



shaping your dreams



Medium-term Management Plan

Beyond the Limit 2027

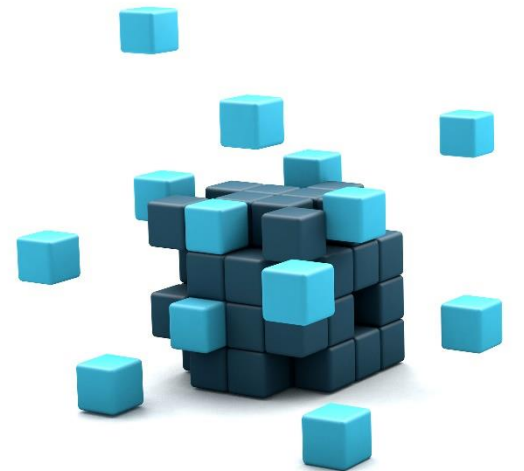
Stage2

FY2025 - FY2027

Beyond the Limit

Long-term Vision

**To become an essential player
that contributes to the global manufacturing
industry towards a carbon-neutral era**



Basic Strategy (Stage1)

Strengthen business efficiency and build a corporate structure capable of generating stable profits

- We have divided our long-term vision into three stages, the first three years in which we will strengthen our corporate structure, in order to transform ourselves into an essential player that contributes to the global manufacturing industry,
- In each of the three stages, we will change the composition of our customer portfolio by 2030 in order to respond to changes in the social environment.
- Toward the era of carbon neutrality, we will work together with group companies to enhance corporate value by optimizing the entire group.

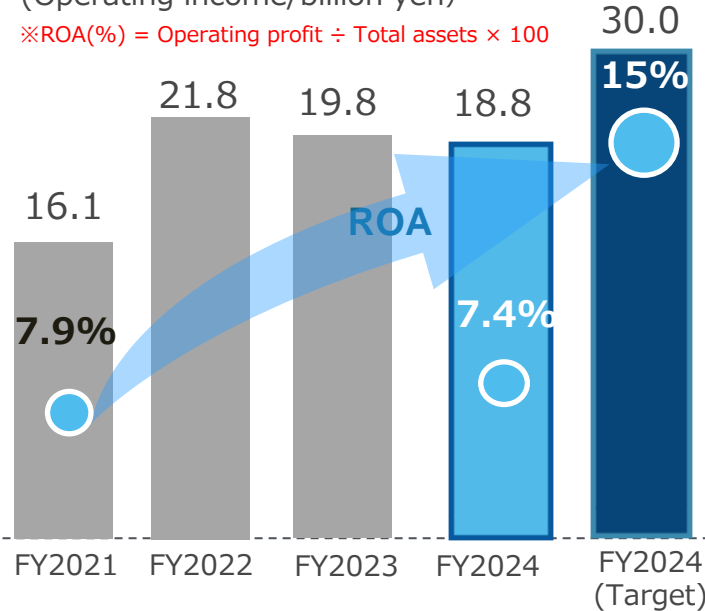
Beyond the Limit
2022-2024 (Stage1)

Beyond the Limit
2025-2027 (Stage2)

Beyond the Limit
2028-2030 (Stage3)

(Operating income/billion yen)

