OSG REPORT 2025

Fiscal Year Ended November 2025

GREEN TAP
Double Award!

超モノづくり部品大賞

ENERGY CONSERVATION GRAND PRIZE
2025年度
省エネ大賞
(製品・ビジネスモデル部門)
主催：一般財団法人省エネルギーセンター

shaping your dreams

OSG Corporation

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

Corporate Philosophy & OSG Principles

Corporate Philosophy

Global Presence

OSG founder **Hideo Osawa**

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 35 countries. Our corporate aim is to continue to further expand our operations globally and contribute to the global manufacturing industry in accordance with our "Global Presence" corporate philosophy.

Fundamental Business Policy

- Always aware that our corporation is an institution that serves society, we provide products that are appreciated by our customers.
- We assign our employees appropriate jobs and strive to improve their daily lives.
- We strive to provide stable dividends to our stockholders.
- We implement sound business practices that earn enhanced social trust and develop the corporation into a worldwide business.

Long-Term Vision

To be an essential player that contributes to the global manufacturing industry toward a carbon neutral era

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

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

Action Philosophy & Action Standards

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

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

Action Standards **OSG Company Ethics Pledge**

Source of OSG's Strength

Tool Communication

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

The power to exceed customer expectations

Shaping our customers' dreams into reality
Endeavoring to push the growth of the manufacturing industry and achieve an abundant future

Tagline

shaping your dreams

The OSG Group endeavors to keep pushing the growth of the manufacturing industry to achieve an abundant future. Our tagline "shaping your dreams" is imbued with the Group's strong conviction and readiness to mold the dreams of every customer into reality. These words express our mission to continue delivering products and services that bring customers complete satisfaction.

Editorial Policy

The OSG Report is published for the benefit of our shareholders, investors, and all other stakeholders. The report is designed to provide comprehensive disclosure, from both financial and non-financial perspectives, of our initiatives to sustainably enhance corporate value based on the innovation and manufacturing infrastructure we have cultivated over many years. For more detailed information, please visit our corporate website and sustainability website. We referenced the International Integrated Reporting Framework published by the International Financial Reporting Standards Foundation (IFRS) when compiling this report, and strive to provide appropriate disclosures as a global company. Going forward, we will continue our efforts to provide editorial content that meets stakeholders' expectations.

Reporting Scope

OSG Corporation and the OSG Group

Reporting Period

Fiscal year ended November 2025 (December 1, 2024–November 30, 2025)
Note: Some content falls outside this reporting period.

Disclaimer Regarding Forward-Looking Statements

The forward-looking statements contained in this report are based on information and judgments available at the time of preparation, and actual results may differ from those described herein due to various risks and uncertainties.

CONTENTS

OSG Corporate Website

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

We provide timely access to a variety of information, including corporate data, product information, industry solutions, news releases, and IR information.

OSG Sustainability Website

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

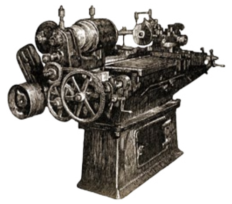
We showcase our efforts to achieve sustainable growth in our corporate value, including environmental initiatives, social programs, and corporate governance systems.

OSG's History

Since establishing our first overseas subsidiary in the USA in 1968, we, the OSG Group, have expanded our manufacturing, sales, and technical support to bases in 35 countries around the world, building a network that embodies our corporate philosophy of Global Presence. This makes it possible for us to deliver products and services with consistent quality on a global scale.
Thanks to more than 50 years of doing business overseas, we have cultivated human resources that possess an excellent global mindset and wield experience in opening new markets, which we will leverage to continue opening new markets going forward.

1938–

Developed the first grinding taps in Japan



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

1960–

Aiming to be worldwide OSG

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

1980–

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

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

2000–

One agent in each country and M&A expansion

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

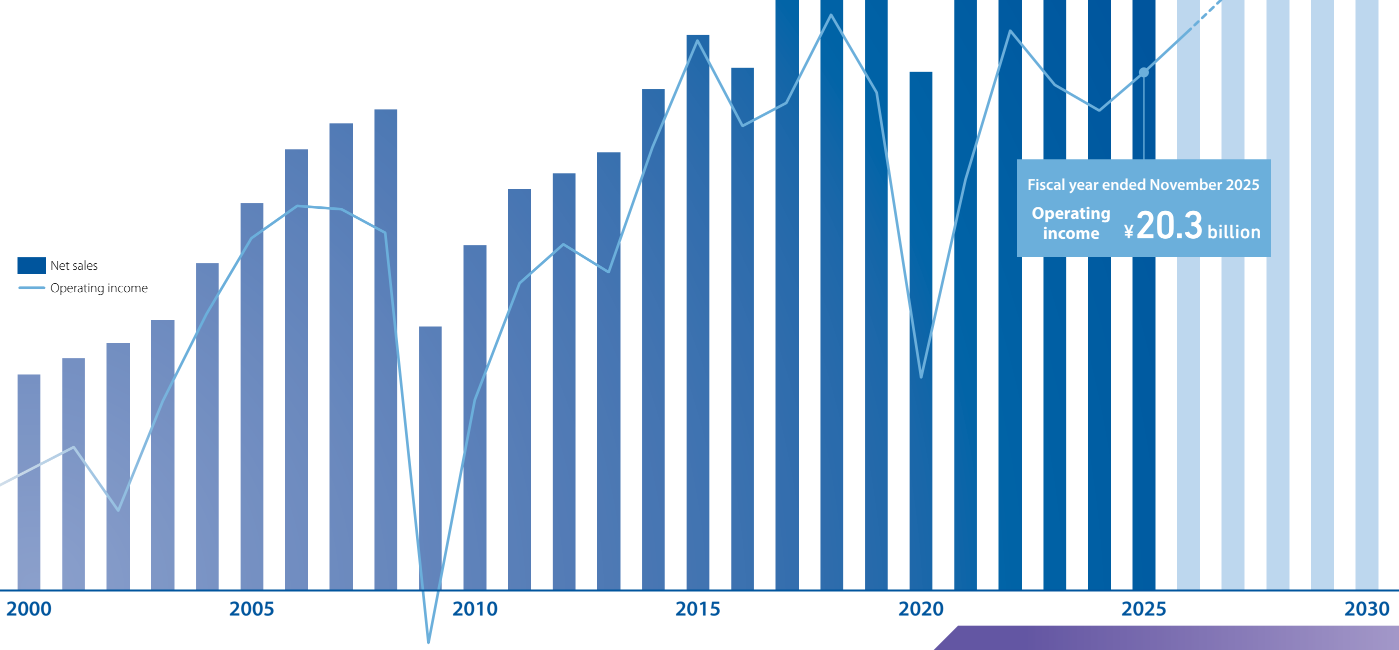
2025–

Environmentally conscious and sustainable product development

GREEN TAP

Double winner of the Grand Award of 'CHO' MONODZUKURI Innovative Parts and Components Awards and the Prize of the Chairman of the Energy Conservation Grand Prize awards

GREEN TAP is a low-carbon product that combines long-established technology with our new manufacturing method to reduce power consumption during tool manufacturing and cut CO_2 emissions. Choosing high-performance, low-carbon products helps reduce carbon footprint and contributes to realizing a sustainable society.



1938–

- **1938** OSG Grinding Co., Ltd. established
- Began manufacturing taps and dies
- **1942** Began manufacturing screw gauges
- **1943** Aichi Factory (now OSG Academy) began operations
- **1956** Began manufacturing rolling dies

1960–

- **1961** Toyokawa Factory began operations
- **1963** Began manufacturing rolling flat dies
- Changed the company name to OSG MFG. Company
- Separated sales department and established OSG Corporation
- **1964** OSG listed on the Second Section of the Nagoya Stock Exchange
- **1967** Oike Factory began operations
- **1968** OSG USA, Inc. (USA) established
- **1970** Taiho Tool Mfg. Co., Ltd. (Taiwan) established
- Began manufacturing HSS end mills
- **1971** Toyohashi Factory began operations
- **1974** OSG Sulamericana de Ferramentas Ltda. (Brazil) established

1980–

- **1980** Began manufacturing carbide end mills
- **1981** OSG listed on the First Section of the Tokyo and Nagoya stock exchanges
- **1982** Shinshiro Factory began operations
- **1984** Began manufacturing drills
- **1985** OSG Korea Corporation established
- **1986** Aoyama Seisakusho Co., Ltd. acquired
- **1987** Began manufacturing cutter bodies
- **1988** OSG Canada Ltd. (Canada) established
- **1990** Yana Factory began operations
- **1992** OSG MFG. Company and OSG Corporation were merged into OSG Corporation
- **1993** OSG Asia Pte Ltd. (Singapore) established
- **1994** OSG Royco, S.A. de C.V. (Mexico) acquired
- **1995** OSG Europe Limited (UK) established
- **1996** Nihon Hard Metal Co., Ltd. acquired
- OSG Thai CO., LTD. (Thailand) established
- **1997** Dabao (Dongguan) Molding & Cutting Tool Co., Ltd. (China) established
- OSG Europe Logistics S.A. (Belgium) established
- OSG France S.A.S (France) established

2000–

- **2000** OSG Scandinavia A/S (Denmark) established
- ORS Corporation acquired
- **2001** OSG (Shanghai) Co., Ltd. (China) established
- OSG Coating Service Co., Ltd. established
- **2002** OSG Iberica Tooling S.L. (Spain) established
- **2003** OSG GmbH (Germany) established
- OSG Italia S.R.L. (Italy) acquired
- **2005** OSG (India) Pvt, Ltd. (India) established
- **2006** OSG Diamond Tool Co., Ltd. acquired
- **2007** PT. OSG Indonesia (Indonesia) established
- **2008** OSG Nederland B.V. (Netherlands) acquired
- OSG Vietnam Co., Ltd. (Vietnam) established
- OSG Philippines Corporation (Philippines) established
- **2012** OSG Turkey Kesici Takimlar Sanayi ve Ticaret Anonim Sirketi (Turkey) established
- OSG POLAND Sp. z.o.o. (Poland) established
- OSG ROMANIA S.R.L. (Romania) established
- **2015** NEXAM S.A.S (France) acquired
- **2016** Amamco Tool & Supply Co., Inc. (USA) acquired
- Somta Tools (Pty) Ltd. (South Africa) acquired
- **2019** OSG EX-CELL-O GmbH (Germany) established
- BASS GmbH (Germany) acquired

2020–

- **2020** NEO Shinshiro Factory completed
- **2024** Contour Fine Tooling B.V. (Netherlands) acquired
- **2025** Phase I construction of new Oike Factory completed

At a Glance

Results for the Fiscal Year Ended November 2025

OSG by the Numbers

Net sales (Record high) **160.6 billion yen**	Operating income **20.3 billion yen**	Operating income margin **12.7%**	Ordinary income **22.3 billion yen**
Net income attributable to owners of parent **14.3 billion yen**	EPS (Record high) **172.1 yen**	ROA (operating income basis) **7.7%**	ROE **8.3%**
EBITDA (Record high) **34.0 billion yen**	EBITDA margin **21.2%**	Consolidated dividend payout ratio **51.1%**	Group companies **85**

Product Overview & Net Sales by Product Category

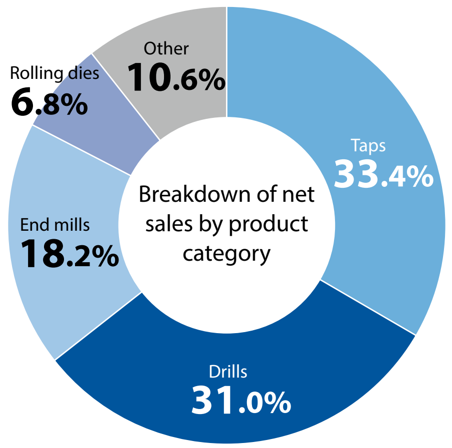
Taps

Global market share Over 30% (Top market share)

Market share in Japan Over 50%

(OSG estimates)

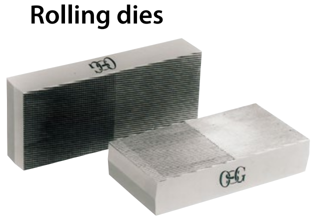
Taps, our core product since our founding, are tools for cutting female screw threads (internal threads). These fulfill an important role in areas that require ultra-high precision, such as automotive engines. Wielding a world-class production framework, OSG offers a wide range of products from small to large diameters for a variety of materials. Based on our innovation and supply structure, we provide products and services that meet all of our customers' machining needs.



Drills

Drills are tools used for cutting holes. Unlike the drills commonly found at home improvement stores, our drills are used for high-precision machining of automotive and aircraft parts, where even the slightest error is unacceptable. With sizes available in increments of one-hundredth of a millimeter, they meet the diverse needs of the micro and precision machining sector, including the semiconductor industry.

Rolling dies



Rolling dies are used to cut male threads (external threads) on a bolt. Used in pairs, they are pressed against the workpiece from both sides to copy the threads. This thread rolling technology is used across a wide range of industries, including the machining of components that operate car seats and windows.

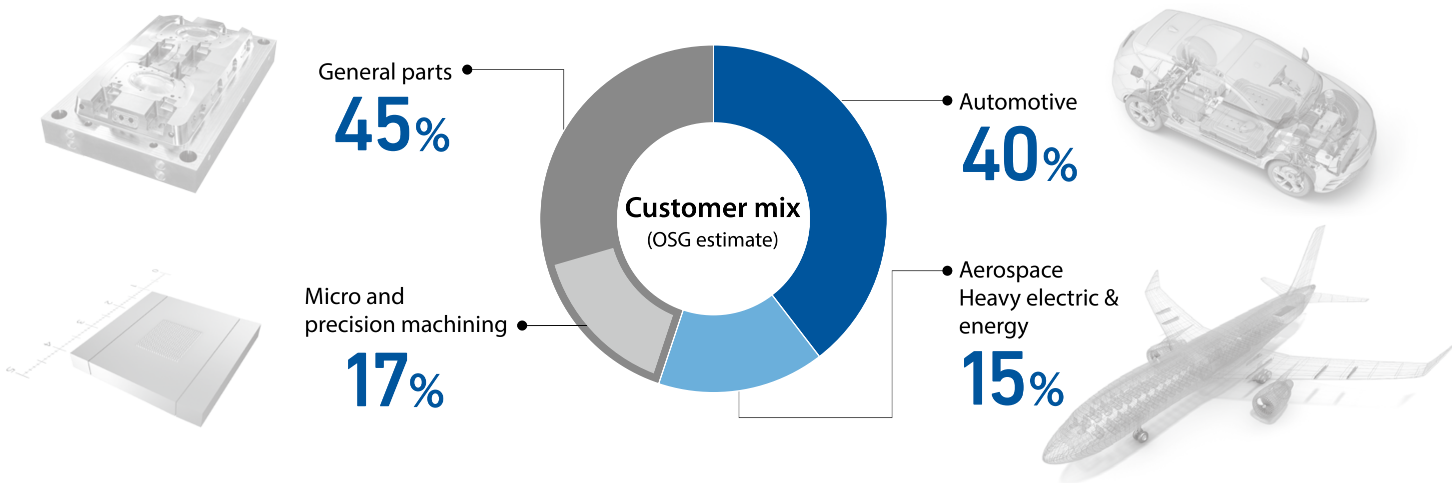
End mills

End mills cut away metal to create shapes. The products our customers machine are becoming smaller and lighter, and there is a growing demand for lower costs. To meet these needs, we combine carbide end mills, which offer superior machining precision and durability, with our proprietary coating technology to achieve consistent, high-quality machining.

Gauges

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

Breakdown of Net Sales by Customer Industry



Global Network

Europe/Africa	
No. of companies	32
No. of sites	46
No. of employees	1,172

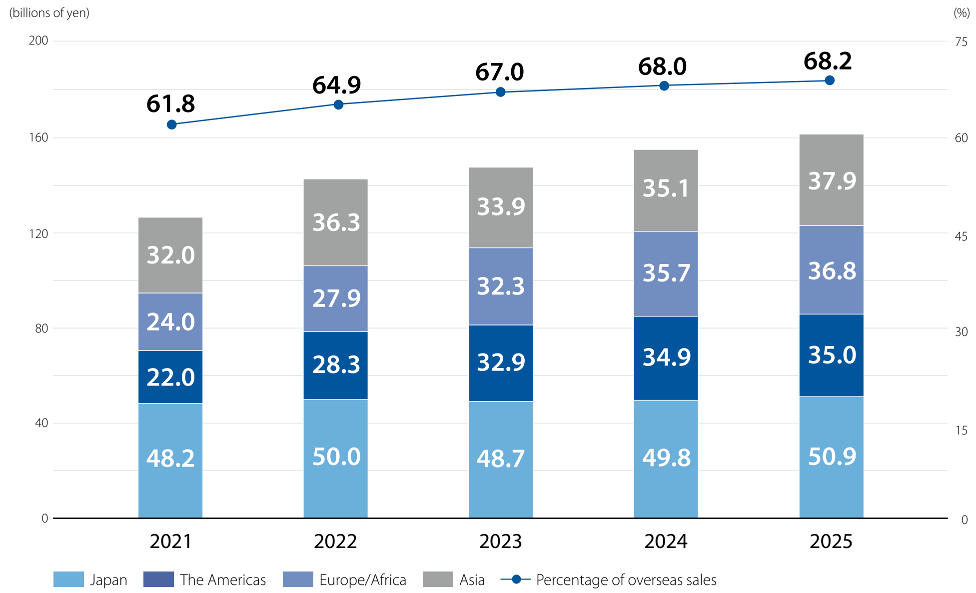
Asia	
No. of companies	23
No. of sites	80
No. of employees	1,864

Japan	
No. of companies	18
No. of sites	91
No. of employees	3,207

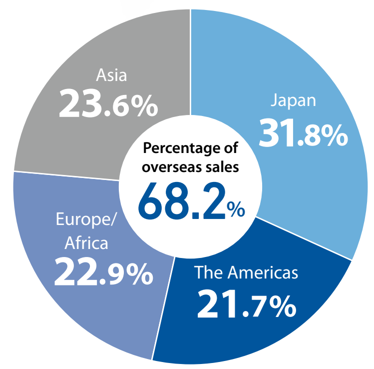
The Americas	
No. of companies	12
No. of sites	22
No. of employees	1,320

35 countries 239 sites

Overseas net sales



Breakdown of net sales by region



Message from the President

Amid ongoing global economic uncertainty in the fiscal year ended November 2025, raw material price inflation, the prolonging of geopolitical risks, fluctuating exchange rates, stagnant demand primarily in the automotive industry, and other factors continued to create a challenging business environment for us. However, even under this environment, our Group was able to steadily execute its growth strategy and strengthen its management foundation under the Medium-Term Management Plan, increasing sales and profit for the full fiscal year. We recognize this as the result not of transient factors but of steady progress in our initiatives aimed at transforming our business portfolio and improving our profitability.

In particular, under weakening demand in the automotive industry worldwide, we were able to capture demand in growth industries, such as aircraft, energy, semiconductors, electronic components, medical care, and robots. We are making progress in our ongoing efforts to reduce dependence on the automotive industry and optimize resource allocation in the direction of growth areas. The expansion of sales in these areas is supporting performance Group wide and is solidly leading to profit growth.

Our Medium-Term Management Plan, "Beyond the Limit 2027," has the key themes of qualitative transformation of our business portfolio and the restoration of profitability. Our performance in FY2025 shows in numbers that this strategy is steadily shifting to the phase of creating outcomes. In micro and precision machining and other growth areas, by expanding our sales of catalog products and high-value-added products, and enhancing productivity and improving the product mix, we are boosting profitability.
Our 35-country global network serves as a great strength in adapting flexibly to region-by-region changes in demand and in the external environment. Our sales and production system, rooted in individual regions, has made it possible to quickly reflect current local information into our management, allowing us to engage in agile product supply and proposal activities. This globally-deployed business foundation enhances our tolerance to changes in the external environment and supports stable growth.

Looking ahead, we will continue strengthening our efforts aimed at growth industries while working to enhance our competitiveness through sustained investment in each area, from research and development to production processes. At the same time, we will promote management that is conscious of capital efficiency, improve our ROE and other financial indicators, and work to strengthen our sustainable cash generation capabilities. We seek to enhance our medium- to long-term corporate value through these initiatives.

In an era of ever-accelerating change, companies must have the capability to accurately grasp environmental changes and always evolve flexibly. While contributing to the advancement of society and industry on the basis of our technological capabilities and global business foundation, we will continue to achieve sustainable growth.

Dialogue: OSG President + Analyst

Amid ever-accelerating changes in the structure of industry around the world, OSG is tackling the enhancement of profitability and expansion of growth areas. This dialogue welcomes a securities analyst to delve into issues of interest to investors, such as OSG's view of its competitive environment, its approach to capital policy, and the emerging results of its structural reforms.

Expanding Growth Areas to Compensate for the Slowdown in the Automotive Industry

Tai: A year has passed since "Beyond the Limit," the management plan that the Company has been undertaking since FY2022, entered Stage 2. Could you tell me your views on the achievements to date and on any points that need to be sped up?
Osawa: In "Beyond the Limit," the OSG Group (hereinafter "OSG") first placed its priority on reforming the structure of its businesses. This was grounded in our thinking that revising our sales structure, which was skewed toward the automotive industry, and transitioning to a structure by which we could allocate resources to future growth areas would raise our corporate value and our valuation in the stock market. Looking at the past year or two, it's my sense that even with a global slowdown in the automotive industry, we've been able to raise and supplement our numbers in micro and precision machining and other growth fields. We are also now able to agilely carry out price revisions in specific regions to combat rising labor, raw material, energy, and other costs, which is a major step forward. However, top-line growth has not been enough. Going forward, we will focus on expanding the sales volume of catalog products that have earning power.

We also launched a new policy concerning shareholder returns. By raising the payout ratio to 45% and going with the higher of that or a 3.5% dividend on equity ratio (DOE), I think we've implemented a design that enables stable shareholder returns not only during strong periods but also during phases of weaker performance, which we see as a response to shareholders who are looking for sustainable shareholder returns.

