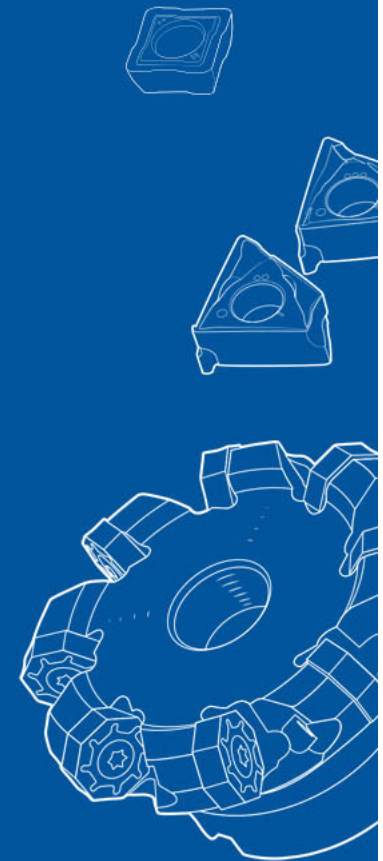




shaping your dreams

Financial Results for FY2019 – 3Q

October, 2019
OSG Corporation

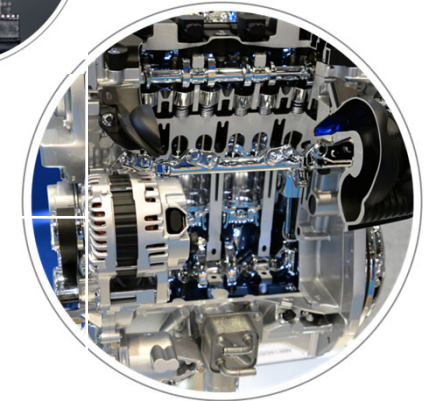
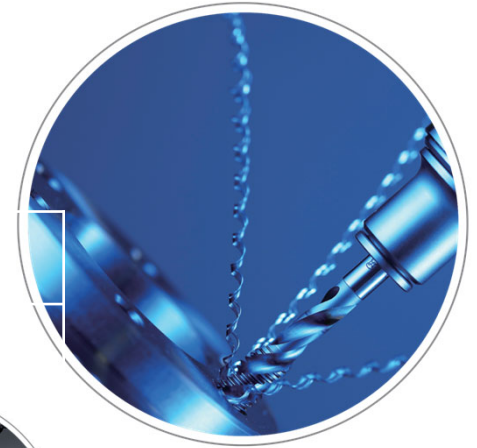


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- ◆ P4-5 Financial Summary
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Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	12,124 million yen
Employees	7,241 (consolidated) 1,857 (non-consolidated)
Stock listed	1 st Section of Tokyo and Nagoya Stock Exchange (stock code 6136)



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.

Company Overview

Products

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

Strength

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



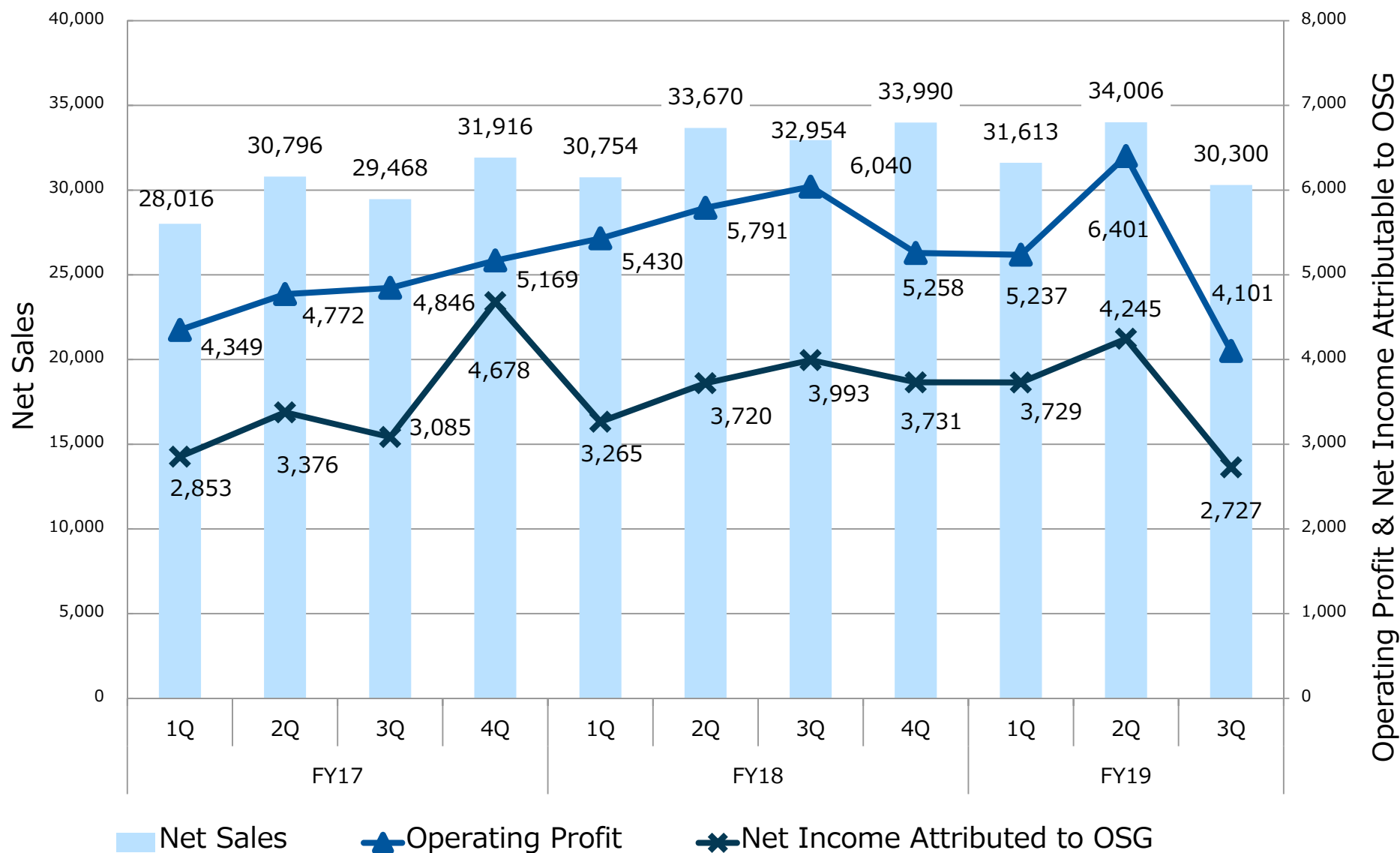
Financial Summary

(Millions of yen)

	FY18-3Q	FY19-3Q	Change	FY19 fcst. Annual	Progress Rate
Net Sales	97,378	95,920	-1.5%	137,000	70.0%
Operating Profit	17,262	15,739	-8.8%	24,000	65.6%
OPM	17.7%	16.4%	-	17.5%	-
Ordinary Profit	17,223	16,012	-7.0%	24,000	66.7%
Net Profit Attributable to OSG	10,979	10,702	-2.5%	15,300	69.9%
EPS(yen)	112.36	109.32	-2.7%	156.29	-

Financial Summary

(Millions of yen)



Review of FY19-3Q

Slowing down in ASIA including Japan.

➤ Index & Capital Investment Results

—EBITDA	22.7 billion yen	(Decreased by 5.3% over FY18-3Q)
—EBITDA Margin	23.7%	(Decreased by 0.9pts over FY18-3Q)
—Equity ratio	68.4%	(Decreased by 2.0pts over FY18)
—CAPEX	11.9 billion yen	(Annual forecast of 22 billion yen)
—Depreciation	6.9 billion yen	(Annual forecast of 9.7 billion yen)



Review of FY19-3Q

The Americas

The U.S. turnover has **been flat**.
The Brazil continuously increased.

