[Translation]

Corporate Governance Report

Last Updated: July 4, 2022

OILES CORPORATION
Masami Iida, President
Contact: Corporate Planning & Administrative Division
+81-466-44-4901
Securities Code: 6282
https://www.oiles.co.jp/

The corporate governance of **OILES CORPORATION** (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views

The Oiles Group positions corporate governance as a top priority and strives to continually strengthen the rationale, soundness, and transparency of its governance system and organization through flexible decision-making and delegation of authority in response to changes in the market and taking the necessary actions to develop the Group and enhance its corporate value.
We also recognize the importance of actively disclosing appropriate information to investors in a timely manner to ensure transparency.

[Reasons for Non-compliance with the Principles of Japan's Corporate Governance Code] [Updated]

The Company complies with every principle of Japan's Corporate Governance Code.

[Disclosure Based on the Principles of Japan's Corporate Governance Code] [Updated]

[Principle 1.4 Cross-shareholdings]
(Basic policy on cross-shareholdings)
The Company, in the event of holding shares of listed companies as cross-shareholdings, holds issues that lead to building, maintaining and strengthening medium- to long-term transactional and collaborative relationships and issues, which through such holding, are anticipated to increase the Company's corporate value.
Specifically, the Board of Directors verifies the rationality of holding cross-shareholdings and the appropriateness of each individual issue annually, specifically scrutinizing that the benefit and risks are in line with the capital costs, etc. in light of the qualitative aspects of the business strategy such as maintaining and securing a smooth and favorable transactional and collaborative relationship with the portfolio company and for quantitative aspects such as dividend income and other medium- to long-term economic rationality. As a result of the verification, consideration is given to reducing the holdings of issues that are no longer considered to have rationality as cross-shareholdings.
In light of the above basic policy, at the Board of Directors meeting held in November 2021, the Board of Directors verified cross-shareholdings held at that date, decided to reduce the holdings of some issues, and is proceeding with the procedures to sequentially sell the issues.

(Basic policy on exercising voting rights)
The Company decides to exercise its voting rights for each agenda item, respecting such companies' management policies, with the criteria that it will lead to medium- to long-term improvement of, or not damage, the corporate value of the Company and the portfolio company. In addition, in the event of circumstances such as where the portfolio company is deemed to have seriously violated laws and regulations,

breached compliance or have a relationship with anti-social forces, the Company carefully considers its exercise of voting rights also taking into account the response of such company to the relevant circumstances. The handling of matters in relation to the exercise of voting rights on cross-shareholdings is consolidated at the General Affairs Department, Corporate Planning & Administrative Division with a unified response in line with this basic policy.

[Principle 1.7 Related Party Transactions]
The Company takes transactions between directors and the Company to be matters for resolution of the Board of Directors in accordance with laws and regulations and internal rules such as the Board of Directors Regulations.
Note that, as persons of interest, the relevant directors do not participate in such resolution.
In addition, the details of the actual transaction conducted following such approved resolution are reported at the Board of Directors.

[Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion to Core Human Resources, etc.]
(Views on ensuring diversity)
The Oiles Group positions promoting diversity as one of its important business challenges. The Oiles Group will foster a corporate culture and work environment that are pleasant to anyone so that human resources who have diverse perspectives and values can display their respective abilities and originality, leading to a sustained improvement of corporate value.
In addition, for "voluntary measurable targets for ensuring diversity," "status of ensuring diversity," "policies for developing human resources and developing internal environment to ensure diversity, and status thereof," please refer to "Integrated Report."
(Integrated Report - Human Resource Development Initiatives: https://www.oiles.co.jp/en/corporate/csr/)

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]
The Company strives to prepare an appropriate investment environment for reserves through the regular monitoring of the management status of pension assets by multiple departments involved in investment, while also aiming to develop human resources by participating in various training programs so that the corporate pension funds can fulfill the function expected of asset owners.
In addition, any conflicts of interest between the beneficiaries of the corporate pension funds and the Company are managed with appropriate procedures.

[Principle 3.1 Full Disclosure]
(1) Management Concept, management strategy and management plan
The management concept, management policy and the Company's medium- to long-term management strategy are disclosed on the Company's website and in financial results briefing materials, etc.

(2) Basic views and basic policy on corporate governance
Described in this Report "I. 1. Basic views"

(3) Policy and procedures for determining compensation
The policy and procedures when determining compensation for directors are described in this Report II 1. "Policy for Determining Compensation Amounts or Calculation Methods Thereof."

(4) Policies and procedures for appointment and dismissal of top management and nomination of candidates for directors and auditors
(Nomination policy)
The Company's Board of Directors has appointed people who can achieve the effectiveness of the Board of Directors, contribute to the Company's sustained growth and increase medium- to long-term corporate value as top management (directors and operating officers).
Directors and operating officers are appointed based on the evaluation of aspects such as their management skills, vision, insight, leadership, character, and mental and physical condition premised on them being deemed to have expertise in each department and excellent ability. Auditors are appointed from persons who have knowledge in areas required for the role such as finance, accounting and law.
In addition, should a director, auditor or operating officer 1) behave in a way that corresponds to serious violations of laws and regulations or compliance violations; 2) have a relationship with anti-social forces; or

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3) significantly damage the corporate value through negligence of duties, this shall be deemed a reason for dismissal.

(Nomination procedures)
In regard to the nomination procedures for top management, a voluntary Nominating Committee was established with independent outside directors comprising the majority of committee members at the Board of Directors meeting held in October 2018 to ensure independent, objective and transparent procedures. Therefore, we established a structure for the nomination of top management to be determined at the Board of Directors upon a process of consultation and report on findings from the Nominating Committee.
Note that for candidates for directors and auditors, the consent of the Audit & Supervisory Board is obtained in regards to auditors, and once determined at the Board of Directors, the matter is referred as an agenda item for discussion at the General Meeting of Shareholders.

(5) Explanation of appointment and dismissal of top management and appointment, dismissal and nomination of candidates for directors and auditors
When nominating and appointing directors and auditors, the career history of each candidate has to date been listed in the "Notice of the General Meeting of Shareholders" together with the reason for appointment in relation to outside directors, and the "Reason for appointment" has been listed for all candidates since the Company's 65th Ordinary General Meeting of Shareholders with the addition of the "Outline of the expected role" from the 70th Ordinary General Meeting of Shareholders in light of amendments to the Companies Act (Japanese only).
In addition, in the event of circumstance corresponding to a reason for dismissal, the appropriate procedures and reasons are explained in light of the circumstances.

