



shaping your dreams

Financial Results for FY2022 – 3Q

October 6, 2022
OSG Corporation

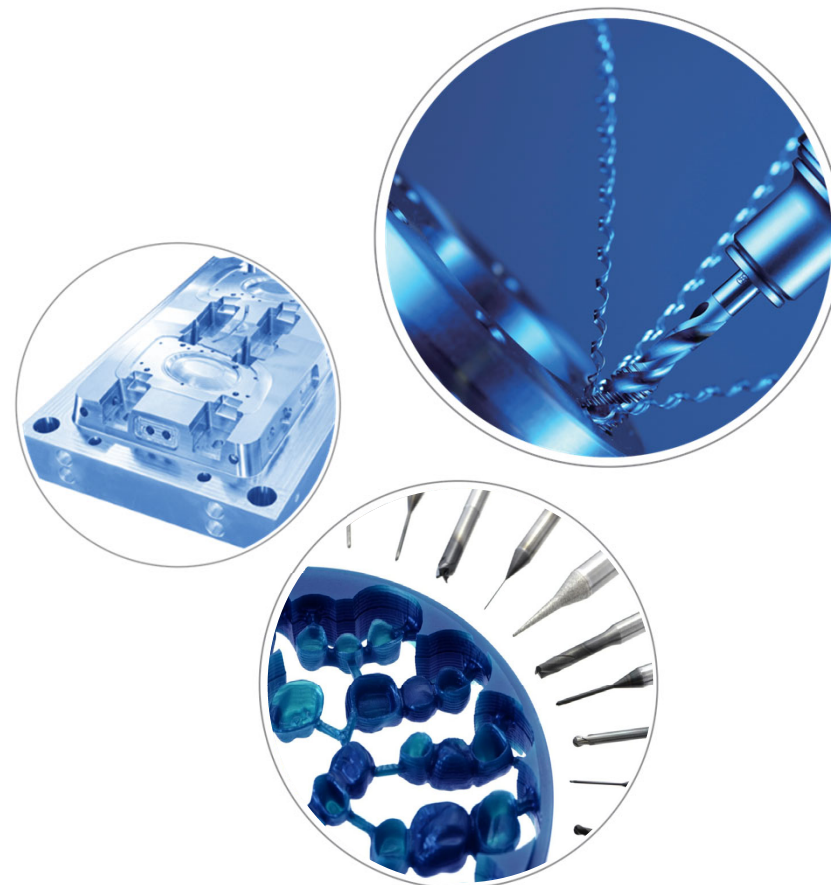


- ◆ P2-3 Company Overview
- ◆ P4-5 Financial Summary
- ◆ P6-7 Review of FY21-3Q
- ◆ P8-9 Sales to Customer
- ◆ P10-11 Operating Income
- ◆ P12 Overseas Sales Ratio
- ◆ P13-14 Net Sales
by Product Segment
- ◆ P15 B/S Overview • EBITDA

- ◆ P16 Operation Profit Variation
- ◆ P17 Capital Investment
- ◆ P18 Forecast for FY21
- ◆ P19 Exchange Rate
- ◆ P20 Selected Financial Data
- ◆ P21 Expansion of Overseas
Business
- ◆ P22-28 New Medium-term
Management Plan

Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	13,044 million yen
Employees	7,500 (consolidated) 1,909 (non-consolidated)
Stock listed	Prime Market (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.

