

# **Financial Results**

## **For the First Quarter**

### **of Fiscal Year Ending March 2020**

**August 1, 2019**

**JTEKT Corporation**

**1. Results for First Quarter of**

**Fiscal Year Ending March 2020**

**2. Forecasts for Fiscal Year 2019, Ending March 2020**

**3. Appendix**

# 1-1) Consolidated Performance

Sales and profits decreased in almost all regions, and each profit is halved, especially due to the significant decline in profits in Japan and China.

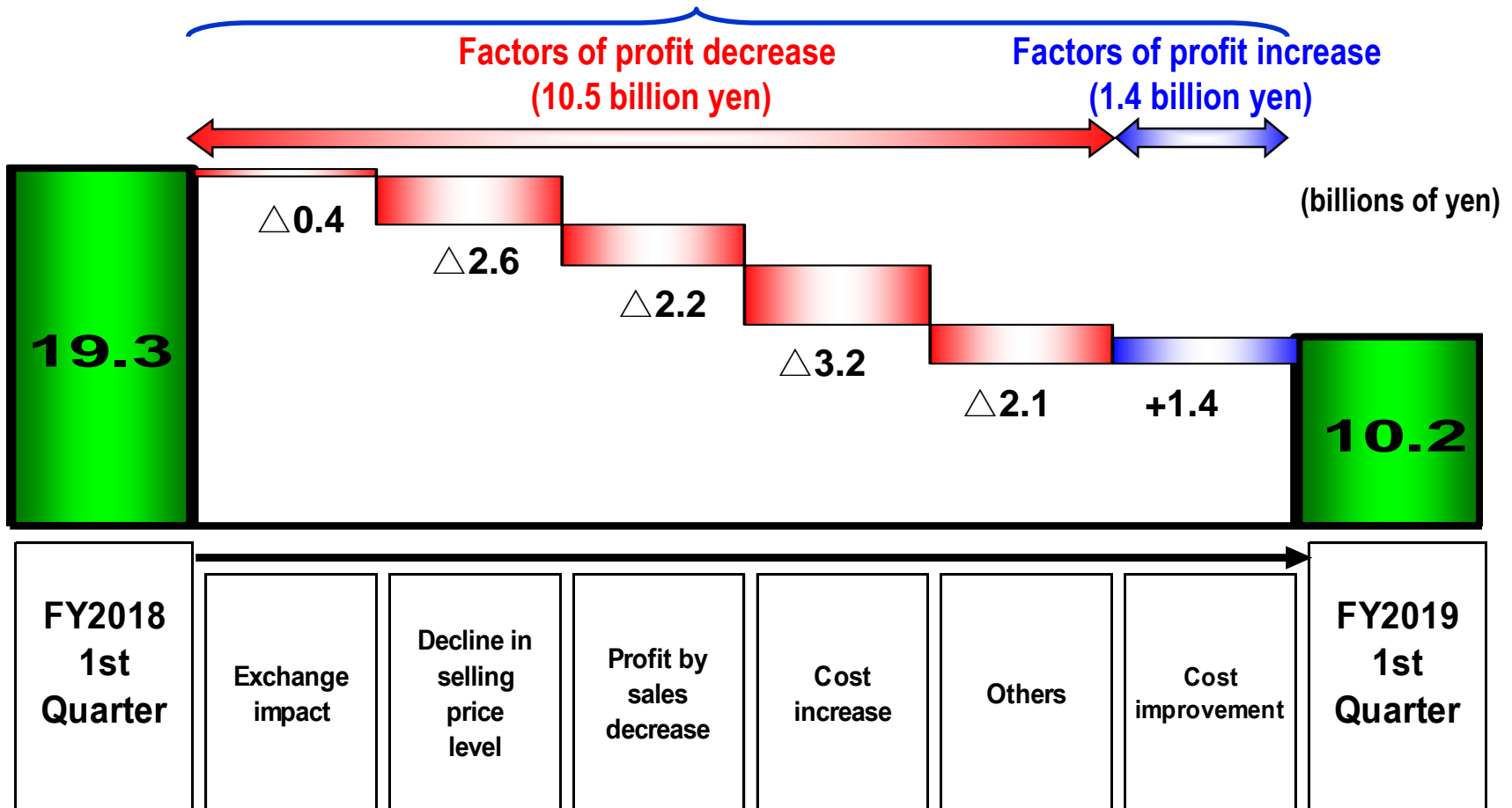
(Ratio to Sales)

( Billions of Yen )	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease	Increase/ Decrease (%)
Sales	376.3	362.2	△ 14.1	△ 3.8%
Operating profit	(5.1%) 19.3	(2.8%) 10.2	△ 9.0	△ 46.9%
Ordinary profit	(5.5%) 20.6	(3.1%) 11.2	△ 9.3	△ 45.4%
Profit attributable to owners of parent	(3.3%) 12.6	(1.7%) 6.1	△ 6.4	△ 50.9%
Foreign exchange (April to next March)	¥109.07/USD ¥130.06/EUR	¥109.90/USD ¥123.49/USD	¥0.83 weak yen ¥6.57 strong yen	
Capital expenditure	13.8	13.6	△ 0.1	△ 1.4%
Depreciation	15.9	15.8	△ 0.0	△ 0.3%
R&D costs	(3.8%) 14.3	(4.2%) 15.2	+ 0.8	+ 6.1%

# 1-2) Operating Profit Analysis

Although the increase in costs was at the planned level, operating profit was halved due to the drop in selling price levels could not be covered by the cost improvement and, in particular, the impact of Sales decrease.

**Operating profit: 9.1 billion yen decrease**



# 1-3) Results by Business Units

## Mechanical Components

Operating profit has been halved due to a drop in selling price levels, an increase in R&D expenses, and the sales of bearings decreased substantially in Japan, North America, and China.

## Machine Tools

Sales and profits decreased due to decreased sales in Japan and Asia.

