

JTEKT

JTEKT Corporation

JTEKT REPORT 2023

Integrated Report



Creating “Only One,” again and again.

Moving forward. Bending at will. Turning smoothly.
 Over and over, we create singular technologies and products that give ideas a concrete shape and transform thoughts into actions.
 Day after day, we work tirelessly to do better than our best.
 Again and again, we bring joy as only we can to customers, society, and the earth.
 JTEKT will continue moving forward as the “Only One,” now and into the future.



JTEKT BASIC PRINCIPLE

For the Earth

What is the earth where we are living on made of? There are clean air, beautiful lush green and sea and various animals and plants. We have to keep and leave the nature to our descendants.

For the Society

By providing high-quality, low-cost products and services in a timely manner to society.
 Let's make a big social contribution through the JTEKT with 50,000 colleagues around the world.

For Customers

For constant growth, JTEKT must be continuously chosen by our customers. To achieve this goal, we have to provide not only quality and lower-cost products but also values that exceed their expectations. We can make our customers happy.

Continuous Improvement (kaizen)

There is no end for kaizen. The most important is to continue improving day by day. Today should be better than yesterday, tomorrow should be better than today. Let's create ideas for the better job!

Participation & Ownership

There are lots of people in our company. Each person has personality, strength and weakness. We respect each other and we have ownership for the job. It should be a big power if we help each other!

Passion and Communication

Passion is the motivation for the job. You are the main character in JTEKT. We should have a desire to do something for others. If we have real passion, we can show the power that exceed your ability. If we work with passion, we can feel a sense of achievement. We are the family of the JTEKT group. Let's build a good relationship that we can say anything to each other.

Priority “Safety First, Quality Second”

“Safety” and “quality” is directly results in human life. The most important is to protect the lives of our employees and customers. If our plants and office are not safe, we can't ensure quality. Priority is “safety first, quality second” in JTEKT.

No. 1 & Only One

We need to be chosen by customers to contribute to society. Our target is “No. 1 & Only One” to be chosen by customers.

1 Social challenges to be solved through business
Contribute to safe, secure and comfortable life



Combining the existing technologies and know-how that we have fostered so far, JTEKT will create new technologies to solve future social challenges. In addition, we are emphasizing activities that contribute to the community to realize safer and more comfortable living.

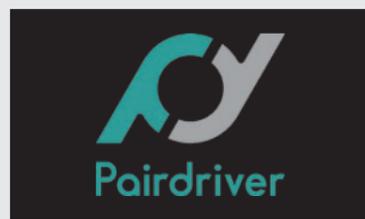


● Initiatives to solve materiality issues



J-PAS™ series of assistance suits

To solve such social challenges as aging and the low birthrate, the working population shortage, and the increasing number of industrial accidents, we have capitalized on the assistance technology, highly safe design technology, and so on nurtured in our existing businesses to develop the J-PAS™ series of assistance suits.



Pairdriver™ steering control system harmonizes humans and autonomous driving systems

JTEKT has developed the Pairdriver™ steering control system to connect and harmonize the autonomous driving system and the will of the driver through electronic power steering (EPS). In this way, we are supporting safe, secure, and comfortable autonomous driving.



Compatibility of autonomous driving and Mobility as a Service (MaaS)

Taking advantage of our technologies, etc. nurtured in EPS, we are promoting development in response to the autonomous driving of commercial vehicles and their electrification. Through such techniques as positioning control, which ensures that buses stop in exactly the right position at bus stops, we will contribute to the realization of a safe and secure traffic environment.

2 Social challenges to be solved through business
Protect the rich earth for future children



JTEKT has set forth the Environmental Challenge 2050 and is endeavoring to conduct management in consideration of the environment. Viewing initiatives to achieve carbon neutrality and so on as not only a contribution to the environment but also a growth opportunity to enhance our competitiveness, we are proactively promoting them.

● Initiatives to solve materiality issues



High heat-resistant Lithium-ion Capacitor

In energy storage devices, which are classified as secondary batteries, we have realized the world's first heat resistance from -40°C to 85°C. Since this feature enables the supply of large current and reduces deterioration due to repeated charging and discharging, it is contributing to carbon neutrality in a diverse range of industries.



Reducing CO₂ emissions in the manufacturing process

We are putting our shoulder to the wheel to reduce CO₂ emissions at all our plants and business sites in Japan and overseas. In addition to energy saving through everyday improvement activities, the introduction of renewable energy, and production technology innovations, the entire Group is working together to visualize consumed energy and so on.



Bearings for Wind Turbines

Regarding bearings for wind turbines, which are required to have longevity and a high degree of reliability, JTEKT's products are installed in more than 20,000 turbines worldwide. In addition, JTEKT was the first company in the world to develop and mass-produce ceramic ball bearings for electric power generators. We are backing the diffusion of renewable energy and contributing to the realization of a decarbonized society.



3 Social challenges to be solved through business
Provide new values to manufacturing (monozukuri)



Combining our strengths in bearings, machine tools and manufacturing systems, automotive parts, gears, and so on, we will create products capable of supporting society. The synergy generated by the JTEKT Group will promote the evolution of manufacturing.



● Initiatives to solve materiality issues



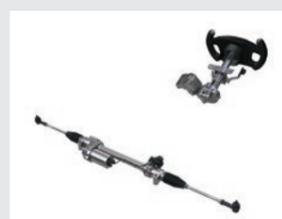
Bearings

Used in all kinds of rotating parts, bearings are an important component facilitating the enhancement of energy efficiency. Through the development and manufacture of bearings able to cope with various environments, JTEKT will contribute to the building of safe and secure social infrastructure.



Machine tools and manufacturing systems

Machine tools are necessary for the production of all kinds of machines and parts. In addition to the evolution of machine tools, we are contributing to customers' manufacturing through the supply of and support for manufacturing systems.



Automotive parts

Rapid technological innovation is progressing in the automotive world. JTEKT is creating such cutting-edge products as the J-EPICS™ linkless steer-by-wire system, which is essential for advanced autonomous driving.



Gears

Taking advantage of our know-how nurtured in automotive parts and machine tools, JTEKT is actively conducting R&D, mainly at the JTEKT Gear Innovation Center, to create even more highly precise gears.

4 Social challenges to be solved through business
Develop organizations and people that are trusted by society and contribute to society



Good manufacturing starts with good human resource development. At the JTEKT Group, we have realized the wide-ranging activities of employees and the building of work-friendly workplaces. We believe that our biggest social contribution lies in delivering happiness to all people through cooperation transcending the barriers of Group companies and business divisions.

● Initiatives to solve materiality issues



JTEKT Academy

The JTEKT Academy is a certified vocational training facility for new recruits in technical positions. Over one year they acquire the manufacturing knowledge and skills required for their work through courses and practical training, as well as receiving education as adult members of society. The JTEKT Academy also supports the acquisition of various qualifications and grooms Skills Competition participants. After completing the program, some employees have gone on to take part in the National Skills Competition and World Skills Competition. In this way, JTEKT is continuing our efforts to pass on advanced technology.



Group network

On the occasion of brand unification in 2022, the JTEKT Group switched course to integrated Group management. To continue supplying products and services with added value, the members belonging to the JTEKT Group, numbering 50,000 people worldwide, will engage in speedy discussions on a level playing field and display the flexible and innovative synergy of the Group without being bound by any preconceived notions.



Contents

Pages	Category	Section outline
■ About JTEKT		
1-2	JTEKT Basic Principle	This section shows how we can contribute “for the Earth, society, and customers” by implementing the JTEKT Basic Principle, which is the common value of the JTEKT Group.
3-6	Materiality	
7-8	Contents / Editorial Policy	
■ Value Creation Process		
9-10	Value Creation Model	JTEKT recognizes the strengths nurtured since our founding and the ever-changing social structure and market environment and reflects them in our growth strategy. By supporting our business strategy with capital strategies, we indicate the way that the JTEKT Group will steadily supply joy to society in our value creation model.
11-12	Highly Valued Management Resources	
13-14	Financial / Non-financial Highlights	
■ Strategy		
15-20	Top Message	Messages from top management outline the results of initiatives in FY2022 toward the realization of Vision2030. There is also an explanation of the state of progress of the Medium- to Long-Term Business Plan formulated in FY2021 and targets going forward, as well as an introduction to conditions behind compilation of the Second Stage Medium-Term Business Plan. The review of operations by segment analyses the market environment and introduces the “No. 1 and Only One” strategy being emphasized by each segment with a view to the future.
21-22	Message from CFO	
23-24	Message from CHRO	
25-34	Medium- to Long-Term Business Plan Medium- to Long-Term Business Plan (FY2021–30) First Medium-Term Business Plan (FY2021–23) Identification of Materiality toward 2030 / Progress of Measures R&D and intellectual property / Second Stage Medium-Term Business Plan (FY2024–26)	
35-40	Review of Operations Highlights by Business / Automotive Business Unit / Industrial and Bearings Business Unit / Machine Tools & Manufacturing Systems Business Unit / Aftermarket Business Unit	
■ ESG		
41-42	CSR Management	This section introduces the JTEKT Group’s corporate activities in consideration of the environment, which are essential for the realization of a sustainable society, and our specific initiatives to develop human resources and organizational structures and to strengthen management foundations, which support the growth of the JTEKT Group.
43-46	Environment Environmental Management / Disclosures in Accordance with the TCFD Recommendations / Contributions to a Recycling-Based Society / Reducing Substances of Environmental Concern / Harmony with Nature	
47-52	Society Human Resource Development / Diversity / Occupational Safety and Health / Health / Supply Chain Management / Human Rights / Social Contribution Activities	
53-64	Governance Officers and Audit & Supervisory Board Members / Corporate Governance / Outside Director Message / Risk Management / Compliance	
■ Data		
65-66	Financial Information	By displaying financial and non-financial data and sustainability-related Indicators and targets so far, this section enables a numerical analysis of the JTEKT Group. In addition, we present the history of the JTEKT Group, which has continued to support Japanese industry since its dawn, and our contributions to the world.
67-68	Non-financial Information	
69-70	History	
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Editorial Policy

This report introduces business and environmental, social, and governance (ESG) activities from a medium- to long-term perspective in order for shareholders, investors, and other stakeholders to understand how the JTEKT Group contributes to solving social issues and realizing a sustainable society. Please refer to the guidelines to the below that were referenced when creating this report. For more information on ESG, please visit our website. We hope this report facilitates an understanding of our corporate activities.

Reference guidelines:

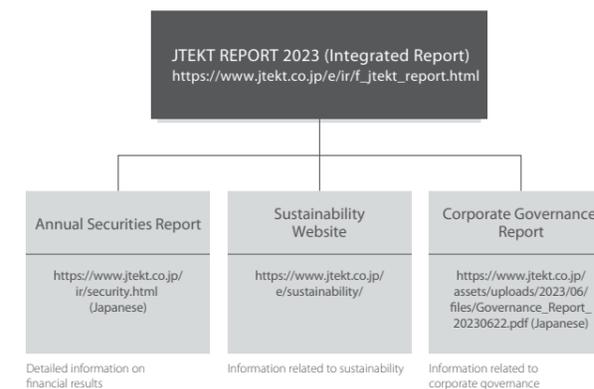
- International Financial Reporting Standards (IFRS)
- Japan’s Corporate Governance Code
- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- Japan’s Ministry of the Environment
“Environmental Reporting Guidelines (2018 edition)”
- ISO 26000 (international standard for social responsibility)

Target period: April 2022–March 2023 **Publication:** October 2023

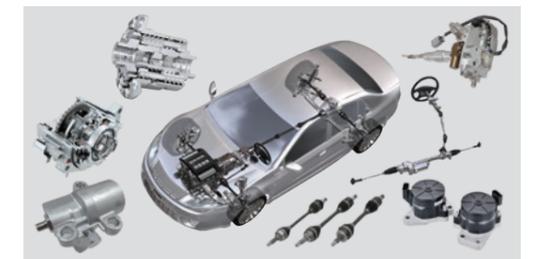
Target organizations and scope: All activities of the JTEKT Group
For items for which there is no criteria uniform across the JTEKT Group, the unconsolidated results of JTEKT are displayed. As a general rule, if there are changes in the tallying scope, we revise data retrospectively.

Note on forward-looking statements

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

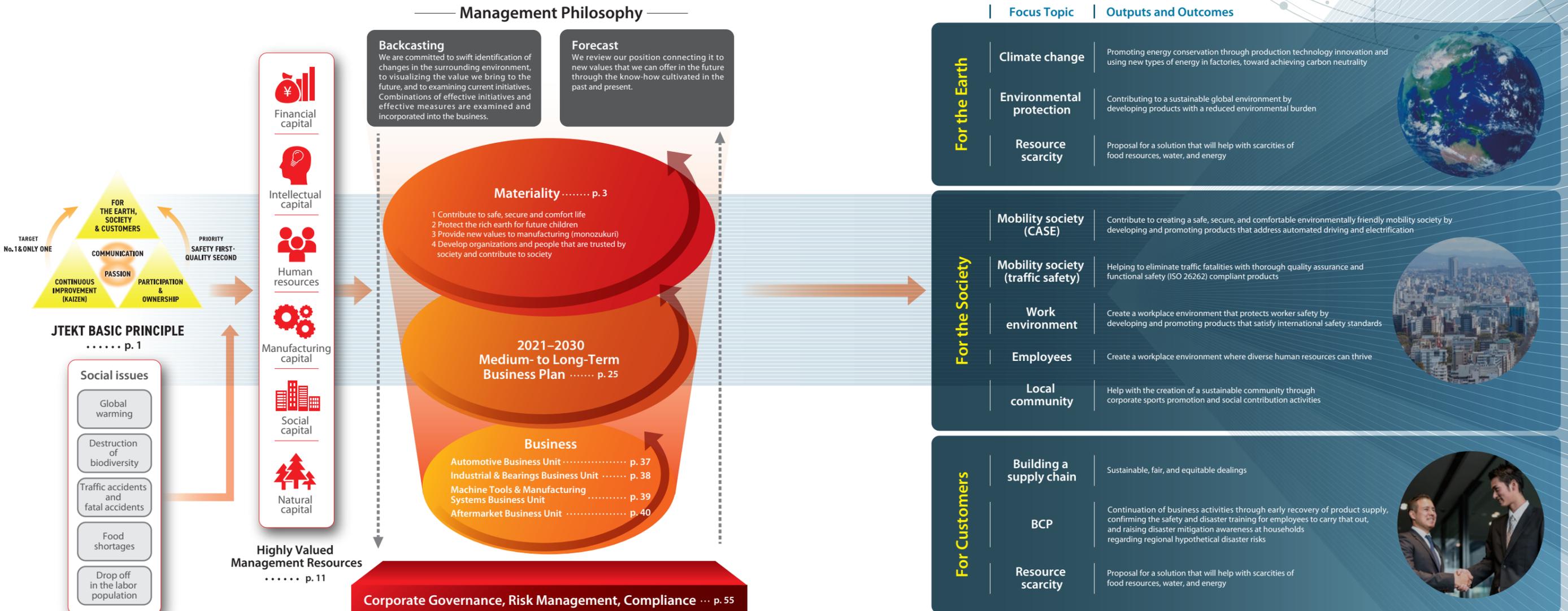
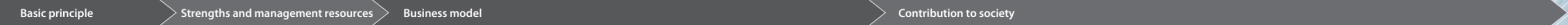


These reports are available for viewing on JTEKT’s official website.



Our aim is to enhance corporate value through the resolution of social issues

In accordance with the JTEKT Basic Principle, the Group is pursuing sustainable growth by taking on the challenges of, and contributing to, solutions to the problems of the Earth, society, and customers.



For an Ever-Expanding Future

Our society is facing numerous problems, including global warming and aging accompanied by a low birthrate. We are required to contribute to autonomous driving and a recycle-oriented society and to respond to an age in which digital transformation continues to advance.

Precisely at a time like the present, based on the JTEKT Basic Principle of contributing “for the Earth, society, and customers,” the JTEKT Group’s approximately 50,000 employees around the world are looking ahead to the future of manufacturing and challenging its potential, making maximum use of the management resources that we have nurtured since our founding in the automotive, industrial equipment and bearing, machine tools and systems, and other businesses.

| Realizing “No.1 & Only One”



In 2006 Koyo Seiko Co., Ltd, a bearing maker founded in 1921, and Toyoda Machine Works, Ltd., a manufacturer of machine tools founded in 1941, joined hands, and JTEKT was born. Utilizing the technologies and know-how of these two time-honored companies, JTEKT launched an automotive parts business. Our strength is that we have many products with a “No. 1” share in the world and many “Only One” technologies that other companies cannot imitate.

The JTEKT Group’s joy lies in continuing to support society by pursuing good quality and prices, endeavoring to achieve stable tax payment and employment, and giving due consideration to the environment.

Capital investment	62.3 billion yen (FY2022)
Manufacturing sites	129 factories (consolidated)
Global development	Overseas operations for 70 years; No. of countries with business ties: 151
Improvement activities	<ul style="list-style-type: none"> Number of “Idea Suggestions” in FY2022: 65,947 Number of registered “in-house karakuri kaizen” (low-cost mechanical improvements): 692

| Practicing the JTEKT Basic Principle



As means of developing human resources capable of practicing the JTEKT Basic Principle, we focus on the upbringing of human resources who are able to solve issues, who can continue to improve their skills independently and with passion, and who can grow along with the colleagues working with them. Furthermore, the activities of human resources possessing diverse values are essential for the company’s growth. For the promotion of diversity, we implement diversity education for all employees. In addition, we make efforts to build a work-friendly environment, including assistance for various activities.

No. of employees (consolidated)	46,053 (as of March 31, 2023)
Initiatives to develop human resources	<ul style="list-style-type: none"> Time spent on educational training per employee: 7.7 hours Cumulative number of graduates of the JTEKT Academy: 3,998 Number of gold medalists in National Skills Competition: 3 persons in two job categories (computer-aided design in 2016, mechatronics in 2022)

| Continued creation of new value



To make customers aware of our value as a supplier of higher-quality products and as a reliable partner, we are building a cutting-edge R&D setup with a view to the future of manufacturing. Facilities include the JTEKT Iga Proving Ground, which has a 500,000 m² test course for a diverse range of original assessments, and the Large Size Bearing Engineering Development Center, which conducts evaluation and analysis in conditions close to those of the actual usage environment. In addition to this production and operational assistance and the acquisition of knowledge and maintenance skills, we also provide definite support for manufacturing in the event of a disaster by means of, among others, Customer Centers that offer speedy support for the restoration of machine tools.

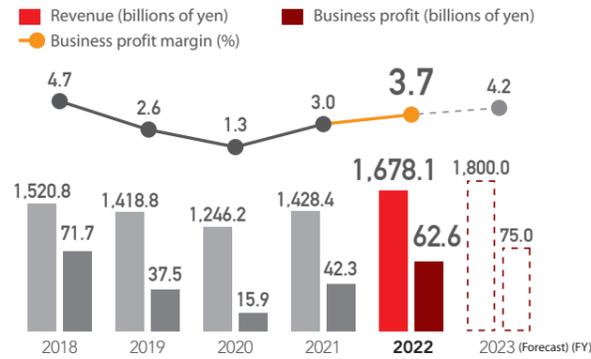
R&D spending	51.3 billion yen (FY2022)
No. of R&D personnel (nonconsolidated)	<ul style="list-style-type: none"> Research: 250 persons; product development: 1,008 persons (as of March 31, 2023)
Innovation initiatives	<ul style="list-style-type: none"> No. of collaborative industry-academia-government projects in FY2022: 7 (in Japan) Domestic innovation centers: 3 sites



Financial / Non-financial Highlights

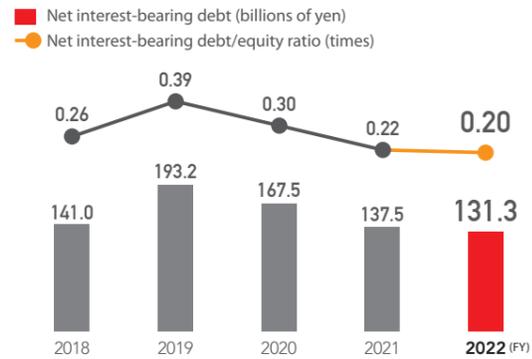
JTEKT has applied the International Financial Reporting Standards (IFRS) since FY 2018.

Revenue / Business profit / Business profit margin



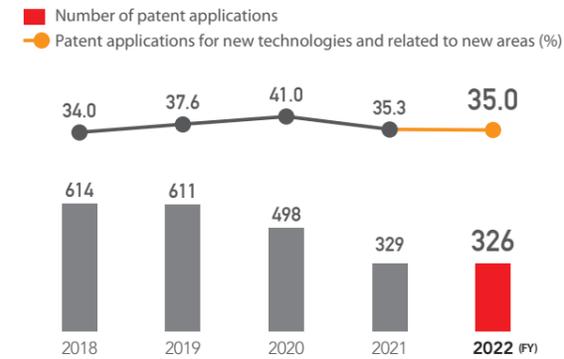
Despite effects from soaring raw materials prices, logistics expenses, and energy expenses, revenue reached a new record high due to an increase in sales and foreign exchange effects. In addition, cost-cutting measures and efforts to shift the effects of higher costs to sales prices also produced results.

Net interest-bearing debt / Net interest-bearing debt/Equity ratio



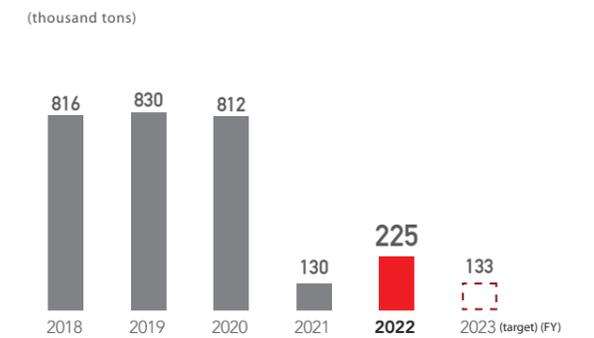
Funds generated from business activities and the sale of strategic shareholdings were applied to the repayment of loans, leading to a reduction in net interest-bearing debt and improvement of the net debt/equity ratio.

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



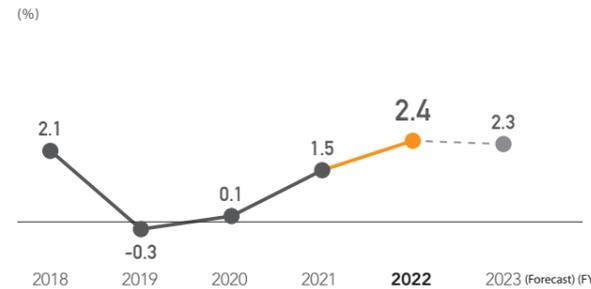
We consider comprehensive protection of intellectual property for technologies and in areas where we expect to demonstrate competitiveness in the future to be of particular importance. To this end, we identified key research and development topics (approximately 40 topics), set targets for the number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

Contribution to CO2 emissions reduction through products



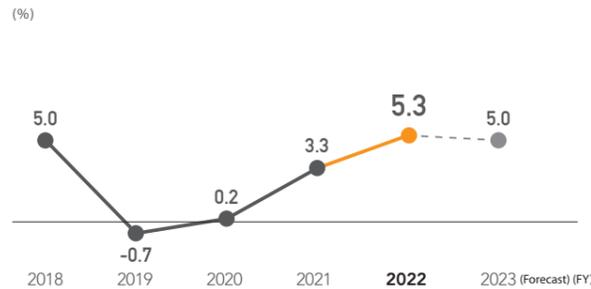
Starting in FY2021, we changed the reference year to 2015, which featured higher efficiency. We set a target of reducing emissions by at least 165,000 tons compared to 2015 by FY2025 and achieved this target in FY2022. We will continue developing environmentally-friendly products in the future. (The reference year for FY2020 and earlier is 2010.)

Return on assets (ROA)

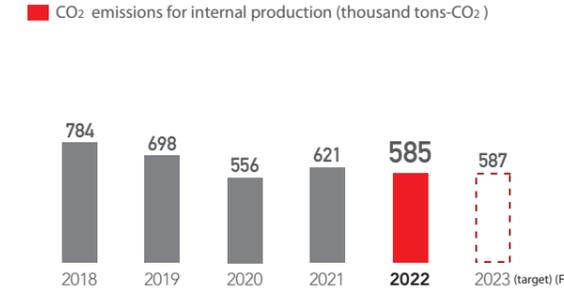


As a result of improved profitability and improvement in various financial conditions, ROA increased by 0.9 points and ROE increased by 2.0 points compared to the previous fiscal year.

Return on equity (ROE)

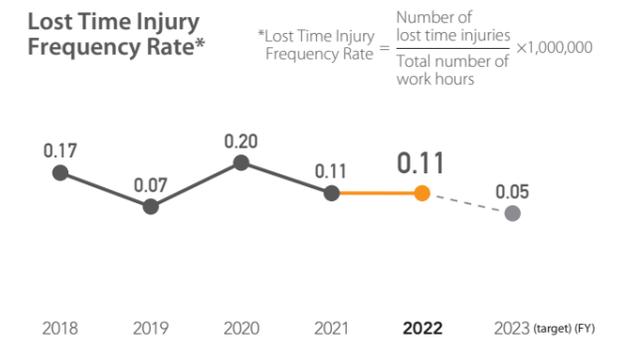


CO2 emissions for internal production (global)



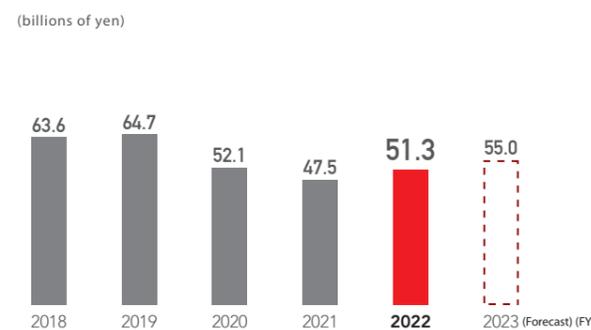
We are implementing comprehensive energy-saving measures and production technology innovations through improvement of day-to-day work with the participation of all employees so that we can reduce emissions even as production increases with the aim of achieving our target of cutting emissions (including 17 domestic Group companies and 31 overseas Group companies) by 60% compared to FY2013 by FY2030.