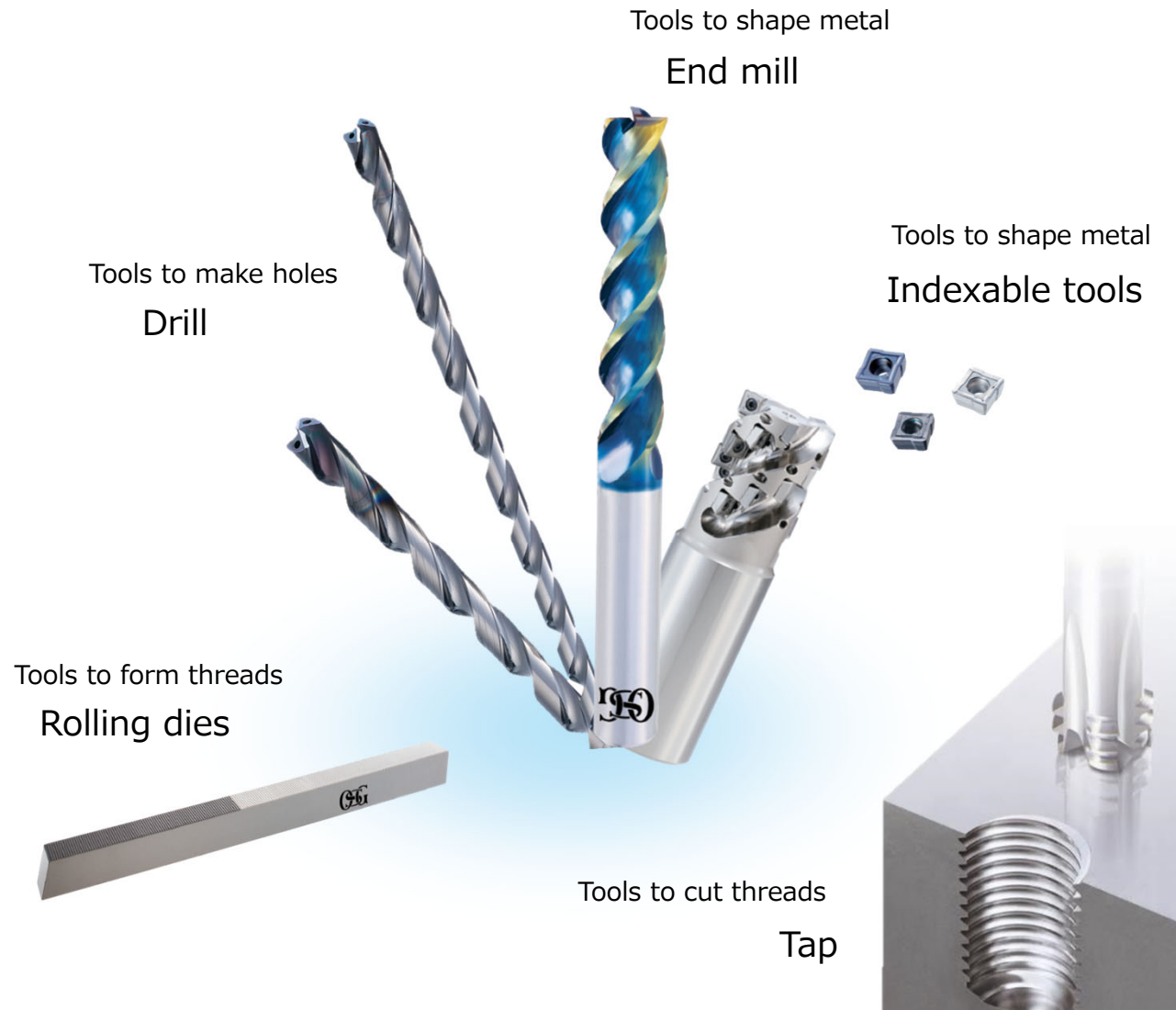
Company Overview

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



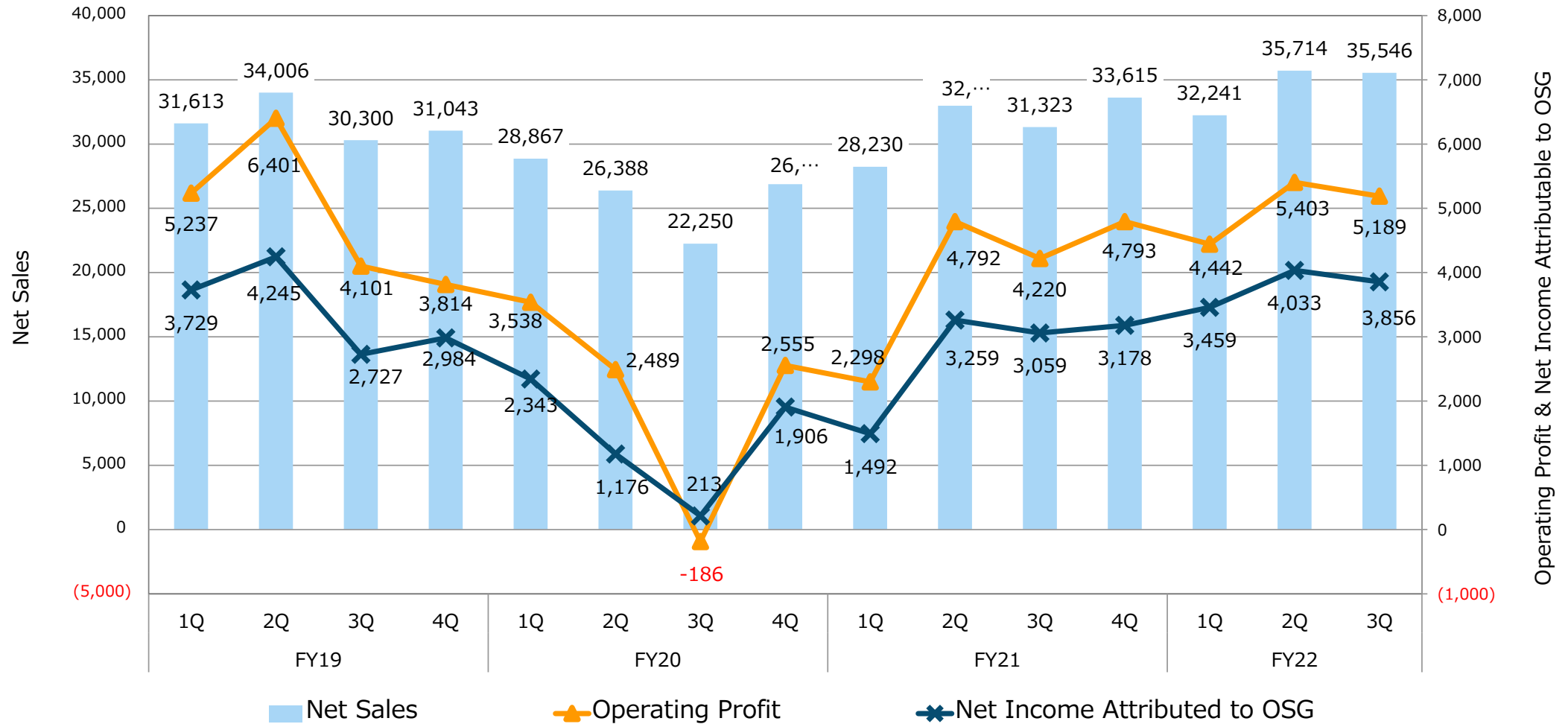
Financial Summary

(Millions of yen)

	FY21-3Q	FY22-3Q	Change	FY22 fcst. Annual	Progress Rate
Net Sales	92,541	103,502	+11.8%	135,000	76.7%
Operating Profit	11,311	15,034	+32.9%	20,200	74.4%
OPM	12.2%	14.5%	-	14.9%	-
Ordinary Profit	11,406	16,264	+42.5%	20,200	80.5%
Net Profit Attributable to OSG	7,811	11,349	+45.3%	13,600	83.4%
EPS(yen)	80.07	117.48	+46.7%	140.77	-

Financial Summary

(Millions of yen)



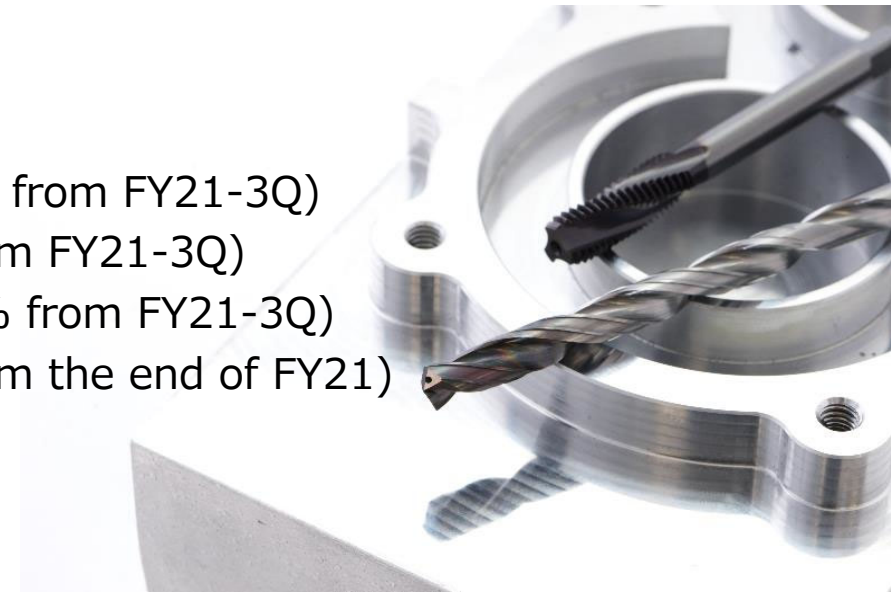
Review of FY22-3Q

Record sales for the third quarter.

Tap and drill sales are on pace for a record high.

➤ Index & Capital Investment Results

—EBITDA	22.7 billion yen	(Increased by 18.4% from FY21-3Q)
—EBITDA Margin	22.0%	(1.2pts increased from FY21-3Q)
—Free Cash Flow	2.5 billion yen	(Decreased by 82.5% from FY21-3Q)
—Equity Ratio	72.3%	(3.7pts increased from the end of FY21)
—CAPEX	5.9 billion yen	
—Depreciation	7.7 billion yen	



Review of FY22-3Q

The Americas

Performance in North America was steady.

Brazil posted record highs in both sales and profit.

Inflationary effects continue.

Europe/Africa

Sales to the aircraft industry continued to recover, and sales to the distribution and general industries were strong.

Both sales and profits reached record highs.

Asia

Although the impact of the zero-corona policy remains in Greater China, both sales and orders in other Asian regions are steady.

Japan

Orders for standard products for the general industries remain strong.

Profitability is improving due to increased production.