Leveraging Competitive Advantages to Grow OSG's Share of the Global Tap Market

Tai: OSG has set the improvement of profitability as a goal in its Medium-Term Management Plan. There are investors who express agreement with this, but there are also those who want you to talk more about the expansion of sales. On that topic, there are also those who want to hear specific measures for expanding the Company's share of the global tap market, especially with respect to dispelling concerns over changes in demand amid the shift to electric vehicles.
Osawa: There's a reason why we're focusing on improving profitability now. Since the start of the 2000s, OSG has focused on expanding its scale. However, after peaking in 2015, we fell into a state in which sales were increasing but profit struggled to grow. What I realized when I took office as president was that each of our regions was placing undue focus on sales, and thinking of company-wide optimality and profit was fading. In response, we set out profitability as a shared yardstick and, in the current Medium-Term

Dialogue: OSG President + Analyst

We will achieve both growth and profitability while solidly connecting structural transformation to results.

Management Plan, set operating income margin and ROE as management indices, and are focusing on regaining our capability to earn.

Tai: Investors, including myself, thought that OSG would be able to recover profit margin, which had declined during the COVID-19 pandemic years, by expanding sales. Because of that, we wanted to hear how you were going to expand sales. However, that wasn't what you saw as the problem. Your starting point was a revision of the Company's structure, with overall optimization as a global company and, after M&A, profitability.

Osawa: That's correct. Even during the period when profit wasn't growing, we were generating more than a certain degree of results. Accordingly, I thought that if the whole company could work as one to raise profitability, that would lead to major growth. That's because in that situation, when sales increase, even higher profit follows.

Tai: Regarding the top line, I think growth of tap sales will play a significant role. How do you intend to achieve your target of a 40% global market share?

Osawa: Currently, our global market share in taps is over 30%, but we're somewhat lacking in the speed needed to achieve our target. We first have to raise our share to the upper-30% range. As we're in a position that lets us readily demonstrate our competitive advantages, we intend to engage in M&A, introduce new products, and develop business in a number of industries. Regarding the top line, we see growth industries, such as electronic components, semiconductors, data centers, robotics, and medical care, as also playing driving roles, particularly in Asia. These markets are well suited to expanding the sales of our catalog products. We're also considering further deploying our A-Brand series, which is a higher added value version of our catalog products.

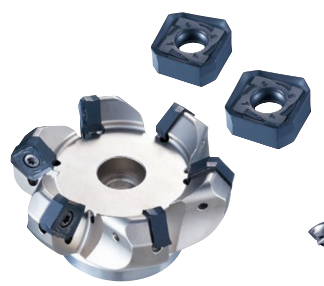
Emerging from Competition in a Dominant Position with Our Strong Technical Capabilities

Tai: Competition with Chinese companies is a concern in Asian markets. How do you view the competitive environment?

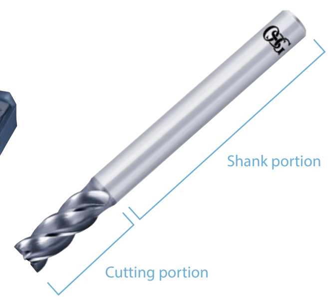
Osawa: OSG's competitors fall into two types: Chinese manufacturers, and global manufacturers similar to us. Our image of the latter type is companies that are centered on insert products and compete with us only in some solid products (see image). In this regard, we believe that we will have an advantage here as we intend to step into more micro-related areas. At the same time, while low-price strategies had been a strength of Chinese manufacturers, their price advantage is being whittled away as prices of raw materials continue to rise. Because of this, the battle will be weighted toward performance, which we see as giving us an advantage.

Tai: The technical capabilities of Chinese manufacturers have also improved. You don't see that as much of a threat, do you?

Osawa: Naturally, we're wary. However, OSG has been doing business in China for over 20 years, and our production bases and sales networks have put down roots there. We're something like a Japanese-Chinese hybrid company. Our policy is to leverage this strength and actively capture areas beyond the automotive industry in the high-demand Chinese market.



Insert products
Products used in roughing, with replaceable cutting edges



Solid products
Products used in finishing, with the cutting portion and shank portion being one piece

The Scale of Sales by Customer Industry

Tai: I'd like to ask about how values are shown in OSG's plans. It's my impression that percentages are widely used in your plans. In recent years, some companies have even released medium-term management plans that purposely don't state absolute amounts. What are your thoughts concerning such disclosures?

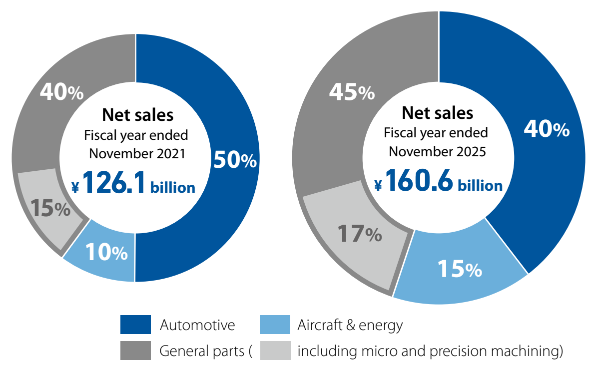
Osawa: In our Medium-Term Management Plan, we set out KPIs related to profitability and efficiency, such as ROE of 10% or higher and an operating income margin of 16% or higher. In terms of the composition of sales, we've indicated goals of reducing the percentage of automotive-related sales from 40% to eventually about 30%, raising the percentage of micro and precision-related products to over 20%, and raising the percentage of A-Brand products among catalog products to 50% to 60%. We see these as measures that will bring about improved profit, and values that make our current situation easy to understand.

Tai: Regarding the composition of sales, though, it can be difficult to get a true picture of results when the denominator changes. In investors' minds, it's difficult to tell whether some results stem from growth through offense or from a decrease in something else.

Osawa: That's a point on which we want there to be no misunderstanding. As an example, we're increasing in terms of absolute scale in multiple areas. It's not a matter of simple replacement, with a decline in automotive business meaning growth in something else (see diagram).

Tai: So, the fields that are growing and volumes are changing. I see.

Breakdown of net sales by customer industry



A Business Foundation Resistant to Economic Fluctuations, and Growth in Earning Power During Strong Periods

Osawa: What I'd like to again communicate to investors is that OSG is a company capable of both growing and being profitable. In our Medium-Term Management Plan, initiatives aimed at growth industries have begun to appear in numeric form while we move forward in reducing our dependence on the automotive business. Growth industries represent markets that have demands for high precision and yield, and require the ability to handle difficult-to-cut materials. These are markets in which we can powerfully leverage our know-how. OSG also possesses a strength in its ability to provide tangible and intangible value through process improvement, coating, after-sales services for tools, and more. We have a 35-country network that captures the latest information on markets and a production system that advances reductions in the workforce, automation, and digitalization. By continuing our strategy of leveraging these assets to solidly secure volume zones in growth industries, we intend to achieve growth accompanied by profit against the backdrop of a high marginal profit rate.

Tai: I look forward to seeing how that develops. I'd like to see the Company further strengthen its way of communicating information, in a way that will increase your PER. In addition to improving ROE, if it were possible to get the full picture of structural transformation by, for example, enhancing disclosure of industry-specific information, that would boost market expectations and eventually lead to a higher PBR.

Osawa: It is true that areas attracting attention, such as the keyword "semiconductors," have recently moved the stock market considerably. However, communication that fuels excessive expectations also leads to significant backlash. So, we want to deepen dialogue with the market through industry-by-industry disclosure at the right time when solid results of structural transformation have become apparent.

Tai: I understand. In the area of capital policy, in FY2025, the Company bought back shares and issued a commemorative dividend in response to PBR falling below 1.0. The message was clear and the market reacted positively.

Osawa: Thank you for saying so. We are strongly aware of our PBR. Recognizing that we had let our stock price languish, we held internal discussions on our vision for capital allocation and took action. We considered that alone to be insufficient, though, and so also launched the new shareholder returns policy mentioned earlier.

Tai: If the Company combines further growth with an easily understood plan for returns that resist being swayed by business conditions, positive evaluation by the market would surely follow.

Osawa: OSG's business has an aspect of serving as a barometer of economic sentiment in the manufacturing industry. Our capability to detect economic swings at an early stage can be viewed as a strength. On top of that, even during economic downturns, fluctuation in our performance is relatively limited due to the nature of our business, as tools are consumables. Because we have already built high profitability into the business, its foundation does not experience major swings. At the same time, profitability rises significantly during boom periods. Our goal is to remain a company that grows steadily while reflecting movements in industry and the economy, always maintaining the interest of stakeholders.

Value Creation Process

Business Environment (Risks & Opportunities)

P.29

Market	Society	Environment	Governance

Risks
- Reduction in the number of automobile components as EVs are adopted
- Surge in raw material and energy prices
- Difficulty in hiring personnel due to a shrinking workforce; etc.

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

Corporate Philosophy

Global Presence

As a comprehensive cutting tool manufacturer, we make products that, at a fundamental level, contribute to enhancing people's quality of life. Through continuous growth, we have established a production, sales, and technical support network spanning 35 countries. Our corporate aim is to continue to further expand our operations globally and contribute to the global manufacturing industry in accordance with our "Global Presence" corporate philosophy.

Materiality (Key Issues)

P.29

- Contributing to the manufacturing industry through our business
- Developing an environment where employees are respected and able to flourish
- Contributing to a sustainable global environment
- Maintaining and strengthening our governance structure so that we may achieve sustainable growth

INPUTS

- Manufactured capital P.15
- Intellectual capital P.15
- Financial capital P.26
- Human capital P.27
- Natural capital P.31
- Social and relationship capital P.53

Medium-Term Management Plan

Stage 1 | **Stage 2** | Stage 3

Beyond the Limit 2025-2027

ROE	Over 10%	Operating income margin	Over 16%

- Expand sales of high-value added products, centered on our A-Brand products
- Expand sales of tools for micro and precision machining
- Improve cost of sales with higher productivity and operational efficiency
- Revise product series and prices
- Reduce the SG&A ratio
- Implement balance sheet management measures

Value Chain

After-Sales Services · Procurement · R&D/Design · Ordering · Manufacturing/Quality · Sales/Logistics

Source of OSG's Strength

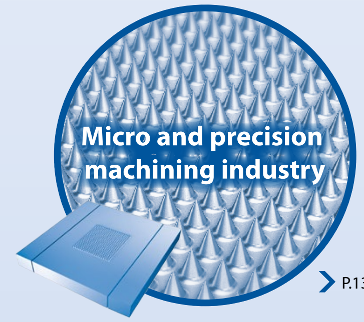
Tool Communication P.15

Customer Services · Innovation · Global Presence · Total Solutions · Out-of-the-Box Thinking

Foundation Supporting Value Creation

Environment/Social/Corporate Governance

OUTPUTS



P.13

P.14

P.14

P.13

Economic results

Fiscal year ended November 2025

Net sales	160.6 billion yen
Operating income margin	12.7%
EBITDA margin	21.2%
ROE	8.3%

Social results

Fiscal year ended November 2025

Percentage of male employees taking childcare leave	5.8%
Percentage of female managers	38.2%
Percentage of overseas sales	68.2%
Percentage of overseas employees	57.6%

Environmental results

Fiscal year ended November 2025

No. of companies that have introduced renewable energy	12
CO_2 emissions Scope 1 & 2	153,000 t

OUTCOMES

Long-Term Vision

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

2030

Share of global tap market
40%

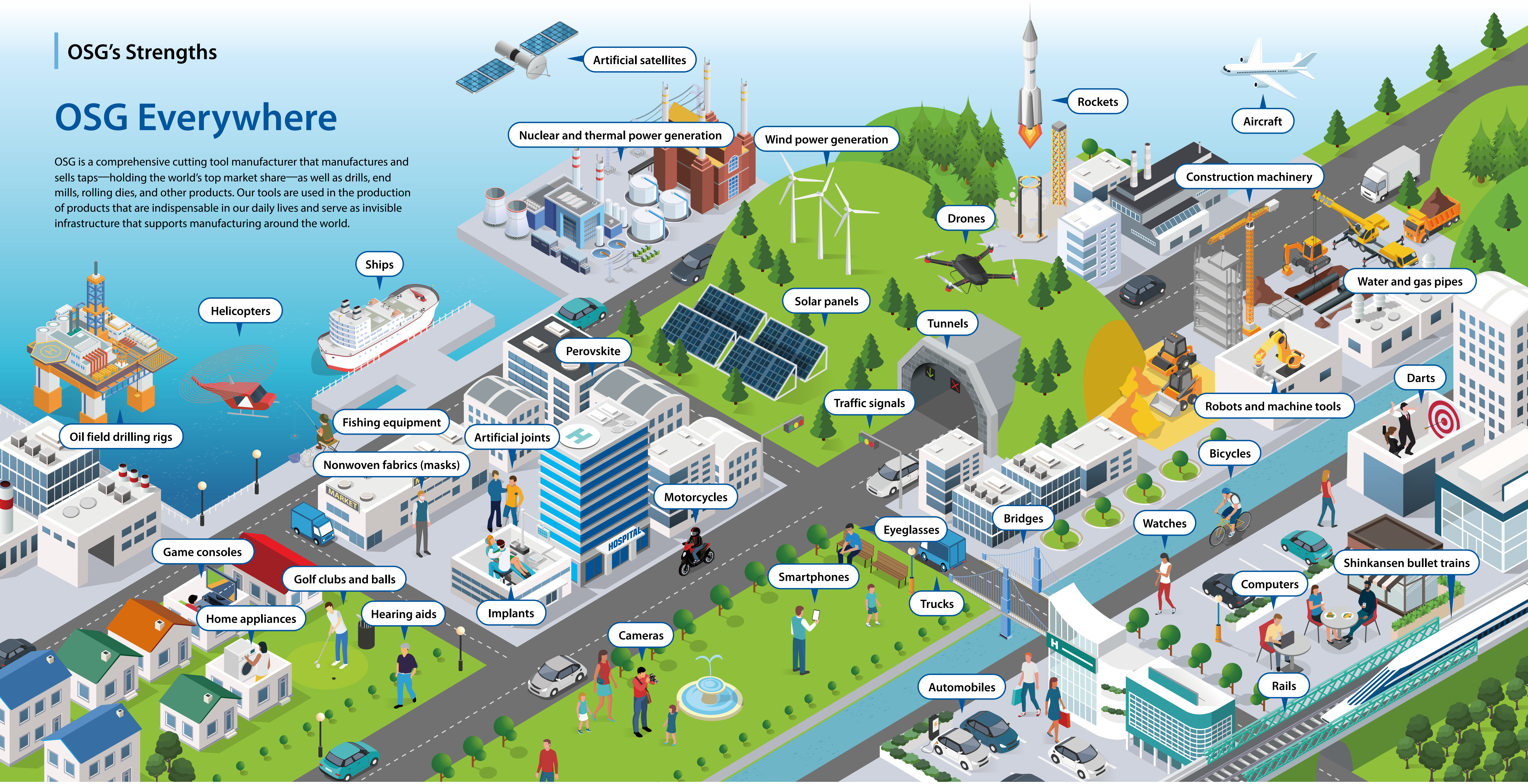
Breakdown of net sales by customer industry: Micro and precision machining
30% or more

CO_2 emissions (vs. FY2024)
20% reduction

OSG's Strengths

OSG Everywhere

OSG is a comprehensive cutting tool manufacturer that manufactures and sells taps—holding the world's top market share—as well as drills, end mills, rolling dies, and other products. Our tools are used in the production of products that are indispensable in our daily lives and serve as invisible infrastructure that supports manufacturing around the world.



Automotive Industry

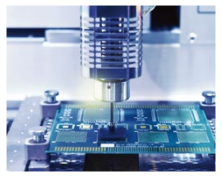
The automotive industry is undergoing a major transformation with the advance of its shift to EVs and autonomous driving. In addition to drive system and undercarriage parts whose demand continues even in EVs, we are strengthening tools for machining electronic control components, sensor-related parts, and high-functional components, which are expected to increase with the transition to EVs. We are steadily expanding the market even amid these structural changes in the industry.


Constant velocity joints


Reducers

Micro and Precision Machining Industry

Demand for micro and precision machining is expanding, centered on the semiconductor and medical fields. In addition to the spread of generative AI, the use of AI is expanding to humanoid robots and industrial robots, boosting semiconductor demand. Growth is also expected in related fields, such as optical components and data center-related products. We are enhancing our product lineup to improve our ability to secure orders.

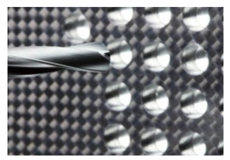

Semiconductor manufacturing components


Humanoid robots

Aerospace Industry

The aerospace industry is expected to see long-term growth against the backdrop of global expansion in passenger demand, replacement of aging aircraft, the development of new models for decarbonization, and increased defense demand. By leveraging our strengths in tools for difficult-to-machine materials, such as carbon fiber reinforced plastic (CFRP), titanium, and Inconel, we are expanding sales in various regions around the world, such as Brazil, China, Taiwan, and India, in addition to Japan, the U.S., and Europe.


CFRP structures (airframes, wings, etc.)


CFRP

Heavy Electric & Energy Industry

With the increase in power demand accompanying the expansion of data centers and use of AI, as well as the new construction and renewal of power generation, voltage transformation, and transmission and distribution equipment essential for introducing renewable energy, the heavy electric and energy field is expected to see medium- to long-term growth. Against a backdrop of global power shortages, we will leverage our global network to expand our market share.


Turbine rotors

OSG's Strengths

Innovation + Out-of-the-Box Thinking

A New Manufacturing Paradigm Pioneered by GREEN TAP

A product that symbolizes our technological innovation, GREEN TAP has won acclaim as a B2B industrial product from Japan and has garnered multiple awards. We established a new manufacturing method grounded in unconventional ideas to achieve a reduction in environmental impact through lower CO_2 emissions during manufacturing, as well as enhanced tool performance and machining precision. The product, born from a fusion of long-cultivated technologies and new knowledge, delivers new social value to the cutting tools industry.

Environmental Contribution and Technological Innovation

During manufacture

CO_2 emissions **35% reduction**

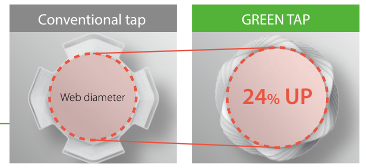
Significantly reduced power consumption during tool manufacturing with a new manufacturing method

During use

High-durability, high-rigidity design

Reduced risk of breakage, stable machining quality

Improved durability by improving the tool core thickness



During use

Processing with zero cutting chips

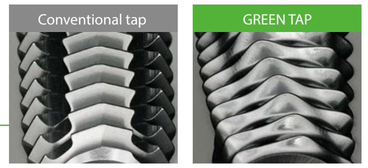
Elimination of the risk of machinery shutdown; achievement of high-efficiency machining and energy saving

During use

Enhanced cooling performance

Achievement of high-speed machining with high efficiency and reduced energy use

Streamlined geometry for greater cooling performance



The Potential of GREEN TAP

Potential as a game changer that creates something from nothing

Ability to design tools with previously impossible geometries

Dramatically enhanced degree of freedom in customers' component designs

GREEN TAP

GREEN TAP technology has the potential to create a new manufacturing paradigm. We will continue to develop it as a key pillar of our growth strategy.

At OSG, we offer new ideas based on cutting tools as we strive to achieve a sustainable society.

P.34 Environmentally Conscious Product Development

Topics

Double Winner of the Grand Award of 'CHO' MONODZUKURI Innovative Parts and Components Awards and the Prize of the Chairman of the Energy Conservation Grand Prize Awards

In November 2025, our GREEN TAP won the grand award at the 22nd holding of the 'CHO' MONODZUKURI Innovative Parts and Components Awards in 2025 hosted by the MONODZUKURI Nihon Conference and the Nikkan Kogyo Shimbun. This marked the first grand award in 17 years in the cutting tool industry and the first for OSG. In addition, in the Product Category & Business Model Category of the FY2025 Energy Conservation Grand Prize awards sponsored by The Energy Conservation Center, Japan, we took the Prize of the Chairman, presented by the sponsor, a first in the cutting tool industry.

超モノづくり部品大賞

2025年度 省エネ大賞 (製品・ビジネスモデル部門)

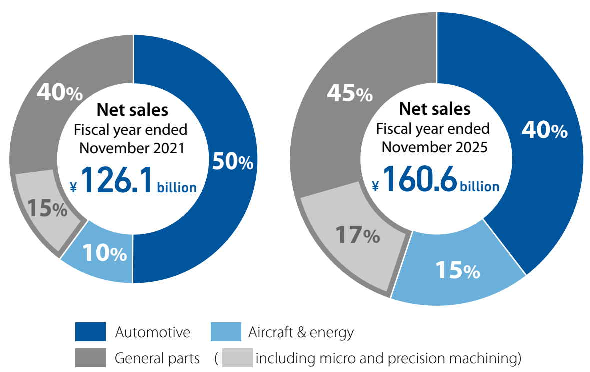
Customer Services + Total Solutions

Toward a Company that Adapts to Changes in the Business Environment to Remain the Choice of Customers

For years, a high proportion of our sales have come from the automotive industry, accounting for 50% in the fiscal year ended November 2021. Taps, a product we have offered since our founding, are heavily used in the machining of engines. A full shift to electric vehicles will have a significant impact on our business structure. Given this change in the environment, we have set the creation of mechanisms not dependent on the automotive industry as a priority strategy in our Medium-Term Management Plan, and have worked toward the diversification of our customer industries and the transformation of our business portfolio.

As a result of these actions, as well as the slowdown in the global automotive industry during the fiscal year ended November 2025, the proportion of our sales to the automotive industry fell below 40% and the composition of our sales by customer industry is steadily becoming more balanced. This change is not a temporary one. Rather, it is characterized by the fact that the creation of mechanisms undertaken by different regions is delivering continuous results.

Breakdown of net sales by customer industry

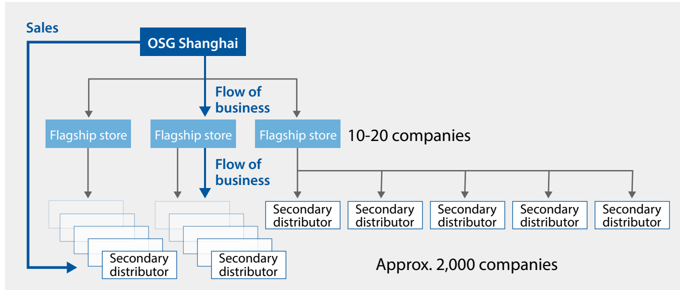


Initiatives by OSG Shanghai — Capture of New Sales Channels Through Sales Model Transformation

In China, major automobile manufacturers pressed by electric vehicle manufacturers face shrinking business. OSG Shanghai, which was highly dependent on the automotive industry, had engaged in direct sales to customers as well as sales through multiple wholesalers. It positioned major specialized wholesalers with particularly strong sales capabilities (equivalent to tool wholesalers with nationwide sales networks and online sales channels) as flagship stores, and engaged in sales focused on 10 to 20 of these companies.

