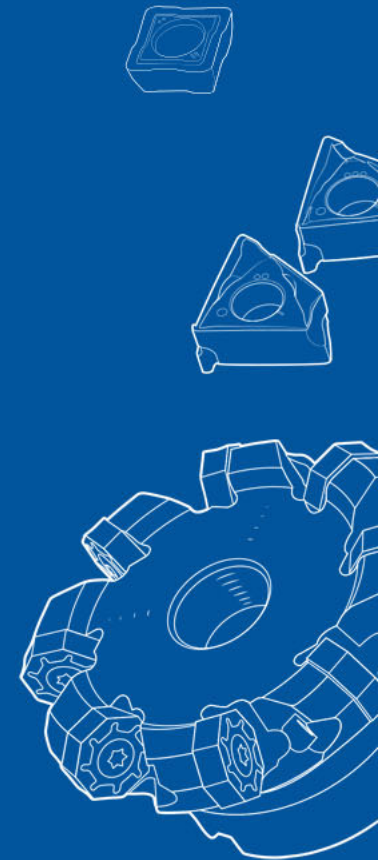
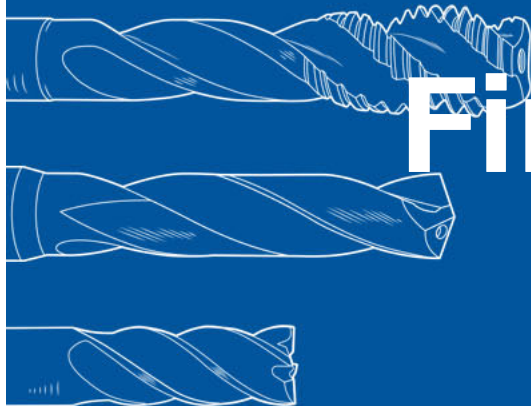




shaping your dreams

Financial Results for FY2019

January, 2020
OSG Corporation

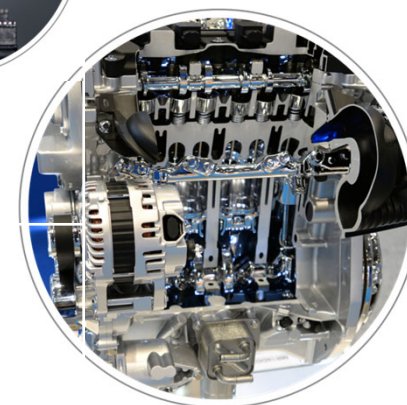
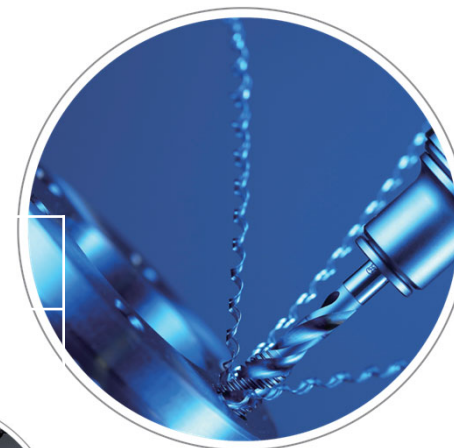


- ◆ P2-3 Company Overview
- ◆ P4-5 Financial Summary
- ◆ P6-7 Review of FY2019
- ◆ P8-9 Sales to Customer
- ◆ P10-11 Operating Income
- ◆ P12 Overseas Sales Ratio
- ◆ P13 Operation Profit Variation
- ◆ P14-15 Net Sales
by Product Segment
- ◆ P16 B/S Overview · EBITDA

- ◆ P17 Cash flow overview
- ◆ P18 Capital investment
- ◆ P19 Forecast for FY2020
- ◆ P20 Exchange Rate
- ◆ P21 Dividends Per Share
- ◆ P22 Expansion
of Overseas Business
- ◆ P23 Management Target
- ◆ P24 Selected Financial Data

Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	12,194 million yen
Employees	7,236 (consolidated) 1,845 (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 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 a 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

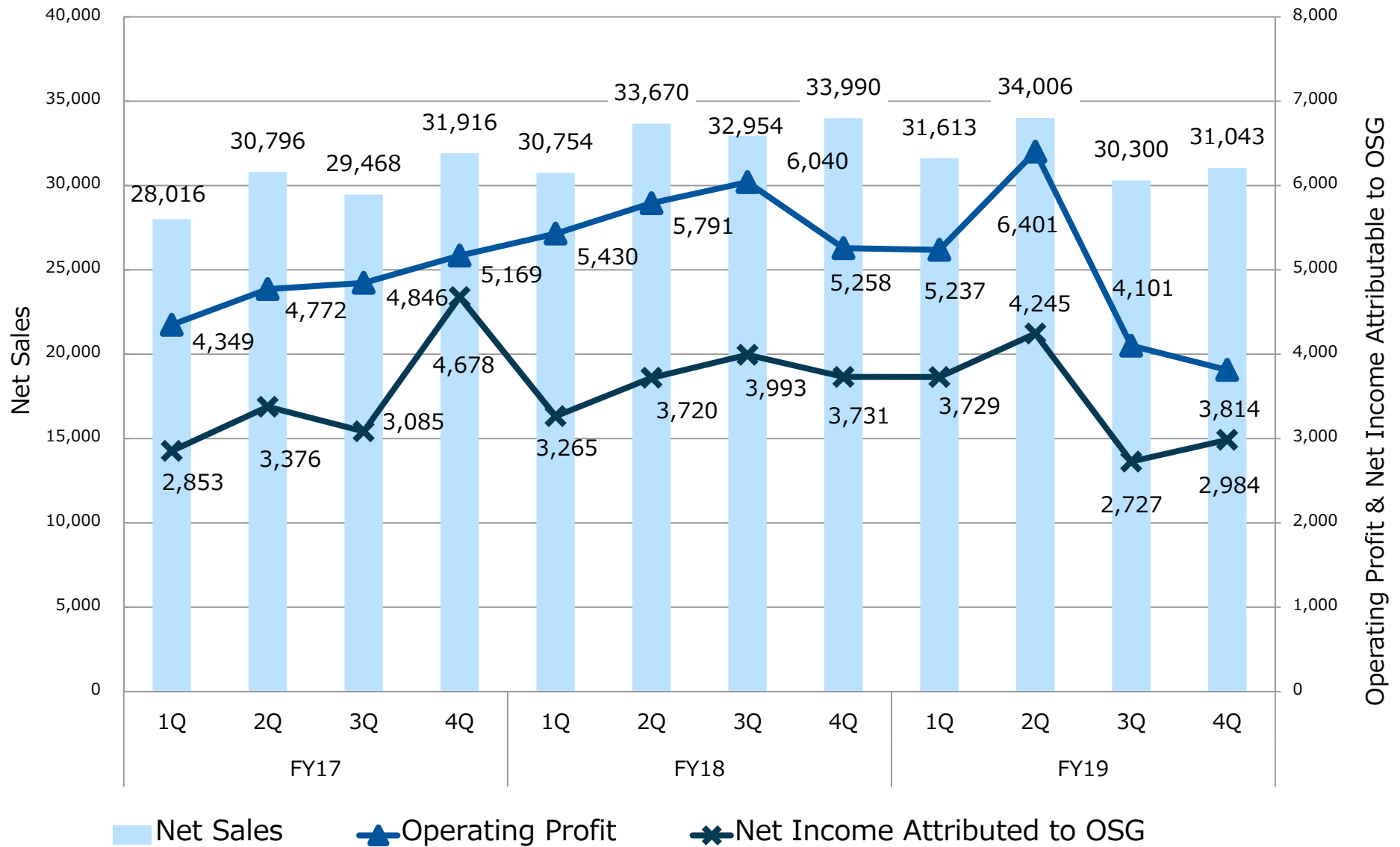
(Millions of yen)

