The following changes to the scope of consolidation and application of the equity method were made during the fiscal year under review.

NOTES 1. Overseas

The scope of consolidation as of March 31, 2020 consisted of NTN Corporation and 57 consolidated subsidiaries (13 domestic and 44 overseas subsidiaries). A total of 10 affiliates (all overseas affiliates) were accounted for by the equity method.

Of the above subsidiaries, the following companies are specified subsidiaries: NTN USA CORP., NTN DEMEX, INC., NTN-BEARING (C.N.B.), NTN do Brasil Produção de Semi-Eixos Ltda., NTN Nederland (Europe B.V.), NTN SAINT LOUIS, LTD. (NTN-SML), NTN TRANSNIGERIA EUROPE, NTN MFG. Manufacturing India Pvt. Ltd., NTN (CHINA) INVESTMENT Corporation, Nangang NTN Corp., and SHANGHAI NTN Corporation.

NOTES 2. Production

One consolidated subsidiary in addition to the Group companies above.

NOTES 3. Sales and others

Sales, production, and sales of operations, R&D base, and others.

NOTES 4. Regional Information

Six consolidated subsidiaries in addition to the Group companies above.
A sense of crisis is spreading to the message of top management. Many companies around the world are struggling with COVID-19, and your company has positioned the term ending March 2021 as the “crisis response period.” In this situation, I believe it was a good idea for NTN to strengthen its ESG management and to demonstrate its unchanged stance in responding to climate change. “Green recovery” has been advocated mainly in Europe, and the recovery from the pandemic is being linked to the creation of a green economy. I hope that NTN will strongly contribute to that move and turn the crisis into an opportunity.

This pandemic has also increased attention to the issue represented by ESG’s “S”. The existence of people who are unable to take measures against infectious diseases underscores that economic inequality is exactly the inequality of life. Your company cites “ensuring the health and safety of employees” as the first step in responding to crises, and I would like to praise this point. However, in the future, I think that efforts for “S” will be required in a broader range, including suppliers and business partners. In Europe and North America, Black Lives Matter movements are boiling over, while in China, concerns about human rights are becoming a focus in various issues including those in the Xinjiang Uighur Autonomous Region. I truly appreciate that you established the Human Rights Policy in July 2020. In the near future, however, not only on-site decisions but also management decisions regarding those human rights issues around world may draw attention. This year, I also read the dialog between the two Outside Directors and found it very interesting. They talked over issues, which consumed 4 pages and is reminiscent of a discussion at a meeting of Board of Directors. I think it good that NTN created and published a skill matrix this time. Director selection criteria was also made public, increasing the transparency of corporate governance.

Initially, I thought that a skill matrix should include “knowledge on sustainability,” but director selection criteria includes “Must have excellent insight and foresight concerning changes to the overall environment and to society” indicating that the ability related to sustainability is regarded as qualifications rather than skills. A woman has joined Board of Directors for the first time, and diversity has increased. The ratio of Outside Directors is also high, and it conveys the intention to make the “G (Governance)” of ESG work properly.

In this sense, it is somewhat regrettable that you have a sustainability-related committee only on the executive side. Of course, executives should be in charge of practical operations, and the final decisions, such as on the identification of materiality, are to be made by Board of Directors, however, it would be an idea to formally position Outside Directors as the center of the framework that will be the counterpart of the sustainability committee of the executive team. I hope that from a broader, higher and longer-term perspective, those Directors will hold discussions about how the Company will confront global issues such as climate risks and risks of social division and how the Company will fulfill its social roles.

Response to the third-party opinion

We would like to thank Professor Mizuguchi for his valuable opinions. We have positioned the fiscal year ending March 2021 as a crisis response period, and in the section of “Prepare for future growth,” which is a part of the Business Operating Policy, we aim to identify key issues (materiality) that we must prioritize, and to contribute to the achievement of SDGs by putting our response to key issues into our business strategy.

This fiscal year, we established a new Human Rights Policy. This represents our commitment to encouraging the respect of human rights not only within the Group but also at the Group’s suppliers, and we will build a mechanism for human rights due diligence that will address the challenges that are occurring worldwide. We believe that addressing global issues such as climate risks and risks of social division is an extremely important perspective. In addition, the key issues discussed by the Sustainability Committee will be resolved by Board of Directors from an on-going, long-term perspective, and we will work to take them into account when setting a major direction of management. We will listen sincerely to the valuable opinions we have received and strive to increase corporate value over the medium to long-term.

NTN Report 2020

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