

Summary of Q&A for the financial results briefing for the 2Q of FY2023, ending March 2024

November 10, 2023
JTEKT CORPORATION

Q1. How do you evaluate the current company performance?

A1. We evaluate that the progress of the current situation is going on as scheduled. JTEKT is one of the TOYOTA group companies, but our sales ratio to TMC is lower than other TOYOTA group companies (approximately 40% of sales to the Toyota Group). In this competitive environment, we think it's not too bad.

Q2. Looking ahead to subsequent business years, what is the point of emphasis?

A2. While responding various risks, we promote the activities mentioned in P15 and later of the material of this briefing session. Forecasting the future, we are taking necessary steps one by one proactively to manage our business.

Q3. Do you have confidence to improve your profitability by doing what you planned for "tree-ring" management?

A3. As you understand, we are continuing our tree-ring management and believing that we will be able to improve our performance if we continue with our current policy. We believe that the effects of the activities for cost reductions and strengthening competitiveness of each business units will appear in 2nd stage of the mid-term management plan period and after. Also, looking ahead to FY2030, we believe that the various measures to sow the seeds for the future will gradually grow and contribute to an upward trend in business performance.

Q4. What are the main reasons for the upward revision of the business profit forecast?

A4. We reviewed revenue to reflect the most recent demand forecasts, including the impact of the UAW strike in NA and reduced demand bearings for industrial. Despite a decrease in volume and negative impacts of product mix, business profit will be increased due to favorable foreign exchange rate, and cost reduction activities.

<By Region>

[JP] Revenue will increase mainly in automobiles.

[NA] They have productivity issues due to high turnover.

[CN] We have forecasted sales volume down at the end of 1st quarter,

however profit will be increased due to acceleration of cost reduction activities.

Q5. Profit improvement in NA and EU is an issue, but what measures will you take in the future?

A5. Importance of NA is increasing, given the market environment in China and the status of US-China relations.

Although NA has productivity issues due to high turnover, this is a good opportunity to reconsider our future business structure in NA, including the reorganization of production bases in NA.

However, extra-ordinary transportation cost (by air), which gave big negative impact on P/L for a time during the productivity downturn, will be no longer required from now on.

European operations need another stage of restructuring activities, because the business volume in Europe is not recovering easily.

We cannot say details yet, but we are discussing further restructuring activities with the local management team.

Q6. What are the risks and opportunities for the second half of this fiscal year?

A6. Considering various risks such as market environment, our revenue forecast is conservatively estimated.

Among the risks we anticipated, the early end of the UAW strike will give a positive impact.

Q7. How do you analyze the impact of shifting to BEVs of TMC?

What are the impacts of solid-state battery and self-propelled line?

A7. It has been decided JTEKT will manufacture equipment for lithium-ion battery productions, but we can announce nothing at this time regarding all solid-state batteries.

Also, self-propelled lines may require product design for easier assembly, we continue to research and development for future to respond the customer demands.

Q8. As steer-by-wire grows in the future, how will profit margins change compared to conventional steering products?

A8. We would like to add value and secure a higher profit margin than the current level.

The market of steer-by-wire will grow in the future, and we will focus on developing products that will give us a competitive advantage in areas such as safety, quality, performance, and price compared to our competitors.

Q9. In the current business environment, the mainstream of automotive is shifting from ICE to BEV, so please let me know what are the opportunities for your business?

A9. We recognize that there are many opportunities for business expansion and will focus on them, one of which is to become an eAxle component manufacturer.

Q10. What do you think of future positioning of your business in China?

A10. Some companies are facing big change such as giving up manufacturing in China.

We will comprehensively consider future strategies under these changes and risks.

Q11. What do you think of strengthening of research and development in China?

A11. Speed is required in the Chinese market, so we will respond quickly to our customers' requirement. According to customer needs, we may conduct research and development at our Chinese base.

Q12. It has been a while since the release of JTEKT Ultra Compact Diff. (JUCD). How is the response?

A12. Although JUCD is slightly more expensive than other companies' conventional differentials, we receive high praise for its driving stability by having customers driven test cars equipped with JUCD.

We are currently receiving inquiries and orders from all over the world, and we think the needs for compact products will trend to continue to grow.

Q13. In the industrial and bearings segment, how much of sales are to the industrial field (semiconductors, robots, etc.)?

A13. Nearly 30% of sales in the Industrial and Bearings are for the industrial field.

Q14. How do you instill measures as internal medicine treatment into group companies?

A14. We hold "Management Issues Review Meetings" twice a year with each of domestic and overseas group companies.

At the Meetings, we are discussing the direction by sharing issues with the top management team of each region or company.

There are many companies in the group that have high technological capabilities as seeds, and we will continue to reform their mindset so that they can gain competitiveness that allows them to sell not only to JTEKT but also outside the group.