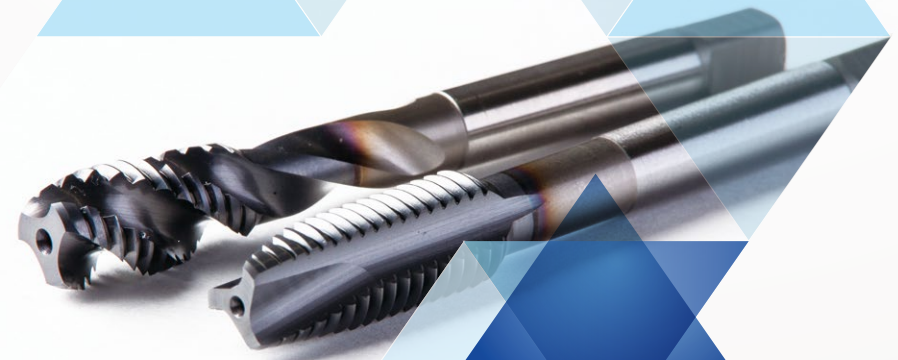




OSG REPORT 2022

Fiscal Year Ended November 2022

OSG Corporation OSG REPORT 2022



OSG Corporation

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



Printed in Japan

shaping your dreams

Taking up the challenge to build a more prosperous future and coexist harmoniously with our earth and society

Message from Top Management

Ever since our founding in 1938, OSG Group has developed proprietary technologies and products, including our technology for tap grinding with grindstones, which has enabled us to offer high value-added products and services and expand our business globally.

In FY2022, disorder arose in world affairs prompted by Russia's invasion of Ukraine, even as social and economic activities, which the pandemic had suppressed, returned to normal and signs appeared pointing towards a brighter FY2023. Within the global economy, considerable uncertainty is projected to continue in the business environment. Nonetheless, OSG is aiming to reach even higher levels of performance as we continue to leverage our global network encompassing production, sales, and technical support that is built upon our "Global Presence" corporate philosophy.

In recent years, the automotive industry has been undergoing a realignment as automobiles convert from gasoline to electric power. While this entails a variety of risks, it also presents new business opportunities for micro-precision processing products, which the OSG Group is dedicated to. Also, a recovery in demand for products specifically designed for the aircraft industry, which we have always focused on, will have a positive effect on performance. It is in this context that we have been promoting our Medium-Term Management Plan "Beyond the Limit 2024." For FY2022 which is the first year of this plan, we recorded our highest ever sales, ordinary income, and net income attributable to owners of parent. We will exploit a business environment promising further growth and work to sustainably enhance corporate value through a strengthened corporate culture and overall optimization.

Our long-term vision points us toward being an essential player contributing to the global manufacturing industry. We plan to actively develop Eco-friendly Products in line with our basic environmental philosophy "Eco-Friendly Company" as we head toward the age of carbon neutrality. The entire OSG Group is devoted to working together to establish a brand trusted by our Stakeholders, which will also empower us to sustainably enhance corporate value. This report was prepared with the hope that it will provide a better understanding of OSG's operations and activities.

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



Norio Ishikawa
Chairman & CEO

Nobuaki Osawa
President & COO

PURPOSE

Our aim is to support the global manufacturing industry and realize a sustainable society.

OSG Group is a comprehensive cutting tool manufacturer that both manufactures and markets cutting tools.

It is thanks to our supportive stakeholders and a prosperous business environment that we, as a global company, have been able to continue to meet challenges around the world and support Japan's world-renowned manufacturing.

The OSG Group believes it is our mission to continue to provide the best cutting tools to manufacturers around the world. We also aim to grow your business, contribute to our stakeholders, and realize the sustainable development of our society.



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Editorial Policy

OSG reports are published for the benefit of our shareholders, investors, and all stakeholders. The OSG Report 2022 is an integrated report providing a broader range of information that includes our Medium-Term Management Plan and other information about management strategy as well as ESG data, which serves as a foundation for sustainable growth, in addition to information about OSG's corporate philosophy and financial data. The International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) was referenced when compiling this report.

OSG website's "Investor" page publishes the latest press releases and financial highlights. In addition, the "Sustainability" page also regularly updates information available for our stakeholders. Please be sure to peruse both this report and the OSG website. We will continue endeavoring to provide editorial content that meets readers' expectations.

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

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 the 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 foster trust, as well as 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 32 countries. Our corporate aim is to continue to grow our operations globally and strengthen our contribution to manufacturing industries around 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.

MISSION

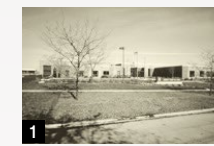
To be an essential player contributing to the global manufacturing industry as the world moves toward the age of carbon neutrality

OSG Group aims to be an essential player contributing to the global manufacturing industry as we head toward the age of carbon neutrality. This vision expresses our hope of being an integral part of our customers' business.

Stage 1 of our Medium-Term Management Plan "Beyond the Limit" runs from 2022 to 2024 when we will create a robust corporate culture. The targets established for this period include achieving a 15% ROA and 30 billion yen in operating income by the fiscal year ending November 2024. Grounded in our "Global Presence" corporate philosophy, we will contribute to realizing a sustainable society so that we may continue to grow together.

HISTORY

Since our company was founded in Tokyo in 1938, OSG has pioneered 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 opening of new sales channels. The OSG spirit of meeting and overcoming any challenge or difficulty, which we have pursued since our founding, has been the driving force behind our unique advanced technologies, global network spanning 32 countries, and every aspect of our current corporate value. We will continue to take up new challenges as we seek to further expand globally.



1 OSG Tap and Die (now OSG USA, Inc.) (USA)



3 OSG Asia Pte Ltd., holding company for Asia (Singapore)





5 NEO Shinshiro Factory



2 OSG Ferramentas de Precisão Ltda. (now OSG Sulamericana de Ferramentas Ltda.) (Brazil)



4 OSG Europe S.A., holding company for Europe (Belgium)

Our Initial Years Developed the first grinding taps in Japan	1960-1970 Aiming to be Worldwide OSG	1980-1990 Toward establishment of an ultra-high-mix low-volume production system	2000~ One agent in each country and M&A expansion
<ul style="list-style-type: none"> 1938 OSG Grinding Co., Ltd. established 1943 Aichi Factory (now OSG Academy) constructed 1951 Ohtaka Precision Works, LLC (now Ohtaka Precision Co., Ltd.) established as part of business group  <p>OSG founder Hideo Osawa</p>	<ul style="list-style-type: none"> 1961 Toyokawa Factory began operation 1963 Name changed to OSG Mfg. Company 1967 Oiike Factory began operation 1968 OSG Tap and Die, Inc. (now OSG USA, Inc.) (USA) established First sales hub overseas 1 1970 Taiho Tool Mfg. Co., Ltd. (Taiwan) established First production plant overseas 1971 Toyohashi Factory began operation 1974 OSG Ferramentas de Precisão Ltda. (now OSG Sulamericana de Ferramentas Ltda.) (Brazil) established 2 	<ul style="list-style-type: none"> 1981 OSG listed on the First Section of the Tokyo and Nagoya stock exchanges 1982 Shinshiro Factory began operation 1990 Yana Factory began operation 1993 OSG Asia Pte Ltd. (Singapore) established as the holding company for Asia 3 1995 OSG Belgium S.A. (now OSG Europe S.A.) established as the holding company for Europe 4 1997 Dabao (Dongguan) Molding & Cutting Tool Co., Ltd. (China) established 	<ul style="list-style-type: none"> 2000 Nine business sites in Japan certified as ISO 14001 compliant 2001 OSG (Shanghai) Co., Ltd. (China) established 2004 Design Center established 2006 Global Technology Center completed 2007 All OSG products acquire ISO 9001 certification 2014 Consolidated net sales of ¥100 billion achieved in FY2014 2020 NEO Shinshiro Factory completed 5 2023 Celebrated 85th anniversary
<p>Consolidated group companies</p>	<ul style="list-style-type: none"> 1973 OSG Tap and Die (now OSG USA, Inc.) acquired tap manufacturer Sossner Corp. 1979 Taiho Sangyo, Inc. started to serve as wholesale agent, selling machine tools 	<ul style="list-style-type: none"> 1986 Acquired bit manufacturer Aoyama Seisakusho Co., Ltd. 1994 Acquired Herramientas Metalicas de Corte, S.A. de C.V. (now OSG Royco, S.A. de C.V.) (Mexico) 	<ul style="list-style-type: none"> 2000 Acquired Thrane Tools A/S (now OSG Scandinavia A/S) (Denmark) 2003 Acquired VUMAT S.R.L. (now OSG ITALIA S.R.L.) (Italy) 2004 Acquired Sterling Die, Inc. (now OSG USA, Inc.) (USA) 2005 Acquired NODA Precision Tools, Inc. (now NODA Precision, Inc.) 2006 Acquired Nissin Diamond Works, Inc. (now Nissin Diamond Co., Ltd.) 2016 Acquired Amamco Tool & Supply Co., Inc.
<p>Diverse product lineup</p> <ul style="list-style-type: none"> 1938 Began manufacturing taps and dies 1942 Began manufacturing screw gauges 1956 Began manufacturing rolling dies 	<ul style="list-style-type: none"> 1970 Began manufacturing HSS end mills 	<ul style="list-style-type: none"> 1980 Began manufacturing carbide end mills 1984 Began manufacturing drills 1987 Began manufacturing cutter bodies 	<ul style="list-style-type: none"> 2013 Launched Sales of A-TAP 2014 Introduced A Brand product line 

Society

Demand for tools increases with the arrival of black & white televisions, washers, and refrigerators as well as the postwar recovery propelled by demand for aircraft and ships.

Tokyo Olympics spurs increase in color television sales, which together with the greater popularity of air conditioners and automobiles in addition to high-economic growth drive tool demand. In developed countries, die machining is in demand for mass production.

Oil crisis triggers energy savings, causing a shift from heavy and unwieldy products to light and compact products. Decrease in production in the automotive, mechanical component, and die industries affects the tool industry. Low-volume diversified production lots, high-quality, and quick delivery are pursued to maintain international competitiveness.

Digitalization advances and people look to lead more convenient and fulfilling lives. In contrast to before, a flexible way of thinking and approaching the world is needed. Semiconductor manufacturing equipment and industrial robots become more widespread, and electronic devices more and more precise. The range of demand for tools expands.

Beyond the Limit

President & COO

Nobuaki Osawa

We think outside the box, break through our own limits, and take up the challenge to go beyond what has ever done before.

The OSG Group is promoting our Medium-Term Management Plan "Beyond the Limit 2024" to achieve our long-term vision of being an "essential player contributing to the global manufacturing industry" as the world moves into the age of carbon neutrality. We have divided our long-term vision, which runs through 2030, into three stages over which we intend to alter the composition of our customer portfolio in line with social and environmental challenges, create a robust corporate culture, and enhance corporate value through overall optimization. Taking all of this into consideration, we asked President Osawa about OSG's powerful business model, how he sees the industry developing over the medium- and long-term, efforts and initiatives to improve sustainability, OSG's engagement with its stakeholders, and other topics.

► Business model, medium-and-long-term industry insight, and opportunities & risks

— To start off, could you please describe OSG Group's business model, which is the source of its strength? Then, taking that into consideration, please share with us how you see the industry developing over the medium- and long-term as well as the opportunities and risks that presents.

OSG's initial product is a tool called the tap, which threads holes in metal workpieces. When OSG was founded, there were no Japanese-made taps that used a whetstone for grinding, and our goal was to create high-quality domestically-produced grinding taps. We made use of technology for manufacturing taps that we gained in that process to later expand our range of products to encompass specialty as well as standard items, such as end mills for cutting and shaping metal and drills for making round holes. We independently developed high-speed steel that is tough and wear-resistant as well as carbide round bars appropriate for high-speed cutting. We also produced in-house the production facilities for processing round bars. We have continued to add value with proprietary coating technologies improving the durability of these tools and a business model offering a variety of strengths.

As our business model has evolved, we have expanded globally based upon our "Global Presence" corporate philosophy, beginning with the establishment of OSG Tap and Die, Inc. in Chicago, USA in 1968. In the 1990s after the bubble collapsed in Japan, we modified our slogan to "Economic Global Presence." Our belief was the OSG Group would not grow unless we found a means of surviving overseas in the same way that people have gone off to find work elsewhere. This view created a heightened sense of urgency among management and accelerated the expansion of OSG operations to China, India, Europe, and other regions. As of the time of FY2022, the ratio of our overseas to total sales has risen to approximately 65%.

Over the medium- and long-term in the cutting tool industry, we foresee globalism put to the test in manufacturing industries worldwide. An extensive realignment is occurring in the automotive industry. Even as major automobile manufacturers shift to developing EVs, the percentage of EVs among total automobiles has not yet reached 10%. Internal combustion engine vehicles account for roughly 90% of the market. In the years ahead, production of internal combustion engine vehicles is forecast to move into third countries where labor costs are lower. Regardless, tool manufacturers will have to provide the same level of service no matter where the production sites are located. The question that we face is how extensively tool manufacturers will be able to support operations when plants producing internal combustion engine vehicles move production lines to emerging nations. I firmly believe the OSG Group's proactive global expansion, which we have promoted in line with our corporate philosophy "Global Presence," will be able to ride the wave, if you will, of the automotive industry's realignment so that OSG is the tool manufacturer that customers choose.

The transformation toward electrification entails risks as vehicles switch to battery power, which will eliminate the need to machine parts around the internal combustion engine. However, this conversion will also present opportunities for machining new components for these electric vehicles. The trend is toward higher precision machining as well as smaller diameter and lighter weight components. This presents a new business opportunity for micro-precision processing, and it will be a chance for the OSG Group to leverage our strengths. We are ready to capitalize on this future. In addition, even though the pandemic caused a temporary but significant downturn in the aircraft industry, we have seen signs in recent months that this slump has bottomed out. We are concentrating more on the aircraft industry now than we did in the past. I believe the recovery in demand will have a positive impact on OSG Group's performance.

— In the first year of OSG's Medium-Term Management Plan, sales, ordinary income, and net income attributable to owners of parent were the highest ever, exceeding even their peak during the fiscal year ended November 2018. Why was the OSG Group able to surpass that level even without a full recovery of production in the automotive and aircraft industries?

If we look at product-specific sales during the previous term, tap and drill sales were the highest ever. Even though many of our specialty drills are designed for the automotive industry, it is a fact that we have been impacted by the sluggish demand for large aircraft in the aircraft industry in addition to the downturn in production in related industries. On the other hand, we saw significant growth (27% in FY2022) in the percentage of sales of standard components represented by our flagship A Brand products, for which we have strived to expand sales to general engineering as well as machinery and machine parts industries, and this offset the impact of the automotive and aircraft industries. We are also seeing the results of our efforts to build up our distribution organization A-Club, which operates across our network in 32 countries around the world.

In the previous term, we achieved our target of reducing the percentage of automotive-related sales to total sales below 50%. This target was set out in our Medium-Term Management Plan to be reached by the fiscal year ending November 2024. In other words, we reduced that ratio below 50% level earlier than planned. This was made possible in part due to the increase in production at the NEO Shinshiro Factory, which began operating in May 2020. The factory is a demonstration of Project OSG 4.0, the objective of which whose is to increase productivity. We will continue promoting our strategy of increasing the percentage of A Brand standard products sales to 30% in FY2024 and then 40% by FY2027.

— The purpose of A Brand is to provide universal cutting tools exhibiting outstanding functionality with a diverse range of workpiece materials and under a diverse range of cutting

conditions, which will help customers more easily manage their tools. Could you please share with us what sort of advantage the A Brand brings to increasing sales in industries, requiring micro-precision processing, up to 30% of total sales by the fiscal year ending November 2030 (sales were 16% in FY2022)? Also, how does profitability in this area compare with other areas? The use of small-diameter tools for micro-precision processing is projected to grow over the medium- and long-term in many sectors, including semiconductor manufacturing equipment and components, mobility services, EV motors, precision dies, medical devices, and robotics. If I were to specify the OSG Group's strengths facilitating growth in these areas, the first would be our three core products: taps, drills and end mills. All of these are necessary for machining. The second would be the twin billing of high-speed steel and carbide as our tool base materials. We have the highest tap market share in the world (over 30%). OSG has the ability to present comprehensive proposals to our customers. So, we see an inclination on the part of our customers to call for OSG products first when threading micro-precision components.

Production of micro-precision components is concentrated in China and Asia because these small components are mass-produced. Many of the machine tools used for processing these components are automatic lathes. In that field, several of Japan's small precision machine tool manufacturers hold an overwhelming share of the global market. Some of our largest customers in China machine somewhere between 1,000 and 2,000 automatic lathes simultaneously side-by-side, so cutting tool manufacturers also need to be able to supply these companies with the level of products that they require. High-speed processing is not necessarily what this sector demands, rather it requires cutting tools that are not only carbide materials, but also high-speed steel materials that are very tough.

The OSG Group maintains a world-class production system for taps. This gives us the advantage of being able to put together an array of diverse product lines and, moreover, collaborate with machine tool manufacturers to offer customers integrated processing. Because our sales teams have offices near customer sites in global, we are recognized as having an advantageous position over the competition.

In addition, we also anticipate greater profitability in this market as small-diameter tools for micro-precision processing have a raw material cost ratio that is lower overall than that of other products.

► Significant challenges and specific initiatives contribute to realizing our long-term vision

— The OSG Group's long-term vision is to be an "essential player contributing to the global manufacturing industry." Which of the eight key issues that the group has identified pose the greatest challenge? Please share with us efforts being made to address these.

As stated at the beginning of our long-term vision, we are heading "toward the carbon-neutral era," so "initiatives to address climate change," is the most important issue not only for OSG Group but for all companies in the world. Although we are currently unable to calculate our Scope 3 CO₂ emissions, we are aiming to reduce the Scope 1 and 2 emissions below the FY2019 level by 30% by FY2030 and achieve carbon neutrality by FY2050.

A specific effort that we have made relating to these goals concerns the electric power which will be generated by the OSG Group's dedicated solar power plant beginning in the spring of 2023 as part of an off-site PPA to supply power over a 20-year period to four of our domestic plants. The use of solar power-derived CO₂-free electricity will lead to a reduction of 2,000 tons of CO₂ emissions annually.

In addition, we are aggressively implementing other initiatives, including designing Eco-friendly Products. More specifically, we

developed the A Brand product A-XPF, a highly-efficient multi-purpose forming tap that is an advanced version of the S-XPF. Tap machining entails many problems, among which are breakage, chipping, and inferior threading precision. The main cause of these involves the cutting chips produced during machining. Forming taps do not produce cutting chips. They enhance the efficiency of customers' equipment operation, making it possible to curb electricity usage. A reduction in the work of removing cutting chips which often is done manually, can be expected to improve the working environment. So, this extends to the range of factors that need to be addressed to include the workpiece material as well as cutting conditions so that they align with the machining environment. From the standpoints of resource utilization and recycling as well, we intend to increase to 15% by FY2027 the ratio of regrinding and coating. These processes save resources and prolong tool life.

In January 2023, the OSG Group earned a B (management-level) score on the CDP Climate Change Disclosure Ranking, an index fostering engagement with institutional investors and suppliers worldwide making ESG investments. The B score surpasses the average for the machinery industry as well as the Asia region, which was given a C score. Long-term, there is also the possibility of shifting to an overall assessment that takes into account tool suppliers' environmental management. Our aim is to rise further in the rankings and achieve an A score in the future.

As a business contributing to the community, we launched a special subsidiary OSG Active Co., Ltd. to create employment opportunities for people with health conditions or impairments. The establishment of this special subsidiary creates opportunities for people facing challenges throughout the OSG Group by offering an environment where our personnel can work comfortably and at ease in an arrangement that matches each individual's particular skill set with the work to be performed. In addition, we have also been active in the community as the top sponsor of the San-en NeoPhoenix professional basketball team based in the San-en region, which encompasses eastern Mikawa and the Enshu region. One aspect of the corporate value to which the OSG Group aspires is to develop into an attractive company. We want to continue to contribute to the sustainable development of society through a broad range of endeavors that facilitate realizable philanthropic activities in order to effectuate co-creation with the community.

► Challenge of how to best utilize human resources for sustainable management

— Sustainable management requires the use of human capital. The Medium-Term Management Plan sets out four points for maximizing the performance of each individual employee: (1) go beyond the limit, (2) set no limits, (3) push forward and evolve, and (4) break out of the norm. What are the challenges that the OSG Group faces in terms of utilizing its human capital in the future? As of the end of FY2022, the OSG Group has 7,543 consolidated company employees, of which roughly 40% are employed at group companies in Japan and the other 60% or so at group companies around the world. In the process of accelerating OSG's global expansion, Chairman Ishikawa and myself have also been members of teams that went overseas to work. We feel that those experiences helped us to grow and learn so much. It is more important now than ever before that our employees gain this experience and that we maintain personnel policies and programs that enable such career paths. While it is important for the future that we develop executives for our domestic group companies, it is also essential to develop executives among our local employees overseas by having them become better versed in the OSG Group corporate philosophy. We send employees from Japan to key bases overseas, but the challenge we face is how to increase the number of local executives rather than executives dispatched from Japan. The advice we give to organization leaders is that



Engagement with stakeholders is vital for the OSG Group to continue to be the manufacture customers choose first.

there are limits to what one person can do, so the question they face is how to discern individual team member's abilities and maximize the skills and capabilities that the leader does not possess but others do. If a team lacks certain talent, then human resources nearby outside the team need to be brought in.

In addition, the OSG Group has a retirement age of 65, but the trend today is toward extending a person's corporate life. Advances are being made through digitalization to visualize production sites, yet we are lagging behind in our efforts to visualize our human assets. This shortcoming has resulted in an inability to properly match our personnel with operations and assignments so that we have the right people in the right place throughout our group. When we are able to put in place a framework for talent management as well as training and reskilling our employees, then we will be able to more effectively match personnel to occupations as we may anticipate which employees can perform which work. It is my intention to strive to create a system that not only develops our next generation, but also enables employees possessing extensive experience to work enthusiastically.

► Engagement with stakeholders

— Dialogue and engagement with stakeholders are important for increasing corporate value over the medium- and long-term and promoting ESG management. If possible, could you share with us what you are striving for and the message that you want to communicate through this engagement?

At least twice a year, I personally go out to engage in a dialogue with our institutional investor shareholders. Some of these shareholders recognize the OSG Group as a capital goods manufacturer when they consider corporate value. However, cutting tools are actually nondurables, so we are able to say that we are a consumer goods manufacturer.

The risks are no different as the automobile industry transitions to electric vehicles, but this change also presents new opportunities. We believe that this will not hinder the medium- to long-term growth of the OSG Group. We intend to faithfully continue to engage in these dialogues so that our shareholders appreciate our strategy for new business sectors as well as our vision of future value creation. In the previous term, we raised from 30% to 35% the dividend payout ratio that we pledge to return to shareholders. Our aim is to further increase this ratio to 40% in the future. We are also considering measures to increase the number of individual shareholders interested in the OSG Group.

Internally, the President of OSG Group addresses employees each year in December, traveling around to plants and offices in Japan to explain the company's policies and aims. In the hope of

conducting these talks in-person while, of course, taking steps to prevent any spread of infection, we have restarted these sessions on-site. At each of our plants and business offices, I asked OSG employees about four numbers, which are the KPIs set out in our Medium-Term Management Plan: (1) our operating income for the fiscal year ending November 2024, (2) ROA (on an operating income basis), (3) our share of the global tap market, and (4) the portfolio ratios of specific micro-precision processing by customers. It has been my impression that we will need more time for our personnel to be fully aware of these four figures. In order for us to achieve the targets set out in the Medium-Term Management Plan, I believe it is important the same message be repeatedly conveyed to our employees in order to enhance their sense of ownership in this endeavor and move everyone within the OSG Group in the proper direction. This term, we achieved record levels of sales and ordinary income, but Japan was the only region where we operate that performance did not reach the highest level. Moreover, our targets for FY2024 (operating income of ¥30 billion, 15% ROA, etc.) do not permit us to be satisfied with the status quo.

