



shaping your dreams

Financial Results for FY2020 – 3Q

October 9, 2020
OSG Corporation

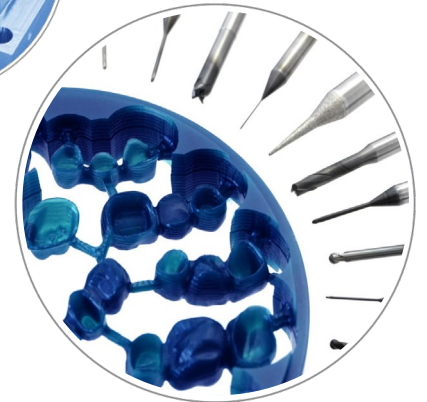
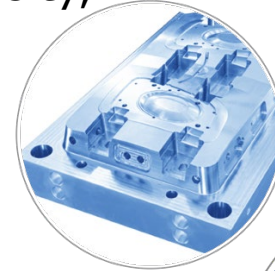
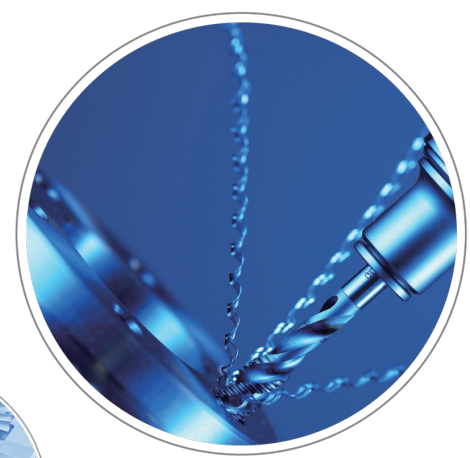


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Company Overview

| | |
|--------------|---|
| Company Name | OSG Corporation |
| Headquarters | 3-22 Honnogahara Toyokawa-city, Aichi, Japan |
| Foundation | March 26, 1938 |
| Capital | 12,223 million yen |
| Employees | 7,260 (consolidated) 1,873 (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

Tools to make holes

Drill

Tools to shape metal

End mill

Tools to shape metal

Indexable tools

Tools to form threads

Rolling dies

Tools to cut threads

Tap



Financial Summary

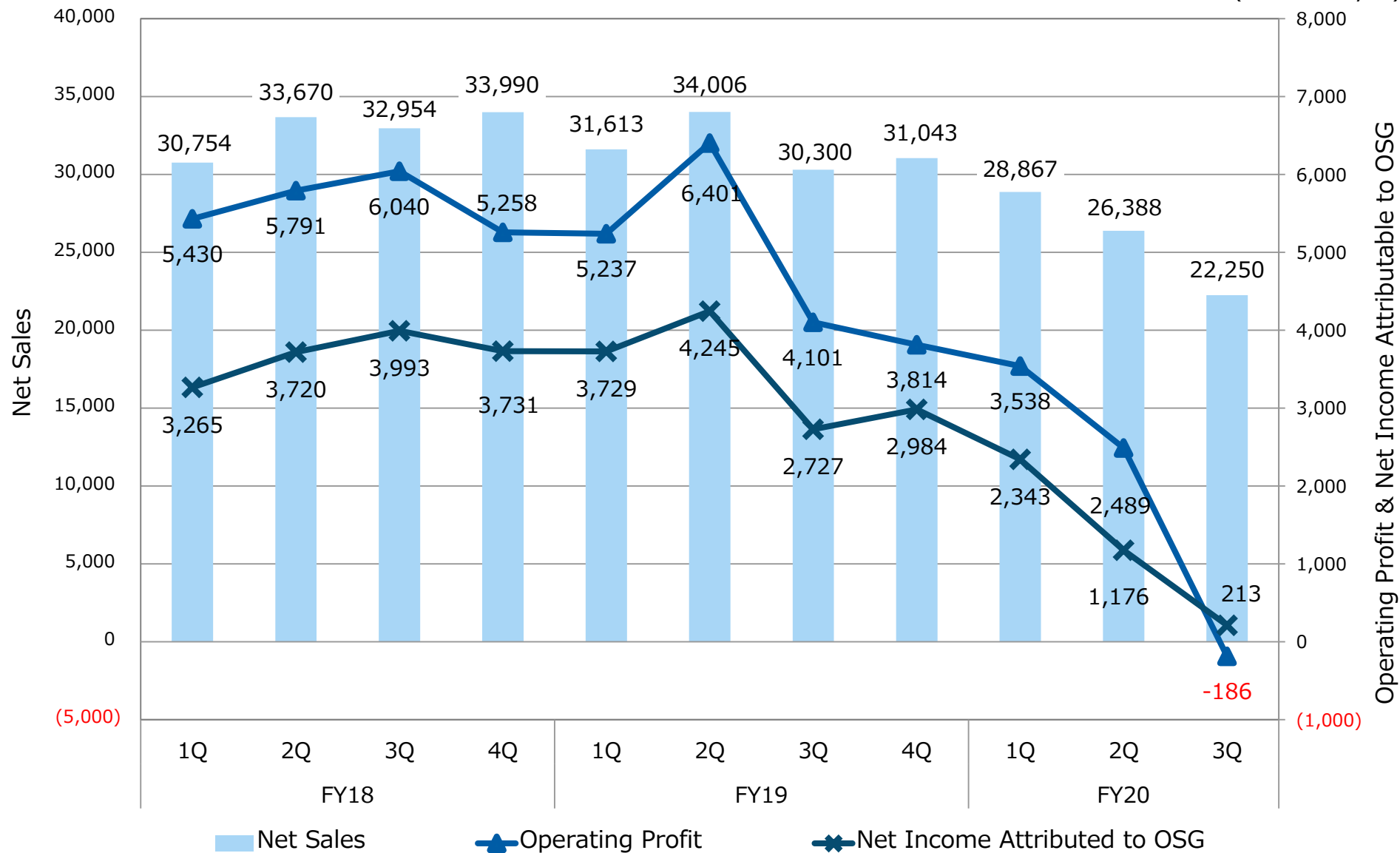
(Millions of yen)

| | FY19-3Q | FY20-3Q | Change | FY20 fcst. Annual | Progress Rate |
|-----------------------------------|---------|---------|--------|----------------------|------------------|
| Net Sales | 95,920 | 77,506 | -19.2% | - | - |
| Operating Profit | 15,739 | 5,841 | -62.9% | - | - |
| OPM | 16.4% | 7.5% | - | - | - |
| Ordinary Profit | 16,012 | 6,049 | -62.2% | - | - |
| Net Profit Attributable to OSG | 10,702 | 3,733 | -65.1% | - | - |
| EPS(yen) | 109.32 | 38.36 | -64.9% | - | - |

※The consolidated financial forecast for this fiscal year has been pending because it is logically difficult to accurately calculate the effects of COVID-19 at this stage. The company shall swiftly announce the financial forecast whenever it becomes possible to disclose.

Financial Summary

(Millions of yen)



Review of FY20-3Q

Inventory adjustment is behind schedule.

Enhance competitiveness for the recovery in the 4Q.

➤ Index & Capital Investment Results

| | | |
|----------------|------------------|---|
| —EBITDA | 13.6 billion yen | (decreased by 40.0% from FY19-3Q) |
| —EBITDA Margin | 17.6% | (6.1pts decreased from FY19-3Q) |
| —Equity ratio | 65.3% | (3.1pts decreased from the end of FY19) |
| —CAPEX | 8.2 billion yen | |
| —Depreciation | 7.7 billion yen | |



Review of FY20-3Q

The Americas

In North America, the automobile industry has recovered since August.

