

# OSG REPORT 2024

Fiscal Year Ended November 2024

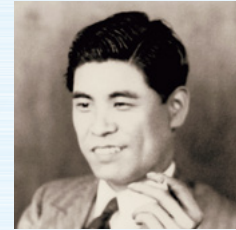


# Corporate Philosophy & OSG Principles

## Corporate Philosophy

### Global Presence

As a comprehensive cutting tool manufacturer, we make products that, at a fundamental level, contribute to enhancing people's quality of life. Through continuous growth, we have established a production, sales, and technical support network spanning 33 countries. Our corporate aim is to continue to further expand our operations globally and contribute to the global manufacturing industry in accordance with our "Global Presence" corporate philosophy.



OSG founder **Hideo Osawa**

## Fundamental Business Policy

- We are always aware that our corporation is an institution serving society and providing products our customers appreciate.
- We place our employees in assignments appropriate for their skills and abilities, and strive to improve their daily lives.
- We endeavor to distribute appropriate and stable dividends to our stockholders.
- We are committed to sound business practices that earn even greater trust from society and extend these to our company throughout the world.



## Long-Term Vision

**To be an essential player contributing the global manufacturing industry as we move toward era of carbon neutrality**

### Medium-Term Management Plan **"Beyond the Limit"**

With "Shaping Your Dreams" as the driving force propelling our globalization of the manufacturing industry, we refuse to limit ourselves and will continue challenging ourselves to go beyond what has been done before.

## Action Philosophy & Action Standards

### Action Philosophy **Think while running and run while thinking**

We ask, "What's important now?" in order to respond to ever-changing circumstances. This requires adaptability to variables and a steadfast willingness to take on challenges.

### Action Standards **OSG Company Ethics Pledge**

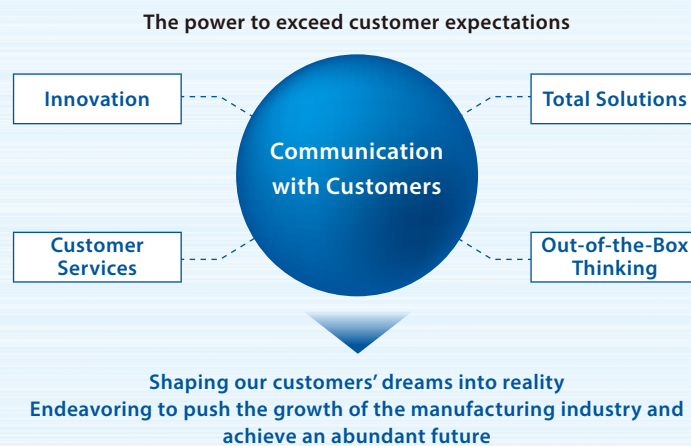


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## Source of OSG's Strength

### Tool Communication

To OSG, there is a close link between tools and communication. OSG has a unique business model that seamlessly integrates sales, engineering and manufacturing to earn customer trust and develop products and deliver services with complete satisfaction. We put the highest priority on communication and strive to develop ever-better products.



## Tag Line

### *shaping your dreams*

The OSG Group endeavors to keep pushing the growth of the manufacturing industry to achieve an abundant future.

Our tag line "Shaping Your Dreams" is imbued with the Group's strong conviction and readiness to mold the dreams of every customer into reality. These words express our mission to continue delivering products and services that bring customers complete satisfaction.

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## Art Work by Yusuke Hara

Yusuke Hara attends Rainbow House, a social welfare center in Shinshiro City where he devotes his time to producing works of art. Although he is not able to communicate verbally, he can interact through gestures, expressions, and illustrated communication boards. He is skilled at tearing paper and uses bits of torn paper in his artwork. As a highly sensitive person, he is attuned to the feelings of those around him and in his environment, which is something he channels into his art. As he applies each piece of torn paper, he thumps the canvas vigorously and may put multiple pieces on top of each other, bringing the piece to completion when it has absorbed his emotions and artistic intent. Feelings of both joy and elusive satisfaction are all part of the work created in the company of the caregivers at Rainbow House.



- P.32 Initiatives for Employing People with Disabilities



## OSG's History

Since we established our first overseas subsidiary in the USA in 1968, the OSG Group has expanded our manufacturing, sales, and technical support to bases in 33 countries around the world, building a network that embodies our corporate philosophy of Global Presence. This makes it possible for us to deliver products and services with consistent quality on a global scale. Thanks to more than 50 years of doing business overseas, we have cultivated human resources that possess an excellent global mindset and wield experience in opening new markets, which we will leverage to continue opening new markets going forward.

### 1938 —

- 1938** OSG Grinding Co., Ltd. established  
Began manufacturing taps and dies



Hideo Osawa, OSG founder

- 1942** Began manufacturing screw gauges  
**1943** Aichi Factory (now OSG Academy) constructed  
**1956** Began manufacturing rolling dies



### 1960 —

- 1961** Toyokawa Factory began operation  
**1963** Began manufacturing rolling flat dies  
Company name changed to OSG Mfg. Company  
**1967** Oike Factory began operation  
**1968** OSG Tap and Die, Inc. (now OSG USA, Inc.) (USA) established

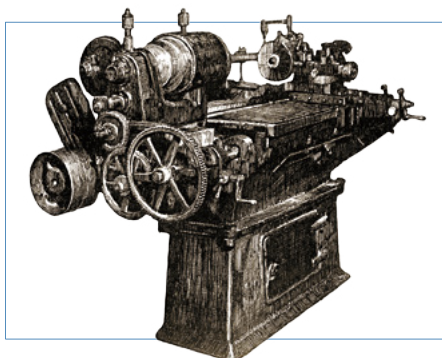


OSG Tap and Die, Inc., first sales hub overseas

- 1970** Taiho Tool Mfg. Co., Ltd. (Taiwan) established  
Began manufacturing HSS end mills  
**1971** Toyohashi Factory began operation  
**1974** OSG Ferramentas de Precisão Ltda. (now OSG Sulamericana de Ferramentas Ltda.) (Brazil) established

### 1938 —

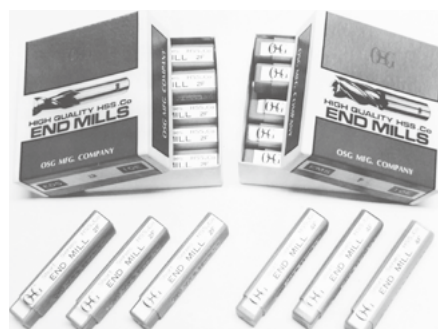
Developed the first grinding taps in Japan



OSG founder Hideo Osawa conceived of the idea of developing the Osawa-style thread grinder based on his own lathe and successfully produced the first grinding tap in Japan. He also worked to produce a threading die for machining male screws.

### 1960 —

Aiming to be worldwide OSG



OSG started selling end mills in 1970. It was also at about this time that OSG set about pioneering overseas markets. The move into this new area was the driving force that enabled OSG to make a giant leap forward from OSG operating only in Japan to OSG operating globally.



Net sales (millions of yen)

## 1980—

- 1980** Began manufacturing carbide end mills
- 1981** OSG listed on the First Section of the Tokyo and Nagoya stock exchanges
- 1982** Shinshiro Factory began operation
- 1984** Began manufacturing drills
- 1985** OSG Korea Corporation established
- 1987** Began manufacturing cutter bodies
- 1988** OSG Canada Ltd. (Canada) established
- 1990** Yana Factory began operation
- 1992** Merged with OSG Sales, Inc.
- 1993** OSG Asia Pte Ltd. (Singapore) established
- 1995** OSG Limited (now OSG Europe Limited) (UK) established
- 1997** Dabao (Dongguan) Molding & Cutting Tool Co., Ltd. (China) established  
OSG Belgium S.A. (now OSG Europe S.A.) (Belgium) established

## Consolidated group companies

- 1986** Aoyama Seisakusho Co., Ltd.
- 1994** Herramientas Metalicas de Corte, S.A. de C.V. (now OSG Royco, S.A. de C.V.) (Mexico)
- 1996** Nihon Hard Metal Co., Ltd.

## 2000—

- 2001** OSG (Shanghai) Co., Ltd. (China) established  
OSG Coating Service Co., Ltd. established
- 2002** OSG Tooling Iberica, S.L. (now OSG Iberica Tooling S.L.) (Spain) established
- 2003** OSG GmbH (Germany) established
- 2004** OSG (Shanghai) Precision Tools Co., Ltd. (China) established
- 2005** OSG System Products Co., Ltd. established
- 2011** TAIHO Coating Service Co., Ltd. (Taiwan) established
- 2019** OSG EX-CELL-O GmbH (Germany) established
- 2020** NEO Shinshiro Factory completed

## Consolidated group companies

- 2000** Kamiya Seiko Co., Ltd. (now ORS Corporation)
- 2001** Sanwa Seiki Co., Ltd.
- 2003** VUMAT S.R.L. (now OSG ITALIA S.R.L.) (Italy)
- 2004** Sterling Die, Inc. (now OSG USA, Inc.) (USA)
- 2005** NODA Seiko, Inc. (now NODA Precision, Inc.)
- 2006** Nissin Diamond Seisakusyo Co., Ltd. (now OSG Diamond Tool Co., Ltd.)
- 2008** Mac World Trade B.V. (now OSG Nederland B.V.) (Netherlands)
- 2015** DESGRANGES HOLDING S.A.S. (now NEXAM S.A.S.) (France)
- 2016** Amamco Tool & Supply Co., Inc. (USA)  
Somta Tools (Pty) Ltd. (South Africa)
- 2019** OSG BASS Holding GmbH (now BASS GmbH) (Germany)
- 2024** Contour Fine Tooling B.V. (Netherlands)

## 1980—

Toward establishment of an ultra-high-mix low-volume production system



To meet the needs of the market, OSG worked vigorously to develop an array of diverse product lines that included drills and carbide end mills. The company sold many new products in the age of mechatronics when demand emerged for a variety of tools for automated production lines.

## 2000—

One agent in each country and M&amp;A expansion



OSG engaged in mergers and acquisitions to extend operations on a global scale, selling OSG brand products. Currently, the ratio of overseas sales to total sales exceeds 60% and OSG has built a global network meeting the needs of customers in regions everywhere

## At a Glance

### Consolidated Results for the Fiscal Year Ended November 2024

Net sales	Operating income	Operating income margin
<b>155,500</b> (millions of yen)	<b>18,800</b> (millions of yen)	<b>12.1%</b>
ROA (Operating income basis)	ROE	Equity ratio
<b>7.4%</b>	<b>7.7%</b>	<b>64.8%</b>

### Product overview & net sales by product category

#### Taps

Taps, our core product ever since OSG was founded, are tools for machining female screw threads (grooves on the hole interior). These fulfill an important role in high-precision machining of internal threads for the automobile, aircraft, and other industries. OSG wields a world-class production framework that offers a wide range of products to meet customers' machining needs, such as our standard components, primarily our A-Tap, which are part of our A-Brand series, as well as specialty components designed and manufactured to order-made specifications. This has contributed to OSG having the highest share of the global market for such products (based on OSG research).

#### Drills

Drills are tools used for cutting holes. In recent years, there has been a greater need for high-precision and high-efficiency machining of difficult-to-cut workpieces, among other pieces as well. Just as with our taps, we have earned high praise from customers by developing and marketing high-value added, distinctive-shaped new products tailored to meet our customers' needs.

#### End mills

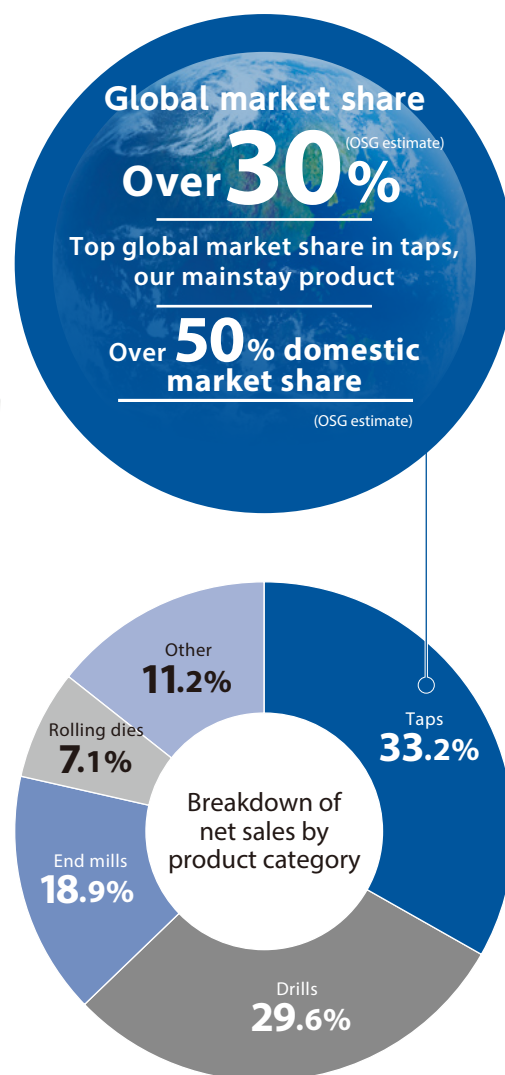
End mills cut away metal to create shapes. There is a greater need for carbide end mills with superior machining precision and durability to meet the requirements of today, such as the reduced size and weight of machined products. We are devoting effort to developing a wide variety of coatings to handle difficult-to-cut workpieces as we build out a suite of high-value added products.

#### Rolling dies

Rolling dies are used to cut the male thread on a bolt (bolt threads). The thread is transferred to the target material by pressing the rolling die against it. Our high-precision and long-life dies, which are produced by applying the grinding technology and surface treatment technology developed in tap manufacturing, have been deployed worldwide to our customers' needs.

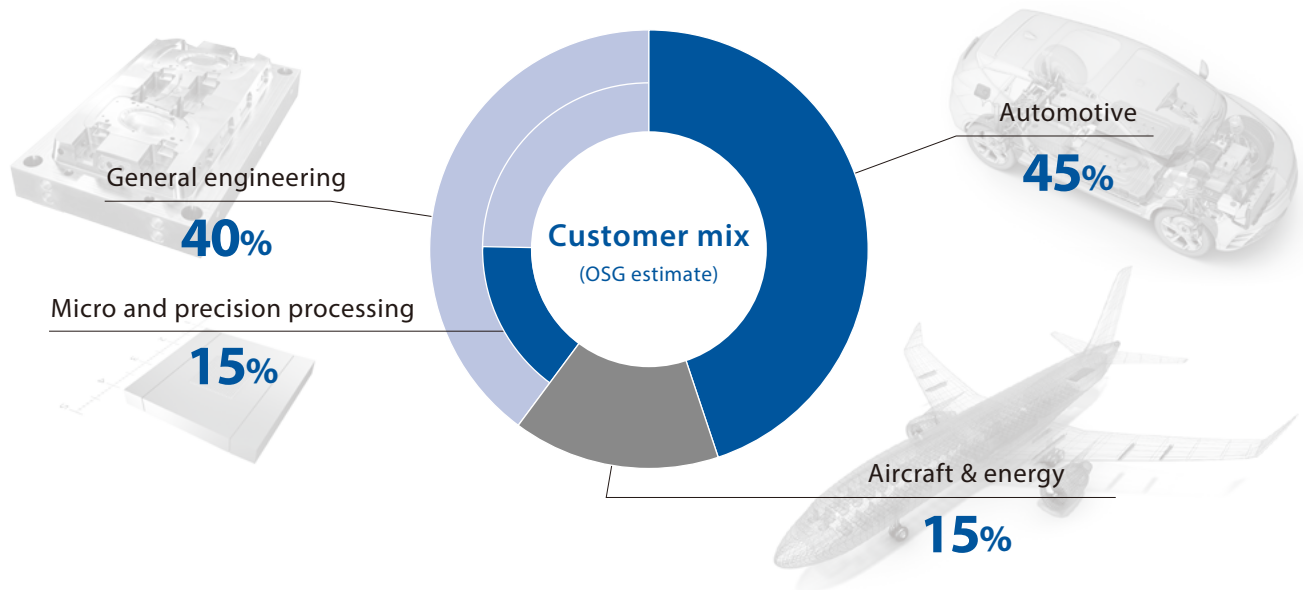
#### Gauges

Gauges are used to verify the precision of threads, holes, and other work. The precision of taps and dies needs to be accurate to a few microns, but gauges must keep any error to within one micron. OSG makes use of our proprietary grinding technology developed over many years to deliver high-precision and high-quality gauges and related services that only a manufacturer with comprehensive knowledge about threads can produce.



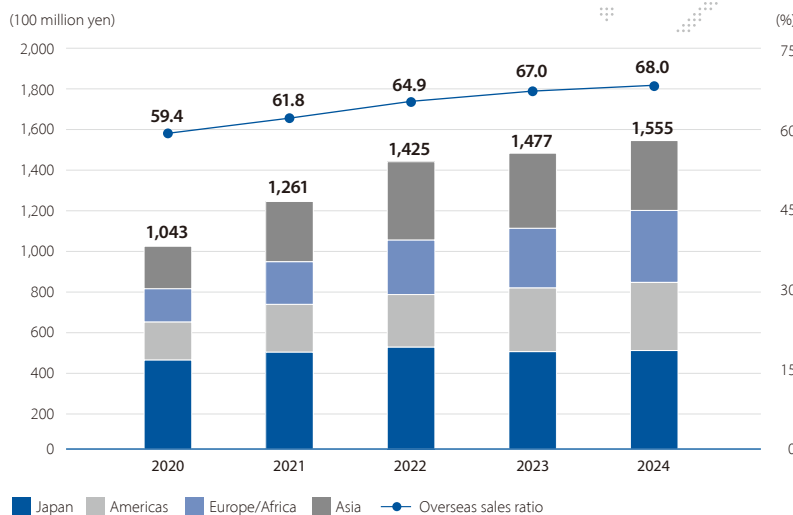
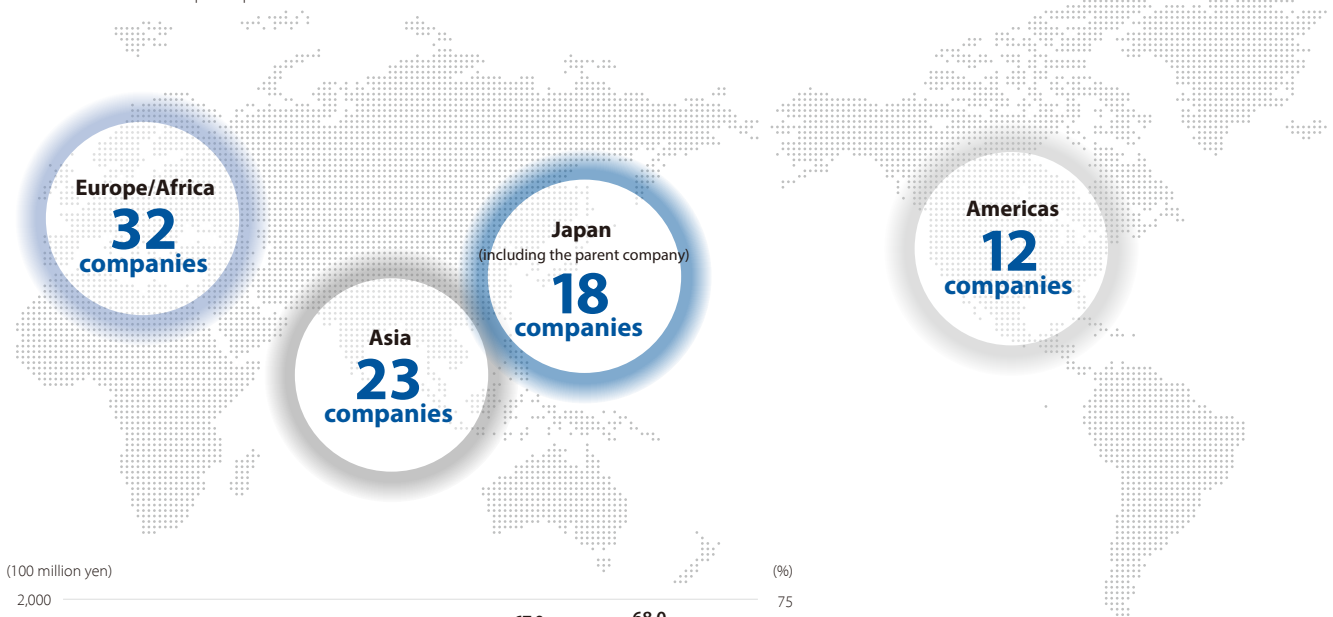
## Product Overview & Net Sales by Product Category

➤ P.37 Business Overview



## Global Expansion

No. of consolidated Group companies



Overseas sales ratio

# 68.0%

(Results for the fiscal year ended November 2024)



## Message from the President



*shaping*

**OSG will continue  
through the pract  
while continuousl**

**Nobuaki Osawa**

President & COO

### **OSG leverages high-level, comprehensive strength to deliver products and services to customers addressing social issues.**

The fiscal year ended November 2024 was a tremendously challenging business environment for the OSG Group. Production was affected by factors such as the revelation of certification fraud by domestic manufacturers in the automobile industry and a lull in the global trend toward EVs. The economic conditions in Greater China have been sluggish since 2023 and are just now beginning to show signs of recovery. Due to a slower-than-expected recovery in market conditions, OSG's sales for the fiscal year ended November 2024 were up from the previous year, but the increase was not enough to absorb the increase in labor, energy, and material costs due to global inflation, resulting in a decrease in profit. We will take concrete measures to overcome the challenges and have entered the fiscal year ending November 2025 with renewed determination as we approach Stage 2 ("Beyond the Limit 2027") of our Medium-Term Management Plan.

As a comprehensive cutting tool manufacturer, the OSG Group supports the foundations of the world's manufacturing industries in a diverse range of areas. As technology progresses and evolves every day, cutting tools—which are indispensable—must do the same. In such times, we want to continue to be a manufacturer that is always essential to our customers by swiftly identifying their

Value Creation Process

➤ P.13

*g your dreams*

to be an essential player in the carbon-neutral era  
ice of “visualization,” “communication,” and “listening”  
y taking on new challenges.

changing needs and quickly providing customers with products and services. In this era of social changes that are upending the status quo, we believe that our goal should be to propose products and services that further exceed our customers' expectations. At manufacturing production sites, automation is advancing due to the decline in the size of the workforce, and it is also necessary to respond to environmental considerations, such as carbon neutrality. Through our cutting tool products, the OSG Group aims to contribute to solving these social issues. High-quality and highly durable cutting tools help improve customer productivity and reduce tool costs and set-up times. Furthermore, by reducing processing time, our tools reduce power consumption and contribute to carbon neutrality. Concern for the environment is nothing novel or new for the OSG Group. In 1996, former chairman Teruhide Osawa announced our “eco-friendly company” proclamation, which became a pillar of Group management. Although the concept of carbon neutrality has become common in today's society, the OSG Group has been conducting business with a high level of environmental awareness since the days when such a term did not exist, and we have continued in this direction without wavering. As indicated by our corporate philosophy of “Global Presence,” the OSG Group has expanded into 33 countries around the world, supporting global manufacturing by gaining the top market share and position, so that now nearly 70% of our sales are generated in overseas markets. This is due to our ability to fully understand the different needs and challenges in each region, and to propose products and services that provide solutions. Our strength lies



Corporate Philosophy

P.01

## Message from the President

in our ability to provide a high level of quality, performance, and on-time delivery in a comprehensive manner. We have also earned the trust of our customers by being sincere with them and continuing to take their questions seriously. I believe that these strengths, which we have demonstrated both in Japan and overseas, have been passed down from generation to generation since our founding, and have led to our current position as a comprehensive cutting tool manufacturer that stands at the top of the industry globally.

### With “tool communication” as one of our strengths, we aim to be a company that is continually selected by customers.

The OSG Group has a long-term vision to be “an essential player contributing to the global manufacturing industry in the carbon neutral era” and we are executing our Medium-Term Management Plan “Beyond the Limit” in order to achieve this vision by 2030. We have received some praise that we are already playing a role as an essential player, but with social structures and values changing so dramatically, there is no guarantee that the status quo will continue, and it is difficult to accurately assess how manufacturing will change in the future. That is why we have formulated a long-term vision, believing that it is necessary to clearly detail what we want to be and to aim for it unwaveringly. The manufacturing industry will undergo unimaginable changes in the future, with generative AI and robotics driving the introduction of more and more processes that do not require human labor. With that being said, while the nature of machining will change, machining itself will not disappear. In order for the OSG Group to continue to be chosen by customers in the future, we will not only provide tools but will also continue to refine the necessary solutions that allow our customers to meet the demands of the changing times. This is not a new idea for us. The OSG Group has been using a “tool communication” approach with its customers since the 1990s. This approach is about communicating with customers through cutting tools, which means not simply providing products, but understanding customer needs and issues and providing solutions accordingly. It is an approach that requires: innovation, customer services, total solutions, and out-of-the-box thinking. Innovation entails creating high-quality, high-performance products; customer services involve responding to customer needs with sincerity and perseverance; while total solutions and out-of-the-box thinking require us to exceed expectations. By updating our four strengths to match changes in society, and by enhancing our solution capabilities, we hope to continue to be an essential player in these ever-changing times.

### We promote the careful examination and deep understanding (what we call “visualization”) of human resources and provide a place where employees from young to old can work with vigor and enthusiasm.

Needless to say, it is human resources that bring growth to a company, but when we look at the social changes brought about by digitization and generative AI, it is extremely important to know the extent to which we can attract human resources that can keep pace with—and outpace—the progress of the world. In this challenging environment where the population continues to decline and the workforce is decreasing, how will we develop human resource strategies to continue to post better performance as a company? When OSG’s human resources are graphed according to age groups, the number of workers in their 30s and below is thinning, leaving us with a heightened sense of crisis. In 10 to 20 years, OSG will have to achieve growth with fewer employees than today, and the era in which young people—Generation Z—will be at the center of society is already at hand. We do not have time to despair or bemoan the fact that we do not understand their values. It is important to create a

OSG's Strengths  
Innovation, Customer Services, Total Solutions,  
Out-of-the-Box Thinking ➤ P.15

Human Resource Strategies ➤ P.29



system and environment that allows people of different generations with different values to find work at OSG engaging and to become human resources who can play a leading role in the Company, while we also increase the number of employees who can work with a sense of fulfillment. We intend to establish a program to systematically train the people who will become the core of the OSG Group in the near future, and to carry out the appropriate placement of personnel based on an image of where they can be active in their respective fields.

In December 2023, OSG created an organization called the Resource Management Center and reorganized our divisions with the aim of effectively utilizing management resources. In order to promote the utilization of human resources, which we feel is the most challenging issue, we need to start building a "human resources data platform" to visualize the skills and abilities of employees, train next-generation leaders who are not bound by conventional frameworks, and develop human resources with a mindset that can boldly take on challenges. By visualizing and reskilling human resources, we will provide a wide range of workplaces where employees, from young to old, can work with vigor and enthusiasm. The organizational culture that forms the foundation of a company has a significant impact on the ability of its employees to fully demonstrate their talents and play an active role. The title of our Medium-Term Management Plan is "Beyond the Limit," which expresses our desire to challenge ourselves to break out of our shells, without setting limits for ourselves, and without being bound by conventional wisdom. Inside OSG, we appeal to our employees to break out of routines and challenge themselves to create something new. What is needed to realize this is careful examination ("visualization") and to practice "communication" and "listening" to each other, regardless of hierarchical relationships. In particular, "listening" ability is required of those at the top, alongside the nurturing of a communicative culture under leaders who can listen. I always express these three points verbally, but I also try to use very specific Chinese characters to accurately convey my intentions when I put them in writing. Going forward, we will assign the right personnel to the right positions as we pursue the completion of our Medium-Term Management Plan, with all OSG employees leveraging their abilities and practicing "visualization," "communication," and "listening."

**Under Stage 2 of the Medium-Term Management Plan, we will strengthen our management base by focusing on profitability, growth, and capital efficiency.**

In the final year of Stage 1 of the Medium-Term Management Plan (hereafter referred to as the "previous MTP"), although revenues increased, there were still issues on the profit front as OSG moved on to Stage 2 of the Medium-Term Management Plan (hereafter referred to as the "current MTP"). In the previous MTP, the overseas sales percentage was 68% and growing steadily, and net sales reached a record high, reflecting the impact of currency exchange rates. By region, sales were well-balanced among Japan, the Americas, Europe/Africa, and Asia, and one of OSG's strengths lay in its lack of concentration in any single region. However, we were unable to absorb the increase in global costs and fell short of the profitability and business efficiency improvement targets we had aimed for in the previous MTP. With regard to the operating income margin, we are aware that the stock market has questioned our growth potential in terms of profitability due to the downward trend that has continued since the Covid-19 outbreak, and we are approaching Stage 2 of the current MTP with a sense of urgency.

We will steadily review unprofitable products and divisions and optimize operations

**Striving to Achieve an Organization that Attracts Human Resources with Abundant Experience**

**Human Resource Cycle** Strive to deploy resources horizontally and improve team strength without inter-organizational barriers



Roundtable Discussion with OSG

Employees

➤ P.33

Reviewing

"Beyond the Limited Stage 1" of the Medium-Term Management Plan

➤ P.21

with business efficiency in mind, while at the same time focusing on development and sales with the belief that further growth of A-brand products will contribute to profits. The A-Brand was introduced in 2015 as a product brand that added more advanced performance to our standard products. We have also expanded the lineup of A-brand products into taps, drills, end mills, and other products. In the previous MTP, sales expanded faster than expected, even in the face of unfavorable business conditions, and this led to an upward revision of our target for the ratio of A-brand products within sales of standard products. In the current MTP, we intend to aggressively launch new products and upgrade existing ones so that their performance will not become obsolete, thereby increasing the current A-brand sales percentage of 31% to 40% by FY2027.

