

# IR Presentation for the Second Quarter of Fiscal Year Ending March 2021

November 13, 2020

**JTEKT Corporation**

1 . In the second quarter (July-September), profitability was secured due to a recovery in sales in Japan and the effects of fixed cost reductions.

However, in the cumulative total of the second quarter (April-September), due to the impact of COVID-19, sales decreased by about 30%, and profits at each stage were in red.

2 . Although sales are currently on a recovery trend in each region, left the forecast in July unchanged due to concerns about the re-expansion of COVID-19 and uncertain future.

3 . The interim dividend is 8 yen based on the long-term stable dividend policy. The year-end dividend is undecided.

- 1 . Results for the Second Quarter of Fiscal Year  
Ending March 2021 P 4
- 2 . Forecasts for Fiscal Year 2020, Ending March  
2021 P 1 1
- 3 . Priority Initiatives P 1 3
- 4 . Appendix P 1 8
  - 4 - 1 . Management indicators P 1 8
  - 4 - 2 . Changes in fixed costs P 2 0
  - 4 - 3 . Quarterly Result Trend (by region / business) P 2 1
  - 4 - 4 . Business Profit Analysis (by business) P 3 3
  - 4 - 5 . Return to Shareholders P 3 5

# 1-1) Consolidated Performance

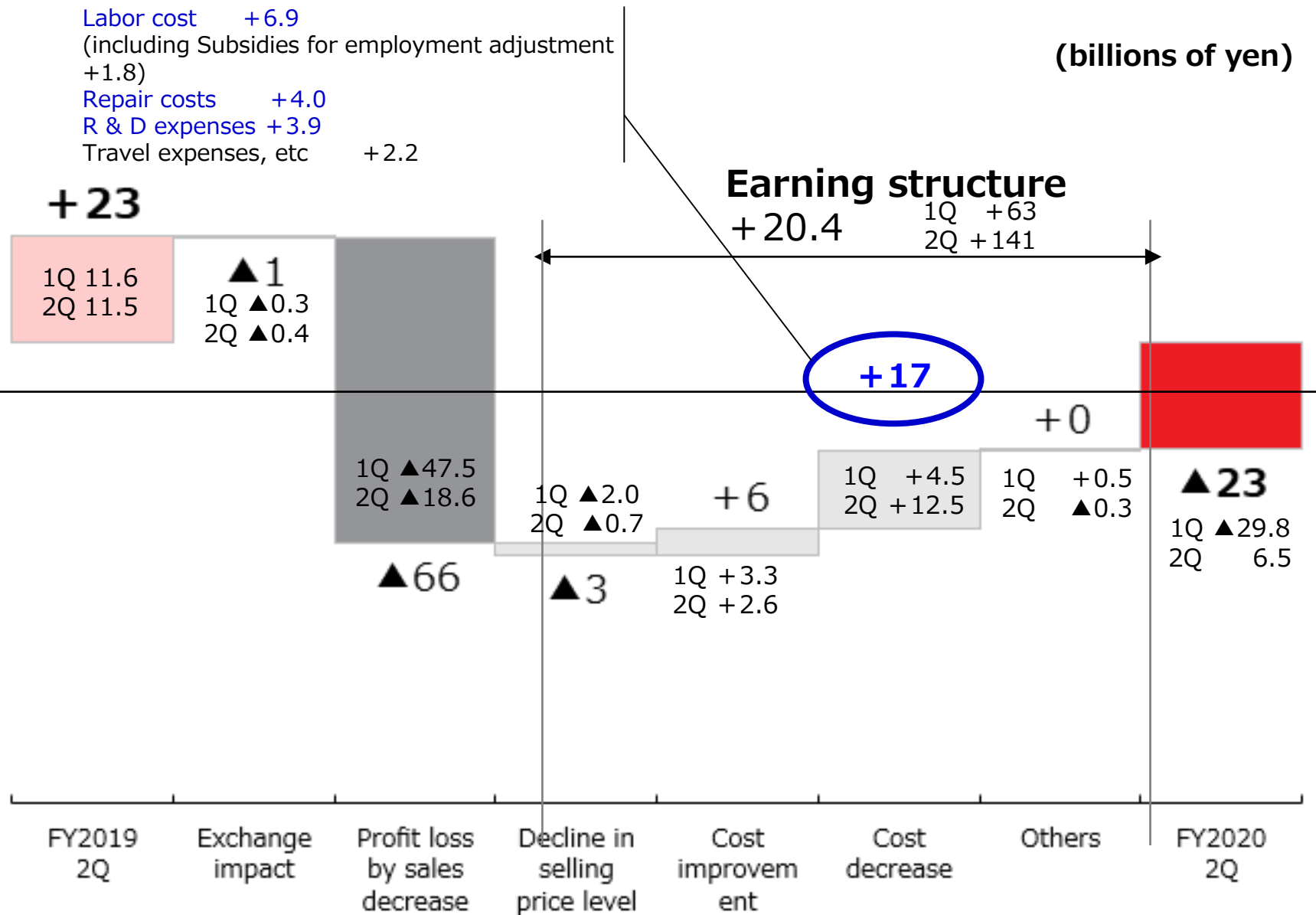
- Sales decreased significantly in all businesses, and in regions other than China, sales decreased by 30% year-on-year.
- A large deficit due to the impact of sales decline, but secured a profitability in 2Q (July-September) due to cost reduction and cost improvement.

|   | FY2019 2Q   |  | FY2020 2Q            |  | Increase/<br>Decrease | Increase/<br>Decrease(%) |
|---|-------------|--|----------------------|--|-----------------------|--------------------------|
|   |             |  | ( ):Ratio to Revenue |  | billions of yen       |                          |
| <b>Sales revenue</b>                              | 722.2       |  | 520.2                |  | -201.9                | ▲28.0%                   |
| <b>Business profit</b> ※1                         | (3.2%) 23.1 |  | (▲4.5%) ▲ 23.3       |  | -46.5                 | -                        |
| <b>Operating Profit</b>                           | (2.6%) 18.4 |  | (▲4.7%) ▲ 24.3       |  | -42.8                 | -                        |
| <b>Profit before tax</b>                          | (2.4%) 17.4 |  | (▲4.6%) ▲ 23.9       |  | -41.4                 | -                        |
| <b>Profit attributable to owners of parent</b> ※2 | (0.8%) 6    |  | (▲4.6%) ▲ 24.0       |  | -30                   | -                        |
| Foreign exchange USD                              | ¥108.63/USD |  | <b>¥106.92/USD</b>   |  | 1.71 strong yen       |                          |
| EUR   | ¥121.42/EUR |  | <b>¥121.30/EUR</b>   |  | 0.12 strong yen       |                          |
| Earnings per share                                | 17.54 yen   |  | <b>▲70.11yen</b>     |  | ▲87.65yen             | -                        |

(※1) Our own management profit after deducting "cost of revenue" and "selling, general and administrative expenses" from "Sales revenue"

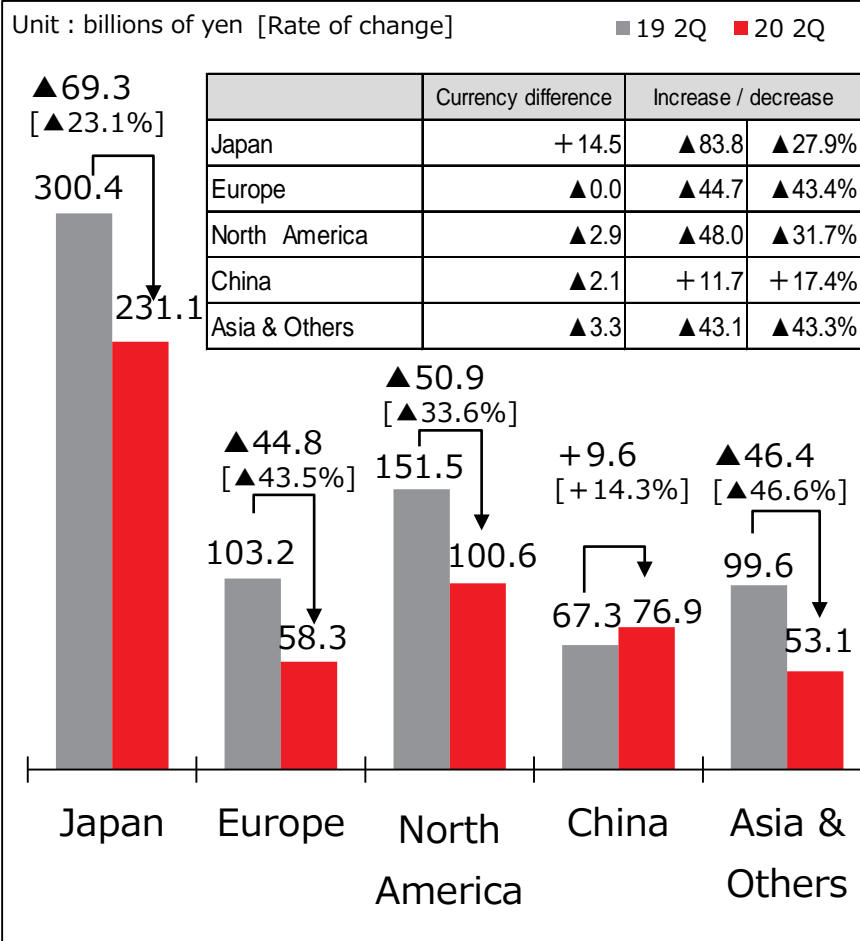
(※2) Profit attributable to owners of the parent

# 1-2) Business Profit Analysis



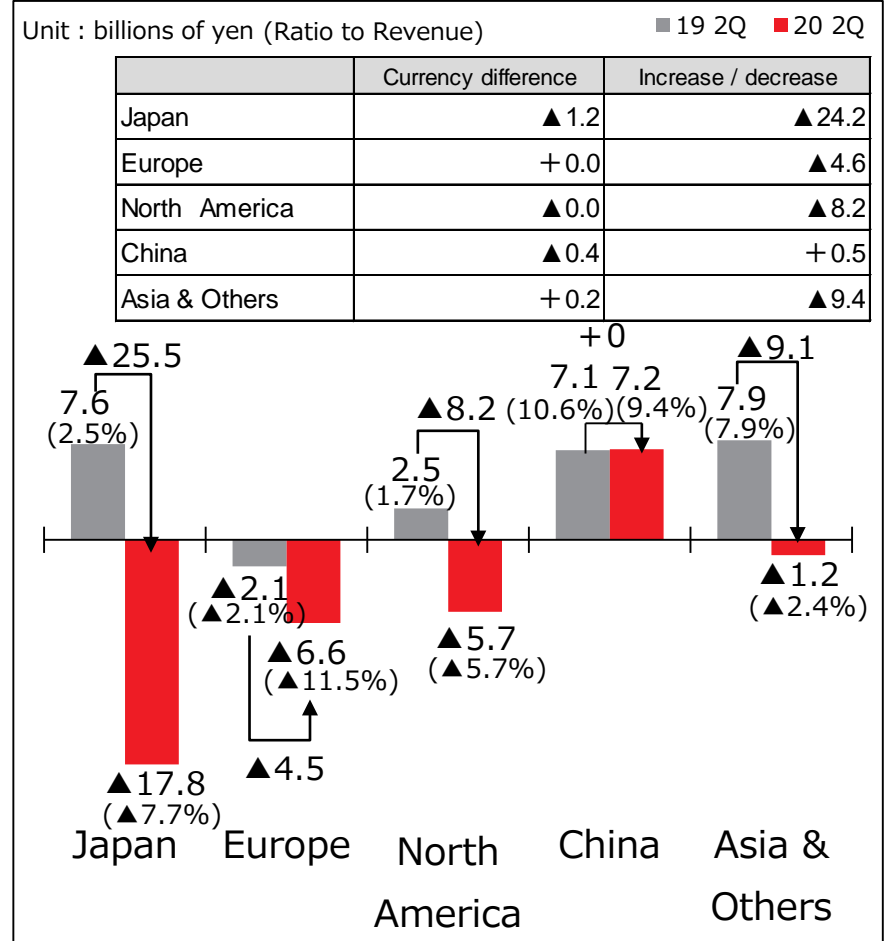
# 1-3) Results by Company Location

## Sales revenue



|       | FY192Q | FY202Q | Increase / decrease | %      | Currency difference | Increase / decrease | %      |
|-------|--------|--------|---------------------|--------|---------------------|---------------------|--------|
| Total | 722.2  | 520.2  | -201.9              | ▲28.0% | +6                  | ▲208                | ▲28.8% |

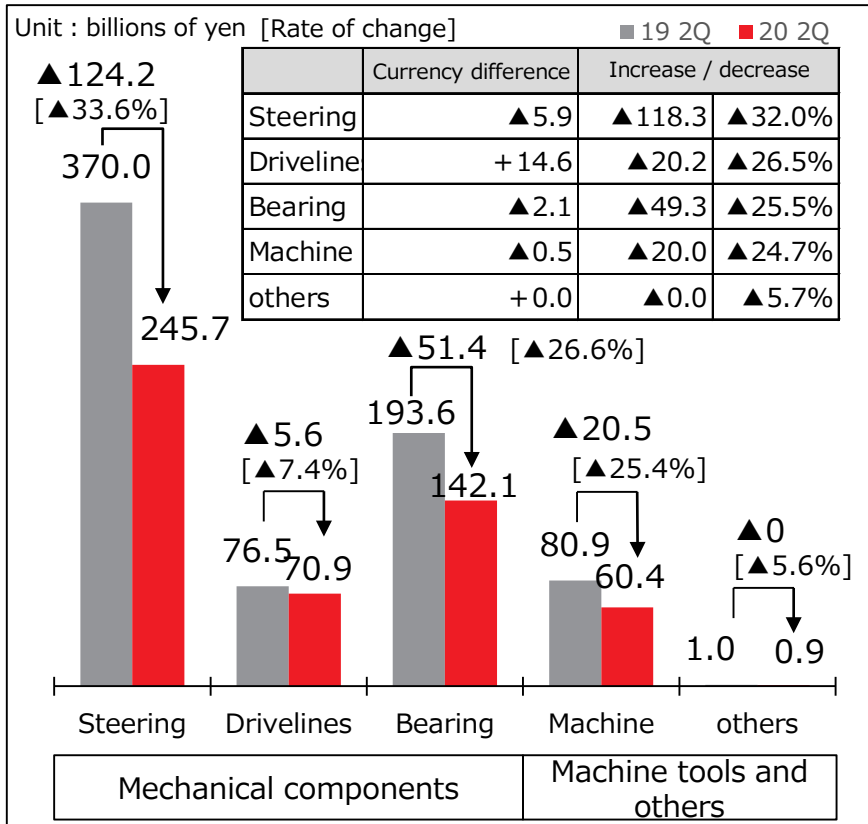
## Business profit



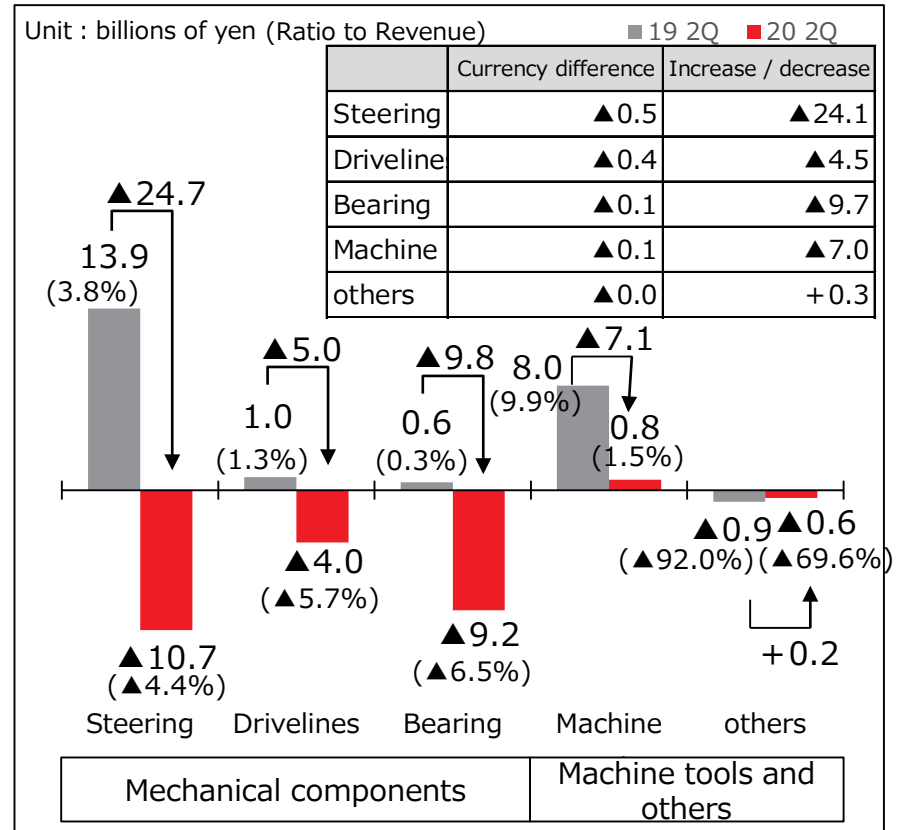
|              | FY192Q | FY202Q | Increase / decrease | %       | Currency difference | Increase / decrease | %       |
|--------------|--------|--------|---------------------|---------|---------------------|---------------------|---------|
| region total | 23     | ▲24    | ▲47                 | -       | ▲1                  | ▲46                 | -       |
| elimination  | 0      | 1      | +1                  | +568.7% | -                   | +1                  | +568.7% |
| Total        | 23     | ▲23    | ▲47                 | -       | ▲1                  | ▲45                 | -       |

