



*shaping your dreams*

# Financial Results for FY2018 – Q1

April, 2018

OSG Corporation



Anniversary

# 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

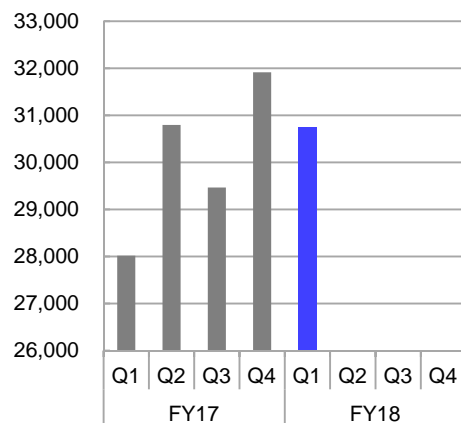
This material includes forward-looking statements based on information available at the time of release. The forecasts and other forward-looking statements are not guarantees of future performance. Actual financial results may differ from the above forecasts due to known and unknown risks, uncertainties,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

# Financial summary

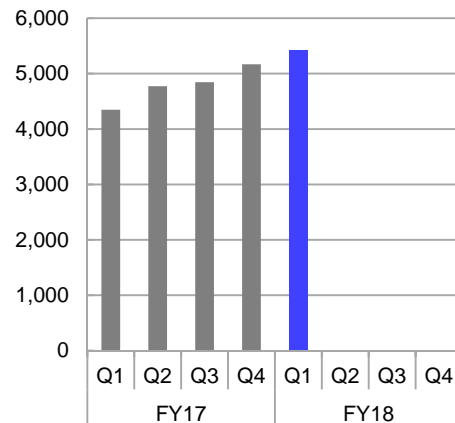
(Millions of yen)

	FY17-Q1	FY18-Q1	Change	FY17-1H Forecast	Achivement percentage
Net Sales	28,016	30,754	+9.8%	64,000	48%
Operating Profit	4,349	5,430	+24.8%	10,500	52%
OPM	15.5%	17.7%	—	16.4%	—
Ordinary Profit	4,417	5,382	+21.8%	10,500	51%
Net Profit Attributable to OSG	2,853	3,265	+14.5%	6,500	50%
EPS(yen)	31.69	33.48	+5.6%	66.65	50%

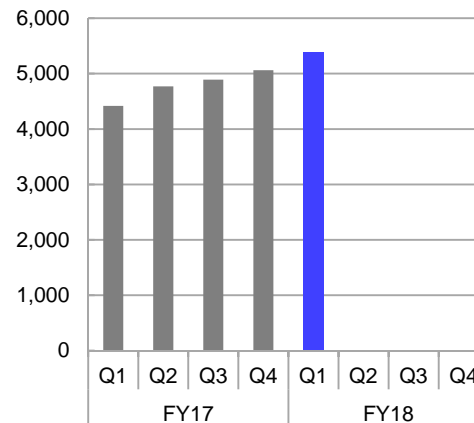
Net sales



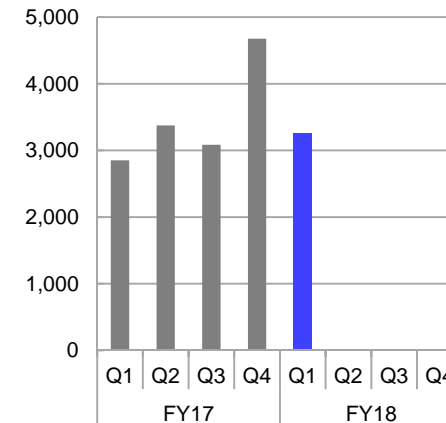
Operating profit



Ordinary profit



Net profit



# Review

## Net sales and operating profits' record high for the first quarter of a year.

- Sales have increased against a background of high level orders received.  
Unrealized profit of inventory had a positive effect, and operating profits exceeded our forecast.

## Review by region

- Japan  
Sales have increased mainly at the parent company; exports have performed well continuously.
- The Americas  
The US aerospace industry has played a major role in driving the recovery of demand.  
Mexico has performed well. Brazil has improved their profitability and profits.
- Europe/Africa  
Our market share is growing; Operating profit margins are showing a recovery trend.
- Asia  
Greater China and Southeast Asia has performed well. Asia has made a significant contribution to the increasing of operating profits, with the exception of Korea.

