



# Financial Results for FY2021 – 2Q

July 9, 2021  
OSG Corporation

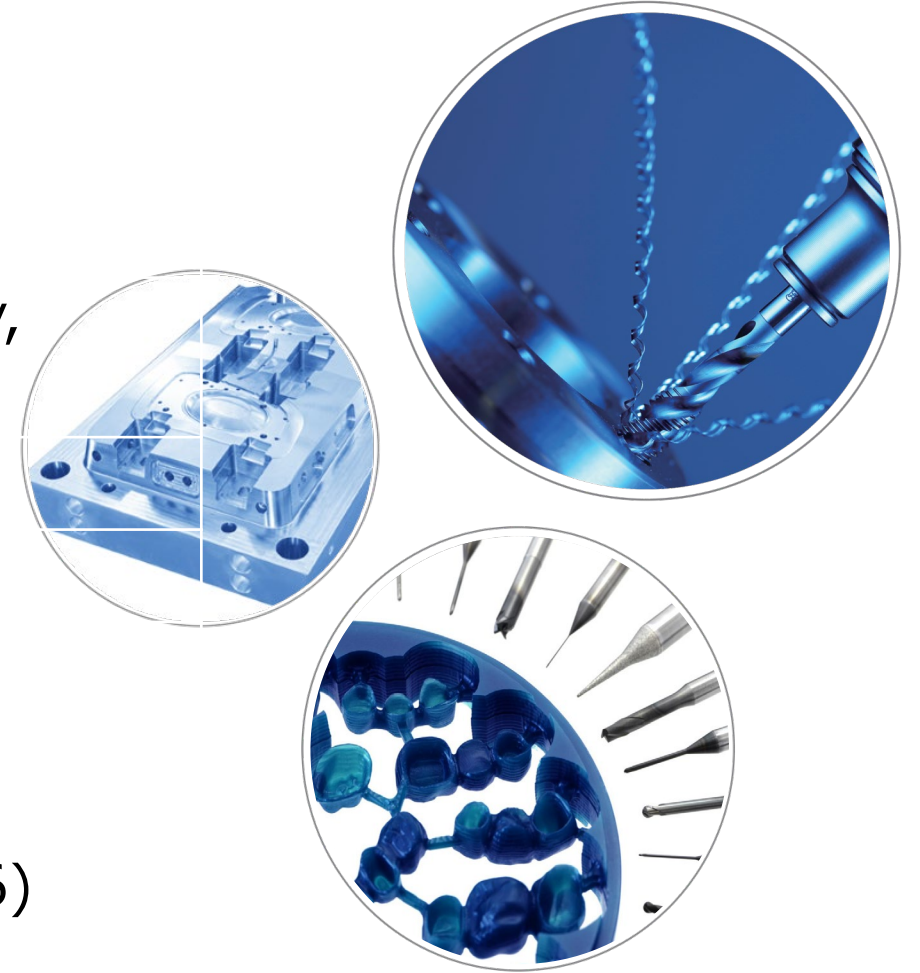


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# Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	12,239 million yen
Employees	7,430 (consolidated) 1,929 (non-consolidated)
Stock listed	1 <sup>st</sup> 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 over 30% market share as **world leader**

## Strength

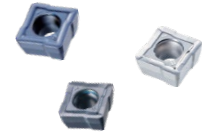
- High-value cutting tools
- Excellent after-sales service
- A global sales & service network across 33 countries

Tools to make holes  
Drill

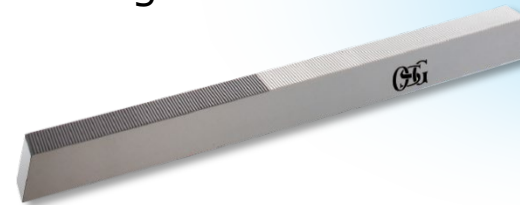


Tools to shape metal  
End mill

Tools to shape metal  
Indexable tools



Tools to form threads  
Rolling dies



Tools to cut threads  
Tap



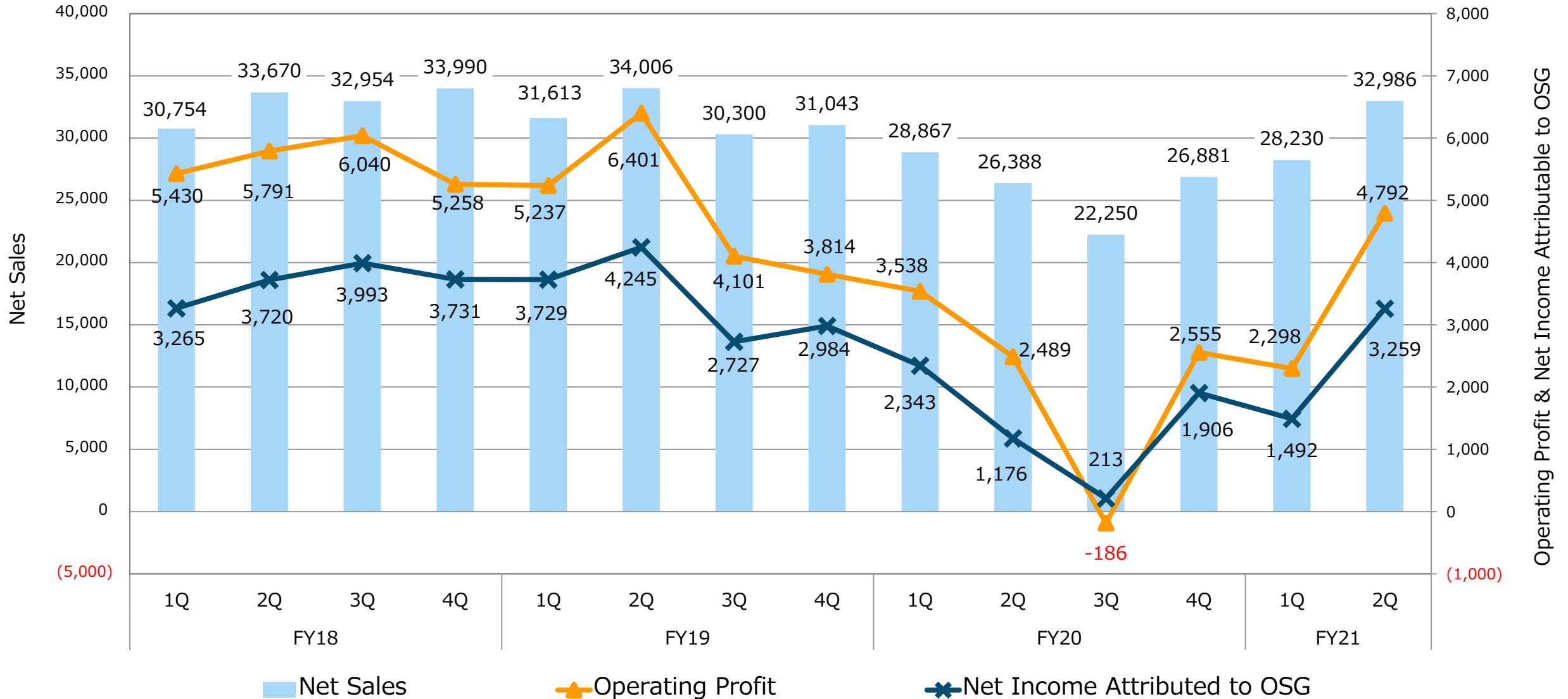
# Financial Summary

(Millions of yen)

