Corporate Governance Report

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OSG Corporation
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Stock Exchange Code: 6136
https://www.osg.co.jp/en/index.html

The corporate governance of OSG Corporation (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

Under our corporate philosophy of achieving a global presence, we regard compliance with laws, regulations, and social norms as a fundamental part of our management policies, together with fairness and transparency in our business activities. We also believe that these qualities contribute to sustainable corporate development and the improvement of corporate value. Measures to enhance corporate governance, including the establishment of efficient and transparent management organizations, and the creation of systems to ensure timely and fair disclosure of accurate information, are among our most important management priorities.

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

[Reasons for Not Implementing Each Principle of the Corporate Governance Code]

The Company fully implements each principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

[Principle 1.4 Cross-Shareholdings]

The Company can acquire and hold shares of other listed companies as cross-shareholdings if we judge doing so to be beneficial for improving the Group's medium- to long-term corporate value from the perspective of building medium- to long-term relationships with business partners and facilitating and strengthening business alliances, etc. Each year, the Board of Directors examine the benefits and suitability of these cross-shareholding by considering the medium- to long-term economic rationale for holding each individual stock and the contribution it makes to maintaining and strengthening a comprehensive relationship with each business partner. We intend to sell off holdings that have become less significantly important in stages after taking into account the financial situation of the companies involved.

In addition, we will exercise the voting rights pertaining to the listed stocks appropriately after carefully examining shareholder meeting agenda proposals and confirming that those proposals will help enhance the corporate value of the relevant company and promote the common interest of its shareholders.

[Principle 1.7 Related Party Transactions]

If the Company conducts transactions with directors and major shareholders of the Company, etc. (collectively the "Related Parities"), it shall manage them appropriately as described below so that they are not detrimental to the common interest of the Company and its shareholders.

A. Directors shall obtain approval from the Board of Directors if they conduct competitive or conflict of interest transactions.

B. The Company shall follow appropriate procedures in accordance with those for conflict of interest transactions by directors if it conducts transactions which are significant or out of the ordinary course of business with the Related Parties other than directors.

[Supplementary Principle 2.4.1]
Regarding the need to ensure greater diversity of human resources in the Company, we have strived to create a pleasant work environment based on the theme of promoting "diversity & inclusion" so that our diverse human resources are able to capitalize on their individual personalities and character as well as demonstrate their abilities to the fullest regardless of their nationality, gender, ethnicity, disability, or other characteristics. Among these efforts, we recognize that promoting the active participation of women in the workplace is an important issue. Our aim is to enable each and every woman to demonstrate her abilities to the fullest in her career by continuing to work passionately and assuredly. We have set a goal of "7% for the percentage of managers who are women (2025)" based on the Law for the Promotion of Women's Activities.
In addition, we are also working on the utilization of global human resources, such as by hiring persons categorized as a Specified Skilled Worker (i) and accepting trainees from overseas.
The reason we have not indicated voluntary and measurable goals for the promotion of non-Japanese and mid-career hires to managerial positions is that we promote persons based on their abilities, experience and aptitude, and have not created a framework based on gender, nationality, or hiring method.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]
Given the fact that the Company's retirement pension plan is a defined contribution corporate pension, there is no management of corporate pension reserves and no impact on the financial situation of the Company.

[Principle 3.1 Full Disclosure]
(i) Management philosophy and management strategies
We disclose our Medium-term Management Plan, integrated reports and other documents on our Company website.

(Medium-term Management Plan: https://www.osg.co.jp/en/about_us/ir/policy/plan.html)

(Integrated reports: https://www.osg.co.jp/en/about_us/ir/financial/ir-library/annual.html)

(ii) Basic policies on corporate governance
Our basic views on corporate governance are described in section I.1. Basic Views. Our basic corporate governance policy is as follows:

(1) The Company respects the rights of shareholders and strives to ensure substantive shareholder equality.
(2) The Company strives to cooperate appropriately with all stakeholders.
(3) The Company seeks to ensure appropriate information disclosure and proactively provide non-financial information as well.
(4) The Board of Directors will determine the direction of the Company's corporate strategy, etc. and appropriately fulfill its roles and responsibilities.
(5) The Company will engage in constructive dialogue with shareholders in order to help achieve sustainable growth and enhance corporate value over the medium- to long-term.

(iii) Compensation structure, etc. of directors
Compensation for directors (excluding directors who are members of the Audit & Supervisory Committee) consists of fixed basic compensation, variable compensation linked to business performance, and allocations of restricted stock. Compensation for directors who are members of the Audit & Supervisory Committee consists solely of fixed compensation.
The total amount of fixed compensation is determined within the upper limit defined by a resolution of the 103rd Ordinary Shareholders' Meeting held on February 20, 2016. Compensation is set at ¥396 million per year for directors (excluding directors who are members of the Audit & Supervisory Committee), and ¥84 million per year for directors who are also members of the Audit & Supervisory Committee. To determine the amount of compensation, the Board of Directors delegates the Representative Director to prepare proposed compensation amounts according to standards set by the Company. The proposed amounts are then referred to the Nomination and Compensation Committee, and based on the Committee's response, the amounts are then finalized by a resolution of the Board of Directors. The amount of compensation for directors who are also members of the Audit & Supervisory Committee is determined by a resolution of the Audit & Supervisory Committee.

