

Financial Capital



Cost Strategy

The type of the growth JTEKT should target is annual growth, which, although gradual, is steadily on the rise. For the Group to continue growing in this manner, we must resolve issues facing society throughout our business activities. In terms of a financial strategy to achieve this, we are engaged in efforts to create a solid financial foundation that supports business activities; namely, building value, building excellent products and building professionals

In building such a foundation, the most important factor is improving profitability in core businesses. In addition to the transformation of the automobile industry, in a world being substantially changed in response to the COVID-19 pandemic, JTEKT will engage in the following activities over the short- to medium-term in order to strengthen our ability to generate free cash flows.

In the short-term, we will analyze and thoroughly streamline our cost structure, focusing mainly on fixed costs. Because of adverse impacts caused by the response to the COVID-19 threat, lockdowns and shortened operating hours are in effect throughout the world. However, we regard this as an opportunity to review fixed costs, thus we are engaged in thoroughly eliminating waste, reducing costs and improving efficiency.

In addition, as the Group is expanding business globally, in the previous fiscal year substantial impairment losses were recorded at some sites. Reflecting on this, we will undertake sweeping measures that include immediately revising our management system on a global basis, and as a medium-term initiative, we will revise our site strategy, including the reorganization of unprofitable sites. We will also strengthen synergies within and between regions and businesses and strategically reallocate management resources.

(J-GAAP)

Net Sales	Operating Income	Net Interest-Bearing Debt
¥1,418.5 billion	¥34.6 billion	¥189.9 billion

Fiscal 2019 consolidated operating income was ¥34.6 billion, a year-on-year decrease of 47.7%, mainly due to the effects of COVID-19 in China amid an increasingly competitive environment. In regards to funding, net interest-bearing debt increased ¥51.9 billion, partly due to funds borrowed in preparation for unforeseen funding demands in Group companies and the supply chain in response to the pandemic.

Investment Strategy

To deliver quality products to customers into the future, in addition to implementing cost strategies, it is also important to make the necessary investments in new technological developments.

In particular, the business environment surrounding the Group is at a major turning point. We are now at the stage where we must plant the seeds of our future by taking a long-term view of what the JTEKT Group needs in order to realize sustainable growth. Accordingly, we must continue to make investments to strengthen our management infrastructure, including new product development, research into advanced technologies and IT, while also improving the performance of existing technologies and reducing costs.

In order to carry out these investments efficiently, we will make thorough and effective use of existing sites and

assets, establishing mechanisms to allocate investment resources in line with the strategy of each business portfolio. We will carefully consider the necessity, profitability and recoverability of each investment project using visualization to make investment decisions, and at the same time, with respect to areas where growth is not seen or profits are low, we will also strengthen our ability to ascertain when to withdraw and formulate exit strategies.

As the financial function, we will support the planning and execution of investments and provide financing, while at the same time, we will decide whether or not to invest in consideration of the cost of capital and focus unwaveringly on recouping investments. Furthermore, we will support business activities by securing funds for investment and examine a variety of investment methods.

Capital Strategy

The JTEKT Group proactively introduced cash management systems* with hubs in each regional headquarters and conducted financing on a cross-border basis to raise the capital efficiency of the Group as a whole among other activities aimed at reducing interest-bearing debt.

However, at the same time, in order to respond to risks facing the Group, such as the deteriorating relationship between the United States and China and the COVID-19 pandemic, as well as to prepare for any unforeseen circumstances, we are also ensuring a sufficient supply of cash on hand. For the JTEKT Group to continue achieving annual growth, we believe we must continue activities on a Group company basis as well as throughout the entire supply chain. At present, in response to financial risks, including those faced by partner companies, and in order to respond to the need for working capital when demand recovers after the pandemic has passed, we are increasing cash on hand as an emergency measure.

Going forward, our head office will continue to appropriately control cash on hand in response to changes in the business environment, while reducing net interest-bearing debt throughout the Group, to maintain and expand our system enabling the immediate provision of required funding from the head office to each Group company. Through these activities, we believe it will be possible to efficiently and profitably procure funding for the Group overall.

In addition to improving profitability, the basic policy of our financial strategy is to secure strategically essential investment funds by shrinking business assets and engaging in management with good asset efficiency.

Going forward, in addition to conducting business administration, we will also promote business management that is focused on the balance sheet and cash flows through such measures as monitoring the cash conversion cycle and introducing asset efficiency metrics for each business.

