



shaping your dreams

Financial Results for FY2023

January 11, 2024
OSG Corporation

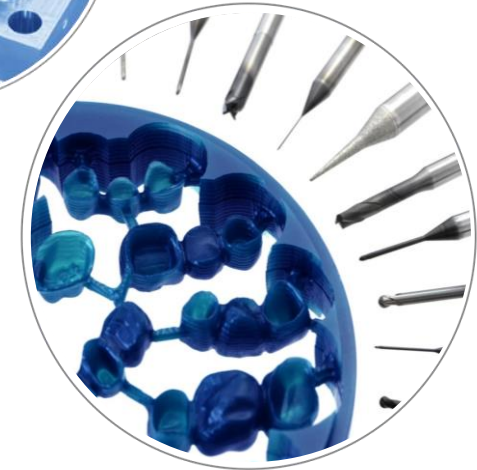
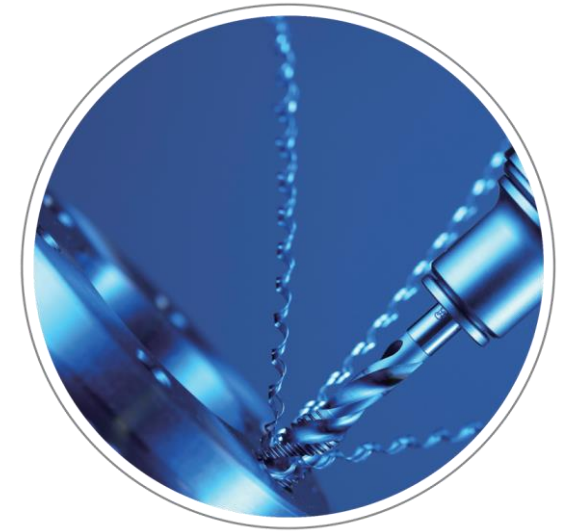
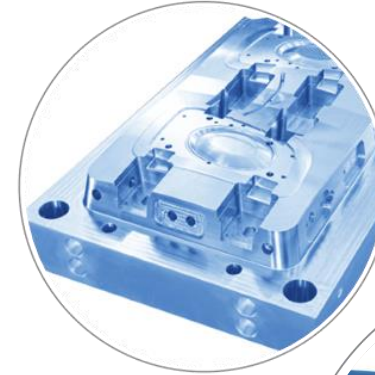


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Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	13,044 million yen
Employees	7,563 (consolidated) 1,900 (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 33 countries



Financial Summary

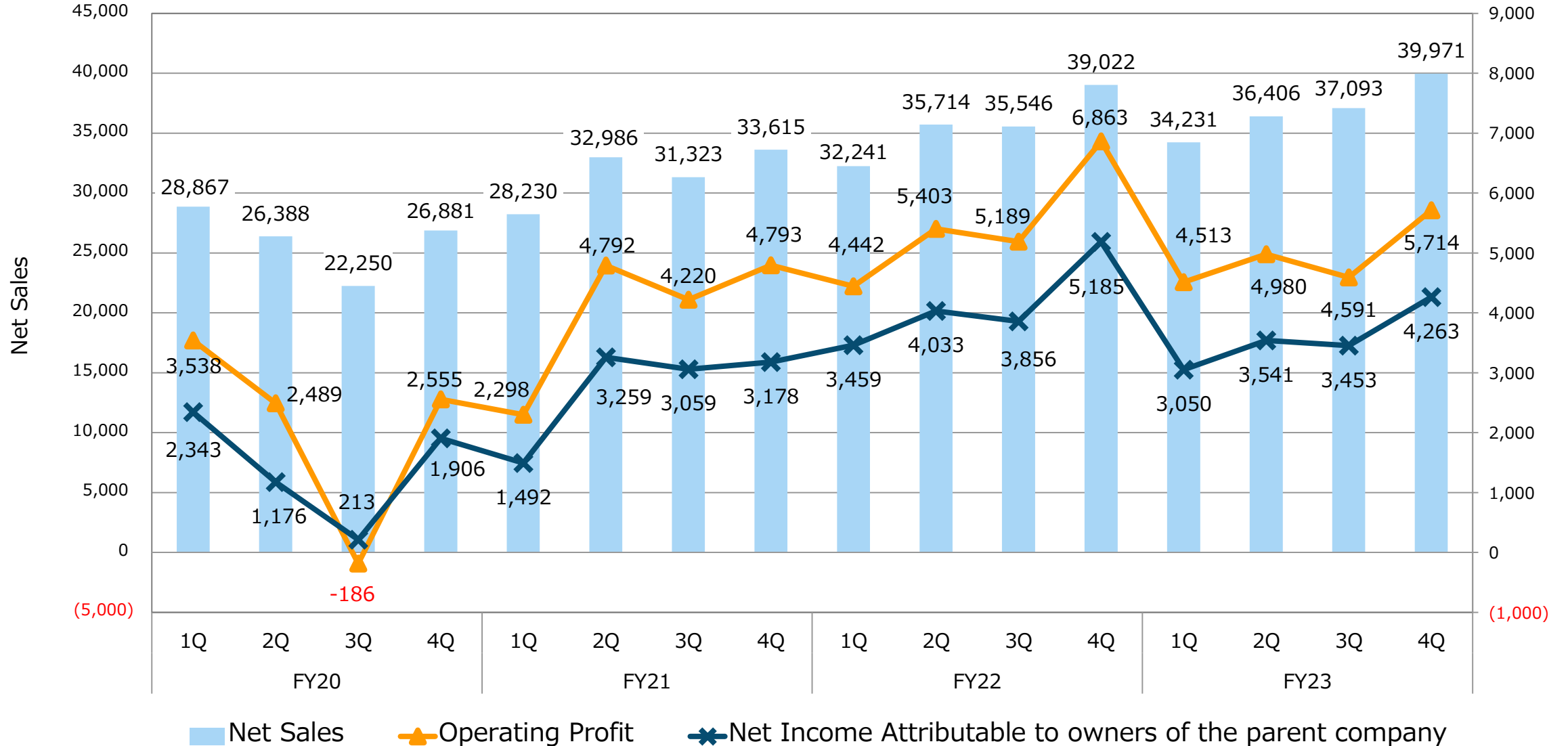
(Millions of yen)

	FY22	FY23	Change	Forecast For FY23	Progress Rate
Net Sales	142,525	147,703	+3.6%	145,000	101.9%
Operating Profit	21,898	19,800	-9.6%	19,000	104.2%
OPM	15.4%	13.4%	-	13.1%	-
Ordinary Income	23,648	21,350	-9.7%	21,000	101.7%
Net Profit Attributable to OSG	16,534	14,307	-13.5%	14,000	102.2%
EPS(yen)	171.54	149.29	-13.0%	146.13	-



Financial Summary

(Millions of yen)



Operating Profit & Net Income Attributable to owners of the parent



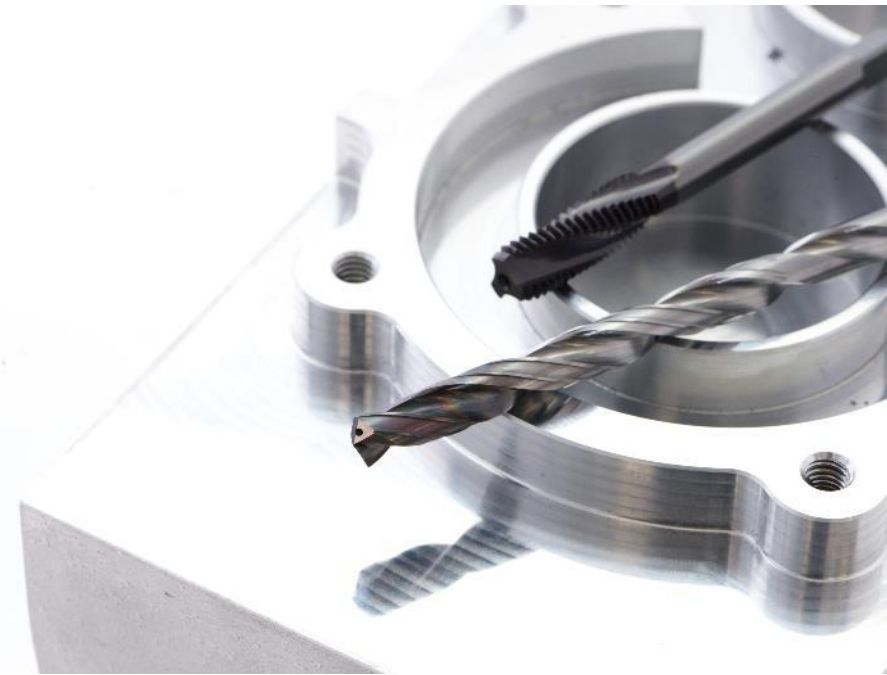
Review of FY23

Record-high sales driven by Europe and America

Decrease in Profits Due to Stagnation in Greater China

Index & Capital Investment Results

—EBITDA	30.8 billion yen	(-4.8% YoY)
—EBITDA Margin	20.9%	(-1.9pts YoY)
—Free Cash Flow	14.7 billion yen	(+6.7 billion yen YoY)
—ROA	8.3%	(-1.7pts YoY)
(Operating Income Basis)		
—ROE	8.3%	(-2.4pts YoY)
—Equity Ratio	72.6%	(+0.6pts YoY)
—CAPEX	10.5 billion yen	
—Depreciation	11.0 billion yen	



Review of FY23

The Americas

Aircraft and automotive industries continues to remain strong. Energy industry also remains strong.

