

Eleven-Year Consolidated Financial Summary

	Unit	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	
Net sales	Billions of yen	1,017.0	769.6	955.4	1,052.6	1,067.5	1,260.1	1,355.9	1,399.9	1,318.3	1,441.1	1,520.8	
Operating income	Billions of yen	22.3	0.4	39.9	35.6	29.1	58.2	74.1	81.9	77.4	81.3	66.6	
Ordinary income (loss)	Billions of yen	11.1	(0.2)	40.2	38.6	34.2	61.8	79.3	81.2	78.0	82.5	69.6	
Profit (loss) attributable to owners of parent	Billions of yen	(11.9)	(19.4)	20.0	13.3	13.8	23.3	42.5	48.6	47.5	49.6	24.6	
Net assets	Billions of yen	323.6	315.1	336.0	342.3	384.2	418.8	499.7	480.0	512.9	572.5	571.0	
Total assets	Billions of yen	813.4	847.0	842.2	959.6	1,026.9	1,066.4	1,126.2	1,075.8	1,117.8	1,277.0	1,267.8	
Net interest-bearing debt	Billions of yen	139.7	135.5	88.4	106.4	168.5	180.8	158.6	125.1	114.4	139.5	138.0	
Capital expenditures	Billions of yen	51.1	25.2	30.8	65.8	109.6	76.4	68.4	63.1	66.4	66.6	75.2	
Depreciation and amortization	Billions of yen	55.8	50.0	48.6	46.7	44.2	53.0	57.0	58.4	56.0	60.4	66.9	
Research and development costs	Billions of yen	29.0	27.4	31.9	34.7	36.3	40.1	41.3	46.2	48.2	55.2	63.6	
Cash flows													
	Cash flows from operating activities	Billions of yen	33.9	63.2	60.3	48.8	49.9	89.2	103.3	110.1	99.2	100.0	103.0
	Cash flows from investing activities	Billions of yen	(58.9)	(57.7)	(31.1)	(56.2)	(101.0)	(87.1)	(62.0)	(59.9)	(68.0)	(99.0)	(75.3)
	Cash flows from financing activities	Billions of yen	27.1	15.3	(14.8)	39.5	(5.8)	(35.4)	(49.3)	(22.1)	60.2	(26.5)	(26.5)
	Cash and cash equivalents	Billions of yen	75.0	99.3	113.5	146.6	93.8	61.9	61.6	70.2	132.6	132.4	
Financial index													
	Operating income margin	%	2.2	0.1	4.2	3.4	2.7	4.6	5.5	5.9	5.6	4.4	
	Ordinary income margin	%	1.1	(0.0)	4.2	3.7	3.2	4.9	5.9	5.9	5.7	4.6	
	ROA	%	(1.3)	(2.3)	2.4	1.5	1.4	2.2	4.4	4.3	4.2	1.9	
	ROE	%	(3.5)	(6.4)	6.5	4.1	4.0	6.2	10.5	10.1	9.7	4.6	
	Equity ratio	%	37.6	35.0	37.8	33.8	35.4	37.1	42.0	42.3	43.6	42.3	
	D/E ratio	Times	0.46	0.46	0.28	0.33	0.46	0.46	0.34	0.27	0.23	0.26	
	Inventory turnover months	Months	1.5	2.0	1.6	1.6	1.8	1.6	1.5	1.4	1.4	1.4	
Share information													
	Market capitalization	Billions of yen	219.8	354.8	370.2	339.1	305.2	524.9	644.0	501.1	593.5	541.0	467.5
	Number of shares issued	Thousands of shares	321,406	321,406	342,186	342,186	342,186	342,186	343,286	343,286	343,286	343,286	
	Dividends per share	Yen	24	17	11	16	16	18	34	42	42	43	
	Payout ratio	%	—	—	26.9	41.1	39.5	26.3	27.4	29.6	30.3	29.7	61.2
	Number of employees	Persons	33,029	35,465	36,775	39,834	41,714	43,456	43,912	43,938	44,528	49,589	49,693
Exchange rate													
	USD	Yen	103.46	93.57	87.80	79.73	83.10	100.23	109.93	120.14	108.38	110.85	110.91
	EUR	Yen	152.44	130.20	116.38	109.69	107.14	134.37	138.77	132.58	118.79	129.70	128.41