Asia

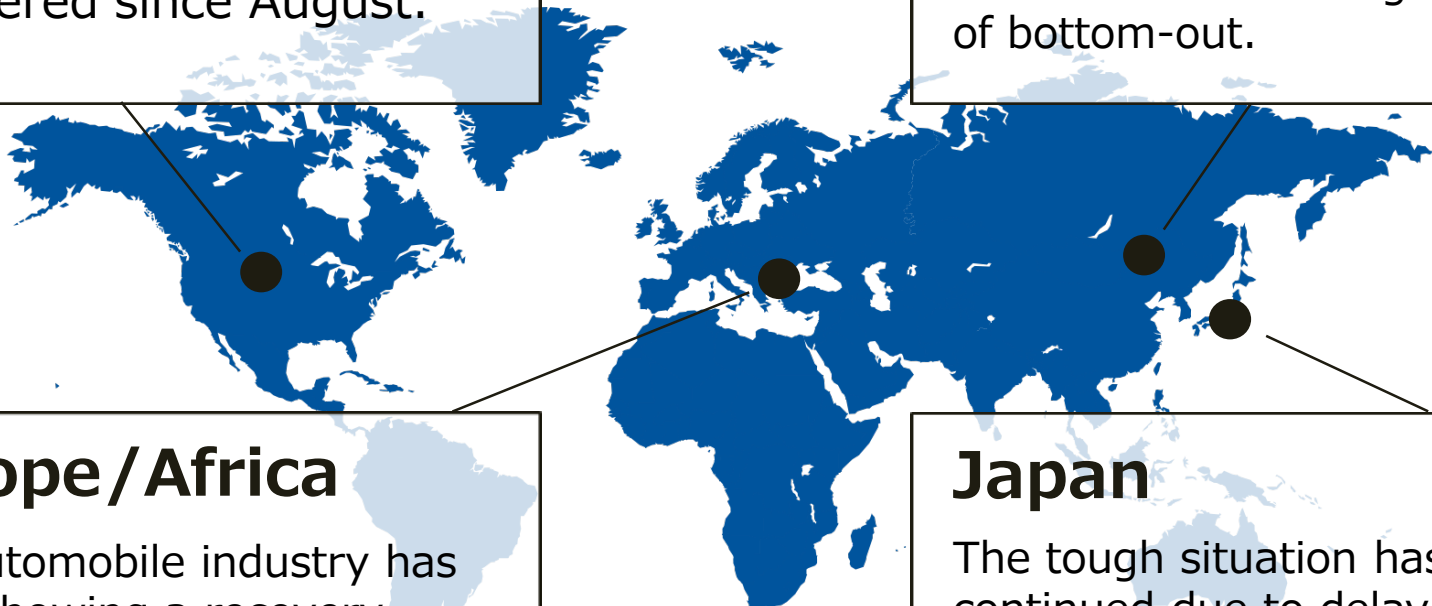
China has recovered nearly equal levels of the last year. South Asia is showing a signs of bottom-out.

Europe/Africa

The automobile industry has been showing a recovery trend, but the aircraft industry still has been tough situation. Having concern about COVID-19 infection.

Japan

The tough situation has continued due to delay in the recovery of demand for cutting tools. Hope a full-fledged recovering in the 4Q.



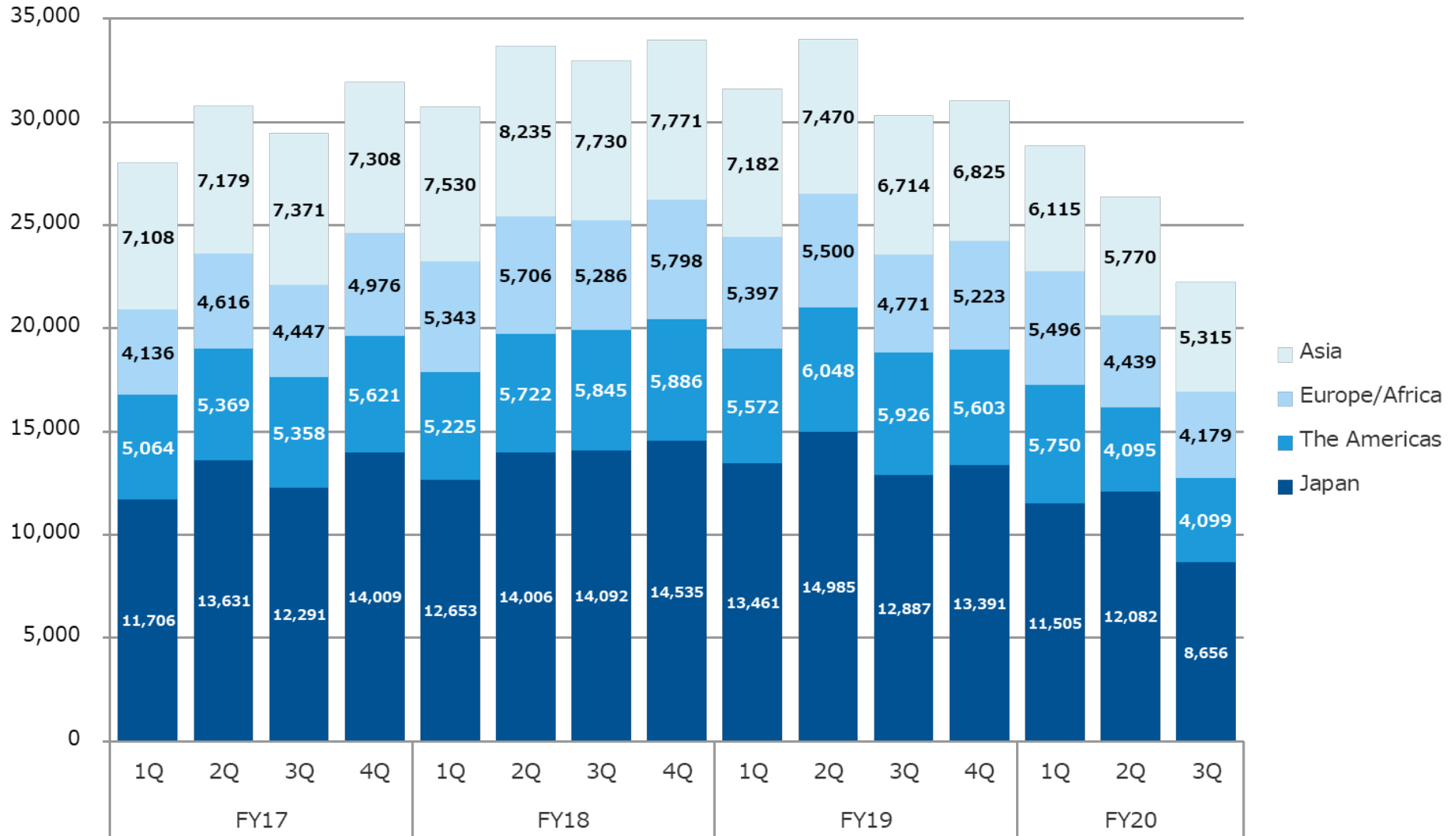
Sales to Customer

(Millions of yen)

| | FY19-3Q | FY20-3Q | Change | | Change in local currency |
|---------------|---------|---------|---------|--------|--------------------------------|
| Japan | 41,334 | 32,244 | -9,089 | -22.0% | - |
| The Americas | 17,548 | 13,945 | -3,602 | -20.5% | -17.9% |
| Europe/Africa | 15,669 | 14,114 | -1,555 | -9.9% | -6.8% |
| Asia | 21,367 | 17,201 | -4,166 | -19.5% | -16.4% |
| Consolidated | 95,920 | 77,506 | -18,413 | -19.2% | - |

