JTEKT

JTEKT Report 2021

CORPORATE PHILOSOPHY

Seek to contribute to the happiness of people and the abundance of society through product manufacturing that wins the trust of society.

JTEKT GROUP VISION

Shaping a Better Future through the Spirit of

No. 1 & Only One

We will be an invaluable partner with our customers, our suppliers, and our team members.
We will deliver "No. 1 & Only One" products and services through "Building Value," "Building Excellent Products," and "Building Professionals."

Building Value

Provide value to customers by delivering products and services that exceed their expectations.

Building Excellent Products

Astonish the world with *monozukuri*, the art of refined craftsmanship and superior quality.

Building Professionals

Develop a team composed of individuals working together, acting with initiative, confidence, pride, and passion as global members of JTEKT.

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 following guidelines that were referenced when creating this report. For more information on ESG, please visit our website.

We hope this report facilitates an understanding our corporate activities.

Reference guidelines

- IIRC (International Integrated Reporting Council) framework
- Japan's Corporate Governance Code
- The GRI (Global Reporting Initiative) Standards
- Japan's Ministry of the Environment "Environmental Reporting Guidelines (2018 edition)"
- ISO 26000 (International Standard for corporate responsibility)

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 results may differ from those stated .

JTEKT REPORT 2021 (Integrated Report)
https://www.jtekt.co.jp/e/ir/f_jtekt_report.html

Annual Securities Report	Sustainability Website	Corporate Governance Report
https://www.jtekt.co.jp/ir/security.html	https://www.jtekt.co.jp/e/sustainability/	https://www.jtekt.co.jp/company/cg/
Detailed information on financial results	Information related to sustainability	Information related to corporate governance

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

Target period:	Target organizations and scope:
April 2010 to March 2021	**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 dating back to the past.

Report Compositional Elements

Creating **No. 1 & Only One**

This report has been compiled based on the concept shown below to explain the creation of the JTEKT GROUP VISION "No. 1 & Only One."

Management Principles

The basic philosophy at the core of the JTEKT Group. An identity that systematically indicates what we should be.

CORPORATE PHILOSOPHY

Seek to contribute to the happiness of people and the abundance of society through product manufacturing that wins the trust of society.

JTEKT GROUP VISION

No. 1 & Only One
Shaping a Better Future

Building Value | Building Excellent Products | Building Professionals

P01~02, P05~10

Business Environment Awareness

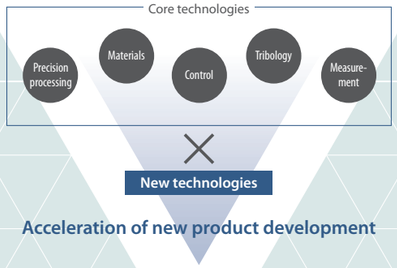
We recognize the strengths cultivated since our founding and the social structures and market economies that change over time, reflecting both in our growth strategies.

External Environment Awareness

We perceive social issues from the perspective of markets and customers.

JTEKT's Strengths

JTEKT's core technologies and the new technologies created from them.



P11~18, P37~44, P71~78

Strategies

Business Strategies

Based on our recognition of the business environment, we formulate business strategies from a long-term perspective. We execute these strategies to achieve our goals.

No. 1 & Only One

Medium- to Long-term Business Plan

We formulated our Vision 2030 and Medium- to Long-term Business Plan.

Various Capital Strategies

We support our business strategies with financial and a variety of other capital strategies.

P19~44

Foundation supporting JTEKT growth

We promote the creation of a foundational governance structure and engage in social and environmental initiatives.

P45~46

Corporate Governance

Governance structure for enhancing corporate value

P47~58

Society

Building relationships of trust with all stakeholders

P59~64

The Environment

Promoting environmentally aware corporate activities

P65~70

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History

Carrying on passion and aiming to be **No. 1 & Only One**

Since their establishment, Koyo Seiko and Toyoda Machine Works have continually perfected their technologies to provide high-quality and reliable products. JTEKT carries on this passion.
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.

1921–

Developed bearings-based technologies for steering components and machine tools

In 1921, Zenichiro Ikeda founded Koyo Seiko and began the domestic manufacturing of bearings. Utilizing our bearing-based technology, we developed and began manufacturing the electric power steering (EPS) system for the first time in the world in 1988.

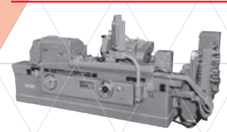
1960s bearing package

Electric power steering (EPS)

1941–

Pursuit of machine tools, steering, and driveline component applications

In 1941, Machine tools department of Toyota Motor Corporation spun off to establish Toyoda Machine Works, Ltd. Developed and launched mass production of cylindrical grinders*1 in 1965, hydraulic power steering*2 in 1968 and electronic intelligent torque-controlled coupling (ITCC*3) for 4WD vehicles in 1998.


1960s cylindrical grinders

4WD electronic intelligent torque-controlled coupling (ITCC)

*1 A machine that uses a rotating wheel to grind the surface of a workpiece.
*2 A steering mechanism that uses the engine to drive a pump and hydraulic pressure to provide assistance.
*3 Intelligent Torque Controlled Coupling: A mechanism that detects the difference in rotation between the front and rear wheels and electronically controls the front and rear wheels for optimal torque distribution.
*4 Low Friction Torque
*5 The ability to move objects with little force (equivalent to low friction)
*6 A numerically controlled machine tool that has an automatic tool change function and performs different types of machining, such as milling, boring, drilling, and tapping, in a single unit according to the purpose.
*7 A machine that performs gear cutting using the relative velocity generated by tilting and rotating the tool and workpiece.

JTEKT
January
JTEKT is established

2006–2009

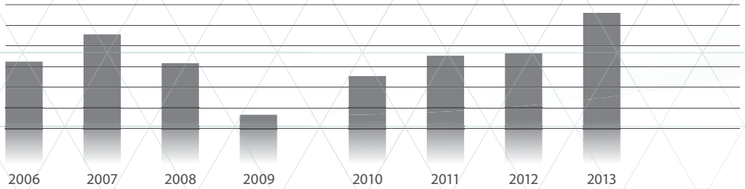
Establishment of JTEKT, accelerating globalization

A period for creating synergies between the technologies and product lines of both companies. We accelerated globalization with the aim of becoming a top-level automobile parts manufacturer recognized worldwide.

2010–2013

Transforming into a systems supplier

Transformative period during which JTEKT became a supplier able to offer system proposals to customers. We aimed to conduct various tests and evaluations from the same perspective as our customers.



2014–2020

More solutions to social issues

JTEKT leaps forward as a global leading company. Under the slogan "No. 1 & Only One" and an insistence on product and service quality we aimed to become an indispensable partner to our customers.

2021–2030

Formulation of Medium- to Long-term Business Plan
Determination of materiality
Business unit reorganization
Formulation of targets for carbon neutrality

Formulation of JTEKT's Version of TQM

JTEKT Reborn

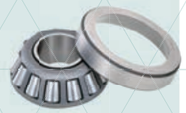
2007
"JTEKT VISION 2015"
Creation & Innovation
Ongoing global growth, becoming a truly global company

2011
Revised to "JTEKT VISION 2015"
Expanding business domain and enhancing product strengths

2014
"JTEKT GROUP VISION"
No. 1 & Only One
Shaping a better future

2016
Formulated the "JTEKT WAY"

2007
Developed LFT-III*4 super-low friction torque*5 tapered roller bearing



2008
Developed horizontal spindle machining center*6 FH1250SW

2009
Concluded agreement to acquire the needle bearing business of Timken Company in the Unites States

2011
Developed dual pinion-type electric power steering system (DP-EPS)

2012
Opened Iga Proving Ground to test and analyze actual vehicle performance

2012
Developed gear skiving center*7

2017
Established the JTEKT IT Center Akita Corporation as a software development base

2018
Launched sales of power assist suit (J-PAS*8)

2019
Established J-QuAD DYNAMICS Inc., a joint-venture company developing integrated software aimed at the adoption of automated driving

2020
Acquired shares in Yutaka Seimitsu Kogyo, Ltd., to strengthen 4WD driveline systems

2020
Relocation of Head Office to Kariya City, Aichi Prefecture

*8 JTEKT's Power Assist Suit

* JTEKT is the brand name of JTEKT Corporation's automotive components (steering and driveline components). * TOYODA is the brand name of JTEKT Corporation's Machine Tools & Systems products. * Koyo is the brand name of JTEKT Corporation's bearings (including bearings and oil seals). * ITCC is a registered trademark of JTEKT Corporation.
* LFT is a registered trademark of JTEKT Corporation.
* DP-EPS is a registered trademark of JTEKT Corporation. * Gear skiving center is a registered trademark of JTEKT Corporation.
* J-PAS is a registered trademark of JTEKT Corporation.

JTEKT Business

Contribute to a prosperous society with diverse technologies and high-quality products

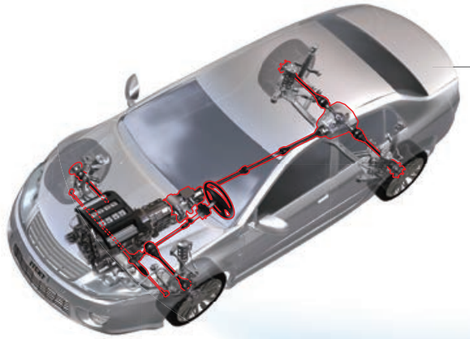
We will create products and services that exceed customer expectations by more accurately and speedily grasping the needs of the market.

Automotive Business Unit

P37~38

Sales composition ratio 63%

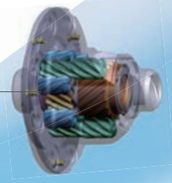
Leading supplier of components responsible for "driving" and "turning"



The world's first successful development and mass production of electric power steering (EPS)

From the start of production in 1988 to the present day, JTEKT's EPS, which has the world's No. 1 share, contributes to a prosperous motorized society through improved fuel efficiency, safety and security.

"TORSEN*1" provides "safety and security" and "driving pleasure"



TORSEN supports stability and driving performance in sports cars, SUVs and other vehicles. It is also increasing adopted for use in FF vehicles.

*1 A type of LSD (limited slip differential), a drive line device that optimally distributes torque between the left and right or front and rear axles when a vehicle turns.

Industrial & Bearings Business Unit

P39~40

Sales composition ratio 27%

Technology that supports the revolution of society and moves various industries more smoothly

Automotive bearings that meet the needs for automobile electrification and autonomous driving

JTEKT provides bearings in a timely manner suitable in all operating environments and conditions for the performance required of automobiles.

Compact, lightweight and long service life bearings for industrial machinery

As robots will likely become indispensable to our lifestyle in the future, smaller, lighter and longer-lasting bearings contribute to improved performance realizing highly accurate movements in narrow spaces.

Bearings that move semiconductor and LCD manufacturing machinery

"Special environment bearings" able to operate stably in vacuums, clean rooms, high temperature, corrosive and other environments are manufactured using materials, surface treatment and lubrication technologies.

New Businesses

Diligently studying all the technologies possessed by JTEKT to create new value

World's first high heat-resistant lithium-ion capacitor*2

JTEKT developed the world's first high heat-resistant lithium-ion capacitor that can be used in environments from -40°C to 85°C. In addition to being installed in automobiles, it contributes to power supply management in a wide range of fields such as power generation equipment and aerospace.

*2 A capacitor that increases energy density by adding lithium ions to the negative electrode material of a capacitor with an electric double layer of positive and negative electrodes.

Power assist suit J-PAS*3 contributes to reducing work load burdens

In order to address declining birthrates, aging populations, labor shortages, rising work-related accidents and other social issues, JTEKT leveraged its strengths in assist technologies and as a manufacturer with production facilities to develop a product that reduces burdens placed on site workers, saves labor, creates safe workplaces and supports the active participation of a diverse range of human resources.

*3 JTEKT's Power Assist Suit

Aftermarket Business Unit

P43~44

Finding value in using the product to the end

We aim to meet the needs of a circular society and become a solution partner that supports the product life cycle.

In the repair market, we will create new value from the customer's point of view and provide a wide variety of products, services, and joy.

A wide variety of products

Machine Tools & Systems Business Unit

P41~42

Sales composition ratio 11%

Providing value in all phases of manufacturing

Cylindrical grinders*4 with the No. 1 domestic market share supported by inherited and new technologies

Grinding machine processing technologies cultivated through manufacturing in all industries contribute to the high precision of motor shafts and film rolls, as well as cams and crankshafts in automobile engines.

*4 A machine that uses a rotating wheel to grind the surface of a workpiece.

The world's first gear skiving*5 technology installed in a machining center*6

Gear skiving centers, born from the "TORSEN" differential*7 gear manufacturing plant for automobile parts, contributes to the high functionality of automotive gears, robots and motor units, facilitating new production methods.

*5 A machine that performs gear cutting using the relative velocity generated by tilting and rotating the tool and workpiece.
*6 A numerically controlled machine tool that has an automatic tool change function and performs different types of machining, such as milling, boring, drilling, and tapping, in a single unit according to the purpose. *7 A mechanism that absorbs the difference in rotation between the left and right wheels for smooth turning.

* TORSEN is a registered trademark of JTEKT Corporation.
* J-PAS is a registered trademark of JTEKT Corporation.

Value Creation Model

Corporate Philosophy

Seek to contribute to the happiness of people and the abundance of society through product manufacturing that wins the trust of society.

JTEKT GROUP VISION

Shaping a Better Future through the Spirit of No. 1 & Only One

Social Issues

Politics
- Carbon neutrality and the realization of a decarbonized society
- U.S.-China hegemony struggle
- Weakening of the EU
- Rise of protectionism
- Retreat of democracy

Economy
- Expanding and deepening economic cooperation
- Rise of emerging economies
- Japan's low growth becoming normal
- Green Deal
- ESG investment

Society
- Population growth, resource depletion, food shortages
- Low birthrate, aging population, demand for healthy longevity
- Increasing inequality
- Changing lifestyles and values in response to the COVID-19 pandemic, such as non-contact and decentralization

Technology
- Advent of a digitalized society
- Labor substitution by AI and robots
- Rapid advance of EVs, software-first
- Fusion of the real and the virtual
- Evolution of non-contact technologies such as unmanned services

INPUT

Financial capital
Total assets: ¥1,291.3 billion
Net interest-bearing debt: ¥167.5 billion

Manufactured capital
Number of overseas base countries and regions: 30 countries
Capital expenditures: ¥50.7 billion

Intellectual capital
R&D expenses: ¥52.1 billion
Number of patent applications: 498

Human capital
Number of consolidated employees: 48,332

Social and relationship capital
Consolidated subsidiaries: 154

Natural capital
Total energy input: 16,570,397 GJ
Water consumption: 4,814 thousand m³

Building Value

Building Professionals

JTEKT's Strengths

Precision processing/Materials/Tribology*1/Control/Measurement
Core technologies

New technologies

Acceleration of new product development

Building Excellent Products

OUTPUT

Revenue: ¥1,246.2 billion

Operating profit: ¥12.9 billion

Cash flows from operating activities: ¥91.7 billion

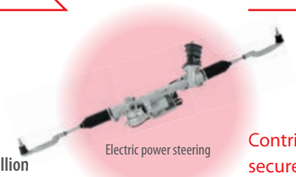
323 patents acquired

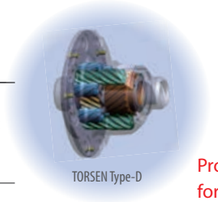
A total of 3,744 JTEKT Academy graduates

Female employee ratio: 10.59%

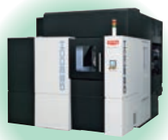
Ratio of foreigners in important posts overseas: 75.8%

CO_2 emissions: 681 thousand tons


Electric power steering


TORSEN Type-D

Robot bearings


Gear skiving center

Capacitor

OUTCOMES

Contributing to safe, secure, and comfortable lives for all people

Protecting a rich Earth for future generations

Providing new value in manufacturing

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

Reinvestment to provide ongoing value

SUSTAINABLE DEVELOPMENT GOALS

In September 2015, 17 Sustainable Development Goals (SDGs) and 169 targets were adopted at the UN Sustainable Development Summit. The JTEKT Group is doing its part to achieve the SDGs as a member of the international community.

*1 The science and technology of all phenomena occurring between two surfaces in relative motion that affect each other, including lubrication, friction, wear, seizure, and bearing design.

Top Message

JTEKT Reborn

The first year of JTEKT Reborn— A revitalized company pursuing continuous innovation, for the Earth, for Society, for Customers.

I. Looking in a mirror, getting on a scale—Tearing down the walls between divisions, and changing the management mindset

I would like to begin by expressing my sincere sympathies to everyone affected by the COVID-19 crisis, as well as my deep appreciation to the medical professionals and everyone striving to prevent further spread of the pandemic.

When I assumed the position of president in June 2020, it was a difficult start on my path as executive manager. JTEKT recorded loss for the year attributable to owners of the parent company of ¥3.7 billion in fiscal 2019, and in the first quarter of fiscal 2020 posted an operating loss of approximately ¥30 billion as lockdowns and other restrictions due to COVID-19 took their toll. Up to that point, JTEKT had become downright flabby, never looking in a mirror or getting on a scale. My first act was to task the Earnings Improvement Committee, established in April 2019 when I was an advisor, with clarifying the current cost structure and ascertaining where the excess fat was compared to the year JTEKT posted record-high earnings, as well as to other companies. We investigated problems throughout the company without any exceptions, taking steps to eliminate unprofitable products, while at the same time measuring and reviewing key performance indicators (KPIs) during the monthly managerial committee meeting. In essence, we implemented a structure to follow a self-directed crash diet.

In parallel with these measures, we set out to reform the mindset of top management. Up to this point, JTEKT had allocated resources based on the management policies of each operational division. Because we focused on the near term for all businesses, and insufficient foresighted investment that took into account the optimal thinking for the entire company. Product competitiveness had declined, and research and development to capture the next business opportunity was marked by halfway measures. To counter this situation, we introduced a senior executive officer system that eliminated the hierarchy between directors, and established the Strategy Committee to thoroughly consider the future of the JTEKT Group beyond each position from all angles. Time was set aside every Monday morning for all directors, including the Strategy Committee, to hold discussions. Compared to when we first started, I feel that discussions have become much more animated. As a result, we were able to formulate Vision 2030 for the JTEKT Group as well as the medium- to long-term business plan, which identifies the specific items on which we should focus over the next three years. Communication between individual directors has also improved, and I feel like we are moving toward real coordination between operational divisions.

This shared sense of crisis throughout the corporate group has clarified the system of responsibility for fundamental improvement in the earnings structure. Furthermore, as a result of structural reforms, in fiscal 2020 JTEKT recorded revenue of ¥1,246.2 billion, with business profit of ¥15.9 billion. This represented a year-on-year decline in both sales and earnings, but profit for the year attributable to owners of the parent company increased ¥4.5 billion from the previous fiscal year to ¥0.8 billion, putting JTEKT back in the black. We came together as a corporate group in the conviction that we must avoid a second consecutive year of loss for the year attributable to owners of the parent company at all costs, achieving this result through cost cutting and other measures. I feel that making good on our promises has boosted everyone's confidence. However, while this crash diet has been a success, if we are not careful we could quickly rebound, and there are still aspects that can be slimmed down. Our aim is for a healthy and robust body. We are determined to strengthen our management practices, enhance competitiveness, and together with our Group companies work to achieve One JTEKT.

II. From roommates to family—A true merger that generates synergy as One JTEKT

The recently formulated medium- to long-term business plan establishes fiscal 2021 as the initial year for JTEKT Reborn. This plan incorporates a determination to regain our lost competitiveness. It goes beyond just "change" for JTEKT to be a sustainable company with annual growth, expressing the necessity for us to be "reborn."

I arrived at JTEKT in January 2020 as an advisor, and during the little over six months until I assumed the role of president, I noticed three things that I thought were out of place. The first was that although it had been 15 years since Koyo Seiko and Toyoda Machine Works were merged to form JTEKT, the operational processes and mentalities of each side had not yet been fully integrated. The second was that despite being part of the Toyota Group, JTEKT was not making use of the benefits of that status, and showed no sign of enthusiasm to do so. The third was that the JTEKT Group seemed unaware that it possessed so many exceptional products and technologies, and was making almost no effort to pursue synergies between business divisions. I felt that we needed to eliminate these three issues and achieve a turnaround, so we established "a true merger" and "cooperation between the Toyota and JTEKT corporate groups" as the two pillars for the "Reborn" program.

One aspect of reform that we implemented almost immediately without waiting for the start of the medium-term period, was in December 2020 to move the head office functions from Nagoya, where JTEKT had started, to Kariya in central Aichi Prefecture. This was something I had been considering since my time as advisor, and proposed it at the Board of Directors' meeting soon after taking over as president. There were two main reasons for moving the head office. The first is that JTEKT is part of the Toyota Group. Toyota is our biggest customer, and many Toyota Group companies' head office are located in Kariya. Central Aichi (the Nishimikawa area) is the base for suppliers to the Toyota Group. The ties between Toyota Group companies are robust, and its strength as a corporate group lies in a willingness to help each other during times of difficulty, and together find solutions to problems that could not be solved by one company alone. JTEKT had little awareness of contributing to the Toyota Group, and was hardly pursuing any cooperative projects. Even with a telework environment in place, it's important to be near to your customers, and use all your senses to feel what the customer desires. There is no way to completely separate physical distance from mental distance.

I proposed moving to Kariya out of a desire to strengthen and accelerate cooperation with the Toyota Group, and be a company better able to serve customers. The other reason is that JTEKT is a manufacturer. Human resources, accounting, and other head office functions present many opportunities to communicate and direct the entire organization. However, those who are unfamiliar with production sites tend to act in ways that pay them little regard. Conversely, while the head office works diligently every day to support the company, there are some people working in the business divisions who feel like the head office just pushes work on them to make their own jobs easier. By moving the head office from a high-rise tower to a location next to the factory, I wanted to foster mutual recognition of the evident fact that a company is a factory, supported by administrative divisions. The idea was to foster mutual consideration and appreciation, while propelling activities that will restore a strong JTEKT with a common purpose.

Measures for the other pillar of "a true merger" included eliminating the formalities in communication between labor and management, allowing all employees to talk to one another about the future of the company as members of the same family. We called it the "Let's Be a Real Family" campaign. We instigated a policy that employees should no longer use titles such as "general manager" or "section chief," and instead just refer to each other with the polite general suffix "*san*," breaking down hierarchies and organizational barriers.

Strengthening ties in this manner, both internally and externally, should make everyone more aware of the strengths of the JTEKT Group. Looking around the industry worldwide, it's rare to find a company that has both a bearing business, known as the staple of the mechanical industry, and a machine tool business, often called the "mother machine." Both are essential for the advancement of manufacturing. JTEKT also possesses many other technologies and business seeds, and I believe has strong potential to achieve things that other companies are unable to emulate. In addition, each company in the JTEKT Group has its own unique characteristics. This diversity of products, technologies, customers, and suppliers is also one of the JTEKT Group's strengths, and a valuable asset. We established new organizations and functions within the company that allow us to remain on high alert to problems in the world and the needs of customers, connect these with the JTEKT Group's business seeds, and coordinate cooperation among business divisions and Group companies. We anticipate that this will generate innovative products and services never available before.

Alongside technologies, functional collaboration and synergies are also important. Up to now, each business and Group company had its own sales function. Sales to the same customer would be handled separately, leading to inefficiencies. We want to create a structure in which a single salesperson is able to represent the JTEKT Group, and offer all products and materials. One move to achieve this goal is the integration of three sales companies in October 2021 to establish JTEKT Sales Corporation. The aim is to generate synergies as One JTEKT in every respect.

III. Pursuing high quality at a reasonable price—Being a company that continually generates value that exceeds customer expectations

Looking back at our history, JTEKT has delivered many types of new value to society, such as the world's first electric power steering (EPS) system that allowed people with limited upper body strength, such as women or the elderly, to easily drive a car. Somewhere along the way, however, we began to neglect this focus on solving the problems facing customers, and instead came to embrace a product-led way of thinking tied to the idea, based on previous successes, that making products with greater performance will alone lead to sales. The result has been a sharp loss in competitiveness as the times have changed. We need to reflect seriously on this point, abandon our past successes and extravagance, and humbly recognize those areas in which we are falling behind. If we don't, JTEKT will have no tomorrow.

I think the key to regaining competitiveness is in the JTEKT Group Vision, "No. 1 & Only One."

First, to be No. 1, we need to fully benchmark ourselves against our competitors, and provide customers with products and services of high quality at a reasonable price that exceed those of other manufacturers. Simply benchmarking against products already on the market is not enough to be the superior, undisputed No. 1. We need to anticipate our customers' future needs, estimate how our competitors will respond, and develop new products accordingly. Also, the object of benchmarking should not be limited to just performance, quality, and price. We must examine how our rivals compete in terms of business model, promotional methods, product flows, lead times, and other aspects, and find ways to differentiate ourselves.

At the same time, generating new value that does not exist elsewhere in the world is what leads to "Only One." It's important that we predict the ways the world will move, anticipate what our customers will want based on current and future social issues and concerns, and think about what we can do to continually provide value that exceeds these needs. We also need to strengthen front-loading*1 in our business method, and make a drastic change from a passive to more solution-oriented stance, if we are going to prevail over the fierce global competition. I believe it's necessary to continually reiterate the importance of transitioning from product-out to market-in approach, until we change the thinking of all employees.

Changing the organizational structure is also necessary to promote the shift to market-in thinking. We have revised the composition of our business units from the former product-centered arrangement (Steering Business, Driveline Business, Bearing Business, and Machine Tools & Mechatronics Business) to a market-oriented structure (Automotive Business, Industrial & Bearings Business, Machine Tools & Systems Business, and Aftermarket Business). This change in emphasis from products to markets will clarify contact points for customers, and allow us to more quickly respond to customer demands. The Aftermarket Business Unit in particular is a new division for an area we have not focused on greatly in the past. The aftermarket business remains firm even in periods of recession, and is expected to remain profitable. More than anything else, however, repairing products so that they can continue to be used for a long time will also contribute significantly to the realization of a circular (recycling-oriented) economy.

*1 Investing resources in upstream processes such as product development, incorporating cost and quality.

IV. JTEKT's version of the Basic Principles of TQM—An earnest attitude as the driving force for everything

In last year's report, I introduced the Basic Principles of Total Quality Management (TQM). In formulating the medium- to long-term business plan, I added my own ideas to create a JTEKT-specific version of the TQM Basic Principles. For the three pillars of the TQM Basic Principles, we changed "Customers First" to "For the Earth, for Society, for Customers," and added the word "Passion" in the center of the triangle.

