

Corporate Governance Report

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OILES CORPORATION

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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]

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

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

[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 2023, 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 (Human Capital) Development Initiatives:

https://www.oiles.co.jp/sustainability/integrated_report/ (in Japanese))

[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

(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 who are not Audit and Supervisory Committee Members 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. Directors who are Audit and Supervisory Committee Members are appointed from persons who have knowledge in areas required for the role such as finance, accounting and law.

In addition, should a director 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 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 on October 25, 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 and for candidates for directors to be referred to as an agenda item for discussion at the General Meeting of Shareholders.

Note that the Company obtains consent from the Audit and Supervisory Committee in advance in the event that proposals related to the election of Directors who are Audit and Supervisory Committee Members (including Substitute Audit and Supervisory Committee Members) are submitted to the General Meeting of Shareholders.

(5) Explanation of appointment and dismissal of top management and appointment, dismissal and nomination of candidates for directors

When nominating and appointing directors, 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 is required for companies listed on the Prime Market, have also been made in “Information Disclosure Based on TCFD Recommendations” and the “Integrated Report” in accordance with the framework of the TCFD, etc.

(Information Disclosure Based on TCFD Recommendations:

<https://www.oiles.co.jp/sustainability/environment/initiative/tcf/> (in Japanese))

(Environment: <https://www.oiles.co.jp/sustainability/environment/> (in Japanese))

(Integrated Report: https://www.oiles.co.jp/sustainability/integrated_report/ (in Japanese))

*Applicable sections in the Integrated Report

- Intellectual Property Initiatives
- Environmental initiatives
- Human Resource (Human Capital) Development Initiatives
- Non-Financial Data (within the Data Book)

[Supplementary Principle 4.1.1 Scope of Delegation from the Board of Directors to 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 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. In April 2023, the Bearing Division was split into the General Bearing Division and the Automotive Bearing Division with the aim of speeding up decision-making and clarifying business responsibility, and the Production Division was newly established to strengthen the production system. Furthermore, by appointing an operating officer to be responsible for each division, we have clarified the roles and responsibilities of the Board of Directors and operating officers, strengthening supervisory functions for the supervision of management while enhancing management’s agility by delegating authority to execute business to operating officers.

[Principle 4.9 Independence Standards and Qualifications for Independent Outside Directors]

The Company appoints four independent 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 established voluntary Nominating Committee and Compensation Committee in 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. The chairperson of the Nominating Committee is an independent outside director, and members include directors who are Audit and Supervisory Committee Members. 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. The chairperson of the Compensation Committee is an independent outside director, and members include directors who are Audit and Supervisory Committee Members. In regard to the determination of details of compensation, etc., for directors who are not Audit and Supervisory Committee Members, the Board of Directors delegates the determination of the details of compensation, etc., for individual directors (excluding those who are Audit and Supervisory Committee Members) to the President, upon consultation and report on findings from the Compensation Committee. The delegated President respects the details of the findings reported by the Compensation Committee and determines the details of compensation, etc., for individual directors (excluding those who are Audit and Supervisory Committee Members) within the limit of the ratio of compensation for each type indicated in such report.

In fiscal 2023, the Company held the Nominating Committee meeting four times 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 consultation and report on findings of the voluntary Nominating Committee, more than half of whose members are independent outside directors with an independent outside director as chairperson. Considering the corporate governance structure of the company, the number of directors is prescribed in its Articles of Incorporation as up to ten (including up to four directors who are Audit and Supervisory Committee Members).

Currently, in addition to four executive 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 and three directors who are Audit and Supervisory Committee Members, for a total of nine. For the skill matrix listing expertise and experience of each director which was developed through deliberation of the Nominating Committee, please refer to "Notice of the 73rd Ordinary General Meeting of Shareholders."

(Notice of the 73rd Ordinary General Meeting of Shareholders:
https://www.oiles.co.jp/files/notice_240531_01.pdf)

[Supplementary Principle 4.11.2 Concurrent positions of Directors]

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: Anonymous questionnaire
- Survey respondents: Directors (six directors) and auditors (four auditors) who were in office as of March 31, 2024
- Applicable period: From April 2023 to March 2024
- 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

Evaluation points rose for matters concerning the results of the FY 2023 evaluation, reflections on the management plan analysis and the plan for the next period, discussion of stakeholder perspectives, and the appropriate dissemination of information to shareholders, etc.

When formulating the “OILES 2030 VISION” and “Medium-term Management Plans 2024-2026,” released in May 2024, there was repeated discussion by management from multiple angles about refinement of the management issues and management direction. It was assessed that this led to an overall improvement in effectiveness of the Board of Directors.

On the other hand, the issues that were recognized included opinions about the importance of more in-depth discussion about business risks, alongside ongoing discussion about the medium- to long-term direction for the Company, and allocation of management resources, in light of future changes in stakeholder awareness and behavior. In addition, opinions were expressed about the need for the Board of Directors to have more in-depth discussion about management issues in line with the priority to strengthen the supervisory function of the Board of Directors with the progress made in reviewing approval criteria and the delegation of authority to executive departments in light of the transition to a company with an audit and supervisory committee.

