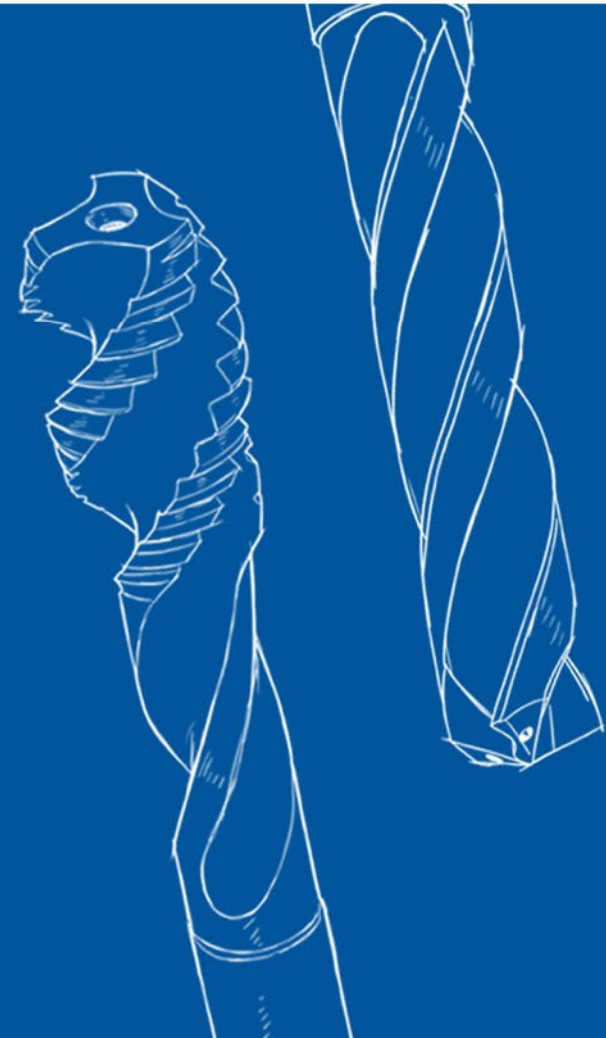




shaping your dreams

Financial Results for FY2018

January, 2019
OSG Corporation



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02 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

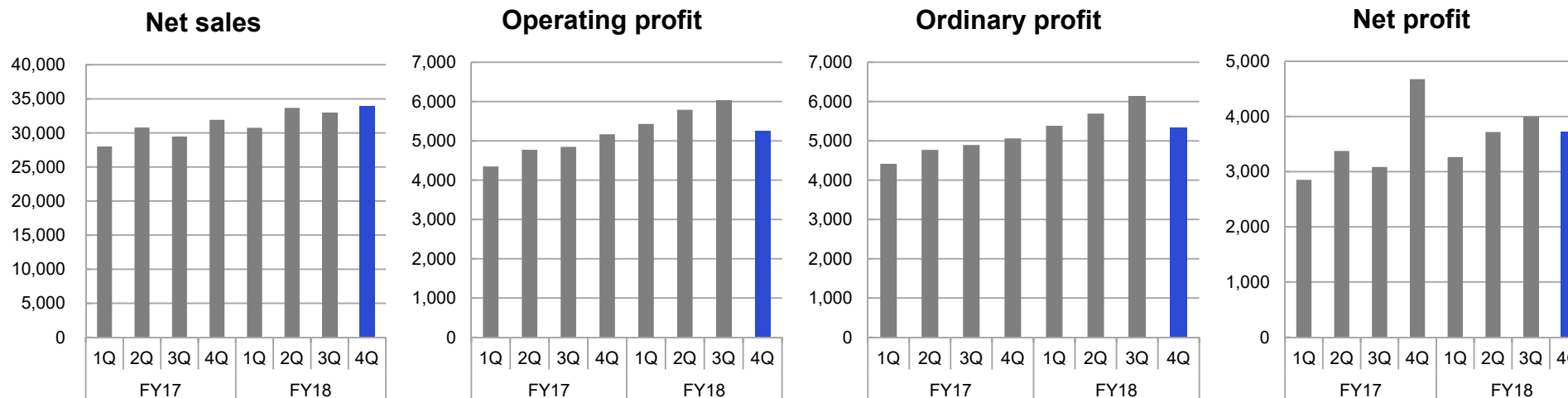
This material includes forward-looking statements based on information available at the time of release. The forecasts and other forward-looking statements are not guarantees of future performance. Actual financial results may differ from the above forecasts due to known and unknown risks, uncertainties,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

03 Financial summary

(Millions of yen)

	FY17	FY18	Change	FY18 fcst. Annual	Progress rate
Net Sales	120,198	131,368	+9.3%	130,000	101%
Operating Profit	19,137	22,520	+17.7%	23,000	98%
OPM	16.0%	17.1%	–	17.7%	–
Ordinary Profit	19,144	22,567	+17.9%	23,000	98%
Net Profit Attributable to OSG	13,993	14,710	+5.1%	14,500	101%
EPS(yen)	153.70	150.47	-2.1%	–	–

*A part of the financial summary has been revised.



04 Review

Net sales, net profits, ordinary profits and operating profits stand at a record high.

