

CSR Management

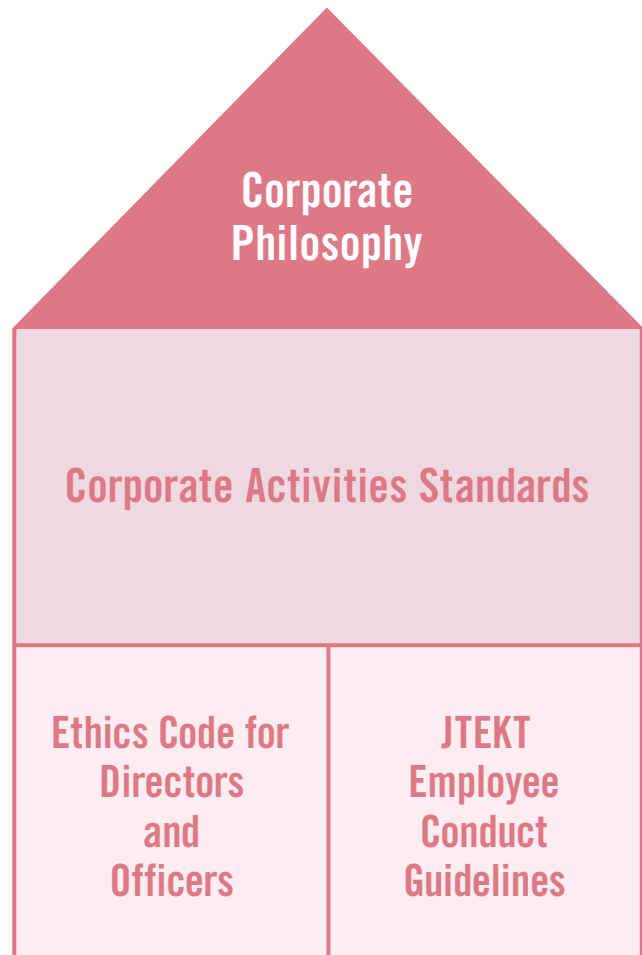
In this section we will introduce what policies and frameworks are being used to manage and promote CSR in order to realize the JTEKT CSR concept. We have also listed activities results and issues in FY2011.

→ P9 Related article

CSR Policy	24
Corporate Philosophy	
Corporate Activities Standards	
Ethics Code for Directors and Officers	
JTEKT Employee Conduct Guidelines	
CSR Promotion Structure	26
The foundation supporting CSR	27
Corporate Governance	
Compliance	
Risk management	
FY2011 CSR activity results and issues	30

CSR Policy

JTEKT's CSR Policy comprises of the Corporate Philosophy, Corporate Activities Standards, Ethics Code for Directors and Officers, and Employee Conduct Guidelines.



CSR Policy

The JTEKT group, in order to fulfill its mission of “contributing to the happiness of people and the abundance of society through product manufacturing,” seeks to carry out business activities in harmony with the economy, society, and the environment. As a good corporate citizen, we will continue activities to obtain the further trust of stakeholders and contribute to the sustainable development of society and the environment. We also share this idea with our business partners in the anticipation they will follow our lead.

Corporate Philosophy

Corporate Purpose

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

Management Stance

1. Create new value and provide society with joy and inspiration on a broad scale.
2. Aim for growth in harmony with society through innovative operations on a global basis.
3. Create a bright, energetic corporate atmosphere based on respect for people.
4. Strive toward the realization of safer, more abundant living circumstances.

Corporate Activities Standards

1. Follow proper business practices and engage in fair, transparent and free competition based on a respect for the law.
2. Derive concepts from the market, provide the best in quality, technology and service, and obtain the satisfaction and trust of customers.
3. Carry out global environmental improvement activities proactively and aggressively with deep awareness of their being an important corporate mission.
4. 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.
5. Maintain close communication not only with shareholders but also with society at large and disclose corporate information properly.
6. As a good corporate citizen, aggressively pursue activities that contribute to society.
7. Follow international rules, observe the laws, cultures and customs of countries and regions where we have operations, and seek to contribute to their growth.