	FY20-1H	FY21-1H	Change	FY21 initial fcst. Semi-Annual	FY21 initial fcst. Annual
Net Sales	55,256	61,217	+10.8%	56,000	115,000
Operating Profit	6,027	7,091	+17.6%	5,000	11,500
OPM	10.9%	11.6%	-	8.9%	10.0%
Ordinary Profit	5,964	7,261	+21.7%	5,000	11,500
Net Profit Attributable to OSG	3,519	4,751	+35.0%	3,100	7,500
EPS(yen)	36.19	48.73	+34.7%	31.80	76.93

# Financial Summary

(Millions of yen)



# Review of FY21-2Q

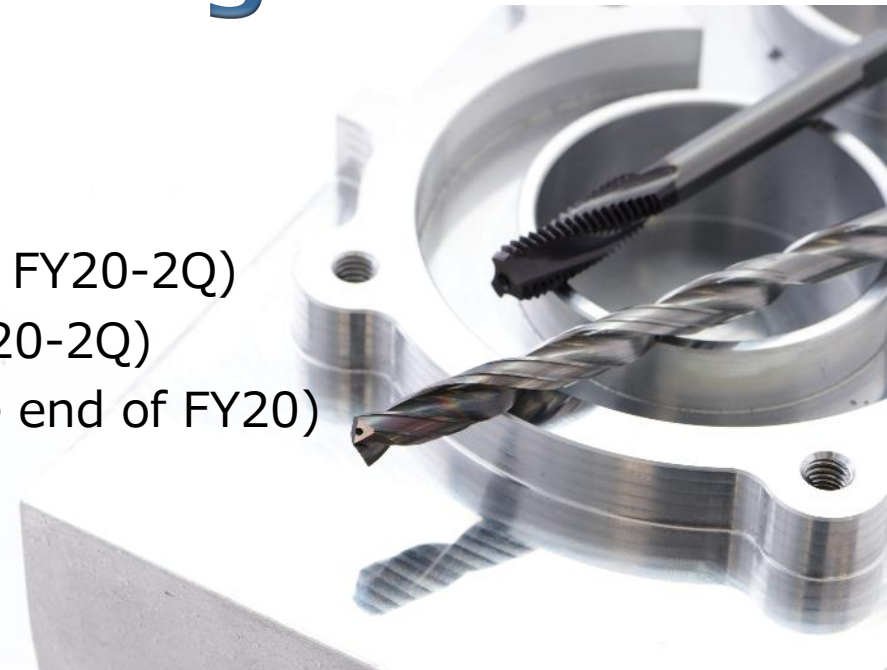
**Sales recover to FY18 peak level.**

**Both orders and sales are also recovering.**

**Tap sales in this term are the highest ever.**

## ➤ Index & Capital Investment Results

—EBITDA	12.3 billion yen	(Increased by 11.1% from FY20-2Q)
—EBITDA Margin	20.2%	(0.1pts increased from FY20-2Q)
—Equity Ratio	66.6%	(2.0pts increased from the end of FY20)
—CAPEX	2.4 billion yen	
—Depreciation	5.2 billion yen	



# Review of FY21-2Q

A stylized world map in blue and white, centered on the Atlantic Ocean, serving as a background for the regional performance review.

## The Americas

Sales and profits increased due to improved business conditions in the manufacturing sector.  
Sales in Central and South America increased significantly.

## Asia

Sales and profits increased due to continued favorable conditions, especially in China.  
Busy for semiconductors and electronic components.

## Europe / Africa

Sales and profits increased due to strong sales in the automotive sector.  
Progress in collaboration with M&A subsidiaries contributed to improved profitability.

## Japan

Sales decreased due to severe demand from the aircraft industry, but profits increased.  
Factory utilization rate continues to rise. Watching the impact of semiconductor shortage.



# Sales to Customer

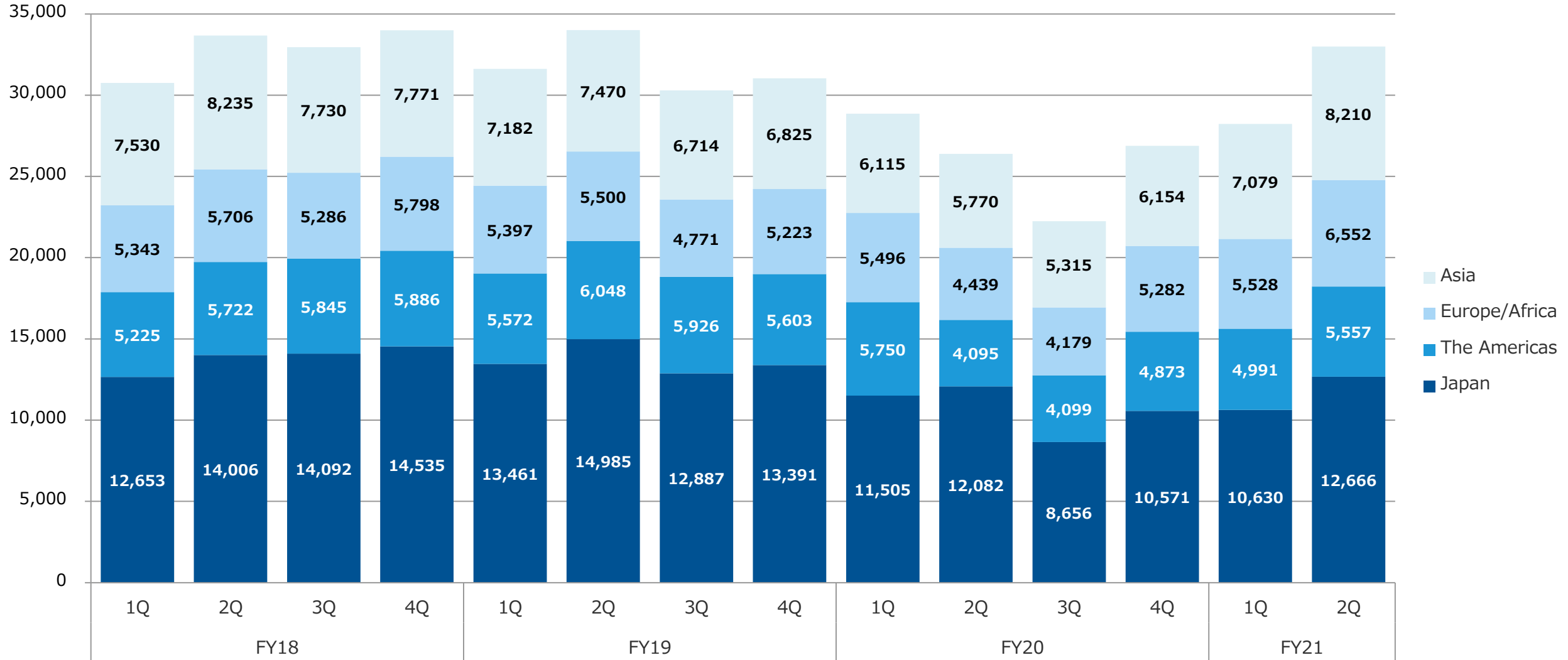
(Millions of yen)

Change  
in local  
currency

	FY20-1H	FY21-1H	Change		
Japan	23,588	23,296	-291	-1.2%	-
The Americas	9,846	10,549	702	+7.1%	+8.9%
Europe/Africa	9,935	12,081	2,146	+21.6%	+14.3%
Asia	11,885	15,289	3,403	+28.6%	+21.7%
Consolidated	55,256	61,217	5,961	+10.8%	-

