

Financial Results for the Second Quarter of Fiscal Year Ending March 2018

November 14, 2017

JTEKT Corporation

**1. Results for Second Quarter of
Fiscal Year Ending March 2018**

**2. Forecasts for Second Quarter of
Fiscal Year Ending March 2018**

3. Progress of Mid-Term Management Plan

1-1) Consolidated Performance

Operating profit decreased 1.8 % despite the increase in the sales as a result of weak yen and of the increased physical amount (+ 6.5 %).

Ordinary profit and quarterly net profit increased as a result of the decrease in the special loss and by including the foreign exchange gains and step acquisition gains.

	(billions of yen)			
	FY2016 2Q total	FY2017 2Q total	Increase/ Decrease	Increase/ Decrease (%)
Sales	640.3	682.2	+ 41.9	+ 6.5 %
Operating profit	(5.6 %) 35.8	(5.2 %) 35.2	(0.6)	(1.8 %)
Ordinary profit	(5.3 %) 33.9	(5.6 %) 37.9	+ 3.9	+ 11.7 %
Profit attributable to owners of parent	(2.0 %) 12.6	(4.2 %) 28.6	+ 16.0	+127.2 %
Foreign exchange rate (Apr. to Sep.)	¥105/USD ¥118/EUR	¥111/USD ¥126/EUR	¥6 weak Yen ¥8 weak Yen	

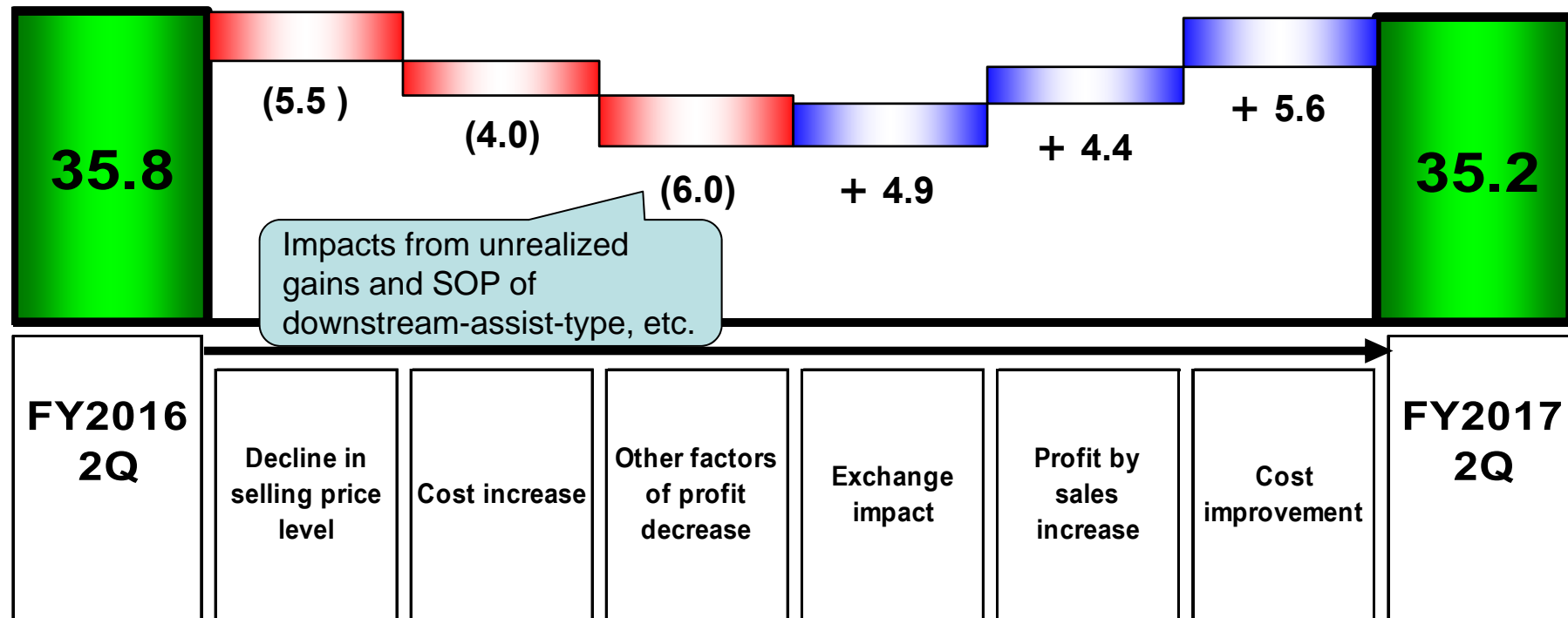
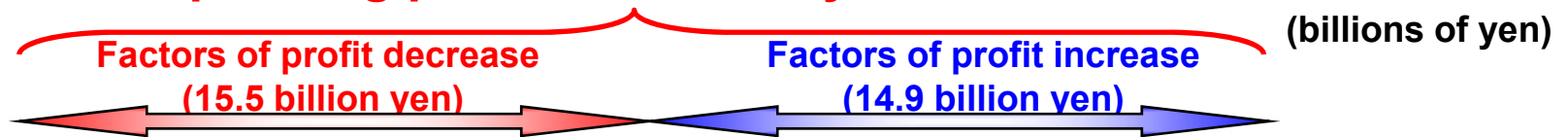
(%) : Percentage of profit on sales

		FY2016	FY2017	Increase/ Decrease
Divident	Interim	21 yen	21 yen	-
	Term-end	21 yen	21 yen	-

1-2) Operating Profit Analysis

The decline in the selling price and increase in costs were covered by the effects of the sales increase and cost improvement, however, the effects of the foreign exchange rate did not remain due to the unrealized gains and SOP of the downstream-assist-type EPS.

Operating profit: 0.6 billion yen decreased



1-3) Results by Business Units (Mechanical Components)

Sales increased as a result of the effects of the foreign exchange rate and bearing demand recovery, however, profit decreased due to the impacts of SOP of downstream-assist-type EPS and unrealized gains.

(billions of yen)

Mechanical components	FY2016 2Q total	FY2017 2Q total	Increase/ Decrease	Increase/ Decrease (%)
Sales	571.2	607.4	+ 36.1	+ 6.3 %
Steering systems	309.9	333.1	+ 23.1	+ 7.5 %
Drivelines	71.2	69.4	(1.8)	(2.6 %)
Bearings	190.1	204.9	+ 14.8	+7.8 %
Operating profit	30.7	30.1	(0.6)	(2.0 %)
Operating profit (%)	(5.4 %)	(5.0 %)	-	-

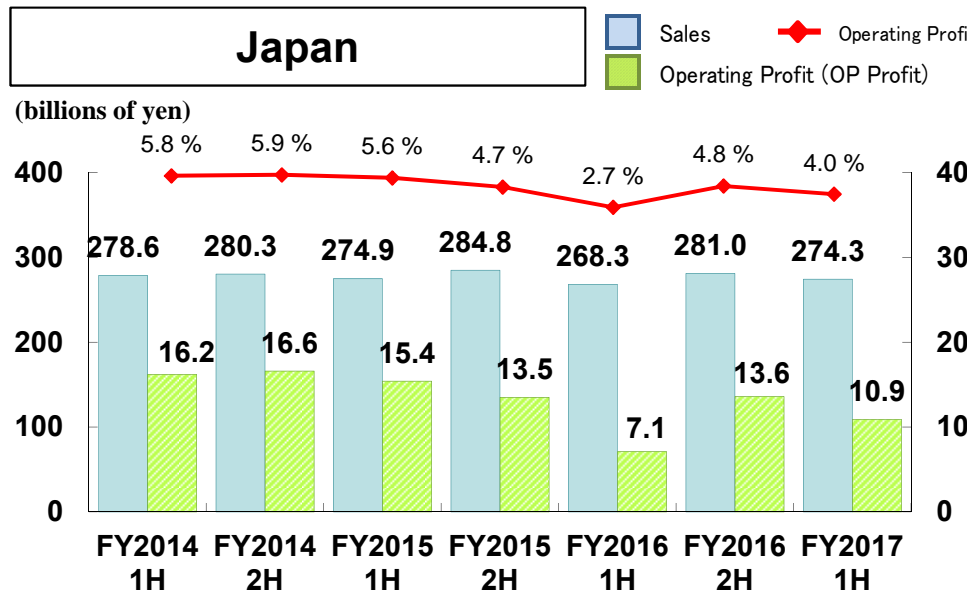
1-4) Results by Business Units (Machine Tools & Others)

Sales increased mainly in North America and Asia/Oceania, however, profit decreased due to the increase in IoE related business and such expense as well as the impacts of unrealized gains.

(billions of yen)

Machine tools & others	FY2016 2Q total	FY2017 2Q total	Increase/ Decrease	Increase/ Decrease (%)
Sales	69.0	74.8	+ 5.7	+ 8.4 %
Machine tools	68.2	74.0	+ 5.7	+ 8.4 %
Others	0.7	0.7	+ 0	+ 8.0 %
Operating profit	5.1	4.8	(0.2)	(4.7 %)
Operating profit (%)	(7.4 %)	(6.5 %)	-	-

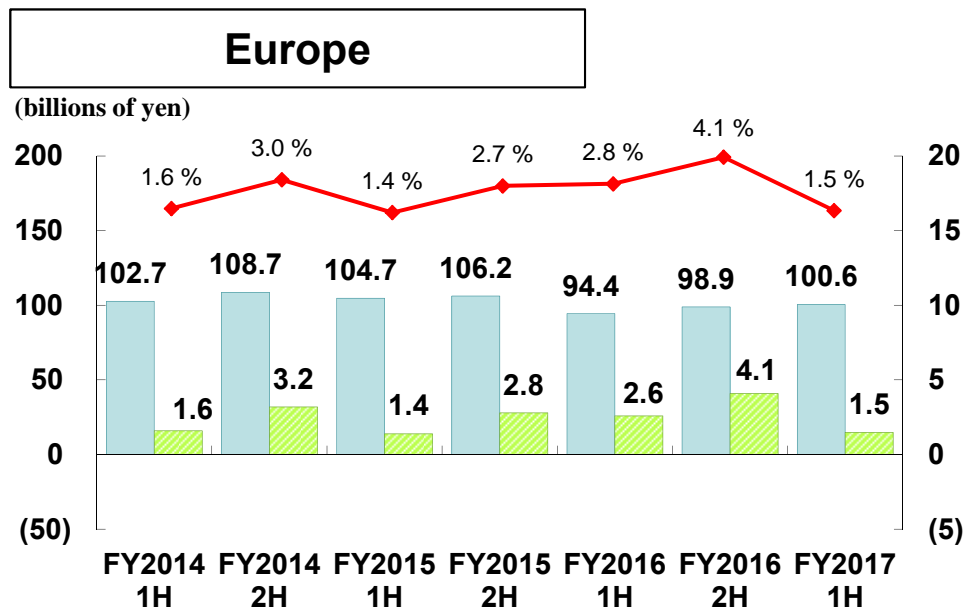
1-5) Financial Results by Company Location [1]



	FY2016 2Q	FY2017 2Q	Increase/Decrease
Sales	268.3	274.3	6.0
OP Profit	7.1	10.9	3.7
OP Profit (%)	2.7 %	4.0 %	-

Sales and profit increased

- Profit increased thanks to the bearing quantity increase, productivity improvement, and the effects of the foreign exchange rate

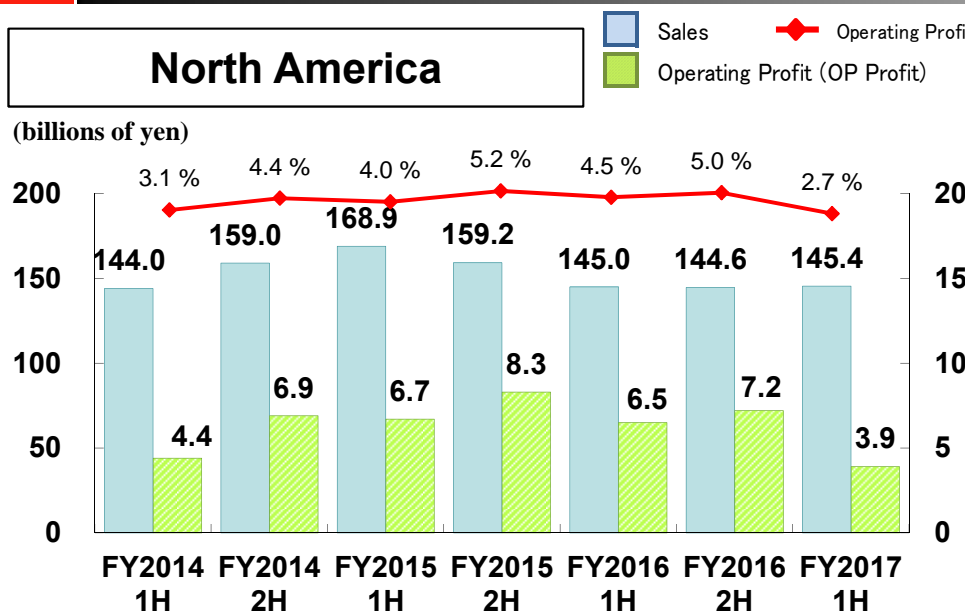


	FY2016 2Q	FY2017 2Q	Increase/Decrease
Sales	94.4	100.6	6.1
OP Profit	2.6	1.5	(1.1)
OP Profit (%)	2.8 %	1.5 %	-

Sales increased/Profit decreased

- Slight sales decrease except for the effects of the foreign exchange rate
- Profit decreased due to the increase in development cost, etc.

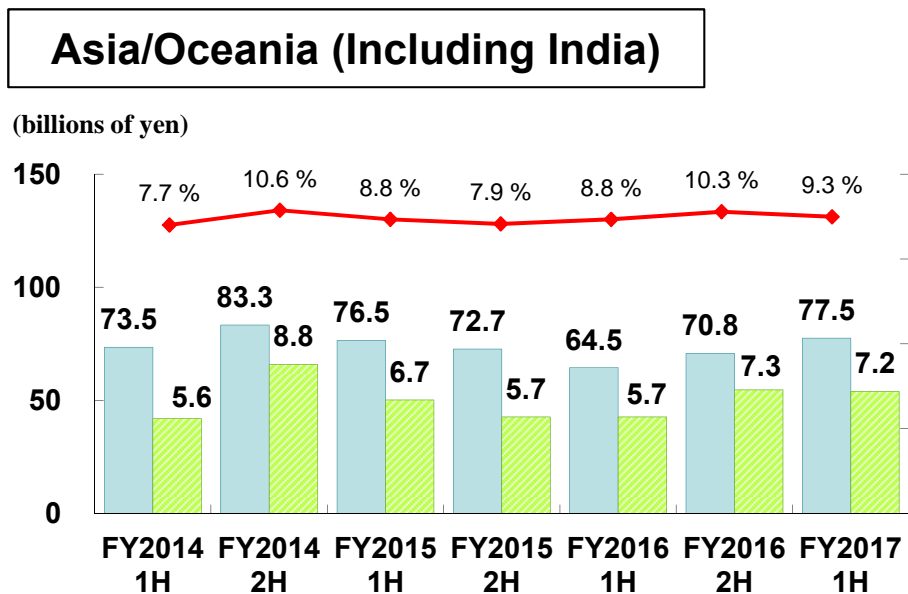
1-6) Financial Results by Company Location [2]



	FY2016 2Q	FY2017 2Q	Increase/Decrease
Sales	145.0	145.4	0.4
OP Profit	6.5	3.9	(2.6)
OP Profit (%)	4.5 %	2.7 %	-

Sales increased/Profit decreased

- Large sales decrease except for the effects of the foreign exchange rate
- Large profit decrease due to the SOP of downstream-assist-type EPS and such and the decrease in physical amount

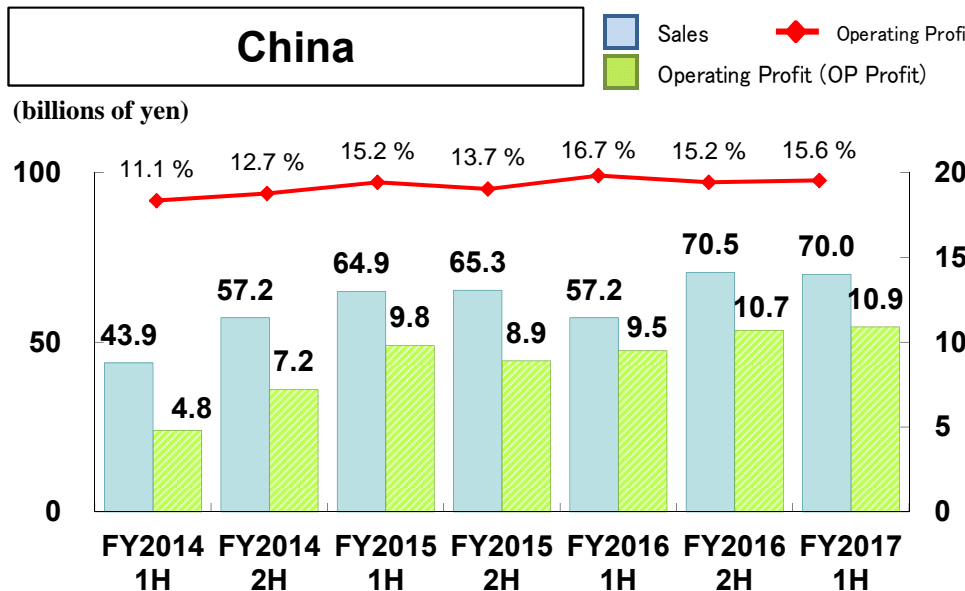


	FY2016 2Q	FY2017 2Q	Increase/Decrease
Sales	64.5	77.5	13.0
OP Profit	5.7	7.2	1.5
OP Profit (%)	8.8 %	9.3 %	-

Sales and profit increased

- Large sales increase thanks to the consolidation of SKSSL (India) in addition to the effects of the foreign exchange rate
- Profit increased thanks to the sales increase and such of bearings and machine tools

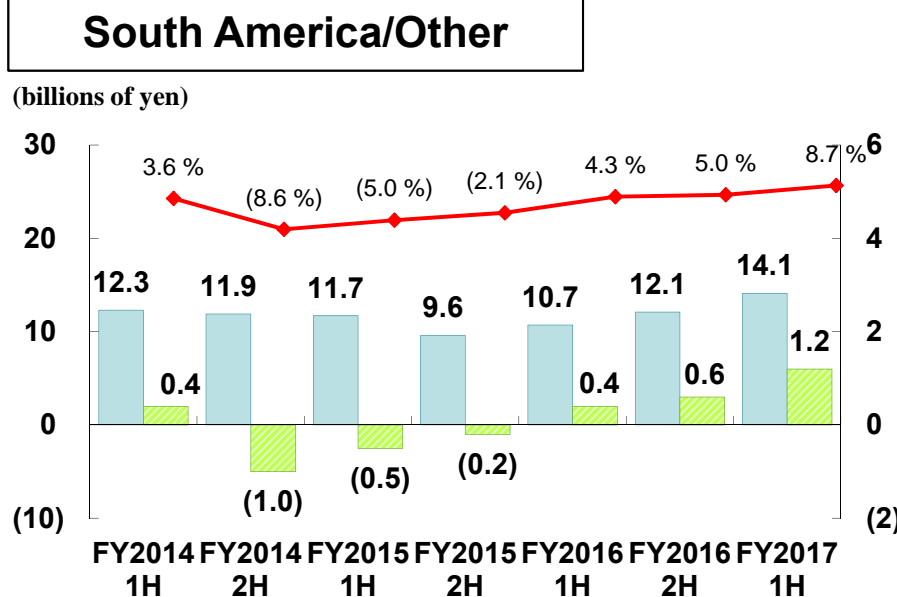
1-7) Financial Results by Company Location [3]



	FY2016 2Q	FY2017 2Q	Increase/Decrease
Sales	57.2	70.0	12.8
OP Profit	9.5	10.9	1.3
OP Profit (%)	16.7 %	15.6 %	-

Sales and profit increased

- Thanks to the favorable sales of Japanese cars and the effects of the foreign exchange rate, sales and profit increased mainly in the steering systems



	FY2016 2Q	FY2017 2Q	Increase/Decrease
Sales	10.7	14.1	3.4
OP Profit	0.4	1.2	0.7
OP Profit (%)	4.3 %	8.7 %	-

Sales and profit increased

- Sales and profit increased thanks to the increase in the sales of the steering systems

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2-1) Forecasts for Business Environment

Developed countries

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

Emerging countries

- Gradual recovery as a result of the repercussions of the steady growth of the developed countries.

Japan

- Gradual recovery against a background of an increase in domestic and foreign demand.
- There are anxiety factors such as geopolitical risks.

2-2) Forecasts for Fiscal Year 2017

Sales increased thanks to the effects of the foreign exchange rate and M&A, however, due to the increase in expense, sales profit is expected to be the same level as the previous year.

