

IR Presentation for Fiscal Year 2019,

Ending March 2020

May 22, 2020

JTEKT Corporation

1. Results for Fiscal Year 2019, Ending March 2020

2. Remarks

2-1. Extraordinary loss

2-2. Fiscal 2020 activities (Structural reform)

3. Status by business

3-1. Steering Systems

3-2. Drivelines

3-3. Bearings

3-4. Machine Tools & Mechatronics

3-5. New business

1-1) Ending March 2020 Financial points

1. Sales and profits decreased year on year due to the impact of COVID-19.
Annual loss for the first time in 10 years due to recording extraordinary losses such as European impairment loss.
2. Dividend for the current term is down 6 yen from the previous term (44 yen to 38 yen)
3. Earnings forecast for the fiscal year ending March 2021 is undecided due to the difficulty of rational calculation at this stage due to the impact of COVID-19.
(Announced when disclosure becomes possible)

1-2) Consolidated Performance

- Sales and profits decreased in all regions including China due to the impact of COVID-19.
- Net loss due to impairment loss in Europe and other regions and extraordinary losses on North American restructuring cost.

		(billions of yen)				
(%): Ratio to sales		FY2018	FY2019	Increase/ Decrease	Increase/ Decrease(%)	Special factor
Net sales		1,520.8	1,418.5	△ 102.3	△ 6.7%	△ 26.0 (1)
Operating income	(4.4%)	66.6	(2.4%) 34.6	△ 31.9	△ 47.9%	△ 7.0 (1)
Ordinary income	(4.6%)	69.6	(2.5%) 34.7	△ 34.9	△ 50.1%	△ 7.0 (1)
Profit attributable to owners of parent	(1.6%)	24.6	(△ 0.5%) △ 6.6	△ 31.2	—	△ 28.5 (2)
Foreign exchange (Apr. to Mar.)		¥110.91/USD ¥128.41/EUR	¥108.74/USD ¥120.82/EUR	¥2.17 strong yen ¥7.59 strong yen		
Capital expenditures		75.2	75.0	△ 0.1	△ 0.2%	
Depreciation and amortization		66.9	65.9	△ 0.9	△ 1.5%	
R&D costs	(4.2%)	63.6	(4.6%) 64.7	+ 1.0	+ 1.7%	
Divident	Interim	¥22	¥22	—		
	Term-end	¥22	¥16	¥ △6		

Details
 (1) Impact of the expansion of COVID-19.
 (2) COVID-19 △7.0, Impairment loss △15.7, Restructuring cost △5.8

1-3) Operating Profit Analysis

- Covering the decline in selling price level with cost improvements
- Decrease in profit due to lower sales, including the impact of COVID-19, and higher fixed costs such as R&D expenses.

Operating profit 31.9 billion yen decrease

**Factors of profit decrease
46.3 billion yen**

**Factors of profit increase
14.4 billion yen**



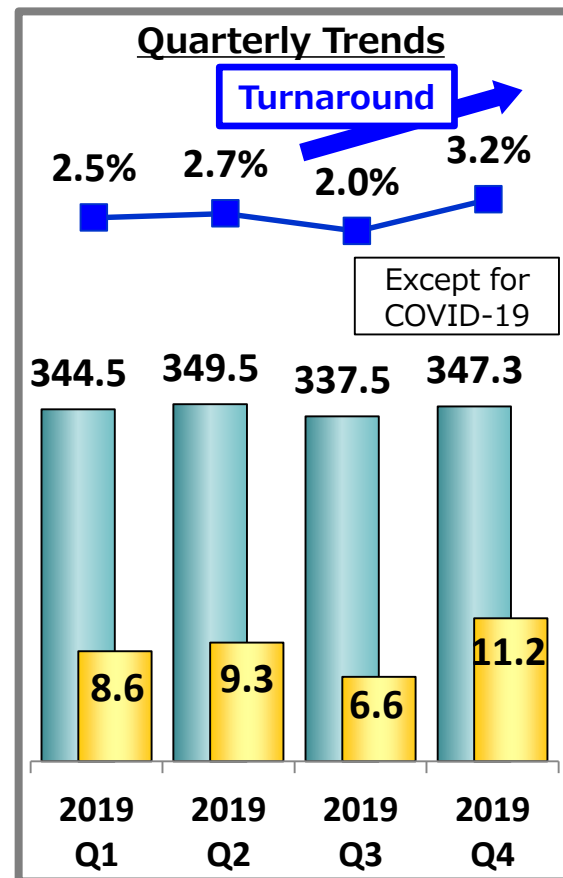
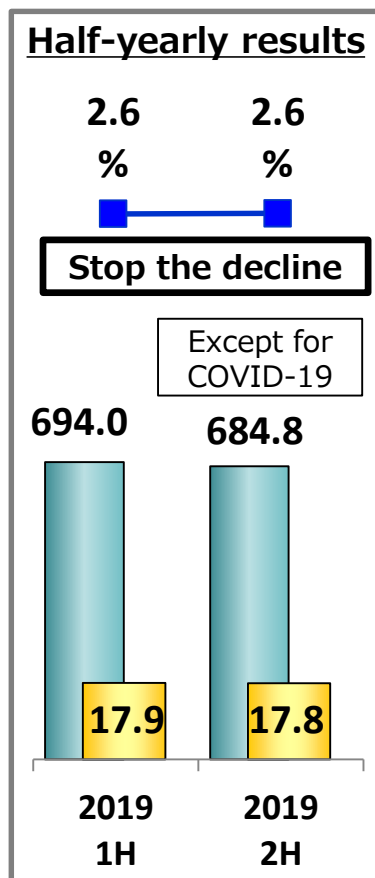
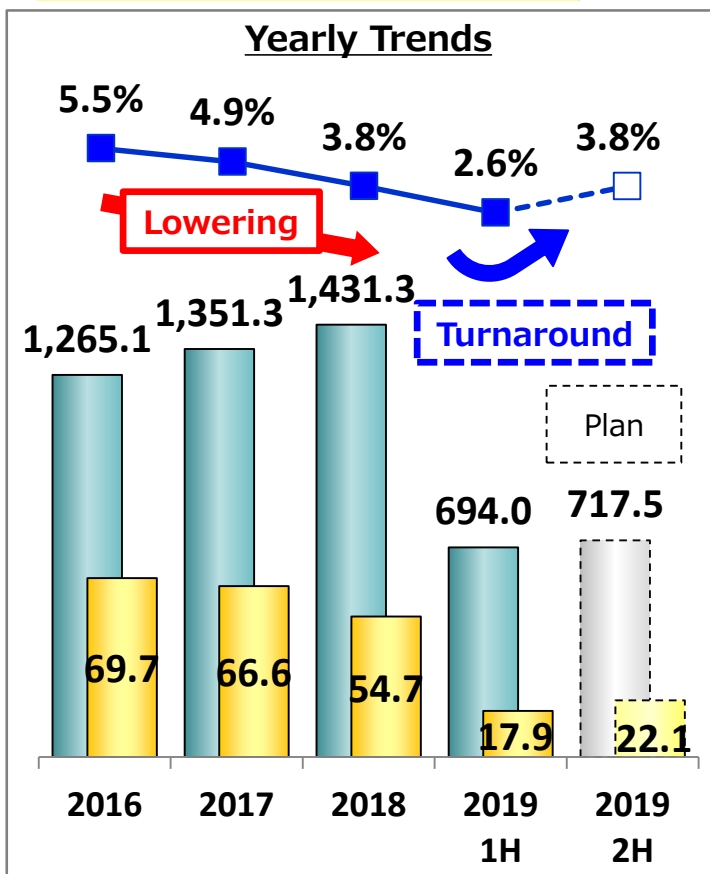
FY2018	Exchange impact	Profit loss by sales decrease	COVID-19	Cost increase	Decline in selling price level	Cost improvement	Others	FY2019
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1-4) Trends in Profit and Loss (Management rate)

- Failed to reverse in the second half due to decreased sales and increased fixed costs.
- Profitability improved from 4Q due to cost improvements in Bearings and Machine tools.

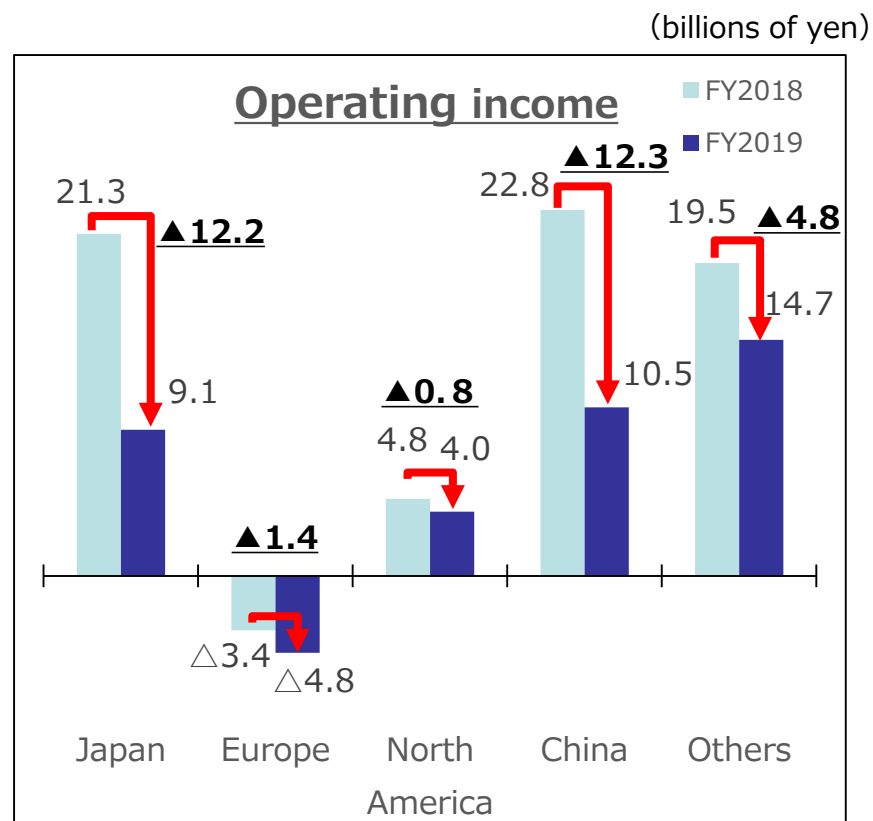
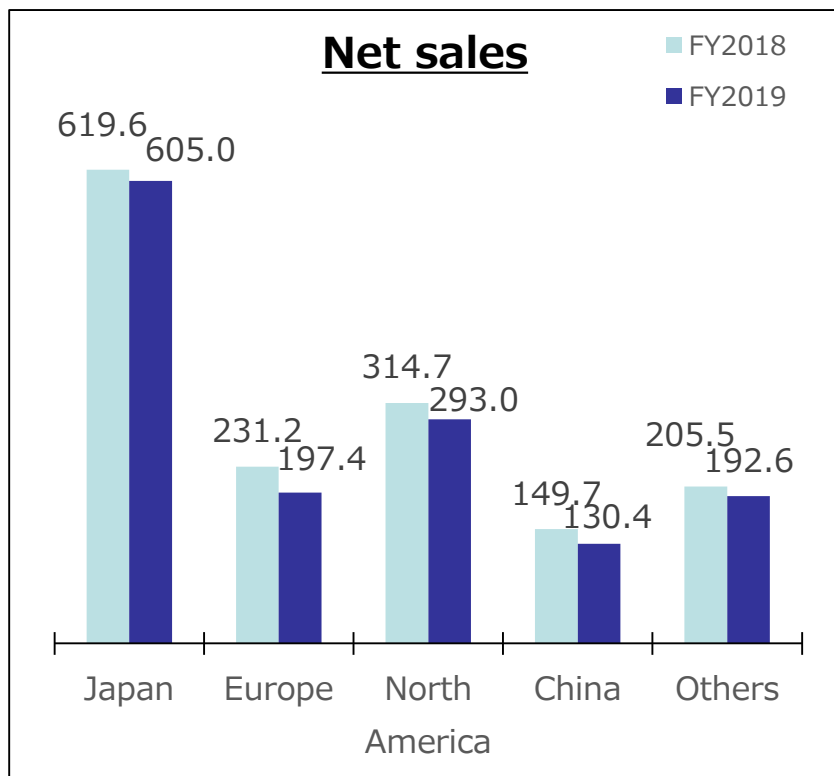
Management rate:
¥95/USD , ¥110/EUR

Net sales Operating income Operating income rate (billions of yen)



1-5) Financial Results by Company Location

Decrease due to lower sales in all regions.
 Main reasons for the decrease in income.
 Japan : Increase in R&D and infrastructure construction costs.
 Europe : Unprofitable plan for Rack Assist EPS.
 China : Decline in selling price level of EPS.



