



shaping your dreams

OSG REPORT 2021

Fiscal year ended November 2021



CONTENTS

OSG Values

Message from Top Management	02
History	04

Value Creation Stories

Value Creation Process	06
Opportunities & Risks	08
Value Chain Enhancement	10
Financial and Non-Financial Highlights	12
Message from the President	14
New Medium-Term Management Plan	18

Foundation for Value Creation

Promotion of ESG Management	20
Climate Change Risks and Opportunities: TCFD Compliance	22
Environment	24
Society	30
Governance	36
Financial Section	44
Corporate Information	51



■ Editorial Policy

The OSG Report is published for the benefit of our shareholders, investors, and all stakeholders. The OSG Report 2021 is an integrated report comprising a broader scope of information that includes our New Medium-Term Management Plan and other information about management strategy as well as ESG data, which serves as a foundation for sustainable growth. This information is provided in addition to OSG's corporate philosophy, history, and financial data. The International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) was referenced when compiling this report. The OSG website's Investor page publishes OSG's latest press releases and financial highlights.

In addition, OSG website's Sustainability page also regularly updates information made available for a range of stakeholders. Please be sure to peruse both this report and the OSG website. We will continue our efforts to provide editorial content that meets readers' 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 business performance are forward-looking statements and as such represent assumptions and judgments based on currently available information. Actual results may differ from those forecasts in this report due to a variety of factors, including trends in the economic environment in which OSG operates, product demand, price trends, development of new products, sales, raw material prices, and exchange rate fluctuations.

PHILOSOPHY

Tool Communication

OSG's products are created through communication with our customers. Communication is indispensable to our ability to supply products and services that truly meet customers' needs, and to our continuing efforts to develop better products.

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 expand our operations globally and strengthen our contribution to the manufacturing industries in the world.

Shaping your dreams

We want to give shape to the aspirations of every customer. That goal motivates us to continue taking up new challenges as we work to support manufacturing industries worldwide.

Message from Top Management

First of all, we would like to express our heartfelt sympathy to all affected by Covid-19, and also extend our deepest respect and gratitude to everyone working on the frontlines to contain the spread of infection.

During the fiscal year ending November 30, 2021 as the pandemic persisted, business activities showed sign of recovery in Japan, South Korea, and even Southeast Asian countries following the recovery of demand in China, North America, and Europe. Still, the global semiconductor shortage, sharp decrease in component producing operations in Southeast Asian countries, and other factors led to substantial disruption in manufacturing industry supply chains.

In such a business environment, we leveraged the network, which we have built up globally based on corporate philosophy “Global Presence”, to provide manufacturing, sales and technical support, and we utilized tools to communicate with our customers and promote sales. Moreover, we have linked our global manufacturing bases so that we are able to continue to maintain a stable supply of products.

In November 2021, we revamped our management structure and commenced operation with this new structure. The new structure clearly delineates the roles of both the chairman and president. Group oversight has been further strengthened with the chairman focusing on enhancing governance of the entire group and the president responsible for management planning and business development.

In January 2022, we announced our new three-year medium-term management plan Beyond the Limit 2024, which will start in the fiscal year ending November 30, 2022. Our long-term vision directs us toward being an essential player contributing to the global manufacturing industry. As we look ahead to 2030 when we will make a full-scale transition to the carbon-neutral era, we will further enhance our business efficiency and build a robust corporate culture capable of meeting any changes. The entire OSG Group is dedicated to working together to establish a brand that can be trusted by our stakeholders and strive toward sustainably enhancing corporate value. This report was prepared with the hope that it will provide a better understanding of OSG’s activities.

We look forward to the continuing support and understanding of our stakeholders.



Norio Ishikawa

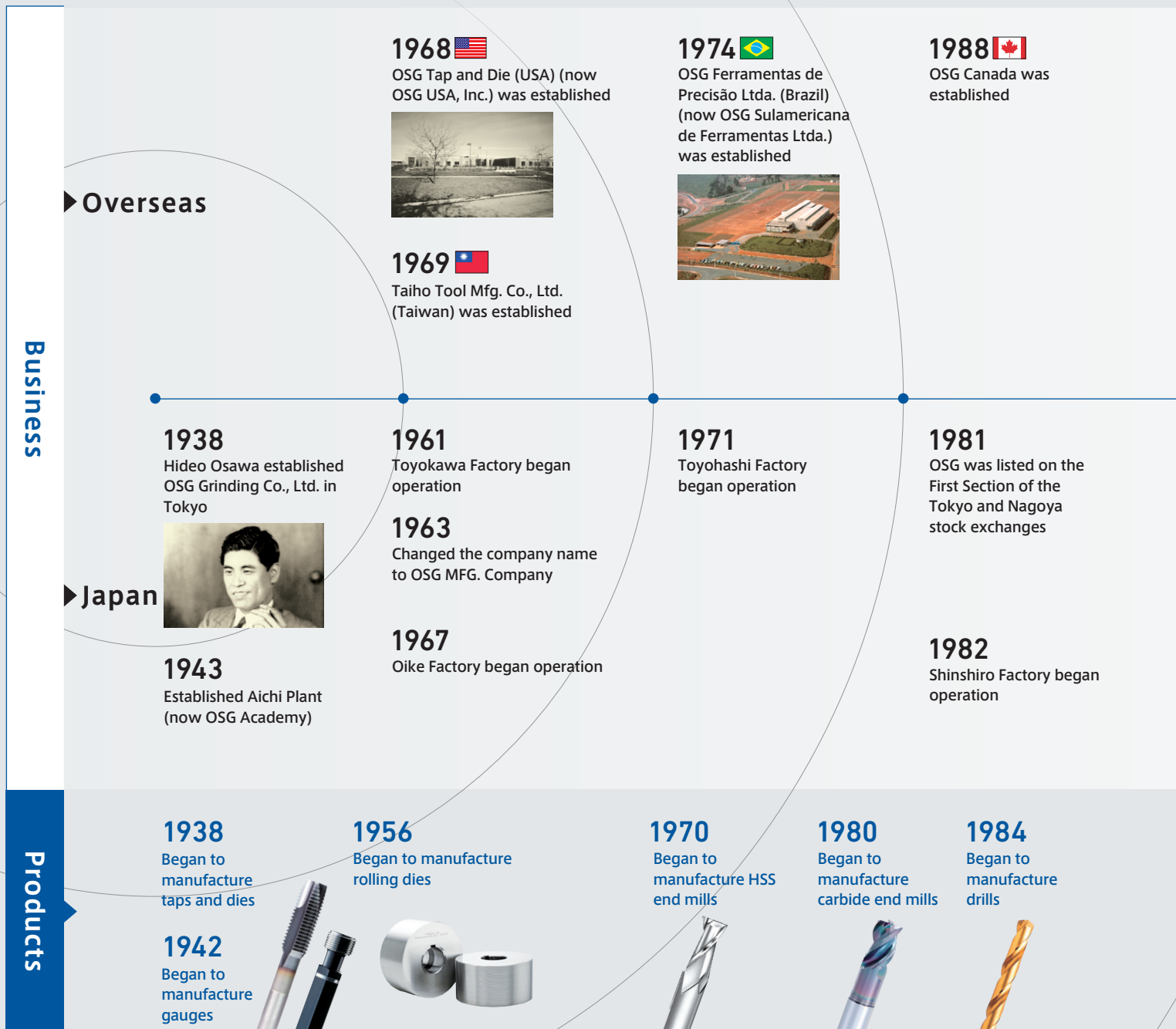
Norio Ishikawa
Chairman & CEO

Nobuaki Osawa

Nobuaki Osawa
President & COO

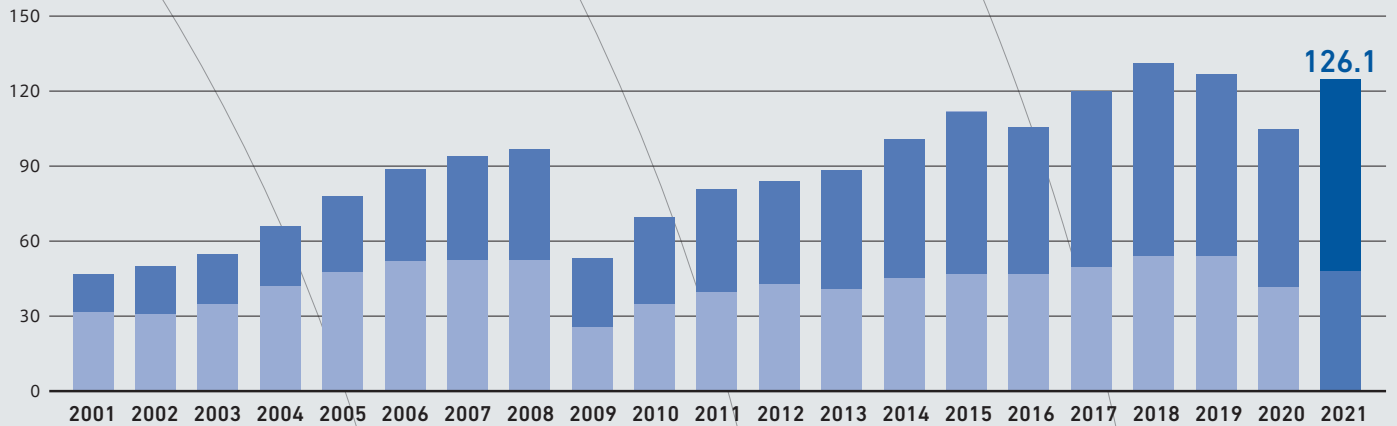
HISTORY

Since its establish in Tokyo in 1938, OSG has grown in the global cutting tool market with innovative products derived from the development of a range of proprietary technologies, such as tap grinding with grindstones, and the pioneering of new sales channels. The OSG spirit of meeting and overcoming any challenge and difficulty, which we have pursued since our founding, has been the driving force behind our unique advanced technologies, global network spanning 33 countries, and every aspect of our current corporate value. We will continue to take up new challenges as we seek to further expand globally.



[Net sales] ● Overseas ● Japan

(Billions of yen)



1993

OSG Asia Pte Ltd. was established in Singapore as the holding company for Asia



1997

OSG Europe S.A. was established in Belgium as the holding company for Europe



2001

OSG (Shanghai) Co., Ltd. (China) was established



2003

OSG Italia S.R.L. was established
OSG GmbH (Germany) was established

2005

OSG (India) Pvt. Ltd. was established

2008

OSG Vietnam was established
OSG Philippines was established

2012

OSG Turkey Kesici Takımlar Sanayi ve Ticaret A.Ş. was established

Global Network

Sales offices	33 countries
Manufacturing facilities	17 countries
R&D locations	7 countries

1990

Yana Factory began operation

1998

Established CS Center at OSG Headquarters



2000

Nine business sites in Japan were certified under ISO 14001

2004

Established Design Center



2006

Established Global Technology Center



2007

All OSG products were certified under ISO 9001

2014

Achieved consolidated net sales of ¥100 billion in FY2014

2018

Celebrated 80th anniversary

2020

Established NEO Shinshiro Factory



1987

Began to manufacture cutter bodies



2013

Launched Sales of A-TAP



2014

Introduced "The A Brand" product brand



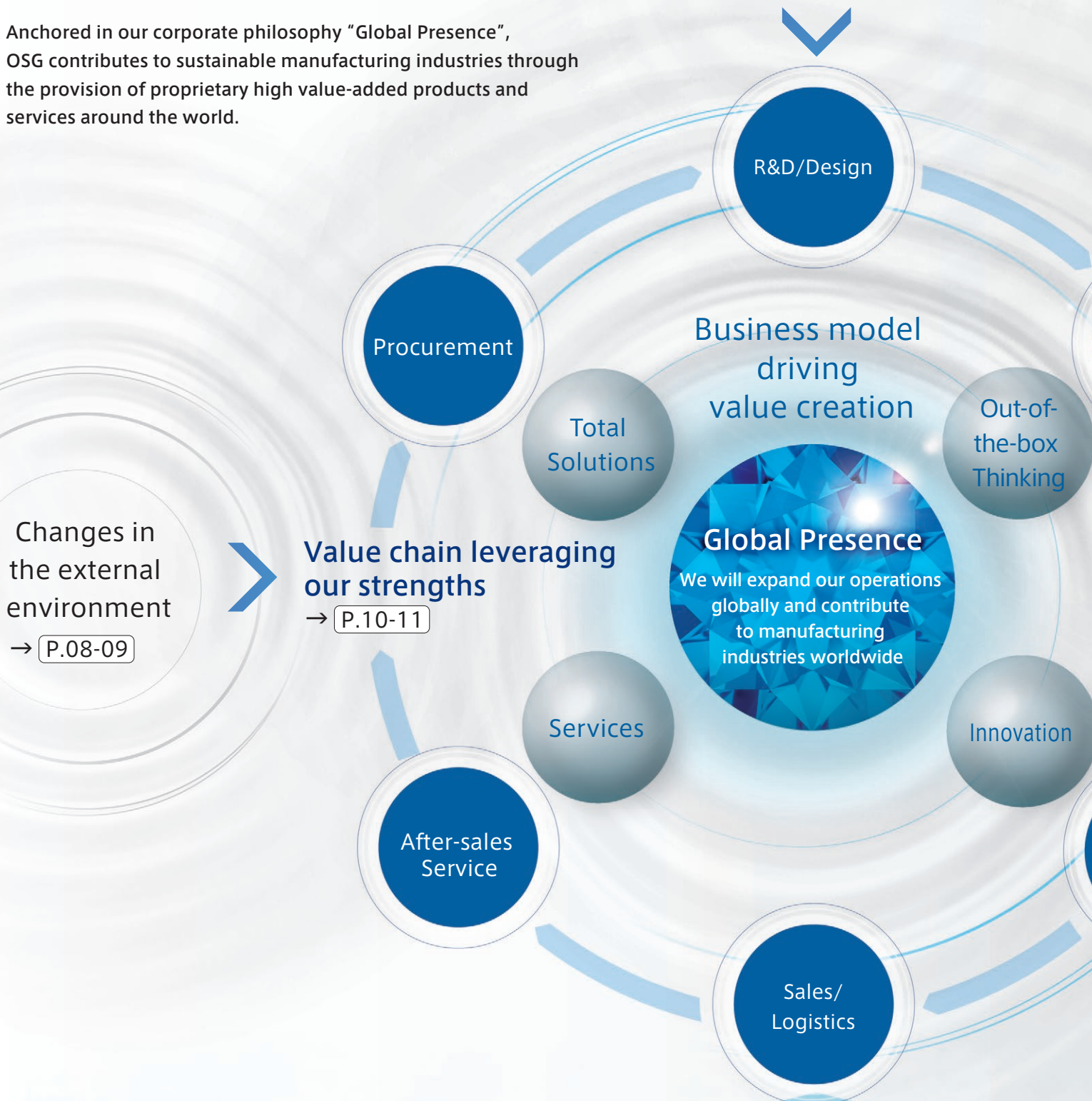
Value Creation Process

Anchored in our corporate philosophy "Global Presence", OSG contributes to sustainable manufacturing industries through the provision of proprietary high value-added products and services around the world.

INPUT

Business capital

→ P.10-11



Key strengths maximizing value creation

Platform sharing Excellent corporate culture Global network

Foundations for value creation

Corporate governance Social and environmental initiatives



Orders



Manufacturing/
Quality

Products → P.10-11

- Taps
- Indexable tools
- Drills
- Gauges
- End mills
- Rolling dies



OUTPUT



OUTCOME

Local communities

Sustainable improvement of living standards, industries, and culture

Customers

Products and services meeting customers' needs increase customer satisfaction

[Value provided to stakeholders]

Shareholders·investors

Sustainable profit growth and shareholder returns increase share value

Suppliers

Building co-creation relationships that lead to two-way value improvement

Employees

Enhancing work-life balance

Financial capital → P.44-45

- Net sales ¥126.1 billion
- Operating income ¥16.1 billion
- Overseas sales ratio 61.8 %
- Interest-bearing debt ¥30.7 billion
- EBITDA ¥26.6 billion
- ROE 8.0%

Opportunities & Risks

Taking into account the increasingly complex business environment, OSG analyzes social changes and issues so as to recognize and evaluate both opportunities and risks affecting sustainability and growth potential. We see changing social needs as new business opportunities. We will demonstrate our strengths as we seek to create opportunities for new growth and realize a sustainable society.

Opportunities & Risks			
		Opportunities	Risks
 <p>Markets</p>	<ul style="list-style-type: none"> ● Decrease in the number of parts due to the shift to EVs ● Demand for new parts in the shift to EVs and the rise of new OEM manufacturers ● More advanced processing as vehicles made lighter ● Greater demand for automobiles in emerging countries ● Greater supply chain concentration and dynamic shift to emerging countries ● Greater need for micro precision processing leading to increase in demand for small-diameter tools ● Progress in medical technologies and wider availability of renewable energies to spur new demand ● Profitability of M&A subsidiaries 	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
 <p>Environment</p>	<ul style="list-style-type: none"> ● Sudden changes in the external environment due to climate change, natural disasters, coronavirus pandemics, etc. ● Stricter environmental regulation for achieving carbon neutrality ● Tighter regulation on hazardous substances ● Resource depletion and environmental pollution ● Realization of a circular economy 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>
 <p>Society</p>	<ul style="list-style-type: none"> ● Longer average lifespan and healthy life expectancy ● Epidemics and spread of infectious diseases ● Difficulty in hiring personnel ● Human resource diversity ● New workstyles and values in life after COVID-19 ● Respect for human rights 	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
 <p>Governance</p>	<ul style="list-style-type: none"> ● Information security ● Disaster and hazard response ● Board and senior management diversity 	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>

OSG's Responses & Strengths

- Secure survivor's advantage and maintain market share in automotive industry
- Capture latest needs by fully utilizing our global information network and collaborate with machine tool manufacturers
- Develop and manufacture high-performance and high-quality tools, and leverage our in-house production facility development capabilities
- Bolster local production structures and develop operations tailored to regional needs
- Offer services locally that harness our global network in 33 countries
- Stable supply system for small to large size tools utilizing existing technology and production facilities
- Provide exceptional service for order-made items and offer an extensive product lineup
- Strengthen global governance and promote post-merger integration (PMI) with cross-selling policies, etc.

- Improve profitability and operational efficiency based on a management strategy emphasizing operating income
- Improve energy efficiency in production processes and formulate a concrete roadmap
- Reduce hazardous substance usage and emissions, and find more alternatives to hazardous substances
- Effectively utilize water resources, reduce plastic product packaging and replace with items derived from plants
- Coating, reconditioning, and material recycling for tools to extend tool service life and reduce waste

- Introduce mandatory age 65 retirement, re-employ experienced older employees, and adopt group long-term disability (GLTD) system
- Provide vaccinations to employees and their families to prevent against infection
- Introduce system encouraging employees to rejoin the company and support non-Japanese in specific skill activities
- Maintain a safe and secure workplace, enhance support services, prepare to establish special affiliate companies, and promote women's advancement
- Introduce flextime and telework systems, and implement initiatives for sales digital transformation
- Enhance human rights education and improve the internal working environment

- Improve security literacy through awareness training to identify cybercrime trends, such as targeted e-mail training
- Formulate business continuity plans and hazard maps, review measures to strengthen response to business interruption risks, and strengthen supply chains
- Maintain fair and transparent governance structure, and raise the percentage of women directors

Value Chain Enhancement

OSG engages in proprietary business operations on a global scale for everything from materials production and procurement to production facilities, regrinding, coating, and other after-sales services.