Consolidated Balance Sheets

Millions of yen

Assets	FY2017	FY2018
Current assets		
Cash and deposits	135,104	135,542
Notes and accounts receivable - trade	285,989	280,490
Securities	4	14
Inventories	175,078	183,617
Other	41,964	48,268
Allowance for doubtful accounts	(577)	(775)
Total current assets	637,564	647,158
Non-current assets		
Property, plant and equipment		
Buildings and structures	303,968	311,124
Accumulated depreciation	(185,346)	(190,258)
Buildings and structures, net	118,622	120,866
Machinery, equipment and vehicles	865,263	898,732
Accumulated depreciation	(652,873)	(674,621)
Machinery, equipment and vehicles, net	212,390	224,110
Tools, furniture and fixtures	77,080	78,604
Accumulated depreciation	(64,761)	(65,764)
Tools, furniture and fixtures, net	12,318	12,840
Land	75,672	75,876
Leased assets	2,122	1,734
Accumulated depreciation	(1,373)	(934)
Leased assets, net	748	799
Construction in progress	46,931	30,831
Total property, plant and equipment	466,683	465,324
Intangible assets		
Goodwill	8,245	7,583
Leased assets	42	56
Other	23,413	27,508
Total intangible assets	31,701	35,148
Investments and other assets		
Investment securities	94,461	87,339
Investments in capital	5,557	5,027
Long-term loans receivable	340	367
Retirement benefit asset	1,028	1,281
Deferred tax assets	25,036	17,589
Other	8,538	8,922
Allowance for doubtful accounts	(346)	(341)
Total investments and other assets	134,615	120,187
Total non-current assets	633,000	620,660
Total assets	1,270,564	1,267,819

Liabilities	FY2017	FY2018
Current liabilities		
Notes and accounts payable - trade	215,619	221,034
Short-term borrowings	30,084	43,570
Current portion of bonds	—	10,000
Current portion of long-term borrowings	32,976	7,610
Lease obligations	371	202
Accounts payable - other	30,357	33,799
Accrued expenses	50,155	51,593
Income taxes payable	8,801	8,847
Provision for bonuses for directors	616	624
Provision for product warranties	8,816	7,165
Other	20,040	15,750
Total current liabilities	397,840	400,198
Non-current liabilities		
Bonds payable	60,000	50,000
Long-term borrowings	151,624	162,380
Lease obligations	454	667
Deferred tax liabilities	5,444	5,835
Provision for retirement benefits for directors	1,388	1,418
Provision for environmental measures	207	100
Retirement benefit liability	76,361	71,639
Other	4,650	4,497
Total non-current liabilities	300,132	296,539
Total liabilities	697,972	696,738

Net assets	FY2017	FY2018
Shareholders' equity		
Share capital	45,591	45,591
Capital surplus	106,276	107,000
Retained earnings	357,356	366,891
Treasury shares	(420)	(423)
Total shareholders' equity	508,804	519,059
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	39,576	33,689
Foreign currency translation adjustment	(9,961)	(11,995)
Remeasurements of defined benefit plans	(5,401)	(4,274)
Total valuation and translation adjustments	24,213	17,418
Non-controlling interests	39,573	34,602
Total net assets	572,592	571,080
Total liabilities and net assets	1,270,564	1,267,819

