

**Basic approach to internal control**

We recognize risk management and compliance as one of our most important managerial issues, and have established the Internal Control Policy.

Regarding internal control (Internal Control Report System) under the Financial Instruments and Exchange Act, 50 domestic and overseas companies of the Group and the Internal Audit Department made an evaluation of internal control for the fiscal year ended March 31, 2020 in compliance with the basic framework for internal control set forth in the Business Accounting Council’s “Standards for Management Assessment and Audit concerning Internal Control over Financial Reporting” and “Practice Standards for Management Assessment and Audit concerning Internal Control over Financial Reporting.”

More than 10 years have passed since the introduction of the Internal Control Report System, and in order to rebuild the evaluation structure, we are reviewing the scope of evaluation and conducting education activities at domestic and overseas business sites.

We will continuously develop the internal controls and make an operational evaluation appropriately, in accordance with relevant standards, in response to changes in the business environment.

**Internal audit activities**

In our company, the Internal Audit Department is in charge of the internal audit operation and the overall management operation of the internal control system.

The Internal Audit Department, as an organization that is independent of the executive organization, conducts internal audits of the status of the execution of operations by each division of the company and domestic and overseas group companies from the view point of compliance with laws and internal regulations, appropriateness, and the effectiveness and efficiency of business activities.

Based on the results of internal audits, we provide advice and recommendations on improvements to the departments and conduct follow-up audits. We also confirm the status of implementation of improvement measures and conduct follow-up audits.

The findings of the internal audits are reported to President, Executive Officer and the Audit Committee as needed.

Outside Japan, an Office of the General Manager has been established in each region to oversee and monitor operations, each having an Internal Control Section within it. The Internal Control Section works with the Internal Audit Department and CSR Headquarters to implement policies specific to each local region and country or in accordance with local needs and characteristics.

The Internal Audit Department, the Audit Committee, and the Accounting Auditor work to improve efficiency and effectiveness of audit by regularly holding meetings and exchanging information and opinions about the policies, plans, and results of audit.

**Global compliance structure**

We have developed the Risk Management Policy that outlines our basic approach to prevention and handling of risks that may hamper the execution of the group’s business, and the Risk Management Regulations that set forth risk management organizations and their roles. Through these measures, we promote group-wide risk management and BCP/BCM (Business Continuity Planning/ Business Continuity Management).

We convene the Risk Management Committee as an advisory body for risk management twice a year, to regularly check the situation of risk surrounding the group’s businesses, including changes in domestic and overseas circumstances. The committee also formulates a group-wide risk management plan and discusses measures such as the promotion of BCP and BCM. The results of the discussion at the Risk Management Committee are reported to Board of Directors.

**Promotion of global risk management**

To promote worldwide risk management for the entire NTN Group, we selected nine risks as Global Risks that are common to both domestic and overseas subsidiaries and are expected to cause major impacts on management if they occur.

The management status of nine risks of domestic and overseas affiliated companies is regularly monitored via our database, and we assess the status according to the global common standards we have developed. Based on the assessment results, we identify the current status of risk management in the Group as a whole, and push ahead with necessary measures including support for development of the internal rules.

With regard to global risks identified, the Risk Management Committee conducts periodic revisions and checks on the risks identified, taking into account changes in the environment.

**Global risks**

1. Leakage of confidential information
2. Computer virus / cyberterrorism
3. Violation of antimonopoly law / competition law
4. Natural disaster
5. Fire disaster / explosion
6. Issue of human rights
7. Industrial accident
8. Complaint about product quality
9. Violation of bribery-related laws

**Response to the new coronavirus (COVID-19)***

In response to the spread of the new coronavirus, we established the Central Headquarters with President, Executive Officer as chief of headquarters to respond to emergencies.

Based on the basic concept shown below, we are promoting the necessary measures globally. We will continue to closely monitor the future situation and take appropriate measures.

1. Give top priority to ensuring the safety of employees and their families
2. Thorough precautions should be taken to prevent an increase of infected persons as much as possible
3. Efforts are made to ensure customer business continuity

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*For BCP/BCM training*

**Promotion of BCP/BCM**

We have been developing a BCP/BCM structure designed to respond to major earthquakes in Japan and are working to strengthen our disaster response systems, including those of our group companies.

By the fiscal year ended March 31, 2020, we have completed the formulation of BCP to enable early disaster recovery at all domestic production sites. We have also implemented BCP training to assess the effectiveness of the formulated action plans and take necessary advance measures. In doing so, we are moving ahead with development of BCM.

As part of our supply chain management, we are also working to develop a natural disaster risk assessment system and an audit system for suppliers, and to formulate BCP at our logistics bases.