

Special Feature

Dialogue Between Outside Directors and Investors

What reforms are needed to strengthen earning power?

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

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

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

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

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

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

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

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

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

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

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

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


Ikuji Ikeda Outside Director

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

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

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

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


Yumiko Sakurai Outside Director

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

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

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

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

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

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

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

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

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

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

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

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



Kazuyuki Kamiya
Senior Executive Officer
Chief of Corporate Division
CFO

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

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

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

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

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

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

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

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



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

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

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

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

Corporate Governance

Corporate Governance Structure

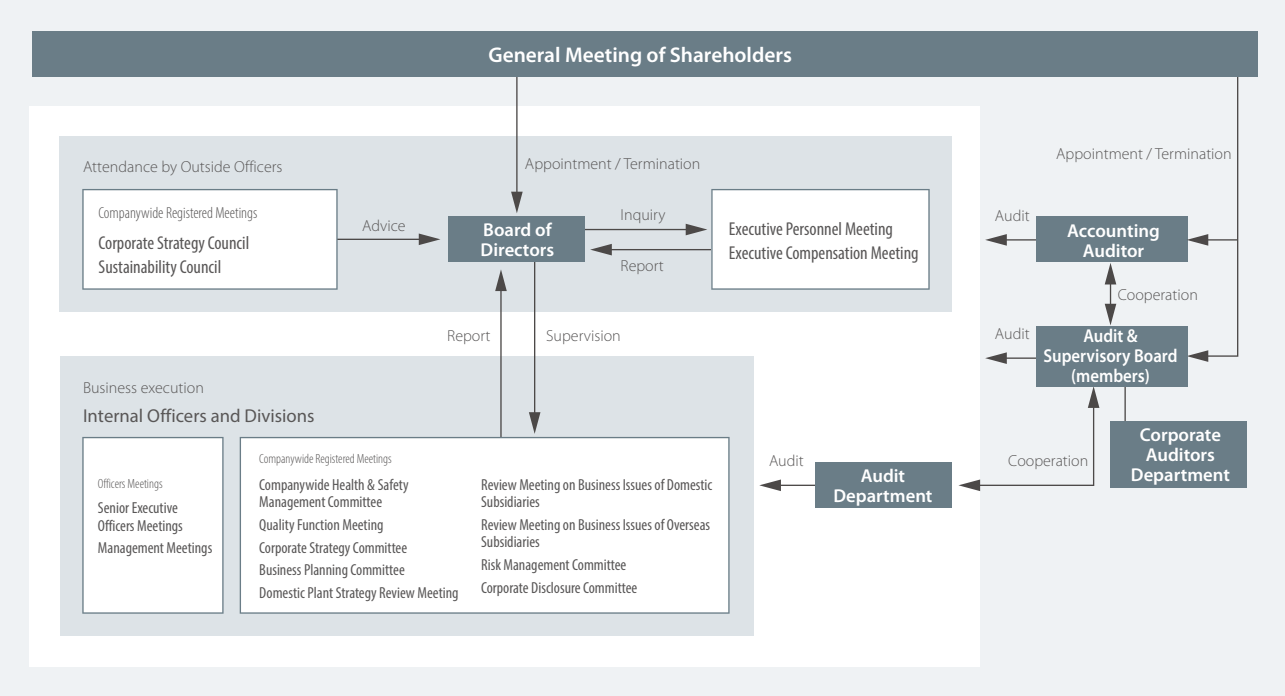
At our Board of Directors meetings, in addition to items stipulated by law and the Articles of Incorporation, deliberations take place and decisions are made pertaining to the Medium-Term Business Plan aimed at realizing JTEKT Group 2030 Vision. This includes management strategies aimed at achieving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

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

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

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

Schematic Diagram of Corporate Governance Structure



Group Governance

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

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

Corporate Governance

Operations of the Board of Directors and Other Bodies

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

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

Matters for Deliberation by the Board of Directors in FY2025

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

Matters for Reporting to the Board of Directors in FY2025

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

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

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

Corporate Governance

Evaluation of the Effectiveness of the Board of Directors

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

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

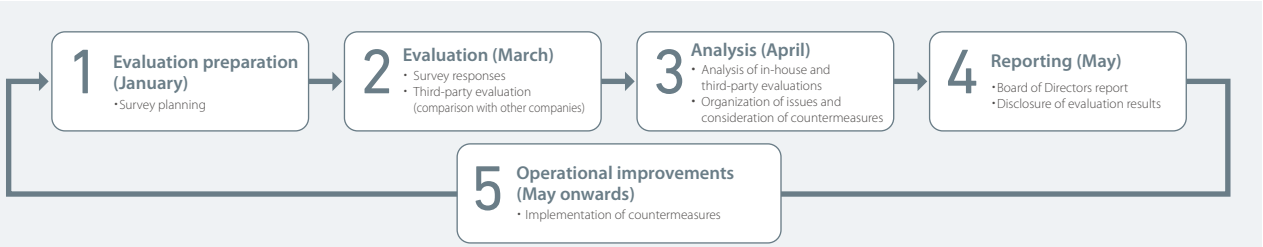
Board of Directors Effectiveness Evaluation Survey