We wield overwhelming strength as a comprehensive cutting-tool manufacturer across all six elements of the value chain.



INPUTS

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> ■ Multiple suppliers ■ Good relationships and cooperation with suppliers ■ Base material production and procurement within OSG Group ■ Accumulation of base material production know-how ■ Globally optimized procurement | <ul style="list-style-type: none"> ■ OSG Academy integrates R&D technologies ■ Engineers posted at overseas locations ■ R&D structure utilizes global resources ■ Financial capital maintaining R&D expenditures ■ Industry-leading R&D facilities | <ul style="list-style-type: none"> ■ Global tap market share over 30% ■ Diverse product lineup ■ Solutions capable of meeting a broad range of needs ■ Trusting relationships with customers ■ Production and sales bases in 33 countries |
|---|---|--|

OUTPUTS

OSG's reliable technical capability, which supports manufacturing industries worldwide, has enabled us to realize high-precision and high-efficiency machining. We help our customers solve their problems by furnishing products that combine competitive prices with world-class quality.

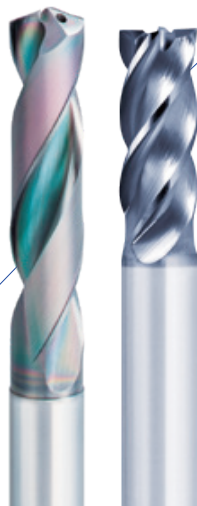
TAPS

Taps are used to cut 'female' screw threads on the inside surfaces of holes, taps fulfill a vital role in the machining of precision screws across a wide range of industries. OSG offers a diverse lineup ranging from small- to large-diameter taps. Taps have been one of our core products ever since our founding and we have strived to maintain competitive world-class quality.



DRILLS

Drills are hole-cutting tools. We have gained a high reputation among our clientele for our development of high-precision and high-value added products designed for automobile and aircraft components, for which even the slightest error is intolerable and advanced machining technology required.

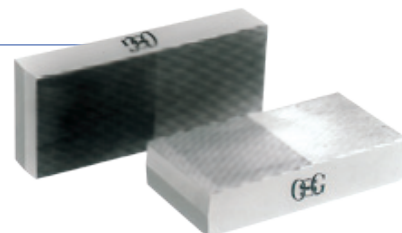


END MILLS

End mills cut away metal to create shapes. They are used, for example, to cut and contour molds for plastic parts, such as home appliances, as well as press dies. Now more than ever before, there is a greater need for superhard end mills with outstanding machining precision and durability to meet the requirements of today for reducing the cost and weight of smaller and smaller diameter products. We have put much effort into developing new products leveraging our proprietary coating technology.

ROLLING DIES

Rolling dies are used to form a male thread on round bar by pressing from both side. OSG manufactures and sells rolling dies designed and built according to our customers' purposes.





Manufacturing/Quality

At mother factory in Japan, we are promoting improved ability to meet delivery deadlines and maximize output through production management and planning using digital data. We also supports production optimized for overseas markets and promotes global quality certification systems to maintain the quality of all products produced overseas.

- Global production system
- Highly-competitive in-house production facilities
- Proprietary heat treatment and grinding technologies utilized
- Digitally-controlled production system
- Global quality certification system

Logistics/Sales

OSG's global online ordering system has allowed us to more efficiently handle orders, provide estimates, and ship products. In addition, we leverage data in centrally managing our inventory of 100,000 standard items worldwide. Data-based inventory management provides us with the capability to control production and swiftly ship customers' orders.

- Global inventory of 100,000 standard products
- Global online ordering system
- Inventory centers in key locations overseas
- Distribution centers with quick access to international airports and expressways
- Global PSI* management system

*Production, Sales & Inventory

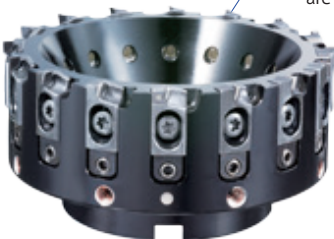
After-Sales Service

OSG's global logistics and sales network offers regrinding and coating services to our customers throughout the world. In addition, our face-to-face sales activities enable us to propose optimal machining condition and specifications to our customers. We provide consistent global support that only a comprehensive cutting tool manufacturer can offer.

- Face-to-face sales follow-up
- Global support system in 33 countries
- Quality of regrinding and coating services maintained uniformly worldwide
- Proprietary coating development technologies
- Tool recycling to contribute to the environment and society

INDEXABLE TOOLS

Indexable tools, which are cutting tools with exchangeable blades, are used to cut metal to produce dies and mechanical components. While end mills are used for finishing, indexable tools are intended for roughing.



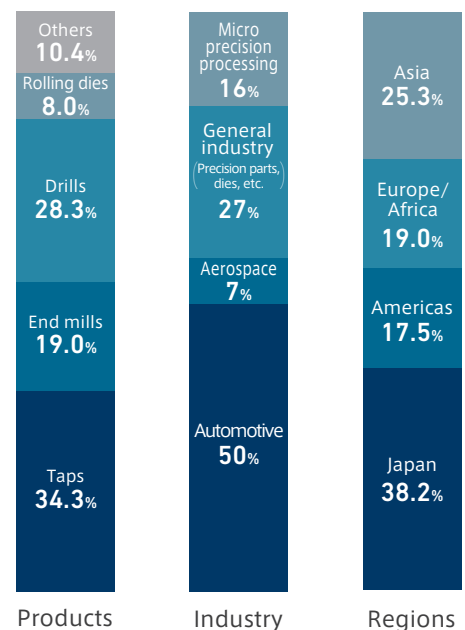
GAUGES

Gauges are used to measure the precision of threads, holes, and other parts. Accuracy inspection has become an extremely important process because of the trend toward increasing product precision and compliance with international standards.



Sales by composition ratio

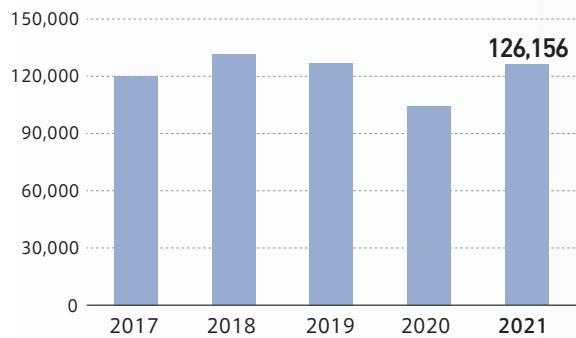
(Period ended November 2021)



Financial and Non-Financial Highlights

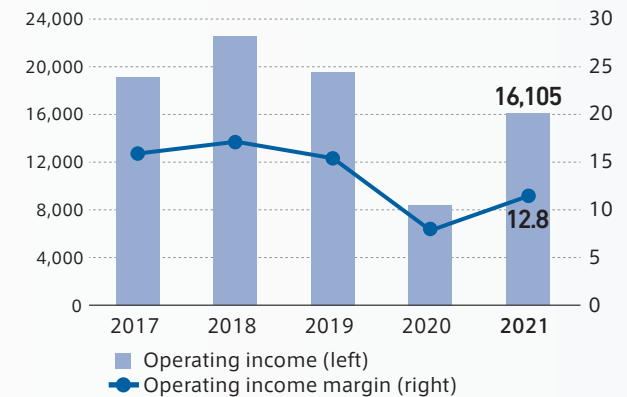
Financial Highlights

Net sales (millions of yen)



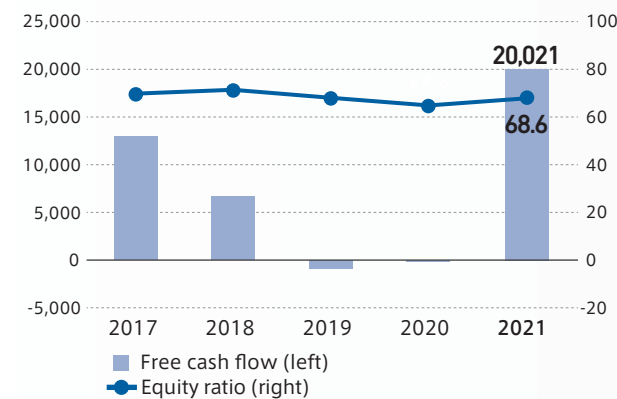
Operating income (millions of yen)

Operating income margin (%)

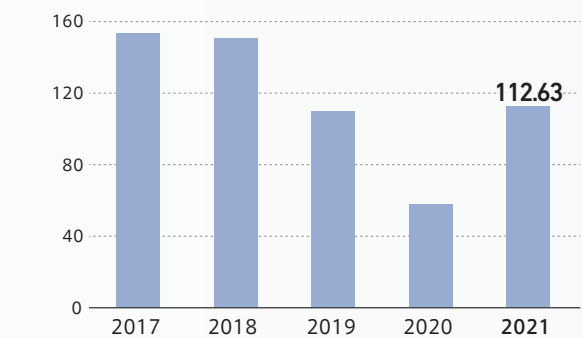


Free cash flow (millions of yen)

Equity ratio (%)



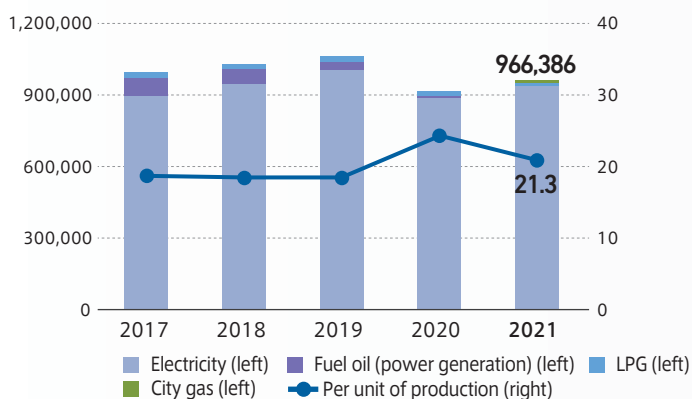
Earnings per share (EPS) (yen)



Non-Financial Highlights

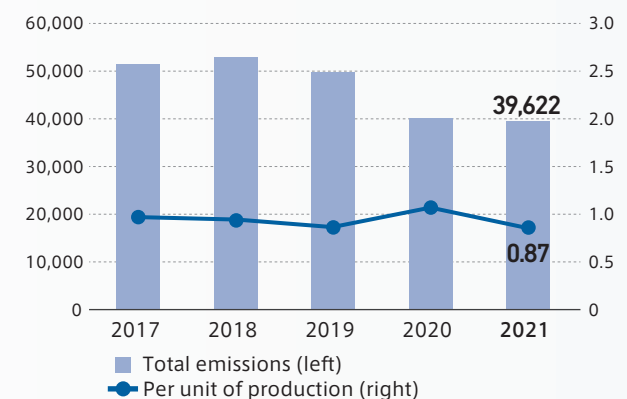
Energy consumption (GJ)

Energy consumption per unit of production (GJ/million yen)

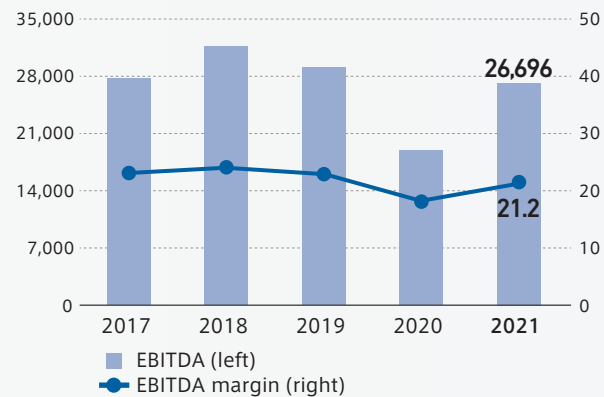


CO₂ emissions (t)

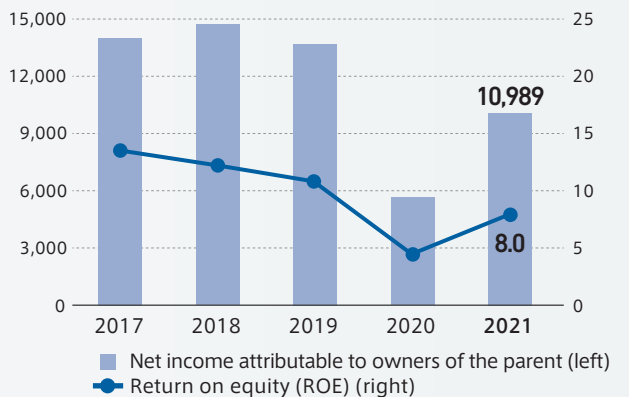
CO₂ emissions per unit of production (t/million yen)



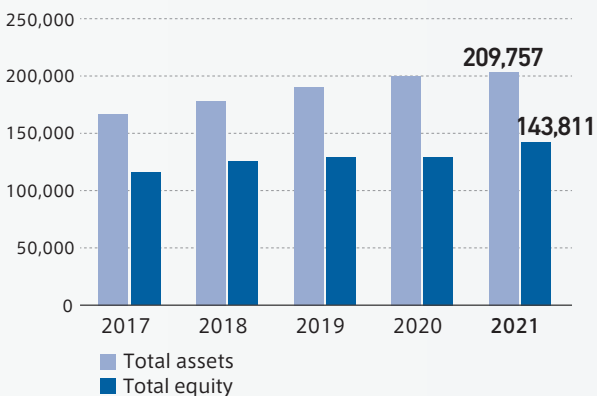
EBITDA (millions of yen)
EBITDA margin (%)



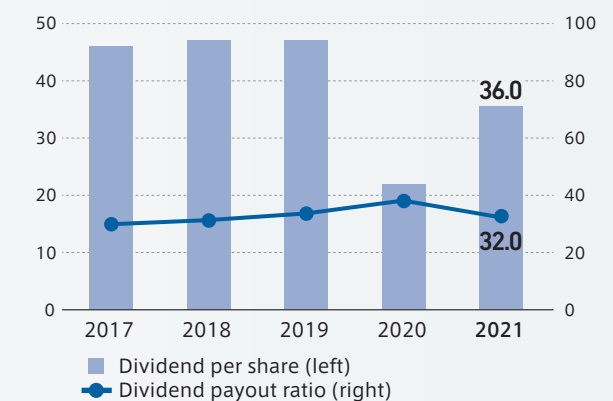
Net income attributable to owners of the parent (millions of yen)
Return on equity (ROE) (%)



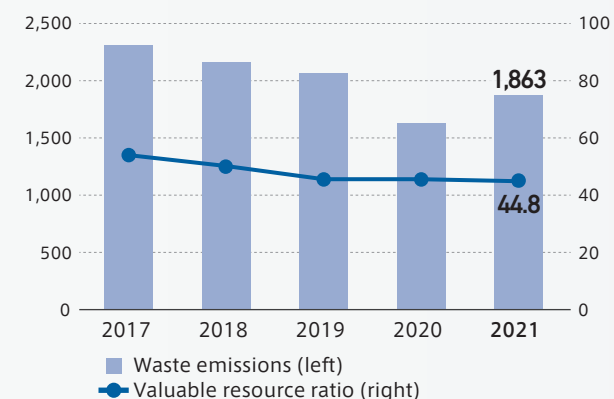
Total assets (millions of yen)
Total equity (millions of yen)



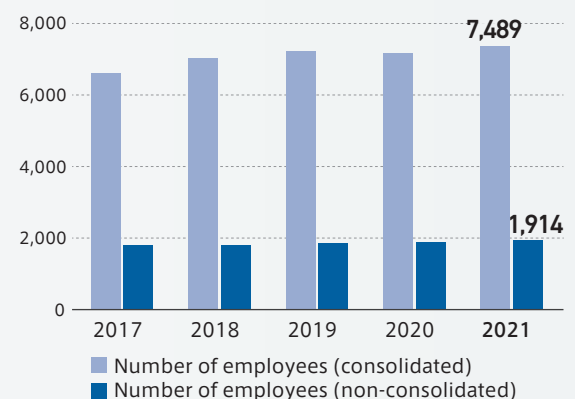
Dividend per share (yen)
Dividend payout ratio (%)



Waste emissions (t)
Valuable resource ratio (%)



Number of employees (consolidated) (persons)
Number of employees (non-consolidated) (persons)





Beyond the Limit Breaking Through Conventional Wisdom

Nobuaki Osawa President & COO

Profile

Nobuaki Osawa joined OSG Sales (now OSG) in 1991. He became the director in charge of European operations in 2006, a Managing Director in 2010, and Senior Managing Officer and Director in 2019. In February 2021, he was appointed Representative Director, President, and Chief Operating Officer (COO). He is originally from Aichi Prefecture.

Looking Back at the Year Ended November 2021

The second half of the year saw the prolonged pandemic affect several macro-economic trends. It decreased capacity utilization rates of manufacturers across many industries, which led to a shortage of semiconductors and other electronic components as well as a spike in raw material and shipping costs. In foreign exchange markets, the yen remained weaker against major currencies compared to the preceding term.

For the OSG Group, green shoots began to appear in the second half of the preceding period and continued throughout this year as well. Nevertheless, the shortage of semiconductors and other parts compounded with the emergence of Covid-19 variants and led the automotive industry to continue adjusting production. In addition, even though the aircraft industry continued to face a severe landscape, demand stayed strong for semiconductor production equipment as well as construction equipment, energy, and other sectors.

Despite bullish and bearish trends perceptible in varying industries and businesses, I feel keenly it has been OSG Group's collective strength that helped expand our operations in the global market as the past year demonstrated with tap sales recording their highest level ever for the entire period and drill sales achieving their highest level ever in the second and subsequent quarters. The increased revenue also drove up profits and our operating income margin rose to 12.8 % from preceding term's 8.0 %.

OSG Group operates globally, utilizing a five-pillar structure of Japan, Europe, the Americas, Asia, and the Greater China Region. The ratio of overseas sales during the year was up 2.4 points year-on-year to 61.8%. We were able to promote our business in a well-balanced manner across each of the five pillars. Underlying this achievement has been the appropriate functioning of our information network, which is intimately oriented toward each region. This allowed us to identify potential demand based upon proper data and further develop our business.

The effects of the pandemic are likely to continue for the time being. Even so, I believe this is precisely the time for each of our group companies, rooted in their respective regions, to make decisions and manage their operations nimbly in accordance with those decisions so as to demonstrate their strengths. We will strengthen a structure that assists our diverse clientele extending worldwide in fulfilling their wishes and maintains the capability turn a profit by doing so, even when producing small lots comprising a wide variety of items.

Financially, the rise in revenue and profit increased our cash and time deposits as well as notes and accounts receivable. We were also able to repay and reduce debt. This pushed up our equity ratio by four points year-on-year to 68.6% to finish the term. Free cash flow, which finances investments, ended at ¥20 billion, an increase of ¥20.1 billion year-on-year. This increase was primarily due to higher income and a reduction in the amount of capital investment on the order of approximately ¥4.3 billion year-on-year. We plan to maintain capital

investments for the period ending November 2022 at approximately ¥9 billion, which is on par with previous years.