I feel it will be difficult for OSG Group's employees, who support the strength wielded in our on-site capabilities, to see beyond to the other side where we surpass our limits unless we do a better job of instilling our medium- and long-term vision, including understanding our monthly production targets and other short-run figures.

In addition, the percentage of employees participating in our shareholders program is a little less than 50% of the entire group. Increasing this rate will, I believe, lead to greater motivation and sense of ownership among employees. Employees are also key stakeholders, and we need to engage in a dialogue with them. This will result in an increase in corporate value while, at the same time, enhancing the skills of each and every employee.

— You stated that your aspiration when you became president in 2020 was to make the OSG Group into a "company shining more brightly than ever before" by the year 2038 when the company celebrates its 100th anniversary. What do you envision a "company shining more brightly than ever before" to be? Also, in closing, is there any message you would like to communicate, including any remarks about your own responsibilities as a manager?

The OSG Group is such a familiar part of the community that some of our employees are even the third generation in their family to work here. As a manager, I feel great joy when an employee tells me that he or she decided to join our company, saying, "It was my dream to work at OSG." The OSG Group provides a complete range of fringe benefits as well as systems and programs to specifically meet the needs of our employees. I have heard people say that we provide a favorable working environment. What underlies the ambition to make the OSG Group shine more brightly than ever before is our ability to continue to grow beyond our 100th anniversary to another 10 and even 20 years down the road as well as to continue to be a manufacturer that our clients will select. For that way of thinking to take root, we need to be the one and only company for all our stakeholders.

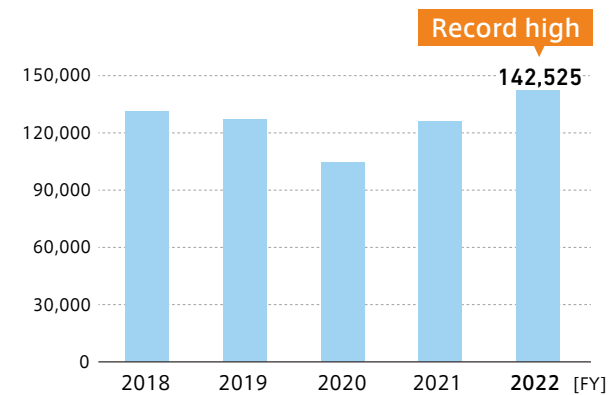
In 1996, our former chairman, the late Teruhide Osawa, issued a three-pronged declaration for the OSG Group: global presence, health consciousness, and eco-friendliness. This statement was made at a time when the idea of pursuing ESG management was hardly known, yet the spirit of this three-pronged declaration supports the foundation of the OSG Group's management at the global standard level, which has continued to be pursued to the present day.

My responsibility as the President & COO of the OSG Group is to present and properly guide our employees along our future path in accordance with our long-term vision. This direction will enhance our corporate value. It is my sincere wish that our stakeholders accompany us as we grow for many, many years to come.

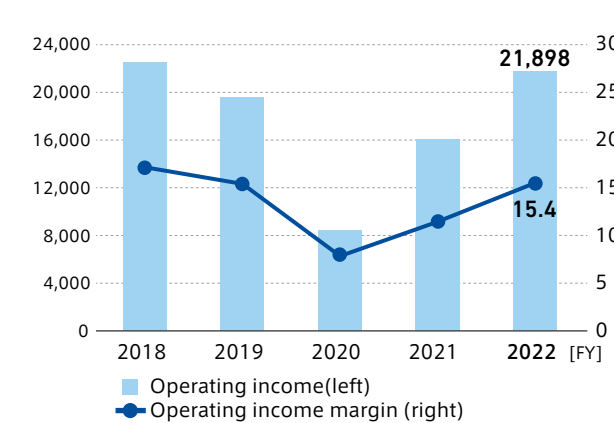
Financial and Non-Financial Highlights

Financial Highlights

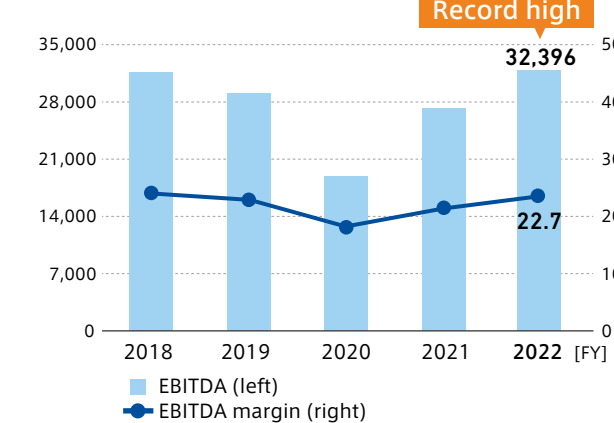
Net sales (millions of yen)



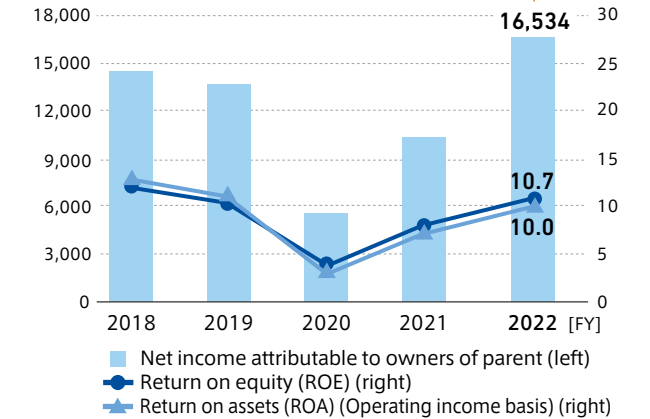
Operating income (millions of yen)
Operating income margin (%)



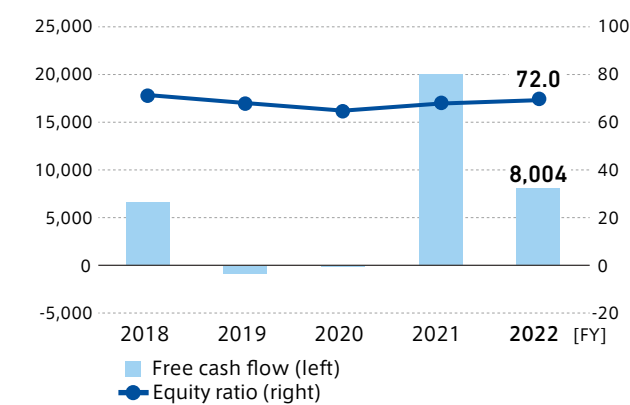
EBITDA (millions of yen)
EBITDA margin (%)



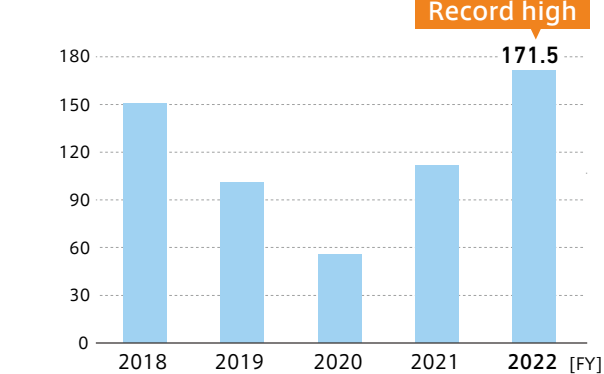
Net income attributable to owners of parent (millions of yen)
Return on equity (ROE) (%)
Return on assets (ROA) (%) (Operating income basis)



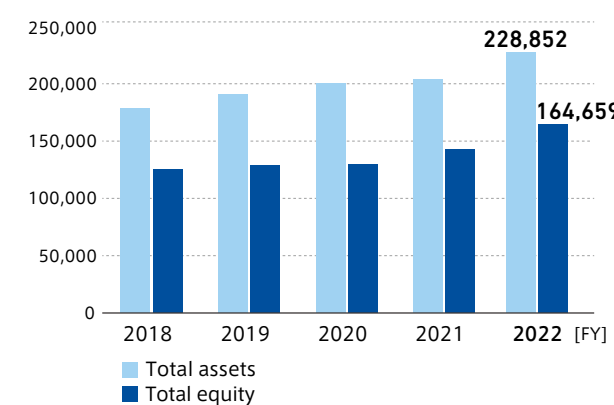
Free cash flow (millions of yen)
Equity ratio (%)



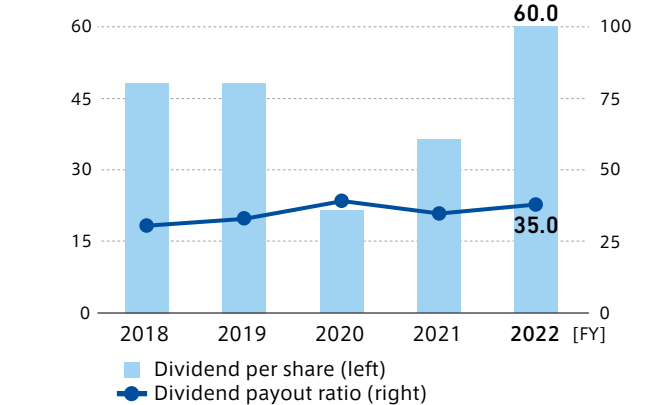
Earnings per share (EPS) (yen)



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

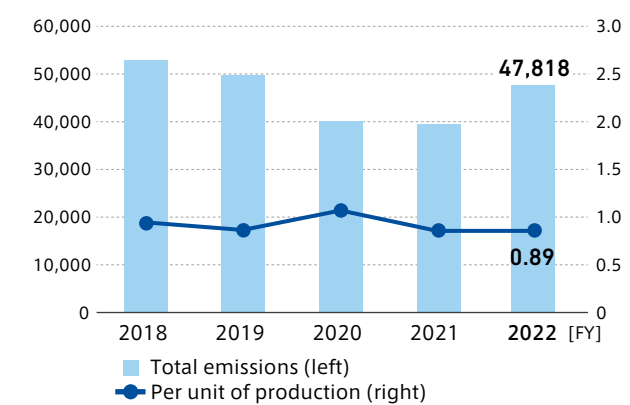


Dividend per share (yen)
Dividend payout ratio (%)

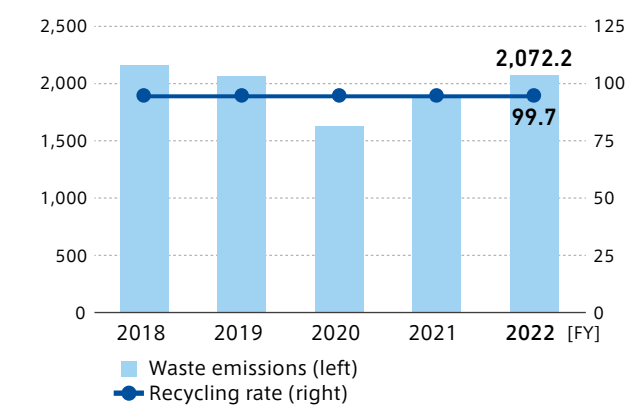


Non-Financial Highlights

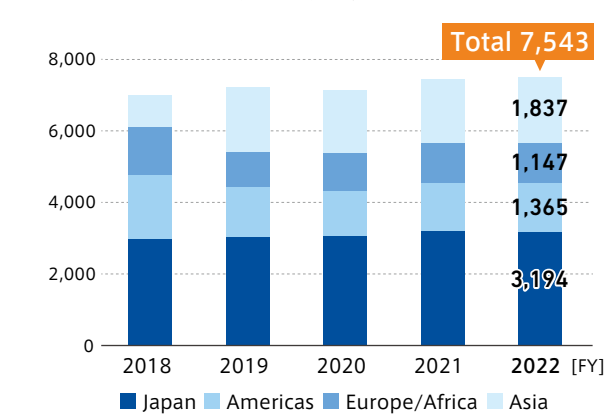
CO2 emissions (t)
CO2 emissions per unit of production (t/millions of yen)



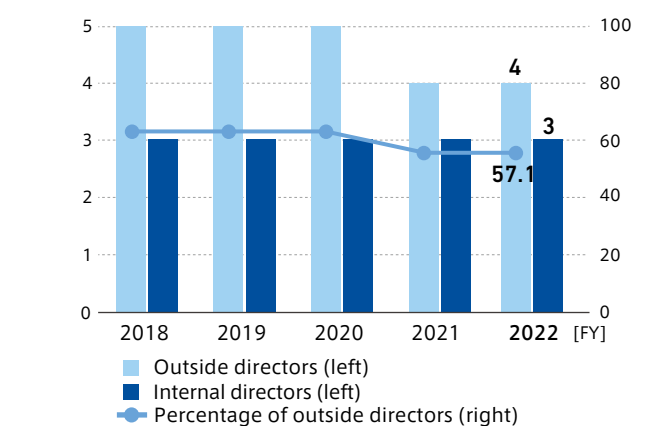
Waste emissions (t)
Recycling rate (%)



Number of employees by region



Number of directors
Composition of outside directors (%)



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.



- Financial capital** P.19
- Total assets **¥228,852** million
 - Equity ratio **72%**
 - Cash flow from operating activities **¥20,175** million

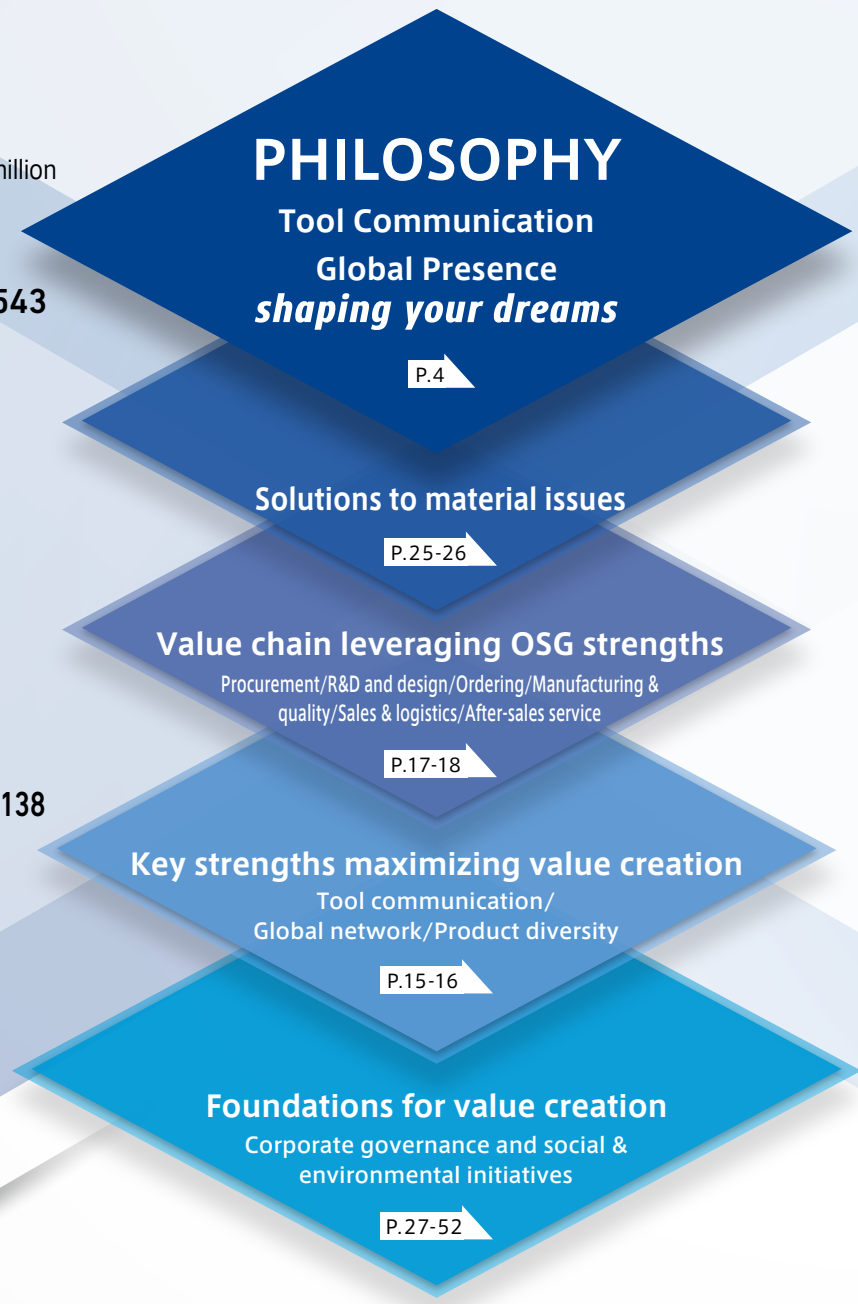
- Human capital** P.20
- Number of consolidated employees **7,543**
Japan 3,194, Americas 1,365,
Europe/Africa 1,147, Asia 1,837
 - Training expenditures **¥20.06** million

- Manufacturing capital** P.21
- Production sites **33** *Consolidated only
 - Capital expenditures **¥8,600** million

- Intellectual capital** P.22
- R&D expenditures **¥4,071** million
 - Patents held **449**
 - Development engineers **53** & design engineers **138**

- Social capital** P.22
- Overseas sites **57** *Only consolidated subsidiaries
 - OSG brand tagline **shaping your dreams**

- Natural capital** P.22
- Energy **1,057,923GJ**



- Financial capital**
- Net sales **¥142,525** million
 - Overseas sales ratio **64.9%**
 - Operating income **15.4%**
 - ROE **10.7%**
 - ROA **10.0%** (Operating income basis)

- Human capital**
- Average tenure **17.9** years

- Manufacturing capital**
- Number of products approx. **37,550**
*Only standard tools listed in catalogs
 - Number of taps manufactured
Japan **14,956K**
Global **31,659K**
*Full fiscal year ended November 2022

- Intellectual capital**
- FY2022 new products released **377**
 - FY2022 A Brand sales ratio **27%**
*Percentage of A Brand sales of total tap, drill and end mill sales

- Social capital**
- OSG brand tools have been highly regarded by customers and contributed to Japan's world-renowned manufacturing.
- Global tap market share **No.1** (estimated at 33%)
 - Japan tap market share **57.8%**
*Source: Japan Cutting & Wear-resistant Tool Association

- Natural capital**
- Waste recycling rate **99.7%**
 - CO₂ emissions **47,818t**

Medium-Term Management Plan

Beyond the Limit

Instill among all OSG Group employees the spirit of "going beyond your limits, setting no limits, pushing forward and evolving, and breaking out of the norm" to spur the OSG Group to continue to advance.

P.23-24



- Strengthen current products
Global tap market share **40%** (2027)
- Shift customer portfolio
Sales for micro-precision processing **30%** or higher (2030)
- Expand premium tool brand
A Brand sales percentage **40%** (2027)
- Increase coating & reconditioning rate to **10%** (2024)
- Empower women
Percentage of managers who are women **7%** (2025)
- Reduction in CO₂ Emissions **▲30%** (2030)
Achieve carbon neutrality (2050)
- Dividend payout ratio **35.4%** (2023)

To be an essential player contributing the global manufacturing industry



Beyond the Limit 2022-2024 (Stage1)

Beyond the Limit 2025-2027 (Stage2)

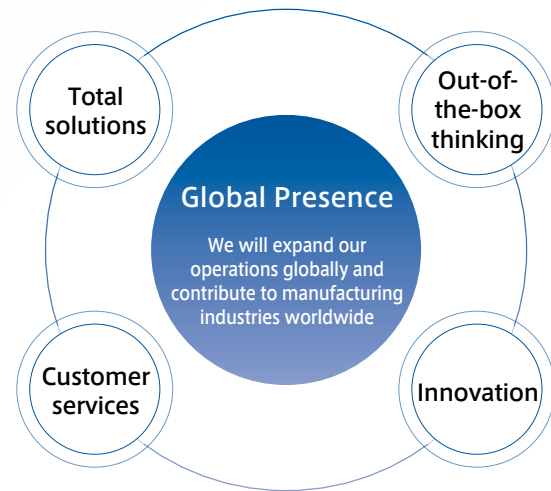
Beyond the Limit 2028-2030 (Stage3)

Key Strengths Maximizing Value Creation

OSG sets great store in “tool communication,” an essential element of our philosophy. We continue to provide value exceeding all stakeholders’ expectations by leveraging our global network to deliver to the world proprietary high-value added products and services.

► Tool Communication

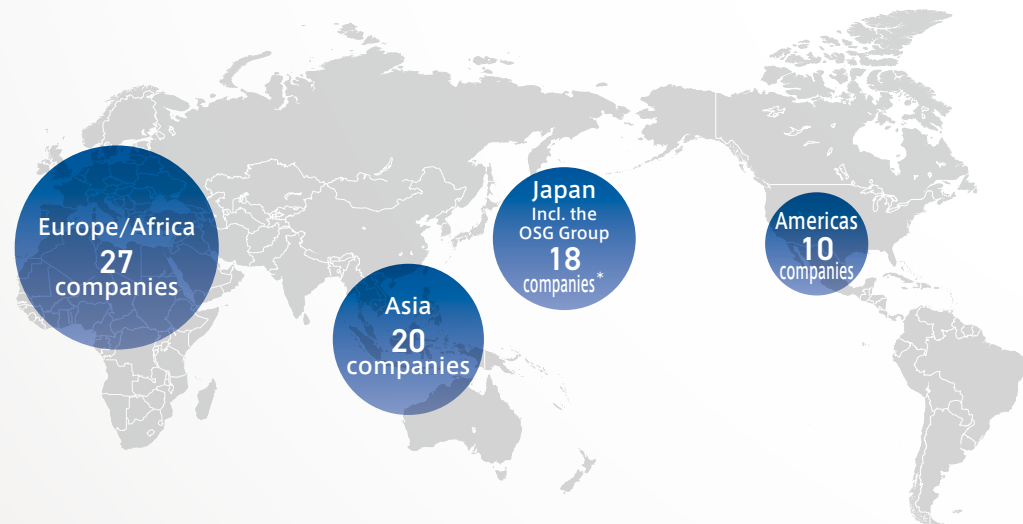
By “tool,” we mean the cutting tools that OSG Group provides to markets around the world. We are committed to having our tools utilized by customers in many different industries and countries in a world where industry is increasingly diversified. We train our personnel to think globally when coming up with ideas and make a continuous effort to contribute to the development of industry worldwide. The OSG Group regards as our highest calling the duty of each and every one of our employees to use tools as a vehicle to engage in thoughtful communication with our customers worldwide. Our advantage lies in the combination of our innovative technological know-how for producing high-quality and high-performance products, sincere and devoted service for finding solutions to our customers’ needs, in addition to our ability to offer out-of-the-box thinking and total solutions enabling us to anticipate our customers’ future requirements. We are committed to assisting our customers in turning their dreams into reality and, by extension, continuously contributing to the advancement of manufacturing industries.



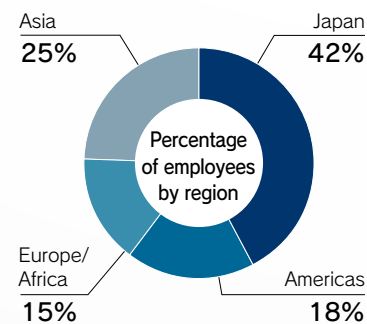
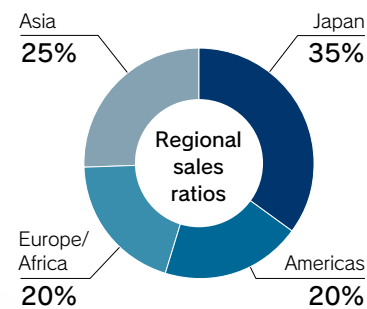
► Global Network

Since the OSG Group established our first foreign subsidiary in Chicago, USA in 1968, we have set up manufacturing and sales hubs in 32 countries. OSG products have earned praise in the global market for their excellent quality, quick delivery, and high-cost performance. The percentage of overseas sales to total sales in the fiscal year ended

November 2022 rose to 64.9%. Our overseas hubs have design and sales staff possessing a wealth of knowledge and the capability to fully support our customers. We intend to continue to actively expand our global network in partnership with our customers.

