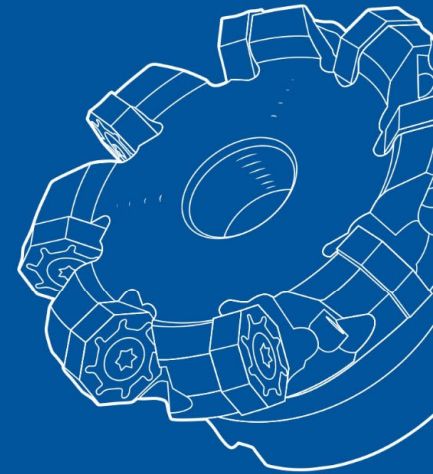




shaping your dreams

ESG Briefing

OSG Corporation
July 2023



OSG's Corporate Philosophy

Corporate Philosophy

"Global Presence"



In 1996, the late Teruhide Osawa, the predecessor chairman, laid the foundations for the management of the entire group on a global basis with three declarations.



Global Expansion

**Health-
consciousness**

Eco-friendliness

shaping your dreams



Medium-Term Management Plan “Beyond the Limit”

- Toward the 100th anniversary, the company shines brighter than ever -

Medium-Term Management Targets (FY2024)
ROA (Operating income basis) 15%
Operating income ¥30 billion

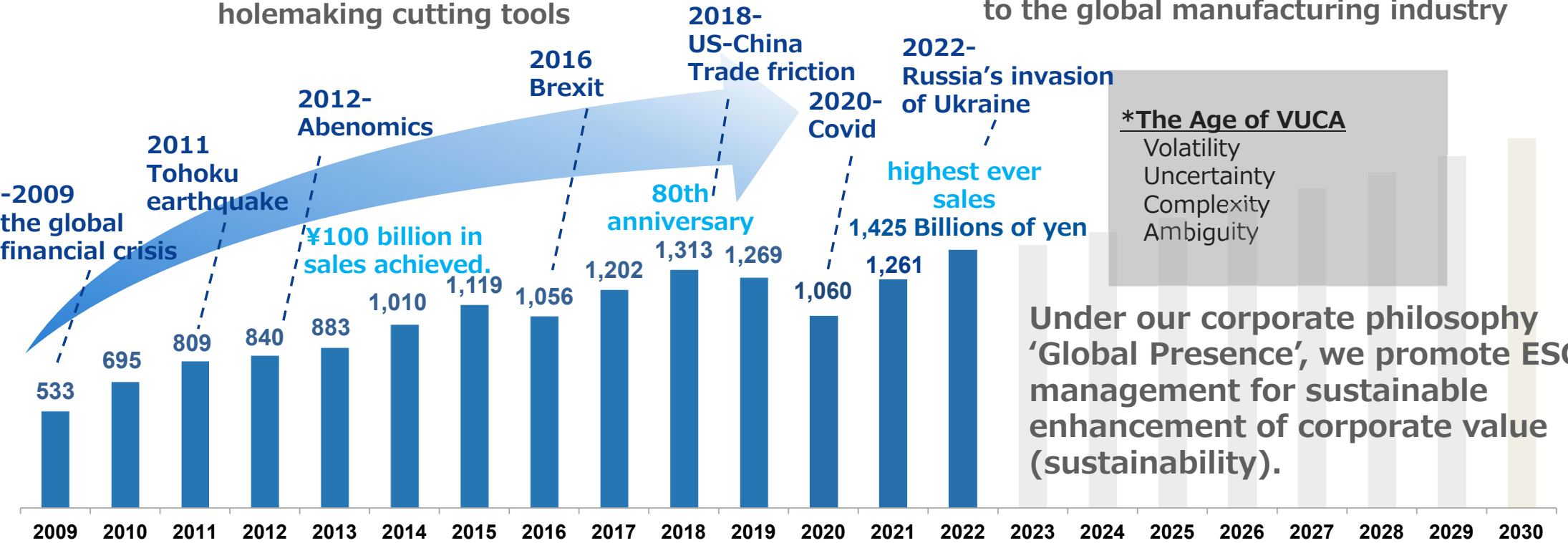
We want to give shape to the aspirations of every customer. That goal motivates us to continue taking up new challenges to go beyond the limits of what we have been used to, and we will contribute to manufacturing industries worldwide.

Medium-Term Management Plan



Become the world's top manufacturer of holmaking cutting tools

To become an essential player that contributes to the global manufacturing industry



The Age of VUCA

Existing values, business models, etc. do not work.
Uncertain times

Economic value

Business Efficiency
Management Indicators/KPI
(including Mid-Term Management
Plan)
Productivity



Social value

Sustainability Management
Human Capital Strategy
Climate Change Initiatives
Strengthening of governance
structure, etc.



Increase in corporate value

Sustainability Promotion System

The Sustainability Committee reports on its activities to the Board of Directors on a quarterly basis.

Measures for promoting sustainability are implemented by department heads and sustainability members, based on decisions made by the President, who chairs the Sustainability Committee.

We will continue to actively exchange views and promote this activity.



Sustainability Promotion Members

Sustainability promotion members comprise personnel from various sectors, regardless of position, gender or age.

Sustainability Promotion Structure - Outline of Activities

Jun. 2021	Launch of Sustainability Promotion Team
Oct. 2021	Endorsement of the TCFD, a response to climate change.
Jan. 2022	New Mid-Term Management Plan "Beyond the Limit 2024 Declaration of Carbon Neutrality Announced that ESG management will be the main focus of the company's efforts to increase corporate value.
Mar. 2022	CO2-free electricity - Contracts at 8 business sites
Oct. 2022	Establishment of OSG Active Co.
Dec. 2022	Agreement signed to implement farm-based off-site PPA
Jan. 2023	Obtained "CDP Climate Change 2022" B-score
Mar. 2023	Certified as a White 500 (Excellent Health and productivity Corporation 2023)
Aug. 2023	Scheduled to issue the cutting tool industry's first Green Bond



The background of the slide is a blue-tinted image. It features a heavy metal chain on the left side, extending towards the top right. The chain is composed of large, interlocking links. To the right of the chain is a grid pattern, possibly representing a window or a mesh. The overall scene is dimly lit, with a dark blue sky and some faint outlines of a building or structure in the background.