The OSG Group is also proceeding to restructure our portfolio so it is by our customers’ industries. In particular, we expect future growth in the area of tools for micro and precision processing, and we intend to further develop sales channels in the semiconductor, 5G, robotics/automation, and medical industries, thereby making these tools a major force that will boost profits. In December of 2023, we refreshed OSG’s sales system for the first time in approximately 60 years. The objective was to make the organization function with greater speed through vertical and horizontal coordination within sales departments, as we move forward with new business development in new industries. With a refreshed sales framework that is substantially different from the past, we expect our members to act and challenge themselves with renewed awareness. In the current MTP, we aim to raise our global market share of taps, our mainstay business, from slightly over 30% to 40%, and to develop sales channels and increase the sales ratio of micro and precision processing products. We are also making upfront investments to fully leverage the OSG Group’s strength in supply capabilities. However, market conditions have not recovered enough to take full advantage of our extensive facilities. In the tap and micro and precision processing fields, the mainstream market segment is sufficiently large. In the micro and precision processing field, it seems likely that many product parts will be created in the future, and smaller and lighter products will be made from a wide variety of materials. Going forward, we will leverage the OSG Group’s supply capabilities to target areas with mainstream market segments.

In the current MTP, which continues our efforts to improve profitability, we have added new management indices of: operating income margin of over 16% and ROE of over 10%. This is a statement of our determination to recover the level of profitability prior to the Covid-19 outbreak, when our operating income margin was approximately 17-18%. In addition, OSG’s P/B ratio has declined from year to year and is currently below 1x. It is necessary to use capital efficiently, and invest it, to generate profits. I would like to steadily implement our financial and capital policies, including the management indices set forth in the current MTP, and produce the necessary corporate-level figures to meet the expectations of our shareholders and market participants.

To do so, all employees of the OSG Group must come together to work on the current MTP. If managers try to tackle this task alone, it will not lead to favorable results. Since nearly 70% of the OSG Group’s sales are generated overseas, it is vital that all members of our local worksites understand the current MTP and put it into practice in their daily work. Since I brief the executives of each region face-to-face during our regular meetings and ask them to prepare budgets in line with the plan, I have not experienced any problems with the dissemination of the current MTP. However, I feel that some ingenuity is needed to ensure that the plan permeates at the level of Group employees, and to make it a personal matter for each individual. In this sense, it may be effective to introduce a concept such as ROIC management, in which goals are

Medium-Term Management Plan

Stage 1

Stage 2

Stage 3

# Beyond the Limit 2025-2027

ROE

over 10%

Operating income margin

over 16%

- Grow sales of high-value added products, focusing on our A-Brand products
- Grow sales of tools for micro and precision processing
- Improve cost of sales through productivity and operational efficiency
- Reassess product series and prices
- Implement balance sheet management measures

Medium-Term Management Plan

Beyond the Limit 2027

(Stage 2) ➡ P.23

Financial Strategies ➡ P.27

shared and each person understands what he or she should do, then acts accordingly.

**We will steadily take the OSG Group's core DNA, apply it to management, and transform ourselves to create the future.**

The "Global Presence" corporate philosophy of the OSG Group expresses our determination—from the time that we began our global expansion in the U.S. in 1968—to become a company that supports the manufacturing industry around the world. After Japan's economic bubble collapsed in the 1990s, OSG's former president, Teruhide Osawa, touted the slogan of "Economic Global Presence" (in reference to finding a means of surviving overseas, in the same way that people historically had gone out into the world to find work elsewhere). With this philosophy, OSG strengthened overseas expansion and crystallized the DNA of the Group at that time. Former Chairman Osawa had a favorite theory: Japan could not continue to grow if it relied on its domestic business in the face of the post-bubble economic slump and declining population. Therefore, we decided to focus on markets where population growth was expected, such as China, India, and certain Asian countries, to aggressively develop our business. Former Chairman Osawa expressed in OSG's corporate philosophy the concept that the Earth is our field of business, and described the Company not as a global company but as a company that must have "Economic Global Presence." He made the case to employees that "human resources who can fence and parry are the ones who will be able to play an active role in OSG." This meant: to go to unfamiliar places to observe and listen, and make business decisions locally with a measure of speed. What Teruhide Osawa asked of employees was this ability to take on challenges and compete. In my opinion, he thought that the future of OSG would be built on employees' willingness and enthusiasm for working earnestly with others. The ability to take on challenges and make decisions quickly is now part of the DNA that supports the OSG Group.

Currently, we are moving "Beyond the Limit" to achieve our long-term vision, and the present hurdles that need to be cleared are evident. However, even if there are no mistakes in the direction of our measures, if results are not visible, the stock market, shareholders, and other stakeholders will not evaluate us well. I am once again reminded that my role is to steadily apply to management the OSG Group's DNA, which has been woven by successive generations of management and employees, and to demonstrate it in the form of numerical values.

The sentiment that I lend to "Beyond the Limit" is the desire to challenge ourselves to break out of our shells, without setting limits for ourselves, and without being bound by conventional wisdom. With this as our driving force, I encourage all executives and employees to move forward by rethinking what has been the "norm" up to now. I would like to ask all of our stakeholders for your on-going support of the OSG Group as we continue to challenge ourselves.





# Value Creation Process

## Business Environment

Risks & opportunities

> P.39

### Market

#### Risks

- Supply chain consolidation and a shift of power to developing countries
- Difficulty hiring personnel due to a shrinking workforce, etc.

### Society

### Environment

### Governance

#### Opportunities

- Increasing demand for small-diameter tools due to greater needs for micro and precision processing
- Synergies with M&A subsidiaries, etc.

## INPUTS



> P.15

### Manufacturing capital



> P.16

### Intellectual capital



> P.27

### Financial capital



> P.29

### Human capital



> P.41

### Natural capital



> P.65

### Social capital

## Materiality (Key Issues)

> P.39



Contributing to the manufacturing industry through our business



Developing an environment where employees are respected and able to flourish



Contributing to a sustainable global environment



Maintaining and strengthening our governance structure to achieve sustainable growth

### Medium-Term Management Plan

### Stage 1

### Stage 2

### Stage 3

## Beyond the Limit 2025-2027

### ROE

over 10%

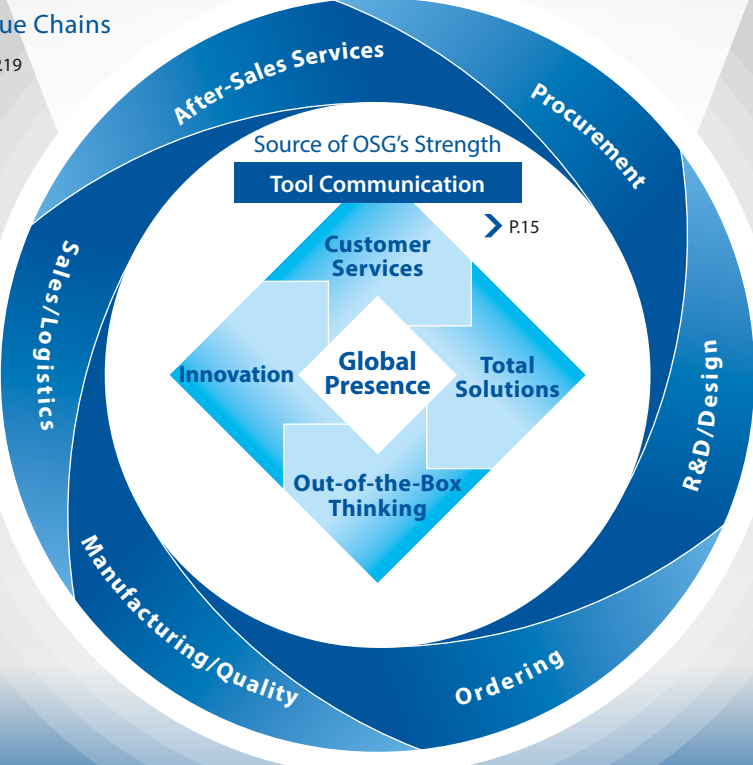
### Operating income margin

over 16%

- Grow sales of high-value added products, focusing on our A-Brand products
- Grow sales for tools for micro and precision processing
- Improve cost of sales through productivity and operational efficiency
- Reassess product series and prices
- Implement balance sheet management measures

## Value Chains

> P.19



## Foundation Supporting Value Creation

Environment/Social/Corporate governance

## OUTPUTS

### Micro and precision processing industries

> P.37

### Aircraft industries

> P.37

### Energy & heavy electric industries

> P.38

### Automotive industries

> P.38

## Economic value

(FY2024 results)

• Net sales	155,500
	(millions of yen)
• Operating income	18,800
	(millions of yen)
• Operating income margin	12.1%

## Social value

(FY2024 results)

• Percentage of female managers	6.1%
• Percentage of male employees taking childcare leave	36.4%

## Environmental value

• Energy usage (vs. FY2023)	3.1% reduction
• CO <sub>2</sub> emissions (vs. FY2019)	21% reduction

## OUTCOMES

### Long-Term Vision

To be an essential player contributing  
the global manufacturing industry

2030

Share of global tap market

40%

Customer portfolio

Micro and precision machining

30% or more

Be a company contributing  
to carbon neutrality

## OSG's Strengths

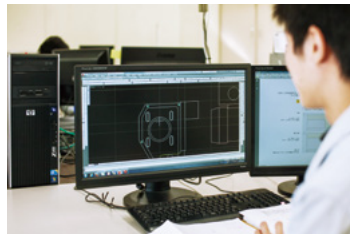


Through relentless research and development and technological innovation, OSG supplies a diverse array of highly competitive products to the world. In order to earn trust from customers, we are pursuing a shift to 'smart factories' that leverage digital technology as we carry out real-time production management and quality assurance. By pursuing uniform global quality control through our unique global quality certification system, we are able to consistently supply high-quality and high-performance products worldwide. Furthermore, in anticipation of future labor shortages, we are progressively updating production facilities to the latest automated systems, while also pursuing a method called compounding. Through this, we are striving toward automation, labor-saving initiatives, and improved productivity. We will constantly respond to market changes, pursue the dual objectives of greater product performance and stable product supply, and continue to meet the diverse needs of customers.

### In-House Production Facilities Supporting Mass Production of Taps and a High Market Share

OSG's ability to capture a high share of the tap market rests on having built up in-house production facilities as part of a system that enables mass production. Since we established our Machine & Tool Division in 1961, we have coordinated with the Manufacturing Divisions of plants and developed optimized in-house production facilities. Maintaining high quality and productivity through these facilities has allowed OSG to mass produce taps and earn a high level of market share.

Changes in the external business environment in recent years include different customer product needs as our business portfolio evolves, in addition to a shift to high-mix low-volume production. As times change, OSG has responded with more in-house production facilities that enable us to quickly take manufacturing floor requests and integrate them into actual production facilities. The technical know-how accumulated from bringing more production facilities in house has become a wellspring for maintaining and expanding OSG's cost competitiveness. Moreover, as we are cognizant of anticipated future labor shortages, it is vital to strengthen initiatives for automating and streamlining production. To that end, we continue to develop in-house production facilities that leverage software to reduce the number of required man-hours by streamlining and aggregating production steps. As we do so, we are also developing software that increases the efficiency of production systems overall, including ancillary tasks such as measuring and conveying.



Working on in-house production facilities in the Design Division



In-house production facilities at the Yana Factory

## VOICE



**Kentaro Norimatsu**

Manager,  
Production Engineering Division  
Yana Factory

### Improving Innovation through Synergies with Group Companies

Since BASS GmbH became part of the OSG Group, I have gained a lot in terms of knowledge and insight by exchanging information, visiting business sites, and collaborating. Since BASS is a long-standing European tap manufacturer with much history, there are chances to gain new technological and conceptual ideas not only from things in common with OSG, but also from the differences in production scale, target customers, business style, and the like. Site visits to BASS have allowed us to confirm in person the strategies they have put into practice and to bring those practices back to OSG's production systems.

BASS has honed production technology that leverages know-how and experience gained from competing in the formidable European market for high-performance tool manufacturing. By pairing this with OSG's production technology, I think that we can boost the level of both, while reaping synergies that increase product value going forward. Furthermore, by utilizing the local network that BASS has built up, we aim for comprehensive collaboration, a larger market share, and ever greater results for both OSG and BASS in Europe.

As we move forward, I hope that both companies will continue exchanging personnel and information and I feel that we will need to further deepen and strengthen relationships through first-hand experience. Progressing into the

future, we will remain cognizant of the technology required by OSG and BASS as we continue adopting and developing machining technology optimized for the Group overall, and as we establish technology that leverages the strengths of both companies.



OSG BASS Holding GmbH (now BASS GmbH) is a long-standing German tap manufacturer acquired by OSG in December 2019





As a comprehensive cutting-tool manufacturer, the OSG Group has diversified our product series while offering standard products, which include our flagship A-Brand, and specialty products customized to clients' needs. We also have in place a supply structure that strengthens our capability to receive orders for each product series. Our global online ordering system streamlines order and quotation handling, as well as shipping operations, and centrally manages inventory data on approximately 100,000 standard products worldwide. This enables us to optimize the amount of inventory at each of our domestic and overseas locations, while also diversifying risk, and responding quickly to shipments. We also offer global after-sales services for reconditioning and recoating as a high-grade value-added service, thereby contributing to our customers' productivity improvement.

## Improving On-time Delivery through the Introduction of E-Paper

### Challenges with the Pre-existing Deadline Management System

Delivery deadlines in the production process were previously managed on paper, and, in response to sudden delivery date change requests from sales representatives, we were utilizing a whiteboard while rearranging progress slips like a physical puzzle. In addition, since production site leaders were managing delivery dates on paper, this system made it difficult for other team members to grasp accurate delivery date information in the absence of the leader.

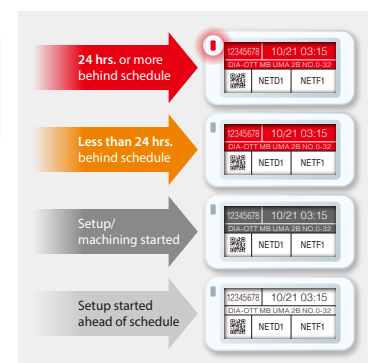


### What is E-paper?

In order to address these delivery deadline management issues, we started using something called 'e-paper' at our NEO Shinshiro Factory. E-paper is the name of the electronic shelf labels used to show prices at, for example, electronics retail stores.

A key feature of e-paper is that by installing a dedicated antenna in the factory, e-paper can be linked to the core system via our worksite network, enabling instantaneous changes to the content of each display.

OSG's proprietary e-paper shows the in-house production due date, product name, current process symbol, subsequent process symbol, and QR code for traceability, and also allows the user to quickly identify items with a delivery delay by lighting the upper left corner or by the color of the e-paper.



### Advantages of E-paper

#### ① Updates information in real-time

E-paper information is updated in real time every 10 minutes. Delivery dates can be reconfigured and displayed on the core system to reflect problems or changes in delivery dates, and the current production progress as well as production priorities can be seen at a glance. The advantage of this is that, even in the absence of the worksite leader, facility technicians can determine the production priorities of each product.

#### ② Enhances work efficiency

The use of e-paper improves work efficiency by allowing delivery time indications to be quickly updated in batches. Compared to the prior approach of using handwritten or printed notes, this method saves a great deal of time and effort.

#### ③ Prevents human error

The introduction of e-paper helps OSG prevent human errors such as miscommunications and mislabeling caused by manual work.

### Improving our On-time Delivery Rate and Taking Steps for the Future

After adopting this new approach at our NEO Shinshiro Factory in 2023, we completed the roll out of e-paper in April 2024 to all products manufactured at this site. The result has been a marked improvement in the on-time delivery rate with a system that has maintained more than 90% on-time delivery as of the end of fiscal 2024.

We are also promoting e-paper initiatives at other factories as well. We launched e-paper in February 2024 at our Oike Factory and are currently preparing to launch it at our Yana Factory.

Including the introduction of e-paper, we have been promoting the visualization of information through the construction of core systems, the operation of status monitors, and other efforts. As the next step, we will continue to actively pursue digital transformation initiatives, such as how to use visualized data for automation. Going forward, in order to provide products and services that earn the trust and complete satisfaction of our customers, we will continue to establish an efficient and flexible production system with the aim of meeting delivery deadlines and further improving quality.

OSG's Strengths



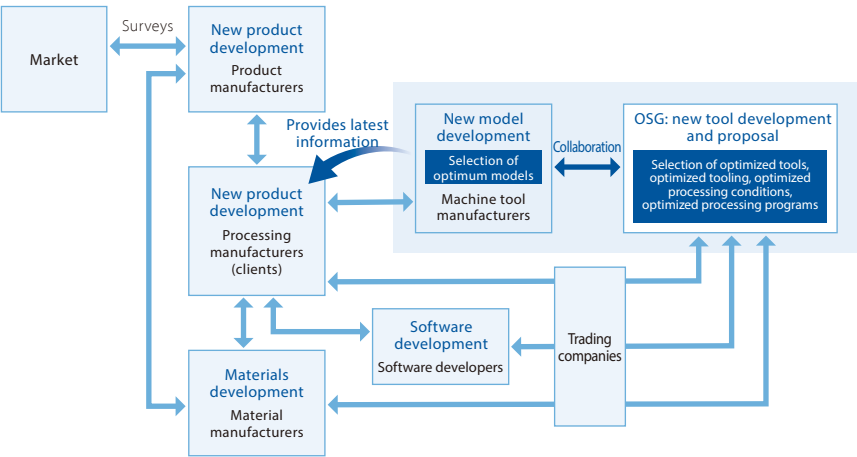
Through face-to-face sales follow-ups and a comprehensive cutting test system, we accurately identify customer issues and propose optimal machining conditions and specifications. We leverage our abundant experience and knowledge as a comprehensive cutting tool manufacturer to make recommendations to customers and contribute to their productivity improvements and cost reductions. Furthermore, we are promoting sales and marketing activities that leverage digital technology as we respond quickly to changes in the external environment, thereby actively pursuing future growth areas and new fields. We place the highest value on communication with customers and devote continual effort toward recommending products and services that will bring complete satisfaction.

Taking on the Challenge of New Markets in Collaboration with Machine Tool Manufacturers

The Application Sales Division is comprised of two groups: the Application Sales Group, which primarily collaborates with machine tool manufacturers, and the GIGS\* Sales Group, which pioneers new markets. The Application Sales Group has been presenting machine tool manufacturers with innovative tools and machining technology, as well as proposals for bringing out the maximum potential of machine tools. As a result of these efforts, OSG is now being approached by users in the early stages of considering the introduction of machinery and facilities, and the number of such inquiries is increasing year by year. Furthermore, when OSG's proposals are accepted, it leads to repeat purchases of tools in the future. In addition, since we have employees with overseas work experience, this enables us to quickly respond with tool layouts tailored to on-site parameters around the world. Meanwhile, the GIGS Sales Group possesses experienced sales and technical staff throughout Japan, providing quick and accurate processing solutions, even to untapped industries. In particular, there has been an increase in projects in the fields of micro and precision processing and hard-and-brittle material machining, and we are able to respond to specialized machining needs.

\*GIGS: OSG's abbreviation for "Growth Industry for Global Share up."

Conceptual image



Each product manufacturer carries out market surveys and develops new products. The processing of the product is outsourced to a processing manufacturer, who consults with material manufacturers and machine tool manufacturers to develop processing methods for the new product. OSG maintains close ties with processing manufacturers, material manufacturers, and software manufacturers, and has built up a wealth of processing technology know-how through these connections. In addition, by collaborating with various machine tool manufacturers, we are expertly able to propose the most suitable machine models, tools, tooling, processing conditions, and processing programs. Through the Application Sales Division, we leverage this technological expertise to maximum effect.

VOICE



Hisayoshi Muramatsu  
General Manager,  
Application Sales Division

Charting a New Era for Machining Technology through Collaboration in New Markets

The machining technology expertise possessed by the Application Sales Group is extremely effective not only with processing layouts when introducing new machine tools, but also when performing new work with existing machine tools. In response to the shortage of technical personnel in recent years, we are supporting the processing layout of new work for our manufacturing customers both domestically and internationally, and are increasing the number of contact points for handling such work year by year. Moreover, the sales and technical expertise of the GIGS Sales Group is effective for untapped industries and new materials. Switching from grinding to cutting can also dramatically reduce processing time. For untapped industries, we will promote new collaboration that transcends industry boundaries as we accelerate and expand our circle of proposals.



OSG has brought together our engineers who develop and design tools, develop coatings, and conduct other research and development at one location, the OSG Academy, and we have built a unique R&D framework that integrates the three elements of materials, tool shapes, and coatings. We have also set up a cutting laboratory at the Academy. This is where our engineers design more than 1,000 new specialty products each month (custom-made for specific customers). Design engineers visit customers to check on tool performance after these customized tools have been put to use, and they also evaluate these specialty products together with our customers at the cutting laboratory. Additionally, we have established Global Technology Centers for cutting testing in seven countries so that we may engage in product development that meets the needs of each region. This experience with cutting testing and with designing and developing specialty products has enabled OSG to uncover potential needs and has driven the release of our new A-Brand products, as well as other standard products.

## Realizing Rapid Development through an Integrated Development System

One of OSG's greatest strengths in development and design lies in our practice of personally experiencing what is actually happening on the front lines by having engineers visit customers directly to carefully understand their needs face to face. Based on this practice, we have established an integrated development system by consolidating, in a single location, the functions of the Global Technology Centers, which are in charge of new product development and evaluation, the D-Lab, which is in charge of development prototypes, and the Design Center, which promotes design and research.

This has significantly shortened lead times from product development to market launch, enabling us to respond quickly and flexibly to the diverse needs of our customers. In addition, the expertise accumulated through this system delivers high quality, high efficiency, and high added value, and has contributed to solving challenges for customers. As a result of these efforts, we have created new and differentiated products and unique specialty products tailored to our customers' applications. These products have become indispensable to our customers' manufacturing in both domestic and overseas markets.



### VOICE



**Norihiro Masuda**

Executive Officer  
General Manager of Design Center;  
in charge of RD Center.

### Strengthening Development Capabilities for Further Value Creation

As market needs change from moment to moment, it is becoming increasingly important to strengthen market-based development. At OSG, engineers actively visit markets in Japan and overseas to understand real needs and to develop products that increasingly meet customers' expectations.

We also dedicate effort to developing "self-selling products." We aim to create products that quickly solve customers' problems, support operational efficiency, and further enhance trust in and satisfaction with OSG.

As part of such efforts to strengthen our development capabilities, we are actively challenging ourselves to conduct joint research with industry and academia. For example, in joint research with Toyohashi University of Technology, we are working on the development of next-generation coating technology required for high-precision cutting tools, while also promoting the creation of innovative products.

Furthermore, in terms of quality, we intend to "go back to basics" and work globally to improve the customer experience, such as online wear surveys and machining technology proposals. By responding promptly to customer requests, we will continue to provide differentiated and unique products and services that cannot be found anywhere else.

## OSG's Strengths

### Value Chains

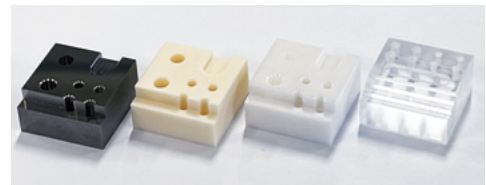


# Innovation + Out-of-the-Box Thinking

## 6C x OSG A New Standard for Engineering Hard and Brittle Materials

### Properties and Potential of Hard and Brittle Materials

Hard and brittle materials include cemented carbide, ceramics, quartz glass, and other materials with excellent wear and heat resistance. In recent years, hard and brittle materials have found applications in a wide range of industries (automotive, medical, aerospace, etc.), and there is a growing need for them, especially in the areas of dies and semiconductors, to improve the precision and durability of components.



From left: cemented carbide, alumina, zirconia, quartz glass

### The Challenges of Engineering Hard and Brittle Materials

As the name implies, hard and brittle materials are characterized by their high hardness, which makes them brittle upon impact, and susceptible to sudden breakage. Common machining methods are grinding and electrical discharge machining, but these methods require long machining times and make it difficult to boost productivity.

### Establishing the 6C x OSG Brand

To address the aforementioned challenges, OSG partnered in 2022 with 6C Tools AG, a cutting tool manufacturer based in Zurich, Switzerland. The partnership provides new, high-efficiency machining solutions for hard and brittle materials through the 6C x OSG brand of cutting tools for these same materials. 6C Tools AG, which manufactures cutting tools using solid polycrystalline diamond (PCD) as a base material, is a startup company, founded in 2015, that supplies products to precision processing manufacturers in Switzerland and abroad.



6C x OSG

### New Solutions with Solid Polycrystalline Diamond (PCD) Tools

With its line of PCD tools, the 6C x OSG brand proposes a new concept for solving the challenges of machining shapes out of hard, brittle materials. PCD tools enable direct machining that is highly efficient and precise, while addressing the pre-existing challenges of shortening machining time and reducing costs. The 6C x OSG brand also strengthens our product lineup and technological capabilities by leveraging a global network and creating synergies. Going forward, we will further focus on the hard and brittle material machining field, as it will lend strength to the micro and precision processing field, which is a key strategy in our Medium-Term Management Plan.



PCD-MRM end mill, optimized for machining hard and brittle materials





## Total Solutions + Customer Services

### MONOLithbox Digital Transformation (DX) of Tool Management to Solve Logistics Issues

#### DX Solutions for the Manufacturing Industry to Meet the Challenges of Logistics and Labor Shortages

We launched MONOLithbox to help address the logistics and labor shortage challenges facing the manufacturing industry. Moving away from the conventional ordering method using telephones and faxes, and instead simply scanning barcodes, is a labor-saving way to digitalize inventory management and order placement, and contribute to improved productivity. Digitalization and streamlining of manufacturing work sites will enable OSG to maintain a stable production system even as the workforce continues to decline.

#### モノリスボックス MONOLithbox



#### Simple Functions Delivering Ease of Use and Low Cost

By limiting MONOLithbox to simple functions, we have achieved both ease of use, which allows anyone to operate it intuitively, and reduced cost of adoption. This allows for flexible implementation, such as introduction at multiple business sites and centralized inventory management by the head office.

##### Features of MONOLithbox



##### Feature #1

##### Digital management reduces risk of inventory being out of stock

Automatic e-mail delivery when tools are removed, plus automatic reporting



##### Feature #2

##### Easy operation, similar to self-checkout

Simple operation that can be used by anyone, no matter who the operator is



##### Feature #3

##### Tool management even late at night or on holidays

Easy to operate, just scan the barcode



##### Feature #4

##### Real-time confirmation of vending machine items: current items and sold items

Easy management of remote locations, plus easy information sharing with other departments

Tool management can be digitized simply by scanning the barcode on the tool when removing it from the MONOLithbox. Its functions include automatically sending an e-mail when inventory levels fall below a standard level, as well as an automatic reporting function, enabling more efficient and stable inventory management.

In addition to tool management, MONOLithbox can also be operated as a tool vending machine to manage consignment inventory. If tools are not removed from the box, customers are not invoiced for them, and can just buy the exact number of tools they want, when they want them.

# Medium-Term Management Plan

## Medium-Term Management Plan

# Beyond the Limit

In December 2021, the OSG Group launched our Medium-Term Management Plan "Beyond the Limit," which concludes in the fiscal year ending November 30, 2030. We have announced our long-term vision to be "an essential player contributing to the global manufacturing industry as we move toward an era of carbon neutrality" and we are working on this vision in three stages (Stage 1–Stage 3), each lasting three years.

2022

## Stage 1 Beyond the Limit

Medium-term management targets (FY2024)

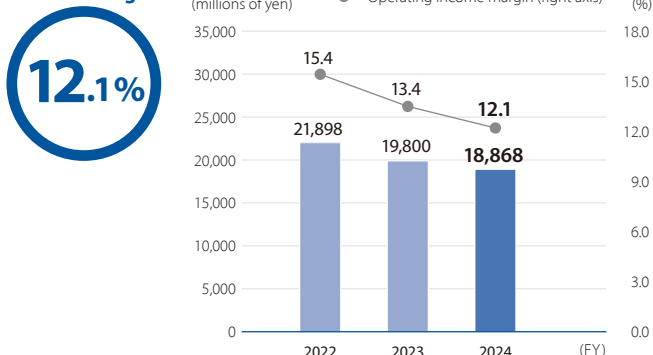
ROA (operating income basis) **15%**

Operating income **¥30 billion**

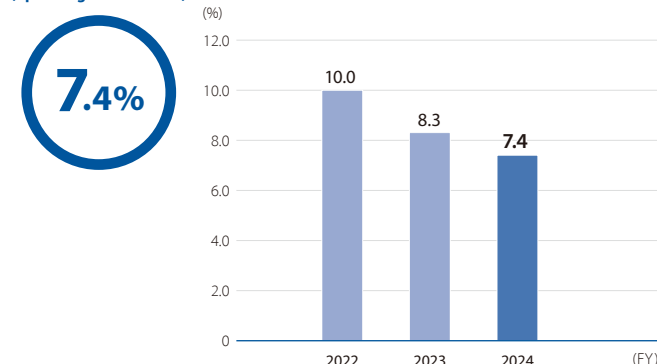
### Reviewing "Beyond the Limited Stage 1" of the Medium-Term Management Plan

Stage 1, which started in December 2021 and concluded in the fiscal year ended November 2024, included management targets of ¥30 billion in operating income and 15% ROA. Although the first year, FY2022, started off with strong performance, the economy in Greater China lagged from FY2023 onward, and FY2024 was affected by production cuts due to the certification fraud issue in the Japanese automotive industry. In addition, we did not meet the management targets for Stage 1 due to a combination of increased costs for labor, energy, and materials caused by global inflation.