		( Billions of Yen )	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease	Increase/ Decrease (%)
<b>Mechanical components</b>	<b>Sales</b>		335.7	<b>325.0</b>	△ 10.7	△ 3.2%
	<b>Steering sytems</b>		189.5	<b>190.0</b>	+ 0.5	+ 0.3%
	<b>Drivelines</b>		38.9	<b>38.1</b>	△ 0.7	△ 2.0%
	<b>Bearings</b>		107.3	<b>96.7</b>	△ 10.5	△ 9.9%
	<b>Operating profit</b> (Operating profit (%))		15.6 (4.6%)	<b>7.2</b> (2.2%)	△ 8.3	△ 53.8%
<b>Machine tools</b>	<b>Sales</b>		40.5	<b>37.2</b>	△ 3.3	△ 8.3%
	<b>Machine tools</b>		40.1	<b>36.8</b>	△ 3.3	△ 8.3%
	<b>Others</b>		0.4	<b>0.4</b>	△ 0.0	△ 2.2%
	<b>Operating profit</b> (Operating profit (%))		3.5 (8.7%)	<b>2.7</b> (7.3%)	△ 0.8	△ 22.9%

# 1-4) Financial Results by Company Location [1]

## Japan

(billions of yen)

	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease
Sales	147.6	144.7	△ 2.8
OP profit	4.8	1.0	△ 3.7
OP profit (%)	3.3%	0.7%	-

### Decrease in income/profits

- Decreased sales in each business except STG.
- Cost improvements can not cover a drop in selling price levels and increased costs.
- JTEKT's profit decreased significantly, and the impact of the decrease in FUJI KIKO's sales was significant.

## Europe

(billions of yen)

	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease
Sales	61.2	57.2	△ 4.0
OP profit	△ 0.1	△ 0.6	△ 0.4
OP profit (%)	△ 0.3%	△ 1.1%	-

### Decrease in income/profits

- Sales volume of bearings and Machine tools decreased even excluding foreign exchange losses.
- Due to the deterioration in market conditions, Bearings for each industry decreased in sales and profits.
- It's urgent to improve profitability of Rack-assist EPS.

# 1-5) Financial Results by Company Location [2]

## North America

(billions of yen)

	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease
Sales	79.6	78.8	△ 0.7
OP profit	2.2	2.2	△ 0.0
OP profit (%)	2.8%	2.8%	-

### **Decrease in income/profits**

- Large decrease in profit due to decrease in Bearing sales.
- Although profitability improvement of rack-assist EPS is steadily advancing, the impact of profit increase is limited.

## Asia/Oceania (Including India)

(billions of yen)

	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease
Sales	41.7	41.2	△ 0.4
OP profit	3.7	3.3	△ 0.3
OP profit (%)	9.0%	8.2%	-

### **Decrease in income/profits**

- Although sales of STG increased, Machine tools decreased by half, and overall sales and profits decreased.

# 1-6) Financial Results by Company Location [3]

## China

(billions of yen)

	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease
Sales	39.5	33.8	△ 5.6
OP profit	6.7	3.7	△ 2.9
OP profit (%)	17.1%	11.2%	-

### Decrease in income/profits

- Sales decreased in all businesses, even excluding foreign exchange losses.
- In the highly profitable STG business, profitability decline due to a drop in selling price levels and Rack-assist EPS has not achieved the planning value.
- Decline in the demand for Bearings and Machine tools due to economic slowdown.

## South America/Other

(billions of yen)

	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease
Sales	6.6	6.3	△ 0.2
OP profit	0.4	0.2	△ 0.1
OP profit (%)	6.6%	4.1%	-

### Decrease in income/profits

- Excluding foreign exchange losses, although sales volume has increased, expenses have also increased, and overall profit decreased.



**1. Results for First Quarter of  
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**3. Appendix**

## World economy

- **The impact of protectionist policies and BREXIT(Britain exiting from the EU) remains unclear.**
- **The slowing of the Chinese economy due to the intensifying trade friction between the United States and China has become increasingly apparent as a decline in sales.**

## Japan

- **The severe situation continues, such as the decline in economic activity due to the long holidays and the concern about the decline in consumption due to the consumption tax hike.**

## 2-2) Forecasts for Fiscal Year 2019

Although there is a risk of sales decline, we will work to achieve the full-year profit target by taking measures such as minimizing the impact of sales decline through sales promotion activities in industrial machinery and after-market, and cost improvement including fixed cost reduction.

(Ratio to Sales)

(Billions of Yen)	FY2018 Full year (Result)	FY2019 (Forecast)			Increase/ Decrease	Increase/ Decrease (%)
		1H	2H	Full year		
Sales	1520.8	750.0	780.0	1530.0	+ 9.1	+ 0.6%
Operating profit	(4.4%) 66.6	(4.0%) 30.0	(5.1%) 40.0	(4.6%) 70.0	+ 3.3	+ 5.1%
Ordinary profit	(4.6%) 69.6	(4.1%) 31.0	(5.3%) 41.0	(4.7%) 72.0	+ 2.3	+ 3.4%
Profit attributable to owners of parent	(1.6%) 24.6	(2.3%) 17.0	(2.9%) 23.0	(2.6%) 40.0	+ 15.3	+ 62.2%
Foreign exchange rate (April to next March)	¥110.91/USD ¥128.41/EUR	¥110.00/USD ¥121.7/EUR	¥110.00/USD ¥120.00/EUR	¥110.00/USD ¥121.00/EUR	¥0.91 strong yen ¥7.41 strong yen	
Capital expenditure	75.2	40.5	48.5	89.0	+ 13.8	+ 18.4%
Depreciation	66.9	31.0	36.0	67.0	+ 0.1	+ 0.1%
R&D costs	(4.2%) 63.6	(4.3%) 32.0	(4.6%) 36.0	(4.4%) 68.0	+ 4.3	+ 6.8%
Dividend	¥44	¥22	¥22	¥44	-	