Climate Change Initiatives

Climate Change Initiatives - Endorsement of TCFD Recommendations

We have expressed support for the TCFD recommendations in Oct. 2021.

We have initiated a climate change scenario analysis to assess the priority of climate change risks and other risks for the company as a whole, based on their impact on the business.

The shift to EVs in automobiles is a risk, but it also brings us new opportunities.

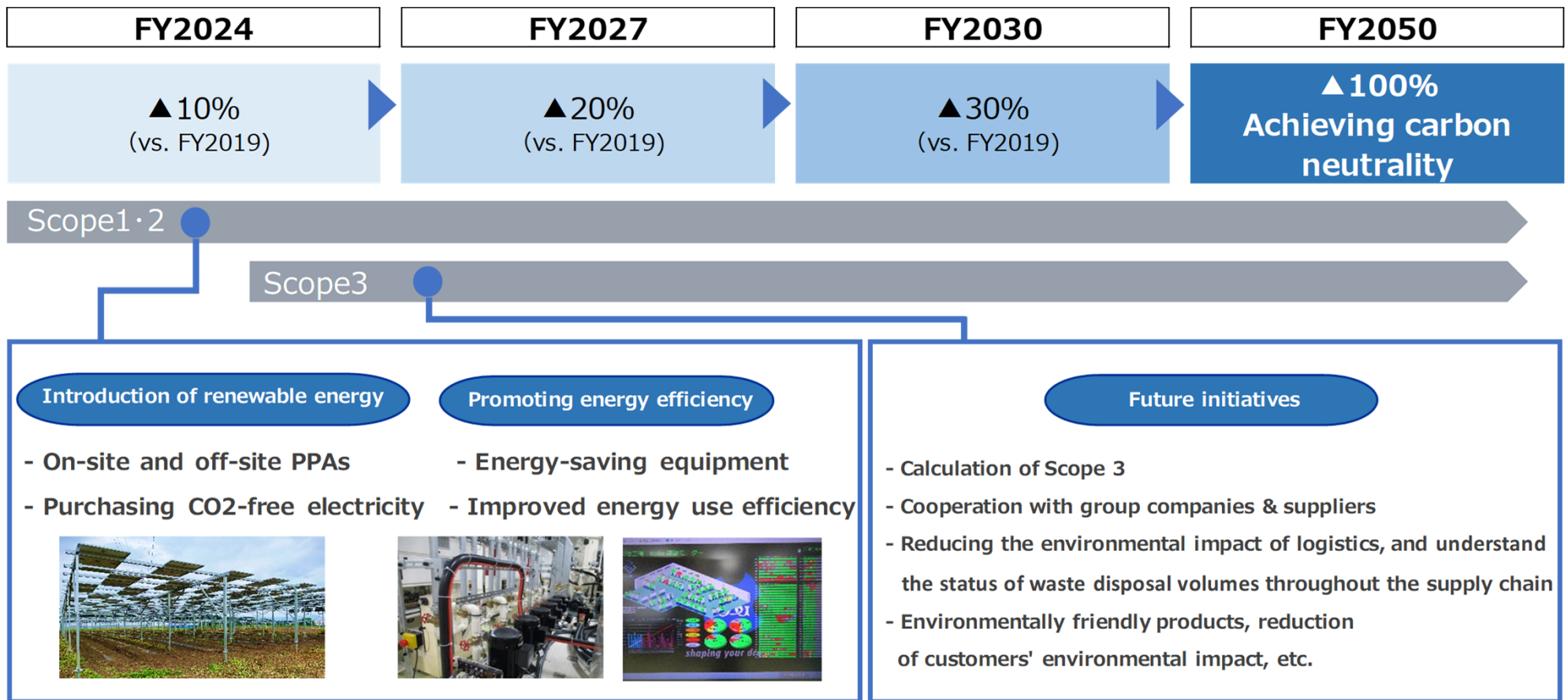
Type and Subcategory		Risks and Opportunities	Impact	
Transition risks	Policies & Restrictions	Tighter regulations on GHG emissions	Increase in manufacturing, development, production and procurement costs due to carbon taxes and other charges	High
		Tighter regulations on fossil fuel power generation	Decrease in demand and increase in development and manufacturing costs of tools for fossil fuel power generation	Moderate
	Technology	Dissemination of renewables and energy-saving technologies	Increase in development and manufacturing costs	Moderate
	Markets	Transition to eco-friendly products	Decrease in sales of eco-unfriendly products and services	Moderate
		Greater use of electric vehicles and fuel-cell vehicles	Decrease in demand for tools for gasoline-powered vehicles	High
Physical risks	Reputation	Changes in customer base and investors	Decline in corporate value and loss of opportunities for securing orders due to insufficient disclosure of non-financial information	Moderate
			Contraction of scale of eco-unfriendly business	Moderate
			Increase in financing procurement costs	Moderate
	Acute	Increased severity of extreme weather events	Increased procurement costs due to supplier reviews, material procurement difficulties, production stoppages and delays	Moderate
			Damage to production facilities, production shutdowns/delays	High
Opportunities	Chronis	Rise in mean temperatures	Increase in air conditioning energy	Moderate
			Deterioration of working environment	Moderate
			Production shutdown due to shortage of electricity or water	Moderate
	Policies & Restrictions	Tighter regulations on GHG emissions	Investment hurdle lowered due to consolidation of internal carbon pricing (ICP) or the number of years for recouping investments incorporating carbon tax	Moderate
	Technology	Dissemination of renewables and energy-saving technologies	Increase in demand for tools for renewables and energy-saving technologies	Moderate
		Expansion of renewable energy	Increase in demand for renewable energy projects as development increased of solar panels and offshore wind power	Moderate
		Transition to environmentallyfriendly products	Greater demand for long-lasting products	Moderate
	Markets		Increase in demand for precision die machining due to development and promotion of batteries	High
		Greater use of electric vehicles and fuel-cell vehicles	Increase in demand for EV applications	High
		Greater demand for small-diameter tools (micro-tools) due to larger market for semiconductors, connectors, and electronic components	High	
Reputation	Changes in customer base and investors	Proactive information disclosure to improve evaluation by stakeholders	Moderate	
Acute	Increased severity of extreme weather events	Increase in demand for disaster prevention products, services, etc. for times when natural disasters strike	Moderate	

*Timeline ranging from 2030 to 2050 is assumed.