Europe/Africa

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

The automotive industry also continues to recover.

Asia

Greater China continues to be stagnated. Some industries sign to bottom out.

The performance in South Asia is mixed, but that in India continued to remain strong.

Japan

Inventory adjustment is underway in the general parts industry. Recovering in the automobile industry.

Domestic plants continue to adjust the production.

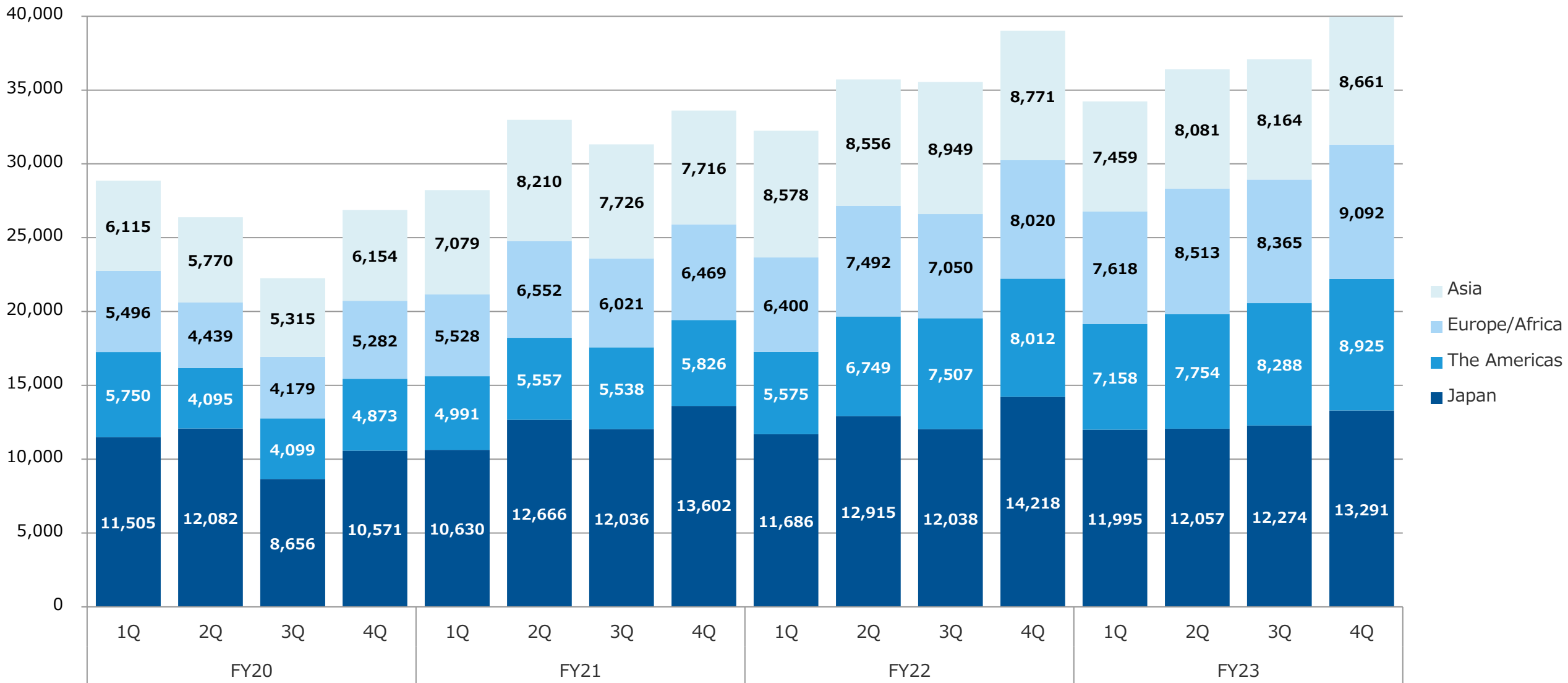
Sales to Customer

(Millions of yen)

	FY22	FY23	Change		Change in local currency
Japan	50,858	49,619	-1,239	-2.4%	-
The Americas	27,845	32,126	4,281	+15.4%	+7.3%
Europe/Africa	28,964	33,590	4,625	+16.0%	+6.7%
Asia	34,856	32,367	-2,489	-7.1%	-10.8%
Consolidated	142,525	147,703	5,177	+3.6%	-

Sales to Customer

(Millions of yen)



Operating Income

(Millions of yen)

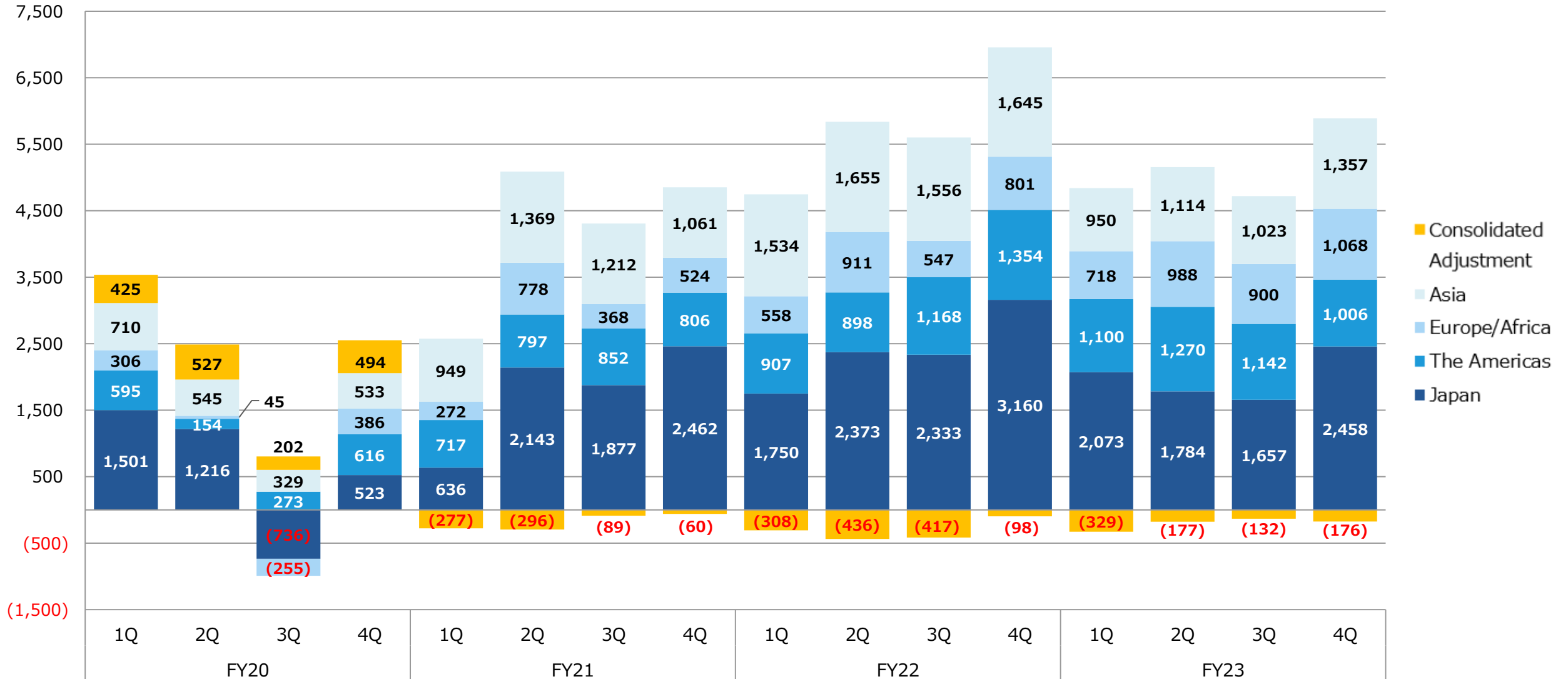
	FY22	Component ratio	FY23	Component ratio	Change		OPM(*)
Japan	9,617	41.5%	7,975	38.7%	-1,642	-17.1%	10.9%
The Americas	4,327	18.7%	4,520	21.9%	192	+4.5%	13.7%
Europe/Africa	2,820	12.2%	3,675	17.8%	854	+30.3%	10.9%
Asia	6,392	27.6%	4,445	21.6%	-1,946	-30.5%	12.4%
Total	23,158	-	20,616	-	-2,541	-11.0%	11.7%
Eliminations	-1,260	-	-816	-	443	-	-
Consolidated	21,898	-	19,800	-	-2,097	-9.6%	13.4%

