

JTEKT

2017
JTEKT REPORT

A Company Contributing to the Advancement of Society with No. 1 and Only One *Monozukuri*

JTEKT was born in January 2006 through a merger of Koyo Seiko and Toyoda Machine Works.

This merger united the top-class technologies and passion for *monozukuri* cultivated by Koyo Seiko, a top-class bearing manufacturer, and Toyoda Machine Works, a machine tools manufacturer who possessed world-class, excellent technologies. JTEKT has developed into a company with numerous No.1 products and Only One technologies within the business areas of steering, driveline parts, bearings, and Machine Tools & Mechatronics.

In FY2016, JTEKT strengthened its promotion of new businesses in addition to our four existing business areas.

We have concentrated our efforts on expanding businesses which contribute to society through leveraging new No. 1 products and Only One technologies.

We JTEKT will pour our relentless passion into evolving *monozukuri* to contribute to the development of society.

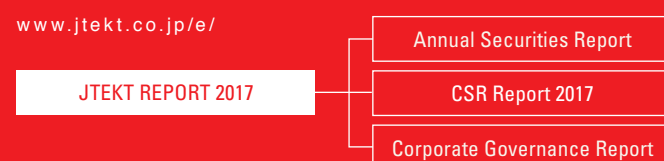
Orientation of this report

This report was created as a main tool for interacting with our shareholders.

It unites both financial and non-financial information to convey the JTEKT approach to creating value, from a long-term perspective.

* Renewal period differs according to each interactive tool, and therefore their respective target periods for renewal may vary.

www.jtekt.co.jp/e/



● For related articles:

p. = JTEKT Report 2017 (this report), F = CSR Report 2017 Features, S = CSR Report 2017 Social Report, E = CSR Report 2017 Environmental Report

* CSR Report 2017 is available for viewing on JTEKT's official website.

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Target period and target organizations / scope

Target period April 2016 - March 2017

Target organizations and scope All activities of the JTEKT group

For items for which there is no criteria uniform across the JTEKT group, the unconsolidated results of JTEKT are displayed. As a general rule, if there are changes in the tallying scope, we revise data dating back to the past.

Reference guidelines











- IIRC (International Integrated Reporting Council) framework
- Corporate governance code
- The 4th edition of Sustainability Reporting Guidelines (G4 Guidelines)
- Japan's Ministry of the Environment "Environmental Reporting Guidelines (2012 edition)"
- ISO26000 (International Standard for corporate responsibility)
- Ministry of Economy, Trade and Industry "FY2011 Comprehensive Research Report Relating to Nature of Non-Financial Disclosure Contributing to Sustainable Corporate Value Creation"

History


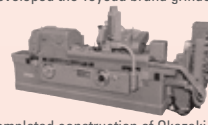







Koyo Seiko and Toyoda Machine Works have supported industry in Japan since its very beginning, through their original technologies. Now, joined together as JTEKT, this top-class technology and passion for *monozukuri* are passed on ceaselessly, as we continue to produce new No. 1 & Only One value.


* TOYOPUC is a registered trademark of JTEKT Corporation.
 * ITCC is a registered trademark of JTEKT Corporation.
 * Torsen is a registered trademark of JTEKT Corporation.

Koyo


- ▶ **1921**
 • Zenichiro Ikeda founded Koyo Seiko in Osaka city as a private enterprise where he first sold imported bearings, then began manufacturing them himself

 Zenichiro Ikeda, Founder
- ▶ **1935**
 • Reorganization into Koyo Seiko Co., Ltd.
- ▶ **1938**
 • Completed construction of Kokubu Plant

- ▶ **1943**
 • Absorption-type merger with Koyo Seiki and Hikari Jukogyo to establish Takamatsu Plant and Tokyo Plant
- ▶ **1958**
 • Bearing sales company established in USA

- ▶ **1960**
 • Began development and prototyping of steering systems
- ▶ **1961**
 • Established Koyo Machine Industries Co., Ltd. from Koyo Seiko as a company to manufacture Koyo brand machine tools

- ▶ **1963**
 • Entered a business alliance with Osaka Bearing Manufacturing Co., Ltd. (currently: Daibea Co., Ltd.)
 • Completed construction of Tokushima Plant
- ▶ **1975**
 • Commenced production of bearings in the U.S.
 • Completed construction of Hiketa Plant (currently: Kagawa Plant) and commenced production of tapered roller bearings
- ▶ **1987**
 • Merged with Koyo Automatic Machine Co., Ltd. and continued operations as Nara Plant and Toyohashi Plant

- ▶ **1990**
 • Completed construction of Kameyama Plant
 • Capital participation in Societe de Mecanique D'Irigny S.A. (currently: JTEKT EUROPE S.A.S.), a steering subsidiary of Renault S.A.S., France and concluded a technical support agreement

- ▶ **1992**
 • Capital participation in Sona Koyo Steering Systems Limited (SKSSL), Indian Company

- ▶ **1995**
 • Commenced production of bearings in China

- ▶ **1998**
 • Completed the R&D Center (Kashiwara, Nara Prefecture)

- ▶ **1988**
 • Developed and produced world's first electric power steering (EPS) system



TOYODA

- ▶ **1941**
 • Machine tools department of Toyota Motor Corporation separated and established Toyoda Machine Works, Ltd.

 Kiichiro Toyoda, Founder
- ▶ **1944**
 • Completed construction of Okazaki Plant

- ▶ **1965**
 • Developed the Toyoda brand grinder
 • Completed construction of Okazaki Plant
- ▶ **1968**
 • Commenced production of power steering
 • Development of machining centers
- ▶ **1972**
 • Development of general-purpose controller TOYOPUC
- ▶ **1973**
 • Established a machine tool base in Brazil

- ▶ **1977**
 • Machine tool sales company established as joint venture in USA

- ▶ **1980**
 • Commenced production of CVJ, Constant Velocity Joints for automobiles
- ▶ **1986**
 • Development and production of master-less camshaft grinders

- ▶ **1996**
 • Commenced production of steering systems in Thailand

- ▶ **1998**
 • Commenced production of electronic intelligent torque controlled coupling (ITCC) for 4WDs

- Established a Technical Center (Hanazono)

- Completed construction of Takahama Plant (currently: Tadamisaki Plant)


JTEKT
Steering, driveline parts



2006
JTEKT


Koyo
Bearings


TOYODA
Machine Tools & Mechatronics


Parts for automobiles Feedback Parts for machine tools Manufactures bearings using machine tools Manufactures parts for automobiles Feedback

2002
FAVESS established for development and sales of EPS

2003
 • Comprehensive business alliance (in the machine tools field) with Mitsui Seiki Kogyo Co. Ltd.
 • Acquired the Torsen business department from Bosch Automotive
 • Commenced production of automotive components in China


2006
 • Established Toyoda Machinery (Dalian) Co., Ltd. for the production of machine tools in China



2007
 • Development and mass production of large insulated ceramic bearings for wind power generators

2008
 • Development of light weight and low-torque hub unit bearings

2009
 • Acquired needle bearing business of the Timken Company in USA
 • Development of torque-sensitive (TORSEN) limited-slip differentials for luxury sports cars
 • Sales launch of high-precision combination grinders

2010
 • Commenced production of EPS in India
 • Sales launch of five-axis horizontal machining centers

2011
 • Commenced production of EPS in Indonesia

2012
 • Opened Iga Proving Ground


2014
 • Full-scale operation began at Large Size Bearing Engineering Development Center

2017
 • Decision reached to make Fuji Kiko Co., Ltd. a wholly-owned subsidiary in order to strengthen steering business
 • Decision reached to establish an EPS production base in Morocco
 • Acquired additional shares of Sona Koyo Steering Systems Limited and made it a subsidiary

The name "JTEKT" represents our desire to be an epoch-making force for industries, the era, and our customers' hearts

"J" stands for Joint, Joy and Japan. "TEKT" comes from the ancient Greek word "tekton," which means one possessing superior technical skill.

Brand logo of each business

JTEKT Automotive parts **Koyo** Bearings **TOYODA** Machine Tools & Mechatronics

JTEKT is our automotive components brand, koyo is our bearings brand and TOYODA is our machine tools brand. Together, these three brands are contributing to the creation of an abundant society with reliable technologies.

The way of thinking by JTEKT

Set of Guiding Principles

We, JTEKT have defined the JTEKT GROUP VISION as our ideal and the JTEKT WAY as our common set of values in order to exemplify our Corporate Philosophy.

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

This is our ideal: to continue building value that surpasses the expectations of customers, building excellent products that astonish the world, building professionals who think and act autonomously, and producing No.1 & Only One products and services, in order to shape a better future.

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

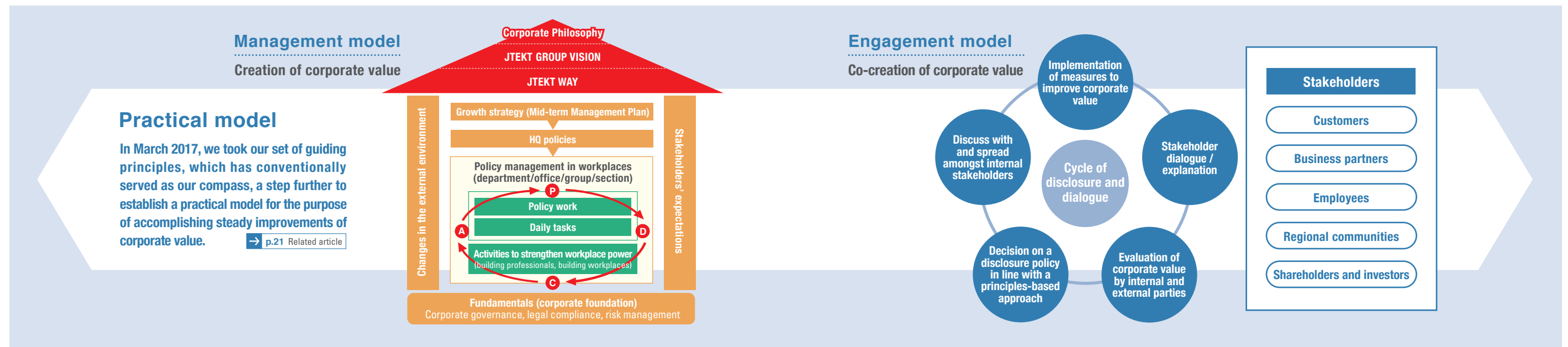
We will be an invaluable partner with our customers, our suppliers, and our team members.

We will deliver "No.1, Only One" products and services through "Building Value," "Building Excellent Products," and "Building Professionals".



JTEKT WAY

These are the values shared by all JTEKT members. We engage ourselves in all work with absolute ambition, supported by these five values.



JTEKT GROUP VISION Elements

The source of JTEKT's strength is concentrated in the elements of "Building Value" to exceed customers' expectations, "Building Excellent Products" to astonish the world and "Building Professionals" who think and act for themselves. By implementing these elements steadily, we will continue to produce No. 1 and Only One products and services and help create a better society of tomorrow.

JTEKT GROUP VISION

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

Building Value

Building Excellent Products

Building Professionals

Building Value

The element of "Building Value" within JTEKT is about creating competitive No. 1 and Only One products and services by further pairing of the "seeds" possessed by JTEKT with the "needs" of the world. To achieve this, JTEKT's R&D, production engineering and advanced/mass production development groups converge twice annually to hold a Technical Management Meeting to discuss the needs of the world and decide on technical strategies for promotion.

Furthermore, in order to promote businesses in new fields not limited to existing businesses, the New Business Promotion Dept. was established in April 2017 and is promoting development of new business products based on the concept of "Human Harmonics - Harmony between man and machine".

TOPICS

Development of a power assist suit

In response to social issues such as a declining birthrate and aging population, labor shortage and an increased number of work-related accidents, JTEKT has leveraged its strengths such as assist technology and robotics to begin development of a power assist suit which harmonizes with people's motions. This power-assist suit will help to alleviate the burden on operators working in the manufacturing industry as well as various other industries, and support the realization of a safe workplace environment where a diversity of people can play an active role.



Building Excellent Products

In order to send products produced as a result of "Building Value" out into the world with a competitive edge, there is a need to be top-class regarding *monozukuri* also. Since the dawn of the *monozukuri* era, JTEKT has possessed development technology for bearings, which are also known as the "backbone of industry" and used in rotating objects, as well as machine tools, which are also known as "mother machines," and used to make machines. Now, in the midst of a revolutionary turning point due to the spread of IoT (Internet of Things), JTEKT is promoting IoE (Internet of Everything) to enable ongoing improvement to connect not only objects to other objects but also peoples' movements as a company that possesses deep knowledge about *monozukuri*. This is part of our efforts to create a new foundation for *monozukuri*.

TOPICS

Adoption of IoE in JTEKT Plants

JTEKT's Kagawa and Kameyama Plants, which operate mass production lines for bearings used on automobiles, are promoting a shift to IoE and as such, have adopted a parts supply system featuring malfunction detection and an unmanned conveyance vehicle. Other plants are gradually introducing IoE systems to promote the analysis and utilization of collected data in order to pursue efficient *monozukuri*.



Building Professionals

"Building Professionals" is the foundation that supports "Building Value" and "Building Excellent Products" from the roots up and JTEKT firmly believes in supporting and nurturing "people" as our company's most important management resource. In 2016, we established the JTEKT Way which combines unspoken knowledge inherited down through history with concepts necessary for the future as a sense of values shared throughout our Group. The underlying concept at the roots of this is that each and every employee possesses a high awareness of their own role and mission and "thinks and acts" with a sense of ownership to ensure they see their work through to the end. JTEKT focuses on fostering a corporate culture whereby all employees think and act for themselves and encourage each other through friendly competition.

TOPICS

A Training System Incorporating Problem-solving

So that a company can continue growing with an acute awareness of social changes, employees must possess a healthy sense of risk in their daily routine and make steady progress in regards to problem-solving. JTEKT's training system incorporates problem-solving exercises in its trainings by grade to ensure employees have the ability to identify the true cause (root cause) of those problems that arise in the process of daily tasks and think of potential solutions to countermeasure these, as well as create issues so that they can imagine issues that may arise in the future and preempt situations from their respective positions.



Value Creation Model

At JTEKT, we provide products and services that surpass the expectations of customers through *monozukuri* that pursues No.1 & Only One technology and superior quality. Through these products and services, which come mainly from our four business realms, we help resolve various issues within society.