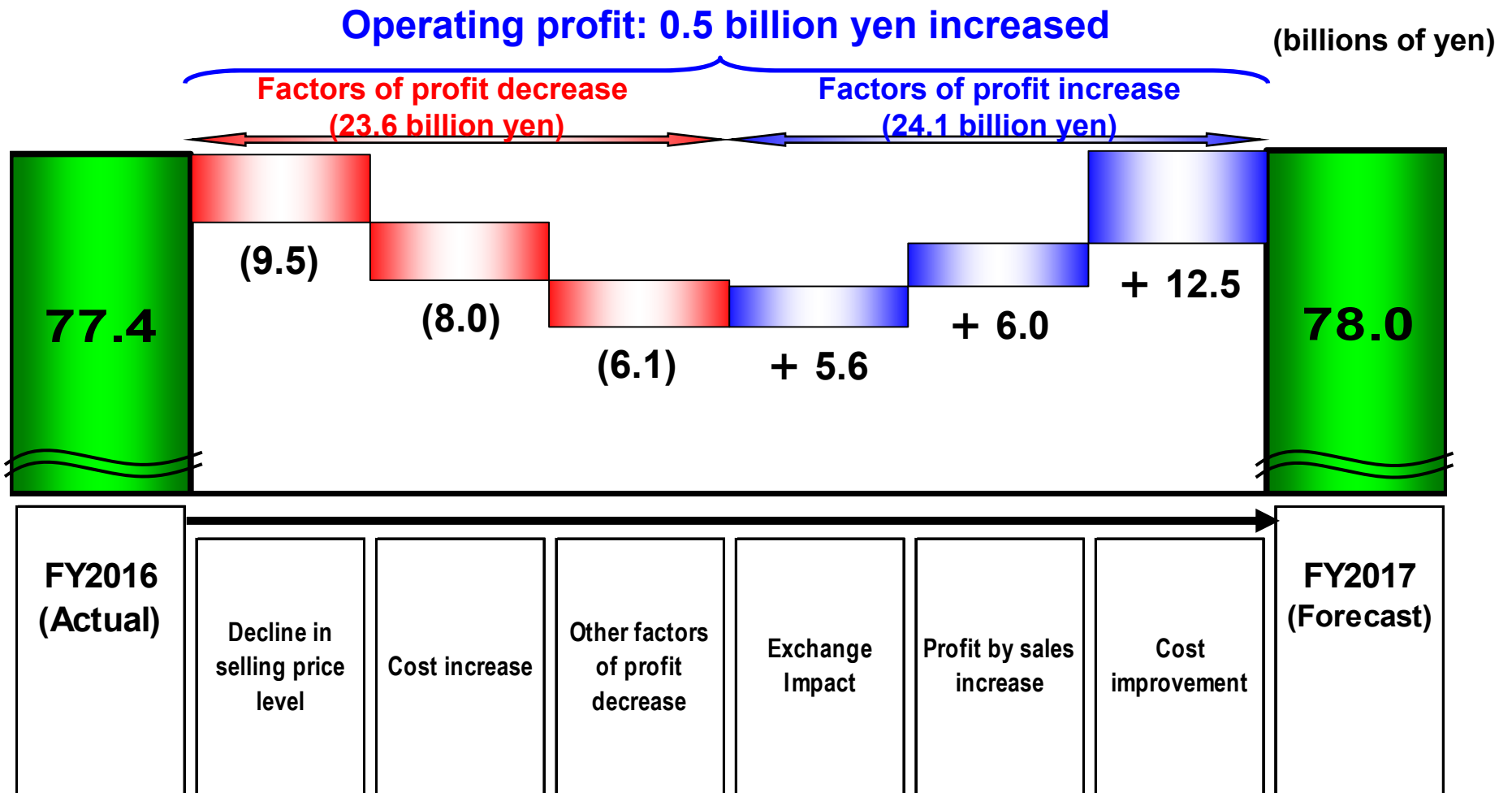
(billions of yen)

	FY2016 Full year (Actual)	FY2017 (Forecast)			Increase/ Decrease	Increase/ Decrease (%)	FY2017 (Beginning)
		1H (Actual)	2H (Forecast)	Full year (Forecast)			
Sales	1318.3	682.2	717.7	1400.0	+ 81.6	+ 6.2 %	1300.0
Operating profit	(5.9 %) 77.4	(5.2 %) 35.2	(6.0 %) 42.7	(5.6 %) 78.0	+ 0.5	+ 0.7 %	68.0
Ordinary profit	(5.9 %) 78.0	(5.6 %) 37.9	(5.7 %) 41.0	(5.6 %) 79.0	+ 0.9	+ 1.2 %	68.0
Profit attributable to owners of parent	(3.6 %) 47.5	(4.2 %) 28.6	(4.4 %) 31.3	(4.3 %) 60.0	+ 12.4	+ 26.3 %	42.0
Foreign exchange rate (Apr. to Mar.)	¥108/USD ¥119/EUR	¥111/USD ¥126/EUR	¥110/USD ¥130/EUR	¥111/USD ¥128/EUR	¥3 weak yen ¥9 weak yen		¥105/USD ¥115/EUR
Capital expenditure	66.4	37.5	37.5	75.0	+ 8.5	+ 12.9 %	80.0
Depreciation	56.0	27.6	31.4	59.0	+ 2.9	+ 5.2 %	57.0
Dividend	42 yen	21 yen	21 yen	42 yen	-		42 yen

(%): Percentage of profit on sales

2-3) Operating Profit Analysis vs. Previous Period

While preparation for SOP of North America's downstream-assist-type EPS is necessary and development costs (for ADAS/loE support) increase, a slight profit increase is expected from the effects of the foreign exchange rate and sales increase



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- 3) Bearings
- 4) Machine Tools & Mechatronics

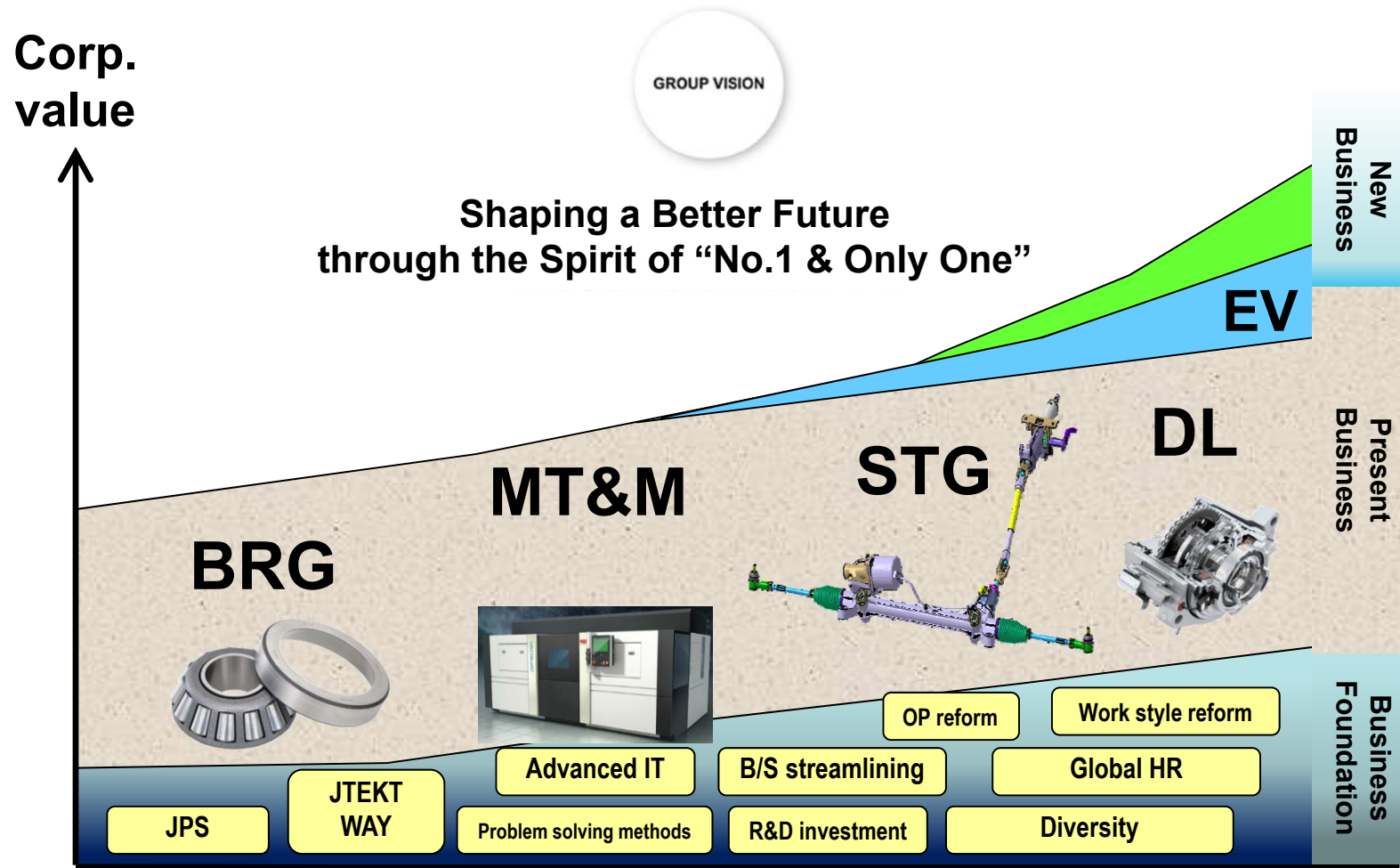
3. Summary

- 1) Reviews
- 2) Actions for developing corporate value

1) Actions for Management Environment Changes

- 1) Our business foundation and present/new business
- 2) Actions for New business
- 3) Our approach to EV

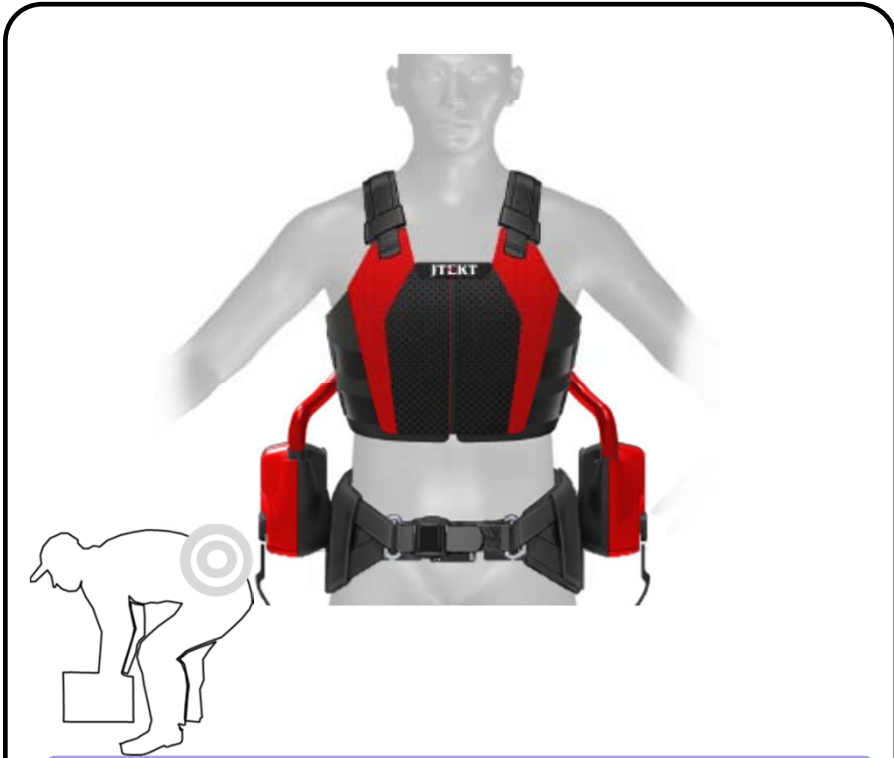
3-1-1) How to Strengthen present and new business



In addition to the four business units built on the business foundation, foster the land to grow new business

3-1-2) Actions for New Business

First new product developed by the New Business Planning



Power-assist suit

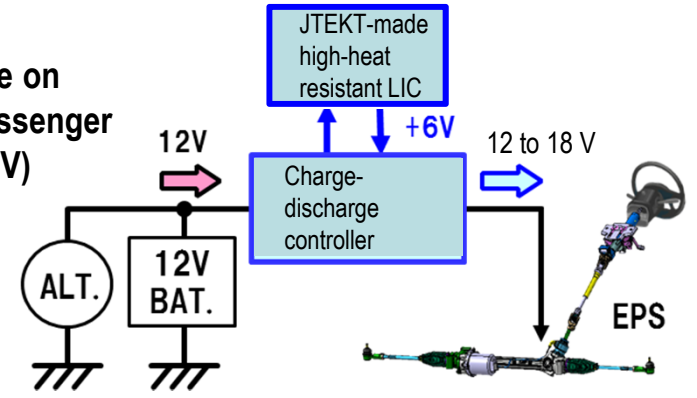
An assist suit that adjusts with human motions. This suit reduces the waist burden of workers in not only the manufacturing industries but also in various types of industries.

Second development



Meeting -40°C to 85°C first in the world

E.g.:
 EPS available on 12V large passenger cars (e.g. SUV)



Lithium ion capacitor

A capacitor that can be put onto vehicles without cooling items. Contributes to the sales expansion of capacitor business and JTEKT's electric components.

3-1-3) Our Approach to EV

EV is a great business opportunity.

Product development/supply that looks ahead of customers' demand.

- Fix our eyes on electric power infrastructure situation, element engineering development of batteries, and to the trends of government worldwide as well as vehicle/component manufacturers', and aggressively take actions

Business opportunities resulting from EV

[STG]

Expand EPS market, increase in number

[DL]

E-AWD, power-pump, FCV valve

[BRG]

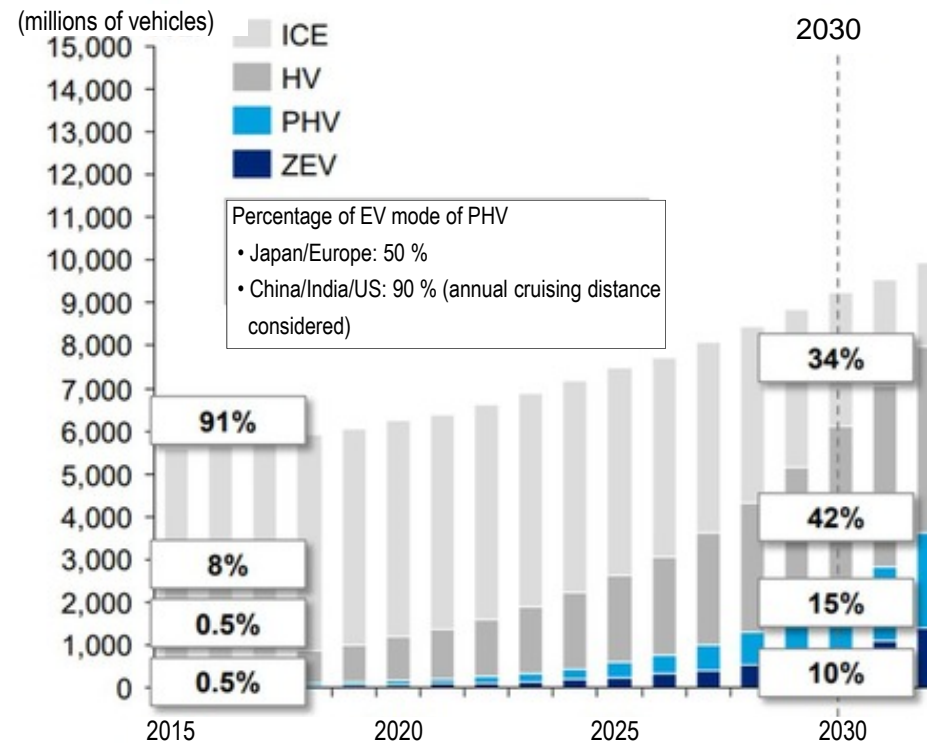
Compact/lightweight HUB, ultrafast/lightweight bearings for motor

[MT&M]

FC-related equipment, Li-battery coating machine

[New Business]

Sales expansion of capacitors, etc.



World automobile production trend

(Source: Oct., 2017, Deloitte Tohmatsu Consulting)

3-2) Strategies of Business Units

1) Steering Systems

3-2-1) 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

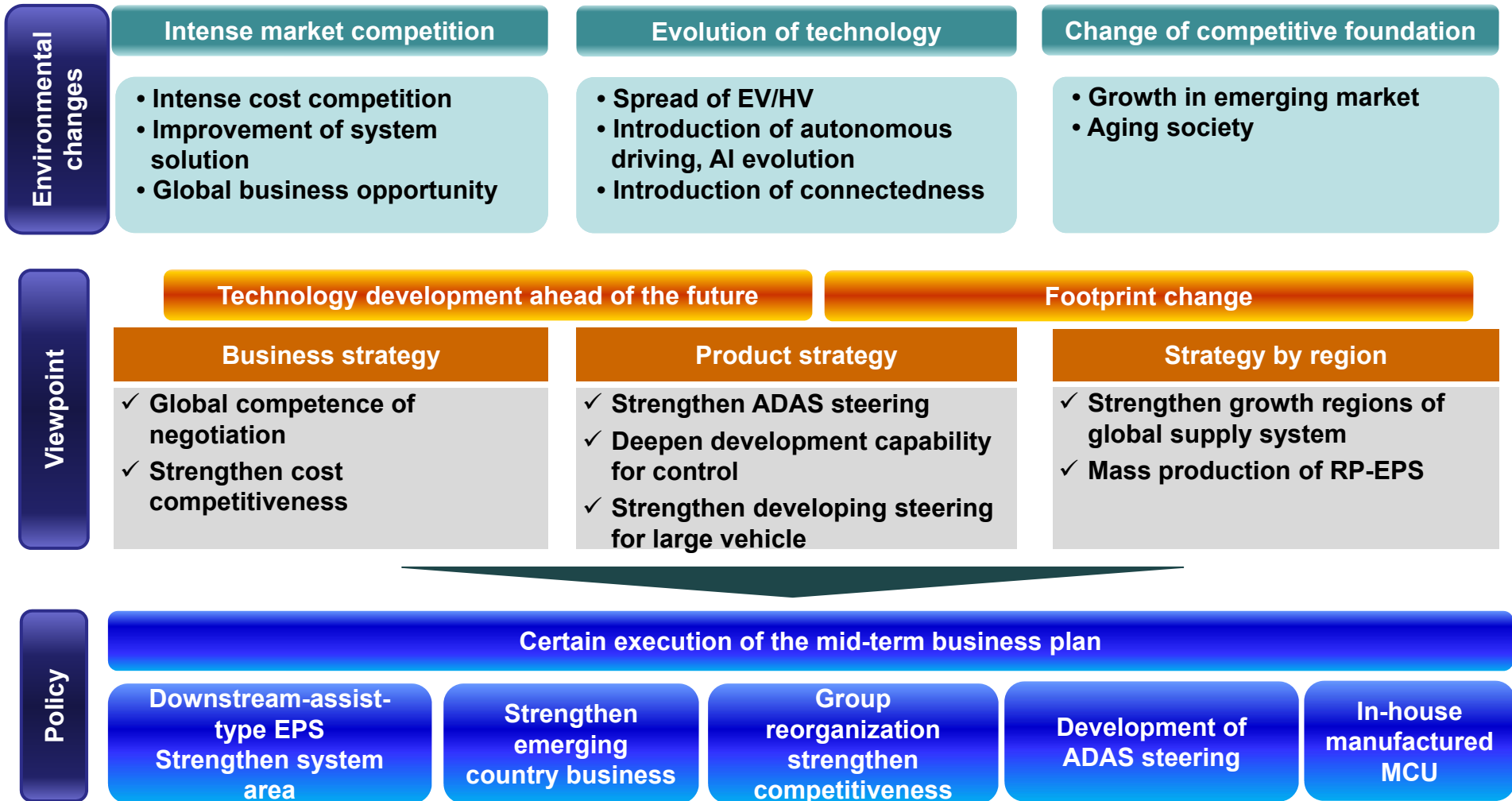
Mid-term target Steering systems	Maintain the top global share for automotive steering systems	Share	25 %
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Priority activities

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

3-2-1) 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



3-2-1) Situation of downstream-assist-type EPS

■ RP-EPS

Nov. 2016: Start of mass production in Hanazono Plant (Japan)

May 2017: SOP in Tennessee (NA)

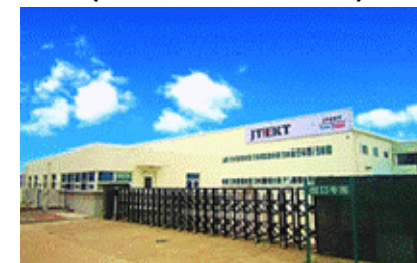
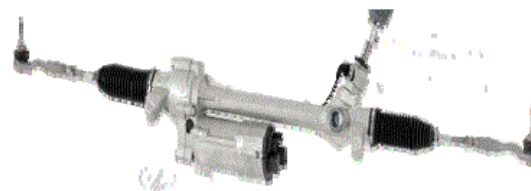
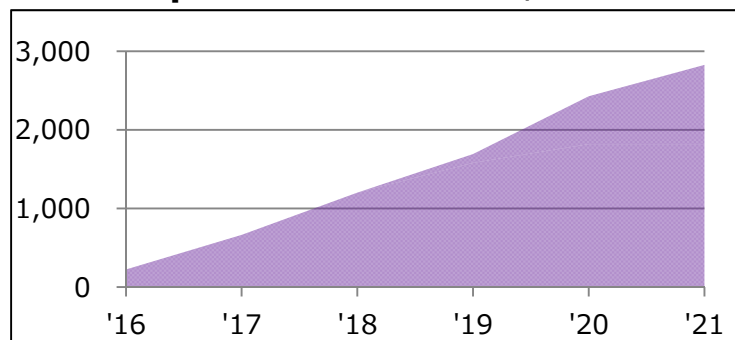
Feb. 2019: Promotion of SOP in Tianjin (China)

Establish global three-summit production



Hanazono Plant RP-EPS line (SOP in Oct. 2016)

RP-EPS production trend (thousands of vehicles/year)



Tianjin (China) RP-EPS line (To be SOP in 2019)

■ DP-EPS

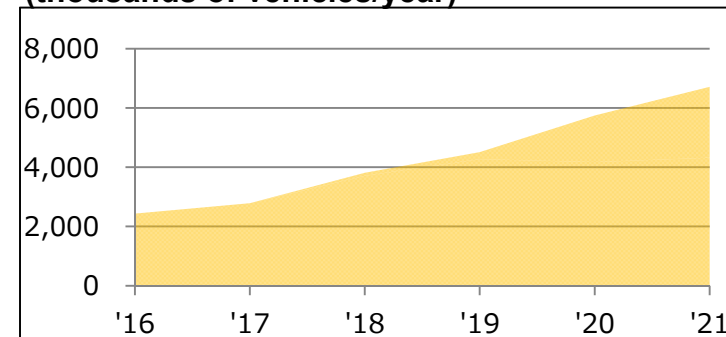
Promoting mass production of DP-EPS in Japan in addition to Europe, China, and NA.

Moving toward the global four-summit production.



Tennessee (NA) DP-EPS line (SOP in Nov. 2016)

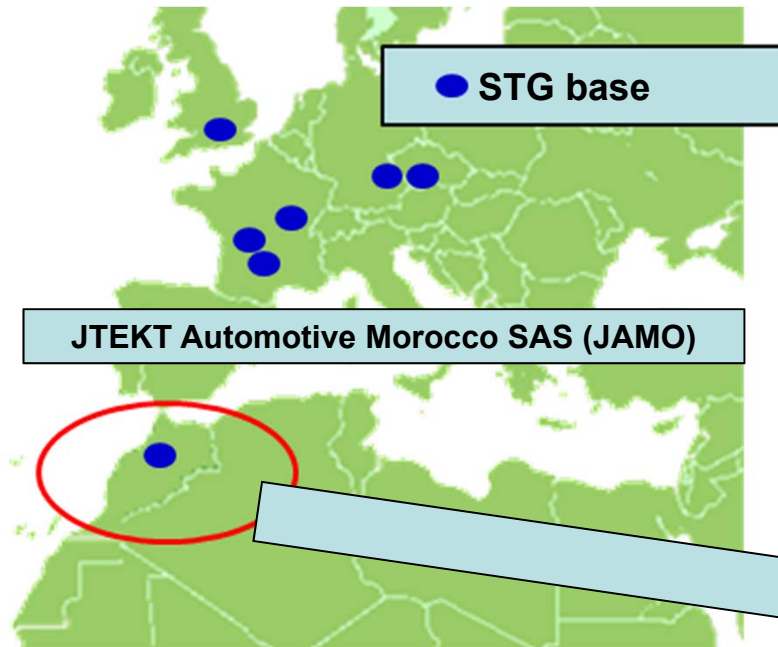
DP-EPS production trend (thousands of vehicles/year)



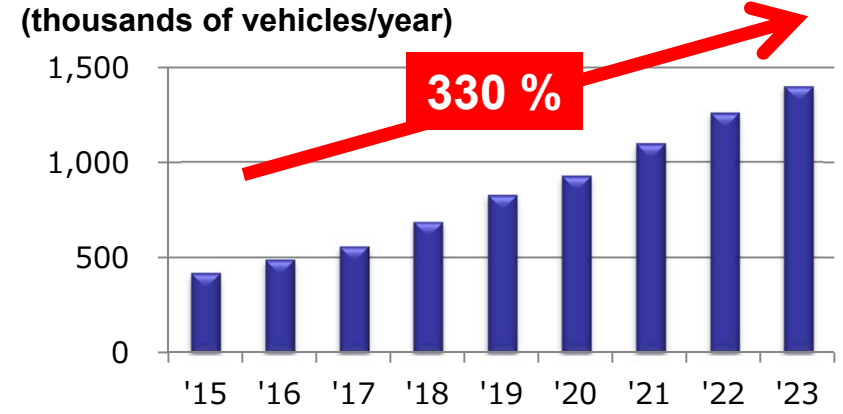
3-2-1) Expansion into Morocco

Able to meet Europe customers' expectations and aim to enhance our presence and stable growth of Europe business through the expansion into Morocco.

