list-style-type: none"> • Accelerate cost reduction • Accomplish reorganization of plants in and outside Japan including North America, ASEAN, and India • Operational reform of indirect departments |

◆ Reorganization of plants in and outside Japan <Focus on structural reform for each region>



3-2-2) Priority Tasks and Corresponding Actions (Structural Reform)

◆ Reorganization of production resources in Japan



Reorganization of production resources in Japan led to:

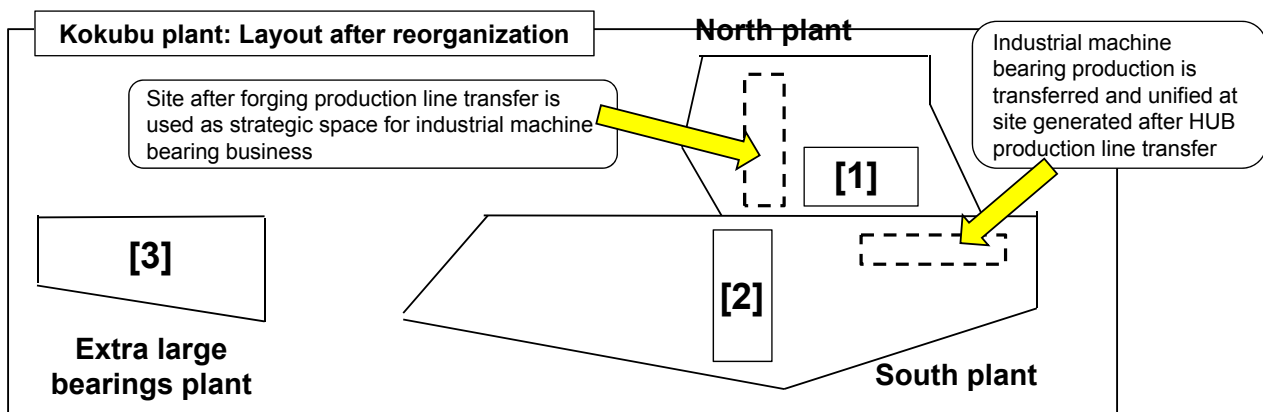
- Establishment of optimum supply system
- Enhancement of cost competitiveness
- Enhancement of industrial machine bearing production

* HUB (hub unit)

| | Concept |
|-----|--|
| [1] | Kokubu: Reform as a mother plant for industrial machine bearings |
| [2] | Automotive HUB: Reorganization of production plant |
| [3] | Relocate forging and turning process in Shikoku area |

3-2-2) Priority Tasks and Corresponding Actions (Structural Reform)

(1) Kokubu: Reform as a mother plant for industrial machine bearings



| | | Action item |
|-----|--------------------------------------|--|
| [1] | Mid-sized bearings Large bearings | <Establish optimum production lines to suit production volume> |
| [2] | Bearings for machinery | <Innovation of manufacturing methods for spindle bearings> |
| [3] | Extra large bearings | <Strengthen product potential by using large-scale heat treatment and reforming manufacturing methods> |

3-2-2) Priority Tasks and Corresponding Actions (Structural Reform)

(2) Kameyama: Aim to be No. 1 HUB plant in the world as model for global HUB production

Cost competitiveness improvement, logistics improvement, energy saving, working environment improvement



| | Action item |
|--------------|--|
| Kameyama HUB | New building construction start (Aug. 2015) ⇒ Line operation start in order (from May 2016) |

3-2-2) Priority Tasks and Corresponding Actions (Structural Reform)

(3) Relocate forging and turning process in Shikoku area

Building after extension



Achieve consistent TRB manufacturing from forging to finishing in Shikoku area
Improve TRB cost competitiveness



* TRB (Tapered Roller Bearings)

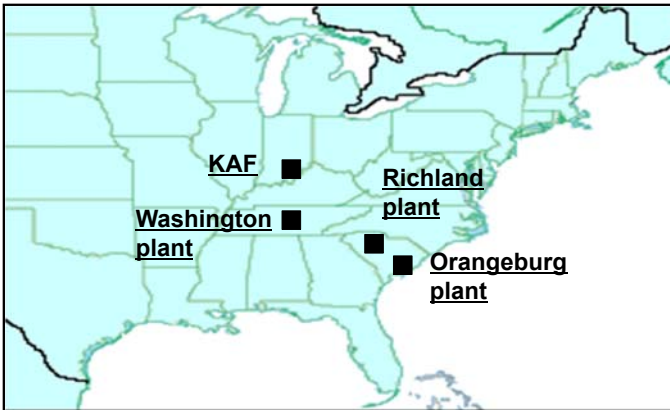
| | Action item |
|---------------------|--|
| TRB forging process | Kagawa 2nd plant: Completion of extended building construction (Sep. 2015) ⇒ New forging machine operation start (planned in Jan. 2016) |

3-2-2) Priority Tasks and Corresponding Actions (Structural Reform)

◆ Structural reform map of bearing plants in North America

Secure profit foundation by enhancing TRB/HUB production

Building extension part



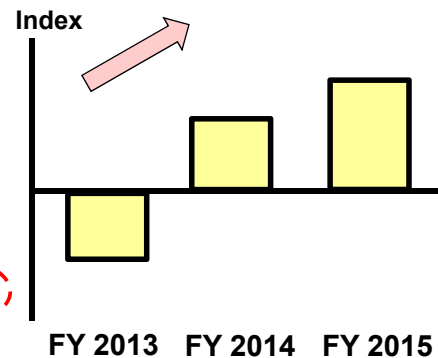
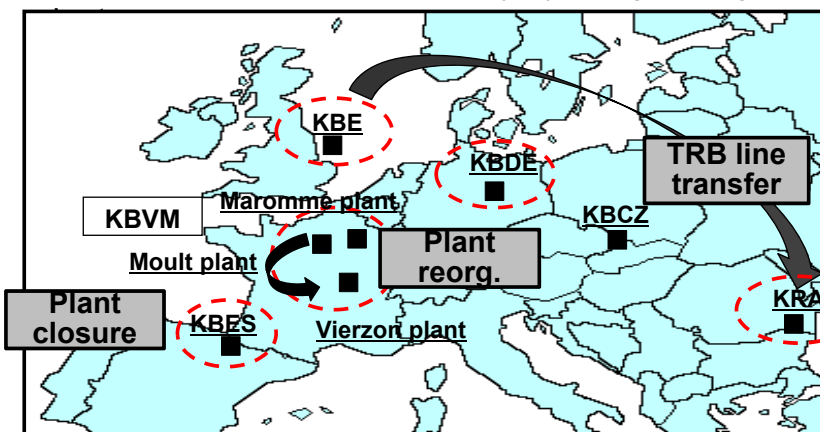
| Plant | Action item |
|------------------|--|
| Orangeburg plant | Currently implementing activities for improving profitability through review of product type |
| Richland plant | Reinforce HUB production capability by installing new lines ⇒ New line production start in order (from Dec. 2015) |
| KAF | Currently implementing activities to improve costs by increasing TRB preceding-process efficiency |

3-2-2) Priority Tasks and Corresponding Actions (Structural Reform)

◆ Structural reform map of bearing plants in Europe

Enhance profit foundation mainly by reorganizing NRB

Performance improvement (Index)