- Net sales, net profits, ordinary profits and operating profits have reached the highest-ever level.
The back order level remains high.
We will establish new factory to expand further production capacity.

Review by region

- Japan
The order ratio keeps showing favorable growth.
- The Americas
The U.S. has performed well at aerospace industry.
Automobile industry in Mexico has been sustaining the good performance.
- Europe/Africa
Germany, France, Italy, Eastern Europe, and Turkey are increasing their market shares.
The companies that we merged have been strongly growing.
- Asia
The factories in Taiwan are accelerating the reinforcement of their capacities.
India and Thailand are especially performing very well in Asia.
Weak performance of Korea still remains.

Index(FY18)

- | | | |
|-----------------|------------------|--|
| – EBITDA | 31.6 billion yen | (increased by 14.0% over the same period of the previous year) |
| – EBITDA margin | 24.1% | (1.0pt increase from the same period of the previous year) |
| – Equity ratio | 70.4% | (0.9pt increase from the end of FY2017) |

Capital Investment Results(FY18)

- | | | |
|----------------|------------------|---------------------------------------|
| – CAPEX | 11.4 billion yen | (annual forecast of 11.0 billion yen) |
| – Depreciation | 9.1 billion yen | (annual forecast of 9.5 billion yen) |

05 Sales to Customer

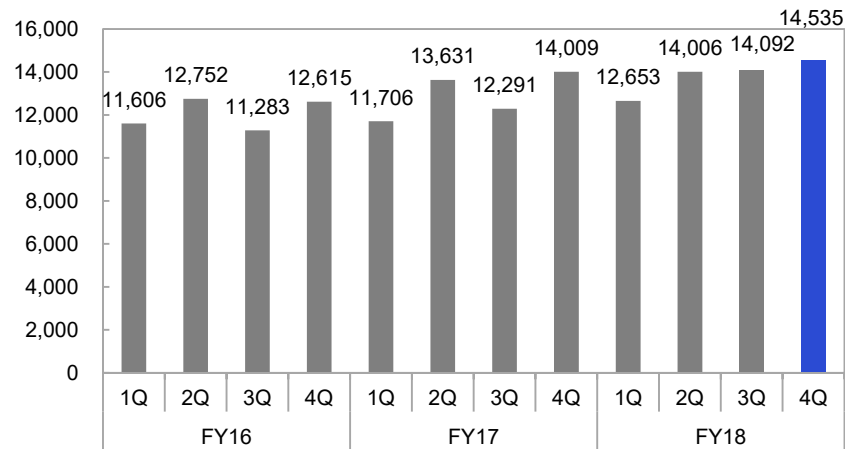
(Millions of yen)

	FY17	FY18	Change		Change in local currency
Japan	51,639	55,287	3,648	+7.1%	–
The Americas	21,413	22,680	1,266	+5.9%	+8.6%
Europe/Africa	18,177	22,134	3,956	+21.8%	+19.1%
Asia	28,968	31,266	2,298	+7.9%	+7.5%
Consolidated	120,198	131,368	11,170	+9.3%	+9.2%

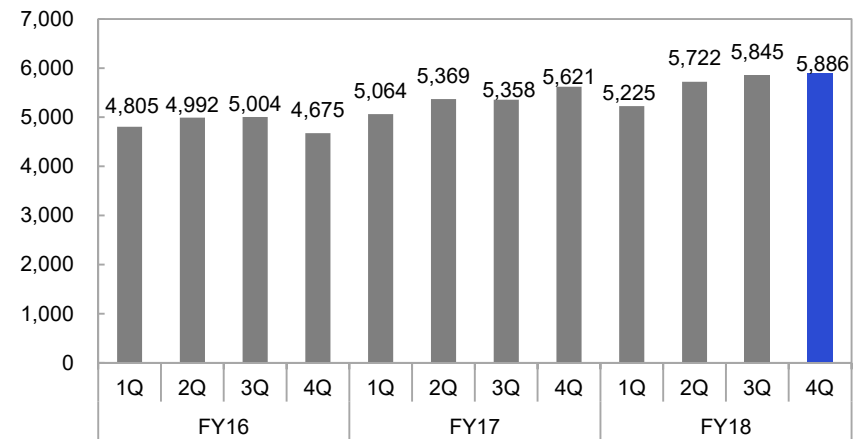
06 Sales to Customer

(Millions of yen)