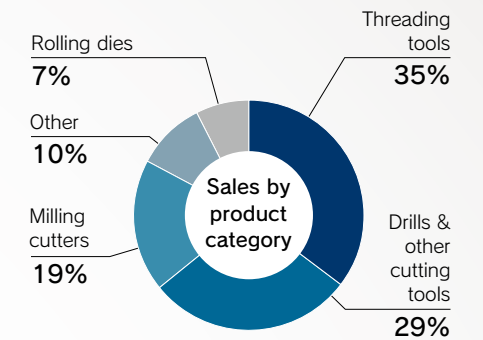


* Only consolidated subsidiaries



► Product Diversity

OSG’s reliable technological innovation supports manufacturing industries worldwide with products that achieve high machining precision and efficiency. We manufacture tools employed for a variety of uses, including taps, which have been one of our core products ever since our company was founded, as well as drills, end mills, and rolling dies. To supply our high value-added products, OSG’s vertical value chain encompasses all stages from the procurement cemented carbide that is the raw material for our tools to the development and production of proprietary coatings to enhance the durability of production equipment and tools. We have a flexible production system that has achieved high productivity thanks to our proprietary production facilities.



■ Taps

Taps are used to cut ‘female’ screw threads on the inside surfaces of holes, and fulfill a vital role in the machining of precision threaded holes in 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. Cutting taps first appeared in Japan sometime between the 1910s and 1920s. However, they were not suitable for the precision machining required for aircraft and other such work, which was in much demand at the time OSG was founded, so foreign-made cutting taps were used. OSG’s taps sprang from the idea of our founder Hideo Osawa to produce cutting taps domestically.



■ Drills

Drills are hole-cutting tools. We have gained an excellent reputation among our clientele through the development and sale 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. When using a tap to cut ‘female’ screw threads on the inside surfaces of holes, a pilot hole needs to be reamed in the work material. To meet the needs of current tap users, OSG has developed and commercialized high-value added drills capable of stable high-speed machining for long periods of time.



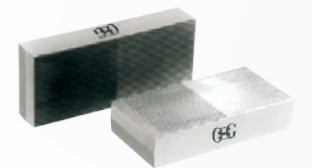
■ End mills

End mills cut away metal to create shapes. They are used, for example, to cut and contour molds for plastic parts as well as press dies. There is a greater need for carbide 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 machined products. In the United States in the 1950s, there was an explosion in end mill demand for mass production of products. End mills have been used in the automotive, home appliance, and plastic industries. OSG was able to capture some of that demand soon after we branched out into the United States. Expecting that a similar situation would certainly present itself in Japan as well, we started developing and selling end mills.



■ Rolling dies

Rolling dies are used to form a male thread on a bolt. A mirror image of the thread is formed on a round bar by pressing the rolling die against the bar from the left and right. The OSG Group manufactures and sells rolling dies designed and built to fulfill our customers’ purposes. This term in both the North and Central American markets where OSG is focused, rolling dies for the CNC cylindrical dies for spline, which are manufactured by our consolidated subsidiary OSG EX-CELL-O GmbH, were used, which led to an increase in orders for rack type rolling dies.



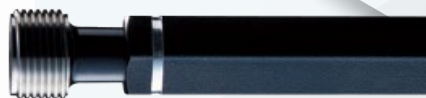
■ Indexable tools

Indexable tools, which are cutting tools with interchangeable blades, are used to cut metal to produce dies and mechanical components. While end mills are used for finishing, indexable tools are mainly intended for roughing. Solid tools are reconditioned when the cutting edge is worn down, but indexable tools may continue to be used just by replacing the blade (insert). The OSG Group offers tools with interchangeable blades for threading, milling, and drilling.



■ Gauges

Gauges are used to measure the precision of threads, holes, and other work. Inspecting work precision is an extremely important process amid the trend toward greater product precision and compliance with international standards. Precision on the order of several microns is sought for taps and dies, but gauges require higher precision that is able to hold error to less than one micron. The development of gauges has also led to an improvement in grinding technology and is reflected in the quality of our taps and dies. The OSG Group is renowned not just for our cutting tools, but also world-class quality in the field of measuring instruments.



Value Chain Enhancement

OSG has proprietary business operations on a global scale for everything from the production and procurement of base materials to the development of production facilities as well as coating, reconditioning, and other after-sales services. We have an overwhelming advantage as a comprehensive cutting-tool manufacturer across all six elements of the value chain.



Procurement | OSG has built good relationships with our suppliers. We strive to purchase from several companies as a hedge against risk. Base materials for carbide tools are produced and procured by our group companies in Japan. We have also extended our procurement globally for optimal purchasing.

Specific initiatives

In our procurement activities the goal of which is to achieve carbon neutrality, we endeavor to use and increase the amount of recycled materials as well as promote substitution with eco-friendly materials. In addition, to avoid procurement risks, we have bolstered our BCP in coordination with our suppliers to stabilize procurement. Moreover, we are opening up lines with new suppliers, evaluating alternatives, advancing procurement from multiple companies, all as part of our efforts to increase supply flexibility. In addition, we are endeavoring to maintain and manage appropriate inventory levels of materials and other items along with distribution inventory so as to build a structure capable of flexibly handling any changes in the business environment. Amid calls for construction of sustainable supply chains, we need to ascertain and support CSR activities across the entire chain and strive for responsible mineral sourcing so that we may meet the needs of society.



R&D Design | To quickly resolve customer issues, we have assembled at the OSG Academy the engineers who develop and design tools, develop coatings, and perform other R&D and design functions. We also train engineers at our major overseas locations so that we may respond to local needs as well as ascertain global technological trends and requirements.

Specific initiatives

To better handle consultations not only about particular types of tools but also comprehensive machining, we have assembled the design and development capability for all of our tools at the OSG Academy. This makes it possible for us to promptly provide top-notch comprehensive proposals. Within the institute, we have set up departments to research and develop materials and coatings so that we may develop and offer materials, coatings, and other elemental technologies in addition to tool shapes. The OSG Academy fosters an environment for design and development integrating materials, tool shapes, and coatings. We proactively utilize CAE analysis to narrow down prototype specifications in order to expedite product development. This reduces the time required for development, provides us with theoretical evidence, and decreases loss from scrapped prototypes. We have assigned engineers from OSG Academy to posts all around the world and established technology centers in seven countries so that we may maintain a high level of technical service wherever our customers need it.



Ordering | We have a supply system in place for our flagship A Brand products that encompasses tens of thousands of standard products. We have developed the capability to receive orders for specialized items to meet customers' specific needs. We maintain a high market share globally among customers in the broad-based component industries.

Specific initiatives

As set out in our Medium-Term Management Plan "Beyond the Limit," our aim is to increase OSG's global tap market share above 40% and further expand sales of our high-value added products. To achieve these goals, we need to strengthen our order management system to respond to new trends in the industry as well as establish a digital sales system. We will be advancing a distribution strategy with the goal of increasing our flagship A Brand products as well as securing new customers in the micro-precision machining sector. The OSG Group has also diversified our product lines to meet our customers' specific needs. Both our sales and engineering teams use the same systems. This affords us a one-stop platform for sharing customer information and acquiring a better understanding of what customers require. Our enhanced automated diagramming system and other hardware bolsters our ability to propose innovative solutions.



Manufacturing Quality | At our mother factory in Japan, we promote improvements in our ability to meet delivery deadlines and maximization of output through production management and planning that utilizes digital data. We also support production optimized for overseas markets and promote global quality certification systems to maintain the quality of all the products that we produce anywhere in the world.

Specific initiatives

We are striving to make data aggregation, a routine task which has always been done the same way, more productive as well as improve the independence of our group companies' quality assurance systems and machine maintenance capabilities. Some components of the OSG Group's production process are handled with machines that operate slower than the current production speed of the industry these days. We need to implement a sequential upgrade of our production facilities and, at the same time, introduce automation and labor-saving devices to address labor shortages. In addition, leveraging digital-power to visualize production has augmented our ability to maintain deadlines and maximize output. We have seen a variety of new needs emerge in association with EVs and 5G, areas where growth is anticipated. To prepare for these opportunities, we are working to develop smaller and smaller tools that offer even greater precision and produce these globally while maintaining consistency in quality. Along with this, we will marshal the capability to guarantee quality based on a uniform standard worldwide.



Sales Logistics | OSG's global online ordering system enables us to more efficiently handle orders, provide estimates, and ship products. In addition, we leverage data to centrally manage 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.

Specific initiatives

Our sales departments are advancing digital-powered sales and marketing activities as part of our efforts to achieve both green and digital transformations. We are actively researching and addressing new areas as well as sectors of future growth to handle the variety of changes prompted by the surge in resource prices and emergence of electric vehicles. Our distribution departments have decentralized risk by streamlining inventories at our sites in Japan and around the world to facilitate business continuity planning measures. We are also demonstrating our concern for the environment through the elimination of as much plastic as possible in our packaging and auxiliary materials. We are promoting the recycling of packaging and secondary materials, refusing to use plastic items that can only be discarded, and striving to recycle whatever we can. Furthermore, we have reassessed materials used for cardboard boxes as well as delivery slips and shipping invoices in an attempt to reduce the thickness of paper and cardboard. This has a secondary effect as the lighter weight has reduced CO₂ emissions during shipping and made loading cargo onto trucks more efficient. We have also introduced automatic cartoning and packaging machines to automate that portion of our operations.



After-Sales Service | OSG's global logistics and sales network offers reconditioning and coating services to our customers throughout the world. In addition, we follow up on our sales with face-to-face visits, enabling us to propose optimal machining conditions and specifications to our customers. We provide consistent global support that only a comprehensive cutting tool manufacturer can offer.

Specific initiatives

So that we may provide even better after-sales service, it is essential that we ascertain the specific needs of our customers at their processing sites and share their essential requirements with relevant departments within the OSG Group. In adding value to the high-quality service that we as a tool manufacturer provide, we propose ideas for optimizing our customers processing sites, which will help them improve productivity. Leveraging the wealth of knowledge that we as a tool manufacturer possess about cutting along with verifying the conditions in which customers use our equipment and the state of abrasion allows us to propose optimal tool specifications and machining conditions. We are continually offering our customers the latest grinding and surface treatment technologies. Although regrinding faces challenges in terms of small-diameter tools, deep-hole drilling tools, sintered tools and others that are difficult to grind, we are steadily expanding the scope of tools that we are able to regrind to include small-diameter tools, ultra-long tools, as well as CBN and DIA tools. With our coatings as well, we are expanding the market for coating to include dies and components so as to establish coating technology applicable for products other than cutting tools. Moreover, we have an even more robust framework in place that aligns technologies with the regrinding and coating factories within our group.

Accumulated Management Capital

Financial Capital

Basic Policy on Financial Capital

As an essential player contributing to the global manufacturing industry, the OSG Group regards it as crucial that we enhance corporate value and achieve sustainable growth so that we may contribute to society's sustainable development. Our basic financial policy is to establish a sound and solid financial base upon which we may invest in growth areas while consistently providing an appropriate return to our shareholders over the long-term.

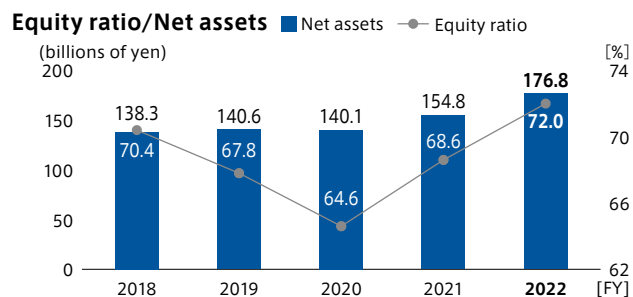
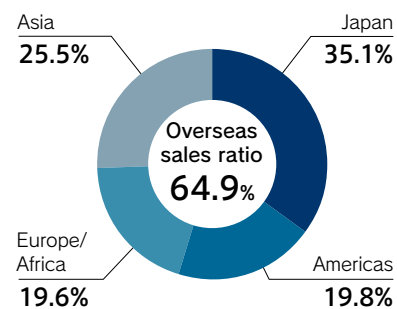
A key management target for us is to ensure and maintain a stable high rating, which will reduce our borrowing costs and enhance financing flexibility. Every year, we obtain a long-term credit rating from an external rating agency. As of the end of March 2023, OSG's long-term issuer rating is A.

Realizing high margins upon a solid financial base

Tap and drill sales led in FY2022 resulting in the highest level of both sales and net income ever recorded by the OSG Group, reaching ¥142.5 billion and ¥16.5 billion, respectively. The overseas sales ratio rose favorably to 64.9%. Boosted by the weak yen, double-digit growth was achieved in the Americas, Europe, Africa, and Asia.

Total assets on a consolidated basis amounted to ¥228.8 billion, an increase of ¥19 billion year-on-year. The effect of foreign exchange rates led to an increase in inventory, which increased current assets by ¥13.2 billion. Non-current assets increased by ¥5.8 billion, spurred by a rise in machinery, equipment and vehicles and an increase in deferred tax assets. On the other hand, total liabilities amounted to ¥52 billion, a decrease of ¥2.9 billion year-on-year. The decrease in short-term loans payable as well as bonds to be redeemed within one year pushed down liabilities by ¥2 billion. In addition, a decrease in long-term loans payable and other declines reduced non-current liabilities by ¥800 million. Net assets at the end of the term totaled ¥176.8 billion, of which total equity amounted to ¥164.6 billion with an equity ratio of 72%, ROA (operating income basis) of 10.0%, and ROE of 10.7%.

Regional sales ratios



Shareholder return policy

The dividend payout ratio will be increased from the current commitment of 30% to 35% beginning in FY2022. In the future, we will aim for a payout ratio of 40%, while continuing to monitor business performance. In addition, we will make decisions on share repurchases with consideration given to our capital position, business trends, stock prices, growth investment opportunities, capital efficiency enhancements, and other factors.

●FY2022: 35.0% ●FY2023 (forecast): 35.4%

Green bond financing

In April 2023, the OSG Group became the first cutting tool manufacturer in the world to procure financing with a green bond issue. The issue amount was ¥5 billion with a maturity of five years.

In issuing the bonds, OSG Group aligned under the Green Bond Principles 2021 set by the International Capital Market Association (ICMA) and the Green Bond Guidelines 2022 established by the Ministry of the Environment. We have created a green bond framework that addresses four requirements: (1) use of proceeds, (2) project evaluation selection process, (3) management of proceeds, and (4) reporting.

The OSG Group obtained Green 1 (F), the highest rating for JCR Green Bond Framework evaluations provided by the third-party Japan Credit Rating Agency in order to ensure our eligibility with the Green Bond Principles 2021 and Green Bond Guidelines 2022 as well as provide greater transparency about the green bond offering, and further attract investors.

The funds procured are set to be allocated for capital investment as well as research and development relating to projects categorized as "energy-saving" and "eco-friendly."

To realize our Medium-Term Management Plan "Beyond the Limit 2024," we will strive to maximize corporate value created by linking our growth strategy and ESG initiatives.

Achieving OSG's Medium-Term Management Plan "Beyond the Limit 2024" See P.23

In January 2022, the OSG Group announced our Medium-Term Management Plan, launching us toward the achievement of new targets.

Stage 1 is the three-year period beginning in FY2022 and continuing until FY2024, during which we will focus on reinforcing business efficiency, improving profitability, and enhancing our corporate structure in a way that enables us to stably generate profits.

In order for us to be the company that we envision, we will implement measures for achieving the targets set out in our Medium-Term Management Plan while also taking into consideration the needs of society and the business environment, and we will continue to be an essential player contributing to the global manufacturing industry as we move toward the age of carbon neutrality.

Human Capital

Basic Policy on Human Capital

"A company is its people." The OSG Group aims to effectively utilize the capabilities of our human resources and promote employee well-being with the goal of creating an environment where our personnel may confidently take up the challenge of successfully performing their work.

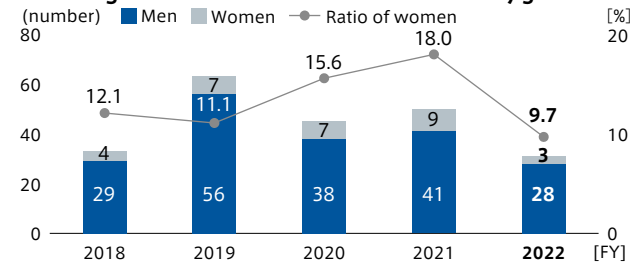
Amid the drastic changes in the working environment due to the pandemic, we have conveyed the importance of going beyond what we have done before with the slogan "Beyond the Limit" for our Medium-Term Management Plan launched in 2022. We intend to create an environment and culture where our human resources think outside the box and continually take up the challenge of transforming themselves to be better so that ultimately, they are able to take up the challenge of forging new ideas and projects without being hindered by a fear of change.

Challenges and communication

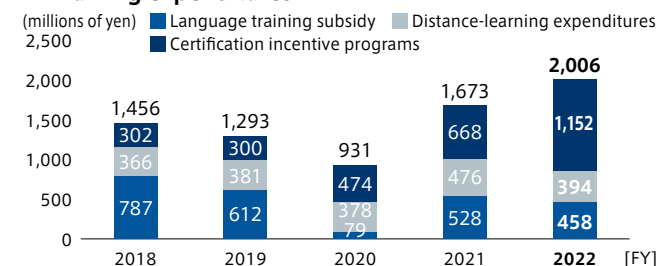
To articulate the abilities that we expect of our employees, we have set out the Seven Qualities Required of OSG Employees. Among these are the concepts of "challenge" and "communication," which have continually been passed down since OSG was founded. As was stated earlier in relation to the slogan of our Medium-Term Management Plan "Beyond the Limit," we value out-of-the-box thinking and continually striving to transform and better oneself, both qualities that enable an individual to take up the challenge of creating new ideas and new projects without fearing change. So that we as a company achieve our targets, it is essential that our communication transcends group companies, departments, teams, and individuals.

We also provide support for each and every employee to develop and improve themselves with grade-specific employee training programs, e-learning leader training courses, distance-learning programs, certification incentive programs, and other curricula.

Percentages of men & women hired after university graduation



Training expenditures



Career design program

Through our Career Plan Reporting Program, the OSG Group has established regular opportunities for our personnel to create a plan for their own career path within the company. This program promotes reskilling that enables employees to gain the knowledge and skills required for certain work, and facilitates skill visualization and self-development utilizing distance-learning and certification acquisition in order to further improve the productivity of each and every individual. We aim to institute a system that makes it possible for individual employees to design their own careers and grow. By placing the right personnel in the right position, we will further contribute to our corporate growth.

Diversity

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.

OSG recognizes that empowering 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 are working to leverage our global human resources by, among other initiatives, hiring individuals who have acquired Specified Skilled Worker (i) status as well as accepting trainees.

System reforms and awareness-raising activities for improving work-life balance See P.36

The OSG Group aims to improve our personnel's work-life balance. We have strived to create an environment where our employees are able to balance both work and family. In line with the Act on Promotion of Women's Participation and Advancement in the Workplace and Act on Advancement of Measures to Support Development of the Next-Generation which took effect in April 2019, we introduced a flextime system the following October and telework system in April 2022. We are working so that employees are able to lead more active and fulfilling lives.

OSG Safety & Health Management Declaration See P.37

In October 2022, the 2022 Safety and Health Management White Paper was issued. Then, in March 2023, the Ministry of Health, Labour and Welfare certified the OSG Group as an outstanding Health and Productivity Management Company. From the very top of the OSG Group on down, we are committed to promoting employee well-being and contributing to creating a prosperous future for our employees, their families, our customers, the community, our society, and the earth. In recent years, we have stepped up efforts to address the increasing number of young people dealing with lifestyle-related illnesses, the safety and health risks accompanying aging, as well as risks affecting mental health due to a decline in opportunities for communication. We will strive to create an environment where our employees can play an active role and pursue improvements in productivity.

Management of human capital for the future

With the Human Resources Skill Map that provides a visualization of employees' competencies, work history, and other aspects, we are aiming to develop our human resources and construct a support system to place the right people in the right position throughout our entire group in a way that maximizes how our best-qualified human resources are employed. In a time when not only work styles, but also the way we think is increasingly diverse, it is more important than ever for employees as well as leaders to have the knowledge and skills to handle the many changes that will come their way. Concurrently with these efforts, we are also focusing on developing our next generation of leaders as well as the diversity of working styles in addition to reassessing our personnel systems so that they motivate our employees even more.

Manufacturing Capital

Basic Policy on Manufacturing Capital

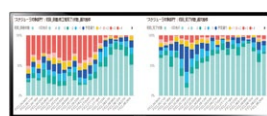
Grounded in our basic philosophy as stated by the founder of OSG which is “to provide products that will delight customers,” the OSG Group has developed an efficient production system for high-quality and high-value added manufacturing suited to the needs of the time. The tag line “shaping your dreams,” which we adopted in 2014 embodies our strong determination and resolve to realize our customers’ dreams by providing them with fully-satisfying products and services through manufacturing. It is upon this basis that we are aiming to enhance our customer service.

Digital production facilitates visualization

At our four mother factories in Japan, we have actively promoted digitalization to support our on-site capabilities and made it possible to visualize in real-time equipment operation, process load and progress, product flow, and other manufacturing data. The visualized data help to accelerate our analysis and response to problems as well as make improvements, significantly enhancing productivity.



Dashboard for visualizing process-specific progress



Dashboard showing status of process-specific delays (arrival time/completion time)

Our flagship NEO Shinshiro Factory, which began operating in 2020 and produces many products in small quantities, promotes digitalization to support on-site capabilities. It has been an integral part of our efforts to differentiate the OSG Group from other companies, highlighting our capability to meet deadlines. We have merged digital tools with the production logic built up over the years to realize optimal integration and make it possible to continuously operate multiple lots for 72 hours on weekends and increase output from bottleneck processes. This is not the result of an external production improvement package, but something that OSG is still developing into a first-rate digitalized platform, consolidating a variety of ideas that we have devised internally on our own. In the future, the knowledge gained from digitalization at these plants will be extended to other plants. Our aim for the future is to develop a one-factory organization which is connected to plants overseas.

Initiatives for further manufacturing advancement

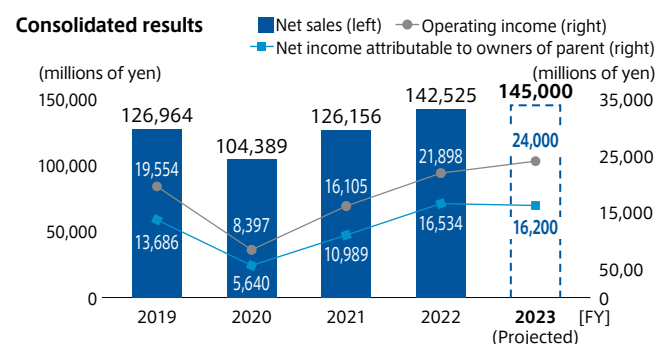
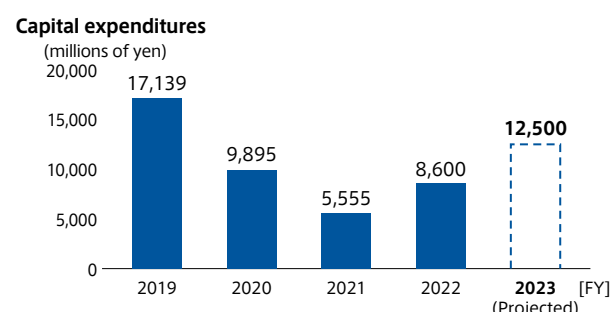
In addressing the challenge of a shortage of human resources, we need to accelerate the speed at which we transform our production methods to introduce robots, unattended operations, and make other changes so that we are better automated. For multi-task processing, our aim is to connect processes and merge them so that multiple processes may be machined with one piece of equipment, thereby shortening processing and setup time. We have also established production technology departments at our machine shops and established a system to search for the latest technology available around the world and apply it within our company.