#### Operating income margin

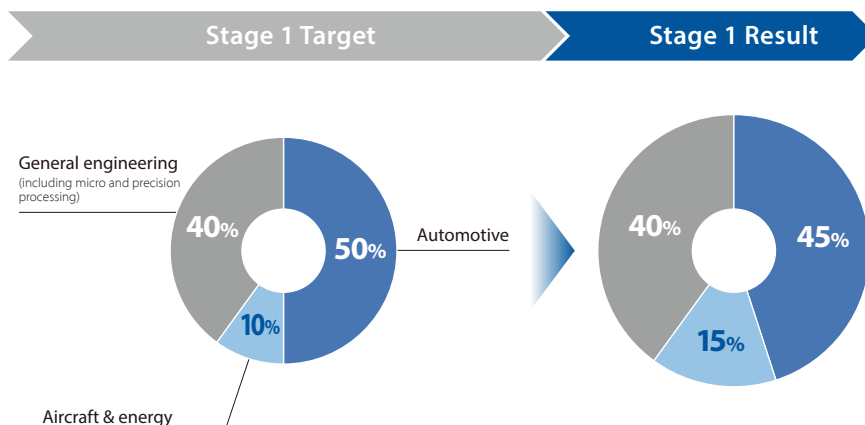


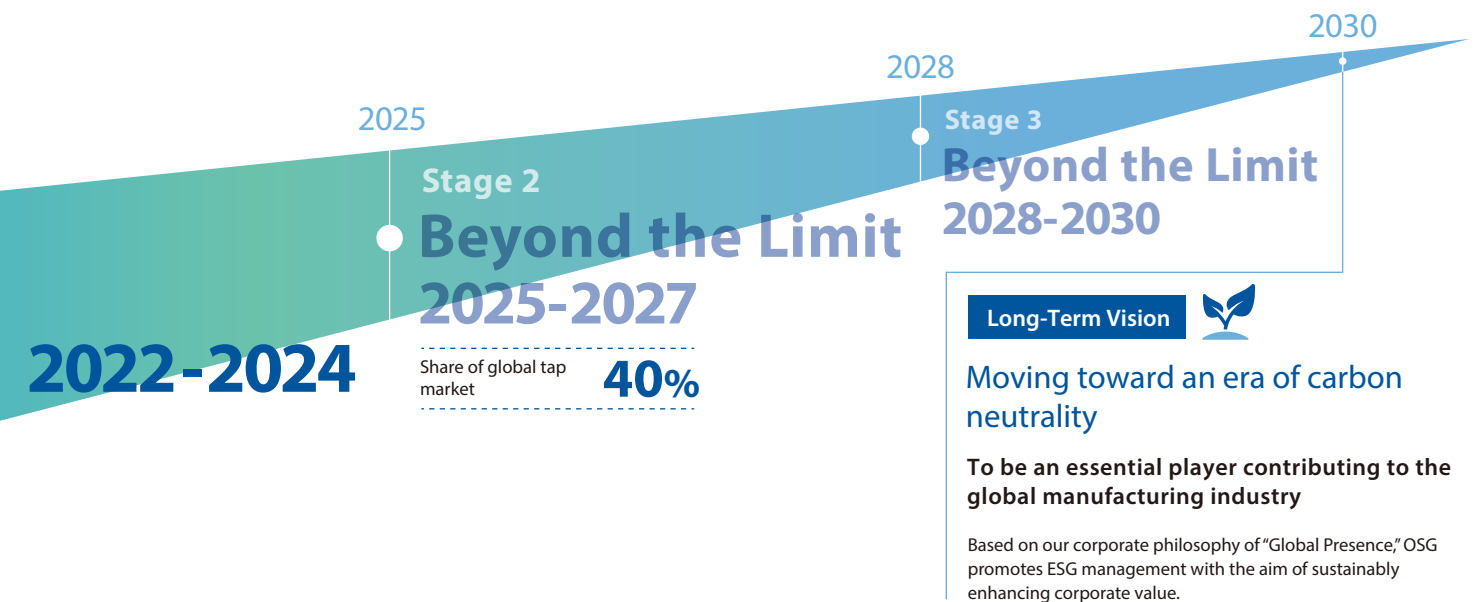
#### ROA (operating income basis)



### Portfolio by Customers' Industries

With regard to restructuring our portfolio so it is by our customers' industries, the percentage of sales to the aircraft and energy industries increased on the back of the end of the Covid-19 pandemic. As a result, 45% of sales were to the automotive industry, 15% to the aircraft and energy industries, and 40% to the general engineering industry (including sales for micro and precision processing).





In order to improve profitability and business efficiency, we have implemented three key measures. We will continue the activities we have been engaged in since Stage 1, and will tie this to results in Stage 2.

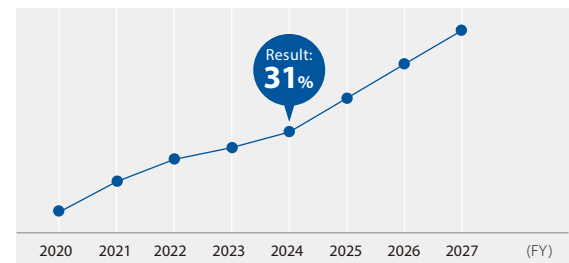
### Boosting the A-Brand Sales Percentage

Through promotion and distribution strategies, we implemented initiatives to increase the share of high-value added A-brand products within sales of our standard products. As a result, 31% of our sales were of A-brand products, meeting our initial FY2024 target of 30%.

#### Stage 2 Measures

In order to further increase our market share in countries and regions where we have already gained a high market share, we will not only expand sales of existing products, but also aggressively introduce new products with high added value.

Sales percentage of A-Brand within standard products



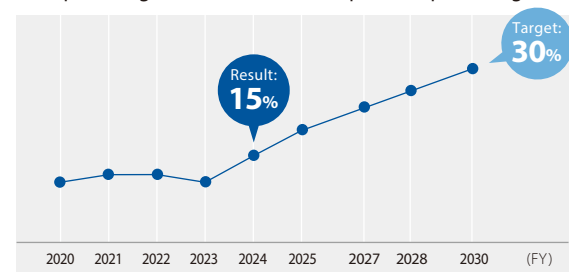
### Boosting the Sales Percentage of Tools for Micro and Precision Processing

The renewal of our sales system and the development of customers in growth industries led to a steady increase in our number of projects and acquisition of orders. However, the percentage of micro and precision processing tools to sales in FY2024 did not reach our target of 20%, as sales of large-diameter tools sold to the automobile and aircraft industries recovered.

#### Stage 2 Measures

We aim to expand sales of micro and precision processing tools mainly through Contour Fine Tooling B.V., which joined the Group through M&A in 2024 and is a company that manufactures and sells diamond tools.

Sales percentage of tools for micro and precision processing



### Boosting the Sales Percentage of Coatings and Reconditioning

We have been working to meet our sales target of 10% for FY2024, but our result was 7%. Although we did not reach our sales target, we did see growth in the job coating business, which applies coatings for non-tool applications.

#### Stage 2 Measures

We will continue to unlock additional job coating business in each region.

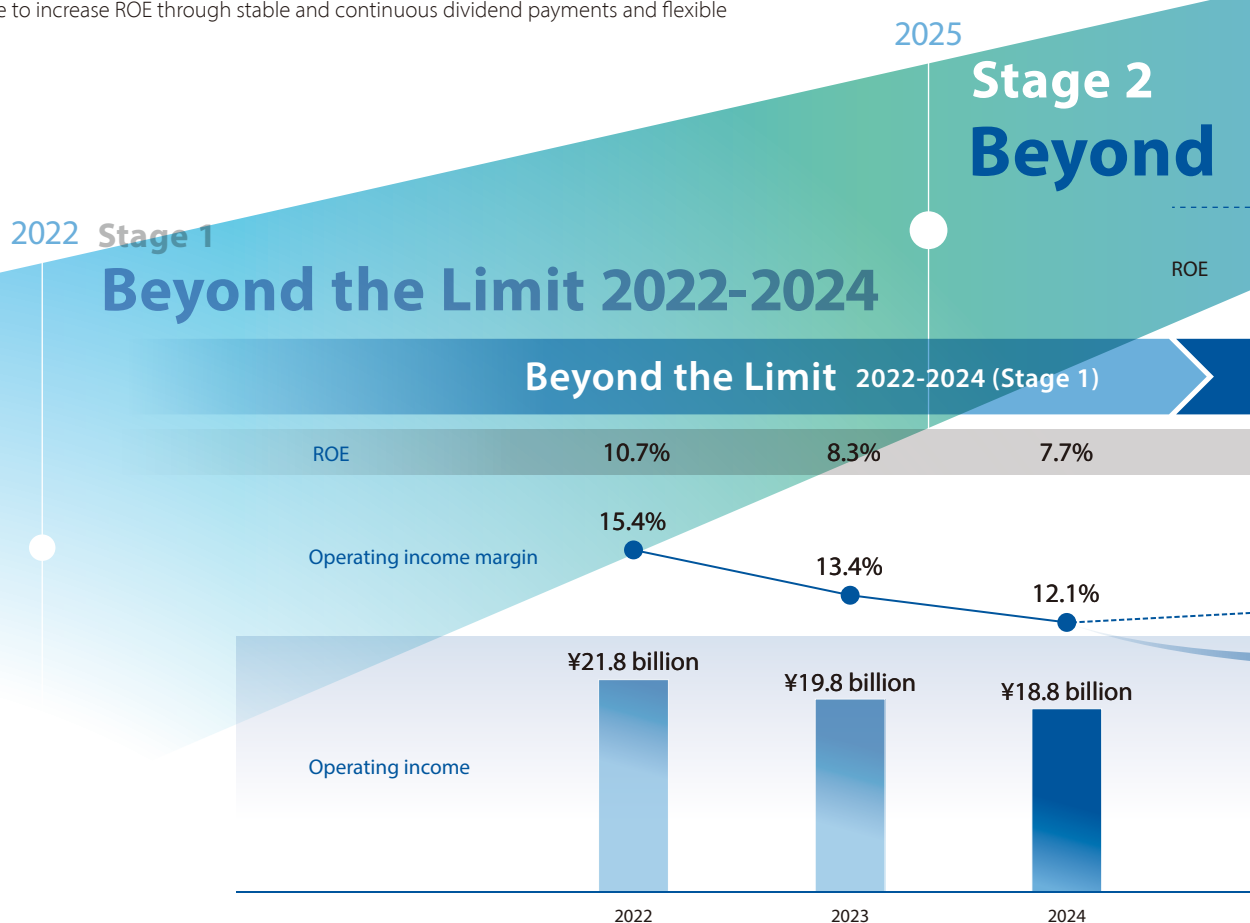
## Medium-Term Management Plan

### "Beyond the Limited Stage 2" of the Medium-Term Management Plan

Stage 2 of our Medium-Term Management Plan launched in December 2024 and extends through the end of November 2027.

In order to respond to the changing business environment, we are always challenging ourselves in new fields, without being bound by conventional wisdom. In "Beyond the Limit Stage 2," we will continue our efforts from the previous three years of Stage 1, including improving profitability and business efficiency and aiming for a 40% global market share of taps, while further focusing on developing growth industries for micro and precision processing.

In Stage 2, we will continue to work on improving profitability as we aim to achieve an operating income margin above 16% as our management target. In addition, in order to engage in management that is conscious of the cost of capital and our stock price, we have set a management target of ROE above 10%, which we want to exceed the cost of shareholder equity. While improving profitability, we will strive to increase ROE through stable and continuous dividend payments and flexible share buybacks.



#### Profitability Improvement Initiatives

In order to achieve ROE above 10% and operating income margin above 16%, we are pursuing the following initiatives.

1

#### Grow sales of high-value added products, focusing on our A-Brand products

We will strive to improve production efficiency and profitability by increasing the sales percentage of standard products, especially the high-value added A-Brand.

2

#### Grow sales for tools for micro and precision processing

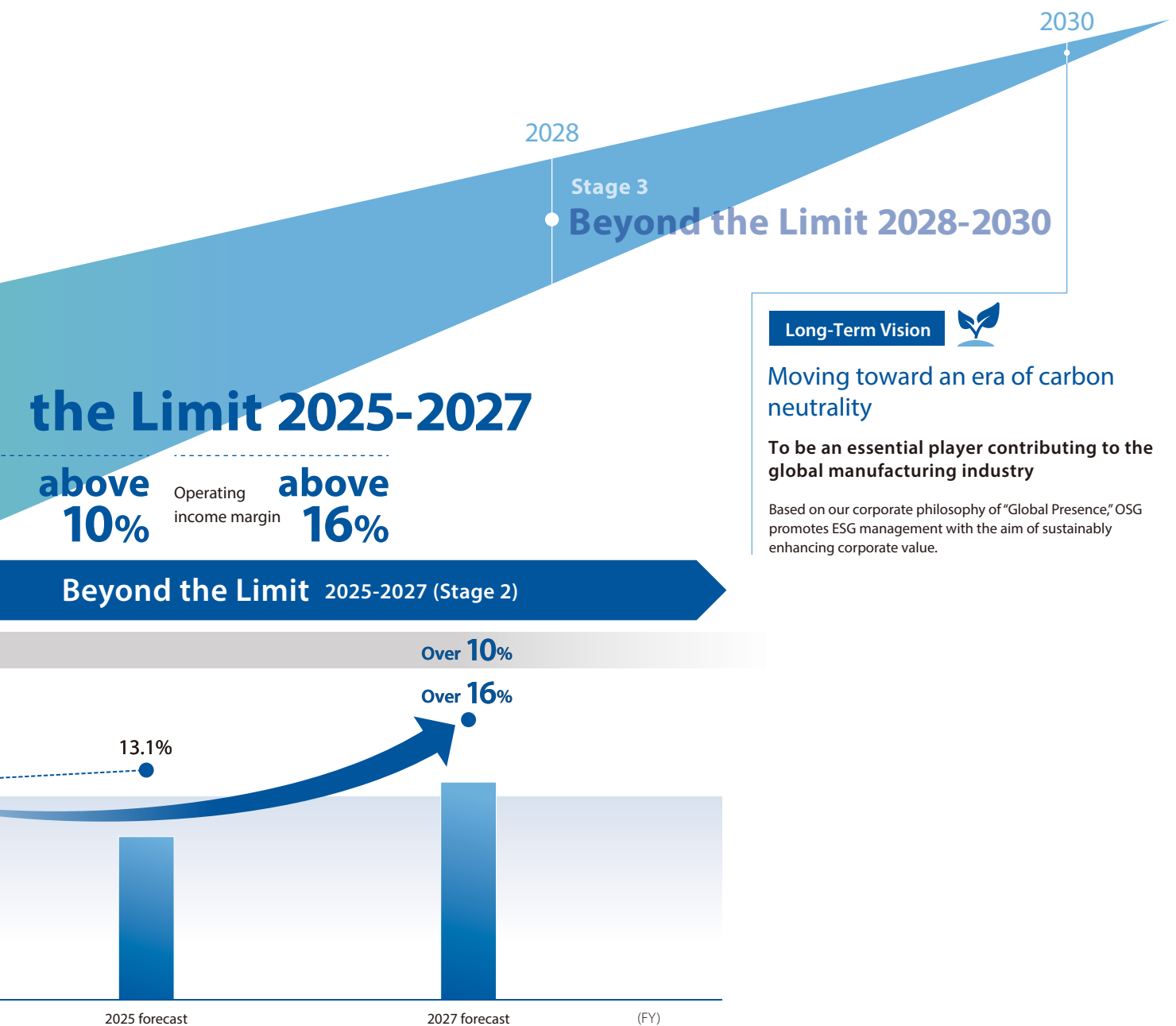
In addition to continuing to develop growth industries for micro and precision processing, which we have been working on since Stage 1, we will seek to expand sales of diamond tools and carbide products for the lens industry through the sales channels of Contour Fine Tooling B.V., a new member of the Group.

3

#### Improve cost productivity efficiency

To prepare for future labor improve productivity and compounding and work-production system, in processes.





## of sales through and operational

shortages, we will  
cost of sales by pursuing  
force streamlining in our  
addition to consolidating

4

### Reassess product series and prices

By promoting consolidation and streamlining of our standard product series, we will improve productivity and optimize inventory. In addition, we will work to improve profitability by thoroughly managing the profitability of each product.

5

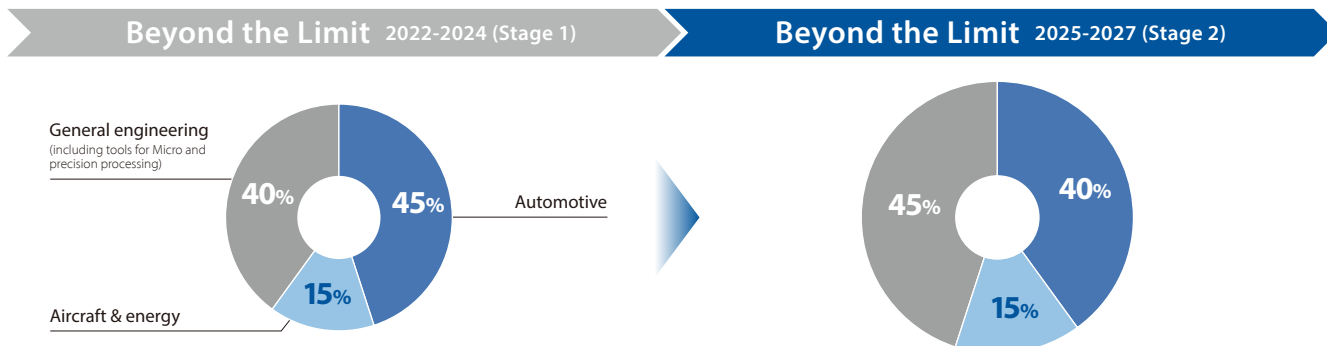
### Implement balance sheet management measures

We will improve asset efficiency by reforming the balance sheet, including reviewing cash allocation within the Group and shortening the cash conversion cycle (the number of days between the posting of accounts payable and the collection of accounts receivable).

## Medium-Term Management Plan

### Portfolio by Customers' Industries

By expanding sales of A-Brand and standard products for micro and precision processing, we will increase the percentage of sales to the general engineering industry and work to restructure our portfolio so it is by our customers' industries in order to be more balanced and less susceptible to the business environment. In addition, since standard products are widely used in the general engineering industry, we will work to improve profitability and business efficiency by increasing the percentage of sales of standard products with high production efficiency.



### Business Growth Strategies

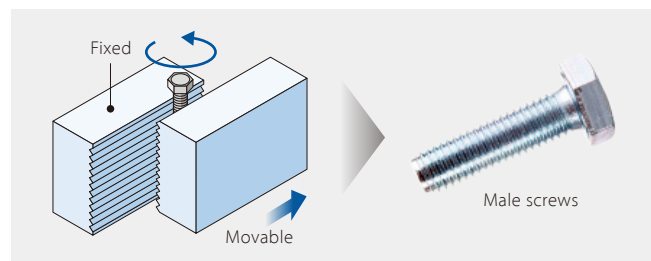
In Stage 2, we will delineate our core businesses that will drive growth and our focus businesses that will lead to future growth. As we do so, we will focus on increasing the market share of taps, our mainstay legacy product, and on global expansion of rolling dies—our second oldest product—while also expanding micro and precision processing tools and our coating business, which are business domains that will lead to future growth.



We aim to expand our market share through the integration of development, technology, production, and sales efforts, including quality improvements and the introduction of competitive new products. Furthermore, we will strive to grow our high-value added A-Brand and aim for a 40% global market share in taps.



Rolling dies are a new focus of our growth strategy from Stage 2 and have a long history, second only to our taps legacy product. Rolling dies, which produce high-quality male threads, are also used for spline machining of mechanical components. With further demand growth expected in the future, we are developing a global production system, including in Europe, and are also focusing on after-sales support, such as reconditioning.



## Micro and precision processing tools

In order to develop new markets, we will strive to strengthen the activities of the GIGS Sales Group (OSG's own abbreviation for "Growth Industry for Global Share up"), which is a cross-divisional sales organization with experienced sales and technical staff throughout Japan. We will also aim to expand sales by introducing new micro and precision processing tool products to the market. Furthermore, we will continue to develop new industries other than the existing ones, such as lenses, mainly through our Group companies that handle diamond tools.

## Contour Fine Tooling B.V.

In July 2024, our M&A activities brought Contour Fine Tooling B.V., headquartered in the Netherlands, into the OSG Group. Contour Fine Tooling is the world's leading toolmaker of monocrystalline diamond (MCD) tools for the lens industry, including eyeglass lenses, contact lenses, intraocular lenses, and optical lenses. As a result, the OSG Group has acquired sales channels in new fields, such as medical lenses, with which we had no previous contact. Since



Contour Fine Tooling's MCD tools are for finishing, we will expand sales of OSG's tools to Contour Fine Tooling's existing customers by offering them as a set with OSG's carbide tools for roughing. In addition, it is expected that technologies utilizing the distance-measuring properties of lenses will be further utilized and their applications will expand in the future, such as in-vehicle cameras, VR goggles, and drones. Together with Group companies OSG Diamond Tool Co., Ltd. (formerly Nissin Diamond Co., Ltd.) and Fiudi S.R.L. in Italy (acquired in 2019), these three companies will work together to expand sales of MCD tools and OSG's carbide tools.

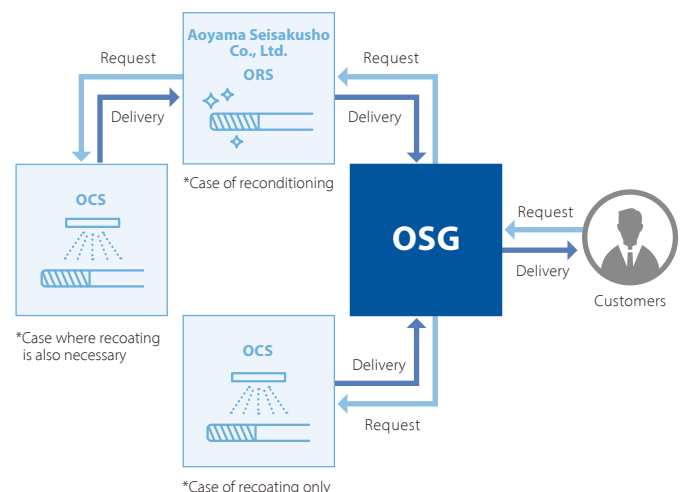
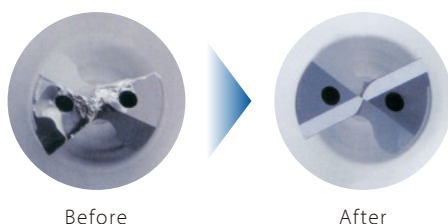
## Coating Business

The OSG Group has been developing coatings to improve tool performance, durability, and work efficiency. In recent years, as part of our efforts to unlock new markets, we have been engaged in the contract coating business ("job coating") for coatings other than our own products, and are expanding our services to customers in a variety of different industries, including dies, components for electronic devices, and medical equipment, all while we promote global expansion. We now have coating facilities in 16 countries around the world and are ready to provide local customers with high-technology coatings that achieve durability, heat resistance, abrasion resistance, and impact resistance.

### Reconditioning and Recoating Services

Taps, end mills, drills, and other cutting tools become worn and dull after repeated use. Reconditioning these tools restores their sharpness so they are as good as new. Tools may also be recoated if necessary.

OSG Group companies offer reconditioning and recoating services customized to meet our customers' needs.



# Financial Strategies

## Review of the Fiscal Year Ended November 2024

### Sales reached a record high, but profits declined, in part due to the impact of global inflation.

In the fiscal year ended November 2024—the final year of Stage 1 of our Medium-Term Management Plan—we renewed our sales framework for the first time in 60 years and promoted the development of growth industries, focusing on the micro and precision processing field, which was positioned as a priority. Despite the certification fraud issue by automakers in Japan, and the continued economic slowdown in Greater China, sales reached a record high as the yen depreciated against major currencies. At the same time, operating income and other income measures declined due to a heavy cost burden, including soaring raw material and labor costs caused by global inflation.

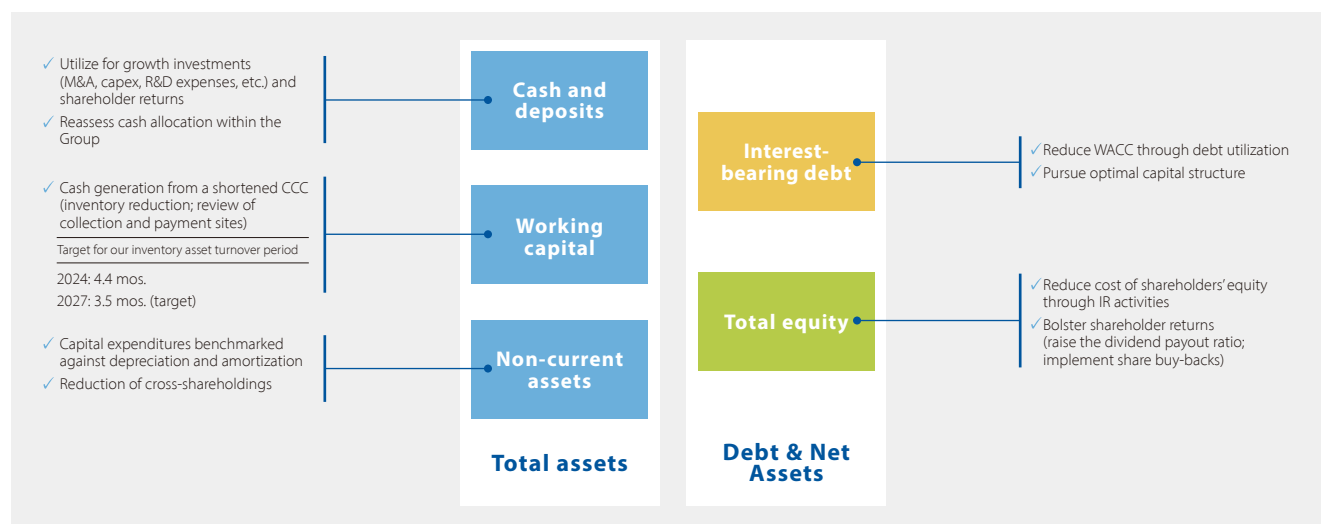
As a result of the above, net sales were ¥155.517 billion, operating income was ¥18.868 billion, ordinary income was ¥19.825 billion, and net income attributable to owners of the parent was ¥13.439 billion. On the financial side, the Company issued ¥22.0 billion in convertible bonds with stock acquisition rights and acquired 11,059,200 shares of treasury stock (total acquisition cost: ¥21.999 billion) using the funds acquired. As a result, the equity ratio at the end of the period was 64.8%, a decrease of 7.8% from the end of the previous period.

## Initiatives in “Beyond the Limit Stage 2” of the Medium-Term Management Plan

### Striving for ROE above 10% and improved capital efficiency.

Under our Medium-Term Management Plan’s “Beyond the Limit Stage 2,” which began in fiscal 2025, we will continue our efforts to improve profitability and business efficiency during the three years of Stage 1 (2022-2024), and we will also set a new management index of ROE exceeding 10%, as we work to reform our balance sheet in order to improve capital efficiency. We will streamline the balance sheet in several ways: by

reviewing cash allocation within the Group, shortening the cash conversion cycle (CCC) by reducing inventories, and reducing cross-shareholdings. In addition, we will allocate operating cash flow from business growth toward growth strategies for existing businesses and aggressive growth investments, including M&A, while we also strengthen shareholder returns.



### Reassess financial structure by strengthening strategic investments and shareholder returns.

Operating cash flow during the three years of Stage 2 (2025-2027) is expected to be ¥80–90 billion, and strategic investments, including new plant construction, capital expenditures, and M&A, are expected to be in the range of ¥60–70 billion. This includes investments of up to ¥30 billion in automation and labor-saving equipment. In terms of shareholder returns, we have returned ¥44 billion, including share buybacks, during the three years of Stage 1, and we expect to return up to

¥50 billion during Stage 2. In addition to stable dividends, we will also flexibly implement share buybacks as needed. Although the composition of our cash allocation may change depending on future operating cash flow performance and M&A, we will implement steps to control the increase in our equity ratio and improve capital efficiency, with the use of interest-bearing debt as an option.



## Cash Allocation

Units: billions of yen

## Stage 1 Results FY2022 – FY2024

Cash In  
103Cash Out  
103

Operating cash flow 72.0	Strategic investment 45.0 M&A 9.0
Bond issuance 27.0	Shareholder returns 44.0 (Dividend 17.0) (Share buybacks 27.0)
Sale of assets 4.0	Repayment of loans 14.0

Units: billions of yen

## Stage 2 Plans FY2025 – FY2027

Cash In  
130Cash Out  
130

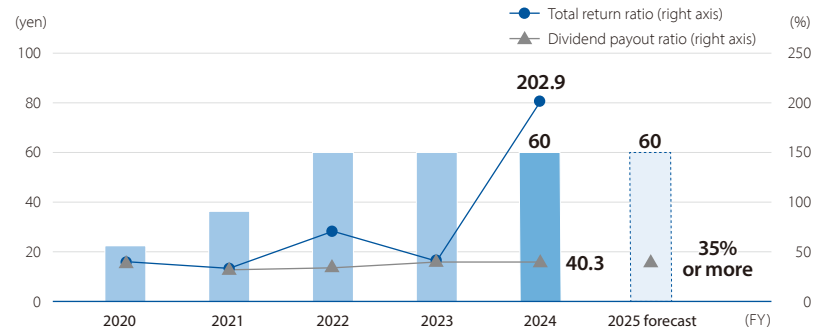
Operating cash flow 80.0–90.0	Strategic investment 60.0–70.0 (maintain, up to 30.0)
External procurement	Shareholder returns (Dividend & share buybacks: up to 50.0)
Sale of assets	Repayment of loans up to 10.0

- ✓ Construction of new carbide end mill factory
- ✓ Expansion and enhancement of production facilities for growth areas, such as micro and precision processing tools
- ✓ Strategic M&A
- ✓ Investment in automation and labor-saving equipment
- ✓ Promotion of digital transformation
- ✓ Stable and continuous dividends (Dividend payout ratio between 35–40%)
- ✓ Flexible share buybacks

## Maintaining a Stable Dividend.

With respect to the dividend payout ratio, we have increased our pledged dividend payout ratio from 30% to 35% starting in FY2022. Although profits decreased during the three years of Stage 1, we continued to pay a stable annual dividend of ¥60 per share. Going forward, we will continue to maintain a dividend payout ratio of 35–40% and will strive to improve total shareholder returns, including share buybacks.