New Medium-Term Management Plan "Beyond the Limit 2024"

With this current term ending November 2022, we have launched our new medium-term management plan Beyond the Limit 2024. These words truly express our determination to change the way we think and not be bound by preconceived ideas, break out of our shell, and advance beyond our previous limitations so that we may build a corporate culture capable of meeting head on any change that arises as we push ahead toward the age of carbon neutrality, which will profoundly change the structure of industry as well as our economy and society.

Moreover, our long-term vision, upon which we will proceed for nine full-year periods to end November 2030, has set a goal of transforming OSG into an "essential player contributing to the global manufacturing industry." In addition to the automotive and aircraft industries which we have always focused on, we will promote new business development in precision micro-machining and other sectors forecast to grow, such as semiconductors, 5G, mobility, clean energy, and healthcare. In addition, we will also continue to concentrate on constructing a structure principally around a policy of cross-selling so as to maximize synergies with companies brought into our group after M&A.

Under the Paris Agreement on climate change adopted in 2015, the year 2030 is an important one as countries around the world seek to implement various policies. To achieve the goals set out for reducing greenhouse gases, society will likely need to directly confront tremendous changes, including promoting greater use of electric vehicles. Moreover, we also need to take into consideration greater speed of change in the industrial structure so that we may achieve our goals. To address such changes, I believe everyone throughout our entire group must significantly modify the way they have been thinking. In that regard, I have put the greatest emphasis on group management from the perspective of overall optimization. Instead of partial optimization where each group company prioritizes its own interests, I believe we will truly be able to transform the corporate culture of our group through the construction of a business foundation that enables us to achieve overall optimization. We need to envisage management in a way that maximizes group profitability and operational efficiency rather than partial optimization with each group company prioritizing its own interests.

New Opportunities for Micro Precision Processing

We have already begun to develop markets for the precision micro-machining sector in Japan, Asia, and the Greater China Region. OSG has been offering small-diameter tools with precision micro-machining capability, and we plan to further focus our efforts strategically on this market.

Message from the President

Sales attributable to micro precision processing reached 16% this year. These products have broader application for 5G, semiconductors, precision molds, mobility (EV), robots, medical, and a variety of other growth areas. Our daily sales reports include new user data, and we have been following up utilizing in-house digital transformation sales tools to link this data to business with new customers and industrial fields. The market for micro precision processing is projected to increase, and our target is to boost these sales to 30% by the period ending November 2030.

To keep pace with future growth in this industry, it is important that we also grow into an essential player in global manufacturing. Currently, Japanese mother plants handle most of production. However, Taiwan, accumulated considerable experience over many years, has a mass production system in place. We expect Taiwan to play a key role as extend those operations and have the region serve as a base for production and supply to the China market.

Initiatives for Maximizing Post-M&A Synergy

OSG's basic M&A policy has been to look for companies expected a synergy to develop in technology, sales, or other areas once acquired, and then consolidate such firms in each region. In principle, we have acquired M&A financing in each specific region.

Based on the approach set forth in our corporate philosophy of maintaining a global presence, the OSG Group actively engaged in mergers and acquisitions mainly in Europe in the 2010 decade, the phase when we expanded top line. The companies brought into our group pursued optimal management for their respective operations. This had the consequence of these companies maintaining an insufficient perspective toward maximizing their value within the group, in other words group management achieved through overall optimization. Reflecting on this, we have strengthened group governance structure and concentrated efforts on constructing a business foundation where individual group companies maintain an awareness of the entire group.

Over the course of expanding top line, we engaged in M&A with multiple companies to strengthen operations targeting the aircraft industry. Some of these companies were sales companies with robust sales channels in the industry and other manufacturers producing locally for local consumption. The pandemic has put them in very difficult and severe circumstances. Nevertheless, group companies in the same region have made use of their technology and available capacity to complement each other's operations. These and other types of synergies have been created. I feel a sense of solidarity has

emerged within individual companies that they are part of a group. Group companies have responded favorably, which has led to better than anticipated results.

These past few years, the number of OSG group companies has risen dramatically. We recognize the challenge we face in integrating individual companies after merger, a process achieved through painstaking communication with each individual company. During the past two years, we have not once been able to directly go and see the plant run by BASS GmbH, a German Manufacturer brought into our group just before the pandemic erupted. This Factory is one of their important organizational resources. For us, thoughtful 'tool communication' is the approach we take toward manufacturing and the way in which we understand and strategically utilize each other's production sites so as to embody this principle. So, it is very important that we actually be at BASS GmbH's production site. I would like us to facilitate appropriate post-merger integration (PMI) by sharing such values and maintaining a perspective of overall group optimization.

ESG Management Initiatives in New Medium-Term Management Plan

In 1996, the former chairman Teruhide Osawa made three declarations as the company headed toward the 21st century: (1) global presence, (2) health consciousness, and (3) eco-friendliness. Underlying these declarations has been idea that all benchmarks must be global standards because our goal is to have a global presence. When the former chairman stood at the helm of OSG, the term "ESG management" was not very widely used. Even so, we were already endeavoring to manage operations with an awareness of the earth, health, and environment. That spirit continues on today.

For example, the starting point of our efforts in coating and regrinding business, the basic strategies of new medium-term management plan, goes back to the early 2000s. Four group companies are currently at the core to roll out a business model, to realize material-cycle society for the Earth's limited resources effectively utilized by conserving natural resources and recycling. Going forward, we would like to further accelerate this process with product development as well, utilizing OSG Group's tools to save labor and achieve higher efficiency at customers' manufacturing sites. This sort of product development cannot be achieved by a tool manufacturer alone, so we hope to collaborate with machine manufacturers to deliver products which meet end users' needs and are environmentally sound.

Management Targets for the Year Ending November 2022

Consolidated net sales

¥135 billion

In addition, we are promoting concrete initiatives in line with the key issues selected by the Sustainability Committee, that meets quarterly. Despite the huge challenge that is presents, we issued our Carbon Neutral Declaration. This is our roadmap as proceed towards the year 2030 to “reduce (increase energy savings in manufacturing processes), and then towards the year 2050 to “create (utilize clean energy)” and “utilize (CO₂-free electricity).”

Industrial development has brought enriched lifestyles to people. At the same time, industry has promoted mass production and generated large amounts of waste. The increase in CO₂ emissions, environmental contamination, labor issues, and opposition to waves of other corporate activities have created a variety of problems. To resolve these, I feel strongly needed to contribute to a sustainable society through our corporate activities.

I believe OSG’s business initiatives should be activities that contribute to the pursuit of a sustainable society.

To Our Stakeholders

[ROA as KPI for Earning Power]

Quantitative targets in our new medium-term management plan set our sights on achieving a 15% ROA (based on operating profit) and ¥30 billion in operating income by the period ending November 2024. Specifically, sales divisions, including those of group companies, will aim to improve operating margins, and manufacturing division, also including those of group companies, will aim to improve total asset turnover rate. We will seek to raise ROA on a consolidated operating income basis by multiplying the efforts of both of these divisions.

Our productivity improvement project OSG 4.0 will play a particularly important role in the manufacturing division’s drive to improve total asset turnover rate. Leveraging digital technologies, the project seeks to shorten lead times and maximize profit for ultra-high-mix low-volume production as well as utilize automation to make large-volume production more efficient. A demonstration of the project is currently being verified at our NEO Shinshiro factory. Once we have confirmed the program functions as designed, it will be expanded to other key factories.

In improving ROA, one milestone we are aiming to reach is to push the total asset turnover rate to 0.75 or higher. The highest level in the 2010 decade was between 0.76 and 0.77, so we would like to achieve this level.

[Challenge of Achieving a New Dividend Payout Ratio Target]

We previously made a commitment to a 30% dividend payout ratio. In

the current year ending in November 2022, we announced to raise this ratio to 35%. In the future, we will aim for a 40% payout, all the while monitoring trends in business performance and grounding these payouts on an improvement in earning power as mentioned earlier.

Furthermore, in connection with shareholder return, we will strive to enhance shareholder value through, among other efforts, share repurchases. When repurchasing share, we will comprehensively take into consideration our capital position, performance trends, OSG stock prices, growth investment opportunities, capital efficiency improvements, and other factors.

In Closing

In the trend toward carbon neutrality, the shift to EVs is expected to bring significant changes on the structure of the automotive industry supply chain. Many of the components integrated into automobiles will likely be modularized, and this will also prompt changes at manufacturers supplying these components. There is also the possibility of significant change in the manufacturing process itself. Companies lacking the collective strength will not be able to remain on the playing field. We must first correctly understand the likelihood of such changes ourselves. That is the main message I would like to convey with the words “Beyond the Limit.”

We operate in a business environment where these sorts of major changes are anticipated, but OSG Group companies are deeply rooted in their local regions throughout the global market. On the manufacturing frontlines, we have plants capable of handling volume production, others capable of producing locally for local consumption, and some capable of producing low volumes with short delivery deadlines, as well as a range of other operations that meet the needs of specific regions. The goal of the new medium-term management plan, Beyond the Limit 2024, is to strengthen our corporate structure by conducting group management that considers overall optimization and responding to all changes in global demand.

To achieve the goal of the new mid-term plan, OSG group will work together to implement basic strategies and priority policies. I sincerely ask all stakeholders to support as we take on the challenge of transforming ourselves to respond to major global changes that will come in the medium to long term, while maintaining our DNA as a “Global Presence”.

Operating income

¥20.2 billion

Operating income margin

15%

Capital expenditure budget

Approx. ¥9 billion

New Medium-Term Management Plan

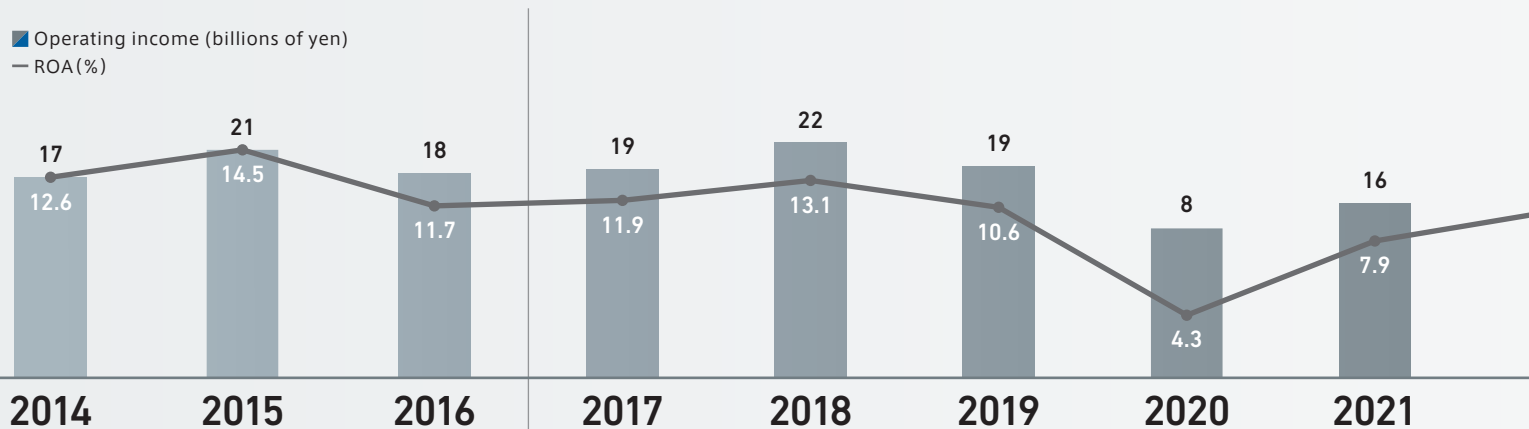
We have renewed our management structure from fiscal year 2021 and started a new medium-term management plan, Beyond the Limit 2014. The three-year plan runs from the current period ending November 2022 until the term ending November 2024. Under this new plan, OSG’s aim will be to commit ourselves to further enhancing the efficiency of our operations, improve profitability, create a robust corporate culture, and contribute to the global manufacturing industry as we advance toward the era of carbon neutrality.

Changes of Management Plan



Top-line expansion phase

Becoming the world's leading holemaking cutting tool manufacturer



Basic Policy

Aim to be the leading global hole-cutting manufacturer, rebuild corporate and product brands, and accelerate global expansion

Priority Measures

- ① Set up facilities, mainly in growth markets, to become a global player
- ② Launch A Brand, OSG’s premium general-purpose product brand

Looking Back

The promotion of a two-product basic strategy propelled growth of both sales and income.

- ① OSG’s distribution expansion strategy, which launched A Brand, increased market share
- ② Major end-user strategy strengthened OSG’s capability to secure orders

Basic Policy

Aim to be the leading global hole-cutting manufacturer and spur ‘evolution’ of frontline to strengthen OSG’s capability to secure orders.

Priority Measures

A two-pronged strategy focusing on catalog sales, which are mainly distributed to promote expansion of brand sales, and major end-users, from whom OSG’s focus is to develop the capability to secure orders, seeks to increase OSG’s market share worldwide. OSG will also expand frontline sites to facilitate our global expansion, promote business development in the aircraft industry ranking next in sales after the automotive industry, and intensify M&A activity.

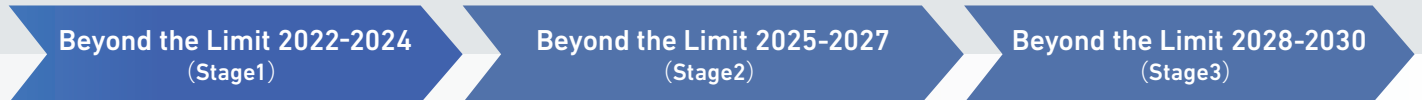
Looking Back

An increase in sales was achieved thanks to the two-product basic strategy, global frontline expansion, and M&A activity. However, the period ending November 2020 was also impacted by the pandemic, and the Next Stage 2017 targets (net sales: ¥150 billion, and operating income: ¥30 billion) were not achieved. Profitability and asset efficiency also fell.

New Medium-Term Management Plan **Beyond the Limit** >

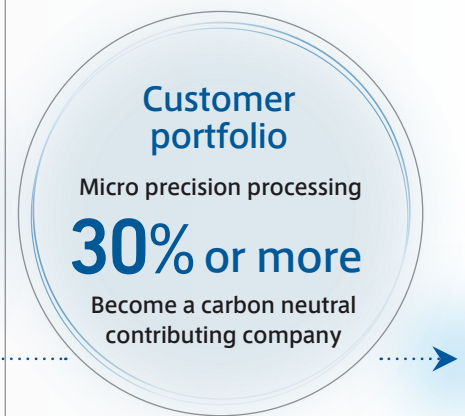
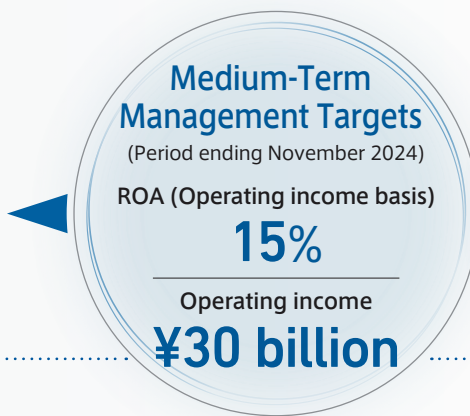
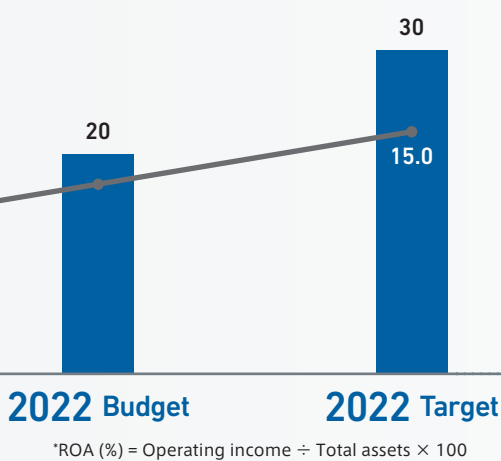
Basic Policy

- To transform OSG into an essential player contributing the global manufacturing industry, our long-term vision is divided into three stages. The first three-year period is Beyond the Limit 2024, we will strengthen our corporate structure.
- Over the course of these three stages up to the year 2030, OSG will change the composition of customer portfolio for better address social and environmental changes.
- As we advance toward the carbon neutral era, the entire OSG Group will strive together to enhance corporate value with the aim of achieving overall optimization.



Toward the carbon neutral era

To become an essential player that contributes to the global manufacturing industry
Based on our corporate philosophy Global Presence, OSG will promote ESG management as we seek to sustainably enhance corporate value.



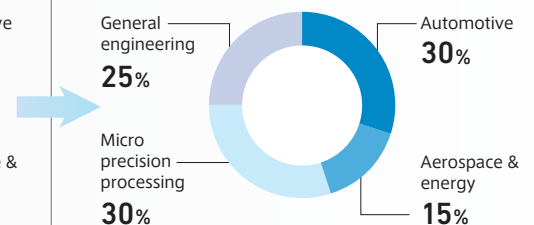
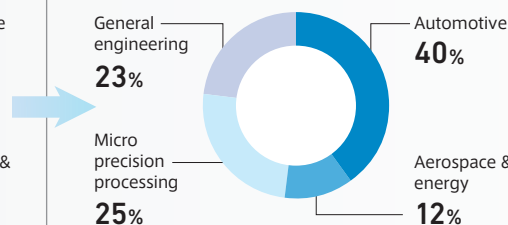
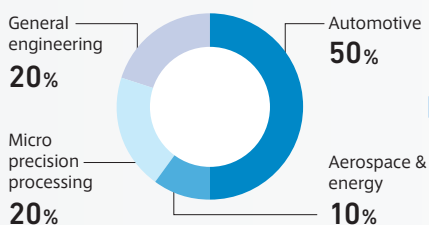
Basic Strategy

Further enhance business efficiency and strengthen OSG's corporate culture so that we may stably generate profits.

- Improve profitability and business efficiency to create a strong corporate structure
- A Brand sales rate 30%
- Coating and tool reconditioning rate 10%
- Expand sales in micro precision machining and energy industry
- Establish a sales and production system that makes full use of digital technology

- Achieve 40% share in the global tap market
- A Brand sales rate 40%
- Coating and tool reconditioning ratio 15%
- Global expansion of digital manufacturing/optimize local production
- Expand sales in micro precision machining, energy and aerospace industries

- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers



Promotion of ESG Management

OSG Group has designated key issues as 'material' from the ESG perspective, in order to realize our medium-term management plan, Beyond the Limit 2024.

We aim to maximize the corporate value generated by linking growth strategies with ESG initiatives.