Climate Change Initiatives - Declaration of Carbon Neutrality

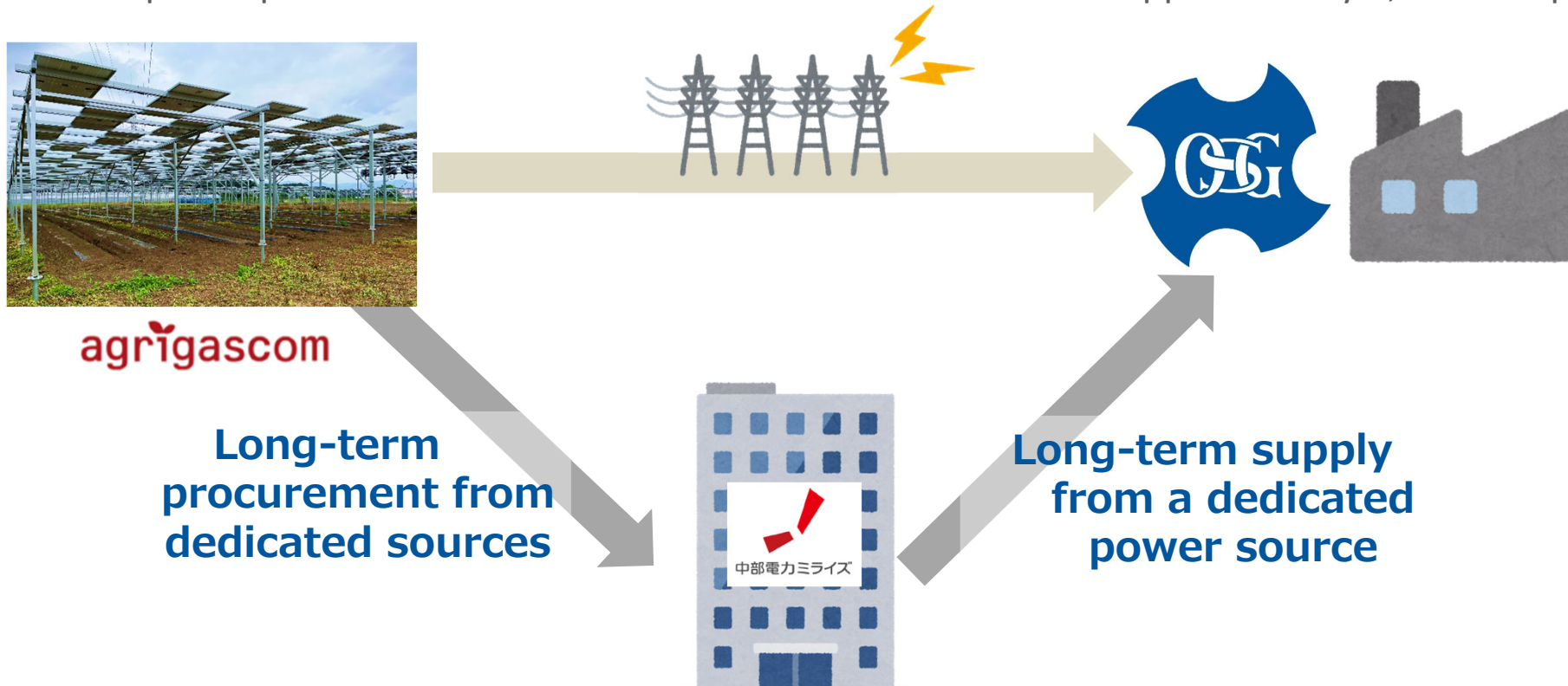
In January 2022, we announced our new medium-term management plan and disclosed information about our carbon neutral declaration.



Climate Change Initiatives - Renewable Energy Off-site PPA

Three companies sign agreement to implement the first farm-based off-site PPA in Chubu area.

The electricity generated by our dedicated solar power plant will be supplied to four sites, including our Oike plant, as an off-site PPA service from February 2023 for a period of 20 years. The use of CO2-free electricity from a dedicated solar power plant contributes to a reduction in CO2 emissions of approximately 2,000 tons per year.

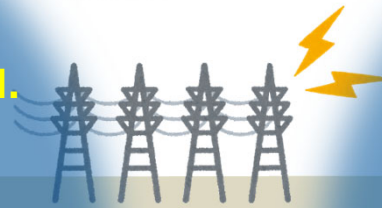


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- Effective use of abandoned farmland.
- Long-term, stable income from electricity sales for farmland managers' power generation projects.
- Realising solar power generation without deforestation in Japan, a country with a small land area.

agrifas.com
Long-term procurement from dedicated sources



- Reduction of approx. 2,000 tons of CO2 emissions per year
- By using renewable energy sources promoting decarbonization
- Contribution to local agriculture

Long-term supply from a dedicated power source



Climate Change Initiatives - Energy Conservation Initiatives

CO2 emissions reduction through improved energy use efficiency.

Individual tanks were installed for each grinding machine and coolant pumps were in commercial operation even when equipment was down.

Effort (1)

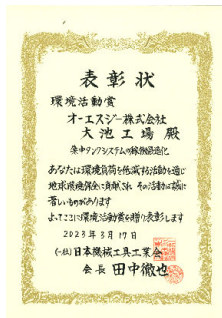
Oil pumps with energy-saving motors and fixed discharge pressure inverter control.