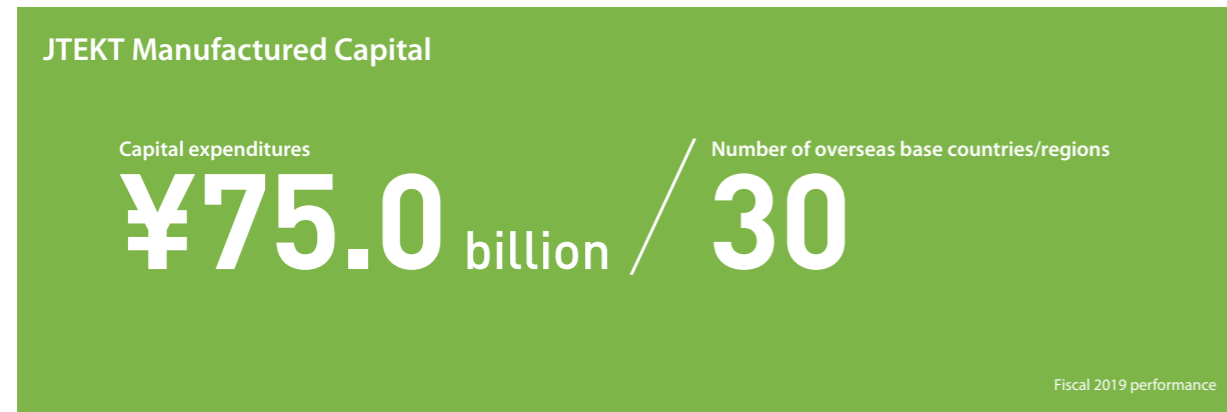
* Cash management system refers to services provided by banks mainly in the areas of fund management and administration aimed at improving a company's capital efficiency.

ROA	ROE	Dividends per Share
(0.5)%	(1.4)%	Annual ¥38/share

During fiscal 2019, in addition to deteriorating earnings, substantial impairment losses were recorded in the European and other businesses, resulting in a net loss. Assets increased, mainly due to the acquisition of Yutaka Seimitsu Kogyo Ltd., causing ROA to deteriorate significantly.

With regard to shareholder returns, our basic approach is to strive to enhance the company's corporate value on an ongoing basis, and to provide stable dividends over the long term. Although we recorded a loss in fiscal 2019, we provided a full-year dividend of ¥38 per share in adherence with this policy. Going forward, we will continue with efforts to improve ROA, ensure financial health and achieve stable shareholder returns.

Manufactured Capital



Capital Expenditures Aimed at Strengthening Business and Management Foundations

In addition to production increases and investments to update old equipment, the JTEKT Group has been proactively investing in operational efficiency centered on IT to strengthen its management foundation for the future.

As we face a harsh business environment, in order to continue making efficient investments into the future, we will carefully consider the necessity and recoverability of each investment project and thoroughly utilize existing bases and assets.

Development and Manufacturing Bases Capturing Global Needs

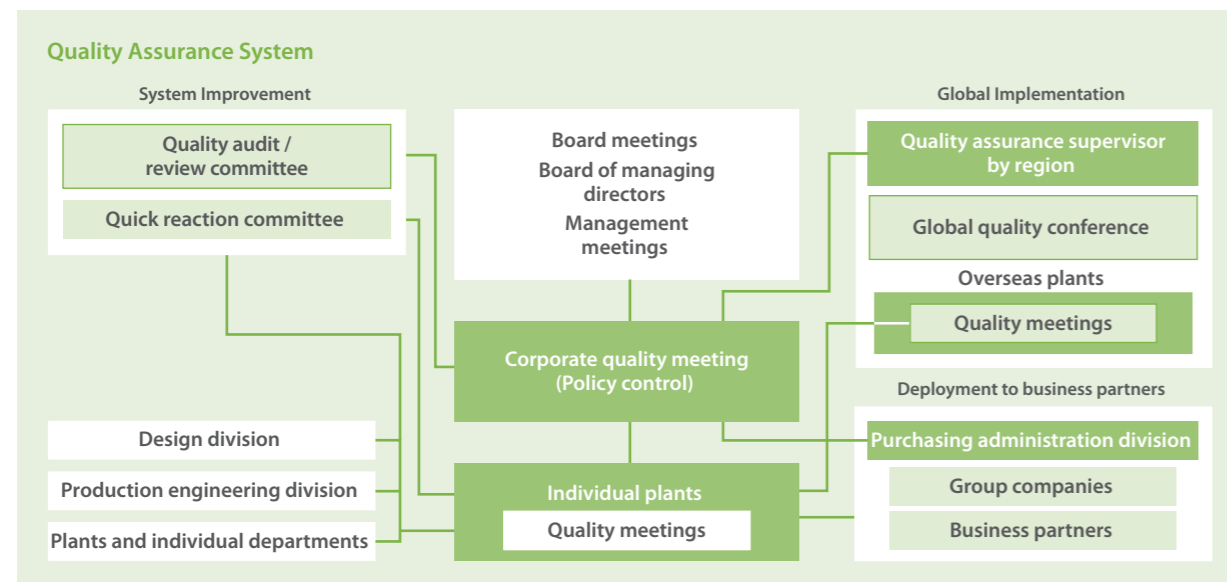
The JTEKT Group has development and manufacturing bases in approximately 30 countries and regions. With each base acting as an antenna tuned into customer and market needs in each country and region, we are able to quickly