# Sales to Customer

(Millions of yen)



# Operating Income

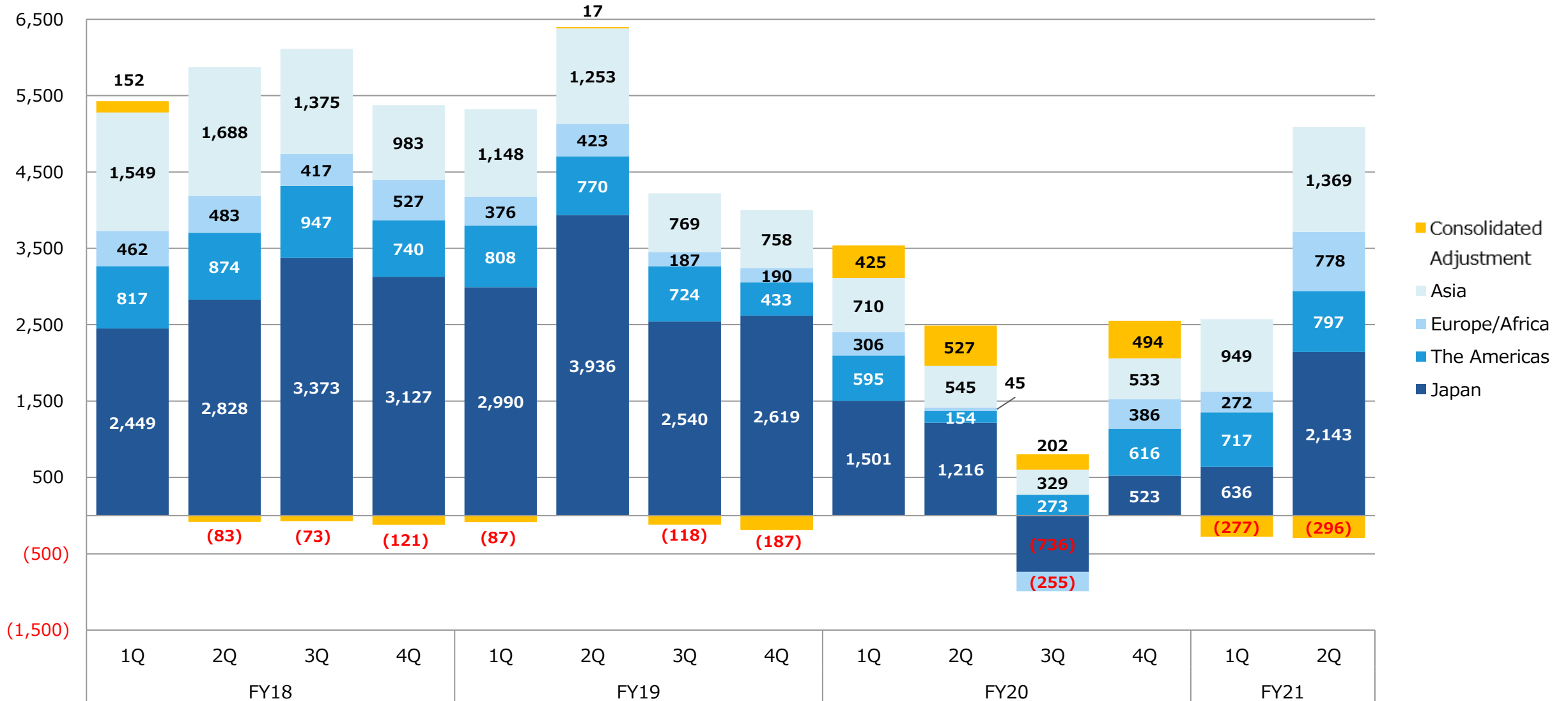
(Millions of yen)

	FY20-1H	Area percentage	FY21-1H	Area percentage	Change		OPM(*)
Japan	2,718	53.6%	2,779	36.3%	61	+2.3%	8.6%
The Americas	750	14.8%	1,515	19.8%	765	+102.0%	13.9%
Europe/Africa	351	6.9%	1,051	13.7%	699	+199.4%	8.6%
Asia	1,256	24.8%	2,318	30.3%	1,062	+84.6%	14.1%
Total	5,075	-	7,664	-	2,589	+51.0%	10.7%
Eliminations	952	-	-573	-	-1,526	-	-
Consolidated	6,027	-	7,091	-	1,063	+17.6%	11.6%

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

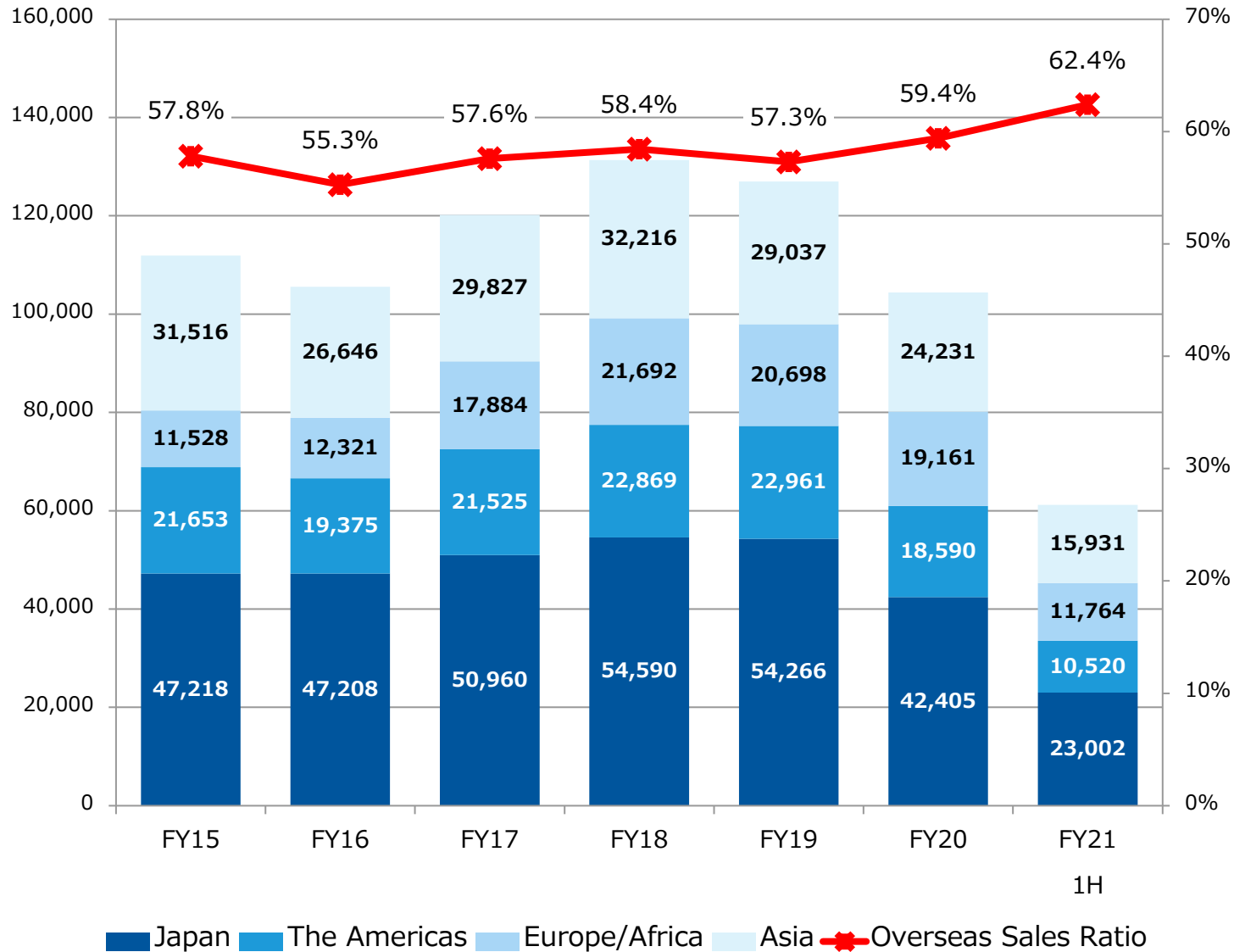
# Operating Income

(Millions of yen)