However, after determining that orders from traditional major automakers were unlikely to return to previous levels, OSG Shanghai undertook a sweeping revision of its sales model. It used a rebate system to collect information on over 2,000 secondary distributors from the flagship stores and, while continuing to direct business through the flagship stores, transitioned to a structure in which OSG Shanghai engaged in only sales activities directly with the secondary distributors.

This new sales model makes it possible to approach customers outside the automotive industry and has increased the volume of OSG tools handled by secondary distributors. Going beyond the strengthening of sales, the model is becoming established as a mechanism that enables continual expansion of sales channels that are not dependent on the automotive industry.

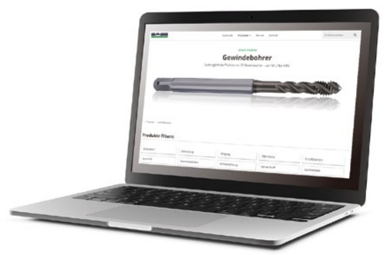


Initiatives by BASS — Strengthening the Business Foundation Through Original Development of Catalog Products

Germany-based BASS, which joined our Group in 2020, has focused on the manufacture of special taps for major automobile manufacturers. However, recovery in the German automobile industry is taking time, and returning to past levels will be difficult.

Given these changes in the environment, BASS has proceeded with the development of its own catalog products and built a structure for the sale of these through Group companies in Europe and China. By replacing some special products produced on a custom basis with catalog products, the company has achieved an immediate delivery system and has greatly improved its response speed. In addition to BASS's strength in the manufacture of products to meet individual requests, the company can now deliver optimal products to users engaged in general machining. And, by completely renewing its own EC platform and making online product selection easier, BASS is also expanding new sales channels, such as Direct to Consumer (D2C), in addition to business through traditional distributors.

Through these initiatives, BASS has increased its factory utilization rate while also lowering its dependence on the automotive industry, creating the mechanism of a product lineup that can be stably sold to a wide range of industries.



The Strength of a 35-country Global Network

The biggest factor behind BASS's ability to rebuild its business even under a downturn in the automotive industry was our global network spanning 35 countries. In addition, the company's initiatives, which are centered on its own catalog products, demonstrated effectiveness with the ability to secure product supply and sales channels over a wide area by cooperating with European, Chinese, and other Group companies. This network is one of our Group's strengths in connecting regionally based initiatives to business growth.

Medium-Term Management Plan

Medium-Term Management Plan

Beyond the Limit

In December 2021, the OSG Group launched the Medium-Term Management Plan "Beyond the Limit," the final year of which is the fiscal year ending November 2030. Setting out a long-term vision, to be an essential player that contributes to the global manufacturing industry toward a carbon neutral era, we are implementing the plan in three stages of three years each (Stage 1 to Stage 3).

2030 **2030 Targets**

Share of global tap market	40%
Breakdown of net sales by customer industry	
Micro and precision machining	30% or more
CO_2 emissions vs. FY2024	20% reduction

2028 | **Stage 3**

Beyond the Limit 2028-2030

2025 | **Stage 2**

Beyond the Limit 2025-2027

Medium-term management targets
(fiscal year ending November 2027)

ROE	Over 10%
Operating income margin	Over 16%

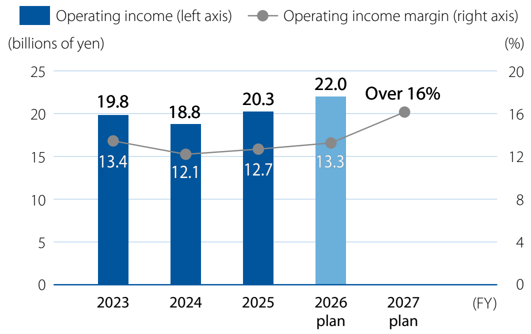
2022 | **Stage 1**

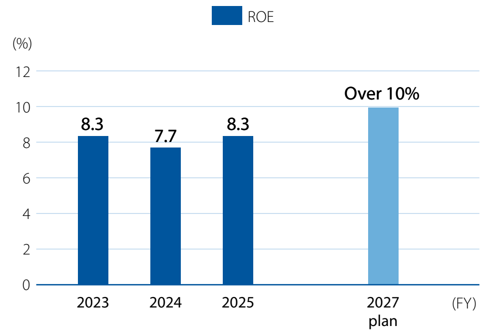
Beyond the Limit 2022-2024

Medium-term management targets (fiscal year ended November 2024)	
ROA (operating income basis) 15%	Operating income ¥30 billion

Review

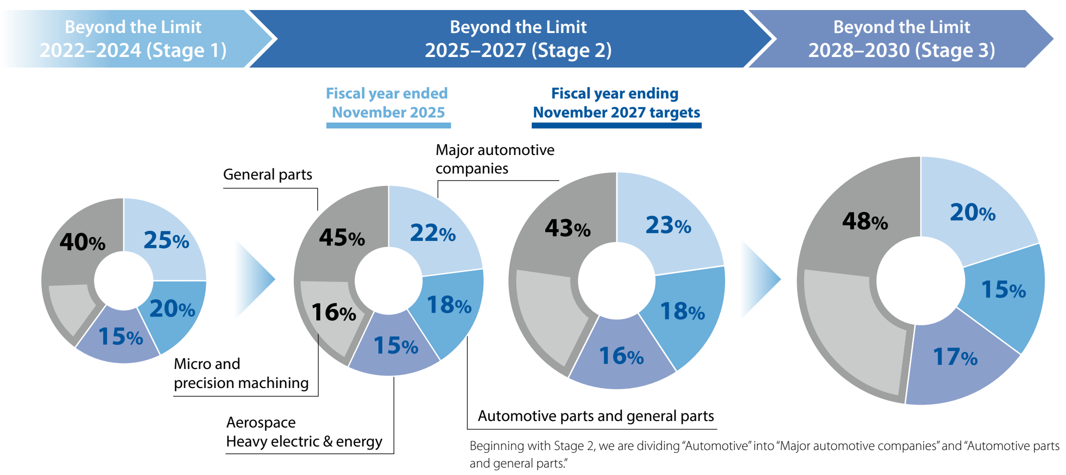
In the fiscal year ended November 2025, the first year of Stage 2, automotive-related demand was stagnant throughout the year while concerns arose over the impact of changes in U.S. tariff policy. Amid this challenging business environment, we revised our cost structure company wide. We worked to control sales and administrative expenses, optimize fixed costs, and improve work processes, which led to the strengthening of our revenue base. In particular, we also revised prices in major regions against the backdrop of a global inflationary environment, in which prices have risen sharply for major raw materials used in carbide products. Through such initiatives, our operating income, operating income margin, and ROE all showed a recovery trend. This year was one in which we made solid progress in terms of both business and finance as we worked toward the sustainable enhancement of our corporate value.





Breakdown of Net Sales by Customer Industry

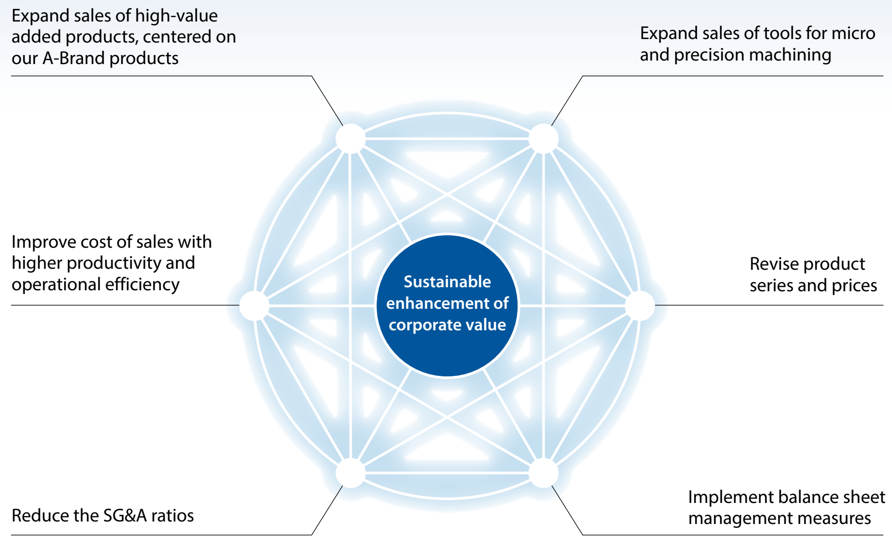
Under our Medium-Term Management Plan, we are working to transform the composition of our sales by customer industry in order to reduce our dependence on the automotive industry. In the fiscal year ended November 2025, amid the impacts of the shift to EVs and market stagnation, the percentage of our automotive-related sales decreased as a result of our efforts to do business with a broader diversity of industries.



Beginning with Stage 2, we are dividing "Automotive" into "Major automotive companies" and "Automotive parts and general parts."

Initiatives

We position the second year of Stage 2 as a transition from the execution phase to the creation of outcomes phase and recognize it as the plan's pivotal second year. To improve profitability, we are placing the expansion of catalog product sales at the center of our strategy. In particular, we will strengthen the small-diameter carbide drill area as a priority domain. This area, which demands advanced machine technology and high-precision management standards, also presents relatively high barriers to entry. We will also combine enhancements to our competitiveness, higher work efficiency, and optimization of our price structure in the field of micro and precision machining to create a structure that will deliver solid results heading into the final year of Stage 2.



1 Expand sales of high-value added products, centered on our A-Brand products

By increasing the sales percentage of catalog products, particularly our high-value added A-Brand series, we will work to enhance production efficiency and profitability. We will further expand our catalog products that meet market needs, maximizing sales opportunities with an extensive product lineup.

2 Expand sales of tools for micro and precision machining

In addition to continuing the cultivation of growth industries for micro and precision machining, an endeavor we have been undertaking since Stage 1, we will work to expand sales of diamond tools and carbide products through the lens industry sales channels of Contour Fine Tooling B.V., a new member of our Group.

3 Improve cost of sales with higher productivity and operational efficiency

To prepare for future labor shortages, we will improve productivity and our cost of sales by pursuing compounding and workforce reduction in our production system, and by consolidating processes.

4 Revise product series and prices

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

5 Reduce the SG&A ratios

We will improve efficiency by revising our work processes and using digital technologies and will work to optimize our company-wide cost structure. While strictly assessing return on investment for every measure implemented, we will advance the construction of a lean revenue structure by raising the precision of expense management and improving operational efficiency.

6 Implement balance sheet management measures

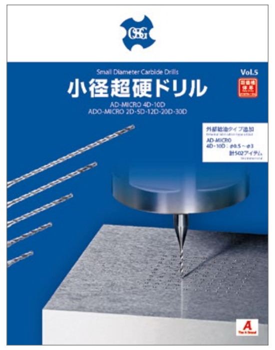
We will improve asset efficiency by reforming our balance sheet, including reviewing cash allocation within the Group and shortening the cash conversion cycle (the number of days between the posting of accounts payable and the collection of accounts receivable).

Medium-Term Management Plan

Focusing on Expanding the Sales of Catalog Products

In "Beyond the Limit 2027," our Medium-Term Management Plan, we have set the expansion of catalog product sales as a priority measure. In FY2025, we added a number of new products to our flagship high-efficiency, high-precision A-Brand series.

Objectives in Expanding Sales of Catalog Products



Automation of sales	Sales proceed through wholesalers, allowing expansion without added manpower
Reduction of costs with mass production	Standardized products allow large-lot production
Improvement of profitability	Profit margin increases due to greater sales efficiency and reduced costs

Our Strategy | Focusing on Small-diameter Carbide Drills

As the manufacturing industry moves rapidly toward smaller products with higher levels of integration, ever greater minuteness and precision are demanded in hole-making. Because the quality of micro-hole-making determines product performance in fields such as automobiles, semiconductors, medical devices, and aerospace, users demand higher reliability than ever in tools. Small-diameter machining is a field that requires extremely advanced technologies, including 0.01 mm-level precision control and constrained risk of breakage. With the machining know-how and proprietary technologies built up over years in the design and manufacture of carbide tools, we have created a system capable of delivering assured quality in this extremely challenging area. This accumulated technological know-how is a major reason behind our focus on small-diameter carbide drills.

Issues with Small-diameter Drills

Issues inherent in small-diameter machining include the propensity of small-diameter drills to break, to clog with chips, and have the machining load increase. Such problems significantly impact productivity. As the reduction or elimination of workers has advanced, and automated nighttime operation has become commonplace in recent years, high-durability cutting tools that do not break have become increasingly crucial. Small-diameter carbide drills that make possible stable machining are a strategic product domain directly related to increasing the utilization rate on automated lines.

The transition to a decarbonized society is also spurring demands for energy conservation, such as reducing machining time and the time machinery is idle. Small diameter drills that enable high-speed, stable machining contribute to reducing environmental impact.

Issues with small-diameter drills

- Prone to breakage
- Prone to chip clogging
- Prone to slippage at the start of machining
- Prone to rapid increase in machining load
- Troubles occurring in unmanned operation can become extremely serious

AD-MICRO: The drill that overcame the weaknesses of small-diameter machining

Chip breaking x evacuation x bite performance x rigidity x coating

- Tip shape that breaks up chips into fine pieces to prevent clogging
- Flute design that enhances chip evacuation
- Improved bite performance at the start of machining to prevent misalignment
- High-rigidity design that prevents breakage and accommodates unmanned operation
- Coating with outstanding smoothness for improved wear resistance

Message Message from a Developer

Our aim in development was to create tools that are easy for customers to use. With the wide range of sizes we offer, the tools are highly versatile and easy to use in all kinds of machining. We were also committed to durability. These customer-friendly tools contribute to work efficiency and address labor shortages by reducing the work required for tool selection and replacement.

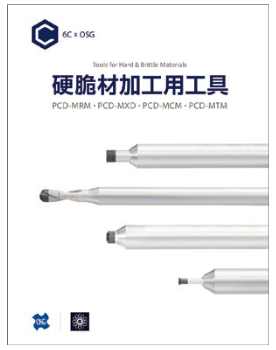
Seiya Uchida Drill Development Team, Drill Design and Development Group, Design Center

Reason for the Expansion of Semiconductor-related Markets

Behind the expansion of semiconductor-related markets lies the rapidly-growing use of AI. Generative AI has come to be a part of people's everyday lives. The realm of "physical AI," by which situational judgment is left to AI, is also expanding. In fields such as humanoid robots, industrial robots, and autonomous driving, the need for advanced data processing is driving demand for the semiconductors that are their foundation.

Our Strategy | Focusing on Semiconductor-related Markets

The Advancing Sophistication of Semiconductor Manufacturing and the Value We Provide



Semiconductor manufacturing encompasses a range of processes, including wafer manufacturing, cleaning, film formation, exposure, etching, and inspection, each involving equipment that uses a large number of precision and consumable parts. Cutting tools are essential for the machining of these parts. The semiconductor sector, in which miniaturization and precision continually advance, is a market in which we can make great contributions. While semiconductor chips undergo miniaturization to achieve high-speed processing and power efficiency, manufacturers are increasing the size of wafers to raise productivity and reduce costs. Both of these trajectories require further miniaturization of machined parts, and demand is growing for longer life in tools. To meet these market needs, we are expanding our lineup of micro and precision machining tools.

Strengthening of Our Supply Structure

In semiconductor-related markets, it is crucial that required tools be immediately available. A semiconductor factory incurs high losses when a production line stops. Factories require systems that enable the immediate procurement of tools and related parts used in processing. Semiconductor-related parts (jigs, equipment components, precision machined parts, etc.) span a wide range of materials and applications. Hole machining in particular involves detailed combinations of diameter, working length, and material quality, making a wide range of compatible tools essential. While building out a product lineup that meets those needs, we have built a structure that can fulfill wide-ranging machining requirements. To achieve this, we stock end mills, thread mills for female screw thread machining, and other diverse tools for micro and precision machining that we offer as catalog products.

Enhancement of Competitiveness Through Special Order Products

Technology evolves rapidly in semiconductor-related markets. Challenges such as higher precision and processing of new materials cannot always be handled with catalog products. The ability to address these areas with special order products is vital and is a strength of ours. Drawing on machining know-how built up over many years, we deliver optimal tools that meet users' advanced requirements, reinforcing the value we provide through both catalog products and special order products.

Compared to automobiles, aircraft, construction machinery, electrical power, energy, and other major industry markets in which we do business, recognition of us in semiconductor-related markets is still low. Due to the markets' different distribution structure, however, there is considerable room for future growth. We will raise our recognition by communicating our track record in machining and by broadening our points of contact with customers.

Demand in Heavy Electric and Energy, a Sector Linked to the Growth of Semiconductors

The expansion of semiconductor demand amid the growth of data centers and the advance of AI use will boost demand for electricity, making the strengthening of power supply equipment, cooling systems, and other power infrastructure essential. In line with this, capital investment is expected to progress in the heavy electricity and energy sector. This is a sector in which we have supplied many tools, and is one of our strengths. As the growth of semiconductors boosts demand in the heavy electric and energy sector, we anticipate an increase in stable business opportunities for the Company.

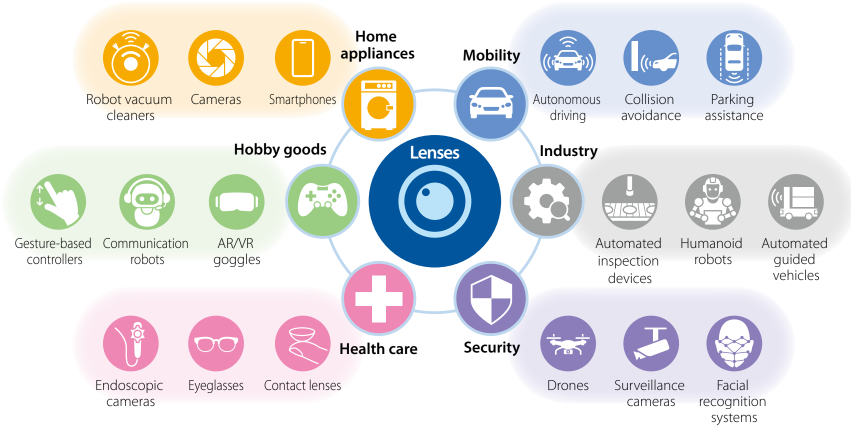
Medium-Term Management Plan

Capturing Demand Growth as a Group in the Optical and Electronics Sectors

The environment surrounding precision machining is changing significantly. While demand for conventional cutting tools struggles due to structural changes in the automotive industry, it is solidly expanding in optical components, electronic devices, data center-related parts, and other areas that call for micro and precision machining. Single crystal diamond tools in particular have attracted attention as a next-generation machining technology that excels in mirror surface quality, shaping precision, and micro machining performance.

Reason for the Expansion of the Diamond Tool Market

At a time when the ability of lenses to measure distance through reflection is finding increased application in smartphones, automotive LiDAR, robotics, industrial sensing, and other areas, diamond tools are essential for machining lens molds. We accordingly view this market as an important strategic field. With demand for optical components expected to continue growing, we believe that our lens machining technology will become increasingly valuable.



Our Strategy | The Significance of Our Acquisition of Contour Fine Tooling

Looking ahead to the growth of demand in the optical field, we acquired Contour Fine Tooling, a Netherlands-based firm with a global track record in diamond tools for lens machining, in 2024. The company's expertise extends to nano-precision machining and measurement technologies specialized for lens machining, strengths highly aligned with our business domain. Diamond tools are used in final finishing processes in lenses, while our carbide tools and cubic boron nitride tools are used in prior processes, making the collective tools highly complementary throughout the lens manufacturing process. As a result, we have been able to strengthen our structure for the provision of comprehensive solutions that contribute to process optimization for users throughout all steps in machining.

Moreover, as diamond tools are very small and demand nano-level precision, advanced measurement technology is essential for measuring and evaluating the tools themselves. Incorporating Contour Fine Tooling's measurement technology into OSG connects directly to enhancing the precision of our conventional tools and is expected to raise quality competitiveness for all of our products. The diamond tool business is not just an expansion into a new area; it will strengthen our technical foundation and maximize synergies with our existing businesses.


Single crystal diamond tool

Topics — Creation of Demand for Diamond Tools

In December 2025, Group company OSG Diamond Tool Co., Ltd. co-hosted Diamond Cutting Tool Forum 2025 with machinery manufacturer Shibaura Machine Co., Ltd. to discuss the potential of single crystal diamond tools and prospects for expansion of the market. Once a super-niche market limited to the specialty application of lens molds, diamond tools now find use in applications for ferrous materials due to technological advances, such as elliptical vibration cutting, with further expansion to new applications expected. Given these advances, we see diamond tools as more than simply a new market. We intend to develop new applications through industry-academia partnerships and thereby create demand itself. We are developing catalog products and an immediate delivery system for single crystal diamond tools to create an environment that supports adoption by users, and are boosting expansion of the market.

We will continue accelerating technological innovation grounded in industry-academia partnerships and will work to create environments that support the easy adoption of diamond tools. We will contribute to strengthening the competitiveness of Japanese manufacturing by innovating machining methods and creating markets.

Full-scale Entry into the Mold Coating Market

We have honed our coating technologies by coating both our products and other companies' products. Currently, we are focused on strengthening our advance into the field of molds, an area where the demands for precision are rising. In manufacturing, an industry in which precision is getting finer, mold coating is a technology directly connected to enhancing productivity. Anticipating the growth of demand, we are accelerating our efforts in this area.

Reasons for the Expansion of the Mold Coating Market

As requirements for higher precision and longer service life heighten throughout the manufacturing industry, there are demands for ever greater mold wear resistance and mold release performance. Demand for high-performance molds is rising in the fields of mobility and electronic components, while the growing use of difficult-to-cut materials in line with the shift to lower weights and higher strength is increasing the load placed on molds. Shortages of skilled labor and the growing need to reduce maintenance have also made extending the service life of molds a key issue for companies. This backdrop is increasing the importance of coating technologies, which affect mold performance. The market for these technologies is expected to grow over the medium to long term.

