

JTEKT CSR Management

- The CSR Report 2016 PDF is published with the aim of conveying the concept and activities pertaining to JTEKT's CSR in an easily understood manner. This report emphasizes objectiveness, completeness and continuity.
- Please refer to the JTEKT REPORT 2016 for information about JTEKT's business performance, business activities, planning, and strategy.
- For related articles:
M = JTEKT CSR Management F = Special Edition
S = Social Report E = Environmental Report
J = JTEKT REPORT 2016
- This JTEKT CSR Management section summarizes the mindset for CSR and important matters within corporate governance.

Target period and target organizations/scope

Target period

FY 2015 (April 2015 - March 2016)

* Some items include content from other periods.

Target organizations and scope

All activities of the JTEKT group

For items for which there is no criteria uniform across the JTEKT group, the unconsolidated results of JTEKT are displayed. As a general rule, if there are changes in the tallying scope, we revise data dating back to the past.

Reference guidelines

- ◎ GRI (Global Reporting Initiative)
“Sustainability Reporting Guidelines 2013 (G4)”
- ◎ ISO26000 (International Standard for corporate responsibility)
- ◎ Corporate governance code

New! This mark is used to indicate new actions begun in FY 2015 and information disclosed for the first time in this year's report.

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Message from the President



Aiming to be a company that continues to grow with the development of society

JTEKT Corporation Company President

Tetsuo Agata

The JTEKT WAY as a driving force for growth

In January 2016, JTEKT marked its 10th year anniversary since its formation from the merger of Koyo Seiko and Toyoda Machine Works. In these 10 years, the sales of the JTEKT group have surpassed one trillion yen, and our employee population has reached 44 thousand people, three-fourths of whom are outside of Japan. JTEKT has attained a scale that can be called a global company.

In 2016, to promote future growth as a true global company, we rebuilt our set of guiding principles so that they can be shared easily on a global basis, and formulated the JTEKT WAY as the bottommost step of these principles, as a set of values that should be shared throughout the JTEKT group.

Message from the President

To create the JTEKT WAY, over the span of a year and a half we collected sets of values from Koyo Seiko, Toyoda Machine Works, the Toyota Group, and those from around the world established since the formation of JTEKT, and examined all of these values to see which would be necessary for our future sense of values. With solid determination, we plan to enforce the familiarization of the JTEKT WAY as the cornerstone of the growth of the JTEKT group, for the next 10, or even 100, years. With the driving force of our shared sense of values, we will boldly work to resolve diverse social issues and achieve breakthroughs, and aspire to be a company that continues to grow with the development of society.

Enhancing risk countermeasures

For our CSR activities in FY 2015, we naturally worked to enhance initiatives for safety, quality, compliance and environmental conservation, all of which are issues we have traditionally committed ourselves to. We also enhanced points that are viewed as high-risk by the JTEKT group, such as countermeasures against large-scale earthquakes which are extremely likely to occur, and plans to nurture next-generation business managers that will fight to the end during times when there is no annual economic growth.

In particular, regarding countermeasures against large-scale disasters, we understand the obvious importance of taking responsibility for the supply of commodities as a supplier, and believe that our ability to do so is because our employees can guarantee safety for their families and arrive at work without worry. We therefore focus on a “Home Disaster Mitigation Record” within our activities.

We ask for your continued support for our efforts.

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

[Implementation of immediate notification rules]

To avoid delayed response to compliance-related incidents, in April 2015 we began implementation of reporting compliance violations (including possible violations), in principle, within 24 hours of their occurrence or discovery.

[Summarization and presentation of compliance violation case examples]

Each month, we summarize case examples of compliance violations (accidents/near misses) that occurred within the JTEKT group, and report these at a meeting attended by top-level management. We also present these case examples to group companies in an effort to prevent recurrence.

[Compliance check]

Inquiries which investigate the status of management regarding compliance are implemented periodically and include management of group companies.

[Reports concerning contact with competitors]

It is mandatory for all employees to submit an application before contact with competitors as well as a report after contact to the Legal Department.