[Supplementary Principle 3.1.3 Sustainability Initiatives, etc.]
For "Sustainability Initiatives," and "Investment in human capital and intellectual property, etc.," please refer to "Integrated Report." In addition, disclosures related to climate change, which will be required for companies listed on the Prime Market, have also been made in the "Integrated Report" in accordance with the framework of the TCFD, etc.
(Integrated Report: https://www.oiles.co.jp/en/corporate/csr/)
*Applicable sections in the Integrated Report
- Intellectual Property Initiatives
- Environmental initiatives
- Human Resource Development Initiatives
- Non-Financial Data (within the Data Book)

[Supplementary Principle 4.1.1 Scope of Delegation from the Board of Directors to Executive Operating Officers]
In addition to matters prescribed by laws and regulations and in the Articles of Incorporation, the Company's Board of Directors approves important matters prescribed by the Board of Directors Regulations such as important management issues including the management policy and business plan. In addition, the scope of assignment of authority to executive operating officers was reorganized through revision of the agenda standards of the Management Meeting and the Board of Directors that resolve important matters and agenda items for discussion and reporting at the Board of Directors were newly revised. The relevant regulations that prescribe the details of such authorities were revised in April 2021 and have been operated appropriately.

[Principle 4.9 Independence Standards and Qualifications for Independent Outside Directors]
The Company appoints two outside directors with extensive knowledge and experience that can contribute to advancing the Oiles Group's business, and in accordance with requirements for outside directors prescribed by the Companies Act and independence standards prescribed by the financial instruments exchange.

[Supplementary Principle 4.10.1 Use of Optional Approach]
The Company has introduced voluntary Nominating Committee and Compensation Committee systems from October 2018.
In regard to the nomination procedures for directors and operating officers, a voluntary Nominating Committee was established with independent outside directors comprising the majority of committee members to ensure independence, objectivity and transparency. Consequently, the Company has a structure

in which directors and operating officers are determined at the Board of Directors through a process of consultation and report on findings from the Nominating Committee. Note that for candidates for directors, the matter is referred as an agenda item for discussion at the General Meeting of Shareholders.
In addition, to ensure the effectiveness of the compensation system for directors and operating officers, the Company has also established a voluntary Compensation Committee, which comprises a majority of independent outside directors. Therefore, we have in place a structure for the composition, policy for compensation and other matters to be determined at the Board of Directors through a process of consultation and report on findings from the Compensation Committee. In fiscal 2021, the Company held the Nominating Committee meeting once and the Compensation Committee meeting three times, and operates these committees appropriately.
Please also refer to the Supplementary Explanation for II-1. Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Compensation Committee in this report.

[Supplementary Principle 4.11.1 The Overall Balance, Diversity and Size of the Board of Directors]
To achieve the Oiles Group's sustained growth and improvement of medium- to long-term corporate value, the Company's Board of Directors comprises diverse directors with different expertise and experience, etc. based on identified skills, etc. required for the Board of Directors with the number of directors appropriate to fulfill the supervisory function effectively.
In appointing candidates for directors, the Board of Directors determines the candidates in light of the balance of knowledge, experience and ability as well as the diversity and composition of the overall Board of Directors, through a process of deliberation and report on findings of the voluntary Nominating Committee, more than half of whose members are independent outside directors.
Currently, in addition to four directors well-versed in each area of the Company's business, there are two independent outside directors with considerable knowledge and experience in specialist areas such as corporate management for a total of six directors and four auditors, including two independent outside auditors. (The composition of the Board of Directors when this report was updated was five men and one woman.) For the skill matrix listing expertise and experience of each director which was developed through deliberation of the Nominating Committee, please refers to "Notice of the 71st Ordinary General Meeting of Shareholders."
(Notice of the 71st Ordinary General Meeting of Shareholders:
https://ssl4.eir-parts.net/doc/6282/announcement3/79858/00.pdf)

[Supplementary Principle 4.11.2 Concurrent positions of Directors and Auditors]
Concurrent positions at other companies are listed in the Notice of the General Meeting of Shareholders and securities reports (Japanese only).

[Supplementary Principle 4.11.3 Assessment of Board of Directors Effectiveness]
The Company has analyzed and evaluated the effectiveness of the Board of Directors annually since fiscal 2015, which is aimed at improving the function of the Board of Directors.
(1) Method for analyzing and evaluating the effectiveness of the Board of Directors as a whole
The Company conducted a survey as follows using a questionnaire, and the Board of Directors referenced the results of the survey when analyzing and evaluating the effectiveness of the Board of Directors as a whole.
- Survey method: Non-anonymous questionnaire
- Survey respondents: Directors (seven directors) and auditors (four auditors) who were in office as of March 31, 2022
- Applicable period: From April 2021 to March 2022
- Evaluation items: "Composition of the Board of Directors," "Effectiveness of the Board of Directors," "Operations of the Board of Directors," "Deliberation Process of the Board of Directors," "Information Gathering, and Support Structure," etc.

(2) Overview of the results of the analysis and evaluation of the effectiveness of the Board of Directors as a whole
In the evaluation results for fiscal 2021, the assessment of the "appropriate number of board members" and "diversity of the Board of Directors" with an increase in points for "Composition of the Board of Directors," which together with other factors, resulted in the opinion that steady progress has been made

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in ensuring diversity in the Board of Directors. In addition, as in the previous year, the assessment indicated that there were active proposals by outside directors and that opinions were proactively incorporated and reflected in appropriate decisions based on smooth proceedings advanced by the chairperson, with an evaluation that the effectiveness of the Board of Directors has been ensured.
On the other hand, the issues that were recognized include the need to further strengthen the supervisory function by separating management from execution, and make discussions concerning the medium- to long-term strategy and capital policy more active.

In light of these results, the Company sincerely accepted the issues and opinions voiced to further increase the effectiveness of the Board of Directors, and is implementing initiatives to appropriately implement the necessary measures, and further enhance and strengthen the corporate governance structure.

[Supplementary Principle 4.14.2 Training Policy for Directors and Auditors]
If directors and auditors are appointed from within the Company, appointments are made of people who are familiar with the Company's business, finances and organization, as well as being able to sufficiently fulfill such responsibilities. The study of laws and regulations such as the Companies Act and knowledge of management required as directors and auditors is provided following appointment through in-house training courses and external training courses such as seminars.

In addition, explanation of the Company's business is provided for new outside directors as well as new outside auditors when initially appointed and opportunities are provided to deepen their understanding of the Company's business.
Furthermore, training courses are held for directors and operating officers at least once a year such as training courses on the latest management, legal and tax matters with outside experts as lecturers.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]
The Company believes the understanding and support of its shareholders and investors is vital to increase the Company's medium- to long-term corporate value.
Therefore, the Company wants to build a long-term relationship of trust with shareholders and investors by making every effort to provide timely, appropriate and accurate information in a fair manner.
In regard to IR, director and the general manager of the Corporate Planning & Administrative Division is the officer in charge of IR and the General Affairs Department is the IR contact that coordinates with relevant departments.
Furthermore, apart from convening two financial results briefings where the Company's President provides explanation each year (for interim and final results), the financial results briefing materials are posted on the Company's website in Japanese and English. We will strive to strengthen IR activities in future.
In addition, opinions and matters of concern, etc. raised by shareholders and investors, etc. through IR activities, are reported in a timely and appropriate manner through the Board of Directors and the Management Meeting.
The financial results briefing for the full year results for the fiscal year ended March 2022 was held on May 23, 2022 at the venue of the Securities Analysts Association of Japan, and the relevant materials and explanatory video were posted on the Company's website.
In regard to the management of insider information, to prevent insider trading, we have prepared Group Internal Information Management Regulations and aim to appropriately manage the standards for handling the management of internal information and related matters.