Consolidated Statements of Income

Millions of yen

	FY2017	FY2018
Net sales	1,441,170	1,520,893
Cost of sales	1,197,655	1,276,379
Gross profit	243,514	244,514
Selling, general and administrative expenses	162,123	177,906
Operating income	81,391	66,608
Non-operating income		
Interest income	1,145	1,580
Dividend income	1,799	1,950
Rental income from non-current assets	603	650
Share of profit of entities accounted for using equity method	672	1,104
Foreign exchange gains	—	313
Other	4,590	4,411
Total non-operating income	8,810	10,010
Non-operating expenses		
Interest expenses	2,855	3,723
Foreign exchange losses	908	—
Antitrust law expenses	1,187	550
Other	2,678	2,686
Total non-operating expenses	7,630	6,960
Ordinary income	82,571	69,658
Extraordinary income		
Gain on sales of non-current assets	435	1,264
Gain on step acquisitions	9,708	—
Gain on sales of investments in capital	—	1,102
Reversal of provision for product warranties	—	2,053
Other	606	186
Total extraordinary income	10,751	4,607
Extraordinary losses		
Loss on retirement of non-current assets	774	1,350
Impairment loss	1,769	6,061
Loss on valuation of investment securities	0	1
Provision for product warranties	1,244	1,634
Custom duty for prior periods	1,749	—
Antitrust law-related expenses	3,900	1,029
Business restructuring expenses	—	2,833
Other	1,041	320
Total extraordinary losses	10,480	13,231
Profit (loss) before income taxes	82,842	61,034
Income taxes - current	22,921	22,799
Income taxes - deferred	5,758	9,129
Total income taxes	28,679	31,929
Profit	54,163	29,104
Profit attributable to non-controlling interests	4,465	4,441
Profit attributable to owners of parent	49,697	24,663

Consolidated Statements of Comprehensive Income

Millions of yen

	FY2017	FY2018
Profit	54,163	29,104
Other comprehensive income		
Valuation difference on available-for-sale securities	8,130	(5,845)
Foreign currency translation adjustment	663	(1,988)
Remeasurements of defined benefit plans, net of tax	5,817	927
Share of other comprehensive income of entities accounted for using equity method	599	(299)
Total other comprehensive income	15,211	(7,206)
Comprehensive income	69,374	21,898
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	64,705	17,868
Comprehensive income attributable to non-controlling interests	4,669	4,029

Consolidated Statements of Cash Flows

Millions of yen

	FY2017	FY2018
Cash flows from operating activities		
Profit before income taxes	82,842	61,034
Depreciation	60,414	66,901
Impairment loss	1,769	6,061
Amortization of goodwill	345	662
Increase (decrease) in allowance for doubtful accounts	(448)	197
Increase (decrease) in retirement benefit liability	(1,039)	(4,351)
Decrease (increase) in retirement benefit asset	(179)	(253)
Increase (decrease) in provision for retirement benefits for directors	78	30
Interest and dividend income	(2,944)	(3,530)
Loss (gain) on sales and valuation of investment securities	(98)	(80)
Loss (gain) on valuation of investment securities	0	1
Interest expenses	2,855	3,723
Share of loss (profit) of entities accounted for using equity method	(672)	(1,104)
Loss (gain) on sales of property, plant and equipment	(435)	(1,264)
Loss on retirement of property, plant and equipment	774	1,350
Loss (gain) on step acquisitions	(9,708)	—
Decrease (increase) in trade receivables	(9,693)	3,957
Decrease (increase) in inventories	(7,590)	(9,231)
Increase (decrease) in trade payables	1,843	6,645
Increase (decrease) in accrued expenses	3,972	1,286
Other, net	(1,208)	(3,745)
Subtotal	120,877	128,292
Interest and dividends received	2,932	3,547
Interest paid	(2,998)	(3,611)
Income taxes (paid) refund	(20,777)	(25,206)
Net cash provided by operating activities	100,033	103,022
Cash flows from investing activities		
Payments into time deposits	(1,606)	(3,571)
Proceeds from withdrawal of time deposits	1,701	2,969
Purchase of property, plant and equipment	(73,048)	(71,161)
Proceeds from sales of property, plant and equipment	899	2,498
Purchase of investment securities	(202)	(762)
Proceeds from sales of investment securities	5	225
Proceeds from sales of investments in capital	—	1,269
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(22,862)	—
Loan advances	(136)	(283)
Collection of loans receivable	342	344
Other, net	(4,141)	(6,852)
Net cash (used in) investing activities	(99,049)	(75,324)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,171	14,114
Proceeds from long-term borrowings	91,358	19,915
Repayments of long-term borrowings	(38,559)	(35,263)
Proceeds from issuance of bonds	20,000	—
Repayments of finance lease obligations	(522)	(605)
Dividends paid	(14,406)	(15,092)
Dividends paid to non-controlling interests	(1,754)	(4,065)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(5,592)
Net (increase) in treasury shares	(4)	(3)
Net cash provided by (used in) financing activities	60,282	(26,592)
Effect of exchange rate change on cash and cash equivalents	629	(1,341)
Net increase (decrease) in cash and cash equivalents	61,896	(236)
Cash and cash equivalents at beginning of period	70,207	132,648
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	543	60
Cash and cash equivalents at end of period	132,648	132,471



Kazuhisa Makino
Executive Director

Intensive investment is needed to support sustainable growth of the Company. We are currently building a solid financial base to make this possible.

