# JTEKT Report 2026

Integrated Report




JTEKT

JTEKT reaffirmed the aspiration embodied in our Company name (joint technology), re-examined our reason for existing (Mission), and clarified our future direction (Vision). Every employee shares our core values (Value) and will tackle societal challenges through manufacturing.

## Mission

Joint Technology to bring joy to the planet earth and all working people.

## Vision

### JTEKT Group 2030 Vision

A solution provider creating the future of mobility society through Monozukuri and Monozukuri equipment

## Value

***Yes for All, by All!***





# The corporate value we are aiming for by transforming into a solution provider

Yoshihito Kondo
President & CEO

## 01 Why we are transforming into a solution provider

"A solution provider creating the future of mobility society through Monozukuri and Monozukuri equipment." Since assuming the office of president, I have pushed for transformation under a determination to realize this goal, which was set out in the JTEKT Group 2030 Vision.

At the same time, in dialogues with investors, we have received frank questions about how transformation into a solution provider will connect to greater corporate value. Here, in my own words, I would like to describe how our transformation into a solution provider will lead to enhanced earning power and the creation of sustainable corporate value.

Our actions to quickly transform into a solution provider come from a powerful and urgent realization that, amid great changes in our markets and the competitive environment, we can achieve neither sustainable growth nor corporate value enhancement under the business model we have had to date.

The automobile market is shifting from a period of continued growth to a mature phase, and against the backdrop of accelerated industry restructuring and the emergence of AI, the competitive environment and the industry's structure itself are about to undergo significant change. Against this backdrop, we cannot expect to achieve sustainable growth and corporate value enhancement by following the path of past successes.

JTEKT has grown by meeting the demands of customers with outstanding products and equipment. In a mature market, however, it is difficult to differentiate our products and impossible to establish a sustainable competitive advantage through the value of standalone products.

That's why we are moving to become a company that goes beyond just addressing customers' requests to also uncover issues unnoticed by customers themselves, and to propose solutions that bring together our technologies, products, and knowledge. We do this because JTEKT is

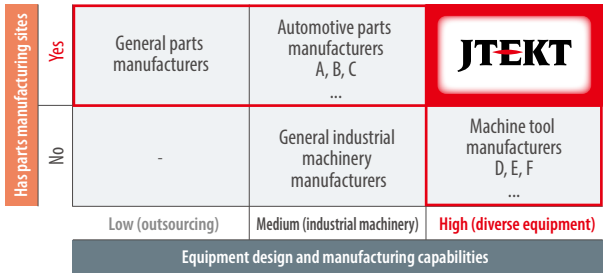
capable of providing value not only through standalone products but also through overall solutions that combine our strengths in Monozukuri and Monozukuri equipment, thereby achieving higher added value and profitability.

Moving from a company that acts in response to customer requests, to one that creates new value with customers—that is the image I hold of the Company as a solution provider. Achieving this will require that we adopt a corporate structure under which every employee identifies issues actively, not passively, and takes steps toward solutions. To ensure that this transformation does not end with transitory initiatives, after taking office as president, I moved forward with formulating our Mission, Vision, and Value (MVV), and creating a foundation for the Company as a whole to tackle transformation under aligned values. On my visits to the Company's sites, people animatedly spoke of examples of such efforts, such as taking colleagues' difficulties with paper-based management work as an opportunity to digitalize the tasks, making the work much easier. Such examples of going beyond the framework of one's own work to make others' work easier or to solve the problems of colleagues demonstrate the practice of providing small solutions. In this way, the understanding that taking action as a solution provider is a part of our work is gradually spreading within the Company, sparking a movement by which colleagues connect across departmental and division walls. We are now entering the phase of building on that foundation to fully implement solutions within society through business.

## 02 JTEKT's unique competitive advantage of turning distinctive features into strengths

JTEKT has three businesses and it has been pointed out that our stock price reflects what is called a conglomerate discount. However, I believe that the Company's standpoint as a machine parts manufacturer, a machine tools manufacturer, and a user of said equipment is a strength of JTEKT and a source of growth not found in competitors. I often talk about turning distinctive features into strengths. Within the Company, I communicate how we are trying to turn the distinctive features of JTEKT into advantages in the truest sense. It is extremely rare for a company to hold a deep understanding of both Monozukuri and Monozukuri equipment, combining the perspectives of both supplier and user. We have the ability to grasp on-site problems from a user's point of view and to develop technologies and equipment capable of solving those problems. These two points of contact form a competitive advantage of ours that competitors cannot imitate. As an embodiment of this, we are readying the factory solutions business as we move toward our next Medium-Term Business Plan. Factory solutions is a business by which we provide optimal solutions through the combination of equipment, automation, IoE,* carbon neutral solutions, and even AI to address issues including productivity enhancement, elimination of labor shortages, quality improvement, and energy savings at customers' factories.

JTEKT's Unique Position




JTEKT will propose improvement know-how and combinations of technologies born in our own factories to customers, and will then standardize what resonates with outside users and deploy those solutions in customers' factories. By providing solutions to customer issues as value, we will achieve higher added value and profitability. Through factory solutions, we will elevate the distinctive characteristics that JTEKT has developed into a true competitive advantage, as we work to become a company valued by the market not with a conglomerate discount, but as a company deserving of a premium born through synergies among our businesses.

We also view our mobility solutions business, centered on steer-by-wire, as a growth driver from a long-term perspective. Electric power steering (EPS) is a core product that has supported our business growth and revenue since 1988, which is when we were the world's first to commercialize the technology. We still have the largest global market share in EPS systems. The technologies and the relationships of trust with customers that we have built up in the process are vital management resources that support the creation of new solutions in the mobility field. Anticipating the needs of the market, we will increase the value we add and will grow steer-by-wire to be our next pillar of revenue. Looking ahead, we will expand our area of business, going beyond the provision of steering systems alone, to encompass mobility solutions that design user experiences throughout vehicle interiors. Doing so, we will create differentiated revenue opportunities unique to JTEKT.

In the short term, we will leverage our Core Competence Platform to increase the added value of our individual businesses and improve profitability. We will also use the cash generated from this to carry out investments, focusing on the solutions businesses that will drive future growth. We will further make active use of M&A and strategic partnerships to acquire technologies, customer bases, and service functions that we could not capture on our own, thereby steadily expanding our areas of solution provision.

*Internet of Everything, an approach to connecting people, equipment, and information for the overall optimization of factories.

## 03 Three decisions made and the foundation built under the Second Medium-Term Business Plan

Under the in-progress Second Medium-Term Business Plan, we have persistently carried out steady worksite-based reforms to advance transformation, without shying away from painful decisions at times. Among these actions are our structural reforms in Europe. We continued being in the red in Europe due to changes in the market environment, but for many years were unable to take decisive action. I place an "input-to-output" mindset at the heart of management. Working from the belief that a business should not be maintained aimlessly if it cannot create value (output) commensurate with the invested management resources (input), we enacted major decisions to sell our pump business, NRB business, and automotive parts business in Europe, and embarked upon structural reforms. These reforms incurred large-scale temporary expenses, and were tough decisions that had unavoidable impacts on short-term profit. However, we advanced the reforms resolutely, recognizing the decision as essential to maximizing long-term corporate value with the aim of allocating capital to areas with greater growth potential and profitability. We plan to complete the structural reforms in Europe during FY2026, the final year of the Second Medium-Term Business Plan, and are confident that we will achieve profitability in the region in FY2027.

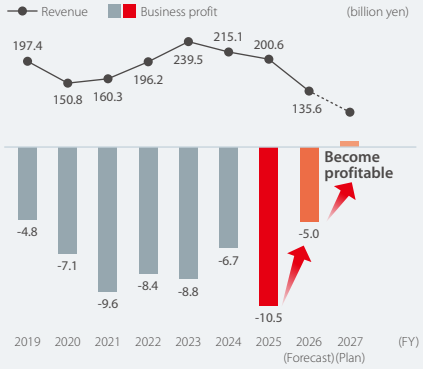
Our next major decision involved revitalizing our North American business. Although North America is a key growth market for our Company, productivity has declined against the backdrop of factors such as higher personnel outflow in the wake of the COVID-19 pandemic, and we were not able to sufficiently connect the true potential of the business to revenue. Not overlooking issues in the region, we launched a task force and sent Director Yamanaka to work in North America, and advanced improvements under hand-in-hand cooperation between the worksites and Company management. As a result, we are eliminating "loss costs" stemming from worsening productivity, are making progress in price adjustments by strengthening communication with customers, and are rapidly improving profitability in North America. This is a region in which we are competitive and have built a solid foundation. I am confident that by taking action to address structural issues, we will raise our profitability in the region.

We also made a decision to significantly change our approach to shareholder returns. I have always placed importance on the idea that the value of a company is founded on the capital entrusted to it by its shareholders. I view returns in line with the expectations of shareholders as a key responsibility of management. Accordingly, working from the wish for shareholders to continue holding shares and supporting the Company for as long as possible, we changed our dividend policy from a focus on dividend payout ratio, which is susceptible to short-term performance fluctuations, to dividend on equity (DOE), and have since continued to pay steady returns. This is also an expression of my commitment to valuing our long-term relationship of trust with shareholders.

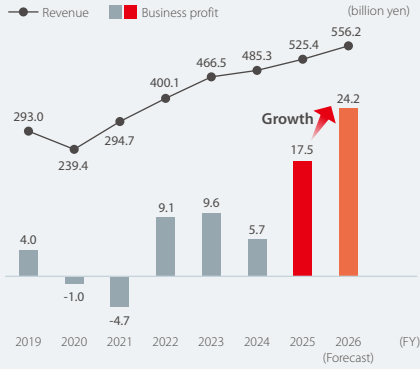
## 04 Realizing management that is conscious of the cost of capital and stock price

However, from a perspective of management that is conscious of cost of capital and stock price, our ROE and PBR are not yet at levels that fully meet the expectations of the market, an issue for which I feel strongly responsible as the leader of management. Our current ROE has temporarily declined due to the recording of costs for structural reforms. But we expect to complete the structural reforms in FY2026 and achieve record profit, and further foresee ROE improving to the target of 7 to 8% set out in the Medium-Term Business Plan. I do not intend to be satisfied with this level, though. With the market seeking a stable and sustainable return on capital in excess of capital costs, the continued enhancement of our corporate value is a mission that the Company's management must fulfill. We will position the continual improvement of ROE over the medium and long term as one of our highest priority management issues and will work to maximize shareholder value by strengthening the earning power of our businesses and improving our capital efficiency.

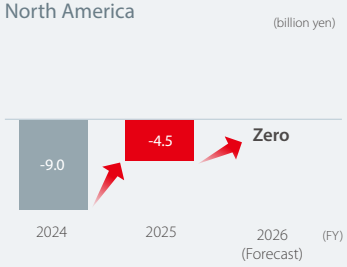
Change in sales and profit in Europe




Change in sales and profit in North America




Change in amount of "loss costs" in North America




| | FY2025 | FY2026 forecast | Second Medium-Term Business Plan target | 2030 Vision target |
|---|---|---|---|---|
| ROE | 1.6% | 6.2% | 7-8% | 10% |
| Business profit ratio | 3.9% | 4.8% | 5-6% | 8% or higher |
| PBR | 0.66 | – | 1.0 | 1.5 |

Raising ROE requires that we simultaneously increase our profit ratio while efficiently using assets and increasing capital efficiency. Throughout my career in production engineering, I have pursued overall optimization while taking an overview of people, equipment, processes, and information. Taking the same approach to management, we will comprehensively review our business portfolio, assets, and investments to improve capital profitability.

The driving force behind the increasing profit ratio will be the transformation into a solution provider that I have discussed. By steadily commercializing factory solutions and mobility solutions centered on steer-by-wire systems and by evolving our business model into one that provides continuous value through solutions to customers' problems, we will work to improve our profitability and growth potential. We believe that demonstrating this transformation in the form of concrete results will lead to improved evaluation in the market and will raise our PBR above 1.0.

With a view toward the future enhancement of our corporate value, we will actively invest in growth areas in which we can fully leverage our strengths. Physical AI and robotics are key areas that will have major effects on the competitiveness of the manufacturing industry. We are accelerating our efforts to put physical AI into practical use at manufacturing sites. Our project involving implementation in manufacturing, conducted jointly with two startup companies, has been selected for the physical AI development support program sponsored by AWS Japan. As I have noted, our strength lies in the fact that we are a user that owns factories and manufactures products day by day. The value of physical AI will not come from technological development alone. It will only yield competitive solutions when the issues at worksites are deeply understood and it is refined in the context of real production activities. Because we, JTEKT, understand manufacturing sites inside and out, there is value that we can create.

The market for humanoid robots is also expected to grow in the future. Our Company has strengths in products such as high-precision bearings, and also high-precision control technologies gained through our experience with steering, and equipment development capabilities that are also suited for specialized processing. We will also focus on expanding revenue opportunities in robotics-related markets, where our strengths in both Monozukuri and Monozukuri equipment come into play.

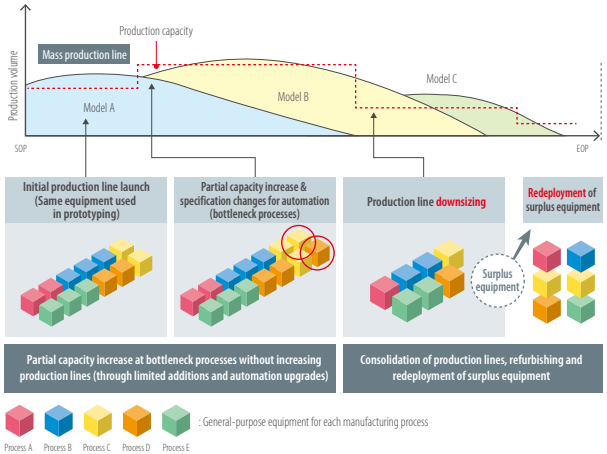
Deploying physical AI and robots to solve problems at manufacturing sites and implementing these solutions in society will be a powerful driver in further accelerating our transformation into a solution provider. While nurturing such new growth areas, we will work to increase the profitability of the Company overall.

At the same time, a particular area of improving capital efficiency in which I want to promote transformation is investment efficiency. At times in the past when markets were growing, it was possible to make large-scale capital investments and recoup those investments over a long time frame. However, with the market environment and customer needs now changing at a dizzying pace, conventional models no longer work. What is vital is increasing capital efficiency while building a production structure capable of adapting flexibly to change.

I have long pursued ways to create high value with little investment in production engineering operations. Now, also acting as the Chief of the Production Engineering Division, I am also in a position to reflect that approach in production site reforms. An embodiment of this is our building of a resilient production system. Instead of investing in large-scale dedicated production lines as in the past, we are gradually increasing our number of small, general-purpose lines as we shift toward a structure that allows expansion of production capacity matched to changes in demand. The key feature of this structure is its ability to flexibly adapt to changes in model and product configuration. In the past, every update to equipment necessitated significant additional investment. By contrast, our general-purpose lines allow us to make the most of existing equipment, maintaining and enhancing our competitiveness while significantly reducing new investment. We believe that this initiative, which simultaneously enables the reduction of fixed assets and the improvement of the investment turnover rate, is a vital measure that directly connects to the improvement of ROIC and ROE.

To raise awareness of capital efficiency and ROIC within the Company, we have introduced our own metric, called J-ROIC, which focuses on inventory and fixed assets. These are the components of invested capital most closely connected to business activities and are subject to management and improvement through worksite leadership. We are pushing forward improvement activities based on this metric. An "input-to-output" mindset is also crucial to having our capital efficiency approach take root throughout the Company. Inside the Company, we always ask how much added value and cash can be generated from invested capital and costs. We consider how much added value can be created from the money and the time spent, within business divisions and support divisions alike. I am confident that this approach will lead to the enhancement of capital efficiency and the creation of sustainable corporate value.

### Resilient Production System





## 05 Achieving transformation driven by people and technology

I view people and technology as the most important factors in achieving our transformation into a solution provider. Our Company's origins lie in technology. However, to realize the "Joint Technology" that underlies JTEKT's company name, what will be paramount are human resources that can connect technologies inside and outside the Company and elevate those into solutions that contribute to customers and to society. In my view, a person who exemplifies a solution-oriented mindset is one who takes action autonomously out of a wish to delight others or to make things easier for others. As encapsulated in our Value of "Yes for All, by All!," when people cross divisional and organizational walls to foster a culture of drawing on the power of others while contributing their own abilities and skills, that is when valuable solutions are born.

In that sense, the factory solutions initiative is also of great significance from the perspective of employee engagement. Improvements born on the factory floor are provided to customers, delight those customers, and give rise to value as businesses. Such experiences are sure to increase the engagement of employees in worksites and to further promote the growth of technologies and people. We will connect improvements born at the worksite to the creation of value for the Company as a whole. I view the creation of such a cycle as a form of human capital management exemplified by JTEKT.

I have always seen the formulation of MVV and its entrenchment throughout the Company as one of my most important roles as president. That is the reason why I make a point of visiting our sites. Speaking from the same perspective as employees, I consciously make comments such as "This is what MVV means for your workplace, isn't it," "That's truly a 'by All' initiative," and "That's really a solution provider-like action." I work to ensure that MVV does not end simply as a slogan but instead connects with everyday work and decision-making, so that every employee takes ownership of it. Such steady initiatives strengthen the foundation of the Company. A company built on a foundation that it can return to when lost, and upon which every employee can take action, will be a company that can handle changes in the environment and can grow sustainably, I believe.

## 06 To our stakeholders

We are entering the final year of the Second Medium-Term Business Plan. In the previous fiscal year, temporary cost increases associated with structural reforms had an effect on ROE, which created concerns among shareholders, investors, and other stakeholders. But the results of the reforms are steadily beginning to appear. A foundation for increasing profitability, mechanisms for improving capital efficiency, and the groundwork for tackling future growth areas are solidly being put in place. I have the determination to work to the end and definitely not give up on achieving the targets of the Medium-Term Business Plan, and will step up my efforts to do so. Under the Third Medium-Term Business Plan, we will accelerate growth investment atop the groundwork we have built and will demonstrate concrete results of our transformation into a solution provider.

The word "solution" is heard far and wide these days. What I aim to achieve, however, is not to be a "solution provider" in name alone. My goal is for JTEKT to become a company that addresses the real issues of customers, brings together its knowledge and technologies with an understanding of both Monozukuri and Monozukuri equipment, and actually solves issues faced by society and by customers.

To satisfy customers, shareholders, investors, business partners, local communities, employees, and other stakeholders as a true solution provider with a grounding in our unique MVV, we will enhance our earning power, hone our capital efficiency, and nurture people and technologies, thereby sustainably enhancing our corporate value.



# CONTENTS


01 Mission, Vision, Value
02 Message from the President
07 Contents
08 Editorial Policy and Information Disclosure System

**What's JTEKT**

09 At a Glance
11 History of JTEKT

**Value Creation Strategy**

13 Value Creation Model
15 JTEKT's Materiality
17 What Is a Solution Provider?
19 Innovation Roundtable

**Growth Strategy**

23 Medium-Term Business Plan
25 Dialogue with Stakeholders
- 25 Shareholders and Investors
- 26 Labor Union
- 26 Local Communities

27 Financial Strategy
31 Human Resource Strategy
37 Intellectual Capital Strategy
39 Digital Strategy
41 Monozukuri Strategy
43 Business Strategy
- 43 Automotive Business Unit
- 43 Industrial and Bearing Business Unit
- 44 Machine Tools & Manufacturing Systems Business Unit
- 44 Aftermarket Business Unit

**Initiatives to Strengthen Foundations**

45 Sustainability
47 Roundtable Discussion on Sustainability
50 Environment
53 KENKO Investment for Health, Safety, and Human Rights
54 Information Security
55 Supply Chain Management
56 Quality Control

**Governance**

57 Dialogue Between Outside Directors and Investors
61 Corporate Governance
65 Directors and Audit & Supervisory Board Members
67 Risk Management
68 Compliance

**Data**

69 Financial Highlights
70 Eleven-Year Consolidated Financial Summary
71 Non-Financial Highlights
72 Five-Year Non-Financial Data
73 Corporate Information
74 Glossary




J-Nyan and TEK-NYAN
JTEKT Group Official Mascots

## **Featured** Content



**The corporate value we are aiming for by transforming into a solution provider**


P.02 Message from the President
P.17 What Is a Solution Provider?




**Combining the knowledge and the endeavors of every individual to become a solution provider**


P.19 Innovation Roundtable




**The enhancement of corporate value through the contributions made by outside officers**


P.45 Sustainability
P.47 Roundtable Discussion on Sustainability




**What reforms are needed to strengthen earning power?**


P.57 Dialogue Between Outside Directors and Investors

## Editorial Policy

We publish an integrated report to comprehensively present both financial and non-financial information to our stakeholders, aiming to help them understand our Group's story of medium- to long-term value creation and enhancement of corporate value.

In making the report, we refer to the Integrated Reporting Framework of the IFRS Foundation and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation, while also leveraging dialogue with our stakeholders to plan and produce the report.

### Target organizations and scope

JTEKT Corporation and the JTEKT Group (For items for which there are no uniform criteria across the JTEKT Group, the unconsolidated results of JTEKT are displayed. As a general rule, if there are changes in the scope, we revise data retrospectively.)

### Target period

The primary target period is FY2025 (April 2025 to March 2026). Some activities after April 1, 2026 are also included.

### Publication

September 2026

### Note on forward-looking statements

This report contains forward-looking statements pertaining to future plans and strategies. These forward-looking statements include risks, uncertainties, and other factors, and actual results and business performance may differ from those stated.

## Information Disclosure System




## About the Cover

As a solution provider, we bring together human resources and diverse core competencies, such as technology and knowledge, to create new value for society. We have superimposed an image depicting this aspect of JTEKT onto a red motif that symbolizes the passion embodied in the JTEKT logo.




## JTEKT Report 2026

### Regarding publication

We edited JTEKT Report 2026 to clearly show the theme of how our goal of transformation into a solution provider, as set out in JTEKT Group 2030 Vision, connects to enhanced earning power and to sustainable corporate value. In this report, we have made multi-faceted efforts to communicate the path we are taking toward the transformation we are aiming for, and the ways in which our related initiatives create new value and lead to improved earning power and sustainable growth.

In editing the report, we sincerely considered the comments and expectations of our stakeholders as we worked to enrich and improve the content.

We hope that this report will deepen your understanding of our Group and will aid in promoting constructive dialogue. We will continue to raise the quality of our information disclosure as we further enhance our corporate value through co-creation with you.



Kazuyuki Kamiya
Senior Executive Officer
Chief of Corporate Division
Chief Financial Officer (CFO)

# At a Glance

Centered on its core technologies in steering systems, bearings, and machine tools, JTEKT contributes to solving social issues while aiming to realize a sustainable society and enhance corporate value.

## Development Capabilities That Drive Innovation

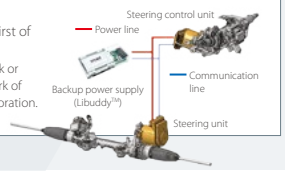
Through forward-looking development rooted in customer value and advanced technical capabilities, we drive innovation that anticipates market needs, contributing to sustainable growth and enhanced corporate value.

At the 2025 Super Monozukuri Parts Grand Prize, hosted by the Nikkan Kogyo Shimbun, LFT™-V, the 5th-generation low-torque tapered roller bearing, **received the Mobility-related Parts Award**

Our linkless steer-by-wire system and high heat-resistant lithium-ion capacitor Libuddy™ were adopted for the **Lexus RZ, Toyota's first dedicated BEV model**

The system is also the first of its kind for Lexus.

Note: Lexus is a trademark or registered trademark of Toyota Motor Corporation.

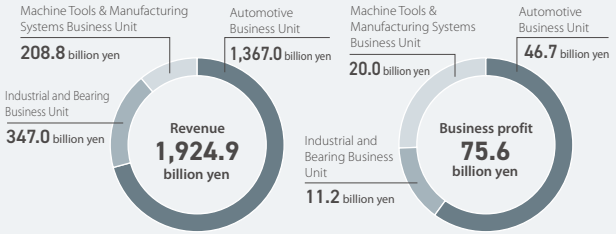



At the 2025 Toyota Suppliers Convention hosted by Toyota Motor Corporation, our development of the steer-by-wire system **received the Best Technology & Development Award**



## Diverse Product Portfolio

Leveraging our diverse product lineup and global supply system, we flexibly address the varied needs of different regions and markets to realize and sustain greater competitiveness and growth.




**No. 1 share* of the global market** for electric power steering since we first developed and produced it in 1988

Global market share **24%**



**No. 1 share* of the domestic market** for bearings used in steel equipment that achieve high-speed rotation even under high loads and at ultra-high temperatures

Domestic market share **55%**



Developed Japan's first cylindrical grinders in 1956. **No. 1 share* of the domestic market** for cylindrical grinders

Domestic market share **40%**



*Market shares are based on JTEKT research

## Sustainable Management

We promote environmental, social, and governance initiatives company-wide to help realize a sustainable society while working to enhance our corporate value over the medium to long term. We strive to address social issues while growing our business.

**Founded** **1921**

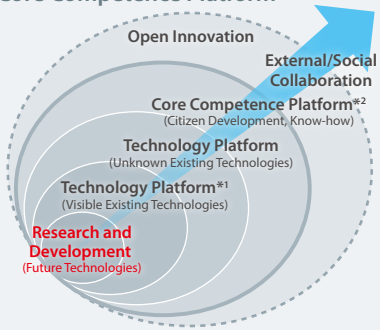
**JTEKT Group** (excluding equity-method affiliates) **112 companies**

**Number of Group employees** **43,233**

1) Generate innovation by combining strengths through deepening and expansion

2) Well-Being (developing people, workplace culture, and work systems)

Core Competence Platform




*1. Technology Platform: A platform that consolidates technological strengths.
*2. Core Competence Platform: A platform that consolidates human strengths.

JTEKT Group **obtains Science Based Targets (SBT) certification**

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The Hanazono Plant's green hydrogen local production and consumption project has been **certified under the Chubu Region Low-Carbon Hydrogen Certification System**

"Solving Problems on the Manufacturing Floor through the Development of Know-how Modeling for Processing" **received the** FY2025 (21st) Japan Society for Precision Engineering (JSPE) **Young Engineer Award for Problem-Solving**

**Included in the** SOMPO Sustainability Index for **15 consecutive years**

2026
Sompo Sustainability Index

CDP2025: **Achieved the highest rating of "A"** in the climate category

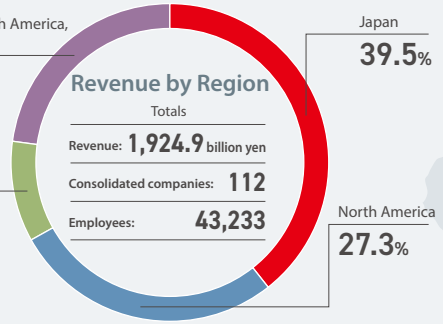
CDP
A List

**Certified as a** 2026 **"White 500"** Outstanding Organization of KENKO Investment for Health (Large Enterprise Category)

2026
健康経営優良法人
KENKO Investment for Health
大規模法人部門
ホワイト500

# At a Glance

## Global Product Distribution




**Manufacturing sites**
**120 plants**

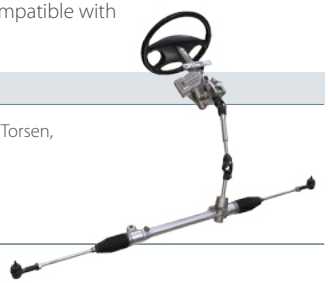
## Number of Companies and Employees by Region

As of March 31, 2026

| Europe | Asia, Oceania, South America, and other regions | Japan | North America |
|---|---|---|---|
| 18 companies | 56 companies | 25 companies | 13 companies |
| 4,131 employees | 13,696 employees | 18,819 employees | 6,587 employees |

## Automotive Business Unit

Our steering products feature a comprehensive lineup suitable for everything from light vehicles to large commercial trucks, meeting the diverse needs of numerous car makers. Our driveline products contribute to safe, secure, and comfortable travel through low vibration and improved fuel efficiency—features well-suited for electrification. We are also advancing the development of products compatible with next-generation fuels.



### Main Products

Electric power steering, steer-by-wire systems, hub units, driveshafts, propeller shafts, Torsen, differential units, valves for FCEVs,* etc.

*FCEV is a trademark or registered trademark of Toyota Motor Corporation

## Industrial and Bearing Business Unit

We offer a diverse lineup of bearings across a wide range of fields. By supplying bearings tailored to our customers' operating environments and performance requirements, we support the development of industries and societies around the world.



### Main Products

Roller bearings, ball bearings, bearing units, various other bearings, oil seals, etc.

## Machine Tools & Manufacturing Systems Business Unit

JTEKT's machine tools business leverages the reliability that sustains high productivity and high precision over a long period, cultivated in the automotive industry, to satisfy wide-ranging needs. We support manufacturing in various industries with our extensive support systems.



### Main Products

Grinders, machining centers, cutting machines, control equipment (including IoE-related products), battery manufacturing equipment (source process), industrial heat treatment furnaces, etc.

## Aftermarket Business Unit

Leveraging our global sales network and diverse product lineup, we aim to become an indispensable partner for our customers in the repair market, as well as a solution partner that supports the entire product lifecycle.



### Main Products

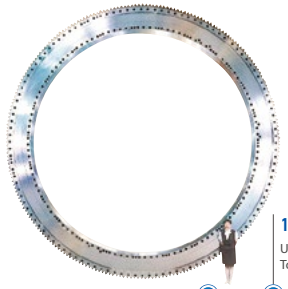
JTEKT — Steering components, driveline products, Group company products, water level meters, etc.

Koyo — Bearings, Bearing Defender, etc.

ONI BEARING — Ceramic ONI BEARING™ for road bikes

# History of JTEKT

Since their establishment, Koyo Seiko and Toyoda Machine Works continually worked on perfecting their technologies to provide high-quality and reliable products.
JTEKT was established in 2006 with the merger of these companies. Going forward, we will continue to produce No. 1 & Only One products and move forward in our ambition to be a company that contributes to society.



## Bearings

### Industrial Sector

**1943** Bearing for steel rolling mills

**1964** Bearing for Shinkansen trains

**1968** HI-CAP™ tapered roller bearing

**1978** Vacuum bearing

**1984** Fine ceramic bearing
Tapered roller bearing for rolling mill roll necks

**1991** High-speed ceramic bearing

**1992** Ultra-large slewing bearing for Tokyo Bay Tunnel boring machines

**1996** Bearing for semiconductor manufacturing equipment (Clean Pro™)

### Automotive Sector

**1952** Water pump bearing



**1974** Self-aligning clutch release bearing

**1982** High-speed alternator bearing

**1983** Low-torque tapered roller bearing (LFT™), second-generation hub unit

**1986** Third-generation hub unit

**1993** Long-life tapered roller bearing



**1996** Hub unit with built-in ABS sensor

## Power Steering (PS)

### Hydraulic Power Steering

**1960** Ball screw-type manual steering

**1968** Flapper valve-type power steering

**1971** Rack-and-pinion manual steering for mini vehicles

**1974** Ball screw-type power steering

**1978** P1 vane pump

**1983** Electronically controlled power steering (electric pump type)



**1995** Electric pump-type hydraulic power steering

### Electric Power Steering



**1988** Column-type electric power steering



**1994** Pinion-type electric power steering

## Drive

**1980** BJ-type constant velocity joint

**1985** DOJ-type constant velocity joint



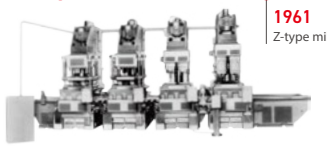
**1990** VL-type constant velocity joint

**1994** Electronically controlled four-wheel drive coupling (ITCC™)

## Machine Tools

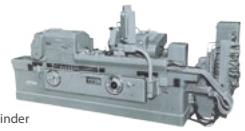
**1941** Precision boring machine

**1955** Technical tie-up with Gendron to develop cylindrical grinders
First transfer machine made in Japan



**1961** Z-type milling machine

**1965** TOYODA grinder



**1968** Machining center with a magazine-following system

### Mechatronics

**1971** BBS robot

**1972** Japan's first FMS for square workpieces



**1972** General-purpose programmable controller TOYOPUC™

**1983** Friend robot

**1984** CNC for grinders

**1986** CNC/CBN masterless camshaft grinder

**1987** In-line-type machining center (TOP center™)

**1989** Distributed control system with decentralized PLCs

**1990** Stacker crane-type FMC

**1992** Modular transfer machine

**1995** General-purpose control panel

**1997** Ultra-high-speed mold machining center

---

**1941**
**Toyoda Machine Works Ltd. established**
Toyota Motor Co., Ltd. (now Toyota Motor Corporation) spun off its machine tools division and established Toyoda Machine Works, Ltd.

**1965**
Developed a TOYODA-brand grinder

**1968**
Commenced production of hydraulic power steering systems

Developed machining centers



**1980**
Commenced production of CNC cylindrical grinders

Commenced production of constant velocity joints for automobiles

**2002**
Established FAVESS, which develops and sells EPS systems



**2006**
**JTEKT Corporation established**

JTEKT

Bearing manufacturer Koyo Seiko and machine tool manufacturer Toyoda Machine Works merged to become the world's number one EPS manufacturer

---

**1921**
**Koyo Seiko Co., Ltd. founded**
Zenichiro Ikeda founded Koyo Seiko in Osaka City as a private store and started production after selling imported bearings

**1927**
Commercialized Japan's first tapered roller bearing



**1975**
Commenced bearing production in North America

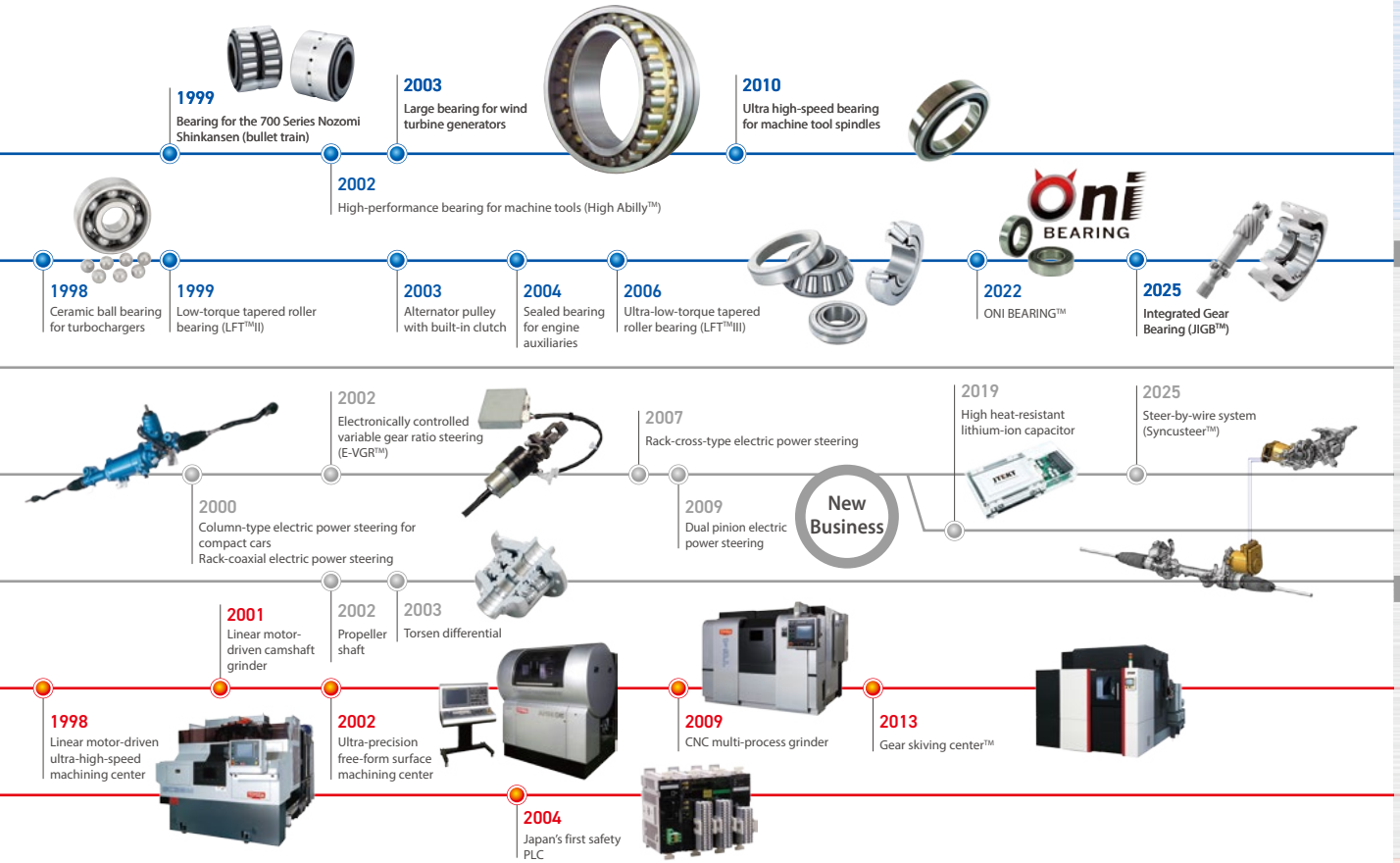
**1984**
World's first practical application of ceramic bearings



**1988**
Developed and produced the world's first electric power steering (EPS) system



## History of JTEKT



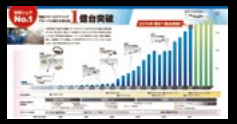

### 2012
Opened Iga Proving Ground



### 2013
Started full-scale operation of Large Size Bearing Engineering Development Center



### 2015
Cumulative total of 100 million EPS units manufactured



### 2022
Unified brands for all businesses




### 2024
Announced JTEKT Group 2030 Vision

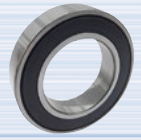



### 2025
The steer-by-wire system (Syncusteer™) was first installed in the Lexus RZ, which also adopted our backup power supply (Libuddy™)

Syncusteer

## Development of Grease-Lubricated Ceramic Ball Bearings for eAxles in High-Performance Electric Vehicles

JTEKT has developed grease-lubricated ceramic ball bearings for eAxles in high-performance electric vehicles. These bearings offer high-speed rotation and excellent resistance to electrical corrosion. In addition to using ceramic balls, we optimized the design of the resin cage, non-contact seals, and grease to achieve high-speed rotation of up to 30,000 r/min. This product contributes to both improving the performance of electric vehicles and realizing a sustainable mobility society.



Grease-lubricated ceramic ball bearings for eAxles

## High Heat-Resistant Lithium-Ion Capacitor (Libuddy™)

JTEKT's high heat-resistant lithium-ion capacitor Libuddy™ achieves output density and durability far surpassing conventional products through its unique technology that enables operation at temperatures ranging from -40°C to 85°C. This contributes to the miniaturization, lightweight design, high performance, and maintenance-free operation of power supplies. As a powerful partner (buddy) for existing power supplies, we propose use cases and solutions that contribute to enhancing the added value of various electric products.