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]

If directors 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 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 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, the director, operating officer, 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 2024 was held on May 22, 2024 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.

[Action to Implement Management That is Conscious of Cost of Capital and Stock Price] [Disclosure available in English]

The Company formulated a new Medium-Term Management Plan 2024-2026 covering the three years from FY 2024 to FY 2026 as we advance towards the "OILES 2030 VISION," our new Long-Term Vision, and the vision of how we want to be in 2030.

"Medium-Term Management Plan 2024-2026" promotes the following initiatives towards improving the return on equity as actions to implement management that is conscious of costs of capital and stock price.

- Target for ROE, an indicator of return on capital, is
 - (i) 8% or more by FY 2026, the period of the Medium-Term Management Plan
 - (ii) aimed to achieve 10% or more by FY 2030, the goal of the OILES 2030 VISION
- Promote balance sheet management
- Reduce cross-shareholdings to a certain extent
- Returning profits to shareholders is executed according to the following policy
 - As a basic policy, we aim to make stable and continuous dividend payments to shareholders, targeting a consolidated dividend payout ratio of 40% or more
 - Also consider agile responses regarding the purchase of treasury shares based on market trends, comprehensively considering internal reserves for medium- and long-term growth

We have decided to pay an annual dividend for the fiscal year ended March 2024 of ¥75 per share, up ¥20 year on year.

For details on the Medium-Term Management Policy, refer to Notice Concerning Formulation of "OILES 2030 VISION" and "Medium-Term Management Plan 2024-2026" and Changes to Shareholder Return Policy (Dividend Policy) released on May 10, 2024.

<https://ssl4.eir-parts.net/doc/6282/tdnet/2433188/00.pdf>

[Status of Dialogues with Shareholders]

Having taken into account matters of interest to shareholders and investors, we have engaged in dialogue with them primarily under the leadership of the director, operating officer, general manager of the Corporate Planning & Administrative Division, who is the officer in charge of IR. The dialogues have been held mainly with domestic institutional investors, and with whom we have repeatedly discussed our growth strategy and our approach to sustainability, etc. Opinions and other information from shareholders and investors are also reported to the meetings such as the Board of Directors Meeting and the Management Meeting.

Additionally, the Company's dialogue with shareholders and investors takes place mainly through the following venues.

- General Meeting of Shareholders

The Notice of the Ordinary General Meeting of Shareholders includes not only statutory matters, but also matters related to corporate governance initiatives, and the shareholder bulletins to actively disclose corporate information. We have also published the shareholder bulletins for the interim results in order to provide information to shareholders and investors.

- Financial results briefing

Twice a year the Company holds financial results briefings at which the President explains the interim and year-end results to analysts and institutional investors. In addition to information on the results themselves, the financial results briefing materials cover the corporate information, information about

shareholder return and other matters of interest. Moreover, video showing the financial results briefing is made available on the website, and details from the question and answer session are included in the financial results briefing materials.

- Website

In April 2023, we refreshed the website to enable financial and non-financial information related to the Company's business to be conveyed to shareholders and investors more clearly and in a form more easily understood.

- Integrated Report

The "Integrated Report" has been published as a tool for dialogue with shareholders and investors, and provides wide-ranging explanations of our thinking on various subjects.

- English Disclosure

We strive to supply information to overseas shareholders and investors by disclosing documents in English mainly in relation to the following documents.

Notice of the Ordinary General Meeting of Shareholders (so-called Notice of Convocation notice in narrow sense and reference documents), summary of consolidated financial results, financial results briefing materials, integrated report, corporate governance report, timely disclosure documents, the website

[Translation]

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
Tokyo Small and Medium Business Investment & Consultation Co., Ltd.	2,966,450	9.58
The Master Trust Bank of Japan, Ltd. (Trust account)	2,440,000	7.88
Mizuho Bank, Ltd.	1,200,505	3.88
Nippon Life Insurance Company	969,600	3.13
Keisuke Kawasaki	829,641	2.68
Oiles East Japan Mutual Prosperity Association	807,429	2.61
Keita Kawasaki	721,099	2.33
Oiles Employee Shareholding Association	707,971	2.29
Gun Ei Chemical Industry Co., Ltd.	528,960	1.71
MUFG Bank, Ltd.	387,336	1.25

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, 2024.
2. Although the large shareholding report provided by Mitsubishi UFJ Financial Group, Inc. for public inspection as of April 18, 2022 states that shares were held as follows as of April 11, 2022, the Company cannot confirm beneficial ownership of the number of shares as of March 31, 2024.
[Name/number of shares held/holding ratio]
MUFG Bank, Ltd. and two other companies/1,246 thousand shares/3.63%
3. Although the large shareholding report provided by Mizuho Bank, Ltd. for public inspection as of April 21, 2023 states that shares were held as follows as of April 14, 2023, the Company cannot confirm beneficial ownership of the number of shares as of March 31, 2024.
[Name/number of shares held/holding ratio]
Mizuho Bank, Ltd. and two other companies/2,137 thousand shares/6.23%
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, 2024.
[Name/number of shares held/holding ratio]
Nippon Value Investors KK/1,354 thousand shares/3.95%