## Index

- EBITDA                    7.6 billion yen (increased by 18.9% over the same period of the previous year)
- Equity ratio            70.6% (1.1 point increase from the end of FY2017)

## Capital Investment Results

- CAPEX                    2.1 billion yen (annual forecast of 11.0 billion yen)
- Depreciation            2.1 billion yen (annual forecast of 9.5 billion yen)

# Sales to Customer

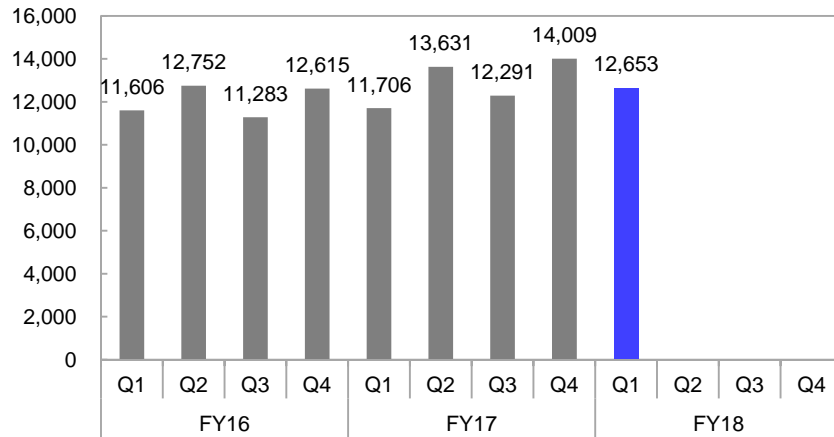
(Millions of yen)

	FY17-Q1	FY18-Q1	Change		Change in local currency
Japan	11,706	12,653	947	+8.1%	–
The Americas	5,064	5,225	161	+3.2%	+7.8%
Europe/Africa	4,136	5,343	1,207	+29.2%	+19.2%
Asia	7,108	7,530	421	+5.9%	+2.9%
Consolidated	28,016	30,754	2,737	+9.8%	+8.4%

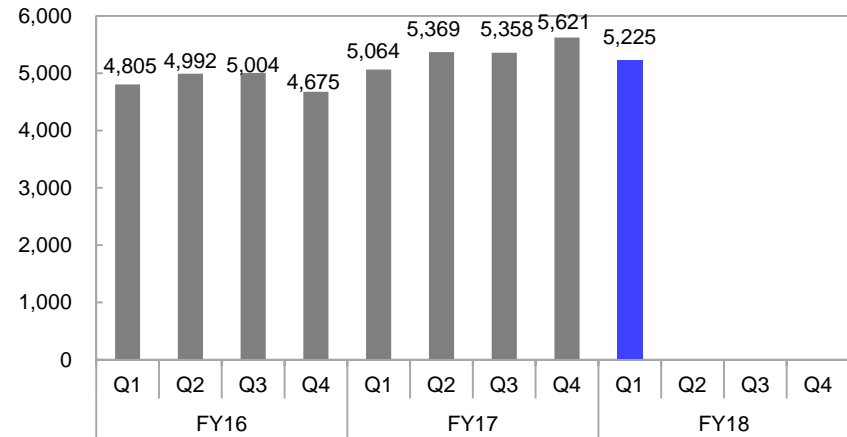
# Sales to Customer

(Millions of yen)