When I assumed the position of president, I talked about the need for a three-part approach to changing the company, using medical terms—surgical procedures to stop the bleeding, medicinal treatments for a more complete examination to take proper measures, and Oriental medicine to maintain a healthy body. Just over a year later, we have prioritized the surgical and medicinal treatments, taking immediate steps with a sense of urgency. We are continuing to stamp down problems with a simple honesty, but we have yet to apply the final treatment of Oriental medicine. These treatments to maintain a healthy body are the development of organizational structures and human resources that will allow us to achieve the JTEKT version of the TQM Basic Principles.

Structural and organizational development is like the skeletal structure of the body, in essence the development of systems and frameworks that allow for the instillation and embodiment of these basic principles as universal values. It is the foundation for creating new value by offering solutions to the problems facing customers. Taking the policy management aspect as an example, we start by surmising what the customer needs, discuss what we need to do to keep the customer satisfied going forward, and then decide on a course of action. A concrete example of this is the medium- to long-term business plan formulated for the company overall. Once we've determined the course of action and what to do, the next step is to decide who will do what, and when, to embody these actions, cascading downward from the fiscal year plan to the business unit plan, annual plan for each department, and finally individual goals. If we clarify the structures, rules, and responsibilities to implement this plan, and gain everyone's agreement, there will be no need for internal adjustments later on, and operational efficiency will increase. Of course, the conditions in society are constantly changing, so we need to be careful about being inflexible regarding things once they're decided, pursuing continuous improvement with full participation from all employees. I want to instill this way of thinking fully down to the details, and create a company where everyone is able to embody these principles naturally.

For the other component, human resource development, companies that lack the ability to evolve to meet the ever-changing times have only one path, and that leads to extinction. People are the only thing capable of effecting change in an organization, so the type of employee I desire is one who consistently thinks about the customer, approaches their work earnestly with a mindset of continuous improvement, and is passionate about accomplishment and contribution. JTEKT has many serious employees who diligently do what is asked of them, but I feel somewhat discouraged by the lack of people putting forward their own ideas. Once a person has the experience of having an idea flatly rejected out of hand, they are hesitant to propose something again. However, I believe that a corporate culture in which people are appreciated and supported for submitting ideas, even just for a small improvement, is necessary for personnel development. Our new human resource system and compensation system are mechanisms to support people with an earnest attitude and a mindset of continuous improvement. Over this last year, we promoted to management positions people able to think and act on their own for customers, including younger employees. We have also reformed the compensation system to widen the gap between the upper and lower limits for renumeration, allowing us to reward people who are earnest about continuous improvement and produce results.

It will take a long time to develop the sort of personnel able to put into practice the JTEKT version of the TQM Basic Principles, but by equipping all employees with an earnest attitude and a mindset for continuous improvement, we will be able to build a strong and flexible business foundation resistant to any environment. I plan to lead by example so that we reach this stage as quickly as possible.

V. Measures for carbon neutrality, digital transformation (DX)

In an effort to respond proactively to the significant changes in society, on August 1, 2021, JTEKT established two new inter-departmental organizations under the direct control of the president, the Carbon Neutral Strategy Office and the DX Promotion Office.

In October 2020, the Japanese government declared a plan to achieve carbon neutrality by 2050. JTEKT has also formulated a roadmap for carbon neutrality, aiming for net zero CO_2 emissions on a non-consolidated basis by 2035, for the full JTEKT Group by 2040, and for the entire process, including the supply chain, by 2050. The Carbon Neutral Strategy Office will coordinate this effort, collecting information regarding carbon neutrality and formulating a strategy based on it. Several subcommittees have been established to execute our carbon neutral strategies, including the Carbon Neutral Technologies Subcommittee, Energy Infrastructure Subcommittee, and Value Chain Subcommittee. We will take steps to steadily achieve carbon neutrality starting with Scope 1 and Scope 2 emissions, and finally in Scope 3 emissions.

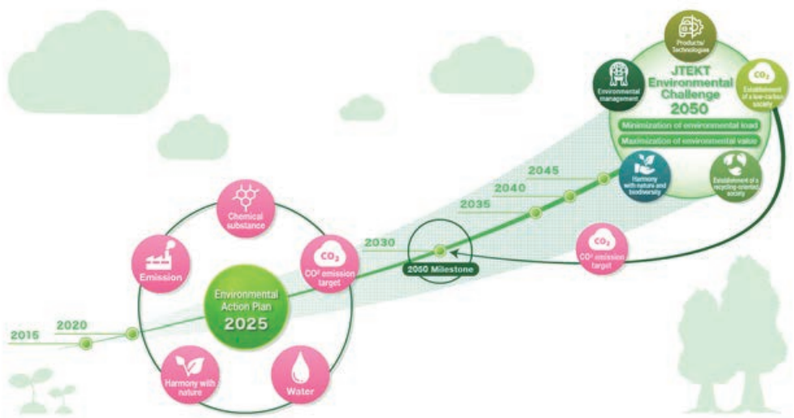
Companies and governments around the world are pursuing technological innovation to achieve carbon neutrality, but these efforts are still in the early stages. This presents a huge business opportunity for JTEKT. In the field of hydrogen utilization and application in particular, JTEKT is conducting research and development in a range of fields related to hydrogen storage, use, and electricity conversion, such as hydrogen-resistant bearings*2, products for fuel cell electric vehicles (FCEVs), and lithium-ion capacitors*3. We aim to expand earnings in new fields beyond our conventional business domains.

In the recently formulated medium- to long-term business plan, we identified two types of materiality, "Social challenges to be solved through business" and "Important issues in business structure" (please see page 46). One of the themes adopted for "Social problems to solve through our business operations" is "Protect the rich earth for future children." JTEKT has been making efforts in the environmental field for some time, but this theme indicates our determination to strengthen determination to prevent climate change, reduce use of materials with a high environmental load, and contribute to the realization of a sound material-cycle society.

JTEKT is also shifting gears this year in terms of digital transformation (DX) measures. As I mentioned previously in the section about a "true merger," even after 15 years since the union created JTEKT, the operational processes from the two companies are not fully integrated. Because digitization has focused on optimizing individual processes, there are examples throughout the company of processes that are still conducted by hand, making it impossible to get a grasp of managerial indicators in a timely manner. Furthermore, a deeper look reveals that these manual processes include many instances of queries or reworking, with a great many employees spending their working hours on pointless tasks. Investment in IT up to now was not small, but I decided to pursue DX in the conviction that this is our last chance for improvement. We cannot overlook the fact that so many employees are spending their valuable time on tasks with low added value.

Of course, the goal of DX is not only to enhance productivity through automation, but also to drive innovation in operational processes with data utilization, create platforms that generate new business, and accelerate measures to strengthen the competitiveness of the JTEKT Group. The DX Promotion Office comprises an elite team of 19 employees from throughout the company. We want to have these men and women think flexibly about what sort of company JTEKT should be a decade from now, and together develop an optimal goal for the entire organization. This should be nothing less than a company where no employees are subjected to pointless tasks, and everyone works with energy and satisfaction.

*2. Bearings that are resistant to hydrogen embrittlement, and will not corrode in steam.
*3. Electrical storage devices (capacitors) with electric double layer positive and negative electrodes, in which the energy density has been enhanced by adding lithium ion to the negative electrode.



VI. Ensuring employee satisfaction 10 and 20 years into the future

The medium- to long-term business plan outlines Vision 2030, with the three-year period of fiscal 2021 to fiscal 2023 as the stage for strengthening JTEKT's foundations. When I was at Toyota, I learned the importance of "tree-ring management," a focus on steady earnings growth, rising little by little each year. Steady growth is not easy to achieve in these times of high uncertainty and a clouded outlook for the future. Whether or not we will succeed will depend, I think, on whether during this first stage we are able to strengthen the competitiveness of our existing businesses and restore our earnings capacity, and allocate the majority of those funds to laying the seeds for the future. To secure ample capital, it will be essential to establish a finely honed, robust management foundation with the excess thoroughly removed. Specifically, we will need to achieve a breakeven point ratio of 80% by fiscal 2023.

As I noted in the opening section, JTEKT managed to achieve a net profit in fiscal 2020. However, I think this was due to luck rather than merit. People tend to attribute poor outcomes to bad luck, but I have come to believe that in fact it's the bad times that are a reflection of capabilities, and that good times are the result of luck. To reiterate what I said previously, our profitability last year was the result of a crash diet, rather than our capabilities. To acquire true competitiveness, we need to set ambitious targets, such as reducing by half the amount of capital investment required to establish a new production line, or halving the number of man-hours spent on design for model changes. We want to challenge ourselves to pursue drastic cost reductions.

JTEKT has implemented reforms with unprecedented speed over this last year. I would like to express my heartfelt appreciation to all the employees who have joined me in this effort. To be perfectly honest, there have been times when the sudden changes faced opposition from within the company. However, we cannot loosen the reins if we want to have a future in which 10 or 20 years down the road JTEKT employees are able to say with a smile that they are glad to be working at this company. I am resolute in my sense of mission that this company must be changed in earnest, and while continuing to seek the support of stakeholders through transparency and open dialogue, I plan to continue pursuing reform going forward.

JTEKT continues to make a concerted effort as a company for the earth, for society, and for customers. I appreciate your continued support.

JTEKT Reborn

We have formulated our Vision 2030 and Medium- to Long-term Business Plan to grow as a company that resolves social issues.

We have divided the 10-year period up to 2030 into three periods of three, three, and four years. We are positioning the first medium-term plan period, from fiscal 2021 to fiscal 2023, as a three-year stage for enhancing our corporate structure and are working on the following four areas: (1) strengthening competitiveness, (2) seeding for the future, (3) strengthening our management foundation, and (4) development of structures and human resources.

True merger

True Merger of "Koyo Seiko" and "Toyoda Machine" Works makes JTEKT strong as "One JTEKT"

Current	Future
1. Each inherited business stands alone and seldom exchange 2. Unable to unify business structure 3. Leave overseas affiliated companies reorganized/restructured	1. Contribute Bearing business and Machine tools business each other 2. Unify business structure of JTEKT group utilizing Digital Transformation (DX) 3. Reorganize affiliated companies globally throughout all business units

Cooperation among Group companies

Further strengthening JTEKT by combining and utilizing the Group's strengths

Strengths of the JTEKT Group

1. Being a member of the Toyota Group
2. Consisting of several business units
3. Having potential elemental technologies
4. Enriched by variety of products and technologies of affiliated companies
5. Supported by extensive customers
6. Established global network

Combine and Utilize

Contribute to / Cooperate with the Toyota Group (1 × 2 × 3) P21

As only company dealing Bearing and Machine tools , J-QuAD, etc.

Multiple marketing (2 × 4 × 5) P22

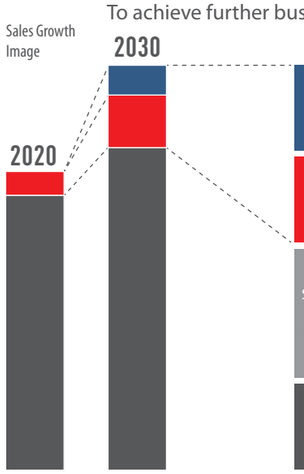
Integrate the JTEKT Group sales window

Develop brand new products (ALL) P21~22

Global customer needs × The JTEKT Group seeds

Long-term plan —Vision 2030—

Utilizing the seeds of the JTEKT Group and collaborating with the Toyota Group to win in new areas
To achieve further business growth, strengthen the competitiveness of existing business



Solving social problems	Hydrogen society	Water resistant bearings*1, products for FC
	Renewable energy generation	Bearings for generators, Preventive maintenance
New projects	Li capacitor*2	Provide back up power supply system, maintenance-free
	Autonomous	Autonomous driving bus, agricultural and construction machinery
Strengthen existing businesses	Steer by wire*3	Install in all vehicles from autonomous to low-price
	EPS	Strengthen the competitiveness
	Driveline products (CVJ*4, etc)	Strengthen the competitiveness
Decline in demand	For internal combustion engines	Reap the benefits of being a survivor
	Hydraulic products	Keep the profit of being a survivor

*1 Bearings that are resistant to hydrogen brittleness and corrosion in water vapor
*2 A capacitor that increases energy density by adding lithium ions to the negative electrode material of a capacitor with an electric double layer of positive and negative electrodes.
*3 A system in which the rotation of the steering wheel is transmitted to the tires by an electrical mechanism rather than a mechanical one.
*4 Constant Velocity Joint: A joint that transmits the rotational force generated by the engine to the drive wheels.

The position of FY'21 medium-term business plan

FY'21–'23 1st stage

Four key words

The 1st year of JTEKT becoming Reborn
1. Strengthen competitiveness
2. Seeding for the future
3. Strengthen management foundation
4. Development of structures and HR

FY'24–'26 2nd stage

Growth of existence business and raising new business

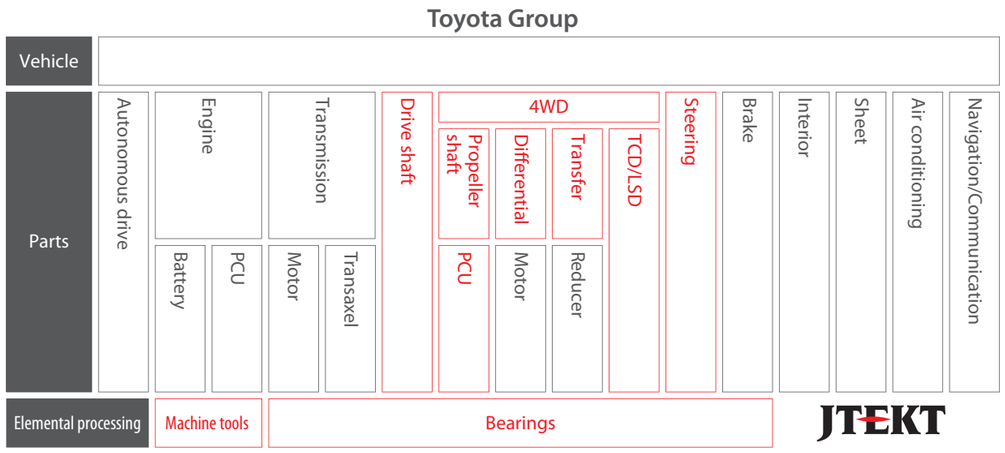
FY'27–'30 3rd stage

Harvesting and leaping

Achieving Vision 2030

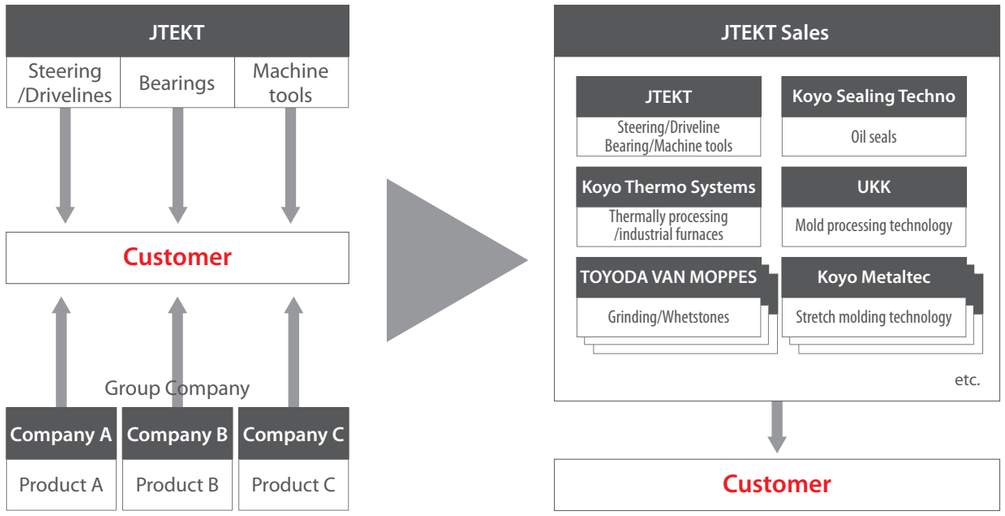
Contribute to / Cooperate with the Toyota Group

Contribution to strengthen competitiveness in the chassis area



Multiple marketing

Respond to customer expectations by leveraging the Group's technologies, products, and sales network.



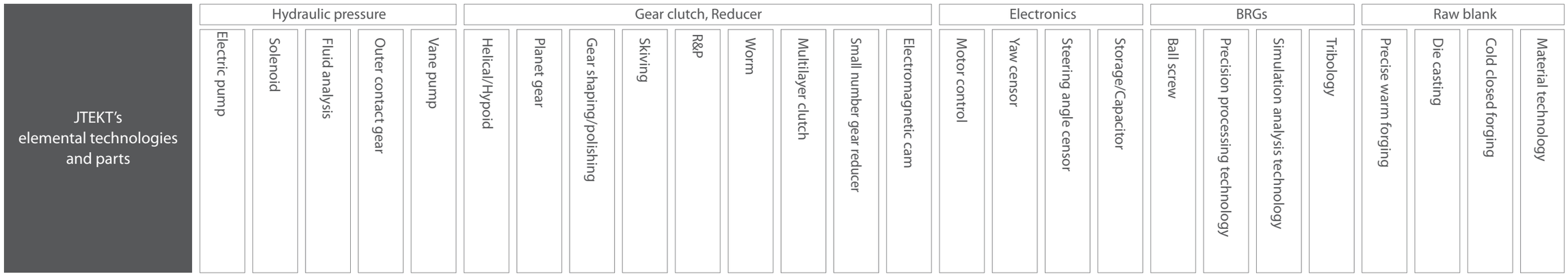
Develop brand new products

Combining our technologies to provide customers with products that fit their needs

Customer needs: Small, Light weight, Highly efficient

Social requirements: Safety, Environmental, Convenient, Comfortable

JTEKT's strengths are **rich elemental technologies** raised at multiple business units.



JTEKT is fully capable of producing products which make customers happy

Four key words

1 Strengthen competitiveness

- Restoring lost competitiveness should be a top priority.
- Strengthen competitiveness in all areas of price, performance, quality, and ability to respond.

The source of "competitiveness"

Thorough cost reduction "No. 1"	Differentiation for customers "Only One"
What is No. 1?	**What is Only One?**
• Thoroughly **benchmark** the competition and provide customers with price, quality, performance, and service that surpasses the competition.	• To **anticipate customer needs** and propose value that exceeds customer expectations. • To be the customer's best advisor (true front-loading*1)

*1 This means to build in cost and quality by allocating resources to upstream processes such as product development.

2 Seeding for the future

- Invest the cash gained by pursuing "high quality products with competitive price" in growth areas

Seeding for the future

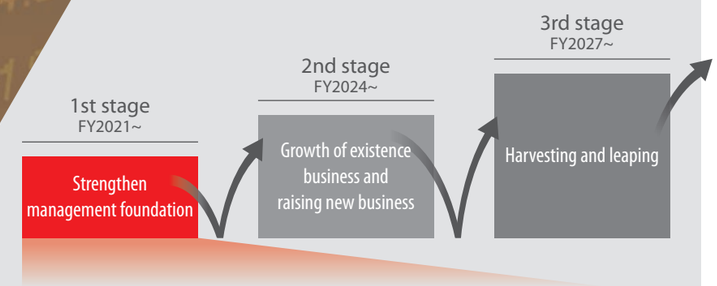
Important goals in the 1st stage (FY'21–'23)

Pursue further "good products, low prices"	Turn "seeds" into growth business	Development of new areas
Key measures • Standardize design methods • Optimum procurement and production • Production engineering innovation	Automobile, Bearings, Machine tools, JTEKT Group — Synergy	• Hydrogen society • Renewable energy • Aging society
▼ Earning cash by existence business	▼ To be a pillar of future business	▼ Solving social issues (contributing to SDGs*2)

*2 Sustainable Development Goals: International goals consisting of 17 goals and 169 targets to achieve a sustainable world, adopted at the UN Summit in September 2015.

3 Strengthen management foundation

- Medium-term target: break-even point ratio 80% business profit ¥100 billion
- Still in a "flabby" state → toward a lean corporate structure



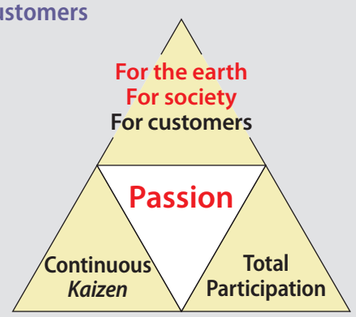
Break-even point ratio	FY2021	FY2022	FY2023
	85%	83%	80%

Aim for ¥100 billion in business profit in FY2023.
(Exceed our record profit ¥81.9 billion (FY2015))

4 HR development

- Thoroughly implement JTEKT's version of the basic principles of TQM, like Chinese medicine treatment.
- To be a company that continues to make *kaizen* for the sake of the earth, the world, and our customers

JTEKT's version of the basic principles of TQM



TQM activities: Development of structure and organization | Development of human resources

▼

To achieve "tree-ring" management
(steady growth year by year)

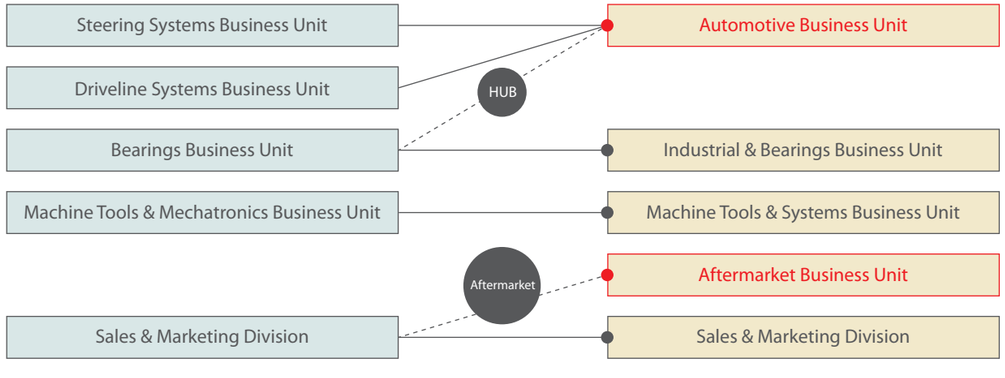
Organizational revision

Reorganization into Automotive, Industrial & Bearings, Machine Tools & Systems, and Aftermarket business units

To enable more accurate and speedy response to customer needs, we will make organizational revision from product-specific to market-specific. (embodying the market-in concept)

Aftermarket Business Unit newly established

Aftermarket Business Unit will be newly established in order to make the aftermarket, where demand is expected to grow in the future, as a pillar of the business.



Restructuring —Progress in FY2020—

Remove the lesion by "Surgical treatment" and improve the condition by "Medical treatment".
To regain "a healthy body", further sublimate and consolidate these activities during the medium-term business plan.

	Activities in FY2020	Activities during this medium-term
Surgical treatment	Formed a "**Profit Improvement Committee**" Breaking down the barriers between business units, **identify and resolve issues without sanctuary**	Reorganized as "Cost Reduction Committee PDCA (Plan-Do-Check-Act) cycle for all measures to achieve **80% break-even point**
	With an awareness of capital costs, visualized **areas that need to be restructured** and implemented partially	Especially in Europe, accelerate restructuring. **Optimize the number of subsidiaries and affiliates**
	Visualization of deficit models Planning and implementation for resolution	Monitor at board meetings **Improve profitability of all products**
Medical treatment	Formed "Corporate strategic planning organization" under the direct control of the president Established company-wide strategy discussion committee Formulated **JTEKT medium-term business plan**	**Strongly promote the Medium-term Business Plan** Check progress, clarify issues, and respond quickly
	Back to the Toyota Group (Headquarters relocation) **Speeding up decision-making** through changes in executive structure	Revision business unit organizationally **Promote "True merger" plan**
	Hold regular meetings with affiliated companies. **Expand the activities of the Profit Improvement Committee to the JTEKT Group**	Further strengthen governance and **promote "structural reforms" across the JTEKT Group** in a top down manner

Digital transformation (DX)

Reduce the "work" of staff and enable them to produce "high-value-added output that requires intelligence" in a timely manner. (unify the structure)

Achieve by 2030 through DX

Improve business efficiency/Good product, low price

Maximize productivity
- No manual inputs and corrections
- Data warehouse*1/BI tools*2

Strengthen sales force
- Sharing information of visits
- Establish product lineup portal site
- Automate pipeline management

AI substitution of human eyes
- Forecast demand and supply of spare parts
- Unmanned inventory count
- Automatic creation of quotations
- Managing the signs of equipment maintenance

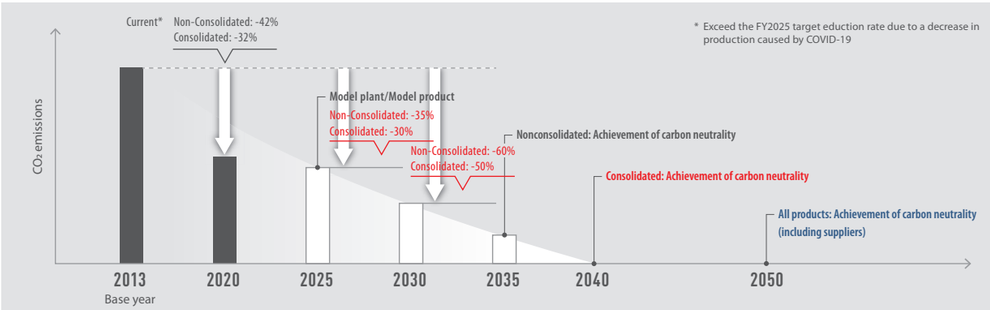
Cybersecurity in the C of CASE*3
- Multi-protection
- Software vulnerability management

*1 A database in which transaction records and other data are stored in chronological order. Also, software for constructing and operating such a system.
*2 A method in which users analyze and process the vast amount of business data accumulated in information systems, etc., according to their own needs, and utilize it for business and management decision-making. Software and information systems for this purpose are called BI tools or BI systems.
*3 CASE: Acronym that stands for Connected, Autonomous, Shared, and Electric.
This implies the importance of mobility services across industries under the transformative phase for automobiles.

