



shaping your dreams

Financial Results for FY2017 – Q1

April, 2017

OSG Corporation

OSG at a glance

1. Products

- Consumable cutting tools used in machine tools
- Taps account for a 30% market share (world leader)

2. Strengths

- High-value cutting tools
- Excellent after-sales service
- A global sales & service network across 33 countries

3. Dividend policy

- Maintain over 30% payout ratio (consolidated)

4. Growth strategies

- Major end-users
- Catalogue item sales
- M&A



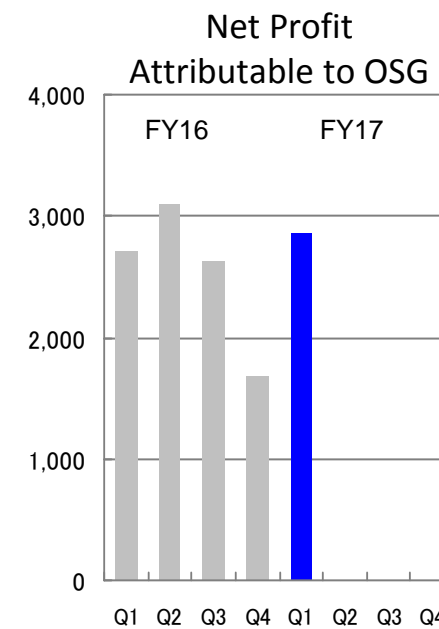
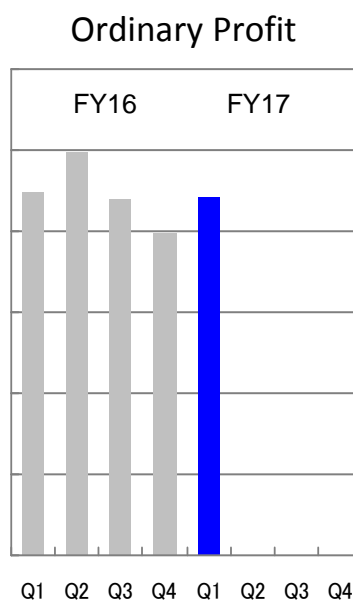
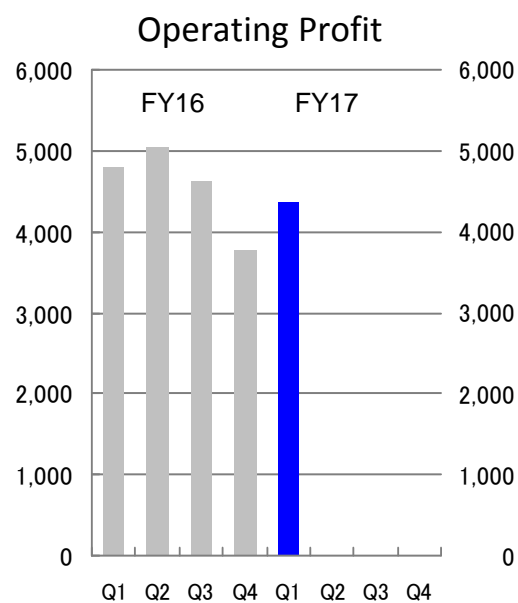
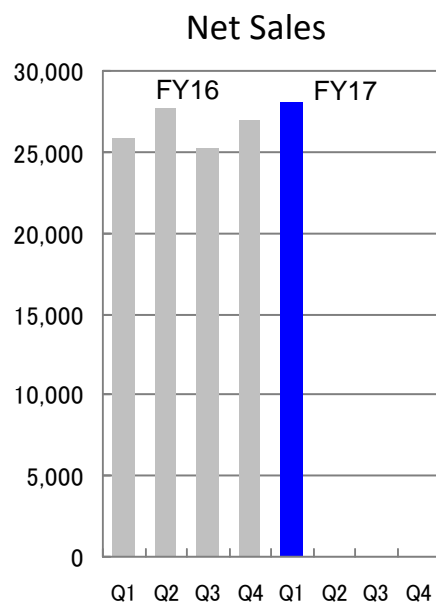
Note regarding forecast

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.

(Millions of yen)

Financial summary

	FY16-Q1	FY17-Q1	Change		FY17-1H FCST.
Net Sales	25,814	28,016	2,202	+8.5%	57,500
Operating Profit	4,791	4,349	-441	-9.2%	9,300
OPM	18.6%	15.5%	-	-	16.2%
Ordinary Profit	4,478	4,417	-60	-1.4%	9,000
Net Profit Attributable to OSG	2,705	2,853	147	+5.5%	5,500
EPS(yen)	28.63	31.69	3.06	+10.7%	61.09



Review

Increase in sales, decrease in profits

- Net sales were increased, however, the effects of exchange rates and SG&A which includes the amortization of goodwill caused a decrease of operating profit.