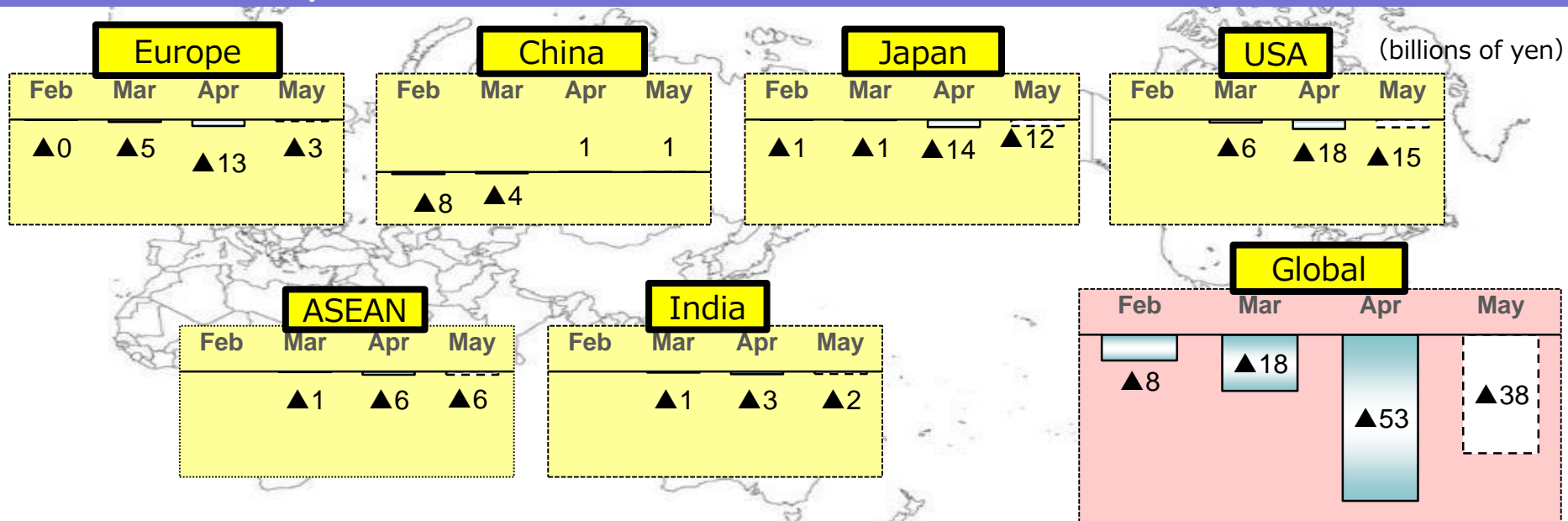
1-6) Sales Impact of COVID-19

Negative impact on sales rapidly expanding globally, mainly for automobiles

Automobile : Sales declined sharply in Japan, Europe and the U.S. due to customer operations stop. Sales are resuming in Europe. Customer operations system has almost recovered in China, but the outlook for future demand is unclear.

bearing : Sales of industrial equipment OE are down, but the impact is less than that of automobiles, and there is a tendency to refrain from buying on the market as a whole.

Machine Tools : Risk of future sales decline due to restrictions on meeting/installation and review of capital investment



Sales impact due to COVID-19 (February-March) Difference between sales plan and actual (April-May) ※May expected

By securing liquidity and setting a commitment line, a monthly cash allowance of about 3 months was provided.

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2-1) Recording of extraordinary losses

- In Europe, business performance was sluggish due to increased fixed costs such as product switching losses and R&D expenses. An impairment loss was recorded in accordance with accounting standards.
- In North America, profitability was declining due to increased fixed costs by overcapacity, and the company optimized its global production sites and incurred restructuring costs.

Extraordinary losses

1. Impairment loss

(Europe subtotal)

(billions of yen)

15.7

(13.2)

2. North America Restructuring cost

5.8

Total **21.5**

◆ Bearings Reorganization

	TRB	TRB roller
Shikoku(Kawgawa)	●	
Washington	●	
Orangeburg	○	○
Dahlonega		●

◆ Steering systems Reorganization

	Electric	Hydraulic
Bonoa	●	●
Texas		○
Mexico	●	

electrification

Strongly promote structural reforms to strengthen the earnings structure

2-2) Activities toward 「Structural Reform」

(selection and concentration)

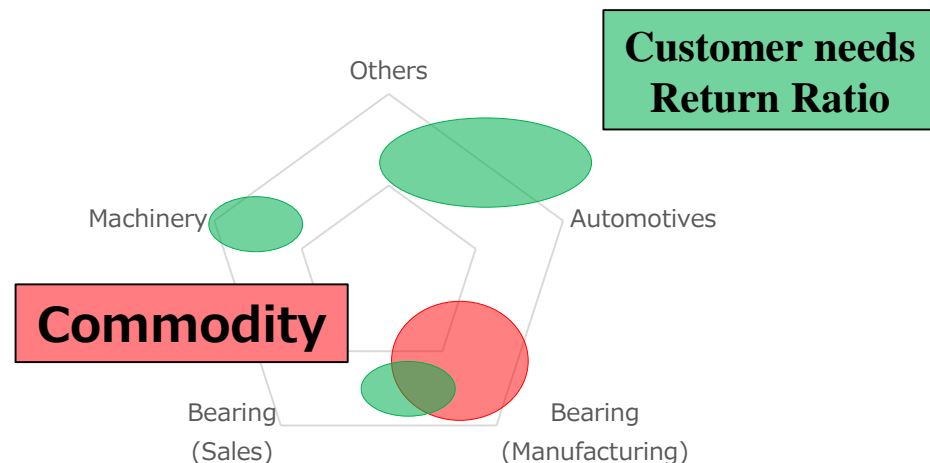
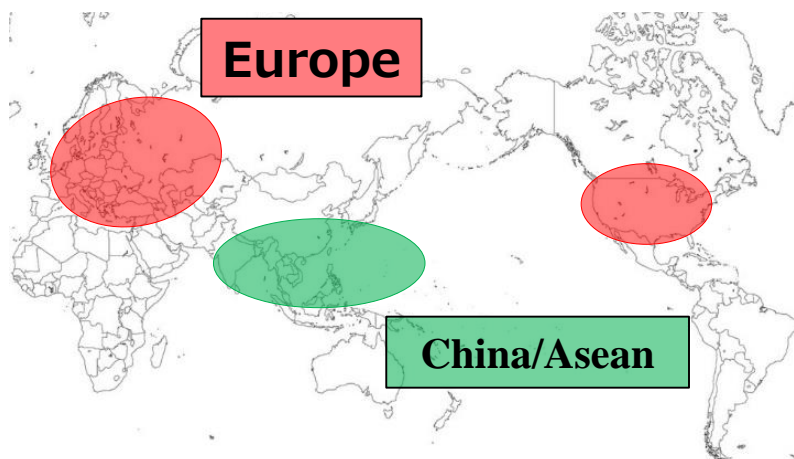
Return to thorough 「Customer perspective.」 Complete 『Structural reform』 to improve corporate value and lead to continuous / sustainable growth.

Outline of Structural Reform (selection and concentration)

- Reconfirm customer demands. (differentiation from competitor) ... Reformation to [thought of 「Market In」](#)
- Identify the area for 『Structural Reform (selection and concentration)』 [without exceptions](#), with [consideration of 「Capital Cost」](#)
- Execute 「Business Strategy」, 「Resource Allocation Strategy」 from a [company-wide perspective](#), not from individual business unit.
- Provide fruits to various stakeholders by [growing continuously and sustainably](#)

Image of Resources shift

■ Area for structural reform ■ Area for resources shift



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1) Steering Business Unit

3-1-1) Operating Profit Analysis (FY18 vs FY19)

【Review of FY2019】

- ① Profit decrease due to slowdown of automobile market growth / intensifying market competition
- ② Increased investment for switching to rack assist EPS and new fields
- ③ R & D cost increase for advanced system development

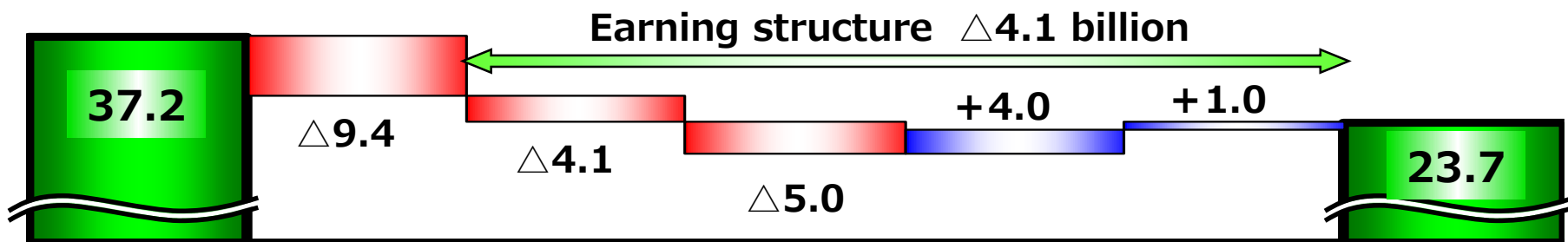
(Billions of yen)

Operating profit 13.5 billion yen decrease

Management rate:
95 yen / \$ 110 yen / €

Factors of profit decrease 18.5 billion yen

Factors of profit increase 5.0 billion yen



FY18 Result	Profit loss by sales decrease	Cost increase	Decline in sales price level	Cost improvement	Others	FY19 Result
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3-1-2) Short term activities

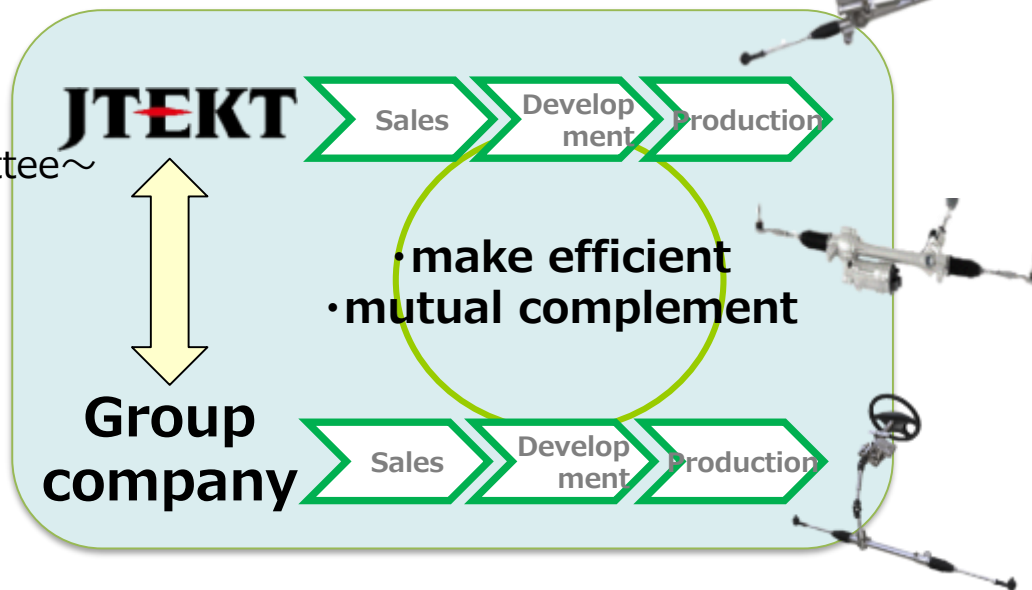
Creating a strong constitution that can withstand changes in the market / environment

~Improvements based on rack assist EPS experience~

① Cost Reduction

- Cost improvement (Include direct material)
~Collaboration and improvement across functional boundaries~
~Cost reduction at each product subcommittee~
- Promotion of automation and manpower saving
~Smart automation/Use KARAKURI~

