

# Presentation for Fiscal Year Ending March 2017

May 17, 2017

**JTEKT Corporation**

JTEKT Corporation

## ***1. Results for Fiscal Year 2016***

## **2. Forecasts for Fiscal Year 2017**

(Question-and-answer session)

## **3. Progress of Mid-Term Management Plan**

(Question-and-answer session)

JTEKT Corporation

# 1-1) Consolidated Performance

Strong yen pulled down Sales 5.8%, Operating profit 5.5%.  
Operating profit rate kept the same level as previous year.

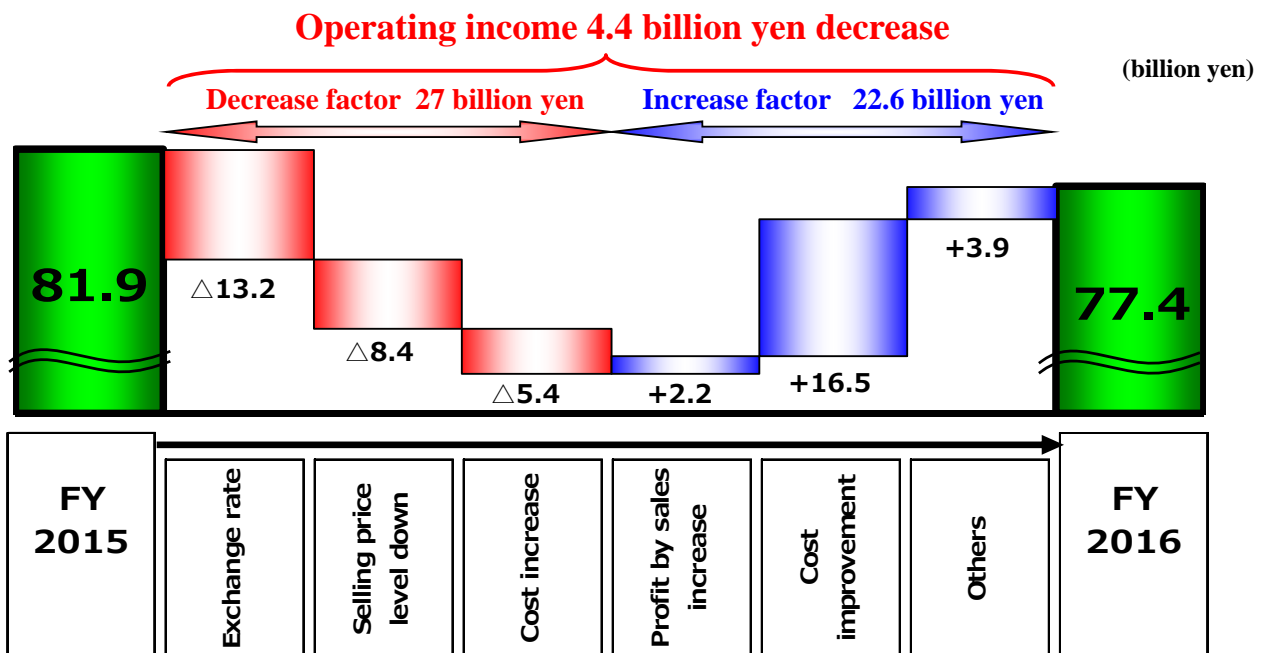
	FY2015	FY2016	Increase/ Decrease	(billion yen) Increase/ Decrease(%)
Net sales	1,399.9	1,318.3	△ 81.6	△ 5.8%
Operating profit	(5.9%) 81.9	(5.9%) 77.4	△ 4.4	△ 5.5%
Ordinary profit	(5.8%) 81.2	(5.9%) 78.0	△ 3.1	△ 3.9%
Profit attributable to owners of parent	(3.5%) 48.6	(3.6%) 47.5	△ 1.1	△ 2.4%
Exchange rate (Apr ~ Mar)	120 yen/USD 133 yen/EUR	108 yen/USD 119 yen/EUR	△ 12 yen △ 14 yen	

( ): profit margin on sales

		FY2015	FY2016	Increase/ Decrease
Dividend	Interim	21yen	21yen	—
	Annual	21yen	21yen	—

# 1-2) Operating Income Change Analysis

Although the effects of the “Selling price level down” and “Cost increase” are covered by “Cost improvement”, there were significant effects of “Exchange rate” leading to a decrease in profits



### 1-3) Financial Results by Business (Mechanical Components)

Despite the decrease in income and profits due to the effects of foreign exchange and a decrease in demand for bearings, cost improvement progressed and the profit rate has maintained a level similar to that of the previous year

(billion yen)

Equipment parts	FY2015	FY2016	Increase/ Decrease	Increase/ Decrease(%)
<b>Net sales</b>	1,235.1	<b>1,161.9</b>	△ 731	△ 5.9%
Steering systems	678.3	<b>638.2</b>	△ 400	△ 5.9%
Drivelines	148.2	<b>148.2</b>	+ 0	+ 0.0%
Bearings	408.5	<b>375.4</b>	△ 331	△ 8.1%
<b>Operating profit</b>	71.2	<b>67.6</b>	△ 35	△ 5.0%
Operating profit(%)	(5.8%)	(5.8%)	—	—

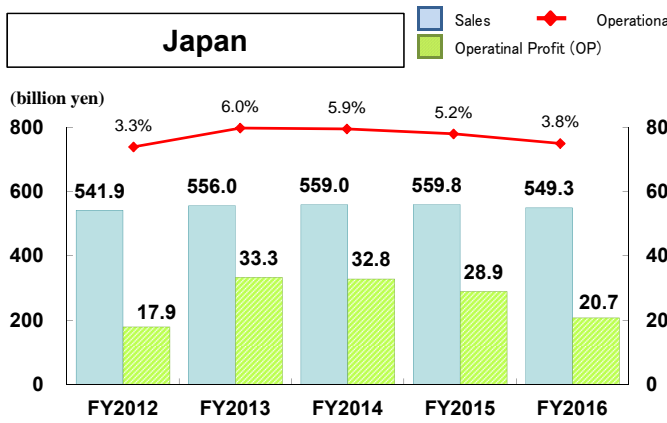
### 1-4) Financial Results by Business (Machine Tools & Others)

Decrease in income and profits due to the effects of foreign exchange and a decrease in domestic demand

(billion yen)

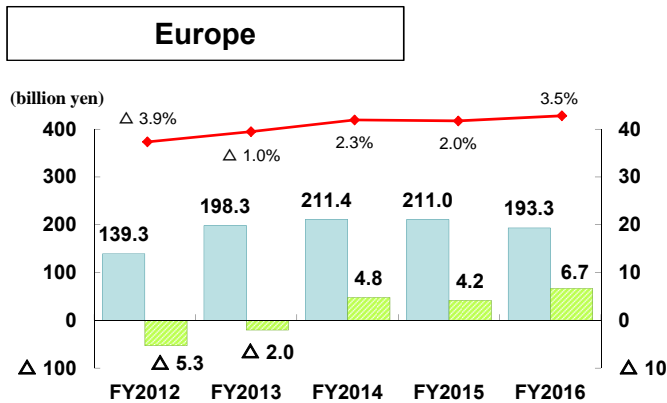
Machine Tools & Others	FY2015	FY2016	Increase/ Decrease	Increase/ Decrease(%)
<b>Net sales</b>	164.8	<b>156.3</b>	△ 8.4	△ 5.1%
Machine Tools	152.5	<b>142.5</b>	△ 10.0	△ 6.6%
Others	12.2	<b>13.8</b>	1.5	+ 12.6%
<b>Operating profit</b>	10.8	<b>9.7</b>	△ 1.0	△ 9.9%
Operating profit(%)	(6.6%)	(6.3%)	—	—

# 1-5) Financial Results by Company Location [1]



	FY2015	FY2016	Inc./Dec.	Exchange	Inc./Dec. w/o Ex.
Sales	559.8	549.3	△ 10.5	0.0	△ 10.5
OP	28.9	20.7	△ 8.1	△ 9.3	1.1
OP Rate	5.2%	3.8%		-	

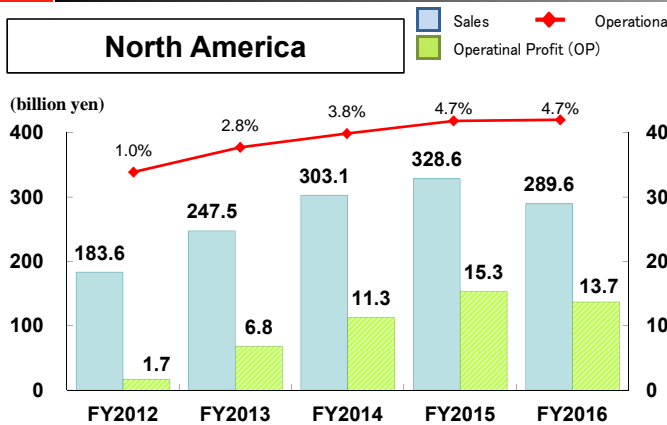
**Decrease in income/profits**  
Decrease in income and profits due to the effects of foreign exchange and a decrease in demand for bearings and machine tools.



	FY2015	FY2016	Inc./Dec.	Exchange	Inc./Dec. w/o Ex.
Sales	211.0	193.3	△ 17.6	△ 22.9	5.2
OP	4.2	6.7	2.5	0.4	2.0
OP Rate	2.0%	3.5%		-	

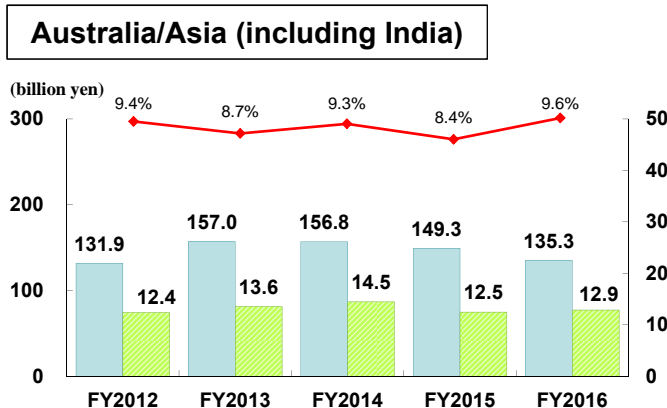
**Decrease in income/increase in profits**  
There was a decrease in income due to the effects of foreign exchange, but there was an increase in profits due to the effects of favorable steering and bearing structural reform.

# 1-6) Financial Results by Company Location [2]



	FY2015	FY2016	Inc./Dec.	Exchange	Inc./Dec. w/o Ex.
Sales	328.6	289.6	△ 38.9	△ 35.4	△ 3.4
OP	15.3	13.7	△ 1.5	△ 1.1	△ 0.3
OP Rate	4.7%	4.7%		-	

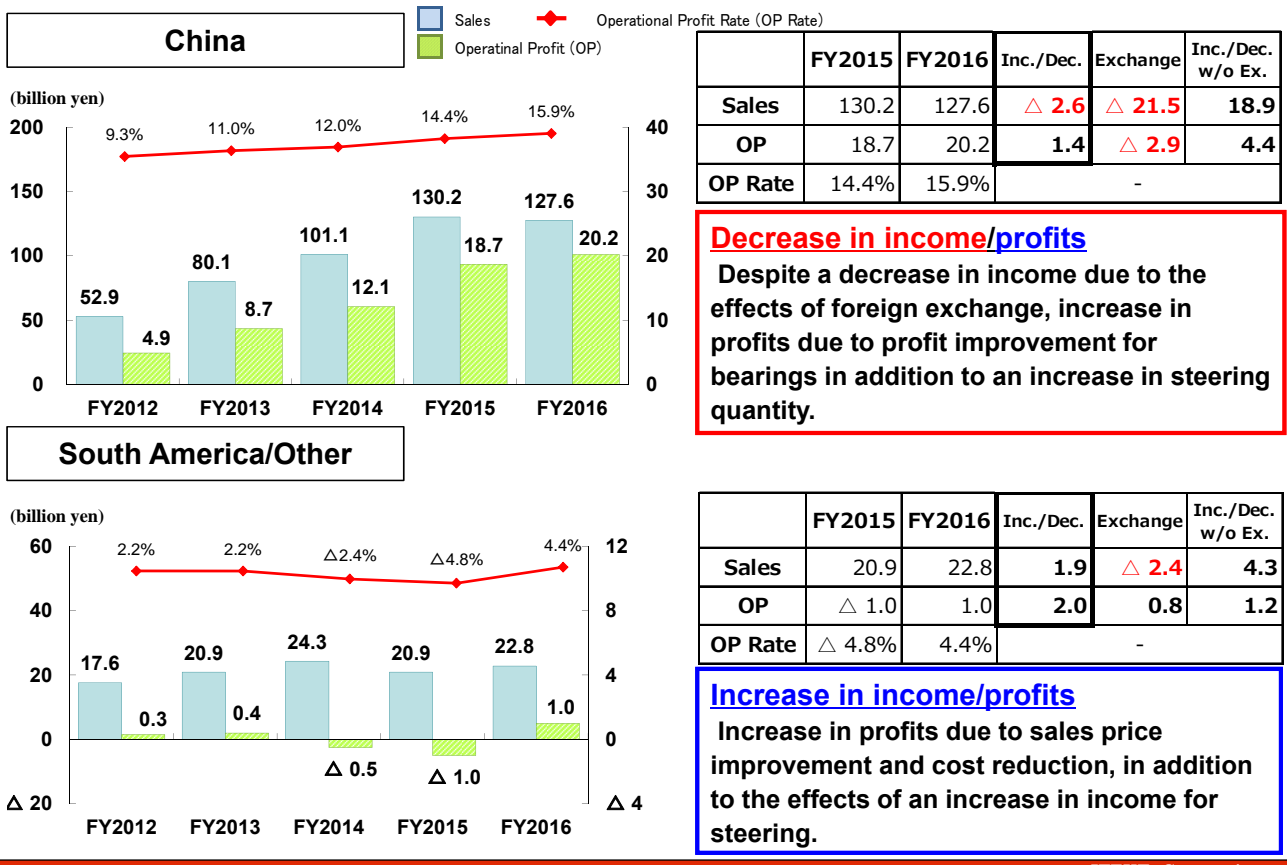
**Decrease in income/profits**  
Decrease in income and profits due to the effects of foreign exchange, maintaining of profit rate at a level similar to that of the previous year due to the effects of steering cost improvement.



