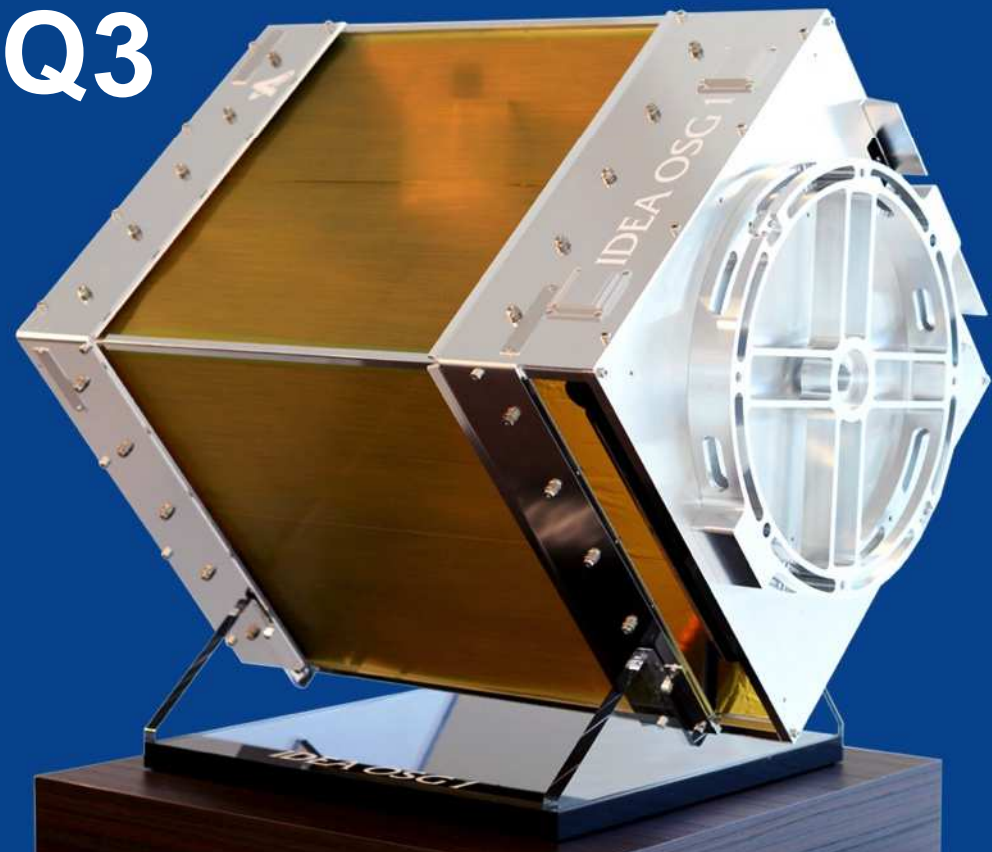




shaping your dreams

Financial Results for FY2017 – Q3

October, 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.

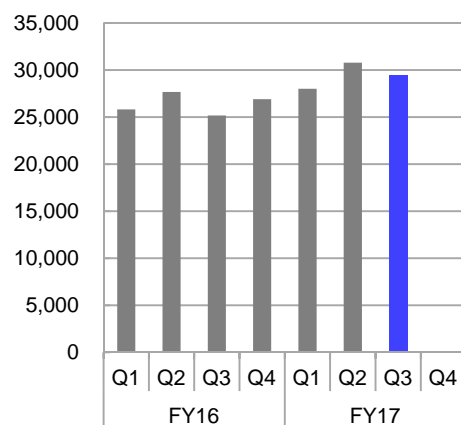
(Millions of yen)

Financial summary

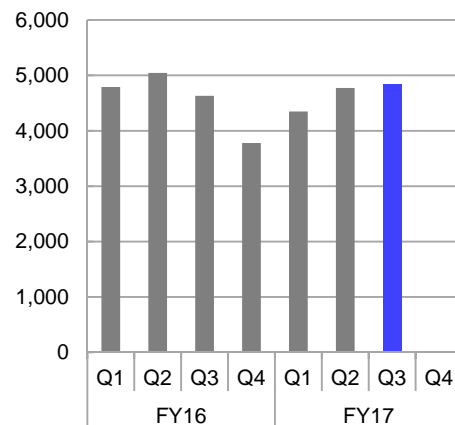
	FY16-Q3 (9 months)	FY17-Q3 (9 months)	Change		FY17 fcst. ※ Annual
Net Sales	78,652	88,281	9,629	+12.2%	118,000
Operating Profit	14,467	13,968	-498	-3.4%	19,500
OPM	18.4%	15.8%	-	-	16.5%
Ordinary Profit	13,845	14,080	235	+1.7%	19,000
Net Profit Attributable to OSG	8,448	9,315	866	+10.3%	11,500
EPS(yen)	91.70	103.28	11.58	+12.6%	127.50