Ethics Code for Directors and Officers

The Ethics Code for Directors and Officers was established in April, 2008. It is the equivalent to conduct guidelines for directors and corporate officers. This ethics code comprises of 11 clauses including “Ethical conduct in good faith”, “Compliance with laws and regulations” and so on to insure that laws are complied with. Moreover, another objective of this ethics code is to encourage employees to observe laws by directors setting examples.

Configuration of the Ethics Code for Directors and Officers (excerpt)

- | | |
|-----------|--|
| Article 5 | Ethical conduct in good faith |
| Article 6 | Compliance with laws and regulations |
| Article 8 | Reporting of illegal and unethical actions |
| Article 9 | Responsibility to comply with the Code |

JTEKT Employee Conduct Guidelines

The JTEKT Employee Conduct Guidelines uses straightforward language to set out the basic frame of mind and directives for employee activities in order to achieve JTEKT’s corporate philosophy and become the company JTEKT is aiming for. It was established in April 2006 and revised in June of 2008.

Directives are featured on the JTEKT intranet and the CSR HANDBOOK issued January, 2011. A pocket version which can be carried easily was also distributed to reinforce and spread CSR to all employees.

Configuration of the JTEKT Employee Conduct Guidelines

- | | |
|-----------|--|
| Section 1 | Employee’s relationship with the company |
| Section 2 | Employee’s work in the company |
| Section 3 | Employee’s relationship with society |
| Section 4 | Employee’s personal activities |

CSR Promotion Structure

Systematic promotion of CSR activities

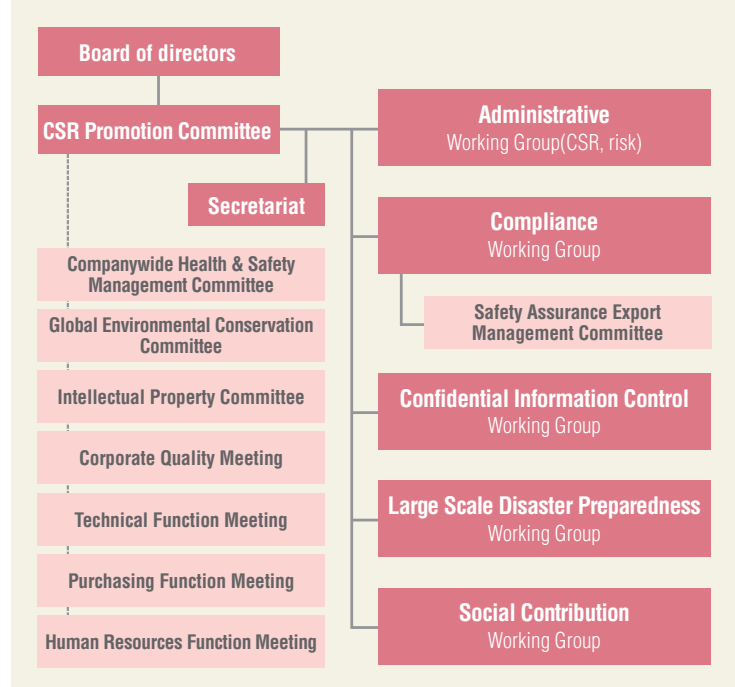
Regular inspections of CSR activity status are conducted by the CSR Promotion Committee. The CSR Promotion Committee is chaired by the company president and was established to systematically promote CSR activities on a companywide and group-wide basis. This organization also discusses how best to accomplish the missions of fulfilling the corporate philosophy and controlling risk through CSR activities from many angles. 18 domestic compliance officers and directors from 11 major domestic companies attended a committee meeting held March, 2012 and discussed measures to reinforce compliance within the JTEKT group.

→ P5 Related article

Specialized working groups

Specialized working groups have been established to form and carry out action plans for the various important topics of compliance, confidential information control, and disaster preparation and response.