③ Building the best business structure



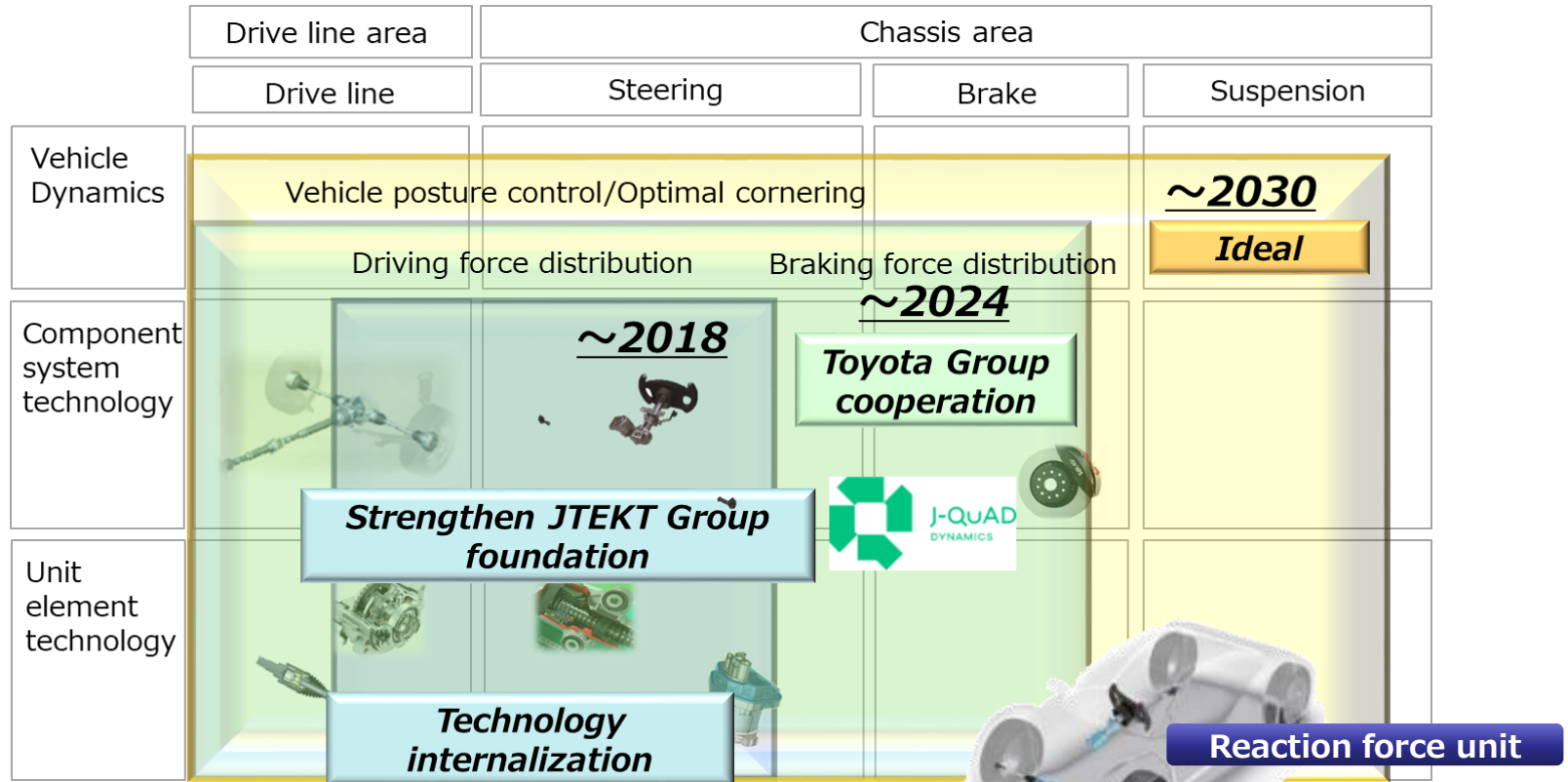
② project management

- Introduction of project manager system
~Improve service quality and profitability by managing projects from the planning stage to mass production~

Realizing further improvement of competitiveness and securing of profit as No.1 steering system supplier

3-1-3) Mid and Long term activities①

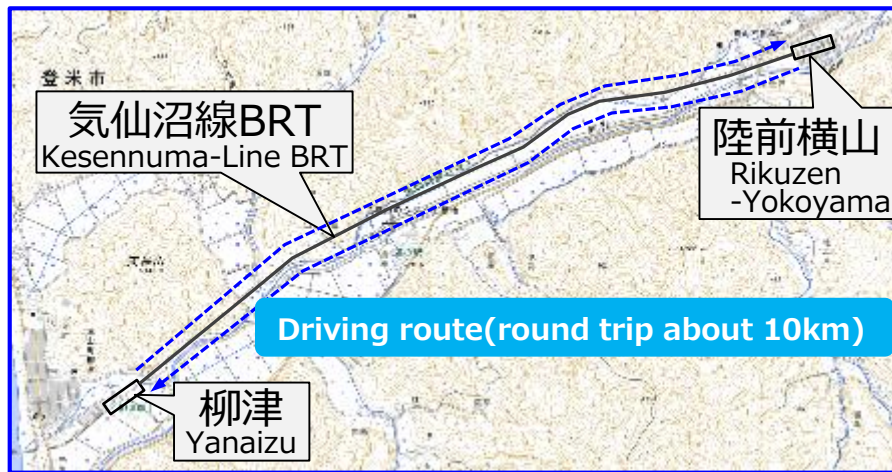
In addition to strengthening competitiveness, Step up business to offer value (KOTO), not only Product (MONO)



Realizing safety, security, comfort and convenience at a high level by fusing human and vehicles

3-1-4) Mid and Long term activities ②

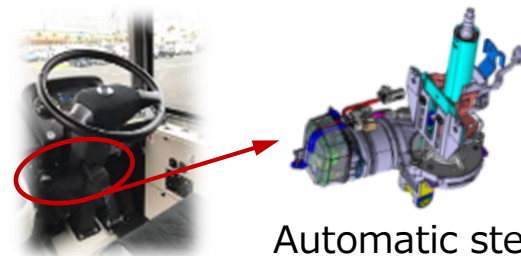
<Activities to realize autonomous driving> ~Kesenuma*BRT Autonomous bus demonstration test~
 Participated in East Japan Railway Company's automated bus demonstration test *BRT : Bus Rapid Transit



Source : Geospatial Information Authority of Japan Map

Demonstration experiment content

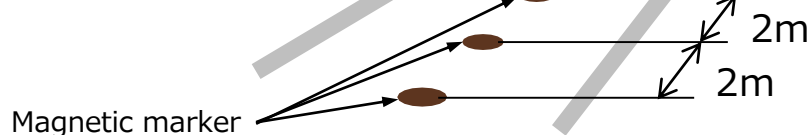
- Automatic control of steering wheel, brake and accelerator
- Lane keeping control at upper speed limit (60km / h)
- Driving in tunnels and narrow road (3.4m)
- Traffic signal link control (alternate traffic section), obstacle detection
- Precise docking(station platform)



Automatic steering device

Lane keep control

Runs smoothly by reading off the magnetic marker information on the dedicated road and specifying the position of the vehicle (co-development with Advanced Smart Mobility Co., Ltd.)

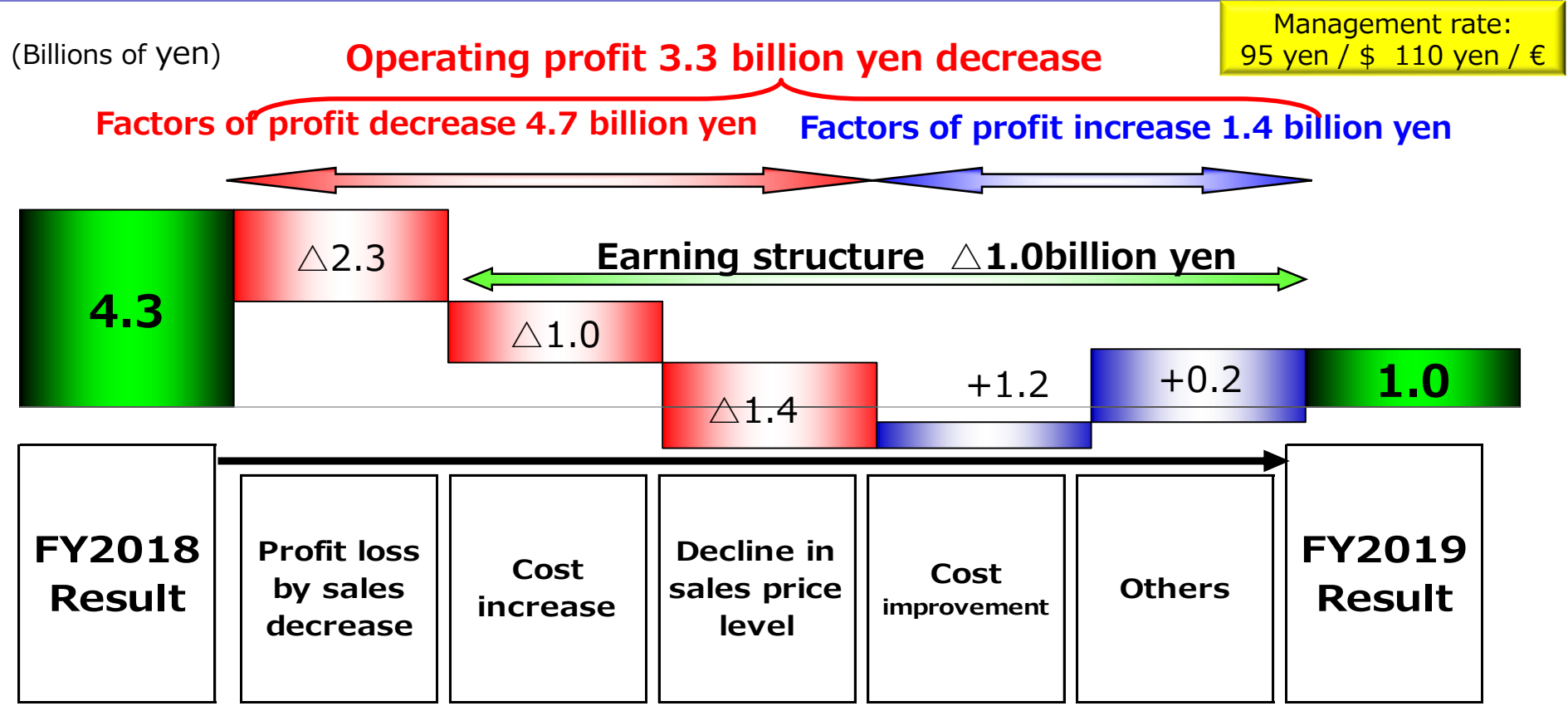


2) Drivelines Business Unit

3-2-1) Operating Profit Analysis (FY18 vs FY19)

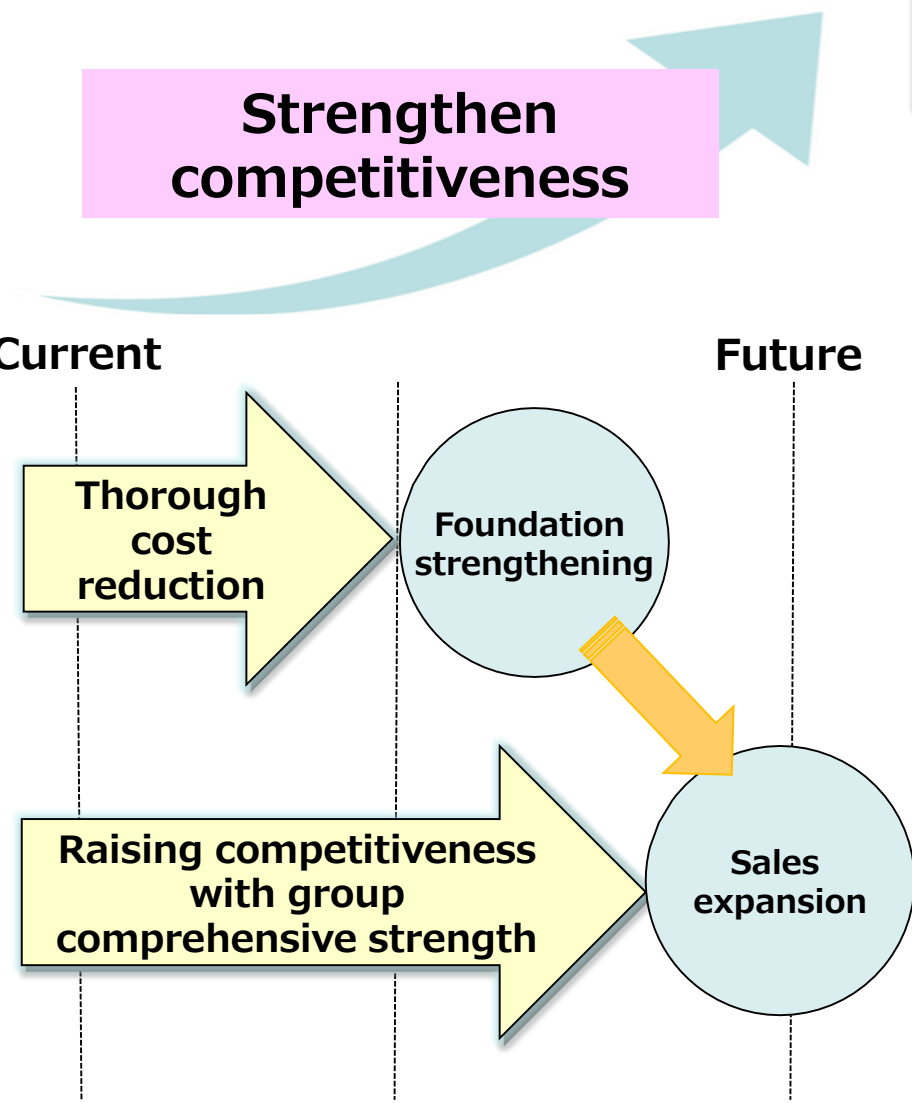
【Review of FY2019】

- ① Profit decrease due to sales decrease mainly due to slowdown in car market
- ② Cost increase for next-generation product development