[Translation]

2. Capital Structure [Updated]

Foreign Shareholding Ratio	Less than 10%

[Status of Major Shareholders] [Updated]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
Tokyo Small and Medium Business Investment & Consultation Co., Ltd.	2,966,450	9.24
The Master Trust Bank of Japan, Ltd. (Trust account)	2,630,400	8.19
Mizuho Bank, Ltd.	1,200,505	3.74
Nippon Life Insurance Company	969,600	3.02
Keisuke Kawasaki	829,641	2.58
Oiles East Japan Mutual Prosperity Association	753,429	2.35
Keita Kawasaki	721,099	2.25
Oiles Employee Shareholding Association	650,827	2.03
MUFG Bank, Ltd.	567,336	1.77
Custody Bank of Japan, Ltd. (Trust Account E)	540,200	1.68

Controlling Shareholder (except for Parent)	―
Parent (Listed Stock Market)	N/A

Supplementary Explanation [Updated]

1. The “Status of Major Shareholders” describes the current status as of March 31, 2022.
2. Although the large shareholding report provided by Mitsubishi UFJ Financial Group, Inc. for public inspection as of March 7, 2022 states that shares were held as follows as of February 28, 2022, the Company cannot confirm beneficial ownership of the number of shares as of March 31, 2022.
   [Name/number of shares held/holding ratio]
   MUFG Bank, Ltd. and three other companies/1,775 thousand shares/5.18%
3. Although the large shareholding report provided by Mizuho Bank, Ltd. for public inspection as of December 7, 2021 states that shares were held as follows as of November 30, 2021, the Company cannot confirm beneficial ownership of the number of shares as of March 31, 2022.
   [Name/number of shares held/holding ratio]
   Mizuho Bank, Ltd. and two other companies/2,481 thousand shares/7.23%
4. Although the large shareholding report provided by Nippon Value Investors KK for public inspection as of April 2, 2021 with Morrison & Foerster as the submitter states that shares were held as follows as of March 31, 2021, the Company cannot confirm beneficial ownership of the number of shares as of March 31, 2022.
   [Name/number of shares held/holding ratio]
   Nippon Value Investors KK/1,354 thousand shares/3.95%

3. Corporate Attributes [Updated]

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime
Fiscal Year-End	March

Type of Business	Machinery
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 10 to less than 50

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Special Circumstances Which May Have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

1. Organizational Composition and Operation

Organization Form	Company with auditors

[Directors] [Updated]

Maximum Number of Directors Stipulated in Articles of Incorporation	10 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	6 persons
Appointment of Outside Directors	Appointed
Number of Outside Directors	2 persons
Number of Independent Officers Designated from among Outside Directors	2 persons

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yasuji Omura	From another company											
Rika Miyagawa	From another company											

* Categories for "Relationship with the Company"

"○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past;
"●" when a close relative of the director presently falls or has recently fallen under the category; and
"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
b. Non-executive director or executive of the parent of the Company
c. Executive of a fellow subsidiary of the Company
d. Party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Yasuji Omura	○	―	Due to his extensive knowledge and experience of management as a company officer, we judged that he is expected to provide useful opinions and advice for the Company's management.
Rika Miyagawa	○	―	Due to her high level of expertise in information systems such as the preparation of structures for compliance with laws and regulations and her extensive knowledge and experience of management as a corporate officer, we judged that she is expected to provide useful opinions and advice for the Company's management.

[Voluntary Committees]

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Compensation Committee	Established

[Translation]

Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Compensation Committee
Committee's Name	Nominating Committee	Compensation Committee
Total Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Inside director	Inside director

Supplementary Explanation [Updated]

The "Nominating Committee" and "Compensation Committee," which are voluntary advisory bodies of the Board of Directors comprising a majority of independent outside directors, were separately established by resolution of the Board of Directors in October 2018.
Both committees have the purpose of aiming to enhance and strengthen corporate governance, clarifying the objectivity, transparency and fairness of procedures concerning the nomination and compensation of directors and operating officers. The members of both committees are appointed by resolution of the Board of Directors in light of achieving these purposes. Currently, both committees comprise three members, with the majority being independent outside directors. The committees comprise Masami Iida (President) as chairperson together with Yasuji Omura (Outside Director) and Rika Miyagawa (Outside Director), with both committees meeting at least once per year and each member has attended all committee meetings. The details of deliberation at both committees are reported to the Board of Directors, with the decisions made at the Board of Directors. The specific roles and functions of each committee are described in the Notice of the Ordinary General Meeting of Shareholders and securities reports (Japanese only).
The establishment of both committees ensures the transparency and objectivity of the evaluation and decision-making process relating to matters such as nomination and compensation of top management, and aims to strengthen the Board of Directors' supervisory function and accountability to shareholders, striving to further enhance the corporate governance structure.

[Auditors]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Auditors Stipulated in Articles of Incorporation	4 persons
Number of Auditors	4 persons

Cooperation among Auditors, Accounting Auditor and Internal Audit Department

Auditors receive reports such as the status of audit implementation for the accounting audit from accounting auditors in a timely manner. In addition, full-time auditors confirm the implementation status by accompanying the accounting auditor as necessary and explains the accounting auditor's implementation status to outside auditors at the Audit & Supervisory Board.
In regard to the internal audit, the Internal Audit Office, which sits under the direct control of the President, conducts regular audits of all the Company's divisions and Group companies. In addition, for the purpose of fulfilling the roles of the Board of Directors and the Audit & Supervisory Board, the Company has made

arrangements for the Internal Audit Office to report results of internal audits and others directly to the Board of Directors and the Audit & Supervisory Board as needed. In addition, the person in charge of the internal audit, maintains contact and exchanges opinions with the Audit & Supervisory Board and accounting auditors.