## Dividend payout ratio &amp; total return ratio



## Green Bond Reporting

On August 10th 2023, the OSG Group became the world's first cutting tool manufacturer to issue green bonds. We will strive to maximize corporate value generated by linking our growth strategy and ESG initiatives toward realization of the OSG Group's Medium-Term Management Plan "Beyond the Limit 2027."

## Allocation Report (as of Nov. 30, 2024)

(Millions of yen)

Funding	Allocated funds	Unallocated balance
4,968	New : 23(100%) refinancing : 0(0%) total : 23	3,567

Category	GBP Category	Allocated amount	Unallocated amount	Scheduled completion of allocation
Energy-saving	Green Buildings	1,378	3,567	March 2028
	Energy efficiency in the product development process	10	0	
Eco-efficient Products	Eco-efficient products	13	0	
	Environmentally conscious production technologies			
	Process-certified highly eco-efficient products			
Total		1,401	3,567	

## Impact Report (as of Nov. 30, 2024)

## ① Energy-saving

- Renovation of Oike Factory (GBP category: Green Buildings)  
Construction commenced in August 2024 and completion is scheduled for June 2028.  
CASBEE grade: B+
- Cutting simulation using CAE analysis (GBP category: Energy efficiency in the product development process)  
CO<sub>2</sub> emissions reduction: 1,152 kg-CO<sub>2</sub>/cumulative performance

## ② Eco-efficient products

- Development of GREEN TAP, which in comparison to conventional forming taps saves 35% in CO<sub>2</sub> emissions during tool manufacturing.  
CO<sub>2</sub> emissions reduction: 2,638 kg-CO<sub>2</sub>/cumulative performance  
➤ P.44 GREEN TAP

# Human Resource Strategies

## OSG's Basic Philosophy for Human Resource Strategies

Based on our corporate philosophy of maintaining a "Global Presence," OSG pursues sustainable growth from a global perspective. In an environment of future uncertainty, human resources resilient to change and personnel who continue to take up challenges and grow are indispensable for the development of a company.

In our current Medium-Term Management Plan "Beyond the Limit," we believe that challenging ourselves to create value and not accepting the status quo will lead to corporate growth. We expect every employee to refuse to limit themselves and to continually develop and transform themselves through successive challenges. To this end, the OSG Group will work to strengthen human resource development, provide diverse career opportunities, and foster a corporate culture that encourages challenge.

We also promote the development of an environment in which a diverse range of human resources can play an active role, and have established a system conducive to maximizing the abilities of our employees. We will continue to build an organization that is resilient to change as we achieve sustainable growth by fostering human resources who embody our corporate philosophy.

Corporate Philosophy  
**"Global Presence"**

*shaping your dreams*

### An era of VUCA

An era of volatility

"Human resources  
resilient to change"

### A shrinking workforce

Corporate growth = employee growth

"Human resources who  
continue to take up  
challenges and grow"



## Medium-Term Management Plan **"Beyond the Limit"**

**Challenging ourselves without accepting the status quo** leads to corporate growth. Refusing to limit ourselves and taking on the challenge of continually developing and transforming ourselves.

**To be an essential player contributing  
to the global manufacturing industry**

## Human Resource Strategies & Material Issues

The ideal put forth in order to achieve our Medium-Term Management Plan "Beyond the Limit" describes human resources who are "resilient to change" and who "continue to take up challenges and grow," which entails employees who take action while thinking for themselves, who embrace change, who are flexible and able to change course as circumstances dictate, and who display the capability to solve problems while sensing environmental changes. In order to establish an environment conducive to the active participation of human resources, the OSG Group has identified the material issue of "developing an environment where employees are respected and able to flourish," and, to that end, the Group is pursuing long-term human capital strategies. Three priority themes make up this approach: first, "enhancing human resource capabilities and strategically assigning personnel;" second, "increasing employee engagement;" and third, "respecting diversity." With these priority themes, we are pursuing the creation of a stronger organization.

### Enhancing human resource capabilities and strategically assigning personnel

- 1 We will enhance our training programs and career support so that each employee can expand their potential and contribute to the Group's growth. In addition, we will assign the right personnel to the right positions and create an environment in which each individual can maximize their abilities.

### Increasing employee engagement

- 2 We will promote the reinforcement of internal communication so that employees can continue to take on challenges while feeling comfortable and fulfilled in their work. We will foster a corporate culture that supports diverse work styles and motivates desire for growth.

### Respecting diversity

- 3 As a global company, we create an environment in which human resources with diverse values and experiences can collaborate and spur innovation. We aim to create an organization in which everyone can play an active role, regardless of gender or nationality.

## Progress &amp; Transitions

	Pre-2017	2018	2019	2020	2021	2022	2023	2024	Future Initiatives
Increasing employee engagement		<ul style="list-style-type: none"> <li>Gold certification from the Aichi Symposium on the Reconciliation of Work and Medical Treatment</li> <li>Expanded eligibility for reduced working hours for childcare to "employees with children in the third year of junior high school or younger"</li> </ul>	<ul style="list-style-type: none"> <li>Introduced "flex-time" work hours</li> <li>Expanded the maximum cumulative total of reserve paid-leave days (from 30 days, to 40 days) in cases of personal injury or illness</li> <li>Eliminated the three-year period for reduced working hours for employees with nursing care needs</li> </ul>	<ul style="list-style-type: none"> <li>Introduced a "Comeback Entry Program"</li> <li>Safety and Health Management Proclamation</li> </ul>	<ul style="list-style-type: none"> <li>Introduced a work-from-home system</li> <li>Permitted paid leave in hourly increments</li> <li>Expanded the scope of memorial/celebratory leave</li> <li>On-going recognition as a 'White 500' Excellent Health Management Company</li> </ul>	<ul style="list-style-type: none"> <li>Certified as an Excellent Company of Safety and Health</li> </ul>			<ul style="list-style-type: none"> <li>Consider the introduction of a simple, fair, future-oriented personnel system</li> <li>Optimize employee assignment for career paths and maximum organizational capabilities</li> </ul>
Enhancing human resource capabilities and strategically assigning personnel	<ul style="list-style-type: none"> <li>2012- Revised the reemployment system; introduced a retirement age of 65</li> <li>2013- Eliminated performance evaluations as a hiring stipulation for older employees</li> </ul>	<ul style="list-style-type: none"> <li>Started using in-house technical skill tests</li> </ul>	<div> <p>In order to maintain high-quality products and to enhance our employees' tool knowledge, we operate an in-house certification system for various tool inspection operations (skills to measure the precision of products).</p> </div>						<ul style="list-style-type: none"> <li>Identify and foster human resource candidates for next-generation management</li> <li>Promote health management</li> </ul>
Respecting diversity			<ul style="list-style-type: none"> <li>Stipulated Harassment Prevention Regulations</li> </ul>		<ul style="list-style-type: none"> <li>Formulated a Human Rights Policy</li> <li>Established OSG Active Co., Ltd. as a special subsidiary</li> </ul>				<ul style="list-style-type: none"> <li>Implement human rights due diligence</li> </ul>

## Enhancing Human Resource Capabilities and Strategically Assigning Personnel

## Current Challenges &amp; Future Policies

Fostering next-generation leaders who can drive change is essential for OSG to achieve further growth. However, while new-employee and rank-specific training is currently provided, issues remain regarding training opportunities for selective training and senior-level positions. Furthermore, we are not able to fully visualize the characteristics, skills, and experience of our human resources, which leaves room for improvement in optimally placing employees. To address these issues, we have introduced a next-generation leader development program that goes beyond conventional frameworks and provides opportunities to foster management skills and a sense of management from an early stage. We will also redefine the skills required of senior executives and will strengthen the development of senior-level human resources with a mindset of continuous challenge. Furthermore, we will promote the visualization of human resources using data to realize optimal personnel allocation, thereby maximizing the abilities of each individual.

## Communication Skills Seminar

In line with a corporate culture that emphasizes communication, OSG revived and renewed this seminar, which had been on hiatus, to improve employees' speaking skills. This seminar was held for young leaders with the aim of developing human resources who can speak confidently both inside and outside the Company. In the seminar, participants not only learned how to construct a speech and how to use specific speaking techniques, but also had two days of repeated training in actual public speaking.

As a result, this year's participants visibly grew in their speaking skills and learned to speak in a way that was easy for others to understand. We hope that this seminar will lead to smooth daily communication within the Company.

Going forward, we plan to expand the scope of seminar participants to next-generation leader candidates as well. Through ongoing seminars, we aim to help employees improve their professional skills and create a better work environment.



The communication skills seminar in action

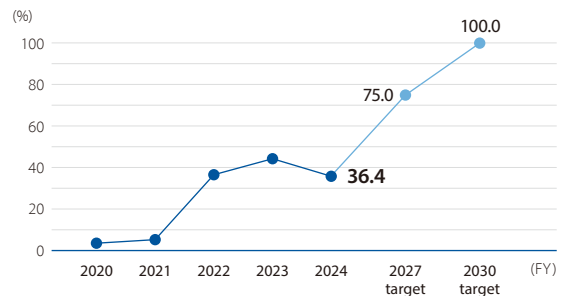
## Human Resource Strategies

### Enhancing Employee Engagement

#### Establishing an Environment Conducive to Comfortable Work

OSG regards the development of a safe and secure working environment for employees as a key initiative and is continuously working on this objective. In Stage 1 (2022-2024) of our Medium-Term Management Plan, we promoted measures to realize flexible work styles, including the introduction of an hourly increment paid leave system, and the expansion of the period during which memorial/celebratory leave can be taken. Additionally, we have continued to be recognized as a 'White 500' Excellent Health Management Company as we devote effort to strengthening safety and health management. Furthermore, we have been actively working to improve the rate of male employees taking paternity leave, which increased to 43% in 2023, but fell to 36% in 2024. We will identify the relevant issues and will continue to work to improve the utilization rate, aiming for 75% by 2027 and 100% by 2030. In addition, to address the social issue of balancing work with childcare and nursing care, we are promoting the establishment of a support system that goes beyond the revised legal standards. Through these efforts, we will strive to enhance employee engagement and achieve an environment conducive to employees feeling comfortable and fulfilled in their work.

Percentage of male employees taking childcare leave



## VOICE

### Comments from a Male Employee Who Took Childcare Leave



**Masatoshi Natsume**

Assistant Manager  
Manufacturing Division  
Toyohashi Factory

**Q.** Please tell us how you feel after utilizing OSG's childcare leave program, including future hurdles the program should tackle.

Most recently, I utilized approximately two-and-a-half months of childcare leave. Caring for a child is a 24-hour a day activity. Caring for my two children has been particularly hectic every day and it has truly been a handful. Once one child starts to cry, the other child joins in. I even wanted to join in myself at times. This was something my wife and I were able to tackle as a team. Taking part in childcare alongside my wife has, in my opinion, deepened our relationship. Also, I am very grateful to OSG for giving me the opportunity to spend priceless time with my children during moments that only come around once.

Since the work that I engage in requires specialized expertise, it takes time to train human resources. For this reason, we spend time every day training employees and covering for one another so that we can accomplish the same work tasks. Thanks to this, I have been able to take childcare leave without feeling anxious. At the same time, I think that there are also some work areas with many challenges for childcare leave, due to the category of work or the number of employees. If we are to promote the use of childcare leave in the future, I think it is necessary for supervisors to first learn about and understand childcare leave, or take it themselves, and then pass on information about it to their subordinates. In addition, some employees may have concerns about the impact of childcare leave on their performance evaluations, so I think it would be even easier for them to take childcare leave if information is provided to employees to fully dispel their concerns.

### Three consecutive years of recognition as a 'White 500' Excellent Health Management Company

For the third consecutive year, OSG Corporation has been recognized as a 'White 500' Excellent Health Management Company (Large Enterprise Category) 2025 under the Excellent Health Management Company Certification System jointly selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (Japan Health Council). Of the companies selected as Excellent Health Management Companies (Large Enterprise Category), the top 500 companies practicing particularly outstanding health management are recognized as the 'White 500'. As one part of our safety and health management, OSG supports the health management of employees by offering annual physicals, by providing condition-specific advice through occupational health physicians, as well as other measures. These initiatives have been recognized with the above certification for three consecutive years.



2025  
**健康経営優良法人**  
KENKO Investment for Health  
大規模法人部門  
**ホワイト500**



## Respecting Diversity

The OSG Group respects diversity and is committed to creating an environment in which all employees can thrive. As part of this effort, we are focusing on the active participation of women and persons with disabilities, while setting targets and implementing measures to achieve those targets.

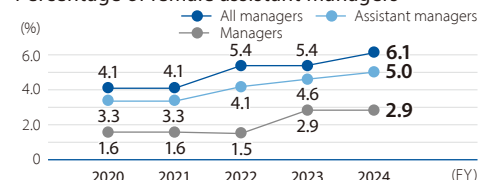
### Respecting Human Rights

Based on the OSG Human Rights Policy and Company Ethics Pledge, the Group is promoting respect for the human rights of employees. In FY2024, we expanded awareness of the OSG Company Ethics Pledge to Group companies and continued educational activities by establishing a consultation service and utilizing internal bulletins. In FY2025, we will conduct harassment training for all employees and plan to enhance training for managers to strengthen their ability to respond to harassment. Through these measures, we will promote the development of a workplace environment in which each and every employee can work with peace of mind as we create a fair and diverse organization.

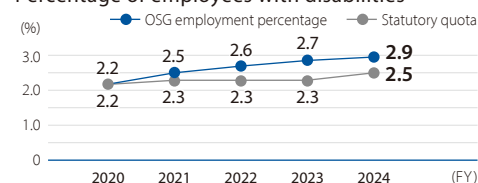
### Promoting Active Participation by Women and Persons with Disabilities

OSG has a target of 7% for FY2025 for the percentage of female managers (assistant managers). In FY2024, we were at 6.1% and we are making steady progress toward the target. Additionally, with regard to persons with disabilities, our level of 2.9% in FY2024 continues to exceed the statutory employment quota of 2.5% and, going forward, we will continue efforts toward stable employment and an improved workplace environment. In FY2025, by clarifying career paths and strengthening training programs for employees who are candidates for management positions, we will continue to create an environment in which women can play an active role as leaders, with the goal of achieving our target of 7% of executives being female. Similarly, we will also promote the creation of a workplace where diverse human resources can maximize their abilities by continuously employing persons with disabilities and enhancing the workplace environment.

Percentage of female assistant managers



Percentage of employees with disabilities



## VOICE



Ever since he toured the facility, Ryota Takemoto has been enamored with the Shinshiro Factory cafeteria and reportedly looks forward to eating there every day.

### Ryota Takemoto

OSG Active Co., Ltd.

up. Also, the shuttle service operated by OSG Active is very helpful. Previously, I commuted on the train, but now, the shuttle lets me use my time more productively and has given me more free time.

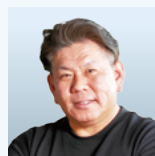
We took the opportunity to interview the Shinshiro Factory's Hideaki Suzuki, who works with Ryota Takemoto, an employee of OSG Active (a special OSG subsidiary).

**Q.** Please tell us about the work that you are in charge of currently.

Every day, I am responsible for reviewing production orders, determining delivery priorities, shipping out materials before they become products, and receiving finished products from other plants.

**Q.** How do you feel about the workplace environment and how comfortable it is?

OSG has a comfortable work environment and the company is supportive. Whenever there is an issue, I feel no aversion to speaking



### Hideaki Suzuki

Manager  
Production Management  
Division, Shinshiro Factory

**Q.** How is Mr. Takemoto at work?

He is extremely diligent toward his work and is a great example to others. He is thorough when it comes to communicating and is very fastidious about his job. On top of that, he is amazing at concentrating on repetitive tasks, so he rarely, if ever, makes mistakes. Mr. Takemoto is indispensable to this factory.

**Q.** What do you pay attention to in order to ensure that the workplace is a comfortable environment for Mr. Takemoto?

The most important things are very thorough safety management and communication. To prevent Mr. Takemoto from taking on too much work or responsibility beyond what is necessary, we check in and communicate daily to make sure nothing is unusual or troubling. As a workplace, we are always doing what is necessary to manage safety and improve the work environment, but we are also careful not to overly restrict certain things. We would like to develop an environment in which Mr. Takemoto can maximize his abilities and grow.

## Human Resource Strategies | Roundtable Discussion with OSG Employees



# The future of a new human resources strategy envisioned by OSG, supporting the challenges and growth of our employees.

The title "Beyond the Limit" of OSG's Medium-Term Management Plan expresses the Group's determination to transform our mindset and move beyond limits in order to become a Group that can respond to any changes in the carbon-neutral era. OSG will focus on fostering human resources and building a corporate culture that values the willingness to take on challenges. Under "Beyond the Limit Stage 2," we will promote human capital reforms and take a three-pillar approach to measures for the future.

We brought the heads of each division together for a frank exchange of opinions, from their respective standpoints, on OSG's human resource strategy for the future.

### Three priority themes for human capital development:

- Personnel, evaluation, and compensation systems: boost the motivation of employees and allow them to demonstrate their abilities
- Hiring and employee placement: strategically assign personnel
- Training programs: strengthen development of executives and leaders

Evaluation and compensation systems that support growth and taking on challenges, and a human resource system that maximizes the abilities of personnel.

### How do each of you view the current personnel and performance evaluation system?

**Agata:** Aiming to achieve the goals of the Medium-Term Management Plan, OSG has set forth the human resource ideals of "personnel resilient to change" and "personnel who continue to take on challenges and grow" as its core values. The current evaluation and compensation system has not changed in its basic structure for more than 20 years, and the emphasis is still on equitable evaluation. However, in light of the aforementioned ideals of human resources, the Human Resources & General Affairs Department would like to evaluate not only those who have achieved results by taking on challenges, but also those

who have failed in taking on challenges, so that we can encourage their willingness to take on challenges without fear of failure. First, we will review the current evaluation system and reform it so that challenges taken on and results achieved can be properly evaluated.

**Chikada:** In the Sales Division, results are easily expressed in figures, and I feel that more and more young people have a strong desire to receive appropriate recognition when they are able to produce results. The demand for fair evaluation of what they are doing is actually increasing.

**Masuda:** Although the number of development projects per person is one of the evaluation criteria in the Design and Development Division, it is sometimes difficult for employees to

maintain motivation because of the difficulty differentiating between individual evaluations. I think it is especially important to motivate younger employees, and I believe that OSG will be even better if we can provide not only evaluation and rewards, but also an environment that is easy to work in, rewarding to work at, and driven by the sense of accomplishment that comes from it.

**Iwashiro:** Given that the Machine Manufacturing Division, as an organization, is quite large, I feel that it is difficult to have to evaluate employees on a relative basis, and also that it is difficult to link the diverse individual job descriptions of operations, production management, and manufacturing technology to the evaluation system (OSG's evaluation items: Seven Human Resource Criteria). Furthermore, there may be different ways of conceptualizing and perceiving evaluation criteria, due to differences in the business processes of each of our multiple factories. I recognize this as an issue because I believe that employees' satisfaction with their evaluations affects their motivation.

**Seven Human  
Resource Criteria  
for OSG  
employees**

- Global outlook
- Conceptualization
- Leadership
- Innovation
- Spirit of challenge
- Communication
- Followership

**Watanabe:** In the Global Sales Division, which is responsible for supporting our Group companies, the fact that the performance of the country one is in charge of has improved does not necessarily mean that this is reflected in one's evaluation. Basically, we judge by the kind of support provided to one's Group company on a day-to-day basis.

**Kamino:** I was assigned to an overseas Group company in the past. Employees seconded from Japan are evaluated by the local subsidiary's leaders, and their compensation is determined by the head office in Japan based on that evaluation using uniform standards. On the other hand, each Group company has its own evaluation system regarding the evaluation of local employees hired in that country. When I was appointed as a leader in an overseas Group company, we also introduced and implemented Japanese sales evaluation criteria for sales staff in order to improve their awareness of achieving quotas.

**Masuda:** I worked for a Group company as well, which was in the U.S. Each employee there set KPIs once a quarter, and whether or not they achieved their goals affected their evaluations.

**Agata:** It is very valuable to have this chance to hear the opinions of each division about the evaluation and compensation system. I personally believe that the evaluation system should provide clear explanations and feedback on each employee's evaluation and ought to allow the Company to point out the path that each employee should pursue. Based on the current framework of the evaluation and compensation system, the Human Resources & General Affairs Department plans to review detailed evaluation criteria while respecting the evaluations of each division, in order to accurately reflect employee performance in these evaluations.

With regard to management evaluations, we will also maintain the framework in which the Personnel Committee carries out deliberation and decision-making.

**In order to increase employee motivation and enable them to demonstrate their abilities, OSG's policy is to actively promote young, capable employees to management positions, while also supporting a variety of work styles among our older employees. What do you each think about the evaluation system for younger employees and the roles of older employees?**

**Agata:** As for the Human Resources Division, we are looking for young employees with a positive attitude and a strong desire to take on challenges. I believe that a high level of motivation to take steps independently is important at work, and such employees will naturally be evaluated on their performance. Furthermore, I feel that such forward-looking human resources will have many opportunities for career advancement.

**Harada:** I have a clear definition of my criteria for leadership, and in fact, there are a certain number of younger employees who fit this definition, which has three aspects: to be able to identify issues on one's own, to formulate possible solutions, and to involve others in implementing them. However, even if there currently are young employees who meet that definition, there is no way to evaluate them as desired, due to the barriers of age and relative evaluations. If there were a personnel system that could evaluate such employees and give them feedback without being restricted by age or other factors, I believe it would better support our motivated young workers.

**Iwashiro:** At manufacturing work sites, while there is a need for human resources who are skilled in manufacturing and who acquire technical know-how and hone their technical skills, there is also a need for leaders who involve the entire organization and organize the work site. In terms of young employees, we are looking for people who possess the qualities to go overseas, who openly accept manufacturing concepts that are not bound by the framework of a single factory, and who proactively bring that back to their own workplaces.

**Chikada:** We live in a rapidly changing society, which means that, in our day-to-day sales activities, it is now difficult to utilize human resources if we only focus on gaining experience. As this society is becoming increasingly digitalized, younger employees are overwhelmingly more adept at dealing with the digital field than we are. I believe it is also necessary to keenly assess each individual's abilities and evaluate them correctly so that they can play an active role in positions of responsibility.

**Tsujimura:** At the RD Center, most leaders at the assistant manager level are in their early 30s. I feel that there are many talented young employees, regardless of their position. As a result, I have the impression that the transfer of technology and know-how has been smooth. Recently, however, I have seen some young employees leaving the Company, so I would like to see a system where OSG can provide a good road map for talented young employees who are active in the Company, as Mr. Harada mentioned earlier. I have heard that some excellent employees actually change jobs because of salary, so one



## Human Resource Strategies | Roundtable Discussion with OSG Employees



**Yukinori Chikada**

Senior Executive Officer  
General Manager of Domestic Sales



**Norihiro Masuda**

Executive Officer  
General Manager of Design Center;  
in charge of RD Center



**Atsushi Iwashiro**

Executive Officer  
Deputy General Manager of Machine  
Manufacturing  
General Manager of 2nd Manufacturing  
and Production Planning Department



**Keiji Tsujimura**

General Manager of  
Research & Development Center

strategy would be to review OSG's approach, for example, by devising a new system where age is not so heavily involved in the salary structure.

**Masuda:** There are certainly cases of excellent young employees leaving. However, whether young employees are competent or not, or whether they quit or not, I think depends on how we, the division heads, treat our team members, what kind of vision we convey to them, and how we lead them. Team members observe their leaders, and, how many of us are the kind of leaders that others would want to be like? I believe that one of our important roles is to spark the fire in the hearts of our team members.

**Agata:** I would like to increase the number of older employees with the kind of awareness that Mr. Masuda describes. For example, even if they step down from a leadership position, I would hope that they remain aware that one of their roles is to use their past experience to support other employees and to

nurture younger employees with the OSG ethos. However, in order to do so, their roles must be clarified and, I believe that a new system is needed to ensure that this is reflected in evaluations. The reason being is that this will motivate older employees and, in turn, help all generations of employees demonstrate their abilities.

**Chikada:** In the Sales Division, some employees continue to be in charge of their clients even after retiring as a manager, but since older employees are assets with a wealth of knowledge, experience, and personal connections, we launched the GIGS Sales Group, a sales organization that leverages their abundant skills to tap into new clients. We have started having them take on roles that make the most of their individual abilities, for example, to engage in sales activities that leverage their expertise, or to support younger sales staff in various ways, such as offering experience, knowledge, and personal connections.

## Practicing a specific OSG style of "communicating" and "listening" that transcends organizational and generational boundaries

**OSG aims to be an open organization that emphasizes communication. What are you focusing on to achieve this?**

**Agata:** For the past two to three years, OSG has been using the words "communicating" and "listening" with a very particular meaning in its communications. In particular, leaders must be able to "listen" during their communication with team members. This style of "listening" means not only the ability to hear what others have to say, but also the ability to pay attention while eliciting what they have to say. Since such open communication is the foundation for creating an organizational culture, I believe that OSG must connect this to providing opportunities for training and the exchange of opinions among leaders. Do you feel that you are able to "communicate" and "listen" in each of your divisions?

**Masuda:** Maybe the more that people think they are able to, the less they are actually doing so. The only way to ensure that these OSG thoughts and ideas permeate throughout all of the Company is for each division to firmly take on the task and repeatedly communicate these thoughts and ideas. When I was

taking part in a meeting in the U.S., a colleague once told me, "If you don't share your opinion, there is no point in you being here." This really struck me. It taught me that speaking up is what it means to be present and it is what demonstrates value. Since the culture and corporate climate in the U.S. and Japan are different, I feel that overseas work experience is effective for understanding firsthand that common sense in Japan is not common sense outside Japan, and I think it would be good if many employees were rotated into such opportunities.

**Chikada:** For some time now, OSG has had a culture of consciously addressing the president and board members with the common Japanese suffix "-san," rather than by their titles. Now, and as the generations change, I hope that this level culture and corporate climate will not fade away. Which is why it is extremely important to practice the aforementioned style of OSG "communicating" and "listening." For example, by greeting each team member in the morning every day, although it may be a small thing, we can notice changes in their emotions, physical condition, and so on based on their facial expressions. I think that these single interactions are the seeds of communication.





**Goh Harada**

General Manager of  
Global Innovation Technology Department



**Katsutoshi Watanabe**

General Manager of Global Sales  
Department



**Kohichi Kamino**

General Manager of Global Marketing  
Department



**Koji Agata**

Senior Executive Officer  
General Manager of Resource  
Management Center,  
Human Resources & General Affairs

**Iwashiro:** As for “communicating,” I think it is also necessary to create an environment in which we, as leaders, can speak up easily. The Machine Manufacturing Division is a particularly large organization, and while there is a tendency for the distance between rank-and-file employees and managers to stretch, I feel that if we can lower the hurdles to “speaking up” and show that there is a climate in which opinions are properly accepted, it will inevitably lead to a flatter organization.

**Tsujimura:** To be honest, I have just recently realized that the quality of communication drops off quite a bit when taking on new challenges, such as new projects. We see situations where information is not shared, or miscommunications occur, perhaps because there is not enough time to spare while tackling something unfamiliar. Therefore, I feel that we, as leaders, need to understand that this is the situation and we should create the necessary space for communication. I realize that communication is very important when OSG is about to enter a new field, or undergo a change, and I believe that stimulating communication will lead to OSG's growth.

**Harada:** The reality is that it is quite difficult to create a foundational environment that achieves “communicating” and “listening.” I actually had such a discussion with the division leadership today, and surprisingly, members of the division seem to think there is a high hurdle to talking to division heads and managers. One of the reasons is that we “look busy.” When I heard this comment, I thought, “It’s probably right.” While leaders are recommending “communication,” they themselves are not in a position to accept it. Now that we are aware of this issue, I would like to continue to discuss it among our leaders.

**Watanabe:** How to embody this OSG concept of “communicating” and “listening” is the biggest issue that division heads must grapple with. It is important not to simply fall back on conventional communicating and listening.

**Agata:** I have also attended workshops and seminars on management and leadership training, and have been told that, as far as the role of a leader in an organization, it is to clearly see the team members and the work environment of the division he or she is in charge of, to listen to these members, and to spend half of our work time on this. Mr. Iwashiro, you conduct your own one-on-one interviews with team members, don’t you?

**Iwashiro:** Yes, I have 30-minute interviews, one-on-one, with section chiefs, group leaders, and team leaders. I feel that leaders

setting aside time to meet team members is in itself a way to improve employee engagement.

**Agata:** Although one-on-one meetings are not yet a Company program, I think it is one form of “communicating” and “listening.”

**Kamino:** This has been very informative to hear what you all have to say. I was aware of having conversations and communication both with leaders and rank-and-file employees, but I now feel the importance and benefit of one-on-one communication, and I would like to make use of it when thinking about how to approach team members.

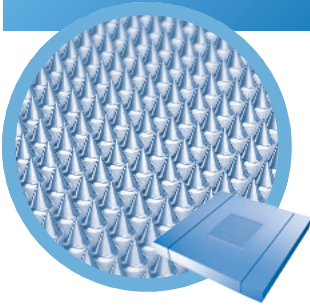
**Watanabe:** In terms of communication with Group companies overseas, the Global Sales Department holds monthly roundtable discussions with Group companies in 10 countries. We decide on a theme and share opinions in English. I believe that this is the first step to not only improving communication and language skills, but also to providing an opportunity to learn about the culture and customs of each country, and to deepen our communication based on mutual understanding. I believe that “communicating” and “listening” are very good things, but I also think it is important for leaders to be able to draw out “communication” from team members so that “communicating” does not just become one-way talking.

