The final year of the First Medium-Term Business Plan Accelerate improvement of the earning structure and improve asset efficiency to enhance corporate value

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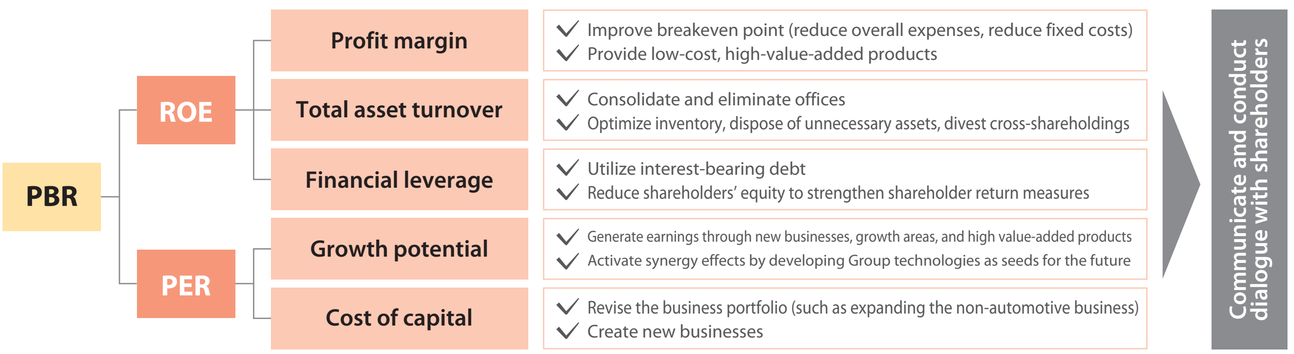
Review of FY2022

Business conditions in FY2022 were affected by rising costs for raw materials, logistics, and energy, emerging geopolitical risks around the world including the situation in Ukraine, and the impact from the Zero COVID policy in China. At the same time, economic activity continued returning to normal after the pandemic. In this environment, the Company raised business profit to 62.6 billions of yen, an increase of 20.3 billions of yen from the previous fiscal year.

We are fortifying our earnings structure by focusing on lowering the breakeven point ratio to FY2019 revenue, which we have set as our primary KPI. During the year, the Group engaged in a comprehensive effort to reduce overall expenses and keep fixed costs low while reforming the operating structures in North America and Europe. Excluding the inflation impact on raw materials, logistics, and energy costs, our ongoing efforts to strengthen our earnings structure lowered the breakeven sales ratio to 82.5%.

In FY2023, the Group is making an effort to further strengthen the earnings structure and achieve the 80% target set for the final year of the First Medium-Term Business Plan. To fully engage and accelerate Group synergies, we are organizing a structure for monitoring various KPIs to track our progress and identify issues, which will enable us to quickly plan and execute appropriate measures to attain our targets. Particular focus is being given to fortifying and broadening our KPI management, so we provide better visualization of management issues at small and medium-sized companies in the Group that have room for improvement. We are moving forward as One JTEKT to make our group management even more efficient and to improve our earnings structure.

Measures to Improve the Price-to-book Ratio



Improving Our P/B Ratio and ROE

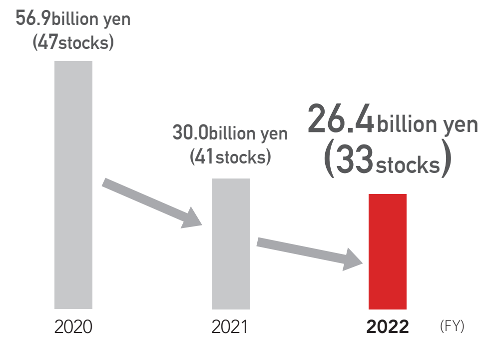
Internally, we need to establish a solid financial foundation and strengthen our ability to generate cash so we can successfully strengthen our competitiveness and sow seeds for the future, which are two core themes of our medium-term plan. We are also taking steps to improve our capital efficiency to meet society's expectations for companies to improve asset efficiency, raise the company share price, and enhance market capitalization.

Specifically, we are adjusting inventory levels, establishing a flexible production system, and conducting agile inventory asset management in accordance with the normalization of the post-COVID pandemic economic activity and the resolution of the semiconductor shortages and logistic disruptions. In order to create funds to invest in carbon neutrality, digital transformation, and other strategic areas, we are improving the efficiency of capital investments for expanding production capacity and streamlining existing businesses and also reducing the amount of investment per project.

We are also reducing our assets through ongoing measures to effectively use idle assets and dispose of unnecessary assets, verify the necessity of cross-shareholdings in accordance with the Corporate Governance Code, consolidate facilities, and sell non-core businesses. We are also actively increasing Group financing and intergroup dividend and reinvestment to improve capital efficiency and reduce interest-bearing debt.

We are continuing to strengthen our balance sheet management and allocating resources to growth areas to improve our management and asset efficiency with the aim of achieving our medium-term targets of 10% ROE and 5% ROA.

Balance of cross-shareholdings (Listed stocks)



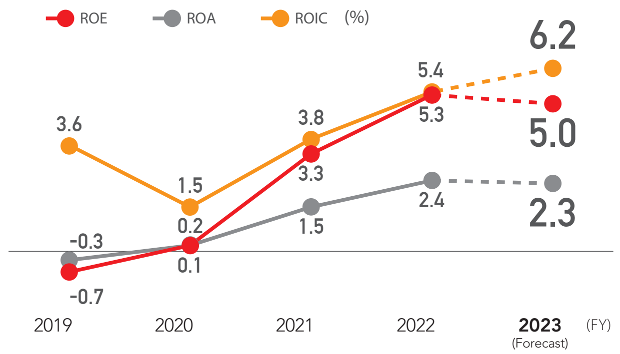
Investment Strategy —Sowing Seeds for the Future

The automobile industry is in the midst of revolutionary "once in a century" change that is creating demand for components to support the newly emerging electric vehicles and self-driving cars. We are responding by shifting our resources to emerging and growth fields, developing high value-added products using our strength in elemental technologies, using various technologies as seeds for the future, and expanding integrated Group sale activities and cross-selling.

We are also reviewing our business portfolio including creating positions to expand sales in the non-automotive and aftermarket fields, and seeking to establish new businesses to improve profitability and capital efficiency.

Under the Second Stage Medium-Term Business Plan, we will advance to the next stage of execution and start reaping the results of our strategies to strengthen our competitiveness and sow seeds for the future. To ensure we achieve our target, we will actively invest in R&D in leading and growth areas and increase the percentage of R&D spending dedicated to developing advanced technologies (including fundamental and basic technologies) from 25% in FY2019 to 40% in FY2025.

ROE･ROA･ROIC



Shareholder Return

Our basic policy on returning profit to shareholders is to continuously enhance the Company's corporate value and to provide stable dividends over the long term. In principle, we seek to maintain a dividend payout ratio of 30% or higher. We have also set a lower limit for dividends on equity (DOE) of 1%, which we are committed to maintain even in an unfavorable business environment. We will continue striving to maintain stable shareholder return by improving the profitability and asset efficiency of existing businesses to maintain our solid financial foundation and by investing in growth fields to improve our business performance.

To facilitate these activities, the Board of Directors is intensifying its scrutiny, analysis, and assessment of the current status of return on capital. The increased discussion and follow-up monitoring now enables us to formulate more detailed plans and initiatives to improve capital return, which is making our business more focused on cost of capital and market capitalization. We will also seek to engage in more opportunities for dialogue and communication with shareholders, investors, and other stakeholders by providing more information about our Group strategies and activities to achieve sustainable growth.

Dividend payout ratio and dividend amount