



shaping your dreams

Financial Results for FY2020

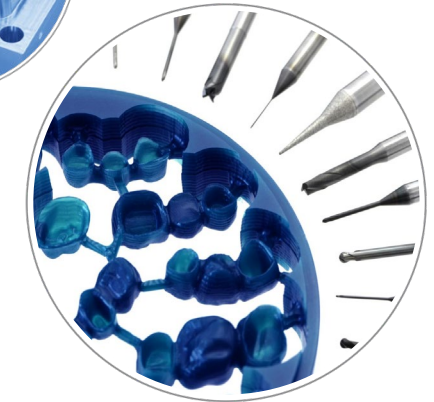
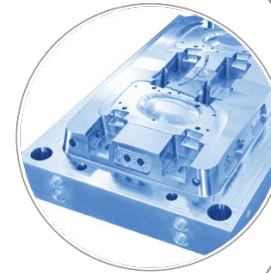
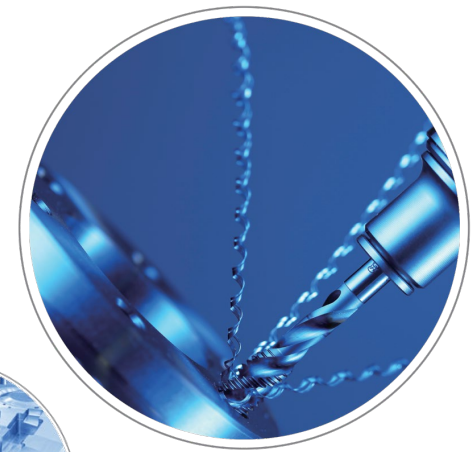
January 8, 2021
OSG Corporation



- ◆ P2-3 Company Overview
- ◆ P4 FY2020 Highlights
- ◆ P5-6 Financial Summary
- ◆ P7-8 FY2020 Review
- ◆ P9-10 Sales to Customer
- ◆ P11-12 Operating Income
- ◆ P13 Overseas Sales Ratio
- ◆ P14 Operation Profit Variation
- ◆ P15-16 Net Sales
 - by Product Segment
- ◆ P17 B/S Overview • EBITDA
- ◆ P18 Cash Flow Overview
- ◆ P19 Capital Investment
- ◆ P20 Forecast for FY2021
- ◆ P21 Exchange Rate
- ◆ P22 Dividends Per Share
- ◆ P23 Expansion of Overseas Business
- ◆ P24 OSG's ESG
- ◆ P25-28 Medium-term Management
- ◆ P29-31 Management Policy in 2021
- ◆ P32 Selected Financial Data

Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	12,223 million yen
Employees	7,173 (consolidated) 1,881 (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 do not guarantee future performance. Actual financial results may differ from the forecasts due to known and unknown risks, uncertainties, and other factors.

Company Overview

Products

- Consumable cutting tools used in machine tools
- **Taps** account for 30% global share, making OSG the **world market 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 metals

End mill

Tools to shape metals

Indexable tools

Tools to form threads

Rolling dies

Tools to cut threads

Tap



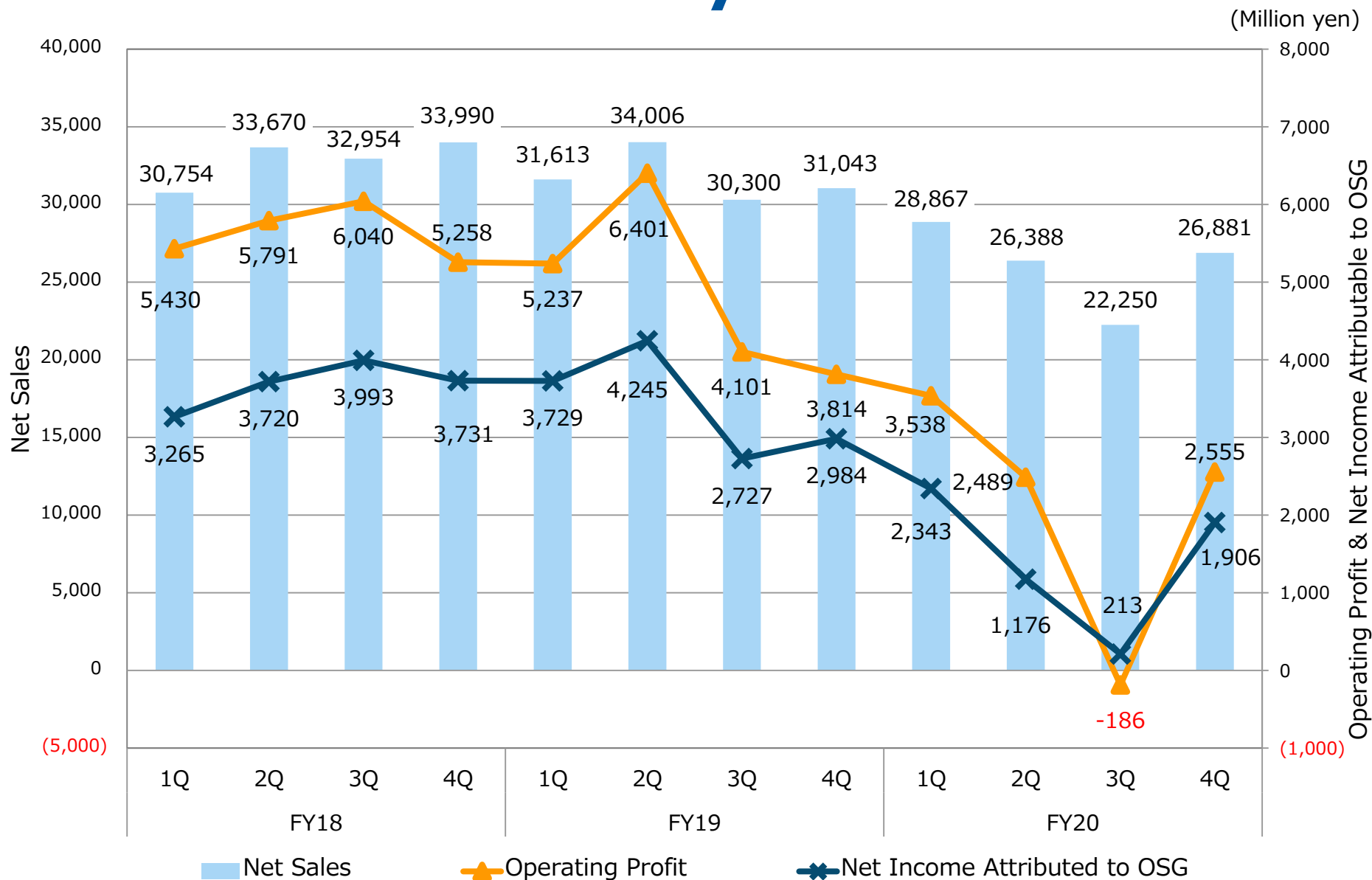
Financial Summary

(Million yen)

	FY19	FY20	Change	FY20 fcst. Annual (Announced)
Net Sales	126,964	104,388	-17.8%	104,300
Operating Profit	19,554	8,396	-57.1%	8,300
OPM	15.4%	8.0%	-	8.0%
Ordinary Profit	19,710	8,950	-54.6%	8,900
Net Profit Attributable to OSG	13,686	5,639	-58.8%	5,600
EPS(yen)	140.06	57.94	-58.6%	57.53

*The FY20 full-year forecast was announced on December 23, 2020.

Financial Summary



Review of FY20-4Q

4Q has recovered after hitting bottom in 3Q.

Demand in Japan and South Asia is finally beginning to recover.

➤ Index & Capital Investment Results

—EBITDA	18.9 billion yen	(decreased by 34.9% from FY19)
—EBITDA Margin	18.1%	(4.8pts decreased from FY19)
—Equity ratio	64.6%	(3.2pts decreased from the end of FY19)
—CAPEX	9.8 billion yen	
—Depreciation	10.5 billion yen	



Review of FY20-4Q

The Americas

The automotive industry continues to recover and the factory utilization rate has improved. The recovery in Mexico and Brazil is clear.