Stable financial condition

- Equity ratio 58.8% (0.3 point decrease from the end of FY2016)
- EBITDA 6.3 billion yen (22.8%)
- ROE 10.4% (As of the end of FY2016)

Review by region

- Japan
Domestic sales are showing an increasing trend; exports have recovered.
- The Americas
US business remained on the same level. Mexico and Canada have performed well.
- Europe
The organic businesses have performed well; the addition of consolidated subsidiaries caused substantial increases in sales.
- Asia
Greater China has been on track to recovery. South Asia and Korea's profits have increased.

Capital Investment Results

- CAPEX 3.0 billion yen (annual forecast of 8.0 billion yen)
- Depreciation 2.0 billion yen (annual forecast of 8.5 billion yen)

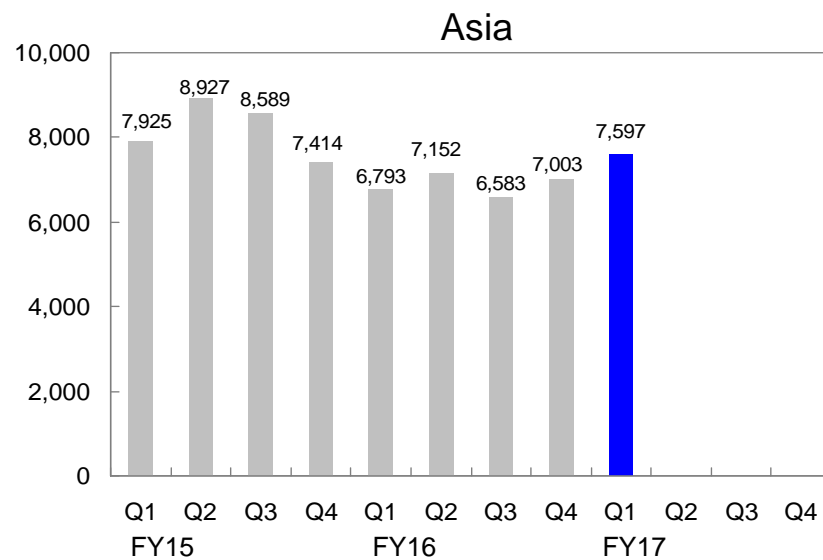
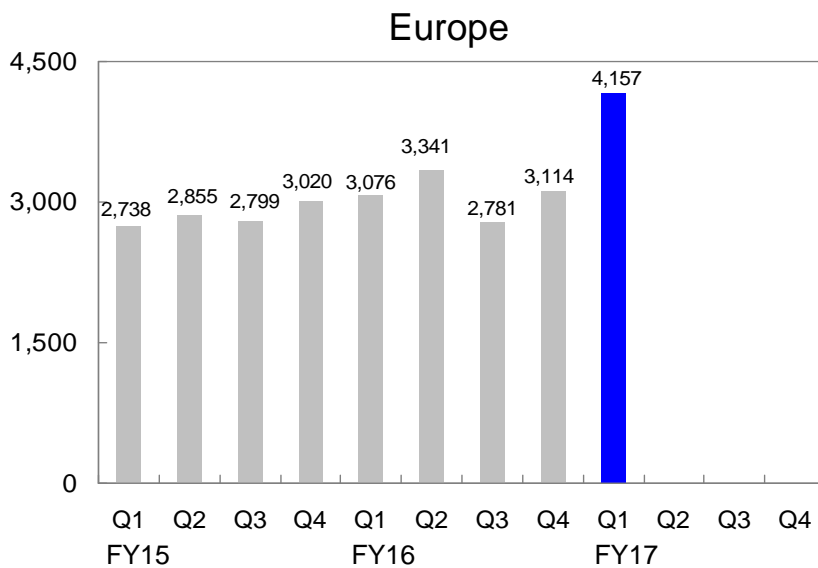
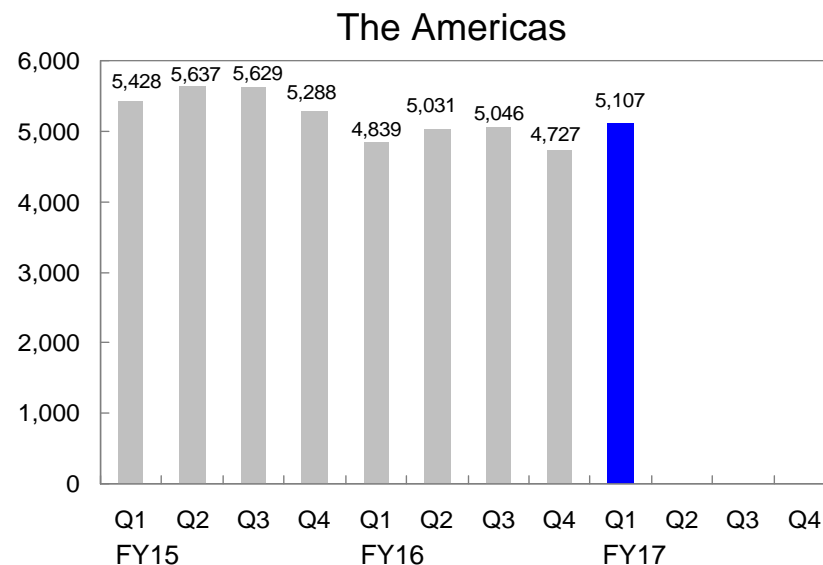
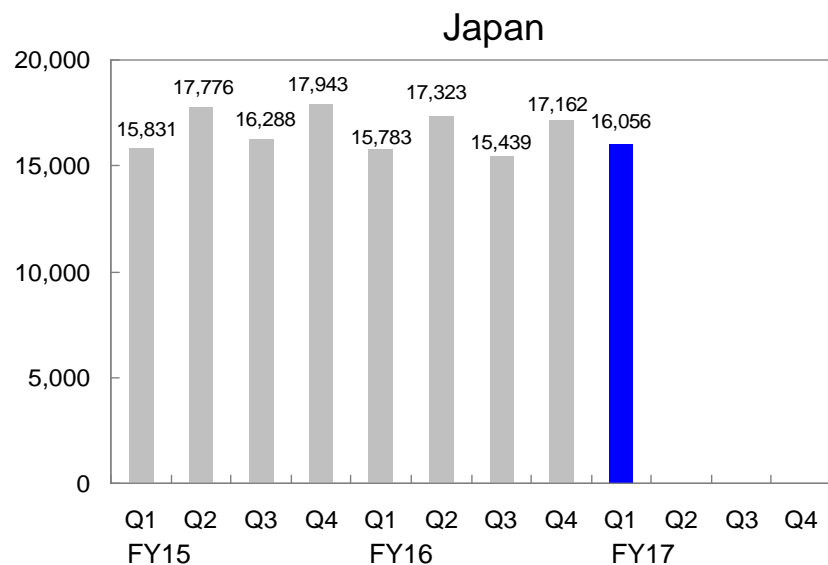
Operations by geographical segment