Outline of the structure



● Administrative Working Group	Plan and monitor the progress of CSR activities, regularly assess risk countermeasures and evaluate risks.
● Compliance Working Group	Raise awareness and reinforce the need for compliance with laws, internal rules, and business ethics
● Confidential Information Control Working Group	Assess and improve in accordance with guidelines and strengthen structures and systems concerning information security.
● Large Scale Disaster Preparedness Working Group	Strengthen buildings and equipment to withstand disasters, prepare and revise manuals for early recovery, etc.
● Social Contribution Working Group	Promote social contribution and volunteer activities

CSR activities in each department, companywide

At JTEKT, CSR activities are promoted by the specialized committees and working groups operating under the CSR Promotion Committee. Individual departments decide upon their annual CSR targets and promote these in a planned manner using the PDCA cycle (*).Through this framework, JTEKT aims to vitalize and firmly establish CSR activities throughout the JTEKT group.

From FY2011, activities to raise awareness towards CSR in individual departments have been strengthened by adding more items emphasizing CSR to our global company policy.

→ P20-21 Related article

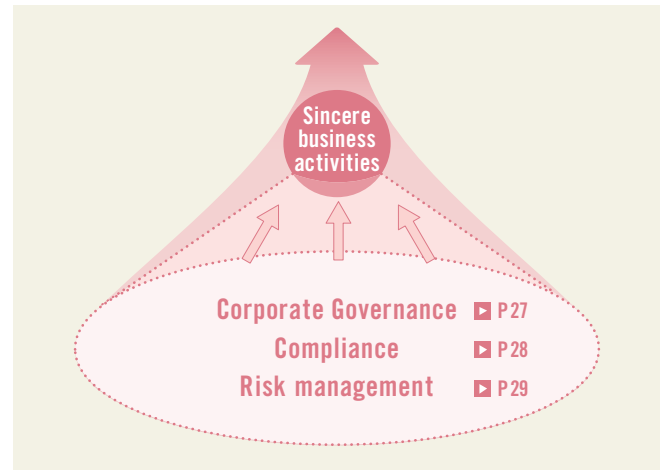


* **PDCA cycle** PDCA is a management tool for continuously improving work by repeating a Plan-Do-Check-Action cycle.

The foundation supporting CSR

The 3 pillars of sincere business activities

At JTEKT, we believe that the continual implementation of sincere business activities is important for the promotion of CSR. One thing that is essential to sincere business activities is a highly transparent, healthy management style that observes statutory and social norms. The three pillars, “Corporate governance”, “Compliance” and “Risk management”, are positioned as important mechanisms to achieve this. All of these three have been emphasized in recent years in all corporations however the important thing is whether they are actually being implemented or not. In order to use these 3 pillars effectively, JTEKT makes numerous improvements such as ongoing revisions to the CSR Promotion Structure, etc.



Corporate Governance

Basic concept

Management transparency improves corporate value

In order to fulfill our social responsibility and continuously improve our corporate value, we have established an internal control system. We strive to improve our management transparency and secure ample accountability for all our stakeholders.

