Intellectual Capital Strategy

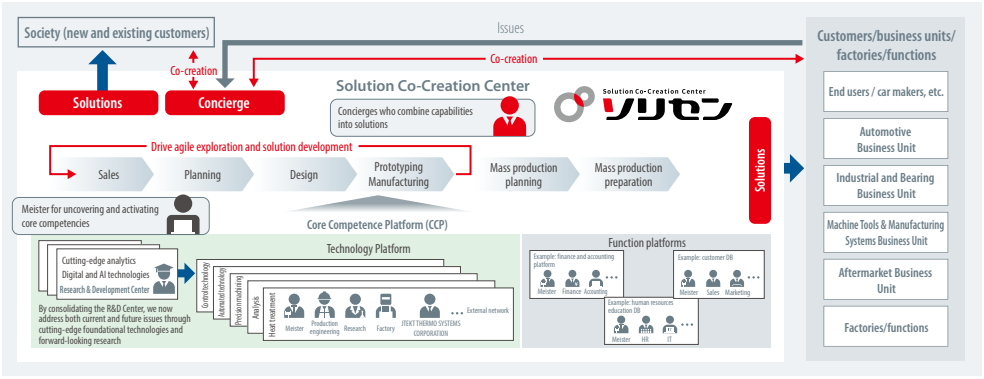
Creating Solutions by Circulating Intellectual Capital

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.

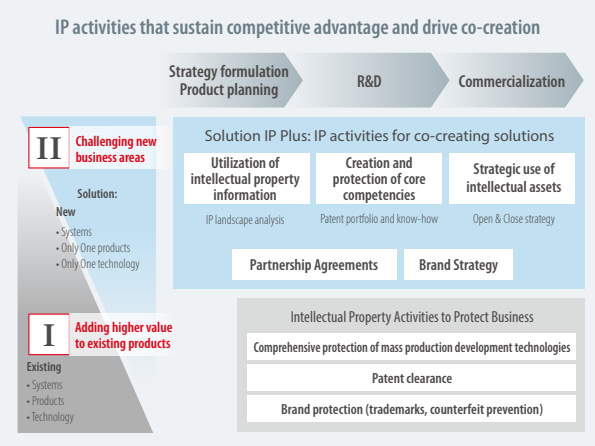
Intellectual Property Activities

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

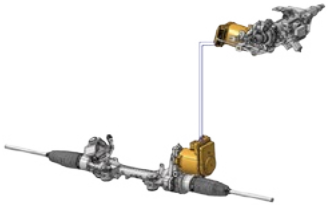
Solution IP Plus in Practice

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.

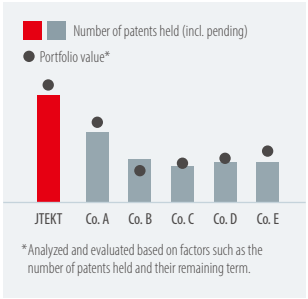
Through years of sustained R&D and IP activities, we have built the No. 1 patent portfolio in this field, which helps secure our competitive advantage.

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.

Syncusteer



Comparison of SbW-related Patents

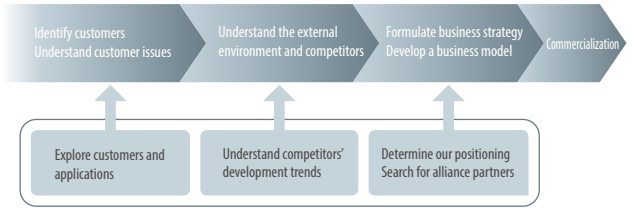


*Analyzed and evaluated based on factors such as the number of patents held and their remaining term.