Our Strengths

- **In-house development and manufacturing of coating equipment**
  - High cost competitiveness
  - Control of losses through improved yield made possible by in-house maintenance
- **Coating types and performance on a par with those of specialist coating manufacturers**
  Because we can accommodate coatings from the general-purpose to the high-performance, we are able to offer customers the optimal applications for their uses, in any industry and for any degree of processing difficulty.
- **Able to coat a wide range of sizes**
  From large products exceeding 1,000 mm to fine parts at the 1/100 mm scale, we accommodate a wide range of sizes.
- **Global network of coating sites**
  We have 34 sites in 16 countries to create a seamless support system for customers.

See the link below for details on HiPIMS membranes featuring high density and excellent wear resistance, DIA coating that achieves the highest degree of hardness, and other mold coatings.
https://ocs-coating-service.com/mold/ (Japanese only)

Our Strategy | Leveraging Our Global Network for Business Expansion

We position the mold coating business as a medium- to long-term growth area and are working toward global expansion. As Japanese companies move into Asian countries, the business is expected to expand laterally, and demand is already rising in India, Turkey, Vietnam, and other growth markets. Moreover, as automotive components become lighter and stronger under the shift to electric vehicles, greater performance is demanded of molds and tools.

To adapt to this market environment, we are strengthening our development of high-performance coating technologies and enhancing our ability to propose applications matched to regional needs. By combining technological development with customer support leveraging our global locations, we will further enhance our competitiveness in global markets.

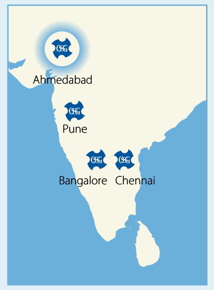
Topics — Building up Overseas Business

Developing our coating business in Germany

In March 2025, we launched a new coating business for molds in Freiburg, Germany. Because Freiburg is a hub for automotive-related industries, providing our services there directly connects to improving the productivity of customers. At our new site, we introduced a large-scale coating furnace developed in-house, with the ability to handle die-cast molds as well. We will present new options in the mold coating market, which to date has been centered on a number of companies, and will work to develop the market.

New coating plant under construction as our fourth site in India

We are building a new plant in Ahmedabad in the Indian state of Gujarat, with the start of operation slated for May 2026. A number of major automobile manufacturers are concentrated within 35 km to 100 km of the new plant. By strengthening our supply structure there, we will be able to support customers' production activities from a closer location. The Indian economy is forecast to continue growing, with demand growth focused on the automobile industry. We intend to further strengthen our business foundation in this growth market.



Roundtable meeting

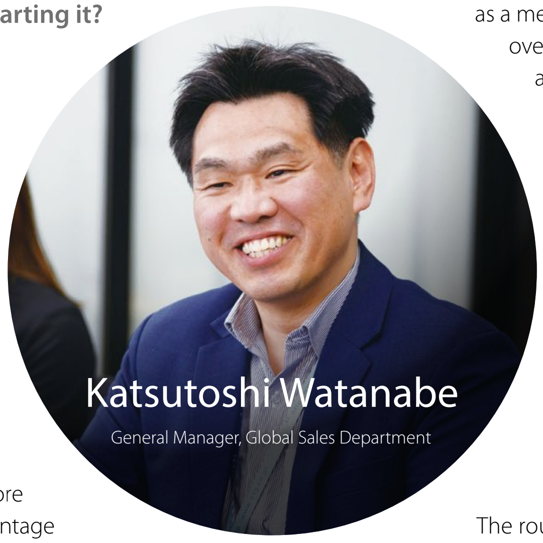
Connecting the world, uniting it, and leading it into the future

Q. What is the roundtable meeting, and what was behind your starting it?

In December 2023, the Global Sales Department established the roundtable meeting as a new forum for communication aimed at shortening the distance between ourselves and overseas subsidiaries and deepening mutual understanding.

Up to then, contact via e-mail and irregular meetings had been the norm. Sharing information in a timely manner was difficult, the discovery of issues was late, and new product information did not reach the sites where the products were to be sold until just before release, which hampered securing an advantage in markets. As a result, in some cases in which we normally would have been able to propose new products, due to this lack of information, old products were introduced, with unsatisfactory results.

In addition, culture, customs, and market structure differ greatly between Japan and overseas, and valid sales methods in Japan are not necessarily valid overseas as-is. In Japan, it's possible to adopt a strategy of the strong, premised on an already-established distribution network. In some overseas regions, however, it's often necessary to adopt a strategy of the weak, such as when a company has to develop buyers on its own. Based on such differences in environment, we launched the roundtable meetings as a mechanism for solidly reflecting the voices of overseas sites in management and sales activities. Using this as a forum for regular dialogue that emphasizes an approach of connecting, uniting, and leading our Headquarters and overseas sites into the future, we are working to build up a shared understanding and significantly improve our flow of information.



Katsutoshi Watanabe
General Manager, Global Sales Department

Q. What are the features of the roundtable meetings and how are they run?

The roundtable meetings use English as our shared language in a discussion format that encourages the free exchange of opinions regardless of hierarchical relationships. We generally meet for about 60 minutes online, once a month. Country sales representatives, country managers, and members of the Global Sales Department take part. At the start, the main themes were sharing information on market conditions and cooperating on sales. We're now expanding the content to cover introductions to new products and key applications, planning of workshops for countries, and more.

Q. What have been the results of the initiative?

The continual dialogue has steadily strengthened the collaborative structure between our Headquarters and overseas sites, leading to improvement in work practices, too. In the past, we would receive orders for several hundred thousand units several times a year from one of our Group companies in China. By setting up a mechanism for sharing annual forecasts ahead of time, we resolved turmoil at manufacturing sites caused by sudden large-volume orders, and transitioned to a systematic production structure premised on staggered deliveries. In the U.S., we improved the accuracy of price and delivery date negotiations with customers through frequent meetings between our Headquarters and U.S. sales representatives, leading to large orders on the scale of 100 million yen. I think that the effects of strengthened cooperation originating in the roundtable meetings are becoming apparent.

Q. Have any issues come up in how the roundtable meetings are run?

Some issues can be seen, such as differences between countries in their willingness to speak, or the tendency of action items from each meeting to be ambiguous. However, by introducing mechanisms to determine the speaking order for each theme, and by running the meetings so that at the end what needs to be done and by whom by the next meeting is organized and shared, the quality of discussions is growing, as is a sense of integration in activities. On top of that, by providing opportunities for direct meetings with not only managers but also overseas sales staff for each project, it has allowed us to provide support aligned with real issues in the field.

Q. In addition to these adjustments in how the meetings are run, organizational changes were also reportedly made.

Through the roundtable meetings, feedback from the other countries has become more visible than ever. This led to the need for a more specialized and effective support structure. The Global Sales Department had operated as two teams, but was reorganized into four teams to subdivide work and clarify roles.

Salvador Rivera
President
OSG Royco, S.A. de C.V. (Mexico)

Since starting roundtable meetings, we've become able to both manage the progress of every project and approach users from an early stage. As a result, we're able to check for mistakes or delays in progress on a short time frame and quickly take necessary action. In one project, one of our application representatives took part in a roundtable meeting and shared a customer's layout diagram with the Global Sales Department. Doing so allowed us to quickly communicate the customer's needs and problems, after which we moved forward on the project without delay.

The first team, Marketing, is advancing the creation of ways to actively incorporate overseas perspectives into development requirements, which have tended to be oriented to the Japanese market. By also keeping overseas sales of catalog products in our sights from the development stage onward, we aim to prepare product lines applicable to global markets and narrow the sales gaps between regions.

The second team, Key Application, welcomed members who had previously belonged to the Design Center's Key Application Strategy team. There was a major gap in thinking between the Design Department's thinking of "if the performance is there, that's success" to the Sales Department's thinking of "success is determined by orders." We're encouraging a change in this thinking and promoting a shift to the sales perspective of "solidly deliver the performance that customers demand." We're also expanding a range of activities overseas that had been centered on Japan and are working to strengthen our global proposal capabilities to meet a wider range of needs.

The third team, Sales Support, acts as a contact desk for overseas subsidiaries by centrally managing quotations, orders, and delivery dates, and smoothly supporting sales activities.

For the fourth team, Trade Strategy, we set up a specialized organization that is well-versed in tariffs and trade rules. When the issue of U.S. tariffs occurred, we were unable to determine which information sources were accurate, and were left searching for a path even while inquiring to JETRO, contacts in the U.S., and elsewhere. From this experience came the recognition that as long as we are engaged in trade, we should be professionals at trade. Accordingly, we launched an organization equipped with expertise. The team is working to become a true professional trading group that can analyze future-oriented measures to reduce tariff burdens, study optimal production sites, and do other tasks. We are aiming to establish an information communication structure linked to our manufacturing and production planning departments.

Responsible officer

- President
  - Global Sales Department
    - Global Strategy Group
      - Marketing Team
      - Key Application Team
    - Global Sales Group
      - Sales Support Team
      - Trade Strategy Team

At roundtable meetings, we share information such as briefings on sales measures, and technical materials that can be used in sales activities. We also discuss specific initiatives related to expanding sales of the A-Brand series in Korea, which is helpful in sales activities. By being able to exchange information and have discussions, roundtable meetings have great significance and yield effects that I feel are directly related to practical work. I believe that continuing to engage in quick and on-target decision-making through roundtable meetings will contribute to further sales expansion.

Jang Juneyoung
Marketing Team Manager
OSG Korea Corporation

Q. What is the outlook for the roundtable meetings from here on out?

Looking ahead, we plan to hold roundtable meetings focused on specific countries and themes, create a database to collect videos and materials on success stories, and create mechanisms for holding roundtable meetings led by overseas sites. For workshops, too, we intend to create an annual schedule and evolve the workshops into a structure capable of providing practical knowledge tailored to the fields in which individual countries want to grow. At the core of roundtable meetings is a stance by which overseas sites and our Headquarters learn together and deliver results together while building relationships of trust that cross borders. By listening closely to the voices at overseas sites, we will further develop this initiative to enhance the quality of our sales activities and strengthen our competitiveness in the global market.

Rob Adkins
President
OSG Canada Ltd.

Before the introduction of the roundtable meetings, interactions were mainly by email. Often, intents were not fully conveyed and people were not understood. However, roundtable meetings are face-to-face and allow clear, two-way communication. This has sped up approvals in situations involving special delivery times, special pricing, and special product design for major customers. Outcomes depend on whether people are able to communicate effectively, so we hope the Company will continue to hold roundtable meetings and support us and our customers.

Policy of the Global Sales Department

GLOBAL SALES TEAM

Global Sales ...

Connects the world

Unites it &

Leads it into the future

Financial Strategy

Review of the Fiscal Year Ended November 2025

Improving Our Corporate Value by Strengthening Our Business Foundation and Profitability

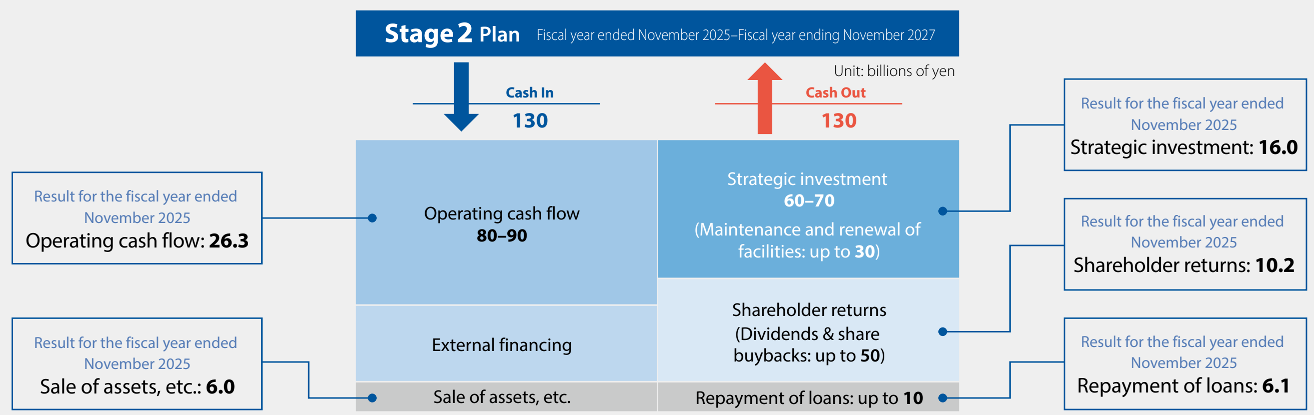
The fiscal year ended November 2025 was one of steady progress in structural reforms and the strengthening of our business foundation. Despite the harsh environment created by stagnation in the automotive sector and uncertainty over U.S. tariff policy, we moved forward with controlling selling, general and administrative expenses, optimizing fixed costs, and improving work processes throughout the Company, thereby strengthening our revenue base. We also carried out price revisions in major regions to address global inflation, particularly the soaring prices of major raw materials for carbide products. As a result, net sales reached a record-high ¥160.6 billion, operating income was ¥20.3 billion, and EBITDA and earnings per share (EPS) reached new highs. Improvement in performance contributed to EPS, as did the ¥5.0 billion in share buybacks (3,037,000 shares) that we carried out during the fiscal year. ROE recovered to 8.3%. Initiatives to enhance our corporate value in terms of both business and finance are progressing steadily.

The Progress of Our Cash Allocation

Restraining Investment and Strengthening Returns in Response to the Business Environment

The first year of Stage 2 progressed according to plan. Operating cash flow was ¥26.3 billion, marking a solid start toward our Medium-Term Management Plan's target of creating ¥80–90 billion over the course of three years. Strategic investment was only ¥16 billion, mainly because capital expenditures were limited to renewal demand under slowing demand in the first quarter. Our securing of investment capacity for future M&A has also had an impact. We returned ¥10.2 billion to shareholders. This broke down to ¥5.2 billion in dividends and ¥5.0 billion in share buybacks. We intend to carry out flexible and agile share buybacks that are balanced against growth investments and financial soundness.

The ¥6.0 billion in sale of assets, etc. is due to the payment of time deposits of Group companies and the consolidation of funds in our Japanese Headquarters to improve capital efficiency.



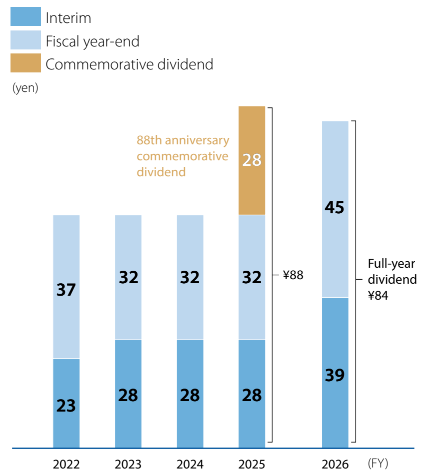
Shareholder Returns | Change in Our Dividend Policy

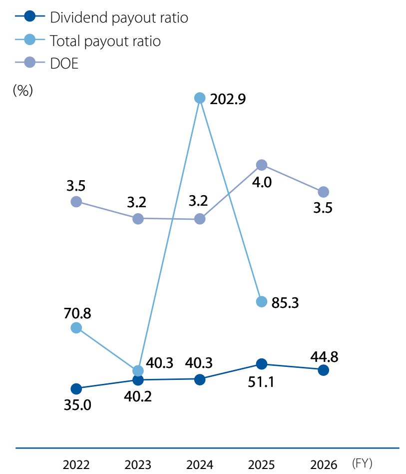
In the fiscal year ending November 2026, we moved to a new dividend policy under which we use a payout ratio of 45% or a dividend on equity ratio (DOE) of 3.5%, whichever is higher.

The payout ratio is a mechanism by which dividends increase in line with profit growth, allowing the results of higher business performance to be returned directly to shareholders. DOE, on the other hand, is less susceptible to fluctuations in profits, facilitating the maintenance of a given dividend level even under economic instability.

By combining these two metrics, we achieve a balanced return of profit to shareholders

- with more aggressive shareholder returns during growth phases, and
- ensuring a stable level of dividend even under an uncertain environment.





Human Resource Strategy

OSG's Basic Philosophy for Its Human Resource Strategy

Based on our corporate philosophy of "Global Presence," we pursue sustainable growth from a global perspective. In an environment of future uncertainty, human resources resilient to change and those who continue to take on challenges and grow are indispensable.

Behind our Medium-Term Management Plan, "Beyond the Limit," is the thought that ideas unbound by conventional wisdom or fixed notions, and the attempt to create new value through flexible thinking in response to the environmental changes surrounding us, will lead to corporate growth. We expect every employee to refuse to limit themselves and to transform themselves by taking on challenges. To that end, the OSG Group is working to strengthen human resource development, provide diverse career opportunities, and foster a corporate culture that encourages the taking on of challenges, thereby establishing a system in which capabilities are maximized through the optimal allocation of human resources across the Group. Moreover, we are focusing on developing next-generation leaders and will provide systematic opportunities for them to gain broad experience from an early stage. Furthermore, in an environment where labor shortages are advancing, we will clarify the roles of AI and humans, and build a structure that allows human resources to focus on value creation by optimizing routine operations. We will continue to build an organization that is resilient to change and capable of sustainable growth by fostering human resources who embody our corporate philosophy.

Corporate Philosophy
Global Presence

shaping your dreams

An era of VUCA	A shrinking workforce
An era of volatility Human resources **resilient to change**	Corporate growth = employee growth Human resources who continue to **take on challenges and grow**

Medium-Term Management Plan
Beyond the Limit

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

Strengthening the Human Resource Foundation Supporting Global Co-creation | Achievements and Evolution of Training for Overseas Group Companies

OSG accepts a diverse range of trainees throughout the year. In FY2025, we accepted a total of 18 groups (a total of 28 trainees) from Japan and overseas Group companies, as well as student interns. In particular, training from OSG Group companies covers a wide range of areas, from pre-installation support for in-house manufactured production equipment, to acquiring processing technology and sales know-how.

In particular, we have been continually accepting long-term trainees from Taiwan, who stay for approximately two years, working on sharing technical and operational information, human resource development, strengthening mutual support systems, and improving equipment maintenance capabilities and skill transfer systems. Upon their return, trainees are able to respond quickly by leveraging the Japanese language skills, technical expertise, and professional networks they acquired in Japan, and they also contribute to stable quality through the preparation of standard operating procedures (SOPs) in Chinese and English. The effects of on-site training, which cannot be obtained remotely, are significant, and we will continue this initiative going forward.

Operating in-house manufactured measuring equipment during training

VOICE

Voices of an Overseas Group Company Trainee and an Executive from that Overseas Subsidiary

Wen Jui-hung
Taiho Tool Mfg. Co., Ltd.

During training in Japan, I gained experience in a variety of practical tasks, such as investigating the bottom edge grinding capability of long drills, testing the introduction of new machines, and adjusting grinding wheels, which significantly improved my ability to optimize processing conditions and analyze the causes of defects. I also learned methods of thinking to extract issues from complex data and derive improvement measures, and I feel I have grown as an engineer. After returning to Taiwan, I would like to contribute to strengthening the education system and improving machining processes by utilizing the knowledge I have gained.

Naohiko Matsuo
General Manager
Taiho Tool Mfg. Co., Ltd.

Taiho Tool Mfg. Co., Ltd. is a Group company with manufacturing and sales bases in China and Taiwan. In the Greater China region, where demand related to EVs and AI is high and competition in development is fierce, we are advancing market development with the local sales, engineering, and manufacturing working as one. Developing local staff is indispensable, and we will continue to provide technical and language training at headquarters while promoting initiatives to deepen understanding of our corporate culture, remaining committed to human resource development going forward under the motto of "No growth without developing local staff!"

Strengthening Human Capital in the Era of a Shrinking Workforce
—Enhancing On-Site Capabilities Through the Transfer of Skills and DX

Building a Foundation to Continually Enhance the Value of People

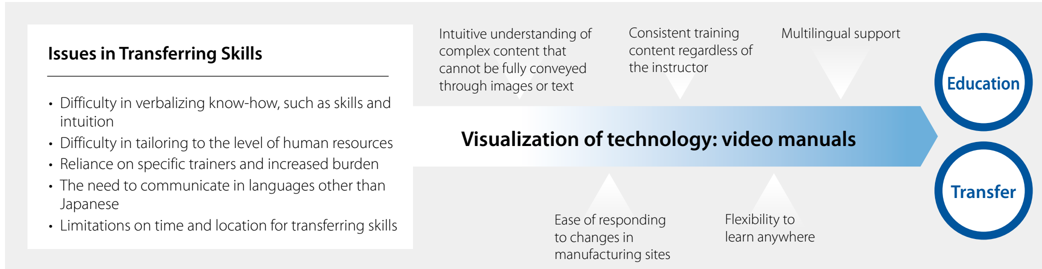
In Japan, the working-age population is rapidly declining due to the falling birthrate and aging population, and in the manufacturing industry, too, the aging and retirement of skilled workers are progressing, while the hiring environment is becoming increasingly difficult. To continue creating value with limited human capital, OSG is addressing the challenge from the perspective of human capital, focusing not on the decline in workforce numbers but on enhancing the value of its people. At the core of this approach are the strengthening of transfer of skills and the utilization of DX. Moreover, we have continued initiatives to reduce our workforce and automate, and have built a foundation for improving efficiency. On top of that, we are promoting the visualization of skills.

Recognizing Issues Surrounding the Transfer of Skills

The conventional method of transferring skills is centered on OJT. This has issues in that know-how is difficult to verbalize and tends to become dependent on individuals. The retirement of skilled workers leads to the risk of the loss of skills. In addition, it is necessary to establish an educational environment where diverse human resources can learn at the same pace, and the conventional approach to education of learning by watching and acquiring through experience alone is not sufficient. At OSG, in parallel with reducing waste through workforce reduction and automation, we emphasize the transfer of skills in areas of adding value that are handled by people.

