

# Laying the foundation for building JTEKT's value

We spoke with four managing officers in charge of sales, manufacturing, purchasing, and human resources about changes in the business environment, the issues JTEKT is facing right now, and the image the company should aim for according to the theme of "laying the foundation for building JTEKT's value."



## Changes in JTEKT's business environment

**Moderator:** The business environment surrounding the JTEKT Group is changing dramatically. How do each of you view this transformation and what responses do you feel are required to adapt?

**Kaijima:** The magnitude and speed of change in our competitors' products arising from technological innovation are the biggest issues facing our sales force. Products that used to sell up to now suddenly become obsolete and no longer sell. We have never before experienced a change like this. Even the world's major automakers have been confounded by the transformation in the business environment, so it is difficult for us to see what we should be focusing on. I have never worked in an environment with this degree of uncertainty.

Furthermore, as a *monozukuri* (building excellent products) company, we have focused on trends in developed countries up to now, but it is clear that it is the Asian nations that will experience growth from here on. As such, I feel it is important to deepen our understanding of these countries going forward.

**Okamatsu:** As for issues facing our purchasing in Japan, labor shortages and a lack of successors owing to a declining birthrate have become apparent at small and medium-sized enterprises. This situation has made it necessary for us to coordinate with our suppliers and secure robust pipelines and thus build a pipeline for the future that considers what materials and technologies our products will require in the years to come.

In overseas markets, it will become difficult to continue our business in implementing global projects unless we can find suppliers who are able to offer the same price worldwide. In this regard, I would like to focus on developing new suppliers and building a framework for quickly collecting a large volume of information from suppliers.

**Sano:** Reducing CO<sub>2</sub> emissions is the biggest issue with regard to manufacturing activities and the environment. With the Toyota Group introducing total CO<sub>2</sub> volume restrictions, we will aim to reduce our total CO<sub>2</sub> emission volume in Japan by 35% in fiscal 2030 compared with our output in fiscal 2013. This is a challenging target as it means we must reduce our CO<sub>2</sub> production at a rate that exceeds our targeted growth rate over the same period.

When thinking about reducing CO<sub>2</sub> emissions, it is also important to consider the impact on the manufacturing floor of recent global warming and climate change. As temperatures rise, we are forced to use more energy for air conditioning in order to maintain the working environment on the manufacturing floor. As a consequence, JTEKT has set reduction targets for CO<sub>2</sub> emissions that incorporate such changes and has begun working to achieve them.

In addition, a shortage of water has become an issue in recent years. JTEKT has started to introduce water circulation systems to address its need to reduce the amount of water it uses going forward. These are some of the ways that meeting society's expectations with respect to the environment has become a priority for us.

**Mogi:** These days, institutional investors are looking not only at a company's earnings but are also making investment decisions based on its approaches to ESG<sup>1</sup> and the SDGs<sup>2</sup>. I feel there is a need to convey with accuracy and detail to investors and other external stakeholders how JTEKT is contributing to society and the various initiatives being implemented with the company.

On the human resources front, we must take steps in Japan from now to counteract the decline in the working population associated with the so-called "Year 2025 Problem"<sup>3</sup>. As one measure, we are taking the passage of the Workstyle Reform Act as an opportunity to create a work environment that is more accommodating, a framework for employees to be active in a variety of ways, and an environment for employees to learn on their own initiative.



Solar power generation at Koyo Machine Industries Co., Ltd.'s Yuzaki Plant

1. Acronym that stands for environmental, social, and governance; used as an indicator to determine whether a company can grow sustainably  
 2. Sustainable Development Goals: International objective composed of 17 goals and 169 targets for realizing a sustainable world, as described in the 2030 Agenda for Sustainable Development adopted at the United Nations Summit in September 2015  
 3. The Baby Boomer generation, which is said to consist of approximately eight million people, will become senior citizens (75 years of age or older) by 2025, leading to a super-aged society.

