

FY2018 Consolidated Financial Results (December 1, 2017 - November 30, 2018)

Company name : **OSG Corporation**
 Shares Listed : 1st section of Tokyo and Nagoya Stock Exchanges
 Code Number : 6136
 Location of the head office : Aichi Prefecture
 Representative : Norio Ishikawa, President
 Contact person : Hideyuki Ohashi, Executive Officer
 TEL: 81-533-82-1113 URL https://www.osg.co.jp/en/about_us/ir/

1. Consolidated Results for FY2018 (December 1, 2017 - November 30, 2018)

(1) Consolidated financial results (Amounts less than one million yen are omitted)

	Net Sales		Operating income		Ordinary income		Net income attributable to OSG Corporation	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2018	131,368	9.3	22,520	17.7	22,567	17.9	14,710	5.1
FY2017	120,198	13.9	19,137	4.9	19,144	7.5	13,993	38.1

(Note) Comprehensive income FY2018: 13,554 million yen (-24.9%) FY2017: 18,052 million yen (388.2%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2018	150.47	148.42	12.2	13.1	17.1
FY2017	153.70	141.18	13.5	11.9	15.9

(Reference) Equity in net income of affiliates FY2018: -15 million yen FY2017: 13 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018	178,054	138,354	70.4	1,279.29
FY2017	166,712	128,394	69.5	1,191.65

(Reference) Equity FY2018: 125,332 million yen FY2017: 115,810 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2018	20,125	-13,351	-4,723	21,545
FY2017	20,820	-7,566	-11,137	19,598

2. Dividends

	Dividends per share			Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of 2Q	Year-end	Annual			
	Yen	Yen	Yen	Million yen	%	%
FY2017	21.00	25.00	46.00	4,321	29.9	4.2
FY2018	22.00	25.00	47.00	4,603	31.2	3.8
FY2019 forecast	23.00	24.00	47.00		30.1	

(Reference) Breakdown of FY2018 year-end dividend Ordinary dividend: 24.00 Yen Commemorative dividend: 1.00 Yen

3. Forecast of Consolidated Results for FY2019 (December 1, 2018 - November 30, 2019)

	Net sales		Operating income		Ordinary income		Net income attributable to OSG Corporation		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Semi-Annual	67,500	4.8	11,900	6.0	11,900	7.4	7,600	8.8	77.57
Annual	137,000	4.3	24,000	6.6	24,000	6.3	15,300	4.0	156.17

4. Others

- (1) Changes in significant subsidiaries during the current period
(Changes in specified subsidiaries that caused a change in the scope of consolidation) : None
- (2) Changes in accounting principles and accounting estimates and retrospective restatement
- (i) Changes in accounting principles due to amendment to accounting standards: None
 - (ii) Changes other than (2)-(i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Retrospective restatement: None
- (3) Number of shares issued and outstanding (common stock)
- (i) Number of shares issued and outstanding at the end of each period (including treasury stock):
 - FY2018: 98,061,519 shares
 - FY2017: 97,853,340 shares
 - (ii) Number of treasury stock at the end of each period:
 - FY2018: 91,331 shares
 - FY2017: 668,765 shares
 - (iii) Average number of shares outstanding in each period:
 - FY2018: 97,761,769 shares
 - FY2017: 91,044,736 shares

[Note regarding forecast]

The above forecasts for financial results are based on information available at the time this report was released. These forecasts and other forward-looking statements are not guarantees of future performance. Actual operating results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

Consolidated Summary Balance Sheet
OSG Corporation

Assets	(Million yen : amounts less than one million yen are omitted)		
	FY2017 As of Nov. 30, 2017	FY2018 As of Nov. 30, 2018	Change
Current Assets			
Cash and time deposits	21,204	24,406	
Notes and accounts receivable	23,961	25,128	
Marketable securities	0	0	
Merchandise and finished goods	22,946	24,237	
Work in process	5,686	7,443	
Raw materials and supplies	6,217	7,121	
Deferred tax assets	1,786	1,676	
Other	2,505	2,781	
Allowance for doubtful accounts	(240)	(198)	
Total current assets	84,069	92,596	8,527
Fixed Assets			
Tangible Assets			
Building and structures	20,178	19,871	
Machinery and equipment	30,891	32,269	
Tools, furniture, and fixtures	2,260	2,159	
Land	15,102	15,172	
Construction in progress	1,187	2,748	
Other	1	4	
Total tangible assets	69,622	72,226	2,604
Intangible Assets			
Goodwill	3,517	3,367	
Other	784	633	
Total intangible assets	4,301	4,000	(301)
Investments and Other Assets			
Investment securities	5,119	4,610	
Investment in capital	920	1,859	
Long-term loans	398	412	
Deferred tax assets	521	715	
Net defined benefit asset	58	75	
Other	2,087	1,937	
Allowance for doubtful accounts	(387)	(381)	
Total investments and other assets	8,718	9,229	511
Total fixed assets	82,642	85,457	2,814
Total	166,712	178,054	11,341

