

IR Presentation for the Third Quarter of Fiscal Year Ending March 2020

February 3, 2020

JTEKT Corporation

1. Results for the Third Quarter
of Fiscal Year Ending March 2020

2. Full-year Forecasts for Fiscal Year Ending March 2020

3. Appendix

1-1) Consolidated Performance

- The external environment was still severe and sales declined significantly, and profits decreased significantly.
- Recorded North American business restructuring charges in Q2.

	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease	Increase/ Decrease(%)
Net sales	1,125.6	1,071.0	△ 54.6	△ 4.9%
Operating income	(4.3%) 48.8	(2.7%) 29.1	△ 19.6	△ 40.3%
Ordinary Income	(4.5%) 50.6	(3.0%) 32.1	△ 18.5	△ 36.6%
Profit attributable to owners of parent	(2.5%) 27.7	(0.8%) 8.9	△ 18.7	△ 67.6%
Foreign exchange (Apr. to Dec)	¥111.14/USD ¥129.49/EUR	¥108.67/USD ¥121.05/EUR	¥2.47 strong yen ¥8.44 strong yen	
Capital expenditures	50.5	53.8	+ 3.3	+ 6.6%
Depreciation and amortization	47.6	48.5	+ 0.9	+ 1.9%
R&D costs	(4.0%) 44.6	(4.5%) 47.9	+ 3.2	+ 7.3%

(Unit : Billions of yen
(%) : Ratio to sales)

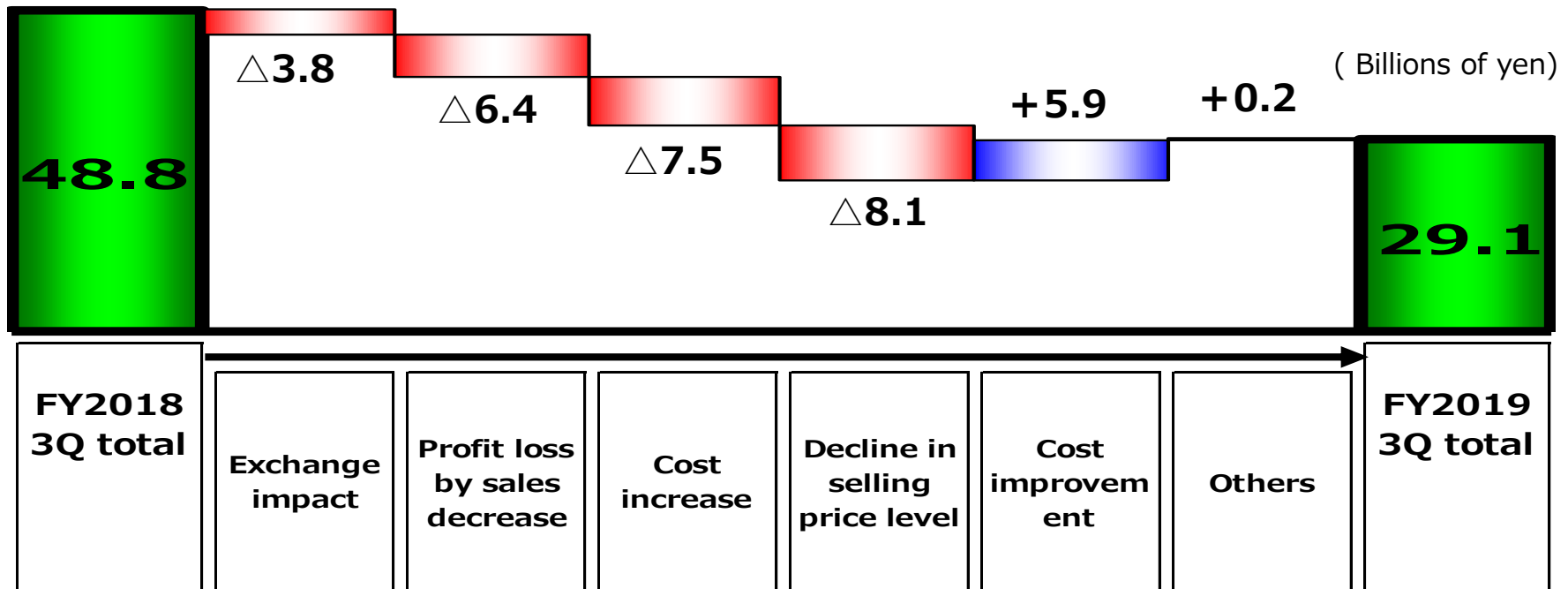
1-2) Operating Profit Analysis

- Despite the effects of cost improvement, it did not possible to cover the decline in selling price level.
- Significant decrease in profit due to reduced sales and fixed costs such as R&D.

Operating profit 19.7 billion yen decrease

**Factors of profit decrease
25.8 billion yen**

**Factors of profit increase
6.1 billion yen**



1-3) Results by Business Units

Mechanical Components

- Despite cost improvement of bearings, demand was drastically reduced mainly in Japan and North America.
- Significant decline in profits due to lower selling prices, increased costs, and worsening profits in China.

Machine tools

- Despite cost improvement effect, significant declined in profit due to decrease in profits.