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



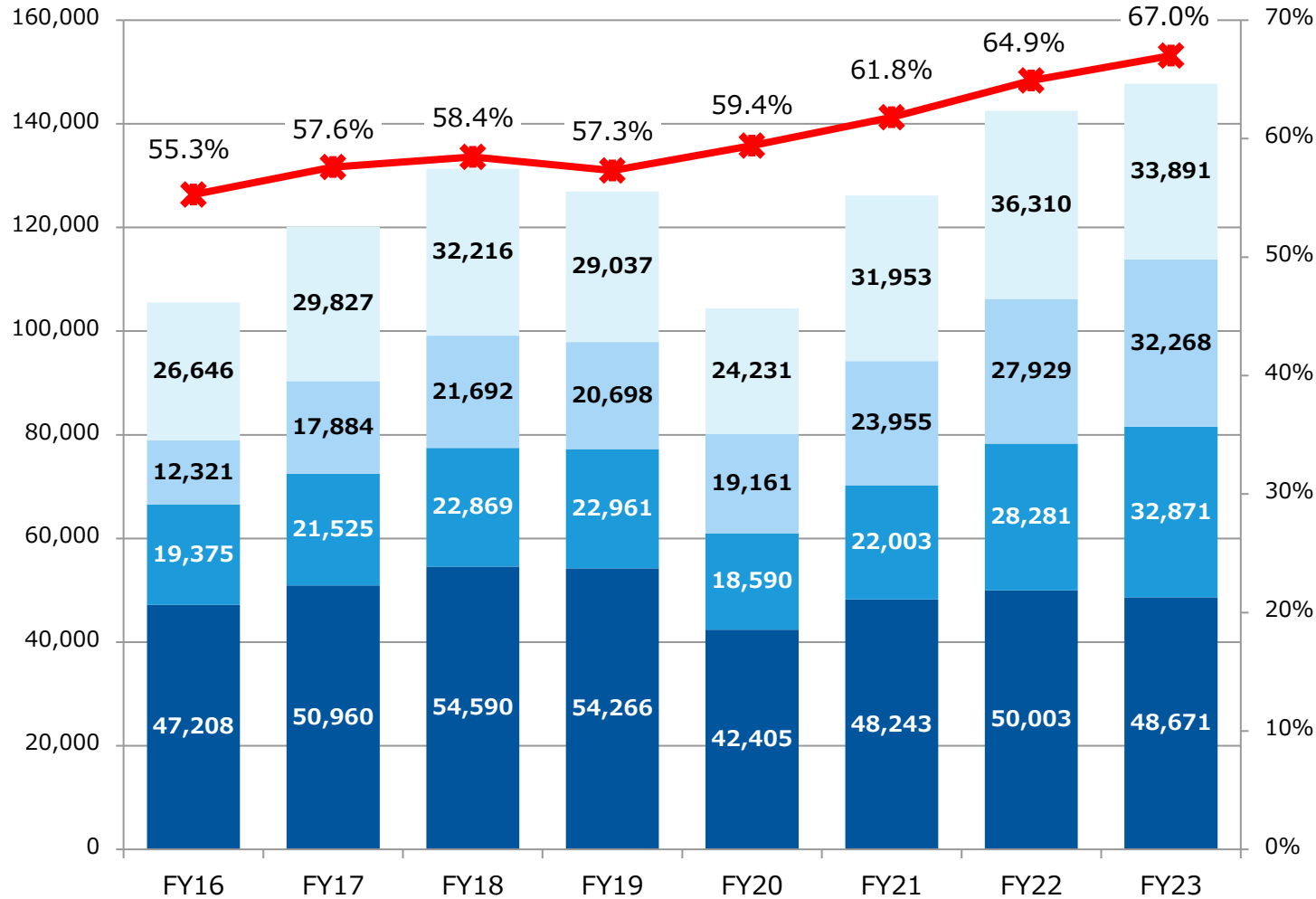
Operating Income

(Millions of yen)



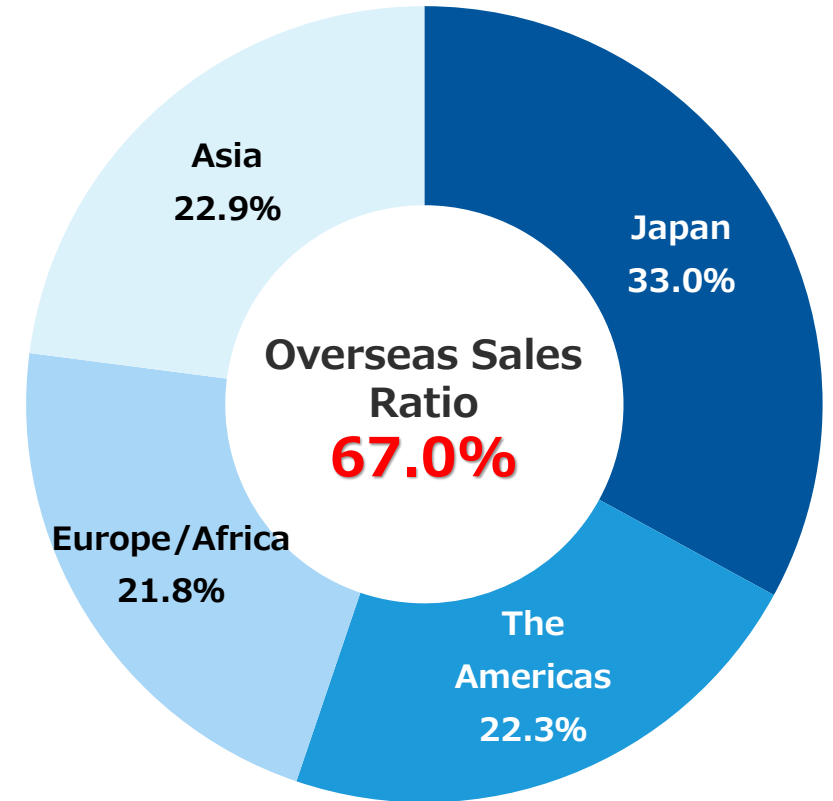
Overseas Sales Ratio

(Millions of yen)



■ Japan
 ■ The Americas
 ■ Europe/Africa
 ■ Asia
 ✖ Overseas Sales Ratio

FY2023



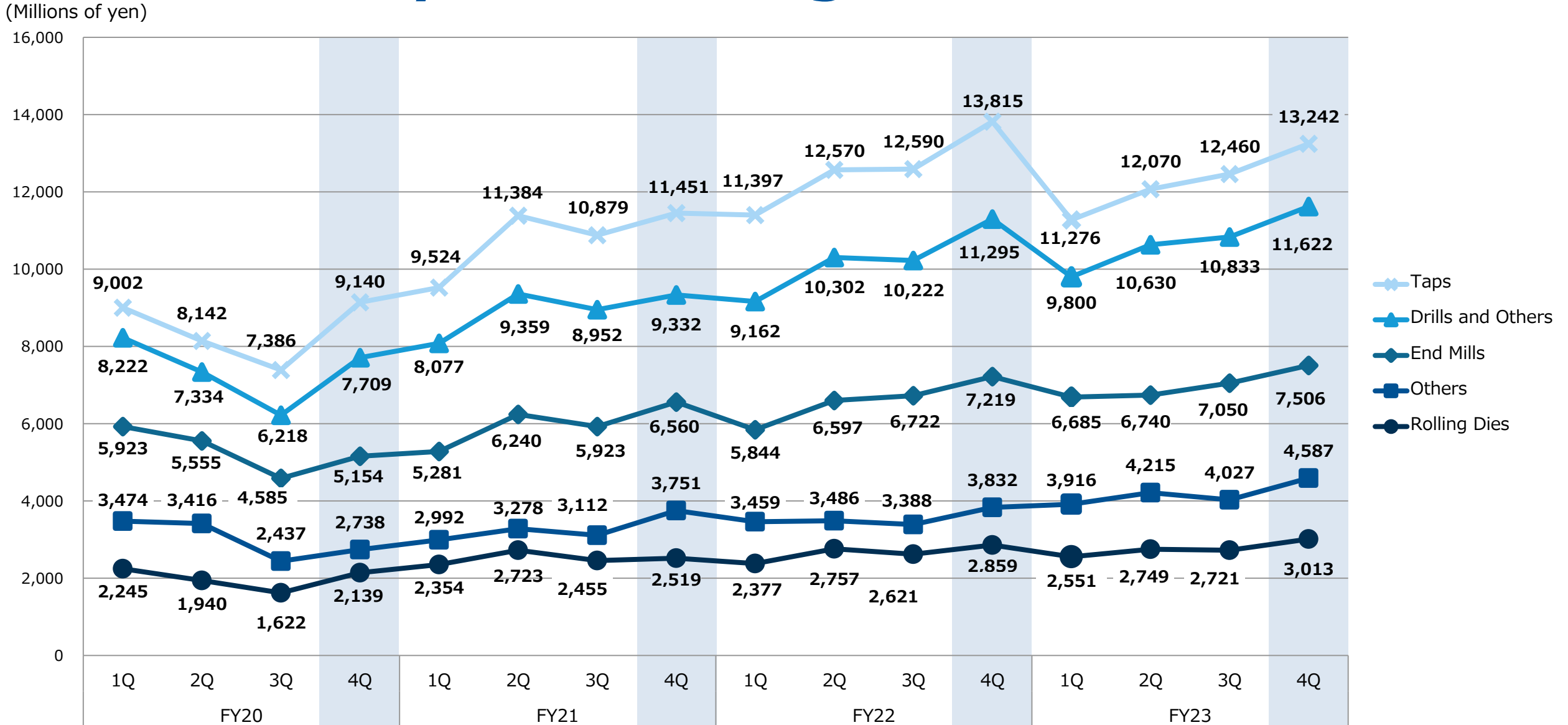
Net Sales by Product Segment

(Millions of yen)