# 1-4) Result by Business

## Sales revenue



## Business profit



|                          | FY192Q | FY202Q | Increase / decrease | %      | Currency difference | Increase / decrease | %      |
|--------------------------|--------|--------|---------------------|--------|---------------------|---------------------|--------|
| Mechanical components    | 640    | 459    | ▲181                | ▲28.3% | +7                  | ▲188                | ▲29.4% |
| Machine tools and others | 82     | 61     | ▲21                 | ▲25.1% | ▲1                  | ▲20                 | ▲24.5% |
| Total                    | 722    | 520    | ▲202                | ▲28.0% | +6                  | ▲208                | ▲28.8% |

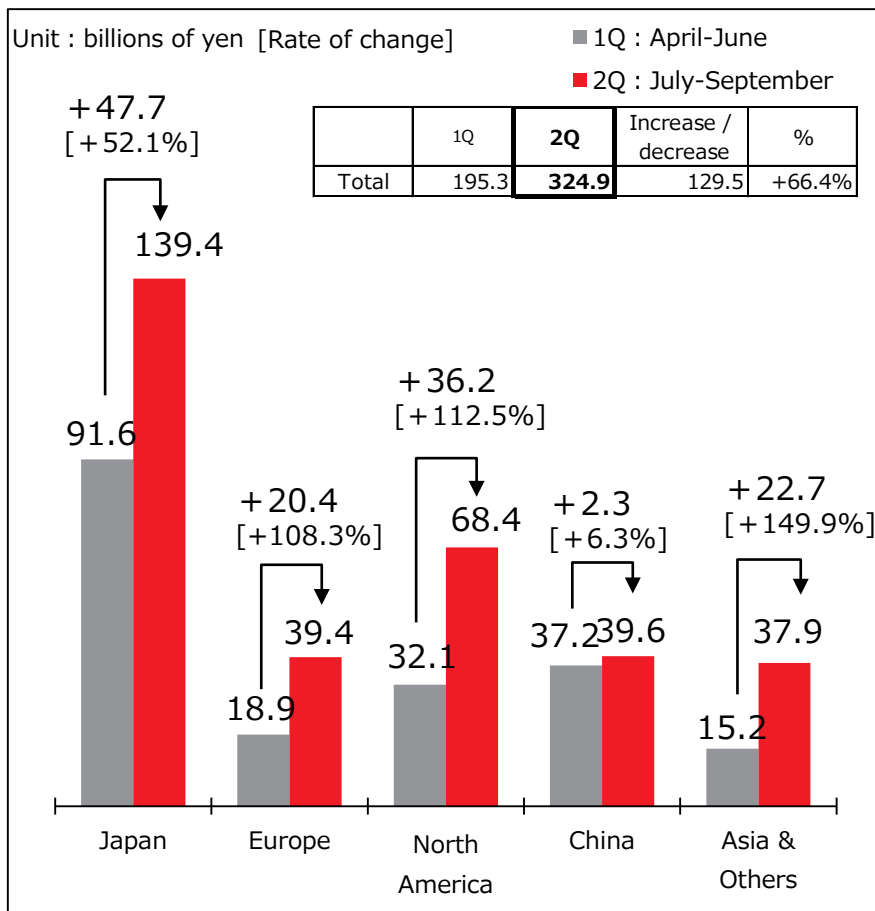
|                          | FY192Q | FY202Q | Increase / decrease | %      | Currency difference | Increase / decrease | %      |
|--------------------------|--------|--------|---------------------|--------|---------------------|---------------------|--------|
| Mechanical components    | 16     | ▲24    | ▲40                 | -      | ▲1                  | ▲39                 | -      |
| Machine tools and others | 7      | 0      | ▲7                  | ▲97.1% | ▲0                  | ▲7                  | ▲94.7% |
| elimination              | 1      | 1      | +0                  | +8.4%  | -                   | +0                  | +8.4%  |
| Total                    | 23     | ▲23    | ▲47                 | -      | ▲1                  | ▲45                 | -      |

# 1-5) Results by Company Location

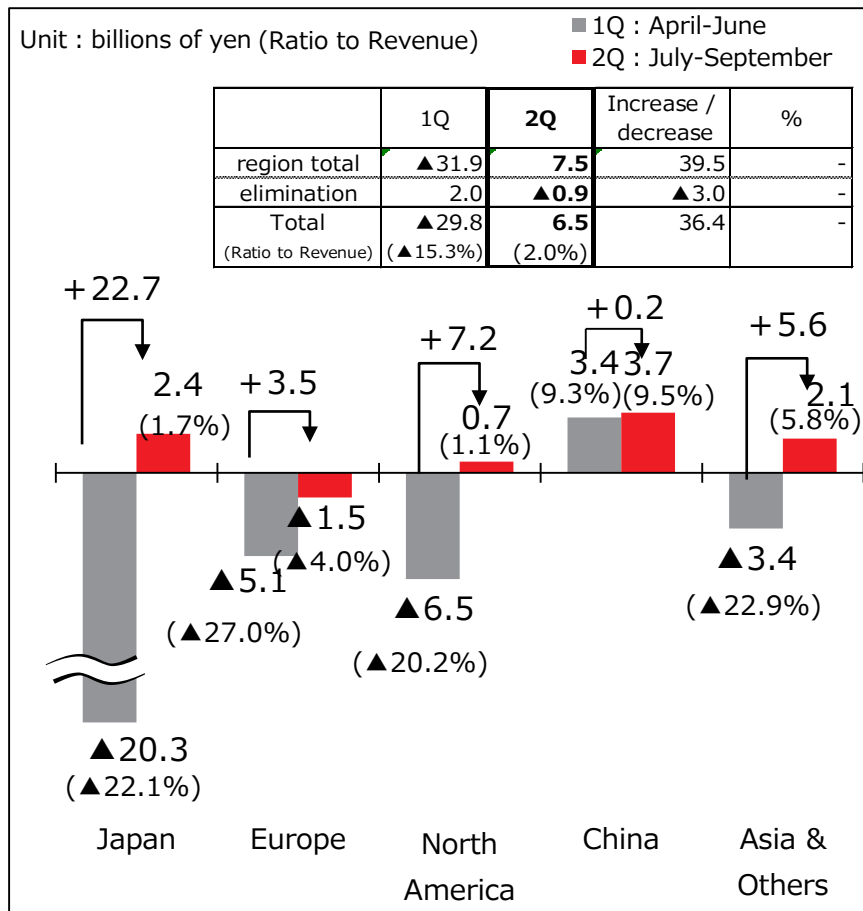
( Quarterly Result Trend 1Q: April-June → 2Q: July-September )

- Sales are on a recovery trend in each region, especially Japan's return far exceeds initial expectations
- Achieved profitability in all regions except Europe in 2Q(July-September)

## Sales revenue



## Business profit



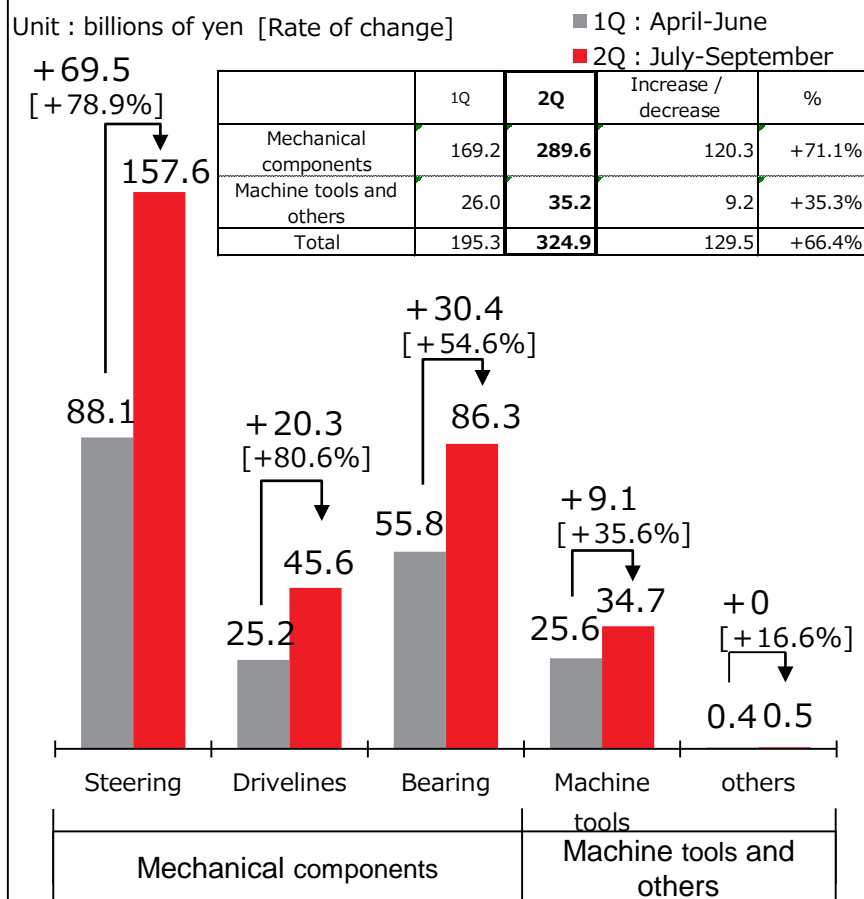


# 1-6) Result by Business

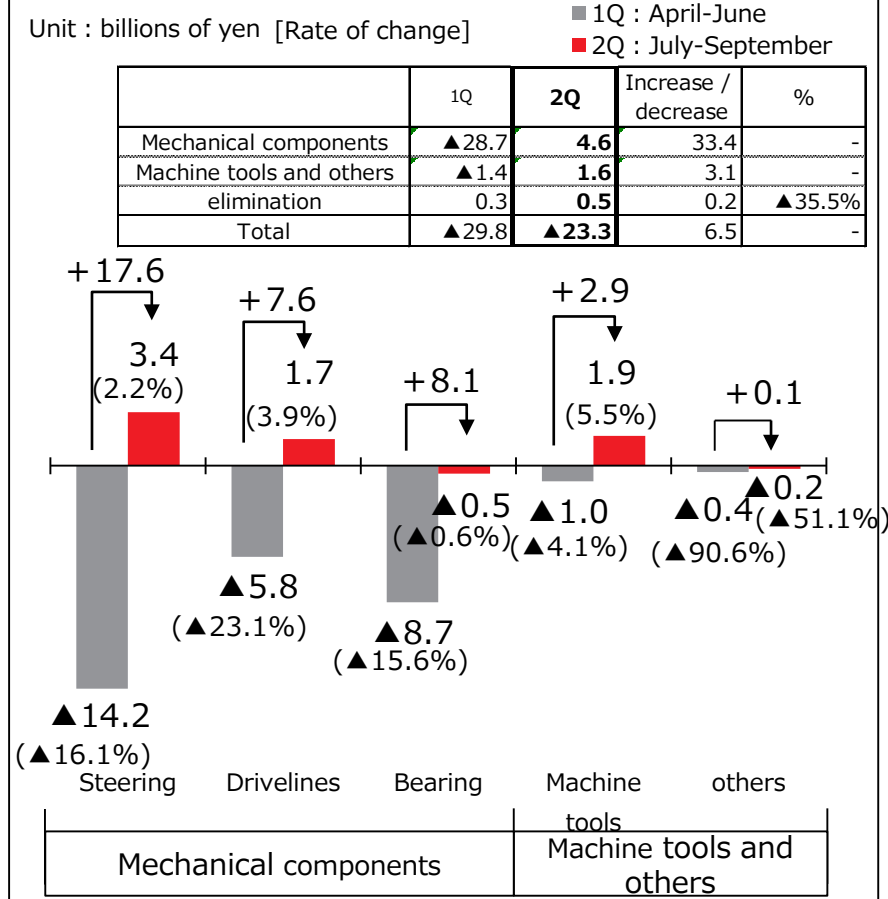
( Quarterly Result Trend 1Q: April-June → 2Q: July-September )

- Sales are on a recovery trend due to the recovery of production by automobile manufacturers, and sales in each business are increasing.
- Steering, Drivelines, and Machine tools achieved profitability in 2Q (July-September).

## Sales revenue



## Business profit



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- Although sales and profits are currently on a recovery trend, the outlook is uncertain due to concerns about the re-expansion of COVID-19 in Europe and the United States, and at the moment the earnings forecast announced on July 31 remains unchanged.

( ):Ratio to Revenue

billions of yen

|  |     | 20/3 result  | 21/3 forecast      |         | Increase/<br>Decrease | Increase/<br>Decrease<br>(%) |
|--|-----|--------------|--------------------|---------|-----------------------|------------------------------|
| <b>Sales revenue</b>                           |     | 1418.8       |                    | 1,140.0 | -278.8                | ▲19.7%                       |
| <b>Business profit</b>                         | ※1  | (2.6%) 37.5  | (▲1.8%)            | ▲ 20.0  | -57.5                 | -                            |
| <b>Operating Profit</b>                        |     | (1.1%) 16.1  | (▲1.8%)            | ▲ 21.0  | -37.1                 | -                            |
| <b>Profit before tax</b>                       |     | (1.1%) 15    | (▲1.8%)            | ▲ 21.0  | -36                   | -                            |
| <b>Profit attributable to owners of parent</b> | ※2  | (▲0.3%) -3.7 | (▲2.3%)            | ▲ 26.0  | -22.3                 | -                            |
| <b>Foreign exchange</b>                        | USD | ¥108.74/USD  | <b>¥106.00/USD</b> |         | 2.74strong yen        |                              |
|  | EUR | ¥120.82/EUR  | <b>¥121.00/EUR</b> |         | 0.18weak yen          |                              |
| <b>Earnings per share</b>                      |     | ▲11.06yen    | <b>▲75.81yen</b>   |         | ▲64.75yen             | -                            |

(※1) Our own management profit after deducting "cost of revenue" and "selling, general and administrative expenses" from "Sales revenue"

(※2) Profit attributable to owners of the parent

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■ Three approaches to improve the earnings capacity

1. surgical operation

- Structural reform that leave nothing off the table
- Reduction of break-even point

2. internal medicine-type actions

- Strengthening HQ function
- Enhancing governance and taking advantage of the synergies

3. oriental herbal medicine treatment

- Reform of employees' awareness
- Permeating TQM

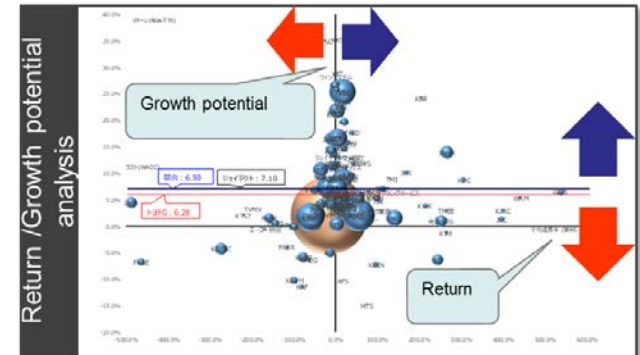
# 3-1-1) Priority Initiatives

– surgical operation

- Stem the flow of red ink by reviewing loss-making businesses and subsidiaries, reducing fixed costs, etc.