Effort (2)

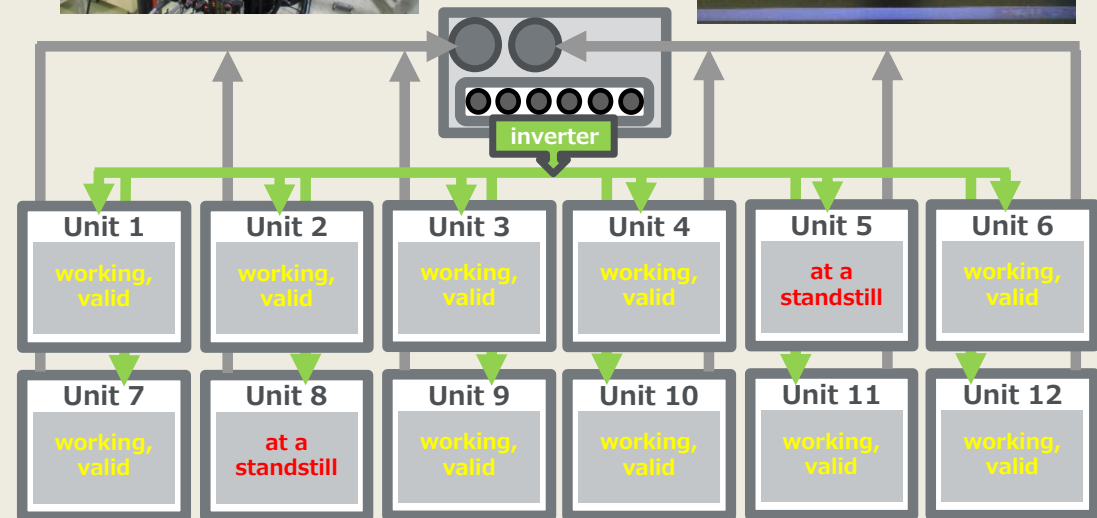
The filtration system is linked to an operation monitor and the flow rate is controlled in line with the operation of the equipment.

**Effect: CO2 reduction
202.6t-CO2/year**

Received the 'Environmental Activity Award' at the Japan Cutting & Wear-resistant Tool Association's Environmental Activity Exchange in 2022.



Centralized coolant system linked to operation monitor



Climate Change Initiatives - Environmentally Conscious Products

We are committed to providing products that are environmentally friendly and that also have a low environmental footprint for our customers.



New product "A-XPF" - A Brand Forming Tap

feature

- No chips generated**

Threads are machined by plastic deformation of the inside of the hole.



curtailment

Sudden tool changes due to chips

Machine stoppage by removing chips

Worker chip removal workload

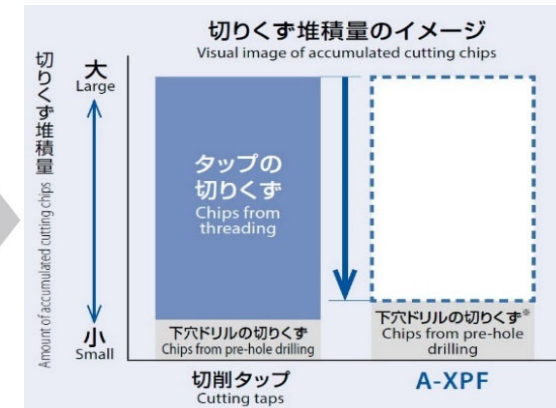
Customer

Improvement of operation efficiency, power control, and working environment + α

タップ加工のトラブル TOP3 Tapping Troubles		
No.1	折損・欠け Breakage and chipping	26%
No.2	ねじ精度の不良 Dimensional error	17%
No.3	むしれ、かじり等 Galling	14%
	その他 Others	43%

当社コミュニケーションダイヤルへの相談実績より
Source: OSG Technical Consultation Division

主な
トラブル要因は
“切りくず”
Main factor is chip
packing



Quality improvement

A-XPF can be recommended for tempered steels, which have been shunned as difficult to machine, thus expanding the range of materials and cutting conditions that can be adapted to the customer's machining environment.

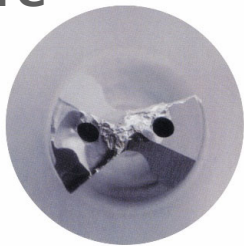
Climate Change Initiatives - Environmentally Conscious Services

Through our reconditioning and recoating business, we also offer a full range of services that make effective use of resources and prolong the life of tools.

Cutting tools **lose their sharpness through** repeated use as the cutting edges become **worn**. Our group company will recondition them to make them **as sharp as new** and recoat them if necessary.

