



*shaping your dreams*

# Financial Results for FY2022-1Q

April 7, 2022  
OSG Corporation

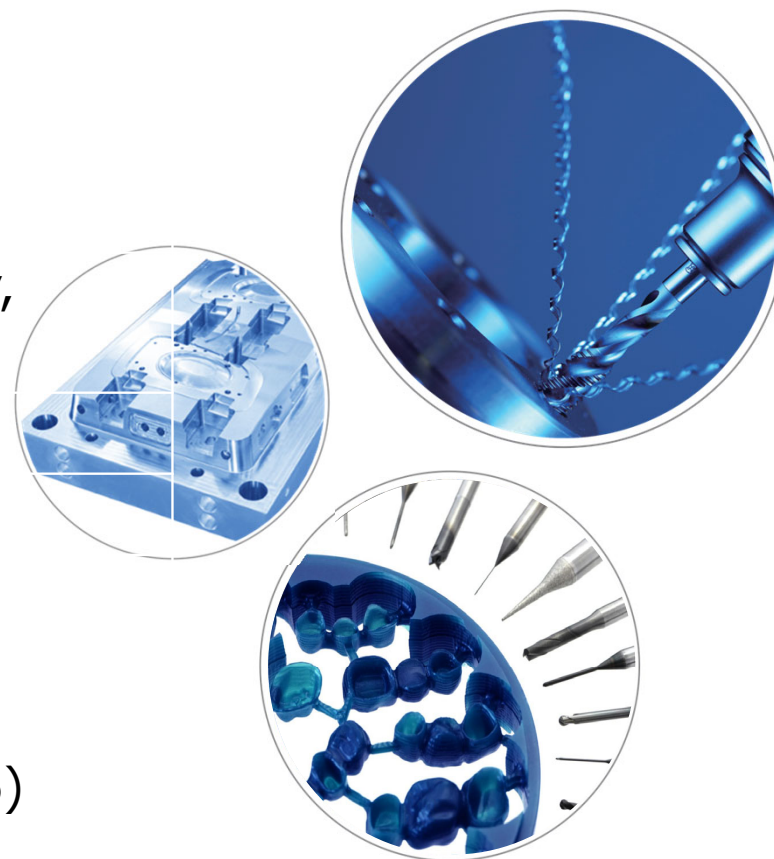


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Management Plan

# Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	12,239 million yen
Employees	7,413 (consolidated) 1,887 (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.