Asia

The sales and orders slowing down generally **including India**.

Europe/Africa

The weakness of Euro is accelerating. **Still keep flat** in sales and booking even low market trend.

Japan

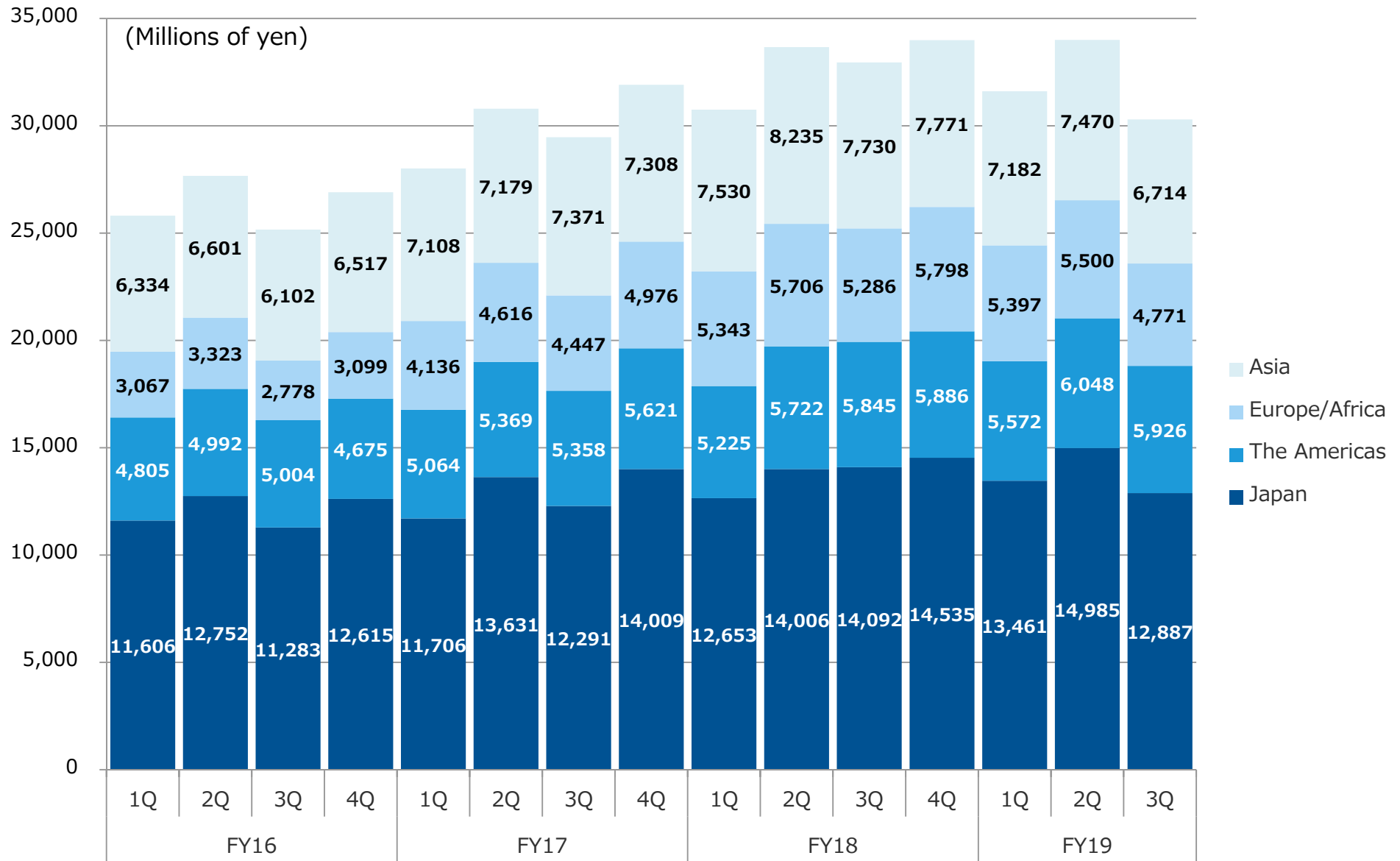
The factory's **operating rate remains high**.
Domestic booking has Decreased from June.

Sales to Customer

(Millions of yen)

	FY18-3Q	FY19-3Q	Change		Change in local currency
Japan	40,752	41,334	582	+1.4%	-
The Americas	16,793	17,548	754	+4.5%	+5.3%
Europe/Africa	16,336	15,669	-667	-4.1%	+3.0%
Asia	23,496	21,367	-2,128	-9.1%	-5.2%
Consolidated	97,378	95,920	-1,458	-1.5%	-

Sales to Customer



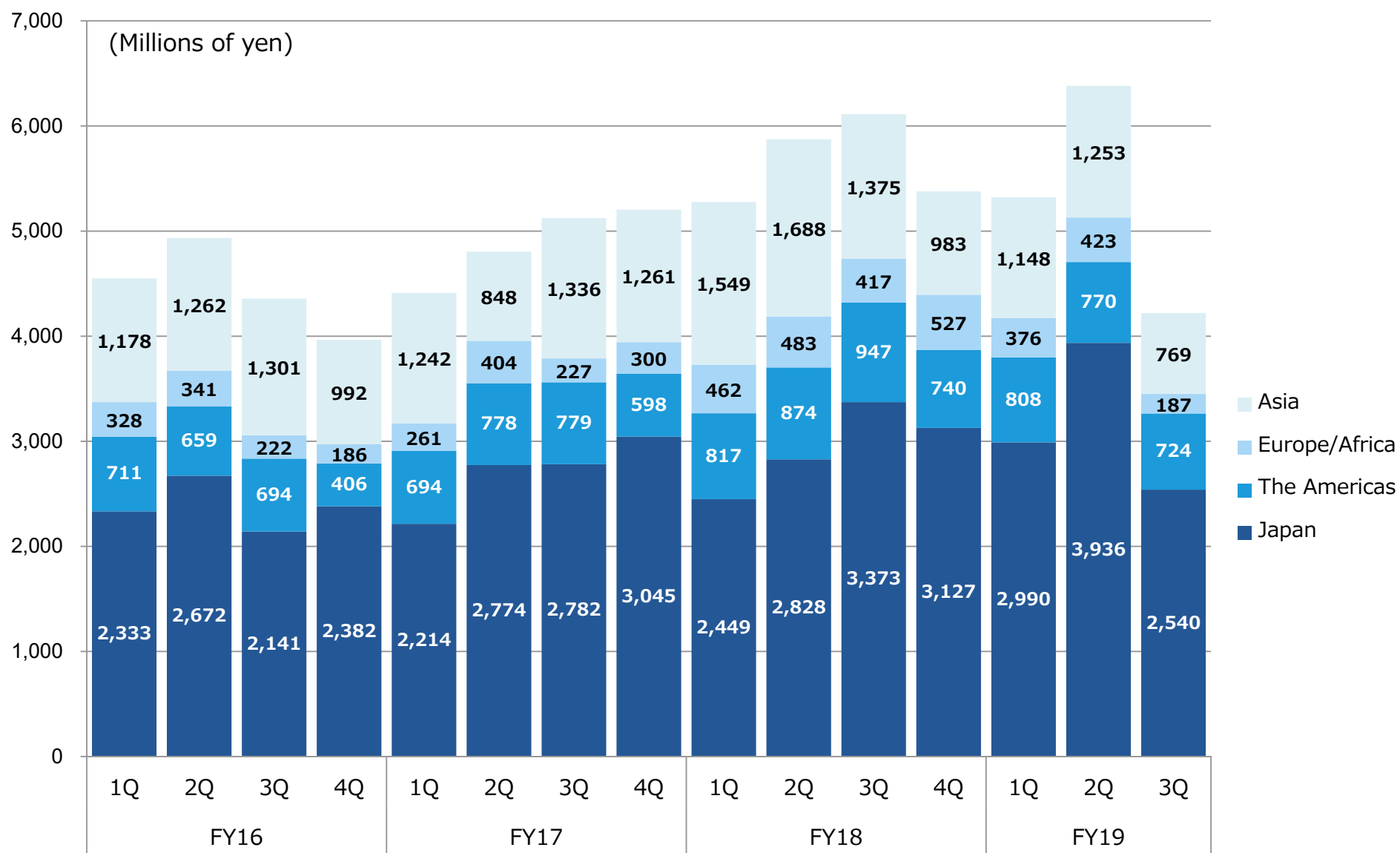
Operating Income

(Millions of yen)