▼ Example of reconditioning

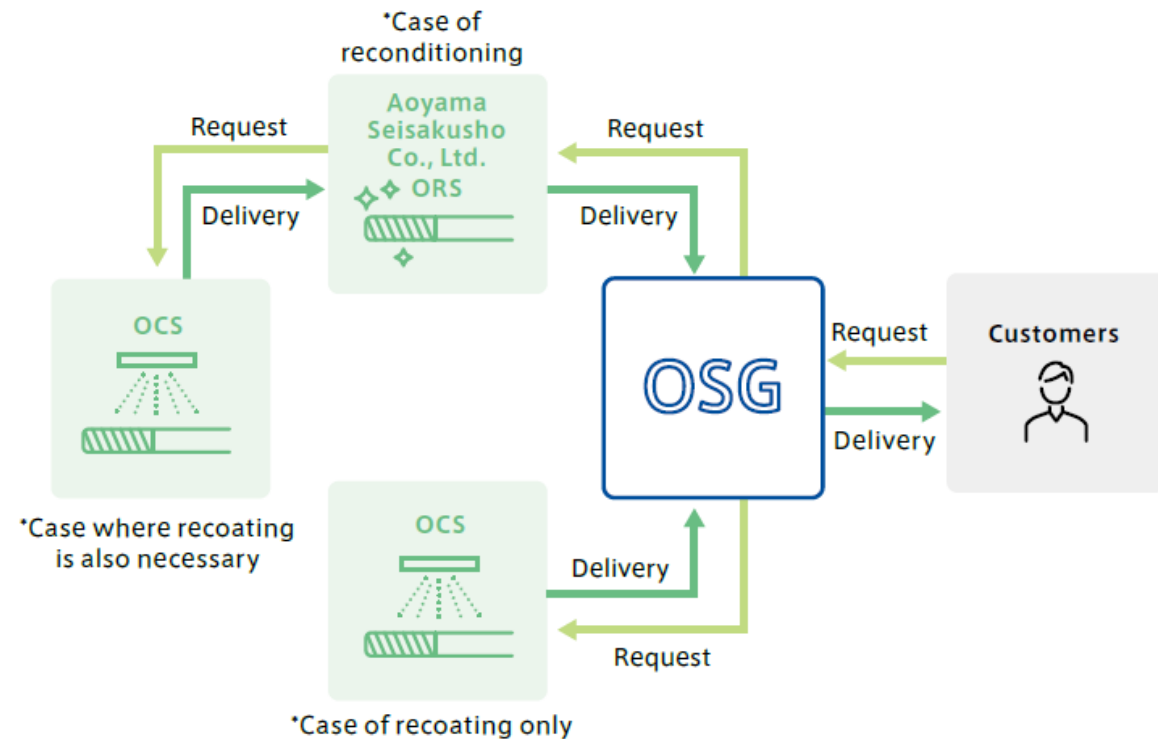
Before



After



▼ Flow of reconditioning and recoating





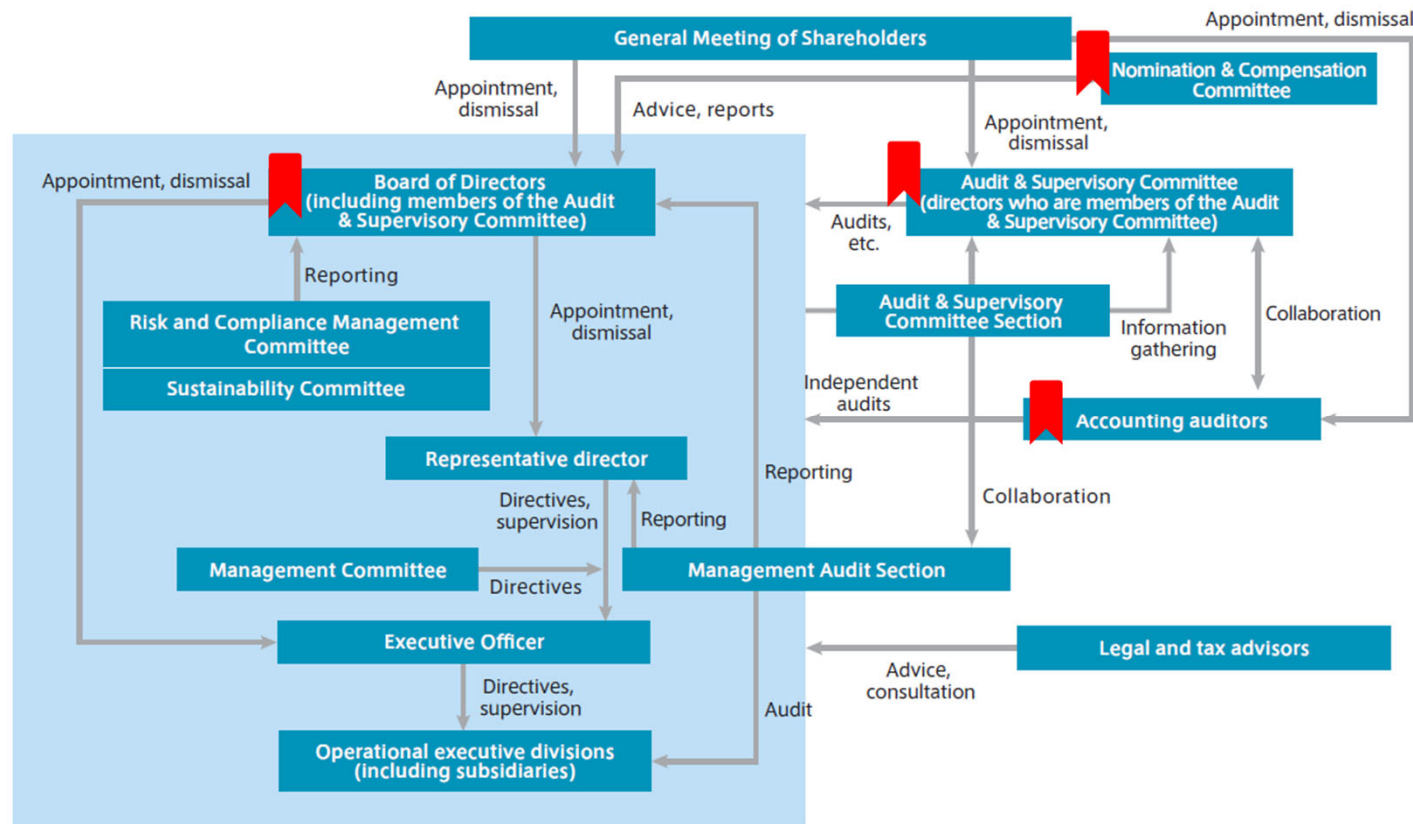
»»» Governance

Governance - Corporate Governance Structure (1)

We are continuously working to improve and enhance our effective corporate governance system.

OSG has selected to establish a **company with an Audit & Supervisory Committee** and has a Board of Directors, an Audit & Supervisory Committee, and an Accounting Auditors.

The role of the Board of Directors is clearly defined, with the executive officers responsible for business execution and the Board of Directors responsible for management decision-making and management and supervision of business execution.



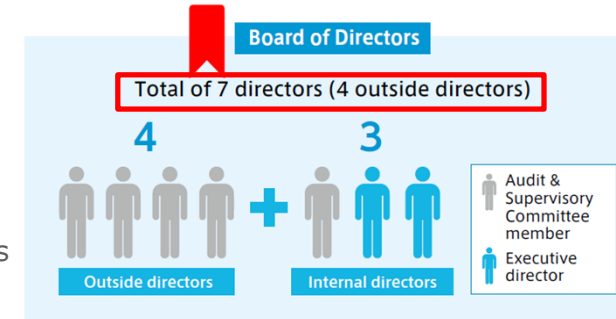
Governance - Corporate Governance Structure (2)

[Transparency and independence of the Board of Directors]

By having four outside directors out of five Audit & Supervisory Committee members, the majority of directors will be outside directors. OSG has adopted a system of "management audit" to utilize external perspectives to improve the management audit function.