Libuddy™ module

## Automated Steering Control System (Pairdriver™*)

JTEKT's Pairdriver™ technology has been installed for the first time in a mass-produced vehicle as a steering control function in the new RAV4, which Toyota Motor Corporation positions as the first step toward the widespread adoption of Software Defined Vehicles.




## JTEKT THERMO SYSTEMS CORPORATION Launches Heat Treatment Oven for Advanced Semiconductor Packaging



SO2-60-F, a mass-production heat treatment oven for semiconductors

Group company JTEKT Thermo Systems has launched the SO2-60-F, a new product for advanced semiconductor packaging, building on its track record in mass-production heat treatment equipment for semiconductors manufacturers. This oven was developed to support the production of RDL and glass interposers, for which demand is rising due to AI and 5G.

*Pairdriver and Pairdriver are trademarks of JTEKT.

# Value Creation Model

## Transformation into a Solution Provider

We aim to transform ourselves into a solution provider creating the future of mobility society through Monozukuri and Monozukuri equipment, which is the JTEKT Group 2030 Vision, to further increase our management capital by contributing to society, and to sustainably improve our corporate value.

External Environment, Social Issues, Customer and Market Needs

Materiality

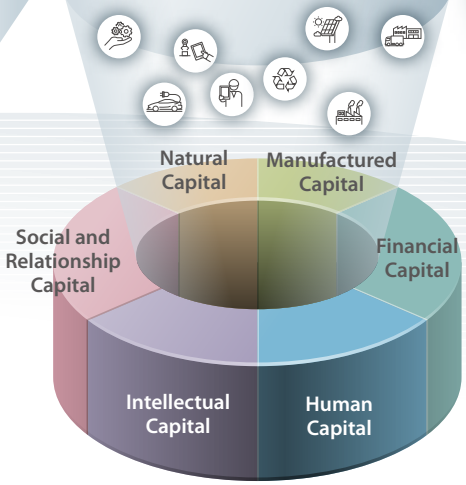
### INPUTS

Customers and External Partners

Co-create

Core Competence Platform × Solution Co-Creation Center

Core Competencies




Innovation

### BUSINESS MODEL

**Expanding Businesses by Adding Higher Value to Existing Products**




Business Portfolio Management

**Expanding into New Domains by Combining the Competencies of Each Business**

Value

***Yes for All, by All!***

Maximizing Corporate Value Through Business Growth

### OUTPUTS

Monozukuri

Solutions Unique to JTEKT
- Mobility solutions
- Factory solutions

Monozukuri Equipment

Vision

A solution provider creating the future of mobility society through Monozukuri and Monozukuri equipment

Contributing to Society Through Our Businesses

### OUTCOMES




Mission

Joint Technology to bring joy to the planet earth and all working people

# Value Creation Model

## Our Story of Transformation into a Solution Provider

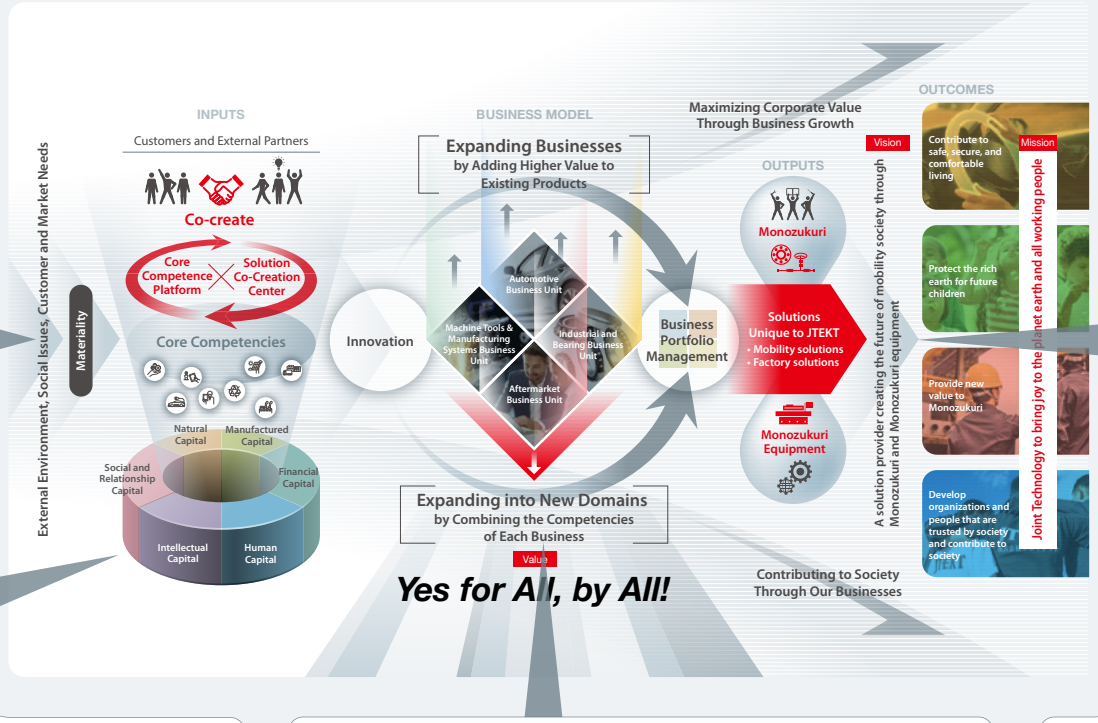
### 1 Why We Aim to Become a Solution Provider

The challenges faced by our customers and society are becoming increasingly complex and sophisticated. To sustainably increase our corporate value and contribute to society, it is essential that we not only provide excellent products and technologies but also continue to deliver solutions that combine our technologies and expertise. Based on this understanding, we are driving our transformation into a solution provider.

### 2 Turning Management Capital Built by Technology into Competitiveness

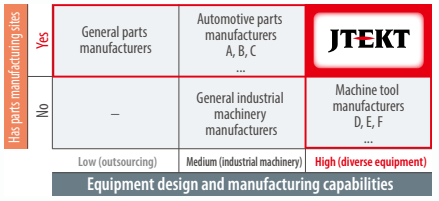
Technology is what has supported our growth, and the diverse forms of management capital we have cultivated based on that technology are the very source of our competitiveness. However, converting this capital into value requires human resources who can connect technologies and expertise from both inside and outside the Company and guide the process from identifying problems to solving them. We will realize our transformation into a solution provider by establishing systems that consolidate technologies and expertise, and by advancing a human resource strategy that fosters talent capable of identifying and solving problems.




### 3 JTEKT's Unique Competitive Advantage

JTEKT is a manufacturer of mechanical parts and machine tools, and even an end-user of its own equipment. This is our competitive advantage that other companies cannot replicate. By deeply understanding both Monozukuri and Monozukuri equipment, and integrating the perspectives of both supplier and user, we strive to address social issues and create new value.

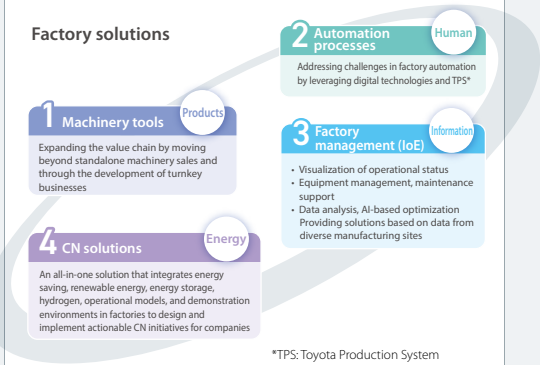



### 4 Value Creation That is Unique to JTEKT

One example that embodies our unique business approach is our factory solutions. By combining our strengths in both Monozukuri and Monozukuri equipment, we provide optimal solutions to help our customers address challenges in their factories, from improving productivity to resolving labor shortages and conserving energy.

In addition, by further enhancing the added value of our strength as the developer of the world's first electric power steering system—a position in which we continue to hold the top global market share—we provide mobility solutions that support the free movement of people, goods, and information.

Underpinning these efforts are the various fundamental technologies we have cultivated while expanding our business from our founding business of bearings into automotive parts and machine tools. By connecting these technologies, JTEKT will realize sustainable value creation.




*TPS: Toyota Production System

# JTEKT's Materiality

We identified our Materiality during the process of formulating our Medium-to-Long-term Business Plan in FY2020. During FY2025, we revised our Materiality in light of the formulation of JTEKT Group 2030 Vision and our Second Medium-Term Business Plan. In the revision, we drew on the double materiality approach to evaluate the importance of individual social issues in terms of their impact on our business and the impact of our business on society, and set out a concrete vision for how we can contribute to the social issues that we view as Materiality.

Of the many social issues in existence, JTEKT views those issues it hopes to contribute to with its business activities as its Materiality. This does not mean that we consider other social issues as unrelated to our Company. We will also make contributions to social issues outside of our Materiality through compliance (observance of laws and regulations) and CSR (our roles and responsibilities as a corporate citizen). We review our Materiality regularly, along with strategy, as it changes with societal circumstances.

## 1. Identification of Issues

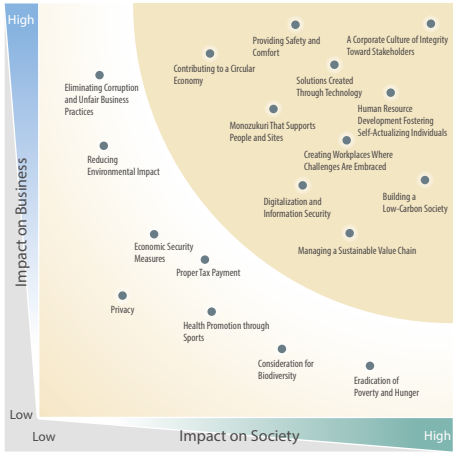
We reference standards, such as those of the Sustainability Standards Board of Japan (SSBJ) and the European Sustainability Reporting Standards (ESRS) in the identification of sustainability issues, and remain mindful of the relationship between JTEKT's MVV and the priority implementation items set out in the Second Medium-Term Business Plan.

### Evaluation Based on Double Materiality

We evaluate each sustainability issue in terms of impact, risk, and opportunity (IRO), as well as the impact each issue has on the Company's business and finances, and the impact of the Company's business activities on society and the environment.

## 2. Prioritization

In identifying the Materiality that our Company should prioritize, we drew on the content of JTEKT's MVV, particularly JTEKT Group 2030 Vision and the Second Medium-Term Business Plan, to narrow down Materiality candidate items that we consider essential to our business strategy.




## 3. Validation of Adequacy

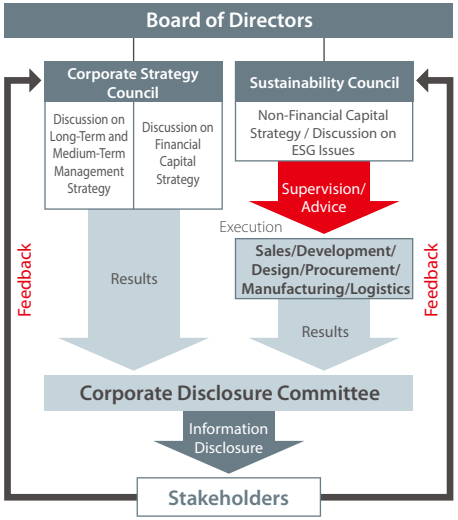
We communicated with shareholders, labor unions, and other stakeholders of the Company, as well as the Safety & Environment Promotion Department, Human Resources Department, Purchasing Division, and other internal parties with close connections to stakeholders of the Company, to coordinate on adding to and integrating the short-listed Materiality candidates.

| Dialogue Partners | |
|---|---|
| Shareholder Representatives | Institutional Investors Holding Our Shares |
| Employee Representatives | JTEKT Labor Union |
| | Human Resources and Labor Affairs Department (Internal) |
| Customer Representatives | Japanese Car Makers |
| Value Chain Representatives | Procurement Department (Internal) |
| Global Environment | Environmental Affairs Department (Internal) |
| Others | Corporate Planning Department (Internal) |

## 4. Approval by Top Management

In determining the Company's Materiality, the Sustainability Council held deliberations four times in FY2024 and the Materiality was approved.

The Sustainability Council is a deliberative body that complements the monitoring and advisory functions of the Board of Directors, with participation by all members of the Board of Directors, including outside officers.



# JTEKT's Materiality

## JTEKT-unique Materiality

In the review and deliberations on defining Materiality that we carried out in FY2024, we referenced items including the European Sustainability Reporting Standards (ESRS) in setting material issue items. For social issues not included in ESRS and other sources, we identified those that we believe JTEKT should strategically help to solve in light of JTEKT's MVV and the Second Medium-Term Business Plan, and made changes to the expression of these. With this process, we formulated Materiality that bears a clear relationship to our management strategy, JTEKT-unique Materiality, while aligning with the Corporate Sustainability Reporting Directive (CSRD), SSBJ, and other standards.

## Materiality and Management Strategy

Materiality is intricately linked to JTEKT's management strategy, primarily its MVV and Medium-Term Management Plan.

Within the Second Medium-Term Business Plan, we established key initiatives for transforming ourselves into a solution provider. Among the initiatives primarily related to non-financial capital, we set KPIs and target values through 2030 for the initiatives "people and site-first management" and "promoting carbon neutrality." We also set KPIs for internal initiatives corresponding to other key initiatives and Materiality, and are advancing efforts to achieve each of the targets.

## JTEKT's Materiality and Major Initiatives

| JTEKT's Materiality | Our Intent | In-progress Related Measures |
|---|---|---|
| **Solutions Created Through Technology** | Our Mission, Vision, and transformation into a solution business | Spread of MVV, establishment of the Innovation Division, "form of solutions" |
| **Providing Safety and Comfort** | One of the ultimate goals of manufacturing | Quality assurance system, mobility solutions, factory solutions |
| **Monozukuri That Supports People and Sites** | More efficient production and supporting manufacturing in Japan and globally | Implementation of factory solutions, J-REBORN, resilient production lines |
| **Digitalization and Information Security** | Achievement of advanced and efficient management and operations while preparing for increased risks | J-REBORN, cyberattack countermeasures |
| **Building a Low-Carbon Society** | Implementation of adaptation and mitigation measures for climate change | Setting of Medium-Term Business Plan targets, CN Lab–CN solutions |
| **Contributing to a Circular Economy** | Realization of a circular economy, including effective utilization of water resources | Eighth Environmental Action Plan, product life cycles, resilient production lines, etc. |
| **Human Resource Development Fostering Self-Actualizing Individuals** | Creation of an attractive work environment and the cultivation of human resources | CCP, management succession, engagement surveys |
| **Creating Workplaces Where Challenges Are Embraced** | Workplace environment that leverages diverse perspectives, based on mental and physical safety | Safety and occupational health measures, KENKO Investment for Health, DE&I activities (Month of Mutual Respect), spread of our Value and Behavioral Guidelines |
| **Managing a Sustainable Value Chain** | Resilience from coexistence and mutual prosperity brought about with fair transactions | The environment, cyberattacks, situational surveys and support concerning labor and human rights, creation of a support structure for labor shortages |
| **A Corporate Culture of Integrity Toward Stakeholders** | Upholding of quality and rules, "zero tolerance for misconduct" | Spread of our Value and Behavioral Guidelines, training on psychological safety, whistleblowing system, anonymous questionnaires, etc. |

For information on non-financial KPIs, targets, and results, please also see the Non-Financial Highlights. P.71

# What Is a Solution Provider?

## JTEKT Group 2030 Vision

At the start of our second Medium-Term Business Plan, we established the JTEKT Group 2030 Vision: "A solution provider creating the future of mobility society through Monozukuri and Monozukuri equipment." This vision outlines the ideal state we aim to achieve in order to help solve social issues while ensuring sustainable growth and enhancing corporate value.

Society faces numerous challenges, from addressing climate change and restoring biodiversity, to dealing with energy and resource constraints, as well as labor shortages resulting from a declining population. At the same time, advances in AI and robotics are opening up new possibilities for solving these challenges. To realize our Mission of "Joint Technology to bring joy to the planet earth and all working people," we will integrate the technologies and knowledge cultivated over our long history to help solve social issues and customer issues. As a step toward this goal, we are aiming to transform ourselves into a solution provider by 2030.

## Monozukuri and Monozukuri Equipment

JTEKT was born in 2006 through the merger of two companies. One was Koyo Seiko Co., Ltd., which long specialized in bearings, also called a "rice of industry" in Japan, which are indispensable to a wide range of machinery products and steering systems. The other was Toyoda Machine Works, Ltd., which originated from the machine tool division of Toyota Motor Corporation. Koyo Seiko Co., Ltd. began production of the world's first electric power steering system in 1988, and automotive parts, most notably steering systems, remain one of our core businesses today. As such, we are a rare company that not only manufactures a wide range of machinery products but also develops the machine tools used to produce them, often referred to as "mother machines," used to make those products.

Our unique technologies and knowledge, which come from understanding both Monozukuri and Monozukuri equipment, will serve as the driving force behind our transformation into a solution provider.

**JTEKT Group 2030 Vision**

**A solution provider creating the future of mobility society through Monozukuri and Monozukuri equipment**



## The Future of Mobility Society

The word "mobility" means the ability or capacity to move, and does not necessarily refer to automobiles. We define a mobility society as a society where people, goods, and information can move more freely.

With the emergence of new technologies, such as drones, the means of transportation for people and goods are diversifying beyond automobiles, trains, aircraft, etc. Similarly, the manufacturing floor constantly sees challenges related to movement, such as coordination between equipment, process design, in-plant logistics, and the loading and unloading of goods at plants. These are not only issues of worksite efficiency but also management issues directly linked to improving capital efficiency and addressing labor shortages. AI, robotics, physical AI (which enables AI and robotics to function in the physical world), and the underlying IT infrastructure are becoming more important in addressing these challenges. Furthermore, because the operation of production equipment and robots requires energy, such as electricity, efforts to increase the flexibility of mobility must also work to reduce energy consumption and environmental load.

As such, bringing about a mobility society requires not only improving the efficiency of movement, but also addressing a wide range of interrelated issues, such as labor shortages, resource and energy constraints, and environmental load.

We view mobility as a key concept that encompasses society as a whole through the movement of people, goods, and information. By identifying the social and customer issues of the moment, and linking our technologies and knowledge to provide solutions, we will contribute to society and grow our own business.

## Challenges in JTEKT's Transformation

That said, to transform into a solution provider, we must change the way we conduct business and our organization. As a company where our automotive parts, bearings, and machine tools businesses are all primarily B2B, a large portion of our business has traditionally consisted of a made-to-order model focused on meeting the specifications and requests presented by customers. To shift to a solution business, we must engage with customers at an earlier stage, maintain our dialogues with them, and identify their true needs, even those they themselves cannot yet articulate, as well as the underlying social issues. Furthermore, we must combine technologies and knowledge from inside and outside the Company to create solutions and new value together with our customers.

To transform JTEKT into a solution provider, we must evolve both the human resources that will drive our solutions, and the technologies and knowledge (core competencies) that serve as their foundation. On the human resources front, we will strengthen our ability to identify issues facing society and our customers, and co-create solutions with internal and external stakeholders. On the technology front, we will establish systems that connect the core competencies accumulated in each of our businesses and leverage them to create new value.

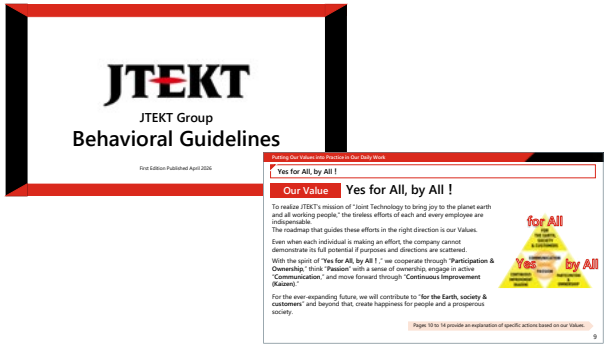
# What Is a Solution Provider?

## Human Resources and a Culture that Identifies Social Issues

JTEKT employees share the Value of "Yes for All, by All!" At the core of this is our philosophy of "for the Earth, society, and customers." In FY2025, we formulated the JTEKT Group Behavioral Guidelines to serve as a guide for each employee to integrate this Value into their daily decisions and actions.

Problem identification skills, which involve discerning the unarticulated needs of customers and the true causes underlying social issues, are also indispensable. The starting point for creating solutions lies in grasping the facts through dialogue with customers and the worksite, and in concretely defining the issues that lie beneath surface-level requests.

We cultivate human resources who, grounded in problem identification skills and the desire to contribute, can discover their own will and take on challenges to deliver truly valuable solutions. Furthermore, we foster a corporate culture where diverse talent bring together their technical skills and knowledge to solve problems through dialogue and co-creation. Having all employees engage in the creation and delivery of solutions from their respective positions is a key transformation toward realizing the JTEKT Group 2030 Vision.




The full text of the JTEKT Group Behavioral Guidelines is available on our website.
https://www.jtekt.co.jp/e/assets/uploads/2026/07/files/behavioral_guidelines_en_3.pdf

## Core Competence Platform

Since the establishment of Koyo Seiko Co., Ltd., one of our founding companies, we have been engaged in Monozukuri for over 100 years. Throughout this history, we have accumulated technologies and knowledge in fields such as bearings, automotive parts, and machine tools. However, we have also faced difficulty in organically linking the technologies and knowledge cultivated in each business across organizational lines to deliver value to our customers. To address this difficulty, we are advancing the development and utilization of the Core Competence Platform (CCP). This platform consolidates technologies and knowledge, including fundamental technologies for products and manufacturing equipment as well as planning and sales capabilities, across business and organizational boundaries.

We think that our ability to connect technologies across business and organizational boundaries and transform them into new value is what gives us our unique competitive edge.

The Core Competence Cycles (called "Co-co rings") That Connect Customers and the Worksite Through Technology

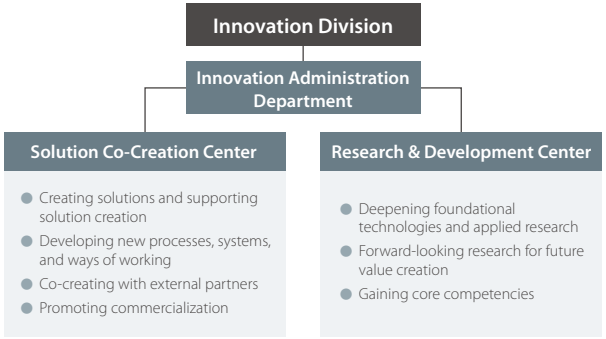



## Enhancing Added Value and Taking on New Fields

In this way, we will create new value through transformation, building on our strengths in Monozukuri and Monozukuri equipment to solve social and customer issues. By enhancing the added value of existing products while taking on new fields, we will contribute to society and sustainably improve our corporate value.

We will advance our shift to a solution business by bringing together a system that consolidates the Company's technologies and knowledge, our ability to identify issues through dialogue with customers, and the challenges undertaken by each employee. Furthermore, to realize our Mission, we will practice our shared Value while accelerating our transformation into a solution provider, as outlined in the JTEKT Group 2030 Vision.

In 2025, we established the Innovation Division as the organization to drive our transformation into a solution provider. This division is dedicated to promoting the creation of solutions as well as consolidating and strengthening our core competencies. The solution provider model that the Innovation Division develops will be shared throughout the Company and with Group companies, building an environment where everyone at JTEKT can put the solution business model into practice.



Special Feature

# Innovation Roundtable

## Roundtable: Director Nakanishi and the Innovation Division




## Combining the knowledge and the endeavors of every individual to become a solution provider

The Innovation Division was established to achieve our transformation into a solution provider and to enhance JTEKT's corporate value. JTEKT is a company that creates new value from a starting point in solving the issues of customers and of the Company itself, and it connects this value to strengthened market competitiveness. What is its growth strategy? We spoke with Isao Nakanishi, a director of the Company with a background of involvement in new business development at Toyota Motor Corporation, to talk about the mission of the Innovation Division and the future that it aims to bring about.

### Turning the knowledge of individuals into the power of the organization

**In leveraging the knowledge and the strengths of JTEKT throughout the Company, what role does the Innovation Division play?**

**Shimizu** Let me start with a story to explain the role of the Innovation Division. Since taking office, President Kondo has repeatedly said, "JTEKT has numerous diverse strengths, but fails to make good use of them. That's a waste." Our Company has numerous strengths that go beyond technology and knowledge to encompass experience with shop-floor improvements and connections among people. However, these strengths exist within individuals and within organizations, and have not been fully utilized by the Company as a whole. To address this, our Core Competence Platform (CCP) provides a way to make the technology, knowledge, shop-floor improvement experience, and other intellectual capital held by employees visible and usable, so that it can be leveraged across all organizations.

**Ando** CCP is a foundation for the collection of knowledge, but on its own will not realize solutions to issues. The Solution Co-creation Center (SCC) shoulders the role of converting existing knowledge into a usable state, linking collected knowledge and technologies with the mediation of people, and then connecting these to actual solutions. And, the Innovation Division is an organization that undertakes new endeavors while encouraging cooperation that extends across departments and specialized areas, drawing on the results of foundational research and proactive research that addresses future issues.

**Shimizu** Our emphasis is on tackling small challenges ourselves and we build up not only successes, but also failures, as organizational lessons. We want to share that experience and knowledge across the Company and create conditions that allow more employees to make use of them.

**Nakanishi** The Innovation Division will first undertake small trials, and the successes and failures are used in further endeavors, while also turning them into lessons and mechanisms for organizations. I see that chain of actions as important. Just as Toyota has grown through the accumulation of improvements, I think it's important for JTEKT to be an organization that continues to tackle challenges and learn.

## A shift to an approach based on needs, starting from issues

**What sort of close-at-hand troubles spurred the initiative to turn knowledge into organizational power?**

**Onozaki** It was the measuring instrument CCP. The Company has a great number of measuring instruments. By enabling visualization of who's able to use which instruments, where the instruments are, and what state the instruments are in, we've made instruments usable across production, research, design, and other departments. I see this as a CCP-like example of making effective use of existing assets throughout the Company.

**Ishikawa** Something that I found convenient is the business trip database. JTEKT has customers and sites across the country. We developed a means for sharing business trip hotel information and reservation methods as part of CCP, and many employees are putting it to use. It's a small initiative for internal use, but it yields a great effect by letting everyone benefit from the resolution of small everyday issues. I think that things like this are well suited to creating a positive climate and culture within the Company.



**What do you see as necessary for effecting the transformation into a solution provider?**

**Shimizu** The two examples noted just now are solutions that began from a thought of "wouldn't something like this be convenient?" Even if we head to workplaces to directly ask what problems are present, there aren't a lot of people who can immediately provide answers. However, when posing the question as "Don't you think something like this would be convenient?" people say "Yes, it would" or "Actually, I think...," and conversation takes off from there. In the process of identifying issues through dialogue at worksites, I think we acquired a perspective of considering issues as the starting points. Taking these actions that originate from issues, or pain points, is vital.

**Nakanishi** When solutions to internal issues have truly become useful, they can also serve as solutions for customers, who are outside the Company. This step makes a lot of sense. What matters most is the shift in our mindset—from improvements that emerge organically to value creation that starts with the problem to be solved. I think that the accumulation of that value will further refine our core competencies and lead to competitive solutions.

## Organically spreading solutions through the accumulation of small successes

**How are you growing the "solution starting from issues" into business?**

**Shimizu** Of the solution proposals aimed at our own production sites, the most emblematic one in terms of impact involves heat treatment. Heat treatment conditions for bearings vary with bearing size. Using simulation, we proposed arranging bearings of different sizes so that they could be heat-treated under the same conditions. We received feedback that other similar issues were also present. A solution for one issue calls up the next issue, which leads to the next solution. This was our first such success story.



**Onozaki** Then there's the case of AI image inspection. The AI visual inspection system requires a large number of images for learning, but asking shop floors to collect those images isn't practical. So, we changed our thinking and developed means for automatically collecting images. Further, when we faced the new issue of a shortage of AI engineers, we developed a mechanism that allows shop floors to create AI visual inspection models without coding. What led us to our current initiatives was not technology itself but the fact that we evolved technology in line with issues on the shop floor.

**Shimizu** What we place at the core is transformation to organically spread solutions, by which business units themselves exchange opinions with customers to effect a transition from passive product sales to active solution sales. Moreover, instead of creating big businesses at a leap, we do so in small steps. That's our basic approach. When the solution business model practiced in a small way by the Innovation Division spreads to departments and many employees become able to create value on their own, that will mark real transformation. We hope that the factory solutions announced at the financial results briefing in May 2026 will be a forerunner of this.

**What sort of factors do you view as necessary for expanding solution business?**

**Ishikawa** With just the Innovation Division's capabilities and personnel, it can't create business that generates significant revenue on par with that of current businesses. Accordingly, we continue to refine the process of creating solutions. We first use solutions ourselves, identify issues, effect improvements, and deploy the results within departments. That is what I see as our role.

**Nakanishi** What's important when putting this into practice is that we first know our own strengths and weaknesses. Only when we know what we lack can we make the decision to take in help from outside. Open innovation doesn't mean looking outside to seek whatever is lacking. Understanding the Company's core competencies to match insufficient areas to outside resources—this, I think, is what will let us further hone the Company's strengths and continually propose solutions that delight customers. That should then lead to greater competitiveness in business and the creation of new revenue opportunities.

## Taking on challenges nurtures people and organizations

**What does the practice of creating solutions itself bring to people and to organizations?**

**Nakanishi** The challenge of creating solutions is not only one of creating new businesses and services. The experience of identifying issues and giving shape to value while interacting with customers allows people to grow. People who possess will—that is, goals and aspirations that they want to achieve—overcome obstacles on their own through such experiences. When those experiences are shared with others, a cycle of people nurturing people is created. I think this also connects to the Company's Value of "Yes for All, by All!" In solution creation, work transformation, and business development in new areas, the experience of thinking and acting on one's own, whatever the size of the initiative, nurtures human resources. The experience of conceptualizing and implementing new projects and themes, making changes in direction as necessary, provides major opportunities for growth. Increasing the number of people who experience this growth and placing them throughout the Company are also contributions that the Innovation Division can make.

**Ando** What has changed through this initiative is not just people. On the foundation of CCP, connections are being created across development, sales, production, IT, and other departments. With people, including customers, addressing the same issues from diverse positions, a wholly new movement toward co-creation is coming into existence. I feel that the creation of solutions holds the power to change organizational design itself.

**Ishikawa** What we're coming to realize is that the more we undertake endeavors, the more the process also evolves. As an example, when the employees who designed Stage and Gate* participate in actual projects, issues not previously seen come into view. By putting the process into practice while squarely facing customers, people undergo growth and the process itself becomes refined. As knowledge gained through the process is put to use in the next endeavor, the quality of activities also rises.

*An evaluation process for new business and new product development

**Ando** Growing business in a new area also demands that we put in place numerous mechanisms and rules involving collaboration and division of tasks with existing functional divisions and business units. By doing so, we undertake ongoing iterative verification and improvement, then polish these into reproducible processes. This process further yields great opportunities for employees to grow.

**Shimizu** Successful people often say that, more than what action is taken, what matters is who performs the action and with whom. What we value is creating an environment in which people with the enthusiasm to take on challenges grow in number, and in which supervisors, subordinates, and officers can discuss things at the same level and work together through trial and error. We bring together the knowledge and know-how gained through the process as organization-wide assets that we put to use in future endeavors. The Innovation Division aims to expand this cycle across the Company, connecting the growth of people and organizations to ongoing competitiveness.



## Using AI to turn shop floor knowledge into competitiveness

**How can knowledge built up through actions on the shop floor be turned into competitiveness?**

**Shimizu** Turning knowledge built up on the shop floor into assets that can be utilized throughout the organization is vital. When we thought about our transformation into a solution provider, we realized that AI is one of the most important areas. The greatest advantage of using AI effectively in manufacturing is obtained by enabling AI to utilize the accumulated intuition, experience, and other tacit knowledge of skilled worksite personnel along with diverse manufacturing-related data—that is, creating an AI-Ready state—so that the data can be put to use at a higher level. While JTEKT produces manufacturing equipment and sells it to worksites in Japan's manufacturing industry, we also operate our own plants producing automotive components and other products, and have built up a strong track record of continuous improvement there. That's why we believe that JTEKT has the capability to transform the vast tacit knowledge at worksites into data that AI can utilize. This perfectly represents value that we can



provide to Japan's manufacturing industry, which is struggling with labor shortages. Our internal secondment program for building AI capabilities is beginning to develop employees who can drive this transformation, and results are starting to emerge at workplaces. Further accelerating this movement is a key theme for the future.

**Onozaki** The shift to AI-Ready is not an easy one. Where tacit knowledge lies, and what parts of it should be turned into explicit knowledge, are often not visible. We are visualizing know-how across the entire value chain, not only in plants but also in R&D and management, and converting it into forms that AI can use. We can't solve everything with AI alone; at the center, human beings are essential. We think that using AI to make maximal use of intellectual capital provides a foundation for the enhancement of competitiveness.

**Shimizu** When knowledge and data accumulate through this shift to AI-Ready, AI will evolve beyond a mere analytical tool and will support decisions and operations on the manufacturing floor.

**Nakanishi** We will implement and demonstrate this in our own plants, then deploy the refined results outside the Company. The ability to operate this cycle is the greatest strength of JTEKT. We will first prove the system's value in our own plants, then sell it to the outside world. This path to success meshes well with manufacturing in Japan. We have great expectations for JTEKT's potential to lead Japan's manufacturing industry overall by putting forth this model.





## Leading Japan's manufacturing industry as we head toward 2030

**As you head toward 2030, how do you intend to connect existing mechanisms, knowledge, and AI to competitiveness?**

**Ando** In making the transformation into a solution provider, JTEKT's unique strength as both a user and a developer will be a competitive strength. Leveraging this, we aim to generate revenue through work that customers appreciate and aim to be a company that each and every employee is proud to work for. That's the vision that JTEKT holds for itself as a solution provider, which we believe will lead to greater vitality for Japan's manufacturing industry. At the same time, JTEKT is a global company. We will consolidate knowledge cultivated both in Japan and around the world into CCP, transform tacit knowledge into explicit knowledge, and roll that out globally as new value. This is something that we want to achieve by 2030.

**Nakanishi** Through discussions with the Innovation Division over the past year, I came to feel that innovation is the essence of management. Going beyond the pursuit of numbers alone, the Board of Directors should adopt a mindset by which directors change the Company itself from their individual standpoints. In that sense, I think a great strength of JTEKT is that the president takes the lead in advancing transformation, in response to which everyone continues to give their best. JTEKT is cultivating human resources who learn from issues on the shop floor, turn that learning into company-wide knowledge, and implement it in business. I believe JTEKT will become stronger by continually asking who our customers are and repeatedly taking on challenges at the worksite.

**Shimizu** This year, 2026, is the concluding year of our Second Medium-Term Plan as well as a year of preparation for our Third Medium-Term Plan. Our aim is to scale the frameworks and culture that the Innovation Division has built by leading transformation and taking on new challenges, making them the standard way the entire company operates. Doing so will require that we further refine our capabilities for identifying issues. By enhancing our accuracy in uncovering real social issues and proposing solutions based on company-wide knowledge, I think we can raise the competitiveness of JTEKT as a whole.

JTEKT's transformation into a solution provider is a work in progress. Along the way, the Company will leverage the knowledge gained through solving its own and customers' issues to increase the productivity, quality, and profitability of existing businesses. It will further develop internally-refined knowledge into solutions for external customers to create new revenue opportunities. This is how JTEKT views its growth heading toward 2030, and is the Company's path toward enhancing its corporate value.

# Medium-Term Business Plan

## Progress of the Second Medium-Term Business Plan

To realize the JTEKT Group 2030 Vision, our Group is steadily transforming into a solution provider under the Second Medium-Term Business Plan (FY2024–FY2026). In FY2025, the middle year of the plan, we worked to define and execute key initiatives and achieved steady results.

In terms of products, we have built a foothold for future growth by further evolving our long-cultivated technologies and strengths and by delivering high-value-added products that contribute to a next-generation mobility society. Our earnings structure has also improved significantly under structural reforms in Europe and initiatives to improve profitability in North America.

Looking at numerical targets, ROE and other financial metrics for FY2025 results have trended downward amid the recording of temporary expenses associated with structural reforms. However, in FY2026, the final fiscal year of the plan, ROE and business profit ratio have come within sight of achieving our targets due to the effects of profitability improvements.

In non-financial areas, we are assessing company-wide results of employee engagement initiatives using eNPS as a KPI, and are connecting these results to actions aimed at enhancing engagement through workplace improvements grounded in labor-management dialogue and external engagement surveys. Our initiatives aimed at sustainably enhancing corporate value are also solidly yielding results. Among these, we achieved our Second Medium-Term Business Plan target for $CO_2$ emissions reduction (vs. FY2013) ahead of schedule during FY2025.

In FY2026, the culminating year of the Second Medium-Term Business Plan, we will carry out measures we have set for achieving targets, sow seeds of growth for the next Medium-Term Business Plan, and maximize our corporate value in both financial and non-financial aspects.

### Numerical Targets for the Second Medium-Term Business Plan

| | FY2024 result | FY2025 result | FY2026 forecast | Second Medium-Term Business Plan target |
|---|---|---|---|---|
| **ROE** | 1.8% | 1.6% | 6.2% | 7-8% |
| **Business profit ratio** | 3.4% | 3.9% | 4.8% | 5-6% |
| **PBR** | 0.48 | 0.66 | - | 1.0 |
| **Revenue** | 1.88 trillion yen | 1.92 trillion yen | 1.88 trillion yen | 2 trillion yen |
| **Employee engagement** (eNPS*) | -58 | -63 | - | -55 |
| **$CO_2$ reduction goal** (compared to FY2013) | -36.0% | -49.3% | - | -45% |

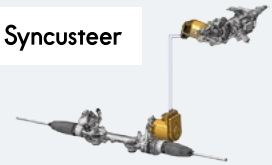
*eNPS: Employee Net Promoter Score; non-consolidated base

**Achievement of the Medium-Term Business Plan ahead of schedule**

## Main Achievements

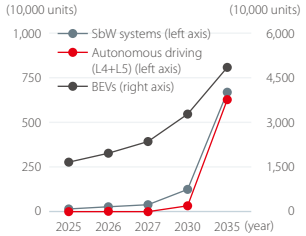
### JTEKT Steer-By-Wire System and Pairdriver™ Achieve First Adoption in Mass-Produced Vehicles

A steer-by-wire system developed by JTEKT has been selected for use in Toyota's RZ, the first battery electric vehicle (BEV) model in the automaker's Lexus brand. With no mechanical connecting structure between the steering control unit and the steering unit, the system expands the potential of mobility through outstanding driving comfort and vehicle design flexibility.