		FY22						FY23						Change	
		1Q	2Q	3Q	4Q	Total		1Q	2Q	3Q	4Q	Total			
Precision Tools	Taps	11,397	12,570	12,590	13,815	50,374	35.3%	11,276	12,070	12,460	13,242	49,050	33.2%	-1,323	-2.6%
	End mills	5,844	6,597	6,722	7,219	26,383	18.5%	6,685	6,740	7,050	7,506	27,983	18.9%	1,600	6.1%
	Drills and Others	9,162	10,302	10,222	11,295	40,982	28.9%	9,800	10,630	10,833	11,622	42,886	29.0%	1,904	4.6%
	Rolling dies	2,377	2,757	2,621	2,859	10,616	7.4%	2,551	2,749	2,721	3,013	11,035	7.5%	419	3.9%
	Gauges	449	524	488	529	1,991	1.4%	457	480	513	518	1,968	1.3%	-23	-1.2%
		29,231	32,751	32,646	35,719	130,348	91.5%	30,771	32,671	33,579	35,902	132,924	90.0%	2,576	2.0%
Other	Machine	783	1,008	893	1,222	3,907	2.7%	1,320	1,359	1,428	1,735	5,843	4.0%	1,935	49.5%
	Other	2,227	1,953	2,007	2,080	8,269	5.8%	2,139	2,375	2,085	2,333	8,934	6.0%	665	8.0%
		3,010	2,962	2,900	3,303	12,176	8.5%	3,459	3,735	3,514	4,069	14,778	10.0%	2,601	21.4%
	Total	32,241	35,714	35,546	39,022	142,525	100%	34,231	36,406	37,093	39,971	147,703	100%	5,177	3.6%



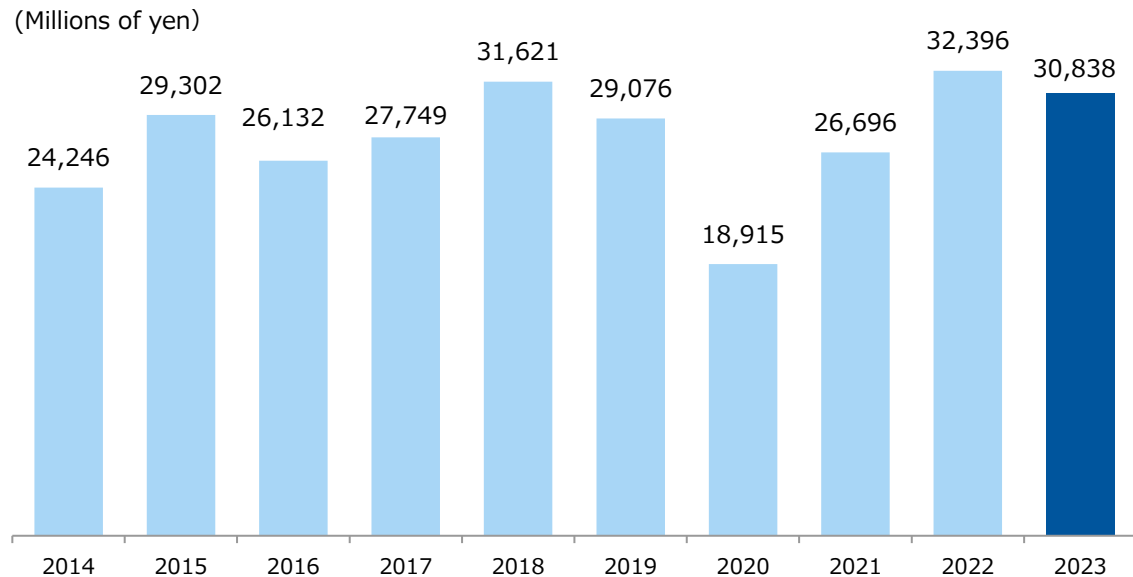
Net Sales by Product Segment



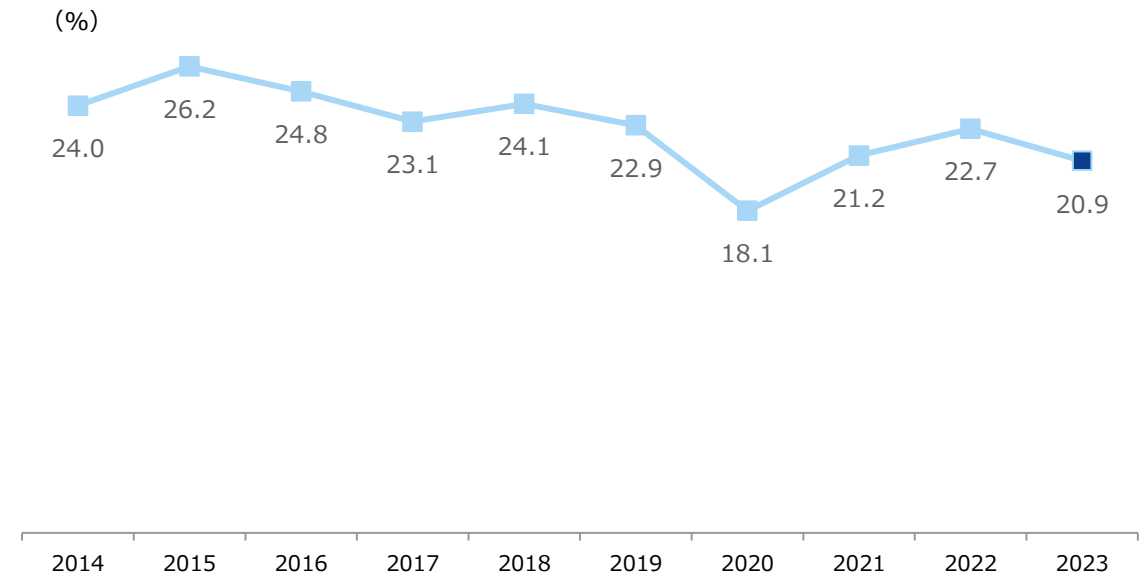
B/S Overview • EBITDA

			(Millions of yen)	
	FY22	FY23	FY22	FY23
Equity Ratio (%)	72.0	72.6	Cash and Time Deposits	46,697
Receivable Turnover Period (Days)	68.9	70.8	Interest-bearing Debt	25,570
Inventory Turnover Period (months)	4.4	4.7	Net Cash	21,126
				29,293