	FY2015	FY2016	Inc./Dec.	Exchange	Inc./Dec. w/o Ex.
Sales	149.3	135.3	△ 13.9	△ 15.2	1.2
OP	12.5	12.9	0.4	△ 1.1	1.6
OP Rate	8.4%	9.6%		-	

**Decrease in income/increase in profits**  
Decrease in income due to the effects of foreign exchange, increase in profits due to profit improvement for bearings.

# 1-7) Financial Results by Company Location [3]



## 1. Results for Fiscal Year 2016

## 2. Forecasts for Fiscal Year 2017

(Question-and-answer session)

## 3. Progress of Mid-Term Management Plan

(Question-and-answer session)

### Developed countries

- North America remains steady
- Europe maintains a gradual recovery despite an unclear political situation.

### Developing countries

- Gradual recovery due to the repercussions of the steady growth of developed countries

### Japan

- Gradual recovery against a background of an increase in domestic and foreign demand
- Continued changes in the management environment, including exchange fluctuations due to geopolitical risks, etc.

## 2-2) March 2018 Period: Sales Forecast for the Business Year

A decrease in income and profits is expected due to the effects of foreign exchange and increase in expenses, etc.

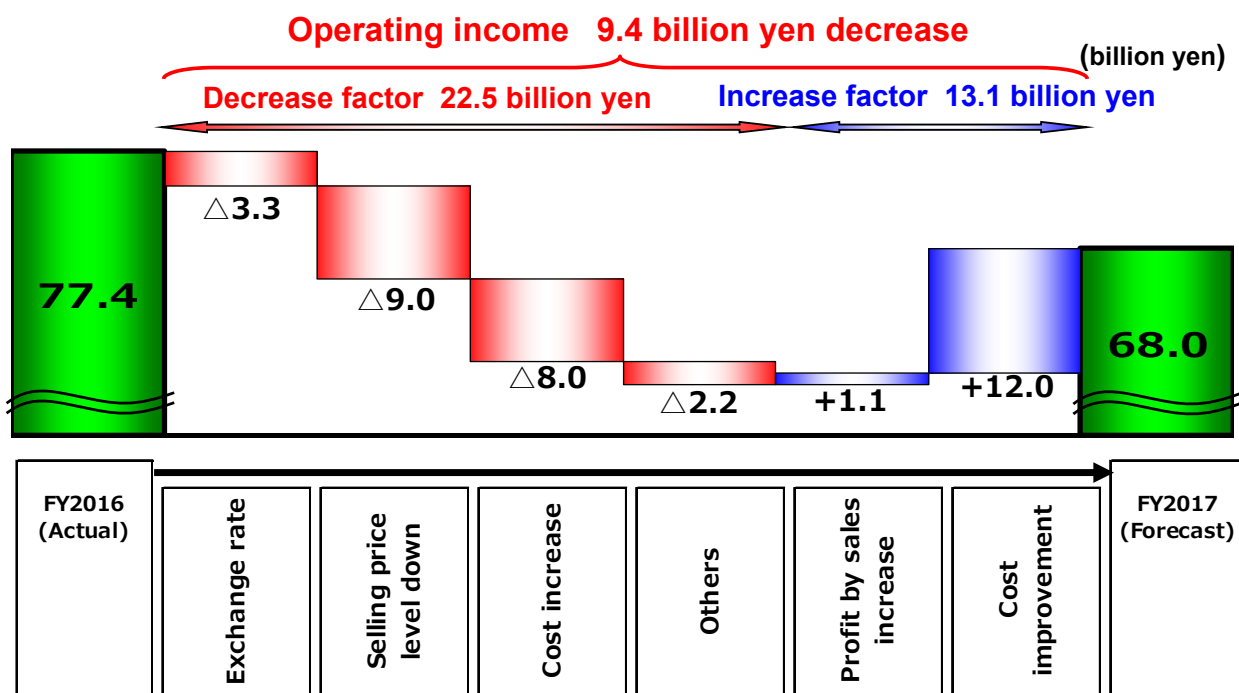
(billion yen)

	FY2016 (Actual)	FY2017 (Forecast)			Increase/ Decrease	Increase/ Decrease (%)
		1st Half	2nd Half	Full Year		
Net sales	1,318.3	640.0	660.0	1,300.0	△ 18.3	△ 1.4%
Operating profit	(5.9%) 77.4	(5.0%) 32.0	(5.5%) 36.0	(5.2%) 68.0	△ 9.4	△ 12.2%
Ordinary profit	(5.9%) 78.0	(4.9%) 31.5	(5.5%) 36.5	(5.2%) 68.0	△ 10.0	△ 12.9%
Profit attributable to owners of parent	(3.6%) 47.5	(3.1%) 20.0	(3.3%) 22.0	(3.2%) 42.0	△ 5.5	△ 11.6%
Exchange rate (Apr~Mar)	108yen/USD 119yen/EUR	105yen/USD 115yen/EUR	105yen/USD 115yen/EUR	105yen/USD 115yen/EUR	△ 3 yen △ 4 yen	
Capital expenditure	66.4	37.5	42.5	80.0	+ 13.5	+ 20.4%
Depreciation	56.0	27.6	29.4	57.0	+ 0.9	+ 1.6%
Dividend	42yen	21yen	21yen	42yen	—	

( ): Profit margin on sales

## 2-3) Analysis of Operating Income Increase/Decrease in Comparison with the Previous Period

A decrease in profits is expected due to the preparation for the launch of the North America downstream EPS and an increase in expenses, such as research expenses (ADAS and IoE support), etc., in addition to the effects of foreign exchange.



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### 1. Results for Fiscal Year 2016

### 2. Forecasts for Fiscal Year 2017

*(Question-and-answer session)*

### 3. Progress of Mid-Term Management Plan

*(Question-and-answer session)*

## 1. Results for Fiscal Year 2016

## 2. Forecasts for Fiscal Year 2017

(Question-and-answer session)

## 3. Progress of Mid-Term Management Plan

(Question-and-answer session)

## 3) Progress of Mid-Term Management Plan

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- 1) Steering Systems Business Operations
- 2) Drivelines Business Operations
- 3) Bearing Business Operations
- 4) Machine Tools & Mechatronics Business Operations

## 2. Summary

- 1) Review
- 2) Enhancement of Fundamentals



# 1) Steering Systems Business Operations Strategy

## 3-1-1) Steering Systems Business Mid-term Management Plan

With a “No. 1 & Only One” spirit, continue to evolve as the leading supplier in the market by continuing to provide value to our customers

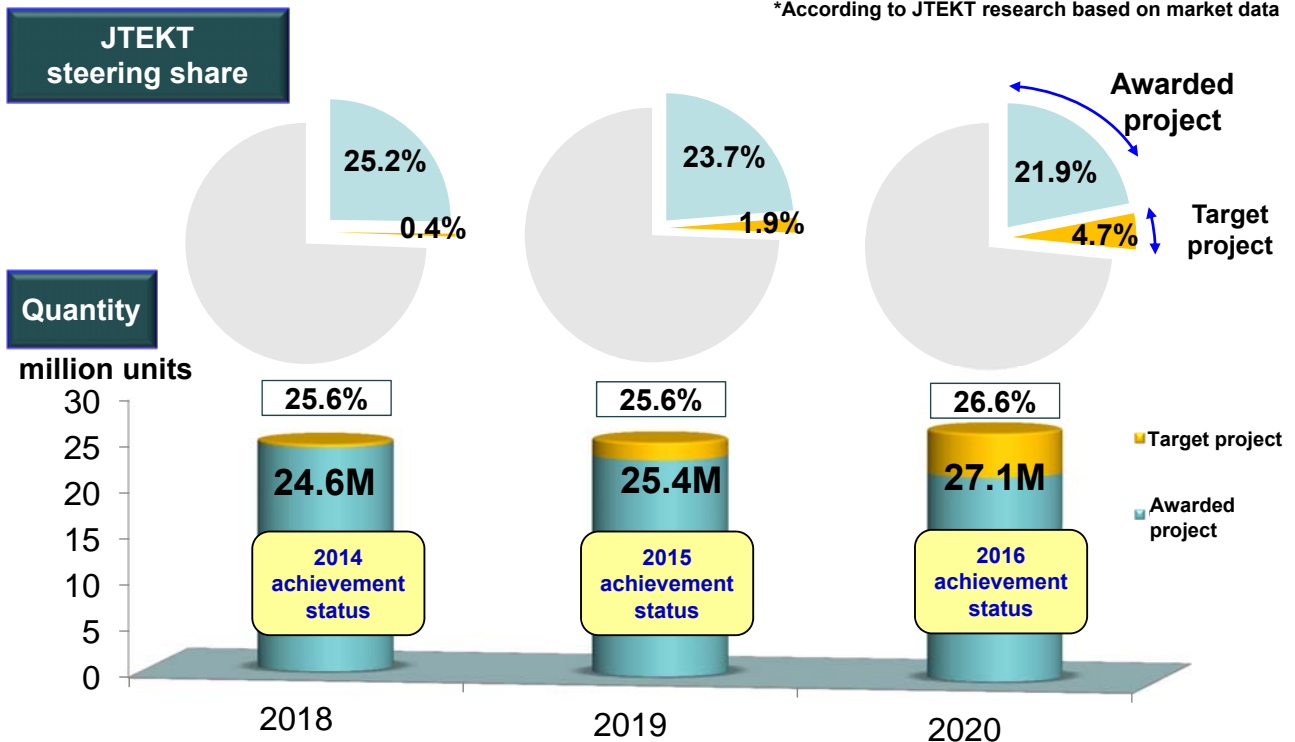
<b>Mid-term target</b> Steering systems	<b>Maintain the top global share for automotive steering systems</b>	<b>Share</b>   <b>25%</b>
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### Priority activities

<b>Strengthen product potential</b>	<ul style="list-style-type: none"> <li>• Promote the development of ADAS (Advanced Driver Assistance Systems)</li> <li>• Functional safety, small/lightweight/fuel-saving</li> <li>• Introduce competitive products into the market (high-power RP/DP-EPS)</li> </ul>
<b>Business model revolution</b>	<ul style="list-style-type: none"> <li>• Strengthen capabilities for global project management/front loading activities</li> <li>• Strengthen sales price strategy/cost planning activities</li> </ul>
<b>Organize global supply system</b>	<ul style="list-style-type: none"> <li>• Organize a global supply system</li> <li>• Strengthen global production preparation management (establish a dedicated department)</li> <li>• Clarify MCU/column business deployment</li> </ul>

# 3-1-1) JTEKT Share Achievement Status

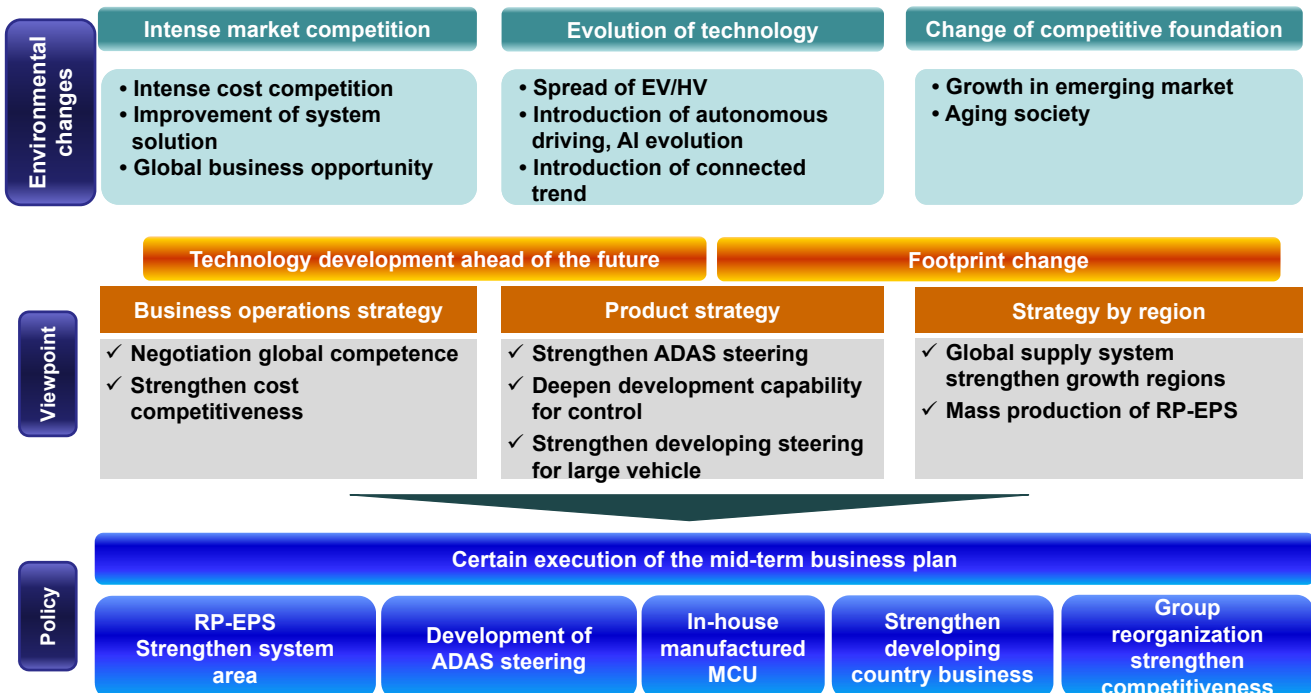
\*According to JTEKT research based on market data



Major target project sourcing is planned in 2017.  
We must get award to achieve the target share.