Sales to Customer

(Millions of yen)



Operating Income

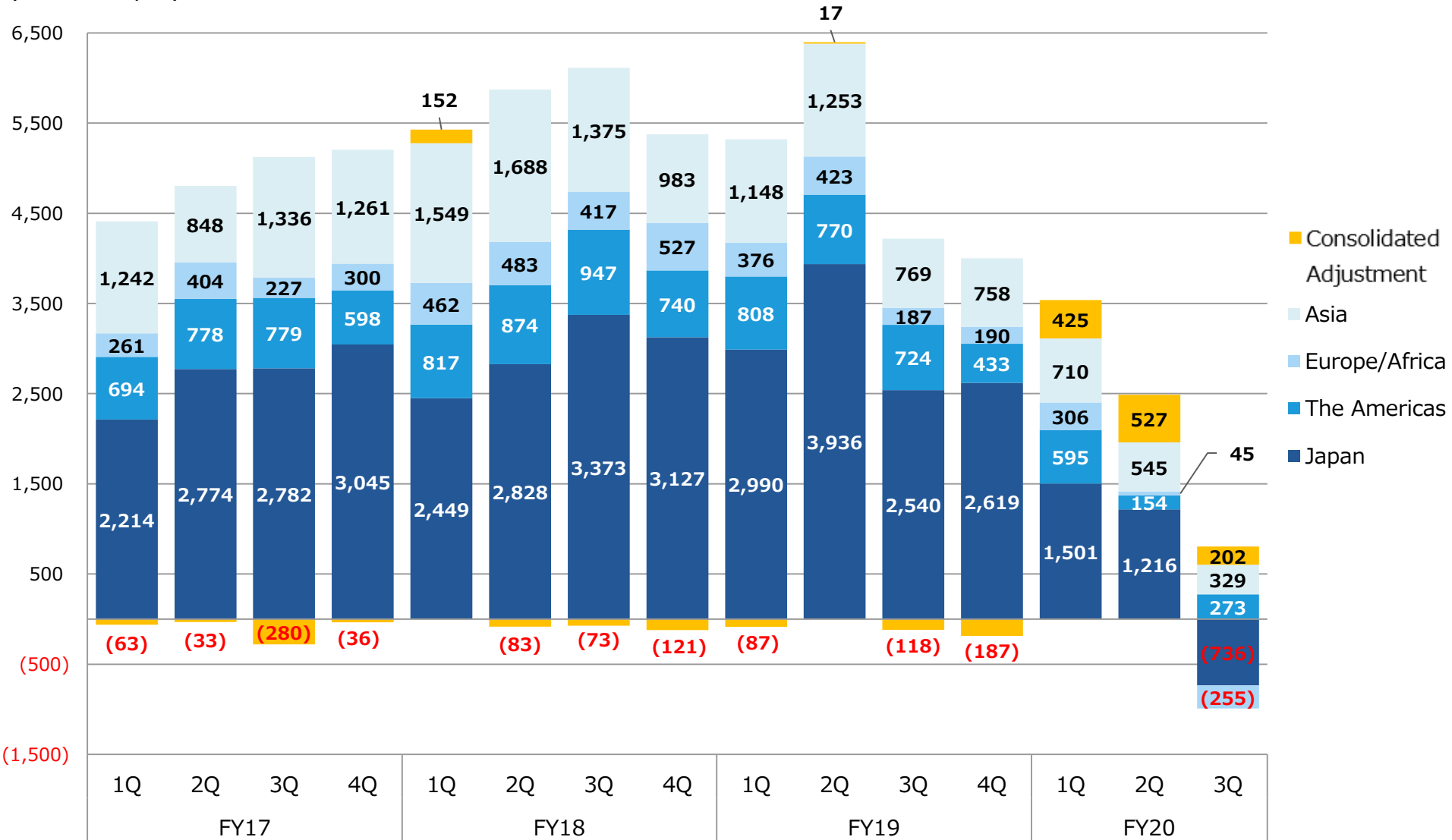
(Millions of yen)

| | FY19-3Q | Area percentage | FY20-3Q | Area percentage | Change | | OPM * |
|---------------|---------|--------------------|---------|--------------------|---------|--------|-------|
| Japan | 9,466 | 59.4% | 1,981 | 42.3% | -7,484 | -79.1% | 4.5% |
| The Americas | 2,302 | 14.5% | 1,023 | 21.8% | -1,278 | -55.5% | 7.2% |
| Europe/Africa | 987 | 6.2% | 95 | 2.0% | -891 | -90.3% | 0.7% |
| Asia | 3,171 | 19.9% | 1,585 | 33.8% | -1,586 | -50.0% | 8.5% |
| Total | 15,928 | - | 4,686 | - | -11,241 | -70.6% | 5.2% |
| Eliminations | -188 | - | 1,154 | - | 1,342 | - | - |
| Consolidated | 15,739 | - | 5,841 | - | -9,898 | -62.9% | 7.5% |