[Nomination and Compensation Committee]

The Nomination and Compensation Committee has been established as an advisory body to the Board of Directors in order to obtain appropriate involvement and advice from independent outside directors on the nomination and compensation of directors, executive officers and others.



Directors



Chairman & Chief Executive Officer (CEO)
Norio Ishikawa



President & Chief Operating Officer (COO)
Nobuaki Osawa



Director (Statutory Member, Audit & Supervisory Committee)
Takehiro Tomiyoshi



Director (Audit & Supervisory Committee Member)
Yoshiyuki Sakaki*



Director (Audit & Supervisory Committee Member)
Akito Takahashi*



Director (Audit & Supervisory Committee Member)
Kunihiko Hara*



Director (Audit & Supervisory Committee Member)
Kayoko Yamashita*



Substitute Outside Director (serving as Audit & Supervisory Committee Member)
Yoshitsugu Hayashi

Director's Expertise & Areas of Specialization (Skill Matrix)

	Audit & Supervisory Committee member	Nomination & Compensation Committee	General management	Production & technology	Sales & marketing	Financial affairs & accounting	Finance	International affairs	Legal affairs	Risk management	Governance	Diversity
CEO Norio Ishikawa			○	○				○		○	○	○
COO Nobuaki Osawa			○		○			○			○	○
Takehiro Tomiyoshi	○ Statutory	○				○	○		○		○	
Outside/Independent Yoshiyuki Sakaki	○	○ Chair	○					○				○
Outside/Independent Akito Takahashi	○	○ Deputy Chair							○	○	○	
Outside/Independent Kunihiko Hara	○	○	○	○	○					○		
Outside/Independent Kayoko Yamashita	○	○				○	○					○

*As of February 17, 2023

Governance - Governance Initiatives

Changes in the composition of the Board of Directors and further strengthening of the corporate governance system.

Governance Initiatives		2016	2017	2018	2019	2020	2021	2022	2023	
Corporate Governance Structure		A Company with an Audit & Supervisory Committee								
		Nomination and Compensation Committee								
		Risk and Compliance Management Committee								
		Sustainability Committee								
The Structure of a Board of Directors	Number of Outside Directors	5	5	5	5	5	5	4	4	
	Total Number of Directors (Number of Women)	16 (0)	15 (0)	7 (0)	8 (0)	8 (0)	8 (0)	7 (1)	7 (1)	
Compensation System for Company Officers		Introduction of Stock Compensation Plan								

Governance - Assessing Board Effectiveness

【Analysis and assessment of board effectiveness】

Implemented in June 2022 (according to the table on the right).
 Analysed, discussed and evaluated at an extraordinary board meeting in August 2022.


【Evaluation Result】

The questionnaire responses indicate a positive evaluation of the required operation of the Board of Directors and its response, and we recognise that the overall effectiveness of the Board of Directors is ensured.

At the same time, further future challenges were shared with regard to improving the support system, cooperation with the internal audit department, sharing the content of dialogue with shareholders and other investors, and exchanging views amongst outside directors.

【Future Initiatives】

Based on this effectiveness assessment, we will continue to fully consider issues and continue its efforts to improve the functioning of the Board of Directors.

 Details of implementation	
Targets	All members of the Board of Directors 2 Directors who are not members of the Audit & Supervisory Committee 5 Directors who are members of the Audit & Supervisory Committee (4 of whom are outside directors) Total: 7
Evaluation method	Anonymous questionnaire
Time frame	Responses received (June 10 - June 24, 2022)
Overview of questions	<ul style="list-style-type: none"> ● Composition of the Board of Directors ● Operation of the Board of Directors ● Deliberations by the Board of Directors ● Monitoring function of the Board of Directors ● Performance of Outside Directors (incl. Audit & Supervisory Committee Members) ● Support structure for Directors (incl. Audit & Supervisory Committee Members) ● Training ● Dialogues with shareholders (investors) ● Voluntary initiatives ● Nomination and Compensation Committee ● Overall
Evaluation method	Survey results were consolidated by an external organization and then analyzed, deliberated, and evaluated by the Board of Directors.

Risk and Compliance - Ensuring Compliance

Compliance Promotion System

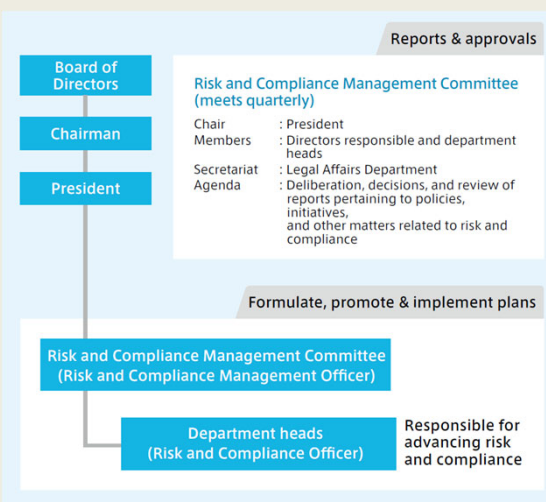
Established the "OSG Corporate Code of Ethics" and is thoroughly enforced by everyone working in our Group.

1. Corporate Code of ethics

These are guidelines for conducting business activities with integrity and appropriateness.

2. Corporate Code of Conduct

It sets out specific standards of conduct for the implementation of the Corporate Code of Ethics in the conduct of business activities.