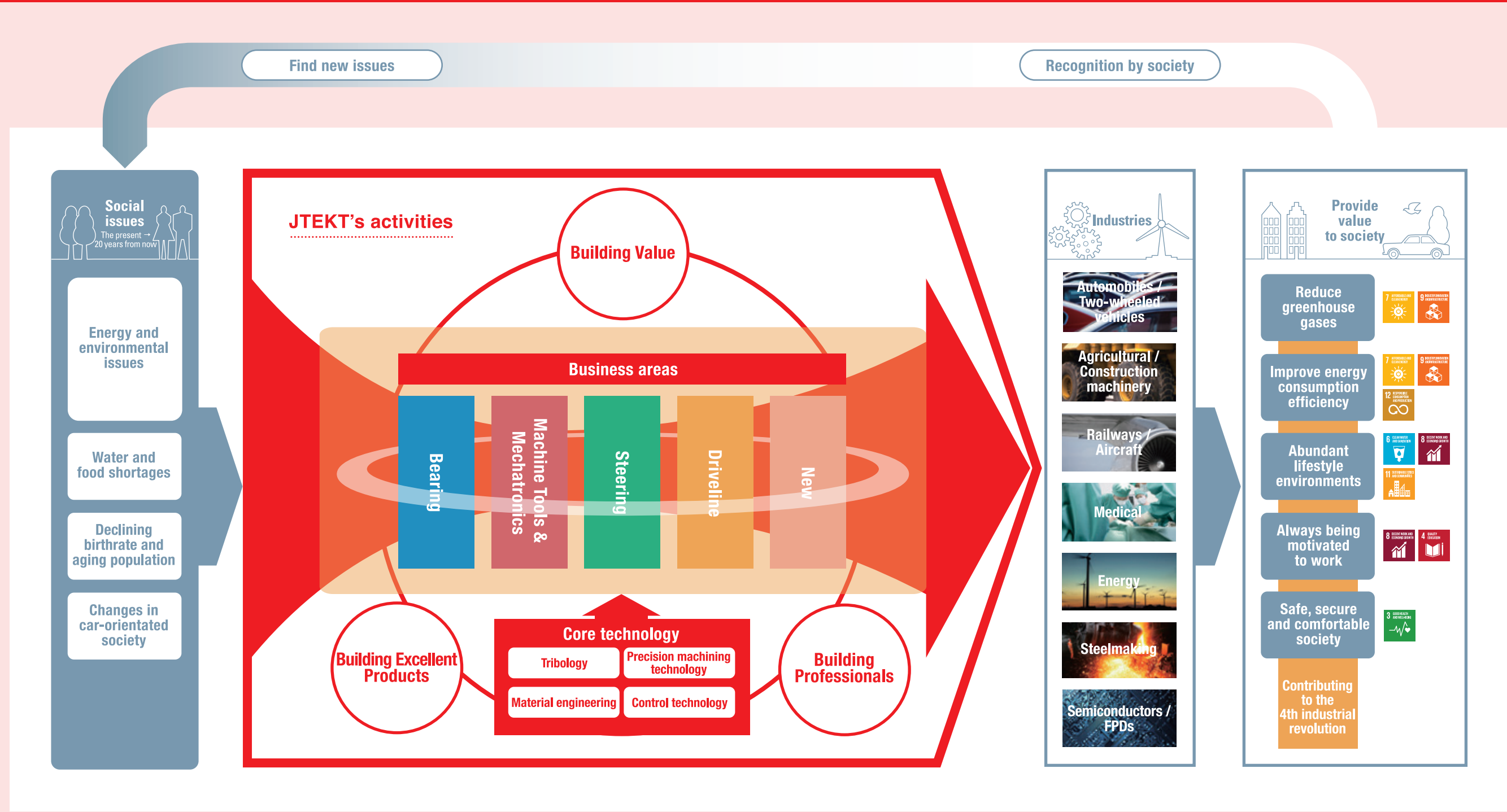
SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

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

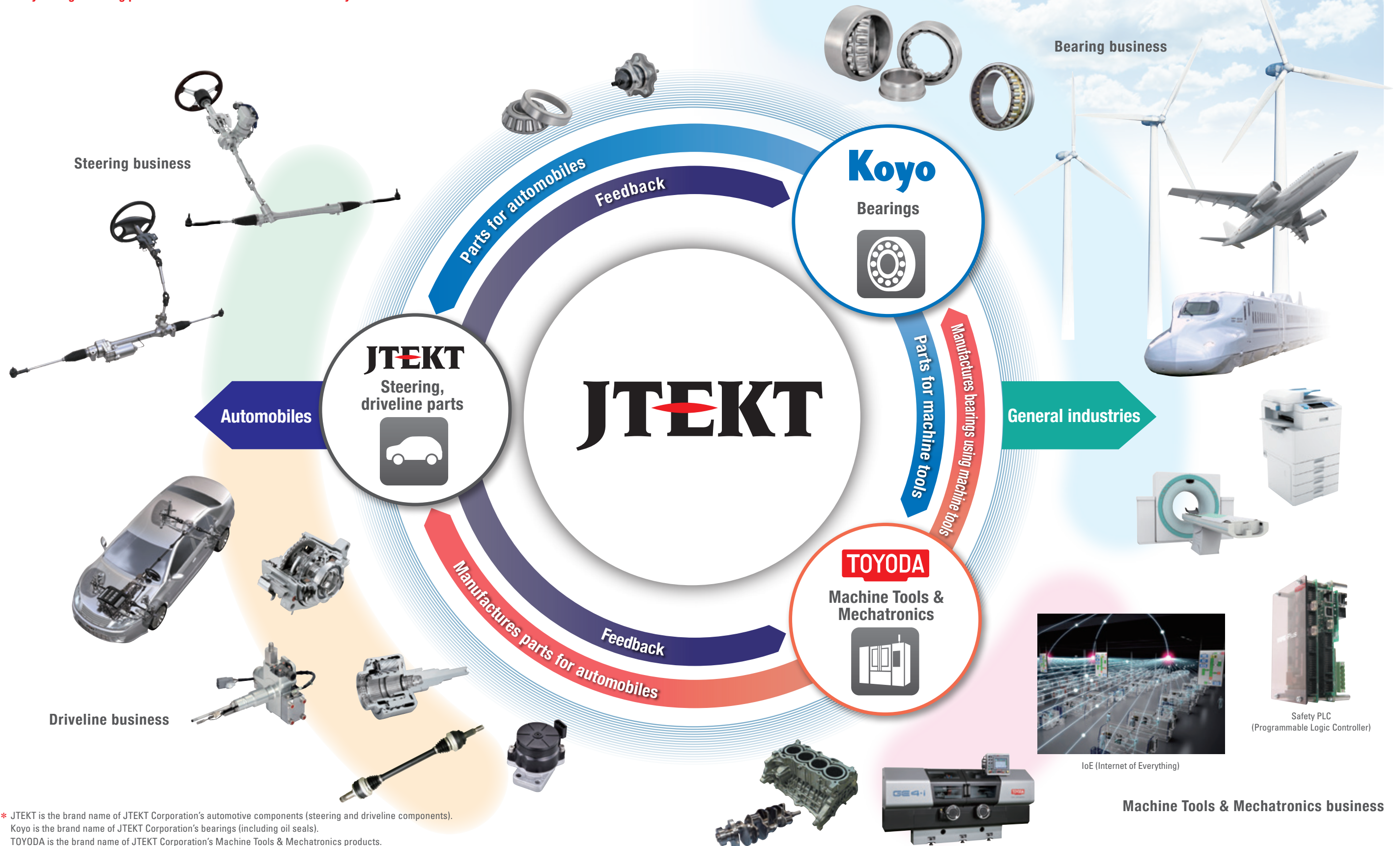


Corporate Philosophy Seek to contribute to the happiness of people and the abundance of society through product manufacturing that wins the trust of society.



Product lines

From automobile components to steel, railroad, construction machinery, farming machinery, wind power generation, aircraft and space, JTEKT's three brands of JTEKT, Koyo and TOYODA contribute to the advancement of society through offering products of its four businesses to a variety of areas.

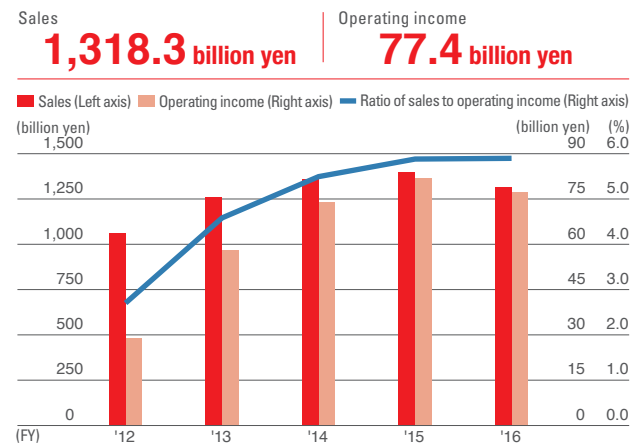


* JTEKT is the brand name of JTEKT Corporation's automotive components (steering and driveline components).
 Koyo is the brand name of JTEKT Corporation's bearings (including oil seals).
 TOYODA is the brand name of JTEKT Corporation's Machine Tools & Mechatronics products.

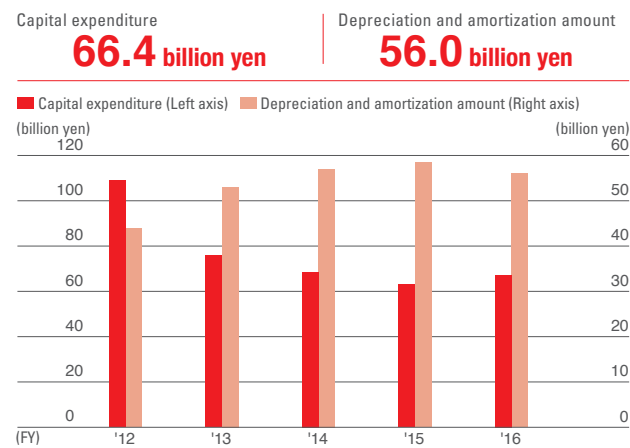
Financial / Non-financial highlights

As of the end of March 2017

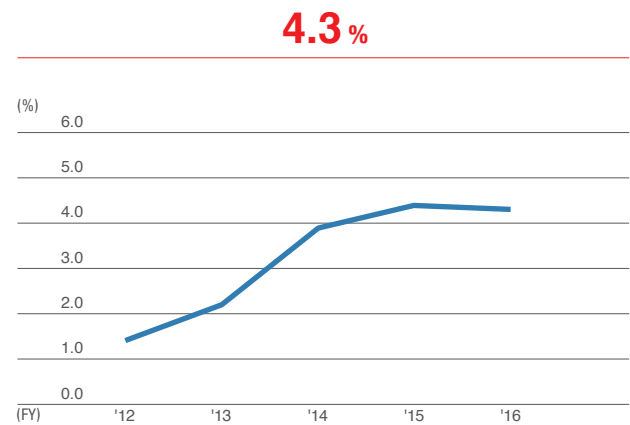
Sales / Operating income



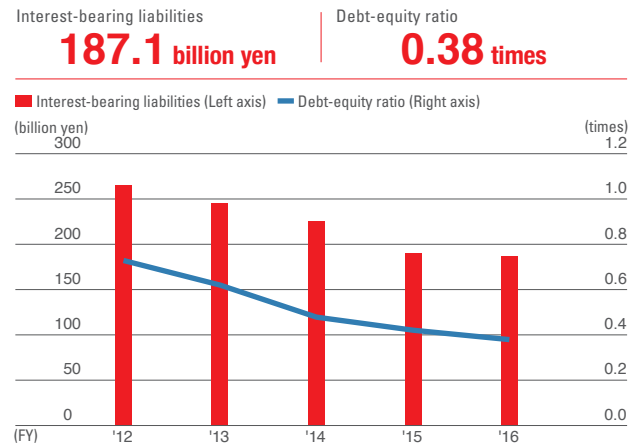
Capital expenditure / Depreciation and amortization amount



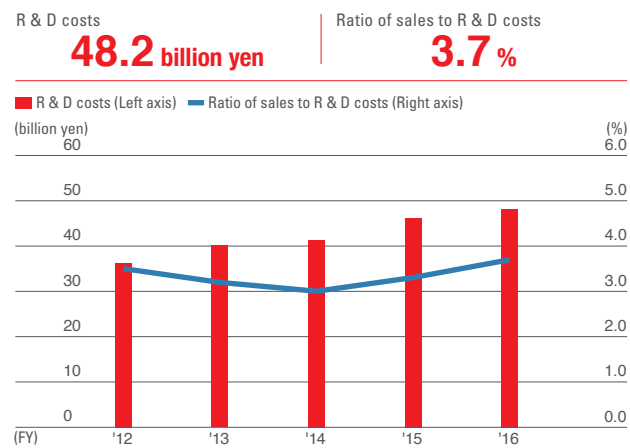
Return on assets (ROA)



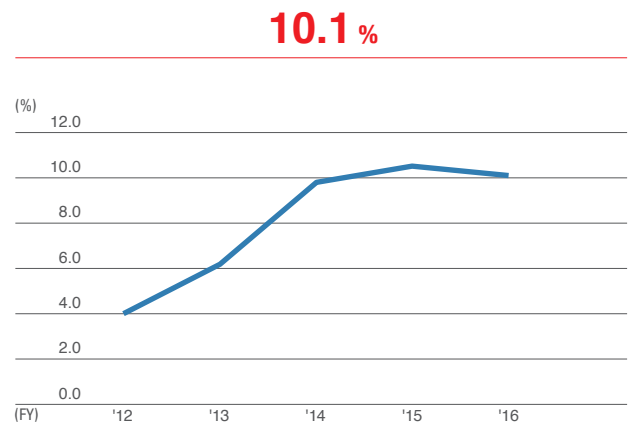
Interest-bearing liabilities



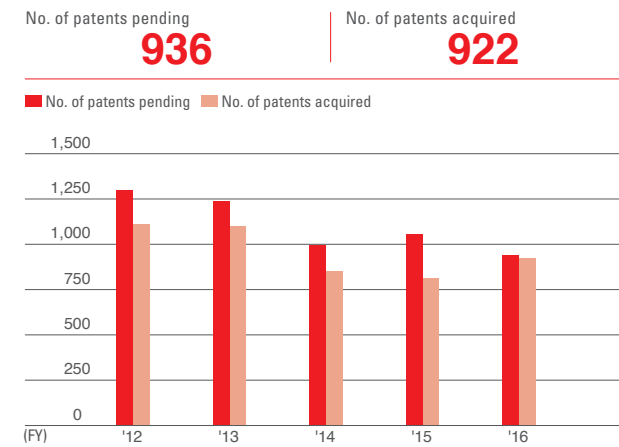
R & D costs



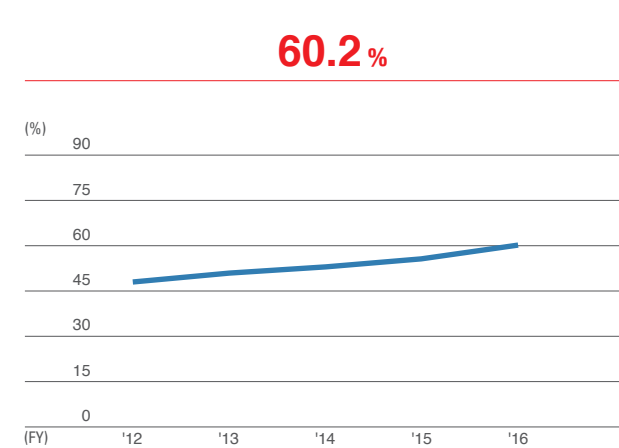
Return on equity (ROE)



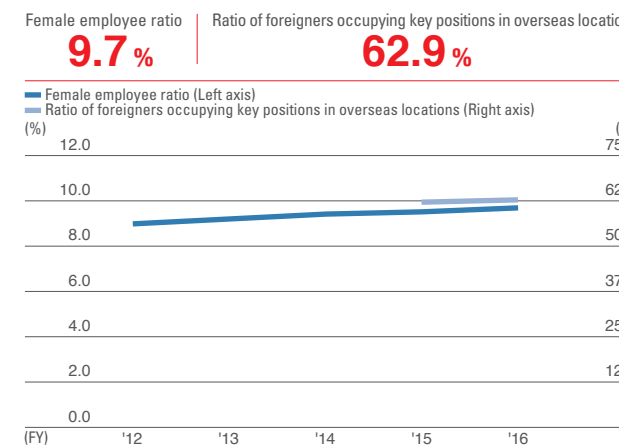
No. of patents pending / patents acquired for the realization of "Building Value"



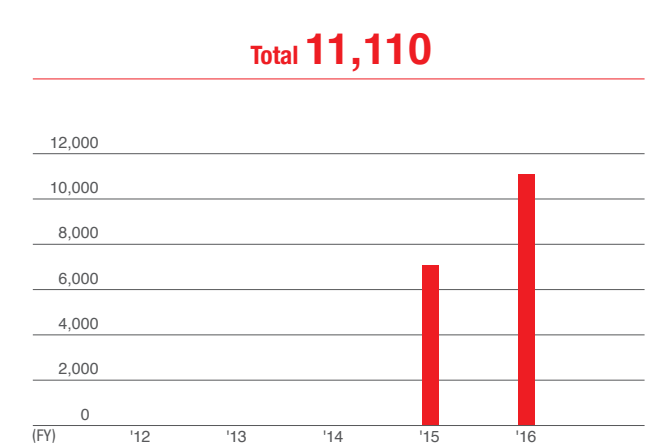
Level of understanding by employees of own division's vision in order to realize "Building Professionals"



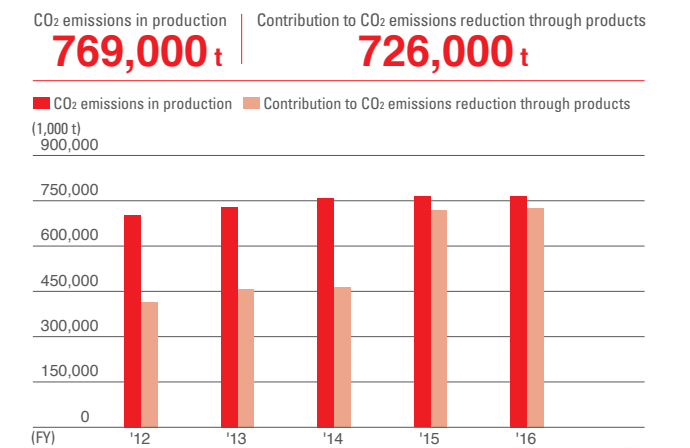
ESG-focused management Improvement of diversity Female employee ratio / Ratio of foreigners occupying key positions in overseas locations