Lost Time Injury Frequency Rate*



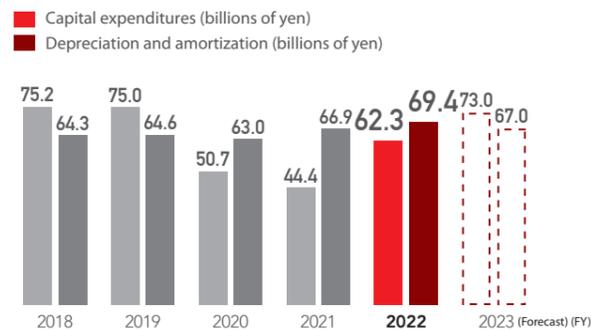
We are taking action to reduce injuries even further under the leadership of top management, who are directing "safety first."

Research and development expenses



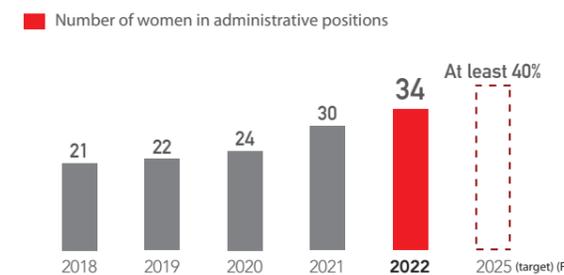
By implementing comprehensive measures to raise the efficiency of development in existing fields and increasing investment in research and development in new and leading areas, we are taking up the challenges of new value creation and pursuing further growth.

Capital expenditures / Depreciation and amortization



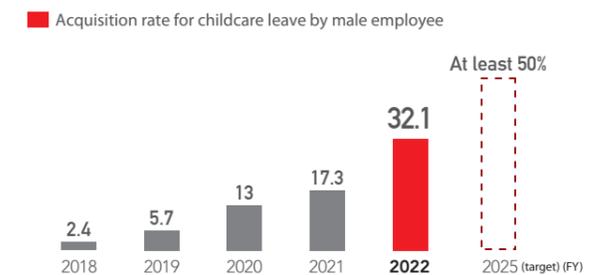
We continue to scrutinize investment projects, review investment efficiency, and take other measures to enhance our financial position and reinforce competitiveness in existing areas. In addition, we are actively making strategic investments in, and shifting resources to, new and growth areas with a focus on future business models.

Number of women in administrative positions (nonconsolidated)



We have set targets of at least 40 women in administrative positions and at least 50% of acquisition rate for childcare leave by male employee by FY2025. We are expanding programs that support employees who are raising children while working, seeking to create a workplace culture that facilitates the balance between childcare and work, and creating workplaces where all employees can play active roles.

Acquisition rate for childcare leave by male employee (nonconsolidated)



Maximizing Group Synergies as One JTEKT with the Aim of Being “No.1 & Only One” Becoming an Indispensable Presence for our Customers



Kazuhiro Sato
President

Focusing on the breakeven sales ratio has strengthened our corporate structure

When I was appointed president on June 25, 2020, the JTEKT Group had posted a loss for FY2019 and started FY2020 with a 30 billions of yen operating loss in the first quarter. Another loss seemed inevitable in FY2020, but over the next nine months we did everything we could to pare the company down to a lean operating structure and ultimately posted 800 millions of yen in business profit for the year. The next year, FY2021, which was the initial year of the three-year stage to enhance corporate structure called the First Medium-Term Business Plan, we raised full-year profit for the year to 20.6 billions of yen. This gave us confidence that if we continued with our efforts, we could put our earnings on an upward trajectory.

As we worked to strengthen our corporate structure, we focused our efforts primarily on lowering the breakeven sales ratio. By lowering the ratio, we would be able to generate a profit even if our sales remained level. We scrutinized our cash flow more closely to eliminate loss-producing products and reduce costs. We reviewed all of the processes from the initial design stage onward for ways to drastically cut costs while maintaining product quality. These efforts lowered the breakeven sales point (using revenue in FY2019) from 92.0% in FY2019 to 82.5% in FY2022 when factoring out external factors affecting our financial standing.

We have also reconstructed our internal work structure. I first leveled the officers by eliminating the titles deputy president, senior managing director, and managing director to create an environment encouraging the free exchange of opinions.

The ten senior executive officers, including myself, meet every Monday morning to share information and discuss strategy, and I believe communication among us is now more active and open. We also revised the management personnel of our Group companies, and the new corps of managers is eager to take on new challenges while giving us more versatility. The change in the mindset of management is gradually spreading to employees, and some of the younger staff in the Sales & Marketing Division have taken the initiative to create working groups to “change the way they work” and to explore the latent needs of customers. I believe that this development of younger personnel taking action on their own initiative is a major step forward for us that will lead to future growth for the Company.

Our profit in FY2022 at the end of the second year of the First Medium-Term Business Plan was 34.2 billions of yen. Conditions during the year were quite adverse and included soaring raw materials, logistics, and energy prices, Russia’s invasion of Ukraine and other geopolitical risk, and China’s Zero COVID policy. In these conditions, I believe that our ability to increase profit from the previous fiscal year confirms that our efforts have been focused in the right areas.

Communicating our Objective of One JTEKT with “No.1 & Only One” Corporate Group

On April 1, 2022, we unified all of our business brands into the single JTEKT brand and in FY2023 reformulated our management philosophy by consolidating and unifying it as the JTEKT Basic Principle. These changes enhance the Group’s sense of unity and communicates our objective to our Group members and the public that we intend to be One JTEKT with the “No.1 & Only One” corporate group.

Financial Results

	FY2021 Results	FY2022 Results	FY2023 Forecast
Revenue (billions of yen)	1,428.4	1,678.1	1,800.0
Business profit (billions of yen)	42.3	62.6	75.0
Profit for the year ^{*1} (billions of yen)	20.6	34.2	35.0
Breakeven sales ratio ^{*2} (versus FY2019 revenue)	85.0%	82.5%	80.0%

*1 Profit for the year attributable to owners of the parent company

*2 Financial assessment excluding external factors such as rises in resource prices and logistics costs

The Group's greatest strengths are the breadth of our seeds and the high level of sophistication of our technology. I want us to be the "No.1 & Only One" corporate group by breaking down the barriers between our Group companies and businesses and by combining our various seeds and activating our synergies as One JTEKT.

The full-fledged entry into the gear business last year brought together Group capabilities spanning materials procurement to heat treatment and machining technologies. We are continuing in that direction by filling out our "ultra-compact series" of products, including engineering the JTEKT Ultra Compact Diff.™ miniaturized differential and the extremely narrow JTEKT Ultra Compact Bearing™ unit. These elemental components respond to needs for increasingly miniaturized and high-power density components for eAxles, which are the core drivetrains for battery-electric vehicles, and we expect demand for eAxle components to grow as EVs become more common.

The advantage of being a manufacturer of eAxle components is that it positions us to supply to all automakers and eAxle manufacturers. We already have a vast base of customers involved in eAxles. By supplying elemental components, we are seeking to become an "indispensable presence" for our customers, increase our market share, and ultimately establish JTEKT as the world's leading maker of eAxle components.

Maximizing our Group synergies will require both applying our technological seeds and leveraging the sales resources throughout the Group. We are taking steps to increase cross-selling of Group products and services by deepening the sales department's knowledge of our diverse offerings so they can introduce the whole range to our own customers.

All of the 50,000 people in the JTEKT Group working toward the same objective will be a powerful force. As we present to customers products and services that make full use of our "No.1 & Only One" technologies, I hope we will all be confident that we can become the best in the world in



The entrance ceremony for new employees

our field and that the JTEKT Group will become even stronger.

To symbolize the unification of the Group as One JTEKT, we added JTEKT to the names of the Group companies and introduced matching uniforms. We also put much thought into devising a new entrance ceremony intentionally designed to make new employees happy about their decision to join the JTEKT Group and inspire motivation in their new jobs. Held jointly for the first time with all 15 Group companies, the ceremony's grand theme was Team JTEKT. The stars of the ceremony were the new employees, who watched a movie about the JTEKT Basic Principle and joined in a mass choreographed activity welcoming the new members of the JTEKT Group.

We will continue to conduct various measures to foster the sense of Group unity.

Creating broader perspective growth strategies by backcasting from future market and industry composition outlooks

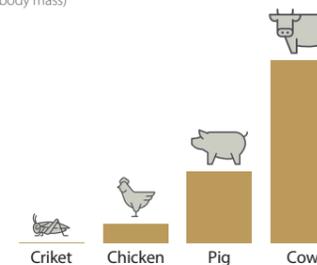
Sowing seeds for the future requires envisioning the future and then working backward to set targets and make plans. Until now, we have been forecasting the future based on the status in the present. However, with the pace of change at the speed it is now, that approach will always leave us behind the curve. Instead of forecasting, we need to backcast. We need to imagine what the world will be like 10 and 20 years from now and project what the markets and the industry composition will be at that time, then decide how we will be involved in that future and what we can be contributing. For example, consider the how fast the space exploration business has been growing recently. When we think about what products or services the Group might be able to provide for rockets, we have to first find out what kind of parts rockets require. We need to pay attention and have an interest in developments and trends around the world or else we will not be able to find the clues of the world's future direction.

Two years ago, we created the Corporate Strategy Department with the mission of gathering cutting-edge information and linking it to commercialization. The department plays a central role examining which markets are primed to expand in the future, how and in what fields we can use our seeds, and how we can contribute to our customers and society. The department then takes action to develop new businesses to cover those areas.

As we broaden our horizons on the vertical axis of time—the future—and the horizontal axis of space—the world—we will be searching for activities that can become new pillars for our business.

We are also advancing initiatives addressing social issues. One area we are actively pursuing is developing drone technology, which offers promising solutions for a wide variety of social issues involving surveying, facility inspections, security, and logistics. In the burgeoning drone field, we are providing technical support to Prodrone Co., Ltd., which is a core company in a project to develop drones to serve as distribution vehicles for depopulated areas. The project is aiming to engineer drones capable of carrying a 50 kilograms of cargo over 50 kilometers for distribution networks of "flying small trucks" by 2025. We are also preparing for an era where food is in short supply with our ongoing efforts to develop processes for cultivating and harvesting edible crickets as an efficient and sustainable source of protein. As with our business planning, a forward-looking approach is also essential to solving social issues. Here also, we are imagining the future and linking that image back to our business seeds so we can formulate concrete measures.

Greenhouse gas emissions
(per kg of animal body mass)



Becoming the world's top company with high profit margins and multiple earnings pillars

When I think of what I want the Company to be 2030, my first thought is that I want us to be a company where employees can work with a smile and confidence. Since becoming president, I have advocated tree-ring management that allows us to flexibly respond to changes in the business environment and continuously grow. At the root of that is my desire to create a company where employees can work with peace of mind not just today, but also 10 and 20 years from now.

Steadily increasing our profit margins will be essential. We have been strengthening our corporate structure, as demonstrated by the growth in our business profit margin to 3.7% in FY2022. In the Second Stage Medium-Term Management Plan we plan to continue raising the margin to 6%. That is why we are emphasizing that we want to be

the best in the world. We cannot hope to achieve significant growth if we are content with being a good company—we must aspire to become the best in the world.

The sales, technology, and production divisions in the Industrial and Bearings Business Unit have launched a project led by ambitious young staff to be the number one maker of bearings in each category of agricultural machinery, construction machinery, robots, machine tools, and semiconductor and steel production equipment.

Our Machine Tools & Manufacturing Systems Business Unit's mainstay cylindrical grinders command top market share in Japan, and we will work to further substantiate our leading position. I also want us to go beyond that to have the business unit providing machine tools that are the "only one" equipment that can make the products our customers need. In addition to the machine tool business unit at the head office, the Group also has two machine tool manufacturers with their own areas of expertise. We can combine these seeds to make a completely new, "only one" machine tool. Products that can only be made using these machines, meaning products that can only be made by JTEKT, will differentiate us from other companies. This is one of the major strengths of the JTEKT Group.

The JTEKT Group's strengths are in the two areas—bearings and machine tools—that are often called the "food staple of industry" and the "mother machines" which will remain fundamental no matter how the world changes. The evolution from gasoline-powered to electric vehicles is an example of this. As this shift progresses, demand for engine parts will decline significantly. The closer a supplier is to the final product, the more susceptible it is to changes in the industrial structure. Although the final design of our products may change, demand for JTEKT bearings, machine tools, and gears will continue as long as there is a need for objects to be shaped and moved and for metals to be processed. Of course, that does not mean that we can stand pat without doing anything. We have to continue our meticulously research, even in how to design and structure a basic gear to lower frictional resistance. The value-added aspect of low friction gears is just as important for electric vehicles as for gasoline vehicles since improving electrical efficiency will continue to be a major issue and also because quietness is a major feature of electric vehicles.

I believe that if we envision ourselves becoming the best in the world in various areas, then we can work to fulfill that vision by refining our technologies for each area while also combining the Group's many seeds to meet the needs of society. The innovative products and services that we will offer will make us a unique presence in the world.

In addition to our three existing businesses, we consider gears and lithium-ion capacitors as prime candidates to become new earnings pillars for our Group. In the gear business, I believe we can become the world leader if we can create an “only one” product that can only be produced using our machine tools. Our lithium-ion capacitors offer industry-leading from -40°C to 85°C operating temperature range and applications ranging from backup power sources for automobiles to peak demand assistance and power fluctuation suppression, and we are exploring their application potential for all types of industrial machinery. By developing the gear and lithium-ion capacitor businesses, I believe we will have a business portfolio with five core earnings pillars. My aim is to add more new businesses so that by 2030 we have seven earnings pillars.

As I stated earlier, the strengths of our Group are our numerous elemental technologies at the fundamental levels of industry and our ability to flexibly respond to changes in society. We are currently in deep discussions about which current businesses to move out of and how we can reallocate resources during the Second Stage Medium-Term Management Plan so we can fully leverage our strengths and cultivate new high-profit businesses into earnings pillars.

Developing human resources and organizational structures, and spreading an improvement mindset

The First Medium-Term Business Plan focused on the four themes of developing our human resources and organizational structures, strengthening the management foundation, strengthening our competitiveness, and sowing seeds for the future. Of those, the one that will require the most amount of time to realize is developing our human resources and organizational structures. We have approached this from a long-term perspective and from the beginning have been expecting it to take about 10 years, so we are not viewing this as critical to achieve quick results. Our aim is to carefully develop human resources and organizational structures that will apply the JTEKT Basic Principle.

As we develop our human resources, we will never be content with our existing approach and will always be looking for ways to improve our systems. We have a strong desire to cultivate rich human resources who will provide a steady stream of positive improvements for the sake of the Earth, society, and our customers. The first step to improving our personnel system is to revise our educational programs for new employees and for retraining new section managers. Some time will be needed to spread the improvement mindset to more people and for it to permeate throughout the Group, but

I am certain that when it does, JTEKT will be even stronger.

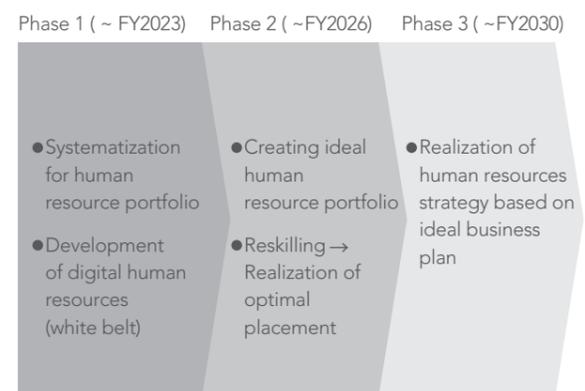
The Group employs some 50,000 people worldwide. If each of them were to take the initiative to set and pursue their own challenges, our Group’s presence in the world would increase dramatically.

I also have a strong conviction to make JTEKT a company where “people can say what they think and do what they want.” An environment where people can speak freely is fundamental to discouraging and preventing misconduct. Education is, of course, essential for prevention, but just as important is having an environment where people can openly talk about a problem after it has occurred. Hiding or putting off dealing with a problem only magnifies the negative repercussions. Promptly sharing and addressing problems that arise with everyone and applying what we learn from the experience both minimizes future losses and increases sensitivity to compliance.

Developing our organizational structure is becoming increasingly important as the scale of our business grows. Although the corporate culture of relying on individual expertise and artisanal skills still exists, in the future, a diminishing workforce and increasing labor mobility in overseas as well as in Japan means that we must have a system that can quickly accommodate changes in personnel. Standardizing our operations will be absolutely essential.

Developing and strengthening our human resources and organizational structures is an eternally ongoing process. There is much that we need to change, but that also means that the improvements we make can be substantial.

Roadmap for Human Resource Development



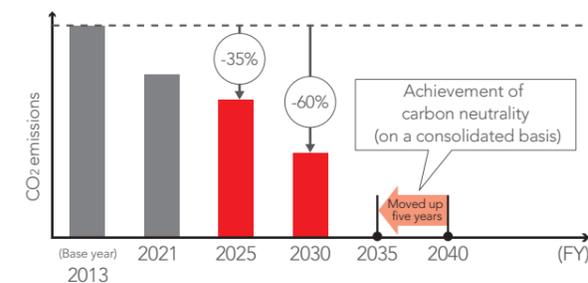
Becoming a company that satisfies all stakeholders

The first precept of the JTEKT Basic Principle is to prioritize “for the Earth, for society, and for customers.”

The direct contribution we make to our customers is providing high-quality, low-cost products and services. Through our customers, we also hope to make all consumers happy. As a company, we also have the responsibility to generate profits, pay taxes, and provide employment.

At the same time, everyone and all companies living on our planet have an obligation to protect the Earth’s environment. As a company, pursuing carbon neutrality is a duty, but it is also a business opportunity. Minimizing CO₂ emissions will require us to make products that are smaller, lighter, and simpler, which is exactly what products like JTEKT Ultra Compact Diff.™ are designed to be. We will continue advancing business activities that lead to happier people and society.

Roadmap to Carbon Neutrality



In addition to our business initiatives, we adopted the JTEKT Group Social Action Policy in April 2023 and declared our commitment to social contribution activities in the three priority areas of the environment, sports promotion, and community contribution. We will be particularly focused on contributing to communities, and plan to increase activities that promote the healthy growth of children.

At the same time, we also created the JTEKT Group Human Rights Policy. As our business continues growing worldwide, we recognize that it will be increasingly important that we deepen our understanding of human rights and share that understanding with our Group companies in Japan and overseas. In accordance with the United Nations Guiding Principles on Business and Human Rights, we will establish a human rights due diligence system to identify and provide an assessment of the negative impact of our business activities on human rights and will implement prevention and mitigation measures based on the assessment.

When we restructured the management philosophy system in FY2023, along with “No.1 & Only One,” we added “our priorities are safety first, quality second” to the JTEKT Basic Principle to show our strict stance that we are a company that values life above all else. Safety first, of course, refers to keeping our employees safe and protecting their lives. Quality second means protecting the lives of our customers. Our products are used in a whole range of automobile components, including the steering mechanism, and a defective product can result in to a serious accident. We must always remember that the quality is the most critical element of our products because it can affect people’s lives. “Safety first, quality second” means that the greatest priorities in our business activities are the lives of our employees and our customers. We want to contribute to the Earth, society, and our customers as “a company that protects and values life” at the core of all of our business activities.

We also plan to engage in more dialogue with shareholders, who are important stakeholders in our company. This year we formed a committee to focus directly on our stock price and identify and take action on factors that affect the value of our stock. In FY2022, the improvement in our profits lifted our return on equity (ROE) to 5.3%. We will continue working to increase profits and improve our capital efficiency to achieve the ROE of 8% and 1x PBR standards required by the Tokyo Stock Exchange. We intend to continue improving our capital efficiency beyond those levels with the aim of returning profits to our shareholders and society.

Accelerating our reforms to optimize overall Group business and sowing seeds for the future by expanding our existing businesses and developing new businesses have brought us to the point where we will soon start to harvest the results of our efforts. Fully united at JTEKT, we are rapidly evolving into the JTEKT Group of the future.

October 2023

President

佐藤和弘



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

Kazuyuki Kamiya
CFO, Vice Chief of Corporate Division

Review of FY2022

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

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

In FY2023, the Group is making an effort to further strengthen the earnings structure and achieve the 80% target set for the final year of the First Medium-Term Business Plan. To fully engage and accelerate Group synergies, we are organizing a structure for monitoring various KPIs to track our progress and identify issues,

which will enable us to quickly plan and execute appropriate measures to attain our targets. Particular focus is being given to fortifying and broadening our KPI management, so we provide better visualization of management issues at small and medium-sized companies in the Group that have room for improvement. We are moving forward as One JTEKT to make our group management even more efficient and to improve our earnings structure.

Improving Our P/B Ratio and ROE

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

Specifically, we are adjusting inventory levels, establishing a flexible production system, and conducting agile inventory asset management in accordance with the normalization of the post-COVID pandemic economic activity and the resolution of the semiconductor shortages and logistic disruptions. In order to create funds to invest in carbon neutrality, digital transformation, and other strategic

Measures to Improve the Price-to-book Ratio

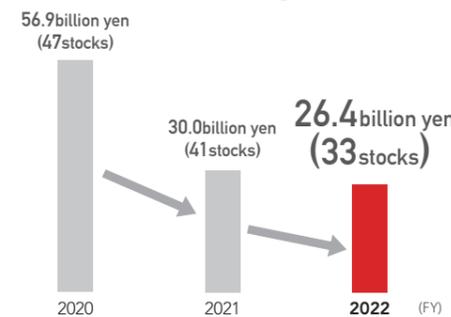


areas, we are improving the efficiency of capital investments for expanding production capacity and streamlining existing businesses and also reducing the amount of investment per project.

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

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

Balance of cross-shareholdings (Listed stocks)



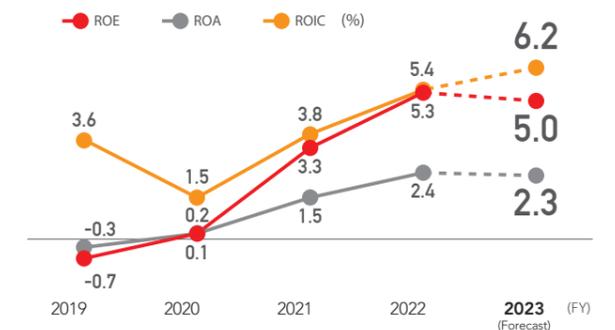
Investment Strategy —Sowing Seeds for the Future

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

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

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

ROE · ROA · ROIC

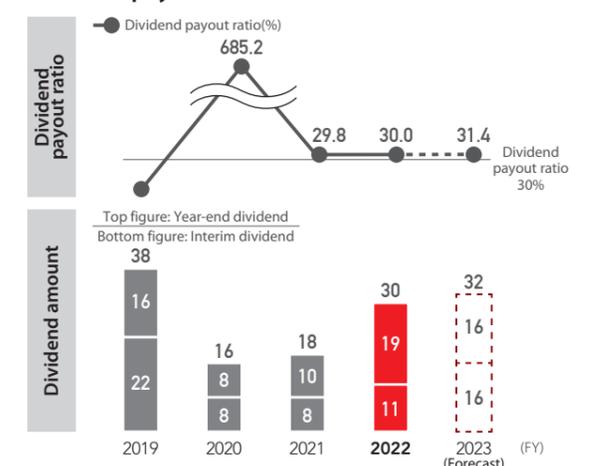


Shareholder Return

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

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

Dividend payout ratio and dividend amount





Improve corporate value by developing human resources who put JTEKT Basic Principle into practice

Akito Tachibana
Senior Executive Officer
Chief of Corporate Division

Basic Approach to Human Capital

For our company to continue growing in the rapidly changing and unpredictable business conditions, we believe it is essential that each individual employee thinks about what they can do to help advance our business, and then execute their ideas.

We are developing human resources and organizational structures that embody the JTEKT Basic Principle. We are seeking to build “a company where people can say what they think and do what they want” with employees who feel highly motivated, a sense of purpose in their work, and that they have ample opportunities for personal growth.

The Company has been directing the development and assignment of human resources, but in the future we will need to fulfill not just the Company’s human resource strategy but also individual’s career expectations. We are therefore creating a human resources structure that matches the HR strategy for our human capital portfolio and each employee’s career ambitions.

Human Resources Strategy

We started compiling a portfolio of our domestic human capital in 2022 as a first step toward formulating a human

resource strategy based on the human resource portfolio. When complete, we will then formulate an ideal human capital portfolio for our business strategy. To help us determine the optimal placement for each employee, we provide career development support by holding individual consultation meetings where we encourage them to describe their vision for their career in the future. In 2022, we also introduced an internal recruitment system for employees to select their own career paths. To date, 19 employees have used the system in place of the standard transfer system. The internal recruitment system has a 63% post fulfillment rate and a 19% rate of matching employees to their desired positions.