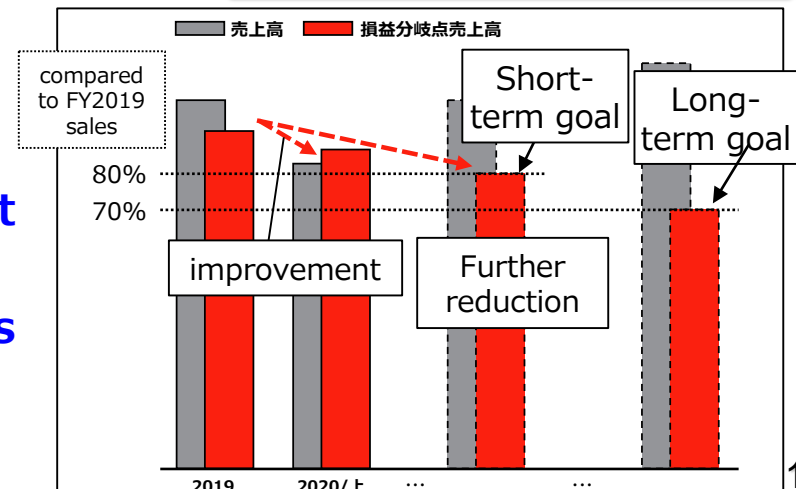
## Structural reform that leave nothing off the table

- **To clarify the key targets for improving profitability**, Analyze all businesses/group companies by cost of capital, growth potential, financial condition, etc
- **"European workforce reduction", "dealing with loss-making subsidiaries, loss-making models", etc., have been partially completed**
- For the bearing business, the general direction has been decided and a roadmap is being drawn up
- **Shift resources to growth areas**



## Break-even point reduction

- Break-even sales ratio improved from over 90% in FY2019 to **mid-80% in the first half of FY2020** (compared to FY2019 sales)
- For the time being, aim for **break-even sales ratio of 80%** (compared to FY2019 sales), with a long-term **goal of 70%**



- Solve the problems that has not been while recognizing that “need to solve but not yet” (True Structural Reform)

### Strengthening HQ function

- Hold weekly “Strategy meeting” with internal board members  
**Discuss focusing on company-wide issues**  
(each BU optimization to over all optimization)
- **Preparing JTEKT (fixed)Mid-term Business plan** based on company-wide strategy including the outcomes of Strategy meeting discussion  
(will be released on May 2021)

### Enhancing governance and taking advantage of the synergies

- **Cooperation among BUs** (Bearing ⇔ Steering/Drivelines/Machine tools)
- Management of domestic group companies and **cooperation among group companies** (e.g. technology and sales)
- Regional governance (e.g. optimization of HQ in each region)

### Strengthening project management

- Refining cost planning and strengthening internal management
- Reforming gate management before product launch

# 3-1-3) Priority Initiatives

- oriental herbal medicine treatment

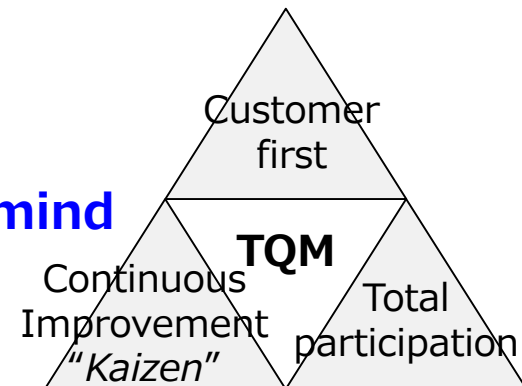
- To show to employees that “JTEKT has changed”
- To permeate TQM (Total Quality Management) (not yet started)

## Reform of employees' awareness

- Move HQ (corporate function) from Nagoya to Kariya on Dec. 2020
- Instill the mind that we are engaged in “manufacturing industry” and “Toyota group” in each employee.
- Show to employees that “**JTEKT has changed**” by reforming organization and personnel system (shock therapy)

## Permeating TQM

- Ensure **customer first** (market in)
- Raise “**Kaizen**” (continuous improvement) mind