※Revised 12.July

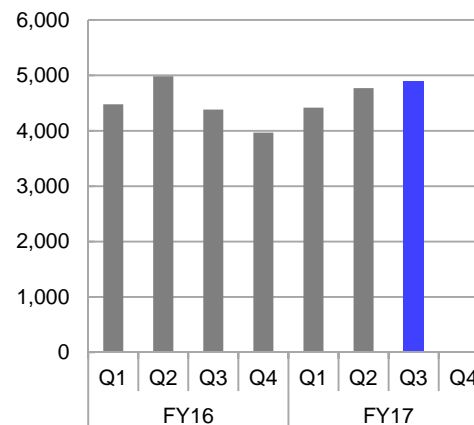
Net sales



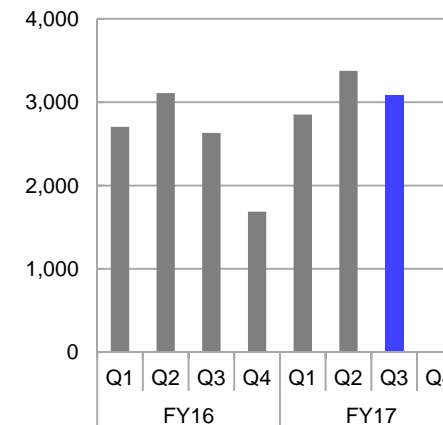
Operating profit



Ordinary profit



Net profit



Review

Increase in sales, decrease in operation profits (Increase in ordinary and net profits)

- Organic sales were increased. The addition of consolidated subsidiaries caused increase in sales, and results exceeded our forecasts. However operating profits were decreased due to a temporary labor cost in Korea and unrealized profits were increased by increasing of inventory.

Stable financial condition

- Equity ratio 62.7% (3.6 point increase from the end of FY2016)
- EBITDA 20.2 billion yen (23.0%)

Review by region

- Japan
Domestic sales are showing an increasing trend; exports have performed well.
- The Americas
US business remained on the same level. Mexico and Canada have performed well.
- Europe/Africa
Market share is growing; the addition of consolidated subsidiaries caused substantial increases in sales.
- Asia
Greater China has been on track to recovery. Korea's operating profit were decreased. South Asia's sales and profit have increased.

Capital Investment Results

- CAPEX 7.4 billion yen (annual forecast of 9.5 billion yen)
- Depreciation 6.3 billion yen (annual forecast of 8.5 billion yen)

Sales to Customer

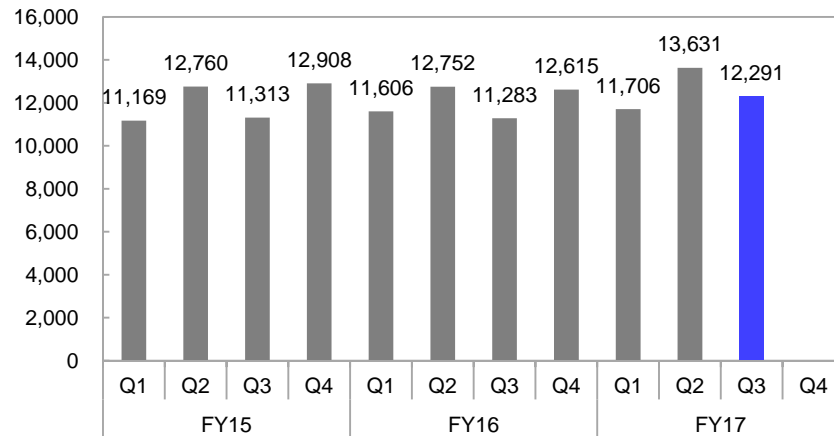
(Millions of yen)

	FY16-Q3 (9 months)	FY17-Q3 (9 months)	Change		Change in local currency
Japan	35,642	37,630	1,987	+5.6%	–
The Americas	14,802	15,791	989	+6.7%	+4.7%
Europe/Africa	9,169	13,200	4,031	+44.0%	+44.0%
Asia	19,038	21,659	2,620	+13.8%	+12.8%
Consolidated	78,652	88,281	9,629	+12.2%	+11.7%

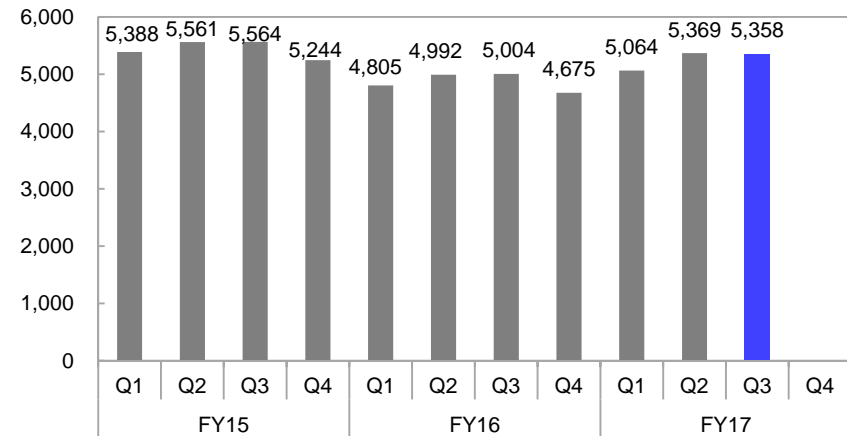
Sales to Customer

(Millions of yen)