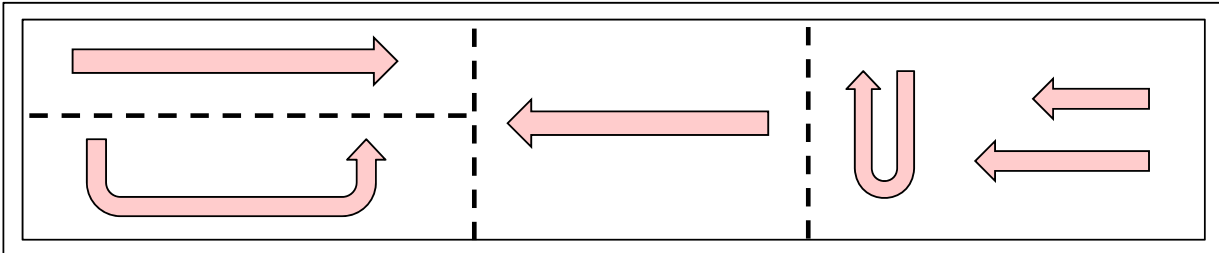
| Plant (Country) | Reorganization | Action item |
|-----------------|---|--|
| KBE (UK) | Reform as plant specializing in HUB units | Completed transfer and unification of TRB production to KRA (Romania) (Jun. 2015) |
| KBVM (France) | Reform plant and administration section | Completed installation move from Moulton plant to Vierzon plant (Sep. 2015) |
| KBES (Spain) | Plant closure | Completed plant closure |
| KBDE (Germany) | Review company organization and logistics | Currently implementing plant streamlining and consolidation of warehouses including those of sales companies |

3-2-2) Priority Tasks and Corresponding Actions (Structural Reform)

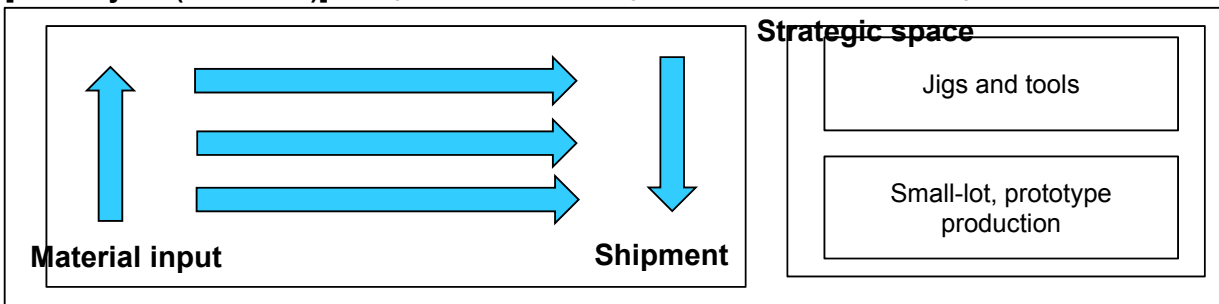
◆ **Actions for streamlining in KBDE (within plant)**

Transfer and unification of similar processes/shortening of working traffic lines/
securing of strategic space (jigs, tools, prototype production)

[Schematic diagram of layout before improvement] --- Different working traffic line for each product type



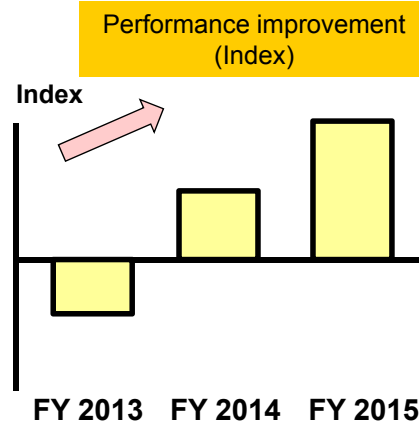
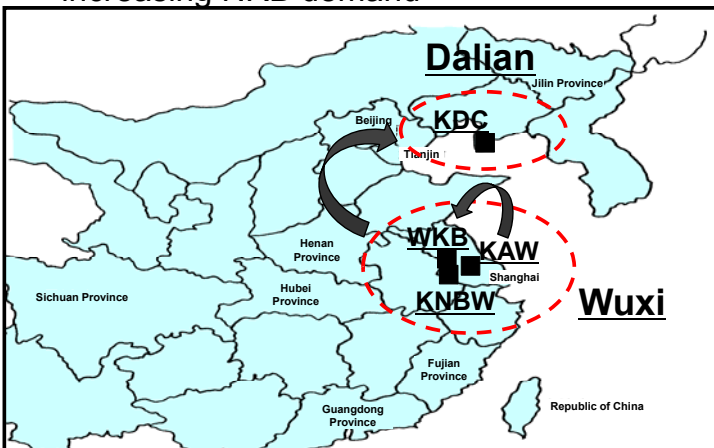
[Final layout (Nov. 2016)] --- Align and shorten working traffic lines, and secure strategic space



3-2-2) Priority Tasks and Corresponding Actions (Structural Reform)

◆ **Structural reform map of bearing plants in China**

Reorganization of SBB plants and response to increasing NRB demand

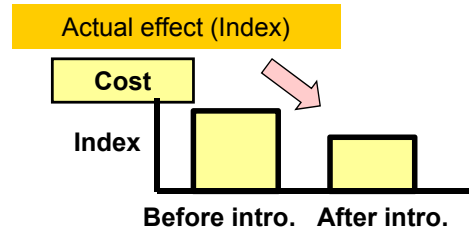


| Plant (Region) | Reorganization |
|----------------|---|
| KDC (Dalian) | Transfer and unify production of miniature and small dia. SBB |
| WKB (Wuxi) | Transfer and unify production of small-sized SBB |
| KAW (Wuxi) | Specialized in production of mid-sized SBB Response to increasing demand of automotive TRB |

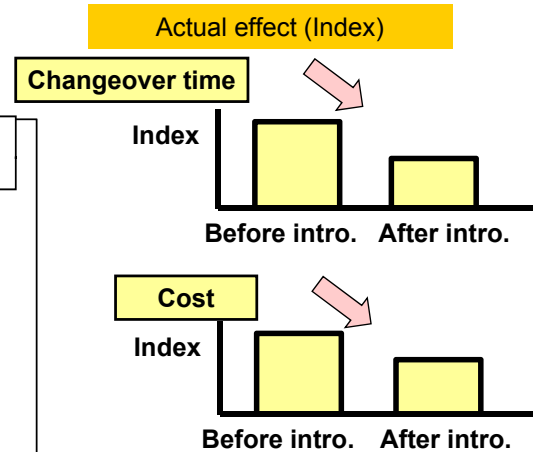
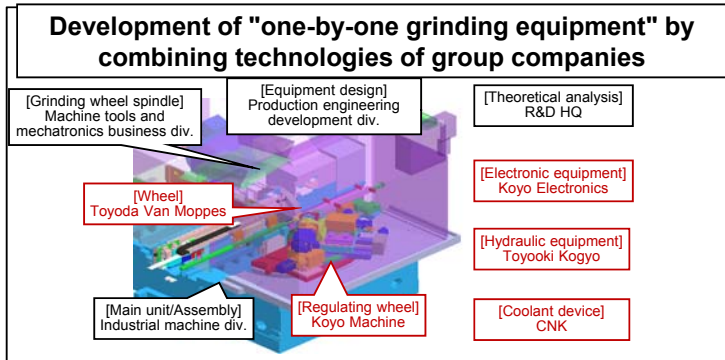
3-2-2) Priority Tasks and Corresponding Actions (Production)

◆ Innovation of production engineering capability for multi-product/small-lot production

(1) Production engineering innovation for small-lot manufacturing process of TRB and mid-sized CRB



(2) Production engineering innovation for small-lot manufacturing process of TRB and mid-sized CRB