※ROA(%) = Operating profit ÷ Total assets × 100



**Medium-Term
Management Targets**
(Fiscal year ending November 30, 2024)

ROA (Operating profit basis)
15%
Operating profit
30 billion yen

Achieve
40% share
in the global tap
market

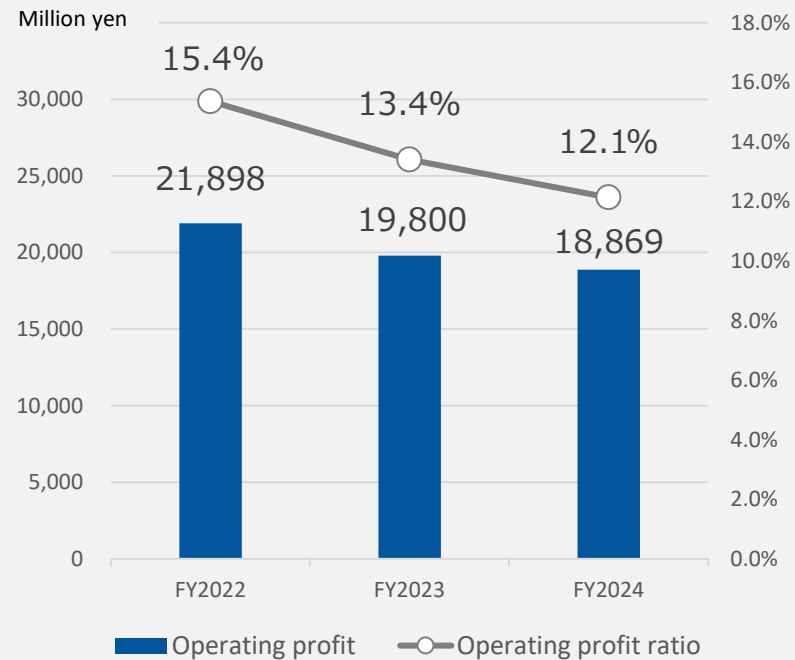
**Portfolio by Customer
in micro precision machining**
Over 30%
Become a company that
contributes to the carbon
neutrality

Review of Medium-Term Management Plan Stage 1 (2022-2024) (Management Indicators)

While the development of growth industries, mainly in the micro/precision processing field, is progressing, market conditions in Greater China and Japan are weak. In addition, due to soaring costs of energy and raw materials, including labor costs, the target for improving profitability and business efficiency has not been achieved.

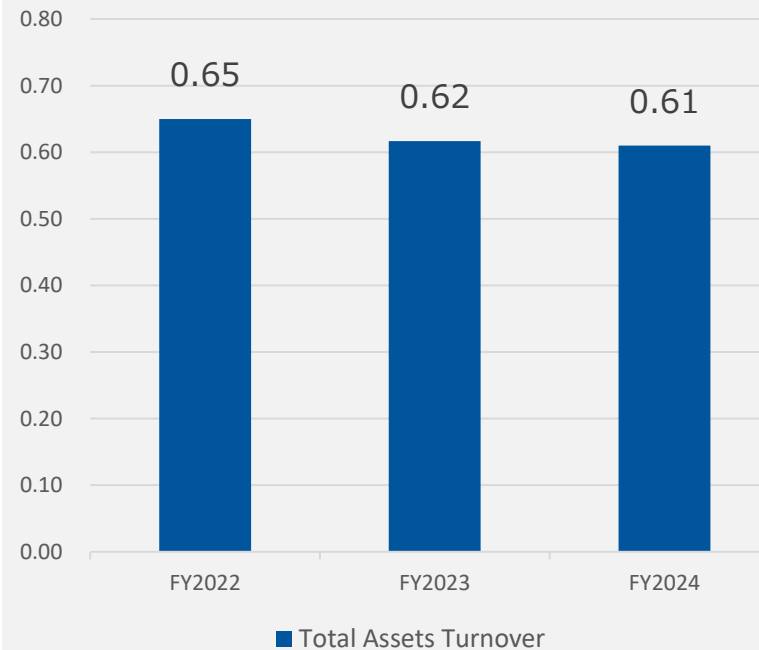
Operating profit ratio

12.1%



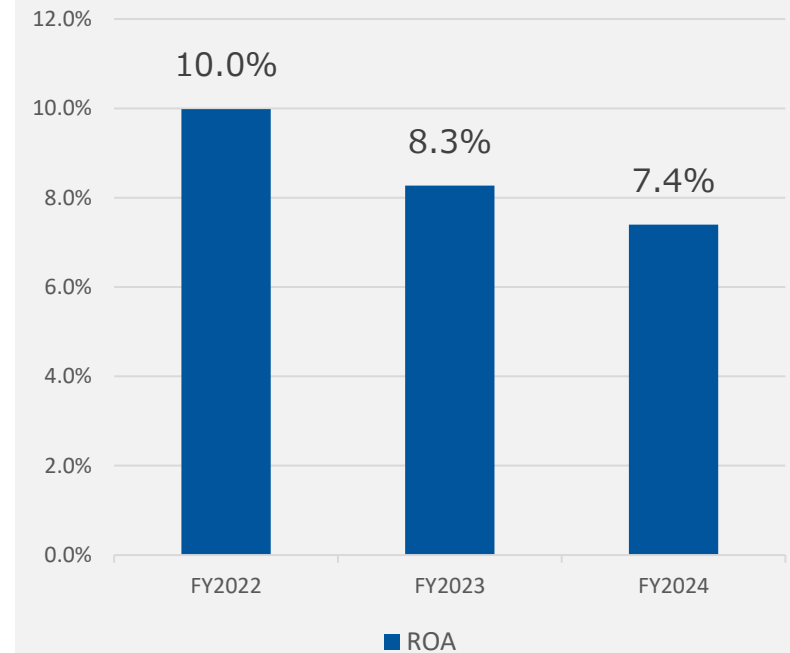
Total Assets Turnover

0.61



ROA

7.4%



Review of Medium-Term Management Plan Stage 1 (2022-2024) (Priority Measures)