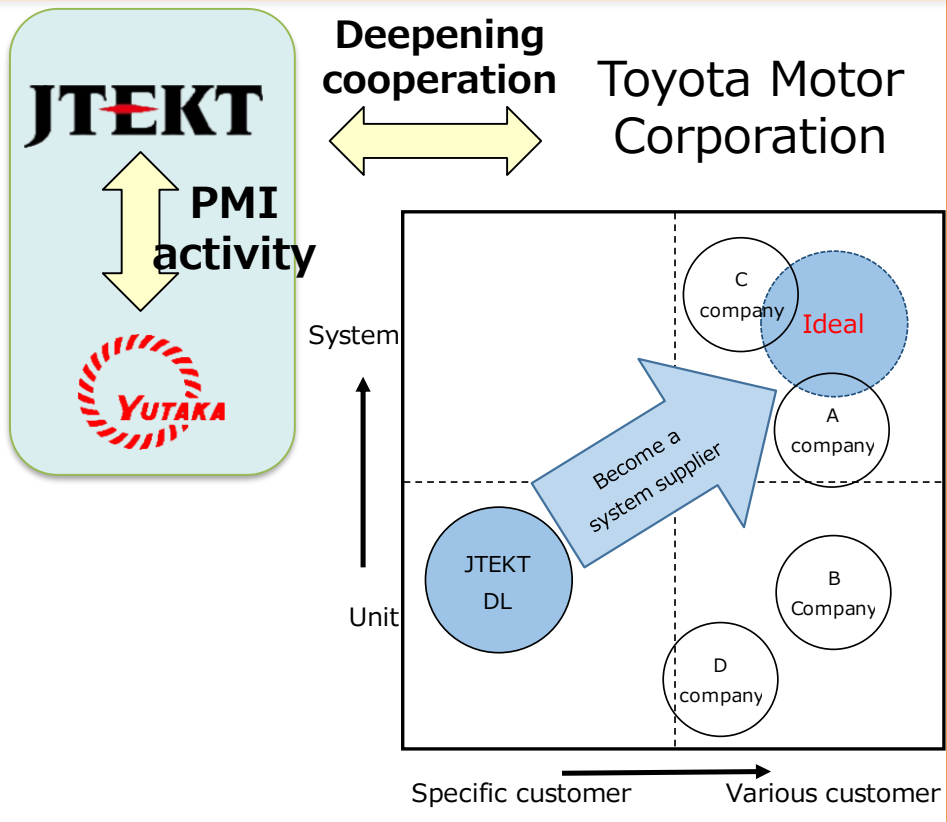


3-2-2) Activities in FY2020

Strengthen competitiveness by thoroughly reducing costs and by strengthening Gr collaboration



Raising competitiveness with group comprehensive strength

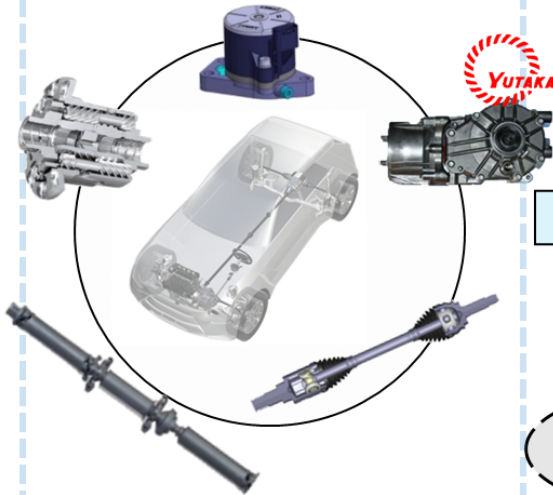


Strengthen driveline business by deepening Gr collaboration
 ⇒ Promote efforts to make a leap forward as a system supplier

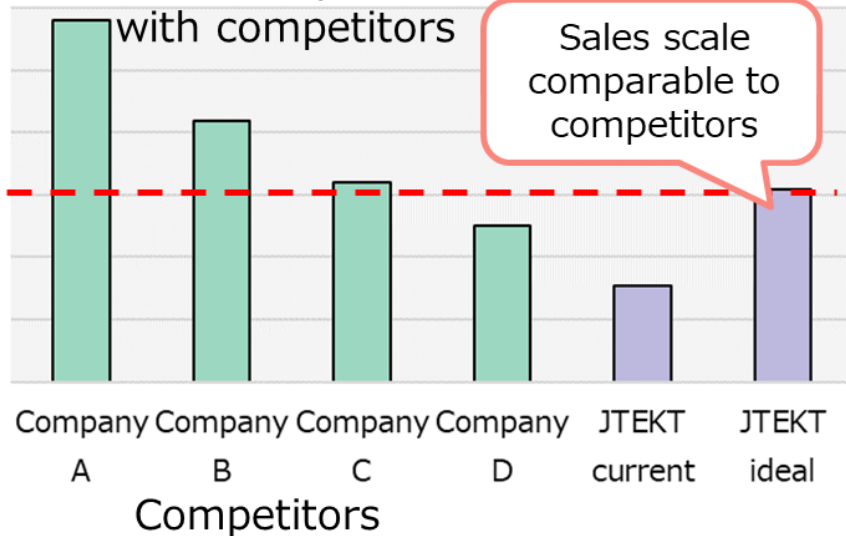
3-2-3) Mid and Long term activities

Strengthen business for leap forward to driveline system supplier

By unit



Sales comparison with competitors



Vehicle

Accumulation of technology and knowledge

Engine, T/M*, Brake

System through



Providing system solutions such as driving performance / NV compatibility**

*T/M : transmission, **NV : Noise/Vibration

Providing the solutions for safe, secure, and comfortable automobiles and expanding sales through optimal proposals for the total system, including cooperation with vehicles

3) Bearing Business Units

3-3-1) Operating Profit Analysis (FY18 vs FY19)

Cost reduction activities and structural reforms cannot cover sales decrease due to reduced demand (Particularly in Japan, North America, and Europe)

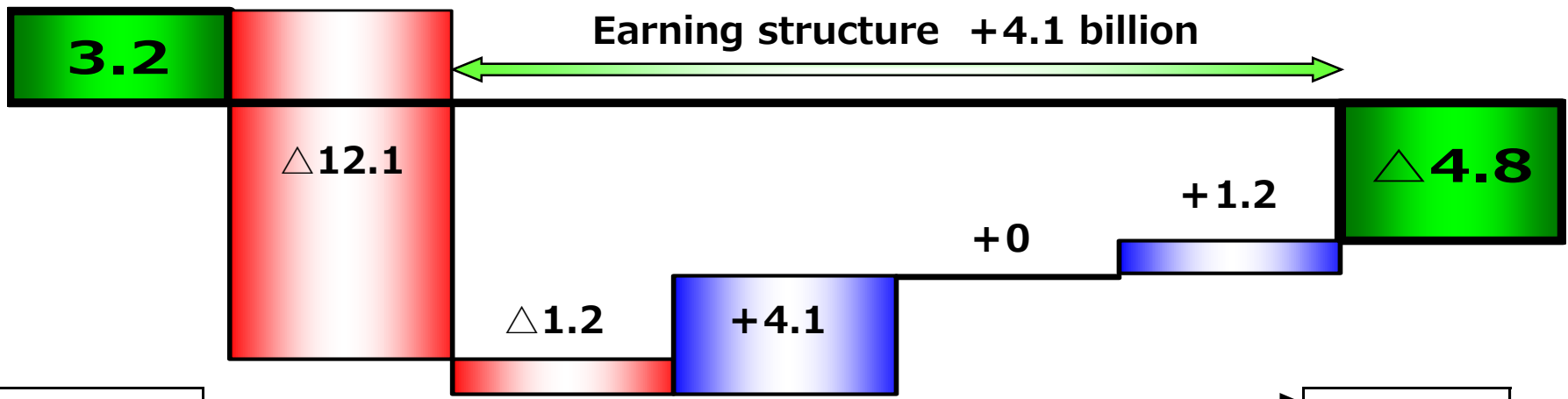
Management rate:
95 yen / \$ 110 yen / €

(Billions of yen)

Operating profit 8.0 billion yen decrease

Factors of profit decrease 13.3 billion yen

Factors of profit increase 5.3 billion yen



Earning structure +4.1 billion

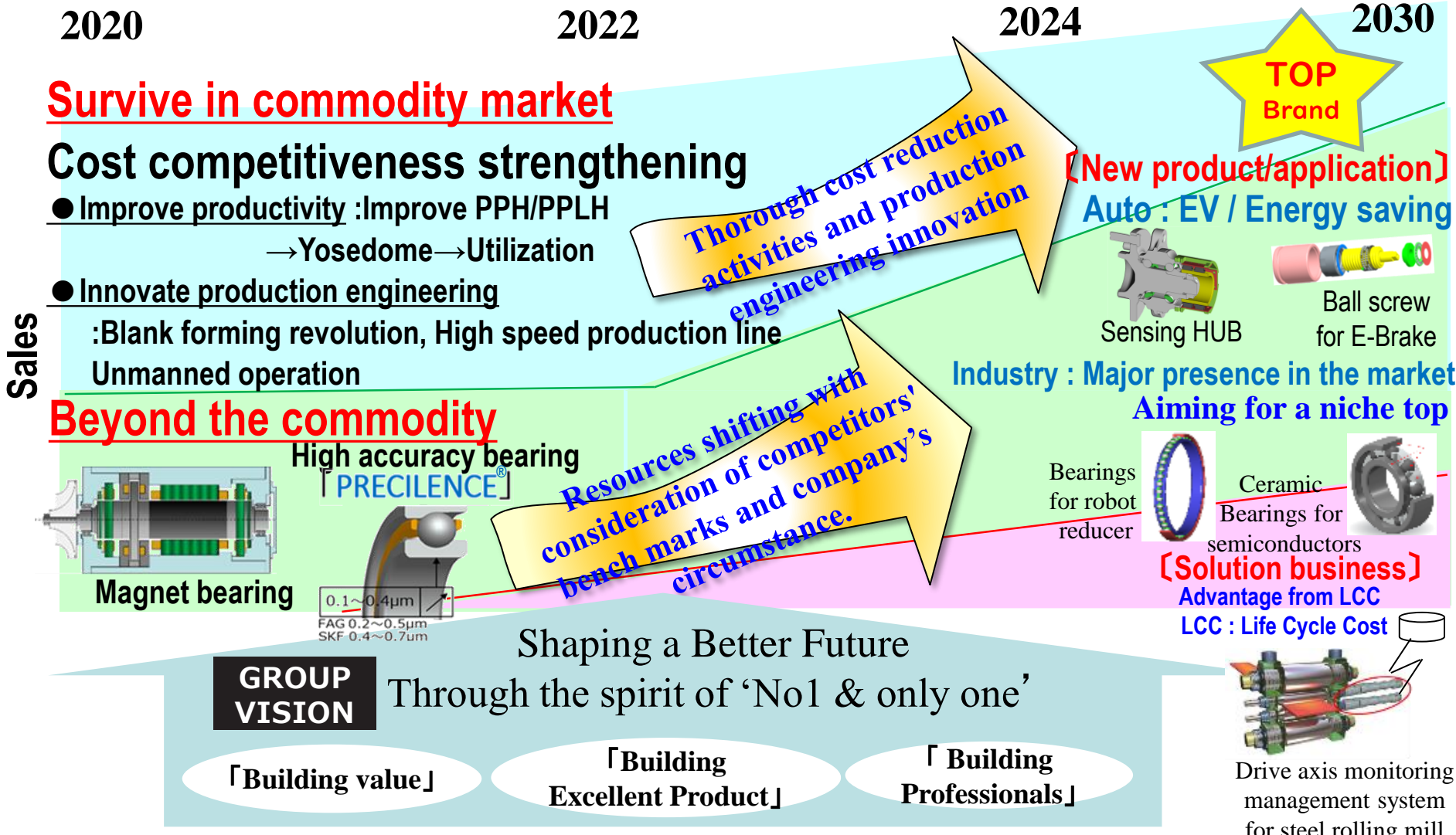
FY2018 Result	Profit loss by sales decrease	Decline in sales price level	Cost improvement	Cost decrease	Others	FY2019 Result