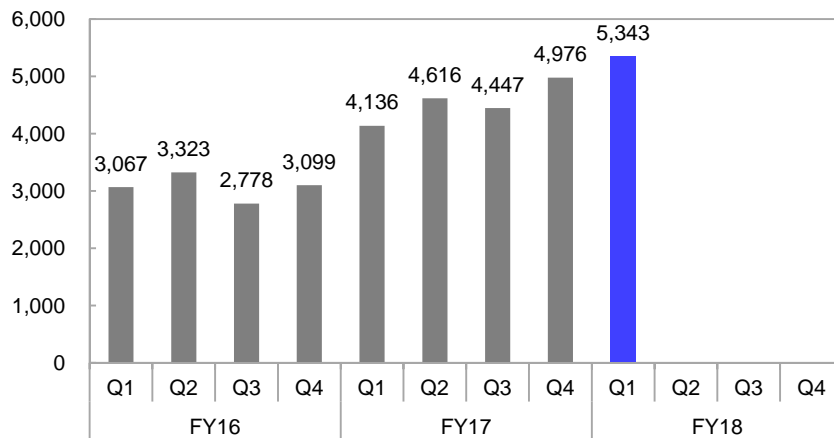
### Japan



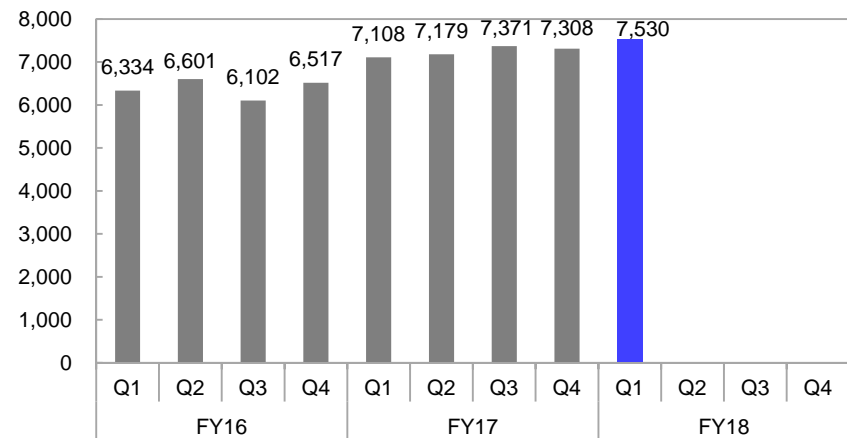
### The Americas



### Europe/Africa



### Asia



# Operating Income

(Millions of yen)

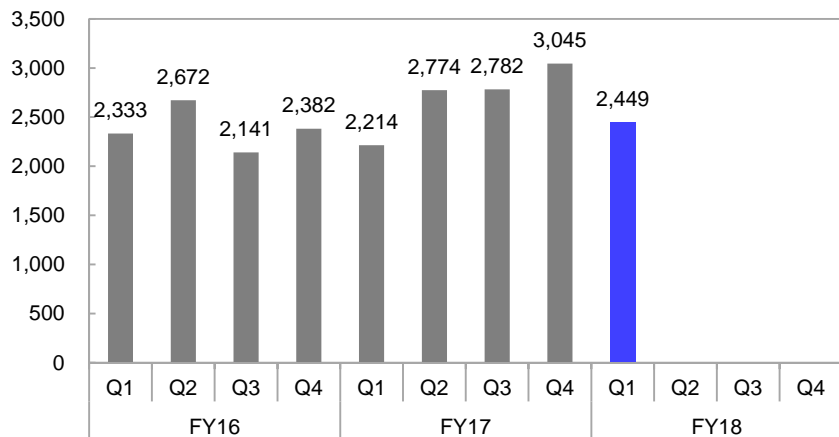
	FY17-Q1	Area percentage	FY18-Q1	Area percentage	Change		OPM *
Japan	2,214	50.3%	2,449	46.4%	234	+10.6%	14.3%
The Americas	694	15.7%	817	15.5%	123	+17.6%	15.4%
Europe/Africa	261	5.9%	462	8.8%	201	+77.1%	8.6%
Asia	1,242	28.1%	1,549	29.3%	306	+24.7%	18.9%
Total	4,413	—	5,278	—	865	+19.6%	14.6%
Eliminations	-63	—	152	—	215	—	—
Consolidated	4,349	—	5,430	—	1,080	+24.8%	17.7%

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

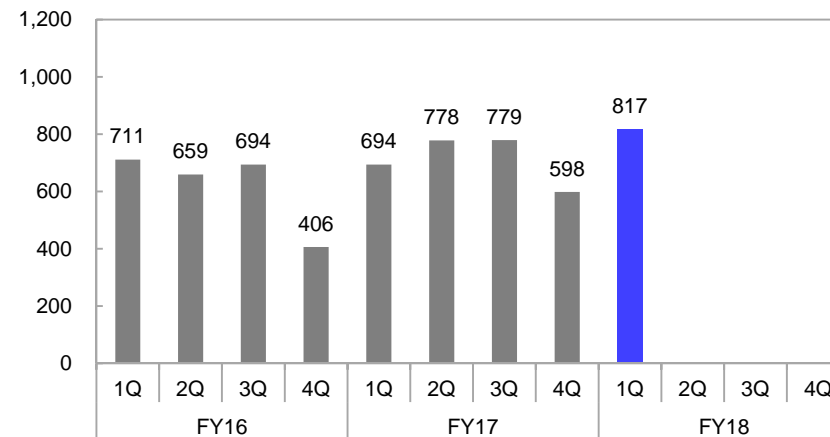
# Operating Income

(Millions of yen)

