

Corporate Governance

JTEKT continuously strives to enhance corporate governance in order to fulfill its corporate social responsibility (CSR) and increase its corporate value.

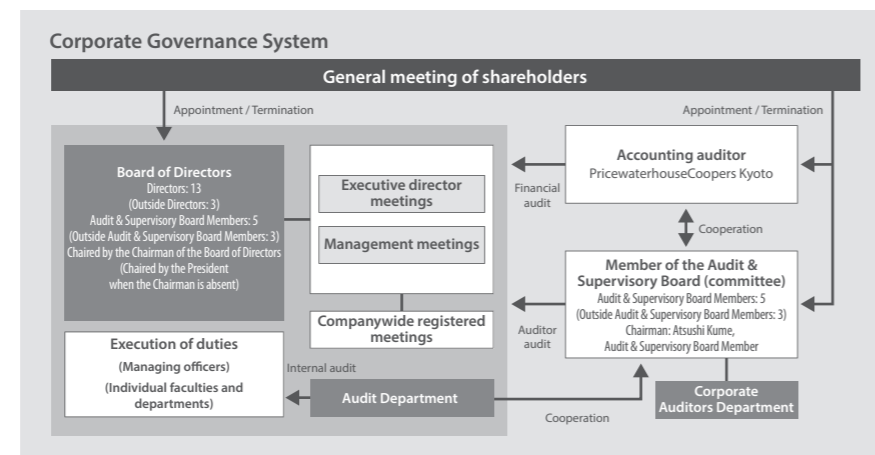
Promotion structure

JTEKT holds Board of Directors' meetings every month where, in addition to items stipulated by law and the Articles of Incorporation, deliberations take place and decisions are made pertaining to the medium-term business plan aimed at realizing our corporate philosophy and the JTEKT GROUP VISION. This includes management strategies (business plan, personnel, organizational, capital and investment measures) aimed at achieving the medium-term business plan, as well as oversight of the execution of duties by directors. Furthermore, of the three outside directors, two independent directors from outside the company were appointed to strengthen the supervising function of the Board of Directors. In addition, subcommittees under the Board of Directors, 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.

To ensure a transparent, fair, prompt and efficient management, JTEKT has opted for a company with an Audit & Supervisory Board to inspect directors' execution of duties, which consists of five auditors, three of whom are outside auditors (of which two are independent outside auditors). Additionally, two full-time staff members in the Corporate Auditors Department assist the Audit & Supervisory Board members.

Regarding internal auditing, the Audit Department, which reports directly to senior management, inspects the business execution of each function and business division and the effectiveness of internal controls, reporting the results to representative directors and the Audit & Supervisory Board to ensure auditing independence. In accounting audits, Audit & Supervisory Board members receive reports and explanations from accounting auditors, confirming the appropriateness of auditing methods and results as well as the independence of accounting auditors.

In addition, in order to enhance the efficacy of these audits, Audit & Supervisory Board members, the accounting auditor, and the Audit Department regularly hold discussions to exchange information and engage in mutual cooperation.



Board of Directors Held once per month
Makes decisions about important matters within management, and supervises directors' performance of duties.

Executive director meetings Held once per month
Supplements the Board of Directors, deliberates important matters within management, and determines fundamental policies.

Management meetings Held once per month
Supplements the Board of Directors, and manages 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 Held once per month
Inspects the appropriateness of methods and results of audits of the directors' performance of duties, and of audits performed by the accounting auditor.

Companywide Strategic Meetings Held twice per month
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.

Companywide Registered Meetings See below
The purpose of these meetings is to engage in deliberations focused on important management themes and apply the PDCA*1 cycle.

*1 Acronym for "Plan, Do, Check, Action." A management method for the continuous improvement of operations through the repeated application of this cycle.

Companywide Registered Meetings

Function Meetings		Councils and Committees	
Human Resources Function Meeting	Held twice per annual	Companywide Health & Safety Management Committee	Held twice per annual
Purchasing Function Meeting	Held twice per annual	Council for Enhancement of Corporate Value	Held twice per annual
Corporate Quality Meeting	Held once per annual	Council of Public Disclosure	As needed
Production Function Meeting	Held twice per annual		
Technology Management Meeting	Held twice per annual		
Information System Function Meeting	Held four times per annual		

Progress toward enhanced governance

JTEKT recognizes that corporate governance enhancements are an important management issue, thus we are engaged in efforts to reform and strengthen our corporate structure including the formulation of guidelines and annual implementation of the PDCA cycle in response to the Corporate Governance Code.

