

# JTEKT *Reborn*

## Four Perspectives for Creating New Value

We invited four outside directors and Audit & Supervisory Board members to share their thoughts on the challenges and their expectations for the new medium- to long-term business plan, JTEKT Reborn.



**Takao Miyatani**  
Independent Outside Director,  
Member of the Board

**Iwao Okamoto**  
Independent Outside Director,  
Member of the Board

**Takashi Yoshida**  
Independent Outside Member of  
the Audit & Supervisory Board

**Yumiko Sakurai**  
Independent Outside Member of  
the Audit & Supervisory Board

### A Plan a Bit Different from Before

As outside directors and Audit & Supervisory Board members, you are involved in JTEKT's management from an objective perspective. Please share your frank opinions about JTEKT today from your respective standpoints.

**Okamoto:** JTEKT's new medium- to long-term business plan was announced this fiscal year. The previous medium-term business plans left the strong impression that they were not truly JTEKT's plans, but merely bottom-up compilations of the business plans of each business unit. But I think the new plan is significant in the sense that it provides a firm vision of where the entire company will be in 2030, and clarifies the issues that need to be addressed in the three years ahead, backcasting from the ideal future state. I also appreciate that through this process, the corporate functions of the Corporate Division have been strengthened under the leadership of President Kazuhiro Sato.

**Sakurai:** I had always felt the same way as Mr. Okamoto. The only thing I used to receive in the name of companywide plans were those for individual business units, so I would ask the question, "Don't you have a companywide plan?" When I saw the new companywide medium-term plan, I was finally convinced of the direction JTEKT as a whole is heading.

**Miyatani:** You are both spot on. I would like to take this opportunity to offer a somewhat stern opinion. The slogan "One JTEKT" has been emphasized continuously since President Sato took office. In the medium- to long-term business plan, the phrase "a true merger" is also used. Since those have yet to be fully realized, it is never wrong to start again from there. Still, it is a fact that 15 years have already passed since Koyo Seiko and Toyoda Machine Works merged. I think that those involved need to reflect hard on the need to raise such a banner despite all this time elapsing. I would like everyone to have the strong

determination to finally complete the merger at all costs and move forward as the last time such slogans are needed.

**Yoshida:** Let me next highlight a positive. The Head Office relocation was resolved at the Board of Directors' meeting in July 2020, and the move to Kariya City was completed in December of that year. I thought President Sato's agility, as well as the organization's firm response to it, was something to behold. In terms of issues to be addressed, this is related to the earlier discussion about the companywide versus business unit plans, but I think that if the functions that enable the Head Office to provide strategic support to each business unit can be strengthened a little more, it will lead to an inherently stronger company.

**Sakurai:** I applaud JTEKT for taking governance extremely seriously, including compliance with laws and regulations. Yet, in the case of JTEKT, there are so many Group companies, including subsidiaries and sub-subsidiaries, that it can be difficult to monitor them, especially overseas, although internal audit departments have been established within the regional headquarters. I feel there is scope for improvement and further consideration in this area.

### Nurturing Dreams and Aspirations as Professionals

Mr. Miyatani, you raised some tough questions regarding One JTEKT, but at the same time, I feel that there is a key point embedded there for JTEKT to evolve. Could you tell us a little more about your thoughts on this?

**Miyatani:** The fact that this point has remained an issue since the merger suggests that there is something wrong with the way things are being done. Just because companies merge on paper or their organizations are realigned does not mean they are united as one. No

synergies emerge simply by pushing two sides to cooperate with each other. Employees may have a general understanding of the big picture and overall direction, but may not know how they should act.

For people to start cooperating with one another, I think it is necessary for all employees to have more concrete dreams and aspirations as professionals. A person who have these attributes will face the problem in front of him or her with sincerity, over and over again. When faced with a problem that they cannot solve on their own, they will naturally look for teams and people who have the necessary skills and experience to solve the problem. They will try to gain cooperation across different business units and departments with the conviction that they can solve the problem if they work together. As such movements gain momentum, I believe the merger of the two companies will create synergies that only JTEKT, with its diverse technologies, can provide. In my mind, this is "a true merger" and will be JTEKT's strength.