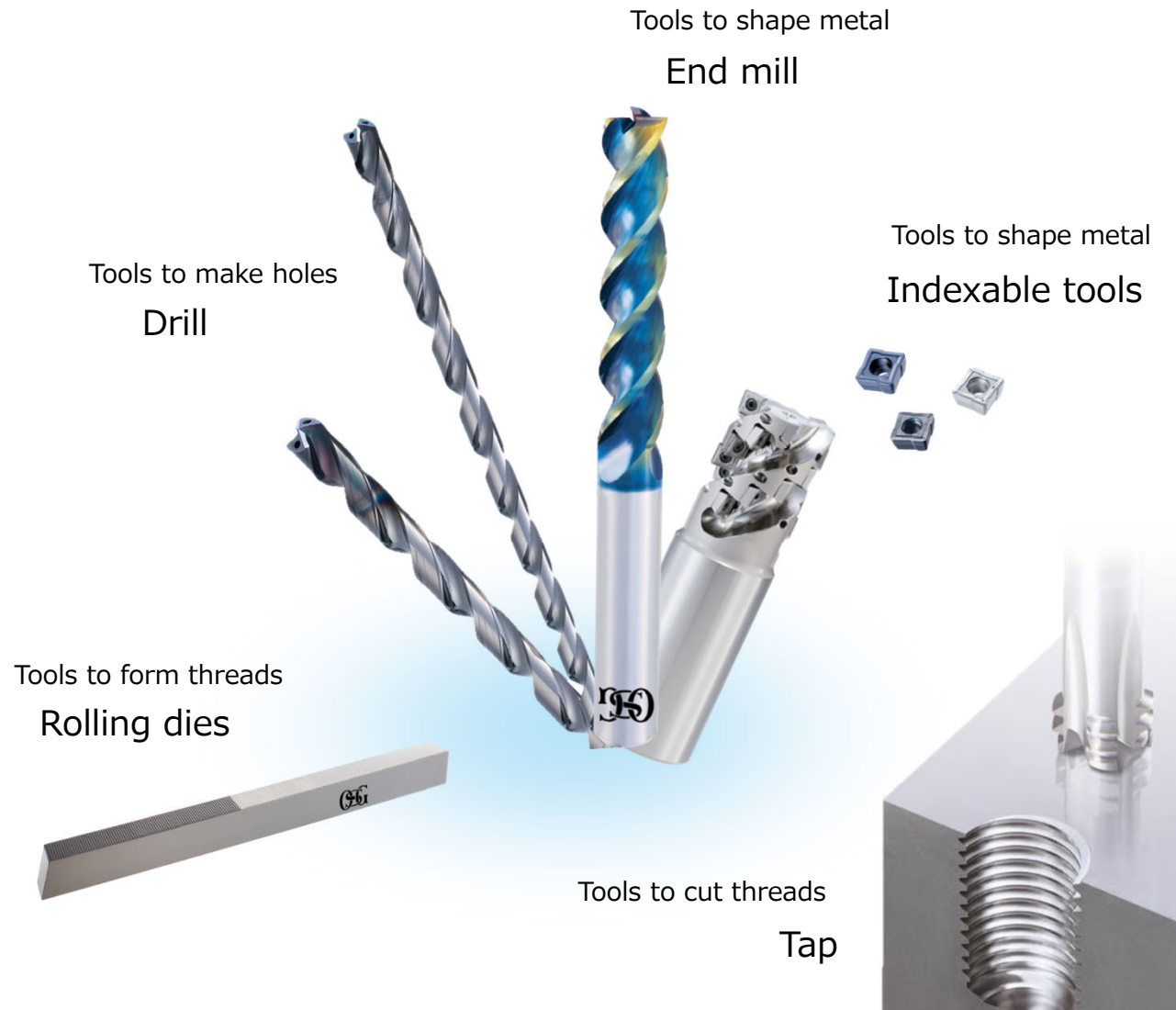
# Company Overview

## 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



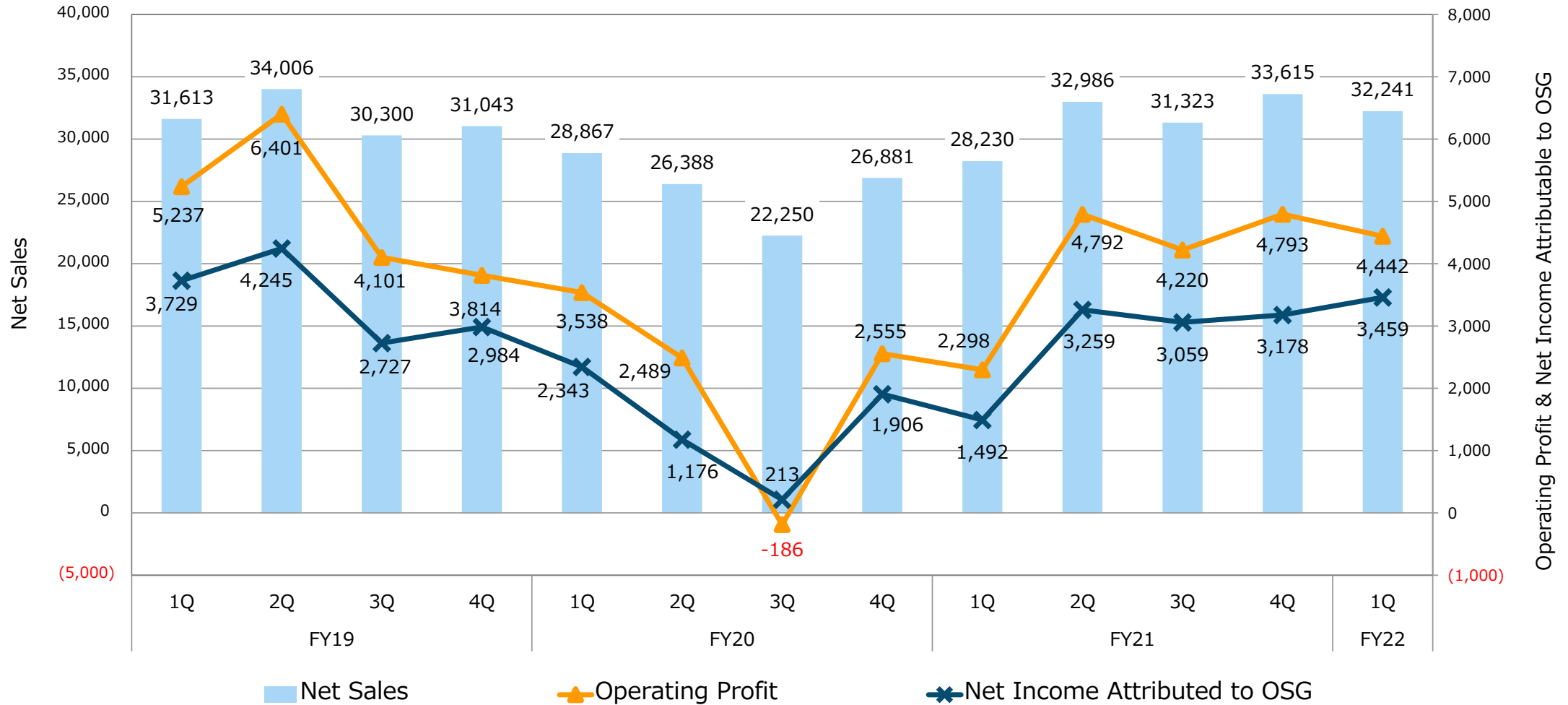
# Financial Summary

(Millions of yen)

	FY21-1Q	FY22-1Q	Change	FY22-1H Forecast	Progress Rate
Net Sales	28,230	32,241	+14.2%	66,700	48.3%
Operating Profit	2,298	4,442	+93.3%	9,600	46.3%
OPM	8.1%	13.8%	-	-	-
Ordinary Profit	2,420	4,788	+97.8%	9,600	49.9%
Net Profit Attributable to OSG	1,492	3,459	+131.8%	6,400	54.0%
EPS(yen)	15.31	35.53	+132.1%	65.73	-

# Financial Summary

(Millions of yen)





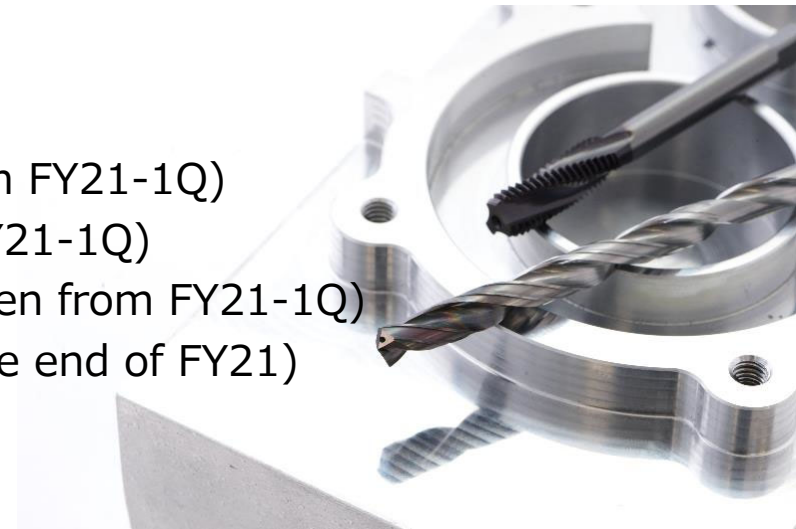
# Review of FY22-1Q

**Sales of taps has remained strong and reached a record high in all-time sales of Q1.**

**There are signs of recovery in the aerospace industry.**

## ➤ Index & Capital Investment Results

—EBITDA	6.9 billion yen	(Increased by 40.7% from FY21-1Q)
—EBITDA Margin	21.6%	(4.1pts increased from FY21-1Q)
—Free Cash Flow	-0.9 billion yen	(Increased by 4.1billion yen from FY21-1Q)
—Equity Ratio	70.2%	(1.6pts increased from the end of FY21)
—CAPEX	1.8 billion yen	
—Depreciation	2.5 billion yen	



# Review of FY22-1Q



## The Americas

Although inflation affected economic, the sales of aerospace industry, energy industry and selling A-brand is strong.

## Asia

FA-related sales continue to be strong. In China, there are concerns about the impact of lockdown due to the spread of Covid-19 infection.

## Europe / Africa

The aerospace industry is showing of bottoms out. There are concerns the Russia invasion of Ukraine affect the economic in EU.

## Japan

The order volume for standard products for general engineering remained strong. The impact of production adjustment of automotive will be continued.



# Sales to Customer

(Millions of yen)