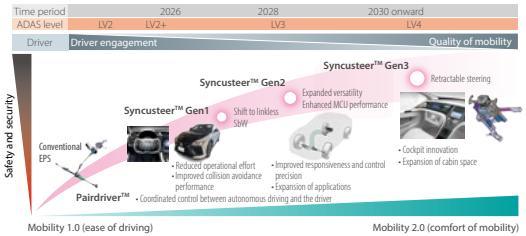



Our steer-by-wire system draws on the technological capabilities we have accumulated to date to achieve both accurate transmission of road surface information and comfortable steering at high levels. These technical advantages have won high regard in the market, with RZ drivers commending the natural and intuitive steering feel and outstanding driving experience. Going beyond simple by-wire solutions, we will pursue the further evolution of our technology and value to realize steer-by-wire systems unique to JTEKT. Demand for steer-by-wire systems is predicted to grow rapidly from 2030 amid the proliferation of autonomous driving and BEVs. We will enhance our added value as mobility society evolves and will connect this value to solid market share growth during the market's growth phase.

Passenger vehicle market forecast




Evolution of steer-by-wire systems




(Sources) BEV volume forecast: Based on S&P Global data (2026); Forecasts for autonomous driving and SbW adoption: Based on "Future Outlook of the Autonomous Driving and AI Car Market 2024," Fuji Chimera Research Institute

Pairdriver™, a collaborative steering system that naturally connects the autonomous driving system with human steering, has been adopted for the first time in a mass-produced vehicle as the steering control system in Toyota's new RAV4 model. Pairdriver achieves high-level tracking to the target trajectory and smooth steering intervention through high-precision steering control. By offering new driving assistance experiences based on intuitive communication between humans and systems, we will continue to provide driving environments that feature unprecedented levels of safety, security, and comfort.



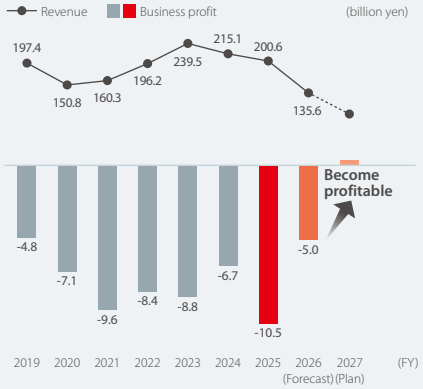
# Medium-Term Business Plan

## Main Achievements

### Steady Execution of Structural Reforms in Europe

In the European region, where deficits had become the norm due to a downturn in the market environment, we have been advancing structural reforms aimed at dramatically improving profitability. To optimize our business structure, we have so far undertaken the transfer of our pump business, our needle roller bearing business, and our automotive business for European customers, measures that have significantly improved our profitability in the European region. We will complete our structural reforms during the period of the Second Medium-Term Business Plan and expect to become profitable in FY2027. Looking ahead, we will continue working on operating our business with an emphasis on maximizing corporate value with efficient allocation of management resources.

Change in sales and profit in Europe



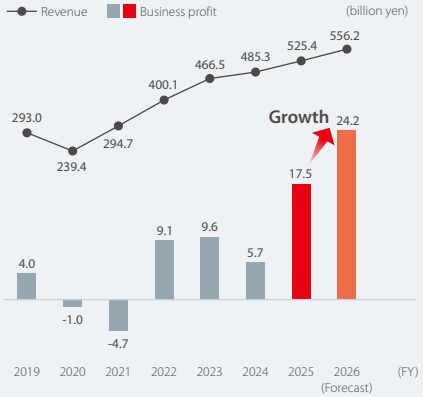

### Rapid Improvement in Our North American Earnings Structure

An issue in the North American region is increased "loss costs," or expenses that would not be incurred under normal production conditions. These include costs for transporting products from other regions to make up for decreased productivity, overtime pay, and production shortages related to higher turnover and skilled personnel outflows in the wake of the COVID-19 pandemic. To address these costs, we formed a joint Japan-US task force to stabilize production and entrench improvement activities. These actions have yielded results in the form of a steady reduction in "loss costs," which we expect to reach zero in FY2026. We also undertook price optimization initiatives with the result of improvement in both purchase prices and selling prices, which has greatly contributed to strengthening the earnings structure. We will continue to position North America as a growth region and will work toward sustainable growth.

Change in amount of "loss costs"




Change in sales and profit in North America

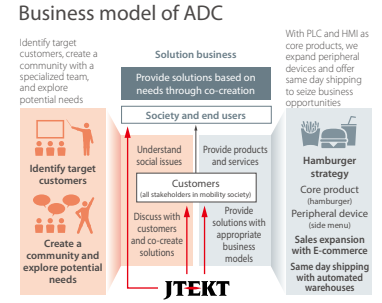



## Initiatives for the Third Medium-Term Business Plan

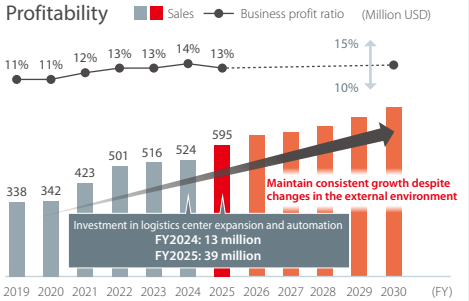
### Expansion of the North America FA Business

The North America FA Business, which is operated by Group company AutomationDirect.com Inc. (ADC), has developed into a key business that drives growth of the Group with its high growth and profitability. A strength of ADC is that it proactively engages with customers to uncover potential needs, quickly reflects those needs in its product lineup, and proposes sets composed of products needed to solve customer issues. This business model is an advanced case that embodies our stated goal of transformation into a solution provider. We will continue to accelerate business growth with active investment, extending the resulting knowledge throughout the Group and connecting it to the expansion of our solution business.

Business model of ADC



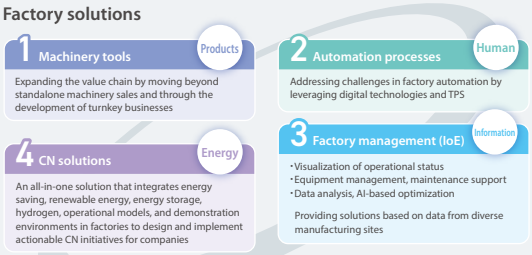

Profitability




### Taking on the Challenge of Factory Solutions

We intend to expand our factory solutions business, which addresses factory-wide issues at customer factories through total solutions, as a new growth area. Although we are a manufacturer of parts and therefore have manufacturing sites, we also have the technical capabilities to develop and provide machine tools and production equipment. Our ability to grasp issues originating on the shop floor and bring form to optimal solutions is one of our major strengths. Taking advantage of this unique competitive advantage and accelerating our high-value-added solution business, we aim to create new revenue opportunities and enhance our corporate value. We are already seeing progress in the creation of projects that connect to business, and will present a more concrete growth strategy in our Third Medium-Term Business Plan.

Factory solutions



# Dialogue with Stakeholders

## Shareholders and Investors

### Approach

In our thinking, realizing our Mission of "Joint Technology to bring joy to the planet earth and all working people" and sustainably growing as a company are goals that require constructive dialogue with shareholders and investors. We work to clearly explain our management strategy and status to these stakeholders by actively expanding opportunities for dialogue. The feedback we gain is shared with our management team, circulated within the Company, and reflected in our corporate management to achieve long-term enhancement of our corporate value.

### Dialogues in FY2025

We communicated with analysts and institutional investors through quarterly financial results briefings and hands-on programs such as factory tours, while expanding opportunities for discussions with individual analysts and institutional investors on topics related to our management issues. For individual investors, we created opportunities to enhance understanding of our Company's strengths through the General Meeting of Shareholders and company briefings.



| Details | FY2023 | FY2024 | FY2025 | Major participants |
|---|---|---|---|---|
| Financial results briefings | 4 times | 4 times | **4 times** | CEO, CFO |
| Business briefings | 0 times | 1 time | **0 times** | CEO, CFO |
| Small-group meetings with analysts and institutional investors | 4 times | 5 times | **2 times** | CEO, CFO |
| Individual meetings (analysts, fund managers, etc.) | 134 times | 135 times | **159 times** | People responsible for IR materials |
| Shareholder relations (SR) meetings | 0 times | 0 times | **5 times** | CFO, General Manager of the Corporate Planning Department |
| IR Day for analysts and institutional investors | 0 times | 1 time | **1 time** | CPO, CFO |
| Conferences for overseas investors | 0 times | 1 time | **2 times** | CFO |
| Briefing sessions for individual investors | 0 times | 1 time | **1 time** | General Manager of the Finance & Accounting Department |

### Main Concerns of Shareholders and Investors, and the Status of Our Response

| Opinions and requests | Response status | Details of response |
|---|---|---|
| Please clarify the Company's areas of focus and areas where it can reduce effort, and the business portfolio it seeks in the medium to long term. | In progress | We are quantitatively evaluating our growth potential and profitability at the business and product levels while conducting discussions of where to focus our efforts, and where to reduce efforts. To build an optimal business portfolio, we will make sound selections from among a wide range of options that include M&A and business restructuring.<br>P.27 Financial Strategy |
| What sort of measures will the Company take with regard to its still-unprofitable European business? When will the business become profitable? | In progress | We have announced the transfer of the pump business, NRB business, and the automotive business for European customers. With the completion of the remaining structural reforms, we expect profitability in the fiscal year ending March 2028.<br>P.23 Medium-Term Business Plan |
| Please clarify the connection between the Company's transformation into a solution provider and the enhancement of its corporate value. | In progress | In addition to creating mechanisms to accelerate the high-value-added solution business, we are examining a concrete strategy for creating new revenue opportunities.<br>P.02 Message from the President P.17 What Is a Solution Provider? P.19 Innovation Roundtable |
| Please present specific measures and a roadmap for improving ROE, PBR, and the business profit ratio. | In progress | By promoting structural reforms in Europe, improving revenue in North America, and improving profitability through the introduction of next-generation EPS in line with model changes, we expect ROE and the business profit ratio to increase toward their target levels during the final fiscal year of the Second Medium-Term Business Plan.<br>P.02 Message from the President P.27 Financial Strategy |
| Please explain the contribution to profit that you expect steer-by-wire systems to make. | In progress | We expect demand for steer-by-wire systems to increase rapidly from 2030 as autonomous driving and BEVs proliferate. To increase sales in line with the growth of demand, we will increase our added value by leveraging our strengths in areas such as mass production, high reliability, and advanced control and communication technologies.<br>P.23 Medium-Term Business Plan P.43 Business Strategy |
| How will the Company grow sales of industrial machinery and products for retail markets in the industrial and bearings business? | In progress | We will determine our areas of focus, identify the areas in which we hold advantages over competitors, and strengthen those areas. In response to the movement toward reorganization in the industry, we have created a dedicated team within the Company to look into a strategy.<br>P.43 Business Strategy |
| Please show the Company's sales and future growth prospects in the North America FA business, a growth area. | Completed | Beginning with our financial results briefing materials for the fiscal year ended March 2026, we are disclosing information on our earnings and future expansion strategy.<br>P.23 Medium-Term Business Plan |
| What is the Company's policy on shareholder return? | Completed | We revised our dividend policy to a DOE-based policy in the Second Medium-Term Business Plan, and clarified the status of our shareholder return in our financial results briefing materials. We have clarified the allocation of cash to shareholder return and are carrying out this allocation in line with the plan.<br>P.02 Message from the President P.27 Financial Strategy |
| Please clarify the Company's human resource strategy linked to its management strategy. | In progress | In our human resource strategy aimed at realizing a transformation into a solution provider as set out in our 2030 Vision, we are undertaking initiatives under the theme of "people and site-first management."<br>P.02 Message from the President P.31 Human Resource Strategy P.47 Roundtable Discussion on Sustainability |
| The Company's executive compensation does not seem strongly linked to management strategy, performance, and stock price. | In progress | Beginning with the fiscal year ending March 2027, we have incorporated KPIs from our Medium-Term Business Plan into the performance-linked metrics for executive compensation. We will continue discussions aimed at further improvement.<br>P.57 Dialogue Between Outside Directors and Investors P.61 Corporate Governance |
| There appears to be room for improvement in the composition of members of the Executive Personnel Meeting and the Executive Compensation Meeting, and the number of times they meet. | In progress | In improving our sustainable corporate value, we recognize that the establishment of globally competitive personnel and compensation structures, along with the assurance of transparency in these, are issues. We will continue our discussions aimed at improvement while referring to other companies in our industry and to leaders in these areas.<br>P.57 Dialogue Between Outside Directors and Investors P.61 Corporate Governance |
| The Company should set up opportunities for dialogue with outside directors. | Completed | We hold small-group meetings between outside directors and institutional investors and disclose the content in our integrated report.<br>P.57 Dialogue Between Outside Directors and Investors |

# Dialogue with Stakeholders

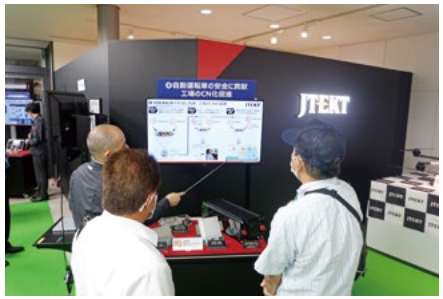
## Toward Further Expansion of Dialogues

To achieve constructive dialogues, we will continue working to raise the level of our information disclosure by enriching our integrated reports, financial results-related materials, and non-financial information.

In the area of IR and SR activities, we will expand the number of dialogues held with the CEO and outside directors and will step up our proactive outreach initiatives. We will also work to expand dialogue with overseas investors and create new opportunities for dialogue with individual investors, as we strive to promote understanding of our growth strategy and deepen relationships of trust.




IR Day for analysts and institutional investors




Facility tour for shareholders

## Labor Union

We believe that building relationships of trust with each and every employee is vital to the continuous enhancement of our corporate value. Accordingly, we view the labor union as a key partner and respect the will, individuality, and inherent capabilities of each and every individual under our Value of "Yes for All, by All!" We are also promoting the creation of workplaces where everyone can put forth ideas not constrained by the frameworks of top management, supervisors and subordinates, colleagues, or even departments.



Labor-management dialogue

In FY2025, we drew on the results of a psychological safety questionnaire by the labor union and an employee engagement survey by the Company to hold discussions throughout the year on the improvement of psychological safety and employee engagement. As a result of this, we are striving for the verbalization of issues, emphasizing "communication first" before the start of work, and fostering an organizational culture in our workplaces in which supervisors, subordinates, and colleagues discuss approaches as they tackle the resolution of issues. We are also working to improve management capabilities so that managers can identify with, back up, and properly evaluate employees who bring up issues. We place importance on co-creating effective measures through the combined efforts of labor and management while clarifying issues at sites and workplaces.

## Local Communities

With "Joint Technology to bring joy to the planet earth and all working people" as our Mission, we contribute to the advancement of society through dialogue and co-creation with local communities to address social issues and achieve sustainable growth. One of our Group subsidiaries runs the men's volleyball team JTEKT STINGS Aichi as an initiative for the promotion and development of sports. Based in the city of Okazaki in Aichi Prefecture, the team interacts with its community. We create opportunities to hear directly from citizens through the operation of groups aimed at urban invigoration in partnership with local government bodies, residents, businesses, and related organizations, and through interaction-oriented events at locations such as commercial facilities. We also work to deepen an understanding of the joy of sports, as well as of mental and physical health, through direct interactions with children and community residents in volleyball workshops at elementary schools and school outreach programs in collaboration with companies. We treasure the ability to deepen mutual understanding and build two-way relationships with community members through these opportunities for exchange and dialogue.



School cap donation event for children

Details of JTEKT's community contribution activities https://www.jtekt.co.jp/socialcontribution/ (Japanese)

Details of dialogue with other stakeholders here https://www.jtekt.co.jp/e/sustainability/

# Financial Strategy



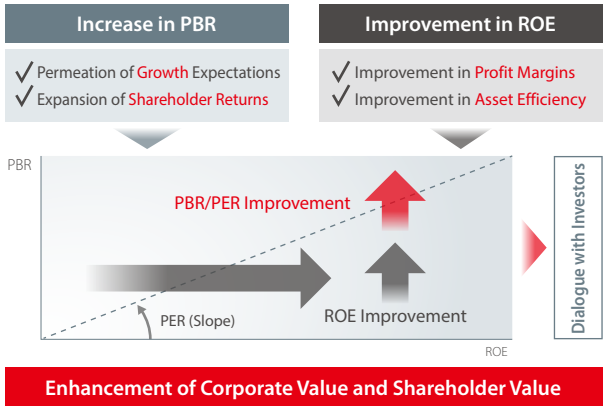
## Message from the CFO

Kazuyuki Kamiya
Senior Executive Officer
Chief of Corporate Division
Chief Financial Officer (CFO)

Our Company positions the maximization of corporate value through the sustained improvement of ROE as the top management priority. To achieve this, it is essential to incorporate the cost of capital as a clear metric into management decision-making and to consistently generate returns that exceed it. I recognize that my most important responsibility is to efficiently utilize the capital entrusted to us by shareholders and investors and translate it into steady value creation. To that end, we will continually review the allocation of management resources—represented by people, goods, and money—and further enhance the quality of decision-making from the perspectives of growth potential, profitability, and efficiency.

Furthermore, we will establish a virtuous cycle of value creation by strategically circulating the cash generated from our business operations into investments for future growth, investments in human resources and digital transformation that support our management foundation, and stable shareholder returns. Under our philosophy, "Connecting JTEKT's vision for the future with all stakeholders, and bringing joy to everyone involved," we will continue to engage in constructive dialogue with our investors and reflect the feedback we receive in our management, working to achieve transparent and disciplined governance.

### Initiatives to Enhance Corporate Value




## Review of FY2025

In FY2025, against the backdrop of a weaker yen and a recovery in sales volumes, primarily in Japan and North America, revenue increased by 40.5 billion yen year on year to 1.9249 trillion yen. As for business profit, despite an increasingly challenging business environment—including U.S. tariff policies and intensifying competition, especially in China—the Company achieved a year-on-year profit increase of 10.7 billion yen, reaching 75.6 billion yen. This was supported by the results of task force initiatives aimed at reducing "loss costs" and optimizing pricing in North America, as well as cost-reduction efforts.

Meanwhile, in Europe, amid a continued slump in market conditions, the Company recorded business restructuring expenses of 35.7 billion yen to implement structural reforms, including the transfer of its automotive business for European customers and the restructuring of its sites. In addition, due to one-time costs such as impairment losses on fixed assets, operating profit stood at 24.8 billion yen, and profit attributable to owners of the parent company was 11.9 billion yen, resulting in an ROE of just 1.6%.

The Company summarizes FY2025 as a year in which, while ROE declined in the short term amid the process of completing the structural reforms incorporated into the Second Medium-Term Business Plan, it laid the groundwork for strengthening profitability and improving capital efficiency to support future growth.

## Positioning of FY2026

FY2026 is positioned as the year to complete the final phase of the Second Medium-Term Business Plan. We will fully execute the measures we have been advancing to strengthen our business foundation, and capture the resulting benefits. As a result, we forecast revenue of 1.88 trillion yen, business profit of 90.0 billion yen (business profit ratio of 4.8%), profit for the period of 50.0 billion yen, and an ROE of 6.2%, with the aim of achieving record-high profits. With the numerical targets of the Second Medium-Term Business Plan now coming within reach, the entire Group remains firmly focused on profitability and earning power as we drive our activities forward.

### Primary KPI Targets

| | 2025 result | 2026 forecast | 2026 Medium-Term Business Plan |
|---|---|---|---|
| ROE | 1.6% | 6.2% | 7-8% |
| Business profit ratio | 3.9% | 4.8% | 5-6% |
| PBR | 0.66 | - | 1.0 |
| Revenue | 1.92 trillion yen | 1.88 trillion yen | 2 trillion yen |

That said, the business environment surrounding our Company is changing rapidly. Uncertainty is rising further against the backdrop of conflicts and other geopolitical risks materializing, and the strengthening of protectionist policies in various countries. Industry realignment is also accelerating, including business integration among competitors, demanding greater flexibility to respond swiftly to changing times and faster, more accurate decision-making than ever before. Furthermore, in an environment of rising interest rates and capital costs, improving capital efficiency with an awareness of time value becomes a critical management priority.

# Financial Strategy

During the period of the Second Medium-Term Business Plan, we are advancing our shift toward management focused on ROIC. This fiscal year, we will proceed with restructuring our business portfolio with a view toward the future, while continually monitoring asset values even after investments are made. For businesses that do not generate returns commensurate with the cost of capital, we are prepared to exit without hesitation.

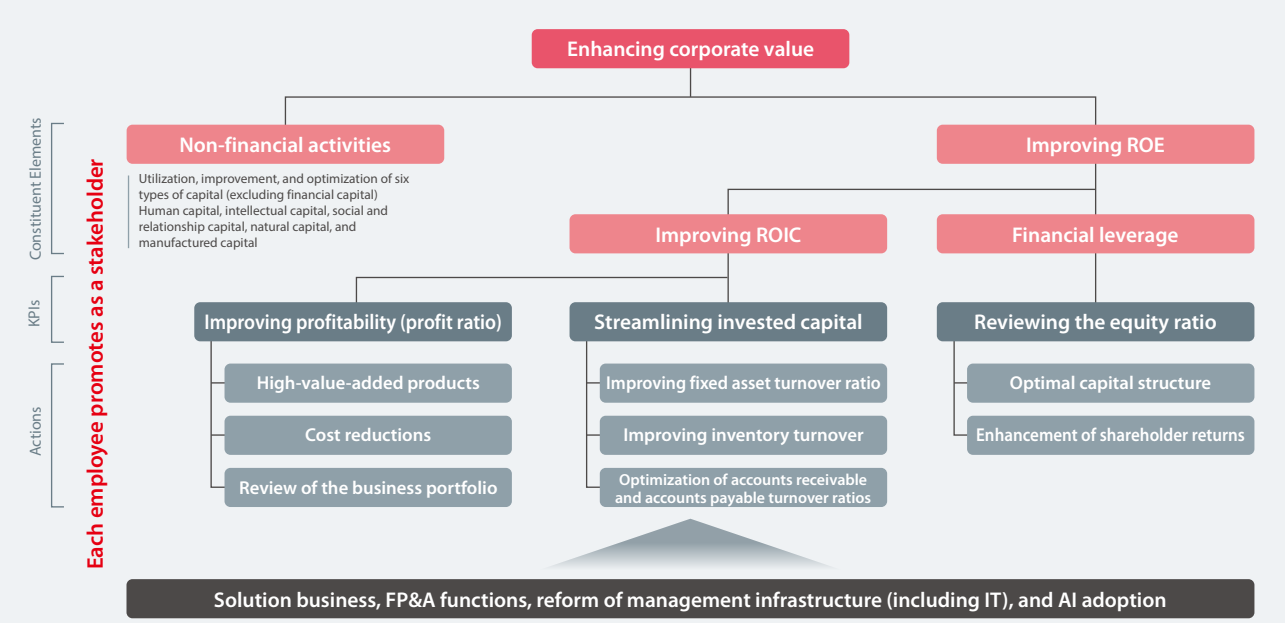
Specifically, we have introduced J-ROIC (business profit after taxes ÷ inventory and fixed asset balance) management, which integrates profitability and invested capital, to visualize capital efficiency by business and region. Based on this visualized data, we will allocate management resources preferentially to areas where profitability and growth potential are expected, while making agile decisions—including scaling back or exiting—for areas with limited room for improvement.

Furthermore, we are leveraging AI and upgrading our digital infrastructure to enhance the accuracy of performance forecasts and variance analysis, while also speeding up the use of data. As part of our management foundation reforms, the J-REBORN project will introduce ERP and PLM systems, enabling us to centrally oversee financial data and realize consistent management control throughout the Group.

Through this comprehensive set of initiatives, we will build a new management foundation anchored on two key pillars: data-driven decision-making and management focused on capital efficiency.

In the next section, we will outline the measures being implemented to achieve our numerical targets in the final year of the Second Medium-Term Business Plan, organized around three perspectives: strengthening profitability, improving capital efficiency, and capital policy and shareholder returns.

ROE Tree




## Strengthening Profitability

### Bringing High-Value-Added Products to Market

We are concentrating our efforts on developing and bringing to market high-value-added products, including steer-by-wire and Pairdriver™. In addition, we view our e-commerce business in North America and the shift of our business toward factory solutions, centered on machine tools, as important drivers that will underpin our future growth. With regard to increasingly sophisticated software, we are striving to create a new business model by quantitatively articulating the software's added value to customers and ensuring that this value is appropriately reflected in pricing.

### Cost Reduction

To reduce costs, we are promoting initiatives that combine improvement activities on the shop floor with structural reforms. As part of shop-floor digitalization efforts, we have internally developed a maintenance equipment app that has shortened repair times, and we have also introduced proprietary AI into product inspection processes to reduce our workforce and improve profitability. For the current fiscal year, we aim to further improve profitability through the global deployment of remote maintenance using digital equipment and the expanded application of AI at production sites. Looking ahead, we also aim to expand our AI capabilities beyond internal use to develop business solutions that address customers' challenges.

We are also building a cross-divisional knowledge base of past quality issues and failure cases, which we are deploying globally, to prevent new "loss costs" from incurring. In addition, by analyzing these failure cases to uncover root causes and proactively developing technical solutions, we seek to reduce the lead time for resolving any new quality issues that may arise, ultimately curbing "loss costs."

# Financial Strategy

Furthermore, as a measure to curb increases in fixed costs, we are promoting workforce reduction through the automation of production lines and in-house logistics. Utilizing our internal metric J-BEP (an index measuring the degree of improvement in the break-even point by comparing changes in fixed costs and marginal profit against baseline plan values or prior-year results), we are continually pursuing improvement activities to achieve marginal profit growth that exceeds increases in fixed costs. Through these efforts, our break-even point sales ratio improved from 87.9% in the prior fiscal year to 86.4% in FY2025. In FY2026, we will further intensify our initiatives to bring this ratio even lower.

## Structural Reforms

As part of our cost reduction measures, we have steadily progressed with the consolidation of low-profitability sites, as well as production and business transfers. In Europe, we have carried out the transfer of the NRB business and the automotive business for European customers, among others, and are aiming to return to profitability in FY2027. In North America, we reduced fixed costs by closing an unprofitable bearing plant and transferring production to more competitive plants.

In China and the ASEAN region, we are considering reorganizing our sites on the assumption that the market will contract. Meanwhile, we will continue to rigorously optimize the allocation of management resources, including by actively investing in India, where market expansion is expected.

### Structural Reform Initiatives

| | |
|---|---|
| FY2023 | Transfer Euro industrial pump business |
| FY2024 | Transfer Euro NRB* business, withdraw from Euro & American TRB* production |
| FY2025 | Transfer automotive business with Euro customers |
| FY2026 | Complete remaining structural reforms<br>[Exit from HUB unit and bearing manufacturing sites (Romania and the UK)<br>→ Production transfer to Japan, China, and other regions] |

*NRB: Needle Roller Bearing, TRB: Tapered Roller Bearing

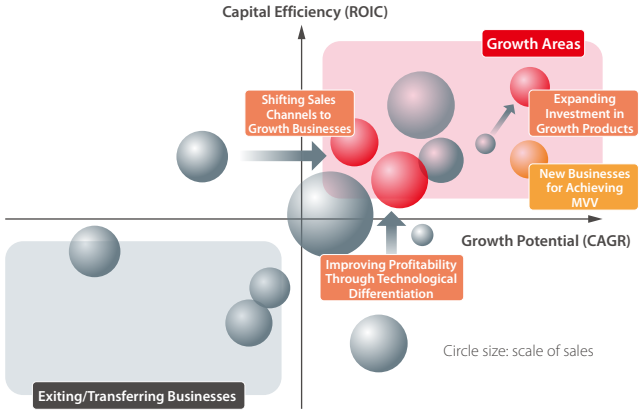
## Restructuring the Business Portfolio

We position the optimization of our business portfolio as one of our key management priorities. Amid changing market conditions and growing demands for management that is conscious of the cost of capital, we are shifting toward a business portfolio that emphasizes capital efficiency, rather than relying solely on sales growth.

In the current fiscal year, we will conduct quantitative evaluations of growth potential and capital efficiency at the business and product level. Through a four-quadrant analysis that combines growth (CAGR) and capital efficiency (ROIC), we will objectively visualize which areas warrant focused investment and which do not.

In addition, to make portfolio optimization truly effective, we are implementing financial planning & analysis (FP&A). By providing quantitative insights on how a given decision may impact profitability, cash generation, and capital efficiency, FP&A will serve as a key support function for management decision-making. Furthermore, by continually analyzing the gaps between plans and actual performance, and using those findings to review and improve our strategy, we will speed up the PDCA cycle in our management.

### Business Portfolio Restructuring (Conceptual Diagram)




## Improving Capital Efficiency

### Improving Fixed Asset Turnover Ratio

We are continuously working to elevate the quality of investment decisions and reinforce monitoring after investments are made. In FY2025, we improved our fixed asset turnover ratio through disciplined capital expenditure and more efficient utilization of existing assets.

Starting in FY2026, we will apply appropriate business-specific hurdle rates in our DCF-based investment decisions and carry out stricter evaluations than in the past. Furthermore, by bringing DCF calculations forward to the early stages of planning and visualizing projected cash flows and invested capital efficiency from the outset, we aim to prevent overinvestment and maximize the cash we generate.

Furthermore, we will institutionalize post-investment follow-up to track performance against plans, analyze the root causes of any deviations, and take corrective actions to maximize returns on investment. Through this PDCA cycle, we will feed the lessons learned back into future investment decisions, thereby enhancing our track record of investment success.

In recent years, we have seen major shifts in our business environment, from the trend toward smaller-scale customer projects to a plateau in automotive production volumes. Adapting to these changes requires the deployment of highly flexible equipment and production lines. By introducing versatile, general-purpose equipment that enables agile capacity adjustments and supports a wide variety of projects, we aim to reduce lifetime capital expenditure while improving the resilience of our production framework. At the same time, we are pursuing company-wide initiatives to lower total investment—including labor costs—by shortening production preparation lead times, and to enhance our overall competitiveness.

# Financial Strategy

## Shortening the Cash Conversion Cycle

We are reducing inventory levels as part of our efforts to shorten the cash conversion cycle (CCC).

In FY2025, against an inventory reduction target of 20.0 billion yen, we achieved a reduction of 30.0 billion yen, excluding the impact of external factors such as foreign exchange and additional tariffs. Beyond optimizing inventory levels through coordination between sales, production, and logistics, we also addressed an issue, where finished goods with identical part numbers were dispersed across multiple locations, by promoting centralized management. In addition, through warehouse consolidation initiatives beginning in the Kansai region, we have made steady progress year on year in reducing stagnant inventory and improving inventory turnover.

Taking into account the impacts of demand fluctuations and supply constraints, we will continue to reduce global inventories from FY2026 onward by expanding centralized inventory management. At the same time, we will shorten lead times for production preparation to reduce inventory built for stock, with the goal of improving inventory turnover.

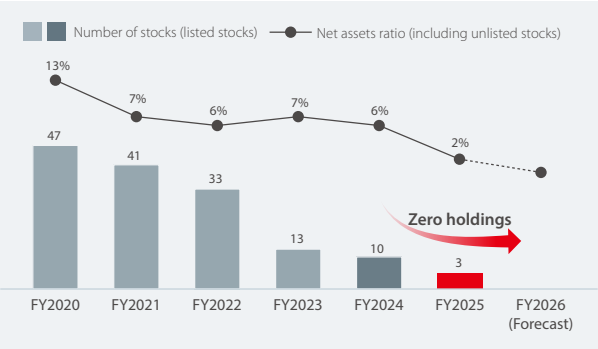
In addition, to improve the turnover ratio of receivables and payables, we are strengthening credit management to eliminate overdue receivables and are engaging in discussions with customers to optimize collection periods. Through these activities, we aim to improve the cash conversion cycle (CCC).

## Reduction of Cross-Shareholdings

From the standpoint of improving capital efficiency, we are subjecting our cross-shareholdings to ongoing and rigorous review. We are steadily reducing our holdings of listed stocks, which peaked at 77 in FY2018, and are aiming for zero holdings by FY2026.

In FY2025, we proceeded with reductions through diligent dialogue with investee companies, taking into consideration business relevance and other factors, irrespective of whether the holdings were listed or unlisted. Moving forward, we will continue to pursue more effective utilization of capital by reducing cross-shareholdings, based on business necessity and the cost of capital.

Change in Cross-Shareholdings (Listed Company Stocks)




# Capital Policy and Shareholder Returns

## Capital Policy and Cash Allocation

In pursuit of sustainable growth, we are committed to lowering our cost of capital while ensuring an appropriate balance between safety and efficiency. We are reforming our capital structure through diversification of funding sources and appropriate shareholder returns, while also striving to maintain and improve our credit ratings and build a stable funding base.

Meanwhile, we are efficiently allocating the capital entrusted to us by investors and the cash generated from our operations to drive business growth, address social issues, and deliver stable returns to our shareholders over the long term.

For FY2026, our policy is to secure the funds necessary for capital expenditures in projects within our focus products and regions, as well as the funds necessary to complete structural reforms in Europe and America, while also delivering shareholder returns through continual and stable dividends and flexible share buybacks.

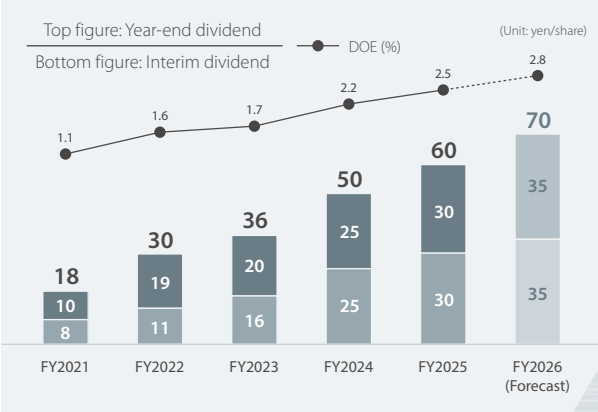
Looking beyond FY2027, we anticipate that expenses related to structural reforms in Europe and "loss costs" in North America will subside, freeing up capital to be directed toward proactive, growth-oriented investments such as new businesses, solution businesses, and M&A. By executing these initiatives with discipline, and by optimizing resource allocation across the Group, we will take steady steps toward a new phase of growth.

## Enhancement of Shareholder Returns

In FY2026, we plan to pay a dividend of 70 yen per share (up 10 yen from the previous fiscal year, representing a DOE of 2.8%). Guided by a stable dividend policy that is resilient to earnings volatility, we will continue to deliver consistent returns to our shareholders. Furthermore, we intend to conduct agile share buybacks in light of capital efficiency and market conditions, thereby enhancing shareholder value.

Going forward, we will continue to position ROE as a key metric and aim to sustainably improve corporate value by appropriately allocating the cash we generate to investments for future growth and shareholder returns.

Change in Dividend Amount



# Human Resource Strategy



**Message from the HR Executive**

Shinobu Shimizu
Senior Executive Officer,
Chief of General Administration and
Human Resources Division

The business environment surrounding our Company is undergoing a major transformation. Technological innovation is being spurred by advances in electrification, digitalization, and AI. Global competition is intensifying, and geopolitical risks are on the rise. In this rapidly changing environment, we believe that our human resources are one of the most important drivers behind our transformation into a solution business and our ability to grow sustainably alongside society.

## Promoting Management Centered on Human Capital

Guided by our mission of "Joint Technology to bring joy to the planet earth and all working people," we set forth our 2030 Vision as becoming "A solution provider creating the future of mobility society through Monozukuri and Monozukuri equipment." To realize this vision, we position our people as a critical management asset and promote management centered on our people and their workplaces. Our human resources are not merely a cost; we clearly position them as a focus of investment, strategy, and risk management, and hold ongoing discussions about them at Management Meetings and division chief meetings. The HR department, too, will not only fulfill its role in administering systems and ensuring fair and impartial HR practices, but will also become a strategic function that connects management with the workplace, as well as human resources with business operations.

## Creating Value Through Our Human Resource Strategy

Our human resource strategy is based on our people and site-first management, which is an approach that places people and the workplaces at the center of management. Under this approach, we are advancing initiatives that will strengthen our foundation for achieving the goals of the Medium-Term Business Plan. We reassessed our Materiality in 2025, identifying "human resource development fostering self-actualizing individuals" and "creating workplaces where challenges are embraced" as priorities. By also prioritizing "building structures that enable employees to do what they want," we are advancing an integrated, three-part human resource strategy of developing people, devising systems, and designing workplaces. In developing people, we acquire and train talent equipped with the capabilities necessary to execute our strategy. In devising systems, we establish frameworks for talent deployment, evaluation, and compensation that visualize these capabilities and enable them to be fully leveraged. Furthermore, in designing workplaces, we build an environment where employees can naturally engage in dialogue and take on challenges, thereby channeling individual strengths into organizational results. We believe that only by advancing these three areas as a unified whole can we effectively translate the strength of our human resources into business results.

Building on the individuality and strengths of each employee, and while respecting their WILL, we train, place, and leverage them in alignment with our management strategy, aiming to sustainably grow both our employees and the organization. At JTEKT, a career is not something the Company unilaterally provides, but something the Company and each of its employees envision and realize together.

Starting with the growth and active engagement of each employee, we will combine and leverage the diverse skills and experiences of our human resources to enhance our ability to execute business strategy and drive profitability. We will sustainably create value by maintaining a virtuous cycle, where the active engagement of our employees generates business results, and those results are reinvested in employees and growth opportunities.