[Training and educational activities]

In addition to conducting testimonies (signatures) on the observance of laws and internal company regulations, we also implemented officer and director compliance training (twice a year) and rank-based education, as well as education for our sales division. We also enforce awareness to prevent corruption (bribery).

Set of Guiding Principles

→ M_01~02 Related article

Set of Guiding Principles

We, JTEKT, have defined the JTEKT GROUP VISION as our ideal and the JTEKT WAY as our common set of values in order to exemplify our corporate philosophy. This is our set of guiding principles, which acts as the compass and driving force behind new challenges.



Corporate Philosophy

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

JTEKT GROUP VISION

This is our ideal: to continue building value that surpasses the expectations of customers, building excellent products that astonish the world, building professionals who think and act autonomously, and producing No.1 & Only One products and services, in order to shape a better future.

Shaping a Better Future through the Spirit of “No.1 & Only One”

We will be an invaluable partner with our customers, our suppliers, and our team members. We will deliver “No.1, Only One” products and services through “Building Value,” “Building Excellent Products,” and “Building Professionals.”



JTEKT WAY

These are the values shared by all JTEKT members. We engage ourselves in all work with absolute ambition, supported by these five values.



Corporate Social Responsibility

About CSR (Corporate Social Responsibility)

We JTEKT formulated our CSR Policy in February 2009, and have been engaged in a wide range of activities for CSR, based on honest business activities. In April 2016 we organized the concept of our corporate social responsibility and our Corporate Activities Standards, and further strengthened our activities as a true global company.

→ [M_01~02 Related article](#)

Concept of CSR

The JTEKT group focuses on fulfilling its mission of “Seek to contribute to the happiness of people and the abundance of society through product manufacturing”, and engages in business activities in harmony with the economy, society and the environment based on our Corporate Activities Standards.

As a good corporate citizen, we work to resolve social issues together with our customers and suppliers who share this mindset in order to continue contributing to the sustainable development of society and the world.

Corporate Activities Standards

Responsibility to our customers and business partners

- We follow proper business practices and engage in fair, transparent and free competition based on a respect for the law.
- We derive concepts from the market, provide the best in quality, technology and service, and obtain the satisfaction and trust of customers.

Responsibility to our shareholders

- We maintain close communication not only with shareholders but also with society at large and disclose corporate information properly, while at the same time working to improve our corporate value on a continuous basis.

Responsibility to our employees

- We 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.

Contributing to regional societies and to global society

- As a good corporate citizen, we aggressively pursue activities that contribute to society.
- We follow international rules, observe the laws, cultures and customs of countries and regions where we have operations, and seek to contribute to their growth.
- We carry out global environmental improvement activities proactively and aggressively with deep awareness of their being an important corporate mission.

CSR Promotion

Systematic promotion of CSR activities

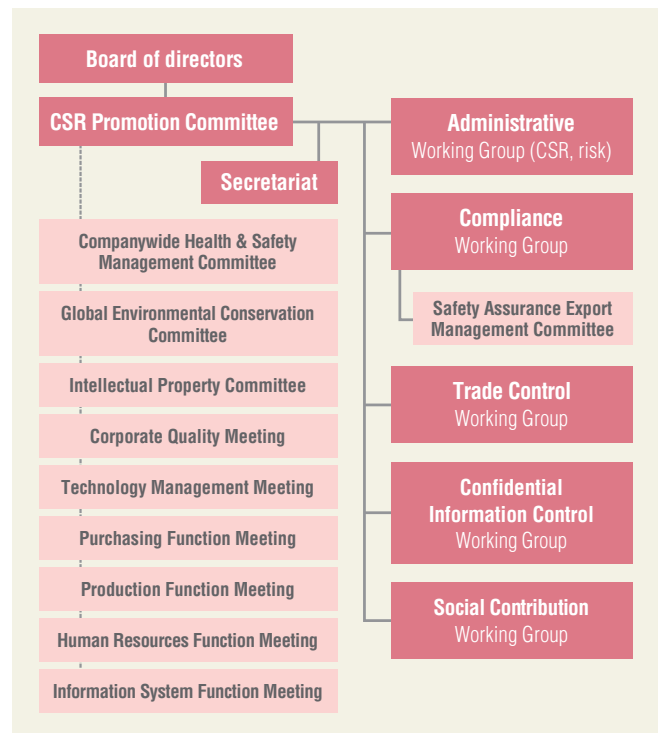
Regular inspections of CSR activity status are conducted by the CSR Promotion Committee. The CSR Promotion Committee is chaired by the company president and was established to systematically promote CSR activities on a companywide and group-wide basis. This committee also discusses how best to accomplish the missions of fulfilling the corporate philosophy and controlling risk through CSR activities from many angles. We, the JTEKT group, formulated the JTEKT GROUP VISION and the mid-term management plan (*1) in April 2014. In these, we defined CSR as one of our business foundations and engaged in activities throughout 2015 as well.

