



Financial Results for FY2021 – 1Q

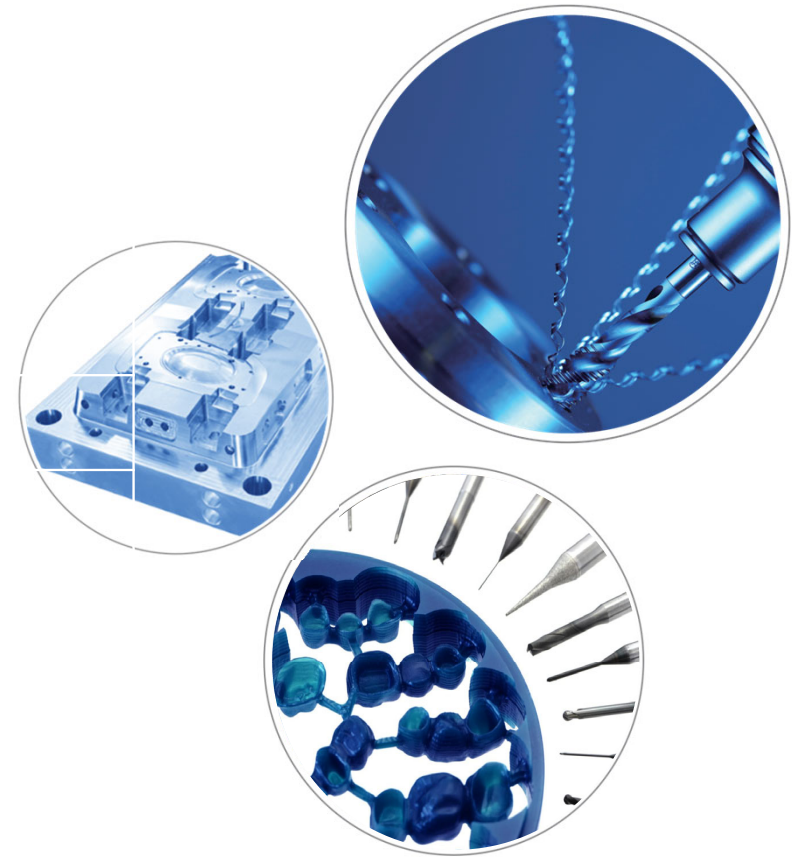
April, 2021
OSG Corporation



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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	7,266 (consolidated) 1,867 (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

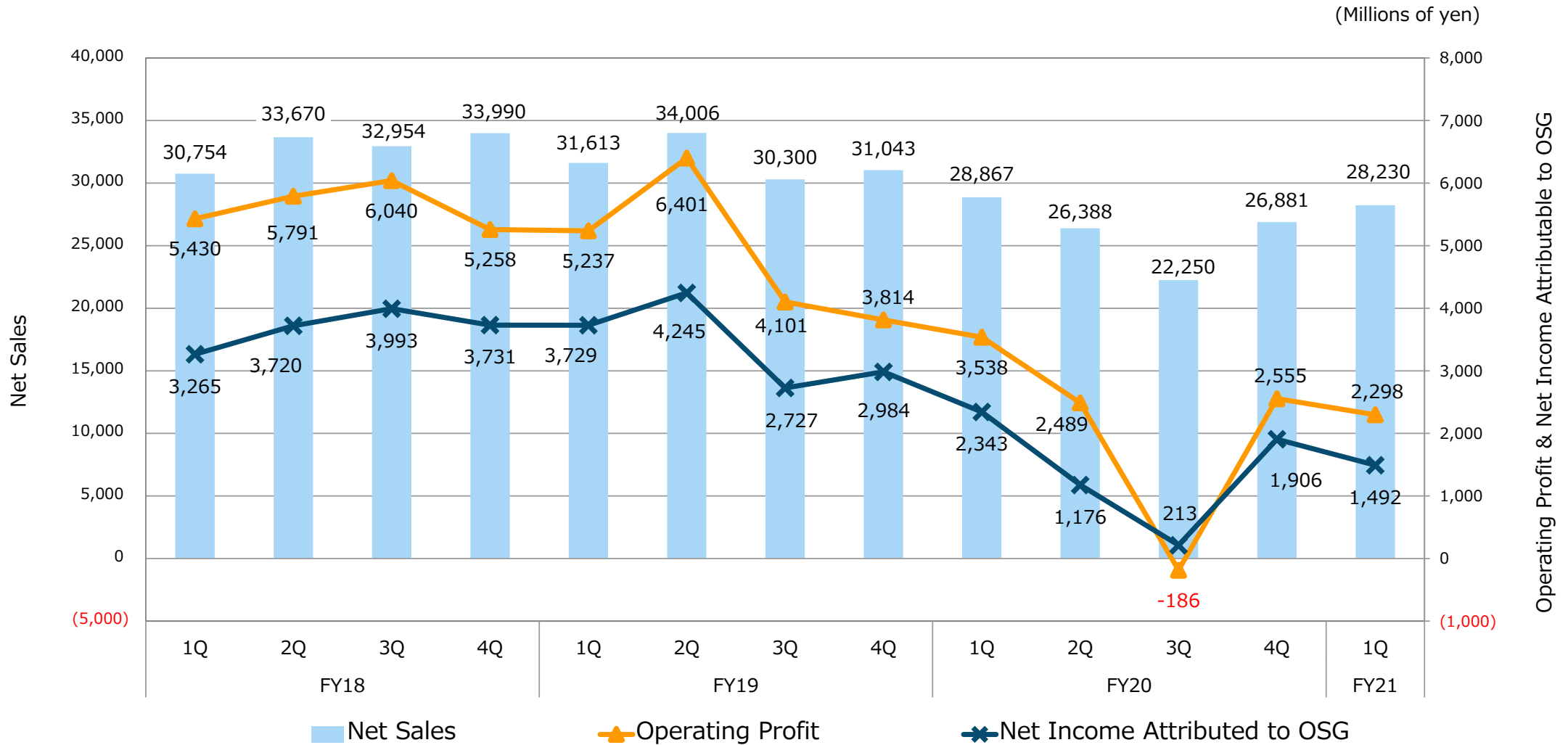


Financial Summary

(Millions of yen)