For JTEKT to continue its sustainable growth, we must help resolve social issues through our business activities.

Toward that end, the finance division works to build a strong financial base to support such business activities as R&D, improved productivity, and building professionals.

Investment Strategy

JTEKT's business environment is at a major turning point. We are now at the stage where we must plant the seeds of our future by taking a long-term view of what JTEKT needs in order to realize sustainable growth. We need to make aggressive forward-looking investments to strengthen our management infrastructure in such areas as R&D, IT, and building professionals. In particular, the transformation in the automotive industry encapsulated in the acronyms CASE^{*1} and MaaS^{*2} represents both the biggest risks and opportunities for JTEKT. We will continue to invest aggressively in R&D and new business development to capture growth opportunities created by these changes. As the CFO, I will support business activities by fully reviewing the need for investment and associated potential returns. After organizing these plans in a manner that is readily visible to management, I will work to secure funding for R&D and alliances as well as consider a variety of investment methods to support JTEKT's business activities.

Furthermore, with regard to the global market, we expect continued growth in Asia and Africa and anticipate considerable business opportunities in those regions. To cite one example, we have made a publicly listed company in India in the Steering business into a JTEKT subsidiary. I believe we should continue to make such strategic investments in a dynamic manner going forward.

With respect to investments in other companies including through M&A, we will support planning and implementation and the provision of funding. At the same time, I believe we need to strengthen our function for formulating exit strategies, looking carefully at the timing to recoup investments and, as the case may be, the timing to withdraw.

To implement such strategic investments, our policy is to shrink business assets and secure the funding necessary for management with good asset efficiency while minimizing our interest-bearing debt balance. We will not only be managing profitability as part of business administration but also promoting business management that is focused on the balance sheet and cash flows through such measures as monitoring the cash conversion cycle and introducing asset efficiency metrics for each business.

Capital Strategy

The JTEKT Group is currently working to shrink its interest-bearing debt balance. In addition, we have proactively introduced cash management systems^{*3} with hubs in each regional headquarters and are conducting financing on a cross-border basis to raise capital efficiency of the Group as a whole. We consider such activities to be increasingly important for controlling interest rate expenses, particularly as countries around the world are changing their low interest rate policies.

Meanwhile, we maintain a certain level of working capital in preparation for unforeseen circumstances given the significant latent risks inherent in the JTEKT Group's business environment. For the Group as a whole, we have built a structure in which the headquarters holds an appropriate level of working capital while reducing net interest-bearing debt on a consolidated basis. We are thus able to quickly supply funds from the headquarters to Group companies as and when needed.

As a result of such activities, our interest-bearing debt balance is currently higher than it was five years ago, but this reflects an intentional increase in working capital and in fact our net interest-bearing debt balance decreased. I think it is commendable that we have generated a degree of success in responding to one-off demand for funding for loan repayments, M&A investment, capital investment, and the like by generating cash flows from operating activities and working to create funds by trimming the balance sheet.

We intend to continue these activities going forward. I believe even more efficient and advantageous fundraising will be possible by continuing such activities and by concentrating capital management functions at the Group and at regional headquarters.

Cost Strategy

The JTEKT Group is currently working to improve its cost structure to strengthen its earning power, including bringing its fixed costs to appropriate levels. The Group has a global footprint and therefore has, for example, R&D and purchasing functions in each region tailored to the local market environment and local management issues. While giving due recognition to local nuances, we are working to manage fixed costs at appropriate levels for each region and thus improve the efficiency of indirect divisions in the Group as a whole.

*1 Connected, Autonomous, Shared, and Electric

*2 MaaS refers to paying a fee to use of automobiles and other transportation methods as a service only when they are needed.

*3 Cash management system refers to services provided by banks mainly in the areas of fund management and administration aimed at improving a company's capital efficiency.