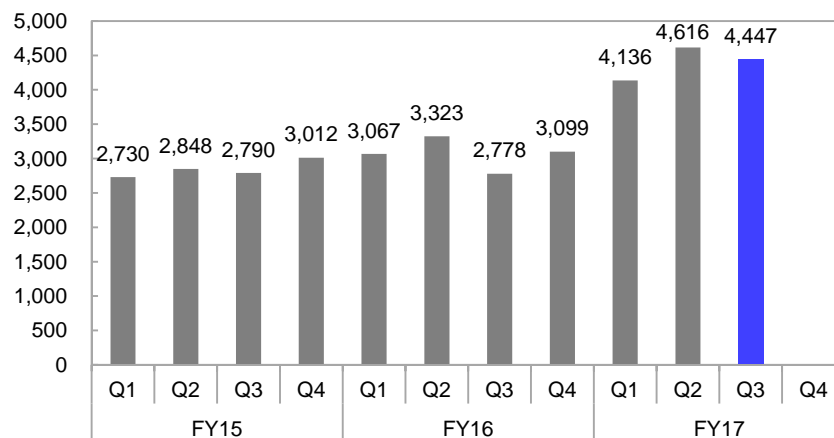
Japan



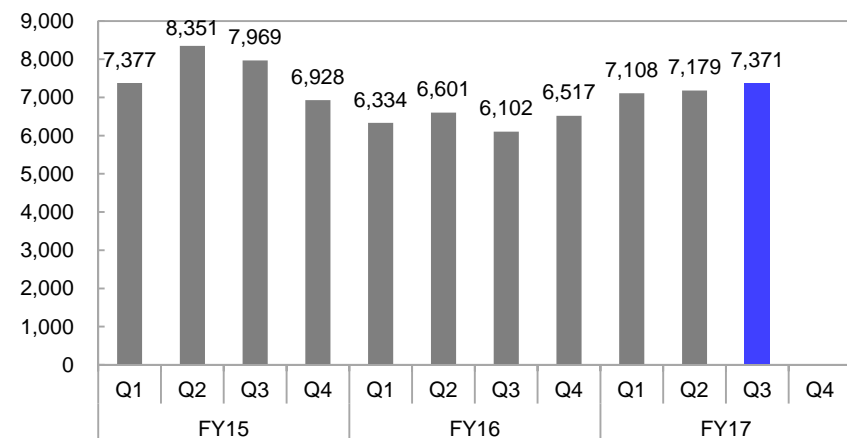
The Americas



Europe/Africa



Asia



Operating Income

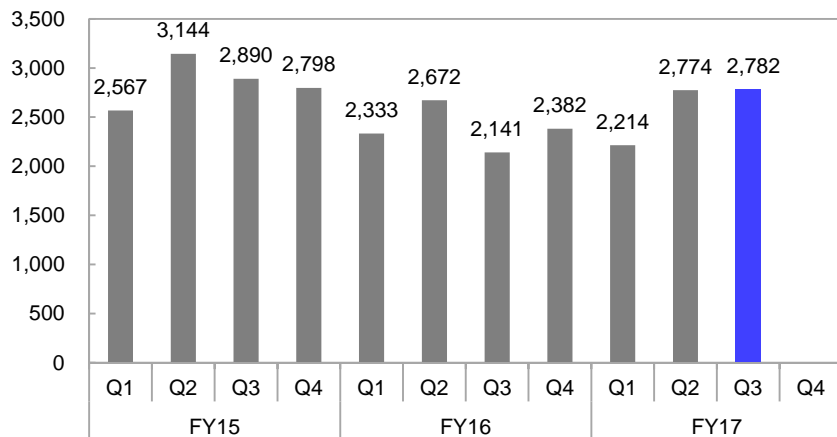
(Millions of yen)

	FY16-Q3 (9 months)	FY17-Q3 (9 months)	Change	
Japan	7,146	7,772	625	+8.7%
The Americas	2,064	2,252	187	+9.1%
Europe/Africa	892	893	1	+0.1%
Asia	3,741	3,427	-314	-8.4%
Total	13,845	14,345	499	+3.6%
Eliminations	621	-376	-998	-
Consolidated	14,467	13,968	-498	-3.4%