Planning to establish a plant in an industrial park in Tanger city, Morocco (2019), and SOP in 2020

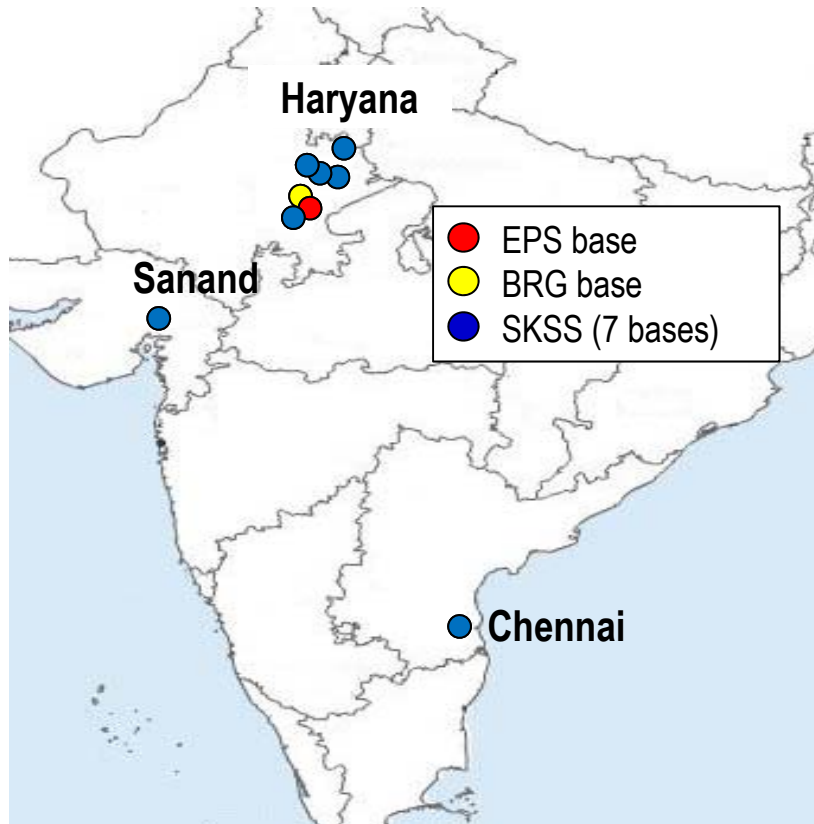


North Africa automobile production market



3-2-1) Strengthen Indian business

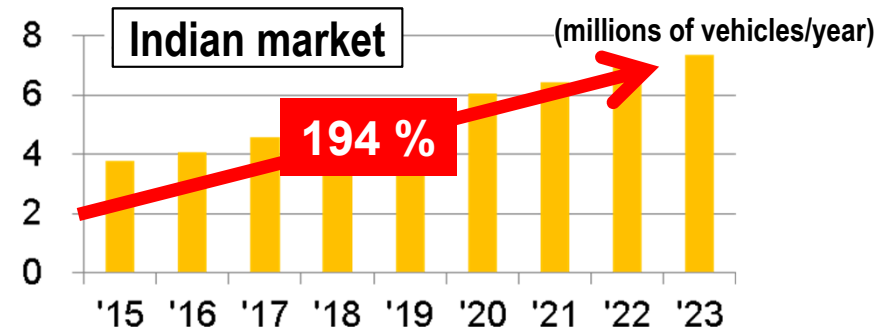
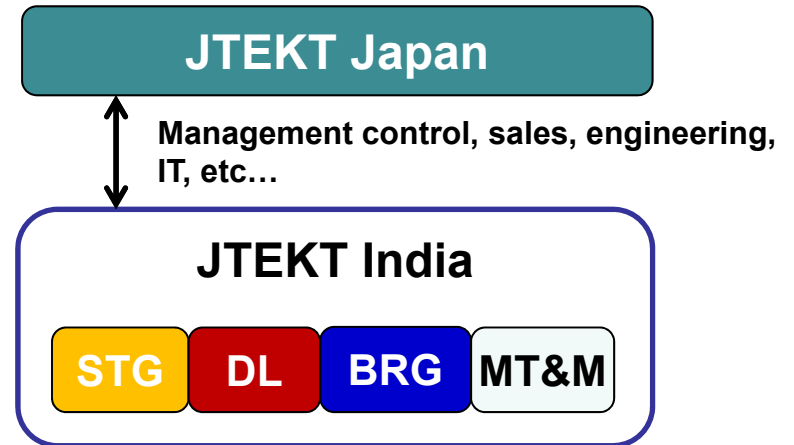
Accelerate the activities to establish a regional management system. Promote sales expansion in the expanding Indian market to actualize the management in India as well as the improvement of customer satisfaction that follow JTEKT WAY.



Production expansion from two to nine bases


(STG share in India: 33 %)

Promotion of PMI activity *Post Merger Integration
Promote towards the integrated management in April 2018.



3-2-1) Strengthen Column Business

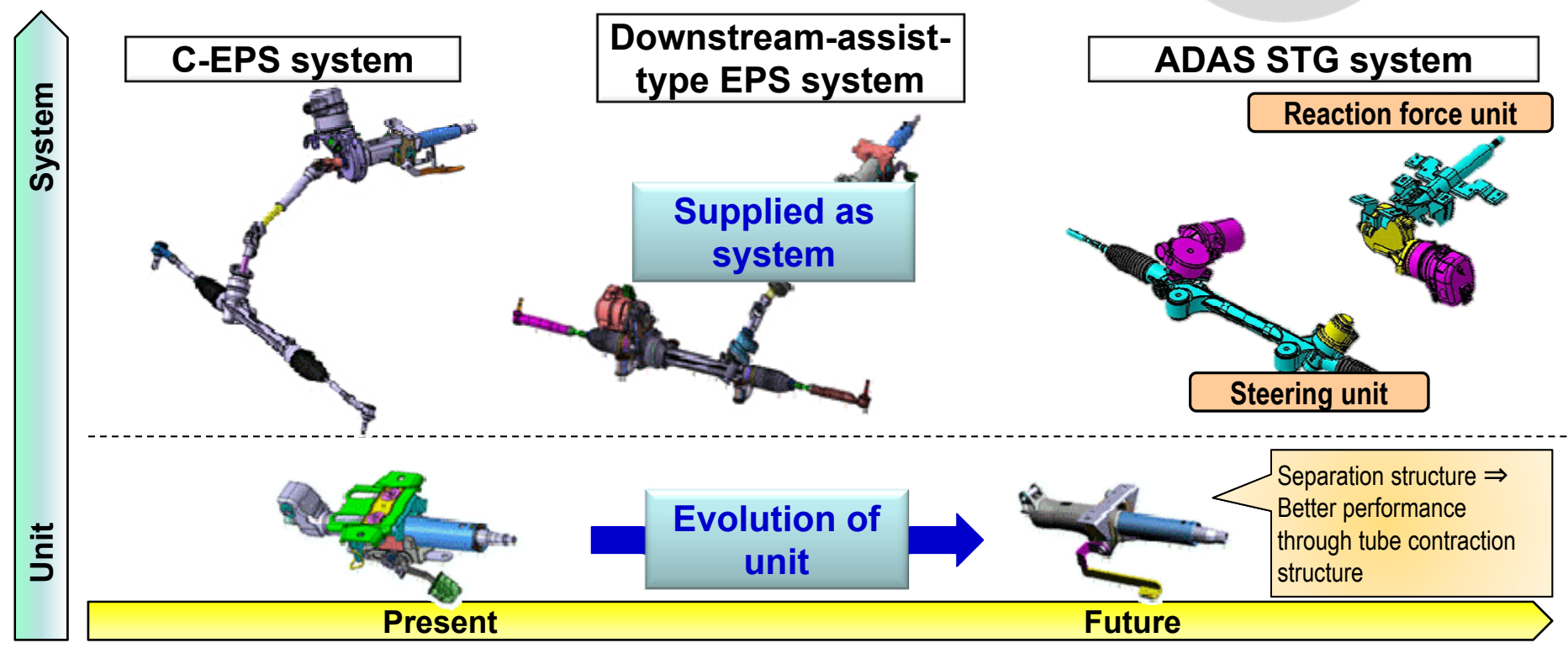
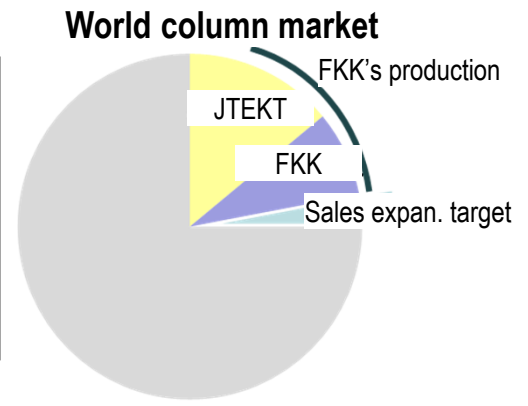
Strengthen the steering systems foundation through the integration of column business led by JTEKT after the acquisition of substantial management rights of FKK.



- ✓ Obtain competitively through the integration of development and strengthen system capability
- ✓ Meeting advanced technologies (ADAS, next-gen. column)

↓

Promote further sales expansion to obtain more share



3-2-1) Strengthen Electronics Engineering Development – IT Center (Akita, Japan) -

Situation around steering systems

Support high-output EPS

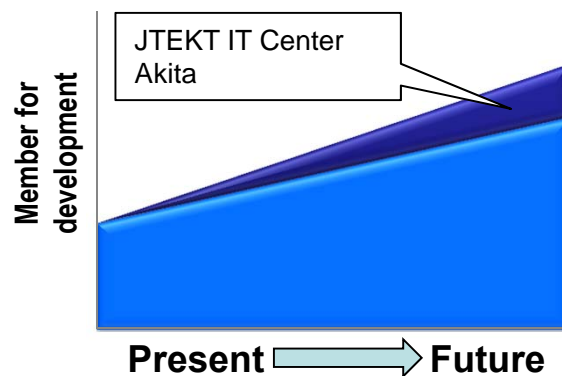
Support ADAS

Support SBW

Support JTEKT MCU

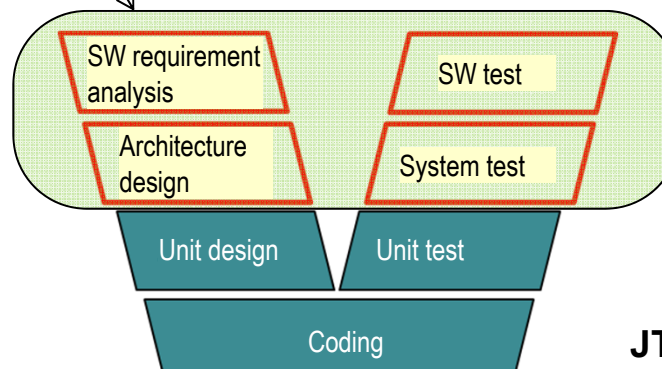
To aim the strengthening of next-generation steering development, a development center was established in Akita prefecture. Obtain good human resource to strengthen electronics engineering.

Electronics engineering resources



Development field

Promote the development processes upper than SW in the new company



JTEKT IT Center Akita Corporation.

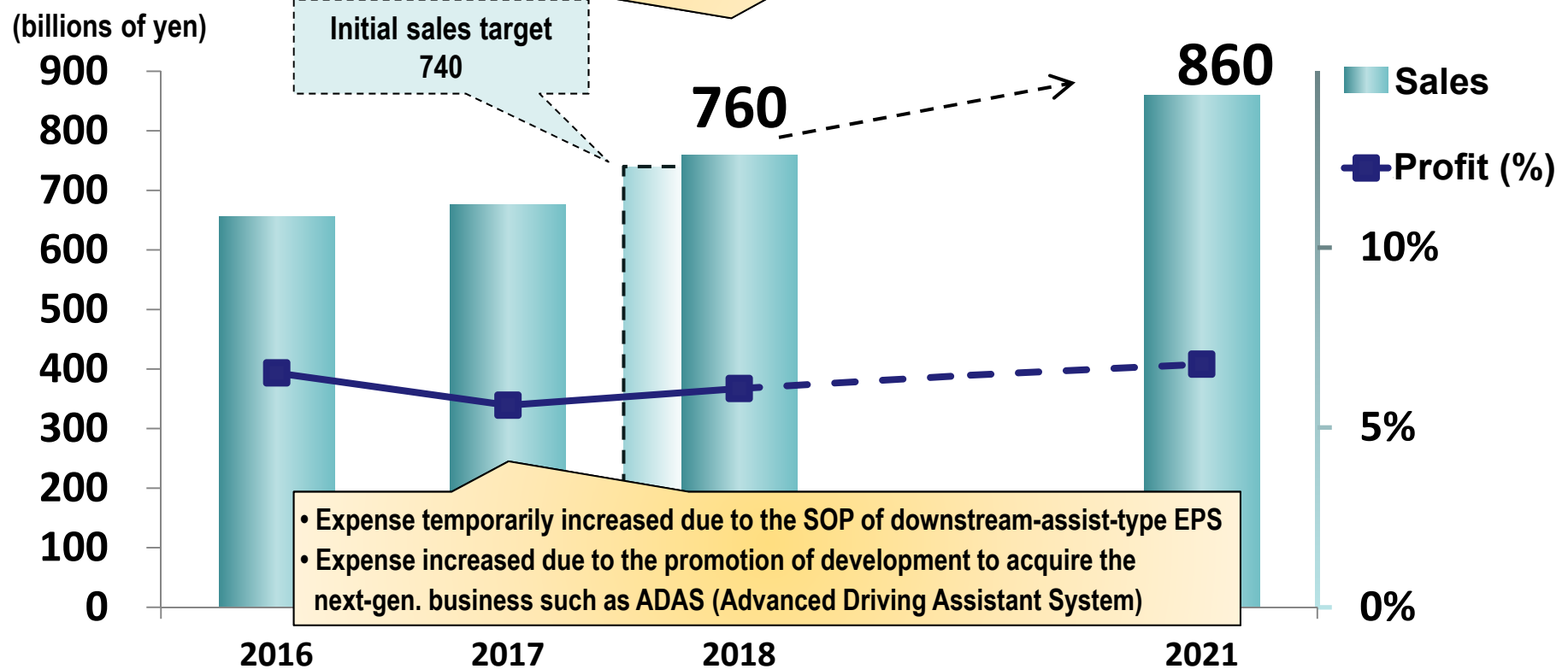
3-2-1) Forecast for FY2018 Mid-term Business Plan for Steering Systems

FY2018 Sales and Profit Forecast

¥95/US\$, ¥110/€, ¥16/yuan

2018
Sales: Go beyond the initial target as a result of the FKK/SONA's increase despite the stagnation of global market growth.
Profit: Difficult to achieve due to the intensification of market competition.

2021
Sales: Steady increase expected
Profit: Promote further cost reduction activities in order to achieve profit rate



3-2) Strategies of Business Units

2) Drivelines

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**

- Strengthen global business capabilities, sales promotion, front-loading activities
- Strengthen sales price strategy/cost planning activities
- Strengthen driveshaft business foundation
(Improvement of profitability/continue strengthening constant velocity joint for propeller shaft)
- Strengthen driveline system solution
- Continue promotion of cooperation with other companies

**Strengthening
product potential
Business operations
strategies**

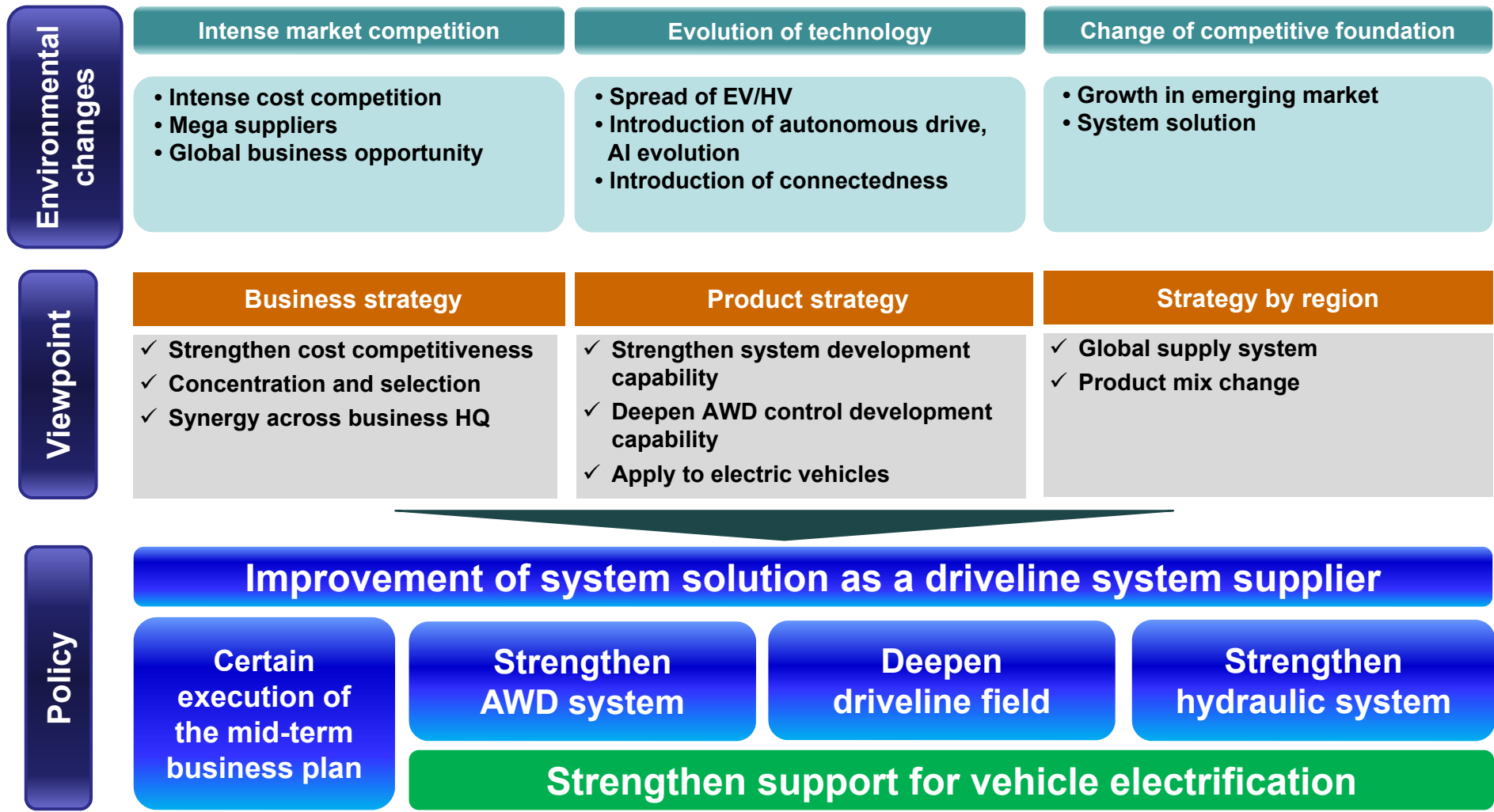
- Size reduction/Cost reduction/High performance
- Unitization/modularization (Accelerate development of devices for hydraulic AWD)
- Product development in new fields (Expansion of the hydraulic business /FCV/IWM for AWD)

**Global supply
system**

- Re-establish global production by thoroughly utilizing the present JTEKT bases

3-2-2) 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.



