

# Medium-to long-term Business Plan

JTEKT CORPORATION

May 19,2021

1. JTEKT “Reborn”
2. Long-term plan -Vision 2030-
3. Mid-term plan -FY2021~FY2023-

# JTEKT “Reborn”

## **FY2021 is the first year of JTEKT Becoming Reborn!**

Get out of the low profit constitution and  
Get back to the strong JTEKT

1. True merger
2. Improve corporation among Toyota Group and JTEKT Group

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

## Current

1. Each inherited business stands alone and seldom exchange
2. Unable to unify business structure
3. Leave overseas affiliated companies reorganized/restructured



## Future

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

# 1-2) Corporation among Group companies

- JTEKT group has many unique “Strengths”
- Our promising future will come if we combine and utilize these “Strengths”

## Strengths of JTEKT group

- |   |  |
|---|--|
| ① Being a member of Toyota Group          | ② Consisting 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 Toyota Group** (①×②×③) ⇒P8  
As only company dealing Bearing and Machine tools , J-QuAD etc

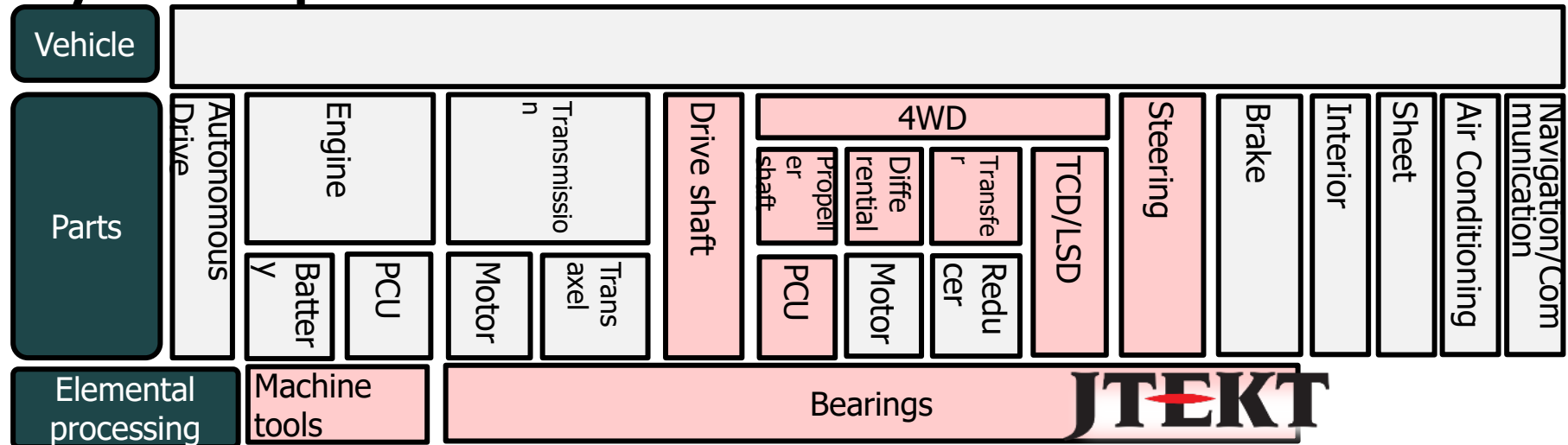
**Multiple marketing** (②×④×⑤) ⇒P9  
Integrate JTEKT group sales window

**Develop brand new products** (ALL)  
Global customer needs  
× JTEKT group seeds ⇒P10

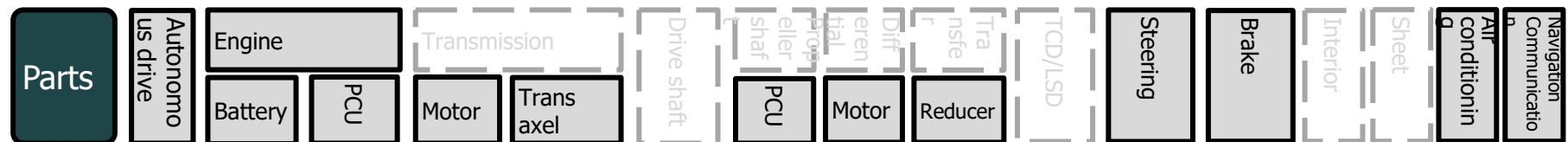
# 1-2-1) Compete together with Toyota group **JTEKT**

- As a part of Toyota Group, we make a contribution to strengthen competitiveness in the chassis area
- As only company dealing Bearing and Machine tools, we make a contribution to the Toyota group's growth and global manufacturing