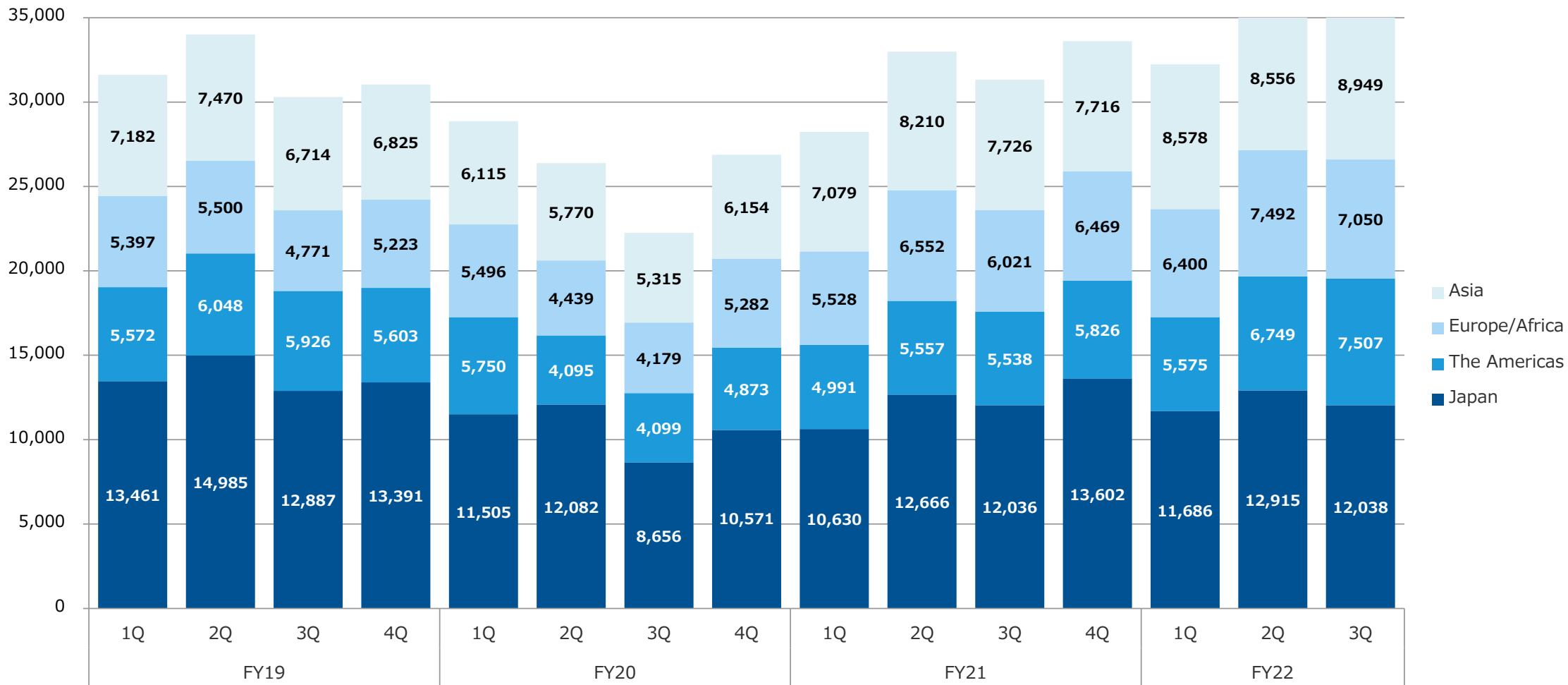
Sales to Customer

(Millions of yen)

	FY21 3Q	FY22 3Q	Change		Change in local currency
Japan	35,332	36,640	1,307	+3.7%	-
The Americas	16,088	19,832	3,744	+23.3%	+5.5%
Europe/Africa	18,103	20,944	2,840	+15.7%	+10.3%
Asia	23,016	26,084	3,068	+13.3%	+1.9%
Consolidated	92,541	103,502	10,961	+11.8%	-

Sales to Customer

(Millions of yen)



Operating Income

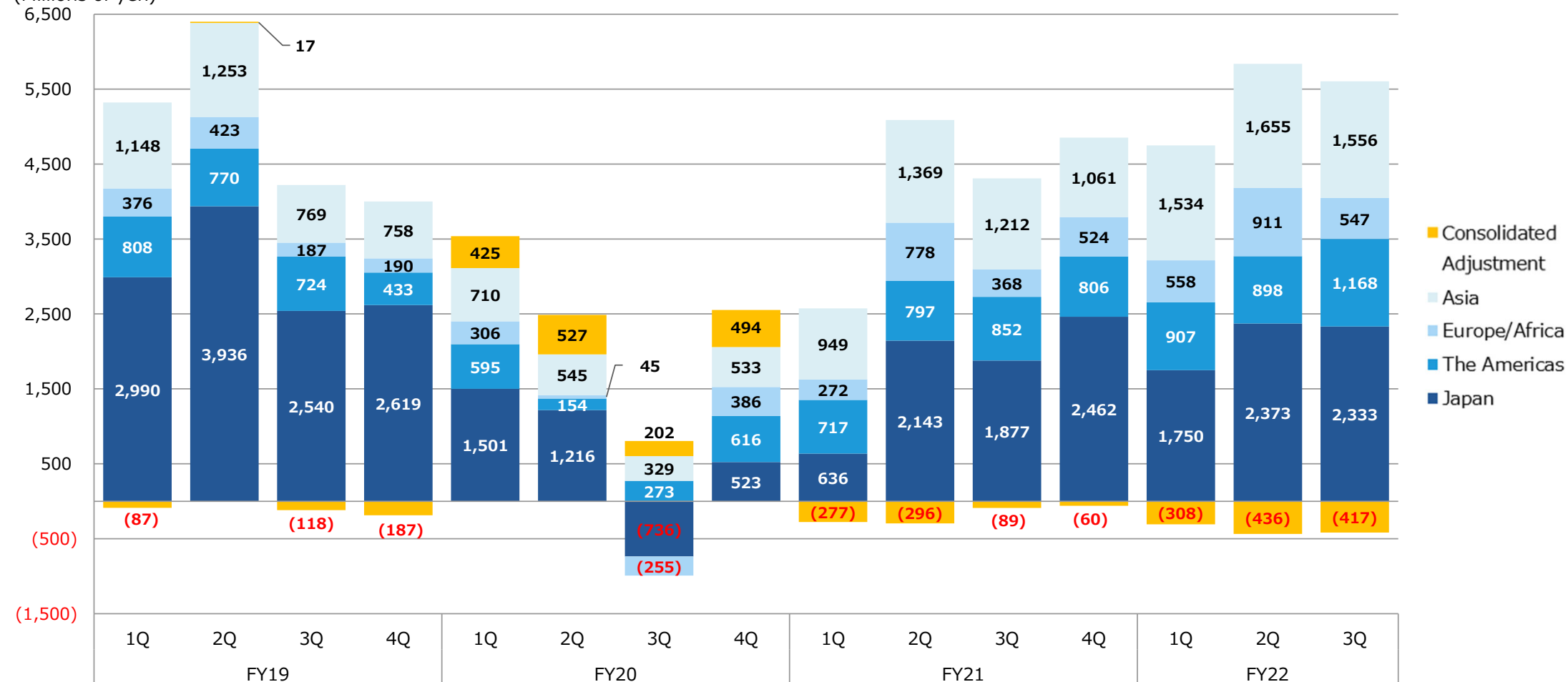
(Millions of yen)

	FY21 3Q	Area percentage	FY22 3Q	Area percentage	Change		OPM(*)
Japan	4,656	38.9%	6,457	39.9%	1,800	+38.7%	12.2%
The Americas	2,367	19.8%	2,973	18.4%	605	+25.6%	14.4%
Europe/Africa	1,419	11.9%	2,018	12.5%	599	+42.2%	9.6%
Asia	3,531	29.5%	4,746	29.3%	1,215	+34.4%	16.6%
Total	11,975	-	16,196	-	4,221	+35.3%	13.1%
Eliminations	-663	-	-1,161	-	-498	-	-
Consolidated	11,311	-	15,034	-	3,723	+32.9%	14.5%