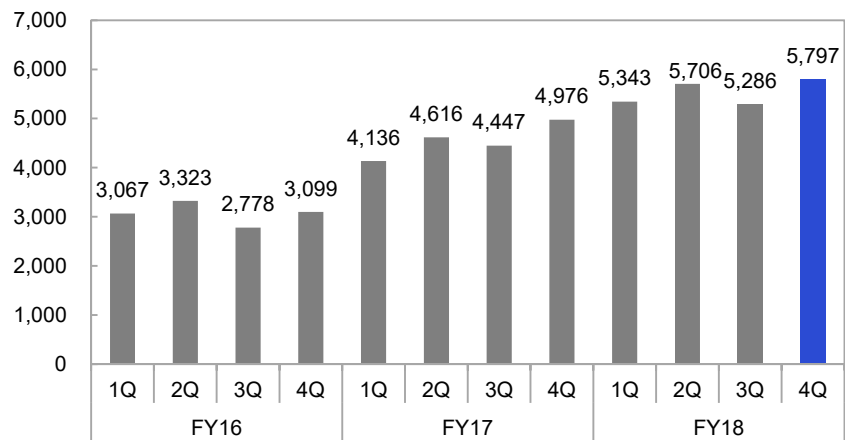
Japan



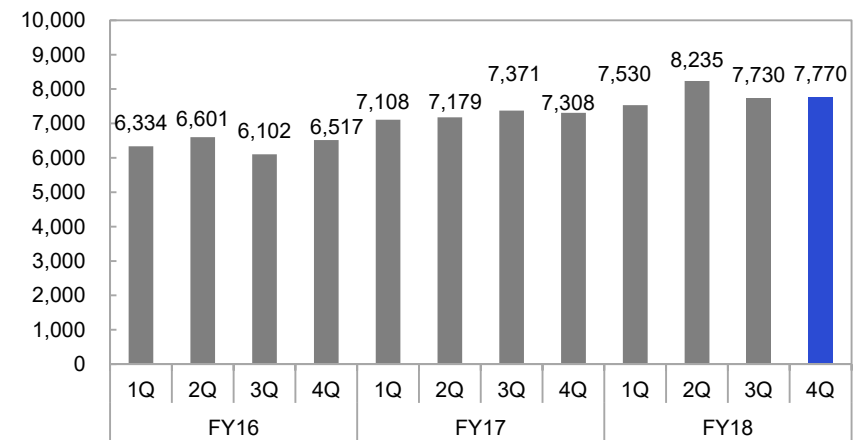
The Americas



Europe/Africa



Asia



07 Operating Income

(Millions of yen)

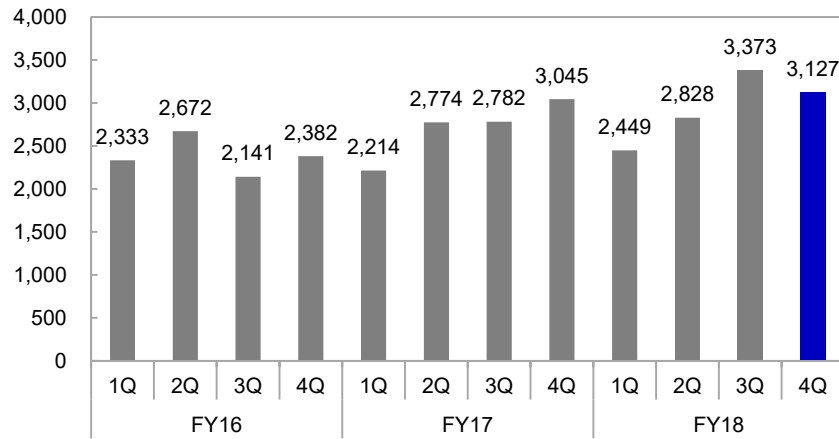
	FY17	Area percentage	FY18	Area percentage	Change		OPM*
Japan	10,817	55.3%	11,779	52.0%	962	+8.9%	15.4%
The Americas	2,851	14.6%	3,379	14.9%	527	+18.5%	14.6%
Europe/Africa	1,194	6.1%	1,891	8.4%	697	+58.4%	8.5%
Asia	4,688	24.0%	5,596	24.7%	908	+19.4%	16.3%
Total	19,550	–	22,646	–	3,095	+15.8%	14.5%
Eliminations	-413	–	-126	–	287	–	–
Consolidated	19,137	–	22,520	–	3,383	+17.7%	17.1%

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

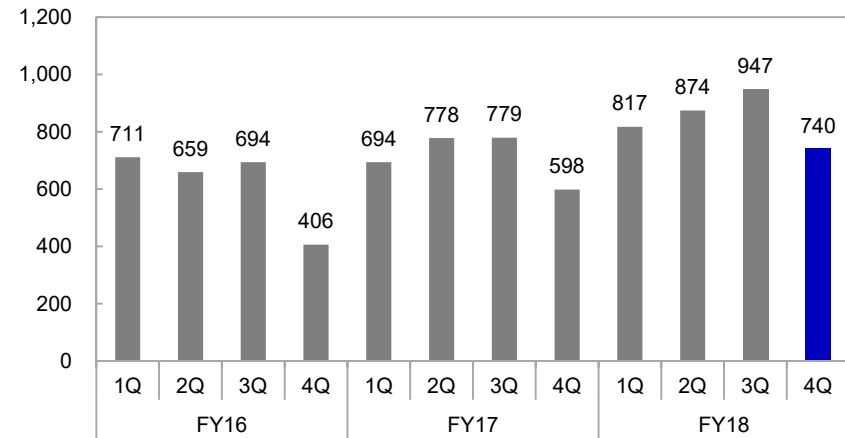
08 Operating Income

(Millions of yen)

