

## FY2017 Semi-Annual Consolidated Financial Results (December 1, 2016 - May 31, 2017)

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/](http://www.osg.co.jp/en/about_us/ir/)

### 1. Consolidated Results for FY2017 Semi-Annual (December 1, 2016 - May 31, 2017)

(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	%
FY2017 semi-annual	58,813	10.0	9,121	-7.3	9,187	-2.9	6,229	7.1
FY2016 semi-annual	53,484	-4.8	9,835	-10.7	9,462	-13.8	5,816	-12.1

(Note) Comprehensive income FY2017 semi-annual : 7,912 million yen ( - %)   
 FY2016 semi-annual : -1,703 million yen ( - %)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2017 semi-annual	69.19	62.85
FY2016 semi-annual	62.52	56.96

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY2017 semi-annual	160,376	108,653	60.4
FY2016	156,081	103,059	59.1

(Reference) Equity FY2017 semi-annual: 96,908 million yen FY2016: 92,216 million yen

### 2. Dividends

	Dividends per share		
	End of Q2	Year-end	Annual
	Yen	Yen	Yen
FY2016	22.00	28.00	50.00
FY2017	21.00		
FY2017 forecast		23.00	44.00

### 3. Forecast of Consolidated Results for FY2017 (December 1, 2016 - November 30, 2017)

	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	118,000	11.8	19,500	6.9	19,000	6.7	11,500	13.5	127.74

#### 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: | None |
| (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):
- |                     |                   |
|---------------------|-------------------|
| FY2017 semi-annual: | 95,955,226 shares |
| FY2016:             | 95,955,226 shares |
- (ii) Number of treasury stock at the end of each period:
- |                     |                  |
|---------------------|------------------|
| FY2017 semi-annual: | 5,895,219 shares |
| FY2016:             | 5,930,079 shares |
- (iii) Average number of shares outstanding in each period:
- |                     |                   |
|---------------------|-------------------|
| FY2017 semi-annual: | 90,029,543 shares |
| FY2016 semi-annual: | 93,024,113 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)		
	FY2016 As of Nov. 30, 2016	FY2017 semi-annual As of May 31, 2017	Change
<b>Current Assets</b>			
Cash and time deposits	18,003	18,248	
Notes and accounts receivable	20,758	22,908	
Marketable securities	0	0	
Merchandise and finished goods	20,978	21,865	
Work in process	4,879	5,499	
Raw materials and supplies	5,834	5,792	
Other	4,906	3,602	
Allowance for doubtful accounts	(191)	(202)	
<b>Total current assets</b>	<b>75,168</b>	<b>77,715</b>	<b>2,546</b>
<b>Fixed Assets</b>			
<b>Tangible Assets</b>			
Building and structures	18,588	20,031	
Machinery and equipment	28,877	29,425	
Land	14,830	14,807	
Other	4,098	4,201	
<b>Total tangible assets</b>	<b>66,395</b>	<b>68,466</b>	<b>2,071</b>
<b>Intangible Assets</b>			
Goodwill	2,658	3,919	
Other	829	828	
<b>Total intangible assets</b>	<b>3,488</b>	<b>4,747</b>	<b>1,259</b>
<b>Investments and Other Assets</b>			
Investment securities	6,633	6,414	
Other	4,848	3,435	
Allowance for doubtful accounts	(452)	(403)	
<b>Total investments and other assets</b>	<b>11,028</b>	<b>9,446</b>	<b>(1,582)</b>
<b>Total fixed assets</b>	<b>80,912</b>	<b>82,661</b>	<b>1,748</b>
<b>Total</b>	<b>156,081</b>	<b>160,376</b>	<b>4,295</b>

