# 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% |

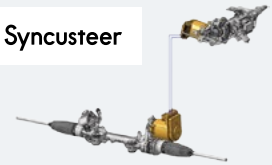
*eNPS: Employee Net Promoter Score; non-consolidated base

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

## Main Achievements

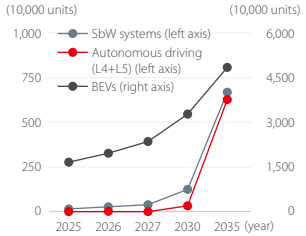
### JTEKT Steer-By-Wire System and Pairdriver™ Achieve First Adoption in Mass-Produced Vehicles

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.

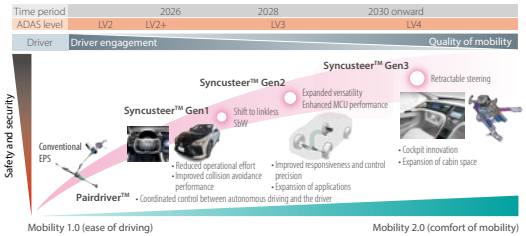



Our steer-by-wire system draws on the technological capabilities we have accumulated to date to achieve both accurate transmission of road surface information and comfortable steering at high levels. These technical advantages have won high regard in the market, with RZ drivers commending the natural 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.



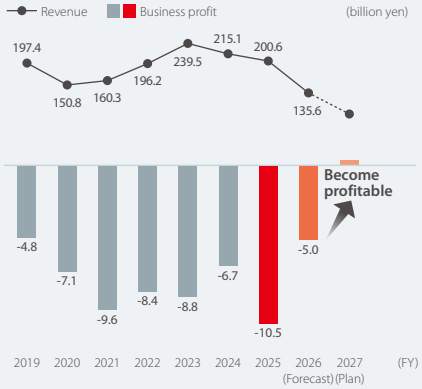
# Medium-Term Business Plan

## 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



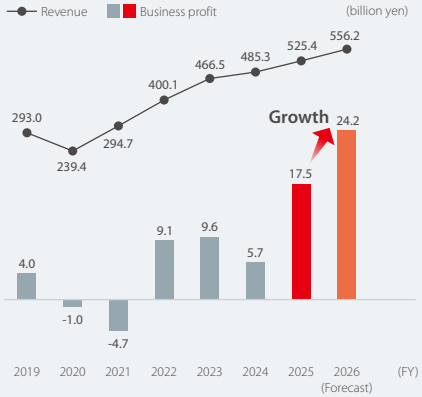

### Rapid Improvement in Our North American Earnings Structure

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

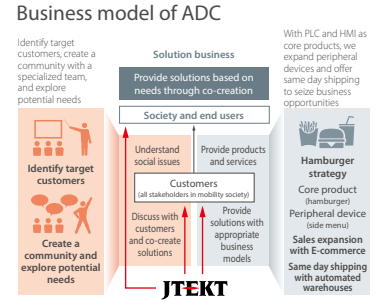



## Initiatives for the Third Medium-Term Business Plan

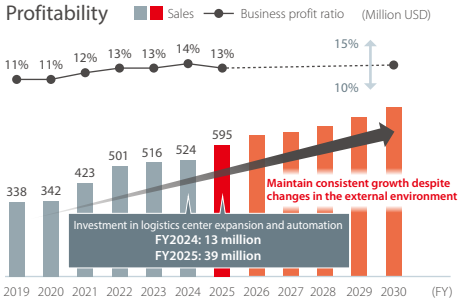
### Expansion of the North America FA Business

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



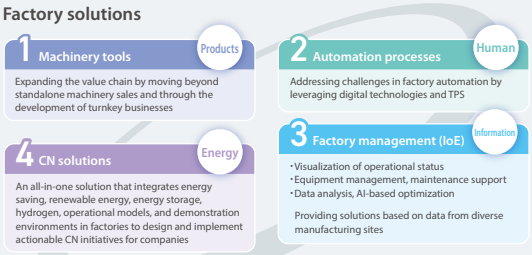

Profitability




### 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. 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. 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. 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. 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. 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. 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. 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. 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." 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. 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. 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. P.57 Dialogue Between Outside Directors and Investors |