Basic Sustainability Policy

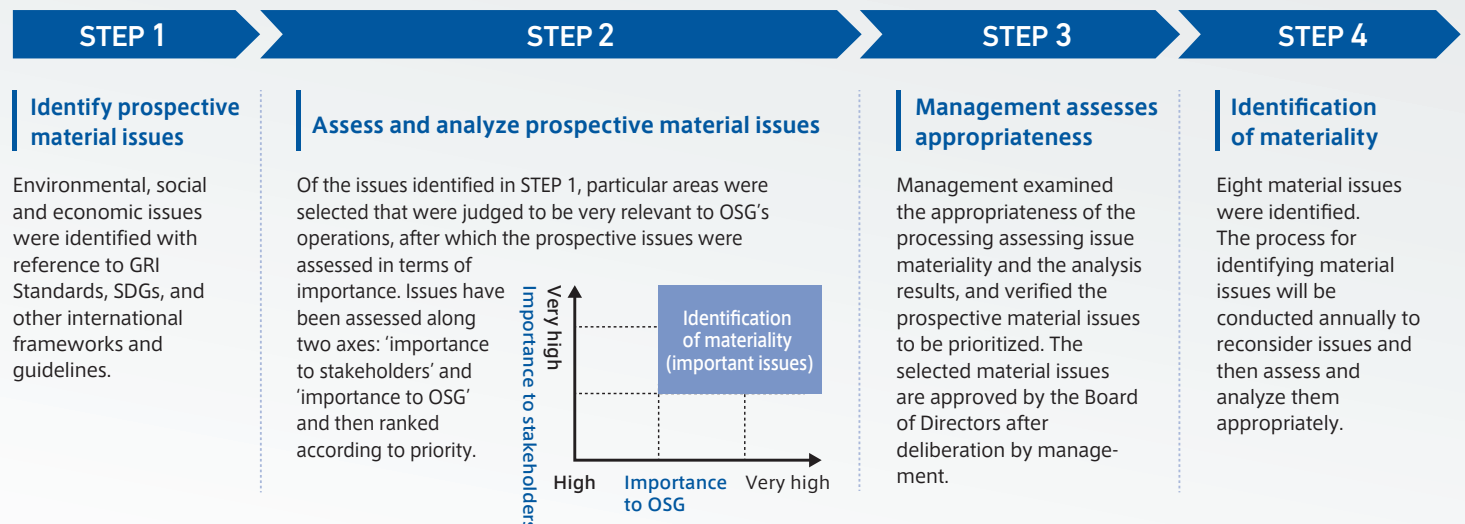
OSG Group aims to be instrumental in the sustainable development of society. We will be an essential player contributing to sustainable manufacturing industries worldwide by delivering proprietary high value-added products and services.

The Sustainability Committee deliberates ESG-related issue, policy and vision consistency, priority measures, and other matters, and regularly reports on its activities to the Board of Directors. Measures for promoting sustainability are implemented by department heads (ESG officers) and facilitators in each organization based on decisions made by the President, who chairs the Sustainability Committee.



Process for Identifying Material (Important) Issues

As we aim to achieve the SDGs, we have identified eight material issues the OSG Group will prioritize.

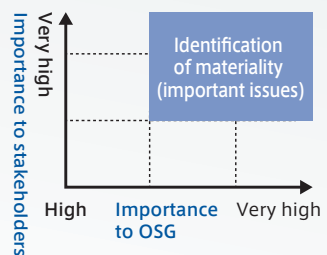


Identify prospective material issues

Environmental, social and economic issues were identified with reference to GRI Standards, SDGs, and other international frameworks and guidelines.

Assess and analyze prospective material issues

Of the issues identified in STEP 1, particular areas were selected that were judged to be very relevant to OSG's operations, after which the prospective issues were assessed in terms of importance. Issues have been assessed along two axes: 'importance to stakeholders' and 'importance to OSG' and then ranked according to priority.



Management assesses appropriateness

Management examined the appropriateness of the processing assessing issue materiality and the analysis results, and verified the prospective material issues to be prioritized. The selected material issues are approved by the Board of Directors after deliberation by management.

Identification of materiality

Eight material issues were identified. The process for identifying material issues will be conducted annually to reconsider issues and then assess and analyze them appropriately.

OSG Group's Material (Important) Issues

Climate Change Initiatives

OSG has expressed support for the TCFD and will strive to adapt to climate change effects on our operations, and we will endeavor to promote business activities that contribute to a carbon-free society and reduce greenhouse gas emissions.



Community Sustainable Development ①: Sports Promotion Initiatives

OSG is a top sponsor of Higashimikawa's professional basketball team San-en NeoPhoenix and we support other local professional sports. We have held events and invited guests to watch the games free, which has helped to energize the community.



Development of a Rewarding Workplace Environment

OSG will develop and maintain an environment in which each and every employee can find pride and fulfillment, leverage diversity, and demonstrate their abilities to their full potential.



Community Sustainable Development ②: Support for Healthcare Institutions & Facilities

As part of our support for combating the Covid-19, OSG has donated protective gear and masks to healthcare workers and cooperated with the administration of workplace vaccination programs in nearby communities. We contribute to creating a heartwarming community through such activities as regularly donating furniture and other furnishings to facilities assisting people with disabilities.



Initiatives for Employing People with Disabilities

OSG sketched our future vision which is to establish a special affiliate company, and we set up the Special Affiliate Company Preparation Team in June 2021. We are developing an environment attentive to the aptitude of and conditions faced by people with disabilities so as to enable all of us to work collaboratively.



Improvement of Corporate Governance

The Board of Directors is a governing body of which the majority of seats are held by highly-independent outside directors and is capable of sufficiently exercising its management oversight functions. Guidelines for conduct to comply with corporate ethics are shared throughout the entire group to raise awareness as part of our systems for enhancing corporate governance.



Health & Safety Management

As a health-conscious company, we understand that keeping our employees safe and healthy is an important management concern, and we promote employee health as well as facilitate the creation of a workplace environment that is both comfortable and safe.



Sustainable Finance

OSG has signed an agreement for ESG Assessment-Type Financing Procurement in order to monitor the status of KPI achievement and disclose such information. We are considering adopting sustainability-linked loans, green bonds, and other forms of sustainable finance when investment financing is procured, and we are striving to practice more sophisticated ESG/SDGs management.





OSG Group recognizes climate change as 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 in October 2021, we have started analyzing climate change scenarios and promoted initiatives within the following framework.

1. Governance & Risk Management

OSG ranks climate change as an important management issue and the president, serving as chair of the Sustainability Committee, is responsible for monitoring and oversight of climate-related issues.

The Sustainability Committee deliberates climate change and other ESG-related issue, policy and vision consistency, priority measures, and other items, and regularly reports on its activities to the Board of Directors.

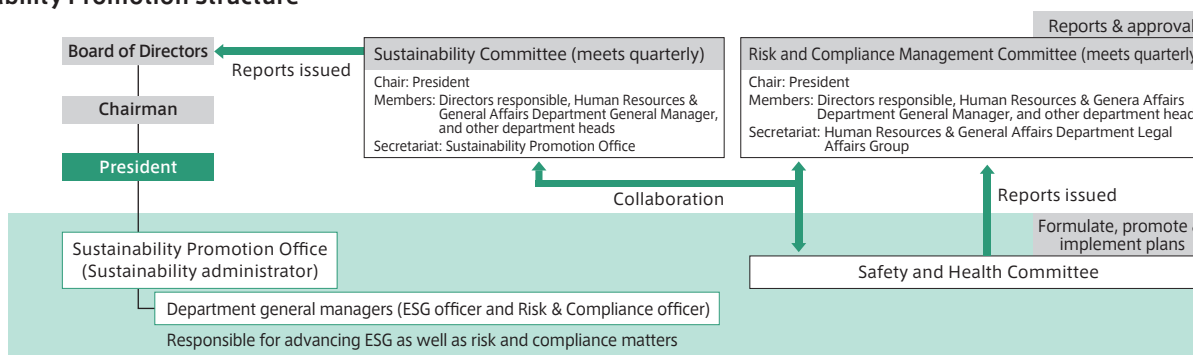
Measures for promoting sustainability are implemented by department heads (ESG officers) and facilitators in each organization

based on decisions made by the President, who chairs the Sustainability Committee.

Based on the impact to our business, the Risk and Compliance Management Committee evaluates the priority of climate change and other risks affecting our entire company.

The Sustainability Committee, Risk and Compliance Management Committee, and Safety and Health Committee operate in conjunction with each other to monitor risks and opportunities associated with climate change.

Sustainability Promotion Structure



2. Strategy and Scenario Analysis

Scenarios projecting a 1.5°C and a 4.0°C rise in temperature were selected and a review conducted, referencing the following scenarios, of the risks, opportunities, and OSG’s responses.

[Referenced Scenarios] 1.5°C scenario: IEA NZE2050, etc. 4.0°C scenario: IPCC RCP8.5, etc.

Risks and Countermeasures

	Type	Subcategory	Risks	Impact	Response
Transition risks	Policies & legal	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 ₂ emissions At plants, introduce CO ₂ -free purchasing, off-site power purchase agreements, and carport power purchase agreements
		Tighter regulations on fossil fuel power generation	Decrease in demand and increase in development and manufacturing costs of tools for fossil fuel power generation	Moderate	Promote eco-friendly factories and plants (more energy efficient in-house machine tools, improve facility operation, and greater transparency) Reassess items manufactured in light of changes in target markets
	Technology	Dissemination of renewables and energy-saving technologies	Increase in development and manufacturing costs	Moderate	Closely watch renewable energy market trends, and commit resources to development of cutting tools whose demand is forecast to increase
	Market	Transition to environmentally-friendly products Greater use of electric vehicles and fuel-cell vehicles	Decrease in sales of eco-unfriendly products and services Decrease in demand for tools for gasoline-powered vehicles	High High	Develop environmentally-friendly cutting tools Commit resources to development and design of non-gasoline-powered vehicles
	Reputation	Changes in customer base and investors	Decline in corporate value and loss of opportunities for securing orders due to insufficient information disclosure Contraction of scale of eco-unfriendly business Increase in financing procurement costs	Moderate Moderate Moderate	Proactively disclose information and reply to CDP questions Consider optimizing business portfolio (small-diameter micro-tools) Adopt ESG/SDGs financing
Physical risks	Acute	Increased severity of extreme weather events	Increase in procurement costs due to reassessment of suppliers 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 High High	Review BCP for all suppliers (understand 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
	Chronic	Rise in mean temperatures	Increase in air conditioning energy Deterioration of working environment Production shutdown 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

*Timeline ranging from 2030 to 2050 is assumed.

Opportunities and Responses

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

*Timeline ranging from 2030 to 2050 is assumed.

3. Metrics and Targets

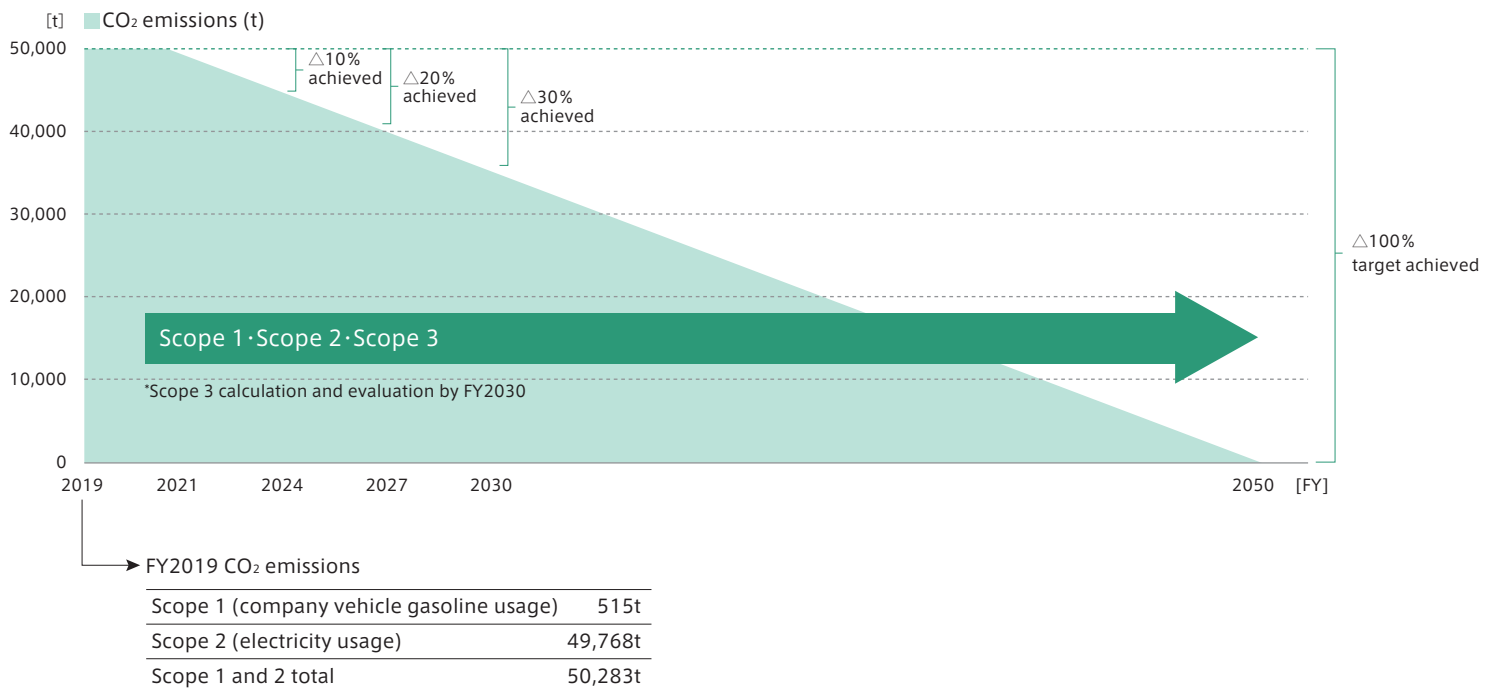
Reduction of CO₂ Emissions

OSG set the following targets in the medium-term management plan Beyond the Limit 2024, which was announced in January 2022.

·FY2030 target: 30% reduction from FY2019 level ·FY2050 target: Achievement of carbon neutrality

In addition, OSG plans to conduct the Scope 3 calculation and evaluation by FY2030, and we are working to reduce CO₂ emission across the entire supply chain.

Carbon Neutral Declaration (Illustration of CO₂ reductions made toward achieving target)



STEP1 Reduce (save energy)

Greater energy savings in manufacturing process

- Install high-efficiency equipment and implement initiatives to enhance energy efficiency during production at in-house factories
- Invest in high-efficiency equipment achieving a sufficient level of energy savings to realize carbon neutrality
- Research and develop new processes for saving energy

STEP2 Create

Utilize clean energy

- Introduce solar power generation facilities, etc.
- Install facilities and implement initiatives to convert electricity used during in-house operations to clean energy

STEP3 Utilize

CO₂-free electricity

- Purchase electricity sourced from renewable energies
- Consider carbon offset platforms



OSG is committed to the creation of a sustainable environment and society through eco-friendly business activities.

Basic Philosophy

OSG Group recognizes that protecting the global environment is a vital priority for humanity. Under our Environmental Basic Policy, we are actively committed to efficient resource use and environmentally responsible production. We strive to supply customers with eco-friendly products and services as part of our efforts to reduce our environmental footprint and contribute to development of a society based on resource recycling.

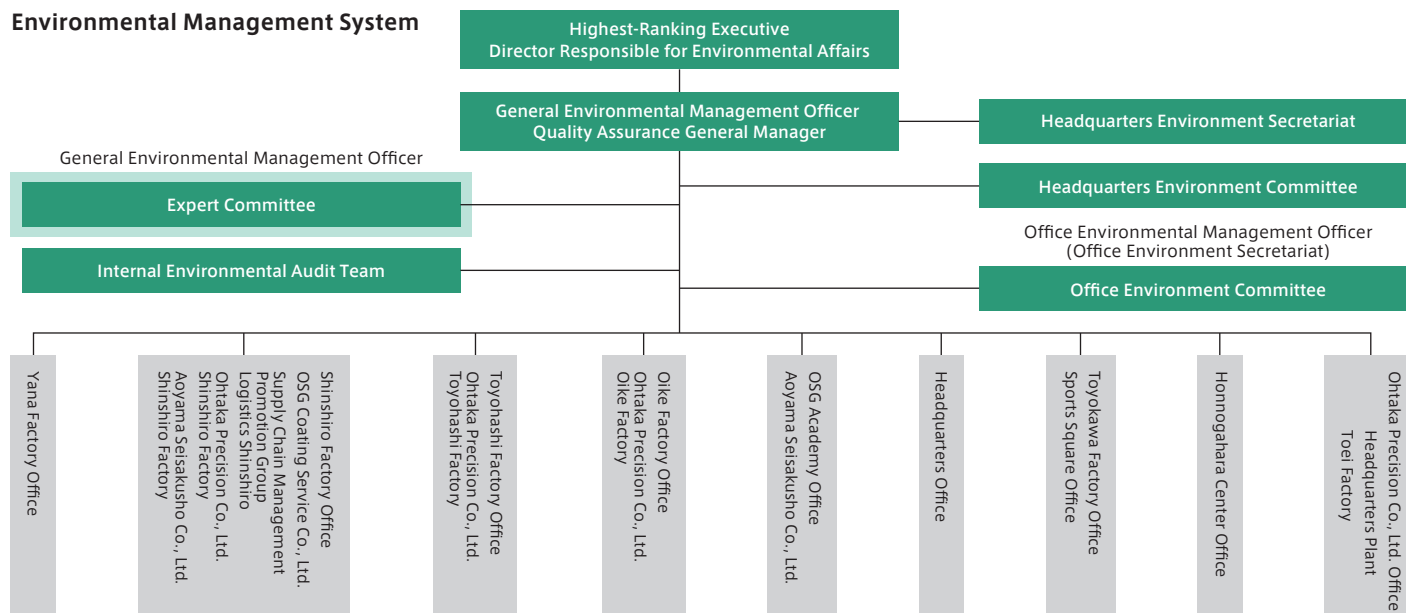
Environmental Slogan
Eco-friendly company and environment-respecting culture

Environmental Policy

OSG has established the Headquarters Environment Committee, developed a company-wide environmental strategy, and actively endeavored to resolve environmental problems. Within the environmental management structure, departments closely affiliated with sites having a significant environmental footprint are primarily responsible for environmental management. The director responsible

for environmental affairs, who is the highest-ranking executive overseeing environmental management activities, and the quality assurance general manager, who serves as the general environmental management officer, direct this structure and carry out environmental management activities.

Environmental Management System



FY2021 Environmental Performance and FY2022 Targets

No	Environmental Objectives		FY2021		FY2022
	Item	Content	Target	Result	Target
1	Energy Conservation	Total energy Use Reduction (energy sources: electricity, fuel oil, and LPG) Total usage BM: 95,676 GJ/month	1.0% reduction 874 GJ/year reduction	6.8% reduction 5,926GJ/year reduction	1.0% reduction 1,118GJ/year reduction
2	Eco-Products	Develop eco-friendly products	34 points	35 points	34 points*
3	Eco-Factory	Produce in an eco-friendly manner	37 points	70 points	37 points*

*Numerical scores out of a total 60 points under OSG standard set for improvement of environmental activities

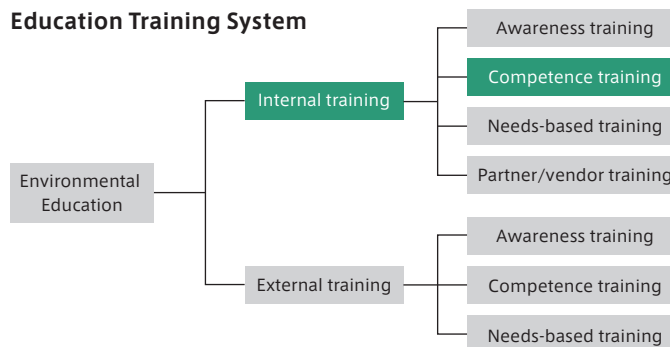
Environmental Education / Education Training System / ISO 14001 Certification Status

Environmental Education

OSG provides ISO 14001 internal environmental auditor training for newly appointed supervisors so that they will develop the skills of a qualified internal auditor for environmental management systems.

