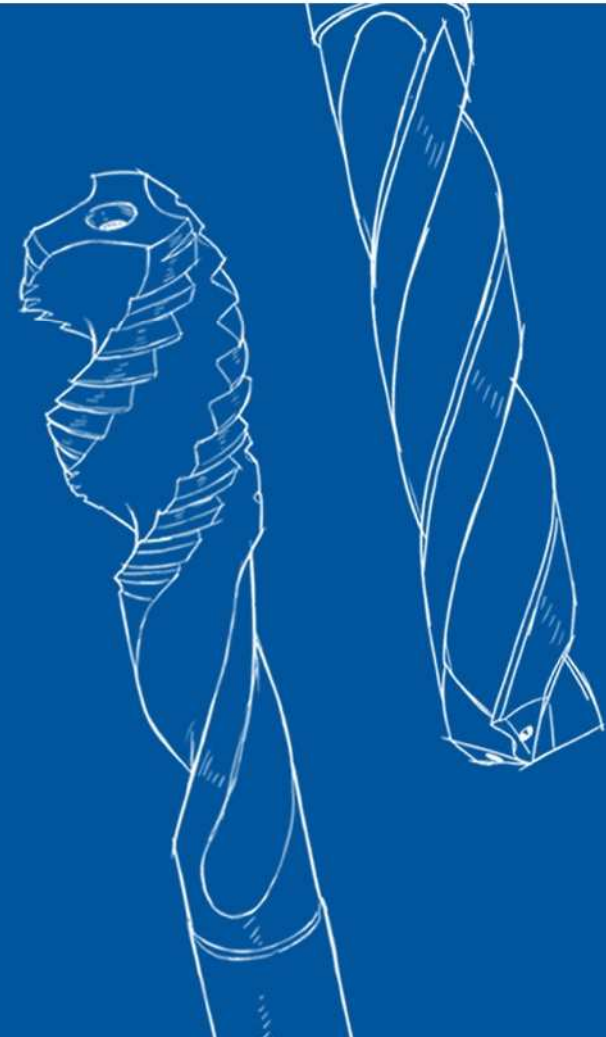




shaping your dreams

Financial Results for FY2018 – 3Q

October, 2018
OSG Corporation



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02 OSG at a glance

1. Products

- Consumable cutting tools used in machine tools
- Taps account for a 30% market share (world leader)

2. Strengths

- High-value cutting tools
- Excellent after-sales service
- A global sales & service network across 33 countries

3. Dividend policy

- Maintain over 30% payout ratio (consolidated)

4. Growth strategies

- Major end-users
- Catalogue item sales
- M&A



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.

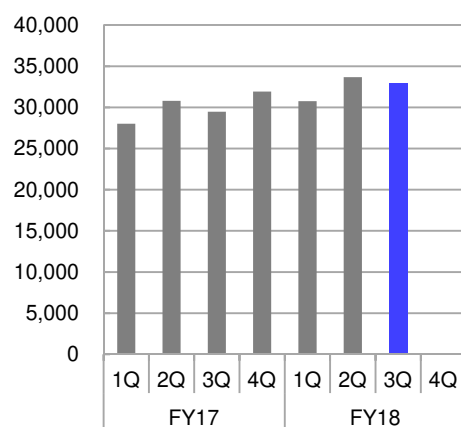
03 Financial summary

(Millions of yen)

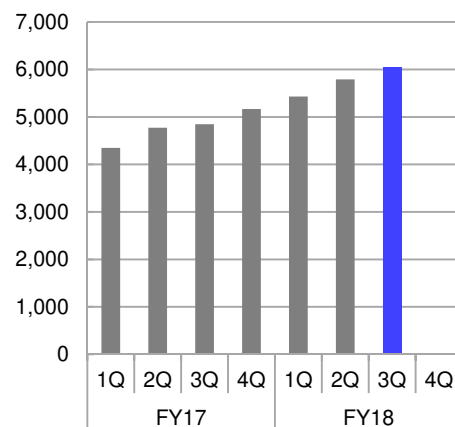
	FY17-3Q	FY18-3Q	Change	FY18 fcst. Annual	Progress rate
Net Sales	88,281	97,378	+10.3%	130,000	75%
Operating Profit	13,968	17,262	+23.6%	23,000	75%
OPM	15.8%	17.7%	-	17.7%	-
Ordinary Profit	14,080	17,223	+22.3%	23,000	75%
Net Profit Attributable to OSG	9,315	10,979	+17.9%	14,500	76%
EPS(yen)	103.28	112.36	+8.8%	148.39	76%

*A part of the financial summary has been revised.