3-2-2) Drivelines Business Sales Portfolio

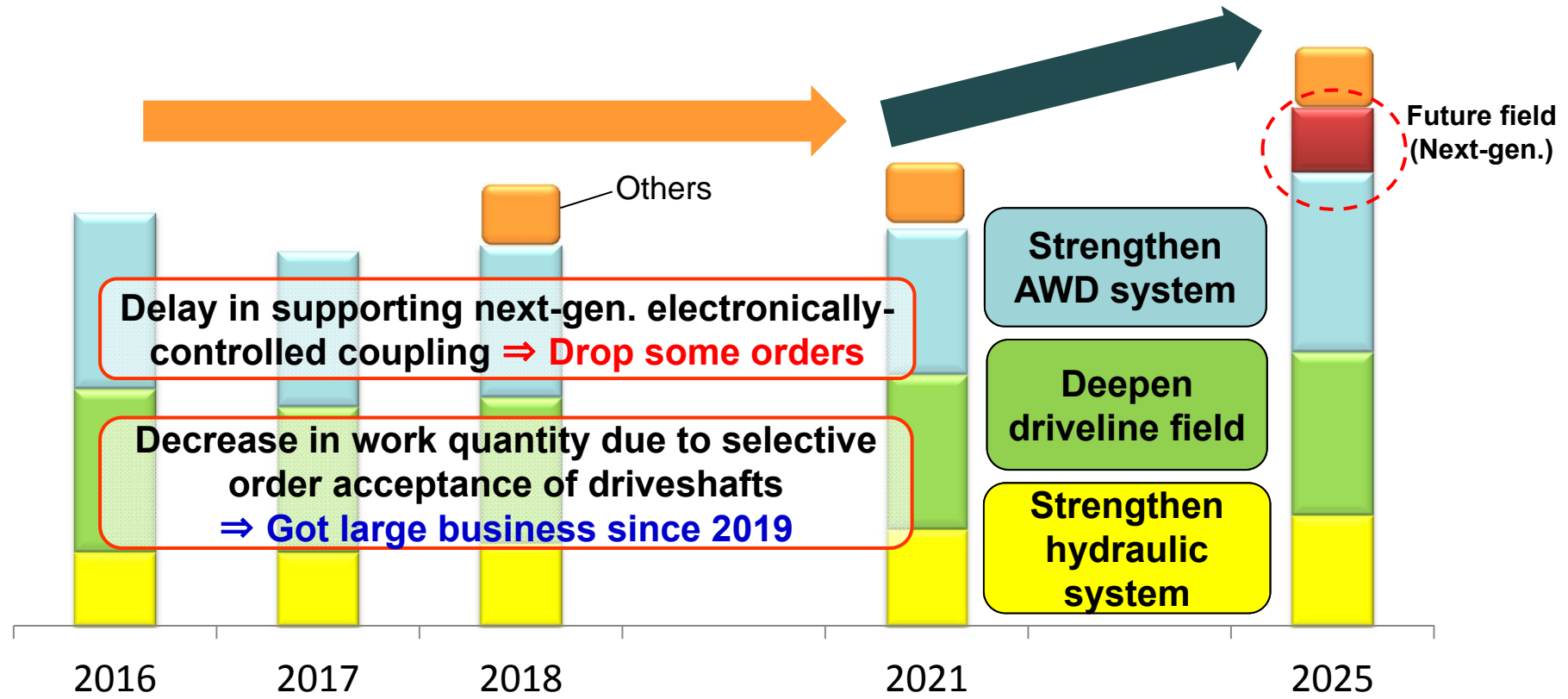
Simultaneously proceed establishment toward 2020 and preparation after 2020

Toward 2020

Strengthen business foundation and profit foundation through a certain execution of mid-term business plan

Beyond 2020

- Supply driveline products as a system
- Support next-gen. products including electrification



3-2-2) JTEKT's Actions toward Next-gen. Driveline Systems

Strengthen unit development performance that suits vehicle electrification.
 Improve system solution capability to our customers and strengthen sales expansion through the optimization of each unit achieved from the improvement of system development

Deepen driveline field

Wide-angle driveshafts, higher-torque driveshafts

Strengthen hydraulic system

- 1) Meeting requirement change due to vehicle electrification
- 2) Expand actuation field application
Apply for electro-hydraulic AMT clutch and free-running type

Strengthen AWD system

- 1) Participate in E-AWD system
- 2) Strengthen conventional AWD systems
 - Higher response
 - Integration of differentials
 - Diversification of Torsen

Improve system solution as a driveline systems supplier

- 1) Accelerate development of next-gen. models
- 2) Accelerate development of model bases
- 3) Strengthen unit's potential

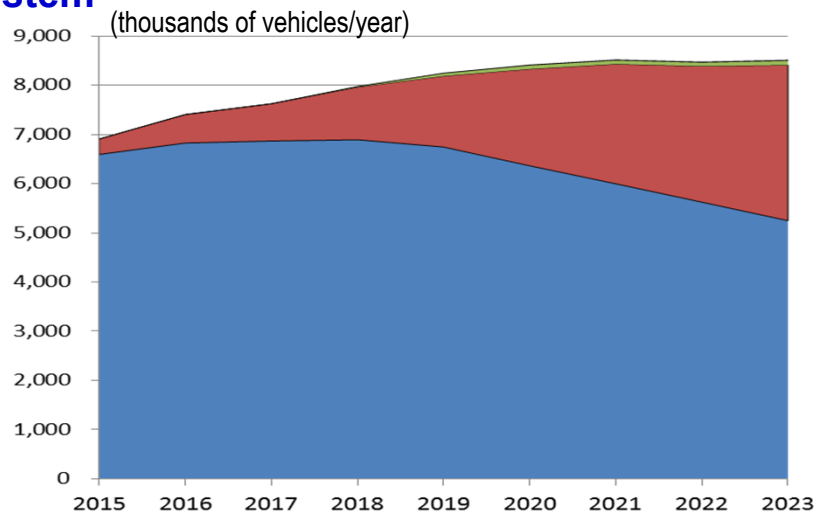
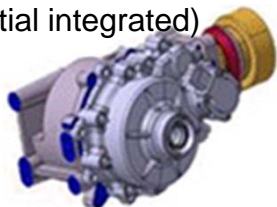
2016: Start of driveline business HQ
 2017: Driveline system development/Driveline electronics engineering development (Made exclusive organization)

3-2-2) Support for Electrification through AWD System

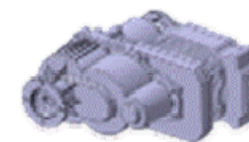
Promote the support for electrification in the AWD field (E-AWD) steadily that progresses in advance to the changes to the electrification of vehicles (EV) along with the strengthening of our conventional AWD system

○ Trend by vehicle types

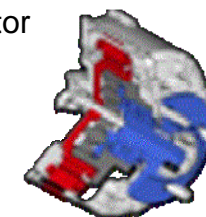
Hydraulic type torque controller (Differential integrated)



E-AWD



In-wheel motor AWD

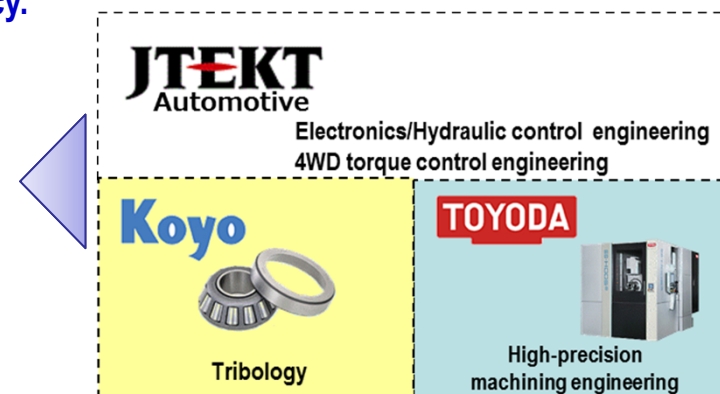


Progress in each element development

Setting the base on 4WD control engineering which our driveline business is strong at, added the engineering that utilizes the strength of “ALL JTEKT”, and accelerated the element development of both “Conventional” and “E-AWD” to contribute to the actualization of better driving performance and better fuel efficiency.

Element	Conventional	E-AWD
• Deceleration mechanism	○	○
• Drive motor/Inverter		○
• Actuator mechanism	●	○
• ECU	●	○
• System/Unit control	●	○
• Integration of differentials	●	○

●: Present ○: New



3-2-2) Strengthen Hydraulic System

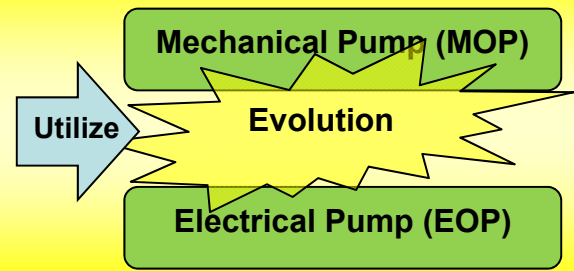
Better fuel efficiency/Contribution to the change to EV

- Hydraulic systems that meet next-gen. vehicles/units
- Expand utilization fields of electrical pump

Strength

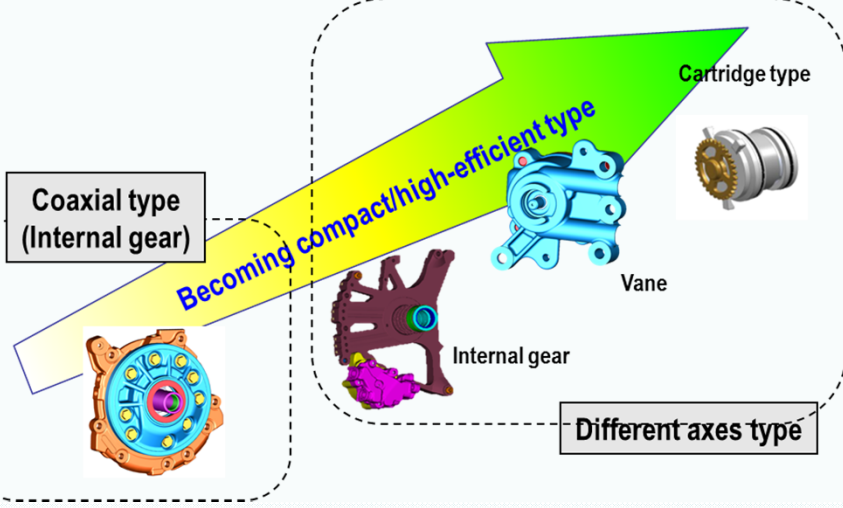
Hydraulic knowledge

Circuit design ability



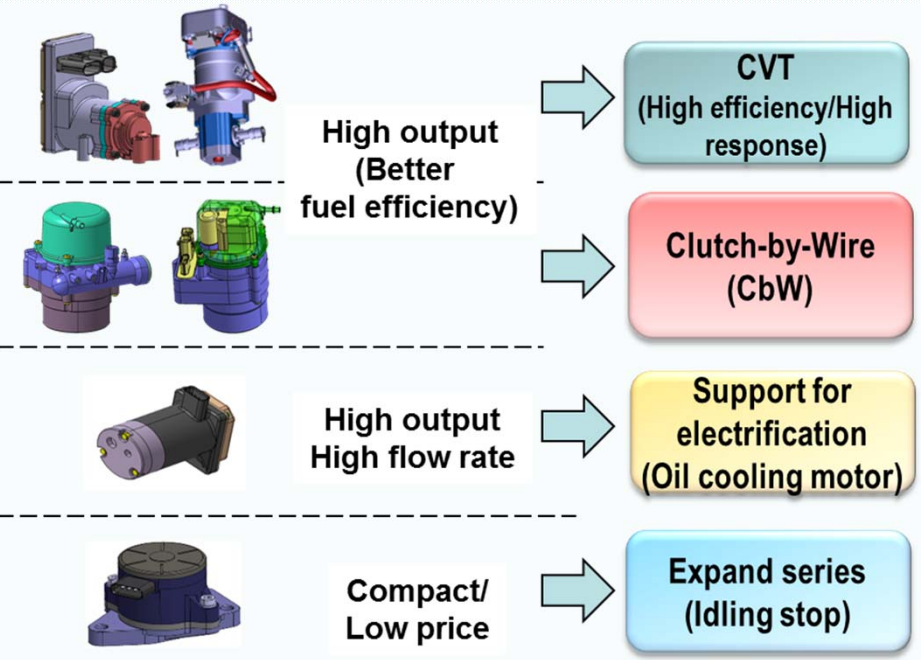
Mechanical Pump (MOP)

Electrical Pump (EOP)



Better installation/Larger capacity

Contribute to better fuel efficiency

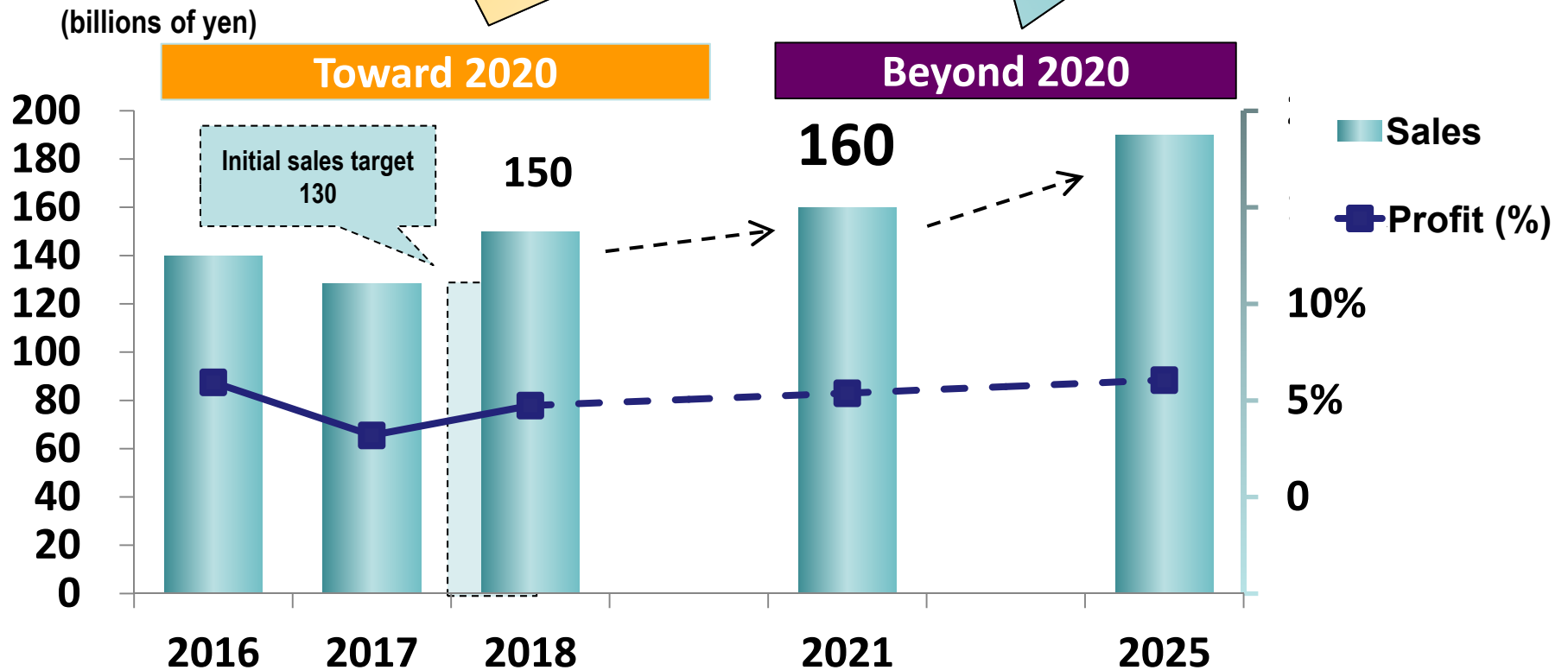


3-2-2) Forecast for FY2018 Mid-term Business Plan for Drivelines

¥95/US\$, ¥110/€, ¥16/yuan

Although severe situation would continue between 2016 and 2020, our initial target is expected to be achieved

Growing after 2021
⇒ Huge leap to become a leading company



3) Bearings

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

Mid-term Management Plan

Long-term vision for bearing business units

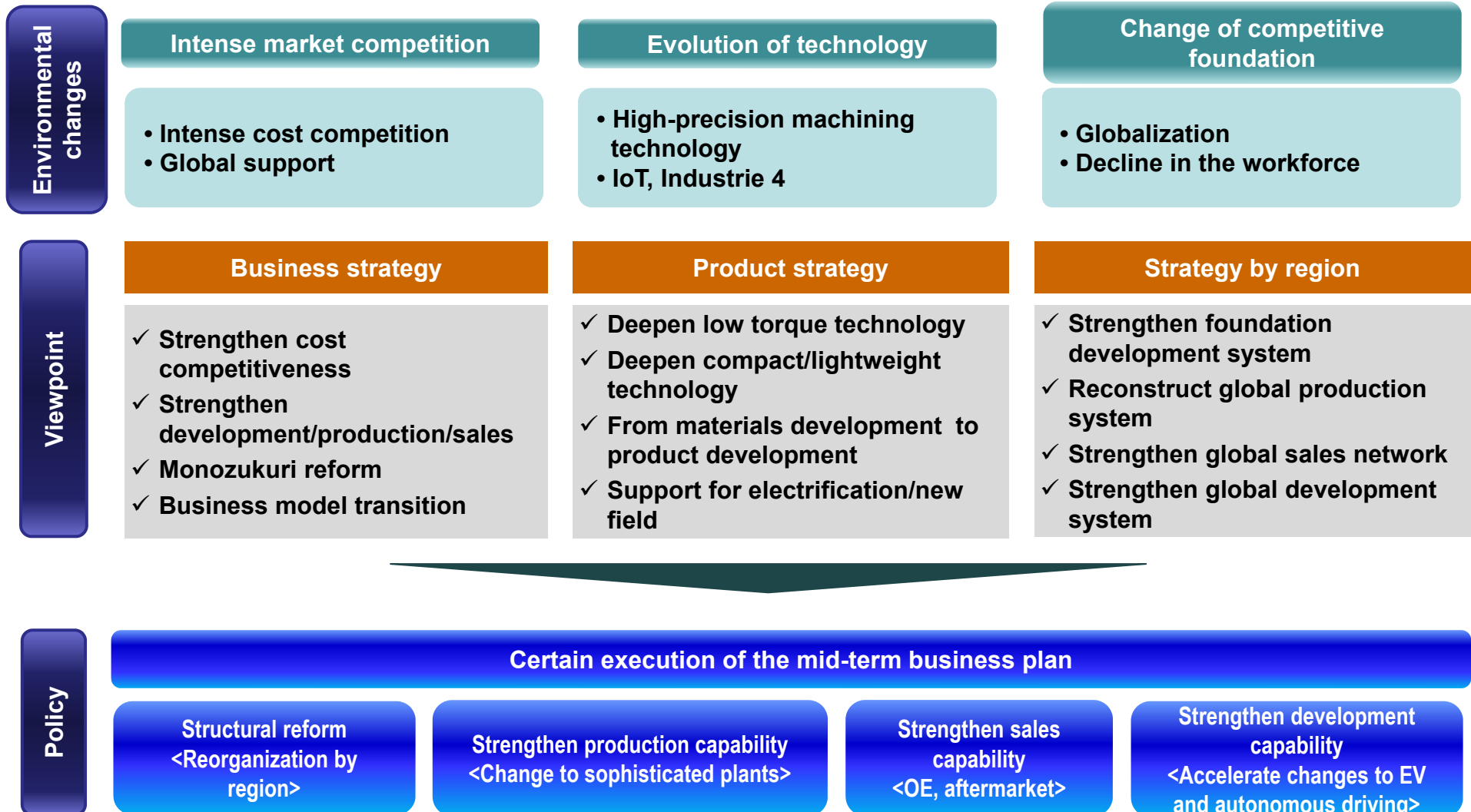
**Continue creating value, impress customers,
 and praised by customers
 — Lift the "Koyo" to be the leader brand in the world —**



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

3-2-3) Bearing Business Growth Strategy

Transition to a highly profitable business through industry/product strategies and regional strategies



3-2-3) Situation of Reforms of Business in Japan

Kokubu Plant

Promote to become a flagship plant for industrial bearings

- Streamlining through layout review
- Improve competitiveness of middle type TRB (One-roller-at-a-time)



- Establish optimized line (Smallest lot line)

Kameyama Plant

Establish foundation for profits as a global HUB model plant

- Introduce high-speed line, small lot corresponding line, and compact line
- Improve logistics
- Actions for energy saving/environment



Kameyama 2nd Plant



HUB high-speed line

Accelerate actions to improve competitiveness

3-2-3) Strengthen Productivity/ Production Engineering Capability (1)

Promote the change to sophisticated plants

- 1) Install IoE
- 2) Promote automated and unmanned lines
- 3) Strengthen equipment maintenance and renew old equipment
- 4) Meet small lot demand

Enhance abilities/motivation through shifting workers to multi-skilled worker or maintenance person

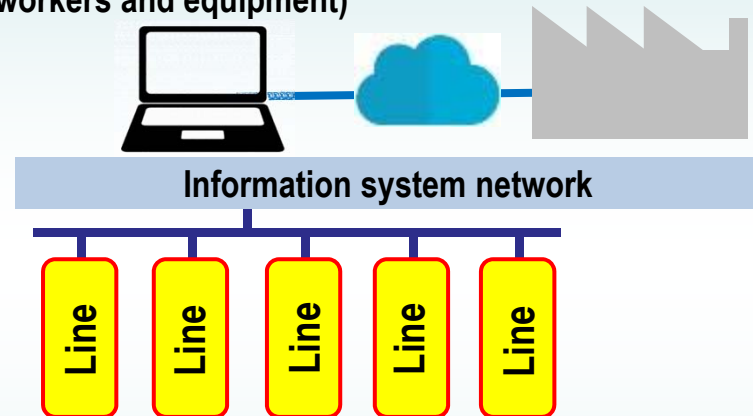


- Improve competitiveness
- Countermeasure for the decline in the workforce

[Install IoE]

Actualization of JTEKT made IoE system in JTEKT plants

1. IoE of Maintenance (Control of life cycles and signs of abnormalities)
2. IoE for Quality (Control of quality)
3. IoE for Production (Improve productivity of workers and equipment)



[Promote JIDOUKA]



Manpower saving though the installation of automatic appearance tester

3-2-3) Strengthen Productivity/ Production Engineering Capability (2)

Situation of equipment performance and Kaizen plan

Low equipment performance due to the aging of equipment has dropped the productivity which is a large factor of the sluggish profitability

[Kaizen Plan]

For all the equipment in the five bearing plants in Japan

1) Create equipment aging map

Sort by the degree of age
(Renew/Restore/Organize)

2) Clarify priority/budget

Make budget and take continuous actions

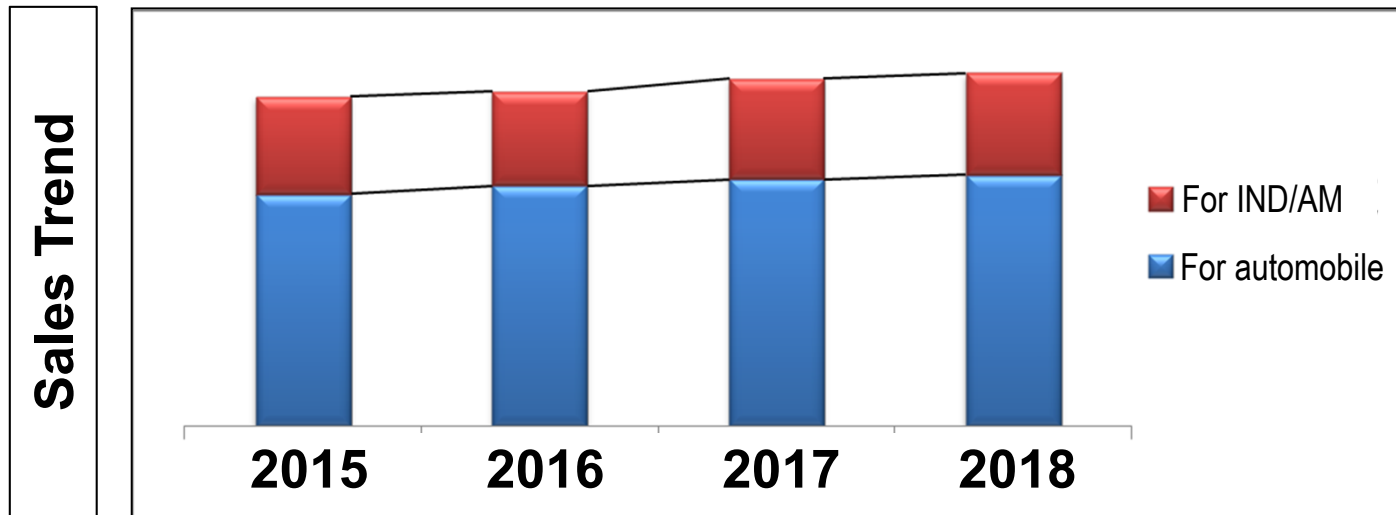
3) Overhaul/renew old equipment

Train human resources and cut cost through our engineering



- Deploy the actions in plants in Japan globally
- Continue the planned equipment maintenance/renewal

3-2-3) Strengthen Sales Power



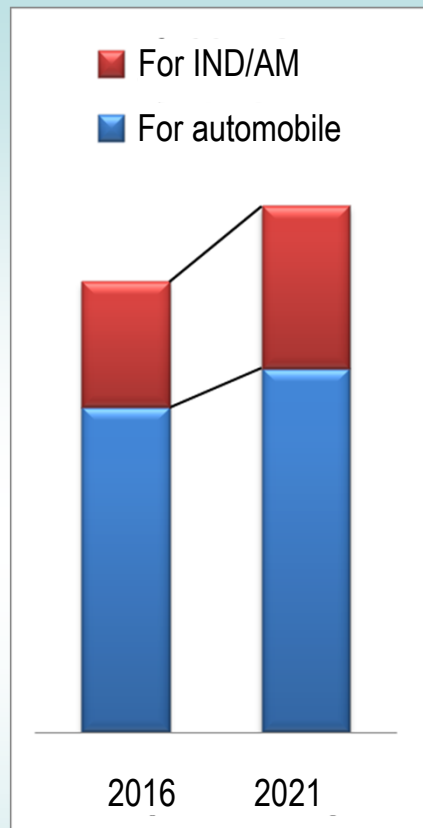
**IND/AM
 2017 sales is
 expected to be
 above that of 2015**

Sales of bearings for industrial machine/aftermarket bottom out and turned to recovery



Business Type	Action item until now	Future action plan
IND (Industrial machine)	Strengthen actions for each business type (Construction/ Agricultural machines, machine tools) to acquire new projects and market recovery.	Strengthen the front-loading activities in business/product types globally.
AM (Aftermarket)	Expand aftermarket products and enrich the product series.	(Japan/NA/EU) Strengthen aftermarket sales network/train aftermarket human resources.