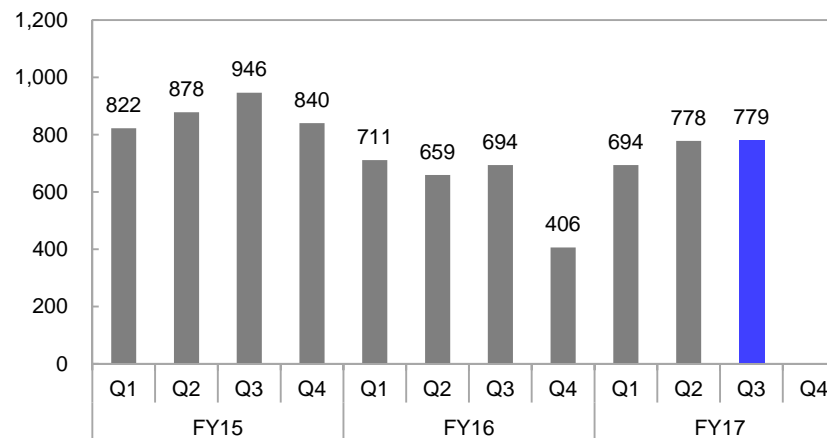
Operating Income

(Millions of yen)

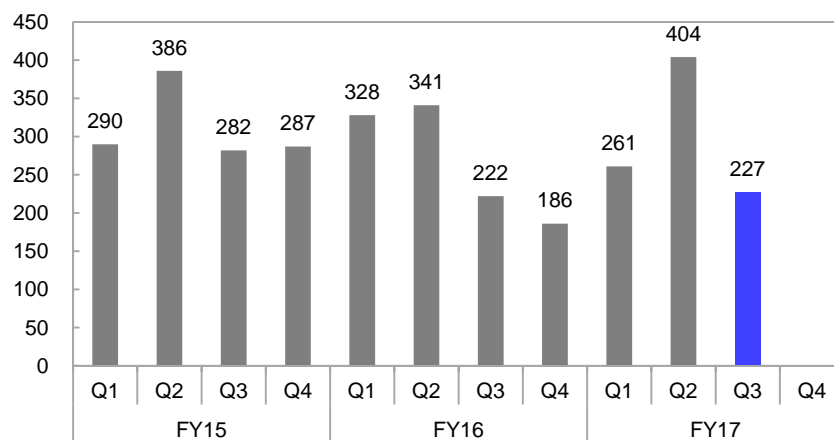
Japan



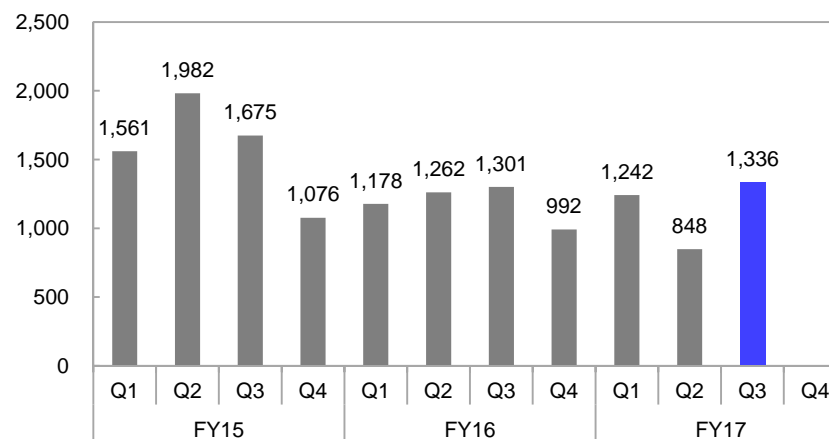
The Americas



Europe/Africa