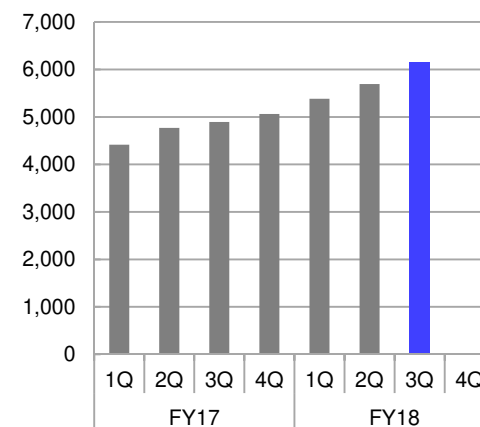
Net sales



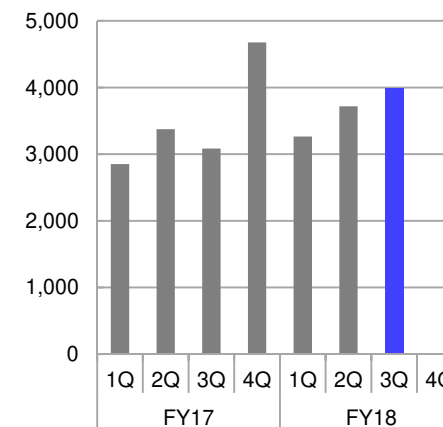
Operating profit



Ordinary profit



Net profit



04 Review

Net sales, net profits, ordinary profits and operating profits reached record high for the third quarter in FY2018.

- Sales have increased against a background of orders received in June and July
Net sales, net profits, ordinary profits and operating profits have reached the highest-ever level.
We are expanding further production capacity.

Review by region

- Japan
Both domestic and overseas sales are looking good.
Our factories continue to be in full operation.
- The Americas
The U.S. has performed well at aerospace and general engineering industry.
Increased production in Brazil had a good influence on a larger profit.
- Europe/Africa
Germany, France, Italy and Eastern Europe are showing great performance uninterruptedly.
The companies that we merged have contributed to profits.
- Asia
There is a great demand in China and Taiwan.
India and Thailand has been playing a major role in operating income in Asia.

Index(FY18-3Q)

- | | | |
|-----------------|------------------|--|
| – EBITDA | 23.9 billion yen | (increased by 18.3% over the same period of the previous year) |
| – EBITDA margin | 24.6% | (1.6pt increase from the same period of the previous year) |
| – Equity ratio | 71.4% | (1.9pt increase from the end of FY2017) |

Capital Investment Results(FY18-3Q)

- | | | |
|----------------|-----------------|---------------------------------------|
| – CAPEX | 7.7 billion yen | (annual forecast of 11.0 billion yen) |
| – Depreciation | 6.7 billion yen | (annual forecast of 9.5 billion yen) |

05 Sales to Customer

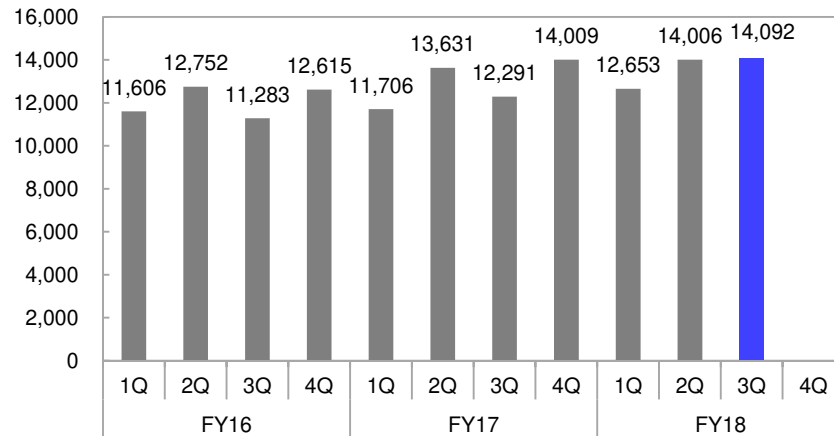
(Millions of yen)

	FY17-3Q	FY18-3Q	Change		Change in local currency
Japan	37,630	40,752	3,121	+8.3%	—
The Americas	15,791	16,793	1,001	+6.3%	+9.7%
Europe/Africa	13,200	16,336	3,136	+23.8%	+19.0%
Asia	21,659	23,496	1,836	+8.5%	+6.9%
Consolidated	88,281	97,378	9,096	+10.3%	+9.8%