Asia

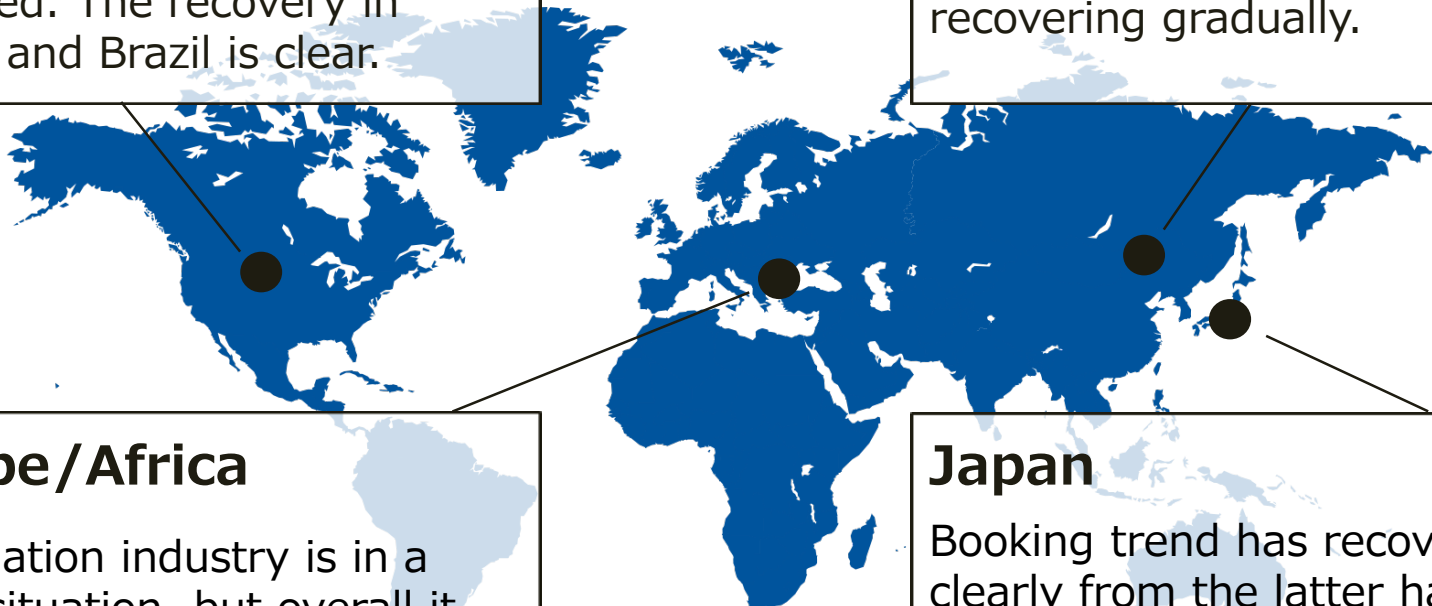
The recovery in China is clear. The automotive industry in South Asia has been recovering gradually.

Europe/Africa

The aviation industry is in a tough situation, but overall it is on a recovery trend. The spread of COVID-19 remains a concern.

Japan

Booking trend has recovered clearly from the latter half of September and the inventory level has optimized. Production is expected to fully recover in FY2021.



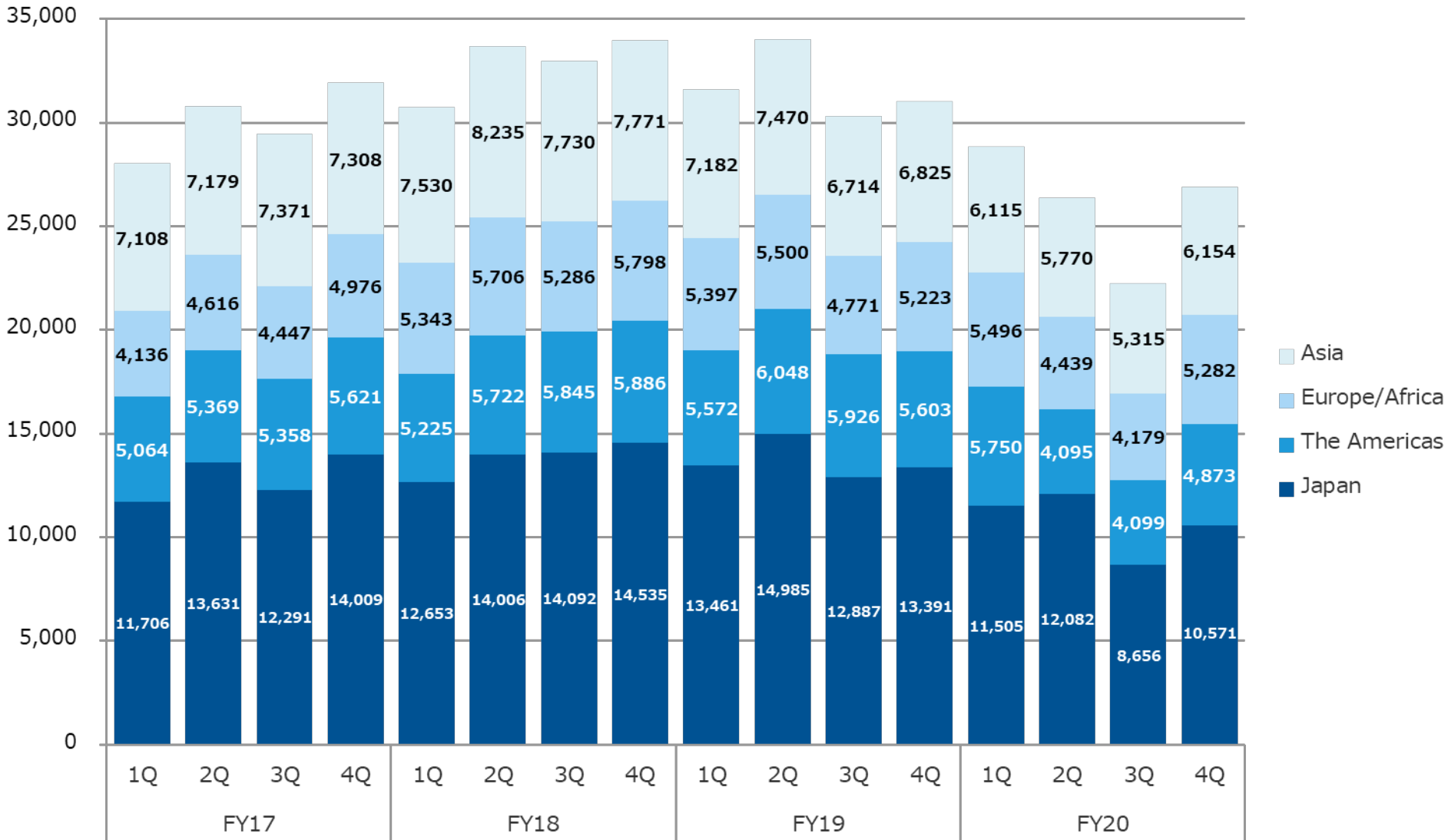
Sales to Customer

(Million yen)

	FY19	FY20	Change		Change in local currency
Japan	54,725	42,816	-11,908	-21.8%	-
The Americas	23,152	18,818	-4,333	-18.7%	-15.5%
Europe/Africa	20,893	19,396	-1,496	-7.2%	-4.7%
Asia	28,193	23,356	-4,837	-17.2%	-14.8%
Consolidated	126,964	104,388	-22,575	-17.8%	-

Sales to Customer

(Million yen)