3. Corporate Attributes

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

[Translation]

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 an Audit and Supervisory Committee
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[Directors]

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	Chairman (excluding where concurrently serving as the president)
Number of Directors	9 persons
Appointment of Outside Directors	Appointed
Number of Outside Directors	4 persons
Number of Independent Officers Designated from among Outside Directors	4 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											

[Translation]

Tatsuhiro Maeda	CPA											
Takeo Sakakibara	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 Audit and Supervisory Committee Member	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 company officer, we judged that she is expected to provide useful opinions and advice for the Company’s management.

[Translation]

Name	Designation as Audit and Supervisory Committee Member	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Tatsuhiko 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.
Takeo Sakakibara	○	○	—	Due to his knowledge and experience from management as a company officer, as well as advanced expertise and extensive knowledge of corporate accounting, we judged that he is expected to utilize this for a reasonable audit of the Oiles Group.

[Audit and Supervisory Committee]

Committee's Composition and Chairperson's Attributes					
	Total Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Inside director

Presence of directors and employees to assist with the duties of the Audit and Supervisory Committee [Updated]	Yes
Matters concerning the independence of such directors and employees from executive directors [Updated]	One employee is allocated who concurrently assists with the duties of the Audit and Supervisory Committee. In addition, the Company needs to obtain consent from the Audit and Supervisory Committee in advance to ensure the independence from Board of Directors concerning human resource related matters including personnel changes and evaluations of the employee assisting with the duties of the directors who are Audit and Supervisory Committee Members.

[Translation]

Cooperation among Audit and Supervisory Committee, Accounting Auditor and Internal Audit Departmen	The Company transitioned to a company with an audit and supervisory committee as of the 73rd Ordinary General Meeting of Shareholders held on June 27, 2024. The Audit and Supervisory Committee comprises three members, of which one is a full-time director who is an Audit and Supervisory Committee Member and two are outside directors who are Audit and Supervisory Committee Members. In addition, one employee is concurrently assigned to assist with the duties of the Audit and Supervisory Committee. To execute the duties of the Audit and Supervisory Committee, reports such as the status of audit implementation for the accounting audit are received from the accounting auditors in a timely manner, and a system has been built for cooperation with internal audit departments, including internal controls.
Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Compensation Committee	Established

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	4	4
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside director	Outside director

Supplementary Explanation

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 four members, with the majority being independent outside directors. Yasuji Omura (independent outside directors) serves as chairperson of both committees, with members comprising Yoshikazu Sakairi (President), Rika Miyagawa (independent outside director), Tatsuhiro Maeda (independent outside director and Audit and Supervisory Committee Member). Both committee meetings are held at least once per year and each member has attended all committee meetings. The details of deliberation at Nominating Committee are reported to the Board of Directors, with the decisions made at the Board of Directors. In regard to the determination of details of compensation, etc., for directors who are not Audit and Supervisory Committee Members, the Board of Directors delegates the determination of the details of compensation, etc., for individual directors (excluding those who are Audit and Supervisory Committee Members) to the President, upon consultation

[Translation]

and report on findings from the Compensation Committee. The delegated President respects the details of the findings reported by the Compensation Committee and determines the details of compensation, etc., for individual directors (excluding those who are Audit and Supervisory Committee Members) within the limit of the ratio of compensation for each type indicated in such report.

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.

[Independent Officers]

Number of Independent Officers	4 persons
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Matters relating to Independent Officers

All outside directors who meet the qualifications for independent officers are designated as independent officers.

[Incentives]

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

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

Recipients of Share Options	
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Supplementary Explanation

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[Director Compensation]

Disclosure of Individual Directors' Compensation	No individual disclosure
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Supplementary Explanation

The compensation amounts for FY 2023 were as below.
Directors compensation Number of persons paid: 6, Amount paid ¥241 million (including outside directors)
Auditors compensation Number of persons paid: 5, Amount paid ¥59 million (including outside auditors)

Policy for Determining Compensation Amounts or Calculation Methods Thereof	Established
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Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof

1. Policies for determining the details of compensation, etc. for each individual director (excluding directors who are Audit and Supervisory Committee Members)

(1) Basic policy

The basic policy for compensation of directors (excluding those who are Audit and Supervisory Committee Members) is that there is a compensation scale linked to the shareholder benefits, etc., so that it functions adequately as an incentive for sustainable increase of corporate value. Furthermore, when determining the compensation for each individual director (excluding those who are Audit and Supervisory Committee Members), the compensation shall be at an appropriate level taking account of each director's (excluding those who are Audit and Supervisory Committee Members) position and responsibilities, and within the limit approved at the General Meeting of Shareholders. Specifically, the compensation of directors (excluding those who are Audit and Supervisory Committee Members and otherwise outside directors (hereinafter referred to in this policy as "non-executive directors")) consists of fixed compensation, performance-linked compensation (bonus), and performance-linked share-based compensation, and the compensation of non-executive directors is only fixed compensation in light of their duties.

