JTEKT

Summary of Q&A at the financial results briefing for the 3Q of FY2024, ending March 2025

February 4, 2025
JTEKT CORPORATION

Q1. What were the achievements and non-achievements in the 3Q results？

A1. We forecasted low revenue in consideration of production cutbacks risk. However, revenue in Europe was even more severe, on the other hand, revenue in China did not decrease much as we forecasted. As a result, total revenue was almost in line with our forecast. In preparation for the production cutback, we reviewed fixed costs mainly in Japan, and about 3 billion yen cost reduction was achieved. In addition, in North America where continued extra costs caused by low productivity, the task force team (TFT) is promoting cost reduction activities in line with plans. Effects (decrease in air delivery, etc.) of such activities are realized gradually.

Q2. What is the reason why the business profit forecast for 4Q (Jan - Mar) is higher than the 3Q (Oct - Dec) results?

A2. We plan to sales price up in 4Q to recover cost inflation, mainly in Japan and Europe. Especially, we will patiently continue negotiations with our European customers, including compensation for the past year’s cost inflation. In addition, we expect sales volume recovery, and cost reduction in North America by TFT activities.

Q3. The Acquisition of Own Shares appears to be in line with the shareholder return policy under the Medium-term Business plan. Is the purpose of this action linked with reduction of cross shareholdings within the Toyota Group? Tell us about your Acquisition of Own Shares policy from FY2025 on?

A3. Although we can’t answer whether we will dissolve cross shareholdings with the Toyota Group, we have decided to conduct it in this fiscal year as one of the key actions under our Medium-Term Business Plan to expand shareholder returns. From FY2025 on, we will continue to strategically review our capital structure with consideration of a variety of methods.

Q4. What is the background and current status of extra costs in in your North America region?

A4. The number of employees leaving the companies has been increasing for past several years, resulting in frequent personnel turnover, and extra costs caused by low productivity. In the past, large number of employees turnover was issue at the plants, but recently the back offices have also been affected, and those issues bring us extra costs to maintain and assist the line. In this situation, TFT was organized, which consists of three teams for ① in-house production costs improvement and production normalization, ② business processes optimization ③improving the structure under Medium-term strategy. TFT is working not only for supporting the plants but also for normalization of the back offices.

Q5. How much extra cost did you have in your North America region for the 3Q result and how much will you have in 4Q forecast?

A5. In the 3Q result, extra cost was approximately 7 billion yen, mainly in labor and scrap caused by low productivity. 5 plants had problems, 4 plants have improved business profit by decreasing air delivery, etc. For the remaining 1 plant, we have dispatched additional short-term staffs from Japan to help their quick normalization of the operation. We expect total extra costs of approximately 8 billion yen in FY2024 as originally forecasted. Some extra costs are expected to remain through the 2Q of FY2025, but we aim to normalize operations in our North America region from the 3Q of FY2025 onward.

Q6 For the operations in your North America region, what was the reason why you plan profit in 4Q?

A6. In addition to cost reduction by TFT, production volume is expected to be recovered.

Q7. **How much negative impact will you have from the increase of custom duties additionally imposed by Trump administration?**

A7. For the imports from Mexico and Canada to US, we will have negative impact of about 5-6 billion yen per year. (※Calculations are based on the assumption of 25% tariffs, subject to change)

Quantity of importation from China to US have been reduced in past years and we will not have a major impact.

Responding to the changes in our customers' productions, we will do what needs to be done internally. In addition, we will also negotiate sales price up with our customers to recover custom duties cost. Not only cost increase of custom duties for the transactions between US and Mexico or Canada, but we will also monitor trends worldwide, including immigration policies changes and counter actions in the other regions, such as **Europe**.

Q8. **The operations in your Europe region to be in deficit. Are you planning any additional structural reforms, etc.?**

A8. Despite the efforts to reduce fixed costs by structural reforms, the European market has been tougher than forecasted, and our European operations continue to be in deficit. We will plan to conduct further structural reforms while monitoring in the European market and policy changes caused by Trump Administration to find the best method.

Q9. **For the operations in your China region, what is the reason business profit forecast in 4Q is lower than that in 3Q result?**

A9. Business Profit forecast in the 4Q is low because of fewer operating days due to long vacations.

In addition, new fiscal year starts in January in China, we have negative impacts by customer price reduction for the new fiscal year.

Q10. **In the steering business, how do you expect about contribution of the launch of the next-generation EPS?**

A10. Some of *next-generation EPS has already launched, and we are promoting to achieve the profit margin targets that we set for each project. On the other hand, the external conditions have changed since the Medium-term Business plan was set, so it is necessary to monitor whether they contribute to profits as we planned.

* EPS with a radically revised design/process based on the concept of simple and slim