

Governance

Corporate Governance

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

Progress toward enhanced governance

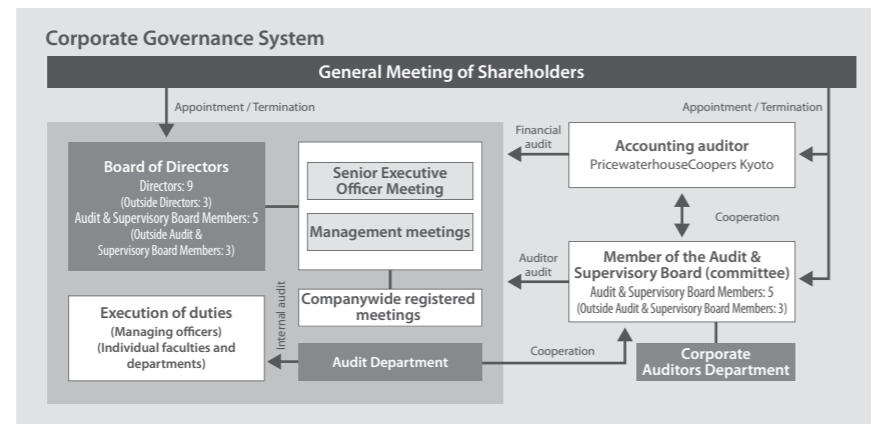
Promotion structure

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.

Senior Executive Officer meetings Held twice 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 Registered Meetings See below
The purpose of these meetings is to engage in deliberations focused on important management themes and apply the PDCA¹ cycle.

Strategic Meetings Held once per week
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.

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

Companywide Committee		Function Meetings	
Companywide Health & Safety Committee	Held twice per annual	Strategic Meeting	Held once per week
Council for Enhancement of Corporate Value	Held twice per annual	Corporate Quality Meeting	Held once per annual
Council of Public Disclosure	As needed	Cost Function Meeting	Held fourth per annual
Group Management Meeting		Technology Management Meeting	Held twice per annual
Meeting of Domestic Affiliate's Management Issues	Held once per annual by each company	Information System Function Meeting	Held four times per annual
Meeting of Overseas Affiliate's Management Issues	Held once per quarter by each company		

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.

Main Governance Reform Initiatives

Date	Measures
June 2005	Introduction of executive officer system
May 2006	Publication of Corporate Governance Report
Jan. 2008	Establishment of Global Internal Audit Department
Feb. 2009	Establishment of CSR Promotion Committee
June 2013	Appointment of foreign executive officer
June 2015	Appointment of two outside directors
Feb. 2016	Establishment of Executive Officer Personnel Appointment Review Meeting (Comprising President and Representative Director and outside directors)
June 2016	Establishment of Executive Remuneration Meeting (Comprising President and Representative Director and outside directors)
Mar. 2017	Establishment of Council for Enhancement of Corporate Value
Oct. 2017	Establishment of Risk Management Department
June 2018	Increased number of outside directors by one, to a total of three
June 2019	Appointment of a female outside Member of the Audit & Supervisory Board
Nov. 2019	Revision of the Board of Directors regulations
Apr. 2020	Introduction of senior management system
Jan. 2021	Review of executive structure

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, 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.
- 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.

Governance

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 2020 (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.	○	14/14	—
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.	○	14/14	—
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.	—	14/14	—
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.	○	14/14	16/16
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.	—	13/14	14/16
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.	○	14/14	16/16

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.

Provision of information to Outside Directors and Auditors

Nomination of Director and Audit & Supervisory Board member candidates

Director and Auditor remuneration

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.

Directors remuneration is as shown in the figure below.

Payment method	Cash compensation		Stock compensation (Restricted Stock)
	Fixed (Monthly) compensation	Variable (Performance-linked) compensation	Variable (Performance-linked) compensation
Rough ratios	70%	20%	10%
Yearly limit on compensation	¥800 million		¥100 million
Paid on	Monthly	Yearly	Yearly
Policy and indicators	Set the base amount for each position	Calculate from the compensation table based on the following indicators (1) Business profit (2) Achievement of safety and quality goals	Half of performance-linked compensation based on business profit is granted as stock compensation
Process	(1) Formulated a compensation draft based on the above policy and indicators (2) At the Executive Compensation Meeting consisting the president and two independent outside directors, the validity of the above formulated compensation based on company performance and comparison with social conditions and trends at other companies, etc. and consistency with the decision policy are confirmed and approved (3) The Board of Directors has resolved to give the president discretion in determining the compensation of each director, and the president determines the compensation of each director based on that resolution (4) The allocation of stock compensation (number of shares) is decided by a resolution of the Board of 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.