***1 Mid-term Management Plan** Implements an evaluation of results and a scheduled renewal each year through constant anticipation of the next five years. The FY 2015 plan corresponds to the period until FY 2019, and the FY 2016 plan corresponds to the period until FY 2020.

Specialized working groups

Specialized working groups are established to create and promote activity plans for compliance, trade control, confidential information control, and social contribution, all of which are important themes.

Outline of the CSR promotion structure



Administrative Working Group	Plan and monitor the progress of CSR activities, regularly assess risk management status and evaluate risks.
Compliance Working Group	Raise awareness and reinforce the need for compliance with laws, internal rules and business ethics.
Trade Control Working Group	Propose and promote measures for securing compliance with foreign rules concerning imports and exports.
Confidential Information Control Working Group	Assess and improve in accordance with guidelines and strengthen structures and systems concerning information security.
Social Contribution Working Group	Promote social contribution and volunteer activities.

Companywide CSR activities in each department

JTEKT promotes CSR activities through an expert committee belonging to the “CSR Promotion Committee” and specialized working groups. For our fiscal year goal, we plan to incorporate our CSR objectives into each company department, and promote CSR activities consistently by implementing the PDCA cycle (*2). Through the construction of this type of system, we aim to jumpstart and enhance CSR activities throughout JTEKT and JTEKT group companies. In FY 2015, activities emphasizing CSR were incorporated into global company policies and performed by each department as part of their annual action plan.

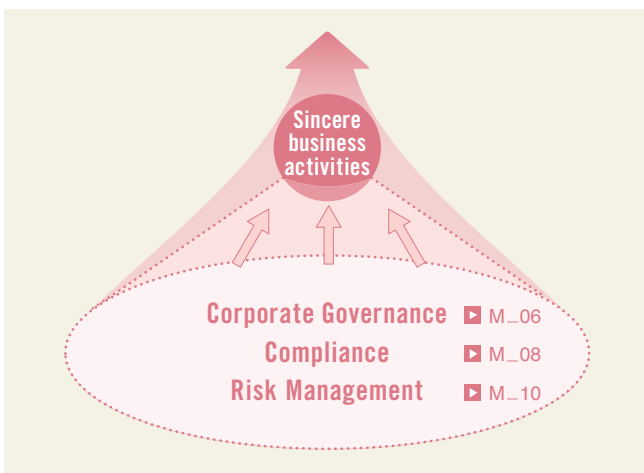
***2 PDCA cycle** PDCA is a management tool for continuously improving work by repeating a Plan-Do-Check-Action cycle.