We also train the personnel responsible for environmental affairs at each office to enhance their knowledge and develop their practical skills through training in environmental laws and regulations so that they will acquire a broad basic understanding of these laws and regulations. In addition to the above, emergency response training is conducted for those responsible for such actions at each office in order to ensure thorough awareness.

Education Training System



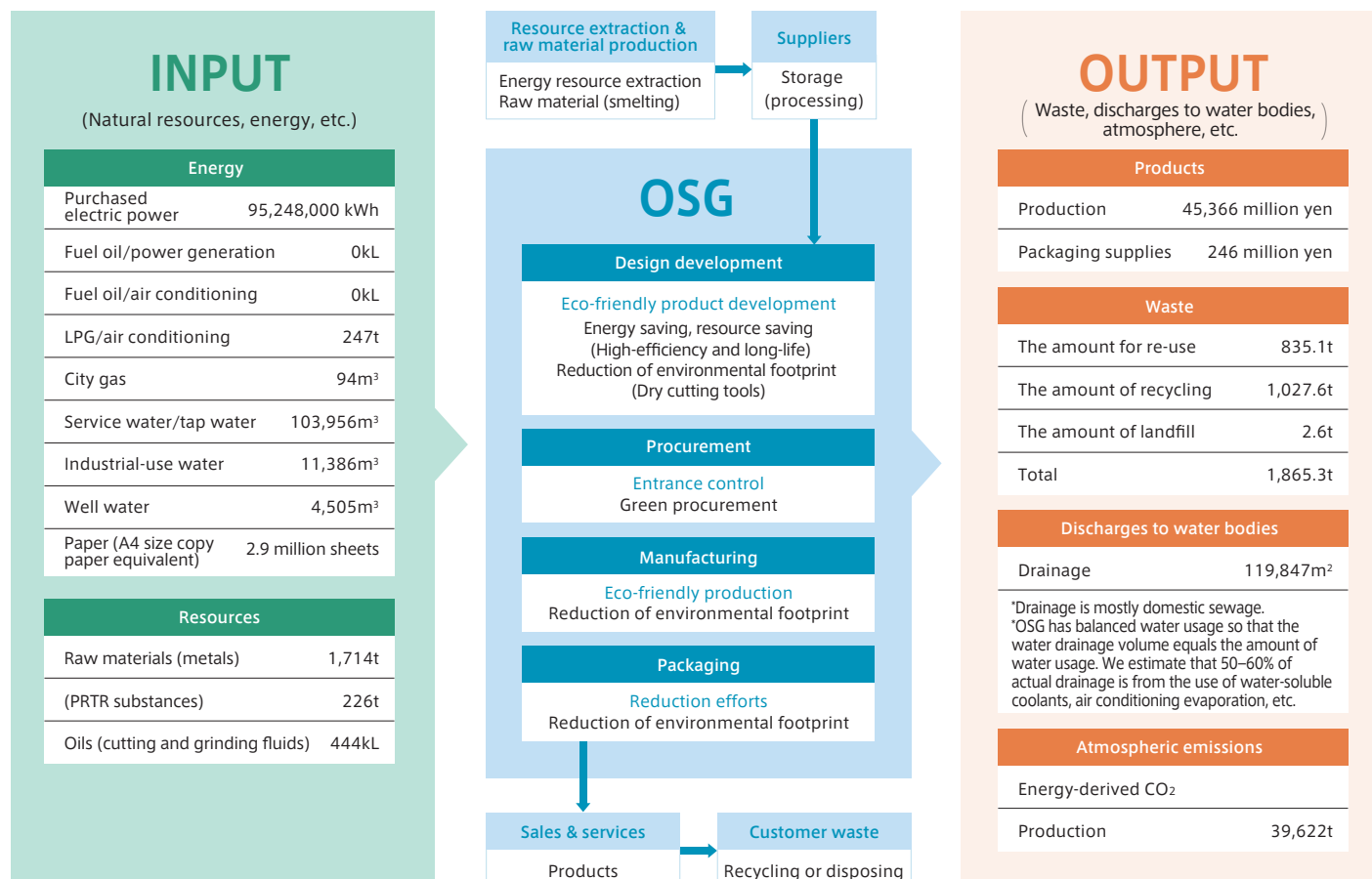
Status of Environmental Management Systems at Group Affiliates

Status of ISO 14001 Certification Acquisition

November 2000	Nine offices of OSG	October 2007	Aoyama Seisakusho Co., Ltd.
October 2004	NODA Precision Inc.	October 2008	Ohtaka Precision Co., Ltd.
December 2005	Sanwa Seiki Co., Ltd. Shiga Seisakusho	October 2008	Taiho Sangyo Corporation
October 2007	Nihon Hard Metal Co., Ltd. Kyushu Plant	June 2014	Nihon Hard Metal Co., Ltd. Head Office and Headquarters Plant

Material Balance in Operations

To contribute to realization of a low-carbon society and creation of a resource-recycling society, OSG is cognizant of and manages the various environmental impacts of our business activities. We continue to strive to manage these effects by efforts, such as reducing energy use and putting waste from our manufacturing processes to use as recycled materials.





Environmental Accounting

OSG's environmental accounting system references the Environmental Accounting Guidelines established by the Ministry of the Environment. Our aim to present an environmental accounting to facilitate understanding of our philosophy and environmental conservation efforts so as to improve our relationship with society.

Costs and Effects over the Past Three Years

[thousand yen]

	FY2019	FY2020	FY2021
1. Positive costs	223,520	51,026	592,238
2. Maintenance costs	66,326	63,824	67,920
3. Environmental damage compensation	0	0	0
4. Effects of environmental conservation	37,169	12,103	101,838

Detailed Accounting of Costs and Effects in FY2021

[thousand yen]

Category	Item	Specific initiatives	Investments in equipment, etc.
1. Positive costs for achieving environmental targets	① Pollution prevention costs		0
	② Global environmental conservation costs	Updating heat source devices, transformers and air conditioning units, converting to LED lighting, etc.	592,238
	③ Resource environmental costs		0
	Subtotal		
2. Environmental management system maintenance costs	① Labor costs associated with environmental conservation activities	Environmental secretariat expenses, management operating expenses	13,500
	② Environmental education and training material preparation costs	Seminar participation, environmental reports	522
	③ Environmental audit expenses	External review expenses, registration maintenance expenses	1,820
	④ Environmental regulation compliance costs	Designated chemical substance measurement, etc.	754
	⑤ Waste disposal and recycling expenses	Waste disposal expenses	46,516
	⑥ Circulation measurement expenses	Various environmental measurement and analysis expenses	4,808
	⑦ Environmental conservation costs associated with social activities	Activity expenses for activity expenses	
Subtotal			67,920
3. Compensation costs for environmental damage	Costs for soil remediation, restoration of natural destruction, etc.		0
	Subtotal		
Total			660,158
4. Effects of environmental conservation	Total environmental improvement effects	Energy savings achieved by updating heat source devices, transformers and air conditioning units, and converting to LED lighting	101,838
Total			101,838

Reduction in CO₂ Emissions

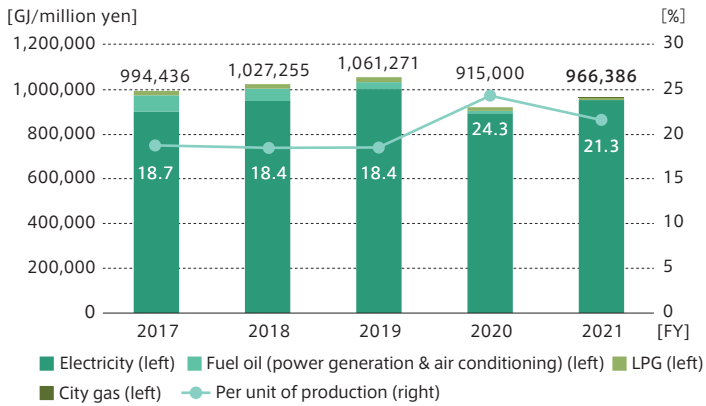
Society is placing greater demands on companies to realize carbon neutrality, calling on them to save energy, reduce power consumption, adopt renewable energies, and engage in a variety of other activities.

OSG has adopted a companywide theme of reducing our electric power usage, and we have rolled out activities that promote more efficient energy use and develop energy-saving equipment alternatives. More specifically, we have upgraded thermal source devices, transformers, and air conditioning equipment so that we now

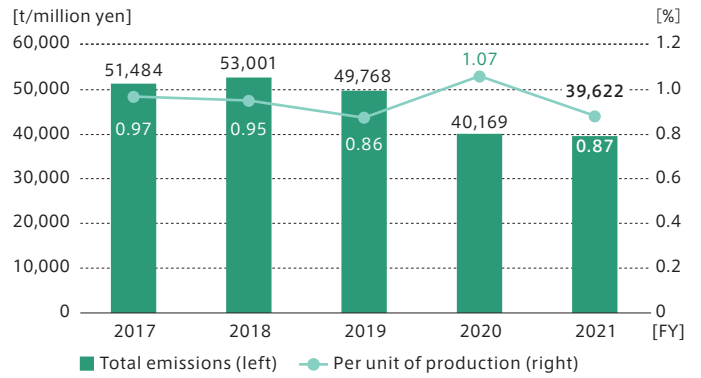
use the leading models. Companywide, we have also promoted a conversion to LED lighting, done away with equipment using fuel oil, and implemented other similar efforts. The result has been that energy usage per unit of production has improved 12% year-on-year, falling from 24.3 to 21.3, and total CO₂ emissions were also reduced by 1%.

We will reinforce these activities and strive in a systematic manner to reduce CO₂ emissions in accordance with our medium-term environmental plan.

Energy usage



CO2 emissions



Streamlining Product Cases Reduced Plastic Usage

As we have developed multiple models of taps, end mills, and drills, the types of cases and packaging have also become much more diverse. Nevertheless, considering that marine microplastic pollution is now a global problem, we urgently need to reduce the amount of plastic that we use.

OSG has been working to standardize packaging cases and labels

as well as making other efforts to adopt more eco-friendly new cases and switch to ecological packaging film.

We launched this effort in 2021 and have steadily made headway, consolidating (integrating) 20 of the 78 types of packaging. We anticipate that these efforts will ultimately reduce annual plastic waste volume by 12 tons.

Energy-Saving Initiatives for Production Processes

The NEO Shinshiro Plant, which started operating in May 2020, is completely outfitted with environmentally-friendly equipment and efforts are being made to operate the plant in environmentally-sound manner. We are working to reuse resources and proactively reduce electricity usage. Initiatives include converting machinery and plant internal lighting to LED bulbs, reusing waste oil after cylindrical grinding sludge is treated, and cutting down on electricity usage by equipping machines with functions that automatically shut down power when automated operation ends. In addition, it is now also possible not only to use monitors to visualize uptime, but also to make use of a variety of tools and apps to promote digitalization that supports the on-site capability to enhance productivity and use idle standby power consumption in a beneficial manner.

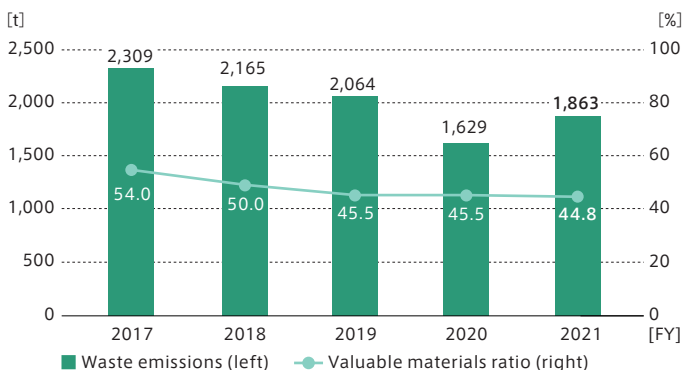


Resource Recycling Initiatives

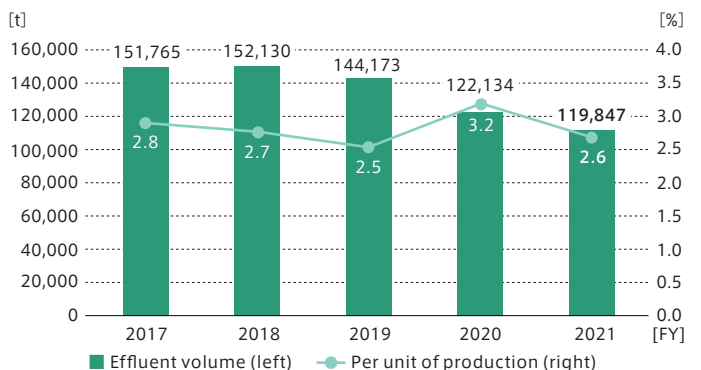
OSG has been promoting zero emission activities to reduce waste. We have also developed a system to recycle reusable and recyclable resources and established a structure to ensure the proper disposal of waste from our operations. These efforts have enabled us to maintain a recycling rate of over 99%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

[t]				
Recycling	Metal scrap (sold for re-use)	620.9	Waste grinders (recycled)	46.1
	Cardboard boxes (sold for re-use)	48.9	Waste plastic (recycled)	43.7
	Waste oil (sold for re-use and recycled)	384.4	Wood chips (recycled)	86.0
	Oil sludge (sold for re-use and recycled)	202.3	Others (recycled)	56.7
	Waste diatomaceous soil (sold for re-use and recycled)	373.7	Total	1,862.8t

Waste emissions and valuable materials ratio



Effluent volume



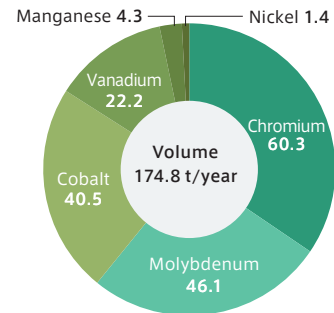


Management of chemical substances

As part of our efforts to prevent contamination, each of our sites conducts emergency training and exercises. Our personnel verify countermeasures to be employed when there is an oil spill or leak.

In conjunction with these initiatives, we have ascertained those chemical substances handled in our production processes that are subject to controls under the PRTR system. We have also identified the amounts of six controlled chemical substances (see diagram at right):

PRTR chemical substances



Green Procurement

OSG aims to provide our customers with environmentally-sound products in accordance with our Environmental Policy of making our entire supply chain more environmentally friendly.

For necessary resources, OSG has endeavored to promote green procurement together with our partner suppliers. We place

appropriate controls on products containing chemical substances and conduct green procurement self-assessments so that materials and products having a low impact on people and the environment are prioritized in our procurement and purchasing.

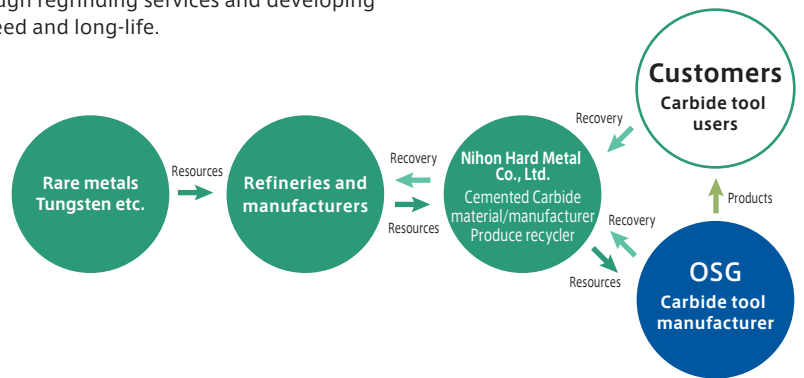
Eco-Friendly Products and Services

OSG is striving to create eco-friendly products and provide these to our customers. We are actively working to reduce environmental footprint through regrinding services and developing energy-saving and high-efficiency products that enable high speed and long-life.

Carbide Metal Recycling

Tungsten, cobalt, and other rare metals are among the raw materials used for manufacturing carbide tools. The entire OSG Group has been striving to recycle carbide products.

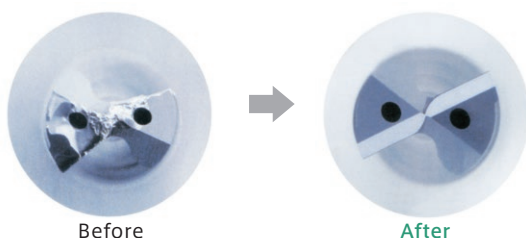
We recover used tools from our customers and recycle the rare metals, and make effective use of resources to help our customers' CSR activities and promote zero emissions.



Reconditioning Service

Taps, end mills, drills, and other cutting tools become worn and dull after repeated use. Regrinding these tools is able to restore their sharpness so they are as good as new.

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



OSG Group Regrinding Plants

Aoyama Seisakusho Co., Ltd.

149 Miyamae, Ichinomiya-cho, Toyokawa City, Aichi 441-1231, Japan
Tel. 0533-93-2524 Fax. 0533-93-2725

SD MFG. Company

442-2 Baba, Joso City, Ibaraki 300-2748, Japan
Tel. 0297-43-7181 Fax. 0297-43-7180

ORS Corporation

1-156 Okusa Ogawa, Higashiura-cho, Chita-gun, Aichi 470-2102, Japan
Tel. 0562-83-9841 Fax. 0562-83-9053

ORS Corporation Gunma Plant

5720-7 Mimuro-cho, Iseaki City, Gunma 379-2235, Japan
Tel. 0270-75-1333 Fax. 0270-75-1334

Ohtaka Precision Co., Ltd. Headquarters Plant

1-10 Koden, Arumi, Shinshiro City, Aichi 441-1317, Japan
Tel. 0536-25-0833 Fax. 0536-25-0835

Nissin Diamond Co., Ltd.

(reconditions only diamond tools)
1561-7 Imazu, Imazu-cho, Takashima City, Shiga 520-1621, Japan
Tel. 0740-22-2415 Fax. 0740-22-4178

AE-VML Chipbreaker-type End Mill



Problem

While end mills with a long cutting edges can cut at greater depths, they also generate longer cutting chips. As shown in the photo on the right, these long chips quickly accumulate near the machining area in a short time.

If machining is continued without removing the accumulated chips, the tool will be chipped by biting into the chips. Therefore, when using end mills with long cutting edges, it was necessary to stop the machine every time chips accumulated and remove them.

In addition, machine stoppages caused production activities to slow down. The standby power of the machine that did not contribute to production during such stoppages was approximately 2 to 3 kWh (equivalent to BT40), which was a burden from the standpoint of environmental efficiency.



