

FY2016 Third-Quarter Consolidated Financial Results (December 1, 2015 - August 31, 2016)

Company name : **OSG Corporation**
 Shares Listed : 1st section of Tokyo and Nagoya Stock Exchanges
 Code Number : 6136
 Location of the head office : Aichi Prefecture
 Representative: : Norio Ishikawa, President
 Contact person: : Koji Sonobe, Managing Director
 TEL: 81-533-82-1113 URL http://www.osg.co.jp/en/about_us/ir/

1. Consolidated Results for FY2016 Third-Quarter (December 1, 2015 - August 31, 2016)

(1) Consolidated financial results (Amounts less than one million yen are omitted)

	Net Sales		Operating income		Ordinary income		Net income attributable to OSG Corporation	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016 third-quarter	78,652	-6.2	14,467	-13.3	13,845	-16.8	8,448	-15.0
FY2015 third-quarter	83,824	12.5	16,680	31.0	16,631	32.4	9,941	40.5

(Note) Comprehensive income FY2016 third-quarter: -2,494 million yen (-%)
 FY2015 third-quarter: 8,658 million yen (-18.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2016 third-quarter	91.70	83.48
FY2015 third-quarter	104.68	95.50

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY2016 third-quarter	148,094	96,868	58.5
FY2015	155,129	113,637	66.1

(Reference) Equity FY2016 third-quarter: 86,698 million yen FY2015: 102,566 million yen

2. Dividends

	Dividends per share		
	End of Q2	Year-end	Annual
	Yen	Yen	Yen
FY2015	26.00	20.00	46.00
FY2016	22.00		
FY2016 forecast		28.00	50.00

3. Forecast of Consolidated Results for FY2016 (December 1, 2015 - November 30, 2016)

	Net sales		Operating income		Ordinary income		Net income attributable to OSG Corporation		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Annual	106,000	-5.3	18,000	-16.7	17,700	-17.7	10,700	-14.5	116.15

4. Others

- (1) Changes in significant subsidiaries during the current period
(Changes in specified subsidiaries that caused a change in the scope of consolidation) : None
- (2) Adoption of accounting method specific to the preparation of consolidated quarterly financial statements: Yes
- (3) Changes in accounting principles and accounting estimates and retrospective restatement
- | | |
|--|------|
| (i) Changes in accounting principles due to amendment to accounting standards: | Yes |
| (ii) Changes other than (3)-(i) above: | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Retrospective restatement: | None |
- (4) Number of shares issued and outstanding (common stock)
- | | |
|---|-------------------|
| (i) Number of shares issued and outstanding at the end of each period (including treasury stock): | |
| FY2016 third-quarter: | 95,955,226 shares |
| FY2015: | 95,955,226 shares |
| (ii) Number of treasury stock at the end of each period: | |
| FY2016 third-quarter: | 5,929,380 shares |
| FY2015: | 908,970 shares |
| (iii) Average number of shares outstanding in each period: | |
| FY2016 third-quarter: | 92,124,691 shares |
| FY2015 third-quarter: | 94,974,717 shares |

[Note regarding forecast]

The above forecasts for financial results are based on information available at the time this report was released. These forecasts and other forward-looking statements are not guarantees of future performance. Actual operating results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

Consolidated Summary Balance Sheet
OSG Corporation

Assets	(Million yen : amounts less than one million yen are omitted)		
	FY2015 As of Nov. 30, 2015	FY2016 third-quarter As of Aug. 31, 2016	Change
Current Assets			
Cash and time deposits	21,472	16,389	
Notes and accounts receivable	21,519	19,147	
Marketable securities	78	66	
Merchandise and finished goods	19,292	19,996	
Work in process	5,297	5,269	
Raw materials and supplies	6,083	5,835	
Other	5,137	4,829	
Allowance for doubtful accounts	(188)	(172)	
Total current assets	78,692	71,362	(7,329)
Fixed Assets			
Tangible Assets			
Building and structures	16,651	16,304	
Machinery and equipment	27,428	26,704	
Land	15,107	14,466	
Other	4,088	5,934	
Total tangible assets	63,276	63,409	133
Intangible Assets			
Goodwill	532	2,587	
Other	721	868	
Total intangible assets	1,254	3,455	2,200
Investments and Other Assets			
Investment securities	7,239	5,816	
Other	5,078	4,470	
Allowance for doubtful accounts	(411)	(420)	
Total investments and other assets	11,906	9,866	(2,039)
Total fixed assets	76,437	76,731	294
Total	155,129	148,094	(7,035)

