

Summary of Q&A for the financial results briefing for Q1 of FY2026, ending March 2027

August 4, 2026

JTEKT CORPORATION

Q1. How do you evaluate the first-quarter results compared with the plan?

A1. We had factored in a revenue risk of 10 billion yen due to the situation in the Middle East; however, the actual impact was only about half that amount. On the other hand, revenue declined in China, where the shift toward BEVs has been accelerated by higher crude oil prices.

Business profit is progressing as expected, driven by structural reforms in Europe and cost reduction activities, including the activities of the “task force team” in North America, which are proceeding as planned. In Europe, we were able to pass on to customers the negative impacts of inflation and lower production volumes incurred in the prior year, which we had not been able to charge for previously. In addition, improvements in production launch preparation on a global basis have enabled us to achieve planned target levels from the initial launch stage, contributing to reducing the loss costs. On the other hand, U.S. tariffs had a negative impact during the first quarter due to the complexity of administrative procedures related to refunds and cost recovery.

Q2. What is the current status of North American operations, and what is the outlook going forward?

A2. Having achieved profitability in the previous fiscal year, we are working to further increase profits in the current fiscal year.

As the results of our improvement activities have begun to appear in financial results, employee motivation at operational sites has remained high, creating a positive cycle.

We will continue to enhance profitability by steadily advancing the ongoing activities of the “task force team” and investments aimed at expanding sales at ADC^{*1} in line with our plan.

^{*1} AutomationDirect.com Inc

Q3. How do you view the market environment for industrial bearings and machine tools?

A3. In the Industrial & Bearings segment, demand for bearings for machine tools and semiconductors has been recovering.

As a business integration among Japanese competitors is being planned, we are reassessing our strengths and weaknesses and considering where we should further enhance our competitiveness.

In the machine tools segment, ADC continues to perform very strongly, while grinding machines and battery manufacturing equipment remain challenging. We predict semiconductor markets will continue to grow, and we are currently evaluating where to focus our resources going forward.

Q4. What drove the additional 4 billion yen benefit from structural reforms in Europe and North America compared with the previous full-year forecast?

A4. The profit improvement was attributable to both the acceleration of the transfer of the European Automotive Business by one month and the conclusion of price negotiations with European customers that had been conducted in parallel with our structural reform initiatives.

Q5. How confident are you in achieving the full-year forecast for the Industrial & Bearings unit?

Also, the first-quarter results were negatively affected by U.S. tariffs. Have you secured a path to recover those costs?

A5. Regarding U.S. tariffs, we have been able to recover most of the impact on aftermarket products through price increases implemented previously. However, a negative impact remains due to shipments from inventory that were subject to higher tariff rates before the tariff revision.

We expect to achieve the forecast by contributions from structural reform measures, including the transfer of the Needle Roller Bearing business in Europe and the transfer of Tapered Roller Bearing production from North America to other regions implemented in the previous fiscal year. In addition, if market conditions improve further and sales increase, there may be upside potential for profit.

Q6. Why was the full-year revenue forecast revised downward on a volume basis?

A6. Considering the continued uncertainty in the market environment, we have maintained our forecast. However, excluding the positive impact of yen depreciation in the first quarter, we now expect a decrease in revenue of approximately 6 billion yen on a volume basis. The major factors are as follows:

<Positive factors>

We had factored in a revenue risk of 10 billion yen due to the situation in the Middle East; however, we now expect the impact to be about 6 to 7 billion yen.

<Negative factors>

Revenue declined in China and Europe. In China, the shift toward BEVs has been accelerated by higher crude oil prices. In Europe, revenue decreased due to the earlier-than-planned transfer of the European Automotive Business.

Q7. What is the policy of future growth investments?

A7. In the 2nd Mid-Term Management Plan, we have established a business structure capable of generating cash through initiatives such as structural reforms.

In the 3rd Mid-Term Management Plan, we aim to achieve further growth by increasing investments in higher value-added products, including Syncusteer™ (steer-by-wire), software development, and the utilization of AI technologies.