I recall President Sato telling participants at a Strategy Meeting to forget about their area of responsibility and your parent organization for the moment, and express their opinions frankly. In these meetings, we have fundamental and in-depth discussions, which result in coming up with and remembering the meaning of our work and the values we want to achieve through it. It may be a bit of a roundabout way, but I hope that such processes will instill professional dreams and aspirations in the minds of our employees, which in turn will accelerate the movement toward One JTEKT.

Mr. Okamoto and Ms. Sakurai commented from their respective positions as director and Audit & Supervisory Board member on the new medium- to long-term business plan, saying they appreciate the fact that a companywide plan has been formulated. Going forward, I think JTEKT will be truly called upon to demonstrate its ability to execute the plan effectively.

**Okamoto:** That is exactly right. I think it is important to share quantitative targets for lowering the break-even point as a companywide goal, and to visualize them in terms of businesses, segments, and areas, as an indicator

of where the company is now.

I think it is difficult to discuss and produce results as a Group if there is not a common yardstick.

**Miyatani:** I agree. If as a result the numbers for each division are not disclosed, the seat of responsibility will be unclear. And if it remains unclear, JTEKT will not be able to see the results of its radical business restructuring efforts.

**Sakurai:** Mr. Uchiyamada and Mr. Wakabayashi, from their respective positions as director and Audit & Supervisory Board member, have made some stern but constructive comments about how to set goals, build a system of responsibility for achieving them, and set follow-up mechanisms, both at Board of Directors' meetings and at briefings held the day before the Board meetings where all the outside directors and outside Audit & Supervisory Board members gather. I always feel that their opinions, although on the surface are stern, are filled with expectations and affection for JTEKT, and that is why their comments carry so much weight.

### Leeway and Play Are Needed to Create New Value

What are the issues you are focusing on or expecting to be addressed in this era of rapid change and diversification, which is often referred to as the new normal or the age of uncertainty? In particular, carbon neutrality is an unavoidable theme for the automotive industry. Do you think the approach will be different for short-term initiatives and long-term issues?

**Okamoto:** In recent years, trends such as carbon neutrality and DX have emerged that can serve as a driving force for the entire world, transcending national boundaries and industry lines. I hope that JTEKT will take this opportunity to make a great leap forward.

JTEKT can attack carbon neutrality from two fronts. One is an extension of JTEKT's past initiatives to reduce CO<sub>2</sub>

## Discussion with Outside Management

emissions by developing and providing products that are lighter, smaller, and boost fuel efficiency. JTEKT needs to steadily continue moving forward on this front. The other is to further strengthen its energy-saving efforts and expand the use of CO<sub>2</sub>-free renewable energy and hydrogen to reduce CO<sub>2</sub> emissions from its production and distribution activities. In the case of hydrogen, it is prone to leakage and bulky, so equipment and systems that can store it under pressure and use it efficiently are needed. JTEKT has been working on high-pressure hydrogen supply valves and regulator valves for FCEVs<sup>\*1</sup>, but it must work even harder to address such demand in the future.

Offshore wind power generation is coming into its own in Japan, and JTEKT expects to be able to make significant contributions to this field by utilizing its knowledge in bearings and machine tools to develop the necessary facilities and equipment, and by supplying products that integrate hardware and software.

**Miyatani:** The latter is particularly important. Yet if proceed with initiatives as in the past assuming existing functions roles such those carried out by business divisions and departments in charge, individual optimization is likely to proliferate and lead to higher costs.

That's precisely why we need to go beyond the existing paradigms and think about total optimization on a new level, and I expect the Carbon Neutral Strategy Department, newly established in August 2021 and reporting directly to President Sato, to fulfill this role.