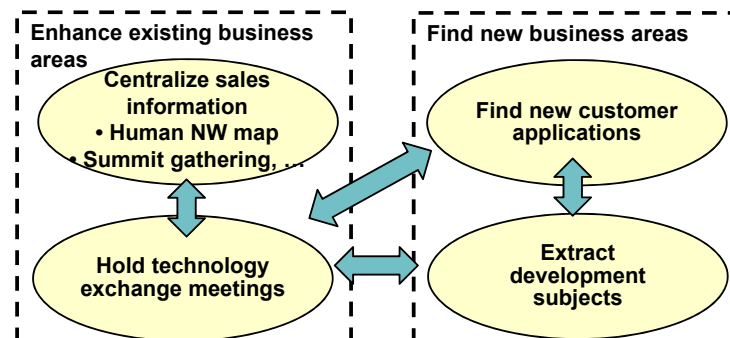
3-2-2) Priority Tasks and Corresponding Actions (Sales)

Sales

Achievements

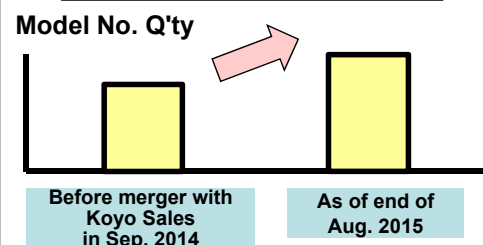
- Formulate strategies for each customer in priority industry fields and reinforce sales activities to these target segments
- Enhance aftermarket (commercial distribution of dealers)
Review commercial distribution in Japan (dealers, sales of branches)
Technology exchange meetings, problem-solving, finding new applications
Enhance lineup in central stock list (20% increase in model No. quantity)

◆ Formulate strategies for each customer in priority industry fields and enhance activities



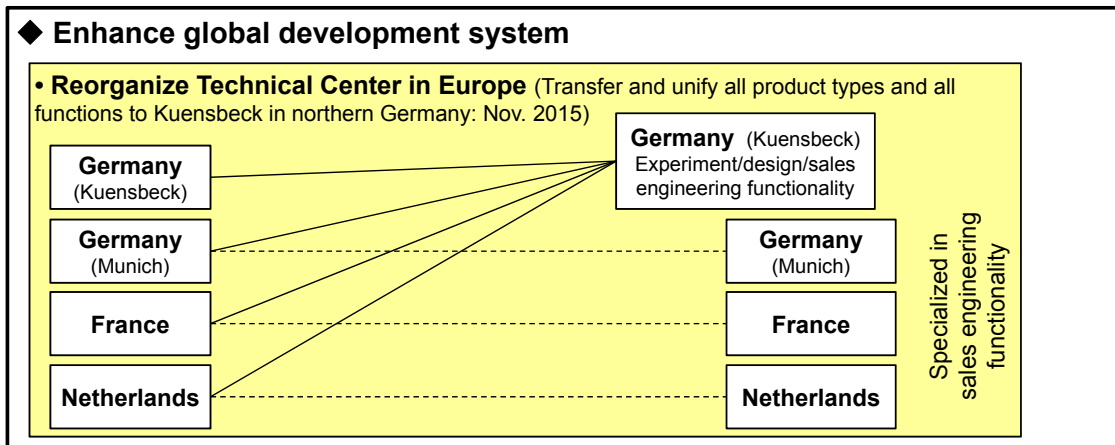
◆ Enhance aftermarket Enhance lineup in central stock list

Enhanced lineup **Response to customer demands**
Addition of model No. (20% increase in model No. quantity)



3-2-2) Priority Tasks and Corresponding Actions (Engineering)

| | | |
|-------------|--------------|---|
| Engineering | Achievements | <ul style="list-style-type: none"> Enhance global development system Clarify target projects based on strategy for each product type/application Promote frontloading activities |
| | Challenges | <ul style="list-style-type: none"> Make overseas Technical Centers more independent and localized Develop products with minimum investment |



3-2-2) Priority Tasks and Corresponding Actions (Engineering)

(1) Example of products developed to match customer needs (Industrial bearings)

Thrust ball bearings with a PPS cage for refrigerator compressors

- Achieving the use of rolling bearings in the compressor enables low torque and greatly contributes to improvements in compressor performance and better energy efficiency of the refrigerator



PPS resin cage

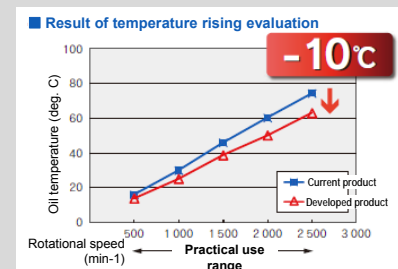
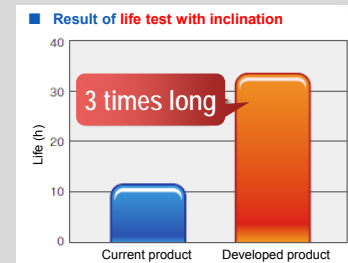
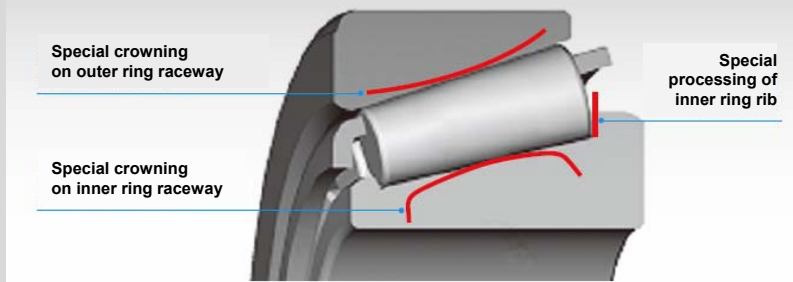
Refrigerator compressors use compressor oil and a refrigerant. In conventional polyamide resins, cyclic oligomers form in the resin and cause defects, and therefore rolling bearings with resin cage were not employed. JTEKT has adopted PPS as the cage material to eliminate this issue, achieving greater energy efficiency for refrigerators.

3-2-2) Priority Tasks and Corresponding Actions (Engineering)

(2) Example of products developed to match customer needs (Industrial bearings)

Highly functional tapered roller bearings for agricultural/ construction machines

- To respond to harsher conditions for agricultural/construction machines, optimized design increased robustness.
- Support up to outer diam. $\phi 260$

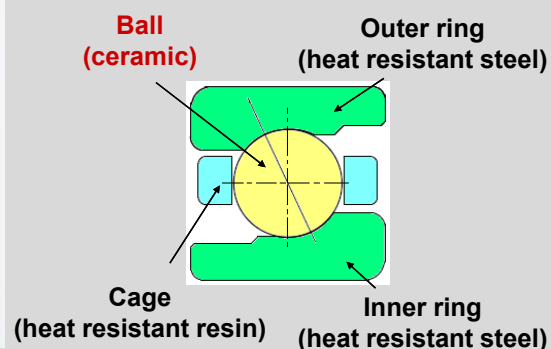


3-2-2) Priority Tasks and Corresponding Actions (Engineering)

(3) Example of products developed to match customer needs (Motorcycle bearings)

Ceramic ball bearings for supercharger on large motorcycle

- Reducing friction torque by using rolling bearings (with ceramic balls) contributes to supercharger performance improvement

