

Corporate governance

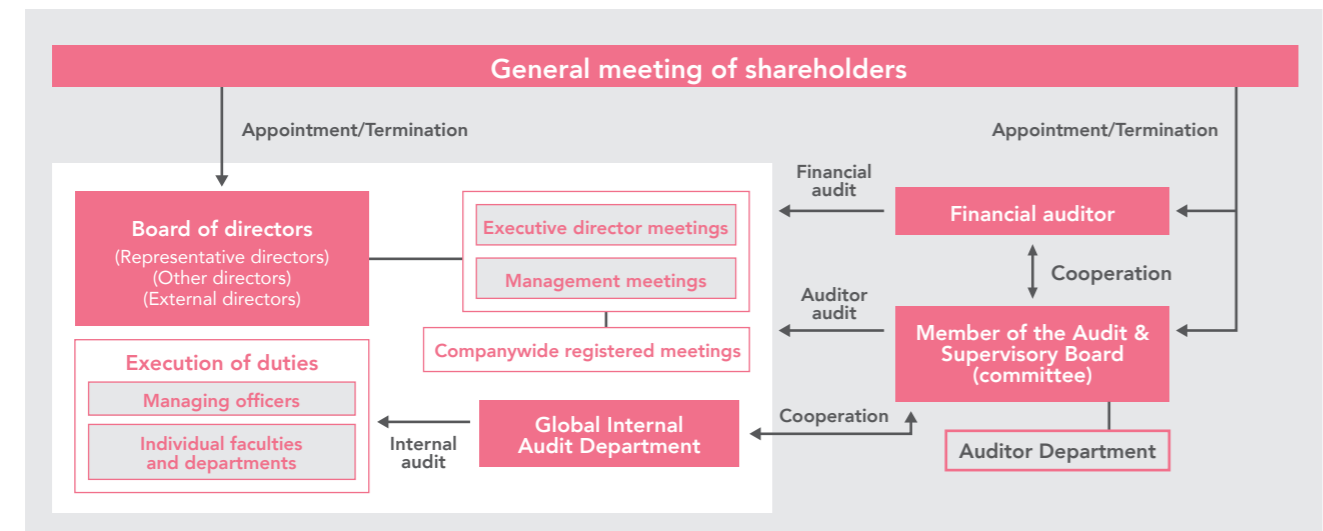
We JTEKT work to continuously enhance our corporate governance in order to fulfill our corporate social responsibility and continuously improve our corporate value.

Promotion structure

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.

Corporate governance system



16 times	24 times	24 times	15 times	
Board of directors	Executive director meetings	Management meetings	Audit & Supervisory Board	Companywide registered meetings
Makes decisions about important matters within management, and supervises directors' performance of duties.	Supplement the board of directors, deliberate important matters within management, and determine fundamental policies.	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.	Inspect the appropriateness of methods and results of audits of the directors' performance of duties, and of audits performed by financial auditors.	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

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.

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.

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 monozukuri, obtained as a manager within the manufacturing industry and chairman of a trade organization.	○	16/16	—
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.	○	16/16	—
Director	Takeshi Uchiyamada	Rich experience and deep insight relating to Monozukuri as a manufacturing business executive	—	—	—
Member of the Audit & Supervisory Board	Takashi Yoshida	Considerable knowledge relating to financial and accounting matters as a certified public accountant	○	—	—
Member of the Audit & Supervisory Board	Hiroyuki Wakabayashi	Rich experience and broad insight relating to corporate governance as a manufacturing business executive	—	—	—

Risk management

Basic concept | Enhancing corporate value and meeting the expectations of society

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, evaluate these risks, and promote suitable countermeasures.

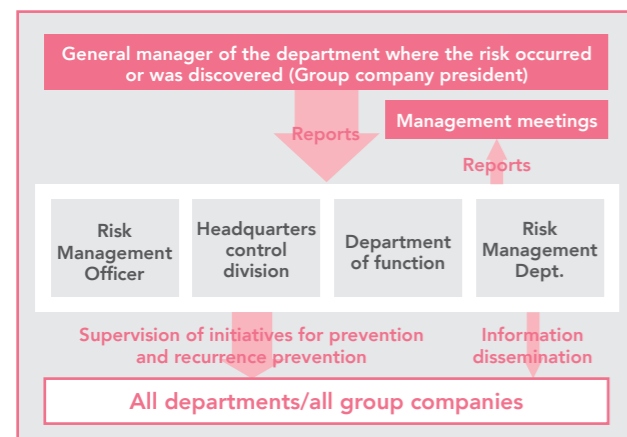
Promotion structure

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. In October 2017, JTEKT established a new system to strengthen its initiatives for risk prevention which involved a shift from CO (Compliance Officer) to RO (Risk Management Officer). In addition to rolling out risk management to individual departments and group companies, we also aim to merge risk management activities with activities relating to corporate governance and compliance to increase effectiveness and efficiency and control risk on a global level.



