

Medium- to Long-term Business Plan

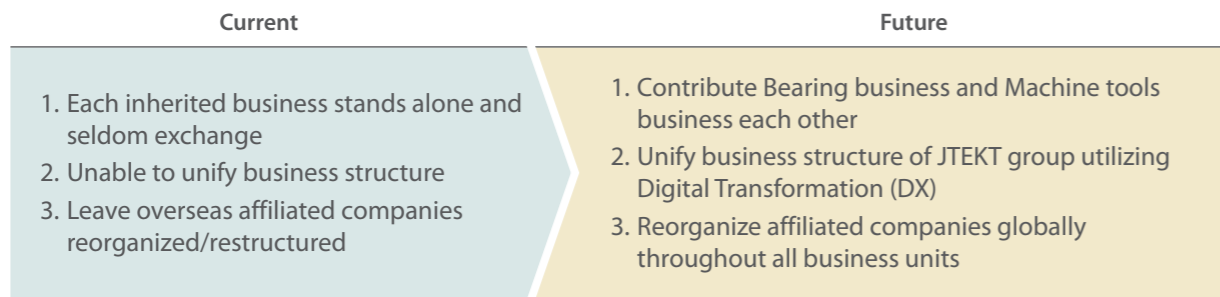
JTEKT Reborn

We have formulated our Vision 2030 and Medium- to Long-term Business Plan to grow as a company that resolves social issues.

We have divided the 10-year period up to 2030 into three periods of three, three, and four years. We are positioning the first medium-term plan period, from fiscal 2021 to fiscal 2023, as a three-year stage for enhancing our corporate structure and are working on the following four areas: (1) strengthening competitiveness, (2) seeding for the future, (3) strengthening our management foundation, and (4) development of structures and human resources.

True merger

True Merger of "Koyo Seiko" and "Toyoda Machine" Works makes JTEKT strong as "One JTEKT"



Cooperation among Group companies

Further strengthening JTEKT by combining and utilizing the Group's strengths

Strengths of the JTEKT Group

- | | |
|--|---|
| 1. Being a member of the Toyota Group | 4. Enriched by variety of products and technologies of affiliated companies |
| 2. Consisting of several business units | 5. Supported by extensive customers |
| 3. Having potential elemental technologies | 6. Established global network |

Combine and Utilize

Contribute to / Cooperate with the Toyota Group (1 × 2 × 3) P21

As only company dealing Bearing and Machine tools, J-QuAD, etc.