# Dialogue with Stakeholders

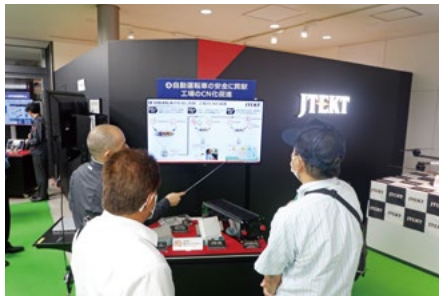
## Toward Further Expansion of Dialogues

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



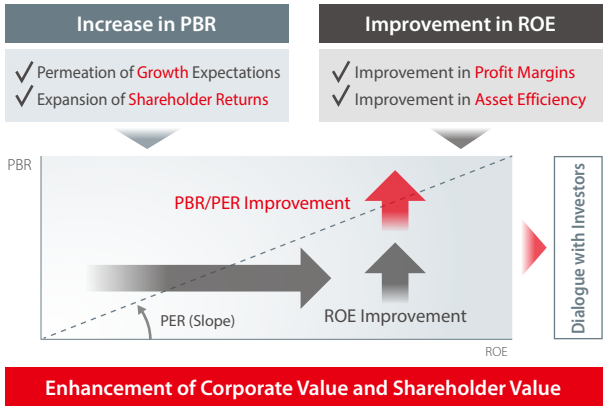
## Message from the CFO

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.

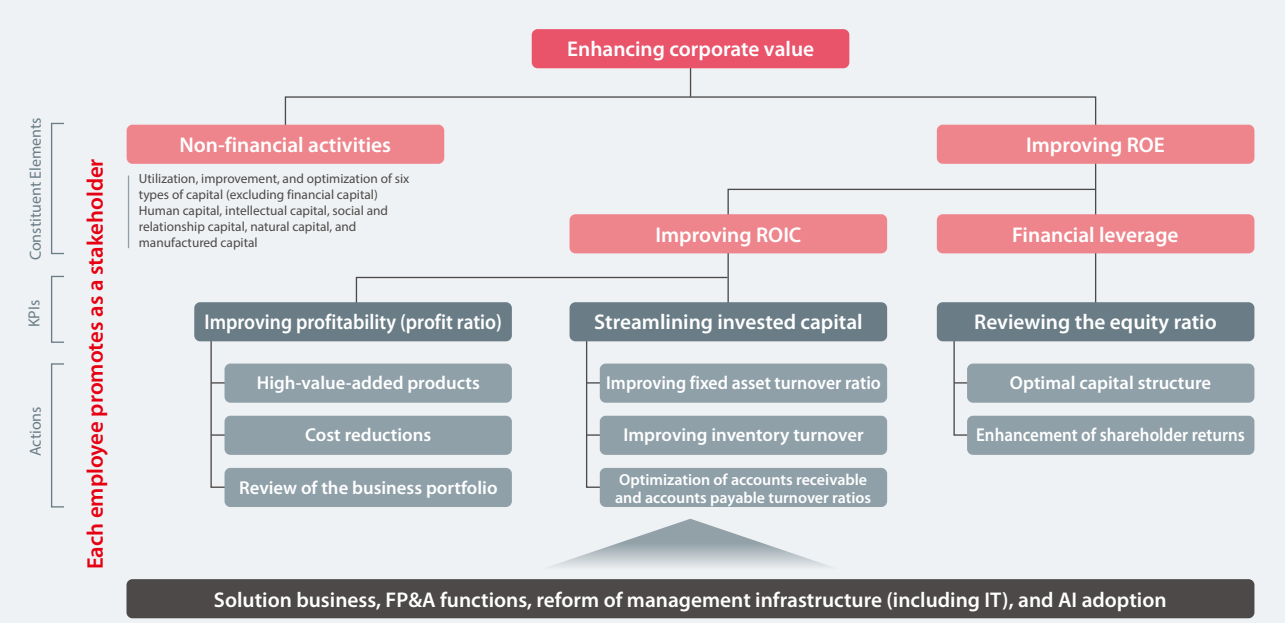
Specifically, we have introduced J-ROIC (business profit after taxes ÷ inventory and fixed asset balance) management, which integrates profitability and invested capital, to visualize capital efficiency by business and region. Based on this visualized data, we will allocate management resources preferentially 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

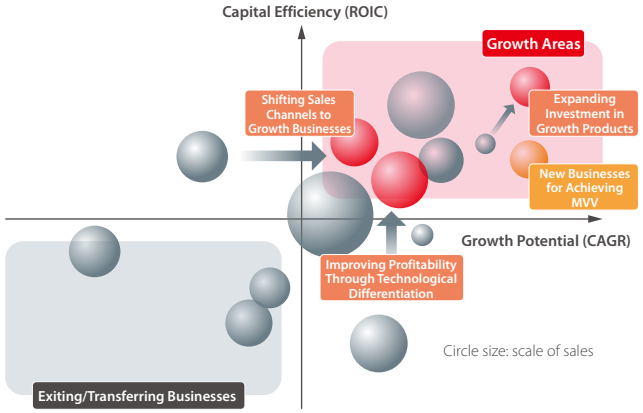
## Restructuring the Business Portfolio

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.