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

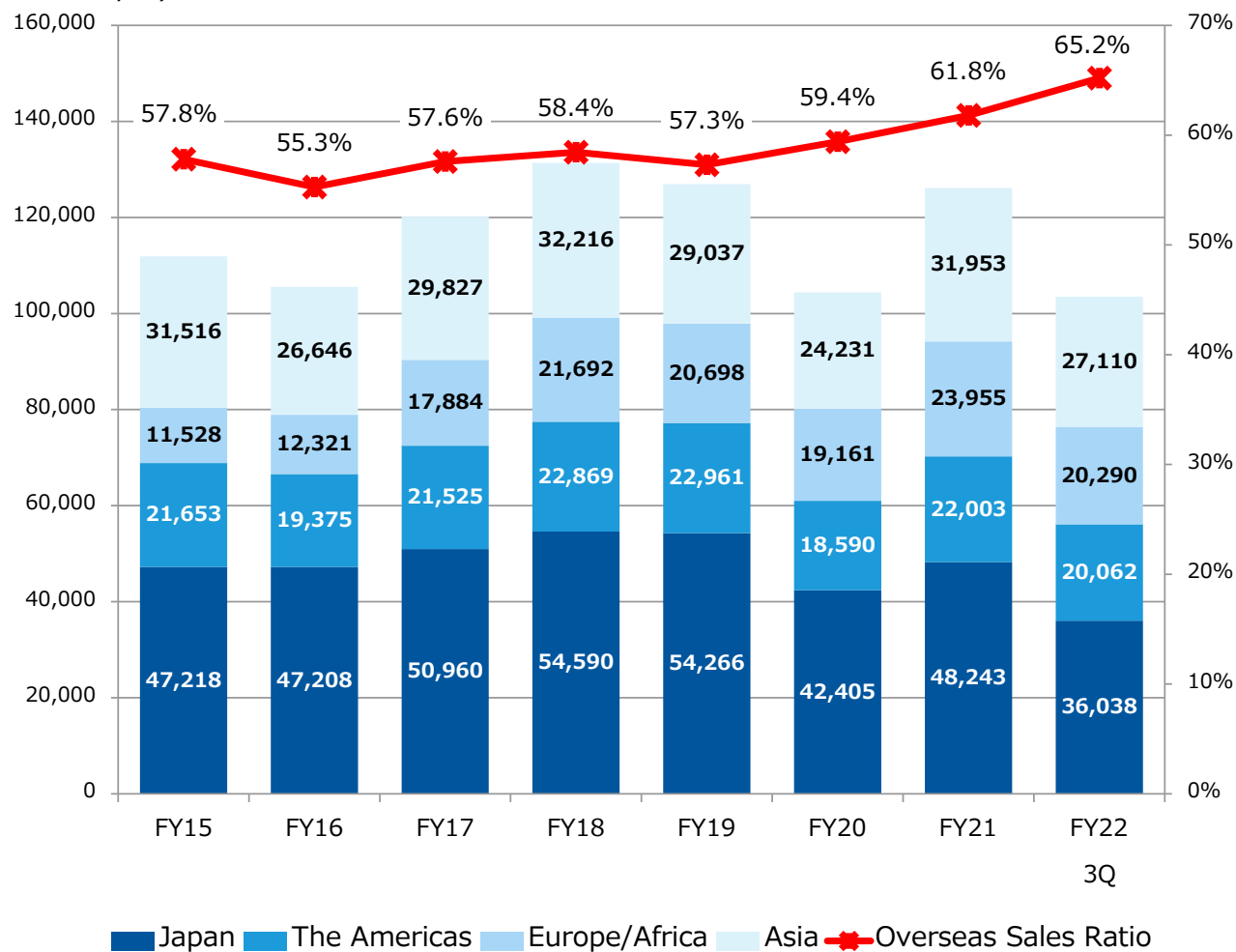
Operating Income

(Millions of yen)

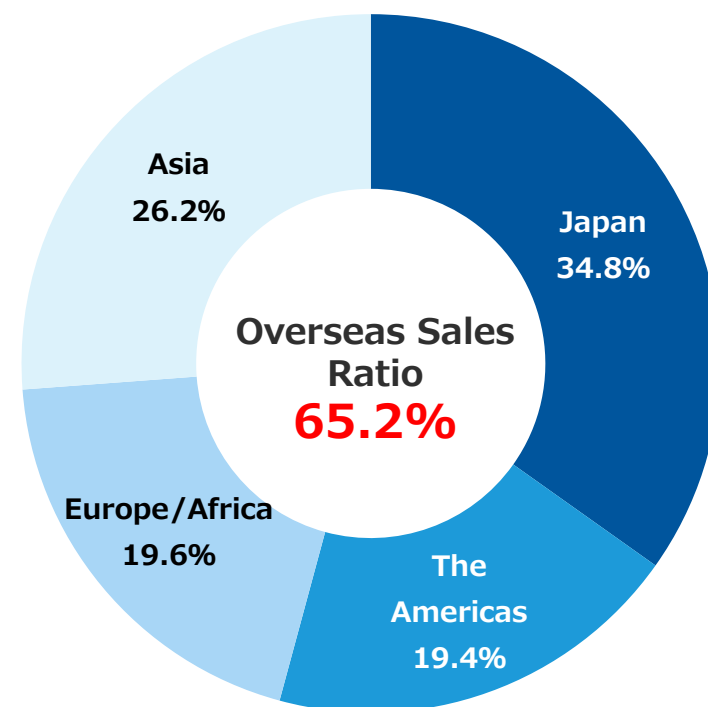


Overseas Sales Ratio

(Millions of yen)



FY2022-3Q



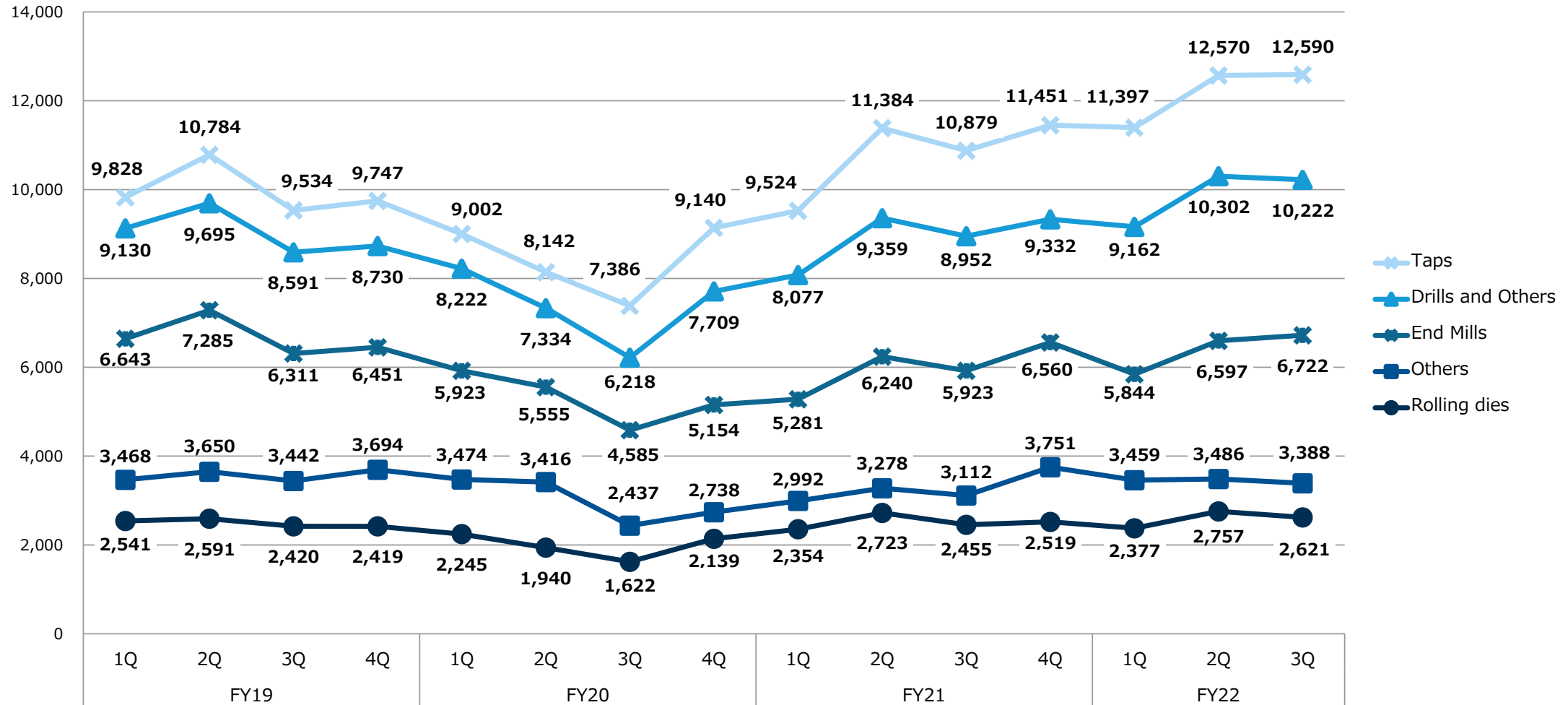
Net Sales by Product Segment

(Millions of yen)

		FY21						FY22					Change	
		1Q	2Q	3Q	4Q	3Q		1Q	2Q	3Q	3Q			
Precision Tools	Taps	9,524	11,384	10,879	11,451	31,788	34.4%	11,397	12,570	12,590	36,558	35.3%	4,770	15.0%
	End mills	5,281	6,240	5,923	6,560	17,446	18.9%	5,844	6,597	6,722	19,164	18.5%	1,717	9.8%
	Drills and Others	8,077	9,359	8,952	9,332	26,388	28.5%	9,162	10,302	10,222	29,687	28.7%	3,298	12.5%
	Rolling dies	2,354	2,723	2,455	2,519	7,533	8.1%	2,377	2,757	2,621	7,756	7.5%	223	3.0%
	Gauges	373	445	448	480	1,267	1.4%	449	524	488	1,462	1.4%	194	15.4%
		25,611	30,153	28,659	30,344	84,424	91.2%	29,231	32,751	32,646	94,629	91.4%	10,204	12.1%
Other	Machine	956	1,006	864	1,346	2,826	3.1%	783	1,008	893	2,685	2.6%	-141	-5.0%
	Other	1,663	1,826	1,799	1,924	5,289	5.7%	2,227	1,953	2,007	6,188	6.0%	899	17.0%
		2,619	2,833	2,663	3,271	8,116	8.8%	3,010	2,962	2,900	8,873	8.6%	757	9.3%
Total		28,230	32,986	31,323	33,615	92,541	100%	32,241	35,714	35,546	103,502	100%	10,961	11.8%