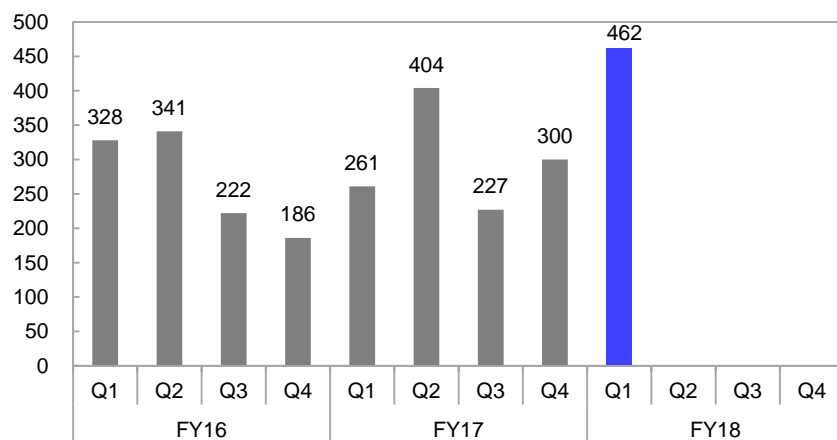
## Japan



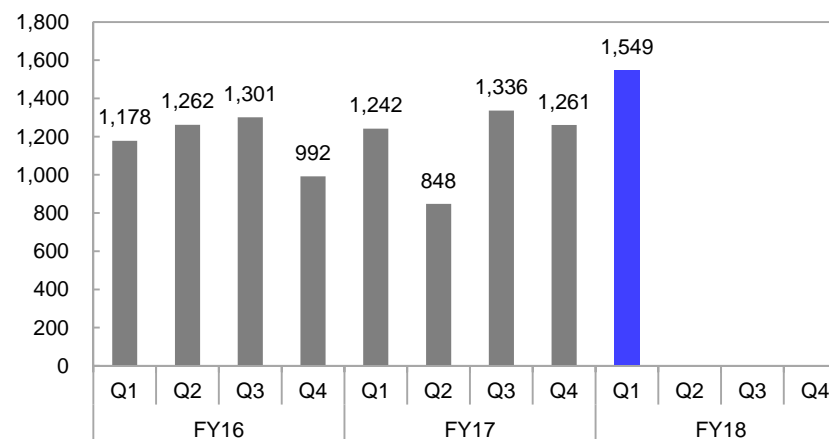
## The Americas



## Europe/Africa



## Asia

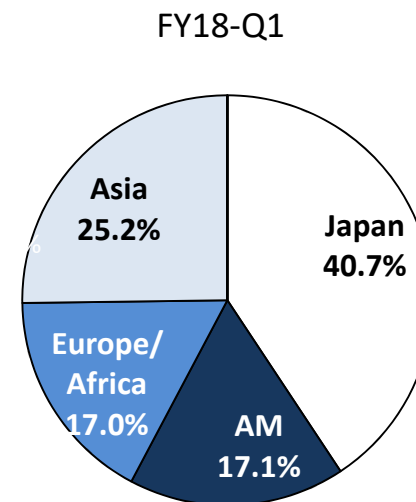
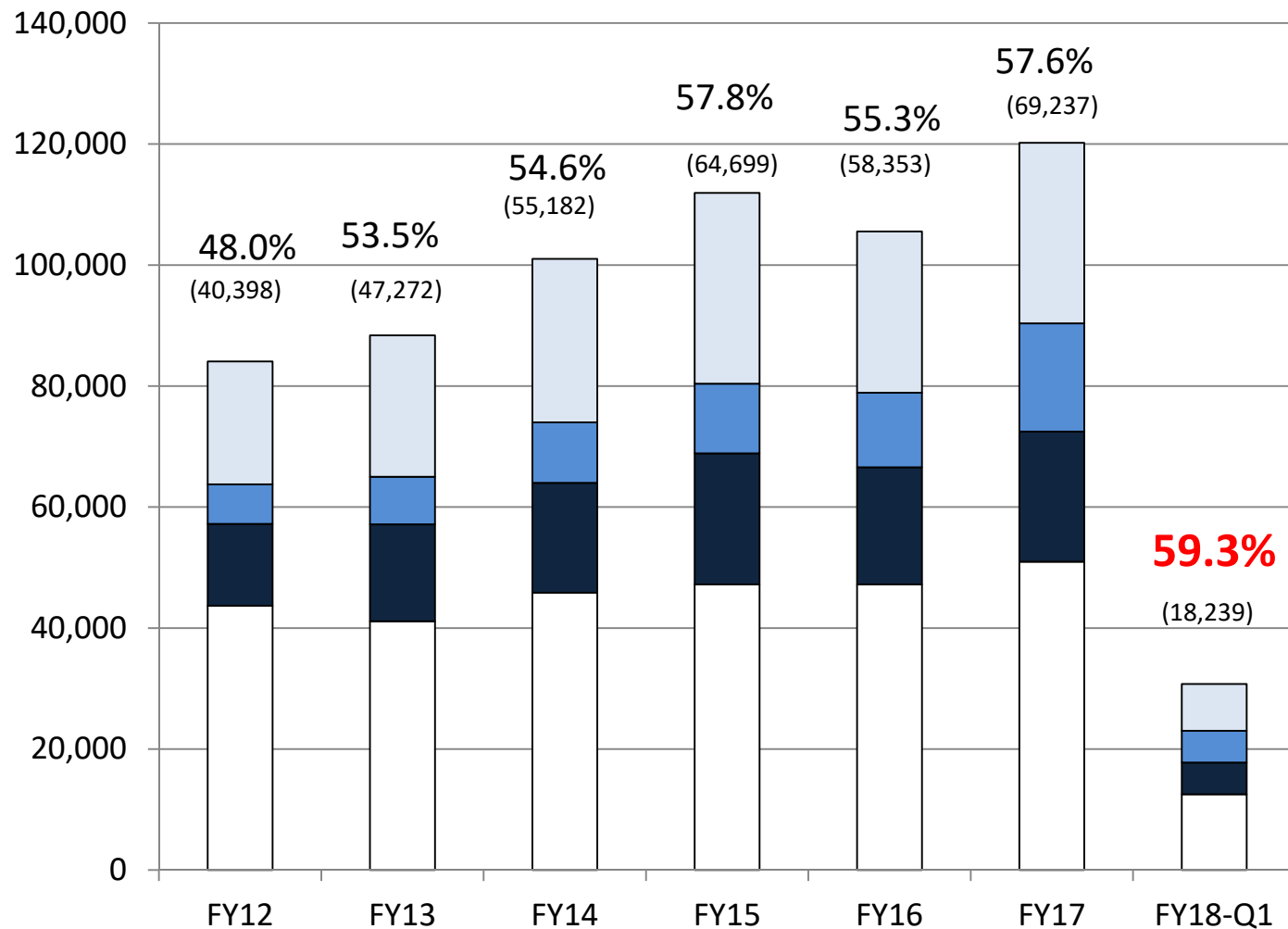