3-3-2) Major structural reforms

		~FY2017	FY2018	FY2019	FY2020~
Domes tic		Kokubu plant reorganization Strategically strengthen bearings for industrial machinery, Selection and concentration (appropriate resource allocation) ⇒ Strengthen high value-added products for such as semiconductors, robots, and steel			
				Seal Business reorganization (China, Transfer to other location)	
overseas	North America			TRB North America forging location, Orangeburg plant closure (Transfer to Japan and Washington plant)	
	Europe	Reorganization of European production locations TRB (Britain→Transfer to Romania) NRB (France, Spain closure)		Actions for BREXIT HUB New base on the continental side (Britain and Romania integration)	
Manufacturing innovation			IoE, Promote automation/unmanned operation		Introduction of innovative production lines (TRB·SBB·HUB)
		Cost reduction activities Productivity improvement (Bekido/Chokko/Finishing)			

3-3-3) Vision for 2030 (future) status

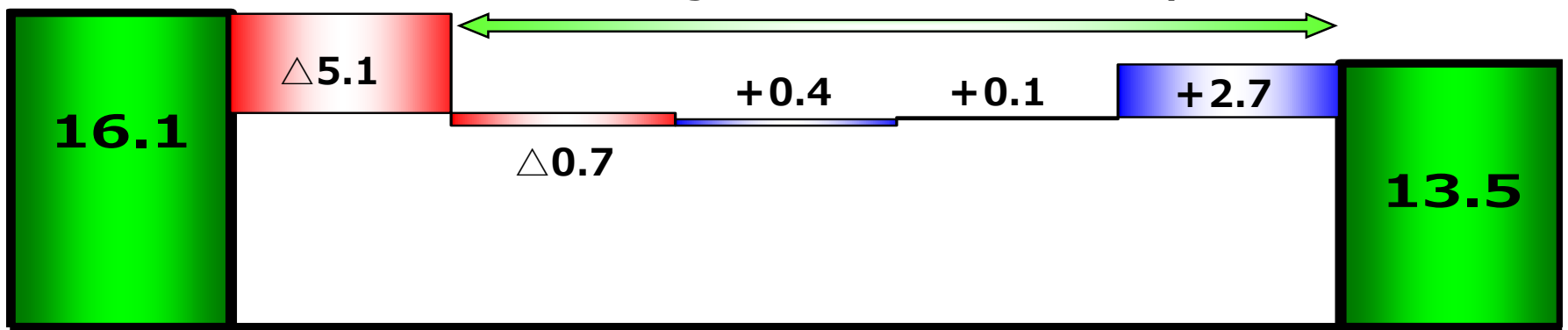
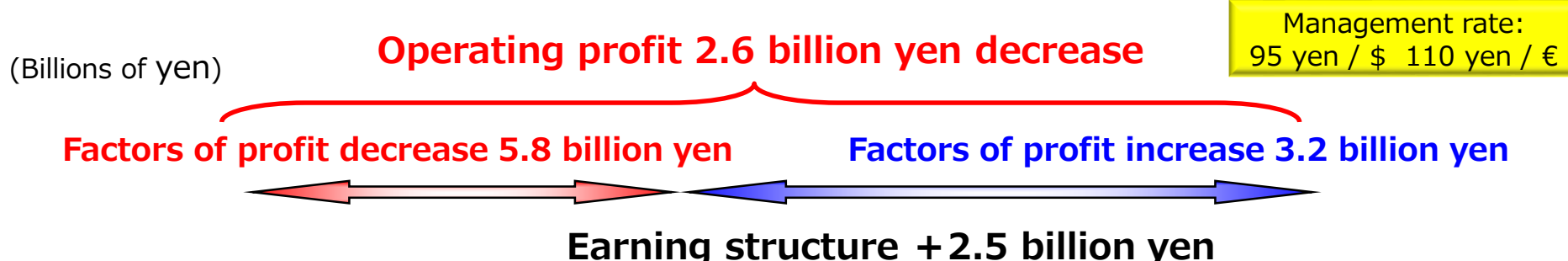
2030 Ideal Figure: Koyo keeps the World's Best Brands in Motion



4) Machine tools and Mechatronics Business Units

3-4-1) Operating Profit Analysis (FY18 vs FY19)

Decrease in profit due to slowdown of machine tools market conditions, impact of US / China tariffs and decrease in demand for semiconductors.



FY2018 Result	Profit loss by sales decrease	Others	Cost decrease	Increase in selling price level	Cost improvement	FY2019 Result
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3-4-2) Recent Initiatives

- Capture customer needs accurately and launch products to the market timely using technical strength
- Monozukuri reform focused on production lead time

Speed up sales expansion in response to needs

Spindle **Carbide tool**

High accuracy **Hard-to-cut materials**

Pin, Roll **Process integration**

Increase value by strengthening support

Life cycle **Package proposal**

Used machine O/H Proposal Sale

Training school Maintenance

Great to use TOYODA!

Quality · Productivity improvement

Monozukuri reform in Kariya plant

Serving / transporting **Streamlining goods flow**

Equipment **Base**

Sub **Just-in-time supply**

Total

IoT visualization improvement

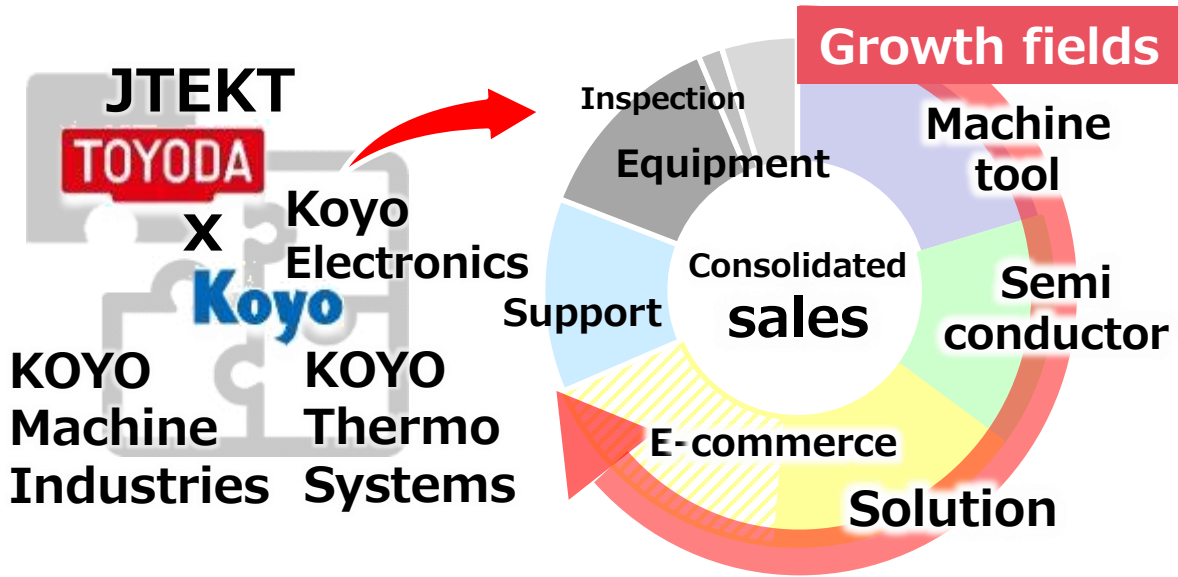
Constitution Improvement

(billion yen)

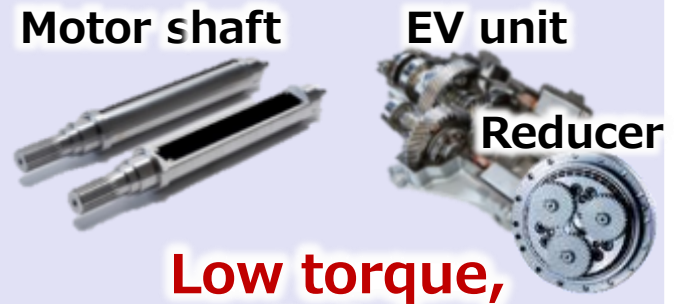
Year	Improvement (billion yen)
2017	-0.5
2018	-0.5
2019	3
2020	3

3-4-3) Strategy for MT&M BU's growth

Shift to growth fields
by strengthening JTEKT group collaboration

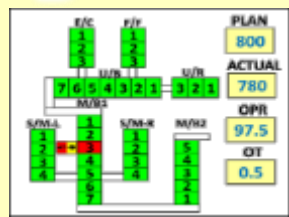


Creating new value
in the progress of
CASE and 5G



**Low torque,
Quiet**

Provide solutions
of equipment and human growth
responding to shrinking workforce



Productivity UP
Capability UP
Automation of Takumi

**Battery
fabrication roll**



**Ultra high
precision**

SiC wafer



**Fine,
Homogeneous**

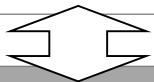
5)New Business

“Factory Agent Corporation” started in April 2020

- Rebuild Manufacturing Industry Network in JAPAN
- Co-operation with Differentiated Original Processing Technologies
- Expansion of processing area for service (Grinding, Cutting, ...)

Social Issues (Customer Needs)

- ❖ Decline in small & medium-sized manufacturing industries that have supported manufacturing in Japan.
- ❖ Decrease international competitiveness in new product development.



Strength (JTEKT Seeds)

- ❖ Trust/reliability as a manufacturing company
- Abundant processing tech. and production management know-how
- Customer Network, Supply Chain
- Collaboration with IoE network and lease business
- Wide range of TOYOTA group networks

Spin-off Factory Agent business

- Confirmed the market acceptance & future growth potential by starting the 1 year market demonstration.
- Accelerate development speed with systems and management suitable for IT services.



Matching with original web network & algorithm

Ventures, Universities,
R&D institutions, SMEs
[Prototype, Spot/Mass production parts]

SMEs
w/ factory regional network
[Original / special processing technologies]