Net Sales by Product Segment

(Millions of yen)

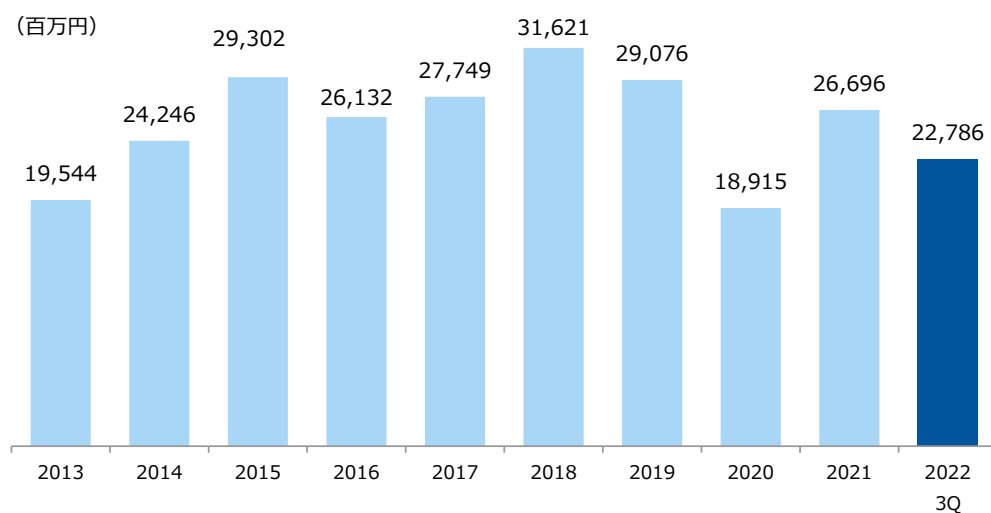


B/S Overview ・ EBITDA

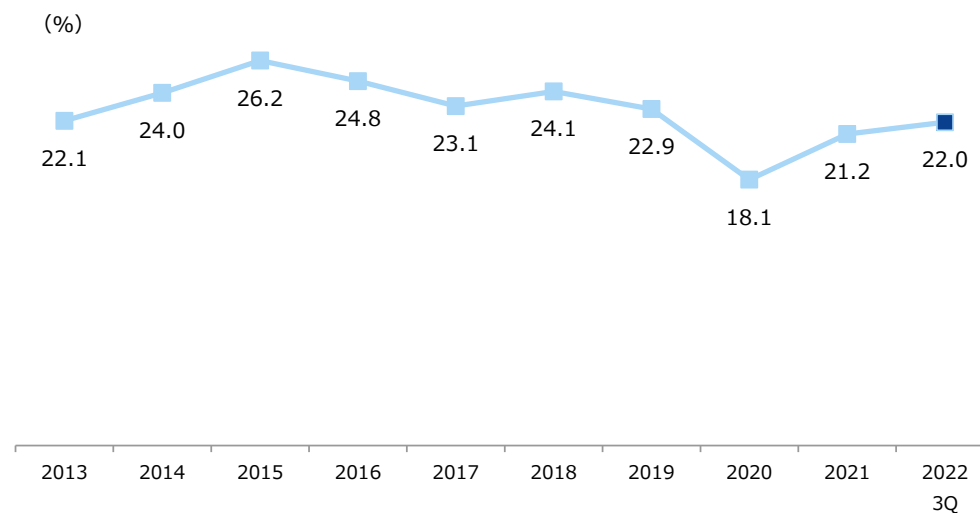
(Millions of yen)

	FY21	FY22-3Q		FY21	FY22-3Q
Equity Ratio (%)	68.6	72.3	Cash and Time Deposits	46,795	41,855
Receivable Turnover Period (Days)	68	68	Debt	30,751	26,264
Inventory Turnover Period (months)	4.1	4.5	Net Cash	16,043	15,590

EBITDA

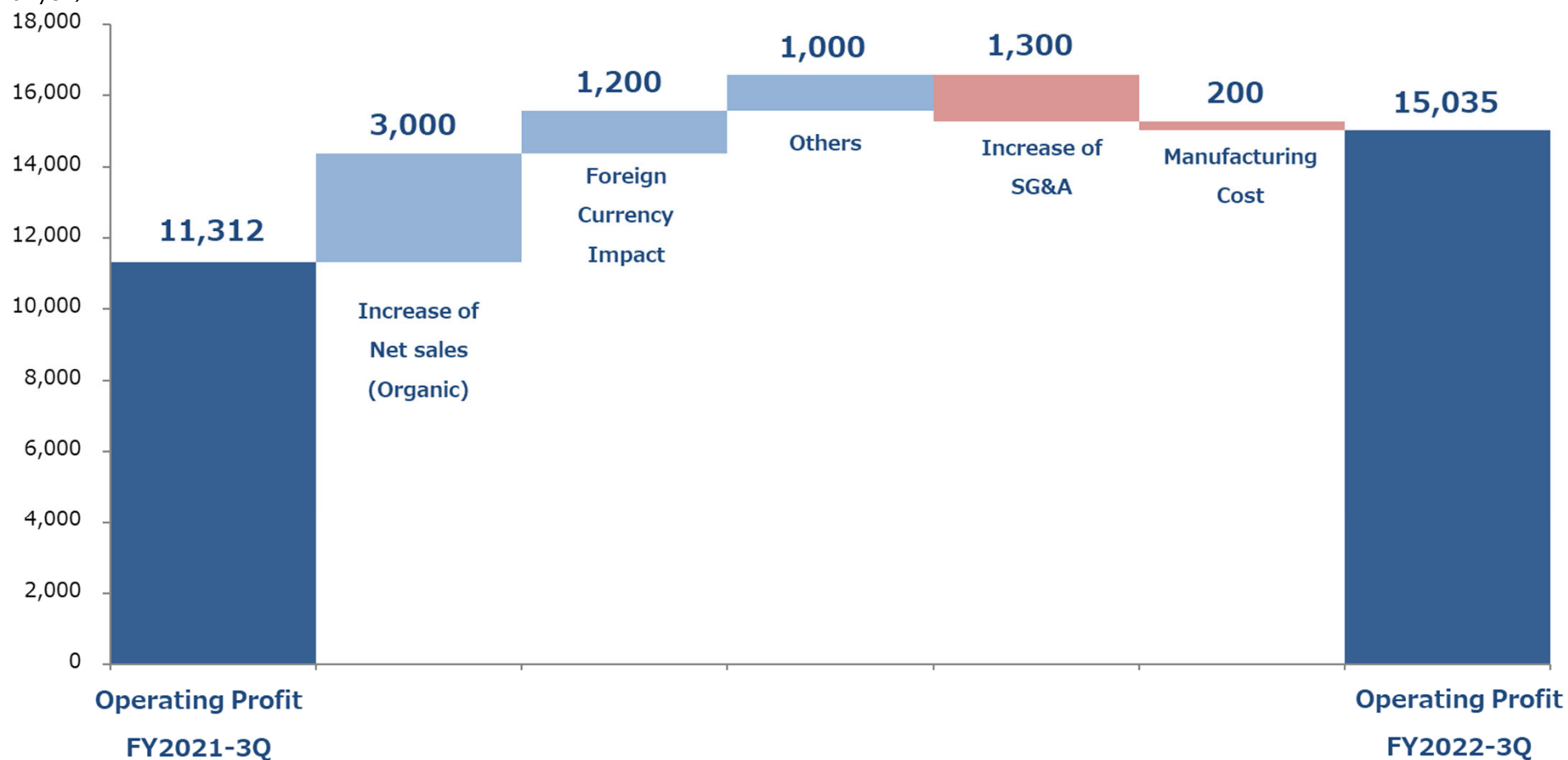


EBITDA Margin



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 380 million yen in the first half of 2022, but there is no impact on ordinary profit.