# Overseas sales ratio

(Millions of yen)

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



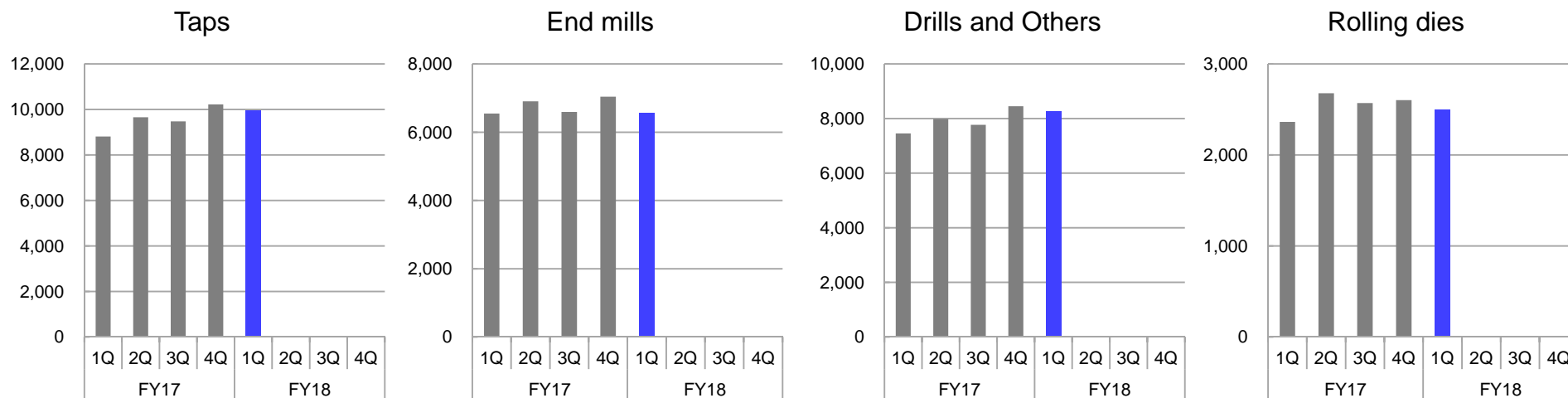
- Asia
- Europe/Africa
- The Americas
- Japan