(Millions of yen)

		FY16-Q1	FY17-Q1	Change	
Japan	Net Sales	15,783	16,056	273	+1.7%
	O.P	2,333	2,214	-118	-5.1%
	O.P.M	14.8%	13.8%		
The Americas	Net Sales	4,839	5,107	267	+5.5%
	O.P	711	694	-16	-2.3%
	O.P.M	14.7%	13.6%		
Europe	Net Sales	3,076	4,157	1,080	+35.1%
	O.P	328	261	-67	-20.6%
	O.P.M	10.7%	6.3%		
Asia	Net Sales	6,793	7,597	804	+11.8%
	O.P	1,178	1,242	64	+5.4%
	O.P.M	17.3%	16.3%		
Total	Net Sales	30,493	32,919	2,425	+8.0%
	O.P	4,551	4,413	-138	-3.1%
Eliminations	Net Sales	-4,679	-4,902	-223	-
	O.P	239	-63	-302	-
Consolidated	Net Sales	25,814	28,016	2,202	+8.5%
	O.P	4,791	4,349	-441	-9.2%
	O.P.M	18.6%	15.5%		

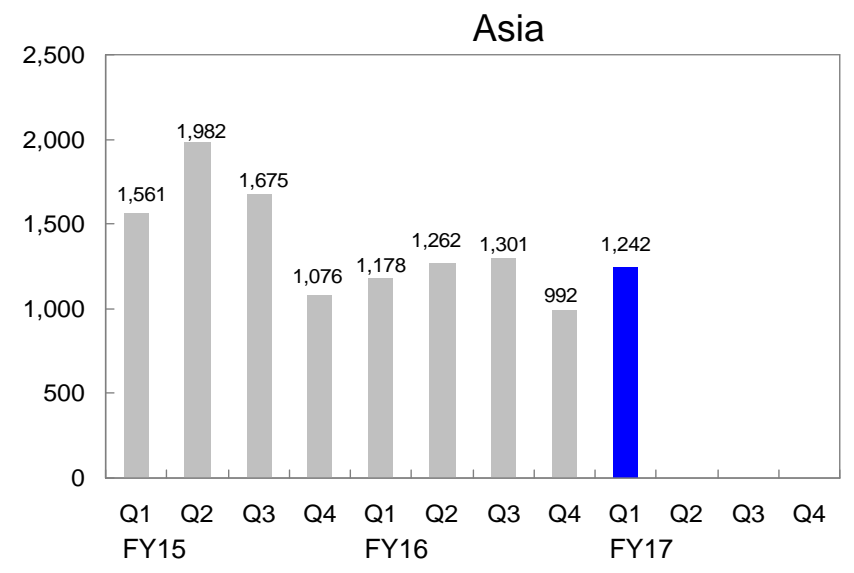
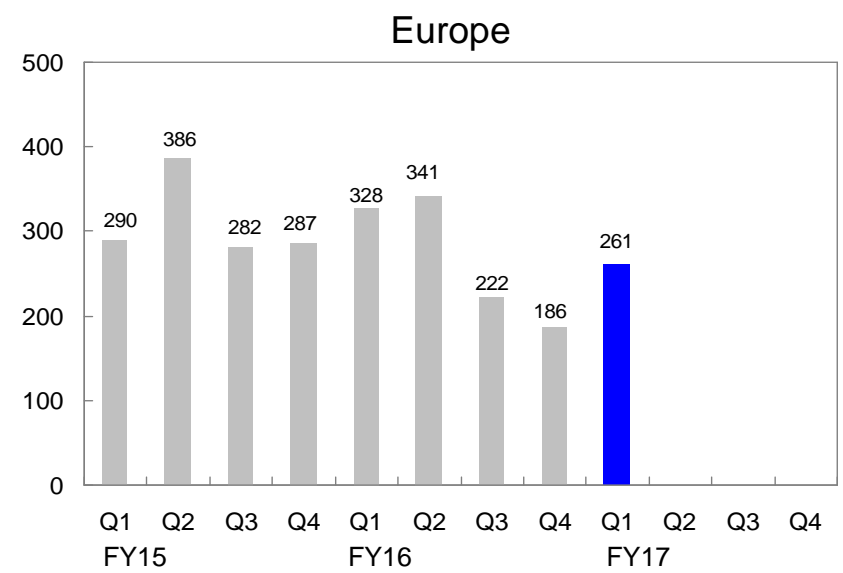
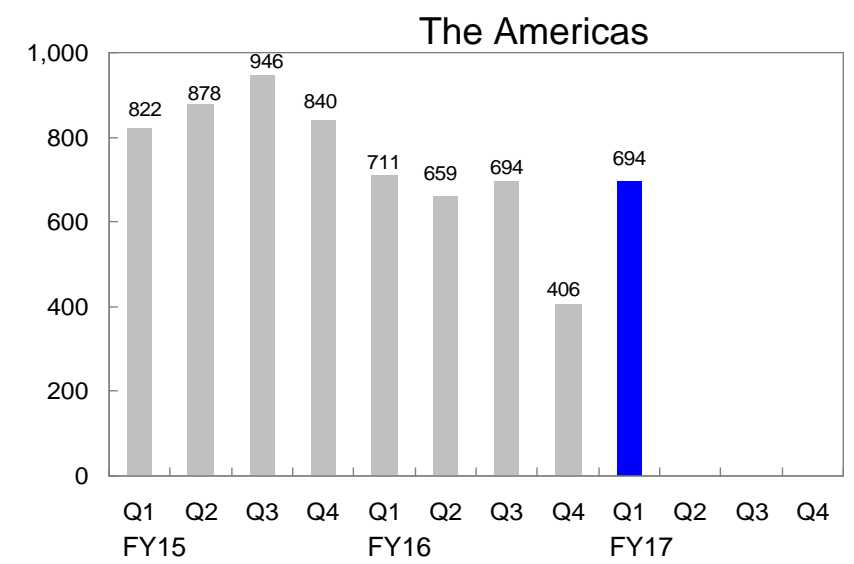
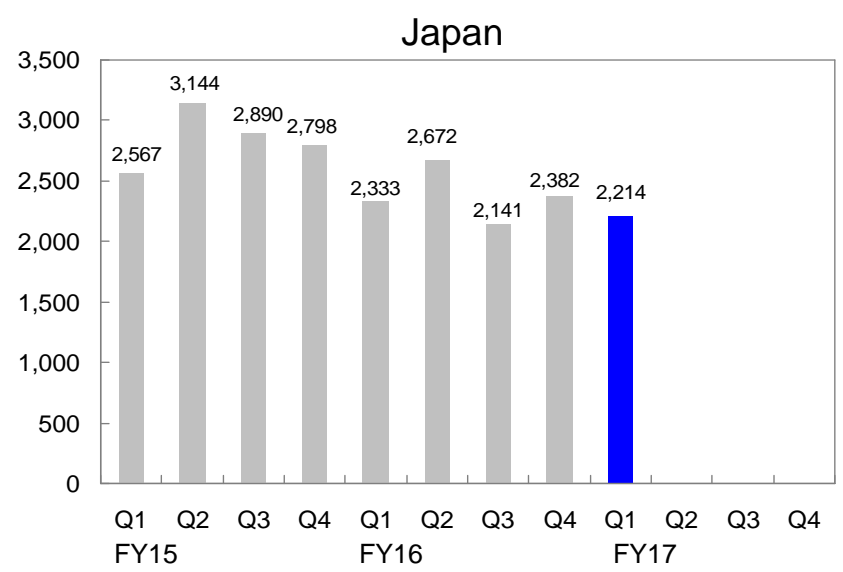
Net sales by geographical segment

(Millions of yen)