(2) Policies for determining the amount of compensation, etc. for each individual's fixed compensation
Directors' fixed compensation (excluding those who are Audit and Supervisory Committee Members) 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, the performance-linked compensation, etc. of directors (excluding non-executive directors) is an amount that reflects the responsibilities and outcomes using profit attributable to owners of parent as the main index paid as performance-linked compensation (bonus) within one week following the day on which the Ordinary General Meeting of Shareholders concluded.

Non-monetary compensation, etc. has a separate allocation from fixed compensation and performance-linked compensation (bonus), in a Board Benefit Trust (BBT) for directors, etc. (excluding non-executive 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 for share-based compensation is conducted with a method of prescribing points by taking account of the position based on the Officer Stock Benefit Regulations and the degree of achievement of the index in each fiscal year and granting such points to eligible persons. The timing for eligible persons to receive the benefit of the Company's shares, etc. shall, in principle, be on retirement.

(4) Policies for determining the ratio of the amount of compensation, etc. for individual directors (excluding those who are Audit and Supervisory Committee Members) 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 director (excluding non-executive directors) 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 delegates the determination of the details of compensation, etc., for individual directors (excluding those who are Audit and Supervisory Committee Members) to the President, upon consultation and report on findings from the Compensation Committee. The delegated President respects the details of the findings reported by the Compensation Committee and determines the details of compensation, etc., for individual directors (excluding those who are Audit and Supervisory Committee Members) within the limit of the ratio of compensation for each type indicated in such report.

The target ratio for each type of compensation, etc. for directors (excluding non-executive directors) is

[Translation]

fixed compensation: performance-linked compensation, etc. (bonus): non-monetary compensation, etc. (Board Benefit Trust) = 65: 25: 10.

Non-executive directors are only paid fixed compensation, as noted in (1). above.

(5) Matters concerning the delegation of the determination of the details of compensation, etc. for each individual director (excluding directors who are Audit and Supervisory Committee Members)

The details of compensation, etc. for individual directors (excluding those who are Audit and Supervisory Committee Members) is determined by the President who has been delegated by resolution of the Board of 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. To ensure the appropriateness of the compensation, etc. and the transparency of the determination process, the President respects the details of the findings reported by the Compensation Committee and determines the details of compensation, etc., for individual directors (excluding those who are Audit and Supervisory Committee Members) in according with this determination policy, within the limit of the matters related to compensation, etc. of directors (excluding those who are Audit and Supervisory Committee Members) approved at the General Meeting of Shareholders. Performance-linked share-based compensation is determined based on the Officer Stock 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: For directors who are not Audit and Supervisory Committee Members, up to ¥350 million per year (including up to ¥50 million per year for outside directors. However, this does not include the proportion of compensation as an employee), and for directors who are Audit and Supervisory Committee Members, up to ¥70 million per year, which was approved at the 73rd Ordinary General Meeting of Shareholders held on June 27, 2024.

2) Share-based compensation: A performance-linked share-based compensation system for directors who are not Audit and Supervisory Committee Members (excluding outside directors) was approved at the 73rd Ordinary General Meeting of Shareholders held on June 27, 2024.

[Supporting System for Outside Directors]

There are currently no staff to support the operations of outside directors, and support is provided as necessary in the same way as is provided to other officers. Specifically, the General Affairs Department, Corporate Planning & Administrative Division, which is the Secretariat for the Board of Directors, provides administrative support for the smooth execution of outside directors' duties including the preparation of materials for distribution to the Board of Directors in advance, as well as negotiating schedules and providing information concerning various meetings, and responding to requests from outside directors.

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

Whether or not the status of persons who have retired from the position of president is stated	Stated
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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
—	—	—	—	—	—

[Translation]

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

The Company had advisory and consultation system, but this system was revised in the Board of Directors meeting held on May 25, 2018. 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.

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

The Company introduced an operating officer system from June 2003, and aims to strengthen the Board of Directors' function by clarifying the division between the business execution function and the supervision and oversight function and increasing the speed and efficiency of decision-making on management strategies. In April 2023, the Bearing Division was split into the General Bearing Division and the Automotive Bearing Division with the aim of speeding up decision-making and clarifying business responsibility, and also the Production Division was newly established to strengthen the production system. Furthermore, by appointing an operating officer to be responsible for each division, we have clarified the roles and responsibilities of directors and operating officers, and enhanced flexible management by strengthening management supervisory function and delegating authority to execute business to operating officers. The Company transitioned from a company with an audit & supervisory board to a company with an audit and supervisory committee to further enhance corporate governance and strengthen the supervision function of the Board of Directors by appointing directors who are Audit and Supervisory Committee Members with voting rights, etc. at the Board of Directors while enabling faster management decision-making and business execution by the resolution of 73rd Ordinary General Meeting of Shareholders held on June 27, 2024. The current management structure comprises nine directors and seven operating officers, which includes two persons who are concurrent directors.