Change  
in local  
currency

FY21-1Q

FY22-1Q

Change

Japan

10,630

11,686

1,056

+9.9%

-

The Americas

4,991

5,575

583

+11.7%

+1.4%

Europe/Africa

5,528

6,400

871

+15.8%

+17.2%

Asia

7,079

8,578

1,499

+21.2%

+11.8%

Consolidated

28,230

32,241

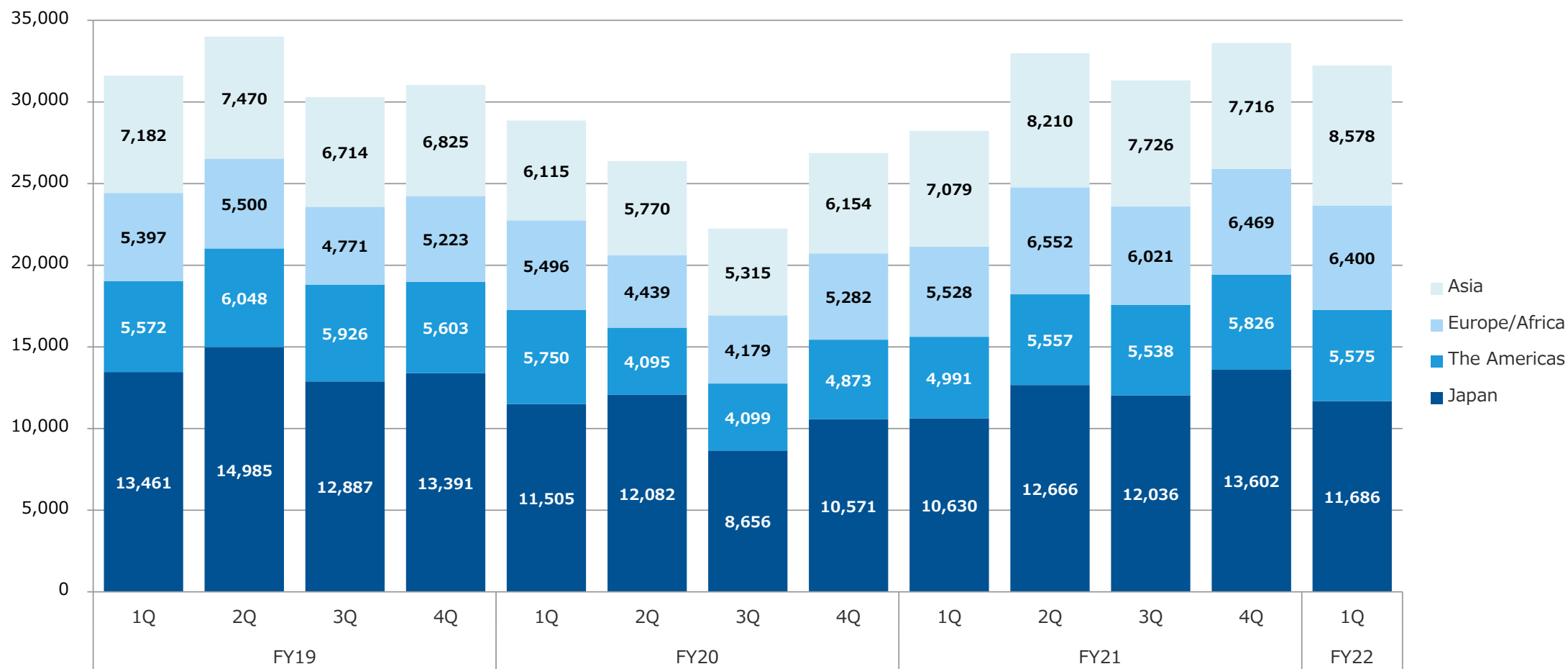
4,011

+14.2%

-

# Sales to Customer

(Millions of yen)



# Operating Income

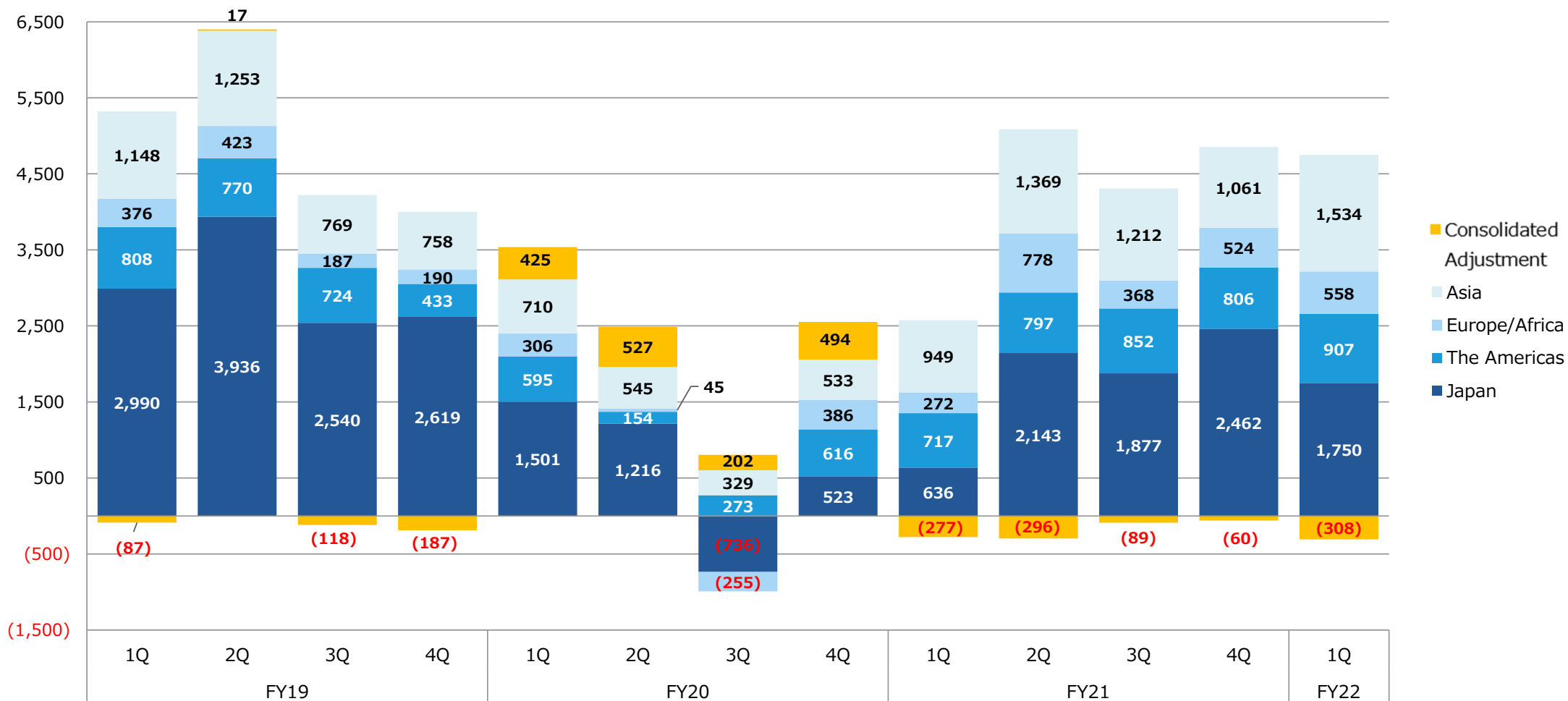
(Millions of yen)

	FY21-1Q	Area percentage	FY22-1Q	Area percentage	Change		OPM(*)
Japan	636	24.7%	1,750	36.8%	1,113	+175.0%	10.3%
The Americas	717	27.9%	907	19.1%	189	+26.4%	15.5%
Europe/Africa	272	10.6%	558	11.8%	286	+104.9%	8.7%
Asia	949	36.8%	1,534	32.3%	585	+61.7%	16.3%
Total	2,575	-	4,750	-	2,175	+84.5%	12.3%
Eliminations	-277	-	-308	-	-31	-	-
Consolidated	2,298	-	4,442	-	2,144	+93.3%	13.8%