## Strengths that underpin JTEKT's growth

**Moderator:** Amid the need to respond to changes in the environment, what are the strengths the company will take advantage of in the future?

**Kaijima:** JTEKT handles a wide range of products, including automotive parts, bearings, and machine tools. This means there are differing senses of value and thinking within the company. I believe that intentionally combining these diverse values and ways of thinking can create new approaches and ideas.

In addition, the JTEKT Group conducts its business on a global scale, and in terms of headcount, Japanese nationals are in the minority. I believe we need to stop treating non-Japanese as the second line of employees and aggressively promote talented people regardless of nationality and the like to leadership positions. This to me will open the way to survive in these times of great change.

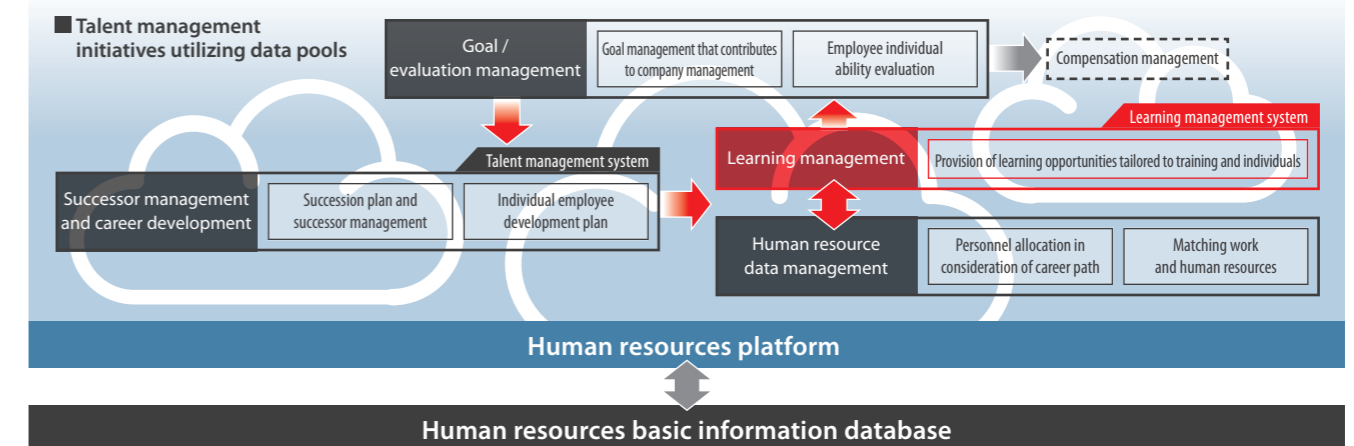
**Mogi:** As for mixing diverse talent together, I would add that we are focused on building a systematic structure for staff rotations as part of our human resource strategy. We are also compiling talent management information into a database and considering using this data to match talent with the optimal business unit and role for them. Furthermore, in recent years we have prioritized creating an environment where employees are highly motivated and enthusiastic about their work. By connecting the talent

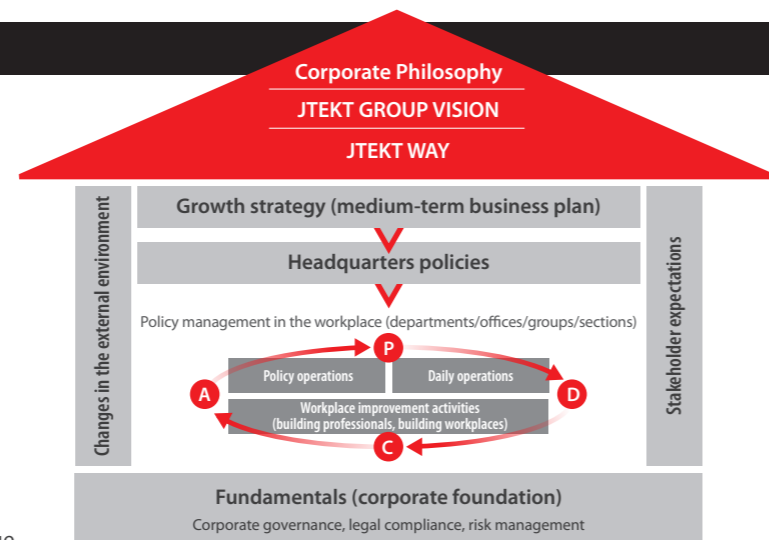
management information database I mentioned with a training system, we are able to create interactive learning tailored to each employee. We intend to promote the use of this data pool going forward.