Multiple marketing (2 × 4 × 5) P22

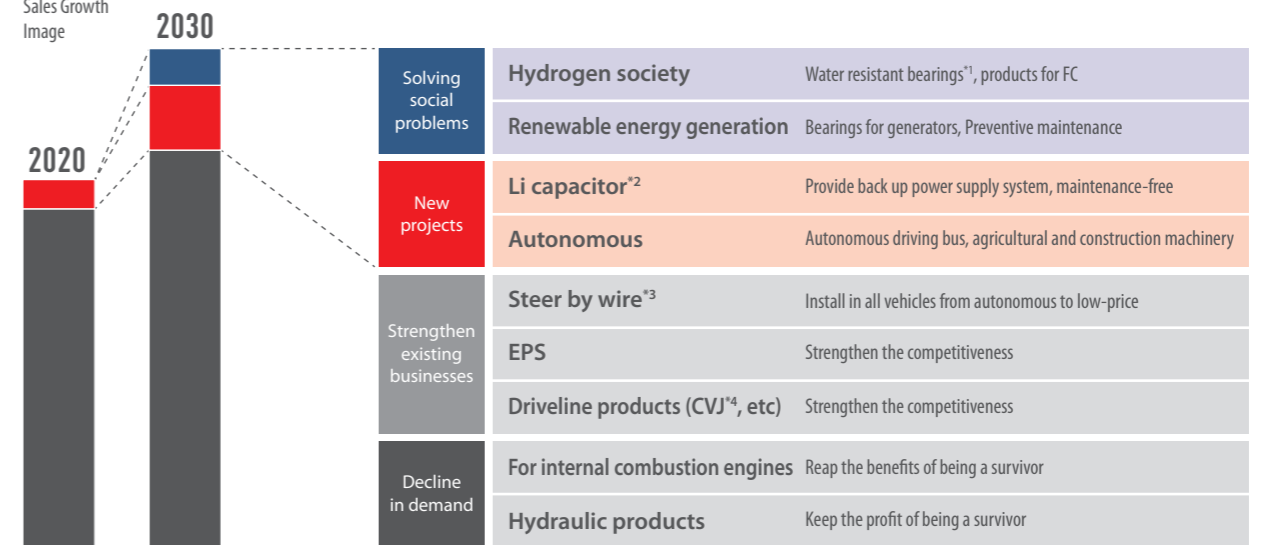
Integrate the JTEKT Group sales window

Develop brand new products (ALL) P21~22

Global customer needs × The JTEKT Group seeds

Long-term plan —Vision 2030—

Utilizing the seeds of the JTEKT Group and collaborating with the Toyota Group to win in new areas
To achieve further business growth, strengthen the competitiveness of existing business



^{*1} Bearings that are resistant to hydrogen brittleness and corrosion in water vapor

^{*2} A capacitor that increases energy density by adding lithium ions to the negative electrode material of a capacitor with an electric double layer of positive and negative electrodes.

^{*3} A system in which the rotation of the steering wheel is transmitted to the tires by an electrical mechanism rather than a mechanical one.

^{*4} Constant Velocity Joint: A joint that transmits the rotational force generated by the engine to the drive wheels.

The position of FY'21 medium-term business plan

FY'21-'23
1st stage

Four key words

The 1st year of JTEKT becoming Reborn

1. Strengthen competitiveness
2. Seeding for the future
3. Strengthen management foundation
4. Development of structures and HR