Appointment of Outside Auditors	Appointed
Number of Outside Auditors	2 persons
Number of Independent Officers Designated from among Outside Auditors	2 persons

Outside Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Norihiro Kimijima	From another company													
Tatsuhiro Maeda	CPA													

* Categories for "Relationship with the Company"
"○" when the auditor presently falls or has recently fallen under the category;
"△" when the auditor fell under the category in the past;
"●" when a close relative of the auditor presently falls or has recently fallen under the category; and
"▲" when a close relative of the auditor fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiary
c. Non-executive director or executive of the parent of the Company
d. Auditor of the parent of the Company
e. Executive of a fellow subsidiary of the Company
f. Party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an auditor
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the auditor himself/herself only)
k. Executive of a corporation to which outside officers are mutually appointed (the auditor himself/herself only)
l. Executive of a corporation that receives a donation from the Company (the auditor himself/herself only)
m. Other

[Translation]

Outside Auditors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Norihiro Kimijima	○	―	Due to his extensive knowledge and experience as an auditor and involvement with management as a corporate officer, we judged that he is expected to appropriately fulfill the responsibilities of an outside auditor to oversee the Company's management from an objective and fair viewpoint.
Tatsuhiro Maeda	○	―	Due to his involvement in corporate accounting operations as a certified public accounting, his extensive experience and high-level knowledge in relation to corporate accounting, we judged that he is expected to utilize this for a reasonable audit of the Oiles Group.

[Independent Officers]

Number of Independent Officers	4 persons

Matters relating to Independent Officers

The four outside officers (two outside directors and two outside auditors) are all designated as independent officers.

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked compensation

Supplementary Explanation

As described in the "Policy for Determining Compensation Amounts or Calculation Methods Thereof."

Recipients of Share Options	

Supplementary Explanation

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[Director Compensation]

Disclosure of Individual Directors' Compensation	No individual disclosure

[Translation]

Supplementary Explanation [Updated]

Directors compensation	Number of persons paid: 8, Amount paid ¥287 million (including outside directors)

Policy for Determining Compensation Amounts or Calculation Methods Thereof	Established

Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof

1. Policies for determining the details of compensation, etc. for each individual director
(1) Basic policy
The basic policy for directors' compensation is that there is a compensation scale linked to the shareholder benefits so that it functions adequately as an incentive for sustainable increase of corporate value. Furthermore, when determining the compensation for each individual director, the compensation shall be at an appropriate level taking account of each director's position and responsibilities, and within the limit approved at the General Meeting of Shareholders. Specifically, the compensation of executive directors comprises fixed compensation, performance-linked compensation (bonus), and performance-linked and share-based compensation, while the compensation of outside directors responsible for the supervisory function are, in light of their duties, only paid fixed compensation and performance-linked compensation (bonus).

(2) Policies for determining the compensation, etc. for each individual's fixed compensation
Directors' fixed compensation is paid as monthly compensation for the first day to the last day of each month on the same day as salary payments are made to employees in accordance with Officer Regulations, taking comprehensive consideration of matters such as the person's capability, willingness and level of contribution to achieving the plan, outcomes, degree of contribution to performance and the role to be performed in future.

(3) Policies for determining the details and the calculation method for the amount or number of performance-linked compensation, etc. and non-monetary compensation, etc.
From the perspective of reflecting performance in each fiscal year, directors' performance-linked compensation, etc. is an amount that reflects the responsibilities and outcomes using profit attributable to owners of parent as the main index paid as a bonus within one week following the day on which the Ordinary General Meeting of Shareholders concluded. The movement in the profit attributable to owners of parent, including for the fiscal year under review, is described in the Business Report in the Company's Notice of the Ordinary General Meeting of Shareholders (Japanese only).
Non-monetary compensation, etc. has a separate allocation from fixed compensation and bonus, in a Board Benefit Trust (BBT) for directors (excluding outside directors, including operating officers) for the purpose of increasing willingness to increase medium- to long-term earnings and corporate value. From the perspective of contributing to an increase in medium- to long-term corporate value, the index is the consolidated operating profit defined in the medium-term management plans. The determination method for share-based compensation is to grant eligible persons points determined by taking account the position based on the Officer Benefits Regulations and the degree of achievement of the index in each fiscal year. The timing for eligible persons to receive the benefit of the Company's shares, etc. shall, in principle, be on retirement. In addition, the state of issuance is described in the Business Report in the Company's Notice of the Ordinary General Meeting of Shareholders (Japanese only).

(4) Policies for determining the ratio of the amount of compensation, etc. for individual directors for the amount of fixed compensation, the amount of performance-linked compensation, etc. or the amount of non-monetary compensation, etc.
The ratio of compensation by type of executive director is considered by the Compensation Committee, with the weight of performance-linked compensation increasing the higher a person's position, giving consideration to benchmarking against the compensation levels of companies of similar business size to the Company and in related industries and entity types. The Board of Directors respects the details of the

findings reported by the Compensation Committee and determines the details of compensation, etc., for individual directors within the limit of the ratio of compensation for each type indicated in such report. The target ratio for each type of compensation, etc. is fixed compensation: performance-linked compensation, etc. (bonus): non-monetary compensation, etc. (Board Benefit Trust) = 65:25:10.

(5) Matters concerning the determination of the details of compensation, etc. for individual directors
The specific details for the amounts of compensation for individual directors is, in accordance with a resolution of the Board of Directors, delegated to the Compensation Committee, comprised of a majority of independent outside directors, with the details of such authority being to evaluate the allocation of bonuses in light of the amount of each director's fixed compensation and the performance of the business area falling under each director's responsibility. The Board of Directors makes the final determination based on the details of the findings reported by the Compensation Committee. For performance-linked and share-based compensation, the number of shares to be allotted per individual is based on the Officer Share Benefit Regulations.

2. The maximum amount of directors' compensation, etc.
(1) The maximum amount of compensation, etc. for the Company's directors is as follows.
1) Monetary compensation: up to ¥350 million per year (However, does not include the proportion of compensation as an employee), which was approved at the 63rd Ordinary General Meeting of Shareholders held on June 27, 2014.
2) Share-based compensation: up to ¥210 million for the three fiscal years up until the fiscal year ended March 31, 2021, thereafter up to ¥240 million for each three fiscal year period, which was approved at the 67th Ordinary General Meeting of Shareholders held on June 28, 2018.

[Supporting System for Outside Directors and/or Auditors]

There are currently no staff to support the operations of outside directors and outside auditors, and support is provided as necessary in the same way as is provided to other officers. Administrative support such as for convening Board of Directors meetings is undertaken at the General Affairs Department, Corporate Planning & Administrative Division.

[Status of Persons Who Have Retired from a Position Such as Representative Director and President]

Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

Name	Title/ Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
–	–	–	–	–	–

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company	0 persons

Other Matters

The Company had advisory and consultation system, but this system was revised. It has been decided that persons with experience as representative director will not be appointed as an advisor or consultant following retirement as a director.