# Net sales by product segment

(Millions of yen)

		FY17						2018年		Change	
		Q1	Q2	Q3	Q4	Total		Q1			
Precision Tools	Taps	8,815	9,656	9,476	10,226	38,175	32%	9,957	33%	1,141	13%
	End mills	6,546	6,907	6,596	7,040	27,090	23%	6,567	21%	21	0%
	Drills and Others	7,457	7,983	7,771	8,450	31,662	26%	8,599	28%	1,141	15%
	Rolling dies	2,363	2,679	2,571	2,603	10,218	9%	2,501	8%	137	6%
	Gauges	363	403	423	435	1,625	1%	407	1%	43	12%
		25,547	27,630	26,838	28,756	108,773	91%	28,033	91%	2,485	10%
Other	Machine	556	1,489	685	1,260	3,991	3%	706	2%	149	27%
	Other	1,912	1,676	1,944	1,899	7,432	6%	2,014	7%	102	5%
		2,468	3,165	2,630	3,159	11,424	9%	2,720	9%	251	10%
Total		28,016	30,796	29,468	31,916	120,198	100%	30,754	100%	2,737	10%



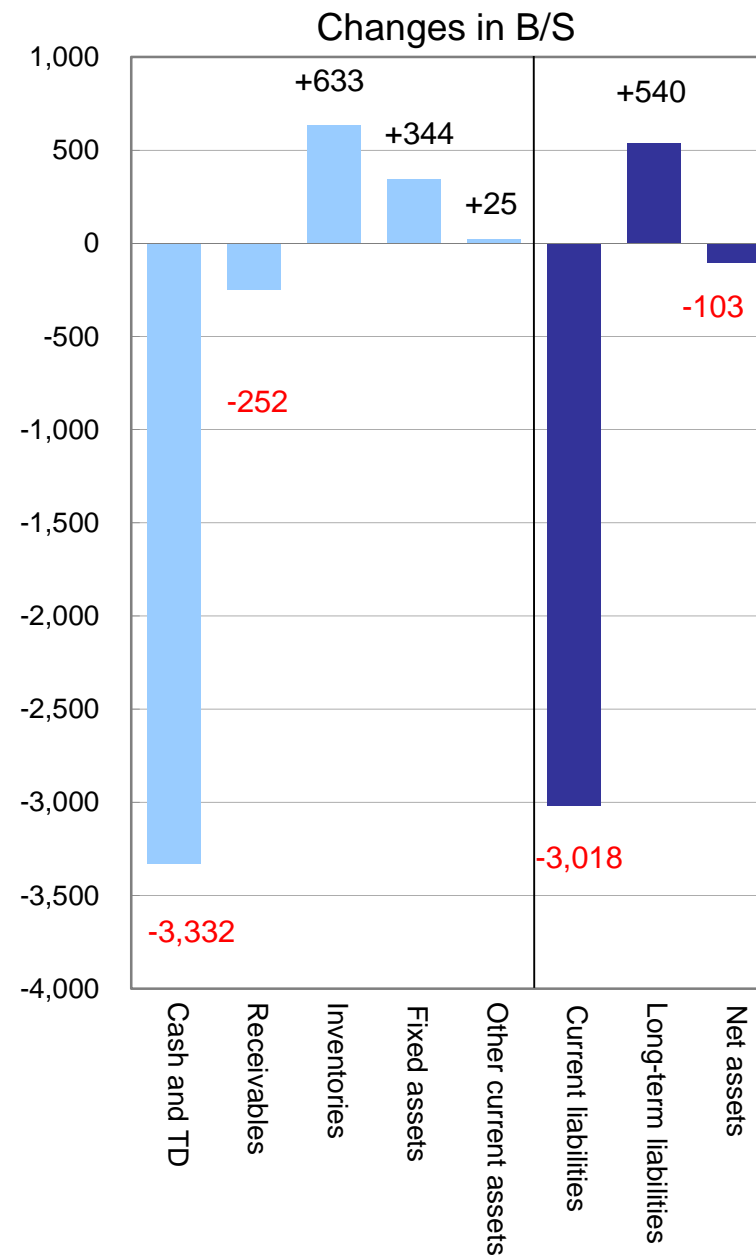
# B/S overview

	17/11E	18/02E	Change
Cash and time deposits	21,204	17,872	-3,332
Receivables	23,961	23,709	-252
Inventories	34,850	35,483	633
Other current assets	4,051	4,077	25
Fixed assets	82,642	82,987	344