In addition, the Company's Board of Directors chaired by the chairman, 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 operating officers by resolution of the Board of Directors, and while receiving reports on the status of business execution from the operating officers, supervises the execution of the operating officer's duties. Specifically, the Board of Directors engages in concrete discussions that contribute to the growth strategy of the Oiles Group, such as matters related to the medium-term management strategy, matters related to the group management, matters related to the organization and personnel, and matters related to shareholder return. 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 (twice in the month that the financial results are released) 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 regard to the governance structure, the Company adopts a company with an audit and supervisory committee structure, and the Audit and Supervisory Committee comprises three members, of which one is a full-time director who is an Audit and Supervisory Committee Member and two are outside directors who are Audit and Supervisory Committee Members. Reports such as the status of audit implementation for the accounting audit are received from the accounting auditors in a timely manner, and a system has been built for cooperation with internal audit departments, including internal controls. In addition, Audit and Supervisory Committee Members 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 Directors who are Audit and Supervisory Committee Members 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 Directors who are Audit and Supervisory Committee Members are appointed as independent officers.

In regard to the Audit and Supervisory Committee's audit, the three members of the Audit and Supervisory Committee, including two outside directors, monitor and verify the appropriate architecture and operations of the internal control systems approved by the Board of Directors based on the internal controls basis policy, and strive to ensure effectiveness of the audit, acting in accordance with the Audit and Supervisory Committee Regulations prescribed by the company's Audit and Supervisory Committee, standards for Audit and Supervisory Committee audits and implementation standards for the audit of internal control systems by the Audit and Supervisory Committee.

In regard to the internal audit, the Internal Audit Department, which sits under the direct control of the President, has one manager, five persons in charge of the internal audit, and one employee who concurrently assists with the duties of the Audit and Supervisory Committee, 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 person responsible for internal audits attends the monthly Audit and Supervisory Committee to ensure these are progressed appropriately and reports on matters including the implementation details of the internal audit, identified matters and the status of their follow up.

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 2023 were Seiji Oguchi and Naoko Nose. In addition, the assistants involved in the audit operations comprised 23 persons in addition to seven 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.

Pursuant to Article 427, Paragraph 1 of the Companies Act, and Article 27 of the Company's Articles of Incorporation, the Company has entered into agreements with each director who is an Audit and Supervisory Committee member and outside director to limit his/her liability for damages under Article 423, Paragraph 1 of the said Act. The maximum amount of liability for damages under these agreements is the minimum liability amount provided for under Article 425, Paragraph 1 of the Companies 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.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholders Meeting	The Notice of Convocation for the Ordinary General Meeting of Shareholders held in June 2024 was sent 15 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 12 days earlier (i.e., 27 days prior to the meeting date for the Ordinary General Meeting of Shareholders).
Setting the General Meeting of Shareholders to avoid congested days	—

[Translation]

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 Notice of Convocation in narrow sense has been posted on the TDnet and the Company's website since the 70th Ordinary General Meeting of Shareholders held in June 2021. Since the 72nd Ordinary General Meeting of Shareholders held in June 2023, we have expanded the scope of English translation to reference documents in addition to a so-called Notice of Convocation in narrow sense.
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 Individual Investors	–	
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 Yoshikazu Sakairi provides an explanation at such time. The briefing was held on May 22, 2024, 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
Holding Regular Investor Briefings for Overseas Investors	–	
Posting IR Materials on Website	Financial information, shareholder bulletins and timely disclosure materials including securities reports are posted on the "Investor Relations" page of the Company's website.	

[Translation]

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 the director, operating officer, 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 department manager of the General Affairs Department, Corporate Planning & Administrative Division.	
Other	–	

3. Measures to Ensure Due Respect for Stakeholders

	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.	<p>Environmental protections are prescribed in the "Oiles Group Corporate Conduct Charter," while the Environmental Health and Safety Office has been established and environmental conservation activities are companywide initiatives. Based on our perception that the Company's initiatives aimed at resolving issues of sustainability, described in SDGs set out by the United Nations and elsewhere, not only help to achieve a sustainable society but also drive improvements in corporate value, we have put measures that address sustainability issues, exemplified by Environmental, Social, and Governance programs, at the center of our corporate activities.</p> <p>For these activities, etc., please refers to "Integrated Report."</p> <p>https://www.oiles.co.jp/sustainability/integrated_report/ (in Japanese)</p> <p>To better fulfill our corporate social responsibility, the Company strives to further strengthen activities.</p>
Formulation of Policies for Information Provision to Stakeholders	Prescribed in the "Oiles Group Corporate Conduct Charter."
Other	–

IV. Matters Related to Internal Control System

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

1. 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. To maintain such management structure, the Company strives to strengthen the supervision structure at the Board of Directors, while the Audit and Supervisory Committee

supervises matters such as the procedures for nominating and the procedures for determining compensation for directors and operating officers, including the details of discussion and findings of reports by the voluntary Nominating Committee and Compensation Committee, which are advisory bodies of the Board of Directors.