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

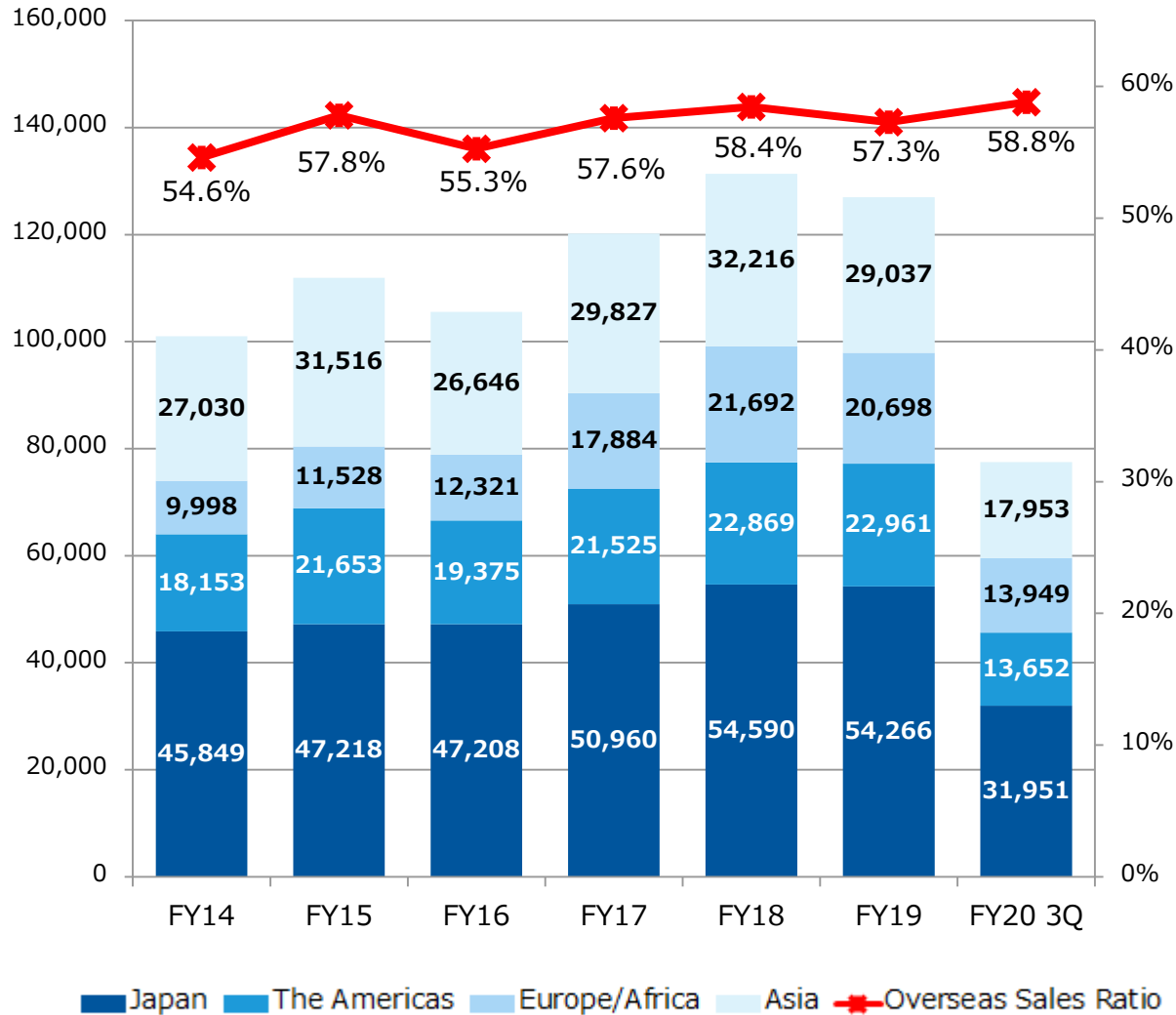
Operating Income

(Millions of yen)

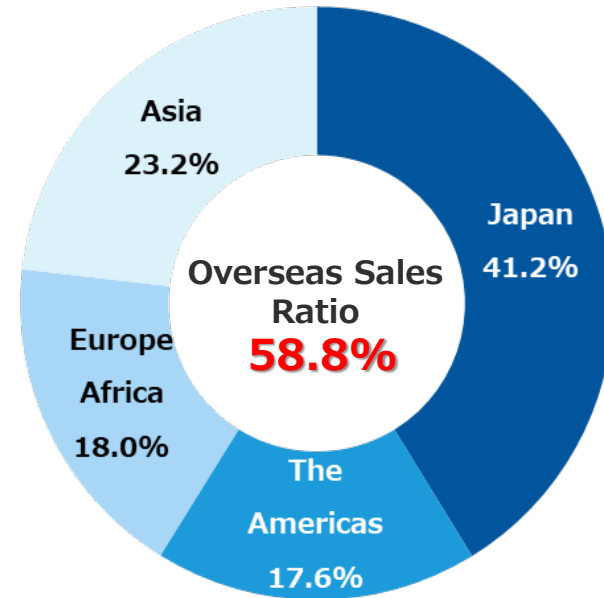


Overseas Sales Ratio

(Millions of yen)

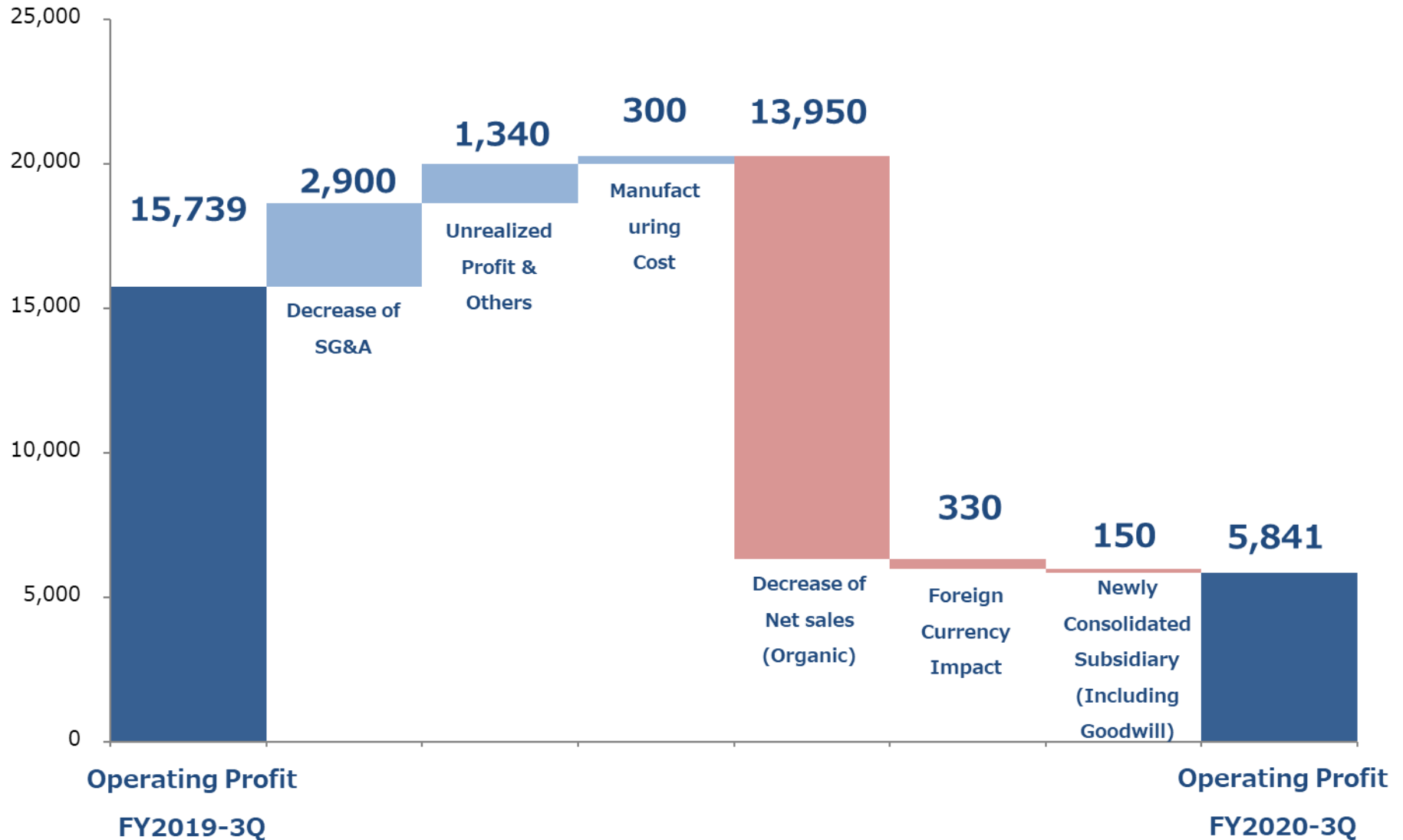


FY2020 3Q



Operation Profit Variation

(Millions of yen)