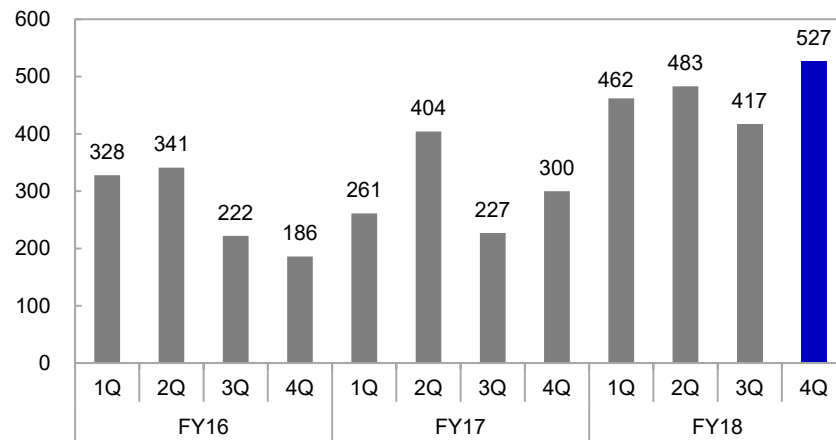
Japan



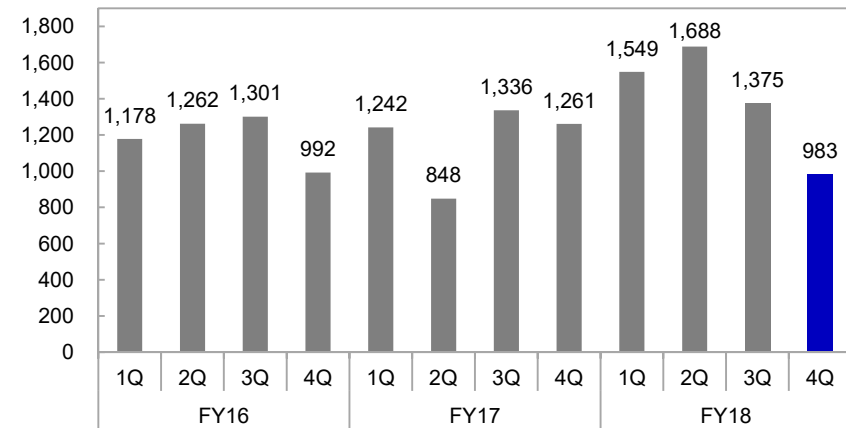
The Americas



Europe/Africa



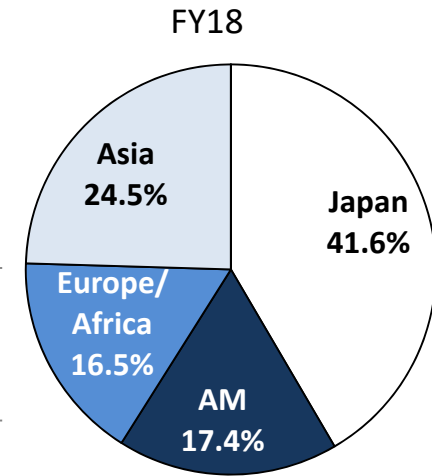
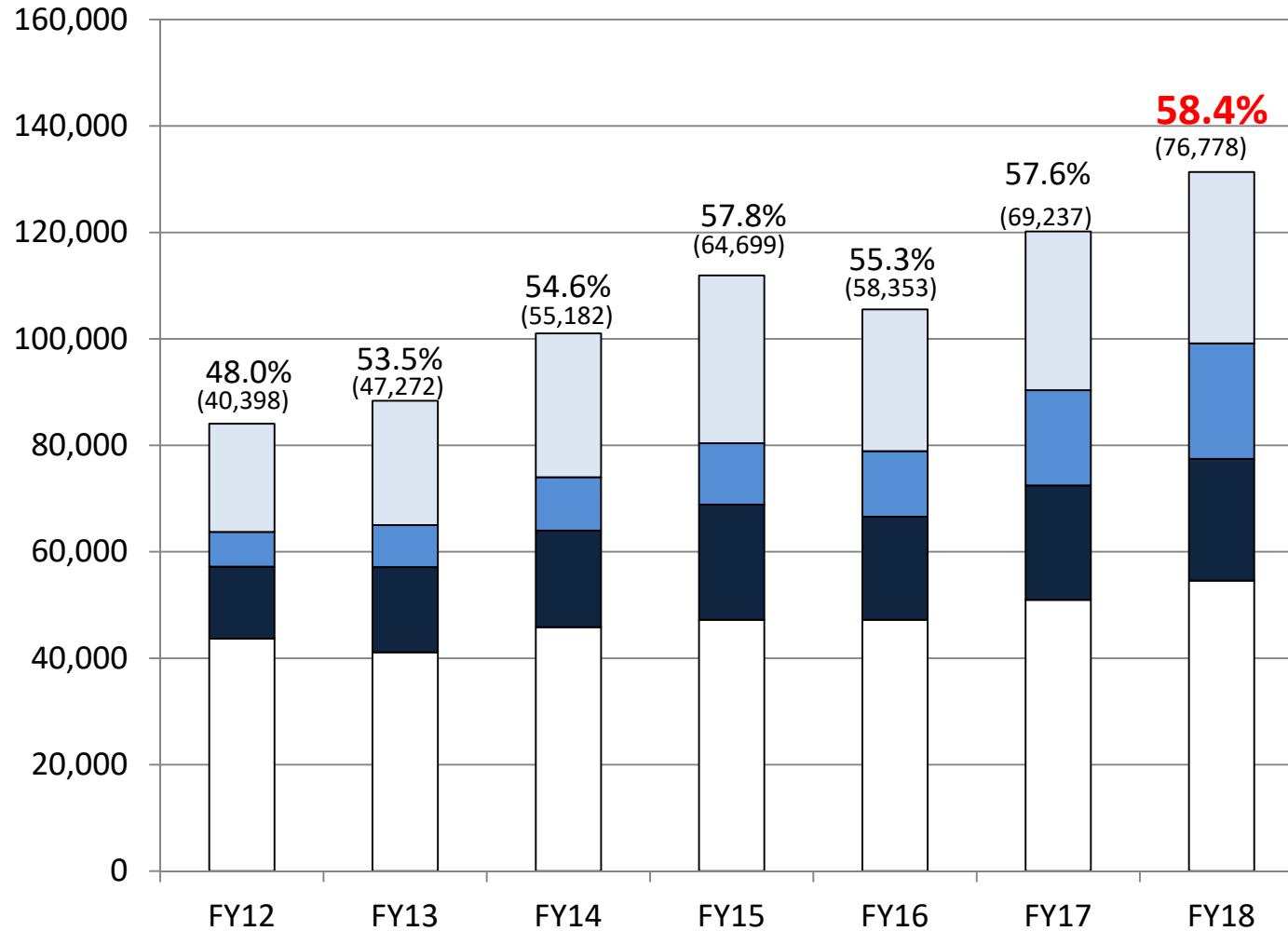
Asia