Note that Oiles Group subsidiaries apply the internal controls basic policy prescribed by the Company. The Company's Audit and Supervisory Committee confirm the status of adherence through internal audits, etc.

2. Current status

(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," "Oiles Group Corporate Code of Conduct," "Group Compliance Regulations," and "Compliance Implementation Guide of the Oiles Group" that were mainly formulated by the "Compliance Sub-Committee" as the organization with control of overall compliance. We strive to build a transparent corporate culture that is more just with officers and employees having high ethical standards.

(iii) The Company operates an internal reporting system for consulting on compliance matters and reporting unfair practices, etc. Specifically, in addition to the in-house reporting desk for the Oiles Group as a whole located in the Compliance Committee Secretariat, we have also established an outside reporting desk for all Oiles Group employees (at a law firm), with thorough protection of the reporting person. In addition, the Company prepares a structure for reporting the details of internal reporting to the Audit and Supervisory Committee.

(iv) The Company determines important matters at the regular Board of Directors meeting and supervises the status of business execution by directors. In addition, the Audit and Supervisory Committee supervised the Board of Directors and execution function, and has authority to view all traces of operations such as documents within the Oiles Group.

(v) The Audit and Supervisory Committee appoints full-time Audit and Supervisory Committee Members and strengthens the supervision function for execution.

(vi) 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 Department, 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 Department 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 risks through measures such as conducting a risk assessment for the Company and the Oiles Group, grasping the level and likelihood of various risks and preparing the appropriate measures in advance.

(ii) The Company's Board of Directors monitors the status of response to material risks related to business execution by the Company and Oiles Group subsidiaries through internal audit, etc.

(iii) The Company has built a risk management structure for the Oiles Group, establishing the Risk Management Committee as an organization for overall control of the risks at the Company and the Oiles Group, assigning a director in charge, and establishing “Group Risk Management Rules” and “Group Crisis Management Rules.”

(iv) In regard to the environment, safety and health, the Company’s Environmental Health and Safety Office monitors the management status of internal controls for quality from the specialist viewpoint of the Company’s Quality Assurance Office.

(v) 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) To strengthen the function of the Board of Directors and increase management efficiency, the Company and the Oiles Group 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 sets the Group’s targets based on the Oiles Group long-term vision and establishes medium-term management plans and annual plans to achieve them. The Company and subsidiaries of the Oiles Group establish and implement specific measures to achieve such targets and plans.

(iii) To ensure management flexibility, the Company separates the decision-making and supervision function for operations and the business execution function through an operating officer system. The term of office of the director in charge of the former decision-making and supervision function is one year for directors who are not Audit and Supervisory Committee Members and two years for directors who are Audit and Supervisory Committee Members.

(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 “Oiles Group Corporate Code of Conduct” for the Oiles Group and assigned compliance promotion members and a practical leader to each Company in the Oiles Group, 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 each Company in the Oiles Group, etc.

(iii) The Company ensures the properness of operations with the Audit and Supervisory Committee and the Internal Audit Department 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 established the “Oiles Group Audit & Supervisory Board” in which directors who are Audit and Supervisory Committee Members and auditors (or directors) of subsidiaries participate.

(v) The Company ensures the properness of operations of the Oiles Group on a group-wide basis by having subsidiary auditors (or directors) report the status of compliance at each subsidiary at the Oiles Group Audit & Supervisory Board and taking the necessary measures.

(vi) The Audit and Supervisory Committee maintains close cooperation with internal control departments (the Company’s Internal Audit Department and other departments with responsibility for the monitoring

function of Oiles Group internal controls systems; the same applies hereinafter), receives reports on the management status of internal control systems and requires investigation as necessary.

(vii) Internal control departments shall provide audit assistance to the Audit and Supervisory Committee as necessary, and obey instructions.

(6) Matters concerning employees where the Audit and Supervisory Committee has requested employee assistance with such duties

The Company assigns staff, etc. to assist with audit operations in accordance with a request from the Audit and Supervisory Committee, and such staff serve under the command and order of the Audit and Supervisory Committee. In addition, such personnel, and their conditions and benefits are discussed with the Audit and Supervisory Committee. The Company obtains consent from the Audit and Supervisory Committee in advance concerning the personnel changes, evaluations and discipline of the staff, etc. assisting the Audit and Supervisory Committee.