**Agata:** Today, I have been able to hear each division's thoughts, initiatives, and challenges regarding human resource development and strategies, which support the growth of OSG. It has been very meaningful to receive opinions from various perspectives on personnel exchanges between divisions in pursuit of overall optimization, and, as the head of the Human Resources Division, I have gained new insights. I would like to use this as an opportunity to seek out more communication and to build a vibrant organization together with all of you. I look forward to working with you more.

**Other participants:** We look forward to it as well.

## Business Overview

### Micro and Precision Manufacturing Industry

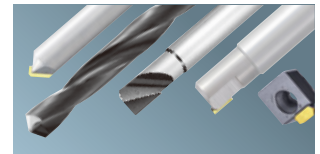


#### Outlook for FY2025 and Initiatives Going Forward

The micro and precision manufacturing industry continues to grow both domestically and internationally, especially in the semiconductor and medical industries. With the spread of the IoT, the semiconductor market is expected to grow in 2025 and beyond. Furthermore, demand for semiconductor manufacturing equipment is expected to grow as generative AI expands and companies in Europe, the U.S., Taiwan, and Japan are expected to lead the way in technological innovation. In the micro and precision manufacturing industry, productivity can be improved by using diamond tools for materials such as highly durable ceramics, in addition to tools for complex, ultra-precision dies with high added value. From FY2025 onward, we will work on new market strategies by uncovering demand through information exchange with precision machinery manufacturers and material manufacturers, and by collaborating with OSG Diamond Tool Co., Ltd. and Contour Fine Tooling B.V. (Netherlands).

#### Future Growth

The long-term outlook for the automotive semiconductor market in 2025 and beyond is positive, as the quantity of semiconductors installed in automobiles will increase. Furthermore, we believe that demand for semiconductors will remain high in the medium to long term as the transition to a digital society continues globally. In fact, since the end of FY2024, demand for diamond tools has been increasing in Japan for control device-related and other applications, and demand for tools for brittle materials, such as glass and ceramics and non-ferrous metals, is expected to increase globally from FY2025 onward. Going forward, we will continue to expand our market share in the micro and precision processing field and we will seek new market expansion not only in the semiconductor market, but also in increasingly high-precision reflector dies, lens machining, and medical fields.



Diamond tools for micro and precision and mirror-finish processing

### Aircraft Industry

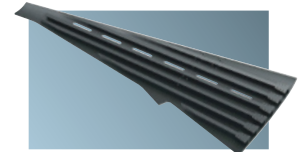


#### Outlook for FY2025 and Initiatives Going Forward

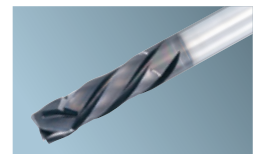
The domestic and international aircraft industry, which had been stagnant due to the Covid-19 outbreak, is recovering, starting with a recovery of engine-related production, and also with fuselage production expected to pick up from 2025 onward. Accordingly, demand for tools from component suppliers is also on the rise. OSG focuses on the development of tools for engineering difficult-to-machine materials such as CFRP and titanium alloys. We will continue to focus on product development and technical support for new materials and processing technologies to meet the needs of the aircraft industry.

#### Future Growth

In the future, demand is expected to increase for tools for CFRP and aluminum parts used for fuselages in Japan and overseas, as well as for titanium alloys, Inconel, and other heat-resistant alloys for engines. OSG develops specialized tools for the aircraft industry, and sales are expected to increase as demand grows. Overseas, demand is increasing in line with the growth of the U.S. aircraft industry, and in Europe, the market share is expanding in Germany, France, Italy, and other countries. Group companies overseas are developing products and strengthening their supply structures to meet the demands of each region, and will continue to enhance their global competitiveness in the aircraft industry.



Many carbon-fiber reinforced polymer (CFRP) parts are used to reduce the weight of fuselages



The diamond coated, 4-flute, herringbone cutter DIA-HBC4 is widely used at CFRP processing sites as a specialized tool

### Contributing to Stable, Long-Term Tool Life and Tool Cost Reduction in Aerospace Component Machining

Byline: Magnus Hoyer, OSG GmbH

PARARE GmbH is a component manufacturer specializing in the additive manufacturing of metal and plastic parts. We are working to improve the secondary process of additive manufacturing of highly complex Inconel parts for the aerospace industry.



OSG's anti-vibration long carbide end mill AE-VML

### Additive Manufacturing

In recent years, metal additive manufacturing has been attracting attention as a new alternative to conventional processing methods. Metal additive manufacturing is a technology that creates components by depositing layers of metal powder using a metal 3D printer, primarily using 3D CAD data, rather than shaping the part by cutting material away. The advantage of metal additive manufacturing is that it eliminates waste of expensive heat-resistant alloy materials, improving efficiency and reducing costs. On the other hand, in the secondary machining process of metal additive manufacturing, the high-hardness of the surface layer and the large fluctuations in machining allowance (the portion to be removed) easily stresses the tool and lengthens the machining time.



PARARE GmbH's aerospace components

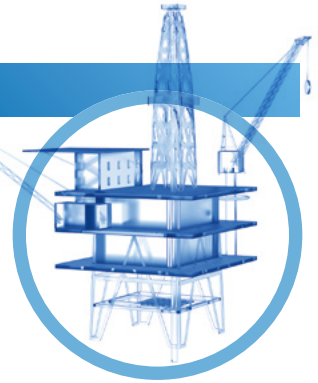
## Energy & Heavy Electric Industry

### Future Growth and Initiatives

With power consumption expected to increase in the data center, AI, and cryptocurrency sectors, countries have an urgent need to meet rapidly growing power demand, and the shared mission of energy and heavy electric power manufacturers is to contribute to a de-carbonized society. In an era when diverse energy supplies are being promoted, such as hydrogen gas turbines and nuclear power plants, the OSG Group will also focus on capturing new demand in this industry.



Christmas Cutter (turbine blade machining tool)



### OSG's Technological Capabilities Support Developing Countries Tackling Power Shortages and Pursuing Rapid Economic Development

India's energy and heavy electric power industry is led by state-owned enterprises and is being promoted as part of Prime Minister Modi's economic growth policy. The "Make in India" project has stimulated economic activity in the manufacturing sector in India, and infrastructure construction is proceeding rapidly. Power shortages in India are severe, and capital investment for a stable power supply is essential. OSG's Christmas Cutters are participating in this national project. The energy industry is diverse, including generators, storage batteries, wire harnesses, and the like, and India also plays an important role as an export base. With power shortages and rapid economic expansion in developing countries, the needs of the energy and heavy electric power industries are expected to increase further in the future.

While aiming for the adoption of products other than Christmas Cutters in Indian national projects in the future, we plan to establish a production and support system in India with a view to eventually manufacturing Christmas Cutters at our plant in India.

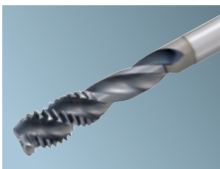


Staff from OSG India

## Automotive Industry

### Outlook for FY2025 and Initiatives Going Forward

The automotive industry in Japan is in the midst of mid- to long-term structural changes, including the shift to EVs, and we are constantly monitoring the latest developments. Our outlook for 2025 anticipates a recovery from the second half of the year onward, as the certification fraud issue among domestic automakers abates and there is a rebound from the shift to EVs. In addition, the automotive industry overseas is also demanding advanced machining technologies in line with the shift to EVs and the reduction in vehicle weight. Going forward, the automotive industry is expected to undergo a period of significant change with the further shift to EVs, the development of automated driving technology, and the rise of emerging automakers.



A-SFT high-efficiency and multi-purpose tap



Turbochargers, an automotive component that increases the internal combustion efficiency and power output of an engine

### Future Growth

In Japan, although there are signs of a slowdown in the shift to EVs, automated driving and electric vehicle markets are expected to expand in the future. Overseas, market growth is expected in China and North America, and nascent Chinese automakers are gradually emerging. In the future, the key will be to respond quickly to global market trends, which means that an all-round market strategy is needed that includes not only EVs, but also PHEVs and FCVs, and the development of new internal combustion engines using synthetic fuels. While aiming to expand our share of the existing internal combustion engine and drive-train component market, we will also develop markets for high-functional parts and production parts such as fuel cells in line with the shift to automation and EVs.

# Material Issues

## Process for Identifying Material Issues

STEP  
1

Identifying issues for medium- and long-term enhancement of corporate value

So that OSG may contribute to the manufacturing industry through our business and help resolve environmental and social challenges in accordance with our corporate philosophy of "Global Presence," we identified issues that are highly likely to have a significant impact on corporate value over the medium- and long-term. We analyzed previous material issues and applied international guidelines, frameworks, and other standards to identify issues.

STEP  
2

Evaluation & analysis of issue significance

These issues were evaluated and analyzed along two axes: 'importance to stakeholders' and 'importance to OSG.' Those issues that have a particularly high impact on the OSG Group's business were then prioritized to reassess their material issues.

### Awareness of the Environment Surrounding OSG (Risks & Opportunities)

#### Markets

##### Risks

- Reduction in the number of automobile components as EVs are adopted
- Supply chain consolidation and a shift of power to developing countries
- Surge in raw material and energy prices
- Supply chain disruptions due to geopolitical risks

##### Opportunities

- Demand for new components, alongside the appearance of emerging automakers, as EVs are adopted
- Increasing demand for small-diameter tools due to greater needs for micro and precision processing
- New demand from the progress of medical technology and the dissemination of renewable energy
- Synergies with M&A subsidiaries
- Further development of digital transformation in society

#### Society

##### Risks

- Difficulty hiring personnel due to a shrinking workforce
- Violations of stakeholders' human rights

##### Opportunities

- Extended average life span and health span
- Diversification of human resources
- Diversification of employee work styles and values

#### Environment

##### Risks

- Tighter environmental regulations as society moves toward carbon neutrality
- Tighter regulations of harmful chemical substances
- Depletion of energy resources; environmental pollution

##### Opportunities

- Achievement of a recycling-oriented economy





#### Governance

##### Risks

- Information security
- Shutdowns due to natural disasters, etc.

##### Opportunities

- Information security
- Diversification of management ranks

Material issues	Priority Themes	Initiatives
 <b>Contributing to the manufacturing industry through our business</b>	<b>Expand the global market share for our core product: taps</b>	<ul style="list-style-type: none"> <li>• Global expansion of high-quality &amp; high-value added product series</li> </ul>
	<b>Optimize our business portfolio</b>	<ul style="list-style-type: none"> <li>• Exploration of markets for micro and precision processing</li> </ul>
	<b>Expand new business and after-sales services</b>	<ul style="list-style-type: none"> <li>• Global expansion of reconditioning &amp; coating business</li> </ul>
 <b>Developing an environment where employees are respected and able to flourish</b>	<b>Increase employee engagement</b>	<ul style="list-style-type: none"> <li>• Advancement of a comfortable working environment and related systems</li> <li>• Promotion of Safety and Health Management</li> </ul>
	<b>Enhance human resource capabilities and strategically assign personnel</b>	<ul style="list-style-type: none"> <li>• Cultivation of next-generation and management leaders</li> <li>• Encouragement of professional, flourishing human resources</li> </ul>
	<b>Respect diversity</b>	<ul style="list-style-type: none"> <li>• Promotion of active roles for women and persons with disabilities</li> <li>• Respect human rights</li> </ul>
 <b>Contributing to a sustainable global environment</b>	<b>Achieve carbon neutrality</b>	<ul style="list-style-type: none"> <li>• Introduction of operation-improvement &amp; energy-saving equipment</li> <li>• Implementation of on-site &amp; off-site PPA/purchase of carbon-free electricity</li> </ul>
	<b>Reduce users' environmental footprint</b>	<ul style="list-style-type: none"> <li>• Development of new eco-friendly products</li> </ul>
 <b>Maintaining and strengthening our governance structure so that we may achieve sustainable growth</b>	<b>Maintain our corporate governance structure</b>	<ul style="list-style-type: none"> <li>• Strengthening of executive oversight functions</li> <li>• Establishment of an effective execution system</li> </ul>
	<b>Construct a group governance structure</b>	<ul style="list-style-type: none"> <li>• Strengthening of OSG Group governance based on relevant business management regulations</li> </ul>
	<b>Thoroughly manage risk and ensure compliance</b>	<ul style="list-style-type: none"> <li>• Strengthening of information security measures</li> <li>• Formulation of a business continuity plan &amp; regularly conduct disaster prevention training</li> </ul>



STEP  
3Setting material issues, initiatives  
& targets

Our evaluation and analysis of issues in Step 2 identified a total of four new material issues that are key. We also set priority themes for each of the material issues, as well as targets to be reflected in specific activities. Progress made in the initiatives toward reaching these targets will be disclosed in a timely manner.

STEP  
4Deliberation & approval of  
material issues

The material issues identified in Step 3 were deliberated and approved by the Sustainability Committee. Because these are also critical issues and metrics for promoting ESG management, as touted in our Medium-Term Management Plan, they have been discussed and approved as challenges that we must address to grow our business.

## Targets

- Global tap market share of 40% by FY2027
- Micro and precision processing sales percentage of 30% by FY2030
- Reconditioning & coating sales percentage of 15% by FY2027
- Maintain an annual paid leave usage rate of at least 70%
- Achieve a male childcare leave usage rate of 50% by 2024, 75% by FY2027, and 100% by FY2030
- Maintain a female childcare leave usage rate of 100%
- Continue to acquire certification as an Excellent Company of Safety and Health by the Ministry of Health, Labour Standards
- Continue to acquire certification as a Health & Productivity Management Outstanding Organizations
- Establish a program for developing next-generation managers
- Use a human resources data platform to effectively utilize personnel
- Percentage of female managers (assistant managers): 7% by FY2025
- Percentage of employees with disabilities: maintain statutory quota
- Provide human rights training in line with the OSG Human Rights Policy and OSG Company Ethics Pledge, and manage relevant risks
- Achieve carbon neutrality of 10% by FY2024 and 30% by FY2030
- Eco-products\* (OSG standard) target: 40 or more annually
- Maintain diversity of Board of Directors
- Continue to assess Board of Directors' effectiveness and provide feedback of assessment results to raise awareness of challenges and resolve them
- Improve reporting and monitoring systems
- Conduct assessments for improving governance
- Eliminate major information security incidents
- Instill the business continuity plan to minimize damage & pursue countermeasures

## FY2024 results

- Global tap market share of 33% (OSG estimate)
- Micro and precision processing sales percentage of 15%
- Reconditioning & coating sales percentage of 7%
- Paid childcare leave usage rate: 84.1%
- Male childcare leave usage rate: 36.4%
- Female childcare leave usage rate: 100%
- Recognized as a 2024 'White 500' Excellent Health Management Company
- Management training implementation: 1/yr.  
Note: Targeting young leaders
- Collected human resource data
- Percentage of female managers (assistant managers): 6.1%
- Percentage of employees with disabilities: 3% (exceeded the statutory quota)
- Spread awareness of our Company Ethics Pledge
- Implemented awareness activities through OSG internal bulletins; conducted human rights training
- Implemented Human rights due diligence risk assessments
- 21% cumulative CO<sub>2</sub> emissions reduction (vs. FY2019)
- Eco-products: 46
- Maintained diversity of Board of Directors
- Continued to assess Board of Directors' effectiveness; raised awareness of challenges
- Established a reporting system
- Did not yet establish a monitoring system
- Did not yet conduct assessments for governance improvements
- Rolled out security enhancement measures implemented at the head office in FY2023 to 22 important Group companies (9 in Japan and 13 overseas)
- Continued conducting disaster prevention training to improve employees' disaster preparedness
- Improved BCP with the goal of minimizing damage at each business site

## FY2025 action plan

- Proactively launch new products
- Strengthen activities of our cross-divisional sales organization
- Proactively launch new products
- Promote the development of demand outside of existing industries, starting with diamond tools for lenses
- Expand job coating service targeting non-tool products
- Survey the usage of male childcare leave and reassess targets
- Reassess in-house regulations, etc.
- Continue to be recognized as an Excellent Health Management Company
- Continue to implement management training
- Review programs for next-generation manager training
- Continue collecting human resource data
- Review the effective utilization of human resources using a human resource data platform
- Percentage of female managers (assistant managers): 7% by FY2025
- Percentage of employees with disabilities: maintain statutory quota
- Conduct harassment training for all employees
- Enhance harassment training for managers
- 13% CO<sub>2</sub> emissions reduction (vs. FY2019)
- Calculate Scope 3
- Calculate the carbon footprint of core products
- Eco-products: 45
- Create opportunities for outside directors to exchange opinions
- Strengthen framework for coordination with internal audit divisions
- Establish a monitoring system
- Conduct assessments for improving governance
- Eliminate uncontrolled terminals
- Conduct cyber-security surveys of Group Companies
- Reassess BCP
- Continue regularly conducting disaster prevention training

\*Evaluation criteria for Eco-products (highest score: 60 points) are based on standards set by the Japan Cutting & Wear-Resistant Tool Association, an industry organization.



# Environment

## Basic Philosophy

The OSG Group recognizes protection of the earth's environment as a key challenge that all mankind faces. Under our Basic Environmental Philosophy, we are actively committed to efficient resource use and environmentally-responsible manufacturing. We strive to supply customers with environment-friendly products and services in our aim to reduce our environmental impact and contribute to development of a recycling-oriented society.

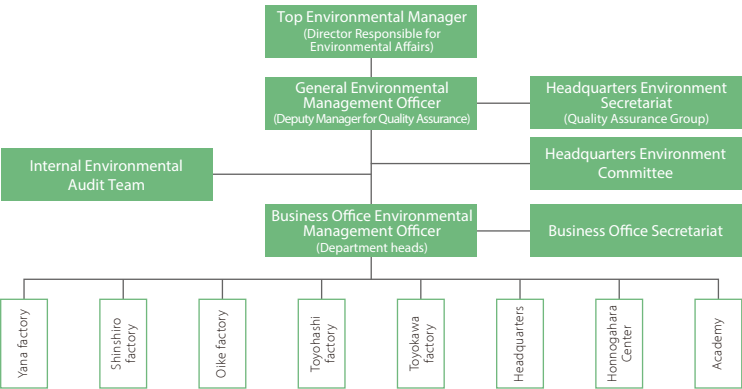
### Environmental slogan

- Eco-friendly company
- Environment-respecting culture

## Medium-Term Environmental Plan Targets

OSG drafts Medium-Term Environmental Plan every three years. FY2024 is the final year of our 9th Medium-Term Environmental Plan, which included the four management metrics of (1) Eco-Factories (eco-friendly manufacturing), (2) Eco-Products (development of environmentally friendly products), (3) Energy improvement and reduced usage, and (4) CO<sub>2</sub> emissions reduction. As a result of efforts, we were able to meet each of these four targets.

### Environmental Management System



### Medium-Term Environmental Plan Targets & Performance

			9th Medium-Term Environmental Plan		10th Medium-Term Environmental Plan
No	Environmental Objectives		FY2023	FY2024	FY2025
	Item	Description	Achievements	Achievements	Targets
1	Eco-Factory	Eco-friendly manufacturing (100 pts. max)*	40 pts. (average)	45 pts. (average)	42 pts. (average)
2	Eco-Products	Develop eco-friendly products (60 pts. max)*	45 pts. (average)	46 pts. (average)	41 pts. (average)
3	Energy improvement and reduced usage	Energy-saving activities for energy sources (electricity, LP gas) ----- Reference values: FY19 average monthly electricity, LP gas usage: 111,792 GJ FY24 average monthly electricity, LP gas usage: 93,632 GJ	2.5% cut (cumulative) vs. FY19 monthly average	3.6% cut (cumulative) vs. FY19 monthly average	1% cut vs. FY24 monthly average
4	CO <sub>2</sub> emissions reduction	Energy-saving activities & renewable energy use ----- Reference value: FY19 CO <sub>2</sub> emissions: 50,283 t	16% cut (cumulative) vs. FY19	21% cut (cumulative) vs. FY19	13% cut (cumulative) vs. FY19

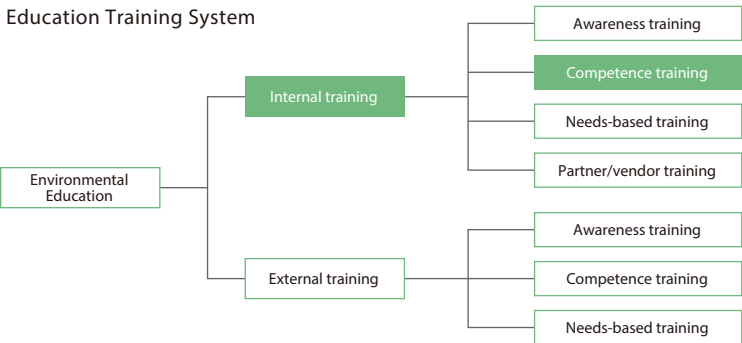
Standards set by the Japan Cutting & Wear-Resistant Tool Association have been adopted for assessing Eco-factories (highest score: 100 pts.) and Eco-products (highest score: 60 pts.).

## Environmental education / education training system / ISO 14001 certification status

### Environmental Education

Environmental education is broadly divided into training for managers and supervisors, and training for all employees. The training for managers and supervisors helps participants better understand the ISO 14001 management system and develop the skills to serve as an internal auditor for environmental activities. In addition, so that more people will be involved as internal auditors, we are striving to increase the number of internal auditors and raise environmental awareness throughout OSG.

### Education Training System



### Construction of Environmental Management Systems at Group Affiliates

#### Status of ISO 14001 Certification

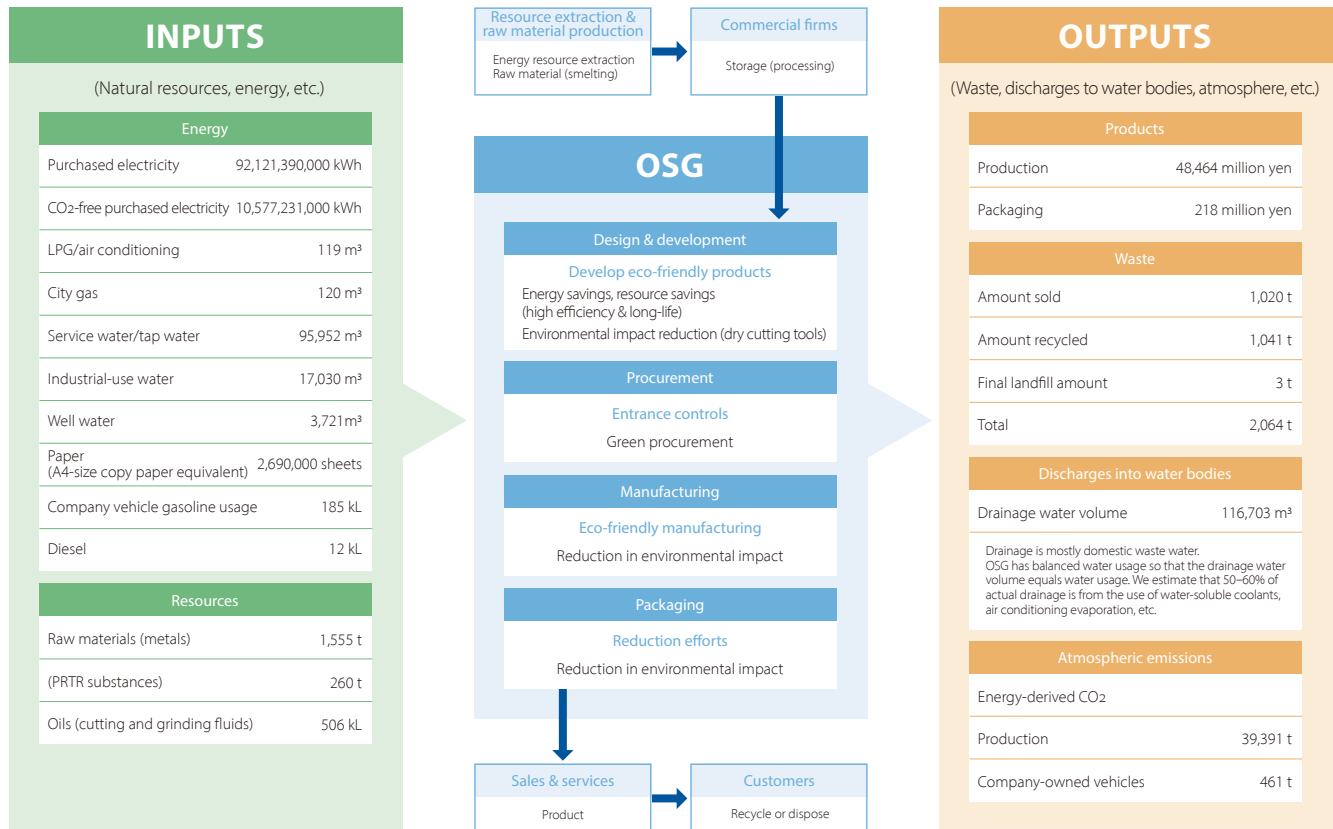
Nov. 2000	OSG Nine offices
Oct. 2004	NODA Seiko, Inc. (now NODA Precision, Inc.)
Dec. 2005	Sanwa Seiki Co., Ltd.

Oct. 2007	Nihon Hard Metal Co., Ltd. Kyushu Plant
Oct. 2007	Aoyama Seisakusho Co., Ltd.
Oct. 2008	Ohtaka Precision Co., Ltd.

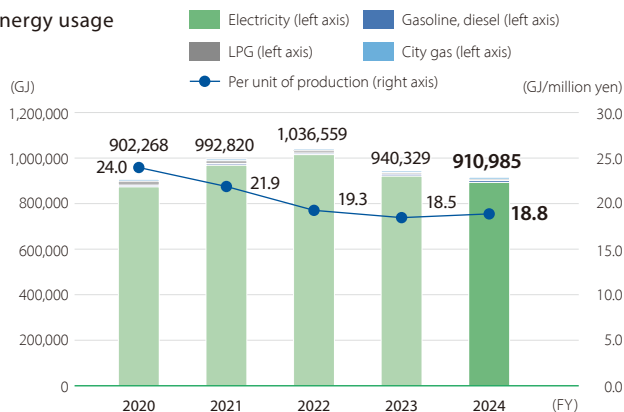
Oct. 2008	Taiho Sangyo Corporation
Jun. 2014	Nihon Hard Metal Co., Ltd. Head Office and Headquarters Plant
Apr. 2017	Nihon Hard Metal Co., Ltd. Kyushu Kitagata Plant

## Material Balance in Operations

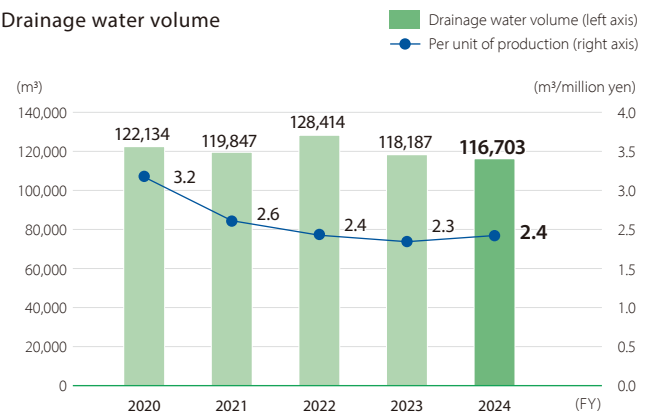
To contribute to the realization of a low-carbon society and the creation of a resource-recycling society, OSG ascertains and manages the various environmental impacts of our business activities. We continually strive to manage these effects with initiatives, such as reducing energy usage and putting waste from our manufacturing processes to use as recycled material.



### Energy usage



### Drainage water volume



Note: The drainage water volume was assumed to be the amount of water usage. (see "Material Balance in Operations")

## Environmental Accounting

OSG's environmental accounting system references the Environmental Accounting Guidelines established by the Ministry of the Environment. This concerns the SDGs, which are global goals aiming to ensure a sustainable and better world by 2030, and ESG, which stands for the environmental, social and governance framework. Our aim is to present environmental accounting to help stakeholders understand the stance and approach of the OSG Group as we undertake our environmental conservation efforts so as to further improve our relationship with society.

### Costs and Effects over the Past Three Years

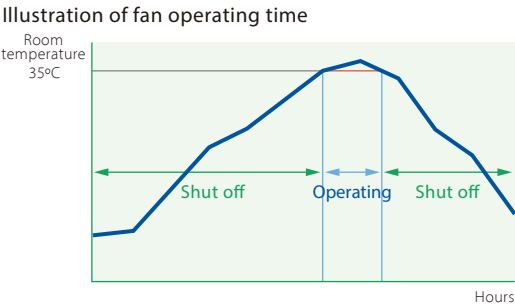
(1,000 yen)

	FY2022	FY2023	FY2024
1. Positive costs	68,827	8,009	45,310
2. Maintenance costs	74,989	76,406	78,746
3. Environmental damage compensation	0	0	0
4. Environmental conservation loss	33,431	32,501	56,342

Environment

Reassessing Operating Conditions of Compressor Room Ventilation Fans

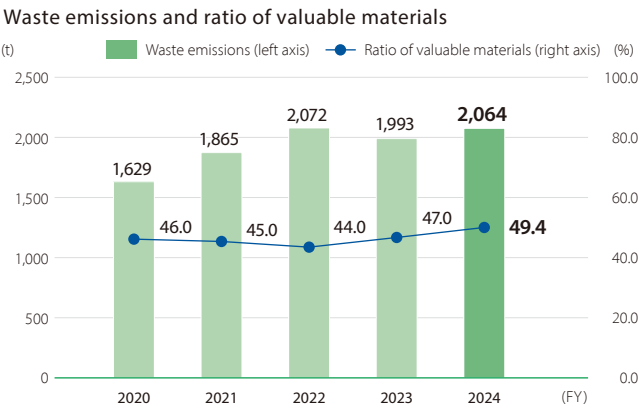
Our compressor room is not a room that is entered frequently, yet the ventilation fans were always operating, regardless of the temperature in the room. This situation consumed a large amount of electricity. We switched to a temperature-dependent operating parameter for the ventilation fans, so that they would not run when the room temperature was below 35°C. This reduced the operating time of the fans and conserved energy. This small adjustment had a significant impact, helping us conserve 26,844 kWh of energy per year. The OSG Group aims to meet our energy reduction targets through the cumulative effect of reduction measures large and small. Furthermore, this effort was recognized by the Japan Cutting & Wear-Resistant Tool Association with a FY2024 Environmental Activity Award.