Consolidated Summary Balance Sheet
OSG Corporation

Liabilities and Net Assets	(Million yen : amounts less than one million yen are omitted)		
	FY2015 As of Nov. 30, 2015	FY2016 third-quarter As of Aug. 31, 2016	Change
Current Liabilities			
Notes and accounts payable	4,980	4,525	
Short-term loans payable	4,052	8,988	
Current portion of long-term loans payable	445	557	
Income taxes payable	3,486	1,176	
Reserve for employees' bonuses	395	1,505	
Reserve for directors' bonuses	637	428	
Other	9,517	6,473	
Total current liabilities	23,515	23,655	140
Long-term Liabilities			
Convertible bonds	14,850	14,850	
Long-term borrowings	847	10,311	
Retirement allowance			
for directors and corporate auditors	50	67	
Liabilities for employees' retirement benefits	244	344	
Other	1,984	1,996	
Total long-term liabilities	17,976	27,570	9,593
Total liabilities	41,491	51,225	9,733
Shareholders' Equity			
Common stock	10,404	10,404	
Capital surplus	12,090	12,090	
Retained earnings	75,719	80,154	
Treasury stock	(1,104)	(10,965)	
Total shareholders' equity	97,109	91,683	(5,425)
Accumulated other comprehensive income			
Unrealized gain on			
available-for-sale securities	2,709	1,772	
Deferred gain on			
derivatives under hedge accounting	2	37	
Foreign currency translation adjustments	2,745	(6,796)	
Total accumulated other comprehensive income	5,456	(4,985)	(10,442)
Subscription rights to shares	-	13	13
Noncontrolling interests	11,071	10,157	(914)
Total net assets	113,637	96,868	(16,769)
Total liabilities and net assets	155,129	148,094	(7,035)

Consolidated Summary Statement of Income
OSG Corporation

(Million yen : amounts less than one million yen are omitted)

	FY2015 third-quarter (2014/12/1 - 2015/8/31)	FY2016 third-quarter (2015/12/1 - 2016/8/31)	Change
Net Sales	83,824	78,652	(5,172)
Cost of Sales	46,164	43,496	(2,668)
Gross profit	37,660	35,156	(2,504)
Selling, general and administrative expenses	20,980	20,689	(291)
Operating income	16,680	14,467	(2,213)
Other Income			
Interest income	189	133	
Dividend income	99	120	
Other	609	562	
Total other income	897	815	(81)
Other Expenses			
Interest expense	94	94	
Sales discounts	497	497	
Foreign exchange loss	96	609	
Other	257	235	
Total other expenses	946	1,437	491
Ordinary income	16,631	13,845	(2,786)
Income before income taxes	16,631	13,845	(2,786)
Income taxes			
Current	5,830	4,194	
Deferred	(377)	297	
Total income taxes	5,452	4,491	(961)
Net income	11,178	9,353	(1,825)
Net income attributable to noncontrolling interests	1,237	905	(331)
Net income attributable to OSG Corporation	9,941	8,448	(1,493)

Consolidated Statement of Comprehensive Income
OSG Corporation

(Million yen : amounts less than one million yen are omitted)

	FY2015 third-quarter (2014/12/1 - 2015/8/31)	FY2016 third-quarter (2015/12/1 - 2016/8/31)	Change
Net Income	11,178	9,353	(1,825)
Other Comprehensive Income			
Unrealized gain (loss) on available-for-sale securities	229	(931)	
Deferred gain on derivatives under hedge accounting	-	35	
Foreign currency translation adjustments	(2,760)	(10,934)	
Share of other comprehensive income in associates	10	(17)	
Total other comprehensive income	(2,520)	(11,847)	(9,327)
Comprehensive Income	8,658	(2,494)	(11,152)
(Breakdown)			
Comprehensive Income attributable to OSG Corporation	7,885	(2,012)	
Comprehensive Income attributable to noncontrolling interests	773	(481)	

Operations by Geographical Segment

Results for FY2016 third-quarter (Dec. 1, 2015 through Aug. 31, 2016)

Million yen

	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	35,642	14,802	9,169	19,038	78,652	-	78,652
Interarea transfers	12,903	115	31	1,491	14,541	(14,541)	-
Total sales	48,546	14,917	9,200	20,530	93,194	(14,541)	78,652
Operating income	7,146	2,064	892	3,741	13,845	621	14,467

(Reference)

Results for FY2015 third-quarter (Dec. 1, 2014 through Aug. 31, 2015)

Million yen

	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	35,242	16,513	8,369	23,698	83,824	-	83,824
Interarea transfers	14,654	182	23	1,743	16,603	(16,603)	-
Total sales	49,896	16,696	8,392	25,442	100,427	(16,603)	83,824
Operating income	8,602	2,647	959	5,219	17,428	(748)	16,680

Net sales by Product Segment

Million yen

	FY2015 third-quarter (2014/12/1 - 2015/8/31)	FY2016 third-quarter (2015/12/1 - 2016/8/31)
Cutting tools:		
Taps	28,927	25,291
End mills	19,989	18,652
Drills and other cutting tools	19,247	19,836
Total	68,165	63,780
Rolling dies	7,458	7,073
Gauges	1,158	1,101
Other	7,042	6,696
Total	83,824	78,652