Variable compensation is linked to the Company's business performance. The Representative Director is delegated by the Board of Directors to calculate the proposed amounts for profit-linked bonuses and personal assessment bonuses for eligible directors who are serving as executive officers and managing officers using the methods determined by the Company. These proposed amounts are then submitted to the Nomination and Compensation Committee. Based on the report from the Nomination and Compensation Committee, the Board of Directors determines the final amounts to be paid, subject to approval of the total amount through a resolution of an ordinary shareholders' meeting.

Compensation based on allocations of restricted stock (for directors (excluding directors who are members of the Audit & Supervisory Committee)) are determined within the upper limit defined by a resolution of the 106th Ordinary Shareholders' Meeting held on February 16, 2019. The maximum total value of shares allocated to eligible directors is set at ¥200 million a year, and the maximum total number of the Company's ordinary shares that can be issued or disposed of is 100,000 per year. To determine the amount of compensation, the Board of Directors delegates the Representative Director to prepare proposed compensation amounts according to standards set by the Company. The proposed amounts are then referred to the Nomination and Compensation Committee and, based on the Committee's response, the amounts are then finalized by a resolution of the Board of Directors.

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

(iv) Appointment and nomination of director candidates

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

(v) Reasons for appointment of director candidates

The Company describes its reasons for appointing individual directors in the Notice of the Ordinary Shareholders' Meeting and discloses each director candidate's past experience in the same notice.

(vi) Appointment/dismissal of directors

The Board of Directors makes decisions on the appointment or dismissal of directors after receiving advice from the Nomination and Compensation Committee.

[Supplementary Principle 3.1.3]

The Company disclosed our sustainability initiatives in our Medium-term Management Plan.

Regarding the Company's climate change initiatives, we have disclosed in the Medium-term Management Plan our business strategy for building a corporate culture capable of meeting any changes in an era of high uncertainty as we make a full-scale transition to the age of carbon neutrality, and we are promoting ESG management as the cornerstone of this strategy.

In particular, we recognize that "Climate Change Initiatives," which is one of the Company's eight material issues, is an important issue that the entire Group should address. We are actively working on initiatives to achieve carbon neutrality and develop eco-friendly products. We are also collecting and analyzing the necessary data on the impact of climate change-related risks and earning opportunities on our business activities and income, and are disclosing our findings based on the TCFD framework. As metrics and targets, we have set the following targets for the reduction of CO_2 emissions. FY2030 target: 30% reduction from FY2019 level, FY2050 target: achievement of carbon neutrality, and we are promoting energy savings in manufacturing processes and the introduction of renewable energies.

Regarding human capital, based on the slogan, "Beyond the Limit," we aim to create an environment and culture that allows us to take on challenges without fear of change by constantly taking on the challenge of transforming ourselves without being confined by conventional wisdom.

As we aim for the effective use of human resource capabilities and the wellbeing of our employees, we aim to create an environment that allows employees to feel comfortable with taking on the challenges of work, and we are promoting initiatives for diversity, enhanced work-life balance, and health & safety management.

Regarding intellectual capital, we conduct joint development with universities and national and public research institutes, and engage in long-term basic research, as a result of which we actively registered intellectual property such as patents and designs. In addition, we have launched the "A brand," which is the basic strategy of our Medium-term Management Plan, product development in micro precision processing, and "eco-friendly product development." We have established evaluation criteria for Eco-Products, set indices to be achieved when developing new products, and been promoting the registration of trademarks to strengthen our brand power.

Specific details regarding our ESG management and sustainability initiatives are disclosed in the Company's Medium-term Management Plan, sustainability website, integrated reports and other documents.
(Medium-term Management Plan: https://www.osg.co.jp/en/about_us/ir/policy/plan.html)
(Sustainability website: https://www.osg.co.jp/en/sustainability/index.html)
(Integrated reports: https://www.osg.co.jp/en/about_us/ir/financial/ir-library/annual.html)

[Supplementary Principle 4.1.1]
The Company's Board of Directors determines matters stipulated by laws and regulations and important matters relating to the management of the whole Group and also supervises the execution of duties by directors and executive officers. The standards for doing so are stipulated in the Company's Rules Governing the Board of Directors and Rules Governing the Executive Officer Committee. Examples of important management-related items include matters related to the nomination and compensation of corporate officers and matters related to important business execution. Other matters are delegated to the Chief Executive Officer (CEO) and other executive officers to be guided by the standards stipulated in our Rules on Administrative Authority.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]
The Company selects candidates for independent outside directors based on the independence standards determined by the Tokyo Stock Exchange.