In order to augment production capacity for carbide end mills which are key for development of the micro-precision machining sector—a target that we set to achieve in our Medium-Term Management Plan—we launched a project to construct a new plant at SD Manufacturing Company, one of our group subsidiaries, and the Oike Factory. We will further boost our supply capacity with additional enhancement of the digital production method established at the NEO Shinshiro Factory as well as separate the production process so that the Oike Factory transforms into a fully-automated production line saving labor and SD Manufacturing Company serves as a digitally-powered plant handling low-volume diversified production.

Also, to become more environmentally friendly and reduce greenhouse gas emissions, we will work to promote resource and energy savings, waste reduction, and recycling of carbide materials across all processes based on our philosophy of being an environmentally-friendly company. Our aim is to have state-of-the-art factories that both maximize productivity and protect the environment.



Illustration of new Oike Factory



Achieving OSG’s Medium-Term Management Plan “Beyond the Limit 2024”

The OSG Group is advancing on a global scale our plan to increase production of micro-precision tools for growth industries. We will be expanding our digital production system from our mother factories in Japan to overseas sites. In working toward our goal of securing a 40% share of the global market for taps which are one of our core products, we have set up production at optimal locations with half at our Yana Factory in Japan and the remainder arranged across our production network in nine countries. To improve ROA, we set total asset turnover rate as a KPI for assessing our manufacturing department, and have been managing and improving this metric.

Intellectual Capital

Intellectual Capital Basic Policy & Strengths

OSG’s research and development activities are principally conducted at the R&D Center and Design Center at OSG Academy. Long-term basic research is carried out jointly with university, national and public research institutes. The Design Center develops and improves products. It is equipped with the latest machine tools and evaluation instruments of all types specifically for cutting prototypes so as to develop machining technologies that maximize tool performance as well as to provide expedient feedback for development of products using cutting tests conducted under an array of diverse use conditions. The R&D Center is engaged in research and development of coatings, nitriding, and other surface-modifying technologies, technologies for developing and improving high-speed steel and die steel material, as well as heat treatment technologies.

OSG’s value-added

The A Brand, which is been our focus, began with the development of A-TAP. The combination of new technologies to refine product specifications specific for current uses culminated in A-TAP, which achieves stable threading across a wide range of workpieces and cutting conditions. The new technologies incorporated into A-TAP were developed by assembling at the Design Center the developers and designers of all tools that we carry. We have been expanding these product lines to items besides taps so that our customers will recognize A Brand as their first choice.

Achieving OSG’s Medium-Term Management Plan “Beyond the Limit 2024”

Along with advancing product development driving an increase in sales of A Brand and micro-precision tools which are fundamental aspects of the strategy laid out in our Medium-Term Management Plan, we are touting “eco-friendly product development” the purpose of which is to contribute to social solutions that help achieve SDGs and thereby promote ESG management. We have set a standard for evaluating eco-products as well as indices that we must realize when developing new products.



Example of eco-friendly products

Social Capital

Social Capital Basic Policy & Strengths

The OSG slogan is “Shaping Your Dreams.” We are always doing our utmost to help realize our customers’ dreams and, beyond that, be aware of what sort of value we are creating in society so that we may contribute through our business to the sustainable development of our earth and society. Since we first branched out overseas in 1968, we have built a global network spanning 32 countries. We will continue in our aim to establish the OSG Brand that it always earns the trust of OSG stakeholders around the world. We will also strive to take up the challenge of creating a more prosperous future as well as live and operate in harmony with our earth and society.

Dialogue with stakeholders

The OSG Group places great importance on engaging in regular dialogue with our shareholders and investors so that they fully appreciate not only our strategies for new business sectors, but also our account of how we will create value in the future. While still taking into account measures required by the pandemic, we restarted our investor relations dialogue locally in July 2022. OSG Group managers have taken the valuable feedback received during these sessions into account to improve management.

Principal IR activities	Achievements
Financial results briefings	2 briefings
Individual meetings with institutional investors	159 sessions
Investor relations meetings overseas	17 sessions

*As of February 10, 2023

Natural Capital

Natural Capital Basic Policy & Strengths

Based on the philosophy of developing eco-friendly products in our environmental activities, the OSG Group has strived to develop and offer new products and services that achieve greater manufacturing efficiency and energy savings. To mitigate any environmental impact, we are promoting resource and energy savings, waste reduction, and recycling of carbide materials across all processes.

Basic Environmental Philosophy

- We will act based on the recognition that symbiosis with nature and preservation of the global environment in harmony with our basic management policies are fundamental obligations.
- Our three declarations made in October 1996--Global Expansion, Health-consciousness, and Eco-friendliness--are part of our corporate ethics and we will disclose this information universally. We will make consideration of the environment an essential task while offering products and services that contribute to society.
- While following social norms, we will join forces through communication to contribute to harmonious and sustainable development.

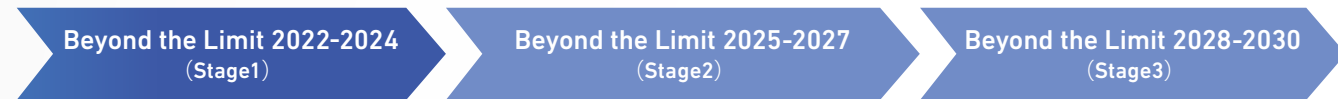
Medium-Term Management Plan

In FY2021, the OSG Group reformed our management structure, based upon which we launched our Medium-Term Management Plan "Beyond the Limit 2024."

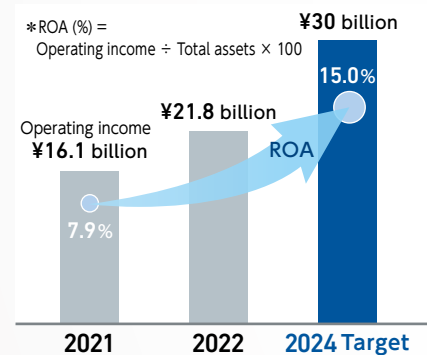
Our focus on bolstering operating efficiency once again resulted in an ROA of 10% (operating income basis) in the initial year as planned. We will continue to enhance profitability, build a robust corporate culture, and contribute to the global manufacturing industry as we advance toward the era of carbon neutrality.

Basic Policy

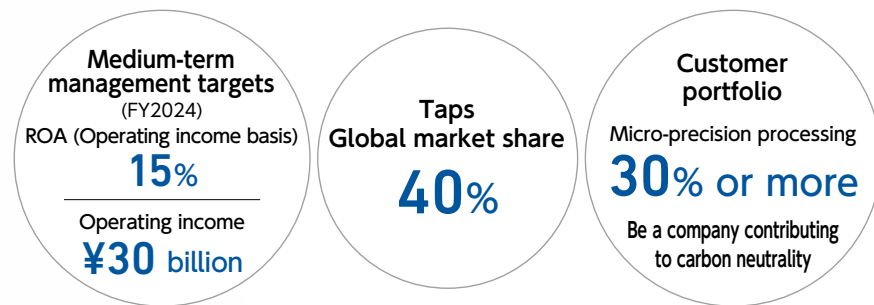
- To transform OSG into an essential player contributing to the global manufacturing industry, our long-term vision is divided into three stages. The first three-year period is "Beyond the Limit 2024" during which we will strengthen our corporate culture.
- Over the course of these three stages up to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



Toward the carbon neutral era

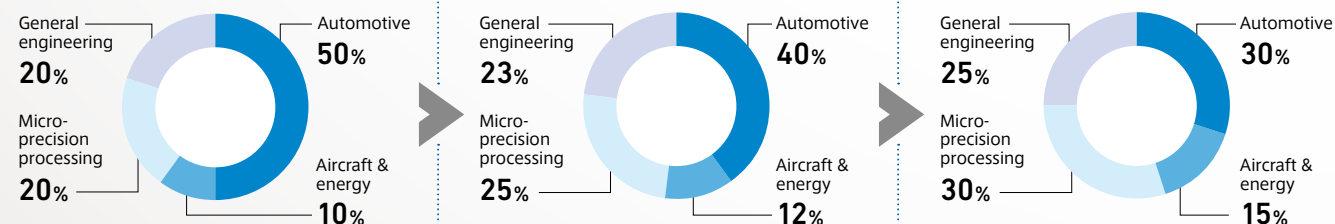


To be an essential player contributing to the global manufacturing industry Based on our corporate philosophy of Global Presence, OSG will promote ESG management as we seek to sustainably enhance corporate value.



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

- Improve profitability and business efficiency, and create a robust corporate culture
- A Brand sales ratio 30%
- Coating & reconditioning ratio 10%
- Increase sales in micro-precision processing and energy industry
- Establish sales and production systems fully utilizing digital technology
- Share of global tap market 40%
- A Brand sales ratio 40%
- Coating & reconditioning ratio 15%
- Globally expand and optimize production of digital manufacturing
- Increase sales in micro-precision processing, energy and aircraft industries
- Increase micro-precision processing customers to 30% or more
- Become a company that contributes to customers' carbon neutrality efforts

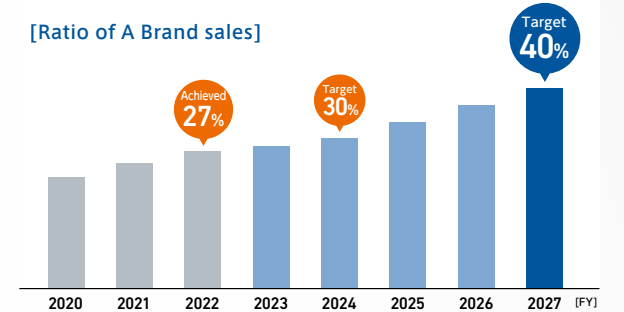


A Brand Strategy

A Brand is our premium tool brand harnessing the OSG Group's cutting-edge technology and developed to handle a variety of workpieces and execute a broad-range of machining methods. The OSG Group has made the A Brand an important facet of our Medium-Term Management Plan strategy and promoted development of A Brand series to be available with our standard cutting tools (catalog items). Since the A Tap was released in 2013, we have proceeded to develop the A Drill and A End Mill, expanding our product lineup. A Brand products are used in a wide range of industries and have also contributed to increasing sales to the micro-precision processing sector, one of the areas we are focusing on. In Stage 2 (2025-2027) of our Medium-Term Management Plan, our target is for A Brand products to be 40% of total sales of our standard taps, drills, and end mills. We will continue to market A Brand products in answering our customers calls for high-quality and high-performance tools.



[Ratio of A Brand sales]



Progress

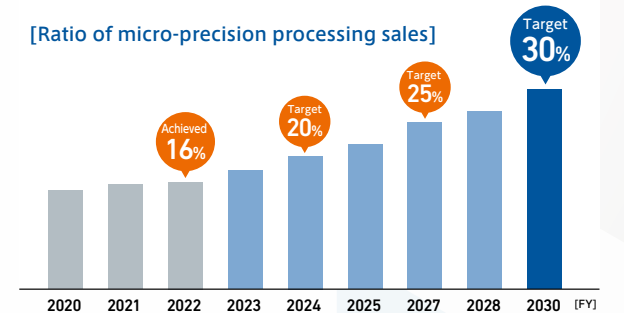
The OSG Group set a target for Stage 1 (2022-2024) of our Medium-Term Management Plan of increasing the percentage that A Brand products account for of total standard tap, drill, and end mill sales. For FY2022, sales of A Brand items rose steadily in Japan, North America, Europe, China, and other regions to reach 27% of total sales. We will strive in our aim to surpass last year's increase in pursuit of reaching our target in the fiscal year ending November 2023.

Micro-Precision Processing

A key strategy of our Medium-Term Management Plan has been to increase the share of taps, drills, and carbide end mills for micro-precision processing. In the 5G, semiconductor, robotics, automation, mechanical components, mobility, medical, and other industries which are forecast to grow, there is considerable component machining which requires precision processing and demand has risen in these industries for small-diameter tools. We launched a new sales organization to promote new business development in these areas and our sales force has been actively working and successfully securing new users for our products. These marketing campaigns have not just been rolled out in Japan, but are also actively running globally. The market for micro-precision processing is anticipated to grow in the future and our aim is for sales in that area to reach 30% of total sales by the fiscal year ending November 2030, the final year of Stage 3 (2028-2030) of our Medium-Term Management Plan. Through our global network which is one of the OSG Group's strengths, we will leverage our ability to turn sales calls into orders, provide outstanding service for manufacturing that meets our customers' deadlines, and provide on-site technical support, all of which will lead to securing a greater market share.



[Ratio of micro-precision processing sales]



Progress

The target that we set for Stage 1 (2022-2024) of our Medium-Term Management Plan is to have the ratio that micro-precision processing sales account for in our customer portfolio reach 20%. For the fiscal year ended November 2022, our efforts to secure new business with customers requiring micro-precision processing resulted in increasing that ratio to 16%. We will continue to actively work to secure new business not only in Japan but also globally with the aim of further pushing up sales during FY2023.

Coating & Reconditioning

The OSG Group has been expanding our business to contribute to a sound material-cycle society as we strive to promote recycling by reconditioning and recoating cutting tools. Reconditioning and coating technologies contribute to reducing expenditures and improving the productivity of our customers as well as extending tool life, thereby reducing the burden on the environment.

Progress

The target that we set for Stage 1 (2022-2024) of our Medium-Term Management Plan is to have cutting tool reconditioning and coating account for 10% of sales. We achieved a rate of 7% in FY2022. In addition to tools, we will also expand our water-resistant coating business for medical and electronic components in FY2023.

ESG Management

ESG Management Promotion

OSG has been promoting ESG management with the aim of maximizing sustainable corporate value long-term at a time when it is difficult to predict the future. Moreover, we have identified key issues that we must address and made these known to our stakeholders.



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 issues, 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.

So that department facilitators maintain consistency in their understanding of what sustainability entails, they regularly provide progress reports on their activities, exchange views with colleagues, and promote initiatives for achieving solutions to key issues.



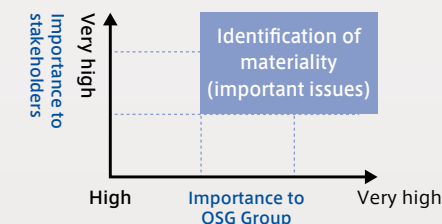
Process for Identifying Material (Important) Issues

With the aim of maximizing corporate value, we have identified eight material issues for the OSG Group to prioritize.



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

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



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

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

OSG Group's Material (Important) Issues

Identified Material Issues	Environmental Initiatives
<h3>Climate Change Initiatives</h3> <p>The OSG Group has expressed its support for TCFD and strives to adapt our operations to protect against the effects of climate change. We have been promoting activities that contribute to a carbon-free society as well as reducing greenhouse gas emissions.</p>	<p>As humanity advances toward the age of carbon neutrality, we are developing eco-friendly products and bolstering usage of carbon-free electricity, which is derived from solar power generated through an off-site PPA. We will be advancing initiatives with an eye toward acquiring a score of "A" from the CDP and calculating Scope 3 CO₂ emissions.</p> <p>P.33-34</p>
<h3>Development of a Rewarding Workplace Environment</h3> <p>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.</p>	<p>We have implemented systems for improving employees' work-life balance and developed leaders with the capability to manage diverse working styles and ways of thinking in a manner that enables our employees, who are valuable stakeholders as well, to maximize their performance in a comfortable working environment.</p> <p>P.36</p>
<h3>Initiatives for Employing People with Disabilities</h3> <p>In December 2022, we established OSG Active Co., Ltd. to promote employment opportunities for people with disabilities, the first such special subsidiary in the cutting tool industry. We have created an inclusive environment that gives consideration to people dealing with disabilities and supports them in enthusiastically performing their jobs.</p>	<p>Along with promoting the creation of a more conducive work environment for people facing disabilities, OSG partners with support organizations and agencies, actively participates in meetings, and supports promoting community efforts to hire people with disabilities. OSG will not only achieve and maintain its statutory employment rate, but also contribute to the community and society through employment of people with disabilities.</p> <p>P.38</p>
<h3>Health & Safety Management</h3> <p>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 a workplace environment that is both comfortable and safe.</p>	<p>FY2022 was the inaugural year for our safety and health management initiatives. Our slogan is "promote employee well-being and contribute to creating a prosperous future for our employees, their families, our customers, the community, our society, and the earth." With this slogan, we are working to create an environment where each and every one of our employees may work with enthusiasm and good health.</p> <p>P.37</p>
<h3>Community Contribution</h3> <h4>① Sports Promotion Initiatives</h4> <p>The OSG Group has supported local professional sports and been the top sponsor of the San-en NeoPhoenix professional basketball team, which is based in eastern Mikawa and the Enshu region. We also hold events inviting fans to watch games for free, which has helped energize the community.</p>	<p>As part of the program "Everyone Smile! Onward to the Future!" we have invited people from the disability community to enjoy San-en NeoPhoenix games, which are held at the Toyohashi City General Gymnasium, as our guests. At the venue, merchandisers for welfare institutions have sold handicrafts and other products, which allows these sporting events to be a vehicle for contributing to the community.</p>
<h3>Community Contribution</h3> <h4>② Support for Medical Institutions & Facilities</h4> <p>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.</p>	<p>As part of our pandemic prevention measures, OSG has donated medical masks to medical institutions in the eastern Mikawa region. We also donated necessary items to 12 social welfare organizations.</p>
<h3>Improvement of Corporate Governance</h3> <p>The Board of Directors is OSG's governing body, of which the majority of seats are held by highly-independent outside directors. The Board is invested with the capability to sufficiently exercise its management oversight functions. Corporate ethics compliance guidelines are shared throughout the entire group to raise awareness as part of our efforts to enhance corporate governance.</p>	<p>To provide for greater gender diversity, ensure effectiveness, and improve the Board of Directors' functions, one woman outside director has been elected and an assessment conducted of the Board's effectiveness. An English version of the Corporate Governance Report has been released to provide stakeholders globally with a better understanding of the OSG Group and its corporate governance.</p> <p>P.45</p>
<h3>Sustainable Finance</h3> <p>OSG signed an agreement for ESG Assessment-Type Financing Procurement in order to monitor the status of KPI achievement and disclose this information. We are considering adopting sustainability-linked loans, green bonds, and other forms of sustainable financing when investment funds are procured, and have been striving to practice more sophisticated ESG/SDGs management.</p>	<p>FY2022 was a time of preparation for our green bond issue, which will procure funds for investing in green buildings and eco-friendly products. This green bond issue, which is the first-ever of its kind in the cutting tool industry, will further accelerate OSG's ESG initiatives and enhance the appeal of our efforts more broadly to capital markets and stakeholders.</p> <p>P.19</p>



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

Basic Philosophy

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

Environmental Slogan

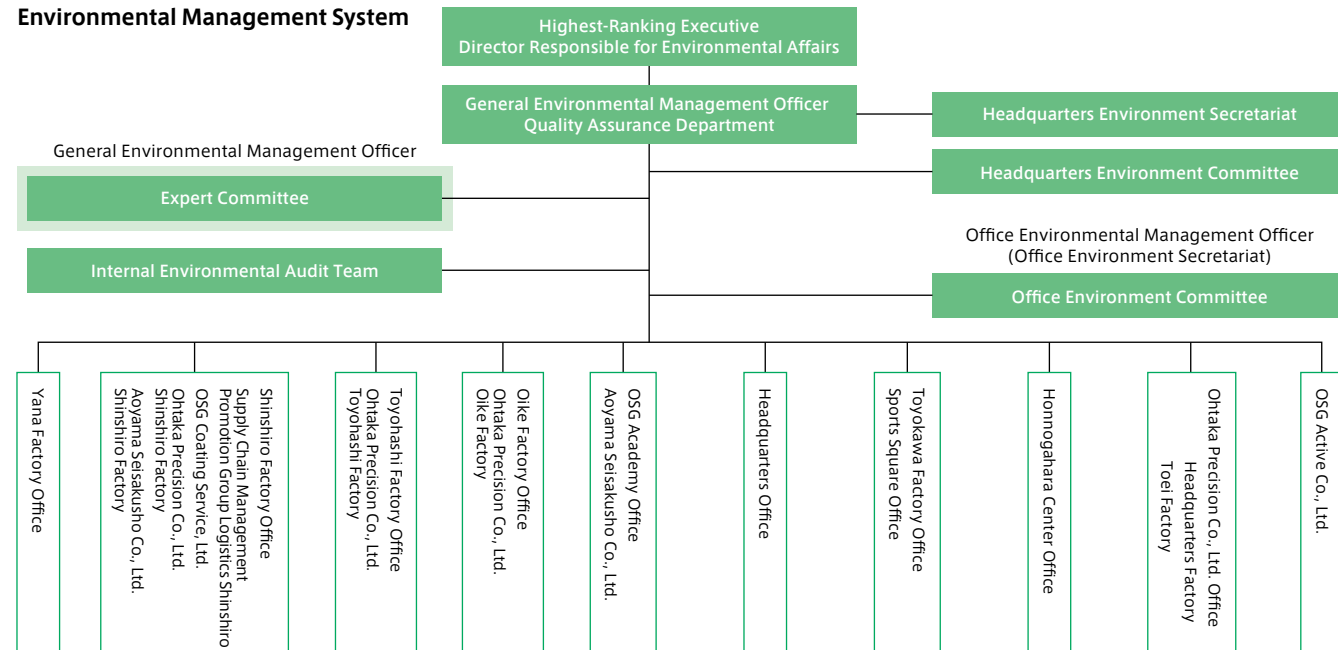
Eco-friendly company and environment-respecting culture

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 Department, which serves as the general environmental management team, direct this structure and carry out environmental management activities.

Environmental Management System



FY2022 Environmental Performance and FY2023 Targets

No	Environmental Objectives		FY2022		FY2023
	Item	Content	Target	Result	Target
1	Energy Conservation	Reduction in total energy use (energy sources: electricity, fuel oil, and LPG) Total usage BM: 95,676 GJ/month	1.0% reduction 1,118 GJ/month reduction	1.2% reduction 1,360 GJ/month reduction	1.0% reduction 1,118 GJ/month reduction
2	Eco-Products	Development of eco-friendly products	34 points	45 points	35 points*
3	Eco-Factory	Eco-friendly production	37 points	74 points	38 points*

*Points according to OSG Group standard for improvement of environmental activities (total: 60 points)

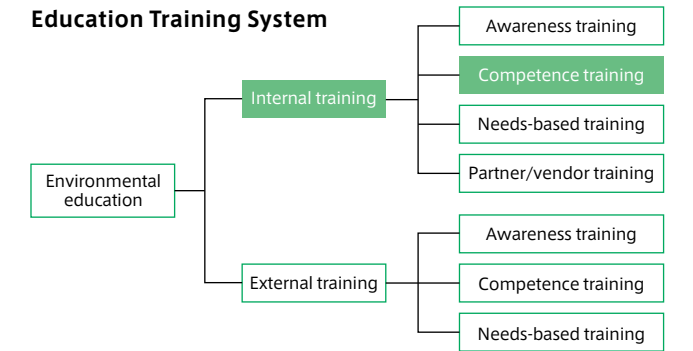
Environmental Education / Education Training System / ISO 14001 Certification Status

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 proficiency 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 directing such actions at each office in order to ensure thorough awareness.