	FY20-1Q	FY21-1Q	Change	FY21-1H Forecast	Progress Rate
Net Sales	28,867	28,230	-2.2%	56,000	50.4%
Operating Profit	3,538	2,298	-35.1%	5,000	46.0%
OPM	12.3%	8.1%	-	8.9%	-
Ordinary Profit	3,569	2,420	-32.2%	5,000	48.4%
Net Profit Attributable to OSG	2,343	1,492	-36.3%	3,100	48.1%
EPS(yen)	24.10	15.31	-36.5%	31.80	-

Financial Summary



Review of FY20-1Q

Sales recovering around the same level as 1Q of the previous year, driven by China.

Hoping for a rise in profit after 2Q because of recovery in production.

➤ Index & Capital Investment Results

—EBITDA	49 billion yen	(decreased by 17.9% from FY20-1Q)
—EBITDA Margin	17.5%	(3.4pts decreased from FY20-1Q)
—Equity ratio	65.4%	(0.8pts increased from the end of FY20)
—CAPEX	13 billion yen	
—Depreciation	26 billion yen	



Review of FY20-1Q

The Americas

Profit increased due to aggressive cost reduction. South America benefits from currency depreciation.

Europe/Africa

Europe is generally on a recovery trend, however the aviation industry is still tough and profits declined. Focus on collaborative projects with M & A companies.

Asia

China has been sustaining the good performance and sales and profits increased. South Asia is on a recovery trend, driven by the automobile and electronic components industries.

Japan

Sales and profits declined due to the effects of production adjustments. Full-fledged production recovery is expected after 2Q.

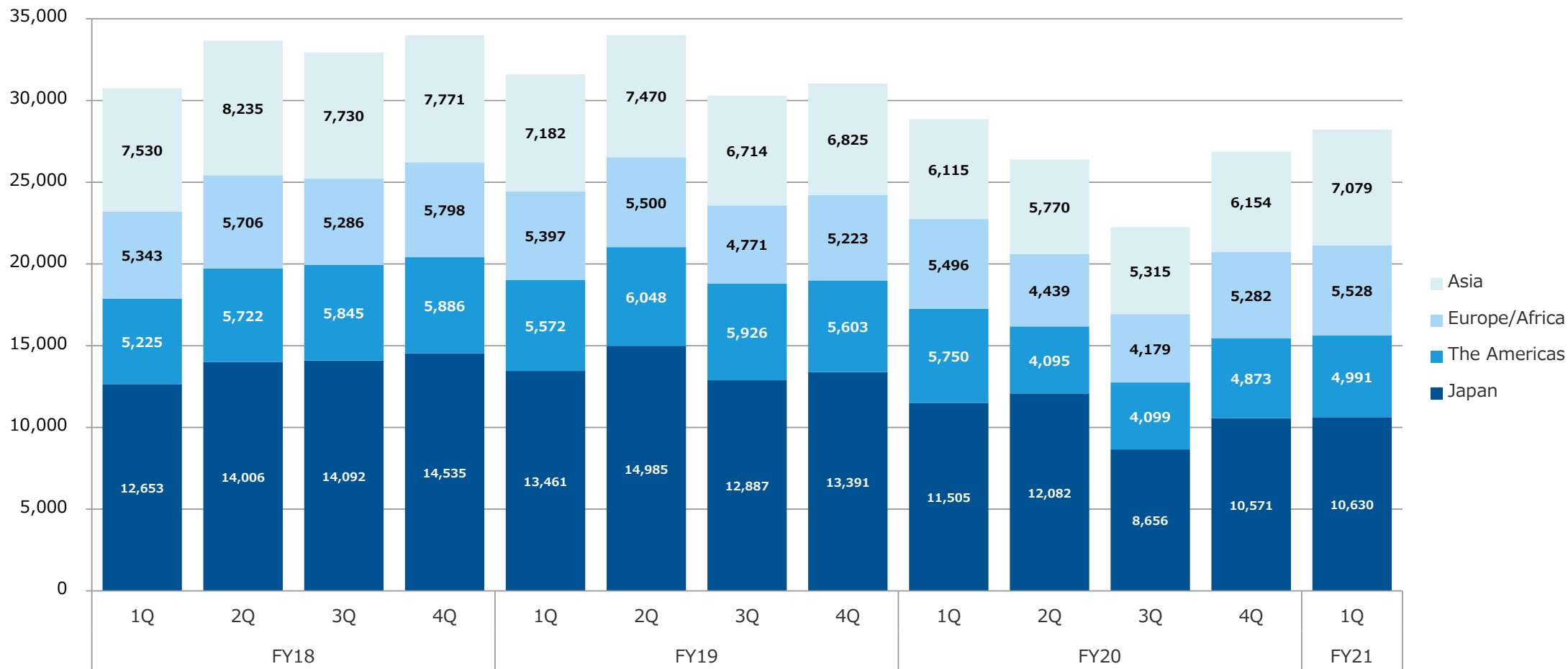
Sales to Customer

(Millions of yen)

	FY20-1Q	FY21-1Q	Change		Change in local currency
Japan	11,505	10,630	-875	-7.6%	-
The Americas	5,750	4,991	-758	-13.2%	-7.8%
Europe/Africa	5,496	5,528	32	+0.6%	-1.6%
Asia	6,115	7,079	963	+15.8%	+14.1%
Consolidated	28,867	28,230	-637	-2.2%	-

Sales to Customer

(Millions of yen)