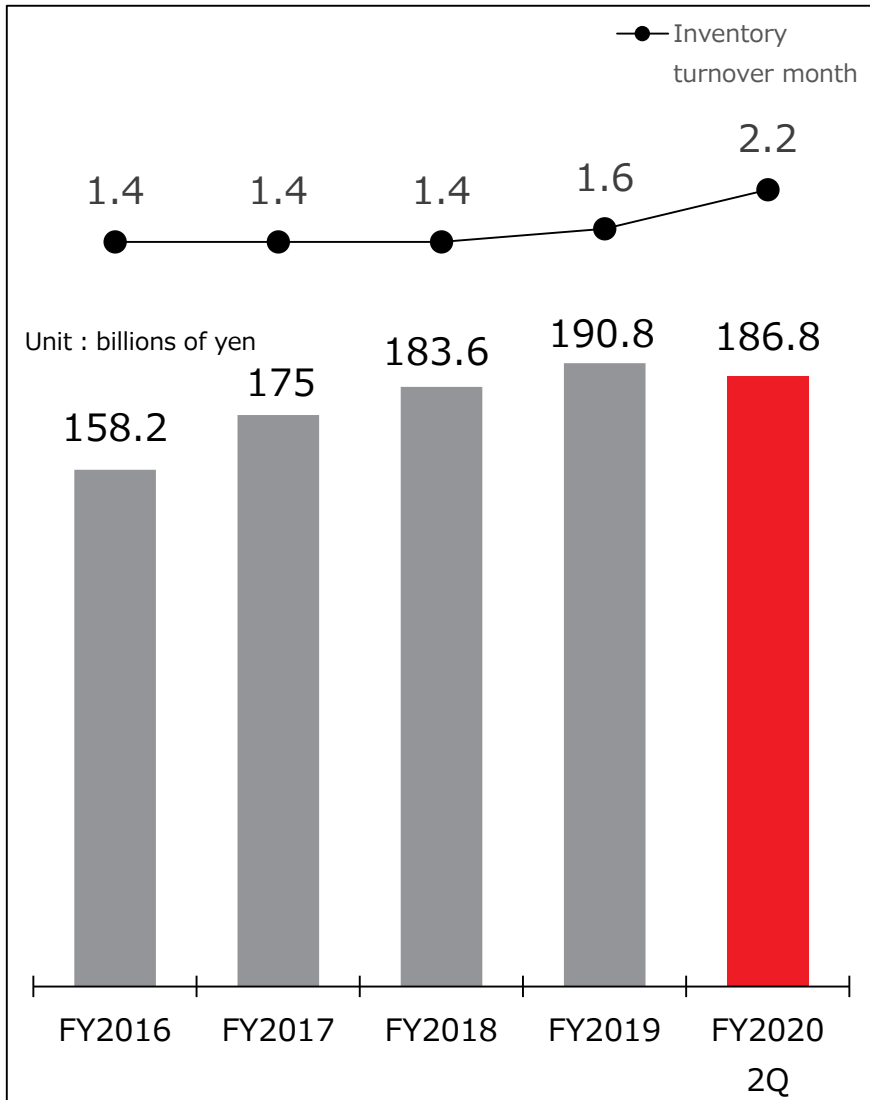


Conceptual scheme of TOYOTA TQM

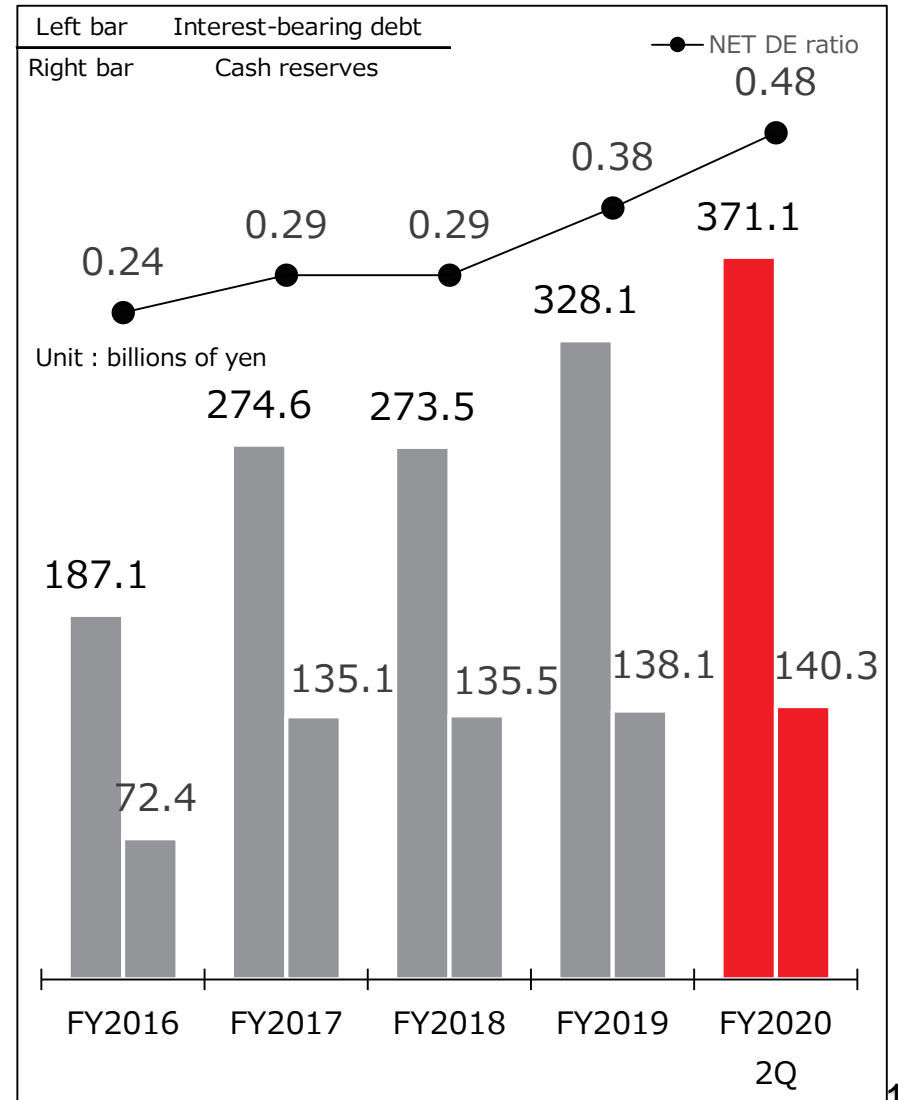


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## Inventories

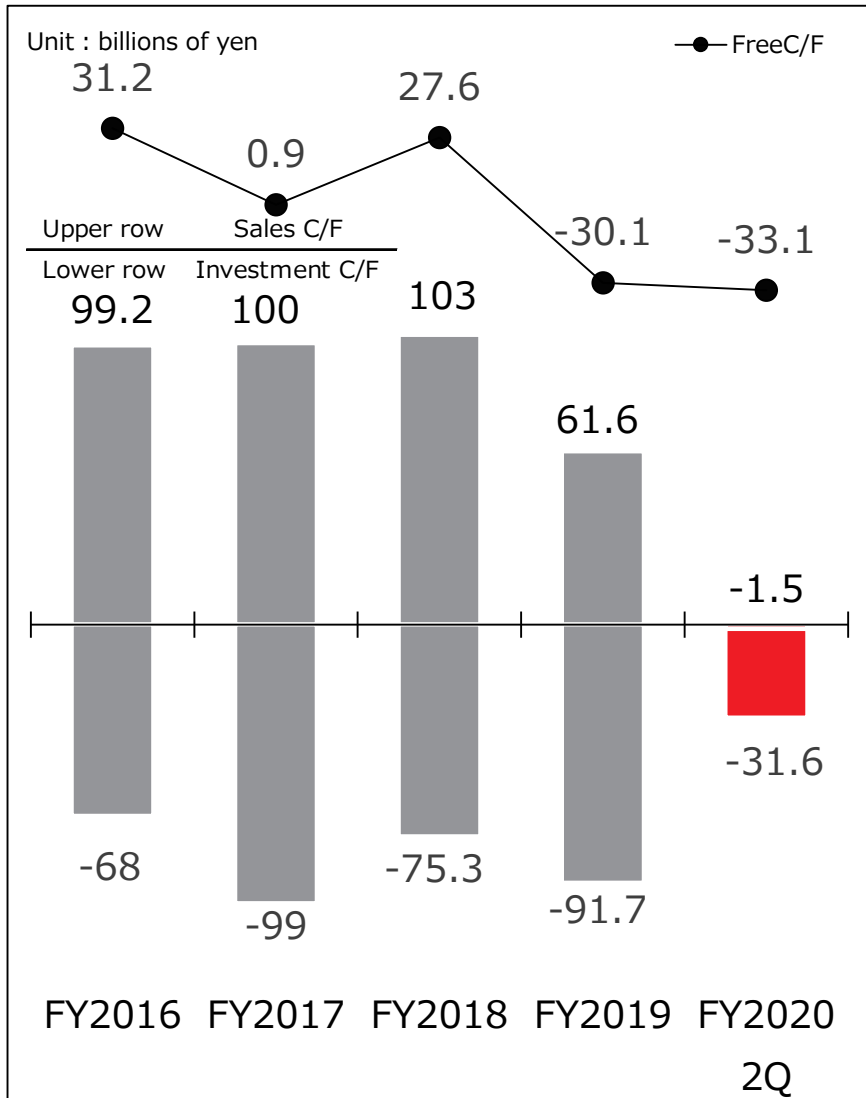


## Interest-bearing debt · Cash reserves

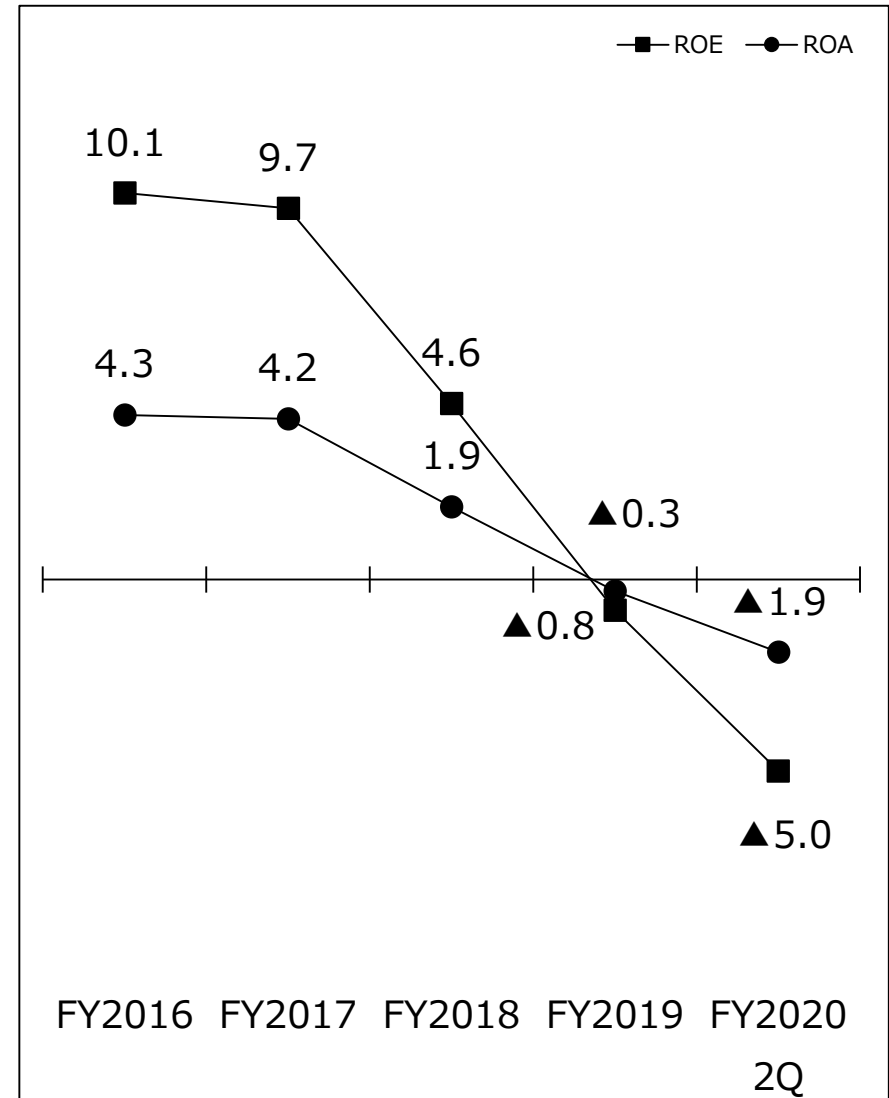


# 4-1) Cash flows/ROE·ROA

## Cash flows



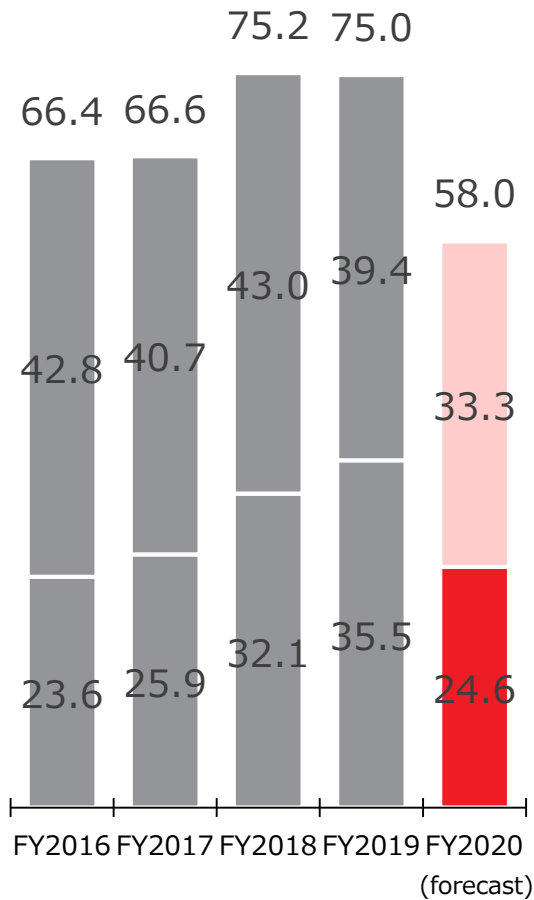
## ROE·ROA



# 4-2) Changes in fixed costs

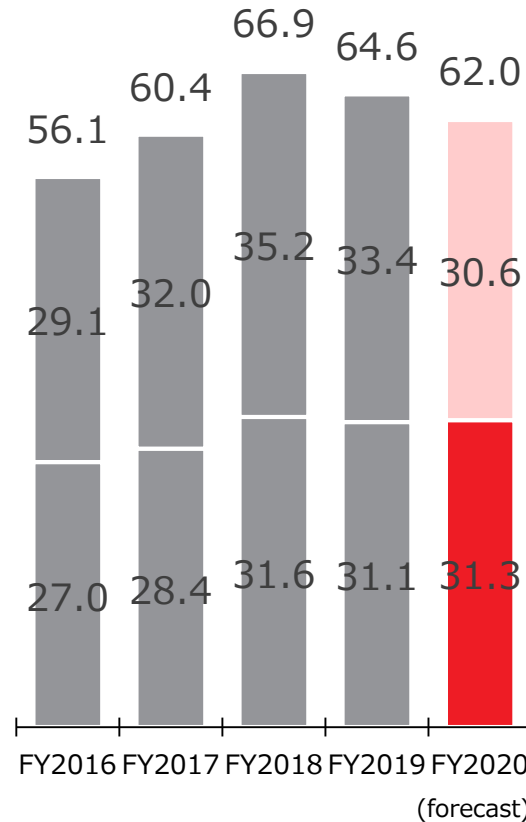
## Capital expenditures

Upper row October-March  
Lower row April-September  
Unit : billions of yen



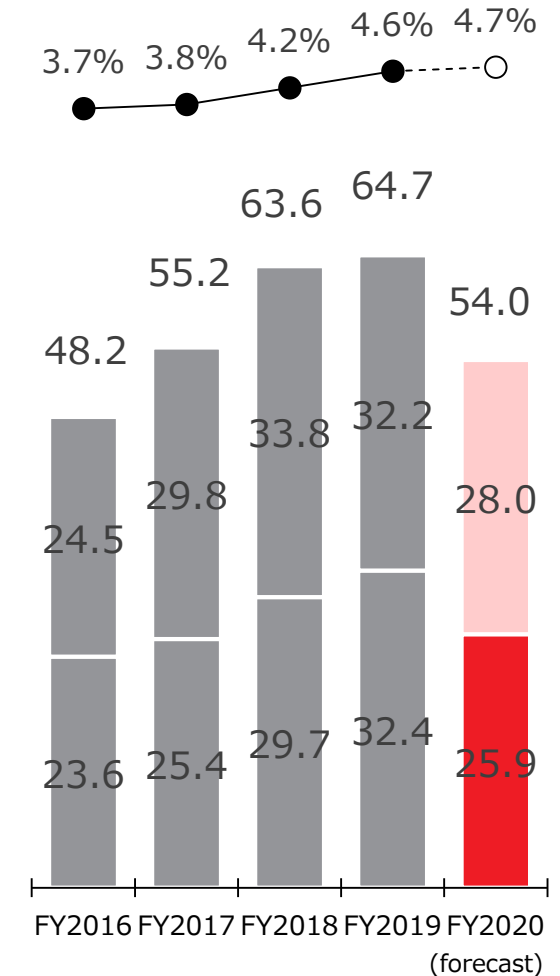
## Depreciation and amortization

Unit : billions of yen



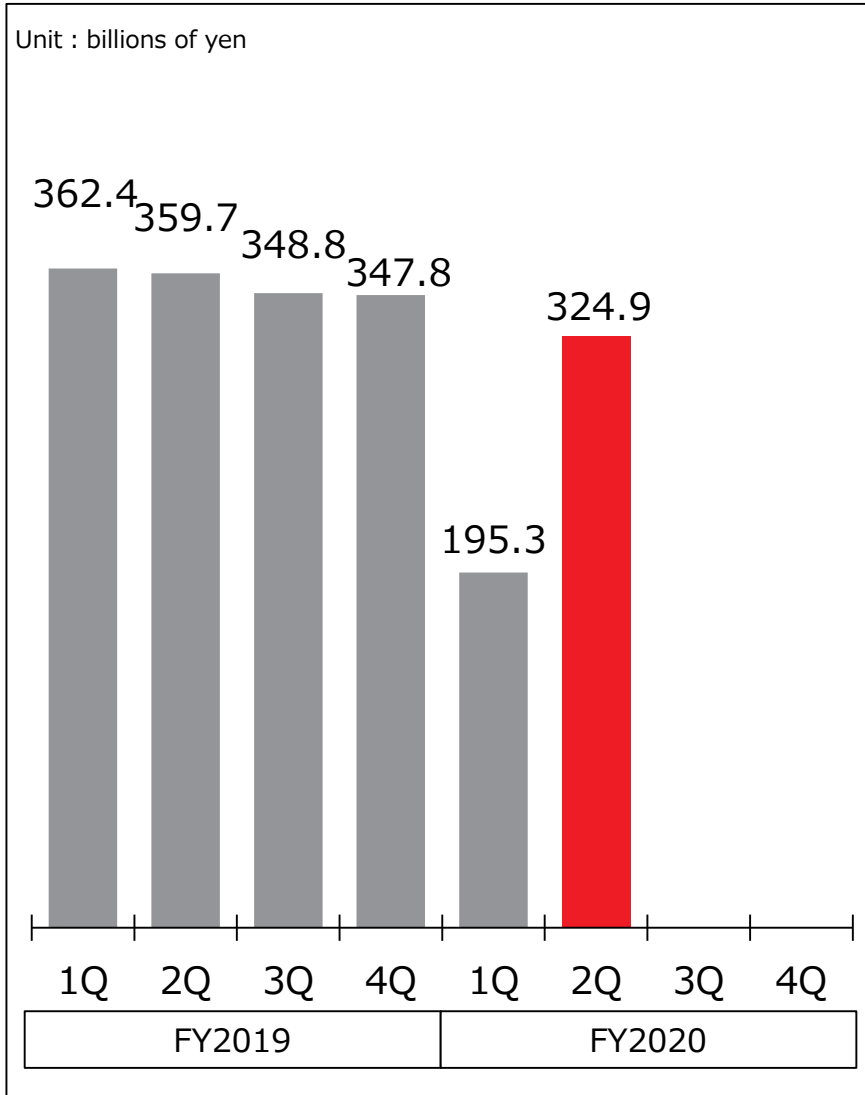
## Research and development expenses

● — Ratio to Revenue  