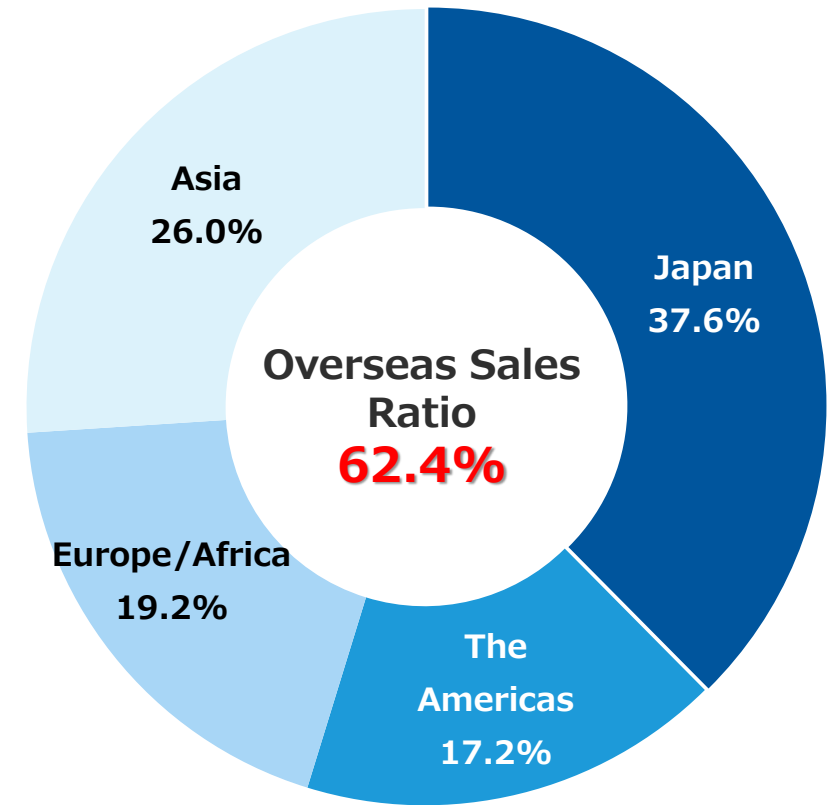


# Overseas Sales Ratio

(Millions of yen)



## FY2021-1H



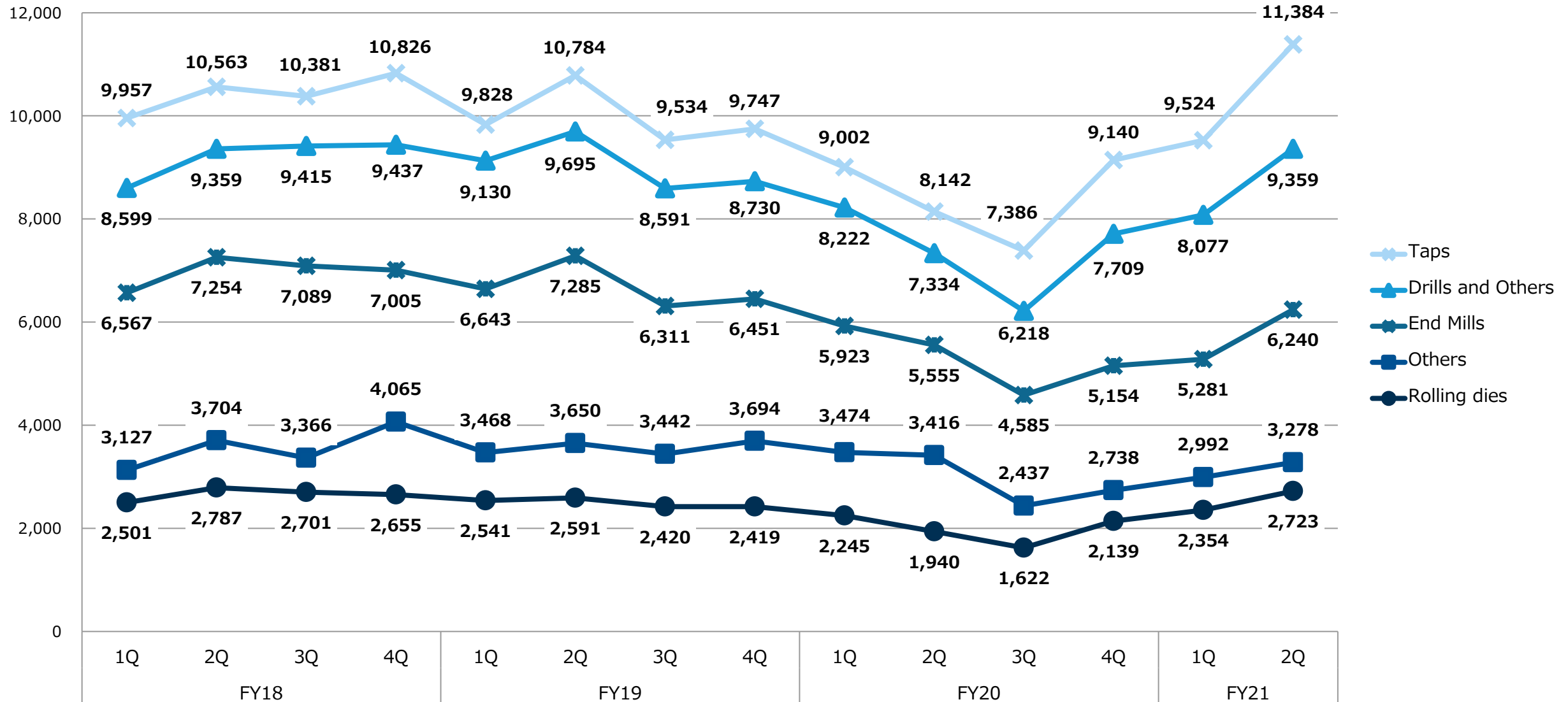
# Net Sales by Product Segment

(Millions of yen)