**Sano:** To ensure that everyone in the manufacturing divisions is heading toward the same targets globally, I believe it is important to have lateral coordination by sharing information and exchanging talent among plants. In concrete terms, we are holding global conferences, bringing overseas employees to Japan to participate in training and actually work on site in Japan. Such employees will take the knowledge, skill, and human networks they gain through such experiences back to their home countries and expand on them. I get the sense that such personnel movement and exchanges have become more prevalent.

**Okamatsu:** Sustaining competitiveness is one key to a company's survival. We are fortunate that JTEKT has many proprietary technologies and can boost its competitiveness by working hard to improve its own technologies while its suppliers apply themselves toward improving theirs.

In addition, we have placed purchasing professionals in each of our key overseas markets, and this enables regions that possess a certain technology to support those regions that do not. We are thus able to perform the same activities anywhere in the world. I aim to strengthen this structure for the global management of purchasing and thus respond to the demands of the new era.





Management model

### Issues facing JTEKT and its response

**Moderator:** As JTEKT leverages and improves upon its unique strengths, I believe there are some areas in which it can improve. Please share your thoughts in this regard.

**Sano:** At present, investment outflows have been rising due to an increase in various projects under way and are having an impact on our profitability. Under such conditions, it is critical for us to consistently achieve the targets for each project. As such, the entire company is working under the leadership of President Agata to build manufacturing lines that produce the maximum impact on earnings from the moment that mass production begins.

Additionally, we have made considerable progress raising productivity through automation and by reducing the number of staff working on the manufacturing floor.

**Okamatsu:** While the number of global projects has risen in recent years, we must offer an advantage over our competitors in attributes other than just price. Costs are the most difficult aspect of purchasing, but this is the same for all companies. In my opinion, cutting lead times until product delivery to the greatest degree possible will be important to capturing business opportunities going forward.

**Kaijima:** I believe speediness is what is lacking most in Japanese companies today, including ours. Japanese are not keen to “buy speed” in business. Our overseas competitors buy time by acquiring what they need through M&A and seek out talented individuals through headhunting. I think it is critical that we do not adhere to a go-it-alone mentality.

**Mogi:** With respect to shedding a go-it-alone mentality, we recently have been actively participating in university-sponsored symposia and alliances among industry, government, and academia while encouraging open innovation. Among other examples, we are contributing to regional revitalization by working with local government organizations and research institutions. Going forward, I would like to further expand our ties with external parties.

### How to become a unified global organization

**Moderator:** Where do you think JTEKT should focus, including addressing the issues you spoke about, as it works to become a unified global organization?

**Kaijima:** The medium-term business plan has the signposts to guide us toward reaching our targets. I emphasize the PDCA<sup>4</sup> cycle the most when performing tasks in implementing the plan. I work toward ensuring a thorough understanding worldwide and at all affiliated companies of how JTEKT does business, including the JTEKT WAY.

**Sano:** JTEKT has set the same key performance indicators (KPIs) for its global business and presented them in a way that is readily understandable. We aim for a common understanding of our issues and conduct benchmarking to learn from the strategies and initiatives of leading companies. We strive to develop our talent by incorporating the best practices of other companies in our PDCA cycle and continually improving our activities.