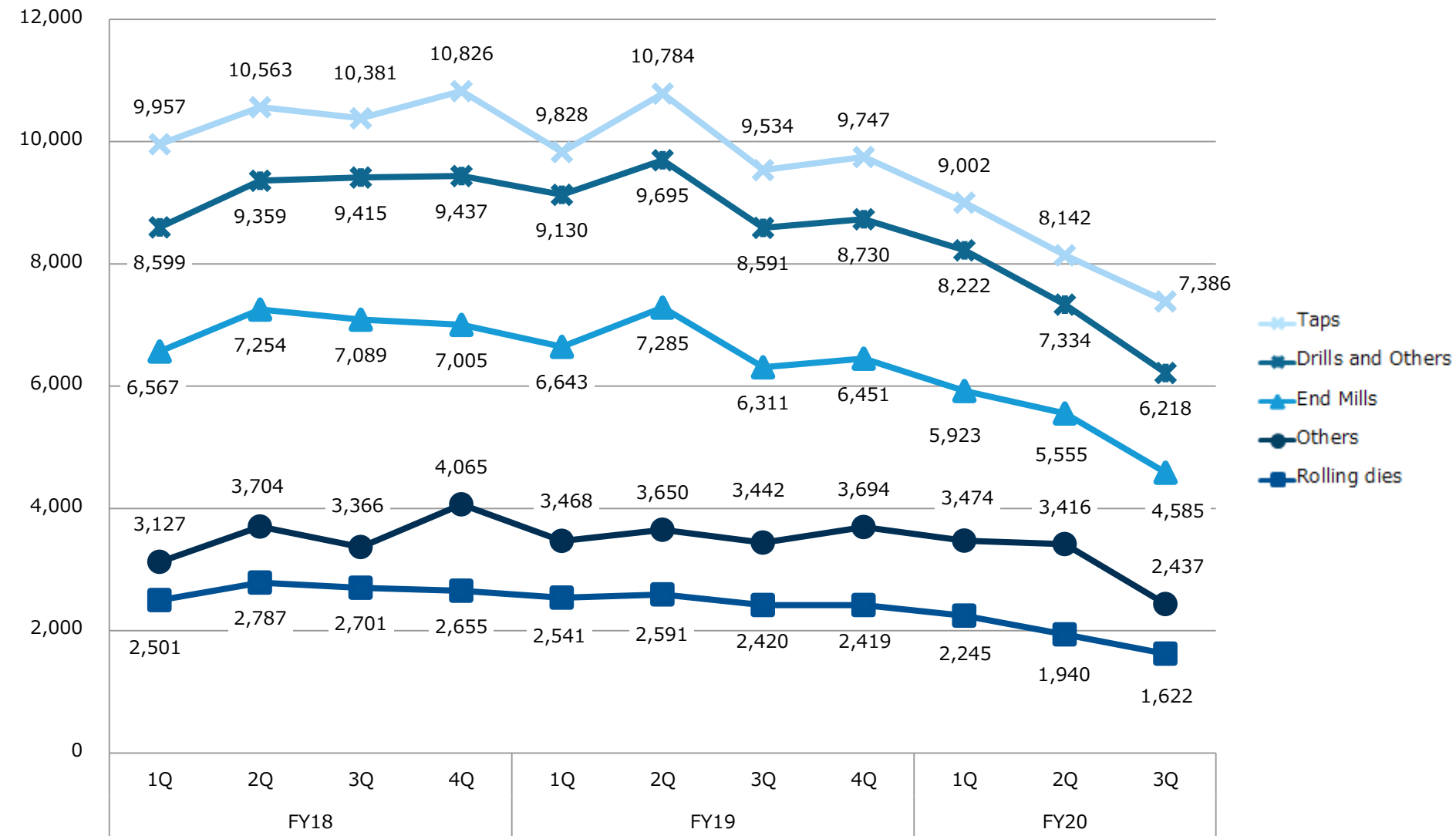
Net Sales by Product Segment

(Millions of yen)

| | | FY19 | | | | | | FY20 | | | | | | Change | |
|-----------------|-------------------|--------|--------|--------|--------|--------|-------|--------|--------|--------|--------|-------|---------|--------|--|
| | | 1Q | 2Q | 3Q | 4Q | 3Q | | 1Q | 2Q | 3Q | 3Q | | | | |
| Precision Tools | Taps | 9,928 | 10,784 | 9,534 | 9,747 | 30,147 | 31.4% | 9,002 | 8,142 | 7,386 | 24,530 | 31.6% | -5,616 | -18.6% | |
| | End mills | 6,643 | 7,285 | 6,311 | 6,451 | 20,239 | 21.2% | 5,923 | 5,555 | 4,585 | 16,064 | 20.7% | -4,175 | -20.6% | |
| | Drills and Others | 9,130 | 9,695 | 8,591 | 8,730 | 27,417 | 28.6% | 8,222 | 7,334 | 6,218 | 21,775 | 28.1% | -5,642 | -20.6% | |
| | Rolling dies | 2,541 | 2,591 | 2,420 | 2,419 | 7,553 | 7.8% | 2,245 | 1,940 | 1,622 | 5,808 | 7.5% | -1,745 | -23.1% | |
| | Gauges | 478 | 491 | 454 | 522 | 1,424 | 1.5% | 461 | 455 | 398 | 1,314 | 1.7% | -109 | -7.7% | |
| | | 28,622 | 30,847 | 27,311 | 27,871 | 86,782 | 90.5% | 25,854 | 23,426 | 20,211 | 69,493 | 89.7% | -17,289 | -19.9% | |
| Other | Machine | 907 | 1,097 | 1,013 | 1,133 | 3,018 | 3.1% | 1,149 | 1,139 | 501 | 2,789 | 3.6% | -228 | -7.6% | |
| | Other | 2,083 | 2,061 | 1,974 | 2,038 | 6,119 | 6.4% | 1,864 | 1,822 | 1,537 | 5,224 | 6.7% | -895 | -14.6% | |
| | | 2,990 | 3,158 | 2,988 | 3,172 | 9,137 | 9.5% | 3,013 | 2,961 | 2,039 | 8,013 | 10.3% | -1,124 | -12.3% | |
| Total | | 31,613 | 34,006 | 30,300 | 31,043 | 95,920 | 100% | 28,867 | 26,388 | 22,250 | 77,506 | 100% | -18,413 | -19.2% | |

Net Sales by Product Segment

(Millions of yen)



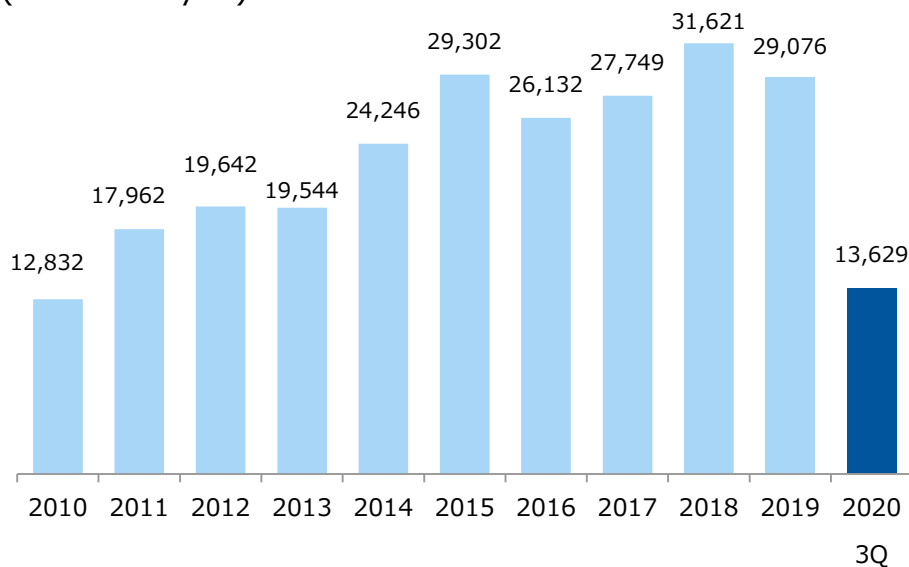
B/S Overview · EBITDA

(Millions of yen)

| | FY19 | FY20-3Q | | FY19 | FY20-3Q |
|------------------------------------|------|---------|------------------------|--------|---------|
| Equity ratio (%) | 67.8 | 65.3 | Cash and time deposits | 26,950 | 32,930 |
| Receivable turnover period (Days) | 64 | 60 | Debt | 26,782 | 42,385 |
| Inventory turnover period (months) | 4.2 | 5.1 | Net Cash | 168 | -9,454 |