		FY20						FY21				Change	
		1Q	2Q	3Q	4Q	1H		1Q	2Q	1H			
Precision Tools	Taps	9,002	8,142	7,386	9,140	17,144	31.0%	9,524	11,384	20,909	34.2%	3,764	22.0%
	End mills	5,923	5,555	4,585	5,154	11,479	20.8%	5,281	6,240	11,522	18.8%	43	0.4%
	Drills and Others	8,222	7,334	6,218	7,709	15,556	28.2%	8,077	9,359	17,436	28.5%	1,879	12.1%
	Rolling dies	2,245	1,940	1,622	2,139	4,185	7.6%	2,354	2,723	5,078	8.3%	892	21.3%
	Gauges	461	455	398	397	916	1.7%	373	445	819	1.3%	-97	-10.6%
		25,854	23,426	20,211	24,541	49,281	89.3%	25,611	30,153	55,765	91.1%	6,483	13.2%
Other	Machine	1,149	1,139	501	703	2,288	4.0%	956	1,006	1,962	3.2%	-325	-14.2%
	Other	1,864	1,822	1,537	1,637	3,686	6.7%	1,663	1,826	3,489	5.7%	-196	-5.3%
		3,013	2,961	2,039	2,340	5,974	10.8%	2,619	2,833	5,452	8.9%	-522	-8.7%
Total		28,867	26,388	22,250	26,881	55,256	100%	28,230	32,986	61,217	100%	5,961	10.8%

# Net Sales by Product Segment

(Millions of yen)



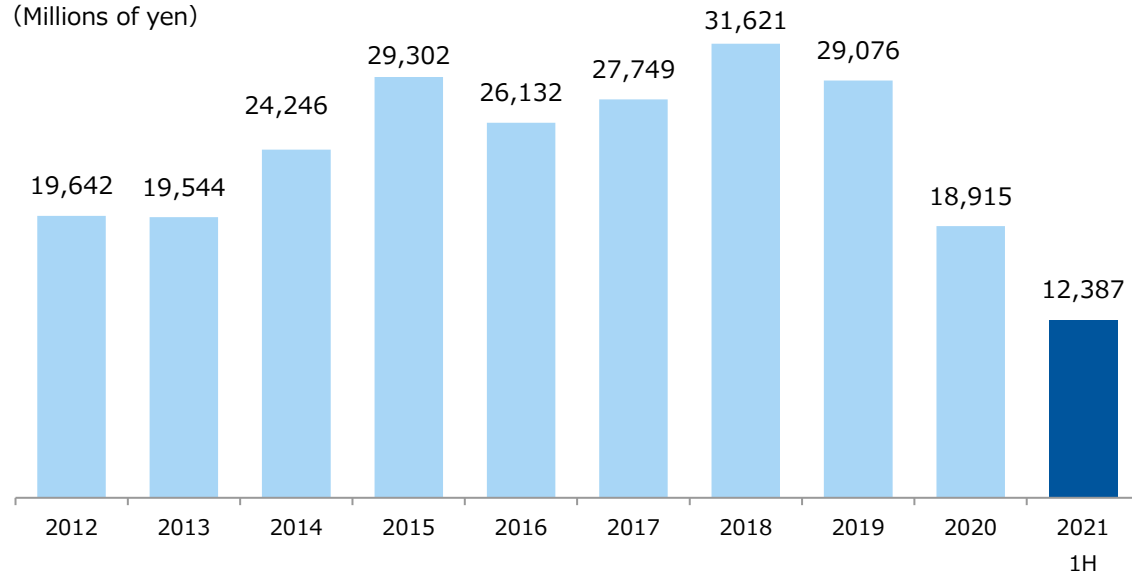
# B/S Overview · EBITDA

(Millions of yen)

	FY20	FY21-1H		FY20	FY21-1H
Equity Ratio (%)	64.6	66.6	Cash and Time Deposits	37,807	44,095
Receivable Turnover Period (Days)	69	67	Debt	41,769	36,622
Inventory Turnover Period (months)	4.9	4.2	Net Cash	-3,962	7,472

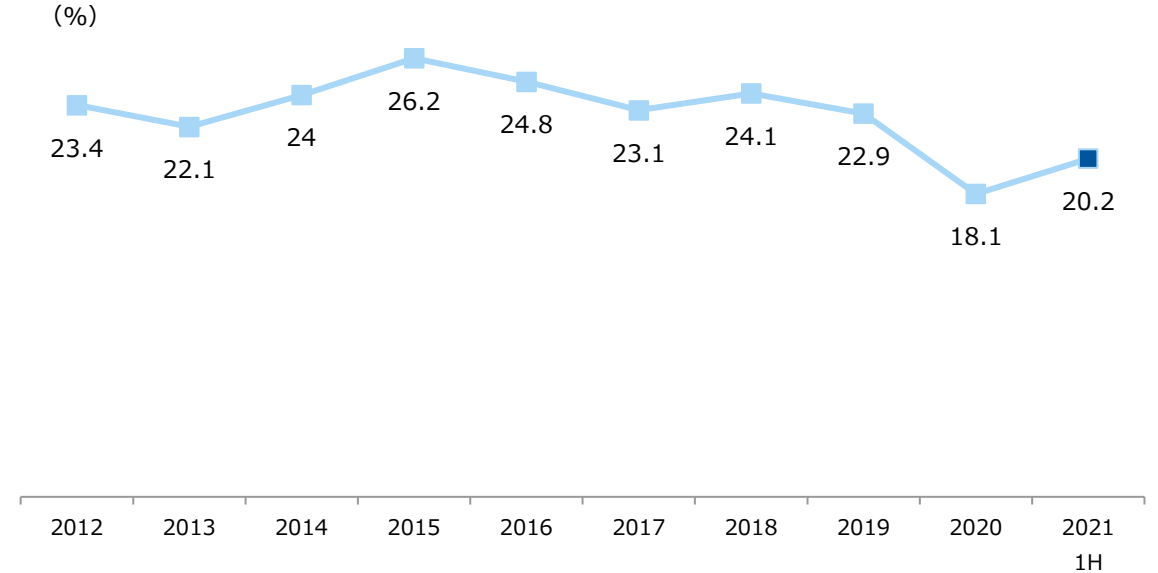
## EBITDA

(Millions of yen)