Consolidated Summary Balance Sheet  
OSG Corporation

Liabilities and Net Assets	(Million yen : amounts less than one million yen are omitted)		
	FY2016 As of Nov. 30, 2016	FY2017 semi-annual As of May 31, 2017	Change
Current Liabilities			
Notes and accounts payable	4,618	4,639	
Short-term loans payable	8,000	6,326	
Current portion of long-term loans payable	491	409	
Income taxes payable	1,436	2,398	
Reserve for employees' bonuses	470	465	
Reserve for directors' bonuses	454	251	
Other	10,000	8,789	
<b>Total current liabilities</b>	<b>25,474</b>	<b>23,281</b>	<b>(2,193)</b>
Long-term Liabilities			
Convertible bonds	14,850	14,790	
Long-term borrowings	10,163	10,980	
Retirement allowance			
for directors and corporate auditors	108	51	
Liabilities for employees' retirement benefits	280	532	
Other	2,145	2,088	
<b>Total long-term liabilities</b>	<b>27,547</b>	<b>28,441</b>	<b>894</b>
<b>Total liabilities</b>	<b>53,021</b>	<b>51,723</b>	<b>(1,298)</b>
Shareholders' Equity			
Common stock	10,404	10,404	
Capital surplus	12,090	11,996	
Retained earnings	81,840	85,545	
Treasury stock	(10,967)	(10,903)	
<b>Total shareholders' equity</b>	<b>93,368</b>	<b>97,043</b>	<b>3,674</b>
Accumulated other comprehensive income			
Unrealized gain on			
available-for-sale securities	2,267	2,672	
Deferred loss on			
derivatives under hedge accounting	(0)	(0)	
Foreign currency translation adjustments	(3,419)	(2,806)	
<b>Total accumulated other comprehensive income</b>	<b>(1,152)</b>	<b>(134)</b>	<b>1,018</b>
Subscription rights to shares	13	13	-
Noncontrolling interests	10,829	11,731	901
<b>Total net assets</b>	<b>103,059</b>	<b>108,653</b>	<b>5,593</b>
<b>Total liabilities and net assets</b>	<b>156,081</b>	<b>160,376</b>	<b>4,295</b>

Consolidated Summary Statement of Income  
OSG Corporation

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

	FY2016 semi-annual (2015/12/1 - 2016/5/31)	FY2017 semi-annual (2016/12/1 - 2017/5/31)	Change
Net Sales	53,484	58,813	5,328
Cost of Sales	29,666	34,336	4,670
Gross profit	23,817	24,476	658
Selling, general and administrative expenses	13,982	15,354	1,372
Operating income	9,835	9,121	(713)
Other Income			
Interest income	99	79	
Dividend income	38	48	
Foreign exchange gain	-	133	
Other	436	387	
Total other income	574	649	75
Other Expenses			
Interest expense	66	60	
Sales discounts	340	351	
Foreign exchange loss	354	-	
Other	185	171	
Total other expenses	947	584	(363)
Ordinary income	9,462	9,187	(274)
Extraordinary gain	-	315	315
Income before income taxes	9,462	9,502	40
Income taxes			
Current	2,707	2,899	
Deferred	299	16	
Total income taxes	3,007	2,915	(92)
Net income	6,454	6,587	132
Net income attributable to noncontrolling interests	638	358	(280)
Net income attributable to OSG Corporation	5,816	6,229	413

Consolidated Statement of Comprehensive Income  
OSG Corporation

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

	FY2016 semi-annual (2015/12/1 - 2016/5/31)	FY2017 semi-annual (2016/12/1 - 2017/5/31)	Change
Net Income	6,454	6,587	132
Other Comprehensive Income			
Unrealized gain (loss) on available-for-sale securities	(934)	409	
Deferred gain on derivatives under hedge accounting	38	0	
Foreign currency translation adjustments	(7,245)	908	
Share of other comprehensive income in associates	(16)	7	
Total other comprehensive income	(8,158)	1,324	9,483
Comprehensive Income	(1,703)	7,912	9,615
(Breakdown)			
Comprehensive Income attributable to OSG Corporation	(1,115)	7,265	
Comprehensive Income attributable to noncontrolling interests	(587)	647	