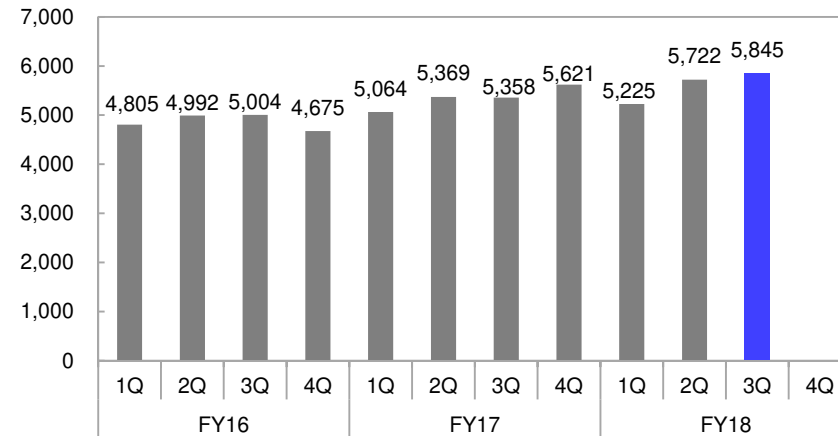
06 Sales to Customer

(Millions of yen)

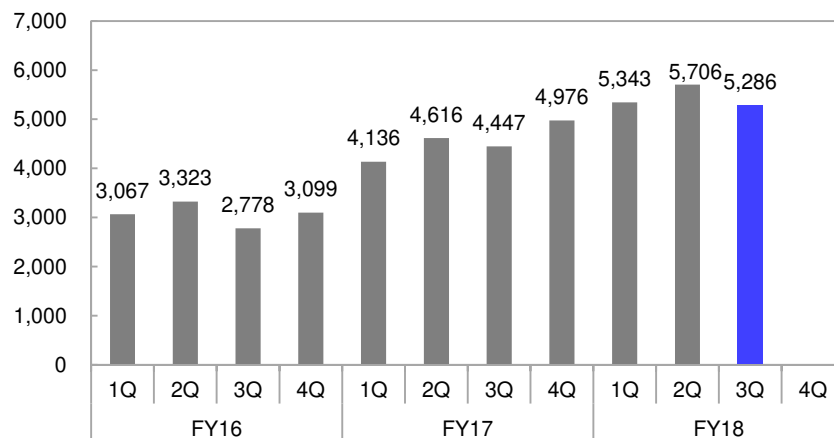
Japan



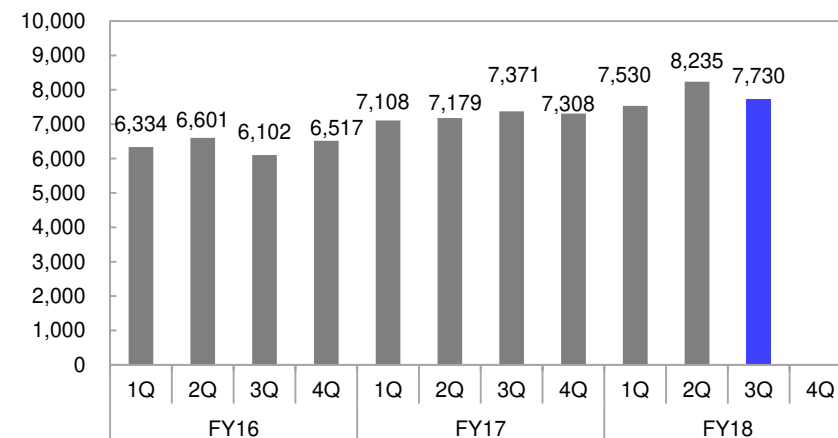
The Americas



Europe/Africa



Asia



07 Operating Income

(Millions of yen)