# 2-3) Operating Profit Analysis

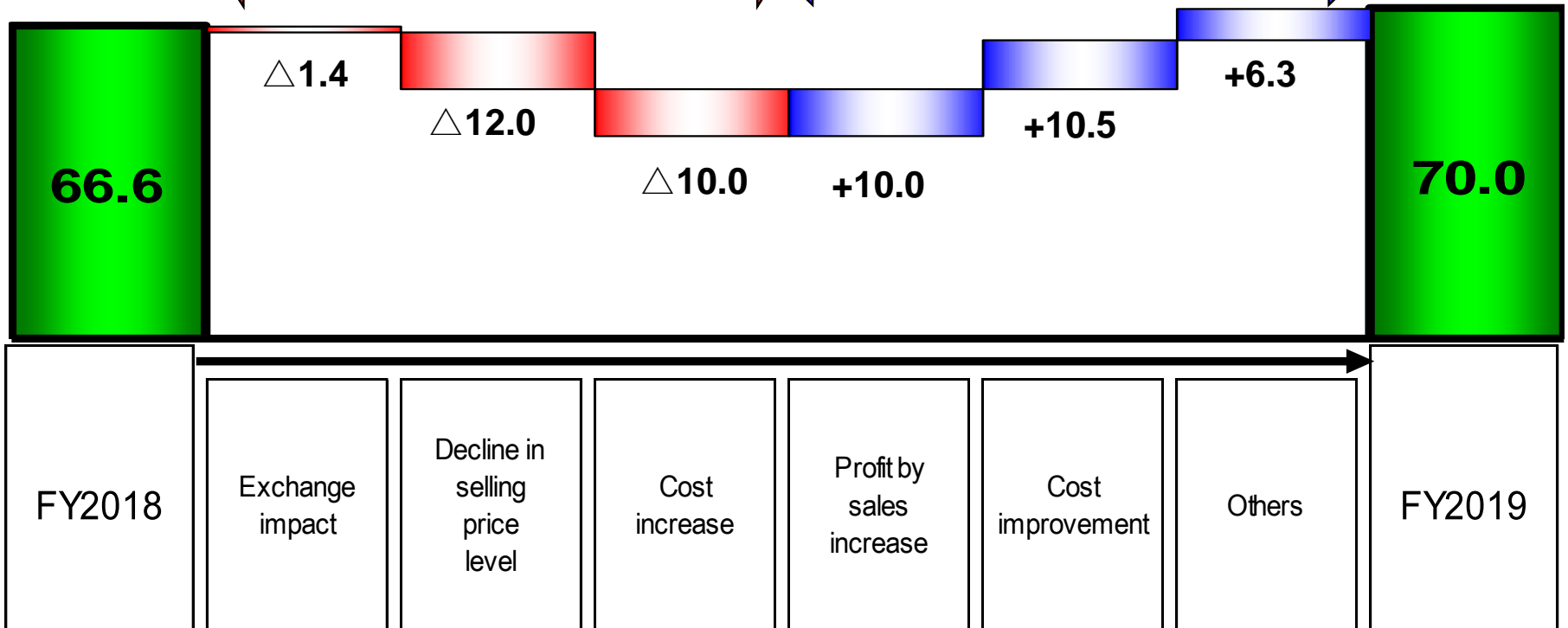
Decline in selling price level and increased expenses will be covered by increased income and cost improvement. Plan increased profits due to the settlement of temporary loss.

**Operating profit: 3.4 billion yen increase**

**Factors of profit decrease  
(23.4 billion yen)**

**Factors of profit increase  
(26.8 billion yen)**

(billions of yen)