Our Human Capital Development Policy states that our employees are indispensable assets for our corporate activities. Solving problems is the foundation of our business, and we actively develop the problem-solving skills of our human capital with a series of programs that employees participate in during their first four years in the Company. The program focuses specifically on developing skills related to the changing business conditions and the anticipated future needs of our clients. In helping employees to define their own careers, we also encourage and support employees with reskilling to keep their expertise up to date with the changing demand, such as for digital technology proficiency.

In our personnel systems, we have formulated systems designed to reward roles and responsibilities while stimulating

motivation for skill development by organically linking the three elements of human resource development, performance evaluation, and employment conditions.

In April 2023, we revised the personnel system to incorporate a ranking system for the role played and other activities for all keypositions, including professional positions. The revised system eliminates mismatches between a post and employment conditions and enables us to provide appropriate conditions for human resources with high-level expertise by treating them as professional positions (which was not recognized under the existing salary structure). As labor mobility increases, the system will also improve our ability to strategically hire the experienced talent we will need for our business activities.

	Previous system Professional qualification system	Revised system Ranking systems based on role and other factors
Overview	Rank determined by job performance Ability equivalent of a general manager	Rank determined by the role Role equivalent of a general manager
Attributes	<ul style="list-style-type: none"> Conditions: Compensation not matched to job responsibilities and roles. Compensation unchanged, even with change in role. Promotion: Regular fixed-percentage salary increase. 	<ul style="list-style-type: none"> Conditions: Compensation able to be matched to responsibilities and roles. Compensation changes when the role changes. Promotion: Appointment, instead of promotion.

Improving Workplace Culture

We are implementing measures to strengthen employee engagement by creating worksites where employees can be open and speak freely. Measures include conducting surveys to gauge employee satisfaction, which we are using to ensure diverse human resources can take the initiative and work with enthusiasm. Each worksite receives the survey results so they can take specific steps to improve their workplace culture.

Employee Satisfaction Surveys

Survey title	Purpose	Frequency
Employee Survey	Determine the level of policy understanding, identify workplace issues	Annual
Employee Net Promoter Score (eNPS)	Receive workplace recommendations (introduced in FY2023) * First survey: -69 points (target is -60 points)	Annual
Ta-i-wa (Dialogue) Survey	Assess the status of dialogue and the open workplace	Monthly
New Employee Pulse Survey	Identify motivation changes and eliminate uncertainty during the first three years of employment of new graduate and mid-career hires	Monthly

We have also instituted a Work from Home Program* to support work efficiency and work-life balance. The program allows employees to choose the workstyle that is best for them.

* FY2022 Percentage of employees working from home: 36%

Work from Home Program

Eligible departments	Indirect departments
Eligible personnel	Department manager provides authorization based on the department conditions and the individual’s level of proficiency
Eligible job content	Department manager determines job content that can be performed outside the office

Diversity & Inclusion

As business conditions become increasingly volatile, we believe that a workforce of people of diverse genders, nationalities, age, and cultures is essential to ensuring a company’s ability to continue to grow.

We are developing and improving our various employee systems, such as our programs for employees balancing work and childcare, and making it easy for all employees to take advantage of the systems with the aim of creating a workplace environment in which all employees can make the most of their abilities, experience, and individuality.

	FY2022 Results	FY2025 Targets
Number of female managers	34	Minimum 40
Percentage of eligible male employees taking childcare leave	32.1%	Minimum 50%

Health

We believe that one of the essential elements to maintaining sustainable growth for our business is employees that are in good physical and mental health. We are advancing various programs to help our employees thrive in their work, beginning with programs to support people with mental health issues, prevent and reverse lifestyle-related diseases, and raise health awareness.

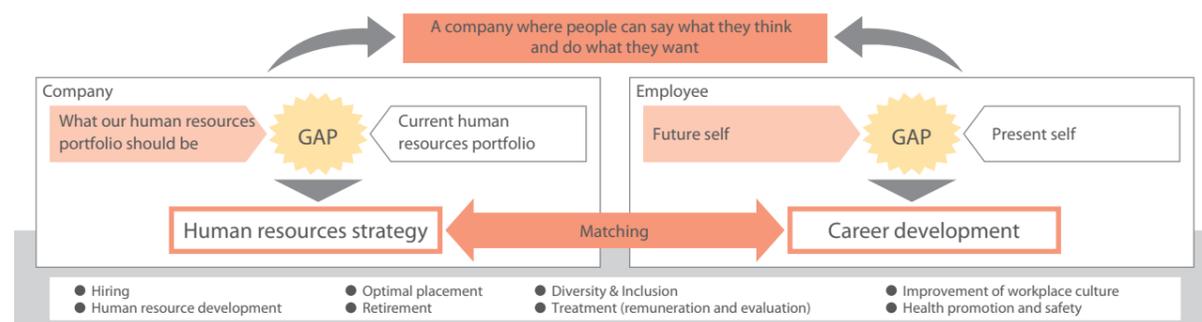
We also conduct health assessment surveys of employee lifestyle habits (cause) and the reasons leaves are taken (result), and publish the results on our website.

[Click here to see the health assessment results](#)

<https://www.jtekt.co.jp/e/sustainability/society/employee/health.html>

We are conducting these programs and initiatives as support for all of our employees and to create a workforce and workplaces where everyone feels a sense of purpose in their lives and work.

Developing our Human Resources and Organizational Structures



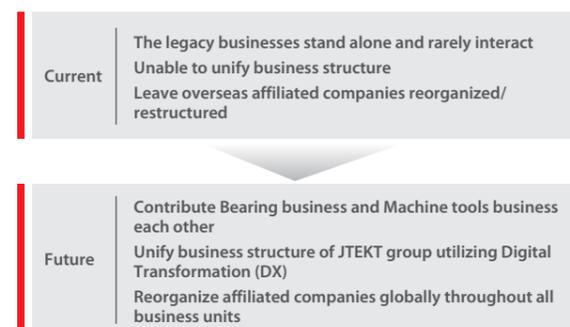
Medium-to Long-Term Business Plan (FY2021-30)

We have formulated our Vision 2030 and Medium- to Long-Term Business Plan to grow as a company that resolves social issues. Furthermore, in line with this plan, we have identified materiality issues that we should tackle (For details, see p. 27). We will increase our competitive strength by coming together as the JTEKT Group to exploit our synergies as we work toward further growth.

Creating a New Structure

True merger

To generate innovative services and products and contribute to society, we would like to unify our business processes and our employees under a common understanding, leveraging the synergies of the diverse seeds of the Group, which represent our strength as One JTEKT.



Cooperation among Group companies

As a Toyota Group company, we believe we can contribute to manufacturing at even more customers by enhancing cooperation with other Group companies. The companies within the JTEKT Group also have unique products and technologies and an expansive range of diverse customers and suppliers. We will leverage not only our technology but the synergies inherent in these functions.



Vision 2030

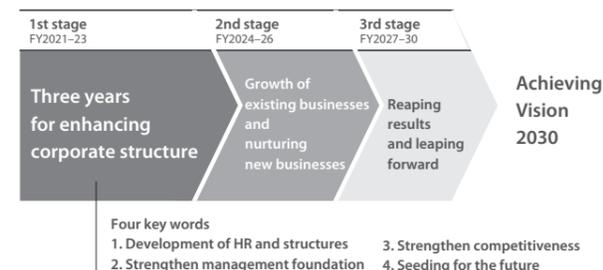
Long-term plan—Vision 2030—outlook

We work to anticipate change, resolve social issues, and advance new initiatives with an eye to society in 2030. At the same time, we are working to move forward with actions keyed around near-term issues and initiatives in an effort to achieve growth based on both backcasting and forecasting.

Solving social problems	Hydrogen society	Water resistant bearings, products for FCEV
	Renewable energy generation	Bearings for generators, preventive maintenance
New projects	Lithium-ion capacitor	Backup power supply system
	Autonomous	Autonomous driving bus, agricultural and construction machinery
Strengthen existing businesses	Automotive	Promote systemization and expansion of next-generation standards
	Industrial and Bearings	Strengthen BEV compatibility and growth in the industrial field
	Machine Tools & Manufacturing Systems	Expand target from the engine market to general markets
Decline in demand	For internal combustion engines	Reap the benefits of being a survivor
	Hydraulic products	Keep the profits

The position of the First Medium-Term Business Plan period

We have positioned the First period of the Medium-Term Business Plan through FY2023 as a three-year stage for enhancing our corporate structure, reflecting on the past, which brought a deterioration of our earnings structure, and working toward our vision for 2030. We have set out four key words for achieving steady annual growth: (1) development of HR and structures, (2) strengthen management foundation, (3) strengthen competitiveness, and (4) seeding for the future.



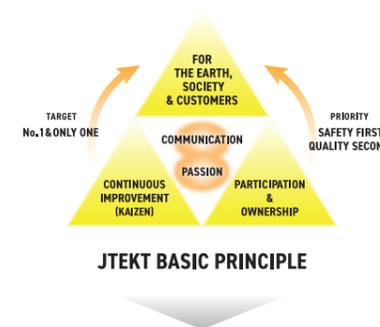
First Medium-Term Business Plan(FY2021–23)

Of the 10 years of the First Medium-Term Business Plan through 2030, we have positioned the first period as a three-year stage for enhancing our corporate structure and are working on the following four areas: (1) development of HR and structures, (2) strengthen management foundation, (3) strengthen competitiveness, and (4) seeding for the future.

Four Key Words

Development of HR and structures details: p. 28

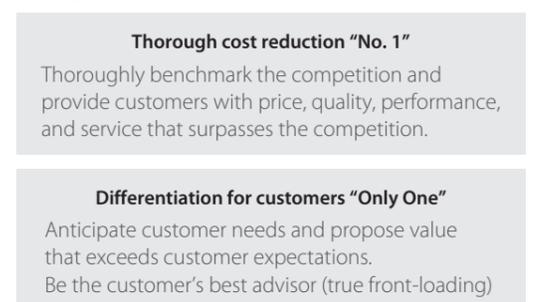
We are disseminating the JTEKT Basic Principle, developing human resources who can put solutions into practice, and building open workplaces brimming with passion and dialogue with the aim of enabling every employee to think and act proactively regarding what our customers want and what they should do to meet those needs.



Practice of the JTEKT Basic Principle True One JTEKT

Strengthen competitiveness details: p. 31

We are making the utmost efforts to strengthen our competitiveness in all aspects of price, performance, quality, and responsiveness and to supply top-quality, inexpensive, and highly competitive products and services by anticipating changes in the market environment and future needs and creating new value through utilization of the Group's seeds and the synergy between businesses and Group companies.



Strengthen management foundation details: p. 29

Our targets for the First Medium-Term Business Plan call for a break-even point ratio of 80% by FY2023 (versus FY2019 revenue ratio) and a business profit of 100 billion yen. To achieve this, we are advancing activities to reduce fixed costs, including business restructuring with a focus on cost of capital and optimization of the number of affiliates globally.



Seeding for the future details: p. 32

Combining the know-how of the JTEKT Group, we will challenge the creation of new technologies to solve social issues and realize a safe and comfortable life for people. As well as directing resources created by boosting the efficiency of existing domains to new domains, we are advancing strategic investment with a view to future business models, such as research toward carbon neutrality and the strengthening of infrastructure through digital transformation (DX).

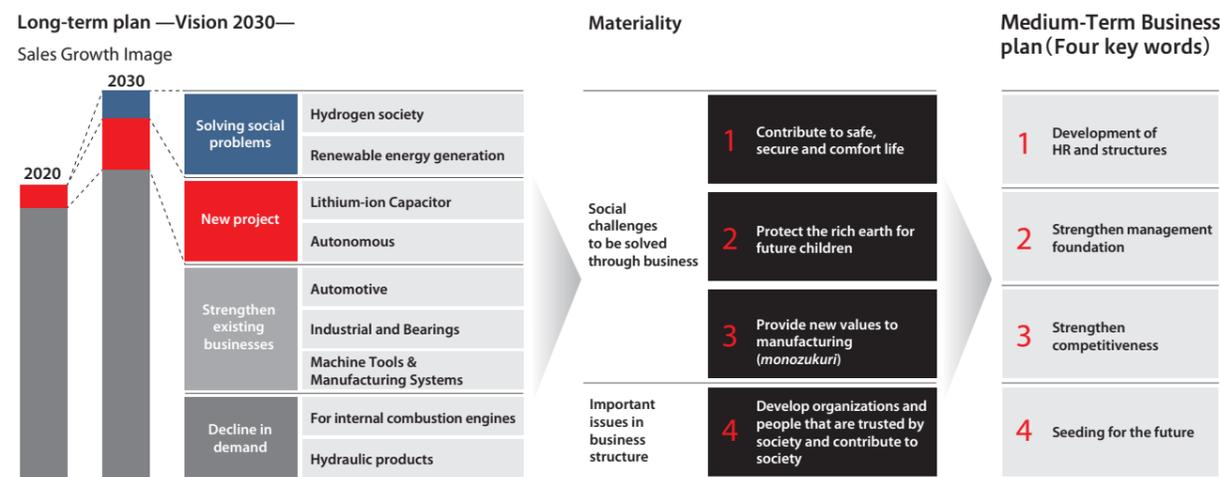


Identification of Materiality toward 2030

In tandem with our compilation of the Medium-Term Business Plan, We clarified our vision of ourselves in 2030, which is our long-term goal. Now we are tackling the solution of various social issues and realization of sustained growth with the aim of achieving this goal.

Relationship Between Materiality and the Medium- to Long-Term Business Plan

We formulated our materiality in the process of drafting the 2030 vision of ourselves and our Medium- to Long-Term Business Plan. We categorized the various social issues between those that can be solved through our main business and those that are part of the foundation supporting our business. We then identified materiality as the vision we wish to achieve for each of these. In the Medium-Term Business Plan toward the realization of these visions, we set four key words, drafted policies based on these key phrases, and clarified the officers in charge, and we are monitoring the state of progress.



Materiality Determination Process and Thinking

To contribute to the realization of a sustainable society, while imagining various changes in the social environment, we considered importance for our company and importance from the viewpoint of stakeholders. Then, in consideration of seeds for our company, we identified important issues to be addressed by the entire company and formulated our materiality.

Progressive step		Implementing body
Step1 Identification of Issues	From among various social issues, itemize those that are relevant to the Company and its business activities.	<ul style="list-style-type: none"> Corporate Division (Corporate Planning Dept.) Director hearings
Step2 Prioritization	Rate the materiality from both internal and external perspectives, and narrow down the list of highly rated items. [Rating method] 1. Conduct questionnaires and discussions with relevant internal departments 2. Plot on a matrix and narrow down the highest materiality items of importance to the Company and of importance from the viewpoint of stakeholders	<ul style="list-style-type: none"> Corporate Division (Corporate Planning Dept.) Strategic Meeting
Step3 Validation of Adequacy	Reviews are conducted through the Strategic Meeting, the Corporate Value Improvement Committee (including the participation of outside directors), and others. Adequacy is confirmed based on the opinions expressed therein.	<ul style="list-style-type: none"> Strategic Meeting Corporate Value Improvement Committee
Step4 Approval by Top Management	Final approval by the Board of Directors based on the results of the validation of adequacy	<ul style="list-style-type: none"> Board of Directors

Progress on Measures

In FY2022, the second year of the First Medium-Term Business Plan, we continued our initiatives from the previous fiscal year of “development of HR and structures,” “strengthen management foundation,” “strengthen competitiveness,” and “seeding for the future.” We now report on our initiatives in FY2022, with an emphasis on the penetration of the JTEKT Basic Principle, as well as issues and targets going forward.

Progress with Four Key Words

Development of HR and Structures

Long-term goal	A company in which people can say what they think and do what they want
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■ Review of FY2022

To enable each and every employee to put the JTEKT Basic Principle into practice, we focused on activities to ensure further permeation and awareness. These activities included the publication of Sato-san's Passion Journal—a tool to convey the messages from the JTEKT president which is updated on a weekly basis; publication of the Guideline of JTEKT Basic Principle; active deployment of in-house magazines; holding of workshops to put into practice the JTEKT Basic Principle; and hosting of roundtable discussions at which employees engage in “real communication” on various themes.

In August 2022, the development and launch of the ONI BEARING™ high-performance bearings for bicycles was made possible by a group of colleagues with the “passion,” who had come together in response to an appeal from the Aftermarket Business Unit to “Do something interesting.” This is just one outcome of this “passion” central to the JTEKT Basic Principle. We have pushed ahead with our transformation into a proactive corporate Group where each employee thinks about what they can do for customers.

Additionally, in April 2023, our Group introduced uniforms with a unified design, and also held a joint welcome ceremony for the 15 domestic Group companies. Through these undertakings, we are steadfastly proceeding with the removal of barriers among Group companies and businesses, and the development of HR and structures imbued with a sense of our unity as truly “One JTEKT.”



■ Measures and Targets Going Forward

In April 2023, the management philosophy system was restructured, consolidated, and unified into the JTEKT Basic Principle. The Company has commenced implementation of employee engagement surveys using eNPS, as well as holding workshops for management tiers on ensuring psychological safety. These aim to create a free and open-minded corporate Group in which people can say what they think and do what they want.

In addition, we will actively endeavor to make our human resources portfolio visible; enhance specialized training to raise the level of digital human resources as well as sales and development design skills; and create the mechanisms and standardize the workflows for the cultivation of human resources, including those outside Japan, to ensure that we will grow into a company where employees can work with peace of mind 10 to 20 years from now.

Creating Good Workplaces through Communication

TQM Promotion Dept.

We conduct the “Ta-i-wa (Dialogue) Survey” on a monthly basis, for all employees, with the aim of creating an open workplace enlivened by abundant “passion” and “communication” and based on the idea that “good work” is created by “good colleagues” and “good workplaces.” Departments with an open and transparent workplace culture are interviewed and their initiatives are developed internally toward the creation of a “good workplace.” The Kariya Plant has implemented the Praise Patrol initiative, to create a workplace naturally conducive to and replete with mutual expressions of gratitude.



Progress on Measures

Strengthen Management Foundation (Strengthen Earnings Structure)

Long-term goal

Create a lean structure with no excess fat to ensure profitability under any conditions (the break-even point sales ratio of 70%)

Review of FY2022

The Group uses the break-even point ratio as its most important indicator in determining the achievement of management targets, and is working to build structures that are not dependent on sales. We additionally use revenue, business profit, business profit margin, inventory turnover months, D/E ratio, ROA, and ROE outcomes as indicators to understand management statuses.

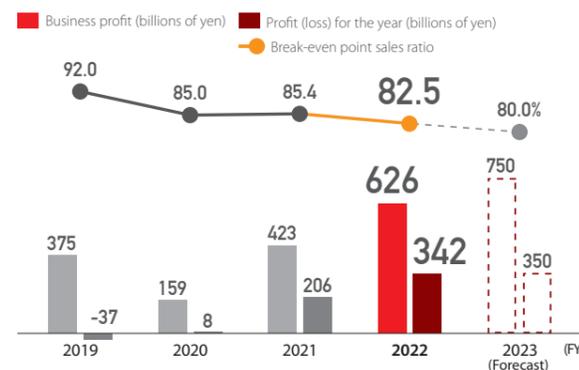
Break-even point sales ratio (versus FY2019 sales) targets

FY2021	FY2022	FY2023
85%	83%	80%

As a result of thorough cost reduction efforts in collaboration with customers and suppliers and reductions in fixed costs at each department, we achieved a reduction of the break-even point sales ratio (versus FY2019 sales) to 82.5% in FY2022 from 92% as of FY2019 (note that the structural evaluation excluded the external environment).

We have also achieved steady progress in reducing fixed costs through site consolidation, with four companies in France merged into a single company and two companies in the Czech Republic merged into a single company in FY2022.

Structural Evaluations since FY2019



Issues to Be Addressed/Targets Going Forward

In FY2023, we are continuing our efforts to improve the structure of our North American and European operations. The Group will further promote the passing on of cost increases to retail prices, as well as reduce costs and address labor shortfalls by introducing unmanned and reduced-personnel lines toward establishing a profitable structure in our North American business. European operations are continuing to experience losses, attributable to the significant impacts of inflation and lower volumes of sales. We have however embarked on further radical structural reforms aimed at optimizing management resources.

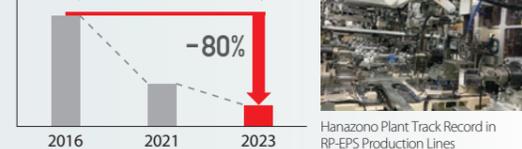
In addition, site consolidations will be implemented over a period of three years for 10 domestic and 19 overseas companies, with functional integration and rationalization planned to continue beyond FY2023. We will continue to actively strive to create structures which assure profitability regardless of the environment by maintaining our focus on the break-even point sales ratio and implementation of reforms.

Promote the Introduction of Automation and Reduced-Personnel Lines

Production Engineering Division

To lay the groundwork for further cost reductions and future labor shortfalls, the design and plant departments are among those working together as a single unit from the product development stage to promote automation and reduce personnel on production lines, which are highly dependent on human intuition and know-how. In addition to process consolidation and elimination, we will use AI and other digital technologies to automate assembly, inspection, and other processes, and going forward plan to globally deploy significantly more efficient innovation lines.

Reductions in assembly work personnel (in comparison to standard assembly lines)



Strengthen Management Foundation (Strengthen Business Foundation)

Long-term goal

Develop organizations and people that are trusted by society and contribute to society

Review of FY2022

To strengthen our business foundation, we have bolstered the governance of the Group, and shifted to integrated Group management with the goal of across the board optimization, from a structure where each company was independently managed to advance their own business and generate individual profit.

We will need to align all the company vectors by sharing information and engaging in lively discussions to establish the One JTEKT approach and quickly activate synergies. While issues and related activities from the perspective of optimizing the entire Group are currently thoroughly discussed at management issue review meetings with JTEKT executive officers and managers of domestic and overseas Group companies, going forward, we aspire to encouraging interactions not just within management tiers but with employees from all levels to facilitate our unison as One JTEKT.

In addition, the Profit Improvement Committee, launched in FY2021 as a "surgical treatment" initiative for improved capital efficiency, and to facilitate increases in corporate value, has continued to promote activities to stop "hemorrhaging," including that for the "elimination of loss-making model numbers." Meanwhile, the Cost Reductions Committee, which was launched in FY2022, has implemented initiatives to reduce costs focused on products with a significant impact on business as "revenue improvement activities for TOP 10 sellers," and is monitoring their progress. As a result, the entire JTEKT Group is steadily completing the transformation into a leaner organization.

Issues to Be Addressed/Targets Going Forward

In FY2023, the final year of the First Medium-Term Business Plan, and the year in which we wrap up and deliver the outcomes of the "three-year stage for enhancing our corporate structure," we will strengthen both the breadth and depth of governance initiatives. For initiatives to strengthen Group governance we will transition from our previous focus on "surgical treatments" such as site consolidation, to "internal treatments" which interrogate the management issues of each individual company. The scope of these treatments will be expanded to include Group companies of medium size and below, with the aim of improving management efficiency through optimization at the entire level.

By continuing to pursue optimization at our entire Group level, we will aim to develop organizational units and people that are trusted by society and contribute to society.

Improvement in the Corporate Value for One JTEKT through Management Issue Review Meetings

Global Business Strategy Det. and Corporate Planning Dept.

In order to engage in fair, transparent, and efficient Group management, JTEKT shares the JTEKT Basic Principle and Medium-Term Business Plan with domestic and overseas Group companies and confirms the progress of management plans at management issue review meetings and other forums. The approximately 50,000 affiliated employees of the Group will share common values, engage in equitable, frank, and speedy discussions, and create flexible and innovative Group synergies untethered from inflexible concepts and ways of thinking.



Progress on Measures

Strengthen Competitiveness

Long-term goal Offer products and services focused on “No. 1 & Only One”

■ Review of FY2022

For strengthen competitiveness, the Group focused on enhancing cooperation among Group companies, including that involving increasing the momentum of cross-sales activities to ensure integrated Group operations.

In April of 2022, the business brands were unified under the name JTEKT. This was completed with the aim of enhancing product capabilities by creating further technological synergies among business divisions and strengthening operational capabilities for the promotion of cross-sales activities which extend across multiple businesses, to offer a wide range of products from Group companies. The unification of the business brands has been leveraged as an opportunity for domestic Group companies to jointly exhibit at various exhibition forums. We also create systems to expand sales and conduct PR for the wide variety of Group company “No.1 & Only One” products under the JTEKT brand name, whereby domestic and overseas Group companies append JTEKT to their company names.

In addition, with the aim of contributions to recycling society, we strengthened our Aftermarket Business Unit operations, in particular for bearings, steering, and drive products, with services also expanded to support product life cycles globally.

By simultaneously shifting our product development approach from product-out to market-in, we are aiming to offer customers a new level of value in our products and services. In the context of the electrification of vehicles accelerating at a pace exceeding our initial expectations, in FY2022, we developed several JTEKT Ultra Compact series products that contribute to the compactness, lightness, and efficiency of eAxle, a key component of electric vehicles (EV). This is being achieved in part by leveraging the synergies among businesses and across the Group, and we are currently fielding many business negotiations on this topic.

■ Issues to Be Addressed/Targets Going Forward

We are continuing to thoroughly scrutinize changes in the market environment as well as future needs, and actively seeking to innovate, to ensure we carry on delivering highly competitive products to our customers. By doing so, JTEKT is aiming to anticipate needs of which customers themselves are unaware, and to create products and services that address these needs, as well as to deliver joy and become an indispensable presence to these customers.