Carbon neutral

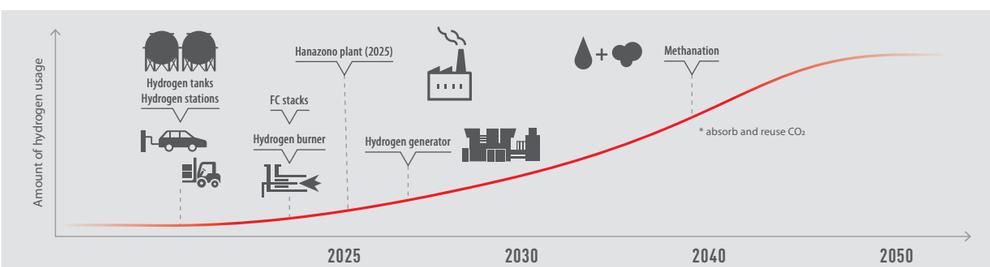
JTEKT is promoting the following milestones in response to the Japanese government's policy of achieving carbon neutrality by 2050.

FY2040: Achieve carbon neutrality for the entire JTEKT Group.
FY2050: Achieve carbon neutrality for all products, including those from suppliers



To achieve carbon neutrality, hydrogen is stored, used, converted to electricity, and utilized.

Store: Install hydrogen tanks and hydrogen stations
Use: Purchase of fuel cell forklift trucks and switch to FCEVs*4 for company vehicles
Convert to Electricity: Use FC stacks to supply power
Utilize: Methanation for CO_2 absorption and methane conversion from exhaust gases



*4 Fuel Cell Electric Vehicles

Financial Capital

Based on the newly formulated medium-term business plan, the JTEKT Group will strengthen its financial foundation and enhance its corporate value by aggressively pressing ahead with structural reforms and business restructuring.

The Group will also aim to achieve sustainable growth by strengthening the competitiveness and improving the profitability of existing businesses and efficiently reinvesting the funds generated through such initiatives in growth areas.

Kazuhisa Makino
Member of the Board, Senior Executive Officer

CFO message

1. Looking Back on Fiscal 2020, Looking Ahead to JTEKT Reborn

In fiscal 2020, we recorded profit for the year attributable to owners of the parent company of ¥800 million as a result of implementing various measures to boost earnings despite the significant decrease in revenue due to the COVID-19 pandemic and other factors. However, this was a year in which we had to recognize once again that our profit structure was weak compared to the other Toyota Group companies and our competitors. With this in mind, we were able to make a concerted effort to strengthen our business structure, with the awareness that we must become a company that is capable of generating profits even in the face of unexpected changes in the external environment.

In April 2021, we announced our medium- to long-term business plan to realize our Vision 2030. We have positioned fiscal 2021 as the first year of JTEKT Reborn, and the three years of the first phase focus on strengthening our business structure to become a stronger JTEKT. In this phase, our top priority is to bolster our competitiveness and rebuild our structure to be able to generate profits even in the face of changes in the external environment.

2. Strengthening Our Foundations and Implementing Radical Structural Reforms

As an indicator of the strengthening of our foundations, we consider the breakeven sales ratio to be a vital KPI. In the medium-term business plan, we have set a target of lowering this ratio to 80% by fiscal 2023, and aiming for business profit of ¥100 billion, which represents the profit of our core businesses. In fiscal 2020, as a result of a zero-based review of all expenses globally, the breakeven sales ratio is now at 85% against fiscal 2019 sales. However, this included one-time cost reduction from the extraordinary response to the COVID-19 pandemic. To make core improvements without allowing a rebound in costs, we will promote activities to significantly improve our cost structure, such as further reduction and optimization of fixed costs, bold design standardization, and the use of LCCs[*1] to offer quality products at reasonable prices. We have established a structure to follow up on these activities to be promoted in the entire Group through meetings such as the Strategy Meeting, which is led by top management, and the Cost Reduction Committee.

In addition, as part of radical structural reforms, we are accelerating business reorganization, including the consolidation and closure of sites globally, to realize a lean structure. In all regions, including Europe, where profitability is currently an issue, we will determine whether it is possible to eliminate business overlaps between sites and improve efficiency by integrating sites located close to one another. We thus aim to optimize our business structure on a global basis. By doing so, we will reduce fixed costs, improve asset efficiency, and maximize synergies within the Group.

*1 LCCs: Low Cost Countries

3. Investment for Future Growth and Advancement

Not only do we need to strengthen our financial base through, variable and fixed cost reduction, and site optimization, but we also need to plant the seeds for future growth and advancement. Naturally, we will continue to make the necessary investments to improve the performance and competitiveness of our existing technologies and to reduce costs, but we will also need to invest in the development of carbon-neutral and other new technologies, in addition to our ongoing focus on automation and electrification. To achieve such goals, we will continue to optimize our global R&D structure and invest more efficiently in established technologies, thus creating a structure to shift more resources toward investments in future growth.

We intend to proactively invest in growth markets and businesses after carefully considering their importance to our business strategy and prioritizing and scrutinizing investment projects. In making investment decisions, we will also take into account the efficiency of the supply chain and the verification of returns from a cost of capital perspective. In addition, we will invest in DX to fundamentally revamp our existing business processes, improve operational efficiency, and transform our business model. Furthermore, we believe it is important to invest in talent to promote such corporate activities based on the TQM concept.

4. Initiatives to Boost Capital Efficiency

We will continue to improve capital efficiency of the entire Group through cross-border financing and implementing a Group dividend policy. In addition, to get a better grip on Group management from a cash management perspective, we will review our monitoring process to detect problems at an earlier timing from the financial figures of Group companies and strengthen governance for Groupwide growth.

In fiscal 2020, we boosted our cash reserves on a strategic basis to prepare for risks surrounding the Group, such as our response to the COVID-19 pandemic. However, we will optimize these reserves in line with the resolution of the pandemic, sales recovery, and improvement in profitability.

We are reorganizing our cross-shareholdings based on a policy only to hold shares if we judge that they will maintain and strengthen long-term business relationships and contribute to enhancing corporate value. We will continue to review the significance of our holdings on a regular and ongoing basis and strive to optimize them.

In addition to returning profits to shareholders and reducing interest-bearing debt, we will make effective use of the funds obtained from these initiatives as a source of investment in growth areas.

5. Shareholder Returns Policy

Our basic policy on shareholder returns is to sustainably increase JTEKT's corporate value and to provide stable dividends over the long term. Although our earnings deteriorated significantly in fiscal 2020, we paid an annual dividend of ¥16 per share based on our policy of delivering long-term stable dividends. Also, we have moved up the date of dividend payments to return profits to shareholders as early as possible. We will continue to improve our earnings by establishing a financial foundation that can flexibly respond to changes in the environment and strengthening our business structure but also achieve "tree-ring growth" and thus generate stable shareholder returns.

Manufactured Capital

JTEKT is working to improve the productivity of its manufacturing facilities to ensure the stable delivery of high-quality yet inexpensive products to customers with the highest priority on safety and quality. JTEKT also has the advantage of being one of the few companies in the world that produces both bearings and machine tools, two businesses that are indispensable to the manufacturing industry. We are also working as one to further evolve *monozukuri* (building excellent products) by supporting each other with the knowledge we have accumulated in each business.

Capital Expenditures Aimed at Strengthening Business and Management Foundations

In addition to production increases and investments to update old equipment, the JTEKT Group has been proactively investing in operational efficiency centered on IT to strengthen its management foundation for the future.

As we face a harsh business environment, in order to continue making efficient investments into the future, we will carefully consider the necessity and recoverability of each investment project and thoroughly utilize existing bases and assets.

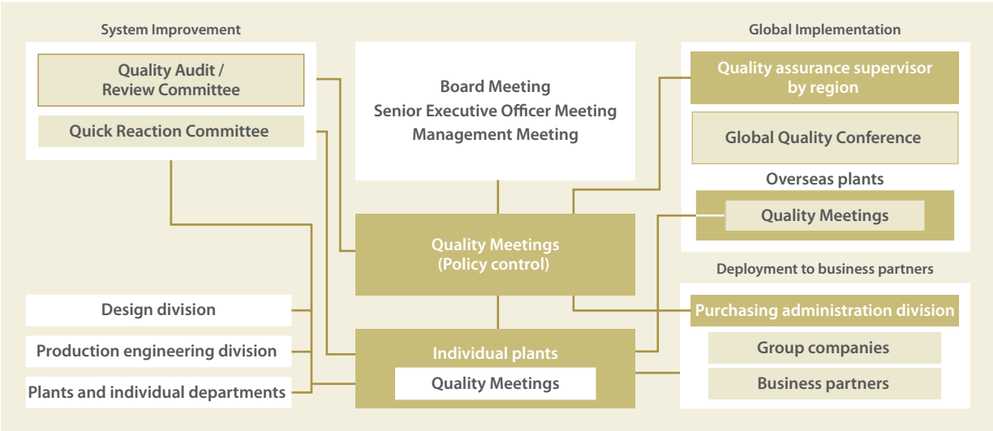
Development and Manufacturing Bases Capturing Global Needs

The JTEKT Group has development and manufacturing bases in approximately 30 countries and regions. With each base acting as an antenna tuned into customer and market needs in each country and region, we are able to quickly ascertain trends and changes throughout the world. Amassing this information at development bases enables JTEKT to develop products with high added value.

Quality Policy and Quality Assurance System

With our "Customer First" philosophy being the foundation of our quality policy, we engage in various quality improvement activities. In pursuing quality at each stage of "design quality and manufacturing quality," we have established a quality assurance system based on the belief that improvements in overall product quality are linked to earning the trust of our customers. In addition, in order to permeate and establish the policy, we post and chant the policy on the companywide basis.

Quality Assurance System



JTEKT Manufactured Capital

Capital expenditures
¥50.7 billion

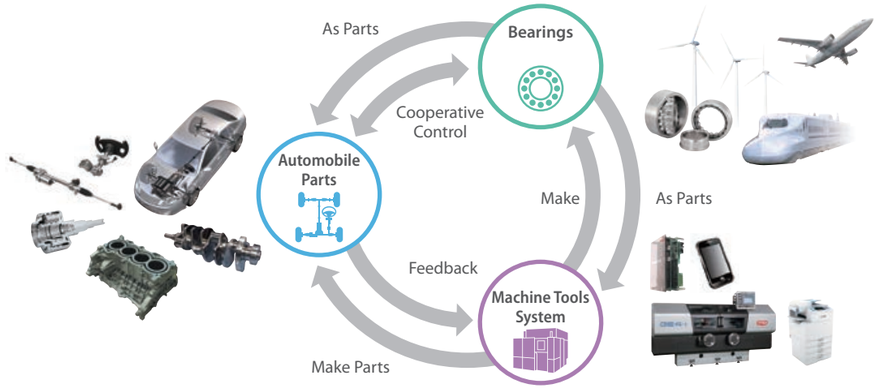
Number of overseas base countries/regions
30

Fiscal 2020 performance

Pursuing Productivity beyond the Boundaries of Each Business

JTEKT was formed through the merger of two companies and consists of four businesses and more than 150 Group companies. Yet if we recognize each other's good points and pursue synergies, our growth potential will be unlimited.

In the area of manufacturing technology, we are thoroughly committed to helping each other in times of trouble, regardless of position in the company. Utilizing our know-how on processing conditions cultivated through the manufacture of machine tools, which are called "mother machines," members of the machine tools and systems business join in efforts to improve production lines for automotive parts and bearings, and thus work to improve production efficiency across business boundaries.



Initiatives for Disaster Mitigation and Rapid Disaster Recovery

JTEKT has been working to build a system for disaster mitigation and rapid recovery based on the policy that disaster mitigation for people and their families is our top priority for continuing business activities. In 2007, we installed a system to quickly confirm the safety of our employees, and we conduct periodic safety confirmation drills based on the assumption of a large-scale disaster. We are also planning to introduce an in-house building emergency risk assessment system to train emergency risk assessors, who are indispensable for the recovery of workplaces, and have recently created a building emergency risk assessment manual to assess risk based on the buckling of buildings and columns and the peeling of paint. Furthermore, we conduct recovery drills in which functions are coordinated in case of a disaster, as well as fall prevention measures in accordance with the seismic intensity expected in each region. We also reexamine any gaps identified in our measures. In the event of a large-scale power outage, we are strengthening our business continuity planning (BCP) system throughout the value chain by deploying emergency power sources at various locations to ensure smooth communication between the affected areas and the companywide disaster command center, maintaining our internal network, and confirming the disaster status and requests for assistance from our business partners.

The table below shows the list of facilities related to BCP.

BCP-Related Facilities

Kariya / Nara	Installed emergency private power generator	Capable of continuous operation for about seven days
Hanazono Plant Technology Development Center	Photovoltaic generation system equipped with power conditioning system (PCS) with self-sustaining operation function	Capable of charging 10 laptops and 100 employee smartphones ▶ Contributes to employee safety as well as communication with related locations
Okazaki	Deployment of power supply vehicles	During business as usual, used to start up cogeneration facilities after a power failure. ▶ In the event of a disaster, can provide disaster relief not only to our own sites but also to Toyota Group companies and affected municipalities (due to the common specifications of the Toyota Group).

Intellectual Capital

To continue to create value that exceeds its customer expectations, the JTEKT Group is engaged in foundational element research that will lead to future products.

By furthering advancing and combining technical areas of strength, JTEKT is engaged in R&D with an eye on fields of growth. This is done with the aim of providing new products that are eco-friendly, safe, and comfortable, in a quick and reliable manner.

Scope of Focus

The JTEKT Group aims to achieve further growth by strengthening existing businesses including steering and driveline products and move into areas related to CASE*1. This is achieved by eliminating barriers between groups and maximizing the use of new technologies. In addition to future product development such as electric power steering (EPS) designed for autonomous driving, lithium-ion capacitors*2, and electrification of brakes, JTEKT is actively working on areas that will help to resolve social issues. The Group is contributing to SDGs*3 and the achievement of carbon neutrality through its involvement in natural energy generation and hydrogen power.

*1 CASE: Acronym that stands for Connected, Autonomous, Shared, and Electric.
This implies the importance of mobility services across industries under the transformative phase for automobiles.
*2 A capacitor that increases energy density by adding lithium ions to the negative electrode material of a capacitor with double layers of positive and negative electrodes.
*3 SDGs: Acronym that stands for Sustainable Development Goals, the international goals to achieve a sustainable and better world by 2030, consisting of 17 goals and 169 targets.

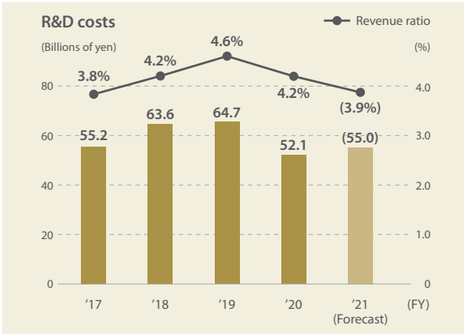
Strengthening Competitiveness of Existing Businesses	New Initiatives	Resolving Social Issues
Automotive Products Steering products, driveline products (CVJ*4, hub units, etc.)	Lithium-Ion Capacitor Provision of back-up power supply system, maintenance free	Hydrogen Society Hydrogen-resistant environmental bearings*7, products for fuel cells
Bearing products	Autonomous Driving Steer-by-wire*5, Haptic Shared Control	Renewable Energy Generation Generator bearings, preventive maintenance management
Machine tools	Gear skiving center*6	Low Birthrate and Aging Population J-PAS Power Assist Suit, walking aids

*4 Constant velocity joint: A joint that transmits the rotational force generated by the engine to the drive wheels.
*5 A system in which the rotation of the steering wheel is transmitted to the tires by an electrical mechanism rather than a mechanical one.
*6 A machine that performs gear cutting using the relative velocity generated by tilting and rotating the tool and workpiece.
*7 Bearings that are resistant to hydrogen embrittlement, and will not corrode in steam.

R&D Initiatives

JTEKT is developing a steer-by-wire for automated driving vehicles. With this system, the steering wheel has no mechanical connection with the wheels. Instead driver input is transmitted to the wheels via electronic control, thereby contributing to greater degrees of freedom in terms of cabin arrangement. In addition, the company has developed a lithium-ion capacitor that can be used as a backup power source even high temperature conditions, fulfilling functional safety requirements. These technologies contribute to a safer and more comfortable driving experience.

Furthermore, as the level of automation increases, smooth transitions between autonomous and manual driving become necessary. To tackle this challenge, JTEKT is developing its version of a technology called Haptic Shared Control, which allows manual and automated steering to coexist in a form of collaborative driving.



JTEKT Intellectual Capital

R&D costs	Number of patents pending	Number of patents acquired
¥52.1 billion	498	323

Fiscal 2020 performance

This constitutes an operating system using which driver and automation share the steering authority, reducing discomfort and misuse that occur when switching between automated and manual operation. Such technology provides EPS systems with a high level of safety and thus contribute to building trust in the vehicles of the future.

Among other initiatives, JTEKT contributes to the electrification of automobiles and is involved in hydrogen power. The Group is working on further advancing the fundamental technologies that support low-loss, low-NV, high-speed, and environmental durability of mechanical elements such as bearings and gears. Additionally, the Group is actively contributing to smarter manufacturing through its investments in gear skiving centers and Internet of Everything (IoE) solutions. JTEKT is also working on the development of the J-PAS (JTEKT Power Assist Suit), which provides flexible support to its user. Such technology is developed with the intention of tackling social issues such as the declining birthrate and the aging population.

Haptic Shared Control

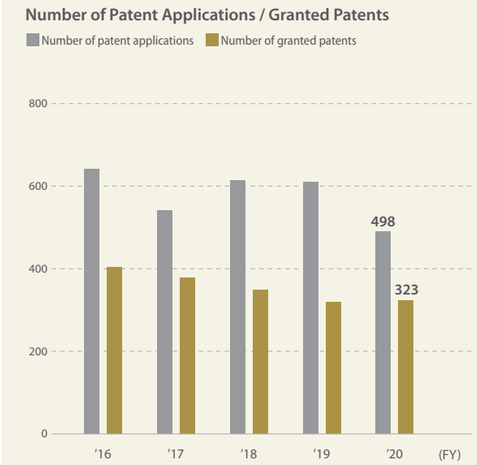
Steer-by-Wire Systems

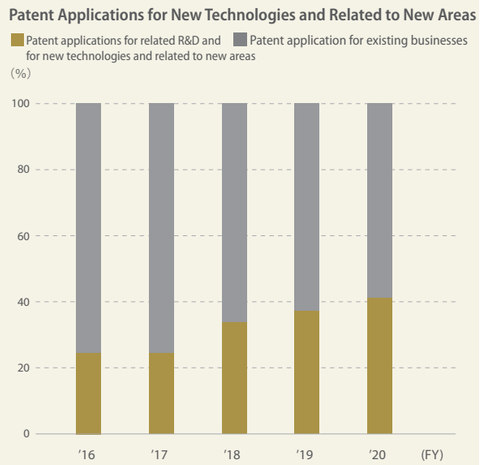
Lithium-Ion Capacitor (Single Cell)

Intellectual Property Initiatives

JTEKT has been filing patent applications to protect the results of its R&D in existing businesses. The Group is shifting its focus from quantity to quality while maintaining a certain minimum number of patent applications. Also, the Group intends to concentrate on new technologies, domains and initiatives to tackle social issues. Those areas are to be strengthened in the medium- to long-term business plan.

Furthermore, JTEKT is undertaking thorough patent warranty clearance searches during the product development stage so as to respect the intellectual property rights of third parties and thus reduce the risk of future disputes.





Human Capital

The JTEKT Group has more than 150 bases around the world and approximately 50,000 employees. About 60% of all employees work overseas. As a truly global company, we conduct corporate activities rooted in local communities and cultures, proactively recruit and develop talented human resources responsible for manufacturing of the future in each country, and promote local procurement and locally based manufacturing, all of which contributes to industrial development in countries throughout the world.

Each Group company leverages its unique characteristics to provide customers around the world with high-value-added products, taking pride in their outstanding capabilities and forging strong bonds with each other.

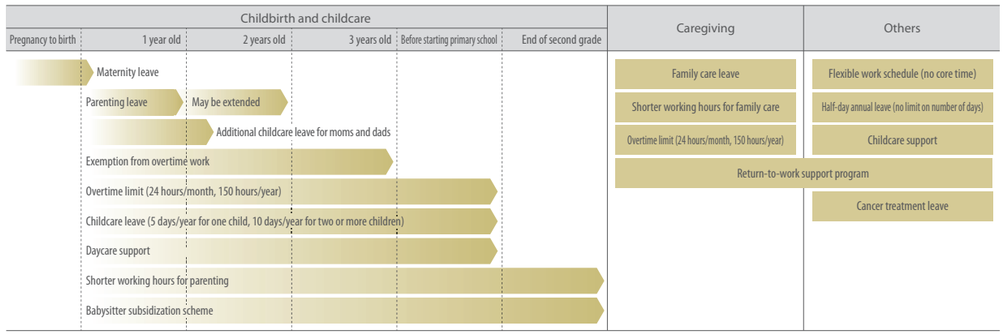
Creating an Environment in Which Diverse Human Resources Can Play an Active Role

As globalization and other changes in the business environment become more intense year by year, it is essential for companies to accept and utilize the diversity of human resources with various attributes and values such as gender, nationality, age, and culture in order to grow.

JTEKT regards the promotion of diversity as one of the important management strategies for realizing the JTEKT GROUP VISION. It aims to create an organization where diverse human resources can maximize their abilities by fostering a workplace environment where they can work enthusiastically and a system of work styles.

We are also working to create a workplace environment where employees who are balancing work with childcare, nursing care, illness, fertility treatment, etc., can continue to work with peace of mind and fully demonstrate their abilities. In 2019, we obtained "Kurumin" certification as a company that supports childcare.

Overview of Work–Life Balance Programs



With regard to the advancement of women, we have formulated an action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and have set a target of increasing the number of women in administrative positions to 40 or more by March 2023 (2.5 times the number as of 2015). We are also promoting the appointment of employees regardless of nationality, and the percentage of local employees in key positions at overseas Group companies was 75.8% in 2020.

Furthermore, in terms of hiring, we are actively recruiting mid-career as well as regular hires, and in 2020 18 mid-career hires were working in administrative roles. We will continue to provide opportunities to recruit, train, and appoint diverse human resources regardless of gender, nationality, or other attributes, and promote the creation of a workplace where each employee can maximize their abilities and express their individuality.

No. of women hired and appointed to administrative positions

Fiscal year	2016	2017	2018	2019	2020
No. of women employed in permanent positions	38	41	48	52	**18**
(Total no. of permanent employees)	(344)	(306)	(310)	(257)	**(258)**
No. of women in administrative positions	16	18	21	22	**24**
(Total no. of administrative positions)	(1,967)	(2,015)	(2,041)	(2,057)	**(2,061)**
No. of female assistant managers	65	67	69	84	**89**
(Total no. of assistant managers)	(1,486)	(1,528)	(1,538)	(1,603)	**(1,641)**

JTEKT Human Capital

No. of employees **48,332**

No. of overseas employees **28,277**

Fiscal 2020 performance

Number of mid-career hires, mid-career hires in administrative positions and assistant managers

Fiscal year	2016	2017	2018	2019	2020
No. of mid-career hires	155	216	216	232	**80**
No. of mid-career hires appointed to administrative positions*	3	21	21	21	**18**
No. of mid-career hires appointed as assistant managers*	47	35	46	55	**60**

* Including mid-career hires prior to the current fiscal year

Ratio of local employees occupying key positions in overseas Group companies

Fiscal year	2016	2017	2018	2019	2020
Number of foreigners in department head class positions	124	128	140	195	**252**
Ratio of foreigners in department head class positions	62.9	65.3	65.7	74.1	**75.8**

Initiatives in Talent Development

The social environment surrounding companies and individuals is changing drastically along with society's values and needs. Against this backdrop, JTEKT believes the growth of diverse individuals through proactive and motivated learning, and their contribution to the improvement of productivity and the creation of innovation, are important elements in the realization of sustainable growth in corporate value. In view of this, JTEKT has revamped its existing uniform Group training programs that were conducted by rank, position, and age. We have introduced a "three-story training system" that allows each employee to learn autonomously according to their own career vision and characteristics. Furthermore, we are promoting the shift to online training to support learning that is not restricted by time or location.

The first and second floors of the training system are designed to provide the knowledge and thinking necessary to become members of society and JTEKT. Depending on the individual's motivation and needs, they may be able to study courses above their level. We have also established a learning environment where mid-career employees who have not had the opportunity to study at the company can catch up with the company's training system by learning from basic courses.

The third floor of the training system includes JTEKT's own role expectation courses, as well as business and technical courses in collaboration with excellent external courses. In one of the courses, an "MBA-stream course," 120 employees voluntarily applied for the course within a month of its registration opening, despite the fact that it is a paid course that requires some personal out-of-pocket expenditure.

Furthermore, the knowledge and skills acquired through independent and motivated learning will be centrally managed by the system and visualized on a companywide standard. By promoting the use of this system for planning future development and learning, as well as for finding and matching human resources, we are building a system that links individual learning with corporate growth.

Also, to strategically utilize existing human resources, we will promote recurrent education, such as specialized training in AI. In addition, we are deploying human resources into growth fields such as AI, DX, and carbon neutrality through internal recruitment systems.

JTEKT's Training System

3F	**Basic Organizational Roles** 1. Role expectation stream: Knowledge required to perform tasks related to role expectations (logical thinking, project management, presentation, etc.) 2. Business stream: Courses taken according to individual needs → MBA-stream courses (data/information analysis, marketing, sales skills, finance/accounting, etc.) 3. Specialist stream: Content in specialized fields such as science and engineering/technical courses (dynamics of machinery, metallurgy, Python, statistics, etc.)
2F	**JTEKT (Toyota Group) Basics** JTEKT's original content and knowledge required for the Toyota Group (TPS*1, problem solving, policy management, etc.)
1F	**Basics for members of society** Content related to compliance with laws and regulations (safety, quality, compliance, diversity, etc.)

*1 Toyota Production System

Basic Philosophy of JTEKT's Version of TQM

The basic philosophy of JTEKT's version of Total Quality Management (TQM) has been formulated and incorporated into the medium-term business plan for fiscal 2021 as the basis for creating frameworks and developing human resources. The core of this philosophy is the same as the [basic philosophy of TQM, but with a clearer connection to the company's mission.

The meaning of each of these items is explained below.

For the earth Our basic stance as a company is that we must not pollute the earth, i.e., air, water, greenery, soil, and so forth, in the course of our business activities. The realization of a sustainable society, which is the aim of the SDGs*1, is an important issue for us. Therefore, we have placed "for the earth" at the top of our triangle.