Education Training System



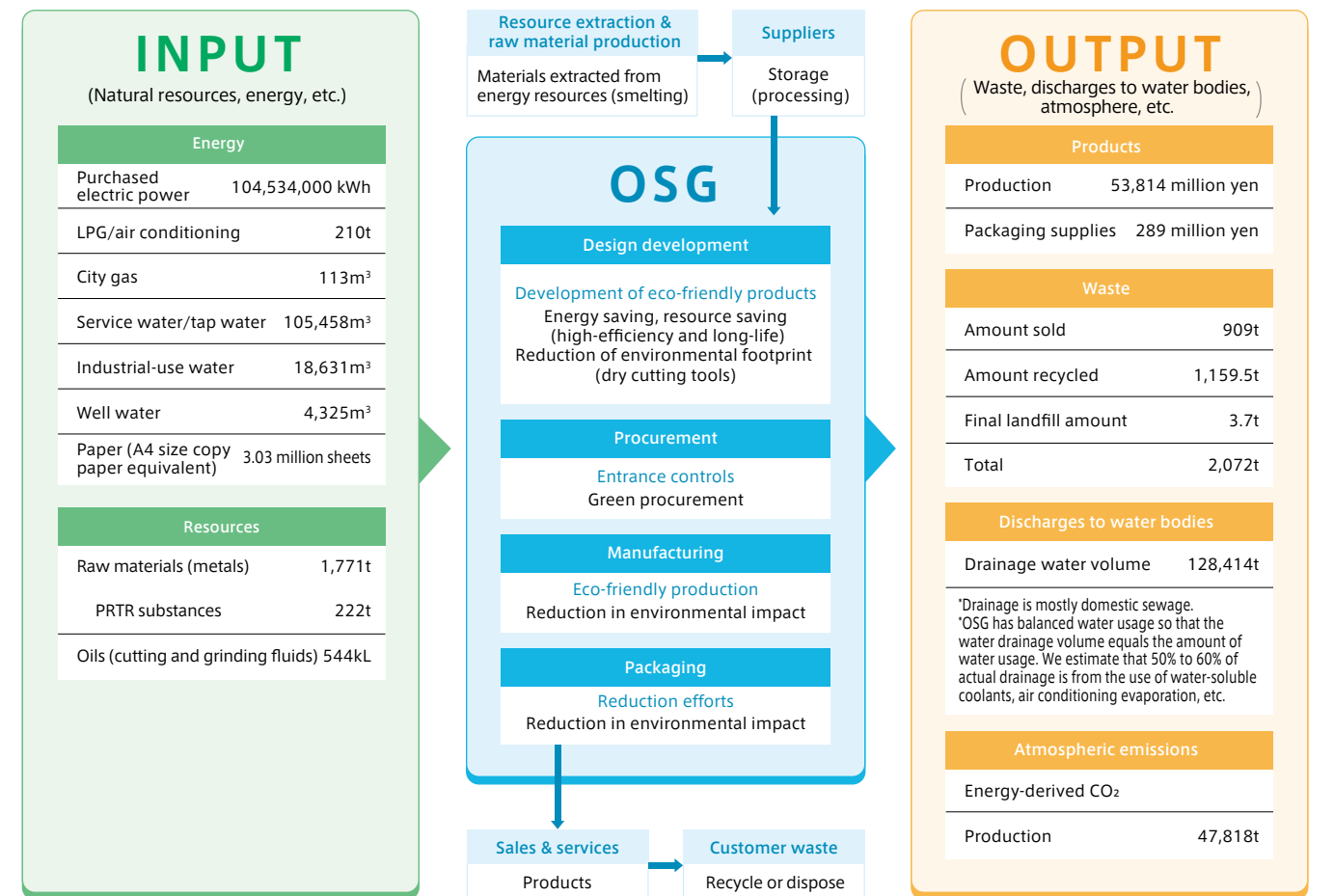
Status of Environmental Management Systems at Group Affiliates

Status of ISO 14001 Certification Acquisition

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

Material Balance in Operations

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





Environmental Accounting

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

Costs and Effects over Past Three Years

	[thousands of yen]		
	FY2020	FY2021	FY2022
1. Positive costs	223,520	51,026	68,827
2. Maintenance costs	66,326	63,824	74,989
3. Environmental damage compensation	0	0	0
4. Effects of environmental conservation	37,169	12,103	33,431

Detailed Accounting of Costs and Effects in FY2022

Costs [thousands of 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.	68,827
	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	2,723
	③ Environmental audit expenses	External review expenses, registration maintenance expenses	816
	④ Environmental regulation compliance costs	Designated chemical substance measurement, etc.	1,478
	⑤ Waste disposal and recycling expenses	Waste disposal expenses	52,404
	⑥ Circulation measurement expenses	Various environmental measurement and analysis expenses	4,068
	⑦ Environmental conservation costs associated with social activities	Japan Cutting & Wear-Resistant Tool Association Environment Committee activity expenses	
Subtotal			74,989
3. Compensation costs for environmental damage	Costs for soil remediation, restoration of natural destruction, etc.		0
	Subtotal		
Total			143,816

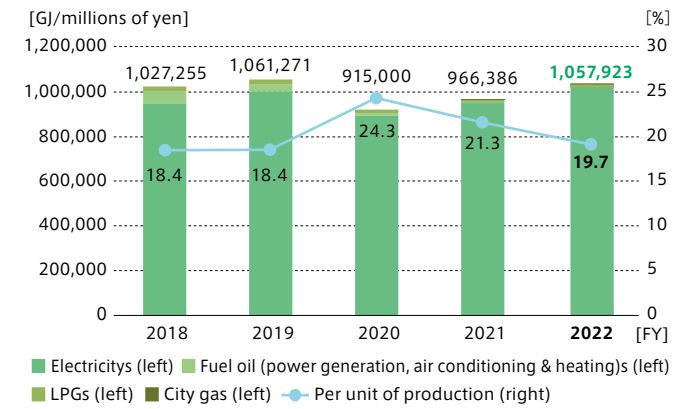
Effects [thousands of yen]			
Category	Item	Specific initiatives	Investments in equipment, etc.
4. Effects of environmental conservation	Total environmental improvement effect	Energy savings achieved by updating heat source devices, transformers and air conditioning units, and converting to LED lighting	33,431

Reduction in CO₂ Emissions

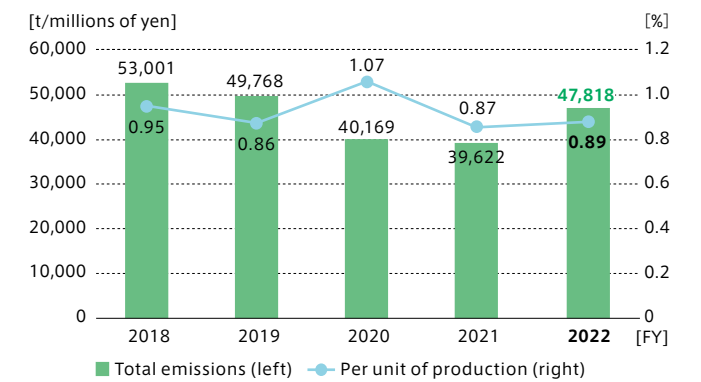
At all OSG business offices and sites, we have prioritized activities that use energy more efficiently and switch to energy-saving equipment so that we may continue to mitigate the impact which we have on the environment. Throughout our entire company we have converted to LED as well as saved energy by optimizing room temperatures and coolant as well as upgrading thermal source devices, transformers, and air conditioners. During the preceding fiscal year, these efforts decreased by 7% the amount of CO₂ emitted per unit of production, reducing the level from 21.3% to 19.7%. Our emissions factor

increased 11% year-on-year, which led to a 2% increase over the previous year in the amount of CO₂ emitted per unit of production. Total CO₂ emissions increased 21% along with this emissions factor and production increases. In addition, we upgraded equipment to the most efficient model available and took other steps to reduce CO₂ emissions. However, these efforts still did not decrease total CO₂ emissions over the fiscal year. In the future, we will reinforce these activities and strive in a systematic manner to save energy in accordance with our Medium-Term Environmental Plan.

Energy usage



CO₂ Emissions



Streamlining Product Packaging to Reduce Plastic Usage

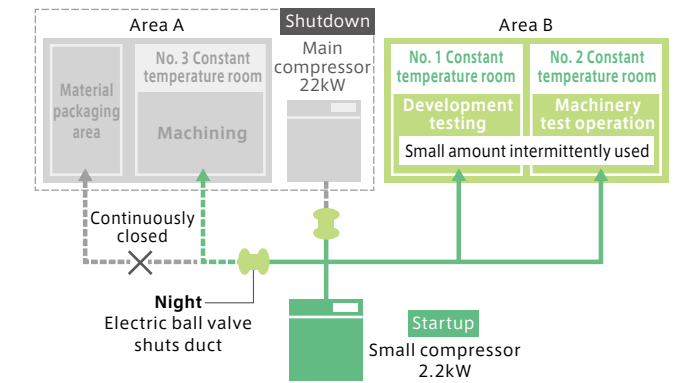
With the development of multiple models of taps, end mills, and drills, the types of cases and packaging used for these have also become much more varied. Nevertheless, marine microplastic pollution is a global problem now and we urgently need to reduce the amount of plastic that we use. OSG has been working to standardize packaging cases and labels

and has taken other steps to adopt more eco-friendly new cases as well as switch to ecological packaging film. We launched this effort in 2021 and have steadily made headway, consolidating or integrating 20 of the 78 types of packaging. We anticipate these initiatives will ultimately reduce annual plastic waste volume by 12 tons.

Saving Energy Through More Efficient Compressor Use

At OSG, we operate compressors to supply air, so we have been saving energy by checking how machinery and compressors are operated and operating this equipment when conditions are optimal. We have been ascertaining the status of machinery operations at night and shutting down air supplies at plants where equipment is not operated at night. In areas where equipment is operated at night but air usage is modest, we have switched to using small air compressors. These activities have curbed our electricity usage.

In FY2022, this effort was recognized by the Japan Cutting & Wear-Resistant Tool Association with the presentation to OSG of the Environmental Activity Award at the 7th Awards Ceremony.



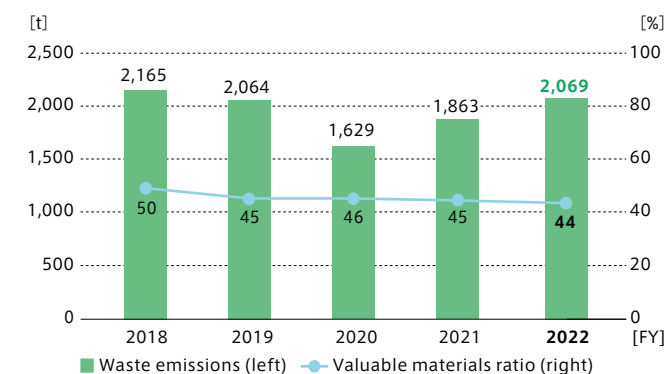
Resource Recycling Initiatives

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.

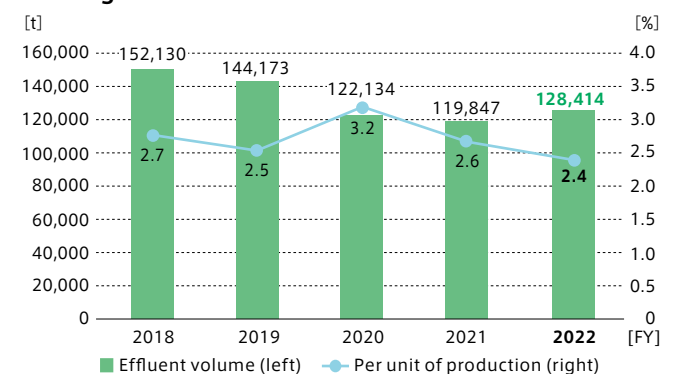
Recycling rate [%]				
FY2018	FY2019	FY2020	FY2021	FY2022
99.8	99.7	99.7	99.8	99.7

Weight of recycled materials [t]	
Metal scrap (sold)	661.1
Waste grinders (recycled)	41.5
Cardboard boxes (sold)	47.2
Waste plastic (recycled)	54.2
Waste oil (sold and recycled)	477.1
Wood chips (recycled)	83.5
Oil sludge (sold and recycled)	211.5
Other (recycled)	58.8
Waste diatomaceous soil (sold and recycled)	433.1
Total recycled	2,068.5t

Waste emissions and ratio of valuable materials



Drainage water volume

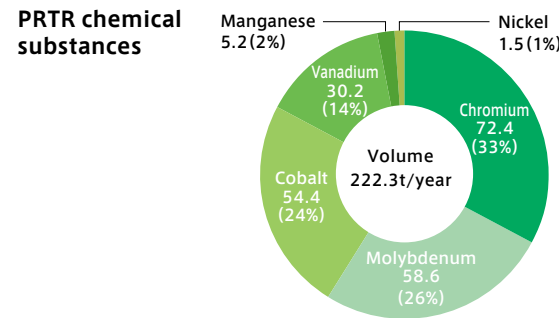




Management of Environmentally Hazardous Substances

As part of our efforts to prevent contamination, each of our sites conducts emergency training and drills to 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): chromium, molybdenum, cobalt, vanadium, manganese, and nickel.



Green Procurement

OSG aims to provide our customers with environmentally-sound products in accordance with the OSG Group environmental policy of transforming our entire supply chain so it is 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.

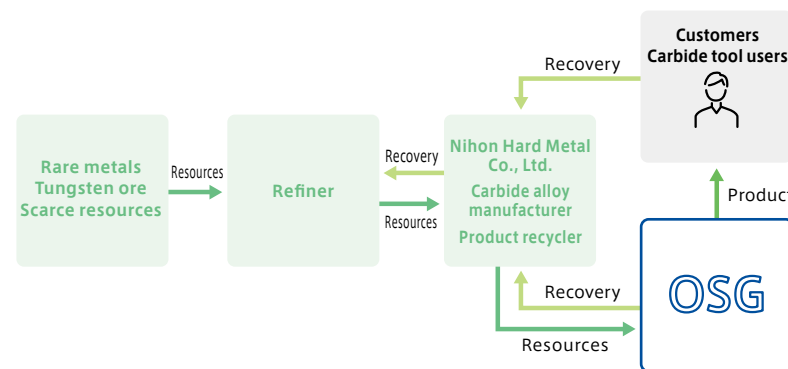
Eco-Friendly Products and Services

OSG Group is striving to create eco-friendly products and provide these to our customers. We are actively working to reduce our environmental footprint by improving reconditioning and recoating operations and developing resource-saving high-speed cutting products that are very durable and highly efficient.

Promotion of Carbide 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.

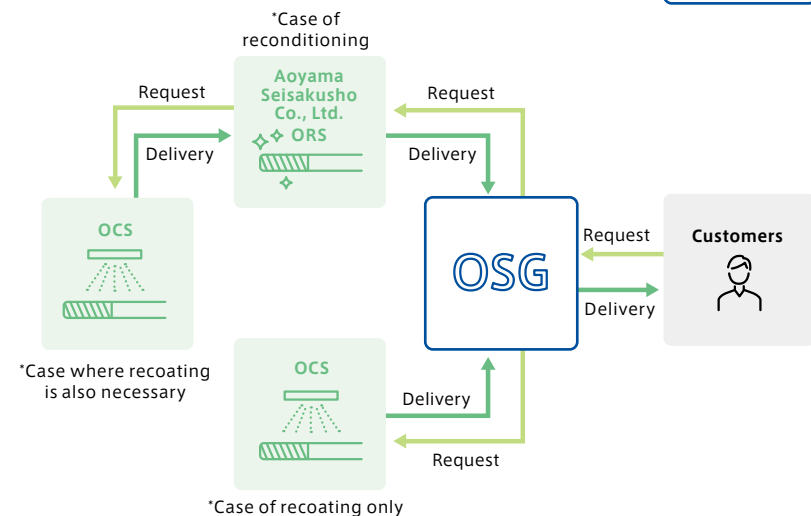
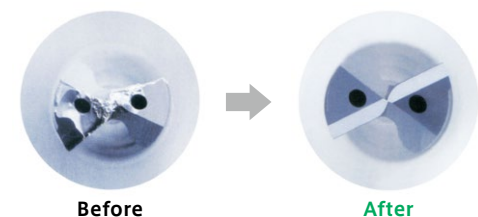
We recover used tools from our customers and recycle the rare metals so that these materials may be reused as part of our efforts to effectively utilize resources. This also is beneficial to our customers in facilitating their CSR activities and achieving zero emissions.



Reconditioning and Recoating Services

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

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



Environmentally Conscious Product Development



Product Indexable Flat Drill PDZ

Challenge

When counterboring* diameters of $\phi 16$ or greater, it is common to use a solid carbide tool or a head exchangeable tool. Carbide tools are costly and reground many times, and it is troublesome to manage those reground tools.

With conventional drills, the bottom surface needs to be flatted after drilling process. For turning operations, different tools need to be used for drilling, internal turning, and face turning, which inevitably increases the number of tools required.

OSG started working on an indexable flat drill development that can minimize a use of multiple tools. Enlarging the diameter of the top of the drilled hole so that a head of bolts can sit inside the workpiece surface.

*Enlarging a hole so that the head of a screw or bolt may be inserted and not project out as well as evenly machining the hole so that the torque for tightening the bolt or nut is uniform, which ensure its rigidity.

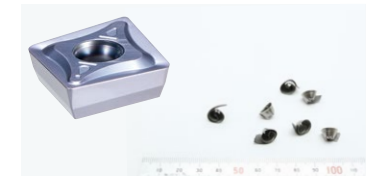
OSG Developed Product

The Indexable Flat Drill PDZ, which boosts machining efficiency and tool life, has three key features.

1

Outstanding chip breaking capability

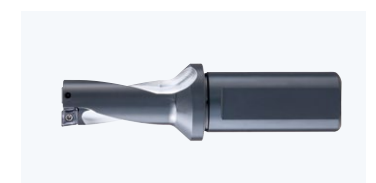
With OSG's proprietary chip breaker called "Muscle breaker", it helps to curl and break chips into small pieces



2

Outstanding chip evacuation

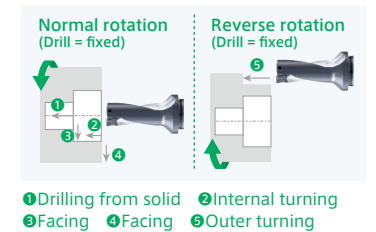
With smoother flute surface finish, chip evacuation capability is maximized



3

Optimized insert positions

Cutting load on the center cutting edge is reduced by optimizing insert positions. In addition, internal and face turning is possible with PDZ.



Developer's comments



Today, high-efficiency, high-precision, and long tool life are not the only characteristics required for machining. With efforts to achieve SDGs, we now also need to eliminate waste as much as possible and establish environmentally-conscious processes.

Customers can reduce waste by a use of indexable tools. By a use of multi-tasking tool, such as PDZ, higher productivity is achievable.

OSG will contribute to society by supplying earth-friendly products as a part of our efforts to promote ESG management.

Indexable Tool Development Team Development Group Design Center
Mitsuru Suganuma



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 to in

October 2021, we have begun analyzing climate change scenarios and promoting initiatives under the following framework.

In December 2022, we also underwent an assessment by the Carbon Disclosure Project (CDP). CDP is a global environmental assessment organization that rates companies on an eight-tier scale. OSG received a score of B in this first assessment.

Our aim is to secure a score of A. Therefore, we will make an even greater effort to promote environmental-conscious activities.

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 issues, policy and vision consistency, priority measures, and other items, and regularly reports on its activities to the Board of Directors.

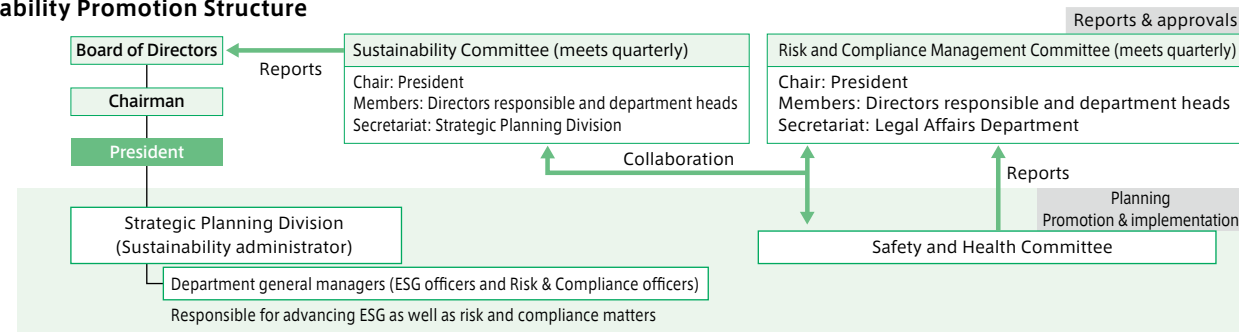
Measures for promoting sustainability are implemented by department heads (ESG officers) and facilitators in each organization based on decisions made by the President, who

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

Risks and Countermeasures

Type	Subcategory	Risks	Impact	Response
Transition risks	Policies & legal restrictions	Tighter regulations on GHG emissions	High	·Set targets for reduction of CO2 emissions ·At plants, introduce CO2-free purchasing, off-site power purchase agreements, and carport power purchase agreements ·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	Tighter regulations on fossil fuel power generation	Moderate	·Decrease in demand and increase in development and manufacturing costs of tools for fossil fuel power generation
	Markets	Dissemination of renewables and energy-saving technologies	Moderate	·Increase in development and manufacturing costs
		Transition to eco-friendly products	Moderate	·Decrease in sales of eco-unfriendly products and services
	Greater use of electric vehicles and fuel-cell vehicles	High	·Decrease in demand for tools for gasoline-powered vehicles	
Reputation	Changes in customer base and investors	Moderate	·Decline in corporate value and loss of opportunities for securing orders due to insufficient disclosure of non-financial information ·Contraction of scale of eco-unfriendly business ·Increase in financing procurement costs	
Physical risks	Acute	Increased severity of extreme weather events	Moderate	·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 resulting from damage to OSG plants
		High	·Review BCP for all suppliers (ascertain risks affecting suppliers in terms of natural disasters, logistics, raw material procurement, etc.) ·Diversify suppliers	
	Moderate	·Draft and revise BCP, implement concrete facility countermeasures, diversify production sites, and thoroughly control hazardous and other such substances		
Chronic	Rise in mean temperatures	Moderate	·Increase in air conditioning energy ·Deterioration of working environment ·Production shutdown due to shortage of electricity or water	
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 restrictions	Tighter regulations on GHG emissions	Moderate	·Investment hurdle lowered due to consolidation of internal carbon pricing (ICP) or the number of years for recouping investments incorporating carbon tax ·Adopt internal carbon pricing
	Technology	Dissemination of renewables and energy-saving technologies	Moderate	·Increase in demand for tools for renewables and energy-saving technologies ·Develop and increase sales of tools for energy-saving facilities and renewable energy-related items
	Market	Expansion of renewable energy	Moderate	·Increase in demand for renewable energy projects as development increased of solar panels and offshore wind power ·Greater demand for long-lasting products ·Develop and increase sales of tools for energy-saving facilities and renewable energy-related items
		Transition to environmentally-friendly products	Moderate	·Further enhance quality, develop, and increase sales of long-lasting products ·Further enhance quality, develop, and increase sales of long-lasting products ·Develop tools that enhance efficiency and shorten processing time ·Increase sales in the precision micro-machining sector
Physical risks	Acute	Greater use of electric vehicles and fuel-cell vehicles	High	·Increase in demand for precision die machining due to development and promotion of batteries ·Increase in demand for EV chargers and storage batteries ·Greater demand for small-diameter tools (micro-tools) due to larger market for semiconductors, connectors, and electronic components ·Accelerate development of machining tools for EV chargers and storage batteries ·Develop, increase investment, and build sales of small-diameter tools
		Reputation	Changes in customer base and investors	Moderate

*Timeline ranging from 2030 to 2050 is assumed.