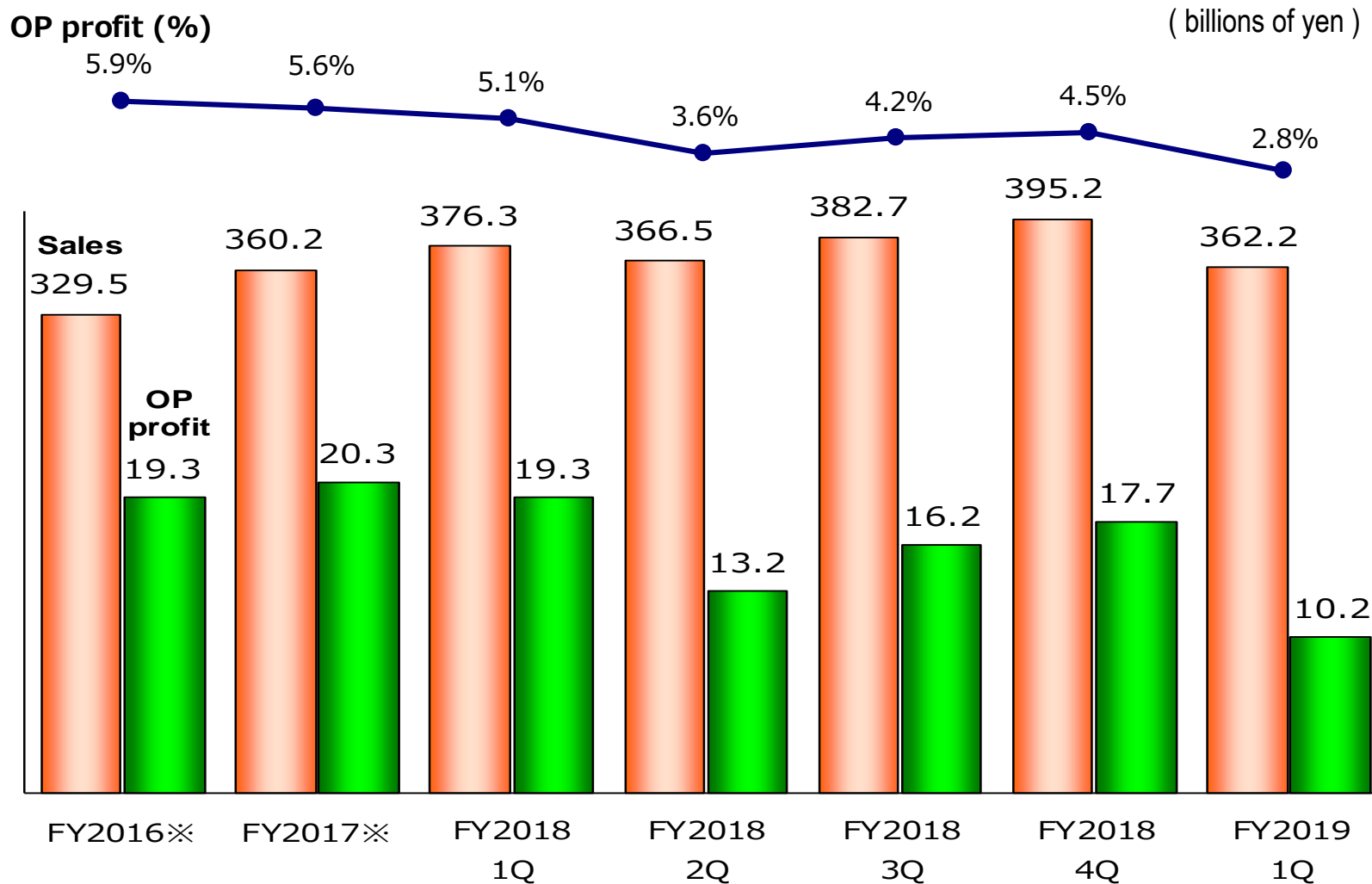


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**3. Appendix**

# (Reference) Quarterly Result Trend



USD	JPY108	JPY111	JPY109	JPY111	JPY113	JPY110	JPY110
EUR	JPY119	JPY130	JPY130	JPY130	JPY129	JPY125	JPY123

\*: The FY2016 and FY2017 show the quarterly average. The same applies to the following slides.

# (Reference) Sales Forecast by Business

( billions of yen )

		FY2018 Full year (Actual)	FY2019 (Forecast)			Increase/ Decrease	Increase/ Decrease (%)
			1H (Forecast)	2H (Forecast)	Full year (Forecast)		
Mechanical components	Steering systems	770.7	378.5	389.5	768.0	△ 2.7	+ 0.4%
	Drivelines	157.2	78.0	81.0	159.0	+ 1.7	+ 1.1%
	Bearings	417.8	201.5	211.5	413.0	△ 4.8	△ 1.2%
	[Total]	1345.8	658.0	682.0	1340.0	△ 5.8	△ 0.4%
Machine tools and others	Machine tools	173.1	91.0	97.0	188.0	+ 14.8	+ 8.6%
	Others	1.9	1.0	1.0	2.0	+ 0.0	+ 4.9%
	[Total]	175.0	92.0	98.0	190.0	+ 14.9	+ 8.5%
<b>[Total Sales]</b>		<b>1520.8</b>	<b>750.0</b>	<b>780.0</b>	<b>1530.0</b>	<b>+ 9.1</b>	<b>+ 0.6%</b>

# (Reference) Sales Forecast by Region

( billions of yen )

	FY2018 Full year (Actual)	FY2019 (Forecast)			Increase/ Decrease	Increase/ Decrease (%)
		1H (Forecast)	2H (Forecast)	Full year (Forecast)		
Japan	619.6	307.0	315.5	622.5	+ 2.8	+ 0.5%
Europe	231.2	104.0	108.0	212.0	△ 19.2	△ 8.3%
North America	314.7	156.0	161.5	317.5	+2.7	+ 0.9%
Asia/Oceania (including India)	178.6	89.0	95.0	184.0	+ 5.3	+ 3.0%
China	149.7	81.0	85.0	166.0	+ 16.2	+ 10.9%
South America & others	26.8	13.0	15.0	28.0	+ 1.1	+ 4.1%
<b>[Total Sales]</b>	<b>1520.8</b>	<b>750.0</b>	<b>780.0</b>	<b>1530.0</b>	<b>+ 9.1</b>	<b>+ 0.6%</b>

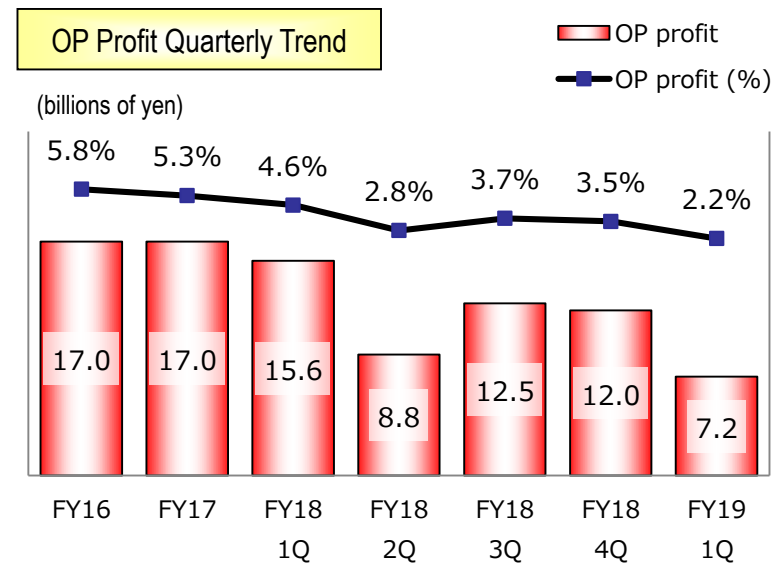
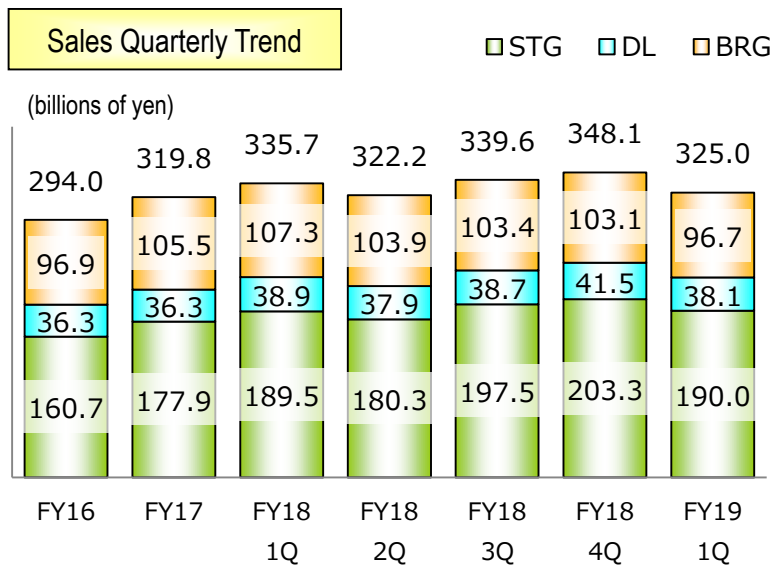


