



shaping your dreams

Financial Results for FY2023-3Q

October 2023
OSG Corporation

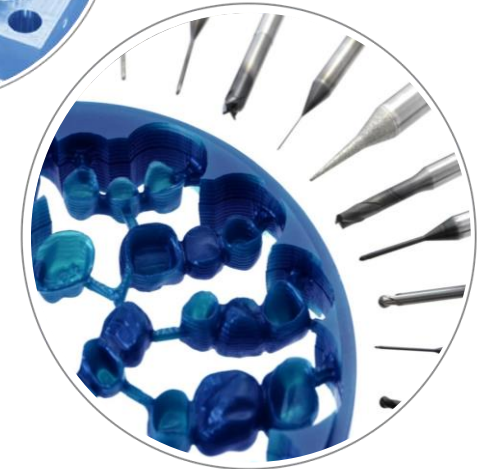
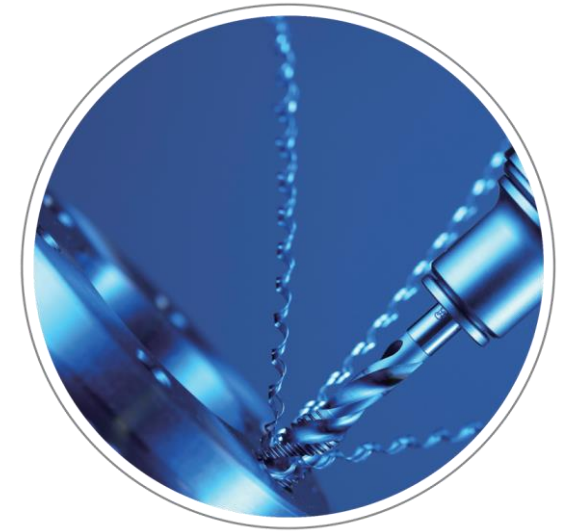
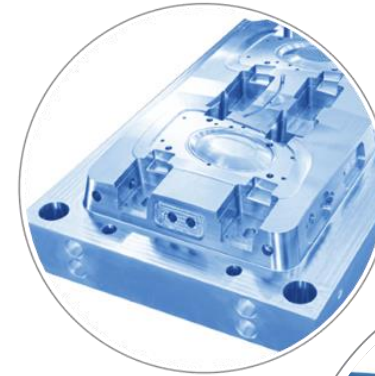


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Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	13,044 million yen
Employees	7,527 (consolidated) 1,913 (non-consolidated)
Stock listed	Prime Market in Tokyo Stock Exchange Premier Market in Nagoya Stock Exchange (stock code 6136)



Note regarding forecast

- This material includes forward-looking statements based on information available at the time of release.
- The forecasts and other forward-looking statements are not guarantees of future performance. Actual financial results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

Company Overview

Products

- Consumable cutting tools used in machine tools
- **Taps** account for over 30% market share as **world leader**

Strength

- High-value cutting tools
- Excellent after-sales service
- A global sales & service network across 32 countries



Financial Summary

(Millions of yen)

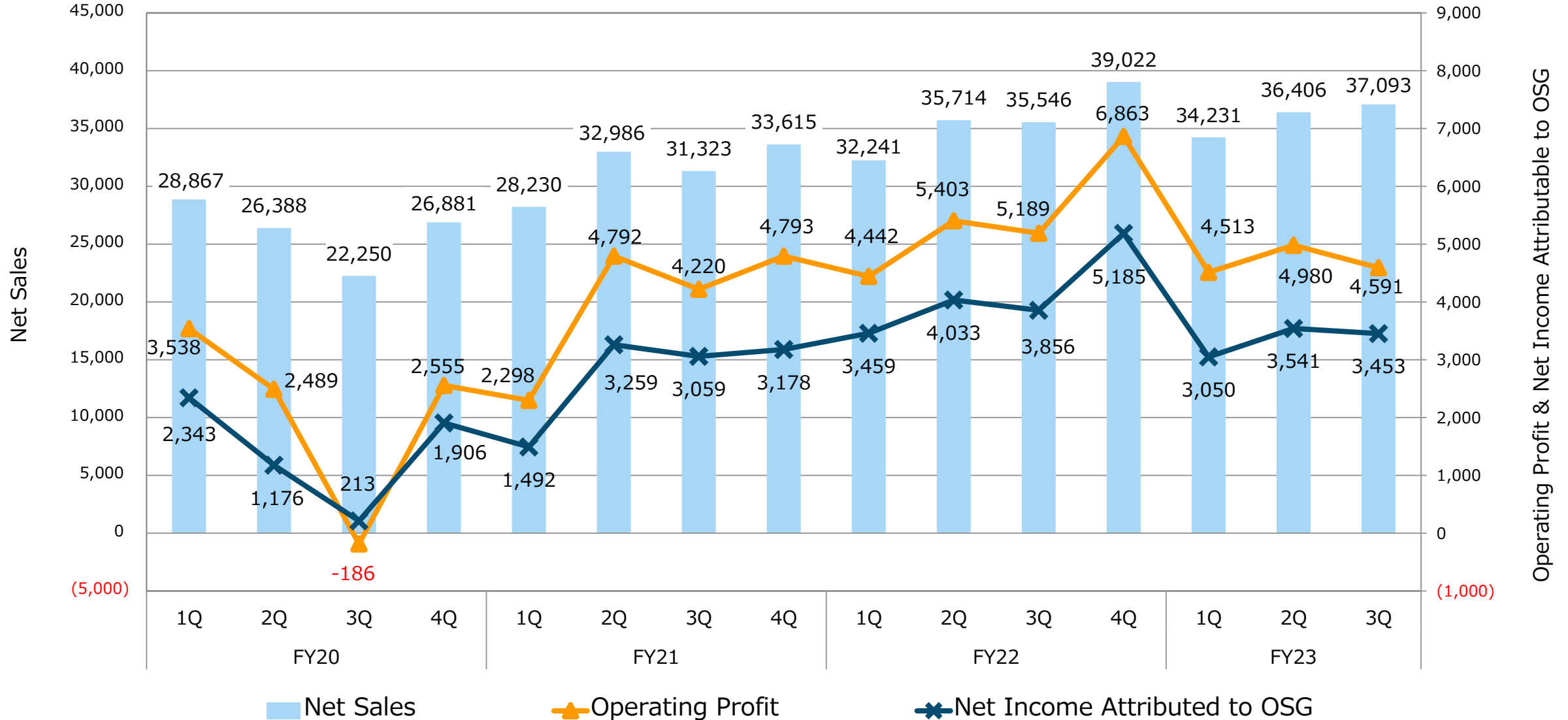
	FY22 3Q	FY23 3Q	Change	Forecast For FY23 *revised	Progress Rate
Net Sales	103,502	107,731	+4.1%	145,000	74.3%
Operating Profit	15,034	14,085	-6.3%	19,000	74.1%
OPM	14.5%	13.1%	-	13.1%	-
Ordinary Profit	16,264	15,270	-6.1%	21,000	72.7%
Net Profit Attributable to OSG	11,349	10,044	-11.5%	14,000	71.7%
EPS(yen)	117.48	104.84	-10.8%	146.13	-

[*cf : P18 Forecast for FY23 \(revised version\)](#)



Financial Summary

(Millions of yen)



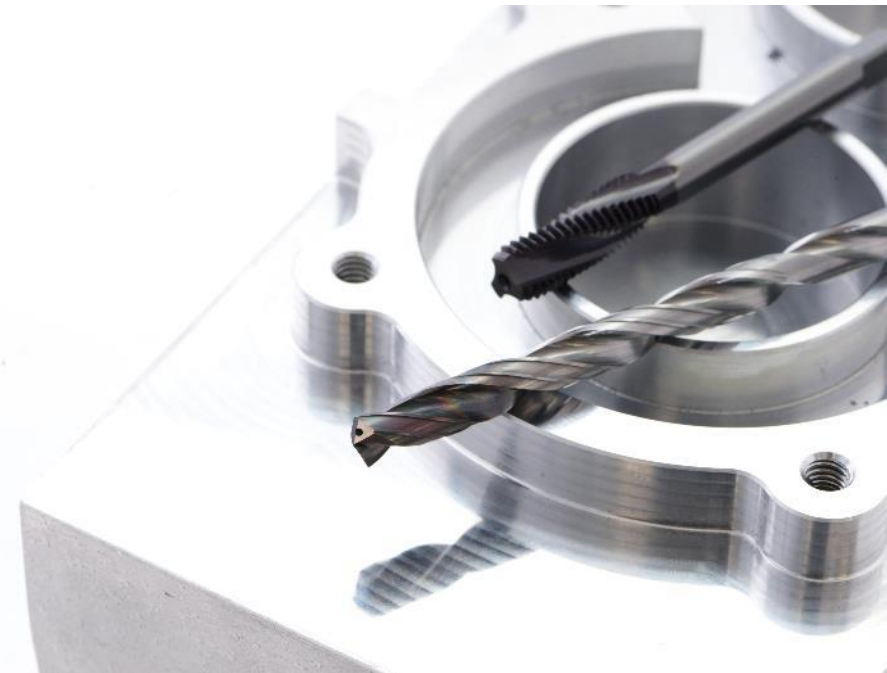
Review of FY23-3Q

Record Sales in The 3rd Quarter Driven by Europe and America

Decrease in Profits Due to Stagnation in Greater China

Index & Capital Investment Results

—EBITDA	22.1 billion yen	(-2.7% YoY)
—EBITDA Margin	20.6%	(-1.4pts YoY)
—Free Cash Flow	7.8 billion yen	(+5.2 billion yen YoY)
—ROA	8.0%	(-1.3pts YoY)
(Operating Income Basis)		
—ROE	7.8%	(-2.2pts YoY)
—Equity Ratio	73.5%	(+1.5pts YoY)
—CAPEX	7.9 billion yen	
—Depreciation	8.0 billion yen	



Review of FY23-3Q

The Americas

Aircraft and energy industries remain strong despite uncertainties in business conditions.