	FY18-3Q	Area percentage	FY19-3Q	Area percentage	Change		OPM *
Japan	8,651	50.1%	9,466	59.4%	814	+9.4%	16.4%
The Americas	2,638	15.3%	2,302	14.5%	-336	-12.7%	12.8%
Europe/Africa	1,363	7.9%	987	6.2%	-375	-27.6%	6.3%
Asia	4,613	26.7%	3,171	19.9%	-1,441	-31.2%	13.2%
Total	17,267	-	15,928	-	-1,338	-7.8%	13.8%
Eliminations	-4	-	-188	-	-183	-	-
Consolidated	17,262	-	15,739	-	-1,522	-8.8%	16.4%

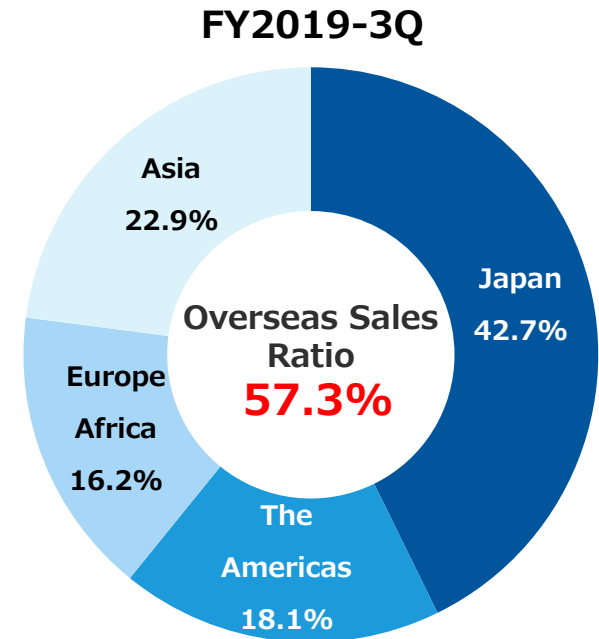
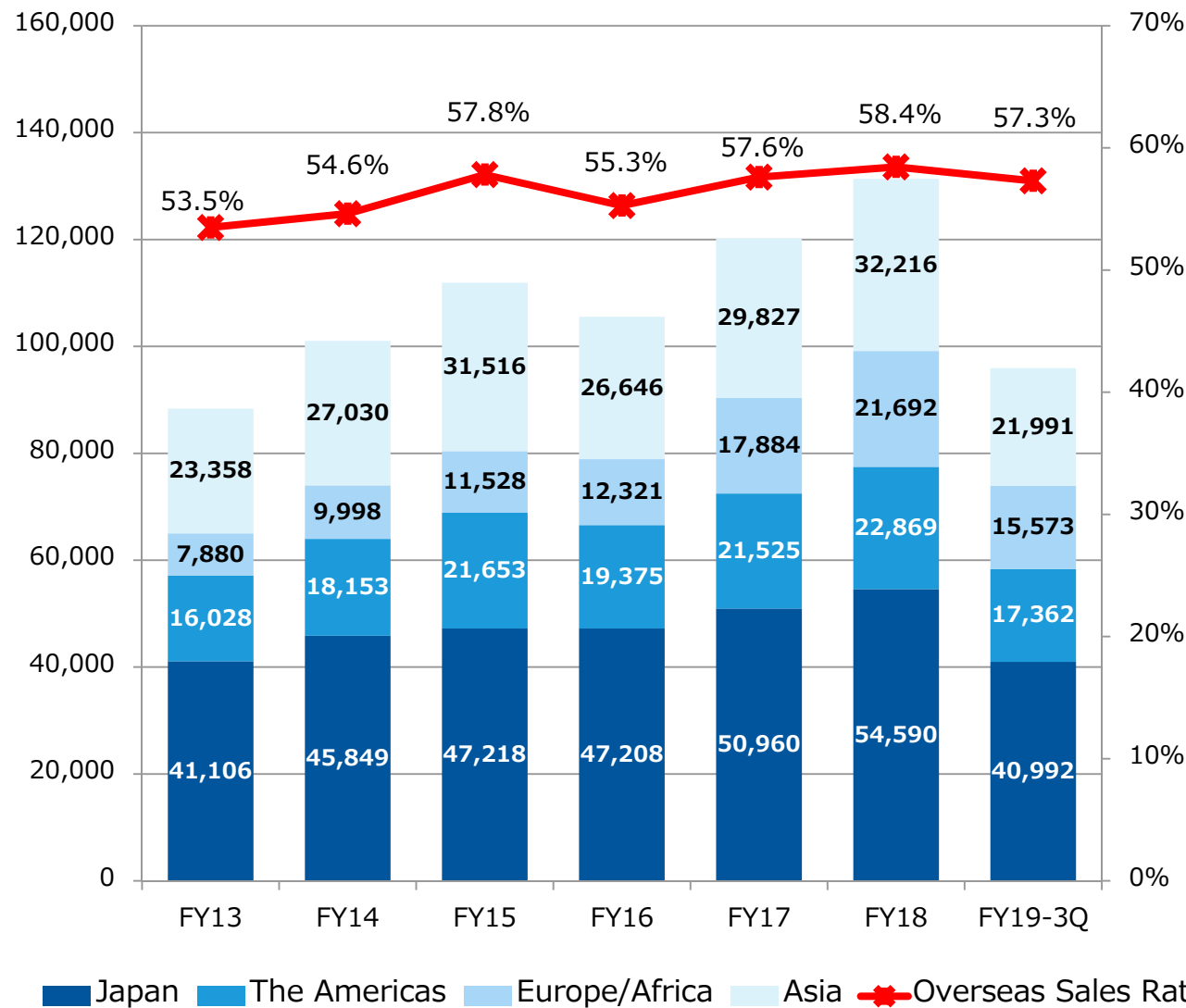
* Operating profits margin
as % of sales (external sales + interarea transfers)