Operating Income

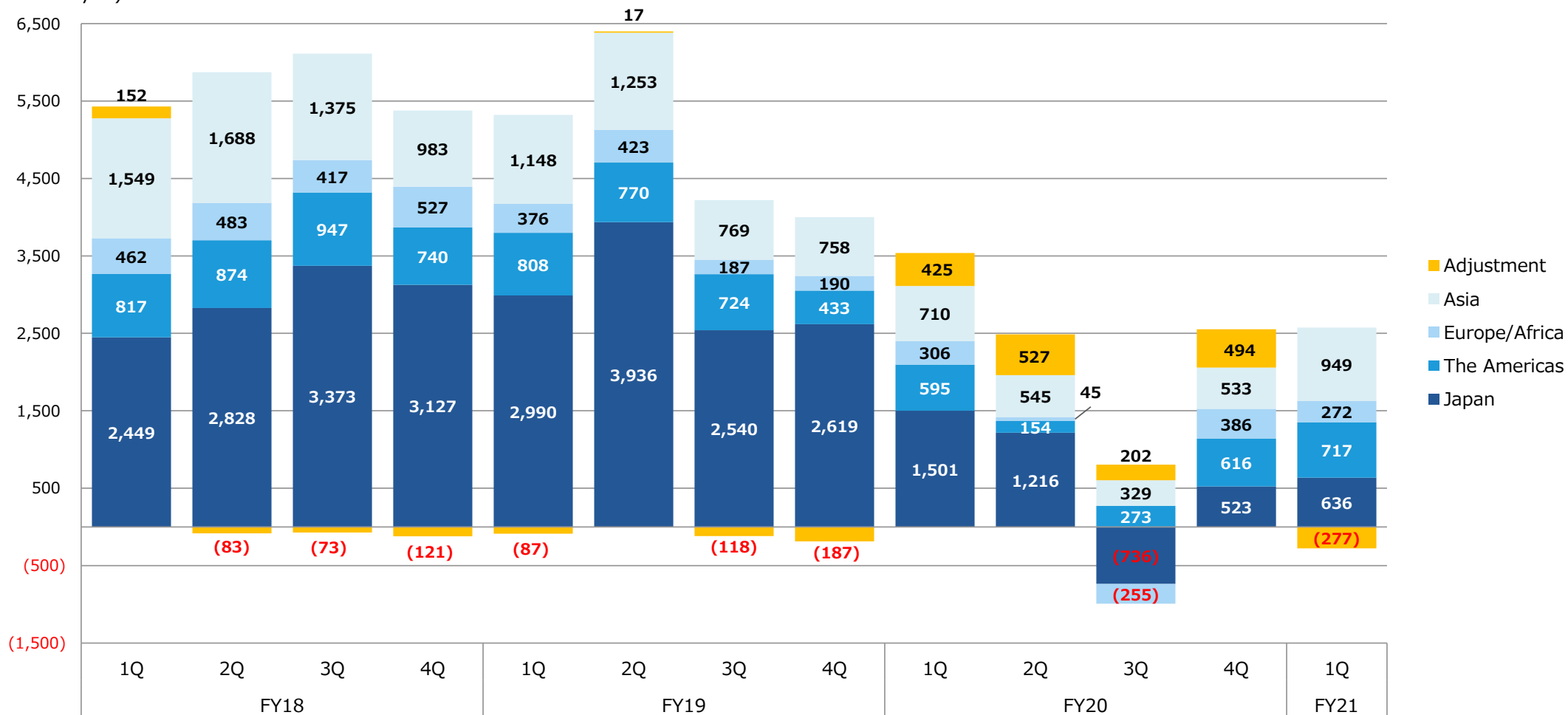
(Millions of yen)

	FY20-1Q	Area percentage	FY21-1Q	Area percentage	Change		OPM *
Japan	1,501	48.2%	636	24.7%	-865	-57.6%	4.4%
The Americas	595	19.1%	717	27.9%	122	+20.5%	13.6%
Europe/Africa	306	9.8%	272	10.6%	-33	-10.9%	4.9%
Asia	710	22.8%	949	36.8%	238	+33.5%	12.5%
Total	3,113	-	2,575	-	-538	-17.3%	7.8%
Eliminations	425	-	-277	-	-702	-	-
Consolidated	3,538	-	2,298	-	-1,240	-35.1%	8.1%