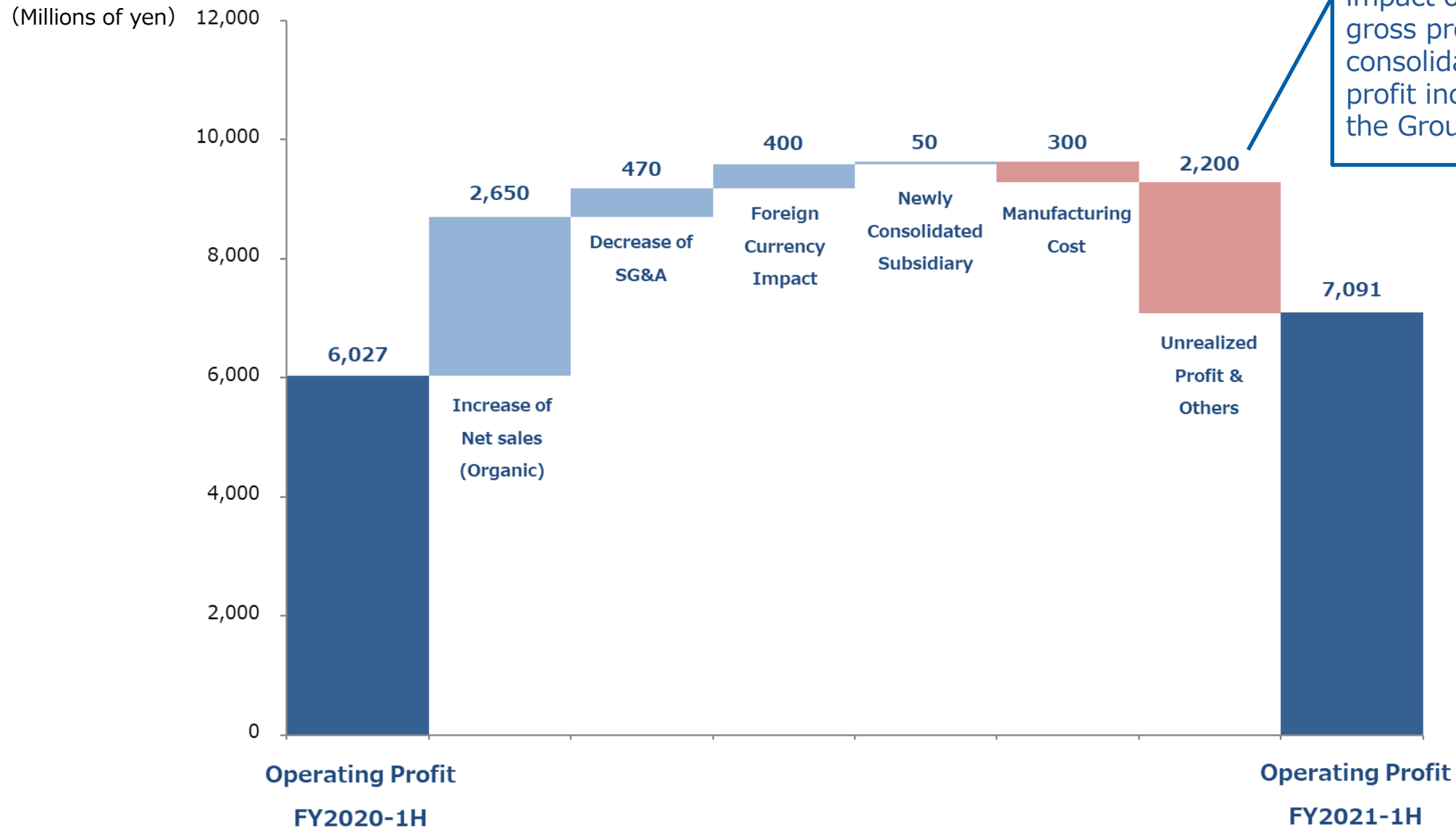
## EBITDA Margin

(%)





# Operation Profit Variation



This drop derives from mainly the impact of an improvement in the gross profit margin used in consolidating and eliminating the profit included in the inventory of the Group's internal transactions.

# Capital Investment

**FY21 Capital Investment Forecast**

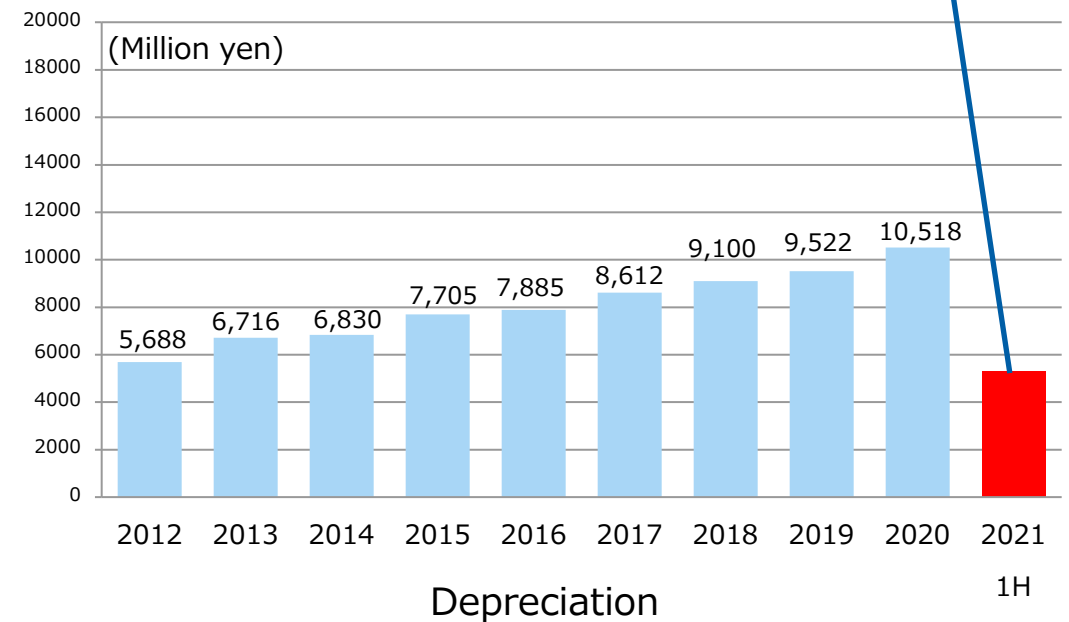
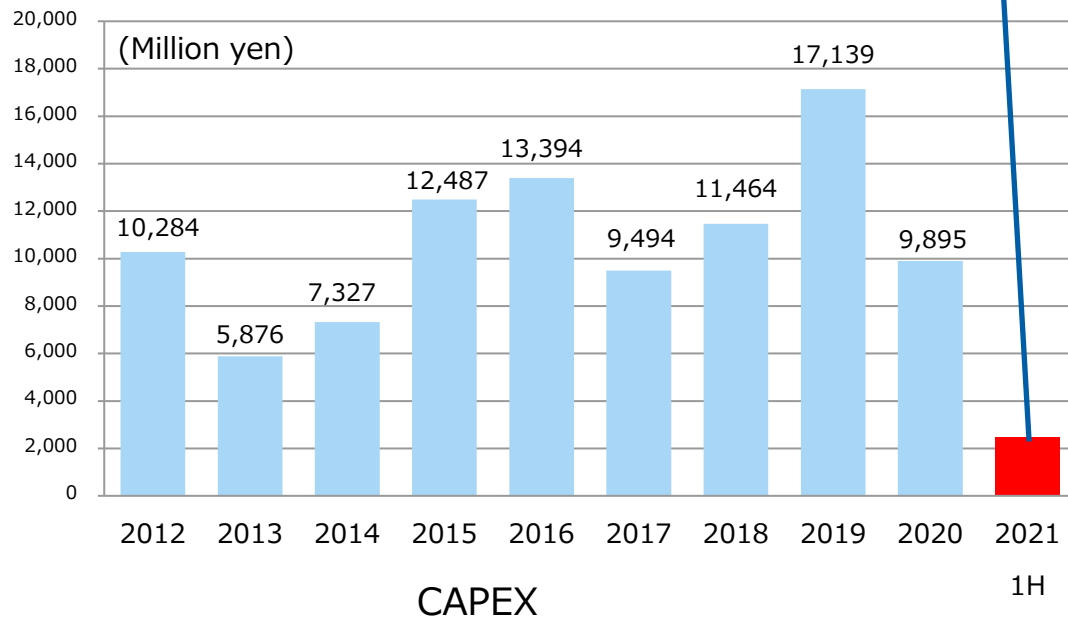
**6.0 billion yen**