[Supplementary Principle 4.10.1]
Regarding agenda proposals pertaining to nomination and compensation, the proposals are drafted by the Representative Director, who then consults and receives advice from the Nomination and Compensation Committee (four out of five members are independent outside directors), and are then decided following deliberations by the Board of Directors, which includes four independent outside directors (four out of seven members are independent outside directors).

[Supplementary Principle 4.11.1]
Our basic approach is to ensure that the Company's Board of Directors is composed within the upper limits stipulated in our Articles of Incorporation, which is, 5 directors who are not members of the Audit & Supervisory Committee and six directors who are members of the Audit & Supervisory Committee. We also aim to ensure that the Board is of an appropriate size to ensure effective debate and is staffed by members who guarantees diversity and boasts a balanced range of knowledge, experience, and abilities, etc. associated with each business.

In addition, the expertise (skill matrix) of directors who are not members of the Audit & Supervisory Committee and directors who are members of the Audit & Supervisory Committee is disclosed in the Notice of the Ordinary Shareholders' Meeting, integrated reports, and our Company website. Persons who have experience in design, sales, overseas business, academic, or banking fields, as well as a certified public accountant, an attorney, and those who have experience in corporate management at other companies have been appointed as directors (including one woman). The directors have wide-ranging knowledge and experience and ensure diversity, thereby enhancing the effectiveness of the Board of Directors as a whole.
(Integrated reports: https://www.osg.co.jp/en/about_us/ir/financial/ir-library/annual.html)

[Supplementary Principle 4.11.2]
Outside directors and other directors allocate the time and effort necessary to their duties as directors to ensure they appropriately fulfill their roles and responsibilities, and keep concurrent positions within a reasonable range. The status of the concurrent appointments is described in the Notice of the Ordinary Shareholders' Meeting, integrated reports, and securities reports.

[Supplementary Principle 4.11.3]
The Company started analyzing and evaluating the effectiveness of the Board of Directors from fiscal year 2022 in order to improve the functioning of the Board.

To ensure current year's evaluation of Board effectiveness was conducted objectively and transparently, we enlisted the support of external organizations to conduct a questionnaire of all directors in September 2024 regarding the composition, operation, and other elements of the Board. We then analyzed, discussed, and evaluated Board effectiveness at a meeting of the Board of Directors held in November 2024 based on the third-party report of the aggregated survey results.

The survey results, as in the previous year, revealed generally positive evaluations, which enabled us to acknowledge that the effectiveness of the Board of Directors as a whole has been ensured.

However, respondents shared their opinions on the need to enhance support systems, share information about dialogues with shareholders and other investors, discuss potential risks in the whole Group, and cooperate with the Internal Audit Department, and pinpointed areas where the Board's functions could be further improved and debate in the Board enlivened.

Going forward, the Board of Directors will fully consider and promptly address any issues that arise based on evaluations of its effectiveness, and will continue to promote initiatives designed to further enhance the functioning of the Board.

[Supplementary Principle 4.14.2]

The Company provides information to directors, including Audit & Supervisory Committee Members, as an opportunity to acquire the necessary knowledge and to fully understand roles and responsibilities.

The Company also provides relevant information to outside directors on the occasion of their appointment and regularly thereafter to help deepen understanding of the Group's management philosophy, management policy, business activities, and organization. In addition, we provide directors, including outside directors, with opportunities to acquire any knowledge of business, finance, organization, etc. required to fulfill their roles and responsibilities and offer financial support to fund such training.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

(i)(ii) Under the leadership of the President, the Management Planning Department coordinates the activities of units involved in IR activities and maintains collaboration among these units on a day-to-day basis.

(iii) The Management Planning Department actively responds to requests for IR information, including telephone inquiries from investors and small meetings. OSG holds half-yearly financial presentations by top management.

(iv) If necessary, any opinions and concerns of shareholders gathered through dialogue are fed back to the Board of Directors and senior management by the unit that carried out the IR activities concerned.

(v) When engaging in dialogue with investors, OSG takes care over the management of insider information by ensuring that such dialogue, whether at financial presentations or small meetings, centers on strategies for the achievement of sustainable growth and the improvement of OSG's corporate value from a medium- to long-term perspective.

[Action to Implement Management That Is Conscious of Cost of Capital and Stock Price]

While the Group has made efforts to strengthen its financial structure as well as invest in growth segments, it recognizes the importance of shareholder returns from the standpoint of enhancement of corporate value. In terms of shareholder returns, the Group has articulated its intention in the medium-term management plan "Beyond the Limit 2027," covering the three-year period from the fiscal year ending November 30, 2025 to the fiscal year ending November 30, 2027, to commit the dividend payout ratio of 35%, and to aim for a payout ratio of 40% while monitoring trends in business performance. In addition, to further increase corporate value, the Group believes that it is desirable to improve capital efficiency while maintaining the financial structure and cash reserves that support future growth investments. Therefore, the Company, by a resolution of the Board of Directors dated December 5, 2023, decided to repurchase its own shares to a certain extent using debt funds. At the same time, to finance this repurchase, it will issue bonds with stock acquisition rights.