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

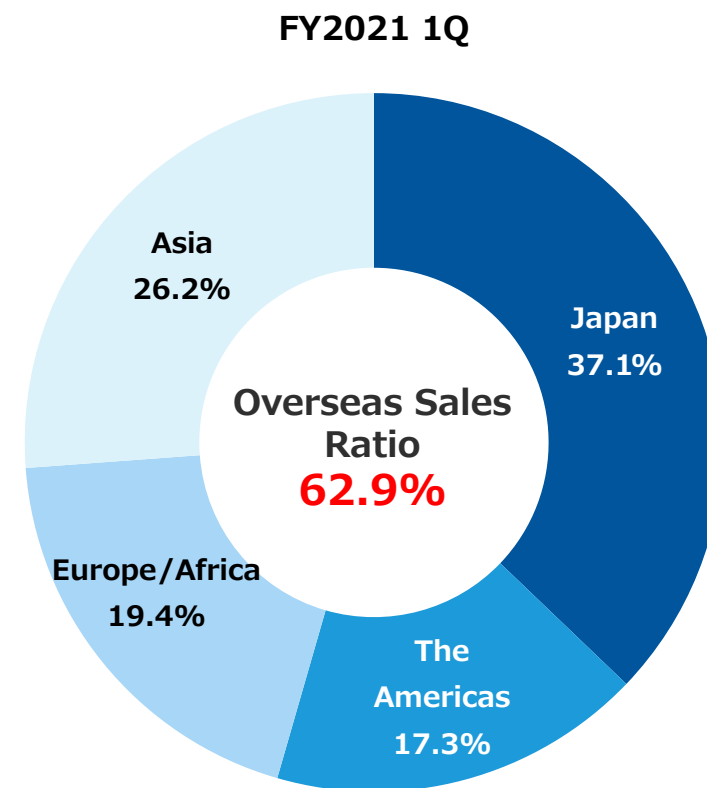
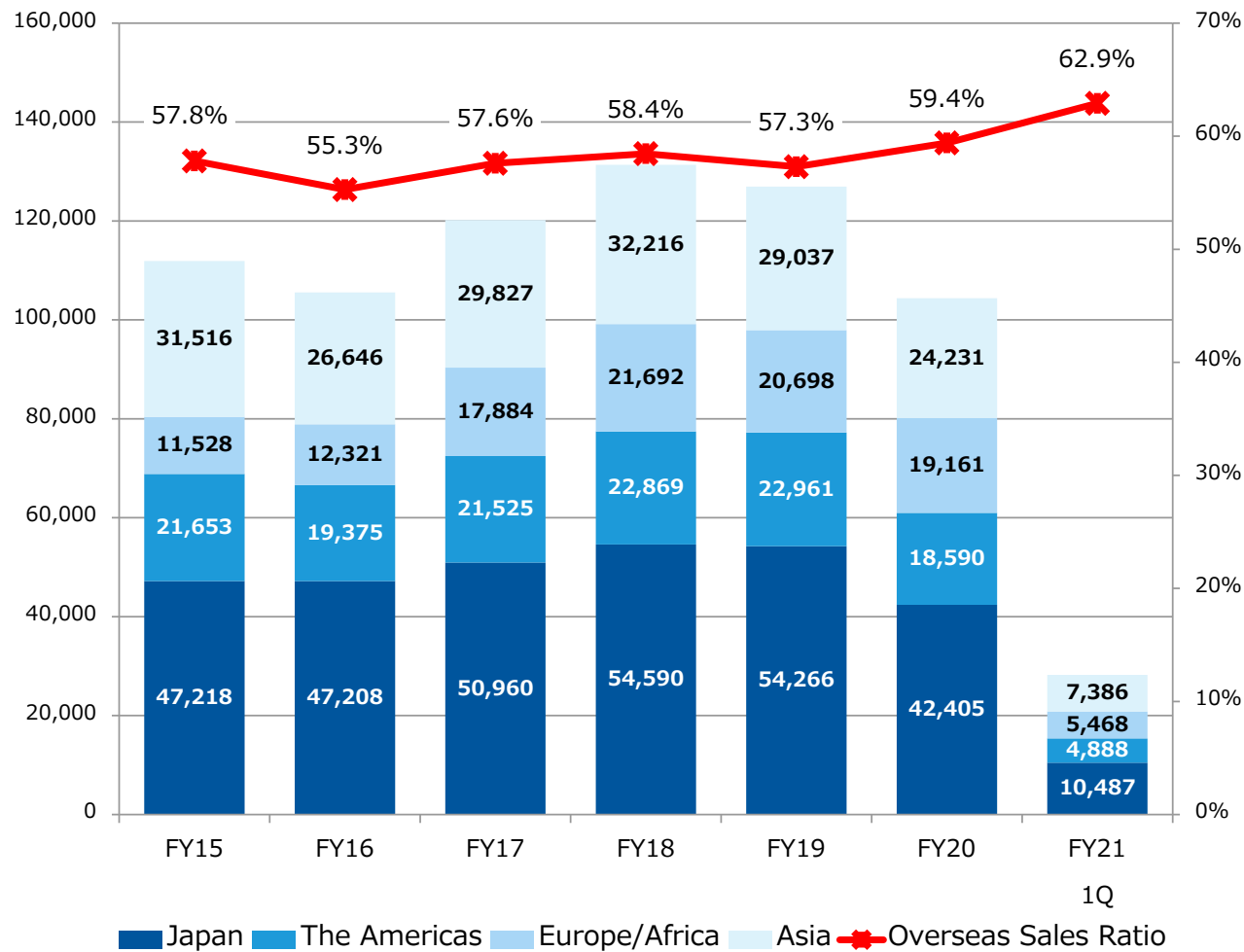
Operating Income

(Millions of yen)



Overseas Sales Ratio

(Millions of yen)