(Billions of yen)

		FY2018 3Q total	FY2019 3Q total	Increase/ Decrease	Increase/ Decrease(%)
Mechanical components	Net sales	997.7	952.1	△ 45.5	△ 4.6%
	Steering systems	567.4	552.5	△ 14.8	△ 2.6%
	Drivelines	115.6	112.9	△ 2.7	△ 2.3%
	Bearings	314.6	286.6	△ 27.9	△ 8.9%
	Operating income (Operating incom(%))	37.0 (3.7%)	19.5 (2.1%)	△ 17.4	△ 47.2%
Machine tools	Net sales	127.9	118.8	△ 9.1	△ 7.1%
	Machine tools	126.6	117.8	△ 8.8	△ 7.0%
	Others	1.3	0.9	△ 0.3	△ 25.8%
	Operating income (Operating incom(%))	11.3 (8.9%)	8.6 (7.3%)	△ 2.6	△ 23.5%

1-4) Results by Company Location ①

Japan

(Billions of yen)

	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease
Net sales	455.9	443.6	△ 12.2
OP income	14.9	7.0	△ 7.8
OP income(%)	3.3%	1.6%	-

Decrease in sales and profit

- Sales decreased in each business except STG.
- Bearing costs improved, but profits declined due to lower sales.
- Profitability declines due to the impact of price reductions and cost increases.

Europe

(Billions of yen)

	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease
Net sales	169.0	151.2	△ 17.8
OP income	△ 3.1	△ 2.9	+ 0.1
OP income(%)	△ 1.8%	△ 2.0%	-

Decrease in sales/increase in profit

- Sales decreased in all businesses, especially STG.
- Profit stays on par with the previous year due to improved selling prices and costs.

1-5) Results by Company Location ②

North America

(Billions of yen)

	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease
Net sales	231.8	220.3	△ 11.5
OP income	3.9	2.9	△ 0.9
OP income(%)	1.7%	1.4%	-

Decrease in sales and profit

- Sales increased for STG and Driveline, but decreased due to declining Bearing demand.
- Cost improvement was progressing at STG, but profit was significantly affected by lower Bearing sales.

Asia/Oceania (including India)

(Billions of yen)

	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease
Net sales	132.1	127.5	△ 4.5
OP income	12.7	10.2	△ 2.4
OP income(%)	9.6%	8.0%	-

Decrease in sales and profit

- Sales declined in all businesses due to slowing markets in ASEAN and India.
- Profitability declines due to lower selling prices.

1-6) Results by Company Location ③

China

(Billions of yen)

	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease
Net sales	116.3	109.6	△ 6.6
OP income	19.0	10.6	△ 8.4
OP income(%)	16.4%	9.7%	-

Decrease in sales and profit

- Excluding foreign exchange differences, sales of STG increased, but other business decreased due to falling demand.
- STG sales increased, but profits declined sharply due to intensifying competition and unachieved improvements.

South America/Others

(Billions of yen)

	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease
Net sales	20.3	18.5	△ 1.7
OP income	1.2	0.6	△ 0.5
OP income(%)	6.0%	3.7%	-

Decrease in sales and profit

- Decreased sales due to lower sales of STG.
- Excluding foreign exchange differences, Bearing sales increased but profits decreased due to a decrease in overall demand.

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2. Full-year Forecasts for Fiscal Year Ending March 2020

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World economy

- Although a gradual economic recovery is expected in the United States, China and Europe will continue to show signs of a slowdown, mainly in manufacturing, due to the trade friction between the United States and China.
- The outlook remains uncertain due to the impact on the European economy following the withdrawal of the UK and the geopolitical risks in the Middle East.

Japan

- Due to the slowdown in the world economy, exports have been further weakened.
- The impact of the consumption tax hike is uncertain and the outlook remains unsure.

2-2) Forecasts for Fiscal Year Ending March 2020

Although the demand environment remains uncertain, the effects of the delayed improvement in profits have certainly been realized. We will further speed up improvements, curb fixed costs, and work toward achieving our targets.

	FY2018 Full year (Result)	FY2019 (Forecast)			Increase/ Decrease	Increase/ Decrease(%)
		1H	2H	Full year		
Net sales	1,520.8	721.9	718.0	1,440.0	△ 80.8	△ 5.3%
Operating income	(4.4%) 66.6	(2.9%) 21.1	(3.3%) 23.8	(3.1%) 45.0	△ 21.6	△ 32.4%
Ordinary income	(4.6%) 69.6	(3.1%) 22.4	(3.4%) 24.5	(3.3%) 47.0	△ 22.6	△ 32.5%
Profit attributable to owners of parent	(1.6%) 24.6	(0.7%) 4.7	(1.9%) 13.2	(1.3%) 18.0	△ 6.6	△ 27.0%
Exchange rate (Apr. to Mar.)	¥110.91/USD ¥128.41/EUR	¥108.63/USD ¥121.42/EUR	¥106.90/USD ¥117.70/EUR	¥108.00/USD ¥120.00/EUR	¥2.91 strong yen ¥8.41 strong yen	
Capital expenditures	75.2	35.5	48.4	84.0	+ 8.8	+ 11.7%
Depreciation and amortization	66.9	31.9	33.0	65.0	△ 1.9	△ 2.8%
R&D costs	(4.2%) 63.6	(4.5%) 32.4	(4.7%) 33.5	(4.6%) 66.0	+ 2.3	+ 3.7%
Dividend	¥ 44	¥ 22	¥ 22	¥ 44	—	