Consolidated Summary Statement of Cash Flows  
OSG Corporation

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

	FY2016 semi-annual (2015/12/1 - 2016/5/31)	FY2017 semi-annual (2016/12/1 - 2017/5/31)
<b>Operating Activities:</b>		
Income before income taxes	9,462	9,502
Depreciation and amortization	3,806	4,137
Amortization of goodwill	106	251
Interest and dividend income	(137)	(128)
Interest expense	66	60
Equity in loss (earnings) of an associated company	(4)	(0)
Gain on sales of tangible assets	-	(315)
Change in notes and accounts receivable	147	(1,242)
Change in inventories	(1,978)	(131)
Change in notes and accounts payable	202	(593)
Change in accrued expenses	(432)	(10)
Other - net	138	364
Sub-total	11,378	11,896
Interest and dividend income received	151	132
Interest expense paid	(65)	(63)
Payments for directors' retirement benefits and condolence money	-	(1,017)
Income taxes - paid	(3,721)	(1,739)
Net cash provided by operating activities	7,742	9,207
<b>Investing Activities:</b>		
Payments for time deposits	(991)	(973)
Proceeds from refund of time deposits	1,402	975
Acquisitions of property, plant and equipment	(6,737)	(5,581)
Proceeds from sales of property, plant and equipment	170	977
Purchases of investment securities	(95)	(32)
Proceeds from sales of investment securities	-	677
Payment for purchase of subsidiaries' stock	(734)	(225)
Payment for purchase of subsidiaries' stock resulting in change in scope of consolidation	(2,148)	(655)
Other - net	(281)	(191)
Net cash used in investing activities	(9,416)	(5,030)
<b>Financing Activities:</b>		
Change in short-term borrowings - net	5,124	(1,780)
Proceeds from long-term borrowings	7,884	556
Repayments of long-term borrowings	(337)	(318)
Payment for purchase of subsidiaries' stock resulting in no change in scope of consolidation	-	(151)
Purchase of treasury stock	(9,333)	(2)
Increase in money held in trust for purchase of treasury stock	(1,002)	-
Proceeds from issuance of subscription rights to shares	13	-
Dividends paid	(1,899)	(2,492)
Dividends paid to noncontrolling interests	(259)	(194)
Net cash (used in) provided by financing activities	188	(4,383)
Effect of exchange rate change on cash and cash equivalents	(1,597)	77
Net increase (decrease) in cash and cash equivalents	(3,081)	(128)
Cash and cash equivalents at beginning of year	19,402	16,555
Cash and cash equivalents from newly consolidated subsidiaries	357	300
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	84
Cash and cash equivalents at end of period	16,678	16,812

## Operations by Geographical Segment

Results for FY2017 semi-annual (Dec. 1, 2016 through May 31, 2017)

Million yen

	Japan	The Americas	Europe/ Africa	Asia	Total	Eliminations	Consolidated
Sales to customers	25,338	10,433	8,753	14,288	58,813	-	58,813
Interarea transfers	9,081	90	50	997	10,219	(10,219)	-
Total sales	34,419	10,524	8,803	15,285	69,032	(10,219)	58,813
Operating income	4,989	1,473	665	2,090	9,218	(96)	9,121

(Reference)

Results for FY2016 semi-annual (Dec. 1, 2015 through May 31, 2016)

Million yen

	Japan	The Americas	Europe/ Africa	Asia	Total	Eliminations	Consolidated
Sales to customers	24,358	9,797	6,391	12,936	53,484	-	53,484
Interarea transfers	8,747	72	27	1,010	9,858	(9,858)	-
Total sales	33,106	9,870	6,418	13,946	63,342	(9,858)	53,484
Operating income	5,005	1,370	669	2,440	9,486	348	9,835

## Net sales by Product Segment

Million yen

	FY2016 semi-annual (2015/12/1 - 2016/5/31)	FY2017 semi-annual (2016/12/1 - 2017/5/31)
Cutting tools:		
Taps	17,037	18,472
End mills	12,591	13,453
Drills and other cutting tools	13,465	15,441
Total	43,095	47,367
Rolling dies	4,737	5,043
Gauges	711	767
Other	4,940	5,634
Total	53,484	58,813