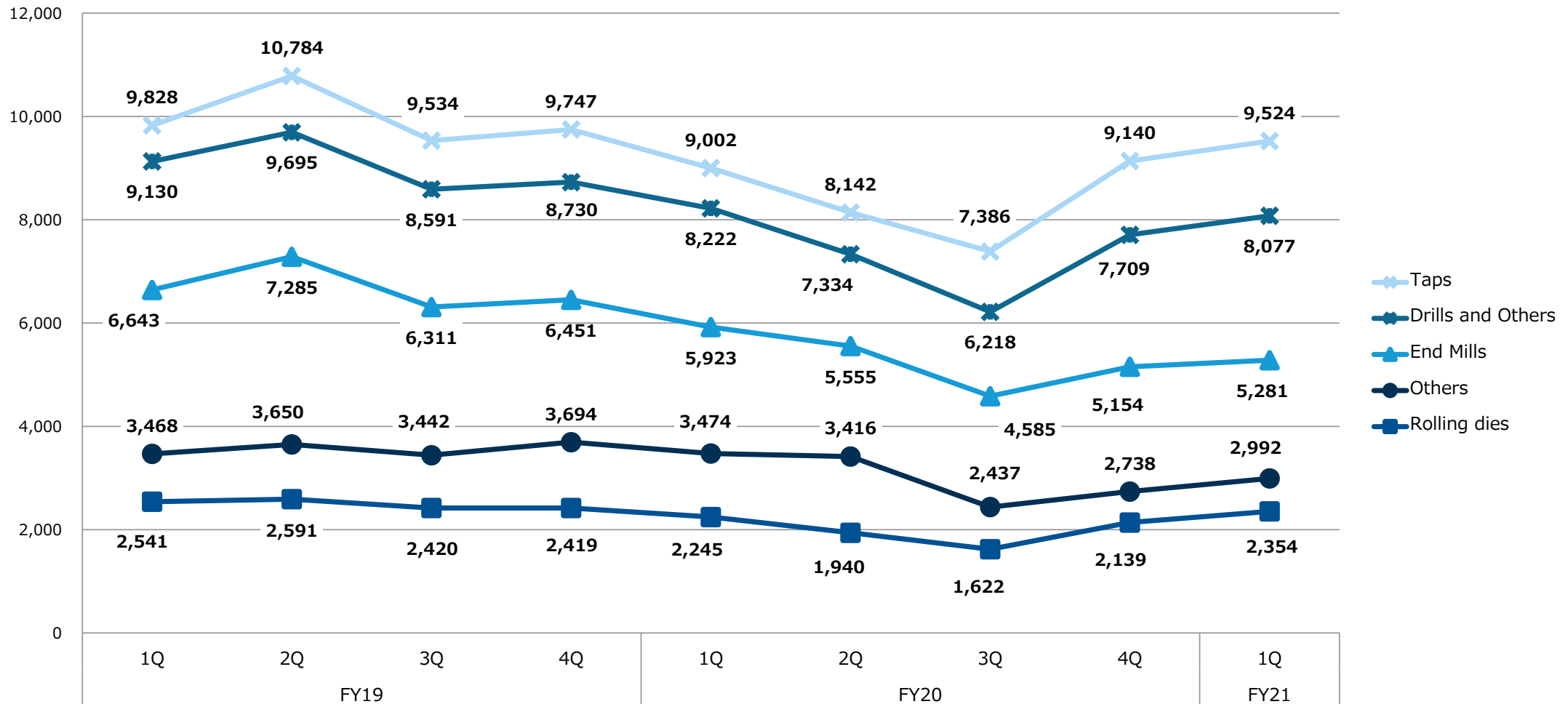
Net Sales by Product Segment

(Millions of yen)

		FY20						FY21		Change	
		1Q	2Q	3Q	4Q	Total		1Q			
Precision Tools	Taps	9,002	8,142	7,386	9,140	33,671	32.3%	9,524	33.7%	522	5.8%
	End mills	5,923	5,555	4,585	5,154	21,219	20.3%	5,281	18.7%	-642	-10.8%
	Drills and Others	8,222	7,334	6,218	7,709	29,484	28.2%	8,077	28.6%	-145	-1.8%
	Rolling dies	2,245	1,940	1,622	2,139	7,947	7.6%	2,354	8.3%	109	4.9%
	Gauges	461	455	398	397	1,712	1.6%	373	1.3%	-87	-19.0%
		25,854	23,426	20,211	24,541	94,034	90.1%	25,611	90.7%	-243	-0.9%
Other	Machine	1,149	1,139	501	703	3,493	3.3%	956	3.4%	-192	-16.8%
	Other	1,864	1,822	1,537	1,637	6,861	6.6%	1,663	5.9%	-201	-10.8%
		3,013	2,961	2,039	2,340	10,354	9.9%	2,619	9.3%	-394	-13.1%
Total		28,867	26,388	22,250	26,881	104,388	100%	28,230	100%	-637	-2.2%

Net Sales by Product Segment

(Millions of yen)



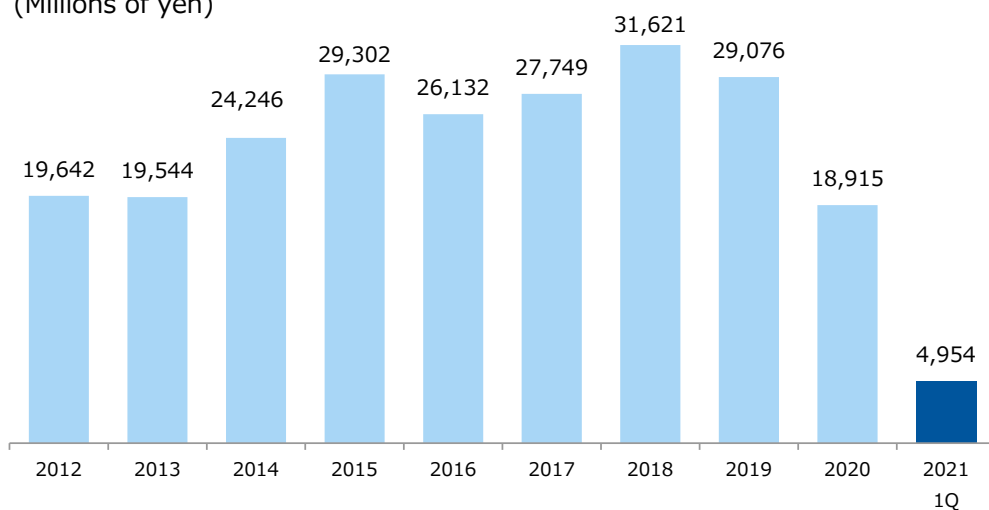
B/S Overview • EBITDA

(Millions of yen)

	FY20	FY21-1Q		FY20	FY21-1Q
Equity ratio (%)	64.6	65.4	Cash and time deposits	37,807	38,674
Receivable turnover period (Days)	69	68	Debt	42,399	40,982
Inventory turnover period (months)	4.9	4.5	Net Cash	-4,591	-2,308

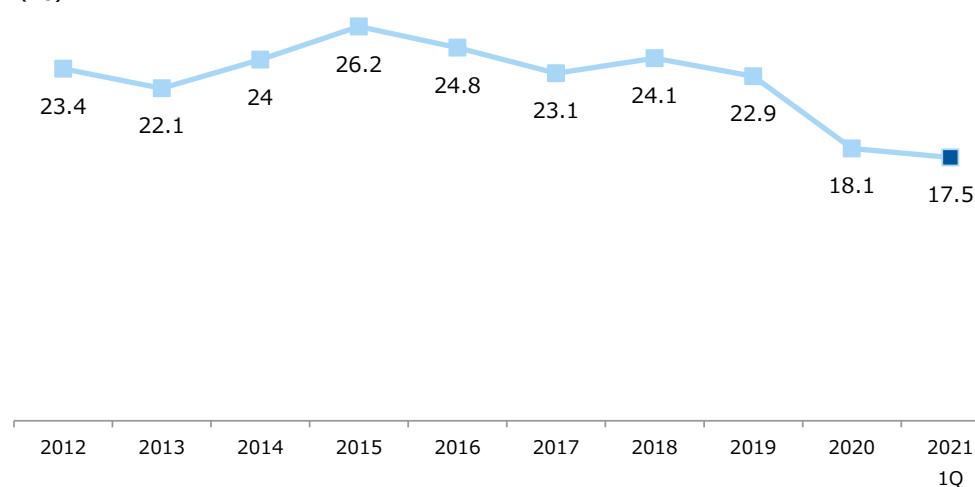
EBITDA

(Millions of yen)