## Toyota Group

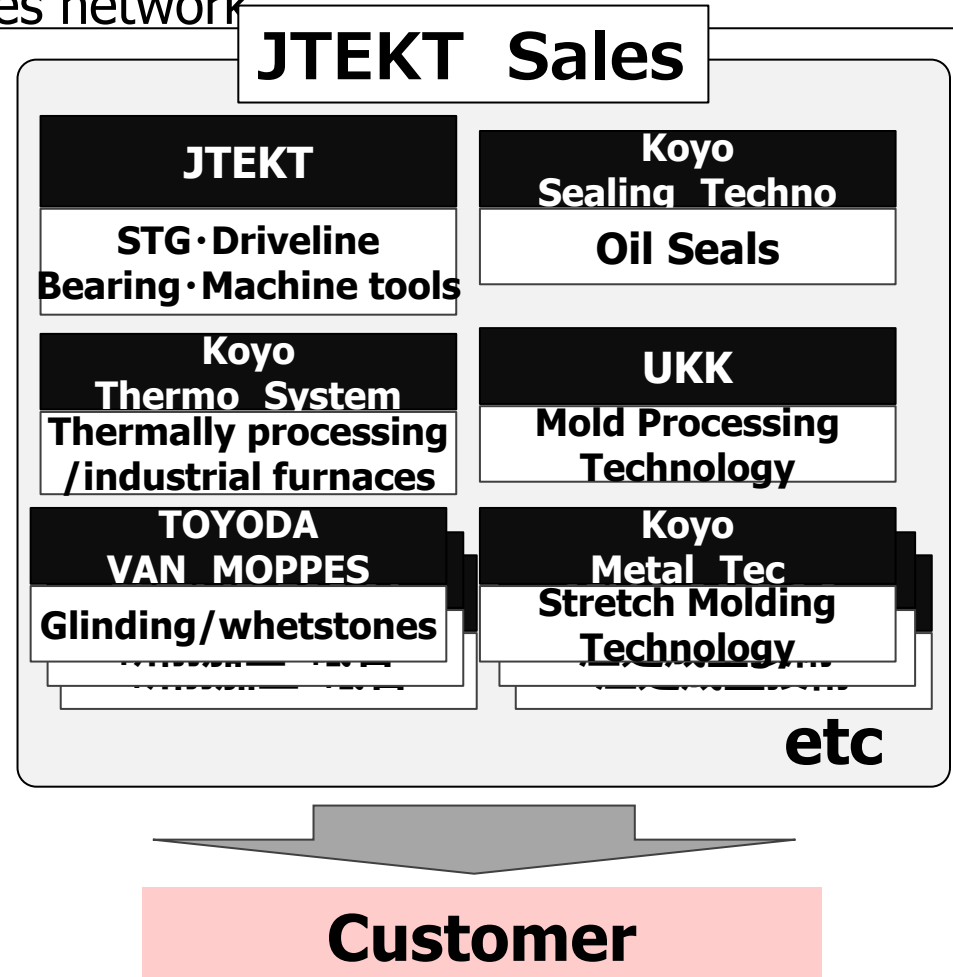
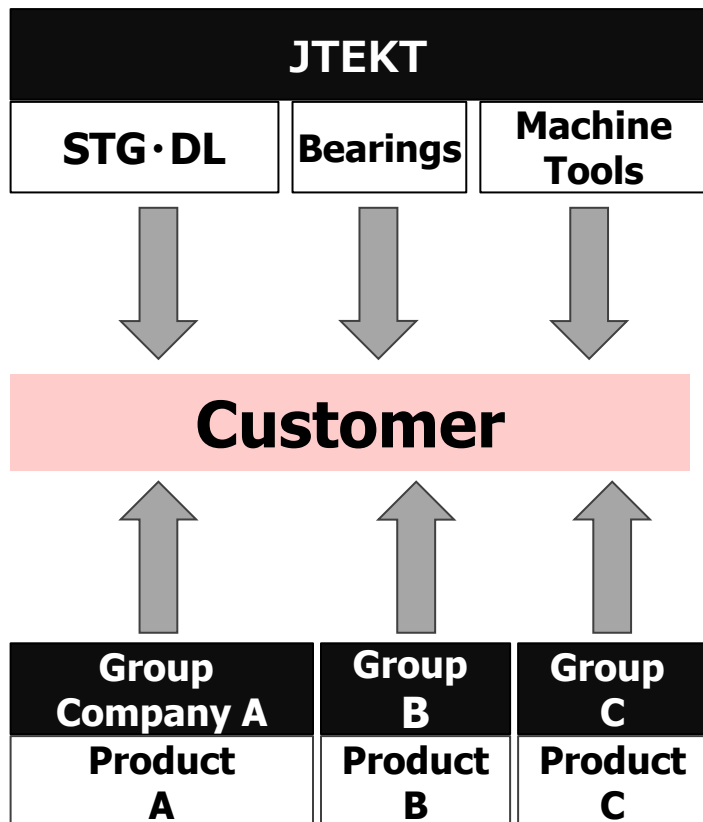


## Competitor in Europe



# 1-2-2) Multiple marketing

- Regardless of industry or group, shift from individual company sales to integrated group sales.
- Respond to customer expectations by leveraging the Group's technologies, products, and sales network





# 1-2-3) Develop brand new products

Arranging own technologies,  
JTEKT provides customers with products which fit their needs

## Customer needs;

Small, Light weight, Highly efficient

## Social requirements;

Safety, Environmental, Convenient, Comfortable

**JTEKT's strength** are **rich elemental technologies** raised at multiple biz. Units.

JTEKT's Elemental technologies and parts	hydraulic pressure				Gear Clutch, Reducer								Electronics			BRGs		Raw blank							
	Electric pump	Solenoid	Fluid analysis	Outer contact gear	Helical gear	Planet gear	Hypoid	skiving/polishing	Geer	Skiving	R&P	Worm	Multi layer clutch	reducer	Small number gear	Electromagnetic cam	Motor control	Yaw censor	Steering Angle censor	Storage/Capacitor	Ball screw	Tribology	Precise warm forging	Die casting	Cold closed forging

**JTEKT is fully capable of produce products which make customers happy**

Develop brand new products  
,which meet customer needs and  
social requirements,  
by the combination of elemental  
technologies and parts.