# 3-1-1) Steering Business Growth Strategy

Continue to maintain the top share for steering, and to be the No. 1 & Only One as the top runner for advanced steering technology such as ADAS



Sales/profit forecast for FY 2018

95 yen/\$, 110 yen/€, 16yen/yuan

Although sales and profit will both increase for 2018, they will not reach to the initial target.

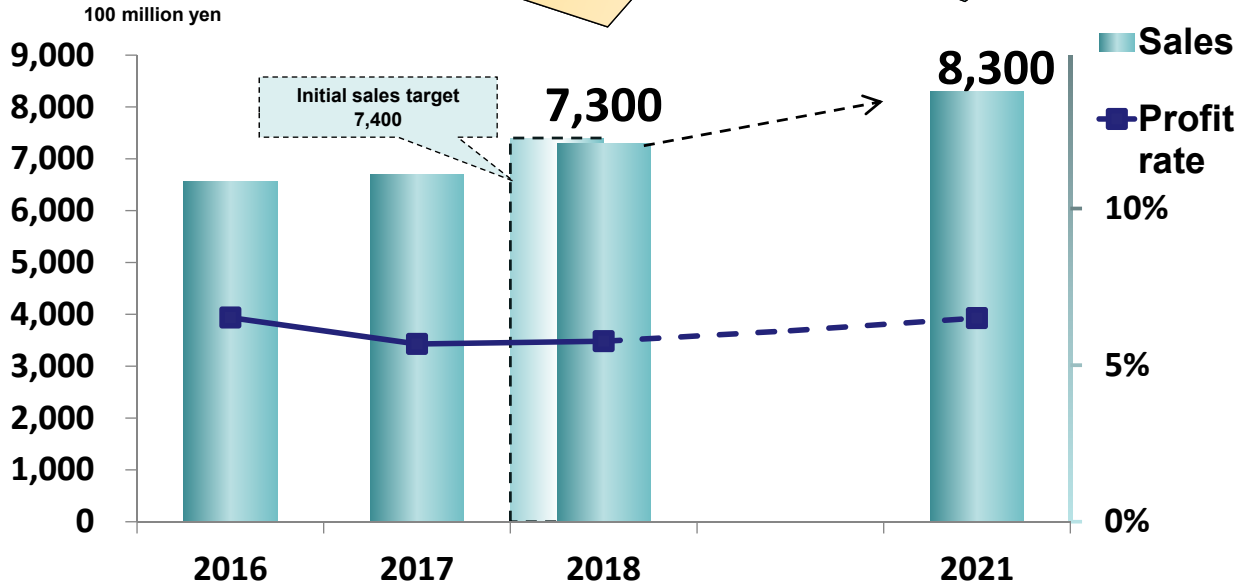
Sales Sound growth despite stagnation of global market growth.

Profits Difficult to achieve due to decrease in sales and intensification of market competition.  
(Impact of increase in fixed cost, etc.)

2021

Sales Expects steady increase

Profits Promotion of further cost reduction activities in order to achieve profit rate



## 2) Drivelines Business Operations Strategy

# 3-1-2) Drivelines Business Mid-term Management Plan

With a “No. 1 & Only One” spirit, continue to evolve as the leading supplier in the market by continuing to provide value to our customers

Mid-term target Drivelines

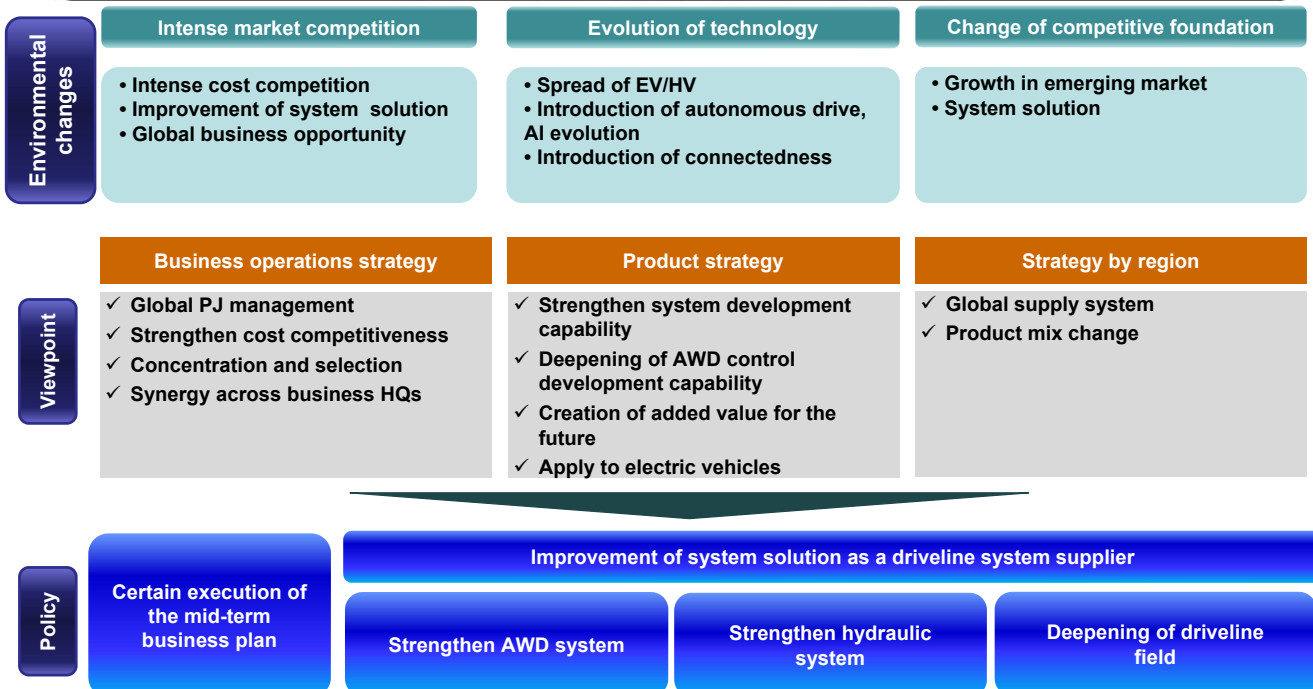
Advance to be a leading global company as a supplier of driveline systems

## Priority activities

Business model revolution	<ul style="list-style-type: none"> <li>• Strengthen global business capabilities, sales promotion, frontloading activities</li> <li>• Strengthen sales price strategy/cost planning activities</li> <li>• Strengthen driveshaft business foundation (Improvement of profitability/continued strengthening of constant velocity joint for propeller shaft)</li> <li>• Strengthen driveline system solution</li> <li>• Continued promotion of cooperation with other companies</li> </ul>
Strengthening product potential Business operations strategies	<ul style="list-style-type: none"> <li>• Size reduction/Cost reduction/High performance</li> <li>• Unitization/modularization (accelerate development of devices for hydraulic AWD)</li> <li>• Product development in new fields (expansion of the hydraulic business • FCV • IWM for AWD)</li> </ul>
Global supply system	<ul style="list-style-type: none"> <li>• Re-establishment global production by thoroughly utilizing existing JTEKT bases</li> </ul>

# 3-1-2) Driveline Business Growth Strategy

As a distinctive system supplier that takes advantage of strengths such as AWD and hydraulics, aim to become the No. 1 & Only One for the driveline business.



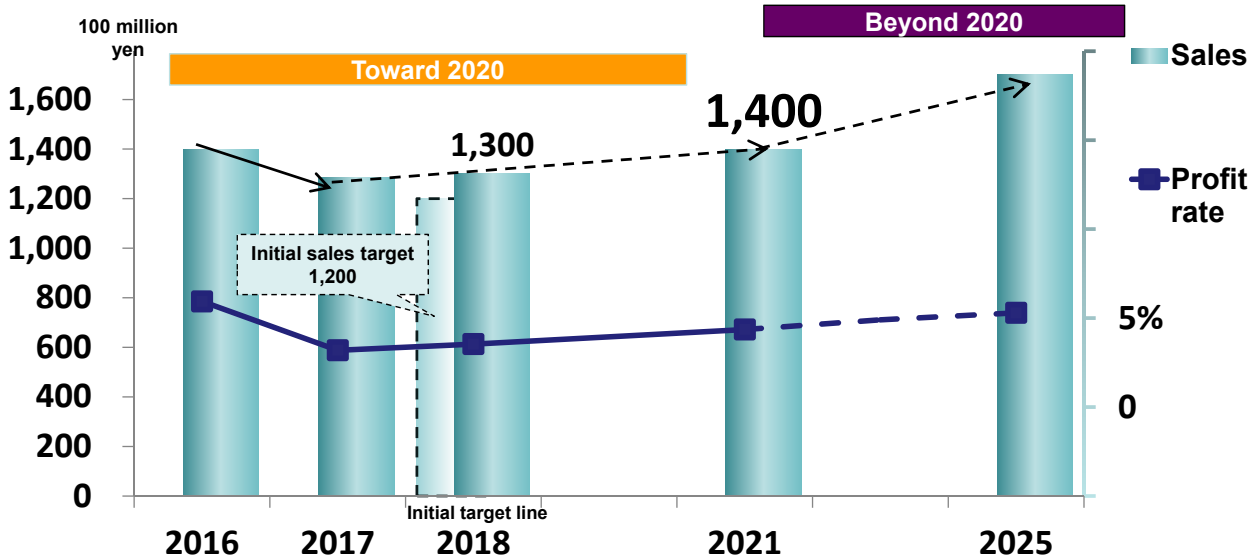
### 3-1-2) Forecast for Driveline Business Mid-term Business Plan

Sales/profit forecast for FY 2018

95 yen/\$, 110 yen/€, 16 yen/yuan

Severe environment continues from 2016 until 2020.  
**Sales** Decrease drivetrain, delay to next-generation product of electric control AWD in N.A.  
**Profit** Reduced profits due to a decrease in sales.

Aim to advance to become a leading company growing continuously in and after 2020.



### 3-1) Progress Status of Mid-term Management Plan

## 3) Bearing Business Operations Strategies

- \* TRB (Tapered Roller Bearing)
- HUB (Hub Unit)...B-HUB (Ball Hub Unit)/T-HUB (Tapered Hub Unit)
- NRB (Needle Roller Bearing)
- SBB (Single Ball Bearing)
- LFT (Low Friction Torque)
- EXSEV (EXtreme Special EnViroment)

### 3-1-3) Bearing Business Operations Mid-term Management Plan

#### Long-term vision for bearing business operations

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

Vision	Overall business	<ul style="list-style-type: none"> <li>• Become a highly profitable business unit by transitioning from quantity to quality</li> <li>• Build a lean and competitive structure (Strengthen the business structure to solidify footing for growth)</li> </ul>
	Automotive BRG	<ul style="list-style-type: none"> <li>• Enhance Front Loading activities</li> <li>• Bring high value-added products to the market in a timely manner by forecasting changes</li> <li>• Maintain position as one of the Top 2 suppliers in the world</li> </ul>
	Industrial/aftermarket BRG	<ul style="list-style-type: none"> <li>• Implement solution proposal-type business that exceed expected values</li> <li>• Create No. 1 &amp; Only One products and provide new technologies/services</li> <li>• Provide value/services in a lifecycle from OE to repair market</li> </ul>

### 3-1-3) Bearing Business Operations Growth Strategy

#### Transition to a highly profitable business by means of strategies by industry/product type and regional strategies

Environmental changes	Intense market competition	Evolution of technology	Change of competitive foundation
	<ul style="list-style-type: none"> <li>• Intense cost competition</li> <li>• Global support</li> </ul>	<ul style="list-style-type: none"> <li>• High-precision machining technology</li> <li>• IoT, Industrie 4</li> </ul>	<ul style="list-style-type: none"> <li>• Globalization</li> <li>• Reduction in working population</li> </ul>
Viewpoint	Business operations strategy	Product strategy	Strategy by region
	<ul style="list-style-type: none"> <li>✓ Strengthen cost competitiveness</li> <li>✓ Strengthen development/production/sales</li> <li>✓ Monozukuri reform</li> <li>✓ Business model transition</li> </ul>	<ul style="list-style-type: none"> <li>✓ Deepen low torque technology</li> <li>✓ Deepen compact/weight reduction technology</li> <li>✓ Materials development – Product development</li> <li>✓ Support for electrification/new areas</li> </ul>	<ul style="list-style-type: none"> <li>✓ Strengthen foundation development system</li> <li>✓ Reconstruct global production system</li> <li>✓ Strengthen global sales network</li> <li>✓ Strengthen global development system</li> </ul>

#### Certain execution of the mid-term business plan

Policy	Structural reform <Reorganization by region>	Strengthen production capability <Automation, introduction of small lots>	Strengthen sales capability <OE, aftermarket>	Strengthen development capability <Products, services>
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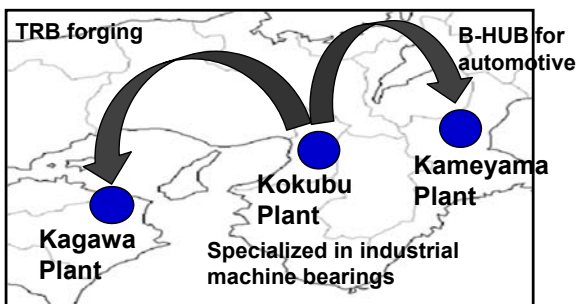
Content of actions for structural reform	
1) Business reorganization in Japan(establish profit foundation)	
2) Completion of Europe NRB revival plan	
3) Asia <Indonesia/India>: Management stabilization through structural reform	
4) North America/UK/China: Execution of fundamental reform toward profitable business operations	