Unit : billions of yen

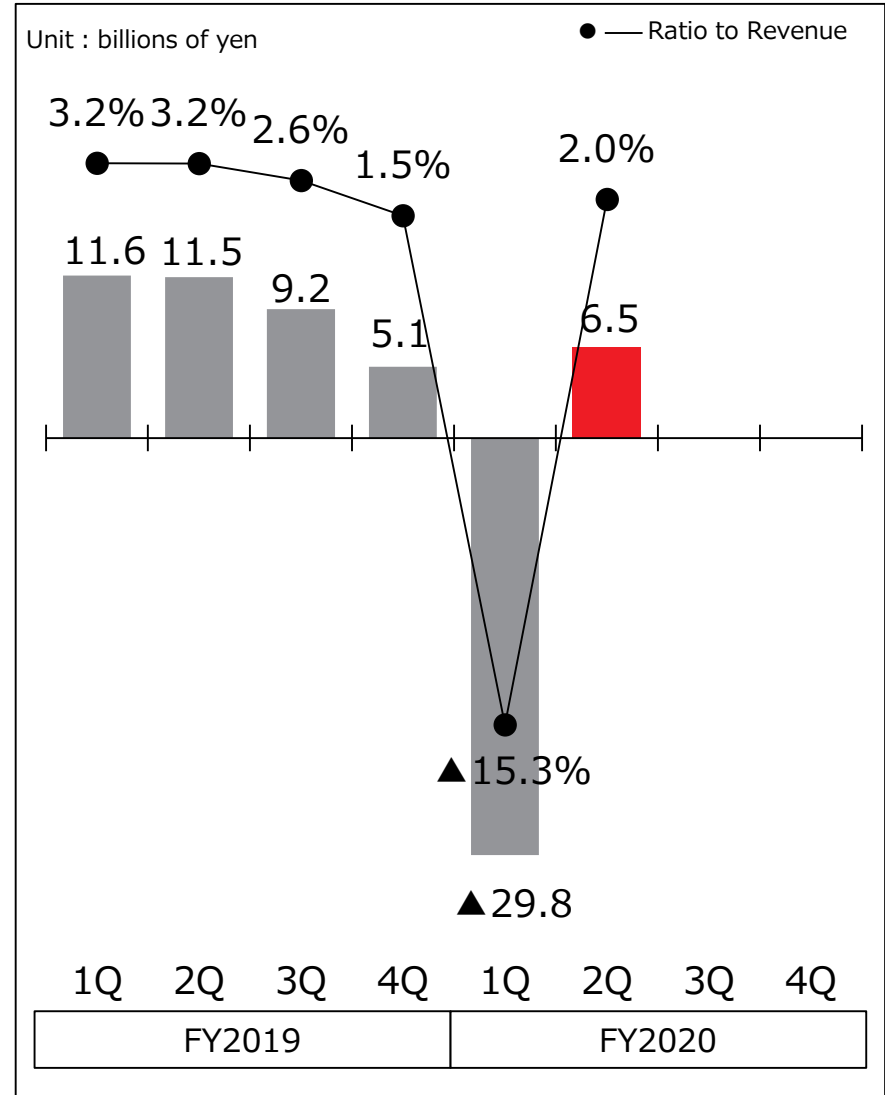


# 4-3) Quarterly Result Trend

## Sales revenue



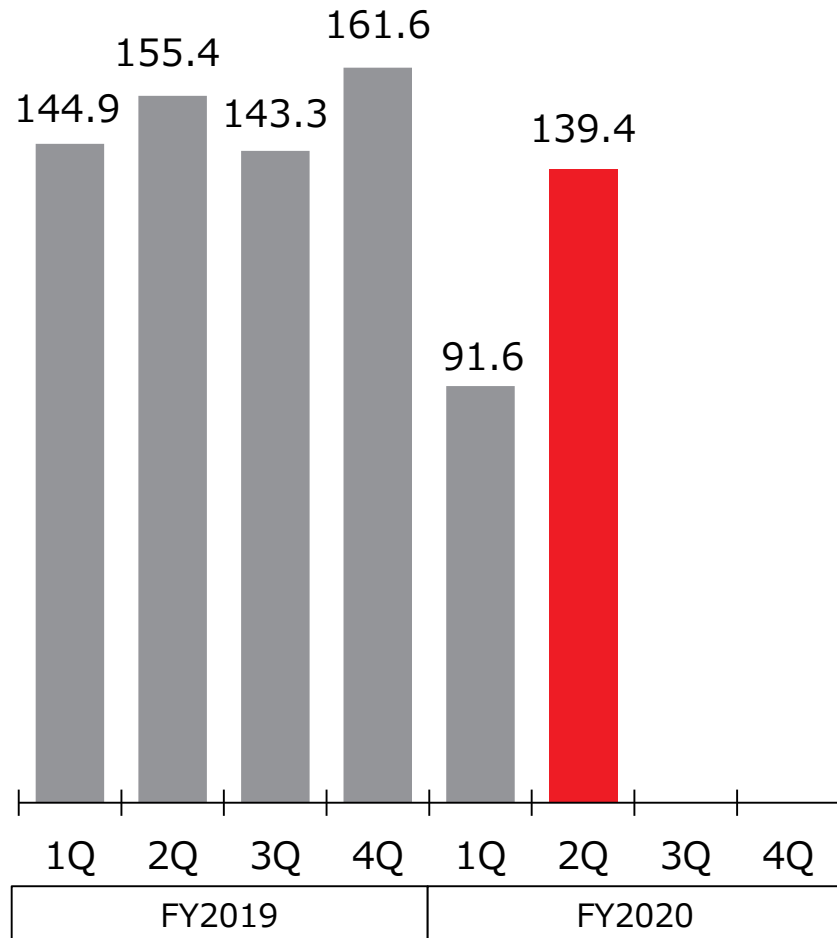
## Business profit



# 4-3) Quarterly Result Trend – Japan

## Sales revenue

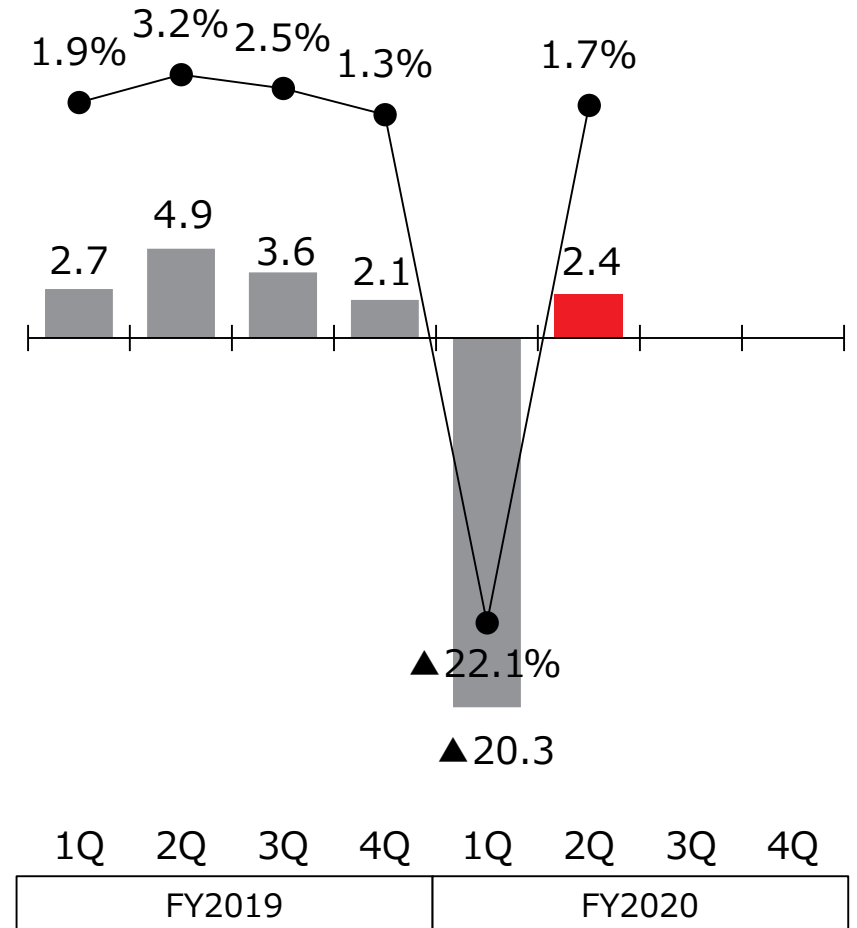
Unit : billions of yen



## Business profit

Unit : billions of yen

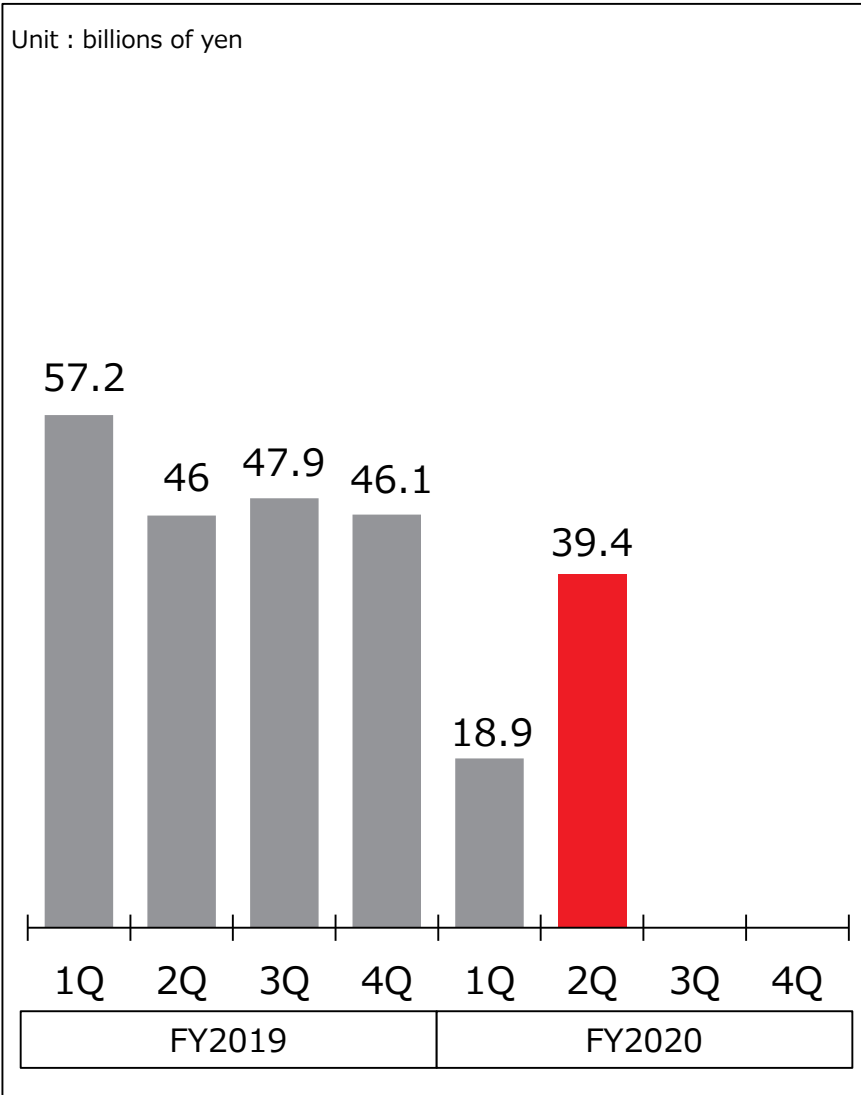
● — Ratio to Revenue



# 4-3) Quarterly Result Trend – Europe

## Sales revenue

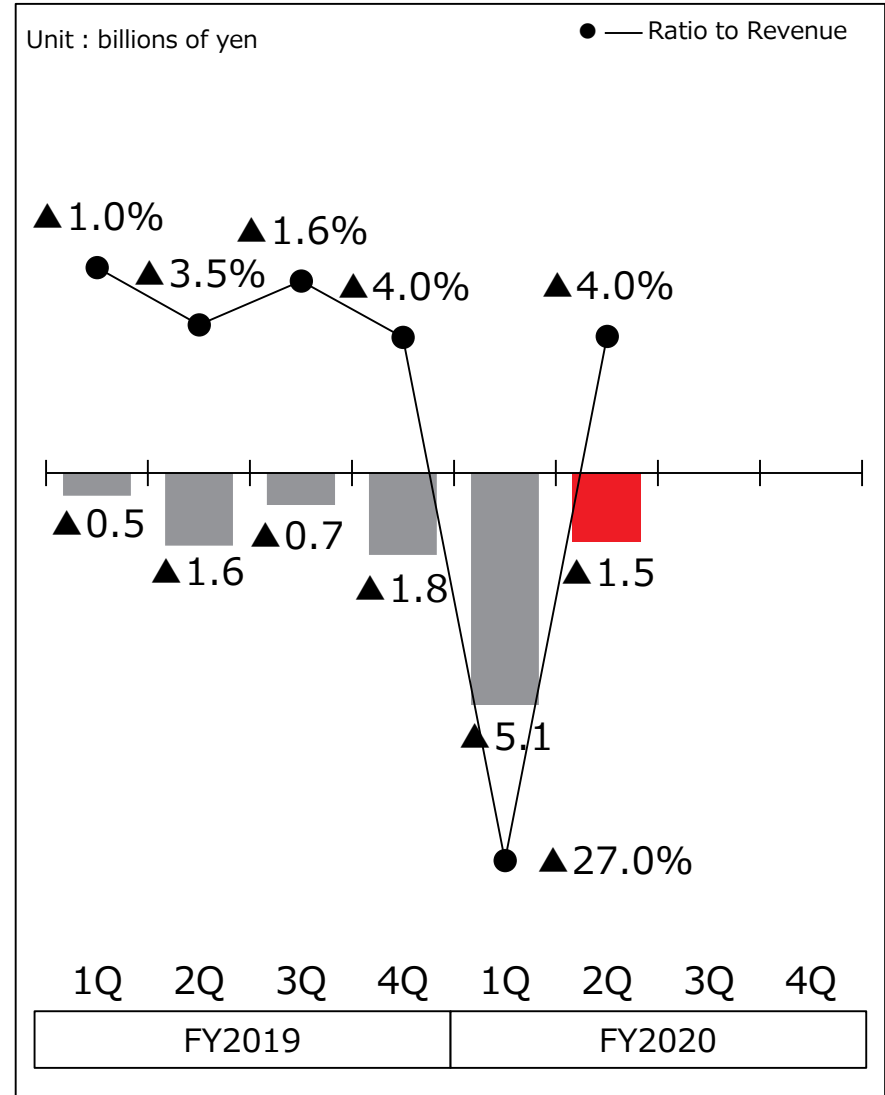
Unit : billions of yen



## Business profit

Unit : billions of yen

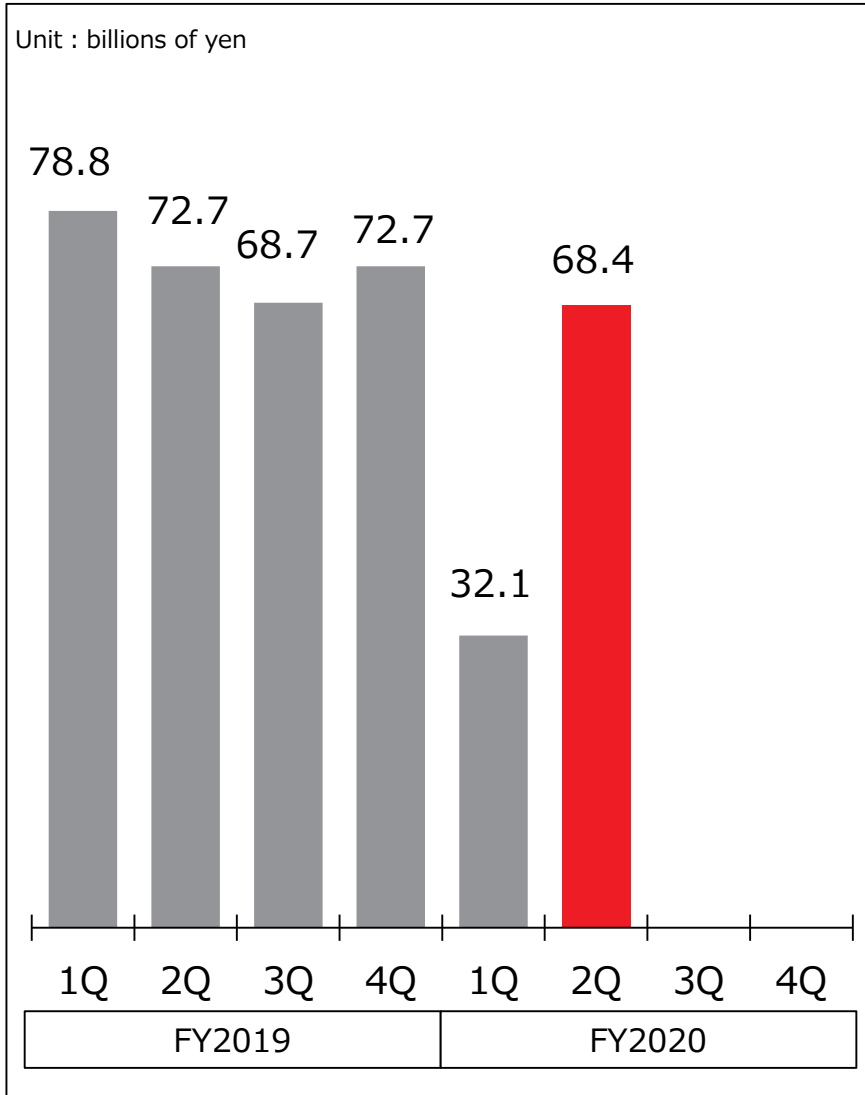
● — Ratio to Revenue



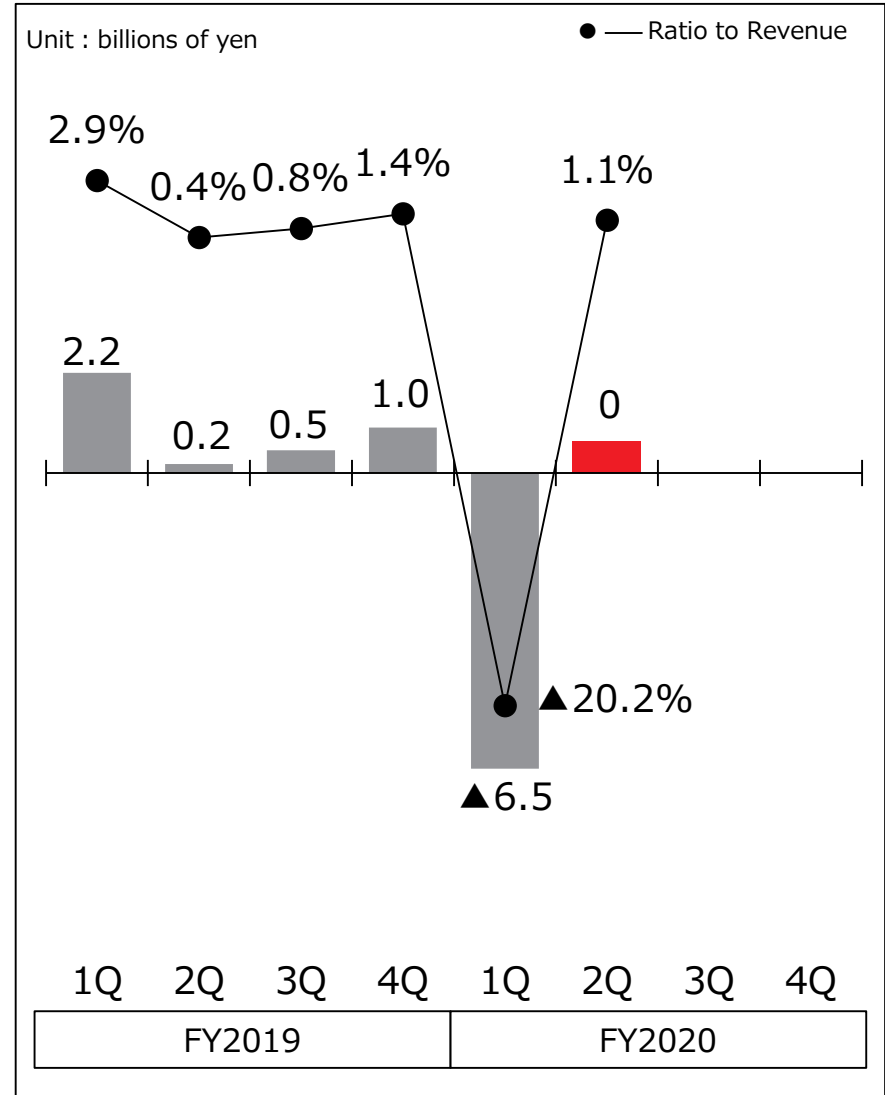
# 4-3) Quarterly Result Trend – North America