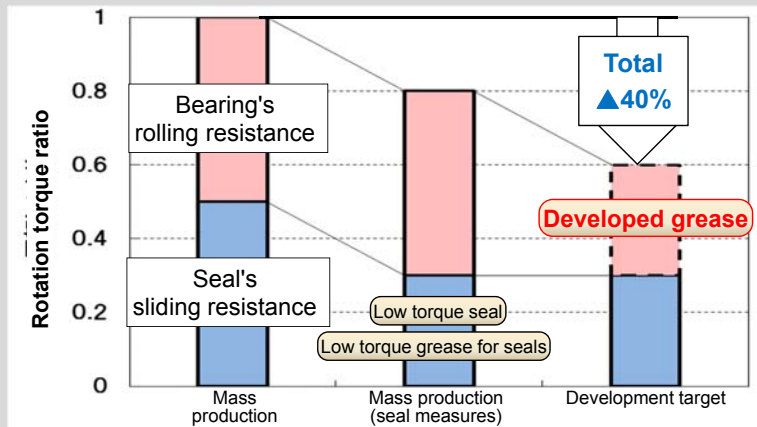
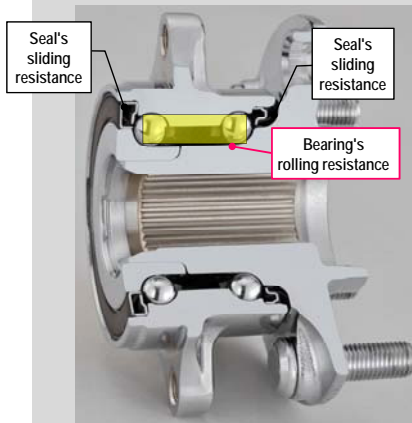


3-2-2) Priority Tasks and Corresponding Actions (Engineering)

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

Low-torque hub unit (development of low friction torque grease)

- Reduce rotational torque of hub unit by 40% compared to mass produced item
- Applicable not only to Ball HUB unit, but also Tapered Roller HUB unit, implementing low torque

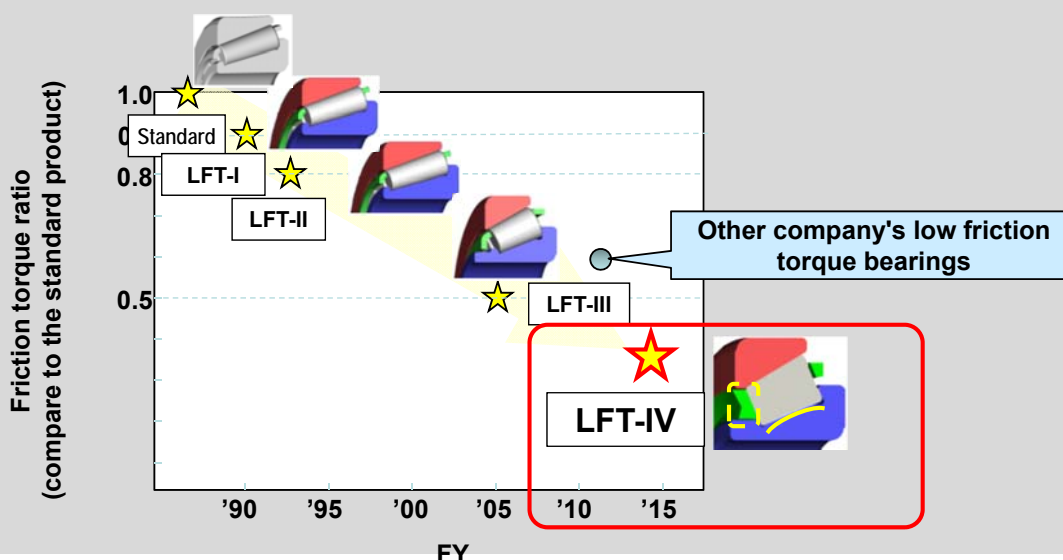


3-2-2) Priority Tasks and Corresponding Actions (Engineering)

(5) Example of products developed to match customer needs (Automotive bearings)

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

- Development of lowest friction torque bearings beyond LFT-III



Machine Tools & Mechatronics Business Operations Strategies

Ideal and features of business operations strategies

Ideal

True total production system integrator that is trusted by customers
Provide values at all phases of monozukuri

Business Operations Strategies

Solidify the basis for “**connectable**” business from business focusing on new machines (up to 2016), and enhance the constitution for sustainable growth (up to 2019)

| | | | |
|--|--|---|---|
| <p>Grinder Make strong grinders firmer to become Global No. 1</p> | <p>Cutting machine Machining center Enhance our non-automotive market by improving our presence</p> | <p>Gear skiving center No. 1 & Only One in Gear-cutting market</p> | <p>Control system No. 1 & Only One in line control systems</p> |
|--|--|---|---|

Customer support: No. 1 with full-fledged and extended customer support value

Priority activities



3-2-3) Business Operations Strategies (1)

Provide customers with better system by establishment/enlargement of value chain

| Achievements | Customer-specific equipment map and machine information arrangement | Challenges | Insufficient ground for system solution | Actions to be taken | After-solution business Model extension (system capability reinforcement) |
|--------------|---|------------|---|---------------------|---|
|--------------|---|------------|---|---------------------|---|

Customer/Equipment DB

- Customer-specific equipment map and machine information arrangement
- Packaging of overhauls and modifications
- CNC/PLC change
- Training center Education system organization
- Catalog preparation for parts sales via Internet

Order amount trend

■ After-sales service
□ New unit

Ave. in 2nd half of FY2014

Apr. May Jun. Jul. Aug. Sep.

Order amount trend (after-solution)

Ave. in 2nd half of FY2014

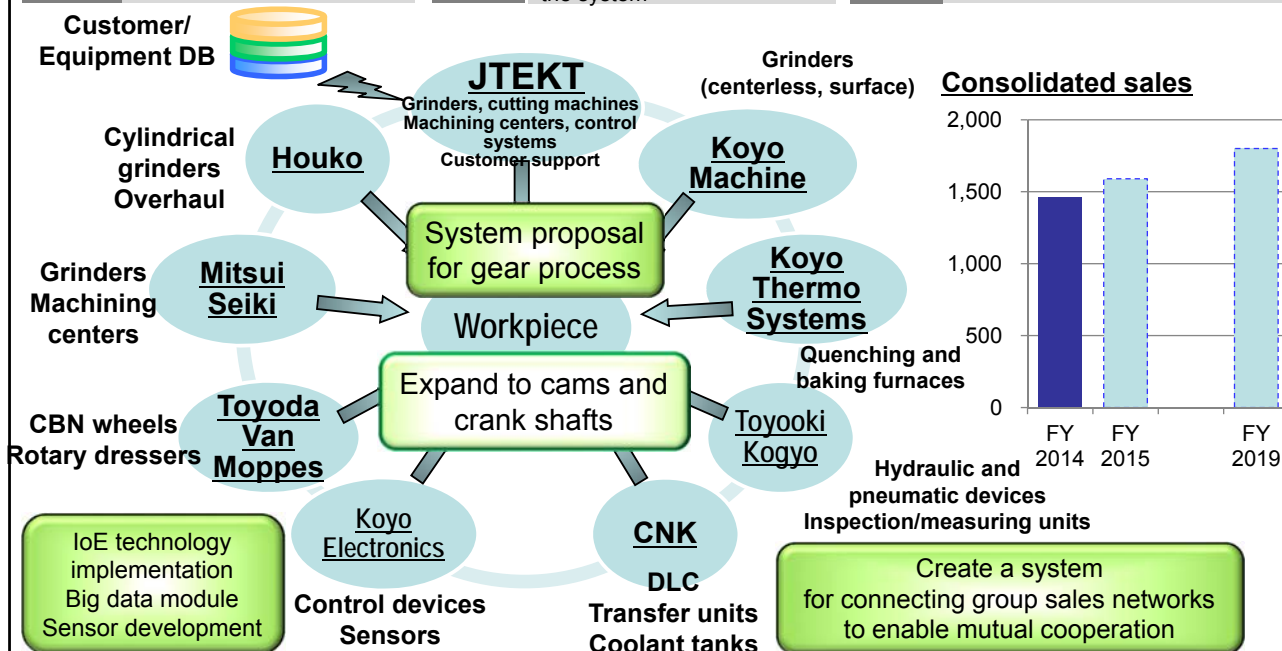
Apr. May Jun. Jul. Aug. Sep.