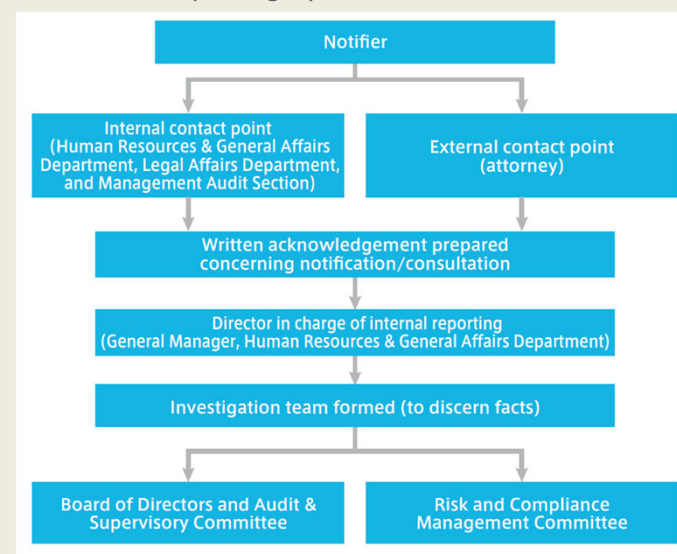


Compliance Promotion System ▶

Internal Reporting System

We have established "Internal Reporting Standard" regarding violations of the "OSG Corporate Code of Ethics," and have established a system for receiving reports and appropriate handling of consultations.

▼ Internal Reporting System



Risk Compliance - Risk Management Policy and Risk Classification

Risk Management Policy

OSG strives to prevent risks that may occur in its business activities, respond to risks that do occur and develop a risk management system to ensure smooth business activities.

Risks are identified in the categories in the table below.

The Risk and Compliance Management Committee has been established to ensure effective and efficient risk management.

Risk Classification Table

Risk category	Type of risk
External risks	Economic conditions and market trends
	Trends affecting procurement of raw materials
	Climate change, natural disasters, and pandemics
Business process risks	Stable supply to the market
	Employee working conditions
	Safety and health management for employees
	Information security
Internal risks	Corporate governance and financial risk
	Retaining and training human resources
	Traffic accidents

【BCP】

BCPs have been formulated for the Nankai and Tonankai Trough earthquakes expected in recent years, and training and education have been conducted.

【Information Security】

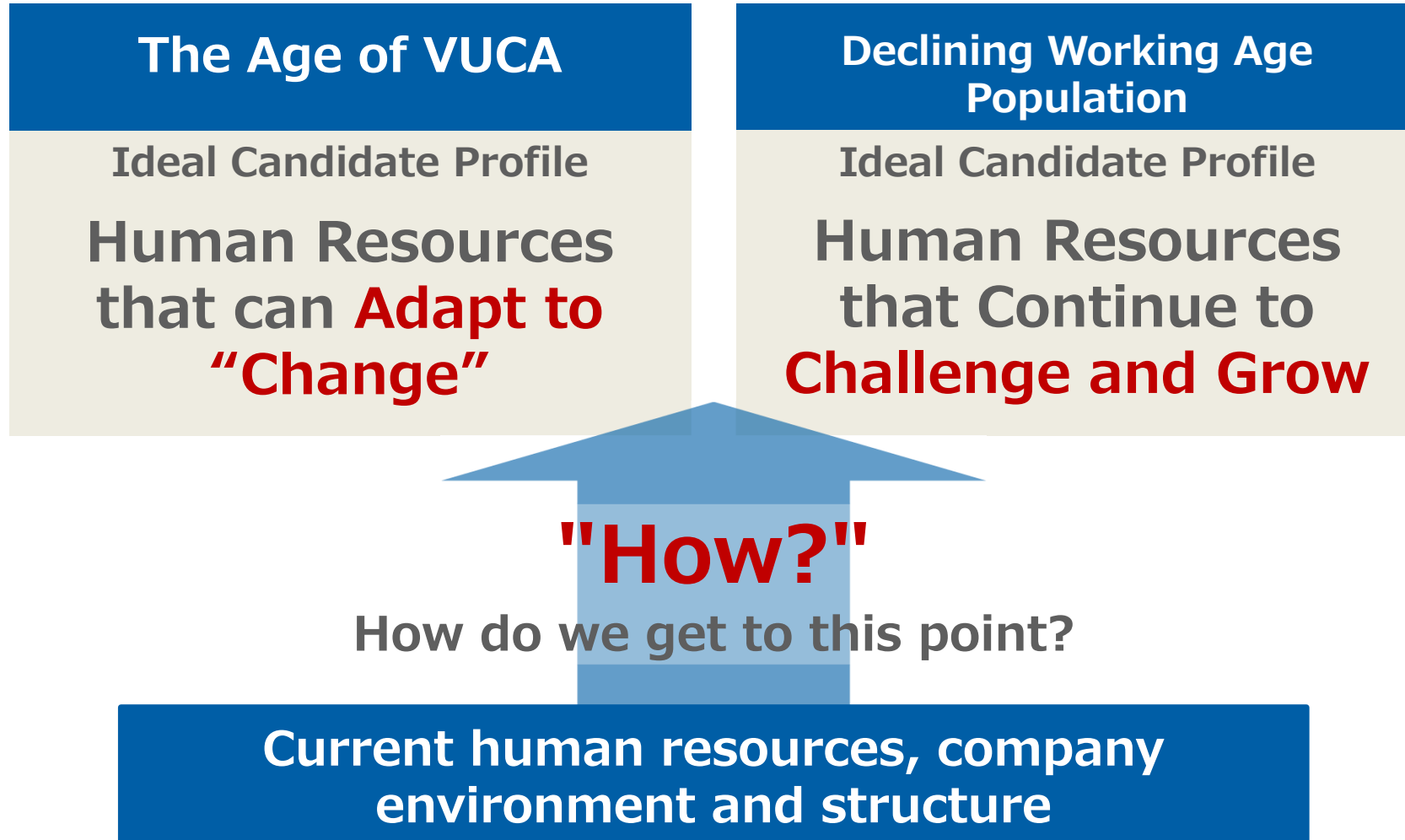
Established a basic policy for information security and strengthened the security.

- Minimize internal risk
Ensure compliance with legal and contractual requirements in accordance with the level of confidentiality of the information assets handled (*for all employees).
- Preparedness for external risks
- ➔ Risk assessment and countermeasures for information systems, improvement of employee security literacy

The image features a blue-tinted photograph of a building's glass facade. A heavy metal chain is draped across the top of the frame, with one end hanging down on the left and another on the right. The text 'Human Capital' is overlaid in white, preceded by three grey chevron symbols pointing right. The background shows a grid of window panes and a faint reflection of a landscape at the bottom.