Unit : Billions of yen
(%) : Ratio to sales

2-3) Operating Profit Analysis

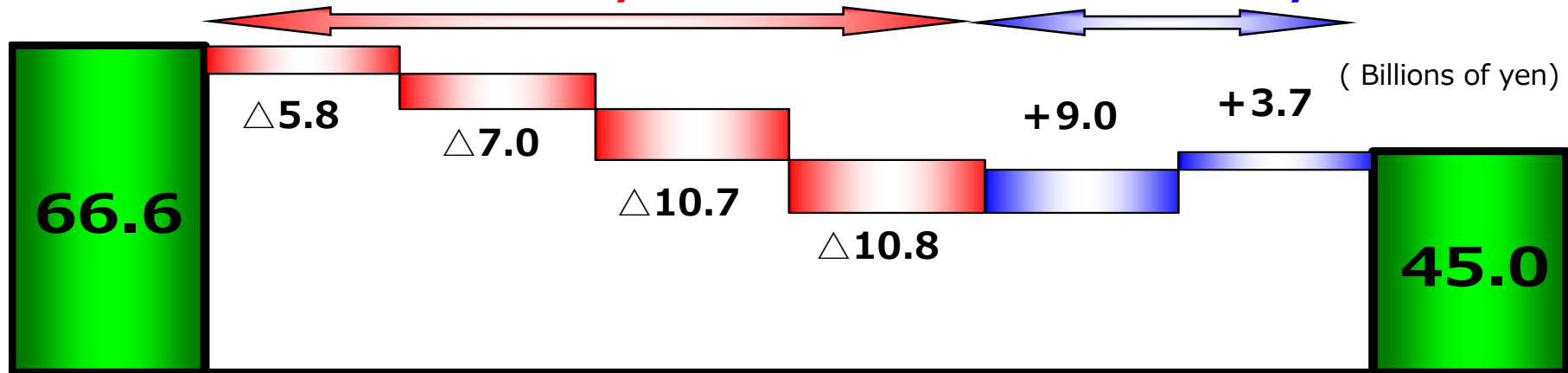
(Previous result vs forecast)

Significant decline in profit due to that R & D cost increase, material price fluctuation and failure to improve some products, in addition to sales decline and strong yen.

Operating profit 21.6 billion yen decrease

**Factors of profit decrease
34.3 billion yen**

**Factors of profit increase
12.7 billion yen**



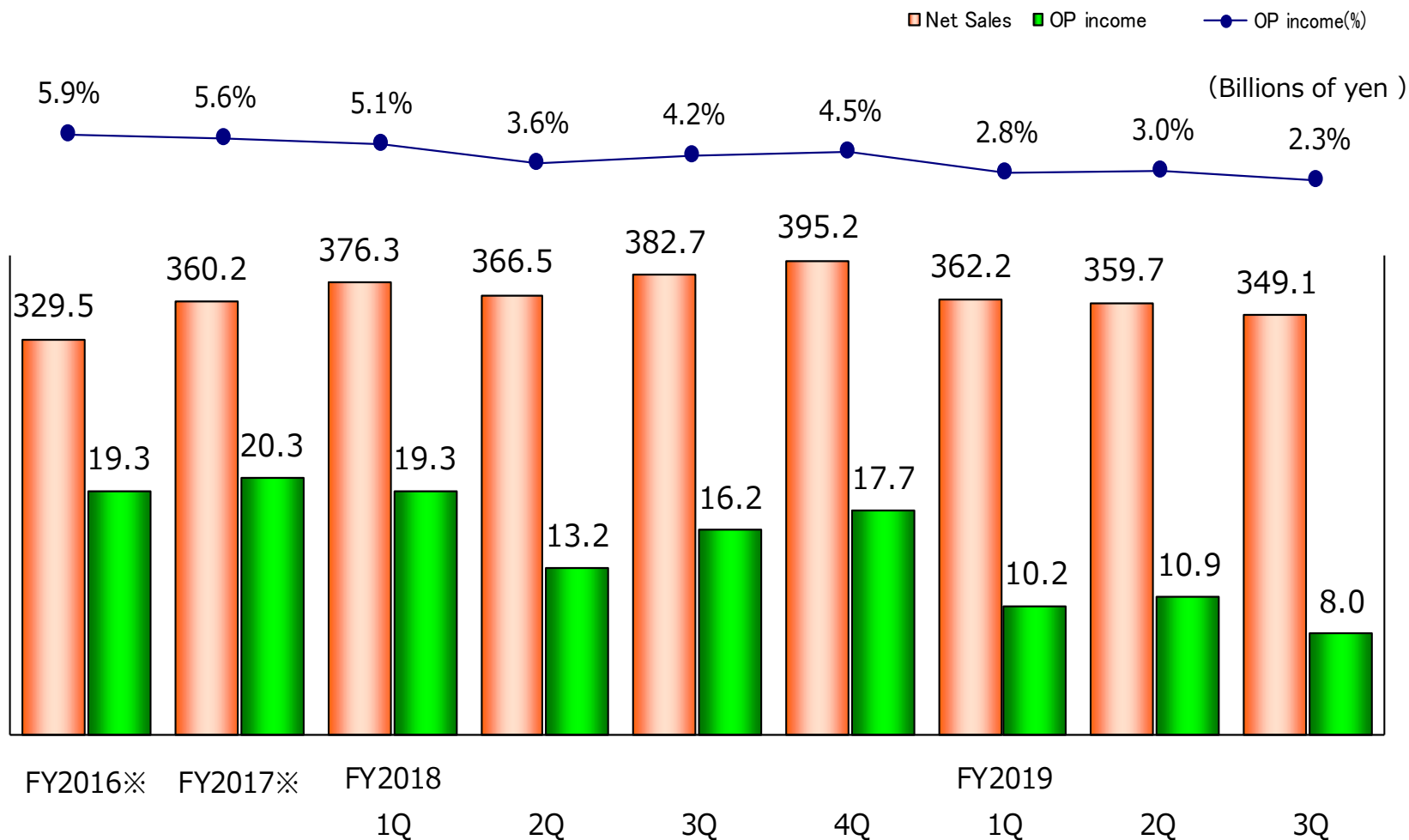
FY2018 Result	Exchange impact	Profit loss by sales decrease	Cost increase	Decline in selling price level	Cost improvement	Others	FY2019 Forecast
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(Reference) Quarterly Result Trend