◆ Results and issues

	Item	Status	Evaluation
1)	Business in Japan	Profitability is an issue Promotion of actions to improve profitability	×
2)	Europe NRB	Despite delays in progress, practicable action plan to become profitable (black ink) in FY2018 complete	△
3)	Asia	Promotion of cost reduction activities ⇒ Black ink in FY 2017	○
4)	North America	Strengthening of HUB capacity complete, actions to improve profitability of TRB underway	△
	Britain	Reform as a HUB-specific plant complete ⇒ Achievement of FY 2016 profitability	○
	China SBB	Realignment by size complete ⇒ Black ink structure established	○

Detailed explanation on the next page

◆ Business reorganization in Japan issues and actions



- Although the reorganization of production system is complete, unplanned expenses arose – Promotion of recovery countermeasures underway
- Accelerate actions for improvement in competitiveness

Plant	Issues and factors		Countermeasures
Kameyama	✓ Increase in unplanned expenses	<ul style="list-style-type: none"> <li>➢ Additional introduction of IoE</li> <li>➢ Introduction of high-specification production line</li> <li>➢ Maintenance expenses/logistics expenses, etc.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Utilize high-specification production line, IoE</li> <li>➢ Become a global model plant</li> </ul>
Kokubu	✓ Delay in actions for fundamental reform	<ul style="list-style-type: none"> <li>➢ Prioritize countermeasures for industrial machine market stagnation</li> </ul>	<ul style="list-style-type: none"> <li>➢ Strengthen Oobeya activities</li> <li>➢ Strengthen aftermarket business</li> </ul>
Kagawa	✓ Increase in unplanned expenses	<ul style="list-style-type: none"> <li>➢ Decline in productivity of existing equipment</li> <li>➢ Delay in the launch of new equipment</li> </ul>	<ul style="list-style-type: none"> <li>➢ Strengthen preventive maintenance capability</li> </ul>

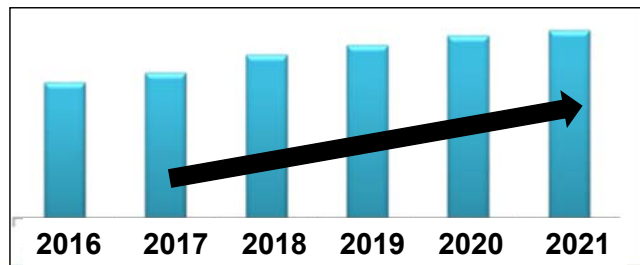


### 3-1-3) Strengthen Sales Capability

- ◆ OE: Continuous promotion of Front Loading activities close to important industrial customers
- ◆ Strengthen aftermarket business

<b>Strengthen sales network</b>	[Japan] Develop secondary dealers [North America] Expansion of transactions with major machine trading companies [Europe] Develop new distributors
<b>Enhance lineup and logistics structure to meet customer needs</b>	<ul style="list-style-type: none"> <li>• Expansion of automotive aftermarket products</li> <li>• Further expansion of central stock system to utilize globally</li> <li>• Strengthen warehouse/logistics network</li> </ul>
<b>Train aftermarket sales personnel</b>	<ul style="list-style-type: none"> <li>• Build education/training programs different from those for OE sales</li> <li>• Train multi-skilled sales persons ⇒ Improve customer response capability</li> </ul>

FY 2021  
Global aftermarket sales  
40% increase  
(Compared to FY 2016)



### 3-1-3) Growth Scenario: Realization of Strategy by Bearing Type

◆ **TRB**

- Manufacturing reform /optimum specifications for each region
- Pursue low torque and compact size

Ultra-low torque TRB  
LFT-IV

Pinion unit

◆ **HUB**

- Improve B-HUB competitiveness/ strengthen T-HUB
- Make Kameyama Plant a model plant – Overseas expansion
- Contribute to SBW and ADAS

Sensing HUB

Kameyama Plant, Plant No.2

◆ **NRB**

- Utilize the strengths of the global 3-base development system
- Establish domestic production/ development system

Utsunomiya Kiki acquired a site for new plant ('16/12)

By courtesy of Tochigi Prefecture's Committee for Promotion of Establishment of Enterprises  
Kiyohara Industrial Park

By courtesy of Yokomatsu Architects  
New plant rendering

◆ **SBB**

- Reconstruct global production system
- Introduce high-performance products

SBB that endures high-speed rotation

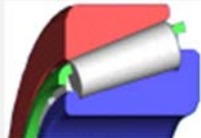
Anti-creep bearing



◆ Agricultural/ construction machinery

- Extend bearing life under severer operating conditions

Apply new long-life materials to mid/large sizes



Long-life TRB

Collaborate with Kokubu reorganization



Large-size bearing technology development center

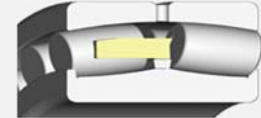
Kokubu Plant



Strengthen development  
• production • service system

◆ Wind power • steel

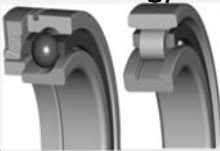
- High performance (Long life, low torque)
- Develop monitoring technology



High-performance spherical roller bearing for wind power generator main shaft

◆ Machine tools

- Machine tools that ensure low temperature rise (Next-generation High Ability)
- Low environmental load, unitization technology (Smart lube bearing)



Development of next-generation High Ability series



◆ EXSEV (Special environment)

Enhance bearings for special operating environment (Semiconductors, medical equipment, etc.)



New Clean Pro bearing



X-ray tube bearing

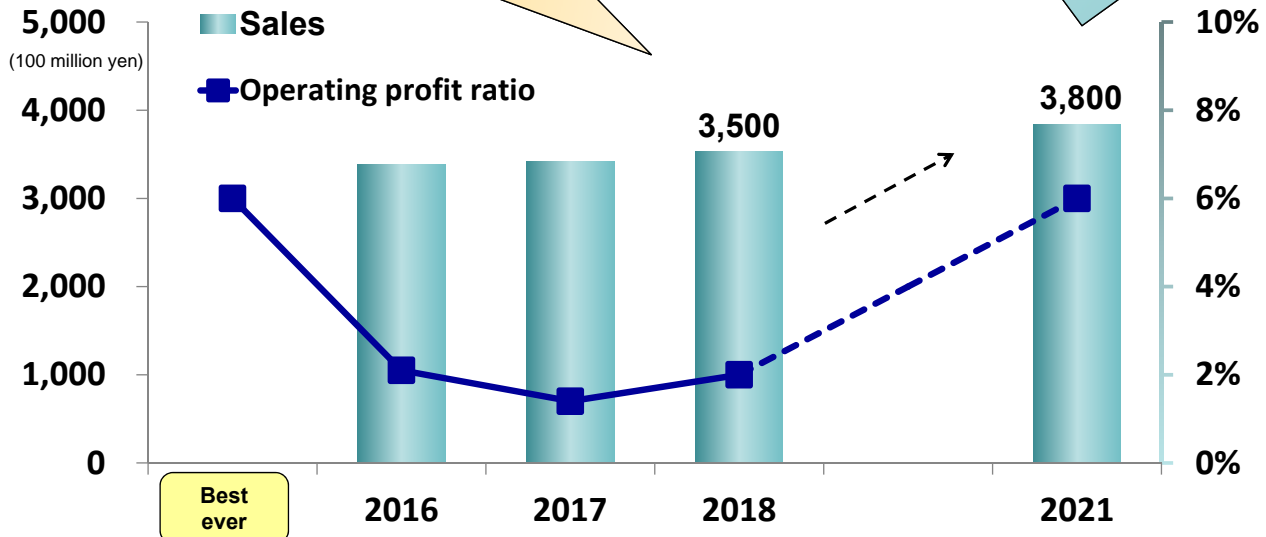
Sales/profit forecast for FY 2018

95 yen/\$, 110 yen/€, 16 yen/yuan

Revise the initial target value due to environmental changes, etc.

<Priority Tasks and Corresponding Actions>  
Execute priority measures and recover profitability.

<Realization of strategies by industry/product type>  
Accumulate profits by realizing strategies by industry/product type.



# Key of your operation Koyo

## 3-1) Progress Status of Mid-term Management Plan

# 4) Machine Tools & Mechatronics Business Operations Strategies

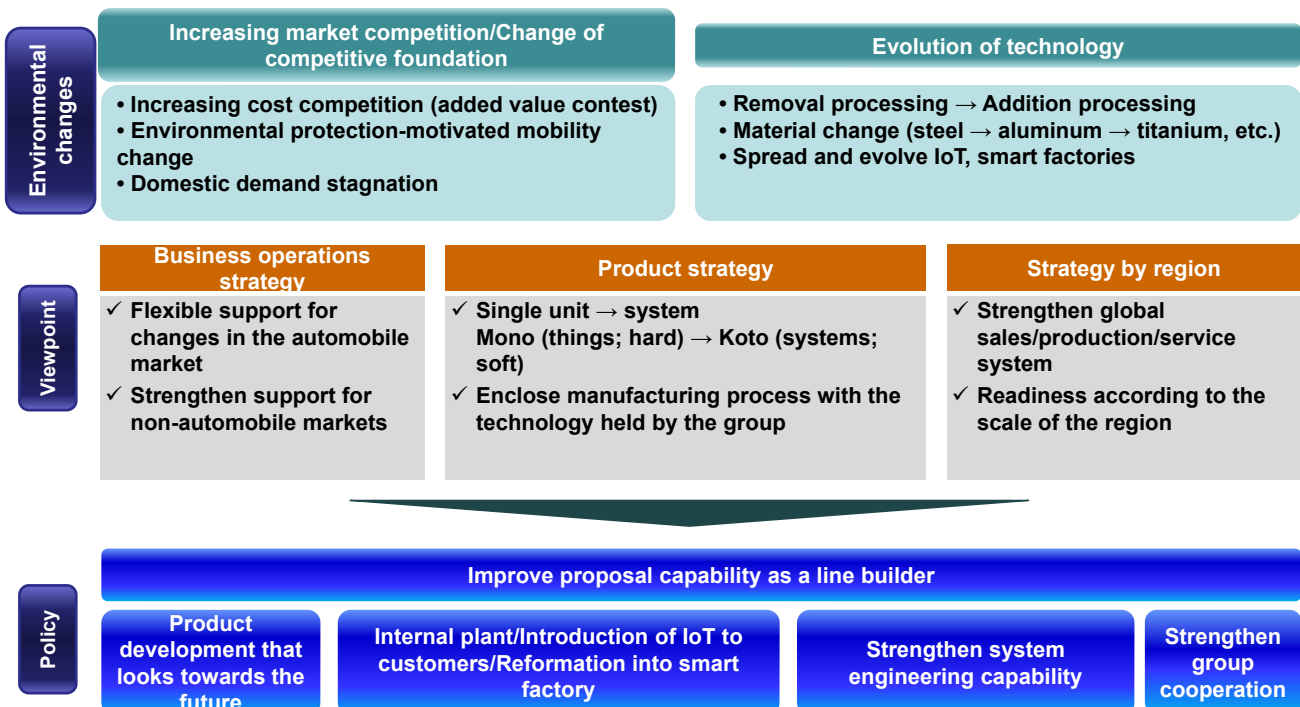
## True total production line builder trusted by customers

- Provide value in all phases of Monozukuri

### Target image

<b>Strengthen product potential</b>	<ul style="list-style-type: none"> <li>• Grinder: More solid and No. 1 globally in special grinders</li> <li>• Machining center: Focus on mid/large-size, high-rigid machines</li> <li>• Gear skiving center: Only One in the gear processing area</li> </ul>
<b>Business model revolution</b>	<ul style="list-style-type: none"> <li>• From "Focus on new machine business" to "3-factor connectable business"</li> <li>[Value chain] [Process/Technology] [Product potential]</li> <li>• Not only "Monozukuri" but also "Kotozukuri"</li> <li>• Industrie 4.0, support for reformation into a smart factory</li> </ul>
<b>Supply system</b>	<ul style="list-style-type: none"> <li>• Start overseas production and sales/continue establishment of service system</li> </ul>

## Establish position as a Total production line builder by utilizing IoE that can provide value in all phases of Monozukuri



#### Grinder

Sophistication of customer work, support for productivity improvement needs

Crankshaft grinder model change

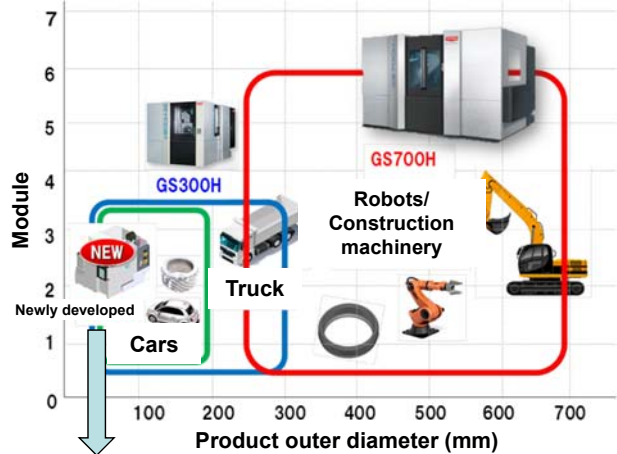


[GF50MH-70T]