	FY18	FY19	Change	FY19 fcst. Annual	FY19 fcst. Annual (revised)
Net Sales	131,368	126,964	-3.4%	137,000	126,900
Operating Profit	22,520	19,554	-13.2%	24,000	19,500
OPM	17.1%	15.4%	-	17.5%	15.4%
Ordinary Profit	22,567	19,710	-12.7%	24,000	19,700
Net Profit Attributable to OSG	14,710	13,686	-7.0%	15,300	13,600
EPS(yen)	150.47	140.60	-6.6%	156.29	139.92

*The financial summary FY2019 has been revised.

Financial Summary

(Millions of yen)



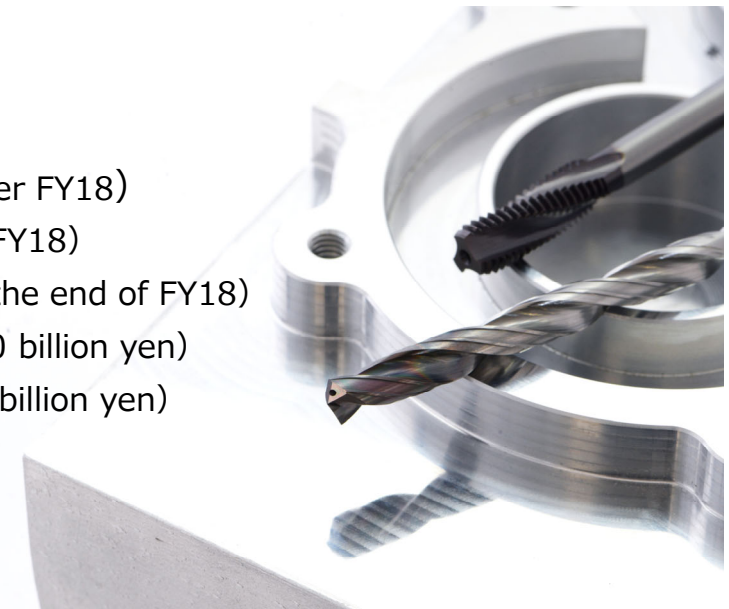
Review of FY2019

Net sales and profits reached the highest-ever in the first half.

However, our situation in the second half slowed down with the manufacturing industries.

➤ Index & Capital Investment Results

—EBITDA	29.0 billion yen	(decreased by 8.0% over FY18)
—EBITDA Margin	22.9%	(1.2pts decrease from FY18)
—Equity ratio	67.8%	(2.6pts decrease from the end of FY18)
—CAPEX	17.1 billion yen	(annual forecast of 22.0 billion yen)
—Depreciation	9.5 billion yen	(annual forecast of 9.7 billion yen)



Review of FY2019

The Americas

The U.S. turnover has **been flat**.
The Brazil continuously increased.

Asia

Chinese economies has been sluggish and it affected the economies in other Asian countries.

Europe/Africa

Still keep flat
in sales and booking.

Japan

Domestic **booking has Decreased** from June.
The performance slowed down.

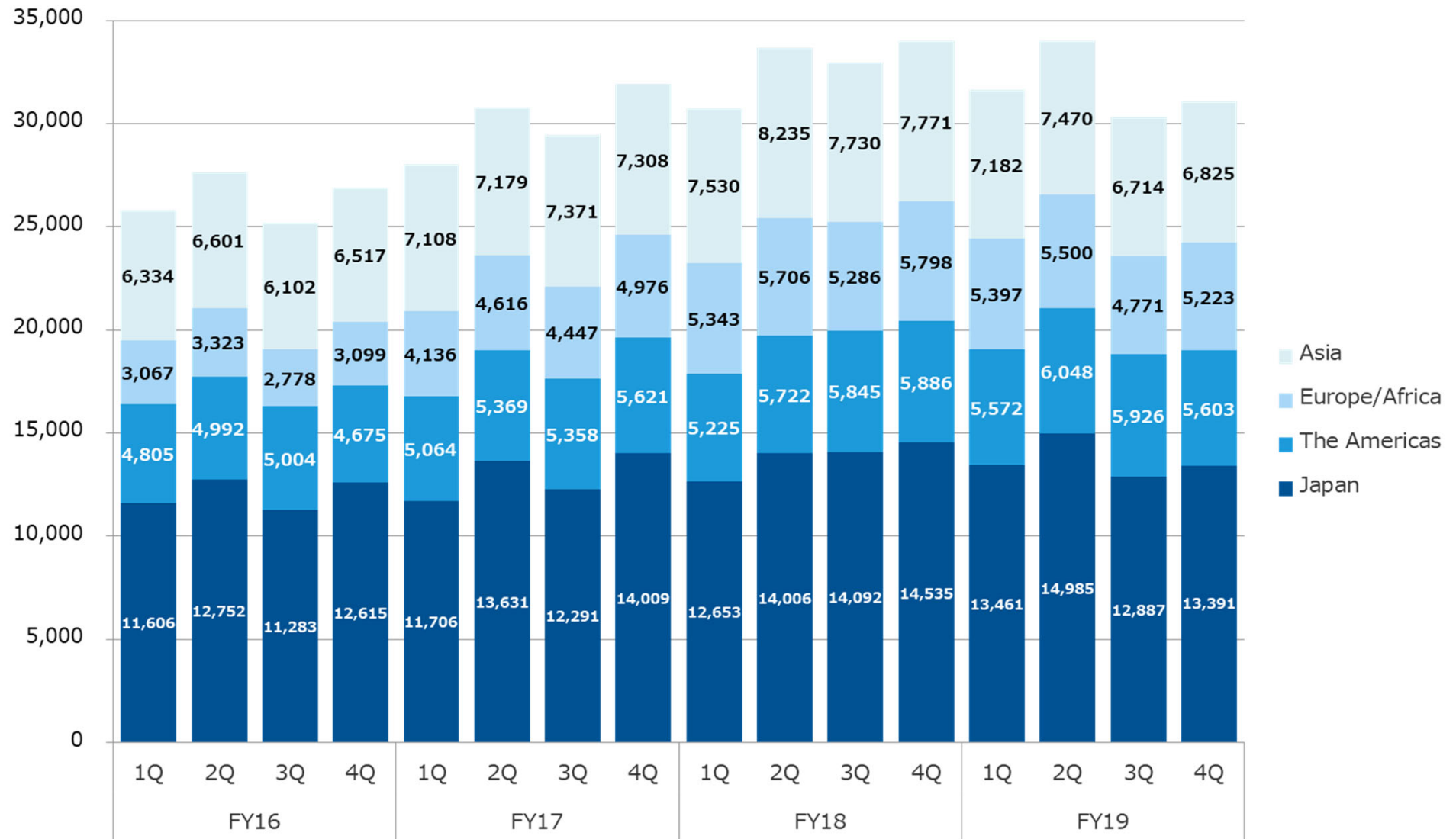
Sales to Customer

(Millions of yen)