FY'24-'26
2nd stage

Growth of existence business and raising new business

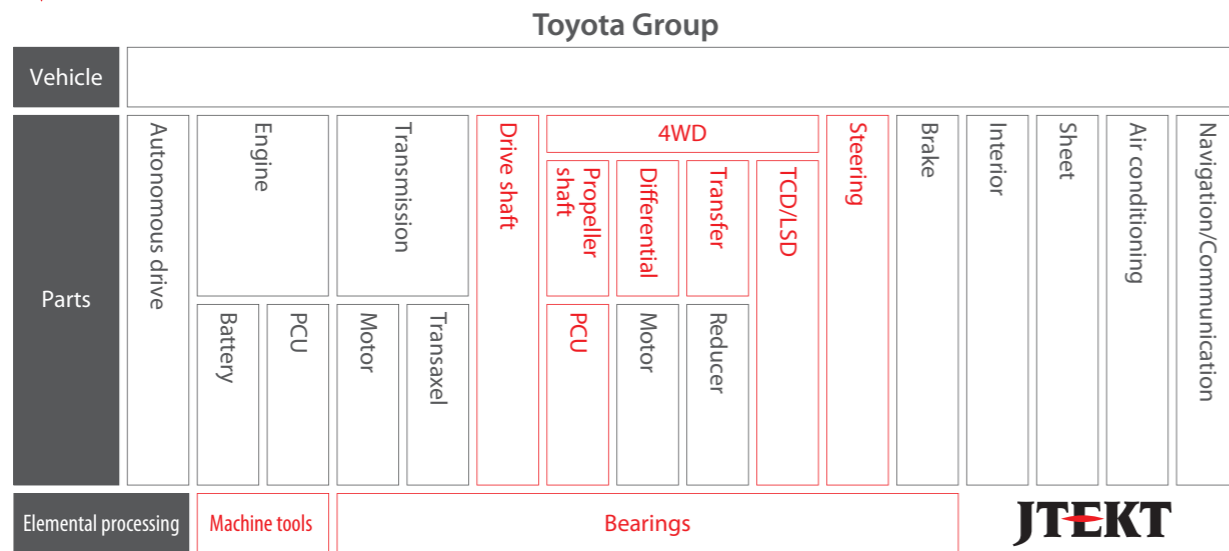
FY'27-'30
3rd stage

Harvesting and leaping

Achieving Vision 2030

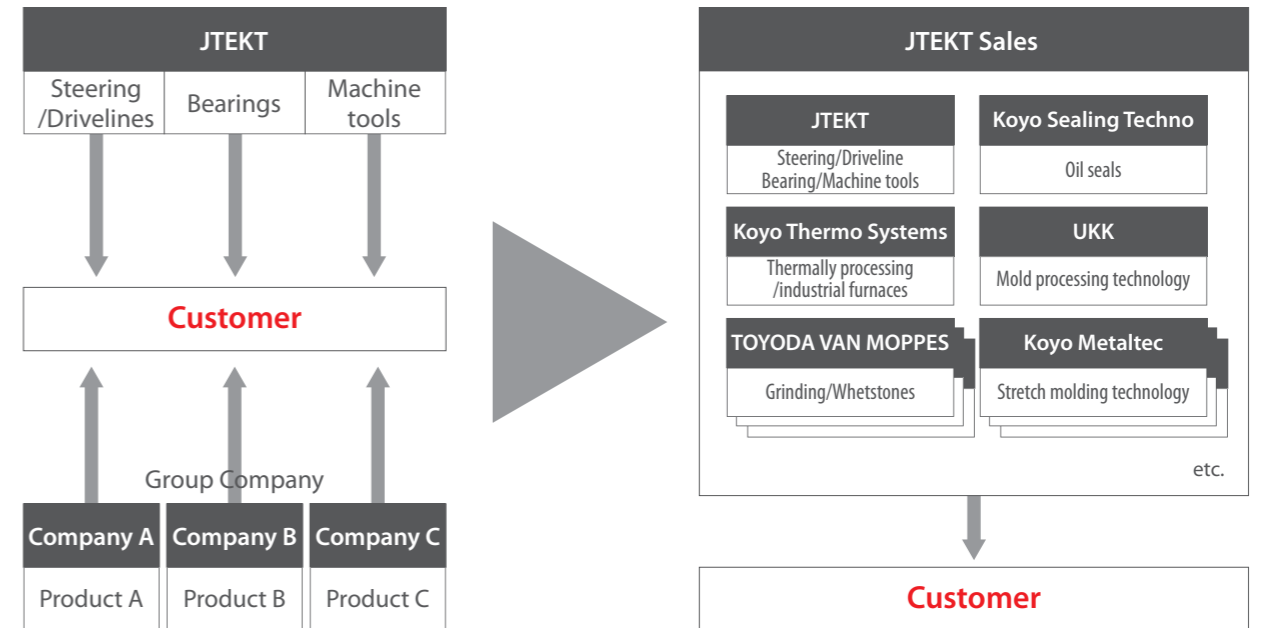
Contribute to / Cooperate with the Toyota Group