Support for the robot market, which is expected to expand

For robot reducer  
Development of grinder for small-size eccentric shaft

#### Gear skiving center



**GS200H5**  
Small-sized mass-produced parts  
Automobile parts

2017 May Start of sales

### 3-1-4) JTEKT IoT and Smart Factory (1)

IoE, because it connects not only mono (things) but also people



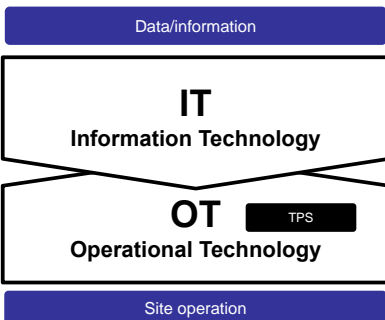
Visualize and improve

Equipment with enhanced on-site capabilities and improvement capabilities evolve together with people

Smart factories, where there is a harmony between people and equipment cooperate, human wisdom works, and people play the leading role







IoT that resolves site problems



IoT  
Integration of the site with IT

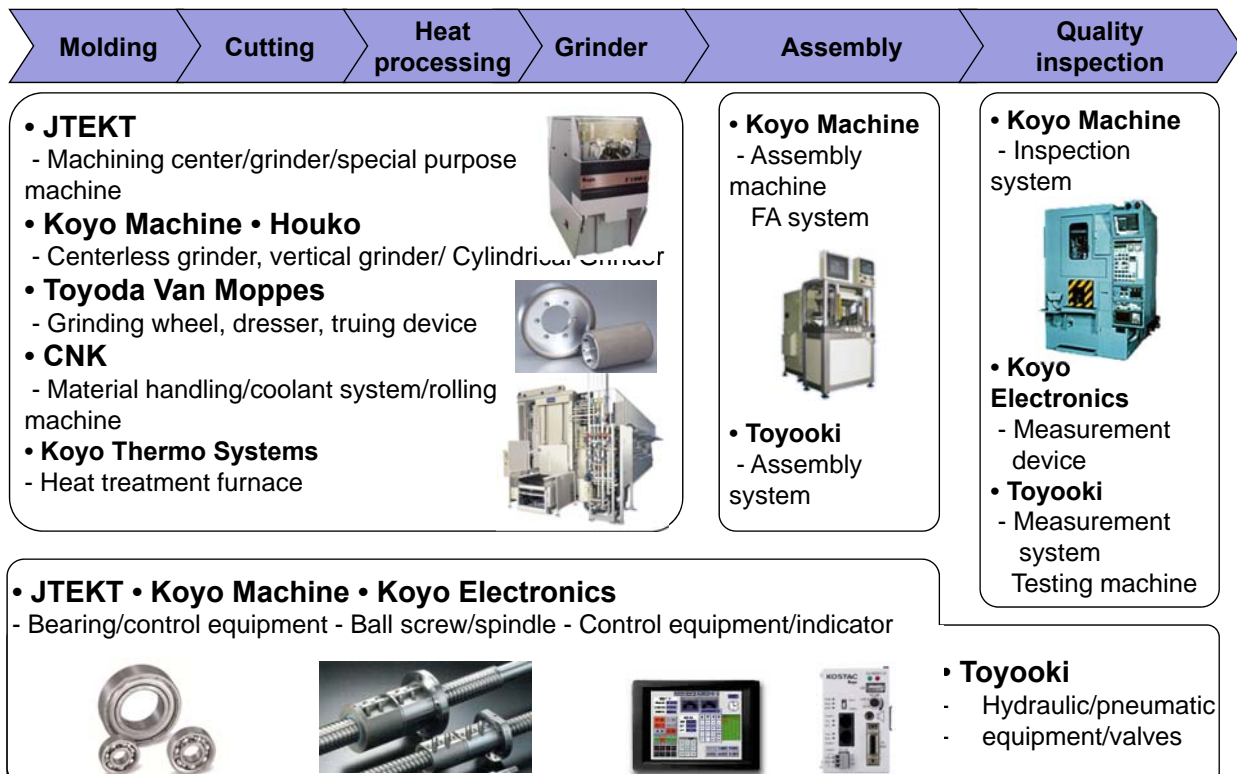
- Three IoEs
- Quality IoE:** Product quality signs can be managed.
  - Maintenance IoE:** Life and signs of faults can be managed.
  - Production IoE:** Productivity, including personnel, can be improved.

## IoT introduction steps

<b>STEP 1</b> <b>Connected solutions</b> - Connecting equipment/mono (things) -	<b>STEP 2</b> <b>Visualized solution</b> - Connecting people and information -	<b>STEP 3</b> <b>Value solution</b> - Data collection/analysis, increase value through improvements -	<b>STEP 3</b> <b>Chain solution</b> - Expand the scope and further connect -
EtherCAT, PROFINET, etc. Compatible with various networks  <b>TOYOPUC-Plus</b> <b>JTEKT-LINK</b>	Large-screen displays, tablets, etc. Compatible with various monitors  <b>TOYOPUC-Hawkeye</b> <b>TOYOPUC-Touch</b>	Compatible with MTconnect, FOCUS II  <b>TOYOPUC-AAA</b> <b>JTEKT-LINK</b>	Compatible with Mindsphere 
<ul style="list-style-type: none"> <li>• <b>Connects to existing equipment.</b></li> <li>• Simple <b>I/O connection is also possible.</b></li> </ul> <p>regardless of whether equipment is new/old or the manufacturer of the control equipment we conduct "visualization" that has the "connect" TPS ideology.</p>	<ul style="list-style-type: none"> <li>• "Visualization" whereby improvements that have the <b>TPS ideology</b> can be made.</li> </ul>	<ul style="list-style-type: none"> <li>• Open <b>platform</b> construction <b>edge-type analysis module that allows customers to collect/accumulate/display/analyze/judge data by themselves.</b></li> </ul> <p>From the spring of 2017, standard feature for all machine tool models.</p>	<ul style="list-style-type: none"> <li>• Pursue the <b>possibility of connections between customer plants, between overseas plants, and suppliers.</b></li> </ul> <p>Sequential support for cloud services designated by the customer</p>

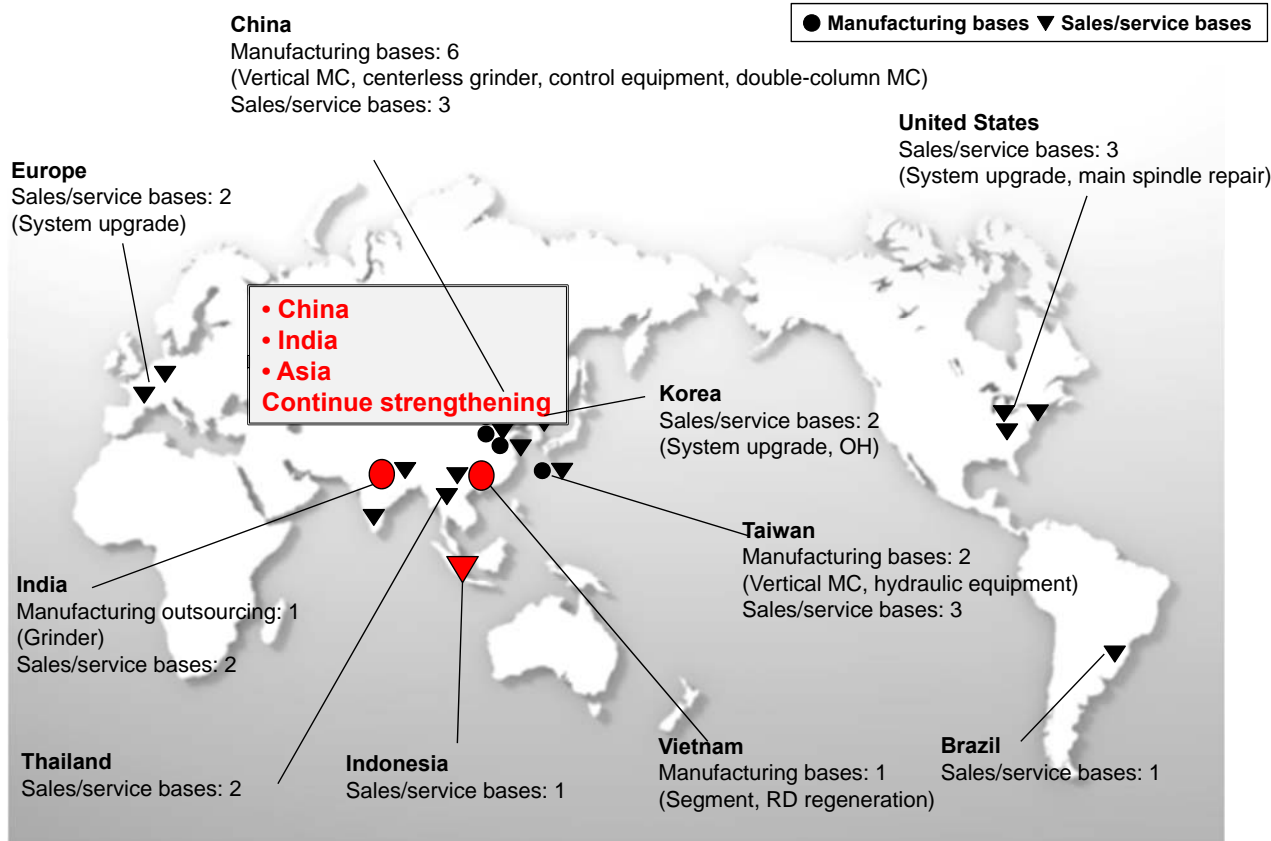
# 3-1-4) Strengthen Group Collaboration (1) System engineering capability

## Support customer plants with unique technology held by the group.





### 3-1-4) Strengthen Group Collaboration (2) Global supply system



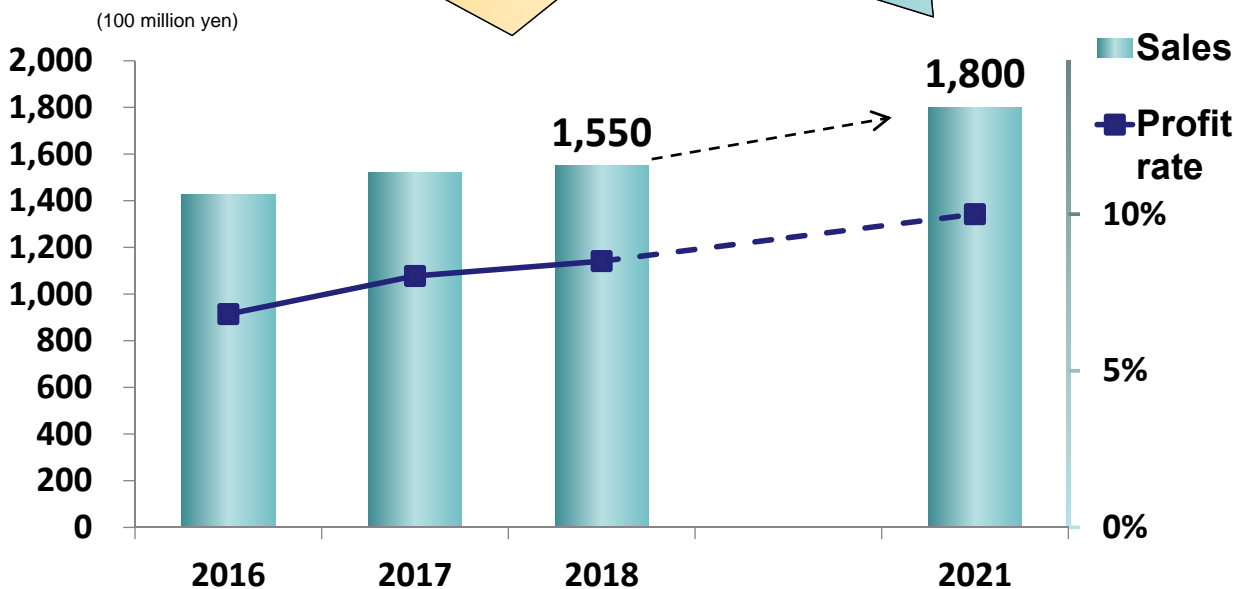
### 3-1-4) Machine Tools & Mechatronics Business Operations Mid-term Business Plan

Sales/profit forecast for FY 2018

95 yen/\$, 110 yen/€, 16 yen/yuan

Regarding the 2018 target value, revise the mid-term plan target due to environmental changes, etc.