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

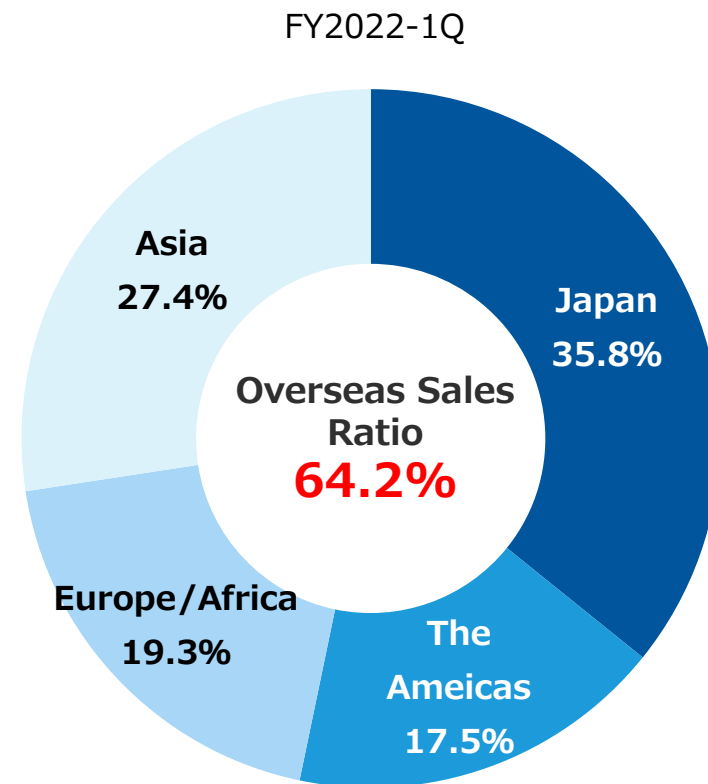
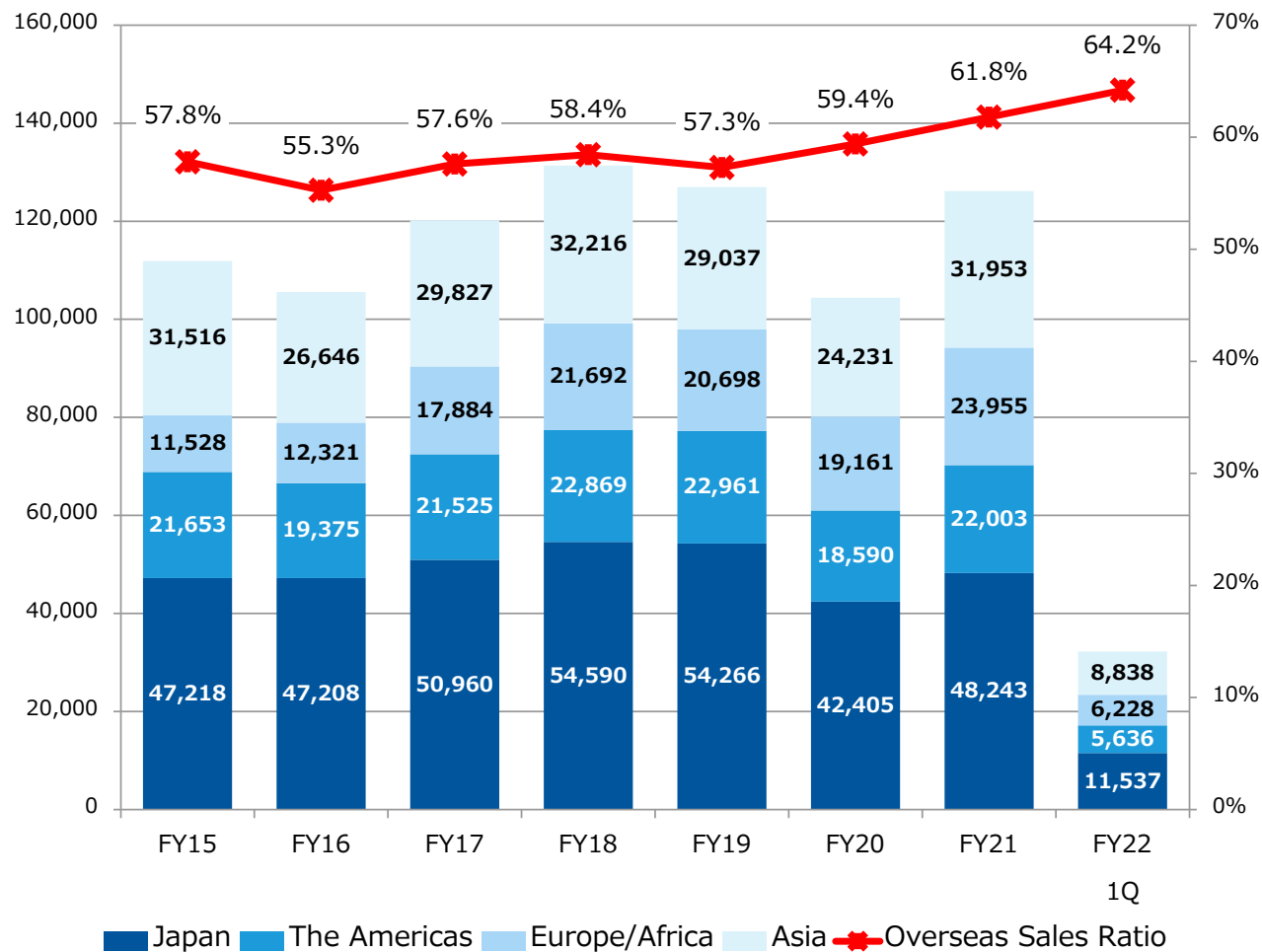
# Operating Income

(Millions of yen)



# Overseas Sales Ratio

(Millions of yen)



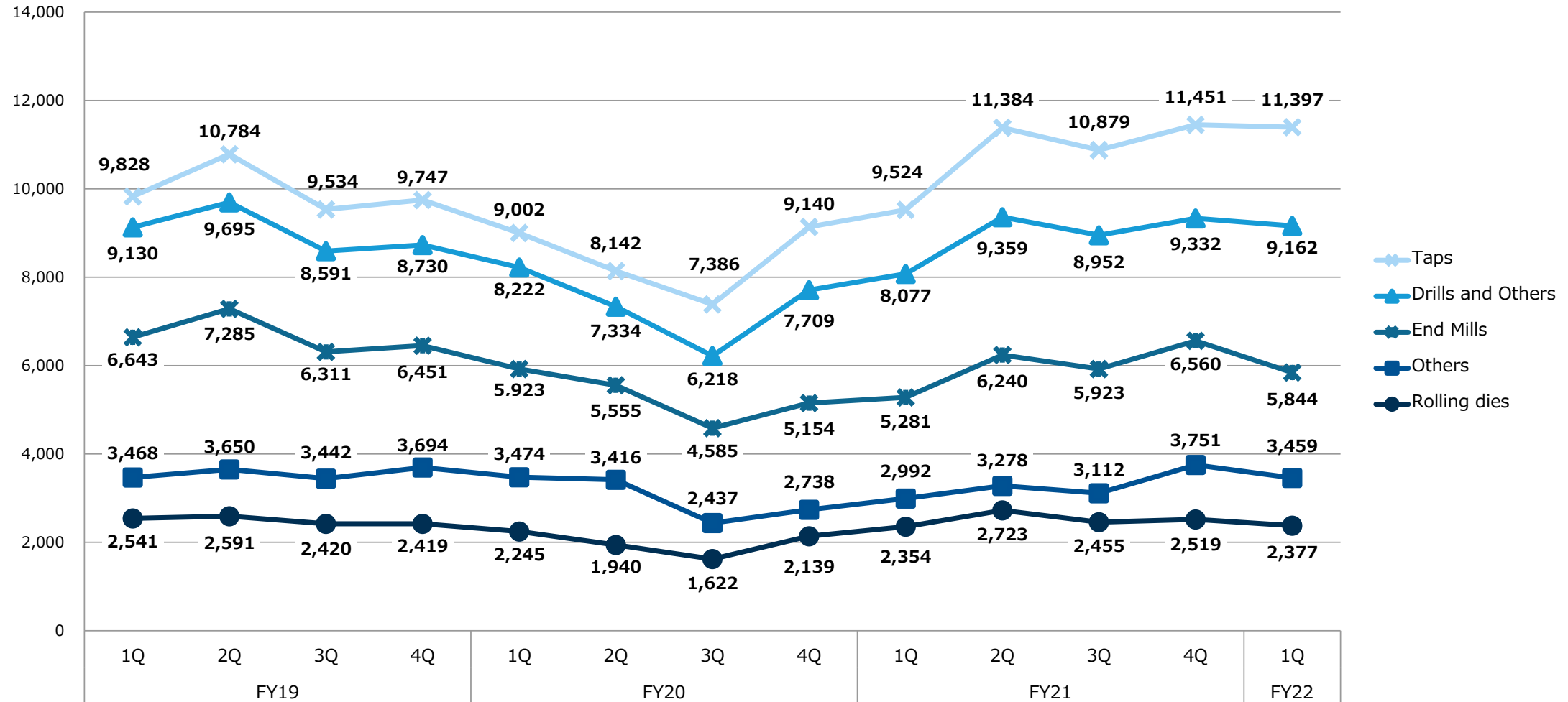
# Net Sales by Product Segment

(Millions of yen)