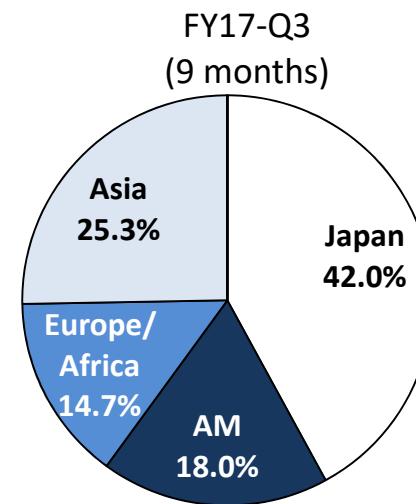
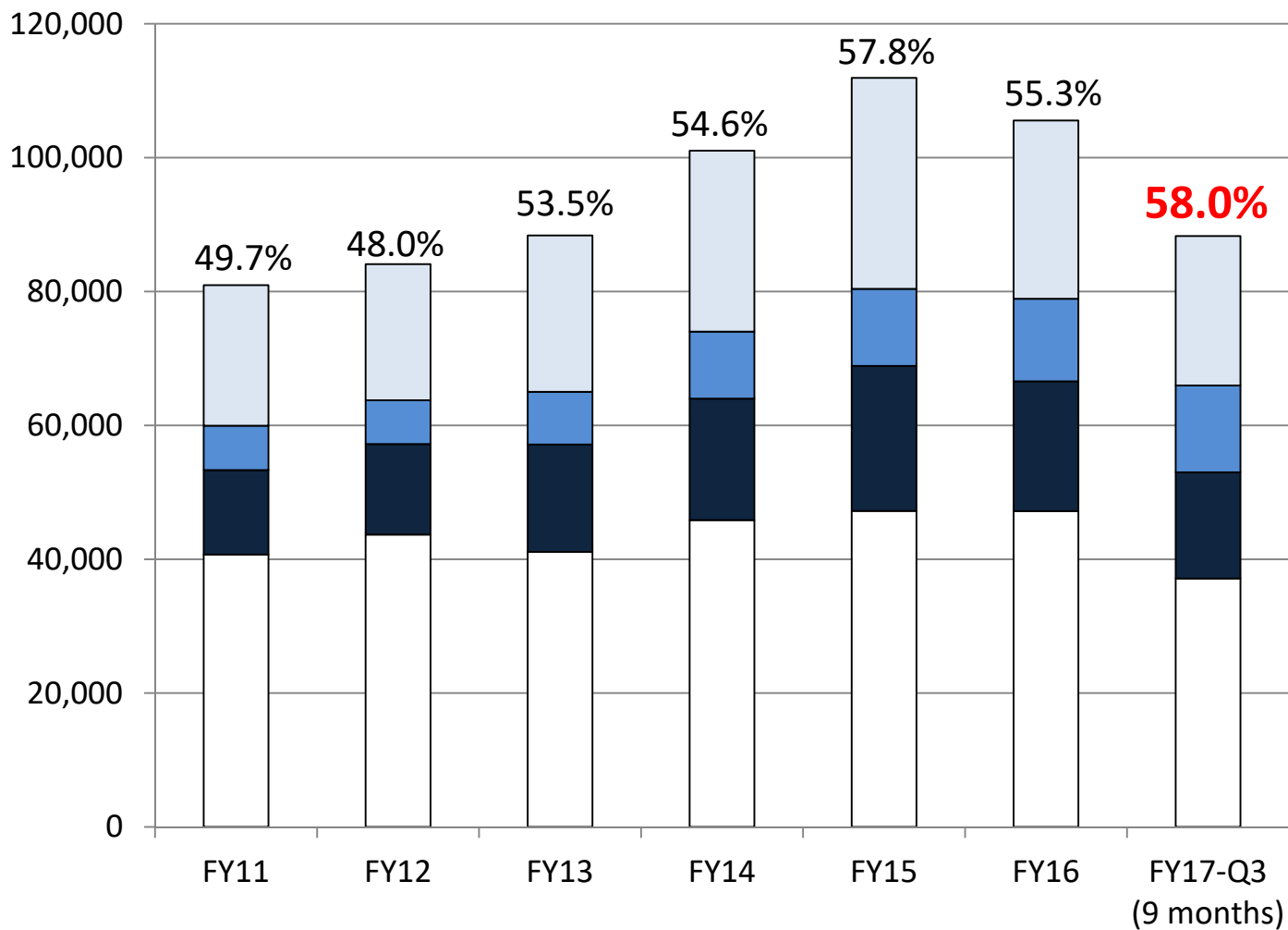


Asia



Overseas sales ratio

Millions of yen



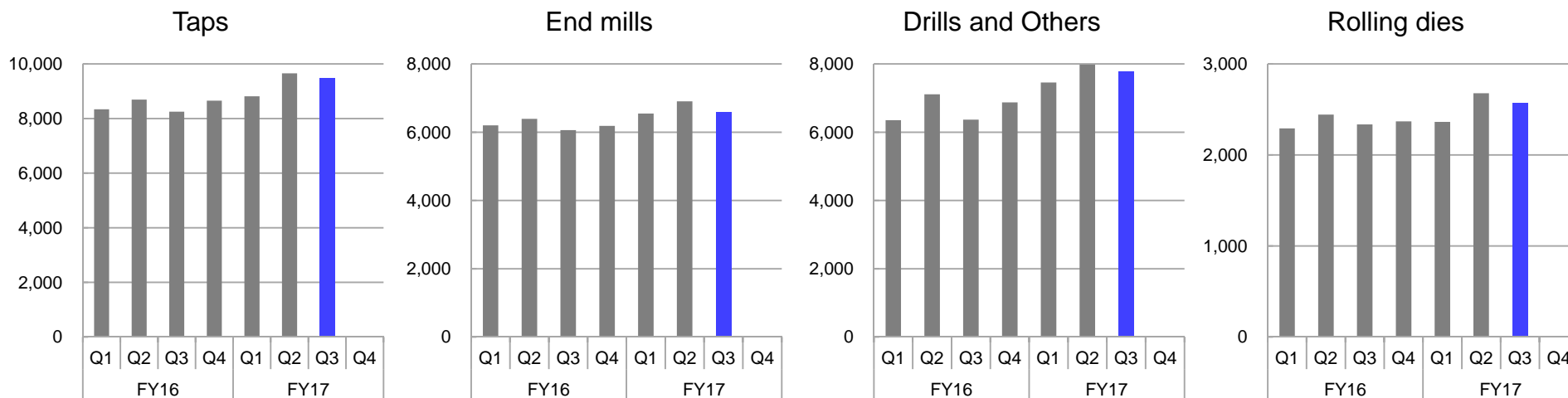
- Asia
- Europe/Africa
- The Americas
- Japan