Compensation of Directors and Audit & Supervisory Board Members

Position	Total compensation	Total compensation by type		Directors/Audit & Supervisory Board Members
		Fixed compensation	Variable (Performance-linked) compensation	
Directors (Outside directors)	¥480 million (¥33 million)	¥363 million (¥33 million)	¥116 million (¥- million)	14 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	¥102 million (¥30 million)	¥102 million (¥30 million)	¥- million (¥- million)	5 (3)
Total	¥582 million	¥465 million	¥116 million	19

Notes: 1. The above amounts include those for a director, who retired from the post of director at the conclusion of the 120th Annual General Meeting of Shareholders held on June 25, 2020.
2. The above amount of performance-linked compensation includes the unpaid amount which was booked as bonus provision for directors in the previous fiscal year. (10 Directors, ¥116million)

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

As the result of evaluations in fiscal 2020, we have added management themes other than those on the agenda of the Board of Directors' meetings to share information and to further enhance the function of pre-meeting briefings to outside directors and corporate auditors, which leads to more active discussions at Board of Directors' meetings. To further improve effectiveness, we recognize the need for improvement so that we can understand the position of individual items on the agenda within the overall policy and strategy. But in general, it was determined that the meetings are functioning properly and the effectiveness of the Board of Directors was confirmed.

Evaluating the efficacy of the Board of Directors

Governance

Risk management

Promotion system

Identifying risks and clarifying responses

Thorough adherence to immediate reporting

Strengthening the risk perspective in each department

Information security

Large-scale disaster countermeasures

Basic Approach **Enhancing corporate value and meeting the expectations of society**

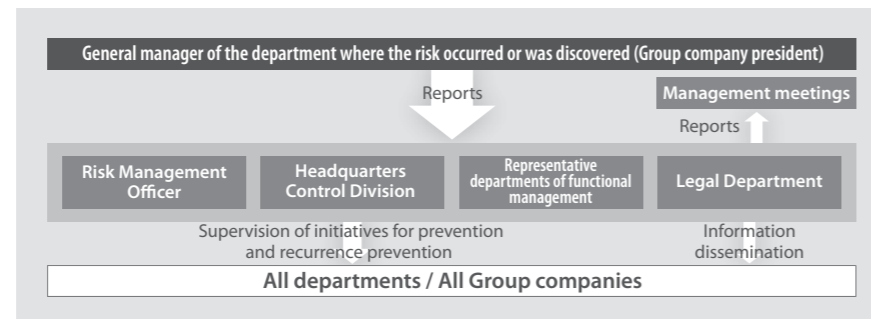
To maintain and strengthen fundamentals (corporate foundation), we are working to improve our risk management promotion system that ascertains, evaluates, and appropriately promotes measures with respect to critical risks faced by the entire JTEKT Group.

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. We aim to control risks on a global scale by expanding risk management to each department and group.



JTEKT assigns a risk management department to each risk item. The risk management department reviews the annual action plan formulated by each division at the end of each fiscal year and reflects it in the next fiscal year's plan.

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.



To deal with risks autonomously, each division promotes prevention and countermeasures against the occurrence of risks based on the annual action plan.

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 Policy of Information Security and shared it throughout the entire Group in an effort to enhance information security.

Among the various risk responses that JTEKT is undertaking, we are promoting both software and hardware measures to deal with large-scale disasters, which have a particularly large impact on the continuation of our business activities under the Basic Policy for JTEKT Group BCP*. These include employee safety confirmation, disaster drills, disaster mitigation education in households based on the assumption of local disaster risks, and preparations for early recovery of product supply.

*BCP: An acronym for Business Continuing Plan

Compliance

Group training and awareness activities

Group compliance inspections

Whistleblowing system

Antitrust laws and corruption prevention

Initiative for appropriate tax payments

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

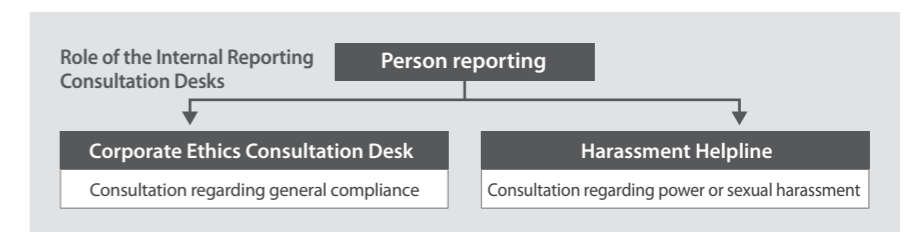
JTEKT positions compliance as the premise and foundation of corporate value, therefore it is essential to realizing our corporate philosophy. JTEKT has established various internal rules concerning corporate compliance centered on the Ethics Code for Directors and Officers and the Compliance Rules, while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

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. In fiscal 2020, the theme was the legal role of executives in corporate compliance, and the event provided an opportunity to reaffirm JTEKT's current status and issues. 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.

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.

To enable a fine-tuned response to each consultation case, JTEKT has established the Corporate Ethics Consultation Desk and several other consultation desks (including those with auditors serving as the point of contact) 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	2016	2017	2018	2019	2020
No. of reports	45	50	49	35	47

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.

JTEKT and the JTEKT Group conduct 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 planning that leads to 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.