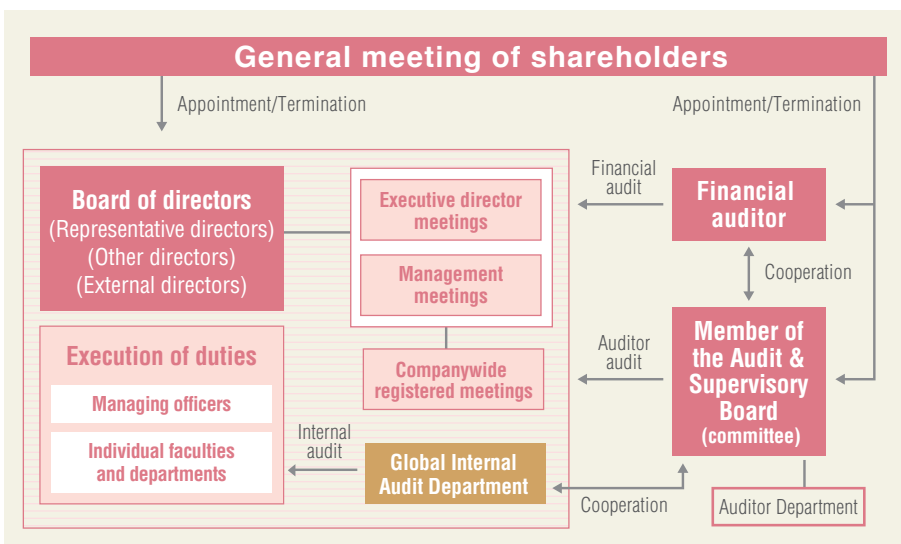
The Foundation Supporting CSR

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.



▶ Figure-01



Board of directors

Makes decisions about important matters within management, and supervises directors' performance of duties.

Executive director meetings

Supplement the board of directors, deliberate important matters within management, and determine fundamental policies.

Management meetings

Supplement the board of directors, and manage the progress of policies within the performance of duties. In addition, these meetings enable problem points and issues within performance of duties to be shared extensively among directors and officers.

Audit & Supervisory Board

Inspect the appropriateness of methods and results of audits of the directors' performance of duties, and of audits performed by financial auditors.

Companywide registered meetings

The board of directors, executive director meetings, and management meetings delegate authority to companywide registered meetings to examine the policies and direction of the company through specialized and sufficient deliberations from the standpoint of duty performance.

Corporate Governance

Basic concept

Engage in continuous enhancement

In order to fulfill our social responsibility and continuously improve our corporate value, we JTEKT engage in proactive support for the corporate governance code first applied by the Tokyo Stock Exchange, and the continuous enhancement of corporate governance. We strive to improve our management transparency and secure ample accountability for all our stakeholders.

Promotion structure

Build an adequate structure

At JTEKT, the board of directors meets every month to make management decisions and supervise directors' performance of duties. Furthermore, two independent directors outside the company were appointed in June 2015 so as to strengthen the supervising function of the board of directors. In addition, sub-mechanisms of board meetings such as executive director meetings, management meetings, and companywide registered meetings are held to fulfill deliberations on individual matters and supervise the performance of duties by managing officers. As a way of monitoring management, we have adopted an auditing system to inspect directors' performance of duties, which consists of five members of the Audit & Supervisory Board, three of whom are outside personnel. Internal audits are conducted by an independent Global Audit Department, who inspects the validity and lawfulness of overall operations and procedures. The members of the Audit & Supervisory Board, financial auditors and Global Audit Department liaise together and hold conferences when necessary (Fig. 01). In addition, we maintain and operate an internal control system in line with both the Companies Act and the Financial Instruments and Exchange Act.

Corporate Governance

Outside directors ▶ Figure-01

JTEKT appoints outside directors who fulfill requirements for independent directors (*) and possess experience and insight within their field. They are also selected based on the excellence of their character and viewpoints, and for their high ethical standards, in accordance with the JTEKT policy for appointing directors.

Furthermore, JTEKT conducts the appointment of outside members of the Audit & Supervisory Board from a perspective of audit neutrality and objectivity. These members are also selected based on their experience and viewpoints, as shown in Fig. 01.

* Refers to outside directors or outside members of the Audit & Supervisory Board for whom there is no possibility of conflict of interest with general shareholders. This is determined based on an internal company standard created in line with the guideline for the governance of listed companies, an independent standard of the Tokyo Stock Exchange.

Remuneration for directors and members of the Audit & Supervisory Board

Remuneration for directors consists of monthly amounts and bonuses, and is conducted through a remuneration system that reflects the work responsibilities and performance, and is linked to company performance.

Bonuses are paid based on the consolidated operating income of each term, and are determined by comprehensively taking into account dividends, the level of bonus for employees, the trends of other companies, mid- to long-term business performance, and amounts paid in the past. A concrete plan for remuneration is deliberated by the Executive Remuneration Meeting, which is comprised of representative directors and outside directors.