# (Reference) Financial Results by Business (Mechanical Components)

(billions of yen)

Mechanical components		FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease	Increase/ Decrease (%)
Steering systems	Sales	189.5	190.0	+ 0.5	+ 0.3%
Drivelines	Sales	38.9	38.1	△ 0.7	△ 2.0%
Bearings	Sales	107.3	96.7	△ 10.5	△ 9.9%
[Total]	Sales	335.7	325.0	△ 10.7	△ 3.2%
	OP profit	15.6	7.2	△ 8.3	△ 53.8%
	OP profit (%)	4.6%	2.2%		

\* Intercompany deletion is omitted.



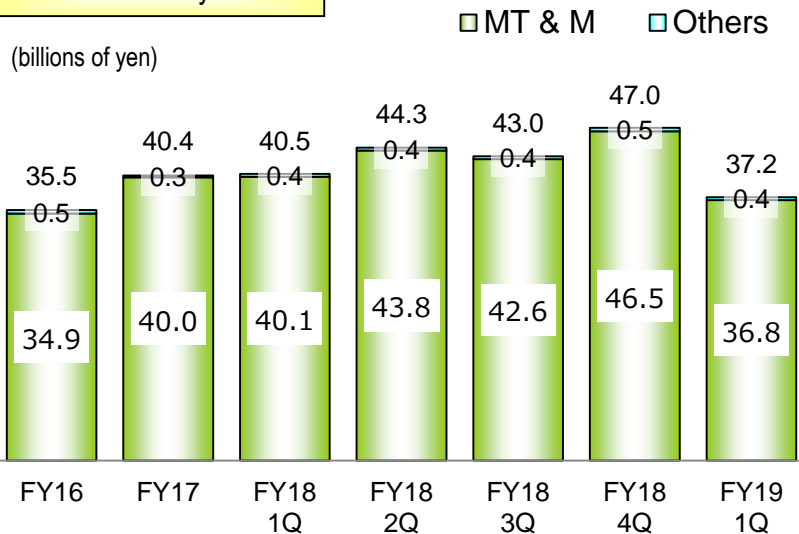
# (Reference) Financial Results by Business (Machine Tools & Others)

( billions of yen )

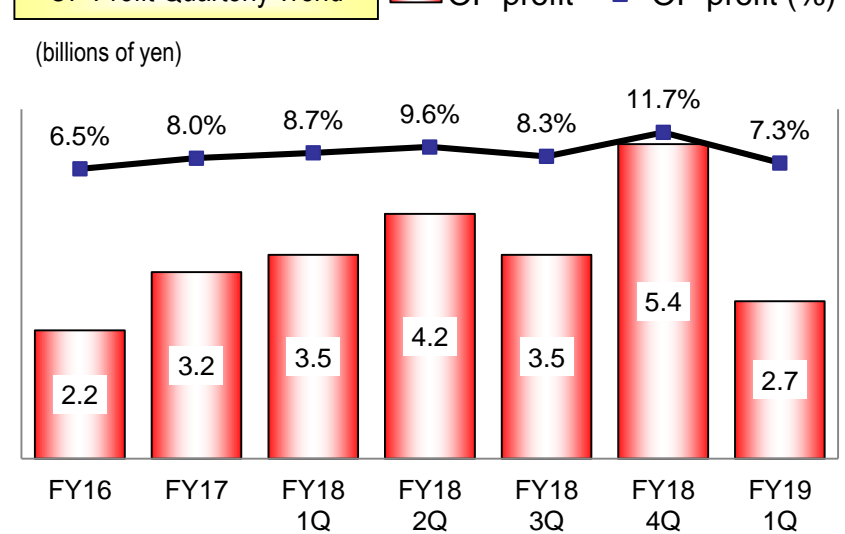
Machine tools and others		FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease	Increase/ Decrease (%)
Machine tools	Sales	40.1	36.8	△ 3.3	△ 8.3%
Others	Sales	0.4	0.4	△ 0.0	△ 2.2%
[ Total ]	Sales	40.5	37.2	△ 3.3	△ 8.3%
	OP profit	3.5	2.7	△ 0.8	△ 22.9%
	OP profit (%)	8.7%	7.3%		