		FY21						FY22		Change	
		1Q	2Q	3Q	4Q	Total		1Q			
Precision Tools	Taps	9,524	11,384	10,879	11,451	43,239	34.3%	11,397	35.3%	1,872	19.7%
	End mills	5,281	6,240	5,923	6,560	24,006	19.0%	5,844	18.1%	562	10.7%
	Drills and Others	8,077	9,359	8,952	9,332	35,721	28.3%	9,162	28.4%	1,085	13.4%
	Rolling dies	2,354	2,723	2,455	2,519	10,052	8.0%	2,377	7.4%	23	1.0%
	Gauges	373	445	448	480	1,747	1.4%	449	1.4%	75	20.2%
	Sub Total	25,611	30,153	28,659	30,344	114,769	91.0%	29,231	90.7%	3,619	14.1%
Other	Machine	956	1,006	864	1,346	4,173	3.3%	783	2.4%	-173	-18.1%
	Other	1,663	1,826	1,799	1,924	7,213	5.7%	2,227	6.9%	564	33.9%
	Sub Total	2,619	2,833	2,663	3,271	11,387	9.0%	3,010	9.3%	391	14.9%
Total		28,230	32,986	31,323	33,615	126,156	100%	32,241	100%	4,011	14.2%

# Net Sales by Product Segment

(Millions of yen)



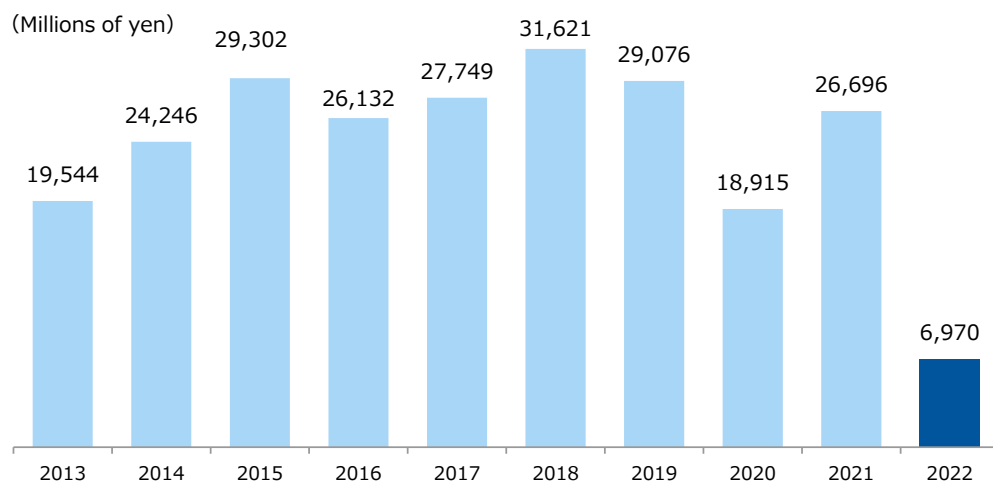


# B/S Overview • EBITDA

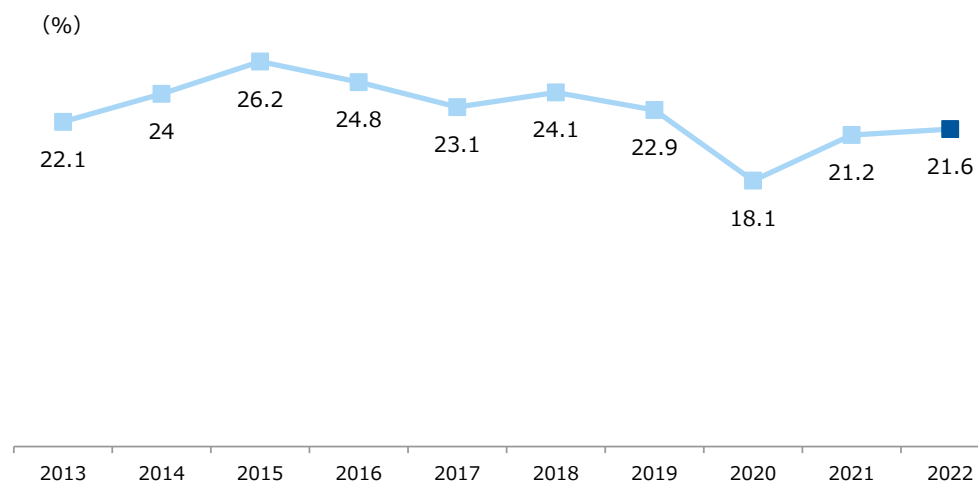
(Millions of yen)

	FY21	FY21-1Q		FY21	FY22-1Q
Equity Ratio (%)	68.6	70.2	Cash and Time Deposits	46,795	39,382
Receivable Turnover Period (Days)	68	66	Debt	30,751	30,440
Inventory Turnover Period (months)	4.1	4.1	Net Cash	16,043	8,942