Europe/Africa

Sales to distributors, the general parts industry and the aircraft industry remain strong.

The automotive industry also continues to recover.

Asia

Greater China continues to be stagnated and the recovery is slow. The performance in South Asia is mixed, but that in India reached a record high.

Japan

Sales continues to be stagnated in the general parts industry, but they are recovering in the automobile industry.

Domestic plants adjusted the production.

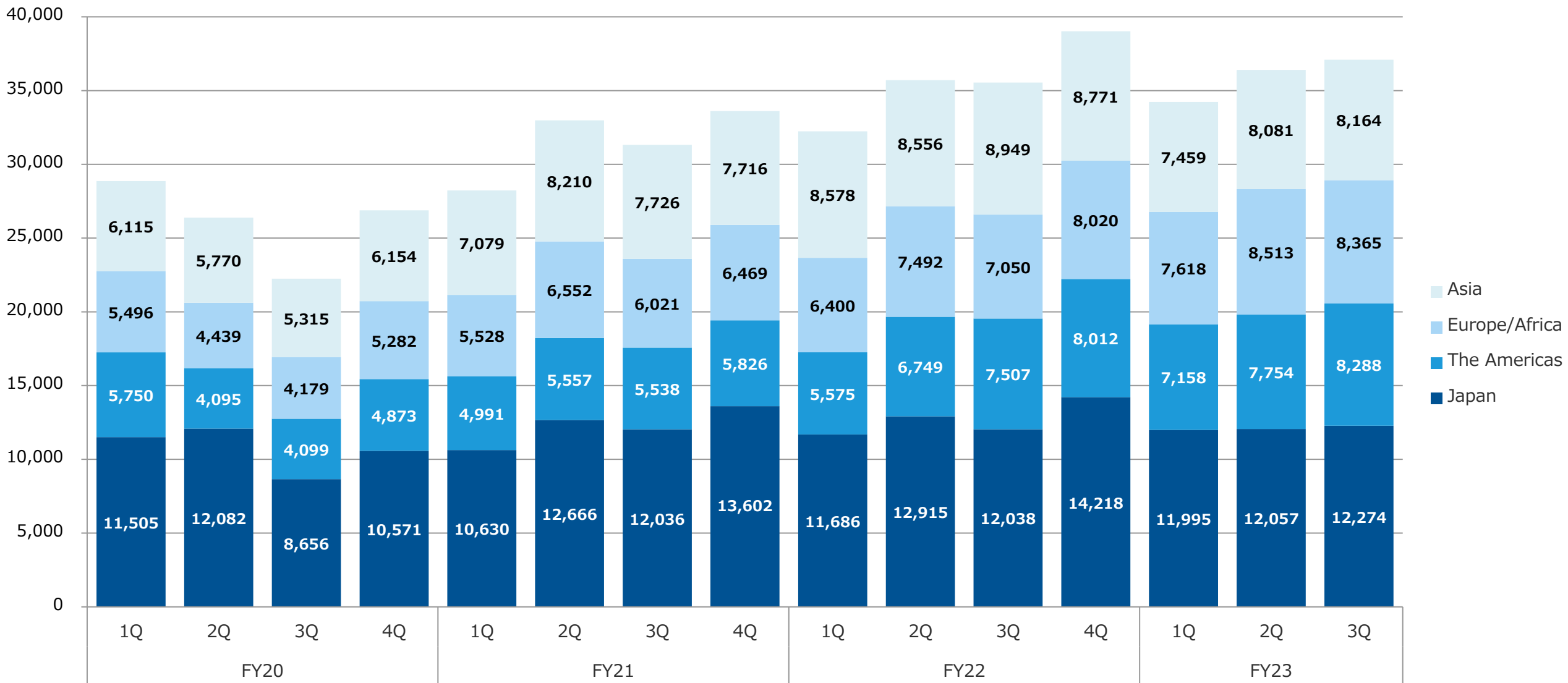
Sales to Customer

(Millions of yen)

	FY22 3Q	FY23 3Q	Change		Change in local currency
Japan	36,640	36,327	-313	-0.9%	-
The Americas	19,832	23,200	3,368	+17.0%	+7.4%
Europe/Africa	20,944	24,497	3,553	+17.0%	+7.7%
Asia	26,084	23,705	-2,379	-9.1%	-12.6%
Consolidated	103,502	107,731	4,229	+4.1%	-

Sales to Customer

(Millions of yen)



Operating Income

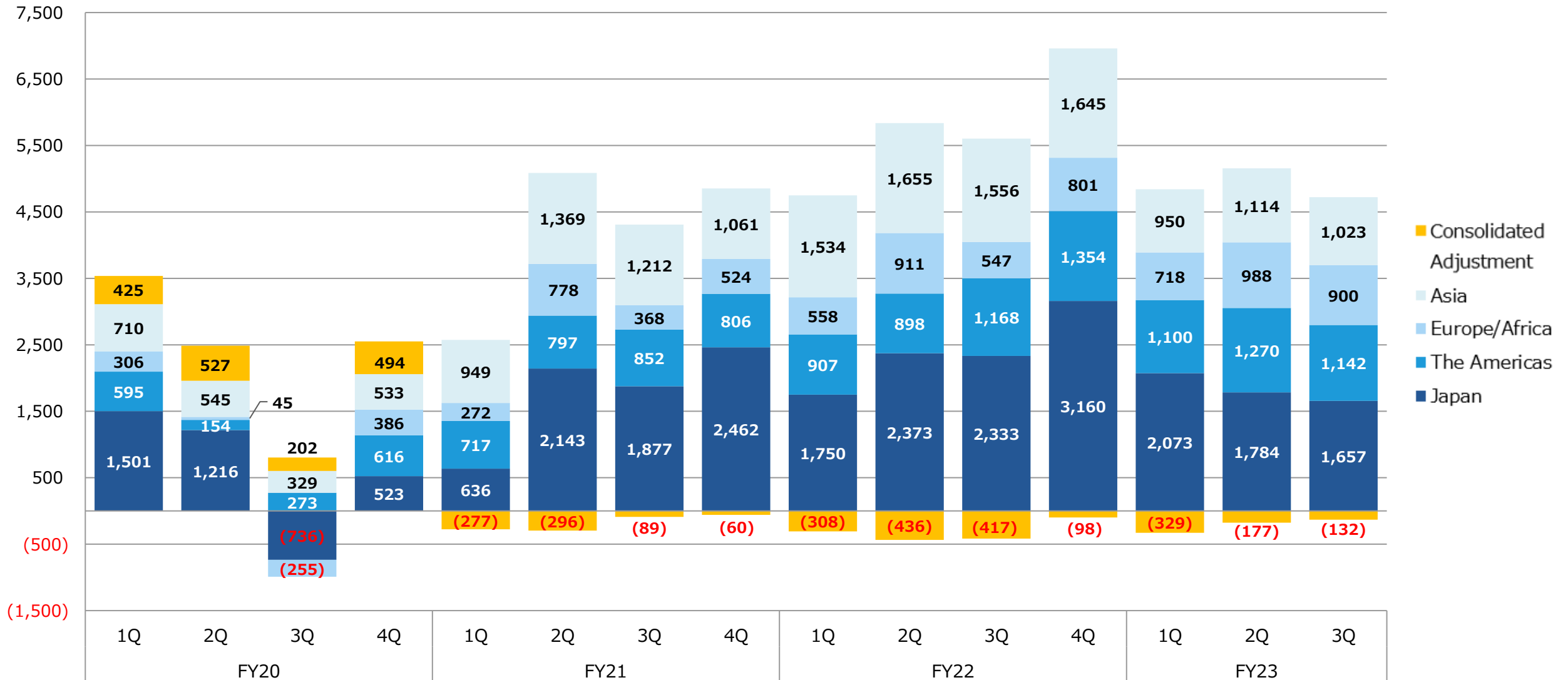
(Millions of yen)