Expansion of maintenance system via Internet

3-2-3 Business Operations Strategies (2)

Utilize connection from technology shared among group companies to meet requirements of the workpiece (process proposal)

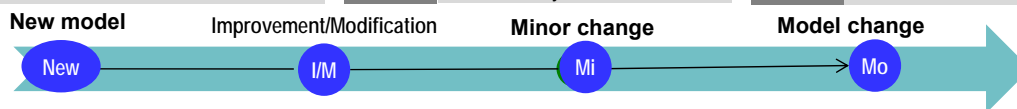
| | | | | | |
|--------------|--|------------|---|---------------------|---|
| Achievements | Gear process omission line System leading element development | Challenges | Sell only company's own products → No effect can be seen on the system | Actions to be taken | Establish activity WG with regards to workpiece as entire group to reinforce activities |
|--------------|--|------------|---|---------------------|---|



3-2-3 Business Operations Strategies (3)

Story-backed technology development and product development (connection from development to market supply)

| | | | | | |
|--------------|---|------------|--|---------------------|---|
| Achievements | Newly developed: 2 models Model change: 3 models Improved: 6 models in FY 2014-2015 | Challenges | Weak in unit development Slow development speed Insufficient development evaluation system | Actions to be taken | IoE packaging expansion Development of 2 models per year |
|--------------|---|------------|--|---------------------|---|



Maintain and improve competitiveness through strategic technology development and product development

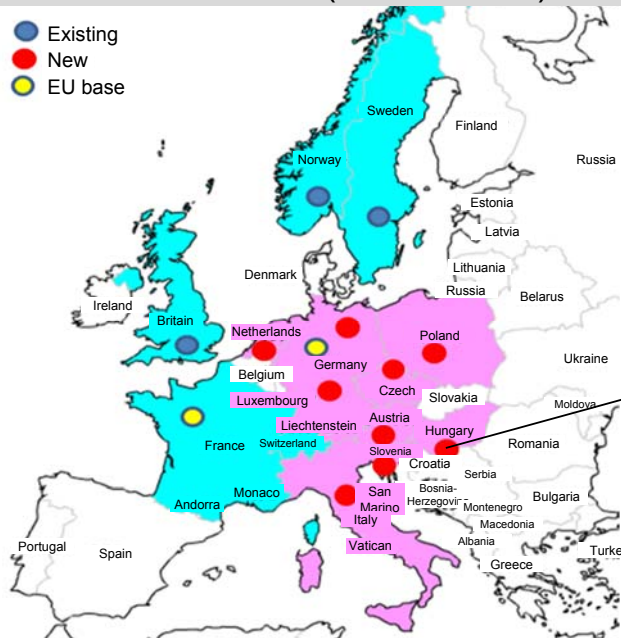
| | 2014 | | | | 2015 | | | | 2016 | | | | 2017 | | | |
|-------------------------------------|--|----|----|-----|---|----|----|-----|---|----|----|-----|--|----|----|-----|
| | New | Mo | Mi | I/M | New | Mo | Mi | I/M | New | Mo | Mi | I/M | New | Mo | Mi | I/M |
| Q'ty | 1 | 4 | 0 | 5 | 5 | 2 | 0 | 3 | 2 | 2 | 1 | 5 | 3 | 1 | 0 | 2 |
| Grinder | Complex cam (concave cam) | | | | Model change of mid-sized/large cylindrical grinder | | | | Grinding exclusive for concave cam | | | | Grinder available for shoulder grinding | | | |
| Cutting machine Machining center | Large machining center development | | | | Supporting construction machines, energy, | | | | 5-axis machining center | | | | DD rotary table | | | |
| Gear skiving center | Mid-sized model in | | | | Large model development | | | | Downsizing | | | | HMI supporting easy operation and remote diagnosis | | | |
| Control | IoE-supported big data processing module | | | | Symptom management system | | | | Real-time thermal displacement correction | | | | | | | |

Strengthening Sales Capability

3-2-3) Priority Actions (1) Strengthening Sales Capability (1)

| | |
|--------------|---|
| Achievements | ◆ Completed expansion and organization of dealer networks in Europe (13 countries) |
| Challenges | ◆ Establish enhancement of sales and service activity framework in dealers (13 countries) |

Map of dealers in Europe



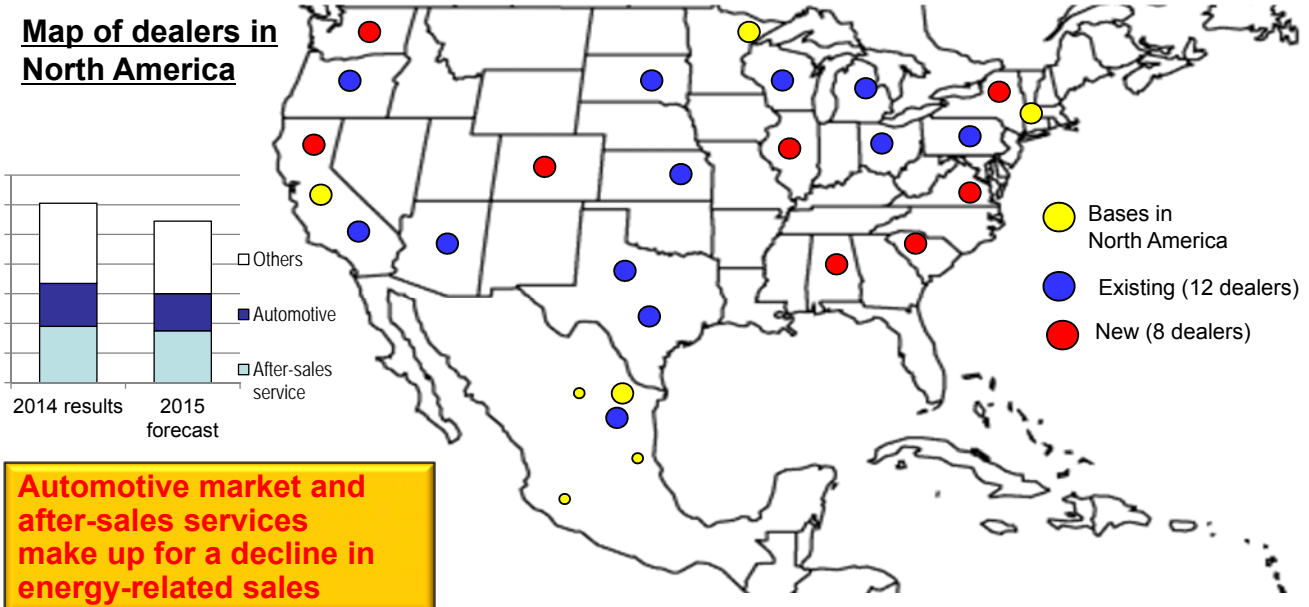
Enhanced

Organization of sales and service networks through expansion of dealers is completed

3-2-3) Priority Actions (1) Strengthening Sales Capability (2)

| | |
|--------------|---|
| Achievements | ◆ Expansion and organization of dealer networks in North America (including Mexico) are completed |
| Challenges | ◆ Further strengthen sales and service capabilities in West Coast, East Coast, and Mexico |