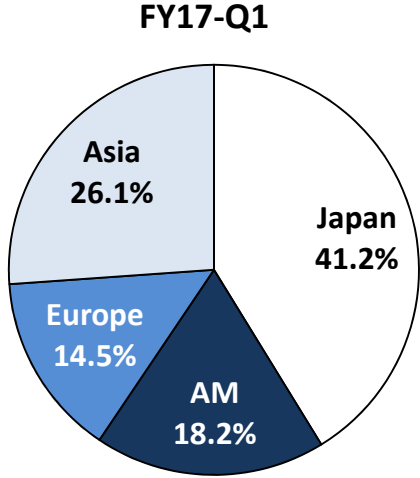
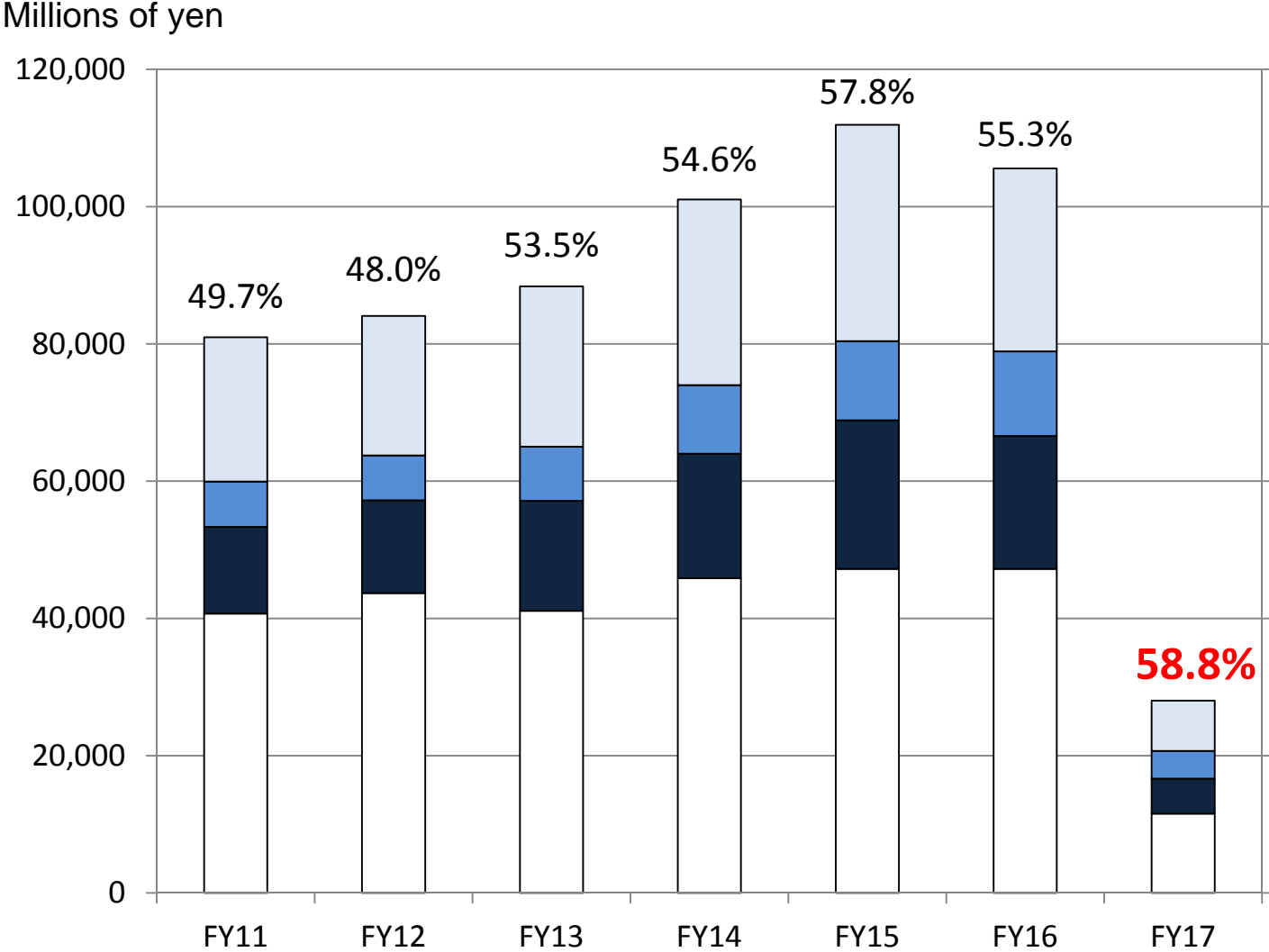


Operating profit by geographical segment

(Millions of yen)