[Translation]

2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System) [Updated]

The Company has introduced an operating officer system from the perspective of strengthening the Board of Directors' function by clarifying the division between the business execution function and the supervision and oversight function, while increasing the speed and efficiency of decision-making on management strategies. The current management structure comprises six directors and eight operating officers, which includes four persons who are concurrent directors.
In addition, the Company's Board of Directors convenes at least once a month (twice in the month that the financial results are released), and as the highest decision-making body for management, in addition to matters prescribed by laws and regulations and the Articles of Incorporation, determines the Company's important business execution and assigns business execution to the executive operating officers by resolution of the Board of Directors, and while receiving reports on the status of business execution from the executive operating officers, supervises the execution of the executive operating officer's duties. In terms of the status of attendance of individual officers, all directors have attended all Board of Directors meetings.
In addition to the above, the Management Meeting, which is comprised of all directors and persons nominated by the President, meets once a month as an opportunity for discussing policy for execution of the Company's operations. The Management Meeting has practical discussion that is utilized for appropriate and prompt management decision-making.
In terms of the governance structure, the Company has adopted an auditor system, with the Audit & Supervisory Board comprised of four auditors including two outside auditors, and receives reports on the implementation status of the accounting audit from accounting auditors in a timely manner, etc. In addition, auditors undertake a strict audit, attending the Board of Directors and other important committees and browsing important documents. They also audit the decision-making process of directors and the status of business execution by directors. Furthermore, two outside auditors are concurrently members of the special committee for the response to large-scale purchases of the Company's shares, etc. They are independent of the management that undertakes the Company's business execution and are deemed able to make fair and impartial judgements. The system is judged to function adequately in terms of the external oversight of management. The two outside auditors are appointed as independent officers.
In regard to the auditors' audit, four auditors, including two outside auditors, strive to ensure audit effectiveness acting in accordance with the Auditor's Audit Regulations and Audit & Supervisory Board Regulations prescribed by the Company's Audit & Supervisory Board.
In regard to the internal audit, the Internal Audit Office, which sits under the direct control of the President, has one manager of and four persons in charge of the internal audit and conducts regular audits of all the Company's divisions and Group companies. This is in an effort to contribute to the achievement of the Company's management plans and sound development of business so that operations are legal, appropriate as well as rational and fitting to increase the management efficiency and safety of assets. In addition, the manager of the internal audit, maintains links with the Audit & Supervisory Board and exchanges opinions for appropriate advancement thereof.
The accounting audit operations have been assigned to Deloitte Touche Tohmatsu LLC since fiscal 2016. The certified public accountants who undertook the operations for fiscal 2021 were Hirohisa Kato and Seiji Oguchi. In addition, the assistants involved in the audit operations comprised five persons in addition to ten certified public accountants. In addition, apart from the regular audit, the Company continues to strive for the appropriate adjustments of accounting treatments such as with appropriate exchange of opinions concerning various accounting issues. Note that there is no conflict of interest between the Company and such accounting auditors and business execution personnel that should be recorded pursuant to the Certified Public Accountants Act.

3. Reasons for Adoption of Current Corporate Governance System

The Company believes the current system, as outlined above, is an adequate execution and audit system and adequately contributes to improving the Company's corporate governance.

[Translation]

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Shareholders Meetings and Smooth Exercise of Voting Rights [Updated]

	Supplementary Explanations
Early Notification of General Shareholders Meeting	The Notice of Convocation for the Ordinary General Meeting of Shareholders held in June 2022 was sent 20 days prior to the meeting date. In addition, as an initiative to quickly provide information to shareholders, the information was posted to the TDnet service of the Tokyo Stock Exchange and the Company's website eight days earlier (i.e., 28 days prior to the meeting date for the Ordinary General Meeting of Shareholders).
Allowing Electronic or Magnetic Exercise of Voting Rights	To enable many shareholders to exercise their voting rights, the Company has adopted the exercise of voting rights by electronic or magnetic means since 2005.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company has adopted the electronic voting system platform operated by ICJ, Inc. since 2015.
Providing Convocation Notice in English (Translated Fully or Partially)	An English translation of a so-called narrow Notice of Convocation has been posted on the TDnet and the Company's website since the 70th Ordinary General Meeting of Shareholders held in June 2021.
Other	To increase the ratio of individual shareholders exercising their voting rights, the Company has, since the 67th Ordinary General Meeting of Shareholders held in June 2018, introduced arrangements to simplify and facilitate voting by smartphone, printing a QR code in the Voting Form which can then be read and exercised with a smartphone.

2. IR Activities [Updated]

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The basic views and information disclosure for the Oiles Group is described in this report at "V. Other 2. Other Matters Concerning Corporate Governance System."	
Holding Regular Investor Briefings for Analysts and Institutional Investors	The Company holds a financial results briefing for analysts and institutional investors for these financial results and at the time of the interim financial results, and President Masami Iida provides an explanation at such time. The briefing was held on May 23, 2022, at the venue of the Securities Analysts Association of Japan, and the relevant materials and explanatory video are posted on the Company's website.	Yes
Posting IR Materials on Website	Financial information, business report and timely disclosure materials including securities reports are posted on the "Investor Relations" page of the Company's website.	

Establishment of Department and/or Manager in Charge of IR	Control of the Company's IR is handled at the Corporate Planning & Administrative Division, and director and the general manager of the Corporate Planning & Administrative Division is the officer in charge of IR. In addition, the manager responsible for IR administration is the general manager of the General Affairs Department, Corporate Planning & Administrative Division.	

3. Measures to Ensure Due Respect for Stakeholders [Updated]

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	Prescribed in the "Oiles Group Corporate Conduct Charter."
Implementation of Environmental Activities, CSR Activities, etc.	Environmental protections are prescribed in the "Oiles Group Corporate Conduct Charter," while the Environmental Safety & Hygiene Office has been established and environmental conservation activities are company-wide initiatives. In addition, the Company considers corporate activities to promote corporate social responsibility (CSR) activities to be a core pillar based on the idea that promoting CSR contributes to the sustainable development of society and also contributes to increasing the Company's corporate value. In light of this, the Company has established the "CSR Promotion Meeting" chaired by the President, with a structure to promote the understanding of CSR issues to invest in the improvement of medium- to long-term corporate value. For these activities, etc., please refers to "Integrated Report." https://www.oiles.co.jp/en/corporate/csr/ To better fulfill our corporate social responsibility, the Company strives to further strengthen activities.
Formulation of Policies for Information Provision to Stakeholders	Prescribed in the "Oiles Group Corporate Conduct Charter."

IV. Matters Related to Internal Control System

1. Basic Views on Internal Control System and Progress of System Development

Basic views
Under the management concept of "to become a world leader as a general manufacturer of oil-less bearings and serve society through technology," the Oiles Group's objective is to expand the meaning of bearing not only as a reference to the product but also to the term "Bear" (i.e., withstand, sustain, convey, and carry), with the aim of contributing to society through technology and also building good relations with many stakeholders to increase corporate value. To achieve this objective, the Company ensures an appropriate management structure that is sound and highly transparent by preparing and operating a structure with nimble management decision-making that responds to market changes, rational delegation of authority, and appropriate and useful financial reports.