Steering

Driveline

Bearings

Machine  
tools

Capacitor

$\alpha$

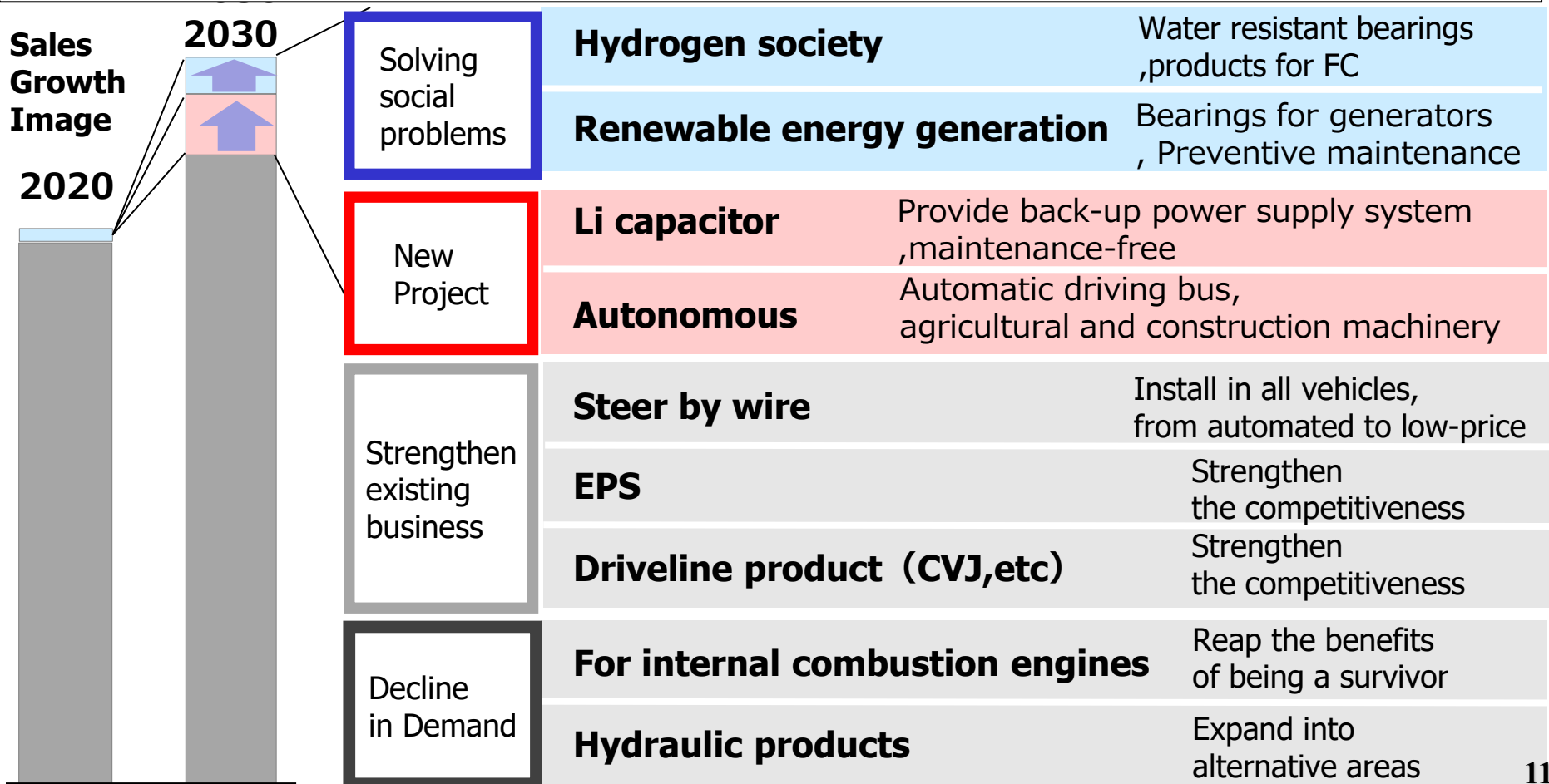
$\beta$

$\gamma$

# Long-term plan -Vision 2030-

# 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



# Mid-term plan -FY2021~FY2023-

## The position of FY2021 mid-term business plan

# 3-1) The position of FY'21 mid-term business plan

FY'21-'23  
**1<sup>st</sup> stage**

**4 key words**

## **The 1<sup>st</sup> year of JTEKT becoming Reborn**

- ① **Strengthen competitiveness**
- ② **Seeding for the future**
- ③ **Strengthen management foundation**
- ④ **HR development**

FY'24-'26  
**2<sup>nd</sup> stage**

**Growth of existence business and raising new business**

FY'27-'30  
**3<sup>rd</sup> stage**

**Harvesting and leaping**

**Achieving Vision 2030**

# Four key approaches

## 3-2-1) 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?

- Thoroughly **benchmark** the competition and provide customers with price, quality, performance, and service that surpasses the competition.

#### What is Only One ?

- To **anticipate customer needs** and propose value that exceeds customer expectations.
- To be the customer's best advisor (true front-loading)



## 3-2-2) Seeding for the future

- Invest the cash gained by pursuing “good products , low prices” in growth areas

### Seeding for the future

#### Important goals in 1<sup>st</sup> stage (FY'21-'23)

##### Pursue further

“good products, low prices”

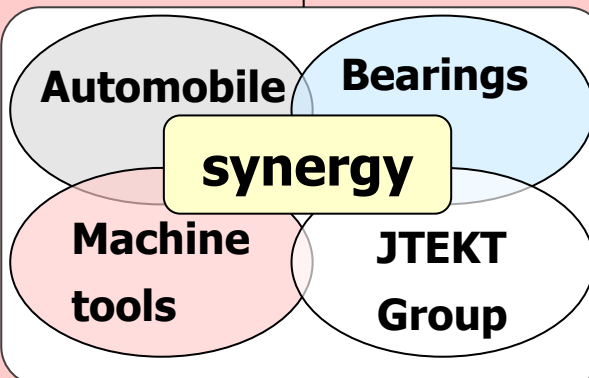
##### Key measures

- standardize design methods
- procure and produce in optimal locations
- innovate production technology