	FY22 3Q	Component ratio	FY23 3Q	Component ratio	Change		OPM(*)
Japan	6,457	39.9%	5,516	37.5%	-940	-14.6%	10.4%
The Americas	2,973	18.4%	3,513	23.9%	540	+18.2%	14.7%
Europe/Africa	2,018	12.5%	2,606	17.7%	587	+29.1%	10.6%
Asia	4,746	29.3%	3,088	21.0%	-1,658	-34.9%	11.7%
Total	16,196	-	14,725	-	-1,471	-9.1%	11.5%
Eliminations	-1,161	-	-639	-	521	-	-
Consolidated	15,034	-	14,085	-	-949	-6.3%	13.1%

* Operating profits margin as % of sales (external sales + internal area transfers)

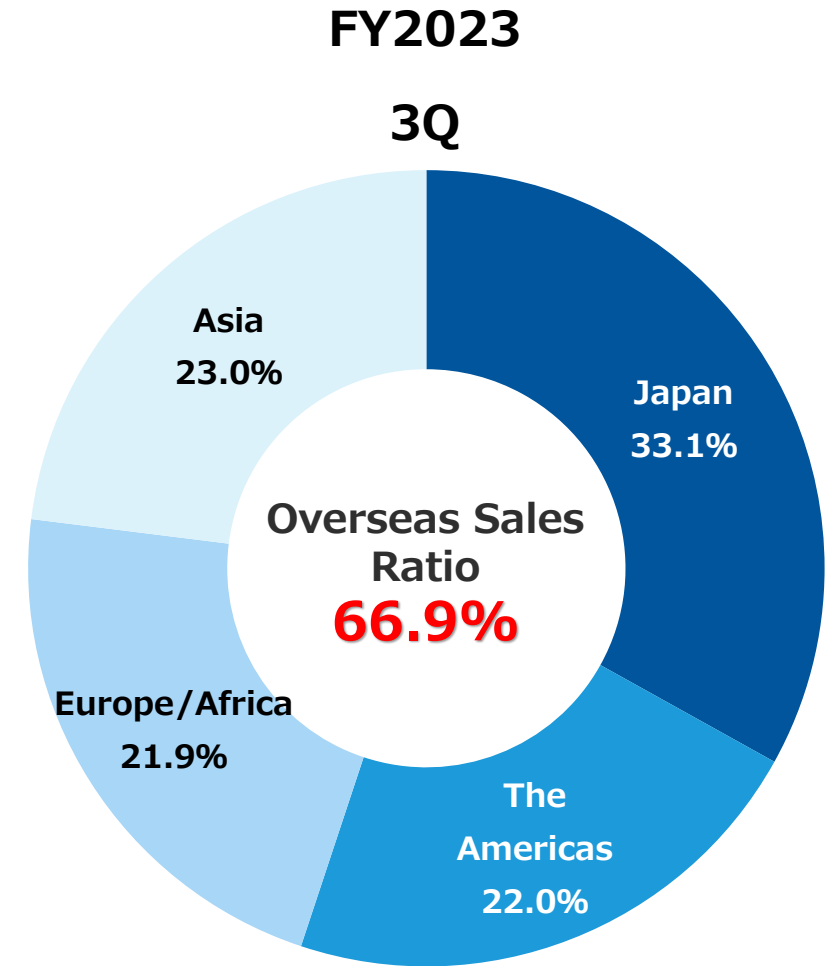
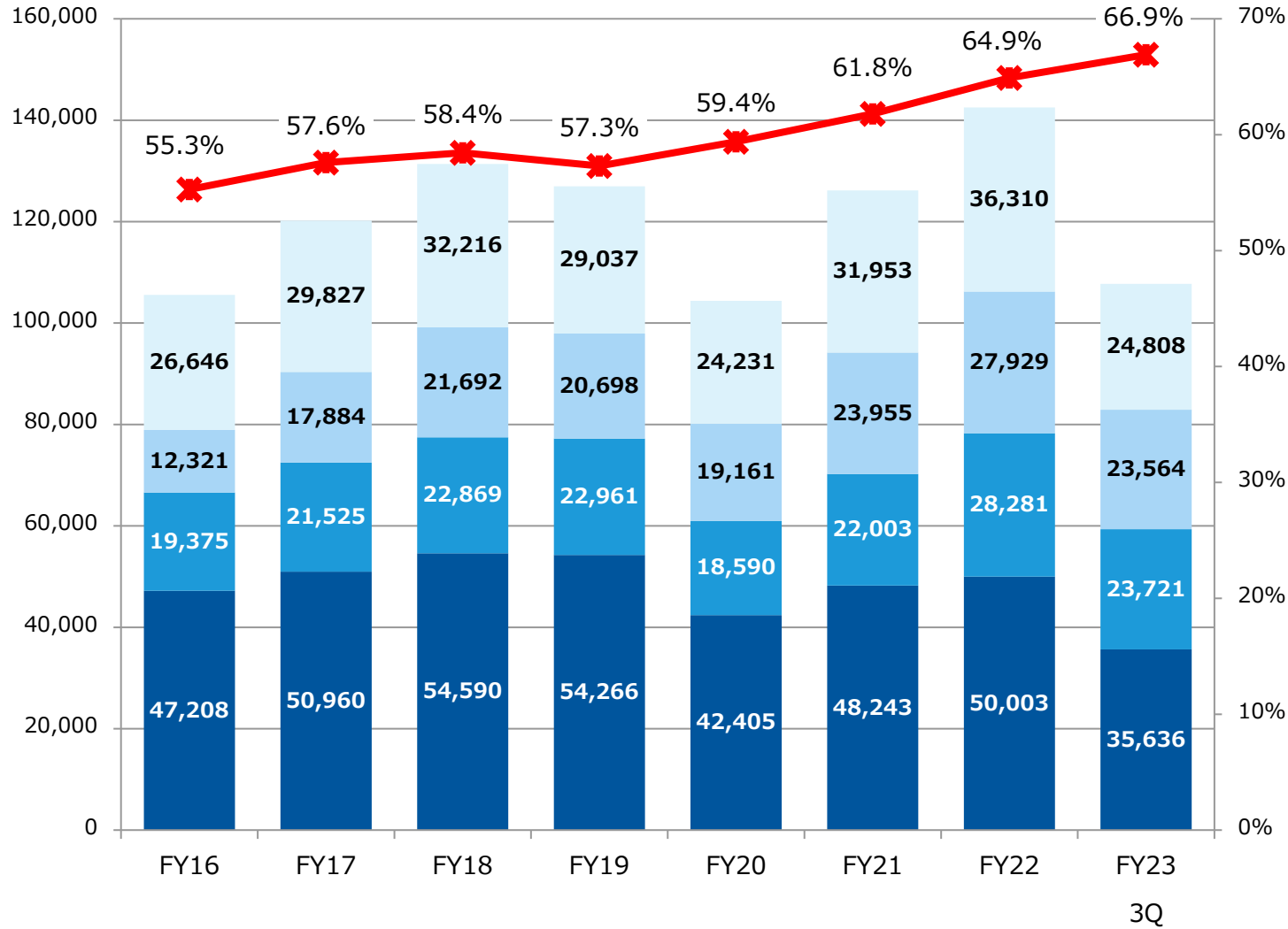
Operating Income

(Millions of yen)



Overseas Sales Ratio

(Millions of yen)