Operating Income

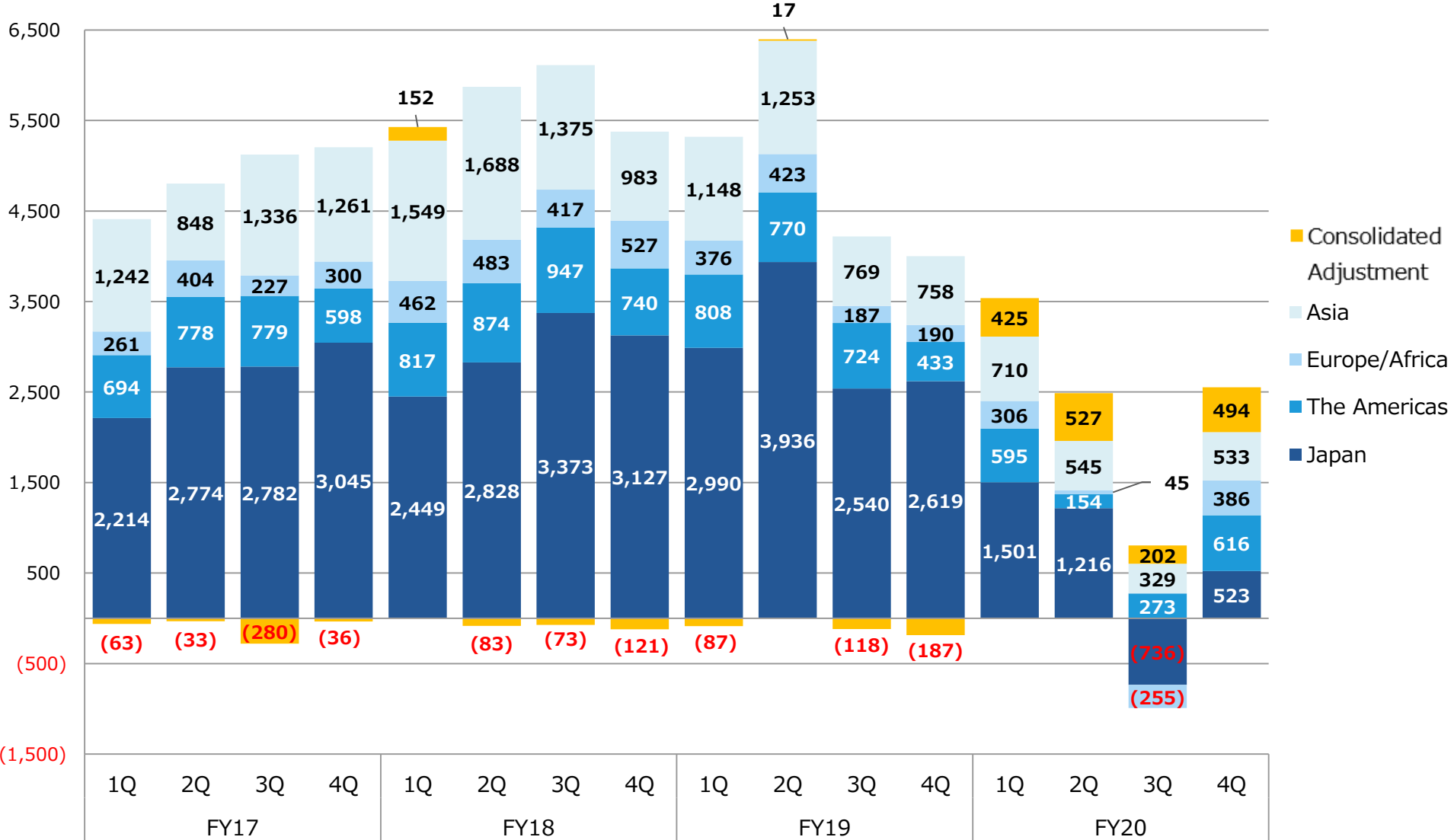
(Million yen)

	FY19	Area percentage	FY20	Area percentage	Change		OPM *
Japan	12,086	61.8%	2,505	29.8%	-9,580	-79.3%	4.3%
The Americas	2,736	14.0%	1,640	19.5%	-1,095	-40.0%	8.5%
Europe/Africa	1,177	6.0%	482	5.7%	-695	-59.0%	2.5%
Asia	3,930	20.1%	2,119	25.2%	-1,811	-46.1%	8.4%
Total	19,930	-	6,747	-	-13,182	-66.1%	5.5%
Eliminations	-376	-	1,649	-	2,025	-	-
Consolidated	19,554	-	8,396	-	-11,157	-57.1%	8.0%

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

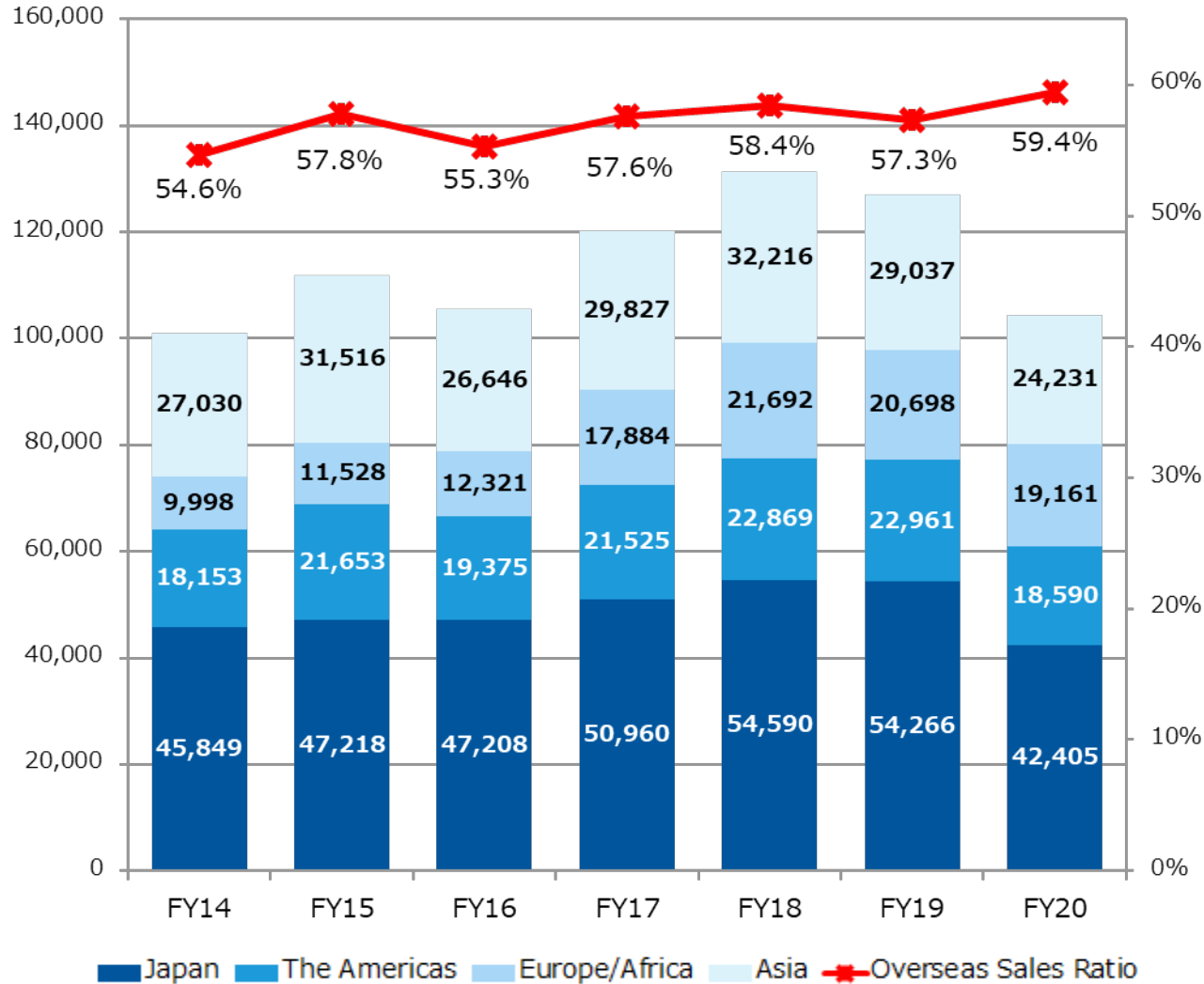
Operating Income

(Million yen)

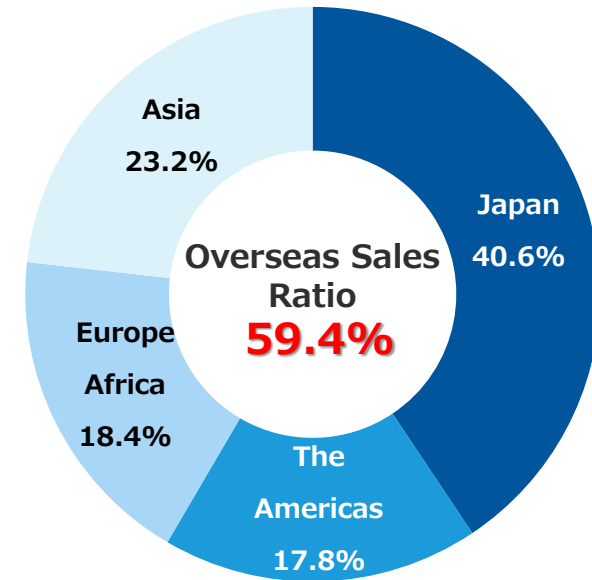


Overseas Sales Ratio

(Million yen)