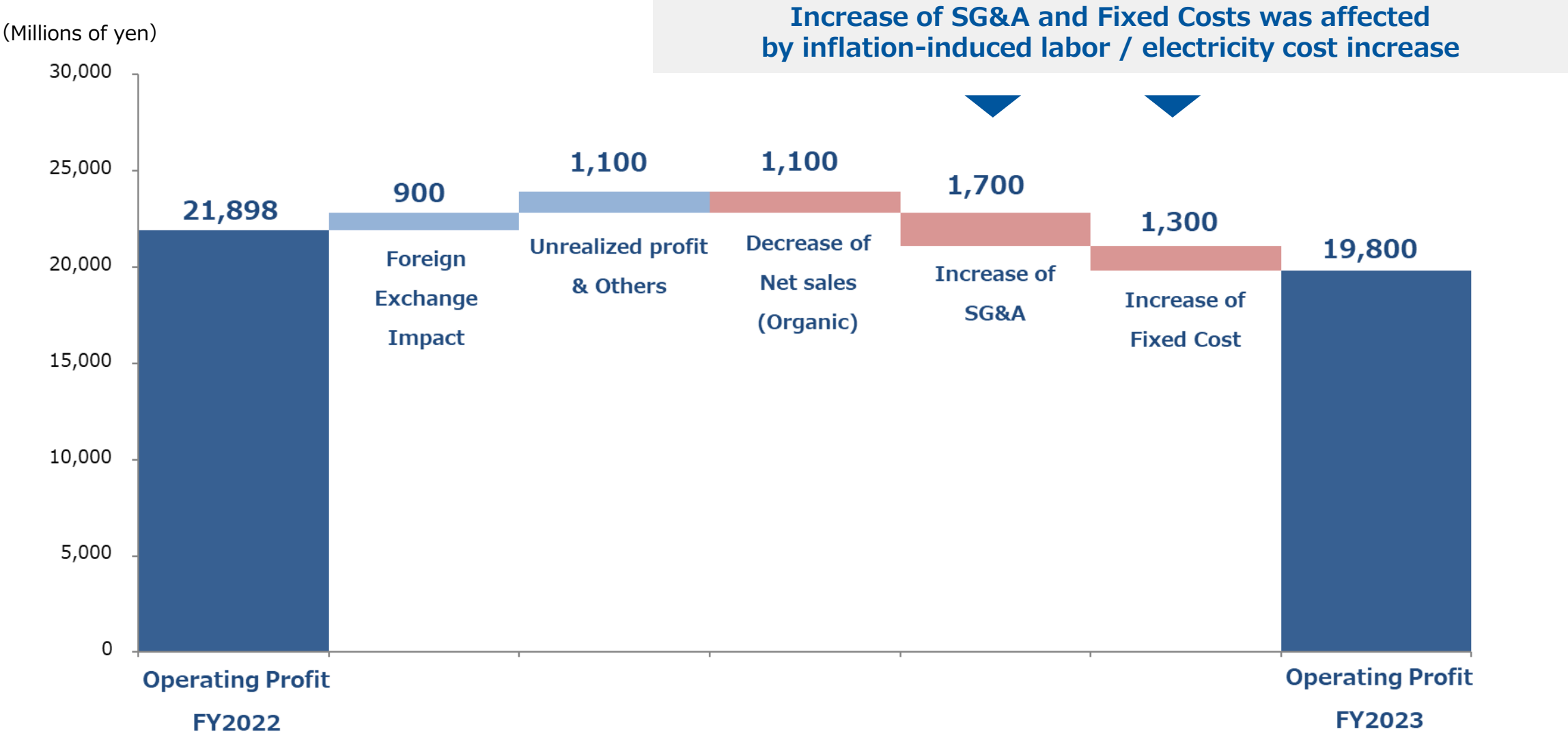
EBITDA



EBITDA Margin



Operating Profit Variation



Cash Flow Overview

(Millions of yen)	FY19	FY20	FY21	FY22	FY23	Change
Income before income taxes	19,845	8,896	16,354	23,378	20,747	-2,630
Depreciation and amortization	9,522	10,518	10,591	10,498	11,037	539
Change in notes and accounts receivable	1,902	2,832	-2,448	-1,466	-480	986
Change in inventories	-6,319	1,822	1,864	-5,269	-2,076	3,192
Change in notes and accounts payable	453	-1,555	243	247	-56	-304
Change in accrued expenses	115	-1,704	1,227	853	77	-776
Income taxes - paid	-6,503	-4,743	-2,703	-7,645	-7,909	-263
Other, net	244	972	1,853	-420	1,990	2,410
Net cash provided by operating activities	19,261	17,038	26,982	20,175	23,331	3,155
Acquisitions of property, plant and equipment	-17,139	-9,895	-5,555	-8,600	-10,580	-1,980
Purchase of shares of subsidiaries	-1,158	-2,054	-346	-981	-1,037	-56
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-3,266	-	-	-	-
Proceeds from sale of investments in capital of subsidiaries resulting in change in scope of consolidation	-	-	-	-	552	552
Payments for time deposits and proceeds from refund of time deposits	-532	-583	-1,455	-2,595	2,511	5,106
Other, net	-1,485	-1,332	395	5	10	4
Net cash used in investing activities	-20,314	-17,133	-6,961	-12,170	-8,543	3,627
Free cash flow	-1,053	-94	20,021	8,004	14,787	6,782
Change in interest-bearing debt	11,258	14,692	-11,586	-4,227	3,044	7,271
Dividends paid	-4,709	-3,439	-2,440	-4,357	-6,220	-1,862
Dividends paid to non-controlling interests	-525	-298	-323	-359	-305	53
Purchase of treasury stock	-1,899	-1	-2	-5953	-3	5,950
Other, net	-660	-1,293	89	127	-345	-503
Net cash used in financing activities	3,465	9,658	-14,264	-14,740	-3,831	10,909
Effect of exchange rate change on cash and cash equivalents	-690	-88	1,224	3,098	1,975	-1,122
Net increase (decrease) in cash and cash equivalents	1,721	9,475	6,981	-3,637	12,931	16,569
Cash and cash equivalents from newly consolidated subsidiaries	437	120	73	-	73	73
Cash and cash equivalents at end of period	23,704	33,299	40,354	36,717	49,722	13,005

Capital Investment

FY24 Capital Investment Forecast

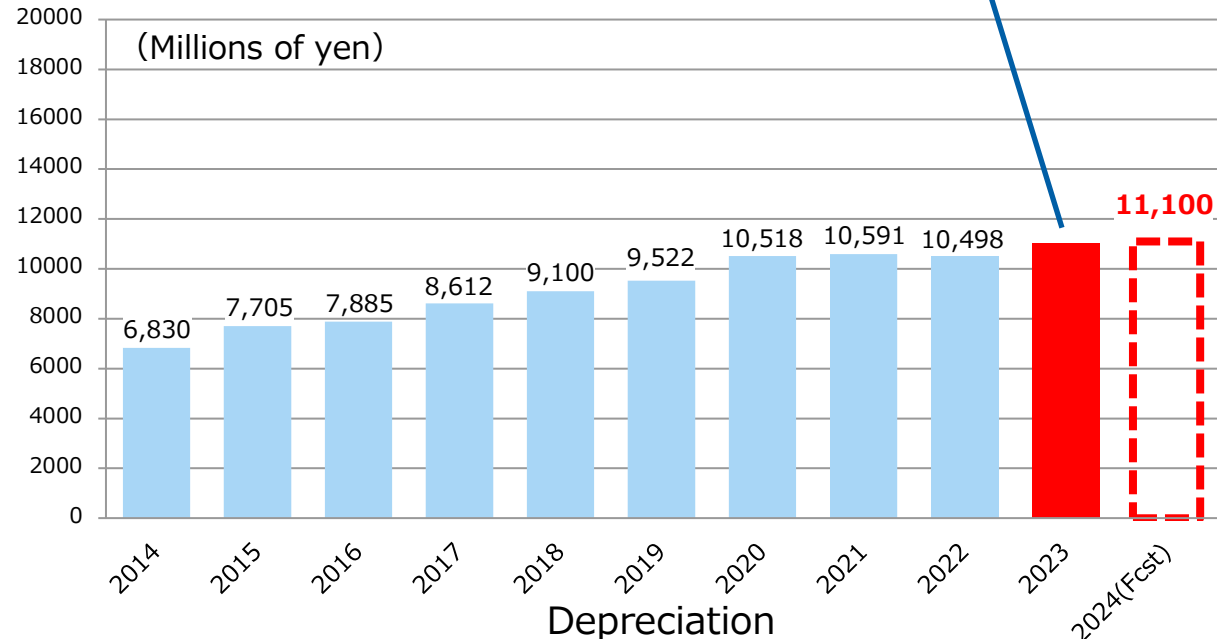
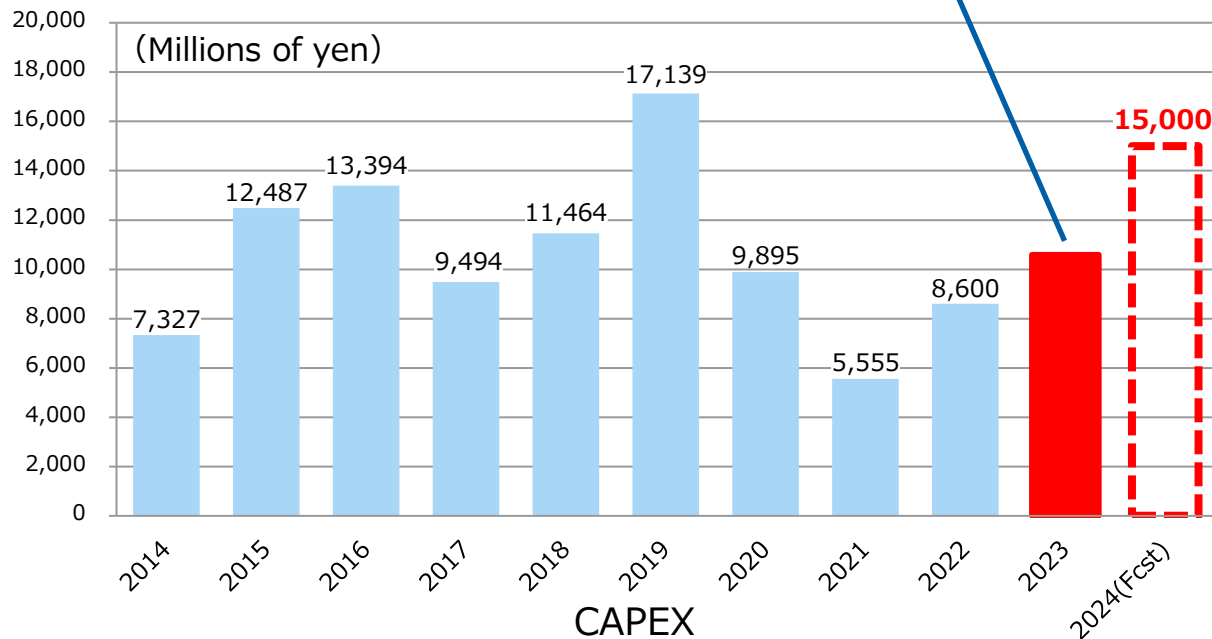
15.0 billion yen

Breakdown

Establishment of new factory of SD MFG. Company and enhancement of machinery and equipment, of which 2 billion yen was not received in FY22.