09 Overseas sales ratio

Millions of yen

* % represents overseas sales ratio
() represents overseas sales amount



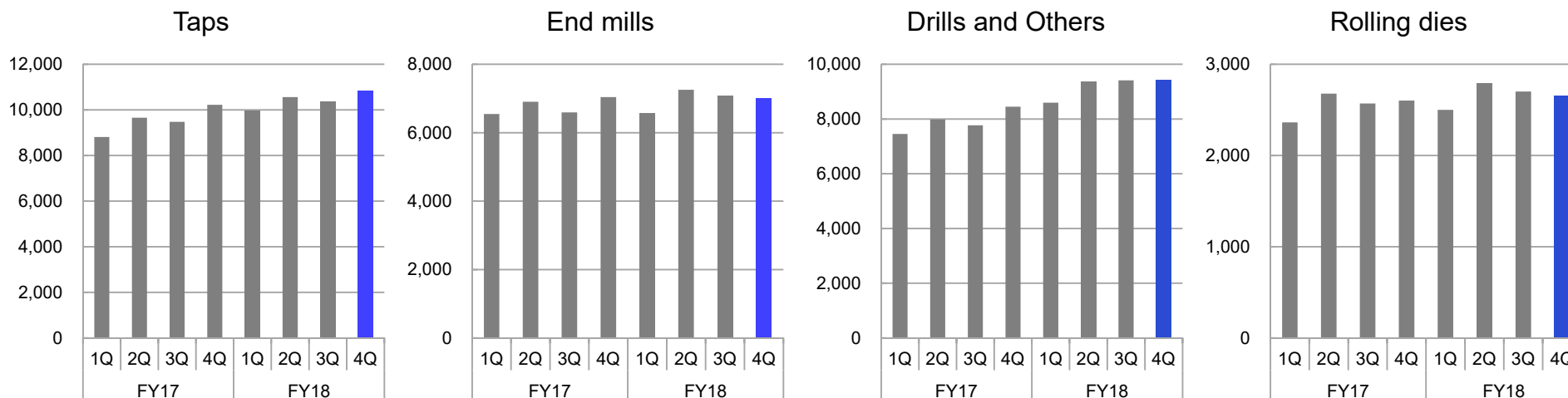
- Asia
- Europe/Africa
- The Americas
- Japan



10 Net sales by product segment

(Millions of yen)

		FY17						FY18						Change	
		Q1	Q2	Q3	Q4	Annual		Q1	Q2	Q3	4Q	Annual			
Precision Tools	Taps	8,815	9,656	9,476	10,226	38,175	32%	9,957	10,563	10,381	10,826	41,729	32%	3,553	9%
	End mills	6,546	6,907	6,596	7,040	27,090	23%	6,567	7,254	7,089	7,005	27,917	21%	826	3%
	Drills and Others	7,457	7,983	7,771	8,450	31,662	26%	8,599	9,359	9,415	9,437	36,811	28%	5,148	16%
	Rolling dies	2,363	2,679	2,571	2,603	10,218	9%	2,501	2,787	2,701	2,655	10,645	8%	426	4%
	Gauges	363	403	423	435	1,625	1%	407	431	463	454	1,757	1%	131	8%
		25,547	27,630	26,838	28,756	108,773	91%	28,033	30,396	30,051	30,379	118,860	90%	10,086	9%
Other	Machine	556	1,489	685	1,260	3,991	3%	706	935	721	1,206	3,570	3%	-421	-11%
	Other	1,912	1,676	1,944	1,899	7,432	6%	2,014	2,337	2,181	2,404	8,938	7%	1,505	20%
		2,468	3,165	2,630	3,159	11,424	9%	2,720	3,273	2,903	3,611	12,508	10%	1,083	10%
Total		28,016	30,796	29,468	31,916	120,198	100%	30,754	33,670	32,954	33,990	131,368	100%	11,170	9%