## EBITDA

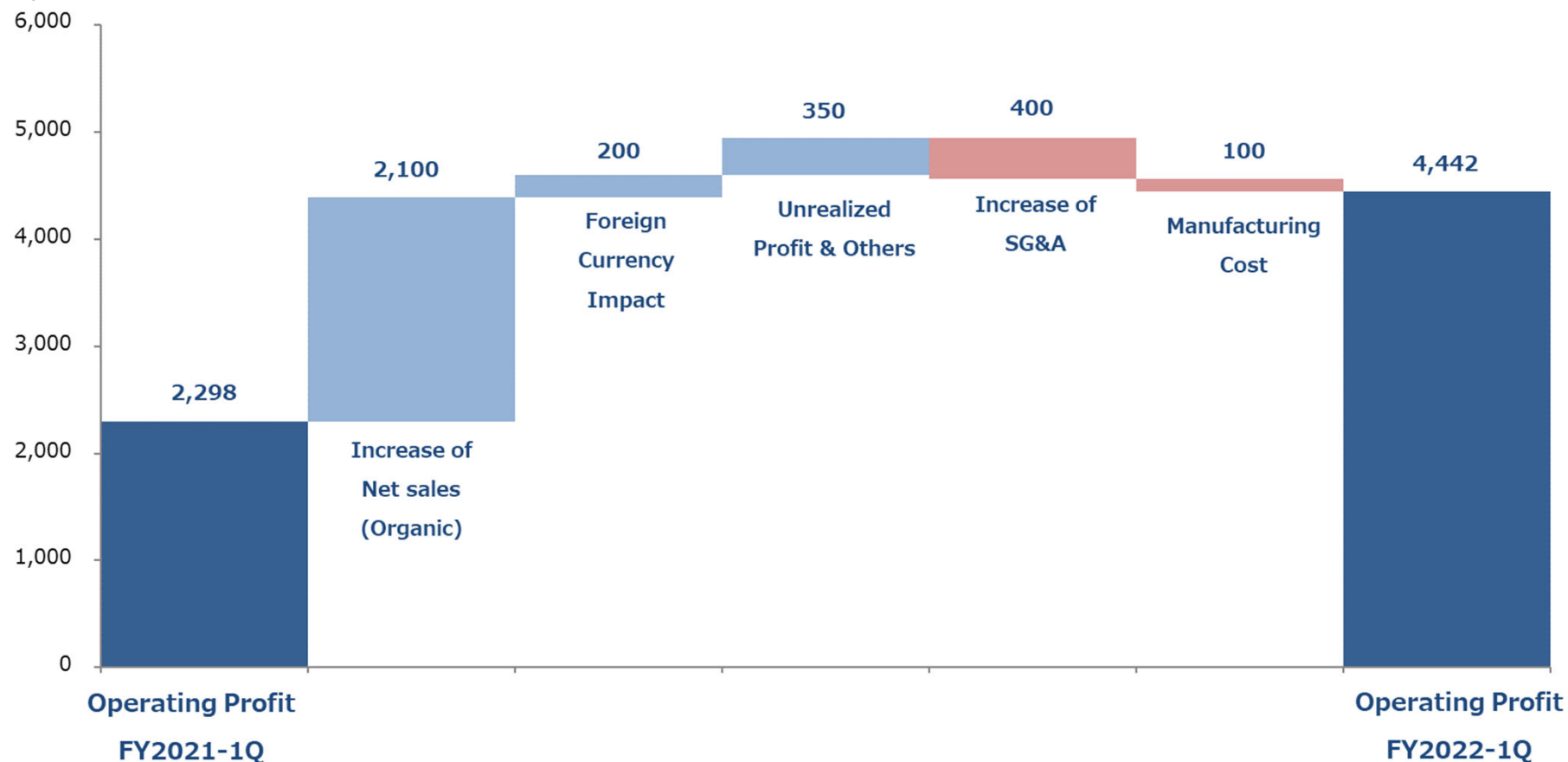


## EBITDA Margin



# Operation Profit Variation

(Millions of yen)



(※) Due to the application of the "Accounting Standard for Revenue Recognition," sales discounts, which were recorded as non-operating expenses until the previous period, are deducted from sales in the current period. As a result, operating profit decreased by 180 million yen in the first quarter of 2022, but there is no impact on ordinary profit.

# Capital Investment

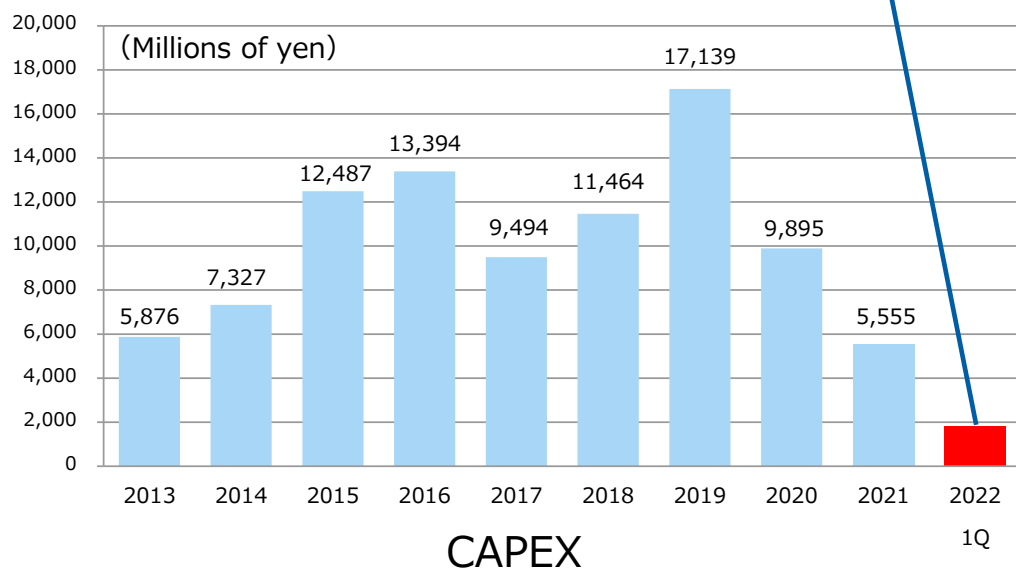
## FY22 Capital Investment Forecast

**9.0 billion yen**

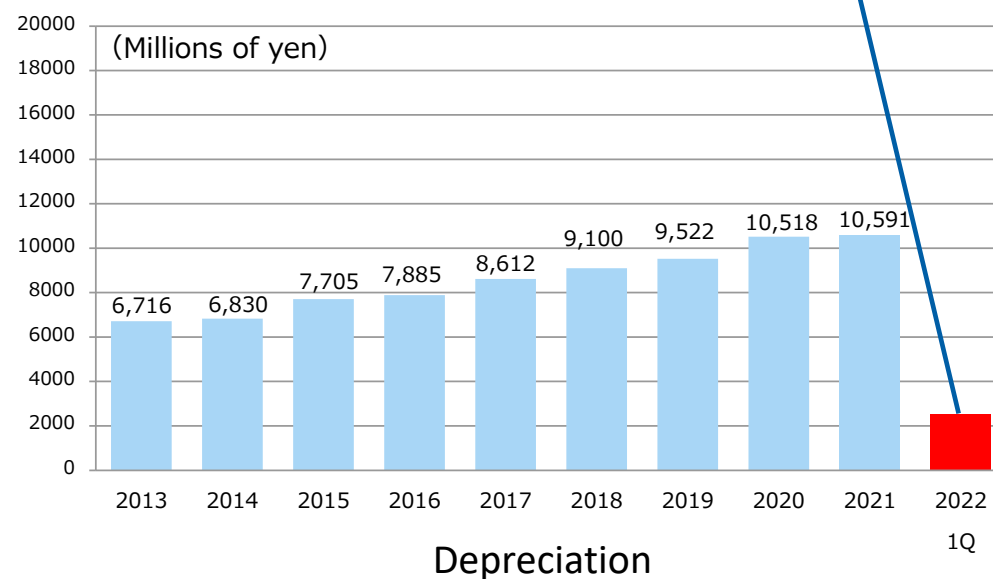
## Breakdown

Mainly renewal and enhancement of machinery and equipment

**CAPEX : 1,802**



**Depreciation : 2,528**



# Forecast for FY22

## Consolidated

## Parent Company

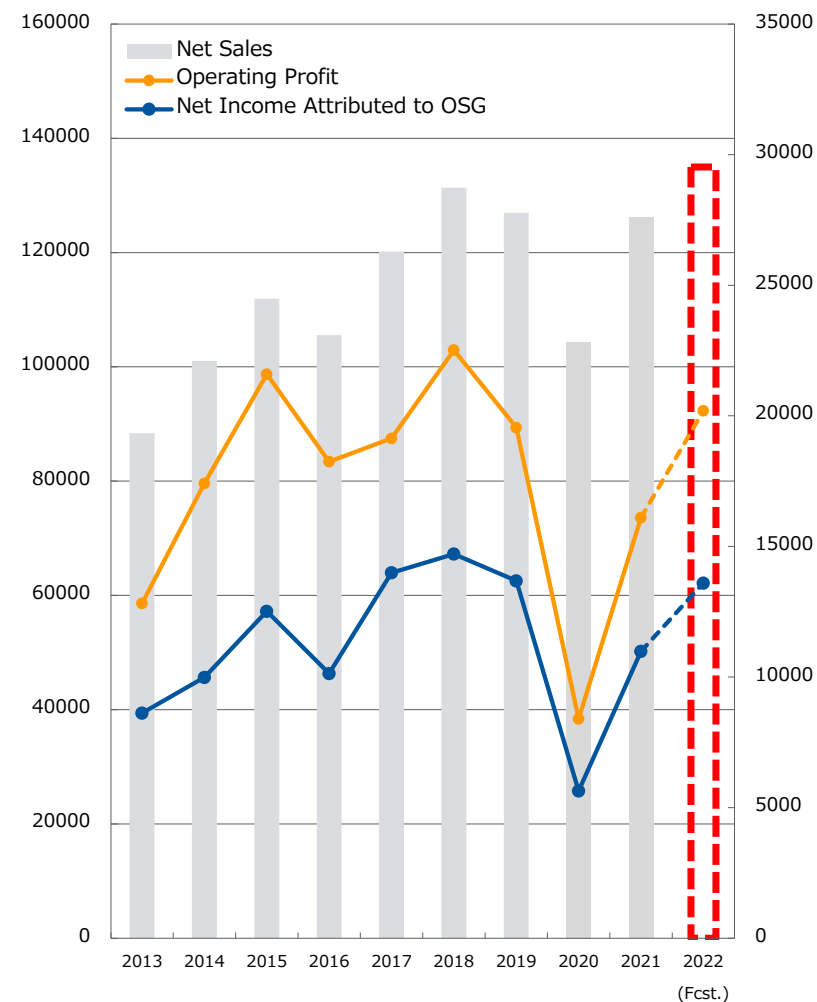
	Amount (Millions of yen)	Growth	Amount (Millions of yen)	Growth
Net Sales	135,000	+7.0%	56,000	+7.5%
Operating Profit	20,200	+25.4%	6,000	+22.7%
as % of sales	15.0%	-	10.7%	-
Ordinary Profit	20,200	+25.1%	10,600	+60.1%
as % of sales	15.0%	-	18.9%	-
Net Income Attributed to OSG	13,600	+23.8%	8,700	+70.3%
as % of sales	10.1%	-	15.5%	-
EPS (yen)	139.25	-	89.05	-