From FY2023, we have initiated “activities for customer value creation” as a trial endeavor to ensure that we continue to give consideration to what these customers wish to achieve, and what we ourselves should be delivering in response to these needs. Outcomes of these activities will be reflected in our business operations, thus creating new value leveraging the synergies of the Group while we actively seek to strengthen our competitiveness.

Joint Group Exhibitions at Exhibition Forums to Publicize a Diverse Range of “No.1 & Only One” Products

Sales Planning Dept.

Through the unification of the business brand, we aim to further enhance the synergies between technology, sales, and production and to become the “No.1 & Only One” presence for all our customers, while catering to all their needs. We are endeavoring at exhibition forums and trade fairs to deliver value backed by both good quality and low cost using the collective capabilities of the Group.



Seeding for the Future

Long-term goal Create new value to support “tree-ring management”

■ Review of FY2022

With regards to seeding for the future, our Group has brought together the existing technologies and know-how it has developed to date under the keywords “No.1 & Only One,” and solved social issues “for the Earth, society and customers,” while working to create new technologies to realize safe, secure, and comfortable lives for all.

To produce these new technologies on a commercial basis, and nurture them till they develop in the future into our fourth and fifth earnings pillars, building on the three existing pillar business units of Automotive, Industrial and Bearings, and Machine Tools & Manufacturing Systems, we established the Business Development Field in September 2022, which will serve as an organizational structure dedicated to creating new businesses. Many new seeds have thus far been generated by the unit, including gears and capacitors, and we begin to nurture these toward the resolution of social issues.

Examples of Initiatives Toward the Resolution of Social Issues

■ Contributions to a society with an aging population and declining birthrates

“J-PAS fleairy™” Assist Suit for nursing care use “karu-e™” Electric Assist Unit for nursing care use “RAKU STEER™” Hospital Bed Transport Assist Device

■ Contributions to logistics infrastructure and depopulated regions

High heat-resistant Lithium-ion Capacitors for industrial drones with anticipated applications in transportation of medicines and relief supplies during emergencies

■ Solutions to food shortages

Leveraging IoT technologies in controlling environments for breeding crickets, as well as in automated breeding systems, toward the development of crickets as a food source and the creation of efficient and sustainable sources of protein at a plant that integrates all aspects from breeding to processing

■ Issues to Be Addressed/Targets Going Forward

In the context of growing uncertainty and diversity of risk in the business environment, we believe that identifying and investing in businesses with the potential for continuous growth over the next decade plus is essential for sustainable growth. Toward this end, we are creating a future business portfolio and will actively allocate resources generated through streamlining existing areas into future areas of focus.

In our aspiration to becoming a company with many pillars, with several self-sustaining businesses, which are mutually complementary and generate stable earnings, we will complete strategic investments with an eye to future business models and actively promote tree-ring management.

J-PAS fleairy™: A Solution to a Social Issue

Active Life Business Dept.

The J-PAS™ series of Assist Suits, which utilizes assistive technologies cultivated in our existing businesses as well as advanced safety design technologies, deploys sensors to detect the wearer’s movements in addition to drive motors to assist with movement at appropriate times. The J-PAS fleairy™ Power Assist Suit developed for use in nursing care can be expected to reduce the strain on the lower back in the half-crouch position, which is a particularly common feature of manual nursing care tasks. We have received feedback from those at care facilities at which the product has been introduced indicating that wearing and removing the suit is a simple matter, and that it is easy to move around in, while also not putting any excess strain on the body even if worn throughout the day. The suit can even be used in the bathroom, and has been favorably appraised by nursing staff, who have indicated their satisfaction with the absence strain felt by patients

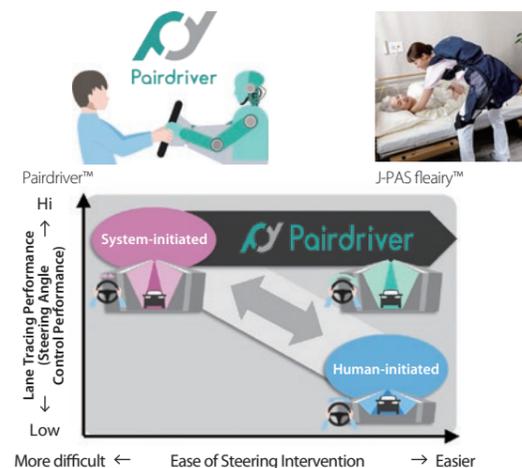


R&D and Intellectual Property

To create new value that exceeds societal expectations, we actively implement measures relating to R&D and intellectual property so that we can rapidly and reliably provide new products that look to the future.

R&D Initiatives

To contribute to solving social issues including issues regarding the environment, safety, and energy, we are enhancing the competitive strength of existing businesses and developing business by integrating our accumulated technological seeds and expertise. The Automotive Business Unit developed Pairdriver™ control technology, which enables collaborative steering by the driver and the automated system to enhance safety and usability with a view to automated driving. In business development fields, the Gear Business Unit consolidated existing technologies to develop 3D Tooth Surface Creation Technology for skiving and tooth grinding. As a result of this initiative, we are contributing to more compact and quieter equipment. In the Active Life Business Dept., we are working on J-PAS fleairy™, an assist suit for nursing care, contributing to solutions to issues including the declining birthrate and aging population.



Pairdriver™ Envisioned Through Passion Since the Dawn of Automated Driving

Systems Innovation R&D Dept.

In the early stages of development, emphasis was placed on how to transition driving tasks from manual to automated operation and vice versa, but we changed the focus and created Pairdriver™ based on the idea that it would be safer for automated driving to perform more like a driving robot steering in collaboration with the driver to provide mutual support.

Many of the Company's departments and employees have been involved, not only in the development stage, but also in the proposal of the Pairdriver™ product name and holding test drive events for people outside the Company. Going forward, we will undertake full-scale measures as One JTEKT to create a safer and more secure automobile society.



Refer here for JTEKT Stories, which present JTEKT's technologies and future initiatives

<https://www.jtekt.co.jp/stories/>

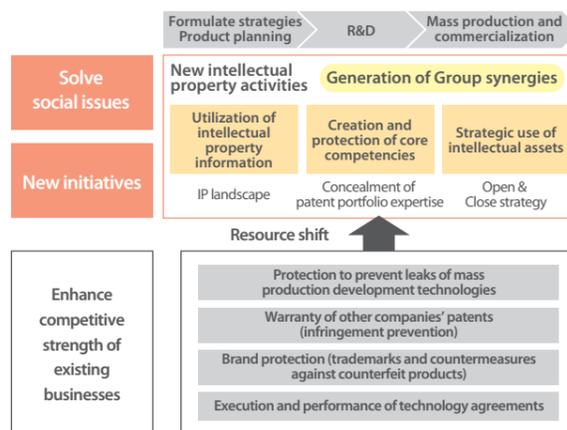
Intellectual Property Initiatives

JTEKT is shifting its resources from the traditional protection of intellectual property to activities aimed at new intellectual property. We combine vast amounts of patent and market information and use it to formulate strategies and product plans.

In addition, we are working to use our patents and expertise to protect the technologies (core competencies) at the core of our competitive strength in the future, thus supporting business growth.

Further, we are formulating and promoting an Open and Close strategy to maximize the value of these core competencies. These initiatives are being implemented Group-wide to generate synergies.

JTEKT takes active measures against and conducts educational activities concerning counterfeit products in regions around the world to ensure customer safety and protect our brands while maintaining a focus on avoiding infringement of the patents of other companies.



Second Medium-Term Business Plan(FY'24-'26)

To follow the First Medium-Term Business Plan, which was positioned as a three-year period for enhancing our corporate structure, we are now formulating the Second Medium-Term Business Plan with the objectives of achieving growth of existing businesses and development of new businesses. Some of the issues currently under consideration are discussed below.

Approach to Formulation of the Second Medium-Term Business Plan

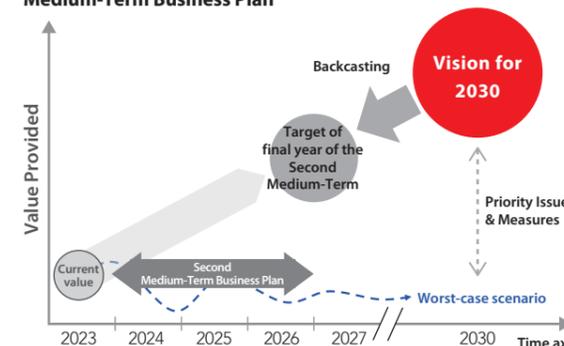
We positioned the First Medium-Term Business Plan as a three-year period for enhancing our corporate structure, and by improving structures with a particular focus on the break-even point ratio, we broke free of deficit business operation in FY2019 and are currently establishing foundations that can generate stable profits. On the other hand, for the Group to survive and achieve sustainable growth in the future in a highly uncertain world, it is essential that we examine the outlook for our current business portfolio in light of a volatile external environment, present a vision for the future of the JTEKT Group so that we can be a Company where all Group employees can work with reassurance into the future, and take measures to fill the gaps between our current reality and that vision and establish pillars for new business.

The resources that can be invested in implementation of these measures, however, are limited. We will redefine focus areas as well as areas that we will deemphasize, clarify our resource allocation policies, and pursue efficient resource utilization that will lead to growth in the future.

We also believe that it is crucial that we set specific quantitative targets linked to our policies so that people find the clarity of our growth strategies to be convincing. Among these targets, we are well aware of the importance of providing returns to shareholders, and we will carefully examine this as well.

The Second Medium-Term Business Plan, which starts with the FY2024, will incorporate the points discussed above, and we are currently working diligently so that we can provide notice to stakeholders at an appropriate time.

Image of Investigation of the Second Medium-Term Business Plan



Investigation Structures and Processes

We established the strategy discussion committee so that top management including inside and outside directors and Audit & Supervisory Board members can investigate our medium- to long-term strategies by creating an image of JTEKT as a corporate group where employees can work with peace of mind into the future. The committee will continuously deliberate on what we should pursue and what actions we should take now so that JTEKT Group employees can feel satisfaction with their work 10 and 20 years in the future.

This fiscal year we also established the Second Medium-Term Business Plan investigation working group (the "WG"), made up of nine members from the deputy general manager class of each division and business field. The WG is currently conducting investigations for the Second Medium-Term Business Plan, which will begin in FY2024. Under the investigatory structure, the ideas proposed by the WG will be further refined by the strategy discussion committee.

Diagram of Investigation Structure



The WG first reviewed the First Medium-Term Business Plan and identified results as well as any remaining and new issues that arose during the three-year period. It also investigated worst-case scenarios in which the Company does not take any measures to address changes that may occur in society in the future and investigating measures to respond to expected business risks. The WG makes forecasts regarding the future of society in light of these investigations and comprehensively discuss the contributions that the JTEKT Group wants to make to that society and the form that the Group should adopt in 2030 in order to make those contributions.

Highlights by Business

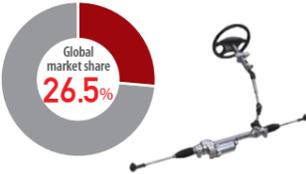
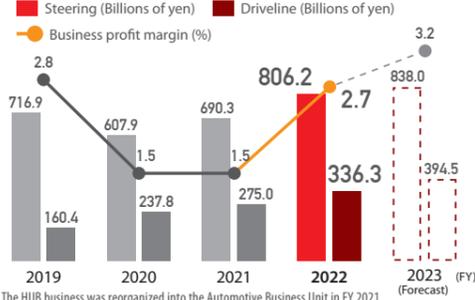
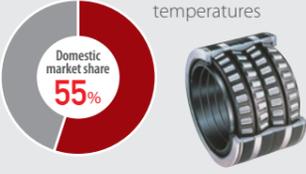
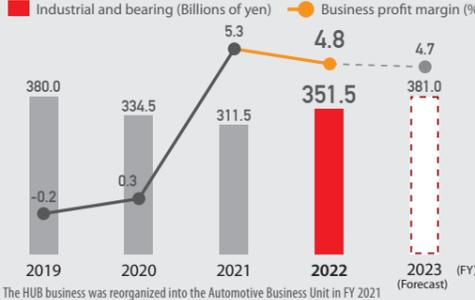
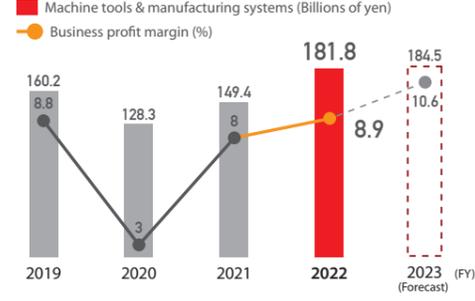
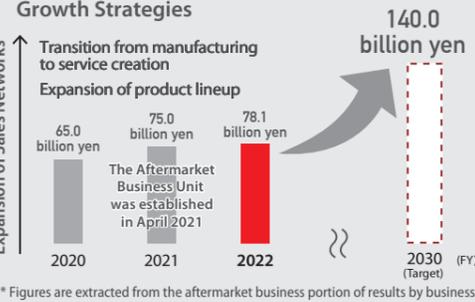
With a focus on the automotive, industrial and bearing, machine tools & manufacturing systems, and aftermarket businesses, we identify and respond to changes in the times and combine diverse business seeds to create JTEKT Group “No. 1 & Only One” technologies and products, thereby making profound contributions to society in a broad range of areas.

Revenue by business



Revenue by region



Business features	No. 1 & Only One	Business profit / Business profit margin	Market environment
 <p>Automotive Business Unit p.37</p> <p>JTEKT has an extensive lineup of steering systems ranging from compact cars to commercial vehicles. We are undertaking systemization and modularization of driveline components, supporting safe and secure driving and contributing to enhanced vehicle fuel efficiency. The advanced technologies of our automotive parts have earned high regard for the company worldwide, and we will continue creating driving and turning innovations as a leading supplier in the future.</p>	<p>No. 1 share of the global market* for EPS since the world's first development and production in 1988</p> 	 <p>* The HUB business was reorganized into the Automotive Business Unit in FY 2021</p>	<p>The automobile industry is experiencing substantial changes in the market environment in conjunction with advances in electrification and automated driving. As emerging automakers enter markets and become increasingly prominent, for example, the need for shorter development times is increasing, and it is possible that we will lose market share if we are unable to respond.</p> <p>On the other hand, these changes are also business opportunities, and we believe that we can achieve even greater business growth by continuing to provide high-quality, reasonably priced products and services in response to the needs of diverse customers.</p>
 <p>Industrial and Bearings Business Unit p.38</p> <p>Bearings are key components used in a wide range of rotating parts, from automobiles to various types of industrial machinery and are referred to as a “staple of industry.”</p> <p>We support the development of industry and society throughout the world by providing an extensive lineup of various bearing types optimized for customer use environments and performance requirements in a broad range of fields.</p>	<p>No. 1 share of the domestic market* for bearings used in steel equipment that achieve high-speed rotation even under high loads and at ultra-high temperatures</p> 	 <p>* The HUB business was reorganized into the Automotive Business Unit in FY 2021</p>	<p>With regard to automotive bearings, the need for smaller and lighter bearings as well as bearings compatible with lower torques is increasing in conjunction with electrification, and we will seize this business opportunity by developing “No. 1 & Only One” bearings that contribute to improved electrical efficiency of BEVs.</p> <p>In the industrial machinery field, to respond to the extremely broad market base and highly diverse performance requirements for bearings, we will leverage various Group seeds with the aim of achieving further growth in the bearings business by providing timely and painstaking responses to each customer.</p>
 <p>Machine Tools & Manufacturing Systems Business Unit p.39</p> <p>The machine tools necessary to manufacture machines and parts are sometimes referred to as “mother machines.” JTEKT’s machine tools business provides high-quality and low-price machines that satisfy wide-ranging needs from high productivity to high precision by leveraging the high reliability and technologies that we have accumulated in the automobile industry. We support customer manufacturing in various industries through extensive support systems.</p>	<p>Developed the first grinders produced in Japan in 1956. No. 1 share of the global market* for cylindrical grinders. (Including specialized grinders)</p> 		<p>The automobile industry is undergoing rapid electrification, while the semiconductor industry is expected to achieve growth over the medium to long term, and furthermore, needs in the machine tool industry are changing and becoming more diverse including labor-saving needs and responses to carbon neutrality.</p> <p>Amidst this market environment, we will use our strengths in the grinding field and the Group’s comprehensive capabilities to expand and enhance our product lineup and develop new processing technologies and techniques. By leveraging the technological capabilities that we have developed up to the present, we will take on challenges in new fields related to automotive storage batteries and take other action to respond promptly to changing customer needs and seek to increase business value.</p>
 <p>Aftermarket Business Unit p.40</p> <p>In addition to providing products, the entire Group works together in the aftermarket to support the product lifecycle through close collaboration with customers, contributing to the development of a circular society. In addition, we will create new value from the customer’s point of view and deliver a wide variety of products, services, as well as joy, a sense of security, and safety.</p>	<p>We seek to become an indispensable presence to customers in the aftermarket by leveraging our sales networks in regions around the world and our diverse product lineup.</p> 	 <p>* Figures are extracted from the aftermarket business portion of results by business</p>	<p>The development of a circular society is being promoted to take the place of a society based on mass production, mass consumption, and mass disposal, and as greater attention is focused on repair markets, customer needs are increasing for products such as replacement bearings for automobiles and industrial machinery as well as steering and drive components. We will expand and enhance our product lineup in response to such customer needs and will work with Group companies and sales agents to listen directly to customer opinions and comments and provide the products and services that customers need.</p>

* Market shares are based on JTEKT investigations

Automotive Business Unit

JTEKT develops and provides steering systems for turning, driveline products that support driving; and various other critical function products that support the basic functions of a car. As a leading supplier of “turning” and “driving” systems for automobiles, we will not just provide automotive safety and security, but will also contribute to the development of society by unceasingly responding to increasingly diverse automotive needs in the future.

Takumi Matsumoto
Senior Executive Officer,
Member of the Board
Chief of Automotive Business Unit /
Chief of Research &
Development Division



Recent initiatives	Measures looking ahead to the future
Enhancing competitiveness <ul style="list-style-type: none"> Improved profit structures through comprehensive cost cutting and control of fixed costs Developed and introduced next-generation products with a focus on competitiveness Responding to diversifying needs <ul style="list-style-type: none"> Provided products and services in response to demand for electric vehicles and driving support 	Creating new value <ul style="list-style-type: none"> Develop products that meet diverse social needs from compact cars to commercial vehicles Develop systems that leverage synergies throughout the Group With UX in mind, create and propose “No. 1 & Only One” customer value to become a system supplier

FY2022 Results

In FY2022, despite effects from the semiconductor shortage, sales recovered due to decreasing effects from COVID-19, and sales revenue increased. In addition, structural improvements produced effects and there were positive effects from the lower value of the yen, and as a result, profits were higher.

Future Outlook

In FY2023, materials and energy costs are expected to continue increasing, but we will enhance structures further from the perspectives of both variable and fixed costs, and we have formulated a plan for increasing both sales and profit over the FY2022 levels for the entire automotive business.

During this fiscal year, we will continue our recent initiatives to enhance competitiveness and respond to diversifying needs. To address the former, we will comprehensively focus on competitiveness, expand sales of next-generation products that have undergone zero-base reviews of design and manufacturing, and transition to a phase in which we can reap the benefits. For the latter, we will respond to increasingly advanced market needs amidst the shift toward electrification of vehicles. A specific example is the development of various products, such as the ultra-compact and highly durable JTEKT Ultra Compact Diff.TM (JUCD), in response to the need for compact and high-output eAxles.

We will continue to anticipate future needs based on continuously changing social trends from a medium- to long-term perspective, and by consolidating the technologies of the Company and Group companies, we will create and supply products and services with new value.

Initiatives to Be the “No. 1 & Only One”

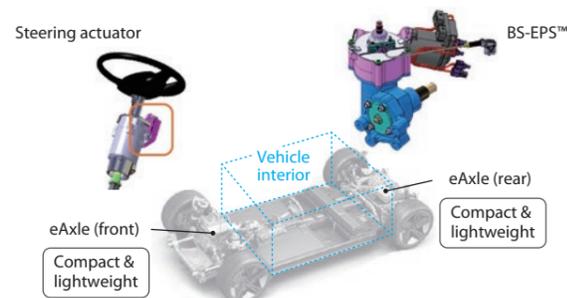
Responding to social issues concerning commercial vehicles

The introduction of technologies that can contribute to autonomous driving in the future has become an urgent matter for eliminating the chronic shortage of truck drivers in the logistics industry.

In response to this need, we began supplying a steering actuator with the aim of supporting driving. By installing this part, driving support is possible without any major specification changes to existing systems. In addition, we are also developing an electric power steering BS-EPSTTM that supports the high output of commercial vehicles. This will also contribute to the electrification of commercial vehicles and the realization of autonomous driving in the future.

In this way, JTEKT will create and propose customer value from the user’s perspective with peace of mind, safety, comfort (the vehicle interior and other aspects), and carbon neutral UX in mind through integration with technologies that were previously announced such as the J-EPICSTM and JUCDTM.

* Ball screw-electric power steering



Industrial and Bearings Business Unit

Bearings are used in the rotating parts of products manufactured in various industries, from automobiles to industrial machinery, and support rotation in society in ways that people cannot see. In the automotive field, we provide products that address the needs for miniaturization, weight reduction, and higher speeds necessary for electrification. In the industrial machinery field, we strive to provide value and services by developing proposal-based businesses that respond to diverse usage environments such as robots and semiconductors.

Tsuyoshi Okumura
Senior Executive Officer
Chief of Industrial and Bearings
Business Unit



Recent initiatives	Measures looking ahead to the future
Measures for establishing solid manufacturing in preparation for rapid environmental change: <ul style="list-style-type: none"> Reducing development and prototype lead times Reinforcing VA/VE activities Productivity improvements and production technology innovations based on TPS* Global optimized procurement (reinforcement of supply chains) * Toyota Production System	Measures to enhance bearings for EVs and shift to industrial machinery growth areas: <ul style="list-style-type: none"> Automobiles: Development of leading products that contribute to improved power consumption through higher speeds and weight reduction Industrial machinery: Development of “No. 1 & Only One” technologies for the robot and semiconductor markets Providing value-added products by collecting Group seeds

FY2022 Results

We maintained the measures that have been a focus of our efforts since FY2020 and improved the earning structure in FY2022 by continuing steady measures including structural reforms and improvement of productivity. In addition, there was a recovery from the effects of COVID-19 and the semiconductor shortage as well as positive effects from exchange rates, and as a result, sales and profits increased. Despite this, there is a risk of lower production globally and the market environment remains challenging including inflation and exchange rate fluctuations, making the future outlook on certain and consequently, we will continue our efforts to strengthen profit structures.

Future Outlook

In FY2023, the final year of the First Medium-Term Business Plan, we will build a stable business base that can respond to changes in the external environment.

Over the medium to long-term, we will increase our market share for automobile bearings while seeking to increase sales by shifting to bearings for industrial machinery. In growth markets, we will introduce high-value-added products by leveraging synergies among business units and groups. Specifically, we will contribute to improving power consumption by using Group seeds to respond to the electrification of automobiles and reinforce product development in response to customer needs by using these technologies for industrial machinery bearings.

Also, in the industrial machinery area, we integrate the core technologies of Group companies in the robot, semiconductor, and renewable energy fields, which in particular are expected to be areas of future growth, as well as mature base markets including machine tools, steel, and agricultural and construction machinery to provide “No. 1 & Only One” products and services through production technology innovation in monozukuri.

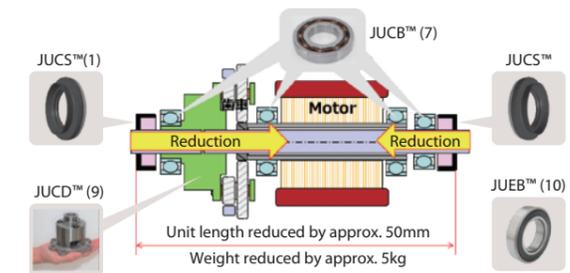
Initiatives to Be the “No. 1 & Only One”

Contributions through improved power efficiency for electrification

In anticipation of future market expansion, we will contribute to improved power efficiency and longer driving ranges of battery electric vehicles (BEVs) through further miniaturization, weight reduction, and electrolytic corrosion resistance.

- JTEKT Ultra Compact BearingTM (JUCB)
Achieved the ultimate narrow width by using MBD,* contributing to improved power consumption by reducing unit weight
- JTEKT Ultra Earth BearingTM (JUEB)
Contributed to electrification by achieving both electrolytic corrosion resistance and miniaturization by using the seeds of the Group.
- JTEKT Ultra Compact SealTM (JUCS)
Width shortened differential side seal.

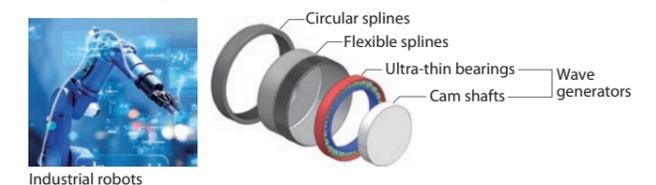
* Model-based development



Notes:
1. In-house calculation using coaxial type eAxle with output of 150kW
2. Number of patents maintained in parentheses (total number of patents and applications)

Responses to growth areas in industrial machinery applications

- Ultra-thin bearings for robot reduction gears (8)
Technology for extending lifespan was applied to ultra-thin bearings, contributing to improved performance (noise and vibration reduction), enhanced reliability, and miniaturization



Machine Tools & Manufacturing Systems Business Unit

The business unit proposes new value by integrating robots, AI technology, and IoE solutions with machine tools, primarily grinders. It supports customer monozukuri throughout the entire lifecycle and contributes to the development of customer business and society.