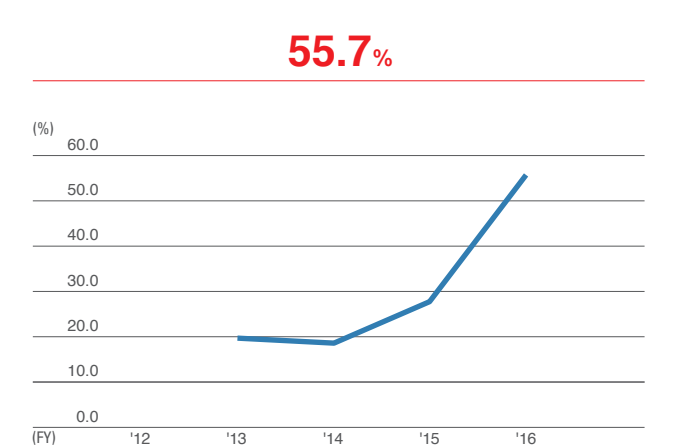
No. of visitors to quality exhibitions for the realization of "Building Excellent Products" (*1)



ESG-focused management Contribution to the environment CO2 emissions / Contribution to CO2 emissions reduction through products (*2)



ESG-focused management Mental and physical health of employees Percentage of vigorous and vibrant workplaces (*3)

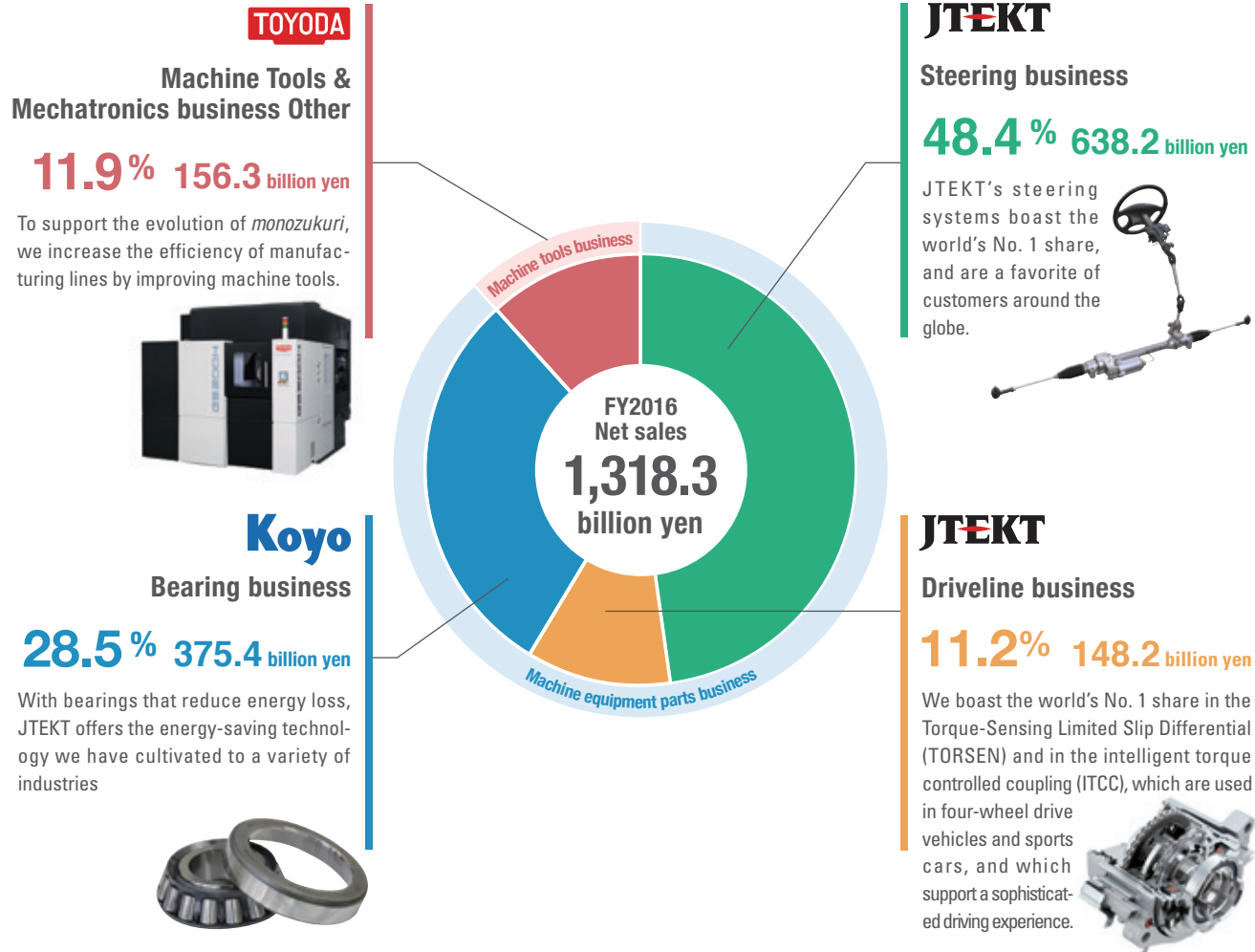


*1 In order to avoid the same quality issue occurring twice, the product on which the issue occurred and the reason and countermeasure thereof are displayed internally.
 *2 CO2 emissions reduction due to an environmentally-considerate design at the product usage stage. The amount calculated globally is shown for each year. The calculation method changed partially from FY2016.
 *3 The percentage that chose "Extremely Good" out of the five levels given in a questionnaire held once a year to assess workplace stress levels with the aim of more effective improvements.

Overview by business / by region

* Torsen is a registered trademark of JTEKT Corporation.
* ITCC is a registered trademark of JTEKT Corporation.

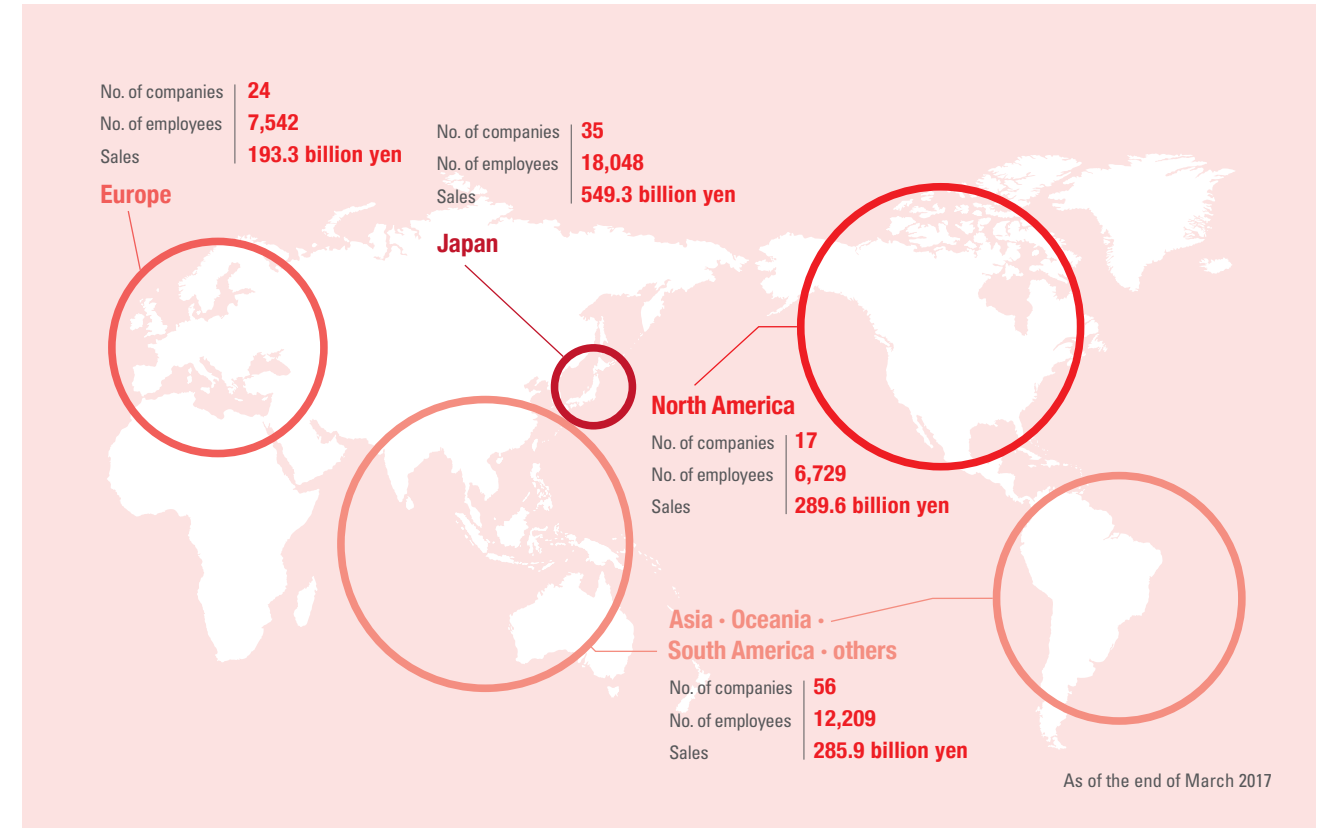
Overview by business



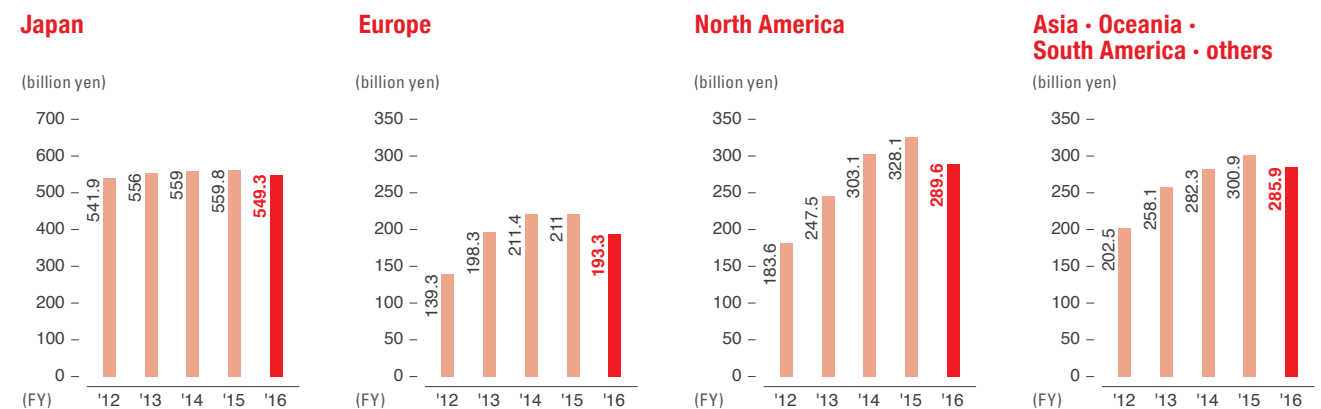
FY 2016 (From April 1st, 2016 to March 31st, 2017)

Category / business	Sales this term (billion yen)	Composition ratio (%)	Rate of change compared with previous term (%)
Machine equipment parts business	1,161.9	88.1	△5.9
Steering business	638.2	48.4	△5.9
Driveline business	148.2	11.2	0.0
Bearing business	375.4	28.5	△8.1
Machine tools business	156.3	11.9	△5.1
Machine Tools & Mechatronics business Other	156.3	11.9	△5.1

Overview by region



Sales trend by region



Shaping a better future

| Message from the President |

In order to ensure our future survival, JTEKT must continue contributing to the advancement of society. In FY2016, in addition to our existing four businesses, we announced the development of power assist suits as a new business contributing to society capable of only a company such as JTEKT. At the same time, as defensive management, we maintain a healthy sense of risk and continue to promote management consideration of ESG (*) as our company's foundation. To all our stakeholders, I ask that you bestow upon us your continued support and encouragement.

* ESG The first letters of "Environment", "Social" and "Governance". Items a company must consider when rolling out its businesses as corporate responsibility.

JTEKT Corporation Company President

Tetsuo Agata

The Future JTEKT Aims For

Eleven years ago, JTEKT was born from a merger between Koyo Seiko and Toyoda Machine Works, which were established in 1921 and 1941 respectively, thus making it a "Young Company with Rich History." In order for our company to survive the next ten, twenty years, the JTEKT group must use its strengths as the driving power to solve the issues that society faces in order to contribute to the advancement of society and grow further itself at the same time.

The world currently faces a variety of issues. For example, environment problems exemplified by global warming, drying up of energy resources, securing water and food in line with economic development and increasing populations in newly emerging nations, addressing aging society issues faced by developed nations, etc. are all extremely important issues. Continuously helping to solve these issues through business activities will prove the value of JTEKT's existence and is the only way to achieve sustainable growth, therefore this is what we see to be our future goal.

Our strengths are being able to offer energy-saving, better fuel efficiency, low environmental burden and man-power reductions through products and services which our four main businesses provide for a variety of industries, including automotive. Another one of JTEKT's strengths is that we offer

value not only in Japan, but also globally through over 130 companies located in 28 countries.

We will leverage these strengths to take up new challenges with sincerity so that we may continue to solve social issues, earn the trust of society and contribute to people's happiness and an abundant society through *monozukuri*. [→ p.08~09 Related article](#)

JTEKT GROUP VISION

I believe that, in order for JTEKT to be recognized by society though resolving social issues, in other words, recognized for added value only JTEKT is capable of offering, we must continue to offer No. 1 and Only One products and services. In line with the growth of manufacturers in newly emerging nations, every type of product is being commoditized at a pace even faster than before. If we, JTEKT, allow ourselves to become complacent and satisfied with our current achievements, we will be overtaken by other companies, as though we are standing on a downwards-moving escalator. The realization of No.1 & Only One requires possessing a healthy sense of risk and uniting as one solidified group in order to continue pursuing values only JTEKT can provide. This is an extremely tough challenge however I and every other employee of the JTEKT group is meeting this challenge head-on and constantly exerting effort to produce No. 1 and

Only One products, one after the next.

We have established "Building Value," "Building Excellent Products" and "Building Professionals" as the key elements of activities necessary for achieving this goal. To put it briefly, "Building Value" is about further pairing of the "seeds" possessed by JTEKT with the "needs" of the world. For example, this fiscal year our accomplishment was the development of a power assist suit. This is a new value conceived by fusing the need to alleviate rising burden in the workplace due to a decrease in the working population with our reaction force control technology accumulated through JTEKT's steering business. I am anticipating producing our second accomplishment, followed by our third, and so on and so forth. In order to be able to achieve this, we need to further strengthen our R&D capabilities as well as strengthen our marketing activities so we may promptly grasp how the world will change in the mid-to-long term and what needs will emerge as a result of such change. In particular, currently our R&D budget is around 3.7 percent of our net sales, which is the average for most manufacturers. I would like to see this rise to 4 percent in the future.

"Building Excellent Products" is about taking those products produced as a result of "Building Value" and converting them into highly competitive products that astonish the world. I believe that JTEKT, given its position as a manufac-

turer, can only achieve competitive strength by realizing world-class *monozukuri*. To achieve this, at the same time as promoting JPS (*) and automation, labor-saving through the sophistication of production activities, we are endeavoring to further streamline indirect work tasks so that we may achieve "*monozukuri* that astonish the world" through a companywide effort.

"Building Professionals" is the foundation that supports "Building Value" and "Building Excellent Products" and, as such, the most difficult and critical component. "Building Professionals" is having a corporate culture whereby each and every employee believes it only natural that they "think and act" for themselves. In order to achieve this, I believe the role of the management team is to set challenge goals convincing for all employees and ensure all employees work hard to achieve these goals at the same time as creating a cycle whereby the results of employees' efforts can be properly accepted. To this end, we formulated JTEKT WAY in 2016 as a set of values we believe we must share globally. JTEKT WAY's true essence is about fostering a culture in which employees "think and act" for themselves. In addition to our efforts to firmly establish this culture, we are concurrently promoting business reforms including strengthening policy management based on the Management Model newly established this fiscal year, reviewing



trainings by grade by steadily breaking down higher level policy, and promoting diversity so that the many different individualities of our personnel can be combined to form our strengths and raising the level of standardization of daily tasks, and ultimately enhance organizational capability. Also, even if we achieve the above, we will be still only by a “ready-made” mold, therefore I hold “town meetings” between myself and JTEKT employees so I can hear their frank viewpoints on various topics, ranging from our company’s future to issues that concern them day to day. Recently I feel our employees are really opening up to me and speaking their minds unreservedly, however I hope to further deepen mutual understanding so that we may unite in the pursuit of a common dream.