For society A company is a "public institution of society," and its mission is to contribute to society through its corporate activities. We believe that there are three main ways to contribute to society. The first is delivering high-quality yet inexpensive products, thereby pleasing our customers by providing them with products offering good performance and quality at affordable prices.

The second is paying taxes, thereby contributing to local countries and communities by paying taxes with the profits generated from the satisfaction of our customers.

The third is employment. We believe continuous employment itself is also a social contribution, as well as the consumption and economic activities of our employees in each community.

For customers We will make every effort to pursue high-quality yet inexpensive products and thoroughly reduce our input costs while always being aware of the competition in order to please our customers.

Continuous "*kaizen*" While our competitors are growing day by day at an ever-evolving pace, "continuous *kaizen*" is essential for us to carry out our business activities in a lasting manner.

Total participation To practice "continuous *kaizen*," we will all pool our knowledge and proactively engage in daily improvement activities.

Passion We believe that good work can only be achieved by always thinking from the customer's point of view and seriously thinking, "I want to do this, and I want to help them do that." We believe that passion is the driving force behind everything, and that without passion there can be no success. The basic philosophy of JTEKT's version of TQM is based on this idea, so "passion" was added to the center of the triangle.

*1 Sustainable Development Goals: International goals consisting of 17 goals and 169 targets to achieve a sustainable world, adopted at the United Nations Summit in September 2015.

What are TQM activities?

To realize the basic philosophy of JTEKT's version of TQM, it is essential to develop human resources and also structure and organization, and this is precisely the key to TQM activities.

Development of structure and organization | Development of human resources

Development of human resources To develop human resources, education and training are necessary. We have been implementing various education and training programs such as problem-solving training, quality control (QC) circle activities, and a creative idea proposal program. However, over the years, as we continued our activities in a haphazard manner, the purpose of our activities became to simply tick boxes, and the original purpose of our activities was being lost. For this reason, in fiscal 2021 we are going back to the basics of our activities, thinking of our goals, and narrowing down our focus and switching to activities that pursue quality rather than quantity.

To achieve "tree-ring management" (steady growth year by year)

Specific activities

QC circle activities	We have abandoned the past practice of excessive preparation of presentation materials and abolished quotas that were set from the perspective of the secretariat and are switching to plant-led QC circle activities that are more in line with the situation of the front lines.
Problem-solving task forces	We are trialing problem-solving small-group activities at some divisions to apply problem-solving techniques in practice, rather than just in training sessions. By registering themes in line with the policy and having supervisors and subordinates work together on the themes, the program aims to improve problem-solving skills in the workplace.

Development of structure and organization Development of structure and organization is essential to continuing to develop people with an improvement mindset. We will build a structure and organization that can continue to make improvements to provide value that exceeds customer expectations.

JTEKT Academy

Cultivating Technicians Responsible for the Future

JTEKT Academy contributes to society through manufacturing, teaching basic skills enabling students to play an active role in the workplace.

Based on the ethos "skilled workers are required to make good products," we started in-company vocational training in 1941 to develop human resources, including human development based on technical and skills training. JTEKT fosters the motivation and sense of responsibility (mind) apposite for society, knowledge (wisdom) essential for future manufacturing and the basic skills (techniques) required to play an active role in the assigned workplace.

Currently, the Academy accepts Group company employees in addition to Group employees and aims to develop human resources who can contribute to the manufacturing conducted by the entire JTEKT Group. From a total of 3,744 graduates, we have producing excellent technicians who have earned the "Medal with Yellow Ribbon" and the "Outstanding Technician Award (Contemporary Master Craftsman)."

Mind

Wisdom

Techniques

Aiming for Japan's Top Skill Level—Competing in the Technical Skills Olympics

Since the establishment of JTEKT, we have won one gold medal, 10 silver medals, four bronze medals and 20 Fighting Spirit Prizes at the Technical Skills Olympics, and at the WorldSkills Competition Abu Dhabi 2017, we won the Fighting Spirit Prize.

In addition, from fiscal 2021 we are moving forward with a new challenge by entering in the plastic dye skills division.

As part of our effort to further enhance our skills, participants are selected from Academy students to compete in the Technical Skills Olympics in a quest to attain Japan's top skill level. Through training and competition that "enables the "perfect manufacturing," the competition involves "taking action to carry through to the end,""athletes who can play an active role in the workplace" and "the cultivation of instructors" aimed at achieving individual goals.

Aims of Participating in the Technical Skills Olympics
- To provide motivation and goals to the younger generation and improve the motivation of all technicians
- To develop human resources comprising the core of the workplace with the latest knowledge and skills
- To secure talented human resources by attracting highly skilled workers
- To improve the JTEKT corporate brand

Cultivating Technicians Who Will Support the Future of Manufacturing

For those who have completed the Academy or who are involved in manufacturing, JTEKT provides the training necessary to confirm and enhance the basic knowledge and skills required on manufacturing sites and to improve their skills, including the maintenance and improvement of machining, electrical circuit, equipment maintenance, sheet metal and welding skills.

At the same time, we also support employees sitting for the National Technical Skills Certification, which is a public certification system for technical skills acquired by individual employees. Approximately 120 skilled workers are certified each year. In addition, based on the idea that "maintenance is important for improving on-site capabilities," Academy students push themselves to acquire a level two qualification for Maintenance Skills and Knowledge Certification, with many successful candidates appearing each year.

National Technical Skills Certification

Rank	No. of personnel
Special rank	84
Level 1	1,124
Level 2	1,608
Total	2,816

Maintenance Skills and Knowledge Certification

Rank	No. of personnel
Level 1	345
Level 2	1,475
Total	1,820

(Source: Employee data as of April 2021)

Automotive Business Unit

The automotive industry is currently amid a transformation that occurs once in a century.
(1) Cars will change with the spread of autonomous driving.
(2) Customers will change as emerging manufacturers enter the market.
(3) Power will change due to stricter environmental regulations (advances in electrification).
In fiscal 2021, JTEKT established the Automotive Business Unit, which will make use of its diverse product lineup for automobiles, including steering, drivelines, and hubs, to accurately and promptly respond to changes in the environment and thus lead to the proposal of optimal systems for automobiles.

Business Overview

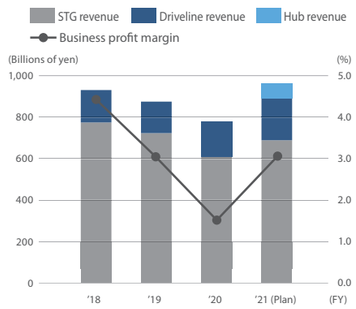
JTEKT provides steering systems for turning, one of the basic functions of a car; driveline products*1 that support driving; torque control devices (TCDs)*2; and hub units as well as regulator valves and valves for FCEVs*3 that contribute to the global environment.

We command the No. 1 share of the global market for power steering products, with a wide variety of offerings for both passenger cars and large commercial vehicles.

As a leading supplier of "turning" and "driving" systems for automobiles, we will contribute to our customers by leveraging our strength to propose systems that combine the two.

*1 Drive shafts, propeller shafts, and other products that deliver driving force.
*2 A mechanism for distributing the rotational power from the engine to front, rear, left and right driving force.
*3 Fuel cell electric vehicle

Revenue/Business profit margin



Fiscal 2020 Results and Fiscal 2021 Plan

In fiscal 2020, due to the impact of the COVID-19 pandemic and other factors, although we remained profitable, we recorded a decrease in both sales and profits compared to the previous fiscal year. In the plan for fiscal 2021, we project profit margins will start to recover but remain low.

In recent years, market competition has intensified due to the emergence of new suppliers, particularly in developing countries. Under these circumstances, we are thoroughly focused on competitiveness and are developing next-generation products through a zero-based review of our design and manufacturing processes.

With an eye toward the future, JTEKT will meet the needs of its customers by making optimal proposals for total systems rather than single components. We will also continue to develop next-generation products that meet the needs of society, as embodied in the automotive industry trends toward CASE and MaaS*4.

*4 Mobility as a Service. To use a means of transportation, such as a car, as a service by paying for it only when needed.

TOPICS Field Operational Tests of Autonomous Driving in the Haneda Airport Area

Participation in the second phase of the Cabinet Office's Cross-ministerial Strategic Innovation Program (SIP)

JTEKT is participating in field operational tests at the Tokyo Waterfront City area for the second phase of the SIP "Autonomous Driving (System and Service Expansion)." Field operational tests of autonomous driving were conducted in the Haneda Airport area from June 8 to July 16, 2020.

Based on the results of these tests, we will further improve our technology and contribute to resolving social issues such as securing mobility for the elderly and those with restricted access to transportation, improving driver shortages, and reducing costs by contributing to the realization of a next-generation public transportation system.

Exterior view of the test vehicle

message

Becoming a key module supplier that can contribute to the improvement of chassis functions by combining the knowledge of automobile-related divisions

Takumi Matsumoto
Research & Development Division and Automotive Business Unit

Removing Conventional Silos and Frameworks to Create New Value

On April 1, 2021, the Steering Systems Business Unit, the Driveline Systems Business Unit, and the business units in charge of HUB operations in the Bearings Business Unit were integrated and the Automotive Business Unit was launched. With the advent of CASE and MaaS, the automotive industry has long been described as undergoing a once-in-a-century transformation. As companies that have never built a car before enter the market and existing customers transform into service providers, JTEKT needs to evolve from a mere device supplier to a key module supplier that can design the next generation of cars together with the customer. The new business unit is a huge organization that accounts for approximately 70% of the Group's sales, but we also want it to be an agile team that can create new value for our customers with a sense of speed by removing all silos such as businesses, functions, and departments.

The Chief Engineer System, which was newly introduced at the same time as the new business unit, is another means to break down the silos between organizations. Until now, sales, development & design, and manufacturing were separated from each other, and existed in a world where comments such as, "I'm in development, so I don't know about anything else," prevailed. Going forward, the chief engineers will be responsible for committing thoroughly on a product-by-product basis and will grasp projects in their entirety to provide one-stop support to customers. Whenever good products are made or jobs done well there are persons who take on the challenge of going beyond conventional boundaries and taking ownership. To develop a proactive organizational culture and human resources, I would like chief engineers to lead the organization and be a positive role model for everyone.

Even If Cars Fly through the Air...

In addition to the Automotive Business Unit, I am also in charge of the Research and Development Headquarters. JTEKT possesses a high level of foundational technologies, such as bearings and gears, as well as technological capabilities backed up by experience gained through working with a wide range of customers. Naturally, we are also skilled in *monozukuri*. These are truly our strengths. To cite one example, as the electrification of automobiles progresses, I predict all the functions of driving, turning, and stopping will be integrated around the tires as represented by in-wheel motors*5, which we call "corner modules." If this were to materialize, many of the products we manufacture now will no longer be needed, yet we believe our technology and knowledge for making smooth and safe turns can definitely be utilized. Even if engines disappear and even if cars fly, the new generation of transportation equipment and means will still need powertrains, and bearings and gears will always be used in them. No matter what the shape of future vehicles takes, we have the potential to provide key modules for them. When I think about what might lie ahead, my dreams expand, and I am filled with excitement. Technology is evolving day by day, but certain know-how cannot be acquired overnight. I would like JTEKT to contribute to the safety and security of the world by combining these technologies and know-how.

*5 A motor that drives inside the wheel of a car (powertrain used in BEVs, FCEVs, etc.).

Image

Industrial & Bearings Business Unit

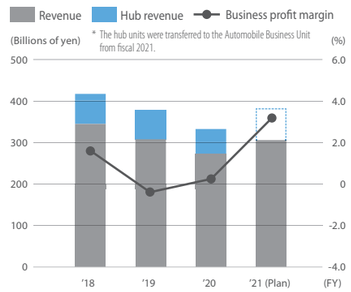
**Bearings that support the rotating parts of any mechanical device
JTEKT provides a wide range of bearings
for automobiles and industrial machinery,
contributing to the earth, the world,
and our customers.**

Business Overview

JTEKT's products 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 bearings that address the needs for quietness, low vibration, and high-speed rotation in response to the shift to electrification in automobiles and autonomous driving. In the industrial machinery field, we will strive to provide value and services by developing proposal-based businesses that respond to diverse usage environments such as semiconductors, robots, and wind power generation. Through these activities, JTEKT will contribute to the development of industry and the realization of a sustainable society.

Revenue/Business profit margin



Fiscal 2020 Results and Fiscal 2021 Plan

In fiscal 2020, sales were significantly impacted by the COVID-19 pandemic, yet JTEKT improved its earnings structure by boosting productivity and reducing capital investment and repair costs. We also worked to improve our competitiveness through the culmination of structural reforms in Japan and overseas and exhaustive cost reduction activities.

In fiscal 2021, we will make further improvements to build an overwhelming competitive edge through production technology innovation and cost reduction, and thus further strengthen our business structure. We will also shift our resources to growth markets and contribute to the growth and development of society by developing "No. 1 & Only One" products.

Main Products Developed

High-speed rotating grease-lubricated ball bearings for electric vehicle motors

Automotive bearings

For electric vehicle motors
High-speed rotating grease-lubricated ball bearings
High speed: Achieving world-class performance
Over 1.85 million dmn[*1]
*1 According to JTEKT research
dmn is a value that indicates the rotational performance of a bearing. Pitch diameter (mm) x rotational speed (min-1)

Bearings for special environments such as optical film and semiconductor manufacturing equipment

Bearings for industrial machinery

Bearings for special environments such as optical film and semiconductor manufacturing equipment
Corrosion resistance: Three times longer life than conventional products

TOPICS Achieves No. 1 Low-Torque Performance, Meeting Needs for Fuel Efficiency

5th Generation LFT[*2]-V Low-Friction-Torque Tapered Roller Bearing

In tapered roller bearings used in automotive transmissions and differential[*3] units, JTEKT has developed the LFT-V, which achieves the lowest torque and lightest weight of the No. 1 LFT series.

We are proceeding with the proposal of LFT-V to automakers around the world to contribute to low fuel consumption and improve the efficiency of their vehicles.

*2 Low friction torque
*3 A mechanism that absorbs the difference in rotation between the left and right wheels for smooth turning.

message

Valuing the Basics, Grasping the Essence, and Gaining Success Experience Beyond that, we aim to become a group that pursues customer value and the infinite possibilities of bearings.

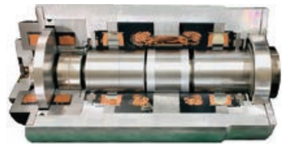
Katsumi Yamamoto
Industrial & Bearings Business Unit

Beating Commoditization by Pursuing High-Quality Yet Inexpensive Products

Bearings are one of the JTEKT Group's founding businesses, and its mission has traditionally been to sustain its competitiveness to generate funds for future investment. However, the business has not been able to fulfill this role for the past few years. To restore its lost competitiveness and survive 20 to 30 years from now, we believe we need to take two major directions: "beating commoditization" and "breaking away from commodities."

Beating commoditization means pursuing high-quality yet inexpensive products in existing products. The two pillars of the Toyota Production System (TPS)—just-in-time and automation—are the basics of the Toyota Group, and it is important to persevere in making steady improvements, such as improving standard work and shortening setup time. Although the Industrial & Bearings Business Unit moved into the black in fiscal 2020, we believe there is still much room for improvement. For example, from a productivity standpoint, the ideal situation is for people to finish their work on time and for equipment to operate 24 hours a day. We are making steady progress in advancing our processes, starting with periodic breaks and then unattended operation for an hour during lunch breaks. The plant, which had lost its vitality due to deteriorating profitability, continued to make improvements on-site with persistence. We see regained confidence in the eyes of each employee after a succession of success experiences. Furthermore, we have recently been making use of the comprehensive strength of the Group, for example, by utilizing the know-how of the Machine Tools & Systems Business Unit related to processing conditions to improve the polishing process. We will continue to strengthen our competitiveness by leveraging our strengths in manufacturing.

Creating New Value for the World and our Customers


Magnetic bearings

On the other hand, breaking away from commodities means providing new products and services in growth fields where JTEKT can utilize its strengths. The days when our business was built on doing what our customers told us to do are long gone. It is now essential for us to grasp what our customers really want behind what they say and what people around the world are looking for to proceed with development.

In the automotive field, demand for bearings that can handle the high-speed rotation of motors is increasing as the shift to electrification continues at a rapid clip. We are contending with fierce development competition, but we are able to demonstrate our presence in this area where we have the world's highest level of technological capability. Flying cars will probably appear in the future, and I am confident that we will be able to make a contribution there as well.

The industrial machinery field also has strong potential for great leaps forward. We will demonstrate our unique strengths in niche growth markets and aim to lead in each field. For example, demand is expected to grow for special bearings used in semiconductor manufacturing equipment and magnetic bearing products used in sewage treatment plants, but there are only a limited number of manufacturers that can address this demand. We therefore believe that we can find opportunities to win here. The move to carbon neutrality is also a business opportunity for us, as it is the beginning of a major shift in the needs of society. In particular, in the field of renewable energy, bearing devices are required for turbines used in geothermal power generation, and we will also focus on bearings for large-scale offshore wind power generation, which is expected to expand in the future. Offshore wind turbines are large and require a new approach, and so we are developing processing equipment in collaboration with the Machine Tools & Systems Business Unit.

The electrification of automobiles does not mean zero CO_2 emissions, as there is an aspect of transferring those emissions to the power generation sector. From this perspective, I believe it is extremely meaningful for JTEKT, which has been engaged in the development and production of automotive parts, to contribute to power generation systems using renewable energy for the benefit of the earth and our customers.

Machine Tools & Systems Business Unit

Becoming a *Monozukuri* Innovation Company
We provide value in all phases of *monozukuri* and contribute to the enhancement of customer value with "Only One" technology.

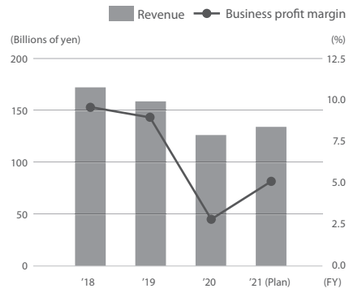
Business Overview

We aim to enhance the value of our customers' *monozukuri* by developing three businesses: machine tools such as grinders, machining centers, and gear skiving centers; IoE*1 solutions and other solutions; and life-cycle businesses.

We will develop solutions for new needs and their growth, such as the electrification and automation of automobiles, using machine tools and other proprietary technologies of our Group companies. As a manufacturing line builder, we will propose high-precision grinders for manufacturing the high-precision rolls required for the production of lithium batteries, laminated capacitors*2 and high-performance films, and gear skiving machines for realizing new configurations for electrified gears and other products in growing fields.

*1 Internet of Everything: In contrast to the Internet of Things (IoT), this term means to connect all things.
*2 Capacitors with stacked dielectrics and electrodes to store more charge

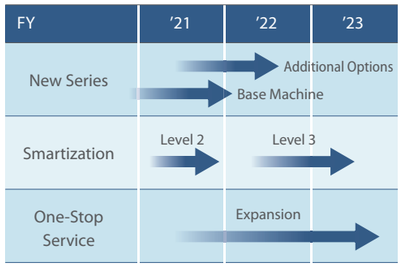
Revenue/Business profit margin



Fiscal 2020 Results and Fiscal 2021 Plan

In fiscal 2020, both sales and profits decreased year on year due to a confluence of such negative factors as trade friction between the United States and China, the COVID-19 pandemic, and the shift to EVs in the automotive industry.

In fiscal 2021, we expect investment to recover, and that the needs for a green society, work-style reform, and manufacturing DX will increase. In response to these new needs, JTEKT will (1) develop a series of high-quality yet inexpensive products by combining new modules with a revised structure and cost, (2) improve the level of machine smartness by promoting the digitization of processing technology, and (3) expand its one-stop service, which provides support for everything from equipment planning to production and service using digital technology and online services. In addition, we will promote the creation of new value and contribute to resolving social issues by combining the technologies of Group companies.



TOPICS CBN Camshaft Grinders GC20S/GL32S Receive Top Minister of Economy, Trade and Industry's Prize for Excellence in Energy-Saving Equipment and Systems at the Japan Machinery Federation Awards

JTEKT's CBN camshaft grinders GC20S/GL32S were awarded the top Minister of Economy, Trade and Industry's Prize at the Japan Machinery Federation awards for excellence in energy-saving equipment and systems for 2020. We were recognized for the development and marketing of highly economical products by saving energy and downsizing grinding wheel spindles, which greatly impact machinery energy consumption and footprint.

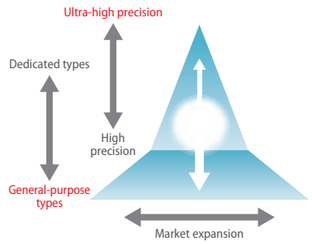
JTEKT will continue to contribute to the realization of a green society by dramatically improving the energy-saving performance of all its products.

message

We would like to pursue and provide new value in an agile manner by being sensitive to changes and demand.

Shinji Kato
Machine Tools & Manufacturing Systems Business Unit

Aiming to be the True No. 1 in the Cylindrical Grinder Field



Our machine tool business has demonstrated its strength in the automotive market since its inception and has grown with the automotive industry. And now, in the midst of a once-in-a-century transformation, the electrification of automobiles has arrived as a major opportunity. This is because we believe the product lines created by electrification will have a wide market and connect with more customers than ever before.

Therefore, we are starting by listening to and engaging with customers in new markets other than automobiles to find out what kind of functions, performance, and price they need in their machines. The key phrase in this context is "high-quality yet inexpensive products." We are breaking down the high-productivity and high-reliability technologies that we have refined in the production of automobile engines into elements and reassembling them as high-quality yet inexpensive products. We are redeveloping all functional modules, such as wheelheads and spindles, to incorporate this concept. In spring 2022, we will launch a new series of high-quality yet inexpensive products made from new module combinations.

Aiming for Manufacturing DX

As the workforce shrinks in Japan due to the declining birthrate and aging population, improving production efficiency has become a major issue for the manufacturing industry. JTEKT has advanced processing technology that is competitive with veterans at other companies who have been polishing their skills over many years. We will digitize this technology and transfer it to machinery to create smart machines that process autonomously beyond what is possible by veterans. Furthermore, the need for greater efficiency is also required in process and facility planning, and the COVID-19 pandemic has accelerated this trend.

By developing digitalized processing technology into simulation technology, we aim to contribute to manufacturing DX, which will lead to work-style reform, with digital completion and confirmation only required for manufacturing.

Contributing to Global *Monozukuri* and the SDGs as a Machine Tool Manufacturer in the Toyota Group

Amid such changes, we have a vital position as the only machine tool manufacturer in the Toyota Group. In the future, in addition to production lines for electrification gears and vehicle batteries, we will also work with the Toyota Group to develop products that can further contribute to carbon neutrality. From the perspective of sustainability and the SDGs, our mission is to overhaul and rebuild equipment to ensure that it can be used for many years to come and to restore its value, as well as to provide support to keep machines running. Many of JTEKT's Group companies have technologies that make them niche leaders. As the machine tool maker of the Toyota Group, we will create new value and contribute to the resolution of social issues. Our mission is to help our customers realize what they want to do, and to provide them with the tools they need, in other words, solutions that enhance the value of their *monozukuri*. Social change and technological innovation will create new demands and new competitive axes. We will continue to pursue and provide new value in a speedy manner, while also remaining alert to change and demand.

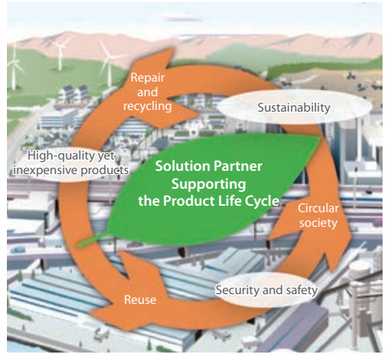
Aftermarket Business Unit

In the aftermarket, we will create new value from the customers' point of view and provide them with a wide variety of products, services, and joy.

Business Overview

JTEKT has been developing the aftermarket with a focus on bearing products through its network of distributors around the world. From fiscal 2021, the organization has been realigned as an independent business unit to lead collaboration among related departments and groups. Utilizing our sales network cultivated through existing businesses, we will become a solution partner that supports the life cycle of products and responds to the needs of a circular society. This includes longevity, recycling, and low carbon, through the timely provision of a wide range of products to the aftermarket with the Group's "No. 1 & Only One" technologies.

- By shifting our focus from only products sales business to products and additional service business, we will become a solution partner supporting the life cycle of products.
- We will respond to a wide range of work floor needs with the Group's network and a variety of products.
- From bearings to driveline systems, we will take the top share of the automotive aftermarket.



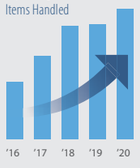
Initiatives to Expand the Aftermarket Business

- **We will respond to customer expectations by swiftly introducing our diverse products and services to the market.**
- **We will provide customers with what they want, when they want it, by ensuring that the product lineup and inventory are sufficient.**
- **We will strengthen initiatives in regions and markets where sales growth is expected without lagging behind our competitors.**
- **By growing the aftermarket business through these initiatives, we will pursue increased profits and joy for both our customers and JTEKT.**

TOPICS

Expanding Inventory for Aftermarket and Product Range: New Warehouse Opened

In June 2020, JTEKT opened a new warehouse to expand its inventory for aftermarket with the goal of boosting sales. We will provide a full range of products, from standard items to large-size bearings, to meet the demands of both domestic and overseas markets.



Expanding Online Sales

Through our website, we provide a wide range of articles for novices and technical information to our customers. In addition to uncovering potential customers and projects, JTEKT will prepare for the digital business of the future by utilizing e-commerce and its dealer networks.

Start of Automobile Spare Parts Sales

JTEKT started its commercial launch of automobile spare parts with steering gears. We will respond to the need to expand our lineup for the aftermarket.

message

The job is not done when a product is sold: Becoming a solution partner supporting the product life cycle.

Kenichi Ishioka
Aftermarket Business Unit

Creating a New Core Business

The Aftermarket Business Unit was spun off from the Sales & Marketing Division on April 1, 2021.

Goal 12 of the 17 Sustainable Development Goals (SDGs) is "Responsible Production and Consumption," and by providing aftermarket parts to customers in a timely manner, JTEKT seeks to extend the life cycle of products and contribute to the creation of a circular society.

Our various products, such as automobile spare parts, bearings, and machine tools, are used all over the world, and we expect to earn stable and high profits by standing by each of them closely throughout their life cycles. The aftermarket is also attractive in that it is resilient to economic downturns.