Japan The Americas Europe/Africa Asia Overseas Sales Ratio



Net Sales by Product Segment

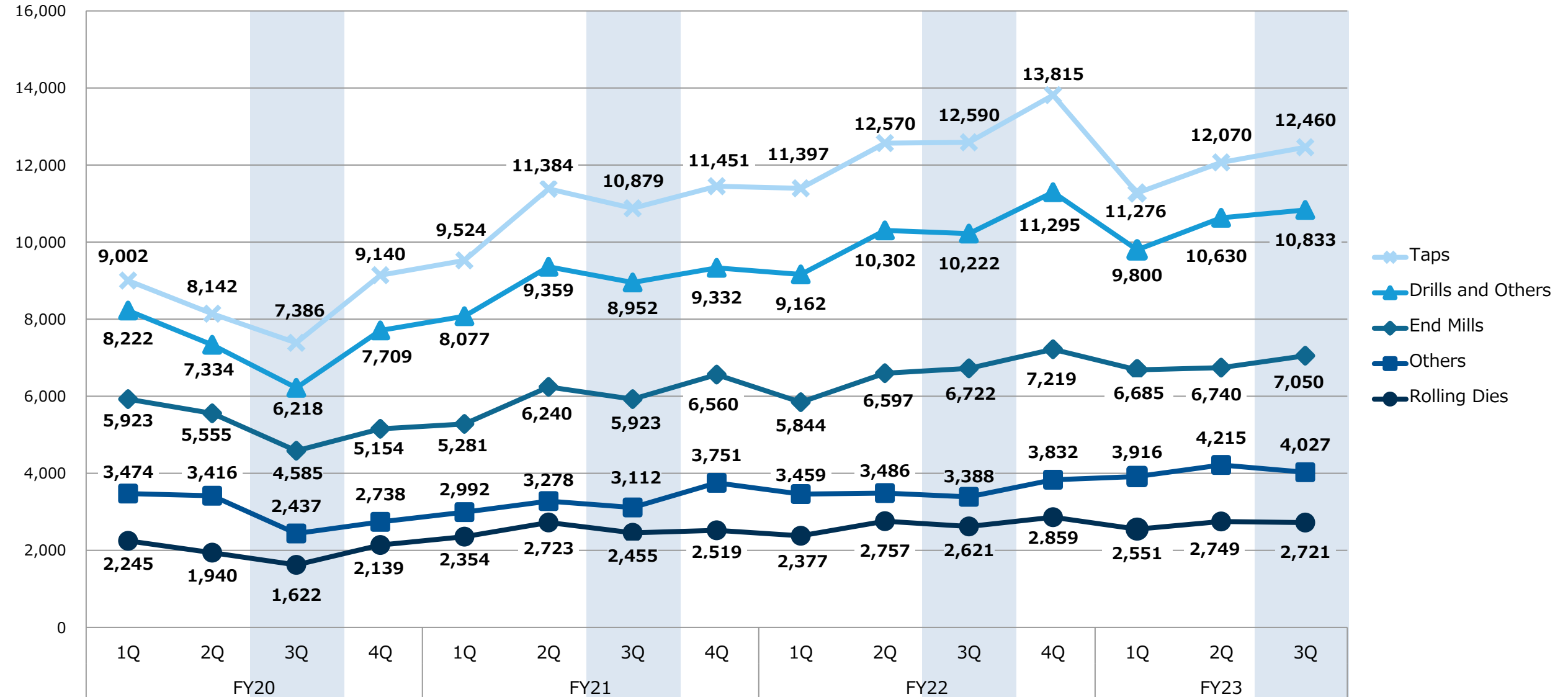
(Millions of yen)

		FY22						FY23						Change	
		1Q	2Q	3Q	4Q	3Q YTD		1Q	2Q	3Q	3Q YTD				
Precision Tools	Taps	11,397	12,570	12,590	13,815	36,558	35.3%	11,276	12,070	12,460	35,807	33.2%	-751	-2.1%	
	End mills	5,844	6,597	6,722	7,219	19,164	18.5%	6,685	6,740	7,050	20,477	19.0%	1,313	6.9%	
	Drills and Others	9,162	10,302	10,222	11,295	29,687	28.7%	9,800	10,630	10,833	31,264	29.0%	1,577	5.3%	
	Rolling dies	2,377	2,757	2,621	2,859	7,756	7.5%	2,551	2,749	2,721	8,022	7.4%	265	3.4%	
	Gauges	449	524	488	529	1,462	1.4%	457	480	513	1,450	1.3%	-11	-0.8%	
		29,231	32,751	32,646	35,719	94,629	91.4%	30,771	32,671	33,579	97,022	90.1%	2,393	2.5%	
Other	Machine	783	1,008	893	1,222	2,685	2.6%	1,320	1,359	1,428	4,108	3.8%	1,423	53.0%	
	Other	2,227	1,953	2,007	2,080	6,188	6.0%	2,139	2,375	2,085	6,600	6.1%	412	6.7%	
		3,010	2,962	2,900	3,303	8,873	8.6%	3,459	3,735	3,514	10,709	9.9%	1,835	20.7%	
	Total	32,241	35,714	35,546	39,022	103,502	100%	34,231	36,406	37,093	107,731	100%	4,229	4.1%	



Net Sales by Product Segment

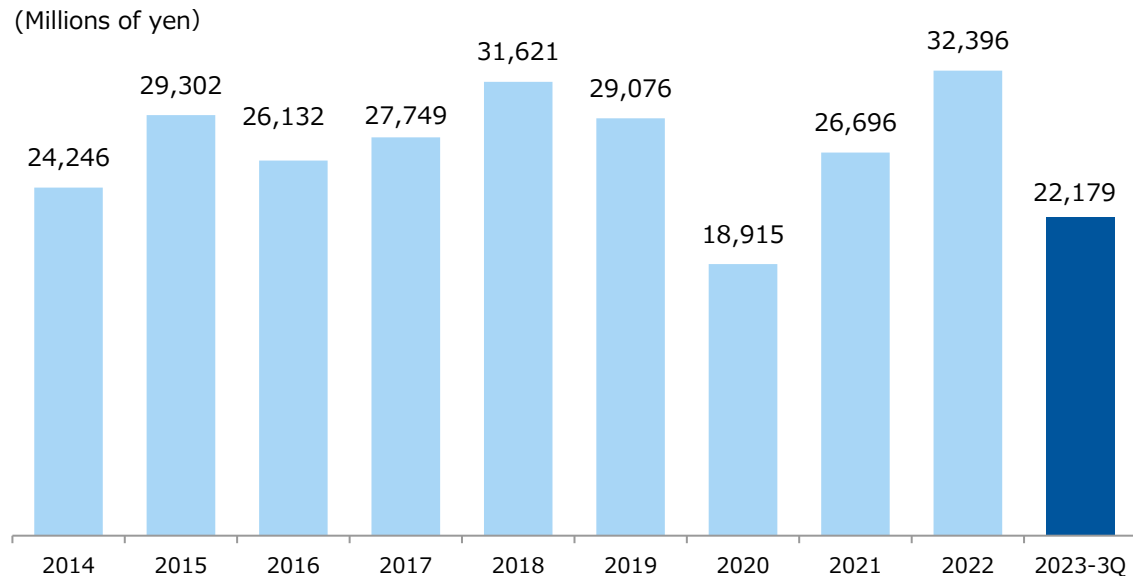
(Millions of yen)



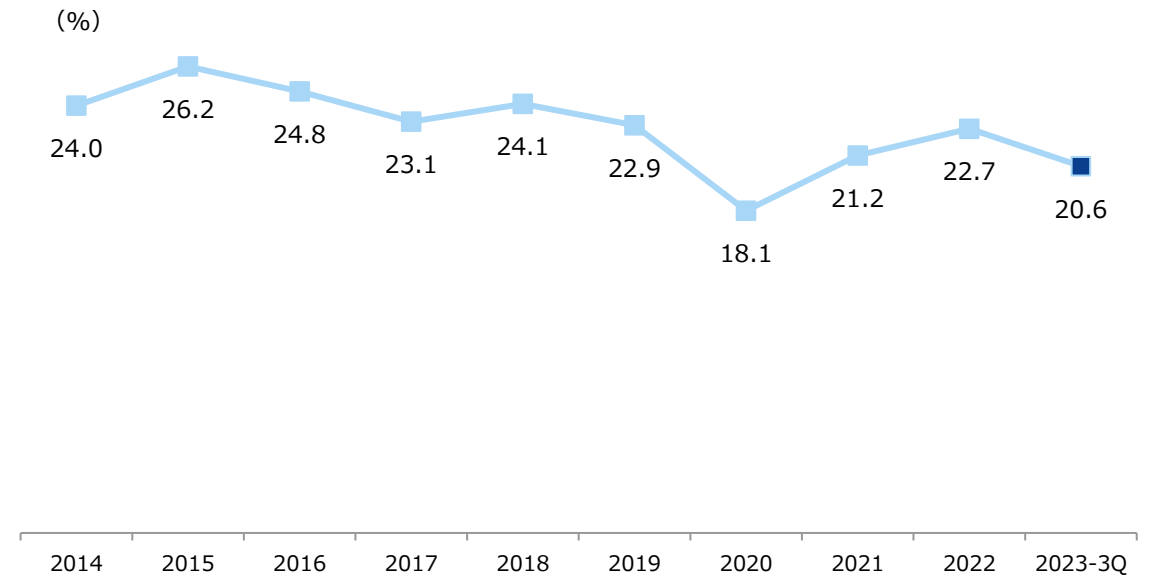
B/S Overview • EBITDA

			(Millions of yen)		
	FY22	FY23-3Q	FY22	FY23-3Q	
Equity Ratio (%)	72.0	73.5	Cash and Time Deposits	46,697	50,051
Receivable Turnover Period (Days)	68.9	67.2	Interest-bearing Debt	25,570	28,900
Inventory Turnover Period (months)	4.4	4.8	Net Cash	21,126	21,151