Net sales by product segment

(Millions of yen)

		FY16						FY17						Change	
		Q1	Q2	Q3	Q4	9 months	%	Q1	Q2	Q3	9 months	%			
Precision Tools	Taps	8,340	8,696	8,254	8,657	25,291	32%	8,815	9,656	9,476	27,949	32%	2,657	11%	
	End mills	6,200	6,391	6,060	6,184	18,652	24%	6,546	6,907	6,596	20,049	23%	1,396	7%	
	Drills and Others	6,352	7,113	6,370	6,873	19,836	25%	7,457	7,983	7,771	23,212	26%	3,375	17%	
	Rolling dies	2,292	2,444	2,336	2,369	7,073	9%	2,363	2,679	2,571	7,614	9%	540	8%	
	Gauges	335	375	389	377	1,101	1%	363	403	423	1,190	1%	89	8%	
		23,521	25,022	23,411	24,461	71,955	91%	25,547	27,630	26,838	80,016	91%	8,060	11%	
Other	Machine	1,025	1,227	473	796	2,726	4%	556	1,489	685	2,731	3%	4	0%	
	Other	1,266	1,419	1,282	1,650	3,969	5%	1,912	1,676	1,944	5,533	6%	1,564	39%	
		2,292	2,647	1,756	2,446	6,696	9%	2,468	3,165	2,630	8,264	9%	1,568	23%	
Total		25,814	27,670	25,168	26,908	78,652	100%	28,016	30,796	29,468	88,281	100%	9,629	12%	



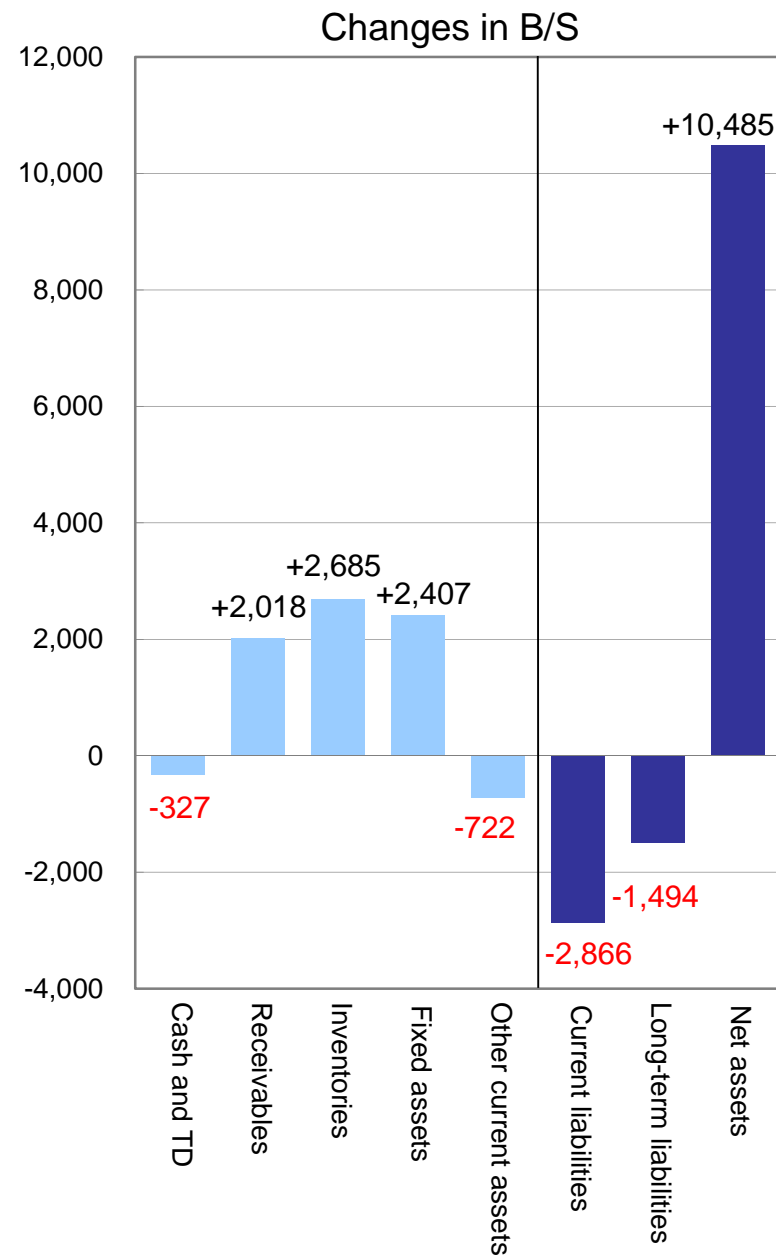
B/S overview

	16/11E	17/08E	Change
Cash and time deposits	18,003	17,676	-327
Receivables	20,758	22,839	2,081
Inventories	31,691	34,376	2,685
Other current assets	4,715	3,992	-722
Fixed assets	80,912	83,319	2,407
Total assets	156,081	162,205	6,124
Total current liabilities	25,474	22,607	-2,866
Total long-term liabilities	27,547	26,053	-1,494
Total net assets	103,059	113,544	10,485
Total liabilities and net assets	156,081	162,205	6,124