## Sales revenue



## Business profit

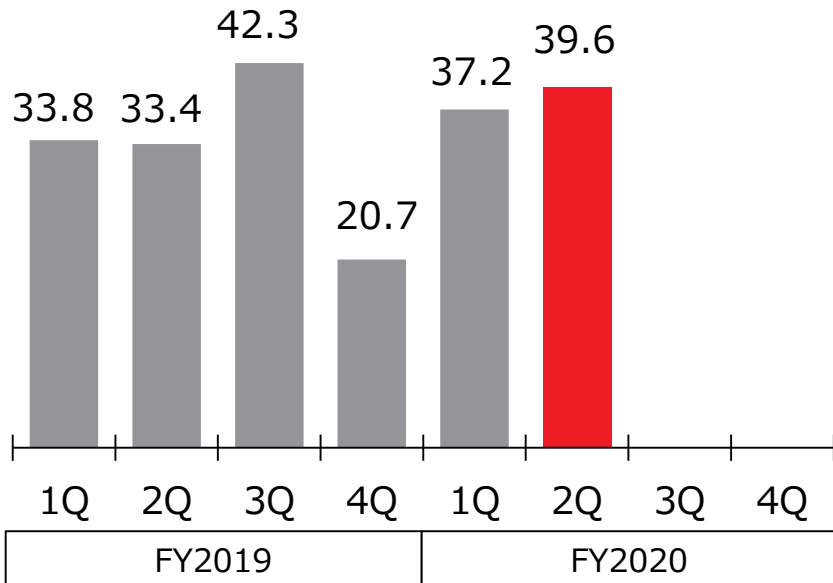




# 4-3) Quarterly Result Trend – China

## Sales revenue

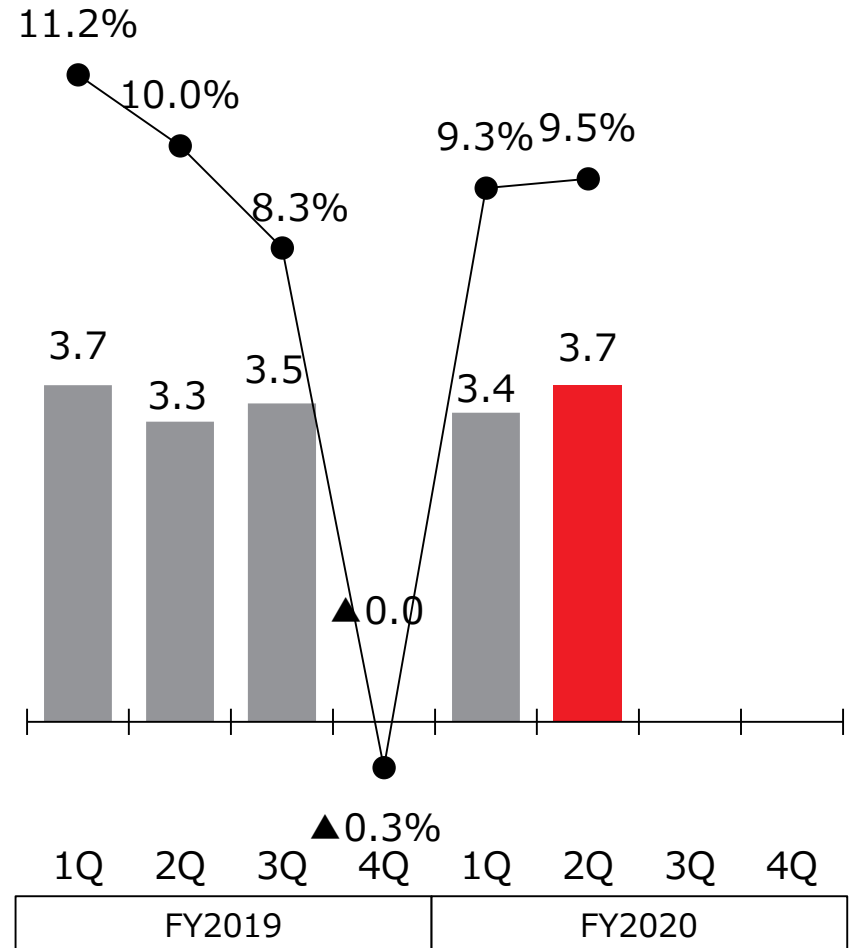
Unit : billions of yen



## Business profit

Unit : billions of yen

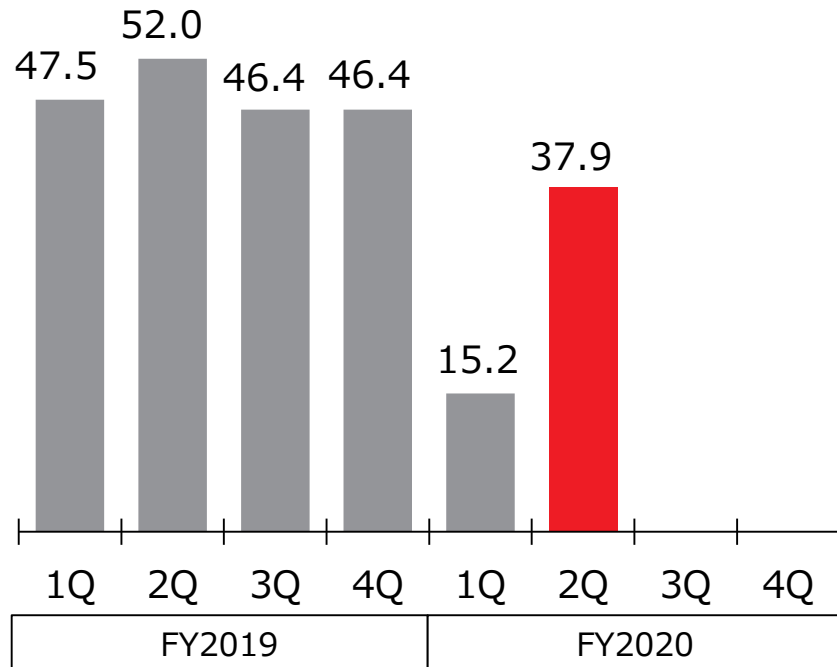
● — Ratio to Revenue



# 4-3) Quarterly Result Trend – Asia & Others

## Sales revenue

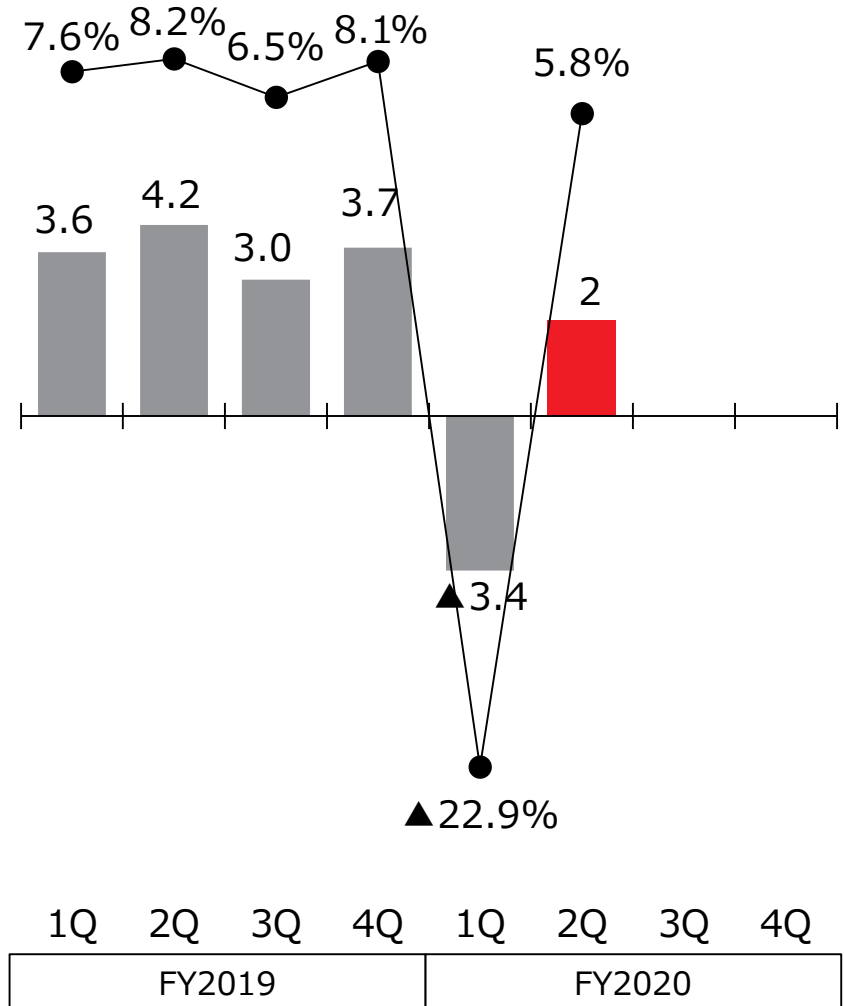
Unit : billions of yen



## Business profit

Unit : billions of yen

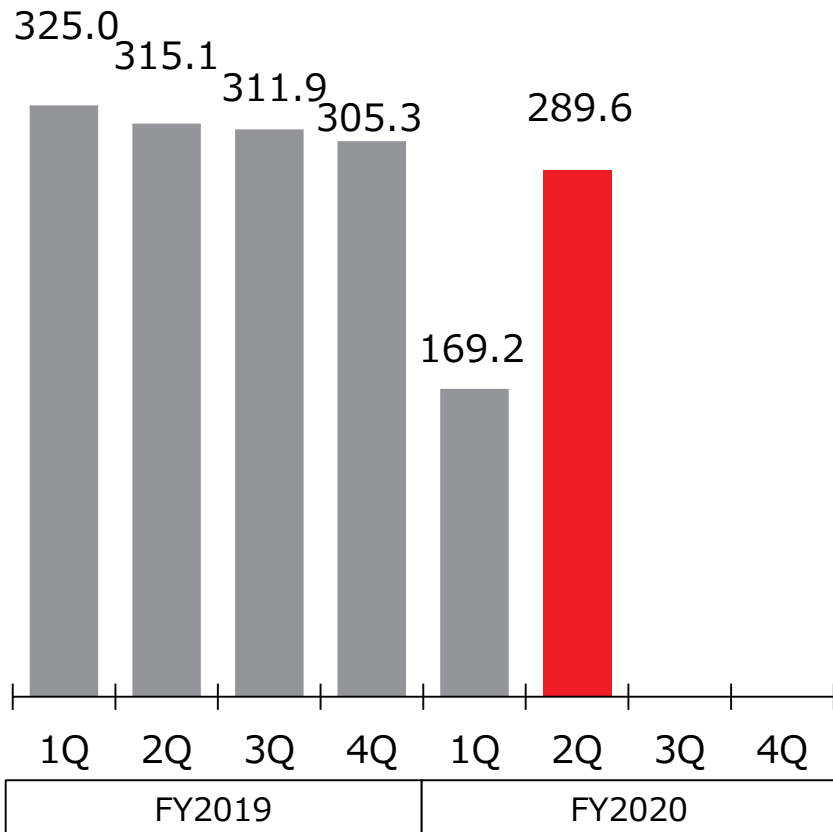
● — Ratio to Revenue



# 4-3) Quarterly Result Trend – Mechanical components **JTEKT**

## Sales revenue

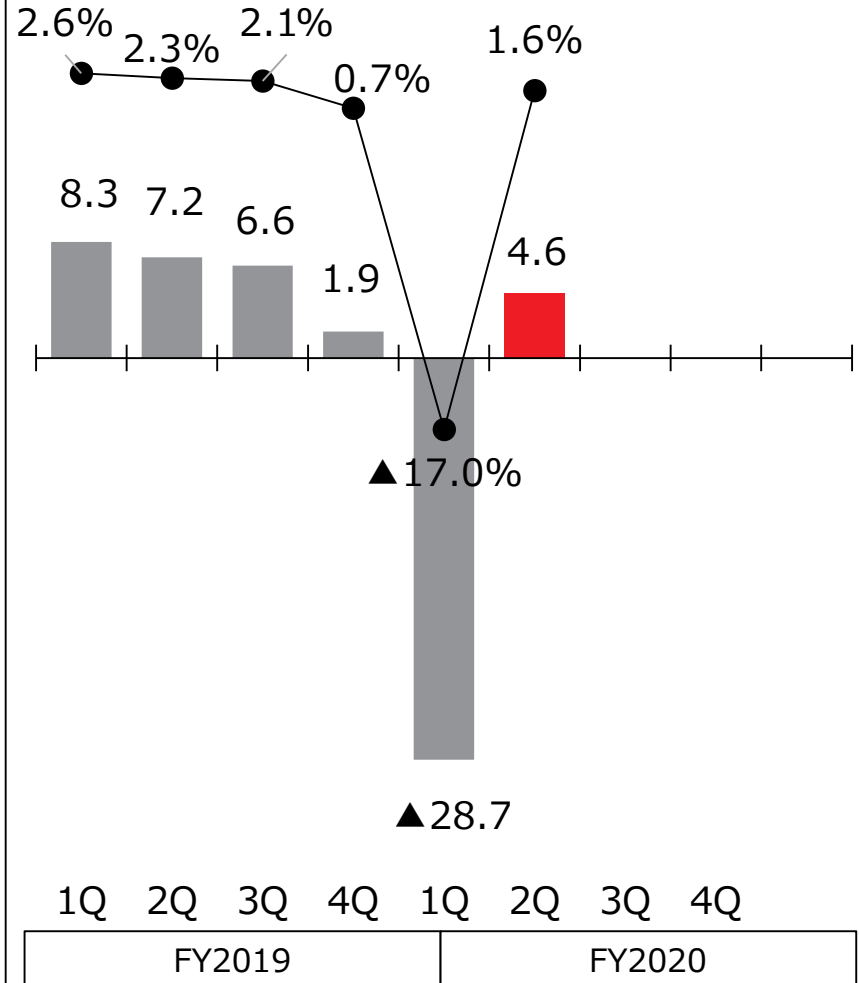
Unit : billions of yen



## Business profit

Unit : billions of yen

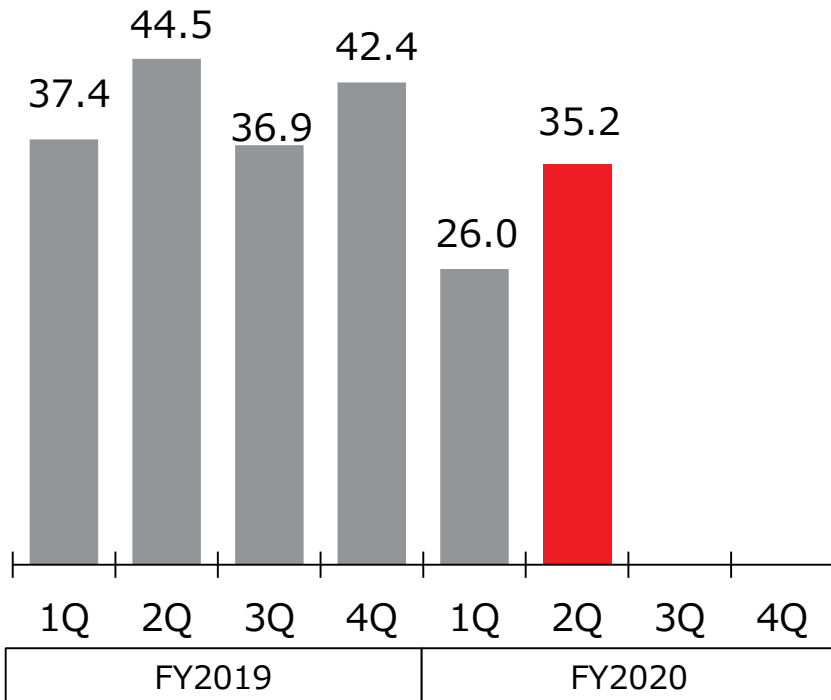