## Toward a Company That Continues to Grow: Developing and Empowering Our Human Resources

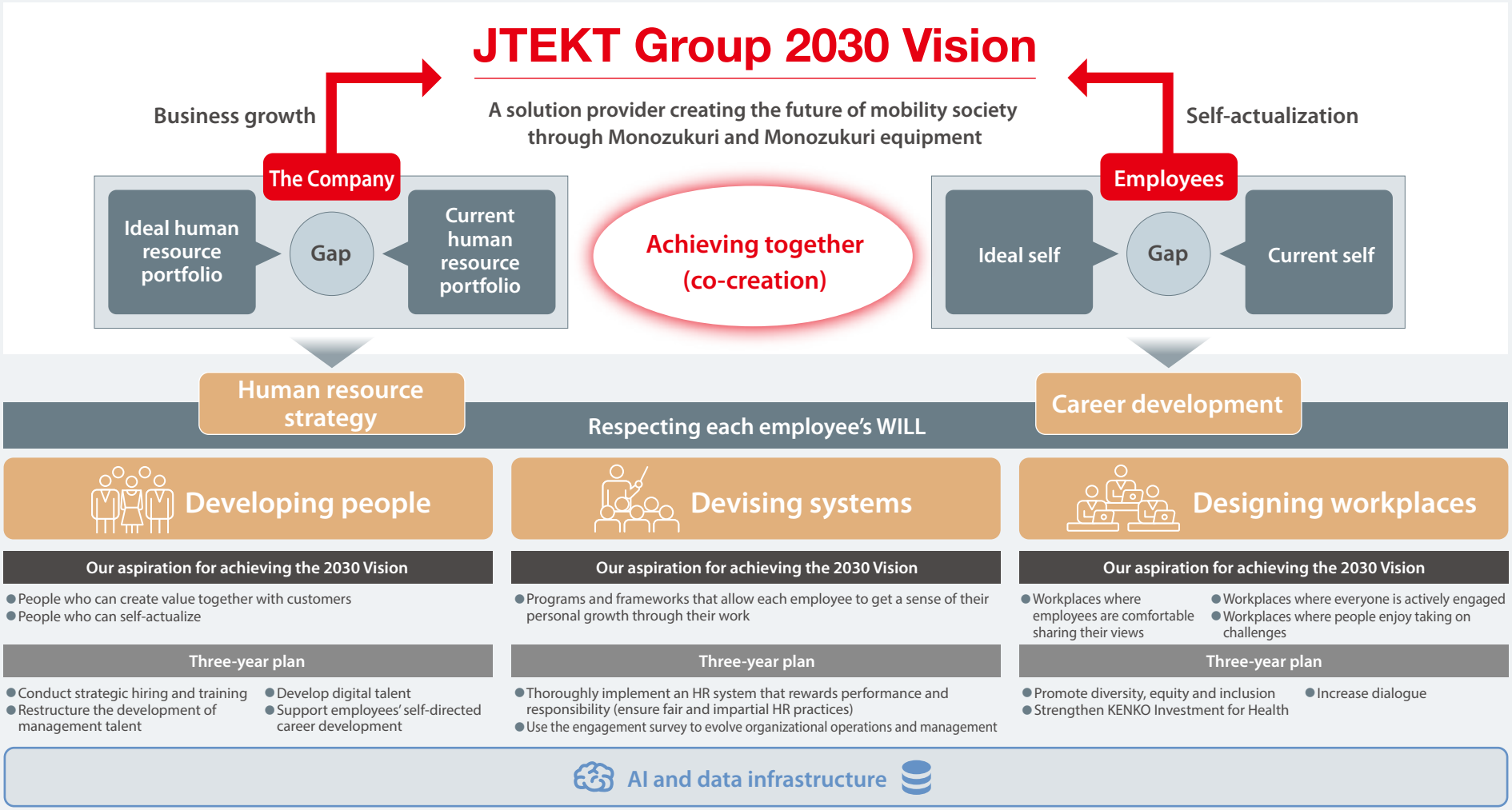
In human resource development, we are shifting our focus from simply training employees to creating a system for their continuous growth. In particular, we are prioritizing the improvement of problem-identification skills, which are needed to identify the fundamental challenges faced by customers and society, and therefore essential for the human resources driving our solution business. We are also fostering practical skill development through training programs and on-the-job training (OJT). In addition to recruiting and training highly skilled professionals capable of working across mechanical, electrical, and control engineering disciplines, we are promoting the growth of digital talent, including those skilled in AI applications. Our company-wide Digital Festival initiative encourages the workplace to drive improvements and take on challenges, which has led to enhanced quality, gains in operational efficiency, and other tangible results.

Furthermore, to ensure that the skills and experience of individual employees do not go untapped within the organization, we are making employees' skills and experience visible and putting them to effective use, aiming to be a company where talent never lies dormant. By creating an environment where cross-departmental placements, challenges, and co-creation are embraced and undertaken naturally, we will draw out the full potential of our human resources and strengthen our business competitiveness.

We believe that the value created through these initiatives will extend beyond strengthening business competitiveness and advancing technology, quality, and safety; it will also lead to the pride and self-actualization, and ultimately the happiness, of each and every employee. Centered on our Mission, Vision, and Value (MVV), we will firmly connect management with the workplace, the organization with its individuals, and our business with our human resources. We will trust our people, empower them, and move forward together. Through human capital management, our Group will sustainably grow its corporate value.

# Human Resource Strategy

Overview of Human Capital for Achieving the 2030 Vision



# Human Resource Strategy

## Progress in FY2025

As part of our Medium-Term Business Plan, we adopted a people and site-first management approach to strengthen our foundations. We categorized our initiatives for achieving the 2030 Vision into three areas—developing people, devising systems, and designing workplaces—and are implementing them under a three-year plan. Creating an environment where every employee can perform to the best of their ability, i.e., improving employee engagement, is a critical foundation to realize our goals.

We use the Employee Net Promoter Score (eNPS) as a quantitative indicator of the effectiveness of this management approach. Measurements began in FY2023, with a score of -69 points that year, followed by -58 points in FY2024, and -63 points in FY2025.

| | | 2023 result | 2024 result | 2025 result | 2026 Second Medium-Term Business Plan target | 2030 Vision target |
|---|---|---|---|---|---|---|
| People and site-first management | Employee engagement (eNPS) | -69 | -58 | -63 | -55 | -40 |

While FY2025 saw a temporary decline of 5 points compared to the previous fiscal year, our score has improved since the first year of measurements, and we believe it is on an upward trend over the medium to long term. That said, we recognize that the eNPS is subject to year-to-year fluctuations and is not necessarily an indicator that shows continuous improvement. Therefore, taking these fluctuations into account, we prioritize understanding medium- to long-term trends and their underlying structural factors. We position eNPS as an outcome indicator of company-wide engagement, and for detailed analysis, we use our newly introduced engagement survey to examine the relationship between employees' daily workplace experiences and their engagement levels. This approach allows us to both identify company-wide trends and pinpoint issues at the workplace level, which we then translate into improvement measures.

Analysis of the engagement survey newly introduced in FY2025 indicates a positive response rate of 47%. Through initiatives we have been advancing, including improvements to work environments, revisions to our HR system, and measures to boost communication, we have made progress in creating a company and workplace where employees can work comfortably, and we have seen some results in fostering psychological safety, trust in the Company, and a sense of pride.

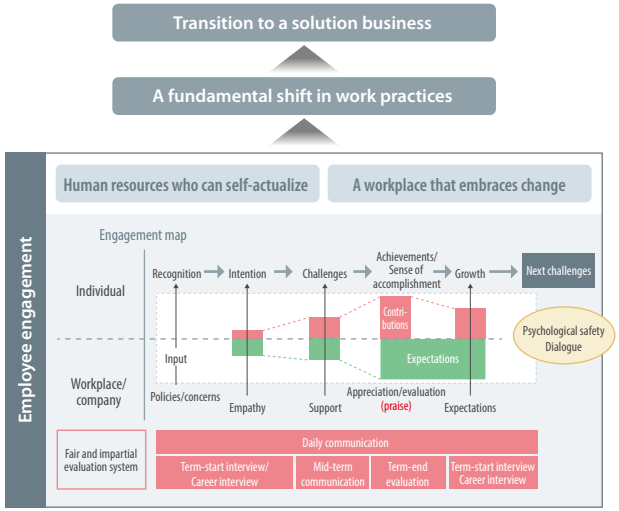
Employees are demonstrating a high level of alignment with our MVV and a strong sense of psychological safety in the workplace. They are also working with a sense of pride in contributing to society. As a result, the foundation for improving engagement is taking shape.

On the other hand, issues (areas for improvement) have become apparent, including employees feeling anxious about the Company's future or their own career development, as well as a lack of communication within the organization. We recognize these as structural issues that extend beyond individual workplaces and require company-wide initiatives. To address these issues, we will use engagement survey results to drive workplace dialogue and improvement actions. Through discussion between the labor union and management, we will also set priority themes (e.g., alignment of business transformation with day-to-day operations through the articulation of issues; strengthening of management capabilities) and drive forward our initiatives accordingly.




### Next Steps

Moving forward, to make sustained improvements rather than simply aiming to raise our score, we intend to pursue initiatives that focus on addressing issues based on a structural understanding of employee engagement, and on enhancing the quality of dialogue and improvement activities at each workplace. Our transition to a solution business requires a fundamental shift in the way we work, and employee engagement is a key element that will form the foundation for this change. Activities to boost engagement require ongoing efforts to support it, such as implementing a fair evaluation system, strengthening daily communication, and ensuring psychological safety. These efforts, in turn, will lead to the creation of a workplace where employees can make the most of their abilities.




Through these initiatives, we will maximize the return on our investment in human resources, enable each employee to make full use of their abilities, and improve organizational productivity, while steadily translating these results into business growth. Furthermore, by using the value created to reinvest in human capital, we will strengthen the foundation for sustainable growth. Moving forward, we will continue to promote human capital management as the core of our management strategy, aiming to enhance corporate value over the medium to long term.

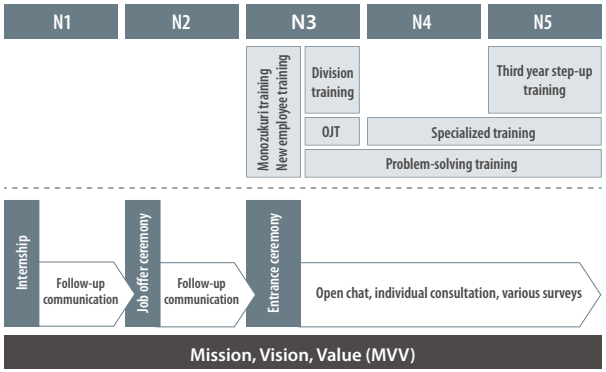
# Human Resource Strategy

## Developing People

### Recruitment and Development Focused on Alignment with Our MVV

To realize our transition to a solution business, we are committed to developing human resources who can create value together with our customers and balance personal growth with self-actualization. As the foundation for this, we promote the "N5 Plan," which integrates the five-year period from the internship stage through the years after joining the Company, and conduct recruitment and development with a strong emphasis on alignment with our MVV.

In FY2024, we introduced the Senior Matching System to strengthen alumni hiring and enable the employment of senior talent whose re-employment period has expired, with the aim of securing outstanding talent and inheriting and utilizing their experience and expertise. By leveraging talent that already understands our Company's values and business, we are building an organization founded on alignment with our MVV. Furthermore, in light of changes in the labor market and competitive landscape, we introduced the Professional Position system in 2023 to secure highly specialized talent and provide compensation commensurate with performance and responsibilities. Under this system, we establish positions for roles that are critical to management and business strategy and require a high level of expertise. By recruiting and promoting suitable talent from both inside and outside the Company, and by offering compensation in line with market standards, we aim to acquire and retain highly specialized talent.




| Developing people | Our aspiration for achieving the 2030 Vision | Three-year plan | KPIs | FY2026 target | FY2025 result |
|---|---|---|---|---|---|
| | ● People who can create value together with customers<br>● People who can self-actualize | ● Conduct strategic hiring and training<br>● Restructure the development of management talent<br>● Develop digital talent<br>● Support employees' self-directed career development | Number of employees with combined mechanical, electrical, and control expertise (multi-skilled talent) | 160 | 160 (cumulative) |
| | | | Problem-solving training participation rate | 100% | 100% |
| | | | Number of candidates selected as the next generation of management leaders (the leadership candidate pool) | 106 | 117 (cumulative) |
| | | | Digital talent training participation rate | 100% | 54% |

### Initiatives for Human Resource Development to Support Sustainable Growth

#### Developing Human Resources Who Can Identify and Solve Problems

Since 2025, as part of the N5 Plan and in support of our Vision, we have been conducting Monozukuri training for all new Engineering and Administrative Employees, where they gain hands-on experience in the fundamentals of manufacturing: mechanical, electrical, and control engineering. Additionally, during employees' first three years in the Company, we provide training designed to systematically build their problem-solving skills as a foundation for their careers. Recognizing that employees tend to vary in their ability to structurally grasp the fundamental challenges faced by customers and society, and translate them into value creation, this training aims to help employees build a solid foundation as solution providers from an early stage. Based on the concept of continuous improvement, employees gain practical experience in the entire process, starting from the gap between the current state and the desired state, then identifying and analyzing issues, formulating hypotheses, and proposing solutions. Subsequently, we work to progressively advance their capabilities so they can proactively identify new challenges based on a future desired state, thereby developing human resources who can serve as solution providers that continuously create new value for customers and society.

#### Developing the Next Generation of Management Leaders

To realize our Vision and sustainably enhance corporate value, it is essential that we systematically develop future management leaders.

While we have long been committed to the early selection and development of leadership candidates, moving forward, we will establish an integrated system that links development with strategic assignment, centered on providing experience through succession planning. This will allow us to offer practical growth opportunities tailored to each individual candidate and, through optimal placement across the organization, ensure the steady development of future management leaders and secure a robust leadership pipeline.

#### Developing Digital Talent

The use of digital technology is a critical foundation for creating new value with our customers. Since 2024, we have held the Digital Festival, a company-wide initiative in which all employees take part. The initiative aims to help employees acquire practical skills by having them use digital technology in their daily work to drive operational improvements and efficiency.

Moving forward, we will open the Digital Festival Academy and create an environment where employees can progressively learn about digital kaizen and citizen development according to their own knowledge and skill levels. By doing so, we will enhance systems that make it easier for employees to learn independently and put that learning into practice.

See pp. 39–40, "Digital Strategy," for details on the use of digital technology and the Digital Festival. P.39

# Human Resource Strategy

## Devising Systems

### Toward Systems That Lead to Dialogue and Action

To bring out the full capabilities and motivation of each employee, we are devising HR systems that encompass placement, evaluation, and compensation. As the foundation for this effort, we newly introduced an engagement survey in FY2025 as a system that leads to dialogue and action.

The response rate for this inaugural survey stood at a high 87%, demonstrating the strong interest and high expectations that employees have regarding engagement.

However, our analysis revealed that employees harbor concerns about the Company's future and its products, as well as issues related to their own career development, all of which are anxieties regarding their proactive engagement with the future. Also apparent were issues specific to certain roles, such as uneven workloads and tasks being overly dependent on particular individuals, as well as a lack of communication across the organization. We recognize that career-related anxieties, in particular, stem from the fact that, amid recent revisions to our HR system that changed the Company's approach to roles and evaluations, each employee is in the process of redefining their own career outlook.

### Revising the HR System to Help Employees Get a Sense of Their Personal Growth

In FY2024, we revised the HR system for union members based on the concept of rewarding results and responsibility. While retaining the previous skill-based grading system as its foundation, the revised system reorganized grades and titles in line with expected roles and consolidated the grades into broader categories. Through these changes, we aim to promote capable employees to positions where they can make a greater contribution and strengthen organizational capabilities.

We also revised the evaluation and compensation mechanisms at the core of this system so that evaluations more appropriately reflect employees' fulfillment of their expected roles and their contributions to performance. Under the revised design, evaluation results are linked to promotions, salary increases, and bonuses. However, after implementing the system, some employees voiced feedback and concerns regarding how the system identifies promotion opportunities and frames career paths, leading us to recognize the need to gain a more accurate understanding of how the system was operating in practice. Based on this, in FY2025, we conducted two large-scale surveys targeting union members and managerial staff to get a clear picture of the current situation.

The surveys found that 70% to 80% of respondents viewed the overall direction of the system positively, while also revealing issues concerning employees' understanding of the evaluation process and the transparency of system operation. Through ongoing dialogue with the labor union, we are reinforcing communication about how the system is intended to operate and reviewing its operation where necessary, while preserving its original objectives.

These initiatives are intended to help employees clearly understand their roles and opportunities for growth, and help them pursue career paths they can embrace. In doing so, we aim to enhance employee engagement and contribute to value creation over the medium to long term.

| | Our aspiration for achieving the 2030 Vision | Three-year plan | KPIs | FY2026 target | FY2025 result |
|---|---|---|---|---|---|
| Devising systems | • Programs and frameworks that allow each employee to get a sense of their personal growth through their work | • Thoroughly implement an HR system that rewards performance and responsibility (ensure fair and impartial HR practices)<br>• Use the engagement survey to evolve organizational operations and management | Positive response rate for employee engagement survey (questions related to career development) | 48% | 45% |

### Voice



**Mizuki Nakamura**

Human Resources Unit, General Affairs Section Administration Department, Hanazono Plant

Due to the revision of the HR system, my employment category changed from the former General Staff to Engineering and Administrative Staff, and I was initially uncertain about my career development. However, through repeated dialogue with my supervisor, I was able to turn that uncertainty into motivation. I've been given many opportunities to take on new challenges without fear of failure.

By making a conscious effort to take the initiative, I have seen my daily efforts reflected in my evaluation. This has helped me recognize my own growth and identify the challenges I need to address to take the next step. I feel that this has also increased my sense of fulfillment and motivation. Going forward, I will continue to work with my colleagues in the spirit of "Yes for All, by All!" Together, we will continue to grow and contribute to the Earth, society, and our customers.

# Human Resource Strategy

## Designing Workplaces

### Toward Workplaces Where Everyone Is Actively Engaged

So that all of our diverse human resources can be actively engaged, we are committed to designing workplaces centered on two pillars: promoting diversity, equity, and inclusion (DE&I), and enhancing psychological safety. We position DE&I as a critical strategy that directly addresses key management issues, such as securing talent and fostering innovation. In particular, increasing the percentage of female managers is one of our key priorities, and we are continuously working to improve it through career support and the development of relevant systems. By incorporating diverse perspectives into decision-making, we will strengthen our business competitiveness. We are also advancing initiatives in KENKO Investment for Health aimed at maintaining and improving the physical and mental well-being of our employees, thereby building a foundation that allows them to continue working comfortably.

### Creating a Work Environment That Respects Diversity

To promote DE&I more cohesively across the entire Group, we updated our existing D&I policy by building on its underlying principles and incorporating the perspective of equity, to formulate the JTEKT Group DE&I Policy. To realize our Mission, we place great importance on designing workplaces where every employee can make full use of their abilities and work with enthusiasm. However, we recognize that there is still room for improvement in areas such as the percentage of female managers, and incorporating diverse perspectives into decision-making remains one of our key priorities.

In light of this situation, in FY2025, we systematically advanced a number of initiatives aimed at promoting understanding of diversity and creating a comfortable work environment. First, we carried out activities to deepen understanding of gender bias and other unconscious biases, providing opportunities for each employee to become aware of their unconscious biases and reflect on their behavior. In addition, to promote understanding of health issues specific to women, such as menstruation, we held an event at our head office allowing participants to experience simulated menstrual pain, and also conducted similar training that included this simulation at our plants. Through these efforts, we are working to foster mutual understanding throughout the workplace. Furthermore, we conducted training to support the career development of employees in the former General Staff category, the majority of whom are women. This training was designed to broaden their future career options, in light of the integration of Engineering, Administrative and General Staff positions in FY2024. We also worked on developing relevant systems to support employees in balancing fertility treatment with work, such as by establishing new leave and leave-of-absence options. In addition, to promote dialogue in the workplace and foster psychologically safe environments, we continue to provide managers with training on psychological safety. We are also strengthening our efforts to recruit and retain employees with disabilities, working to create an environment where diverse employees can confidently demonstrate their abilities.

Through these initiatives, we will enable each employee to make full use of their abilities and translate diversity into value creation, thereby becoming a company that never lets its talent lie dormant.

| | Our aspiration for achieving the 2030 Vision | Three-year plan | KPIs | FY2026 target | FY2025 result |
|---|---|---|---|---|---|
| **Designing workplaces** | ● Workplaces where employees are comfortable sharing their views<br>● Workplaces where everyone is actively engaged<br>● Workplaces where people enjoy taking on challenges | ● Promote diversity, equity and inclusion<br>● Strengthen KENKO Investment for Health<br>● Increase dialogue | Percentage of female managers | 3.0% | 2.6% |
| | | | Percentage of managerial positions held by mid-career hires | Maintain or exceed the current level | 18.4% |
| | | | Percentage of male employees taking childcare leave | 80% or higher | 84.7% |
| | | | KENKO Investment for Health evaluation | Maintain certification | White 500 certification obtained |

**Voice**



**Emi Yagi**

Health Promotion Section
HR Support Office,
Human Resources Department

As a health keeper (in-house massage therapist) at the Kariya Site, I provide treatments tailored to each employee's physical condition. Due to my visual impairment, I place great importance on my sense of touch, carefully assessing how employees are feeling as I provide care. In the two years since I began offering my services, the number of repeat clients has grown, and the cumulative number of clients has exceeded 1,500. Seeing employees leave satisfied after their treatments is what motivates me. I also use a PC with a text-to-speech function to manage appointments, enter treatment records, and write health columns, handling the operation of the treatment room almost entirely on my own. I find great fulfillment in being entrusted with such responsible work.

# Intellectual Capital Strategy

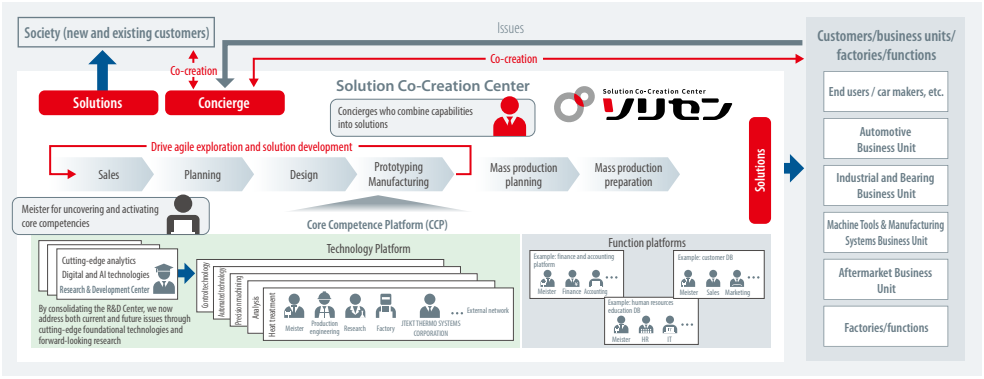
## Creating Solutions by Circulating Intellectual Capital

Amid the growing complexity of social issues and customer needs, the source of a company's competitiveness is shifting away from the superiority of individual technologies and toward the ability to create value by combining diverse forms of intellectual capital.

In addition to our bearings, steering systems, machine tools, and other technologies, we regard our know-how in driving shop-floor improvements, our network of talent, and our knowledge accumulated through co-creation with customers as vital forms of intellectual capital. The solutions we create are not individual products or technologies, but rather new value generated by combining the Company's core competencies and intellectual capital to address the issues faced by our customers and society. This creation of solutions is underpinned by the intellectual capital we have cultivated across our diverse businesses, including automotive, bearings, and machine tools. JTEKT's unique strength lies in its ability to leverage these assets across organizational boundaries to generate new customer value. Furthermore, we are pursuing R&D to create and acquire technologies and knowledge that will become our core competencies in the future.

The Innovation Division is building a system to connect and circulate the Company's intellectual capital. In January 2025, we began co-creation and proposal activities for internal and external issues, and have since addressed over 600 issues. We are driving value creation by combining the Company's core competencies to meet needs identified through dialogue with the shop floor and our customers. In addition, activities based on our Value, "Yes for All, by All!" are increasing each employee's problem-solving skills and willingness to take on challenges, giving rise to a diverse range of knowledge and experiences. These are shared and used across the Company, leading to new solutions and value creation. Furthermore, the accumulation of this learning and know-how as intellectual capital leads to employee growth and greater value-creation capabilities.

In this way, we convert knowledge derived from human capital into intellectual capital, which is then leveraged to form a cycle of value creation and employee growth. To accelerate this cycle, we built a Core Competence Platform that makes our technologies, human resources, and knowledge visible. Previously, these assets were dispersed across different businesses and functions, making it difficult to leverage them on a company-wide basis. We are now using AI to enhance this platform. By building an environment for quickly searching and using intellectual capital, we are promoting its sharing and reuse. This is improving the efficiency of problem-solving and speeding up the creation of new business opportunities and solutions.







### Examples of Leveraging Intellectual Capital

The following presents an example of value creation through the use of intellectual capital, along with an example of a foundation developed to support such use.

(1) Co-creating mobility value through an integrated steering and drive unit

We engaged in dialogue with customers and co-creation partners to identify issues and needs, and developed an integrated steering and drive unit that combines the drive, steering, and braking functions. This unit makes possible lower vehicle floors and greater spatial flexibility, serving as an example of how we have combined the mechatronics and control technologies, as well as knowledge of mobility, that we have cultivated over the years. We are also advancing its application in walkable cities, as well as the medical and logistics sectors, leading to the creation of new customer value through co-creation activities that transcend the boundaries of our existing businesses.



Integrated steering and drive unit

(2) High-level use of intellectual capital through AI-ready data

We are proceeding with R&D of technologies for converting tacit knowledge into explicit knowledge and structuring data using generative AI. By structuring data from design, manufacturing, quality assurance, and other areas into an AI-ready format, we are promoting the sharing and reuse of knowledge and know-how, and driving the reform of our Monozukuri processes through AI. We are building a system where people and AI collaborate to create value, which will lead to greater competitiveness.

### Toward Sustainable Value Creation

We are systematizing the knowledge and experiences accumulated through these activities as company-wide intellectual capital, and building a foundation for its continuous reuse. By deepening the cycle of mutual reinforcement between human capital and intellectual capital, we will accelerate the strengthening of competitiveness in existing businesses and the creation of new solutions, aiming to enhance corporate value over the medium to long term. In FY2026, with the Third Medium-Term Business Plan in view, we will systematize the lessons learned and areas for improvement derived from both success stories and challenges taken on, and share and embed this knowledge regarding individual and team work styles throughout the Company. By doing so, we will build a foundation capable of continuously generating solutions, and will continue to help address social issues and drive business growth.

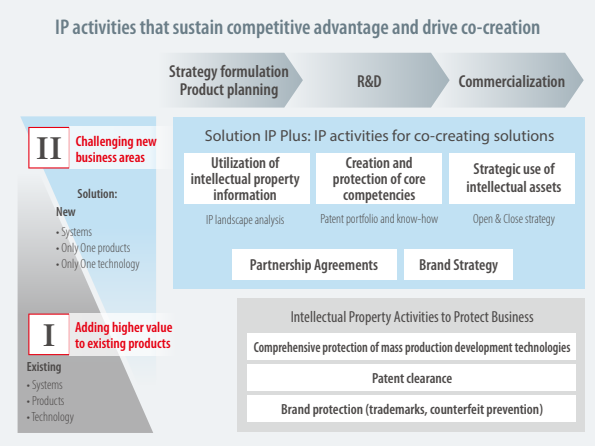
## Intellectual Property Activities

### Basic Policy

We promote intellectual property activities that contribute to our transformation into a solution provider, a goal set forth in our Medium-Term Business Plan (formulated in 2024).

Under "I: Adding higher value to existing products," we are engaged in intellectual property activities that protect our business. To secure and maintain a competitive advantage, we file patent applications for development results, without exception. We also conduct thorough patent clearance at the development stage to ensure that our products do not infringe on third parties' patents.

Under "II: Challenging new business areas," we are engaged in intellectual property activities that promote co-creation. Through IP landscape analysis, we identify customer issues and use these insights in business planning. As part of our business model design, we implement "Solution IP Plus," an integrated approach that combines patent portfolio building, the Open & Close strategy, partnership agreements, and other IP activities.



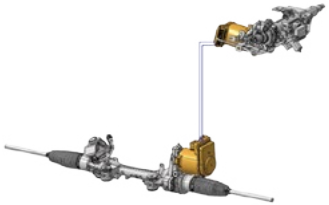

## Intellectual Property Activities for Co-Creating Solutions

### Solution IP Plus in Practice

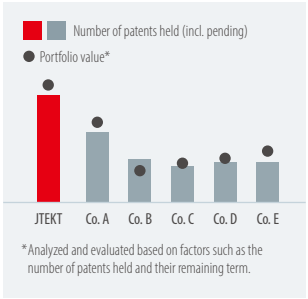
The steer-by-wire (SbW) system is a next-generation steering system that transmits steering wheel movement to the tires via electrical signals, without a mechanical connection between the steering wheel and the tires.

Through years of sustained R&D and IP activities, we have built the No. 1 patent portfolio in this field, which helps secure our competitive advantage.

Also, our SbW technology has received high acclaim, such as technology awards from the Society of Automotive Engineers of Japan and the Japan Society of Mechanical Engineers. Under the Syncusteer™ brand, we are continuing to deliver value for the mobility society of the future.




Comparison of SbW-related Patents

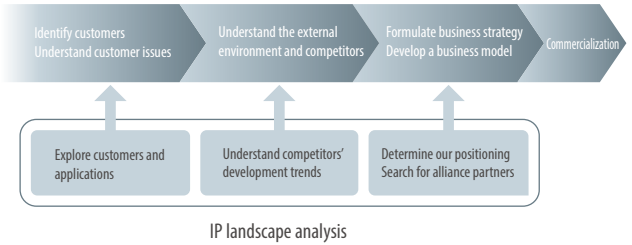



*Analyzed and evaluated based on factors such as the number of patents held and their remaining term.

### Utilization of Intellectual Property Information (IP Landscape Analysis)

When creating new businesses, we focus on IP landscape analysis to increase their feasibility. For example, we use intellectual property information to understand our customers and their issues, which aids in business planning. We also conduct positioning analysis to identify competitive advantages and explore potential alliances, which helps in formulating business strategies.

Business Creation Process




IP landscape analysis

## Intellectual Property Activities to Protect Business

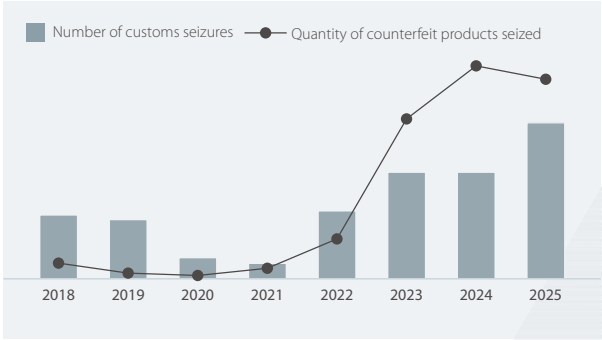
### Respect for Third-Party Intellectual Property Rights

To respect the intellectual property rights of third parties and provide customers with products free from infringement risks, we establish necessary IP activities for each phase of product development and promptly conduct searches of third parties' patents, infringement assessments, and design modifications to avoid infringement.

### Counterfeit Prevention

To protect our brand and customer safety, we are dedicated to combating counterfeit products. We collaborate with industry associations and enforcement agencies worldwide to continuously investigate counterfeit products, taking measures such as seizure, prosecution, and website takedowns.

Seizures of Counterfeit JTEKT Bearings by Chinese Customs



# Digital Strategy



Message from the **CIO/CISO**

Ko Sahara

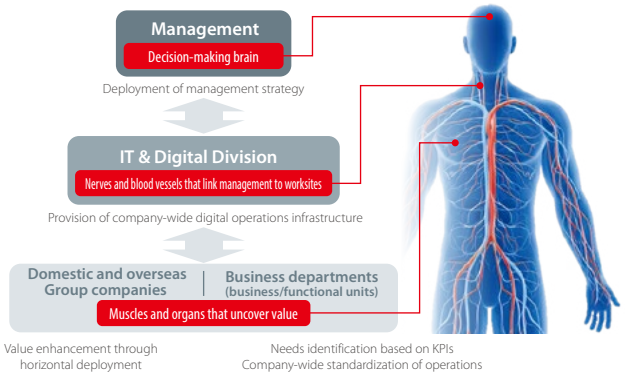
Vice Chief of IT & Digital Division
Chief Information Officer (CIO)
Chief Information Security Officer (CISO)

## The Changing Environment Facing Our Company

In recent years, the business environment in which we operate has been changing at an accelerating pace, and it is becoming increasingly difficult to keep up through conventional methods. Our traditional approach of building and customizing systems optimized for individual tasks is becoming a factor that hinders not only time and cost efficiency but also the ability to respond swiftly to change. At the same time, we must redefine the role of IT infrastructure and services. They should no longer be viewed merely as tools for maintaining stable operations, but as strategic platforms that support corporate evolution and growth and enable new ventures. Moreover, with the rapid advancement of AI technologies, including generative AI, we need to reassess which tasks should be performed by people and which should be delegated to AI, and embrace a company-wide transition to new ways of working. We aim to leverage IT and AI to their fullest as a force that propels business ventures forward, and to become an enterprise that is resilient to change and capable of sustained growth.

## Digital Strategy Concept and Alignment with the Worksite

Given these circumstances, digital transformation must be positioned at the center of corporate management and driven across the entire Company, including domestic and overseas Group companies and worksites. Accordingly, in developing our digital strategy, we have drawn an analogy between the Company and the human body, with the IT & Digital Division serving as the "nerves and blood vessels" that link management to worksites. We imagine ourselves supporting management—the "brain" responsible for decision-making—and connecting the relevant departments and Group companies that serve as the "muscles and organs" that uncover value.




We have always placed importance on generating behavioral change at worksites, the very origin of our manufacturing, and on fostering a cycle of learning, human resource development, and practical application. Symbolizing this philosophy is our company-wide Digital Festival. The initiative is designed to drive digitalization in a way that is exciting and enjoyable for everyone, much like a festival. In addition to improving employees' digital literacy, we aim to achieve company-wide operational efficiency and work-style transformation by encouraging each individual to digitalize their own day-to-day tasks with a "for All" mindset.

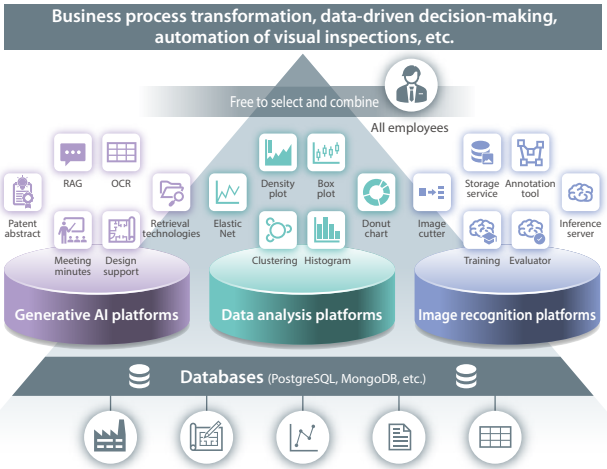



## From Cultivating a Digital Culture to Executing Company-Wide Transformation

FY2025 marked the year in which digital tools became a routine option at our worksites. Through the company-wide Digital Festival, behaviors such as "just give it a try" and "use it for All" have taken root across our worksites, and our corporate culture is steadily evolving. As a result, employee-generated ideas have given rise to worksite-led solutions, including MOC,*1 a tool that facilitates seamless sharing of equipment maintenance progress among relevant parties, and J-KY,*2 which provides digital support for pre-work safety confirmations.

In addition, we place importance on promoting practical use of AI at worksites and have conducted repeated trials. In July 2025, we announced the AI Agent Concept, which expands opportunities for AI utilization without requiring specialized knowledge. By having AI support each individual's work with necessary information and analysis, we aim to create an environment where time and expertise can be concentrated on higher-value-added tasks. In FY2026, we will open the Digital Festival Academy (our company-wide digital learning program), providing a place where even employees new to digital technology can learn with confidence and take their first steps. We will also strengthen mechanisms to drive improvements based on issues encountered at worksites.

# Digital Strategy



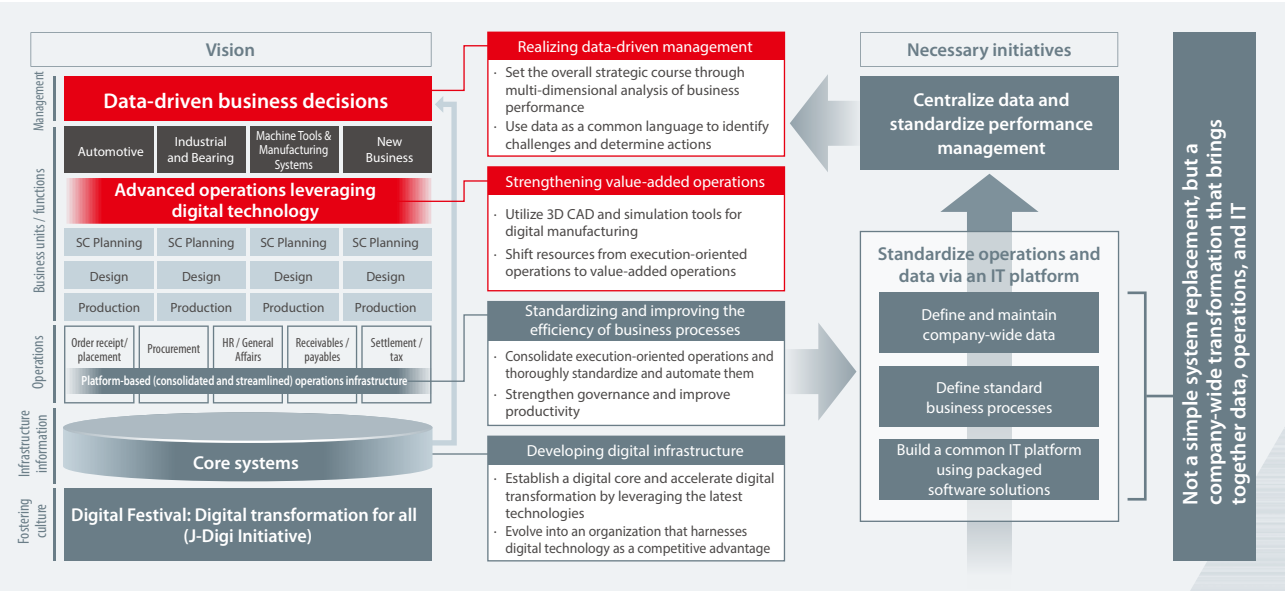

Employees with deep operational expertise and a strong commitment to addressing workplace challenges are leveraging an in-house exchange program designed to enhance their practical skills in using AI and digital technology. Serving as catalysts for improvement in their respective workplaces, these employees are helping transform isolated initiatives into a broader, more cohesive movement. We are already seeing concrete examples that are fundamentally changing how decisions are made and work is executed. These include using AI to summarize and translate patent documents into plain language, thereby streamlining the screening of large volumes of information, and forecasting sales volumes to minimize waste from excess inventory and overproduction. Through these and other efforts, a virtuous cycle has taken shape in which challenges identified at worksites spark learning, human resource development, and experimentation, which in turn generate tangible outcomes. As digital and AI tools have become increasingly embedded in everyday work through this cycle, the importance of data in driving business improvements and informing decision-making has gained broad recognition. At the same time, we have come to recognize that advancing data-driven business improvements and decision-making requires improving the accuracy of the underlying data, and that working in accordance with sound business processes is equally important.

## JTEKT's First Company-Wide Project "J-REBORN"

The digital mindset cultivated through the Digital Festival has laid the groundwork for company-wide transformation.

Capitalizing on this momentum, we have launched J-REBORN,*3 a business process reform initiative that reexamines our workflows and data management practices from a company-wide perspective, positioning them to drive our next stage of growth and transformation. With a target date of 2030, we will align our business processes with globally standardized systems, such as ERP*4 and PLM,*5 building streamlined operations that span the engineering and supply chains, as well as a data infrastructure capable of supporting data-driven management. Through J-REBORN, we will overhaul business processes that currently vary across business units and are often inefficient and overly dependent on individual know-how, and gradually transition to standardized, data-governed processes and management practices on a company-wide level. Achieving this level of transformation, however, requires more than just changing systems and structures. It demands the continued commitment of our employees to embracing digital tools and the digital-first mindset that we have nurtured through the Digital Festival. By integrating top-down strategic direction with bottom-up initiative, JTEKT's digital transformation is steadily advancing from vision to execution.