Yoshihiro Arai
Senior Executive Officer
Chief of Machine Tools & Manufacturing Systems Business Unit



Recent initiatives	Measures looking ahead to the future
Enhancing competitiveness <ul style="list-style-type: none"> Measures to become No. 1 in grinders Used the combined strength of the entire Group to expand the product lineup and meet wide-ranging needs in response to social changes Continued reinforcement of the company's organization through structural reforms Used DX and incorporated the latest technology and knowledge from inside and outside the company to reform design creation methods and achieve high quality and low prices 	Creating new value <ul style="list-style-type: none"> Proposals of solutions for solving social issues Increased products that respond to automation and labor-saving and to carbon neutrality Development of needed processing technologies and techniques according to social changes Solve problems of processing materials that are difficult to cut or brittle

FY2022 Results

The market was firm overall, but there were substantial effects from inflation including soaring prices for materials, transportation, and energy, and the business environment was challenging.

Under these circumstances, the business unit was able to achieve higher revenues and profits as a result of productivity improvements and cost-cutting as well as effects from the low value of the yen.

Future Outlook

The future outlook remains uncertain due to geopolitical risks, continued inflation, and other factors, and under these circumstances, demand for capital investment is stagnating. Despite this, demand for capital investment to respond to automation, labor-saving, and carbon neutrality as well as the electrification of automobiles remains solid. We plan to secure sales in FY2023 at the same level as the previous fiscal year by capturing this demand.

In addition, businesses are taking action to thoroughly eliminate waste, raise business efficiency, and reduce costs even further in order to increase profitability.

In response to the need for automation and labor-saving, we will integrate robots with transportation equipment and use measurement and AI technologies to propose new processing technologies.

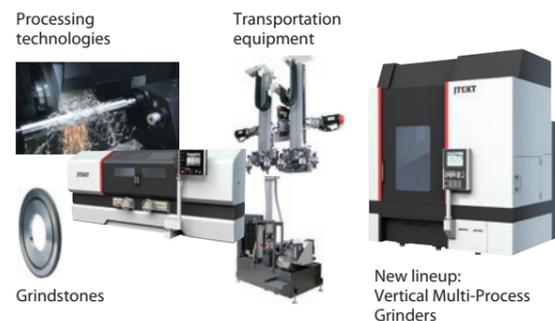
We will respond to the electrification of automobiles by expanding our product lineup and meeting a wide range of needs.

The entire Group will work together to develop processing technologies and methods for difficult-to-cut and brittle materials so that we can continue responding to new processing needs according to social changes and thereby contribute to social development.

Initiatives to Be the "No. 1 & Only One"

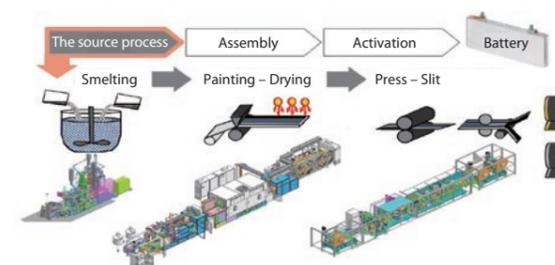
No. 1 in the grinding field

- Achieve overwhelming competitiveness through the combined capabilities of the Group
- Expand the product lineup



Contribute to responses to electrification by Toyota Motor Corporation

- Support the source process, the key to battery performance
- Achieve space-saving and high productivity with equipment that adopts simple, slim, and compact as its core concepts



- Support the source process, the key to battery performance

Aftermarket Business Unit

Currently Supply needed products to customer in the aftermarket as quickly as possible

- Goals**
- Enable customers to continuously engage in value-creating activities
 - Provide diverse and varied products, services, and happiness
 - Contribute to solutions to customer problems or prevention of problems

Kenichi Ishioka
Senior Executive Officer
Chief of Aftermarket Business Unit



Become a solution partner that provides support throughout the lifecycle

Our declaration: We will be an indispensable presence for customers in the aftermarket

Recent initiatives	Measures looking ahead to the future
We will (1) Work closely with customers around the world, (2) Support product life cycles, and (3) Provide safety and security.	By going beyond the boundaries of existing products and (4) creating and providing new value, we seek to become a solution partner that supports customers.

(1) Work closely with customers around the world

In 2022, JTEKT adopted "JTEKT" as a unified brand name. In the aftermarket, we will use the various products of the JTEKT Group to meet the changing expectations of customers around the world.



(2) Become a presence that supports product life cycles

We will further expand our aftermarket product lineup, including aftermarket steering and drive line parts, to ensure that customers can use products for long periods.



In addition, we started operation of Parts Navi 3, an automobile repair parts search system, enabling us to respond promptly to customer repair needs.



(3) Become a presence that provides safety and security

We support safe and secure equipment operation by customers including the release of Bearing Defender, a product that assesses the status of bearings.



(4) Become a presence that creates and provides new value

We began full-scale sales of ONI Bearing™, a ceramic bearing for bicycles. We conduct test rides at cycling events in various regions and distribute information on social media.

Our "No. 1 & Only One" technologies enable us to provide comfortable and excellent riding experiences to customers.



CSR Management

The JTEKT Group aims to contribute to the resolution of social issues and realize a sustainable society through business conducted in accordance with the JTEKT Basic Principle.

About CSR (Corporate Social Responsibility)

In accordance with the JTEKT Basic Principle and our Corporate Activities Standards, JTEKT Group engages in business activities in harmony with the economy, society and the environment. As a good corporate citizen, we work to resolve social issues together with our customers and suppliers who share this mindset in order to continue contributing to the sustainable development of society and the world.

Formulation of Corporate Activities Standards, Etc.

In February 2009 JTEKT formulated its CSR Policy. In April 2016, it rearranged these into JTEKT's Concept of Corporate Social Responsibility and the Corporate Activities Standards and is engaging in a wide range of CSR activities.

Furthermore, we have established the JTEKT Global Conduct Guideline in an effort to fulfill its social responsibility as a company conducting business activities on a global scale. This guideline is updated and revised on an ongoing basis to appropriately reflect changes in international affairs and the social environment and expectations of society.

Corporate Activities Standards

Responsibility to our customers and business partners

- We follow proper business practices and engage in fair, transparent and free competition based on a respect for the law.
- We derive concepts from the market, provide the best in quality, technology and service, and obtain the satisfaction and trust of customers.

Responsibility to our shareholders

- We maintain close communication not only with shareholders but also with society at large and disclose corporate information properly, while at the same time working to improve our corporate value on a continuous basis.

Responsibility to our employees

- We respect the individuality of employees, create workplaces that are motivating to employees and enable them to fulfill their potential, and strive to provide each with abundant living circumstances.

Contributing to regional societies and to global society

- As a good corporate citizen, we aggressively pursue activities that contribute to society.
- We follow international rules, observe the laws, cultures and customs of countries and regions where we have operations, and seek to contribute to their growth.
- We carry out global environmental improvement activities proactively and aggressively with deep awareness of their being an important corporate mission.

JTEKT Global Conduct Guidelines

A statement of conduct guidelines that Group employees are to follow in the following five relationships.

1. Laws and Rules
2. Customers and Business Partners
3. Company
4. Our Colleagues
5. Society at Large

Promotion Structure

At JTEKT, we believe CSR is a core corporate activity from the belief that the company is a public institution of society, as such, each of our divisions formulates an annual CSR activity plan. A PDCA cycle* is then applied to this plan in accordance with monthly management based on policy control. Through this type of mechanism to achieve goals, we are incorporating concrete initiatives in company policy and business/function policies to achieve the steady promotion of CSR activities.

For important themes, JTEKT has established specialized committees and functional meetings to formulate and promote activity plans.

*A management technique involving ongoing work improvement based on repeating a PDCA cycle (Plan, Do Check, Action)

Council for enhancement of corporate value

In February 2009, JTEKT established the CSR Promotion Committee chaired by the president, which periodically inspects the progress of CSR activities. In March 2017, this committee was renamed the "Council for Enhancement of Corporate Value." In addition to reporting on CSR activities conducted in the past, the council conducts ongoing discussions regarding dialogue with various stakeholders sharing the results of evaluations by external organizations and other information, the participation of outside directors and auditors in the pursuit of new value creation, intangible asset management, and JTEKT's contributions toward the realization of a sustainable society.

Companywide health & safety management committee

To promote better strategies and organizational structures for building safe, healthy, and comfortable work environments for all employees, in March 2006, we established a Companywide Health and Safety Management Committee with the President as its head. We conduct safety and health activities on a global scale including domestic and overseas group companies. In June 2020, in accordance with a revised Safety and Health Philosophy that "All accidents are definitely preventable," we established a Global message, "All for One in Life," expressing our safety principles. All JTEKT peruse ZERO accident through activities focusing on one's live and health.

Council of corporate disclosure

JTEKT discloses information about JTEKT Group appropriately and fairly in order to increase management transparency and enhance corporate value. In August 2016, the Council of Corporate Disclosure was established, comprising of concerned directors and managers of JTEKT's Corporate Headquarters with the purpose of examining and confirming whether the timing, content and means of corporate disclosure are appropriate. In April 2020, Corporate Disclosure Policy was published, showing our attitude toward JTEKT corporate disclosure.

JTEKT will continue to conduct constructive dialogue and publish information actively toward establishing the relationship of trust with stakeholders, including shareholders, investors, customers, business partners, and local communities.

Outline of the CSR promotion structure



* Established in FY2023

Environmental Management

In accordance with the JTEKT Basic Principle, which provides that we will contribute for benefit of “the Earth, society, and customers,” we strive to understand the impact of our corporate activities on the environment and have positioned environmental management as a priority issue. We established “All for One Earth—For our irreplaceable Earth—” as our environmental philosophy, formulated the JTEKT Environmental Action Guidelines, and are working toward the development of a sustainable society.

Promotion Structure

We have created environmental management implementation structures centered on the JTEKT Environmental Committee, chaired by the president. The JTEKT Environmental Committee sets twice annually targets based on corporate policy, deliberates on and determines measures, and monitors the status of progress. The results of the Committee’s deliberations are reported to the Council for Enhancement of Corporate Value, which is attended by all directors including outside directors, where the results are discussed, and if budgetary measures are needed for countermeasures, a referral is made to the Senior Executive Officer Meeting or the Board of Directors, and following discussion by management, the matter is reflected in management strategy.

We also established the Global JTEKT Group Environmental Coordinating Committee to implement groupwide environmental initiatives. This committee reviews actions by individual domestic and overseas Group companies, discusses annual action plans, and exchanges information and opinions relating to environmental management. In 2021, we established the Carbon Neutral Strategy Department under the direct authority of the president, and it is facilitating communication among business divisions.

These measures are periodically reported to the Council for Enhancement of Corporate Value and are subject to oversight by the Council.

Organizational Chart



Long-Term Environmental Targets Set

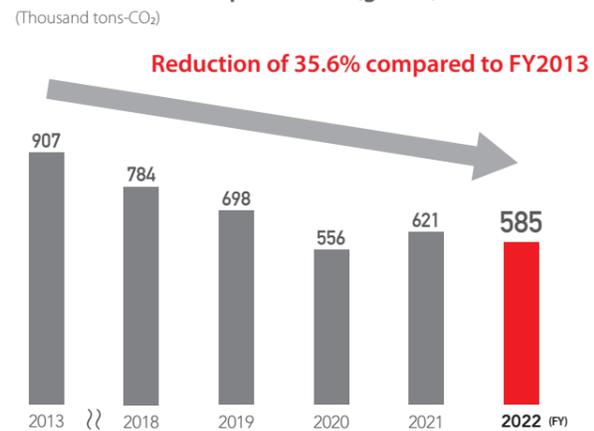
With the goal of realizing a sustainable society in line with the vision of “For the children of the future,” JTEKT formulated the Initiative Guidelines “Environmental Challenge 2050” to minimize JTEKT’s environmental impact by 2050. The JTEKT Group’s Environmental Challenge 2050 is based around five key pillars—Products / Technologies, Creation of a low-carbon society, Creation of a recycling-based society, Harmony with nature / Biodiversity, and Environmental management—and the JTEKT Group is working together as one to take up the challenge of minimizing its environmental footprint and maximizing environmental value.

Working to achieve carbon neutrality in 2035

JTEKT has set Medium- to Long-Term targets for 2030 to achieve carbon neutrality by 2035.

The total emission target is a 1.5°C goal, which is consistent with the 1.5°C goal agreed on in the 2016 Paris Agreement (to limit temperature increase to 1.5°C compared to pre-industrial levels). The global CO₂ reduction target is 60% or more compared to FY2013. We aim to achieve this through energy reduction by production technology innovations, daily improvement at plants, and the introduction of renewable energy. Total CO₂ emissions (Scope 1 and 2) in FY2022 were 585 thousand t-CO₂, a reduction of 35.6% compared to FY2013, and thus, we achieved our 35% reduction challenge target for 2025 early.

CO₂ emissions from production (global)



Disclosures in Accordance with the TCFD Recommendations

We believe that identifying medium- to long-term climate-related risks and opportunities, quantitatively determining the effects, and reflecting those effects in our business strategies are necessary conditions for a company that can sustainably grow, and accordingly, we made prevention of global warming one of our issues of materiality (priority issues) and in 2018 announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Disclosure of Information in Accordance with the TCFD Framework

The TCFD framework requires companies to analyze the impacts of climate change on their business and resulting opportunities and risks based on the prospective scenarios, which are to be reflected in their business strategies. In this section, among the action plans concerning environmental management that we formulated based on our Environmental Challenge 2050, we explain our initiatives related to climate change, focusing in particular on strategy, one of the four items indicated by the TCFD: Governance, Strategy, Risk Management, and Metrics and Targets.

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

Based on the TCFD recommendations, we performed analysis using the 1.5°C (less than 2°C) scenario, which anticipates effects from the transition to a decarbonized society, and the 4°C scenario, which assumes the progression of climate change and physical impacts. When performing analysis, we predicted the impact on business in 2030, the target year for reducing CO₂ emissions by 60% compared to FY2013, and in

2050, the target year for our Environmental Challenge, and identified individual risks and opportunities.

The main risks that we identified under the 1.5°C scenario include higher operating costs due to the introduction and tightening of carbon taxes and other regulations and lower sales of products for internal combustion engine vehicles due to stricter regulation of automobile fuel efficiency and emissions. To avoid these risks, we believe that it will be necessary to save energy in production processes, improve logistics, accelerate product development, and take other measures. On the other hand, we see the transition from internal combustion engine vehicles to BEVs and fuel cell electric vehicles (FCEVs) as an opportunity for the Company. We are developing bearings for electric cars, hydrogen-resistant bearings, and steering systems and drive products common to next-generation vehicles. In the future, we will focus our efforts more narrowly on sale of these products and research and development of new products to expand markets.

Under the 4°C scenario, we identified the interruption of operations due to intensifying extreme weather as the primary risk. Countermeasures include enhancing resilience to disasters by reviewing logistics routes and actively collaborating with suppliers, while possible opportunities include higher demand for water level gauges that can contribute to disaster prevention and mitigation. We are currently developing

Item	Details	Actions
Governance	System for monitoring by directors * The organizational chart can be found on p.43.	<ul style="list-style-type: none"> In 2016, the Environmental Challenge 2050 was approved by the Global Environmental Protection Committee, the predecessor to the Council for Enhancement of Corporate Value, which was attended by the president, directors, and relevant officers Environmental management progress including KPIs is reported at monthly management meetings, and management reviews are conducted at the semiannual the Council for Enhancement of Corporate Value
	Roles of officers in evaluating and managing risks and opportunities	<ul style="list-style-type: none"> The president, who has responsibility and authority concerning environmental issues including climate change, serves as chair of the Council for Enhancement of Corporate Value and appoints an environmental management director from among the Senior Executive Officers The environmental management director formulates and Environmental Action Plan every five years and submits it to the Council for Enhancement of Corporate Value for approval
Strategy	Details can be found on pp. 44–45.	
Risk management	Risk identification and evaluation process	<ul style="list-style-type: none"> Environmental risks including climate change are positioned as business and management risks, and they are discussed and decisions on measures are made by the Council for Enhancement of Corporate Value chaired by the president Risks identified from all business activities are evaluated and countermeasures are confirmed
	Risk management process	<ul style="list-style-type: none"> The effective functioning of risk management is confirmed and risk items, responses, and evaluations are periodically reviewed
Metrics and targets	Integration with total risk management	<ul style="list-style-type: none"> The effective functioning of risk management is confirmed and risk items, responses, and evaluations are periodically reviewed
	Risk and opportunity evaluation metrics	<ul style="list-style-type: none"> Specific quantitative targets are set in the five-year Environmental Action Plan* as climate change-related metrics for CO₂ emissions from production and CO₂ reductions from the use of our products We disclose Scope 1 and 2 emissions as CO₂ emissions from production as well as 10 categories relating to the Company for Scope 3 * This information is available on the Environmental Report page in the Sustainability section of the Company Website. https://www.jtekt.co.jp/e/sustainability/environment/
	Disclosure of Scope 1, 2, and 3	<ul style="list-style-type: none"> In FY2022, we achieved a 35.6% reduction in CO₂ emissions from production compared to the challenge targets of a 35% reduction by 2025 and a 60% reduction by 2030 compared to FY2013 Targets and results are disclosed each fiscal year in the JTEKT Report
	Risk and opportunity management targets and results	<ul style="list-style-type: none"> In FY2022, we achieved a 35.6% reduction in CO₂ emissions from production compared to the challenge targets of a 35% reduction by 2025 and a 60% reduction by 2030 compared to FY2013 Targets and results are disclosed each fiscal year in the JTEKT Report

immersion water level gauges (the TD4800 series of power-saving water level gauges) suitable for crisis management and monitoring in land flooding. In anticipation of a future increase in demand, we plan to develop additional disaster prevention and mitigation products.

Strategy: Effects from Risks and Opportunities

Under the 1.5°C scenario, in which progress is made toward the transition to a decarbonized society, the amount of the impact (risk) from carbon taxes and higher electricity costs is

estimated to be in the range of 10 billion to 20 billion yen in 2050 (taking into consideration the wide range due to price fluctuations).

On the other hand, we estimate that the amount of the impact (opportunity) from increased sales of electrified products and achieving CO₂ emissions reduction targets will be about 30 billion yen.

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

Scenarios Used

Corresponding scenario		1.5°C (less than 2°C) scenario	4°C scenario
Summary		Scenario where temperature rise in 2100 is limited to 1.5°C (less than 2°C) compared to the second half of the 19th century	Scenario where temperature rise in 2100 is 4°C compared to the second half of the 19th century
Scenario	Transition	Net-Zero Emissions by 2050 Scenario (NZE) Sustainable Development Scenario (SDS) Ambitious Climate Transition Scenario (ACT)	Stated Policy Scenario (STEPS) Limited Climate Transition Scenario (LCT)
	Physical	Representative Concentration Pathways (RCP2.6)	Representative Concentration Pathways (RCP8.5)

List of Risks and Opportunities

Classification	Category	Overview	Time scale	Impacts under the 1.5°C scenario	Impacts under the 4°C scenario	Countermeasures by the Company
Transition Risks	Policies & Regulations	<ul style="list-style-type: none"> ● Introduction of carbon taxes Greenhouse gas emissions by sites in each country will be subject to taxation, causing operating expenses to increase ● Expanded scope of emissions rights trading systems Additional costs will be incurred when emissions quotas are exceeded 	Short term – long term	Large	Small	<ul style="list-style-type: none"> ● Set CO₂ emissions reduction targets (by 2030) ● Gather data on emissions results including Group companies ● Reduce CO₂ emissions in logistics
		<ul style="list-style-type: none"> ● Stricter regulation of automobile fuel efficiency and emissions R&D costs for complying with regulations will increase and sales of products for internal combustion engine vehicles will decrease 	Short term – long term	Large	Small	<ul style="list-style-type: none"> ● Development of bearings for EVs and FCEVs
Physical Risks	Urgent	<ul style="list-style-type: none"> ● Intensification of abnormal weather There is a risk that the continuation of business will become difficult due to damage to plants and disruption of supply chains 	Medium term – long term	Medium	Medium	<ul style="list-style-type: none"> ● Formulation of the Basic Policy for JTEKT Group Business Continuing Plan ● Implementation of disaster drills, disaster mitigation training, preparations for the early restoration of product supply, and other measures
Opportunities	Policies & Regulations	<ul style="list-style-type: none"> ● Renewable energy policies Demand for bearings and other products for wind power generation facilities will increase as a result of political support for wind power 	Medium term	Medium	Small	<ul style="list-style-type: none"> ● Develop bearings used in wind turbine main shafts, gearboxes, generators, and revolving parts
		<ul style="list-style-type: none"> ● Stricter regulation of automobile fuel efficiency and emissions If BEVs and FCEVs increase, demand for products for electric vehicles and FCEVs will increase 	Short term – long term	Large	Small	<ul style="list-style-type: none"> ● Development of products that contribute to the miniaturization and weight reduction of electric drive systems (JTEKT Ultra Compact Bearing™) ● Development of bearings that overcome hydrogen embrittlement (EXSEV-H2™)
	Technology	<ul style="list-style-type: none"> ● Promotion of energy-saving at plants Reduce energy costs and increase earnings by improving the efficiency of production processes through energy savings in the manufacturing stage and production technology innovations 	Short term – medium term	Medium	Medium	<ul style="list-style-type: none"> ● Continue energy-saving measures and develop energy-saving production technologies by improving production process efficiency

Notes: 1.Time Scales Short term: Present – 2025 Medium term: 2030 Long term: 2050.
2.Impact assessment were set as follows: Large: Amount of impact is more than 10 billion yen Medium: Amount of impact is 1 billion to 10 billion yen Small: Amount of impact is less than 1 billion yen

Contributions to a Recycling-Based Society

We promote innovation in production technology, reduce materials used by reducing processing itself, and make improvements and use other means at production sites to implement various measures such as reusing resources including water resources and reducing and recycling waste material.

Reducing Waste Material

We categorize waste (materials recycled for free or upon payment of a fee) by type and have set sludge, foundry sand, and waste oil, which are generated in particularly high volumes, as priorities for improvement. We see all emissions including waste material as resources and are working toward achieving a target of 100% resource recycling based on the 3Rs (reduce, reuse, recycle) concept. JTEKT unconsolidated as achieved a 100% recycling rate since November 2012. We will formulate and implement plans for each region so that we can achieve zero emissions on a global scale.

Effective Use of Resources

Promoting the efficient use of water

To reduce the use of water, a crucial resource, we are reducing waste, reusing water internally, and taking other measures. In FY2022, we set a target of 4.0% or more improvement compared to FY2018, and further reduced the amount of water used, primarily by implementing leak prevention measures.

Compliance with the act on promotion of resource circulation for plastics

In response to the Act on Promotion of Resource Circulation for Plastics coming into effect in April 2022, in addition to existing measures to reduce one-way plastics, we are taking measures to reduce waste release volumes with respect to all waste plastic.

Reducing Substances of Environmental Concern/ Harmony with Nature

In addition to reducing usage and emission amounts during production, we identify and thoroughly manage environmentally hazardous substances contained in our products.

Reduction of Environmental Impact from Production Activities

We are working to manage and reduce environmental emissions of chemical substances resulting from production activities. Emissions of substances subject to the PRTR Law amounted to approximately 31.1 tons in FY2022, a reduction of approximately 1.1 tons compared to the previous fiscal year. To reduce usage even further in the future, we will completely eliminate the use of kerosene in production processes in accordance with the 2025 Environmental Action Plan.

Reform of product environment committee working groups

We established the new Vision 2026 to contribute to the formation of a sustainable society, and we seek to create management systems for chemical substances in products in excess of customer requirements. By using the JTEKT Basic Principle as a decision-making criterion, we are undertaking reforms including introduction of an ownership system to clarify the division of roles and responsibilities.

Preserving Biodiversity

We established the Biodiversity Conservation Action Guidelines pursuant to the 2025 Environmental Action Plan and have been undertaking environmental action in order to reduce the environmental impacts of our business activities and give due consideration to biodiversity.

We are taking action at all plants for the continuous preservation of biodiversity with a focus on protection of rare wildlife that inhabits or grows at each plant, improving the local environments in the vicinity of each plant, and developing

environmental human resources. When protecting rare wildlife, we take action based on objective evaluations that take into consideration the opinions of experts and academics.



A biodiversity preservation event

Human Resource Development

We are establishing frameworks to develop personnel who are able to put the JTEKT Basic Principle into practice, to create workplaces where employees can work in good health and with enthusiasm, and to foster human resources capable of individual and independent learning and shared growth.

Direction of Human Resource Development

We positioned development of human resources and organizational structures as priority action items in our Medium-Term Business Plan and undertake human resource development in which each employee takes the initiative in accordance with the following two policies.

- (1) We conduct human resource development based on the belief that employees are an indispensable asset for corporate activities.
- (2) We foster a culture of self-initiated learning and growing together.

Building a Sound Framework for Human Resource Development

Human resource development for office and engineering staff

JTEKT undertakes human resource development based on three pillars: on-the-job training (OJT), off-the-job training (OFF-JT) and career development.

With the declining birthrate, need for increasingly sophisticated human resources, and greater employment mobility in Japan, it is becoming increasingly difficult to recruit effective human resources needed for business activities. We are aware that developing human resources is a fundamental issue that is crucial to business continuity and we are addressing human resource development from both physical and emotional perspectives.