\*Exchange rate FY2022(Fcst.) : 1US\$=115.00yen 1Euro=130.00yen

Net Sales  
(Million yen)

Consolidated

Profit  
(Million yen)



# Exchange Rate

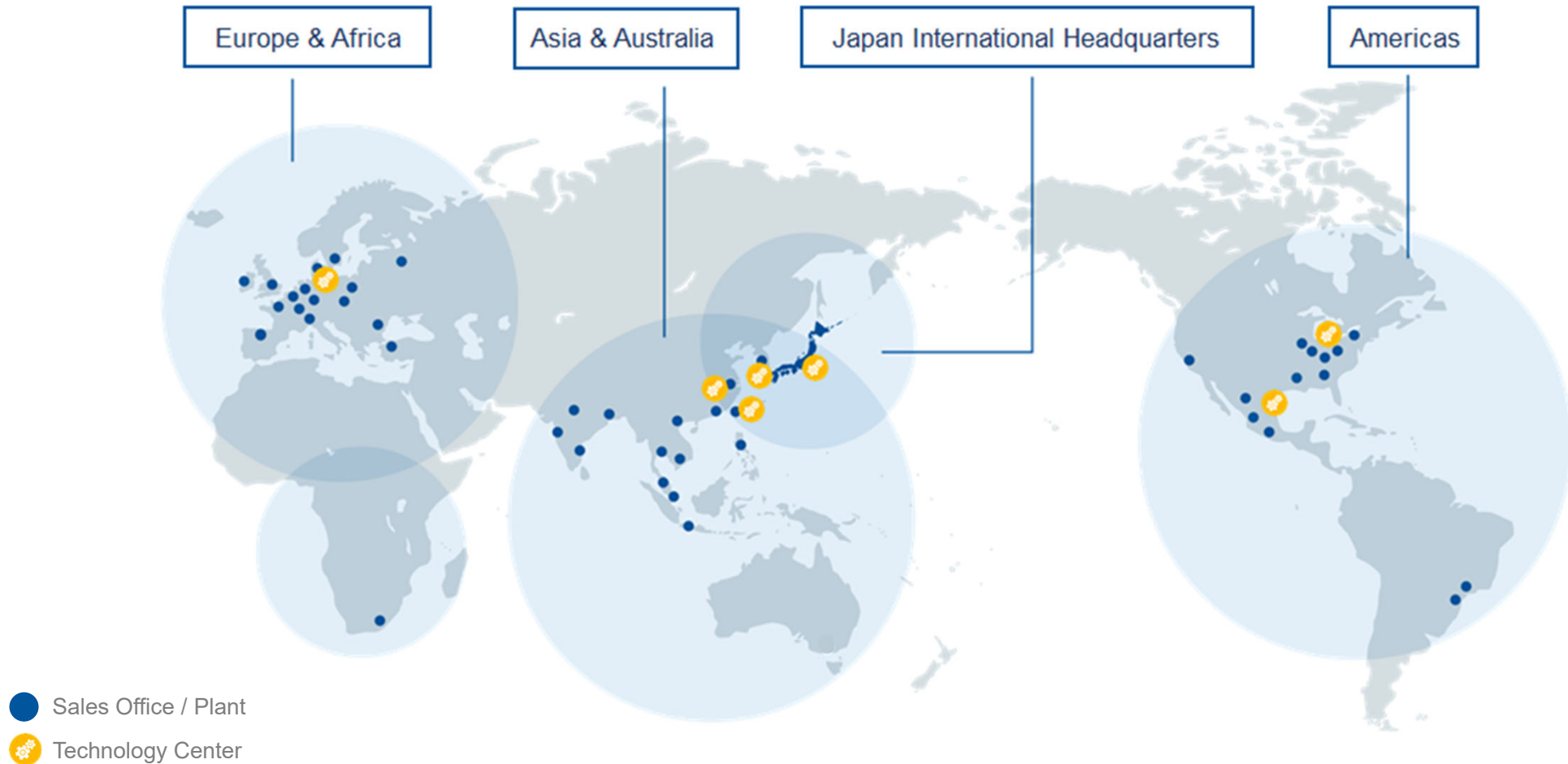
(Yen)

	1US\$	1Euro	1RMB
FY19 1Q	110.28	126.08	16.34
FY19	109.36	122.53	15.86
FY20 1Q	109.35	121.05	15.65
FY20	106.94	121.60	15.41
FY21 1Q	104.74	127.53	16.13
FY21	109.41	130.04	16.94
FY22 1Q	115.34	129.50	18.16

# Appx.1 Selected Financial Data (Consolidated)

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 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	126,156	32,241
Sales growth	(%)	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	21%	14%
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	76,969	19,228
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	49,186	13,012
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	33,081	8,570
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	16,105	4,442
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	16,141	4,788
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	10,989	3,459
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%	39.0%	40.4%
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%	26.2%	26.6%
Operating income	(%)	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	13.8%
Ordinary income	(%)	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	14.9%
Net income	(%)	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	10.7%
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	109.41	115.34
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	130.04	129.50
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	209,757	206,380
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	143,811	144,817
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	112.63	35.53
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	22.00	-
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	1,472.45	1,495.60
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	97,573	97,364
ROE	(%)	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	9.6%
Equity ratio	(%)	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	70.2%
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	26,982	-
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	-6,961	-
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	-14,264	-
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%	21.4%	-

# Expansion of Overseas Business







*shaping your dreams*



# New Medium-term Management Plan

## Beyond the Limit 2024

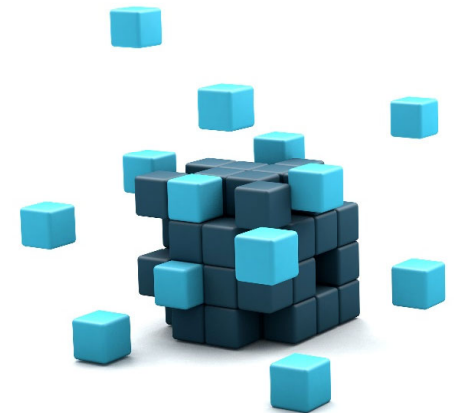
FY2022 - FY2024

# Beyond the Limit



## Long-term Vision

**To become an essential player  
that contributes to the global manufacturing  
industry towards a carbon-neutral era**



# Basic Strategy

## Strengthen business efficiency and build a corporate structure capable of generating stable profits

- We have divided our long-term vision into three stages, the first three years in which we will strengthen our corporate structure, in order to transform ourselves into an essential player that contributes to the global manufacturing industry,
- In each of the three stages, we will change the composition of our customer portfolio by 2030 in order to respond to changes in the social environment.
- Toward the era of carbon neutrality, we will work together with group companies to enhance corporate value by optimizing the entire group.