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

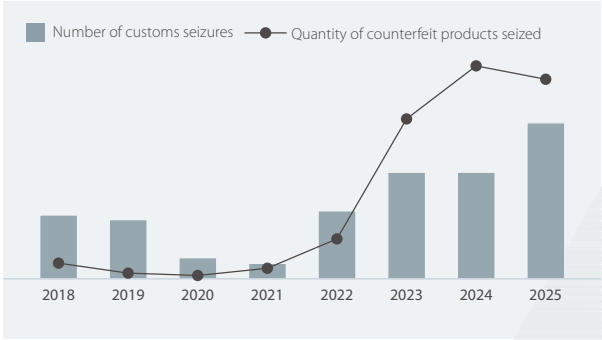
Respect for Third-Party Intellectual Property Rights

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

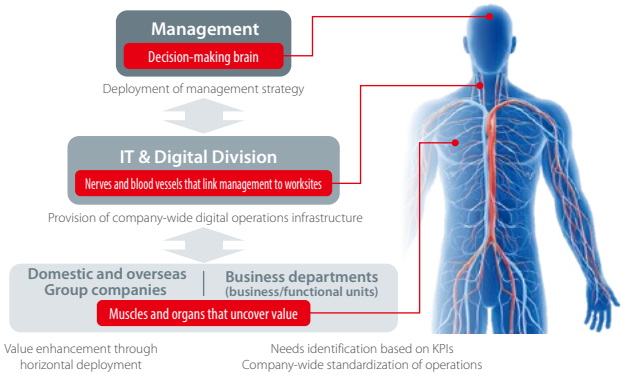
Vice Chief of IT & Digital Division
Chief Information Officer (CIO)
Chief Information Security Officer (CISO)

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.

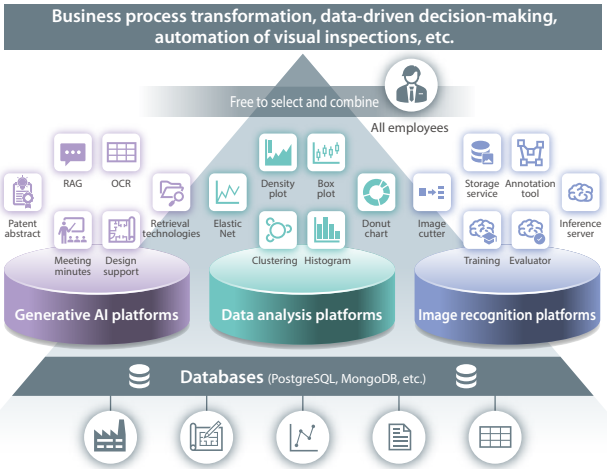


From Cultivating a Digital Culture to Executing Company-Wide Transformation

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



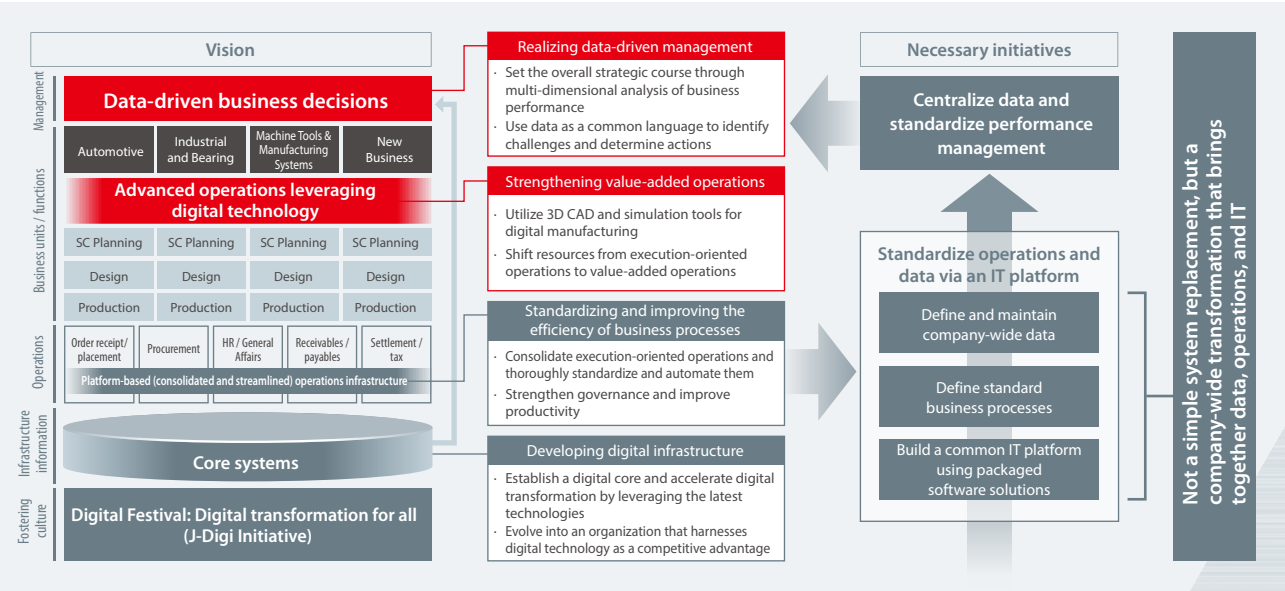
Employees with deep operational expertise and a strong commitment to addressing workplace challenges are leveraging an in-house exchange program designed to enhance their practical skills in using AI and digital technology. Serving as catalysts for improvement in their respective workplaces, these employees 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.