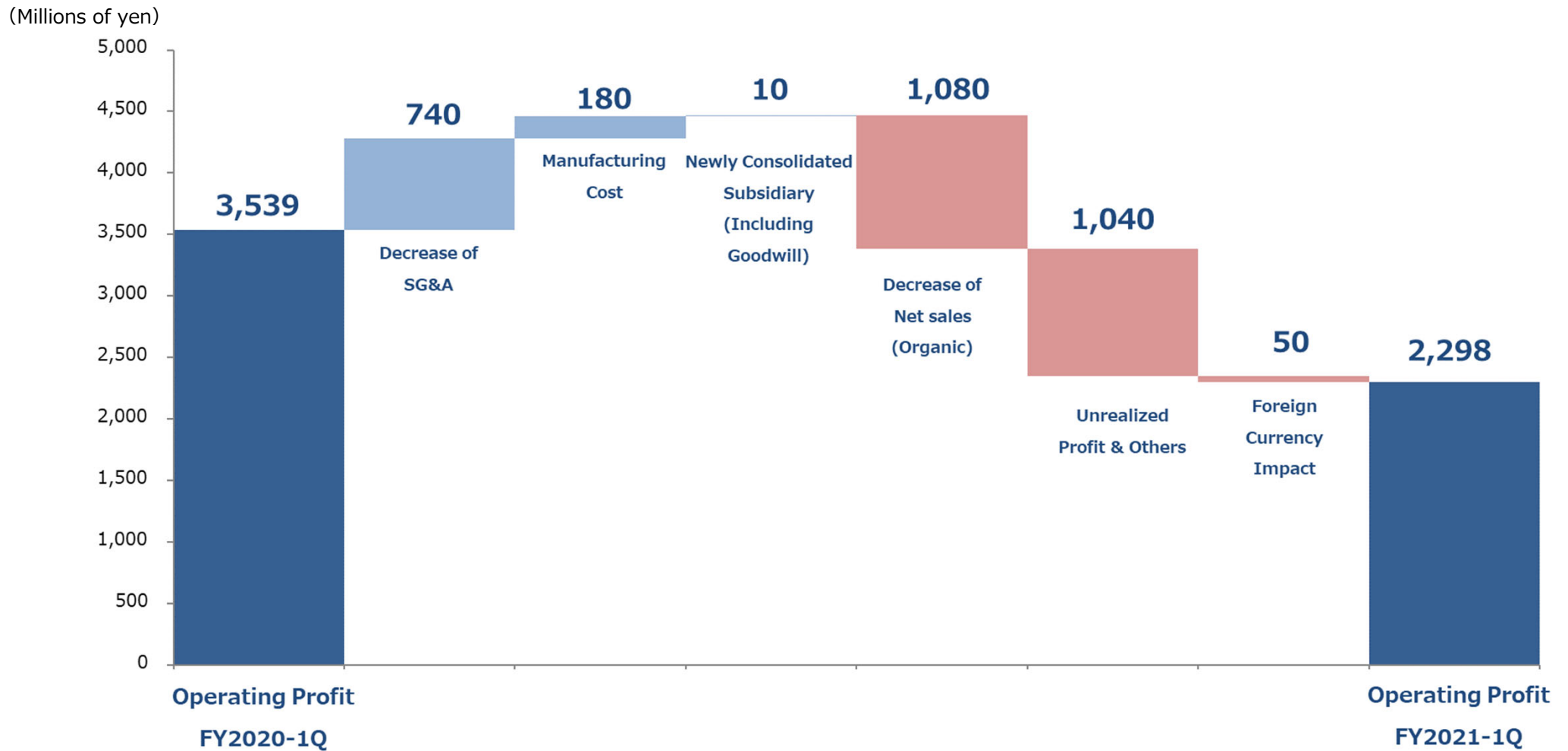


EBITDA Margin

(%)