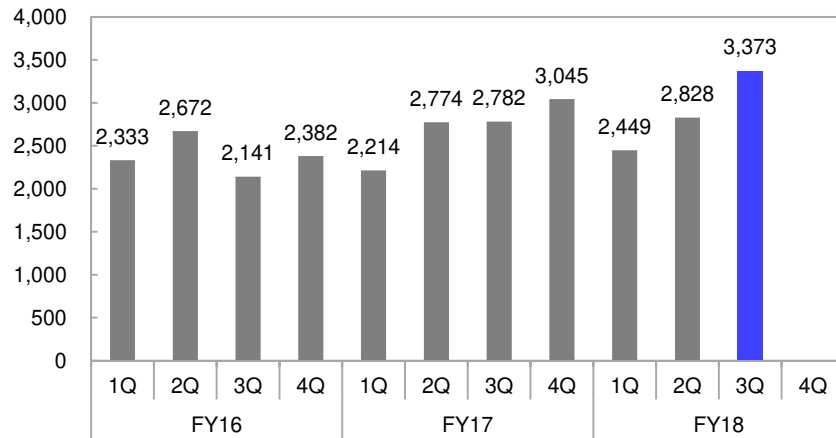
	FY17-3Q	Area percentage	FY18-3Q	Area percentage	Change		OPM*
Japan	7,772	54.2%	8,651	50.1%	879	+11.3%	15.4%
The Americas	2,252	15.7%	2,638	15.3%	386	+17.2%	15.5%
Europe/Africa	893	6.2%	1,363	7.9%	469	+52.6%	8.3%
Asia	3,427	23.9%	4,613	26.7%	1,185	+34.6%	18.0%
Total	14,345	–	17,267	–	2,921	+20.4%	15.0%
Eliminations	-376	–	-4	–	372	–	–
Consolidated	13,968	–	17,262	–	3,293	+23.6%	17.7%

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

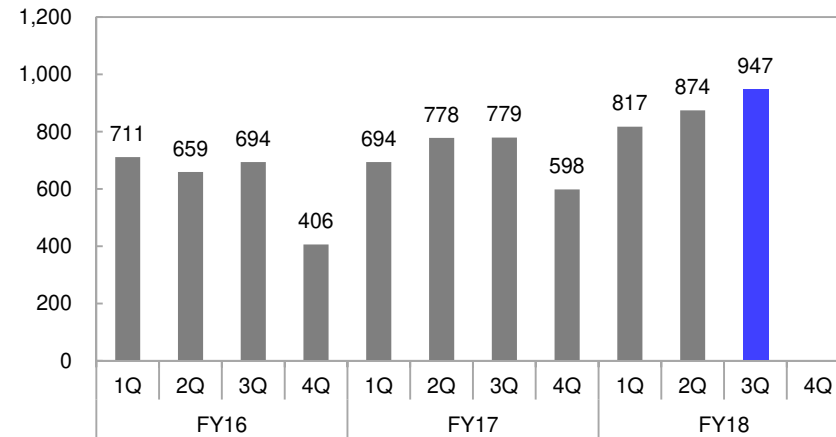
08 Operating Income

(Millions of yen)