Remuneration for members of the Audit & Supervisory Board consists of monthly payments, and does not include bonus payments. This system for remuneration is not greatly influenced by company performance and is therefore ensured independence from management.

Monthly amounts of remuneration for directors and officers and other remuneration are set within the upper limit for total remunerations based on the decision of the Annual Meeting of Shareholders on June 27th, 2012. Monthly amounts of remuneration for each director are decided by the board of directors, and monthly amounts of remuneration for each member of the Audit & Supervisory Board are decided through consultation with the members.

The total amount paid for director bonuses is approved by the Annual Meeting of Shareholders which meets regularly, after which the bonus amount paid to each director is decided by the board of directors in consideration of the performance of their individual duties and responsibilities.

▶ Figure-01

Position	Name	Main reasons (experience, insight, etc.) for appointment	Independent director	Attendance record in FY 2015 (attended/held)	
				Board of directors	Audit & Supervisory Board
Director, Member of the Board	Takao Miyatani	Abundant experience and high level of insight regarding <i>monozukuri</i> , obtained as a manager within the manufacturing industry and chairman of a trade organization	○	12/12	—
Director, Member of the Board	Iwao Okamoto	Held key positions within the Ministry of Economy, Trade and Industry, and for an incorporated foundation, obtaining ample experience and a high level of insight regarding industry and economic activities within Japan and overseas.	○	12/12	—
Member of the Audit & Supervisory Board	Koichi Fukaya	Possesses abundant experience as a manager within the manufacturing industry, and broad insight into corporate governance		13/14	14/15
Member of the Audit & Supervisory Board	Masaaki Kobayashi	Possesses substantial expertise in finance and accounting as a certified public accountant	○	14/14	15/15
Member of the Audit & Supervisory Board	Koei Saga	Possesses abundant experience as a manager within the manufacturing industry, and broad insight into corporate governance		11/14	12/15

Compliance

Basic concept

Each individual behaves and makes correct decisions according to Corporate Ethics

JTEKT regards compliance as the premise and foundation supporting CSR, and essential to the realization of the corporate philosophy. Without limiting compliance to mere law observance, JTEKT has established an “Ethics Code for Directors and Officers” and “Compliance Standard” in order to fulfill corporate ethics and societal obligations.

Promotion structure

Timely and appropriate reporting to top management

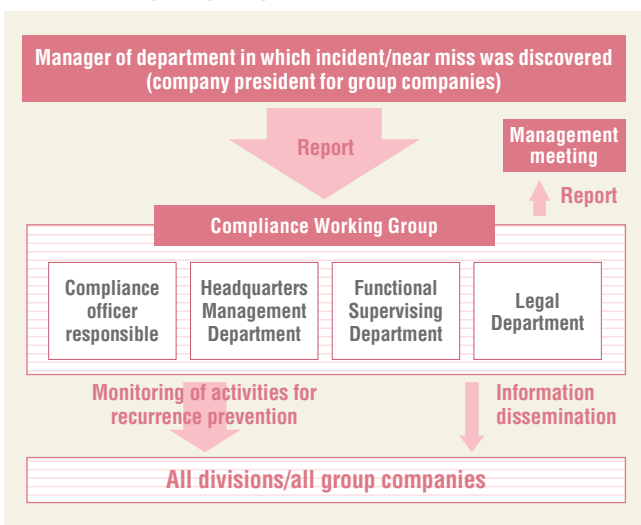
We have a system of working groups for which our managing officers act as compliance leaders. Compliance violations including near miss case examples are reported promptly at management meetings held several times a month, and we swiftly handle these violations as top-level management issues and conduct recurrence prevention.

Establishing “bad news first” as an official rule

In FY 2015, we established “bad news first” as an official rule (*) to ensure that compliance violations which occur at the JTEKT group are, as a rule, reported within 24 hours after discovery. We are strengthening countermeasures to ensure that no cases go unreported.

* Standard on internal reporting and compliance violation management.

Procedure for reporting compliance violations



Education and inquiry by compliance officers

We JTEKT appoint compliance officers, whose role is to promote business activities in line with compliance. Compliance officers, who are chosen mainly from among JTEKT managing officers, perform periodic compliance checks on the departments and facilities they supervise, and must also understand compliance familiarity, risks and issues, and engage in efforts towards compliance improvement.