(7) The structure for directors and employees reporting to the Audit and Supervisory Committee and other structures concerning reporting to the Audit and Supervisory Committee

(i) Officers and employees of the Oiles Group shall, when they find facts that could badly hurt the Company, or illegal or fraudulent acts by officers and employees, directly or by utilizing the internal reporting system, immediately report to the Audit and Supervisory Committee Members or the Audit and Supervisory Committee.

(ii) The structure is that the Audit and Supervisory Committee Members 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.

(iii) The Department Manager of the Internal Audit Department shall report the implementation status of the internal audit at the Audit and Supervisory Committee and accept instruction to investigate as necessary.

(8) The structure for persons who receive reports from directors and auditors, etc., and the employees of the Oiles Group to report to the Audit and Supervisory Committee of the Company

(i) When officers and employees of the Oiles Group request reports on matters concerning business execution from the Audit and Supervisory Committee, 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 Audit and Supervisory Committee 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.

(9) Other structures for ensuring an effective audit by the Audit and Supervisory Committee

(i) The Company and the Oiles Group strive to create an auditing environment for the Audit and Supervisory Committee, deepening the understanding of each department of the Oiles Group about the audit by the Audit and Supervisory Committee.

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

(iii) So that the Audit and Supervisory Committee can conduct an effective audit, the Audit and Supervisory Committee shall receive an explanation of the details of the accounting audit from accounting auditors in

[Translation]

addition to a report on the internal audit from the Internal Audit Department on a regular basis, ensuring close coordination through information exchange as necessary.

(iv) When the Audit and Supervisory Committee requests the Company to make advanced payment of expenses, etc. on the based on Article 399-2, Paragraph 4 of the Companies Act for executing its duties, the Company shall promptly process such expenses or liabilities.

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

(i) The Oiles Group Corporate Conduct Charter resolutely enforces that there shall be absolutely no relationship with anti-social forces and organizations that threaten the social order and safety.

(ii) 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.

(iii) The Oiles Group defends to the maximum extent possible officers and employees who are resolute against anti-social forces and organizations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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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 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, based on our management philosophy and towards realization of sustainable improvement in corporate value, the Oiles Group has formulated the following new Long-Term Vision "OILES 2030 VISION," the vision of how we want to be in 2030. The Company formulated a new "Medium-Term Management Plan 2024-2026" covering the three years from FY 2024 based on this Long-Term Vision, as we advance towards how we want to be in 2030. This is linked to the annual management plan, and we are implementing initiatives towards establishing the Oiles brand in the global market.

[Long-Term Vision "OILES 2030 VISION"]

“Contributing to the realization of a sustainable society with the technology of friction, wear, and vibration control + X”

Targeted management indicators

- Ratio of operating profit to net sales of 15% or more
- ROE (return on equity) of 10% or more

(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 73rd Ordinary General Meeting of Shareholders held on June 27, 2024; hereinafter the “Policy”). The Policy is, in principle, to not trigger 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 this rule, the Company’s Board of Directors may trigger countermeasures (specifically, the gratis allotment of share acquisition rights) for the purpose of protecting shareholders’ common interests to oppose the Large-scale Purchase.

Triggering countermeasures shall, in principle, be through a resolution of the General Meeting of Shareholders.

(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 (the principle of enhancing corporate value and securing shareholder’s interests, the principle of prior disclosure and shareholders’ intent, and the principle of ensuring necessity and reasonableness) set forth in the “Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholder’s Common Interests” released by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Justice on May 27, 2005, as well as the three principles (the principle of corporate value and shareholders’ common interests, the principle of shareholders’ intent, and the principle of transparency) set forth in the “Guidelines for Corporate Takeovers” released by the Fair Acquisition Study Group established within METI on August 31, 2023, and is highly reasonable.

The contents of the Policy are also based on the contents of “Takeover Defense Measures in Light of Recent Environmental Changes” released by the Corporate Value Study Group established within METI on June 30, 2008, and of “Principle 1.5 Anti-Takeover Measures” in Japan’s Corporate Governance Code released by Tokyo Stock Exchange, Inc. on June 1, 2015, and other practices and discussions regarding policies for responding to acquisitions.

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 73rd 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.

Also, under the Policy, if the Large-Scale Purchaser adheres to the Large-Scale Purchase Rules, we have limited the instances in which the Company’s Board of Directors may trigger countermeasures to instances where a resolution to trigger countermeasures has been passed at the General Meeting of Shareholders. In

addition, even if the Large-Scale Purchaser does not adhere to the Large-Scale Purchase Rules, when the Company's Board of Directors triggers countermeasures under the Policy, it has been established as a principle that a resolution to trigger countermeasures must be passed at the General Meeting of Shareholders. In this way, the Policy reflects the will of the shareholders in determining whether the triggering of countermeasures is appropriate as well.