	FY18	FY19	Change		Change in local currency
Japan	55,287	54,725	-562	-1.0%	-
The Americas	22,680	23,152	472	+2.1%	+3.9%
Europe/Africa	22,134	20,893	-1,240	-5.6%	+1.5%
Asia	31,266	28,193	-3,073	-9.8%	-5.8%
Consolidated	131,368	126,964	-4,404	-3.4%	-

Sales to Customer

(Millions of yen)



Operating Income

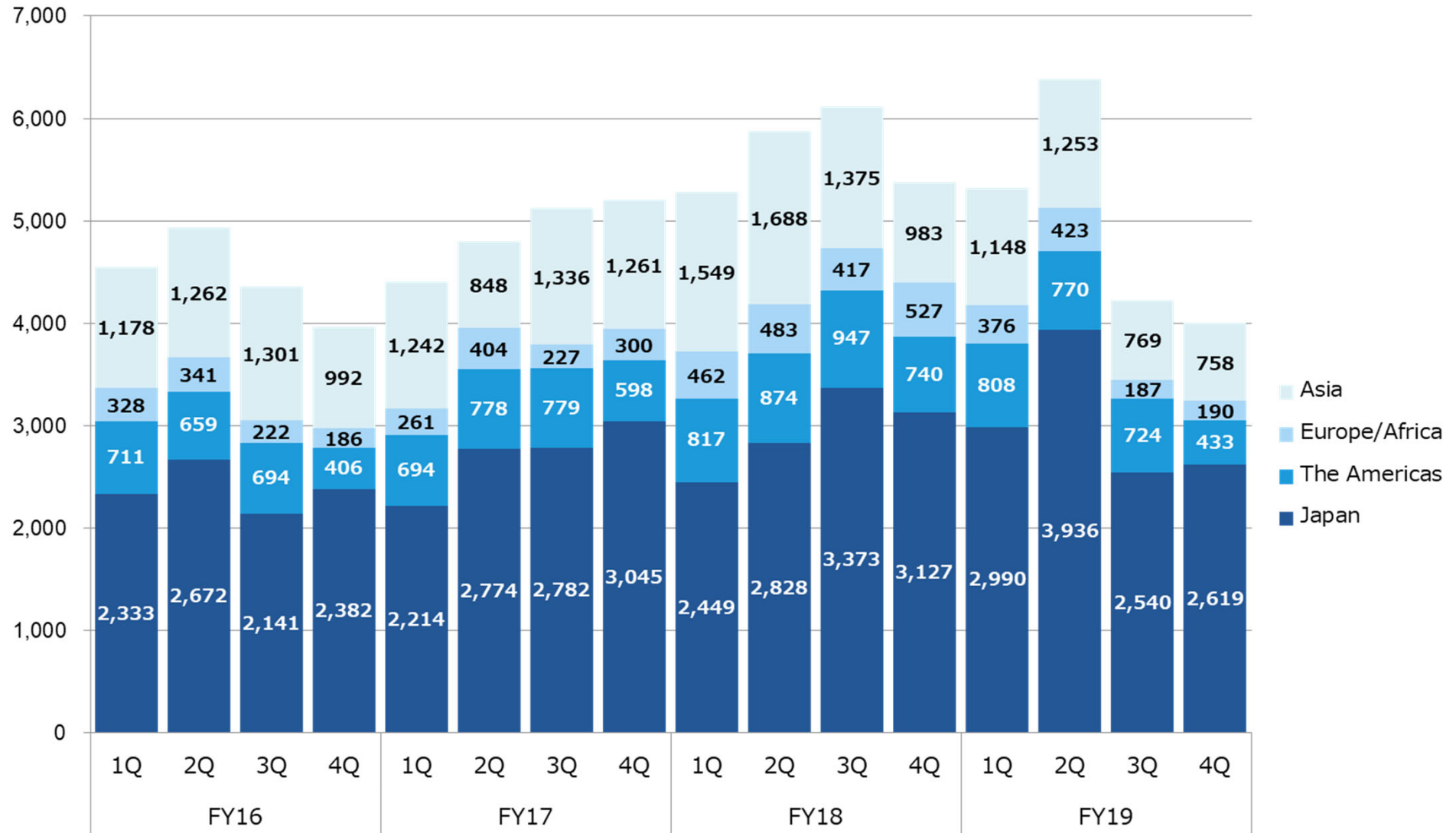
(Millions of yen)

	FY18	Area percentage	FY19	Area percentage	Change		OPM *
Japan	11,779	52.3%	12,086	61.8%	306	+2.6%	15.7%
The Americas	3,379	15.0%	2,736	14.0%	-643	-19.0%	11.5%
Europe/Africa	1,891	8.4%	1,177	6.0%	-713	-37.7%	5.6%
Asia	5,596	24.9%	3,930	20.1%	-1,666	-29.8%	12.4%
Total	22,646	-	19,930	-	-2,716	-12.0%	13.0%
Eliminations	-126	-	-376	-	-249	-	-
Consolidated	22,520	-	19,554	-	-2,966	-13.2%	15.4%