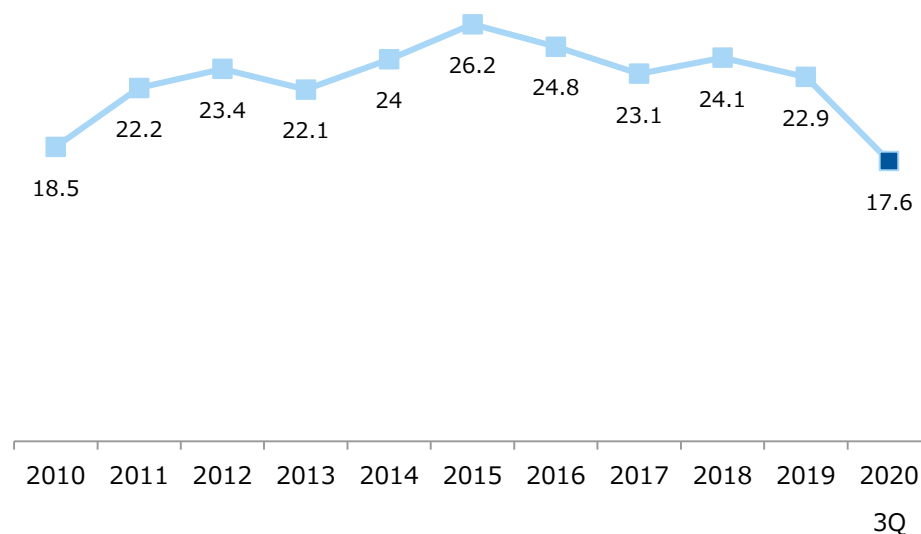
EBITDA

(Millions of yen)



EBITDA Margin

(%)



Capital Investment

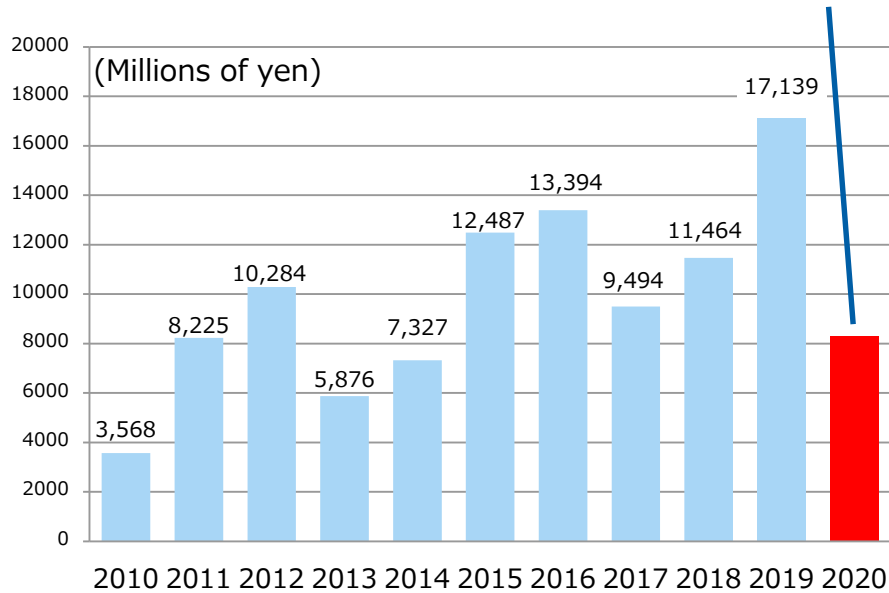
FY20 Capital Investment Forecast

9.3 billion yen

Breakdown

- NEO Shinshiro Factory (Japan)
- Mexico Factory
- New building of AMAMCO in the U.S.