CAPEX : 10,580

Depreciation : 11,037

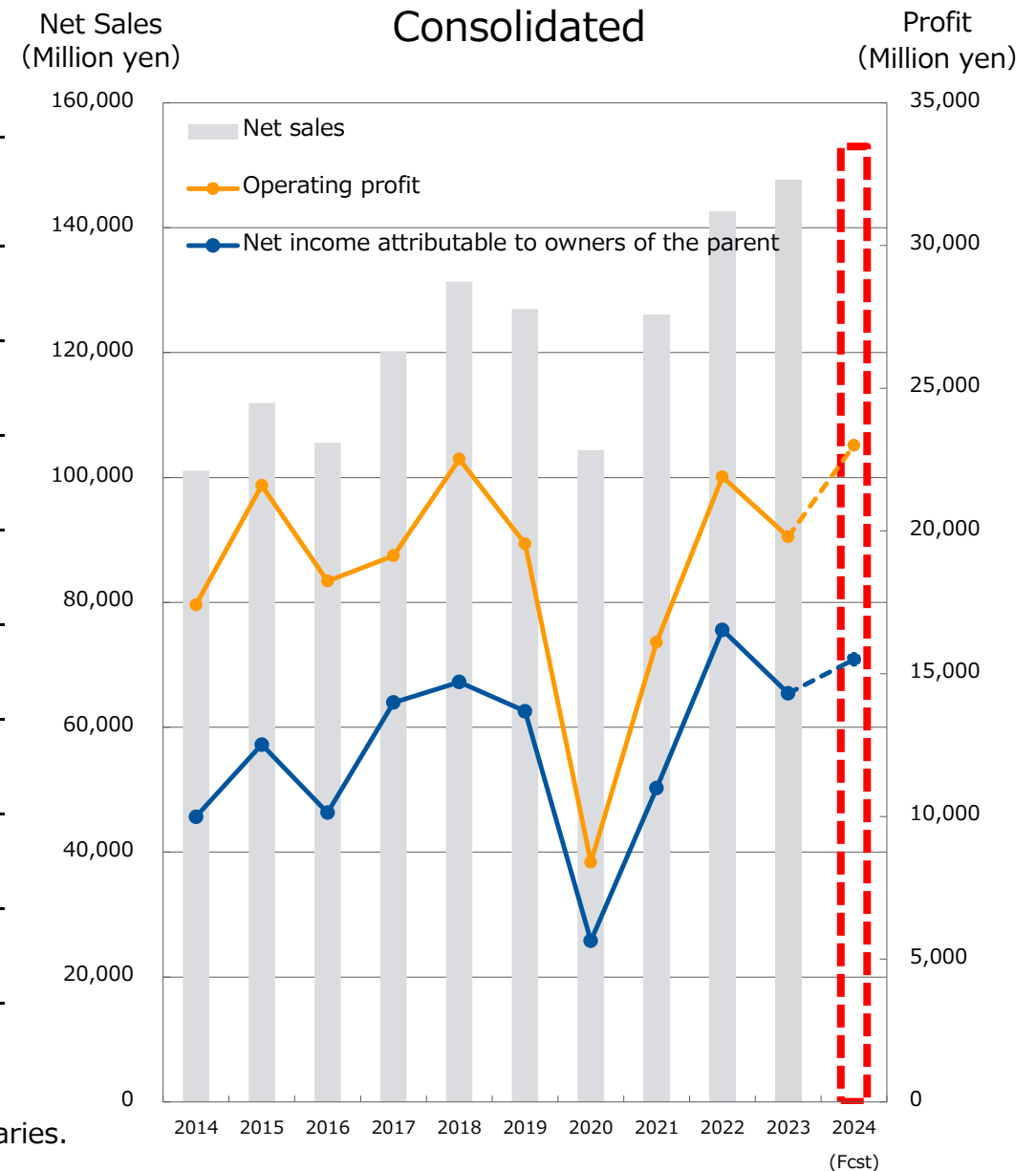


Forecast for FY24

	Consolidated		Parent Company	
	Amount (Millions of yen)	Growth	Amount (Millions of yen)	Growth
Net sales	153,000	+3.6%	58,000	+4.8%
Operating profit	23,000	+16.2%	5,800	+7.8%
as % of sales	15.0%	-	10.0%	-
Ordinary income	23,000	+7.7%	9,900	*-1.3%
as % of sales	15.0%	-	17.1%	-
Net income attributable to owners of the parent	15,500	+8.3%	8,200	+9.3%
as % of sales	10.1%	-	14.1%	-
EPS (yen)	170.08	+13.9%	89.94	14.9%

Exchange rate FY2024(Fcst.) : 1US\$=138.00yen 1Euro=150.00yen

*Decrease in Parent Company's Ordinary income is due to a decrease in dividends from subsidiaries.



Exchange Rate

(Yen)

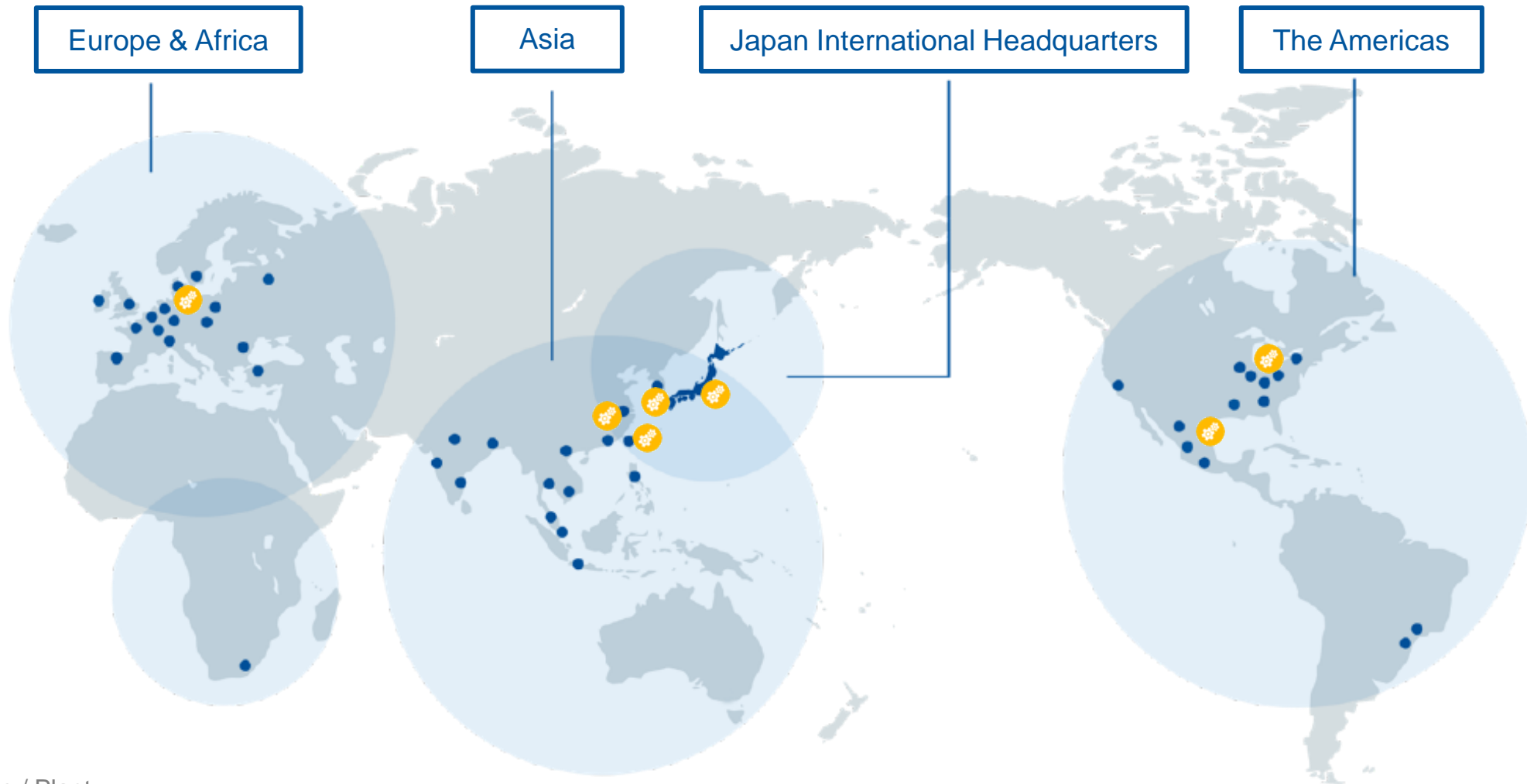
	1US\$	1Euro	1RMB
FY18	110.53	130.68	16.74
FY19	109.36	122.53	15.86
FY20	106.94	121.60	15.41
FY21	109.41	130.04	16.94
FY22	130.61	137.60	19.42
FY23	140.44	151.87	19.79



Selected Financial Data (Consolidated)

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net sales	(mil.yen)	88,378	101,031	111,917	105,561	120,198	131,368	126,964	104,388	126,156	142,525	147,703
Sales growth rate	(%)	5.0%	14.3%	10.8%	-5.7%	13.9%	9.3%	-3.4%	-18.0%	20.9%	13.0%	3.6%
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	87,254
Gross profit	(mil.yen)	35,601	42,970	50,051	46,382	50,486	56,535	53,682	38,673	49,186	59,065	60,448
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	40,648
Operating income	(mil.yen)	12,827	17,415	21,597	18,246	19,137	22,520	19,554	8,396	16,105	21,898	19,800
Ordinary income	(mil.yen)	13,910	17,568	21,510	17,813	19,144	22,567	19,710	8,950	16,141	23,648	21,350
Net income	(mil.yen)	8,619	9,989	12,518	10,134	13,993	14,710	13,686	5,639	10,989	16,534	14,307
Gross profit margin	(%)	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	39.0%	41.4%	40.9%
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%	27.5%
Operating income margin	(%)	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	15.4%	13.4%
Ordinary income margin	(%)	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	16.6%	14.5%
Net income margin	(%)	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	11.6%	9.7%
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	140.44
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	151.87
Total assets	(mil.yen)	134,503	142,302	155,129	156,081	166,712	178,020	190,414	200,112	209,757	228,852	250,124
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	181,561
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	149.29
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	32.00
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	1,892.35
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	95,838
ROA (operating income basis)	(%)	10.0%	12.6%	14.5%	11.7%	11.9%	13.1%	10.6%	4.3%	7.9%	10.0%	8.3%
ROE	(%)	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.7%	8.3%
Equity ratio	(%)	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	72.0%	72.6%
Operating CF	(mil.yen)	16,171	19,688	19,588	16,333	20,820	20,310	19,261	17,038	26,982	20,175	23,331
Investing CF	(mil.yen)	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133	-6,961	-12,170	-8,543
Financing CF	(mil.yen)	-9,423	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-14,264	-14,740	-3,831
Cash flow margin	(%)	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%	21.4%	14.2%	15.8%