**Large-scale prototype request
from large company**

**Advanced processing technology
of large companies**

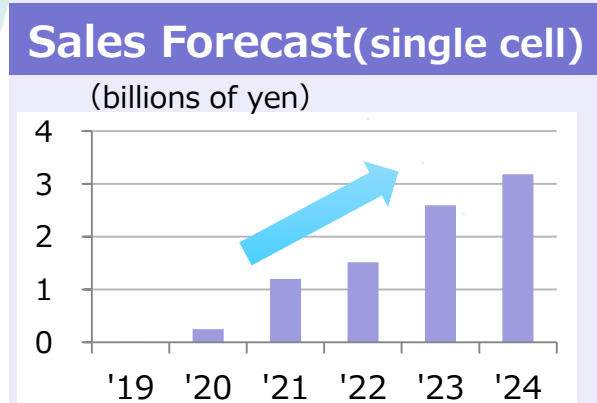
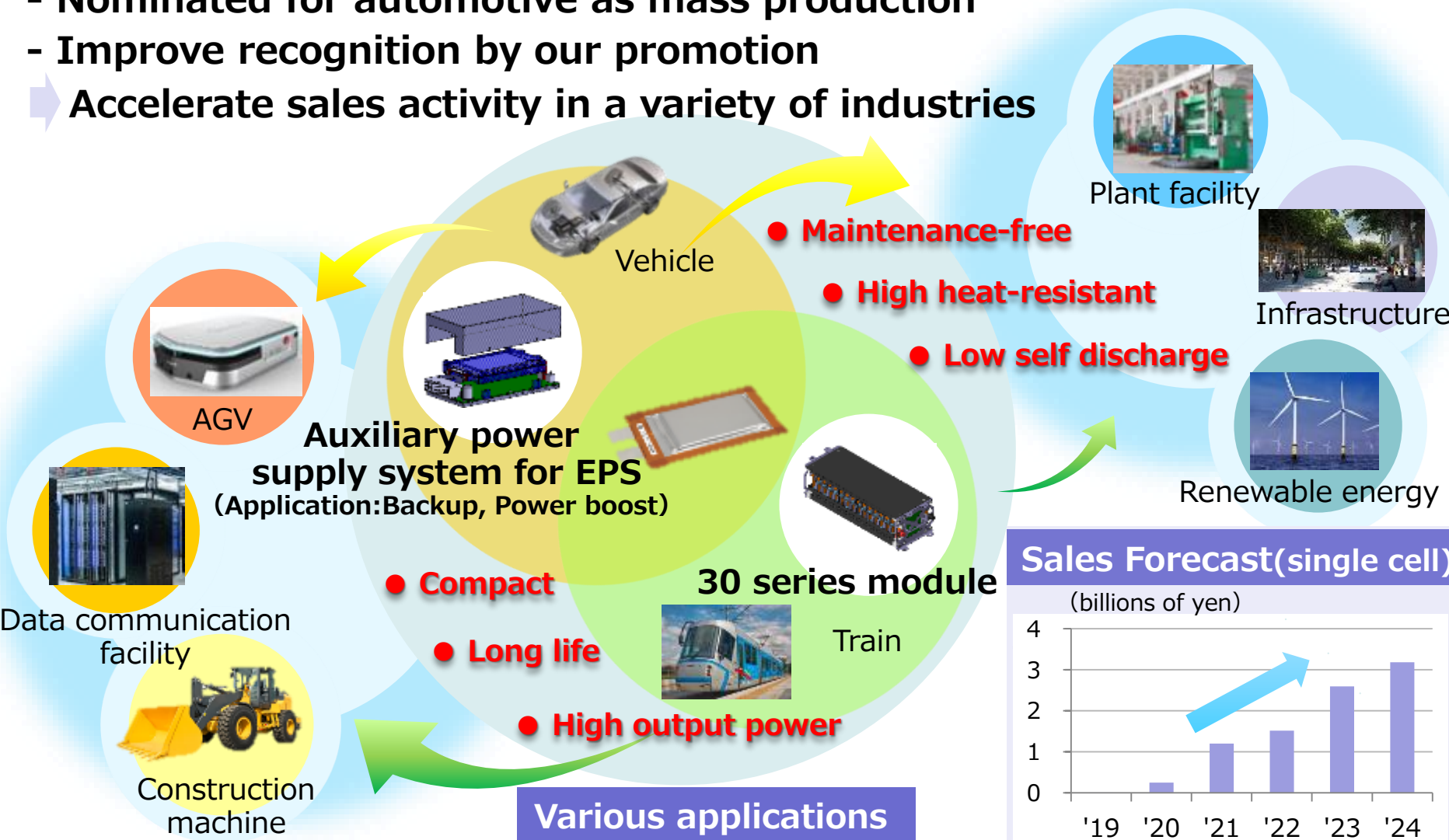
Business grows by further utilizing our seeds.

Expansion of processing area (cutting), addition of new services

3-5-2) New business (Lithium-ion capacitor)

Approaches to next-generation and growth fields

- Nominated for automotive as mass production
- Improve recognition by our promotion
- Accelerate sales activity in a variety of industries

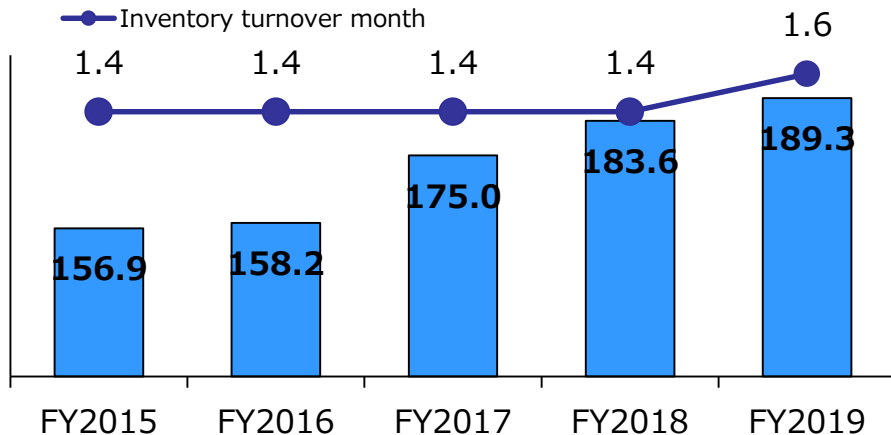


Appendix

(Reference) Financial Conditions

Inventory

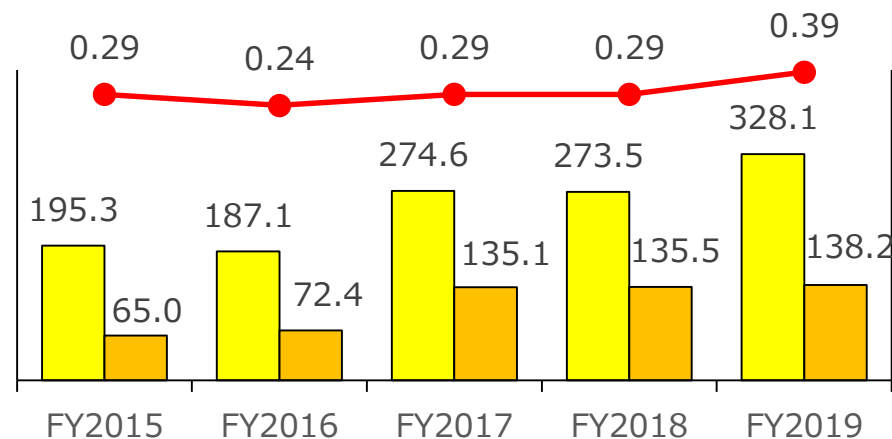
Inventory (billions of yen)
Inventory turnover month



Liabilities with interest /Cash reserves

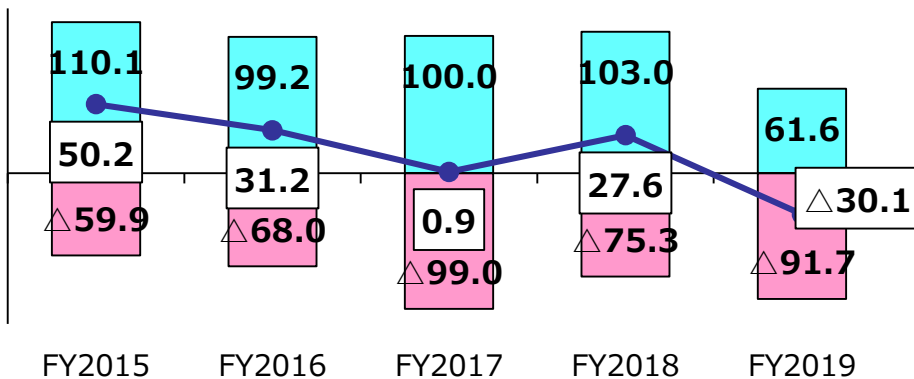
(billions of yen)

Liabilities with interest Cash reserves NET D/E ratio



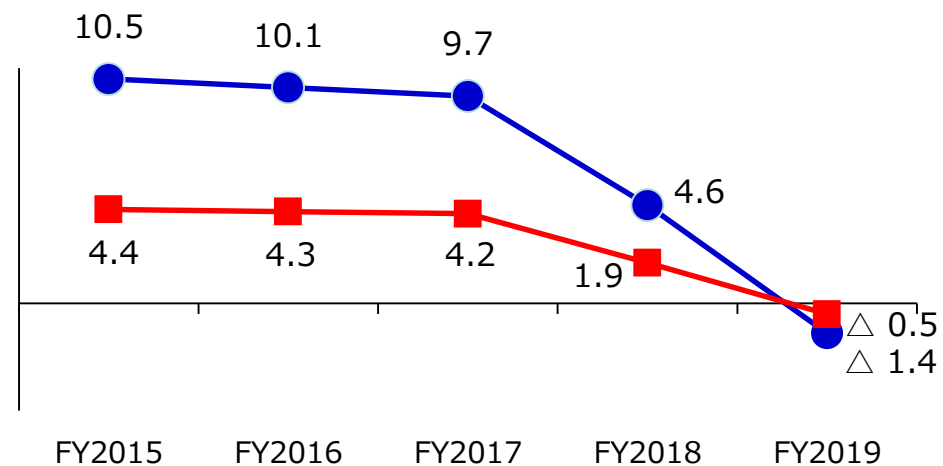
Cash flow

Sales C/F Investment C/F Free C/F (billions of yen)



ROE/ROA

ROE ROA



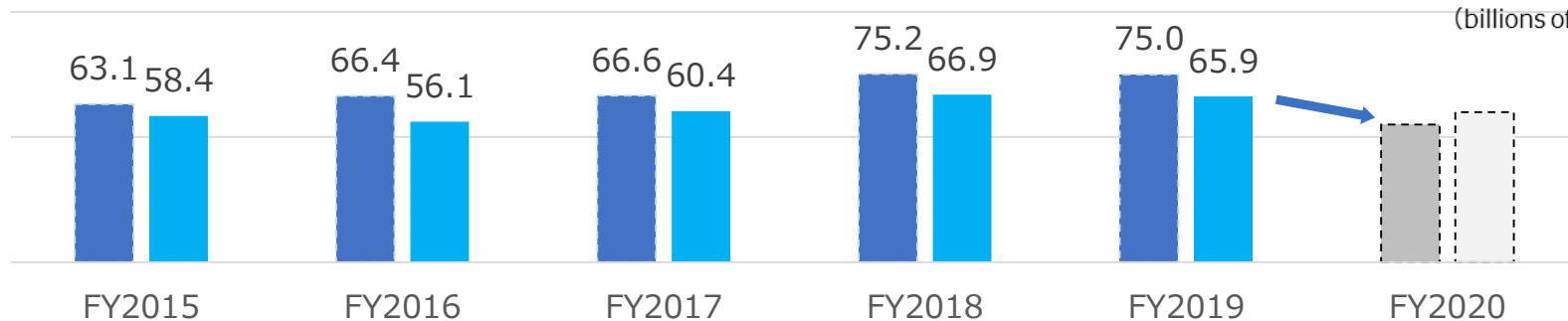
(Reference) Changes in fixed costs

- Strategically allocate fixed costs to respond to CASE and to build infrastructure.
- As a result of IT investments, the switch to telecommuting has gone smoothly, even in a COVID-19 environment.
- Reduce the unit cost of investments and receive the benefits of the investments certainly.

Capital expenditures・Depreciation and amortization

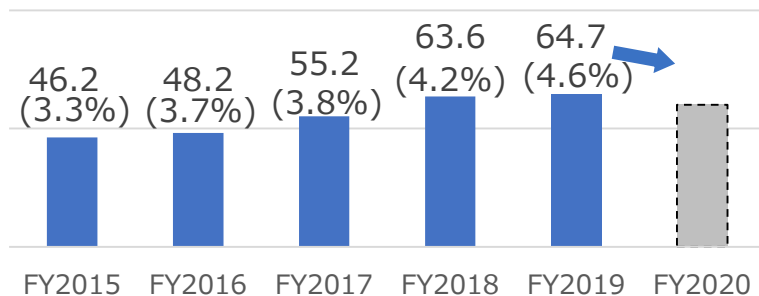
■ Capital expenditures
■ Depreciation and amortization

(billions of yen)