In November 2019, we reviewed matters to be referred to the Board of Directors and delegated decision-making authority with regard to items of low importance to the executive director meeting, revising the Board of Directors regulations for the purpose of setting aside more time for Board of Director deliberation of management strategy and other, more important items.

In April 2020, the existing "managing officer system" was abolished and a new "senior management system" was introduced. As a result, this has enabled the promotion of talented young employees and the flexible assignment or withdrawal of human resources in important posts, which has significantly reduced the number of officers.

Former System (Managing Officer System)

Status	Division	Role Position
Officer	Director	Chief of Division
	Executive Managing Officer	Chief of Division / Vice Chief of Division / Regional Business Manager / In charge of Organization
	Managing Officer	Vice Chief of Division / Regional Business Manager / In charge of Organization
	Executive Technical Advisor - Executive Managing Advisor	In Charge of Organization / (General Manager)
Employee	Manager R0	General Manager (Office Manager)
	Manager R1	
	Manager R2	General Manager / Office Manager / Manager / Group Manager

New System (Senior Management System)

Status	Division	Role Position
Officer	Director	Chief of Division
	Executive Managing Officer	Chief of Division / Vice Chief of Division / Regional Business Manager / In charge of Organization
Employee	Senior Management	Vice Chief of Division / Chief of Regional Business Manager / Chief of Regional Business Manager
		Chief of Field
		General Manager (Office Manager)
Employee	Manager R2	General Manager / Office Manager / Manager / Group Manager

*2 Flexible appointment/withdrawal

Main Governance Reform Initiatives

Date	Measures	Date	Measures
June 2005	Introduction of executive officer system	March 2017	Establishment of Council for Enhancement of Corporate Value
May 2006	Publication of Corporate Governance Report	Oct. 2017	Establishment of Risk Management Department
Jan. 2008	Establishment of Global Internal Audit Department	June 2018	Increased number of outside directors by one, to a total of three
Feb. 2009	Establishment of CSR Promotion Committee	June 2019	Appointment of a female outside member of the Audit & Supervisory Board
June 2013	Appointment of foreign executive officer	Nov. 2019	Revision of the Board of Directors regulations
June 2015	Appointment of two outside directors	Apr. 2020	Introduction of senior managing system
Feb. 2016	Establishment of Executive Officer Personnel Appointment Review Meeting (Comprising representative directors and outside directors)		
June 2016	Establishment of Executive Remuneration Meeting (Comprising representative directors and outside directors)		

Group governance

In order to engage in fair, transparent and efficient Group management, JTEKT is engaged in the following initiatives at our domestic and overseas subsidiaries.

- JTEKT share items with subsidiaries, including the JTEKT GROUP VISION, the JTEKT WAY and the medium-term business plan, with the business plan progress confirmed at meetings at top meetings.
- JTEKT requires that subsidiaries to engage in prior consultation or post-reports on important matters based on the "Prior Consultation and Reporting System Standards." Important matters concerning Group management are deliberated and decided by the Company committees. Also, regarding major subsidiaries, JTEKT confirms that the decision-making process is functioning properly within the subsidiary.
- JTEKT developed the JTEKT Group Business Management Guidelines and requires subsidiaries to establish internal control systems. We also require the prompt reporting of serious financial, safety, quality, environmental, and disaster risks.
- JTEKT requires that subsidiaries establish compliance systems based on the "Global Conduct Guidelines." Subsidiaries also conduct regular compliance inspections based on checklists provided by JTEKT.

Outside Directors and Auditors

JTEKT appoints outside directors who fulfill requirements for outside 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, perspectives, and knowledge 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.