Operation Profit Variation



Capital Investment

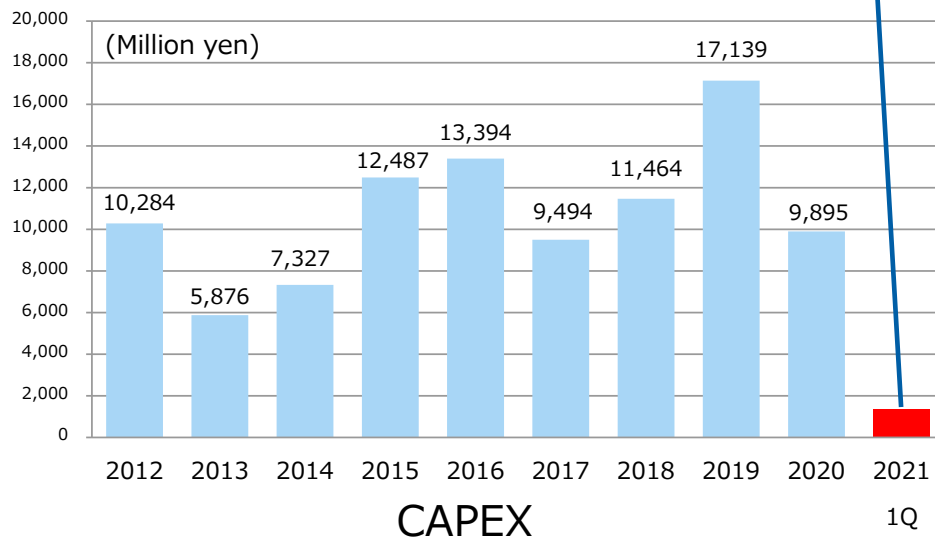
FY21 Capital Investment Forecast

6.0 billion yen

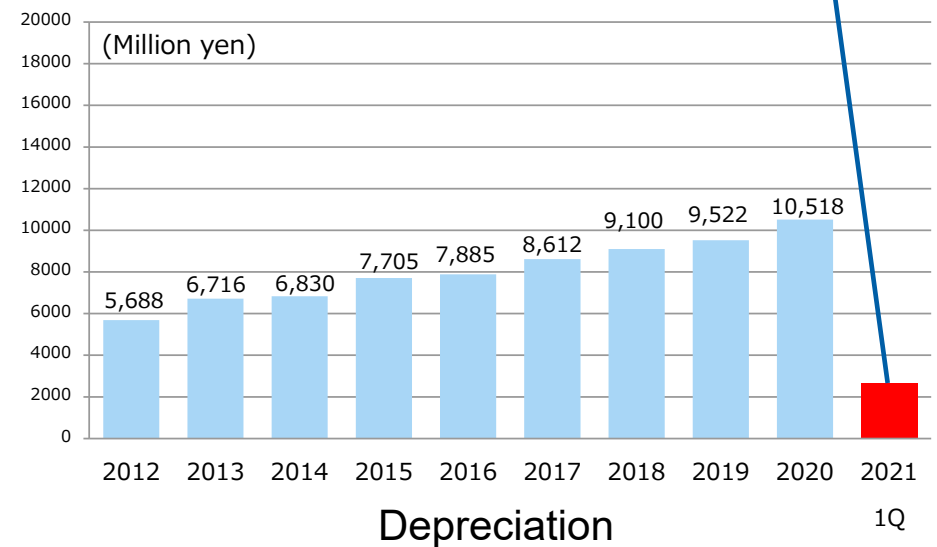
Breakdown

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

CAPEX : 1,344



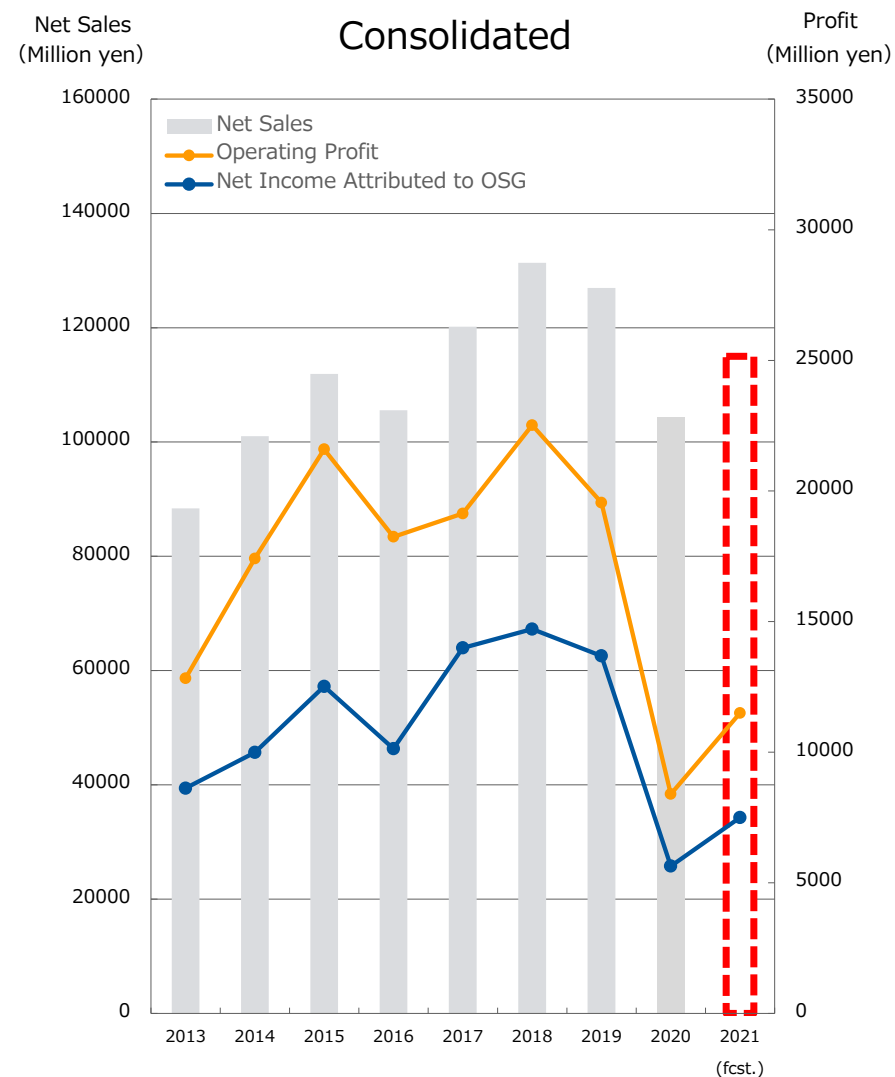
Depreciation : 2,656



Forecast for FY21

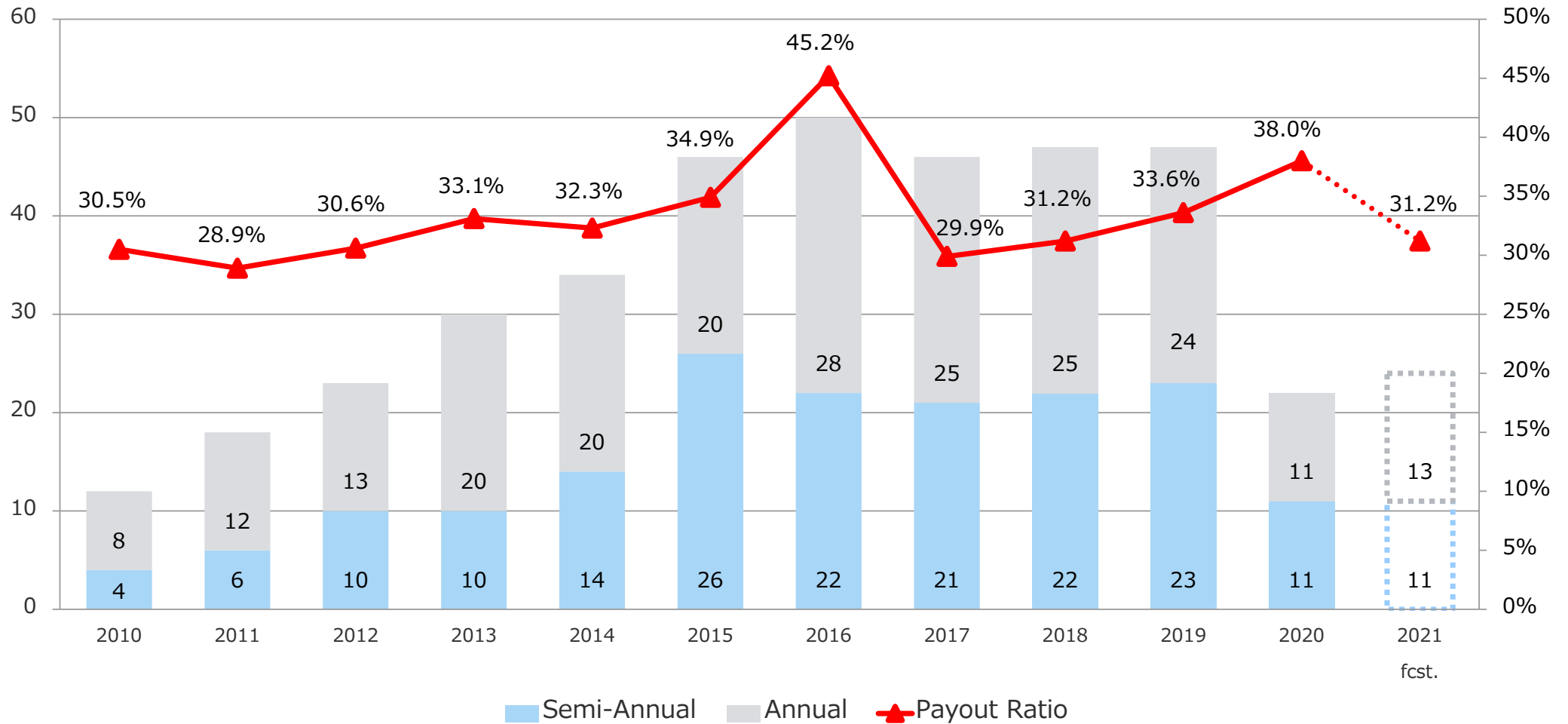
	Consolidated		Parent Company	
	Amount (million yen)	Growth	Amount (million yen)	Growth
Net Sales	115,000	+10.2%	50,000	+14.2%
Operating Profit	11,500	+37.0%	4,000	+125.1%
as % of sales	10.0%	-	8.0%	-
Ordinary Profit	11,500	+28.5%	5,000	-7.7%
as % of sales	10.0%	-	10.0%	-
Net Income Attributed to	7,500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



Dividends Per Share

(yen)



Management Policy for FY21

- 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.

- 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

OSG's ESG

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.

Exchange Rate

	1US\$	1Euro	1RMB
FY19 1Q	110.28円	126.08円	16.34円
FY19	109.36円	122.53円	15.86円
FY20 1Q	109.35円	121.05円	15.65円
FY20	106.94円	121.60円	15.41円
FY21 1Q	104.74円	127.53円	16.13円

Appx.1 Selected Financial Data (Consolidated)

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 1Q
Net sales	(mil.yen)	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	131,368	126,964	104,388	28,230
Sales growth	(%)	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	-2%
Cost of sales	(mil.yen)	44,605	48,439	49,381	52,777	58,061	61,865	59,179	69,711	74,833	73,281	65,715	18,011
Gross profit	(mil.yen)	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	56,535	53,682	38,673	10,219
SG&A expenses	(mil.yen)	17,383	20,214	20,747	22,774	25,554	28,454	28,135	31,349	34,015	34,128	30,276	7,920
Operating income	(mil.yen)	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	22,520	19,554	8,396	2,298