USD	¥108	¥111	¥109	¥111	¥113	¥110	¥110	¥107	109円
EUR	¥119	¥130	¥130	¥130	¥129	¥125	¥123	¥119	120円

※ 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 (Actual)	2H (Forecast)	Full year (Forecast)		
Mechanical components	Steering systems	770.7	369.6	370.3	740.0	△ 30.7	△ 4.0%
	Drivelines	157.2	76.5	78.4	155.0	△ 2.2	△ 1.4%
	Bearings	417.8	194.0	183.9	378.0	△ 39.8	△ 9.5%
	[Total]	1,345.8	640.1	632.8	1,273.0	△ 72.8	△ 5.4%
Machine tools and others	Machine tools	173.1	80.9	84.0	165.0	△ 8.1	△ 4.7%
	Others	1.9	0.8	1.1	2.0	+ 0.0	+ 4.9%
	[Total]	175.0	81.7	85.2	167.0	△ 8.0	△ 4.6%
[Total Sales]		1,520.8	721.9	718.0	1,440.0	△ 80.8	△ 5.3%

(Reference) Sales Forecast by Region

(Billions of yen)

	FY2018 Full year (Actual)	FY2019 (Forecast)			Increase/ Decrease	Increase/ Decrease(%)
		1H(Actual)	2H(Forecast)	Full year (Forecast)		
Japan	619.6	300.1	295.8	596.0	△ 23.6	△ 3.8%
Europe	231.2	103.2	101.5	204.8	△ 26.4	△ 11.4%
North America	314.7	151.5	139.9	291.5	△ 23.2	△ 7.4%
Asia/Oceania (including India)	178.6	87.1	88.8	176.0	△ 2.6	△ 1.5%
China	149.7	67.3	80.1	147.5	△ 2.2	△ 1.5%
South America & others	26.8	12.5	11.6	24.2	△ 2.6	△ 10.0%
[Total Sales]	1,520.8	721.9	718.0	1,440.0	△ 80.8	△ 5.3%

(Reference) Financial Results by Business (Mechanical Components)

(Billions of yen)

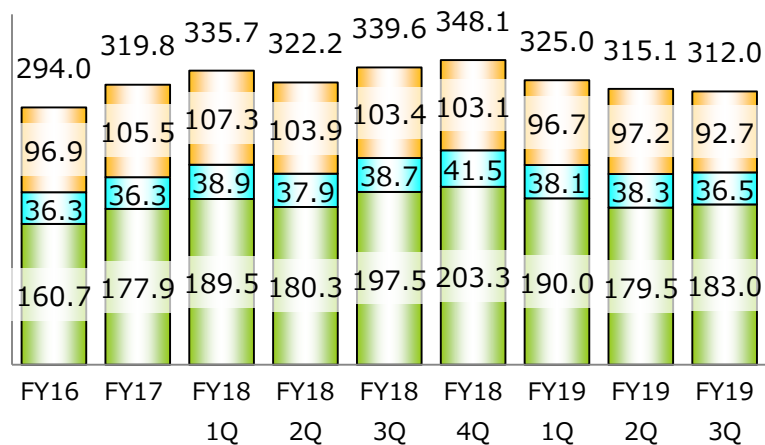
Mechanical components		FY2018 3Q total	FY2019 3Q total	Increase/ Decrease	Increase/ Decrease (%)
Steering systems	Net sales	567.4	552.5	△ 14.8	△ 2.6%
Drivelines	Net sales	115.6	112.9	△ 2.7	△ 2.3%
Bearings	Net sales	314.6	286.6	△ 27.9	△ 8.9%
[Total]	Net sales	997.7	952.1	△ 45.5	△ 4.6%
	OP income	37.0	19.5	△ 17.4	△ 47.2%
	OP income (%)	3.7%	2.1%		

* Intercompany deletion is omitted.