The Company also considers ROE to be an important indicator and has set an ROE target of 10%, which exceeds the cost of shareholders' equity, in the next medium-term management plan "Beyond the Limit 2027," covering the three-year period from the fiscal year ending November 30, 2025 to the fiscal year ending November 30, 2027. The Company will continue to practice management conscious of the cost of capital.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

[Status of Major Shareholders] Updated

Name/Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Co., Ltd. (Trust Account)	10,532,400	12.40
Custody Bank of Japan, Ltd. (Trust Account)	5,702,500	6.71
OSG Agent Stock Ownership Association	3,512,667	4.13
STATE STREET BANK AND TRUST COMPANY 505001	3,059,932	3.60
OSG Stock Ownership Association	2,565,869	3.02
Osawa Scientific Studies Grants Foundation	2,240,000	2.64
Sumitomo Mitsui Banking Corporation	2,100,000	2.47
OSG Employee Stock Ownership Association	1,858,320	2.19
SMBC Nikko Securities Inc.	1,780,591	2.10
THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND	1,768,500	2.08

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation Updated

The status of major shareholders is as of November 30, 2024. The Company holds 14,222,797 treasury shares.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market
Fiscal Year-End	November
Type of Business	Machinery
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organizational Form	Company with Audit & Supervisory Committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	11
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Company Chairperson (unless company chairperson is also serving as president)
Number of Directors	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Akito Takahashi	Lawyer											
Kunihiko Hara	From another company											
Kayoko Yamashita	Certified public accountant											
Yoshitsugu Hayashi	Academic											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Akito Takahashi	○	○	―	Mr. Takahashi has extensive experience and advanced knowledge and specialist skills gained through his career as an attorney. As a legal expert, he was judged to be a person who would participate in board meetings from an independent perspective and contribute to management auditing and supervision. Since Mr. Takahashi is not associated with any OSG affiliated company or major supplier or customer, he was deemed to present no risk of a conflict of interest with general shareholders.
Kunihiko Hara	○	○	―	Mr. Hara has extensive experience and advanced knowledge gained through his corporate management and 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. Since Mr. Hara is not associated with any OSG affiliated company or major supplier or customer, he was deemed to present no risk of a conflict of interest with general shareholders.
Kayoko Yamashita	○	○	―	Ms. Yamashita has extensive experience and advanced knowledge and specialist 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. Since Ms. Yamashita is not associated with any OSG affiliated company or major

				supplier or customer, she was deemed to present no risk of a conflict of interest with general shareholders.
Yoshitsugu Hayashi	○	○	—	Professor Hayashi has wide-ranging knowledge and experience gained through his 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. Since Professor Hayashi is not associated with any OSG affiliated company or major supplier or customer, he was deemed to present no risk of a conflict of interest with general shareholders.

[Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Chairperson
Supervisory Committee	5	1	1	4	Internal Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company has established the Audit & Supervisory Committee Section to assist the Audit & Supervisory Committee in its duties.

Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Management Audit Section (Internal Control Division), the Audit & Supervisory Committee, and the Accounting Auditors periodically exchange information and opinions to strengthen mutual cooperation.

[Voluntary Establishment of Nomination/Compensation Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Compensation Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	5	5
Full-time Members	1	1
Internal Directors	1	1
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

OSG has established a Nomination and Compensation Committee as an advisory body for 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 and compensation of directors and executive officers, etc.

[Independent Directors]

Number of Independent Directors	4

Matters relating to Independent Directors

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[Incentives]

Incentive Policies for Directors	Performance-linked Compensation, Other

Supplementary Explanation

Variable Performance-linked Compensation
Starting in the fiscal year ended November 30, 2019, the Company provides variable compensation in the form of profit-linked bonuses in line with the definition of profit-linked salaries provided in Article 34, Paragraph 1 Item 3 of the Corporation Tax Act, as well as personal assessment bonuses to eligible directors who are serving as executive officers and managing officers.

Compensation Based on Allocations of Restricted Stock
The Company introduced a restricted stock compensation system in the fiscal year ended November 30, 2019 for directors (excluding directors who are members of the Audit & Supervisory Committee) for the purpose of providing an incentive to achieve continual improvement in the Company's corporate value and increase the value shared with shareholders.

Recipients of Stock Options	

Supplementary Explanation

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[Director Compensation]

Disclosure of Individual Directors' Compensation	Partial disclosure of individual director remuneration

Supplementary Explanation

Amount of compensation, etc. paid to directors in the 112th fiscal year (ended November 30, 2024): ¥338 million

The Company discloses the individual remuneration for directors whose consolidated compensation totals ¥100 million or higher in our Securities Report.

