

Summary of Q&A for the financial results briefing for the 2Q of FY2022, ending March 2023

November 9, 2022
JTEKT CORPORATION

- Q1. I have the good impression that there are more positive topics comparing with the last financial results meeting in FY2021, ending March 2022. In spite of JTEKT has a variety of seeds with great potential, we have considered it's your issue that you have not been able to utilize them. Could you let me know why you become to be able to promote your activities to utilize seeds steady recently?**
- A1. It takes many time to develop technology, and our several activities have finally started to reach the good results. We could not achieve those if we continue to use each of technology seeds separately, however, we are getting good results now by the combination of several seeds as a result of the strengthen corroboration among the business units in the company or among our group companies.
Such communication and corroboration among business units or our group companies are improved drastically since I became president. Please look forward to the result of our activities in the future.
- Q2. I think some other companies in Toyota Group are promoting the in-house production of diff (differential gears). Does JTEKT Ultra Compact Diff (JUCD) compete with their products?**
- A2. Of course we are considering to contribute to Toyota Motor Corporation as a member of the Toyota group companies, but our target customers are all automobile and eAxle manufacturers around the world. Some of them have already interested in our products. We have two important activities to promote sales of those products. Firstly we have to continue to reduce cost, and secondly we try to join the customers' project from early timing of product development to encourage the customer to adopt our components to their next models.
- Q3. How much is the negative impact of material cost increase in your annual forecast? And what is the progress of your activities, especially sales price negotiation?**
- A3. The negative impact of material cost is 10 billion yen increase in our forecast. It includes the risk for the resales price negotiation. We would like to minimize that minus impact due to promote our cost improvement and to negotiate with our each customer to reflect full amount of cost up to sales price increase sincerely.

Q4. What is minus 5 billion of “intercompany elimination”?

A4. As a result of not realizing sales to the customers, profits recorded in the inventories among intercompany have to be eliminated under consolidation accounting process. We are monitoring that increased inventories are really reasonable quantity and we control them to match with supply and demand.

Q5. What is the reason why large amount of “intercompany elimination” is booked in bearing business unit?

A5. Automotive business is based on “Kanban” system, but bearing business unit needs to prepare inventories based on prospective order. Therefore, as a structure of bearing business large amount of strategic inventories are required compared with automotive business unit.

Q6. Tell us the progress and current performance of cost improvement activities in North America region?

A6. Their productivity is improved to a nearly level on the original business plan in this fiscal year. As sales volume is increased and production KPI is improved, we are expecting profit recovery in the second half.

Q7. What is your assumptions for automobile production in the annual forecast?

A7. We can't explain details because we have several customers, and their production plans are different. Production volume of Toyota is disclosed, and our annual forecast is based on their plan. Our forecast is conservative considering of risk of production decrease of them.

Q8. What is the background of promoting additional commercial products into the aftermarket business? What is your advantage of such activities?

A8. We have already progressed to put the additional commercial products such as the automotive parts and will be further expanded in the future. Our strength of the automotive aftermarket products is that we can provide products with same level of quality as genuine products from OEM at reasonable prices.

We believe that there will be specific benefit for the customers who want to purchase reliable products not imitations.

Q9. What is the status of sales and profitability of the new machine series released by the machine tool business unit?

A9. For machining centers, the sales ratio of new models is already high, on the other hand for grinding machines, the ratio of conventional models is still high. The G3 series, our volume zone of grinding machines, has been released in conjunction with JIMTOF 2022. We expect to increase sales by switching to new models. With regard to profitability, we will promote cost reductions based on the concept of "The highest quality at a reasonable value".