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

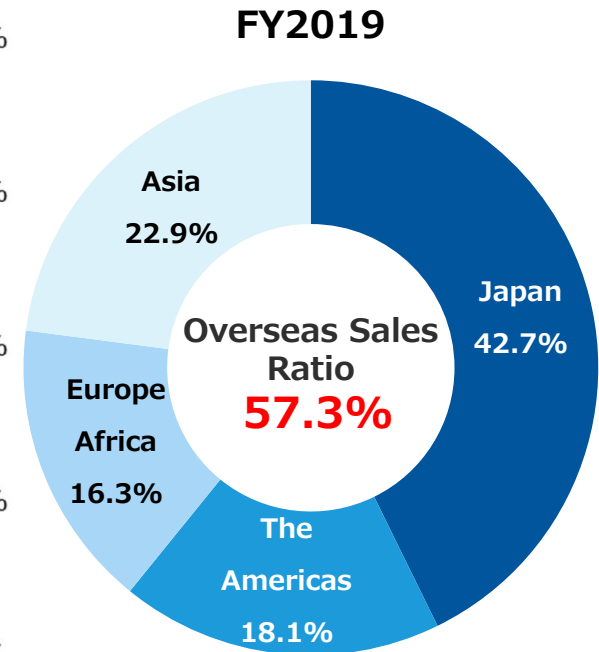
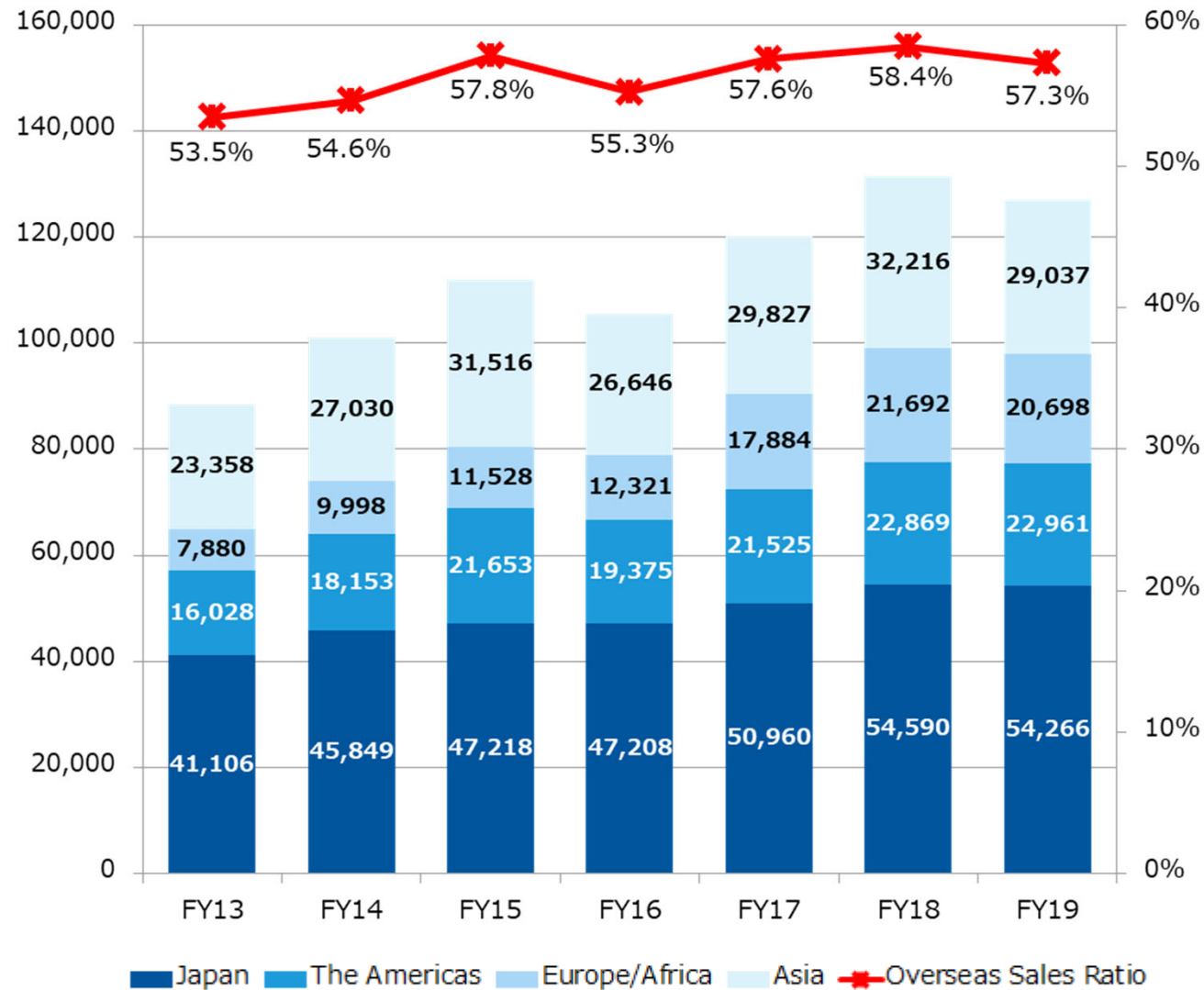
Operating Income

(Millions of yen)



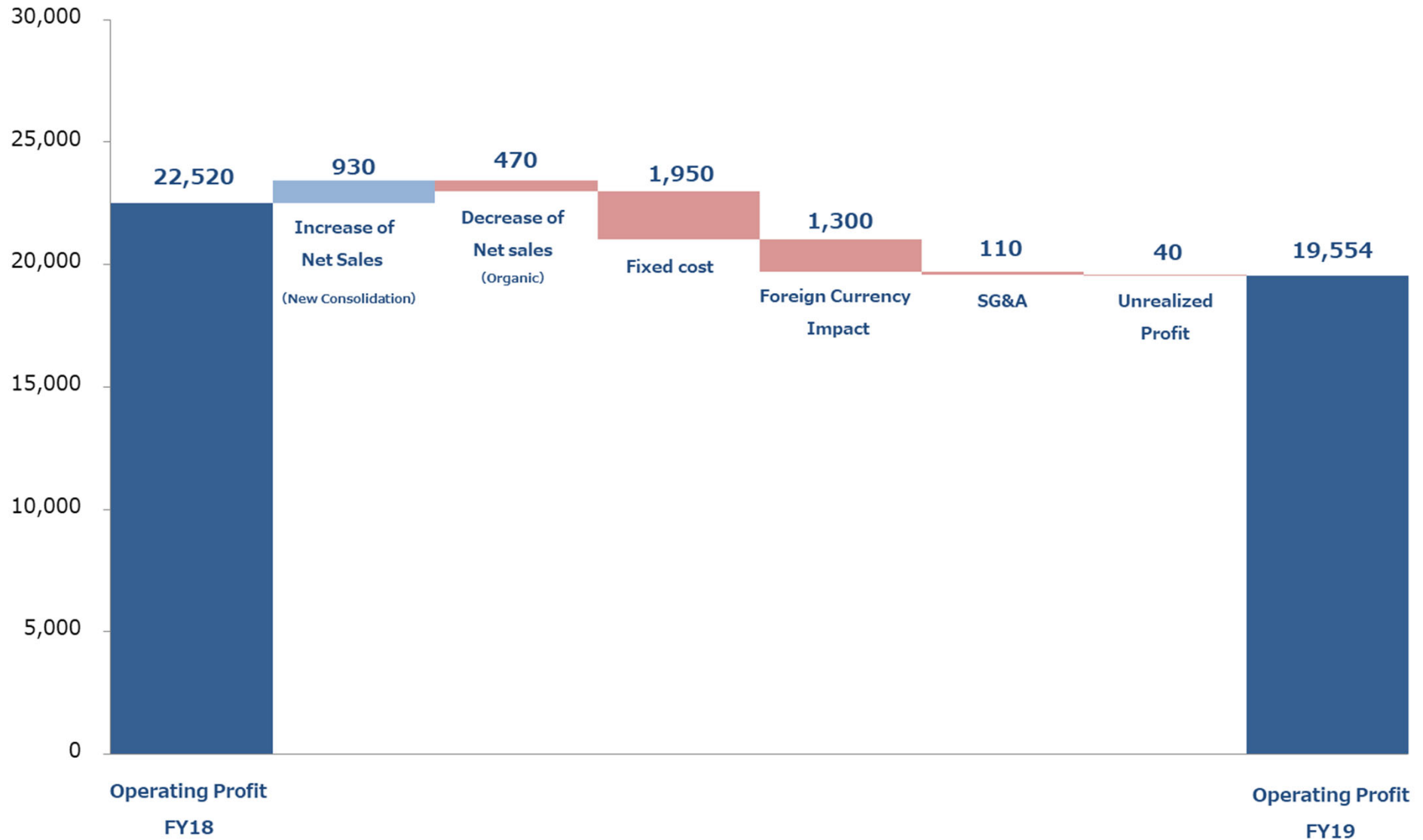
Overseas Sales Ratio

(Millions of yen)