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 of response policy (a response policy in which the triggering of countermeasures cannot be halted even if a majority of the constituent members of the Board of Directors are replaced). In addition, while the term of office for Directors (excluding those who are Audit and Supervisory Committee Members) is one year, and the term of office for Directors who are Audit and Supervisory Committee Members is two years, since the Company does not have a staggered term system for Directors, it is not a slow-hand type of response policy either (a response policy in which it takes time to halt the triggering of countermeasures, since the constituent members of the Board of Directors cannot be replaced at once).

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 devices division and architectural devices 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 the Oiles Group, which strive for appropriate operations and prevention of insider trading.

(4) Preparation of timely disclosure procedures

Matters that could be subject to timely disclosure by the Company and the Oiles Group 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.

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.

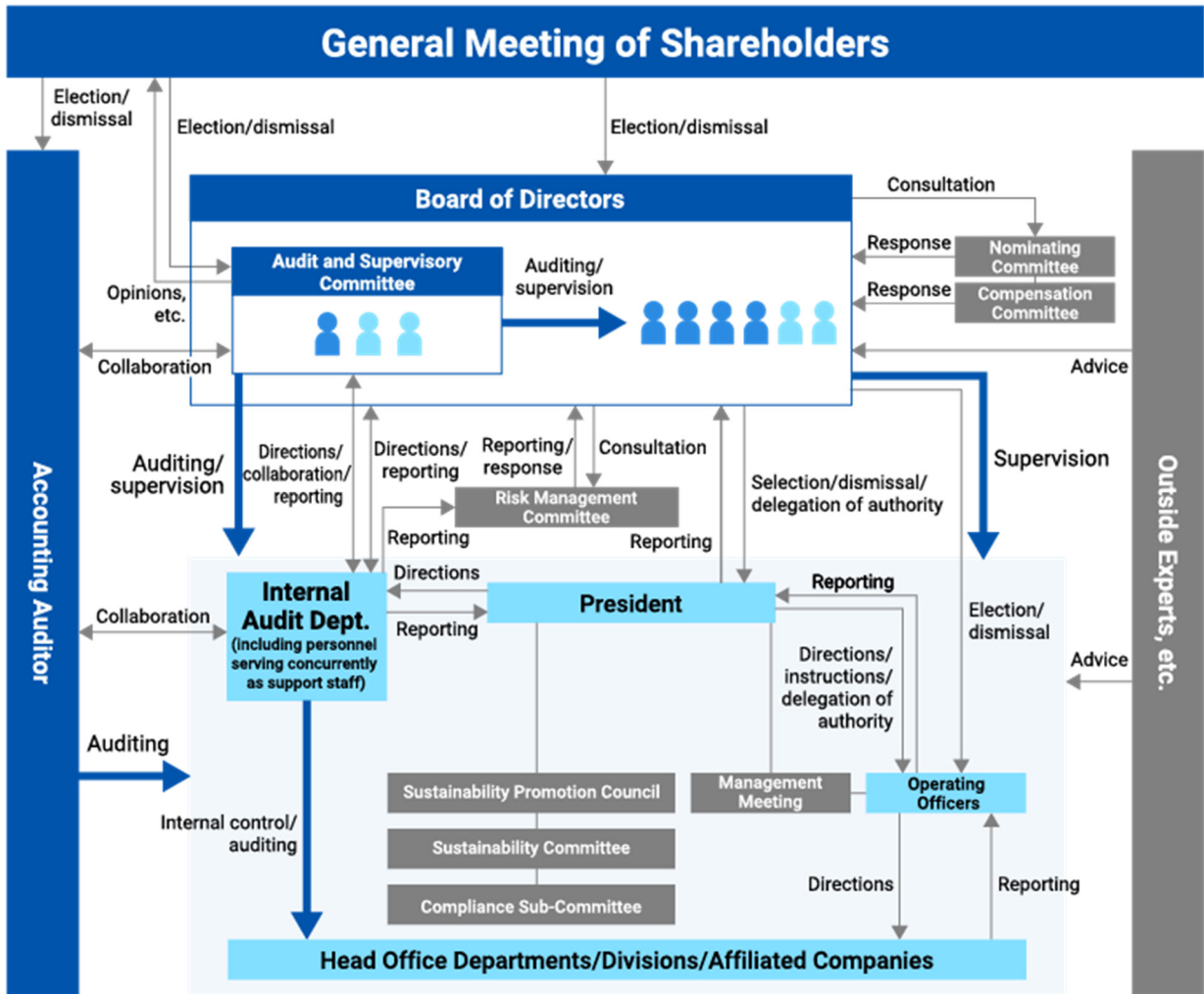
(5) Preparation of monitoring subject to the timely disclosure structure

The Audit and Supervisory Committee which is independent from management attends important committees including the Board of Directors and the Management Meeting, audits the properness of business execution and, through its audit, monitors 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 Department, 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.

The Audit and Supervisory Committee and the Internal Audit Department both coordinate and ensure the effectiveness of monitoring.

● Inside director
 ● Outside director



[Translation]

Schematic Diagram of the Timely Disclosure Structure