● — Ratio to Revenue



# 4-3) Quarterly Result Trend – Machine tools and others **JTEKT**

## Sales revenue

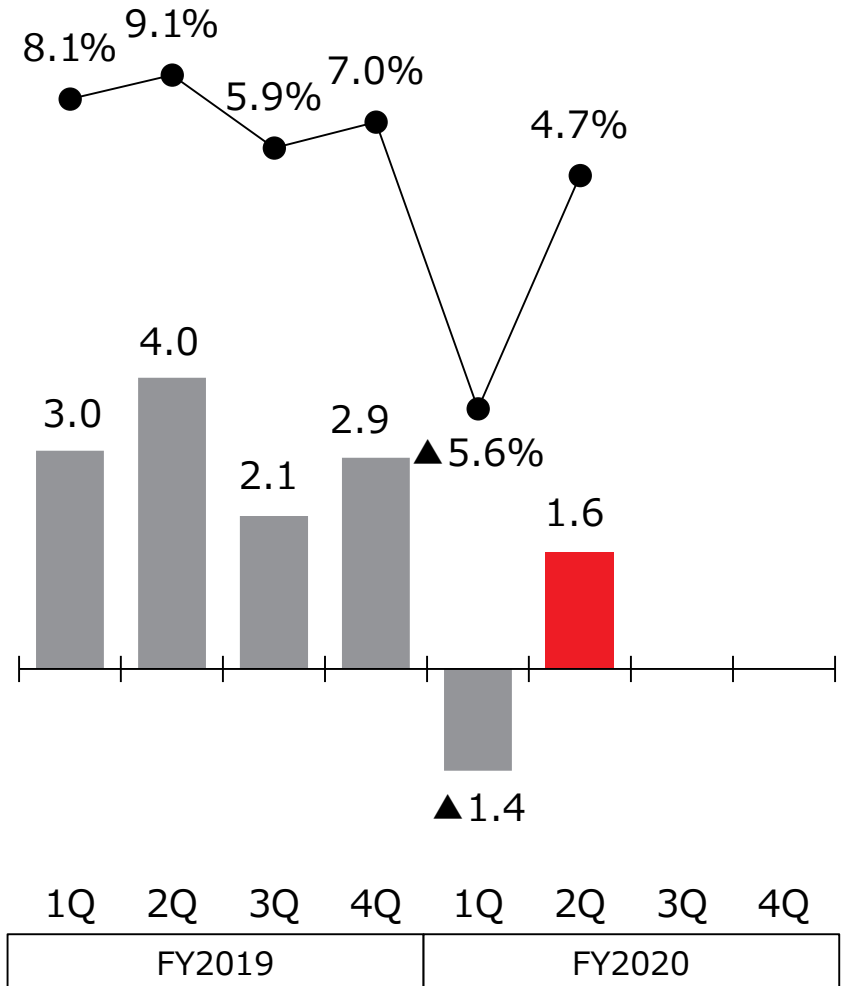
Unit : billions of yen



## Business profit

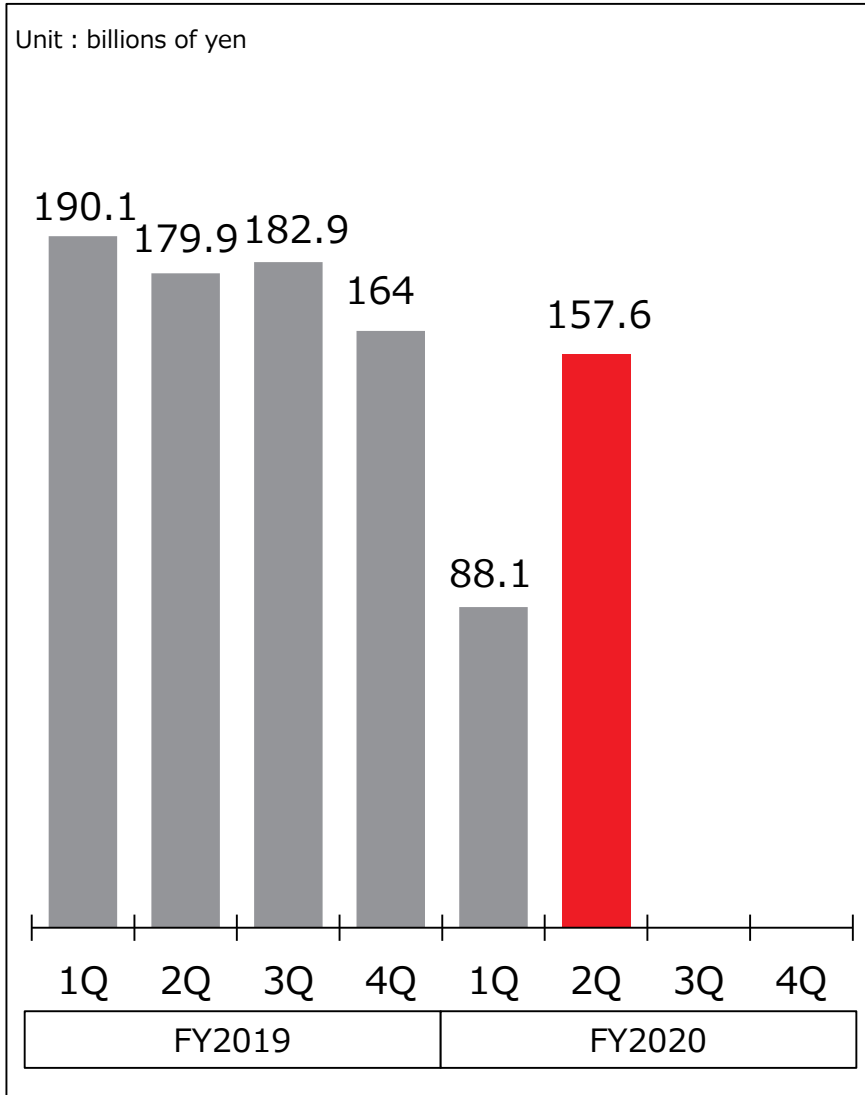
Unit : billions of yen

● — Ratio to Revenue

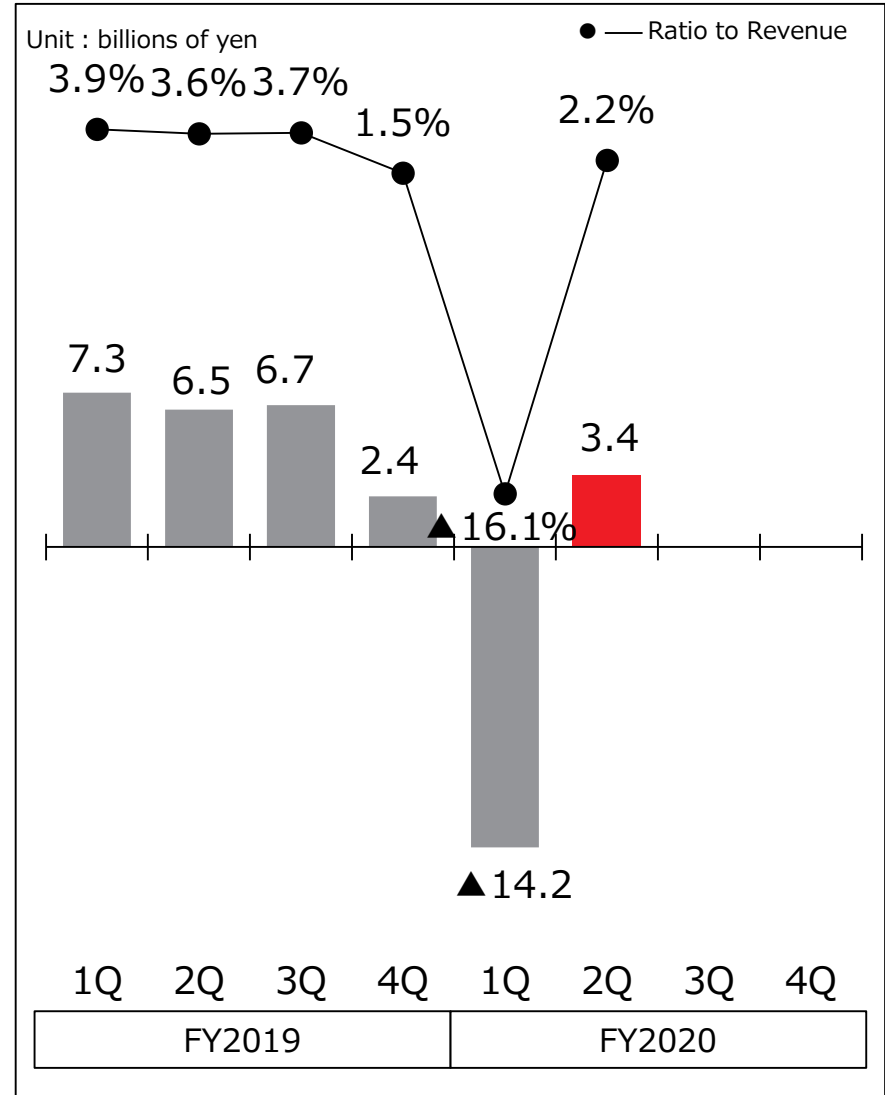


# 4-3) Quarterly Result Trend – Steering

## Sales revenue



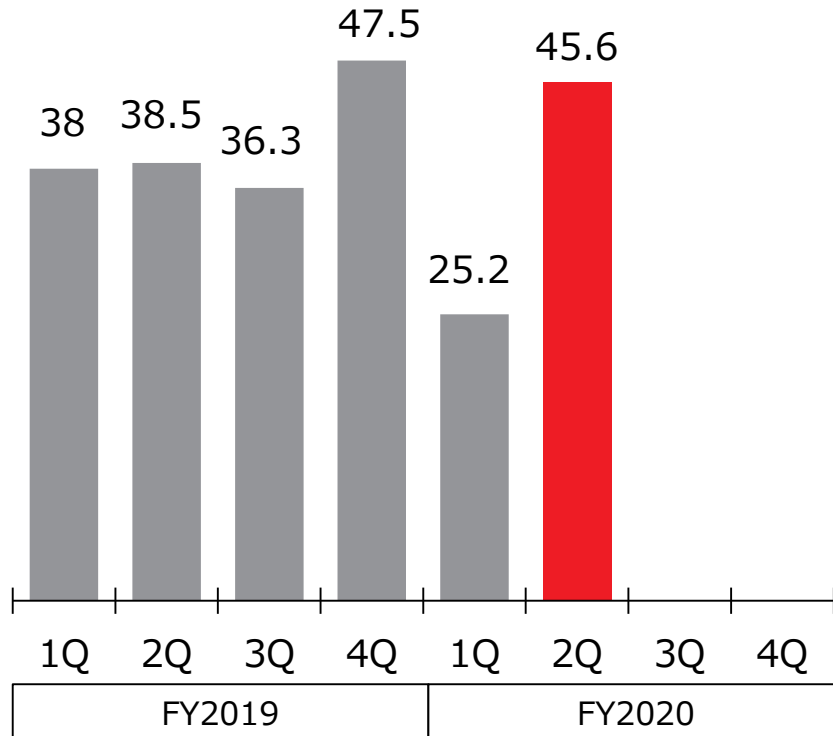
## Business profit



# 4-3) Quarterly Result Trend – Drivelines

## Sales revenue

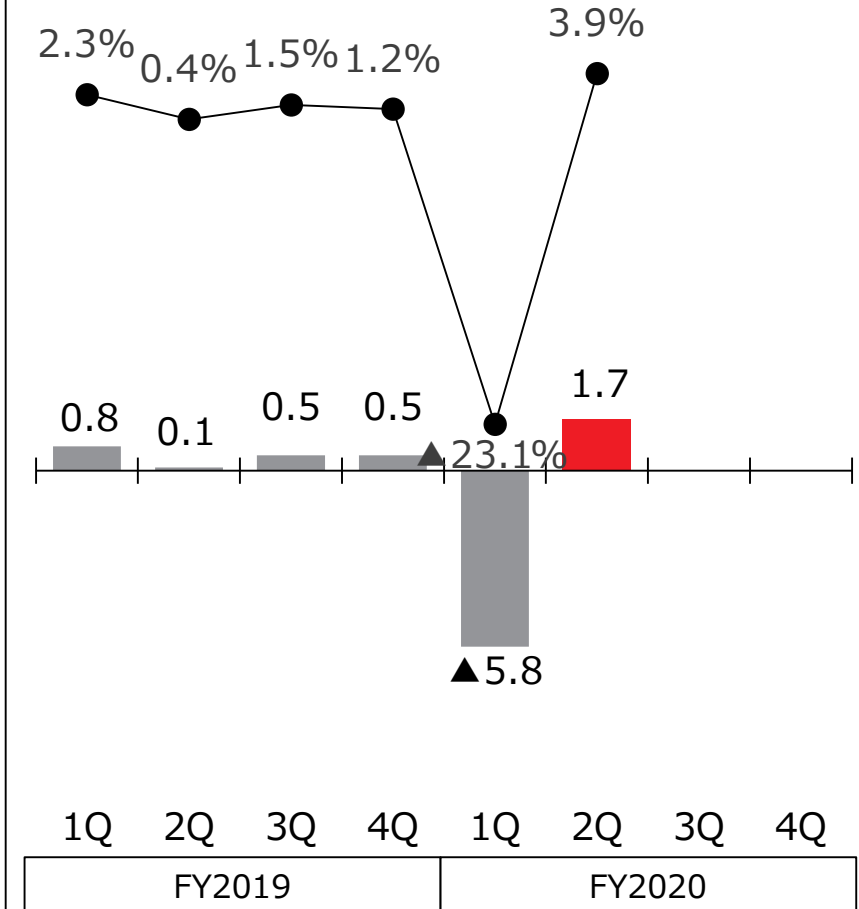
Unit : billions of yen



## Business profit

Unit : billions of yen

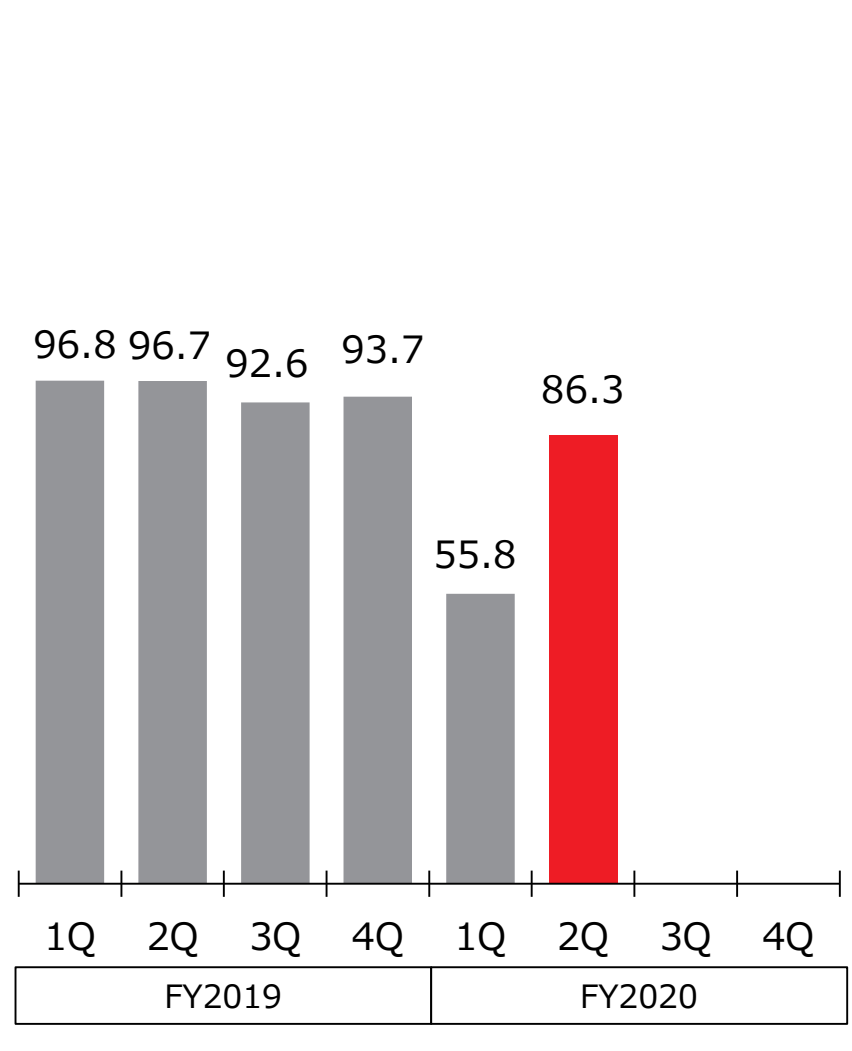
● — Ratio to Revenue



# 4-3) Quarterly Result Trend – Bearing

## Sales revenue

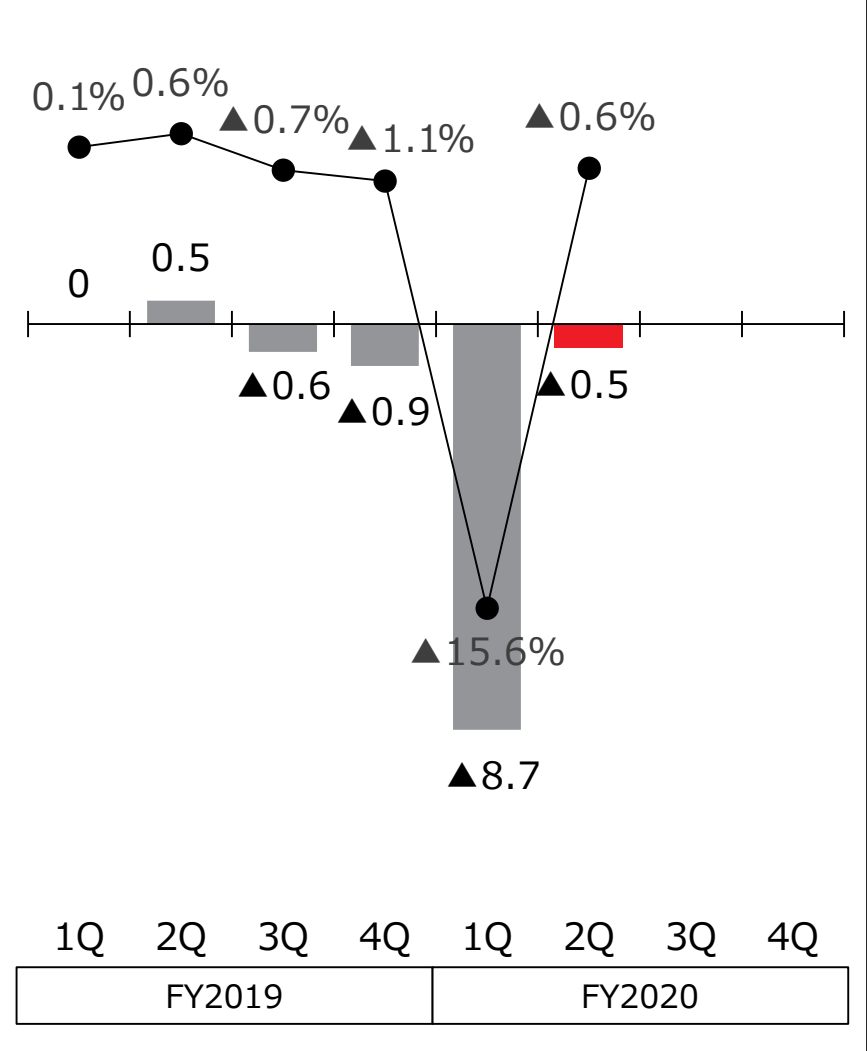