Operation Profit Variation

(Millions of yen)



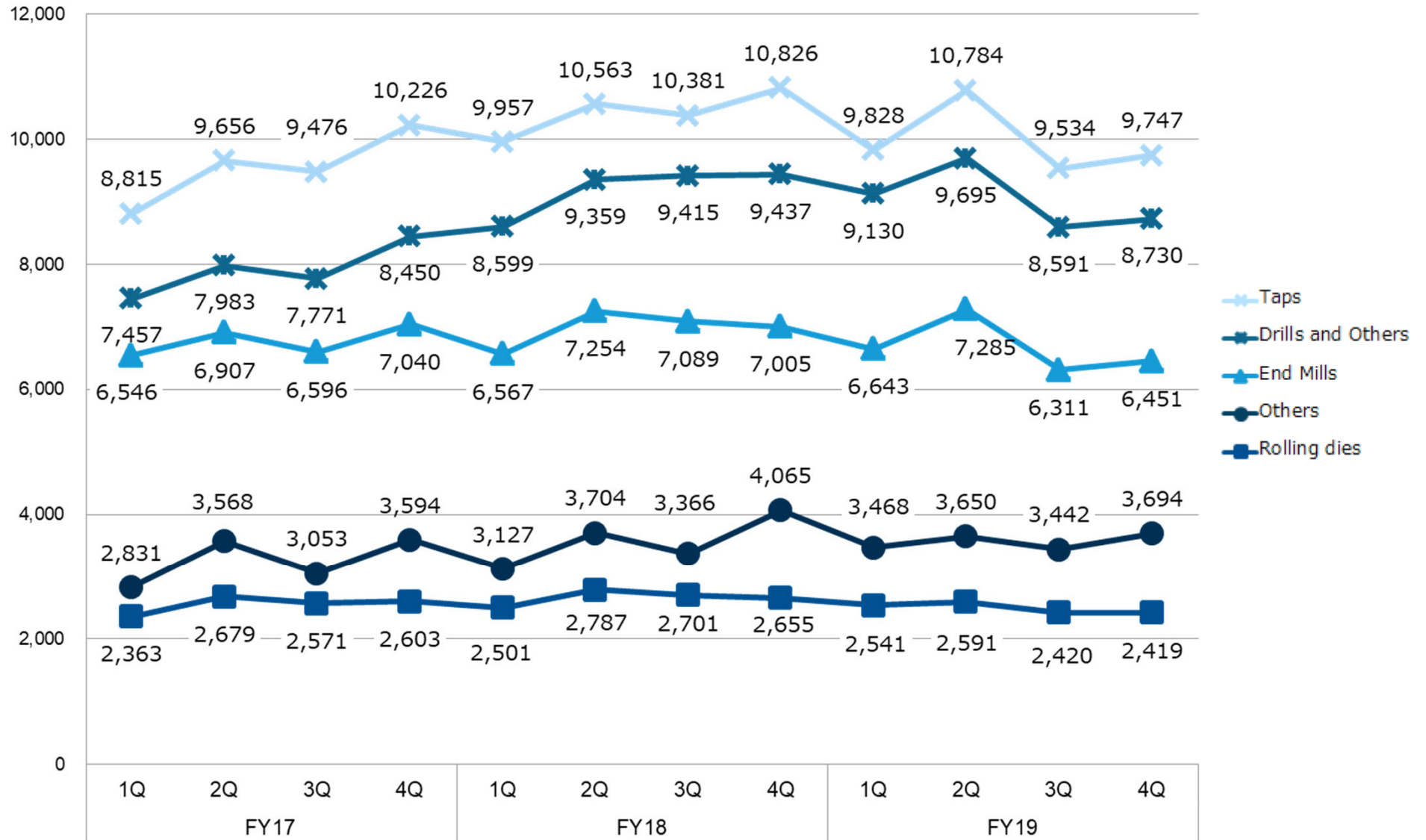
Net Sales by Product Segment

(Millions of yen)

		FY18						FY19						Change	
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total				
Precision Tools	Taps	9,957	10,563	10,381	10,826	41,729	31.8%	9,828	10,784	9,534	9,747	39,895	31.4%	-1,833	-4.4%
	End mills	6,567	7,254	7,089	7,005	27,917	21.3%	6,643	7,285	6,311	6,451	26,690	21.0%	-1,226	-4.4%
	Drills and Others	8,599	9,359	9,415	9,437	36,811	28.0%	9,130	9,695	8,591	8,730	36,147	28.5%	-664	-1.8%
	Rolling dies	2,501	2,787	2,701	2,655	10,645	8.1%	2,541	2,591	8,591	2,419	9,973	7.9%	-671	-6.3%
	Gauges	407	431	463	454	1,757	1.3%	478	491	8,591	522	1,946	1.5%	189	10.8%
		28,033	30,396	30,051	30,379	118,860	90.5%	28,622	30,847	8,591	27,871	114,653	90.3%	-4,207	-3.5%
Other	Machine	706	935	721	1,206	3,570	2.7%	907	1,097	8,591	1,133	4,151	3.3%	581	16.3%
	Other	2,014	2,337	2,181	2,404	8,938	6.8%	2,083	2,061	8,591	2,038	8,158	6.4%	-779	-8.7%
		2,720	3,273	2,903	3,611	12,508	9.5%	2,990	3,158	8,591	3,172	12,310	9.7%	-197	-1.6%
Total		30,754	33,670	32,954	33,990	131,368	100%	31,613	34,006	8,591	31,043	126,964	100%	-4,404	-3.4%

Net Sales by Product Segment

(Millions of yen)