3.Metrics and Targets

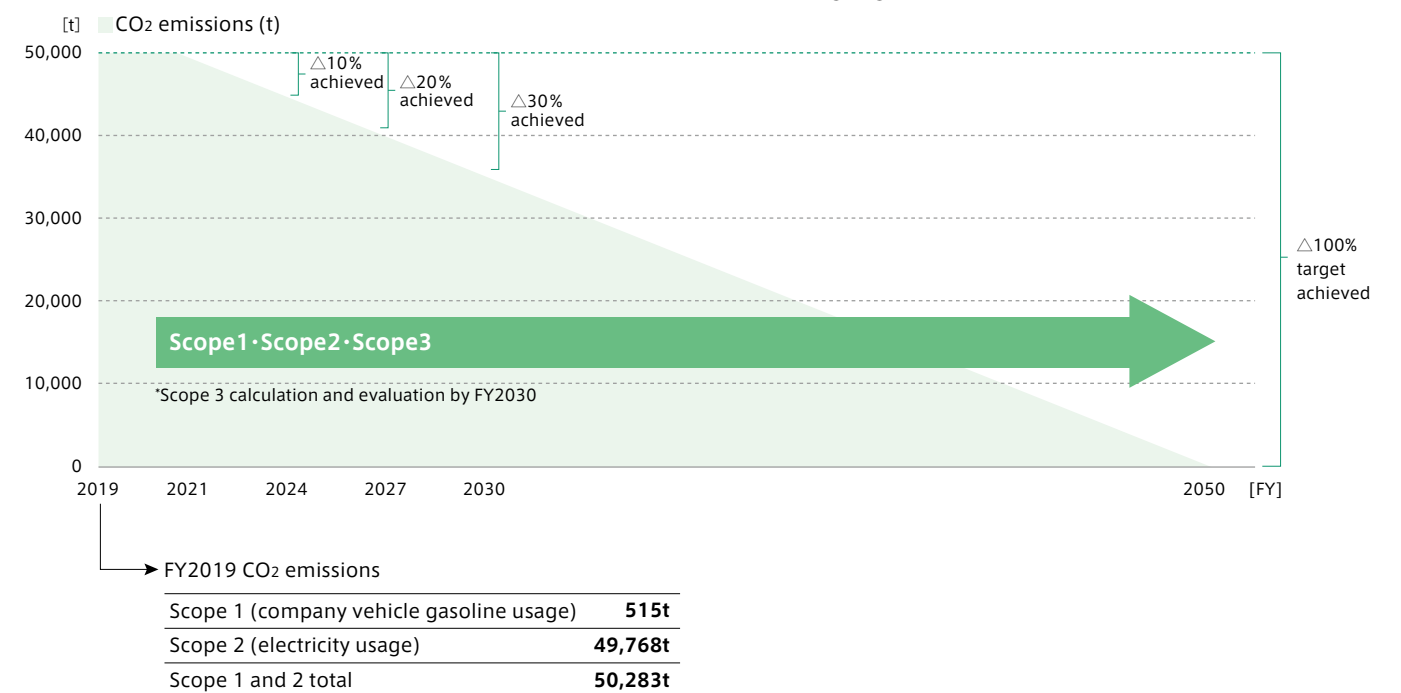
Reduction of CO2 Emissions

OSG set the following targets in our 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 FY2023, OSG will be advancing efforts with a view toward calculating our Scope 3 CO2 emissions and obtaining a CDP score of "A."

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 Group fulfills our social responsibility to a broad range of stakeholders, including customers, partners, employees, communities, and others.

OSG Group's Ideal Employee and Human Resource Development

In 2013, OSG Group revamped our personnel system to reflect our belief that our employees possess unlimited potential and to put in place a structure that aims to develop our human resources in a way that maximizes corporate value while also fostering a corporate culture which emphasizes personal development and the spirit of challenge. Building on our human resource development philosophy, we are striving to enhance and improve our employees' capabilities so they develop in line with the seven qualities required for advanced manufacturing.

To develop leaders capable of adapting to a time when working styles and ways of thinking are increasingly diverse, we provide e-learning courses on communication, management, harassment, and attentive listening. This is training that our personnel can put to use to better perform their jobs.

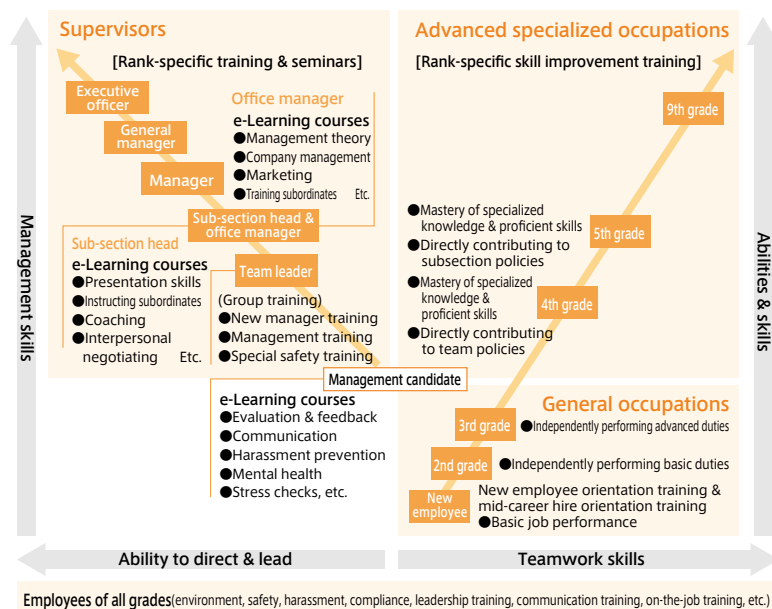
In addition, we also have more than 150 distance learning courses for self-development. Group training is also offered to help our employees understand what kind of personnel OSG views as ideal as well as requirements for promotion. These are part of our initiatives for developing the next generation of leaders.

All of our training aligns in the same trajectory as set out in our Medium-Term Management Plan and Human Resources Development Policy. It is our aim to establish a continuing program for human resources development.

Seven Qualities Required of OSG Employees

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

Roles, responsibilities, and required abilities



New Employee Training Program

Set out on the theme of "creating a starting point for growth in the workplace," OSG Group's new employee training program provides introductory as well as specialized job-specific training. We have a curriculum that emphasizes a mindset for new employees, who just graduated from high school, to help them become mentally prepared and behave as working adults, and to provide new employees just out of university with the mental preparedness and knowledge to produce results in business. The specialized training is arranged according to department assignment and focuses on trainees acquiring practical skills.

The program also incorporates a lot of group work, which requires dialogue and cooperation, to improve employees' communication skills and build human relations during the same time interval. This also serves as a first step to creating a personal network. By providing optimal training tailored to the certain age of new employees as well as the departments to which they are assigned, the program provides a boost to all personnel enabling them to grow.



VOICE



My motto is "never extinguish the flame of human resources development." I have been involved in developing OSG's human resources for six years. In recent years, I feel there has been a shift from the acquisition of skills and knowledge through experience to their acquisition through training and education. All the same, the way in which we might best interact with other people is something that manuals are unable to help us resolve. The goal of all human resources training is dialogue. I hope that, as a result of the training, our employees are able to take with them one thing that they have learned, put that into practice, and recognize its value. Employees who are subordinates are always demanding the three desires: to be seen, to be heard, and to be understood. The satisfaction of these three desires fosters the initiative to grow as a team.

While allowing for diverse values in work and private affairs, I believe a supportive group helps all members function as a team to achieve their goals. That is what human resource development is all about. We will continue to take up the challenge of developing the OSG Group's human capital with the goal of connecting training to evaluation.

Human Resources & Human Resources Development Team | Human Resources & General Affairs Department | Kenichi Makaino

Work-Life Balance

The work-at-home system, which the OSG Group launched in April 2022 as a means for improving work-life balance and a business continuity planning measure, is gradually being utilized.

In addition, the change in the minimum segment of time available for paid leave down to one-hour units has helped employees use their paid leave for a wide range of activities such as medical appointments, personal errands, and, of course, child and family care. The scope of memorial leave (birthday leave) that employees may take has also been expanded to include up to four weeks both before and after an employee's birthday for a total interval during which memorial leave may be taken of eight weeks. This has made it easier for employees to avail themselves of such leave.

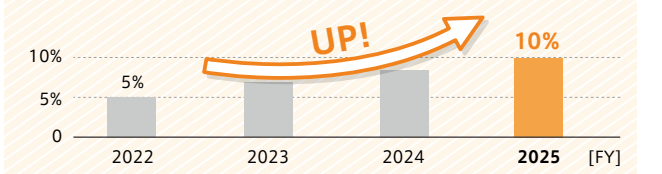
In April and October, sections of the Revised Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members took effect. The establishment of paternity leave has helped balance family and work, as well as broaden the way in which dual-income households work, take time off, and provide elderly care in our aging society. Currently, in comparison to a 100% rate for women taking childcare leave, that percentage is still low for men at only 5%. OSG has been working to promote childcare leave among men so that a rate of 10% can be achieved by 2025.

The first step in this effort has been to provide more information in our in-house publications about the merits of taking childcare leave, the period during which it is available, how to apply, as well as benefit payments. We are committed to letting all our employees know about the childcare leave program. We make sure to confirm the

intentions of our male employees who have welcomed a new baby about whether they would like to take childcare leave and provide individual consultations to those who so desire. We sense there are actually many employees who have concerns about a decrease in income, the effect their leave will have on the workplace, the impact that taking leave will have on their evaluations, and so on. Having ascertained the current state and issues faced in taking leave, we are committed to creating an environment where people who desire to take childcare leave may easily and confidently avail themselves of this program with the understanding of their workplaces.

Targets in line with the Act on the Promotion of Women's Active Engagement in Professional Life and Act on Measures to Support the Development of the Next Generation

March 31, 2025 target: 10% of men take childcare leave (5% as of November 30, 2022)



One work-life balance program participant's story

Comments by male employee on childcare leave

I took childcare leave because I wanted to be able to spend time with my child, if at all possible, during that once-in-a-lifetime young age. Initially, I was uneasy about leaving work to my coworkers. However, as the days went on, I realized how difficult housework is and my respect grew for those who have experienced raising a child. More than anything though, I was able to spend an enjoyable time with my child. I feel that more men should take childcare leave.



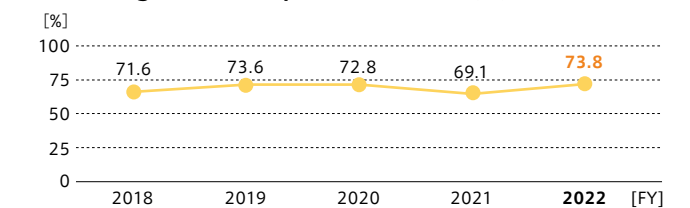
Supervisor's comments

Childcare leave is different from taking leave for an illness or other situation that must be immediately addressed. With childcare leave, plans can be made in advance. Even so, it is actually quite difficult to hand over your duties to a coworker. For that reason, I felt it was necessary to write meeting minutes of even the small meetings on a regular basis, and to assign a person to assist in each task so that team members have a general understanding of the work that he performs in the workplace.

Expansion of conditions for utilizing accumulated annual leave

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.

Percentage of annual paid leave taken (%)



Careers and Reskilling

The OSG Group promotes reskilling so that our employees learn the knowledge and skills necessary for operations, which allows for the appropriate personnel to be assigned to the appropriate position. Our aim is to establish a system that better links employees' careers and business operations in order to improve the productivity of each and every individual.

OSG Group administers a career planning program so that our employees themselves think about their own careers and periodically submit their aspirations detailing where they want to be in three, five, and ten years. Along with a certification incentive program through which we support our employees in improving the skills that will help them prepare to boost their own careers, we are seeking to create a distance learning program that functions interactively and allows employees to choose what they want to learn to improve themselves from among 171 courses, as well as to create a system helping employees to find fulfillment and motivation in their work.

Career Plan Statement System

- Career plan requests for
- 3 years later
 - 5 years later
 - 10 years later
 - Leader training
 - Overseas assignment
 - Workplace transfer

Employee database

Certification incentive program

This program pays tuition fees and provides grants according to the type of certification when an employee successfully passes an exam for certifications that OSG recommends employees obtain. These certifications are related to operations as well as specific departments, experience and knowledge regarded as necessary in order to improve employees' skills and motivation.

Subsidized distance learning program

This program serves as a tool for employees to learn skills and knowledge on their own and offers 171 distance learning courses. If the employee attends the sessions, obtains a satisfactory grade, and meets other conditions within the time period designated, the employee is able to receive a subsidy to help with tuition.



Health & Safety Management Initiatives: Pursuit of Well-Being

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 have promoted safety and health management.

Managerial System Promoting Safety & Health Management



Safety & Health Management Declaration
OSG will strive to enhance 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.

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	Combating Covid-19 Workplace vaccination program for peace of mind at work	Healthy meals offered Balanced healthy meals offered at company cafeterias



Sustainable Growth of Employees, OSG, and Society

Initiatives Upholding Respect for Human Rights

OSG Group Human Rights Policy

In March 2022, we established the OSG Group Human Rights Policy. The OSG Group and all employees both in Japan and abroad shall perform their work with respect for human rights and be committed to following the letter as well as the spirit of all relevant laws, regulations and international rules, while taking a proactive approach to the creation of a sustainable society with sound values. We ensure a work environment that will neither offend nor discriminate by race, belief, skin color, sex, religion, nationality, language, physical appearance, wealth, or birthplace.

To promote and improve human rights awareness, we raise human rights issues in our in-house newsletter and make every effort to prevent such problems from arising in our work environment. In addition, all employees undergo harassment prevention training so that such instances may be prevented. A special office has been set up to receive consultations, complaints, and provide other services relating to harassment, and we are striving to further strengthen our consultation system so that we are able to respond quickly to such instances.

Empowering Women

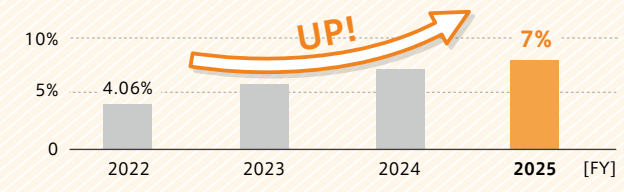
Focused on promoting diversity and inclusion, OSG has set the targets listed at right pursuant to the Act on the Promotion of Women's Active Engagement in Professional Life in order to establish an employment environment where employees are able to balance work and home and achieve even greater success. Our aim is for each and every woman employee to work passionately and assuredly and, thereby, demonstrate her abilities to the maximum and advance her career.

In addition, OSG Group provides all employees with training on women's health as well as maternity and paternity harassment with the objective of enhancing employee's knowledge about these issues and facilitating harmonious communication in the workplace.

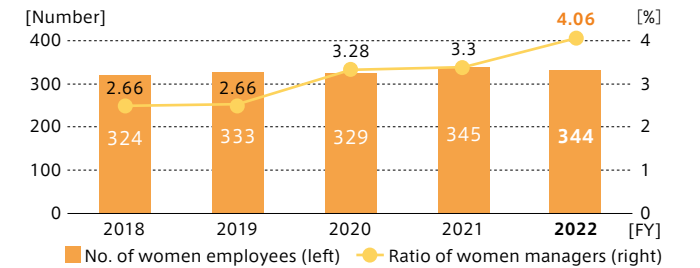
Our Medium-Term Management Plan sets out policies that embody ESG management. We appointed eight women to serve as members of the Sustainability Promotion Office with the hope that their activities will pioneer initiatives in this area.

The OSG Group will be proactively hiring women, ascertaining and disclosing the actual state of such hiring as well as awareness of women's activities, communicate this information within the company, and take the initiative to provide relevant training.

Target in line with the Act on the Promotion of Women's Active Engagement in Professional Life
March 31, 2025 target: Women occupy 7% of subsection chief positions (4.06% as of November 30, 2022)



Women Employees & Managers



VOICE



It was my feeling that sustainability promotion operations require one to look at the company from a more objective standpoint than I had imagined and an understanding of operations in a broad range of areas is required. I have been able to consider the roles of a variety of departments from perspectives different from those I had ever taken before. This experience has been very inspiring. Having taken childcare leave and returned to work on two separate occasions, I am still raising my children and the leader of the labor team that supports our employees. I want to make use of my experience balancing both home and work to implement activities that will broaden the playing field for women in a unique way at OSG, while also exchanging views with other women team members of a broad range of ages actively working in a variety of different departments.

Labor Affairs Team Human Resources & Labor Affairs Group Human Resources & General Affairs Department Management Planning Department Sustainability Promotion Officer
Yuko Minamoto

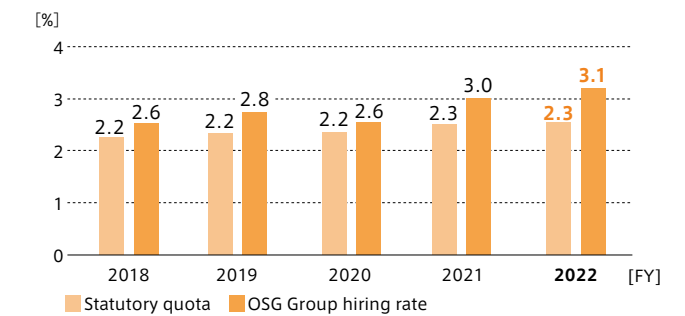
Disability Employment Initiatives

To further promote employment of people with disabilities, OSG established a special subsidiary OSG Active Co., Ltd., the first of its kind in the cutting tool industry, in December 2022. We have always maintained our statutory quota. Now, with the establishment of this special subsidiary, we have created an environment that sets working hours and conditions in a way that best suits the abilities of each individual so that person feels the environment is more conducive to helping him or her perform the work.

At OSG, all employees work together regardless of their disability. Depending upon the situation, some employees may require certain considerations. However, with all team members understanding and assisting the other members, everyone is able to play an active part as a member of the team. Our aim is to create an environment where people with a disability are able to be a dynamic force in their respective workplaces, shine in their achievements, and feel joy in their accomplishments.

In addition, the special subsidiary OSG Active Co., Ltd. partners with community social welfare organizations and government institutions. We cooperate in promoting employment for people with disabilities throughout the community by arranging activities and lectures to promote such opportunities as well as tours of our facilities so that people may see how all of our employees work. With the statutory quota to be raised from the current 2.3% to 2.5% in 2024 and then to 2.7% in 2026, the OSG Group will proactively promote community and social contributions premised upon our social responsibility to achieve and maintain the statutory quota.

Percentage of Employees with Disabilities





Commitment to Customer Satisfaction

The OSG Group not only regularly holds in-person seminars, but also online seminars, which allow people to join in from anywhere. The seminars help us hear and understand customer satisfaction as well as any comments or concerns from surveys completed after the seminar. These customer comments are put to use in improving the seminars, constantly enhancing quality, and developing products. In the future as well, we will be mindful of providing content during in-person seminars that is best experienced in a real environment, and harnessing the advantages of digital communication during online seminars as we strive to offer information in a way that is best tailored to our customers.

Our Communication Dial service responds to more than 100 telephone inquiries from customers every day. These queries range from basic questions to specific and highly-technical inquiries relating to actual machining processes. Depending on

the nature of the inquiry, 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 inquiries handled, and appropriately staff Communication Dial 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 with a solution to any queries when a problem arises.

VOICE



The OSG Technical Consultation Service receives many questions every day. These range widely from the dimensions of thread standards or end mill cutting conditions to selection of the optimal drill. In addition, callers' experience ranges from new employees first using a certain tool all the way up to the veteran employees with 50 years of machining experience.

We are always trying to anticipate what sort of problem a customer is experiencing now and what is it that they want to know. We do our best to provide the answer that they are looking for. This is also a very valuable opportunity as it provides real feedback from the field, detailing good and bad points about using OSG Group tools.

Customer-First Promotion Team Planning & Promotion Group Global Marketing Department
Mikayo Kondo

Quality Management System

OSG received our first ISO 9001 certification, an international quality management standard, in 1998 for our Yana Factory. Since then, we have broadened the scope of applicability and 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 earn the trust and satisfaction of our customers through our exceptional products and services. In order to maintain this level of service, we will continually make improvements to enhance 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 are 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

Supply Chain Management

As an essential player contributing to the global manufacturing industry, the OSG Group implements initiatives to provide solutions to human rights, environmental, and other challenges as well as to fulfill our social responsibility across the entire supply chain.

Establishment of CSR Procurement Guidelines

The OSG Group established the OSG Group CSR Procurement Guidelines to serve as principles governing conduct as relates to our basic procurement policy. We also share these guidelines with our suppliers and pursue transactions in accord with the guidelines. So that both the OSG Group and our suppliers fulfill our social responsibility together, we have set out the nine items at right and constructed a supply chain across which there is accountability.

- Governance
- Quality/safety
- Human rights
- Environment/biological diversity
- Labor/safety & health
- Information security
- Fair corporate activities
- Co-existence with local communities
- Supply chain/conflict minerals

Guideline-Based Sustainable Procurement

In 2022, the OSG Group conducted a CSR self-assessment survey, which was based on our OSG Group CSR Procurement Guidelines. The purpose was to ascertain the status of CSR initiatives across the supply chain as well as have suppliers develop a better understanding of the OSG Group's CSR procurement approach

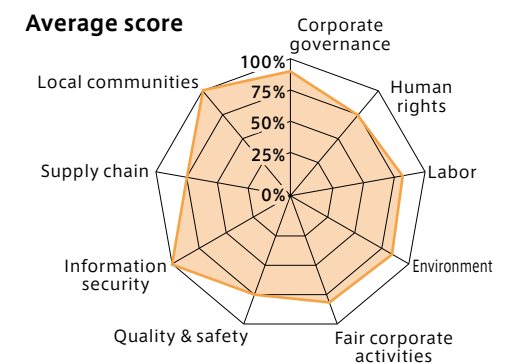
and efforts. We are enhancing communication with our suppliers so that together we promote CSR activities resulting in a sustainable society.

CSR Self-Assessment Survey

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

- Time frame: July-September 2022
- Target: 117 key suppliers of raw and other materials
- No. of responses: 96 companies (response rate: approx. 82%)

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



Corporate Philanthropy

Developing Young Skilled Workers with the "Community Skilled Worker Utilization Project" for the Future of Manufacturing

OSG Group was selected to participate in the "Community Skilled Worker Utilization Project," which is administered by Toyokawa City, to help develop human resources who will lead the manufacturing industry in the future so they may acquire certification with guidance offered by skilled workers in the community. OSG dispatched three of our experienced personnel to serve as instructors at Toyokawa Technical High School. These three provided guidance to students with the goal of having them successfully pass the Engine Lathe Grade

3 Exam. They taught the students about work safety, time-saving hints, as well as points to keep in mind to achieve greater efficiency and precision, and had the students practice mostly machining work. The way the students' eyes lit up as they trained was quite impressive. The students also asked questions about cutting tools and what it is like to work in this machining profession. The OSG Group encourages the growth of our younger skilled workers. They are the ones who will eventually sustain the manufacturing industry in the future.



Community Skilled Worker Utilization Project

Contributions to Local Communities

On days that end with a zero each month, members of the OSG Safety and Health Committee at each business office and community crossing guards conduct safety patrols to prevent traffic accidents as well as protect all important community residents and our employees. These safety patrols are part of a campaign to end traffic accidents and thereby realize a safe, peaceful, and pleasant transportation society that values human life.

Employees' Views on Working at OSG

One of OSG Group's material issues is to develop a rewarding workplace environment.

Our aim is to create and maintain an environment in which each and every employee can find pride and fulfillment and demonstrate their abilities to their full potential as they continue to take up the challenge of breaking out and going beyond what they've ever done before. This will help us to achieve our long-term vision as laid out in our Medium-Term Management Plan "Beyond the Limit."

For this roundtable talk, we brought together five of OSG's junior employees to talk about what motivates them, the culture of challenge, issues they are facing, and other topics.



Masaki Ito
(Toyokawa Office,
Sales Dept.)

Keiichi Sugiura
(Tap Design Team,
Design Center)

Yusuke Sugiura
(Machine Design Team,
Production Technology Dept.)

Ayumi Sawano*
(Personnel & Human Resources Development Team, Personnel & Labor Affairs Group,
Human Resources & General Affairs Dept.)

Aiko Tanaka
(Finance & Accounting Team, Accounting Group,
Accounting Dept.)

*Facilitator

Sawano: I am in charge of recruitment and training on the Personnel & Human Resources Development Team in the Human Resources & General Affairs Department. I joined OSG right after I graduated in 2015. What attracted me to OSG was how the company's organization operates with its focus on people, its many fascinating individuals, and its employee-friendly reputation. To start off, could I ask each of you to introduce yourself?

Ito: I work in sales at the Toyokawa Office. Since I graduated from a university overseas, I wanted to use English and work in foreign country. That is why I joined OSG right after I graduated in 2017 because the company has expanded its business globally. I want to take up the challenge of working overseas once I have built up not only my knowledge of tools, but also gained broad understanding and experience in OSG's business.

Y. Sugiura: April 2023 marks my eighth year with OSG. My first assignment was the Manufacturing Technology Section where I worked on carbide end mills. I'm interested in machinery design. After communicating that interest in my career plan, I was transferred to the Machinery

Department (presently, the Production Technology Department), which produces machines for use within the company.