ascertain trends and changes throughout the world. Amassing this information at development bases enables JTEKT to develop products with high added value.

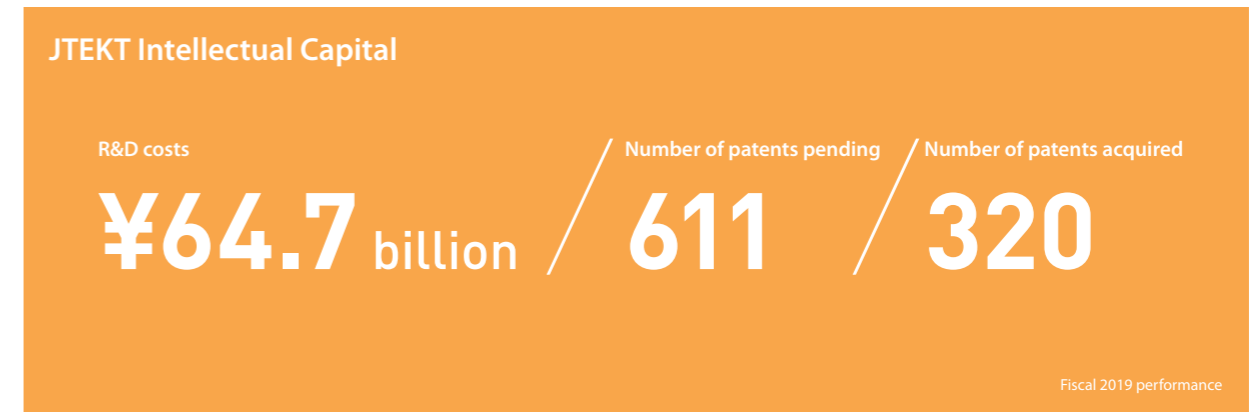
Quality Policy and Quality Assurance System

With our "Customer First" philosophy being the foundation of our quality policy, we engage in various quality improvement activities. In pursuing quality at each stage of "design quality and manufacturing quality," we have established a quality assurance system based on the belief

that improvements in overall product quality are linked to earning the trust of our customers. In addition, in order to permeate and establish the policy, we post and chant the policy on the companywide basis.



Intellectual Capital



R&D Investments in Future Businesses

The JTEKT Group is engaged in foundational element research that will lead to future products by further advancing and combining technical areas comprising the strengths of each business.

Furthermore, in an era of automobile industry reforms such as CASE¹ and MaaS², we are proactively engaged in R&D to provide customers with new products that are

"eco-friendly, safe, secure, and comfortable" in a quick and reliable manner.

1. Acronym that stands for Connected, Autonomous, Shared, and Electric. This implies the importance of mobility services across industries as well as physical changes to automobiles in terms of components.
2. Mobility as a Service. A new concept of mobility using ICT to seamlessly connect public transportation systems other than private vehicles.

JTEKT Promotes Intellectual Property Activities that Support Business

Protection of technological development accomplishments and respects of technological development by third parties

JTEKT promotes patent strategies in each business to contribute to business profitability utilizing patents and know-how resulting from technological development accomplishments.