Priority measures		KPI	Result	Evaluation and issues for Stage 2	
Business Efficiency & Profitability Improvement	A Brand	32% ※Revised upward in 2024	31%	Achieved 30% of the market one year ahead of schedule through promotion and distribution policies. In order to further increase the share in countries and regions where we already have a high market share, we will aggressively introduce new products in addition to existing products.	
	Micro and precision tools	ROA 15% *Operating profit base	20%	The sales structure was renewed for the first time in 60 years. Although the number of projects steadily increased by cultivating new markets, the ratio target was not achieved due to the recovery of sales of large-diameter tools for automobiles and aircraft, etc. In Stage 2, the company aims to expand sales of micro and precision processing tools , mainly through the Diamond Tool group company, which was added through M&A.	
	Coating and Regrind	Operating profit 30bn	10%	7%	In Stage 1, the coating and regrinding ratio landed at 7%. Although sales as a percentage of total sales are low, sales of the job coating business are growing, and the company aims to expand job coating sales in Stage 2 and beyond.
Finances	Dividend payout ratio		35~40%	40%	Raise the dividend payout ratio to 35% in FY2022 and maintain the dividend amount of 60 yen. We aim for a dividend payout ratio of 40% in Stage 2, while keeping an eye on performance trends.
ESG	Reduction of Co2 emissions		10%reduction compared to FY2019	19%	9,362 (t-CO ₂) were reduced, resulting in an 18.6% reduction compared to FY2019 . Reduction exceeded the target due to facility upgrades, operational improvements, and a decrease in production. We will improve the system for Scope 1.2 reduction and Scope 3 calculation.

Basic Strategy (Stage2)

Strengthen business efficiency and build a corporate structure capable of generating stable profits (continued)
Set operating profit margin and ROE as new management indicators to improve capital efficiency.

Beyond the Limit
2022-2024 (Stage1)

Beyond the Limit
2025-2027 (Stage2)

Beyond the Limit
2028-2030 (Stage3)

ROE 10.7% 8.3% 7.7% Over 10%

OPM 15.4% 13.4% 12.1% 13.1% Over 16%

Efforts to improve profitability

- ①Expansion of sales of high value-added products centered on A-brands
- ②Expansion of sales of micro and precision tools.
- ③Cost Improvement through Productivity and Operational Efficiency
- ④Review of product series and pricing
- ⑤Implement BS management measures

Operating profit

21.8bn

19.8bn

18.8bn

2022

2023

2024

2025(fcst)

2027(fcst)

Medium-Term Management Plan (Stage2)

● Growth Strategy

	Product	Strategic policy	Major Industries
Core business Driving growth	Tap	Aim to increase market share through integrated development, technology, production, and sales efforts, including quality improvement and introduction of competitive new products. Continue to promote sales expansion of the high value-added A-brand series , aiming for a 40% share of the global market for taps.	Electronic Components Energy Mobility General Parts
	Fastener product	Although the sales ratio of this product is smaller than other products, it has the longest history next to taps. The company aims to increase price competitiveness by reviewing manufacturing processes and supply chains, and to expand sales by accelerating global expansion.	Aircraft Energy Mobility General Parts
	Micro and precision tools DIA/CBN	Strengthen activities of the GIGS Sales Group, a cross-divisional sales organization, to introduce new products of micro and precision tools and expand sales. Promote development outside of existing industries, such as for lenses, mainly through group companies in the diamond tool business .	Electronic Components Aircraft Energy Mobility Medical Molds General Parts
Focused business For future growth be connected to Expansion of Business Domain	Coating	The high value-added coating business is expected to expand over the medium to long term. In addition to contributing to sales of its own products through superior coating development, the company will also develop job coating services for a variety of products other than tools.	Electronic Components Medical Molds Tools General Parts