Appointment of Outside Directors and Outside Members of the Audit & Supervisory Board

Position	Name	Main reasons (experience, insight, etc.) for appointment	Independent Director	Attendance record in fiscal 2019 (attended/held)	
				Board of Directors	Audit & Supervisory Board
Director	Takao Miyatani	As a corporate executive and industrial group chairman, he possesses a wealth of experience and deep insights involving manufacturing over many years, and is appointed to supervise the management of the Company and provide appropriate advice and recommendations. In addition, he has satisfied the requirements for an independent director and it has been determined that there is no risk of a conflict of interest with general shareholders.	○	15/15	—
Director	Iwao Okamoto	Having held important positions in the Ministry of Economy, Trade and Industry and the Japan-China Economic Association, he possesses a wealth of experience and deep insights into domestic and overseas industrial and economic activities, and is appointed to supervise the management of the Company and provide appropriate advice and recommendations. In addition, he has satisfied the requirements for an independent director and it has been determined that there is no risk of a conflict of interest with general shareholders.	○	15/15	—
Director	Takeshi Uchiyamada	As a corporate manager, he possesses a wealth of experience and deep insights involving manufacturing over many years, and is appointed to supervise the management of the Company and provide appropriate advice and recommendations.	—	12/13 (After appointment)	—
Member of the Audit & Supervisory Board	Takashi Yoshida	As a certified public accountant, he possesses a wide range of knowledge regarding finance and accounting, and is appointed to audit the management of the Company and provide appropriate advice and recommendations.	○	15/15	15/15
Member of the Audit & Supervisory Board	Hiroyuki Wakabayashi	As a manager, he possesses a wide range of experience and knowledge with deep insight into corporate governance, and is appointed to audit the management of the Company and provide appropriate advice and recommendations.	—	13/15	12/15
Member of the Audit & Supervisory Board	Yumiko Sakurai	As a certified public accountant, she possesses a wide range of knowledge regarding finance and accounting, and is appointed to audit the management of the Company and provide appropriate advice and recommendations.	○	13/13 (After appointment)	11/11 (After appointment)

Provision of information to Outside Directors and Auditors

In order to further enhance deliberations by the Board of Directors, JTEKT explains details regarding Board of Directors' meeting agenda items to outside directors and auditors on the day before the Board of Directors' meeting, and on the day of the Board of Directors' meeting, a Liaison Meeting for Outside Directors and Members of the Audit & Supervisory Board is held to share information between outside directors and auditors. In addition, regarding M&A and other important items, a Management Review Meeting is held, in principle, one month before the Board of Directors' meeting, attended by the same participants as the Board of Directors, including outside directors, to ensure a sufficient amount of time to review all agenda items.

Nomination of Director and Audit & Supervisory Board member candidates

Concerning the nomination of director and Audit & Supervisory Board member candidates, the "Executive Officer Personnel Appointment Review Meeting," comprising the president and independent outside directors, nominate candidates with various areas of expertise and experience in consideration of maintaining the overall balance and diversity of the Board of Directors.

Director and Auditor remuneration

Director remuneration consists of fixed remuneration (monthly remuneration) and performance-linked remuneration (bonuses). Performance-based remuneration consists of short-term incentives paid based on Company performance in each business year, and medium- to long-term incentives paid depending on the degree of achievement of the medium-term business plan.

Short-term incentives are calculated based on a bonus table, using consolidated operating profit as an indicator.

Medium- to long-term incentives are calculated by multiplying the referenced amount by a coefficient obtained based on the degree of achievement of financial indicators such as ROA as well as social contribution indicators such as CO₂ emissions, which are set based on the medium-term business plan. The coefficient fluctuation range is 77% to 137%.

Remuneration for each director is decided through a resolution by the Board of Directors based on the results of examination at the Executive Remuneration Meeting, which consists of the president and independent outside directors.

In fiscal 2020, in consideration of the business results of the previous fiscal year, no bonuses were paid to directors.

Audit & Supervisory Board members receive only monthly remuneration, no bonuses are paid. Independence from management is ensured by establishing a remuneration system that is unlikely to be affected by corporate performance. The amount of remuneration for each Audit & Supervisory Board member is determined through discussions among Audit & Supervisory Board members.

