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## Moving dynamically towards a better future while constantly perceiving environmental changes

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JTEKT Corporation Company President

**Tetsuo Agata**

### Towards a stronger business foundation

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At JTEKT, we practice honest business activities with deep consideration to relations with our stakeholders, in order to fulfill our corporate philosophy of “contributing to the happiness of people and society through product manufacturing.” We believe that it is our corporate social responsibility (CSR) to strive to continuously improve our company value. In following this belief, we JTEKT are working to strengthen our business

foundation of safety, quality, environment, and compliance, as a *monozukuri* company.

First, our most important duty is guaranteeing the safety of our employees. Last year, a large number of workplace accidents occurred, including stumbling and falling during walking. A great percentage of these accidents had reoccurred from previous years. Realizing how critical the situation has become, this year we have formulated the Safety Vision of “‘Safety First’ No.1 JTEKT - We can eliminate all accidents!”. Led by all JTEKT officers, the leaders of each workplace are strengthening activities for building a safe, secure, lively and tidy workplace in order to eliminate work-related accidents, with the firm belief that accidents can be prevented.

Next, we newly established a “TOP Direct Control” system in September 2014 to further improve product quality, aiming for a brand that customers can trust and feel safe using. For our quality control system, we are implementing management of the benchmarks within each step leading up to planning, development, design, production preparation, and production. We are also working to improve the floor management of manufacturing sites. These activities are being developed with the utmost speed.

Regarding global environmental conservation, JTEKT is accelerating the enhancement of a globally based control system aimed at eliminating environment abnormalities at each JTEKT location. We have set new objectives for cutting CO2 emissions in the time between FY 2016 and FY 2020, and are considering participating in the fulfillment of “halving greenhouse gas emissions by 2050”, which is the goal of international society. We will also continue on with actions to enforce compliance amongst all directors, managing officers, and employees, conducting periodic checks on the status of enforcement to ensure improved awareness amongst all JTEKT members.

**Clarifying the “JTEKT Way” value cherished by each and every employee**

In achievement of our 10th year founding anniversary in January 2016, we will be newly formulating a “JTEKT Way” that can be described as an ideological foundation as well. To achieve our ideal, the JTEKT GROUP VISION of “Shaping a Better Future through the Spirit of “No. 1 & Only One”, we shall actively take in the good traditions and culture that have been passed down unbroken to us from our predecessors, Koyo Seiko and Toyoda Machine Works, and incorporate them into a new DNA. We JTEKT believe that, as individual employees are the creators of value, the greatest wellspring of competitiveness is the ability of each employee to work vibrantly with shared values

as a team, based on a relationship of trust born from mutual understanding of various cultures across the globe. As such, we are presently conducting opinion exchanges on a global basis, and working to clarify values that should be shared by all JTEKT members. We believe that widespread, thorough familiarization of these actions will firmly establish a “JTEKT-ness” that cannot be easily imitated, and contribute to improved corporate value, the happiness of people, and an abundant society.

**Steady progression of the mid-term management plan**

Although developed countries showed signs of growth stagnation last fiscal year, the slump within the world economy appears to have bottomed out, as seen in the steady recovery maintained by the United States, and the slow continuous recovery in Europe. The Japanese economy has steadily improved overall; however at JTEKT, a decline in demand from the automotive industry, due to backlash from the last-minute surge in demand before the rise in consumption tax, became evident last term. Amidst this situation, the JTEKT group has banded together to accelerate the mid-term management plan. At the end of FY 2014, evaluations regarding the progress of the plan and changes in the external environment were incorporated into and renewed within the plan for the next year onward. (\*)



In this way, we will establish a strong foundation not susceptible to change, and continue to grow as a truly global *monozukuri* company to contribute to the creation of an abundant society. We JTEKT sincerely appreciate your ongoing support.

**\* [Overview of mid-term management plan]**

**Automotive Systems business (Steering/driveline components)**

**Ideal**

Continue to challenge ourselves to become the all-time leading supplier in the market with the spirit of "World No.1" & "Only One", through delivering value to customers

**Main business strategies**

- ① Strengthen capabilities for global projects
- ② Accelerate core components strategy (column/MCU)
- ③ Expand business for downstream assist type electric power steering
- ④ Develop next-generation, high value-added products
- ⑤ Reorganize plants in North/Central America

**Bearing business**

**Ideal**

Follow the growth of the global market and strengthen business constitution

**Main business strategies**

- ① Structural reform / Reorganization of plants in Japan / Reorganization of overseas plants (Europe/China)
- ② Establish productivity and production engineering strength
- ③ Develop next-generation, high value-added products
- ④ Organize sales expansion framework for industrial machinery/market areas

**Machine Tools & Mechatronics business**

**Ideal**

- Genuine total production system integrator that is trusted by customers
- Provide values at all phases of *monozukuri*

**Main business strategies**

- ① Groundbreaking cost reduction
- ② Conduct sales activities with defined goal and enhance cooperation with dealers
- ③ Develop next-generation, high value-added products
- ④ Enhance global customer support

**Functional units**

**Financial basis** Cut interest-bearing debt and secure strategic funds

- ① Leveling of global cash
- ② Organization of retained assets and less profitable business assets
- ③ Create appropriate inventory      ④ Cut investment per unit

**Operational reform**

- ① Standardize and upgrade daily work among all the indirect departments of the JTEKT group

**Human resource development**

- ① Formation of a global succession plan (successor training)
- ② Organization of a company training system

**Actions to enforce compliance**

The JTEKT group underwent an inspection by the Fair Trade Commission in July 2011, and was consequently recognized as having violated the Anti-Monopoly Act. We JTEKT take this very seriously, and are engaging in policies to strengthen our compliance framework and raise awareness in each and every employee. The operational status of each policy is periodically checked and ascertained, and improvements are implemented through the reflection of opinions from work sites within the policies.

**Activity progress**

**[ Compliance check ]**

The management situation concerning compliance is periodically checked to elucidate issues within each workplace and each group company and raise awareness in all JTEKT members.

**[ Summary and deployment of case examples of compliance violations ]**

Each month, case examples of compliance violations (accidents/near-misses) which occurred within the JTEKT group are summarized and reported at management meetings. These summaries are rolled out to group companies to be utilized in reoccurrence prevention throughout the entire group.

**[ Training and educational activities ]**

We implement office compliance training (twice a year), rank-based training for promoted personnel, and mobile training for all sales personnel. We also publish a Compliance Letter each month targeting all employees, which includes case examples and quizzes on relevant legal problems. The Compliance Letter is utilized in educational activities within each workplace.

**[ Acquisition of testimonies relating to the observance of laws and regulations ]**

Since November 2011, testimonies regarding the observation of laws and internal regulations have been gathered each year by all personnel from JTEKT and JTEKT group companies. All employees vowed to observe laws and regulations in FY 2014.

**[ Reports concerning contact with competitors ]**

Since November 2011, all sales members are obligated to submit an application before making contact with competitors, and a post fact report after contact (all employees are now obligated as well). The Compliance Promotion Office receives the report and confirms the situation. A workflow was implemented in FY 2014 to streamline the reporting procedure.

**[ Anti-Corruption ]**

In June 2014, we introduced an Anti-Corruption Regulation, and issued an Anti-Corruption Guideline in January 2015. We work to familiarize all employees with this regulation and guideline through the transmission of administrative messages and instruction in all types of training.

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