Specifically, JTEKT's goal is to double the business unit's sales and have it account for 10% of companywide sales by 2030. To reach this goal, we need to overcome challenges such as providing rebuild and other new services and establishing novel sales networks including e-commerce and other channels. Yet, we are confident this goal is fully achievable.

"Let's Do Something Interesting" with the Spirit of Challenge

Our product range would expand further if the offerings of Group companies are also handled. However, we do not intend to handle all products from the beginning but rather start with the provision of steering and other automobile spare parts for the aftermarket like our established hub units and oil seals. Going forward, we will increase our revenue by selling kit products to end users and working on preventive maintenance services such as status monitoring services and equipment overhaul.

Unlike other JTEKT divisions, the Aftermarket Business Unit does not have a production function and is mainly responsible for product planning and overseas coordination. To provide customers with products in a timely manner, the unit works closely with both internal and external partners. It has a pivotal role in global sales forecasting and supply–demand analysis to determine what products are needed in which regions and markets, and to plan and create proposals accordingly.

Since this is a new business unit, I think the key thing now is to try out various ideas and expand the possibilities. I hope to meet the needs of our customers with a spirit of challenge under the slogan, "Let's do something interesting!"

Together With Society

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

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.

Global Conduct Guideline

Responsibilities in line with global-level business activities

JTEKT has established the 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 on corporations.

Main Points of the Global Conduct Guideline

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

* For more information, please visit JTEKT's website.
https://www.jtekt.co.jp/e/sustainability/csr/concept/

CSR Promotion

Implementation of CSR activities in each division on a companywide basis

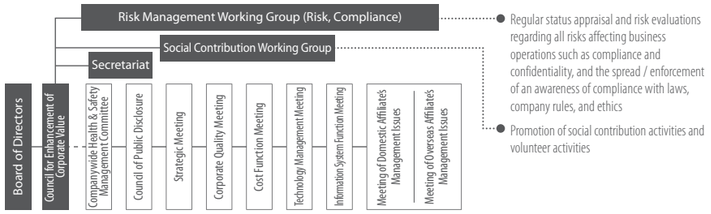
At JTEKT, we believe CSR is a core corporate activity from the belief that "the company is a public institution of society" and, as such, each of our divisions and units formulates an annual activity plan. A PDCA cycle* is then applied to this plan in accordance with monthly management based on policy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

* The Plan, Do, Check, Action management method for ongoing operation improvements

Council for Enhancement of Corporate Value

In February 2009, JTEKT established the CSR Promotion Committee chaired by the president, which has periodically inspected the progress of CSR activities. In March 2017, this committee was renamed the "Council for Enhancement of Corporate Value". In addition to the reporting on CSR activities conducted in the past, the council has ongoing discussions regarding conversations with various stakeholders, the sharing of results of evaluations by external organizations, JTEKT's contributions toward the realization of a sustainable society, and the creation of new value.

Outline of the CSR Promotion Structure



JTEKT's Materiality (Important issues)

Social challenges to be solved through business

1. Contribute to safe, secure and comfort life
- Turning solution for all motilities
- Safe automation/labor-saving for various works and services
- Life and care support for aging society

2. Protect the rich earth for future children
- Prevention of global warming
- Contribution to recycling society
- Reduction of environmental impact

3. Provide new values to manufacturing (*monozukuri*)
- Providing key components supporting industry
- Improvement in productivity by utilizing digital technology
- Extending life span of machine by preventive maintenance

Important issues in business structure

4. Development of organization and HR to be trusted by society and to contribute to society
- Human resources development
- Safety and health of workers
- Governance
- Diversity
- Compliance

Materiality Determination Process

Step.1 Identification of Issues

From among various social issues, itemize those that are relevant to the Company and its business activities.

Items referenced

1. SDGs*1 (17 goals, 169 targets)

2. ESG Materiality Items

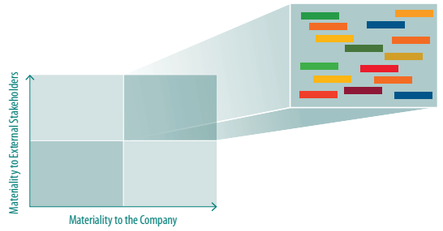
*1 Sustainable Development Goals: International goals consisting of 17 goals and 169 targets to achieve a sustainable world, adopted at the United Nations Summit in September 2015.

Step.2 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



Step.3 Validation of Adequacy

Reviews are conducted through the Strategic Meeting, Corporate Value Improvement Committee, etc.
Adequacy is confirmed based on the opinions expressed therein.

Step.4 Approval by Top Management

Final approval by the Board of Directors based on the results of the validation of adequacy

Members of the Board

President, Member of the Board, Representative Director

Kazuhiro Sato

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
June 2020 President, Member of the Board (to present)

Senior Executive Officer, Member of the Board, Representative Director

Hiroyuki Kaijima

Sales & Marketing Division

Apr. 1979 Joined Toyoda Machine Works Ltd.
Feb. 2002 General Manager, Overseas Business Dept., Toyoda Machine Works Ltd.
June 2003 Director, Toyoda Machine Works Ltd.
June 2005 Managing Officer, Toyoda Machine Works Ltd.
Jan. 2006 Managing Officer of the Company
June 2012 Executive Managing Officer
June 2014 Executive Director
June 2018 Senior Executive Director
June 2019 Executive Vice-President
Jan. 2021 Senior Executive Officer, Member of the Board (to present)

Senior Executive Officer, Member of the Board

Katsumi Yamamoto

Industrial & Bearings Business Unit

April 1981 Joined the Company
Jan. 2006 General Manager, Business Planning Dept., Bearing Operations Headquarters
June 2010 Managing Officer
Apr. 2015 Executive Managing Officer
Apr. 2016 Advisor
June 2016 President, DAIBEA Co., Ltd.
June 2019 Senior Executive Director
Jan. 2021 Senior Executive Officer, Member of the Board (to present)

Senior Executive Officer, Member of the Board

Kazuhisa Makino

Corporate Division

Apr. 1982 Joined Toyoda Machine Works Ltd.
Jan. 2005 General Manager, Corporate Management Dept., Toyoda Machine Works Ltd.
June 2010 General Manager, Accounting Dept. of the Company
June 2011 Managing Officer
Apr. 2015 Executive Managing Officer
June 2019 Executive Director
June 2020 Senior Executive Director
Jan. 2021 Senior Executive Officer, Member of the Board (to present)

Senior Executive Officer, Member of the Board

Shinji Kato

Machine Tools & Manufacturing Systems Business Unit

Apr. 1981 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
July 2010 General Manager, Mechatronics Systems Dept., Toyota Motor Corporation
Jan. 2017 Senior General Manager of the Company
Apr. 2017 Managing Officer
June 2018 Executive Director
June 2020 Senior Executive Director
Jan. 2021 Senior Executive Officer, Member of the Board (to present)

Senior Executive Officer, Member of the Board

Takumi Matsumoto

Research & Development Division
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
June 2016 Executive Director
Jan. 2021 Senior Executive Officer, Member of the Board (to present)

Independent Outside Director, Member of the Board

Takao Miyatani

Apr. 1963 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
July 1995 General Manager (Senior General Manager), IT Engineering Dept., Toyota Motor Corporation
Jan. 1999 Seconded to YUTAKA SEIMITSU KOGYO LTD., equivalent to Counselor, Toyota Motor Corporation
June 1999 President, YUTAKA SEIMITSU KOGYO LTD.
May 2000 Vice Chairman, JAPAN GEAR MANUFACTURERS ASSOCIATION
May 2005 Chairman, JAPAN GEAR MANUFACTURERS ASSOCIATION
June 2015 Director, Member of the Board of the Company (to present)

Independent Outside Director, Member of the Board

Iwao Okamoto

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
July 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
June 2007 Representative Director, Senior Managing Executive Officer, SUMITOMO CORPORATION
Apr. 2009 Representative Director, Assistant to President and CEO, SUMITOMO CORPORATION
July 2009 President, Japan Cooperation Center for the Middle East (JCCME)
May 2011 President Executive, JAPAN-CHINA ECONOMIC ASSOCIATION
June 2015 Director, Member of the Board of the Company (to present)

Outside Director, Member of the Board

Takeshi Uchiyamada

Apr. 1969 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
June 1998 Member of the Board of Directors, Toyota Motor Corporation
June 2001 Managing Director, Toyota Motor Corporation
June 2003 Senior Managing Director, Toyota Motor Corporation
June 2004 Director of the Company
June 2005 Executive Vice President, Toyota Motor Corporation
June 2012 Vice Chairman of the Board of Directors, Toyota Motor Corporation
June 2013 Resigned from Director of the Company
Chairman of the Board of Directors, Toyota Motor Corporation (to present)
June 2018 Director, Member of the Board of the Company (to present)

Skill Matrix of Directors

To ensure a balance of knowledge, experience, skills, and diversity required for the sustainable growth of JTEKT as a monozukuri company, 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 the corporate philosophy, JTEKT GROUP VISION, and corporate management.

Name	Title	Corporate management	Business strategy & marketing	*Monozukuri* (production technology, procurement, quality, and safety)	Technology & R&D	Finance & accounting	Legal & risk management	Talent development & labor issues	Sustainability & ESG	International experience
Kazuhiro Sato	President	●	●	●			●	●	●	●
Hiroyuki Kaijima	Senior Executive Officer	●	●			●				●
Katsumi Yamamoto	Senior Executive Officer	●	●	●						●
Kazuhisa Makino	Senior Executive Officer	●				●	●	●		●
Shinji Kato	Senior Executive Officer	●	●	●	●					
Takumi Matsumoto	Senior Executive Officer	●	●	●	●					●
Takao Miyatani	Outside Director	●	●	●	●	●	●	●		●
Iwao Okamoto	Outside Director	●	●			●	●	●	●	●
Takeshi Uchiyamada	Outside Director	●	●	●	●			●	●	●

Members of the Audit & Supervisory Board

Member of the Audit & Supervisory Board

Atsushi Kume

Member of the Audit & Supervisory Board

Hiroshi Takenaka

Independent Outside Member of the Audit & Supervisory Board

Takashi Yoshida

Outside Member of the Audit & Supervisory Board

Hiroyuki Wakabayashi

Independent Outside Member of the Audit & Supervisory Board

Yumiko Sakurai

Corporate Governance

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

Promotion structure

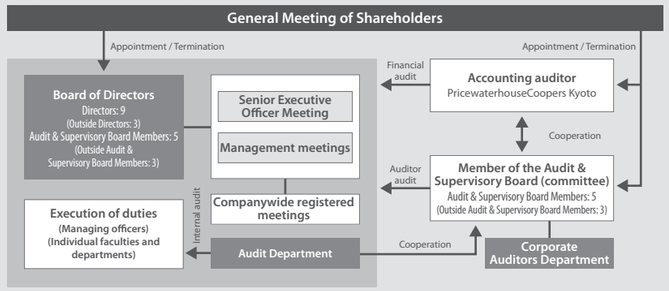
JTEKT holds Board of Directors' meetings every month where, in addition to items stipulated by law and the Articles of Incorporation, deliberations take place and decisions are made pertaining to the medium-term business plan aimed at realizing our corporate philosophy and the JTEKT GROUP VISION. This 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 executive director 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 five auditors, three of whom are outside auditors (of which two are independent outside auditors). Additionally, two full-time staff members in the Corporate Auditors Department assist the Audit & Supervisory Board members.

Regarding internal auditing, the 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 representative 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 the Audit Department regularly hold discussions to exchange information and engage in mutual cooperation.

Corporate Governance System



Board of Directors Held once per month
Makes decisions about important matters within management, and supervises directors' performance of duties.

Audit & Supervisory Board Held once per month
Inspects the appropriateness of methods and results of audits of the directors' performance of duties, and of audits performed by the accounting auditor.

Senior Executive Officer meetings Held twice per month
Supplements the Board of Directors, deliberates important matters within management, and determines fundamental policies.

Companywide Registered Meetings See below
The purpose of these meetings is to engage in deliberations focused on important management themes and apply the PDCA*1 cycle.

Management meetings Held once per 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.

Strategic Meetings Held once per week
The Board of Directors, executive director meetings, and management meetings delegate authority to companywide registered meetings to examine the policies and direction of the company through specialized and sufficient deliberations from the standpoint of duty performance.

*1 Acronym for "Plan, Do, Check, Action." A management method for the continuous improvement of operations through the repeated application of this cycle.

Companywide Registered Meetings

Companywide Committee	
Companywide Health & Safety Committee	Held twice per annual
Council for Enhancement of Corporate Value	Held twice per annual
Council of Public Disclosure	As needed

Group Management Meeting	
Meeting of Domestic Affiliate's Management Issues	Held once per annual by each company
Meeting of Overseas Affiliate's Management Issues	Held once per quarter by each company

Function Meetings	
Strategic Meeting	Held once per week
Corporate Quality Meeting	Held once per annual
Cost Function Meeting	Held fourth per annual
Technology Management Meeting	Held twice per annual
Information System Function Meeting	Held four times per annual

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 and annual implementation of the PDCA cycle in response to the Corporate Governance Code.

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 executive director meeting, 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, which has significantly reduced the number of officers.

Main Governance Reform Initiatives

Date	Measures
June 2005	Introduction of executive officer system
May 2006	Publication of Corporate Governance Report
Jan. 2008	Establishment of Global Internal Audit Department
Feb. 2009	Establishment of CSR Promotion Committee
June 2013	Appointment of foreign executive officer
June 2015	Appointment of two outside directors
Feb. 2016	Establishment of Executive Officer Personnel Appointment Review Meeting (Comprising President and Representative Director and outside directors)
June 2016	Establishment of Executive Remuneration Meeting (Comprising President and Representative Director and outside directors)
Mar. 2017	Establishment of Council for Enhancement of Corporate Value
Oct. 2017	Establishment of Risk Management Department
June 2018	Increased number of outside directors by one, to a total of three
June 2019	Appointment of a female outside Member of the Audit & Supervisory Board
Nov. 2019	Revision of the Board of Directors regulations
Apr. 2020	Introduction of senior management system
Jan. 2021	Review of executive structure

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. JTEKT share items with subsidiaries, including the JTEKT GROUP VISION, and the medium-term business plan, with the business plan progress confirmed at meetings at top meetings.
2. JTEKT requires that subsidiaries to engage in 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. JTEKT developed the JTEKT Group Business Management Guidelines and requires subsidiaries to establish internal control systems.
   We also require the prompt reporting of serious financial, safety, quality, environmental, and disaster risks.
4. JTEKT requires that subsidiaries establish compliance systems based on the "Global Conduct Guidelines."
   Subsidiaries also conduct regular compliance inspections based on checklists provided by JTEKT.

Outside Directors and Auditors

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. These members are also selected based on their experience and viewpoints.

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

Position	Name	Main reasons (experience, insight, etc.) for appointment	Independent Director	Attendance record in fiscal 2020 (attended/held)	
				Board of Directors	Audit & Supervisory Board
Director	Takao Miyatani	As a corporate executive and industrial group chairman, he possesses a wealth of experience and deep insights involving manufacturing over many years, and is appointed to supervise the management of the Company and provide appropriate advice and recommendations. In addition, he has satisfied the requirements for an independent director and it has been determined that there is no risk of a conflict of interest with general shareholders.	○	14/14	—
Director	Iwao Okamoto	Having held important positions in the Ministry of Economy, Trade and Industry and the Japan-China Economic Association, he possesses a wealth of experience and deep insights into domestic and overseas industrial and economic activities, and is appointed to supervise the management of the Company and provide appropriate advice and recommendations. In addition, he has satisfied the requirements for an independent director and it has been determined that there is no risk of a conflict of interest with general shareholders.	○	14/14	—
Director	Takeshi Uchiyamada	As a corporate manager, he possesses a wealth of experience and deep insights involving manufacturing over many years, and is appointed to supervise the management of the Company and provide appropriate advice and recommendations.	—	14/14	—
Member of the Audit & Supervisory Board	Takashi Yoshida	As a certified public accountant, he possesses a wide range of knowledge regarding finance and accounting, and is appointed to audit the management of the Company and provide appropriate advice and recommendations.	○	14/14	16/16
Member of the Audit & Supervisory Board	Hiroyuki Wakabayashi	As a manger, he possesses a wide range of experience and knowledge with deep insight into corporate governance, and is appointed to audit the management of the Company and provide appropriate advice and recommendations.	—	13/14	14/16
Member of the Audit & Supervisory Board	Yumiko Sakurai	As a certified public accountant, she possesses a wide range of knowledge regarding finance and accounting, and is appointed to audit the management of the Company and provide appropriate advice and recommendations.	○	14/14	16/16

Provision of information to Outside Directors and Auditors

In order to further enhance deliberations by the Board of Directors, JTEKT explains details regarding Board of Directors' meeting agenda items to outside directors and auditors on the day before the Board of Directors' meeting, and on the day of the Board of Directors' meeting, a Liaison Meeting for Outside Directors and Members of the Audit & Supervisory Board is held to share information between outside directors and auditors. In addition, regarding M&A and other important items, a Management Review Meeting is held, in principle, one month before the Board of Directors' meeting, attended by the same participants as the Board of Directors, including outside directors, to ensure a sufficient amount of time to review all agenda items.

Nomination of Director and Audit & Supervisory Board member candidates

Concerning the nomination of director and Audit & Supervisory Board member candidates, the "Executive Officer Personnel Appointment Review Meeting," comprising the president and independent outside directors, nominate candidates with various areas of expertise and experience in consideration of maintaining the overall balance and diversity of the Board of Directors.

Director and Auditor remuneration

Directors remuneration is as shown in the figure below.

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		¥100 million
Paid on	Monthly	Yearly	Yearly
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 safety and quality goals	Half of performance-linked compensation based on business profit is granted as stock compensation
Process	(1) Formulated a compensation draft based on the above policy and indicators (2) At the Executive Compensation Meeting consisting the president and two independent outside directors, the validity of the above formulated compensation based on company performance and comparison with social conditions and trends at other companies, etc. and consistency with the decision policy are confirmed and approved (3) The Board of Directors has resolved to give the president discretion in determining the compensation of each director, and the president determines the compensation of each director based on that resolution (4) The allocation of stock compensation (number of shares) is decided by a resolution of the Board of Directors		

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.

Compensation of Directors and Audit & Supervisory Board Members

Position	Total compensation	Total compensation by type		Directors/Audit & Supervisory Board Members
		Fixed compensation	Variable (Performance-linked) compensation	
Directors (Outside directors)	¥480 million (¥33 million)	¥363 million (¥33 million)	¥116 million (¥– million)	14 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	¥102 million (¥30 million)	¥102 million (¥30 million)	¥– million (¥– million)	5 (3)
Total	¥582 million	¥465 million	¥116 million	19

Notes: 1. The above amounts include those for a director, who retired from the post of director at the conclusion of the 120th Annual General Meeting of Shareholders held on June 25, 2020.
2. The above amount of performance-linked compensation includes the unpaid amount which was booked as bonus provision for directors in the previous fiscal year. (10 Directors, ¥116million)

Evaluating the efficacy of the 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.

Analysis and evaluation process

- Audit of "efficacy of important meetings, including the Board of Directors" by the Audit & Supervisory Board members
- Implementation of "survey on the efficacy of the Board of Directors" by the Board of Directors Secretariat targeting directors and Audit & Supervisory Board members

Overview of evaluation results

As the result of evaluations in fiscal 2020, we have added management themes other than those on the agenda of the Board of Directors' meetings to share information and to further enhance the function of pre-meeting briefings to outside directors and corporate auditors, which leads to more active discussions at Board of Directors' meetings.

To further improve effectiveness, we recognize the need for improvement so that we can understand the position of individual items on the agenda within the overall policy and strategy. But in general, it was determined that the meetings are functioning properly and the effectiveness of the Board of Directors was confirmed.

Risk management

Basic Approach — Enhancing corporate value and meeting the expectations of society

To maintain and strengthen fundamentals (corporate foundation), we are working to improve our risk management promotion system that ascertains, evaluates, and appropriately promotes measures with respect to critical risks faced by the entire JTEKT Group.

Promotion system

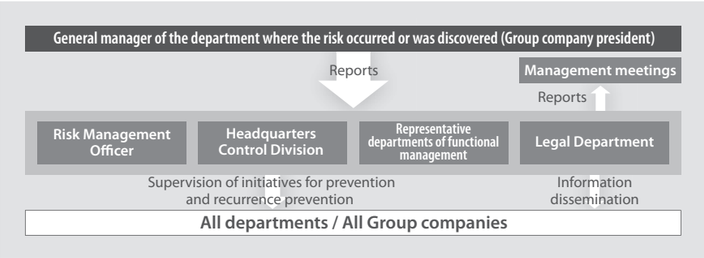
In October 2017, we established a new system in which the Compliance Officer (CO) was transitioned into the Risk Management Officer (RO) in order to strengthen our risk prevention efforts. We aim to control risks on a global scale by expanding risk management to each department and group.

Identifying risks and clarifying responses

JTEKT assigns a risk management department to each risk item. The risk management department reviews the annual action plan formulated by each division at the end of each fiscal year and reflects it in the next fiscal year's plan.

Thorough adherence to immediate reporting

From fiscal 2015, we broadened the scope of our immediate reporting system, which requires prompt reporting after identifying compliance issues and even with regard to noncompliance risks, and ensure that operational rules are in place to quickly issue initial reports after risks are uncovered.



Strengthening the risk perspective in each department

To deal with risks autonomously, each division promotes prevention and countermeasures against the occurrence of risks based on the annual action plan.

Information security

As the number of cyberattacks and virus infections increase throughout the world, JTEKT is cognizant that these are extremely significant risks that threaten our corporate activities. In each process we engage in, such as product development, manufacturing, and shipping, the strengthening of information security measures is indispensable for our ability to supply safe products.

Given these circumstances, in March 2019 we formulated the JTEKT Group Policy of Information Security and shared it throughout the entire Group in an effort to enhance information security.

Large-scale disaster countermeasures

Among the various risk responses that JTEKT is undertaking, we are promoting both software and hardware measures to deal with large-scale disasters, which have a particularly large impact on the continuation of our business activities under the Basic Policy for JTEKT Group BCP*. These include employee safety confirmation, disaster drills, disaster mitigation education in households based on the assumption of local disaster risks, and preparations for early recovery of product supply.

*BCP: An acronym for Business Continuing Plan

Compliance

Basic Approach — All employees exhibit correct judgment and conduct in line with corporate ethics

JTEKT positions compliance as the premise and foundation of corporate value, therefore it is essential to realizing our corporate philosophy. JTEKT has established various internal rules concerning corporate compliance centered on the Ethics Code for Directors and Officers and the Compliance Rules, while the Global Conduct Guidelines indicate behavioral guidelines for officers and employees.

Furthermore, in addition to sharing the aforementioned Global Conduct Guidelines with each Group company, we promote corporate compliance as one of the most important items in the JTEKT Group Business Management Guidelines, encouraging and supporting the establishment of promotion structures appropriate for each company.

Group training and awareness activities

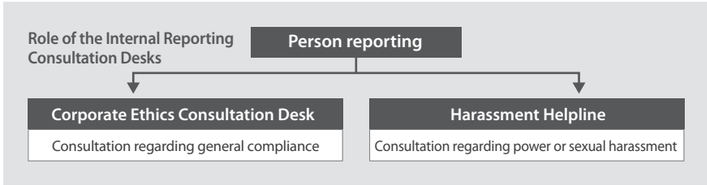
JTEKT conducts ongoing training and awareness-raising activities targeting its directors, employees, and all Group companies regarding how compliance is deeply intertwined with its operations. We conduct annual workshops for company officers (directors, auditors, managing officers and others) who are vital for compliance. In fiscal 2020, the theme was the legal role of executives in corporate compliance, and the event provided an opportunity to reaffirm JTEKT's current status and issues. Moreover, every July is declared Risk Management Strengthening Month, during which the president sends out a message to all JTEKT employees, including those at JTEKT Group companies, and compliance training materials are distributed for e-learning and workplace reference in an effort to support compliance activities in each workplace. Even within internal training planned by our HR Department, we address compliance issues so that each employee can take the necessary precautions suitable to their rank and job type.

Group compliance inspections

Regular inspections are conducted in all departments within the Company and each company in the JTEKT Group to examine management conditions in terms of compliance related to operations.

Whistleblowing system

To enable a fine-tuned response to each consultation case, JTEKT has established the Corporate Ethics Consultation Desk and several other consultation desks (including those with auditors serving as the point of contact) aimed at the prevention, early detection, and recurrence prevention of scandals. From fiscal 2020, we will improve the ability of the JTEKT Group to respond to whistleblowing by unifying the operation of the Corporate Ethics Helpline (lawyer consultations), part of the Corporate Ethics Consultation Desk, within domestic subsidiaries.



No. of Internal Reports Made in the Past Five Years

FY	2016	2017	2018	2019	2020
No. of reports	45	50	49	35	47

Antitrust laws and corruption prevention

JTEKT places particular importance on compliance with antitrust laws, competition laws in each country, and laws relating to corruption and bribery with JTEKT and its Group companies, products, and business transactions in light of global trends placing importance on fairness in trading and the current situation in terms of stricter regulations and enforcement.

Initiative for appropriate tax payments

JTEKT and the JTEKT Group conduct business in approximately 30 countries and regions, transacting business between Group companies across countries and regions. With regard to transfer pricing, we established a policy that complies with the OECD Transfer Price Guidelines and strive to ensure appropriate declarations. Furthermore, we do not engage in tax planning that leads to tax source erosion or income transfers that abuse tax havens or tax treaties located outside the country or region where our business is located. In addition, regarding important matters such as risks related to tax payments, the Chief of Corporate Division reports to the Board of Directors and other committees, and a system is in place to receive guidance from the Board of Directors.

JTEKT Reborn

Four Perspectives for Creating New Value

We invited four outside directors and Audit & Supervisory Board members to share their thoughts on the challenges and their expectations for the new medium- to long-term business plan, JTEKT Reborn.

A Plan a Bit Different from Before

As outside directors and Audit & Supervisory Board members, you are involved in JTEKT's management from an objective perspective. Please share your frank opinions about JTEKT today from your respective standpoints.

Okamoto: JTEKT's new medium- to long-term business plan was announced this fiscal year. The previous medium-term business plans left the strong impression that they were not truly JTEKT's plans, but merely bottom-up compilations of the business plans of each business unit. But I think the new plan is significant in the sense that it provides a firm vision of where the entire company will be in 2030, and clarifies the issues that need to be addressed in the three years ahead, backcasting from the ideal future state. I also appreciate that through this process, the corporate functions of the Corporate Division have been strengthened under the leadership of President Kazuhiro Sato.

