

## FY2016 Semi-Annual Consolidated Financial Results (December 1, 2015 - May 31, 2016)

Company name : **OSG Corporation**  
 Shares Listed : 1st section of Tokyo and Nagoya Stock Exchanges  
 Code Number : 6136  
 Location of the head office : Aichi Prefecture  
 Representative: : Norio Ishikawa, President  
 Contact person: : Koji Sonobe, Managing Director  
 TEL: 81-533-82-1113 URL: [http://www.osg.co.jp/en/about\\_us/ir/](http://www.osg.co.jp/en/about_us/ir/)

### 1. Consolidated Results for FY2016 Semi-Annual (December 1, 2015 - May 31, 2016)

(1) Consolidated financial results (Amounts less than one million yen are omitted)

	Net Sales		Operating income		Ordinary income		Net income attributable to OSG Corporation	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016 semi-annual	53,484	-4.8	9,835	-10.7	9,462	-13.8	5,816	-12.1
FY2015 semi-annual	56,187	14.1	11,016	40.9	10,971	40.9	6,614	56.7

(Note) Comprehensive income FY2016 semi-annual : -1,703 million yen ( - %)   
 FY2015 semi-annual : 9,728 million yen (36.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2016 semi-annual	62.52	56.96
FY2015 semi-annual	69.66	63.54

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY2016 semi-annual	151,249	100,152	59.6
FY2015	155,129	113,637	66.1

(Reference) Equity FY2016 semi-annual: 90,082 million yen FY2015: 102,566 million yen

### 2. Dividends

	Dividends per share		
	End of Q2	Year-end	Annual
	Yen	Yen	Yen
FY2015	26.00	20.00	46.00
FY2016	22.00		
FY2016 forecast		28.00	50.00

### 3. Forecast of Consolidated Results for FY2016 (December 1, 2015 - November 30, 2016)

	Net sales		Operating income		Ordinary income		Net income attributable to OSG Corporation		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Annual	106,000	-5.3	18,000	-16.7	17,700	-17.7	10,700	-14.5	115.02

#### 4. Others

- (1) Changes in significant subsidiaries during the current period  
(Changes in specified subsidiaries that caused a change in the scope of consolidation) : None
- (2) Adoption of accounting method specific to the preparation of consolidated quarterly financial statements: Yes
- (3) Changes in accounting principles and accounting estimates and retrospective restatement
- |  |      |
|--|------|
| (i) Changes in accounting principles due to amendment to accounting standards: | Yes  |
| (ii) Changes other than (3)-(i) above:   | None |
| (iii) Changes in accounting estimates:   | None |
| (iv) Retrospective restatement:  | None |
- (4) Number of shares issued and outstanding (common stock)
- |   |                   |
|---|-------------------|
| (i) Number of shares issued and outstanding at the end of each period (including treasury stock): |                   |
| FY2016 semi-annual:   | 95,955,226 shares |
| FY2015:   | 95,955,226 shares |
| (ii) Number of treasury stock at the end of each period:  |                   |
| FY2016 semi-annual:   | 5,672,150 shares  |
| FY2015:   | 908,970 shares    |
| (iii) Average number of shares outstanding in each period:  |                   |
| FY2016 semi-annual:   | 93,024,113 shares |
| FY2015 semi-annual:   | 94,956,835 shares |

#### [Note regarding forecast]

The above forecasts for financial results are based on information available at the time this report was released. These forecasts and other forward-looking statements are not guarantees of future performance. Actual operating results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

Consolidated Summary Balance Sheet  
OSG Corporation

Assets	(Million yen : amounts less than one million yen are omitted)		
	FY2015 As of Nov. 30, 2015	FY2016 semi-annual As of May 31, 2016	Change
<b>Current Assets</b>			
Cash and time deposits	21,472	18,123	
Notes and accounts receivable	21,519	20,140	
Marketable securities	78	68	
Merchandise and finished goods	19,292	19,772	
Work in process	5,297	5,336	
Raw materials and supplies	6,083	5,945	
Other	5,137	5,793	
Allowance for doubtful accounts	(188)	(186)	
<b>Total current assets</b>	<b>78,692</b>	<b>74,994</b>	<b>(3,698)</b>
<b>Fixed Assets</b>			
<b>Tangible Assets</b>			
Building and structures	16,651	16,019	
Machinery and equipment	27,428	26,318	
Land	15,107	14,556	
Other	4,088	5,733	
<b>Total tangible assets</b>	<b>63,276</b>	<b>62,629</b>	<b>(647)</b>
<b>Intangible Assets</b>			
Goodwill	532	2,844	
Other	721	876	
<b>Total intangible assets</b>	<b>1,254</b>	<b>3,720</b>	<b>2,465</b>
<b>Investments and Other Assets</b>			
Investment securities	7,239	5,746	
Other	5,078	4,591	
Allowance for doubtful accounts	(411)	(431)	
<b>Total investments and other assets</b>	<b>11,906</b>	<b>9,906</b>	<b>(2,000)</b>
<b>Total fixed assets</b>	<b>76,437</b>	<b>76,255</b>	<b>(181)</b>
<b>Total</b>	<b>155,129</b>	<b>151,249</b>	<b>(3,879)</b>