*1. MOC: Maintenance Operation Center
*2. J-KY: J-Kiken Yochi
*3. J-REBORN: J-Renovate Entire Business OpeRatioNs
*4. ERP: Enterprise Resource Planning
*5. PLM: Product Lifecycle Management



# Monozukuri Strategy



## Message from the CPO

Toshiaki Shinya
Senior Executive Officer,
Member of the Board
Chief of Production Division
Vice Chief of Production Engineering Division
Chief Production Officer (CPO)

Our primary mission is the steady, timely, and efficient delivery of high-quality products to customers. The global market environment is increasingly undergoing rapid change. Labor shortages, energy constraints, fluctuating raw material prices, supply chain disruption risks, and other diverse external factors are impacting manufacturing (Monozukuri). In these highly uncertain times, sustainably maintaining competitiveness demands that we go beyond simple cost reductions to carry out transformation that originates in shop-floor experience and data, and that runs through equipment, process design, and logistics, creating a workplace environment that lets people maximally demonstrate their capabilities. Based on our policy for FY2026, we will engage in business under four pillars: enhancing productivity, transforming our philosophy on equipment and production line design, utilizing DX/IoT that encompasses logistics, and contributing to factory solutions.

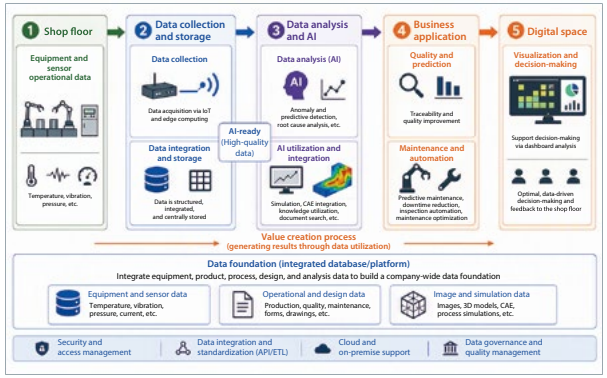
Our aim is to utilize data from equipment and production lines to perform real-time monitoring of operational status and quality, with rapid integration and utilization of data. This will enable early anomaly detection and predictive maintenance, leading to reductions in downtime and in defective products. Guided by the principle that, "What is unseen cannot be improved; what is seen can be improved," and through the initiatives described in (1)–(5) below, we will advance production with reproducible high quality while reducing product lifecycle costs.

1. Thorough identification of waste on the shop floor (leveraging TPS*)
2. Promotion of standardization and modularization of equipment and processes
3. Rationalization of processes, equipment, design, operational efficiency, and investment
4. Digitalization of know-how held by people on the shop floor
5. Revision and early implementation of preparatory matters in the pre-production stage

*TPS: Toyota Production System

We will also construct a strong and flexible supply chain from a broad perspective, working to strengthen cooperation with suppliers and stabilize our supply network, with logistics aspects included. By promoting the enhancement of shop-floor leader capabilities and multi-skill development through TPS training, along with the institutionalization of individuals' know-how, we will create an organization that can weather change. While maintaining safety and quality as priorities, we will build a sustainable production system that takes into account environmental load reduction and energy saving, and strive to create value that meets the expectations of stakeholders. Our goal is to steadily implement mechanisms that anyone can use, and that fuse the shop floor with digital technologies, to turn improvements from the shop floor into organization-wide power.

Using digital twin technology that leverages digitalization and simulation, we will carry out in advance the processes that have traditionally required considerable human effort, trial and error, and experience. Through this, we will eliminate setbacks in work.



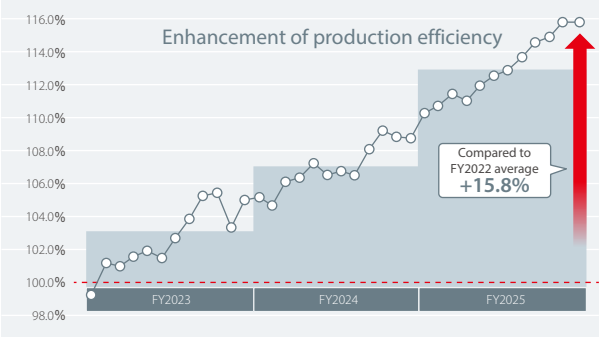

## Enhancing Productivity: Shortening Lead Times Across the Board

In enhancing productivity, which lies at the core of our initiatives, we believe that, as a manufacturing company, designing, manufacturing, and delivering products in smaller, shorter, and faster cycles is the source of our competitiveness.

In addition to continuous improvements effected through know-how and refinements on the shop floor, we strive to achieve both productivity enhancement and investment efficiency by promoting automation and workforce reduction. By responding agilely to model changes and shifts in demand through consolidation of production lines and efficient layout reconfiguration, we have consistently optimized production systems, floor space, and equipment to build a production structure that adapts to change.

These initiatives have proven effective in both reducing headcount and increasing production, yielding results through the continuous accumulation of improvements.

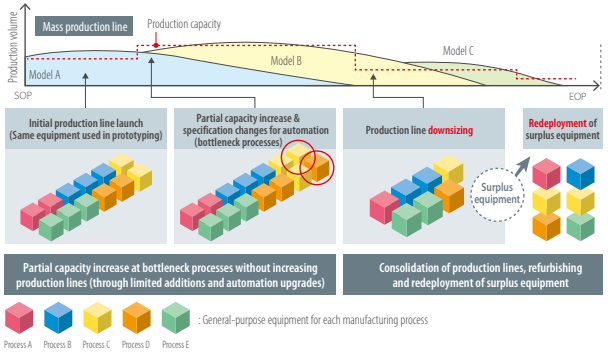
In the area of production preparation, we are working to enhance overall quality by having our design, production engineering, and production units collaborate to reduce setbacks and stabilize initial production. This shortens the lead time from development to mass production and contributes to strengthening the Company's overall competitiveness through earlier recovery of investment and enhanced profitability.



# Monozukuri Strategy

## Transforming Our Philosophy on Equipment and Production Line Design

### Production Line Design Aligned with the Times




To support and further evolve the noted initiatives, we will transform our philosophy on equipment and production line design.

We have shifted from a conventional model premised on mass production and large-scale investment, evolving toward a design capable of flexibly adapting to fluctuations in production volume. With small-scale, versatile design as our basic philosophy, we adopt a structure that allows us to launch at the necessary scale with staged expansion of capabilities in line with demand, thereby ensuring supply capabilities while constraining excessive investment.

Through equipment design premised on versatility, modularization, and reuse, we are building production lines that can flexibly adapt to model changes and fluctuations in volume. By designing production lines with not only launch in mind but also continued use and adaptation to change, we reduce lifetime investment and maximize profitability throughout the entire product life cycle.

Furthermore, we are working to improve our equipment operating rate by reducing non-production time and shortening setup time. We are also shifting toward manufacturing that can launch highly refined production lines in a short time frame by integrating design, production engineering, and production to work in parallel.

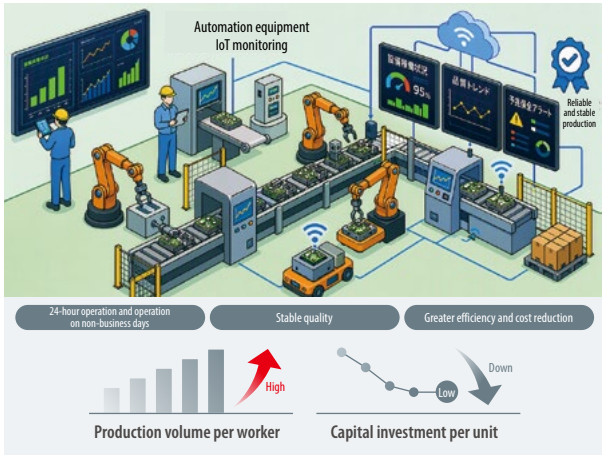
## Utilizing DX and IoT

As the foundation for realizing our philosophy on equipment and production line design, we are advancing the integrated use of DX and IoT.

By integrating and visualizing equipment and quality data, we will realize process optimization and predictive maintenance. We will also utilize this data as a foundation that connects all stages from design to production preparation and production. The data accumulated through this will be fed back into design and processes, leading to manufacturing of even higher quality.

In the area of logistics, too, we will carry out a fundamental review of our logistics network and advance transformation that incorporates digital technologies.

Through the use of digital twins and AI, we will transform toward agile manufacturing in which development, production preparation, and production move forward in parallel, achieving both shorter lead times and enhanced quality. Going beyond shop-floor improvements, these initiatives will also serve as a foundation for data-driven decision-making and contribute to more accurate and speedy judgment in management.




## Contributing to Factory Solutions

Applying our own technologies across our plants, we are working to bring this series of initiatives to maturity and commercialize them as "factory solutions."

At the core of this effort, we are advancing solutions that are able to simultaneously reduce environmental load, reduce costs, and enhance productivity by seeking optimal solutions that utilize and combine energy management (energy saving and visualization) with renewable energy, including hydrogen. A strength of ours is the ability to design and manufacture our own production equipment and IoT devices and then use them to demonstrate improvements. We will deploy these in the form of new value that combines environmental consideration with profitability.

Technologies such as heating coils and automated production processes were also born out of solving issues on the shop floor. Combining these with CN solutions, we will provide integrated solutions that optimize equipment, processes, and energy as one. Doing so, we will go beyond simple supply of equipment to also contribute to the optimization of entire plants and the realization of sustainable manufacturing.

### Factory Solutions

**1 Machinery tools** — Products

Expanding the value chain by moving beyond standalone machinery sales and through the development of turnkey businesses

**2 Automation processes** — Human

Addressing challenges in factory automation by leveraging digital technologies and TPS

**3 Factory management (IoE)** — Information

- Visualization of operational status
- Equipment management, maintenance support
- Data analysis, AI-based optimization

Providing solutions based on data from diverse manufacturing sites

**4 CN solutions** — Energy

An all-in-one solution that integrates energy saving, renewable energy, energy storage, hydrogen, operational models, and demonstration environments in factories to design and implement actionable CN initiatives for companies

# Business Strategy

## Automotive Business Unit



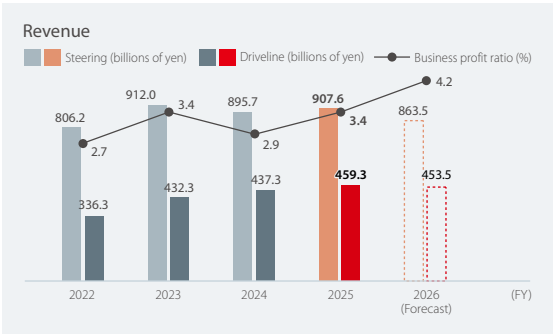
Katsutoshi Sakata
Senior Executive Officer
Chief of Automotive Business Unit

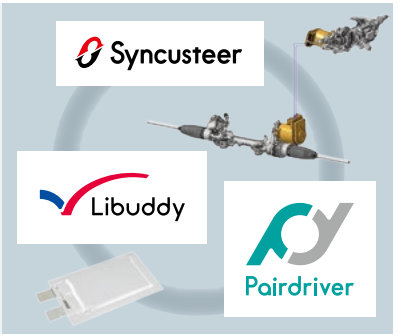
### Market Environment

Electrification, SDVs,*1 and other emerging mobility fields require innovative solutions. At the same time, amid inflation, growing geopolitical risks, and the rise of Chinese vehicle manufacturers, greater competitiveness and resilience are also demanded. Facing this situation, we will work to stabilize profitability through enhanced efficiency enabled by structural reforms and digitalization, and through the continuous evolution of our existing products.

*1. SDV: Software defined vehicle, a vehicle designed and developed on the premise that its functions will be updated by software

### FY2025 Results




### Initiatives to Become a Solution Provider

We are advancing initiatives aimed at addressing social issues, such as the reduction of traffic accidents and environmental impact. Among these initiatives, Pairdriver™*2 and Syncusteer™*3 contribute to enhanced safety and comfort by reducing accident risks and reducing driver workload. Our high-reliability power source solution Libuddy™ stabilizes power supply in emergency situations and contributes to more reliable mobility services. By combining these technologies, we will provide solutions in new areas, such as next-generation mobility and social infrastructure.

*2. Pairdriver™ contributes to safety through driving assistance via intuitive communication between humans and systems
*3. Syncusteer™ is a steer-by-wire system that performs steering via electrical signals

## Industrial and Bearing Business Unit

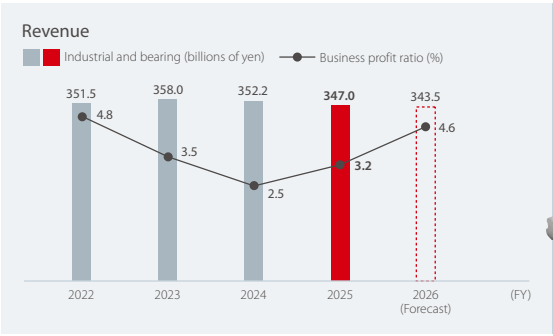


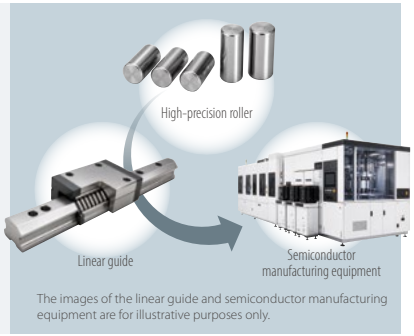
Yoshihisa Miura
Senior Executive Officer
Chief of Industrial and Bearing Business Unit

### Market Environment

Amid the shift toward electrification and other CASE initiatives in the automotive field, cost competitiveness and faster product supply in China and other emerging countries are increasingly vital, as are high-value-added products that deliver higher speeds, electrolytic corrosion countermeasures, low friction, and high durability. In the industrial machinery and aftermarket fields, companies must meet customers' demands for energy efficiency, stable operation, and lower lifecycle costs in diverse usage environments including the steel, semiconductor, and machine tool sectors. The Industrial and Bearing Business strives to provide products and services that meet the needs of wide-ranging customers through solution proposals.

### FY2025 Results




The images of the linear guide and semiconductor manufacturing equipment are for illustrative purposes only.

### Initiatives to Become a Solution Provider

The JTEKT Group is applying its high-precision roller machining technology, developed through the bearing business, to the semiconductor manufacturing equipment- and machine tool-related fields. High-precision rollers are employed in the linear guides that support the machining and positioning accuracy of equipment. Through dimension management and technology for machining differences in roller diameters at the submicron level, we contribute to improved quietness, miniaturization, space saving, and long service life in equipment. We will continue to create high value-added solutions unique to the JTEKT Group by combining technologies and know-how gained through manufacturing to support the advancement of a wide range of industrial fields.

# Machine Tools & Manufacturing Systems Business Unit



Kenshi Miyafuji
Senior Executive Officer
Chief of Machine Tools & Manufacturing Systems Business Unit

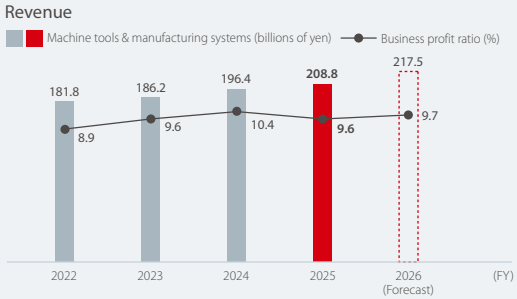
## Market Environment

In the environment surrounding the manufacturing industry, a strong need for labor-saving continues against the backdrop of labor shortages. As a result, enhancing productivity through multi-tasking, automation, and the use of digital technologies has become a pressing issue.

Efforts to reduce environmental impact, such as energy saving and the effective utilization of resources, are becoming more important than ever.

In response to these social trends, JTEKT is increasingly required to possess the ability to propose solutions to issues in the manufacturing industry, offering not only machining accuracy and machine performance but also peripheral devices, software, and services.

## FY2025 Results






From surface treatment to finishing on the grinding machine with a single clamping



Laser cladding composite grinding machine

## Initiatives to Become a Solution Provider

Our aim is to be a business group that works closely with manufacturing plants to propose solutions that not only address machining issues but also social issues. To achieve this, we are promoting the development of multi-tasking machines that address the needs of today, including labor saving, the replication of skilled workers' expertise, and the reduction of environmental impact.

Within the Company, we are advancing the level of our design and manufacturing processes through end-to-end digitalization that employs 3D models and AI, while working to shorten production lead times and enhance quality in order to adapt to changes in the business environment.

In the factory solutions business, we aim to become a solution provider that supports manufacturing plants in solving their issues by offering comprehensive proposals addressing equipment, automation, IoE, and carbon neutrality.

# Aftermarket Business Unit

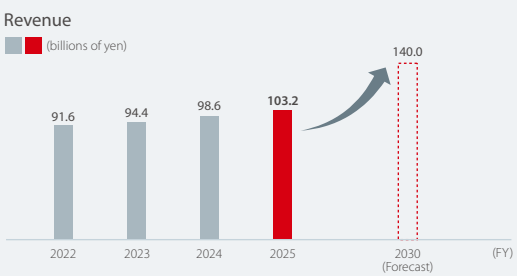


Kenichi Ishioka
Senior Executive Officer
Chief of Aftermarket Business Unit

## Market Environment

The formation of a circular society is moving forward as an alternative to a society based on mass production, mass consumption, and mass disposal, and expectations for the repair market are heightening. We will expand our product lineup to meet the diversifying needs of customers, while working with Group companies and sales agents to listen directly to customers and provide the products and services that they demand.

## FY2025 Results




Figures are extracted from the Aftermarket Business portion of results by business

## Initiatives to Become a Solution Provider

Staying close to our customers around the world, we will shift from products to services, and transcend the boundary between OEM and after-sales businesses, to support the product life cycle from planning and design to manufacturing, market inspection, parts replacement, and disposal, delivering safety and peace of mind. Going beyond the framework of existing products to create and deliver new value from the customer's perspective, we aim to become a solution partner that supports customers.



# Sustainability

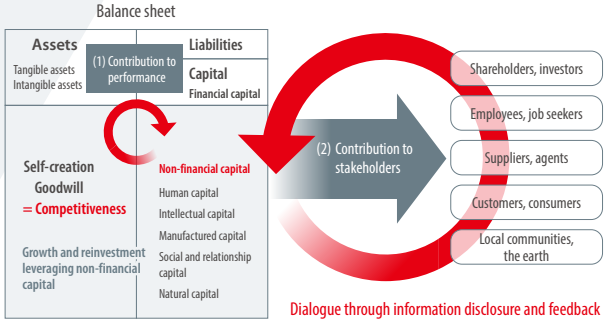
## Sustainable Management at JTEKT

JTEKT's business activities are supported by a wide range of stakeholders, including shareholders, investors, customers, suppliers, employees, and local communities. We believe that a thriving global environment in which people can live with peace of mind is a fundamental prerequisite for the continued and stable progress of our business. Based on this belief, and in accordance with our Mission of "Joint Technology to bring joy to the planet earth and all working people," we will use our business activities to address the social issues faced by stakeholders. As such, we have set out a management policy of enhancing our corporate value in the medium and long term by sustainably growing together with society.

In order for JTEKT to help address such social issues and thereby continue growing as a company, it is vital that we work to strengthen the non-financial capital that underpins our sustainable growth, including human capital and intellectual capital. Based on our understanding that the development of non-financial capital is a core element of sustainable management, we engage in sustainability-related activities.

### Our Approach to Sustainable Management

By stimulating discussions and activities aimed at strengthening our management capital, particularly our non-financial capital, we aim for management capable of contributing to (1) the enhancement of the company's performance and value and (2) the happiness of our stakeholders.




To help address social issues and effectively develop our non-financial capital amid a rapidly changing external environment, it is essential that we constantly verify whether our direction is the correct one. Engagement with stakeholders through information disclosure and dialogue is a vital and effective part of this assessment. We ground our management in the process of properly disclosing information about our business activities and asking stakeholders to assess whether we are properly making contributions that delight society and whether we are properly managing our non-financial capital toward that end.

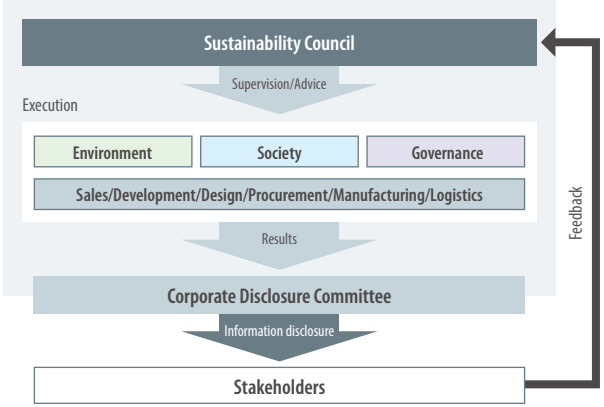
Through such co-creation with stakeholders, we will advance sustainable management aimed at solving social issues and developing non-financial capital, thereby enhancing our corporate value in the medium and long term.

## Sustainability Promotion Structure

JTEKT has a corporate governance structure with the Board of Directors at the top. However, decisions on sustainability-related policies and strategies, as well as reports on sustainability-related initiatives within the Company, are primarily carried out by the Sustainability Council, which was renamed from the Council for Enhancement of Corporate Value in FY2024. Composed of Senior Executive Officers, CxO-level officers overseeing internal functions, and all members of the Board of Directors, including outside officers, the Sustainability Council complements the Board of Directors by functioning as a monitoring and advisory board.

Themes discussed by the Sustainability Council are translated into specific initiatives by responsible departments engaged in related work and are reflected in business activities. JTEKT discloses information on these business activities through channels such as this integrated report, the JTEKT Report, annual securities reports, corporate governance-related reports, our corporate website (https://www.jtekt.co.jp/e/sustainability/), and public relations activities.

### Example of Disclosure of Information Related to Sustainability Activities




### FY2025 Sustainability Council Members

| | |
|---|---|
| Yoshihito Kondo | President, Member of the Board (Council Chair), CEO, Chief of Production Engineering Division |
| Koichi Yamanaka | Director, Member of the Board, Chief in charge of North America and Europe |
| Toshiaki Shinya | Senior Executive Officer, Member of the Board, CPO, Chief of Production Division |
| Ikuji Ikeda | Outside Director, Member of the Board |
| Yumiko Sakurai | Outside Director, Member of the Board |
| Isao Nakanishi | Director, Member of the Board |
| Makoto Sano | Member of the Audit & Supervisory Board |
| Koichi Tsujita | Member of the Audit & Supervisory Board |
| Yasushi Matsui | Outside Member of the Audit & Supervisory Board |
| Akiko Miyakawa | Outside Member of the Audit & Supervisory Board |
| Kenichi Ishioka | Senior Executive Officer, Chief of Sales & Marketing Division |
| Yoshihisa Miura | Senior Executive Officer, Chief of Industrial and Bearing Business Unit |
| Katsutoshi Sakata | Senior Executive Officer, CTO, Chief of Automotive Business Unit |
| Kenshi Miyafuji | Senior Executive Officer, Chief of Machine Tools & Manufacturing Systems Business Unit |
| Tomoaki Kuki | Senior Executive Officer, CBO |
| Kazuyuki Kamiya | Senior Executive Officer, CFO, Chief of Corporate Division |
| Shinobu Shimizu | Senior Executive Officer, CINO, CRO, Chief of Innovation Division, Chief of General Administration & Human Resources Division |
| Kazuo Inoue | Senior Executive Officer, Chief of Purchasing Division |
| Ko Sahara | CIO, CISO |
| Susumu Kitamura | CQO, Chief of Quality Management Division |



Sustainability Council meeting

These important information disclosures are made following discussions by the Corporate Disclosure Committee, which is chaired by the CFO and operated primarily by related departments in the Corporate Division. Discussions focus on the appropriateness of the content and expressions of disclosures from the perspective of ensuring that communication to stakeholders is appropriate, timely, and neither insufficient nor excessive. Information disclosed in this manner is used in external events, in internal education, and as a foundation for constructive dialogue with stakeholders.

See p. 25 for additional information on dialogue with stakeholders.

Evaluations of the Company gained through dialogue with stakeholders, particularly concerning management issues viewed from the outside, are fed back to the management team through regular reports at the Sustainability Council. Incorporating the valued opinions of stakeholders into our management to inform new initiatives, thereby furthering the realization of our Mission and Vision, lies at the core of our structure to promote sustainability.

## Sustainability Strategy

### Environmental Field

JTEKT considers environmental conservation and restoration, both foundations of a sustainable society, as part of our social responsibility. We have long undertaken efforts that include the reduction of substances of concern, and in recent years have promoted the transition to a carbon-neutral society as a priority measure. We believe that the know-how gained in that process contributes to solving customer issues, and evaluate it as a part of our factory solution initiative. As a Monozukuri company focused on metal products, we also tackle contributing to a circular economy as a key measure in our business strategy.

### Social Field

JTEKT seeks to contribute to everyone involved in work with the Company through our "people and site-first management."

We strive to create a safe and worry-free workplace environment in which employees can realize their full potential and achieve self-actualization, and we make efforts to respect the human rights of all people across our value chain. As a Monozukuri company working in areas such as mobility and machine tools, we are committed to maintaining and enhancing product safety and product quality to ensure the safety and comfort of our customers and end users.

### Corporate Governance

JTEKT's management structure must align with the goals of its Mission and Vision for it to achieve both and grow sustainably together with society.

We will strengthen our earning power by transforming into a solution provider and by offering solutions to social issues. We will build a robust management structure capable of achieving targets while adapting to a changing business environment, and will strive to enhance our corporate value through prompt and resolute decision-making.

See p. 61 and later for information on our corporate governance initiatives.

Sustainability Council Meeting Agendas

| | FY2024 | | | | FY2025 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1st meeting | 2nd meeting | 3rd meeting | 4th meeting | 5th meeting | 6th meeting | 7th meeting | 8th meeting |
| Sustainable management in general | • Issues in promoting sustainability and steps forward | – | • Issues seen in the findings of external evaluations<br>• Review of proposed additions to Materiality | • Review of past sustainability activities | • Review of the current FY activity policy and the behavioral guidelines | • Positioning and draft of the structure of the behavioral guidelines | • Formulation of the behavioral guidelines | • Review of past sustainability activities |
| Information disclosure and dialogue | – | • Disclosure of non-financial information and issues in its use<br>• Status of other companies' sustainability disclosures | – | – | • Non-financial information disclosure<br>• IR feedback | – | – | – |
| Governance and internal control | – | – | – | • Status of risk management initiatives | – | – | • Strengthening of the functions of the Board of Directors | • Status of risk management initiatives |
| Natural capital and environmental strategy | • Status of and issues in climate change response | – | – | – | – | • CN solutions | – | – |
| Human capital and human rights | – | • Human capital aimed at achieving Second Medium-Term Business Plan targets | – | • Employee engagement | – | – | • DE&I policy and health and productivity management policy | • Employee engagement |
| Intellectual capital | – | – | – | – | – | • Current state of and prospects for CCP | – | – |
| Manufactured capital and digitalization | • Status of and issues in information security response | – | – | – | – | – | – | – |
| Social and relationship capital and quality | – | – | • Issues in value chain management | – | – | – | – | – |

Special Feature

# Roundtable Discussion on Sustainability



Rie Suzuki
Sustainability Council Secretariat
Chief of Business Field, Corporate Planning Department, Corporate Division

Yasushi Matsui
Outside Member, Audit & Supervisory Board

Akiko Miyakawa
Outside Member, Audit & Supervisory Board

JTEKT actively incorporates the diverse knowledge and independent perspectives of outside officers into its management with the aim of strengthening the Company's corporate governance. The Sustainability Council functions as a venue where all members of the Board of Directors, including outside officers, take part in discussions on topics related to management fundamentals. In this roundtable discussion, Yasushi Matsui and Akiko Miyakawa, both outside members of the Audit & Supervisory Board, and Rie Suzuki, secretary of the Sustainability Council, discussed the deliberations of the Council and the contributions of outside officers to JTEKT.

## The enhancement of corporate value through Sustainability Council discussions and the contributions made by outside officers

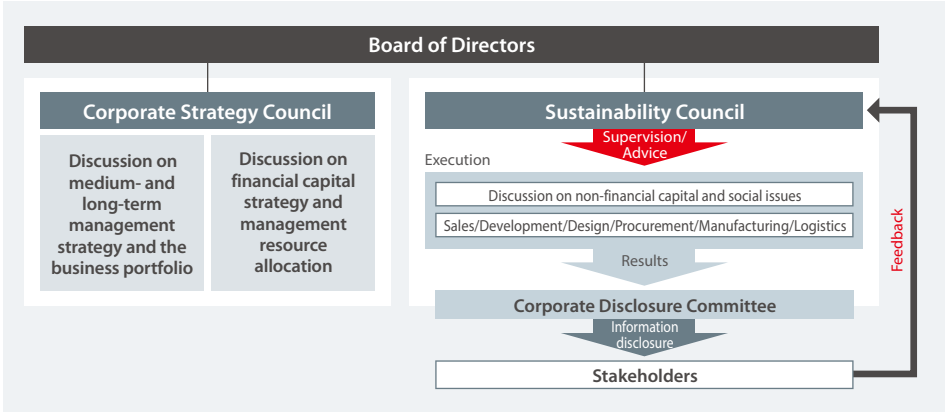
## Sustainable management as an element of competitiveness

**Suzuki** Sustainability has undergone change from a voluntary undertaking to one viewed as a management factor that directly relates to corporate value. The nature of the communications expected of companies, too, has changed significantly from accurately relating past achievements to presenting future growth strategies and directions for contributing to society.

**Matsui** It would be difficult to say that the Company's market capitalization reflects a proper evaluation of its innate competitiveness. All stakeholders are seeking a positive cycle by which a company plays a role as a public instrument of society, generates revenue, and creates better products through reinvestment. Information disclosure, too, must change from a rearview mirror reflecting the past to something that looks forward, presenting the directions of a company's growth and social contribution. For some time, I have felt weakness in the Company's communications capabilities to be an issue and have conveyed this view within the Council. Because advancing investors' understanding of sustainable management also connects to reducing the cost of capital, I think it's important that the Company engage in communication more actively than ever.

**Miyakawa** From the significant reactions in stock price to announcements of shareholder returns and share buybacks, I realized anew where investors' interest lies. At the same time, the essence of sustainability is the continued survival of a company, that is, the growth strategy itself. Achieving solid earnings while leveraging its core technologies to contribute to society is what will allow the Company to move forward with investing for growth. Our role as company outsiders is to bring in perspectives not found within the Company. Accordingly, I try to express opinions from the perspectives of accounting and of gender.

**Suzuki** Thank you. Reframing sustainability measures as actions to be carried out by oneself as an element of competitiveness, not as actions carried out because you have been told to do so. Also, articulating, in a manner integrated with financial results, how the Company's climate change actions, respect for human rights, promotion of diversity, and other ESG themes tie to product capabilities and to competitive advantage in business. The Secretariat recognizes these two areas as the greatest themes to be addressed under the Third Medium-Term Business Plan.



# Roundtable Discussion on Sustainability

## Deepening Sustainability Council deliberations with outside perspectives

**Suzuki** Since FY2024, we've held discussions originating in the Company's Mission, covering revision of the Company's Materiality to be in line with the Corporate Sustainability Reporting Directive, the public announcement of our Mission, Vision, and Value (MVV) in May 2025, the formulation of behavioral guidelines to entrench MVV as a foundation for everyday decision-making, and other topics. We have also carried out discussions on IR and SR feedback and on the state of progress toward transformation into a solution provider, and in FY2027 will move forward with a discussion series on human capital.

**Miyakawa** What particularly stands out to me is how discussions broadened from IR feedback to the importance of SR, which led to a number of insights. Considerable time was also spent on the behavioral guidelines. I myself spoke about the importance of the diversity and endeavors of every individual. For employees, who hold varied roles and senses of value, I feel that the behavioral guidelines have turned out well in a way that closely aligns with employees, who remain conscious of a vision that leads to joy and a sense of accomplishment in work.



**Matsui** I have the impression that the Company's Sustainability Council seriously addresses matters ahead of other companies. The themes it addresses are comprehensively organized, and I commend the way that topics, from IR and SR feedback to visions for the Board of Directors, are sincerely discussed with a sense of personal ownership by participants. In particular, the way outside officers participate in the Sustainability Council and very actively speak out seems uncommon in other companies. People outside the Company sometimes bring in different opinions. I feel that the Company's high receptivity to taking in and discussing these opinions is a strength that directly relates to the enhancement of corporate value.

**Suzuki** What made an impression on me is that discussions went beyond defensive debates on how to respond to disclosure requests, to also encompass deliberations on essential matters originating in the Company's Mission, including questions of what Materiality is unique to JTEKT and how the behavioral guidelines can be entrenched as the foundation for employees' decision-making. ESG themes are discussed not as matters for disclosure, but as initiatives for enhancing ongoing competitiveness, something that I feel is largely due to the lead taken by outside officers.

## Organizational strength enhanced by human capital and diversity

**Suzuki** We had discussions on the behavioral guidelines, and we reaffirmed that respect for diversity and the creation of rewarding workplaces form an indispensable foundation for achieving the Company's Mission. When an internal survey identified diligence and receptiveness, but also passivity, as characteristics of the Company, discussions were held on the need to transform the Company culture so that all employees can take initiative with a sense of purpose aimed at effecting the transformation into a solution provider.

**Miyakawa** On the topic of human capital, I believe it's important to first clarify business strategy in terms of what future direction the Company will take and what it will explore in depth, and to proceed with human resources recruitment and training in a manner that is integrated and that conforms to the business strategy. Given the possibility of sudden changes in the business environment, rather than holding human capital fixed in place, I feel there's a need for flexibility that allows human resources to work where they can best demonstrate value at that time.



**Matsui** I believe that the essence of diversity lies not in compensating for labor shortages but in enhancing organizational capabilities through the mingling of different perspectives. Toward this end, inclusion—that is, receptivity—is essential. The high receptivity of the Company can also be seen in its retention of mid-career recruits. The Company, in which two business entities became one in the past, is inherently a company that embraces diverse senses of value. I think that fusing these, not leaving them disparate, will provide a major opening for discussions on human capital.

**Miyakawa** A company needs not only people who take on the challenge of new things, but also people who support this, and people who steadily accomplish the work before them. A company that positively recognizes such diverse working styles and contributions can make good use of people and strengthen its organizations.

**Matsui** Heading toward the next Medium-Term Business Plan, in addition to diversity, and Kenko Investment for Health, the Company should add human capital in the AI era as a point for discussion. If physical AI grows in presence alongside generative AI, then significant changes will occur not only in human capital, but also in manufactured capital and approaches to investment. Given the speed of AI's exponential evolution, I think the Company should start preparing.

## Strengthening governance to enhance corporate value



A Sustainability Council meeting

**Suzuki** With the majority of companies listed on the Tokyo Stock Exchange Prime Market having transitioned to a committees-type model, in FY2025, the Sustainability Council held discussions on governance that is effective for the Company. Looking ahead, we also hope to revise the agenda of the Board of Directors. If you notice any areas where discussion is lacking, please let me know.

**Miyakawa** In the design of a corporate structure, effectiveness is more important than the form itself. The Company's Board of Directors has free and open discussions that include participation by members of the Audit & Supervisory Board. There seem to be no major problems with the current structure in terms of serving as a monitoring board.

**Matsui** What matters more than focusing on form is having management that is solid. What choices should the Company make to raise its corporate value? I think we should hold substantive discussions on this. In Board of Directors meetings, we should continue to discuss management that is conscious of capital efficiency and of the cost of capital. There is also room for even deeper screening of individual investment projects and discussions on a financial strategy. I believe it would be good to delve into approaches to shareholder returns originating in the balance sheet, and to further discuss ways to enhance financial literacy throughout the Board of Directors.

**Miyakawa** Breaking things down based on the ROE tree, metrics that should be tracked at the department level come into view. The Company has metrics in individual departments' areas of responsibility, recognizes the achievement of these, and examines issues when they are not achieved. With analysis now making progress, I look forward to seeing initiatives that instill consciousness of capital efficiency throughout the Company, with detailed follow-up.

**Matsui** There's also the question of how to organize the relationships among businesses, functions, and regions. The three-axis matrix structure is susceptible to opacity in showing where responsibility and authority lie. While there is no single form that can be called correct, at times it is important to have the courage to effect great changes in the organization and to integrate responsibility and authority at those times.

**Suzuki** Decision-making slows down when it's unclear where responsibility and authority lie, something that I see as a real issue. I would like the Board of Directors to hold discussions on approaches to delegation of authority with a view toward transformation into a solution provider, with consideration of the structural difficulty.

## Toward a Sustainability Council that turns uncertainty into opportunity

**Suzuki** Amid the rise of geopolitical risks and other uncertainties, what discussions should the Sustainability Council hold in the future?

**Miyakawa** Decisions on major investments become difficult amid rising uncertainty, which suggests to me the need to make small decisions while carrying out course corrections. I think there is a need to consider what sort of organization will be able to make quick decisions and take flexible actions. Sharing cases of benchmarking against other companies should also make the Company's position clearer.

**Matsui** I think three points will be important for the Company in enhancing its corporate value. The Company must take into account the impacts of AI on each of the six major capitals, explain how non-financial and financial factors connect to competitiveness in a way that resonates, and incorporate the perspectives of all manner of stakeholders. I also think it would be good to hold discussions on narrowing the Company's domains. When domains are not clearly defined, areas of business grow without order and timely decisions on withdrawal from businesses also become difficult. For that reason, I think it would be good to determine domains at the individual business level.

**Suzuki** Amid the increasing uncertainty that was pointed out, I feel that the grounds for determining what to grow and what to quit will become more important than ever. And for the Company, its approach to domains is still very broad so it must be made more detailed. That's why I think it's important to raise the quality of management decision-making, including decisions on the business portfolio and investment, using MVV as criteria for making judgments. Hearing the points made today, I realize anew that discussions within the Sustainability Council are a source of greater corporate value for the Company and that outside officers provide support for that. I would like such insights to be solidly reflected in future discussions and decision-making, and to connect to the further enhancement of corporate value.