Medium-Term Management Plan (Stage2)

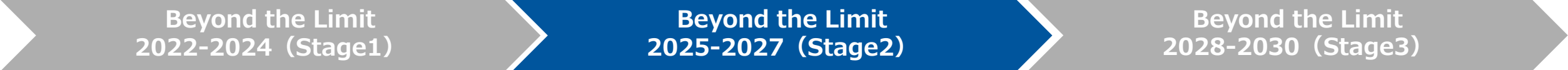
- Strengthen management foundation (improve business efficiency and increase corporate value)

Area	Strategic policy		Initiative
Operation	Proactively utilize digital technology to reform sales and production systems. In preparation for future worker shortages, the company will build a flexible and robust structure to improve productivity and profitability by simplifying and streamlining production and sales processes through the use of digital technology, and will also promote complex and labor-saving production systems by introducing its own machinery and equipment .		<ul style="list-style-type: none"> • Improvement of business efficiency • Responding to DX innovation • Information Security
Organizational and human capital	We will establish human resource policies that maximize the value of each and every employee and an environment that encourages engagement and allows employees to take on challenges with peace of mind, through the assignment of the right personnel to the right positions and the development of human resources that enhance autonomy and organizational strength. In the rapidly changing social environment surrounding our company, we will achieve growth for both employees and the company and increase corporate value by continuing to take on challenges with a willingness to change.		<ul style="list-style-type: none"> • Enhancement of human resources' capabilities • Development of a rewarding workplace environment • Improvement of engagement
Sustainability	Aiming to utilize renewable energy from solar power, reduce environmental impact, and build a resource-recycling society; promoting reduction of Scope 1.2, calculation of Scope 3, and visualization of carbon footprint for the main products . Aim to achieve carbon neutrality in the long term, with a mid-term goal of a 20% reduction from FY 2019 levels by FY 2027.	KPI (FY2027) 20%	<ul style="list-style-type: none"> • Reduction of CO₂ emissions • Calculation of the carbon footprint
Financial and Capital Management	Improve profitability through growth strategies for existing businesses and aggressive growth investments including M&A . Aim to improve capital efficiency and achieve ROE of 10% by reducing the cost of shareholders' equity through shareholder returns and IR activities.		<ul style="list-style-type: none"> • Establishment of an optimal capital structure • Strategic investment in growth sectors • Enhancement of shareholder returns

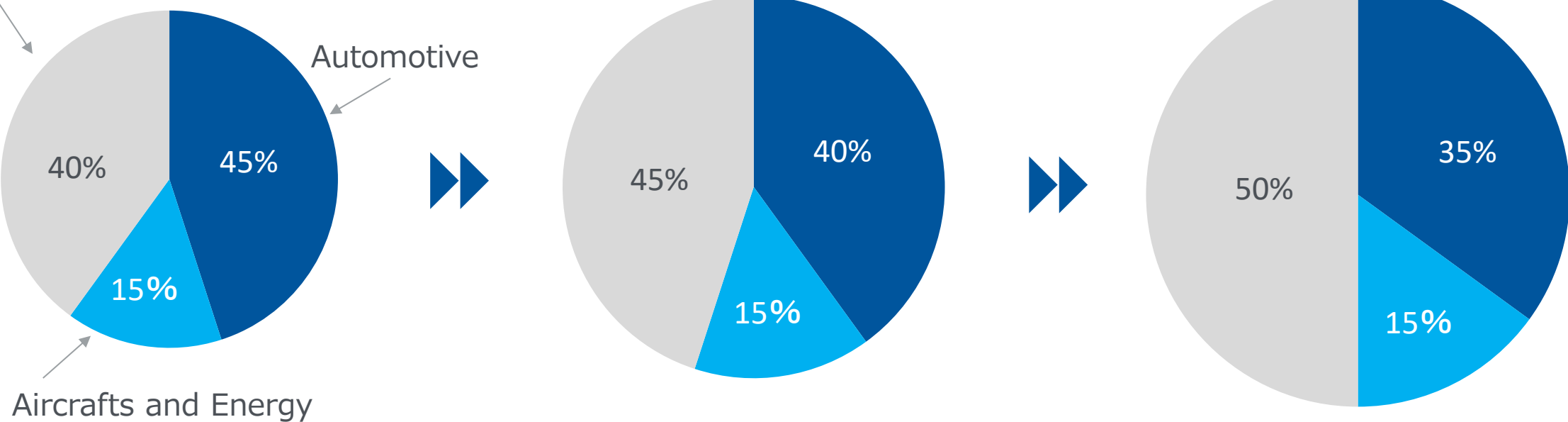


Target-Industry Portfolio

- The sales ratio to the automotive-related industry will change from 50% to 45% in Stage 1 (expected to be 40% in FY2027).
- Promote the transformation to a balanced customer industry portfolio that is less susceptible to business environment fluctuations.
- Improve profitability by increasing the sales ratio of A-brand and micro and precision tools.