Contribution to strengthen competitiveness in the chassis area



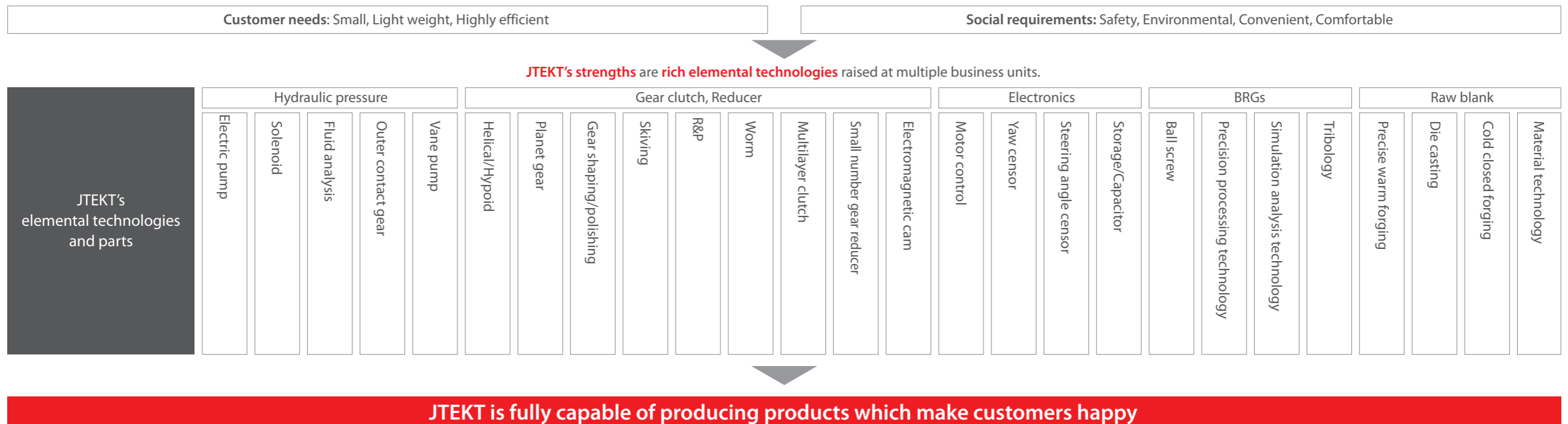
Multiple marketing

Respond to customer expectations by leveraging the Group's technologies, products, and sales network.



Develop brand new products

Combining our technologies to provide customers with products that fit their needs



Four key words

1 Strengthen competitiveness

- Restoring lost competitiveness should be a top priority.
- Strengthen competitiveness in all areas of price, performance, quality, and ability to respond.

The source of "competitiveness"

Thorough cost reduction "No. 1"	Differentiation for customers "Only One"
<p>What is No. 1?</p> <ul style="list-style-type: none"> Thoroughly benchmark the competition and provide customers with price, quality, performance, and service that surpasses the competition. 	<p>What is Only One?</p> <ul style="list-style-type: none"> To anticipate customer needs and propose value that exceeds customer expectations. To be the customer's best advisor (true front-loading^{*1})

*1 This means to build in cost and quality by allocating resources to upstream processes such as product development.

2 Seeding for the future

- Invest the cash gained by pursuing "high quality products with competitive price" in growth areas

Seeding for the future

Important goals in the 1st stage (FY'21-'23)

Pursue further "good products, low prices"	Turn "seeds" into growth business	Development of new areas
<p>Key measures</p> <ul style="list-style-type: none"> Standardize design methods Optimum procurement and production Production engineering innovation <p>Earning cash by existence business</p>	<p>Automobile, Bearings, Machine tools, JTEKT Group</p> <p>Synergy</p> <p>To be a pillar of future business</p>	<ul style="list-style-type: none"> Hydrogen society Renewable energy Aging society <p>Solving social issues (contributing to SDGs^{*2})</p>

*2 Sustainable Development Goals: International goals consisting of 17 goals and 169 targets to achieve a sustainable world, adopted at the UN Summit in September 2015.

3 Strengthen management foundation

- Medium-term target: break-even point ratio 80% business profit ¥100 billion
- Still in a "flabby" state → toward a lean corporate structure

1st stage FY2021~
2nd stage FY2024~
3rd stage FY2027~

Strengthen management foundation
Growth of existence business and raising new business
Harvesting and leaping

Break-even point ratio	FY2021 85%	FY2022 83%	FY2023 80%
------------------------	---------------	---------------	---------------

Aim for ¥100 billion in business profit in FY2023.
(Exceed our record profit ¥81.9 billion (FY2015))

4 HR development

- Thoroughly implement JTEKT's version of the basic principles of TQM, like Chinese medicine treatment.
- To be a company that continues to make *kaizen* for the sake of the earth, the world, and our customers

JTEKT's version of the basic principles of TQM

For the earth
For society
For customers

Passion

Continuous Kaizen | Total Participation

TQM activities: Development of structure and organization | Development of human resources

To achieve "tree-ring" management (steady growth year by year)