Map of dealers in North America



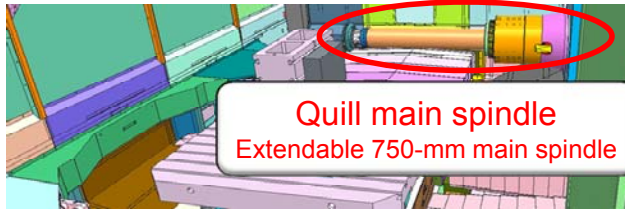
3-2-3) Machine Tools/Mechatronics Business Operations Strategies

Strengthening Product Potential

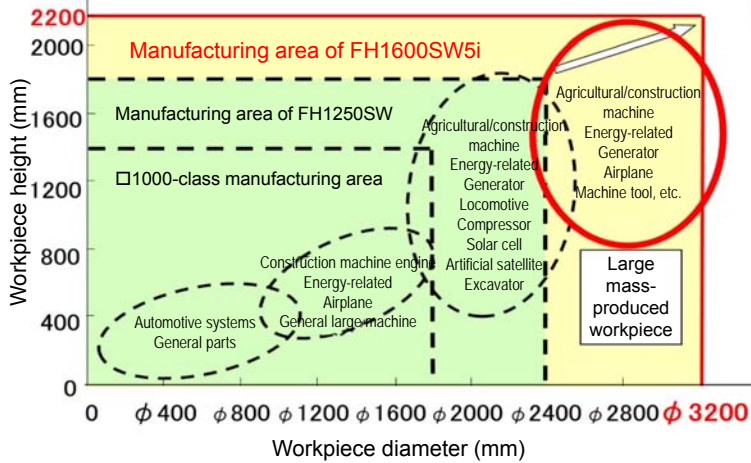
3-2-3) Priority Actions (2) Strengthening Product Potential (1)

Large horizontal machining center FH1600SW5i

Equipping with high-rigidity quill main spindle achieves a wide manufacturing range and high productivity



Quill main spindle
Extendable 750-mm main spindle



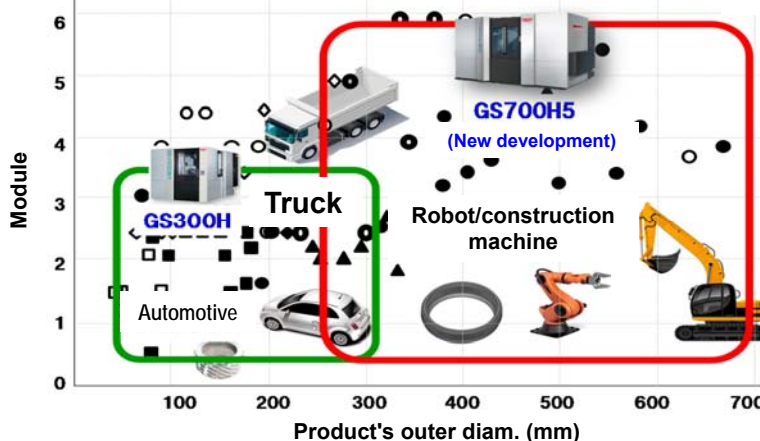
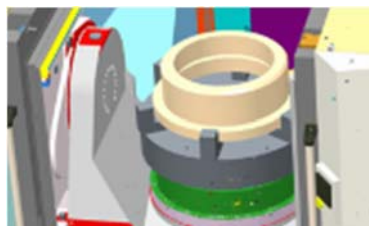
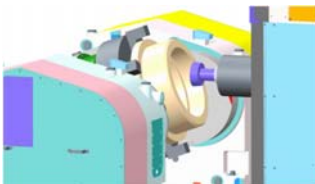
- **Release: Nov. 2015**
- Sold: 7 units/year
- Actions to be taken: Develop 5-axis machining center for airplanes

3-2-3) Priority Actions (2) Strengthening Product Potential (2)

Gear skiving center GS700H5

Highly regarded 2nd series of GS300H Supporting up to $\Phi 700$ /module 6

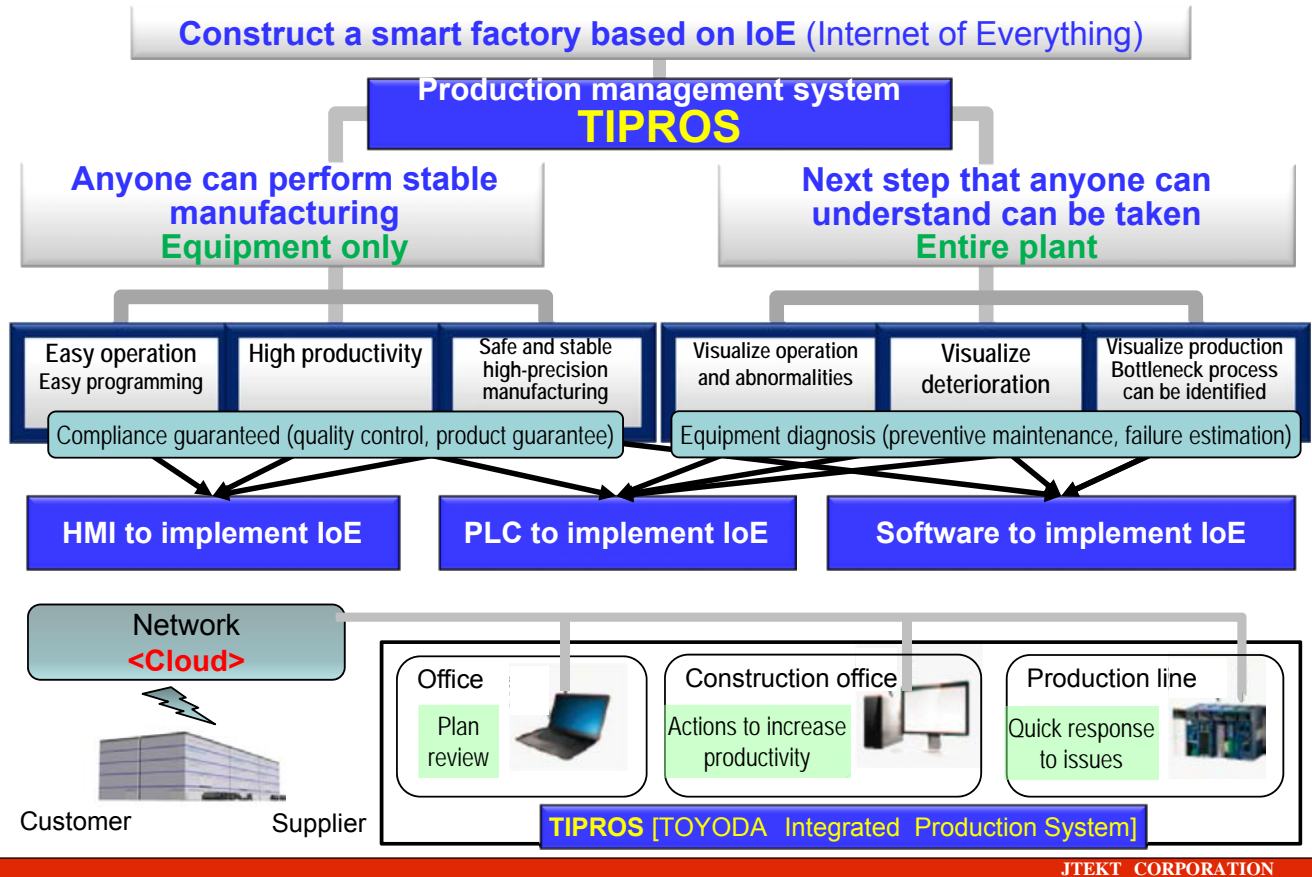
High rigidity trunnion table



- **Release: Nov. 2015**
- Sold: 5 units/year
- Actions to be taken: Development of small machining center