[Translation]

2. Current status [Updated]
(1) Structure for ensuring that the execution of duties by directors and employees conforms with laws and regulations and the Articles of Incorporation
(i) Based on the Company's recognition that thorough compliance is vital for the ongoing existence of a company, the Company strives to establish a compliance management system founded on "Liberty & Law," which is one of the Company's policies.

(ii) The Company promotes, educates and conducts training courses on compliance in accordance with the "Oiles Group Corporate Conduct Charter," "Corporate Code of Conduct" and "Group Compliance Regulations" that were mainly formulated by the "Compliance Sub-Committee," which sits under the CSR Promotion Meeting as the organization with control of overall compliance.

(iii) Specifically, the "Compliance Implementation Guide of the Oiles Group" has been established for Group companies as a guide for the day to day management of operations of all officers and employees as we strive to build a transparent corporate culture that is more just.

(iv) We operate an internal reporting system for consulting on compliance matters and reporting unfair practices, etc. Specifically, in addition to the in-house reporting desk located in the Compliance Committee Secretariat, we have also established and outside reporting desk for employees (at a law firm), with thorough protection of the reporting person.

(v) The Company investigates and verifies whether or not operations are reasonable, appropriate and rational in compliance with laws and regulations, the Articles of Incorporation and internal rules through the internal audit conducted by the Internal Audit Office, with such results reported to the President. For the purpose of fulfilling the roles of the Board of Directors, the Company has made arrangements for the Internal Audit Office to report results of internal audits and others directly to the Board of Directors as needed.

(2) System for storing and managing information pertaining to the execution of directors' duties
The Company appropriately records information pertaining to the execution of directors' duties such as records pertaining to decision-making of important committees including the General Meeting of Shareholders and the Board of Directors and documents approved by each director in accordance with the Authority Regulations and stores and manages for the prescribed period with the manager responsible for handling documents in accordance with laws and regulations and "Document Management Regulations."

(3) Regulations and other structures for managing the danger of a loss at the Company and the Oiles Group
(i) The Company takes a systemic response necessary to minimize the danger of loss through measures such as preparing the appropriate measures in advance corresponding to the level and likelihood of danger in relation to the various dangers of loss at the Company and the Oiles Group.

(ii) The Company has built a risk management structure for the Company and the Oiles Group, establishing the Risk Management Sub-Committee as an organization for overall control of the danger of loss at the Company and the Oiles Group, assigning a director in charge, and establishing "Group Risk Management Rules" and "Group Crisis Management Rules."

(iii) In regard to the environment, safety and health, the Company's Environmental Safety & Hygiene Office audits quality from the specialist viewpoint of the Company's Quality Assurance Office.

(iv) In regard to accounting matters, the independent management by each of the Company's departments and the Oiles Group is the basis, with the Company's accounting department managing the figures for the Oiles Group as a whole.

(4) Structure to ensure the efficient execution of duties by the directors of the Company and the Oiles Group
(i) The Company and the Oiles Group determines important matters at the regular Board of Directors meeting and supervises the status of business execution by directors.
In addition, to strengthen the function of the Board of Directors and increase management efficiency, we hold committees such as the Management Meeting, which comprise all directors and persons nominated by

the President, and the Strategy Meeting as needed, and make careful and nimble decisions with consideration and deliberation of basic matters concerning business execution and important matters, while at the same time spending time to discuss important management themes.

(ii) The Company establishes medium-term management plans and annual plans based on its long-term vision and set targets for the Oiles Group.
Specific measures are established and implemented to achieve such targets in each department of the Company and of each Group company.

(iii) The Company separates the decision-making and supervision functions and the business execution function through an operating officer system with the term of office of directors being one year.

(5) The Structure for ensuring the properness of operations in the Company and in the Oiles Group
(i) The Company has established common "Oiles Group Corporate Conduct Charter" and "Corporate Code of Conduct" for the Oiles Group and assigned compliance promotion members and a practical leader to each Company, with the Compliance Sub-Committee controlling and promoting compliance for the Group as a whole.

(ii) The Company appropriately manages management with the Corporate Strategy Department coordinating with each business planning department in accordance with the "Management Rules for Affiliates and Other Entities" receiving the required prior discussions and reports from the Oiles Group, etc.

(iii) The Company has a structure to ensure the properness of operations with the Company's auditor and the Internal Audit Office regularly auditing subsidiaries, and the Company's employees, etc. who have been appointed as auditor auditing major subsidiaries of the Oiles Group.

(iv) The Company has a structure to ensure the properness of operations of the Oiles Group on a group-wide basis with the establishment of the "Oiles Group Audit & Supervisory Board" in which auditors from each Group company participates.

(6) Matters concerning employees where an auditor has requested employee assistance with such duties
The Company assigns auditing staff to assist with audit operations in accordance with a request from auditors, and such staff serve under the command and order of the Audit & Supervisory Board.
In addition, such personnel, and their conditions and benefits are based on discussion with the directors and the auditors.

(7) Matters concerning the independence of the employees in the previous item from directors
The Company has obtained consent from the Audit & Supervisory Board in advance concerning the personnel movement, evaluation and discipline of auditing staff.

(8) The structure for directors and employees reporting to auditors and other structures concerning reporting to auditors
(i) Directors shall, when they find facts that could badly hurt the Company, or illegal or fraudulent acts by directors and employees, immediately report to auditors.

(ii) The structure is that auditors may attend important committees in addition to the Board of Directors such as the Management Meeting to understand the important decision-making process and execution status of operations, browse important approval documents and other important documents concerning business execution, and request explanation thereof from directors or employees as necessary.

(9) The structure for persons who receive reports from directors and auditors, etc., and the employees of the Oiles Group to report to the Company's auditors
(i) When officers and employees of the Oiles Group request reports on matters concerning business execution from the Company's auditors, there is prompt and appropriate reporting.

(ii) Officers and employees of the Oiles Group immediately report compliance violations to the Compliance Committee Secretariat when found, and report to the Company's auditors through such secretariat.

(iii) The Company prohibits disadvantageous treatment of officers and employees of the Oiles Group who filed a report on the basis of such report and aims to protect the reporting person while making this stance known to all officers and employees of the Oiles Group.

(10) Other structures for ensuring an effective audit by auditors
(i) The Company and the Oiles Group strive to create an auditing environment for auditors, deepening the understanding of each department of the Oiles Group about the auditor's audit.

(ii) The Company's President holds regular meetings for exchange of opinions with the Audit & Supervisory Board with the aim of gaining mutual understanding. In addition, regular meetings for exchange of opinions are held with accounting auditors.

(iii) So that auditors can conduct an effective audit, auditors shall receive an explanation of the details of the accounting audit from accounting auditors in addition to a report on the internal audit from the Internal Audit Office, ensuring close coordination through information exchange as necessary.