Equity ratio	59.1%	62.7%	
Receivable turnover period	72	71	days
Inventory turnover period	3.7	3.6	months

Cash and time deposits	18,003	17,676	-327
Debt	33,506	30,372	-3,134
Net Cash	-15,502	-12,695	2,806

(Millions of yen)



Forecast for FY2017 (Revised)

(Millions of yen)

Financial forecast (Revised 12.July)

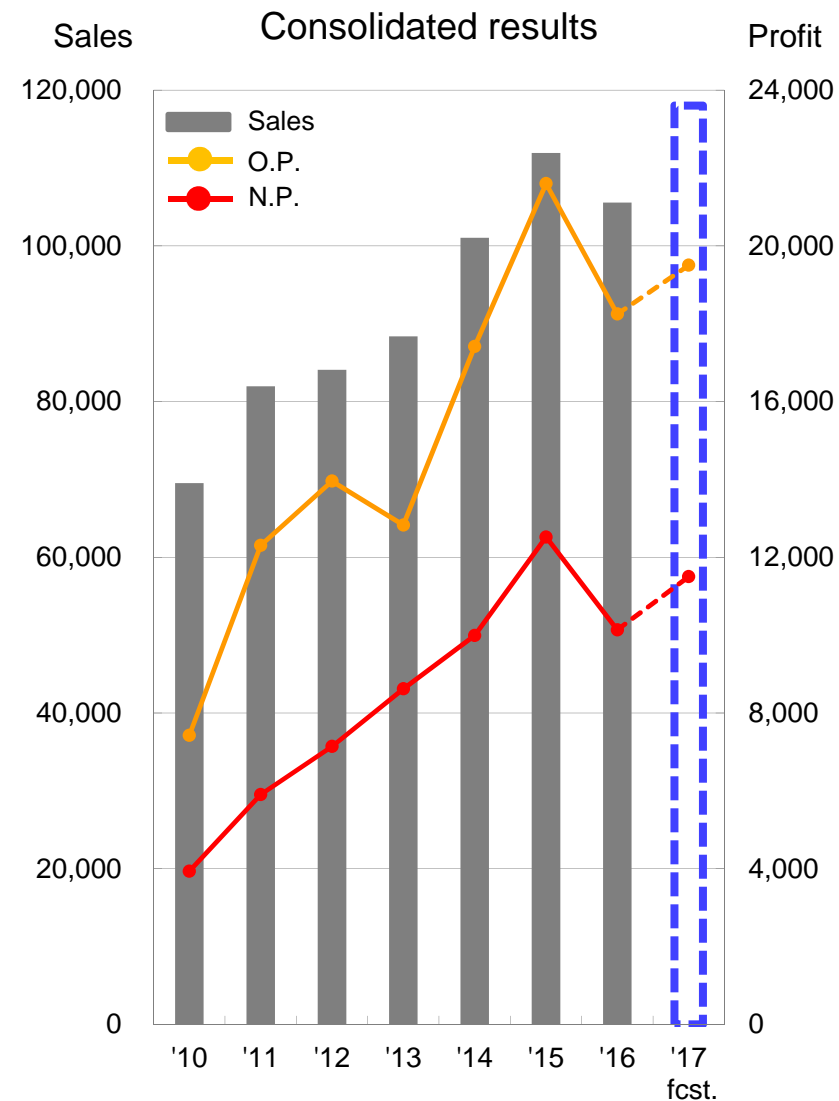
	Consolidated		Parent company	
	Amount	Growth	Amount	Growth
Net Sales	118,000	+11.8%	53,000	+4.1%
Operating profit	19,500	+6.9%	6,500	+10.0%
as % of sales	16.5%		12.3%	
Ordinary profit	19,000	+6.7%	7,800	-5.4%
as % of sales	16.1%		14.7%	
Net profit attributable to OSG	11,500	+13.5%	5,700	-9.9%
as % of sales	9.7%		10.8%	
EPS(yen)	127.50		63.30	
CAPEX	9,500			
Depreciation	8,500			