**Earning cash  
by existence business**

##### Turn “seeds”

into growth business



**To be a pillar  
of future business**

**Development  
of new areas**

- **Hydrogen society**
- **Renewable energy**
- **Aging society**

**Solving social issues  
(contributing to SDGs)**

## 3-2-3) Strengthen management foundation **JTEKT**

- Still in a “flabby” state → toward a lean corporate structure

- **Mid-term target : break-even point ratio 80%**

※ 'FY19 solder ratio

**business profit**

**100 billion yen**

1<sup>st</sup> stage

2<sup>nd</sup> stage

3<sup>rd</sup> stage

**Strengthen  
Management foundation**

**Growth of existence business  
and  
Raising new business**

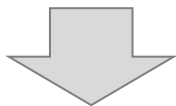
**Harvesting and leaping**

FY2021~

FY2024~

FY2027~

FY2030



	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>break-even point ratio</b> (FY'19 solder ratio)	<b>85%</b>	<b>83%</b>	<b>80%</b>

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

- 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

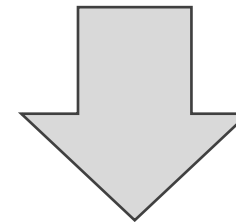
### JTEKT’s version of the basic principles of TQM



### TQM activities

Creating a structure  
and organization

Developing  
human resources

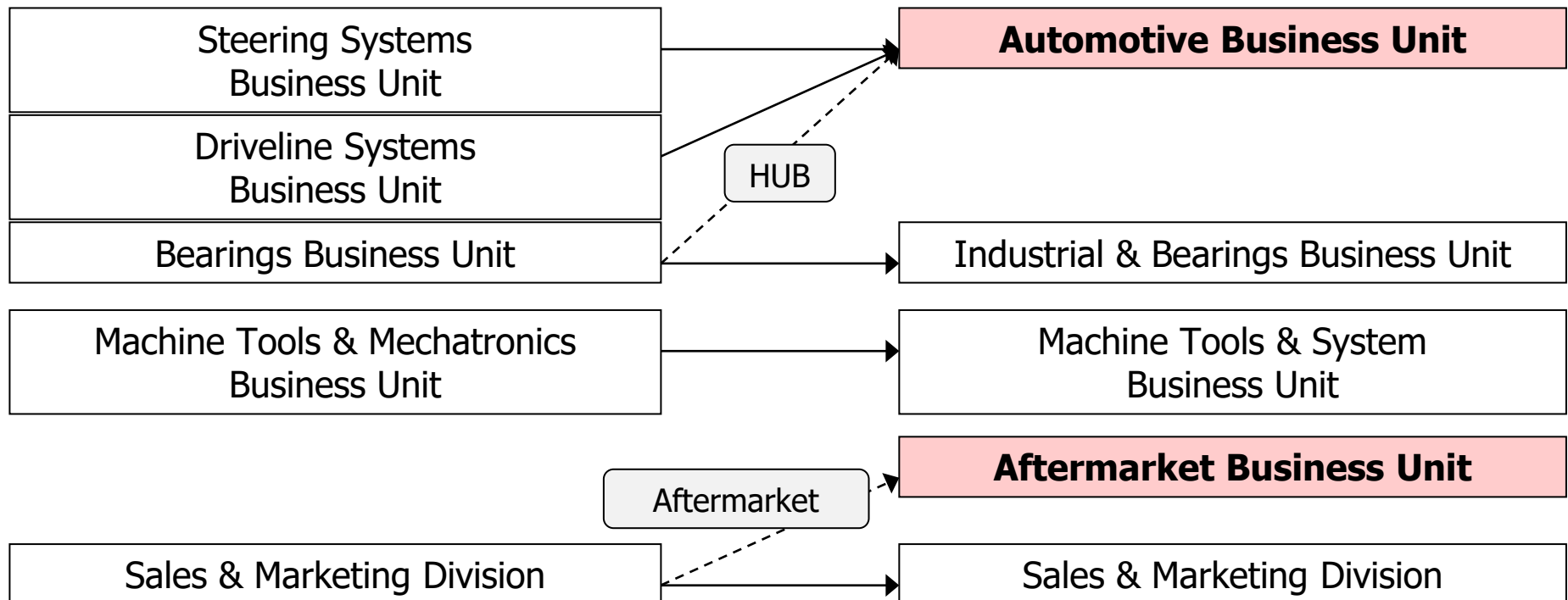


To achieve  
**annual cycle management**

# Business strategy

## 3-3-1) Organizational revision

- **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** 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.**



# 3-3-2) Automotive Business Unit Strategies **JTEKT**

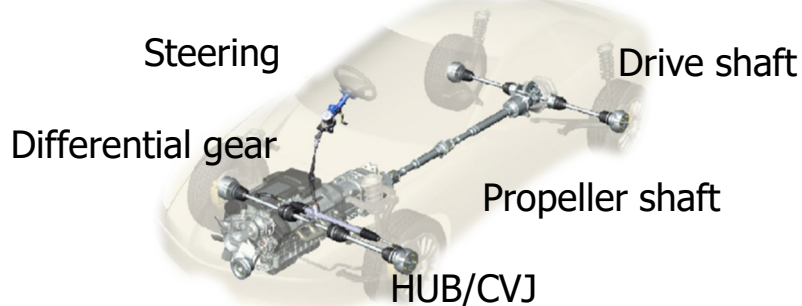
- Development of competitive next-generation EPS and transformation from a contracting-oriented to a proposal-oriented business
- Establish a position as a chassis system supplier