General Parts (including micro & precision tools)



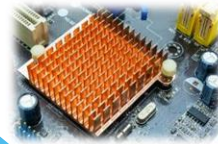
Business Opportunities and Growth Area

While continuing efforts to expand sales in existing industries, we aim to achieve growth exceeding that of our customer industries by advancing into the promising field of micro and precision processing.

Precision Molds



Precision Molds



5G/Semi conductor



Semiconductor manufacturing equipment parts



Micro and precision Processing

Medical Parts



Medical



Robotics



Robotics, Automation-related machine parts



Mobility (EV)

Stage1 Industry Portfolio

General Parts

Automotive

40%

45%

(15%)

15%

Aircrafts and Energy

※グラフは当社イメージ



Analysis of Current Situation

PBR

1.0



ROE

7.7%

Cost of Equity

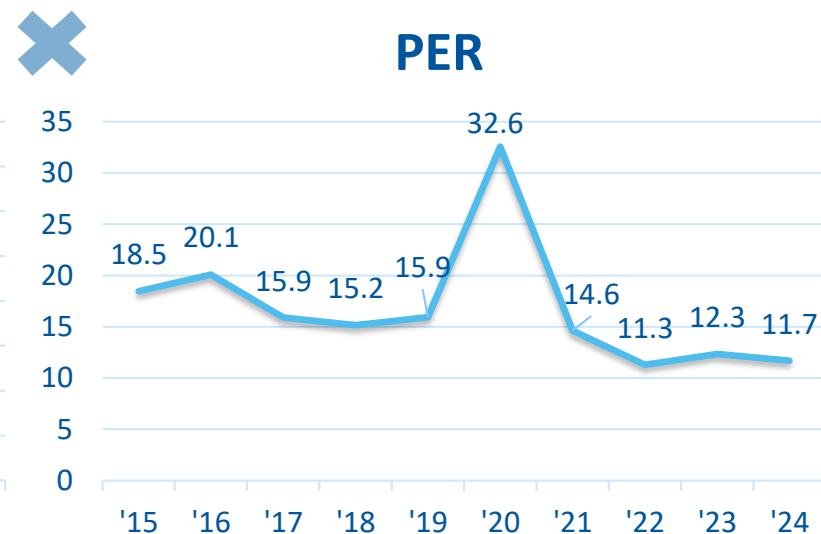
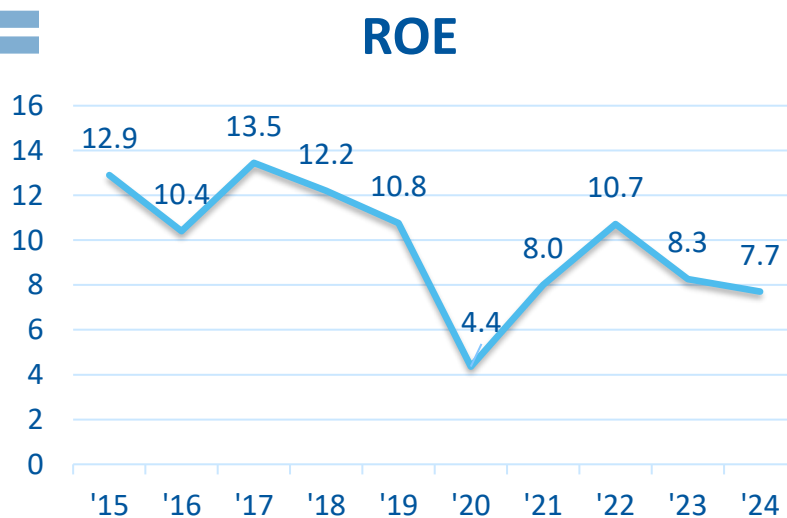
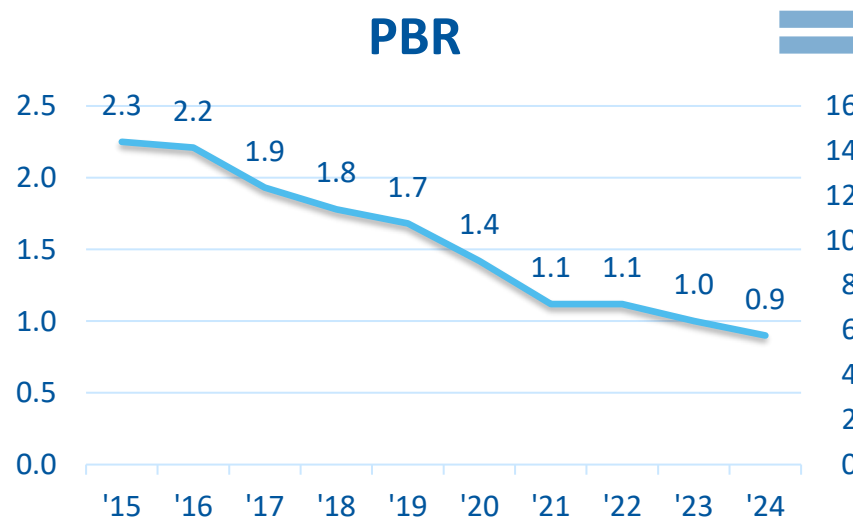
including expected growth rate
(=Inverse of PER)