Promotion structure

In the name of global governance

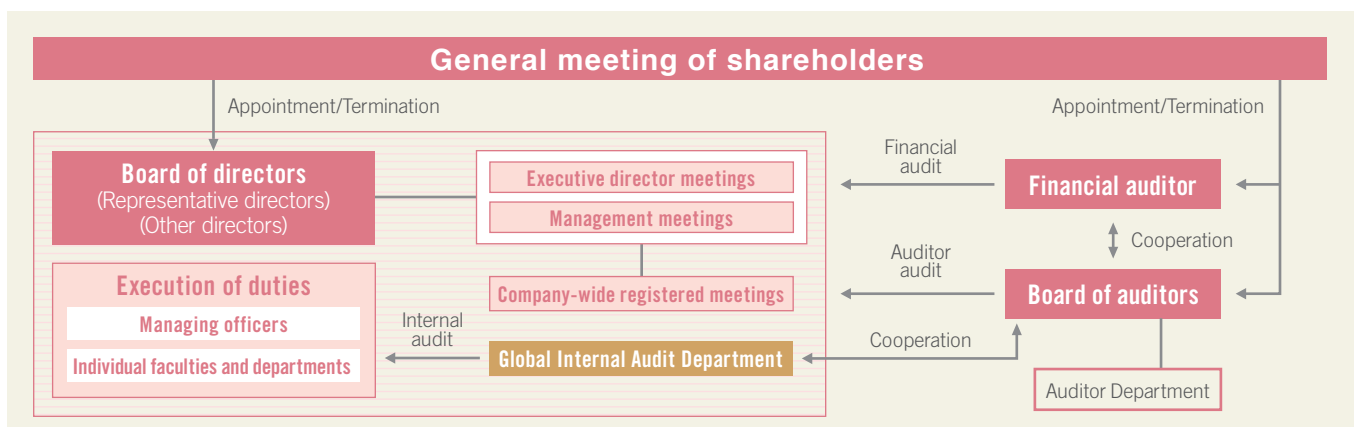
At JTEKT, a board of directors meeting is held every month in order to make management decisions and monitor directors’ execution of duties. Also, as sub-mechanisms to the board meeting, executive director meetings, management meetings and companywide registered meetings are held which monitor execution of duties by corporate officers.

As a means of monitoring management, we have adopted an auditor system consisting of five auditors, three of whom are external, who audit the directors’ execution of duties.

Internal audits are conducted by an independent Global Audit Department who audit the adequacy and lawfulness of overall operations. The auditors, financial auditors and Global Audit Department liaise together and hold regular discussions. (See below figure)

Also, JTEKT maintain and operate an internal control system in line with the Financial Instruments and Exchange Act and Companies Act. In FY2011, we strengthened our auditing framework globally by appointing compliance officers both in Japan and overseas as well as establishing audition departments in North America, Europe, ASEAN, India, China and Mid/South America. Furthermore, we strengthened internal control by rolling out management control guidelines.

→ P5 Related article



The foundation supporting CSR

Compliance

Basic concept

Every individual makes decisions and acts correctly in line with Corporate Ethics

JTEKT believe that realizing the corporate philosophy is an essential condition for compliance as the premise and foundation supporting CSR. Not stopping at mere law observance, in order to fulfill corporate philosophy and social responsibilities we have established a "Compliance Standard", "Ethics Code for Directors and Officers", "Employee Conduct Guidelines" and so on.

Promotion structure

Construction of a new compliance promotion structure

In November of 2011, the Compliance Promotion Department was formed as an organization to promote compliance. In liaison with compliance working groups, this department is responsible for rolling out compliance activities. Moreover, for any problems or doubts related to sales activities, an Anti-Monopoly consultation desk was set up. This desk deals with one case per week and responds on an as needed basis.

→ P5 Related article

Group company promotion structure

This same promotion structure is adopted by our group companies, both in Japan and around the world, and activities are promoted in response to the characteristics of each country, region and company.

Training and educational activities

Promoting and reinforcing awareness of all employees

We engage in activities every day which aim to raise employee awareness so they reflect CSR in their daily tasks.

Periodic compliance workshops at each workplace

The legal department does rounds of individual workplaces and carries out training mainly targeting sales departments.

→ Held training from October to December 2011 for sales departments in 16 business locations, with a total of around 650 participants.

Compliance training by category

Training is carried out for executives, employees who have been promoted to leadership positions, employees who have become supervisors and new employees.

E-learning

Held e-learning classes on the Anti-Monopoly Act, Contractors Act, and confidentiality control for all employees belonging to sales departments. We also held these classes for the major sales departments of our domestic group companies. We plan to hold e-learning classes for all employees in the future.