<b>Total assets</b>	<b>166,712</b>	<b>164,131</b>	<b>-2,580</b>
Total current liabilities	21,826	18,808	-3,018
Total long-term liabilities	16,491	17,032	540
Total net assets	128,394	128,290	-103
<b>Total liabilities and net assets</b>	<b>166,712</b>	<b>164,131</b>	<b>-2,580</b>

Equity ratio	69.5%	70.6%	
Receivable turnover period	73	69	days
Inventory turnover period	3.5	3.5	months

Cash and time deposits	21,204	17,872	-3,332
Debt	16,325	16,567	242
Net Cash	4,879	1,332	-3,547

(Millions of yen)



# Forecast for FY2018

(Millions of yen)

## Financial forecast

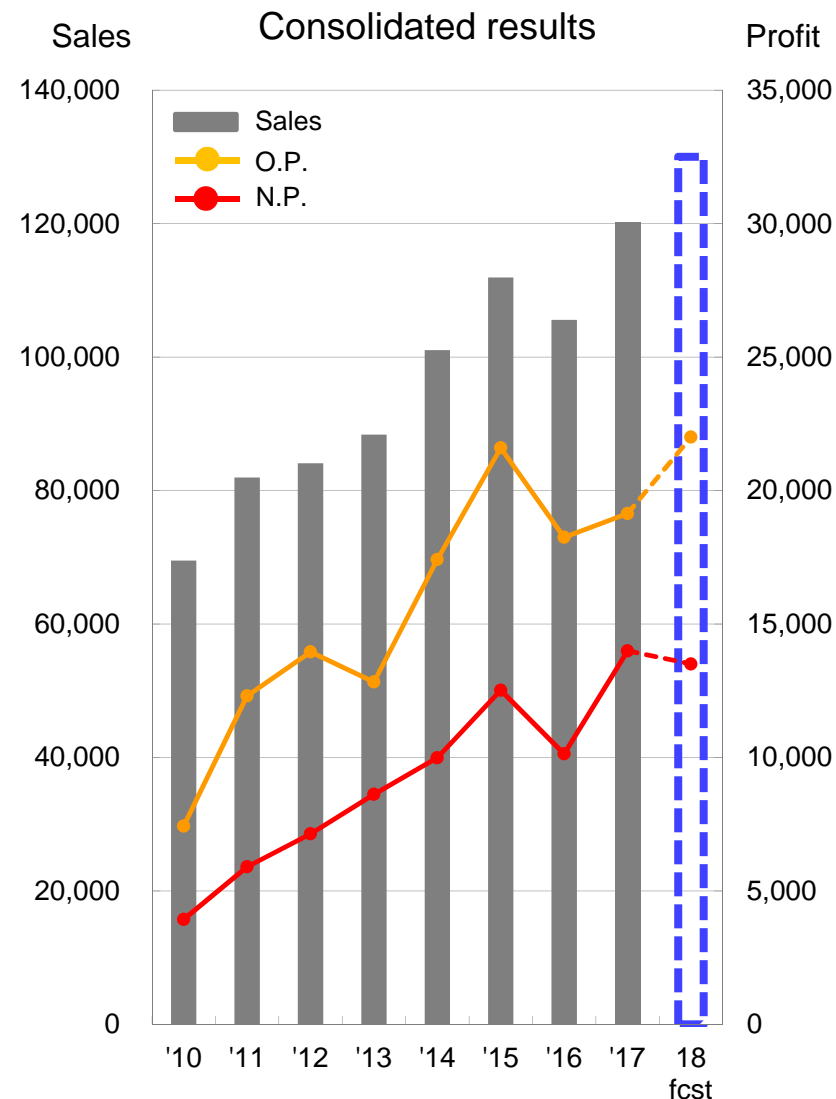
	Consolidated		Parent company	
	Amount	Growth	Amount	Growth
Net Sales	130,000	+8.2%	56,700	+4.2%
Operating profit as % of sales	22,000 16.9%	+15.0%	7,300 12.9%	+3.4%
Ordinary profit as % of sales	22,000 16.9%	+14.9%	9,500 16.8%	+8.6%
Net profit attributable to OSG as % of sales	13,500 10.4%	-3.5%	7,200 12.7%	-10.6%
EPS(yen)	138.42		73.81	
CAPEX	11,000			
Depreciation	9,500			