Promotion structure of group companies

Compliance promotion structures are also established at group companies in Japan and overseas to roll out activities in line with the characteristics of each country, region and business. It is within these structures that compliance officers are placed.

Training and educational activities

Looking back on the violation of the Anti-Monopoly Act

Within compliance training for JTEKT directors and officers, a briefing on the series of violations of the Antimonopoly Act that occurred at JTEKT was held by the attorney in charge of the case. The briefing reexamined what acts were problematic to raise awareness so that these acts will not recur or be forgotten.

◎ Compliance Strengthening Month

JTEKT has designated July as “Compliance Strengthening Month”, in which educational activities are provided for all employees. In FY 2015, we deployed the message from the president in eight languages (*) to group companies in Japan and overseas. Compliance-related messages were also displayed within the company newsletter and on computers at startup, and we set up daily tear-off calendars relating to compliance and implemented training workshops for directors and officers.

* English, Chinese, French, Thai, Romanian, Czech, Portuguese, and Spanish



Officer and director compliance training held in July

◎ Compliance Letter

The Legal Department provides a Compliance Letter each month so that employees at each workplace can discuss everyday compliance problems.

◎ Rank-based compliance education

Training programs for directors and officers, new managers, personnel promoted to managerial positions, and newly recruited employees were held in the form of group discussions.

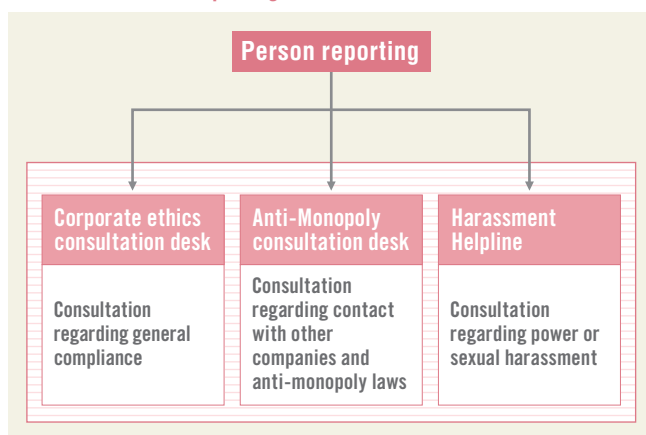
Compliance

Internal reporting consultation desks

Establishment of three consultation desks specializing in different fields of problems

To provide a more comprehensive response to each case, a “corporate ethics consultation desk” (employee opinion box run by the Legal Department, and a “JTEKT helpline” run by an external lawyer), an “anti-monopoly consultation desk”, and “harassment helpline” (run by the Personnel Department) have been established as the three main pillars of the internal reporting system.

Role of the internal reporting consultation desks



Elaborate and proactive publicizing of the consultation desks

We aimed to create internal reporting consultation desks that anyone can easily consult, and posted impressionable posters and distributed daily tear-off calendars relating to compliance geared towards engineering workplaces. We devised methods of publicizing the consultation desks so that employees can easily and quickly understand which desk to consult.

FY 2015 breakdown

Corporate ethics consultation desk	Violation of laws and rules	3
	Personnel system	10
	Workplace communication	2
	Harassment	5
	Health and safety	1
	Other	6
	Total	27

Anti-monopoly consultation desk	Contact with competitors	18
	Collection and handling of information	13
	Total	31

* No events corresponding to those that must be reported

Harassment Helpline	Consultation on sexual harassment	0
	Consultation on power harassment	22
	Consultation on other types of harassment	2
	Total	24

Number of reports received at the corporate ethics consultation desk and harassment helpline in the past five years

	2011	2012	2013	2014	2015(FY)
Corporate ethics consultation desk	21	28	33	39	27
Harassment Helpline	—	—	17	12	24
Total	21	28	50	51	51

Mizuki Otomo
Personnel and General Administration Division
Legal Dept.
Compliance Administration Office



I want to support the creation of a workplace where it is easy to do work

Here at the Compliance Administration Office, we provide support from the aspect of compliance regarding the creation of a workplace where it is easy for employees to do work. We provide all types of consultation desks so that employees do not have to be burdened with workplace troubles by themselves. We have also designated July as Compliance Strengthening Month to enforce awareness about compliance among all employees. I will continue to put all my effort into creating a workplace where it is easy to do work in order to raise the value of the JTEKT brand.