Clarification of risk appraisals and response

At JTEKT, we allocate risk management departments depending on the specific item of risk. Risk management department promotes formulation of response plans and polices to prevent and reduce the manifestation of risks through the risk management working group, which is an organization directly under the supervision of the Council for Enhancement of Corporate Value.



Enforcement of immediate reporting

From FY2015, we broadened the scope of our immediate reporting system which requires prompt reporting after appraisal of a compliance issue and are enforcing a rule to ensure the initial report after a risk is appraised is made swiftly.

Strengthening of each division's risk perspective

For each division to autonomously handle risks, the annual execution plan formulated on a division level incorporates response to potential risks that may inhibit the fulfillment of the said plan and this promotes prevention of risk manifestation and remedial measures by each division independently.

Compliance

Basic concept | All employees exhibit correct judgment and conduct in line with corporate ethics

JTEKT positions compliance as the premise and foundation of corporate value, therefore essential to realizing our corporate philosophy. Believing that compliance is not merely about observing laws, but also fulfilling our social responsibility in accordance with corporate ethics, JTEKT has established the Ethics Code for Directors and Officers, Compliance Rules, etc.

Training and awareness-raising activities

JTEKT conducts ongoing training and awareness-raising activities targeting its directors, employees and all group companies regarding how compliance is deeply intertwined with our operations. We conduct annual workshops targeting our key corporate compliance officers (directors, auditors, managing officers, etc.). The themes for our FY2017 workshop were protection of personal information and protection of small-to-medium businesses (SMBs), which are topics attracting particularly high interest from society in recent years, and provided participants with the opportunity to refresh their awareness on these issues through a lecture by an external

lawyer, etc. Moreover, we have established every July as "Compliance Strengthening Month" (currently "Risk Management Strengthening Month", during which our president sends out a message to all JTEKT employees, including group companies both in Japan and overseas, and compliance training materials are distributed for e-learning and workplace perusal, etc. in an effort to support compliance activities in each workplace. Even regarding internal training planned by our HR department, etc., compliance is addressed so that each employee can take the necessary cautions suitable to their rank and job type.

Internal reporting consultation desks

To enable fine-tuned response to each matter of consultation, JTEKT has established the Corporate Ethics Consultation Desk and several other consultation desks aimed at the prevention, early detection and recurrence prevention of scandals. Consultation desks have been individually established across the JTEKT Group, including overseas group companies.

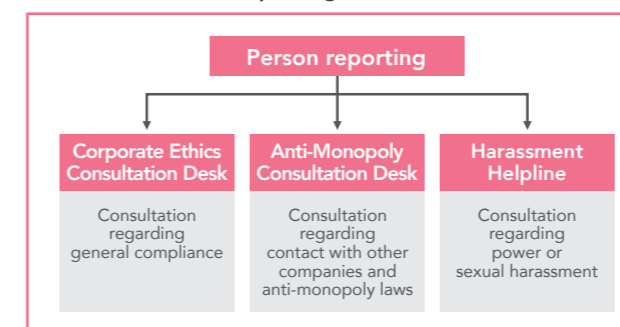
Compliance inspections

At JTEKT, we carry out regular inspections targeting all internal departments and domestic/overseas JTEKT Group companies to assess the management status regarding compliance affecting our operations.

Antimonopoly law, corruption prevention

With consideration to the global trend of placing importance on fairness in JTEKT Group businesses, products and business transactions, in addition to increasingly stricter laws and exposure cases, JTEKT places particular importance on compliance with antimonopoly laws, competition laws of each country, and laws relating to corruption and bribery.

Role of the internal reporting consultation desks



No. of internal reports made in past 5 years

FY	2013	2014	2015	2016	2017
No. of reports	50	51	51	45	50

Initiative for appropriate tax payment

At JTEKT Group, we believe that the appropriate payment of taxes in the countries and regions where we do business is important in order to support corporate value and realize our corporate philosophy. Based on this belief, we adhere to each relevant country's and region's laws concerning tax payment and uphold this spirit of compliance.