Internal reporting system

21 cases reported and handled in FY2011

The JTEKT corporate ethics consultation desk was established so that employees can report problems or doubts related to compliance. The helpline consists of an Employees Opinion Box and a Corporate Ethics Helpline. In FY2011, 21 cases were reported and handled.

2011 breakdown

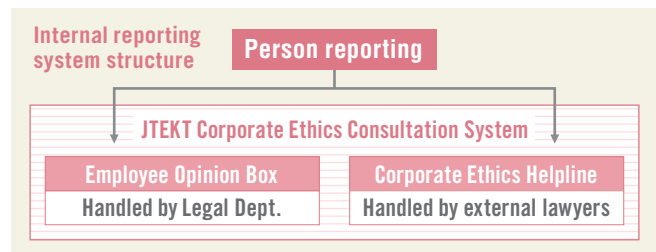
Rule violation	2
Personnel system	8
Workplace communication	11
Total	21

Proactively promoting employee usage

JTEKT proactively raises employee awareness of the consultation desk available to them through the company newsletter, intranet, etc. We introduce specific compliance cases in the Employee Conduct Guidelines and encourage people to speak out.

Internal reporting system

FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
19 cases	31 cases	22 cases	29 cases	21 cases



* The internal reporting system is being rolled out to group companies, both domestic and overseas.



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Always acting with an awareness of compliance

In the legal department, we hold discussions, spread information via the database and post articles in the company newsletter to teach people about compliance from all angles. Also, as the legal department, we proactively participate in external lectures and seminars to share information, acquire knowledge and improve training methods. We aim to be a legal department that other JTEKT employees can rely on and trust.

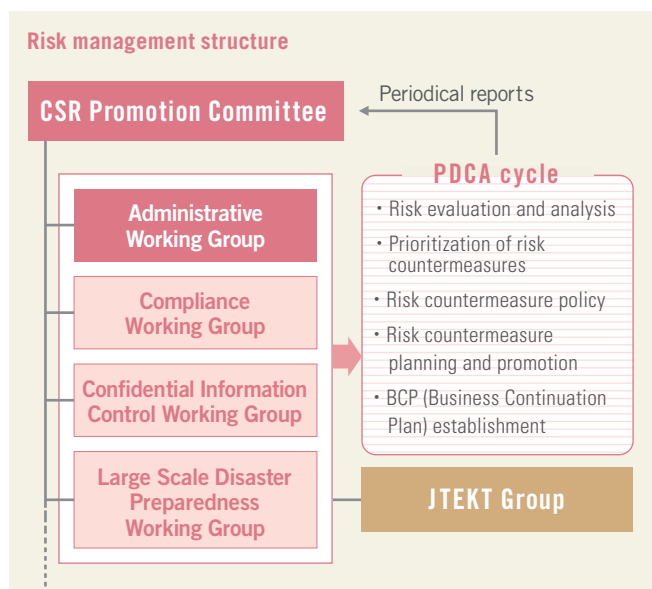
The foundation supporting CSR

Risk management

Basic concept

To continue business activities all the time, under any circumstances

In order to continue business activities uninterrupted, JTEKT constantly engages in actions to prevent accidents and countermeasures to minimize damage in the unlikely event of a crisis. In light of the impact the Great East Japan Earthquake of March 11th, 2011 had on business activities, we have further strengthened risk management frameworks.



Promotion structure

Promote countermeasures based on a companywide organization

The companywide, horizontal organization, CSR Promotion Committee, selects risks, etc., that affect business activities, the environment and safety. Each Risk Management Department then formulates measures for prevention, countermeasure and recovery assuming such risks. Ongoing revisions are made in response to changes in the external environment and the level is constantly improved.

Ongoing revision of risk management

Implemented in FY2010

Selected 54 risk items. Established Risk Management Departments for each item to work on prevention and alleviation measures.

Implemented in FY2011

Countermeasures are ongoing. Reevaluation of each risk. Considering revision of information transfer routes and internal rules in response to changes in the external environment.