Recently, in addition to our four existing businesses, we are focused on patent applications in new businesses such as high heat-resistant lithium-ion capacitors and nursing

care equipment, as well as R&D projects on future technologies.

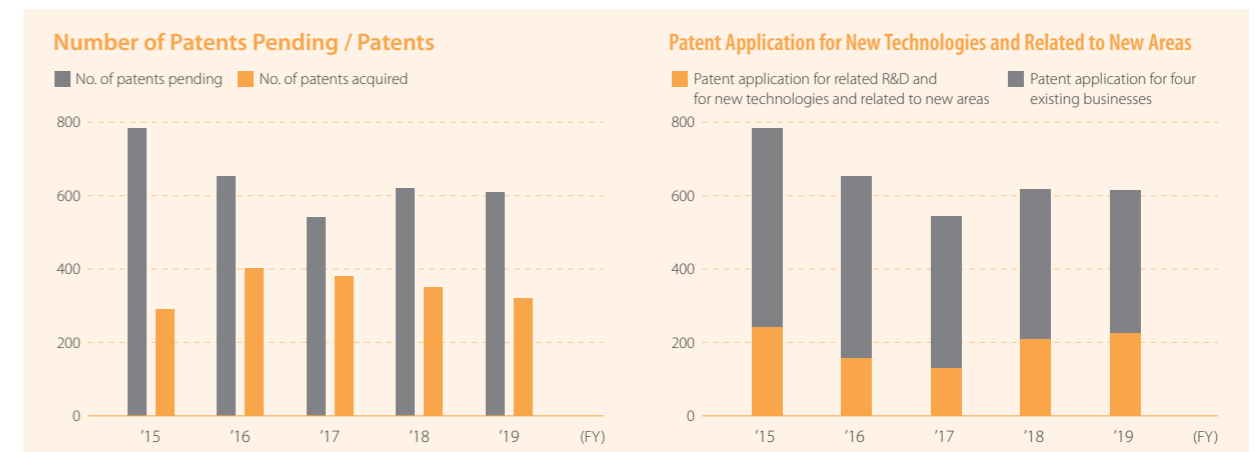
Additionally, in order to respect the intellectual property rights of third parties and reduce the risk of disputes in the future, we conduct thorough patent assurance surveys at the product development stage.

Counterfeit Products and Brand Protection

To ensure the safety of users, protect brands and secure profits, we proactively implement countermeasures against counterfeit products with the firm cooperation of local subsidiaries in each country.

With respect to counterfeit bearings in particular, we regularly conduct awareness activities through the mass

media and at exhibitions and make efforts to inculcate understanding among regulatory authorities in China, ASEAN, Central and South America, the Middle East, and other critical regions. We also focus efforts on market detection and customs protection measures.



Human Capital



JTEKT Human Resources Spread around the World

The JTEKT Group has more than 150 bases around the world and approximately 50,000 employees. About 60% of all employees work overseas. As a truly global company, we conduct corporate activities rooted in local communities and cultures, proactively recruit and develop talented human resources responsible for manufacturing of the future in each country and promote local procurement and locally-based

manufacturing, all of which contributes to industrial development in countries throughout the world.

Each Group company leverages its unique characteristics to provide customers around the world with high value-added products taking pride in their outstanding capabilities and forging strong bonds with each other.

Training by Grade

Training is conducted on the basis of four pillars: grade, rank, age, and elective / themed. We also focus effort on supporting the acquisition of certifications and self-education. Training is conducted by grade to strengthen problem-solving abilities, and since fiscal 2015, we have implemented issues-based problem-

solving training for assistant managers and above to enhance our ability to challenge ourselves and strengthen leadership. In addition, we are cultivating trainers to facilitate problem solving both domestically and globally to foster the passing on of corporate culture from senior to junior employees.