Sales Quarterly Trend

□ STG □ DL □ BRG

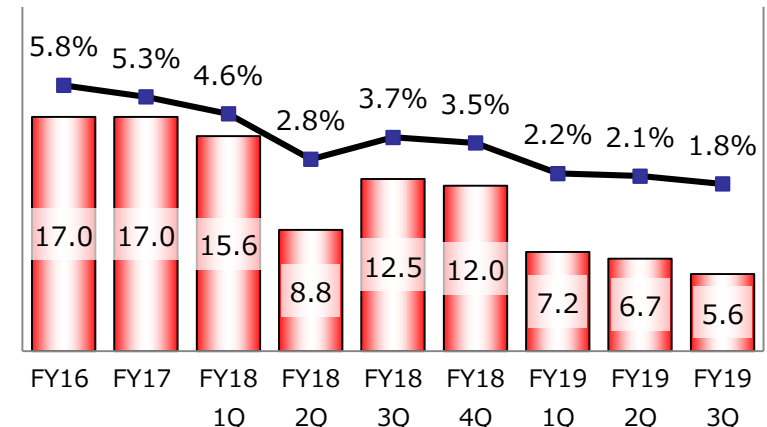
(Billions of yen)



OP Profit Quarterly Trend

■ OP income
■ OP income(%)

(Billions of yen)



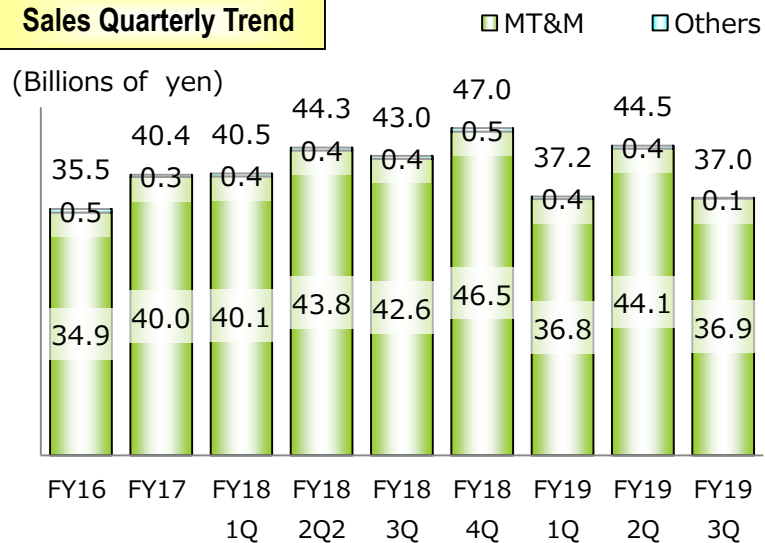
(Reference) Financial Results by Business (Machine Tools & Others)

(Billions of yen)

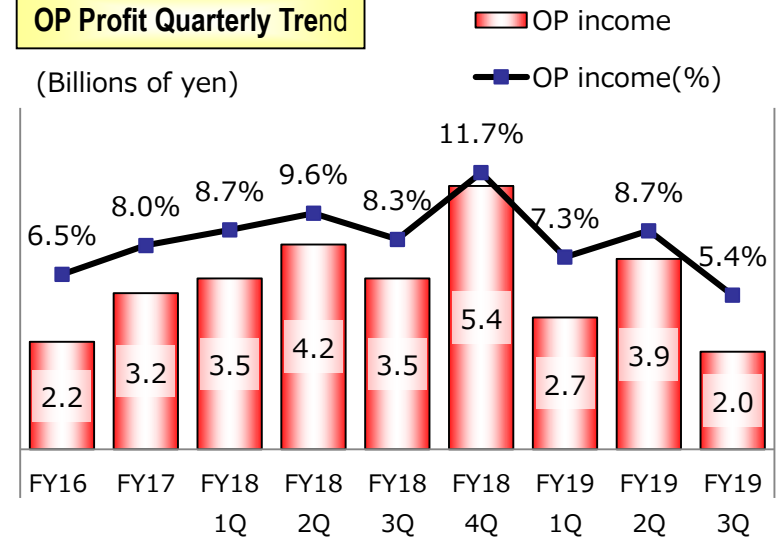
Machine tools and others		FY2018 3Q total	FY2019 3Q total	Increase/ Decrease	Increase/ Decrease (%)
Machine tools	Net sales	126.6	117.8	△ 8.8	△ 7.0%
Others	Net sales	1.3	0.9	△ 0.3	△ 25.8%
[Total]	Net sales	127.9	118.8	△ 9.1	△ 7.1%
	OP income	11.3	8.6	△ 2.6	△ 23.5%
	OP income (%)	8.9%	7.3%		

* Intercompany elimination is omitted.