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

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

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

Schedule for Evaluating the Effectiveness of the Board of Directors



FY2025 Initiatives

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

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

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

FY2025 Issues and FY2026 Plan

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

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

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

Corporate Governance

Executive Personnel Meeting

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

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

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

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

Executive Personnel Meeting: Activity Report

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

Executive Compensation Meeting

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

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

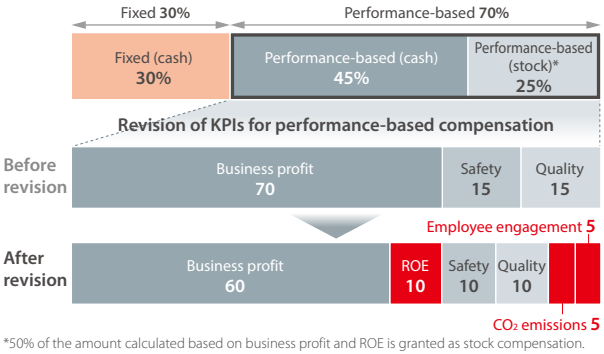
Executive Compensation Meeting: Activity Report

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

Revision of the Executive Compensation System

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

Details of the Revised Compensation System



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

Total Compensation of Directors and Audit & Supervisory Board Members

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

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

Directors and Audit & Supervisory Board Members

Directors, Members of the Board



Yoshihito Kondo

President, Member of the Board
CEO

Chief of IT & Digital Division
Chief of Production Engineering Division



Koichi Yamanaka

Director,
Member of the Board

Chief of All Overseas Business



Toshiaki Shinya

Senior Executive Officer, Member of the Board
CPO, CLO

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



Ikuji Ikeda

Outside Director, Member of the Board
(Independent)

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



Yumiko Sakurai

Outside Director, Member of the Board
(Independent)

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



Isao Nakanishi

Director,
Member of the Board

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

Overview of the Members of the Board

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

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

Directors and Audit & Supervisory Board Members

Members of the Audit & Supervisory Board



Makoto Sano

Member of the Audit & Supervisory Board



Koichi Tsujita

Member of the Audit & Supervisory Board



Yasushi Matsui

Outside Member of the Audit & Supervisory Board (Independent)

- Executive Vice President, DENSO Corporation

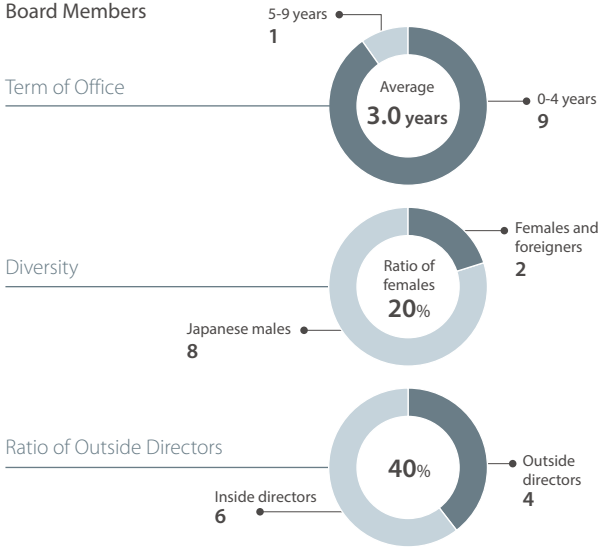


Akiko Miyakawa

Outside Member of the Audit & Supervisory Board (Independent)

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

Composition of the Directors and Audit & Supervisory Board Members



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

Overview of the Members of the Audit & Supervisory Board

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

Risk Management

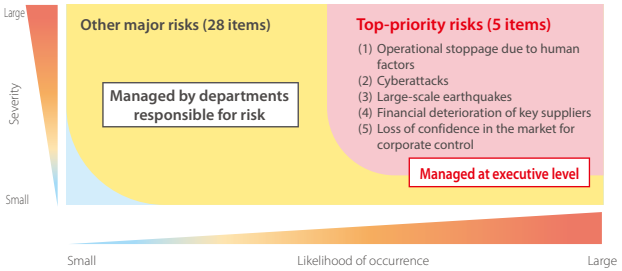
Basic Approach

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

Promotion Structure

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

Risk Heat Map



Top-Priority Risks for the Group

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

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

Compliance

Basic Approach

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

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

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

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

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

Compliance with Competition Laws / Prevention of Corruption (Bribery)

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

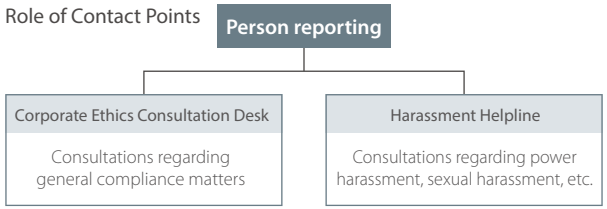
Whistleblowing System

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

Number of Whistleblowing Reports in the Past Five Years

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

Role of Contact Points



Appropriate Tax Payment

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

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

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

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

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