(iv) When auditors request the Company to make advanced payment of expenses, etc. on the basis of Article 388 of the Companies Act for executing their duties, the Company shall promptly process such expenses or liabilities following deliberation with the relevant department, unless it is deemed that the expenses or liabilities pertaining to such request is not required for the execution of such auditors' duties.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

1. Basic views on eliminating anti-social forces
The Oiles Group Corporate Conduct Charter prescribes that there shall be absolutely no relationship with anti-social forces and organizations that threaten the social order and safety, and this shall be resolutely enforced.

2. Status of efforts to eliminate anti-social forces
Guides to implementing compliance is distributed to officers and employees of the Oiles Group and the aim is to make the Oiles Group Corporate Conduct Charter, which includes the elimination of relationships with anti-social forces, etc. known to all.
We aim to coordinate with the relevant authorities such as the police and the Council for the Prevention of Specific Violations and are gathering the necessary information concerning corporate defense.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted

Supplementary Explanation

1. Details of basic policy
The Company will not, as a rule, oppose a large-scale purchase of the Company's share (in this business report, hereinafter, "Large-scale Purchase") by a specific person if it contributes to the Company's corporate value and, more importantly, shareholders' common interests. In addition, we believe that whether or not to accept a Large-scale Purchase should ultimately be determined based on the intent of shareholders.
However, a person who makes a Large-scale Purchase that does not contribute to the corporate value and, more importantly, shareholders' common interests, shall be the exception and not appropriate for a person who controls the determination of the Company's financial and business policies. We believe that we need

to ensure the Company's corporate value and, more importantly, shareholders' common interests by taking the necessary and appropriate measures against Large-scale Purchases by such persons.

2. Initiatives to prevent inappropriate control and judgement by the Board of Directors
(1) Measures for increasing corporate value
Under the management concept of "to become a world leader as a general manufacturer of oil-less bearings and serve society through technology," the Company masters core technologies of friction, wear and lubrication through original research and development, which it deploys globally thereby contributing to society, which is today's management foundation.
Furthermore, the Company has set the following long-term vision, which is linked to medium-term management plans and annual management plans and undertakes initiatives to establish the Oiles brand in the global market to achieve the management concept.
Long-term Vision
- A company that contributes to the preservation of the global environment and delivers safety, and comfort through the products and technologies required by the world
- A market-creating company that pursues tribology technology (friction, wear, lubrication) and damping technology (vibration control) to create "one in the world" products
- A company that fulfills its social responsibility (CSR) and helps realize a sustainable society through business with high contribution

(2) Policy for responding to Large-scale Purchase of the Company's share
With the approval of shareholders obtained at the 55th Ordinary General Meeting of Shareholders held on June 29, 2006, the Company introduced measures to deal with advanced-warning type Large-scale Purchases of the Company's share (which includes changes made by resolution at the Company's 70th Ordinary General Meeting of Shareholders held on June 29, 2021; hereinafter the "Policy"). The Policy is, in principle, to not take countermeasures against Large-scale Purchases where the person conducting the Large-scale Purchase (hereinafter, "Large-scale Purchaser") complies with the Large-scale Purchase rules prescribed by the Company in advance. However, where a Large-scale Purchaser does not comply with such rule, the Company's Board of Directors may take countermeasures such as issuing share acquisition rights for the purpose of protecting shareholders' common interests to oppose the Large-scale Purchase.

(3) The above initiatives are in line with the Company's basic policy on control, do not damage shareholders' common interests and are not for the purpose of maintaining the status of the Company's officers and such reasons
Since the initiatives in (1) above are basic measures to increase corporate value and, for the following reasons, the initiatives in (2) above are all in line with the basic policy in 1. above, we believe this does not damage shareholders' common interests and is not for the purpose of maintaining the status of the Company's officers.
a) The Policy satisfies the three principles (principle of protecting and enhancing corporate value and shareholders' common interests, principle of prior disclosure and shareholders' will and principle of ensuring the necessity and reasonableness of defensive measures) defined in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interest" (hereinafter, "Guidelines") released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, and is very rational.
In addition, based on the above three principles prescribed in the Guidelines, consideration is also given to the details of the "Takeover Defense Measures in Light of Recent Environmental Changes," released by the Corporate Value Study Group located in the Ministry of Economy, Trade and Industry on June 30, 2008 and "Principle 1.5 Anti-Takeover Measures" in Japan's Corporate Governance Code, released by the Tokyo Stock Exchange on June 1, 2015 and other practices and discussions concerning takeover defense measures.
b) The Policy has been introduced and maintained to ensure and increase the Company's corporate value and, more importantly, shareholders' common interest so that shareholders can judge when there has been a Large-scale Purchase of the Company's share whether or not to accept such Large-scale Purchase or to enable matters such as securing time and information necessary for the Company's Board of Directors to indicate an alternative proposal or negotiating with the purchaser for the benefit of shareholders.
In addition, the continuation of the Policy is conditional on the acceptance of shareholders, and the Policy may be terminated in accordance with the intent of shareholders, so we believe the Policy is ensuring no damage to the shareholders' common interests.

c) The Policy has been effective since being approved by shareholders at the 70th Ordinary General Meeting of Shareholders and reflects the intent of shareholders.
In addition, in the case of a resolution with the aim of terminating the Policy at a Company's General Meeting of Shareholders during the term of the Policy's validity, the Policy would be terminated at such time, which would reflect the intent of shareholders.
d) In invoking the countermeasures in the Policy, advice is taken from the Special Committee comprised of members who are independent of the management that executes the Company's business, with maximum respect given to that committee's recommendations. There are also procedures in place to ensure transparent operations of the Policy, so that the Policy operates appropriately, arbitrary judgements by the Board of Directors are prevented and it contributes to the Company's corporate value and, more importantly, shareholders' common interests.
e) The Policy can be terminated at anytime by the Board of Directors, which comprises directors appointed at the Company's General Meeting of Shareholders. Therefore, the Policy is not a dead-hand type takeover defense plan (a takeover defense plan whose exercise cannot be prevented even after replacing a majority of the members of the Board of Directors). In addition, since the term of office of directors is one year, it is also not a slow-hand type takeover defense plan (a takeover defense plan that requires time to obstruct invoking the Policy since the members of the Board of Directors cannot be replaced at one time).
Even in relation to the requirements for a resolution to dismiss directors, the Company has not weighted the requirements for the resolution so that a special resolution is required.

2. Other Matters Concerning Corporate Governance System

[Outline of timely disclosure structure]
(1) The attitude of managers and the general knowledge and awareness of policies, etc.
The Company defines in the Group Corporate Conduct Charter that corporate information is to be properly managed and disclosed in a timely and proactive manner.
In addition, based on the recognition of a common understanding at the Company and each Group company through this Group Corporate Conduct Charter, there is general knowledge and awareness of the importance and necessity for timely disclosure.