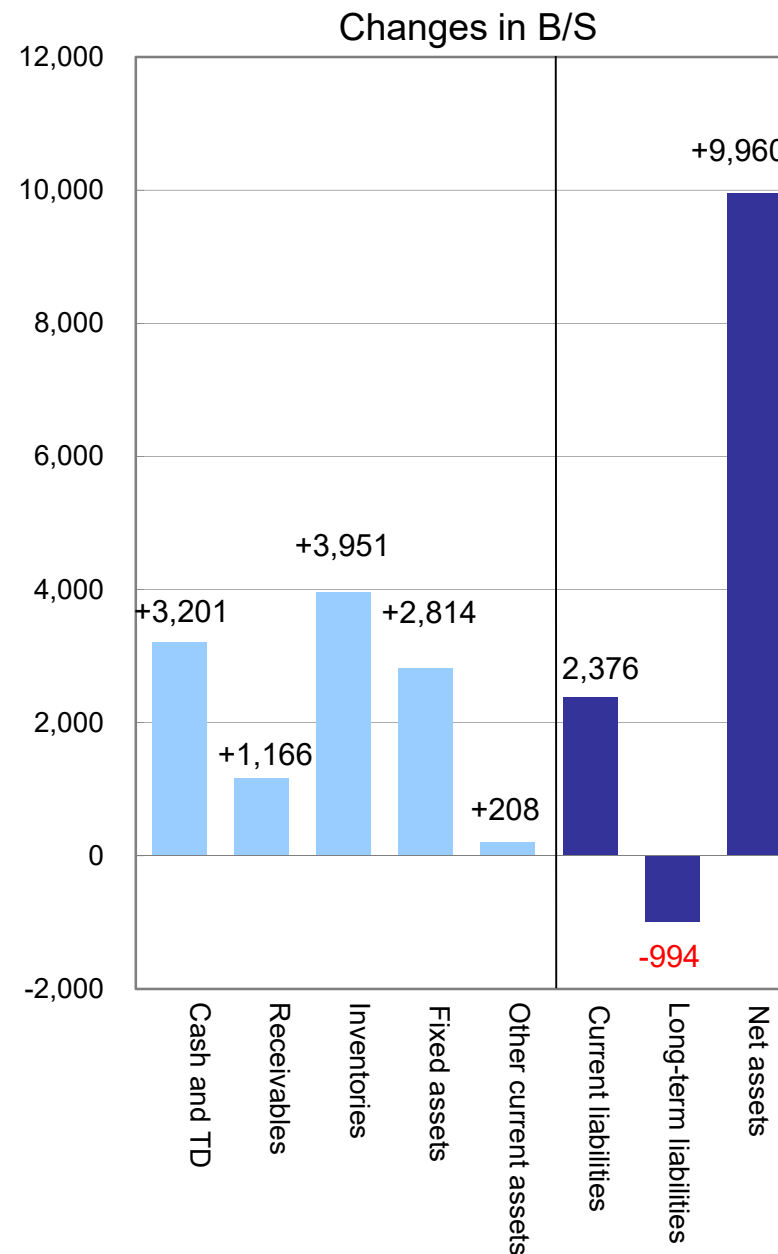
11 B/S overview

(Millions of yen)

	17/11E	18/11E	Change
Cash and time deposits	21,204	24,406	3,201
Receivables	23,961	25,128	1,166
Inventories	34,850	38,802	3,951
Other current assets	4,051	4,260	208
Fixed assets	82,642	85,457	2,814
Total assets	166,712	178,054	11,341
Total current liabilities	21,826	24,202	2,376
Total long-term liabilities	16,491	15,496	-994
Total net assets	128,394	138,354	9,960
Total liabilities and net assets	166,712	178,054	11,341

Equity ratio	69.5%	70.4%	
Receivable turnover period	73	70	days
Inventory turnover period	3.5	3.6	months