Operating Income



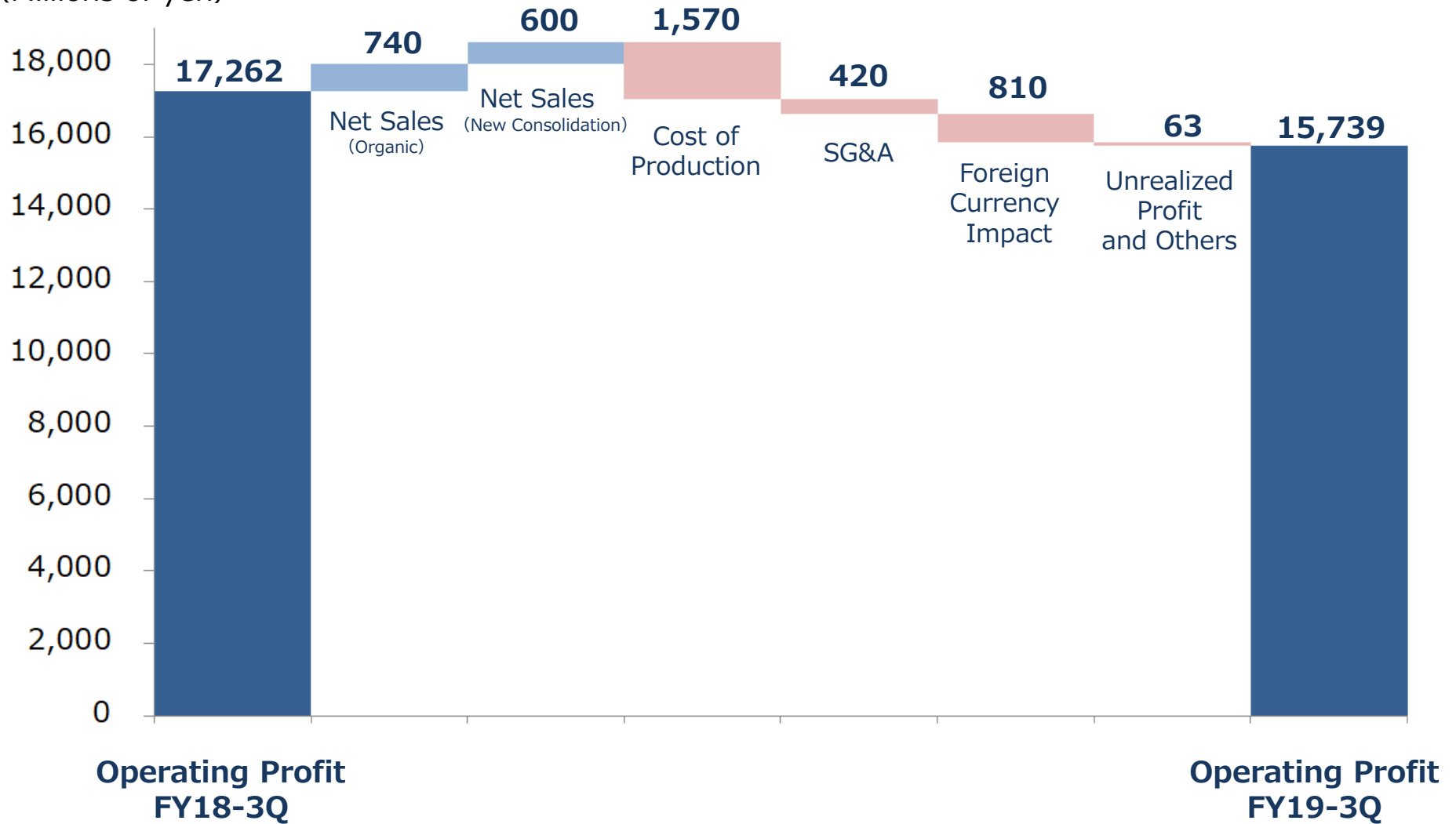
Overseas Sales Ratio

(Millions of yen)



Operation Profit Variation

(Millions of yen)



Net Sales by Product Segment

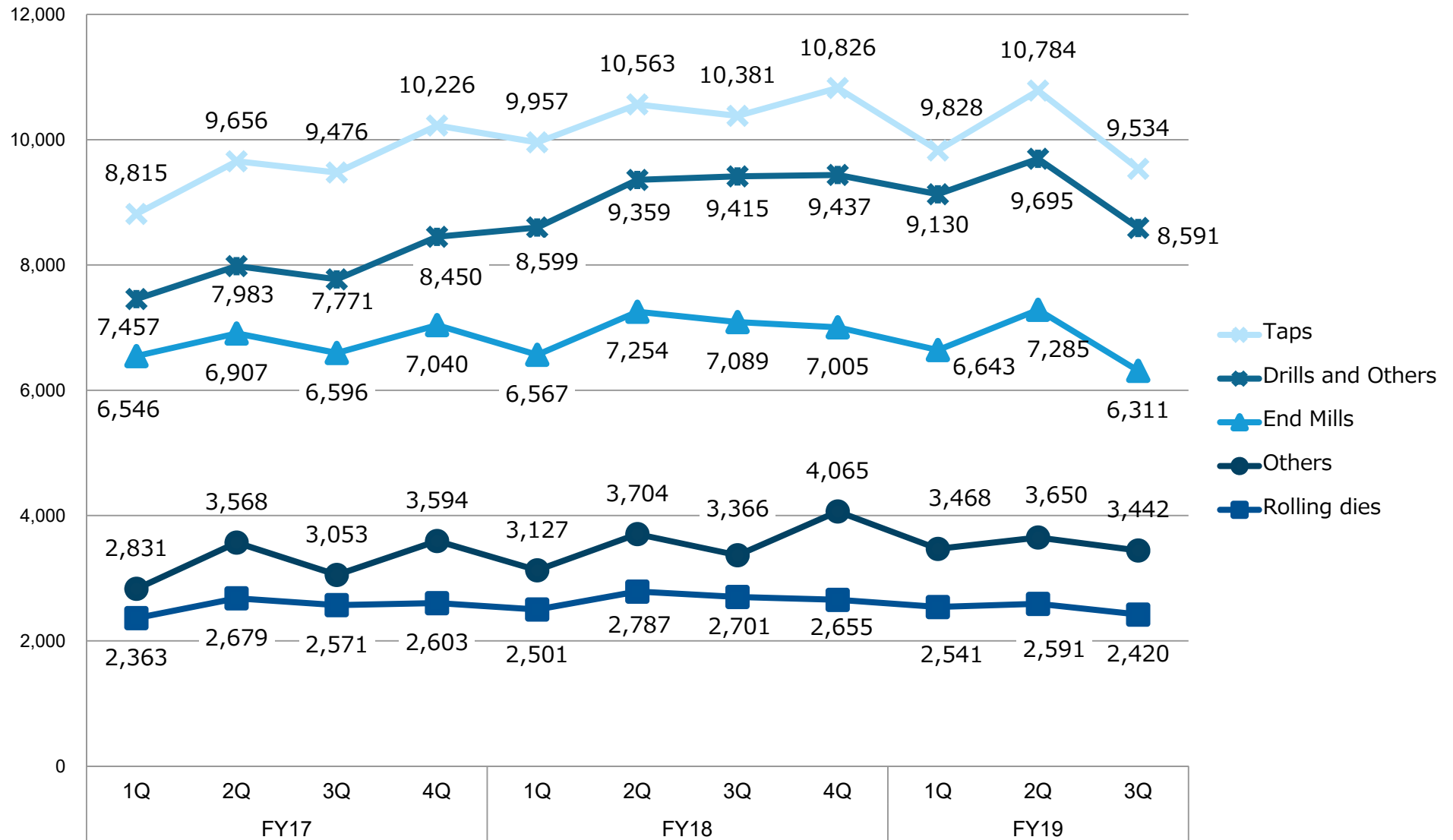
(Millions of yen)

		FY18						FY2019						Change	
		1Q	2Q	3Q	4Q	3Q Total	3Q %	1Q	2Q	3Q	3Q Total	3Q %			
Precision Tools	Taps	9,957	10,563	10,381	10,826	30,902	31.8%	9,828	10,784	9,534	30,147	31.4%	-755	-2.4%	
	End mills	6,567	7,254	7,089	7,005	20,911	22.5%	6,643	7,285	6,311	20,239	21.1%	-672	-3.2%	
	Drills and Others	8,599	9,359	9,415	9,437	27,374	26.3%	9,130	9,695	8,591	27,417	28.6%	42	0.1%	
	Rolling dies	2,501	2,787	2,701	2,655	7,989	8.5%	2,541	2,591	2,420	7,553	7.9%	-436	-5.5%	
	Gauges	407	431	463	454	1,303	1.4%	478	491	454	1,424	1.5%	121	9.3%	
		28,033	30,396	30,051	30,379	88,481	90.5%	28,622	30,847	27,311	86,782	90.5%	-1,699	-1.9%	
Other	Machine	706	935	721	1,206	2,363	3.3%	907	1,097	1,013	3,018	3.1%	654	27.7%	
	Other	2,014	2,337	2,181	2,404	6,533	6.2%	2,083	2,061	1,974	6,119	6.4%	-414	-6.3%	
		2,720	3,273	2,903	3,611	8,897	9.5%	2,990	3,158	2,988	9,137	9.5%	240	2.7%	
Total		30,754	33,670	32,954	33,990	97,378	100.0%	31,613	34,006	30,300	95,920	100.0%	-1,458	-1.5%	