※ Intercpany elimination is omitted

Sales Quarterly Trend



OP Profit Quarterly Trend

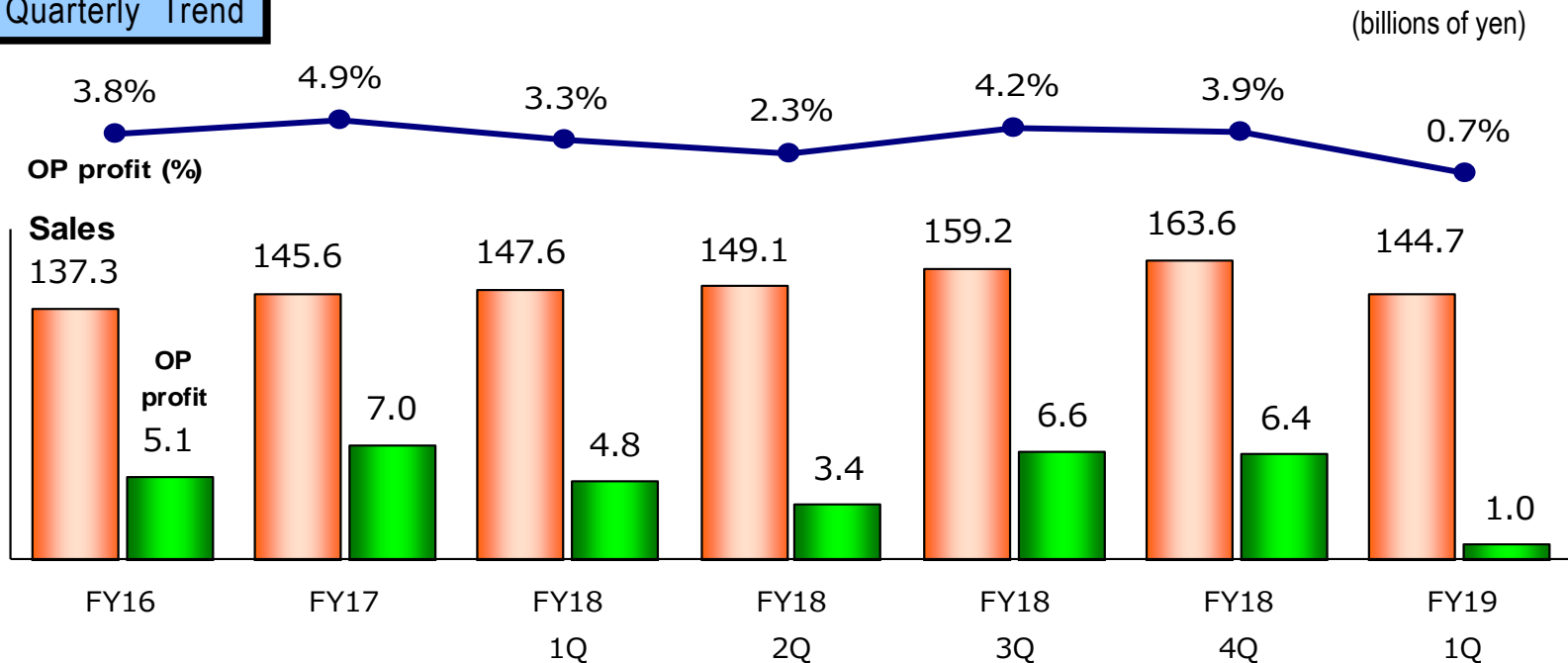


# (Reference) Financial Results by Region (Japan)

( billions of yen)

Japan	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease	Increase/ Decrease (%)
Sales	147.6	144.7	△ 2.8	△ 1.9%
OP profit	4.8	1.0	△ 3.7	△ 77.7%
OP profit (%)	3.3%	0.7%		

Quarterly Trend

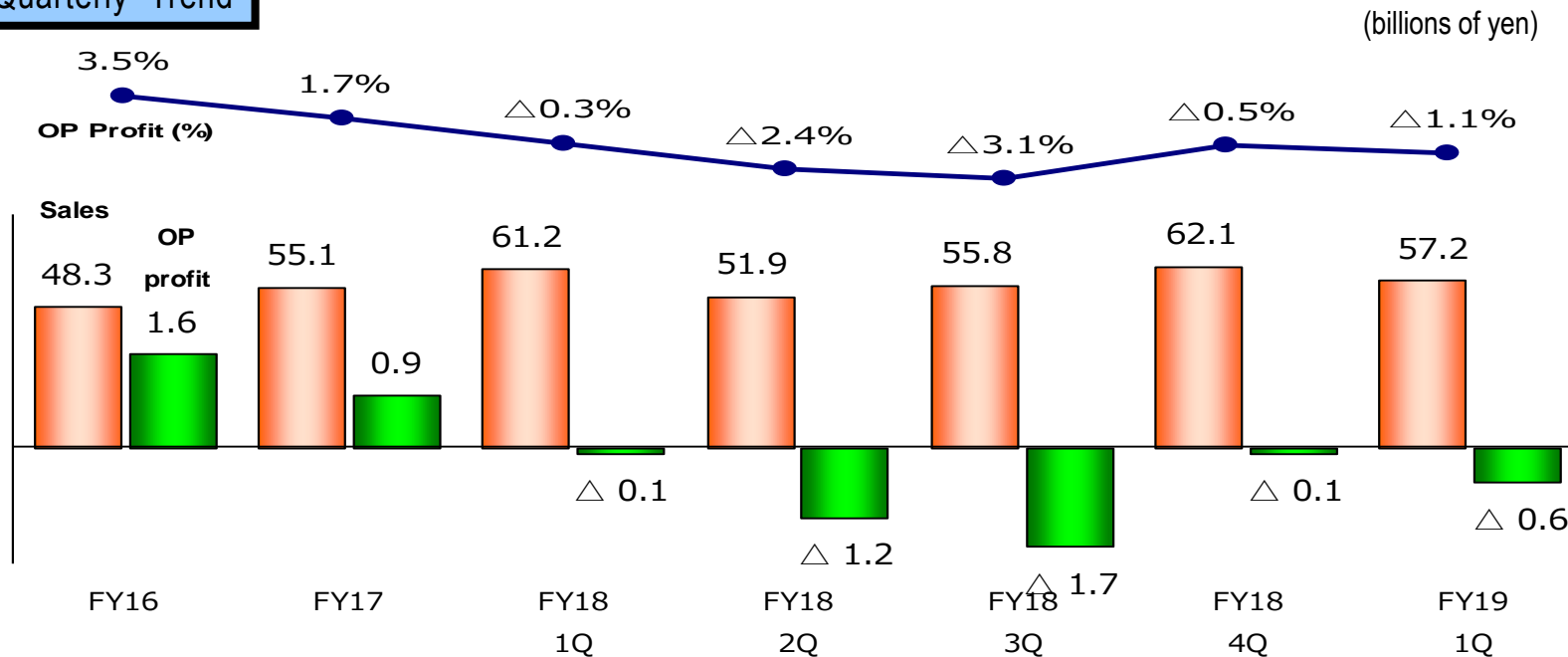


# (Reference) Financial Results by Region (Europe)

(billions of yen)