Consolidated Summary Balance Sheet
OSG Corporation

Liabilities and Net Assets

(Million yen : amounts less than one million yen are omitted)

	FY2017 As of Nov. 30, 2017	FY2018 As of Nov. 30, 2018	Change
Current Liabilities			
Notes and accounts payable	5,325	6,067	
Short-term loans payable	1,909	2,282	
Current portion of long-term loans payable	421	1,175	
Accrued expenses	7,200	7,878	
Income taxes payable	3,458	2,732	
Deferred tax liabilities	0	0	
Reserve for directors' bonuses	385	390	
Other	3,124	3,675	
Total current liabilities	21,826	24,202	2,376
Long-term Liabilities			
Convertible bonds	3,150	1,860	
Long-term borrowings	10,844	10,294	
Deferred tax liabilities	1,242	986	
Retirement allowance for directors and corporate auditors	53	27	
Liabilities for employees' retirement benefits	395	511	
Other	804	1,815	
Total long-term liabilities	16,491	15,496	(994)
Total liabilities	38,318	39,699	1,381
Shareholders' Equity			
Common stock	11,954	12,124	
Capital surplus	13,492	13,662	
Retained earnings	90,308	100,260	
Treasury stock	(1,229)	(161)	
Total shareholders' equity	114,526	125,886	11,359
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	2,019	1,608	
Deferred loss on derivatives under hedge accounting	(0)	-	
Foreign currency translation adjustments	(735)	(2,161)	
Total accumulated other comprehensive income	1,283	(553)	(1,837)
Subscription rights to shares	13	13	-
Noncontrolling interests	12,570	13,008	437
Total net assets	128,394	138,354	9,960
Total liabilities and net assets	166,712	178,054	11,341

Consolidated Summary Statement of Income
OSG Corporation

(Million yen : amounts less than one million yen are omitted)

	FY2017 (2016/12/1 - 2017/11/30)	FY2018 (2017/12/1 - 2018/11/30)	Change
Net Sales	120,198	131,368	11,170
Cost of Sales	69,711	74,833	5,121
Gross profit	50,486	56,535	6,048
Selling, general and administrative expenses	31,349	34,015	2,665
Operating income	19,137	22,520	3,383
Other Income			
Interest income	188	217	
Dividend income	124	105	
Purchase discounts	37	45	
Equity in earnings of affiliates	13	-	
Foreign exchange gain	276	-	
Subsidy income	-	249	
Other	533	846	
Total other income	1,174	1,463	288
Other Expenses			
Interest expense	129	164	
Sales discounts	715	817	
Equity in losses of affiliates	-	15	
Foreign exchange loss	-	119	
Other	322	297	
Total other expenses	1,167	1,415	247
Ordinary income	19,144	22,567	3,423
Extraordinary income			
Gain on sales of tangible assets	321	-	
Gain on sales of investment securities	1,887	-	
Total extraordinary income	2,209	-	(2,209)
Extraordinary loss			
Amortization of goodwill	266	-	
Total extraordinary loss	266	-	(266)
Income before income taxes	21,086	22,567	1,480
Income taxes			
Current	6,533	7,111	
Deferred	(266)	(184)	
Total income taxes	6,267	6,926	659
Net income	14,819	15,641	821
Net income attributable to noncontrolling interests	825	930	104
Net income attributable to OSG Corporation	13,993	14,710	716

Consolidated Statement of Comprehensive Income
OSG Corporation

(Million yen : amounts less than one million yen are omitted)

	FY2017	FY2018	Change
	(2016/12/1 - 2017/11/30)	(2017/12/1 - 2018/11/30)	
Net Income	14,819	15,641	821
Other Comprehensive Income			
Unrealized gain (loss) on available-for-sale securities	(240)	(414)	
Deferred gain (loss) on derivatives under hedge accounting	0	0	
Foreign currency translation adjustments	3,466	(1,672)	
Share of other comprehensive income in associates	7	(0)	
Total other comprehensive income	3,233	(2,086)	(5,319)
Comprehensive Income	18,052	13,554	(4,497)
(Breakdown)			
Comprehensive Income attributable to OSG Corporation	16,447	12,877	
Comprehensive Income attributable to noncontrolling interests	1,605	677	