Net Sales by Product Segment

(Millions of yen)



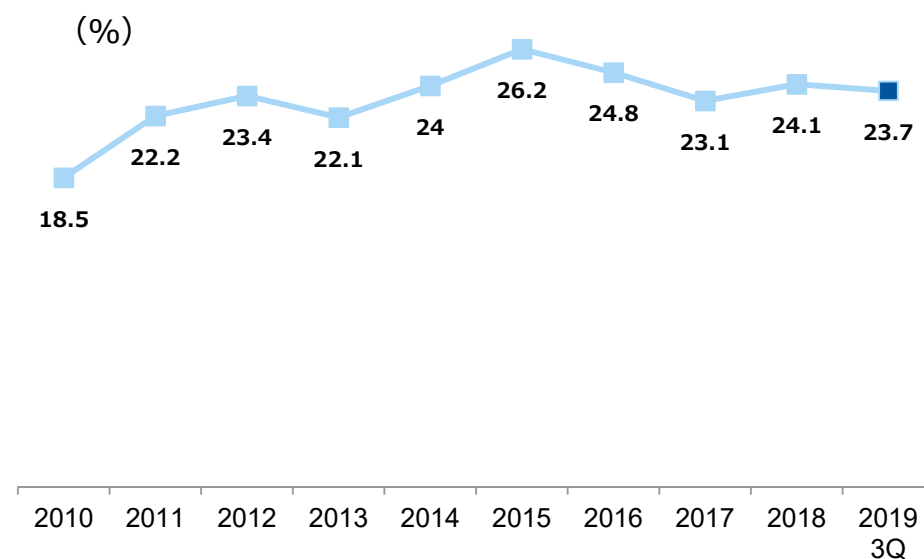
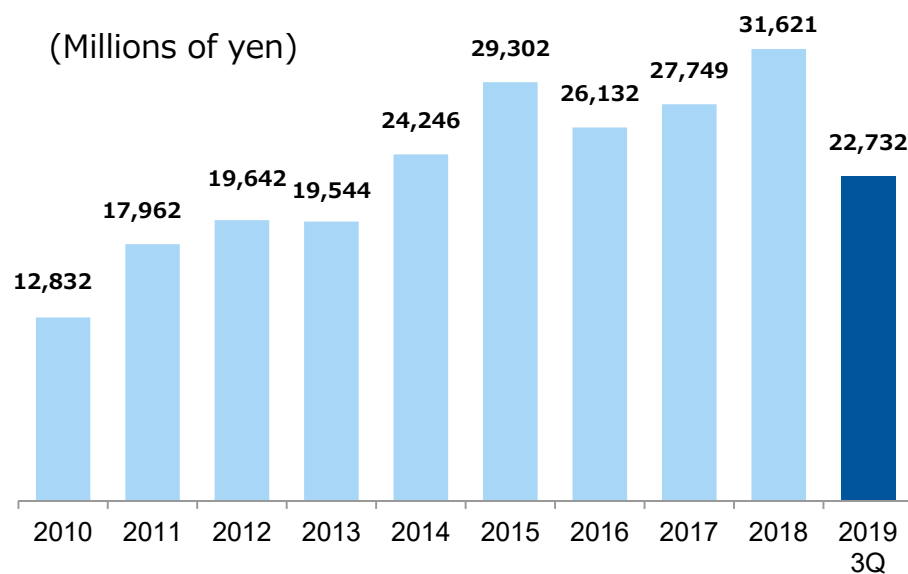
B/S Overview • EBITDA

(Millions of yen)

	FY18	FY19 3Q		FY18	FY19 3Q
Equity ratio (%)	70.4	68.4	Cash and time deposits	24,406	25,874
Receivable turnover period (Days)	70	62	Debt	15,612	25,835
Inventory turnover period (months)	3.6	4.0	Net Cash	8,793	38

EBITDA

EBITDA Margin



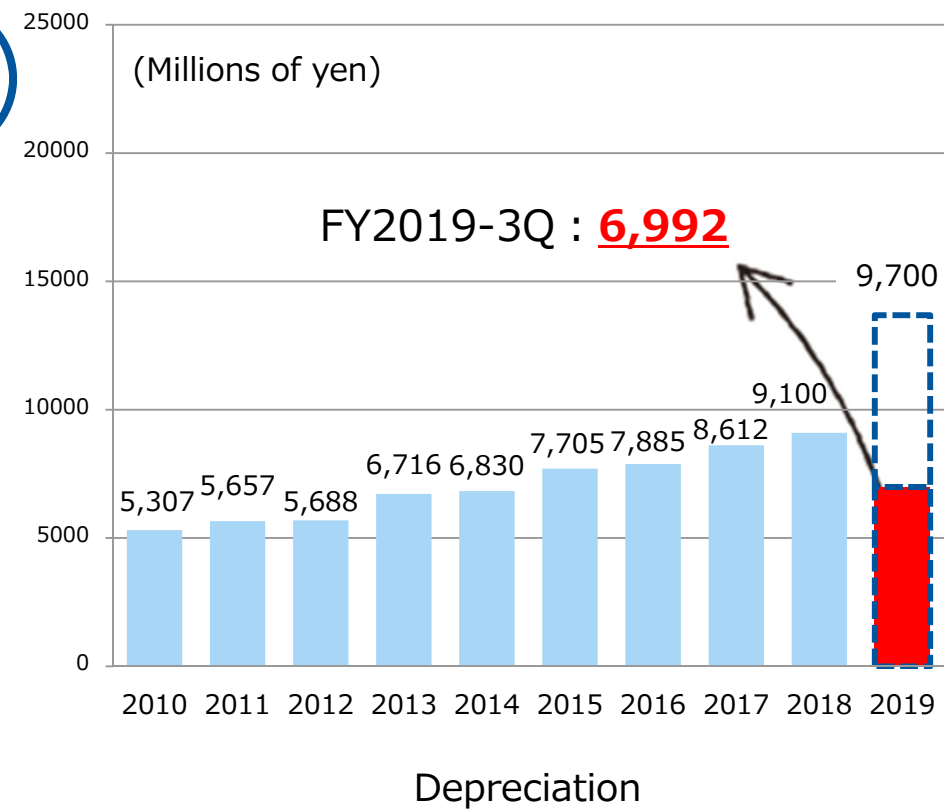
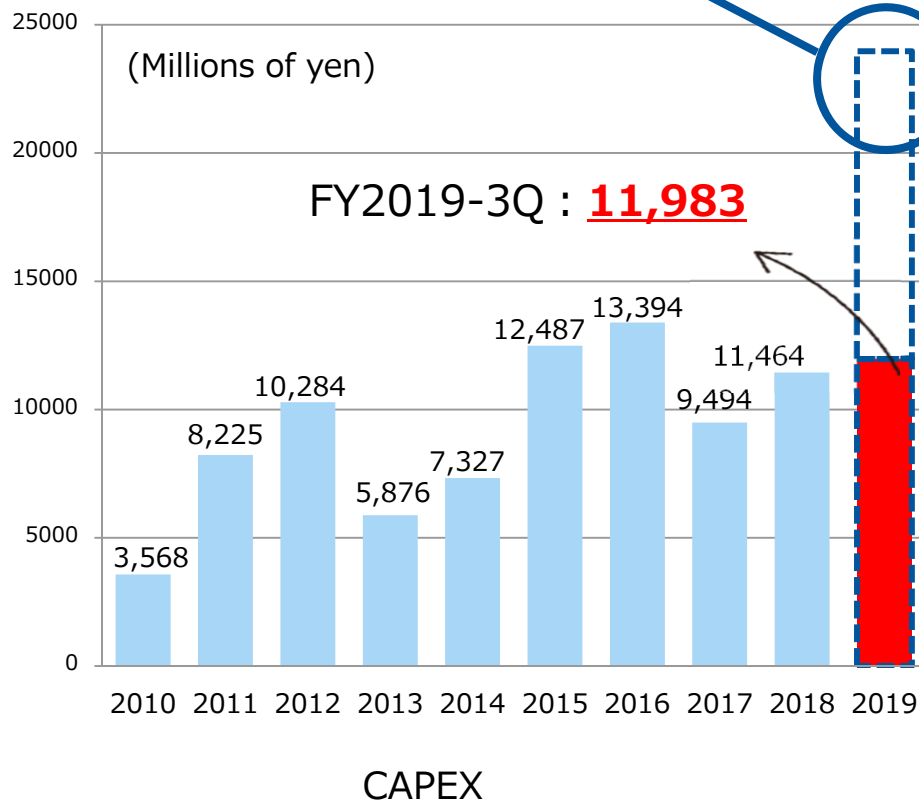
Capital Investment