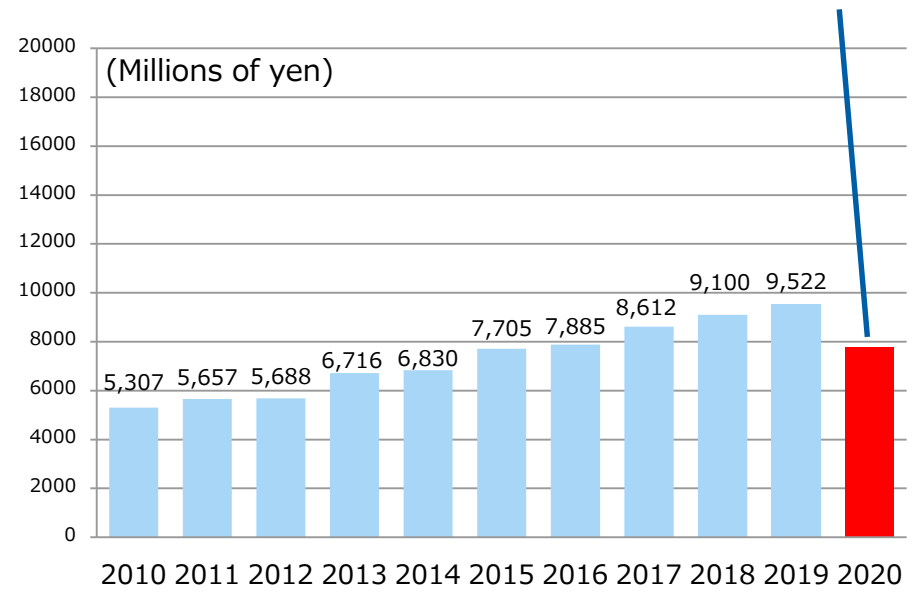
CAPEX : 8,282



CAPEX

3Q

Depreciation : 7,787



Depreciation

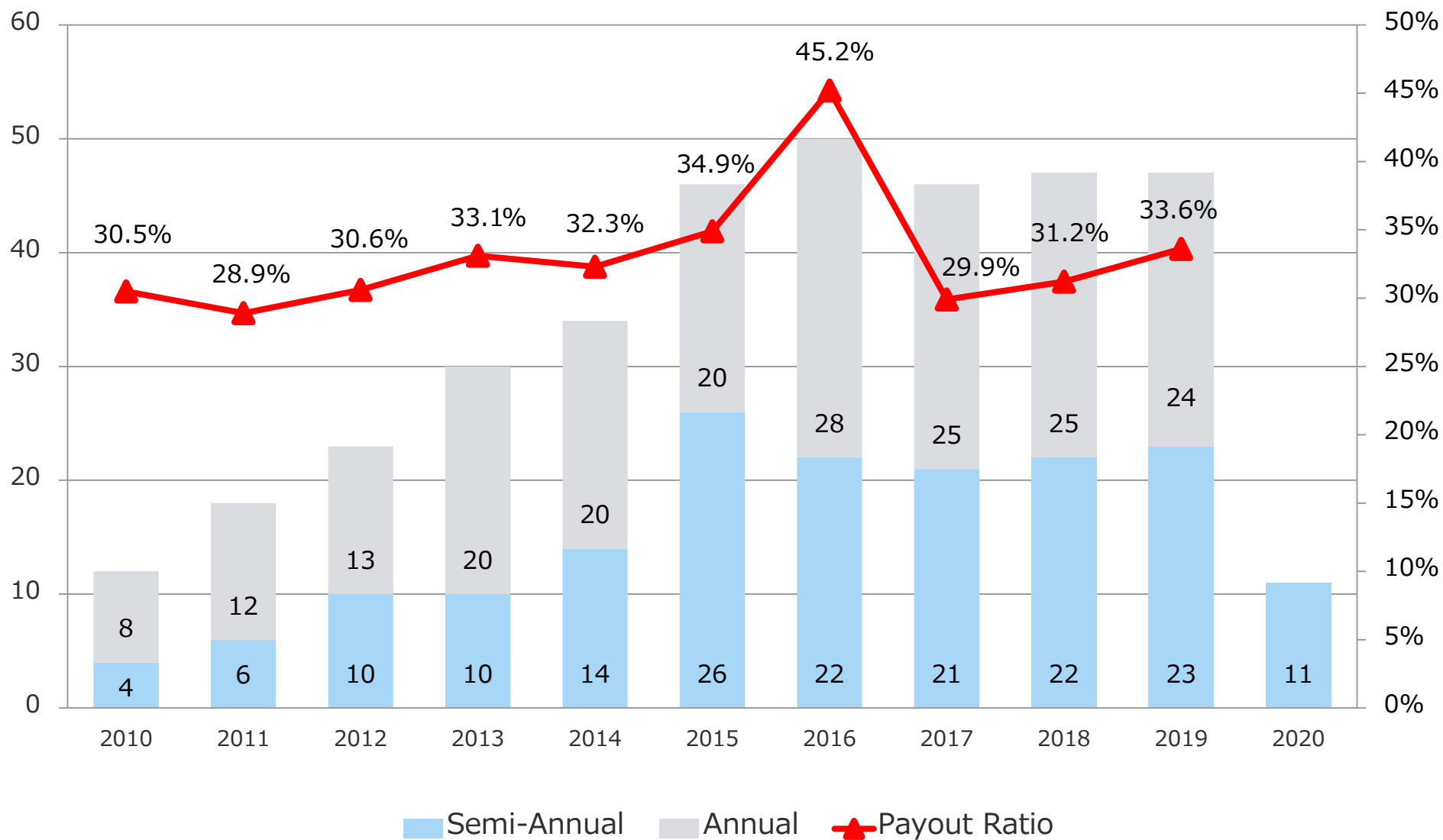
3Q

Exchange Rate

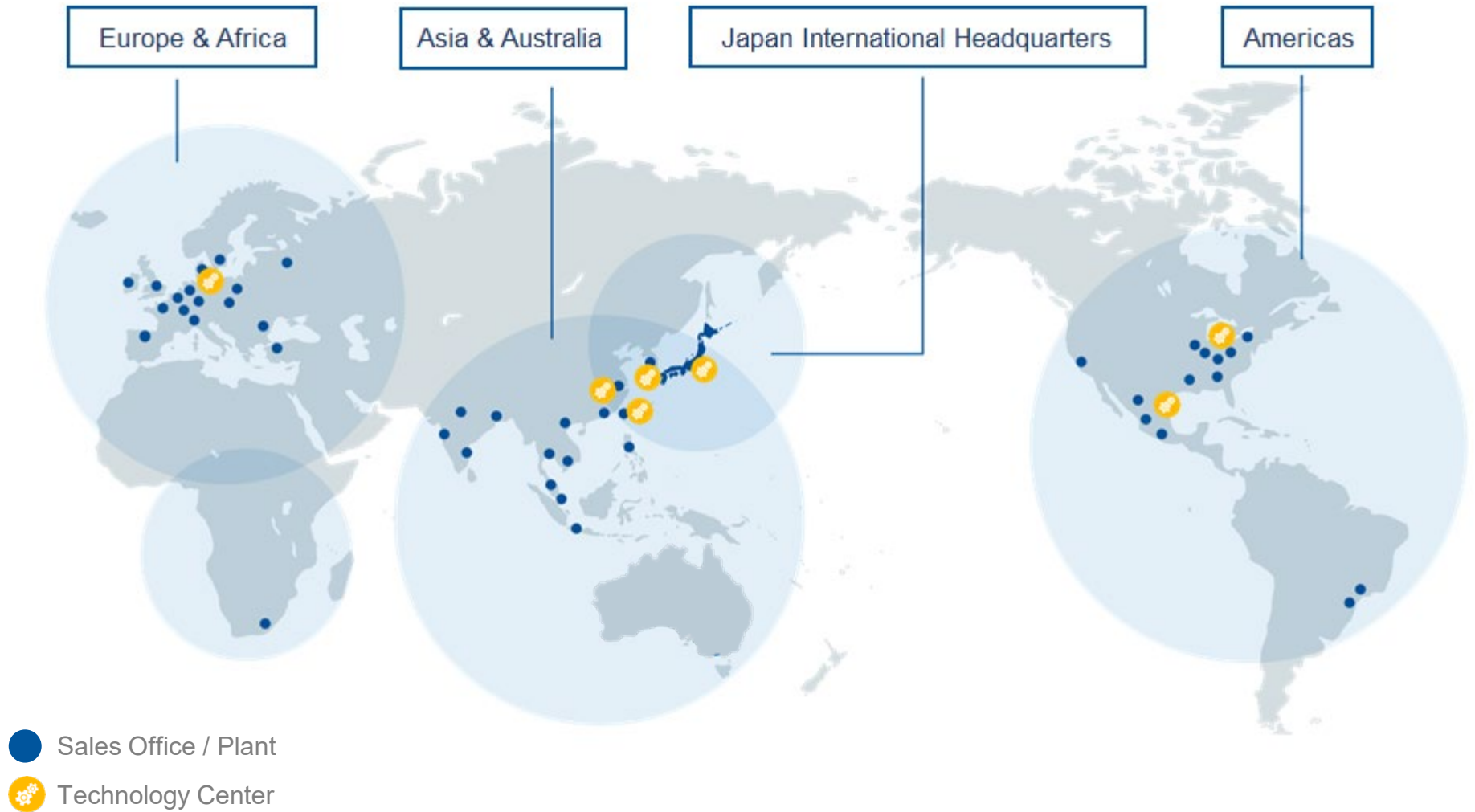
| | 1US\$ | 1Euro | 1RMB |
|---------|------------|------------|-----------|
| FY18 3Q | 109.56 JPY | 130.93 JPY | 16.86 JPY |
| FY18 | 110.53 JPY | 130.68 JPY | 16.74 JPY |
| FY19 3Q | 109.55 JPY | 123.36 JPY | 16.53 JPY |
| FY19 | 109.36 JPY | 122.53 JPY | 15.86 JPY |
| FY20 3Q | 107.66 JPY | 120.95 JPY | 15.32 JPY |

Dividends Per Share

(yen)



Expansion of Overseas Business



Environment

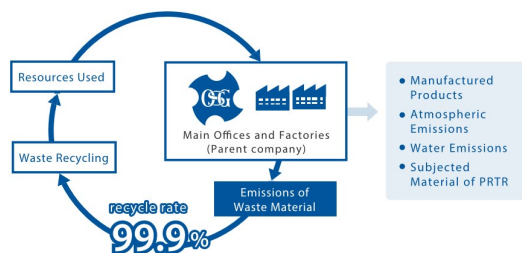
Environment Management

OSG Corporation and 7 other group company factories have acquired ISO14001.