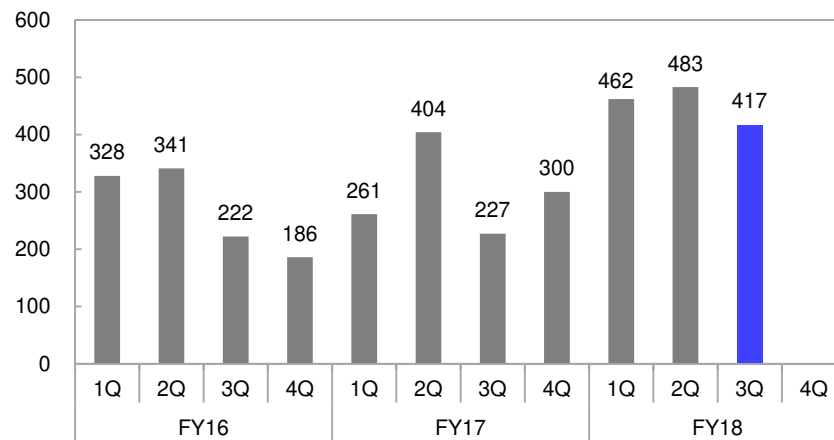
Japan



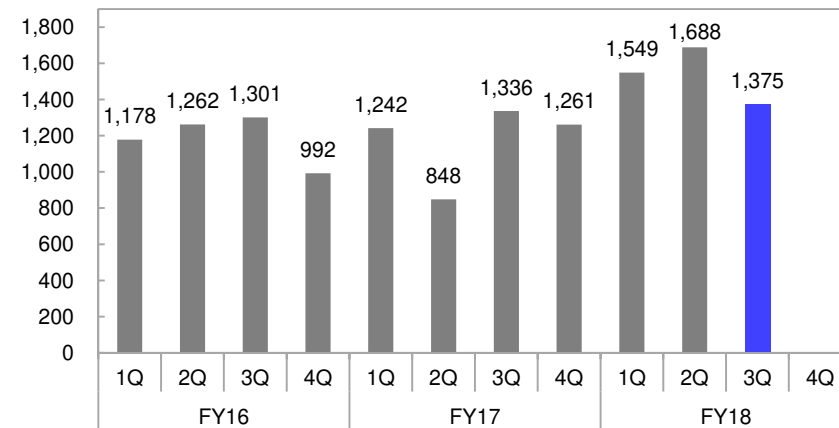
The Americas



Europe/Africa



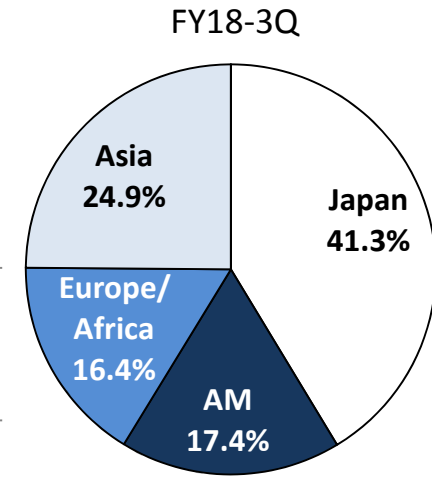
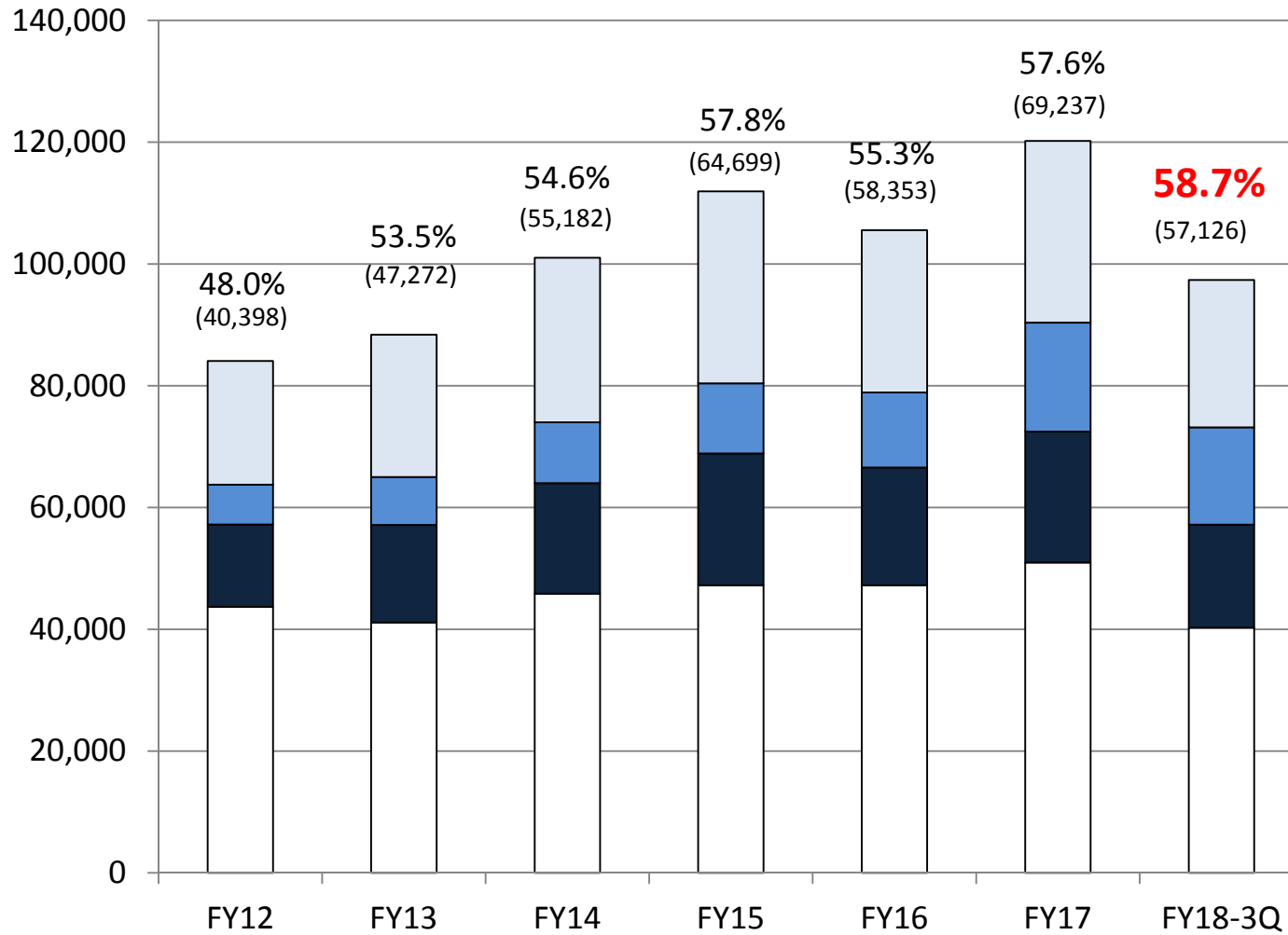
Asia