Policy on Determining Compensation Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

Compensation for directors (excluding directors who are members of the Audit & Supervisory Committee)
Compensation for directors (excluding directors who are members of the Audit & Supervisory Committee) consists of fixed basic compensation, variable compensation linked to business performance, and allocations of restricted stock.

Compensation for directors who are members of the Audit & Supervisory Committee
Since directors who are members of the Audit & Supervisory Committee are independent from the other directors and are 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 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) (10 members at the time of the resolution), and ¥84 million per year for directors who are also members of the Audit & Supervisory Committee (six members at the time of the resolution).

Variable Compensation
Calculation method of monetary consideration provided as performance-linked compensation
Starting in the fiscal year ended November 30, 2019, the Company provides variable compensation in the form of profit-linked bonuses in line with the definition of profit-linked salaries provided in Article 34, Paragraph 1 Item 3 of the Corporation Tax Act, as well as personal assessment bonuses.

Profit-linked Bonuses
• Eligibility: Eligible directors who are serving as executive officers and managing officers as stipulated by Article 34, Paragraph 1 Item 3 of the Corporation Tax Act
• Calculation method: Profit-linked bonus = consolidated operating income before provision for the cost of performance-linked bonuses*1 x Rank-based bonus ratio*2

*1 The "indicator of the profits in the business year that ends on or after the start date of the execution of duties period" stipulated in Article 34, Paragraph 1, Item 3(a) of the Corporate Tax Act is consolidated operating income.

*2

Rank	Rank-based Bonus Ratio

Chairman	0.3645%
President	0.4050%
Managing Officers	0.1620%

- The "fixed amount" stipulated in Article 34, Paragraph 1, Item 3(a) of the Corporate Tax Act pertaining to the maximum amount for profit-linked bonuses is ¥700 million.
- The reason we adopt consolidated operating income as the indicator for performance-linked compensation is that it is the indicator we use for management as best reflecting the results of the Company's business activities, and it enables us to create a mechanism that incentivizes eligible directors and officers to improve consolidated performance over each business period.
- The target and actual result for the indicator related to performance-linked compensation in the most recent business period:

Indicator	Target	Actual Result
Consolidated operating income	¥23,000 million	¥18,868 million

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 for personal assessment bonuses is ¥50 million.

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

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

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

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

[Supporting System for Outside Directors]

The Company has appointed employees to assist with the duties of the Audit & Supervisory Committee, which includes outside directors to report information about internal meetings, etc. to the Audit & Supervisory Committee when necessary. We have also developed a system that enables outside directors to deepen their understanding of the Company's business circumstances by dispatching the materials for

meeting to directors in advance, sending minutes of meetings, and providing monthly management information, etc.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

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

- OSG has introduced an executive officer system to ensure effective responses to changes in the business environment, as well as to clarify the roles and responsibilities of the executive organization. The executive officers are solely responsible for the performance of business operations in a timely manner and in accordance with policies decided by the Board of Directors, while continually improving flexibility and efficiency.
- OSG holds monthly meetings of our Management Committee, which comprises directors (excluding directors who are members of the Audit & Supervisory Committee), executive officers, heads of individual departments, the head of the Audit & Supervisory Committee, and employees assigned to assist with Audit & Supervisory Committee duties. The meetings help communicate management policies and business plans determined by the Board of Directors, encourage executive officers and department heads to share information on the status of business execution, and spark lively discussions.

(Board of Directors)
In addition to its regular meetings, which are in principle held once each month, the Board of Directors holds special meetings as required. The purpose of these meetings is to deliberate on important matters and make management decisions, and to supervise the performance of the Company's business operations. The Board comprises seven members in total (including four outside directors). Chaired by Norio Ishikawa, Chairman and Chief Executive Officer (CEO), the Board also includes Nobuaki Osawa, President & Chief Operating Officer (COO) and five other directors who are members of the Audit & Supervisory Committee: Takehiro Tomiyoshi, Akito Takahashi (outside director), Kunihiko Hara (outside director), Kayoko Yamashita (outside director), and Yoshitsugu Hayashi (outside director). Executive officers attend Board meetings if required to deliver performance reports, etc.

(Audit & Supervisory Committee)
The Audit & Supervisory Committee is chaired by Takehiro Tomiyoshi, the head of the Audit & Supervisory Committee. The Committee consists of five members in total, including four outside directors: Akito Takahashi (outside director), Kunihiko Hara (outside director), Kayoko Yamashita (outside director), and Yoshitsugu Hayashi (outside director).

(Nomination and Compensation Committee)
The Nomination and Compensation Committee was established as an advisory body to the Board of Directors. The Committee consists of five members in total, including four outside directors. Akito Takahashi (outside director) is Chairperson of the Committee, and Kunihiko Hara (outside director) is Deputy Chairperson. Other members are Kayoko Yamashita (outside director), Yoshitsugu Hayashi (outside director), and Takehiro Tomiyoshi. The Committee consults with the Board of Directors, deliberates, and then reports back to the Board on issues such as the appointment, structure, compensation, and bonuses for directors (excluding directors who are members of the Audit & Supervisory Committee) and executive officers.