Ordinary income	(mil.yen)	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	22,567	19,710	8,950	2,420
Net income	(mil.yen)	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	14,710	13,686	5,639	1,492
Gross profit margin	(%)	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	36.2%
SG&A as % of sales	(%)	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%	26.9%	29.0%	28.1%
Operating income	(%)	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	8.1%
Ordinary income	(%)	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	8.6%
Net income	(%)	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	5.3%
Average FX rate: 1USD	(yen)	89.29	80.71	78.89	93.16	102.98	121.03	109.78	112.33	110.53	109.36	106.94	104.74
Average FX rate: 1Euro	(yen)	120.65	112.80	102.63	122.62	139.37	134.92	121.39	126.20	130.68	122.53	121.60	127.53
Total assets	(mil.yen)	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,020	190,414	200,112	201,834
Total shareholders' equity	(mil.yen)	57,117	59,367	64,482	80,024	91,458	102,566	92,216	115,810	125,332	129,078	129,338	132,087
Net income	(yen)	39.34	62.18	75.16	90.76	105.20	131.78	110.59	153.70	150.47	140.06	57.94	15.31
Cash dividends (end of Q2)	(yen)	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)	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)	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	1,354.46
Average number of shares	(ths)	95,904	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,761	97,716	97,335	97,492
ROE	(%)	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	4.6%
Equity ratio	(%)	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	65.4%
Operating CF	(mil.yen)	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)	-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)	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-
Cash flow margin	(%)	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%	-