Recycling projects at our offices

OSG's major business locations actively promote recycling and the reduction of waste, and since FY2005 we have achieved a recycling rate of over 99%.

A high recycle rate aiming for a "Sustainable Society"



Promoting the recycling of cutting tools

To contribute to a recycling-oriented society, we hold on to used tools for our customers and regrinding the tools with our regrinding sites in 21 countries and regions; then we return them to the customers with the same quality as new.

Social

Support for Balancing Medical Treatment and Work

Established a company policy that does not require notification of the disease name to the company.

Satellite and Flextime Work System

It is possible to work in a close office and work flexibly.

Childcare Leave System Expansion

It is possible to adjust their working time in ten-minute units and the eligibility period for the system of reduced working hours for employees with childcare need has been extended until children finish third grade of junior high school.

Expand support for hiring people with disabilities

A new support team has established within the General Affairs Department since June 2020. Exceeding the Statutory Percentage of Employees with Disabilities.

Technical Seminars

Face-to-face and online cutting tool technical seminars form part of our efforts to further improve customer satisfaction.

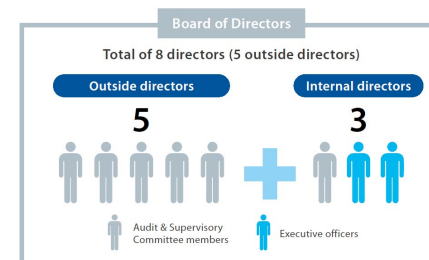
Contributing to COVID-19 Infection Prevention at Local Municipal Hospitals

We made a donation of Fox Finger infection prevention tools developed by our technical team, masks and protective clothing to medical facility.

Governance

Overview of Corporate Governance Structure

As a company with an audit and supervisory committee, OSG's corporate governance structure consists of the Board of Directors, the Audit & Supervisory Committee, and the accounting auditors. The role of the Board of Directors is clearly defined under this structure. Operational executive functions are performed by executive officers, while the Board of Directors is responsible for decision-making and the supervision of operational executive actions.



Risk Management

Risk and Compliance Management Committee has established to strengthen BCP.

Internal reporting system

Introducing a system to receive internal and external reporting, and provide appropriate process of consultation.

Information security

Established an internal system and information security policy for dealing with information leak etc.

Management Target – 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)

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 for FY2020

Net sales

1,500 billion yen

Operating profit

300 billion yen

It is expected that the achievement of the target will probably be delayed from the fiscal year ending November 2021. However we will continue to challenge for sustainable growth by promoting our basic strategies globally.

Appx.1 Selected Financial Data (Consolidated)

| | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 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 | 126,964 | 77,506 |
| Sales growth | (%) | -45% | 30% | 16% | 4% | 5% | 14% | 11% | -6% | 14% | 9% | -3% | -19% |
| 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 | 73,281 | 48,670 |
| Gross profit | (mil.yen) | 14,122 | 24,907 | 32,519 | 34,702 | 35,601 | 42,970 | 50,051 | 46,382 | 50,486 | 56,535 | 53,682 | 28,836 |
| 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 | 34,128 | 22,995 |
| Operating income | (mil.yen) | -2,735 | 7,524 | 12,305 | 13,954 | 12,827 | 17,415 | 21,597 | 18,246 | 19,137 | 22,520 | 19,554 | 5,841 |
| Ordinary income | (mil.yen) | -2,703 | 6,699 | 11,374 | 13,695 | 13,910 | 17,568 | 21,510 | 17,813 | 19,144 | 22,567 | 19,710 | 6,049 |
| Net income | (mil.yen) | -3,769 | 3,772 | 5,904 | 7,138 | 8,619 | 9,989 | 12,518 | 10,134 | 13,993 | 14,710 | 13,686 | 3,733 |
| Gross profit margin | (%) | 26.5% | 35.8% | 40.2% | 41.3% | 40.3% | 42.5% | 44.7% | 43.9% | 42.0% | 43.0% | 42.3% | 37.2% |
| 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% | 26.9% | 29.7% |
| Operating income | (%) | -5.1% | 10.8% | 15.2% | 16.6% | 14.5% | 17.2% | 19.3% | 17.3% | 15.9% | 17.1% | 15.4% | 7.5% |
| Ordinary income | (%) | -5.1% | 9.6% | 14.0% | 16.3% | 15.7% | 17.4% | 19.2% | 16.9% | 15.9% | 17.2% | 15.5% | 7.8% |
| Net income | (%) | -7.1% | 5.4% | 7.3% | 8.5% | 9.8% | 9.9% | 11.2% | 9.6% | 11.6% | 11.2% | 10.8% | 4.8% |
| 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 | 109.36 | 107.66 |
| 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 | 122.53 | 120.95 |
| Total assets | (mil.yen) | 113,382 | 105,635 | 104,373 | 121,689 | 134,503 | 142,302 | 155,129 | 156,081 | 166,712 | 178,020 | 190,414 | 193,713 |
| 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 | 129,078 | 126,570 |
| Net income | (yen) | -39.22 | 39.34 | 62.18 | 75.16 | 90.76 | 105.20 | 131.78 | 110.59 | 153.70 | 150.47 | 140.06 | 38.36 |
| 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 | 11.00 |
| (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 | - |
| 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 | 1,328.08 | 1,299.26 |
| Average number of shares | (ths) | 96,130 | 95,904 | 94,967 | 94,966 | 94,963 | 94,959 | 94,991 | 91,640 | 91,044 | 97,176 | 97,716 | 97,303 |
| ROE | (%) | -6.3% | 6.7% | 10.1% | 11.5% | 11.9% | 11.7% | 12.9% | 10.4% | 13.5% | 12.2% | 10.8% | - |
| Equity ratio | (%) | 49.3% | 54.1% | 56.9% | 53.0% | 59.5% | 64.3% | 66.1% | 59.1% | 69.5% | 70.4% | 67.8% | 65.3% |
| Operating CF | (mil.yen) | 6,049 | 14,095 | 11,344 | 12,286 | 16,171 | 19,688 | 19,588 | 16,333 | 20,820 | 20,310 | 19,261 | - |
| Investing CF | (mil.yen) | -4,633 | -5,522 | -8,195 | -19,746 | -2,972 | -3,119 | -16,976 | -16,843 | -7,566 | -13,351 | -20,314 | - |
| Financing CF | (mil.yen) | 5,470 | -15,562 | -5,855 | 8,643 | -9,423 | -12,813 | -6,216 | -778 | -11,137 | -4,723 | 3,465 | - |
| Cash flow margin | (%) | 11.3% | 20.3% | 14.0% | 14.6% | 18.3% | 19.5% | 17.5% | 15.5% | 17.3% | 15.3% | 15.1% | - |