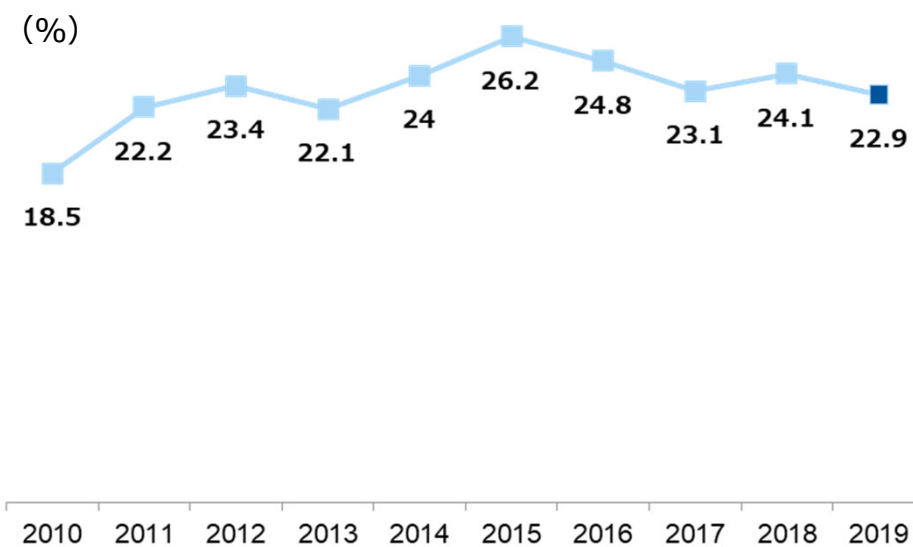
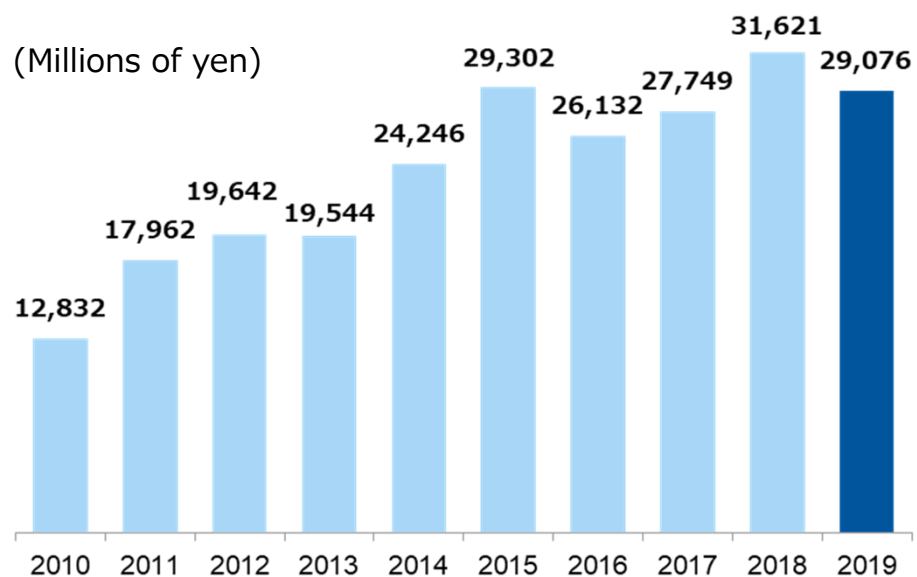


B/S Overview • EBITDA

	FY18	FY19		(Millions of yen)	
				FY18	FY19
Equity ratio (%)	70.4	67.8	Cash and time deposits	24,406	26,950
Receivable turnover period (Days)	70	64	Debt	15,612	26,782
Inventory turnover period (months)	3.6	4.2	Net Cash	8,793	168

EBITDA

EBITDA Margin



Cash flow overview

(Millions of yen)	FY16	FY17	FY18	FY19	Change
Income before taxes	16,769	21,086	22,567	19,845	-2,722
Depreciation	7,885	8,612	9,100	9,522	422
Change in A/R	-550	-1,690	-1,494	1,902	3,396
Change in inventories	-2,471	-1,147	-3,854	-6,319	-2,465
Change in A/P	321	-253	768	453	-315
Change in accrued expenses	-229	584	593	115	-477
Other-net	725	-827	-196	244	441
Income taxes paid	-7,123	-4,525	-7,359	-6,503	856
Operating cash flow	16,333	20,820	20,125	19,261	-864
Capital expenditures	-13,394	-9,494	-11,464	-17,139	-5,675
Purchase of subsidiaries' stock	-1,197	-1,073	-620	-1,158	-538
Payment of time deposits	668	-86	-1,307	-532	775
Other-net	-786	3,742	41	-1,485	-1,526
Investing cash flow	-16,843	-7,566	-13,351	-20,314	-6,963
Free cash flow	-509	13,254	6,773	-1,053	-7,826
Change in interest-bearing debt	13,344	-6,132	305	6,258	5,953
Cash dividends paid	-3,884	-4,411	-4,581	-4,709	-128
Dividends paid to minority shareholders	-417	-367	-416	-525	-109
Proceeds from issuance of bonds	-	-	-	5,000	5,000
Purchase of treasury stock	-9,834	-5	-4	-1,899	-1,895
Other-net	13	-219	-26	-660	-632
Financing cash flow	-778	-11,137	-4,723	3,465	8,188
Foreign currency translation adjustments	-1,917	540	-333	-690	-357
Net increase(decrease) in cash	-3,204	2,658	1,716	1,721	4
Cash of newly consolidated subsidiaries, beginning of year	357	300	229	437	208
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	84	-	-	-
Cash, end of year	16,555	19,598	21,545	23,704	2,159

Capital Investment

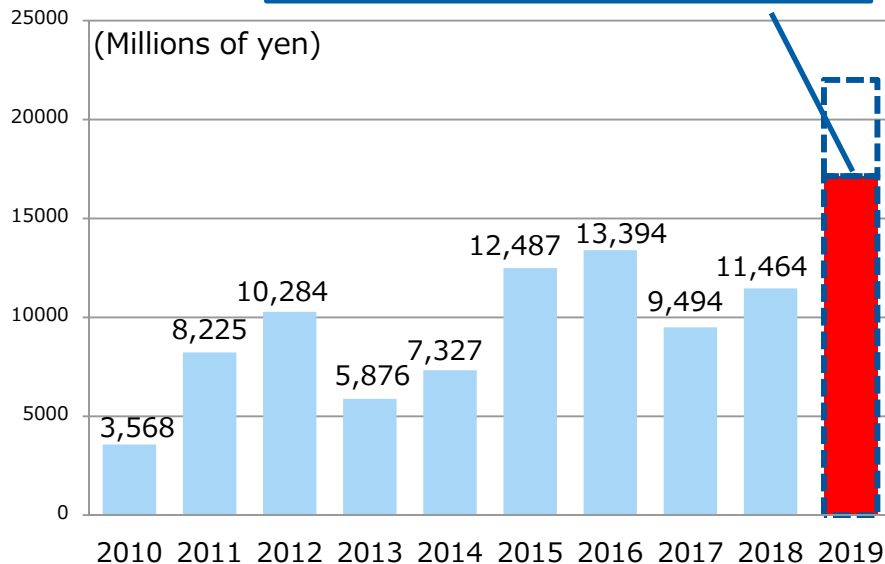
FY19 Capital Investment Forecast

22 billion yen

Breakdown

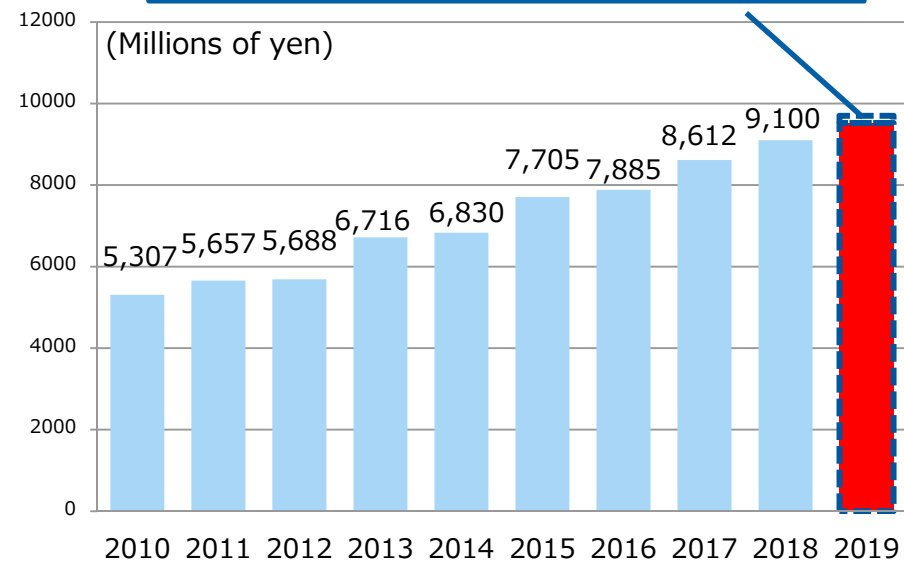
- NEO Shinshiro Factory (Japan)·· Starting the operation in May, 2020
- Mexico Factory
- Taiwan Factory
- New building of AMAMCO in the U.S.