Sakurai: I had always felt the same way as Mr. Okamoto. The only thing I used to receive in the name of companywide plans were those for individual business units, so I would ask the question, "Don't you have a companywide plan?" When I saw the new companywide medium-term plan, I was finally convinced of the direction JTEKT as a whole is heading.

Miyatani: You are both spot on. I would like to take this opportunity to offer a somewhat stern opinion. The slogan "One JTEKT" has been emphasized continuously since President Sato took office. In the medium- to long-term business plan, the phrase "a true merger" is also used. Since those have yet to be fully realized, it is never wrong to start again from there. Still, it is a fact that 15 years have already passed since Koyo Seiko and Toyoda Machine Works merged. I think that those involved need to reflect hard on the need to raise such a banner despite all this time elapsing. I would like everyone to have the strong determination to finally complete the merger at all costs and move forward as the last time such slogans are needed.

Yoshida: Let me next highlight a positive. The Head Office relocation was resolved at the Board of Directors' meeting in July 2020, and the move to Kariya City was completed in December of that year. I thought President Sato's agility, as well as the organization's firm response to it, was something to behold. In terms of issues to be addressed, this is related to the earlier discussion about the companywide versus business unit plans, but I think that if the functions that enable the Head Office to provide strategic support to each business unit can be strengthened a little more, it will lead to an inherently stronger company.

Sakurai: I applaud JTEKT for taking governance extremely seriously, including compliance with laws and regulations. Yet, in the case of JTEKT, there are so many Group companies, including subsidiaries and sub-subsidiaries, that it can be difficult to monitor them, especially overseas, although internal audit departments have been established within the regional headquarters. I feel there is scope for improvement and further consideration in this area.

Nurturing Dreams and Aspirations as Professionals

Mr. Miyatani, you raised some tough questions regarding One JTEKT, but at the same time, I feel that there is a key point embedded there for JTEKT to evolve. Could you tell us a little more about your thoughts on this?

Miyatani: The fact that this point has remained an issue since the merger suggests that there is something wrong with the way things are being done. Just because companies merge on paper or their organizations are realigned does not mean they are united as one. No synergies emerge simply by pushing two sides to cooperate with each other. Employees may have a general understanding of the big picture and overall direction, but may not know how they should act.

For people to start cooperating with one another, I think it is necessary for all employees to have more concrete dreams and aspirations as professionals. A person who have these attributes will face the problem in front of him or her with sincerity, over and over again. When faced with a problem that they cannot solve on their own, they will naturally look for teams and people who have the necessary skills and experience to solve the problem. They will try to gain cooperation across different business units and departments with the conviction that they can solve the problem if they work together. As such movements gain momentum, I believe the merger of the two companies will create synergies that only JTEKT, with its diverse technologies, can provide. In my mind, this is "a true merger" and will be JTEKT's strength.

I recall President Sato telling participants at a Strategy Meeting to forget about their area of responsibility and your parent organization for the moment, and express their opinions frankly. In these meetings, we have fundamental and in-depth discussions, which result in coming up with and remembering the meaning of our work and the values we want to achieve through it. It may be a bit of a roundabout way, but I hope that such processes will instill professional dreams and aspirations in the minds of our employees, which in turn will accelerate the movement toward One JTEKT.

Mr. Okamoto and Ms. Sakurai commented from their respective positions as director and Audit & Supervisory Board member on the new medium- to long-term business plan, saying they appreciate the fact that a companywide plan has been formulated. Going forward, I think JTEKT will be truly called upon to demonstrate its ability to execute the plan effectively.

Okamoto: That is exactly right. I think it is important to share quantitative targets for lowering the break-even point as a companywide goal, and to visualize them in terms of businesses, segments, and areas, as an indicator of where the company is now.

I think it is difficult to discuss and produce results as a Group if there is not a common yardstick.

Miyatani: I agree. If as a result the numbers for each division are not disclosed, the seat of responsibility will be unclear. And if it remains unclear, JTEKT will not be able to see the results of its radical business restructuring efforts.

Sakurai: Mr. Uchiyamada and Mr. Wakabayashi, from their respective positions as director and Audit & Supervisory Board member, have made some stern but constructive comments about how to set goals, build a system of responsibility for achieving them, and set follow-up mechanisms, both at Board of Directors' meetings and at briefings held the day before the Board meetings where all the outside directors and outside Audit & Supervisory Board members gather. I always feel that their opinions, although on the surface are stern, are filled with expectations and affection for JTEKT, and that is why their comments carry so much weight.

Leeway and Play Are Needed to Create New Value

What are the issues you are focusing on or expecting to be addressed in this era of rapid change and diversification, which is often referred to as the new normal or the age of uncertainty? In particular, carbon neutrality is an unavoidable theme for the automotive industry. Do you think the approach will be different for short-term initiatives and long-term issues?

Okamoto: In recent years, trends such as carbon neutrality and DX have emerged that can serve as a driving force for the entire world, transcending national boundaries and industry lines. I hope that JTEKT will take this opportunity to make a great leap forward.

JTEKT can attack carbon neutrality from two fronts. One is an extension of JTEKT's past initiatives to reduce CO_2

emissions by developing and providing products that are lighter, smaller, and boost fuel efficiency. JTEKT needs to steadily continue moving forward on this front. The other is to further strengthen its energy-saving efforts and expand the use of CO_2-free renewable energy and hydrogen to reduce CO_2 emissions from its production and distribution activities. In the case of hydrogen, it its prone to leakage and bulky, so equipment and systems that can store it under pressure and use it efficiently are needed. JTEKT has been working on high-pressure hydrogen supply valves and regulator valves for FCEVs*1, but it must work even harder to address such demand in the future.

Offshore wind power generation is coming into its own in Japan, and JTEKT expects to be able to make significant contributions to this field by utilizing its knowledge in bearings and machine tools to develop the necessary facilities and equipment, and by supplying products that integrate hardware and software.

Miyatani: The latter is particularly important. Yet if proceed with initiatives as in the past assuming existing functions roles such those carried out by business divisions and departments in charge, individual optimization is likely to proliferate and lead to higher costs.

That's precisely why we need to go beyond the existing paradigms and think about total optimization on a new level, and I expect the Carbon Neutral Strategy Department, newly established in August 2021 and reporting directly to President Sato, to fulfill this role.

Another aspect I would like to mention is that to accomplish such discontinuous innovation, you need a certain amount of flexibility and leeway. Since it is costly and time-consuming to actually tackle discontinuous innovation, the question is how to generate resources. That said, as talent develops within the company and JTEKT gradually gets leeway, it will be able to make decisions that look out to the horizon and not just at near-term costs. If employees with dreams and aspirations can think with some leeway, they can create innovative, next-generation products. Of course, we should work hard, make improvements, and reduce costs, but it is important to think with the mindset of "it would be nice if we could do this" and other stretch ideas and discuss them in meetings, including the Strategy Meeting. By finding employees with new dreams and aspirations through this process and providing them with successful stories, it will lead to the development of talent able to make decisions with foresight. I hope that this kind of cycle is started.

Yoshida: I think it is important to manage productivity by estimating the number of man-hours required to perform each task and try to keep within that range. I concur that new and innovative things are born from having leeway and play, in the sense of that found in steering wheels.

Sakurai: I believe that the positioning of JTEKT's version of the TQM Basic Principles as a guideline for creating a framework and developing talent is another point that can be lauded from a long-term perspective. It is clear that JTEKT does say business is business, social contribution is social contribution, and so forth but rather views quality not only in terms of direct customer satisfaction but also in terms of its value to the earth and society. I believe this profoundly reflects President Sato's belief in the importance of the concept of "tree-ring management."

Expectations for the Further Advancement of Women and Products in New Fields

Lastly, please tell us about the issues and expectations facing JTEKT to increase its corporate value and achieve sustainable growth.

Yoshida: The most significant reason for the decline in net sales in fiscal 2020 was the impact of the COVID-19 pandemic, but I believe this was the beginning of a true sense of urgency. Since President Sato took office, JTEKT has been able to clarify various issues and has come up with a firm direction for the company to work together as a unified force to address them.

Sakurai: We worked very closely together in the process of formulating the new medium- to long-term business plan, and I feel that we have achieved a high degree of perfection as a result of everyone's efforts. For this reason, we need to make sure that we don't just create a plan and think our job is done. This will depend on the drive of those who practice and implement it, so I sincerely have high expectations.

As for sustainability, there are many themes, such as climate change and diversity, but I would like to see women play an active role. In JTEKT's case, due to the nature of its industry, it tends to be perceived as a male-dominated workplace. However, when I actually visit factories, I recognize that female employees are working extremely hard and are exceptionally reliable. The activities of women in the corporate departments are also noticeable. As for the technical fields, it may take some time, but I would like to see JTEKT continue to develop and advance the careers of female engineers and technicians. I believe this will be the driving force the company's growth.

Okamoto: As a member of the Toyota Group, JTEKT's main business is undoubtedly OEM business related to automobiles. But the company is also producing new products such as highly heat-resistant lithium-ion capacitors*2, which are revolutionary energy storage devices; the J-PAS Power Assist Suit*3, which helps people carry heavy loads and move around in response to the aging society; and the Electric Assist & Training Walker*4, which supports independent walking. We have also established a new company, Factory Agent, as a platform to help small and medium-sized manufacturers with matching and to help solve their problems. The four of us here and the other outside directors and outside Audit & Supervisory Board members are usually extremely critical of these development activities, questioning whether there is adequate cost-consciousness, but at the same time, we are very encouraged and proud that JTEKT is making products that have social significance and potential.

Miyatani: I believe it is people with passion that are the movers in society. I hope that JTEKT will not hamper employees with dreams and aspirations, but will provide them with opportunities to grow, and that the company will be reborn as an organization that produces a succession of talent who will lead JTEKT in the future. If it does that, I see a bright future for JTEKT.

Thank you all for your time today.

*1 Fuel Cell Electric Vehicle *2 A capacitor that increases energy density by adding lithium ions to the negative electrode material of a capacitor with an electric double layer of positive and negative electrodes. *3 JTEKT's Power Assist Suit
*4 A walker with a physical training function designed to enable independent movement.

* J-Walker Electric Assist & Training Walker is a registered trademark of JTEKT Corporation.

Forging Sustainable Relationships with Stakeholders

The JTEKT Group has grown into what it is today through the support of its various stakeholders. We believe the opinions and requests of such stakeholders are important references when making decisions relating to our business activities, and we are working to increase opportunities for productive dialogue.

Employees

We are undertaking the building of workplaces in which employees can work enthusiastically and healthily over the long term, as well as putting in place a human resources development framework that encourages every individual employee to undertake self-directed learning and helps them to achieve personal growth.

Human resources development measures

Promoting diversity

JTEKT aims to be a company that respects people with diverse values and allows them to maximize their abilities, regardless of gender, nationality, age, disability, sexual orientation, culture, marital status, or the presence or absence of spouses or children. We are also working to create a system and environment that allows employees who are balancing work with childcare and nursing care to continue building their careers.

Specific Examples of Diversity Initiatives

Women
- Career training for women

Foreign nationals
- Network building
- Environmental improvement
- Overseas secondment acceptance

Seniors
- Review of human resource programs
- Career development support

Persons with disabilities
- Workplace development
- Support for people with disabilities

LGBT
- Training
- Establishment of consultation counter

Work-life balance

Childcare (support for work-life balance)
- Daycare support
- Babysitter subsidization scheme
- Childcare leave, shorter working hours, overtime limit program
- Distribution of handbook, establishment of support website

Nursing care (support for work-life balance)
- Distribution of handbook
- Holding of briefings
- Establishment of consultation counter
- Shorter working hours, limited overtime work system

Illness (support for work-life balance)
- Cancer treatment leave

Infertility treatment (support for work-life balance)

Flexible work style
- Elimination of upper limit on the number of half-day annual leave
- Flexible working hours (elimination of core hours)
- Work-from-home program

Raising awareness (instilling a diversity mindset)

Diversity training
- Conducting training for executives, managers, and by employee levels

Employee awareness
- Publication of in-house magazine
- Conducting lectures on diversity

Building a sound framework for human resources development

JTEKT's human resources development framework comprises the following key pillars: on-the-job training (OJT), off-the-job training (OFF-JT), and career development.

- OJT
- Training program (OFF-JT)
  Basics for members of society, basics for JTEKT, self-development and expected roles
  Selection training / thematic training (problem-solving training, etc.)
  Training in specialist fields (safety and health, environmental, quality management, technology-related, etc.)
- Succession planning
  Helping employees to build up valuable experience through carefully planned training and rotation
- Planning is underway for the utilization of talent management systems and learning management systems to build a framework for employee rotation that makes effective use of data, identify skill gaps at the level of individual employees and implement effective career planning, and realize on-demand training, etc.
- The Global Succession Committee develops and optimally allocates management personnel for the entire Group

Supporting employees with disabilities

We support the active participation of employees with disabilities by creating a comfortable work environment and assigning work to employees according to their individual disability characteristics. In addition, as society is faced with the challenge of improving the workplace retention rate for people with disabilities, we are working to improve our retention rate by inculcating a thorough understanding of the workplace and work through practical training for employees with disabilities.

Safety and health-related initiatives

To create a safe and comfortable workplace environment

Following a revised Safety and Health Philosophy, "All accidents are definitely preventable!," all employees engage in safety and health activities and to enhance a comfortable workplace environment. In addition, a dedicated global message, "All for One in Life," expresses the safety actions of the philosophy. All JTEKT focuses on ZERO accidents.

JTEKT

Safety and Health Philosophy

JTEKT and JTEKT Group aim to create a safe and secure workplace for zero accidents in the belief that "All accidents are definitely preventable!"

All for One in Life

"To promote a 'Safety-minded people' and 'Safe workplace' that enables all employees to work safe and healthy."

[JTEKT Safety and Health Action Guidelines]

1. We promote detailed activities with the participations of all employees.
2. We understand and abide legal laws and safety rules regarding safety and health.
3. We promote continuous KAIZENs towards zero accidents.

June 25, 2020
JTEKT CORPORATION
Companywide Safety Supervisor
Makoto Sano

We aim to build a culture of safety from the perspective of people, products, and management and to prevent accidents from occurring and recurring. To realize this, we conduct repeated safety education throughout the year to raise awareness as well as education by job level, special training by job category, risk assessment training, and abnormality handling training. We are also implementing KYT basics and 4R training* for all employees as well as hazard simulation training and other training programs.

* KYT stands for *Kiken* (risk), *Yochi* (recognition), and Training.
The term "4R" means "4 rounds." This is risk-recognition training through four phases.

Health-related initiatives

Promoting healthy minds and bodies for every employee

JTEKT values the health of each and every one of its employees and as such, conducts health management activities so that employees may enjoy their daily work and go about it with vitality.

Promoting mental health

We promote mental health measures that focus on preventing the onset of mental illnesses such as depression. In fiscal 2020, both the number of days of leave and the number of employees taking leave decreased compared to the previous fiscal year. These decreases can be attributed to a decline in workload amid the COVID-19 pandemic and the influence of teleworking.

JTEKT conducts stress checks to help employees recognize their own stress and understand the extent of their psychological burden. As a result of the systematization of stress checks from fiscal 2020, which have been improved to allow employees to take questionnaires on the web or with a smartphone, it has become easier to understand the stress status of the workplace as a whole and at each employee level. Stress check results are used to identify strengths and weaknesses in the workplace and also for workplace management. As well, we provide mental health education as part of level-based training for new managers and supervisors.

Achieving physical health

JTEKT places importance on the prevention, early detection, and early treatment of illnesses such as lifestyle-related diseases, and proactively supports the health management of its employees.

Certified as a 2021 Excellent Health Management Company

On March 4, 2021, JTEKT was certified as an Excellent Health Management Company (White 500) in recognition of its proactive initiatives promoting the emotional and physical health of its employees.

2021 健康経営優良法人 Health and productivity

Business Partners

We follow proper business practices and engage in fair, transparent, and free competition based on a respect for the law.

Promotion of fair and equal business transactions

JTEKT respects its business partners and aims to develop and grow based on mutual trust.

In our Corporate Activities Standards and Purchasing Philosophy, we have clearly stated our policy of practicing open and fair business regardless of nationality, company scale, and experience doing business with JTEKT. Moreover, in order to offer fair and equal opportunities to trade with us, we publicly disclose the preliminary steps to establishing trade with JTEKT on our website.

Purchasing Philosophy

Fair and transparent business transactions	We provide open, fair, and equal opportunities to all regardless of nationality or company size, including companies with no experience doing business with JTEKT.

Purchasing Basic Policy

Mutual trust	Build mutual trust through close communication with business partners.
Coexistence and co-prosperity	Achieve harmonious relationships with business partners based on mutual trust.
Long-term, stable business relationships	Achieve stable procurement meeting JTEKT's quality, cost, volume, and delivery requirements through continuous business.
Global purchasing	Achieve optimal purchasing from a global viewpoint and improve international competitiveness through a strong supplier chain.

Purchasing policy meeting

Since we were unable to hold the purchasing policy meeting in the same format as in previous years due to the COVID-19 pandemic, it was held via video streaming. As part of our purchasing policy for fiscal 2020, we made requests related to safety, quality, and cost competitiveness.

In addition, we presented awards to our business partners for outstanding achievements throughout the year in terms of quality, technology, VE*1 and VA*2 proposals and the environment.

*1 Value Engineering: Engineering having a simple and robust structure
*2 Value Analysis: Analysis that improves profitability for products currently in mass production.

JTEKT Supplier Association

The JTEKT Supplier Association, comprising 251 business partners (as of fiscal 2020), aims to build relationships of mutual trust among council members and strengthen enterprise fundamentals, engaging in activities including quality management meetings, training sessions, safety subcommittees, lectures and a disaster mitigation study meeting to prepare for large-scale disasters. In fiscal 2020, we were not able to hold the annual meeting of all members due to the COVID-19 pandemic, so we found innovative ways to hold the meeting through video streaming.

CSR Activity Items Guidelines for suppliers

In order to share JTEKT's approach to CSR with suppliers, we have issued a set of CSR Activity Items Guidelines for suppliers, which clarify which items we expect suppliers to comply with. Suppliers are asked to also request that their own upstream suppliers follow these Guidelines.

Furthermore, to maintain appropriate business transactions, the departments involved with suppliers comply with the guidelines for fair business transactions in each industry. We are also working to disseminate information and gather opinions at every opportunity to further improve communication with suppliers.

Activity items that the Guidelines request suppliers comply with

1. Managerial measures	
• Compliance	• Risk management
2. Stakeholder-related measures	
• Quality maintenance • Good labor relations • Adherence to corporate ethics • Fair transactions	• Human rights protection and respect for diversity • Contributing to the local community
3. Global environment measures	
• Environmental management	• Environmentally friendly business activities

Local Communities

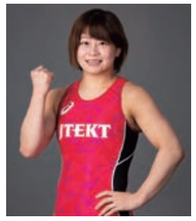
As a good corporate citizen, we aggressively pursue activities that contribute to society.

Corporate sports and JTEKT's social contribution

JTEKT actively and continuously supports athletes. At present, we have corporate teams for five sports (men's volleyball, men's badminton, men's softball, women's wrestling, and women's weightlifting), and many of our athletes are at the forefront of their fields while balancing sports and work. For JTEKT, the philosophy behind the ownership of corporate sports teams is to foster a sense of unity among employees and contribute to society. By cheering on our players as they earnestly strive to become stronger than they were before, a positive harmony is naturally created within the Company and leads to a sense of unity.

Activities of female athletes

Mayu Mukaida, a member of JTEKT's women's wrestling team, won a gold medal in the 53kg category at the Tokyo Olympics following her silver finish at the 2019 World Wrestling Championships. Ms. Mukaida is a 24-year-old from Mie Prefecture who joined JTEKT in 2020. Her Olympic performance was recognized by Mie Prefecture with the Prefectural Citizens' Honor Award for giving hope to the people of the prefecture.



Mayu Mukaida

Imari Morishita

Imari Morishita, winner of the 2020 All Japan Women's Weightlifting Championships in the 87kg class, has been a member of JTEKT's Procurement Department since joining the Company in 2018, and has successfully balanced competition and corporate work. She is currently working in the Human Resources Division and striving every day to win a spot in the 2024 Olympics in Paris.

Activities of JTEKT STINGS

JTEKT STINGS is a long-established volleyball team founded in 1958. In 2020, the team achieved its first championship in the top V. LEAGUE DIVISION 1, followed by capturing the Emperor's Cup. In addition, the team has strong momentum with players who are active at the highest level in Japan including three who were named to the Japanese national team for fiscal 2021. Among them, Yuji Nishida, who also competed in the Tokyo Olympics, attracted attention as the new ace of the Japanese national team.

JTEKT STINGS long-awaited first Emperor's Cup championship

Volleyball classes

The JTEKT STINGS Volleyball Class has been held every year for junior and high school students in the area of our workplaces as a social contribution activity to promote volleyball and to interact with the local community. In fiscal 2020, however, we suspended the program in consideration of the COVID-19 pandemic, and instead created a volleyball training DVD, which was sent to nine junior high schools and high schools in the neighborhoods of four business sites.

JTEKT will strive to contribute to local communities and society by fostering a sense of unity in the entire Group through encouraging and supporting the athletes who are constantly challenging themselves to become No. 1.

A volleyball class held in fiscal 2019

Contributing to local communities

Activities to beautify local communities

Our employees actively participate in local community beautification activities in an effort to coexist in harmony with the local community. In fiscal 2020, programs were implemented at six domestic sites, including plants, headquarters, and branch offices. Although the pandemic has made it difficult to hold events, we will continue to engage in community beautification activities at each of our locations while undertaking thorough infection prevention measures.

Manufacture and donation of masks made in-house

Since June 2020, JTEKT has been manufacturing masks in-house with the cooperation of Toyota Group companies as a countermeasure against COVID-19 and has produced a cumulative total of approximately 3.3 million masks as of August 31, 2021. In addition to distributing the masks to employees in Japan and overseas, JTEKT donated them to more than 100 locations, including local governments and medical institutions in each region. Based on our corporate philosophy, Seek to contribute to the happiness of people and the abundance of society through product manufacturing that wins the trust of society, we will continue to contribute to society from a variety of perspectives.

Examples of institutions receiving mask donations: (From left) Ome Municipal General Hospital, Hiroshima Prefectural Hospital, Hamamatsu City Social Welfare Conference

Coexistence with nature

JTEKT and the JTEKT Group have business sites all over the world, both in Japan and overseas. Currently, 15 workplaces have set their own activity themes and are continuously working to expand biodiversity activities by promoting activities for coexistence with nature at each workplace and connecting these activities. We will continue to promote our activities in order to create a ripple effect.

All Toyota Green Wave Project

All Toyota Green Wave Project
All Toyota Harmony with Nature Working

Little tern

JTEKT participates in the All Toyota Green Wave Project, which collaborates with Toyota Group companies on biodiversity conservation activities. As part of the project to conserve the nesting grounds of the little tern (an endangered species) that has been ongoing at the JTEKT Tadomisaki Plant since 2015, in cooperation with the Nishimikawa Bird Club and other organizations, we have developed a 2.7-hectare of idle land beside the plant as a nesting site for birds. In addition, we have been creating an environment conducive to nesting by installing watering places and shelters made of scrap materials. Through the All Toyota Green Wave Project, the Tadomisaki Plant is currently developing "connecting" activities with three Toyota Group companies (Toyota Industries Corporation, Toyota Motor Corporation, and Aisin Corporation) that also have plants in the Kinuura area.

We will continue to expand our efforts so that the Kinuura Port Little Tern Conservation Project can serve as a model for little tern conservation across Japan.

Tokushima Collaborative Forest-Building Project

Shikoku Plant

In Tokushima Prefecture, home of the Shikoku Plant, the Tokushima Collaborative Forest-Building Project has been underway since 2009 to promote the public benefit functions of forests, such as the securing of high-quality water resources and the absorption of CO_2, and to pass on the rich forests of Tokushima Prefecture to future generations. Since 2011, JTEKT has been engaged in forest-building activities under a partnership agreement with Tokushima Prefecture and the National Land Afforestation Promotion Organization. This project is a model for the implementation of a carbon offsetting scheme, in which the portion of CO_2 emitted by companies and households that cannot be reduced by themselves is offset by absorption through forest maintenance, such as thinning and afforestation. JTEKT received a letter of appreciation from Tokushima Prefecture for its contributions over the years.

Nature Conservation Society of Japan

JTEKT joined the Nature Conservation Society of Japan in 2020.

In the future, we will further enhance and expand the framework of our activities by developing an environmental education program in cooperation with the Nature Conservation Society of Japan and collaborating with member companies and groups.

Overseas affiliate company initiatives

Tree-planting activities

Overseas affiliate company: JSSX (China)

JTEKT STEERING SYSTEMS (XIAMEN) CO., LTD. (JSSX) has been conducting various environmental protection activities to raise awareness of among its employees. In October 2020, all employees participated in a tree planting activity as part of the 6th Environmental Conservation Month initiative. During the activity, employees performed all the tasks such as planting, gathering soil, and watering with great attention to detail. We also planted 50 small-leaf olive trees to add some greenery to the plant environs. Tree-planting activities not only improve the environment of the plant but also help people to become more interested in environmental issues.

Promoting environmental activities Forestation activities

Overseas affiliate companies: JTAP and JTC (Thailand)

In November 2020, JTEKT ASIA PACIFIC CO., LTD. (JTAP) and JTEKT (THAILAND) CO., LTD. (JTC) participated in the 2020 Forestation Activity organized by Toyota Tsusho (Thailand) Co. Ltd. The Toyota Group Environmental Network (TGEN) participated in this event, with a total of about 160 members planting 1,500 trees. We are also continuing our activities with the goal of planting 10,000 trees in an area of approximately 14,400m² within five years, and are working with the local community to create an organic farm. JTAP and JTC will continue to carry out environmental activities and highlight them widely to its employees.

Setting up a bee-friendly wildflower field

Overseas affiliate company: KBDE (Germany)

To support pollinators, which are in decline worldwide, KOYO BEARINGS DEUTSCHLAND GMBH (KBDE) set up a communal field on its premises to sow seeds for wildflowers and plant sunflowers that are bee-friendly. We are looking forward to seeing the flowers we planted grow and become a colorful flower garden in a few years.