8.5%

The PBR ratio has been declining and it is currently around 1x. Its components, ROE and PER, are also on a downward trend.

⇒ Aim for ROE that exceeds the cost of equity while reducing it. (= *Maximize equity spread)

*Equity Spread = ROE – Cost of Equity



Financial and Capital Policy

Reform the balance sheet to optimize growth investment and enhance shareholder returns

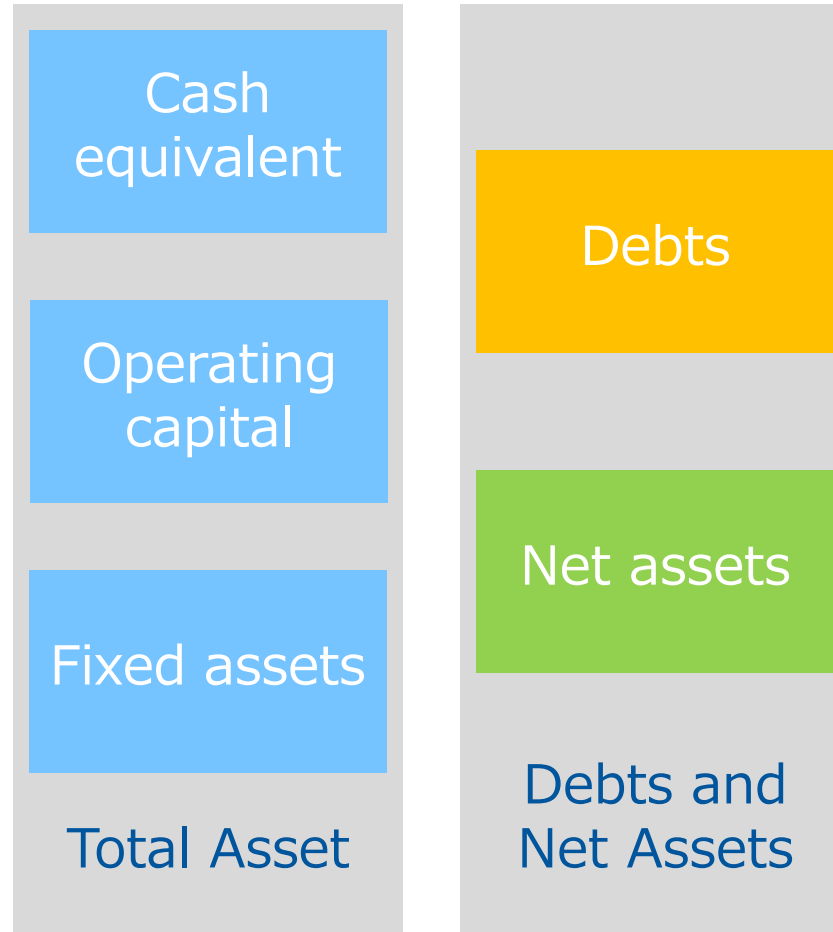
- ✓ Growth investments (M&A, R&D, Capital investment) and shareholder returns.
- ✓ Review of cash allocation within the group.