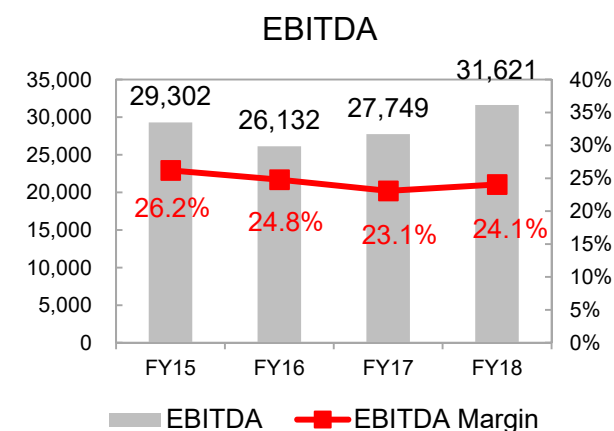
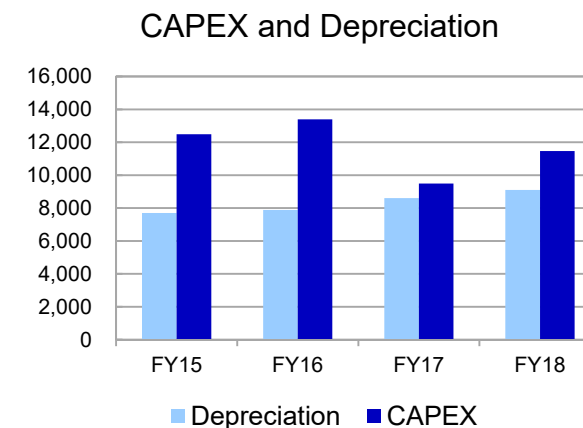
Cash and time deposits	21,204	24,406	3,202
Debt	16,325	15,612	-713
Net Cash	4,879	8,793	3,914



12 Cash Flow Overview

(Millions of yen)

	FY16	FY17	FY18	Change
Income before taxes	16,769	21,086	22,567	1,480
Depreciation	7,885	8,612	9,100	488
Change in A/R	-550	-1,690	-1,494	195
Change in inventories	-2,471	-1,147	-3,854	-2,706
Change in A/P	321	-253	768	1,022
Change in accrued expenses	-229	584	593	8
Other-net	1,732	-1,846	-196	1,649
Income taxes paid	-7,123	-4,525	-7,359	-2,834
Operating cash flow	16,333	20,820	20,125	-695
Capital expenditures	-13,394	-9,494	-11,464	-1,970
Purchase of subsidiaries' stock	-3,330	-1,728	-620	1,108
Payment of time deposits	668	-86	-1,307	-1,221
Other-net	-786	3,742	41	-3,701
Investing cash flow	-16,843	-7,566	-13,351	-5,785
Free cash flow	-509	13,254	6,773	-6,480
Change in interest-bearing debt	13,344	-6,132	305	6,437
Purchase of treasury stock	-9,834	-5	-4	1
Cash dividends paid	-3,884	-4,411	-4,581	-170
Dividends paid to minority shareholders	-417	-367	-416	-48
Other-net	13	-219	-26	193
Financing cash flow	-778	-11,137	-4,723	6,413
Foreign currency translation adjustments	-1,917	540	-333	-874
Net increase(decrease) in cash	-3,204	2,658	1,716	-941
Cash of newly consolidated subsidiaries, beginning of year	357	300	229	-71
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	84	-	-84
Cash, end of year	16,555	19,598	21,545	1,946



13 Forecast for FY2019

Financial forecast

	Consolidated		Parent company	
	Amount	Growth	Amount	Growth
Net Sales	137,000	+4.3%	63,000	+6.0%
Operating profit	24,000	+6.6%	8,300	+5.3%
as % of sales	17.5%		13.2%	
Ordinary profit	24,000	+6.3%	13,300	+28.4%
as % of sales	17.5%		21.1%	
Net profit attributable to OSG	15,300	+4.0%	10,600	+32.1%
as % of sales	11.2%		16.8%	
EPS(yen)	156.17		108.17	
CAPEX	22,000			
Depreciation	9,700			