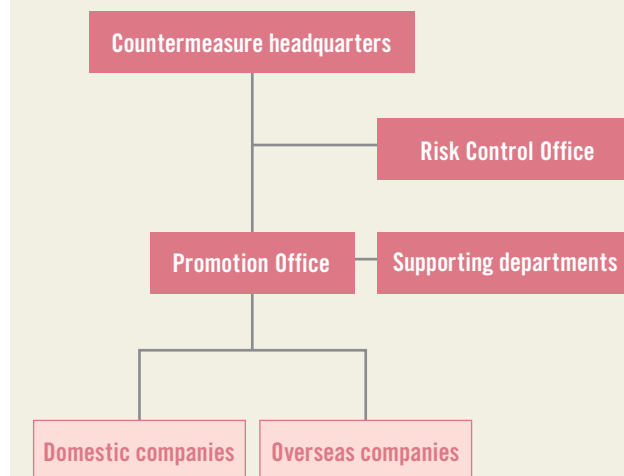
FY2012 plan

Rolling out risk management to domestic and overseas related companies and aiming to minimize risk across the whole JTEKT group.

Framework in the event of risks affecting the whole company

In the event of a risk occurring such as a large scale disaster, etc., which would affect the whole company, a task force is set up to respond to risks.

Crisis-management system (at risk manifestation)



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Corporate Planning Dept.
Corporate Administration Group



Risk management must be reinforced

FY2011 was a year full of natural disasters such as the Great East Japan Earthquake, the Thailand floods, and typhoons. This spate of disasters exceeded our assumed risks and the likelihood of a large scale earthquake occurring at some point in the future is even greater. I believe that actions to further strengthen and maintain risk management are an essential part of CSR. "To be forewarned is to be fore-armed". Damage can be minimized by always being prepared. In light of the disasters of 2011, JTEKT is examining risk countermeasures for earthquakes, etc., together with the Toyota group and related departments.

FY2011 CSR activity results and issues

We have grouped the CSR activities of FY2011 into individual themes.
From this, we will extract issues to be addressed in future activities.

		Themes	CSR activity items	FY2011 activity results and issues	Featured page
Management		ESR (*)	Promoted CSR awareness amongst employees	<ul style="list-style-type: none"> Distributed CSR Reports and Awareness Sheets to all employees and reinvestigated duties of each workplace that had become second nature from a CSR perspective. Individual employee awareness is an issue 	20 21
		Corporate governance	Maintenance and improvement of the system	<ul style="list-style-type: none"> Established auditing departments in six major overseas locations As of March 2012, JTEKT group's internal control over financial reporting was judged as effective (Disclosed in the June 2012 internal control report) 	27
		Compliance	Spreading compliance	<ul style="list-style-type: none"> Appointed compliance officers and established a Compliance Promotion Department Carried out compliance training and e-learning focusing on sales departments Established compliance promotion framework in group companies 	5 28
		Risk management	Enhancement and operation of overall frameworks and systems	<ul style="list-style-type: none"> Identified and evaluated Organization of the risk communication network and awareness enforcement are issues 	29
Action aimed at the community	Customers	Customer first (quality, lead time, product development)	Enhancement, operation of companywide structures and frameworks relating to quality improvement	<ul style="list-style-type: none"> Implemented a customer satisfaction test and shared issues throughout the entire company Engaged in companywide action to improve customer satisfaction 	32 33
			Improvement of product quality	<ul style="list-style-type: none"> Quality milestone control for all phases from planning to development, design, production preparation and production itself. Ongoing promotion of TQM activities Began construction of a test course 	18 33
			Improvement of work quality	<ul style="list-style-type: none"> To roll out SQC activities established a special-purpose credibility course targeting engineering departments. Compliance with ISO26262 	18 33
	Business partners	CSR activity promotion	Rolling out to the supply chain	<ul style="list-style-type: none"> Requested strengthening of CSR and reinforcement of safety in the procurement policy briefings held in Japan The JTEKT Cooperation continued quality management events and workshops in an effort to further improve quality. 	34
	Employees	Good labor-management relations	Building mutual trust through labor-management discussion	<ul style="list-style-type: none"> Continuation of discussions between management level and employee representatives 	35
		Respect for equal opportunity and diversity	Supporting participation of disabled persons Promoting employment	<ul style="list-style-type: none"> 1.86% employment (Observe the percentage of employees required by legislation [1.8%]) Further expansion of occupational range is an issue 	37
			Employee work satisfaction and self-development support	Senior employee work support	<ul style="list-style-type: none"> "Iki-iki 60 Committee" (Workers and management discuss work for employees aged 60 and above) Reemployed approx. 99% of age-limit retirees
		Securing health and safety	Workplace incident prevention and environmental improvement	<ul style="list-style-type: none"> Shared safety awareness and created workplaces where people warn each other about unsafe behavior Global roll out of safety & hygiene management Eradication of all disasters/accidents remains an issue 	18 37~39