FY19 Capital Investment Forecast

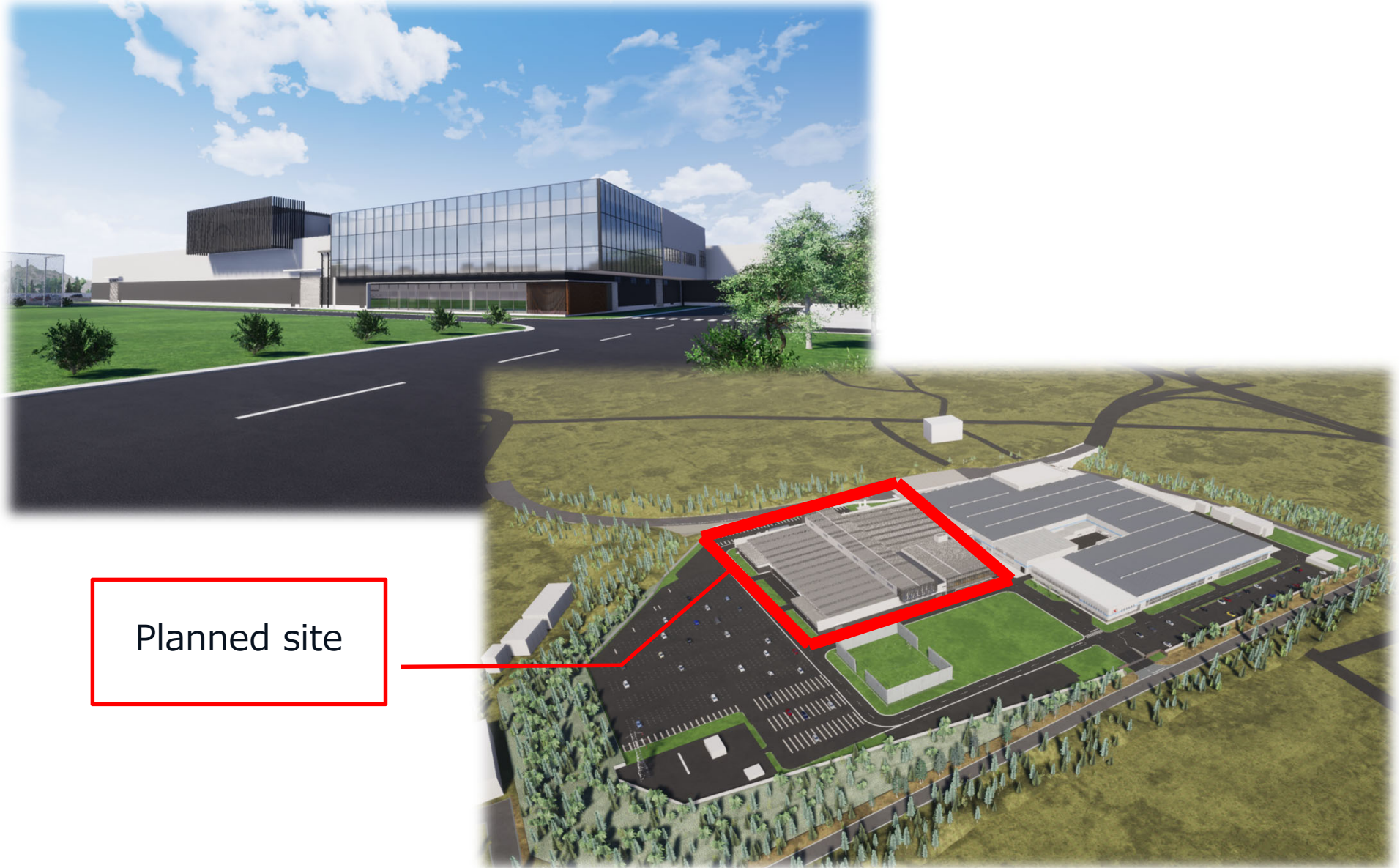
22 billion yen

Breakdown

- NEO Shinshiro Factory (Japan)··· Starting the operation in May, 2020
- Mexico Factory
- Taiwan Factory
- New building of AMAMCO in the U.S.



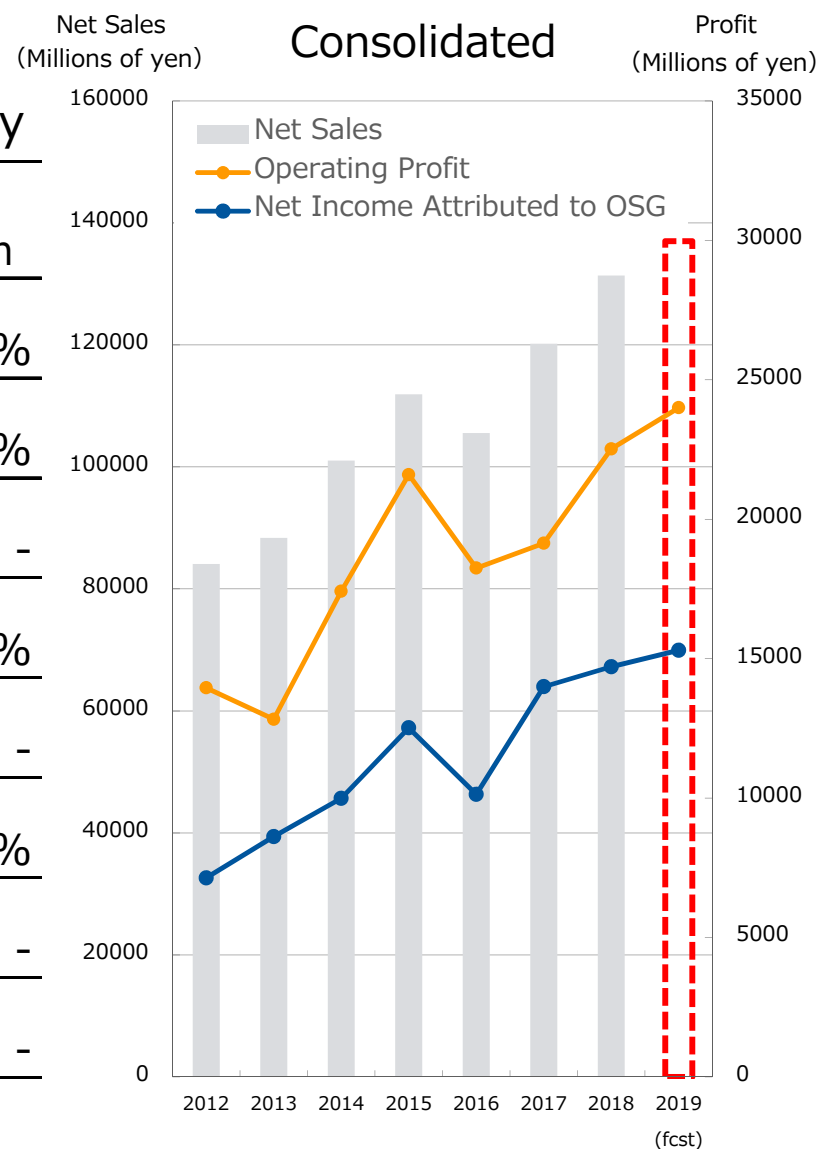
NEO Shinshiro Factory



Planned site

Forecast for FY19

	Consolidated		Parent Company	
	Amount (million yen)	Growth	Amount (million yen)	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 Income Attributed to	15,300	+4.0%	10,600	+32.1%
as % of sales	11.2%	-	16.8%	-
EPS (yen)	156.29	-	108.25	-

