

Strategic Sustainability Initiatives at JTEKT

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Several years have now passed since the auto industry experienced what was dubbed a once-in-a-century period of major upheaval, and there have major changes in the rules of engagement during the intervening years. One example is the ongoing growth in the expectations and demands of the industry's various stakeholders regarding work on environmental issues. Creating a business model that improves corporate value while boosting ESG (environmental, social, governance) and SDG (Sustainable Development Goal) performance has become a mandatory requirement for manufacturers. It's a theme that echoes JTEKT's commitment to "for the Earth, for society, and for our customers"—a commitment that lies at the forefront of our basic philosophy.

Approaching ESG Investment as a Business Opportunity

Work on CO₂ reduction has been the most notable example of ESG investment recently. Carbon neutrality and energy consumption throughout the product lifecycle are goals that come at a considerably high cost for gaining a favorable reputation in the market, making additional investment needed. But approaching ESG investment as a major business opportunity by developing superior low-cost technology to overcome ESG challenges could reward JTEKT with a competitive edge and stakeholder approval. Succeeding in this way would be a highly beneficial outcome. Stepping up our ESG investment will let us provide better ESG to our new business areas and innovation work.

One example is the switch to electric vehicles (EVs). As EVs grow in popularity, conventional transmissions will increasingly be replaced by integrated motor/speed reducer products known as electric axles (eAxles). The result will be additional new needs that result in product changes in areas such as high motor-speed bearings and high-speed, low-noise gears. Harnessing cutting-edge fabrication technology to make further refinements to our gear product lineup will let JTEKT provide superior gears

that meet user expectations. The Gear Innovation Center is a specialized gear business unit that we launched last year as a way to work on this objective.

A number of markets look promising as future ESG business opportunities. Possible examples include the robotics market for applications that save production manpower and provide long-term care assistance, along with the drone and AGV (automated guided vehicle) markets for home delivery, transport and a number of other applications. These markets should also be areas in which JTEKT can provide benefits to consumers by developing gear products satisfying new performance demands, leading to greater business growth ambitions.

Sustainability Underpinned by Innovation

When reconsidering sustainability, JTEKT will need to focus more on the ESG efforts mentioned to achieve sustained growth. ESG investment will inevitably lead to replacement and growth among JTEKT's portfolio, taking forms such as new product development or entry into new business areas driven by existing technologies or technology seeds. This ESG investment will require monitoring of KPIs (key performance indicators) that differ from past values such as performance, quality or quantity to identify advantages such as superior CO₂ reductions over the product lifecycle, and ease of recycling or reuse. Manufacturers are going to need to create more environmentally friendly products by looking at energy consumption and reuse throughout the entire lifecycle that starts with the product design phase. This mindset is still unfamiliar ground for JTEKT, so will need to be an area of focus moving forward.

JTEKT will continue providing innovations of benefit to the world, working to satisfy user needs by approaching difficult challenges as business opportunities while further refining the area of strategic sustainability. To achieve these objectives, the Company wants to encourage all employees to help foster organizations,

mechanisms and manpower that will enable the discovery, development and resolution of issues calling for ESG-based approaches. We'd like to thank all our stakeholders for their continued support.