Total Amount of Corporate Officer Remuneration (Fiscal 2019)

Category	Number of allowances	Amount of remuneration, etc.
Directors	14	¥337 million
Members of the Audit & Supervisory Board	5	¥106 million
Total	19	¥443 million

Evaluating the efficacy of the Board of Directors

JTEKT's Board of Directors, in which outside directors participate, strives to engage in lively discussions based on a diverse array of knowledge and abundant experience, conducting meetings that enable us to make timely and appropriate business decisions.

The effectiveness of the Board of Directors is analyzed and evaluated as follows.

Analysis and Evaluation Process

- Audit of "efficacy of important meetings, including the Board of Directors" by the Audit & Supervisory Board members
- Implementation of "survey on the efficacy of the Board of Directors" by the Board of Directors Secretariat targeting directors and Audit & Supervisory Board members

Overview of Evaluation Results

From the result of evaluations in fiscal 2019, we recognized a need to improve the legibility of meeting materials, but in general, it was evaluated that the meetings are functioning properly and the effectiveness of the Board of Directors was confirmed.

Messages from Independent Outside Directors



Takao Miyatani
Independent Outside Director

Engaging in *monozukuri* that addresses society's needs

In my opinion, it is most important for senior executives to manage JTEKT so that there is a balanced and sustainable happiness among customers, shareholders, and the employees of the company and its suppliers. Toward that end, it is critical to innovate and have discussions on a daily basis. Outside directors who are not involved in business execution have a responsibility when required to ask for disclosure on how discussions are proceeding in regular meetings and to confirm that the necessary discussions are taking place. In this regard, I would like to provide stimulus to the management of affiliated companies both in Japan and overseas.

Looking back over the history of the automotive industry, it started about 130 years ago with Karl Benz's invention of the first car powered by a gasoline engine. This was followed about 30 years ago with measures to respond to restrictions on exhaust emissions and then by hybrid vehicles and a succession of innovations that address society's needs. We are now amid competition that occurs once in a century in the race for the development of EVs and autonomous driving technologies while also contending with various issues arising from the COVID-19 pandemic. Against this backdrop, this is the exactly the time for JTEKT to take center stage since from its foundation, its history has been one of providing customers around the world with what they need. I would like to see the company go all out for *monozukuri* (building excellent products) during this time.



Iwao Okamoto
Independent Outside Director

Sharing changes in the environment both internally and externally, tackling key issues full force

JTEKT's business environment is characterized by unprecedented transformation and risks brought on by the advent of CASE^{*1}, the U.S.-China tensions, and the global COVID-19 pandemic. To propose and implement sustainable growth strategies, JTEKT needs to share an awareness of internal and external environmental changes within the concerned departments and concentrate companywide and Groupwide know-how and technology toward making solutions a reality. From these perspectives, I attend preliminary briefings and Board of Directors' meetings and raise issues on occasion as well as engage in discussions with the executive side on the how the related divisions are tackling issues.

As a global company, JTEKT is expected to do its utmost to help achieve the SDGs^{*2} in order to bring about sustainable development in the global society. On this point, each time I attend a plant inspection, I get a strong impression that not only the general managers, but also the line managers in each group and worksite are fully aware of the significance of the SDGs. I am also confident that each employee has a sense of ownership for each of the goals as it relates to their daily work and that this is the pillar of JTEKT's social contribution.

^{*1} Acronym that stands for Connected, Autonomous, Shared, and Electric. It expresses the physical transformation in automobiles from a hardware perspective and importance of mobility services with the involvement of other industries.

^{*2} Sustainable Development Goals: International objective composed of 17 goals and 169 targets for realizing a sustainable world, as described in the 2030 Agenda for Sustainable Development adopted at the United Nations Summit in September 2015.

Messages from Independent Outside Members of the Audit & Supervisory Board



Takashi Yoshida
Independent Outside Member of the Audit & Supervisory Board

Injecting society's common sense as an Independent Outside Auditor who "doesn't go with the flow"

According to the Companies Act, the role of an auditor is to audit directors in the execution of their duties. Outside auditors are positioned as parties who can express their opinions independently and objectively without being influenced by executives.