Capital Investment

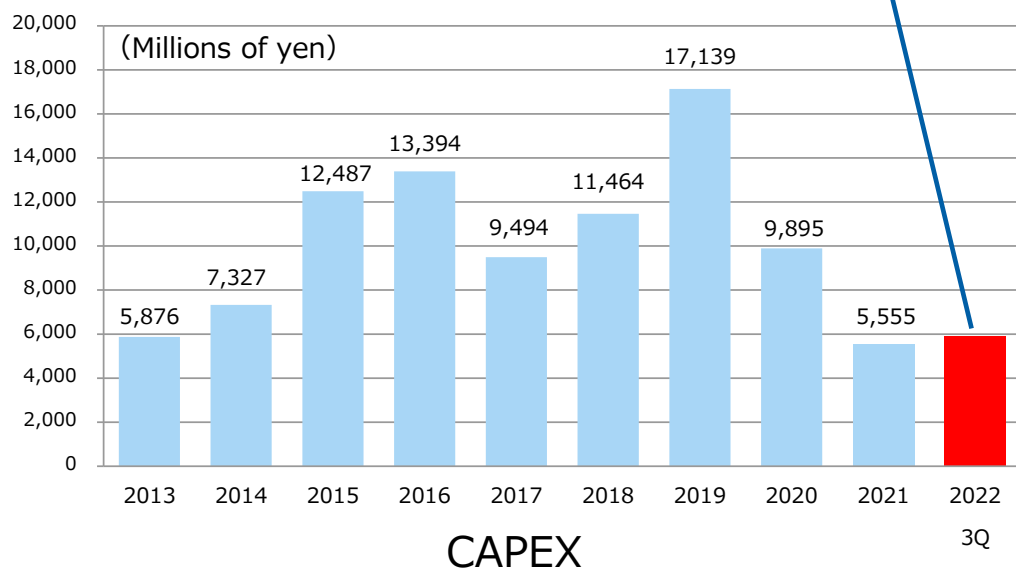
FY22 Capital Investment Forecast

9.0 billion yen

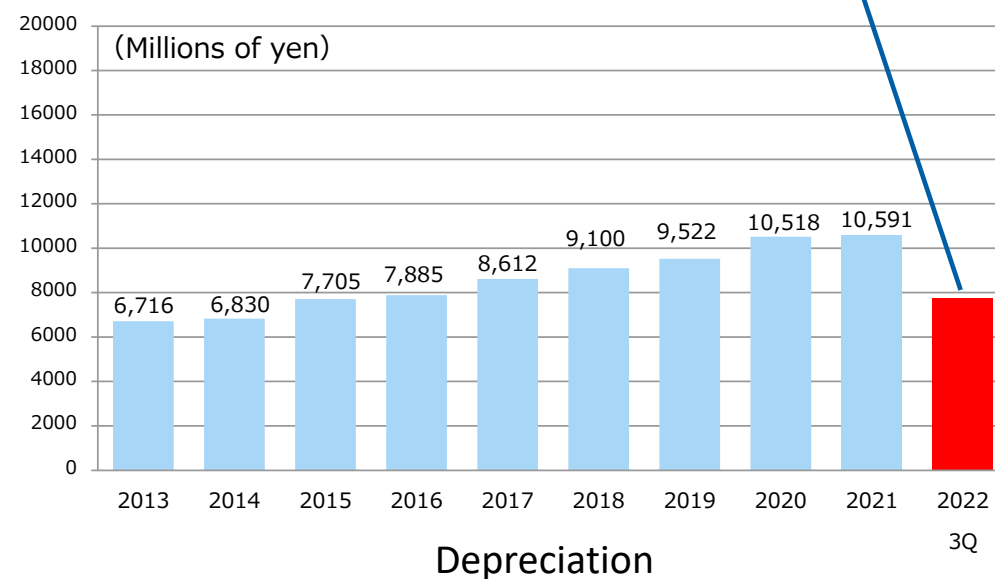
Breakdown

Mainly renewal and enhancement of machinery and equipment

CAPEX : 5,919



Depreciation : 7,751



Forecast for FY22

Consolidated

Parent Company

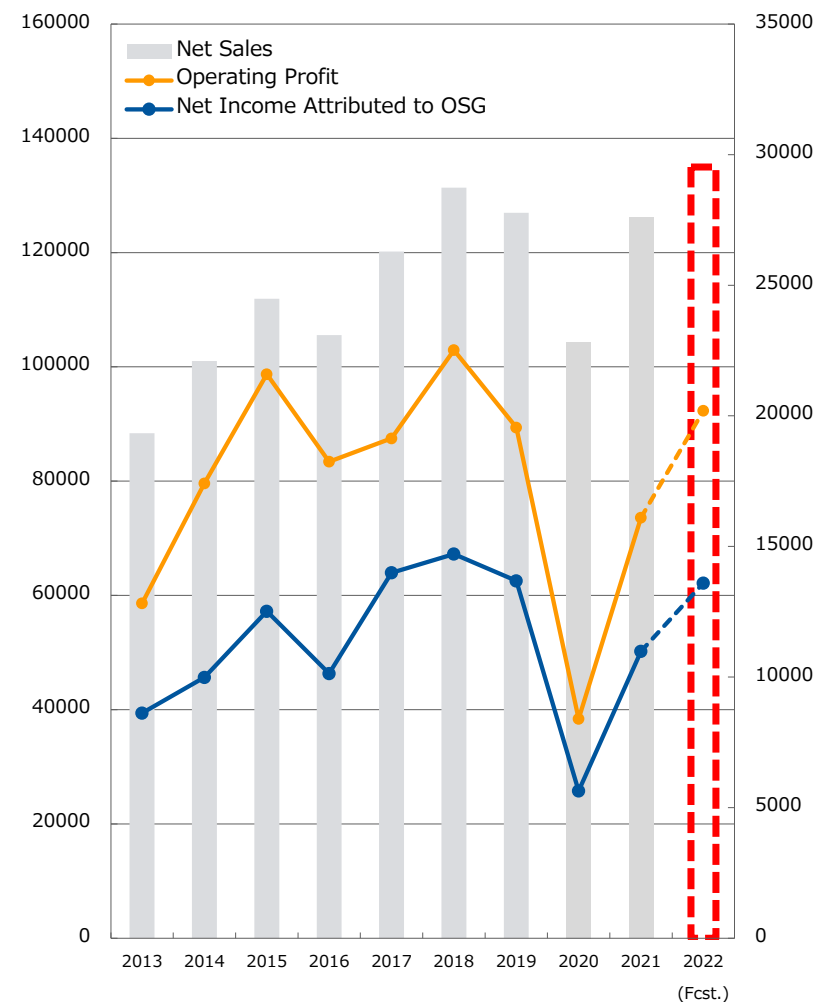
	Amount (Millions of yen)	Growth	Amount (Millions of yen)	Growth
Net Sales	135,000	+7.0%	56,000	+7.5%
Operating Profit	20,200	+25.4%	6,000	+22.7%
as % of sales	15.0%	-	10.7%	-
Ordinary Profit	20,200	+25.1%	10,600	+60.1%
as % of sales	15.0%	-	18.9%	-
Net Income Attributed to OSG	13,600	+23.8%	8,700	+70.3%
as % of sales	10.1%	-	15.5%	-
EPS (yen)	140.77	-	90.00	-

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

Net Sales
(Million yen)

Consolidated

Profit
(Million yen)