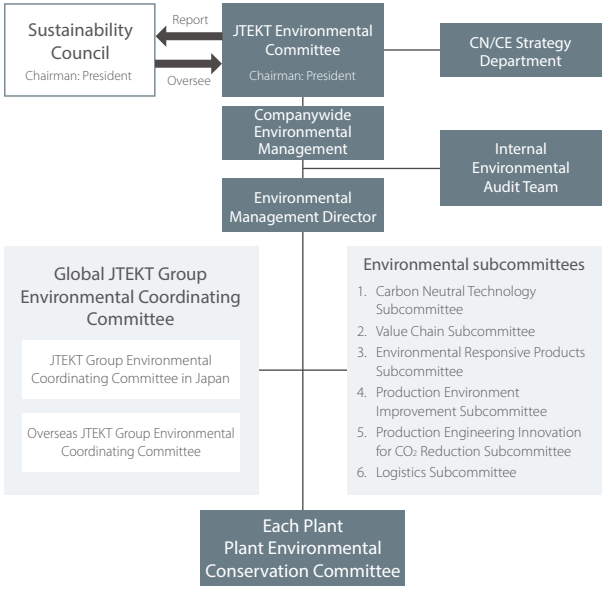
# Environment

## Environmental Management Promotion Structure

Our Company considers "protect the rich earth for future children" to be an important management theme. Looking toward 2030, we have set targets for the three pillars of carbon neutrality, circular economy, and nature positive, as well as environmental management, which serves as the foundation for our actions. We will also continue to advance initiatives that minimize our environmental impact. Progress toward these targets is shared across the environmental management promotion structure centered on the JTEKT Environmental Committee, which is chaired by the President, while its activities are regularly reported to the Sustainability Council for oversight by senior management.

To ensure that all environmental initiatives are conducted with an even stronger sense of unity as the JTEKT Group, we will review our promotion structure starting in FY2026 and work to raise the overall standard of our activities.

### Organizational Chart

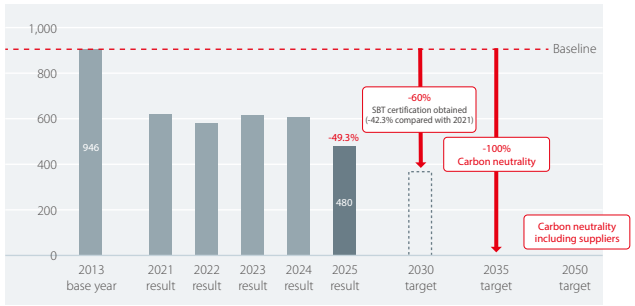



## Working to Achieve Carbon Neutrality

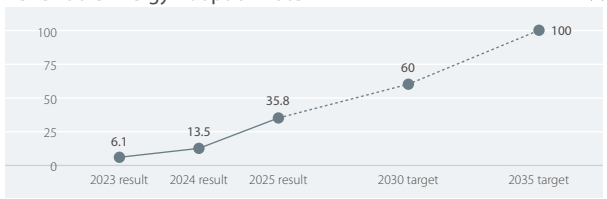
Our Company has declared that it will achieve carbon neutrality in its global manufacturing by 2035. To this end, we have set a FY2030 target for $CO_2$ emissions, which has been certified by Science Based Targets (SBT). To meet this target, we are promoting energy-saving activities as one global team. This involves visualizing energy consumption by process and expanding energy-saving activities that have been effective at domestic manufacturing sites to Group companies both in Japan and overseas. Moving forward, we will further visualize the status of each site by creating a matrix of effective initiatives and manufacturing sites, and work to accelerate the rollout of these initiatives across the Group.

In addition, to achieve a 60% renewable energy introduction rate by FY2030, we are adopting renewable energy through on-site solar carports and off-site physical and virtual PPAs, steadily working toward achieving carbon neutrality.

### Global $CO_2$ Emissions Performance and Targets




### Renewable Energy Adoption Rate




# Topics

## Start of Demonstration of a Carbon Neutral Model at the Hanazono Plant

As part of our initiatives toward achieving carbon neutrality, we have installed a CN Plant—a facility that generates, stores, and supplies hydrogen using renewable energy—and a hydrogen burner-type aluminum melting and holding furnace at the Hanazono Plant (Okazaki City, Aichi Prefecture). This marks the start of a demonstration for the local production and consumption of green hydrogen on a plant-scale basis.

The CN Plant produces green hydrogen by performing water electrolysis with the electricity generated by solar power. This hydrogen is filled into tanks, while surplus electricity is stored in batteries to ensure the efficient use of energy. In addition, hydrogen supply piping has been installed within the plant, establishing a system in which the entire process of making, storing, transporting, and using hydrogen can be completed entirely on-site. By using this hydrogen in the hydrogen burner-type aluminum melting and holding furnace, we are able to reduce $CO_2$ emissions and achieve a manufacturing process with a lower environmental impact. Having established a plant-scale model for the local production and consumption of green hydrogen at the Hanazono Plant, we will expand this approach to aluminum casting processes at other plants going forward, thereby advancing $CO_2$ emissions reduction under Scopes 1 and 2.

These results were achieved through the subsidy program "Development of Technologies for Realizing a Hydrogen Society / Regional Hydrogen Utilization Technology Development / Development of an Aluminum Melting Furnace Using a Hydrogen Burner and On-Site Hydrogen Infrastructure Technology" funded by the New Energy and Industrial Technology Development Organization (NEDO).

Details on the CN Model Plant

https://www.jtekt.co.jp/news/2025/004975.html (Japanese)




CN Plant



Hydrogen burner-type aluminum melting and holding furnace

## Disclosure of Information in Accordance with the TCFD Framework

The Task Force on Climate-related Financial Disclosures (TCFD) framework requires companies to analyze the impacts of climate change on their business and resulting opportunities and risks based on the prospective scenarios, which are to be reflected in their business strategies. In this section, among the action plans concerning environmental management that we formulated based on our Environmental Challenge 2050, we explain our initiatives related to climate change, focusing in particular on strategy, one of the four items indicated by the TCFD.

### Strategy: Short-, Medium-, and Long-Term Risks and Opportunities

Based on the TCFD recommendations, we have anticipated the risks on our business and identified risks and opportunities by category for multiple scenarios, including the 1.5°C (less than 2°C) scenario, which anticipates effects from the transition to a decarbonized society, and the 4°C scenario, which assumes the progression of climate change and physical impacts. We have set the short-term period up to 2026, the medium-term period up to 2030 (our medium-term target year), and the long-term period up to 2050 (the target year for our Environmental Challenge).

### Strategy: Effects from Risks and Opportunities

Under the 1.5°C scenario, in which progress is made toward the transition to a decarbonized society, the amount of the impact (risk) from carbon taxes and higher electricity costs is estimated to be in the range of 10 billion to 20 billion yen in 2050, while the effect (opportunity) of increased sales of electrified products and the achievement of $CO_2$ emissions reduction targets will be approximately 30 billion yen.

Furthermore, under the 4°C scenario, in which global warming advances, we estimate that the amount of impact (risk) from flooding and storm surge damage will be about 4 billion yen in 2050.

List of Initiatives in Line with the TCFD Framework

| Item | Content | Initiatives |
|---|---|---|
| Governance | Supervisory system by directors<br>Organizational chart shown on p. 50 | • In 2016, the Council for Enhancement of Corporate Value, which was the predecessor to the Sustainability Council attended by the President, directors, and related executives, approved the Environmental Challenge 2050<br>• The JTEKT Environmental Committee reviews the progress of environmental management including KPIs on a semi-annual basis |
| | Role of management in assessing and managing risks and opportunities | • The President, who has responsibility and authority for environmental issues including climate change, serves as chair of the Sustainability Council and appoints an Environmental Management Director from among the executive officers<br>• The Environmental Management Director formulates a five-year Environmental Action Plan, which is submitted to and approved by the JTEKT Environmental Committee |
| Strategy | Details shown on the left | |
| Risk Management | Process for screening and assessing risks | • Position environmental risks, including climate change, as one of the business and management risks, and decide on matters to be deliberated and addressed in the JTEKT Environmental Committee, chaired by the President<br>• Evaluate risks identified in all business activities and confirm countermeasures |
| | Process for managing risks | |
| | Integration with comprehensive risk management | • Confirm that risk management is functioning effectively and regularly review risk items, countermeasures, and evaluations |
| Metrics and Targets | Risk and opportunity assessment indicators | • Set specific numerical targets for $CO_2$ emissions from production and $CO_2$ reduction contributions from the use of our products in our five-year Environmental Action Plan* as indicators related to climate change<br>• Disclose 12 categories related to our Company for Scope 1 and 2 $CO_2$ emissions from production and Scope 3 indirect emissions<br>*Published on our Company website's Sustainability Environmental Report<br>https://www.jtekt.co.jp/e/sustainability/environment/ |
| | Disclosure of Scopes 1, 2, and 3 | |
| | Risk and opportunity management targets and results | • $CO_2$ emissions from production are on track to meet the challenge targets of a 45% reduction by 2025 and a 60% reduction by 2030 compared to FY2013 levels, with a 49.3% reduction achieved in FY2025<br>• Targets and achievements are disclosed annually in the JTEKT Report |

List of Risks and Opportunities in the Scenarios Used

| Item | Category | Overview | Time scale | Impacts under the 1.5°C scenario | Impacts under the 4°C scenario | Countermeasures by the Company |
|---|---|---|---|---|---|---|
| Transition Risks | Policy and Legal | • Introduction of carbon taxes<br>Greenhouse gas emissions by sites in each country will be subject to taxation, causing operating expenses to increase<br>• Expanded scope of emissions trading systems<br>Additional costs will be incurred when emissions quotas are exceeded | Short term–long term | Large | Small | • Set $CO_2$ emissions reduction targets<br>• Gather data on emissions results including Group companies<br>• Energy saving in production processes<br>• Reduction of $CO_2$ emissions in logistics |
| | | • Stricter regulation of automobile fuel efficiency and emissions<br>R&D costs for complying with regulations will increase and sales of products for internal combustion engine vehicles will decrease | Short term–long term | Large | Small | • Development of bearings for BEVs and FCEVs |
| Physical Risks | Acute | • Intensification of abnormal weather<br>There is a risk that the continuation of business will become difficult due to damage to plants and disruption of supply chains | Medium term–long term | Medium | Medium | • Formulation of the Basic Policy for JTEKT Group Business Continuity Plan<br>• Implementation of disaster drills, disaster mitigation training, preparations for the early restoration of product supply, and other measures |
| Opportunities | Policy and Legal | • Renewable energy policies<br>With the increase in solar power generation due to the promotion of renewable energy, there is a growing need to utilize surplus electricity<br>Not only within our own Company, but also among our business partners, there is a growing demand for energy-saving equipment in each production process | Medium term | Medium | Small | • Development and demonstration of hydrogen management system technology that utilizes electricity generated from renewable energy to reduce $CO_2$ emissions under Scope 1<br>See "Topics" on p. 50 for details |
| | | • Stricter regulation of automobile fuel efficiency and emissions<br>If BEVs and FCEVs increase, demand for products for electric vehicles and FCEVs will increase | Short term–long term | Large | Small | • Development of products that contribute to the miniaturization and weight reduction of electric drive systems (JTEKT Integrated Gear Bearing™)<br>• Development of bearings that overcome hydrogen embrittlement (EXSEV-H2™) |
| | Technology | • Promotion of energy-saving at plants<br>Reduce energy costs and increase earnings by improving the efficiency of production processes through energy savings in the manufacturing stage and production technology innovations | Short term–medium term | Medium | Medium | • Continue energy-saving activities and develop energy-saving production technologies by improving production process efficiency (SuperMoldatherm) |

Notes: 1. Time scales Short term: Present – 2026, Medium term: 2030, Long term: 2050.
2. Impact assessments were set as follows: Large: Amount of impact exceeds 10 billion yen, Medium: Amount of impact is 1 billion to 10 billion yen or less, Small: Amount of impact is 1 billion yen or less.

# Environment

## Contributing to the Circular Economy

The Circular Economy Vision 2020 (Ministry of Economy, Trade and Industry) calls for a shift from the traditional "3Rs (reduce, reuse, recycle) as environmental activities" to a "circular economy as economic activities" that approaches design and system creation to prevent waste. Furthermore, the 2024 Fundamental Plan for Establishing a Sound Material-Cycle Society calls on businesses to fulfill their social responsibilities, which are essential for sustainable development that will benefit future generations, through environmentally conscious business activities such as the use of recycled materials and renewable resources.

In Europe, the End of Life Vehicles (ELV) Regulation, which consolidates the "ELV Directive" and the "Directive on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability" into a single regulation, was proposed in 2023 and agreed upon in 2025. This regulation requires automobiles to promote the use of recycled materials and reduce environmental impact at the end of their lifecycle. In Japan, legislative amendments in 2025 aim to mandate the use of recycled resources and promote environmentally conscious design.

Our Company has been contributing to the circular economy through environmentally conscious design, remanufacturing and rebuilding of our own products, and the recycling of industrial waste.

Moving forward, we will continue to contribute to the realization of a circular economy through the activities of our various environmental subcommittees. This includes the Environmental Responsive Products Subcommittee, which promotes the development of environmentally conscious products that are compact, lightweight, and highly efficient while taking resource circulation into account, and the Production Environment Improvement Subcommittee, which works to reduce waste and promote material recycling in our business activities.

See p. 50 for details on our promotion structure.

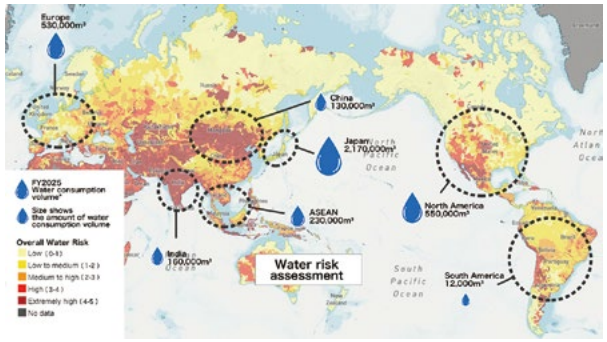
## Water Risk Assessment and Countermeasures

To reduce the use of water, a crucial resource, we are reducing water consumption internally by eliminating waste and recycling water. We also use Aqueduct* to assess water risks at each of our business sites.

Among these, we have identified sites where water stress that directly affects our business has been assessed as high risk as water-stressed areas.

* Aqueduct: A database operated by the World Resources Institute (WRI). It provides world maps and information showing water risks such as "physical water stress," "water quality," "legal and regulatory risks related to water resources," and "reputation risks."

### Water Risk Assessment and Usage at Each Site




### Water Risk Measures

As a result of regular assessments, the JTEKT Group's production sites in India and Mexico were evaluated as having high water stress. For these regions, we have set higher targets for reducing water consumption in each region and are promoting measures such as water recycling and coolant regeneration.

## Harmony with Nature / Biodiversity

We have formulated the 2030 Environmental Action Plan based on our Biodiversity Conservation Action Guidelines and have been undertaking environmental action in order to reduce the environmental impacts of our business activities and give due consideration to biodiversity.

We are implementing initiatives at all of our plants, based on three key pillars: the conservation of rare species that inhabit or grow at each plant, the enhancement of the local natural environment surrounding each plant, and the development of environmental human resources to continuously promote biodiversity.

Key initiatives include efforts to protect the Japanese rosy bitterling, a locally endangered species, in a pond on plant grounds (Nara Plant); efforts to protect fiddler crabs inhabiting the tidal flats of the Yoshino River adjacent to a plant (Tokushima Plant); and efforts to eradicate lanceleaf coreopsis, an invasive species that is spreading in the areas where our plants are located (Kariya Plant and Tadomisaki Plant). Each of our plants is implementing various initiatives of this nature.



Protecting the Japanese rosy bitterling



Protecting fiddler crabs

# KENKO Investment for Health, Safety, and Human Rights

## KENKO Investment for Health

We promote our KENKO Investment for Health initiative because we believe that investing in employee health leads to improved employee engagement and performance, which in turn contributes to sustainable growth and the enhancement of corporate value. By actively promoting employee health, we aim to create a workplace environment where each and every employee can work in a healthy and fulfilling manner.

### Key Initiatives

We recognize labor losses due to employee health issues as a significant business risk and are implementing initiatives that focus on absenteeism (such as absences due to health issues). We evaluate employee health using metrics such as the number of employees on leave due to illness and the number of days of such leave, and prioritize addressing mental health issues, preventing and improving lifestyle-related diseases, and enhancing health awareness. In recognition of these efforts, we were once again certified as an Outstanding Organization of KENKO Investment for Health (White 500) for FY2025. In FY2026, we will newly formulate the JTEKT Group Policy for Promoting KENKO Investment for Health to further advance our KENKO Investment for Health initiative.

## Occupational Safety

Based on the philosophy that "all accidents can be prevented," we aim for zero accidents by having all employees take part in occupational safety and health activities and in improving the workplace environment. Furthermore, by sharing information, including case studies from both Japan and overseas, we clearly identify contributing factors and implement highly effective safety measures. In FY2025, we achieved zero lost-time injuries through these efforts. In FY2026, we will work to establish and further strengthen our occupational safety and health management system with the goal of obtaining ISO 45001 certification.

## Respect for Human Rights

We recognize that the impacts of our business activities on human rights issues are not limited to those from our own company but also extend to impacts throughout the supply chain. Also, JTEKT avoids causing or exacerbating human rights violations, and takes appropriate measures to correct and remedy the situation if human rights violations do occur, in accordance with guidelines such as the UN Guiding Principles on Business and Human Rights. Our efforts to respect human rights are reported to and reviewed by the Sustainability Council, and progress reports are submitted to officers of the relevant divisions as appropriate.

## Implementation of Human Rights Due Diligence

We conduct human rights due diligence in accordance with the JTEKT Group's Human Rights Policy.

JTEKT Group's Human Rights Policy
https://www.jtekt.co.jp/e/sustainability/human_rights_policy.html

### Risk Assessment

We conduct human rights risk surveys and provide feedback to our major domestic suppliers, and we also conduct annual human rights risk surveys for our domestic affiliates.

### Consultation Counters

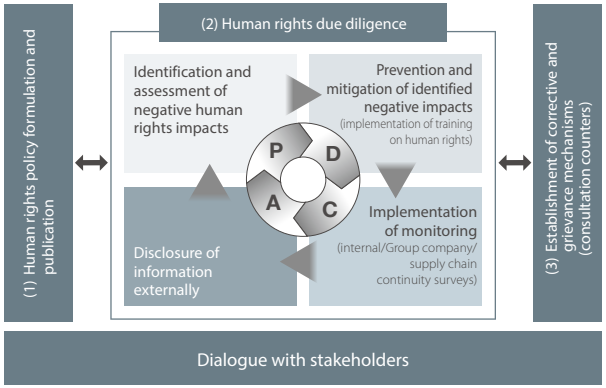
JTEKT has counters for consultation and reporting both internally and outside the Company. We also accept anonymous reports and reports in foreign languages in an effort to create an environment in which one can readily and easily consult and report. In the event that a human rights violation has been identified, we will take appropriate corrective measures and remedies after ensuring that the whistleblower is not identified.

### Training and Awareness Activities

We conduct awareness activities to facilitate employees putting into practice behaviors based on the JTEKT Group's Human Rights Policy. Human rights training is provided to all employees, including new recruits, with training also implemented on discrete themes including harassment and diversity, which have been stipulated as priority human rights issues for our Company, as well as human rights training for executives by inviting external experts. In FY2025, we again conducted training titled "Mutual Respect Month" for all employees in Japan, in which we held workplace-based discussions on unconscious bias. We aim to promote understanding of unconscious bias and encourage each employee to become more aware of it, thereby enhancing workplace inclusion.

### Supply Chain Initiatives

We assessed the conditions of foreign technical intern trainees as well as the use of conflict minerals in the supply chain as part of initiatives to address our Company's priority human rights issues of forced labor and slavery and child labor. For more details on the survey on conflict minerals, see "Supply Chain Management" on p. 55. P.55



# Information Security

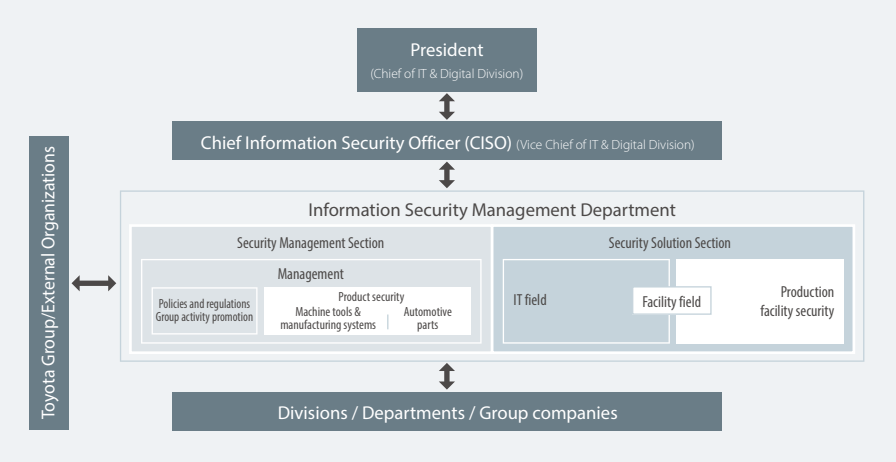
## Approach and Promotion Structure

While recent corporate activities require effective use of information systems and transformation through digital technologies, information security risks such as sophisticated cyberattacks and internal information leaks are increasing year by year. We view information security not only as a risk mitigation measure to protect corporate activities, but as a critical management foundation that underpins the reliability of our products and services and ensures the trust of our stakeholders.

Drawing on the lessons learned from a past incident of unauthorized access to the Group, we are promoting further initiatives to strengthen our information security.

As a manufacturing company, we believe that we have a responsibility to take security measures (product security) for the products we deliver to our valued customers and to ensure the operation of our production lines (production equipment security). In today's corporate management, where the importance of sustainability is required, it is necessary to avoid and minimize risks that significantly impair corporate value.

Information Security Structure




JTEKT Group Policy of Information Security
https://www.jtekt.co.jp/e/sustainability/governance/informationsecuritypolicy/

Against this backdrop, in order to further improve the level of security and maintain an information security system appropriate to its realization, JTEKT has a Chief Information Security Officer (CISO) and a specialized department dedicated to information security (Information Security Management Department), and implements initiatives based on the JTEKT Group Policy of Information Security.

## Initiatives to Strengthen Security

### 1 Strengthening Security Governance

Led by the CISO and the Information Security Management Department, we are working with each division and function to implement safety checks on various information technology systems used and those installed in products, as well as information gathering and dissemination regarding threats to those systems, across the entire Group. We are striving to build a system that enables early detection and response.

In addition, in order to prevent the leakage of confidential information and protect information assets from cyberattacks, we are working to continuously maintain and improve information security by conducting inspections of our Company and consolidated subsidiaries using the Genchi Genbutsu method ("Go and see for yourself") and providing guidance for improvement in accordance with industry guidelines.

### 2 Compliance with Global Standards

We maintain a management system in accordance with the global standard ISO 27001 and the laws and regulations of each country.

### 3 Development of Security Human Resources

With the aim of managing and protecting information assets companywide and improving employees' security awareness and literacy, security leaders have been assigned to each department in the Company, and security human resources are trained according to the information assets handled in each workplace and their roles. Furthermore, we are promoting the placement of a chief information security leader in each division within the Company and are also promoting plans to place information security leaders in Group companies both in Japan and overseas. We are working to strengthen the development of security human resources so that each and every employee can become the "last line of defense."

### 4 Preparation for Security Incidents

We have a dedicated team (CSIRT) that responds to incidents and a dedicated team (PSIRT) that responds when risks such as product vulnerabilities are discovered. The CSIRT also conducts training exercises that include our Group companies.

### 5 Supporting the Entire Supply Chain

In order to protect the entire supply chain, including our suppliers, from cyberattacks, we conduct written inspections and on-site inspections based on guidelines in cooperation with the procurement department, in addition to supporting each Group company. We provide feedback on the inspection results to suppliers, and follow up and provide support for key suppliers on issues that need to be improved. Furthermore, we share information on any incidents among relevant parties and strive to prevent recurrence and strengthen the security of the entire supply chain.

### 6 Initiatives to Address Future Threats

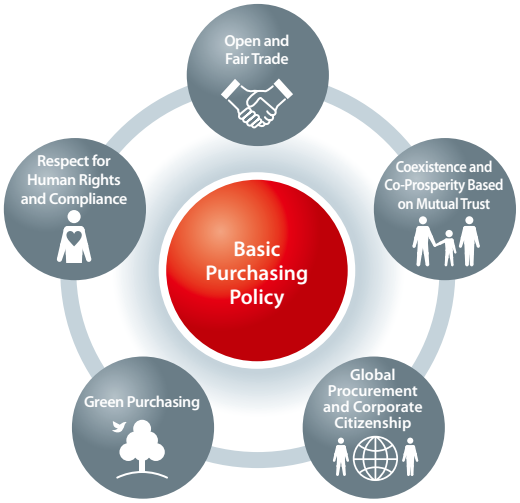
In addition to implementing various security measures for access to all information assets, we aim to obtain information from industry organizations and public-private partnership organizations in order to respond flexibly to the latest threats and establish a safe and secure information infrastructure.

# Supply Chain Management

## Approach and Policy

We are committed to fair and open trade, providing suppliers with fair opportunities for participation regardless of nationality or company size, and pursuing stable procurement that meets quality, cost, quantity, and delivery requirements. Grounded in mutual trust and close communication with our suppliers, we foster coexistence, co-prosperity, and the development of lasting relationships. We pursue optimal procurement from a global perspective and fulfill our responsibilities as a corporate citizen by conducting procurement activities that give due weight to environmental consciousness, respect for human rights, and compliance.

JTEKT's Basic Purchasing Policy
https://www.jtekt.co.jp/e/sustainability/society/partner/




In September 2025, the Company received a recommendation from the Japan Fair Trade Commission for a violation of the Subcontract Act relating to the reduction of payment amounts. We have since rectified the system configuration shortcomings that gave rise to the violation and have completed restitution for the damages incurred. We are now taking further steps to strengthen our commitment to fair trade practices.

## Building a Resilient Supply System

Grounded in globally optimized procurement, we are driving comprehensive improvements in quality, cost, and delivery through co-creation with our suppliers. By refining specifications, engaging in early collaboration from the design phase, and placing orders earlier in the process, we are simultaneously achieving greater efficiency in development and production preparation, higher quality, and shorter lead times. Furthermore, we are visualizing information across procurement, production, and logistics to maintain a clear overview of the entire supply chain and enable faster decision-making. To address a growing range of risks, we are not only reinforcing our supply system in partnership with suppliers, but also securing alternative sources for critical components and optimizing inventory allocation. Through BCP reviews, regular drills, and risk assessments, we are strengthening the effectiveness of our measures and building a resilient supply chain that can sustain stable delivery even in the event of unforeseen disruptions.

## Green Purchasing Initiatives

In pursuit of a low-carbon society and a circular economy, we have Green Purchasing Guidelines in place and are actively advancing environmentally conscious procurement. We have set a target of reducing $CO_2$ emissions by 25% compared to FY2021 by FY2030 and are also requesting our suppliers to work toward a reduction target of 2.5% per year, thereby expanding reduction activities across the entire supply chain.

In addition, we maintain subcommittees together with supplier members of the JTEKT Supplier Association to promote more impactful and effective activities. We are also striving to raise the level of our initiatives and share them externally, including by submitting case studies for the Energy Conservation Grand Prize and participating in presentation sessions for the Central and Western Japan regions.

## Compliance Measures

In our efforts to uphold fair and transparent procurement practices, we are dedicated to full compliance with all relevant laws and regulations, including the Act on Preventing Delay in Payment to Small and Medium-Sized Entrusted Business Operators in Relation to Manufacturing Consignment (formerly the Subcontract Act), while promoting appropriate trading conduct. By properly addressing price pass-through and reinforcing our partnerships, we are deepening the trust-based relationships we maintain with our suppliers.

In addition, we are working closely with our suppliers to ensure responsible sourcing of raw materials, including compliance with the EU Deforestation Regulation and conflict minerals regulations. We have been conducting conflict minerals surveys since FY2013 with the active cooperation of many of our suppliers. Through these ongoing efforts, we are strengthening the integrity of our entire supply chain and laying the groundwork for sound, sustainable partnerships.

## Initiatives for Human Rights and Sustainability

We share our sustainable management philosophy with our suppliers and request their adherence to our Sustainability Guidelines, which outline our commitments to environmental consciousness, human rights protection, and respect for diversity. We also ask them to promote these principles further upstream in the supply chain. In FY2024, we conducted due diligence surveys on labor and human rights with 248 suppliers, and also carried out surveys and provided guidance on environmental and information security practices. In addition, we participate in sustainability evaluations by EcoVadis as part of our ongoing efforts to enhance our initiatives and maintain transparency.

JTEKT Supplier Sustainability Guidelines
https://www.jtekt.co.jp/e/assets/uploads/2024/10/files/supplier_sustainability_guideline_2022.pdf

# Quality Control

## Approach to Quality Control and Quality Assurance

Our operations are grounded in the conviction that protecting safety and quality means protecting lives. Based on this principle and our quality assurance philosophy (below), we strive to deliver quality that is truly indispensable to our customers by ensuring product safety and providing high-quality products and services at affordable prices.

### 1 Priority

Safety is directly linked to the lives of our employees, and quality is directly linked to the lives of our end users. We believe that protecting lives that cannot be recovered is our highest priority.

Safety and quality are fundamentally the same, and the basic principles are to observe standard work and rules, and to "stop, call out, and wait" when abnormalities occur. We identify risks and make improvements under the principle of putting human life first.

### 2 Basic Stance

We view quality as something that belongs to the customer and regard the subsequent process as the customer. Our basic philosophy is that quality is built through each individual's work and each process. As a result, we aim to earn our customers' appreciation and satisfaction, and to remain their continued choice.

### 3 Priority Implementation Items

As we transform into a solution provider—amid the diversifying needs of our customers and markets, the growing complexity of our products, and the expansion of new businesses—we recognize the critical importance of comprehensively identifying quality risks and maintaining robust processes that prevent issues before they arise. To embed this approach as a core system, we will drive the following quality initiatives forward, guided by the principle of "keep doing the right job correctly."

Prevent **"defect escape"**: In order not to cause inconvenience to customers, we are working to ensure a system that prevents defective products from escaping our internal processes and reaching customers.

Prevent **"occurrences"**: We incorporate lessons learned from past quality problems at the design and production preparation stages, identify how customers will use the products and how they could break, and build in safe and reliable product quality.

Prevent **"recurrences"**: Should a quality issue arise, we move quickly to share information across the organization and unite as a company to resolve it swiftly, determine its root cause, and implement measures to prevent recurrence.

## Quality Policy

### Quality Policy

**We, through commitment to quality and continual improvement, supply products that will delight our customers by meeting or exceeding requirements.**

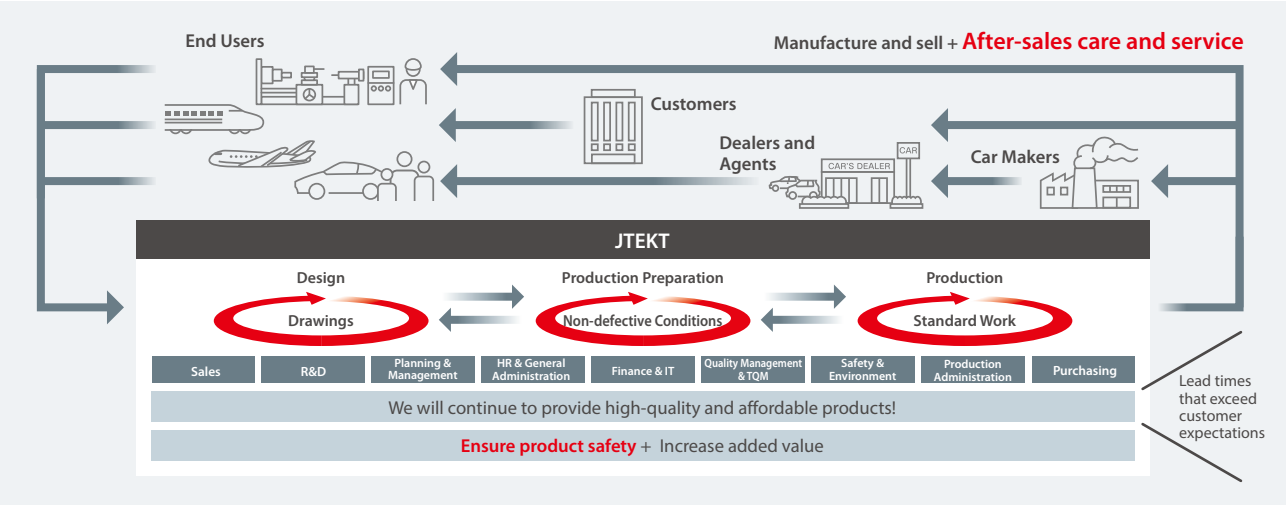
- Judge and act quickly from the customer's perspective
- Execute built in quality of design and manufacturing utilizing creativity and good ideas of our team members

In this quality policy, we emphasize design quality and manufacturing quality, and clarify our belief that building quality in each individual's work and each process at each stage of manufacturing will lead to gaining customer trust.

## Quality Assurance System

The Quality Function Meeting, chaired by the Chief Quality Officer (CQO), determines company-wide issues and actions. At quality meetings for each region and manufacturing plant, we strive to maintain and improve quality on a daily basis by ensuring that the entire Company is aligned with the quality policy, while also addressing individual issues and discussing them. In addition, we are working to create safe and reliable products through collaboration with all departments involved in design, production preparation, and production.

Approach to Quality Assurance






Special Feature

# Dialogue Between Outside Directors and Investors

## What reforms are needed to strengthen earning power?

## Outside directors of JTEKT and investors discuss cost of capital management and compensation governance.

To improve the effectiveness of its governance and maximize its corporate value, JTEKT places importance on holding constructive dialogues with stakeholders and reflecting their opinions in management. In July 2026, the Company held a small-group meeting between its outside directors and six institutional investors, focusing on enhancing management that is conscious of the cost of capital, share price, and compensation governance, which the Company recognizes as priority issues in strengthening its earning power.

**As outside directors, how do you assess the Company's awareness of the issues involved to take the price-to-book ratio (PBR) above 1.0, and the measures it has taken to address them?**

**Ikeda** I think that the main reason why the Company's PBR is less than 1.0 is insufficient progress in improving profitability. The Company's ROE remains low, but behind that was temporary costs associated with structural reforms in Europe. Despite chronic deficits at sites in the region, the Company had been unable to take decisive action on exiting the business and had deferred addressing the issue. In recent years, however, the Company has become able to make painful decisions on matters, most notably structural reforms in Europe, and management is taking steady steps in a positive direction. From this point onward, amid the rapid advance of new Chinese BEV manufacturers, geopolitical risks, and other uncertainties, it will be important for the Company to undertake management decisions with a sense of urgency. As an outside director, I hope to back up such speedy decision-making from an objective standpoint.

**Sakurai** When I first became involved as an auditor seven years ago, there was a strong silo mindset among business units. Judgment calls on where to apply greater focus and where to pull back were hazy, and deliberation on the optimal allocation of management resources from a company-wide perspective was insufficient. The current Board of Directors and Corporate Strategy Council are deciding to get out of investments in unprofitable areas and are moving forward with deliberations aimed at concentrating management resources on growth areas, which has led to decisions on matters such as structural reforms in Europe. Management that is conscious of the cost of capital and ROE has taken root, something that I recognize as a major step forward. At the same time, raising PBR above 1.0 will require not only that JTEKT improves its ROE but also that it becomes a company from which the market expects growth and that it raises its PER. To do so, the Company must depict a feasible growth story and must demonstrate internally and externally that it can steadily execute on that story. I also think that another reason for the PBR being below 1.0 is the Company failing to communicate its non-financial initiatives, particularly human capital-related ones, to the market. Employee engagement is steadily improving under the principle of "people and site-first management," heralded in the Company's Medium-Term Business Plan. As an outside officer, I hope to play a role in the Company creating, and solidly executing, business plans with narratives that empower employees to dream.

**Investor** As outside directors, how do you view the Company's progress toward a human capital strategy that connects to transformation into a solution provider in order to enhance ROE?

**Sakurai** Under the thinking that the transformation into a solution provider cannot succeed unless the human resource strategy and management strategy are integrated, the Company is strengthening its base of human resources who will create solutions. And as an outside director, I continually monitor the efforts of the Solution Co-creation Center (SCC) and the extent to which the Core Competence Platform (CCP) is being adopted and utilized, and closely observe how and to what extent human resources are contributing to the creation of solutions.

**Ikeda** I have great expectations for factory solutions. Until recently, every time I visited manufacturing sites and factories to observe them in action, I felt that despite JTEKT's wealth of technologies, its strengths were not yet integrated well. However, now, SCC-centered efforts are making steady progress in integrating technologies and connecting them to solutions for factory issues. In my contact with suppliers in the automotive industry, I realize everyday the growing need to address greenhouse gas reduction, automation, labor-saving, and other issues at factories.

## Dialogue Between Outside Directors and Investors

**Investor** When a supplier recently told me of their intent to visit JTEKT to learn about factory solutions, I was struck again by the high level of interest in worksites. I believe that JTEKT has considerable opportunities to grow its business by showcasing its diverse technologies and know-how to the outside world.

**Investor** I appreciate that the Company has embarked upon structural reforms in Europe. Is JTEKT now at a stage where it can claim to have purged the underlying problems? Or are there still issues to be worked out? As restructuring progresses in the bearing industry, how do you outside directors view the situation?

**Ikeda** We're confident the structural reforms in Europe will bring about profitability, and efforts to enhance profitability are also underway in North America. I recognize that the Company's management foundation has improved significantly in that regard. At the same time, the Company is likely to face geopolitical risks, industry restructuring, and other situations involving significant changes in the business environment. To respond to such changes, I think that the Board of Directors must make decisions with an even greater sense of urgency, further develop its strengths, and flexibly identify businesses that the Company should reconsider.

**Investor** I've observed JTEKT for the 20 years since the merger of Koyo Seiko and Toyoda Machine Works. Although my initial expectations were extremely high, I feel that synergies from the integration have been lacking.


Ikuji Ikeda Outside Director

JTEKT is a rare company in possessing so many fundamental technologies. If, in the next Medium-Term Business Plan, JTEKT is able to concretely present a story by which it creates new value through the integration of technologies, I think that expectations for its growth will increase in the market.

**What behavioral changes are management metrics such as J-BEP and J-ROIC spurring in business units' investment decisions and management for improving ROE? Also, please explain why the assumed cost of capital is not made explicit.**

**Ikeda** In the past, the Company tended to evaluate businesses on the basis of profit- and loss-related metrics, such as revenue and business profit. With the introduction of J-BEP, however, business units are now making investment decisions and operating their business from a perspective of not only whether they increase profit but also whether they generate profit commensurate with fixed costs. I think that business units are now better able to make their own decisions on where to invest strategically and where to reduce fixed costs, based on the business environment.

**Sakurai** J-ROIC is a proprietary KPI that focuses on inventory and fixed assets. These are the components of invested capital most closely connected to business activities and are subject to management and improvement through worksite leadership. This KPI aligns with the approach of "people and site-first management" and facilitates the penetration of improvement activities. Together with data on inventory and fixed assets, business units' J-ROIC is shared at monthly Board of Directors meetings, where discussions are held on capital efficiency with a breakdown by business. Setting the weighted average cost of capital (WACC) as a hurdle rate for business units and regions, analyzing and comparing with J-ROIC, and otherwise making decisions on the basis of capital costs are also taking root. At the same time, as its next step, I think the Company needs to proceed as soon as possible with discussions on overall optimization, such as the restructuring of its portfolio across businesses.