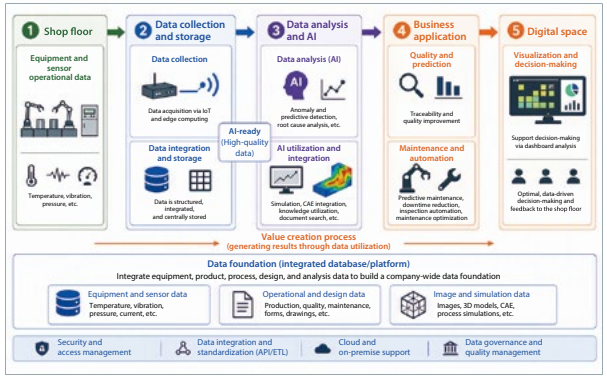
Our aim is to utilize data from equipment and production lines to perform real-time monitoring of operational status and quality, with rapid integration and utilization of data. This will enable early anomaly detection and predictive maintenance, leading to reductions in downtime and in defective products. 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.



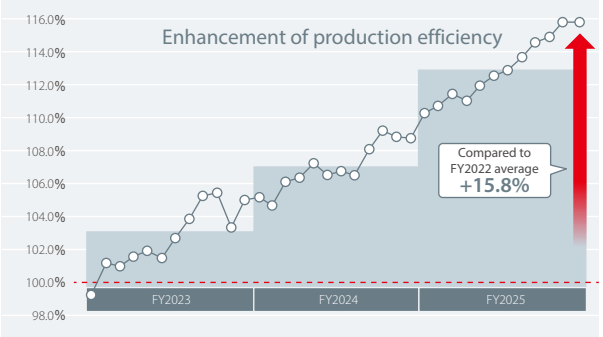
Enhancing Productivity: Shortening Lead Times Across the Board

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.

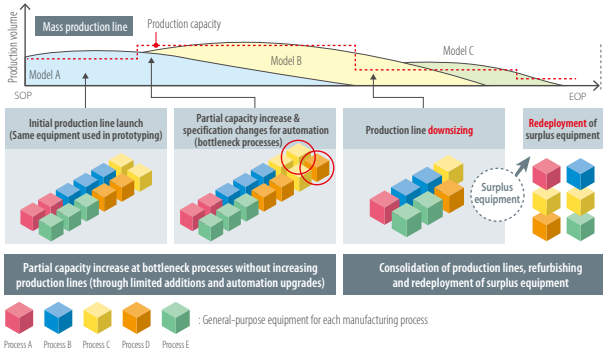
In the area of production preparation, we are working to enhance overall quality by having our design, production engineering, and production units collaborate to reduce setbacks and stabilize initial production. This shortens the lead time from development to mass production and contributes to strengthening 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.