Resource Recycling Initiatives

OSG has been promoting zero emission activities to reduce waste. We have also developed a system to recycle reusable and recyclable resources and established a structure to ensure the proper disposal of waste from our operations. These efforts have enabled us to maintain a recycling rate of over 99% since 2005.

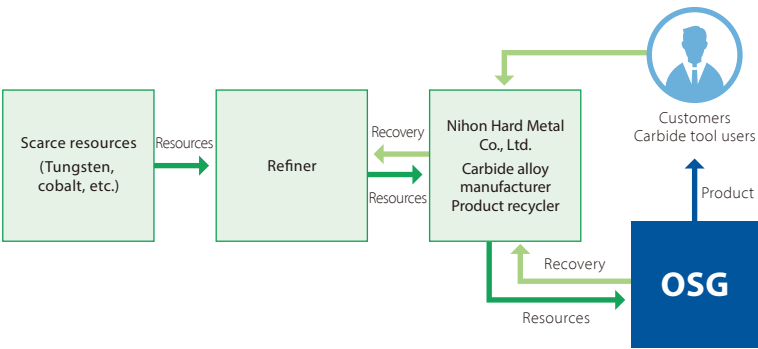
Resource Recycling Promotion	FY2023	FY2024
Metal scrap (sold)	765.6	770.8
Cardboard boxes (sold)	51.9	52.4
Waste oil (sold and recycled)	498.8	485.1
Oil sludge (sold and recycled)	194.4	168.8
Diatomaceous soil (sold and recycled)	357.8	316.2
Waste grinding wheels (sold and recycled)	37.0	35.6
Waste plastic (recycled)	46.1	44.1
Wood chips (recycled)	88.6	122.4
Other (recycled)	54.8	61.5
Plastic and other (sold)	—	4.1
Total resources recycled	2,095	2,061



FY2020	FY2021	FY2022	FY2023	FY2024
99.7	99.8	99.7	99.8	99.7

Promotion of Carbide Recycling

Tungsten, cobalt, and other rare metals are among the raw materials used in manufacturing carbide tools. The entire OSG Group has been striving to recycle carbide products. We recover used tools from our customers and recycle the rare metals so that these materials may be reused as part of our efforts to effectively utilize resources. This also is beneficial to our customers in facilitating their CSR activities and achieving zero emissions.



## Environmentally Conscious Product Development

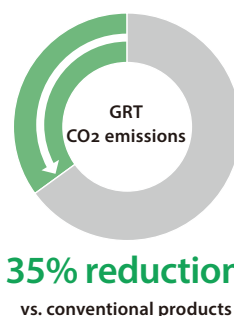
OSG is intent on leveraging cutting tools to solve challenges for customers as we strive for a sustainable society. High quality, highly efficient, and highly durable cutting tools contribute to improving customer productivity and reducing energy consumption. Going forward, we are committed to developing environmentally conscious products while recognizing social and environmental issues, and lending our effort—through cutting tools—toward the achievement of a sustainable society.

### Showcasing an Environmentally Conscious Product

## GREEN TAP

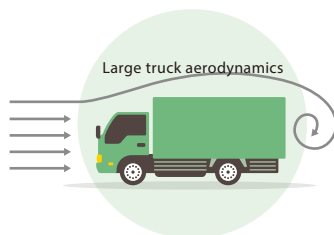


GREEN TAP (GRT) is an innovative OSG forming tap that is a low-carbon product. Our new manufacturing method allows for reduced power consumption during tool manufacturing, which in turn achieves lower CO<sub>2</sub> emissions. After first announcing GRT in 2023, we carried out additional innovation of the tool shape and coating, then launched the latest GRT in November of 2024. Compared to conventional forming taps, GRTs save 35% in CO<sub>2</sub> emissions, thanks to lower power consumption during tool manufacturing.

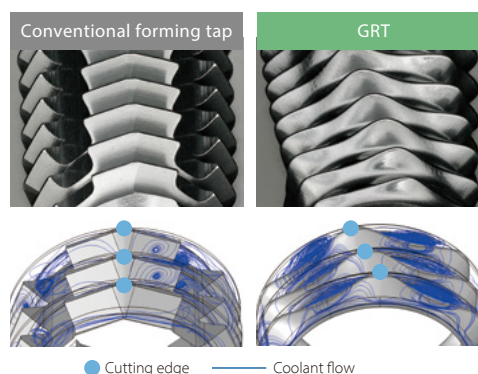


### Feature #1 Special thread configuration increases cooling effects.

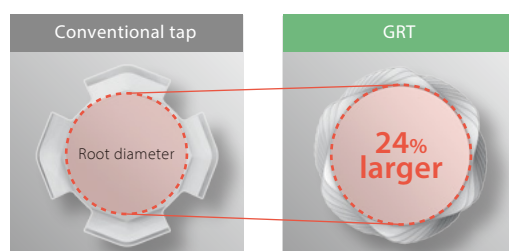
Conventional designs have oil groove walls that impede the flow of cutting lubricant. This is akin to the aerodynamic disadvantages of a large truck. Although the conventional tool had oil grooves, lubricant was not getting to the cutting edge, which brought the risk of tool damage.



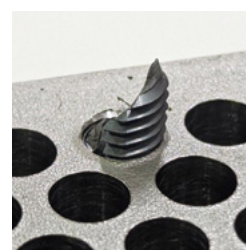
For this reason, we used fluid analysis to design a smooth cutting lubricant path to deliver more lubricant closer to the cutting edge, where the most heat accumulates. As shown in the illustration on the right, the more streamlined tap geometry improves the cooling effect, such that the tap is less likely to break even without oil grooves.



### Feature #2 Large web diameter for high rigidity

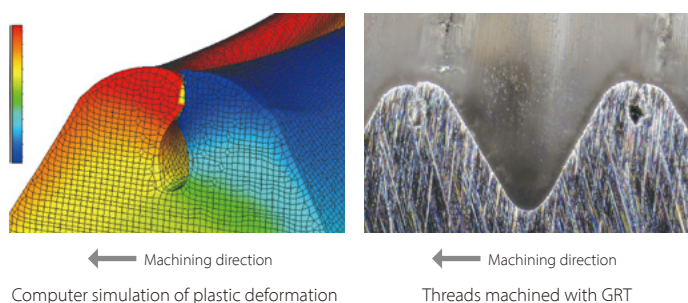


Compared to cutting taps, forming taps undergo greater machining loads and may break under extreme machining conditions. It takes extra time to remove a broken tap and this creates more work for customers. With this in mind, GRTs not only eliminate oil grooves, but also have a larger cross-sectional area, which allows for substantial improvement in resistance to breakage. This feature of GRTs delivers high durability without variation.



### Feature #3 Stable female screw thread formation

GRTs feature a special thread specification designed using computer simulation of plastic deformation. Using numerical analysis, we devised the most rational design while pursuing the ultimate answer to what makes the optimal forming tap. The result is OSG's unique and special thread specification that enables the formation of good internal female threads that will not collapse easily. This is the background to the very distinctive geometry of GRT.



# TCFD Compliance

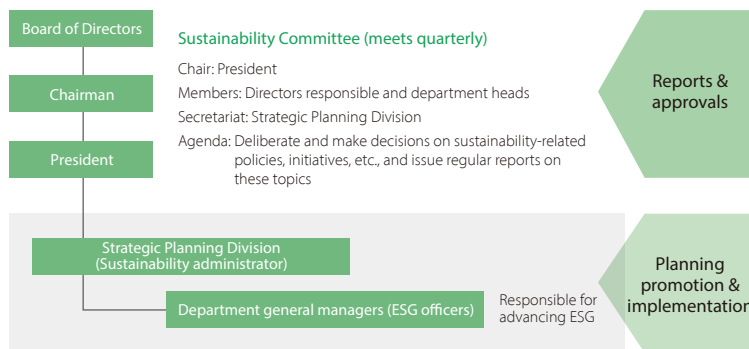
## Contributing to a Sustainable Global Environment Moving toward a Carbon Neutral Era

The OSG Group recognizes climate change to be an important issue affecting the sustainable growth of our business. Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) agreed to in October 2021, we have begun analyzing climate-related risks and opportunities, and promoting initiatives under the following framework.

### Governance & Risk Management

OSG's Risk and Compliance Management Committee evaluates the priority of climate change and other risks affecting our entire company, based on their impact to our business. The Sustainability Committee, the Risk and Compliance Management Committee, and the Safety and Health Committee operate in conjunction with each other to monitor risks and opportunities associated with climate change. The Sustainability Committee deliberates on climate change and consistency in other ESG-related issues, policies and visions, as well as priority measures and other items, and regularly reports on its activities to the Board of Directors.

#### Sustainability Promotion Structure



#### Sustainability Committee Meetings in the Fiscal Year Under Review

Date	Risk item
April 4	Reports on reassessed material issues Planning of ESG & Business Strategy Briefings for institutional investors Planning and progress on environmental initiatives
July 11	Progress report on initiatives for carbon neutrality (planning and background context for calculating OSG's carbon footprint)
October 10	Progress report on initiatives for carbon neutrality (carbon footprint and Scope 3 calculations)
January 9	Progress on material issue targets; FY2025 material issue targets

### Strategy and Scenario Analysis

Scenarios projecting a 1.5°C and a 4.0°C rise in temperature, respectively, were selected and a review conducted, referencing the following scenarios, of the risks, opportunities, and OSG's responses. [Referenced Scenarios] Scenario 1.5°C: IEA NZE2050, etc.; Scenario 4°C: IPCC RCP8.5, etc.

#### Risks and Countermeasures

	Type	Subcategory	Risks	Impact	Response
Transition risks	Policies & legal restrictions	Tighter regulations on GHG emissions	Increase in manufacturing, development, production and procurement costs due to carbon taxes and other charges	High	Set targets for reduction of CO <sub>2</sub> emissions Introduce CO <sub>2</sub> -free electricity purchases at factories, Implement off-site PPA, and on-site PPA (planned)
		Tighter regulations on fossil fuel power generation	Decrease in demand and increase in development and manufacturing costs for tools on account of fossil fuel power generation	Moderate	Promote eco-factories (enhance energy-efficiency of OSG-manufactured machine tools and improve equipment operation) Reassess manufactured items in light of changes in target markets
	Technology	Dissemination of renewable energy and energy-saving technologies	Increase in development and manufacturing costs	Moderate	Scrutinize renewable energy market trends Survey and assess equipment, etc. that mitigates cost increases
	Markets	Transition to eco-friendly products Expansion of electric & fuel-cell vehicles	Decrease in sales of non-ecofriendly products and services Decrease in demand for tools for gasoline-powered vehicles	Moderate High	Develop eco-friendly cutting tools Commit resources to developing and designing for markets other than gasoline-powered vehicles
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	Proactively disclose information and reply to CDP questions
			Contraction of scale of eco-unfriendly business	Moderate	Optimize our business portfolio
	Acute	Increased severity of extreme weather events	Increase in procurement costs due to reassessment of suppliers	Moderate	Adopt ESG/SDGs assessment-based financing
			Difficulty in procuring materials, production shutdowns, and production delays due to disasters affecting suppliers Damage to production facilities, production shutdowns/delays, discharge of toxic substances due to damage to OSG plants	High Moderate	Review BCPs for all suppliers (ascertain risks affecting suppliers in terms of natural disasters, logistics, raw material procurement, etc.) Diversify suppliers Draft and revise BCP, implement concrete facility countermeasures, diversify production sites, and thoroughly control hazardous and other such substances
Physical risks	Chronic	Rise in mean temperatures	Increase in energy for air conditioning Deterioration in employee working conditions Production shutdowns due to shortage of electricity or water	Moderate Moderate Moderate	Adopt high-efficiency air conditioners Promote labor savings and automation at factories (automated measuring and packaging), promote safety and health management, improve thermal environment inside factories Introduce in-house power generation facilities and storage batteries, and reduce electricity and water usage at factories and offices

Note: Timeline ranging from 2030 to 2050 is assumed.



## Opportunities and Responses

	Type	Subcategory	Opportunities	Impact	Response
Transition risks	Policies & legal 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	High	Adopt internal carbon pricing
	Technology	Dissemination of renewable energy and energy-saving technologies	Increase in demand for tools for renewable energy and energy-saving technologies	Moderate	Develop and increase sales of tools for energy-saving facilities and renewable energy-related items
	Markets	Expansion of renewable energy	Increase in demand for energy projects such as development of solar panels and offshore wind power	Moderate	Develop and increase sales of tools for storage batteries, renewable energies, and hydrogen-related items
		Transition to eco-friendly products	Expansion of demand for long-lasting products	Moderate	Further enhance quality, development, and increased sales of long-lasting products
		Expansion of electric & fuel-cell vehicles	Increase in demand for precision die machining due to promotion of battery development Increase in demand for EV chargers and storage batteries Greater demand for small-diameter tools (micro-tools) due to larger market for semiconductors, connectors, and electronic components	High High High	Develop tools that enhance efficiency and shorten processing time Increase sales in the micro and precision processing sector Accelerate development of tools for EV chargers and storage batteries Develop, increase investment, and build sales of small-diameter tools
Physical risks	Reputation	Changes in customer base and investors	Improve evaluations by stakeholders	Moderate	More proactive information disclosure
	Acute	Increased severity of extreme weather events	Increase in demand for disaster prevention products, services, etc. for times when natural disasters strike	Moderate	Develop tools for disaster preparedness

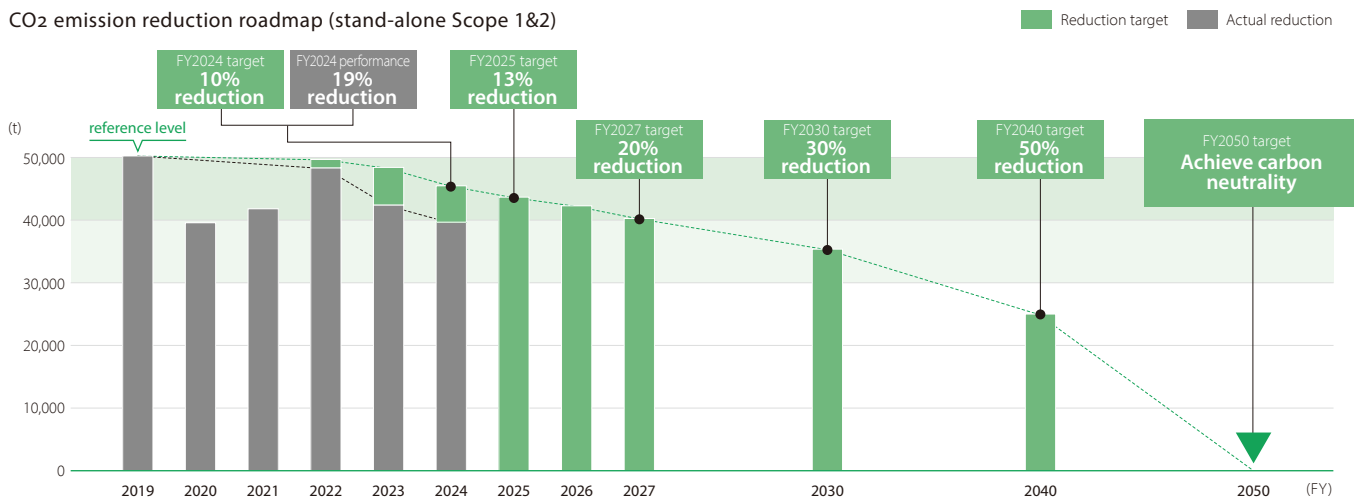
Note: Timeline ranging from 2030 to 2050 is assumed.

## Metrics and Targets

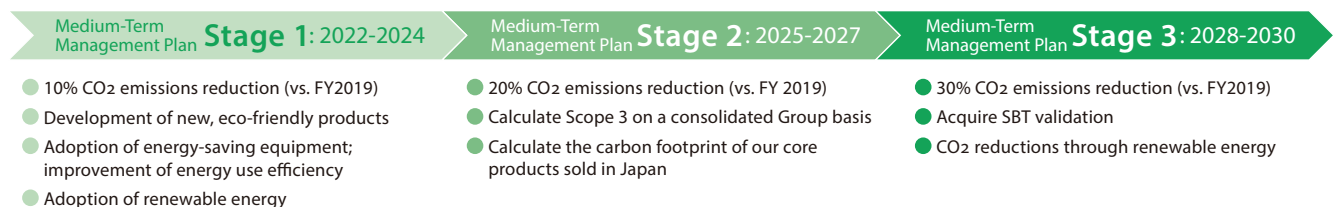
### Reduce CO<sub>2</sub> Emissions

OSG is promoting initiatives with the goal of achieving carbon neutrality in FY2050, with a 30% reduction in FY2030 (compared to FY2019).

#### CO<sub>2</sub> emission reduction roadmap (stand-alone Scope 1&2)



#### Steps to CO<sub>2</sub> Emissions Reductions



## Initiatives for Using Renewable Energy to Reduce CO<sub>2</sub> Emissions

In December 2022, OSG entered into an agreement with Chubu Electric Power Miraiz Co., Inc. and Agri-Gascom Co., Ltd. to take steps toward implementing a farm-based off-site power purchasing agreement (PPA). Through this agreement, carbon-free electricity generated at a photovoltaic power plant for the exclusive use of OSG will be supplied for a period of 20 years. This is expected to reduce CO<sub>2</sub> emissions by approximately 4,000 tons per year, and, when combined with the amount of separately procured CO<sub>2</sub>-free electricity (Chubu Electric Power Miraiz's "Green Denki"), the total reduction is expected to be approximately 9%. Additionally, an on-site PPA at the Shinshiro Factory will be in full effect from December 2024, and is expected to reduce CO<sub>2</sub> emissions by approximately 304.6 tons per year (approximately a 1.5% reduction in power consumption at the Shinshiro Factory).



The Shinshiro Factory's on-site PPA

# Society

## Human Rights

### Basic Philosophy

The OSG Group and all employees shall respect human rights both in Japan and abroad and be committed to following the letter as well as the spirit of all relevant laws, regulations and international rules, while taking a proactive approach to the creation of a sustainable society with sound values. We ensure a work environment that will neither offend nor discriminate by race, belief, skin color, sex, religion, nationality, language, physical appearance, wealth, or birthplace.

#### Human Rights Policy

OSG Corporation and all the group companies (hereinafter referred to collectively as “OSGs”) respect the “International Bill of Human Rights” (Universal Declaration of Human Rights and International Covenant on Human Rights), the International Labour Organization (ILO)’s “Declaration on Fundamental Principles and Rights at Work” and the United Nation’s “Guiding Principles on Business and Human Rights,” which define the fundamental human rights that everyone in the world should have, and establish the “OSG Group Human Rights Policy” (hereinafter referred to as the “Policy”). Each one of the members of OSGs shall promote activities related to human rights based on this Policy.



### Status of Human Rights Assessments and Initiatives Going Forward

In FY2024, OSG spread awareness of our Company Ethics Pledge and implemented internal education and training activities on human rights. Additionally, as one aspect of human rights due diligence initiatives, we carried out interviews with Nihon Hard Metal Co., Ltd., our group company in Japan that handles Group managerial business units and raw materials. At OSG, we survey our suppliers about conflict minerals and green procurement, and conduct CSR self-assessments followed up with feedback. Nihon Hard Metal Co., Ltd., which manufactures and markets carbide alloys, carries out conflict mineral surveys and sits down with each supplier for regular interviews. Going forward, OSG, Nihon Hard Metal Co., Ltd., and all Group companies will continue to coordinate to promote human rights due diligence initiatives.

#### Challenges Going Forward

- **Coordination and support for suppliers**
  - Use written surveys to exchange information with suppliers while building a support framework
- **Coordination with Group companies**
  - Awareness activities through education and initiatives related to human rights due diligence
- **Improve transparency in the supply chain**
  - Continue and enhance initiatives on conflict minerals in order to improve transparency in the supply chain overall



Information disclosure through the sustainability website and the OSG Report

## Supply Chain Management

As an essential player contributing to the global manufacturing industry, OSG will continue striving to solve human rights, environmental, and other challenges throughout our supply chain while also fulfilling our social responsibility.

### Pursuing Sustainable Procurement Activities

The OSG Group has conducted CSR self-assessment surveys and conflict mineral surveys based on our OSG Group CSR Procurement Guidelines. The purpose has been to ascertain the status of CSR initiatives across the supply chain, to ensure no transactions with conflict minerals, and to have suppliers develop a better understanding of the OSG Group's supply chain management efforts and philosophy. We are committed to improving the survey response rate among suppliers, and, going forward, will work to better understand the status of local surveys as we carry out initiatives for ensuring transparency. Furthermore, we will pursue initiatives across our entire supply chain as we work toward achieving sustainable procurement.

### CSR Self-Assessment Survey

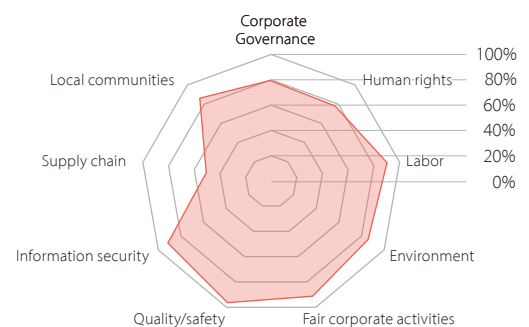
A survey was conducted of the OSG Group's principal suppliers in Japan to better understand the status of such efforts.

- Time frame: September–October 2024
- Target: Key suppliers of raw and other materials

KPI	Target	Results for fiscal 2022	Results for fiscal 2023	Results for fiscal 2024
Survey return rate	80% or higher	82%	84%	86%
No. of companies surveyed	—	117 companies	139 companies	132 companies
No. of companies responding	—	96 companies	117 companies	114 companies

The survey was analyzed and evaluated, with feedback provided to suppliers. We will continue to improve the survey, giving consideration to expanding the target range as well as revising survey questions.

FY2024 average score



## Quality Management System

OSG received our first ISO 9001 certification, an international quality management standard, in 1998 for our Yana Factory. Since then, we have broadened the scope of applicability and continued to receive certifications for all processes (see reference tables below), including for our key plants in Japan.

### ISO 9001

Registration no.: JQA-2856  
 Auditor: Japan Quality Assurance Organization  
 Scope: Design, development, manufacture, and ancillary services (provision of technical documentation, technical instruction, and correction) for cutting tools, rolling dies, measuring instruments, and coating tools

### JISQ 9100

Registration no.: JQA-AS0209  
 Auditor: Japan Quality Assurance Organization  
 Scope: Manufacture of spacecraft metal components

### Global Quality Control System

OSG has a proprietary quality assurance system certification program in place to ensure consistent quality worldwide, and we have strived to maintain and improve the level of quality at our group companies both inside and outside Japan. Our audits use a five-tier evaluation system to check and determine whether the quality assurance system passes in categories defining product quality, quality inspection skills, and quality improvement capabilities. Product quality is evaluated by randomly sampling mass-produced products and measuring them to determine whether they are produced according to the dimensions specified in drawings as well as ascertaining base materials and grinding quality.

### Assessments Based on the Three Realities Principle

Our evaluation method is based on the Three Realities Principle (going on-site, knowing the situation, and being realistic). Evaluations are conducted by certified quality auditors using a method known as the quality system audit that examines both skills and frameworks based on evidence provided in communication with the individuals having overall responsibility, persons in charge on-site, and workers.



## Message from the Chairman



**Corporate culture rooted in  
an organizational foundation  
supports the effectiveness of  
corporate governance**

**Norio Ishikawa**

Chairman & CEO

### Corporate Governance and Corporate Culture are Two Sides of the Same Coin

In discussing corporate governance (which I will abbreviate to “governance”), I believe, as I have long been in charge of OSG’s management, that governance and corporate culture are two sides of the same coin. If excellent corporate culture is not rooted in the organizational foundation, the effectiveness of governance will be compromised. At one point, I had the opportunity to see a corporate governance policy that showed a company’s philosophy and important values throughout, and I understood that that company’s governance was functioning because of a solid corporate culture behind it. In addition to complying with the governance code, I believe that a governance policy that includes a company’s unique values will lead to effective and true governance, and I engage in management with an awareness of our corporate culture along with governance.

Aiming to be a Group that supports the manufacturing industry around the world, the OSG Group has provided products to help each customer realize their dreams. We value communication with customers above all else, which is the lifeblood of our products. For a company, governance is a mechanism, so to speak, for realizing the dreams of customers, and the robust communication that we have valued has fostered the free and open corporate culture of the OSG Group.

The OSG Group is often described as having an “open and flat corporate culture” and a “corporate culture that encourages taking on challenges,” but we are always vigilant to ensure that we are not walking alone with an image that is superficial or too good to be true. Corporate culture can be viewed as a company-wide expression of the thoughts and actions uniquely fostered in employees. However, when organizational structures are viewed on the level of the smallest units—that is, workplaces or teams—we sometimes see that their culture deviates from the

original corporate culture. The smaller the organization, the more dependent it becomes on the actions and abilities of individuals, and the way each leader conducts themselves can create a unique culture for his or her department. The best way to ensure that the corporate culture that we have fostered does not become a superficial one is for all employees to ask themselves on a daily basis, at the team level, what it is that they value and work to achieve. The OSG Group, which operates on a global scale, requires governance based on global values at all times, but we also approach corporate management from the perspectives of, "What is sound management that can shape the dreams of our customers?" and, "What is the best form of management for the Company?" We have wrestled with reforming governance since 2016 and any concept of corporate governance will be a work in progress. Going forward, we will continue to maintain a sound corporate culture and tackle the process of building optimal governance systems.

## Governance that Supports the Growth of the OSG Group

### M&A and Governance

The OSG Group's current net sales have grown by about three times compared to FY2009, the year after the global financial crisis, and one of the reasons for this growth is our aggressive pursuit of mergers and acquisitions both in Japan and overseas. While some of the deals were less than successful, they provided an opportunity to rethink M&A and governance. Sometimes in M&A, a company may seek a product that it does not have, which I call "puzzle-piece M&A." In some cases, these types of M&A decisions are made by focusing on the product as a piece of a puzzle, without considering the value connected to the product, such as the technology behind the product, the relationship with customers, the corporate culture, and the market. However, what is important when conducting M&A is: "what value is prioritized in assessing a company or business," and, an even more essential element is the "governance" of the partner company. For example, even if you have not had time to gain a deeper understanding of the partner company's corporate culture, knowing their governance will help you imagine how you can work together as colleagues. This is also true for the other party. By having them look at the

governance of the OSG Group, they can understand that it is a Japanese company that manages its business from a global perspective. It is very important to share each other's value, and, if the M&A is based on such sharing, then building out the subsequent governance structure will be smooth and the M&A will lead to the growth of the Company.

### Group Governance

The OSG Group has been globalizing under former Chairman Teruhide Osawa's "trust the locals" management approach, and Group companies have grown by demonstrating their strengths, but as the Group has expanded in size, Group governance was introduced around 2016. What we are aiming for is governance that will develop for the Group as a whole, taking advantage of the features of each Group company and preserving the good qualities that employees perceive in OSG. With nearly 10 years having passed since these efforts began, it continues to be a work in progress. Once you think it is complete, you have veered away from sound corporate management. We will build a system for close communication with each Group company so that we can identify problems and issues as they arise, and implement better Group governance.

### Appropriate Governance Structure

The OSG Group has reformed its governance and changed its structure to facilitate an understanding of OSG as a publicly listed company that operates globally, while maintaining the unifying force of the founding family. In 2016, 10 of our 14 directors were inside directors; today, of the seven directors, four are independent outside directors and three are inside directors. As these details show, OSG is not a top-down company with a pyramid structure. The independent outside directors bring their expertise and knowledge to the table; for example, they share with us and exchange opinions on input from market players and market participants in real time. As a Board of Directors with such expertise and independence as its strength, we will continue to fully leverage these functions.





Akito Takahashi

Outside Director, Audit & Supervisory Committee Member

Kayoko Yamashita

Outside Director, Audit & Supervisory Committee Member

## Effectiveness of the Board of Directors and OSG's Corporate Culture

### Our Vision for 2030

The OSG Group has a long-term vision through FY2030 and is rolling out Beyond the Limit, our three-stage Medium-Term Management Plan for targeting this vision. Two of the Group's outside directors offered their comments on the current Board of Directors and OSG's aims for sustainable growth as an essential player contributing to the manufacturing industry.

#### OSG Group's Corporate Culture and Strengths

Our unique strengths alongside our corporate culture have a substantial impact on OSG's growth. We asked two of our outside directors to share their views on the attributes of the Group's culture and strengths.

**Takahashi:** If I had to express this company's corporate culture in one word, it would be "liberal." The company has an openness to free and active debate, including on the Board of Directors. I think major factors in this are the extremely sincere manner in which Chairman Ishikawa and President Osawa listen and individually participate in frank discussions and discourse. I first joined the company as an outside director in 2018, when Chairman Ishikawa was company president, but I felt the liberal climate of the company from the beginning.