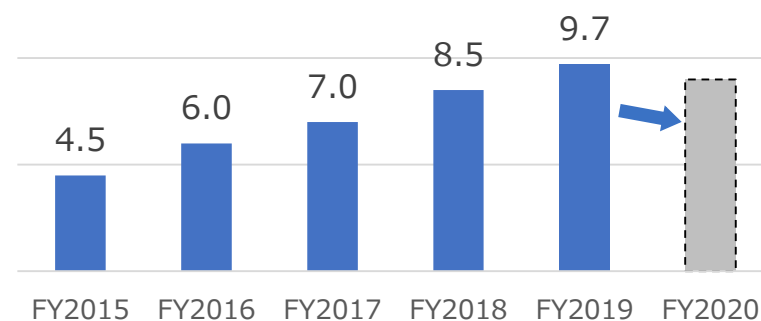


R&D costs

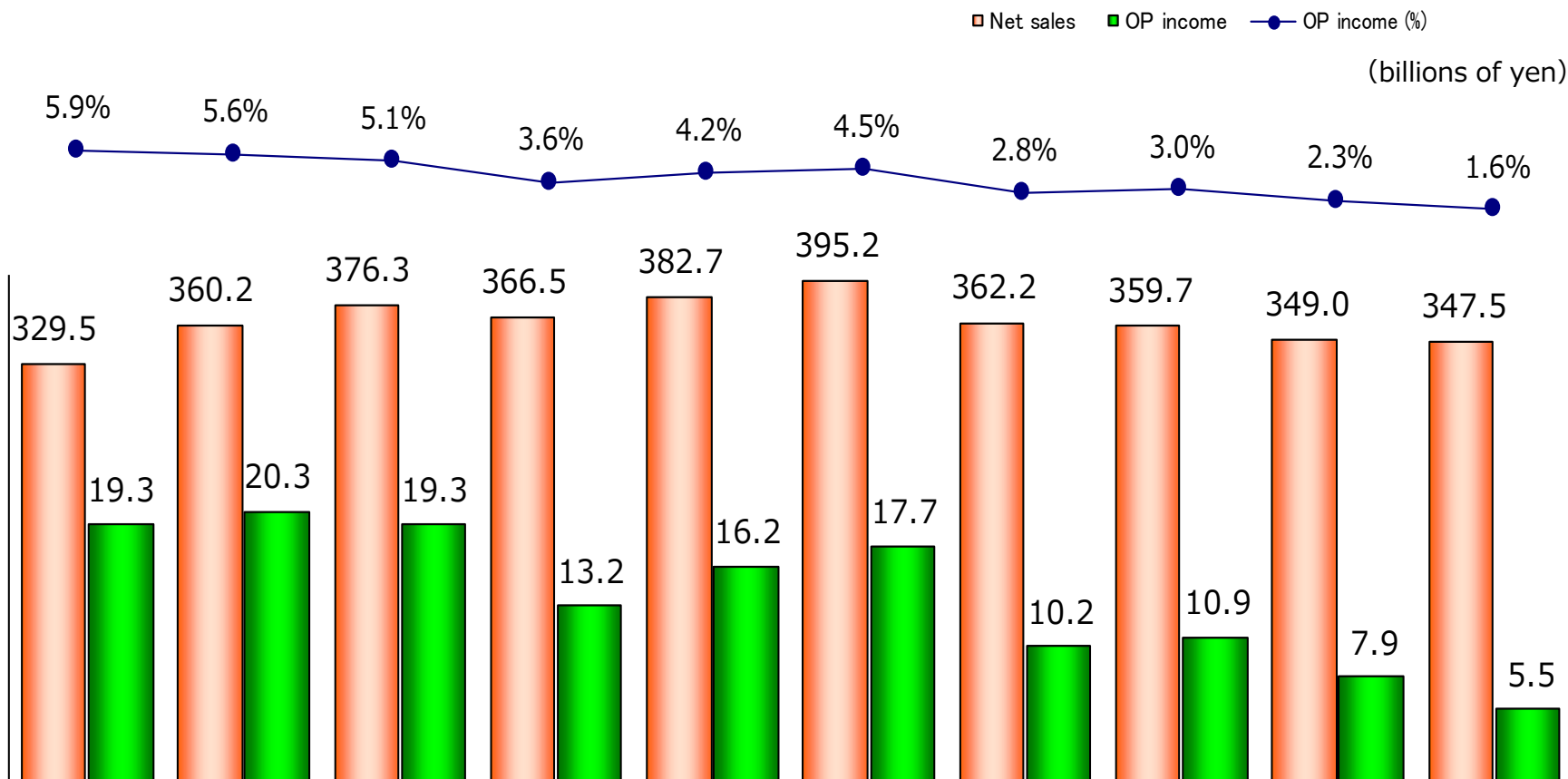
(%) Ratio to sales



Business infrastructure expenses



(Reference) Quarterly Result Trend



FY2016 FY2017 FY2018 FY2019
 ※ ※ 1Q 2Q 3Q 4Q 1Q 2Q 3Q 4Q

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

※ The FY2016 and FY2017 show the quarterly average. The same applies to the following slides.

(Reference) Financial Results by Business (Mechanical Components)

(billions of yen)

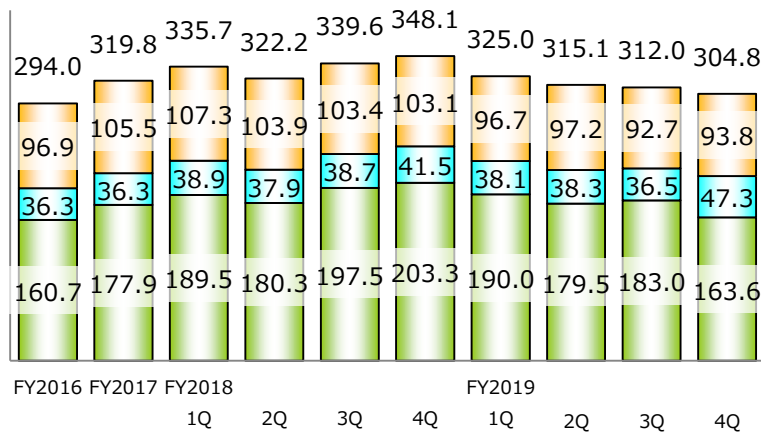
Mechanical components		FY2018	FY2019	Increase/ Decrease	Increase/ Decrease(%)
Steering systems	Net sales	770.7	716.1	△ 54.5	△ 7.1%
Drivelines	Net sales	157.2	160.3	+ 3.1	+ 2.0%
Bearings	Net sales	417.8	380.5	△ 37.2	△ 8.9%
【Total】	Net sales	1,345.8	1,257.0	△ 88.7	△ 6.6%
	OP income	49.0	21.7	△ 27.3	△ 55.6%
	OP income(%)	3.6%	1.7%		

* Intercompany deletion is omitted.

Net Sales Quarterly Trend

(billions of yen)

□STG □DL □BRG

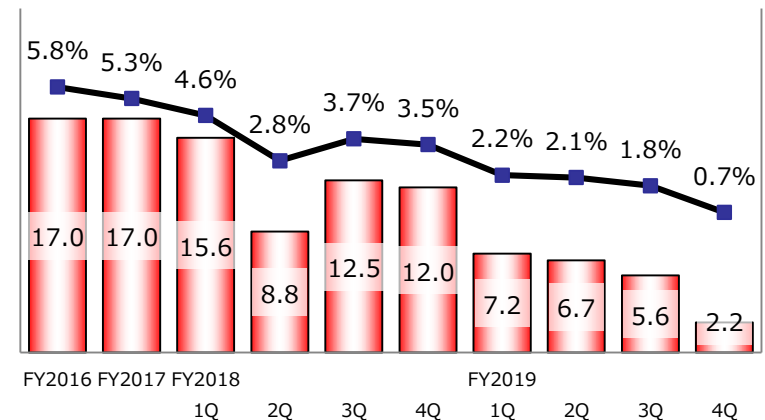


OP income Quarterly Trend

(billions of yen)

■ OP income

■ OP income(%)

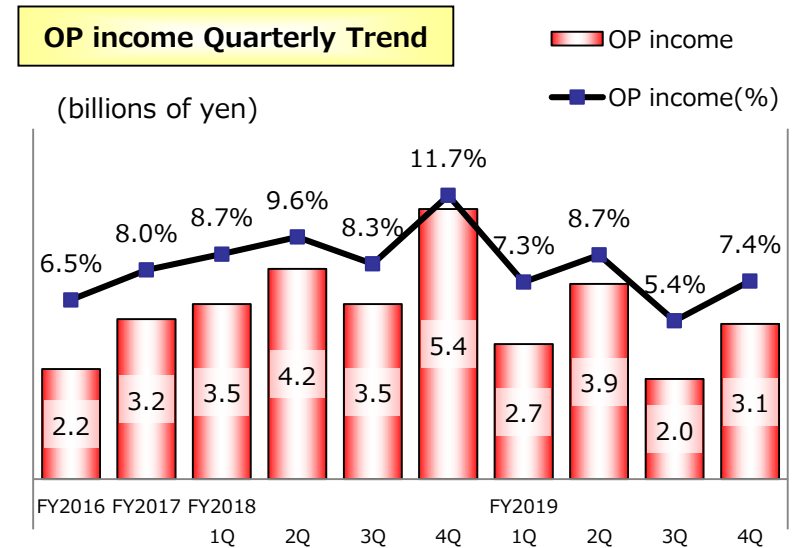
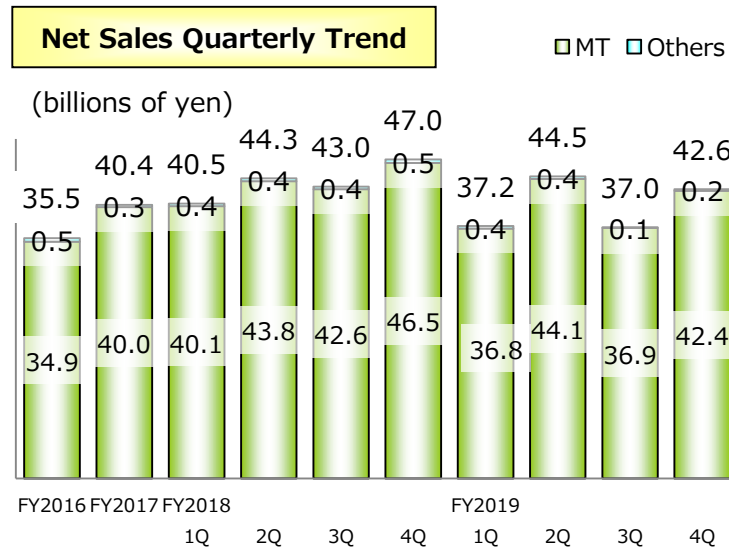


(Reference) Financial Results by Business (Machine Tools & Others)

(billions of yen)

Machine tools and others		FY2018	FY2019	Increase/Decrease	Increase/Decrease(%)
Machine tools	Net sales	173.1	160.2	△ 12.8	△ 7.4%
	Others	1.9	1.2	△ 0.6	△ 36.2%
【Total】	Net sales	175.0	161.4	△ 13.5	△ 7.8%
	OP income	16.8	11.8	△ 5.0	△ 29.8%
	OP income(%)	9.6%	7.3%		

* Intercompany elimination is omitted.

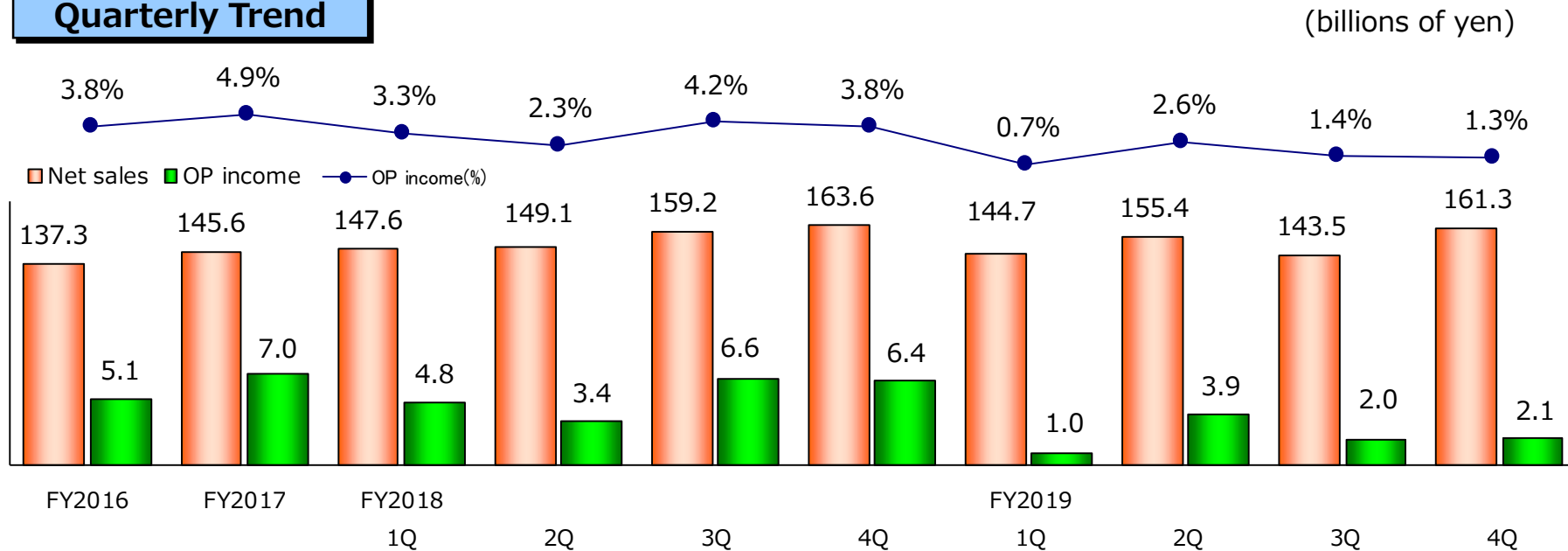


(Reference) Financial Results by Region [Japan]