- OSG has concluded an audit agreement with Deloitte Touche Tohmatsu LLC to serve as the Company's accounting auditor. The accounting auditor audits the Company and its subsidiaries based on an auditing plan, and exchanges opinions regarding the results of those audits, etc. The accounting auditor also reports regularly to the Audit & Supervisory Committee.

- OSG concludes advisory agreements with lawyers to receive timely advice and guidance on legal matters as part of our overall commitment to comply with all laws and regulations.
- The Company has entered into an agreement to limit liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act with directors based on Article 427, Paragraph 1 of the said Act and the provisions of the Articles of Incorporation of the Company. Under the agreement, in the event that they cause damages to the Company from negligence in the performance of duties, and if they act in good faith without gross negligence, their liability for the damages to the Company shall be limited to the minimum liability amount stipulated in Article 425, paragraph 1 of the said Act.

3. Reasons for Adoption of Current Corporate Governance System

By adopting our present corporate governance structure, we have enhanced the ability of the Board of Directors to oversee and supervise management decision-making and the supervision of business execution, thereby improving management efficiency and ensuring that management decisions can be made appropriately and strategically.

The activities of the Audit & Supervisory Committee, of which four of the five members are outside directors, include the auditing of the Company's financial position and operations, and the performance of duties by the representative director and executive officers. 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, as members of the Board of Directors, we believe that we have created a corporate governance structure by providing an environment for effective management supervisory functions and by ensuring that the company is managed transparently and appropriately.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Notice of the Ordinary Shareholders' Meeting for the 112th fiscal year (ended November 30, 2024) held on February 21, 2025 was dispatched on February 5, 2025 (two days ahead of the legally stipulated dispatch date).
Scheduling AGMs Avoiding the Peak Day	The business year for the Company ends in November and we do not believe there are any specific peak days for AGMs in the month of February.
Allowing Electronic Exercise of Voting Rights	We use the internet-based voting rights exercise website prepared by the shareholder registry administrator. Please note, we do not use internet services that enable shareholders to exercise their voting rights using a mobile phone as a mobile terminal.
Participation in Electronic Voting System Platform and Other Initiatives to Improve the Voting Environment for Institutional Investors	We have been participating in the Electronic Voting System Platform for institutional investors operated by ICJ, Inc. since the 109th Ordinary Shareholders Meeting (fiscal year ended November 30, 2021).
Providing Convocation Notice in English	We compile a shorter Notice and meeting reference documents in English.
Other	We hold informal gatherings for shareholders and the management following the conclusion of the Ordinary Shareholders' Meeting.

2. IR Activities

	Supplementary Explanations	Explanations by Relevant Representatives
Regular Investor Briefings for Individual Investors	We explain the Company's business model approximately once a year.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	We hold briefings twice a year, along with other individual briefings.	Yes

Regular Investor Briefings for Overseas Investors	Held roughly twice a year.	Yes
Posting of IR Materials on Website	Information (consolidated financial results, financial results report, timely disclosure materials, securities reports, quarterly reports, notice of the ordinary shareholders' meeting and notice of resolution, shareholder communications, integrated reports) https://www.osg.co.jp/en/about_us/ir/	
Establishment of Department and/or Manager in Charge of IR	Department in Charge: Management Planning Department Officer in Charge: President	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities etc.	In November 2000, the Company acquired ISO14001 certification for environmental management systems (at nine business sites), and we are promoting environmental conservation activities. All our business sites have maintained their status as certified zero-emission establishments by fulfilling strict certification standards requiring a recycling rate (recycling volume/total waste emissions) of 99% or above. In addition to serving as a member of the certification committee for the National Certification System, which aims to enhance the broader society's evaluation of technical skills and improve the skills and status of working people, we also promote the transfer of skills by dispatching teachers to local community educational institutions.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

Based on OSG's Basic Policy for Establishing an Internal Control System resolved by the Board of Directors, we have compiled various internal rules for the Company and its subsidiaries, such as our Corporate Code of Ethics and Risk Management Rules. We also ensure that directors, executive officers, and employees comply with laws, regulations, and the Company's Articles of Incorporation, and strive to build an internal control system for the Company and its subsidiaries that is worthy of our stakeholders trust.