Expansion of Overseas Business



- Sales Office / Plant
- ⚙️ Technology Center



shaping your dreams



Medium-term Management Plan

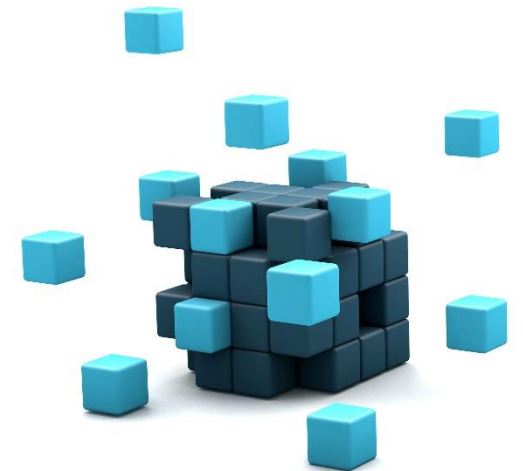
Beyond the Limit 2024

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

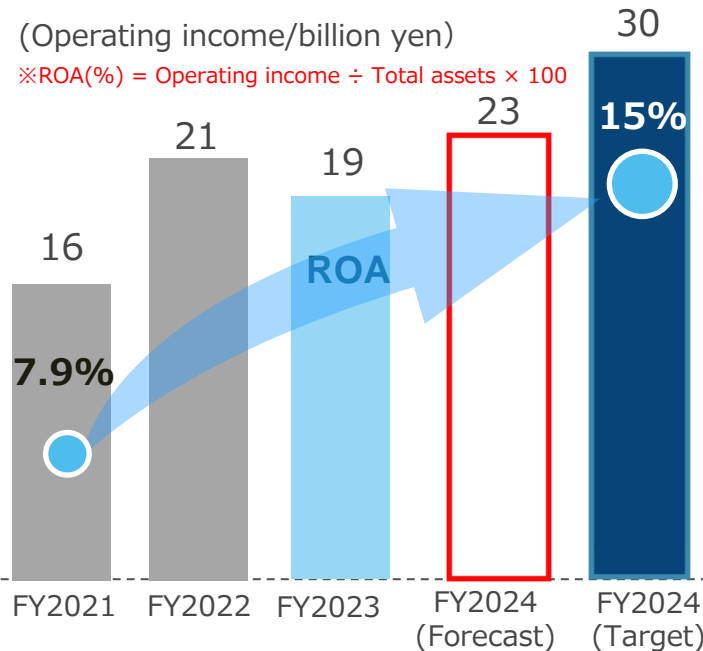
Strengthen business efficiency and build a corporate structure capable of generating stable profits

- 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)**



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

ROA (Operating income basis)
15%

Operating Income
30 billion yen

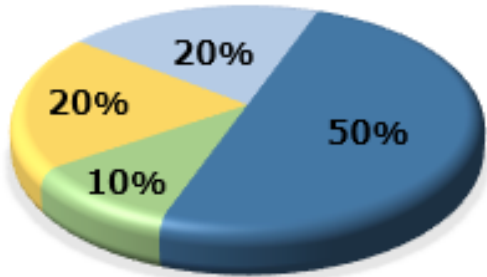
**Achieve
40% share**
in the global tap
market

**Portfolio by Customer
in micro precision machining**

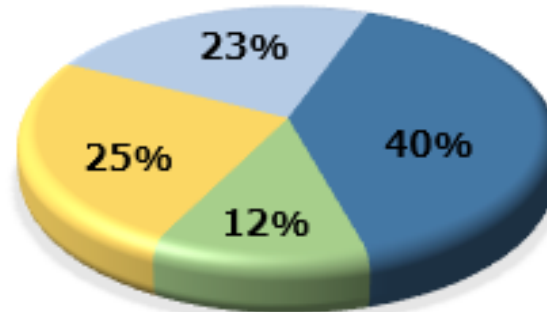
Over 30%
Become a company that
contributes to the carbon
neutrality

Target-Industry Portfolio

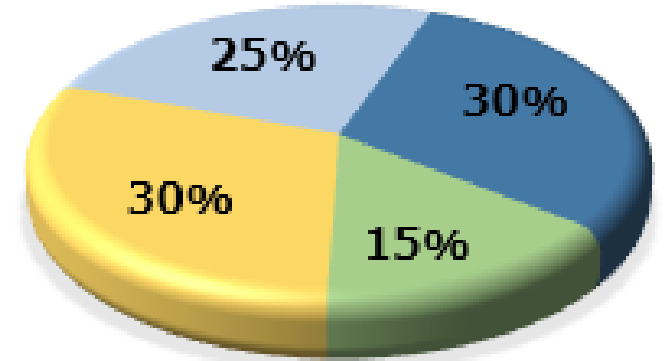
**Beyond the Limit
2022-2024 (Stage1)**



**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

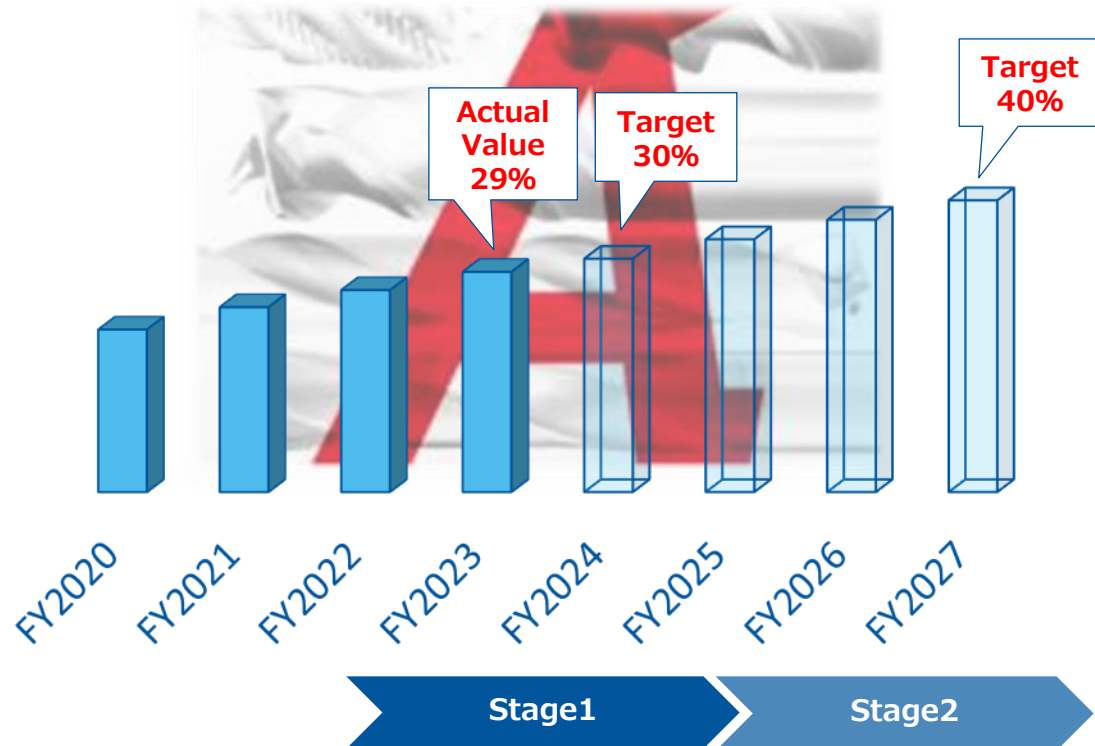
- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers

Progress of Basic Strategy

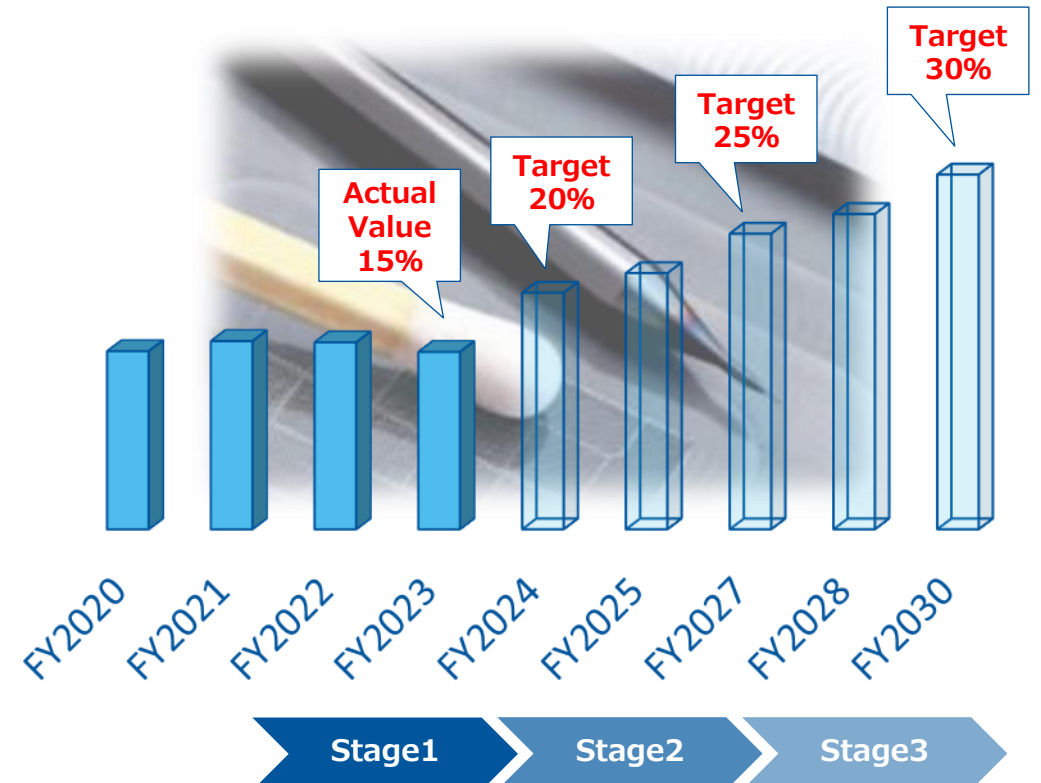
Sales of A-brand products grew, especially overseas, and new customers were acquired in the micro-precision machining field.