## Strengthen competitiveness of EPS

Global competition intensifies for all products

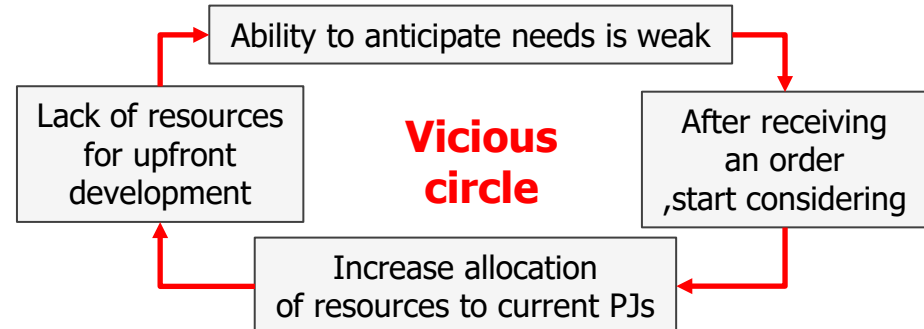
Strengthen competitiveness by implementing fundamental reforms across the Group

## Establish a position as a system supplier

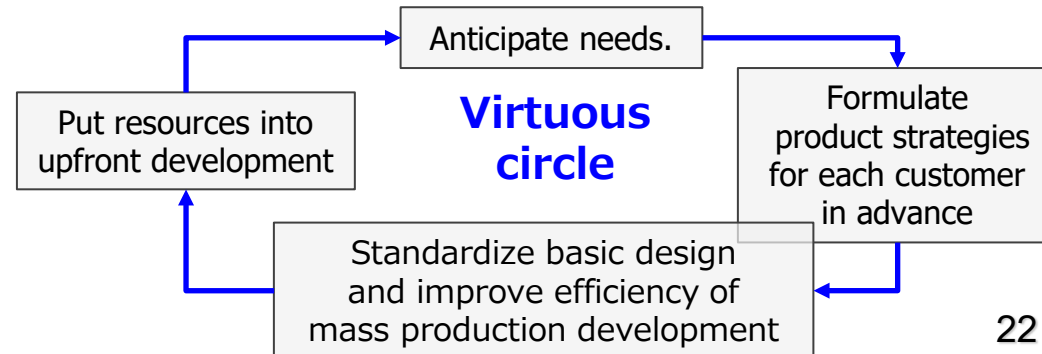


**Optimal proposal for total system**

## Transform to a proposal-oriented business for quick delivery



Quickly respond to the needs of EV manufacturers



- Maintain the improved constitution in FY2020 and do not let it rebound.
- Strengthen competitiveness and contribute to other businesses and the Toyota Group

## Maintain the constitution and strengthen competitiveness

### FY2020

#### Improvement of management structure

- Reduce labor costs by improving productivity
- Review repair costs
- Review investment details and reduce investment amount.

#### Transitory measures

- Shorter operations, less overtime

### Future

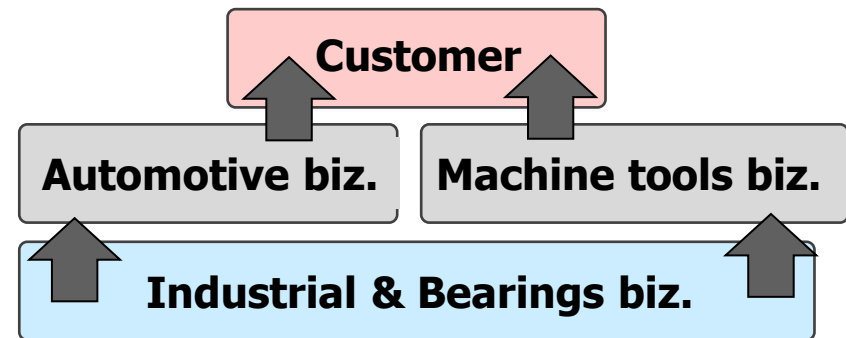
#### Maintenance of management structure

- Coordinate personnel among plants /Reduce labor costs by pursuing the right number of employees
- Eliminate deficit model numbers

#### Improvement of competitiveness

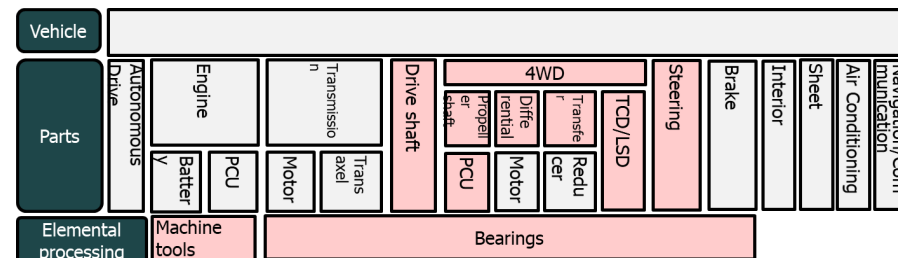
- Reduce fixed cost through innovation in production technology
- Improve variable cost by utilizing LCC