Promotion of business structure revolution



## 2) Summary

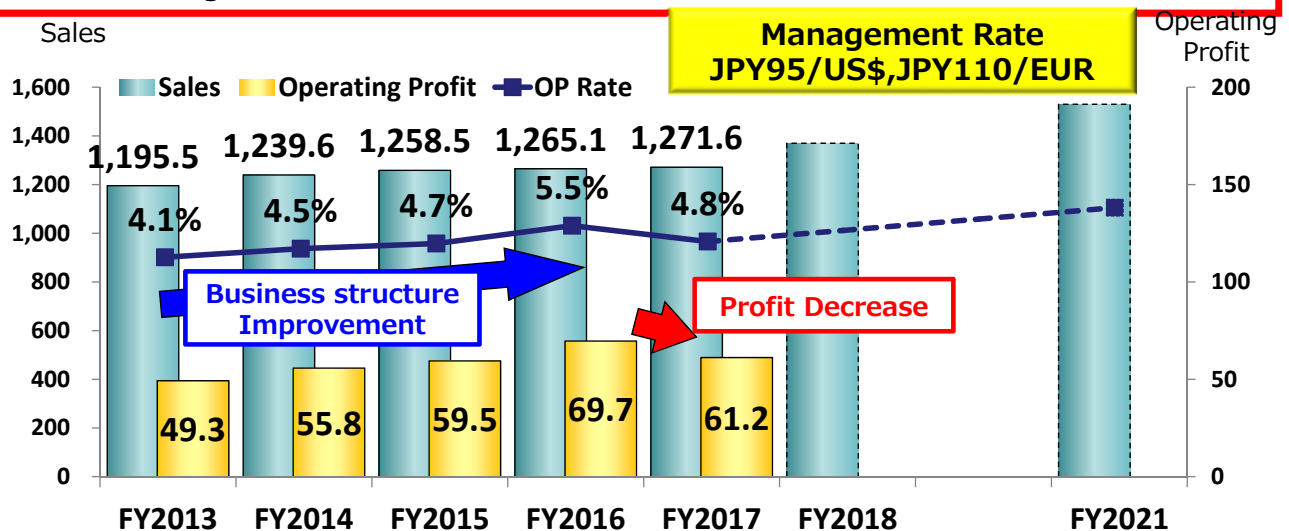
### (1) Review

Profit & Loss Trend

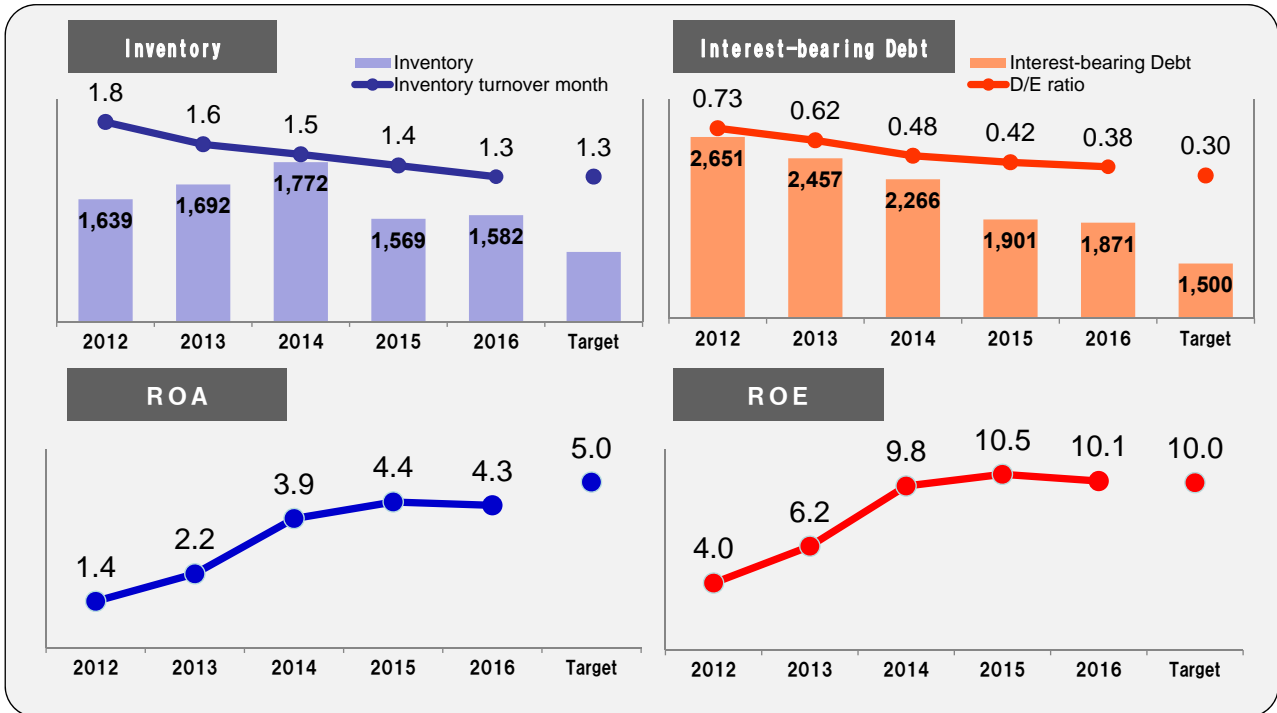
Management Index (Consolidated)

### 3-2-1) Profit & Loss Trend

Business structure is improving well in fixed exchange rate, but FY2017 profit will decrease because of  
(1)JTEKT Profitability falling, (2) Launch Rack assist EPS in North America,(3) Upfront investment cost for the future such as ADAS · IoE  
→We will again rebuild by further stabilizing the downstream EPS business and recovering the effect of future investment



Worsening of ROA/ROE due to Antimonopoly Act-related losses, etc.



### 3-2) Progress Status of Mid-term Management Plan

## (2) Strengthening Fundamentals

Actions for Streamlining Balance Sheet

### Work Style Reform

- Upgrading work style of skilled worker
- Operational Reform of Administrative Departments

Actions for IT Sophistication



## 3-2-2) Actions for Balance Sheet Clean-up

Over 20 billion yen of asset in balance sheet had reviewed and streamlined in a 3-year period (FY 2014-2016).

→ Still brushing-up the company systems and rules to prevent any recurrences to sustain optimized level of assets

### [Main action]

- Maintain optimized amount of business assets by promoting balance-sheet based indexes (Cash Conversion Cycle, balance sheets by business, etc.)
- Identification of unnecessary inventory / fixed assets
- Eliminate aged account receivables
- Effective utilization of funds within the group companies

[Inventory assets]

△ 11 billion yen

As of End of Mar. 2014	As of End of Mar. 2017
169.2 bil. yen ( <u>1.6</u> months)	158.2 bil. yen ( <u>1.3</u> months)

[Interest-bearing debt]

△ 58.6 billion yen

As of End of Mar. 2014	As of End of Mar. 2017
245.7 bil. yen (D/E ratio: <u>0.62</u> )	187.1 bil. yen (D/E ratio: <u>0.38</u> )

Create/secure funds for future M&A investments or further developments

## 3-2-2) Work Style Reforming

### HR CLIFF in 2025

(arrival of an unprecedented super-aging society)

- ◆ Japan's population will decrease by 6 – 7 million in the next 10-year period.
- ◆ The population of age 65 and older will exceed 35 million.  
(approx. 30% of the Japan's population).

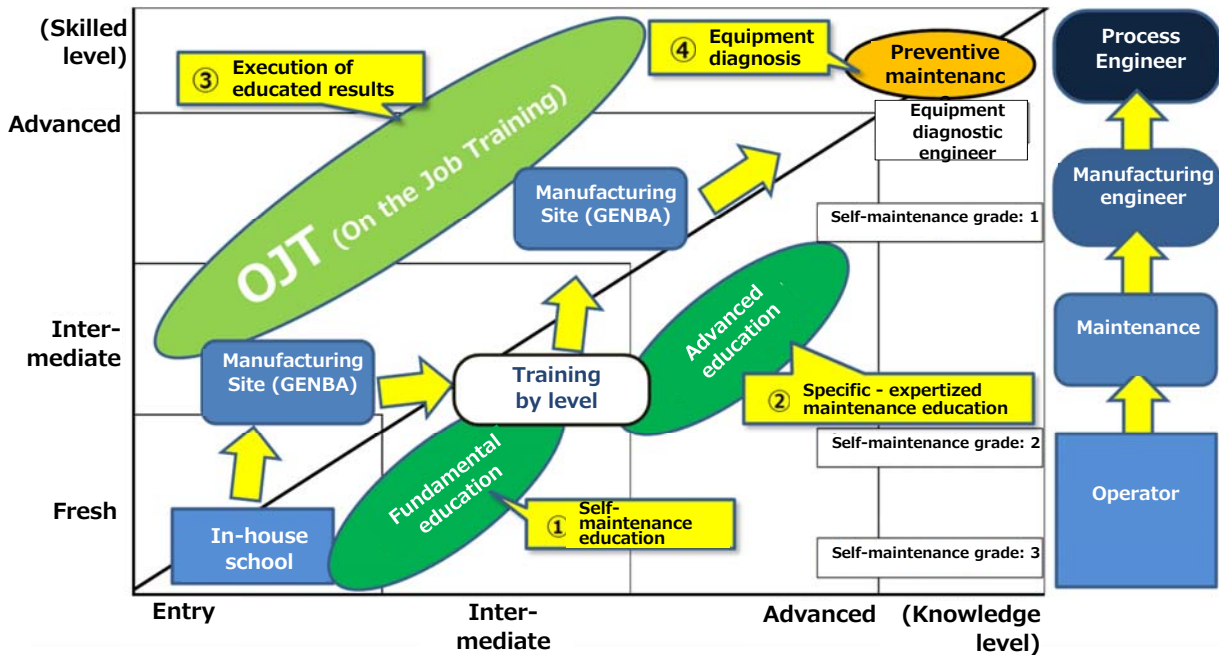
### Work style sophistication

- (1) Reviewing the company in-house school program
- (2) Improving the potential of skilled workers
  - Manufacturing operator  
→ Maintenance
  - Manufacturing engineer (ME)  
→ Process engineer (PE)  
→ PE development
- (3) Improving the efficiency of indirect departments

### Diversity promotions

- (1) Support for childcare/nursing care/disabilities/seniors
- (2) Training for male associates to be more active in child care
- (3) The expansion of ICT (Internal Company Trainee)
- (4) Organize a global human resource systems

Certain HR training program after joining JTEKT in-house school



**Decreasing workers population → Acceleration on manufacture automation → Require higher level on workers**

Objective

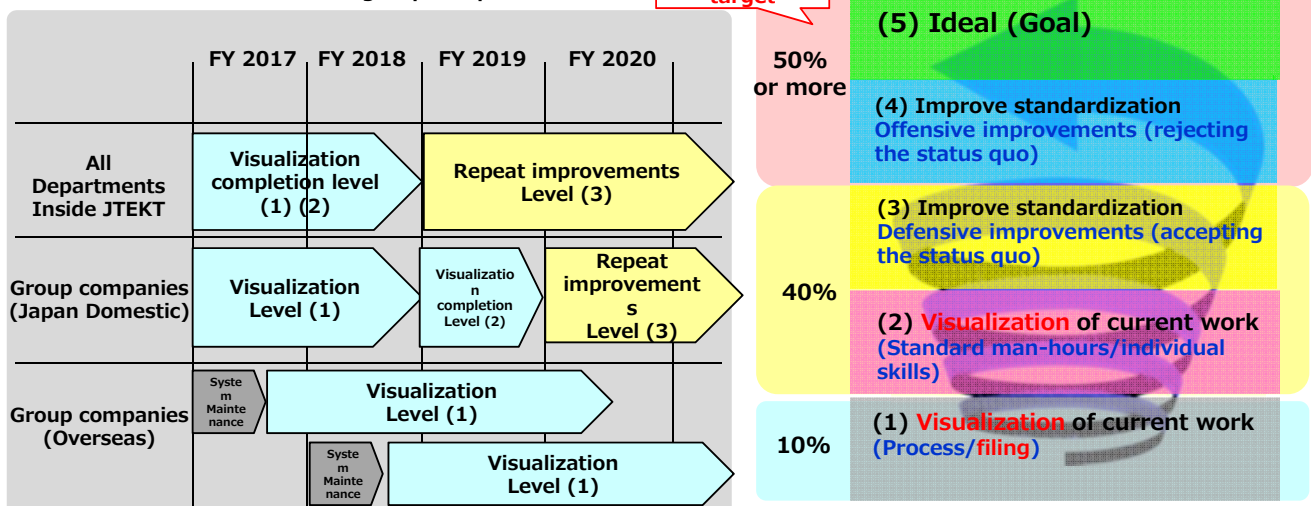
- Upgrade the standardization of daily work among all the indirect departments of the JTEKT Group to **realize small headquarters/small indirect departments!!**
- **Enrich total power of the JTEKT Group by supporting work style kaizen of indirect departments!!**

Promotion plan

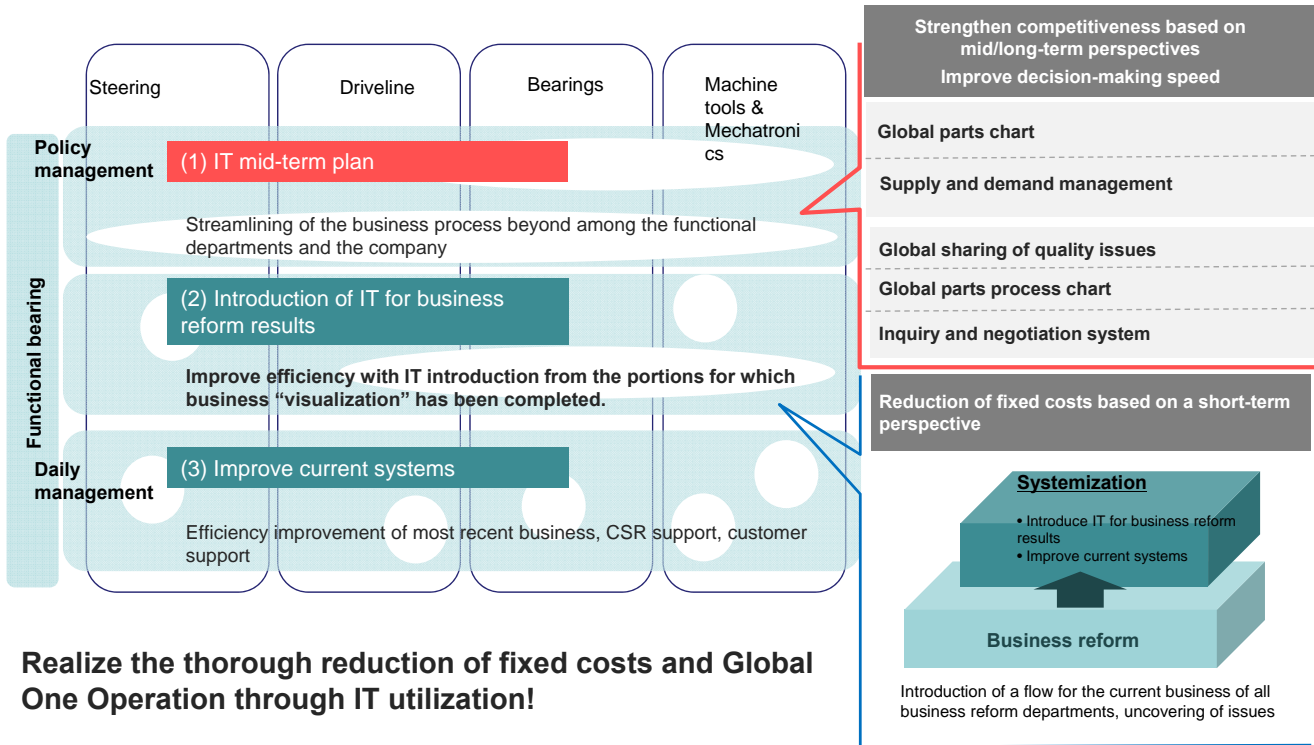
\* Expansion to domestic and overseas group companies