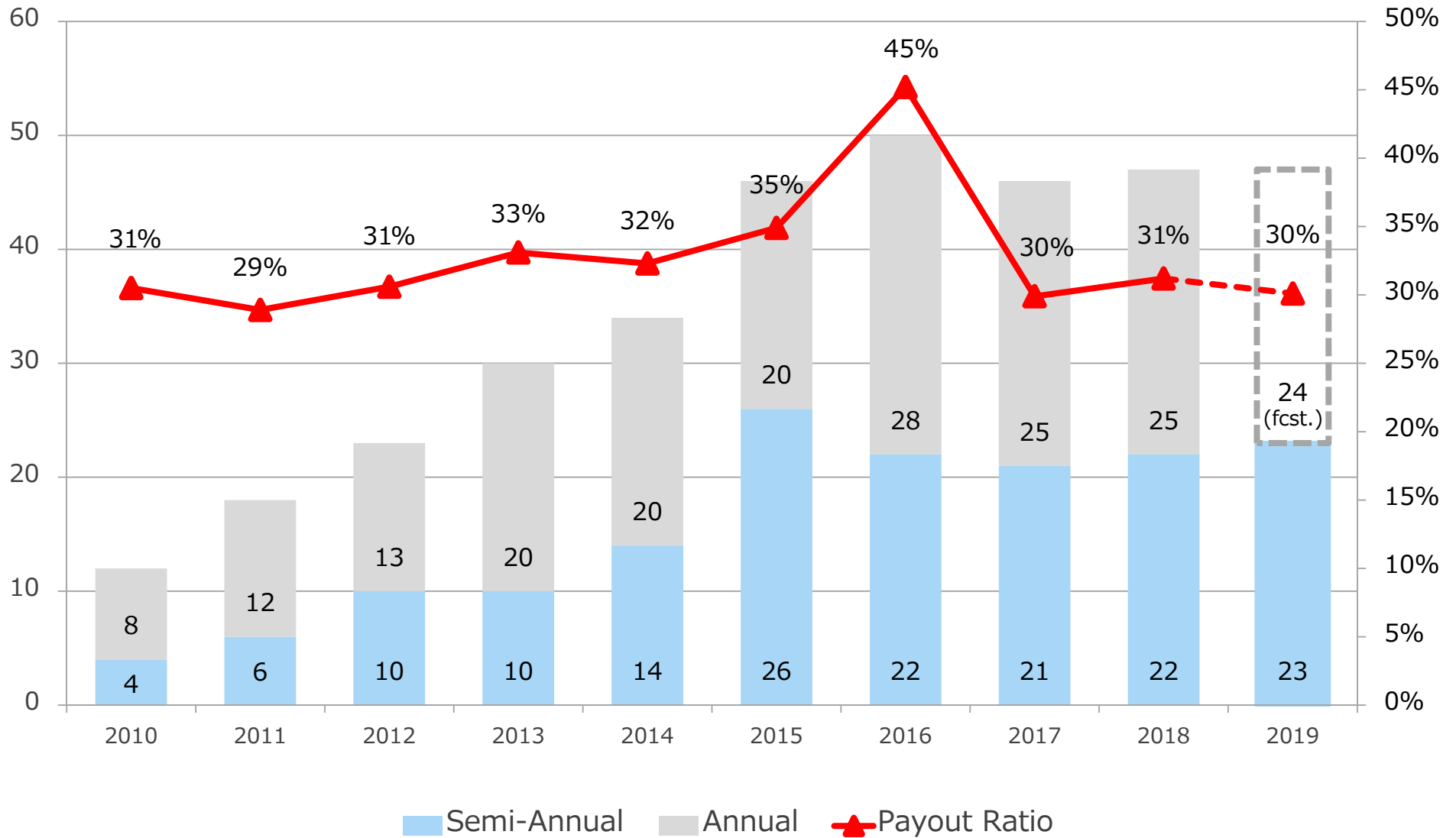


Exchange Rate

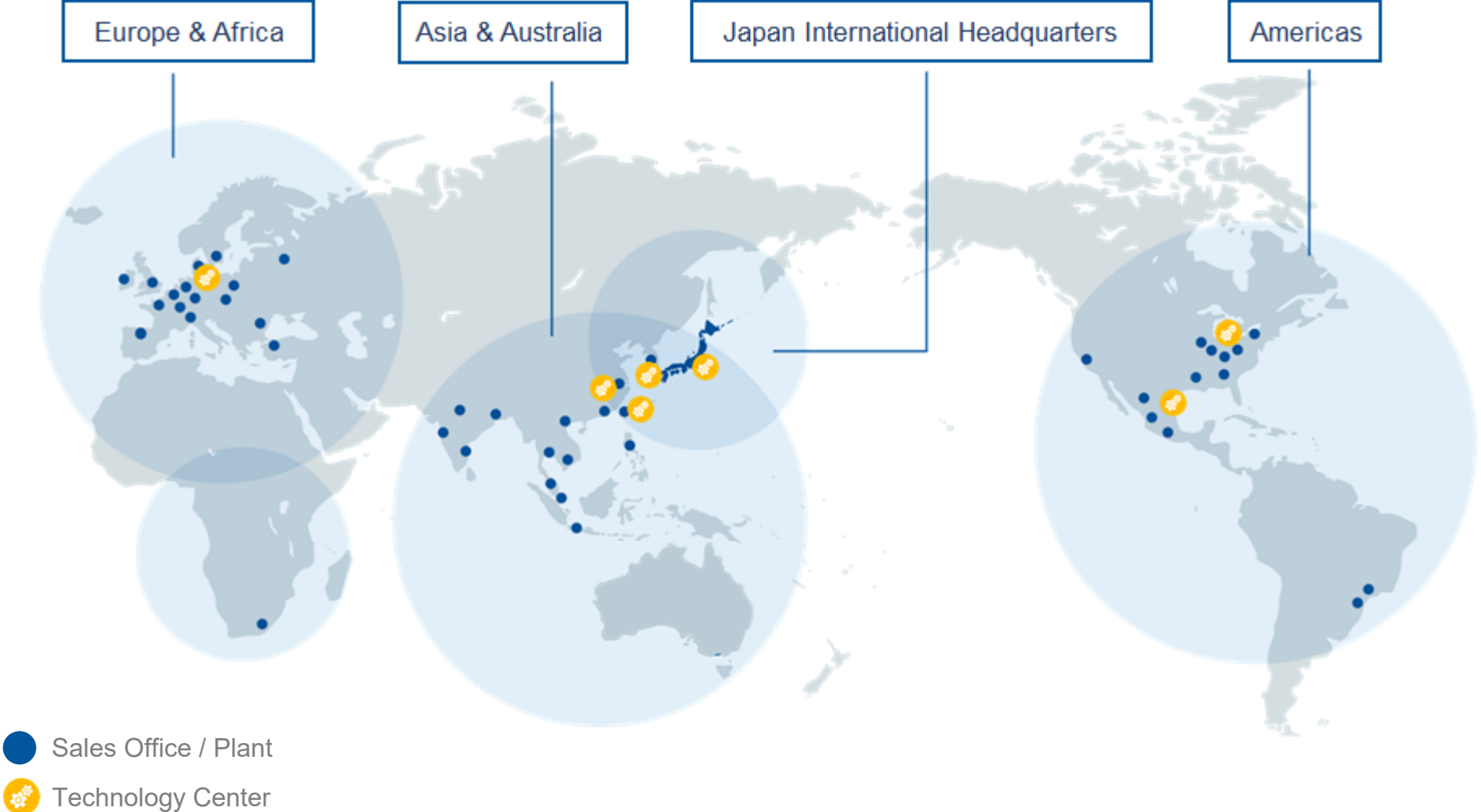
	1US\$	1Euro	1RMB
FY17 3Q	112.23 JPY	124.11 JPY	16.45 JPY
FY17	112.33 JPY	126.20 JPY	16.59 JPY
FY18 3Q	109.56 JPY	130.93 JPY	18.86 JPY
FY18	110.53 JPY	130.68 JPY	16.74 JPY
FY19 3Q	109.55 JPY	123.36 JPY	16.53 JPY
FY19 (forecast)	105.00 JPY	125.00 JPY	16.00 JPY