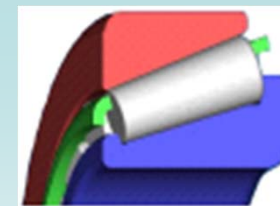
Promote actions steadily to gain sales



Resulting from strengthening IND/AM, the percentage would increase

◆ Agricultural/Construction machinery

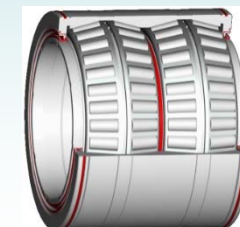
- Extend bearing life under severer operating conditions



Long-life mid/large type TRB

◆ Wind power/Steel

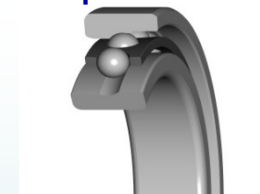
- High performance (Long life, low torque, high sealability)
- Develop monitoring technology



High-sealability 4-row tapered roller bearing

◆ Machine tools

- Machine tools that ensure low temperature rise
- Low environmental load, unitization technology



Low temperature-rise angular ball bearing

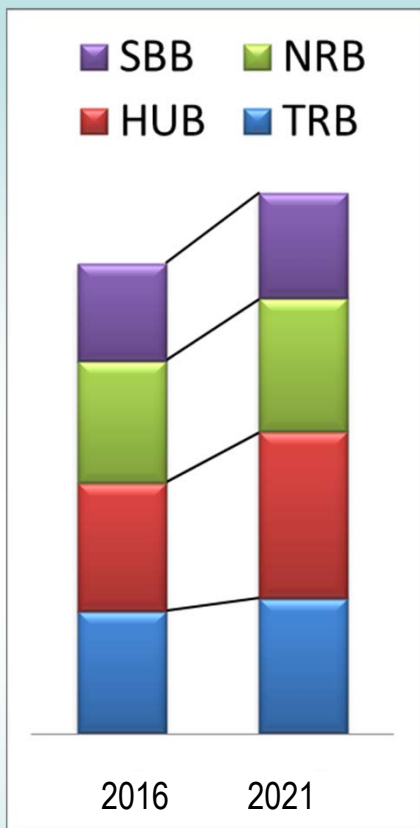
◆ EXSEV (Special environment)

- Strengthen bearings for special operating environment (e.g. Semiconductors, medical equipment)



Turbo-molecular pump Touch-down bearing

Sales expansion utilizing JTEKT's strong points



Increase: TRB, HUB, NRB
Maintain: SBB

◆ TRB

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



High-function TRB (LFT-IV)

◆ NRB

- Further advance in long-age engineering
- Strengthen development foundation and production systems in Japan

UKK (UTSUNOMIYA KIKI) is building Kiyohara new plant



Conceptional photo of Kiyohara new plant



Low-torque thrust NRB

Provided by: YOKOMATSU ARCHITECTS

Accelerate changes to EV/meeting autonomous driving

[Required functions]

- Engineering that contribute to vehicle integrated control
- Higher-speed rotation, better quietness
- More compact, more lightweight



[Accelerate responses to changes]

Reading the future requirements of customers and automobile changes, and develop and install new products to market in a timely manner

◆ HUB

- Contribute to autonomous driving with our sensing functions
- More compact and more lightweight bearings for the changes to EV
- Improve B-HUB competitiveness



Lightweight B-HUB

◆ SBB

- Develop high-function products foreseeing the changes to EV
 - Bearings meeting high-speed rotation
 - Better quietness thanks to high-precision bearings
 - More compact, more lightweight
- Strengthen manufacturing reform and establish optimum production systems



SBB meeting high-speed rotation

3-2-3) Forecast for FY2018 Mid-term Business Plan for Bearing

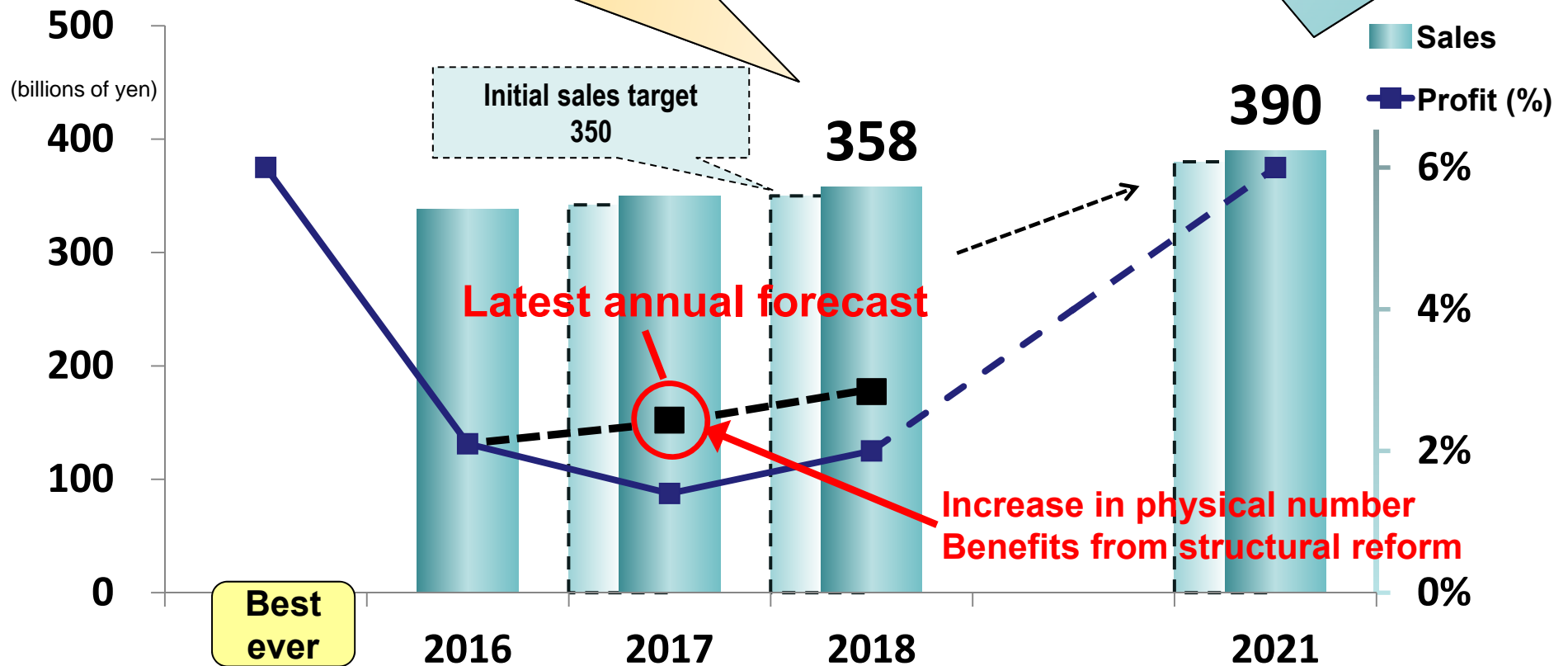
FY2018 Sales and Profit Forecast

¥95/US\$, ¥110/€, ¥16/yuan

Revise the initial target due to environmental changes, etc.

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

<Actualization of strategies by business/product>
Accumulate profits by actualize strategies by business/product.



Key of your operation

Koyo

4) Machine Tools & Mechatronics

- **True total production line builder** trusted by customers
- Provide value in all phases of Monozukuri

Ideal

Strengthen
product potential

- Grinders: More solid and become global No. 1 in special grinders
- Machining centers: Focus on mid/large-size types, high-rigid machines
- Gear skiving center: Only One in the gear processing field

Business model
revolution

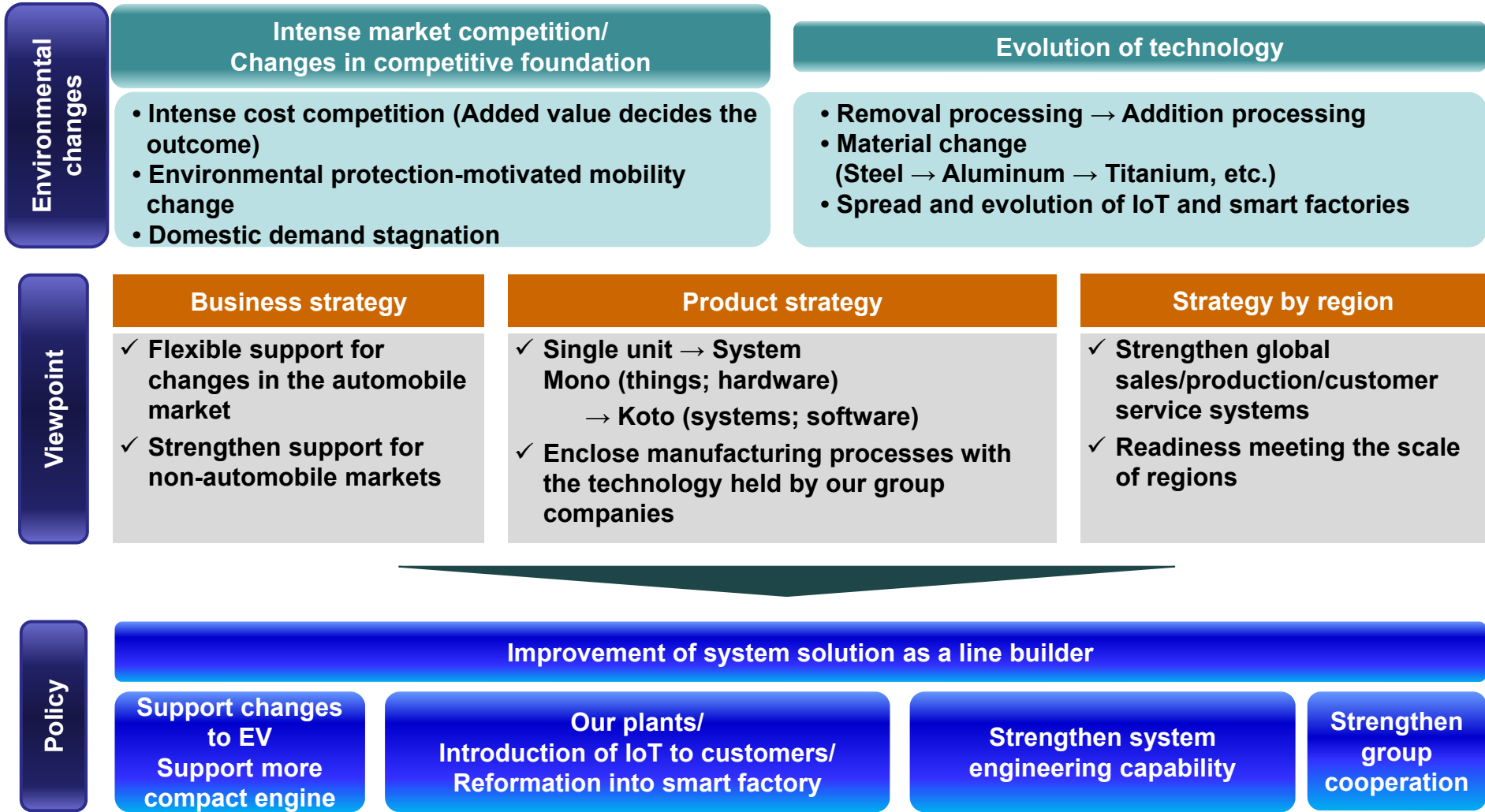
- From “Focus on new machine business” to “3-factor connectable business”
[Value chain] [Process/Technology] [Product potential]
- Not only “Monozukuri” but also “Kotozukuri”
- Industrie 4.0, support for reformation into a smart factory

Supply system

- Start overseas production and continue streamlining of sales/customer service systems

3-2-4) Machine Tools & Mechatronics Business Growth Strategy

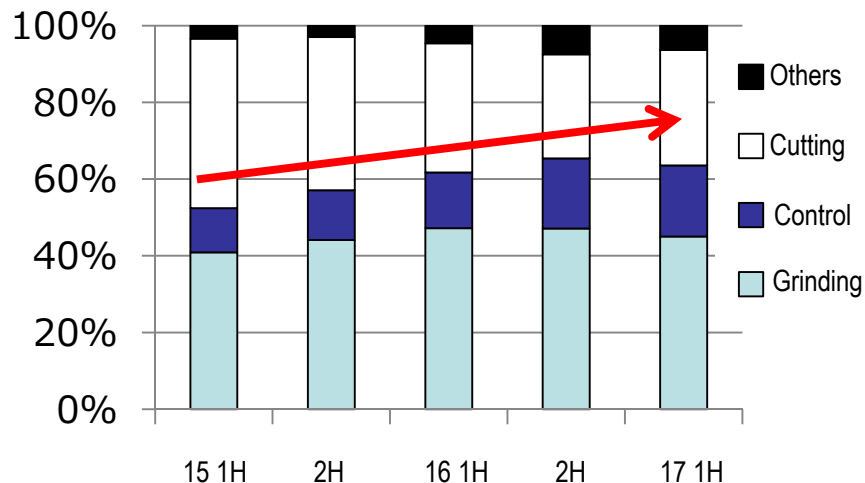
Establish position as a total production line builder by utilizing IoE that can provide values in all phases of Monozukuri



3-2-4) Progress in Mid-term Management Plan (1)

Shifting resources to grinders/control system businesses (JTEKT Corp.)

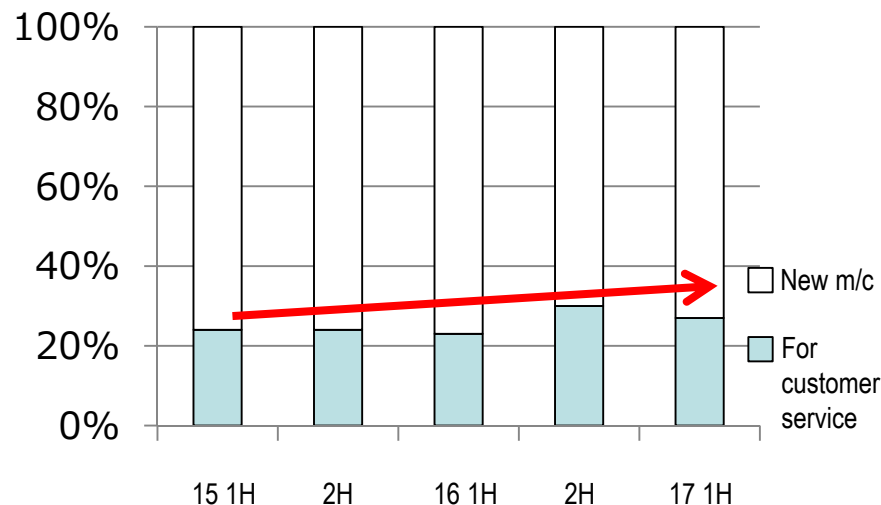
Non-consolidated



Competitive grinders } Strengthen profitability
 Profitable control systems } through shifting resources

- Shifting resources → Multi-skilled workers
 : Improve supporting for the difference in workload between products
 (Improve resistance to market changes)
- Issue: Expand overseas production to strengthen machining center business

Strengthen customer service business (JTEKT Corp.)

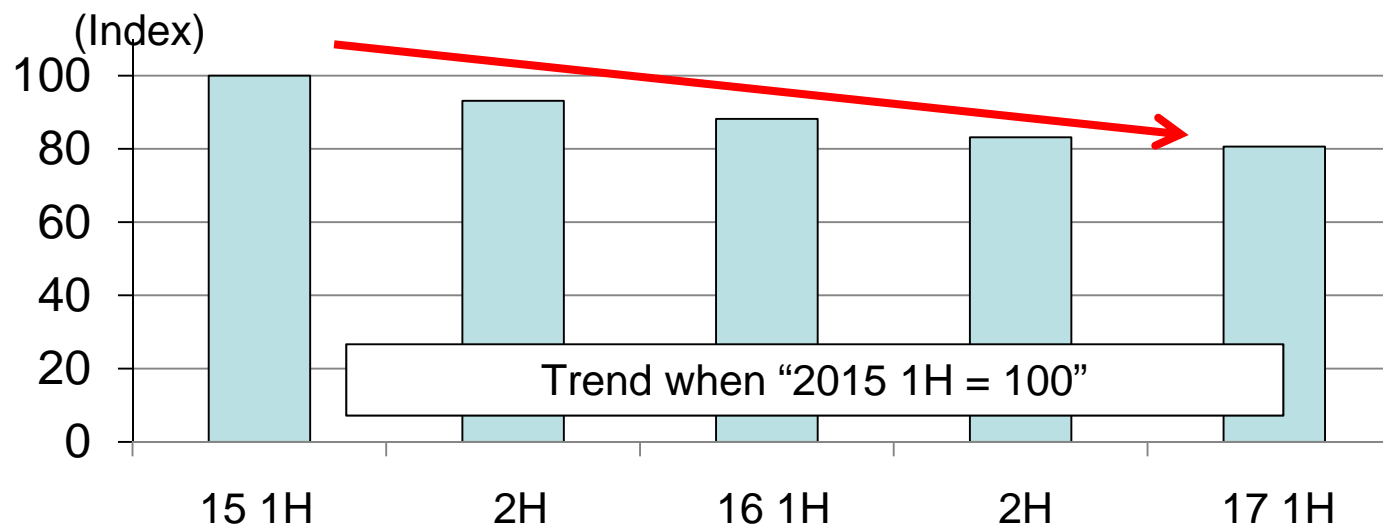


Number of machines: 50,000
 → Stabilize profit base by strengthening customer service business

- Grinders: Start sales of secondhand machines
 Strengthen lease business (Under examination)
- Issue: Strengthen engineering systems of our group companies (Improve ratio of customer service as a whole group)

3-2-4) Progress in Mid-term Management Plan (2)

Break-even point trend (JTEKT Corp.)



Proceed the strengthening of business base that follows the mid-term plan, and promote the improvement of business structure

- Strengthen profitable products
- Cost reduction/actions for lost-cost, etc.
 - To prepare for environmental changes, promote strengthening business structure while proceeding preparation for taking actions.