Overseas sales ratio



- Asia
- Europe
- The Americas
- Japan

B/S overview

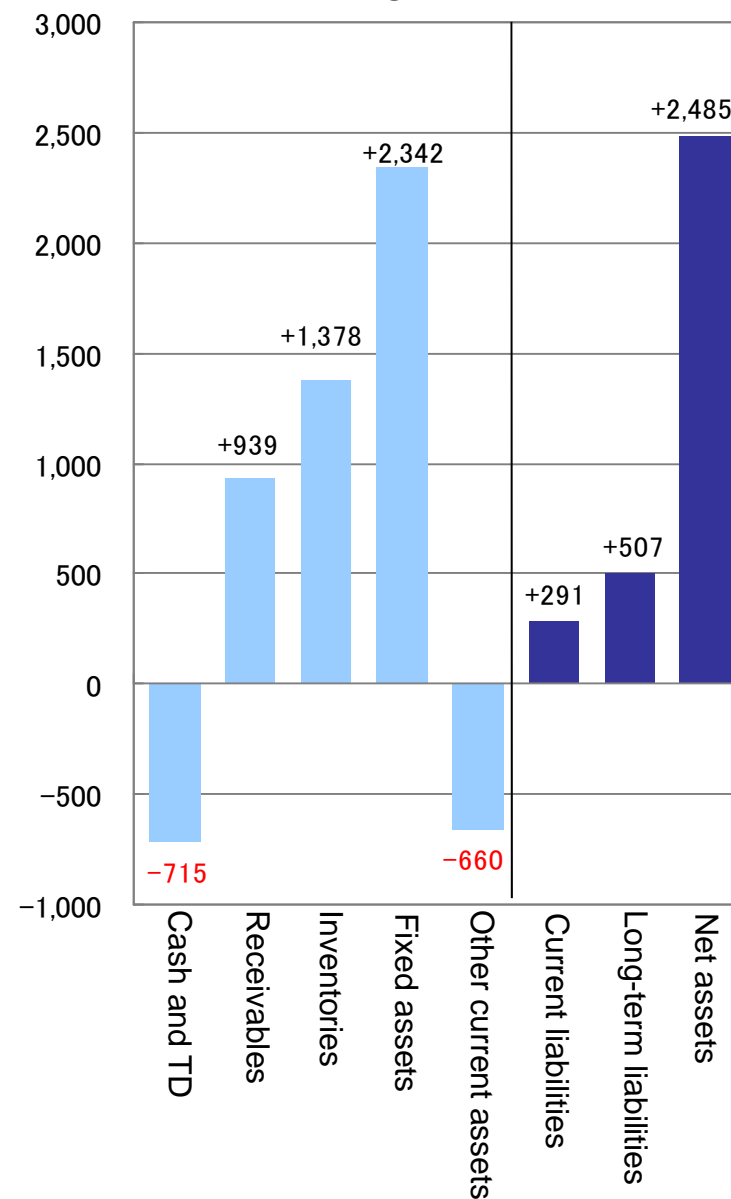
	16/11E	17/02E	Change
Cash & TD	18,003	17,288	-715
Receivables	20,758	21,697	939
Inventories	31,691	33,070	1,378
Other current assets	4,715	4,054	-660
Fixed assets	80,912	83,254	2,342
Total assets	156,081	159,365	3,284
Total current liabilities	25,474	25,765	291
Total long-term liabilities	27,547	28,055	507
Total net assets	103,059	105,544	2,485
Total liabilities and net assets	156,081	159,365	3,284

Equity ratio	59.1%	58.8%	
Receivable turnover period	72	70	days
Inventory turnover period	3.7	3.5	months

Cash and TD	18,003	17,288	-715
Debt	33,506	36,703	3,197
Net Cash	-15,502	-19,415	-3,912

(Millions of yen)

Changes in B/S



Forecast for FY2017

(Millions of yen)

Financial forecast

	First-Half		Annual	
	Amount	Growth	Amount	Growth
Net Sales	57,500	+7.5%	116,500	+10.4%
Operating profit	9,300	-5.4%	19,500	+6.9%
as % of sales	16.2%		16.7%	
Ordinary profit	9,000	-4.9%	19,000	+6.7%
as % of sales	15.7%		16.3%	
Net profit attributable to OSG	5,500	-5.4%	11,500	+13.5%
as % of sales	9.6%		9.9%	
EPS(yen)	61.09		127.74	
CAPEX			8,000	
Depreciation			8,500	