Risk Management

Basic concept

Responding to the expectations of society

JTEKT is working to strengthen management in order to minimize damage due to the occurrence of accidents and incidents. Strengthening management will also enable JTEKT to conduct business activities in harmony with the economy, society and the environment by preventing risks which disturb these three elements.

Promotion structure

Promote countermeasures based on a companywide organization

▶ Figure-01

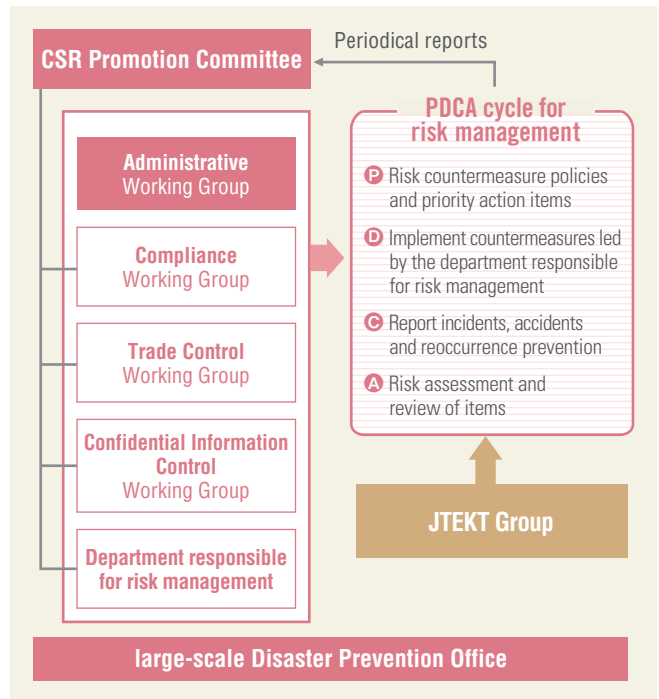
The CSR Promotion Committee, a companywide cross-functional organization, also considers the external environment when evaluating risks that may influence business activities, society or the environment. Each working group and department responsible for risk management formulates plans to prevent risk occurrence and plans for recovery, and promotes these measures. As large-scale disasters greatly influence continuation of business activities, the Large-scale Disaster Prevention Office, headed by the company president, was established in FY 2015 to strengthen activities for countermeasures against such disasters.

Stepping up approaches to risks at each department

▶ Figure-02

At JTEKT, each department and headquarters formulate an annual action plan based on the Global Company Policy and adopt a policy control system for regularly checking the progress of achievement. Since FY 2013, individual departments and headquarters have described in their annual plans factors that would hinder the plans as risks, and have begun activities to consider measures at the planning stage in case of risk occurrence.

▶ Figure-01



▶ Figure-02 Ongoing revision of risk management

Implemented in FY 2014

- Rolled out Corporate Management Guidelines for the entire JTEKT group
- Enacted a basic policy for the JTEKT group BCP (Business Continuity Plan)

Implemented in FY 2015

- Enhance risk management within group companies based on management control guidelines.
- Promote measures to reduce large-scale disasters and initial measures (in the technical/human aspects)

FY 2016 plan

- Support and track group companies based on management control guidelines.
- Education and implementation of countermeasures in order to raise risk awareness among employees.

Risk Management

Countermeasures against large-scale disasters

Enacted a basic policy for the JTEKT group BCP **New!** (Business Continuation Plan)

JTEKT verifies disaster risks at all workplaces based on hypothetical disasters contrived by our Cabinet Office (Central Disaster Management Council), and in April 2015 we established the basic policy for the JTEKT group BCP (*). We designed countermeasures from the technical and human aspects to minimize damage even in the event of a large-scale disaster, and are working to ensure continuance of our business activities.

→ M_01~02 Related article

* BCP: Abbreviation of Business Continuity Plan.