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

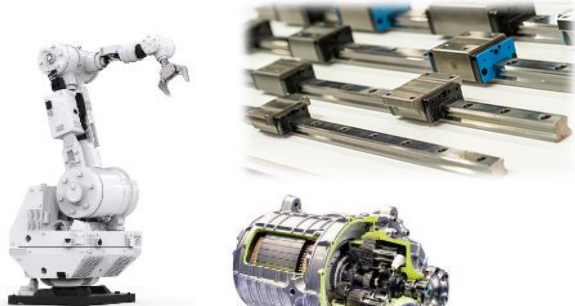
Precision Molds



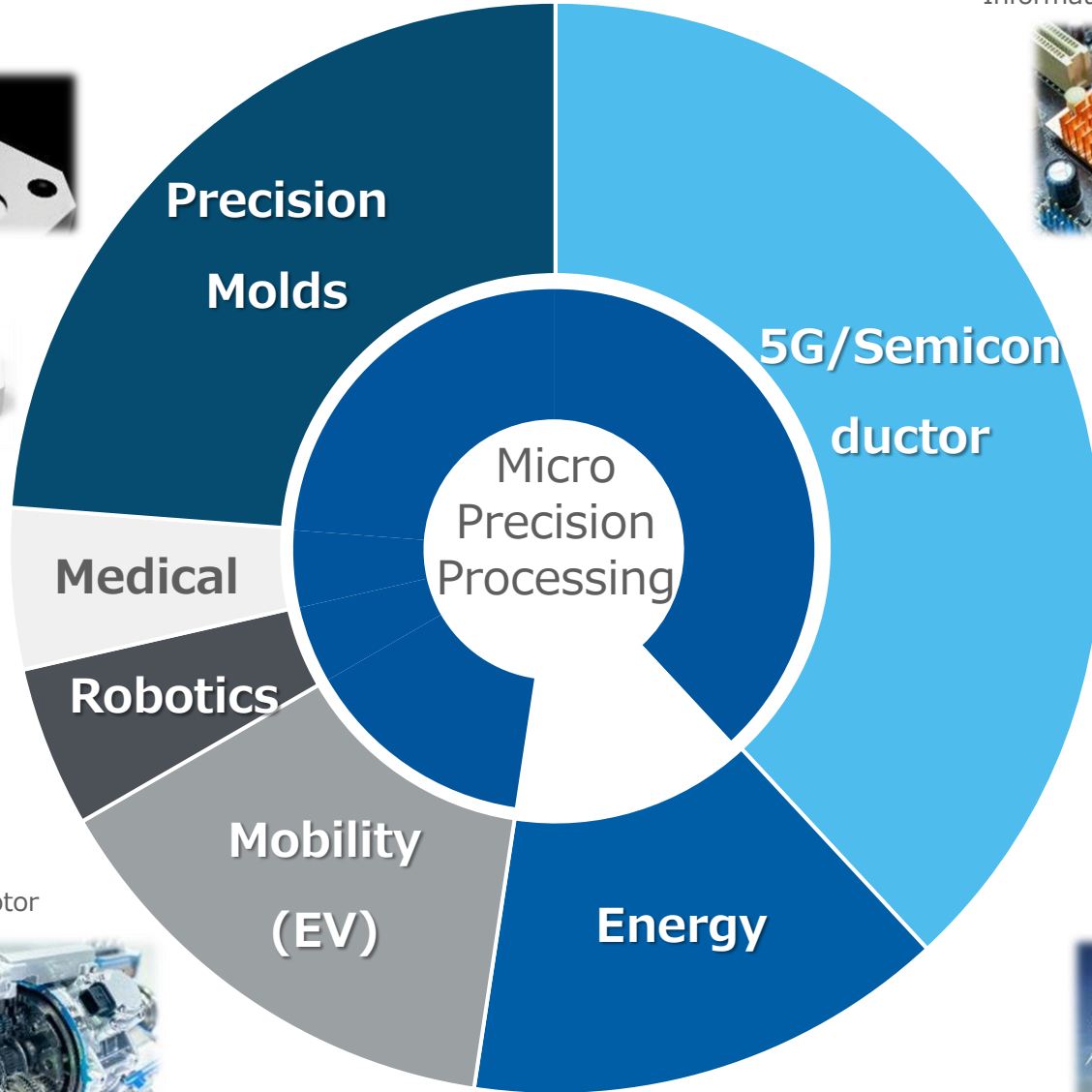
Medical parts



Robotics, automation-related and machine parts



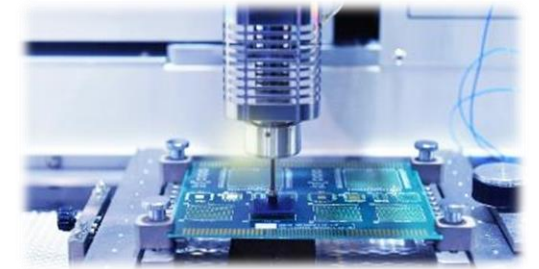
Motor



Information and communication equipment parts



Semiconductor manufacturing equipment parts



Wind power generation

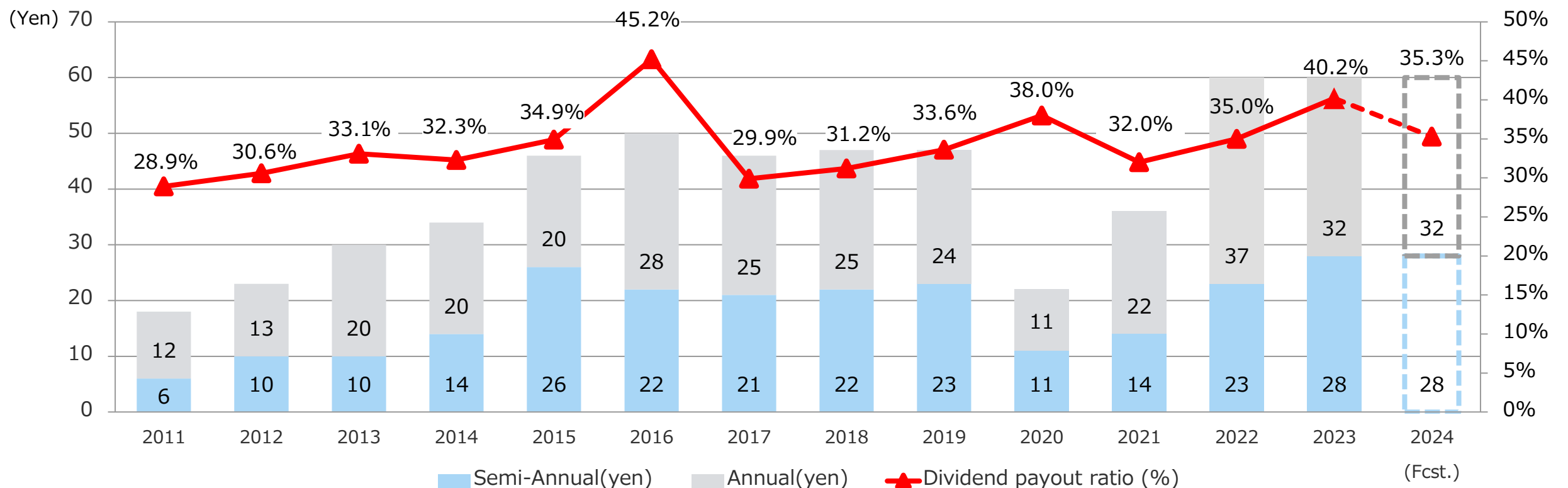


※Graphs are images of our company

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 resolved to purchase treasury stocks to 22 billion yen or 15 million shares on December 5th, 2023. We also issued the Convertible Bonds to finance it.



Overview of Convertible Bonds

	Zero Coupon Convertible Bonds due 2030
Issuer	OSG Corporation (the "Company")
Securities Offered	Zero Coupon Convertible Bonds due 2030 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>)
Maturity	7 years
Issue Size	JPY22,000,000,000
Announcement Date	December 5, 2023
Pricing Date	December 5, 2023
Closing Date	December 21, 2023
Maturity Date	December 20, 2030
Coupon	0%
Offer Price	103.5%
Issue Price	101.0%
Redemption at Maturity Price	100.0%
Initial Conversion Price	JPY2,096.0
Use of Proceeds	The net proceeds from the issue of the Bonds with Stock Acquisition Rights are estimated to be approximately ¥22 billion after deducting expenses. The Company intends to apply the net proceeds towards the repurchase of Shares to maximise corporate value by improving capital efficiency.
Repurchase of Shares	Up to ¥22.0 billion / Up to 15,000,000 shares from December 6, 2023 to November 29, 2024 Market purchase (including an off-auction purchase transaction) on the Tokyo Stock Exchange (Note) The purchase order may not be implemented, in whole or in part, depending on market conditions and other factors.
Lock-up Period	For a period beginning on the execution date of the subscription agreement and ending on the date 180 calendar days after the Closing Date for the Company
Bookrunners	Nomura International plc / SMBC Nikko Capital Markets Limited