Consolidated Summary Balance Sheet  
OSG Corporation

**Liabilities and Net Assets**

(Million yen : amounts less than one million yen are omitted)

	FY2015 As of Nov. 30, 2015	FY2016 semi-annual As of May 31, 2016	Change
<b>Current Liabilities</b>			
Notes and accounts payable	4,980	4,559	
Short-term loans payable	4,052	8,927	
Current portion of long-term loans payable	445	563	
Income taxes payable	3,486	2,377	
Reserve for employees' bonuses	395	459	
Reserve for directors' bonuses	637	365	
Other	9,517	8,275	
<b>Total current liabilities</b>	<b>23,515</b>	<b>25,528</b>	<b>2,013</b>
<b>Long-term Liabilities</b>			
Convertible bonds	14,850	14,850	
Long-term borrowings	847	8,370	
Retirement allowance			
for directors and corporate auditors	50	61	
Liabilities for employees' retirement benefits	244	298	
Other	1,984	1,988	
<b>Total long-term liabilities</b>	<b>17,976</b>	<b>25,568</b>	<b>7,592</b>
<b>Total liabilities</b>	<b>41,491</b>	<b>51,097</b>	<b>9,605</b>
<b>Shareholders' Equity</b>			
Common stock	10,404	10,404	
Capital surplus	12,090	12,090	
Retained earnings	75,719	79,509	
Treasury stock	(1,104)	(10,464)	
<b>Total shareholders' equity</b>	<b>97,109</b>	<b>91,539</b>	<b>(5,569)</b>
<b>Accumulated other comprehensive income</b>			
Unrealized gain on			
available-for-sale securities	2,709	1,770	
Deferred gain on			
derivatives under hedge accounting	2	40	
Foreign currency translation adjustments	2,745	(3,267)	
<b>Total accumulated other comprehensive income</b>	<b>5,456</b>	<b>(1,457)</b>	<b>(6,914)</b>
Subscription rights to shares	-	13	13
Noncontrolling interests	11,071	10,056	(1,014)
<b>Total net assets</b>	<b>113,637</b>	<b>100,152</b>	<b>(13,485)</b>
<b>Total liabilities and net assets</b>	<b>155,129</b>	<b>151,249</b>	<b>(3,879)</b>

Consolidated Summary Statement of Income  
OSG Corporation

(Million yen : amounts less than one million yen are omitted)

	FY2015 semi-annual (2014/12/1 - 2015/5/31)	FY2016 semi-annual (2015/12/1 - 2016/5/31)	Change
Net Sales	56,187	53,484	(2,703)
Cost of Sales	31,324	29,666	(1,657)
Gross profit	24,862	23,817	(1,045)
Selling, general and administrative expenses	13,846	13,982	135
Operating income	11,016	9,835	(1,180)
Other Income			
Interest income	125	99	
Dividend income	28	38	
Other	426	436	
Total other income	580	574	(5)
Other Expenses			
Interest expense	66	66	
Sales discounts	336	340	
Foreign exchange loss	-	354	
Other	223	185	
Total other expenses	625	947	322
Ordinary income	10,971	9,462	(1,508)
Income before income taxes	10,971	9,462	(1,508)
Income taxes			
Current	3,661	2,707	
Deferred	(137)	299	
Total income taxes	3,523	3,007	(516)
Net income	7,447	6,454	(992)
Net income attributable to noncontrolling interests	833	638	(194)
Net income attributable to OSG Corporation	6,614	5,816	(798)

Consolidated Statement of Comprehensive Income  
OSG Corporation

(Million yen : amounts less than one million yen are omitted)