## Contribute to JTEKT Group



- ◆ Provide competitive bearings to other business units

## Contribute to TOYOTA Group



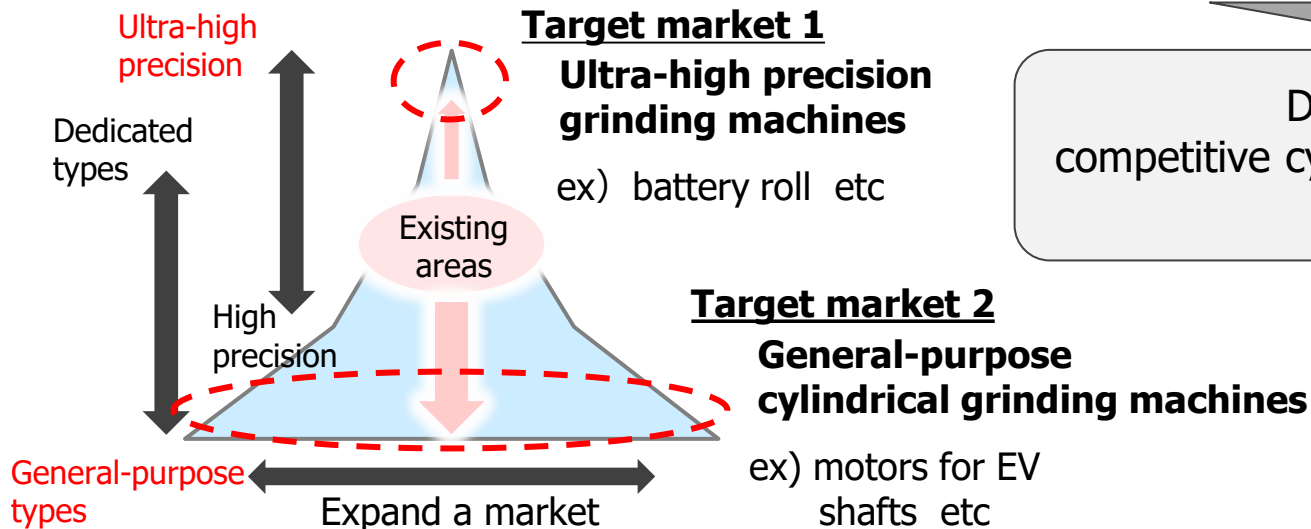
- ◆ As the only bearing manufacturer in the group , contributing to the TOYOTA Group's growth.

- Strengthen competitiveness and expand sales of No.1 cylindrical grinding machines
- Expanding the target market and pursuing good products at low prices

## Expanding the target market

Focus on large customers in a limited market  
/High-priced products based on dedicated model

Expand sales in growth industries  
/Strengthen product competitiveness



## Pursuing good products at low prices

Integrate platforms and reorganize models

Strengthen cost competitiveness  
by standardize units  
and produce them at optimal location

Develop and sell  
competitive cylindrical grinding machines  
**by FY2022.**



# Restructuring

# 3-4) Restructuring -Progress in FY2020-

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

## Surgical treatment

### <activities for FY2020>

Formed a "**Profit Improvement Committee**"

Breaking down the barriers between business units, **identify and resolve issues without sanctuary**

With an awareness of capital costs, visualized **areas that need to be restructured** and implemented partially

**Visualization of deficit model numbers**

Planning and implementation for resolution

### <activities during this mid-term>

Reorganized as "Cost Reduction Committee"  
PDCA (Plan-Do-Check-Act) cycle for all measures to achieve **80% break-even point**

Especially in Europe, accelerate restructuring.  
**Optimize the number of subsidiaries and affiliates**

Monitor at board meetings  
**Improve profitability of all products**

## Medical treatment

Formed an organization for strategic planning under the direct control of the president  
Established company-wide strategy discussion body  
Formulated **company-wide mid-term plan**

**Return to the Toyota Group** (Headquarters relocation)  
**Speeding up decision-making** through changes in executive structure

Hold regular meetings with affiliated companies  
**Expand the activities of the Profit Improvement Committee to the Group**

**Strongly promote the Medium-Term Management Plan**

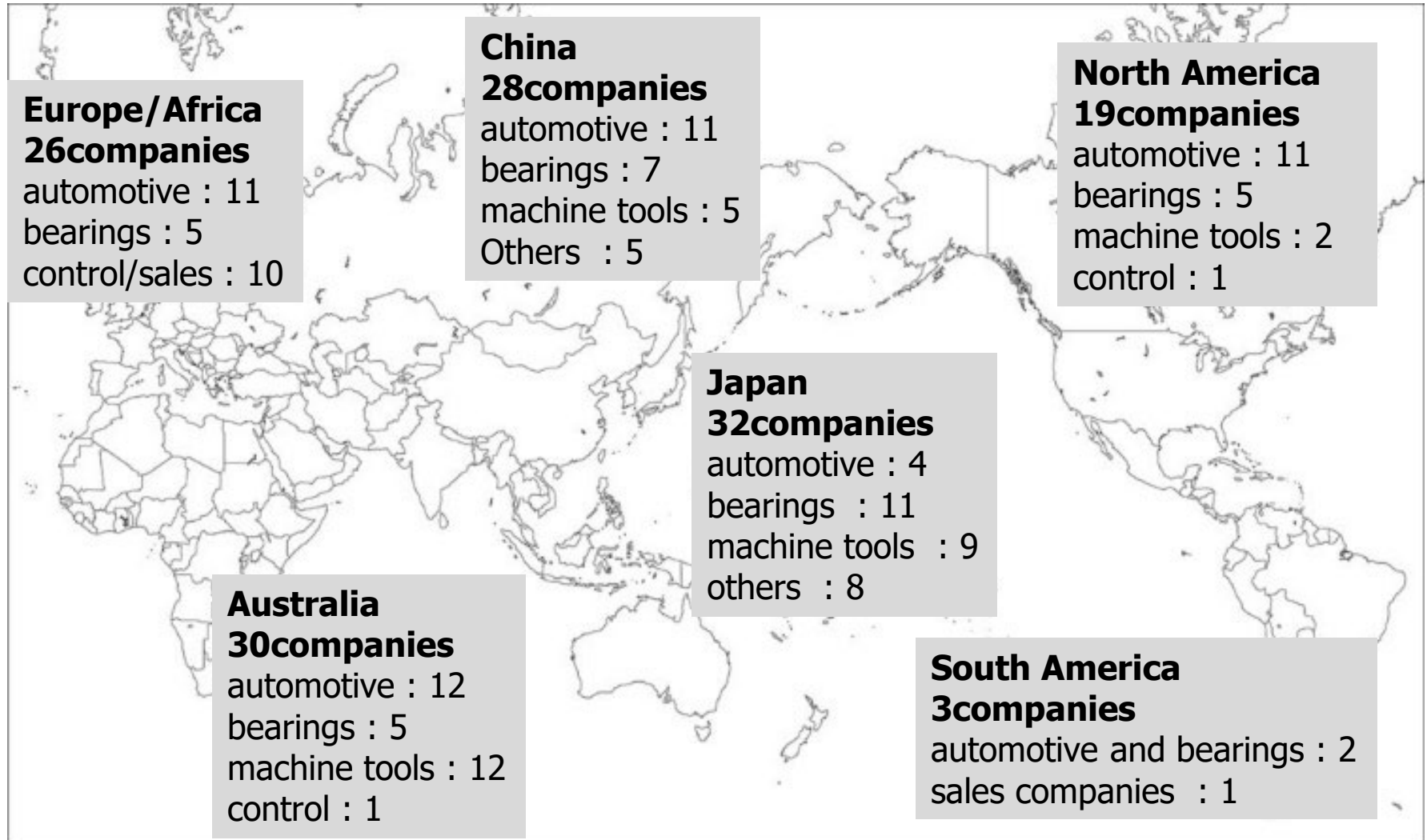
Check progress, clarify issues, and respond quickly

