

Summary of Q&A for the First Quarter of Fiscal Year Ending March 2023

August 2, 2022

JTEKT CORPORATION

Q1. Was the negative impact of the material cost increase in the first quarter within your forecast? What is the progress of sales price negotiation?

A1. Both material cost and sales price are under negotiation, and the impact in the first quarter was at the forecasted level.

Our forecast of the annual impact of material cost increase, etc. is approximately 50 billion yen, and we expect sales price increase of 33.5 billion yen. As a result, we are forecasting negative impact of 16.5 billion yen.

However, these figures are based on the assumption of same level of recovery in the previous years, and if additional sales price increases are realized in the future negotiation, our profit will increase.

Q2. With regard to the sales price increase to recover material costs, etc., is the impact of recovery carried over from the previous fiscal year included in the first quarter results?

A2. Since negotiations are still underway, including for the carrying over amount from the previous years, such impact not yet included in the first-quarter results.

Q3. What are your action plans against rapid cost increases of material, logistics, and energy?

A3. With regard to material cost, we will explain the situation of our company and suppliers thoroughly, and will negotiate sales price increase based on the rules agreed with our customers and additional sales price increases not stipulated in the existing rules.

Since there are no clear pricing agreement for reflecting logistics and energy costs with the customers, it will be important to negotiate by presenting proper evidences.

- Q4. What is your action plan for the natural gas shortage in Eastern Europe?**
- A4. We are aware of the situation and are currently considering what actions need to be taken.
- Q5. How much was the negative impact of the lockdown in China and semiconductor shortage on financial results?**
- A5. The impact of customers' production cutbacks in the first quarter was 85 billion yen decrease in global sales and 19 billion yen decrease in profit compared to the plan without adjustment for risk factors.
Of this amount, the impact of the lockdown in China and semiconductor shortage was 14.0 billion yen decrease in sales and 3.0 billion yen decrease in profit.
- Q6. While there is a decrease in production, however, customers' production recovery is expected. This is a difficult phase to control costs. How are you preparing for production recovery such as human resources, etc.?**
- A6. We are preparing for production recovery and logistics arrangements in advance to respond quickly to production fluctuations, however, some customers require immediate action, and we are not able to fully keep up with them.
Some of our customers have paid us compensation for reduced production.
- Q7. It is difficult to predict the timing of production recovery, but how do you prepare for production recovery?**
- A7. Since the automotive makers are keeping end-users waiting for long time, we believe that we should be prepared to respond to the maximum level of production recovery by automotive makers, and we are preparing to do so.
- Q8. What is the reason why the progress of sales price reduction in the first quarter was small against the full-year forecast?**
- A8. Because we could not get fewer price down requests from customers than we forecasted.

Q9. Were the effects of cost reductions on your plan? If it was less than plan, is it possible to recover?

A9. In the first quarter, we were not able to realize cost reductions as we planned due to the customers' production cutbacks.

However, we believe that we are able to recover by making steady progress in our planned cost reduction activities, including VA/VE and other items that we expect to improve in the second half of the fiscal year, as well as the volume effect of the production recovery.

Q10. Why is the cost reduction effect of Bearings more significant than that of Steerings and Drivelines?

A10. In the bearing business, we could realize big cost down effect by automation of the production lines implemented continuously in recent years.

In the automotive business, drastic cost reduction measures can be implemented only at the timing of automobile model changes, now we are working on under long term strategy. Also we are working on productivity improvement in plant level.

Q11. What were the factors that contributed to the 1.1 billion improvement in Steerings cost improvement?

A11. The improvement in development efficiency, such as reducing development cost per project, was significant.

Q12. How is the status of profitability improvement in Europe?

A12. Although Europe business result continues to be in red, structural reforms are steadily progressing, including the reductions of business entities and reduction of fixed costs.

Q13. How much investments in strategically important areas are booked in the first quarter?

A13. Since the amount of strategic expenses in the first quarter was small, it is not mentioned in the Business profit Analysis.

Although we will control our budget carefully, we expect main portion of strategic expenses will be booked in the second half of the year.