- **OJT training**
To draw out the initiative of personnel through communication and practice, we conduct periodic interviews and operate an on-the-job trainer system. We also introduced "Problem Solving (four-year basic training)" to improve problem-solving skills and also develop human resources through practical work in the workplace.
- **OFF-JT training**
We conduct systematic training according to employee position and age as well as the topic with a focus on strengthening problem-solving skills, one of the foundations of work, and also conduct e-learning based optional training to encourage self-initiated learning.
- **Career development**
To support the self-actualization of employees, we conduct career interviews, formulate succession plan, and use an internal recruiting system. In addition, we have created an environment where employees can select their careers at their own initiative.

Human resource development for production staff

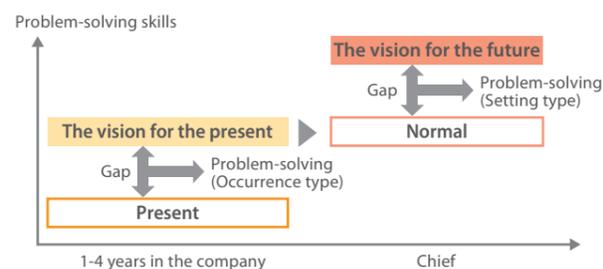
Human resource development comprises four core elements: companywide training, workplace-based training, newly appointed supervisor training and self-education.

- **Companywide training**
In addition to career development programs (rank-based training) at the JTEKT Academy, a certified vocational training facility, we offer supervisor training, specialized technical training, a TWI supervisor training course, and a TWI 10-hour training course.
- **Workplace-based training**
We provide on-the-job training (OJT) for the specialized skills necessary for handling down skills as well as specialized training and skills courses for acquiring qualifications that are needed for work.
- **New manager training**
We conduct practical training on the Toyota Production System (TPS) in collaboration with the Operations Management Development Dept. and focus on raising the level of understanding.
- **Self-education**
We provide support so employees can pursue the acquisition of qualifications including the national trade skill test & certification, QC KENTEI(Quality Management and Quality Control Examination), and autonomous maintenance worker certification.

Realization of What We Want to Be

We realize optimal placement through various personnel systems, including self-assessment, career interviews, and transfer/open recruitment systems. In addition, we organically link the three elements of human resource development, evaluation, and compensation to maintain a high level of motivation and improve abilities, aiming to realize the ideal employee.

In order to embody JTEKT Basic Principle of "continuous improvement," we thoroughly train our employees in problem solving during their first to fourth years with the company, and after promotion to senior manager, we focus on creating and accomplishing tasks to enable them to accomplish higher task.



Diversity

In the midst of an ever-changing management environment, represented by globalization, accepting and utilizing personnel with diverse values irrespective of gender, nationality, age, culture and so on is essential for a company to continue growing. JTEKT positions Diversity & Inclusion (hereinafter referred to as D&I), which maximizes the ability, experience, and characteristics of each employee, as one of our most important management strategies, and are working on it.

Reform Awareness of All Employees and Encourage a Diversity Mindset

In order to promote D&I, first, all employees must understand the necessity and the purpose, change their awareness and their conduct. To this end, JTEKT conducts diversity education through e-learning and other means for all employees.

- **D&I Policy**
(1) By creating a work environment where diverse human resources can work enthusiastically and by developing a framework for working styles, we will put the right people in the right jobs and manage their abilities to the fullest.
(2) Aiming for corporate growth through the growth of each and every employee through their work

Promotion of Utilization of Women

In order to accelerate female participation in the workplace, we conducted a survey of actual conditions targeting all employees and all management personnel. We investigated the environment surrounding female employees, awareness of female employees' work and the development/assessment by superiors of subordinates. As a result, we are promoting initiatives to address issues that have emerged under the three pillars of "awareness reform," "support for work-life balance," and "fostering a corporate culture."

Under the Action Plan formulated in accordance with the Act on the Promotion of Women's Active Participation in Their Occupational Lives, we set targets for the number of women in managerial positions and the percentage of men taking childcare leave.

- **Plan period:**
April 1, 2023-March 31, 2026
- **Targets:**
1. increase women in managerial positions to at least 40
2. increase the percentage of men taking childcare leave to at least 50%.

LGBTQ+Support

We are promoting initiatives to create a work environment in which everyone can play an active role regardless of sexual orientation or gender identity (SOGI).

We conduct educational activities through training, an in-house newsletter, and other means and established a

consultation service for SOGI (Sexual Orientation and Gender Identity.) We also aim to create a workplace environment in which everyone can work with confidence.

Promotion of the Dual Support System

We conduct e-learning training concerning support for balancing childcare, family care, and so on with work and take measures to enhance awareness of these systems and also post the Handbook on Supporting a Balance between Work and Childcare and the Handbook on Supporting a Balance between Work and Family Care on an internal website so that all employees can access them whenever necessary. We also created a website concerning the balance between childcare and work for use exclusively by employees on childcare leave and are creating systems that enable those employees to obtain services such as online courses for enhancing skills free of charge. With regard to family care, we established a dedicated telephone consultation service that enables employees to consult with experts 24 hours a day if they have any difficulties regarding family care.

In addition, we have introduced various programs that support a good work-life balance and establish systems that enable employees to work more flexibly including a work from home program, a secondary job program, and a come-back support program (a reemployment program for employees who resigned due to transfer of their spouse or other similar reasons).

Employment of People with Disabilities

JTEKT supports the active participation of employees with disability in the workforce by creating comfortable workplaces and allocating personnel to best suit the characteristics of their individual disability. Moreover, with the retention rates of persons with disabilities not increasing in society as it should be, JTEKT is exerting efforts to help increase this rate by encouraging a good understanding of workplaces and tasks through hands-on training. As one aspect of our efforts to create environments that facilitate work by all, we are introducing support tools for employees with hearing impairment (devices that display spoken word on a PC screen).



Use of a support tool during training

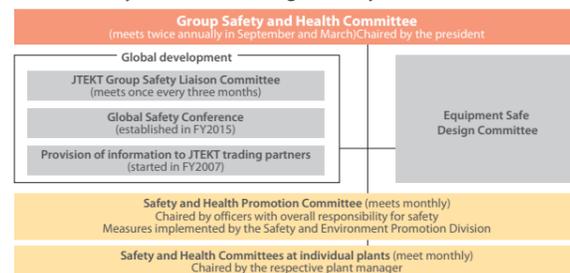
Occupational Safety and Health

Based on the philosophy that “All accidents can be prevented,” all employees are united in their efforts to participate in safety and health activities and create a comfortable work environment. In addition, a dedicated global message, “All for One in Life,” expressing the company safety philosophy is disseminated at JTEKT, and we aim to achieve zero accidents through activities focusing on one’s life and health.

Promotion Structure

The JTEKT Group has established a centralized management system for safety and health, and is deploying activities under this system. The company-wide Safety and Health Committee develops policies and confirms progress statuses for safety, health, and fire prevention based on reviews of safety scores and employee feedback, subsequently disseminating the results to all employees. In addition, a company-wide Safety and Health Promotion Meeting is held every month. At these meetings, messages from top management on safety are shared, with accident case studies horizontally deployed and measures to prevent recurrence instituted promptly. The Committee also reports on safety and health activities suited to the characteristics of each plant and office and the results of safety and health patrols involving everyone from plant managers to associates, to identify issue areas and discuss kaizen plans.

Central Safety and Health Management System (Global)

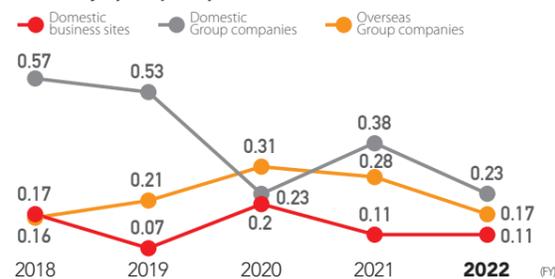


Status and Initiatives for FY2022

We visualize the strengths and weaknesses of each workplace and individual employee through safety evaluations of all employees. Based on the results of evaluations, we aim to create people and workplaces with high levels of safety awareness and abilities, which includes supervisors working together with their subordinates to eliminate their weaknesses. We are also making efforts to enhance training for supervisors and managers.

For management system certification status, JISHA Occupational Safety and Health Management System (OSHMS) certification has been acquired at one of the plants in Japan, while the remaining plants have established their own systems with reference to OSHMS. At the JTEKT Group, three domestic companies have obtained JISHA OSHMS, and one domestic company and 29 overseas plants have obtained external certification for ISO 45001.

Lost time injury frequency rate



Health

We believe that it is essential for our employees to be healthy both physically and mentally in order to achieve sustainable corporate growth. We have established “improving employee health” as one of our key management tasks, and aim to be a company where every individual can work energetically by proactively implementing health initiatives.

Health Declaration

JTEKT Group believes that both the physical and mental health of all employees and their families is the most important for company. We will support the health of our employees and their families with compassion and sincerity, and will also work on health promotion activities with a focus on employees.

We declare that we will work on disease prevention for employees and their families, and create health-first workplaces in which everyone can feel that the workplace is getting better and better.

June, 2021
Kazuhiro Sato, President of JTEKT Corporation

Main Activities for FY2022

With the aim of encouraging employees to think and act proactively to maintain and improve their own health, we conduct an annual Healthy Human Evaluation and feedback the results to individuals and workplaces. Based on the results of FY2022, we will consider improving exercise habits and sleep as an issue, and in FY2023, we will implement measures to improve sleep and work to establish exercise habits using the health support point system.

Supply Chain Management

In the context of the expectation that procurement activities by companies consider human rights, labor practices, fair business practices, and the environment, in addition to conventional QCD (quality, cost, and delivery), JTEKT is committed to engaging in fair, transparent, free competition, and proper business dealings based on the spirit of compliance with the law.

Purchasing Philosophy

We have clearly stated in the JTEKT Corporate Activities Standards and our Purchasing Philosophy that we conduct open and fair business practices with our suppliers regardless of their country, size of business, and experience of doing business with us. In accordance with the policy, we have posted procedures for starting business with us on our website to provide each supplier with an opportunity for equitable competition. Moreover, we announced our “Partnership Building Declaration” in October 2021, which includes our commitment to growth and development of both our company and suppliers through mutual trust built by respecting suppliers as partners.

Refer here for the Purchasing Philosophy and Basic Purchasing Policy

<https://www.jtekt.co.jp/e/sustainability/society/partner/>

JTEKT Supplier Sustainability Guidelines

In May 2022, JTEKT renewed the JTEKT Supplier Sustainability Guidelines for sharing the aim of our CSR Policy with our suppliers and clarified the matters suppliers must comply with. The guidelines provide guidance on global environmental initiatives, protection of human rights, and respect for diversity in light of the recent social context. We require our suppliers and their suppliers in the upstream supply chain to comply with the guidelines.

Each division of our company complies with various guidelines in each industry to maintain appropriate transactions with suppliers. We also use every possible opportunity to disseminate information to suppliers and obtain their opinions to improve communication with them.

Green Purchasing

JTEKT promotes companywide green purchasing activities to build a sustainable, recycling-based society. For this purpose, we have issued the JTEKT Green Purchasing Guidelines to ask our suppliers for their cooperation.

Actions required under the Green Purchasing Guidelines

- Establish an environmental management system, including the acquisition of certification from external organizations such as ISO 14001.
- Comply with and thoroughly enforce environmental laws and regulations.
- Prohibit or restrict the use of substances of concern.
- Improve environmental performance, including reducing CO₂ emissions to achieve carbon neutrality.
- Promote biodiversity conservation.

Traceability Initiatives

To protect the lives (safety and security) of our customers, we carry out design and production based on the JTEKT Quality Policy.

For example, we have implemented initiatives to link vehicles and our products on a one-to-one basis by attaching 2D codes to products such as steering wheels allowing the target product to be identified in the unlikely event of a defect in a delivered product. The entire Group works together to take anti-counterfeiting measures. For bearings, we additionally cooperate with the World Bearing Association in providing an app to determine product authenticity.

Refer here for more information on anti-counterfeiting activities

<https://www.jtekt.co.jp/e/products/sfb/>

Addressing Conflict Minerals Issues

In FY2023, we are continuing to conduct our conflict minerals survey, which we have implemented since FY2013. With the cooperation of our suppliers, we have confirmed the history of minerals used in our products throughout the supply chain to respond appropriately to customer inquiries.

Initiatives for Carbon Neutrality

Led by an internal organization dedicated to carbon neutrality, established in 2021, we work with our suppliers to achieve carbon neutrality, introducing good practices on carbon neutrality and advising suppliers on energy-saving activities.

Human Rights

There is growing concern worldwide about the impact of business on human rights, with companies being called upon to respond in a responsible manner. JTEKT will also promote initiatives for the respect of human rights as an essential element of our sustainability management.

Basic Approach to Respecting Human Rights

We recognize that the impacts of our business activities on human rights issues are not limited to those from our own company but also extend to impacts in our supply chain.

JTEKT circumvents causing or exacerbating human rights violations, and takes appropriate measures to rectify and remedy the situation if human rights violations do occur, in accordance with guidelines such as the UN Guiding Principles on Business and Human Rights.

Human Rights Policy

The Company has promoted initiatives for the respect of human rights based on its Guidelines for Employee Conduct and JTEKT Supplier Sustainability Guidelines.

In April 2023, we formulated and published the JTEKT Group's Human Rights Policy as a means to clarify our stance and further promoting activities for the respect of human rights, and have declared our commitment to fulfilling our responsibility to respect human rights.

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

Human Rights Due Diligence

We are engaging in due diligence with respect to human rights in accordance with the JTEKT Group's Human Rights Policy.

In 2022, a human rights impact assessment was conducted, with risks assessed in terms of their "severity" and their "likelihood of occurrence." As a result, four risks—forced labor

and slavery; child labor; discrimination; and harassment—were identified as human rights risks that the JTEKT Group must address with the highest priority and designated as priority issues.

Establishment of Consultation Counters

JTEKT has established counters for consultation and reporting both internally and outside the Company. Anonymous reporting and foreign language services have also been made available, in an effort to create an environment in which one can readily and easily consult and report. We also institute appropriate measures to rectify and remedy the situation if actual human rights violations are identified.

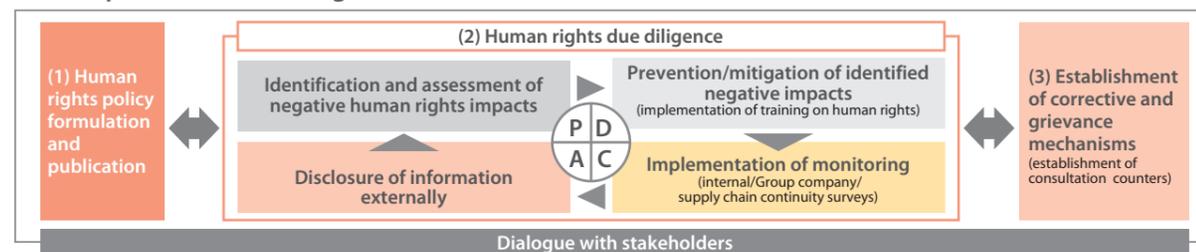
Training and Awareness Activities

We conduct awareness activities to facilitate employees in putting into practice behaviors based on the JTEKT Group's Human Rights Policy. Human rights training is provided to all employees, including new recruits, with training also implemented on discrete themes including "harassment" and "diversity," which have been stipulated as priority issues.

Initiatives for the Supply Chain

We conducted surveys on the circumstances of non-Japanese technical interns as well as on the use of conflict minerals in the supply chain as part of initiatives to address the priority issues of "forced labor and slavery" and "child labor." For more details on the survey on conflict minerals, see p. 50 "Supply Chain Management."

Overall picture of human rights initiatives



Social Contribution Activities

The importance of participating in and contributing to the local community is one of the seven core themes of ISO 26000. The 4th edition of GRI Sustainability Reporting Guidelines (G4 Guidelines) touches on local community development programs based on the needs of local community. We endeavor to grasp both the impacts on and the needs of the local community, and implement activities to establish positive with local residents.

Establishment of JTEKT Group Social Contribution Activity Policy

The Company has formulated JTEKT Basic Principle to express its desire to solve social issues through its business activities and to continue to be a company that contributes "for the Earth, for the society, and for customers." For social contribution activities other than business activities, JTEKT has established the JTEKT Group Social Contribution Activity Policy based on JTEKT's Basic Principle, and is developing company-wide social contribution activities.

Refer here for the JTEKT Group Social Contribution Activity Policy
https://www.jtekt.co.jp/sustainability/social_contribution_activity_policy.html

Sports Promotion

Athletes aspiring to the world stage are supported at JTEKT through company sports activities including volleyball, badminton, softball, wrestling, and weightlifting. We also organize volunteer activities including sports classes and community clean-ups. These are some of our efforts which are underway for the promotion of sports and contributions to the local community.



In FY2022, we held volleyball classes at 16 locations for 1,113 junior high and high school students in the business area as part of the JTEKT STINGS Volleyball School and badminton classes for 156 people at 10 locations as part of JTEKT Stingers Badminton School. We will continue to actively nurture our connections with people in local communities through sports classes.



Main Activities for FY2022

Participation in community events by offices

We actively participate in local events and festivals to build and maintain good relationships with the communities that support our offices. Our Nara Plant participated in a rice planting and harvest festival in the neighboring community, while our Kokubu Plant participated in a Fire Fighting Ceremony.



Food donations to food banks

With the cooperation of the Food Bank (Volunteer Center), we delivered food to people in the community who needed it, just in time for the replacement of emergency stockpiles.



Conducted a workshop at a nursery school

We conducted a workshop at a nursery school in Nagoya City as part of activities to publicize our corporate mascot design contest. Approximately 50 children were provided with handmade materials by our employees to familiarize them with "Bearings used in your lives." They were also encouraged to participate in creating mascot design illustrations, featuring a cat motif.



Refer here for details of other social contribution activities
<https://www.jtekt.co.jp/e/sustainability/society/community/>

Officers and Audit & Supervisory Board Members

Members of the Board



Kazuhiro Sato
President, Member of the Board
(Representative Director)

Chief of IT & Digital Division and Quality Management Division

- Apr. 1979 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
- Jan. 2005 General Manager, Quality Division, Toyota Motor Corporation
- Apr. 2014 Managing Officer, Toyota Motor Corporation
- Apr. 2017 Senior Managing Officer, Toyota Motor Corporation
- Jan. 2019 Operating Officer, Toyota Motor Corporation
- Jan. 2020 Advisor of the Company
- Jun. 2020 President, Member of the Board (to present)



Iwao Okamoto
Outside Director,
Member of the Board

- Apr. 1970 Joined the Ministry of International Trade and Industry (MITI) (currently Ministry of Economy, Trade and Industry (METI))
- Sept. 1999 Director-General, Basic Industries Bureau, MITI
- Jan. 2001 Director-General, Manufacturing Industries Bureau, METI
- Jul. 2002 Director-General, Agency for Natural Resources and Energy
- Oct. 2003 Senior Executive Director, Japan Bank for International Cooperation
- Oct. 2005 Managing Executive Officer, SUMITOMO CORPORATION
- Apr. 2006 Senior Managing Executive Officer, SUMITOMO CORPORATION
- Jun. 2007 Representative Director, Senior Managing Executive Officer, SUMITOMO
- Apr. 2009 Representative Director, Assistant to President and CEO, SUMITOMO CORPORATION
- Jul. 2009 President, Japan Cooperation Center for the Middle East (JCCME)
- May. 2011 President Executive, JAPAN-CHINA ECONOMIC ASSOCIATION
- Jun. 2015 Director, Member of the Board of the Company (to present)



Takumi Matsumoto
Senior Executive Officer,
Member of the Board
(Representative Director)

**Chief of Research & Development Division
Chief of Automotive Business Unit**

- Apr. 1986 Joined Toyota Motor Corporation
- Aug. 2010 General Manager, BR-Electric Vehicle/Charge System Development Dept., Toyota Motor Corporation
- Apr. 2015 Managing Officer of the Company
- Oct. 2015 Executive Managing Officer
- Jun. 2016 Executive Director
- Jan. 2021 Senior Executive Officer, Member of the Board (to present)



Yuichiro Kato
Outside Director,
Member of the Board

- Apr. 2003 Associate Professor, Department of Industrial and Strategic Engineering, Graduate School of Engineering, Nagoya Institute of Technology
- Oct. 2015 Representative Member, Brand Design LLC (currently Brand Design Inc.)
- Apr. 2018 Professor, Faculty of Human Resource Development, Polytechnic University (under the jurisdiction of the Ministry of Health, Labour and Welfare)
- Nov. 2018 Representative Director, Brand Design Inc. (to present)
- Jun. 2019 Professor, Project for Collaboration among Industry, Academia, Government, and Finance, Nagoya Institute of Technology (to present)
- Jun. 2022 Member of the Board of the Company (to present)



Koichi Yamanaka
Senior Executive Officer,
Member of the Board
(Representative Director)

Chief of Sales & Marketing Division

- Apr. 1986 Joined KOYO Automatic Machine Co., Ltd (currently JTEKT Corporation)
- Jan. 2010 General Manager, Procurement Division, Steering Systems Business Unit
- Apr. 2014 Executive Officer
- Apr. 2017 Executive Managing Officer
- Apr. 2020 Managing Officer
- Apr. 2021 Senior Executive Officer
- Jun. 2022 Senior Executive Officer, Member of the Board (to present)



Kazunari Kumakura
Outside Director,
Member of the Board

- Apr. 1985 Joined Toyota Motor Corporation
- Jan. 2011 General Manager, Materials & Facilities Purchasing Division, Toyota Motor Corporation
- Jun. 2016 Managing Executive Officer, Toyota Industries Corporation
- Jun. 2019 Executive Officer, Toyota Industries Corporation
- Apr. 2020 Deputy Chief, Procurement Division, Toyota Motor Corporation
- Jul. 2020 Chief, Procurement Division, Toyota Motor Corporation (to present)
- Jun. 2023 Member of the Board, Toyota Industries Corporation (to present)
Member of the Board of the Company (to present)

Members of the Audit & Supervisory Board



Makoto Sano
Member of the Audit &
Supervisory Board

- Apr. 1981 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
- Jan. 2007 General Manager of Engineering, Tahara Plant, Toyota Motor Corporation
- Mar. 2014 Director of the Company
- Apr. 2014 Operating Officer
- Apr. 2015 Executive Managing Officer
- Jun. 2018 Executive Director
- Jun. 2020 Senior Executive Director
- Jun. 2021 Senior Executive Officer
- Apr. 2022 Advisor
- Jun. 2022 Full-Time Audit & Supervisory Board member (to present)



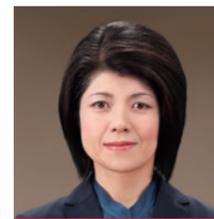
Yasushi Matsui
Outside Member of the Audit &
Supervisory Board

- Apr. 2019 Senior Executive Officer, DENSO Corporation
- Jun. 2021 Director and Senior Executive Officer, DENSO Corporation
- Jun. 2022 Audit & Supervisory Board member (to present)
- Jun. 2023 Executive Vice President, DENSO Corporation (to present)



Koichi Tsujita
Member of the Audit &
Supervisory Board

- Apr. 1990 Joined the Company
- Jan. 2015 General Manager, Corporate Planning Department
- Jul. 2017 Overseas Secondment, JTEKT (THAILAND) CO., LTD.
- Jul. 2020 Vice President, JTEKT ASIA PACIFIC CO., LTD.
- Jul. 2022 General Manager, Audit Department
- Jun. 2023 Full-Time Audit & Supervisory Board member (to present)



Yumiko Sakurai
Outside Member of the Audit &
Supervisory Board

- Jan. 2000 Representative, Yumiko Sakurai CPA (to present)
- Jun. 2019 Audit & Supervisory Board member (to present)

Corporate Governance

JTEKT continuously strives to enhance corporate governance in order to fulfill its corporate social responsibility and increase its corporate value.

Systems

JTEKT holds Board of Directors meetings every month where, 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 Basic Principle. This includes management strategies (business plan, personnel, organizational, capital and investment measures) aimed at achieving the Medium-term Business Plan, as well as oversight of the execution of duties by directors. Furthermore, of the three outside directors, two independent directors from outside the Company were appointed to strengthen the supervising function of the Board of Directors. In addition, subcommittees under the Board of Directors, such as Senior Executive Officer Meetings, management meetings, and companywide registered meetings, are held to fulfill deliberations on individual matters and supervise the performance of duties by managing officers.