Support for local facilities NGO activity support

Overseas affiliate company: JBR (Brazil)

On October 12, 2020, Children's Day in Brazil, JTEKT BRASIL LTDA. (JBR) collected toys from its employees that are no longer used or not used and donated them to two facilities in São José dos Pinhas, the city where the company is located. Many items were collected from employees who felt an affinity with the purpose of the event, and we received words of appreciation from the facility staff.

Aiming for a Sustainable Society and a Sustainable World

The JTEKT Group has positioned the environment as one of its main management issues.

In order to realize a sustainable society through "No. 1 & Only One" business activities, in June 2020, we formulated an "environmental philosophy" consisting of the environmental slogan "All for One Earth" and the JTEKT Environmental Action Guidelines. We have been promoting measures that contribute toward the realization of a sustainable society and earth through a promotional framework in which JTEKT Corporation and the JTEKT Group as a whole work together as one.

Environmental Philosophy

JTEKT

Environmental Philosophy

JTEKT and the JTEKT Group companies aim to realize a sustainable society through "No. 1 & Only One" business activities.

All for One Earth

— For our irreplaceable Earth —

[JTEKT Environmental Action Guidelines]

Based on the JTEKT Medium to Long-term Plan, we will make continuous improvement to our environmental management system and strive to achieve environmental targets and performance.

1. Comply with environmental laws and regulations, and address pollution prevention
2. Reduce substances with environmental impact, such as CO_2 and chemical substances, toward low-carbon and recycling-oriented societies
3. Work to protect biodiversity and ecosystems in harmony with local communities

June 25, 2020
JTEKT CORPORATION
Companywide Environment Supervisor
Makoto Sano

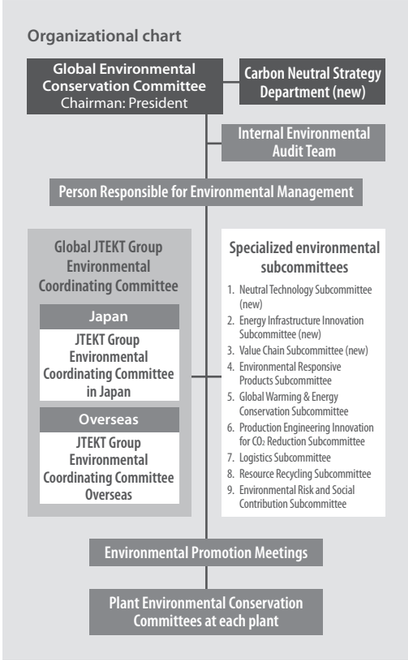
Promotional structure

Council for Enhancement of Corporate Value

JTEKT is working to improve its environmental management under the Council for Enhancement of Corporate Value, which is chaired by the president. The council sets targets based on company policy, deliberates and decides on measures, and tracks milestones. To flexibly respond to issues related to our business activities, we have established six dedicated environmental subcommittees and have been working to achieve the goals of Environmental Challenge 2050. In addition, to achieve carbon neutrality as soon as possible, in fiscal 2021 we established the Carbon Neutral Strategy Department as a companywide and cross-sectional organization reporting directly to the president. We are accelerating our efforts to become carbon neutral by establishing three new environmental subcommittees to implement specific measures for each initiative.

Global environmental management

We are working to further strengthen our environmental management, not only at JTEKT but also at our 20 Group companies in Japan and 39 Group companies overseas.



Environmental Challenge 2050: Philosophy and guidelines

With the goal of realizing a sustainable society in line with the vision of "For the children of the future," JTEKT formulated the Environmental Challenge 2050 guidelines for measures aimed at minimizing JTEKT's environmental footprint 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.

Environmental Challenge 2050 — Formulated and announced in May 2016

Category	Guideline
1. Products / Technologies	Contribute to the building of an environmentally friendly society using our capabilities in the development of products and technologies • Actively promote the development of products that are expected to contribute toward reducing the burden on the environment, including components for fuel cell electric vehicles (FCEVs), etc.
2. Creation of a low-carbon society	Work to minimize CO_2 emissions throughout the product life cycle, from materials and component procurement through to design, manufacturing, and eventual disposal Work to minimize CO_2 emissions from factories engaged in the manufacturing of products by 2050 • Expand the development and adoption of innovative new processes and production equipment • Implement day-to-day improvements and enhance the efficiency of production equipment at our factories • Shift over to the use of renewable energy, hydrogen energy, etc.
3. Creation of a recycling-based society	Work to minimize emissions and expand recycling at the production stage • Implement source control measures (including yield enhancement, etc.) and use strengthened separation measures, etc., to enhance the value of waste materials (generation of valuable resources) • Effectively utilize recycled materials and expand internal recycling Work to minimize water usage through the cyclical utilization of water used in our factories, etc., and ensure that wastewater discharged from our factories is discharged in a cleaner state
4. Harmony with nature / Biodiversity	Promote activities aimed at fostering harmony with nature and protecting ecosystems, not only on a JTEKT-wide basis but also in collaboration with the Toyota Group and with government agencies and NPOs
5. Environmental management	Build a corporate culture and cultivate professionals oriented toward actively conserving the earth's environment • Strengthen employees' environmental awareness and cultivate people who can make a positive contribution to the environment, both within and outside the company • Expand the implementation of global-scale environmental activities

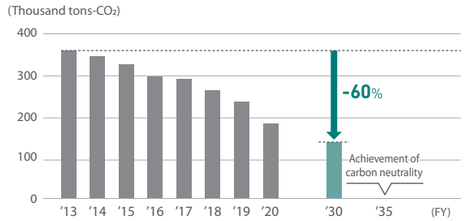
Formulation of the next medium-term targets

Setting the total CO_2 emission target for 2030

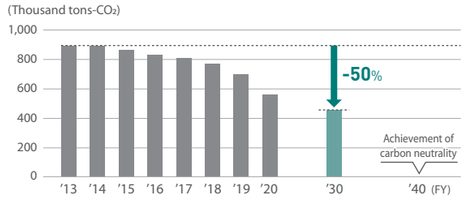
JTEKT has set medium- to long-term targets for 2030 as a milestone toward the achievement of the minimization of CO_2 emissions as set out in Environmental Challenge 2050.

The total emission target is a 1.5°C goal, which is consistent with the 2°C goal agreed on in the 2016 Paris Agreement (to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels). The global CO_2 reduction target is 50% compared to fiscal 2013, and the CO_2 reduction target for the JTEKT parent is 60% or more compared to fiscal 2013. We aim to achieve this through energy reduction by production technology innovations, daily improvement at plants, and the introduction of renewable energy.

Overall JTEKT nonconsolidated CO_2 reductions



Overall global CO_2 reductions



[Conversion coefficient used to calculate CO_2 emissions]
With regard to the management of CO_2 emissions per unit of production output, we have adopted a conversion coefficient that facilitates assessment of the results achieved in the company's improvement efforts.

For overall emissions management, to ensure that CO_2 emissions data more closely reflects the actual situation, calculation is performed using the market-based conversion coefficient specified by the individual electric power company for the year in question.

Environmental Action Plan 2025

To promote environmental conservation activities within the JTEKT Group to achieve Environmental Challenge 2050, JTEKT worked on various energy-saving measures based on 2020 Environmental Action Plan, which was formulated as the first step until fiscal 2020. From fiscal 2021 onward, we will promote measures to achieve the goals set in Environmental Challenge 2050 based on Environmental Action Plan 2025, which was formulated as the second step.

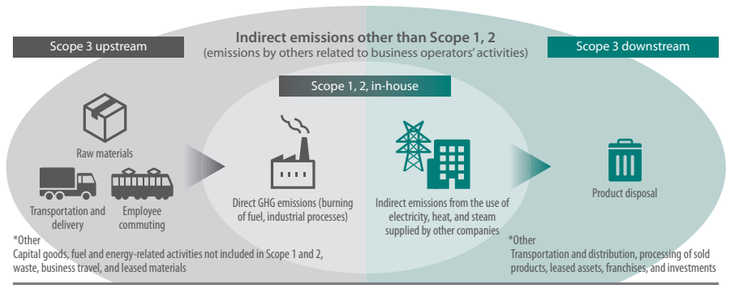
Challenge goals are in parentheses.

Category	Implementation	Item	Base year	FY2025 targets
Products and technologies	Global	Contribution to CO_2 emissions reduction through products	—	1,650,000 t
Building a low-carbon society	JTEKT non-consolidated	CO_2 emissions	FY2013	25% reduction (35% reduction)
		CO_2 emissions from logistics	FY2013	25% reduction
		Renewable energy introduction rate	—	More than 15%
	Global	CO_2 emissions	FY2013	18% reduction (30% reduction)
		Renewable energy introduction rate	—	More than 10%
Building a recycling society	JTEKT non-consolidated	Recycling rate	—	More than 99%
		Basic unit of waste	FY2018	7% reduction
		Basic unit of water usage	FY2018	7% reduction
		Basic unit of packaging material	FY2018	7% reduction
	Global	Recycling rate	—	More than 90%
		Basic unit of waste	FY2018	7% reduction
		Basic unit of water usage	FY2018	7% reduction
Coexistence with nature and biodiversity	Global	Number of biodiversity conservation effort participants	—	More than 3,000 persons/year

For more information: https://www.jtekt.co.jp/e/sustainability/environment/topics/

Initiatives to achieve carbon neutrality

To achieve the minimization of CO_2 emissions set out in the JTEKT Environmental Challenge 2050, we have established a carbon neutral target of net zero emissions by 2040. JTEKT is committed to achieving carbon neutrality not only in terms of its own emissions (Scope 1 + 2), but also in terms of the life-cycle CO_2 emissions of its products, including those of its suppliers and others. In August 2021, we established the Carbon Neutral Strategy Department, which reports directory to the president, and organized three new subcommittees as dedicated environmental subcommittees to work in various directions to achieve carbon neutrality as early as possible.



JTEKT's Policy Regarding Initiatives

Aiming to achieve carbon neutrality in the entire supply chain

	Scope 3 upstream Amount reduced through own efforts	Scope 1, 2, in-house Own plants + others' products	Scope 3 downstream Amount reduced through own efforts
Own efforts	• Reduce purchase volume • Improve the efficiency of logistics • Lower the weight reduction of products • Shift to remote	• Energy saving (ongoing) • Renewable energy • Energy conversion • CO_2 capture • Reduce the amount of waste	• Make products lighter • Improve of product efficiency • Reduce friction, etc.
Reliance on others	• Conversion to electric power for logistics vehicles • Energy conversion	• Renewable energy • Energy conversion • CO_2 capture	

Council for Enhancement of Corporate Value — **Carbon Neutral Strategy Department**

Domain: Formulation of carbon neutral scenarios

(New) Neutral Technology Subcommittee	Domain: New energy carriers, distributed power sources, CO_2 resource recovery
(New) Energy Infrastructure Innovation Subcommittee	Domain: Introduction of hydrogen and ammonia, renewable energy; construction of energy infrastructure
(New) Value Chain Subcommittee	Domain: Understanding supply chain emissions and supporting CO_2 reduction activities
Environmental Responsive Products Subcommittee	Domain: Simplification of products, reduction of component types, reduction of size and weight, reduction of friction, and improvement of performance
Production Engineering Innovation for CO_2 Reduction Subcommittee	Domain: Monozukuri innovation, heat treatment, cost reduction
Global Warming & Energy Conservation Subcommittee	Domain: Daily improvements, field trials of new technologies
Resource Recycling Subcommittee	Domain: 3Rs, saving resources (primary materials, secondary materials)
Logistics Subcommittee	Domain: Efficient logistics, electrification of logistics vehicles, reduction of packaging materials

Participation in the TCFD

The identification of medium- to long-term climate-related risks and opportunities and the disclosure of information to stakeholders that assesses the resilience of company initiatives is required for corporations that are able to grow sustainably. Accordingly, in 2018, we endorsed and announced our support for the final report recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the G20 Financial Stability Board (FSB). We are disclosing our approach to climate change in accordance with the TCFD recommendations. Going forward, we will select multiple scenarios for analysis, including the International Energy Agency's 2°C scenario (2DS), below 2°C scenario (B2DS), and the scenario in which climate change countermeasures do not progress. These will be applied to establish our "social image" and identify climate-related risks and opportunities and then evaluate the adaptability (resilience) of our initiatives. In addition, we will consider assessing and disclosing the financial impact of climate-related risks and opportunities.

For more information: https://www.jtekt.co.jp/e/sustainability/environment/efforts/low_carbon/

Concrete measures adopted in fiscal 2020

Resource inputs and outputs

JTEKT quantitatively understands resources and energy use as inputs and emissions into the environment as outputs. To minimize the impact of global warming associated with business activities, we work to reduce energy focused on processes requiring high energy consumption such as casting, forging, heat treatment and machining. As for resources, approximately 7% of the raw material input is recycled materials and about 11% is discharged as valuable resources. We are promoting the effective use of resources by further improving the yield.

Resource / energy inputs and environmentally hazardous substance emissions

INPUT		
Resource and energy inputs		
Raw materials		
Total	271 thousand t	
Steel	256 thousand t	
Aluminum ingots	7 thousand t	
Resin pellets	1 thousand t	
Fuel oil and processing oil	5,411 kl	
Grease	2 thousand t	
Paint	0 thousand t	
Resource circulation amount	18 thousand t	
Energy		
Total	14,572,499 GJ*1	
Electricity	1,264,953 MWh	
Renewable energy power generation	16,424 MWh	
City gas	36,629 thousand Nm³	
LPG	4,399 t	
Kerosene	517 kl	
Heavy oil A*2	181 kl	
Water		
Total	4,814 thousand m³	
(By water source)		
Surface water	1,114 thousand m³	
Groundwater	1,609 thousand m³	
Others (city water, industrial water, etc.)	2,091 thousand m³	
Amount of water recycled	872 thousand m³	
Chemical substances (amount of substances handled subject to PRTR*3)		
Total	63 t	
Logistics		
Packaging	101 thousand t	

Manufacturing: Casting → Forging → Heat treatment → Machining → Painting → Assembly → **Finished product**: Automotive parts, Bearings, Machine tools, Mechatronic products

OUTPUT		
Environmentally hazardous substance emissions		
Emissions into the atmosphere		
CO_2	681 thousand t-CO_2	
SO_x	31 t	
NO_x	32 t	
Toluene and xylene	26 t	
Emissions of other substances subject to PRTR	18 t	
Discharge to bodies of water and sewers		
Total amount of wastewater	3,754 thousand m³	
(By release destination)		
Surface water	2,763 thousand m³	
Groundwater	45 thousand m³	
Seawater	73 thousand m³	
Others (sewer, etc.)	872 thousand m³	
COD*4	22 t	
Nitrogen	7 t	
Phosphorus	0.3 t	
Release or transfer amount of substances subject to PRTR	0 t	
External waste		
Waste	2 thousand t	
Reverse payment recycling*5	36 thousand t	
Sales recycling	123 thousand t	
Hazardous waste*6	5 thousand t	
Transfer amount of substances subject to PRTR	13 t	
Logistics		
CO_2 related to product transportation	16 thousand t-CO_2	

- JTEKT and 20 domestic Group companies, 39 overseas Group companies
- JTEKT and 20 domestic Group companies
- JTEKT nonconsolidated

*1 Gigajoule (unit showing heat quantity) G=109
*2 Of the heavy oils classified into three types (A, B, and C), the consistency is closest to light oil and is used as fuel for boilers and heating.
*3 Abbreviation for Pollutant Release and Transfer Register, which is a system for reporting and announcing the amount of chemical substances released into the environment to the authorities.
*4 Chemical oxygen demand (index showing the degree of water pollution).
*5 Recycling involving the payment of disposal fees.
*6 Extracted (amount of waste and reverse payment recycling) from the amount of waste regulated as specially controlled industrial waste in Japan and dangerous waste in accordance with the laws in countries other than Japan from the amount of waste discharged.

Third-party verification

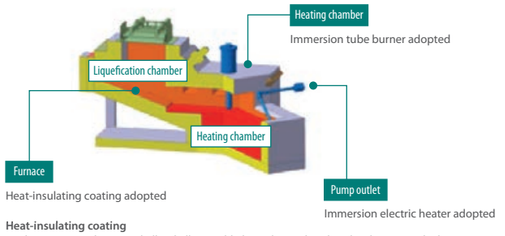
In order to increase the reliability of data disclosure, JTEKT has undergone a third-party verification by SGS Japan Inc., with regard to results for fiscal 2020. The scope of this verification includes JTEKT's manufacturing sites, domestic Group companies and some overseas affiliates covered by Scope 1, Scope 2 emissions, water usage and waste emissions, Scope 3 Category 6 (business trips), Category 7 (employee commuting) and Category 11 (use of products sold).

For more information: https://www.jtekt.co.jp/e/sustainability/environment/efforts/management/

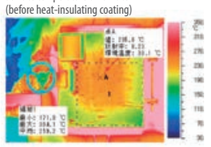
Energy-saving, high-precision casting method development

Advancement and lateral development of hybrid liquification and holding furnace

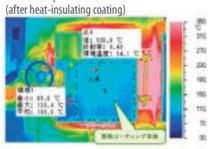
We have improved thermal efficiency, and reduced CO_2 emissions by 50% compared to the conventional system by downsizing the furnace body and highly insulating it to reduce the amount of heat dissipation. This was also accomplished by adopting an immersion tube burner and immersion heater to eliminate the holding burner. In addition, JTEKT is working on high-precision casting by improving molds, which contributes to energy conservation by reducing the switchovers in the downstream process.



Surface temperature of furnace (before heat-insulating coating)



Surface temperature of furnace (after heat-insulating coating)



Heat-insulating coating
Insulating paint with ceramic hollow balloons added to reduce radiant heat loss by creating high emissivity ε.
Effect of using aluminum casting process at the Hanazono Plant: 50% reduction in CO_2 emissions compared to the conventional process.

Energy visualization and energy-saving initiatives

From 2016 to 2017, JTEKT developed an energy visualization environment to monitor energy usage on the main production lines at all plants. To create new energy-saving items and improve the levels of our energy efficiency and energy-saving diagnostic engineers, in fiscal 2020 our in-house diagnostic team examined the Kariya Plant and our Group company Toyooki Kogyo Co., Ltd. In fiscal 2021, our in-house team will conduct another round of diagnostics at the Shikoku Plant and two domestic Group companies.

Introduction of renewable energy

Overseas affiliated companies
JAMY (Malaysia)
KLF (China)

In fiscal 2020, a total of 3,151 kW of photovoltaic power generation systems were installed at all five plants in Japan, China, and Malaysia, reducing annual CO_2 emissions by 1,340 tons.

As a result, the amount of renewable energy introduced by the JTEKT parent was 2.27 MW and by 17.5 MW for the entire Group.

To reduce CO_2 emissions, JTEKT will continue to work proactively to achieve a renewable energy adoption rate* of 25% or more for the JTEKT parent and 20% or more for the entire Group by 2030.

* Renewable energy adoption rate = amount of renewable energy generated / amount of electricity used

Main activities
A photovoltaic power generation system totaling 240 kW was installed at the Hanazono Plant in fiscal 2020. The Hanazono Plant has thus installed a total of 1,168 kW of photovoltaic power generation, which together with the amount installed to date, covers approximately 6% of its total power usage with renewable energy. JTEKT AUTOMOTIVE (MALAYSIA) SDN. BHD. (JAMY) in Malaysia and KOYO LIOHO (FOSHAN) AUTOMOTIVE PARTS CO., LTD. (KLF) in China have installed photovoltaic power generation systems of respectively 858 kW and 2,053 kW, respectively. In China, a total of 6,564 kW has been installed, and roughly 5% of the total electricity consumption is covered by renewable energy.

JTEKT will continue to work on introducing renewable energy sources that have less of an impact on the environment and create plants that operate in harmony with nature.

Received the 2020 Energy Conservation Grand Prize "Agency for Natural Resources and Energy Commissioner's Award"

JTEKT received the "Agency for Natural Resources and Energy Commissioner's Award (Small Group Activity Field)" for its "CO_2 Zero Challenge". The award is a part of the "2020 Energy Conservation Grand Prize (Energy Conservation Case Category)" sponsored by the Energy Conservation Center, Japan. The "Energy Conservation Grand Prize" recognizes businesses and its establishments that are promoting excellent energy-saving efforts, products with excellent energy-saving properties, and business models. This time, our "CO_2 Zero Challenge" was highly evaluated, and this was the first award for us.

JTEKT has been promoting efforts to minimize CO_2 emissions based on the Environmental Challenge 2050, and the award is the improvement of the field in the "CO_2 Zero Challenge" that we have been working on since 2016. The results of significant energy conservation reductions centered on this were highly evaluated. The JTEKT Group will continue to work as one to take on the challenge of realizing "Environmental Challenge 2050" under the JTEKT environmental philosophy of "All for One Earth."

Received the 2020 Energy Conservation Grand Prize "Agency for Natural Resources and Energy Commissioner's Award"

Major ESG*1 Data

				Unit	FY2018	FY2019	FY2020
Products [Consolidated]	Contribution to CO_2 emissions reduction*2		Total	1,000t	816.0	830.0	**812.3**
	Product group examples	Steering*3	C-EPS Powerassist steering system	1,000t	370.0	361.6	**327.1**
		Bearings*4	Tapered roller bearings for automobiles	1,000t	115.0	108.4	**85.0**
R&D [Consolidated]	Total cost of R&D*5			Billions of yen	636	647	**521**
R&D [Nonconsolidated]	No. of patents pending*6			Incidents	614	611	**498**
	No. of patents acquired*6			Incidents	334	320	**323**
Quality [Nonconsolidated]	No. of visitors to quality exhibitions (Total)*7			People	9,237	10,374	**8,267**
Environment [Consolidated]	Prevention of global warming	CO_2 emissions for internal production		1,000t	807	753	**677**
Environment [Nonconsolidated]	Prevention of global warming	CO_2 emissions for internal production		1,000t	217	205	**177**
		CO_2 emissions in production per in-house production volume		t/Billions of yen	131.1	126.3	**129.4**
		CO_2 emissions in logistics		1,000t	12.2	10.7	**8.6**
		CO_2 emissions in logistics per revenue		t/Billions of yen	1.82	1.65	**1.63**
	Effective use of resources	Waste per in-house production volume		t/Billions of yen	6.20	6.26	**5.97**
		Packaging usage per revenue		t/Billions of yen	0.75	0.78	**0.69**
		Water usage per in-house production volume		1,000m³/Billions of yen	1.35	1.29	**1.34**
	Reduction and management of environmentally burdensome materials	Release / transfer of substances subject to PRTR		t	27.1	25.7	**33.5**
	No. of environmental issues			Incidents	2	0	**0**
Employees [Consolidated]	Ratio of foreigners occupying key positions in overseas locations			%	65.7	74.1	**75.8**
Employees [Nonconsolidated]	Level of understanding by employees of own division's vision*8			%	68.0	86.3	**—**
	Female employee percentage			%	10.8	10.3	**10.59**
	Percentage of women in administrative positions		Managerial positions	%	1.07	1.20	**1.20**
			Assistant managers	%	4.69	5.15	**5.61**
	Percentage of employees with disabilities			%	2.17	2.24	**2.23**
	Employees who took childcare leave			People	60	68	**102**
	Employees who took family care leave			People	5	6	**4**
	Percentage of vigorous and vibrant workplaces*9			%	21.4	18.2	**29.5**
Governance [Nonconsolidated]	No. of internal reports made			Incidents	49	35	**47**
Local contribution [Nonconsolidated]	No. of youth development*10			People	1,627	1,288	**69**
	No. of information get-togethers with local community			Place	13	13	**8**
	No. of participants in region cleanup activities			People	4,861	3,178	**721**

*1 Acronym that stands for environmental, social and governance. Used as an indicator to determine whether or not a company can grow sustainably.
*2 Amount of CO_2 reduction in the use stage of product by environmental design. The amount calculated globally is shown in a single year. The calculation method has been partially changed since FY2016.
*3 Figure is calculated based on the number of products designed by JTEKT therefore products produced overseas are included.
*4 Nonconsolidated
*5 R&D costs included in general administrative costs and manufacturing costs.
*6 Starting from the disclosures for fiscal 2018, the information is disclosed on a nonconsolidated basis, including historical data.
*7 The Quality Denshokan (Quality Museum) started on JTEKT's internal website in fiscal 2018; the figures listed are number of visits to the site during Quality Month.
*8 Surveys of the level of understanding were not conducted in fiscal 2020.
*9 Based on internal employee survey results
*10 Number of participants of elementary school, junior high school, and high school students

Third-Party Evaluations

In light of our efforts and information disclosure in the ESG areas, JTEKT has been selected for inclusion in FTSE Russell's FTSE4Good Index Series, FTSE Blossom Japan Index, and SOMPO Asset Management Co., Ltd.'s SOMPO Sustainability Index.

Also, within the corporate survey conducted by CDP*11, in fiscal 2020 we received an A- in the climate change and A- (up from B in fiscal 2019) in the water security categories.

Going forward, through our CSR activities, we will contribute to sustainable societies and strive to sustainably enhance our corporate value.

FTSE4Good FTSE Blossom Japan 2021 Sompo Sustainability Index

https://www.ftserussell.com/ja

CDP DISCLOSURE INSIGHT ACTION

*11 CDP: Representing global institutional investors, the NGO CDP provides information disclosure on corporate activities with regard to climate change, water, and forest resources, using an eight-level assessment (A–D) with regard to company responses.