**Yamashita:** I agree. My impression is that it is an open and

transparent company and I also see this when I observe the employees. Part of our job is to visit factories and I have noticed that employees are extremely sincere, they offer suggestions, and supervisors respond by earnestly listening to the things they should listen to. My sense is that the open and transparent corporate culture is having a positive influence on employees and on business. Going forward, I expect further growth to be possible as OSG leverages this sincerity as one of its strengths and as employees take a creative and flexible approach to their work.

**Takahashi:** Yes, indeed. It certainly seems that the sincerity of employees is linked to the Group gaining a very high level of global market share. The cutting tools made by OSG are indispensable for manufacturing. In this industry, a business model geared toward rapid profit growth through rapid innovation may not actually be the optimum solution. Rather, I think the model should be one where a company plays a key role in supporting the front lines of manufacturing, which requires that each and every product be diligently crafted and supplied to users without interruptions. OSG has boosted its reliability by being an early pioneer in global

expansion, while quickly understanding the needs of local customers and continually supplying—without delay—high-quality products when they are needed. The Group did not gain a leading global market share in one leap, but built up this position through steady, accumulated effort. Additionally, what has supported this growing market share has been a global framework for supplying consistently high-quality products and services that include raw material procurement, product development and design, production, sales, and after-sales services. I think this framework can be described as one of OSG's strengths.

**Yamashita:** Speaking of strengths, we should also include how the Group has adopted a global perspective. In the 1960s, OSG set forth a corporate philosophy of having a "global presence." In the 1990s, after Japan's economic bubble collapsed, the Company touted the slogan "Economic Global Presence." The management approach of the former chairman, the late Teruhide Osawa, adopted the belief that "the OSG Group would not grow unless it found a means of surviving overseas, in the same way that people in years past had gone out into the world to find work elsewhere." Through many years of expanding its business globally, the Group has gained a deep-seated global perspective of marketing and manufacturing, while many of its employees have professional experience being posted overseas. I think that a major strength of the Group is this foundation of having employees that are not averse to doing business on a global stage.

**Takahashi:** What you say is correct. Perhaps because the Group was early in expanding globally, I feel like it has a high degree of flexibility and adaptability to change. One example can be seen if you go to a domestic OSG factory. You will see lively communication with engineers from abroad. I have heard that employees are able to converse with these visitors through product diagrams, even without fully understanding each other's language. My impression is that even when an issue arises, OSG employees do not shrink away, but demonstrate poise by considering what can be done and then giving it a try. This composure also seems to show in how employees respond when taking on new challenges and handling unforeseen trouble.

**Yamashita:** I fully agree. I feel that OSG has a spirit that is extremely willing to take on challenges. A culture of not being beholden to the past and boldly taking on new challenges is deeply rooted in this company. The importance of human resources has been recognized in recent years. However, since we will be entering an age in which it will be difficult to acquire ever more talented staff, I think it would be wise to approach employees while leveraging OSG's corporate culture and unique strengths.

### Challenges to Tackle for Achieving the Long-Term Vision

OSG has outlined a three-stage Medium-Term Management Plan and will be entering Stage 2 after the fiscal year ending November 2025. What do you think are the current issues the Group must tackle?

**Yamashita:** In the three stages of its Medium-Term Management Plan, OSG is endeavoring to gradually change the composition of its customer-specific portfolio. In order to respond to changes in the external environment, such as social and industrial composition, I

think it is important to nimbly sense these changes and continue executing our business projects out to 2030. Additionally, as we achieve our Medium-Term Management Plan goals, it will be essential for all actively engaged employees to understand the Medium-Term Management Plan and approach their tasks with a sense of ownership. So, I think one issue will be the extent to which the Medium-Term Management Plan is disseminated to all employees. Considering OSG's corporate culture, I do not think it will be hard to disseminate the Medium-Term Management Plan to employees, though it will be important to boost their sense of urgency and awareness, while also strengthening OSG's framework for tackling the Medium-Term Management Plan.

**Takahashi:** With regard to the point about employees having a sense of ownership, I feel that it is meaningful that OSG has devised the restricted stock incentive plan for its Employee Shareholding Association. My understanding is that when employees hold shares in their own company, it increases their interest in company performance and ultimately imparts a positive change to awareness of the company and one's own work. At the same time, with regard to important issues, I think that it would be beneficial to incorporate more evidence-based judgments in the OSG Group's sustainability initiatives. At present, we have a Sustainability Committee that deliberates and decides on policies and initiatives, while making regular reports on activities to the Board of Directors. However, in this opaque and uncertain modern society, there is no guarantee that we can achieve our goals even if we do what we are supposed to do. At every opportunity, it is necessary to appropriately gather information and make judgments based on the results of analysis.

Investment in human capital is also essential for sustainable corporate growth. Please share your views on this and its related challenges.

**Takahashi:** Currently, I think that the mainstream approach is to strive for diversity in terms of a company in which everyone can work comfortably, as opposed to a company in which specifically women can work comfortably. I would like companies to strive to steadfastly provide an environment conducive to flexible work during each stage of life, while simultaneously becoming a company in which employees take part in creating a workplace that is comfortable for themselves. In OSG's case, the Group is able to



## Corporate Governance | Roundtable Talk with Outside Directors of OSG



extend a hand in times of hardship and suggest possible options to try, while also showing generosity in terms of acceptance for difficult situations. I think that a company in which all employees can work comfortably is achievable without a great reformation, but instead by adding needed elements to the systems that have been built up to this point. Going forward, I feel that the management team will need to show leadership in striving to build a framework that allows for the full engagement of employee abilities.

**Yamashita:** OSG has a sufficiently robust work environment with its current systems, but as Director Takahashi has said, going forward I would like the Group to become able to provide a work environment that meets each individual's needs. Going one step further, that would be a company where those who want to work extra can work extra and those who want to prioritize work-life balance are able to do so without hesitation. Rather than one uniform approach through work style reform, I think that establishing a framework and environment that allows employees to select the work style they desire is an important element for companies of the future, and will be an inflection point in whether we are able to secure high-quality human resources.

### A Board of Directors that Supports the Sustainable Growth of OSG

The role of a board of directors is to exercise leadership to face business challenges and pursue sustainable growth. What are the characteristics of OSG's Board of Directors?

**Takahashi:** OSG pursues enhanced corporate governance with a steadfast Board of Directors, the composition of which could be described as extremely conducive to taking on challenges. The seven directors include Chairman & CEO Ishikawa, President & COO Osawa, plus five directors who are members of the Audit & Supervisory Committee, four of whom are independent outside directors, and one of whom is a non-executive inside director. I feel that this structure is conducive to effective corporate governance and that the division of CEO and COO roles is clear, with President Osawa (who is COO) handling all authority related to business execution, and Chairman Ishikawa (who is CEO)

carrying out supervision of those activities. Outside directors not only voice input relevant to their personal areas of specialty, which cover diverse professional backgrounds, but also share anything they notice based on their experience and expertise. I feel that having wide-ranging input from the perspectives of members who have accumulated outside experience is the very definition of a corporate governance framework in which outside directors comprise a majority of directors overall.

**Yamashita:** That sounds right. From the time I became an outside director until now, I have never felt any difficulty in voicing my opinion to Chairman Ishikawa and President Osawa.

**Takahashi:** There has been no time at which Chairman Ishikawa and President Osawa insist on taking opinions and forcing conclusions. Although OSG is a company that draws part of its strength from the reliability and robust character of its founder, meetings proceed in a rational and sound manner, and, whenever we do not arrive at a conclusion, the reasons for that are clarified and on-going deliberation follows.

**Yamashita:** With regard to agenda items that require deep inquiry, we have been able to receive detailed material sufficiently ahead of time to allow for ample preparation. The approach has been one of quickly providing information as it becomes available, rather than waiting until all the information is available, which has been tremendously helpful and, to me, is evidence of the administrative office's effort and ingenuity.

What has been your impression of the role that independent outside directors are asked to fulfill on the Board of Directors?

**Takahashi:** My understanding of my role is to leverage my experience as an attorney and an outside director of other companies in order to contribute to the continuous improvement of risk management and corporate value. Although OSG has legal advisors, I think that I am able to offer useful expertise because of my involvement in management on the director level. Furthermore, I understand the position of an outside director with diverse skills to be one of engaging in responsible management while sharing knowledge and experience from one's area of specialty.

**Yamashita:** With my experience not only as a certified public accountant, but also in conducting audits as an external auditor, I understand my role to entail advising and auditing OSG's systems for internal control, and I strive to provide insight in this regard. In recent years, various demands are being made of companies from the perspective of corporate governance. It seems that, rather than a simple response, companies are being strongly called upon by stakeholders to consider their position and provide clear messages and policies on what actions are being taken. To be sure, we must strictly adhere to regulations and proactively make required disclosures, but it is another matter to consider whether rules and requirements are being incorporated into management practices. Endeavoring to integrate this into management is no small task, but I think that OSG, and other companies as well, must communicate their policies and continue striving.

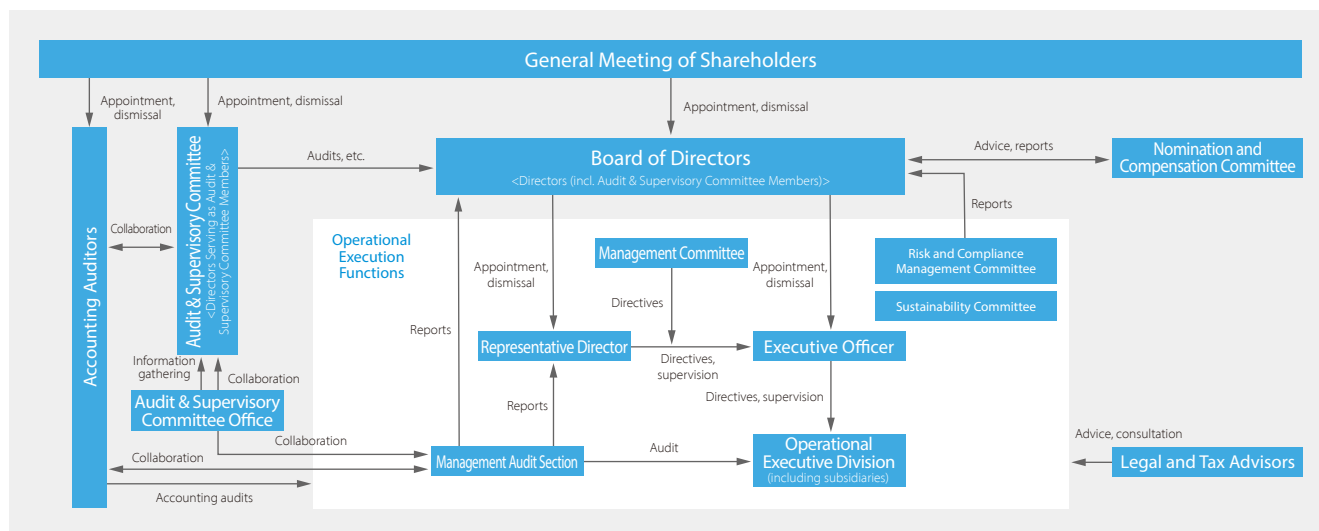
# Corporate Governance

We will continue to develop a highly effective corporate governance structure and strive to enhance this framework.

## Basic Philosophy

Based on our corporate philosophy of maintaining a global presence, we regard compliance with laws, regulations, and social norms as a fundamental part of our management policies, together with fairness and transparency in our business activities. We also believe these qualities contribute to sustainable corporate development and enhancement of corporate value. Measures to enhance corporate governance, including the establishment of efficient and transparent management organizations, are among our most important management priorities for achieving these objectives. One of the ways in which we enhance corporate governance is by raising compliance awareness among directors, executive officers, and employees of OSG and our group companies through dissemination of the OSG Philosophy and OSG Company Ethics Pledge, which provide specific guidelines designed to raise ethical standards within the company.

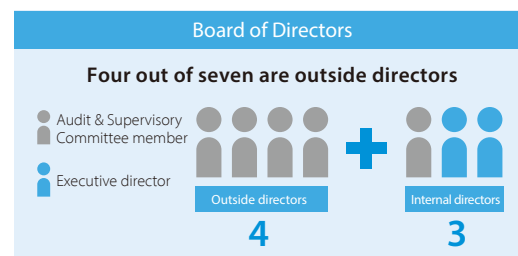
## Corporate Governance Structure



## Overview of Corporate Governance Structure

Having selected to establish an audit and supervisory committee, OSG's corporate governance structure consists of the Board of Directors, Audit & Supervisory Committee, and accounting auditors. The role of the Board of Directors is clearly defined under this structure. Operational execution functions are performed by executive officers, while the Board of Directors is responsible for decision-making and the supervision of operational execution actions. To strengthen decision-making functions, the seven-member Board of Directors includes two members who are also involved in business operations as executive officers. The remaining five directors, four of whom are outside directors, are also members of the Audit & Supervisory Committee. All of OSG's four outside directors are independent officers as stipulated in the listing rules. With the five members of the Audit & Supervisory Committee, including these highly independent outside directors, also having seats on the Board of Directors, we believe we have put in place a corporate governance structure that verifies and ensures management transparency and appropriateness so as to provide an environment in which management oversight functions effectively.

In addition, OSG has adopted an executive officer system to ensure effective responses to changes in the business environment, as well as to clarify the roles and responsibilities of the executive organization. The executive officers are solely responsible for the performance of business operations in accordance with policies determined by the Board of Directors. They strive to make performance more expeditious and efficient in a timely manner.



## Nomination and Compensation Committee

OSG has established a Nomination and Compensation Committee to serve as an advisory body to the Board of Directors. Its purpose is to strengthen the independence, objectivity, and accountability of board functions through the appropriate involvement of independent outside directors and the provision of advice in relation to the appointment of directors, executive officers, and other corporate offices and their compensation. The Nomination and Compensation Committee consists of directors who are also members of the Audit & Supervisory Committee. Four of the five members are highly-independent outside directors. In addition, an outside director chairs the committee. Persons deemed suitable to be directors of OSG, on the basis of their extensive experience, advanced knowledge, and high-level specialization, are selected and nominated as candidates for membership on the Board of Directors. The Board of Directors makes decisions on appointments after seeking and receiving advice from the Nomination and Compensation Committee.

For details about OSG's procedures for determining compensation, please refer to Compensation for Company Officers on p. 56.

Name of committee	Nomination and Compensation Committee
Number of members	5
Internal directors	1
Outside directors	4
Outside experts	0
Chairperson	Outside director



## Corporate Governance

### Reasons for Appointment of Outside Directors & Concurrently-Held Positions

Outside directors	Audit & Supervisory Committee member	Reasons for appointment	Positions held concurrently
Akito Takahashi	○	Mr. Takahashi has extensive experience and advanced knowledge and specialist skills gained through his career as an attorney. As a legal expert, he was judged to be a person who would participate in board meetings from an independent perspective and contribute to management auditing and supervision. In addition, he is not associated with any OSG-affiliated company, major supplier or customer. It was deemed that he presents no risk of conflicts of interest with general shareholders. Therefore, the decision was made to appoint him as an outside director.	● Outside Director, Oriental Consultants Holdings Co., Ltd.
Kunihiko Hara	○	Mr. Hara has extensive experience and knowledge of corporate management, in addition to an academic career spanning many years. He was judged to be a person who would participate in board meetings from an independent perspective and contribute to management auditing and supervision. In addition, he is not associated with any OSG-affiliated company, major supplier or customer. It was deemed that he presents no risk of conflicts of interest with general shareholders. Therefore, the decision was made to appoint him as an outside director.	● Designated Professor, Future Value Creation Research Center, Nagoya University Graduate School, Tokai National Higher Education and Research System
Kayoko Yamashita	○	Ms. Yamashita has extensive experience, advanced knowledge, and specialized skills gained through her career as a certified public accountant. As an expert in accounting and tax affairs, she was judged to be a person who would participate in board meetings from an independent perspective and contribute to corporate management auditing and supervision. In addition, she is not associated with any OSG-affiliated company, major supplier or customer. It was deemed that she presents no risk of conflicts of interest with general shareholders. Therefore, the decision was made to appoint her as an outside director.	● Outside Audit & Supervisory Board Member, Sotoh Co., Ltd. ● Outside Audit & Supervisory Board Member, Fuji Corporation
Yoshitsugu Hayashi	○	Mr. Hayashi has extensive experience and broad knowledge acquired over a long academic career. He was judged to be someone who would participate in board meetings from an independent perspective and contribute to corporate management auditing and supervision. In addition, he is not associated with any OSG-affiliated company, major supplier or customer. It was deemed that he presents no risk of conflicts of interest with general shareholders. Therefore, the decision was made to appoint him as an outside director.	● Distinguished Professor, Chubu University ● Executive Committee member, The Club of Rome

\*As of Feb. 21, 2025

### Evaluation of Effectiveness of the Board of Directors

To enhance the Board of Directors' functions, OSG began conducting analyses and evaluations of the Board's effectiveness in FY2022. To ensure the FY2024 effectiveness evaluation would be objective and transparent, the support of an external organization was secured and the evaluation conducted in September 2024. A session of the Board of Directors was held in November 2024 to analyze, discuss, and evaluate the results. An overview of those evaluation results is given below.

Description	
<b>Targets</b>	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) for a total of 7
<b>Evaluation method</b>	Anonymous questionnaire
<b>Time frame</b>	Response period (Sep. 17 – Oct. 2, 2024)
<b>Overview of questions</b>	<ul style="list-style-type: none"> <li>• Composition of the Board of Directors</li> <li>• Operation of the Board of Directors</li> <li>• Deliberations by the Board of Directors</li> <li>• Monitoring function of the Board of Directors</li> <li>• Performance of Outside Directors (incl. Audit &amp; Supervisory Committee Members)</li> <li>• Support structure for Directors (incl. Audit &amp; Supervisory Committee Members)</li> <li>• Training</li> <li>• Dialogues with shareholders (investors)</li> <li>• Voluntary initiatives</li> <li>• Nomination and Compensation Committee</li> <li>• Summary</li> </ul>
<b>Evaluation method</b>	Survey results were consolidated by an external organization and then analyzed, discussed, and evaluated by the Board of Directors

#### Evaluation Results

The survey responses gave a favorable evaluation to the manner in which the Board of Directors is expected to operate and its response to those expectations. There is a recognition that the Board of Directors has maintained its effectiveness overall. On the other hand, more in-depth comments were provided about further enhancing support systems, coordination with internal auditing departments, sharing details of dialogues with shareholders and other investors, as well as exchanging views with outside directors. The results shared an awareness that the Board of Directors faces challenges in encouraging discussion and further improving the functions that it exercises.

#### Initiatives for Enhancing Effectiveness

Once the OSG Board of Directors has taken into consideration this effectiveness evaluation and conducted a sufficient review of the challenges faced, it intends to respond promptly and to continue to further initiatives augmenting its functions. There is a substantial support structure for specific measures addressing challenges that strengthens operational collaboration with executive officers and the secretariat and allows issues to be regularly shared with internal audit divisions. In addition, pertinent details of dialogues with shareholders and investors are shared by personnel handling investor relations.

## Compensation for Company Officers

### Compensation Structure

Compensation for directors (excluding directors who are members of the Audit & Supervisory Committee) consists of fixed basic compensation, variable compensation linked to business performance, and allocations of restricted stock. Since directors who are members of the Audit & Supervisory Committee are independent from the other directors and not involved in the execution of business operations, their compensation consists solely of fixed compensation.

#### Fixed Compensation

The total amount of fixed compensation is determined within the upper limit defined by a resolution of the 103rd Ordinary Shareholders' Meeting held on February 20, 2016. Compensation is set at ¥396 million per year for directors (excluding directors who are members of the Audit & Supervisory Committee), and ¥84 million per year for directors who are also members of the Audit & Supervisory Committee.

#### Variable Compensation

Starting in the fiscal year ended November 2019, the company has provided variable compensation in the form of profit-linked bonuses in line with the definition of profit-linked salaries as provided in Article 34, Paragraph 1 Item 3 of the Corporation Tax Act, as well as personal assessment bonuses.

##### ● Profit-linked Bonuses

- Eligibility: Managing directors and eligible directors who are serving as executive officers
- Calculation method: Amount of profit-linked bonus = Consolidated operating income X Rank-based bonus standard coefficient (table below) \*Maximum of ¥700 million

##### ● Rank-based bonus ratio

Rank	Percentage
Chairman & Representative Director	0.3645%
President & Representative Director	0.4050%
Managing Officer	0.1620%

##### ● Personal Assessment Bonuses

- Eligibility: Managing officers
- Calculation method: Personal assessment bonuses are paid according to qualitative assessments of each person's contribution to business performance. The maximum amount shall be ¥50 million.

#### Compensation Based on Allocations of Restricted Stock

- Eligibility: Directors (excluding members of the Audit & Supervisory Committee)
- The amount of compensation is determined within the upper limit of total compensation determined by resolution of the 106th Ordinary Shareholders' Meeting held on February 16, 2019. The maximum total value of shares allocated to eligible directors (excluding members of the Audit & Supervisory Committee) is set at ¥200 million per year, and the maximum total number of the company's ordinary shares that can be issued or disposed of is 100,000 per year. The purpose of this system is to provide an incentive to achieve continual improvement in the company's performance and corporate value as well as to increase value shared with shareholders.

### Policy for Determining Compensation Packages

The policy for determining the specifics of compensation and other remuneration for directors is drafted by the Representative Director entrusted with preparing the company policy by the Board of Directors. The representative director then seeks and receives advice from the Nomination and Compensation Committee, which is comprised of a majority of independent outside directors. The policy is decided on by resolution of the Board of Directors.

### Process for Determining Compensation

#### Fixed Compensation, Compensation Based on Allocations of Restricted Stock

In order to determine the amount of compensation for directors (excluding members of the Audit & Supervisory Committee), the Board of Directors delegates responsibility to the Representative Director to prepare proposed compensation amounts according to standards set by the company. The proposed amounts are then referred to the Nomination and Compensation Committee. Based on the response from the Nomination and Compensation Committee, the amounts are then finalized by a resolution of the Board of Directors. The amount of compensation for directors who are also members of the Audit & Supervisory Committee is determined through consultation among those directors.

The company discontinued payment of retirement bonuses for corporate officers at the conclusion of the 92nd Ordinary Shareholders' Meeting held on February 19, 2005.

#### Variable Compensation

Variable compensation is linked to the company's business performance. The Representative Director is delegated by the Board of Directors to calculate the proposed amounts for profit-linked bonuses and personal assessment bonuses using the methods outlined above. These proposed amounts are then submitted to the Nomination and Compensation Committee. Based on the report from the Nomination and Compensation Committee, the Board of Directors determines the final amounts to be paid, subject to approval of the total amount by a resolution of the ordinary shareholders' meeting.

### Reduction in Cross-Shareholdings

The Board of Directors conducts annual reviews to determine whether to continue the practice of cross-shareholdings. Those for which the Board of Directors deems there to be no rationale for their continued holding are gradually sold off. The criteria for such determinations include the purpose of such holdings, risks, and the relationship with OSG. The cost of capital is also taken into account. As for the exercise of voting rights, the Board of Directors does not make decisions based solely on the short-term performance and share price of the stock of the company held, but comprehensively considers the relationship with OSG in making such determinations.

[Amount: Millions of yen]

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of stocks sold	0	0	1(1)	0	2(1)
Amount sold	0	0	118	0	28
Book value	0	0	20	0	13
Profit/loss on sale	0	0	98	0	15
Market value held/shareholder equity (%)	4.3	3.6	3.6	4.3	6.4

Figures in parentheses indicate number of stocks sold off.

## Corporate Governance

# Risk and Compliance

## Basic Approach to Risk and Compliance

In addition to measures to improve management transparency and fairness as well as ensure timely information disclosure, OSG has also established Risk Management Rules, which are the framework for creation of risk management structures to maintain management soundness and corporate ethics in the OSG Group. We have also established a Risk and Compliance Management Committee to ensure effective and efficient implementation of the Risk Management Rules. The committee's role is to formulate basic risk management policies, as well as consider and implement timely countermeasures after assessing the significance and urgency of risks.

### Risk Management Policy

OSG Group strives to ensure the smooth operation of our business by preventing potential risks from arising, responding to risks that do occur, and establishing a system for risk management. Risks are divided into those associated with the external environment, risks associated with business processes, and risks associated with our internal environment. Risks that management recognizes as likely having a major impact on our financial position, business performance, and cash flow are listed in the table to the right.

### Risk Classification

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 (Business Continuity Plan)

As part of our Business Continuity Plan (BCP), OSG conducts annual drills under the guidance of upper management, while taking into consideration the projected impact on each business site. These drills are based on an estimated earthquake model using the results of a comparison of the impacts of large earthquakes and tsunamis that have repeatedly occurred in the Nankai Trough area in the past. Furthermore, we are also dedicating effort to preventing workplace injuries, identifying everyday safety risks, and educating employees about safety.



A first-response drill following the BCP

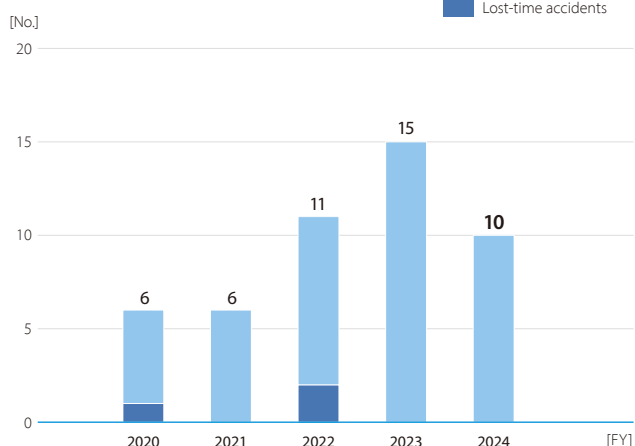
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OSG has formulated a BCP that takes into account an earthquake along the Nankai Trough in the South Sea or Southeast Sea segment (which is an event forecast to occur in the near term), and we conduct training and educational exercises. Moreover, even if a large-scale disaster occurs, a secure living environment with essentials such as water and food is always assured and ready for employees at each business site until a relief system can be established by the municipal or national government.

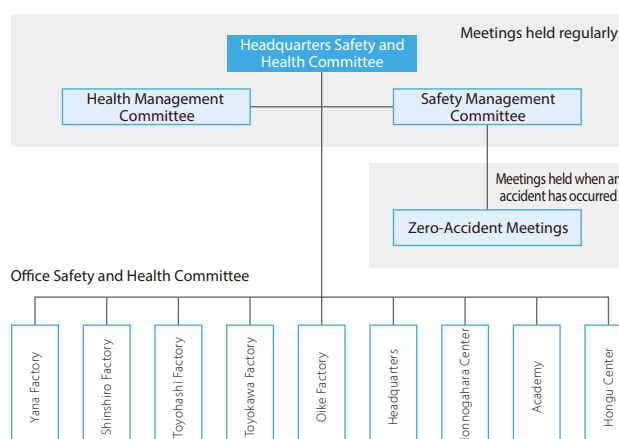
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During times of non-emergency, the Safety and Health Committee, which meets monthly, identifies hazardous work, hazardous equipment, and other such risks, and strives to mitigate the impact of a natural disaster or human error on production.

### Number of Occupational Accidents



### Company-wide Safety and Health Committee



## Information security

OSG Group has strived to enhance information security. We established a Basic Information Security Policy to maintain the trust of our customers and society as well as protect information assets from threats such as accidents, natural disasters, and criminal activity in today's highly information-oriented society. This is part of our efforts to continue to provide products and services that satisfy our customers' needs. To minimize the risk of an accident or other internal incident occurring, we thoroughly educate all employees about compliance with legal and contractual requirements commensurate with the level of secrecy of the information assets handled. In preparing for external risks, we continue to assess risks to information systems and develop countermeasures as well as raise the level of

security literacy among our employees. We have conducted information system risk evaluations in response to continually changing cybercrime techniques, and adopted a series of measures to address any elements of risk. The necessary investments have been made with a view to minimizing the scope of impact in the unfortunate event that we do sustain damage as well as to ensure business continuity. As part of our measures to educate employees, OSG has endeavored to educate our personnel so they are more literate about information security. We conduct training with exercises using targeted emails and other schemes so employees are able to recognize recent cybercrime trends and maintain capabilities commensurate with our advanced information society.

## Compliance

### Basic Philosophy

The OSG Company Ethics Pledge was established as a set of values and ethics that we thoroughly practice to ensure all directors, executives, and employees at OSG Group companies conduct business activities based on social common sense and comply with laws, regulations, and social standards. The Company Ethics Pledge comprises two sections: business ethics norms and company action

standards. Business ethics norms are guidelines establishing the basis upon which business activities should be carried out and how personnel should conduct themselves in order to ensure the prompt and appropriate implementation of fair and appropriate practices. Company action standards are a detailed code of conduct to ensure the implementation of the business ethics norms.

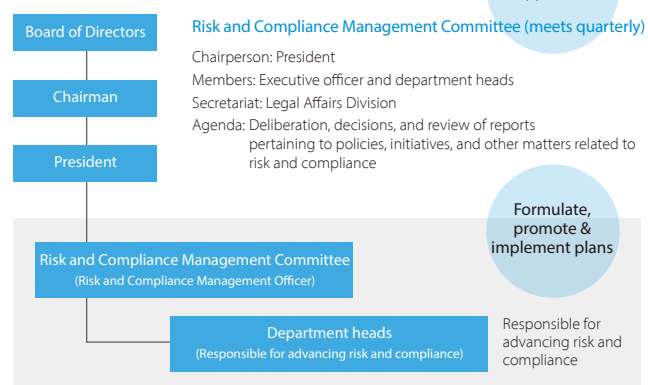
### Promotion of Compliance

Even as we comply with laws, regulations, and other rules, OSG has appropriately maintained and reassessed the OSG Company Ethics Pledge to incorporate training measures when employees are assigned to design, development, or other compliance-related units as part of our training as well as professional education for new employees and others. We have worked to raise our employees' awareness of compliance. Not only do we thoroughly work to uphold conventions such as compliance, adherence, and rule enhancement, but we also strive through training to imbue a sense of pride in our company as well as foster awareness and promote understanding of compliance in each and every one of our employees.