Visualizing Skills by Utilizing DX | Using Video Manuals

At OSG, we are promoting visualization of skills through video manuals to accumulate skills as organizational knowledge. While using OSG Engineering Standards as the foundation, we position video manuals as a tool to support education and understanding, thereby reducing variation in training by demonstrating operational movements and key points that cannot be fully conveyed through text or photographs alone. This standardizes various operations to bring about stable quality. Currently, we have accumulated thousands of videos from manufacturing work sites, and testing and development divisions, and we envision their use in various situations such as preliminary learning, pre-operation confirmation, and review.




Guidance on setup of a compound machine using a video manual

Enhancing Human Resource Development by Transferring Skills and Using Digital Technologies

At OSG, we think that in addition to the foundation of efficiency gained by reducing our workforce and automating, the creation of an environment where employees can grow safely and reliably is what truly enhances the value of human capital. Video manuals connect the knowledge of skilled workers to the next generation and also contribute to quickly making personnel with no prior work experience usable assets. Accumulating skills digitally also leads to the advancement of education and the instilling of improvements.

Future Outlook

Currently, we are in the progress of getting a grasp on how the video manuals are used and their effect on education. Going forward, we will proceed with incorporating them into the education process, establishing operational rules, and organizing their relationship with OSG Engineering Standards, based on feedback from the field. In response to the issue of a declining labor force, we aim to create sustainable on-site capabilities and corporate value by investing in human capital and the utilization of DX.

Topics | Initiatives to Strengthen Literacy in AI as We Head Toward Its Company-wide Use

At OSG, we are promoting measures to strengthen literacy in AI in anticipation of using it to improve operational efficiency and enhance our ability to create value. As part of this, we held a lecture within a seminar for managers and startup training sessions targeting all employees. In the lecture for managers, we broadly covered the basic framework of generative AI, trends in how it is used in companies, and its expected future role in the manufacturing industry, aiming to form a strategic perspective. In the training for all employees, in addition to learning appropriate ways of using AI based on an understanding of its characteristics, we gave basic explanations regarding copyright, portrait rights, and security. Furthermore, the session was designed to help participants feel more familiar with its practical application by giving them practical exercises in creating prompts. We are strengthening the human resource foundation that supports the utilization of AI with these educational initiatives.


Scene from a training session for all employees

Materiality (Key Issues)

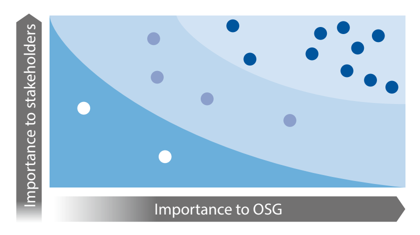
Process for Identifying Materiality (Key Issues)

STEP 1 Identify issues for medium- to long-term enhancement of corporate value

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

STEP 2 Evaluate & analyze the significance of issues

These issues were evaluated and analyzed along two axes: importance to stakeholders and importance to OSG. Key issues were reassessed by prioritizing those that have a particularly high impact on the OSG Group's business.



STEP 3 Set key issues, initiatives & targets

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

STEP 4 Deliberate & approve key issues

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

Awareness of the Environment Surrounding OSG (Risks & Opportunities)

Markets

Risks

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

Opportunities

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

Society

Risks

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

Opportunities

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

Environment

Risks

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

Opportunities

- Achievement of a circular economy

Governance

Risks

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

Opportunities

- Information security
- Diversification of management

Materiality (key issues)	Priority themes	Initiatives	Targets	FY2025 results	FY2026 action plan
Contributing to the manufacturing industry through our business	Expand the global market share for taps, our core product	· Global expansion of high-quality & high-value added product series	● Global tap market share of 40% by FY2027	● Global tap market share of 34% (OSG estimate)	● Proactively launch new products
	Optimize our business portfolio	· Exploration of markets for micro and precision machining	● Micro and precision machining sales percentage of 30% by FY2030	● Micro and precision machining sales percentage of 17%	● Strengthen activities of our cross-divisional sales organization ● Proactively launch new products ● Promote the development of new fields outside of existing industries, starting with diamond tools for the lens industry
	Expand new business and after-sales services	· Global expansion of reconditioning & coating business	● Reconditioning & coating sales percentage of 15% by FY2027	● Reconditioning & coating sales percentage of 8%	● Expand job coating service targeting various non-tool products
Developing an environment where employees are respected and able to flourish	Increase employee engagement	· Advancement of a comfortable working environment and related systems	● Maintain an annual paid leave usage rate of at least 80% ● Achieve a male childcare leave usage rate (one month or longer) of 50% by FY2027 and 75% by FY2030 ● Maintain a female childcare leave usage rate of 100%	● Annual paid leave usage rate: 80.7% ● Male childcare leave usage rate: 38.2% ● Female childcare leave usage rate: 100% ● Assessed the usage of male childcare leave and revised targets ● Amended the regulations for childcare leave and nursing care leave	● Survey the usage of male childcare leave and reconsider targets ● Consider revising in-house regulations, etc.
		· Promotion of Safety and Health Management	● Continue to be recognized as an Excellent Company for Safety and Health ● Continue to be recognized as an Outstanding Organization of KENKO Investment for Health	● Recognized as a 2025 White 500 Outstanding Organization of KENKO Investment for Health	● Continue to be recognized as an Excellent Company for Safety and Health ● Continue to be recognized as an Outstanding Organization of KENKO Investment for Health
	Enhance human resource capabilities and strategically assign personnel	· Cultivation of next-generation and management leaders	● Establish a program for developing next-generation managers	● Management training implementation: 2/yr. ● Designed a program for developing next-generation leaders	● Continue to implement management training ● Establish a system for developing next-generation leaders
		· Encouragement of professional, flourishing human resources	● Use a human resources data platform to effectively utilize personnel	● Collected and visualized human resource data	● Clarify definitions for human resource data
	Respect for diversity	· Promotion of active roles for women and persons with disabilities	● Percentage of female managers (assistant manager and above): 7% by FY2026, 10% by FY2030 ● Percentage of employees with disabilities: maintain statutory quota	● Percentage of female managers (assistant manager and above): 5.8% ● Percentage of employees with disabilities: 2.7% (met statutory quota)	● Percentage of female managers (assistant manager and above): 7% ● Percentage of employees with disabilities: maintain statutory quota
		· Respect for human rights	● Provide human rights training in line with the OSG Human Rights Policy and OSG Company Ethics Pledge, and manage relevant risks	● Conducted harassment training for all employees ● Thoroughly spread awareness and conducted educational activities regarding harassment	● Spread and raise awareness to create a harassment-free workplace ● Implement risk assessments for human rights due diligence
Contributing to a sustainable global environment	Achieve carbon neutrality	· Introduction of operation-improvement & energy-saving equipment · Implementation of on-site & off-site PPA/purchase of carbon-free electricity	● Reduce CO_2 emissions (vs. FY2024) 2030: 20% reduction 2040: 50% reduction 2050: Achieve carbon neutrality	● CO_2 emissions: +3% (vs. FY2024)	● Reduce CO_2 emissions by 4% (vs. FY2024) ● Calculate Scope 3 ● Visualize carbon footprint and consider rules for disclosure ● Prepare to introduce renewable energy
	Reduce users' environmental footprint	· Development of new, eco-friendly products	● Eco-products* score (OSG criteria): 40 points or higher annually	● Eco-products score: 43 points	● Eco-products score: 43 points
Maintaining and strengthening our governance structure so that we may achieve sustainable growth	Maintain our corporate governance structure	· Strengthening of executive supervisory functions · Establishment of an effective execution system	● Maintain diversity of Board of Directors ● Continue to evaluate Board of Directors' effectiveness and provide feedback of evaluation results to raise awareness of challenges and resolve them	● Maintained diversity of Board of Directors ● Continued to evaluate Board of Directors' effectiveness; provided feedback to raise awareness of challenges and worked to resolve them	● Create opportunities for outside directors to exchange opinions
	Construct a group governance structure	· Strengthening of OSG Group governance based on relevant business management regulations	● Improve reporting and monitoring systems ● Conduct assessments for improving governance	● Improved reporting and monitoring systems ● Conducted assessments for improving governance	● Maintain reporting and monitoring systems ● Continue assessments for improving governance
	Thoroughly manage risk and ensure compliance	· Strengthening of information security measures	● Eliminate major information security incidents	● Conducted cyber-security audits of Group companies ● Optimized inter-company network communications ● Implemented measures to prevent connections from uncontrolled terminals	● Standardize considerations of risk in planning and design (Security by Design)
		· Formulation of a business continuity plan & regular conducting of disaster prevention training	● Instill the business continuity plan to minimize damage & pursue countermeasures	● Continued conducting disaster prevention training to improve employees' disaster preparedness ● Improved BCP with the goal of minimizing damage at each business site	● Reassess BCP ● Continue regularly conducting disaster prevention training

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

Environment

Carbon Neutrality

Governance & Risk Management

At OSG, the Risk and Compliance Management Committee evaluates the priority of climate change and other risks affecting us overall, based on their impact on our business. The Sustainability Committee, the Risk and Compliance Management Committee, and the Safety and Health Committee operate in conjunction with each other to monitor risks and opportunities associated with climate change. The Sustainability Committee deliberates on matters including ESG-related issues, the enforcement of policies and visions, and priority measures, and regularly reports on its activities to the Board of Directors.

Sustainability Promotion Structure

Sustainability Committee Meetings in the Fiscal Year Under Review

Date	Main items reported, etc.
April 10	Progress report on initiatives for carbon neutrality (carbon footprint calculation)
July 10	Progress report on initiatives for carbon neutrality (relationship of Scope 2 to production and ongoing metrics)
October 9	Progress report on initiatives for carbon neutrality (future prospects and recycled plastic cases)
January 8	Report on 2025 initiatives for carbon neutrality and the plan for FY2026

Risks and Opportunities

We selected scenarios involving temperature rises of 1.5°C and 4.0°C, and reviewed risks, opportunities, and our responses.
Scenarios referenced: 1.5°C scenario (IEA NZE2050) and 4°C scenario (IPCC RCP 8.5) among others

We identified three points in particular as key risks exerting a high degree of influence: Cost increases due to the tightening of GHG regulations, decreased demand for tools for gasoline-powered vehicles due to the accelerating shift to electric vehicles, and damage to suppliers due to intensifying extreme weather.

To address these, we are undertaking medium- to long-term actions including energy conservation, the introduction of renewable energy, review of our business portfolio, diversification of suppliers, and strengthening of our BCP, with the aim of enhancing our resilience. In particular, we recognize the proliferation of renewable energy and energy-saving technologies and the expansion of the EV and storage battery markets as key opportunities, so we view climate change as an opportunity for business growth. To take advantage of these opportunities, we are strengthening our development of energy-saving-related and renewable energy-related tools, expanding our investment in the micro and precision machining field, and boosting quality and sales of our long-life tools. We are also increasing the transparency of our corporate activities through proactive information disclosure, while connecting the movement toward a low-carbon society to greater competitiveness.

Major Risks and Countermeasures

	Type	Subcategory	Risk	Impact	Response
Transition risks	Policy and legal	Tightening of regulations on GHG emissions	Increase in manufacturing, development, production, and procurement costs due to carbon taxes and other charges	High	Set targets for reduction of CO_2 emissions Implement off-site PPA and on-site PPA; purchase CO_2-free electricity at factories Promote eco-factories (enhancement of energy efficiency of OSG-manufactured machine tools; improvement and visualization of equipment operation)
		Expansion of electric and fuel-cell vehicles	Decrease in demand for tools for gasoline-powered vehicles	High	Revise our customer portfolio
Physical risks	Acute	Increased severity of extreme weather events	Difficulty in procurement of materials and production stoppages/delays due to disasters affecting suppliers	High	Diversify suppliers

Note: A timeline from 2030 to 2050 is assumed.

Major Opportunities and Responses

	Type	Subcategory	Opportunities	Impact	Response
Transition risks	Market	Expansion of electric and fuel-cell vehicles	Increase in demand for precision mold machining due to promotion of battery development	High	Increase sales in the micro and precision machining sector
			Increase in demand for EV chargers and storage batteries	High	Accelerate development of machining tools for EV chargers and storage batteries
			Greater demand for micro and precision machining tools due to larger market for semiconductors, connectors, and electronic components	High	Develop, increase investment in, and build sales of micro and precision machining tools

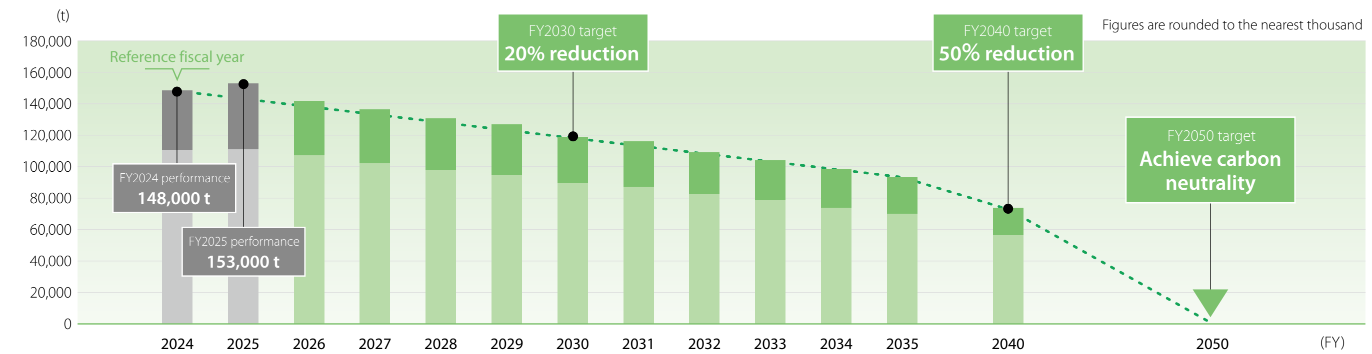
Note: A timeline from 2030 to 2050 is assumed.

Roadmap

The OSG Group has set a new Group-wide target for the reduction of CO_2 emissions. We will steadily undertake initiatives based on plans, aiming for a 20% reduction in 2030 compared to FY2024.

While our emissions in FY2025 exceeded those of the previous fiscal year, to achieve our medium- to long-term target, we will analyze the variable factors behind emissions and undertake continuous improvements to reduce CO_2 emissions.

CO_2 Emissions Reduction Roadmap (Scope 1 & 2, consolidated)



Reduction Measures

The OSG Group is advancing measures under its Medium-Term Management Plan to address climate change.

Medium-Term Management Plan	Stage1 2022-2024 Start toward carbon neutrality	Stage2 2025-2027 Expand to Group-wide initiatives	Stage3 2028-2030 Promote Group-wide reductions
	● Cut CO_2 emissions by 10% (vs. FY2019) **Result: 19% reduction** ● Calculate Scope 1 & 2 (consolidated) ● Introduce renewable energy ▶Off-site PPA ▶On-site PPA (Shinshiro Factory)	● **Calculate Scope 3** ● Calculate carbon footprint ● Consider introduction of additional renewable energy ▶Oike Factory ▶Other sites	● **Cut CO_2 emissions by 20% (vs. FY2024, consolidated)** ● Obtain SBT certification ● Consider introduction of additional renewable energy ▶Consider next-generation solar panels, etc.

FY2026 plan

1. **Introduce initiatives to reduce CO_2 emissions (Scope 1 and 2) in manufacturing divisions**
2. **Introduce initiatives to reduce CO_2 emissions (Scope 1 and 2) at Group companies**
3. **Calculate Scope 3**
4. **Consider rules for visualization and disclosure of carbon footprint**
5. **Prepare for the introduction of renewable energy**

Green Bond Reporting

On August 10, 2023, the OSG Group became the world's first cutting tool manufacturer to issue green bonds. To realize our Group's Medium-Term Management Plan, "Beyond the Limit 2027," we will strive to maximize the corporate value generated through the linkage of our growth strategy to our ESG initiatives.

Allocation Report (as of November 30, 2025)

(millions of yen)

Funding	Allocated funds	Unallocated balance
4,968	New: 23 (100%) Refinancing: 0 (0%) Total: 23	987

(millions of yen)

Category	GBP* category	Allocated amount	Unallocated amount	Scheduled completion of allocation
Energy-saving	Green buildings	3,958	987	March 2028
	Energy efficiency in the product development process	10	0	
Eco-efficient products	Eco-efficient products, environmentally conscious production technologies, and process-certified highly eco-efficient products	13	0	
Total		3,981	987	

*GBP: Green Bond Principles

Impact Report (as of November 30, 2025)

1 Energy-saving

- **Renovation of Oike Factory** (GBP category: Green buildings)
  Construction commenced in August 2024 with completion scheduled for June 2028
  CASBEE grade: B+
- **Cutting simulation using CAE analysis** (GBP category: Energy efficiency in the product development process)
  CO_2 emissions reduction: 1,888.07 kg-CO_2/cumulative performance

2 Eco-efficient products

- Development of GREEN TAP, which in comparison to conventional forming taps saves 35% in CO_2 emissions during tool manufacturing
  CO_2 emissions reduction: 8,241.48 kg-CO_2/cumulative performance

P.15 GREEN TAP

Environment

Initiatives by Group Companies

Nihon Hard Metal Co., Ltd.'s "4R" Activities to Achieve Recycling-oriented Manufacturing

Acting under its Basic Environmental Philosophy and Basic Environmental Policy, Nihon Hard Metal makes "4R" (Reduce/Reuse/Recycle/Renewable) a core measure as it seeks to minimize the environmental impacts of its business activities and achieve a resource-recycling society.

4R comprehensively promotes the control of resource usage, reduction of waste, recycling, and the use of renewable energy. It forms a key foundation for the simultaneous improvement of environmental value, cost value, productivity, and quality.

4R Initiatives

1 Reduce Minimize waste and inefficiency
- Reduction of defective scrap through optimization of the molding, sintering, and machining processes

2 Reuse Pursue a corporate culture that uses resources for a long time
- Reuse of carbide scrap
  → Reduce amounts of resource input and simultaneously reduce environmental burdens and costs by expanding reuse

3 Recycle Convert waste into resources
- Recover carbide scrap
- Enhance recycling rate through strengthening of separation
- Reduce processing loss and scrap generation

4 Renewable Decarbonize by introducing renewable energy
- Alloy site headquarters: Introduce solar power generation facilities to reduce carbon in in-house consumption of electricity
  → Reduce annual CO_2 emissions by about 80 t and contribute to reduced electric power costs

Creating Value by Promoting 4R, and the Future Outlook

Nihon Hard Metal's 4R activities provide vital support for sustainable corporate growth, not only reducing environmental impacts but also enhancing manufacturing efficiency, strengthening cost competitiveness, and stabilizing product quality.

The company will continue advancing the effective use of resources and decarbonization in order to raise the level of recycling-oriented manufacturing.

By promoting 4R, the company will work as one to raise the level of recycling-oriented manufacturing and strengthen its corporate foundation over the medium to long term.

Accelerating from Saving Energy to Recycling Resources: Decarbonization at F.P.TOOLS Co., Ltd.

Initiatives to Decarbonize and Recycle Resources to Create Environmental Value

F.P.TOOLS is undertaking stepwise environmental measures centered on increased energy saving, more advanced resource recycling, and the introduction of renewable energy across all of its business activities. In FY2025, the company steadily renewed aging equipment, adopted carbon-neutral products, and took other measures connected to CO_2 emissions reduction, taking steady steps forward in reducing the environmental impacts of its business activities.

In FY2026, the company plans to study the introduction of green electrical power and launch discussions with power utilities to further accelerate its reduction of Scope 1 and 2 emissions. It will also work to increase the amount of refuse derived paper and plastics densified fuel (RPF) it uses, promote the recycling of non-water-soluble oil, expand adoption of carbon-neutral products, and other initiatives to strengthen resource recycling, as it makes solid progress toward achieving carbon neutrality by 2050.

These comprehensive environmental activities were recognized, and the company was given the Special Environment Award by the Japan Cutting & Wear-resistant Tool Association in 2023. The company was commended for its long-running energy conservation activities, active promotion of the 3Rs, adoption of renewable energy, and other continuous and effective initiatives.

Main Initiatives

Adoption of energy conservation and renewable energy	Promotion of the 3Rs (Reduce/Reuse/Recycle)
Installation of solar panels	Recycle shop rags
Renewal of high-voltage power receiving equipment and air conditioning equipment	Recycle waste oil
Reduction of air conditioning load through thermal insulation and other insulation measures	Switch to paper packaging materials
Shift to LED lighting	Switch from incineration and landfilling of waste plastics to RPF
Adoption of CO_2 offset compressor oil	

Recycling of shop rags

Washing and reusing shop rags enabled a roughly 71% reduction in the purchase volume of new shop rags (FY2025 vs. FY2021)

Viewing the reduction of environmental impact as inseparable from the strengthening of business competitiveness, F.P.TOOLS is steadily advancing CO_2 emissions reduction and resource recycling throughout the supply chain. From FY2026 onward, the company will further expand initiatives, such as the introduction of renewable energy and the enhancement of recycling, and will work toward achieving both a sustainable society and corporate growth.

Environmentally Conscious Product Development

At OSG, we are intent on leveraging cutting tools to solve challenges for customers as we strive for a sustainable society. High quality, highly efficient, and highly durable cutting tools contribute to improving customer productivity and reducing energy consumption.

Going forward, we are committed to developing environmentally conscious products while recognizing social and environmental issues, and lending our effort—through cutting tools—toward the achievement of a sustainable society.