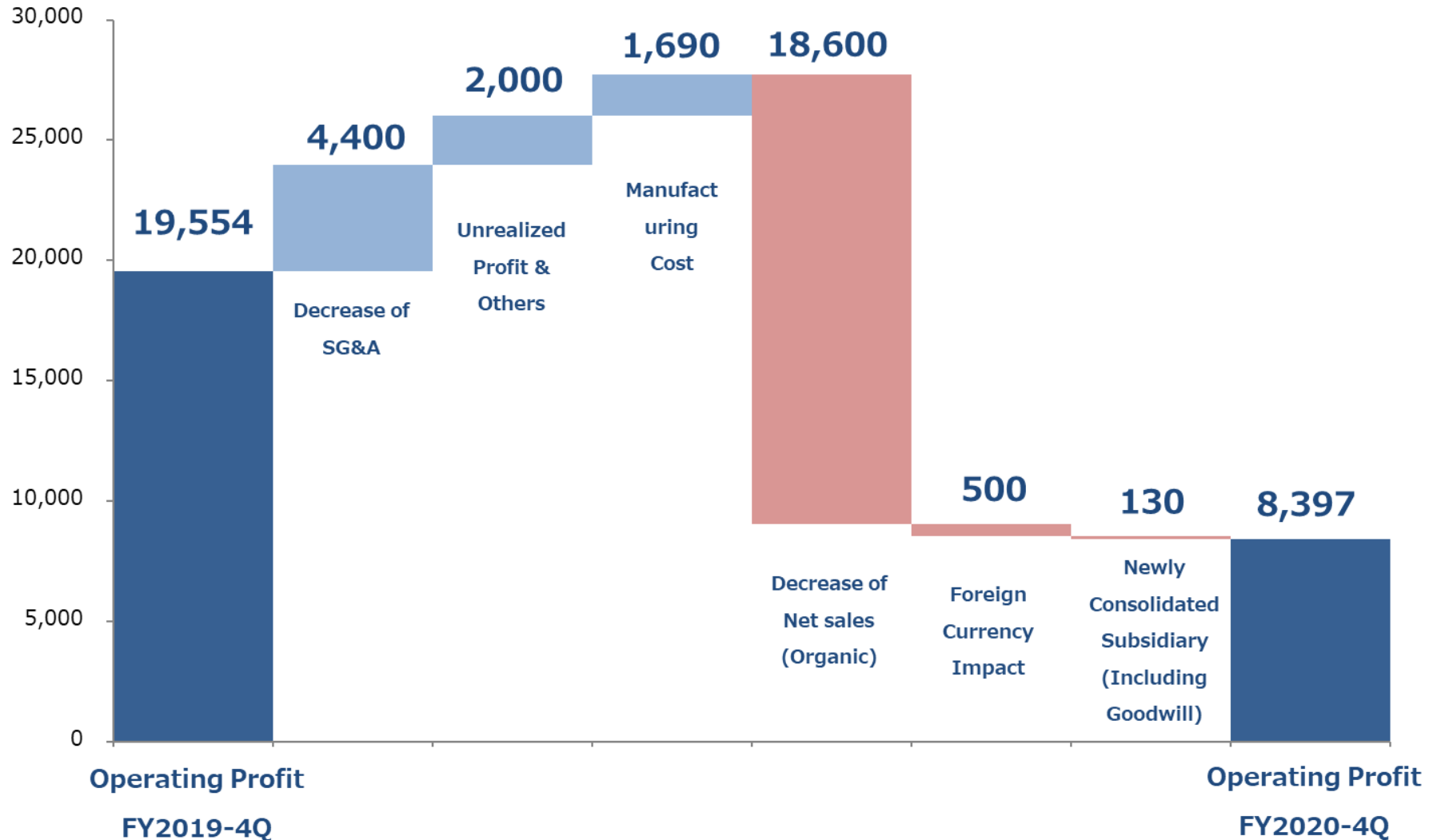


FY2020



Operation Profit Variation

(Million yen)



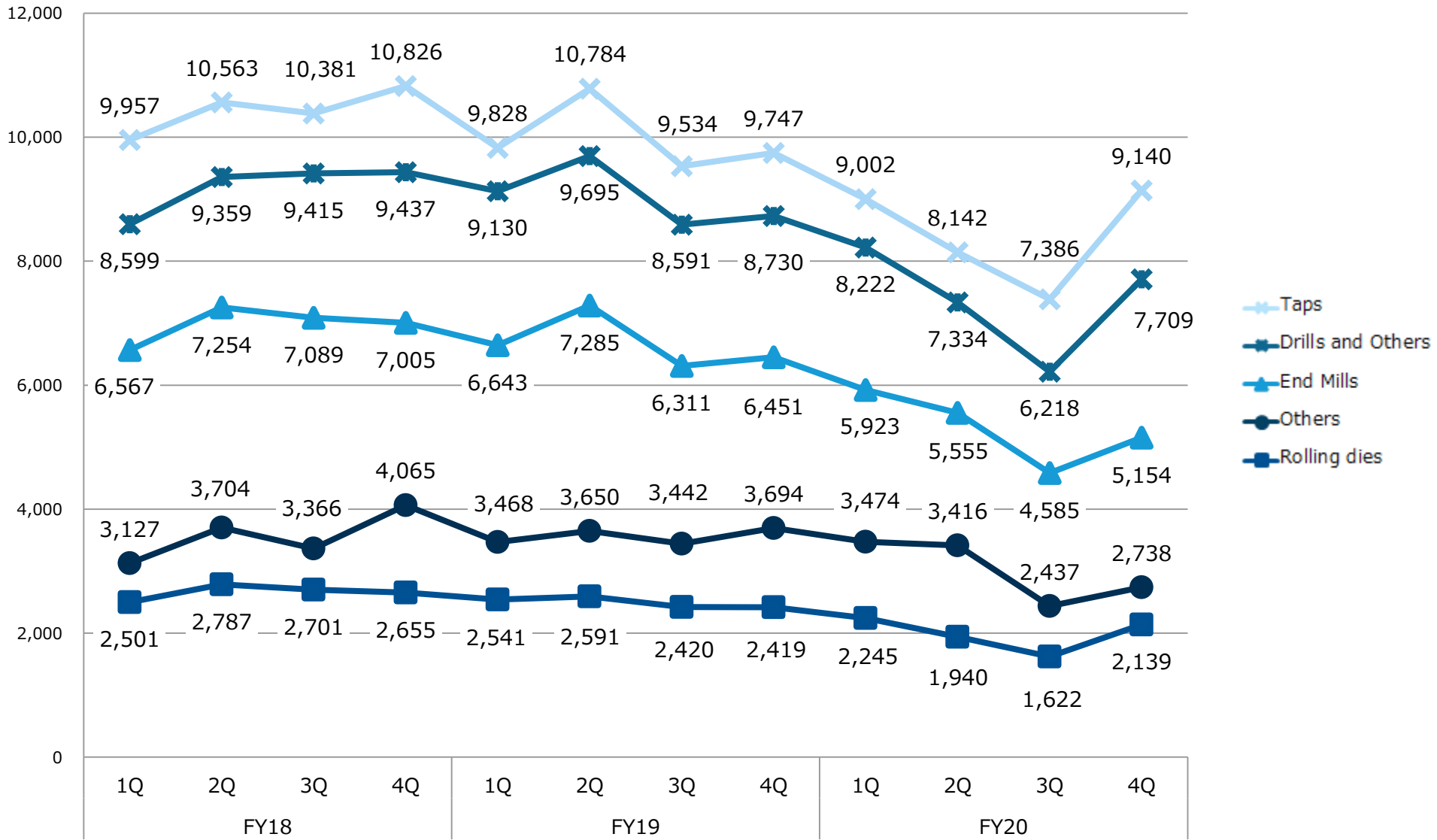
Net Sales by Product Segment

(Million yen)