EBITDA



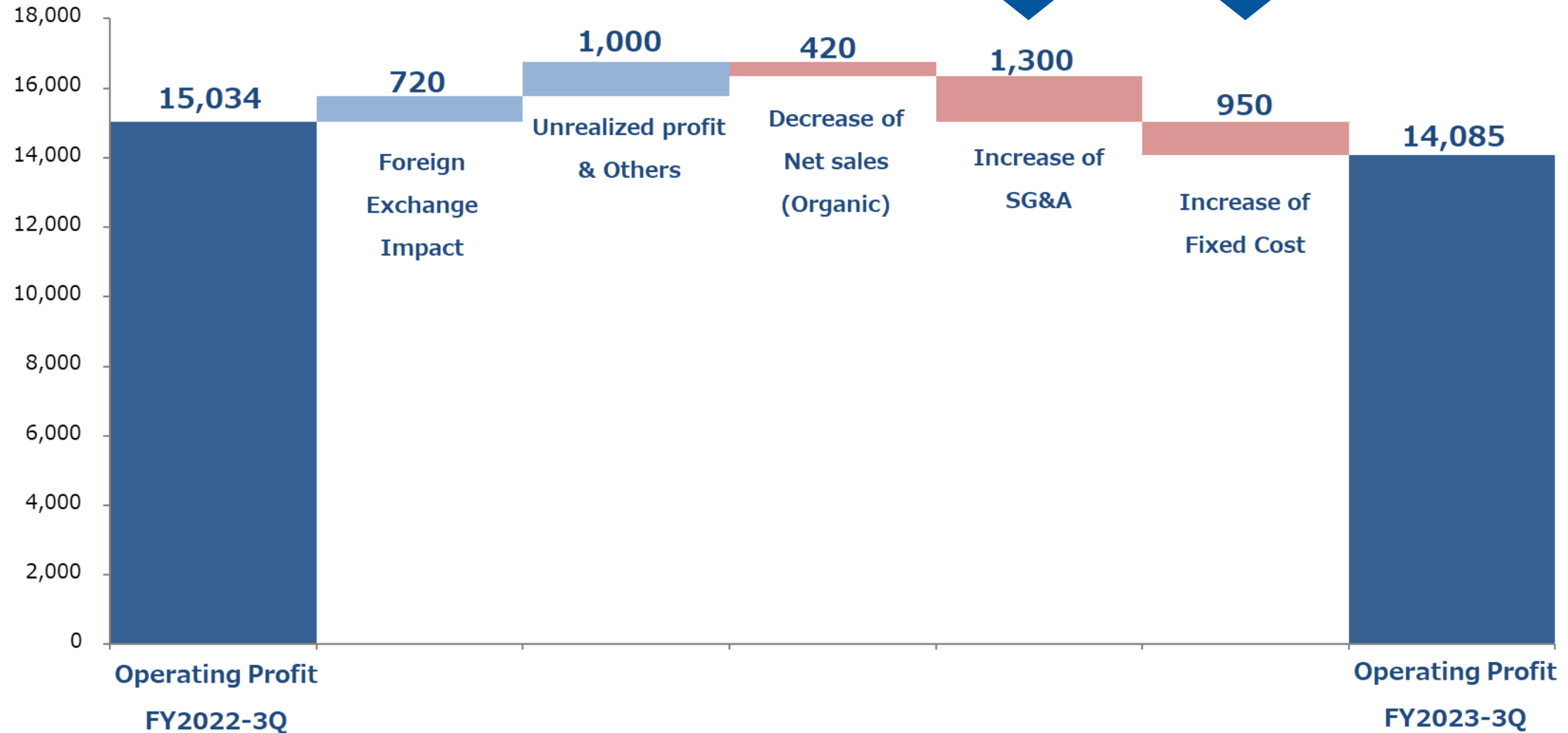
EBITDA Margin



Operating Profit Variation

Increase of SG&A and Fixed Costs was affected by inflation-induced labor / electricity cost increase

(Millions of yen)



Capital Investment

FY23 Capital Investment Forecast

12.5 billion yen

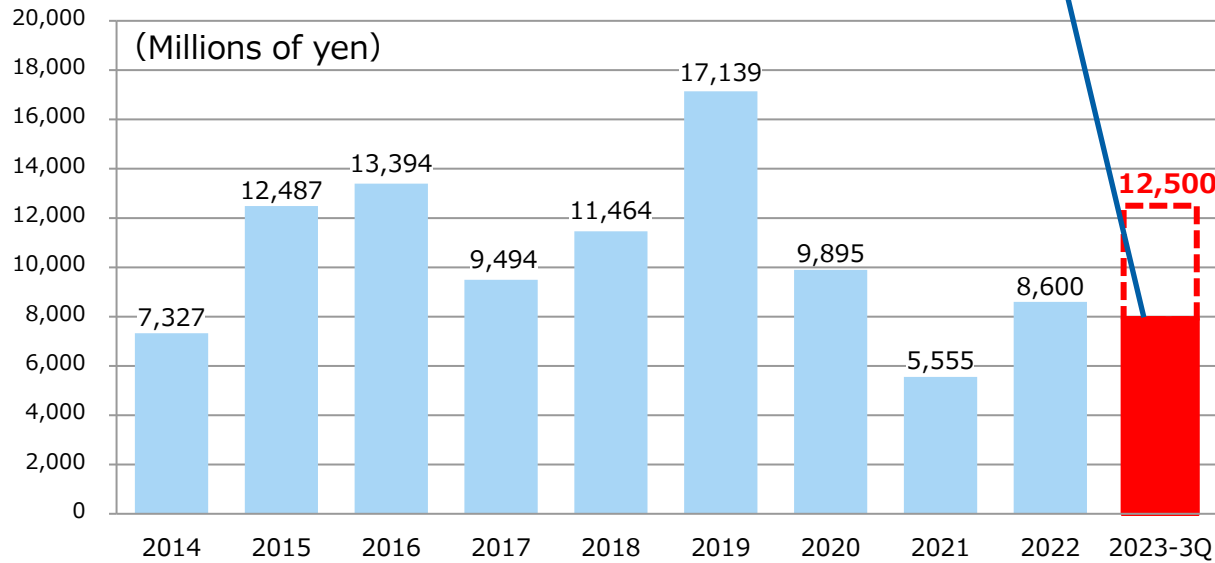
Breakdown



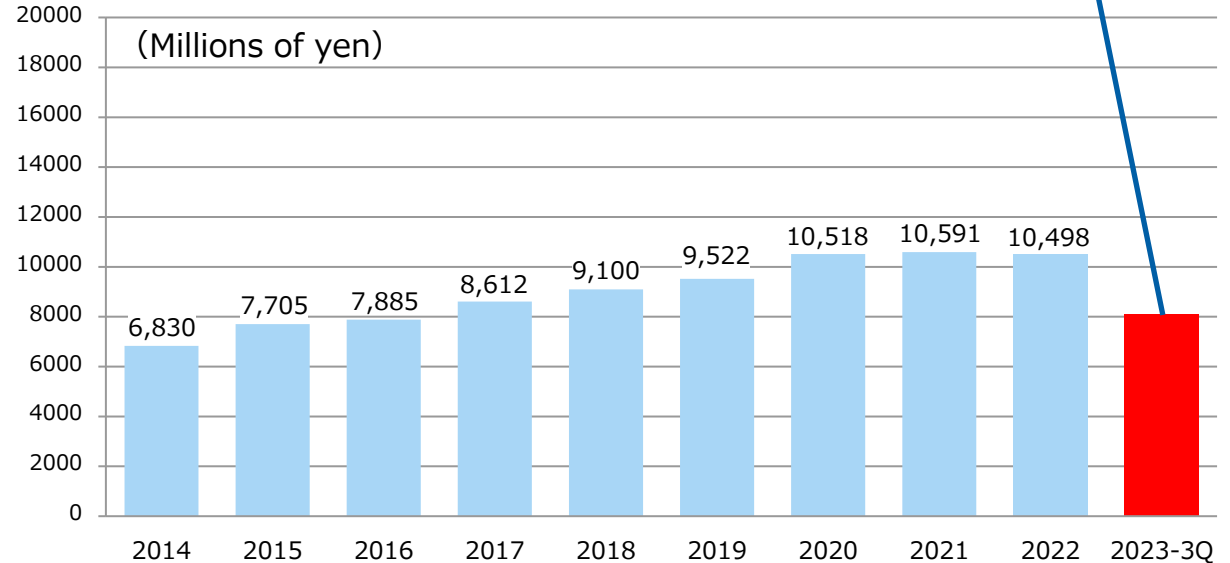
Mainly for renewal and enhancement of machinery and equipment, of which 1 billion yen was not received in FY22.