Showcase: One of Our Environmentally Conscious Products

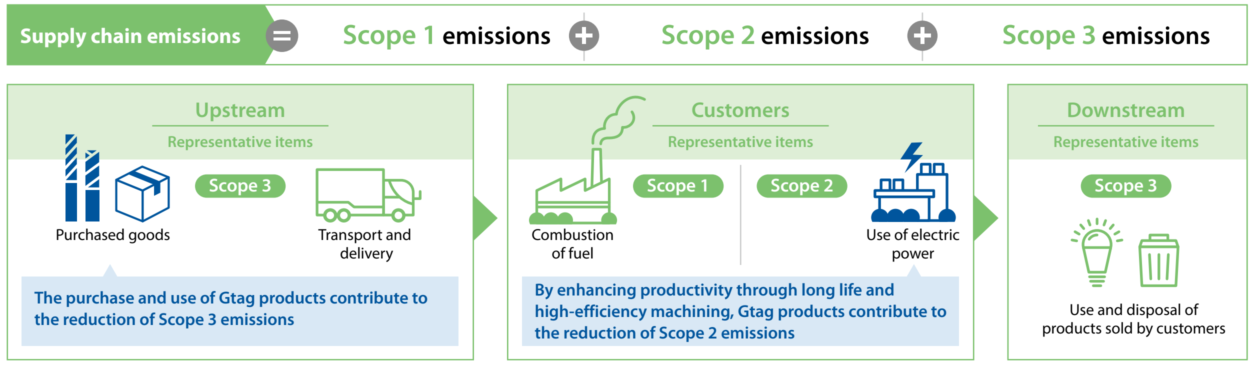
Gtag

Enabling supply chain emissions reductions that lead to a lower carbon footprint

Our Gtag series of low-carbon cutting tools reduce CO_2 emissions by 30-35% per tool through a new proprietary manufacturing method that consumes less power during manufacturing. While maintaining machining performance that equals or exceeds that of our conventional products, it helps to reduce CO_2 emissions on carbide drill, end mill, and forming tap lines and contributes to reducing environmental impacts across the supply chain.

Gtag
Low-carbon products that reduce CO_2 emissions during tool manufacturing

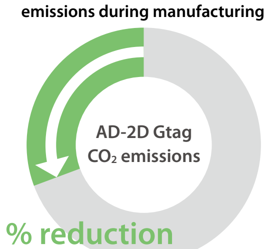
Corresponds to Scope 3, Category 1, "purchased goods and services"



AD-2D Gtag Low-carbon Carbide Drill

Example: φ10 outer diameter drill

Comparison of reduction in CO_2 emissions during manufacturing



31% reduction
vs. conventional product

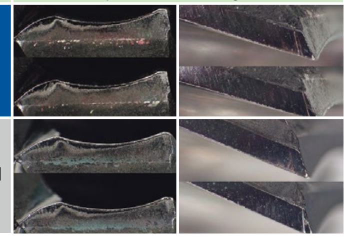
Cutting data Same performance as conventional product

Tool	AD-2D Gtag φ6
Work Material	S50C
Cutting Speed	90 m/min (4,775 min^{-1})
Feed	860 mm/min (0.18 mm/rev)
Depth of Hole	12 mm (through)
Coolant	Water-soluble Chlorine-free (5%)
Machine	Horizontal Machining Center (HSK-A63)

Wear comparison after drilling 5,000 holes

AD-2D Gtag

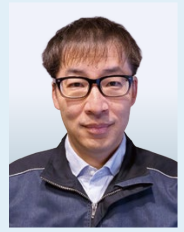
Conventional



Message

The development of Gtag products began from the pursuit of enhanced performance, as well as from consideration of how we can protect the manufacturing of the future. Our initiatives to control power consumption during manufacturing and reduce CO_2 emissions through proprietary manufacturing methods are essentially an endeavor to fulfill our responsibility to the environment. We realized that offering new ideas a step ahead of the industry is a key step toward creating new value and building a better future with customers.

One product exemplifying that approach is the AD-2D Gtag low-carbon carbide drill. This product reduces CO_2 emissions during manufacturing while ensuring performance and durability on par with those of our other products, thereby being environmentally conscious without compromising reliability. While maintaining the versatility to handle a wide range of work material, the product directly contributes to reducing CO_2 emissions. By reducing the environmental burden and improving productivity, we hope to contribute to our customers' businesses and to society.



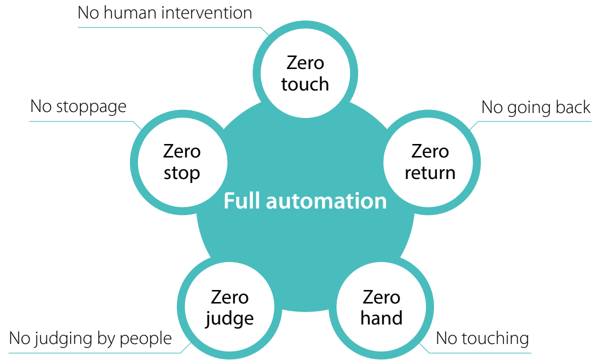
Kazutoyo Ito
Manager, Drill Design and Development Group, Design Center

Quality

The Path to Manufacturing Innovation: Toward Non-Stop Manufacturing Centered on Quality

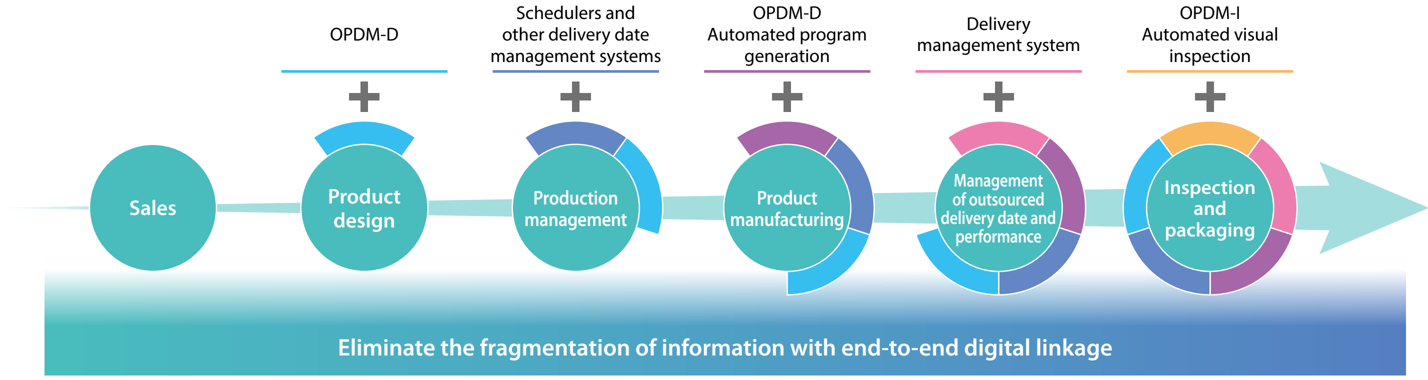
Efficiency, Workforce Reduction, and Stable Quality Through the Five "Zero Principles"

OSG sees quality as reliability that keeps customers' production going. We promote the Manufacturing Division's policy of innovative manufacturing throughout the Company. Amid global changes in the composition of human resources, growing sophistication of demand, and increasing uncertainty in supply chains, the stability and improvement of quality lie at the core of sustainable value creation. Based on our five "zero principles"—zero touch, zero return, zero hand, zero judge, and zero stop—we are making stepwise advances in efficiency, reducing our workforce, and strengthening traceability through the combination of in-process quality assurance, preventive maintenance, and digital recording.



Aiming for Stability in Quality Through End-to-End Information Linkage

We are linking our sales, design, production management, manufacturing, and inspection work systems as we transition to a system by which information is only added in accordance with the progress of processes. By aggregating input terminals, with the Shinshiro Factory as the starting point, we achieve real-time recording, the standardization of judgments, and more prompt corrective action. By deploying this throughout the Company, we are simultaneously achieving stability of quality and operational efficiency, which leads to a reduction in supply risks.



Non-stop Quality with Preventive and Predictive Maintenance

We regularly monitor equipment status data (backlash, etc.) and conduct planned maintenance based on threshold management. By detecting signs of abnormality early and minimizing recovery time, we maintain stable operation of equipment.

Using Automated Decisions and Automated Measurements to Make Consistent Judgements

In our in-process inspections, we are introducing image processing and digital measuring instruments to automate decisions on visual appearance and physical dimensions. By excluding the unevenness inherent in human-based judgments, we are strengthening consistency in our in-process quality assurance and record-keeping.

Creating Value with Improvements Rooted in the Manufacturing Site

At each of our factories, we increase the efficiency of work and stabilize quality by using automated conveying equipment, automating inspection processes, and consolidating processes by introducing compound processing machinery. These initiatives steadily advance our shift to a production system that is not dependent on people, which leads to reducing burdens at manufacturing sites and making sophisticated use of technical capabilities.

Balancing Quality and Productivity with an Eye on 2030

We have a goal of establishing a highly efficient production system that makes use of existing resources, with 2030 as the target year. By advancing the automation of processes, digitalization of information, and sharing of knowledge without sacrificing quality, we will simultaneously raise both productivity and reliability.

Raising the Level of Fully Local Manufacturing Originating in Improvement of Quality: OSG (Shanghai) Precision Tools

Evolving Precision and Establishing Market Competitiveness by Reforming the Production Environment

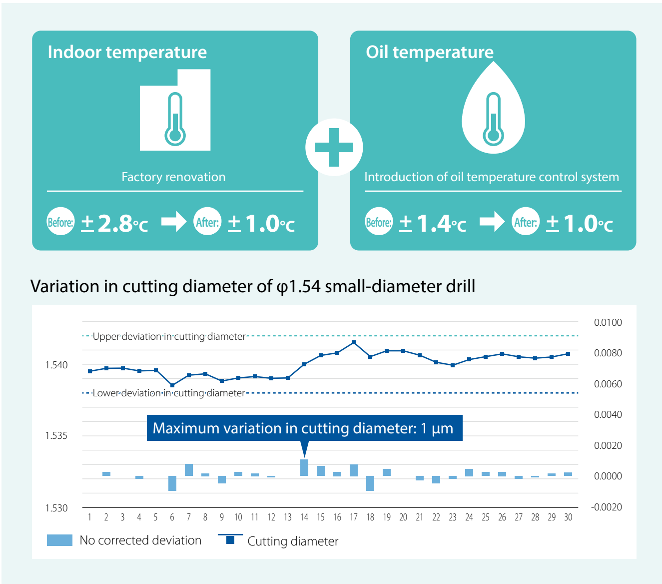
Viewing quality as the foundation for sustainable growth, we make "Continue to stably create good things" a key theme of management. OSG (Shanghai) Precision Tools (hereinafter the "Songjiang Factory") has achieved both precision in products and positive evaluations from the market with an approach that takes not only reinforcement of equipment and increasing personnel but also the production environment itself as a factor of quality.

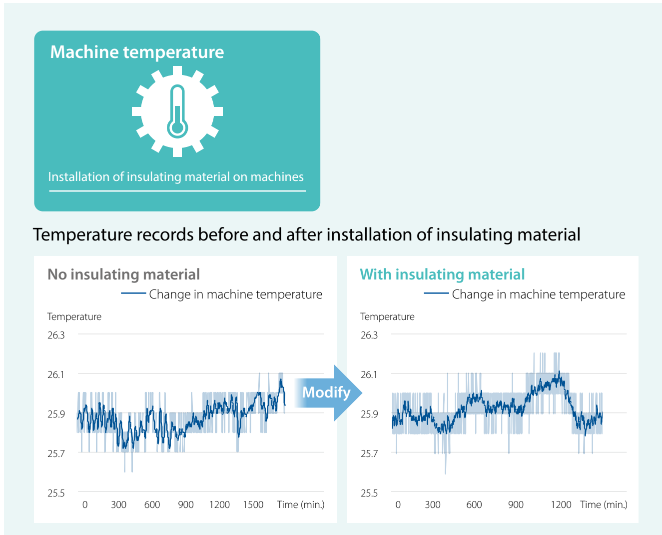

OSG (Shanghai) Precision Tools Co., Ltd.

Restructuring the Quality Foundation by Visualizing Information About the Production Environment and Stabilizing Temperatures

The Songjiang Factory found that the primary factors behind unevenness in precision lay not only in people and the performance of machinery, but also in variations in the environment, such as room temperature, oil temperature, and machine temperature. To achieve production under constant temperatures, we revamped the factory, starting from its layout and infrastructure.

First, we renovated the factory to significantly reduce the range of indoor temperature variation, from ±2.8°C to ±1°C. By doing so, we constructed a stable machining environment that is less susceptible to effects from outdoor temperature and seasonal variation. In addition, we introduced the latest oil temperature control system for the hydraulic oil used in machine tools. This move has reduced oil temperature fluctuations from ±1.4°C to ±1°C. We further installed insulating material on some machinery to reduce fine fluctuations in machine temperature. Through the simultaneous stabilization of these three points (room temperature, oil temperature, and machinery temperature) we created an environmental foundation that supports precision machining.





Reduction in fine temperature fluctuations is apparent when insulating materials are installed.

Composition of Products and Expansion of Sales Driven by Quality Improvement

The percentage of sales of A-Brand products is rising over time, driven by sales of standard and special order products featuring high precision. In the carbide drill field, sales of both standard and special order products from the Songjiang Factory are growing, and products manufactured there have demonstrated a rise in competitiveness relative to products manufactured in Japan.

Underlying the growth is customers' recognition of not only cost competitiveness but also non-price value, such as the stable precision and reproduceable quality made possible by the products. Seeing this market as a growth opportunity, we transferred a portion of the testing and verification functions performed in Japan to the Chinese site. By doing so, we have readied a system that enables the prompt completion of actions there in China, from analysis of causes to drafting of countermeasures, when issues occur. Raising the speed of quality improvement leads to the earning of customers' trust and creates differentiation from competitors in China and local competitors worldwide.

Toward Creating Sustainable Value Centered on Quality

The Songjiang Factory's initiatives are not aimed at improving equipment but at building mechanisms that create quality. This circular model, by which the environment is controlled, precision is managed numerically, and outcomes are connected to market value, is becoming a vital management asset for our company and will be expanded to other sites.

We will continue to advance fully local manufacturing originating in improvement of quality, as we work to strengthen our competitiveness in the Chinese market and sustainably enhance our corporate value.

Human Rights

Basic Philosophy

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

Human Rights Policy

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

Status of Human Rights Assessments and Initiatives Going Forward

In FY2025, OSG spread awareness of its Company Ethics Pledge and implemented internal education and training activities on human rights. At OSG, we survey our suppliers about conflict minerals and green procurement, and have them do CSR self-assessments, to which we provide feedback. Nihon Hard Metal Co., Ltd., which manufactures and markets carbide alloys, carries out conflict mineral surveys and holds regular meetings with its suppliers.

Going forward, to further reduce human rights risks, we will promote the sharing of information with our suppliers by using questionnaires and build support systems, while also strengthening education and awareness-raising activities on human rights due diligence for Group companies. Furthermore, to enhance transparency throughout the entire supply chain, we will continue to strengthen our initiatives regarding conflict minerals and promote responsible sourcing practices.

Supply Chain Management

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

Pursuing Sustainable Procurement Activities

The OSG Group has asked its suppliers to do CSR self-assessment surveys and respond to conflict mineral surveys based on the OSG Group CSR Procurement Guidelines. The purpose of this has been to ascertain the status of CSR initiatives in the supply chain, ensure there are no transactions that involve conflict minerals, and have suppliers develop a better understanding of the OSG Group's supply chain management efforts and philosophy.

This fiscal year, we conducted on-site surveys of principal suppliers to verify compliance in areas based on our CSR standards, such as governance, human rights, occupational safety and health, the environment, quality, information security, anti-corruption, and community coexistence. Although the survey confirmed that appropriate management systems were generally in place, we identified room for improvement in two areas: strengthening compliance with chemical substance regulations and enhancing conflict mineral surveys (CMRT/EMRT), and requested corrective actions.

We will continue to refine our sustainable procurement activities through ongoing dialogue with suppliers and support for improvement initiatives.

CSR Self-Assessment Survey

We conducted a survey of our Group's principal suppliers in Japan regarding their CSR initiatives.

- Time frame: September–October 2025
- Suppliers surveyed: Principal suppliers of raw and other materials

KPI	Target	FY2023 results	FY2024 results	FY2025 results
Survey return rate	80% or higher	84%	86%	86%
No. of companies surveyed	—	139	132	140
No. of companies responding	—	117	114	120

Surveys are analyzed and evaluated, and feedback is provided to suppliers.
We will continue to improve the survey, giving consideration to expanding the number of companies surveyed as well as revising survey questions.

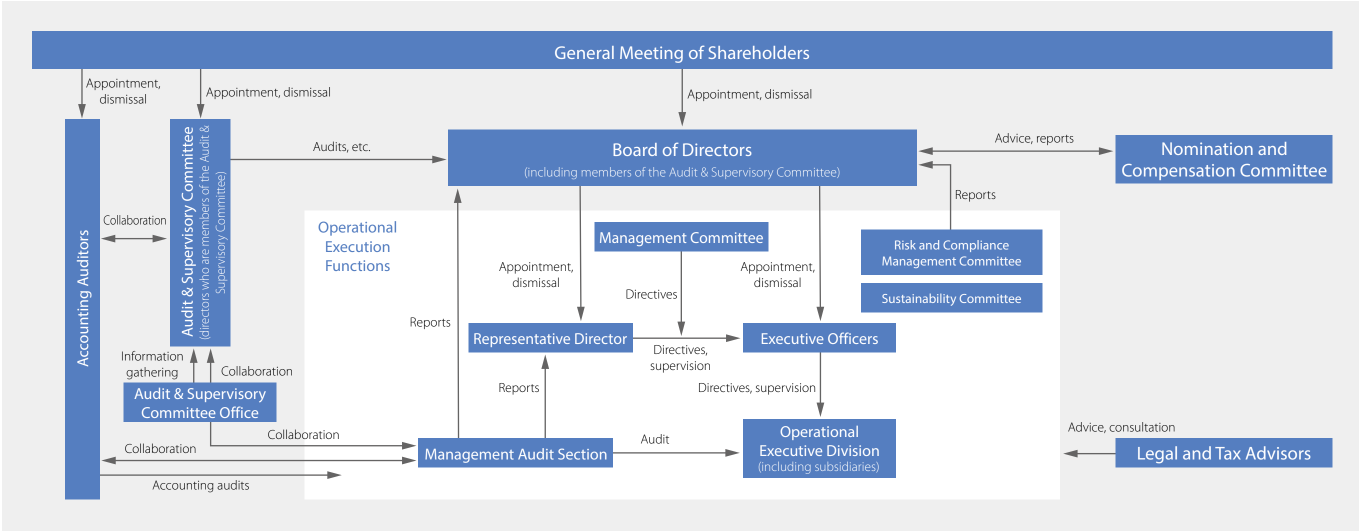
Corporate Governance

Basic Philosophy

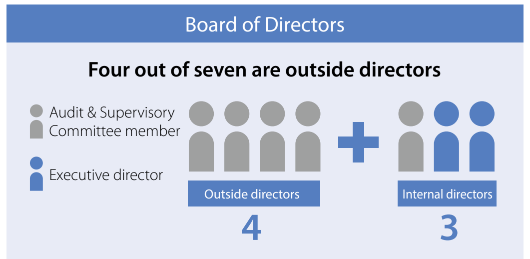
Based on our corporate philosophy of "Global Presence," we regard compliance with laws, regulations, and social norms as the foundation of our management, together with fairness and transparency in our business activities. We also think these qualities contribute to sustainable corporate development and the enhancement of corporate value. Measures to enhance corporate governance, including the establishment of efficient and transparent management organizations, are among our important management priorities for achieving these objectives.

One of the ways in which we enhance corporate governance is by raising compliance awareness among directors, executive officers, and employees of OSG and our Group companies through dissemination of the OSG Philosophy and OSG Company Ethics Pledge, which provide specific guidelines designed to raise ethical standards within the Group.

Corporate Governance Structure



Overview of Corporate Governance Structure



We elected to be a company with an audit and supervisory committee, so our corporate governance structure consists of the Board of Directors, Audit & Supervisory Committee, and accounting auditors. Operations are executed by executive officers, while the Board of Directors is responsible for making decisions and supervising the execution of operations. To strengthen decision-making, the seven-member Board of Directors includes two members who are also involved in business operations as executive officers. The remaining five directors, four of whom are outside directors, are also members of the Audit & Supervisory Committee. All of OSG's four outside directors are independent officers as stipulated in the listing rules. With the five members of the Audit & Supervisory Committee, including these highly independent outside directors, also having seats on the Board of Directors, we think 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 is effectively supervised. In addition, OSG has 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 executives. The executive officers focus only on the performance of business operations in accordance with policies determined by the Board of Directors and they strive to do so flexibly, as well as expeditiously and efficiently.

Nomination and Compensation Committee

OSG has a Nomination and Compensation Committee to serve as an advisory body to the Board of Directors. Its purpose is to strengthen the independence, objectivity, and accountability of board functions through the appropriate involvement of independent outside directors and the provision of advice in relation to the appointment of directors, executive officers, and other corporate officers and their compensation. The Nomination and Compensation Committee consists of directors who are also members of the Audit & Supervisory Committee. Four of the five members are highly independent outside directors. In addition, an outside director chairs the committee. Persons deemed suitable to be directors of OSG, on the basis of their extensive experience, and their high level of knowledge and specialization, are selected and nominated as candidates for membership on the Board of Directors. The Board of Directors makes decisions on appointments after seeking and receiving advice from the Nomination and Compensation Committee. For details about OSG's procedures for determining compensation, please refer to Process for Determining Compensation, in Compensation for Corporate Officers on p. 40.

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

Corporate Governance

Reasons for Appointment of Outside Directors & Concurrently Held Positions

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

As of February 20, 2026

Evaluation of Effectiveness of the Board of Directors

To enhance the Board of Directors' functions, OSG began analyzing and evaluating the Board's effectiveness in FY2022. To ensure the FY2025 evaluation of effectiveness would be objective and transparent, the support of an external organization was secured and the evaluation was done in September 2025. A session of the Board of Directors was held in November 2025 to analyze, discuss, and evaluate the results. An overview of those evaluation results is given below.

Description

Target	All members of the Board of Directors 2 Directors who are not members of the Audit & Supervisory Committee 5 Directors who are members of the Audit & Supervisory Committee (4 of whom are outside directors) for a total of 7
Evaluation method	Anonymous questionnaire
Time frame	Response period (September 19–October 6, 2025)
Overview of questions	• Composition of the Board of Directors • Operation of the Board of Directors • Deliberations by the Board of Directors • Monitoring capability 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 • Summary
Evaluation method	Survey results were consolidated by an external organization and then analyzed, discussed, and evaluated by the Board of Directors

Evaluation Results

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

However, areas for improvement were identified, including deeper discussions on the alignment between management strategy and the creation of corporate value, oversight of the allocation of management resources including human capital and intellectual property, the depth of discussions on CEO succession planning, feedback on the content of dialogues with investors, and expanding opportunities for exchanging opinions among outside directors.