- ✓ Shorten CCC and generate cash. (Inventory reduction, review of collection and payment sites)
- ✓ Inventory turn over target
FY2024 4.4 months ⇒ FY2027 3.5 months



- ✓ Capital investment benchmarked against depreciation.
- ✓ Reduction of policy shareholdings.



- ✓ WACC reduction through debt utilization.
- ✓ Optimize capital structure.

- ✓ Reducing the Cost of Shareholders' Equity through IR Activities.
- ✓ Strengthen shareholder returns. (increase dividend payout ratio, share buybacks)

Cash Allocation

Operating Cash flow will be used mainly for strategic investments, while strengthening shareholder returns and reviewing the financial structure.

Stage1_Result (FY2022~FY2024)

Cash In
103

Cash Out
103

Unit : billion yen

Operating Cash flow 72	Strategic Investments 45 (M&A 9)
Corporate Bonds issued 27	Shareholder Returns 44 (Dividends 17 Buy-back 27)
Sale of assets, etc. 4	Repayment of loans 14



Stage2_Plan (FY2025~FY2027)

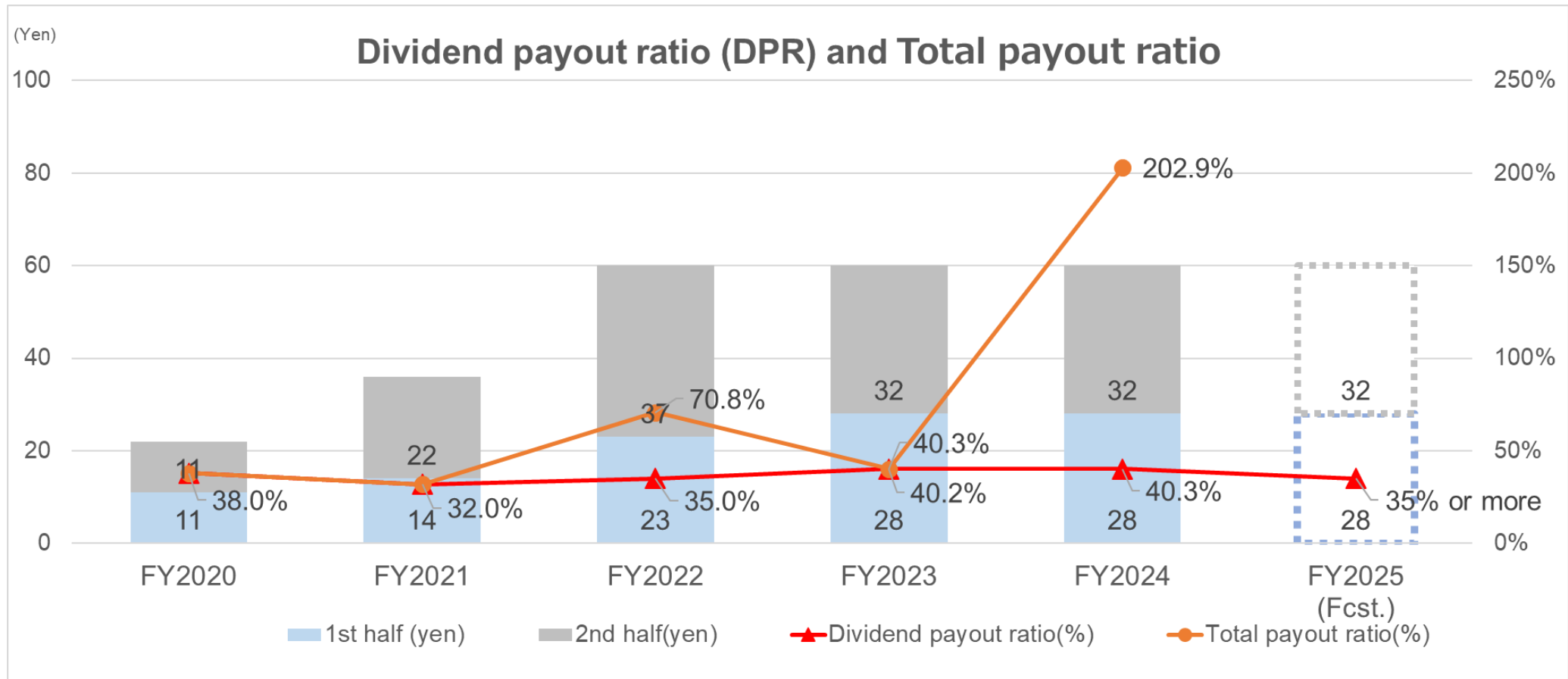
Cash In
130

Cash Out
130

Operating Cash flow 80~90	Strategic Investments 60~70 (Maintenance and renewal of facilities ~30)	<ul style="list-style-type: none"> ✓ New Carbide End Mill Plant ✓ Expansion of production facilities for growth area ✓ Strategic M&A
External financing	Shareholder Returns ~50 (Dividends, Buy-back)	<ul style="list-style-type: none"> ✓ Investment in factory automation ✓ Introducing digital transformation
Sale of assets, etc.	Repayment of loans ~10	<ul style="list-style-type: none"> ✓ Stable and sustainable dividend (Dividend payout ratio 35-40) ✓ Conduct an agile share buy-back

Shareholder Return Policy

The dividend payout ratio has been raised from 30% to 35% since FY2022. In the future, we will aim for a payout ratio of 40% while monitoring trends in our business performance. We will also flexibly implement share buy-back and maintain an appropriate level of shareholders' equity.



Efforts to Achieve Carbon Neutrality

Environmental Slogan

Environmentally Friendly Company / Environmentally Friendly Culture

Contributing to the World's Manufacturing Industry with Environmental Friendliness

2000-2014

- 9 OSG offices
- Noda Precision
- Sanwa Seiki
- Japan Hard Metal
- Aoyama Seisakusho
- Ohtaka Seiko
- Taiho Sangyo

By acquiring ISO14001
Establishment of
Environmental Management
System

2019-2024

- Scope 1.2 calculations (global)
- Scope 3 calculations (some non-consolidated)
- off-site PPA
- On-site PPA
- Carbon footprint study

Efforts to Achieve
Carbon Neutral

2025-2030

- Scope 1.2 reduction (global)
- Scope 3 Calculation (Global)
- Carbon Footprint Calculation