Consolidated Summary Statement of Cash Flows
OSG Corporation

(Million yen : amounts less than one million yen are omitted)

	FY2017 (2016/12/1 - 2017/11/30)	FY2018 (2017/12/1 - 2018/11/30)
Operating Activities:		
Income before income taxes	21,086	22,567
Depreciation and amortization	8,612	9,100
Amortization of goodwill	817	477
Change in allowance for doubtful receivables	42	(16)
Change in liability for directors' bonuses	(70)	(1)
Change in liability for employees' retirement benefits	(20)	69
Change in retirement allowance for directors and corporate auditors	(54)	(42)
Interest and dividend income	(313)	(322)
Interest expense	129	164
Equity in loss (earnings) of an associated company	(13)	15
Gain on sales of tangible assets	(321)	-
Gain on sales of investment securities	(1,887)	-
Change in notes and accounts receivable	(1,690)	(1,494)
Change in inventories	(1,147)	(3,854)
Change in notes and accounts payable	(253)	768
Change in accrued expenses	584	593
Other - net	688	(725)
Sub-total	26,189	27,300
Interest and dividend income received	308	310
Interest expense paid	(132)	(125)
Payments for directors' retirement benefits and condolence money	(1,018)	-
Income taxes - paid	(4,525)	(7,359)
Net cash provided by operating activities	20,820	20,125
Investing Activities:		
Payments for time deposits	(1,500)	(2,788)
Proceeds from refund of time deposits	1,414	1,480
Proceeds from redemption of marketable securities	0	0
Purchases of investment securities	(265)	(243)
Proceeds from sales of investment securities	3,527	78
Acquisitions of property, plant and equipment	(9,494)	(11,464)
Proceeds from sales of property, plant and equipment	1,037	406
Acquisitions of intangible assets	(161)	(105)
Payment for purchase of subsidiaries' stock	(1,073)	(620)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(655)	-
Other - net	(395)	(94)
Net cash used in investing activities	(7,566)	(13,351)
Financing Activities:		
Change in short-term borrowings - net	(6,204)	424
Proceeds from long-term borrowings	614	420
Repayments of long-term borrowings	(542)	(539)
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	(219)	(26)
Purchase of treasury stock	(5)	(4)
Dividends paid	(4,411)	(4,581)
Dividends paid to noncontrolling interests	(367)	(416)
Net cash used in financing activities	(11,137)	(4,723)
Effect of exchange rate change on cash and cash equivalents	540	(333)
Net increase in cash and cash equivalents	2,658	1,716
Cash and cash equivalents at beginning of year	16,555	19,598
Cash and cash equivalents from newly consolidated subsidiaries	300	229
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	84	-
Cash and cash equivalents at end of year	19,598	21,545

Operations by Geographical Segment

Results for FY2018 (Dec. 1, 2017 through Nov. 30, 2018)

Million yen

	Japan	The Americas	Europe/ Africa	Asia	Total	Eliminations	Consolidated
Sales to customers	55,287	22,680	22,134	31,266	131,368	-	131,368
Interarea transfers	21,087	401	171	3,069	24,728	(24,728)	-
Total sales	76,374	23,081	22,305	34,336	156,097	(24,728)	131,368
Operating income	11,779	3,379	1,891	5,596	22,646	(126)	22,520

(Reference)

Results for FY2017 (Dec. 1, 2016 through Nov. 30, 2017)

Million yen

	Japan	The Americas	Europe/ Africa	Asia	Total	Eliminations	Consolidated
Sales to customers	51,639	21,413	18,177	28,968	120,198	-	120,198
Interarea transfers	18,837	230	104	2,134	21,307	(21,307)	-
Total sales	70,477	21,643	18,282	31,102	141,505	(21,307)	120,198
Operating income	10,817	2,851	1,194	4,688	19,550	(413)	19,137

Net sales by Product Segment

Million yen

	FY2017 (2016/12/1 - 2017/11/30)	FY2018 (2017/12/1 - 2018/11/30)
Cutting tools:		
Taps	38,175	41,729
End mills	27,090	27,917
Drills and other cutting tools	31,662	36,811
Total	96,929	106,458
Rolling dies	10,218	10,645
Gauges	1,625	1,757
Other	11,424	12,508
Total	120,198	131,368