Exchange rate

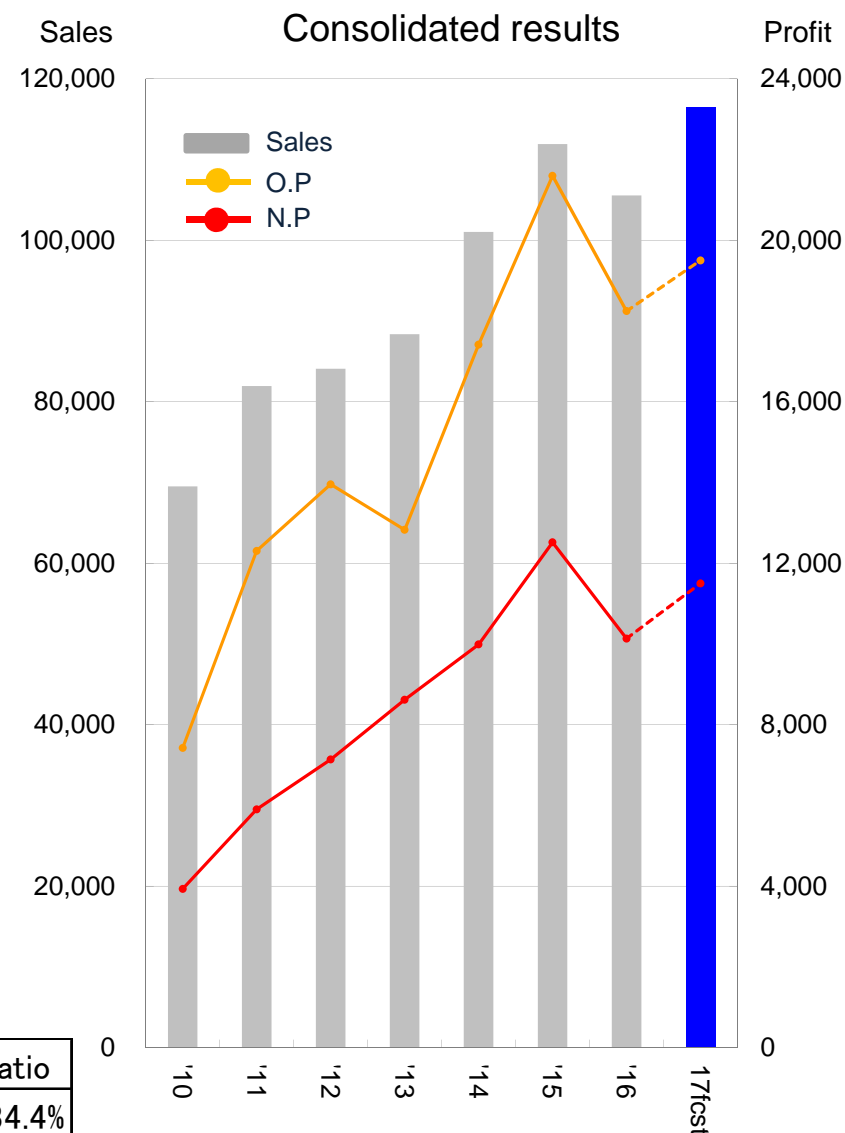
FY16-Q1 result : 1US\$=118.37yen 1Euro=129.35yen

FY17-Q1 result : 1US\$=114.29yen 1Euro=121.14yen

FY17 forecast : 1US\$=110.00yen 1Euro=120.00yen

Dividend forecast

	Interim	Year-end	Annual	Payout ratio
Dividend per share (yen)	21.00	23.00	44.00	34.4%



OSG's Group Network (33 Countries)



- Sales & Manufacturing Locations
 - Face-to-Face Style Sales Org. 33 countries
 - Manufacturing Locations 17 countries
- Technical Center 6 countries

Appx.1 Consolidated balance sheet

(Millions of yen)

	16/11E	17/02E	Change		16/11E	17/02E	Change
Current Assets	75,168	76,110	941	Current Liabilities	25,474	25,765	291
Cash & time deposits	18,003	17,288	-715	Payables	4,618	4,928	309
Receivables	20,758	21,697	939	Short-term loans payable	8,000	10,835	2,834
Inventories	31,691	33,070	1,378	Current Portion of LT loans payable	491	426	-64
Other	4,907	4,250	-656	Income taxes payable	1,436	1,784	347
Allowance for doubtful accounts	-191	-195	-3	Accrued expenses	6,365	3,604	-2,760
Fixed Assets	80,912	83,254	2,342	Other	4,560	4,185	-375
PP&E	66,395	68,945	2,550	Long-term Liabilities	27,547	28,055	507
Intangible assets	3,488	4,846	1,358	Convertible bonds	14,850	14,850	0
Investments & other	11,028	9,462	-1,566	Long-term loans payable	10,163	10,591	427
				Other	2,534	2,613	79
				Total Liabilities	53,021	53,820	798
				Total Equity	103,059	105,544	2,485
Current ratio	295%	295%	0pt	Common stock	10,404	10,404	0
Quick ratio	152%	151%	-1pt	Capital surplus	12,090	12,004	-86
Equity capital	92,216	93,705	+1,489	Retained earnings	81,840	82,169	328
Equity ratio	59.1%	58.8%	-0.3pt	Treasury stock	-10,967	-10,969	-2
Equity per share(yen)	1,024.34	1,040.89	+16.55	Unrealized gain on			
Interest-bearing debt	33,506	36,703	+3,197	available-for-sale securities	2,267	2,686	418
Net Cash	-15,502	-19,415	-3,912	Deferred gain on derivatives			
				under hedge accounting	-0	0	1
				Foreign currency			
				translation adjustments	-3,419	-2,590	829
				Subscription rights to shares	13	13	0
				Noncontrolling interests	10,829	11,826	996
Total	156,081	159,365	3,284	Total	156,081	159,365	3,284