**Mogi:** I believe JTEKT’s strength is the importance placed on *genchi genbutsu* (go and see for yourself) to promote shared values and recognition of issues. I feel it is important to continue to preserve this corporate culture.

**Kaijima:** In the sales divisions, we are implementing “multi-perspective sales” as a combination of both communication and *genchi genbutsu*. We aim to have multiple points of contact with our customers. For example, connecting our functions to those of the customer: the customer’s purchasing division and our sales division, the customer’s development division and our engineering division, the customer’s manufacturing division with our quality division, and so forth. We do this fairly intentionally, since increasing the points of contact we have with our customers leads to broader business opportunities.

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

### The ideal form for each business unit

**Moderator:** From the discussion thus far, we are able to understand what JTEKT is focusing on as a global company and the initiatives under way in the areas under your direction. Let us turn now to the future. Please describe your thinking as to the ideal form for your business area.

**Kaijima:** In these highly uncertain times, I think leadership is particularly expected of the sales force at the front lines in feeding back what has been learned from customers and thinking of ways to address the customers’ requirements with internal parties. Toward this end, everyone needs to become more attuned to what is happening outside the company. It is important to aggressively seek out information and learn and internalize it independently. The company also needs to provide its people with learning opportunities.

**Mogi:** I think we should be aiming for a workplace where employees work enthusiastically and are contributing to society. We must embrace diversity to make this happen. In the area of human resources, I feel we must strive to address each employee individually with as much attention to detail as we can since each employee has different fields where they can express their skills and workplaces where they are able to thrive.

**Sano:** I believe we need adaptability to change. Our basic strength in *monozukuri* is the foundation of acquiring adaptability, and we will therefore continue working to fortify this basic strength as the foundation for flexibility in manufacturing. We also need to shrink lead times, as shortened lead times result in a perception of speed and increases our adaptability to various changes.

**Okamatsu:** In the purchasing division, we set the “JTEKT WAY in Purchasing” as our policy five years ago and follow this together with purchasing staff at all local subsidiaries. The core concept of this policy is to “create a structure for supplying the best quality at the lowest price in a timely fashion,” and so I do not expect this to change in the future.

Going forward, we may add “information” to this policy. For example, we plan to use IoT<sup>5</sup> to acquire information on parts from the suppliers of our supply chain before they are delivered. We can create even better products by using such information to set up the next step in the workflow or fine-tune processing in advance. By setting up such linkages I believe we can all but eliminate defects within our processes, which in turn will heighten our competitiveness. This may seem like a fantasy, but I have a vision that our structure will be enhanced in such a way in the future.

### The company that JTEKT should become in the future

**Moderator:** To conclude today’s discussion, please comment from a long-term view on the company that JTEKT is aiming to become in the future, and what is important in making this a reality.

**Kaijima:** Our customers also seem to lack confidence as there is no clear outlook for the future. This is exactly why we would like to be the company our customers consult with first saying, “if we are going to consult someone, it will be JTEKT.” Toward this end, I would like to build a corporate image as a company “that is a good listener,” “is able to respond from a broad perspective,” “offers good insights and proposals,” and “has extensive capabilities and makes products with care.”

**Mogi:** President Agata often says “catch ground balls hit between the shortstop and third base” as a metaphor when speaking. In other words, it is important to continually take the initiative to resolve issues and have a mind-set that is always focused on self-improvement. If our people have such a mind-set, I believe we will be able to adapt to any change in society or the world at large.

**Sano:** Recently, President Agata has been saying, “catch all the ground balls,” not just the ones hit between the shortstop and third base (*laughs*). After all, I think within the JTEKT WAY it is important to have a strong sense of ownership. I believe JTEKT will grow stronger if we have more talented people who can think and act on their own.



5. Internet of Things: Automated recognition, control, and remote measurement of information and communications equipment, including not only computers but also every other electronic device with communications functions that are connected to the internet and communicate with each other