Man-hour reduction target

<Operational reform process>

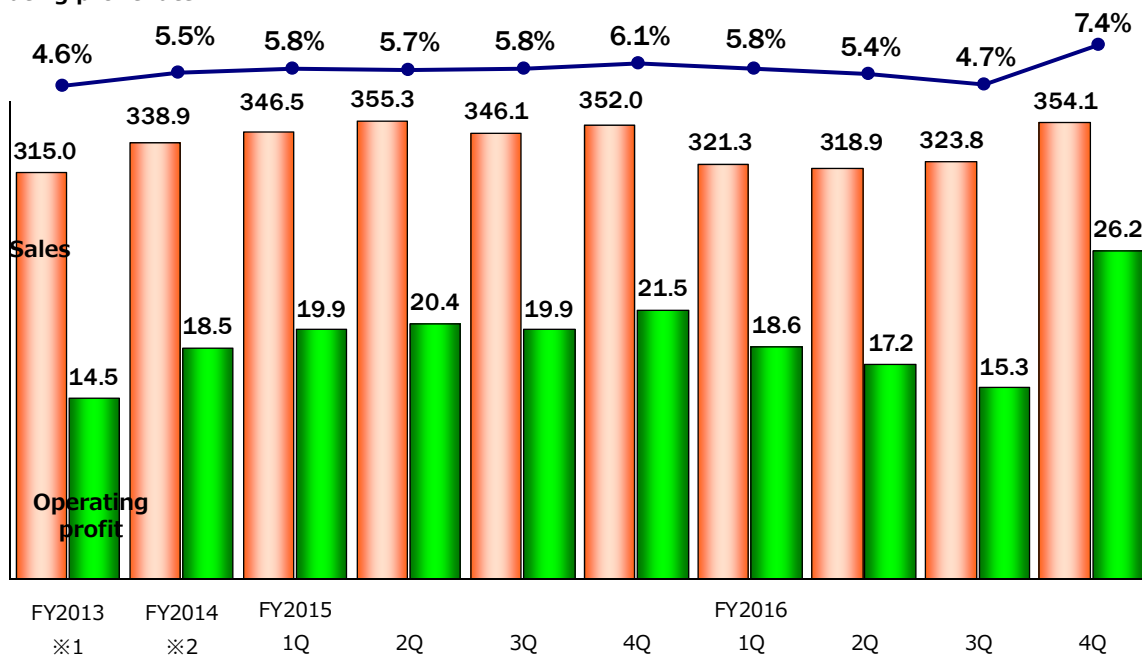


## Promote the thorough introduction of IT from mid/long-term perspectives



## (Reference) Quarterly result trend

Operating profit rate (billion yen)



1 US\$	JPY 100	JPY 110	JPY 121	JPY 122	JPY 122	JPY 115	JPY 108	JPY 102	JPY 109	JPY 114
1 EUR	JPY 134	JPY 139	JPY 134	JPY 136	JPY 133	JPY 127	JPY 122	JPY 114	JPY 118	JPY 121

※1・2 The FY 2014 and FY 2015 show the quarterly average. The same applies to the slides below

## (Reference) Sales forecast by Business Operations

(billion yen)

	FY2016 (Actual)	FY2017 (Forecast)			Increase/ Decrease	Increase/ Decrease(%)	
		1st Half	2nd Half	Full Year			
Equipment parts	Steering systems	638.2	312.5	325.5	638.0	△ 0.2	△ 0.0%
	Drivelines	148.2	64.0	65.0	129.0	△ 19.2	△ 13.0%
	Bearings	375.4	187.5	191.5	379.0	3.5	+ 1.0%
	<b>【 Total 】</b>	<b>1,161.9</b>	<b>564.0</b>	<b>582.0</b>	<b>1,146.0</b>	<b>△ 15.9</b>	<b>△ 1.4%</b>
Machine tool parts	Machine tools	142.5	75.0	77.0	152.0	9.4	+ 6.6%
	Others	13.8	1.0	1.0	2.0	△ 11.8	△ 85.5%
	<b>【 Total 】</b>	<b>156.3</b>	<b>76.0</b>	<b>78.0</b>	<b>154.0</b>	<b>△ 2.3</b>	<b>△ 1.5%</b>
<b>【 Total Sales 】</b>	<b>1,318.3</b>	<b>640.0</b>	<b>660.0</b>	<b>1,300.0</b>	<b>△ 18.3</b>	<b>△ 1.4%</b>	

JTEKT Corporation

## (Reference) Sales Forecast by Company Locations

(billion yen)

	FY2016 (Actual)	FY2017 (Forecast)			Increase/ Decrease	Increase/ Decrease(%)
		1st Half	2nd Half	Full Year		
Japan	549.3	261.5	279.0	540.5	△ 8.8	△ 1.6%
Europe	193.3	95.5	95.5	191.0	△ 2.3	△ 1.2%
North America	289.6	137.5	138.0	275.5	△ 14.1	△ 4.9%
Australia & Asia (Inc. India)	135.3	67.5	68.5	136.0	+ 0.6	+ 0.5%
China	127.6	65.0	66.0	131.0	+ 3.3	+ 2.6%
South America & Other	22.8	13.0	13.0	26.0	+ 3.1	+ 13.7%
<b>【 Total Sales 】</b>	<b>1,318.3</b>	<b>640.0</b>	<b>660.0</b>	<b>1,300.0</b>	<b>△ 18.3</b>	<b>△ 1.4%</b>

JTEKT Corporation



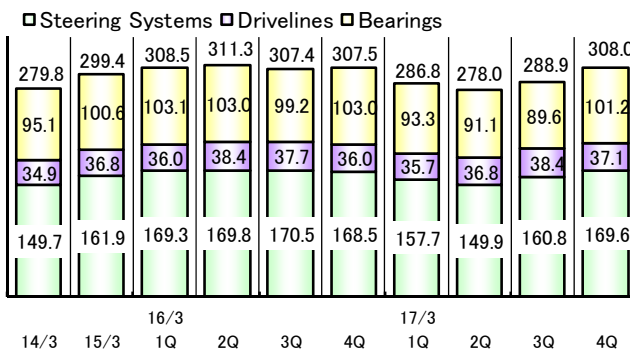
# (Reference) Financial Results by Product (Mechanical Components) 1

(billion yen)

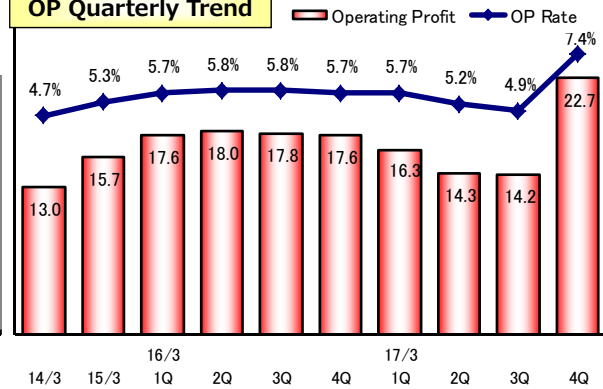
Mechanical Components		FY2015	FY2016	Increase/ Decrease	Increase/ Decrease (%)
Steering Systems	Sales	678.3	638.2	△ 40.0	△ 5.9%
Drivelines	Sales	148.2	148.2	+ 0.0	+ 0.0%
Bearings	Sales	408.5	375.4	△ 33.1	△ 8.1%
【 T o t a l 】	Sales	1,235.1	1,161.9	△ 73.1	△ 5.9%
	Operating Profit	71.2	67.6	△ 3.5	△ 5.0%
	Operating Profit (%)	5.8%	5.8%		

\* "Deletion" is omitted.

Sales Quarterly Trend



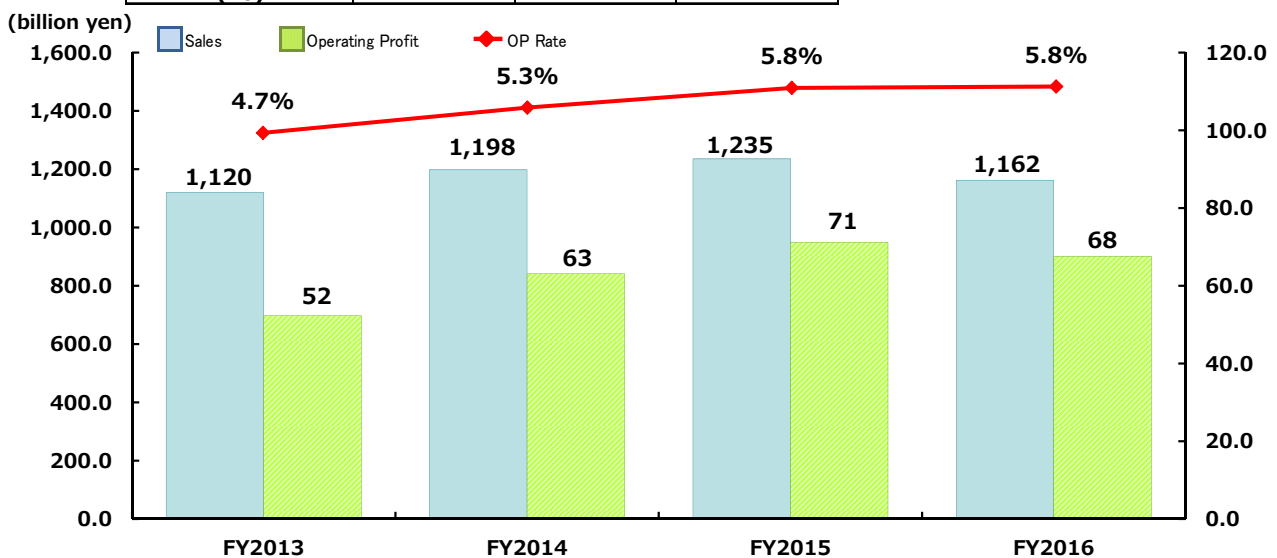
OP Quarterly Trend



# (Reference) Financial Results by Product (Mechanical Components) 2

(billion yen)

	FY2015	FY2016	Increase/ Decrease
Sales	1,235.1	1,161.9	△ 73.1
Operating Profit	71.2	67.6	△ 3.5
Operating Profit (%)	5.8%	5.8%	



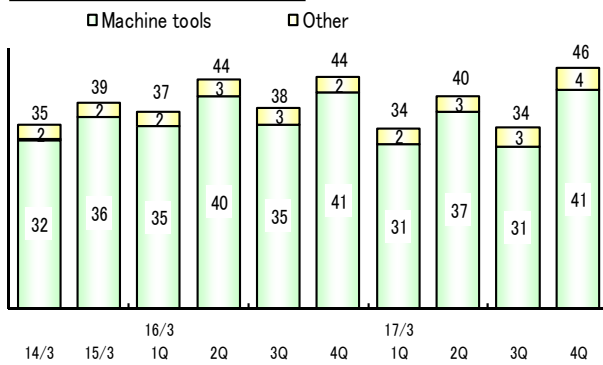
# (Reference) Financial Results by Product (Machine Tools & Other) 1

(billion yen)

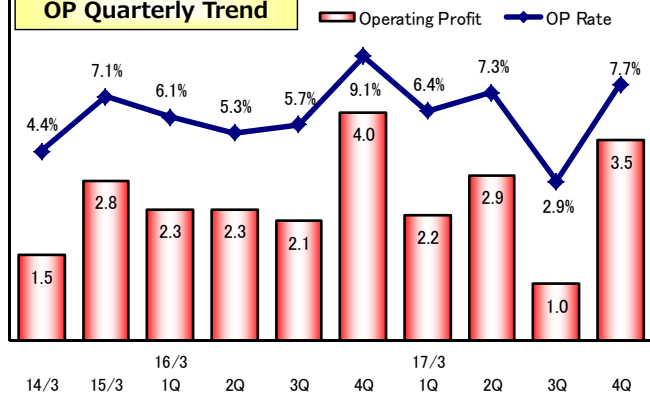
Machine Tools/Other		FY 2015	FY 2016	Increase/ Decrease	Increase/ Decrease (%)
Machine tools	Sales	152.5	142.5	△ 10.0	△ 6.6%
Other	Sales	12.2	13.8	+ 1.5	+ 12.6%
[ Total ]	Sales	164.8	156.3	△ 8.4	△ 5.1%
	Operating Profit	10.8	9.7	△ 1.0	△ 9.9%
	Operating Profit (%)	6.6%	6.3%		

\* "Deletion" is omitted.

