

Summary of Q&A for the financial results briefing for the 1Q of FY2024, ending March 2025

August 2, 2024

JTEKT CORPORATION

Q1. How is impact of the low productivity in North America?**How will you improve this issue?**

- A1. We are struggling to improve productivity because of labor shortage. Special delivery costs (air delivery etc.) resulted in loss costs of 3 billion yen in the first quarter. On the other hand, the hiring environment and labor retention rate are gradually improving. We will take various actions step by step to minimize loss costs. (For example, support for quick normalization of productions with a cross-functional task team from Japan, transferring of small-lot productions to the other regions.)

Q2. In the original forecast, you planned to increase R&D expenses for the future.**Is there a policy change?**

- A2. No. We plan to increase R&D expenses, preparation for new Project production, investment for employees and CN/DX as we planned in the original forecast. We certainly use them, however we will carefully review budget taking current market environment into account.

Q3. How is the situation of "Material cost etc.", "Expense etc." in the latest forecast analysis?

- A3. The effect of "Material cost etc." is lower than original forecast because material cost did not rise as expected. Price up for material and energy started to be applied systematically based on the agreement between JTEKT and main customers. We are under negotiation with customers about price up for labor cost not only in JTEKT but also in suppliers to achieve 100% recovery of inflation. There are various methods to recover inflation such as reducing Annual Price Reduction and/or selling price up.

The effect of "Expense etc." is almost in line with original forecast, as loss costs in North America are partially offset by the effect of structural reforms in Europe. Negative impacts of unrealized gains on inventory in 1Q result will be reduced by the end of fiscal year.

Q4. While the forecast is revised upward, European operations are still making losses.

What are the plans to make them profitable?

A4. We have thoroughly reduced fixed costs (-10 billion yen from FY2019) by various cost saving activities, for example by selling the pump business out.

However, the market in Europe continues to be weak, we forecast the sales decrease about 30% from FY2019. We are undertaking another phase of structural reforms.

Q5. Why do you change the FY2024 forecast in the Steering System and Driveline business units?

A5. We revise Steering System business forecast upward with strengthening of expense control while we take current market environment into account, despite the Steering System business unit needs strategic fixed costs such as R&D expense for the future.

The forecast for the Driveline business unit is revised downward due to loss costs caused by low productivity in North America.

Q6. Was 1Q results in line with the original forecasts despite various negative factors, such as weak sales etc.?

A6. Overall 1Q result was almost in line with the forecast. Weak sales in all regions and loss costs caused by low productivity in North America were offset by cost reductions in Japan and Asia.

Q7. Sales and business profit of Industrial & Bearings were weak in 1Q.

What do you expect the market environment?

A7. Sales to agricultures, constructions, robots, and semiconductors have continued to be weak since last fiscal year.

Because the business for these industries has relatively high profit margins, we have negative impacts from sales mix.

However, orders are gradually coming back in some industries.