Sales Quarterly Trend



OP Profit Quarterly Trend



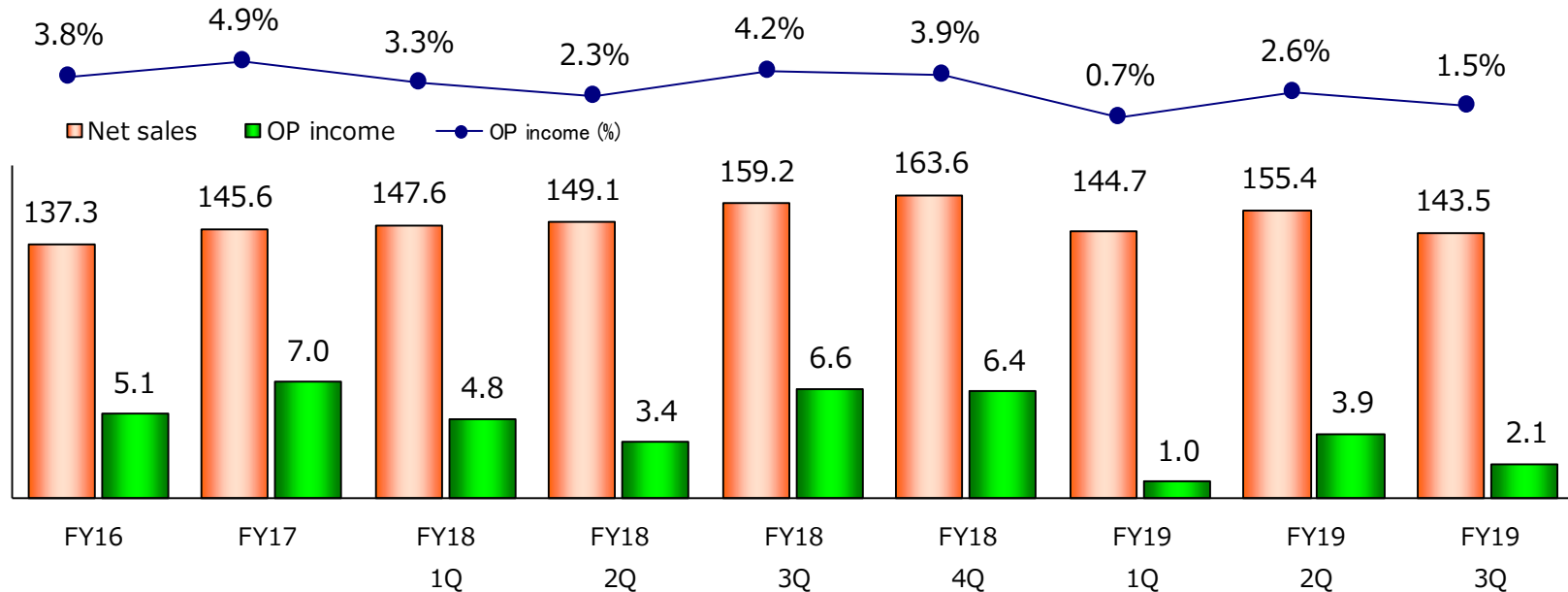
(Reference) Financial Results by Region (Japan)

(Billions of yen)

Japan	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease	Increase/ Decrease (%)
Net sales	455.9	443.6	△ 12.2	△ 2.7%
OP income	14.9	7.0	△ 7.8	△ 52.7%
OP income (%)	3.3%	1.6%		

Quarterly Trend

(Billions of yen)



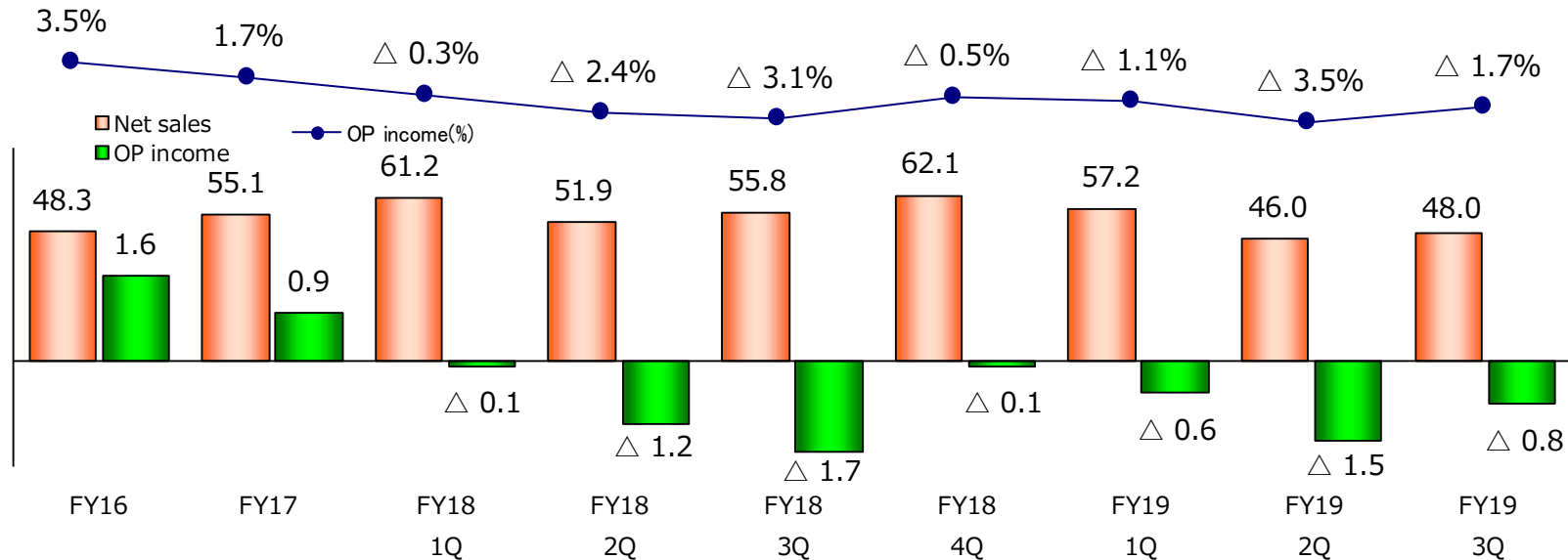
(Reference) Financial Results by Region (Europe)

(Billions of yen)