**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 : 2,463**

**Depreciation : 5,295**



# Cash Flow Overview

	FY18	FY19	FY20	FY20 1H	FY21 1H	Change
Income before taxes	22,567	19,845	8,896	5,964	7,261	1,296
Depreciation	9,100	9,522	10,518	5,120	5,295	175
Change in A/R	-1,494	1,902	2,832	3,669	-1,177	-4,847
Change in inventories	-3,854	-6,319	1,822	-760	2,664	3,425
Change in A/P	768	453	-1,555	-1,476	-153	1,322
Change in accrued expenses	593	115	-1,704	-1,371	695	2,067
Other-net	-196	244	972	70	639	569
Income taxes paid	-7,359	-6,503	-4,743	-3,087	-946	2,140
Operating cash flow	20,125	19,261	17,038	8,129	14,280	6,150
Capital expenditures	-11,464	-17,139	-9,895	-6,809	-2,463	4,345
Purchase of subsidiaries' stock	-620	-1,158	-2,054	-64	-	64
Purchase of subsidiaries' stock resulting in change in scope of consolidation	-	-	-3,266	-3,244	-	3,244
Payment of time deposits	-1,307	-532	-583	-154	-354	-200
Other-net	41	-1,485	-1,332	-1,259	-16	1,243
Investing cash flow	-13,351	-20,314	-17,133	-11,532	-2,834	8,697
Free cash flow	6,773	-1,052	-94	-3,402	11,445	14,848
Change in interest-bearing debt	305	6,258	14,692	13,651	-6,027	-19,678
Cash dividends paid	-4,581	-4,709	-3,439	-2,353	-1,082	1,271
Dividends paid to minority shareholders	-416	-525	-298	-154	-169	-15
Proceeds from issuance of bonds	-	5,000	-	-	-	-
Purchase of treasury stock	-4	-1,899	-1	-0	-0	-0
Other-net	-26	-659	-1,293	-1,145	35	1,181
Financing cash flow	-4,723	3,465	9,658	9,997	-7,244	-17,241
Foreign currency translation adjustments	-333	-690	-88	-388	1,173	1,561
Net increase(decrease) in cash	1,716	1,721	9,475	6,206	5,374	-831
Cash of newly consolidated subsidiaries, beginning of year	229	437	120	120	73	-46
Cash, end of year	21,545	23,704	33,299	30,030	38,747	8,717

# Revised Forecast for FY21

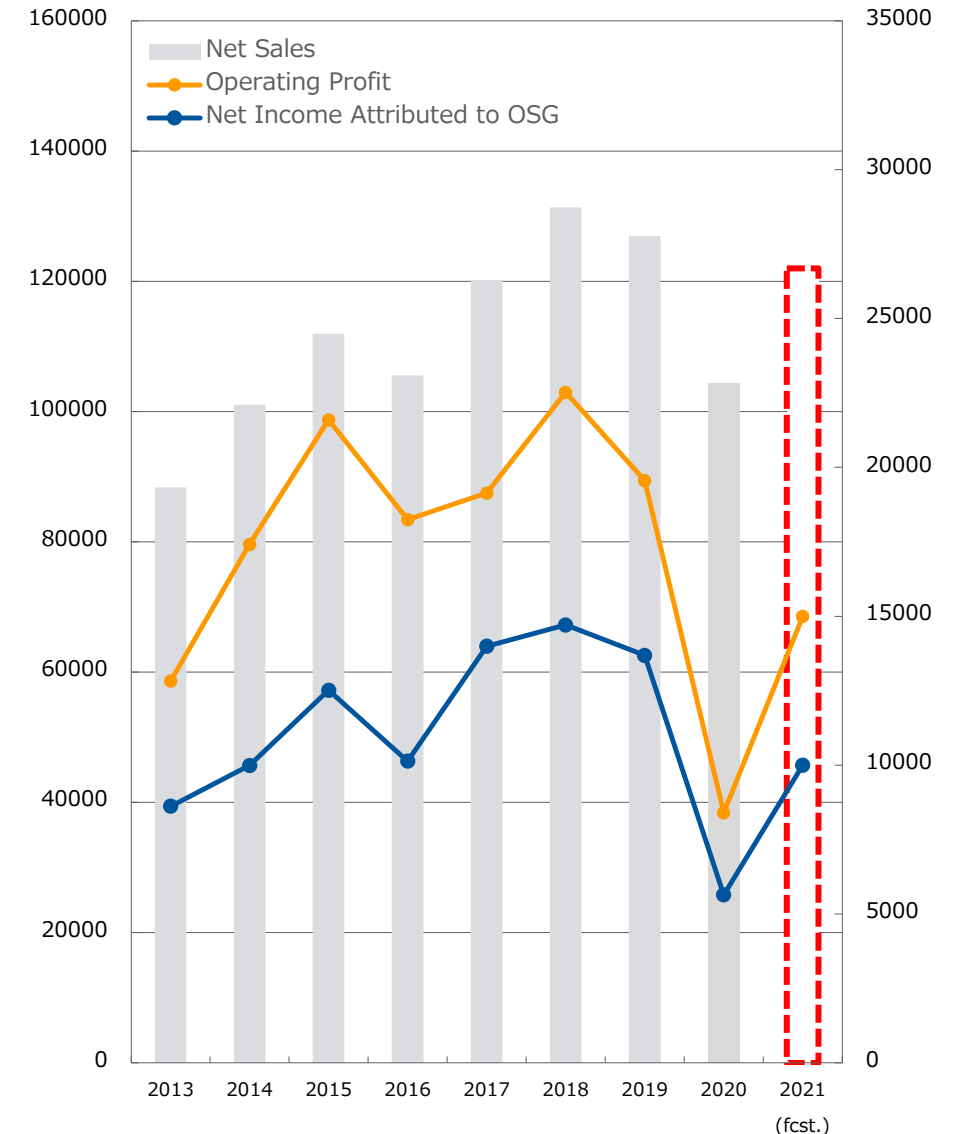
	Consolidated		Parent Company	
	Amount (million yen)	Growth	Amount (million yen)	Growth
Net Sales	122,000	+16.9%	51,000	+16.5%
Operating Profit	15,000	+78.6%	4,500	+153.3%
as % of sales	12.3%	-	8.8%	-
Ordinary Profit	15,200	+69.8%	6,300	+16.3%
as % of sales	12.5%	-	12.4%	-
Net Income				
Attributed to	10,000	+77.3%	4,600	-1.2%
as % of sales	8.2%	-	9.0%	-
EPS (yen)	102.54	-	47.16	-