[→ p.06~07 Related article](#)

* JPS JTEKT Production System

JTEKT Businesses

Currently, JTEKT is a company comprising the four businesses of steering, driveline, bearing and Machine Tools & Mechatronics. I would like to ensure we do not reduce the number of businesses we are involved in moving forward but, on the contrary, increase businesses created through the joining of new “seeds” and market “needs”, such as that represented by our recently announced new business of developing power assist suits. In addition to the power assist suit, we are working on producing our second and third new business from the potential we currently have available to us. At the same time, led by the heads of each business headquarters, we will exert every effort to contribute to society through the further expansion of our four flagship businesses. In concrete terms, our steering and driveline businesses will contribute to safer, more energy-saving transportation as well as ensure transportation with certainty through autonomous driving support technology in societies with declining populations. In our bearing business, we will contribute to society by further refining our tribology technology to better achieve low-friction, longer life bearing products and reducing the environmental burden caused by machinery and equipment, etc.

In our Machine Tools & Mechatronics business, we will further refine our IoE technology to realize smart *monozukuri* through automation and labor-saving so that we can contribute to the preservation and advancement of industries’ production activities in societies with declining populations.

[→ p.22~29 Related article](#)

FY2016 Results and FY2017 Outlook

Appreciation of the yen and other factors had the effect of significantly reducing sales in FY2016, resulting in net sales of 1 trillion 318.3 billion yen, which is around 81.6 billion yen reduction from one year earlier. Due to factors such as reduced income, appreciation of the yen, etc., operating profit was also down by around 4.4 billion yen year-over-year at 77.4 billion yen. However, we maintained the same dividend level as last year, at 42 yen per share.

In FY2017, we have established the targets of 1 trillion 300 billion yen for net sales and 68 billion yen for sales profit. We plan on maintaining dividends at 42 yen per share. The global economy is forecasted to continue growing moderately next financial year however our business management environment is predicted to continue changing due to the Japanese economy being affected by factors including a fluctuating exchange rate caused by geopolitical risk, etc. In addition to flexibly responding to changes in the global economic conditions such as political instability of various nations, crucial issues for JTEKT to keep on top of are accelerating the rate at which we produce results from structural reforms promoted by each of our businesses and improving stand-alone profitability. JTEKT will stand united in promoting countermeasures whilst accelerating development of high-value-added products in order to maintain our competitive edge into the future, sophisticating work styles with a focus on changes in workplace environments resulting from Japan’s declining birth-rate and aging population and focusing our strengths on establishing such environments.

[→ p.14~15 · p.22~29 · p.44 Related article](#)

Together with Society

Earlier I mentioned that, in order to achieve our goal of being a No. 1 & Only One company, JTEKT must possess a healthy sense of risk, however I believe this also applies from the perspective of ESG.

Firstly, regarding the issue of governance, JTEKT has established a verification system for our management with external output by appointing Outside Directors and outside members of the Audit & Supervisory Board. However, with the firm belief that, no matter how superior a system is, it is worthless without the proper enrichment of its content, we have strived to improve the effectiveness of our governance. For example, we have a system to correct any imbalance in the amount of information between outside and internal officers by having members of the executing



division provide advance explanations on the agenda content of board meetings at the Liaison Meeting for Outside Directors and Members of the Audit & Supervisory Board attended by Outside Directors and members of the Audit & Supervisory Board (including Outside Auditors), which ensures outside officers proactively provide input at board meetings. Moreover, we hold monthly meetings between the Chairperson, President and members of the Audit & Supervisory Board where we identify and list management issues. We then share this list with all directors and officers in management meetings and decide on the director or officer in charge of each issue. Until each of these issues is resolved, we continue to monitor their status in management meetings. If issues remain outstanding after six months, we request the director or officer in charge to report on the progress of that particular issue's solution. No doubt this level of scrutiny places officers under significant pressure but I believe this is precisely why it will lead to stronger governance. In regards to the environmental aspect, every year society's demands relating to the reduction of greenhouse gases and better energy efficiency are intensifying. JTEKT's electric power steering (EPS) products and bearings are precisely the kind of products that contribute to the environment and we will continue efforts to ensure they further help to reduce environmental burden as top-runner products. We are also promoting the ongoing reduction of environmental burden created by business activities through improvements. However, there is a possibility we may no longer be able to meet society's demands if we focus on these initiatives alone. JTEKT is one of only a handful of companies that manufactures both machines and the parts which make up such machines. As such, we will leverage both of these strengths and rise to the challenge of promoting innovative actions that will enable us to significantly reduce environmental burden. In regards to the social aspect, we will continue exerting effort to build and maintain good relationships with all of our stakeholders that support us through information disclosure, etc. At the same time, rather than only providing unidirectional dissemination of information as we have to date, we wish to co-create JTEKT's corporate value together with all of our stakeholders through a cycle of information exchange and dialogue.

[→ p.32~41 Related article](#)

By adopting a healthy sense of risk that we won't exceed society's expectations if we merely meet the standard requirements and using this as our driving force, the JTEKT group will take a united stance in its aim to contribute to the advancement of society and achieve sustainable growth together with society. To all our stakeholders, I humbly ask you for your ongoing support and encouragement in our upcoming ventures.

Actions to enforce compliance

The JTEKT group underwent an inspection by the Fair Trade Commission in July 2011, and was consequently recognized as having violated the Anti-Monopoly Act. We JTEKT take this very seriously, and are engaging in policies to strengthen our compliance framework and raise awareness in each and every employee. The operational status of each policy is periodically checked and ascertained, and improvements are implemented through the reflection of opinions from work sites within the policies.

Activity progress

[Implementation of immediate notification rules]

To avoid delayed response to compliance-related incidents, in April 2015 we began implementation of reporting compliance violations (including possible violations), in principle, immediately after their occurrence or discovery.

[Summarization and presentation of compliance violation case examples]

Each month, we summarize case examples of compliance violations (accidents/near misses) that occurred within the JTEKT group, and report these at a meeting attended by top-level management. We also present these case examples to group companies in an effort to prevent recurrence.

[Compliance check]

Inquiries which investigate the status of management regarding compliance are implemented periodically and include management of group companies.

[Reports concerning contact with competitors]

It is mandatory for all employees to submit an application before contact with competitors as well as a report after contact to the Legal Department.

[Training and educational activities]

In addition to conducting testimonies (signatures) on the observance of laws and internal company regulations, we also implemented officer and director compliance training (twice a year) and trainings by grade, as well as education for our sales division. We also enforce awareness to prevent corruption (bribery).

[Anti-monopoly consultation desk]

* No events corresponding to those that must be reported

Contact with competitors	11
Collection and handling of information	20
Total	31

Management Model and Engagement Model

| Message from an Officer |

In March 2017, JTEKT established the Management Model and Engagement Model. At the same time as promoting the creation of corporate value by all employees uniting as one, JTEKT will work hand-in-hand with its stakeholders to achieve co-creation of corporate value so that we may contribute to the realization of a society with sustainable growth.

Executive Director

Tomokazu Takahashi



I was stationed in both the U.S. and Europe for a long period of time and, as such, witnessed firsthand the speed at which Western companies operate.

There are too many examples to mention, but in a nutshell, Western companies tear down conventional barriers that exist between them with such vigor and form large entities that could almost be referred to as consortiums, then push forward in the same direction. In contrast, although JTEKT has grown into a large company with net sales exceeding 1.3 trillion yen and 44,000 employees, as indicated by the non-financial KPI (*) mentioned in this report, "Level of understanding by employees of own division's vision," which was a mere 60.2 percent in FY2016, we are far from being able to say that everyone is heading in the same direction.

In response, JTEKT formulated the Management Model in March 2017. This model uses the analogy of the "House of JTEKT" where the roof is built from our existing Corporate Philosophy which defines what we want to be, the JTEKT GROUP VISION which defines what we aim to become and the JTEKT WAY as our values to be shared. In addition, these concepts are backed by their respective supporting elements. The spirit of the house is "We are all part of one big JTEKT Family that works together under one roof." In April 2017, we began activities to spread this Management Model throughout JTEKT and will continue deploying it to our overseas affiliates.

Meanwhile, the "Engagement Model" was also established in March 2017. In today's society, SDGs and ESG are becoming widely accepted, and society on the whole is beginning to place emphasis on sustainable growth. Amidst this shift, JTEKT must also be recognized by society as an entity capable of achieving sustainable growth. However, if we do not look beyond our own company, we will not be able to objectively ascertain how we are contributing to the sustainable growth of

society and whether or not we are fulfilling expectations. JTEKT has operations across the globe and as such, interacts with a truly diverse group of stakeholders. As such, we should also be outward-looking and proactively provide opportunities to engage in dialogue with our stakeholders so that we may achieve the co-creation of value in the name of sustainable growth.

* KPI KPI is an abbreviation of Key Performance Indicator

TOPICS

Town meeting for assistant managers

In order to encourage stronger engagement between management and workers, once a month, JTEKT holds town meetings for assistant managers whereby the President sits down with young and middle-ranked employees to directly exchange viewpoints. The themes addressed in these meetings range from concerns in daily tasks to the future of JTEKT and are opportunities for lively discussion with a wider perspective that looks beyond routine, daily tasks. Since the town meetings for assistant managers began in 2016, there have been 26 sessions held at JTEKT plants and business offices across Japan.



Steering business

Former automotive parts business (steering division)



In 1988, the first EPS was used in Cervo by Suzuki Motor Corporation

Our steering business offers steering systems for automobiles. JTEKT was the first in the world to develop and mass produce electric power steering (EPS), and will continue to contribute to the evolution of both small and large-size automobiles through the strengths we possess in both our experience in answering customer needs, and our engineering capability.

TOPICS

Rack parallel type EPS (RP-EPS) Figure-01

Contributing to higher fuel efficiency of vehicles

In the past, even though medium/large vehicle markets typically adopted hydraulic power steering, JTEKT saw the potential for EPS to contribute to improved fuel efficiency. As such it began the mass production of EPS and rack parallel type EPS (RP-EPS) for large/medium vehicles in December 2016 at its Hanazono Plant in Japan.

Furthermore, JTEKT foresees a shift to EPS in the global medium/large vehicle market, and as such is currently established a framework to accommodate such a demand in North America and China, to begin with. We will continue accelerating technological development and offering new value so that we may contribute to the realization of advanced driving assistance and autonomous driving.

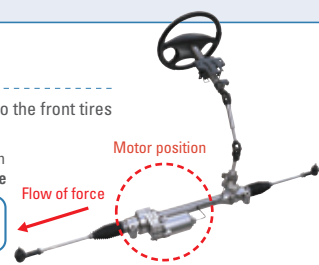
[→ F_02-03 Related article](#)

Features of RP-EPS

Motor/ECU located close to the front tires

Alleviation of motor power loss caused by friction
Excellent steering performance

Optimal for adoption in medium/large vehicles



EPS for JFOPS

JFOPS (JTEKT Fail-Operational System)

Pursuing further EPS evolution focused on automated driving

To achieve automated driving, EPS must be designed to continue assist operations for handle maneuvers even if a problem occurs. JTEKT began support for such a function early on in our promotion of EPS development. We expect to begin the mass production of EPS with a "complete fail-operational function" by around the year 2020.

Autonomous driving level	Level 2	Level 3	Level 4	Level 5
	Driver-led	System-led		
	Partial automation	Conditional automation	Advanced automation	Full automation

Steering system	Passenger vehicle	Large vehicle	
		EPS	Steer-by-wire
		Steering actuator + hydraulic power steering	
Method of achieving autonomous driving level	Software backup	Hardware redundancy	Fully fail-operational
Safety concept	JFOPS2	JFOPS3	JFOPS4

* C-EPS, P-EPS, DP-EPS, RP-EPS, RD-EPS, H-EPS and HPS are registered trademarks of JTEKT Corporation.
* JFOPS is a registered trademark of JTEKT Corporation.

A look back on FY2016

1 Net sales 5.9% lower compared to last FY at 638.2 billion yen

Sales volume was 2.3 percent higher compared to last FY however due to currency exchange rates, net sales was 5.9 percent lower compared to last FY at 638.2 billion yen.

2 Strengthening competitive power

With global competition becoming even fiercer, JTEKT is engaging in efforts to promote frontloading activities (*1) which support customers from the design phase, push forward with comprehensive cost price reduction activities such as the in-house manufacturing of key parts and fostering of manufacturing processes with less machines and labor in order to strengthen cost competitiveness.

*1 **Frontloading activities** Solving problem points in the initial steps of product development to improve design quality.

3 Strengthening of business foundation

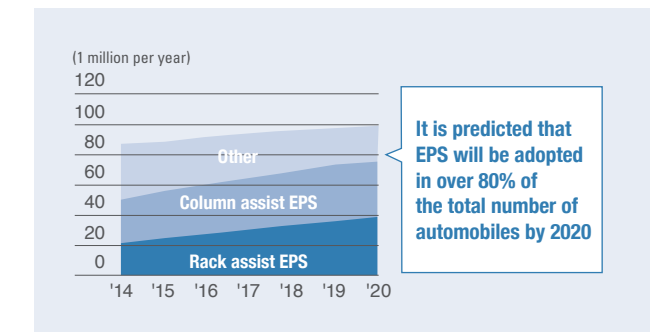
In order to respond to growing markets, JTEKT is strengthening its business foundation in all regions.

- Improve presence and offer better products/services in the Indian market through making our equity-method affiliates in India consolidated subsidiaries.

- Respond to demand with a focus on North Africa by establishing a Moroccan production base (scheduled to start production in 2020).

we aim to continue maintaining a 25 percent share from 2019 onwards by establishing a global framework for rack assist type EPS, thus responding to our customers' expectations. Moreover, the steady promotion of our current comprehensive cost price reduction initiative is enabling us to strengthen our cost competitiveness and contributing towards the achievement of our goal.

Global steering market trends



2 Actions for the future

Amidst an increase in the number of vehicles and an aging society, ADAS (*2) is poised to widely penetrate society as a means of alleviating traffic congestion and supporting safe driving by the elderly. In addition, the practical realization of autonomous driving is predicted for the near future.

In order to help create a safe and secure car-orientated society, JTEKT is working to strengthen its development capabilities so it may offer optimal steering systems that satisfy the required performance at each phase and promote development of steer-by-wire steering systems in preparation for autonomous driving.

*2 **ADAS** ADAS is an abbreviation of the Advanced Driving Assistance System for vehicles.

Figure-01 Steering systems and relevant vehicle segment

Vehicle segment	A	B	C	D	E	F
		SUV/P-UP				
Power-assist	Column-assist	C-EPS				
		P-EPS				
		DP-EPS				
	Rack-assist	RP-EPS				
		RD-EPS				
		H-EPS				
Hydraulic-assist	HPS					

Future prospect

1 Initiatives at hand

Within our steering business, we strive to firmly maintain 25 percent of the global share as automobile production continues to expand throughout the world.

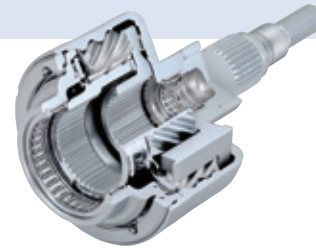
We expect to continue achieving this up until 2018, however with the potential for the medium/large vehicle market to undergo a transition from hydraulic steering systems to EPS,

Driveline business

Former automotive parts business (power train products division)



Our driveline business offers hydraulic units, drivetrains, torque controller devices, and valve units for fuel cell vehicles; all products used in automobiles. With our strength in guaranteed engineering capability, visible in our Torque-Sensing Limited Slip Differential (TORSEN) and intelligent torque controlled coupling (ITCC) which boast the global No.1 share, we as a company contribute to the evolution of automobiles.