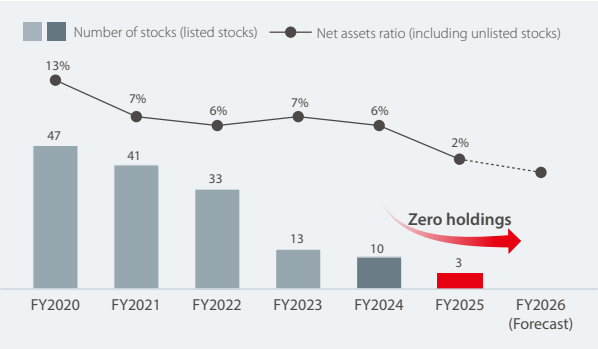
In addition, to improve the turnover ratio of receivables and payables, we are strengthening credit management to eliminate overdue receivables and are engaging in discussions with customers to optimize collection periods. Through these activities, we aim to improve the cash conversion cycle (CCC).

## 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.

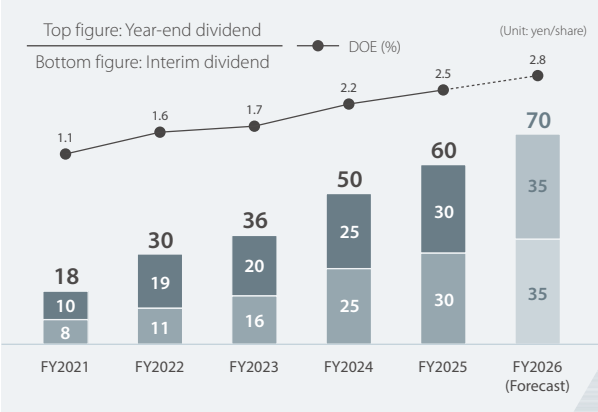
Looking beyond FY2027, we anticipate that expenses related to structural reforms in Europe and "loss costs" in North America will subside, freeing up capital to be directed toward proactive, growth-oriented investments such as new businesses, solution businesses, and M&A. By executing these initiatives 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