Japan	FY2018	FY2019	Increase/ Decrease	Increase/ Decrease(%)
Net sales	619.6	605.0	△ 14.5	△ 2.4%
OP income	21.3	9.1	△ 12.1	△ 57.0%
OP income(%)	3.4%	1.5%		

(billions of yen)

Quarterly Trend



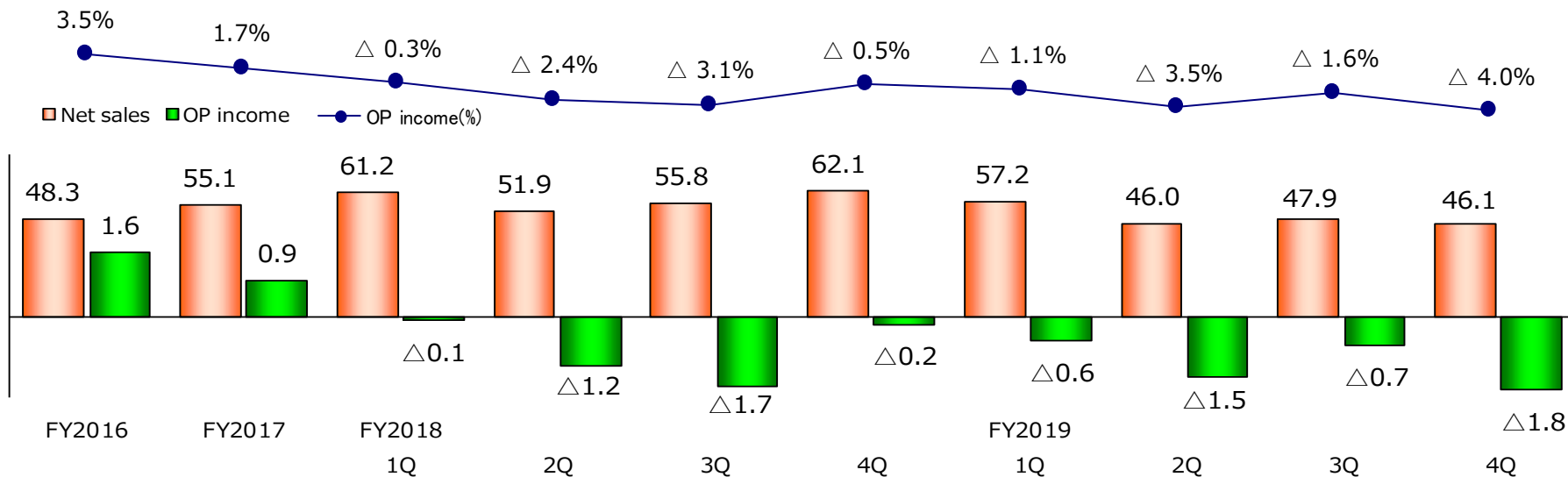
(Reference) Financial Results by Region [Europe]

(billions of yen)

Europe	FY2018	FY2019	Increase/ Decrease	Increase/ Decrease(%)
Net sales	231.2	197.4	△ 33.7	△ 14.6%
OP income	△ 3.4	△ 4.8	△ 1.3	-
OP income(%)	△ 1.5%	△ 2.4%		

Quarterly Trend

(billions of yen)



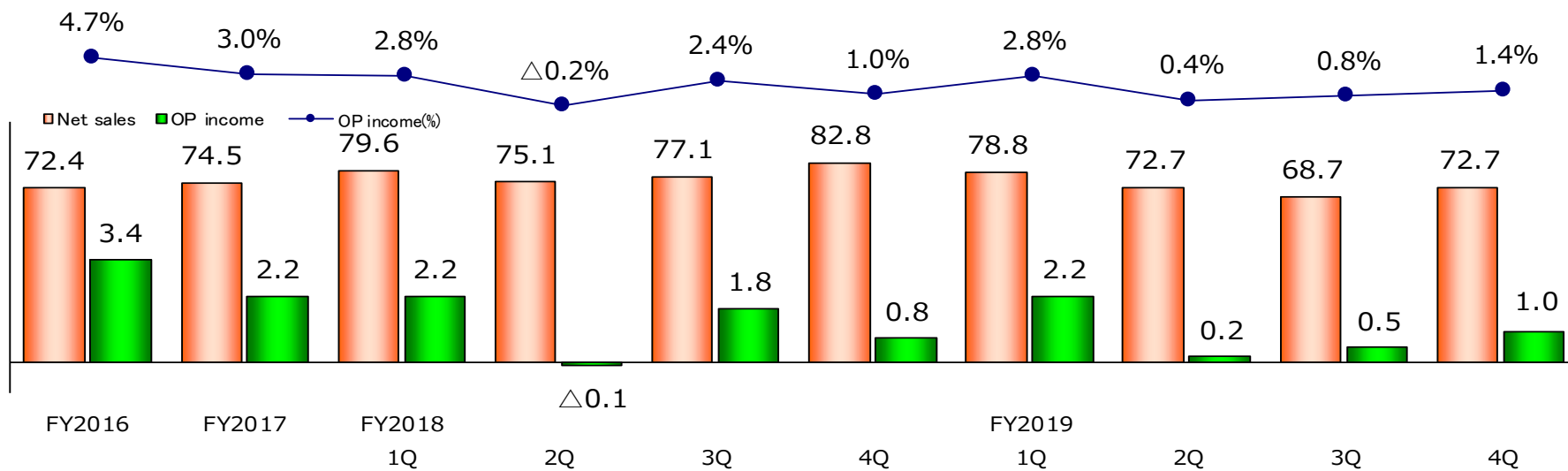
(Reference) Financial Results by Region 【North America】

(billions of yen)

North America	FY2018	FY2019	Increase/Decrease	Increase/Decrease(%)
Net sales	314.7	293.0	△ 21.7	△ 6.9%
OP income	4.8	4.0	△ 0.8	△ 17.5%
OP income(%)	1.5%	1.4%		

Quarterly Trend

(billions of yen)

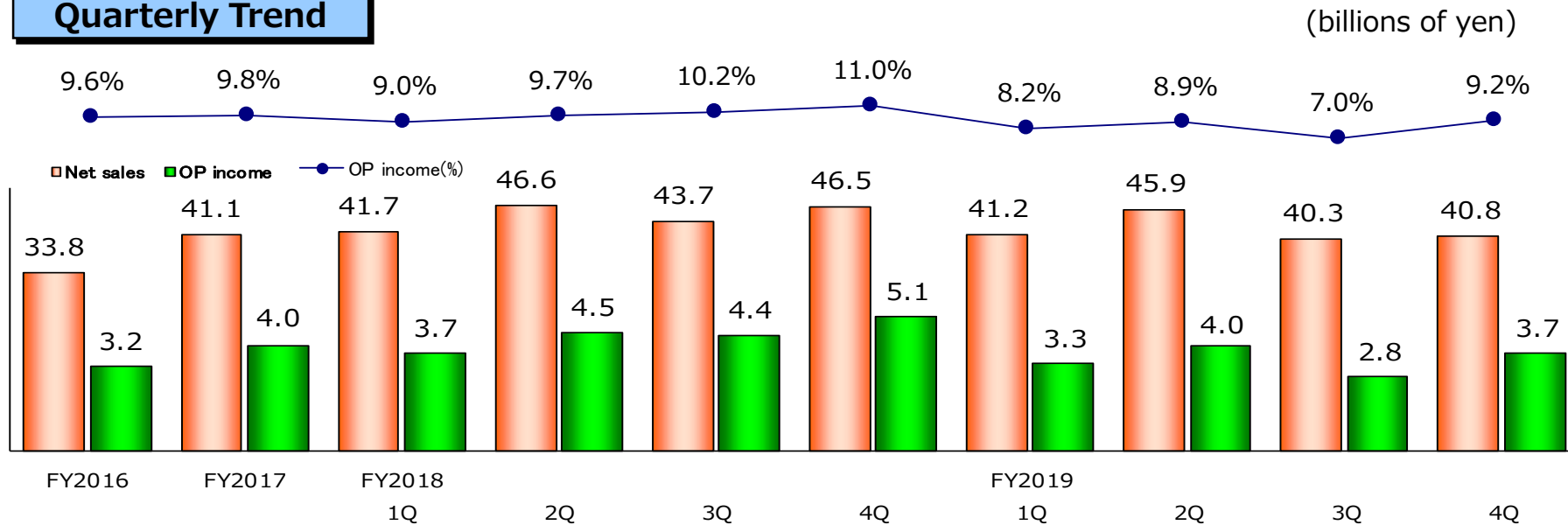


(Reference) Financial Results by Region 【Asia/Oceania (Including India)】

(billions of yen)

Asia/Oceania (including India)	FY2018	FY2019	Increase/Decrease	Increase/Decrease(%)
Net sales	178.6	168.4	△ 10.2	△ 5.7%
OP income	17.8	14.0	△ 3.8	△ 21.6%
OP income(%)	10.0%	8.3%		

Quarterly Trend



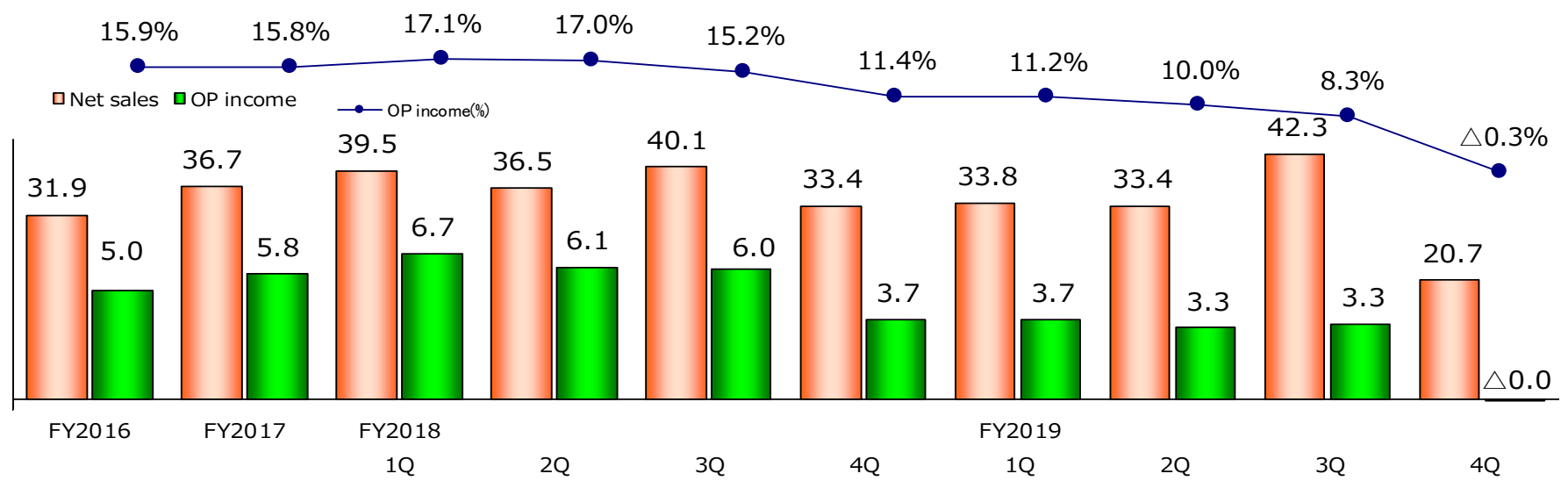
(Reference) Financial Results by Region [China]

(billions of yen)

China	FY2018	FY2019	Increase/ Decrease	Increase/ Decrease(%)
Net sales	149.7	130.4	△ 19.3	△ 12.9%
OP income	22.8	10.5	△ 12.2	△ 53.6%
OP income(%)	15.3%	8.1%		

Quarterly Trend

(billions of yen)



(Reference) Financial Results by Region [South America and Others]

(billions of yen)

South America & Others	FY2018	FY2019	Increase/Decrease	Increase/Decrease(%)
Net sales	26.8	24.2	△ 26.0	△ 9.9%
OP income	1.6	0.6	△ 9.0	△ 58.1%
OP income(%)	6.2%	2.9%		

Quarterly Trend

