

Summary of Q&A for the financial results of Fiscal Year ended March 2023

May 16, 2023

JTEKT CORPORATION

Q1. You mentioned that you will promote further cost reduction and structural reforms, but what specific areas will you focus on?

A1. Promote labor-saving and automation product line, particularly in the automotive business units.

North America has returned to profitability, but there are issues in establishing productivity, so further improvements will be promoted.

Further structural reforms will be carried out in Europe.

Activities of implementation are effective in 1-2 years, while others require 3-5 years to take effect.

In addition, we plan to start production of the highly profitable next-generation electric power steering (hereinafter referred to as "EPS") in FY2024, but we will focus on cost reduction while production of the current low-profit model continues.

Since the company is still flabby, we will thoroughly identify and reduce waste and continue to manage the annual cycle.

**Q2. How do you analyze the impact of inflation on earnings?
Also, how much room for improvement is there in FY2023?**

A2. Percentage of costs passed on to customer in FY2022 is approximately 80%, but we are negotiating with customers including "PIA of prototypes, etc. and reduction of APR," and considering these factors, we were able to recover almost all of the cost impact. Although the FY2023 forecast reflects the risk of not achieving sales price recovery, activities will be promoted on the assumption of full sales price recovery as in FY2022.

From the viewpoint of transaction appropriateness, we will also make appropriate returns to suppliers.

Q3. Why in FY2023 forecast, only China has a decrease in profit? Also, how are you responding to the increasing shift to BEVs in China?

A3. Profit is expected to decrease due to lack of sales growth of Japanese car markets and strict APR requirements.

The momentum of Chinese BEV makers is greater than expected, and we are concerned about whether sales of Japanese car makers will increase, so the forecast reflects the risk of lower sales. With regard to the shift to BEVs, we are currently promoting the restructuring of its sales strategy centered on JUCD (JTEKT Ultra Compact Diff.), but first, as a current measure, it will further promote cost reductions of current products to absorb the impact of the decrease in sales.

Q4. To what extent will the launch of next-generation EPS in Europe affect earnings?

A4. The impact in Europe is not significant. However, earnings are expected to improve as mass production of current low-profit products comes to an end.

However, earnings are expected to improve once mass production of current low-profit products is EOP.

Q5. North America returned to profitability in FY2022, therefore we would like to know what is the background for the progress in customer sales price improvement with respect to the impact of inflation? Also, will the surplus continue will you continue to be in the black?

A5. We believe this is the result of persistent negotiations with customers.

In addition, the productivity improvements we have been promoting have enabled us to return to profitability. There is still room for productivity improvement, and we expect further improvement in profit margins.

Q6. Tell us about the sales composition ratio by customer for FY2022 and the sales volume assumptions reflected in the FY2023 forecast.

A6. Since the number of customers with whom we do business is diverse, we refrain from providing detailed answers. The FY2023 forecast reflects the risk in each sales plan of car markets.

- Q7. How much will the next-generation EPS and JUCD contribute to earnings? What is the current status of orders and vehicle models equipped with them?**
- A7. As for the next-generation EPS, we have benchmarked EPSs of competitors and promoted cost reductions through integrated efforts by design, production engineering, and manufacturing, and are on track to start up production with high profitability. However, as we are in the process of proposing both next-generation EPS and JUCD to our customers, we refrain from answering questions about the status of orders, vehicle models equipped, and their impact on earnings.
- Q8. How do you evaluate the impact of the new BEV development put forth by Toyota Motor Corporation?**
- A8. As a Toyota Group company, we will continue to cooperate and contribute.
- Q9. What is the activities when you shift from surgical to medical treatment?**
- A9. We have improved our business performance by making changes to group companies that have been operating in the same way as before. We expect to improve consolidated earnings by expanding the scope to medium-sized and smaller group companies that have not yet started reforms.
- Q10. Regarding cylindrical grinding machines, I have heard that there are many inquiries from Chinese BEV car markets. What do you think of the machine tool business in the Chinese market?**
- A10. We have received many inquiries and orders from local car markets in China, and we believe that our technical capabilities are highly evaluated. We will promote high-quality, low-cost manufacturing in order to receive further popularity.
- Q11. Why will profits increase in the machine tool business in FY2023 despite sales are not increasing?**
- A11. We expect profit increase due to promoting cost reduction activities and sales price improvement against cost inflation.
- Q12. What is your activities of structural reform initiatives aimed at reducing the deficit in Europe and returning to profitability? And, when do you think the effects will come out?**
- A12. We are proceeding with structural improvements as planned, but in light of the severe business environment in Europe, we are considering further structural reforms, including business restructuring. We think of the results in the next 1-3 years.