Initiatives for Enhancing Effectiveness

OSG will implement the following initiatives based on these findings.

- Strengthen the linkage between management strategy, human capital strategy, intellectual property strategy, and discussions by the Board of Directors
- Consider a succession plan for the CEO; enhance discussions within the Nomination Committee
- Improve the system for timely and appropriate sharing of the content of investor dialogue with the Board of Directors
- Regularly hold meetings for outside directors to exchange opinions
- Provide more information to outside directors, including more detailed information on domestic and overseas sites
- Set agendas appropriately to ensure that committees (Nomination, Compensation, and Audit & Supervisory) can sufficiently discuss important matters

We will continue to work on enhancing the effectiveness of the Board of Directors and strengthening our governance structure to support the sustainable improvement of corporate value.

Compensation for Corporate Officers

Compensation Structure

Compensation for directors (excluding directors who are members of the Audit & Supervisory Committee) consists of fixed compensation, variable compensation linked to business performance, and allocation 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 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: Directors who are serving as executive officers; managing officers
- Calculation method: Amount of profit-linked bonus = Consolidated operating income X Rank-based bonus coefficient (table below) Note: maximum of ¥700 million

● Rank-based Bonus Coefficient

Rank	Coefficient
Chairman	0.3645%
President	0.4050%
Managing officer	0.1620%

● Personal Assessment Bonuses

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

Compensation Based on Allocation of Restricted Stock

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

Policy for Determining Compensation Packages

The policy for determining the specifics of compensation for directors is drafted by the representative director entrusted by the Board of Directors with preparing the Company policy proposal. The representative director then refers the proposal to the Nomination and Compensation Committee, which is comprised of a majority of independent outside directors. The proposal is decided on by a resolution of the Board of Directors based on the response from the Nomination and Compensation Committee.

Process for Determining Compensation

Fixed Compensation and Compensation Based on Allocation of Restricted Stock

In order to determine the amount of compensation for directors (excluding directors who are members of the Audit & Supervisory Committee), the representative director entrusted by the Board of Directors with preparing the proposed compensation amounts does so 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 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 entrusted by the Board of Directors with calculating the proposed amounts for profit-linked bonuses and personal assessment bonuses does so using the methods outlined above. The proposed amounts are then referred 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.

Reduction in Cross-Shareholdings

Every year, the Board of Directors reviews each of the cross-shareholdings and determines whether or not to continue holding them. Those for which the Board of Directors deems there to be no rationale for their continued holding are gradually sold off. The criteria for these determinations include the purpose of the holding, risks, and the relationship with OSG. The cost of capital is also taken into account.

As for the exercise of voting rights, the Board of Directors does not make decisions based solely on the short-term performance and price of the stock of the Company held, but comprehensively considers the relationship with OSG in making the determinations.

(Amount: millions of yen)

	FY2021	FY2022	FY2023	FY2024	FY2025
Number of stocks sold	0	1 (1)	0	2 (1)	2 (1)
Amount sold	0	118	0	28	376
Book value	0	20	0	13	158
Profit/loss on sale	0	98	0	15	217
Market value held ÷ shareholder equity (%)	3.6	3.6	4.3	6.2	6.4
Number of stocks held	8	7	7	7	6

Note: The figures are based on the disclosure content of the securities report. Figures in parentheses indicate number of stocks sold off completely.

Corporate Governance

Risk and Compliance

Basic Philosophy for Risk and Compliance

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

Risk Management Policy

The OSG Group strives to ensure the smooth operation of its business by preventing possible 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, those associated with business processes, and those associated with our internal environment. Risks that management recognizes as likely to have 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
Risks associated with the external environment	Economic conditions and market trends
	Trends affecting procurement of raw materials
	Climate change, natural disasters, and pandemics
Risks associated with business processes	Stable supply to the market
	Employee working conditions
	Safety and health management for employees
	Information security
Risks associated with our internal environment	Corporate governance and financial risk
	Retaining and training human resources
	Traffic accidents

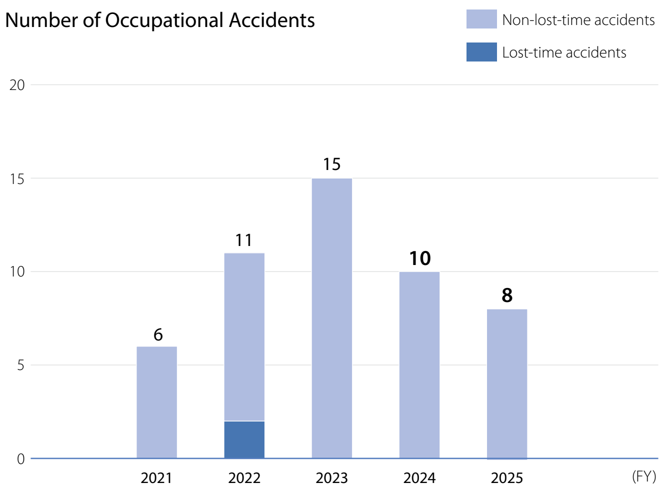
Business Continuity Plan

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

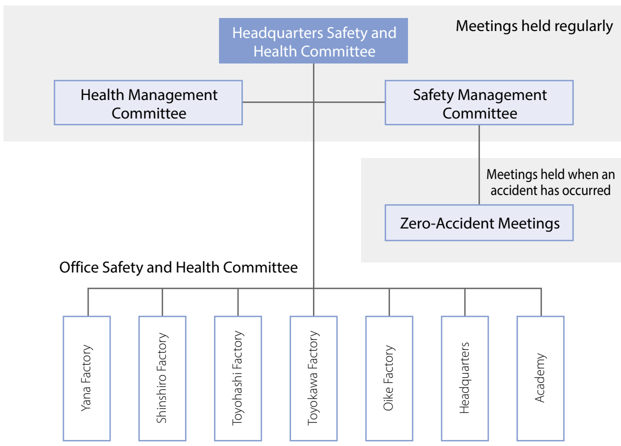
1. We have a BCP that takes into account an earthquake along the Nankai Trough in the South Sea or Southeast Sea segment (which is an event forecast to occur in the near term), and we conduct training and educational exercises. Moreover, even if a large-scale disaster occurs, each business site has essentials, such as water and food, to support the lives of employees until a relief system can be established by the municipal or national government.
2. During times of non-emergency, the Safety and Health Committee, which meets monthly, identifies hazardous work, hazardous equipment, and other such hazards, and strives to mitigate the impact of a natural disaster or human error on production.

A first-response drill following the BCP

Number of Occupational Accidents



Company-wide Safety and Health Committee



Information Security

The OSG Group has strived to enhance information security. We established a Basic Information Security Policy to maintain the trust of our customers and society as well as protect information assets from threats such as accidents, natural disasters, and criminal activity in today's highly information-oriented society. This is part of our efforts to continue to provide products and services that satisfy our customers' needs. To minimize the risk of an accident or other internal incident occurring, we thoroughly educate all employees about compliance with legal and contractual requirements commensurate with the level of secrecy of the information assets handled. In preparing for external risks, we continue to assess risks to information systems and develop countermeasures as well as raise the level of security literacy among our employees. We have conducted information system risk evaluations in response to continually changing cybercrime techniques, and adopted a series of measures to address any elements of risk. The necessary investments have been made with a view to minimizing the scope of impact in the unfortunate event that we do sustain damage as well as to ensure business continuity. As part of our measures to educate employees, we have 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 highly information-oriented society.

Compliance

Basic Philosophy

The OSG Company Ethics Pledge was established as a set of values and ethics that we thoroughly practice to ensure all directors, executives, and employees in the OSG Group conduct business activities based on social common sense and comply with laws, regulations, and social standards. The Company Ethics Pledge comprises two sections: business ethics norms and company action standards. Business ethics norms are guidelines establishing the basis upon which business activities should be carried out and how personnel should conduct themselves to ensure the prompt and appropriate implementation of fair and appropriate practices. Company action standards are a detailed code of conduct to ensure the implementation of the business ethics norms.

Promotion of Compliance

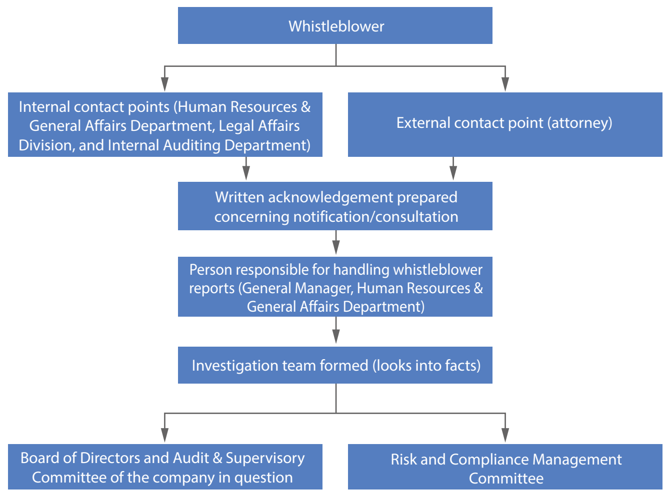
Even as we comply with revisions of laws, regulations, and other rules, we have appropriately maintained and reassessed our Company Ethics Pledge to incorporate training measures when employees are assigned to design, development, or compliance-related units as part of our training as well as professional 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 their companies as well as foster an awareness of, and promote an understanding of, compliance in each and every one of our employees.

Compliance Promotion System

Whistleblowing System

The OSG Group has internal reporting standards, which provide a mechanism to ensure that reports and consultations are handled appropriately. Reports can be about organizational or individual violations of laws and regulations, fraudulent activities, and actions in violation of the OSG Company Ethics Pledge in any corporate activity. Also, it does not matter whether they are received from inside or outside the Company. Upon receipt of a report or consultation from a whistleblower, an investigation team looks into 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 are taken to prevent any recurrence. The person responsible for handling whistleblower reports makes sure that the recurrence prevention measures continue to function effectively even after they have been implemented. The purpose of this system is to protect whistleblowers, prevent and promptly detect violations of laws and regulations, take corrective action, and strengthen compliance-based management.

Whistleblowing System



Message from the Chairman

Norio Ishikawa

Chairman & CEO

Corporate governance that enables highly functional supervision by independent outside directors

OSG's Governance Structure

OSG has been reforming its corporate governance since 2016 and has transformed its structure to aid investors in understanding that OSG is a listed company that operates worldwide while maintaining the centrality of its founding family. The OSG Group built a network around the globe and, operating under management led and carried forward by the founding family, has expanded and grown its business. I see this as the result of management that has maintained a consistent compass in its decision-making.

At the same time, some commenters have noted that the centrality of a founding family can result in governance in name only. It is necessary to optimally balance the three elements of the founding family, supervision, and execution. After I was appointed President, I tackled the separation of supervision and execution and set up a structure in which outside directors make up the majority of the Board of Directors. Looking at examples of governance in Japan and overseas, they share an emphasis on the separation of supervision and execution. Our decision to make this a matter of principle can therefore be considered appropriate. We currently have seven directors, four independent outside directors and three internal directors. All of our independent outside directors are Audit & Supervisory Committee members. This structure is appropriate in light of the scale of our Group. It makes the respective roles of supervision and execution clear and allows each role to fully exert its functions. Regarding execution, the Executive Officer Committee holds the same approval authority and investment authority it has held to date, while being subject to the Rules on Administrative Authority. However, we have clarified that the Board of Directors will deal with matters going beyond that, such as M&A cases and compliance.

Aiming for Governance with Clear Criteria for Making Decisions

A key feature of the OSG's Board of Directors, which is supervised by the Company's independent outside directors, is that it aims for governance with clear criteria for making decisions. This includes numbers-driven governance that does away with arbitrariness. When making decisions, we set out criteria and, wherever possible, derive objective answers through numbers and formulas to minimize room for subjectivity. As an example, compensation for the management team, including the chairman and the president, is determined by a formula that links compensation to performance. We also incorporate formulas into evaluations of our business and visualize profit at the level of individual products and companies. Based on these perspectives, we further evaluate whether we should continue, improve, or withdraw from unprofitable businesses.

We also refine the quality and quantity of information, and are thorough about both our culture of sending back proposals for further work and having prior briefings to prepare information needed for decision-making. The Board of Directors should not render quick decisions through majority vote. When information on a matter is insufficient, the matter can be sent back for further work. I believe that sending matters back in this way is a vital technique and is an element that demonstrates the effectiveness of governance by the Board of Directors. At OSG, we return proposals after marking them up with notes regarding deadlines, requirements for approval, and further information needed, so that the proposals can be re-introduced with a higher level of quality. This action is also highly effective when carrying out M&A and due diligence. Looking back, there have been times when time constraints made sufficient study of M&A cases difficult. Based on such experiences, when questions remain concerning due diligence or requirements, we place priority on sending the matter back rather than moving forward. On the day before a Board of Directors meeting, we set up a venue for informal exchanges of opinions with participation by all in order to share information on project prerequisites and to pose questions. This allows us to engage in essential discussion on the day of the meeting without spending time on explanations. In this way, we are creating conditions by which independent outside directors can obtain the right amount of information necessary for final decision-making.

On-Site Assessments and Mechanisms that Achieve Effective Supervision

OSG's independent outside directors also serve as members of the Audit & Supervisory Committee, which enables more detailed supervision through audit visits. The independent outside directors travel to our domestic offices, major subsidiaries, and factories to get a feeling for conditions at a site from its atmosphere, explanations from managers, and so on.

Compliance is an essential element in making the separation of supervision and execution effective. No matter how excellent a company may be, recent events have made clear that misunderstanding a matter to be minor and overlooking harassment or quality-related misconduct can snowball into a major incident that places the company's survival in peril. Information on compliance violations, large or small, must be shared with the Board of Directors, including the outside directors, which is why separation of supervision and execution is important. Under OSG's belief that an incident should not be judged by its scale or the amount of money involved, our Compliance Committee reports such matters to the Board of Directors.

What is crucial here is the fact that a company does not act through its management alone. The actions of every employee affect the survival of the company. In our Group, awareness of compliance has taken root among employees, and mechanisms work by which the insights and judgment of every individual are appropriately assessed and shared by the organization, resulting in the achievement of governance with real effectiveness.

The Corporate Governance Culture We Want to Achieve

I do not believe that a complete or perfect form of governance exists. Governance that is excessively bound by rules can hinder the flexibility of management decisions and the agility of actions. What I value, and what I want to achieve, is the creation of a culture of "that's normal," both within the Board of Directors and the Executive Officer Committee. When the numbers-driven governance and culture of sending back proposals that I spoke about have become normal, only then will independent supervision and execution by outside directors function at a high level. With this as our aim, OSG will work to further advance governance that is effective.

Interviews with Outside Directors

Interview

Governance and value creation honed from a manufacturing perspective

Kunihiko Hara — Outside Director, Audit & Supervisory Committee Member

Q. What do you focus on most in the governance and supervision of management of the Company?

As an outside director, I place importance on OSG solidly maintaining soundness and transparency in its management. Accurate disclosure of information and a shared understanding of issues are at the root of corporate value, and management risks escalate rapidly if trust is lost. As an example, when taking in reports from other countries, I pay close attention to whether these contain any leaps in logic, whether they are misaligned with prevailing views, and whether they are backed by real evidence.

I also look at whether the organization is one that allows employees to autonomously take on challenges. A company's management team needs to show a clear strategy for the medium to long term along with the vision set forth by the company, and must create conditions enabling everyone to head in the same direction. If the direction is clear, people will take positive action and the company's competitiveness will naturally increase.

OSG has a strong technological foundation by global standards. To connect its potential to the future, I intend, as an outside director, to responsibly keep watch over the Company and offer counsel while fulfilling the requirements of governance from an objective perspective.

Q. From your many years of experience in manufacturing, how do you evaluate the technical aspects that form the Company's strengths?

GREEN TAP won the 'CHO' MONODZUKURI Innovative Parts and Components Award in 2025. Behind this achievement lay the Company's excellence in defining issues. The key to technology development is a stance of thoroughly thinking about why an issue is occurring. Discerning the essence of the issue before applying technology leads to correct decisions. A major element in the development of GREEN TAP was the Company combining its long-cultivated machining technologies with advanced analysis using computational fluid dynamics. I rate the Company highly for the fact that by making the flow of cooling oil and areas of heat generation visible, it uncovered a way to break through the limits of existing technologies.

Repeating questions in the field and searching for the best solution while changing the conditions—companies in which this process properly functions have the ability to create entirely new production technologies and design concepts, not mere extensions of existing technologies. OSG's initiatives demonstrate that the Company is solidly equipped with that ability, and taking the stance described above will be a source of future competitiveness.

Q. How do you view the creation of an environment that encourages human resource development and the taking on of challenges?

The strength of OSG lies in its environment where employees are able to understand their roles and their areas of contribution at an early stage and take on challenges without hesitation. This is an indication that OSG has a clear direction as a company.

Necessity is an essential element in taking on challenges. When people have a sense of purpose because they are working on something that's necessary, they can do so with a positive attitude even when the targets are high. On top of that, an environment in which people can openly say "I don't know" is indispensable for their growth. An attitude of asking for help from others and continuing to learn out in the field is crucial in promoting growth.

In addition, the culture of kaizen that is rooted in OSG represents not mere small improvements, but an endeavor to hone capabilities for discerning waste, overburden, and unevenness in the field. The accumulation of steady improvements nurtures the ability to grasp the essence of issues, which eventually becomes the starting point for major transformation. This culture forms the foundation of an organization that backs up people who take on challenges.

Q. Do you have a closing message for the Company's stakeholders?

OSG is a company that holds great potential in terms of both technology and human resources. I think that how the Company connects those strengths to sustainable growth will be a key theme for its future management. Toward that end, it is vital that the Company connect the capabilities it has developed in the field to solid strategy, and that it create conditions under which the organization as a whole can move in the direction of value creation. I will continue involving myself constructively in this process as an outside director so that such initiatives can be made even more effective through deliberation by the Board of Directors.

Interview

Connecting environmental action to the enhancement of corporate value

Yoshitsugu Hayashi — Outside Director, Audit & Supervisory Committee Member

Q. What challenges does the Company face amid the advance of decarbonization and the strengthening of environmental regulations?

As an outside director, what I place the highest importance on is that the Company handles environmental action not as business unit-level initiatives but as a theme intertwined with the roots of management decision-making. As global regulations become increasingly advanced worldwide, it is vital that manufacturing companies like OSG create a foundation that enables the continual assessment of environmental impacts throughout the product life cycle, from raw material procurement to logistics, manufacturing, and disposal. In addition, as regulations and the market environment undergo rapid change in countries worldwide, it is crucial that companies codify mechanisms for collecting primary information from their overseas sites. While OSG has strengths in its end-to-end design and manufacturing capabilities and in its extensive global network, the Company is still in the process of establishing a structure for embedding those strengths into its data and mechanisms. The Board of Directors will continually supervise the quality and comprehensiveness of information and provide support for reducing the Company's environmental impact while enhancing its corporate value.

Q. GREEN TAP was a winner of the 'CHO' MONODZUKURI Innovative Parts and Components Award and the Energy Conservation Grand Prize. What sort of activities do you think are necessary to further advance the Company's environmental initiatives?

GREEN TAP is an undertaking that symbolizes OSG's environmental strategy. The product has won acclaim from outside the Company for its ability to clearly reduce energy consumption and CO_2 emissions in machining processes. Looking ahead, the Company will need to quantitatively organize data on the efficacy of introducing GREEN TAP, including data on tool life and the improvement of defect rates, and must actively communicate this data as value that includes benefits for customers. The Board of Directors also bears the role of linking the Company's development portfolio to environmental metrics and setting up mechanisms to ensure reliability, such as third-party verification.

Q. What do you think is needed to connect these environmental actions to continuous, not transitory, value creation?

Metrics indicating qualities such as environmental efficiency (sales ÷ environmental impact) are effective in changing environmental actions from a cost into value. Making market access, enhancement of customer productivity, and other positive effects of environmental measures visible facilitates their incorporation into decision-making throughout management. The Board of Directors must have an awareness of the connection to medium- to long-term value creation and must supervise the integrated operation of environmental and business KPIs.

Q. Do you have a closing message for the Company's stakeholders?

Since its founding, OSG has pursued both reducing its environmental impact and improving quality under its philosophy of "Global Presence." In modern corporate management, it is increasingly vital for companies to undertake environmental action, ensure the safety and security of employees, customers, and the community, and bring about conditions for the enjoyment of sustainable and vibrant living and working environments. This overall enhancement of quality of life and working environments, much discussed in recent years as "well-being," is a concept toward which OSG's business activities can make contributions.

The data management and kaizen that employees undertake every day strengthen competitiveness and form the foundation for the value provided to society. OSG will continue to address stakeholders through transparent information disclosure and assured technical capabilities. As a company that embraces its responsibilities toward the environment while working to enhance living and working environments, OSG will continue its efforts toward sustainable value creation.

Corporate Officers

As of February 20, 2026

Directors

*Outside Directors

Norio Ishikawa

Chairman & Representative Director
Chief Executive Officer (CEO)

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

Nobuaki Osawa

President & Representative Director
Chief Operating Officer (COO)

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

Takehiro Tomiyoshi

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

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

Akito Takahashi*

Director
(Audit & Supervisory Committee Member)

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

Kunihiko Hara*

Director
(Audit & Supervisory Committee Member)

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

Kayoko Yamashita*

Director
(Audit & Supervisory Committee Member)

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

Yoshitsugu Hayashi*

Director
(Audit & Supervisory Committee Member)

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

Executive Officers

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

Directors' Expertise & Areas of Specialization (Skills Matrix)

As of February 20, 2026

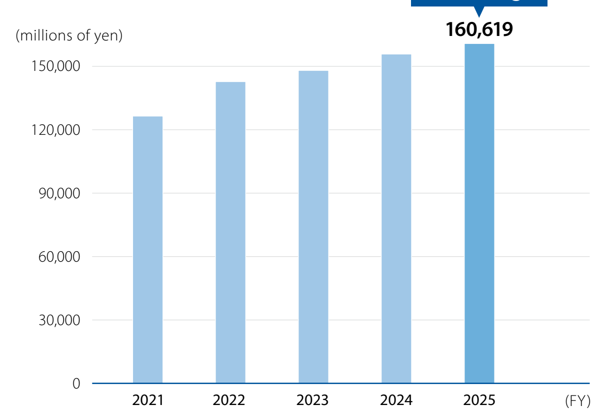
Name	Title/position	Tenure (years)	Independent	Gender	Nomination and Compensation Committee	General management	Production & technology	Sales/marketing	Financial affairs/ accounting	Finance	International affairs	Legal affairs	Risk management	Governance	Diversity
Norio Ishikawa	Chairman & CEO	22		Male		●	●				●		●	●	●
Nobuaki Osawa	President & COO	7		Male		●		●			●			●	●
Takehiro Tomiyoshi	Director Audit & Supervisory Committee member	4		Male	○				●	●		●		●	
Akito Takahashi	Outside director Audit & Supervisory Committee member	8	○	Male	○ Chairperson							●	●	●	
Kunihiko Hara	Outside director Audit & Supervisory Committee member	6	○	Male	○ Vice chairperson	●	●	●					●		
Kayoko Yamashita	Outside director Audit & Supervisory Committee member	4	○	Female	○				●	●					●
Yoshitsugu Hayashi	Outside director Audit & Supervisory Committee member	2	○	Male	○						●			●	●

Composition of the Board of Directors: six men, one woman (14.3% female)
The chart above does not list all the knowledge and experience of each director, but presents those skills deemed to be representative.
Length of tenure is as of the end of the Shareholders' Meeting on February 20, 2026.