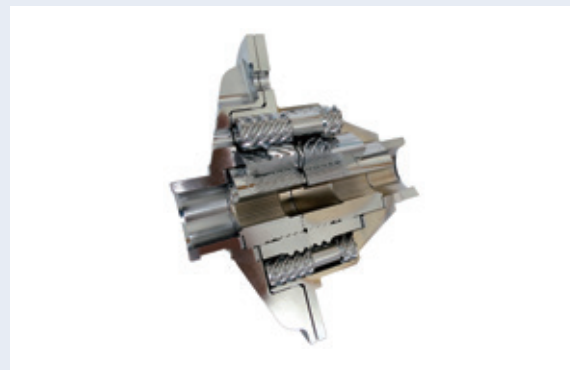
Torque-Sensing Limited Slip Differential (TORSEN)

TOPICS

Torsen for small trucks

Offering safer, more comfortable steering stability to a greater number of customers

The LSD (Limited Slip Differential) is a component to convey force to the remaining drive wheel in the case that one of the drive wheels has slipped. It can be mounted on trucks to help maximize performance, such as strength and reliability, even in harsh operating environments. [→ F_04 Related article](#)



Next-generation ITCC

Contributing to higher fuel efficiency and reduced environmental load

In order to improve change in torque characteristics resulting from environmental changes, we have focused on the microscopic hydraulic reaction force on the surface of solenoid clutches. By being creative with the surface shape (texturing) the between-clutch dynamic pressure can be proactively utilized to suppress excessive torque increase in low-temperature environments with increased lubricant viscosity. This reduces temperature dependence of drag torque and transmission torque.



* Torsen is a registered trademark of JTEKT Corporation.
* ITCC is a registered trademark of JTEKT Corporation.

A look back on FY2016

1 Net sales were flat from last FY at 148.2 billion yen

Although overseas sales decreased overall, particularly in North America, sales in Japan remained steady.

2 Strengthening competitive power

The Driveline Systems Business Headquarters was established in April 2016 so that JTEKT's driveline systems business could mature and become a major pillar of our company. The headquarters is exerting even more effort than previously in activities to reduce the cost price of each product. Moreover, this headquarters has engaged in unitization, modularization and re-formation of a global supply system in order to strengthen JTEKT's foundation as a highly competitive system supplier in the driveline area.

Future prospect

1 Strengthening our driveline business

In response to a wide variety of needs, such as premium sports cars, traffic accident reduction goals, energy-saving, functional safety and ADAS comfort, JTEKT will strengthen our system development capability and model-based construction, improve the quality of our proposals to customers and contribute to the evolution of vehicles in the future with swiftness.

2 Demonstrating originality

In order to rapidly advance as one of the world's greatest system suppliers of driveline products, we are engaged in activities such as the strengthening of our ability to respond to business negotiations and reforming the supply system in the global market, identifying flagship products through selection and concentration in Japan and further strengthening cost competitiveness through cost price

reduction activities. Moreover, by contributing to not only improved fuel efficiency but also vehicle driving performance, we are establishing a unique presence as a company possessing strengths in AWD (All Wheel Drive) vehicles and hydraulics.

3 Actions for the future

In parallel with acceleration of device development for hydraulic AWD application (e.g. unitization and modularization), we are also introducing products for applications in hybrid vehicles, electric vehicles and fuel cell vehicles to create added value in the future.

In a mid-to-long term perspective, we will produce creative products through synergy effects exceeding conventional business boundaries by combining and evolving the various control technology, sensing technology, machining technology, coating technology, hydraulic technology and so forth possessed by each JTEKT business group with consideration to the popularization of electric vehicles, hybrid vehicles, and autonomous driving technology.

Bearing business



Since developed in 1983, the low friction torque tapered roller bearing, LFT, has helped to improve vehicle fuel efficiency. This torque reduction technology has been widely applied to other bearing types, such as hub units, and is contributing to the conservation of the global environment. JTEKT also provides a wide variety of bearings for the rotating parts of machinery in every industry from automobiles to various industrial machines. One such example is our extra large size bearing adopted in Japan's largest shield tunneling machine. JTEKT bearings, thus, will always support society in the background.



Hub Units for automobiles (HUB-LFT)

Extra large size bearing for tunnel boring machines

TOPICS

Super-low friction torque tapered roller bearing (LFT-IV)

Evolution of No. 1 low-torque performance

The cage is made of resin, which provides great flexibility for cage design. Agitation resistance caused by lubricating oil has been successfully reduced by optimizing the cage shape to control the amount of lubricating oil that flows into the bearing interior. Bearing seizure life has also been improved.

[→ F_05 Related article](#)

Lower torque
Expected decrease compared to current No. 1 low torque TRB "LFT-III"
By Approx. **30%**

Expected fuel efficiency improvement
Compared to standard TRB when using in a differential unit
Approx. **2.5%**



Low friction torque & long life deep groove ball bearing for motors

Reduction of energy loss for industrial machinery

JTEKT approached the challenge of accomplishing the trade-off characteristics of low torque and long life with a new analysis technique that extends to the molecular structure of grease. JTEKT was awarded the 2016 Tribo-Technology Award by the Japanese Society of Tribologists for developing grease for a motor bearing that achieves both low torque and long life.

[→ F_06 Related article](#)

Torque loss
Compared with conventional
Approx. **50%** reduction

Life
Compared with conventional
Approx. **2** Times

Quietness
Compared with conventional
Approx. **33%** improvement



* LFT is an abbreviation of Low Friction Torque, a registered trademark of JTEKT Corporation.
* LFT-HUB is a registered trademark of JTEKT Corporation.

A look back on FY2016

1 Net sales 8.1% lower compared to last FY at 375.4 billion yen

Net sales were 8.1 percent lower compared to last FY at 375.4 billion yen due to the appreciation of yen and a drop in sales in Japan, Asia & Oceania and North America.

2 Strengthening of business structure

In structural reforms currently underway, JTEKT has re-organized our domestic production systems by transferring and integrating product groups. Moreover, we have produced results relating to the establishment of a profit foundation for overseas businesses. At Kameyama Plant, we have introduced an innovative line and are constructing No. 2 Plant with strengthened energy-saving and environment countermeasures. We have realized a highly competitive global model plant which is gentle on people and the environment.



No. 2 Kameyama Plant



New plant at Kiyohara Industrial Park for Utsunomiya Kiki Co., Ltd.
(photo care of Tochigi Promotion Council of Establishment of New Business Facilities)

As a part of efforts to strengthen the global production and development systems of needle roller bearings, JTEKT's group company, Utsunomiya Kiki Co., Ltd., acquired new land for its new plant at Kiyohara Industrial Park. This plant will serve as the central hub of business expansion, increasing speed in all processes from development to manufacturing, and fulfilling our customers' needs.

Future prospect

1 Initiatives at hand

In order to improve the profitability of our domestic businesses, JTEKT is pushing ahead with productivity improvement, sales expansion, fixed costs reduction and investment efficiency improvement. In the production aspect, based on the concept of "advanced factories", we are focusing on IoT utilization, automation, unmanned operation and small lot production system. We will transform our production worksites into those which consider the declining workforce population and work-style reforms.

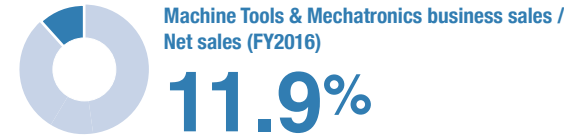
In the market sales area, we are promoting expansion of our sales network, enrichment of our product lineup/logistics and professional development in order to improve profitability.

2 Actions for the future

In regards to automobile bearings, we will seek to achieve even lower torque at the same time as developing new products preempting evolution of cars, such as electrically driven vehicles and ADAS.

For industrial machinery, we are exerting efforts to develop high-functionality products which satisfy customer needs and strengthen our production and service systems.

Machine Tools & Mechatronics business



JTEKT offers Machine Tools & Mechatronics products.

For grinders, the TOYODA brand is our flagship product lineup and in the area of camshaft and crankshaft grinders for engines, we support our customers with world top-class capability.

In terms of machining centers, JTEKT's strengths are high rigidity, high reliability and the ability to machine hard material, therefore our machining center products are used in a wide range of applications, such as automotive, construction machinery, agricultural machinery and truck productions. JTEKT's control systems are adopted in many body welding lines of automotive manufacturers and have earned a trustworthy reputation for achieving the safe function of machinery and equipment.



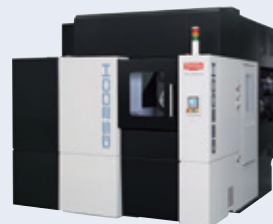
TOPICS

Small-sized gear skiving center, GS200H

Commenced sale of a small-sized gear skiving center optimal for gear mass production machining

In May 2017, JTEKT commenced sale of the GS200H, which inherits the most significant feature of JTEKT-made gear skiving centers - a process integration function. The GS200H is a compact machine integrating the technology and know-how accumulated on large gear skiving centers and is optimal for mass production machining.

→ F_07~08 Related article



Super large horizontal machining center, FH1600SW5i

Winner of the 59th Machine Design Award (Nippon Brand Prize), sponsored by the Nikkan Kogyo Shimbun

JTEKT's super large horizontal machining center, FH1600SW5i, received this award in recognition of leading the world market by being based on a technology originating in Japan. The FH1600SW5i boasts the ability to machine the largest work-piece in its class and is optimal for the machining of large mass production parts such as agricultural and construction machinery, energy/generator and aircraft parts.



CNC cylindrical grinder

Commenced local production and sale in India

JTEKT licensed technology to Micromatic Grinding Technologies Ltd., India's largest grinder manufacturer, and began the consignment-based production of grinders in January 2017. The local production of high-accuracy cylindrical grinders essential in the machining of 2-wheel vehicle components will support the vigorous Indian market for 2-wheel vehicles.

* TOYOPUC is a registered trademark of JTEKT Corporation.
* Gear skiving center is a registered trademark of JTEKT Corporation.

A look back on FY2016

1 Net sales 5.1% lower compared to last FY at 156.3 billion yen

Due to a decline in sales in Japan, China and the U.S., net sales were 5.1 percent lower compared to last FY at 156.3 billion yen.

2 Improvement in grinder competitiveness

JTEKT released the GE3i series on the market as small-sized general purpose cylindrical grinders capable of advanced machining not dependent on the intuition, knack and experience of highly-skilled technicians. We enhanced our product lineup with the following three models:



1. **GE3i** Stable grinding accuracy
2. **GE3i-PRO** Professional specifications leveraging master craftsmanship
3. **GE3i-HYPER** High power specifications realizing high-efficiency grinding

3 Strengthening of IoE solutions

In an effort to lead the IoT era, JTEKT has defined its IoE introduction steps and offers the four solutions of "connect," "visualization (MIERU-KA)," "value," and "chain." Positioning our ideal factory as "a smart factory where people have the lead role, people and equipment cooperate and human knowledge is utilized", we will promote IoE incorporating the concepts of Toyota Production System in the three areas of quality, maintenance and production in order to resolve worksite issues faster and contribute to next-generation manufacturing by our customers.

Future prospect

1 Initiatives at hand

So that we may fulfill our customers' needs in a timely fashion, we will further strengthen our systems to provide support suited to the equipment lifecycle, from equipment installation to operation, maintenance and overhaul. This will enable us to contribute to the evolution of our customers' manufacturing.

As part of efforts to strengthen sales ability, we have strengthened front-loading activities and established a "value business" business model to improve profitability. To strengthen our product appeal we are promoting product development with specs suitable to the market and will release these products in a timely fashion.

As for the shift to smart factories, we are currently pushing ahead with verification trials in our own plants and customers' model plants. Moving forward, we will leverage this knowledge and build JTEKT smart factories.

2 Actions for the future

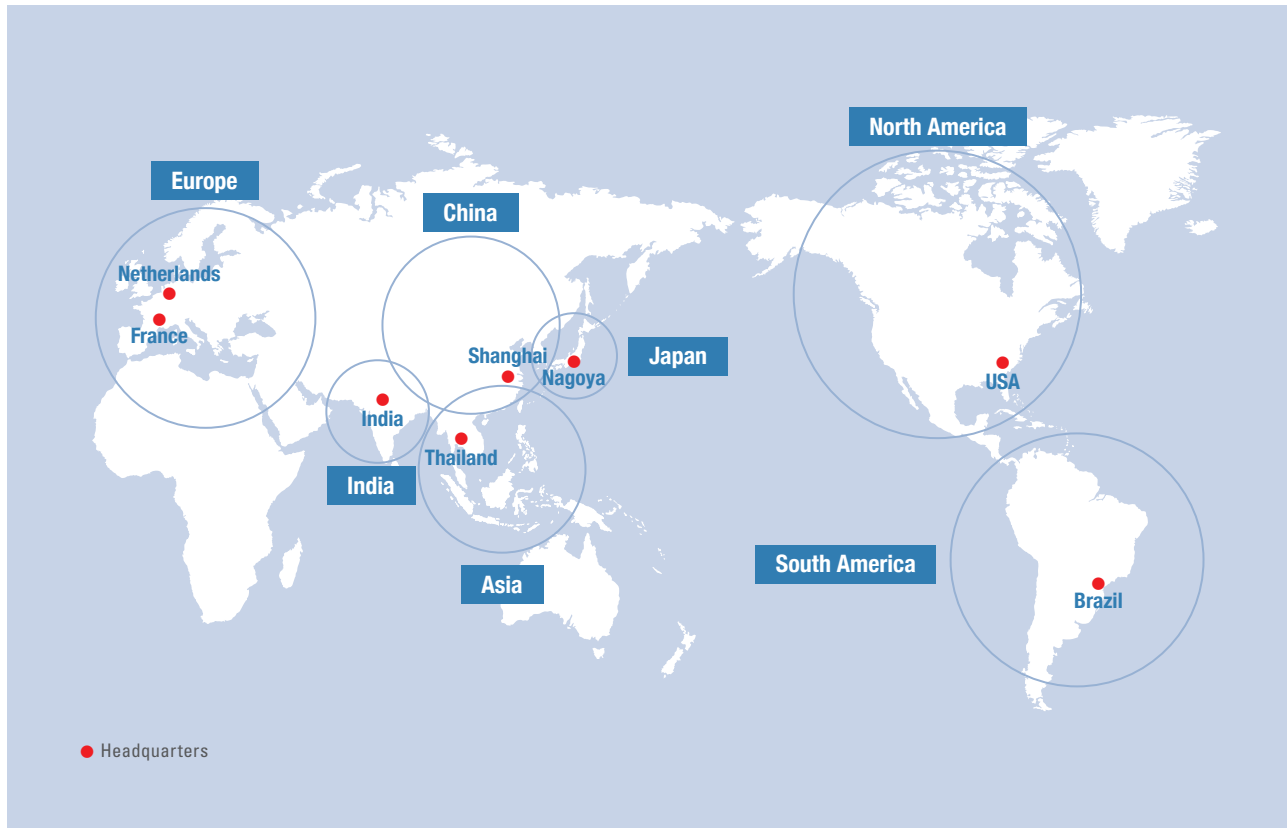
JTEKT is responding to changes in the car-orientated society with regards to environmental conservation. We are engaged in the research and development of equipment able to support new materials, new machining techniques (from removal machining to additional machining) and combined machining propelled by technological advancements.

Moreover, as a true integrated production line builder trusted by customers, the JTEKT group will crystallize its unique technologies, increase its overall strength and reinforce its customer service engineering ability and system engineering ability. We will establish a system that supports customers comprehensively, from a single machine to an entire factory.

Building a Global Business Foundation

In order to accurately grasp the needs of our customers throughout the world and respond with speed, JTEKT is expanding its network on a truly global scale.

In order to continue contributing to the sustainable development of society, we will create new values through *monozukuri* and fulfill our responsibilities as a truly global company.



▶ Japan	▶ Europe	▶ China	▶ Asia
Headquarters 1	Headquarters 1	Headquarters 1	Headquarters 1
R&D bases 13	R&D bases 4	R&D bases 2	R&D bases 1
Manufacturing bases 30	Manufacturing bases 14	Manufacturing bases 21	Manufacturing bases 12
Sales and other bases 22	Sales and other bases 15	Sales and other bases 5	Sales and other bases 18

▶ India	▶ North America	▶ South America
Headquarters 1	Headquarters 1	Headquarters 1
R&D bases 2	R&D bases 3	R&D bases 1
Manufacturing bases 4	Manufacturing bases 9	Manufacturing bases 2
Sales and other bases 1	Sales and other bases 9	Sales and other bases 3

As of the end of June 2017

Initiatives

1 Acquisition of SKSSL (India) Shares

In February 2017, JTEKT concluded a sale contract to acquire shares of Sona Koyo Steering Systems Limited (SKSSL) from the leading shareholder of Sona Autocomp Holding Limited (SAHL) and, in June, completed acquisition of these shares through SAHL as well as a take-over bid. This will enable JTEKT to further strengthen its relationship with SKSSL and accomplish speedy customer response as well as business management incorporating all elements of design, procurement, quality, etc. as one united group

which will enable us to offer better products and services and meet our customers' expectations. Moreover, whilst respecting the unique cultures and traditions of JTEKT and SKSSL, we will share our JTEKT GROUP VISION and realize integrated business management and an even higher level of synergism in accordance with the JTEKT WAY so that we can improve corporate value.