Issue: Shorter development/manufacturing lead time

Install resources for development that reads the future market

3-2-4) Responding to Electrification

Meeting gasoline engine downsizing (HV/PHV)

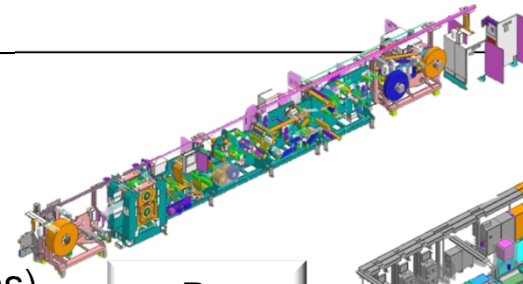
- Support TNGA engines
 (Delivered to Japan/overseas, continue until 2018)
- Delivered e300G (Grinder for turbo shafts)

■ e300G

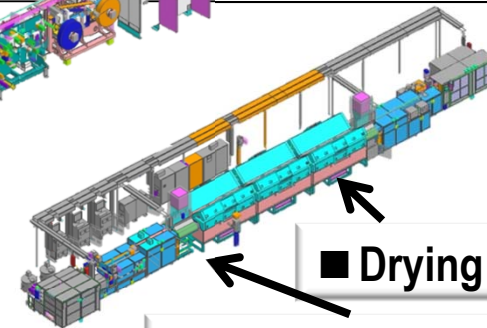


Support changes to EV

- Delivered equipment for lithium battery
 (For mass production)
 - Kneader
 - Coating machine
 - Press
 - Drying machine (Koyo Thermo Systems)
- Gear skiving center projected to automotive components: Install GS200H5 to market (May 2017)



■ Press

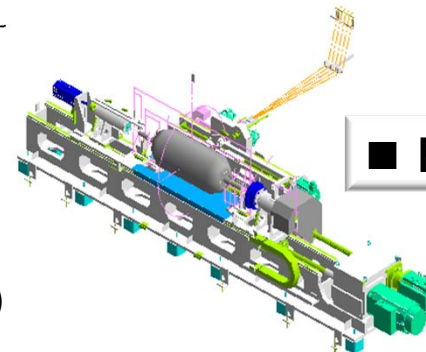


■ Drying furnace

■ Coating machine

Support changes to FCV

- Delivered FCV equipment (For mass production)
 - Filament winding machine for FC tanks
 - Coating machine
 - Drying machine (Koyo Thermo Systems)



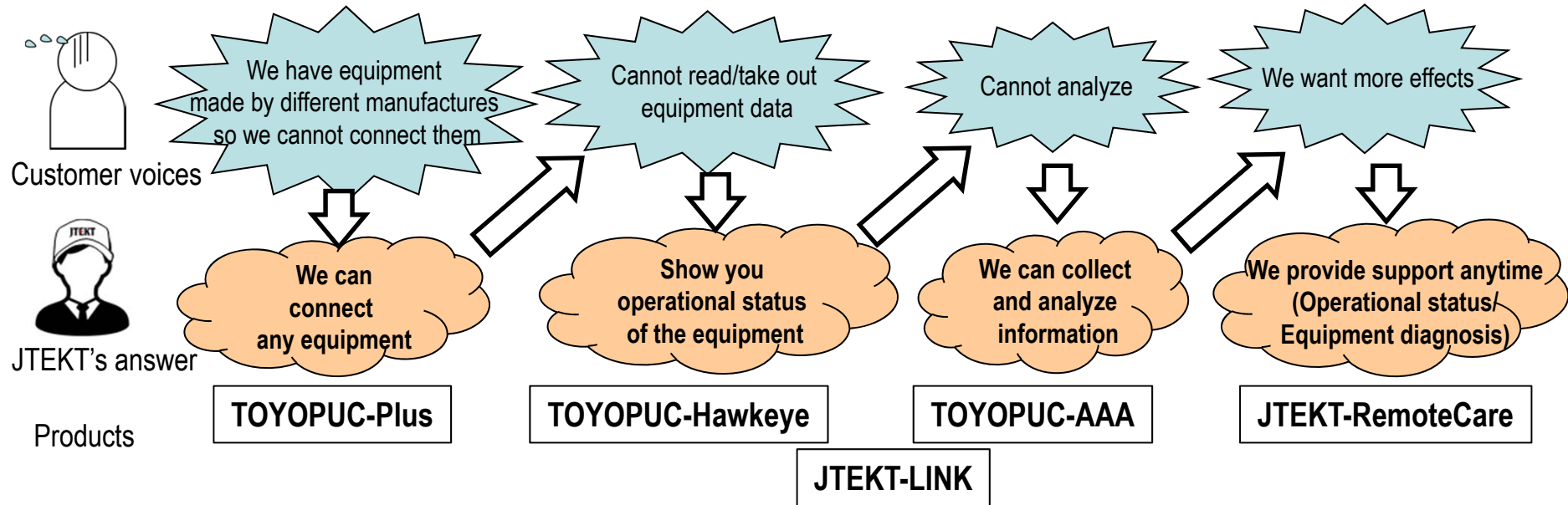
■ FW machine for FC tanks

FW: Filament Winding

3-2-4) Next Pillar: Actions for IoE

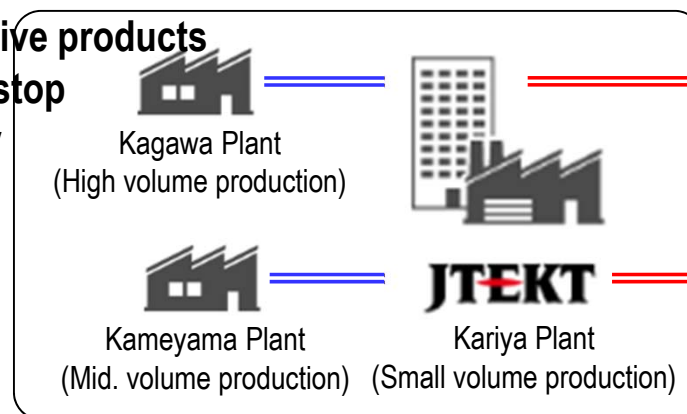
IoE: Internet of Everything

● JTEKT's "IoE solution" that makes the present equipment smarter through four steps



● Proof building smart factories in plants in Japan/customers' model plants

- Line without defective products
- Line that does not stop
- Higher productivity



Our only wish: Do not want to stop our machines

Kaizen ideas one after another. Small worksites need IoE.

“Want to know the exact tool life”

Estimation of tool life. Worksites' awareness become aggressive.

3-2-4) Strengthen Cooperation with Group Companies

■ Support customers' plants using unique engineering of our group companies



- **JTEKT**
 - Machining centers, grinders, special purpose machines
- **KMI (KOYO MACHINE IND.)**
 - Grinders, special purpose machines
- **HOUKO**
 - Grinders
- **TVMK (Toyota Van Moppes)**
 - Grinding wheels, dressers, truing devices
- **CNK**
 - Transfer equipment, coolant system, rolling machines
- **Koyo Thermo Systems**
 - Heat treatment furnaces

- **KMI**
 - Assembly machines, FA systems
- **Toyooki Kogyo**
 - Assembly systems

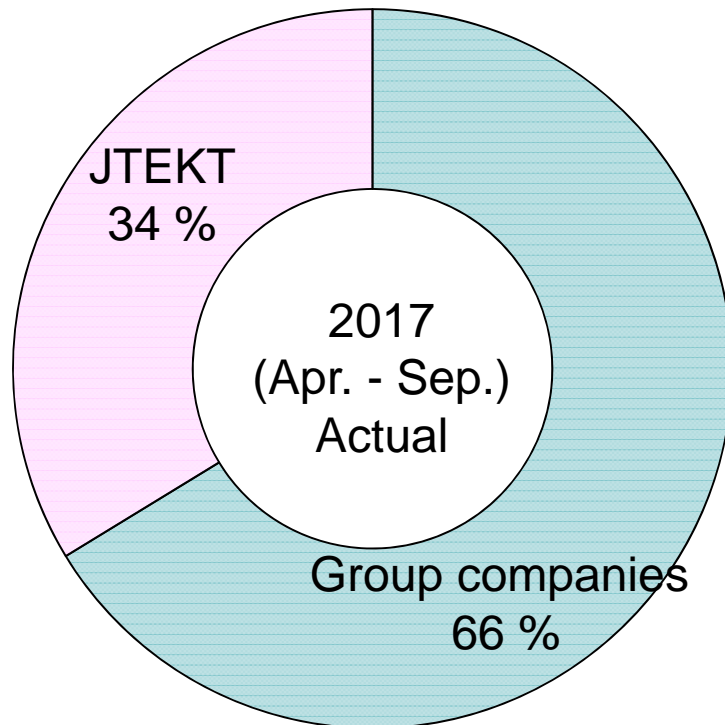
- **KMI**
 - Inspection systems
- **KOYO ELECTRONICS INDUSTRIES**
 - Measuring devices
- **Toyooki Kogyo**
 - Measuring systems, testers

- **JTEKT**
 - Bearings, controllers
- **KMI**
 - Ball screws, spindles
- **KOYO ELECTRONICS INDUSTRIES**
 - Controllers, displays

- **Toyooki Kogyo**
 - Hydraulic equipment, valves

3-2-4) Strengthen Cooperation with Group Companies

◆ Consolidated sales status



◆ Engineering for different industries (1)

Automotive, Industrial machines

- Crank/Cam shafts grinding
- Cylinder block/head cutting
- Transfer (CNK)
- Water pump components surface improvement (CNK)
- Heat treatment (Koyo Thermo Systems)

■ Small carburizing furnace



Smart FLEC Carburizing Furnace

3-2-4) Strengthen Cooperation with Group Companies

◆ Engineering for different industries (2)

Semi-conductors

- Wafer grinding (KMI)
- Heat treatment (Koyo Thermo Systems) (Clean heating for OEL, etc.)

■ Wafer grinder



Dies

- Precision cutting (Mitsui Seiki)
- Ultra precise grinding

■ High-precision machining center



*Precision
Profile
Center*

Others

- Hydraulic vibration control (Toyooki Kogyo)
- Cutting for aircraft components
- Development of small type eccentric shafts grinders for robot reducers

■ Vibration controlled damper

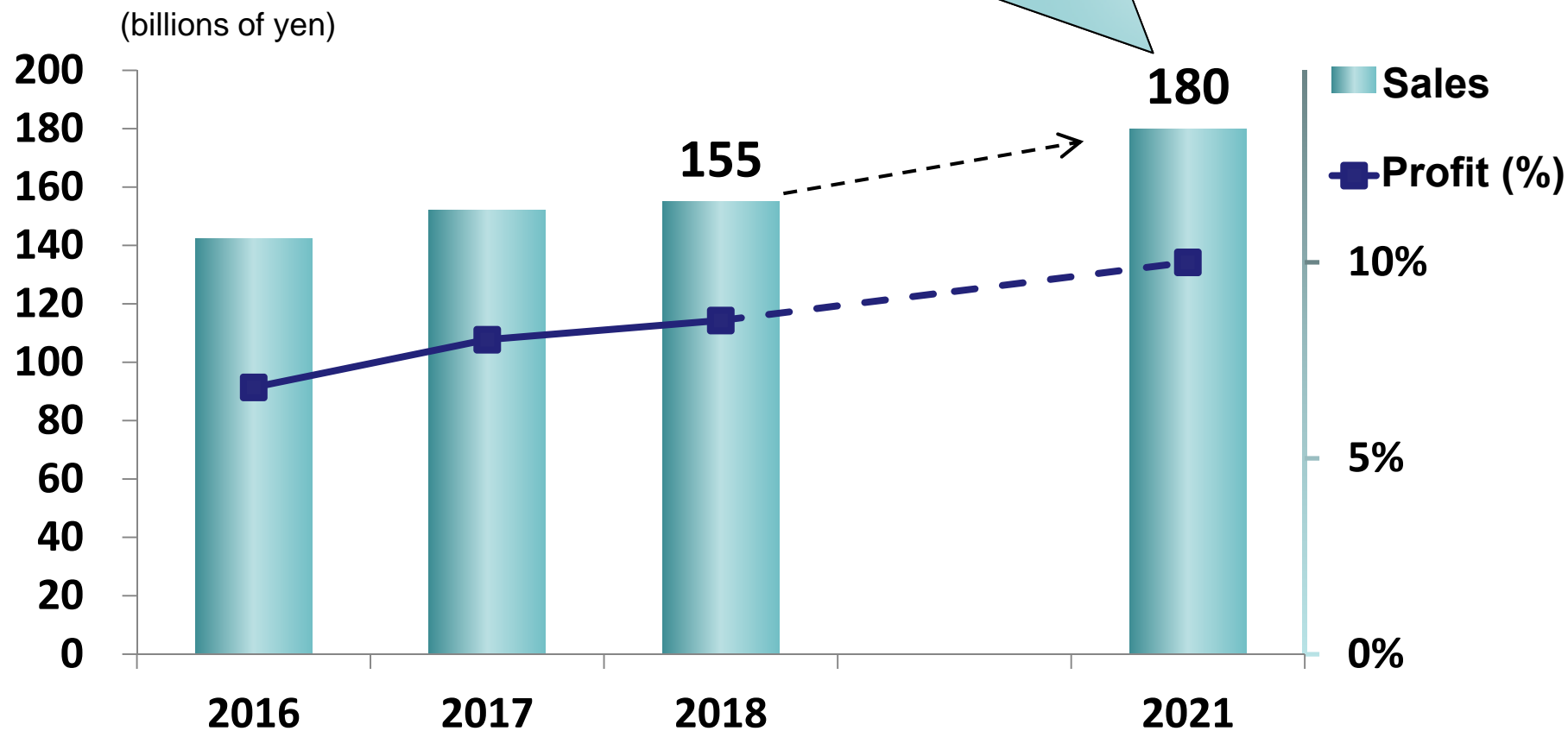


3-2-4) Forecast for FY2018 Mid-term Business Plan for Machine Tools & Mechatronics

FY2018 Sales and Profit Forecast

¥95/US\$, ¥110/€, ¥16/yuan

Promotion of business structure revolution



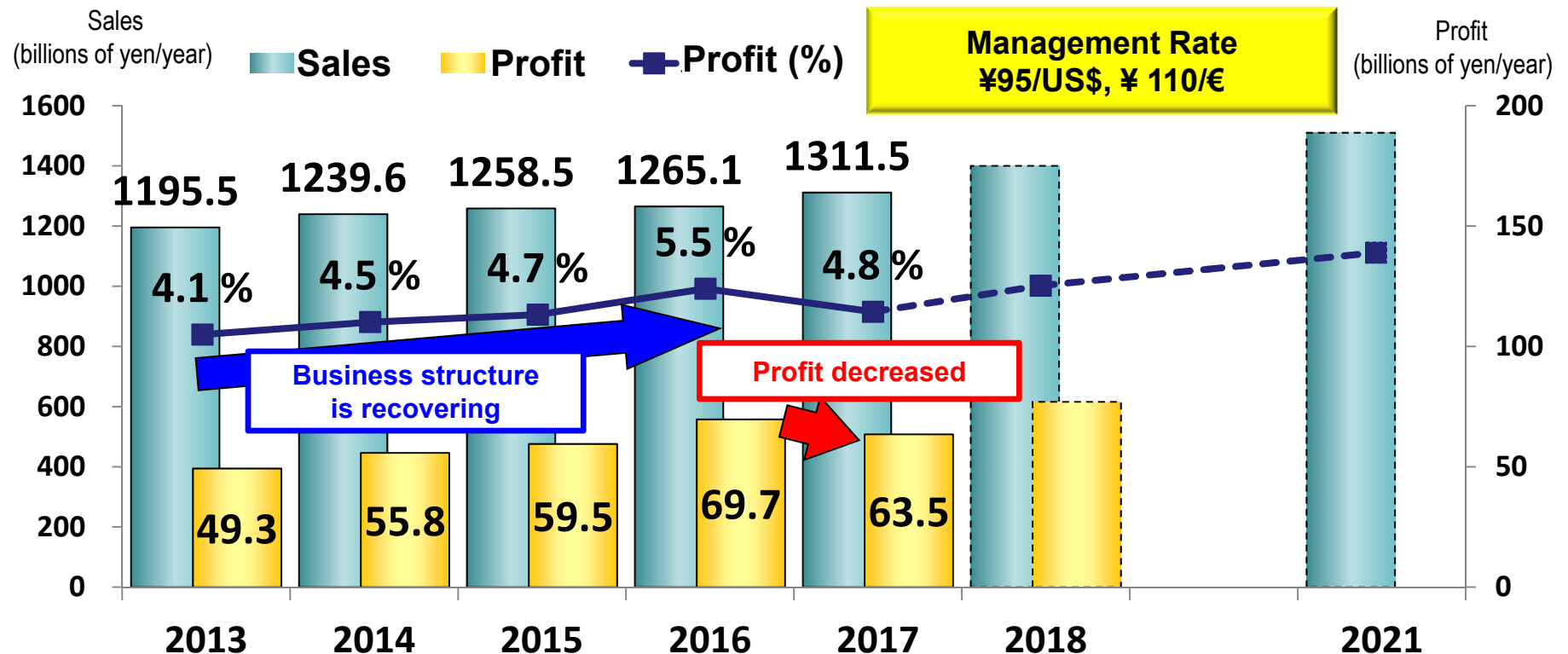
1) Reviews

3-3-1) Review – Profit & Loss Trend (Management rate)

Business structure was improving until FY2016 except for the foreign exchange rate, but FY2017 profit is expected to decrease because of

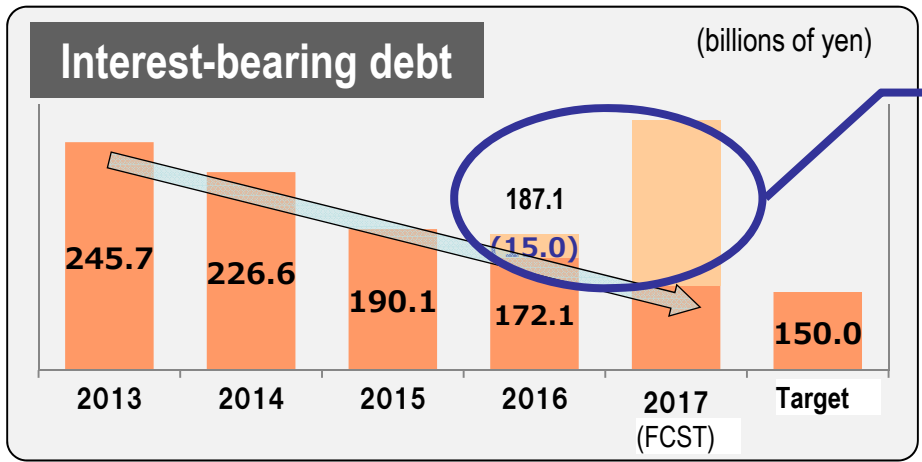
- (1) JTEKT Profitability falling,
- (2) Launch Rack assist EPS in North America,
- (3) Upfront investment for the future such as ADAS/loE

→ Returning to the level of FY2016 in FY2018 as a result of the stabilization of downstream EPS business and collecting the benefits on future investment



3-3-1) Actions to reduce Interest-Bearing Debt

Aggressive management through creating funds from B/S streamlining



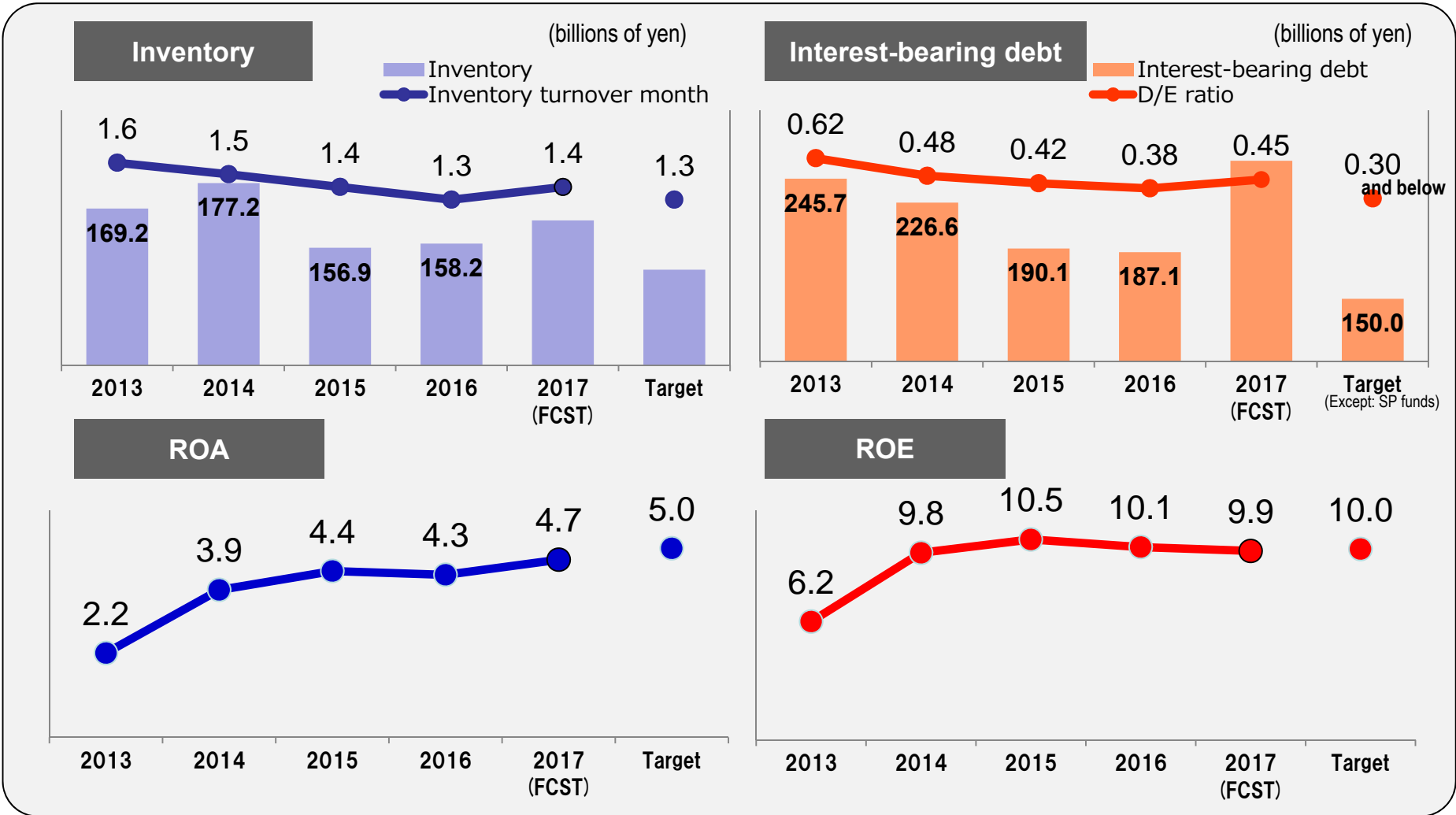
• Acquire additional shares of SKSSL	15 billion yen
• Acquire additional shares of FKK	20 billion yen
• Antimonopoly act-related expenditure	16 billion yen
• Quality assurance expenditure	5 billion yen
• For Act against Delay in Payment of Subcontract Proceeds, Etc.	40 billion yen

- Sales C/F improvement activities generating from business expansion
 - Profitability increase and early appearance of synergy effects as a result of M&A and creation of new business
- Continue B/S streamlining activities to strengthen financial structure globally
 - Continue our conventional working capital/CCC improvement such as review of optimum inventory amount/inventory reduction
 - Solve regional unevenness of assets from capital optimization (Correct excess/insufficient assets)

Continue enhancement of asset efficiency and reduction of interest-bearing debts

3-3-1) Review - Management Index (Consolidated)

The demands of special funds in FY2017 increased the interest-bearing debts

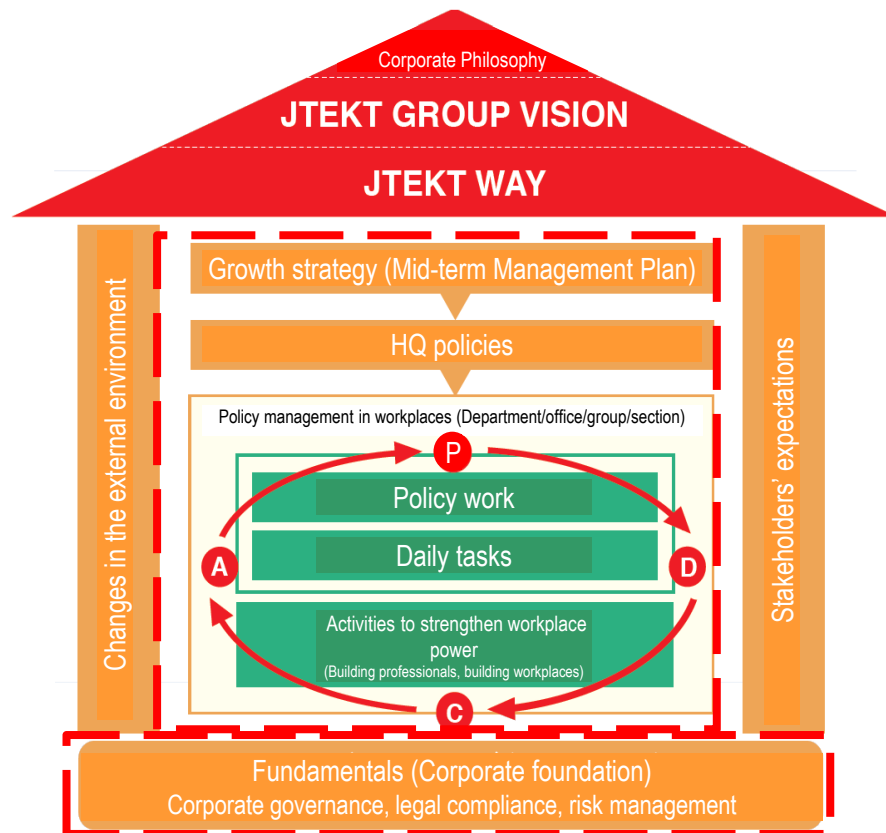


2) Actions for Developing Corporate Value

3-3-2) Management Model

Created a model to actually practice the enhancement of corporate values steadily