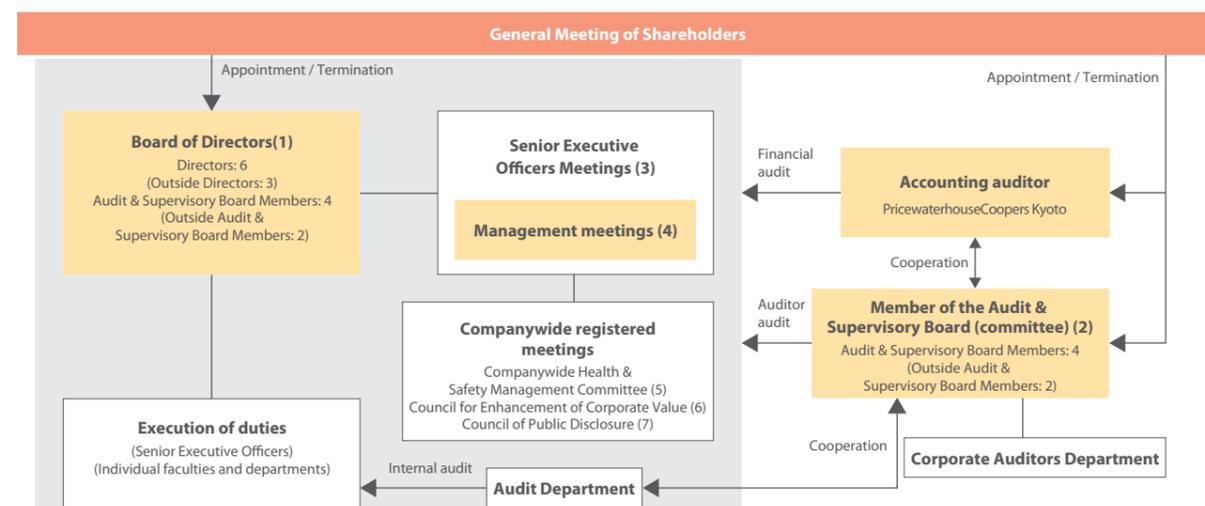
To ensure a transparent, fair, prompt and efficient management, JTEKT has opted for a company with an Audit & Supervisory Board to inspect directors' execution of duties, which consists of four auditors, two of whom are outside

auditors (of which one is independent outside auditor). At monthly Audit & Supervisory Board meetings, the Board monitor the execution of duties by the directors and confirm the appropriateness of the methods and results of audits performed by the accounting auditors.

Additionally, staff members in the Corporate Auditors Department assist the Audit & Supervisory Board members. Regarding internal auditing, Audit Department, which reports directly to senior management, inspects the business execution of each function and business division and the effectiveness of internal controls, reporting the results to the Board of Directors and the Audit & Supervisory Board to ensure auditing independence.

In accounting audits, Audit & Supervisory Board members receive reports and explanations from accounting auditors, confirming the appropriateness of auditing methods and results as well as the independence of accounting auditors. In addition, in order to enhance the efficacy of these audits, Audit & Supervisory Board members, the accounting auditor and Audit Department regularly hold discussions to exchange information and engage in mutual cooperation.

Corporate governance system



Meetings of the Board of Directors and Other Bodies (FY2022)

Committees	Composition	Meeting frequency	Details
(1) Board of Directors	Directors: 6 (Outside Directors: 3) Audit & Supervisory Board Members: 4 (Outside Audit & Supervisory Board Members: 2)	Once/Month	Makes decisions about important matters within management, and supervises directors' performance of duties.
(2) Audit & Supervisory Board	Audit & Supervisory Board Members: 4 (Outside Audit & Supervisory Board Members: 2)	Once/Month	Inspects the appropriateness of methods and results of audits of the directors' performance of duties, and of audits performed by the accounting auditor.
(3) Senior Executive Officer Meetings	Directors: 3 Senior Executive Officers: 7 Audit & Supervisory Board Members: 2	Once/Month	Supplements the Board of Directors, deliberates important matters within management, and determines fundamental policies.
(4) Management Meetings	Directors: 3 Senior Executive Officers: 7 Audit & Supervisory Board Members: 2	Once/Month	Supplements the Board of Directors, and manages the progress of policies within the performance of duties. In addition, these meetings enable problem points and issues within performance of duties to be shared extensively among directors and officers.
Companywide Registered Meetings			
(5) Companywide Health & Safety Management Committee	Directors: 3 Senior Executive Officers: 7 Plant managers and others: 6	Twice/Year	Deliberates on policies, targets, and measures concerning safety, sanitation, health, and other issues
(6) Council for Enhancement of Corporate Value	Directors: 6 (Outside Directors: 3) Audit & Supervisory Board Members: 4 (Outside Audit & Supervisory Board Members: 2) Senior Executive Officer and several others	4 times/Year	Investigates issues concerning sustainability to achieve sustainable growth by society and the Group.
(7) Council of Public Disclosure	Chief of Corporate Division Senior Executive Officer and several others	Once/Month	Investigates and confirms whether the timing, details, and methods of information disclosure are appropriate.
Corporate Strategy Meeting	Directors: 3 Senior Executive Officers: 7 Others: A small number	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.
Quality Function Meeting	Directors: 3 Senior Executive Officers: 7 Others: A small number	Twice/Year	Reviews the results of activities and deliberates on future actions based on quality function policies and measures.
Cost Function Meeting	Directors: 3 Senior Executive Officers: 7 Others: A small number	4 times/Year	Makes issues relating to current cost functions visible and investigates responses.
Information System Function Meeting	Directors: 3 Senior Executive Officers: 7 Others: A small number	Twice/Year	Shares information on issues and investigates and deliberates on response policies for the implementation of IT policies and establishment of governance globally.
Reviewing meeting on business issues of Domestic subsidiaries	Directors: 3 Senior Executive Officers: 7 Others: A small number	Once/Year/ Company	Shares information and issues relating to the status of management, the management vision, and strategies with senior management of Group companies.
Reviewing meeting on business issues of Overseas subsidiaries	Directors: 3 Senior Executive Officers: 7 Others: A small number	Once/Quarter/ Company	

Corporate Governance

Progress toward Enhanced Governance

JTEKT recognizes that corporate governance enhancements are an important management issue, thus we are engaged in efforts to reform and strengthen our corporate structure including the formulation of guidelines in response to the Corporate Governance Code and annual implementation of the PDCA cycle.

In November 2019, we reviewed matters to be referred to the Board of Directors and delegated decision-making authority with regard to items of low importance to the Senior Executive Officer Meetings, revising the Board of Directors regulations for the purpose of setting aside more time for Board of Director deliberation of management strategy and other, more important items.

In April 2020, the existing “managing officer system” was abolished and a new “senior management system” was introduced. As a result, this has enabled the promotion of talented young employees and the flexible assignment or withdrawal of human resources in important posts. In Jan. 2021 Reform of officer system ((1) Abolition of director roles such as deputy president, senior managing director, and managing director, (2) Name integration to Senior Executive Officer, (3) Expansion of Senior management system) contributed to the slimming and flattening executive system, the speeding up management decisions, the promoting delegation of authority, further speeding up decisions on replacement, flexible promotion and withdrawal (expansion). As a result, the number of officers has also been significantly reduced.

Main governance reform initiatives

Date	Measures	Purpose
June 2005	Introduction of executive officer system	Separation of management supervision and executive function
May 2006	Publication of Corporate Governance Report	Summarize, organize and disclose the key information on corporate governance
Jan. 2008	Establishment of Global Internal Audit Department	Audit of general tasks such as adequacy and legal compliance of management and procedures
Feb. 2009	Establishment of CSR Promotion Committee	To regularly assess the status of CSR activity promotion
June 2013	Appointment of foreign executive officer	To ensure executive officers diversity
June 2015	Appointment of two outside directors	Strengthening management oversight function
Feb. 2016	Establishment of Executive Officer Personnel Appointment Review Meeting (consisting of President and Independent outside directors)	To ensure the adequacy of personnel of executive officers
June 2016	Establishment of Executive Remuneration Meeting (consisting of President and Independent outside directors)	To ensure fairness and appropriateness in determining executive compensation
Mar. 2017	Establishment of Council for Enhancement of Corporate Value	Discussion on new value creation for improving sustainability
Oct. 2017	Establishment of Risk Management Department	Manage risks systematically to avoid or reduce them
June 2018	Increased number of outside directors by one, to a total of three	Further strengthening management oversight function
June 2019	Appointment of a female outside member of the Audit & Supervisory Board	To ensure greater executive officers diversity
Nov. 2019	Revision of Board of Directors Rules	Narrow down the agenda and devote the deliberation time of the Board of directors to the consideration of more important matters
Apr. 2020	Introduction of Senior management system	Enables the selection of young employees to important posts and the flexible appointment and withdrawal of human resources to important posts
Jan. 2021	Review of officer system	(1) Abolition of director roles such as deputy president, senior managing director, and managing director (2) Name integration to Senior Executive Officer (3) Expansion of Senior management system
June 2022	The number of outside directors became one-third of all directors.	To enable to ensure the effectiveness of oversight function by the Board of Directors that assure independent and objective corporate management

Group Governance

In order to engage in fair, transparent and efficient Group management, JTEKT is engaged in the following initiatives at our domestic and overseas subsidiaries.

1. We share items including the JTEKT Basic Principle and the Medium-term Business Plan, with the business plan progress confirmed at reviewing meeting on business of subsidiaries.
2. We require prior consultation or post-reports on important matters based on the Prior Consultation and Reporting System Standards. Important matters concerning Group management are deliberated and decided by the Company committees.
3. We developed the JTEKT Group Business Management Guidelines and require the establishment of internal control systems. We also require the prompt reporting of serious financial, safety, quality, environment and disaster risks.
4. We require the establishment of compliance systems based on the JTEKT Global Conduct Guidelines. We also conduct regular compliance inspections based on checklists provided by JTEKT.

Outside Directors

JTEKT appoints outside directors who fulfill requirements for outside directors and possess experience and insight within their field. They are also selected based on the excellence of their character and viewpoints, and for their high ethical standards, perspectives, and knowledge in accordance with the JTEKT policy for appointing directors. Furthermore, JTEKT conducts the appointment of outside members of the Audit & Supervisory Board from a perspective of audit neutrality and objectivity.

Provision of Information to Outside Directors

The Liaison Meeting for Outside Directors and Auditors is held the day before Board of Directors’ meetings. This provides an opportunity for the outside directors and auditors to receive materials and explanations concerning the deliberation agenda items and exchange opinions among themselves, thereby creating an environment in which they can actively participate in deliberation and reporting matters at Board of Directors’ meetings. Information on management topics other than the agenda items is also shared by the Meeting, and the outside directors and auditors can express their opinions on new business and other topics under consideration.

Appointment of Outside Directors and Outside Members of the Audit & Supervisory Board

Title	Name	Main reasons (experience, insight, etc.) for appointment	Independent Director	Attendance record in FY2022 (attended/held)	
				Board of Directors	Audit & Supervisory Board
Director	Iwao Okamoto	Held key positions within the Ministry of Economy, Trade and Industry (METI) and for an incorporated foundation, obtaining ample experience and a high level of insight regarding industry and economic activities within Japan and overseas	✓	13/13	-
Director	Yuichiro Kato	Rich experience and deep insight in the fields of marketing and quality control, which he has garnered through his career as a professor at the university and other institutions	✓	10/10 (Inauguration June 2022)	-
Director (Newly appointed)	Kazunari Kumakura	Rich experience and deep insight relating to monozukuri (manufacturing) as a manufacturing business executive	-	-	-
Member of the Audit & Supervisory Board	Yumiko Sakurai	Considerable knowledge relating to financial and accounting matters as a certified public accountant	✓	13/13	15/15
Member of the Audit & Supervisory Board	Yasushi Matsui	Rich experience and broad insight relating to corporate governance as a manufacturing business executive	-	10/10 (Inauguration June 2022)	11/11 (Inauguration June 2022)

Corporate Governance

Nomination of Director and Audit & Supervisory Board Member Candidates

JTEKT has established the Executive Officer Personnel Appointment Review Meeting consisting of President and Independent outside directors as a voluntary committee to enhance objectivity in the nomination of candidates for directors and Audit & Supervisory Board Members and in the consideration of the selection and dismissal of Senior Executive Officer and Senior Management.

Skill Matrix of Directors

To ensure a balance of knowledge, experience, skills, and diversity required for the sustainable growth of JTEKT and the enhancement of corporate value over the medium to long term, we have selected diverse directors with experience and expertise in organizational management that are considered pivotal from the perspective of corporate management.

Evaluating the Effectiveness of Board of Directors

JTEKT's Board of Directors, in which outside directors participate, strives to engage in lively discussions based on a diverse array of knowledge and abundant experience, conducting meetings that enable us to make timely and appropriate business decisions.

The effectiveness of the Board of Directors is analyzed and evaluated as follows.

Skill Matrix of Directors

Name	Title	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 & ESG	International Experience
Kazuhiro Sato	President, Member of the Board	✓	✓	✓			✓	✓	✓	✓
Takumi Matsumoto	Senior Executive Officer, Member of the Board	✓	✓	✓	✓		✓			✓
Koichi Yamanaka	Senior Executive Officer, Member of the Board	✓	✓	✓		✓		✓		✓
Iwao Okamoto	Outside Director	✓	✓			✓	✓	✓	✓	✓
Yuichiro Kato	Outside Director	✓	✓	✓	✓			✓		✓
Kazunari Kumakura	Outside Director		✓	✓			✓	✓	✓	✓

(1) Method

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 questionnaire). In this survey, we evaluate whether the contents of deliberations and operation methods at the Board of Directors are appropriate and review them as necessary based on evaluations of those directors and Audit & Supervisory Board members.

(2) Overview of FY2022 evaluation

- Issues in the results of the survey conducted in April 2022
- Insufficient discussion on investment in intangible assets such as sustainability and human capital Activities in FY2022
 - Enhanced discussions on sustainability management at the Council for Enhancement of Corporate Value, which is composed of directors and Audit & Supervisory board members, including outside directors, as well as the Board of Directors.
 - Started formulation of human capital portfolio and completed the current status assessment.

(3) Future initiatives

Implement measures to close the gap between the current conditions identified in (2) and the vision for the human resource portfolio for 2030.

Action plan for FY2023

Conducting discussions on investment in intangible assets such as human capital portfolios linked to the business strategy, in conjunction with the development of the 2nd Medium-Term Business Plan.

Director and Auditor Remuneration

Directors' remuneration is shown on p. 61. Outside directors and Audit & Supervisory Board members receive only monthly remuneration, no bonuses are paid. Independence from management is ensured by establishing a remuneration system that is unlikely to be affected by corporate performance. The amount of remuneration for each Audit & Supervisory Board member is determined through discussions among Audit & Supervisory Board members.

Executive Remuneration Meeting

JTEKT has established the "Executive Remuneration Meeting" consisting of President and Independent outside directors as a voluntary committee to enhance objectivity in the consideration of directors' remuneration. At the Executive Remuneration Meeting, JTEKT's compensation levels were confirmed with reference to data from an external research organization, and the following proposals were made and discussed: (1) Proposal for monthly remuneration for FY2023 and the payment of bonuses reflecting the performance in FY2022; (2) Direction for reviewing the remuneration system for the following fiscal year and beyond. In addition, the meeting process and deliberation results are reported to the Board of Directors.

Cross-Shareholdings

JTEKT has established policies regarding the strategic shareholdings it holds as policy stock holdings and criteria for exercising voting rights, as shown to the right. The Board of Directors will annually review the appropriateness of the purpose and economic rationality for holding each policy stock. Specifically, the appropriateness of holding the shares will be verified by determining whether the benefits to be gained from holding the shares and the ROE of the issuing company are commensurate with the Company's cost of capital and other factors.

In addition, we will respond in a timely manner in accordance with the criteria for exercising voting rights.

(1) Policy regarding the strategic shareholdings

JTEKT's policy stockholdings are held for the purpose of maintaining and strengthening long-term, stable relationships with business partners, and from the perspective of increasing corporate value over the medium to long term. JTEKT will consider reducing the number of stocks that are no longer in line with such holding purposes or for which the benefits and risks associated with holding are judged not to be commensurate with the cost of capital, etc.

(2) Criteria for exercising voting rights pertaining to strategic shareholdings

JTEKT basically respects the business judgment of corporate management as long as the company does not engage in antisocial behavior and does not disregard shareholder interests, such as when shareholder returns are deemed to be significantly disproportionate compared to society in general. In cases where scandals or anti-social activities occur within a company or by corporate managers, JTEKT shall regard them as a serious problem in terms of corporate governance, and shall exercise its voting rights in a manner that contributes to the improvement of corporate governance.

Corporate Governance

Directors and Audit & Supervisory Board members remuneration

Payment method	Cash compensation		Stock compensation (Restricted Stock)
Type of compensation	Fixed (Monthly) compensation	Variable (Performance-linked) compensation	Variable (Performance-linked) compensation
Rough ratios	70%	20%	10%
Yearly limit on compensation	800 million yen		100 million yen
Paid on	Monthly	Yearly (The day after the ordinary general meeting of shareholders)	Yearly (The day after the ordinary general meeting of shareholders)
Policy and indicators	Set the base amount for each position	Calculate from the compensation table based on the following indicators (1) Business profit (2) Achievement of KPI of Safety and Quality * Based on the JTEKT Basic Principle of "safety first, quality second," we have set safety and quality KPIs as indicators.	50% of the standard compensation calculated based on business profit (according to the left column) is granted as stock compensation.
Process	(1) Formulated a compensation draft based on the above policy and indicators (2) At the Executive Remuneration Meeting consisting of President and 2 Independent outside directors established voluntarily the proposed compensation in (1) will be discussed. Deliberations • Consistency with decision policy and need for review • Confirmation of indicator performance evaluation • Remuneration levels by position (Comparison with companies of similar size to ours based on executive compensation survey data from an external research organization) (3) To be determined by the President of the Board of Directors by resolution of the Board of Directors based on the results of deliberations at the Executive Remuneration Meeting. (4) The allocation of stock compensation (number of shares) is decided by a resolution of the Board of Directors		

Total amount of corporate officer remuneration (FY2022)

Position	Total remuneration	Total remuneration by Type			Directors/Audit & Supervisory Board Members
		Fixed remuneration	Variable (Performance-linked) remuneration		
			Bonus	Share-based remuneration	
Directors (Outside directors)	268 million yen (36 million yen)	203 million yen (36 million yen)	44 million yen (- million yen)	20 million yen (- million yen)	11 (4)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	101 million yen (24 million yen)	101 million yen (24 million yen)	- million yen (- million yen)	- million yen (- million yen)	8 (4)
Total	369 million yen	304 million yen	44 million yen	20 million yen	19

Notes 1. The above amounts include those for nine directors, who retired from the post of director at the conclusion of the 122nd Annual General Meeting of Shareholders held on June 28, 2022.
 2. The above amount of performance-linked compensation includes the unpaid amount which was booked as bonus provision for directors in the fiscal year. (3 Directors, 44 million yen)
 3. The amount of stock-based remuneration above is the amount recorded as expenses during the fiscal year to shares with transfer restricted stock granted as post-delivery stock remuneration.

Outside Director Message



Iwao Okamoto
Outside Director

Independent

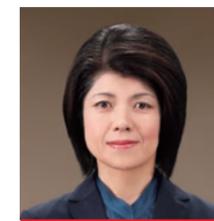
Praise for steady improvements and reforms carried out amid severe business environment

Despite a severe business environment characterized by such factors as a sharp rise in energy and raw material prices sparked by the war in Ukraine, China's zero-COVID policy, the semiconductor shortage, and the emergence of geopolitical risks, in FY2022 JTEKT managed to increase both revenue and profit and achieved its target of improving the profit-loss break-even point sales ratio. I believe that this outcome was the result of the entire Group coming together and working hard to reduce costs through labor-saving, energy-saving, and other measures, as well as the improvement of sales prices, structural reforms in North America and elsewhere, and the supply of new products and services.

During this period, reforms have been implemented over a wide range of areas, including brand unification to realize "One JTEKT," organizational reforms breaking down divisive vertical barriers and enabling the speedy display of synergy, the strengthening of governance in Group companies, and revision of the personnel system. Monitoring the state of progress of these efforts toward improvement and reform on the executive side, the Board of Directors has praised positive aspects and at the same time pointed out issues and urged a further deepening of reforms there. For example, it has called for more drastic efforts toward structural reform in Europe and greater response to the Chinese market, where electric vehicles are spreading rapidly.

As initiatives going forward, JTEKT has compiled a human-resource portfolio necessary for realizing our vision of ourselves in 2030 and a human-resource roadmap to this end. Also, JTEKT is focusing on the discovery of new businesses to serve as its next business pillars and is promoting their commercialization. Gathering together the Group's technologies and seeds, JTEKT will supply products and services capable of responding to the needs of society. Globally, JTEKT will steadily deploy its business strategy while keeping a close eye on trends in industrial policies relating to the bolstering of green transformation (GX), digital transformation (DX), and social capital (SC) and also on geopolitical risks.

Since I have an especially strong interest in and hopes for these initiatives, I will propose discussions appropriately from my position as an outside director.



Yumiko Sakurai
Outside Audit & Supervisory Board Member

Independent

Enhancing the governance of sustainability as a whole and promoting proper communication with stakeholders

Looking back on FY2022, I think that for JTEKT it was a year of reform to improve the quality of corporate governance with a view to the enhancement of corporate value. Following the Tokyo Stock Exchange's reorganization of its market segments, the Prime Market demanded a higher level of governance than the current situation offered.

Regarding sustainability initiatives, JTEKT has clearly specified its materiality in the Medium-Term Business Plan formulated in FY2020. In FY2022 discussions about not only risk response but also how this materiality can be transformed into earning power were conducted not only in the Board of Directors but also in meetings of the Council for Enhancement of Corporate Value and other committees. I feel that JTEKT was able to speedily rotate the plan-do-check-act (PDCA) cycle to further strengthen the governance structure with the aim of achieving an adequate enhancement of corporate value. Going forward, I think the issue will be how to make all Group companies and all employees aware of the sustainability policy that has been compiled.

In addition, to deepen constructive dialogue with investors and other stakeholders, I intend, as an outside director, to fulfill an offensive and defensive governance role so that sustainability information is accurately disclosed and two-way engagement with stakeholders is conducted.

FY2023 is the final fiscal year of the First Medium-Term Business Plan. The profit-loss break-even point sales ratio has become firmly entrenched and practiced as a target for strengthening JTEKT's revenue structure. Going forward, I hope that JTEKT will enter a stage of steadily pursuing and practicing capital-efficient management mindful of capital costs (return on equity [ROE], return on invested capital [ROIC]) and share price (price book-value ratio [PBR], price earnings ratio [PER]).

Risk Management

We aim to continuously improve our corporate value by controlling risks, uncertain factors in achieving our business plan across the entire group, within expectations through integrated risk management.

Promotion Structure

We have established a risk management committee to effectively and regularly update risk assessments and risk responses that incorporate environmental changes, and are implementing follow-up measures to ensure that they become firmly established. In addition, when a crisis occurs, we establish a crisis management headquarters according to the degree of impact and respond.

Risk management structure



Clarification of Risk Appraisals and Response

At JTEKT, we conduct risk assessment activities for each business axis, functional axis and regional axis. Every year, we use the "risk register" created by major organizations in our company and domestic and overseas group companies to evaluate the impact and likelihood of risks that may hinder the achievement of our organizational business objectives. The risks that have been determined to require priority response are being promoted across groups by the risk management department in charge of the risks.

Internal Penetration and Enlightenment Activities

To increase sensitivity to quality fraud, labor accidents, climate change, natural disasters, and information security, and to ensure appropriate responses are taken, various enlightenment activities are being implemented to promote understanding of risks and raise awareness.

The main initiatives going forward include risk management training for executives (Strengthening the ability to foresee risks - Creating a corporate culture where opinions and true feelings can be freely expressed) and training for risk managers (risk extraction, risk scenario workshop).

Enforcement of Immediate Reporting

We have expanded the scope of immediate reporting that requires prompt reporting after identifying compliance issues since FY2015. We are also working on thorough enforcement of operational rules and establishment of a system to ensure that the first report after identification of other risks is promptly communicated.

Information Security

We recognize that information security risks, including cyber-attacks, are increasing day by day as a critical management risk. In order to supply secure products in each process of product development, manufacturing, and shipping, in 2019, we established the JTEKT Group Policy of Information Security.

We also established a Chief Information Security Officer (CISO) and a department specializing in security in our organization in 2022, JTEKT is continuously working to strengthen measures against security threats to our products, the JTEKT Group, and related business partners.

Countermeasures for a Large-scale Disaster

In regards to large-scale disasters with particularly heavy impact on continuity of business activities, in accordance with the Basic Policy for JTEKT Group BCP,* JTEKT is promoting countermeasures for both tangible and intangible aspects, such as confirming safety of employees, emergency training, measures to mitigate disaster-related damage in households assuming various regional disaster risks and preparation for the early restoration of product supply.

* BCP: BCP is an abbreviation of Business Continuity Plan

Compliance

We position compliance as the premise and foundation upholding corporate value, and as therefore being essential to realizing the JTEKT Basic Principle. We have embarked on a Group-wide compliance program and are supporting the promotion of compliance aligned to the various natures of different businesses by our Group companies.

Training and Awareness-Raising Activities for All JTEKT Group Companies

JTEKT conducts ongoing training and awareness-raising activities targeting its directors, employees and all group companies regarding how compliance is deeply intertwined with our operations. We conduct annual training targeting our key corporate compliance officers (directors, auditors, Senior Executive Officer, etc.). The themes for our FY2022 training were "The mechanisms by which embezzlement and other forms of frauds occur, and cultivation of a corporate culture to prevent the frauds", and provided participants with the opportunity to realize their awareness on current status and issues for compliance of JTEKT.

Moreover, we have established every July as Compliance Awareness Month, during which our president sends out a message to all JTEKT Group employees, and compliance training materials are distributed for e-learning and workplace perusal, etc. in an effort to support compliance activities in each workplace. We also address compliance in internal training provided in line with ranks and job types so that each employee pays the necessary heed.

Compliance self-check

We carry out regular surveys targeting all JTEKT departments and Group companies to assess the management status regarding compliance affecting our operations, and plan and implement compliance promotion initiatives based on the results.