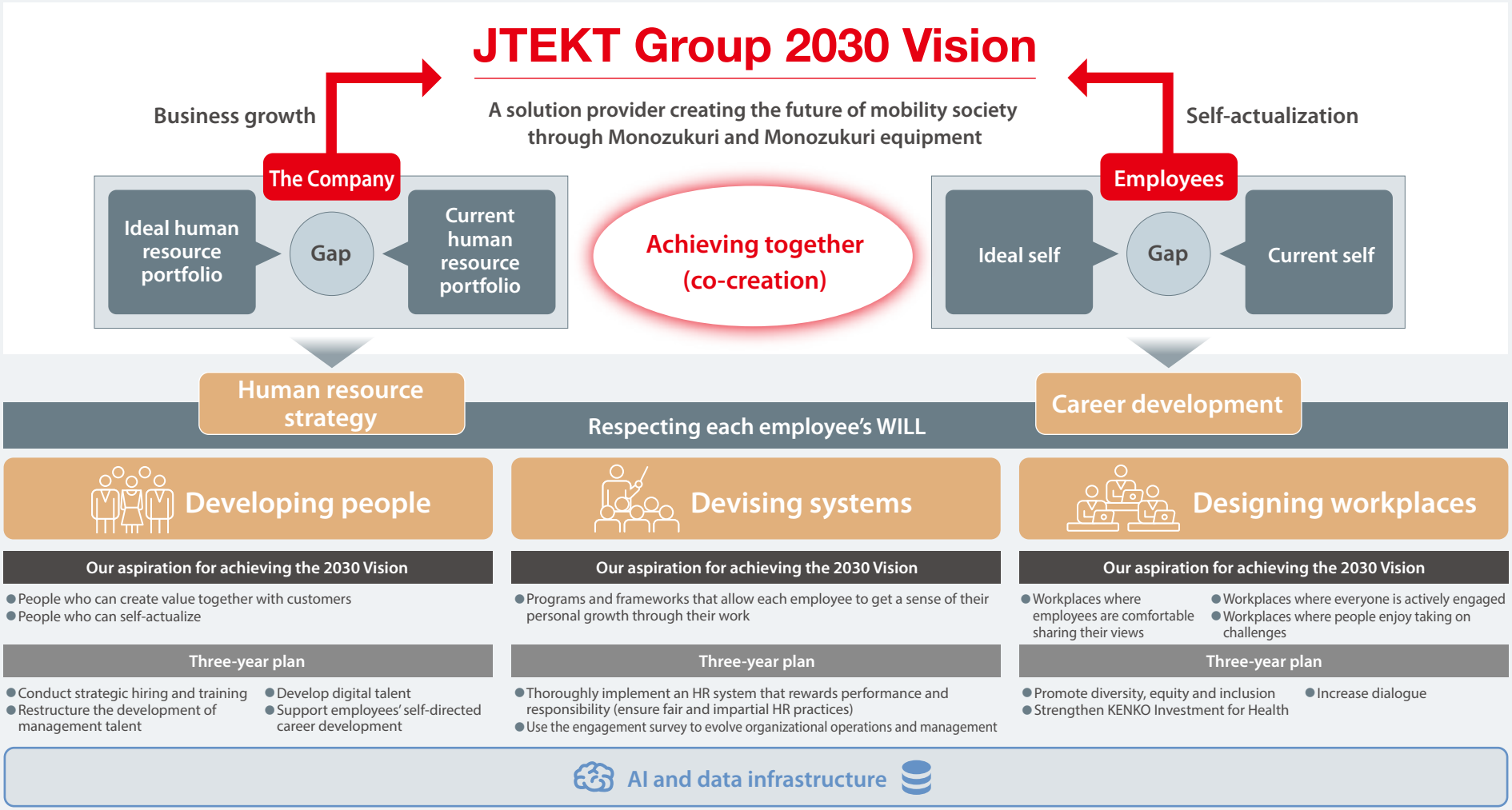
In human resource development, we are shifting our focus from simply training employees to creating a system for their continuous growth. In particular, we are prioritizing the improvement of problem-identification skills, which are needed to identify the fundamental challenges faced by customers and 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.

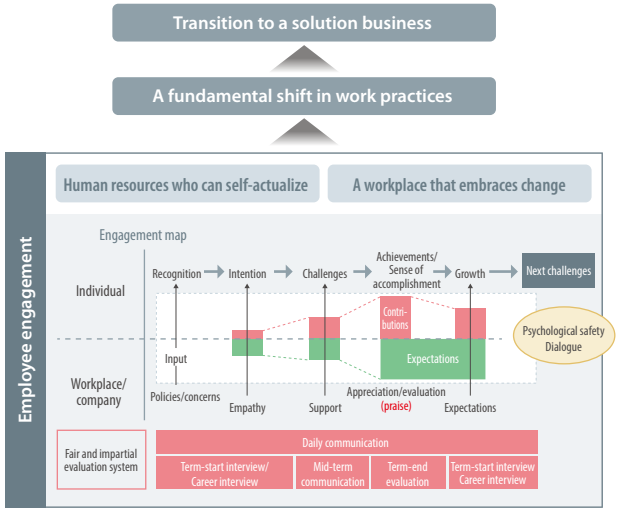
Employees are demonstrating a high level of alignment with our MVV and a strong sense of psychological safety in the workplace. They are also working with a sense of pride in contributing to society. As a result, the foundation for improving engagement is taking shape.

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.

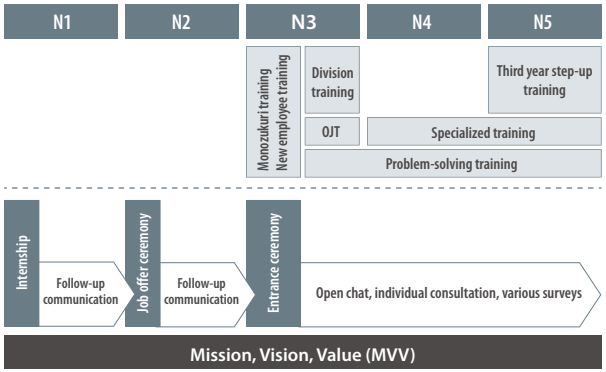
# Human Resource Strategy

## 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.