Yumiko Sakurai Outside Director

**Kamiya** We recognize that our cost of capital exceeds past levels due to increased interest rates in recent years. While sharing with top management and the chiefs of business units the message that postponing decisions leads to damage to corporate value, we continually discuss how to achieve a ROIC in excess of WACC. However, the reality now is that ROIC is below WACC. Initiatives focused on capital efficiency have finally begun to take root throughout the Company, and we've come to the stage where we will catch up with the cost of capital, exceed it, and expand the spread. In the past, we've considered it too early to disclose the cost of capital. In the Third Medium-Term Business Plan, however, we want to indicate what we recognize as the cost of capital and clarify the measures that we will take to achieve a ROIC that exceeds WACC.

**Investor** You mentioned that the J-ROIC approach is taking root at workplaces. Are there specific instances in which you've felt that?

**Sakurai** Discussions on matters such as the location of delayed inventory and ways to increase efficiency take place naturally at worksites now, grounded in inventory turnover, fixed asset turnover, and other specific metrics. This represents a major change. I have the sense that a capital efficiency approach is

## Dialogue Between Outside Directors and Investors

solidly taking root, to the point that I have received a question directly from an employee who wanted to confirm the meaning of ROIC after taking an e-learning course on the topic.

**Ikeda** Visiting the Tadomisaki Plant the other day, I heard enthusiastic explanations from worksites about improvements based on KPIs, such as how they could reduce intermediate inventory. I truly felt that improvement activities focused on capital efficiency, and linked to the evaluation system, have become established at sites.

**Investor** With regard to increasing ROE, what sort of discussions concerning assets held by the Company are taking place? In particular, please explain the significance of holding shares.

**Kamiya** Regarding cross-shareholdings, we've reduced the number of listed stocks from about 80 to three. We also look into the significance of our present stock holdings in both quantitative and qualitative terms to make decisions on whether to continue holding them or not. At the same time, depending on the Company's future growth strategy and the status of its capital allocation, revising our held assets is also an option. We will continue to examine the optimal capital allocation for enhancing our corporate value.

**In seeking to increase ROE and your profit ratio, I think concerns will arise over conflicts of interest between large and minority shareholders, who are also customers, that make up JTEKT's shareholders. I think it will be difficult to have effective governance if independent outside directors do not account for two-thirds of the board. As outside directors, do you think that the current one-third is sufficient?**

**Sakurai** In the past decade, management in Japanese companies has changed significantly along with the adoption of the Corporate Governance Code. JTEKT has also sincerely put this approach into practice and, as a result, I feel that the quality of its management has improved considerably. Currently there are two independent outside auditors in addition to two independent outside directors, meaning that independent outside officers account for four out of ten officers. Outside officers fully engage in discussion and supervision from a variety of perspectives, and the Company's executives also have a culture of accepting opinions from outside. Accordingly, I don't feel that the current structure has any negative impact on enhancing the effectiveness of governance.

**Ikeda** I believe that the mission of directors is to carry out management in a manner aligned with the interests of all shareholders. I always speak from the standpoint of an independent officer, keeping the perspectives of all shareholders in mind, especially minority shareholders. In cases that may suggest some conflict of interest, I firmly assert the necessary opinions. I feel that the Company still has plenty of room for increasing its profit ratio, and in particular, that it can aim for a higher profit ratio in products in which it is highly competitive, such as steer-by-wire systems. In Board of Directors meetings, too, I've said that the Company should begin with such areas in its actions to change the game.

**Investor** I think what is being demanded of the Company now is aggressive governance. Even from our point of view, we are left to wonder why the Company's profit ratio and ROE are low despite its great technologies and products. From the outside, the interests of large shareholders appear to receive priority in decision-making. I don't think that the Company's evaluation will improve unless the Company shows, by having a majority of outside directors, that there are no conflicts of interest in the decision-making process. What are your thoughts on this?

**Sakurai** As you pointed out, what is important in governance is not only actual operation but also the establishment of a structure that is seen as highly effective even from the outside. While I don't sense problems in the Company's current state, I also don't consider that to be sufficient. I recognize the importance of raising the percentage of independent outside directors.



Kazuyuki Kamiya
Senior Executive Officer
Chief of Corporate Division
CFO

**Ikeda** Because candid debates are taking place in the Board of Directors, Director Sakurai and I both viewed it as functioning appropriately. Based on this dialogue, however, I want to give further thought to how governance should function, from the perspective of how it appears not only from within the Company but also from the outside.

**Although a revision of the executive compensation system from the fiscal year ending March 2027 was announced and improvements can be seen, the percentage of ROE within performance KPIs seems to be low as it was before the revision. What sort of discussions took place in making changes? Also, what changes do you expect in the management team's focus on stock price and commitment to enhancement of corporate value in the medium and long term?**

**Sakurai** The executive compensation system was revised to realize the 2030 Vision by increasing the motivation of officers to perform their duties. Initially, I proposed the introduction of human capital-related and other non-financial KPIs. In response, management proposed adding $CO_2$ reduction and ROE as evaluation metrics to strengthen the connection with our 2030 Vision. However, with the costs of structural reforms in Europe greatly impacting ROE, we held careful discussions and initially set the weighting of ROE at 10%. With the revision, I hold the expectation that officers will adopt a greater focus

## Dialogue Between Outside Directors and Investors

than ever on the cost of capital and on corporate value, and that human capital initiatives in particular will ramp up and connect to realization of the Medium-Term Business Plan and the 2030 Vision.

**Ikeda** We had deliberations that focused on aligning the evaluation metrics with the Medium-Term Business Plan as a way to attain the Medium-Term Business Plan targets. With regard to the comment that the weighting of ROE at 10% may be too low, although we started with a weighting of 10%, we believe there is room to revise it in the future. This year, the Company will complete its European structural reforms and may be able to achieve the ROE target of the Medium-Term Business Plan. We intend to look at reflecting this in the design of compensation, based on where we are with respect to the target, on target values in the Third Medium-Term Business Plan currently being formulated, and on the expectations of the market.

**Investor** I understand the Company's direction in connecting the executive compensation system to the enhancement of capital efficiency. However, wouldn't incorporating J-ROIC, which is becoming widely used at sites, into evaluation metrics enable the further strengthening of a company-wide focus on capital efficiency? For example, I think it may be effective to design evaluation metrics in line with roles, such as J-ROIC for officers in charge of businesses and ROE for the representative directors.

**For appropriate and transparent evaluations by the Executive Personnel Meeting and Executive Compensation Meeting, I think it is preferable that these be chaired by outside directors rather than by the president. What are your thoughts?**

**Sakurai** Based on the opinions of investors and the aims of the Corporate Governance Code, I fully understand the idea that it would be preferable for outside directors to chair the Executive Personnel Meeting and the Executive Compensation Meeting, and I recognize this as an issue that should be actively considered in the future. At the same time, what is essential is that the structure allows impartial evaluation and appointment of a management team that can solidly ensure independence and objectivity, and can contribute to the realization of our 2030 Vision. Both Director Ikeda and I have expressed our frank thoughts on this, and President Kondo, who is the chair, also takes our thoughts seriously. I think that effective discussion is taking place. However, in addition to proper functioning, I believe that establishing a transparent structure that can be fully understood from an external perspective will be an important issue going forward.



**Ikeda** Like Director Sakurai, I am confident that the current structure is functioning well, but I feel again the need to consider it from a perspective of how it appears from the outside. With regard to personnel matters in particular, information that reaches outside directors is inevitably limited. Accordingly, I would like to ask that management take steps to ensure that the necessary information is fully shared.

**Investor** A key role of corporate governance is appropriate supervision of the CEO. With that in mind, meetings on nominations and compensation should be chaired by outside directors, whose role requires objectively evaluating the management team, including the CEO. I also think that disclosing the sort of deliberations by which conclusions were arrived at will lead to enhanced transparency. Regarding the execution of duties, I think it is necessary to delegate authority and establish a structure that allows the Board of Directors to focus on supervision.

**Sakurai** Thank you for your valuable suggestions. Today, I've realized anew the importance of deepening mutual understanding through dialogues with investors. We will solemnly consider the comments received today and will connect those to discussions in the Board of Directors and to improvements. We will continue to engage in dialogue with the market and investors and, heeding their voices to reform the Company's management and governance, will strive to enhance its corporate value.

**Ikeda** Today's dialogue has been an excellent opportunity to hear the outspoken opinions of investors and gain an understanding of how we are viewed from the outside. Drawing on the feedback from investors, I hope to further enrich discussions in the Board of Directors.

# Corporate Governance

## Corporate Governance Structure

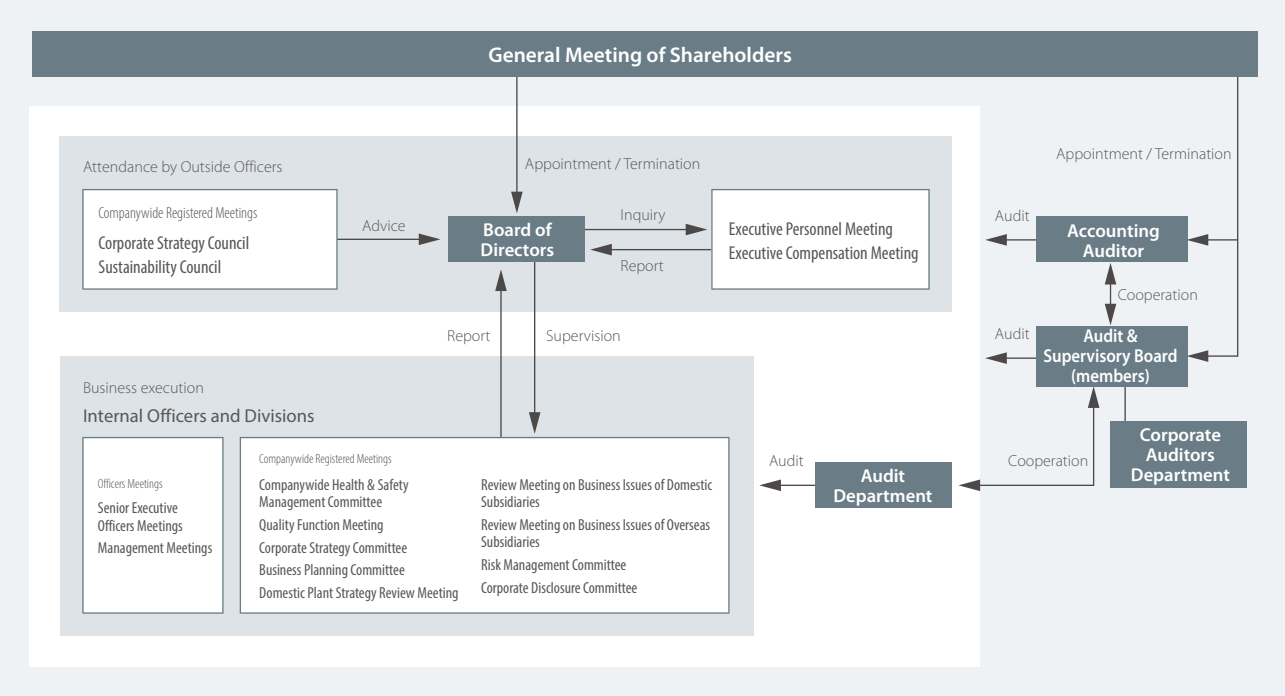
At our Board of Directors meetings, in addition to items stipulated by law and the Articles of Incorporation, deliberations take place and decisions are made pertaining to the Medium-Term Business Plan aimed at realizing JTEKT Group 2030 Vision. This includes management strategies aimed at achieving the Medium-Term Business Plan, as well as oversight of the execution of duties by directors. Board members, including outside officers, also participate in our Corporate Strategy Council and Sustainability Council, thereby complementing the Board's monitoring and advisory functions. As the executive bodies subject to oversight, we maintain Senior Executive Officers Meetings—comprising the president, senior executive officers, and CxOs—as well as Management Meetings and Companywide Registered Meetings, which ensure the execution of duties based on thorough deliberation. Two of our Board members, representing one-third of the total, are independent outside directors.

Additionally, to ensure transparent, fair, prompt, and efficient management, JTEKT opts to be a company with an Audit & Supervisory Board. Four Audit and Supervisory Board members, including two independent outside members, inspect the execution of duties by directors.

At Audit & Supervisory Board meetings, the Board monitors the execution of duties by directors and confirms the appropriateness of the methods and results of audits performed by the accounting auditor. We also have in place the Corporate Auditors Department to assist members of the Audit & Supervisory Board, with dedicated staff members performing its duties. Regarding internal auditing, the Audit Department, which reports directly to the president, inspects the business execution of each function and business division and the effectiveness of internal controls, and ensures auditing independence by reporting the results to the Board of Directors and the Audit & Supervisory Board.

Under this system, for example, in accounting audits, Audit & Supervisory Board members receive reports and explanations from the accounting auditor, confirming the appropriateness of auditing methods and results as well as the independence of the accounting auditor. To enhance the efficacy of these audits, Audit & Supervisory Board members, the accounting auditor, and the Audit Department hold regular discussions to exchange information and cooperate with each other.

Schematic Diagram of Corporate Governance Structure




## Group Governance

To ensure transparent, fair, prompt, and efficient Group management, JTEKT engages in the following initiatives at its domestic and overseas subsidiaries.

1. We share the Group's common MVV, Behavioral Guidelines, and business plans to ensure consistency in management policies.
2. We maintain the JTEKT Group Business Management Guidelines to promote the development of internal control systems and monitor their implementation.
3. We hold annual meetings where our management and the management of each Group company discuss management issues at each company.
4. Based on the Prior Consultation and Reporting System, we require prior consultation with or reporting to our Company regarding the execution of specific tasks, and important matters are deliberated by our Board of Directors, etc.
5. We require immediate reporting in the event of incidents related to finance, safety, quality, compliance, etc., and have systems in place to respond appropriately and promptly.

# Corporate Governance

## Operations of the Board of Directors and Other Bodies

At Board of Directors meetings, in addition to deliberating on important decisions regarding the approval and execution of the annual business plan, we have ongoing discussions on the efficient utilization of management capital to execute the Second Medium-Term Business Plan. In FY2025, we focused in particular on reviewing the structure of our Group's businesses, concentrating on structural reforms, such as the consolidation of subsidiaries and the reevaluation of business areas, while discussing ways to achieve an optimal group structure.

We maintain internal standards to identify the impact on management, in terms of both content and monetary amount, for matters that require submission to the Board of Directors and Senior Executive Officers Meetings. This allows us to focus our deliberations on issues that are truly important to management. Matters that do not meet these standards and discussions that are prerequisites for submission to Senior Executive Officers Meetings are deliberated at various Companywide Registered Meetings established for each function, and we maintain a system of delegated authority whereby CxOs and division chiefs are responsible for making decisions.

### Matters for Deliberation by the Board of Directors in FY2025

| Category | No. of reports |
|---|---|
| Financial results / Finance | 11 |
| Human resources | 7 |
| Business restructuring | 6 |
| Policy / Plan | 4 |
| Reorganization | 1 |
| Individual cases | 5 |

### Matters for Reporting to the Board of Directors in FY2025

| Category | No. of reports |
|---|---|
| Financial results / Finance | 12 |
| Governance / Risk management / Internal control | 8 |
| Business restructuring | 3 |
| Human resources | 2 |
| Individual cases | 4 |

### Meetings of the Board of Directors and Other Bodies (FY2025)

| Committees | Composition | Meeting frequency | Details |
|---|---|---|---|
| Board of Directors | Directors: 6 (outside directors: 2)<br>Audit & Supervisory Board members: 4 (outside Audit & Supervisory Board members: 2) | Once/Month | Makes decisions about important matters within management and supervises directors' execution of duties.<br>[Structural reforms (Europe), establishment/closure of Group companies] |
| Audit & Supervisory Board | Audit & Supervisory Board members: 4 (outside Audit & Supervisory Board members: 2) | | Inspects directors' execution of duties as well as the appropriateness of methods and results of audits performed by the accounting auditor.<br>[Activity report by Audit & Supervisory Board members, procedures for evaluating the accounting auditor] |
| Senior Executive Officers Meetings | Directors: 3<br>Senior Executive Officers: 8<br>Audit & Supervisory Board members: 2, and several others | | Supplements the Board of Directors, deliberates important matters within management, and determines fundamental policies.<br>[Structural reforms (Europe), establishment/closure of Group companies] |
| Management Meetings | Directors: 3<br>Senior Executive Officers: 8<br>Audit & Supervisory Board members: 2, and dozens of others | | Supplements the Board of Directors and manages the progress of policies regarding business execution. In addition, these meetings enable problem points and issues regarding business execution to be shared extensively among directors and officers.<br>[Progress management of the Second Medium-Term Business Plan, confirmation of production preparation status] |
| Companywide Registered Meetings | | | |
| Corporate Strategy Council | Directors: 6 (outside directors: 2)<br>Audit & Supervisory Board members: 4 (outside Audit & Supervisory Board members: 2)<br>Senior Executive Officers and several others | Twice/Year | Examines the Group's medium- to long-term strategy based on various roadmaps (markets, products, technologies).<br>[Examination of the draft Third Medium-Term Business Plan] |
| Sustainability Council | | 4 times/Year | Investigates issues concerning sustainability to achieve sustainable growth by society and the Group.<br>[Formulation of the Behavioral Guidelines, strengthening of Board functions] |
| Companywide Health & Safety Management Committee | Directors: 3, Audit & Supervisory Board members: 2<br>Senior Executive Officers: 8, and several others | Twice/Year | Deliberates on policies, targets, and measures concerning safety, sanitation, health, and other issues.<br>[Confirmation of progress on each policy, analyzing disasters, and addressing issues] |
| Quality Function Meeting | Directors: 3, Audit & Supervisory Board members: 2<br>Senior Executive Officers: 8, and several others | Twice/Year | Reviews the results of activities and deliberates on future actions based on quality function policies and measures.<br>[Deciding on priority implementation items and confirming progress] |
| Corporate Strategy Committee | Directors: 3, Audit & Supervisory Board members: 2<br>Senior Executive Officers: 8, and several others | Once/Week | Investigates policies and directions for the establishment and sustainable development of business foundations through expert and thorough deliberation from the perspective of business execution.<br>[Strategies and profit plans for various projects] |
| Business Planning Committee | Directors: 3, Audit & Supervisory Board members: 2<br>Senior Executive Officers: 8, and several others | Once/Month | Examines the medium- to long-term product roadmap that visualizes the business portfolio and business strategy.<br>[Formulation of the grand design and growth strategy for each business] |
| Domestic Plant Strategy Review Meeting | Directors: 3, Audit & Supervisory Board members: 2<br>Senior Executive Officers: 8, and several others | 6 times/Year | Reviews safety, quality, and profit issues, and discusses optimal production locations and strategies.<br>[Growth strategies, reduction of fixed costs] |
| Review Meeting on Business Issues of Domestic Subsidiaries | Directors: 3, Audit & Supervisory Board members: 2<br>Senior Executive Officers: 8, and several others | Once/Year/Company | Shares information and issues relating to the status of management, the management vision, and strategies with senior management of Group companies.<br>[Structural reforms, productivity improvement] |
| Review Meeting on Business Issues of Overseas Subsidiaries | Directors: 3, Audit & Supervisory Board members: 2<br>Senior Executive Officers: 8, and several others | Once/Half-year/Company | |
| Risk Management Committee | Directors: 2, Audit & Supervisory Board members: 2<br>Senior Executive Officers: 8, and several others | 3 times/Year | Comprehensively manages risks that could hinder the achievement of long-term and medium-term plans throughout the Group and takes measures for priority management risks.<br>[Confirmation of progress in addressing top priority risks and consideration of top priority risks for the next fiscal year] |
| Corporate Disclosure Committee | Chief of Corporate Division<br>Vice Chief of Corporate Division and several others | Once/Month | Investigates and confirms whether the timing, details, and methods of information disclosure are appropriate.<br>[IR strategy, integrated reporting policy] |

# Corporate Governance

## Evaluation of the Effectiveness of the Board of Directors

We recognize strengthening corporate governance as an important management issue and maintain guidelines in response to the Corporate Governance Code. We are also working to transform and strengthen our corporate structure by implementing the PDCA cycle every year.

In addition, JTEKT conducts a survey on the effectiveness of the Board of Directors once a year for directors and Audit & Supervisory Board members (self-evaluation by written survey). Through this survey, we evaluate whether the content of deliberations and operation methods at Board meetings are appropriate, and revise them as necessary when there are areas that should be improved. Since 2024, we have incorporated a survey evaluation by an external organization into our effectiveness evaluation so that we can objectively grasp and evaluate our situation and challenges through comparison with other companies.

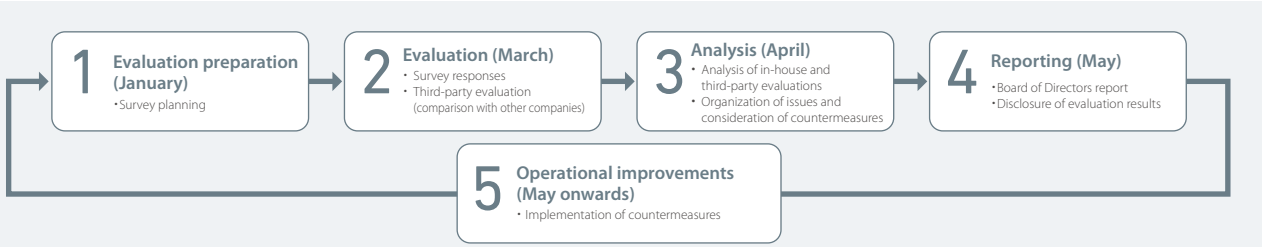
### Board of Directors Effectiveness Evaluation Survey

Our survey consists of a questionnaire with 32 questions (rated on a five-point scale) and a free-response section. Questions cover the Board's composition, discussion, and monitoring function, as well as director performance, the support system for directors and Audit & Supervisory Board members, training, dialogue with shareholders, and personal initiatives.

We conduct this survey among all directors and Audit & Supervisory Board members to analyze issues related to improving the effectiveness of the Board of Directors based on our respondents' awareness of issues and comparisons with other companies.

By diligently addressing each of these issues, we aim to operate a Board of Directors that increases corporate value through transparent, fair, and swift decision-making.

Schedule for Evaluating the Effectiveness of the Board of Directors




### FY2025 Initiatives

In FY2025, we strengthened our capital expenditure management by introducing discounted cash flow (DCF) analysis while deepening discussions on board succession. We also enriched discussions on creating value over the medium to long term, informed by dialogue with shareholders and investors.

| FY2024 Issues |
|---|
| Discussions focused on revenue and capital efficiency |
| Involvement in the formulation of a CEO succession plan |
| Supervision of management resource allocation and business portfolio strategy |
| Discussions aimed at enhancing information disclosure; feedback on dialogue with shareholders |
| Supervision of the operation of internal control systems |
| Ensuring opportunities for the exchange of opinions among outside officers |

| FY2025 Initiatives |
|---|
| Held discussions based on business-segment J-ROIC at the Corporate Strategy Council |
| Convened the Succession Committee to discuss the internal development of management talent |
| Decided on policies and reported on progress regarding structural reforms in Europe at Board meetings |
| Reported on dialogues with shareholders and investors at meetings of the Board, Sustainability Council, etc., and reflected this feedback in corporate measures |
| Reported the results of internal control audits, including those of Group companies, at Board meetings twice a year |
| Expanded the range of topics for the Outside Officers' Liaison Meeting and facilitated the exchange of opinions among outside officers and with the accounting auditor |

### FY2025 Issues and FY2026 Plan

In FY2026, we will aim to establish a Board of Directors capable of making even more swift and decisive decisions, in collaboration with the Corporate Strategy Council and the Sustainability Council, in order to support the realization of the Second Medium-Term Business Plan.

| FY2025 Issues |
|---|
| Delegation of authority to the executive side (transition to a monitoring board) |
| Discussions focused on revenue and capital efficiency (ongoing) |
| Discussions and supervision of management resource allocation and business portfolio strategy (ongoing) |
| Review of the skills matrix and supervision of the process for formulating executive appointment proposals |
| Design of the executive compensation system and supervision of the compensation determination process |
| Supervision of the operation of internal control systems (ongoing) |

| FY2026 Improvement Activity Plan |
|---|
| Examine the operational, organizational, and executive structure needed to execute the Third Medium-Term Business Plan, with implementation starting in FY2027 |
| Hold discussions at both Corporate Strategy Council and Board meetings in relation to the formulation of the Third Medium-Term Business Plan |
| Hold discussions at both Corporate Strategy Council and Sustainability Council meetings in relation to the formulation of the Third Medium-Term Business Plan |
| 1. Hold discussions at Sustainability Council meetings regarding the revision of the skills matrix aimed at achieving the Third Medium-Term Business Plan<br>2. Report to the Board of Directors on the discussions held at the Executive Personnel Meeting and the Succession Committee |
| 1. Hold discussions at Sustainability Council meetings regarding executive compensation governance aimed at achieving the Third Medium-Term Business Plan<br>2. Report to the Board of Directors on the discussions held at the Executive Compensation Meeting |
| 1. Review the basic policy on internal control systems<br>2. Provide a summary report of review meetings on business issues of Group companies |

# Corporate Governance

## Executive Personnel Meeting

In order to ensure the balance and diversity of knowledge, experience, and abilities required of the entire Board of Directors for sustainable growth and medium- to long-term enhancement of corporate value, we aim to appoint diverse executives who possess the experience and expertise that we consider important from a corporate management perspective.

Under this policy, we hold the Executive Personnel Meeting to conduct a multifaceted review, which includes considerations of diversity and skills, prior to the Board meeting regarding the nomination of candidates for directors and Audit & Supervisory Board members, as well as the appointment and dismissal of senior management, and formulate key personnel proposals.

We also identify the skills that the Board of Directors should possess in light of our management strategy and have created a skills matrix (pp. 65–66) that lists the skills possessed by each director. Our basic approach to the composition of the Board of Directors is to secure the number of members necessary for a structure that enables swift decision-making and efficient business execution. This is determined based on the skills matrix, and by comprehensively taking into account each director's age, gender, and specific background.

Policy on the appointment of directors
https://www.jtekt.co.jp/sustainability/pdf/CG_report.pdf (Japanese)

### Executive Personnel Meeting: Activity Report

| | Executive Personnel Meeting |
|---|---|
| Composition | President (chair)<br>2 independent outside directors |
| Number of meetings | 3 |
| Main topics of discussion | •Formulation of the structure and personnel proposals for directors and senior executive officers<br>•Selection of senior executive officer candidates and succession planning<br>•Definition of requirements (qualities and skills) for officers<br>•Decisions on placements and promotions based on evaluation results |

## Executive Compensation Meeting

Our executive compensation system is designed to serve as an incentive that contributes to the enhancement of corporate value over the medium to long term and the achievement of our long-term business plan, thereby encouraging the execution of duties from the perspective of our stakeholders.

At the Executive Compensation Meeting, which takes place prior to a resolution by the Board of Directors, we deliberate—with the involvement of the independent outside directors—on the status of performance metrics as well as the appropriateness of compensation amounts, taking into account comparisons with compensation data from external research firms. By reporting the results of these deliberations to the Board of Directors, we strive to ensure transparency and objectivity in the compensation determination process.

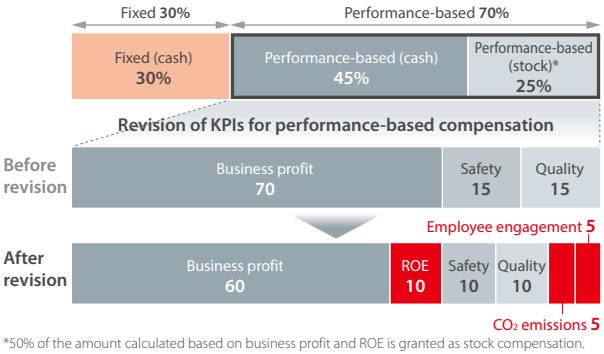
### Executive Compensation Meeting: Activity Report

| | Executive Compensation Meeting |
|---|---|
| Composition | President (chair)<br>2 independent outside directors |
| Number of meetings | 6 |
| Main topics of discussion | • Compensation levels and compensation structure (fixed/performance-based)<br>• Introduction and expansion of eligibility for stock compensation<br>• Setting bonus amounts and performance metrics (financial and non-financial KPIs)<br>• Introduction of individual performance evaluations, and the evaluation process |

### Revision of the Executive Compensation System

In FY2025, we revised the executive compensation system to improve transparency and strengthen the link between compensation and management targets. Specifically, 70% of directors' compensation is now linked to performance, with 25% of that amount consisting of stock compensation. The KPIs used to calculate performance-based compensation now include not only business profit, employee safety, and product quality, but also new metrics prioritized in our long-term business plan: ROE, $CO_2$ emissions reduction, and eNPS (employee engagement). Moving forward with a revised executive compensation structure that is aligned with medium- to long-term management goals, we will further strengthen management's commitment to the sustainable enhancement of corporate value.

Details of the Revised Compensation System




*50% of the amount calculated based on business profit and ROE is granted as stock compensation.

### Total Compensation of Directors and Audit & Supervisory Board Members

| Category | Total compensation | Total compensation by type | | | Number of recipients |
|---|---|---|---|---|---|
| | | Fixed compensation | Performance-based compensation | | |
| | | | Bonuses | Stock compensation | |
| Directors (of which outside directors) | 291 million yen (32 million yen) | 205 million yen (27 million yen) | 59 million yen (5 million yen) | 26 million yen (– million yen) | 8 persons (2 persons) |
| Audit & Supervisory Board members (of which outside Audit & Supervisory Board members) | 99 million yen (21 million yen) | 99 million yen (21 million yen) | – million yen (– million yen) | – million yen (– million yen) | 4 persons (2 persons) |
| Total | 390 million yen | 304 million yen | 59 million yen | 26 million yen | 12 persons |

(Notes) 1. The amounts of compensation, etc. for the two members who retired at the conclusion of the 125th Ordinary General Meeting of Shareholders held on June 25, 2025, are included in the figures along with the number of recipients.
2. The amount of the above bonuses includes the following amount expensed as executive bonuses during the current period: (6 directors, 59 million yen).
3. The amount of the above stock compensation represents the expenses recognized during the current period for restricted stock granted as post-delivery stock compensation.

# Directors and Audit & Supervisory Board Members

## Directors, Members of the Board



### Yoshihito Kondo

President, Member of the Board
CEO

Chief of IT & Digital Division
Chief of Production Engineering Division



### Koichi Yamanaka

Director,
Member of the Board

Chief of All Overseas Business



### Toshiaki Shinya

Senior Executive Officer, Member of the Board
CPO, CLO

Chief of Production Division
Senior Chief Operation Officer of CN/CE Strategy Department



### Ikuji Ikeda

Outside Director, Member of the Board
(Independent)

- Executive Adviser, Sumitomo Rubber Industries, Ltd.
- Outside Director, GLORY LTD.



### Yumiko Sakurai

Outside Director, Member of the Board
(Independent)

- President, Yumiko Sakurai Certified Public Accountant Office
- Outside Director, DAIKOKU DENKI Co., Ltd.
- Outside Audit & Supervisory Board Member, Futaba Industrial Co., Ltd.



### Isao Nakanishi

Director,
Member of the Board

- Chief Officer, Business Development Group and General Manager, New Business Planning Division, Toyota Motor Corporation
- Outside Director, Toho Gas Co., Ltd.
- Vice President and Outside Director, OneStream, Inc.

## Overview of the Members of the Board

| Name | Appointment | Number of shares held | Attendance record in FY2025 | | | | | Skills Matrix | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Board of Directors | Corporate Strategy Council | Sustainability Council | Executive Personnel Meeting | Executive Compensation Meeting | Corporate management | Business strategy and marketing | Monozukuri (industrial engineering, procurement, quality, and safety) | Technology and R&D | Finance and accounting | Legal and risk management | HR development and labor management | Sustainability and ESG | Global management |
| Yoshihito Kondo | June 2024 | 19,858 | 13/13 | 2/2 | 4/4 | 3/3 | 4/4 | ● | | ● | ● | | | ● | | ● |
| Koichi Yamanaka | June 2022 | 31,327 | 13/13 | 0/2 | 1/4 | — | — | ● | ● | ● | | ● | | | | ● |
| Toshiaki Shinya | June 2025 | 10,283 | 11/11 | 2/2 | 4/4 | — | — | ● | ● | ● | | | | | ● | ● |
| Ikuji Ikeda | June 2024 | 3,521 | 12/13 | 1/2 | 2/4 | 3/3 | 6/6 | ● | ● | ● | | | | ● | | ● |
| Yumiko Sakurai | June 2024 | 5,000 | 13/13 | 2/2 | 4/4 | 3/3 | 6/6 | | ● | | | ● | ● | ● | ● | |
| Isao Nakanishi | June 2025 | 329 | 10/11 | 2/2 | 4/4 | — | — | ● | ● | | ● | | | | ● | ● |

Note 1. Yumiko Sakurai resigned as Audit & Supervisory Board member and assumed the position of outside director upon the conclusion of the 124th General Meeting of Shareholders held on June 25, 2024.
Note 2. The two meetings of the Executive Compensation Meeting, in which only outside directors participated, are counted.

# Directors and Audit & Supervisory Board Members

## Members of the Audit & Supervisory Board



### Makoto Sano

Member of the Audit & Supervisory Board



### Koichi Tsujita

Member of the Audit & Supervisory Board



### Yasushi Matsui

Outside Member of the Audit & Supervisory Board (Independent)

- Executive Vice President, DENSO Corporation

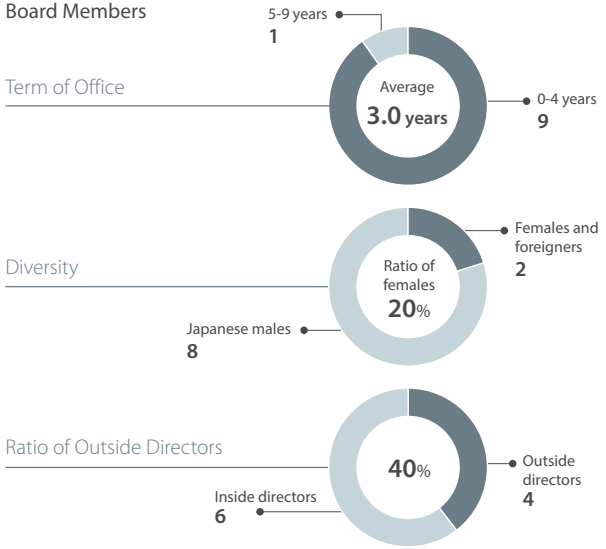


### Akiko Miyakawa

Outside Member of the Audit & Supervisory Board (Independent)

- Representative, Akiko Miyakawa CPA Office
- Outside Director (Audit Committee Member) of Asahi Group Holdings, Ltd.

## Composition of the Directors and Audit & Supervisory Board Members




(Note) Yumiko Sakurai's term of office has been calculated by combining the years of both her present position and her position as an outside Audit & Supervisory Board member.

## Overview of the Members of the Audit & Supervisory Board

| Name | Appointment | Number of shares held | Attendance record in FY2025 | | | | Skills Matrix | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Board of Directors | Audit & Supervisory Board | Corporate Strategy Council | Sustainability Council | Corporate management | Business strategy and marketing | Monozukuri (industrial engineering, procurement, quality, and safety) | Technology and R&D | Finance and accounting | Legal and risk management | HR development and labor management | Sustainability and ESG | Global management |
| Makoto Sano | June 2022 | 26,056 | 13/13 | 13/13 | 2/2 | 4/4 | ● | | ● | | | ● | ● | | ● |
| Koichi Tsujita | June 2023 | 5,384 | 13/13 | 13/13 | 2/2 | 4/4 | | | | | | ● | ● | ● | ● |
| Yasushi Matsui | June 2022 | 0 | 13/13 | 13/13 | 2/2 | 4/4 | ● | ● | | | ● | ● | | ● | |
| Akiko Miyakawa | June 2024 | 1,760 | 13/13 | 13/13 | 1/2 | 4/4 | ● | | | | ● | ● | | | ● |

# Risk Management

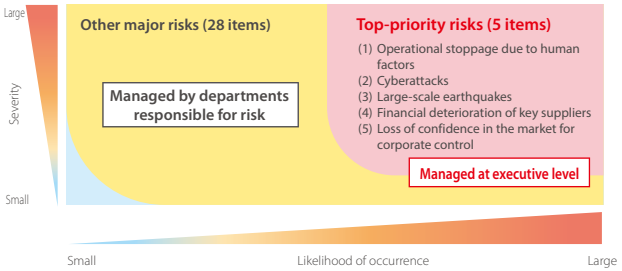
## Basic Approach

We operate and maintain a risk management structure for the entire Group, with the aim of continuously improving corporate value. We assess risks that could affect the achievement of our Business Plan, identify risks that need to be addressed, formulate and implement response plans for those risks, and continuously monitor them in order to control risks within expectations. For our top-priority risks, we do not limit ourselves to annual progress reviews. Instead, we regularly evaluate management standards from two perspectives: clarifying progress targets and measures, and the effectiveness of the promotion structure driving these efforts. In the event of a major crisis, we establish a crisis management headquarters and take measures to minimize damage and impact.

## Promotion Structure

Based on the Risk Management Standards, we have in place a Risk Management Committee chaired by the Chief Risk Officer (CRO) to grasp the risk situation of the entire Group. At the same time, we are working to reduce risks across the whole Group by selecting the top-priority risks for the Group to focus on and checking countermeasure activities.