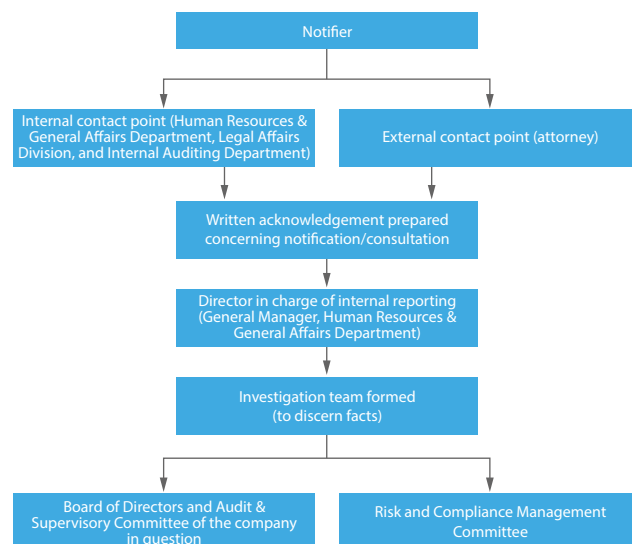
### Internal Reporting System

OSG Group has established internal reporting standards, which provide a mechanism to ensure that reports and consultations are appropriately handled regardless of whether they are received from within the company or without, as concerns organizational or individual violations of laws and regulations in any corporate activity, personal violations of laws and regulations, fraudulent activities, and actions in violation of the OSG Company Ethics Pledge. Upon receipt of a report or consultation from an individual, an investigation team endeavors to discern the facts. If the results of the investigation so dictate, disciplinary provisions in the employment regulations of the relevant OSG Group company are applied, and measures taken to prevent any recurrence. After recurrence prevention measures have been adopted, the director in charge of internal reporting confirms the adopted measures are functioning sufficiently and contributing to strengthening corrective compliance management as well as early detection, in addition to preventing any legal or regulatory violations and protecting the person who came forward with the notification or consultation.

### Compliance Promotion System



### Internal Reporting System





# Corporate Officers

As of February 21, 2025

## Directors



Chairman & Representative Director  
Chief Executive Officer (CEO)

**Norio Ishikawa**

May 1983 Seconded to OSG Tap and Die, Inc. (now OSG USA, Inc.)  
Aug. 1999 President, OSG Europe S.A.  
Feb. 2001 Director  
Feb. 2003 Executive Officer  
Feb. 2004 Director  
Feb. 2007 President and Chief Operating Officer (COO)  
Feb. 2017 President & Chief Executive Officer (CEO)  
Feb. 2021 Chairman & Chief Executive Officer (CEO) (current position)



President & Representative Director  
Chief Operating Officer (COO)

**Nobuaki Osawa**

Nov. 1997 Seconded to Norman Taps and Dies Limited (now OSG UK Limited)  
Oct. 2003 Representative Director, OSG UK Limited (current position)  
Dec. 2004 Representative Director & President, OSG Europe S.A.  
Feb. 2010 Managing Director  
Jan. 2014 Representative Director & Chairman, OSG Europe S.A. (current position)  
Sep. 2016 President, Osawa Scientific Studies Grants Foundation (current position)  
Feb. 2018 Managing Officer  
Feb. 2019 Director & Senior Managing Officer  
Feb. 2021 President and Chief Operating Officer (COO) (current position)



Director  
(Full-time Member, Audit & Supervisory Committee)

**Takehiro Tomiyoshi**

Apr. 1982 Joined Nomura Securities Co., Ltd.  
Oct. 2016 Joined OSG Corporation  
General Manager, New Business Department  
Feb. 2017 Executive Officer in charge of New Business Development  
Feb. 2018 Executive Officer in charge of Strategic Planning Office  
Feb. 2020 New Business Development Office  
Feb. 2022 Director (Full-time Member, Audit & Supervisory Committee) (current position)



Director  
(Audit & Supervisory Committee Member)

**Kunihiro Hara\***

Jun. 1998 Director, Denso Corporation  
Jun. 2002 Senior Managing Director, Nippon Soken Research Institute (now SOKEN, Inc.)  
Jun. 2005 Managing Director, KONPON Research Institute (now Toyota KONPON Research Institute)  
Jun. 2007 Director & Vice President, KONPON Research Institute (now Toyota KONPON Research Institute)  
Jun. 2010 Advisor, KONPON Research Institute (now Toyota KONPON Research Institute)  
Jul. 2010 Specially-Appointed Professor, "Tailor-Made Baton-Zone" Education Promotion Office, Toyohashi University of Technology  
Apr. 2016 Vice President, Toyohashi University of Technology (responsible for strengthening research capabilities)  
May 2018 Specially-Appointed Professor, Nagoya University (Innovation Strategy Office)  
Jun. 2018 Professor Emeritus, Toyohashi University of Technology (current position)  
Feb. 2020 Director (Audit & Supervisory Committee Member), OSG Corporation (current position)  
Apr. 2020 Designated Professor, Future Value Creation Research Center, Nagoya University Graduate School, Tokai National Higher Education and Research System (current position)



Director  
(Audit & Supervisory Committee Member)

**Kayoko Yamashita\***

Apr. 1996 Admitted as a certified public accountant  
Apr. 2006 Established Yamashita Certified Public Accounting Firm, Partner (current position)  
Apr. 2008 Admitted as a certified tax accountant  
Jun. 2015 Outside Audit & Supervisory Board Member, Sotoh Co Ltd. (current position)  
Outside Audit & Supervisory Board Member, FUJI Corporation (current position)  
Feb. 2022 Director (Audit & Supervisory Committee Member), OSG Corporation (current position)



Director  
(Audit & Supervisory Committee Member)

**Yoshitsugu Hayashi\***

Apr. 1992 Professor, Nagoya University Graduate School  
Jul. 1992 President, World Conference on Transport Research Society (current position)  
Apr. 2006 Dean, Nagoya University Graduate School of Environmental Studies  
Jul. 2013 Chairman, World Conference on Transport Research Society (current position)  
Jul. 2015 Member, The Club of Rome (current position)  
Apr. 2016 Emeritus Professor, Nagoya University Professor, Research Institute for Science and Technology, Chubu University  
Jun. 2017 Outside Director, FUJI Electric Co., Ltd.  
Mar. 2019 President, Japan Association of The Club of Rome (current position)  
Apr. 2019 Director & Visiting Professor, Joint Institute for Transport Studies, Tongji University (China) (current position)  
Jun. 2019 Distinguished Guest Professor, Tsinghua University (China) (current position)  
Oct. 2020 Executive Committee Member, The Club of Rome (current position)  
Apr. 2021 Distinguished Professor, Center for Sustainable Development and Global Smart City, Chubu University (current position)  
Feb. 2024 Director (Audit & Supervisory Committee Member), OSG Corporation (current position)  
Apr. 2024 Distinguished Professor & Advisor to the President, Tokai-Gakuen University (current position)

\*Outside Directors

## Executive Officers



Director  
(Audit & Supervisory Committee Member)  
**Akito Takahashi\***

Apr. 2000 Admitted as attorney-at-law in Japan  
 Apr. 2005 Admitted as attorney-at-law in New York State  
 Sep. 2009 Established Takahashi & Katayama Law Firm,  
 Partner (current position)  
 Mar. 2015 Outside Director, Nippon Carbon Co., Ltd.  
 Dec. 2015 Outside Director, ACK Group, Ltd. (now Oriental  
 Consultants Holdings Co., Ltd.) (current position)  
 Feb. 2018 Director (Audit & Supervisory Committee  
 Member), OSG Corporation (current position)  
 Jun. 2022 Outside Director, Toa Oil Co., Ltd.

Managing Officer	Hideaki Osawa
Managing Officer	Yasutaka Yoneda
Managing Officer	Osamu Ishida
Senior Executive Officer	Yukinori Chikada
Senior Executive Officer	Koji Agata
Executive Officer	Jeffrey Tennant
Executive Officer	Toshihiro Hisadome
Executive Officer	Yasushi Suzuki
Executive Officer	Kenya Sugihara
Executive Officer	Seungjin Chung
Executive Officer	Hitoshi Masuoka
Executive Officer	Atsushi Iwashiro
Executive Officer	Norihiro Masuda

## Directors' Expertise &amp; Areas of Specialization (Skills Matrix)

As of Feb. 21, 2025

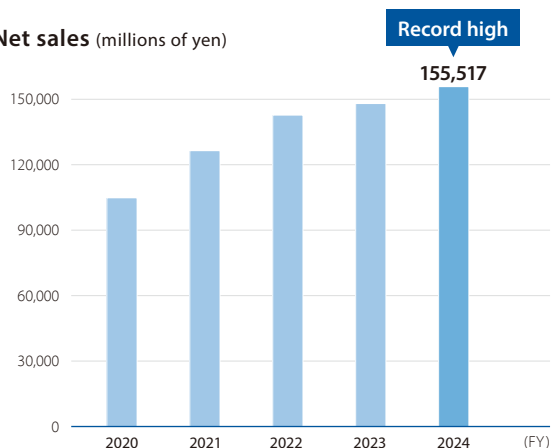
Name	Title/position	Years in service	Independent	Gender	Nomination and Compensation Committee	General management	Production & technology	Sales/marketing	Financial affairs/ accounting	Finance	International affairs	Legal affairs	Risk management	Governance	Diversity
Norio Ishikawa	Chairman & CEO	21		Male		●	●				●		●	●	●
Nobuaki Osawa	President & COO	6		Male		●		●			●			●	●
Takehiro Tomiyoshi	Director Audit & Supervisory Committee member	3		Male	○				●	●		●		●	
Akito Takahashi	Outside director Audit & Supervisory Committee member	7	○	Male	○ Chairperson							●	●	●	
Kunihiko Hara	Outside director Audit & Supervisory Committee member	5	○	Male	○ Vice chairperson	●	●	●					●		
Kayoko Yamashita	Outside director Audit & Supervisory Committee member	3	○	Female	○				●	●					●
Yoshitsugu Hayashi	Outside director Audit & Supervisory Committee member	1	○	Male	○						●			●	●

\*The chart above does not list all the knowledge and experienced of each director, but presents those skills deemed to be representative.

## Financial and Non-Financial Highlights

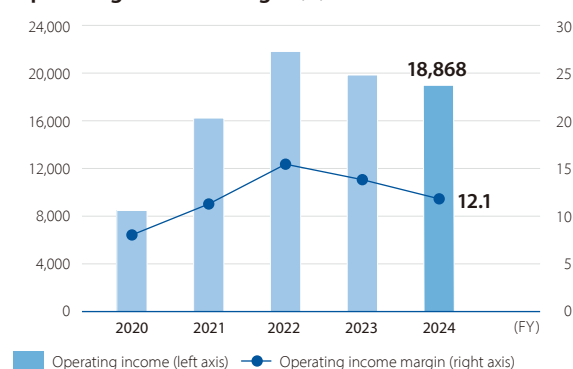
### Financial Highlights

Net sales (millions of yen)



Operating income (millions of yen)

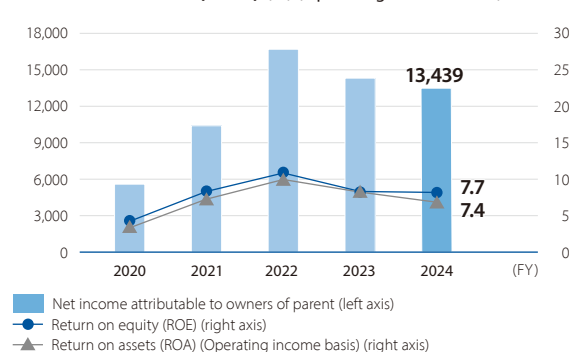
Operating income margin (%)



Net income attributable to owners of parent (millions of yen)

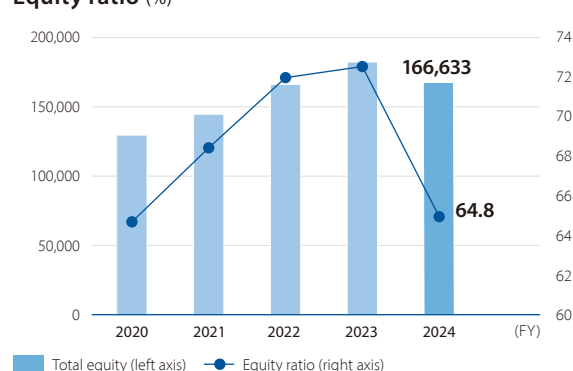
Return on equity (ROE) (%)

Return on assets (ROA) (%) (Operating income basis)



Total equity (millions of yen)

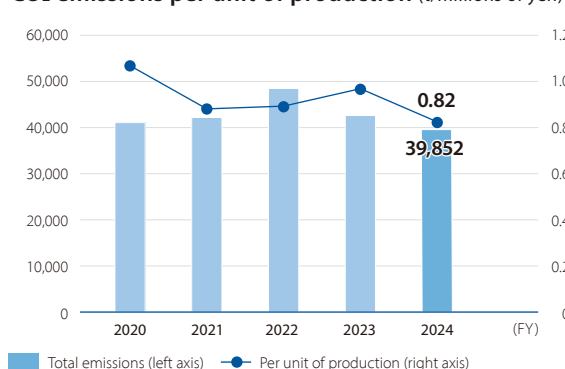
Equity ratio (%)



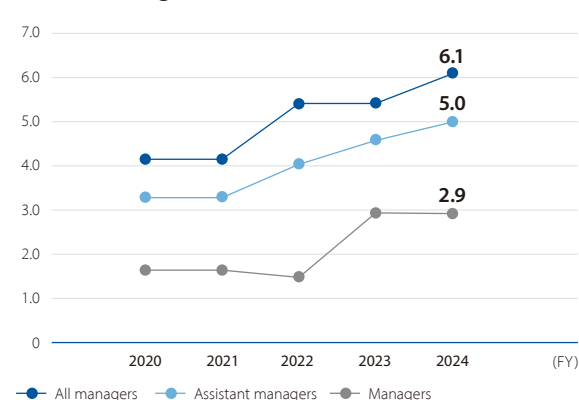
### Non-Financial Highlights

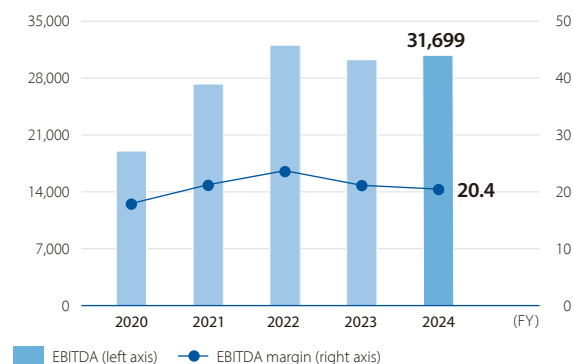
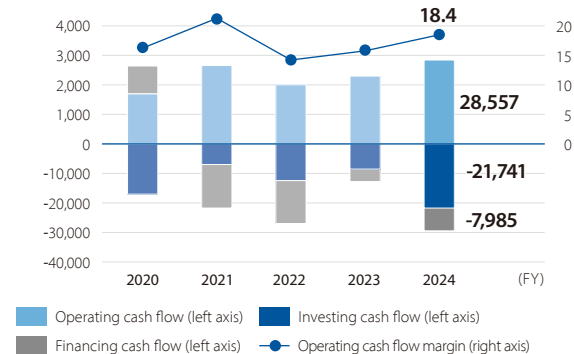
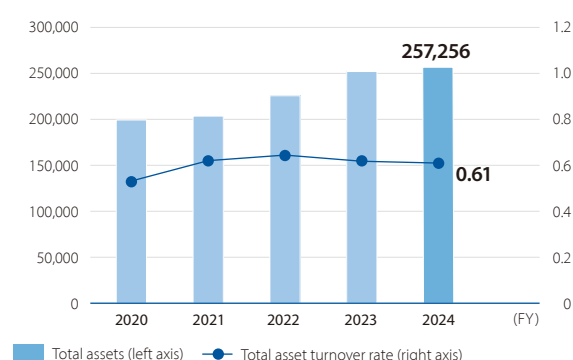
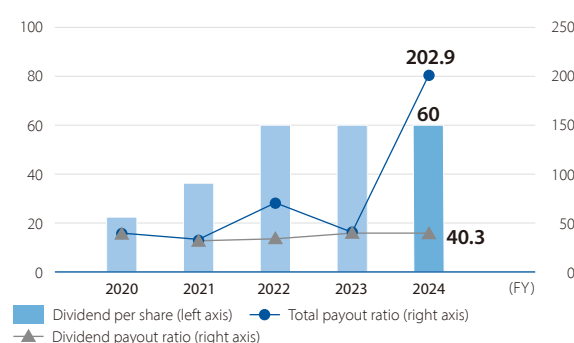
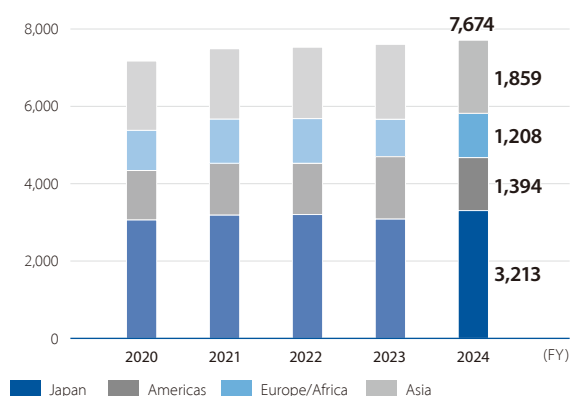
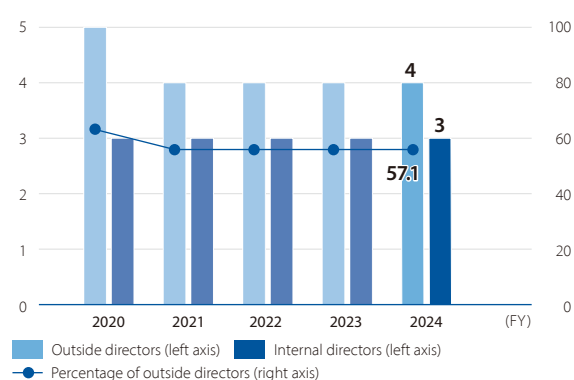
CO<sub>2</sub> emissions (t)

CO<sub>2</sub> emissions per unit of production (t/millions of yen)



Female managers (%)



**EBITDA (millions of yen)****EBITDA margin (%)****Cash flows from operating, investing, and financing activities (millions of yen)****Operating cash flow margin (%)****Total assets (millions of yen)****Total asset turnover rate (multiple)****Dividend per share (yen)****Dividend payout ratio (%)****Total payout ratio (%)****Number of employees****Number of directors****Outside directors (%)**



## Key Financial Data for the Past 10 Years

		2015/11	2016/11	2017/11	
For the year	Net sales	111,917	105,561	120,198	
	Cost of sales	61,865	59,179	69,711	
	Selling, general and administrative expenses	28,454	28,135	31,349	
	Operating income	21,597	18,246	19,137	
	Ordinary income	21,510	17,813	19,144	
	Net income attributable to owners of the parent	12,518	10,134	13,993	
	Cash flows from operating activities	19,588	16,333	20,820	
	Cash flows from investing activities	-16,976	-16,843	-7,566	
	Cash flows from financing activities	-6,216	-778	-11,137	
	Depreciation and amortization	7,705	7,885	8,612	
	Capital expenditures	12,487	13,394	9,494	
	EBITDA	29,474	26,430	28,567	
	Number of employees	5,569	5,866	6,611	
End of fiscal year	Total assets	155,129	156,081	166,712	
	Net assets	113,637	103,059	128,394	
	Interest-bearing debt	20,195	33,506	16,325	
	Total equity	102,566	92,216	115,810	
Per share	Net income (yen)	131.78	110.59	153.70	
	Net assets (yen)	1,079.12	1,024.34	1,191.65	
	Dividends (yen)	46.00	50.00	46.00	
Management indices	Overseas sales ratio (%)	57.8	55.3	57.6	
	Operating income margin (%)	19.3	17.3	15.9	
	Return on equity (ROE) (%)	12.9	10.4	13.5	
	Return on assets (ROA) (%) (Operating income basis)	14.5	11.7	11.9	
	Return on assets (ROA) (%) (Net income basis)	8.4	6.5	8.7	
	Asset turnover ratio (times)	0.75	0.68	0.74	
	Equity ratio (%)	66.1	59.1	69.5	
	EBITDA margin (%)	26.3	25.0	23.8	
	Dividend payout ratio (%)	34.9	45.2	29.9	
Data by product category	Taps	38,239	33,948	38,175	
	Drills	25,743	26,709	31,662	
	End mills	26,554	24,837	27,090	
	Rolling dies	9,921	9,443	10,218	
	Gauges	1,538	1,478	1,625	
	Other	9,919	9,143	11,424	
Sales to external customers by segment	Japan	48,150	48,257	51,639	
	Americas	21,758	19,478	21,413	
	Europe/Africa	11,382	12,268	18,177	
	Asia	30,626	25,556	28,968	

(Millions of yen)

	2018/11	2019/11	2020/11	2021/11	2022/11	2023/11	2024/11
	131,368	126,964	104,388	126,156	142,525	147,703	155,517
	74,833	73,281	65,715	76,969	83,459	87,254	92,042
	34,015	34,128	30,276	33,081	37,166	40,648	44,606
	22,520	19,554	8,396	16,105	21,898	19,800	18,868
	22,567	19,710	8,950	16,141	23,648	21,350	19,825
	14,710	13,686	5,639	10,989	16,534	14,307	13,439
	20,125	19,261	17,038	26,982	20,175	23,331	28,557
	-13,351	-20,314	-17,133	-6,961	-12,170	-8,543	-21,741
	-4,723	3,465	9,658	-14,264	-14,740	-3,831	-7,985
	9,100	9,522	10,518	10,591	10,498	11,037	11,824
	11,464	17,139	9,895	5,555	8,600	10,580	15,509
	32,098	29,612	19,570	27,492	33,277	31,741	31,699
	7,020	7,236	7,173	7,489	7,543	7,563	7,674
	178,020	190,414	200,112	209,757	228,852	250,124	257,256
	138,354	140,658	140,179	154,800	176,838	194,640	179,411
	15,612	26,782	41,769	30,751	25,570	28,676	49,099
	125,332	129,078	129,338	143,811	164,659	181,561	166,633
	150.47	140.06	57.94	112.63	171.54	149.29	148.94
	1,279.29	1,328.08	1,327.22	1,472.45	1,721.14	1,892.35	1,962.21
	47.00	47.00	22.00	36.00	60.00	60.00	60.00
	58.4	57.3	59.4	61.8	64.9	67.0	68.0
	17.1	15.4	8.0	12.8	15.4	13.4	12.1
	12.2	10.8	4.4	8.0	10.7	8.3	7.7
	13.1	10.6	4.3	7.9	10.0	8.3	7.4
	8.5	7.4	2.9	5.4	7.5	6.0	5.3
	0.76	0.69	0.53	0.62	0.65	0.62	0.61
	70.4	67.8	64.6	68.6	72.0	72.6	64.8
	24.4	23.3	18.7	21.8	23.3	21.5	20.4
	31.2	33.6	38.0	32.0	35.0	40.2	40.3
	41,729	39,895	33,671	43,239	50,374	49,050	51,686
	36,811	36,147	29,484	35,721	40,982	42,886	46,105
	27,917	26,690	21,219	24,006	26,383	27,983	29,366
	10,645	9,973	7,947	10,052	10,616	11,035	11,100
	1,757	1,946	1,712	1,747	1,991	1,968	2,405
	12,508	12,310	10,354	11,387	12,176	14,778	14,852
	55,287	54,725	42,816	48,935	50,858	49,619	50,516
	22,680	23,152	18,818	21,915	27,845	32,126	34,537
	22,134	20,893	19,396	24,573	28,964	33,590	36,536
	31,266	28,193	23,356	30,732	34,856	32,367	33,926

## Engagement with Stakeholders

The OSG Group strives for the sustainable development of society under our corporate philosophy of “Global Presence” and we are committed to maintaining and expanding robust relationships with various stakeholders, such as shareholders, customers, suppliers, and employees.



### ESG & Business Strategy Briefing

In April 2024, we held an ESG and business strategy briefing. The many topics covered during the ESG briefing included presenting our carbon-neutral initiatives, which are one of the strategies for strengthening our business foundation in our Medium-Term Management Plan, while also showcasing GREEN TAP, our environmentally conscious product launched in 2024. We also covered issues related to human capital management, the effective use of human capital going forward, and explained our initiatives for enhancing employee engagement and our transition to a more robust governance framework along with an evaluation of the efficacy of our corporate governance. Furthermore, at our business strategy briefing, we covered our newly restructured domestic sales framework, as well as specific power consumption reductions from our environmentally conscious products. This was in addition to presenting our development of hard and brittle materials for projected growth industries such as the semiconductor and healthcare sectors, as well as introducing our business strategies related to coatings. After the briefing, we toured the NEO Shinshiro Factory, our core plant promoting digital transformation. Surveys of participants noted that the experience provided “highly granular information” and “substantive content.”

It was extremely encouraging to see that these briefings helped stakeholders understand the ESG initiatives and business strategies of OSG.

Going forward, we will continue solidifying a brand that stakeholders trust, while walking hand in hand toward sustainable growth.



Participants at a briefing



Participants touring a plant

# Corporate Information

## Company Profile

(As of Nov. 30, 2024)

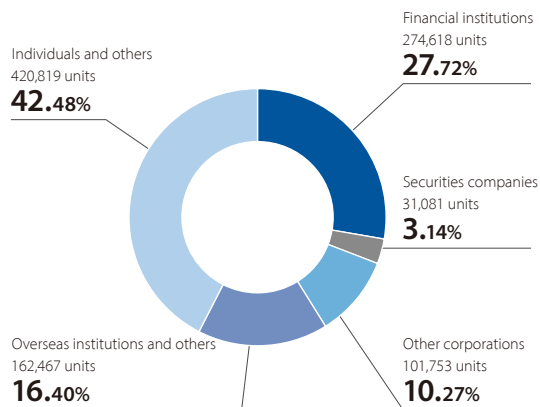
Company name	OSG Corporation	Employees	7,674 (consolidated) 1,873 (non-consolidated)
Headquarters	3-22, Honnogahara, Toyokawa, Aichi Prefecture 442-8543, Japan	Business activities	Manufacture and sales of cutting tools, rolling dies, gauges, machine tools and machine parts; import and sales of tools
Date established	March 26, 1938	Listed market	TSE Prime & NSE Premier (Securities code 6136)
Capital	¥13,044,000,000		

## Status of Shares

(As of Nov. 30, 2024)

Number of shares issuable	200,000,000 shares
Number of shares outstanding	99,182,517 shares
Number of shareholders	11,361

### Ownership breakdown (One unit = 100 shares)



Notes 1. Amounts of less than one unit are not included.  
2. Treasury stock is included under "Individuals and others."

### Major shareholders

Name	Number of shares held (thousands of shares)	Percent ownership (%)
The Master Trust Bank of Japan, Co., Ltd. (Trust Account)	10,532	12.40
Custody Bank of Japan, Ltd. (Trust Account)	5,702	6.71
OSG Agent Association	3,512	4.13
State Street Bank and Trust Company 505001	3,059	3.60
OSG Stock Holding Association	2,565	3.02
Osawa Scientific Studies Grants Foundation	2,240	2.64
Sumitomo Mitsui Banking Corporation	2,100	2.47
OSG Employee Stock Ownership Association	1,858	2.19
SMBC Nikko Securities Inc.	1,780	2.10
The Nomura Trust and Banking Co., Ltd. as the Trustee of Repurchase Agreement Mother Fund	1,768	2.08

(Notes) 1. The number of shares held is rounded down to the nearest thousand.  
2. Other than above, there are 14,222 thousand treasury shares.  
3. Ownership percentage is calculated after deducting treasury shares.

## To Our Stakeholders

### Introduction to the OSG corporate website

<https://www.osg.co.jp/en/>

OSG's website provides timely access to a variety of information, including corporate data, product information, industry solutions, news releases, and IR information.

### Introduction to the OSG sustainability website <https://www.osg.co.jp/en/sustainability/index.html>

The OSG sustainability website showcases our efforts to achieve sustainable growth in our corporate value, including environmental initiatives, social programs, and corporate governance systems.



## Editorial Policy

The OSG Report is published for the benefit of our shareholders, investors, and all stakeholders. The OSG Report 2024 once again takes a look at what makes OSG unique, including our corporate philosophy, and focuses on putting into words the unique strengths that we have developed throughout our history. Along with an update of the growth strategy laid out in our Medium-Term Management Plan, we have also presented some new specific initiatives. Following on from last year, we have held roundtable discussions with employees and outside directors in order to produce an integrated report that depicts the real OSG. The International Integrated Reporting Framework published by the International Financial Reporting Standards Foundation (IFRS) was referenced when compiling this report. Going forward, we will continue our efforts to provide editorial content that meets stakeholders' expectations.

## Disclaimer Regarding Forward-Looking Statements

Apart from information based on historical facts, all references in this report to plans, strategies, forecasts, or management initiatives pertaining to OSG's future performance are forward-looking statements and as such represent assumptions and estimates based on currently available information. Actual results may differ from forecasts included in this report due to a variety of factors, including trends in the economic environment in which OSG operates, fluctuations in product demand and prices, development of new products, sales, raw material costs, and exchange rate fluctuations.





*shaping your dreams*

## **OSG Corporation**

3-22, Honnogahara, Toyokawa, Aichi Prefecture 442-8543, Japan

URL: <https://www.osg.co.jp/en/>