Another aspect I would like to mention is that to accomplish such discontinuous innovation, you need a certain amount of flexibility and leeway. Since it is costly and time-consuming to actually tackle discontinuous innovation, the question is how to generate resources. That said, as talent develops within the company and JTEKT gradually gets leeway, it will be able to make decisions that look out to the horizon and not just at near-term costs. If employees with dreams and aspirations can think with some leeway, they can create innovative, next-generation products. Of course, we should work hard, make improvements, and reduce costs, but it is important to think with the mindset of "it would be nice if we could do this" and other stretch ideas and discuss them in meetings, including the Strategy Meeting. By finding employees with new dreams and aspirations through this process and providing them with successful stories, it will lead to the development of talent able to make decisions with foresight. I hope that this kind of cycle is started.

**Yoshida:** I think it is important to manage productivity by estimating the number of man-hours required to perform each task and try to keep within that range. I concur that new and innovative things are born from having leeway and play, in the sense of that found in steering wheels.

**Sakurai:** I believe that the positioning of JTEKT's version of the TQM Basic Principles as a guideline for creating a framework and developing talent is another point that can be lauded from a long-term perspective. It is clear that JTEKT does say business is business, social contribution is social contribution, and so forth but rather views quality not only in terms of direct customer satisfaction but also in terms of its value to the earth and society. I believe this profoundly reflects President Sato's belief in the importance of the concept of "tree-ring management."



### Expectations for the Further Advancement of Women and Products in New Fields

Lastly, please tell us about the issues and expectations facing JTEKT to increase its corporate value and achieve sustainable growth.

**Yoshida:** The most significant reason for the decline in net sales in fiscal 2020 was the impact of the COVID-19 pandemic, but I believe this was the beginning of a true sense of urgency. Since President Sato took office, JTEKT has been able to clarify various issues and has come up with a firm direction for the company to work together as a unified force to address them.

**Sakurai:** We worked very closely together in the process of formulating the new medium- to long-term business plan, and I feel that we have achieved a high degree of perfection as a result of everyone's efforts. For this reason, we need to make sure that we don't just create a plan and think our job is done. This will depend on the drive of those who practice and implement it, so I sincerely have high expectations.

As for sustainability, there are many themes, such as climate change and diversity, but I would like to see women play an active role. In JTEKT's case, due to the nature of its industry, it tends to be perceived as a male-dominated workplace. However, when I actually visit factories, I recognize that female employees are working extremely hard and are exceptionally reliable. The



activities of women in the corporate departments are also noticeable. As for the technical fields, it may take some time, but I would like to see JTEKT continue to develop and advance the careers of female engineers and technicians. I believe this will be the driving force the company's

growth.

**Okamoto:** As a member of the Toyota Group, JTEKT's main business is undoubtedly OEM business related to automobiles. But the company is also producing new products such as highly heat-resistant lithium-ion capacitors<sup>\*2</sup>, which are revolutionary energy storage devices; the J-PAS Power Assist Suit<sup>\*3</sup>, which helps people carry heavy loads and move around in response to the aging society; and the Electric Assist & Training Walker<sup>\*4</sup>, which supports independent walking. We have also established a new company, Factory Agent, as a platform to help small and medium-sized manufacturers with matching and to help solve their problems. The four of us

\*1 Fuel Cell Electric Vehicle \*2 A capacitor that increases energy density by adding lithium ions to the negative electrode material of a capacitor with an electric double layer of positive and negative electrodes. \*3 JTEKT's Power Assist Suit \*4 A walker with a physical training function designed to enable independent movement.

here and the other outside directors and outside Audit & Supervisory Board members are usually extremely critical of these development activities, questioning whether there is adequate cost-consciousness, but at the same time, we are very encouraged and proud that JTEKT is making products that have social significance and potential.

**Miyatani:** I believe it is people with passion that are the movers in society. I hope that JTEKT will not hamper employees with dreams and aspirations, but will provide them with opportunities to grow, and that the company will be reborn as an organization that produces a succession of talent who will lead JTEKT in the future. If it does that, I see a bright future for JTEKT.

Thank you all for your time today.