Appx.2 Consolidated income statement

(millions of yen)

	FY2016					FY2017		Change		
	Q1		Q2	Q3	Q4	Annual	Q1			
		%						%		%
Net sales	25,814	100.0	27,670	25,168	26,908	105,561	28,016	100.0	2,202	+8.5
Cost of sales	14,153	54.8	15,512	13,829	15,682	59,179	16,233	57.9	2,079	+14.7
Gross profit	11,660	45.2	12,157	11,338	11,226	46,382	11,783	42.1	122	+1.1
SG&A expenses	6,869	26.6	7,112	6,706	7,446	28,135	7,433	26.5	564	+8.2
Operating profit	4,791	18.6	5,044	4,631	3,779	18,246	4,349	15.5	-441	-9.2
Non-operating profit	329		244	241	251	1,067	382		52	+15.8
Non-operating expenses	642		304	489	63	1,501	313		-328	-51.2
Ordinary profit	4,478	17.3	4,984	4,382	3,967	17,813	4,417	15.8	-60	-1.4
Extraordinary gain	0		0	0	0	0	0		0	
Extraordinary loss	0		0	0	1,043	1,043	0		0	
Profit before taxes	4,478	17.3	4,984	4,382	2,924	16,769	4,417	15.8	-60	-1.4
Income taxes	1,456		1,551	1,484	1,020	5,512	1,301		-154	
Minority interests	316		321	266	217	1,122	263		-53	
Net profit	2,705	10.5	3,110	2,632	1,686	10,134	2,853	10.2	147	+5.5

Appx.3 Selected financial data (consolidated)

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	17-Q1
Net sales	(mil.yen)	94,164	97,024	53,325	69,513	80,959	84,083	88,378	101,031	111,917	105,561	28,016
Sales growth	(%)	6%	3%	-45%	30%	16%	4%	5%	14%	11%	-6%	9%
Cost of sales	(mil.yen)	58,159	60,449	39,203	44,605	48,439	49,381	52,777	58,061	61,865	59,179	16,233
Gross profit	(mil.yen)	36,004	36,574	14,122	24,907	32,519	34,702	35,601	42,970	50,051	46,382	11,783
SG&A expenses	(mil.yen)	20,647	22,158	16,857	17,383	20,214	20,747	22,774	25,554	28,454	28,135	7,433
Operating income	(mil.yen)	15,356	14,416	-2,735	7,524	12,305	13,954	12,827	17,415	21,597	18,246	4,349
Ordinary income	(mil.yen)	14,570	13,505	-2,703	6,699	11,374	13,695	13,910	17,568	21,510	17,813	4,417
Net income	(mil.yen)	8,013	7,376	-3,769	3,772	5,904	7,138	8,619	9,989	12,518	10,134	2,853
Margins:												
Gross profit margin	(%)	38.2%	37.7%	26.5%	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.1%
SG&A as % of sales	(%)	21.9%	22.8%	31.6%	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.5%
Operating income	(%)	16.3%	14.9%	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.5%
Ordinary income	(%)	15.5%	13.9%	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.8%
Net income	(%)	8.5%	7.6%	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	10.2%
Average FX rate: 1USD	(yen)	118.89	107.32	94.94	89.29	80.71	78.89	93.16	102.98	121.03	109.78	114.29
Average FX rate: 1Euro	(yen)	159.00	161.90	128.83	120.65	112.80	102.63	122.62	139.37	134.92	121.39	121.14
Total assets	(mil.yen)	127,044	122,383	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	159,365
Total shareholders' equity	(mil.yen)	64,295	64,251	55,931	57,117	59,367	64,482	80,024	91,458	102,566	92,216	93,705
Per share:												
Net income	(yen)	82.42	76.53	-39.22	39.34	62.18	75.16	90.76	105.20	131.78	110.59	31.69
Cash dividends (interim)	(yen)	12.00	12.00	0.00	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21(fcst)
(year end)	(yen)	14.00	12.00	3.00	8.00	12.00	13.00	20.00	20.00	20.00	28.00	23(fcst)
Total shareholders' equity	(yen)	667.01	666.71	582.19	601.44	625.14	679.01	842.71	963.15	1,079.12	1,024.34	1,040.89
Average number of shares	(ths)	96,393	96,371	96,071	94,969	94,967	94,966	94,963	94,959	94,991	91,640	90,024
Key financial ratios:												
ROE	(%)	12.9%	11.5%	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	—
Equity ratio	(%)	50.6%	52.5%	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	58.8%
Cash flow:												
Operating CF	(mil.yen)	16,733	10,653	6,049	14,095	11,344	12,286	16,171	19,688	19,588	16,333	—
Investing CF	(mil.yen)	-9,019	1,678	-4,633	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	—
Financing CF	(mil.yen)	-6,821	-4,500	5,470	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	—
Cash flow margin	(%)	17.8%	11.0%	11.3%	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	—