CAPEX : 7,900

Depreciation : 8,094



CAPEX



Depreciation



Forecast for FY23 (revised version)

(Millions of yen)

Consolidated	Forecast for FY23 at Previous	Forecast for FY23 at Latest	Change		Parent Company	Forecast For FY23 at Previous	Forecast For FY23 at Latest	Change	
Net Sales	145,000	145,000	-	-	Net Sales	58,000	54,500	-3,500	-6.0%
Operating Profit	24,000	19,000	-5,000	-20.8%	Operating Profit	6,900	5,400	-1,500	-21.7%
as % of sales	16.6%	13.1%	-3.4%	-	as % of sales	11.9%	9.9%	-2.0%	-
Ordinary Profit	24,000	21,000	-3,000	-12.5%	Ordinary Profit	11,000	10,000	-1,000	-9.1%
Net Income Attributed to OSG	16,200	14,000	-2,200	-13.6%	Net Income	9,500	7,500	-2,000	-21.1%
EPS (yen)	169.16	146.13	-23.03	-13.6%	EPS (yen)	99.27	78.25	-21.02	-21.2%
Final Dividend	32.00	32.00	-	-					
Payout Ratio	35.5%	41.1%	+5.6%	-					

*Exchange rate FY2023(Fcst.) : 1US\$=137.68yen 1Euro=149.36yen



Exchange Rate

(Yen)

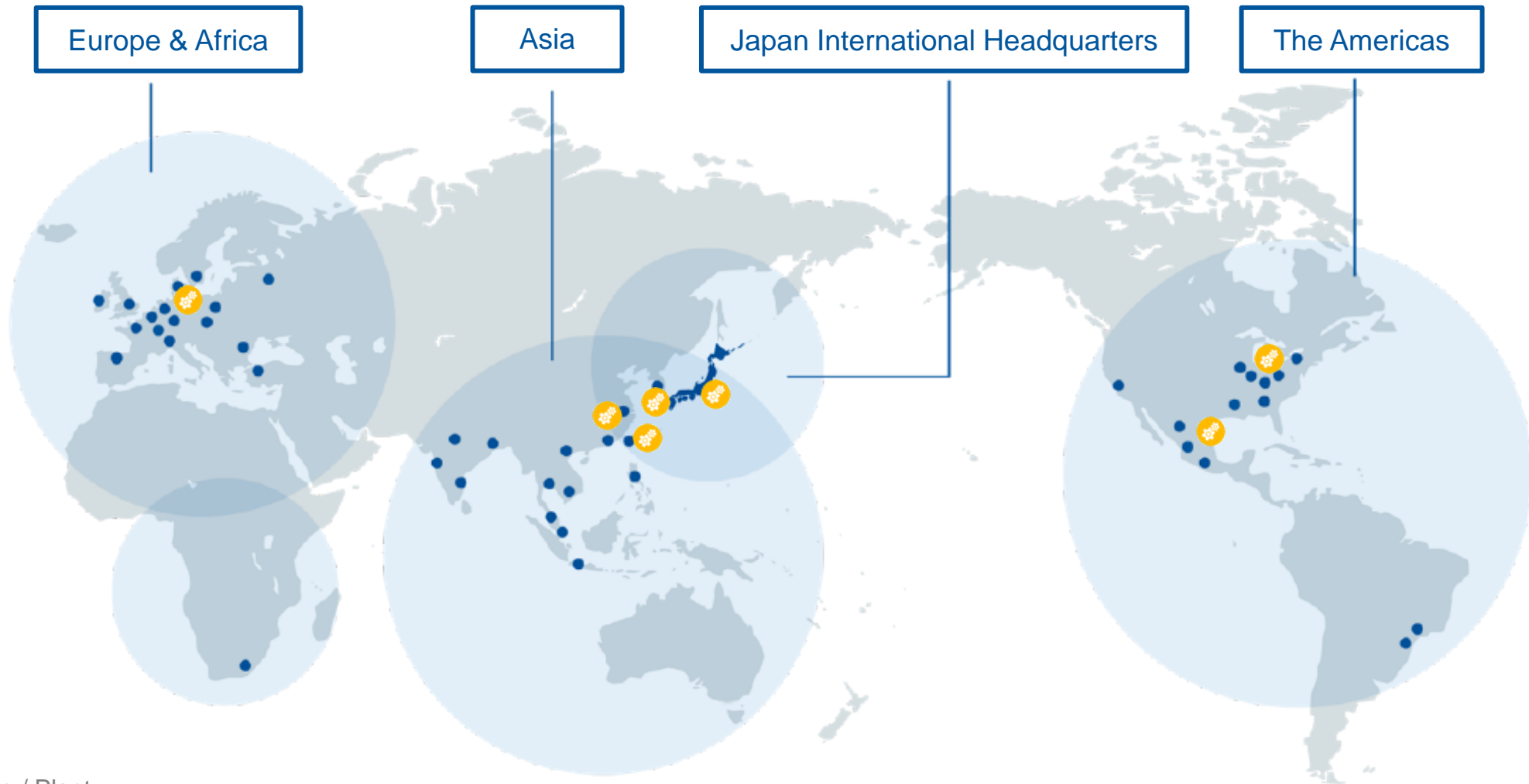
	1US\$	1Euro	1RMB
FY20 3Q	107.66	120.95	15.32
FY20	106.94	121.60	15.41
FY21 3Q	108.18	129.94	16.71
FY21	109.41	130.04	16.94
FY22 3Q	126.15	135.31	19.20
FY22	130.61	137.60	19.42
FY23 3Q	137.68	149.36	19.56



Selected Financial Data (Consolidated)

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023-3Q
Net sales	(mil.yen)	88,378	101,031	111,917	105,561	120,198	131,368	126,964	104,388	126,156	142,525	107,731
Sales growth rate	(%)	5.0%	14.3%	10.8%	-5.7%	13.9%	9.3%	-3.4%	-18.0%	20.9%	13.0%	4.1%
Cost of sales	(mil.yen)	52,777	58,061	61,865	59,179	69,711	74,833	73,281	65,715	76,969	83,459	63,959
Gross profit	(mil.yen)	35,601	42,970	50,051	46,382	50,486	56,535	53,682	38,673	49,186	59,065	43,772
SG&A expenses	(mil.yen)	22,774	25,554	28,454	28,135	31,349	34,015	34,128	30,276	33,081	37,166	29,686
Operating income	(mil.yen)	12,827	17,415	21,597	18,246	19,137	22,520	19,554	8,396	16,105	21,898	14,085
Ordinary income	(mil.yen)	13,910	17,568	21,510	17,813	19,144	22,567	19,710	8,950	16,141	23,648	15,270
Net income	(mil.yen)	8,619	9,989	12,518	10,134	13,993	14,710	13,686	5,639	10,989	16,534	10,044
Gross profit margin	(%)	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	39.0%	41.4%	40.6%
SG&A to Sales ratio	(%)	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%	26.9%	29.0%	26.2%	26.1%	27.6%
Operating income margin	(%)	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	15.4%	13.1%
Ordinary income margin	(%)	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	16.6%	14.2%
Net income margin	(%)	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	11.6%	9.3%
Average FX rate: 1USD	(yen)	93.16	102.98	121.03	109.78	112.33	110.53	109.36	106.94	109.41	130.61	137.68
Average FX rate: 1Euro	(yen)	122.62	139.37	134.92	121.39	126.20	130.68	122.53	121.60	130.04	137.60	149.36
Total assets	(mil.yen)	134,503	142,302	155,129	156,081	166,712	178,020	190,414	200,112	209,757	228,852	239,371
Total shareholders' equity	(mil.yen)	80,024	91,458	102,566	92,216	115,810	125,332	129,078	129,338	143,811	164,659	175,866
Net income per share	(yen)	90.76	105.20	131.78	110.59	153.70	150.47	140.06	57.94	112.63	171.54	104.84
Cash dividends per share (end of Q2)	(yen)	10.00	14.00	26.00	22.00	21.00	22.00	23.00	11.00	14.00	23.00	28.00
(year-end)	(yen)	20.00	20.00	20.00	28.00	25.00	25.00	24.00	11.00	22.00	37.00	-
Total shareholders' equity per share	(yen)	842.71	963.15	1,079.12	1,024.34	1,191.65	1,279.29	1,328.08	1,327.22	1,472.45	1,721.14	1,833.29
Average number of shares	(ths)	94,963	94,959	94,991	91,640	91,044	97,761	97,716	97,335	97,573	96,388	95,807
ROA (operating income basis)	(%)	10.0%	12.6%	14.5%	11.7%	11.9%	13.1%	10.6%	4.3%	7.9%	10.0%	8.0%
ROE	(%)	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.7%	7.8%
Equity ratio	(%)	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	72.0%	73.5%
Operating CF	(mil.yen)	16,171	19,688	19,588	16,333	20,820	20,310	19,261	17,038	26,982	20,175	-
Investing CF	(mil.yen)	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133	-6,961	-12,170	-
Financing CF	(mil.yen)	-9,423	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-14,264	-14,740	-
Cash flow margin	(%)	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%	21.4%	14.2%	-

Expansion of Overseas Business





shaping your dreams



Medium-term Management Plan

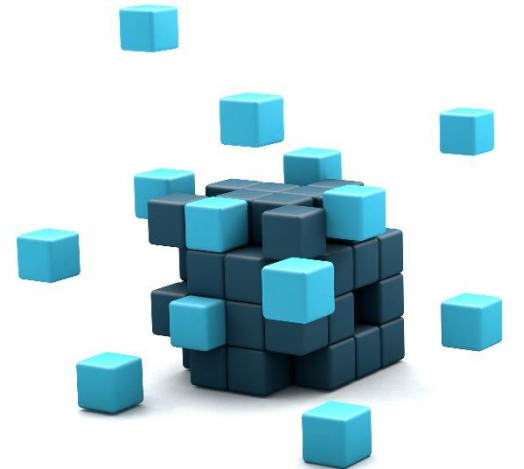
Beyond the Limit 2024

FY2022 - FY2024

Beyond the Limit

Long-term Vision

**To become an essential player
that contributes to the global manufacturing
industry towards a carbon-neutral era**



Basic Strategy

Strengthen business efficiency and build a corporate structure capable of generating stable profits

- We have divided our long-term vision into three stages, the first three years in which we will strengthen our corporate structure, in order to transform ourselves into an essential player that contributes to the global manufacturing industry,
- In each of the three stages, we will change the composition of our customer portfolio by 2030 in order to respond to changes in the social environment.
- Toward the era of carbon neutrality, we will work together with group companies to enhance corporate value by optimizing the entire group.