Initiatives

2 Public Announcement of Take-over Bid for Fuji Kiko Co., Ltd.

In April 2017, JTEKT publicly announced its plan to make a take-over bid in order to make Fuji Kiko Co., Ltd. a wholly-owned subsidiary. This move aims to realize vertical integration of both companies' column businesses and strengthen the JTEKT Group's system proposal ability for not only the column business, but also the steering

business overall. We will further solidify our position as the No. 1 manufacturer in the global steering system market. At the same time, we have agreed on the acquisition of Fuji Kiko's sheet business by Tachi-S.

* The take-over bid is planned to commence in October 2017 or later.

Initiatives

3 Establishment of an EPS Production Base in Morocco

In September 2017, JTEKT established its first production base on the African continent - JTEKT AUTOMOTIVE MOROCCO S.A.S. (JAMO). With this base as a foothold, we will push ahead with activities to provide products with superior energy-saving performance, for which there are expectations from the market, to our customers in Morocco, as well as North Africa and the Middle East.

Moreover, we will work with local development zones to promote the discovery and development of local suppliers and roll out activities that will contribute to the advancement of Morocco itself.

* Production is scheduled to commence in 2020.

Together with society

The JTEKT group considers CSR (corporate social responsibility) activities to be essential to a company and in order to realize its Corporate Philosophy of “seeking to contribute to the happiness of people and the abundance of society through product manufacturing that wins the trust of society” adheres to Corporate Activities Standards, rolls out balanced corporate activities in each aspect of environment, society and governance, and promotes initiatives for the ongoing improvement of corporate value.

Environment

Protection of the planet's environment
We are helping to reduce CO₂ emissions through business.

Creation of a recycle-based society
We are promoting activities aimed at minimizing environmental load.

▶ [Aiming for a sustainable society and world_p.33](#)
▶ [Environmental Action Plan 2020_p.34](#)

Social

Workplace environment
We are exerting efforts to create workplaces comfortable for all.

Utilization and development of human resources
We respect human rights and are establishing HR development systems.

Promoting career development of female employees
We are working to resolve issues in order to promote career development of female employees.

Communication with stakeholders
We value communication with our stakeholders.

▶ [Human resource management_p.35](#)
▶ [Communication with stakeholders_p.36-37](#)

Governance

Strengthening governance
We are raising the transparency of our company management.

Revision to risk management systems
We are working to build systems that prevent the occurrence of risk.

Thorough compliance
We create systems and conduct training/awareness activities.

▶ [Corporate governance_p.38-39](#)
▶ [Risk management_p.40](#)
▶ [Compliance_p.41](#)

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.

Aiming for a sustainable society and world

[→ E_01·02 Related article](#)

The JTEKT group has positioned the environment as one of our main management issues. In March of 2011, we formulated the JTEKT Group Environmental Vision comprising of our Environmental Philosophy and Environmental Policy, and have been promoting activities that contribute to a sustainable society and world under the company and group-wide promotion structure.

Environmental Vision

Revision of Environmental Policy

In January 2017, JTEKT revised its Environmental Policy. In addition to introduction of renewable energy in our plants and recycling of resources including water, we contribute to reduce CO₂ emissions through our business as one of the top runner companies providing environmentally-friendly products. Moving forward, JTEKT will strive to establish our Environmental Management System with stronger links to business purposes and management strategy.

JTEKT Group Environmental Vision

Environmental Philosophy

The JTEKT group is aiming for “ZERO” environmental burden of business activities and products throughout their life-cycle in order to conserve the global environment for future generations and realize a sustainable society.

Environmental Policy (Date of establishment: January 1st, 2017)

Based on our corporate philosophy, all JTEKT employees share the JTEKT GROUP VISION and JTEKT WAY in promoting global environmental conservation activities autonomously and proactively in accordance with JTEKT's management strategy, including both internal and external issues.

1. Make a continuous improvement in our Environmental Management System to enhance environmental performance.
2. Comply with environment related laws, regulations, treaties, agreements and other requirements related to our business activities. Promote harmony with community environments, maintain/improve environmental conservation and strive to prevent environmental pollution.
3. Conduct environmental management activities designed to the lifecycle of our products, and pursue the following:
 - (1) Develop and design environmentally friendly products
 - (2) Procure raw materials with low environmental burden, and control/reduce CO₂ emissions, waste and chemicals etc. at every manufacturing stage
4. Protect biodiversity considering of locational conditions of each JTEKT site and establish a society in harmony with nature through ecosystem conservation.

Promotion structure

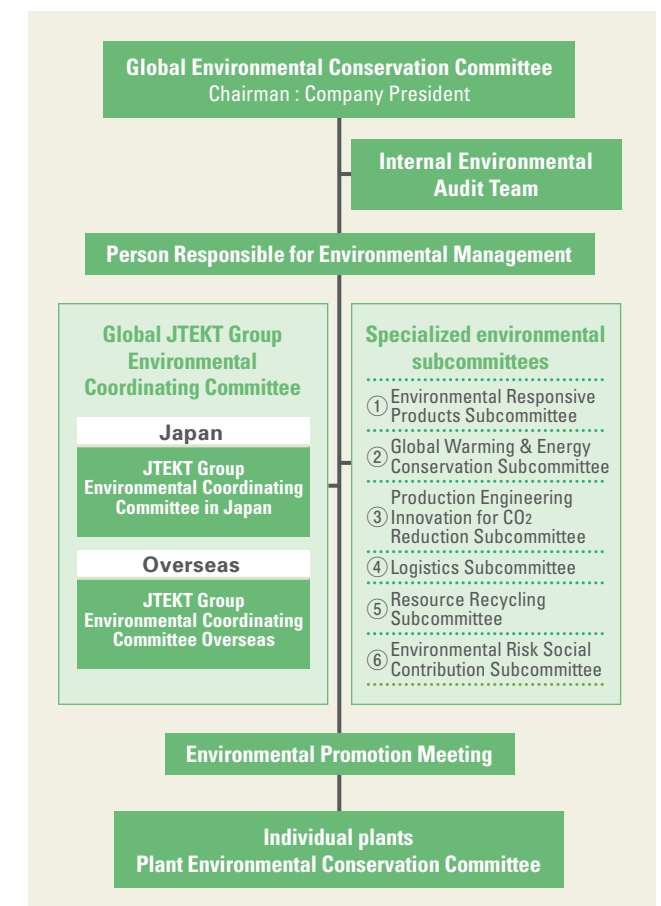
Global Environmental Conservation Committee

JTEKT promotes environmental management, led by the Global Environmental Conservation Committee which is chaired by the company president. Under the guidance of this committee, each subcommittee deploys activities to achieve high goals.

Global Environmental Management

We are working to further strengthen our environmental management not only for JTEKT, but also for 19 domestic group companies as well as 38 global group companies (As of the end of March 2017).

Organizational chart



Environmental Action Plan 2020

→ E_01·E_12 Related article

In order to realize our Environmental Challenge 2050, which is a guideline to minimize environmental burden by the year 2050, JTEKT formulated the Environmental Action Plan 2020 that provides policies and specific targets. The entire JTEKT Group worked together towards the targets, and in FY2016, we achieved some targets ahead of schedule.

Environmental Action Plan 2020 Targets, FY2016 Activity Results

Category	Implemented by	Item	Base year	FY2020 targets	FY2016 results
Products / Technologies	Global	Product-based CO ₂ reduction contribution*	—	800,000 t	726,000 t
Creation of a low-carbon society	JTEKT-independent	CO ₂ emissions	Target basic unit for FY2020 × Production volume	—	—
		CO ₂ basic unit	FY2008	15% reduction	8.3% reduction
	Global	Basic unit of CO ₂ from distribution	FY2012	8% reduction	4.4% reduction
Creation of a recycling-based society	JTEKT-independent	CO ₂ basic unit	FY2012	10% reduction	8.3% reduction
		Basic unit of waste	FY2008	18% reduction	14.8% reduction
		Basic unit of packaging material	FY2012	8% reduction	4.9% reduction
	Global	Basic unit of waste	FY2012	8% reduction	18.7% reduction
		Basic unit of water usage	FY2012	8% reduction	1.3% reduction
Global	Basic unit of water usage	FY2012	8% reduction	49.1% reduction	

* Contribution towards reducing CO₂ emissions equivalent or greater than overall CO₂ emissions through products

(Excerpt)

Activities

Introduction of renewable energy

In 2016, JSAI (India) introduced 220 kW of electric power by installing a solar power generation system, bringing the total power introduced up until now to 270 kW. In 2017 it plans on introducing a further 170 kW, which will compensate for around 10 percent of the company's overall electric power consumption. JTEKT's independent introduction of renewable energy amounts to 685 kW to date, meaning we have achieved our target of 500 kW or higher. Including group companies both within Japan and overseas, the total amount of renewable energy introduced by the entire JTEKT group up until FY2016 equals 1,168 kW. In FY2016, we generated 1,271 MWh of power and reduced CO₂



Solar power generation (JSAI: India)

emissions by 470 t. In ongoing efforts to minimize CO₂ emissions in line with our Environmental Challenge 2050, JTEKT will continue proactively introducing renewable energy with low environmental burden.

Activities for production technology innovation

In order to achieve our CO₂ reduction target for FY2020, JTEKT is engaging in efforts to improve productivity and reduce CO₂ emissions through production technology innovation. In FY2016 we promoted technological development with focus on the four areas of:

- (1) Reduce production processes and equipment number
- (2) More compact equipment
- (3) Introduce high-efficiency devices and equipment following load fluctuation
- (4) Energy loss reduction and energy recycling

Human resource management

→ S_07~15 Related article

The JTEKT group is comprised of roughly 130 bases and approximately 44,000 employees (As of the end of March 2017), making JTEKT a global company. It is therefore essential that we accept and employ people who possess a variety of different values, regardless of their gender, nationality, age, or culture.

Creating a friendly work environment for all

JTEKT promotes the creation of a workplace in which all of our employees find it easy to work, considering various aspects such as human development, respect for diversity and safety and hygiene. Our company believes that, as we expand globally, it will become even more important to deepen understanding towards human rights and share this with group companies both domestically and overseas.

Respect for human rights and utilization of diverse human resources

JTEKT's Corporate Activities Standards states the following; "Respect the individuality of employees, create safe workplaces that motivate employees and enable them to fulfill their potential and strive to provide each with abundant living circumstances." We give explicit instructions regarding the prohibition of discrimination based on race, gender, age, nationality, etc., and share and enforce this thinking with our group companies both in Japan and overseas. Additionally, we engage in various actions to utilize diverse human resources.

Direction of human resource development

Based on the following 3 points, JTEKT constructed a systematic human resource development system to enable all employees to grow while achieving a sense of accomplishment.

1. Develop employees who understand the Corporate Philosophy and are professional, creative, highly skilled, and able to achieve management goals.
2. Develop employees who have confidence, pride, and passion, think for themselves, and act as a member of the JTEKT group.
3. Develop employees who respect human rights, live in harmony with the environment, observe social rules, are sensible, and have an international perspective.

Main activities FY2016

Formation of a global human management / development framework

Around 60 percent of the approximate 44,000 employees of the JTEKT group work overseas. JTEKT promotes the formation of a global human management/development framework with the aim of creating the optimal environment for employees and the compa-

ny alike so that motivated and capable people, regardless of nationality or race, may perform to their fullest transcending national and regional borders. JTEKT assembled information on the careers and capabilities of employees currently occupying major posts at our domestic and overseas bases and potential successors and held regional Succession Committees in FY2016 also to discuss the discovery, development and appropriate allocation of successors for each post. We also gather information from each region and hold a Global Succession Committee to discuss the discovery, development and appropriate allocation of human resources for the group overall. Moreover, from FY2016, personnel nominated at the Succession Committee as candidates for overseas bases are provided the opportunity to participate in selection-based training held at JTEKT Head Office in order to improve management skills of the group overall. We plan to continue this in FY2017.

Assisting female employees in developing their careers

In order to accelerate female participation in the workplace, JTEKT conducted an actual condition survey targeting all female employees and all management personnel in FY2014. We investigated the environment surrounding female employees, awareness of female employees' work and the development/assessment by superiors of subordinates. Based on the issues brought to light through this survey we established the following four elements which have been focused on since FY2015. We made steady progress with such activities in FY2016 also.



Career training for women (Two days)

1. **Reform consciousness** We implement training for all administrative positions on understanding diversity management from the aspects of eliminating stereotyped perception of gender roles, and the nurturing of female subordinates.
2. **Dual support** We conduct career training for women in all positions on long-term career design and network formation.
Creation of systems and environments enabling employees with limitations to continue working.
Introduction of systems aimed at supporting career development.
3. **Strengthen hiring** Proactive hiring of women who are strongly career-oriented.
4. **Foster culture** We foster a corporate culture that enables all employees to flourish, regardless of gender, based on diversity education for all employees as well as other methods.

Communication with stakeholders

The JTEKT group continues to grow and develop thanks to the support of our many stakeholders. Your opinions and requests serve as important criteria when selecting our business activities, and we are working to provide more opportunities for fruitful communication between our company and our stakeholders.

Customers

We derive concepts from the market, provide the best in quality, technology and service, and obtain the satisfaction and trust of customers.

- 1 We detect issues in the market at an early stage from the perspective of customers and implement EDER (*) activities to roll out countermeasures.
- 2 We conduct customer satisfaction surveys each year to improve the satisfaction of our customers.
- 3 We participate in exhibitions in Japan and overseas to introduce JTEKT technologies and products, and assess market demands.



* EDER EDER is an abbreviation of "Early Detection Early Resolution."

Business partners

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

- 1 Once a year, we hold a procurement policy briefing (249 companies participated in FY2016), as well as a quality control tournament (253 companies participated in FY2016), and a JTEKT Supplier Association workshop.
- 2 Major Implemented Items for FY2016
Strengthen efforts to resolve significant quality problems / Achieve superior international cost competitiveness / Support for optimal global procurement

Shareholders / Investors

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.

- 1 At the financial results briefing, JTEKT's President and heads of each business headquarters share information with securities analysts and institutional investors.
- 2 In addition to financial information, we provide opportunities for investors and securities analysts to see and touch actual products and participate in factory tours in order to gain a deeper understanding of JTEKT.
- 3 So that we can disseminate important management information in addition to financial results, JTEKT has established a council of public disclosure which discusses disclosure content and timing.
- 4 In addition to the financial results briefing held for institutional investors and IR conferences held for overseas investors, we also hold company briefings for individual investors so that a broader scope of investors can better understand what kind of company JTEKT is.

Region

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

- 1 In order to be a company that constantly contributes to society, JTEKT promotes local beautification, co-existence with nature, youth development, road safety and other grassroots activities. In FY2016 we engaged in a total of 655 activities including welfare and disaster zone support.
- 2 We have held a charity caravan supporting disaster areas for four consecutive years at all our bases in Japan. In FY2016, our total monetary contribution to charity exceeded the previous year's at 3,401,851 yen.



For the first time, JTEKT participated in Kids Engineer 2016 held at PACIFICO Yokohama. Children learnt about the functions and mechanisms of various car parts.

Employees

JTEKT promotes the creation of a safe workplace, and the health of the minds and bodies of each employee.

- 1 We promote industrial safety, hygiene and health according to OSH in Japan (JISHA OSHMS Registration) through partnerships with all JTEKT bases and group companies within and outside of Japan, with the aim of achieving zero work-related accidents.
- 2 In order to promote the mental and physical health of all of our employees, JTEKT conducts health check-ups, stress level checks, health check-ups specifically for employees working long hours, special health advice and non-smoking campaigns. Based on the results of these activities, we are making ongoing improvements to our workplaces.
- 3 In February 2017, JTEKT was certified by the Ministry of Economy, Trade and Industry and NIPPON Kenko Kaigi as a 2017 Excellent Health Management Company (Large-scale Company Category White 500). 
- 4 From FY2014, JTEKT has been running a walking campaign where employees aim to walk 10,000 steps a day.
- 5 To further mutual trust and understanding between labor and management, we provide opportunities for the two parties to communicate and hold regular opinion exchanges.
- 6 Once a year, we conduct a workplace management questionnaire and morale survey for all our employees.

