

## **2<sup>nd</sup> period of Mid-Term Plan -2030 Vision – Q&A session**

Aug 27, 2024

JTEKT CORPORATION

**Q1. Your target profit in the 2<sup>nd</sup> period of mid-term plan is same level as the target you set for 1<sup>st</sup> period. What was the reason why you missed the target in the 1<sup>st</sup> period? Do you still have difficulties in your European operations and low profitability of automotive business divisions?**

A1. In the 1<sup>st</sup> period of the mid-term plan, we took actions to improve our break-even point and successfully recovered from red-ink result, however we missed the target, mainly because our actions to reform European operations delayed and losses in North American operations with low productivities especially after Covid-19 pandemic.

Expanding “solution business model” is key to improve our profitability. We establish the foundation of the business model in the 2<sup>nd</sup> period of mid-term plan so that we can enjoy higher profitability in the 3<sup>rd</sup> period.

**Q2. From the manufacturing point of view, what is the actions required to improve your profitability?**

A2. We believe our products are competitive, however we could not provide the proper product in proper regions in proper timing. That was our problem. Especially because our manufacturing preparation was not efficient enough, our top priority is to complete production lines with making front-loading effort.

**Q3. Please tell us the detail of pay-backs to the shareholders and how to improve your PBR.**

A3. Focusing more on the profitability by shifting to “solution provider” is our important message. Also, we are expecting cost saving effect by promoting problem-solving activities inside of JTEKT Group throughout our effort to establish solution business model.

New dividend policy is to pay stable dividends based on DOE, rather than payout ratio which has been based on the concept of returning a portion of profits. We are going to promote activities for further profitability improvement with new dividend policy in mind within the company.

In addition to dividend policy change, we plan to conduct share buybacks.

**Q4. Where does JTEKT's shifting to solution business model position strategically in Toyota Group??**

A4. We cannot explain in detail. To make good cars, it is important to make proposals for solutions together with all the other Toyota Group Companies. We are developing our main products such as steering systems and driveline products that we have strong advantage of JTEKT's technologies.

**Q5. You mentioned about importance of the management focusing human resources. On the other hand, for restructuring the business, lay-off of workers might be required. How do you reform your business and reorganize your business entities?**

A5. We must make decision of reorganization. We will take care of our team members when we proceed the restructuring. We have good resources in the various regions, so we will consider utilizing such good human resources for the activities for shifting to the solution provider.

**Q6. Please tell us the details and expecting profit impact of the business reform mentioned in the "cash allocation" of the presentation material.**

A6. We cannot tell the details of each business reform activities, now. Our main actions will be for the operation reforms in North America and Europe. By using cash for these, we will change them to stable profit-making operations. Our reform plan for the European operations will be disclosed in proper timing soon after we set directions.

**Q7. Why your sales plans show weak growth in Automotive and Bearing segment? Please tell us your assumptions for car productions.**

A7. We cannot tell you details of the assumptions. Car productions fluctuate with market conditions.

Our profitability in automotive division will be improved by introducing next generation product such as next generation EPS etc. Contributions of new products such as SBW etc. on our profit is very limited in the 2<sup>nd</sup> period of mid-term plan, but we are expecting profit in 3<sup>rd</sup> period.

Majority of sales in bearing division are for automotive business with big volume and thin margins. We will improve profitability by increasing sales for industries in target market area and by utilizing inhouse resources more for high margin bearings with using outside second source. Restructuring business in North America and Europe also will contribute on our profit improvement.

**Q8. What will be challenges to establish technology platform?**

A8. In the 1<sup>st</sup> period of mid term plan, we successfully build one team mind by breaking psychological barrier among the team members.  
Speed is required to adjust to market changes. However, our technologies were not shared among the business divisions effectively enough, and those were not used for quick technical solutions.  
Not only store technical information in the database, but we will establish the technology platform as internal system that provide technical solutions when we input information of issues to be solved.

**Q9. How is the situation of productivity issues in North America? Please tell us your action plan to solve this issue.**

A9. We are struggling with labor issues in automotive industry. After Covid-19 pandemic, their working style changes in North America. Not in USA, we have same trend in Mexico. Productivities are recovering gradually by improving working conditions and strong support from Japan. We have just organized the cross-functional task force team and started the activities to minimize loss cost in N.A operations.

**Q10. Please tell us the timeline to expand the business model of AUTOMATIONDIRECT.com (ADC) ?**

A10. We cannot answer the timing clearly at this stage.  
ADC business model is symbolic example how to realize solution provider business within JTEKT Group.  
ADC is successful in the US market which has big DIY demand. We are investigating the market and studying how we can apply advantage of ADC business model in each region.

**Q11. Which processes are you promote to be digitized? Please tell us your activities to create extra capacity.**

A11. Within the engineering chain, we are digitizing design and development processes. I think digitalization of manufacturing preparation have been weak still now. If the digitalization of this process is advanced, everything up to the production site can be connected in a single flow. I think the balance between input and output will become imbalanced if digitalization is undertaken only in areas where it is possible.

Now, we are promoting an initiative called "Digital Festival," in which all employees participate, with the aim of improving digital literacy and using digital technology to make work easier for someone else. Through this activity, we will create extra capacity.

**Q12. Will you launch SbW and Pairdriver on the market during the 2nd period of mid-term plan? Please tell me any quantitative target of those products if you have.**

A12. I can't give specifics because it contains confidential customer information. Both products are value-added, and we have very high expectations for them. We plan to launch them in the market in the 2nd half of the 2nd period of mid-term plan.