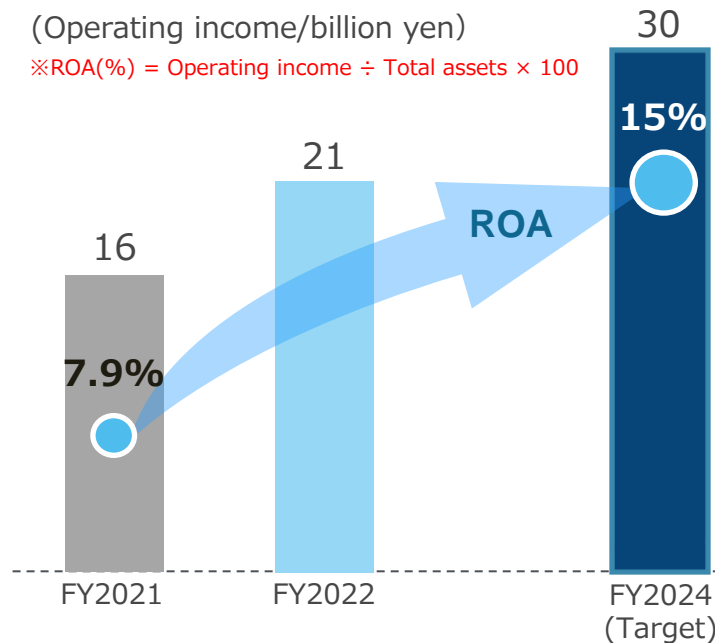
**Beyond the Limit
2022-2024 (Stage1)**

**Beyond the Limit
2025-2027 (Stage2)**

**Beyond the Limit
2028-2030 (Stage3)**

(Operating income/billion yen)

※ROA(%) = Operating income ÷ Total assets × 100



**Medium-Term
Management Targets**
(Fiscal year ending November 30, 2024)

ROA (Operating income basis)
15%
Operating Income
30 billion yen

**Achieve
40% share**
in the global tap
market

**Portfolio by Customer
in micro precision machining**
Over 30%
Become a company that
contributes to the carbon
neutrality

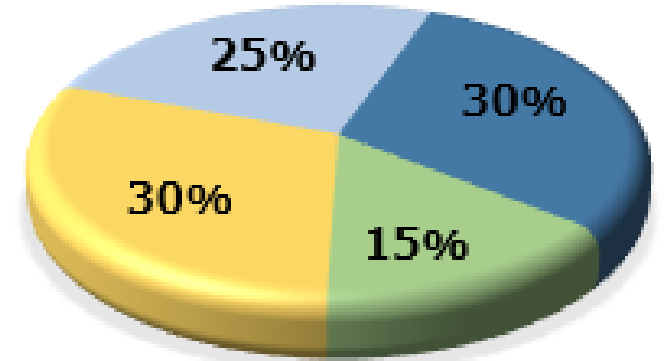
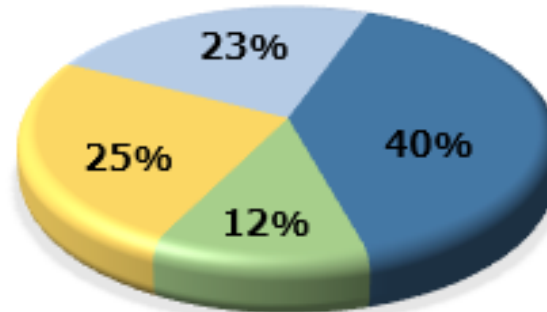
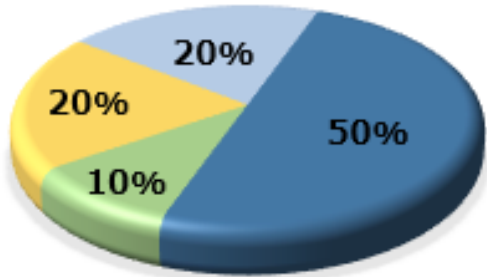


Target-Industry Portfolio

**Beyond the Limit
2022-2024 (Stage1)**

**Beyond the Limit
2025-2027 (Stage2)**

**Beyond the Limit
2028-2030 (Stage3)**



■ Automotive
 ■ Aerospace
 ■ Micro precision machining
 ■ General Industry

Basic Strategy

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

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

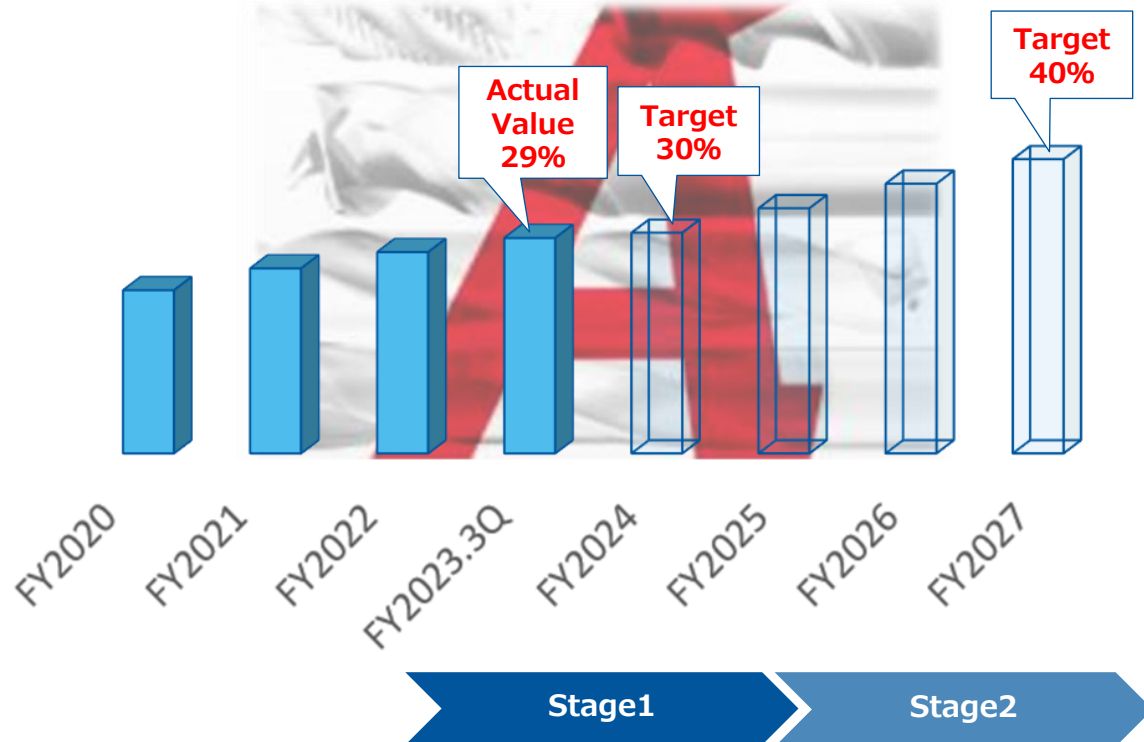
- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers

Progress of Basic Strategy

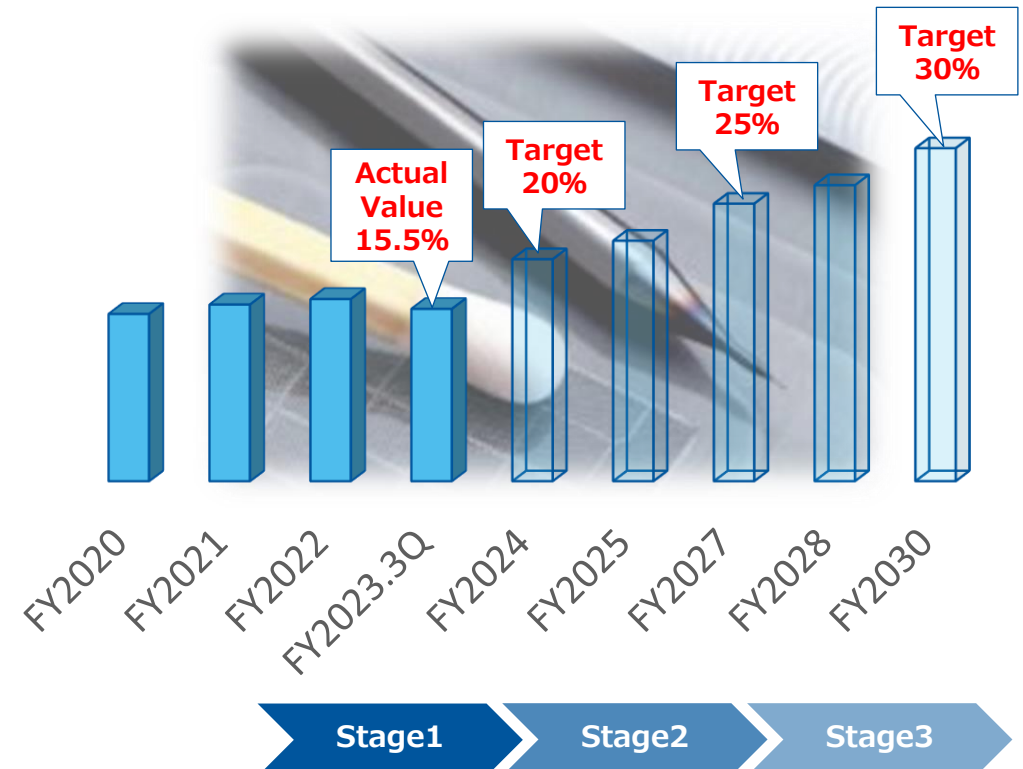
Sales of A-brand products grew, especially overseas, and new customers were acquired in the micro-precision machining field.