Risk Heat Map




## Top-Priority Risks for the Group

After deliberation by the Risk Management Committee, the following were identified as the Group's top-priority risks for FY2026. These risks are reviewed by the Risk Management Committee based on the results of risk assessments conducted at least once a year, as well as interviews with management. The committee assigns risk themes and risk owners, and monitors progress on a regular basis.

| Risk | Background for considering it a top-priority risk | Anticipated impact on the JTEKT Group | JTEKT Group's response |
|---|---|---|---|
| (1) Operational stoppage/ stagnation due to human factors | ・The declining birthrate and aging population are expected to make it increasingly difficult to secure the human resources necessary to execute growth strategies<br>・At Group companies, concentration of operational knowledge and decision-making authority in specific individuals/departments is more pronounced than at head office | ・Insufficient acquisition, development, and retention of human resources may lead to inadequate staffing in priority areas, weakening the ability to achieve targets<br>・In times of crisis, lack of interchangeable human resources could cause production stoppages, delivery delays to customers, and failure to meet supply obligations | ・Centralize HR information and build a human resource portfolio<br>・Secure critical human resources, including software engineers<br>・Take inventory of human-related BCP risks in emergencies, identifying tasks dependent on specific individuals and irreplaceable functions |
| (2) Impact of cyberattacks on business continuity | ・Cybersecurity is not just an IT department issue<br>・Cybersecurity is a corporate strategy that goes hand in hand with digitalization<br>・Cybersecurity is a core element of risk management and business resilience | ・Business interruption<br>・Customer production line stoppages due to business interruption<br>・Penalties for GDPR violations<br>・Loss of trust due to theft or leakage of customers' confidential information | ・Unify next-generation security infrastructure across the Group<br>・Implement Group-wide rules, regulations, and promotion structures, along with awareness and training initiatives<br>・Conduct emergency drills involving top management<br>・Conduct supply chain security assessments in preparation for METI's SCS Evaluation Scheme |
| (3) Business continuity and supply disruption caused by large-scale earthquakes | ・Japan is one of the most earthquake-prone countries in the world<br>・According to scientific predictions, there is a high probability that a Nankai Trough megathrust quake will occur within the next few decades | ・Difficulty in ensuring employee safety and confirming their well-being<br>・Damage to production and distribution centers<br>・Disruption of the supply chain | ・Develop, disseminate, and train on an initial response structure that can accommodate multiple disaster scenarios under a two-year plan |
| (4) Supply disruption due to financial deterioration of key suppliers | ・Concerns that suppliers' business conditions may deteriorate due to labor shortages, lack of successors, and rising material and labor costs<br>・Shifts in demand structure resulting from the electrification of the automotive industry are affecting suppliers' business foundations | ・Supplier bankruptcy/closure could make supply obligations difficult to fulfill<br>・Supplier bankruptcy/closure could result in higher costs and quality risks from emergency alternative procurement | ・Monitor the financial health of key suppliers<br>・Hold dialogue with management of key suppliers, confirm business continuity, and provide support for improvement<br>・Provide production, technical, and personnel assistance where needed, diversify sourcing, and evaluate alternative parts and processes |
| (5) Loss of confidence in the market for corporate control | ・Institutional investors are tightening voting guidelines (ROE benchmarks, etc.)<br>・Structural decline in the ratio of stable shareholders due to the reduction of cross-shareholdings<br>・Activist shareholders and unsolicited takeover bids are increasing | ・Lower approval rates for important proposals, including those for the election of directors<br>・Insufficient dialogue with capital markets and inadequate disclosure may erode corporate value (valuation)<br>・Delayed crisis response and disclosure could erode corporate value | ・Strengthen constructive shareholder and investor dialogue during normal times (Shareholder Relations activities)<br>・Establish a crisis response structure for hostile takeover bids and receipt of white papers |

# Compliance

## Basic Approach

We position compliance as the premise and foundation upholding corporate value, and as essential to realizing the JTEKT Group 2030 Vision. We implement Groupwide compliance programs and support the promotion of compliance aligned to the various natures of different businesses by Group companies.

## Training and Awareness-Raising Activities, and Review and Improvement Activities

We provide continuous compliance training for our Group's officers and employees across a broad spectrum of topics, adapted to the evolving business environment. For our officers, who play pivotal roles, we hold annual training sessions. In FY2025, we invited an expert to speak on compliance risks that warrant particular attention in global operations.

In addition, every July is designated as Compliance Awareness Month. During this month, we support the implementation of compliance training in each workplace by disseminating a message from the president to all employees of the Group, and providing e-learning modules and educational materials for reading at workplaces.

As part of our other review and improvement efforts, we regularly conduct anonymous surveys on compliance violations across our Company and Group companies, and strive to both prevent such violations and find them quickly through careful fact-finding. In addition, we conduct an annual compliance review for the entire Group and incorporate the findings into our planning for the following fiscal year and beyond.

## Compliance with Competition Laws / Prevention of Corruption (Bribery)

With consideration given to a global trend of placing importance on fair transactions, along with features of JTEKT and JTEKT Group companies' business models and products, JTEKT places particular importance on compliance with the Antimonopoly Act of Japan, as well as the laws and regulations of various countries relating to competition and acts of corruption and bribery.

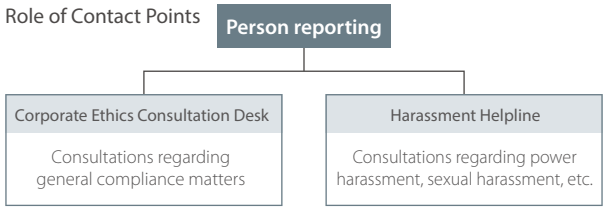
## Whistleblowing System

To make it easier for employees to select a contact point according to the nature of their consultation, we provide multiple contact points (including those handled by external lawyers for JTEKT and domestic Group companies and internal contact points handled by Audit & Supervisory Board members). We also strive to prevent misconduct, respond quickly when issues arise, and prevent recurrence through the meticulous responses of trained personnel at each contact point. In FY2024, we established the Global Compliance Hotline "Speak Up" as a global whistleblowing contact point, putting in place a system to promptly respond to reports from all over the world and implement measures to prevent recurrence.

Number of Whistleblowing Reports in the Past Five Years

| FY | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| No. of reports | 70 | 74 | 96 | 95 | 95 |

Role of Contact Points




## Appropriate Tax Payment

We recognize that paying taxes appropriately is important in building relationships of coexistence and co-prosperity as a member of the countries and regions where we do business, and we comply with tax laws, regulations, and their underlying spirit. In addition to establishing the JTEKT Global Conduct Guidelines, which were approved by the Sustainability Council composed of Board members, the JTEKT Group Tax Policy was established in August 2024 to provide guidelines for the actions of all officers and employees and to ensure tax transparency.

While maintaining sound and normal relationships with tax authorities in the countries and regions where we operate, JTEKT and the JTEKT Group endeavor to appropriately report income commensurate with our business, including the application of tax incentives. We also maintain Group policies based on the OECD Transfer Pricing Guidelines and set appropriate prices for inter-group transactions. We do not conduct tax planning that leads to tax base erosion or income transfer by using tax havens or tax treaties in countries or regions outside of where our business sites are located.

In promoting the above activities, the Chief Financial Officer (CFO) is ultimately responsible for the establishment and maintenance of the JTEKT Group's tax corporate governance, tax risk management, and significant tax issues, under the direction of the Board of Directors. The CFO and the accounting department report on the status of governance to the Board of Directors, Audit & Supervisory Board (members), etc.

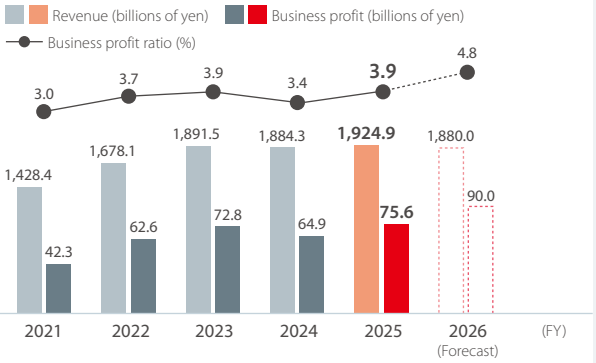
JTEKT Tax Policy
https://www.jtekt.co.jp/e/sustainability/governance/taxpolicy/

JTEKT Global Conduct Guidelines
https://www.jtekt.co.jp/e/sustainability/pdf/global_conduct_guideline.pdf

# Financial Highlights

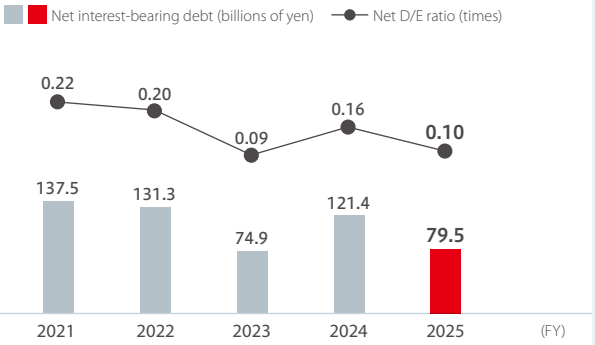
JTEKT applies the International Financial Reporting Standards (IFRS).

## Revenue / Business profit / Business profit ratio



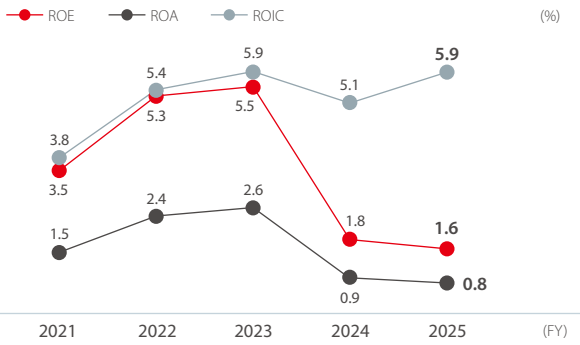

Revenue rose year on year, driven by higher sales in Japan and North America. Although we faced cost pressures from U.S. tariffs and inflation, business profit increased year on year due to cost-reduction initiatives, such as the task force activities in North America, and the benefits of structural reforms in Europe and America.

## Net interest-bearing debt / Net D/E ratio



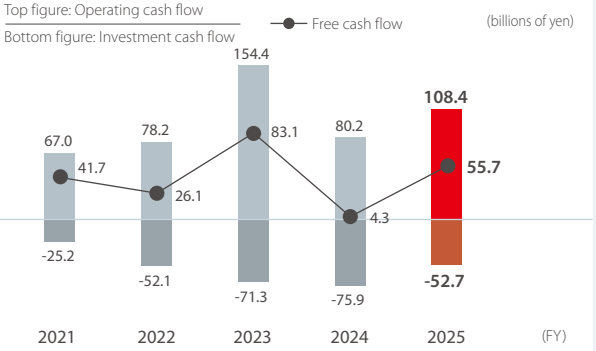

Net interest-bearing debt decreased and the net D/E ratio improved, primarily due to the use of funds from operating cash flow accompanying increased business profit and from the sale of cross-shareholdings for loan repayments.

## Capital efficiency metrics



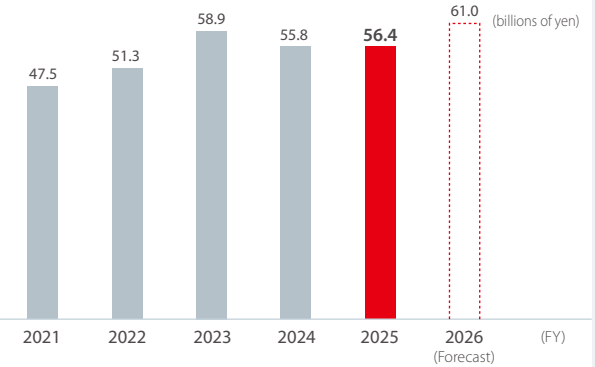

ROIC improved on the back of higher business profit year on year. ROE and ROA, however, were affected by the recognition of business structural reform costs incurred in line with the Medium-Term Business Plan, continuing the trend from the previous year.

## Cash flow



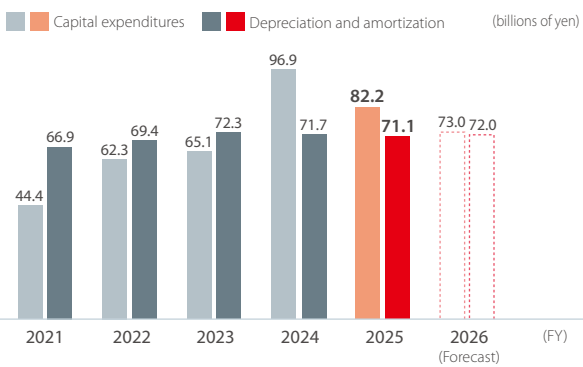

Although we made strategic investments and pursued future-oriented initiatives, free cash flow increased year on year, supported by higher business profit and an increase in funds from the sale of cross-shareholdings.

## Research and development expenses




We will maximize development efficiency in existing fields while stepping up R&D investment in new and emerging fields to meet our future profit targets, leading to the expansion of high-value-added offerings and sustainable growth.

## Capital expenditures / Depreciation and amortization



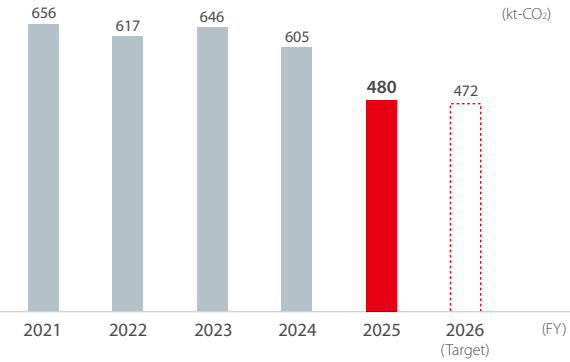

To improve our financial position and strengthen competitiveness in existing fields, we will restrain spending by closely examining investment projects and reducing investment intensity, while actively making investments for future growth, including those aimed at expanding sales and business, as well as building digital infrastructure.

# Eleven-Year Consolidated Financial Summary

| | | | JGAAP | | | | IFRS | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal years ended March 31 | | Unit | FY2015 | FY2016 | FY2017 | FY2018 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
| Net sales / Revenue | | Billions of yen | 1,399.9 | 1,318.3 | 1,441.1 | 1,520.8 | 1,520.8 | 1,418.8 | 1,246.2 | 1,428.4 | 1,678.1 | 1,891.5 | 1,884.3 | **1,924.9** |
| Business profit | | Billions of yen | – | – | – | – | 71.7 | 37.5 | 15.9 | 42.3 | 62.6 | 72.8 | 64.9 | **75.6** |
| Operating income / Operating profit | | Billions of yen | 81.9 | 77.4 | 81.3 | 66.6 | 63.7 | 16.1 | 12.9 | 36.4 | 49.3 | 62.1 | 38.4 | **24.8** |
| Ordinary income (loss) | | Billions of yen | 81.2 | 78.0 | 82.5 | 69.6 | – | – | – | – | – | – | – | **–** |
| Profit (loss) attributable to owners of parent / Profit (loss) for the year attributable to owners of the parent company | | Billions of yen | 48.6 | 47.5 | 49.6 | 24.6 | 27.2 | -3.7 | 0.8 | 20.6 | 34.2 | 40.2 | 13.7 | **11.9** |
| Net assets / Equity | | Billions of yen | 480.0 | 512.9 | 572.5 | 571.0 | 585.4 | 531.5 | 585.0 | 660.4 | 700.7 | 822.7 | 777.4 | **825.2** |
| Total assets | | Billions of yen | 1,075.8 | 1,117.8 | 1,270.5 | 1,267.8 | 1,298.0 | 1,244.2 | 1,291.3 | 1,386.4 | 1,441.3 | 1,628.5 | 1,565.3 | **1,577.6** |
| Net interest-bearing debt | | Billions of yen | 125.1 | 114.4 | 139.5 | 138.0 | 141.0 | 193.2 | 167.5 | 137.5 | 131.3 | 74.9 | 121.4 | **79.5** |
| Capital expenditures | | Billions of yen | 63.1 | 66.4 | 66.6 | 75.2 | 75.2 | 75.0 | 50.7 | 44.4 | 62.3 | 65.1 | 96.9 | **82.2** |
| Depreciation and amortization | | Billions of yen | 58.4 | 56.0 | 60.4 | 66.9 | 64.3 | 64.6 | 63.0 | 66.9 | 69.4 | 72.3 | 71.7 | **71.1** |
| Research and development expenses | | Billions of yen | 46.2 | 48.2 | 55.2 | 63.6 | 63.6 | 64.7 | 52.1 | 47.5 | 51.3 | 58.9 | 55.8 | **56.4** |
| Cash flows | Cash flows from operating activities | Billions of yen | 110.1 | 99.2 | 100.0 | 103.0 | 104.1 | 62.3 | 91.7 | 67.0 | 78.2 | 154.4 | 80.2 | **108.4** |
| | Cash flows from investing activities | Billions of yen | -59.9 | -68.0 | -99.0 | -75.3 | -75.2 | -91.7 | -52.5 | -25.2 | -52.1 | -71.3 | -75.9 | **-52.7** |
| | Cash flows from financing activities | Billions of yen | -49.3 | -22.1 | 60.2 | -26.5 | -27.3 | 34.2 | -57.9 | -43.5 | -28.7 | -47.2 | -52.0 | **-46.9** |
| | Cash and cash equivalents | Billions of yen | 61.6 | 70.2 | 132.6 | 132.4 | 132.4 | 134.8 | 118.6 | 124.2 | 123.8 | 167.0 | 119.0 | **137.5** |
| Financial metrics | Business profit ratio | % | – | – | – | – | 4.7 | 2.6 | 1.3 | 3.0 | 3.7 | 3.9 | 3.4 | **3.9** |
| | Operating income ratio | % | 5.9 | 5.9 | 5.6 | 4.4 | 4.2 | 1.1 | 1.0 | 2.5 | 2.9 | 3.3 | 2.0 | **1.3** |
| | Ordinary income ratio | % | 5.8 | 5.9 | 5.7 | 4.6 | – | – | – | – | – | – | – | **–** |
| | ROA | % | 4.4 | 4.3 | 4.2 | 1.9 | 2.1 | -0.3 | 0.1 | 1.5 | 2.4 | 2.6 | 0.9 | **0.8** |
| | ROE | % | 10.5 | 10.1 | 9.7 | 4.6 | 5.0 | -0.7 | 0.2 | 3.5 | 5.3 | 5.5 | 1.8 | **1.6** |
| | Equity ratio | % | 42.3 | 43.6 | 41.7 | 42.3 | 42.4 | 40.1 | 42.7 | 45.0 | 46.3 | 48.4 | 47.6 | **50.1** |
| | Net D/E ratio | Times | 0.27 | 0.23 | 0.26 | 0.26 | 0.26 | 0.39 | 0.30 | 0.22 | 0.20 | 0.09 | 0.16 | **0.10** |
| | Inventory turnover months | Months | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.6 | 1.8 | 1.7 | 1.7 | 1.6 | 1.7 | **1.6** |
| Stock and other information | Market capitalization | Billions of yen | 501.1 | 593.5 | 541.0 | 467.5 | 467.5 | 252.3 | 387.9 | 330.9 | 350.4 | 490.2 | 359.2 | **521.0** |
| | Number of shares issued | Thousands of shares | 343,286 | 343,286 | 343,286 | 343,286 | 343,286 | 343,286 | 343,286 | 343,286 | 343,286 | 343,286 | 318,608 | **318,608** |
| | Dividend per share | Yen | 42 | 42 | 43 | 44 | 44 | 38 | 16 | 18 | 30 | 36 | 50 | **60** |
| | DOE | % | – | – | – | – | – | 2.5 | 1.0 | 1.1 | 1.6 | 1.7 | 2.2 | **2.5** |
| | Payout ratio | % | 29.6 | 30.3 | 29.7 | 61.2 | 55.4 | – | 685.2 | 29.8 | 30.0 | 30.7 | 123.9 | **159.5** |
| | Number of employees | Persons | 43,938 | 44,528 | 49,589 | 49,693 | 49,693 | 49,933 | 48,332 | 47,167 | 46,053 | 45,717 | 45,018 | **43,233** |
| Exchange rate | USD | Yen | 120.14 | 108.38 | 110.85 | 110.91 | 110.91 | 108.74 | 106.06 | 112.38 | 135.47 | 144.62 | 152.58 | **150.77** |
| | EUR | Yen | 132.58 | 118.79 | 129.70 | 128.41 | 128.41 | 120.82 | 123.70 | 130.56 | 140.97 | 156.80 | 163.75 | **174.79** |

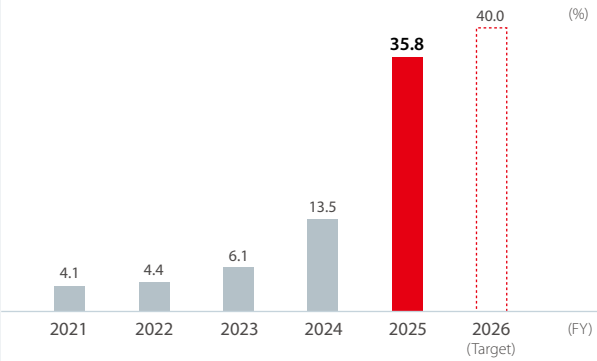
# Non-Financial Highlights

## Total $CO_2$ emissions from internal production (consolidated)



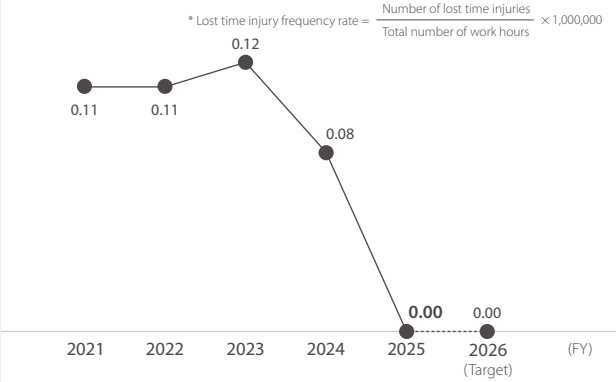

We will continue with energy greening and the promotion of thorough energy conservation activities through participation and ownership as we head toward the SBT of reducing $CO_2$ emissions by 42.3% from FY2021 levels by FY2030.

## Renewable energy adoption rate (consolidated)



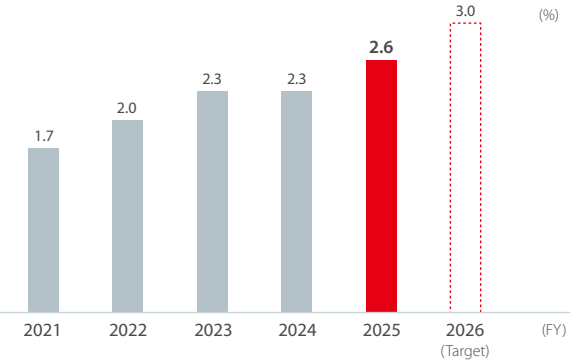

To bring about a sustainable society and reduce our environmental impact, we will continue to promote the adoption of renewable energy, while also actively exploring and promoting new energy technologies and decarbonization technologies.

## Lost time injury frequency rate*



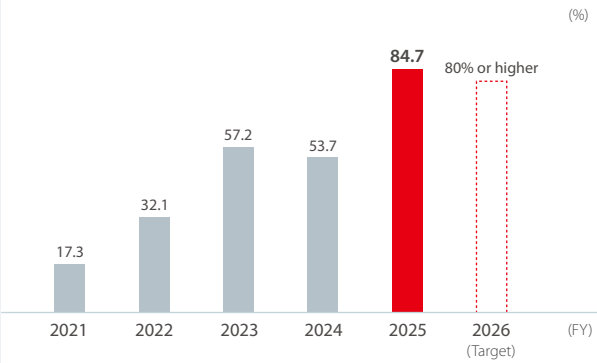

We are taking action to reduce injuries even further under the leadership of top management, who are directing "safety first."

## Percentage of female managers



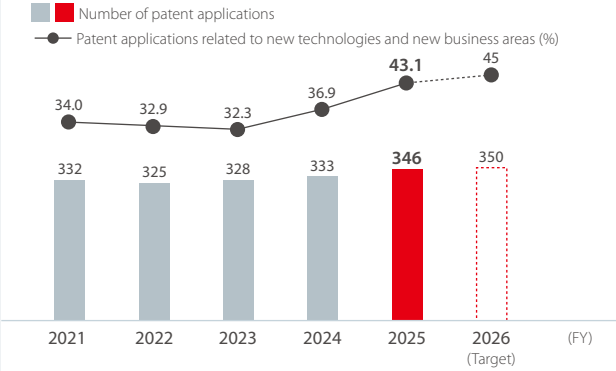

We will promote diversity, equity, and inclusion (DE&I) to achieve a percentage of women in management positions of 3% or higher by FY2026, and continue to create a more supportive work environment.

## Percentage of male employees taking childcare leave




We had set a target of 65% or higher of male employees taking childcare leave by FY2026, but since we achieved that goal in FY2025, we are now working to ensure that we can maintain a rate of at least 80% as our new target.

## Number of patent applications / Patent applications related to new technologies and new business areas




We consider comprehensive protection of intellectual property for technologies, and in areas where we expect to demonstrate competitiveness in the future to be of particular importance. To this end, we identified key research and development topics (approximately 40 topics), set targets for the number of patent applications relating to each topic, and conduct systematic invention harvesting activities.

# Five-Year Non-Financial Data

| | | | | Unit | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|---|---|---|---|---|
| **Contributing through Monozukuri** | Products (Consolidated) | Contribution to $CO_2$ emissions reduction through products* | | Thousand tons | 130 | 225 | 575 | 339 | **240** |
| | Research and Development (Nonconsolidated) | Number of patent applications | | | 332 | 325 | 328 | 333 | **346** |
| | | Percentage of patent applications related to new technologies and new business areas | | % | 34.0 | 32.9 | 32.3 | 36.9 | **43.1** |
| | Environment (Consolidated) | Prevention of global warming | Total $CO_2$ emissions from internal production | Thousand tons | 656 | 617 | 646 | 605 | **480** |
| | | | Renewable energy adoption rate | % | 4.1 | 4.4 | 6.1 | 13.5 | **35.8** |
| | | Effective use of resources | Waste emissions basic unit | Tons/100 million yen | 7.60 | 7.09 | 7.02 | 6.64 | **6.43** |
| | | | Water usage basic unit | Thousand $m^3$/ 100 million yen | 0.90 | 0.80 | 0.73 | 0.68 | **0.68** |
| | Environment (Nonconsolidated) | Prevention of global warming | Total $CO_2$ emissions from internal production | Thousand tons | 223 | 206 | 210 | 202 | **185** |
| | | | Total $CO_2$ emissions in logistics | Thousand tons | 9.5 | 8.9 | 9.3 | 8.9 | **8.3** |
| | | | Renewable energy adoption rate | % | 6.7 | 6.8 | 7.9 | 9.7 | **16.8** |
| | | Effective use of resources | Waste emissions basic unit | Tons/100 million yen | 4.83 | 4.67 | 4.69 | 4.66 | **5.16** |
| | | | Water usage basic unit | Thousand $m^3$/ 100 million yen | 1.00 | 0.91 | 0.88 | 0.87 | **0.84** |
| | | Management and reduction of environmentally hazardous substances | Emissions and transfers of PRTR-regulated substances (PRTR substances) | Tons | 32 | 31 | 101 | 119 | **143** |
| | | | Number of environmental incidents | | 2 | 0 | 1 | 0 | **0** |
| **Establishment of a firm management foundation** | Safety and Health (Nonconsolidated) | Lost time injury frequency rate | | | 0.11 | 0.11 | 0.12 | 0.08 | **0.00** |
| | Employees (Nonconsolidated) | Number of candidates in the leadership candidate pool (candidates to be department heads) | | | 131 | 96 | 88 | 102 | **117** |
| | Employees (Nonconsolidated) | Female managers | | % | 1.68 | 2.02 | 2.30 | 2.30 | **2.62** |
| | | Female assistant managers | | % | 5.90 | 6.01 | 6.46 | 5.48 | **6.29** |
| | | Female employees | | % | 10.52 | 10.07 | 10.73 | 8.62 | **8.85** |
| | | Employment rate of persons with disabilities | | % | 2.29 | 2.32 | 2.32 | 2.31 | **2.28** |
| | | Acquisition rate for childcare leave | Female | % | 100 | 100 | 100 | 100 | **100** |
| | | | Male | % | 17.3 | 32.1 | 57.2 | 53.7 | **84.7** |
| | | Education and training time per employee | | Hours | 7.02 | 7.7 | 7.8 | 23.4 | **15.6** |
| | Governance (Nonconsolidated) | Number of whistleblowing reports | | | 70 | 74 | 96 | 95 | **95** |
| **Data relating to employees (Nonconsolidated)** | Number of employees | Total (numbers in parentheses are for the total of fixed-term, part-timer, reemployed, and temporary) | | | 14,303 (2,638) | 14,173 (2,761) | 14,107 (2,974) | 12,729 (1,132) | **12,839 (1,236)** |
| | | Male (numbers in parentheses are for the total of fixed-term, part-timer, reemployed, and temporary) | | | 12,799 (2,138) | 12,570 (2,235) | 12,593 (2,440) | 11,642 (1,045) | **11,713 (1,138)** |
| | | Female (numbers in parentheses are for the total of fixed-term, part-timer, reemployed, and temporary) | | | 1,504 (500) | 1,427 (526) | 1,514 (534) | 1,087 (87) | **1,126 (98)** |
| | Turnover rate | (Full-time employees, employees who retired at the end of the fiscal year, and employees who resigned voluntarily) | | % | 2.15 | 1.99 | 1.88 | 1.40 | **1.49** |
| | Number of new graduate hires (numbers in parentheses are for female recruits) | | Total | | 145 (12) | 149 (7) | 145 (9) | 173 (16) | **173 (18)** |
| | | | Engineering and Administrative Employees | | 72 (9) | 71 (4) | 67 (6) | 88 (11) | **82 (10)** |
| | | | Engineers | | 73 (3) | 78 (3) | 78 (3) | 85 (5) | **91 (8)** |
| | Number of mid-career hires (numbers in parentheses are for female recruits) | | Total | | 25 (11) | 90 (14) | 163 (28) | 270 (28) | **277 (41)** |
| | Mid-career hires | | | % | 15 | 39 | 53 | 61 | **62** |

*Starting in FY2021, we changed the reference year to FY2015, which featured higher efficiency. Activities will be promoted in accordance with the 2025 Environmental Action Plan, with the aim of reducing emissions by at least 165,000 tons from the FY2015 base.

# Corporate Information (as of March 31, 2026)

## Corporate Profile / Stock Information

| | | |
|---|---|---|
| Company Name | JTEKT Corporation | |
| Head Office Location | 1-1, Asahi-machi, Kariya, Aichi 448-8652, Japan | |
| Phone Number | Head Office: +81-566-25-7211 | |
| President | Yoshihito Kondo | |
| Capital | 45,591 million yen | |
| Number of Employees | 43,233 | (Consolidated) |
| | 11,109 | (Nonconsolidated) |
| Revenue | 1,924,950 million yen | (Consolidated) |
| Business Profit | 75,679 million yen | |
| Net Sales | 829,608 million yen | (Nonconsolidated) |
| Ordinary Income | 44,731 million yen | |
| Number of Consolidated Subsidiaries | 112 (Domestic: 25, Overseas: 87) | |
| Securities Code | 6473 | |
| Number of Issued Shares | 318,608 thousand shares | |
| Number of Shares per Share Unit | 100 shares | |
| Number of Shareholders | 32,057 | |
| Fiscal Year | From April 1 to March 31 | |
| Annual General Meeting of Shareholders | Every June | |
| Stock Transfer Agent | Sumitomo Mitsui Trust Bank, Limited | |
| Stock Exchange Listings | Tokyo, Nagoya | |

## Distribution of Dividends

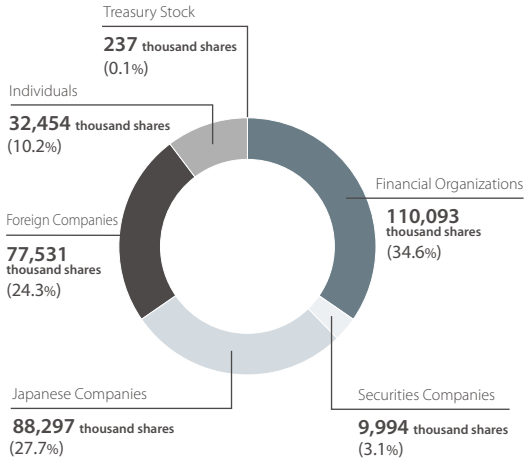
| | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 (Forecast) |
|---|---|---|---|---|---|
| Midterm Dividend Per Share (yen) | 11 | 16 | 25 | 30 | 35 |
| Year-End Dividend Per Share (yen) | 19 | 20 | 25 | 30 | 35 |

## Major Shareholders (Top 10)

| Name of shareholder | Number of shares (thousands) | Shareholding percentage (%) |
|---|---|---|
| TOYOTA MOTOR CORPORATION | 77,235 | 24.3 |
| The Master Trust Bank of Japan, Ltd. | 50,128 | 15.7 |
| Custody Bank of Japan, Ltd. | 27,666 | 8.7 |
| Nippon Life Insurance Company | 11,125 | 3.5 |
| STATE STREET BANK AND TRUST COMPANY 505223 | 7,882 | 2.5 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 7,782 | 2.4 |
| JTEKT employee shareholding association | 6,211 | 2.0 |
| JPMorgan Securities Japan Co., Ltd. | 5,350 | 1.7 |
| The Nomura Trust and Banking Co., Ltd. (Investment Trust Account) | 3,977 | 1.2 |
| TOYOTA INDUSTRIES CORPORATION | 3,906 | 1.2 |

Note: The shareholding percentage is calculated after deducting treasury stock (237 thousand shares) from the total number of issued shares (318,608 thousand shares).

## Breakdown of Shareholders (Percentage of total issued shares)




## Information on the Stock Price



# Glossary

| Term | Full name | Meaning in this report | Page(s) |
|---|---|---|---|
| ADC | AutomationDirect.com Inc. | A JTEKT Group company in North America that operates a high-profit, solution-provider business model by proposing combined product and service offerings based on customer issues | P.24 |
| Bearing | — | A fundamental mechanical component that supports rotating parts and reduces friction | P.05/09–14/17/18/20/24/25/29/37/38/40/43/45/51/58 |
| BEV/FCEV | Battery electric vehicle / Fuel cell electric vehicle | Next-generation eco-friendly vehicles powered by batteries or hydrogen | P.09/10/23/25/51/57 |
| CN | Carbon neutrality | Initiatives aimed at achieving net-zero greenhouse gas emissions | P.14/16/24/42/46/50/65 |
| DOE | Dividend on equity | A metric for managing dividend levels to ensure stable shareholder returns | P.04/25/30/70 |
| E-VGR™ | — | Trademark for the electronically controlled variable gear ratio steering system sold by JTEKT | P.12 |
| eAxle (e-Axle) | Electric axle | An electric drive unit for electric vehicles. JTEKT manufactures and sells bearings for eAxles. | P.12 |
| eNPS | Employee Net Promoter Score | An indicator that quantifies employee engagement based on responses to the question, "Would you recommend your company to a friend or acquaintance?" | P.23/33/64 |
| EPS | Electric power steering | A system that uses motor power to assist steering, supporting comfortable and safe driving | P.03/11/12/23/25 |
| FA | Factory automation | A general term for systems and technologies that automate factory production processes to improve productivity, quality, and safety | P.24/25 |
| High Abilly™ | — | Trademark for high-performance bearings for machine tools sold by JTEKT that support high-speed, high-precision machining | P.12 |
| IoE | Internet of Everything | A concept that connects people, equipment, and information to optimize the entire factory | P.03/10/14/24/42/44 |
| IP | Intellectual property | Intellectual property and intellectual capital used as a source of business competitiveness | P.38 |
| ITCC™ | — | Trademark for the electronically controlled four-wheel drive coupling sold by JTEKT | P.11 |
| J-BEP | — | JTEKT's proprietary metric for managing the break-even point. It tracks the degree of improvement in the break-even point by comparing changes in fixed costs and marginal profit against baseline plan values or prior-year results. | P.29/58 |
| J-Digi Initiative | — | Improvement activities that engage all employees in advancing business reform and digital adoption | P.40 |
| J-KY | J-Kiken Yochi (hazard prediction) | A system that digitalizes pre-work hazard prediction activities to help establish a safety culture | P.39/40 |
| J-REBORN | J-Renovate Entire Business OpeRatioNs | JTEKT's company-wide DX project to standardize and reform business processes by introducing integrated core systems such as ERP and PLM | P.16/28/40 |
| J-ROIC | — | JTEKT's proprietary ROIC. Calculated as business profit after taxes ÷ (inventory and fixed asset balance), it visualizes capital efficiency by business and region. | P.05/28/58/60/63 |
| Leadership Candidate Pool | — | A system for building and managing a pool of human resources being developed as candidates to be future management personnel and successors for department heads | P.34/72 |

| Term | Full name | Meaning in this report | Page(s) |
|---|---|---|---|
| LFT™ / LFT™II / LFT™-V | — | Trademarks for high-performance bearings sold by JTEKT that contribute to energy savings by reducing friction | P.09/11/12 |
| Libuddy™ | — | Trademark for the high-heat-resistant lithium-ion capacitor sold by JTEKT. Used as a backup power supply in the Lexus RZ, among other applications. | P.09/12/43 |
| Loss Costs | — | Costs resulting from quality defects, setbacks, unmet targets, delivery delays, customer complaints, etc., representing losses that would otherwise have been realized as profit | P.04/24/27/28/30 |
| MOC | Maintenance Operation Center | A management platform that makes the status of maintenance operations visible and supports the stable operation of equipment | P.39/40 |
| Multi-Skilled Talent | — | Talent who contribute to value creation by leveraging knowledge and skills across multiple fields | P.34 |
| N5 Plan / N1–N5 | — | A comprehensive human resource development system designed to foster human resources who identify with and put JTEKT's MVV into practice, from before they join through their third year. N1–N5 represent the training stages (years). | P.34 |
| NRB/TRB | Needle roller bearing / Tapered roller bearing | Representative bearings that support the rotational performance of parts for automobiles and industrial machinery | P.04/25/29 |
| Pairdriver™ | — | Trademark for the automated steering control system sold by JTEKT. It aims to contribute to the widespread adoption of Toyota Motor Corporation's SDVs. | P.12/23/28/43 |
| PS | Power steering | A mechanism that reduces the driver's effort to steer and enhances ease of driving (electric power steering, hydraulic power steering) | P.11 |
| RZ | Lexus RZ | The first dedicated BEV model for Toyota's Lexus. Features JTEKT's steer-by-wire and Libuddy™ technologies. | P.09/12/23 |
| SbW | Steer-by-wire | A steering system with no mechanical connection between the steering control unit and the steering unit. JTEKT's core solution. | P.23/38 |
| SC | Supply chain | A network that encompasses the entire process from raw material procurement to sales | P.40 |
| SCC | Solution Co-creation Center | An organization that drives the creation of new businesses based on social and customer issues | P.19/57 |
| Solution Provider | — | A corporate vision focused on creating new value by solving the issues faced by customers and society | P.02/03/05–08/13/14/16–25/31/32/34/38/43/44/46/48/49/56/57 |
| Syncusteer™ | — | Trademark for JTEKT's steer-by-wire system. First installed in the Lexus RZ. | P.12/23/38/43 |

JTEKT

JTEKT Corporation


**Inquiries**

Corporate Planning Department, Corporate Division, JTEKT Corporation
1-1, Asahi-machi, Kariya, Aichi 448-8652, Japan
TEL: +81-566-25-7217 FAX: +81-566-25-7338


JTEKT REPORT is available on JTEKT's official website.

**https://www.jtekt.co.jp/e/**




UD FONT

FSC www.fsc.org ミックス 紙 | 責任ある森林管理を支えています FSC® C014969

VEGETABLE OIL INK