Exchange rate

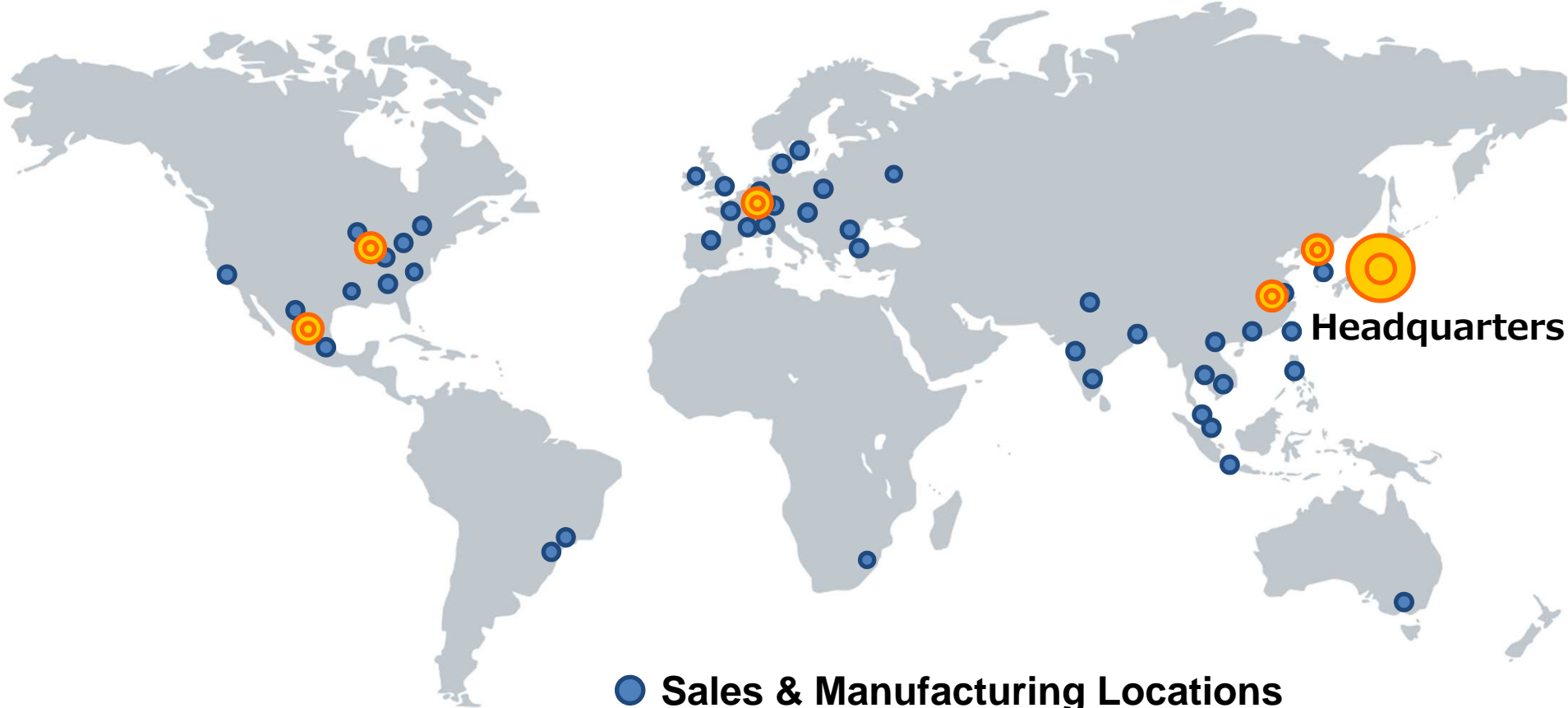
2016-Q3 result : 1US\$=111.00yen 1Euro=123.17yen
 2017-Q3 result : 1US\$=112.23yen 1Euro=124.11yen
 2017 forecast : 1US\$=111.67yen 1Euro=123.08yen

Dividend forecast

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



Expansion of overseas business



- Sales & Manufacturing Locations
 - Sales Locations 33 countries
 - Manufacturing Locations 17 countries
- Technical Center 6 countries

Appx.1 Selected financial data (consolidated)

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017-Q3
Net sales	(mil.yen)	94,164	97,024	53,325	69,513	80,959	84,083	88,378	101,031	111,917	105,561	88,281
Sales growth	(%)	6%	3%	-45%	30%	16%	4%	5%	14%	11%	-6%	12%
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	51,219
Gross profit	(mil.yen)	36,004	36,574	14,122	24,907	32,519	34,702	35,601	42,970	50,051	46,382	37,062
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	23,093
Operating income	(mil.yen)	15,356	14,416	-2,735	7,524	12,305	13,954	12,827	17,415	21,597	18,246	13,968
Ordinary income	(mil.yen)	14,570	13,505	-2,703	6,699	11,374	13,695	13,910	17,568	21,510	17,813	14,080
Net income	(mil.yen)	8,013	7,376	-3,769	3,772	5,904	7,138	8,619	9,989	12,518	10,134	9,315
Margins:												
Gross profit margin	(%)	38.2%	37.7%	26.5%	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%
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%	26.2%
Operating income	(%)	16.3%	14.9%	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.8%
Ordinary income	(%)	15.5%	13.9%	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%
Net income	(%)	8.5%	7.6%	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	10.6%
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	112.23
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	124.11
Total assets	(mil.yen)	127,044	122,383	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	162,205
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	101,639
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	103.28
Cash dividends (end of Q2)	(yen)	12.00	12.00	0.00	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00
(year-end)	(yen)	14.00	12.00	3.00	8.00	12.00	13.00	20.00	20.00	20.00	28.00	23.00 (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	1,109.50
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	90,193
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%	62.7%
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%	—