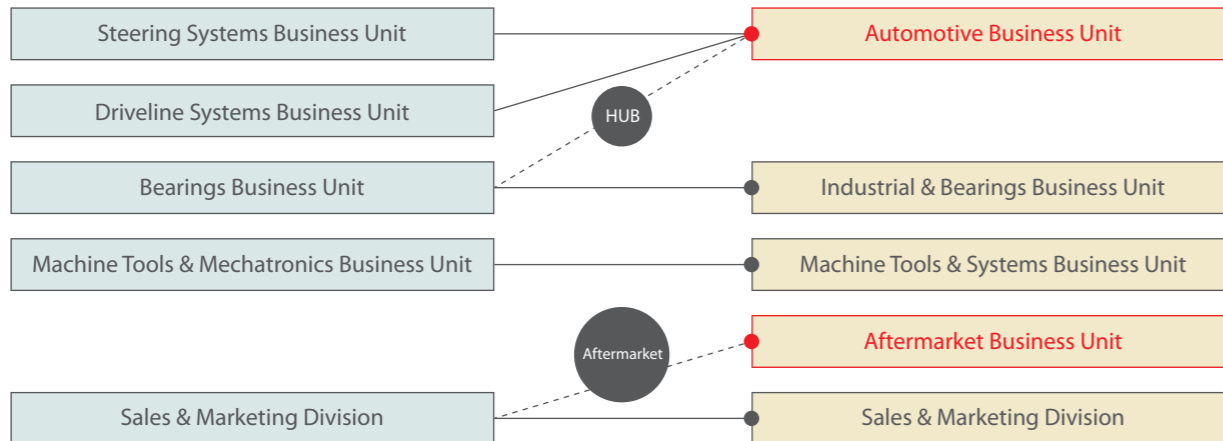
Organizational revision

Reorganization into Automotive, Industrial & Bearings, Machine Tools & Systems, and Aftermarket business units

To enable more accurate and speedy response to customer needs, we will make organizational revision from product-specific to market-specific. (embodying the market-in concept)

Aftermarket Business Unit newly established

Aftermarket Business Unit will be newly established in order to make the aftermarket, where demand is expected to grow in the future, as a pillar of the business.



Restructuring —Progress in FY2020—

Remove the lesion by “Surgical treatment” and improve the condition by “Medical treatment”.

To regain “a healthy body”, further sublimate and consolidate these activities during the medium-term business plan.

	Activities in FY2020	Activities during this medium-term
Surgical treatment	Formed a “Profit Improvement Committee” Breaking down the barriers between business units, identify and resolve issues without sanctuary	Reorganized as “Cost Reduction Committee PDCA (Plan-Do-Check-Act) cycle for all measures to achieve 80% break-even point
	With an awareness of capital costs, visualized areas that need to be restructured and implemented partially	Especially in Europe, accelerate restructuring. Optimize the number of subsidiaries and affiliates
Medical treatment	Visualization of deficit models Planning and implementation for resolution	Monitor at board meetings Improve profitability of all products
	Formed “Corporate strategic planning organization” under the direct control of the president Established company-wide strategy discussion committee Formulated JTEKT medium-term business plan	Strongly promote the Medium-term Business Plan Check progress, clarify issues, and respond quickly
	Back to the Toyota Group (Headquarters relocation) Speeding up decision-making through changes in executive structure	Revision business unit organizationally Promote “True merger” plan
	Hold regular meetings with affiliated companies. Expand the activities of the Profit Improvement Committee to the JTEKT Group	Further strengthen governance and promote “structural reforms” across the JTEKT Group in a top down manner

Digital transformation (DX)

Reduce the “work” of staff and enable them to produce “high-value-added output that requires intelligence” in a timely manner. (unify the structure)

Achieve by 2030 through DX

Improve business efficiency/Good product, low price

Maximize productivity <ul style="list-style-type: none"> No manual inputs and corrections Data warehouse¹/BI tools² 	Strengthen sales force <ul style="list-style-type: none"> Sharing information of visits Establish product lineup portal site Automate pipeline management
AI substitution of human eyes <ul style="list-style-type: none"> Forecast demand and supply of spare parts Unmanned inventory count Automatic creation of quotations Managing the signs of equipment maintenance 	Cybersecurity in the C of CASE³ <ul style="list-style-type: none"> Multi-protection Software vulnerability management

¹ A database in which transaction records and other data are stored in chronological order. Also, software for constructing and operating such a system.