A Brand sales rate

A-brand product sales as a percentage of sales of taps, drills, and end mills in standard items



Sales rate in micro precision machining



Business Opportunities and Growth Area

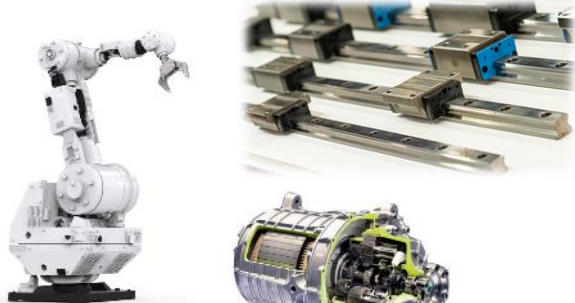
Precision Molds



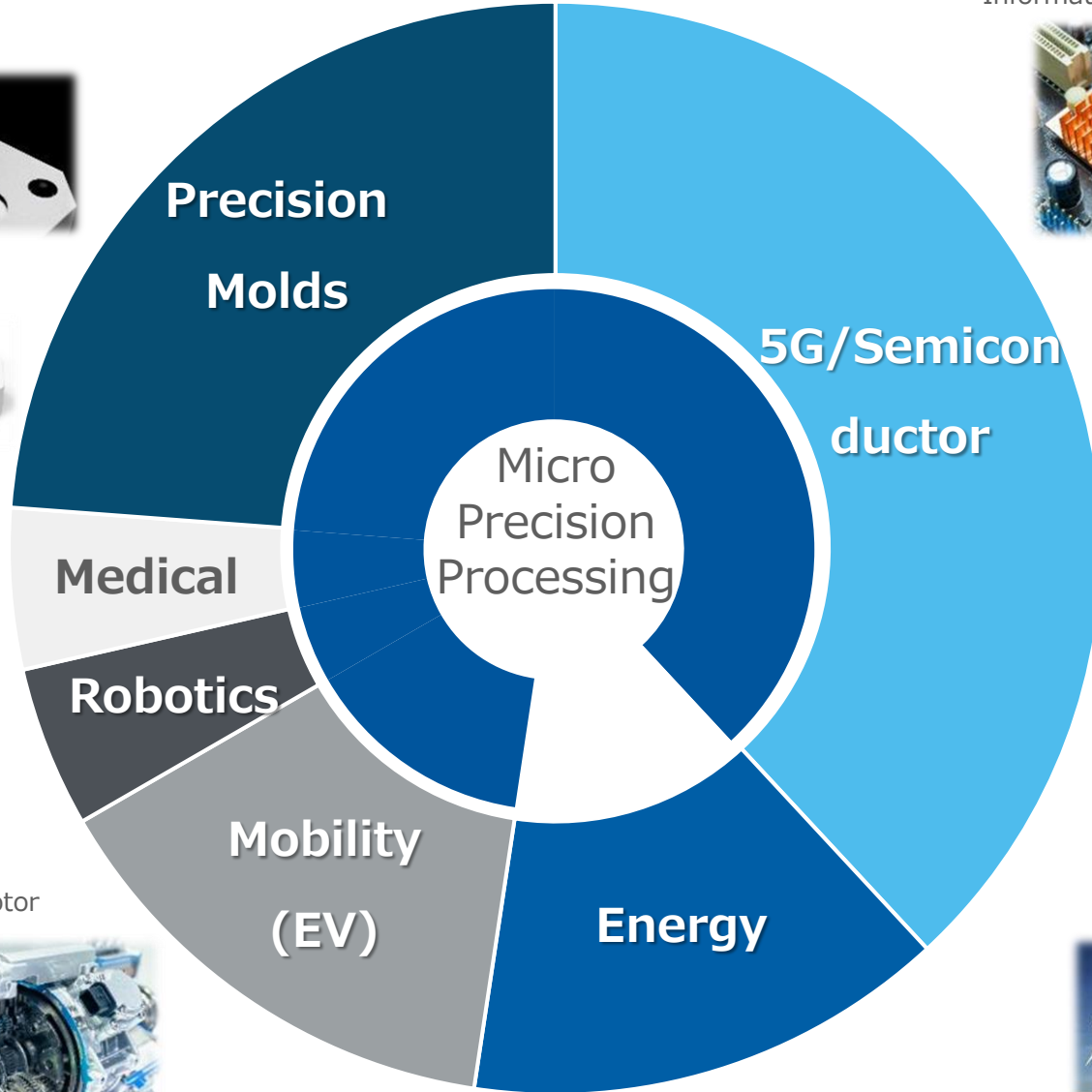
Medical parts



Robotics, automation-related and machine parts



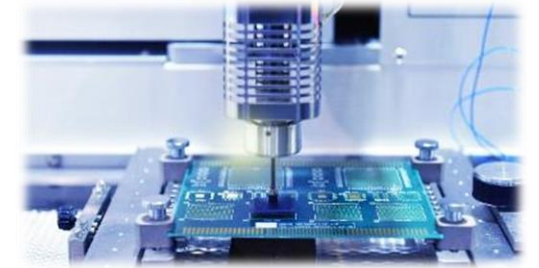
Motor



Information and communication equipment parts



Semiconductor manufacturing equipment parts



Wind power generation



※Graphs are images of our company

Promotion of ESG Management

New Sustainable Forming Tap Innovation
Scheduled to Launch in 2024



Unique Tool Geometry

Developed by CAE Analysis

Green Tap features a special thread specification (PAT. P) engineered to maximize cutting edge strength through CAE analysis of the plastic flow of the work material. With improved breakage resistance and cutting edge strength, high durability can be achieved. Through enhanced tool longevity, waste and negative impact to the environment can be minimized.

Not Generating “Cutting Chips” During Machining

Green Tap does not generate cutting chips during machining. When cutting chips are generated during threading, the machine may be stopped for chip removal. Additionally, electricity is consumed even when the machine is stopped. Therefore, the reduction of machine downtime is also an environmentally friendly initiative.

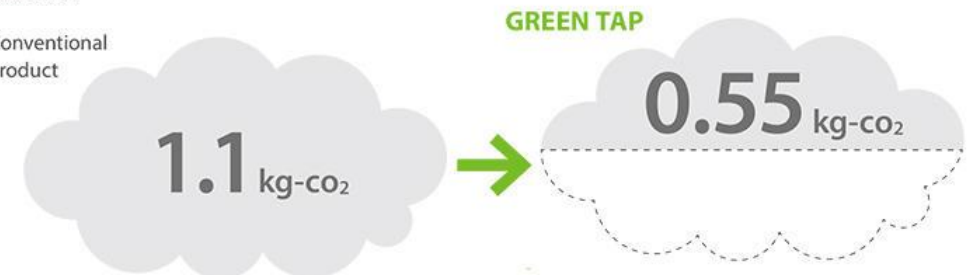
Reducing CO₂ Emissions During Tap Production by Approximately 50%

Green Tap is made by the company's new and original manufacturing method. By reducing power consumption in the manufacturing process, CO₂ emissions per tool during production can be reduced by approximately 50 percent compared to conventional taps (Size M6 x 1 - conventional tap: 1.1 kg-CO₂/tool vs. Green Tap: 0.55 kg-CO₂/tool). Selecting **Green Tap** leads to a reduction in CO₂ emissions related to thread processing.

CO₂ Emissions (per tool during manufacturing)

Size: M6 x 1

Conventional Product



Shareholder Return Policy

The dividend payout ratio will be increased from the current commitment of 30% to 35% from FY2022. In the future, we will aim for a payout ratio of 40% while monitoring trends in our business performance. In addition, we will make decisions on share repurchases in consideration of capital conditions, business performance trends, our stock price level, growth investment opportunities, and improvement of capital efficiency.