Unit : billions of yen



## Business profit

Unit : billions of yen

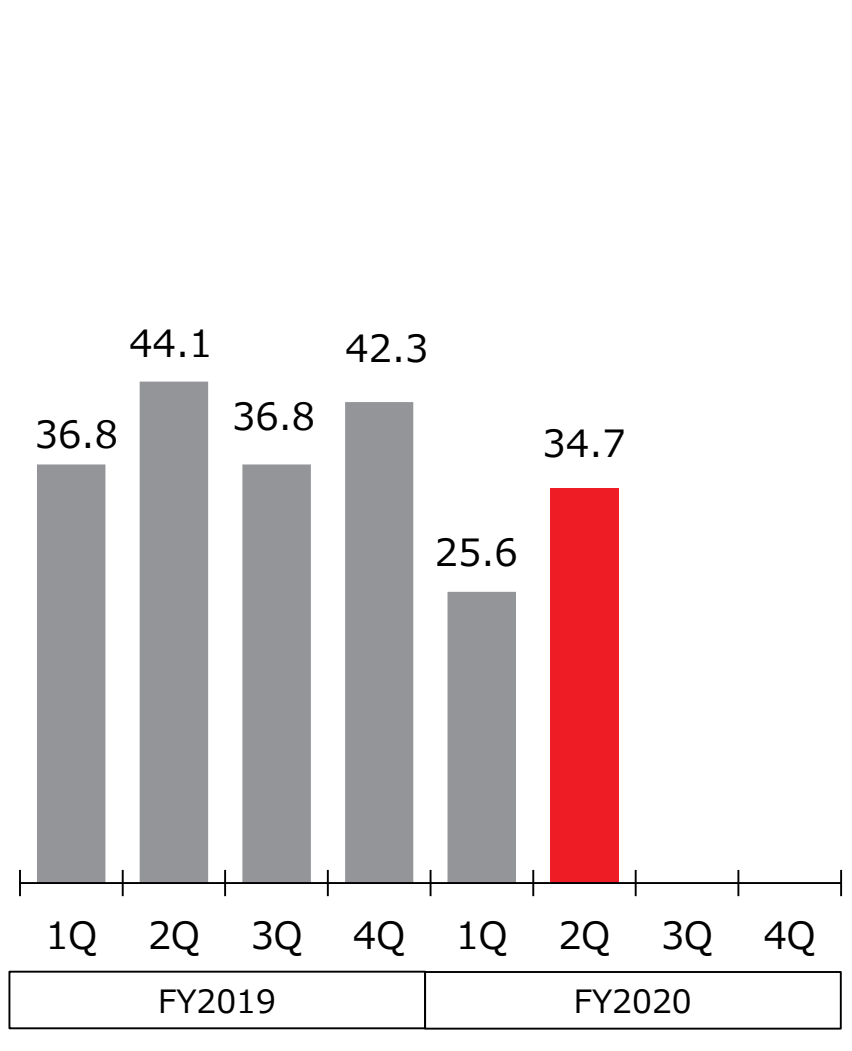
● — Ratio to Revenue



# 4-3) Quarterly Result Trend – Machine tools

## Sales revenue

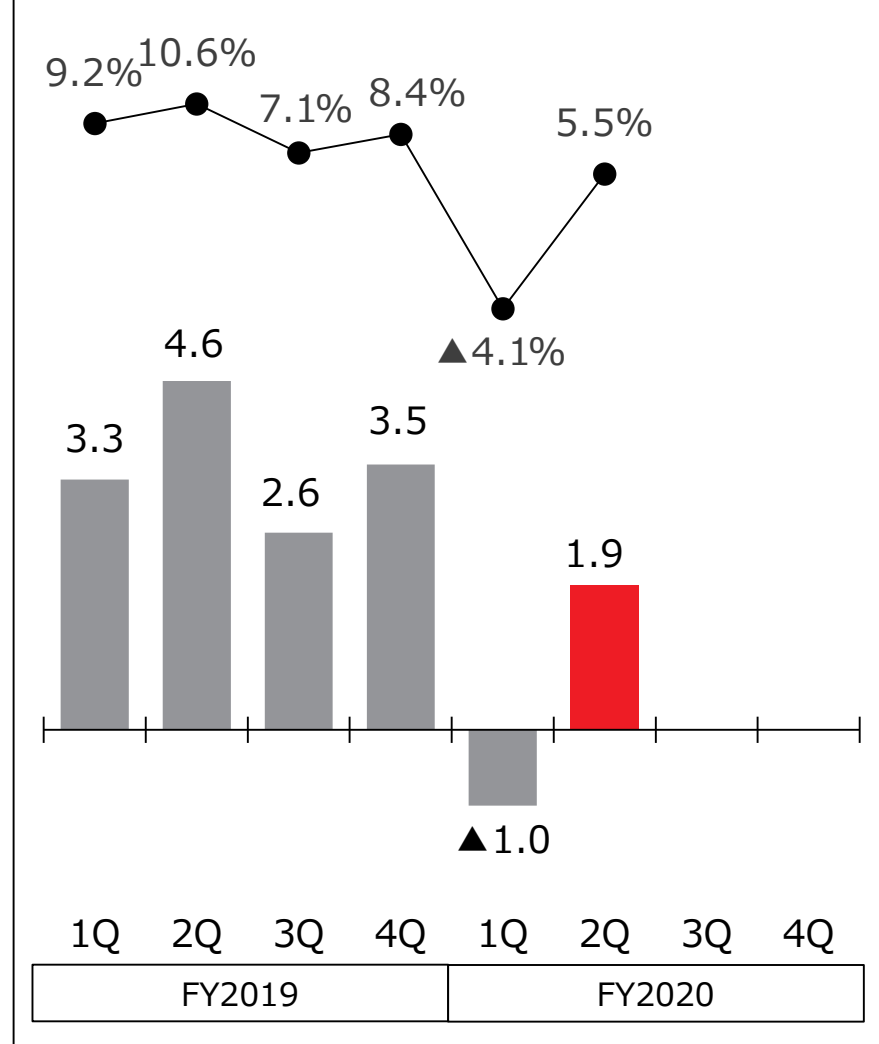
Unit : billions of yen



## Business profit

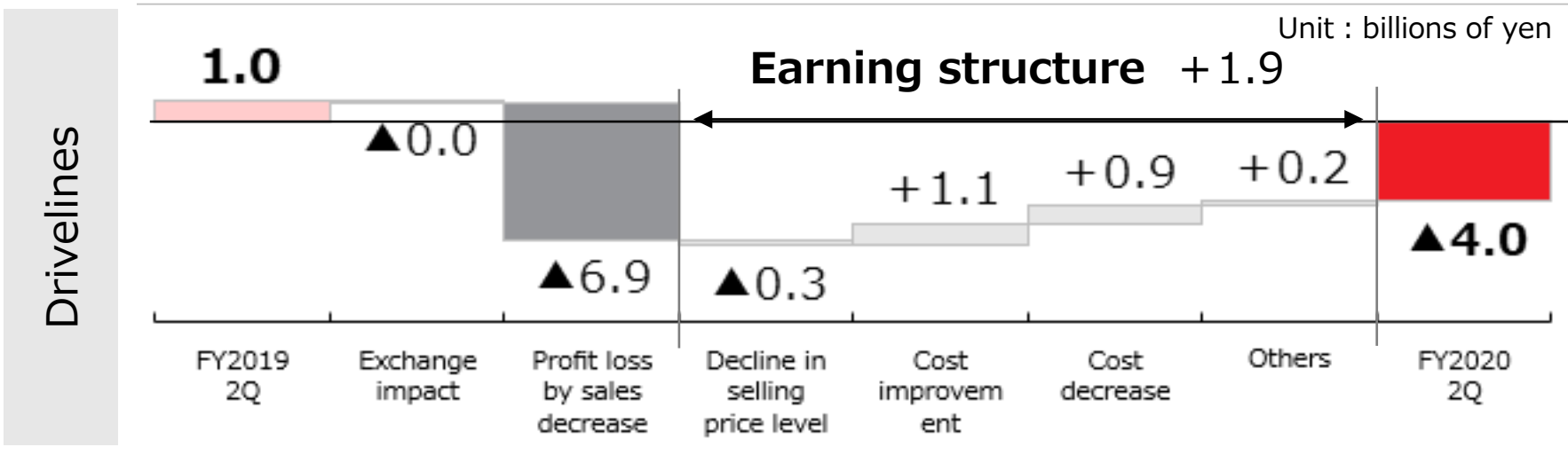
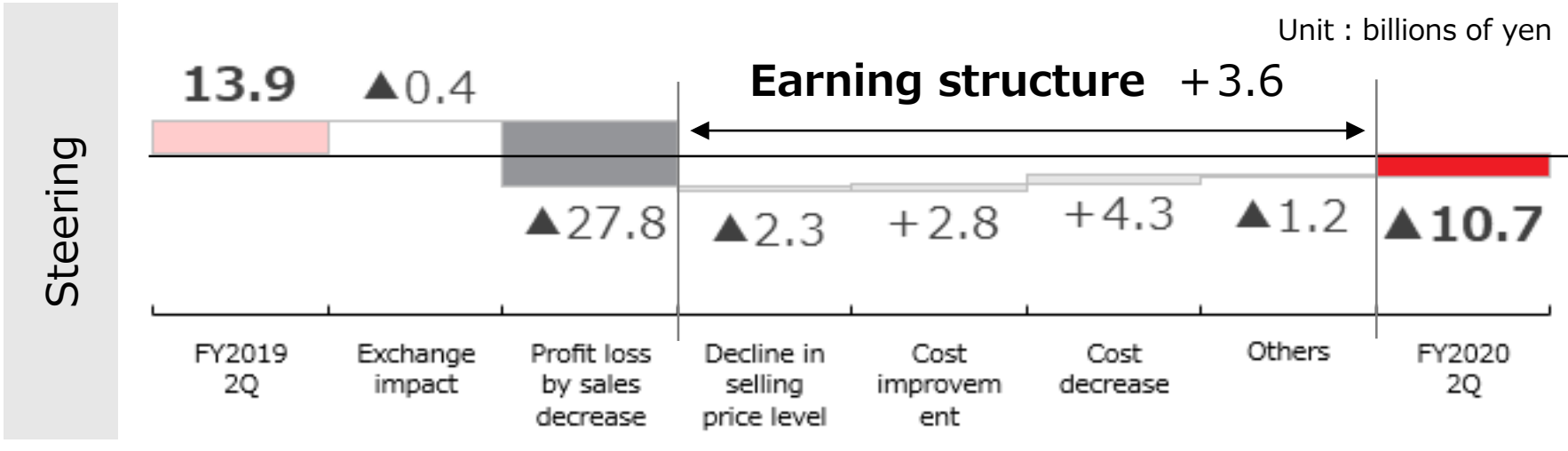
Unit : billions of yen

● — Ratio to Revenue





# 4-4) Business profit Analysis – Steering/Drivelines

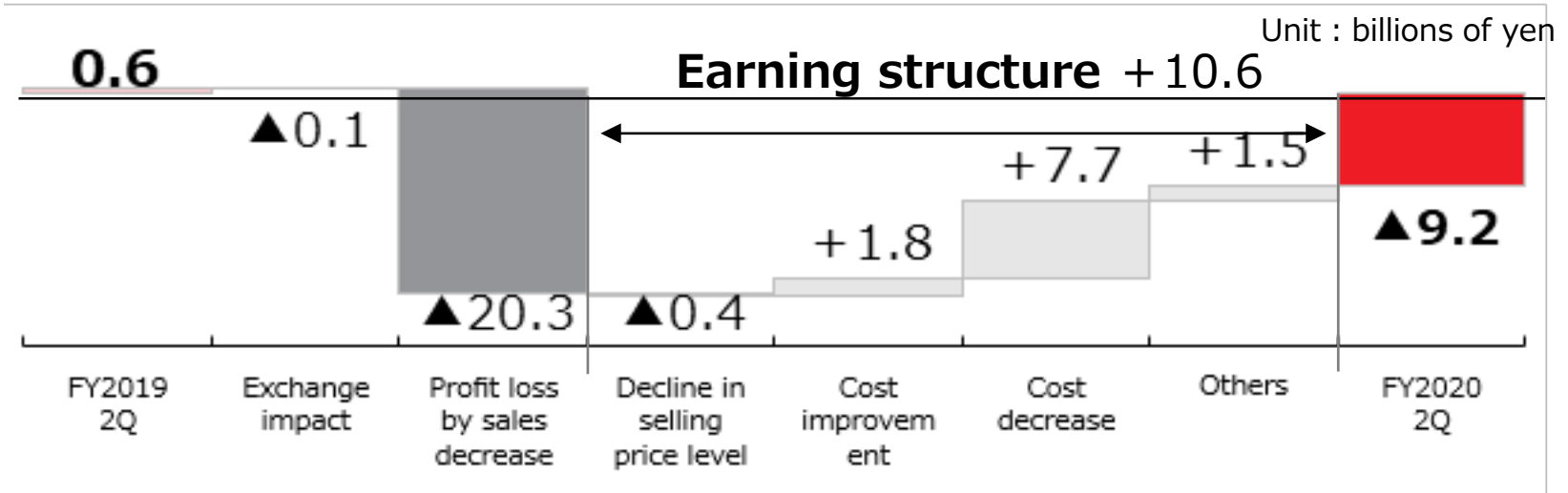


# 4-4) Business profit Analysis –

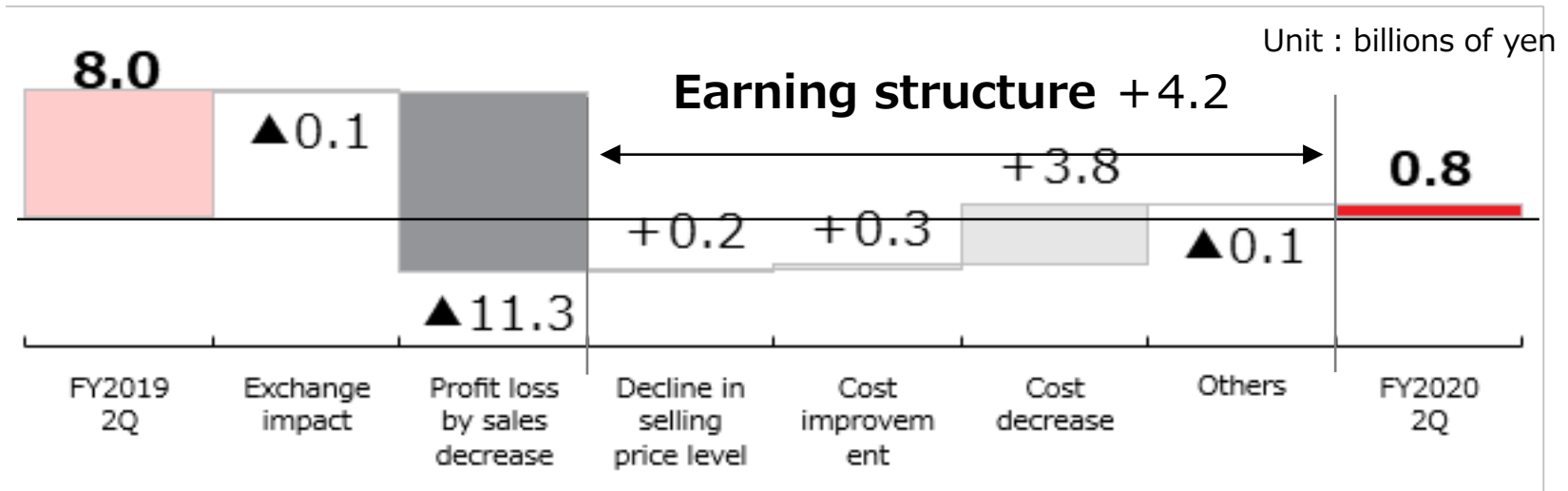
Bearing/Machine tools Mechatronics Business Units



Bearing

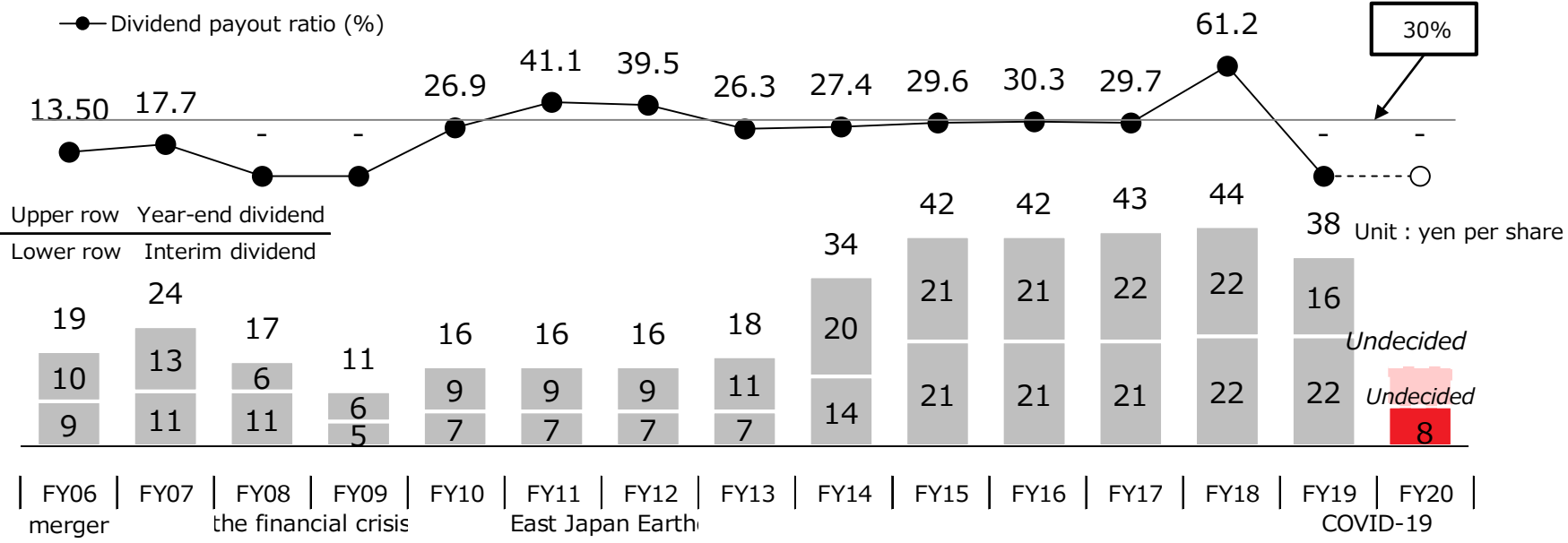


Machine tools  
Mechatronics Business Units



# 4-5) Return to Shareholders

Dividends



Profit