3-2-3) Priority Actions (2) Strengthening Product Potential (3)

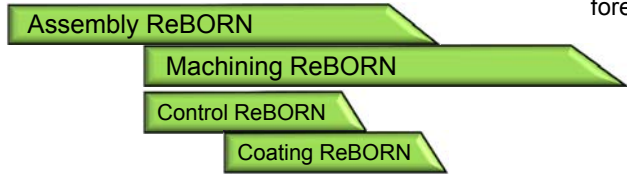
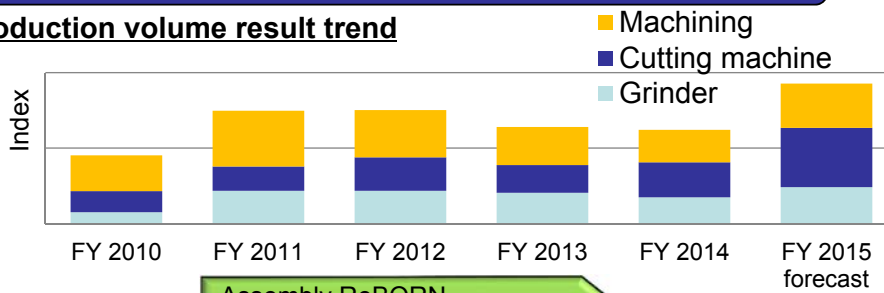


3-2-3) Machine Tools & Mechatronics Business Operations Strategies

Monozukuri Revolution

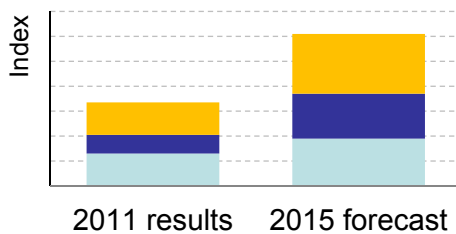
Achieve results through Kariya ReBORN

Production volume result trend

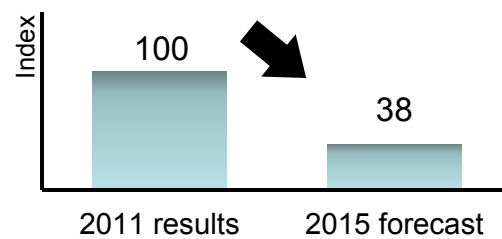


- ◆ Increase production quantity through Kariya ReBORN
- ◆ Expand production equipment capability
- ↓
- Take action for management issues concerning new bottleneck processes and between bottleneck processes

1) No. of units producible monthly



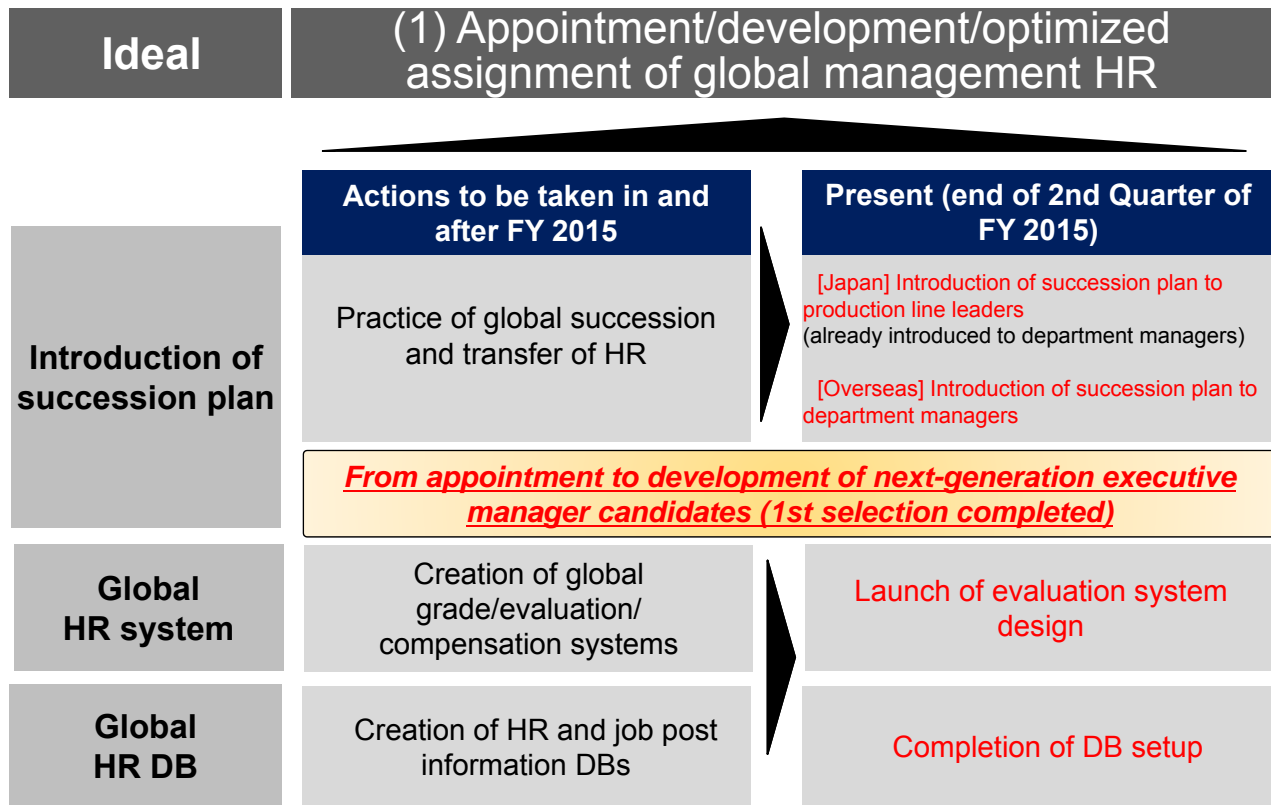
2) Assembly lead time (mid-sized horizontal machining center)



Enhancement of Fundamentals

- Global HR Management
- Strengthening Financial Basis
- Operational Reform of Indirect Departments
- Establishing Global Business Basis

3-2-4) Global HR Management (1)



3-2-4) Global HR Management (2)

Introduction of Succession Plan – Progress Status -

• Completion of selection of "1st" next-generation executive manager candidates

1st candidates: **35** persons

2nd candidates (being selected):

34 persons (including **15** National staffers)

* For 1st candidates, education is carried out and development rotation plan is being examined and promoted

• First holding of regional committee meetings and global committee meeting

Configuration of Global Succession Committee



3-2-4) Global HR Management (3)

| Ideal | | (2) Improvement of ability/organizational capabilities of individual employees | |
|----------------------------------|---------------------------------|--|--|
| | | Actions to be taken in and after FY 2015 | Present (end of 2nd Quarter of FY 2015) |
| Abilities of individual employee | Problem-solving ability | Seminar for all employees Expansion to group companies and to overseas | Started development of global trainers |
| | English ability | Expansion of English training | Introduction of TOEIC as a requirement for promotion |
| | Engineering/supervisory ability | Global expansion of JFMS training (JTEKT Floor Management System) | JFMS education is being promoted in Japan |
| Organizational ability | Creation of JTEKT WAY | To be announced in Apr. 2016 Spread to all employees | Being created |
| | Promotion of diversity | Expansion of all employees' awareness Support for institutional enhancement | Seminar for executive officers and department managers |