CAPEX : 17,139



CAPEX

Depreciation : 9,522

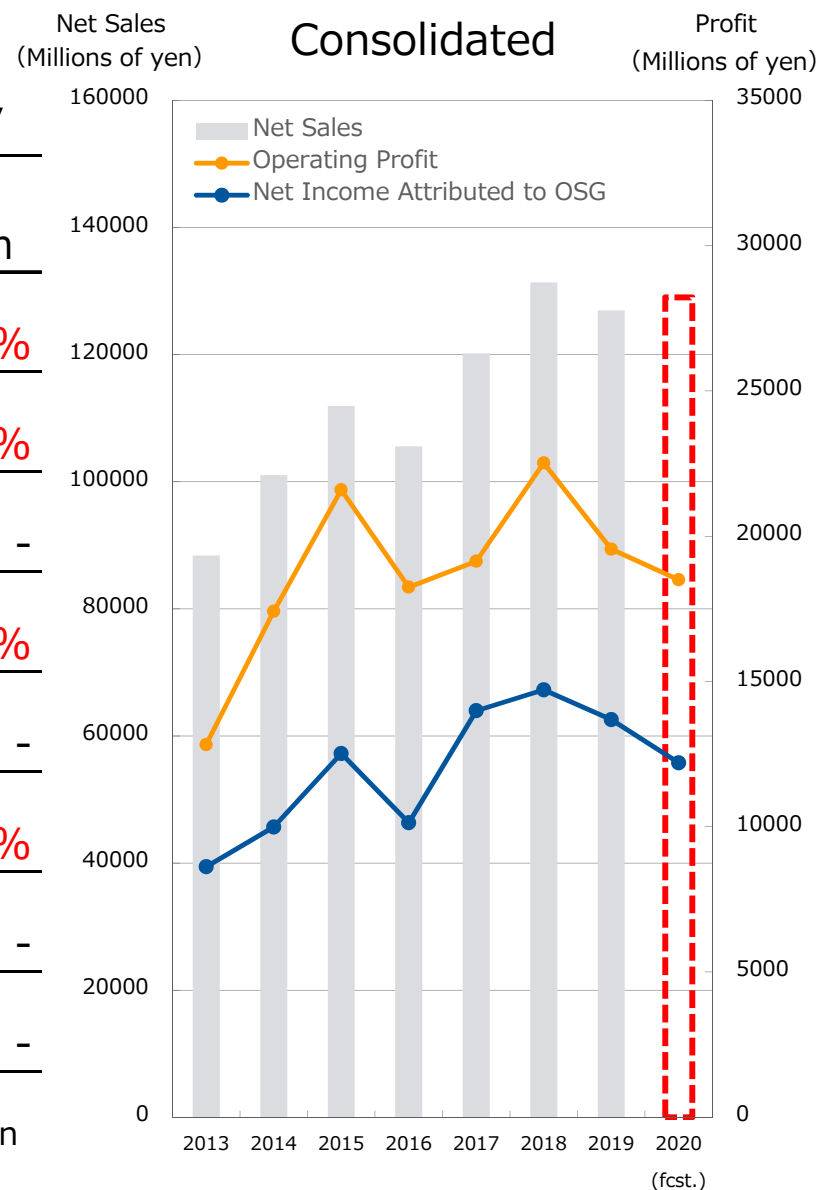


Depreciation

Forecast for FY2020

	Consolidated		Parent Company	
	Amount (million yen)	Growth	Amount (million yen)	Growth
Net Sales	129,000	+1.6%	56,000	-6.8%
Operating Profit	18,500	-5.4%	6,000	-33.0%
as % of sales	14.3%	-	10.7%	-
Ordinary Profit	18,500	-6.1%	8,600	-37.8%
as % of sales	14.3%	-	15.4%	-
Net Income Attributed to	12,200	-10.9%	6,800	-39.0%
as % of sales	9.5%	-	12.1%	-
EPS (yen)	125.52	-	69.95	-