Europe	FY2018 1st Quarter	FY2019 1st Quarter	Increase/Decrease	Increase/Decrease (%)
Sales	61.2	57.2	△ 4.0	△ 6.6%
OP profit	△ 0.1	△ 0.6	△ 0.4	-
OP profit (%)	△ 0.3%	△ 1.1%		

## Quarterly Trend



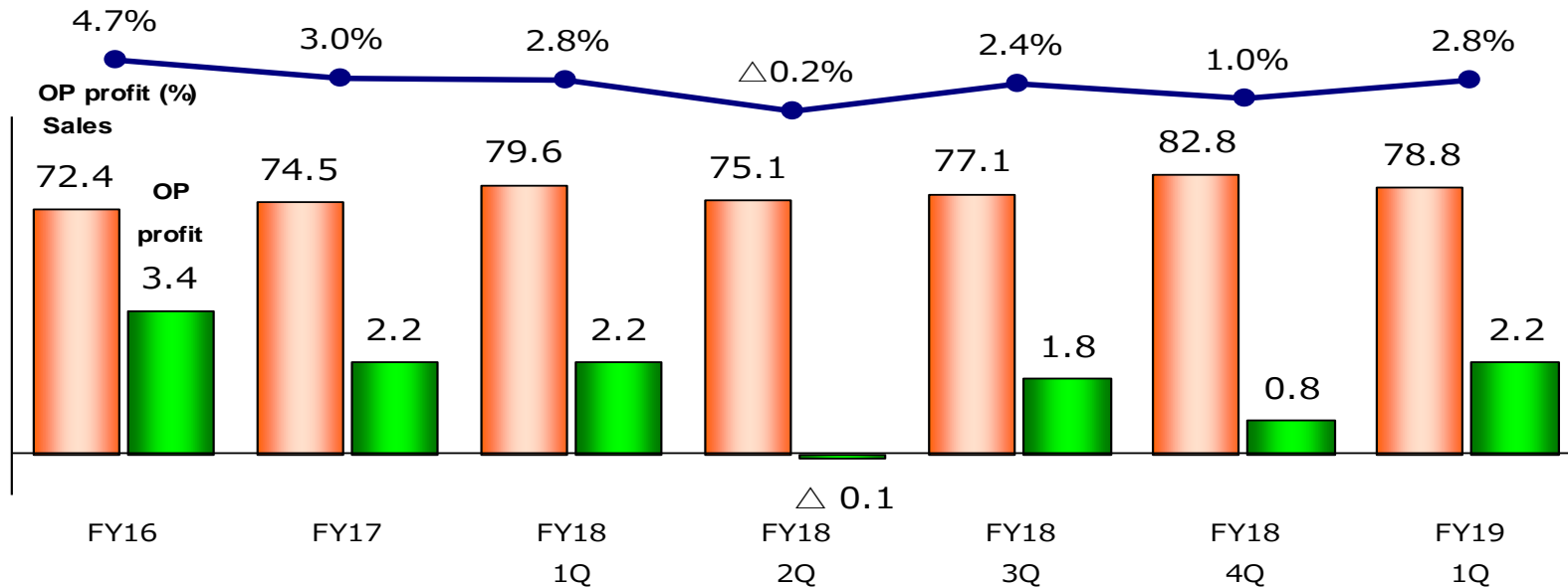
# (Reference) Financial Results by Region (North America)

(billions of yen)

North America	FY2018 1st Quarter	FY2019 1st Quarter	Increase/Decrease	Increase/Decrease (%)
Sales	79.6	78.8	△ 0.7	△ 1.0%
OP profit	2.2	2.2	△ 0.0	△ 1.1%
OP profit (%)	2.8%	2.8%		

## Quarterly Trend

(billions of yen)