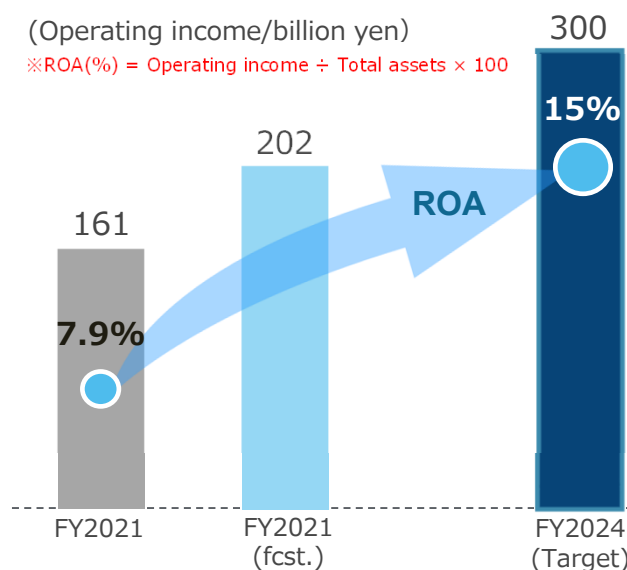
**Beyond the Limit**  
**2022-2024 (Stage1)**

**Beyond the Limit**  
**2025-2027 (Stage2)**

**Beyond the Limit**  
**2028-2030 (Stage3)**

(Operating income/billion yen)

※ROA(%) = Operating income ÷ Total assets × 100



**Medium-Term  
Management Targets**  
(Fiscal year ending November 30, 2024)

ROA (Operating income basis)  
**15%**  
Operating Income  
**300 billion yen**

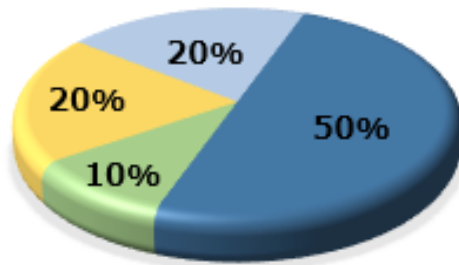
**Achieve**  
**40% share**  
in the global tap  
market

**Portfolio by Customer**  
in micro precision machining  
**over 30%**  
Become a company that  
contributes to the carbon  
neutrality

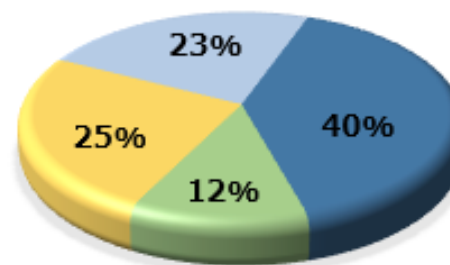
# Target-Industry Portfolio



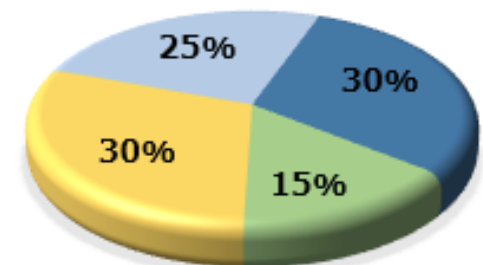
Beyond the Limit  
2022-2024 (Stage1)



Beyond the Limit  
2025-2027 (Stage2)



Beyond the Limit  
2028-2030 (Stage3)



■ Automotive 
 ■ Aerospace 
 ■ Micro precision machining 
 ■ General Industry

## Basic Strategy

- Improve profitability and business efficiency to create a strong corporate structure
- A Brand sales rate 30%
- Coating and tool reconditioning rate 10%
- Expand sales in micro precision machining and energy industry
- Establish a sales and production system that makes full use of digital technology

- Achieve 40% share in the global tap market
- A Brand sales rate 40%
- Coating and tool reconditioning ratio 15%
- Global expansion of digital manufacturing/optimize local production
- Expand sales in micro precision machining, energy and aerospace industries

- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers



# Promotion of ESG Management



## Basic Sustainability Policy

The OSG Group aims to contribute to the sustainable development of society as an essential player that contributes to sustainable manufacturing industries around the world through its unique, high value-added products and services.

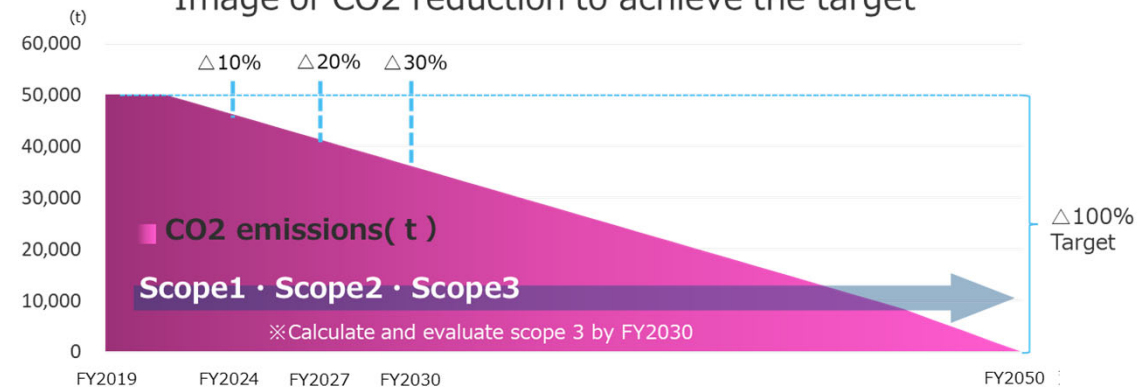
## Selected Important Issues(materiality)



## Carbon Neutral Declaration

CO2 emissions in fiscal 2019	
Scope 1 (gasoline consumption by company-owned vehicles)	515 t
Scope 2 (electricity consumption)	49,768 t
Total of scope 1 and 2	50,283 t

Image of CO2 reduction to achieve the target



### STEP 1 Reduce (energy saving))

Energy conservation in manufacturing processes  
 Installation of high-efficiency equipment and initiatives to improve energy efficiency in production activities at our factories  
 Investment in high-efficiency equipment that meets a sufficient level of energy conservation to achieve carbon neutrality  
 Research and development of new processes for energy conservation

### STEP 2 Create

Utilization of clean energy  
 Introduction of solar power generation equipment, etc.  
 Introduction of equipment and initiatives to convert electricity used in company business activities to clean energy.

### STEP 3 Utilize

CO2-free electricity  
 Purchase of electricity derived from renewable energy sources  
 Consider carbon offset platforms

# Shareholder Return Policy

The dividend payout ratio will be increased from the current commitment of 30% to 35% from FY2022. In the future, we will aim for a payout ratio of 40% while monitoring trends in our business performance. In addition, we will make decisions on share repurchases in consideration of capital conditions, business performance trends, our stock price level, growth investment opportunities, and improvement of capital efficiency.