The items resolved by the Board of Directors under the Basic Policy for Establishing an Internal Control System are as follows:

(1) Systems to ensure that the execution of duties by directors and employees is in compliance with laws, regulations, and the Articles of Incorporation

1) The Company has established rules pertaining to our compliance system, starting with the Corporate Code of Ethics, and has also determined Company action guidelines that require directors, executive officers, and employees of the Company and our subsidiary and affiliated companies (the "Group") to act in compliance with laws, regulations, the Articles of Incorporation, and social norms.
2) The Company has appointed a director in charge of compliance and set up a Risk and Compliance Management Committee to establish, maintain, and improve Group compliance systems.
3) The Company has established an Internal Audit Department to audit the implementation status of internal controls at the Company and Group as well as compliance status, and to improve and thoroughly enforce the internal control system.
4) The status of activities of the Risk and Compliance Management Committee and the Internal Audit Department shall be periodically reported to the Board of Directors and the Audit & Supervisory Committee.
5) The Company has established a whistleblowing system for reporting potentially suspect actions from a legal or regulatory perspective, and operates the system in accordance with internal reporting standards for the Company and the Group.

(2) Systems regarding management and storage of information related to the execution of duties by directors

1) Information pertaining to the execution of duties by directors is recorded on paper or in electronic form ("documents, etc.") and the Company appropriately stores and manages (including disposal) these documents, etc. in accordance with internal regulations. The Company verifies the operational status of this system as required and reviews each regulation.
2) Directors and Audit & Supervisory Committee Members must be able to view these documents at all times.

(3) Rules and other systems regarding management of risk of losses
1) When classifying the risks related to the execution of Company's businesses, we recognized three broad risk types: (a) external environment, (b) business processes, and (c) internal environments, and we established a risk management system by identifying these risks and assigning departments to effectively manage them.
2) OSG established Risk Management Rules for the Company and the Group as a basis upon which to build a solid risk management system. We decided which departments will be responsible for managing individual risks and are striving to build a risk management system in accordance with the established rules.
3) The Board of Directors promptly determines which department will be responsible for any newly emerged risks.
4) The Internal Audit Department checks the risk management status of each department that is responsible for managing specific risks and periodically reports its findings to the director in charge of the Risk and Compliance Management Committee and the Board of Directors. The Board then deliberates and determines any necessary improvement measures.

(4) Systems to ensure efficient execution of duties by directors
1) The Board of Directors sets common companywide targets for directors, executive officers, and employees. The Company's executive officers then determine specific targets for each department and the most efficient ways of achieving those targets.
2) The Board of Directors periodically evaluates the progress of business execution, formulates improvement measures, and establishes frameworks to help improve the efficiency of companywide business execution.
3) With regard to business execution based on Board decisions, we formulate administrative authority and decision-making rules in our Rules on Administrative Authority and Rules on Division of Duties.
4) The Board of Directors formulates an annual management plan and implements monthly and quarterly corporate performance management.

(5) Systems to ensure appropriate operations by the corporate group comprised of the Company and its subsidiaries
1) The OSG Board of Directors and the presidents of Group companies have the authority and responsibility to establish compliance and risk management systems at each Group company.
2) We establish management rules for Group companies to ensure the appropriateness of the Group's business.
3) The Company's Internal Audit Department audits the status of business execution at the Company and Group companies, reports the results to the Board of Directors of the Company and Group company presidents, and offers support and advice where necessary regarding the formulation and implementation of internal control improvement measures.

(6) Systems regarding directors and employees that support the Audit & Supervisory Committee in the execution of duties and matters regarding independence of directors and employees that support the Audit & Supervisory Committee in the execution of duties from other directors (excluding directors who are members of the Audit & Supervisory Committee)
1) If the Audit & Supervisory Committee has asked for an employee to be assigned to assist with auditing duties, an employee shall be appointed to assist with that work.
2) The consent of the Audit & Supervisory Committee is required in matters relating to the appointment and dismissal of employees assigned to assist with auditing duties.
3) Those employees shall be independent from directors and executive officers.
4) Those employees shall follow the directions and orders given by Audit & Supervisory Committee Members.

(7) Systems for directors and employees to report to the Audit & Supervisory Committee, and other systems regarding reports to the Audit & Supervisory Committee

1) We establish systems for directors, executive officers, and employees to report to the Audit & Supervisory Committee on important matters affecting the business or performance of the Company and the Group, and the status of implementation of internal audits, in addition to statutory matters on a case-by-case basis.
2) We establish a system for appropriately reporting any legal or regulatory infringements and other compliance issues to the Audit & Supervisory Committee through our whistleblowing provisions for the Company and the Group and the appropriate maintenance of our whistleblowing system. We also establish frameworks to ensure any stakeholders who have used the whistleblower system are not treated disadvantageously.

(8) Other systems to ensure effectiveness of audits by the Audit & Supervisory Committee
1) The Company holds regular meetings where Audit & Supervisory Committee Members can exchange opinions with the President or the accounting auditor.
2) The Company guarantees Audit & Supervisory Committee Members the opportunity to receive advice on auditing operations from outside experts, such as lawyers and certified public accountants, when required for conducting audits.
3) The Company ensures effective procedures for the prepayment or reimbursement to Audit & Supervisory Committee Members of costs incurred during the execution of duties as well as any other expenses or debt arising from the execution of said duties.

