

FOR FURTHER DEVELOPMENT

Outside director interview

JTEKT has continued to rise to challenges in the name of creating sustainable corporate value. We asked two Outside Directors to tell us what they think is necessary for JTEKT to achieve further growth while dealing with major changes in the business environment.



Outside Director
Takao Miyatani

Outside Director
Iwao Okamoto

Please tell us your impression of JTEKT's governance.

Miyatani I have served as an Outside Director for JTEKT three years running and I feel that its governance has become extremely robust. Monthly guidance sessions on areas for improvement by members of the Audit & Supervisory Board were begun three years ago as a new experiment and this is followed up in monthly management meetings and those on the exaction side of management respond well. This is an activity that leverages the deep knowledge of the members of the Audit & Supervisory Board and I feel it is an extremely effective mechanism. Furthermore, even when I, as an Outside Director, put forward proposals, they are firmly received by the Chairman and President, and I feel as a company JTEKT wants to leverage the capabilities of its Outside Directors to the maximum extent possible.

Okamoto In terms of JTEKT's governance, first and foremost, I really feel that the Audit & Supervisory Board function is enriched. Audits by members of the Audit & Supervisory Board, accurate guidance and sincere follow-up by those with executive power have taken root. Prior to the monthly Board of Directors, we Outside Directors are briefed by executive officers on major matters which is an opportunity for us to point out any issues we may notice at that point in time as well as prepare for the discussions that will take place at the Board of Directors' meeting. JTEKT's executive officers receive and respond to our feedback on issues requiring attention with sincerity and, depending on the result of their discussions, sometimes the headquarters who initiated the debate reconsiders. In terms of risk management, with the automotive industry facing a so-called once-in-a-century change and a variety of risks, both small and large, being predicted, JTEKT has established a risk management system primarily run by a CRO (Chief Risk Management Officer). I feel management is highly sensitive to important matters and respond in a timely fashion.

Please tell us what you think of JTEKT's current condition.

Miyatani In regards to overall management, I feel both the 5-year mid-term management plan that comes out each year on a rolling basis and the policy management incorporated in these plans are becoming more and more matured, partly due to the fact that President Agata checks them himself. From a business aspect, cost reduction is the key amidst increasing commoditization of existing business. There is no doubt that JTEKT is a member of the Toyota Group that sets a high standard, but I want to see it not become conceited and continue to pursue initiatives on a deeper level. For example, monthly factory inspections of domestic factories are conducted by board members and these aim at checking safety, quality, productivity and energy-saving elements. In addition to this, I feel that inspections to verify cost reduction activities such as automation and efficiency increases would be effective in achieving groundbreaking cost reductions to answer customers' needs.

Meanwhile, JTEKT inherits overwhelmingly high-level core technologies from the combined capabilities of its predecessors, Koyo Seiko and Toyoda Machine Works, which have been developed ambitiously. One example of new products conceived from high-level core technology is J-PAS (power assist suit) however I feel there is still ample room to leverage these technologies more, so I'd like to see the relevant initiatives being expanded.

Okamoto In addition to factory inspections of domestic bases, JTEKT also has a Group Top Committee during which top management executives from domestic group companies meet once a year to deliberate. These mechanisms not only facilitate communication between management and production shop floors, promote improvement activities and the horizontal deployment of outstanding initiatives, they are also excellent mechanisms as they contribute to increasing the motivation of young people in charge who need to give explanations and respond to Q&A. Also through participating in factory inspections and the Group Top Committee

myself, I am always impressed when I see concrete cases of improvement such as shorter work time, labor-saving, stable/improved quality and more, and this convinces me that JTEKT is the backbone to Japan's manufacturing industry. Moreover, recent years has seen even greater advancements in productivity and quality through utilization of IoT and AI and smart factories are beginning to emerge. I have expectations that JTEKT will deploy these outcomes to its production bases both in Japan and overseas at an early stage and, given the right conditions, translate these into new pillars of its Machine Tools & Mechatronics Business. There are also remarkable aspects of JTEKT's annually rolling-type mid-term management plan. JTEKT shares the status of autonomous driving, electrification and other existing business responses and new business developments considering the structural transformation of the automotive industry through its entire company and, at the same time, firmly possesses the basic policy of developing and offering products with reduced cost and high added-value based on the line of thinking that the company can only acquire the ability to respond to future changes if it firmly increases the revenue of existing businesses.



Please tell us what your expectations of JTEKT are from your position as Outside Director.

Miyatani JTEKT has inherited broad and deep technologies from its predecessors, Koyo Seiko and Toyoda Machine Works. I think it is not inaccurate to state that JTEKT has the potential to be a company that heads towards the future with a dream. In order to capitalize on that ability to the maximum extent, I would like to see JTEKT properly analyze the market and create new products and value to marvel consumers. Meanwhile, the Steering Systems Business will enter an extremely tough period in terms of production preparation. It must firmly manage progress and push ahead without delays. Moreover, I feel there will be many opportunities for the problem-solving training and work task reforms that JTEKT has exerted much effort in to date to come into fruition. I hope JTEKT will trust in steady efforts, proceed with further improvements and establish these as an unshakeable culture.

Okamoto With rapid changes taking place in not only the automotive industry, but industry on the whole, JTEKT's urgent missions if it is to maintain its No.1 & Only One status is to swiftly shift to products and services responding to market needs and securing, developing and reeducating the necessary professions. I would like to ask JTEKT to engage in initiatives concerning how to utilize the surplus human resources created as a result of automation and labor-saving techniques for high-level work and operational tasks. Moreover, I feel there will be an increasing number of M&As and alliances moving forward due to bold advances on growing markets. As such, so that JTEKT may ensure certain return on investment and stable business management, it must secure and develop business management professionals who can control investment screenings, project ramping-up and post-merger matters. I would like to contribute to JTEKT myself with appropriate advice based on my previous experience and knowledge relating to trends in China.