Europe	FY2018 3Q total	FY2019 3Q total	Increase/Decrease	Increase/Decrease (%)
Net sales	169.0	151.2	△ 17.8	△ 10.6%
OP income	△ 3.1	△ 2.9	+ 0.1	-
OP income (%)	△ 1.8%	△ 2.0%		

Quarterly Trend

(Billions of yen)



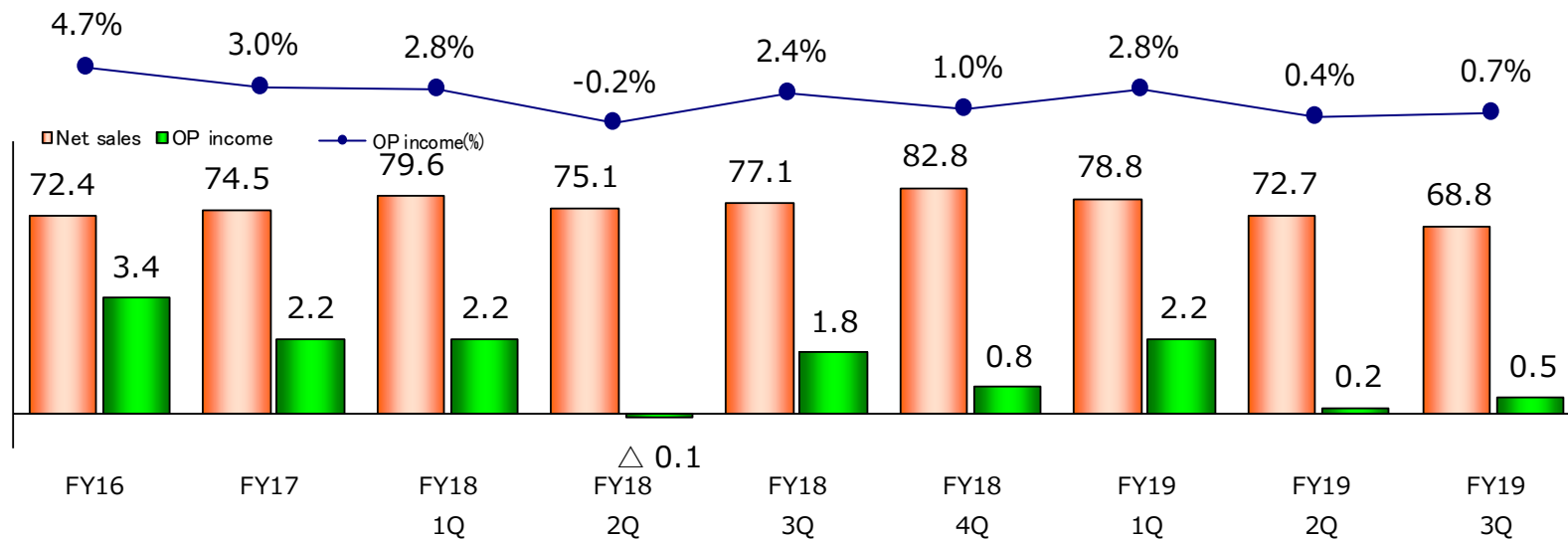
(Reference) Financial Results by Region (North America)

(Billions of yen)

North America	FY2018 3Q total	FY2019 3Q total	Increase/Decrease	Increase/Decrease (%)
Net sales	231.8	220.3	△ 11.5	△ 5.0%
OP income	3.9	2.9	△ 0.9	△ 25.0%
OP income (%)	1.7%	1.4%		

Quarterly Trend

(Billions of yen)



(Reference) Financial Results by Region

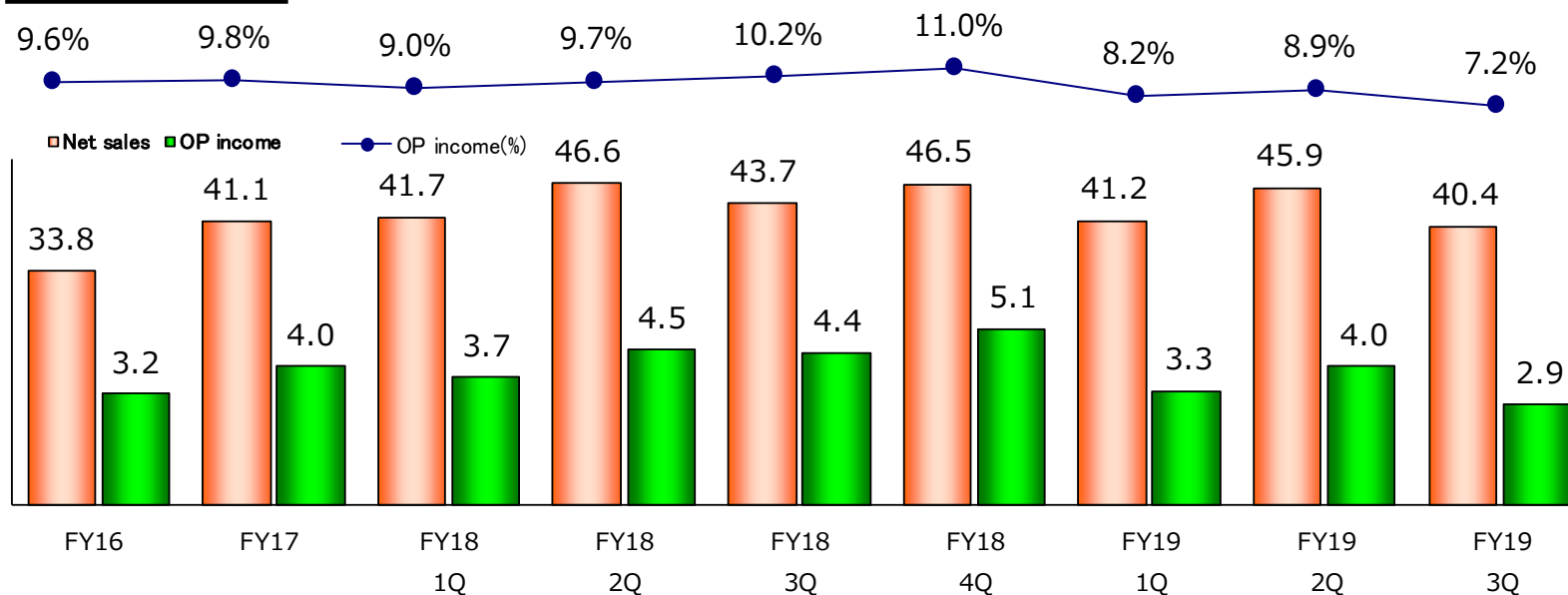
[Asia/Oceania (Including India)]