	FY2015 semi-annual (2014/12/1 - 2015/5/31)	FY2016 semi-annual (2015/12/1 - 2016/5/31)	Change
Net Income	7,447	6,454	(992)
Other Comprehensive Income			
Unrealized gain (loss) on available-for-sale securities	1,050	(934)	
Deferred gain on derivatives under hedge accounting	-	38	
Foreign currency translation adjustments	1,221	(7,245)	
Share of other comprehensive income in associates	9	(16)	
Total other comprehensive income	2,281	(8,158)	(10,439)
Comprehensive Income	9,728	(1,703)	(11,432)
(Breakdown)			
Comprehensive Income attributable to OSG Corporation	8,510	(1,115)	
Comprehensive Income attributable to noncontrolling interests	1,217	(587)	

Consolidated Summary Statement of Cash Flows  
OSG Corporation

(Million yen : amounts less than one million yen are omitted)

	FY2015 semi-annual (2014/12/1 - 2015/5/31)	FY2016 semi-annual (2015/12/1 - 2016/5/31)
<b>Operating Activities:</b>		
Income before income taxes	10,971	9,462
Depreciation and amortization	3,681	3,806
Amortization of goodwill	47	106
Interest and dividend income	(153)	(137)
Interest expense	66	66
Equity in loss (earnings) of an associated company	(1)	(4)
Change in notes and accounts receivable	132	147
Change in inventories	(798)	(1,978)
Change in notes and accounts payable	(328)	202
Change in accrued expenses	(412)	(432)
Other - net	46	138
Sub-total	13,250	11,378
Interest and dividend income received	156	151
Interest expense paid	(70)	(65)
Income taxes - paid	(4,528)	(3,721)
Net cash provided by operating activities	8,808	7,742
<b>Investing Activities:</b>		
Payments for time deposits	(5,630)	(991)
Proceeds from refund of time deposits	2,907	1,402
Purchases of investment securities	(88)	(95)
Acquisitions of property, plant and equipment	(5,402)	(6,737)
Proceeds from sales of property, plant and equipment	61	170
Payment for purchase of subsidiaries' stock	(455)	(734)
Payment for purchase of subsidiaries' stock resulting in change in scope of consolidation	-	(2,148)
Other - net	(595)	(281)
Net cash used in investing activities	(9,204)	(9,416)
<b>Financing Activities:</b>		
Change in short-term borrowings - net	727	5,124
Proceeds from long-term borrowings	-	7,884
Repayments of long-term borrowings	(327)	(337)
Payments of long-term accounts payable	(1,400)	-
Dividends paid	(1,893)	(1,899)
Dividends paid to noncontrolling interests	(364)	(259)
Purchase of treasury stock	(3)	(9,333)
Increase in money held in trust for purchase of treasury stock	-	(1,002)
Proceeds from issuance of subscription rights to shares	-	13
Net cash (used in) provided by financing activities	(3,262)	188
Effect of exchange rate change on cash and cash equivalents	54	(1,597)
Net increase (decrease) in cash and cash equivalents	(3,603)	(3,081)
Cash and cash equivalents at beginning of year	21,474	19,402
Cash and cash equivalents from newly consolidated subsidiaries	182	357
Net increase in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	2,204	-
Cash and cash equivalents at end of period	20,257	16,678

## **Operations by Geographical Segment**

Results for FY2016 semi-annual (Dec. 1, 2015 through May 31, 2016)

							Million yen	
	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated	
Sales to customers	24,358	9,797	6,391	12,936	53,484	-	53,484	
Interarea transfers	8,747	72	27	1,010	9,858	(9,858)	-	
Total sales	33,106	9,870	6,418	13,946	63,342	(9,858)	53,484	
Operating income	5,005	1,370	669	2,440	9,486	348	9,835	

(Reference)

Results for FY2015 semi-annual (Dec. 1, 2014 through May 31, 2015)

							Million yen	
	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated	
Sales to customers	23,929	10,949	5,579	15,729	56,187	-	56,187	
Interarea transfers	9,678	117	14	1,123	10,933	(10,933)	-	
Total sales	33,608	11,066	5,593	16,852	67,120	(10,933)	56,187	
Operating income	5,711	1,701	677	3,543	11,633	(617)	11,016	

## **Net sales by Product Segment**

	Million yen	
	FY2015 semi-annual (2014/12/1 - 2015/5/31)	FY2016 semi-annual (2015/12/1 - 2016/5/31)
Cutting tools:		
Taps	19,266	17,037
End mills	13,059	12,591
Drills and other cutting tools	12,968	13,465
Total	45,295	43,095
Rolling dies	5,016	4,737
Gauges	776	711
Other	5,098	4,940
Total	56,187	53,484