Dividends Per Share

(yen)



Expansion of Overseas Business



Basic Strategies – The Next Stage 17

Major end-users

- ✓ Focus on the automotive industry
- ✓ Position the aircraft as a key industry as the automotive
- ✓ Develop new end-users in future fields

➤ METHOD

Face more customers, and suggest total solutions to meet their demands

- ‘Best delivery time’ and ‘Cost competitiveness’
- Expand technical centers globally
- M&A (maximize synergy effect)



Basic Strategies – The Next Stage 17

Catalogue item sales



- ✓ For more customers at the industry of general engineering and mold & die all over the world

➤ METHOD

Contributing to customers' productivity by providing cost-performance tools timely

- Expand carbide items range
- Establish strong 'A-Club' distribution networks in each regions
- Strengthen inventory policy and supply chain

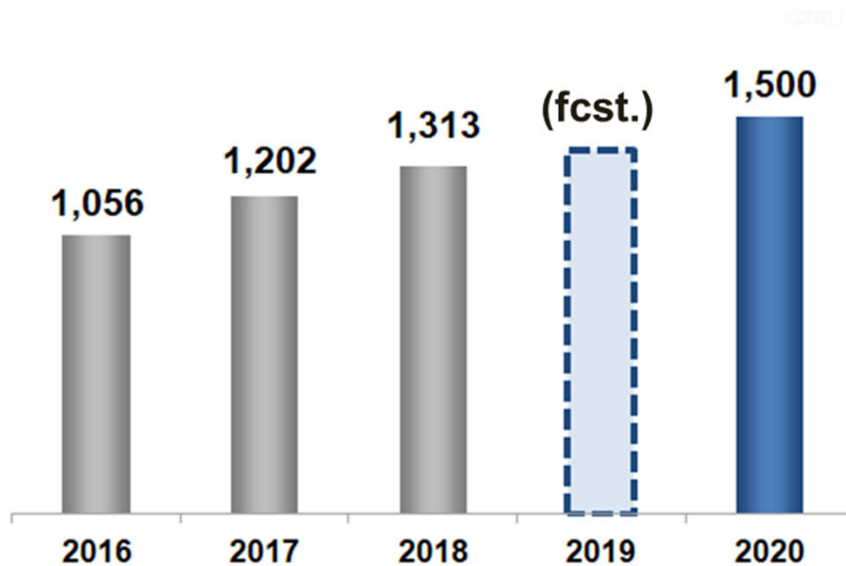


Management Target – The Next Stage 17

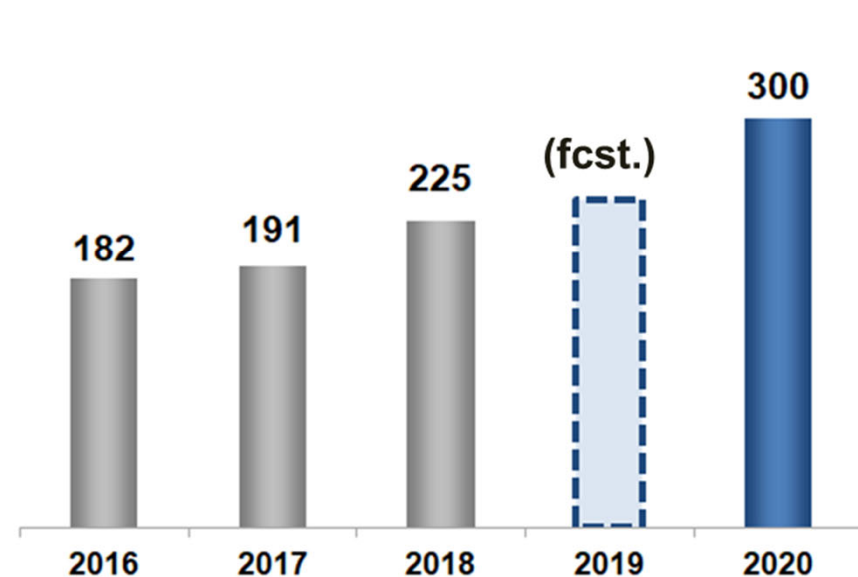
Management Target for FY2020

Net sales	150 billion yen
Operating profit	30 billion yen

【Net sales】 bil. yen



【Operating profit】 bil. yen



Appx.1 Selected Financial Data (Consolidated)

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019-3Q
Net sales	(mil.yen)	53,325	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	131,368	95,920
Sales growth	(%)	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-2%
Cost of sales	(mil.yen)	39,203	44,605	48,439	49,381	52,777	58,061	61,865	59,179	69,711	74,833	54,776
Gross profit	(mil.yen)	14,122	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	56,535	41,144
SG&A expenses	(mil.yen)	16,857	17,383	20,214	20,747	22,774	25,554	28,454	28,135	31,349	34,015	25,404
Operating income	(mil.yen)	-2,735	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	22,520	15,739
Ordinary income	(mil.yen)	-2,703	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	22,567	16,012
Net income	(mil.yen)	-3,769	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	14,710	10,702
Margins:												
Gross profit margin	(%)	26.5%	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	42.9%
SG&A as % of sales	(%)	31.6%	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%	26.5%
Operating income	(%)	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	16.4%
Ordinary income	(%)	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	16.7%
Net income	(%)	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	11.2%
Average FX rate: 1USD	(yen)	94.94	89.29	80.71	78.89	93.16	102.98	121.03	109.78	112.33	110.53	109.55
Average FX rate: 1Euro	(yen)	128.83	120.65	112.80	102.63	122.62	139.37	134.92	121.39	126.20	130.68	123.36
Total assets	(mil.yen)	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,054	180,230
Total shareholders' equity	(mil.yen)	55,931	57,117	59,367	64,482	80,024	91,458	102,566	92,216	115,810	125,332	123,331
Per share:												
Net income	(yen)	-39.22	39.34	62.18	75.16	90.76	105.20	131.78	110.59	153.70	150.47	109.32
Cash dividends (end of Q2)	(yen)	0.00	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00	22.00	23.00
	(year-end (yen))	3.00	8.00	12.00	13.00	20.00	20.00	20.00	28.00	25.00	25.00	24.00(fcst.)
Total shareholders' equity	(yen)	582.19	601.44	625.14	679.01	842.71	963.15	1,079.12	1,024.34	1,191.65	1,279.29	1,270.77
Average number of shares(ths)		96,071	94,969	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,761	97,894
Key financial ratios:												
ROE	(%)	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	-
Equity ratio	(%)	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	68.4%
Cash flow:												
Operating CF	(mil.yen)	6,049	14,095	11,344	12,286	16,171	19,688	19,588	16,333	20,820	20,310	-
Investing CF	(mil.yen)	-4,633	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-
Financing CF	(mil.yen)	5,470	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723	-
Cash flow margin	(%)	11.3%	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	-