I endeavor to review JTEKT's business from a viewpoint maintaining a certain distance from those responsible for execution and to express my opinions candidly to the President and the Board of Directors. When you have been associated with an organization for a long time, there is a tendency to stick to tradition. That is why I audit the company to ensure there are no gaps between what is viewed as common sense at JTEKT versus the view of society. I intend to continue carrying out my duties as an independent outside auditor who "doesn't go with the flow".

Amid the transformation in the automotive industry that occurs only once a century, JTEKT is taking a long view toward continuous growth under its Group vision, "No. 1 & Only One". Strengthening ties with various stakeholders is essential for realizing this goal.

The COVID-19 pandemic is having a serious impact on our lives now, but I believe once the pandemic passes, the world will change at a speed and scale like we have never seen before. In my opinion, JTEKT also needs to take aggressive and swift moves to address this drastic transformation.



Yumiko Sakurai
Independent Outside Member of the Audit & Supervisory Board

Strengthening ESG^{*3} initiatives and enhancing corporate value

I believe what is demanded of outside directors and auditors in a nutshell is: "from a position of neutrality, enhance corporate value, which is the common interest of all stakeholders."

Previously, I had understood the mission and role of independent outside directors and auditors to be enhancing corporate value as an advocate of shareholders, one of the stakeholders of a company. However, the age of shareholder primacy has ended, and I now believe that companies as public institutions need to secure continuous growth by improving corporate value with a focus on diverse stakeholders. Toward that end, I believe it is important to focus not only on short-term earnings, but also on how a company should be from a long-term view taken objectively and from the viewpoint of an outsider.

The COVID-19 pandemic put the brakes on economic activities and has caused people to raise such questions as "What is globalism?" and "Was capitalism in fact correct?" I believe JTEKT has continued to share the philosophy embedded in the SDGs and endeavored to enhance its corporate value through its approaches to ESG.

In my assessment, it will be important for JTEKT to continuously grow by taking a holistic view both in terms of time and geopolitics as it heads into an uncertain future. I hope it takes a broad perspective on various economic and social activities and creates businesses that can contribute on a global scale by applying its strong technological capabilities and thus creates happiness for all humankind.

^{*3} Acronym that stands for environmental, social, and governance; used as an indicator to determine whether a company can grow sustainably.

Risk management

Basic Approach Enhancing corporate value and meeting the expectations of society

To maintain and strengthen fundamentals (corporate foundation) while responding quickly to changes in the management environment and sustainably enhancing corporate value, we are working to improve our risk management promotion system that ascertains, evaluates, and appropriately promotes measures with respect to critical risks faced by the entire JTEKT Group.

Promotion system

The companywide Council for Enhancement of Corporate Value regularly reviews risks, including those in the external environment, having the potential to affect business activities, society, and the environment. In October 2017, we established a new system in which the Compliance Officer (CO) was transitioned into the Risk Management Officer (RO) in order to strengthen our risk prevention efforts. In addition to deploying risk management in each department and Group company, risk management will be integrated into activities related to corporate governance and compliance to enhance the efficacy and efficiency of activities aimed at controlling risks globally.

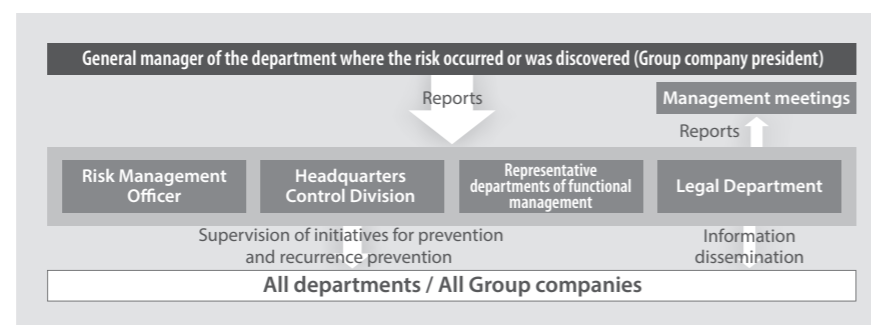


Clarification of risk appraisals and responses

JTEKT comprehensively systematizes risks, including the utilization of external knowledge. The risk management sections conducted level-based evaluations with regard to the impact and preparation for specific assumed scenarios, the results of which were shared with a Council for Enhancement of Corporate Value held in March 2019. Moreover, with regard to the spread of COVID-19, we received a risk report from China in January 2020, and in addition to responding to employee health and safety risks, we shared the status of our response to transmission risks, including the suspension of manufacturing among other activities.