*Exchange rate FY2020(fcst.) : 1US\$=105.00yen 1Euro=120.00yen

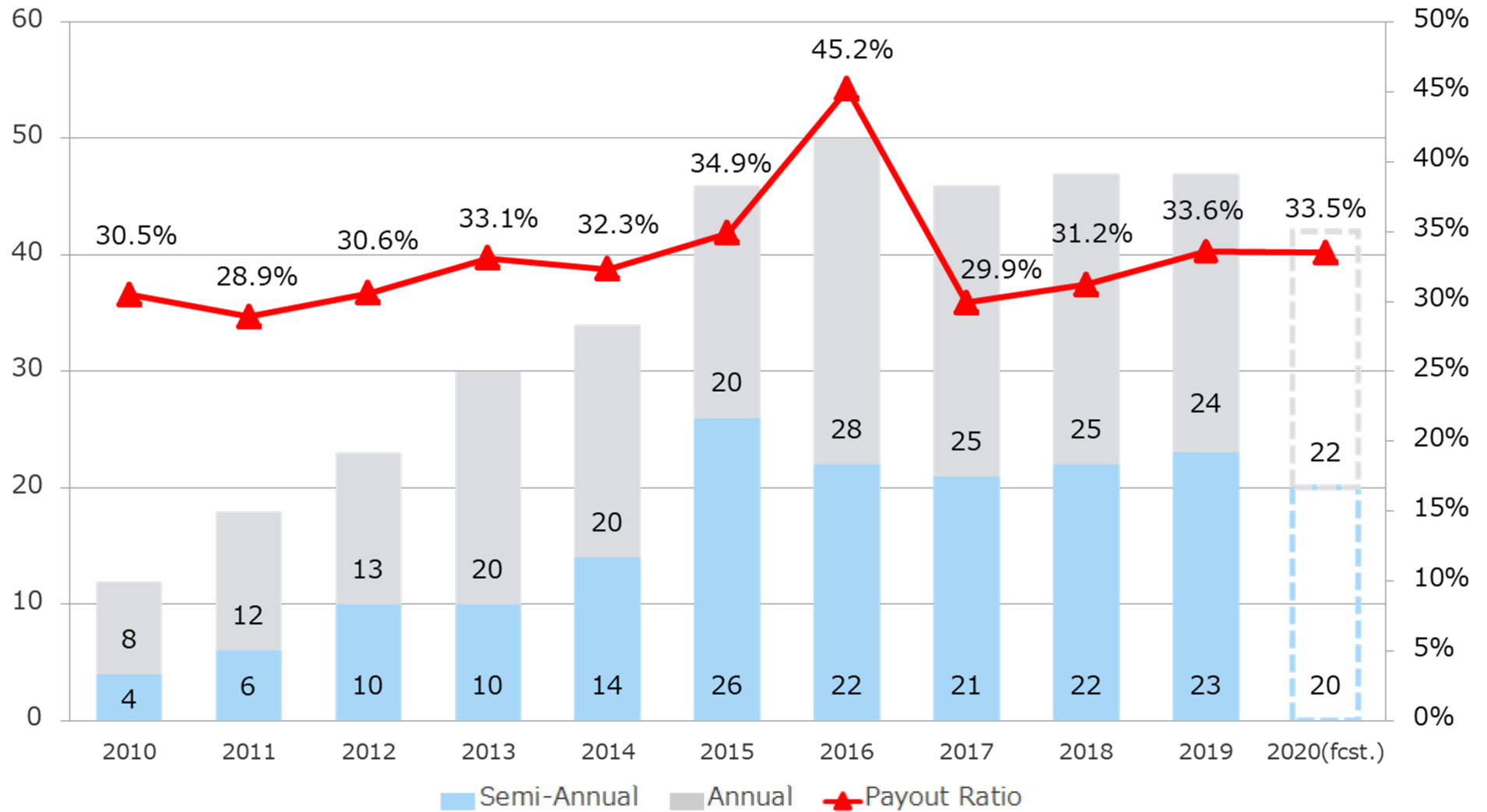


Exchange Rate

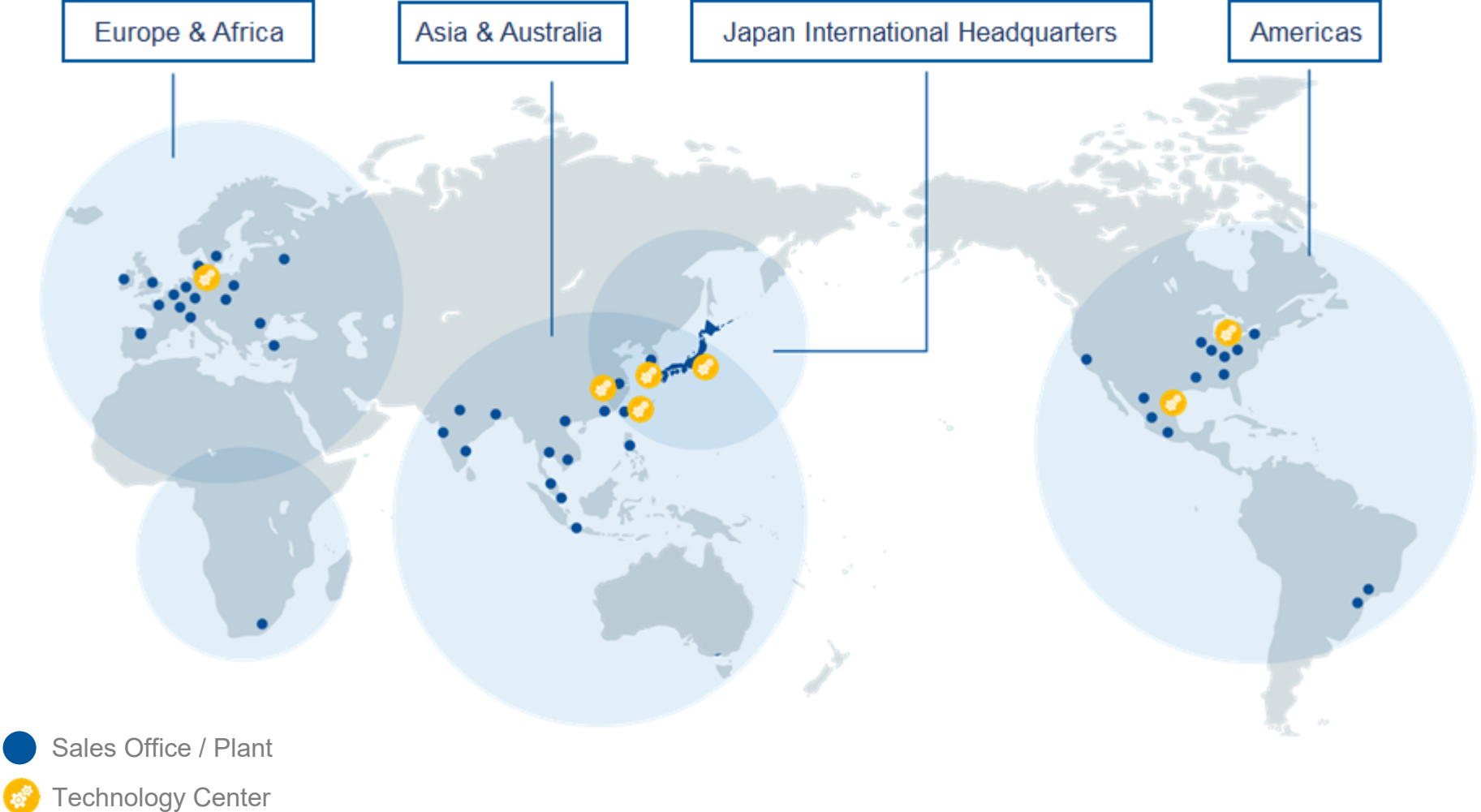
	1US\$	1Euro	1RMB
FY15	121.03 JPY	134.92 JPY	19.28 JPY
FY16	109.78 JPY	121.39 JPY	16.54 JPY
FY17	112.33 JPY	126.20 JPY	16.59 JPY
FY18	110.53 JPY	130.68 JPY	16.74 JPY
FY19	109.36 JPY	122.53 JPY	15.86 JPY

Dividends Per Share

(yen)



Expansion of Overseas Business



Management Target – The Next Stage 17

Major end-users

- ✓ Focus on the automotive industry
- ✓ Position the aircraft as a key industry as the automotive
- ✓ Develop new end-users in future fields
- **METHOD**
Face more customers, and suggest total solutions to meet their demands
 - ‘Best delivery time’ and ‘Cost competitiveness’
 - Expand technical centers globally
 - M&A (maximize synergy effect)

Catalogue item sales

- ✓ For more customers at the industry of general engineering and mold & die all over the world
- **METHOD**
Contributing to customers’ productivity by providing cost-performance tools timely
 - Expand carbide items range
 - Establish strong ‘A-Club’ distribution networks in each regions
 - Strengthen inventory policy and supply chain



Management Target for FY2020

Net sales	1,500 billion yen
Operating profit	300 billion yen

It is expected that the achievement of the target will probably be delayed from the fiscal year ending November 2021. However we will continue to challenge for sustainable growth by promoting our basic strategies globally.

Appx.1 Selected Financial Data (Consolidated)

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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
Sales growth	(%)	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-3%
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
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
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
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
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
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
Margins:												
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%
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%
Operating income	(%)	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%
Ordinary income	(%)	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%
Net income	(%)	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%
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
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
Total assets	(mil.yen)	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,054	190,414
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
Per share:												
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
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
(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
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
Average number of shares	(ths)	96,071	94,969	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,761	97,716
Key financial ratios:												
ROE	(%)	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%
Equity ratio	(%)	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%
Cash flow:												
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
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
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
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%