\*Exchange rate FY2021(fcst.) : 1US\$=108.00yen 1Euro=130.00yen

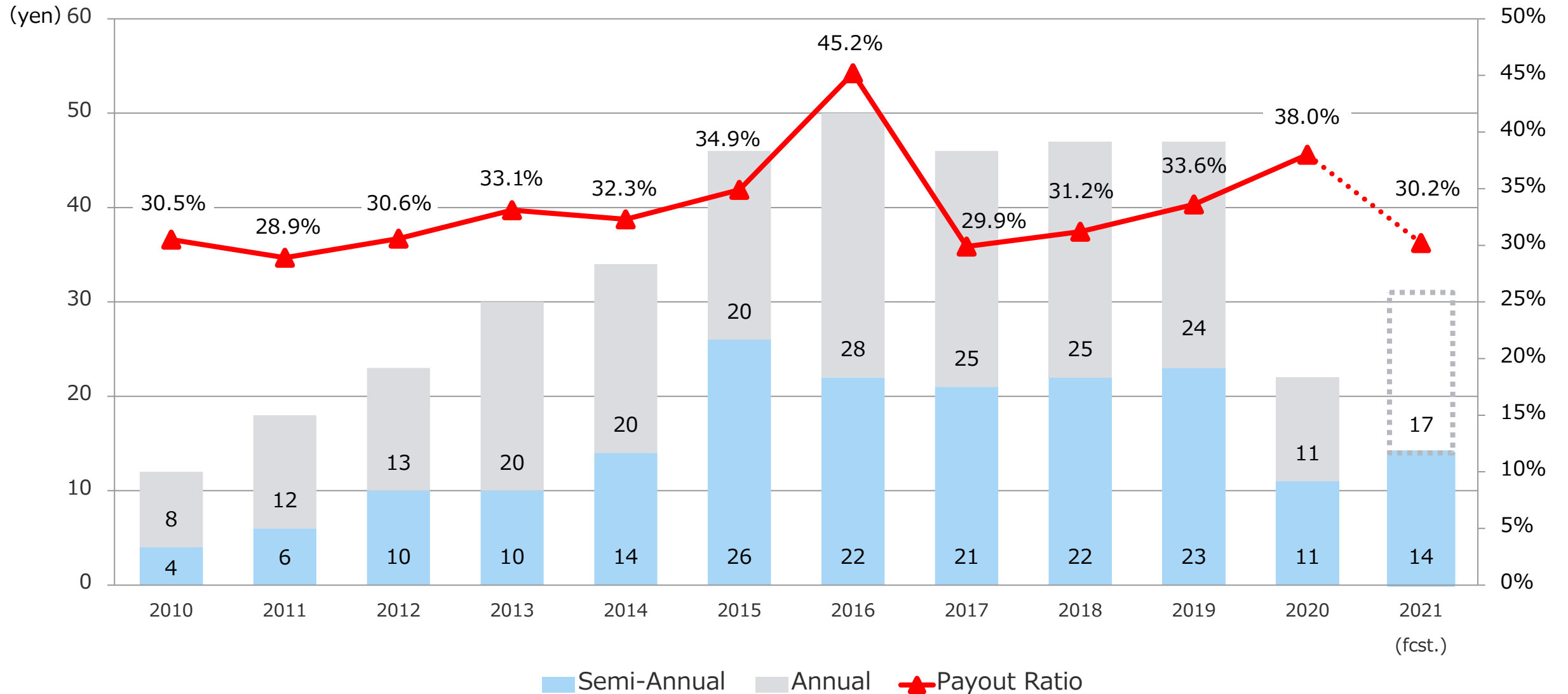
Net Sales  
(Million yen)

Consolidated

Profit  
(Million yen)



# Dividends Per Share



# 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 122 billion yen  
Operating Profit of 15 billion yen
- Operating Profit Ratio over 12%
- CAPEX 6.0 billion
- Free Cash Flow of over 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

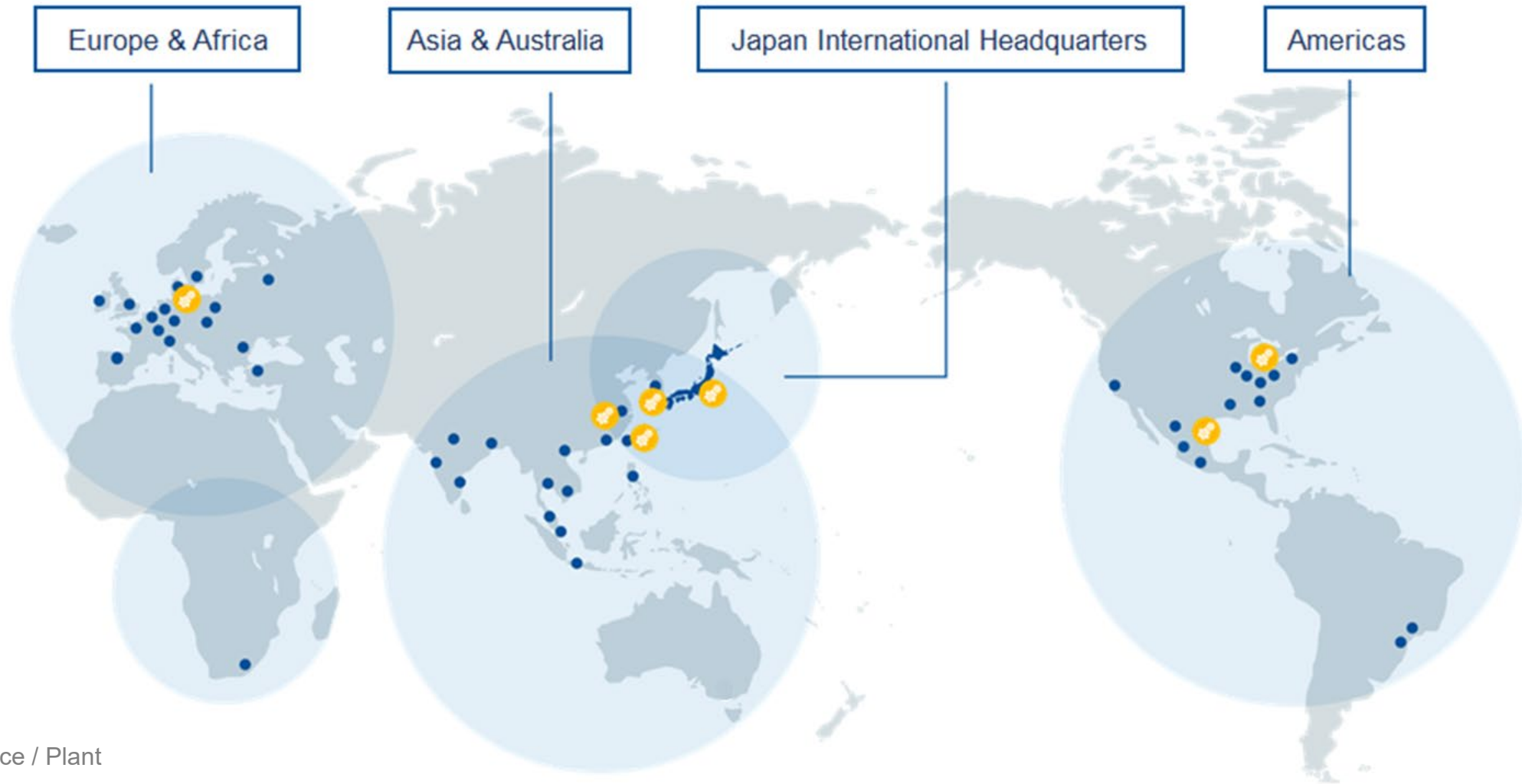
- Risk Management: Risk and Compliance Management Committee has established to strengthen BCP.
- Internal reporting system: Introducing a system to receive internal and external reporting and provide appropriate process of consultation.
- Information security: Established an internal system and information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

# Exchange Rate

	1US\$	1Euro	1RMB
FY19 2Q	110.51 JPY	124.82 JPY	16.31 JPY
FY19	109.36 JPY	122.53 JPY	15.86 JPY
FY20 2Q	108.55 JPY	119.64 JPY	15.39 JPY
FY20	106.94 JPY	121.60 JPY	15.41 JPY
FY21 2Q	107.27 JPY	129.69 JPY	16.55 JPY



# Expansion of Overseas Business



- Sales Office / Plant
- ⚙️ Technology Center

# Appx.1 Selected Financial Data (Consolidated)

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021-1H
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	61,217
Sales growth	(%)	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	11%
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	38,013
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	23,204
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	16,112
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	7,091
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	7,261
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	4,751
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%	37.9%
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%	26.3%
Operating income	(%)	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	11.6%
Ordinary income	(%)	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	11.9%
Net income	(%)	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	7.8%
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	107.27
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	129.69
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	207,990
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	138,499
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	48.73
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	14.00
(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	1,419.52
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	97,519
ROE	(%)	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	7.1%
Equity ratio	(%)	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	66.6%
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	14,280
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	-2,834
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	-7,244
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%	23.3%