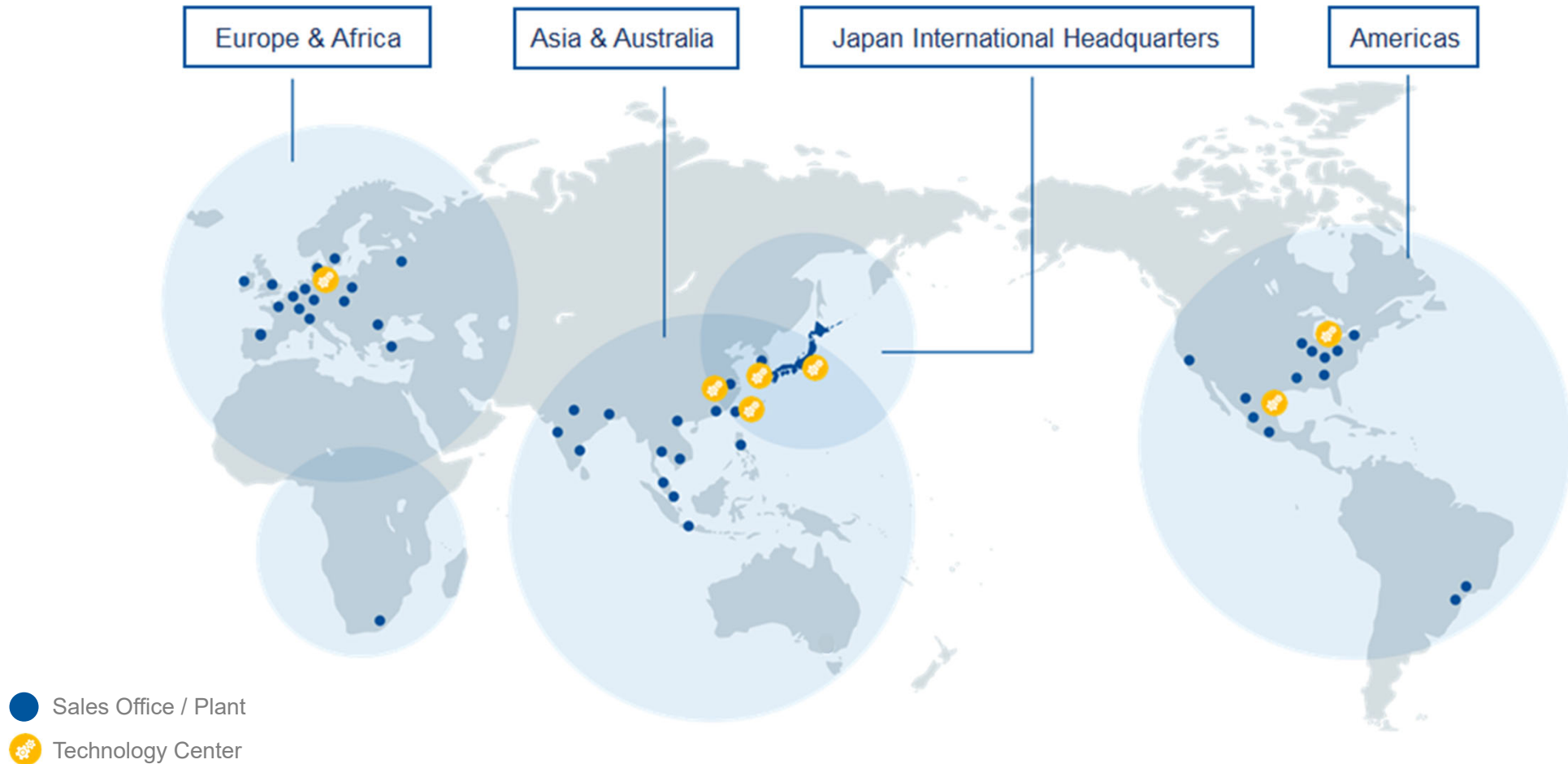
Exchange Rate

(YEN)	1US\$	1Euro	1RMB
FY19 3Q	109.55	123.36	16.02
FY19	109.36	122.53	15.86
FY20 3Q	107.66	120.95	15.32
FY20	106.94	121.60	15.41
FY21 3Q	108.18	129.94	16.71
FY21	109.41	130.04	16.94
FY22 3Q	126.15	135.31	19.20

Appx.1 Selected Financial Data (Consolidated)

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 3Q
Net sales	(mil.yen)	84,083	88,378	101,031	111,917	105,561	120,198	131,368	126,964	104,388	126,156	103,502
Sales growth	(%)	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	21%	12%
Cost of sales	(mil.yen)	49,381	52,777	58,061	61,865	59,179	69,711	74,833	73,281	65,715	76,969	61,415
Gross profit	(mil.yen)	34,702	35,601	42,970	50,051	46,382	50,486	56,535	53,682	38,673	49,186	42,086
SG&A expenses	(mil.yen)	20,747	22,774	25,554	28,454	28,135	31,349	34,015	34,128	30,276	33,081	27,051
Operating income	(mil.yen)	13,954	12,827	17,415	21,597	18,246	19,137	22,520	19,554	8,396	16,105	15,034
Ordinary income	(mil.yen)	13,695	13,910	17,568	21,510	17,813	19,144	22,567	19,710	8,950	16,141	16,264
Net income	(mil.yen)	7,138	8,619	9,989	12,518	10,134	13,993	14,710	13,686	5,639	10,989	11,349
Gross profit margin	(%)	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	39.0%	40.7%
SG&A as % of sales	(%)	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%	26.9%	29.0%	26.2%	26.1%
Operating income	(%)	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	14.5%
Ordinary income	(%)	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	15.7%
Net income	(%)	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	11.0%
Average FX rate: 1USD	(yen)	78.89	93.16	102.98	121.03	109.78	112.33	110.53	109.36	106.94	109.41	126.15
Average FX rate: 1Euro	(yen)	102.63	122.62	139.37	134.92	121.39	126.20	130.68	122.53	121.60	130.04	135.31
Total assets	(mil.yen)	121,689	134,503	142,302	155,129	156,081	166,712	178,020	190,414	200,112	209,757	220,605
Total shareholders' equity	(mil.yen)	64,482	80,024	91,458	102,566	92,216	115,810	125,332	129,078	129,338	143,811	159,477
Net income	(yen)	75.16	90.76	105.20	131.78	110.59	153.70	150.47	140.06	57.94	112.63	117.48
Cash dividends (end of Q2)	(yen)	10.00	10.00	14.00	26.00	22.00	21.00	22.00	23.00	11.00	14.00	23.00
(year-end)	(yen)	13.00	20.00	20.00	20.00	28.00	25.00	25.00	24.00	11.00	22.00	-
Total shareholders' equity	(yen)	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	1,667.57
Average number of shares	(ths)	94,966	94,963	94,959	94,991	91,640	91,044	97,761	97,716	97,335	97,573	96,608
ROE	(%)	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.0%
Equity ratio	(%)	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	72.3%
Operating CF	(mil.yen)	12,286	16,171	19,688	19,588	16,333	20,820	20,310	19,261	17,038	26,982	-
Investing CF	(mil.yen)	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133	-6,961	-
Financing CF	(mil.yen)	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-14,264	-
Cash flow margin	(%)	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

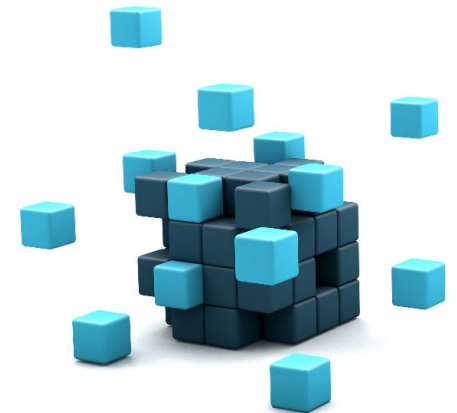
FY2022 - FY2024

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.