		FY19						FY20						Change	
		1Q	2Q	3Q	4Q	Total		1Q	2Q	3Q	4Q	Total			
Precision Tools	Taps	9,928	10,784	9,534	9,747	39,895	31.4%	9,002	8,142	7,386	9,140	33,671	32.3%	-6,224	-15.6%
	End mills	6,643	7,285	6,311	6,451	26,690	21.2%	5,923	5,555	4,585	5,154	21,219	20.3%	-5,471	-20.5%
	Drills and Others	9,130	9,695	8,591	8,730	36,147	28.5%	8,222	7,334	6,218	7,709	29,484	28.2%	-6,663	-18.4%
	Rolling dies	2,541	2,591	2,420	2,419	9,973	7.8%	2,245	1,940	1,622	2,139	7,947	7.6%	-2,026	-20.3%
	Gauges	478	491	454	522	1,946	1.5%	461	455	398	397	1,712	1.6%	-234	-12.0%
		28,622	30,847	27,311	27,871	114,653	90.4%	25,854	23,426	20,211	24,541	94,034	90.1%	-20,619	-18.0%
Other	Machine	907	1,097	1,013	1,133	4,151	3.1%	1,149	1,139	501	703	3,493	3.3%	-658	-15.9%
	Other	2,083	2,061	1,974	2,038	8,158	6.4%	1,864	1,822	1,537	1,637	6,861	6.6%	-1,297	-15.9%
		2,990	3,158	2,988	3,172	12,310	9.6%	3,013	2,961	2,039	2,340	10,354	9.9%	-1,956	-15.9%
Total		31,613	34,006	30,300	31,043	126,964	100%	28,867	26,388	22,250	26,881	104,388	100%	-22,575	-17.8%

Net Sales by Product Segment

(Million yen)

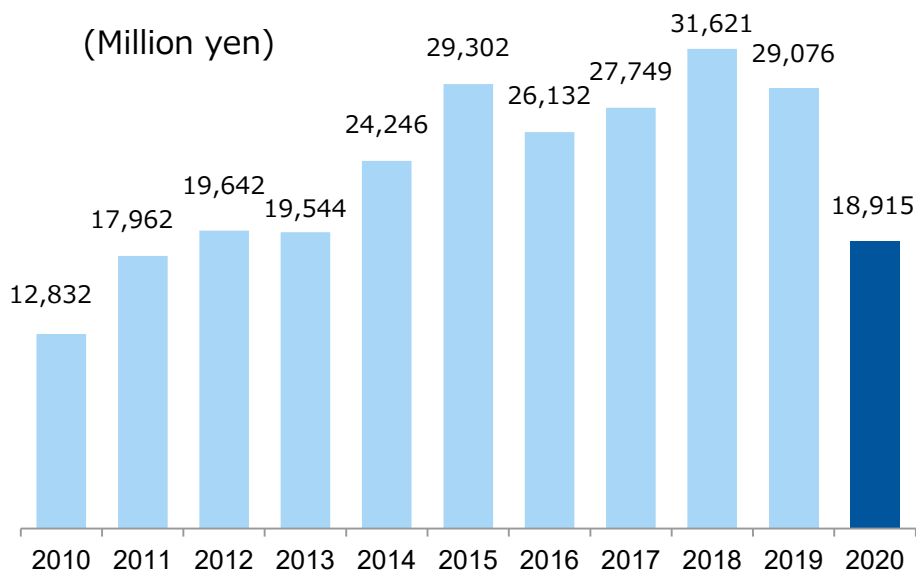


B/S Overview · EBITDA

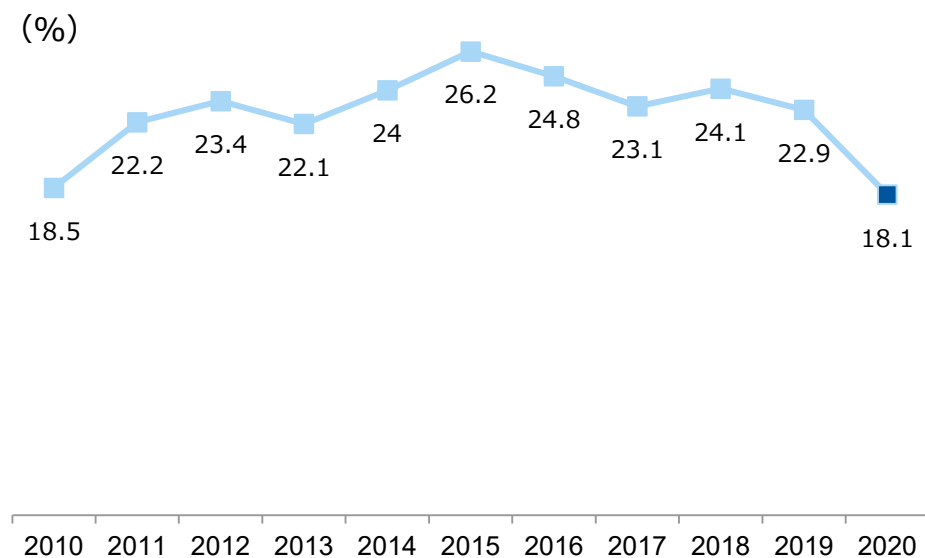
(Million yen)

	FY19	FY20		FY19	FY20
Equity ratio (%)	67.8	64.6	Cash and time deposits	26,950	37,807
Receivable turnover period (Days)	64	69	Debt	26,782	42,399
Inventory turnover period (months)	4.2	4.9	Net Cash	168	-4,591

EBITDA



EBITDA Margin



Cash Flow Overview

	FY17	FY18	FY19	FY20	Change
Income before income taxes	21,086	22,567	19,845	8,896	-10,948
Depreciation and amortization	8,612	9,100	9,522	10,518	995
Change in notes and accounts receivable	-1,690	-1,494	1,902	2,832	930
Change in inventories	-1,147	-3,854	-6,319	1,822	8,141
Change in notes and accounts payable	-253	768	453	-1,555	-2,009
Change in accrued expenses	584	593	115	-1,704	-1,820
Other, net	-1,846	-196	244	972	728
Income taxes - paid	-4,525	-7,359	-6,503	-4,743	1,760
Net cash provided by operating activities	20,820	20,125	19,261	17,038	-2,223
Purchase of property, plant and equipment	-9,494	-11,464	-17,139	-9,895	7,243
Payment for purchase of subsidiaries' stock	-1,073	-620	-1,158	-2,054	-896
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-655	-	-	-3,266	-3,266
Payments for time deposits and proceeds from withdrawal of time deposits	-86	-1,307	-532	-583	-51
Other, net	3,742	41	-1,485	-1,332	152
Net cash used in investing activities	-7,566	-13,351	-20,314	-17,133	3,181
Free cash flow	13,254	6,773	-1,053	-94	958
Change in interest-bearing debt	-6,132	305	6,258	14,692	8,433
Dividends paid	-4,411	-4,581	-4,709	-3,439	1,270
Dividends paid to non-controlling interests	-367	-416	-525	-298	226
Proceeds from issuance of bonds	-	-	5,000	-	-5,000
Purchase of treasury stock	-5	-4	-1,899	-1	1,897
Other, net	-219	-26	-660	-1,293	-634
Net cash (used in) provided by financing activities	-11,137	-4,723	3,465	9,658	6,193
Effect of exchange rate change on cash and cash equivalents	540	-333	-690	-88	602
Net increase (decrease) in cash and cash equivalents	2,658	1,716	1,721	9,475	7,753
Cash and cash equivalents from newly consolidated subsidiaries	300	229	437	120	-317
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	84	-	-	-	-
Cash and cash equivalents at end of period	19,598	21,545	23,704	33,299	9,595