*ESR ESR is the abbreviation of Employees' Social Responsibility.

FY2011 CSR activity results and issues

		Themes	CSR activity items	FY2011 activity results and issues	Featured page
Action aimed at the community	Employees	Securing health and safety	Securing the health mind and body of employees	<ul style="list-style-type: none"> Carried out high stress workplace hearings and improvement activities Continuation of special health guidance Continued a quit smoking campaign in July, August 	40 41
	Local communities	Dialogue with local communities	Appraisal of problems through communication and response	<ul style="list-style-type: none"> Continuation of community discussions at all plants Held festivals at all plants 	42 43
		Social contribution activities	Contribution towards local communities	<ul style="list-style-type: none"> Held volleyball training as part of the Great East Japan Earthquake recovery Employees at JTEKT North American affiliates held a Christmas charity 	44
			People-nurturing	<ul style="list-style-type: none"> Solar car class for elementary school children Supported travelling classroom "Travel mechanisms of vehicles" 	43 44
	Supporting employee volunteer activities	<ul style="list-style-type: none"> Participation in volunteer activities for the Great East Japan Earthquake 	22 44		
Shareholders and investors	Information disclosure	Expansion of IR activities	<ul style="list-style-type: none"> Established a committee to disclose information and began information disclosure based on set procedures Implemented IR activities such as plant tours, etc. 	45	
Environmental action	Environmental management	Enhancement and operation of overall frameworks and systems	<ul style="list-style-type: none"> Formed an Environment Promotion Meeting and shared/rolled out improvement cases between plants Promoted activities based on the 2015 Environmental Action Plan 	46~49	
		Reduction of environmental risk	<ul style="list-style-type: none"> Zero environmental accidents Held emergency situation training including nightshift workers 	51 52	
		Environmental audits	<ul style="list-style-type: none"> Continued implementation of external and internal environmental audits (annually) 	52	
		Environmental education	<ul style="list-style-type: none"> Implemented environmental awareness education for employees as a monthly environmental event 	52	
	Business activities taking the environment into consideration	Development and design taking the environment into consideration	<ul style="list-style-type: none"> Promoted environmental design activities together with group companies 3R action 	12~16 53	
		Global warming prevention	<ul style="list-style-type: none"> Reduction of CO₂ emissions and basic unit Achievement of the 2020 objective for CO₂ emission and response to power shortages are future issues 	16 54 55	
		Efficient use of resources	<ul style="list-style-type: none"> Resource-saving through production improvement Set targets for the full recycle of waste 	56~58	
		Control and reduce environmentally burdensome substances	<ul style="list-style-type: none"> Promoted substitution to parts not containing PRTR substances (low content) Responded to overseas chemical substance restrictions 	59 60	
		Action towards preservation of biodiversity	<ul style="list-style-type: none"> Continued actions in connection with social contribution activities Added "Biodiversity Conservation Action Guideline" to the Green Purchasing Guideline 	61	

Please see page 46 for details on environmental action.