2. Basic Views on Eliminating Anti-Social Forces

In its Business Ethics Norms of OSG Corporate Code of Ethics, the Company states that we will stand firmly against any and all anti-social forces and groups that would harm the security and stability of general public. The Company, as Corporate Action Standards, stipulates that "the OSG group will have absolutely no ties with any individuals and groups that will affect society and the company's well-being. Also, all employees and managers will not fear these groups, and will face them resolutely."

Going forward, in addition to seeking to deepen awareness of the OSG Corporate Code of Ethics among all Group employees, we have assigned the General Affairs and Legal Affairs Division as the internal department in charge of compiling a manual on how to respond to anti-social forces and working together with lawyers, police, and other groups, and developing frameworks to prepare ourselves for the emergence of any unreasonable demands.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted

Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

＜Overview of Timely Disclosure System＞

(1) Notification of Information
The heads of department and presidents of Group companies that are responsible for reporting information shall report any information they have grasped to the President and the officer in charge of information handling.

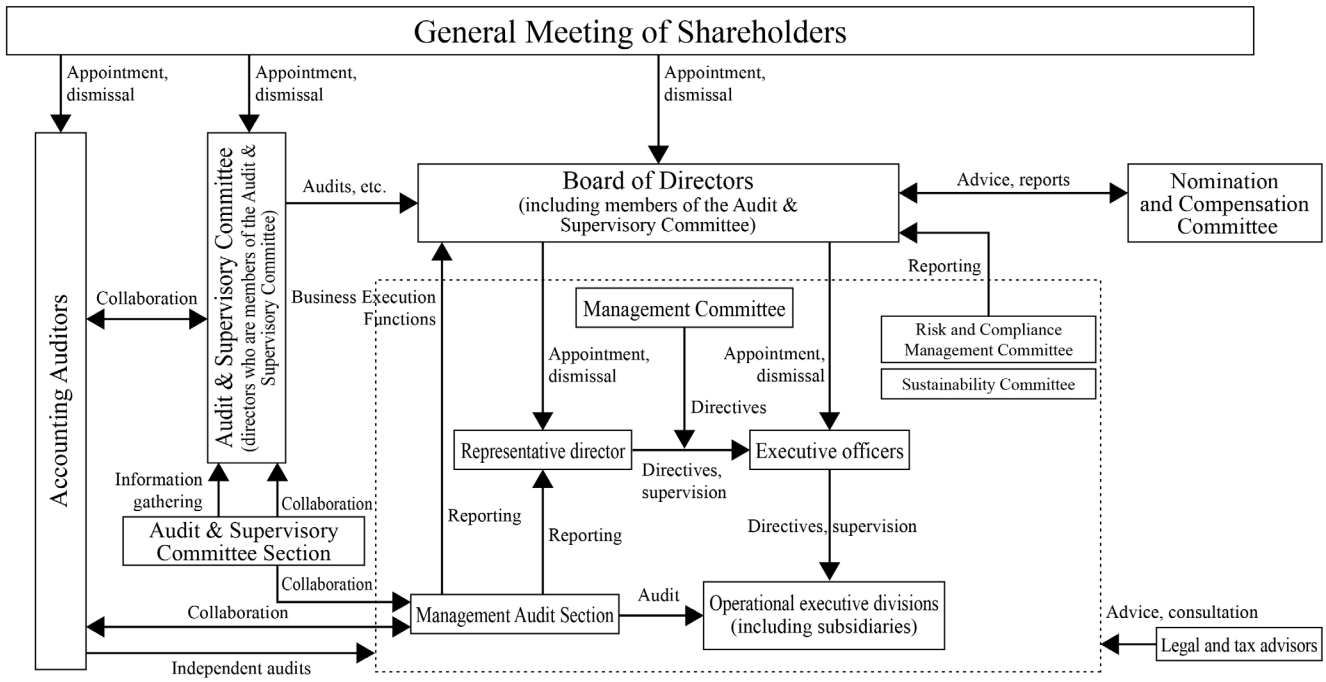
(2) Concentration, Examination, and Disclosure of Information
The officer in charge of handling information aggregates notifications and reports from the President, the Board of Directors, the heads of each division, and the presidents of Group companies, deliberates together with the Accounting Division, the Human Resources, General Affairs and Legal Affairs Division and other pertinent departments on information requiring timely disclosure, and considers and proposes disclosure contents and methods.

(3) Reporting the Contents of Timely Disclosure to the President
The officer in charge of information handling reports the contents of the proposed disclosure to the President.

(4) Implementing Timely Disclosure
1) Facts related to decisions and Financial Results
The officer in charge of handling information shall report the disclosure contents to the President and implement timely disclosure without delay.

2) Facts related to incidents
The officer in charge of handling information shall report important facts related to incidents that are judged to require urgent disclosure to the President and also promptly disclose those factors in a timely manner.

Corporate Governance Structure



Internal System for Timely Disclosure