² A method in which users analyze and process the vast amount of business data accumulated in information systems, etc., according to their own needs, and utilize it for business and management decision-making. Software and information systems for this purpose are called BI tools or BI systems.

³ CASE: Acronym that stands for Connected, Autonomous, Shared, and Electric.

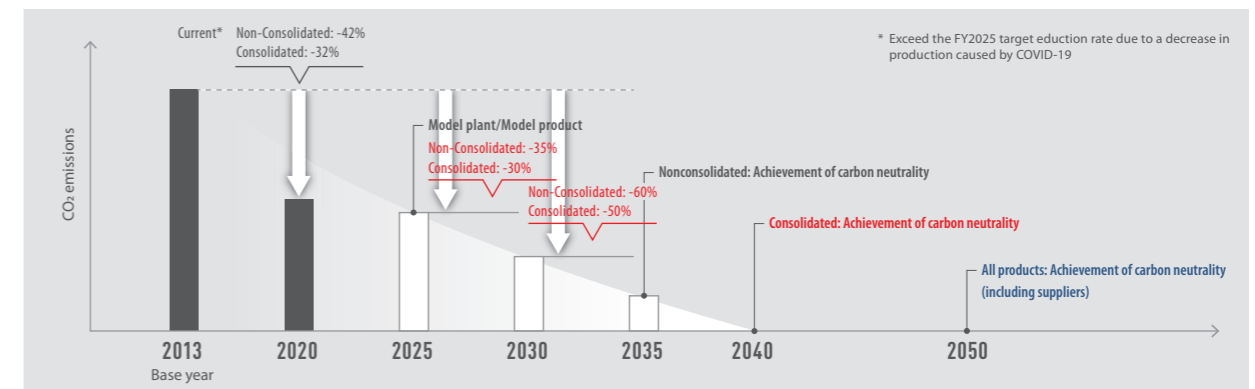
This implies the importance of mobility services across industries under the transformative phase for automobiles.

Carbon neutral

JTEKT is promoting the following milestones in response to the Japanese government’s policy of achieving carbon neutrality by 2050.

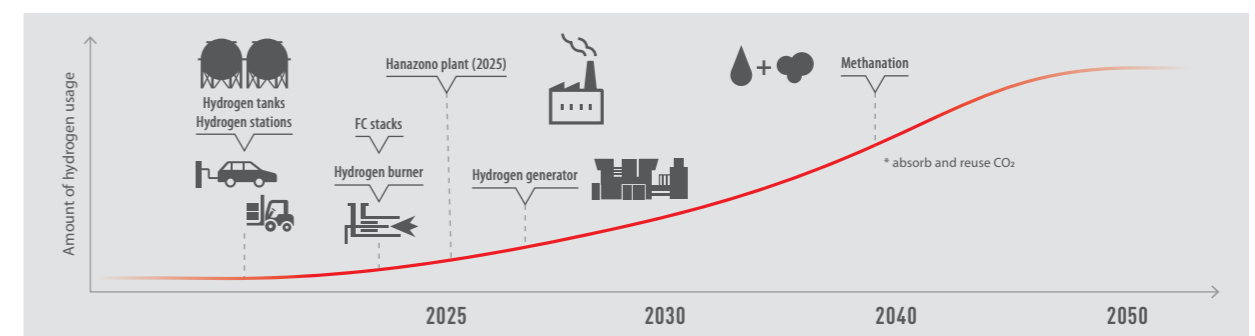
FY2040: Achieve carbon neutrality for the entire JTEKT Group.

FY2050: Achieve carbon neutrality for all products, including those from suppliers



To achieve carbon neutrality, hydrogen is stored, used, converted to electricity, and utilized.

- Store: Install hydrogen tanks and hydrogen stations
- Use: Purchase of fuel cell forklift trucks and switch to FCEVs⁴ for company vehicles
- Convert to Electricity: Use FC stacks to supply power
- Utilize: Methanation for CO₂ absorption and methane conversion from exhaust gases



⁴ Fuel Cell Electric Vehicles