Exchange rate

FY17 result : 1US\$=112.33yen 1Euro=126.20yen

FY18 result : 1US\$=110.53yen 1Euro=130.68yen

FY19 forecast : 1US\$=105.00yen 1Euro=125.00yen

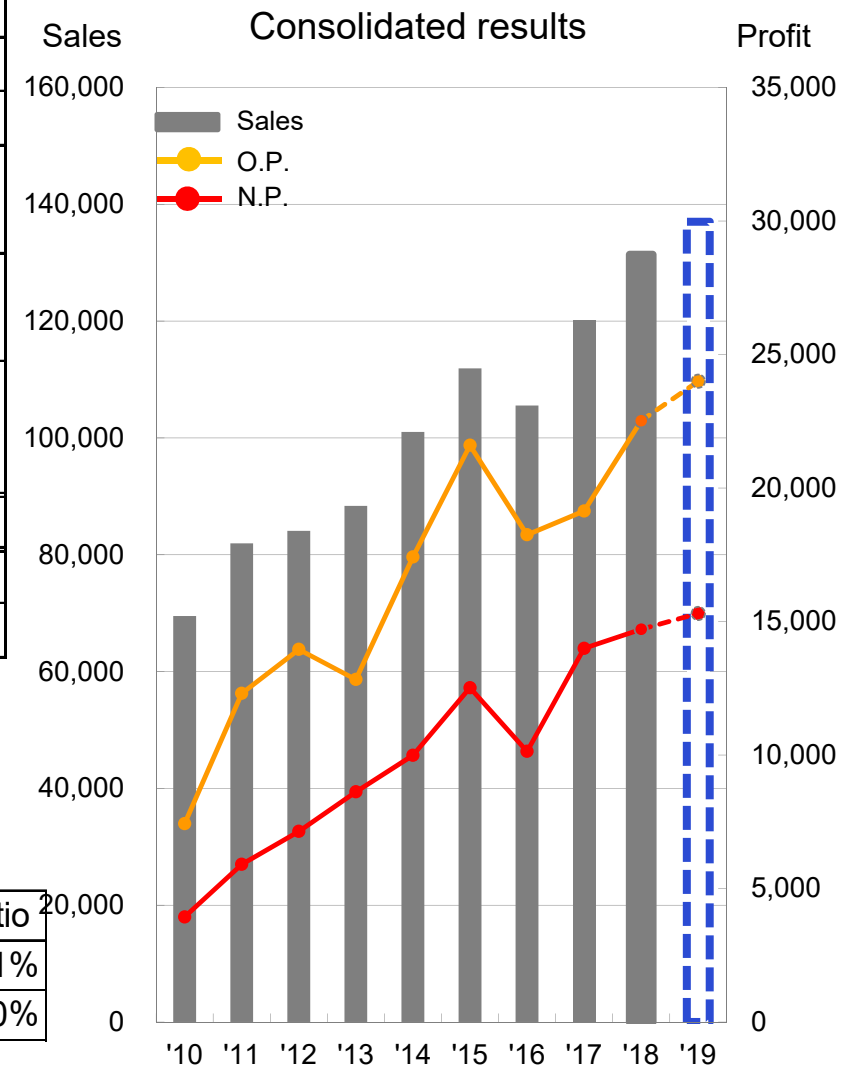
Dividend forecast

Dividend per share (yen)	Interim	Year-end	Annual	Payout ratio
FY2018	22.00	25.00	47.00	31%
FY2019	23.00	24.00	47.00	30%

*Breakdown of FY2018 year-end dividend

Ordinary dividend: 24.00 Yen Commemorative dividend: 1.00 Yen

(Millions of yen)



fcst.

14 Expansion of overseas business



- Sales Locations
- Manufacturing Locations

33 countries
17 countries

 -Technical Center

7 countries

15 Appx.1 Selected financial data (consolidated)

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net sales	(mil.yen)	88,862	94,164	97,024	53,325	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	131,368
Sales growth	(%)	14%	6%	3%	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	9%
Cost of sales	(mil.yen)	54,376	58,159	60,449	39,203	44,605	48,439	49,381	52,777	58,061	61,865	59,179	69,711	74,833
Gross profit	(mil.yen)	34,485	36,004	36,574	14,122	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	56,535
SG&A expenses	(mil.yen)	19,030	20,647	22,158	16,857	17,383	20,214	20,747	22,774	25,554	28,454	28,135	31,349	34,015
Operating income	(mil.yen)	15,455	15,356	14,416	-2,735	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	22,520
Ordinary income	(mil.yen)	14,940	14,570	13,505	-2,703	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	22,567
Net income	(mil.yen)	7,917	8,013	7,376	-3,769	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	14,710
Margins:														
Gross profit margin	(%)	38.8%	38.2%	37.7%	26.5%	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%
SG&A as % of sales	(%)	21.4%	21.9%	22.8%	31.6%	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%
Operating income	(%)	17.4%	16.3%	14.9%	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%
Ordinary income	(%)	16.8%	15.5%	13.9%	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%
Net income	(%)	8.9%	8.5%	7.6%	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%
Average FX rate: 1USD	(yen)	116.41	118.89	107.32	94.94	89.29	80.71	78.89	93.16	102.98	121.03	109.78	112.33	110.53
Average FX rate: 1Euro	(yen)	143.63	159.00	161.90	128.83	120.65	112.80	102.63	122.62	139.37	134.92	121.39	126.20	130.68
Total assets	(mil.yen)	122,451	127,044	122,383	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,054
Total shareholders' equity	(mil.yen)	60,081	64,295	64,251	55,931	57,117	59,367	64,482	80,024	91,458	102,566	92,216	115,810	125,332
Per share:														
Net income	(yen)	81.00	82.42	76.53	-39.22	39.34	62.18	75.16	90.76	105.20	131.78	110.59	153.70	150.47
Cash dividends (interim)	(yen)	12.00	12.00	12.00	0.00	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00	22.00
(year end)	(yen)	14.00	14.00	12.00	3.00	8.00	12.00	13.00	20.00	20.00	20.00	28.00	25.00	25.00
Total shareholders' equity	(yen)	615.07	667.01	666.71	582.19	601.44	625.14	679.01	842.71	963.15	1,079.12	1,024.34	1,191.65	1,279.29
Average number of shares	(ths)	97,681	96,393	96,371	96,071	94,969	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,761
Key financial ratios:														
ROE	(%)	13.8%	12.9%	11.5%	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%
Equity ratio	(%)	49.1%	50.6%	52.5%	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%
Cash flow:														
Operating CF	(mil.yen)	9,546	16,733	10,653	6,049	14,095	11,344	12,286	16,171	19,688	19,588	16,333	20,820	20,310
Investing CF	(mil.yen)	-30,616	-9,019	1,678	-4,633	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351
Financing CF	(mil.yen)	20,699	-6,821	-4,500	5,470	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723
Cash flow margin	(%)	10.7%	17.8%	11.0%	11.3%	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%