Corporate governance

We JTEKT work to continuously enhance our corporate governance in order to fulfill our corporate social responsibility and continuously raise our corporate value.

Promotion structure

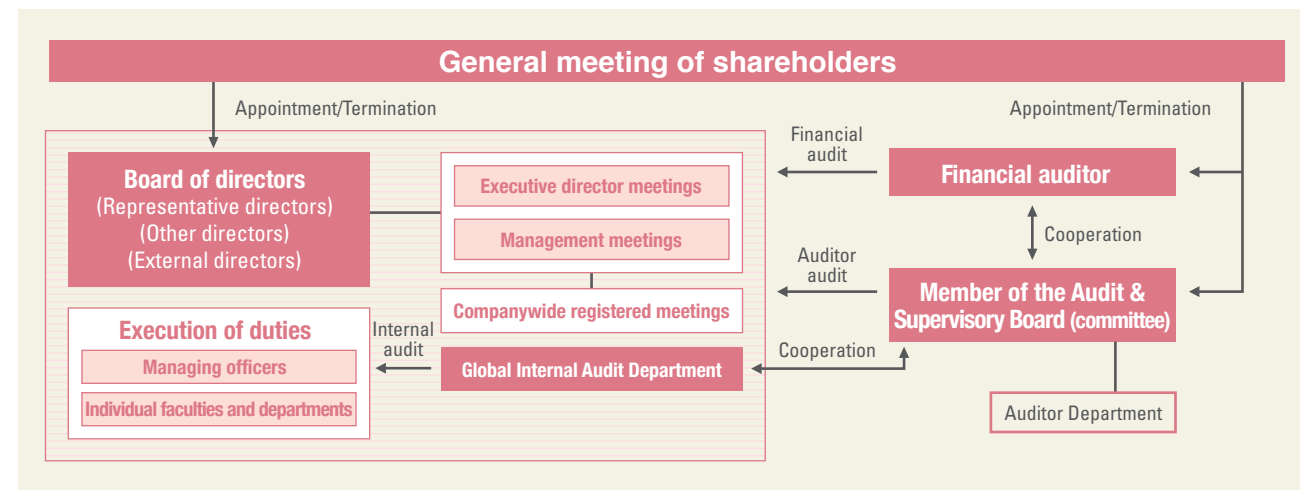
Figure-01

At JTEKT, the board of directors meets every month to make management decisions and supervise directors' performance of duties. Furthermore, two independent directors outside the company were appointed in June 2015 so as to strengthen the supervising function of the board of directors. In addition, sub-mechanisms of board meetings 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.

As a way of monitoring management, we have adopted an auditing system to inspect directors' performance of duties, which consists of five members of the Audit & Supervisory Board, three of whom are outside personnel. Internal audits are conducted by an independent Global Audit Department, who inspects the validity and lawfulness of overall operations and procedures. The members of the Audit & Supervisory Board, financial auditors and Global Audit Department liaise together and hold conferences when necessary.

In addition, we maintain and operate an internal control system in line with both the Companies Act and the Financial Instruments and Exchange Act.

Figure-01 Corporate governance system



Board of directors

Makes decisions about important matters within management, and supervises directors' performance of duties.

Executive director meetings

Supplement the board of directors, deliberate important matters within management, and determine fundamental policies.

Management meetings

Supplement the board of directors, and manage the progress of policies within the performance of duties. In addition, these meeting enable problem points and issues within performance of duties to be shared extensively among directors and officers.

Audit & Supervisory Board

Inspect the appropriateness of methods and results of audits of the directors' performance of duties, and of audits performed by financial auditors.

Companywide registered meetings

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.

Outside directors

Figure-02

JTEKT appoints outside directors who fulfill requirements for independent 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, 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, as shown in Fig. 02.

* Refers to outside directors or outside members of the Audit & Supervisory Board for whom there is no possibility of conflict of interest with general shareholders. This is determined based on an internal company standard created in line with the guideline for the governance of listed companies, an independent standard of the Tokyo Stock Exchange.

Remuneration for directors and members of the Audit & Supervisory Board

Remuneration for Directors consists of monthly amounts and bonuses, and is conducted through a remuneration system that reflects the work responsibilities and performance, and

is linked to company performance. Bonuses are paid based on the consolidated operating income of each term, and are determined by comprehensively taking into account dividends, the level of bonus for employees, the trends of other companies, mid- to long-term business performance, and amounts paid in the past. A concrete plan for remuneration is deliberated by the Executive Remuneration Meeting, which is comprised of representative Directors and Outside Directors. Remuneration for the Member of the Audit & Supervisory Board consists of monthly payments, and does not include bonus payments. This system for remuneration is not greatly influenced by company performance and is therefore ensured independence from management. Monthly amounts of remuneration for directors and officers and other remuneration are set within the upper limit for total remunerations based on the decision of the Annual Meeting of Shareholders on June 27th, 2012. Monthly amounts of remuneration for each Director are decided by the board of directors, and monthly amounts of remuneration for each Member of the Audit & Supervisory Board are decided through consultation with the members. The total amount paid for Director bonuses is approved by the Annual Meeting of Shareholders which meets regularly, after which the bonus amount paid to each Director is decided by the board of Directors in consideration of the performance of their individual duties and responsibilities.

Figure-02 Appointment of independent Outside Directors and independent Outside Member of the Audit & Supervisory Board

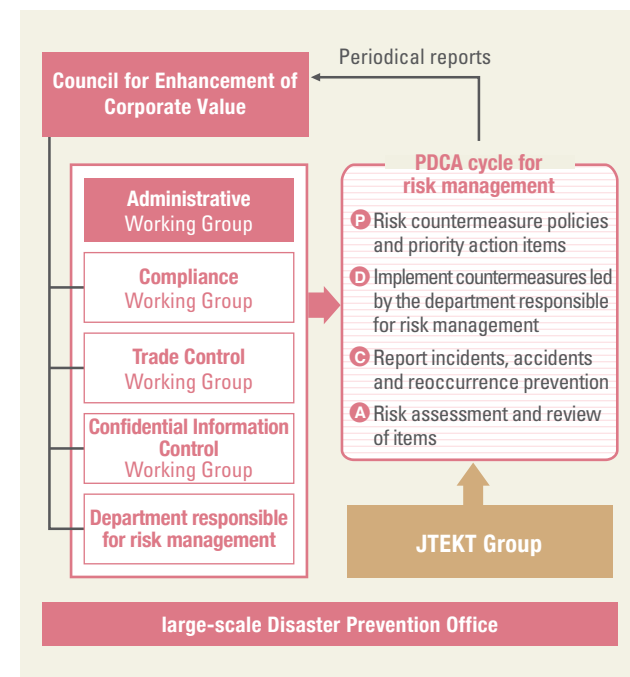
Position	Name	Main reasons (experience, insight, etc.) for appointment	Independent Director	Attendance record in FY2017 (attended/held)	
				Board of Directors	Audit & Supervisory Board
Director	Takao Miyatani	Abundant experience and high level of insight regarding <i>monozukuri</i> , obtained as a manager within the manufacturing industry and chairman of a trade organization.	○	13/15	—
Director	Iwao Okamoto	Held key positions within the Ministry of Economy, Trade and Industry, and for an incorporated foundation, obtaining ample experience and a high level of insight regarding industry and economic activities within Japan and overseas.	○	13/15	—
Member of the Audit & Supervisory Board	Koichi Fukaya	Possesses abundant experience as a manager within the manufacturing industry, and broad insight into corporate governance.		15/15	15/15
Member of the Audit & Supervisory Board	Masaaki Kobayashi	Possesses substantial expertise in finance and accounting as a certified public accountant.	○	15/15	15/15
Member of the Audit & Supervisory Board	Koei Saga	Possesses abundant experience as a manager within the manufacturing industry, and broad insight into corporate governance.		11/15	11/15

Risk management

So that we may maintain and strengthen our fundamentals (corporate foundation), promptly respond to changes in the business environment and continuously improve our corporate value, we work to enhance a risk assessment promotion system that enables us to assess the major risks to the entire JTEKT group, evaluates these risks, and promote suitable countermeasures.

Promotion structure

The Council for Enhancement of Corporate Value is a company-wide cross-department organization that regularly reviews risks with the potential of affecting business activities as well as society and the environment. Such reviews incorporate many factors, including the external environment. Each working group and risk control department adheres to the content decided upon and agreed by this Council and establishes response plans to prevent and reduce the manifestation of risk as well as promote various measures. In FY2016, JTEKT began rebuilding its framework to assess and respond to phenomena with a potential to impact JTEKT and its group companies in a timely fashion. We will combine this activity with our corporate governance and compliance related activities to increase both the effectiveness and efficiency of activities and aim to achieve global control of risk that focuses on prevention.



Of the various risks JTEKT addresses, in FY2015 the company established a Large-scale Disaster Countermeasure Promotion Committee chaired by the President aimed at addressing large-scale disasters which have particularly significant impact on business continuation. With the JTEKT

Group BCP (*) also established in 2015 as its basic policy, the Committee promotes both the theoretical and practical aspects involved in preparing for such large-scale disasters, including employee safety confirmation and evacuation drills, minimization of damage in households assuming local disaster risks and the early recovery of product supply.

* BCP BCP is an abbreviation of Business Continuity Plan.

Strengthening initiatives in each division from a risk perspective

So that each division can cope with risk autonomously, since FY2013, risks with the potential to interfere with progress of the annual action plan are identified upon formulation of the plan. Moreover, by factoring risk response into the plan, JTEKT is promoting the prevention and countermeasure of risk manifestation at each of its divisions.

Compliance

JTEKT positions compliance as the premise and foundation supporting corporate value and believes it is essential in realizing our Corporate Philosophy.

As such, we have established the Ethics Code for Directors and Officers and Compliance Standard and thoroughly enforce this throughout the entire JTEKT group.

Promotion structure

Timely and appropriate reporting to top management

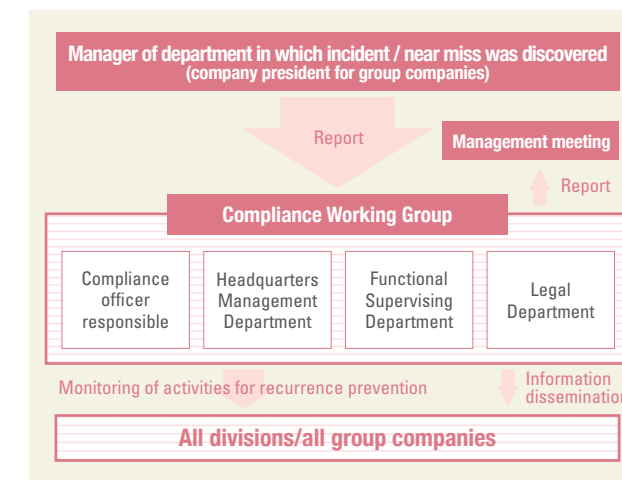
Each Managing Officer, etc. serves as Compliance Officer for their allocated division. At the monthly management meeting, compliance violations including case experiences of near-misses are reported promptly so that swift action and recurrence prevention measures can be promoted as top-level management issues.

Establishment of immediate reporting rule standard

In regards to compliance violations that have occurred within the JTEKT group, in FY2015 we established an immediate reporting rule standard which seeks the swift reporting of an incident after it has been identified (*). This is in order to create a system in which matters are reported without omission.

* Standard on internal reporting and compliance violation management.

Procedure for reporting compliance violations



Training and educational activities

Based on the themes of labor-management issues and SME protection, issues that have aroused particular interest from society in recent years, JTEKT held two compliance training sessions aimed at its directors and officers. In addition to a lecture from an external lawyer, these sessions involved case studies assuming practical work tasks and were opportunities for participants to renew their awareness of issues.

Compliance Strengthening Month

We designate July of each year as Compliance Strengthening Month, during which we implement enlightenment activities for all employees. In FY2016, JTEKT's President sent out a message not only to JTEKT Corporation internally, but also group companies both in Japan and abroad. In addition to Japanese, the president's message was translated into nine languages (*) including English to provide better support for overseas group companies. Moreover, we implemented compliance training focused on e-learning and workplace read-throughs for all employees (participation rate: 100%).



Officer and director compliance training held in July

* English, Chinese, French, Thai, Romanian, Czech, Portuguese, Spanish and German

Internal reporting consultation desks

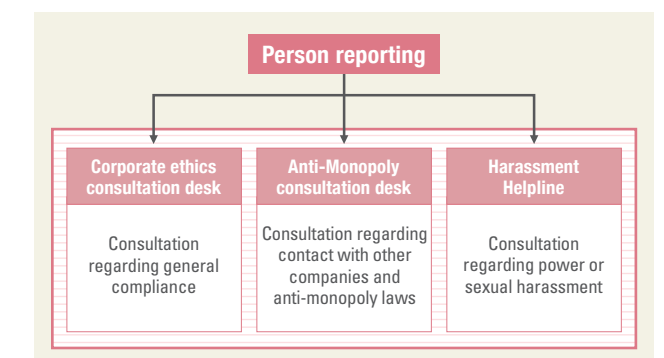
We have established a corporate ethics consultation desk and various other consultation desks to provide in-depth support in the name of preventing and providing swift response to scandals, and ensuring that they do not recur. We have also established individual consultation desks at group companies, including those overseas.

No. of internal reports made in past 5 years → S.23 Related article

FY	2012	2013	2014	2015	2016
No. of reports	28	50	51	51	45

* Has included the number of reports received at the harassment helpline since FY2013.

Role of the internal reporting consultation desks



Management

Directors

Chairman
Seiichi Sudo



President
Tetsuo Agata



Business Reform Promotion Dept.
/ New Business Promotion Dept.

Executive Vice President
Seiho Kawakami



Overall Control of R&D, Engineering, Quality / TQM Promotion Dept. / R&D Headquarters / Steering Systems Business Headquarters

Executive Vice President
Masakazu Isaka



Overall Control of Safety, Production, Quality, TQM Promotion Dept. / R&D HQ, Steering Machine Tools Business Headquarters

Member of the Audit & Supervisory Board

Executive Director
Takumi Matsumoto



Driveline Systems Business Headquarters

Outside Director
Takao Miyatani



Outside Director
Iwao Okamoto



Member of the Audit & Supervisory Board
Masatake Enomoto



Managing Officers

Executive Managing Officer
Keiji Araki

Executive Managing Officer
Kunihiko Yokota

Managing Officer
Tsutomu Kimura

Managing Officer
Kenji Okamatsu

Executive Managing Officer
Hidekazu Omura
Chief Executive Officer of India

Executive Managing Officer
Haruhiko Segawa
Engineering Headquarters

Managing Officer
Francis Fortin
Chief Executive Officer of Europe

Managing Officer
Hiroyuki Fujisawa

Executive Managing Officer
Kazunori Shimada

Executive Managing Officer
Nobutaka Takeoka

Managing Officer
Yasunori Nakaoka

Managing Officer
Michael Davidson
Chief Operating Officer of North America

Executive Managing Officer
Kazuhisa Makino
Global Internal Audit Dept.