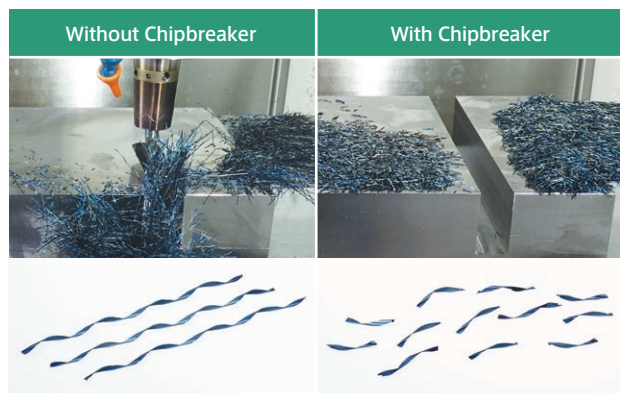
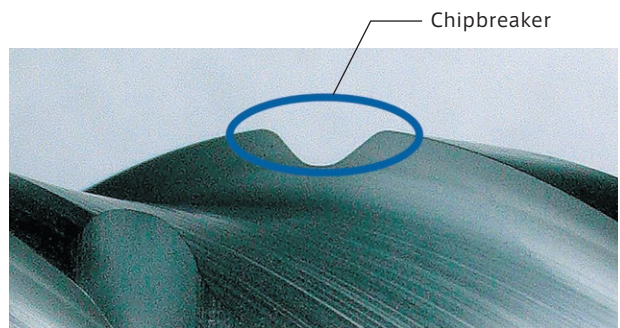
OSG Developed Product

AE-VML chipbreaker type end mills have notches, called a chipbreaker to cut chips into shorter lengths.

This chipbreaker shortens and lightens the chips and suppresses chip accumulation, enabling continuous operation without stopping the machine. As a result, production efficiency is improved and standby power consumption is reduced. The AE-VML is also an environmentally friendly product from the standpoint of reduced coolant consumption, since it can process chips with a smaller amount of coolant.

The AE-VML chipbreaker-type end mill was awarded the Mechanical and Robotics Parts category of the 2020 Super Monozukuri Parts Award sponsored by the Monozukuri Nippon Conference and Nikkan Kogyo Shimbun, Ltd.. This award is given to products that can help solve issues facing Japanese manufacturing, such as the declining birthrate, aging population, and environmental preservation, and that can serve as a guidepost for new growth. The AE-VML chipbreaker-type was highly evaluated for its improved productivity and reduced power consumption and coolant consumption.

We will continue to promote the development and commercialization of Eco-friendly products.





OSG Group extensively fulfills our social responsibility to our customers, partners, employees, communities, and other stakeholders.

Human Resource Development

In 2013, we introduced a personnel system intended to enable our employees to develop in a way that maximizes corporate value while creating a corporate culture that emphasizes personal development and embracing challenges. We believe our employees possess unlimited potential and are an

indispensable part of our company. Building on our human resource development philosophy, we strive to expand and improve our employees' capabilities and help them develop based on the seven qualities required for advanced manufacturing.

Seven Qualities Required of OSG Employees

■ Globality

As the world's leading manufacturer of cutting tools, we must be constantly aware of our position as a member of a global society and demonstrate a global sensitivity enabling us to adapt to cultures, languages, and customs around the world.

■ Spirit of challenge

We must identify with dreams and aspirations, never fearing failure as we continue to boldly set and achieve ambitious targets. As we move forward, we have to think on our feet to adapt to changes while generating profit.

■ Conceptualization

To contribute to manufacturing industries around the world as a cutting-tool manufacturer, we must be able to perceive the essence of things, formulating advanced concepts and plans that also align with company policies and management goals.

■ Communication

In order to actualize our philosophy of 'Tool Communication', we must foster strong relationships based on trust, communicate intentions and information quickly and accurately, and collaborate with team members both inside and outside of the company.

■ Leadership

Leadership allows us to guide the members of our team in the right direction and demonstrate the boundless potential of collective effort. A leader is someone able to gain the complete trust of their team and demonstrate humanity, sincerity and a sense of responsibility as the situation demands.

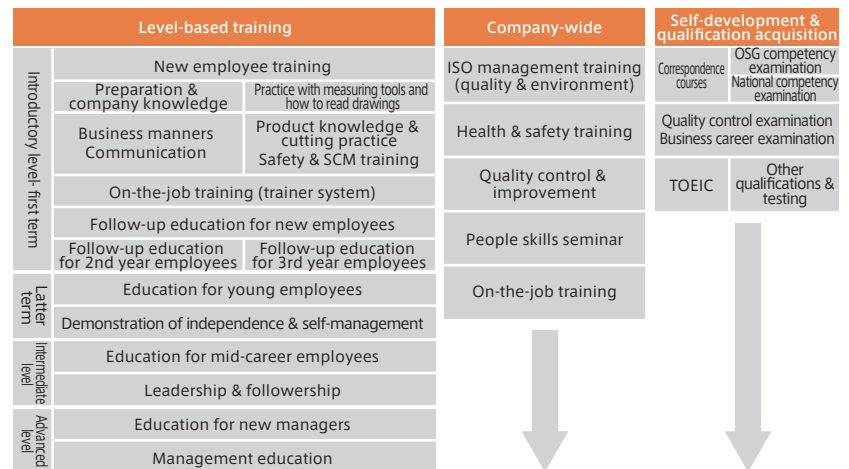
■ Followership

Followership means actively supporting leaders in order to demonstrate the boundless potential of collective effort while maintaining the awareness and capacity to collaborate with leaders and organizations to achieve the objectives of the workplace.

■ Innovation

Innovation allows us to create new value by pursuing the development of cutting tools to provide products and services that meet the real needs of our customers.

Human Resource Development System



Employee Data

	FY2017	FY2018	FY2019	FY2020	FY2021	
Number of employees	1,941	1,988	2,060	2,047	2,100	
	Men	1,627	1,664	1,727	1,718	1,755
	Women	313	319	326	322	338
Number of New employees	55	33	63	45	50	
	Men	49	29	56	38	41
	Women	6	4	7	7	9

*The category of "employee" includes regular, quasi-regular, fixed-term, experienced elder, temporary, and part-time employees.

National Skills Competition

OSG participated in the National Skills Competition for 10 years from 2012 through 2021. The National Skills Competition is an event for young skilled workers age 23 and younger, the ones shouldering Japan's future, where they compete against the best in Japan at their skill level. The competition is held so that these young people understand the importance of manufacturing. OSG has participated in competitions for the milling machine trade, in which our young employees wield their skills to achieve optimum performance with OSG's end mills, as well as the mechanical drafting trade in which competitors make use of 3D CAD tools, which have supported manufacturing frontlines in recent years. Eight of our employees entered these competitions. These employees fused their high skills with state-of-the-art technology. They are now utilizing their honed skills successfully in their respective workplaces.

In addition, as a cutting-tool manufacturer, OSG has helped sponsor national trials for the CNC milling machine competition of the WorldSkills Competition held every two years. We have also furnished staff to support running of the competition.

We also participate in Aichi Prefecture's Manufacturing Spirit Awareness (School

Visit) Project, which offers hands-on manufacturing experiences and vocational seminars. We send our WorldSkills Competition participants to elementary and junior high schools to show young people fascinating aspects about manufacturing in an effort to foster an interest in manufacturing and encourage children to aspire to be manufacturing technicians.



Milling machine event at the National Skills Competition



Mechanical drafting event at the National Skills Competition

Encouragement for Acquiring Skill and Competency Certifications

OSG encourages our employees to acquire certification with national competency/skill tests and obtain other qualifications to improve their skills, build their motivation, and raise their awareness of quality. Also, since 2020, OSG has implemented five of our own competency examinations, which have been accredited by Aichi Prefecture for competency evaluation. The entire OSG Group is striving to improve product quality and productivity, facilitate the transmission of advanced proficiencies and competencies from one generation to the next, as well as promote versatile multi-skilled workers. In addition, after employees have been certified, they also contribute to augmenting on-site capabilities in terms of products by taking the next step up to serve as trainers and coaches, testing assistants, and examiners on testing commissions. OSG also provides support through online learning.



OSG competency examination for tap certification

Work-Style Reform

OSG has been facilitating improvements in the environment in which our employees work as part of our work-style reforms. Our IT Department established a paperless workplace goal early on, and we have done away with designated desks in offices and converted to unassigned seating. In conjunction with the construction (addition) of a new plant, we completely converted offices to unassigned seating and the dining area to a cafeteria-style facility to achieve our aim of further enhancing efficiency. We are advancing efforts to create a workplace environment that is comfortable for our employees and makes it easier for them to perform their work.

Additionally, OSG has continued to pursue work styles that foster a better work-life balance, modes adapted to the needs of the individual and the requirement to concentrate during labor input hours. We have enhanced operational efficiency with a flextime working system for management departments and other units indirectly involved in operations as well as recommending our sales department employees go directly from their homes to and from their appointments. A system for telework, which was trialed during the pandemic, was also established in April 2022 as another workstyle available to employees. In addition, to accurately manage working hours while employees are at company offices, we have also started using IC cards to manage attendance records. Based on these attendance records, we are endeavoring together with labor unions to manage employee working hours and overtime appropriately and shorten overall working time.



IC card for attendance management

Average Overtime [Hours]

	Dec. 2020	Jan. 2021	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Men	7.9	11.9	14.3	15.9	15.0	14.5	16.6	19.0	15.2	19.6	19.5	17.6
Women	6.4	8.6	10.6	12.4	10.9	11.2	11.7	13.0	12.4	14.6	15.1	13.2

Work-Life Balance

A work-life balance initiative that we have implemented is to provide our employees with both support for their families and jobs by changing the minimum length of annual leave units from two hours to one hour. We have also set up a nursing care and childcare leave system that goes beyond what is legally required for our employees to help with nursing care in our aging society as well as childcare for families where both parents work, the family unit now the mainstream. We continue to take into consideration sociality as we reassess and modify our systems, including making it possible for employees to stagger their working hours up to a maximum of two hours (in 10-minute intervals) for childcare or nursing care reasons. We have set a goal for both labor unions and management to recommend our employees take at least 70% of their annual leave each year, and we have been striving to increase that percentage. We have set up a system for accumulating annual leave that would lapse and changed the maximum number of days employees may accumulate from 30 to 40. In addition, we have expanded the conditions upon which this system may be utilized to upgrade and expand the framework so that employees may utilize their leave to take care of family members as well as non-work-related illness or injury.

The scope of memorial leave (birthday leave) that employees may take has also been expanded to include up to four weeks after an employee's birthday as well as up to four weeks before the birthday, making the total period during which memorial leave may be taken eight weeks so as to make it easier for employees to avail themselves of such leave. We also introduced a new employee welfare system, the group long-term disability insurance or GLTD system. We are constructing an environment that allows our employees to work with peace of mind by indemnifying a portion of their income even if they find themselves in a situation where they are unable to work.

Early on, we incorporated a system allowing employees to extend the age of mandatory retirement to 65 as well as a system for rehiring retired employees before they reach the age of 70. We set up a new system known as the 'come back' system where we reemploy workers after they have voluntarily retired for personal reasons before the age of mandatory retirement. OSG has endeavored to stabilize employment. We also hold retirement preparation seminars every



Mandatory retirement preparation seminar

year to help employees formulate even better life plans for themselves after the age of 60. With the cooperation of financial institutions, we encourage our employees to put together a life plan based on explanations of matters they will need to deal with after the age of 60, the procedures necessary at the time of mandatory retirement, and their retirement benefits (defined contribution pension plan).

Data on Child & Nursing Care

Item		FY2019	FY2020	FY2021	
Childcare leave	Men	No. of eligible employees taking leave	1	2	3
		Percentage of eligible employees taking leave	2	4	5
		Avg. number of days taken	120	64	60
	Women	Percentage of employees returning to work	100	100	100
		No. of eligible employees taking leave	15	8	14
		Percentage of eligible employees taking leave	100	100	100
Shorter working hours for childcare	Avg. number of days taken	420	509	426	
	Percentage of employees returning to work	93	88	100	
Nursing care leave	No. of employees with shortened hours	29	34	39	
	No. of eligible employees taking leave	1	2	1	

Data on Working Hours

	Actual hours worked			
	FY2019	FY2020	FY2021	
Total annual hours actually worked	103,447.3	102,399.1	102,876.8	
Annual paid hours	7,986.6	7,155.9	8,501.6	
Total annual hours actually worked + Annual paid hours	111,433.9	109,554.9	111,378.4	
Annual hours worked overtime	14,019.8	3,785.2	10,381.7	
Percentage of annual paid leave taken	Men	73%	73%	69%
	Women	77%	75%	70%

Health & Safety Management Initiatives: Pursuit of Wellbeing

Since OSG declared in 1996 that we will be a health-conscious company, we have adopted many measures and policies to support our employees in getting and staying physically fit, balancing both work and medical treatment, and other issues they face so as to create an environment where each and every one of our employees is able to work in good health.

Amid the rapidly changing environment due to the spread of Covid-19 infections, we believe it is important, in terms of both safety and health, to work for the well-being of our employees, their families, our customers, our communities, society, and the earth. So, with that in mind, we declared and have promoted this year as the first year of the era of safety and health management.

■ Safety & Health Management Declaration

OSG will strive for the well-being of our employees and contribute to building a prosperous future for our employees, their families, our customers, our communities, society, and the earth.

Managerial System Promoting Safety & Health Management



Company Initiatives

Safety —Returning home from work as healthy as you arrived in the morning—

Safety recognition training



Trainees experience hazardous situations to stimulate greater safety awareness

Special training



Statutory training required for work

Traffic safety patrol



Trainees are educated about traffic safety for employees and communities

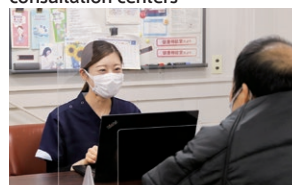
New employee safety training



New employees learn safety basics

Health —Creating an environment where employees may perform their work in good health both mentally and physically—

Easily-accessible health consultation centers



Staffed by occupational health physicians, counselors, and healthcare personnel

Combatting Covid-19



Workplace vaccination program for peace of mind at work

Healthy meals offered



Balanced healthy meals offered at company cafeterias

Promoting communication



Employees and their families take part in welfare and benefit programs

Transformation in employees' attitudes

Greater safety awareness
Healthier both mentally and physically

Optimal working experience
Pro-health sensitivity

Higher job satisfaction and more fulfilling life

Well-being

Sustainable Growth of Employees, OSG, and Society

Initiatives Upholding Respect for Human Rights

OSG Group and all our employees both in Japan and abroad act with respect for human rights and are committed to following the letter as well as spirit of all relevant laws, regulations, and international rules as they work proactively to create a sustainable society with sound values. We ensure a healthy work environment where people neither offend nor discriminate against others on the basis of race, belief, skin color, sex, religion, nationality, language, physical appearance, wealth, or birthplace.

Some of our principal efforts have been to raise awareness of human rights during new employee training and outside seminars. We have used

in-house newsletters to address human rights issues as part of our endeavor to prevent such issues from arising in our working environment. We have also established a point of contact dedicated to responding to consultations, complaints, or other inquiries from employees regarding harassment. OSG Group believes it is important for each and every one of our employees to actively work to promote human rights awareness and for them to continue to carry out this important work. OSG is also a member of the Industrial Federation for Human Rights in Aichi, and we engage in activities to promote and improve human rights awareness.

Harassment Prevention

At OSG, we have established regulations to prevent various types of harassment. We strive to create a workplace in which all employees can feel comfortable by ensuring that everyone is aware of the company's role in preventing harassment, the responsibilities of people in each position, and the contact points available for

employees to seek advice.

In addition to awareness activities to prevent harassment, we are working to further enhance our consultation system and make it even more responsive through means such as increasing the number of staff members available to provide advice.

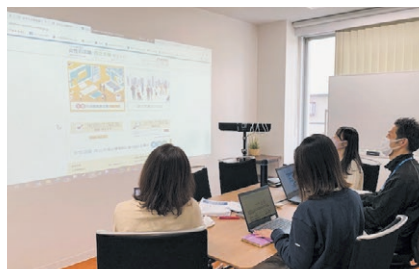
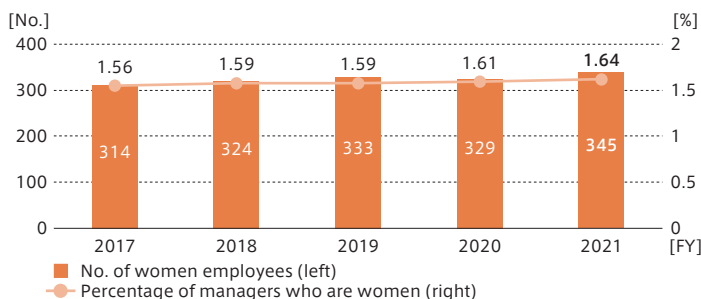
Promoting Active Participation by Women

OSG has strived to create a pleasant work environment based on the theme of promoting "diversity and inclusion" so that our diverse human resources are able to capitalize on their individual personalities and character as well as demonstrate their abilities to the fullest regardless of their nationality, gender, ethnicity, sex, disability, or other characteristics so that we may employ a diverse range of human resources. Among these efforts, we recognize that promoting the active participation of women in the workplace is an important issue. Our aim is to enable each and every woman to demonstrate her abilities to the fullest in her career by continuing to work passionately and assuredly.

In addition, we have also implemented initiatives from the perspective of

supporting both work and childcare as well as career development. Among these efforts is the Career Plan Statement System, which creates career paths for women employees. Personnel rotations are implemented systematically for our women employees, including overseas postings, in line with this system. Our medium- and long-term plan is for our women employees to build up experience through interdepartmental personnel assignments where they work at multiple offices and sites as well as perform many operations. We believe this will lead to an increase in managers with the capability to manage a variety of departments and business units. Also, in 2021, we established the 'come back' system and we have also developed systems that support flexible work styles for our employees.

Women Employees & Managers



Women's empowerment project members holding a meeting

Disability Employment Initiatives

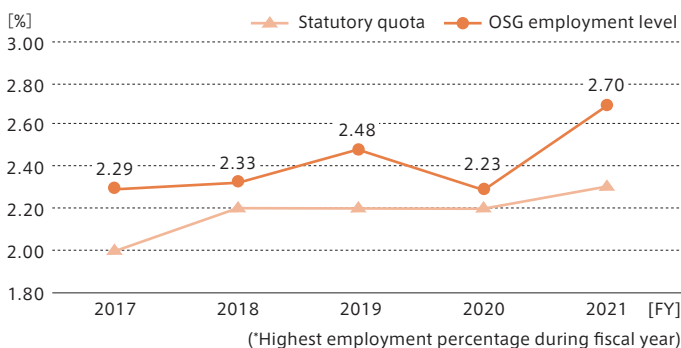
OSG actively promotes initiatives for employing people with disabilities as part of our efforts to achieve the SDGs. Even though the composition of our personnel force exceeds the statutory percentage for employees with disabilities, we will launch activities in 2022 with the aim of establishing a special barrier-free subsidiary as part of orienting our company toward further development and growth.