- Obtained third-party verification and CDP rank A
- Off-site Virtual PPA

Visualization and evidence-based
approaches
Measures to improve corporate
value

Development of environment-friendly products

Green Tap (GRT) is a low-carbon product that reduces CO₂ emissions by reducing power consumption during manufacturing through the adoption of a new and original manufacturing method.

Selecting high-performance, low-carbon products leads to the reduction of carbon footprint and contributes to the realization of a sustainable society.

例) GRT M6×1
製造時CO₂排出量の削減比率
Example: Reduction ratio of CO₂ emissions
during manufacturing of GRT M6×1



従来品に対して
35%削減

35% reduction versus conventional product



GREEN TAP

(Nov.20,2024 Release)

OSG's Human Capital - Present and Future

Personnel, evaluation and compensation systems

[Present]

Membership type
meritocratic evaluation system
seniority-based wage system



Enhance motivation Demonstration of human resources' abilities

- Simple, fair, future-oriented consideration of introducing a new personnel system
- Role- and outcome-based Evaluation and Compensation System
- Active promotion of capable young employees
- Diverse work styles of veteran employees

Recruitment and Staffing

[Present]

Recruitment focused on new graduates
Replenishment of necessary personnel
in each department



Strategic Staffing

- Pursuit of high productivity and optimal personnel management
- Diversification of new graduate recruitment channels
- Strategic career recruitment in a short period of time
- Optimal staffing and organizational enhancement in consideration of employee's career paths

Educational systems

[Present]

New employee education and follow-up training
Skill Development Training by Grade
Skill Development Training for Leaders



Strengthening the development of executives and leaders

- Review of management training system
- Identification and development of human resource candidates for next-generation management
- Developing Global Human Resources
- Activation of the spirit of challenge

OSG's Human Capital - Improve employee engagement

STEP
1

Career declaration system that enables achievement of goals and self-fulfillment

Emphasizes employees' career plan orientation and spirit of challenge
Structuring skill development and career paths

Communication-oriented organizational culture and human resource development

Fostering communication skills across organizations and generations and creating an open organization

Implementing Engagement Surveys to Improve Performance

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 employee.

NEXT
STEP