Executive Managing Officer
Kouichi Yamanaka
Chief Operating Officer of North America

Managing Officer
Jiro Nishida

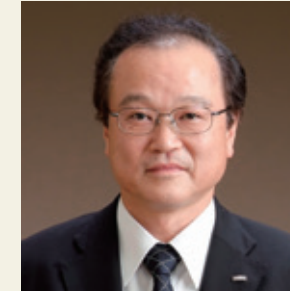
Managing Officer
Shinji Kato

Senior Executive Director
Atsushi Kume



Environment Control Dept. / Export Control Dept. / Production Engineering / Headquarters / Purchasing Headquarters / Production Administration Headquarters

Senior Executive Director
Hiroyuki Miyazaki



Quality Management Headquarters / Bearing Operations Headquarters

Executive Director
Hiroyuki Kaijima



Sales & Marketing Headquarters

Executive Director
Tomokazu Takahashi



Corporate Headquarters

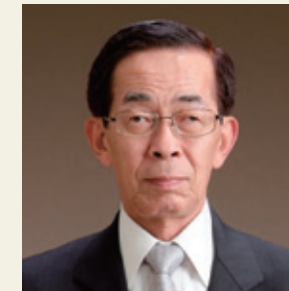
Member of the Audit & Supervisory Board
Hiroshi Takenaka



Outside members of the Audit & Supervisory Board
Koichi Fukaya



Outside members of the Audit & Supervisory Board
Masaaki Kobayashi



Outside members of the Audit & Supervisory Board
Koei Saga



Executive Managing Officer
Makoto Sano

Managing Officer
Takao Okayasu

Managing Officer
Shuuji Tateishi
Chief Executive Officer of China

Managing Officer
Yoshio Yamamoto

Executive Managing Officer
Yoshikazu Konishi
Chief Executive Officer of ASEAN

Managing Officer
Takao Inoue

Managing Officer
Naoyuki Tomida

Managing Officer
Toshiaki Shinya
Chief Operating Officer of North America

Executive Managing Officer
Hiroshi Ii
Chief Executive Officer of Europe

Managing Officer
Nobuya Suzuki

Managing Officer
Koichi Sugiyama

Executive Managing Officer
Hirofumi Matsuoka

Managing Officer
Kazunori Hayashida

Managing Officer
Takao Gonno

Financial data

Unit: 100 million yen

Fiscal year ending March 31st	FY2014	FY2015	FY2016
Sales	13,559	13,999	13,183
Operating income	741	819	774
Ordinary income	793	812	780
Net income attributable to parent company	425	516	503
Net assets	4,997	4,800	5,129
Total assets	11,262	10,758	11,178
Interest-bearing liabilities	2,266	1,953	1,871
Equipment investment	684	631	664
Depreciation and amortization	530	584	560
R&D costs	413	462	482
Cash flows			
Cash flows from operating activities	1,033	1,101	992
Cash flows from investing activities	△620	△599	△680
Cash flows from financing activities	△364	△493	△221
Cash and cash equivalents	654	616	702
Financial indicators			
Operating profit on sales	5.5	5.9	5.9
Ratio of ordinary income to net sales	5.9	5.8	5.9
ROA	3.9	4.4	4.3
ROE	9.8	10.5	10.1
Capital adequacy ratio	43.63	42.32	42.04
Debt equity ratio (DE ratio)	0.48	0.42	0.38
Inventory turnover period (months)	1.5	1.4	1.3
Information on shares, etc.			
No. of outstanding shares (1,000 shares)	343,286	343,286	343,286
Dividend per share (yen)	34	42	42
Dividend payout ratio (%)	27.4	29.6	30.3
No. of employees (people)	43,912	43,938	44,528
Exchange rate (against JPY)			
USD	110	120	108
EUR	138	132	119

Non-financial data

		Unit	FY2014	FY2015	FY2016	
Contributing through <i>monozukuri</i>						
Products [consolidated]	Contribution to CO ₂ emissions reduction (*1) Total			466.0	724.2	726.2
	Product group examples	Steering (*2)	1,000 t	296	349	366
		C-EPS Powerassist steering system				
	Bearings (*3)	1,000 t	89.5	90.5	97.5	
	Tapered roller bearings for automobiles					
R&D [consolidated]	Total cost of R&D (*4)		100 million yen	413	462	482
R&D [independent]	No. of patents pending		Incidents	751	804	664
	No. of patents acquired		Incidents	344	293	417
Quality [independent]	No. of visitors to quality exhibitions (total)		People	—	7,072	11,110
Environment [consolidated]	Prevention of global warming	CO ₂ emissions for internal production	1,000 t	757	761	769
Environment [independent]	Prevention of global warming	CO ₂ emissions for internal production	1,000 t	237	230	227
		CO ₂ emissions in production per in-house production volume	t/100 million yen	147.7	146.2	143.2
		CO ₂ emissions in logistics	1,000 t	14.3	13.8	13.2
		CO ₂ emissions in logistics per net sales	t/100 million yen	2.20	2.18	2.15
	Effective use of resources	Waste per in-house production volume	t/100 million yen	6.86	7.34	7.12
		Packaging usage per net sales	t/100 million yen	0.81	0.78	0.77
		Water usage per in-house production volume	1,000 m ³ /100 million yen	1.58	1.56	1.48
	Reduction and management of environmentally burdensome materials	Release / transfer of substances subject to PRTR (*5)	t	42	40	40
	No. of environmental issues		Incidents	2	0	1
	Establishment of a firm management foundation					
Employees [consolidated]	Ratio of foreigners occupying key positions in overseas locations		%	—	62.2	62.9
Employees [independent]	Level of understanding by employees of own division's vision		%	53.1	55.3	60.2
	Female employee percentage		%	9.4	9.5	9.7
	Percentage of women in administrative positions	Managerial positions	%	0.83	0.81	0.83
		Assistant managers	%	2.62	3.30	3.89
	Percentage of employees with disabilities		%	2.17	2.23	2.15
	Employees who took childcare leave (*6)		People	31	34	41
	Employees who took family care leave (*7)		People	5	3	2
	Percentage of vigorous and vibrant workplaces		%	18.7	27.7	55.7
	Governance [independent]	Number of internal reports made		Incidents	51	51
Local contribution [independent]	Number of plant festival goers		People	8,514	8,720	8,037
	No. of information get-togethers with local community		Place	13	13	13
	Number of participants in region cleanup activities		People	4,927	4,483	4,510
	Number of people attending plant tours		People	1,344	1,366	1,497

*1 CO₂ emissions reduction due to an environmentally-considerate design at the product usage stage. The amount calculated globally is shown for each year. The calculation method changed partially from FY2016.

*2 From FY2015, figure is calculated based on the number of products designed by JTEKT therefore products produced overseas are included.

*3 Independent

*4 R&D costs included in general and administrative costs and manufacturing costs.

*5 Release / transfer amounts have been reconfirmed and past results partially revised.

*6, 7 The timing of headcounts was changed, therefore figures differ from those reported up until last year.

Group companies

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, semiconductor manufacturing equipment, and PDP heat-treatment 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
Koyometaltec Co., Ltd.	Forging of bearings, manufacture and sale of lathe turned components of bearings and steering systems
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.	Part machining and assembly of small machine tool-related devices
Koyo Nichijiku Co.,Ltd.	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.	Sale of various bearings, oil seals, automotive components, etc.
SHIZUOKA KOYO CO.,LTD.	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.)

Europe	
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
JTEKT EUROPE S.A.S. TECHNICAL CENTER	Technical center
Netherlands	
JTEKT EUROPE BEARINGS B.V.	Sale of bearings

JTEKT EUROPE BEARINGS B.V. TECHNICAL CENTER	Technical center
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
TOYODA MACHINERY EUROPE GMBH	Sale and service of machine tools
KOYO BEARINGS DEUTSCHLAND GMBH KUENSEBECK TECHNOLOG CENTER	Technical center
Czech	
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
KOYO BEARINGS CESKA REPUBLIKA S.R.O. BRNO TECHNOLOGY CENTER	Technical center
Italy	
KOYO ITALIA S.R.L.	Sale of bearings
Belgium	
JTEKT TORSER 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.	Manufacturing of bearings
Spain	
KOYO IBERICA, S.L.	Sale of bearings

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 AUTOMOTIVE (FOSHAN) 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 CENTR (DALIAN) CO., LTD.	Technical center
JTEKT RESEARCH AND DEVELOPMENT CENTER (WUXI) CO., LTD.	Technical center

Asia, Oceania, Middle East	
Thailand	
JTEKT (THAILAND) CO., LTD.	ASEAN regional headquarters, manufacture and sale of automotive components and bearings, technical center
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 BEARING (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	
KOYO MANUFACTURING (PHILIPPINES) CORPORATION	Manufacture and sale of bearings
South Korea	
JTEKT KOREA CO., LTD.	Sale of automotive components and bearings
KOYO JICO KOREA CO., LTD.	Manufacture and sale of bearings
India	
KOYO BEARINGS INDIA PRIVATE LTD.	Indian regional headquarters, manufacture and sale of bearings
JTEKT SONA AUTOMOTIVE INDIA LTD.	Manufacture and sale of automotive components
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 FZE	Sale of bearings
Taiwan	
TAIWAN JTEKT CO., LTD.	Sale of automotive components

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 TORSER NORTH AMERICA, INC.	Manufacture and sale of automotive components
KOYO BEARINGS NORTH AMERICA LLC	Manufacture and sale of bearings
KENTUCKY ADVANCED FORGE, LLC	Manufacturing of bearings
JTEKT TOYODA AMERICAS CORPORATION	Sale and service of machine tools
JTEKT AUTOMOTIVE NORTH AMERICA INC. Technical Center	Technical center
KOYO BEARINGS NORTH AMERICA LLC Plymouth Technical Center	Technical center
KOYO BEARINGS NORTH AMERICA LLC Greenville Technology Center	Technical center
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.	South American regional headquarters, manufacture and sale of automotive components
KOYO ROLAMENTOS DO BRASIL LTDA.	Sale of bearings
TOYODA KOKI DO BRASIL INDUSTRIA E COMERCIO DE MAQUINAS, LTDA.	Sale and service of machine tools
JTEKT AUTOMOTIVA BRASIL LTDA. TECHNICAL CENTER	Technical center
Argentina	
JTEKT AUTOMOTIVE ARGENTINA S.A.	Manufacture and sale of automotive components
Panama	
KOYO LATIN AMERICA, S.A.	Sale of bearings

Company and stock information

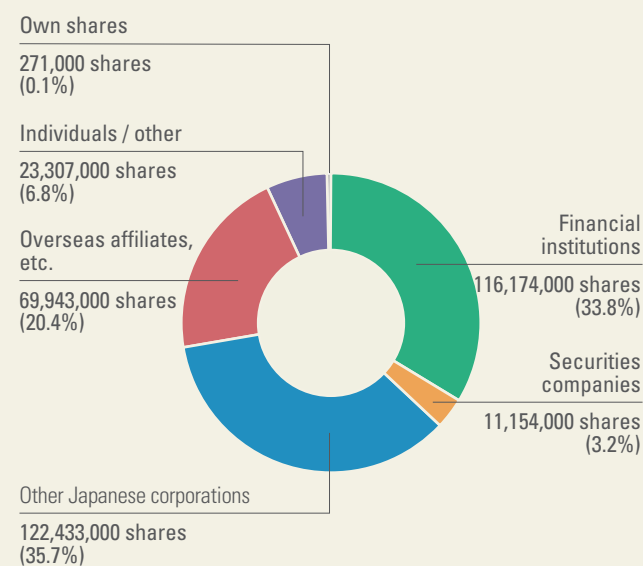
Company Profile

Company name	JTEKT Corporation
Headquarters	No. 5-8, Minamisemba 3-chome, Chuo-ku, Osaka Japan
Head Offices	[Nagoya Head Office] 15th Floor, Midland Square, No. 7-1, Meieki 4-chome, Nakamura-ku, Nagoya, Aichi Pref. Japan [Osaka Head Office] No. 5-8, Minamisemba 3-chome, Chuo-ku, Osaka Japan
Phone number	[Nagoya Head Office] +81-52-527-1900 [Osaka Head Office] +81-6-6271- 8451
President	Tetsuo Agata
Capital	45.5 billion yen (As of the end of March 2017)
Number of employees	44,528 [consolidated] (As of the end of March 2017) 11,542 [nonconsolidated] (As of the end of March 2017)
Sales	1,318.3 billion yen [consolidated] (Fiscal Year Ending March 2017) 615.9 billion yen [nonconsolidated] (Fiscal Year Ending March 2017)
Ordinary income	78.0 billion yen [consolidated] (Fiscal Year Ending March 2017) 22.1 billion yen [nonconsolidated] (Fiscal Year Ending March 2017)
Consolidated subsidiaries	131 (34 in Japan, 97 overseas)

Stock information

Total number of shares	Total number of shares issuable	1,200,000,000 shares
	Total number of shares issued	343,286,000 shares
Number of shareholders		19,246 Shareholders

Distribution by ownership (Percentage of total shares issued)



Largest shareholders (Top 10)

Shareholder name	Number of shares
Toyota Motor Corporation	77,235,000
The Master Trust Bank of Japan, Ltd. (Trust account)	27,425,000
DENSO CORPORATION	18,371,000
Japan Trustee Services Bank, Ltd. (Trust account)	16,140,000
Nippon Life Insurance Company	11,125,000
Toyota Industries Corporation	7,813,000
Sumitomo Mitsui Trust Bank, Limited	7,635,000
Resona Bank, Limited	6,749,000
Sumitomo Mitsui Banking Corporation	6,366,000
Toyota Tsusho Corporation	5,969,000

Third-party opinion



Representative of the Workers Club
for Eco-harmonic Renewable Society (NPO)

Tamio Yamaguchi

Tamio Yamaguchi's profile

After 25 years at a newspaper company, Mr. Yamaguchi held a position as the manager of public relations at an environment venture company, chief editor of a publishing company's environmental magazine, and part-time university lecturer, after which he began freelancing. He has been researching CSR since 2000, each year analyzing and reporting the trends of over 350 companies' CSR reports. (<http://csr-project.jp/>)

Workers Club for Eco-harmonic Renewable Society

A citizen's organization that considers from a global point of view how society and the natural ecosystem that should be passed on to future generations can live in harmony. The organization researches, supports and implements activities so that citizens, companies and government agencies will form a recycling-based society. The organization researches and makes proposals regarding ideal CSR, through CSR workshops within study groups. (<http://junkanken.com>)

Provision of Dynamic Communication

Readers of an integrated report expect dynamic information as opposed to static information. As such, the main components of the report should be values, business model, strategies for securing business sustainability and growth potential, and governance. This report meets expectations and provides dynamic communication due to its inclusion of the way of thinking by JTEKT – value creation model, value creation process – future outlook for each business, future initiatives – environment, social governance, corporate governance, etc. However, in regards to value creation, it is unfortunate that there is no mention of the so-called “six capitals” (financial, manufactured, intellectual, human, social and relationship, and natural). If the strengths and future reinforcement prospects of JTEKT's six capitals were indicated, it would provide readers a sense of certainty regarding JTEKT's value creation over the medium-to-long term.

Expectations towards real reporting of ESG management

One of the most impressive aspects of this report was JTEKT's commitment to promoting ESG-orientated management. This approach to management has been dubbed “ESG management” and this term can be seen here

and there throughout the 2017 Report. 2016 was the start year for ESG investment, and as ESG investment becomes more mainstream, society's expectations will turn to management involving integration of non-financial and financial initiatives and improvement thereof, therefore many stakeholders will inevitably begin paying attention to this aspect. I hope that JTEKT continues reporting the actual status of ESG management in this Report. Integrated reports are expected to indicate a binding of financial and non-financial information however reporting on the actual status of ESG management is one and the same with reporting such a binding. Moreover, this Report conveyed that “a healthy sense of risk” and “co-creation of corporate value” were the basis of ESG management. I find this admirable as both these elements are important perspectives in order to achieve sustainable growth for a company amidst a mountain of social issues.

Solidifying ESG management utilizing SDGs

The Value Creation Model demonstrated the mapping of SDGs and social value provided by JTEKT. This is important as a first step toward achieving SDGs and there is an abundance of business opportunities in the 169 targets associated with these SDGs. The model includes a process called “Find new issues”. As the next step, I hope that JTEKT utilizes SDGs in this process and further solidifies ESG management.

Response to the third-party opinion

Corporate Planning Department, Corporate Management HQ, JTEKT Corporation

This year we were able to issue JTEKT REPORT 2017, which was our second integrated report. First, we would like to express our sincere appreciation to all those who cooperated in the creation of this report. This year, the Government Pension Investment Fund, Japan (GPIF) incorporated ESG as an index for making investments which enable it to fulfill its consignee responsibility. We have renewed our awareness that ESG-based initiatives are important and must continue growing so that we may fulfill our goal of improving corporate value. Within such an environment, JTEKT established its Management Model in March 2017 as a practical model for the creation of corporate value and in order to steadily manifest value improvements. Moreover, through repeated dialogue with stakeholders, we have prepared an Engagement Model for the co-creation of value together with society.

Furthermore, so that JTEKT can clarify the value that it offers, the intention of the fundamental elements (Building Value, Building Excellent Products and Building Professionals) was explored on a deep level and the Value Creation Model revised. We hope this will lead to a better understanding by a higher number of people of JTEKT's intention and stance regarding the improvement of corporate value. Meanwhile, in regards to the six capitals related to value creation (financial, manufactured, etc.) pointed out by Professor Yamaguchi, JTEKT is aware that this is also an effective approach in terms of further enhancing dialogue with stakeholders. JTEKT will maintain constant dialogue with all of our stakeholders so that we may continue to create value into the future and grow as a company that can offer this value to society.



Inquiries

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This booklet and the JTEKT CSR Report 2017 can also be viewed on the JTEKT website.

www.jtekt.co.jp/e/