With the cooperation of the Aichi Labor Bureau, Japan Organization for Employment of the Elderly, Persons with Disabilities, and Jobseekers, Public Employment Security Office, and many other concerned organizations, OSG will set up a subsidiary that gives consideration to employing people with disabilities. So that even one more person with a disability is able to play an active role in society commensurate with their aptitude and circumstances, OSG will expand the scope of work and make other improvements so that the entire OSG Group may feel that we are fulfilling our corporate social responsibility.

We will also continue to collaborate with community-based social welfare organizations as we have been doing to provide off-site and contract work.

We want to offer people who face challenges in pursuing regular employment opportunities to participate in society and share the joy of working together.

Percentage of Employees with Disabilities



Commitment to Customer Satisfaction

Online Seminars

OSG regularly holds online seminars as part of our efforts to further enhance customer satisfaction. Even as the pandemic made it difficult to hold in-person seminars, we have continued to communicate with our customers by utilizing our online meeting platform to conduct seminars. Surveying customers who attended any of these seminars, we picked up comments and found out their degree of satisfaction with these sessions so that we could make future seminars even more fruitful. We have also put to use customer comments and needs received through these

seminars in our constant efforts to improve product quality and develop even better products.

Moving forward as well, we will be conscious of how we may leverage online advantages and utilize these advantages to hold even better seminars. We will also make preparations for in-person seminars to bring out the benefits available only through that type of experience. We are making an effort to provide information beneficial to our customers whether it be digitally or in real time face-to-face or online.

Communication Dial

The Communication Dial answers more than 100 telephone inquiries from customers every day. These queries range from basic questions to specific and highly-technical inquiries relating to actual cutting process. Depending on the nature, it may be necessary to check with the design and development divisions or contact the relevant sales team to arrange a visit to the customer's site. We are committed to providing the best service tailored to each individual customer. In addition, we monitor the percentage of inquires handled, and staff the Communication Dial appropriately so that our customers do not

have to wait for answers to their questions.

We have also developed a system to receive customer queries through an online chat system. Our aim is to increase customer satisfaction by allowing customers to easily contact us either by phone or online. Communication Dial will continue to evolve based on our 'Customer First' spirit and a commitment to building a sense of assurance that OSG's communication dial is always there to answer any queries should a problem arise.

TOPICS

Super Monozukuri Parts Awards

The award ceremony for the 2021 Super Monozukuri Innovative Components Awards sponsored by the Monozukuri Nippon Conference and Nikkan Kogyo Shimbun was held at a Tokyo hotel on November 26, 2021. The AE-VTS-N, AE-TS-N, and AE-TL-N DLC coated carbide end mill models for nonferrous materials were recognized with the Machine and Robot Components Award.

This award honors products and components that are emblematic of new growth and offer solutions to challenges faced by Japan's manufacturing industry, such as the declining birthrate and aging population, environmental conservation, maintaining a stable supply of resources and energy, and intensifying international competition. This was the fourth consecutive year for OSG to receive an award and the third consecutive year to be recognized in the end mill division. We fully intend to endeavor to develop products with which we will be able to receive such prestigious awards.



Top down: AE-VTS-N, AE-TS-N, and AE-TL-N end mills

Quality Management System

OSG received our first ISO 9001 certification, an international quality management standard, in 1998 for our Yana Plant. Since then, we have broadened the scope of applicability and continue to receive certification today for all processes, including for our key plants in

Japan. Also, in 2018, we acquired JISQ 9100 certification, a quality management standard to which particular requirements have been added for the aerospace industry. We will continue our efforts to obtain even more certifications.

■ OSG Quality Slogan

We put quality first and have earned the trust and satisfaction of our customers through our exceptional products and services. In order to maintain this level of performance, we make continual improvements to the effectiveness of our quality management system.

■ Quality Policy

1. Offering the best quality that satisfies our customers and society
2. Promoting standardization of operations
3. Preventing progression of faulty products
4. Shipping products on schedule
5. Improving the quality control circle and 5S methodology

OSG Quality Certification System

We have established our own quality certification system to ensure consistent quality, and strive to maintain and improve quality at our group companies in Japan and overseas. The quality certification system is a system to certify that quality management from receipt of raw materials (or components to be reconditioned) to product shipment and after sales service is equivalent to that of a mother plant managed by OSG Japan. Evaluations are conducted by certified quality auditors from OSG Japan in accordance with the Three Reality Principles ("going on site," "knowing the situation," and "being realistic"). The systems in place

to ensure that we assess that the quality required of customers is consistently delivered as well as our employees' ability to correctly evaluate products. This is done through quality audits based on evidence submitted through communication with those in charge and those carrying out work.

We will continue to further expand these activities in order to ensure that OSG's standards of manufacturing are maintained at our group companies around the world.

QC Circles

OSG promotes QC Circle activities to help each of our employees improve their problem-solving abilities. In addition to enhancing these abilities, the QC Circle also aims to improve individuals' communication abilities by working as a team. Within the Manufacturing Department, QC activities are held with the aim of enhancing productivity. In addition, the QC Circle's objectives are also to facilitate interdepartmental activities and rollout these activities to other departments and business units. A company-wide QC Circle Tournament is also held on the theme of 'solving problems as a team' where teams present the results of their efforts.



Case presentations by QC Circle promoting better quality control

Corporate Philanthropy

OSG's Efforts to Foster the Next Generation

Space Parachute Challenge Workshop Describes Space to Children

On August 29, 2021, OSG held an online space parachute challenge workshop for elementary school students and others attendees in Toyohashi City.

This was the fourth such workshop arranged with the objective of encouraging young people to take up the challenge of trying to do something difficult and not give up. Even though the program was held online that day, some 50 people participated and together we made parachutes. We invited Keisuke Iwatani, who conducts research on stratospheric balloons, to serve as the instructor. He fielded questions from the children and talked about space as well as manned space travel in the future using balloons. The workshop provided a very meaningful time for all involved.



Children participating in the workshop



Instructor: Keisuke Iwatani



Scene during class learning about manufacturing

Aichi Prefecture's "Spirit of Manufacturing Awareness Project" for Enhancing Local Human Resources

OSG personnel have conducted classes on manufacturing at elementary and junior high schools in Aichi Prefecture. The project is administered by Aichi Prefecture to further children and students' interest in manufacturing and aspiration to be engineers by having them experience manufacturing skills and what it means to "work."

OSG's human resource development team served as instructors and provided hands-on training to participating students about what to be aware of in day-to-day work, such as precision measurement, cutting, efficiency, safety, as well as the importance of keeping things organized and communication, in addition to other lessons.

Contributions to Local Communities

Donating Personal Protective Equipment to Healthcare Workers

In the Higashi-Mikawa district where OSG has many business sites, we donated surgical gowns, face masks, disinfectant, face shields, and other infection prevention personal protective equipment to healthcare workers as a show of our gratitude and respect for working day and night performing medical care services. OSG personnel visited hospitals and city offices to present personal protective equipment, and expressed our commitment to stay mindful about infection prevention. They also stated that we will continue to support everyone on the front lines.



Governance

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

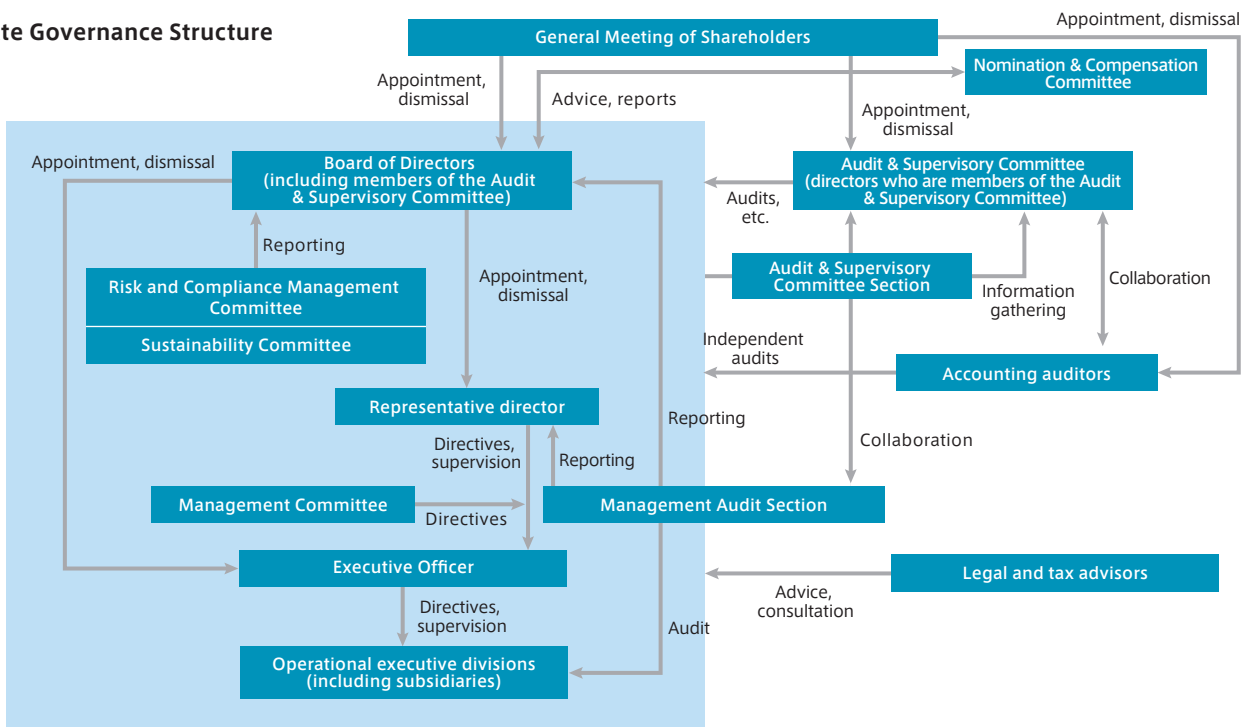
Basic Philosophy

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 Corporate Code of Ethics, which provide specific guidelines designed to raise ethical standards within the company.

Corporate Governance Structure

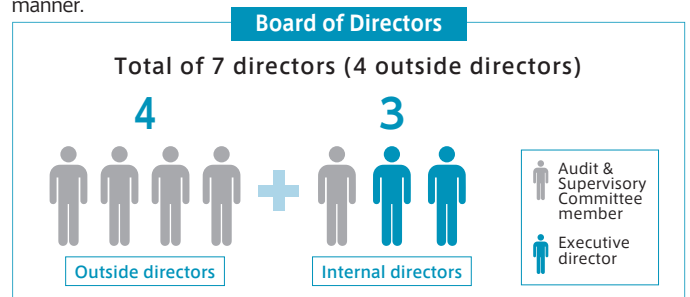


Overview of Corporate Governance Structure

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 within this structure. Operational executive functions are performed by executive officers, while the Board of Directors is responsible for decision-making and overseeing operational executive actions. To strengthen decision-making functions, the seven-member Board of Directors includes two directors who are also involved in business operations as executive officers. The remaining five directors, of whom four are outside directors, are also members of the Audit & Supervisory Committee. The outside directors also constitute a majority on the Board of Directors. By creating this structure, we have enhanced the transparency and independence of the Board of Directors as well as the effectiveness of its management supervisory role, while also bringing in outside perspectives.

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.



Reasons for Adopting Corporate Governance Structure

By adopting our present corporate governance structure, we have enhanced the ability of the Board of Directors to make decisions about management decision-making and oversee the performance of business operations, thereby improving management efficiency and ensuring that management decisions can be made appropriately and strategically. The activities of the Audit & Supervisory Committee, of which four of the five members are outside directors, include auditing the company's financial position and operations as well as the performance of duties by the representative

director and executive officers. 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.

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 & Supervisor Committee. Four of the five members are

highly-independent outside directors. 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 of 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 process for determining compensation, please refer to the section with that heading on p.39.

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

Directors' Expertise & Areas of Specialization (Skills Matrix)

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

*As of February 18, 2022

Reasons for Appointment of Outside Directors & Concurrently-Held Positions

Outside directors	Audit & Supervisory Committee member	Reasons for appointment	Positions held concurrently
Yoshiyuki Sakaki	○	Mr. Sakaki possesses 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.	● President, Shizuoka Futaba Gakuen
Akito Takahashi	○	Mr. Takahashi has extensive experience, advanced knowledge, and specialized skills acquired over his long career as an attorney. It was judged that he would participate as a legal expert 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 or 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, Nippon Carbon Co., Ltd. ● Outside Director, Oriental Consultants Holdings Co., Ltd.
Kunihiko Hara	○	In addition to an academic career spanning many years, Mr. Hara has extensive experience in and knowledge of corporate management. 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 or 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 Graduate School of Informatics, Nagoya University
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 or 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 Corporation ● Outside Audit & Supervisory Board Member, Fuji Corporation

*As of February 18, 2022

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 ratio (Table below)
The maximum amount shall be ¥7 million.

Rank-based bonus ratio

Rank	Percentage
Chairman & Representative Director	0.365%
President & Representative Director	0.405%
Managing Officer	0.162%

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 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 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 and Compensation Based on Allocations of Restricted Stock

The Representative Director is delegated by the Board of Directors to prepare a proposal for the amount of compensation for directors (excluding directors who are members of the Audit & Supervisor Committee) in accordance with the standards specified by OSG. The representative director then seeks and receives advice from the Nomination and Compensation Committee. The policy is decided on by 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.

Basic Policy on Constructive Dialogue with Shareholders

Under the leadership of the Representative Director and President, the Management Planning Department coordinates the activities of units involved in IR activities and maintains collaboration among these units on a day-to-day basis. The Management Planning Department actively responds to requests for IR information, including telephone inquiries from investors and small meetings. OSG holds quarterly meetings to present its financial results, as well as half-yearly financial presentations by top management. If necessary, any

opinions and concerns gathered through shareholder dialogue are fed back to the Board of Directors and senior management by the unit that carried out the IR activities concerned. When engaging in dialogue with investors, OSG is mindful of the management of insider information and fair disclosure rules by ensuring that such dialogue, whether at financial presentations or small meetings, focuses on strategies for the achievement of sustainable growth and the enhancement of OSG's corporate value from a medium- to long-term perspective.

Message from Newly-Appointed Outside Director

The approach I value as an outside director

I believe that to fulfill the duties of an outside director one must always endeavor to better understand the company, which includes its businesses, operating environment, internal controls, internal human relations, and other aspects. At the same time, I always try to make an effort to consider these elements from a third-party perspective. I believe it is important to balance efforts to know the company well and the position of stepping back to take in a broader perspective.

Addressing changes in listed companies' environment

Listed companies face a wide variety of challenges whether it be sustainability, diversity, or other initiatives. Unless these companies actively contribute to the way in which our society and environment should be in the future and not just create physical value, it will be difficult for them to continue doing business. I believe it is important for the company to be ahead of other firms in proactively addressing challenges, returning those results to society, and highlighting achievements.

Approach to diversity

As we say, everyone is different. People look different and have different personalities and ways of thinking. In an organization, it is imperative that individuals recognize each other's good points,

complement each other in areas where they are lacking, and, within that context, engage in discussions for better understanding. There is no mistake that diversity has the power to produce something new. I will not compromise, but remain flexible as I always endeavor to contribute from my position as an outside director.

Message to OSG stakeholders

The roles expected of an outside director continue to climb to even higher levels, and I keenly feel the weight of that responsibility. I have always maintained a posture of continuing to learn. In fulfilling my duties, I will strive to sufficiently make use of my knowledge and experience as a certified public accountant as well as licensed tax accountant.

Kayoko Yamashita,
Director and Audit &
Supervisory
Committee Member



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 the 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 the 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 and OSG Group strive 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
Internal risks	Information security
	Corporate governance and financial risk
	Retaining and training human resources
	Traffic accidents

BCP

OSG and OSG Group have formulated our Business Continuity Plan (BCP) in the event an earthquake strikes along the Nankai trough in the South Sea and Southeast Sea segments. And, we have conducted training and exercises for implementing the BCP. 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 site until a relief system can be established by the municipal or national governments.

Additionally, when the Covid-19 outbreak initially erupted in 2020, we launched response teams to follow and make sense of information which was changing daily. We were quick to respond in Japan as well as

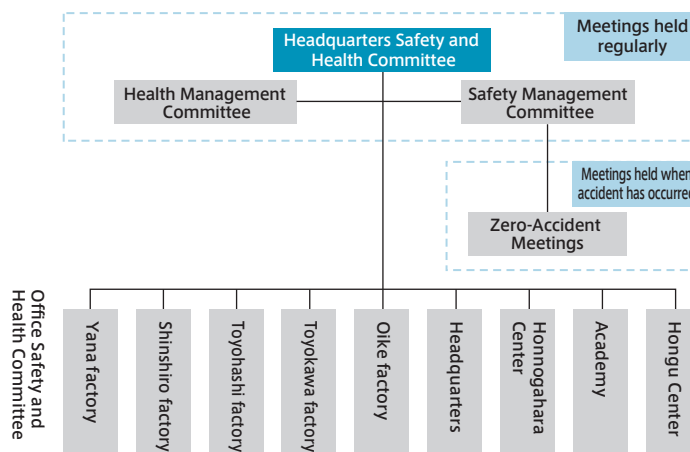
overseas. In our workplaces, we work to educate employees on preventing infection as well as preventing discrimination. We coordinated with municipalities, hospitals, and testing centers to quickly respond if someone is infected. At our production actories, we devised ways to reduce opportunities for contact by changing to a rotating shift system. We have also implemented measures so that our factory operations will not shut down.

Ordinarily, the Safety and Health Committee, which meets monthly, identifies hazardous work, locations, and other such risks, and strives to mitigate the impact of a natural disaster or accident on production.

Number of Occupational Accidents



Company-wide Safety and Health Committee



Information Security

OSG and OSG Group have strived to enhance information security. We established the 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 in 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 them 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 Corporate Code of Ethics Policy Statement was established as a set of values and ethics that we thoroughly practice to ensure all directors, executives, and employees at OSG and OSG Group companies conduct business activities based on social common sense and comply with laws, regulations, and social standards. The Corporate Code of Ethics Policy Statement comprises two sections: business ethics norms and company action standards. The former are guidelines establishing the

basis upon which business activities should be carried out by senior management and employees at OSG and OSG Group companies and how they should conduct themselves in order to ensure the prompt and appropriate implementation of fair and appropriate practices. The latter is a detailed code of conduct to ensure the implementation of the business ethics norms in business activities carried out by senior management and employees at OSG and OSG Group companies.

Promotion of Compliance

Even as we comply with laws, regulations, and other rules, OSG has appropriately maintained and reassessed the OSG Corporate Code of Ethics Policy Statement to incorporate training measures when employees are assigned to design, development, or other compliance-related units as part of our training and professional education for new employees and others, and 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.