Management Model



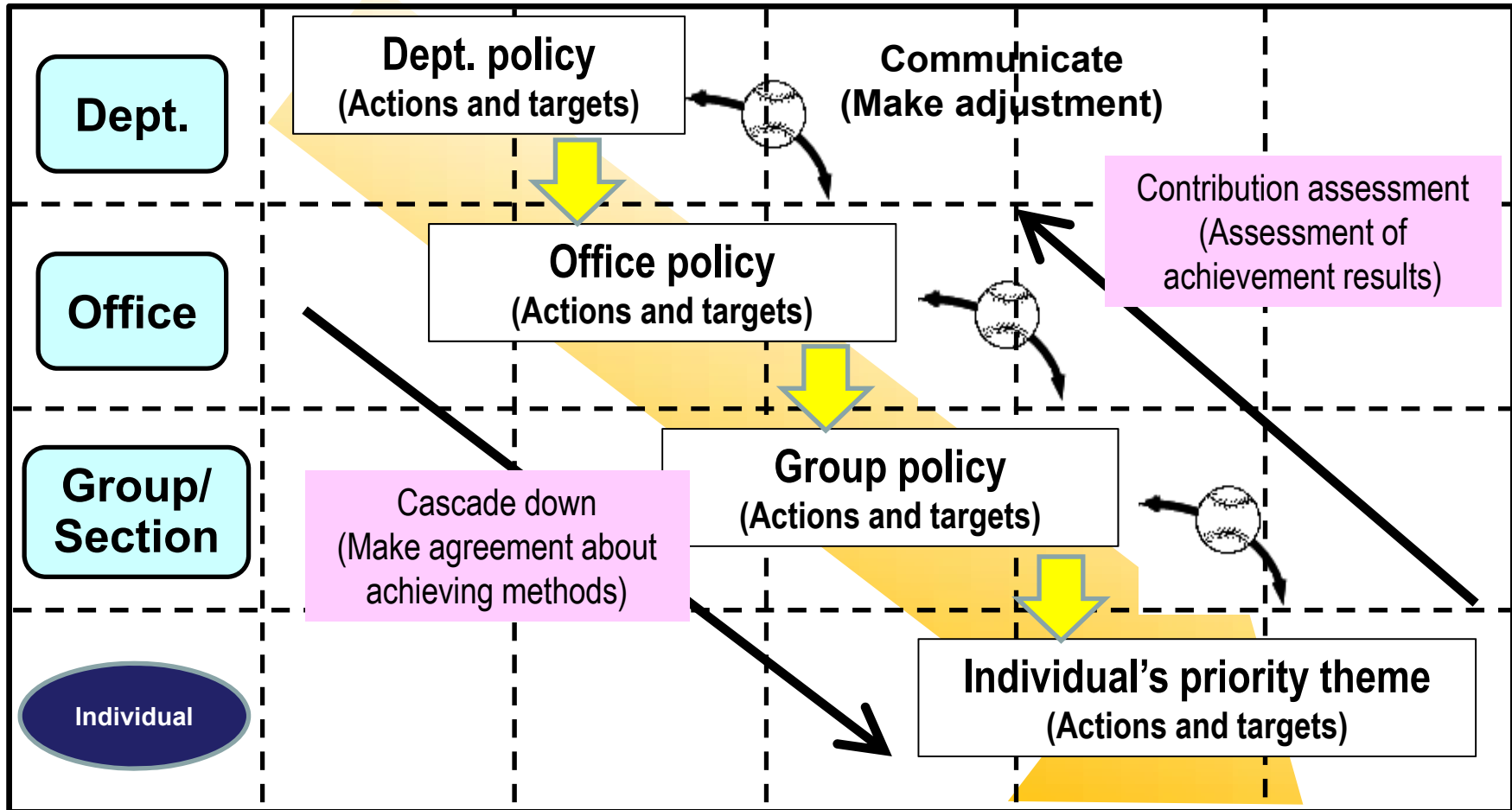
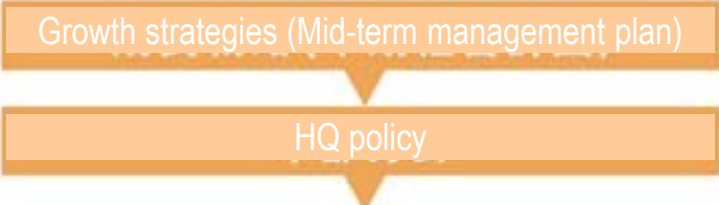
- Share our ideal and take actions based on the common values

- Actions to actualize the growth strategies (Mid-term management plan)

- Establish and maintain a strong corporate foundation and take actions to respond to the expectations of the stakeholders and to the changes of the outside environment

3-3-2) Strengthen Policy Management

To Actualize growth strategies (Mid-term plan), incorporate the policy management down to the priority themes of individual level



Proceed strengthening of the fundamental to support and extend the growth strategies

Familiarization of basic concept	Familiarization of JTEKT WAY	
	<u>OP reform of indirect depts.</u>	<u>Actions for advanced IT</u>
	Promotion of TQM	Promotion of JPS
Enhance individual's and organization's abilities	Problem solving trainings	
	Engineers/supervisors trainings	Work style sophistication of skilled workers
	Promotion of diversity	Strengthening of policy mng.
Find/train/optimal positioning of management resource	Introduction of succession plan Start of training/worldwide transfer	
	Introduction of global assessment system	
Make strategic funds	Promotion of streamlining of B/S	
Strengthen support for changes	<u>Strengthen risk management</u>	

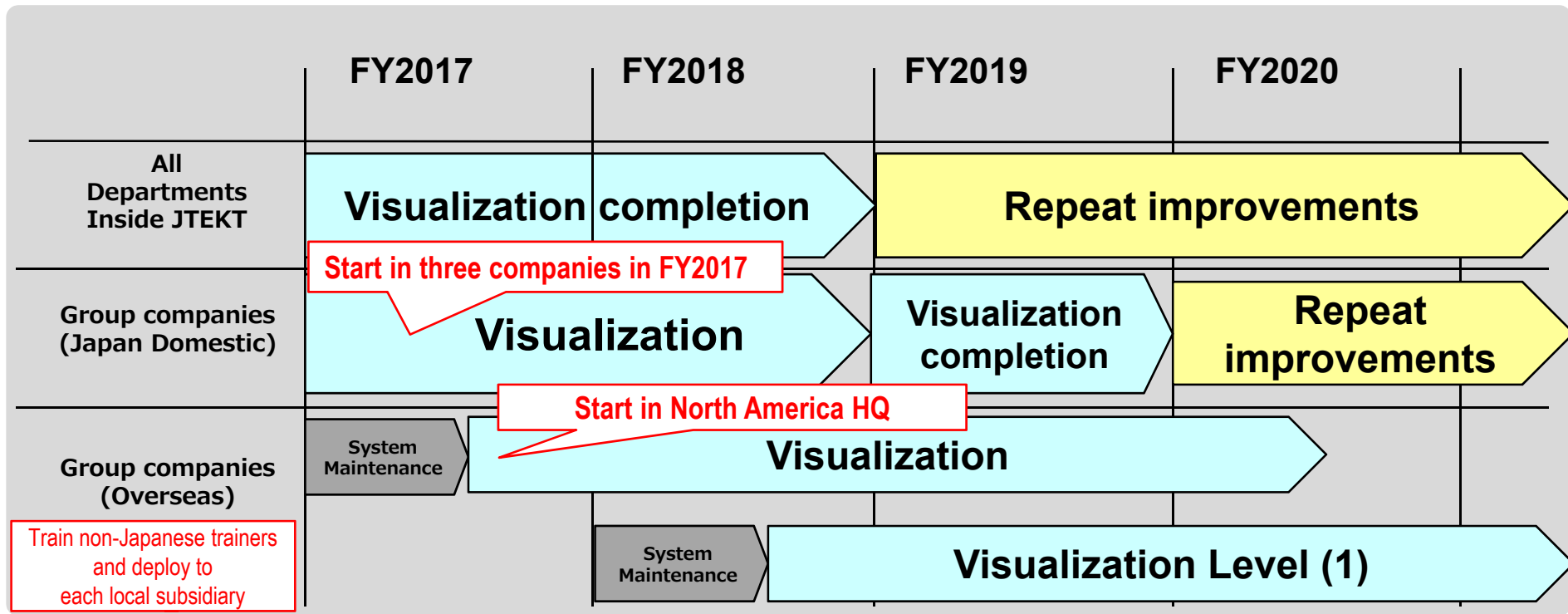
3-3-2) Operational Reform of Indirect Departments

Objective

- Upgrade the standardization of daily work among all the indirect departments of the JTEKT Groups to actualize small headquarters/small indirect departments.
- Enrich total power of the JTEKT Group by supporting work style reform of indirect departments.

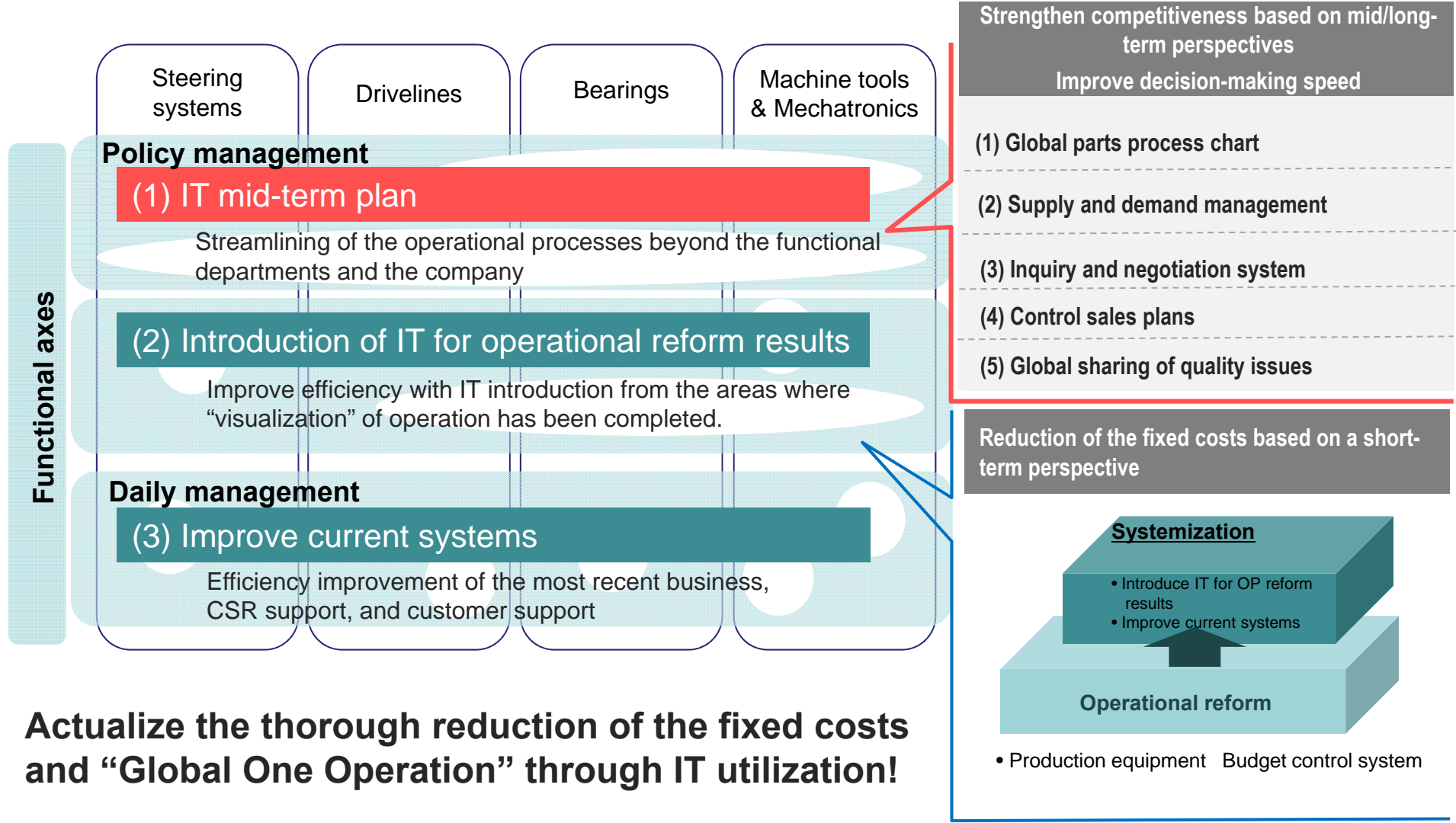
Promotion plan

* Expansion to domestic and overseas group companies



3-3-2) Proceed IT Sophistication

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

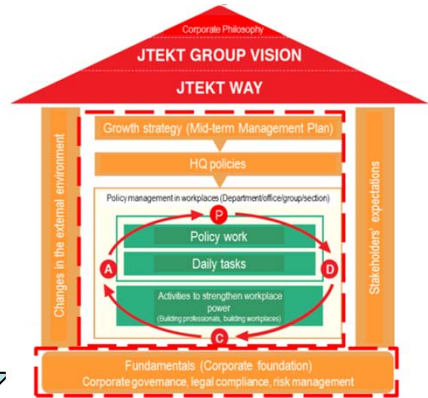


Actualize the thorough reduction of the fixed costs and "Global One Operation" through IT utilization!

3-3-2) Strengthen Risk Management

Share and handle major risk information appropriately and adequately to establish the structure/systems to strengthen fundamental (Corporate fundamental)

- [Changes in external environment]
- Higher demand for ESG (Environment, Social, and Governance)
 - Introduction of NEV regulation in each country
 - Trade issue (NAFTA re-negotiation, Brexit)
 - Higher geopolitical risks etc...



- [Conventional risk management]
- Promote observance of compliance
 - The system that control other risks case by case

Structure

Organic fusion of HQ and control functions for regional axes

Regional-axis	HQ	Functional-axis
EU	Sales	HR
NA	STG	Accounting
S&CA	DL	Safety Environ.
China	BRG	Quality
•	MT&M	•
•		•
•		•

Solve risks integrally worldwide

Risk is:
Uncertainty that impact gains/losses of profit of organization

↓

Risk map

Major Minor

React to:
Changes in external environment (Moving target)
 (Upgrade map)

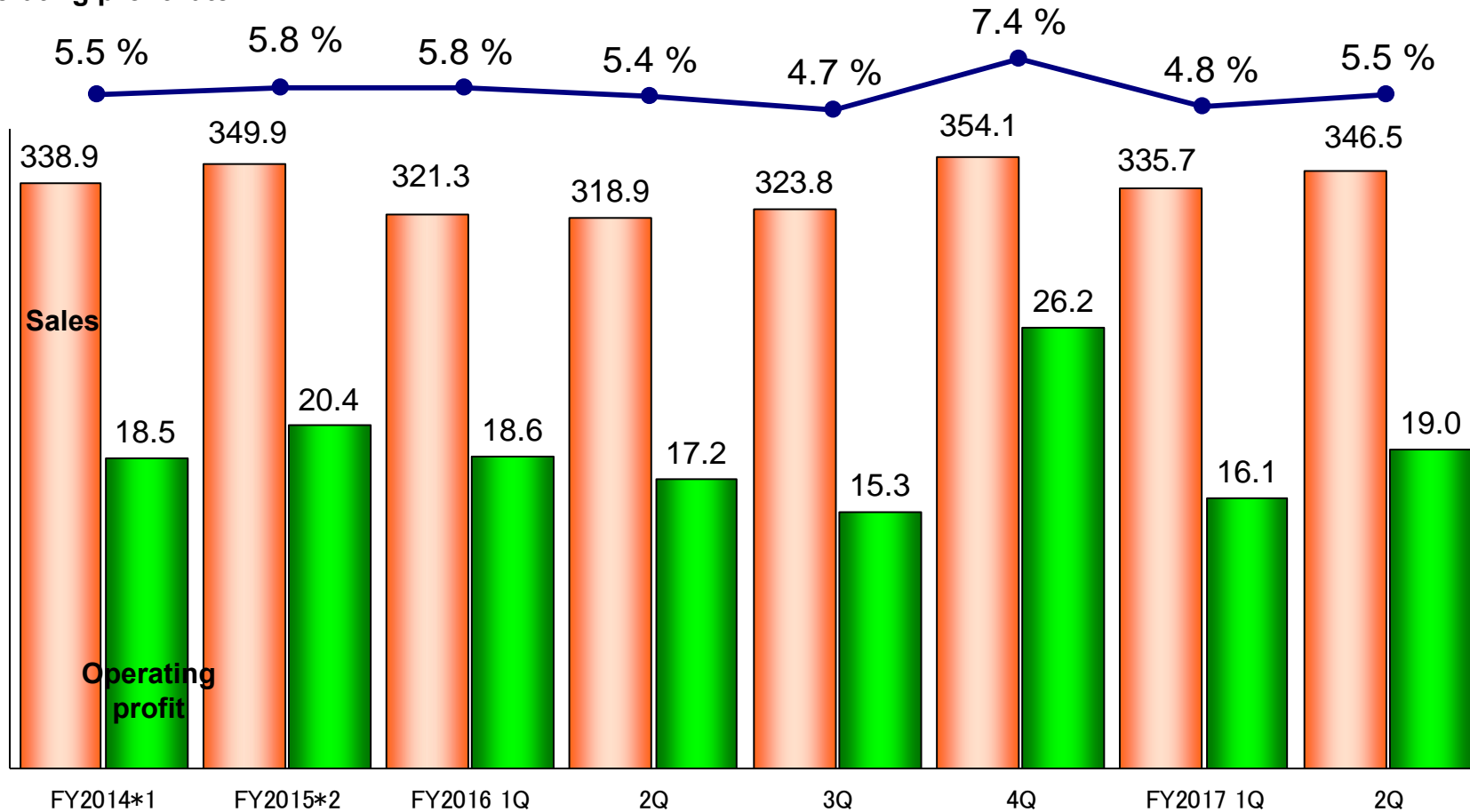
System

- Periodic assessment of risks at inventory counting twice a year
- Clarify risk owners of each risk to take actions

Thank you!

(Reference) Quarterly Result Trend

Operating profit rate (billions of yen)



USD	JPY110	JPY120	JPY108	JPY102	JPY109	JPY114	JPY111	JPY111
EUR	JPY139	JPY133	JPY122	JPY114	JPY118	JPY121	JPY122	JPY130

*1, 2: The FY2014 and FY2015 show the quarterly average. The same applies to the following slides.

(Reference) Sales Forecast by Business Units

(billions of yen)

		FY2016 Full year (Actual)	FY2017 (Forecast)			Increase/ Decrease	Increase/ Decrease (%)
			1H (Actual)	2H (Forecast)	Full year (Forecast)		
Mechanical components	Steering systems	642.9	333.1	361.8	695.0	+ 52.0	+ 8.1 %
	Drivelines	145.5	69.4	68.5	138.0	(7.5)	(5.2%)
	Bearings	387.6	204.9	207.0	412.0	+ 24.3	+ 6.3 %
	[Total]	1176.0	607.4	637.5	1245.0	+ 68.9	+ 5.9 %
Machine tools and others	Machine tools	139.9	74.0	78.9	153.0	+ 13.0	+ 9.3 %
	Others	2.2	0.7	1.2	2.0	(0.2)	(12.1 %)
	[Total]	142.2	74.8	80.1	155.0	+ 12.7	+ 9.0 %
[Total Sales]		1318.3	682.2	717.7	1400.0	+ 81.6	+ 6.2 %

(Reference) Sales Forecast by Company Locations

(billions of yen)

	FY2016 Full year (Actual)	FY2017 (Forecast)			Increase/ Decrease	Increase/ Decrease (%)
		1H (Actual)	2H (Forecast)	Full year (Forecast)		
Japan	549.3	274.3	296.6	571.0	+ 21.6	+ 3.9 %
Europe	193.3	100.6	104.3	205.0	+ 11.6	+ 6.0 %
North America	289.6	145.4	145.5	291.0	+ 1.3	+ 0.5 %
Asia/Oceania (Including India)	135.3	77.5	82.4	160.0	+ 24.6	+ 18.2 %
China	127.6	70.0	73.9	144.0	+ 16.3	+ 12.8 %
South America & Others	22.8	14.1	14.8	29.0	+ 6.1	+ 26.8 %
[Total Sales]	1318.3	682.2	717.7	1400.0	+ 81.6	+ 6.2 %

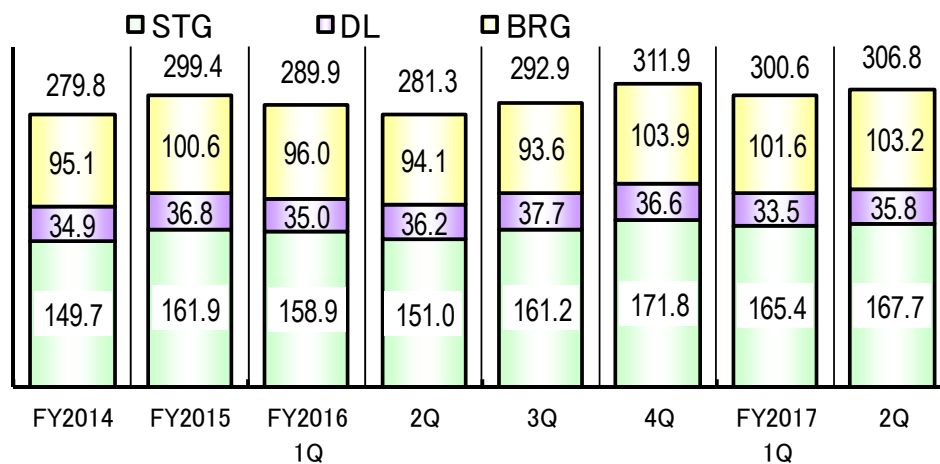
(Reference) Financial Results by Business (Mechanical Components)

(billions of yen)

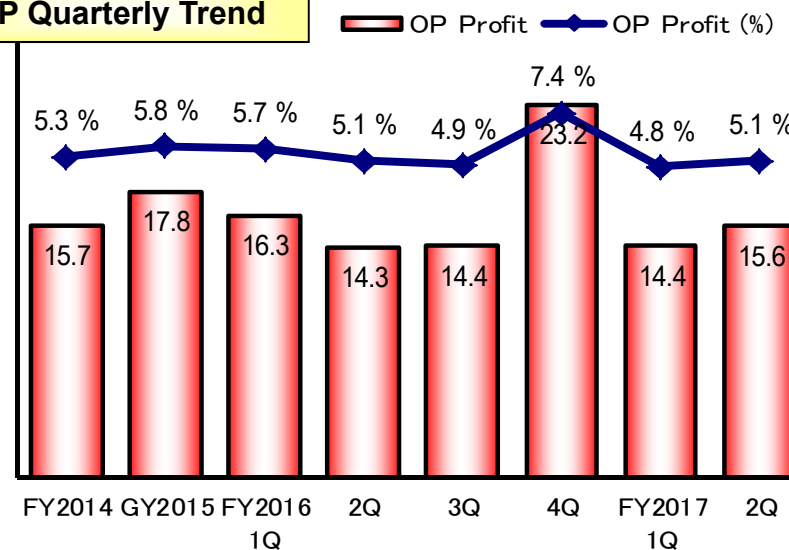
Mechanical components		FY2016 2Q	FY2017 2Q	Increase/Decrease	Increase/Decrease (%)
Steering	Sales	309.9	333.1	+ 23.1	+ 7.5 %
Drivelines	Sales	71.2	69.4	(1.8)	(2.6 %)
Bearings	Sales	190.1	204.9	+ 14.8	+ 7.8 %
[Total]	Sales	571.2	607.4	+ 36.1	+ 6.3 %
	OP Profit	30.7	30.1	(0.6)	(2.0 %)
	OP Profit	5.4 %	5.0 %		

* "Deletion is omitted.