Revision business unit organizationally  
**Promote "True merger" plan**

Further strengthen governance and **promote "structural reforms" across the Group** in a top-down manner

## 3-4) Restructuring - the number of subsidiaries and affiliates- **JTEKT**

Total: 138 companies (including sub-subsidiaries)\*



※ Unique company count that differs from disclosure documents

# 3-4) Restructuring in Overseas

- Turn the bearing business profitable in 2021 and the automotive business profitable in 2024.
- Proceed without sanctuary in terms of business units, subsidiaries, regions, etc.

## Select and concentrate

- selection
- concentration

•Make decisions, including the sale of businesses and withdrawal from businesses.

•Invest funds in growth areas and turn them into new businesses.

## Utilize LCC

- Eastern Europe
- Africa
- India
- China

•Examine from all the possibilities JTEKT has to offer(parts and finished products)

## Consolidate bases

•Targeted are 26JTEKT Group companies.

automotive : 11  
bearings : 5  
control/sales : 10

•Focus on overlap and proximity

※already integrated Moroccan business

# DX/Carbon Neutral

- 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

### ( 1 ) Transform business model

**From Hardware company to Software hybrid company**

Responding to **Software First**

### ( 2 ) Improve business efficiency/Good product, low price

#### **Maximize productivity**

- Eliminate typing and corrections
- Utilize data warehouse/BI tools

#### **Strengthen sales force**

- Share information on visits
- Portalize product lineups
- Automate pipeline management

#### **Replace human eyes for AI**

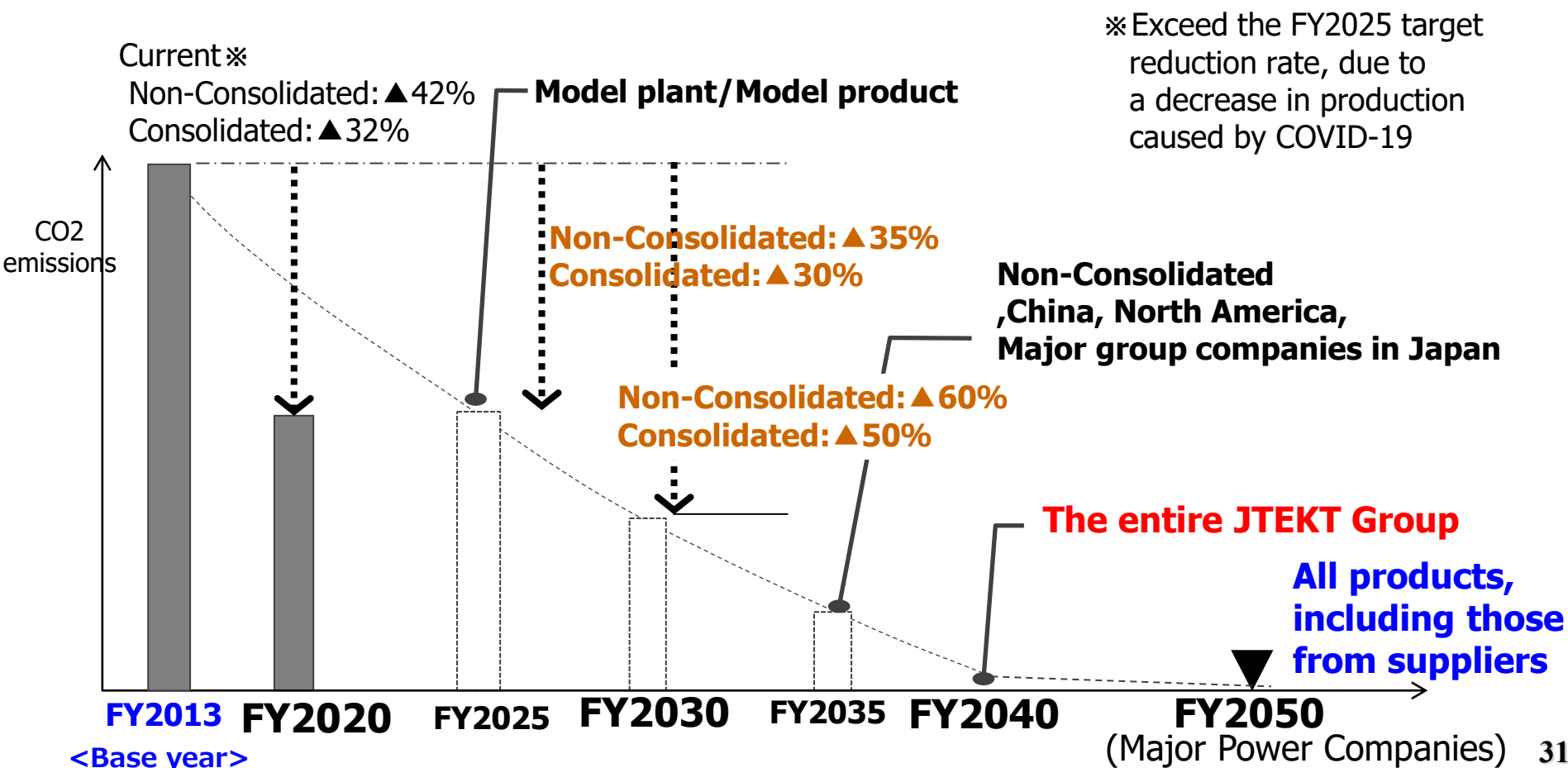
- Forecast demand and supply of spare parts
- Unattended inventory
- Automatic creation of quotations
- Managing the signs of equipment maintenance