Sales Quarterly Trend



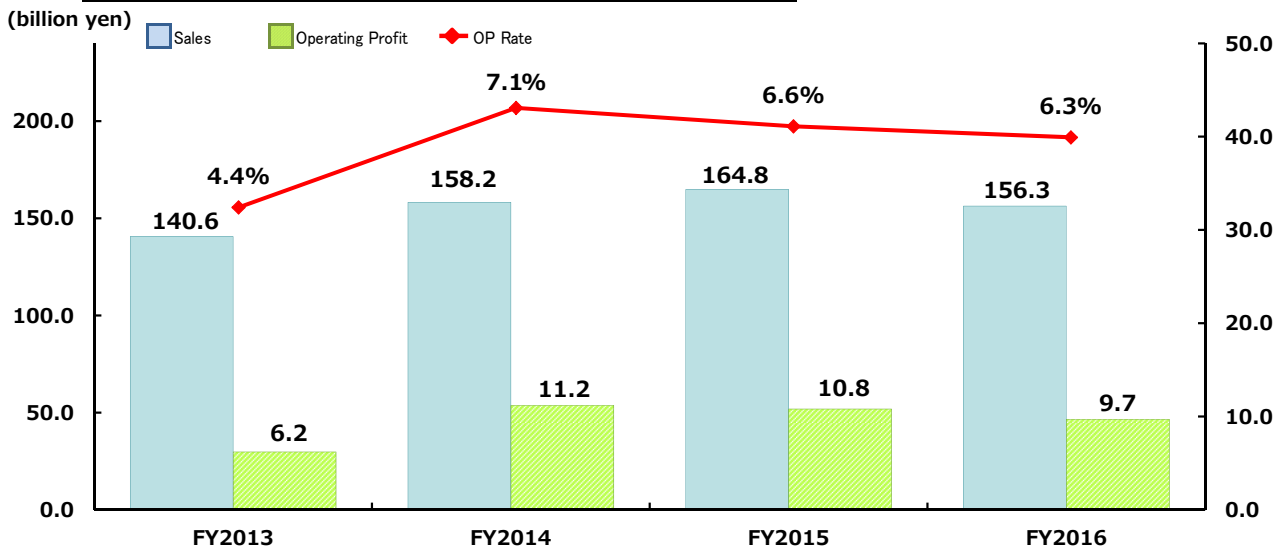
OP Quarterly Trend



# (Reference) Financial Results by Product (Machine Tools & Others) 2

(billion yen)

	FY2015	FY2016	Increase/ Decrease
Sales	164.8	156.3	△ 8.4
Operating Profit	10.8	9.7	△ 1.0
Operating Profit (%)	6.6%	6.3%	

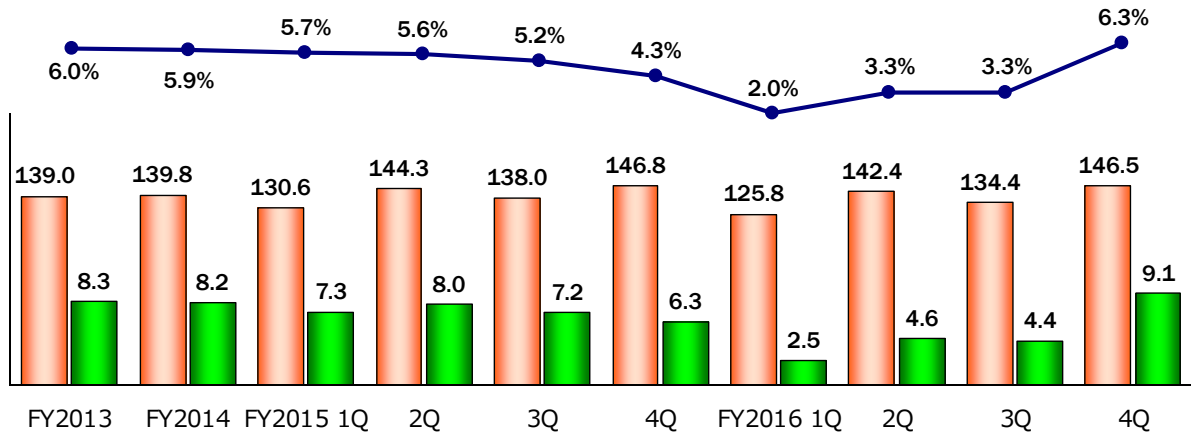


# (Reference) Financial Results by Region (Japan)

Japan	FY2015	FY2016	Increase/Decrease	Increase/Decrease (%)
Sales	559.8	549.3	△ 10.4	△ 1.9%
Operating Profit	28.9	20.7	△ 8.1	△ 28.3%
Operating Profit (%)	5.2%	3.8%		

(billion yen)

Quarterly Trend

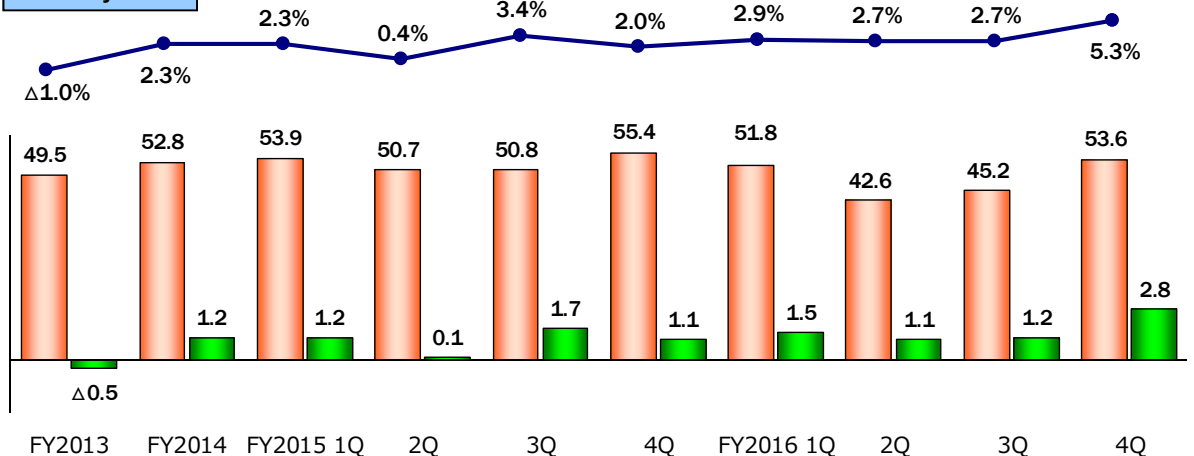


# (Reference) Financial Result by Region (Europe)

Europe	FY2015	FY2016	Increase/Decrease	Increase/Decrease (%)
Sales	211.0	193.3	△ 17.6	△ 8.4%
Operating Profit	4.2	6.7	+ 2.5	+ 58.9%
Operating Profit (%)	2.0%	3.5%		

(billion yen)

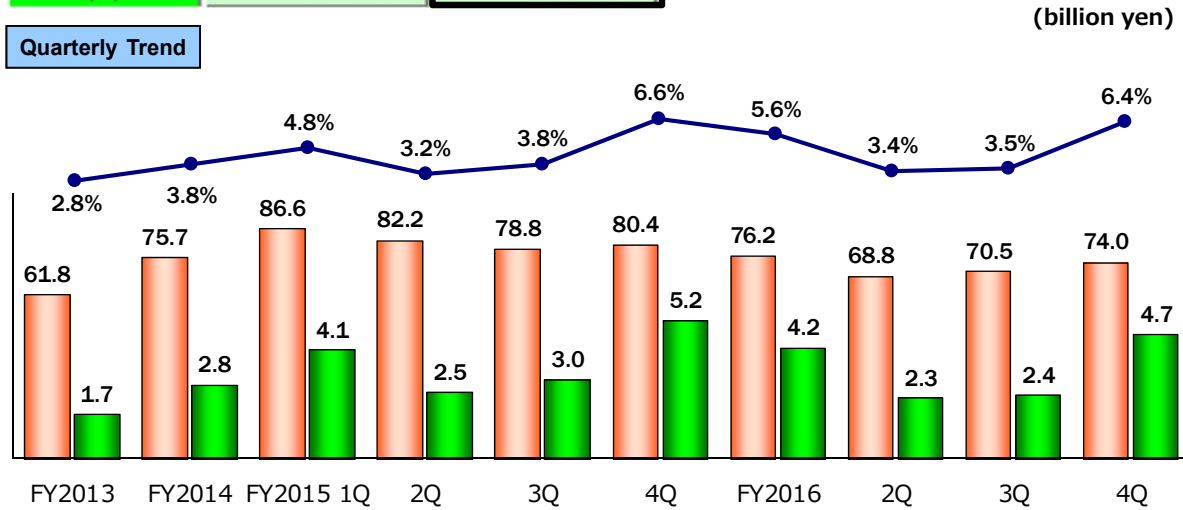
Quarterly Trend



# (Reference) Financial Results by Region (North America)

North America	FY2015	FY2016	Increase/Decrease	Increase/Decrease (%)
Sales	328.6	289.6	△ 38.9	△ 11.9%
Operating Profit	15.3	13.7	△ 1.5	△ 10.1%
Operating Profit (%)	4.7%	4.7%		

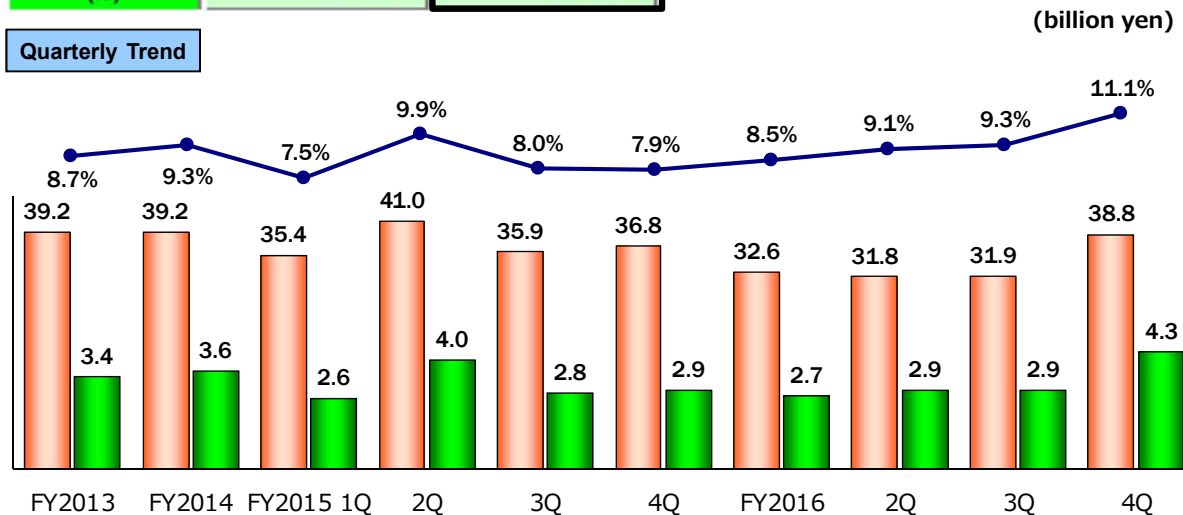
Quarterly Trend



# (Reference) Financial Results by Region (Asia/Oceania)

Asia/Oceania	FY2015	FY2016	Increase/Decrease	Increase/Decrease (%)
Sales	149.3	135.3	△ 13.9	△ 9.3%
Operating Profit	12.5	12.9	+ 0.4	+ 3.9%
Operating Profit (%)	8.4%	9.6%		

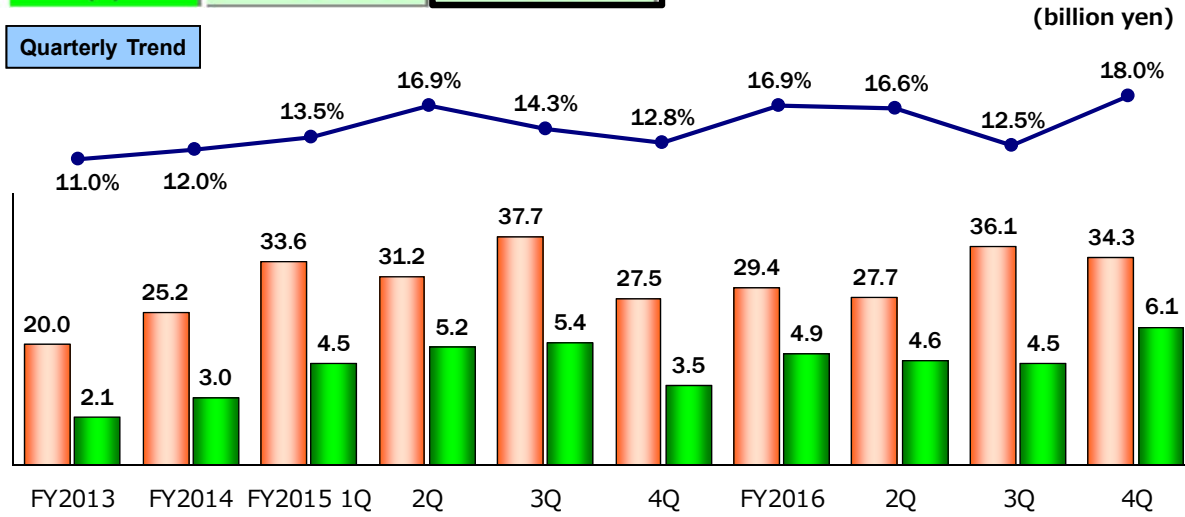
Quarterly Trend





# (Reference) Financial Results by Region (China)

China	FY2015	FY2016	Increase/Decrease	Increase/Decrease (%)
Sales	130.2	127.6	△ 2.5	△ 2.0%
Operating Profit	18.7	20.2	+ 1.4	+ 7.9%
Operating Profit (%)	14.4%	15.9%		



# (Reference) Financial Results by Region (South America/Other)

South America/Other	FY2015	FY2016	Increase/Decrease	Increase/Decrease (%)
Sales	20.9	22.8	+ 1.9	+ 9.1%
Operating Profit	△ 1.0	1.0	+ 2.0	-
Operating Profit (%)	△ 5.0%	4.5%		