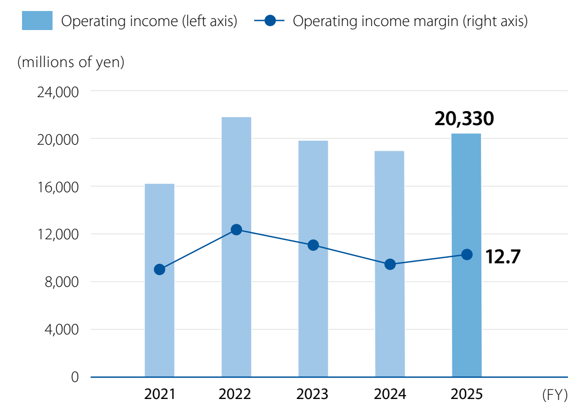
Financial and Non-Financial Highlights

Financial Highlights

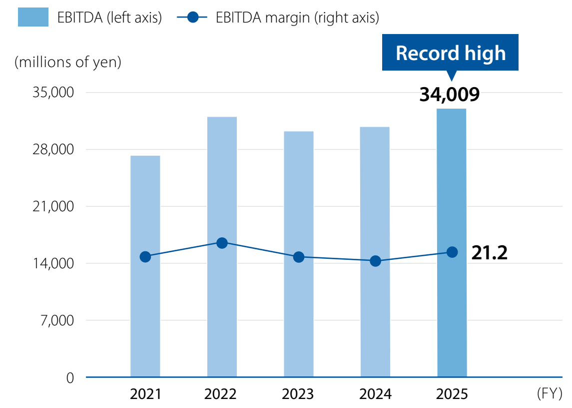
Net sales



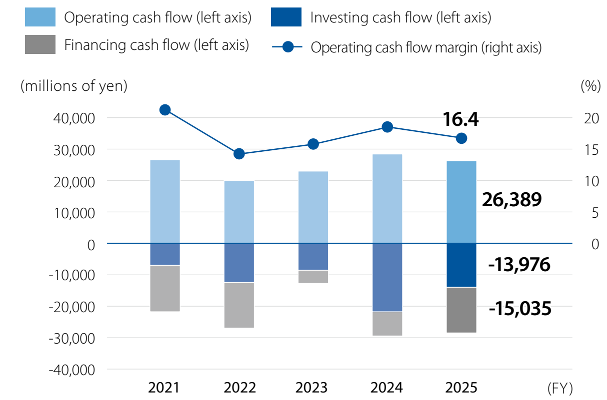
Operating income



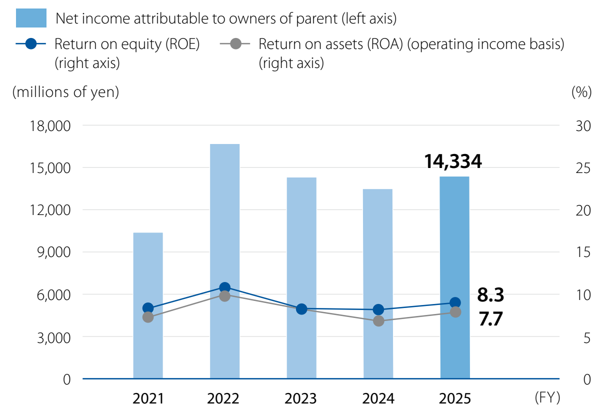
EBITDA



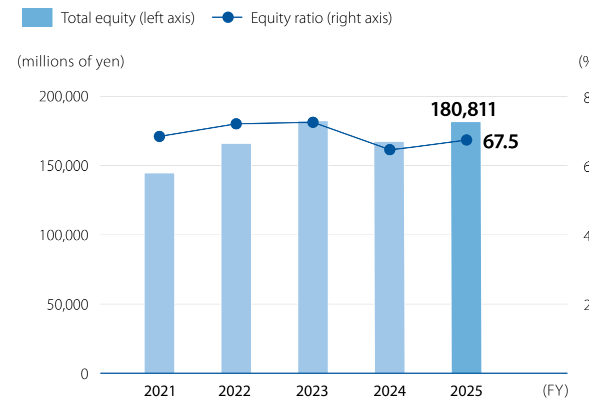
Cash flows



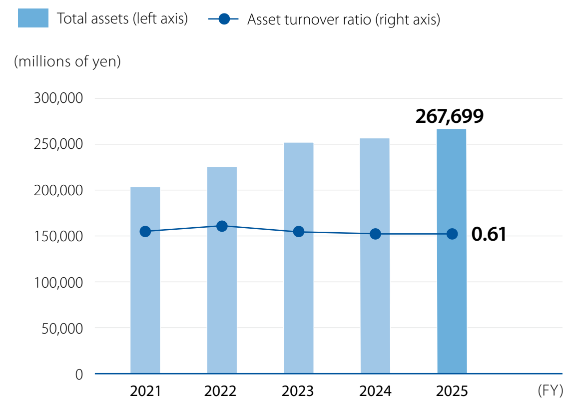
ROE and ROA



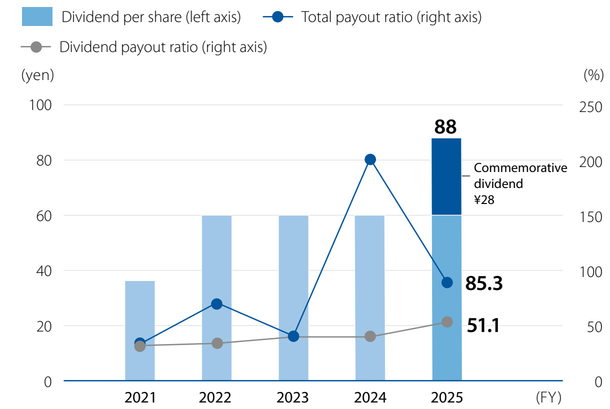
Total equity



Total assets



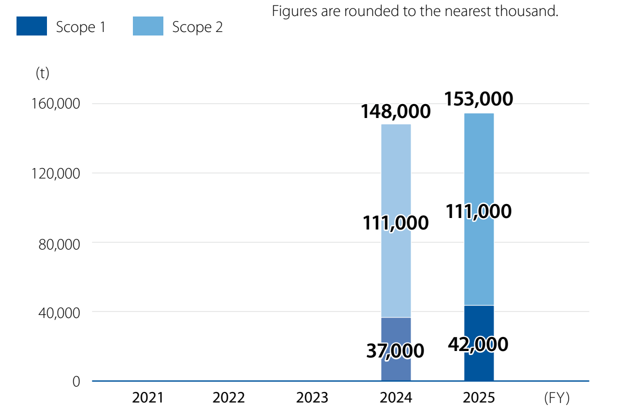
Dividend and dividend payout ratio



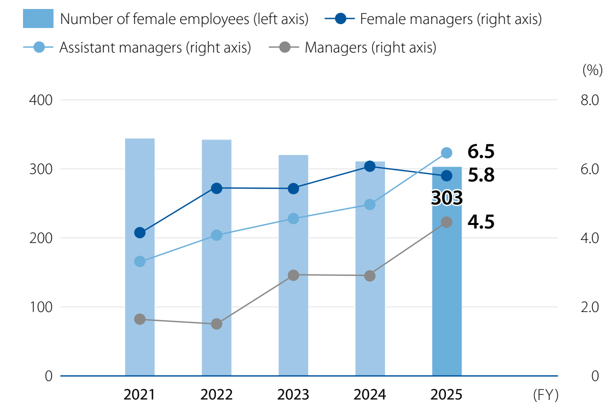
Non-Financial Highlights

CO_2 emissions

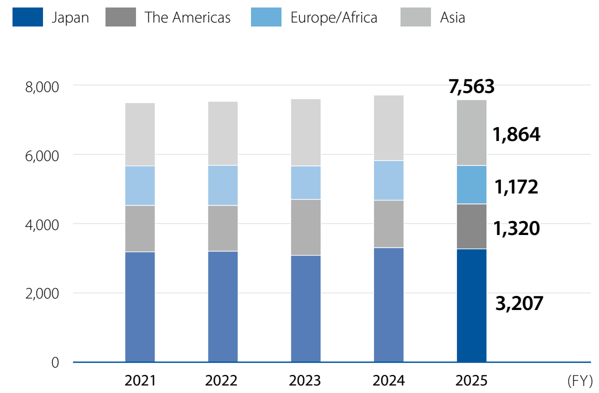
Note: Calculations on a consolidated basis began in FY2024. Figures are rounded to the nearest thousand.



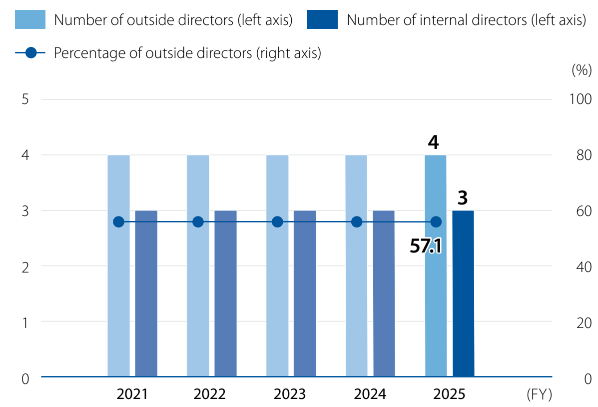
Percentage of female managers



Number of employees



Percentage of outside directors



Key Financial Data for the Past 10 Years

(millions of yen)

Fiscal year		2016/11	2017/11	2018/11	2019/11	2020/11	2021/11	2022/11	2023/11	2024/11	2025/11
Profit and loss	Net sales	105,561	120,198	131,368	126,964	104,388	126,156	142,525	147,703	155,517	160,619
	Cost of sales	59,179	69,711	74,833	73,281	65,715	76,969	83,459	87,254	92,042	94,800
	Selling, general and administrative expenses	28,135	31,349	34,015	34,128	30,276	33,081	37,166	40,648	44,606	45,488
	Operating income	18,246	19,137	22,520	19,554	8,396	16,105	21,898	19,800	18,868	20,330
	Ordinary income	17,813	19,144	22,567	19,710	8,950	16,141	23,648	21,350	19,825	22,354
	Net income attributable to owners of parent	10,134	13,993	14,710	13,686	5,639	10,989	16,534	14,307	13,439	14,334
	Cash flows from operating activities	16,333	20,820	20,125	19,261	17,038	26,982	20,175	23,331	28,557	26,389
	Cash flows from investing activities	-16,843	-7,566	-13,351	-20,314	-17,133	-6,961	-12,170	-8,543	-21,741	-13,976
	Cash flows from financing activities	-778	-11,137	-4,723	3,465	9,658	-14,264	-14,740	-3,831	-7,985	-15,035
	Capital expenditures	13,394	9,494	11,464	17,139	9,895	5,555	8,600	10,580	15,509	14,324
	Depreciation and amortization	7,885	8,612	9,100	9,522	10,518	10,591	10,498	11,037	11,824	12,598
	EBITDA	26,430	28,567	32,098	29,612	19,570	27,492	33,277	31,741	31,699	34,009
	Number of employees	5,866	6,611	7,020	7,236	7,173	7,489	7,543	7,563	7,674	7,563
Financial condition	Total assets	156,081	166,712	178,020	190,414	200,112	209,757	228,852	250,124	257,256	267,699
	Net assets	103,059	128,394	138,354	140,658	140,179	154,800	176,838	194,640	179,411	193,857
	Interest-bearing debt	33,506	16,325	15,612	26,782	41,769	30,751	25,570	28,676	49,099	44,957
	Total equity	92,216	115,810	125,332	129,078	129,338	143,811	164,659	181,561	166,633	180,811
Per share	Net income (yen)	110.59	153.70	150.47	140.06	57.94	112.63	171.54	149.29	148.94	172.11
	Net assets (yen)	1,024.34	1,191.65	1,279.29	1,328.08	1,327.22	1,472.45	1,721.14	1,892.35	1,962.21	2,200.98
	Dividend (yen)	50.00	46.00	47.00	47.00	22.00	36.00	60.00	60.00	60.00	88.00
Management indices	Percentage of overseas sales (%)	55.3	57.6	58.4	57.3	59.4	61.8	64.9	67.0	68.0	68.2
	Operating income margin (%)	17.3	15.9	17.1	15.4	8.0	12.8	15.4	13.4	12.1	12.7
	Return on equity (ROE) (%)	10.4	13.5	12.2	10.8	4.4	8.0	10.7	8.3	7.7	8.3
	Return on assets (ROA) (%) (operating income basis)	11.7	11.9	13.1	10.6	4.3	7.9	10.0	8.3	7.4	7.7
	Return on assets (ROA) (%) (net income basis)	6.5	8.7	8.5	7.4	2.9	5.4	7.5	6.0	5.3	5.5
	Asset turnover ratio	0.68	0.74	0.76	0.69	0.53	0.62	0.65	0.62	0.61	0.61
	Equity ratio (%)	59.1	69.5	70.4	67.8	64.6	68.6	72.0	72.6	64.8	67.5
	EBITDA margin (%)	25.0	23.8	24.4	23.3	18.7	21.8	23.3	21.5	20.4	21.2
	Dividend payout ratio (%)	45.2	29.9	31.2	33.6	38.0	32.0	35.0	40.2	40.3	51.1
Net sales by product category	Taps	33,948	38,175	41,729	39,895	33,671	43,239	50,374	49,050	51,686	53,688
	Drills (and other cutting tools)	26,709	31,662	36,811	36,147	29,484	35,721	40,982	42,886	46,105	49,826
	End mills (milling cutters)	24,837	27,090	27,917	26,690	21,219	24,006	26,383	27,983	29,366	29,300
	Rolling dies	9,443	10,218	10,645	9,973	7,947	10,052	10,616	11,035	11,100	10,996
	Gauges	1,478	1,625	1,757	1,946	1,712	1,747	1,991	1,968	2,405	2,144
	Other	9,143	11,424	12,508	12,310	10,354	11,387	12,176	14,778	14,852	14,661
Net sales to external customers by segment	Japan	48,257	51,639	55,287	54,725	42,816	48,935	50,858	49,619	50,516	51,706
	The Americas	19,478	21,413	22,680	23,152	18,818	21,915	27,845	32,126	34,537	35,013
	Europe/Africa	12,268	18,177	22,134	20,893	19,396	24,573	28,964	33,590	36,536	37,617
	Asia	25,556	28,968	31,266	28,193	23,356	30,732	34,856	32,367	33,926	36,281

Dialogue with Stakeholders

We, at the OSG Group, strive for the sustainable development of society based on our corporate philosophy of "Global Presence." We are committed to maintaining and expanding robust relationships with various stakeholders, including shareholders, customers, suppliers, and employees.

Topics Promoting IR Activities for Sustainable Value Creation

The OSG Group places great importance on timely and appropriate disclosure of information and constructive dialogue. At the beginning of this FY2025 integrated report, we included a dialogue between the President and a securities analyst as part of our efforts to deepen mutual understanding. In this dialogue, they exchanged views candidly and constructively from their respective positions as a corporate executive and an investor on a wide range of topics, such as the progress of the Medium-Term Management Plan, the exploration of growth areas, approaches to disclosure, perceptions of the competitive environment, and perspectives on market valuation. This exchange provided multifaceted insights for creating value over the medium to long term.

Furthermore, through 173 meetings in FY2025, we gathered a wide range of feedback from diverse perspectives by actively involving not only the investor relations department but also management, including the President, as well as the Human Resources Division. The feedback gathered is shared internally and reflected in management policies and specific measures as necessary. The insights gained from these dialogues serve as crucial feedback for enhancing corporate value, and we will continue to improve the quality and quantity of these dialogues to sustainably create value together with our investors.

Activity	FY2021	FY2022	FY2023	FY2024	FY2025
Financial briefings	2	2	2	2	2
Meetings with institutional investors and securities analysts	142	147	142	160	173
Those pertaining to ESG	2	1	1	0	2
Overseas investor relations meetings	16	18	19	23	23

Corporate Information

Company Profile

(As of November 30, 2025)

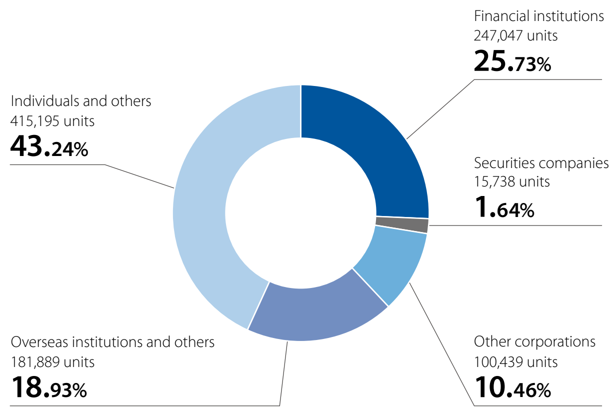
Company name	OSG Corporation
Headquarters	3-22, Honnogahara, Toyokawa, Aichi Prefecture 442-8543, Japan
Date established	March 26, 1938
Capital	¥13,044,000,000
Employees	7,563 (consolidated) 1,854 (non-consolidated)
Business activities	Manufacture and sales of cutting tools, rolling dies, gauges, machine tools and machine parts; import and sales of tools
Listed markets	TSE Prime & NSE Premier (Securities code 6136)

Status of Shares

(As of November 30, 2025)

Number of shares issuable	200,000,000 shares
Number of shares outstanding	96,145,417 shares
Number of shareholders	11,972

Ownership breakdown (One unit = 100 shares)



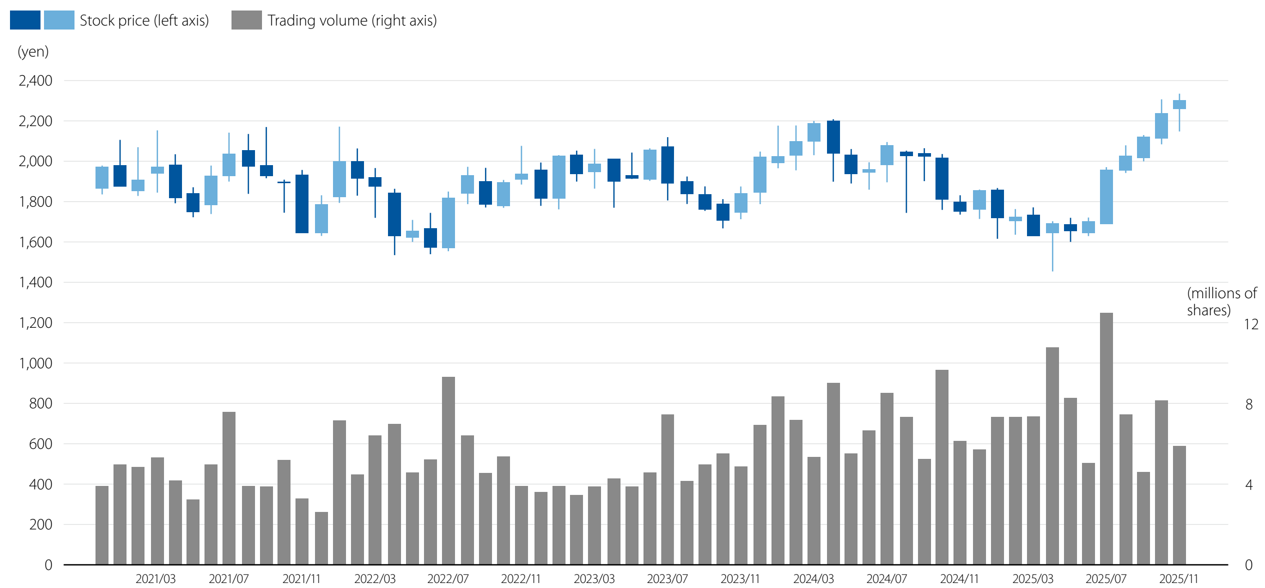
Notes 1. Amounts of less than one unit are not included.
2. Treasury stock is included under "Individuals and others."

Major shareholders

Name	Number of shares held (thousands of shares)	Percent ownership (%)
The Master Trust Bank of Japan, Co., Ltd. (Trust Account)	7,098	8.64
Custody Bank of Japan, Ltd. (Trust Account)	5,343	6.50
OSG Agent Association	3,609	4.39
MSIP CLIENT SECURITIES	3,127	3.81
OSG Stock Holding Association	2,620	3.19
Osawa Scientific Studies Grants Foundation	2,450	2.98
OSG Employee Stock Ownership Association	2,143	2.61
Sumitomo Mitsui Banking Corporation	2,100	2.56
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2,097	2.55
State Street Bank and Trust Company 505103	1,710	2.08

Notes 1. The number of shares held is rounded down to the nearest thousand.
2. Other than the above, there are 13,954 thousand shares of treasury stock.
3. Ownership percentage is calculated after deducting treasury stock.

Status of Stock Price



Rating and Investment Information, Inc. (R&I): A/Stable
Japan Credit Rating Agency, Ltd. (JCR): A/Stable
Rating information: As of November 30, 2025