# (Reference) Financial Results by Region

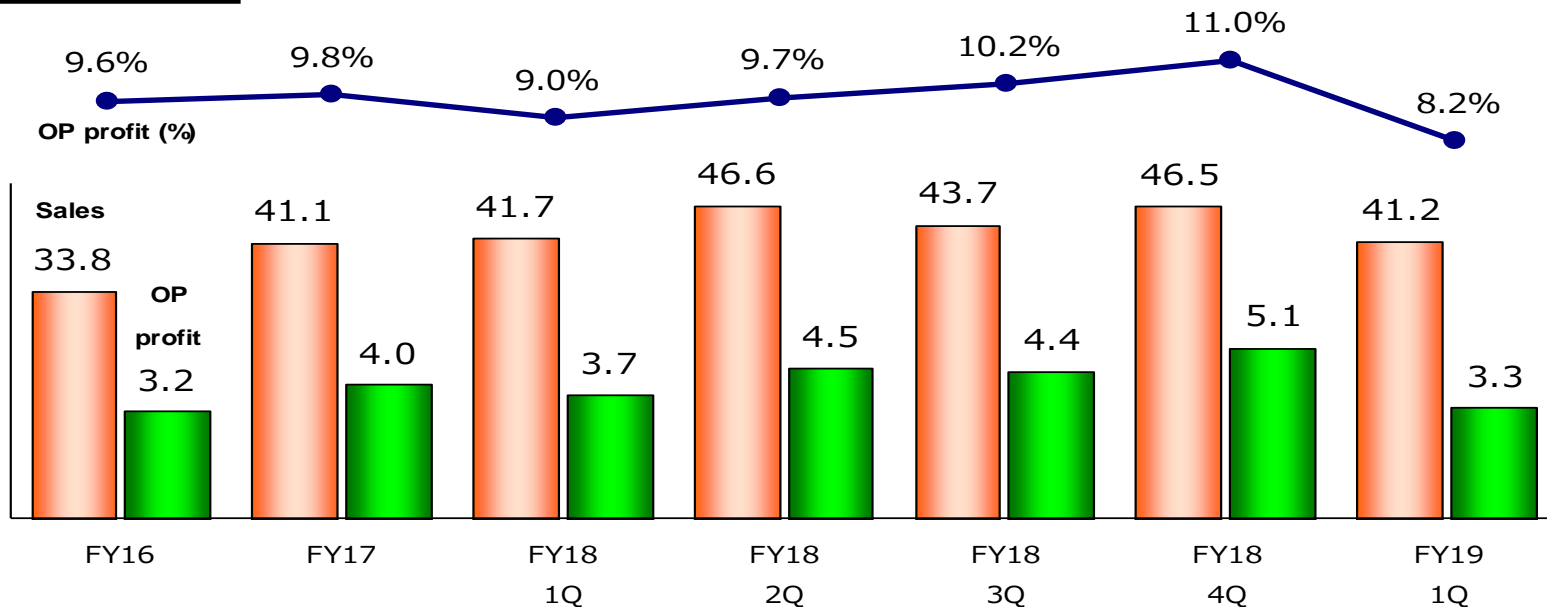
## [Asia/Oceania (Including India)]

( billions of yen)

Asia/Oceania (including India)	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease	Increase/ Decrease (%)
Sales	41.7	41.2	△ 0.4	△ 1.2%
OP profit	3.7	3.3	△ 0.3	△ 10.0%
OP profit (%)	9.0%	8.2%		

### Quarterly Trend

(billions of yen)



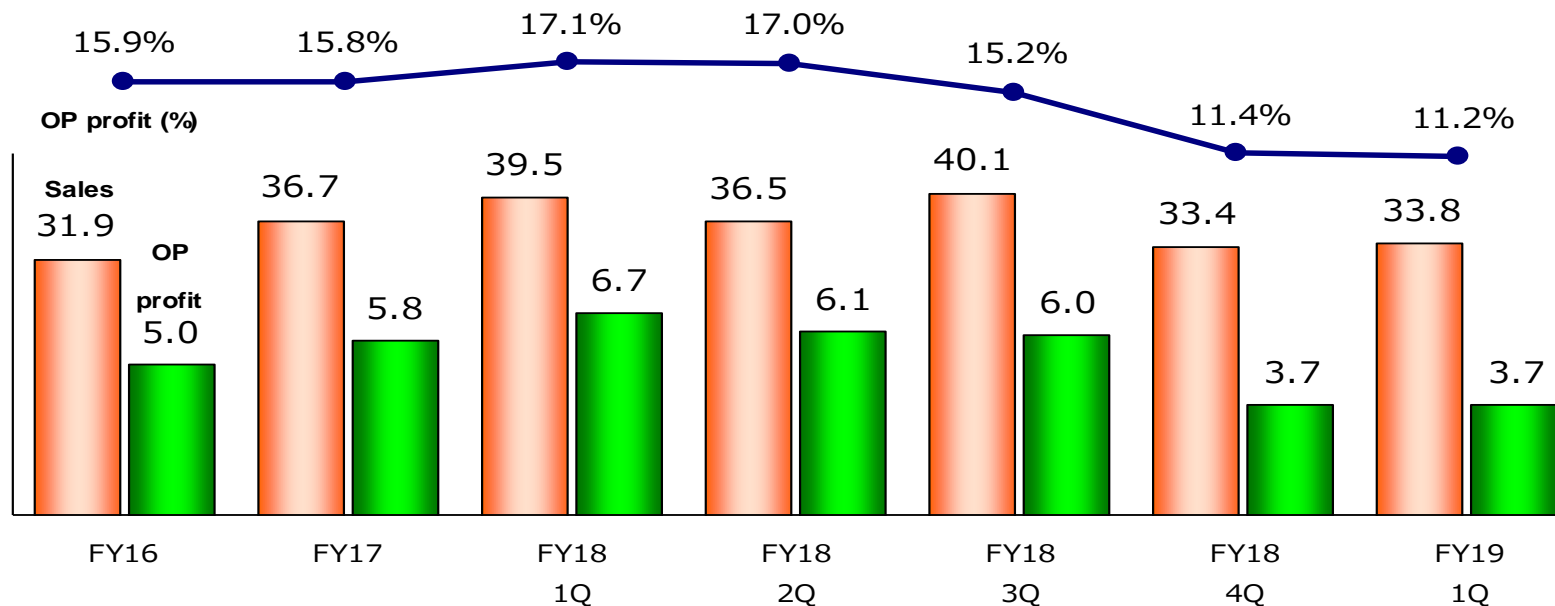
# (Reference) Financial Results by Region (China)

( billions of yen)

China	FY2018 1st Quarter	FY2019 1st Quarter	Increase/ Decrease	Increase/ Decrease (%)
Sales	39.5	33.8	△ 5.6	△ 14.4%
OP profit	6.7	3.7	△ 2.9	△ 44.1%
OP profit (%)	17.1%	11.2%		

## Quarterly Trend

( billions of yen)



# (Reference) Financial Results by Region

## [South America and Others]

(billions of yen)

South America & Others	FY2018 1st Quarter	FY2019 1st Quarter	Increase/Decrease	Increase/Decrease (%)
Sales	6.6	6.3	△ 0.2	△ 4.1%
OP profit	0.4	0.2	△ 0.1	△ 40.7%
OP profit (%)	6.6%	4.1%		

### Quarterly Trend

(billions of yen)