Capital Investment

FY21 Capital Investment Forecast

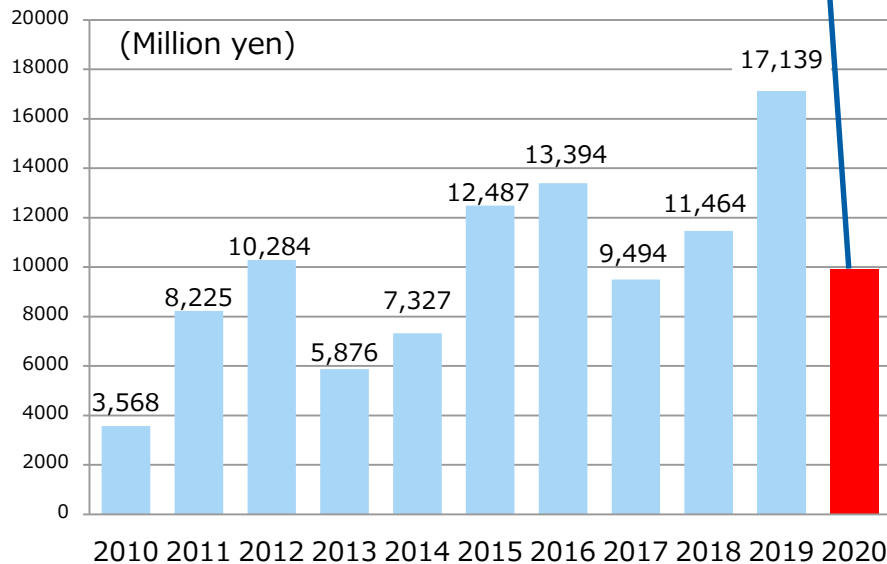
6.0 billion yen

Breakdown

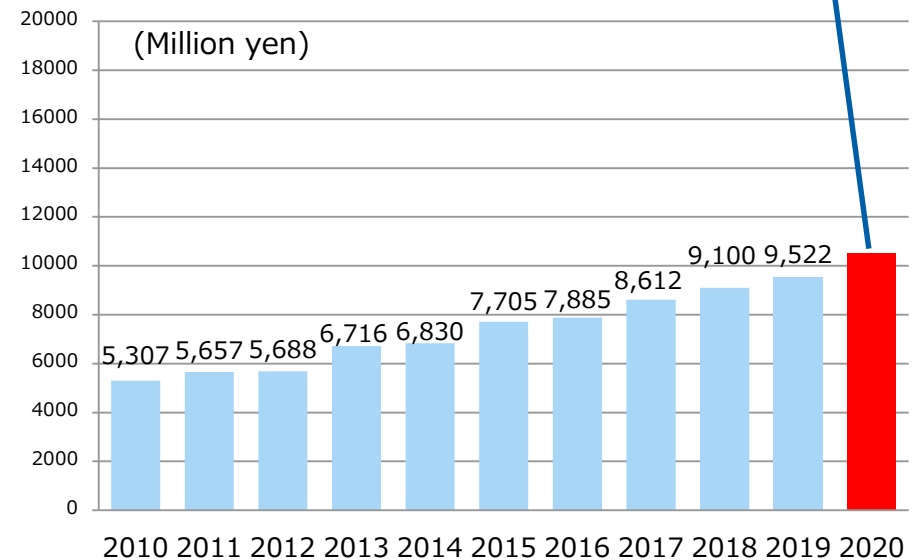
Due to focus on improving cash flow, we will reduce Capex this year except investing on replacing old machines and IT related matters.

CAPEX : 9,895

Depreciation : 10,518



CAPEX



Depreciation

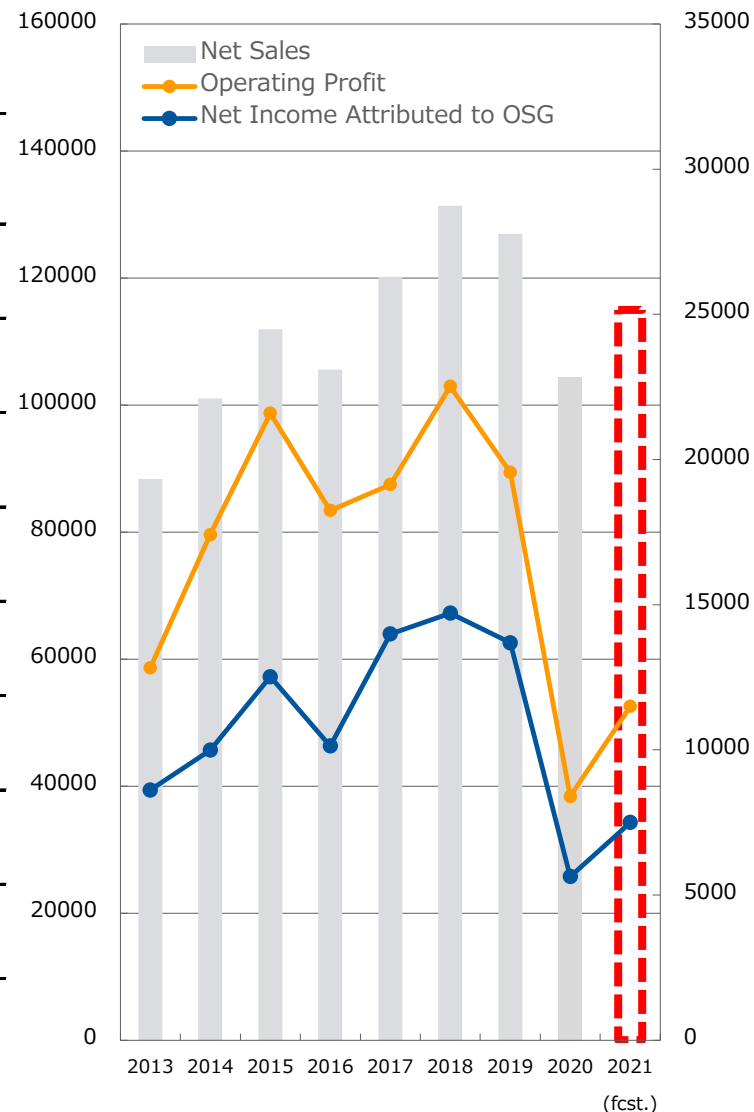
Forecast for FY2021

Net Sales
(Million yen)

Consolidated

Profit
(Million yen)

	Consolidated		Parent Company	
	Amount (million yen)	Growth	Amount (million yen)	Growth
Net Sales	115,000	+10.2%	50,000	+14.2%
Operating Profit	11,500	+37.0%	4,000	+125.1%
as % of sales	10.0%	-	8.0%	-
Ordinary Profit	11,500	+28.5%	5,000	-7.7%
as % of sales	10.0%	-	10.0%	-
Net Income Attributed to	7,500	+33.0%	3,900	-16.2%
as % of sales	6.5%	-	7.8%	-
EPS (yen)	76.96	-	40.01	-



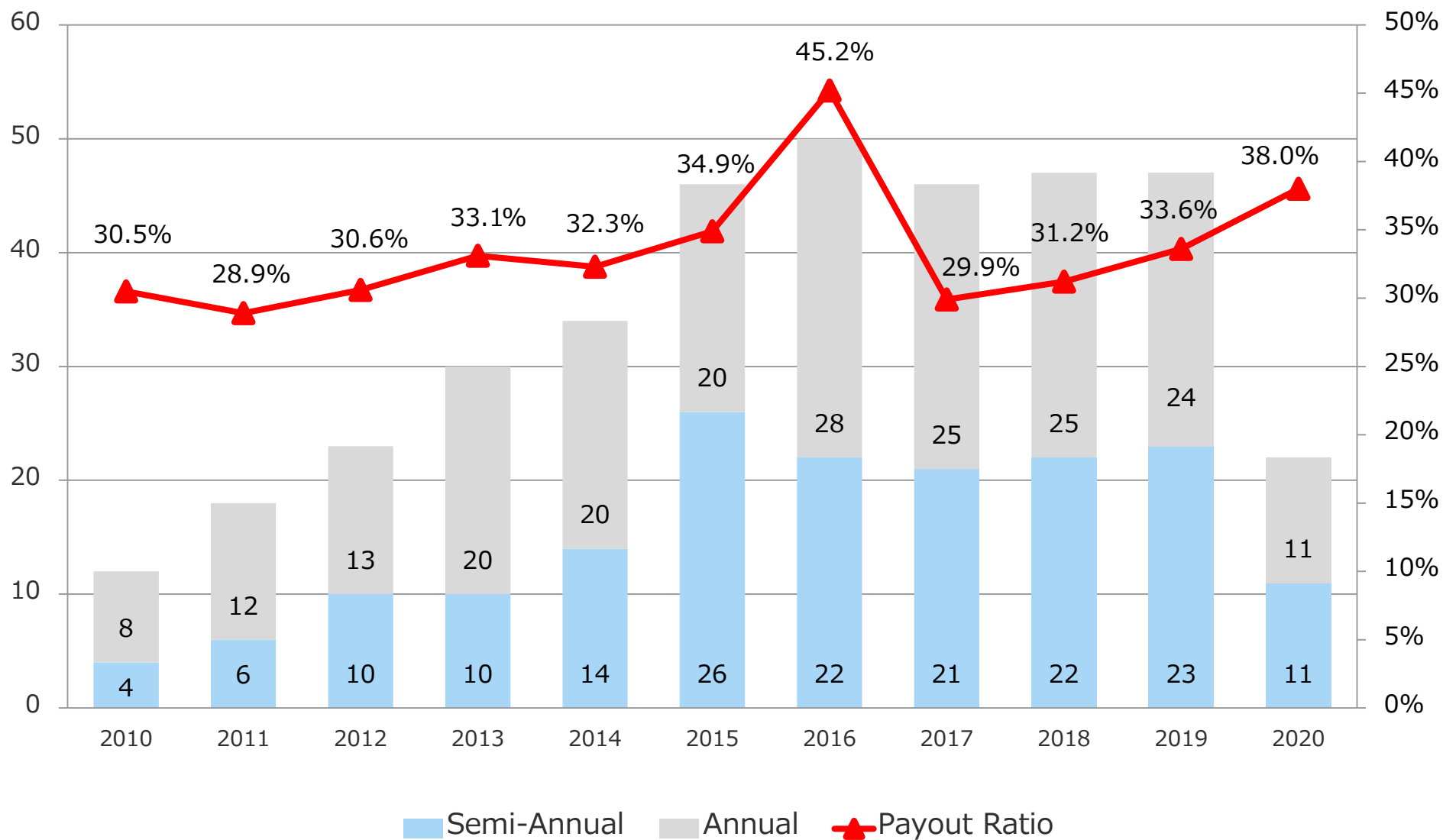
*Exchange rate FY2021(fcst.) : 1US\$=103.00yen 1Euro=126.00yen