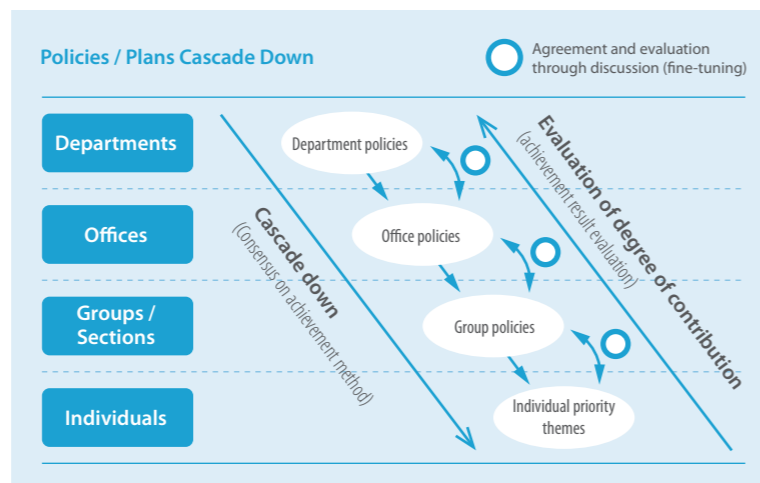
Employee Understanding of Their Division's Mission

JTEKT formulates and executes an annual activity plan based on its medium-term business plan. However, when implementing this, while the activity plans of departments, offices, groups and individuals are being cascaded down, not only the activities expected from high-level policy, but also what can be done for high-level policy is divided into

themes and discussed between superiors and subordinates until the concerned parties agree and understand the content, then repeat this process with the outcome until further agreement and understanding is achieved. In this way, JTEKT Group management realizes its ideal of drawing out the autonomous actions of each and every employee.

Through this policy management in fiscal 2019, we enabled department managers to continuously and clearly indicate workplace vision, and as a result of the permeation of this vision of each department, the number of "Employees' understanding their department's vision" greatly improved (68.0% ⇒ 86.3%). We will maintain this high level from fiscal 2020 onward.

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JTEKT Academy

Cultivating Technicians Responsible for the Future

JTEKT Academy contributes to society through manufacturing, teaching basic skills enabling students to play an active role in the workplace.

Based on the ethos "skilled workers are required to make good products," we started in-company vocational training in 1941 to develop human resources, including human development based on technical and skills training. JTEKT fosters the motivation and sense of responsibility (mind) apposite for society, knowledge (wisdom) essential for future manufacturing and the

basic skills (techniques) required to play an active role in the assigned workplace.

Currently, the Academy accepts Group company employees in addition to Group employees and aims to develop human resources who can contribute to the manufacturing conducted by the entire JTEKT Group. From a total of 3,633 graduates, we have producing excellent technicians who have earned the "Medal with Yellow Ribbon" and the "Outstanding Technician Award (Contemporary Master Craftsman)."



Aiming for Japan's Top Skill Level—Competing in the Technical Skills Olympics

As part of our effort to further enhance our skills, participants are selected from Academy students to compete in the Technical Skills Olympics in a quest to attain Japan's top skill level. Through training and competition that "enables the "perfect manufacturing," the competition involves "taking action to carry through to the end," "athletes who can play an active role in the workplace" and "the cultivation of instructors" aimed at

achieving individual goals.

Since the establishment of JTEKT, we have won one gold medal, 10 silver medals, four bronze medals and 21 Fighting Spirit Prizes at the Technical Skills Olympics, and at the WorldSkills Competition Abu Dhabi 2017, where only gold medal winners can compete, we won the Fighting Spirit Prize.



Aims of Participating in the Technical Skills Olympics

- To provide motivation and goals to the younger generation and improve the motivation of all technicians
- To develop human resources comprising the core of the workplace with the latest knowledge and skills
- To secure talented human resources by attracting highly skilled workers
- To improve the JTEKT corporate brand

Cultivating Technicians Who Will Support the Future of Manufacturing

For members who have completed the Academy or who are involved in manufacturing, JTEKT provides the training necessary confirm and enhance the basic knowledge and skills required on manufacturing sites and to improve their skills, including the maintenance and improvement of machining, electrical circuit, equipment maintenance, sheet metal and welding skills.

At the same time, we also support employees sitting for the National Technical Skills Certification, which is a public certification system for technical skills acquired by individual employees. Approximately 120 skilled workers are certified each year. In addition, based on the idea that

"maintenance is important for improving on-site capabilities," Academy students push themselves to acquire a level two qualification for Maintenance Skills and Knowledge Certification, with many successful candidates appearing each year.

National Technical Skills Certification		Maintenance Skills and Knowledge Certification	
Rank	No. of personnel	Rank	No. of personnel
Special rank	821	Level 1	297
Level 1	1,169	Level 2	1,287
Level 2	1,652	Total	1,584
Total	2,903		

(Source: Employee data as of April 2020)