#### **Cybersecurity in the C of CASE**

- Multi-protection
- Vulnerability Management

## 3-5-2) Carbon Neutral

- Japanese Government declares “Carbon Neutral by 2050”
- JTEKT will be driven by the following milestones
  - FY2040 : Achieve zero CO2 emissions for the entire JTEKT Group.
  - FY2050 : Achieve zero CO2 emissions for all products, including those from suppliers



## 3-5-2) Carbon Neutral –Utilization of H2 –

- To achieve Carbon Neutral, hydrogen is stored, used, converted to electricity, and utilized.

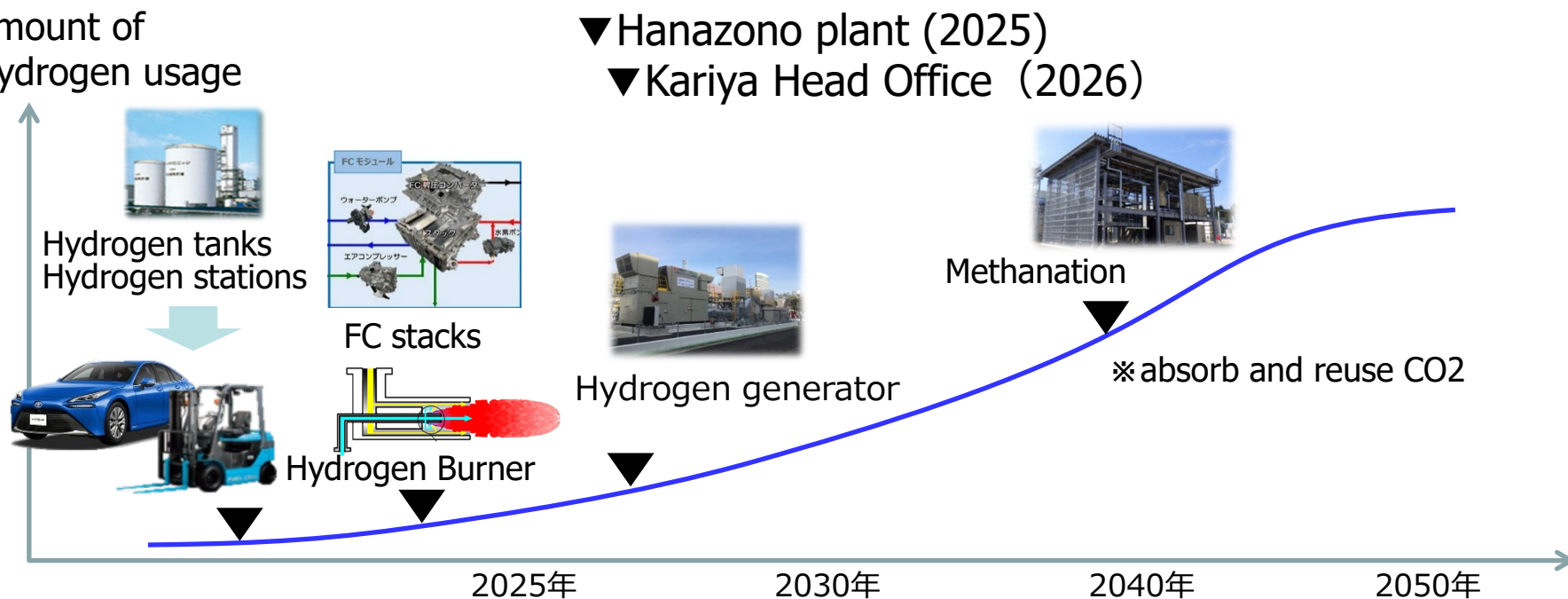
Store : Install hydrogen tanks and hydrogen stations.

Use : Convert on-site-forklifts to FCs and switch to FCVs for company vehicles.

Convert to Electricity : Use FC stacks to supply power to non-production buildings.

Utilize : For methanation to absorb CO2 from exhaust gas.

Amount of  
Hydrogen usage





# Appendix

## 4) 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



### 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



Important issues in business structure