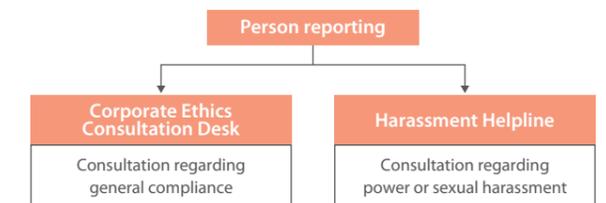
Whistleblowing System

JTEKT has set up several consultation desks (including those at which auditors consult directly) to allow employees to easily find a service aligned to the nature of the matter on which they wish to consult. This enables us to provide fine-tuned responses to each matter of consultation, thereby striving to prevent misconduct, and institute early responses and efforts to prevent recurrence. From FY2020, the Corporate Ethics Helpline (a service for consultation with legal professionals), one of the Corporate Ethics Consultation Desks, has been expanded to the domestic Group, with integrated information used to prevent recurrence and improve the skills of responding personnel.

No. of whistleblowing made in past 5 years

FY	2018	2019	2020	2021	2022
No. of reports	49	35	47	70	74

Role of the internal reporting consultation desks



Compliance with Competition Laws / Prevention of Corruption

With consideration to a global trend of placing importance on fairness in the transactions, features and transactions of JTEKT and JTEKT Group companies' businesses form and products, as well as the current trend of tightening of laws and regulations and their enforcement, JTEKT places particular importance on compliance with the Anti-Monopoly Act of Japan, the laws and regulations of various countries relating to competition and acts of corruption and bribery.

Appropriate Tax Payment

JTEKT understands that making the appropriate tax payments for each country and region in which business is conducted is important in order to realize our Basic Principle, and complies with legislation relating to taxation as well as the spirit of such laws. The JTEKT Global Conduct Guidelines have been established by resolution of the Board of Directors, to guide the conduct of all executive officers and employees and to ensure transparency in tax matters. JTEKT and the JTEKT Group conduct business in approximately 30 countries and regions throughout the world and engage in trade between group companies across countries and regions. In regards to the transfer pricing during such transactions, we have established a group policy conforming to the OECD Transfer Pricing Guidelines and endeavor to appropriately declare any income gained through our businesses in each relevant country and region. Moreover, we do not engage in tax planning leading to tax base erosion or income transfer that abuses tax havens or tax treaties, etc. in countries or regions outside of where our business sites are located. JTEKT also maintains a system whereby the Chief of Corporate Division or CFO who are the senior executive officers report important matters regarding risk about tax payment to the Board of Directors as appropriate, then follows instructions given by the Board.

Eleven-Year Consolidated Financial Summary

Fiscal years ended March 31		Unit	JGAAP						IFRS					
			FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales / Revenue	Billions of yen	1,067.5	1,260.1	1,355.9	1,399.9	1,318.3	1,441.1	1,520.8	1,520.8	1,418.8	1,246.2	1,428.4	1,678.1	
Business profit	Billions of yen	—	—	—	—	—	—	—	71.7	37.5	15.9	42.3	62.6	
Operating income / Operating profit	Billions of yen	29.1	58.2	74.1	81.9	77.4	81.3	66.6	63.7	16.1	12.9	36.4	49.3	
Ordinary income (loss)	Billions of yen	34.2	61.8	79.3	81.2	78.0	82.5	69.6	—	—	—	—	—	
Profit (loss) attributable to owners of parent / Profit (loss) for the year attributable to owners of the parent company	Billions of yen	13.8	23.3	42.5	48.6	47.5	49.6	24.6	27.2	(3.7)	0.8	20.6	34.2	
Net assets / Equity	Billions of yen	384.2	418.8	499.7	480.0	512.9	572.5	571.0	585.4	531.5	585.0	660.4	700.7	
Total assets	Billions of yen	1,026.9	1,066.4	1,126.2	1,075.8	1,117.8	1,277.0	1,267.8	1,298.0	1,244.2	1,291.3	1,386.4	1,441.3	
Net interest-bearing debt	Billions of yen	168.5	180.8	158.6	125.1	114.4	139.5	138.0	141.0	193.2	167.5	137.5	131.3	
Capital expenditures	Billions of yen	109.6	76.4	68.4	63.1	66.4	66.6	75.2	75.2	75.0	50.7	44.4	62.3	
Depreciation and amortization	Billions of yen	44.2	53.0	57.0	58.4	56.0	60.4	66.9	64.3	64.6	63.0	66.9	69.4	
Research and development expenses	Billions of yen	36.3	40.1	41.3	46.2	48.2	55.2	63.6	63.6	64.7	52.1	47.5	51.3	
Cash flows														
	Cash flows from operating activities	Billions of yen	49.9	89.2	103.3	110.1	99.2	100.0	103.0	104.1	62.3	91.7	67.0	78.2
	Cash flows from investing activities	Billions of yen	(101.0)	(87.1)	(62.0)	(59.9)	(68.0)	(99.0)	(75.3)	(75.2)	(91.7)	(52.5)	(25.2)	(52.1)
	Cash flows from financing activities	Billions of yen	(5.8)	(35.4)	(36.4)	(49.3)	(22.1)	60.2	(26.5)	(27.3)	34.2	(57.9)	(43.5)	(28.7)
	Cash and cash equivalents	Billions of yen	93.8	61.9	65.4	61.6	70.2	132.6	132.4	132.4	134.8	118.6	124.2	123.8
Financial index														
	Business profit margin	%	—	—	—	—	—	—	4.7	2.6	1.3	3.0	3.7	
	Operating income margin	%	2.7	4.6	5.5	5.9	5.9	5.6	4.2	1.1	1.0	2.5	2.9	
	Ordinary income margin	%	3.2	4.9	5.9	5.8	5.9	5.7	—	—	—	—	—	
	ROA	%	1.4	2.2	3.9	4.4	4.3	4.2	2.1	(0.3)	0.1	1.5	2.4	
	ROE	%	4.0	6.2	9.8	10.5	10.1	9.7	5.0	(0.7)	0.2	3.3	5.3	
	Equity ratio	%	35.4	37.1	42.0	42.3	43.6	41.7	42.4	40.1	42.7	45.0	46.3	
	D/E ratio	Times	0.46	0.46	0.34	0.27	0.23	0.26	0.26	0.39	0.30	0.22	0.20	
	Inventory turnover months	Months	1.8	1.6	1.5	1.4	1.4	1.4	1.4	1.6	1.8	1.7	1.7	
Share information														
	Market capitalization	Billions of yen	305.2	524.9	644.0	501.1	593.5	541.0	467.5	252.3	387.9	330.9	350.4	
	Number of shares issued	Thousands of shares	342,186	342,186	343,286	343,286	343,286	343,286	343,286	343,286	343,286	343,286	343,286	
	Dividends per share	Yen	16	18	34	42	42	43	44	38	16	18	30	
	Payout ratio	%	39.5	26.3	27.4	29.6	30.3	29.7	55.4	—	685.2	29.8	30.0	
	Number of employees	Persons	41,714	43,456	43,912	43,938	44,528	49,589	49,693	49,933	48,332	47,167	46,053	
Exchange rate														
	USD	Yen	83.10	100.23	109.93	120.14	108.38	110.85	110.91	108.74	106.06	112.38	135.47	
	EUR	Yen	107.14	134.37	138.77	132.58	118.79	129.70	128.41	120.82	123.70	130.56	140.97	

List of Non-financial Data

Four-Year of Non-financial Data

		Unit	FY2019	FY2020	FY2021	FY2022		
Contributing through Monozukuri	Products [Consolidated]	Contribution to CO ₂ emissions reduction through products ¹⁾	Thousand tons	830	812	130	225	
	Research and Development [Nonconsolidated]	Number of patent applications		Cases	611	498	329	326
		Patent applications for new technologies and related to new areas		%	38	41	35	35
	Environment [Consolidated]	Prevention of global warming	CO ₂ emissions for internal production	Thousand tons	698	556	621	585
			Renewable energy introduction rate	%	4.7	5.1	4.1	4.4
		Effective use of resources	Waste emissions basic unit per in-house production volume	Tons/100 million yen	9.32	8.51	8.10	7.54
			Recycling rate	%	87.5	87.7	88.9	86.2
			Water usage basic unit per in-house production volume	Thousand m ³ /100 million yen	1.05	1.10	0.97	0.87
	Environment [Nonconsolidated]	Prevention of global warming	Total CO ₂ emissions for internal production	Thousand tons	239	184	223	206
			Total CO ₂ emissions in logistics	Thousand tons	10.7	8.6	9.5	8.9
Renewable energy introduction rate			%	6.3	6.6	6.7	6.8	
Effective use of resources		Waste emissions basic unit per in-house production volume	Tons/100 million yen	6.26	5.97	6.19	6.50	
		Recycling rate	%	100	100	100	100	
Establishment of a firm management foundation	Safety and Health [Nonconsolidated]	Lost time accident rate			0.07	0.20	0.11	0.11
		Total number of selected human capital pools (number of successor candidates for head of department)		Persons	122	112	131	96
	Employees [Consolidated]	Level of understanding by employees of own division's vision ²⁾		%	86.3	—	90.7	92.1
		Percentage of female employees		%	10.30	10.59	10.52	10.07
	Employees [Nonconsolidated]	Percentage of women in administrative positions	Managerial positions	%	1.20	1.20	1.68	2.02
			Assistant managers	%	5.15	5.61	5.90	6.01
	Employment rate of persons with disabilities		%	2.24	2.23	2.29	2.32	
	Acquisition rate for childcare leave (female)		%	92.9	100	100	100	
	Acquisition rate for childcare leave (male)		%	5.7	13.0	17.3	32.1	
	Education and training time per employee		Hours	11.2	3.39	7.02	7.7	
Governance [Nonconsolidated]	Number of whistleblowing made		Incidents	35	47	70	74	
All data relating to employees [Nonconsolidated]	Number of employees (number of female employees)			15,147 (1,613)	14,490 (1,471)	14,303 (1,504)	14,173 (1,427)	
	Total number of fixed-term, part-timer, reemployed, and temporary employees		Persons	3,055	2,458	2,638	2,761	
	Job turnover rate within the first 3 years [permanent employees, seasonal recruits, voluntary early retirement]		%	2.96	3.51	4.08	2.34	
	Number of hires [periodic recruits] (number of female recruits)	Total			257 (14)	147 (12)	145 (10)	149 (7)
		Persons	Administrative		14 (6)	20 (8)	20 (7)	21 (4)
Technical				111 (5)	53 (3)	52 (2)	50 (0)	
Specialist				132 (3)	73 (1)	73 (3)	78 (3)	

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

*2. Survey on degree of understanding not conducted in FY2020

Sustainability Indicators and Targets

	Indicators	Targets	Notes
Responses to climate change	CO ₂ emissions	60% reduction compared with FY2013 levels (including 17 domestic and 31 overseas Group companies)	FY2030 target
Creation of a Recycling-Based Society	Waste emissions basic unit per in-house production volume	7% reduction compared with FY2018 levels	FY2025 target
	Water usage basic unit per in-house production volume	7% reduction compared with FY2018 levels	FY2025 target
	No. of spills involving environmentally hazardous substances (legal violations)	0 incidents (including companies subject to consolidation)	(Ongoing target)
Occupational Safety and Health	No. of major accidents	0 incidents (including companies subject to consolidation)	(Ongoing target)
	Lost Time Accident Frequency Rate	0.05 (Nonconsolidated)	This rate indicates the frequency of accidents, which in this case should be taken to refer to the number of injuries resulting in lost workdays per million actual working hours.
Health	Outcomes of Health Management Survey	Ranked in the top 500 (Nonconsolidated)	Acquired White 500 accreditation for Health & Productivity Management Outstanding Organizations
Human Resource Development	Participation rate for issue resolution training (new hires)	100%	
	Participation rate for issue resolution training (second year employees)	100%	
	Participation rate for issue resolution training (third year employees)	100%	
	Participation rate for issue resolution training (assistant managers)	100%	
Engagement	Employee net promoter score (eNPS)	-60 (nonconsolidated)	FY2025 target (Initial FY2023: -69)
Diversity	Number of women in administrative positions	At least 40 (Nonconsolidated)	FY2025 target
	Acquisition rate for childcare leave by male employees	At least 50% (Nonconsolidated)	FY2025 target
Compliance	No. of serious legal violations	0 incidents	(Ongoing target)
Cyber Security	No. of incidents of a serious nature arising	0 incidents	(Ongoing target)

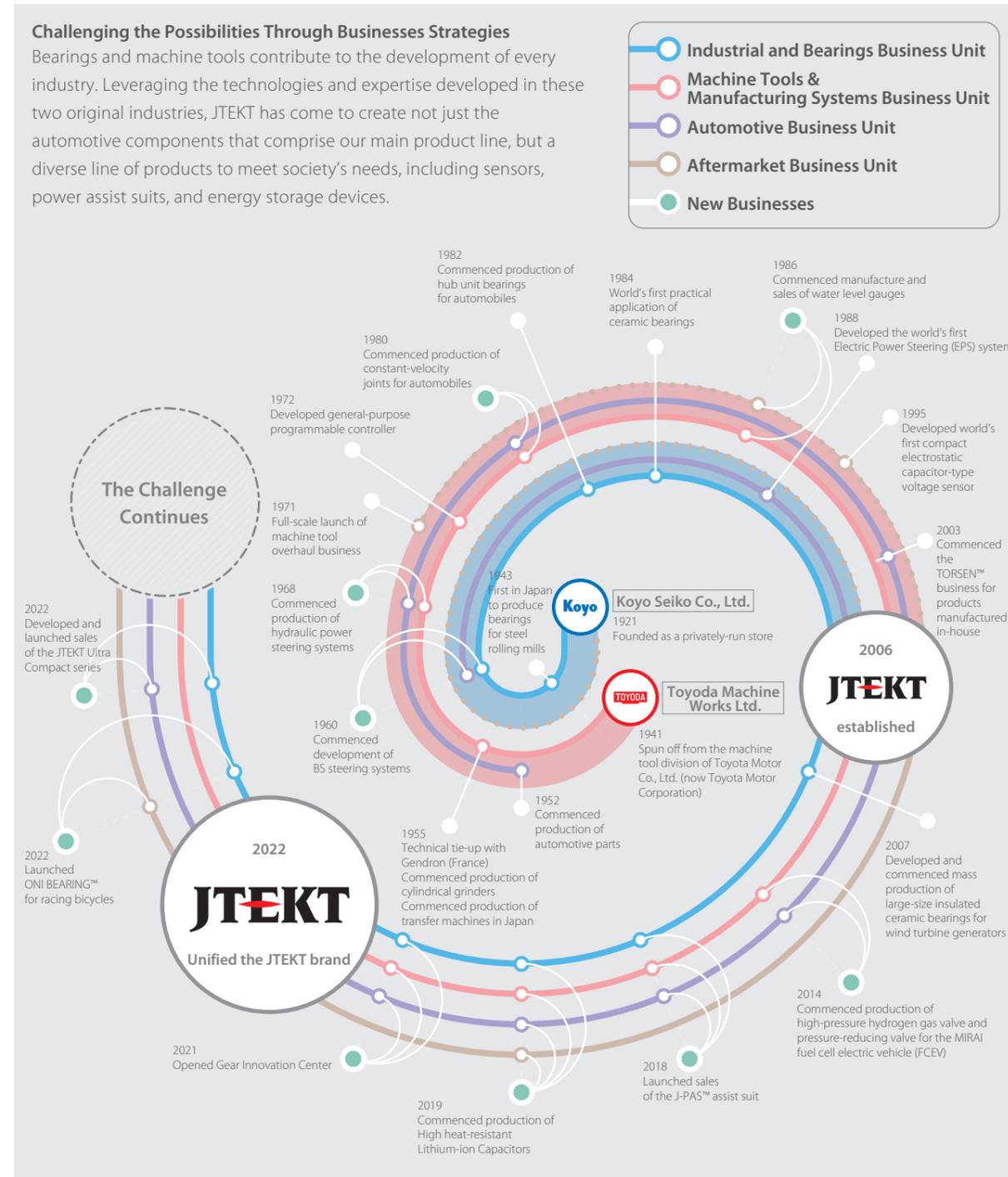
Evaluation index (KPI) for health management promotion

We regard labor losses due to employee health problems as a management issue, and evaluate them from the two perspectives of "result index" and "action index." In particular, the "action index" are designed to be indicators that can be improved by raising the health awareness of each individual, with the aim of fostering the awareness of all employees to participate in health promotion measures. We are working to improve the health of our employees by implementing the PDCA cycle to achieve our goals so that they can work in good health and vigorously.

Classification	Items	FY2025 target	FY2022 result
Result Index	Days of non-occupational injury or illness leaves	29,000 days	35,745 days
	Number of non-occupational injury or illness leaves	480 persons	606 persons
	Days of mental illness leaves for the first time	3,750 days	6,802 days
	Number of mental illness leaves for the first time	63 persons	90 persons
Action Index	Healthy Human Assessment (★: Common to the TOYOTA group)		
	<ul style="list-style-type: none"> ★ Healthy weight ★ Well rested by sleeping ★ Eat breakfast everyday ★ Non-smoker ● Have a hobby ★ Light drinker / Non-drinker ★ Have an exercise habit ★ Don't eat snacks ★ Excellent mental health ● Brush own teeth twice a day 	Percentage of people who checked 7-10 items is 70% or more.	Percentage of people who checked 7-10 items is 60.4%.

History of JTEKT

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



Initiatives Based on Synergies between JTEKT Groups and Their Results

JTEKT Automotive Business Unit × Machine Tools & Manufacturing Systems Business Unit = Water Level Gauges

Using the advanced technologies and know-how that we accumulated in the automotive parts and machine tool businesses, we developed sensors that boast high precision, high quality, and high reliability, and in 1986 we commenced production and sales of throw-in type water level meters using pressure sensors. To date, we have delivered more than 42,000 water level meters and boast the number two share* of the domestic market.

Our water level meters feature long lives, energy-saving, and maintenance-free specifications. They are used to monitor water levels in manholes to prevent inland flooding and for disaster mitigation such as crisis management for monitoring reservoirs and small and medium-sized rivers. These products contribute to convenience, comfort, and safety in a variety of fields including public infrastructure, healthcare, social welfare, and vehicles.

* Percentage share is based on our company research.



JTEKT Thermo Systems Corporation × JTEKT Fluid Power Systems Corporation × JTEKT = High heat-resistant Lithium-ion Capacitors

We develop High heat-resistant Lithium-ion Capacitors that achieve heat resistance from -40°C to 85°C, a world's first, for use as auxiliary power supply devices in EPS with the aim of solving the problem of insufficient output of vehicle power supplies, an issue when installing EPS in large vehicles. These capacitors feature high durability, safety, and reliability, and as a result, it is expected that they will be used in a wide range of fields, not limited to automotive auxiliary power sources, but also power stabilization for renewable energy such as wind power.

During the manufacturing process, we use machinery produced in-house to make use of Group strengths including machine-tool spindle control technology, cylindrical grinder



JTEKT Precision Bearing Corporation × JTEKT = PRECILENCE™ Ultra-High-Precision Bearings

Our machine tool business is also a user of bearings. Increase the processing precision of machining centers, we collaborated with Group companies to develop bearings for main shafts that outperform earlier products. PRECILENCE™ bearings boast ultra-high-precision rotation performance and are used not only in machine tools, but a variety of industries.



JTEKT Grinding Tools Corporation × JTEKT Machine Systems Corporation × JTEKT = Vertical Multi-Process Grinders

The grinding wheel technology of JTEKT and JTEKT Grinding Tools Corporation was integrated with vertical multi-head grinders, a strength of JTEKT Machine Systems.

We propose new forms of manufacturing (monozukuri) in growth fields including robots, semiconductor manufacturing equipment, machine tools, agriculture and construction machinery, and energy machinery.



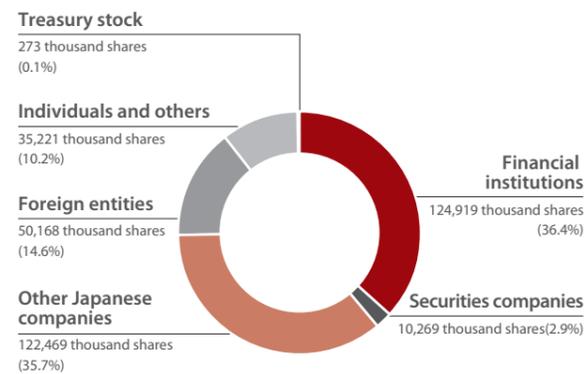
Stock Information / Company Overview

Stock Information

Stock Information

No. of shares	No. of shares authorized 1,200,000 thousand shares
	No. of shares issued 343,286 thousand shares
No. of shareholders	29,374

Distribution by Ownership (Percentage of shares issued)



Major Shareholders (Top ten)

Name	No. of shares (Thousand shares)	Ratio of shareholding (%)
Toyota Motor Corporation	77,235	22.5
The Master Trust Bank of Japan, Ltd. (Trust account)	46,333	13.5
Custody Bank of Japan, Ltd. (Trust account)	32,007	9.3
DENSO CORPORATION	18,371	5.4
Nippon Life Insurance Company	11,125	3.2
Toyota Industries Corporation	7,813	2.3
Sumitomo Mitsui Trust Bank, Limited	7,635	2.2
Sumitomo Mitsui Banking Corporation	6,366	1.9
Toyota Tsusho Corporation	5,969	1.7
JTEKT employee shareholding association	5,713	1.7

Note: The ratio of shareholding is calculated by deducting the number of treasury stock (273 thousand shares) from the number of shares issued (343,286 thousand shares).

Information on Stock Prices

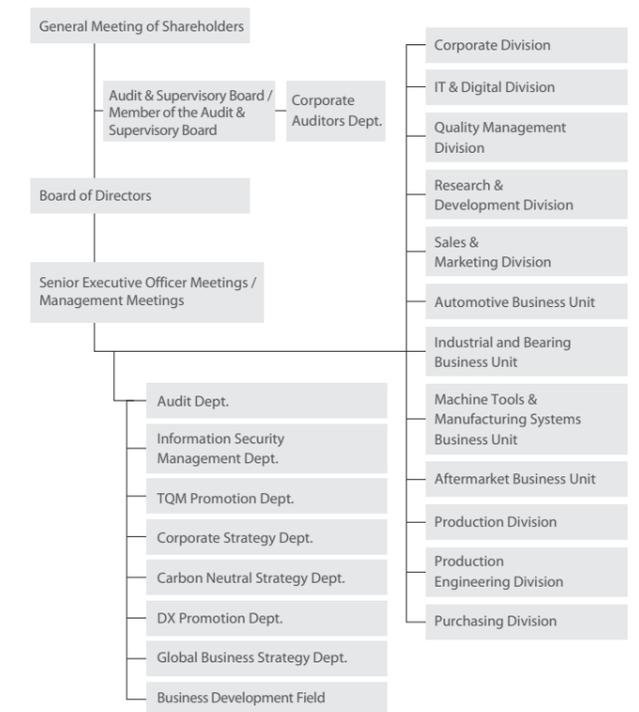


Company Overview

Corporate Profile

Company name	JTEKT Corporation
Headquarters and head office	1-1, Asahi-machi, Kariya, Aichi 448-8652, Japan
Phone number	[Head Office] +81-566-25-7211
President	Kazuhiro Sato
Capital	45,591 million yen (As of March 31, 2023)
No. of employees	46,053 [Consolidated] (As of March, 2023) 11,412 [Nonconsolidated]
Revenue	1,678,146 million yen [Consolidated] (As of March, 2023)
Business profit	62,658 million yen [Consolidated] (As of March, 2023)
Revenue	695,275 million yen [Nonconsolidated]
Ordinary income	98,486 million yen [Nonconsolidated]
No. of consolidated subsidiaries	124 (Domestic: 29, Overseas: 95) (As of March, 2023)

Organizational Chart (As of October 1, 2023)



Third-Party Evaluations

In FY2022, we received recognition for our pioneering initiatives to address climate change issues such as reduction of environmental load and CO₂ emissions for the realization of our aim of "minimization" of CO₂ emissions set forth in the JTEKT Environmental Challenge 2050.

- Component of the FTSE Blossom Japan Sector Relative Index
- Component of the SOMPO Sustainability Index (12th consecutive year)
- Selected as the CDP2022 Supplier Engagement Leader for the second consecutive year and received the highest ratings for Water Security Category



Major Certifications and Awards in FY2022

- JTEKT India Co., Ltd.'s in-house vocational training school received accreditation from the Ministry of Economy, Trade and Industry as a Japan-India Institute for Manufacturing.
- Our GS200H Gear Skiving Center™ received the 56th Minister of Economy, Trade and Industry Award for Promoting the Machine Industry sponsored by the Japan Society for the Promotion of Machine Industry.
- Our electric power steering (EPS) system, the world's first for automobiles, received the One Step on the 15th Electro-Technology Award from the Institute of Electrical Engineers of Japan.
- Our J-PAS fleainy™ Assist Suit for nursing care use received the Excellence Award (Business and Social Implementation Category) at the 10th Robot Awards jointly sponsored by the Ministry of Economy, Trade and Industry (secretariat), the Japan Machinery Federation (secretariat), the Ministry of Internal Affairs and Communications, the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Land, Infrastructure, Transport and Tourism.
- Our High heat-resistant Lithium-ion Capacitor received the Technological Development Award at the 72nd JSAE Award sponsored by the Society of Automotive Engineers of Japan, Inc.



JTEKT Corporation

Inquiries

Corporate Planning Department, Corporate Management HQ, JTEKT Corporation

1-1, Asahi-machi, Kariya, Aichi 448-8652, Japan

TEL: +81-566-25-7217 FAX: +81-566-25-7338

JTEKT REPORT is available for viewing on JTEKT's official website.

www.jtekt.co.jp/e/