(Billions of yen)

Asia/Oceania (including India)	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease	Increase/ Decrease (%)
Net sales	132.1	127.5	△ 4.5	△ 3.5%
OP income	12.7	10.2	△ 2.4	△ 19.5%
OP income (%)	9.6%	8.0%		

Quarterly Trend

(Billions of yen)



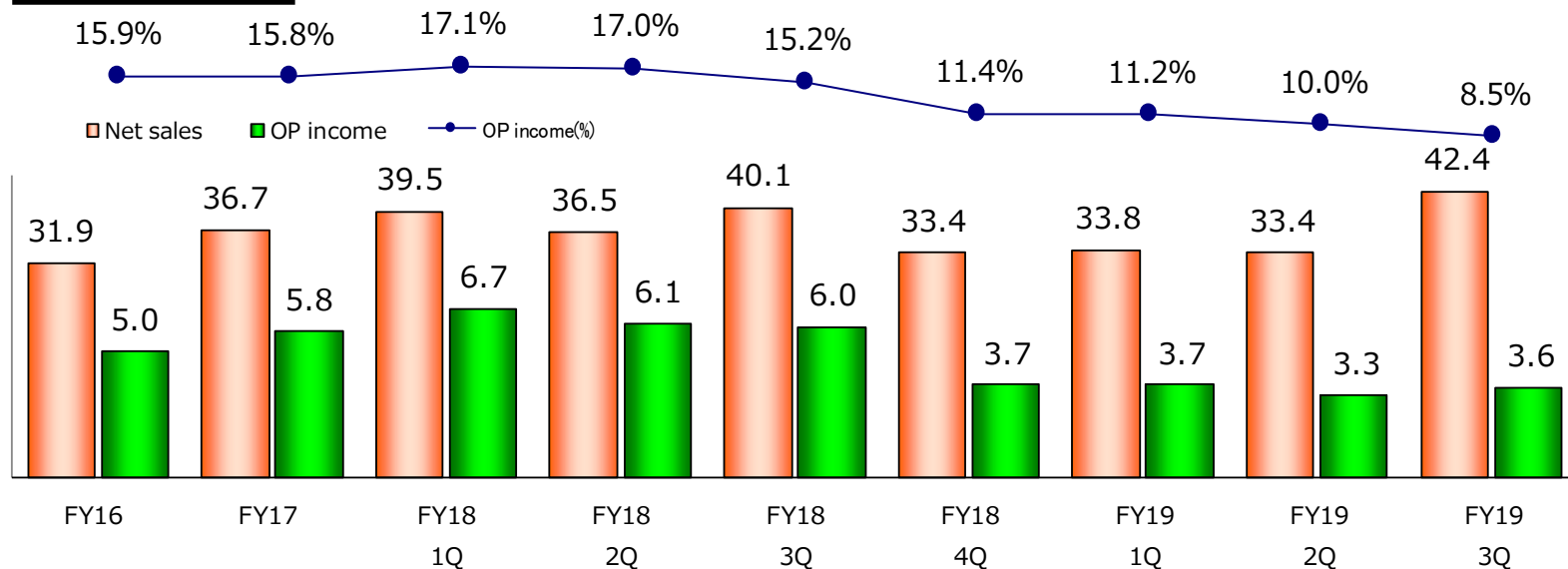
(Reference) Financial Results by Region (China)

(Billions of yen)

China	FY2018 3Q total	FY2019 3Q total	Increase/ Decrease	Increase/ Decrease (%)
Net sales	116.3	109.6	△ 6.6	△ 5.7%
OP income	19.0	10.6	△ 8.4	△ 44.1%
OP income (%)	16.4%	9.7%		

(Billions of yen)

Quarterly Trend



(Reference) Financial Results by Region

[South America and Others]

(Billions of yen)

South America & Others	FY2018 3Q total	FY2019 3Q total	Increase/Decrease	Increase/Decrease (%)
Net sales	20.3	18.5	△ 1.7	△ 8.6%
OP income	1.2	0.6	△ 0.5	△ 44.5%
OP income (%)	6.0%	3.7%		

Quarterly Trend

(Billions of yen)