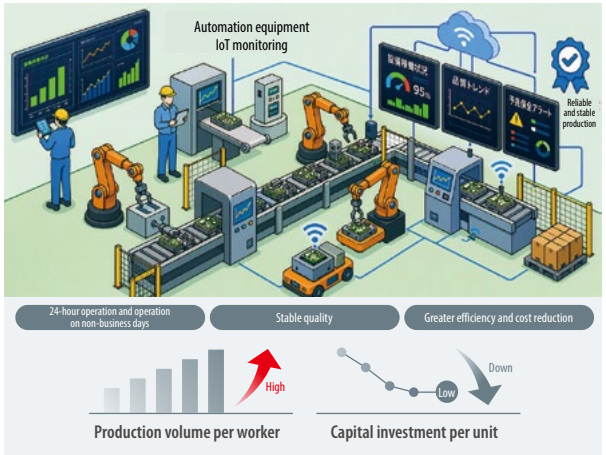
Utilizing DX and IoT

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



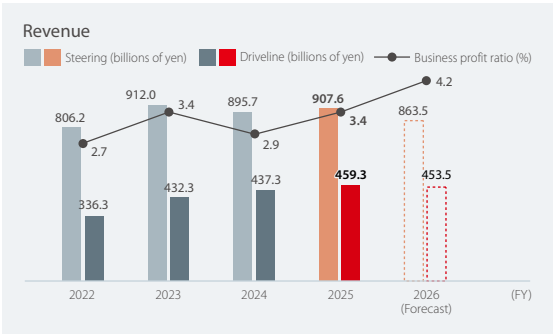
Katsutoshi Sakata
Senior Executive Officer
Chief of Automotive Business Unit

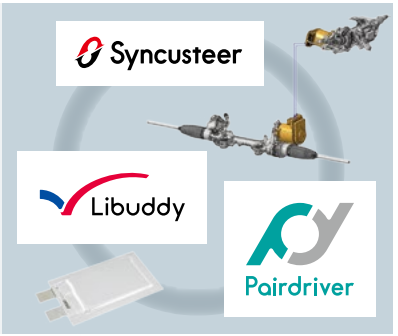
Market Environment

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

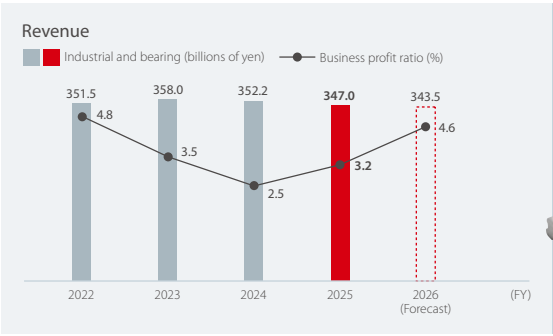


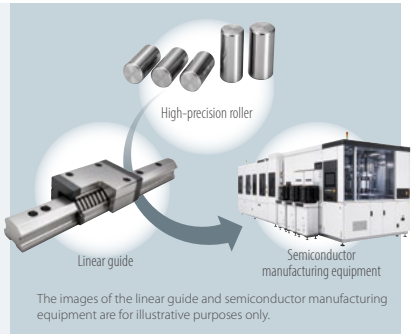
Yoshihisa Miura
Senior Executive Officer
Chief of Industrial and Bearing Business Unit

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

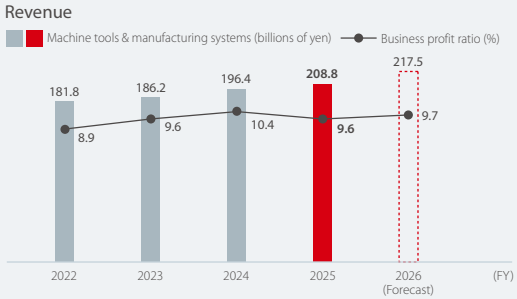
Market Environment

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

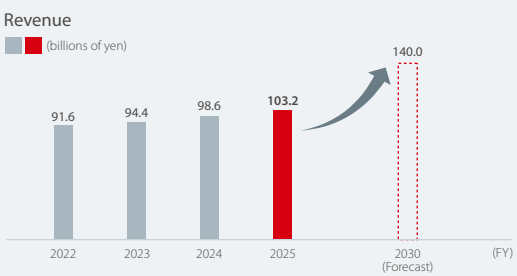


Kenichi Ishioka
Senior Executive Officer
Chief of Aftermarket Business Unit

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.