»»» Human Capital

Human Capital



Human Capital

Creating a work environment where human resources can **grow**

Education, Career and Evaluation

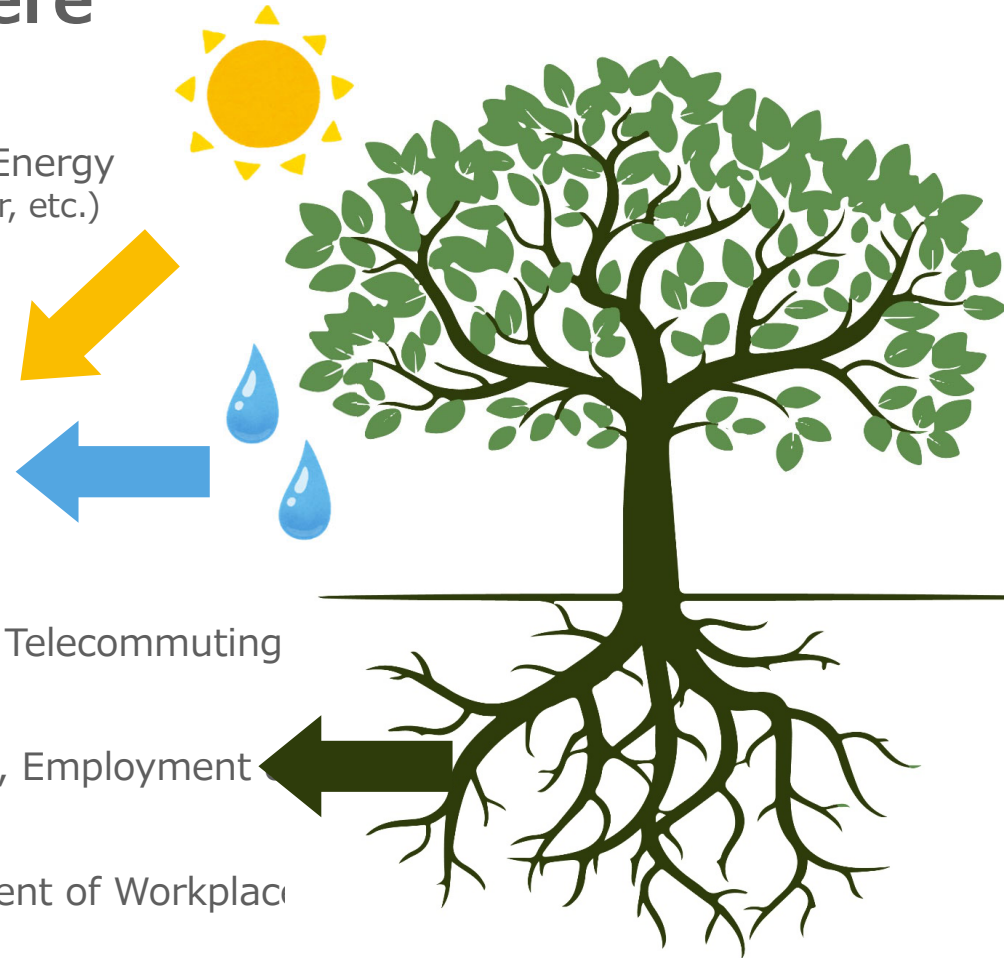
= Source of Energy
(Sun and Water, etc.)

- Human Resource Development
- Career Plan Statement System
- Evaluation and Compensation System

Good working climate

= Soil

- Work-Life Balance (Childcare/Nursing Care Leave, Telecommuting and Flexible Working Systems, etc.)
- Promotion of Diversity (Women's empowerment, Employment People with Disabilities, etc.)
- Safety and Health Management (Improvement of Workplace Environment, Employee Health Management, etc.)



Human Capital



When the direction in which the company is headed and the direction in which the employees are headed become clear, the objectives that each wants to fulfill will point in the same direction.

As a result, the "how it **should be**" will change to the "How do you **want to be**".

To be **"A Company that Shines Brighter than Ever"** in 2038, when we will celebrate our 100th anniversary.

Human Capital - Present and Future

Training Programs

Current Training Programs

- New Employee Training and Follow-Up after Training
- Upskilling Training by Grade or Leaders



Strengthening the development of executives and leaders

- Activation of the spirit of challenge
- Global Human Resource Development

Recruitment and Staffing

Current recruitment and staffing

- Recruitment Focused on New Graduates
- Replenishment of Necessary Personnel in Each Department



Strategic Staffing

- Strategic Career Recruitment
- Staffing that reflects the spirit of challenge

Evaluation and Compensation System

Current evaluation and compensation

- Membership-Type Competency-Based Evaluation System
- Seniority-Based Pay System



Motivation Improvement Improvement of Employee Performance

- Consideration of a Job-Type HR System for Experienced Employees
- Evaluation and Compensation System for Young Employees Commensurate with Results

Human Capital - Increased Engagement

STEP
1

Career Plan Statement System that Enables Achievement of Goals and Self-Fulfillment

Improve the job rotation system to reflect and realize employees' career plans and the challenges they wish to take on, rather than just to allow employees to request transfers to different workplaces

COMMUNICATION - a Key to Human Resources Development -

Fostering communication skills across organizations and generations and creating an open organization where the employees can easily express themselves

Implementing Employee Engagement Surveys

Appropriate understanding of employee satisfaction, health status, and human relations and identification of issues

Visualization of employee abilities and aptitudes through talent management

Understanding the aptitude and skills of employees, and optimal staffing for both the company and the employees.

STEP
2

Human Capital



Mid-Term Management Plan “Beyond the Limit”

- Toward the 100th anniversary, the company shines brighter than ever -

Out-of-the-box-thinking will lead to the growth of the company.
We break through our own limits, and challenge to break out of our own shell.

Connecting **the dots**, the dots become **lines**
and the lines become **surfaces**

Aiming for **total optimization**, not partial
optimization

Contributing society towards **the future**