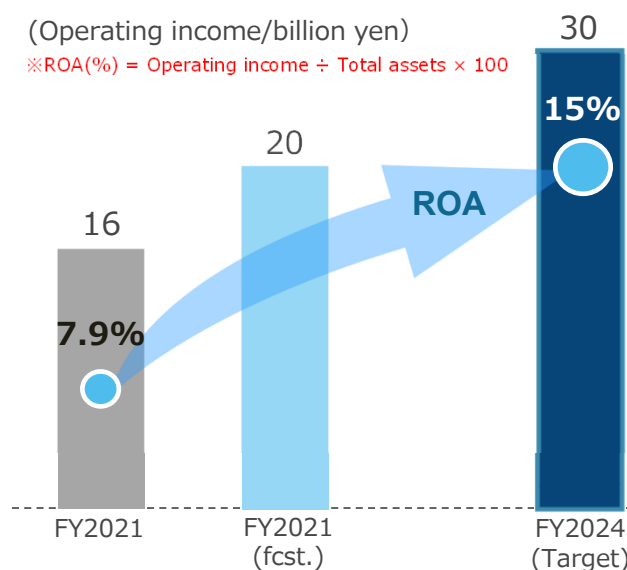
**Beyond the Limit
2022-2024 (Stage1)**

**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
30 billion yen

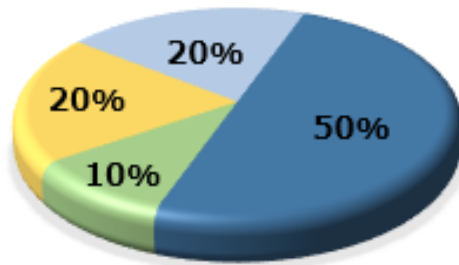
**Achieve
40% share
in the global tap
market**

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

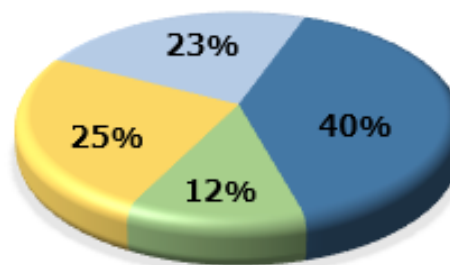
Target-Industry Portfolio



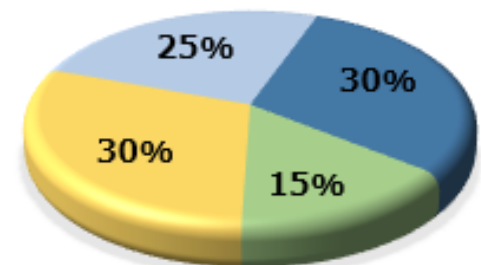
Beyond the Limit
2022-2024 (Stage1)



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

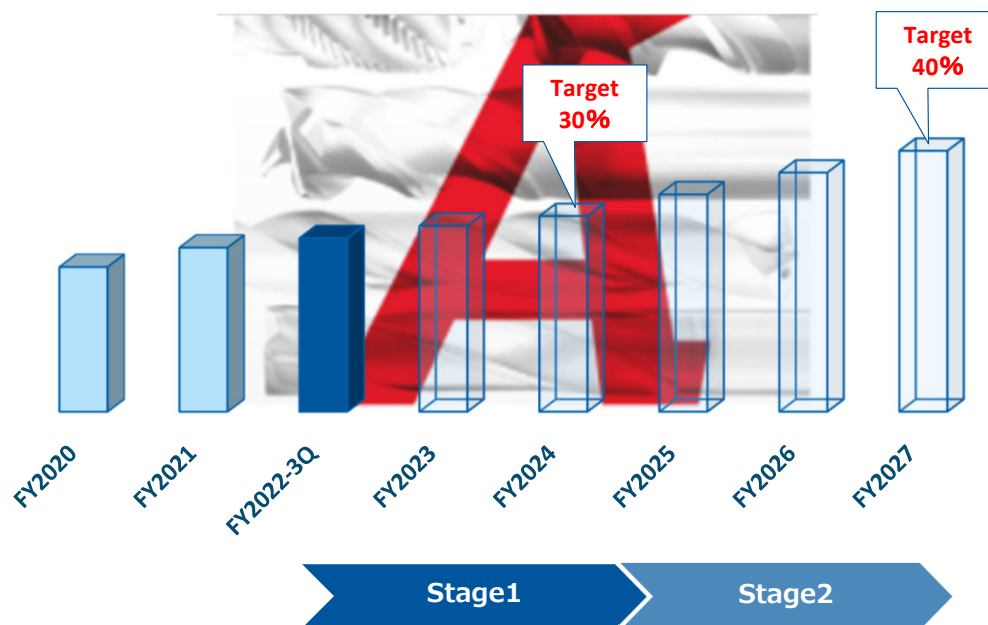
- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers

Progress of basic strategy

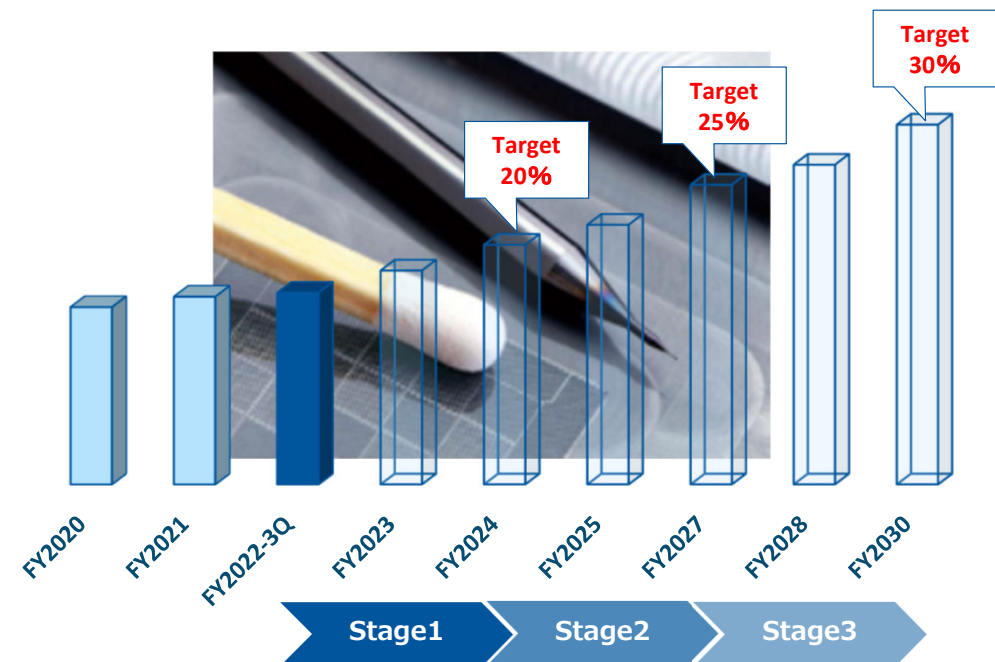
Sales of A-brand products grew, especially overseas, and new customers were acquired in the micro-precision machining field.

A Brand sales rate

A-brand product sales as a percentage of sales of taps, drills, and end mills in standard items



Sales rate in micro precision machining



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.

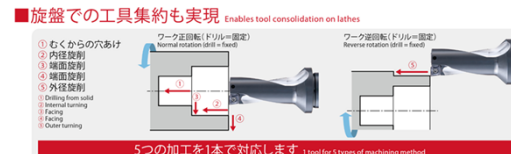
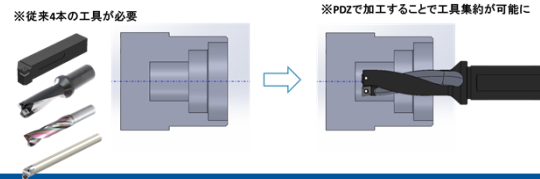
Eco-friendly tool PDZ

Indexable Type Flat Drill PDZ

➤ What is PDZ?

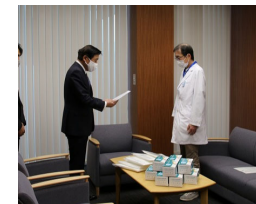
The PDZ is an indexable-type flat drill that can be used for a wide variety of applications, including hole drilling, boring, sloping surface machining, and lathe turning, as well as O.D. and I.D. machining, and can be used to consolidate processes.

In the past, it was necessary to separate tools for O.D. machining, I.D. machining, etc. in lathe machining, but the PDZ enables process integration. By achieving process integration through multitasking, machining time can be shortened and tool waste can be reduced.



Donations to Medical Institutions

We have continued to provide medical personnel with masks and other aid on a regular basis. This time, too, we were able to promptly deliver masks (N95) for medical personnel, which were in short supply amid the seventh wave of coronavirus infection.



Toyokawa City Hospital



Shinshiro City Hospital



Toyohashi-city

June 2020: Medical personnel masks/surgical masks/medical gowns
June 2021: Medical personnel masks, surgical masks, medical gowns, disinfectant solutions, and face shields
February 2022: Respirators for medical personnel
August 2022: Masks for medical personnel

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.