Sales Quarterly Trend



OP Quarterly Trend

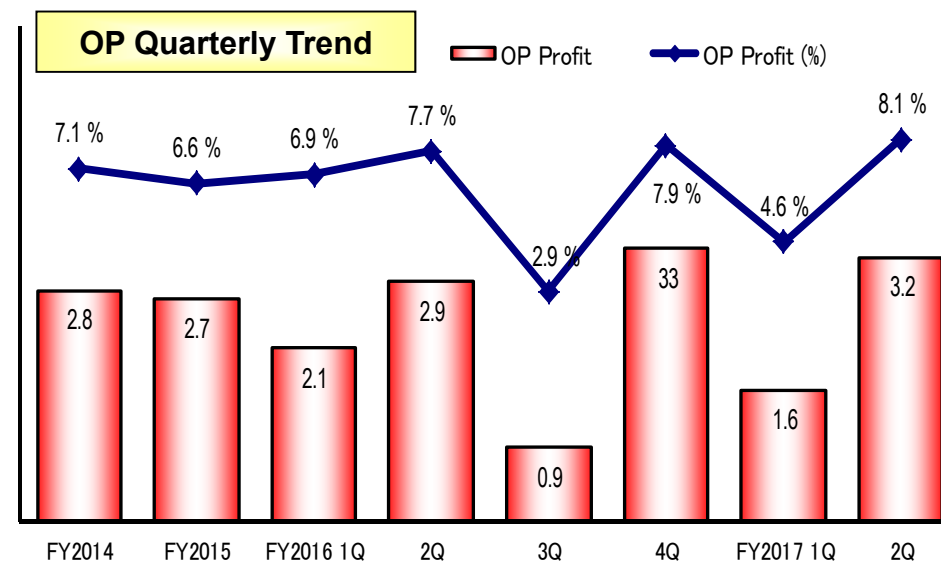
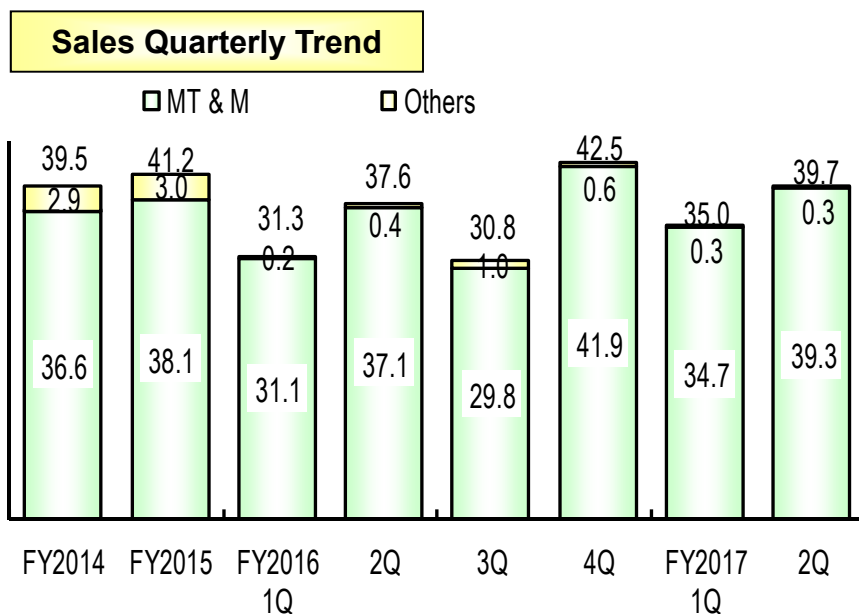


(Reference) Financial Results by Business (Machine Tools & Others)

(billions of yen)

Machine tools and others		FY2016 2Q	FY2017 2Q	Increase/Decrease	Increase/Decrease (%)
Machine tools	Sales	68.2	74.0	+ 5.7	+ 8.4 %
Others	Sales	0.7	0.7	+ 0	+ 8.0 %
[Total]	Sales	69.0	74.8	+ 5.7	+ 8.4 %
	OP Profit	5.1	4.8	(0.2)	(4.7 %)
	OP Profit	7.4 %	6.5 %		

* "Deletion is omitted.

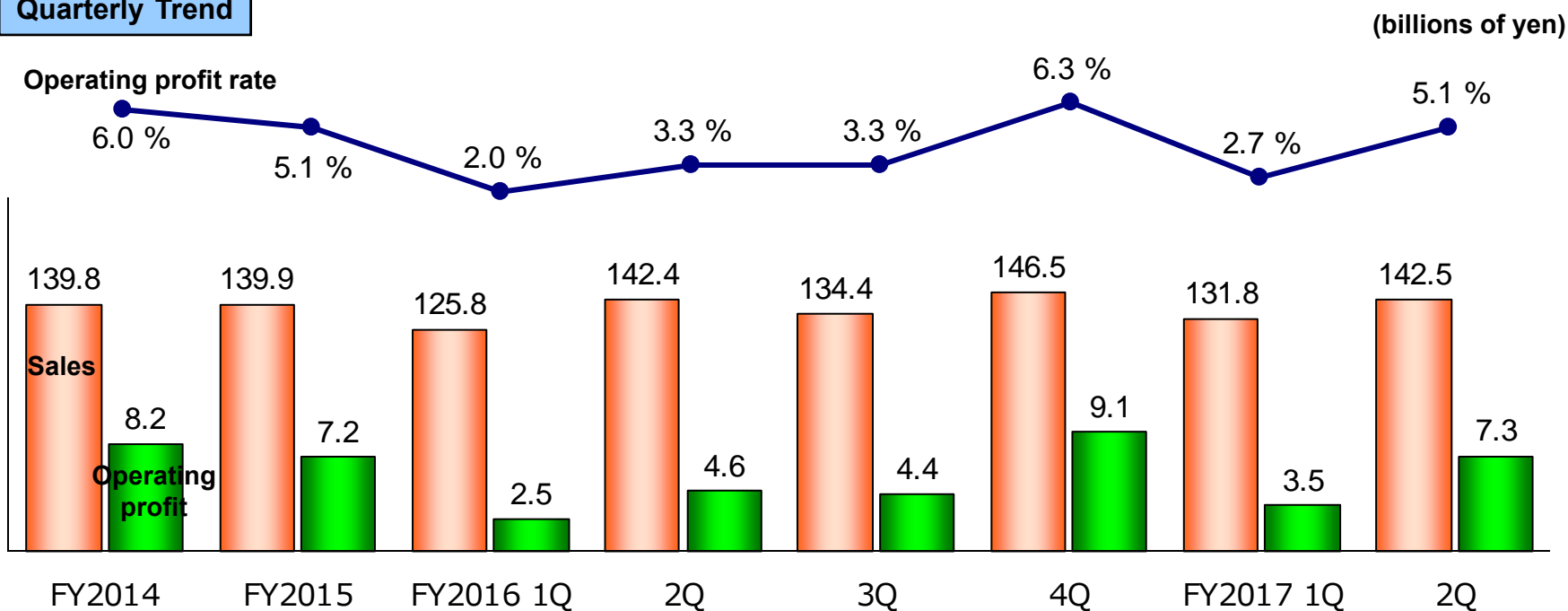


(Reference) Financial Results by Region (Japan)

(billions of yen)

Japan	FY2016 2Q	FY2017 2Q	Increase/Decrease	Increase/Decrease (%)
Sales	268.3	274.3	6.0	2.2 %
OP Profit	7.1	10.9	3.7	52.4 %
OP Profit (%)	2.7 %	4.0 %		

Quarterly Trend



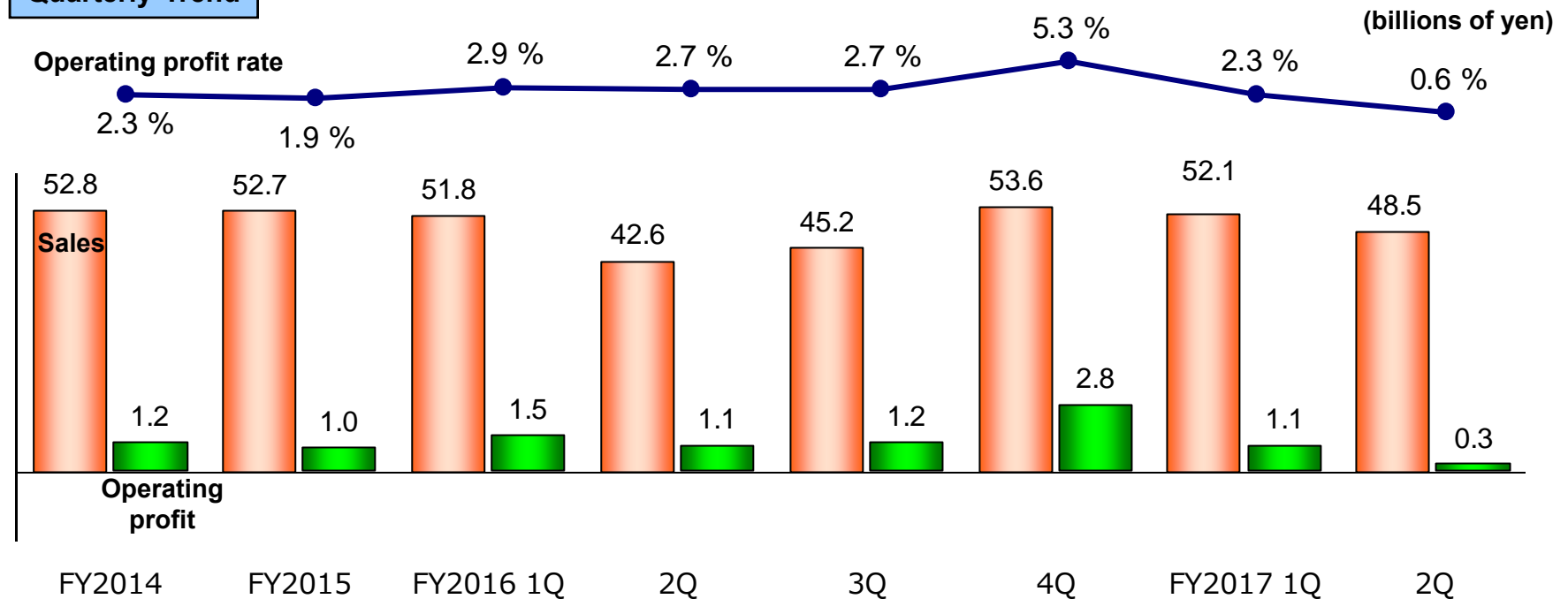
(Reference) Financial Results by Region (Europe)



(billions of yen)

Europe	FY2016 2Q	FY2017 2Q	Increase/ Decrease	Increase/ Decrease (%)
Sales	94.4	100.6	+ 6.1	+ 6.6 %
OP Profit	2.6	1.5	(1.1)	(43.7 %)
OP Profit (%)	2.8 %	1.5 %		

Quarterly Trend

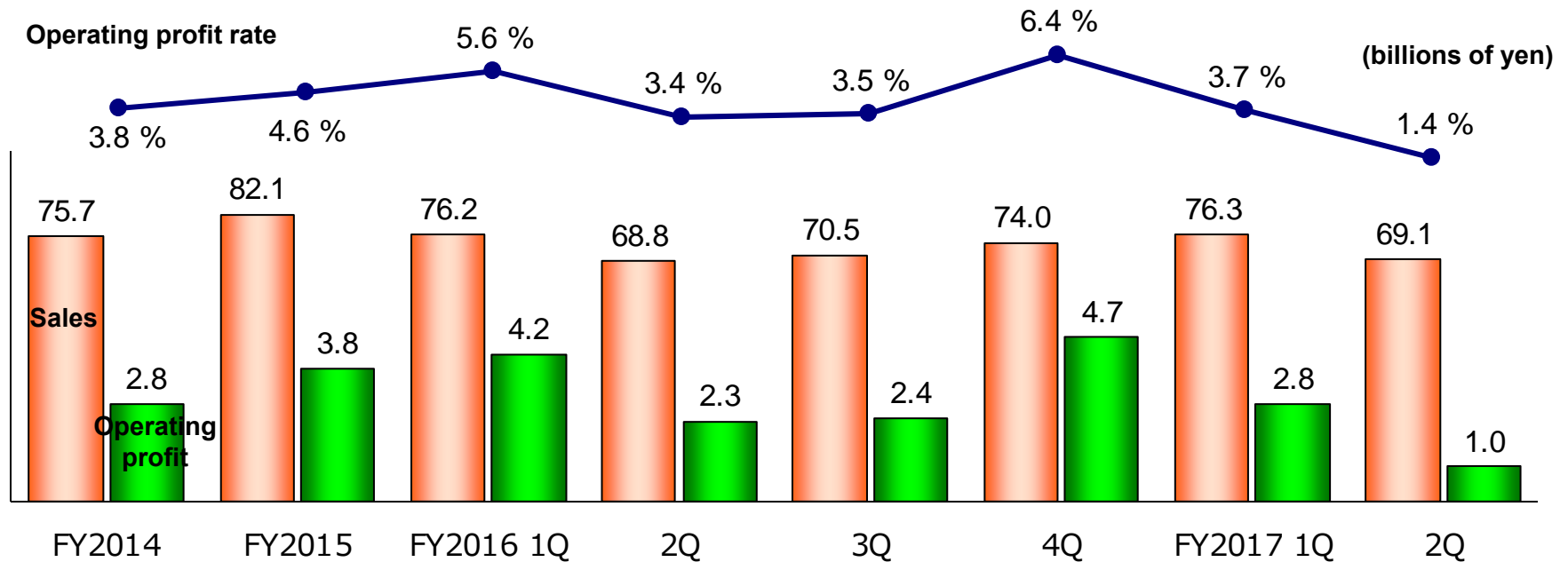


(Reference) Financial Results by Region (North America)

(billions of yen)

North America	FY2016 2Q	FY2017 2Q	Increase/Decrease	Increase/Decrease (%)
Sales	145.0	145.4	0.4	0.3 %
OP Profit	6.5	3.9	(2.6)	(40.7 %)
OP Profit (%)	4.5 %	2.7 %		

Quarterly Trend



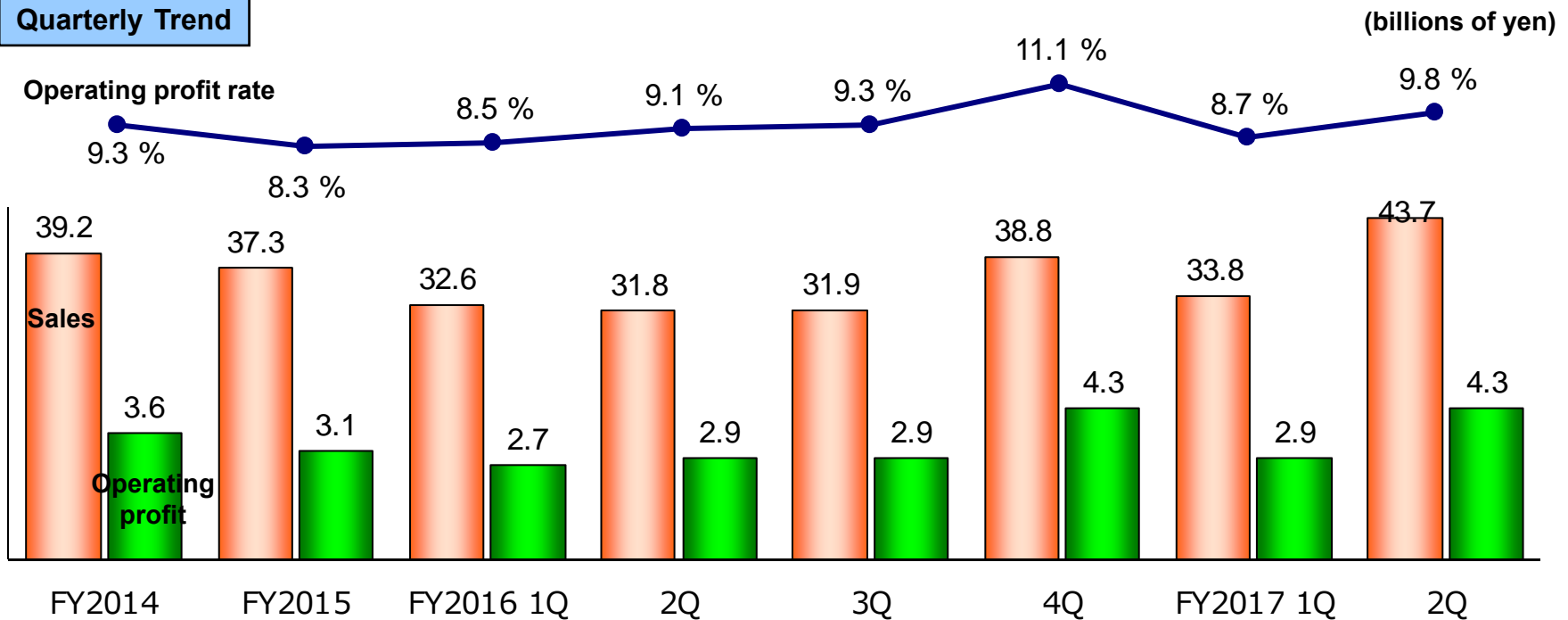
(Reference) Financial Results by Region

(Asia/Oceania (Including India))

(billions of yen)

Asia/Oceania (Including India)	FY2016 2Q	FY2017 2Q	Increase/ Decrease	Increase/ Decrease (%)
Sales	64.5	77.5	+ 13.0	+ 20.2 %
OP Profit	5.7	7.2	+ 1.5	+ 26.8 %
OP Profit (%)	8.8 %	9.3 %		

Quarterly Trend

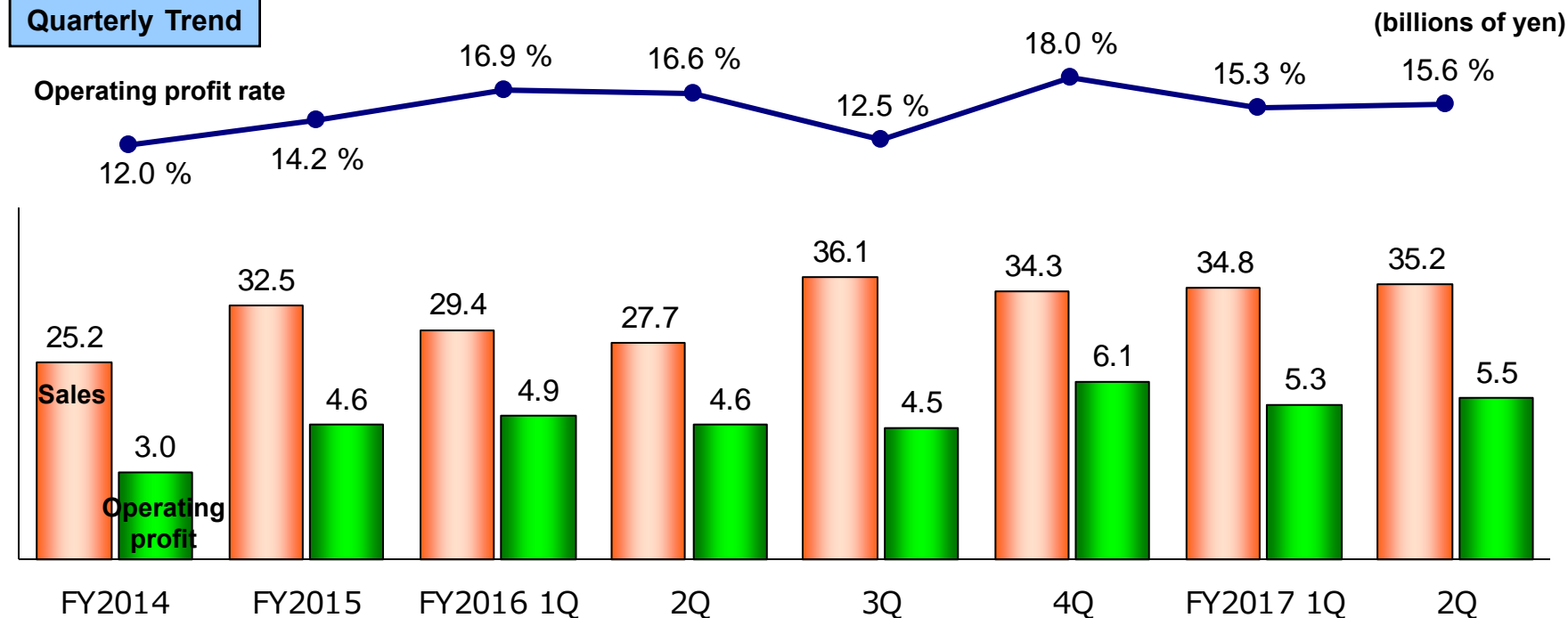


(Reference) Financial Results by Region (China)

(billions of yen)

China	FY2016 2Q	FY2017 2Q	Increase/Decrease	Increase/Decrease (%)
Sales	57.2	70.0	+ 12.8	+ 22.4 %
OP Profit	9.5	10.9	+ 1.3	+ 14.1 %
OP Profit (%)	16.7 %	15.6 %		

Quarterly Trend



(Reference) Financial Results by Region

(South America & Others)

South America & Others	FY2016 2Q	FY2017 2Q	Increase/Decrease	Increase/Decrease (%)
Sales	10.7	14.1	+ 3.4	+ 32.0 %
OP Profit	0.4	1.2	+0.7	168.5 %
OP Profit (%)	4.3 %	8.7 %		

(billions of yen)

Quarterly Trend