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

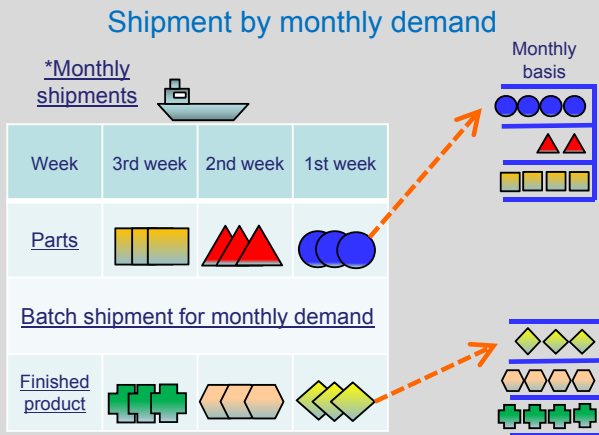
| Ideal | Building of financial basis as "Excellent Company" | |
|--|--|--|
| | Promote B/S clean-up and interest-bearing debt reduction to build change-resistant financial basis as well as securing sufficient strategic funds | |
| | Company-wide numerical targets <ul style="list-style-type: none"> • Interest-bearing debt: 150 billion yen or less • D/E ratio: 0.3 or less • Strategic funds to be secured: 20 billion yen or more per year | |
| Profit improvement B/S clean-up ROA improvement | Actions to be taken in FY 2015 and later Establishment of appropriate asset control | Present (end of 2nd Quarter of FY 2015) 1. Achievement of overall inspection and organization of assets for productive usage (focus on subsidiaries) 2. Start of unifying global inventory procedure |
| | Building of management system for efficient asset usage | 1. Return on business assets (ROBA) is indicated as a target value and a management system based on estimated results and actual results is being built 2. Promotion of an asset clean-up project is in progress with Production Management HQ and Production Engineering Management HQ |
| Unification of accounting standards Setup of a reference standard | Introduction of IFRS | 1. Group company accounting policy is formulated and is being implemented 2. Improvement and centralization of financial information is being promoted in each business management department through cross-functional organization |

Appropriate stock reduction through logistics improvement

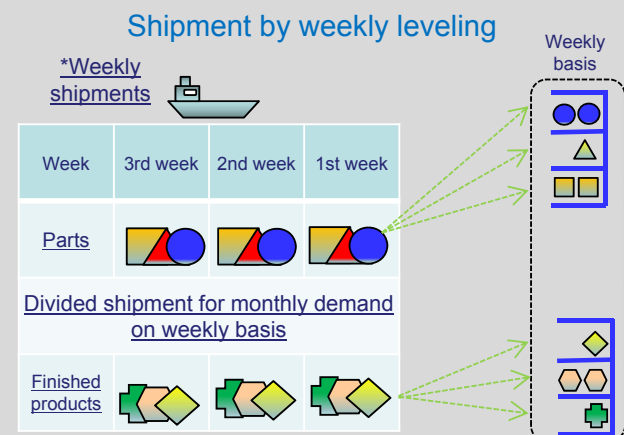
– Example case of improvement by B/S clean-up project –

- Action for small-lot supply as entire supply chain in addition to small-lot production
- Periodic shipment of mixture of production stock and sales stock to reduce local stock

• Conventional shipments



• Implement "weekly shipments"



* Current bearing production: 12/15 companies, Current sales: 5/17 companies
Under trial

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. Upgrade 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 hours standardization
- Filing method, individual skill management
- Management items for counting and analyzing, management ledger

Same system in all JTEKT group companies!!

Ideal (Goal)

(Level 5)

Level up standardization (Level 4)
Offensive improvement (denying the current)

Level up standardization (Level 3)
Defensive improvement (accepting the current)

Visualization of current work (Level 2)
(Standard man-hour/individual skill)

Visualization of current work (Level 1)
(Process/filing)

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

Actions in previous term and this term

★Significantly accelerate the previous year's mid-term plan!!!

- 1) Previous term
Specialized to engineering departments (34 departments)
Begun by 29% of all indirect departments subject to operation reform
- 2) This term
 (1) Begun by HQ departments and production engineering departments (15 departments)
 (2) Begun by each HQ (Sales & Marketing, Production Management, Purchasing) and others (20 departments)
 Begun by 58% of all indirect departments subject to operational reform
- 3) KPI has been setup to monitor results of operational reform



Mid-term plan

★ Firmly maintain the significantly accelerated mid-term plan!!!

JTEKT: Achieve Level 1, achieve Level 3 in some departments (by end of FY 2017)
 Group companies in Japan and overseas: Start of Level 1 activities, 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 in Japan | | | Level 1 | | |

JTEKT CORPORATION

3-2-7) Establishing Global Business Basis – Strategic IT Usage

1 Establishment of "Information Systems Function Council" (Nov. 2014)

- Newly established as a company-wide function council to implement strategic use of IT
- Board members deliberate the concepts and check promotion status (every 3 months)

2 Setup of "IT Mid-term Plan" (Mar. 2015)

- Coordinate IT measures so that they link to mid-term plans for each function
- Cross-company project team is examining concepts and requirements of measures

Purpose of IT Mid-term Plan

| Functional department | Business operation division | | |
|-----------------------|--|---------|---------------------------|
| | Automobile parts | Bearing | Machine tool Mechatronics |
| Sales | | | |
| Production | • Enhance production and supply & demand management functions | | |
| Purchase | • Globally connect the functions to accelerate decision-making | | |
| Quality | • Reinforce global security control | | |
| Production technology | | | |

Trend of new IT investment amount



- Strategic IT investment to raise functions
- Maintenance costs associated with system increase are suppressed

JTEKT CORPORATION

3-2-7) Establishing Global Business Basis – Main Measures

| Purpose | Main measures | | Implementation |
|---|--|--|---|
| Enhanced competitiveness | Enhanced production and supply & demand management functions | Production support system development and introduction | Auto: From Jul. 2016 BRG: From Jul. 2018 |
| | | Supply and demand management system development and introduction | From Apr. 2017 |
| Speeding up decision-making | Information collection to JTEKT Japan/regional HQs | Global sharing of quality issues | Jul. 2016 |
| | | Global parts process chart | Aug. 2017 |
| | | Inquiry and project correspondence system | Jul. 2018 |
| Enhanced data accuracy for individual companies | in overseas bases Business standardization and core system introduction | Business integration in China area | From Jan. 2017 |
| | | Business integration in ASEAN area | From Apr. 2017 |
| Security management reinforcement Productivity improvement | Building of IT infrastructure on global basis | Security measures on global basis | From Sep. 2016 |
| | | Productivity improvement of indirect departments (chat, information sharing, etc.) | Feb. 2018 |

3) Progress of Mid-term Management Plan

3. Numerical Value Perspective

3-3) Numerical Value Perspective

| | FY 2014 results | FY 2015 forecast | FY 2019 target |
|--|----------------------------|--|---------------------------|
| Operating profit rate | 5.5% | 5.8% | 8.0% |
| Capital expenditure | 68.4 billion yen | 75 billion yen | 75 billion yen |
| Depreciation | 57 billion yen | 60 billion yen | 65 billion yen |
| Ratio of research and development | 3.0% | 3.0% | 4.0% |
| ROA | 3.9% | 4.7% | 5.0% or more |
| Assumption of exchange rate (April to March) | 110 yen/USD 138 yen/EUR | 115 yen/USD 130 yen/EUR <small>* 3rd quarter and later</small> | 95 yen/USD 130 yen/EUR |

Thank you