K. Sugiura: I joined OSG right after I graduated in 2017 and I am currently doing tap design work at the Design Center, which is part of the OSG Academy. I wanted to improve myself, so I have been temporarily assigned outside OSG to an automobile manufacture where I have gained good experience as a tool technician. I was born and raised in Toyokawa. When I interned at OSG, I really liked the academic and home-like atmosphere. That is what prompted me to apply to work at OSG.

Tanaka: I joined OSG mid-career in October 2019. I am doing tax-related work as part of the Finance & Accounting Team in the Accounting Department. In my previous job, I was doing accounting at a company in Kanagawa Prefecture where I am originally from. I wanted to broaden my career, gain experience and grow, so I decided to move away from my hometown and find a job.

Sawano: I think if a person derives satisfaction from his or her job and

feels comfortable working somewhere, then that person is more likely to be enthusiastic and more productive. How do you feel about the work that you perform day-to-day?

Ito: A work atmosphere in OSG is excellent. Occasionally, my supervisor and senior coworkers have given me candid advice. No one has ever said anything unreasonable. There is good communication so that other employees even listen to the opinions of younger employees and support them. One of the attractive points of OSG is the close working relationship that employees have with department and section managers. Even President Osawa is approachable and friendly.

Y. Sugiura: I feel a sense of achievement when I see the machines lined up, which I myself worked on, on the manufacturing floor of a plant. To efficiently design machinery, I think it's also good to have a flextime system where employees are able to pretty much freely determine the hours when they will work. A system where employees are able to set their own working hours encourages a positive attitude among employees. In terms of health also, I appreciate the employee cafeteria, which serves inexpensive and delicious meals.

K. Sugiura: I am very happy that the parking area is close to the office. The Design Center also has good communication. The department and section managers as well as regular employees all have their desks on the same floor, which creates an environment where it is easy to converse. OSG's operations are mainly based in eastern Mikawa, which provides a close lateral link between design and production that makes it easy to perform the work. I have also been impressed by the company's recent promotion encouraging male employees to take childcare leave, which adds to the wealth of employee benefits that the company provides.

Tanaka: Because production lines operate with three shifts a day, factories have not adopted flextime. Sales teams need to coordinate their schedules with customers' business hours. There are other disparities in terms of operations among the different departments, but the system of remote work from home has really helped. If the weather forecast for tomorrow is snow, then I will arrange my schedule to work from home. Now I'm responsible for work that I didn't have a chance to try in my previous job. This environment where there are new challenges makes the work very fun and every day fulfilling.

Sawano: OSG helps people who are taking up the challenge of realizing the company's long-term vision. Could you please share a challenge that you have or would like to attempt?

Tanaka: My department provides an environment where we can take up new challenges on our own initiative, negotiate with other departments, and go about performing our work as we see best. Take, for example, the taxation system promoting carbon neutrality which is being spearheaded by the Ministry of Economy, Trade and Industry. OSG is able to enjoy tax benefits by coordinating a variety of departments. I feel OSG provides a culture that supports its employees, prompting them to take the initiative in their jobs.

Ito: Just as the supervisors and senior employees that I respect have done, I would like to have the experience of managing my own team. Once I have acquired the confidence of a full-fledged employee and able to perform that work, I would like to try working overseas.

Y. Sugiura: Last year, I was responsible for developing loading equipment for production facilities. It was the first development project that I ever attempted, but I was able to complete it thanks to the help of everyone around me. Now, we need to lower production costs also to achieve our aim of 15% ROA on an operating income basis as laid out in our Medium-Term Management Plan. I think we will be able to increase the number of development projects for reducing manpower and labor, so I want to volunteer to apply myself to achieving some of those tasks.

K. Sugiura: OSG is aiming to achieve a 40% share of the global tap market

by 2027. To reach this goal, we need to expand sales of specialty products while also increasing the rate of repeat customers. I hope to contribute to accelerating output and enhancing production efficiency with a system that manages specialty products, which are outside of the design management system, in the same way as that repeat standard products are administered.

Sawano: Lastly, I would like to ask if you see any issues that OSG is facing or have any proposals for how to do something better.

Ito: The environment at OSG is now more conducive to male employees taking childcare leave. However, at the Toyokawa Office, it is just myself and the office manager. So, even though such a program is available, I think it would be difficult for me to take leave. Even at offices where there are many personnel, there is always the question of who's going to cover for an employee taking childcare leave. So, I hope the company would also consider creating or somehow putting in place a better system to support that.

K. Sugiura: If you take childcare leave, you only receive about 70% of your base pay. If the employee is young and his partner is a full-time housewife, that would put probably strain their livelihood. There haven't been any cases of women in sales taking maternity and childcare leave. I wish the company would present its vision for how an employee could take childcare leave. Also, if the company instituted an open recruitment system as part of the Career Plan Statement System, it would probably be easier to find and place the appropriate personnel in the appropriate position.

Y. Sugiura: The Production Technology Department is able to reduce production costs. However, to do so, a reassessment is needed of current manufacturing processes as well as the development of production machinery. Moreover, a change is needed not only in the way we have been doing things, but also the way that our employees think. To address these changes, I believe it is important for each and every individual to continually try new things and the entire Manufacturing Department to work together to advance development of these aspects.

K. Sugiura: At the automobile manufacture to which I have been assigned, employees have the opportunity to sit down and have a discussion with their supervisor once a month. I would like OSG to set up regular opportunities throughout the company for supervisors and their subordinates to exchange views. I believe direct discussions with supervisors would help everyone to become more aware of the company's numerical targets and it would also foster a sense of unity within the organization. In addition, if employees are more aware of and better understand the standards by which their performance is evaluated and what the opportunities for promotion are, then they will understand what is being asked of them. This will make it easier to set goals and inspire employees to perform better.

Ito: More and more employees are aware of and understand the Medium-Term Management Plan. OSG now has a strong corporate culture encouraging employees not to fear failure. More people have become aware of numerical targets through the President's talks and other corporate communications. I myself am also thinking about what I should focus on as an employee to achieve the targets laid out in the Medium-Term Management Plan. Still, I feel that these numerical targets are not linked to employee evaluations or the goals that we need to achieve, so this is something that we should be more aware of throughout the entire company. It is also important for standards to be set out for personnel evaluations. I think it would be effective for comprehensive assessments to include supervisors' evaluations of their subordinates' performance.

Sawano: Thank you very much for sharing your valuable insight today. This roundtable talk shows once again the employee-friendly atmosphere and open communication at OSG. I hope to take the issues and proposals that you have made and put them to work to improve the personnel system with an eye toward making OSG a company where we all grow together.



Outside director
Chair, Nomination and Compensation Committee
Yoshiyuki Sakaki

Chairman & CEO
Chair, Board of Directors
Norio Ishikawa

Outside director
Deputy chair, Nomination and Compensation Committee
Akito Takahashi

Roundtable Discussion with OSG Outside Directors and Chairman

OSG Governance Reforms and Functions Exercised by the Board of Directors

Governance reform initiatives and achievements

Ishikawa: Since 2016, it has been our aim to construct a structure for governance befitting a listed company while also maintaining the unifying force demonstrated by our founder. In 2016, ten of the fourteen seats on the Board of Directors were held by inside directors. Today, there is a total of seven directors, of which four are independent outside directors, constituting a majority. This has greatly enhanced the independence of the Board of Directors.

Sakaki: The governance reforms that I have participated in so far have been from a position outside the company. Now, outsiders comprise a majority of the Board of Directors. Five of the seven members are non-executive directors. The Nomination and Compensation Committee is comprised of five non-executive directors, and both the chair and deputy chair positions are held by outside directors. Neither the Chairman nor President are members

of the Nomination and Compensation Committee.

Takahashi: Another particular feature of OSG's governance is its highly-effective global governance, which encompasses its overseas subsidiaries. When we have questions or don't understand something, outside directors take a proactive stance in asking employees at OSG Group's overseas sites. It is probably tedious to have to respond to each and every one of the crazy questions posed by outside directors, but I believe such dialogues also serve as chances for us to discover risks and opportunities that may have been overlooked. I have a strong sense that the OSG Group intends to exercise management in a way that harnesses outside viewpoints, so we outside directors are able to confidently exercise our oversight.

Ishikawa: We are constantly refining the OSG management system which applies to group companies. Financial data of group companies is checked monthly, so investment decisions can be made quickly. In addition to maintaining a management accounting

system, there is also a sense of solidarity within the group regarding compliance and internal controls. It is also important that President Osawa and I go out to our local subsidiaries and talk with our managers about OSG's management policies and business plans from the same viewpoint maintained by these managers. I believe it is essential that we have clear rules and straightforward communication with people of different races and cultural backgrounds.

Diversity of OSG's leadership and Board of Directors

Ishikawa: OSG has two representative directors. As Chairman and CEO, I chair the Board of Directors. Nobuaki Osawa, who is President and COO, chairs the Executive Committee. It is my role to oversee the execution of business operations and determine the general direction in which OSG is oriented. President & COO Osawa has all authority for executing business operations. There may also be companies where approval by the chairman is necessary when a large amount of money is at stake, but the authority and decisions regarding business execution at OSG are centralized in the President & COO. OSG is structured in a way that clearly delineates operational execution and oversight, so this makes it less likely mistakes will occur.

Takahashi: The positions of CEO and COO vary from company to company. However, if their respective authorities are not clearly defined, then internal communication might get complicated. At OSG, these two positions function like wheels on a car supporting each other based upon a relationship of trust. That is one reason I believe OSG practices sound management.

Sakaki: When the previous chairman was CEO, Norio Ishikawa served as President & COO, so he has built upon that experience as he has worked to strengthen OSG's governance. A governance system with a Board of Directors on which outside directors hold a majority of seats is the best framework for OSG at this time. In terms of the diversity of the Board of Directors as well, we have worked on the challenge of ensuring diversity while also scaling down the number of directors. Although the current outside directors also provide gender diversity, I feel that, in the future, it will be more important to maintain the perspectives of technological development and global management strategy, which foster innovation in the manufacturing industry.

Takahashi: I also believe that OSG ensures a healthy diversity even as there are naturally certain limits on the number of directors. When I joined discussions among the outside directors, I have often been inspired myself. So, I think that we have been able to provide multifaceted knowledge to the business execution side. I think that, as Yoshiyuki Sakaki pointed out, skills in global management as well as technology and global development, both of which spur innovation, will be necessary components in the future. Options are also available for achieving these perspectives, such as having a technical advisor, who is more closely involved with actual development, provide expertise about product development. With regard to global management, OSG might need to further expand the pool of next-generation management resources, mainly individuals with extensive overseas experience.

Ishikawa: As our business expands further overseas, it will be vital for us to have expertise and insight of management from overseas. With only Japanese people coming up with new ideas, there is the likelihood that we will make mistakes characteristic of the Japanese. So, we have created a system for having talented people from outside the company at our local subsidiaries provide oversight of management at our group management companies in Europe, Asia, and the Americas. Although it is also important for the Board of

Directors of the OSG Headquarters be globally-minded, we also need to find ways to incorporate an outside perspective into the composition of the directors at our group management companies.

Takahashi: OSG has set up a Nomination and Compensation Committee, which is comprised mainly of outside directors who deliberate queries submitted to the committee by the Board of Directors. The compensation scheme sets out a clear formula for calculating performance-linked compensation. This has also been made available publicly, thereby eliminating any arbitrariness. We recognize that we will need to deliberate whether to add capital productivity as well as ESG-related metrics to the standard for assessing performance-linked compensation. I believe it is important for nominations as well that there be proper participation in the nomination process, including taking a proactive stance toward posing questions when something feels amiss about a selection presented by the executive leadership.

Sakaki: Prior to establishment of the Nomination and Compensation Committee, it was difficult for outside directors to participate in the process of determining compensation and nominations. I feel we are now able to provide accountability to stakeholders by having an outside perspective in the process rather than simply allowing the top people to exercise their choices as they see fit. I also hope we will be able to engage in more substantial discussions about plans for developing successors and expanding the pool of human resources for the next generation of management.

Ishikawa: We have also put inquiries to the committee about compensation amounts and performance assessments of executive directors in addition to the CEO and COO. There are three metrics that serve as the standard for assessing the performance of executive directors. They are the sales growth rate, amount of operating income, and the rate of operating income. We hope that committee members will discuss approaches to compensation and evaluation metrics in a way that keeps pace with changes in the times. What are your thoughts about the functions and roles of Audit & Supervisory Committee?

Takahashi: Because there will always be aspects of what is happening on the front lines that those of us non-executive members of the Audit & Supervisory Committee will not be in a position to directly ascertain, I believe it is important to communicate with full-time statutory committee members. Personally, my focus is on the number and types of reports received under the whistle-blower notification system. It has been pointed out that a culture of speaking up is not well rooted when it comes to quality assurance problems in the manufacturing industry as evidenced by those which have surfaced during the past few years. Don't you think it is important to have a culture in place enabling a prompt and appropriate response if a scandal arises?

Sakaki: By coordinating information with outside auditors, talking with full-time statutory Audit & Supervisory Committee members, and receiving regular reports from the internal audit department, we have been striving to get a handle on what sort of issues need to be promptly responded to when something happens internally. OSG also has more and more sites overseas, so there have been calls to further enhance internal auditing. Monthly management accounting data is able to be checked the following month and this has contributed to enhancing the efficiency of internal audits.

Ishikawa: So that the Board of Directors, which is comprised of a majority of outside directors, functions properly, a constant effort is required of each and every director. We will continue to reassess the way that governance should optimally be exercised so that we may meet the expectations of our shareholders as well as all of our other stakeholders.

ESG Management Governance

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

Basic Philosophy

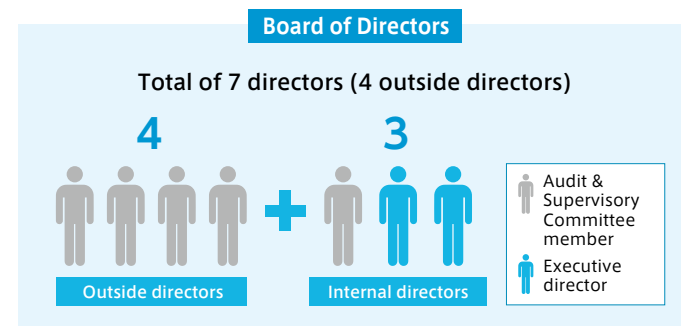
Based on our corporate philosophy of maintaining a global presence, we regard compliance with laws, regulations, and social norms as a fundamental part of our management policies, together with fairness and transparency in our business activities. We also believe these qualities contribute to sustainable 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.

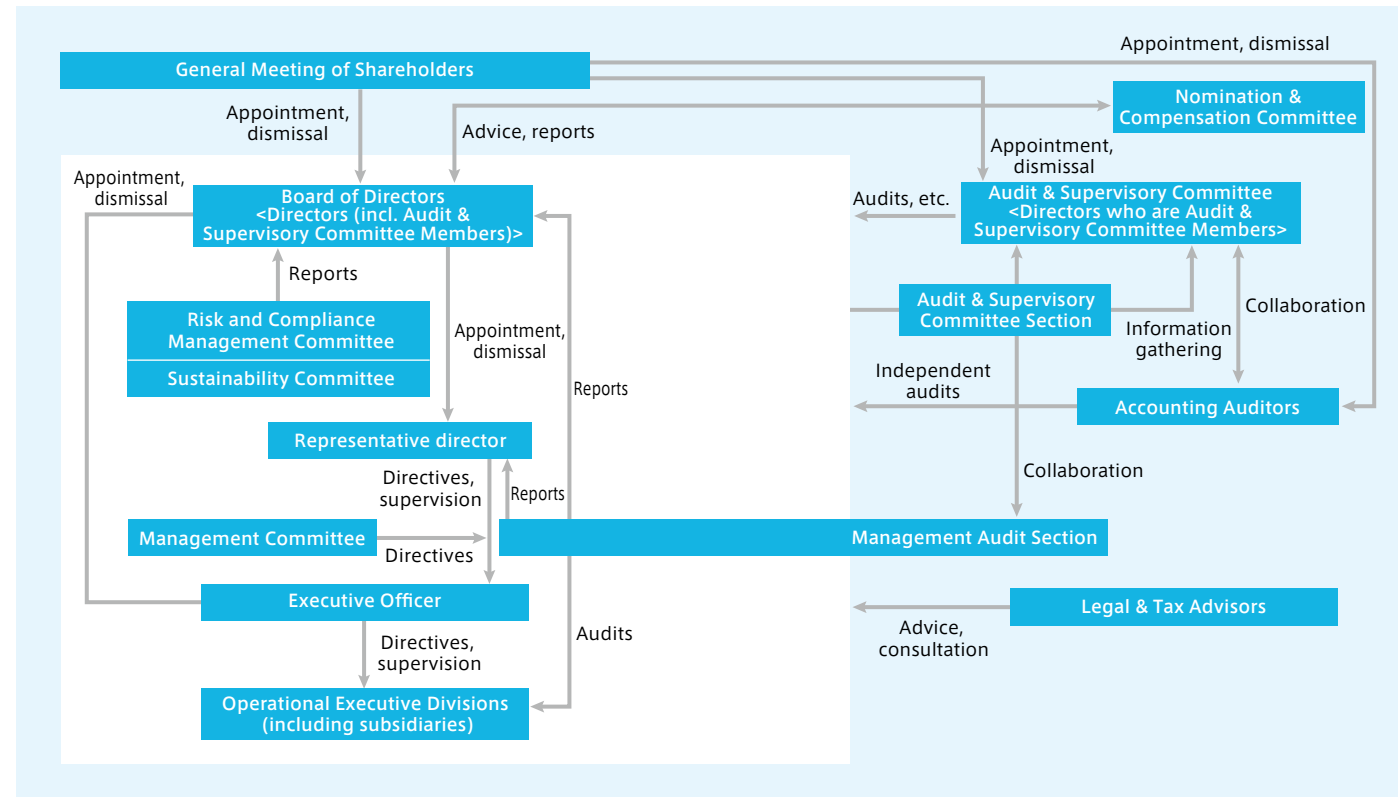
Overview of Corporate Governance Structure

Having selected to establish an audit & supervisory committee, OSG's corporate governance structure consists of the Board of Directors, Audit & Supervisory Committee, and accounting auditors. The role of the Board of Directors is clearly defined under this structure. Operational executive functions are performed by executive officers, while the Board of Directors is responsible for decision-making and the supervision of operational executive actions. To strengthen decision-making functions, the seven-member Board of Directors includes two members who are also involved in business operations as executive officers. The remaining five directors, of whom four are outside directors, are also members of the Audit & Supervisory Committee. The outside directors also make up the majority of the Board of Directors. By creating this structure, we have enhanced the transparency and independence of the Board of Directors and the effectiveness of its management supervisory role, while 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.



Corporate Governance Structure



Directors' Expertise & Areas of Specialization (Skills Matrix)

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

*As of February 17, 2023

Reasons for Adopting Corporate Governance Structure

By adopting our present corporate governance structure, we have enhanced the ability of the Board of Directors to engage in management decision-making and oversee performance of business operations, thereby improving management efficiency and ensuring that management decisions are 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 & Compensation Committee

OSG has established a Nomination & 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 & Compensation Committee consists of directors who are also members of the Audit & Supervisory Committee. Four of the five members are highly-independent outside directors. In addition, an outside director chairs the committee.

Persons deemed suitable to be directors of OSG, on the basis of their extensive experience, advanced knowledge, and high-level specialization, are selected and nominated as candidates for membership of the Board of Directors. The Board of Directors makes decisions on appointments after seeking and receiving advice from the Nomination & Compensation Committee.

For details about OSG's process for determining compensation, please refer to the section with that heading on p.48.

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

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.	
Akito Takahashi	○	Mr. Takahashi has extensive experience, advanced knowledge, and specialized skills gained through his career as an attorney. As a legal expert, he was judged to be a person who would participate in board meetings from an independent perspective and contribute to management auditing and supervision. In addition, he is not associated with any OSG-affiliated company, major supplier or customer. It was deemed that he presents no risk of conflicts of interest with general shareholders. Therefore, the decision was made to appoint him as an outside director.	<ul style="list-style-type: none"> ●Outside Director, Oriental Consultants Holdings Co., Ltd. ●Outside Director, TOA Oil 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, 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.	<ul style="list-style-type: none"> ●Designated Professor, Future Value Creation Research Center, Nagoya University, Graduate School of Informatics
Kayoko Yamashita	○	Ms. Yamashita has extensive experience, advanced knowledge, and specialized skills gained through her career as a certified public accountant. As an expert in accounting and tax affairs, she was judged to be a person who would participate in board meetings from an independent perspective and contribute to corporate management auditing and supervision. In addition, she is not associated with any OSG-affiliated company, major supplier or customer. It was deemed that she presents no risk of conflicts of interest with general shareholders. Therefore, the decision was made to appoint her as an outside director.	<ul style="list-style-type: none"> ●Outside Audit & Supervisory Board Member, Sotoh Co Ltd. ●Outside Audit & Supervisory Board Member, FUJI CORPORATION

*As of February 17, 2023

Evaluation of Effectiveness of the Board of Directors

To enhance the Board of Directors' functions, OSG began conducting analyses and evaluations of the Board's effectiveness in FY2022.

To ensure this effectiveness evaluation would be objective and transparent, the support of an external organization was secured and

the evaluation conducted in June 2022. An extraordinary session of the Board of Directors was held in August 2022 to analyze, discuss, and evaluate the results. An overview of those evaluation results is given below.

■ Survey

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

■ Evaluation Results

The survey responses gave a favorable evaluation to the manner in which the Board of Directors is expected to operate and its response to those expectations. There is a recognition that the Board of Directors has maintained its effectiveness overall.

On the other hand, more in-depth comments were provided about further enhancing support systems, coordination with internal auditing departments, sharing details of dialogues with shareholders and other investors, as well as exchanging views with outside directors. The results shared an awareness that the Board of Directors faces challenges in encouraging discussion and further improving the functions that it exercises.

■ Initiatives for Enhancing Effectiveness

Once the OSG Board of Directors has taken into consideration this effectiveness evaluation and conducted a sufficient review of the challenges faced, it intends to respond promptly as well as to continue to further initiatives augmenting its functions.

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

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

■ 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.

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

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.

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

Risk Classification

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

BCP

OSG Group has formulated a Business Continuity Plan (BCP) in the event an earthquake strikes along the Nankai trough in the South Sea or Southeast Sea segment. We have also 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.

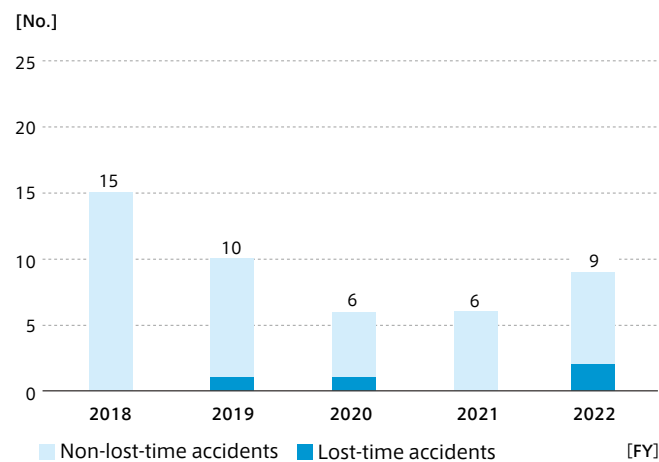
rotating shift system. We have also implemented measures so that our plant operations will not shut down.

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.