Exchange Rate

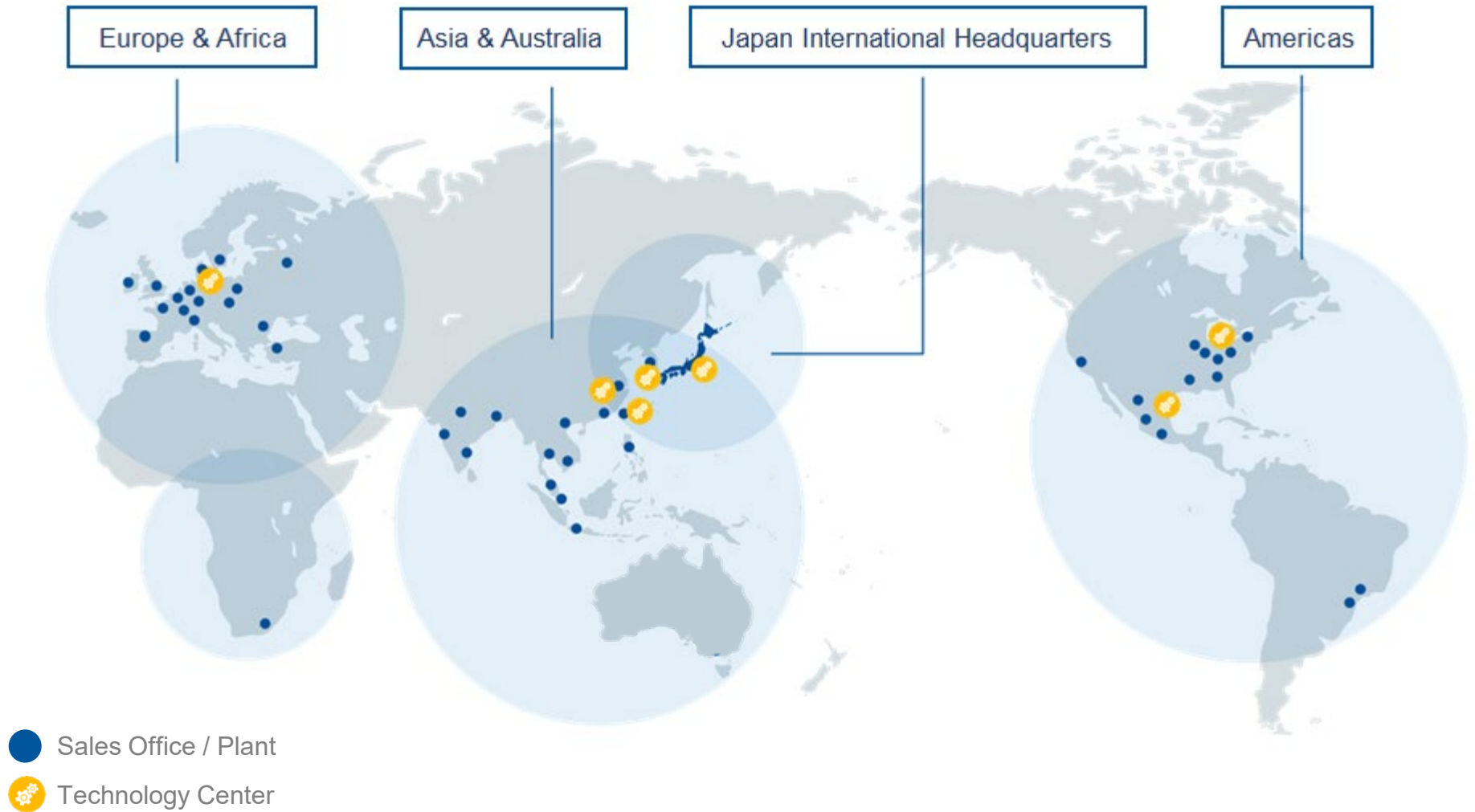
	1US\$	1Euro	1RMB
FY16	109.78 JPY	121.39 JPY	16.54 JPY
FY17	112.33 JPY	126.20 JPY	16.59 JPY
FY18	110.53 JPY	130.68 JPY	16.74 JPY
FY19	109.36 JPY	122.53 JPY	15.86 JPY
FY20	106.94 JPY	121.60 JPY	15.41 JPY

Dividends Per Share

(yen)



Expansion of Overseas Business



- ## E
- OSG Corporation and 7 other group company factories have acquired ISO14001.
 - Introduced an environmental accounting system based on the environmental accounting guidelines of the Ministry of the Environment to measure the environmental costs and the effects.
 - Established a system to properly dispose of waste, and have achieved a recycling rate of over 99% since 2005.
 - We collect used tools from customers and recycle carbide tools.

- ## S
- Support for balancing medical treatment and work: Established a company policy that does not require notification of the disease name to the company.
 - Work flextime and Work near home: It is possible to work in a close office and work flexibly.
 - Expand support for hiring people with disabilities: A new support team has established within the General Affairs Department since June 2020.
 - OSG quality system certification system: Introducing an original system that certifies that the quality control from material arrival to product shipment and after-sales follow-up is equivalent to that of a factory in Japan.

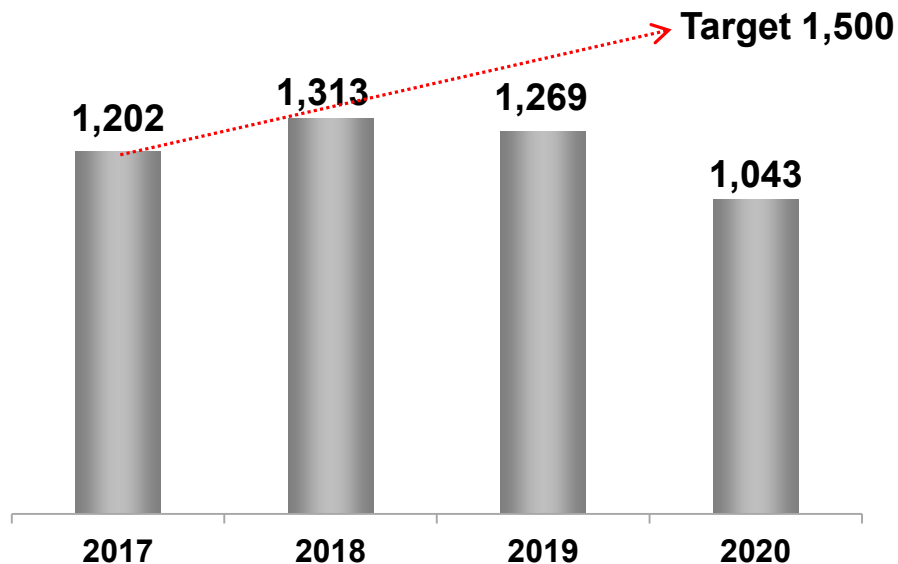
- ## G
- Risk Management: Risk and Compliance Management Committee has established to strengthen BCP.
 - Internal reporting system: Introducing a system to receive internal and external reporting, and provide appropriate process of consultation.
 - Information security: Established an internal system and information security policy for dealing with information leak etc.