### Exchange rate

2017-Q1 result : 1US\$=114.29yen 1Euro=121.14yen  
 2018-Q1 result : 1US\$=109.72yen 1Euro=133.77yen  
 2018 forecast : 1US\$=110.00yen 1Euro=130.00yen

## Dividend forecast

Dividend per share (yen)	Interim	Year-end	Annual	Payout ratio
FY2018	22.00	24.00	46.00	33.2%



# 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)

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-Q1
Net sales	(mil.yen)	97,024	53,325	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	30,754
Sales growth	(%)	3%	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	10%
Cost of sales	(mil.yen)	60,449	39,203	44,605	48,439	49,381	52,777	58,061	61,865	59,179	69,711	17,371
Gross profit	(mil.yen)	36,574	14,122	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	13,382
SG&A expenses	(mil.yen)	22,158	16,857	17,383	20,214	20,747	22,774	25,554	28,454	28,135	31,349	7,951
Operating income	(mil.yen)	14,416	-2,735	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	5,430
Ordinary income	(mil.yen)	13,505	-2,703	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	5,382
Net income	(mil.yen)	7,376	-3,769	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	3,265
<b>Margins:</b>												
Gross profit margin	(%)	37.7%	26.5%	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.5%
SG&A as % of sales	(%)	22.8%	31.6%	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%
Operating income	(%)	14.9%	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.7%
Ordinary income	(%)	13.9%	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.5%
Net income	(%)	7.6%	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	10.6%
Average FX rate: 1USD	(yen)	107.32	94.94	89.29	80.71	78.89	93.16	102.98	121.03	109.78	112.33	109.72
Average FX rate: 1Euro	(yen)	161.90	128.83	120.65	112.80	102.63	122.62	139.37	134.92	121.39	126.20	133.77
Total assets	(mil.yen)	122,383	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	164,131
Total shareholders' equity	(mil.yen)	64,251	55,931	57,117	59,367	64,482	80,024	91,458	102,566	92,216	115,810	115,915
<b>Per share:</b>												
Net income	(yen)	76.53	-39.22	39.34	62.18	75.16	90.76	105.20	131.78	110.59	153.70	33.48
Cash dividends (end of Q2)	(yen)	12.00	0.00	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00	22.00(fcst)
(year-end)	(yen)	12.00	3.00	8.00	12.00	13.00	20.00	20.00	20.00	28.00	25.00	24.00(fcst)
Total shareholders' equity	(yen)	666.71	582.19	601.44	625.14	679.01	842.71	963.15	1,079.12	1,024.34	1,191.65	1,186.39
Average number of shares	(ths)	96,371	96,071	94,969	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,526
<b>Key financial ratios:</b>												
ROE	(%)	11.5%	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	-
Equity ratio	(%)	52.5%	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.6%
<b>Cash flow:</b>												
Operating CF	(mil.yen)	10,653	6,049	14,095	11,344	12,286	16,171	19,688	19,588	16,333	20,820	-
Investing CF	(mil.yen)	1,678	-4,633	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-
Financing CF	(mil.yen)	-4,500	5,470	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-
Cash flow margin	(%)	11.0%	11.3%	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	-