(2) Recognition and analysis of the features and risks concerning timely disclosure
The Oiles Group promotes business in Japan and overseas mainly in the bearings division, structural division and architectural division, so there are concerns that a lack of appropriate information disclosure will affect stakeholders. Therefore, initiatives are in place for relevant departments such as the Corporate Strategy Department, which controls Group companies in Japan and overseas, and the General Affairs Department, which acts as the secretariat for the Company's Board of Directors, to mutually coordinate and provide timely and appropriate information disclosure.

(3) Organization in charge of disclosure
The disclosure of timely disclosure information at the Company has a structure for prompt disclosure with the general manager of the Corporate Planning & Administrative Division responsible for handling information and the General Affairs Department, Corporate Planning & Administrative Division prescribed as the principal department pertaining to timely disclosure operations.
In addition, a structure has been prepared for the systemic dissemination of information across the Company and the establishment of the Disclosure Committee under the direct control of the President chaired by the general manager of the Corporate Planning & Administrative Division in a structure to ensure integrated information disclosure to stakeholders.
Note that Group Internal Information Management Regulations have been prepared that define standards for handling the management of internal information and related matters for the Company and Group companies, which strive for appropriate operations and prevention of insider trading.

(4) Timely disclosure procedures
Matters that could be subject to timely disclosure by the Company and Group companies are resolved by the Company's Board of Directors, so the information is collected at the General Affairs Department, which is also the secretariat for the Board of Directors.

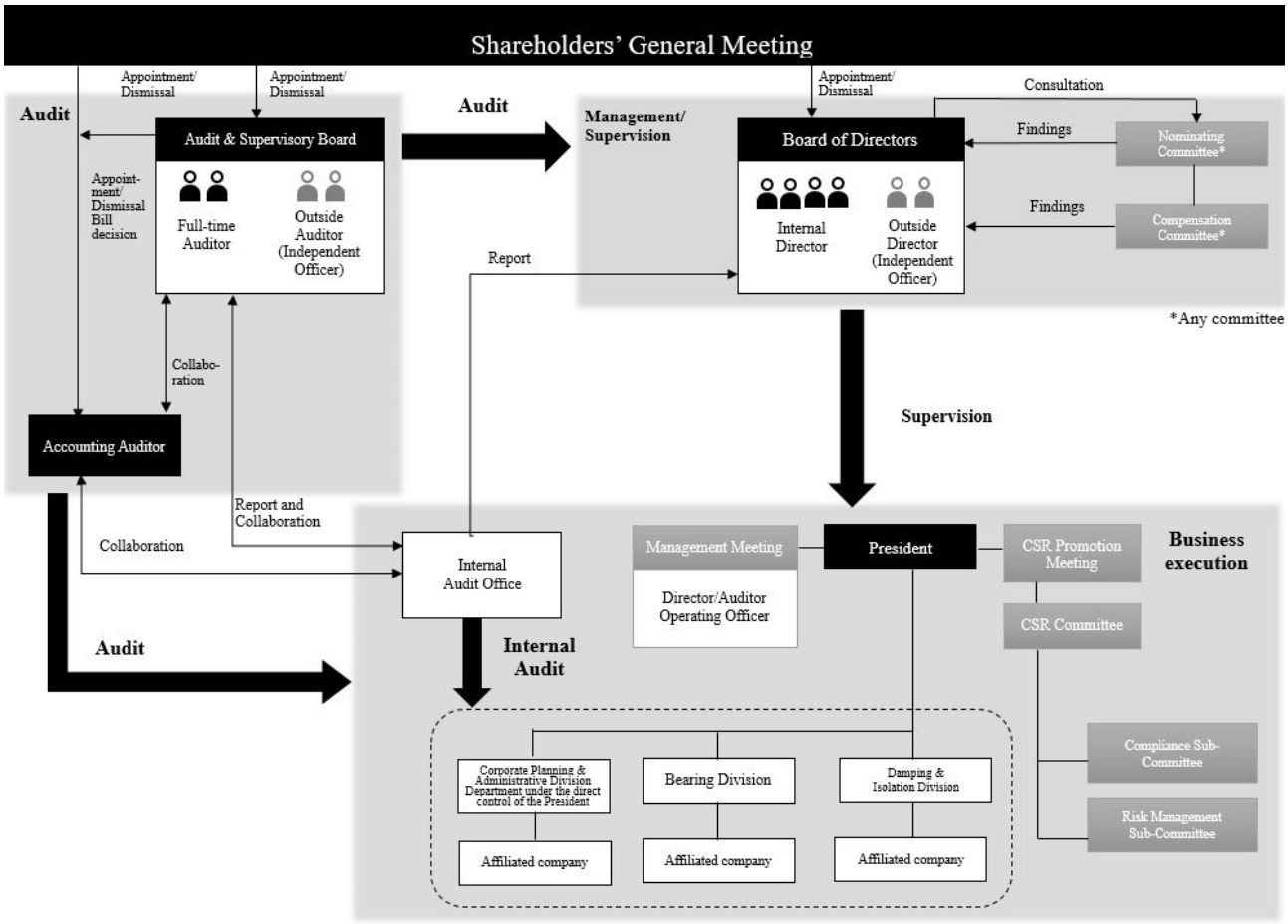
[Translation]

In addition, departments that draft matters that could be subject to timely disclosure and the General Affairs Department consider the requirements for timely disclosure and the disclosure documents referring to the Timely Disclosure Rules of the Tokyo Stock Exchange.
As a result, matters subject to timely disclosure are promptly announced and disclosed (TDnet registration, press conferences, etc.) by the General Affairs Department, the principal department, following the approval of the Board of Directors, and on the occurrence of material facts, the general manager of the Corporate Planning & Administrative Division confirms and promptly announces and discloses (TDnet registration, press conferences, etc.) the facts at the same time as reporting to the President.
Note that the Company identifies and comprehensively gathers information subject to disclosure categorized as information on decisions made, occurrence of material facts, and financial information with reference to the Timely Disclosure Rules of the Tokyo Stock Exchange.

(5) Preparation of monitoring subject to the timely disclosure structure
Auditors who are independent from management attend important committees including the Board of Directors and the Management Meeting, audit the properness of business execution and, through its audit, monitor the directors' execution of business in relation to the preparation and operation of the timely disclosure structure.
In addition, an audit is conducted by the Internal Audit Office, which sits under the direct control of the President, and through this audit of the properness of business execution regularly monitors the Company's business departments, etc. in relation to the preparation and operation of the timely disclosure structure.
Auditors and the Internal Audit Office both coordinate and ensure the effectiveness of monitoring.

[Translation]

Overview of the Corporate Governance System [Updated]



[Translation]

Schematic Diagram of the Timely Disclosure Structure