Financial Data

Eleven-Year Consolidated Financial Summary

Fiscal years ended March 31		Unit	JGAAP									IFRS		
			FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018	FY2019	FY2020
Net sales / Revenue		Billions of yen	955.4	1,052.6	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
Business profit		Billions of yen	—	—	—	—	—	—	—	—	—	71.7	37.5	15.9
Operating income / Operating profit		Billions of yen	39.9	35.6	29.1	58.2	74.1	81.9	77.4	81.3	66.6	63.7	16.1	12.9
Ordinary income (loss)		Billions of yen	40.2	38.6	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	20.0	13.3	13.8	23.3	42.5	48.6	47.5	49.6	24.6	27.2	(3.7)	0.8
Net assets / Equity		Billions of yen	336.0	342.3	384.2	418.8	499.7	480.0	512.9	572.5	571.0	585.4	531.5	585.0
Total assets		Billions of yen	842.2	959.6	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
Net interest-bearing debt		Billions of yen	88.4	106.4	168.5	180.8	158.6	125.1	114.4	139.5	138.0	141.0	193.2	167.5
Capital expenditures		Billions of yen	30.8	65.8	109.6	76.4	68.4	63.1	66.4	66.6	75.2	75.2	75.0	50.7
Depreciation and amortization		Billions of yen	48.6	46.7	44.2	53.0	57.0	58.4	56.0	60.4	66.9	64.3	64.6	63.0
Research and development expenses		Billions of yen	31.9	34.7	36.3	40.1	41.3	46.2	48.2	55.2	63.6	63.6	64.7	52.1
Cash flows	Cash flows from operating activities	Billions of yen	60.3	48.8	49.9	89.2	103.3	110.1	99.2	100.0	103.0	104.1	62.3	91.7
	Cash flows from investing activities	Billions of yen	(31.1)	(56.2)	(101.0)	(87.1)	(62.0)	(59.9)	(68.0)	(99.0)	(75.3)	(75.2)	(91.7)	(52.5)
	Cash flows from financing activities	Billions of yen	(14.8)	39.5	(5.8)	(35.4)	(36.4)	(49.3)	(22.1)	60.2	(26.5)	(27.3)	34.2	(57.9)
	Cash and cash equivalents	Billions of yen	113.5	146.6	93.8	61.9	65.4	61.6	70.2	132.6	132.4	132.4	134.8	118.6
Financial index	Business profit margin	%	—	—	—	—	—	—	—	—	—	4.7	2.6	1.3
	Operating income margin	%	4.2	3.4	2.7	4.6	5.5	5.9	5.9	5.6	4.4	4.2	1.1	1.0
	Ordinary income margin	%	4.2	3.7	3.2	4.9	5.9	5.8	5.9	5.7	4.6	—	—	—
	ROA	%	2.4	1.5	1.4	2.2	3.9	4.4	4.3	4.2	1.9	2.1	(0.3)	0.1
	ROE	%	6.5	4.1	4.0	6.2	9.8	10.5	10.1	9.7	4.6	5.0	(0.7)	0.2
	Equity ratio	%	37.8	33.8	35.4	37.1	42.0	42.3	43.6	41.7	42.3	42.4	40.1	42.7
	D/E ratio	Times	0.28	0.33	0.46	0.46	0.34	0.27	0.23	0.26	0.26	0.26	0.39	0.30
	Inventory turnover months	Months	1.6	1.6	1.8	1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.6	1.8
Share information	Market capitalization	Billions of yen	370.2	339.1	305.2	524.9	644.0	501.1	593.5	541.0	467.5	467.5	252.3	387.9
	Number of shares issued	Thousands of shares	342,186	342,186	342,186	342,186	343,286	343,286	343,286	343,286	343,286	343,286	343,286	343,286
	Dividends per share	Yen	16	16	16	18	34	42	42	43	44	44	38	16
	Payout ratio	%	26.9	41.1	39.5	26.3	27.4	29.6	30.3	29.7	61.2	55.4	—	685.2
	Number of employees	Persons	36,775	39,834	41,714	43,456	43,912	43,938	44,528	49,589	49,693	49,693	49,933	48,332
Exchange rate	USD	Yen	87.80	79.73	83.10	100.23	109.93	120.14	108.38	110.85	110.91	110.91	108.74	106.06
	EUR	Yen	116.38	109.69	107.14	134.37	138.77	132.58	118.79	129.70	128.41	128.41	120.82	123.70

Financial Data

Consolidated Statement of Financial Position

Millions of yen

	IFRS	
Assets	FY2019	FY2020
Current assets		
Cash and cash equivalents	134,852	118,645
Trade and other receivables	270,321	290,568
Inventories	190,821	182,872
Other financial assets	3,857	3,394
Income tax receivable	3,573	1,952
Other current assets	4,273	3,205
Total current assets	607,700	600,639
Non-current assets		
Property, plant and equipment	461,513	463,344
Goodwill and intangible assets	33,264	31,656
Other financial assets	101,330	144,226
Investments accounted for using the equity method	12,229	11,786
Deferred tax assets	14,663	14,225
Other non-current assets	13,511	25,421
Total non-current assets	636,513	690,660
Total assets	1,244,213	1,291,300

Millions of yen

	IFRS	
Liabilities and equity	FY2019	FY2020
Liabilities		
Current liabilities		
Trade and other payables	272,551	286,634
Bonds and borrowings	76,080	62,971
Other financial liabilities	2,834	2,857
Income tax payable	4,389	5,558
Provisions	6,457	5,529
Other current liabilities	2,670	4,894
Total current liabilities	364,983	368,446
Non-current liabilities		
Bonds and borrowings	252,045	223,248
Other financial liabilities	5,819	6,695
Retirement benefit liabilities	77,896	79,203
Provisions	280	224
Deferred tax liabilities	4,863	19,976
Other non-current liabilities	6,773	8,417
Total non-current liabilities	347,678	337,765
Total liabilities	712,662	706,212
Equity		
Capital stock	45,591	45,591
Capital surplus	107,273	107,397
Treasury stock	(426)	(428)
Other components of equity	(23,322)	(5,934)
Retained earnings	370,228	404,281
Equity attributable to owners of the parent company	499,343	550,908
Non-controlling interests	32,207	34,179
Total equity	531,551	585,088
Total liabilities and equity	1,244,213	1,291,300

Consolidated Statements of Income

Millions of yen

	IFRS	
	FY2019	FY2020
Revenue	1,418,896	1,246,286
Cost of revenue	(1,210,688)	(1,074,581)
Gross profit	208,207	171,705
Selling, general and administrative expenses	(170,650)	(155,792)
Business profit	37,557	15,912
Other income	6,865	11,815
Other costs	(28,263)	(14,807)
Operating profit	16,158	12,920
Finance income	3,444	5,997
Finance costs	(5,987)	(3,828)
Share of the profit of associates accounted for using the equity method	1,457	263
Profit before income taxes	15,073	15,352
Income tax expenses	(16,127)	(12,130)
Profit (loss) for the year	(1,054)	3,221
Profit (loss) for the year attributable to:		
Owners of the parent company	(3,794)	800
Non-controlling interests	2,740	2,421
Earnings per share (Owners of the parent company)		
Basic (Yen)	(11.06)	2.33

Consolidated Statements of Cash Flows

Millions of yen

	IFRS	
	FY2019	FY2020
Cash flows from operating activities		
Profit before income taxes	15,073	15,352
Depreciation and amortization	64,629	63,056
Impairment losses	15,725	428
Finance income (costs)	(35)	529
Share of the profit of associates and joint ventures accounted for using the equity method	(1,457)	(263)
Net (decrease) increase in provisions	(908)	(1,165)
Increase (decrease) in retirement benefit liabilities	6,866	(183)
Decrease in retirement benefit assets	(7,134)	(11,557)
Increase (decrease) in inventories	(10,652)	14,598
Net (decrease) increase in trade and other receivables	43,624	(10,741)
Net (decrease) increase in trade and other payables	(53,476)	13,230
Other	9,281	17,768
Subtotal	81,536	101,051
Interest received	1,469	1,024
Dividends received	1,954	1,790
Interest paid	(3,442)	(3,328)
Income taxes paid	(19,205)	(8,781)
Net cash provided by operating activities	62,312	91,757
Cash flows from investing activities		
Payment of purchases of property, plant and equipment	(79,867)	(55,248)
Proceeds from sales of property, plant and equipment	1,574	1,887
Payment of purchases of investment securities	(892)	(383)
Proceeds from sales of investment securities	1,274	3,463
Payment of acquisition of subsidiaries' stock resulting in change in scope of consolidation	(9,373)	—
Other	(4,486)	(2,235)
Net cash used in investing activities	(91,771)	(52,515)
Cash flows from financing activities		
Net (decrease) increase in short-term borrowings	16,618	(28,696)
Proceeds from long-term borrowings	39,110	11,443
Repayment of long-term borrowings	(11,754)	(28,915)
Proceeds from issuance of bonds	20,000	—
Redemption of bonds	(10,000)	—
Dividends paid	(15,092)	(8,232)
Dividends paid to non-controlling interests	(2,865)	(2,039)
Payment of acquisition of subsidiaries' stock not resulting in change in scope of consolidation	(1,157)	(54)
Proceeds from sale and leaseback transactions	—	955
Other	(619)	(2,418)
Net cash (used in) provided by financing activities	34,239	(57,957)
Foreign currency translation adjustments on cash and cash equivalents	(2,655)	2,530
Net (decrease) increase in cash and cash equivalents	2,125	(16,186)
Cash and cash equivalents at beginning of year	132,471	134,852
Net increase in cash and cash equivalents from newly consolidated subsidiaries	255	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(20)
Cash and cash equivalents at end of year	134,852	118,645

Group Companies*1

Japan

Koyo Machine Industries Co., Ltd.	Manufacture and sale of machine tools, mechanical parts, and automotive components
Toyooki Kogyo Co., Ltd.	Manufacture of hydraulic and pneumatic devices, manufacture and sale of machine tools and automotive components
Koyo Sealing Techno Co., Ltd.	Manufacture and sale of oil seals
CNK Co., Ltd.	Manufacture and sale of heat-treatment equipment, machine tools, and automotive components
Koyo Thermo Systems Co., Ltd.	Manufacture and sale of industrial heat-treatment furnaces and semiconductor manufacturing equipment
Koyo Electronics Industries Co., Ltd.	Manufacture and sale of electronic control devices and equipment
Daibea Co., Ltd.	Manufacture and sale of bearings
Utsunomiya Kiki Co., Ltd.	Manufacture of bearings
HOUKO Co., Ltd.	Manufacture and repair of machine tools, manufacture of automotive components
Toyoda Van Moppes Ltd.	Manufacture and sale of diamond tools
KOYO METALTEC Co., Ltd.	Forging of bearings, manufacture and sale of lathe turned components of bearings and steering systems
Fuji Kiko Co., Ltd.	Manufacture and sale of steering column, shifter and driveline components
YUTAKA SEIMITSU KOGYO, LTD.	Manufacture and sale of automotive components and gears for general machineries
KJK Co., Ltd.	Lathe turning of bearings
NIPPON NEEDLE ROLLER MFG. Co., Ltd.	Manufacture and sale of needle rollers and cylindrical rollers
Koyo Heat Treatment Co., Ltd.	Manufacture and sale of metal heat treated components
Tokio Seiko Corporation	Processing of bearings and related products
Yamato Seiko Co., Ltd.	Roller turning, grinding, etc.
Taiho Co., Ltd.	Lathe turning of bearings
KOYO Steering Service Co., Ltd.	Manufacture and sale of rebuilt steering, etc.
FORMICS Co., Ltd.	Manufacture and sale of sheet metal products
Tk Engineering CO., LTD.	Planning, design, manufacture and sale of production equipment systems
Toya Manufacturing Co., Ltd.*2	Part machining and assembly of small machine tool-related devices
Koyo Nichijiku Co., Ltd.*3	Manufacture of various bearings
KOYO-KOWA CO., LTD.	Sale of various bearings, machine tools, heat treatment furnaces, precision devices, electronic devices, cutting tools, environmental devices, etc.
Meiwa Shouko Co., Ltd.	Sale of various bearings, chains, motors, resin products, control devices, etc.
KOYO KYUEI Co., Ltd.*3	Sale of various bearings, oil seals, automotive components, etc.
SHIZUOKA KOYO CO., LTD.*3	Sale of various bearings, machinery and power tools
YUTAKA HIGH-TECH, LTD.	Design, drawing creation and software development
JTEKT Service CO., LTD.	Insurance agent and provider of various shared services for the JTEKT Group (security, facility management, personnel administration, etc.)
JTEKT IT Center Akita Corporation	Manufacture and sale of software and hardware for electric control equipment
Koyo Magnetic Bearing Co., Ltd.	Planning design, manufacture and sale of magnetic bearings

Europe and North Africa

France

JTEKT EUROPE S.A.S.	European regional headquarters
JTEKT AUTOMOTIVE DIJON SAINT-ETIENNE S.A.S.	Manufacture and sale of automotive components
JTEKT AUTOMOTIVE LYON S.A.S.	Manufacture and sale of automotive components
JTEKT HPI S.A.S.	Manufacture and sale of automotive components
KOYO FRANCE S.A.	Sale of bearings
KOYO BEARINGS VIERZON MAROMME SAS	Manufacture and sale of bearings
TOYODA MACHINERY AND ENGINEERING EUROPE SAS	Sale and service of machine tools

Netherlands

JTEKT EUROPE BEARINGS B.V.	Sale of bearings

United Kingdom

JTEKT AUTOMOTIVE UK LTD.	Manufacture and sale of automotive components
KOYO (U.K.) LIMITED	Sale of bearings
KOYO BEARINGS (EUROPE) LTD.	Manufacture and sale of bearings

Germany

KOYO DEUTSCHLAND GMBH	Sale of bearings
KOYO BEARINGS DEUTSCHLAND GMBH	Manufacture and sale of bearings

Czech Republic

JTEKT AUTOMOTIVE CZECH PLZEN, S.R.O.	Manufacture and sale of automotive components
JTEKT AUTOMOTIVE CZECH PARDUBICE, S.R.O.	Manufacture and sale of automotive components
KOYO BEARINGS CESKA REPUBLIKA S.R.O.	Manufacture and sale of bearings

Italy

KOYO ITALIA S.R.L.	Sale of bearings

Belgium

JTEKT TORSEN EUROPE S.A.	Manufacture and sale of automotive components

Romania

KOYO ROMANIA S.A.	Manufacture and sale of bearings

Sweden

KOYO KULLAGER SCANDINAVIA A.B.	Sale of bearings

Spain

KOYO IBERICA, S.L.	Sale of bearings

Morocco

JTEKT AUTOMOTIVE MOROCCO S.A.S.	Manufacture and sale of automotive components

China

JTEKT (CHINA) CO., LTD.	Chinese headquarters, sale of automotive components and bearings
JTEKT STEERING SYSTEMS (XIAMEN) CO., LTD.	Manufacture and sale of automotive components
JTEKT AUTOMOTIVE (TIANJIN) CO., LTD.	Manufacture and sale of automotive components
JTEKT DALIAN INNOVATION AUTOMOTIVE CO., LTD.	Manufacture and sale of automotive components
WUXI KOYO BEARING CO., LTD.	Manufacture and sale of bearings
DALIAN KOYO WAZHOU AUTOMOBILE BEARING CO., LTD.	Manufacture and sale of bearings
KOYO BEARING DALIAN CO., LTD.	Manufacture and sale of bearings
KOYO LIOHO (FOSHAN) AUTOMOTIVE PARTS CO., LTD.	Manufacture and sale of bearings
KOYO AUTOMOTIVE PARTS (WUXI) CO., LTD.	Manufacture and sale of bearings
KOYO NEEDLE BEARINGS (WUXI) CO., LTD.	Manufacture and sale of bearings
TOYODA MACHINERY (DALIAN) CO., LTD.	Manufacture, sale and service of machine tools
JTEKT AUTOMOTIVE SCIENCE AND TECHNOLOGY CENTER (DALIAN) CO., LTD.	Technical center
JTEKT RESEARCH AND DEVELOPMENT CENTER (WUXI) CO., LTD.	Technical center
TAIWAN JTEKT CO., LTD.	Sale of automotive components

Asia, Oceania, Middle East

Thailand

JTEKT ASIA PACIFIC CO., LTD.	ASEAN and Oceania regional headquarters
JTEKT (THAILAND) CO., LTD.	Manufacture and sale of automotive components and bearings
JTEKT AUTOMOTIVE (THAILAND) CO., LTD.	Manufacture and sale of automotive components
TOYODA MACHINERY S.E. ASIA CO., LTD.	Sale and service of machine tools

Indonesia

PT. JTEKT INDONESIA	Manufacture and sale of automotive components and bearings
PT. JTEKT INDONESIA SALES	Sale and service of machine tools

Singapore

KOYO SINGAPORE BEARINGS (PTE) LTD.	Sale of bearings

Malaysia

JTEKT MALAYSIA SDN. BHD.	Sale of automotive components and bearings
JTEKT AUTOMOTIVE (MALAYSIA) SDN. BHD.	Manufacture and sale of automotive components

Philippines

JTEKT PHILIPPINES CORPORATION	Manufacture and sale of automotive components and bearings

South Korea

JTEKT KOREA CO., LTD.	Sale of automotive components and bearings
KOYO JICO KOREA CO., LTD.	Manufacture and sale of bearings

India

JTEKT India LTD.	Indian regional headquarters, manufacture and sale of automotive components
KOYO BEARINGS INDIA PRIVATE LTD.	Manufacture and sale of bearings
TOYODA MICROMATIC MACHINERY INDIA PVT.LTD.	Sale and service of machine tools

Australia

KOYO AUSTRALIA PTY. LTD.	Sale of bearings

United Arab Emirates (UAE)

KOYO MIDDLE EAST FZCO	Sale of bearings

North America

USA

JTEKT NORTH AMERICA CORPORATION	North American regional headquarters
JTEKT AUTOMOTIVE NORTH AMERICA, INC.	Headquarters for North American automotive components business
JTEKT AUTOMOTIVE TENNESSEE-VONORE, LLC	Manufacture and sale of automotive components
JTEKT AUTOMOTIVE TENNESSEE-MORRISTOWN, INC.	Manufacture and sale of automotive components
JTEKT AUTOMOTIVE TEXAS, L.P.	Manufacture and sale of automotive components
JTEKT AUTOMOTIVE SOUTH CAROLINA, INC.	Manufacture and sale of automotive components
JTEKT TORSEN NORTH AMERICA, INC.	Manufacture and sale of automotive components
KOYO BEARINGS NORTH AMERICA LLC	Manufacture and sale of bearings
JTEKT TOYODA AMERICAS CORPORATION	Sale and service of machine tools

Canada

KOYO CANADA INC.	Sale of bearings
KOYO BEARINGS CANADA INC.	Manufacture and sale of bearings

Mexico

JTEKT AUTOMOTIVE MEXICO, S.A. DE C.V.	Manufacture and sale of automotive components
KOYO MEXICANA, S.A. DE C.V.	Sale of bearings

South America

Brazil

JTEKT AUTOMOTIVA BRASIL LTDA.*4	South American regional headquarters, manufacture and sale of automotive components
TOYODA KOKI DO BRASIL INDUSTRIA E COMERCIO DE MAQUINAS, LTDA.	Sale and service of machine tools

Argentina

JTEKT AUTOMOTIVE ARGENTINA S.A.	Manufacture and sale of automotive components

Panama

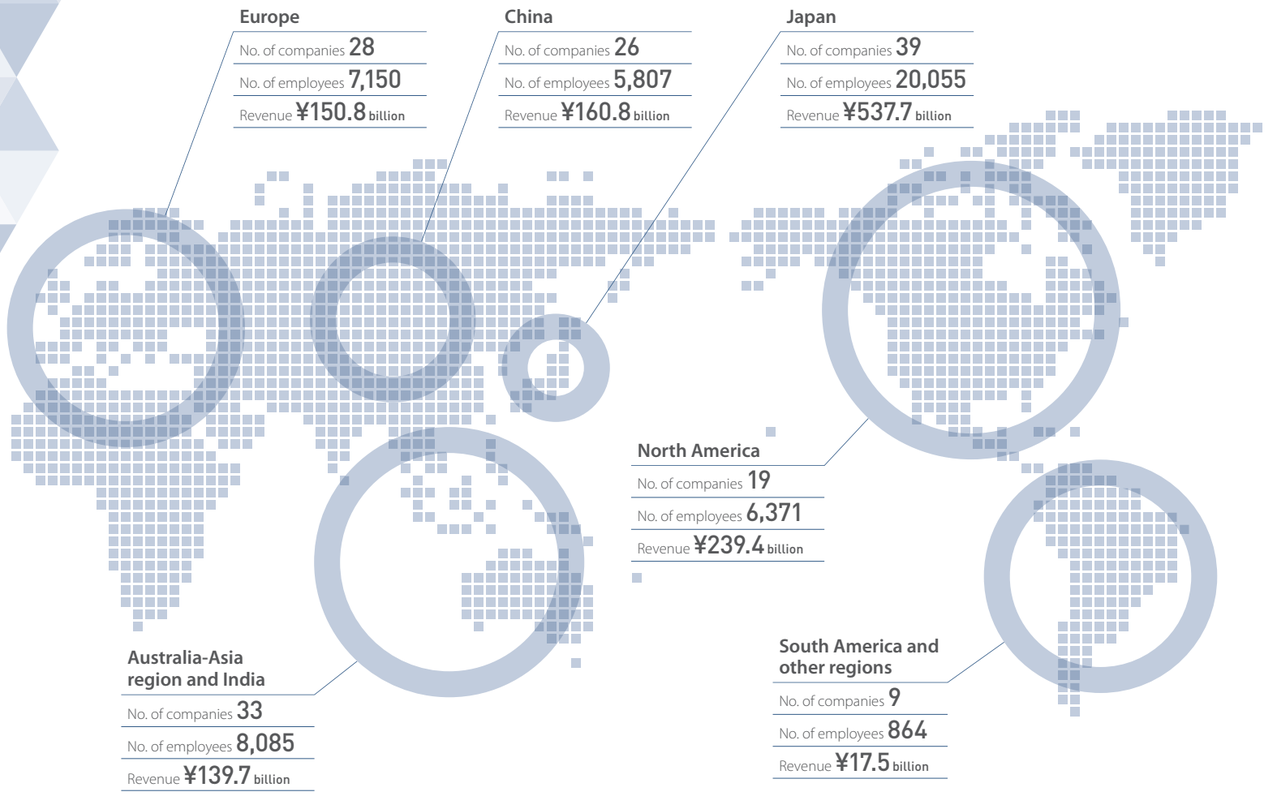
KOYO LATIN AMERICA, S.A.	Sale of bearings

*1 Main consolidated companies as of March 31, 2021 are listed.
*2 Dissolved on June 18, 2021
*3 Three companies merged on October 1, 2021 to form JTEKT SALES CO., LTD.
*4 Company name changed to JTEKT BRASIL LTDA. on April 1, 2021.

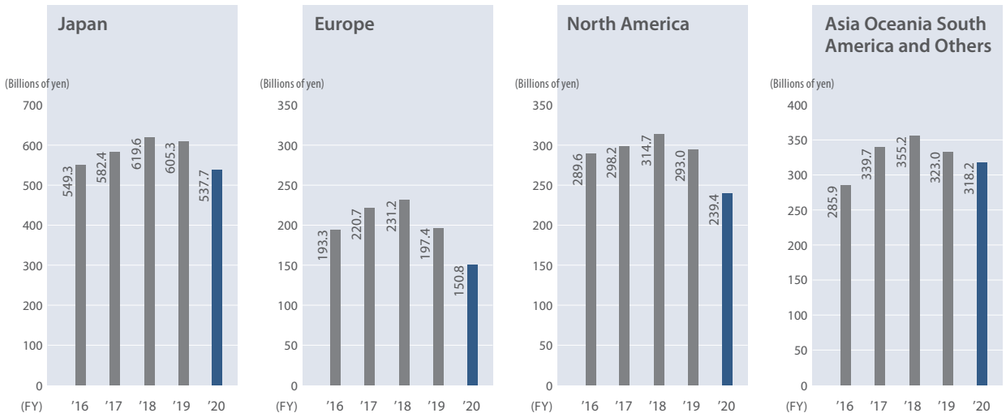
JTEKT by Region

JTEKT by Region

As of March 31, 2021



Revenue by Region



Corporate Profile / Stock Information

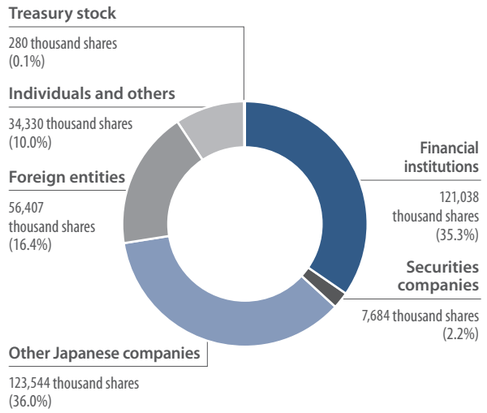
Corporate Profile

Company name	JTEKT Corporation
Headquarters	1-1, Asahi-machi, Kariya, Aichi 448-8652, Japan
Head offices	[Head Office] 1-1, Asahi-machi, Kariya, Aichi 448-8652, Japan [Osaka Head Office] 5-8, Minamisemba 3-chome, Chuo-ku, Osaka 542-8502, Japan
Phone number	[Head Office] +81-566-25-7211 [Osaka Head Office] +81-6-6271-8451
President	Kazuhiro Sato
Capital	¥45,591 million (As of March 31, 2021)
Number of employees	48,332 [Consolidated] (As of March 31, 2021) 12,032 [Nonconsolidated] (As of March 31, 2021)
Revenue	¥1,246,286 million [Consolidated] (FY2020)
Business profit	¥15,912 million [Consolidated] (FY2020)
Revenue	¥550,470 million [Nonconsolidated] (FY2020)
Ordinary income	¥18,568 million [Nonconsolidated] (FY2020)
No. of consolidated subsidiaries	154 (Domestic: 39, Overseas: 115)

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		26,522

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)	36,109	10.5
DENSO CORPORATION	18,371	5.4
Custody Bank of Japan, Ltd. (Trust account)	18,297	5.3
Nippon Life Insurance Company	11,125	3.2
Toyota Industries Corporation	7,813	2.3
Sumitomo Mitsui Trust Bank, Limited	7,635	2.2
Resona Bank, Limited	6,749	2.0
Sumitomo Mitsui Banking Corporation	6,366	1.9
Toyota Tsusho Corporation	5,969	1.7

* The ratio of shareholding is calculated by deducting the number of treasury stock (278 thousand shares) from the number of shares issued (343,286 thousand shares).

Editorial Note on Publication of JTEKT Report 2021

The JTEKT Report introduces business, ESG and other activities to aid stakeholder understanding of Group efforts to resolve social issues and realize a sustainable society. In JTEKT Report 2021, we have enhanced the report with the addition of explanations of the capital strategies associated with various business strategies as well as such content as newly formulated materiality and a directors' skill matrix based on the opinions of readers of last year's report and the advice of outside experts.

We will continue to place great importance on dialogues with stakeholders and work to further improve the content of the JTEKT Report. We would appreciate your frank opinions and comments upon reading this publication.

JTEKT Report Production Office, Corporate Planning Department, Corporate Planning Office

JTEKT

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

www.jtekt.co.jp