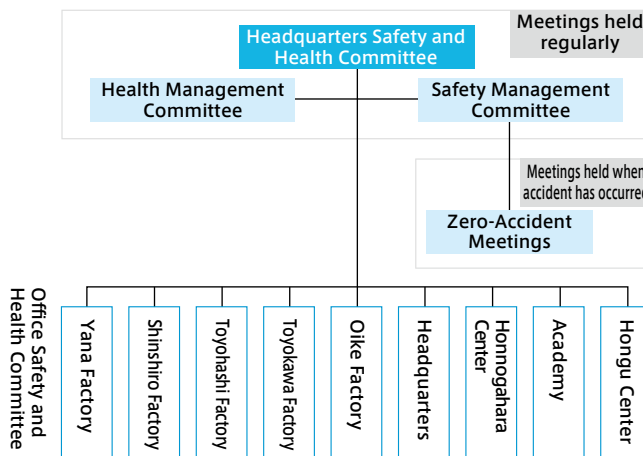


BCP training

Number of Occupational Accidents



Company-wide Safety and Health Committee



Information security

OSG Group has 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 about compliance with legal and contractual requirements commensurate with the level of secrecy of the information assets handled. In preparing for external risks, we continue to assess risks to information systems and develop countermeasures as well

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

Compliance

Basic Philosophy

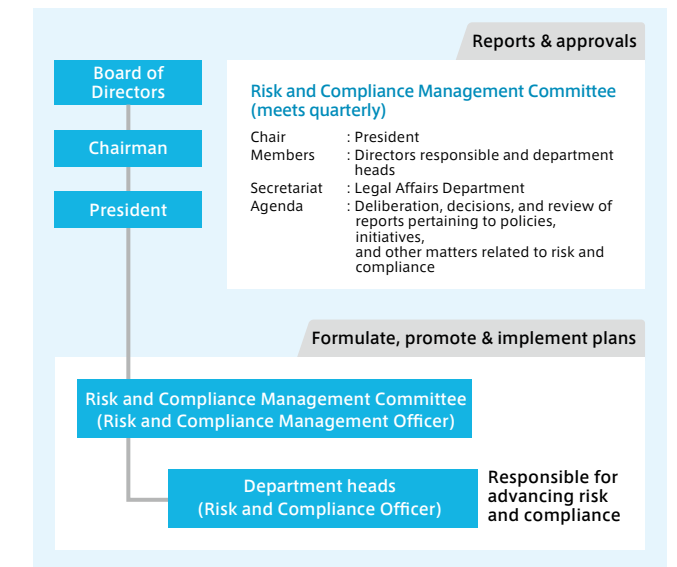
The OSG Corporate Code of Ethics was established as a set of values and ethics that we thoroughly practice to ensure all directors, executives, and employees at OSG Group companies conduct business activities based on social common sense and comply with laws, regulations, and social standards. The Corporate Code of Ethics 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 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 implementation of business ethics norms in business activities carried out by senior management and employees at 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 to incorporate training measures when employees are assigned to design, development, or other compliance-related units as part of our training as well as professional education for new employees and others. We have worked to raise our employees' awareness of compliance. Not only do we thoroughly work to uphold conventions such as compliance, adherence, and rule enhancement, but we also strive through training to imbue a sense of pride in our company as well as foster awareness and promote understanding of compliance in each and every one of our employees.

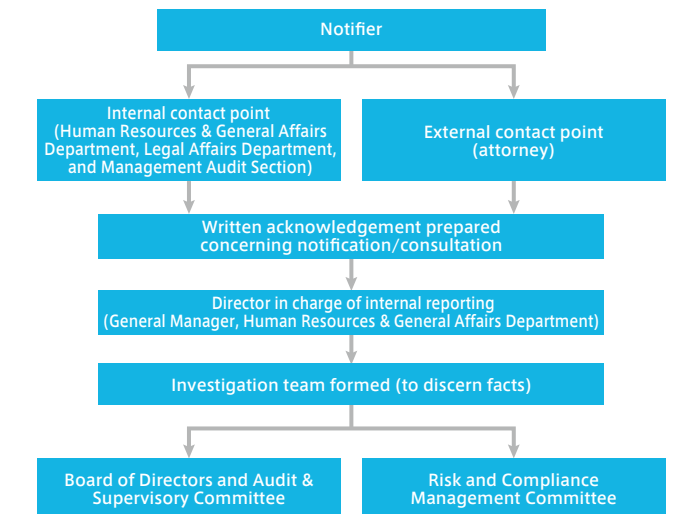
Compliance Promotion System



Internal Reporting System

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

Internal Reporting System



Corporate Officers (As of February 17, 2023)

Directors

*Outside Directors



Chairman & Chief Executive Officer (CEO)

Norio Ishikawa

May. 1983 Seconded to OSG Tap and Die, Inc. (Currently OSG USA, INC.)
 Oct. 1995 Vice President, OSG Tap and Die, Inc.
 Aug. 1999 Director and President, OSG Europe S.A.
 Feb. 2001 Director
 Feb. 2003 Executive Officer
 Feb. 2004 Director
 Feb. 2007 President & Chief Operating Officer (COO)
 Feb. 2017 President & Chief Executive Officer (CEO)
 Feb. 2021 Chairman & Chief Executive Officer (CEO) (Current position)



President & Chief Operating Officer (COO)

Nobuaki Osawa

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



Director (Statutory Member, Audit & Supervisory Committee)

Takehiro Tomiyoshi

Apr. 1982 Joined Nomura Securities Co., Ltd.
 Oct. 2016 Joined OSG Corporation
 General Manager, New Business Development Office
 Feb. 2017 Executive Officer ; In charge of New Business Development
 Feb. 2018 Executive Officer ; In charge of Strategic Planning Office
 Feb. 2020 New Business Development Office
 Feb. 2022 Director (Statutory Member, Audit & Supervisory Committee) (Current position)



Director (Audit & Supervisory Committee Member)

Yoshiyuki Sakaki*

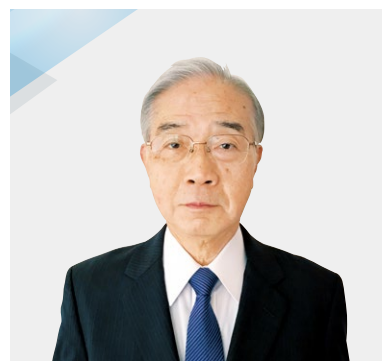
May 2004 Emeritus professor, the University of Tokyo
 Apr. 2008 President, Toyohashi University of Technology
 Apr. 2012 Councilor, Osawa Scientific Studies Grants Foundation
 Apr. 2014 Statutory Auditor
 Jul. 2014 President, Shizuoka Futaba Gakuen
 Feb. 2016 Director (Audit & Supervisory Committee Member), (Current position)



Director (Audit & Supervisory Committee Member)

Akito Takahashi*

Apr. 2000 Admitted as an attorney-at-law in Japan
 Apr. 2005 Admitted as an attorney-at-law in New York State
 Sep. 2009 Established Takahashi & Katayama Law Office, Representative (Current position)
 Mar. 2015 Outside Director, Nippon Carbon Co., Ltd.
 Dec. 2015 Outside Director, ACKG Limited (Currently Oriental Consultants Holdings Co., Ltd.) (Current position)
 Feb. 2018 Director (Audit & Supervisory Committee Member), (Current position)
 Jun. 2022 Outside Director, TOA Oil Co., Ltd. (Current position)



Director (Audit & Supervisory Committee Member)

Kunihiko Hara*

Jun. 1998 Director, DENSO CORPORATION
 Jun. 2002 Left the post of Director, DENSO CORPORATION
 Jul. 2010 Project Professor of "Tailor-Made Baton-Zone" Education Promotion Office
 Toyohashi University of Technology
 Apr. 2016 Vice President (Research Enhancement), Toyohashi University of Technology
 May. 2018 Designated Professor, (Innovation Strategy Office), Nagoya University
 Jun. 2018 Professor Emeritus, Toyohashi University of Technology
 Feb. 2020 Director (Audit & Supervisory Committee Member) (Current position)
 Apr. 2020 Designated Professor, Future Value Creation Research Center, Nagoya University, Graduate School of Informatics (Current position)



Director (Audit & Supervisory Committee Member)

Kayoko Yamashita*

Apr. 1996 Admitted as a certified public accountant
 Apr. 2006 Established Yamashita Certified Public Accountant Office, Representative (Current position)
 Apr. 2008 Admitted as a certified tax accountant
 Jun. 2015 Outside Audit & Supervisory Board Member, Sotoh Co Ltd. (Current position)
 Outside Audit & Supervisory Board Member, FUJI CORPORATION (Current position)
 Feb. 2022 Director (Audit & Supervisory Committee Member), (Current position)



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

Yoshitsugu Hayashi

Apr. 1992 Professor, Graduate School, Nagoya University
 Jul. 1992 Director, World Conference on Transport Research Society (Current position)
 Apr. 2006 Dean, Graduate School of Environmental Studies, Nagoya University
 Jul. 2013 President, World Conference on Transport Research Society
 Apr. 2016 Emeritus Professor, Nagoya University, and Professor, Integrated Engineering Research Institute, Chubu University
 Jun. 2017 Outside Director, FUJI ELECTRIC CO., LTD. (Current position)
 Mar. 2019 President, The Japanese Association of The Club of Rome (Current position)
 Apr. 2019 Co-Director and Visiting Professor, Research Center on World Transport, Tongji University (China) (Current position)
 Jun. 2019 Distinguished Visiting Professor, Tsinghua University (China) (Current position)
 Oct. 2020 Executive Committee Member, The Club of Rome (Current position)
 Apr. 2021 Distinguished Professor, Center for Sustainable Development and Global Smart City, Chubu University (Current position)

Executive Officers



Managing Officer
Jiro Osawa



Managing Officer
Hideaki Osawa



Managing Officer
Koji Takeo



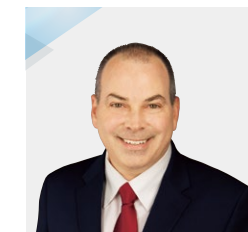
Senior Executive Officer
Mitsuyoshi Hikosaka



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

Key Financial Data for the Past 10 Years

		(millions of yen)										
		2013/11	2014/11	2015/11		2016/11	2017/11	2018/11	2019/11	2020/11	2021/11	2022/11
For the year	Net sales	88,378	101,031	111,917		105,561	120,198	131,368	126,964	104,388	126,156	142,525
	Cost of sales	52,777	58,061	61,865		59,179	69,711	74,833	73,281	65,715	76,969	83,459
	Selling, general and administrative expenses	22,774	25,554	28,454		28,135	31,349	34,015	34,128	30,276	33,081	37,166
	Operating income	12,827	17,415	21,597		18,246	19,137	22,520	19,554	8,396	16,105	21,898
	Ordinary income	13,910	17,568	21,510		17,813	19,144	22,567	19,710	8,950	16,141	23,648
	Net income attributable to owners of the parent	8,619	9,989	12,518		10,134	13,993	14,710	13,686	5,639	10,989	16,534
	Cash flows from operating activities	16,171	19,688	19,588		16,333	20,820	20,125	19,261	17,038	26,982	20,175
	Cash flows from investing activities	△2,972	△3,119	△16,976		△16,843	△7,566	△13,351	△20,314	△17,133	△6,961	△12,170
	Cash flows from financing activities	△9,423	△12,813	△6,216		△778	△11,137	△4,723	3,465	9,658	△14,264	△14,740
	Depreciation and amortization	6,716	6,830	7,705		7,885	8,612	9,100	9,522	10,518	10,591	10,498
	EBITDA	19,544	24,246	29,302		26,132	27,749	31,621	29,076	18,915	26,696	32,396
	Capital expenditures	5,876	7,327	12,487		13,394	9,494	11,464	17,139	9,895	5,555	8,600
	Number of employees	5,118	5,233	5,569		5,866	6,611	7,020	7,236	7,173	7,489	7,543
End of fiscal year	Total assets	134,503	142,302	155,129		156,081	166,712	178,054	190,414	200,112	209,757	228,852
	Net assets	87,621	100,943	113,637		103,059	128,394	138,354	140,658	140,179	154,800	176,838
	Interest-bearing debt	29,063	20,009	20,195		33,506	16,325	15,612	26,782	41,769	30,751	25,570
	Total equity	80,024	91,458	102,566		92,216	115,810	125,332	129,078	129,338	143,811	164,659
Per share	Net income (yen)	90.76	105.20	131.78		110.59	153.70	150.47	140.06	57.94	112.63	171.54
	Net assets (yen)	842.71	963.15	1,079.12		1,024.34	1,191.65	1,279.29	1,328.08	1,327.22	1,472.45	1,721.14
	Dividends (yen)	30.00	34.00	46.00		50.00	46.00	47.00	47.00	22.00	36.00	60.00
Management indices	Overseas sales ratio (%)	53.5	54.6	57.8		55.3	57.6	58.4	57.3	59.4	61.8	64.9
	Operating income margin (%)	14.5	17.2	19.3		17.3	15.9	17.1	15.4	8.0	12.8	15.4
	Return on equity (ROE) (%)	11.9	11.7	12.9		10.4	13.5	12.2	10.8	4.4	8.0	10.7
	Return on assets (ROA) (%) (Operating income basis)	10.0	12.6	14.5		11.7	11.9	13.1	10.6	4.3	7.9	10.0
	Return on assets (ROA) (%) (Net income basis)	6.7	7.2	8.4		6.5	8.7	8.5	7.4	2.9	5.4	7.5
	Equity ratio (%)	59.5	64.3	66.1		59.1	69.5	70.4	67.8	64.6	68.6	72.0
	EBITDA margin (%)	22.1	24.0	26.2		24.8	23.1	24.1	22.9	18.1	21.2	22.7
Dividend payout ratio (%)	33.1	32.3	34.9		45.2	29.9	31.2	33.6	38.0	32.0	35.0	
Data by product category	Taps	28,924	34,655	38,239		33,948	38,175	41,729	39,895	33,671	43,239	50,374
	Drills	20,724	23,600	25,743		26,709	31,662	36,811	36,147	29,484	35,721	40,982
	End mills	20,857	22,886	26,554		24,837	27,090	27,917	26,690	21,219	24,006	26,383
	Rolling dies	7,681	9,165	9,921		9,443	10,218	10,645	9,973	7,947	10,052	10,616
	Gauges	1,232	1,419	1,538		1,478	1,625	1,757	1,946	1,712	1,747	1,991
	Others	8,958	9,304	9,919		9,143	11,424	12,508	12,310	10,354	11,387	12,176
Sales to external customers	Japan	41,922	46,659	48,150		48,257	51,639	55,287	54,725	42,816	48,935	50,858
	Americas	16,093	18,236	21,758		19,478	21,413	22,680	23,152	18,818	21,915	27,845
	Europe/Africa	7,827	9,879	11,382		12,268	18,177	22,134	20,893	19,396	24,573	28,964
	Asia	22,534	26,256	30,626		25,556	28,968	31,266	28,193	23,356	30,732	34,856

Consolidated Summary Balance Sheet

	(millions of yen)			(millions of yen)	
	FY2021	FY2022		FY2021	FY2022
	As of November 30, 2021	As of November 30, 2022		As of November 30, 2021	As of November 30, 2022
Assets			Liabilities and Net Assets		
Current assets			Liabilities		
Cash and deposits	46,795	46,697	Current liabilities		
Notes and accounts receivable - trade	23,531	26,885	Notes and accounts payable - trade	5,244	5,887
Securities	101	0	Short-term loans payable	2,329	677
Merchandise and finished goods	28,553	33,238	Current portion of convertible bond-type bonds with share acquisition rights	1,670	—
Work in process	6,566	8,641	Current portion of long-term loans payable	1,615	1,019
Raw materials and supplies	7,718	10,146	Accrued expenses	7,593	8,894
Other	2,669	3,731	Income taxes payable	3,156	3,105
Allowance for doubtful accounts	△179	△374	Reserve for directors' bonuses	282	371
Total current assets	115,757	128,967	Other	3,938	3,809
Non-current assets			Total current liabilities	25,830	23,765
Property, plant and equipment			Non-current liabilities		
Buildings and structures	58,095	60,635	Bonds payable	5,000	5,000
Accumulated depreciation	△33,903	△35,923	Long-term loans payable	20,136	18,873
Buildings and structures, net	24,191	24,712	Deferred tax liabilities	1,630	1,799
Machinery, equipment and vehicles	138,413	150,853	Net defined benefit liability	788	879
Accumulated depreciation	△105,813	△116,113	Provision for loss on guarantees	38	185
Machinery, equipment and vehicles, net	32,600	34,739	Other	1,533	1,511
Tools, furniture and fixtures	9,653	10,497	Total non-current liabilities	29,126	28,248
Accumulated depreciation	△7,575	△8,386	Total liabilities	54,957	52,014
Tools, furniture and fixtures, net	2,077	2,110	Net assets		
Land	15,950	16,006	Shareholders' equity		
Construction in progress	2,687	2,840	Capital stock	12,239	13,044
Other	1,627	1,666	Capital surplus	12,968	13,792
Accumulated depreciation	△879	△1,013	Retained earnings	120,192	132,320
Other, net	748	653	Treasury stock	△1,041	△6,388
Total property, plant and equipment	78,255	81,062	Total shareholders' equity	144,359	152,768
Intangible assets			Accumulated other comprehensive income		
Goodwill	4,638	4,402	Unrealized gain on available-for-sale securities	778	852
Other	1,276	1,396	Deferred gains or losses on hedges	3	0
Total intangible assets	5,915	5,799	Foreign currency translation adjustments	△1,329	11,038
Investments and other assets			Total accumulated other comprehensive income	△547	11,890
Investment securities	4,292	4,800	Non-controlling interests	10,988	12,178
Investments in capital	970	1,946	Total net assets	154,800	176,838
Long-term loans receivable	484	562	Total liabilities and net assets	209,757	228,852
Deferred tax assets	2,551	3,833			
Retirement benefit asset	108	189			
Other	1,867	2,133			
Allowance for doubtful accounts	△445	△443			
Total investments and other assets	9,829	13,023			
Total non-current assets	94,000	99,885			
Total	209,757	228,852			

Consolidated Statement of Income &
Consolidated Statement of Comprehensive Income

	(millions of yen)	
	FY2021	FY2022
	(Dec. 1, 2020 to Nov. 30, 2021)	(Dec. 1, 2021 to Nov. 30, 2022)
Consolidated Summary Statement of Income		
Net sales	126,156	142,525
Cost of sales	76,969	83,459
Gross profit	49,186	59,065
Selling, general and administrative expenses	33,081	37,166
Operating income	16,105	21,898
Non-operating income		
Interest income	178	397
Dividend income	63	110
Purchase discounts	38	49
Share of profit of entities accounted for using equity method	—	2
Foreign exchange gains	32	718
Other	1,025	1,168
Total non-operating income	1,338	2,446
Non-operating expenses		
Interest expense	255	285
Sales discounts	706	—
Share of loss of entities accounted for using equity method	4	—
Other	335	410
Total non-operating expenses	1,302	696
Ordinary income	16,141	23,648
Extraordinary income		
Gain on sales of non-current assets	213	—
Total extraordinary income	213	—
Extraordinary losses		
Provision of allowance for doubtful accounts	—	170
Provision for loss on guarantees	—	100
Total extraordinary losses	—	270
Income before income taxes	16,354	23,378
Income taxes - current	5,567	7,292
Income taxes - deferred	△514	△1,091
Total income taxes	5,052	6,200
Net income	11,302	17,177
Net income attributable to non-controlling interests	312	642
Net income attributable to OSG Corporation	10,989	16,534
Consolidated Statement of Comprehensive Income		
Net income	11,302	17,177
Other comprehensive income		
Valuation difference on available-for-sale securities	△317	6
Deferred gains or losses on hedges	3	△3
Foreign currency translation adjustments	5,850	13,364
Share of other comprehensive income of associates accounted for using equity method	△7	△21
Total other comprehensive income	5,528	13,345
Comprehensive income	16,830	30,523
(Breakdown)		
Comprehensive income attributable to OSG Corporation	16,357	28,972
Comprehensive income attributable to non-controlling interests	473	1,550

(millions of yen)

	FY2021 (Dec. 1, 2020 to Nov. 30, 2021)	FY2022 (Dec. 1, 2021 to Nov. 30, 2022)
Operating activities:		
Income before income taxes	16,354	23,378
Depreciation and amortization	10,591	10,498
Amortization of goodwill	795	881
Increase (decrease) in allowance for doubtful accounts	92	151
Increase (decrease) in provision for directors' bonuses	127	80
Increase (decrease) in net defined benefit liability	△16	△40
Increase (decrease) in provision for loss on guarantees	△0	147
Interest and dividend income	△242	△508
Interest expense	255	285
Equity in loss (earnings) of an associated company	4	△2
Loss (gain) on sales of non-current assets	△213	—
Change in notes and accounts receivable	△2,448	△1,466
Change in inventories	1,864	△5,269
Change in notes and accounts payable	243	247
Change in accrued expenses	1,227	853
Other, net	1,081	△1,620
Subtotal	29,718	27,617
Interest and dividend income received	225	500
Interest expense paid	△257	△296
Income taxes - paid	△2,703	△7,645
Net cash provided by operating activities	26,982	20,175
Investing activities:		
Payments for time deposits	△5,014	△7,783
Proceeds from refund of time deposits	3,559	5,188
Purchases of investment securities	△190	△560
Proceeds from sale/redemption of investment securities	0	227
Purchase of property, plant and equipment	△5,555	△8,600
Proceeds from sales of property, plant and equipment	1,000	1,161
Purchase of intangible assets	△235	△264
Payment for purchase of subsidiaries' stock	△346	△981
Other, net	△180	△558
Net cash used in investing activities	△6,961	△12,170
Financing activities:		
Redemption of convertible bond-type bonds with subscription rights to shares	—	△30
Change in short-term borrowings, net	△2,515	△2,205
Proceeds from long-term borrowings	8	146
Repayments of long-term borrowings	△9,079	△2,137
Purchase of treasury stock	△2	△5,953
Proceeds from sales of treasury stock	397	516
Dividends paid	△2,440	△4,357
Dividends paid to non-controlling interests	△323	△359
Other, net	△308	△359
Net cash provided by financing activities	△14,264	△14,740
Effect of exchange rate change on cash and cash equivalents	1,224	3,098
Net increase (decrease) in cash and cash equivalents	6,981	△3,637
Cash and cash equivalents at beginning of year	33,299	40,354
Cash and cash equivalents from newly consolidated subsidiaries	73	—
Cash and cash equivalents at end of period	40,354	36,717

Corporate Information

Company Profile

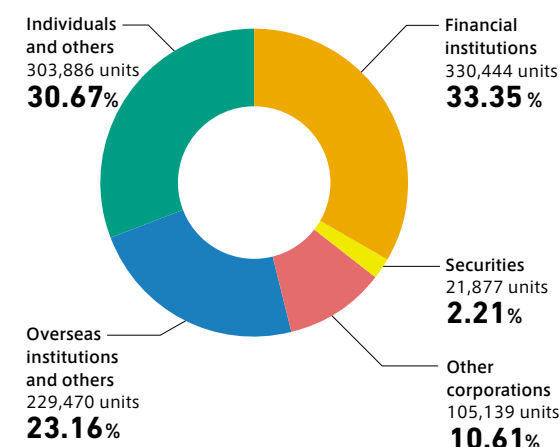
(As of Nov. 30, 2022)

Company name	OSG Corporation	Capital	¥13,044 million
Headquarters	3-22, Honnogahara, Toyokawa, Aichi Prefecture 442-8543, Japan	Employees	7,543 (Consolidated) 1,899 (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 Nov. 30, 2022)

Number of shares issuable	200,000,000 shares	Minimum share purchasing unit	100 shares
Number of shares outstanding	99,182,517 shares	Stock listings	Tokyo Stock Exchange, Nagoya Stock Exchange
Number of shareholders	7,918	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)	14,483	15.10
Custody Bank of Japan, Ltd. (Trust Account)	5,861	6.11
SSBTC CLIENT OMNIBUS ACCOUNT	3,986	4.15
OSG Agent Association	3,356	3.50
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	2,970	3.10
OSG Stock Holding Association	2,621	2.73
Osawa Scientific Studies Grants Foundation	2,350	2.45
Sumitomo Mitsui Banking Corporation	2,100	2.19
Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,844	1.92
THE BANK OF NEW YORK MELLON 140051	1,824	1.90

(Notes) 1. The number of shares held is rounded down to the nearest thousand.
2. Other than above, there are 3,241 thousand 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>