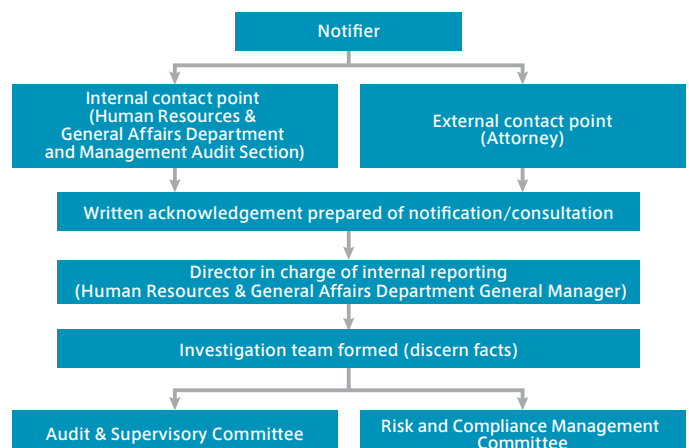
Compliance Promotion System



Internal Reporting System

OSG and OSG Group have 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 Corporate Code of Ethics Policy Statement. Upon receipt of a report or consultation, 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.

Internal Reporting System



Directors



Chairman & Representative Director
CEO
Norio Ishikawa



President & Representative Director
COO
Nobuaki Osawa



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



Director (Audit & Supervisory
Committee Member)
Yoshiyuki Sakaki*



Director (Audit & Supervisory
Committee Member)
Akito Takahashi*



Director (Audit & Supervisory
Committee Member)
Kunihiko Hara*



Director (Audit & Supervisory
Committee Member)
Kayoko Yamashita*

*Outside Director

Executive Officers



Managing Officer
Jiro Osawa



Managing Officer
Hideaki Osawa



Managing Officer
Koji Takeo



Senior Executive Officer
Mitsuyoshi Hikosaka



Senior Executive Officer
Yasutaka Yoneda



Senior Executive Officer
Yukinori Chikada



Executive Officer
Jeffrey Tennant



Executive Officer
Toshihiro Hisadome



Executive Officer
Yasushi Suzuki



Executive Officer
Kenya Sugihara



Executive Officer
Seungjin Chung



Executive Officer
Osamu Ishida



Executive Officer
Hitoshi Masuoka

Financial Section | Key Data for the Past 10 Years

		2012/11	2013/11	2014/11
For the year	Net sales	84,083	88,378	101,031
	Cost of sales	49,381	52,777	58,061
	Selling, general and administrative expenses	20,747	22,774	25,554
	Operating income	13,954	12,827	17,415
	Ordinary income	13,695	13,910	17,568
	Net income attributable to owners of parent	7,138	8,619	9,989
	Cash flows from operating activities	12,286	16,171	19,688
	Cash flows from investing activities	△19,746	△2,972	△3,119
	Cash flows from financing activities	8,643	△9,423	△12,813
	Depreciation and amortization	5,688	6,716	6,830
	EBITDA	19,642	19,544	24,246
	Capital expenditures	10,284	5,876	7,327
	Number of employees	5,117	5,118	5,233
End of fiscal year	Total assets	121,689	134,503	142,302
	Net assets	71,471	87,621	100,943
	Interest-bearing debt	34,284	29,063	20,009
	Total equity	64,482	80,024	91,458
Per share	Net income (yen)	75.16	90.76	105.20
	Net assets (yen)	679.01	842.71	963.15
	Dividends (yen)	23.00	30.00	34.00
Management indices	Overseas sales ratio (%)	48.0	53.5	54.6
	Operating income margin (%)	16.6	14.5	17.2
	Return on equity (ROE) (%)	11.5	11.9	11.7
	Return on assets (ROA) (%)	6.3	6.7	7.2
	Equity ratio (%)	53.0	59.5	64.3
	EBITDA margin (%)	23.4	22.1	24.0
	Dividend payout ratio (%)	30.6	33.1	32.3
Data by product category	Taps	29,379	28,924	34,655
	Drills	19,839	20,724	23,600
	End mills	18,472	20,857	22,886
	Rolling dies	7,280	7,681	9,165
	Gauges	1,176	1,232	1,419
	Others	7,935	8,958	9,304
Sales to external customers	Japan	44,212	41,922	46,659
	Americas	13,605	16,093	18,236
	Europe/Africa	6,491	7,827	9,879
	Asia	19,774	22,534	26,256

(Millions of yen)

2015/11	2016/11	2017/11	2018/11	2019/11	2020/11	2021/11
111,917	105,561	120,198	131,368	126,964	104,388	126,156
61,865	59,179	69,711	74,833	73,281	65,715	76,969
28,454	28,135	31,349	34,015	34,128	30,276	33,081
21,597	18,246	19,137	22,520	19,554	8,396	16,105
21,510	17,813	19,144	22,567	19,710	8,950	16,141
12,518	10,134	13,993	14,710	13,686	5,639	10,989
19,588	16,333	20,820	20,125	19,261	17,038	26,982
△16,976	△16,843	△7,566	△13,351	△20,314	△17,133	△6,961
△6,216	△778	△11,137	△4,723	3,465	9,658	△14,264
7,705	7,885	8,612	9,100	9,522	10,518	10,591
29,302	26,132	27,749	31,621	29,076	18,915	26,696
12,487	13,394	9,494	11,464	17,139	9,895	5,555
5,569	5,866	6,611	7,020	7,236	7,173	7,489
155,129	156,081	166,712	178,054	190,414	200,112	209,757
133,637	103,059	128,394	138,354	140,658	140,179	154,800
20,195	33,506	16,325	15,612	26,782	41,769	30,751
102,566	92,216	115,810	125,332	129,078	129,338	143,811
131.78	110.59	153.70	150.47	140.06	57.94	112.63
1,079.12	1,024.34	1,191.65	1,279.29	1,328.08	1,327.22	1,472.45
46.00	50.00	46.00	47.00	47.00	22.00	36.00
57.8	55.3	57.6	58.4	57.3	59.4	61.8
19.3	17.3	15.9	17.1	15.4	8.0	12.8
12.9	10.4	13.5	12.2	10.8	4.4	8.0
8.4	6.5	8.7	8.5	7.4	2.9	5.4
66.1	59.1	69.5	70.4	67.8	64.6	68.6
26.2	24.8	23.1	24.1	22.9	18.1	21.2
34.9	45.2	29.9	31.2	33.6	38.0	32.0
38,239	33,948	38,175	41,729	39,895	33,671	43,239
25,743	26,709	31,662	36,811	36,147	29,484	35,721
26,554	24,837	27,090	27,917	26,690	21,219	24,006
9,921	9,443	10,218	10,645	9,973	7,947	10,052
1,538	1,478	1,625	1,757	1,946	1,712	1,747
9,919	9,143	11,424	12,508	12,310	10,354	11,387
48,150	48,257	51,639	55,287	54,725	42,816	48,935
21,758	19,478	21,413	22,680	23,152	18,818	21,915
11,382	12,268	18,177	22,134	20,893	19,396	24,573
30,626	25,556	28,968	31,266	28,193	23,356	30,732

Financial Section | Consolidated Balance Sheet

(Millions of yen)

	FY2020 As of Nov 30, 2020	FY2021 As of Nov 30, 2021
Assets		
Current assets		
Cash and deposits	37,807	46,795
Notes and accounts receivable - trade	19,733	23,531
Securities	0	101
Merchandise and finished goods	29,239	28,553
Work in process	5,464	6,566
Raw materials and supplies	7,321	7,718
Others	3,279	2,669
Allowance for doubtful accounts	△155	△179
Total current assets	102,691	115,757
Non-current assets		
Property, plant and equipment		
Buildings and structures	56,348	58,095
Accumulated depreciation	△31,662	△33,903
Buildings and structures, net	24,685	24,191
Machinery, equipment and vehicles	131,545	138,413
Accumulated depreciation	△97,044	△105,813
Machinery, equipment and vehicles, net	34,500	32,600
Tools, furniture and fixtures	8,823	9,653
Accumulated depreciation	△6,667	△7,575
Tools, furniture and fixtures, net	2,155	2,077
Land	14,995	15,950
Construction in progress	2,649	2,687
Others	1,314	1,627
Accumulated depreciation	△701	△879
Other, net	612	748
Total property, plant and equipment	79,599	78,255
Intangible assets		
Goodwill	4,273	4,638
Others	1,260	1,276
Total intangible assets	5,533	5,915
Investments and other assets		
Investment securities	6,182	4,292
Investments in capital	760	970
Long-term loans receivable	1,021	484
Deferred tax assets	2,298	2,551
Retirement benefit asset	92	108
Others	2,297	1,867
Allowance for doubtful accounts	△366	△445
Total investments and other assets	12,287	9,829
Total non-current assets	97,420	94,000
Total	200,112	209,757

(Millions of yen)

	FY2020 As of Nov 30, 2020	FY2021 As of Nov 30, 2021
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,308	5,244
Short-term loans payable	4,473	2,329
Current portion of convertible bond-type bonds with share acquisition rights	—	1,670
Current portion of long-term loans payable	8,522	1,615
Accrued expenses	6,062	7,593
Income taxes payable	630	3,156
Reserve for directors' bonuses	146	282
Others	3,177	3,938
Total current liabilities	27,323	25,830
Non-current liabilities		
Bonds payable	5,000	5,000
Convertible bond-type bonds with share acquisition rights	1,670	—
Long-term loans payable	22,103	20,136
Deferred tax liabilities	1,703	1,630
Net defined benefit liability	682	788
Provision for loss on guarantees	38	38
Others	1,412	1,533
Total non-current liabilities	32,609	29,126
Total liabilities	59,932	54,957
Net assets		
Shareholders' equity		
Capital stock	12,223	12,239
Capital surplus	12,934	12,968
Retained earnings	111,594	120,192
Treasury stock	△1,442	△1,041
Total shareholders' equity	135,309	144,359
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,105	778
Deferred (loss) gain on hedges	0	3
Foreign currency translation adjustments	△7,076	△1,329
Total accumulated other comprehensive income	△5,970	△547
Share acquisition rights	13	—
Non-controlling interests	10,828	10,988
Total net assets	140,179	154,800
Total liabilities and net assets	200,112	209,757

Consolidated Statement of Income & Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY2020 (Dec. 1, 2019 to Nov. 30, 2020)	FY2021 (Dec. 1, 2020 to Nov. 30, 2021)
Net sales	104,388	126,156
Cost of sales	65,715	76,969
Gross profit	38,673	49,186
Selling, general and administrative expenses	30,276	33,081
Operating income	8,396	16,105
Non-operating income		
Interest income	263	178
Dividend income	79	63
Purchase discounts	36	38
Share of profit of entities accounted for using equity method	8	—
Foreign exchange gains	—	32
Subsidy income	1,127	394
Others	757	631
Total non-operating income	2,272	1,338
Non-operating expenses		
Interest expense	243	255
Sales discounts	610	706
Share of loss of entities accounted for using equity method	—	4
Foreign exchange losses	416	—
Others	448	335
Total non-operating expenses	1,718	1,302
Ordinary income	8,950	16,141
Extraordinary income		
Gain on sales of non-current assets	208	213
Total extraordinary income	208	213
Extraordinary losses		
Loss on valuation of investment securities	90	—
Special retirement expenses	171	—
Total extraordinary losses	261	—
Income before income taxes	8,896	16,354
Income taxes - current	2,281	5,567
Income taxes - deferred	871	△514
Total income taxes	3,153	5,052
Net income	5,743	11,302
Net income attributable to non-controlling interests	103	312
Net income attributable to owners of parent	5,639	10,989

Consolidated Statement of Comprehensive Income

Net income	5,743	11,302
Other comprehensive income		
Unrealized gain on available-for-sale securities	△185	△317
Deferred gain (loss) on hedges	0	3
Foreign currency translation adjustments	△1,360	5,850
Share of other comprehensive income of associates accounted for using equity method	2	△7
Total other comprehensive income	△1,543	5,528
Comprehensive income	4,199	16,830
(Breakdown)		
Comprehensive income attributable to owners of parent	4,037	16,357
Comprehensive income attributable to non-controlling interests	162	473

Consolidated Statement of Changes in Equity

FY2020(Dec. 1, 2019 to Nov. 30, 2020)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated other comprehensive income			
Balance, December 1, 2019	12,194	13,731	109,428	△1,894	133,460	1,281	—	△5,663	△4,381	13	11,567	140,658
Cumulative effects of changes in accounting policies			△12		△12							△12
Restated balance	12,194	13,731	109,416	△1,894	133,447	1,281	—	△5,663	△4,381	13	11,567	140,646
Changes of items during period												
Issuance of new shares	28	28			57							57
Cash dividends			△3,435		△3,435							△3,435
Net income attributable to owners of parent			5,639		5,639							5,639
Purchase of treasury stock				△4	△4							△4
Disposal of treasury stock				455	455							455
Adjustment of retained earnings for newly consolidated subsidiaries			△7		△7							△7
Purchase of shares of consolidated subsidiaries		△844			△844							△844
Transfer to capital surplus from retained earnings		18	△18		—							—
Net change in the year						△176	0	△1,413	△1,589	—	△738	△2,327
Total changes of items during period	28	△796	2,177	451	1,861	△176	0	△1,413	△1,589	—	△738	△466
Balance, November 30, 2020	12,223	12,934	111,594	△1,442	135,309	1,105	0	△7,076	△5,970	13	10,828	140,179

FY2021(Dec. 1, 2020 to Nov. 30, 2021)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated other comprehensive income			
Balance, December 1, 2020	12,223	12,934	111,594	△1,442	135,309	1,105	0	△7,076	△5,970	13	10,828	140,179
Changes of items during period												
Issuance of new shares	16	16			33							33
Cash dividends			△2,454		△2,454							△2,454
Net income attributable to owners of parent			10,989		10,989							10,989
Purchase of treasury stock				△5	△5							△5
Disposal of treasury stock				406	406							406
Adjustment of retained earnings for newly consolidated subsidiaries			80		80							80
Transfer to capital surplus from retained earnings		16	△16		—							—
Net change in the year						△327	3	5,747	5,423	△13	159	5,570
Total changes of items during period	16	33	8,598	400	9,049	△327	3	5,747	5,423	△13	159	14,620
Balance, November 30, 2021	12,239	12,968	120,192	△1,041	144,359	778	3	△1,329	△547	—	10,988	154,800

(Millions of yen)

	FY2020 (Dec. 1, 2019 to Nov. 30, 2020)	FY2021 (Dec. 1, 2020 to Nov. 30, 2021)
Operating activities:		
Income before income taxes	8,896	16,354
Depreciation and amortization	10,518	10,591
Amortization of goodwill	655	795
Increase (decrease) in allowance for doubtful accounts	△53	92
Increase (decrease) in provision for directors' bonuses	△163	127
Increase (decrease) in net defined benefit liability	39	△16
Increase (decrease) in provision for loss on guarantees	38	△0
Interest and dividend income	△342	△242
Interest expense	243	255
Equity in loss (earnings) of an associated company	△8	4
Loss (gain) on sales of non-current assets	△208	△213
Loss (gain) on valuation of investment securities	90	—
Special retirement expenses	171	—
Change in notes and accounts receivable	2,832	△2,448
Change in inventories	1,822	1,864
Change in notes and accounts payable	△1,555	243
Change in accrued expenses	△1,704	1,227
Others, net	558	1,081
Sub-total	21,829	29,718
Interest and dividend income received	350	225
Interest expense paid	△226	△257
Special retirement expenses - paid	△171	—
Income taxes - paid	△4,743	△2,703
Net cash provided by operating activities	17,038	26,982
Investing activities:		
Payments for time deposits	△5,640	△5,014
Proceeds from refund of time deposits	5,056	3,559
Proceeds from redemption of investment securities	11	0
Purchases of investment securities	△826	△190
Purchase of property, plant and equipment	△9,895	△5,555
Proceeds from sales of property, plant and equipment	359	1,000
Purchase of intangible assets	△222	△235
Payment for purchase of subsidiaries' stock	△2,054	△346
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△3,266	—
Others, net	△654	△180
Net cash used in investing activities	△17,133	△6,961
Financing activities:		
Change in short-term borrowings, net	1,244	△2,515
Proceeds from long-term borrowings	14,396	8
Repayments of long-term borrowings	△948	△9,079
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△1,437	—
Purchase of treasury stock	△1	△2
Proceeds from sales of treasury stock	395	397
Dividends paid	△3,439	△2,440
Dividends paid to non-controlling interests	△298	△323
Others, net	△252	△308
Net cash (used in) provided by financing activities	9,658	△14,264
Effect of exchange rate change on cash and cash equivalents	△88	1,224
Net increase (decrease) in cash and cash equivalents	9,475	6,981
Cash and cash equivalents at beginning of the year	23,704	33,299
Cash and cash equivalents from newly consolidated subsidiaries	120	73
Cash and cash equivalents at end of period	33,299	40,354

Corporate Information

Company Profile

(As of November 30, 2021)

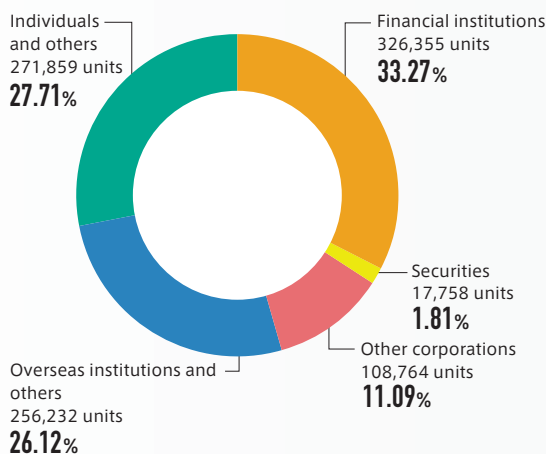
Company name	OSG Corporation	Capital	¥12,239 million
Headquarters	3-22, Honnogahara, Toyokawa, Aichi Prefecture 442-8543, Japan	Employees	7,489 (consolidated)/ 1,914 (non-consolidated)
Date established	March 26, 1938	Business activities	Manufacture and sale of cutting tools, rolling dies, gauges, machine tools and machine parts, importation and sale of tools

Status of Shares

(As of November 30, 2021)

Number of shares issuable	200,000,000 shares	Minimum share purchasing unit	100 shares
Number of shares outstanding	98,196,724 shares	Stock listings	Tokyo Stock Exchange Nagoya Stock Exchange
Number of shareholders	7,561	Securities code	6136

Breakdown of Holdings by Shareholder (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)	Percent ownership (%)
The Master Trust Bank of Japan, Co., Ltd. (Trust Account)	13,039	13.28
Custody Bank of Japan, Ltd. (Trust Account)	5,753	5.86
SSBTC CLIENT OMNIBUS ACCOUNT	4,157	4.23
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	3,358	3.42
OSG Agent Association	3,219	3.28
OSG Stock Holding Association	2,566	2.61
Osawa Scientific Studies Grants Foundation	2,350	2.39
Sumitomo Mitsui Banking Corporation	2,100	2.14
THE BANK OF NEW YORK MELLON 140051	2,095	2.13
Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,967	2.00

(Notes) 1. The number of shares held is rounded down to the nearest thousand.
2. Other than above, there are 5,000 treasury shares.
3. The ownership percentage is calculated after deducting treasury shares.



Introduction to the OSG corporate website

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

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



Introduction to the OSG sustainability website

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

<https://www.osg.co.jp/en/sustainability/index.html>





shaping your dreams

OSG Corporation

3-22, Honnogahara, Toyokawa, Aichi Prefecture 442-8543, Japan
URL: <https://www.osg.co.jp/en/>



Printed in Japan