「The Next Stage 17」 Medium-term Management (2017~2020) Summary

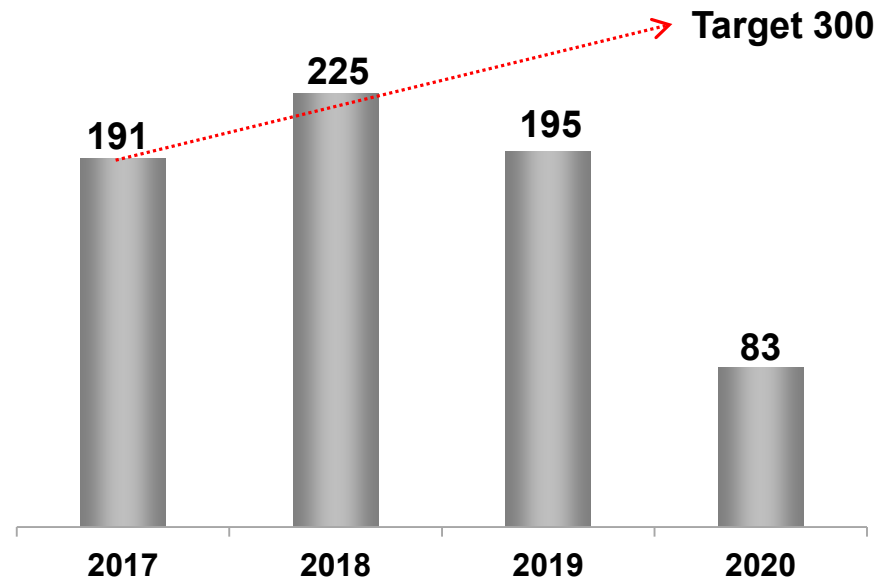
「The Next Stage 17」 Medium-term Management

- ✓ Sales of automobile and aviation industries demonstrated good performance, and our plan was on schedule until 2018.
- ✓ The trend slowed due to the U.S.-China trade friction in 2019, and global car production passed the peak.
- ✓ Demand for cutting tools decreased dramatically due to Covid-19 in 2020, but it bottomed out after 3Q.

【Net Sales】 (billion yen)



【Operating Profit】 (billion yen)



「The Next Stage 17」 Medium-term Management

Major End-users

- ✓ Focuses on the automotive industry
- ✓ Position aviation as the second pillar after the automotive industry
- ✓ Develop new end-users in future fields
- “Best delivery time” and “Cost competitiveness
- Expand technical centers globally
- M&A (maximize synergy effect)

Result and Progress

Focused on the aircraft industry through M&A in Europe and the United States. The sales from the aircraft industry accounts for 10 percent of the total sales.

Position the aviation as a key industry, however stagnated due to the influence of COVID-19. Construction of a new factory and expansion of the technical center has completed. Developing a production system (Smart Line) that enables ultra-high-mix low-volume production.

The synergy effect of M&A is insufficient.

Catalogue Item Sales

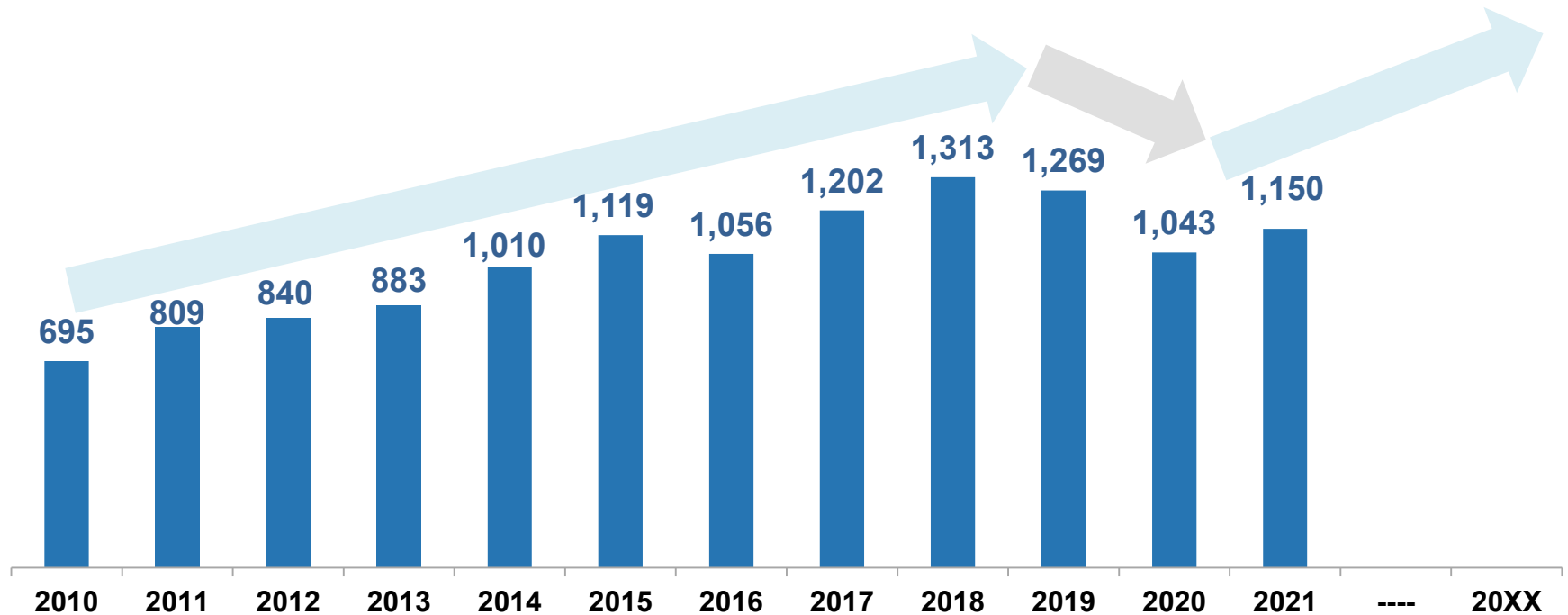
- ✓ For more customers in the industry of general engineering and mold & die all over the world
- Expand carbide items range
- Establish strong “A-Club” distribution networks in each region
- Strengthen inventory policy and supply chain

Result and Progress

Capture the market share by launching new A Brand products and expanding globally. Contributing to sales expansion of A Brand products by expanding A-Club overseas. Strengthened the overseas shipping system and started inventory management globally by outsourcing domestic logistics.

New Medium-term Management Plan

Considering the business environment caused by the impact of the COVID-19, we will proceed with the formulation of a new medium-term management plan with our new management.



Management Policy for FY2021

Basic Strategies of FY2021

- Increase the market share of standard products by **expanding sales of “The A Brand” products.**
- Looking ahead **to the EV era, we will develop markets** such as molds, IT products, and medical.
- By utilizing the NEO Shinshiro factory, we will review the **production method** drastically of **carbide taps and drills.**
- Win orders through global collaborations and activities that integrate sales, engineering and manufacturing.
- Prioritizing orders in **PMI with companies that have joined the group through M & A.**

Management Targets of FY2021

- **Net Sales of 115 billion yen**
Operating Profit of 11.5 billion yen
- **Operating Profit Ratio over 10%**
- **CAPEX 6.0 billion**
- **Free Cash Flow of 110 billion yen**

Appx.1 Selected Financial Data (Consolidated)

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	104,388
Sales growth	(%)	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%
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	65,715
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	38,673
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	30,276
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	8,396
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	8,950
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	5,639
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%	37.0%
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%	29.0%
Operating income	(%)	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%
Ordinary income	(%)	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%
Net income	(%)	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%
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	106.94
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	121.60
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	200,112
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	129,338
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	57.94
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	11.00
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	1,327.22
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	97,335
ROE	(%)	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%
Equity ratio	(%)	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%
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	17,038
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	-17,133
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	9,658
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%	16.3%