Thorough adherence to immediate reporting

From fiscal 2015, we broadened the scope of our immediate reporting system, which requires prompt reporting after identifying compliance issues and even with regard to noncompliance risks, and ensure that operational rules are in place to quickly issue initial reports after risks are uncovered.



Strengthening risk perspectives in each division

For each division to autonomously handle risks, the annual execution plan formulated on a division level incorporates response to potential risks that may inhibit the fulfillment of the said plan and this promotes prevention of risk manifestation and remedial measures by each division independently.

Information security

As the number of cyberattacks and virus infections increase throughout the world, JTEKT is cognizant that these are extremely significant risks that threaten our corporate activities. In each process we engage in, such as product development, manufacturing, and shipping, the strengthening of information security measures is indispensable for our ability to supply safe products.

Given these circumstances, in March 2019 we formulated the JTEKT Group Information Security Policy and shared it throughout the entire Group in an effort to enhance information security.

Compliance

Basic Approach All employees exhibit correct judgment and conduct in line with corporate ethics

JTEKT positions compliance as the premise and foundation of corporate value, therefore it is essential to realizing our corporate philosophy. JTEKT has established various internal rules concerning corporate compliance centered on the Ethics Code for Directors and Officers and the Compliance Rules, while the Global Conduct Guidelines indicate behavioral guidelines for officers and employees.

Furthermore, in addition to sharing the aforementioned Global Conduct Guidelines with each Group company, we promote corporate compliance as one of the most important items in the JTEKT Group Business Management Guidelines, encouraging and supporting the establishment of promotion structures appropriate for each company.

Group training and awareness activities

JTEKT conducts ongoing training and awareness-raising activities targeting its directors, employees, and all Group companies regarding how compliance is deeply intertwined with its operations. We conduct annual workshops for company officers (directors, auditors, managing officers and others) who are vital for compliance. The theme for our fiscal 2019 workshop was the roles and responsibilities of executives in corporate management. We provided participants with the opportunity to refresh their awareness on these issues through a lecture by outside lawyers. Moreover, every July is declared Risk Management Strengthening Month, during which the president sends out a message to all JTEKT employees, including those at JTEKT Group companies, and compliance training materials are distributed for e-learning and workplace reference in an effort to support compliance activities in each workplace. Even within internal training planned by our HR Department, we address compliance issues so that each employee can take the necessary precautions suitable to their rank and job type.

Group compliance inspections

Regular inspections are conducted in all departments within the Company and each company in the JTEKT Group to examine management conditions in terms of compliance related to operations.

Whistleblowing system

To enable a fine-tuned response to each consultation case, JTEKT has established the Corporate Ethics Consultation Desk and several other consultation desks aimed at the prevention, early detection, and recurrence prevention of scandals. From fiscal 2020, we will improve the ability of the JTEKT Group to respond to whistleblowing by unifying the operation of the Corporate Ethics Helpline (lawyer consultations), part of the Corporate Ethics Consultation Desk, within domestic subsidiaries.



No. of Internal Reports Made in the Past Five Years

FY	2015	2016	2017	2018	2019
No. of reports	51	45	50	49	35

Antitrust laws and corruption prevention

JTEKT places particular importance on compliance with antitrust laws, competition laws in each country, and laws relating to corruption and bribery with JTEKT and its Group companies, products, and business transactions in light of global trends placing importance on fairness in trading and the current situation in terms of stricter regulations and enforcement.

Initiative for appropriate tax payments

The JTEKT Group conducts business in approximately 30 countries and regions, transacting business between Group companies across countries and regions. With regard to transfer pricing, we established a policy that complies with the OECD Transfer Price Guidelines and strive to ensure appropriate declarations. Furthermore, we do not engage in tax source erosion or income transfers that abuse tax havens or tax treaties located outside the country or region where our business is located. In addition, regarding important matters such as risks related to tax payments, the Chief of Corporate Division reports to the Board of Directors and other committees, and a system is in place to receive guidance from the Board of Directors.