09 Overseas sales ratio

Millions of yen

* % represents overseas sales ratio
() represents overseas sales amount



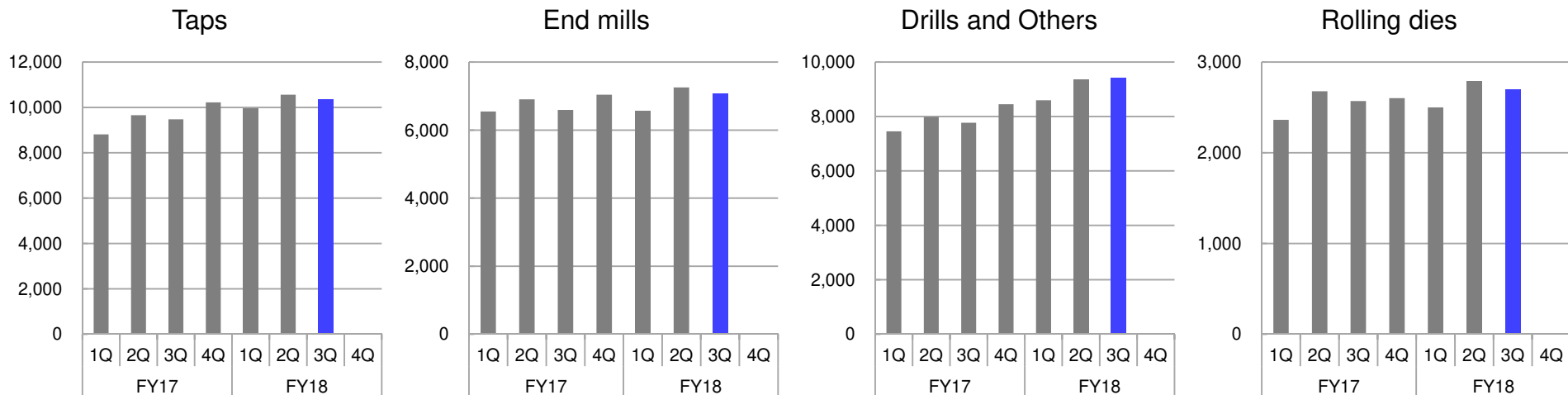
Asia
 Europe/Africa
 The Americas
 Japan



10 Net sales by product segment

(Millions of yen)

		FY17						FY18						Change	
		Q1	Q2	Q3	Q4	3Q	Q1	Q2	Q3	3Q					
Precision Tools	Taps	8,815	9,656	9,476	10,226	27,949	32%	9,957	10,563	10,381	30,902	32%	2,953	11%	
	End mills	6,546	6,907	6,596	7,040	20,049	23%	6,567	7,254	7,089	20,911	22%	862	4%	
	Drills and Others	7,457	7,983	7,771	8,450	23,212	26%	8,599	9,359	9,415	27,374	28%	4,162	18%	
	Rolling dies	2,363	2,679	2,571	2,603	7,614	9%	2,501	2,787	2,701	7,989	8%	374	5%	
	Gauges	363	403	423	435	1,190	1%	407	431	463	1,303	1%	112	9%	
		25,547	27,630	26,838	28,756	80,016	91%	28,033	30,396	30,051	88,481	91%	8,464	11%	
Other	Machine	556	1,489	685	1,260	2,731	3%	706	935	721	2,363	2%	-367	-14%	
	Other	1,912	1,676	1,944	1,899	5,533	6%	2,014	2,337	2,181	6,533	7%	1,000	18%	
		2,468	3,165	2,630	3,159	8,264	9%	2,720	3,273	2,903	8,897	9%	632	8%	
Total		28,016	30,796	29,468	31,916	88,281	100%	30,754	33,670	32,954	97,378	100%	9,096	10%	



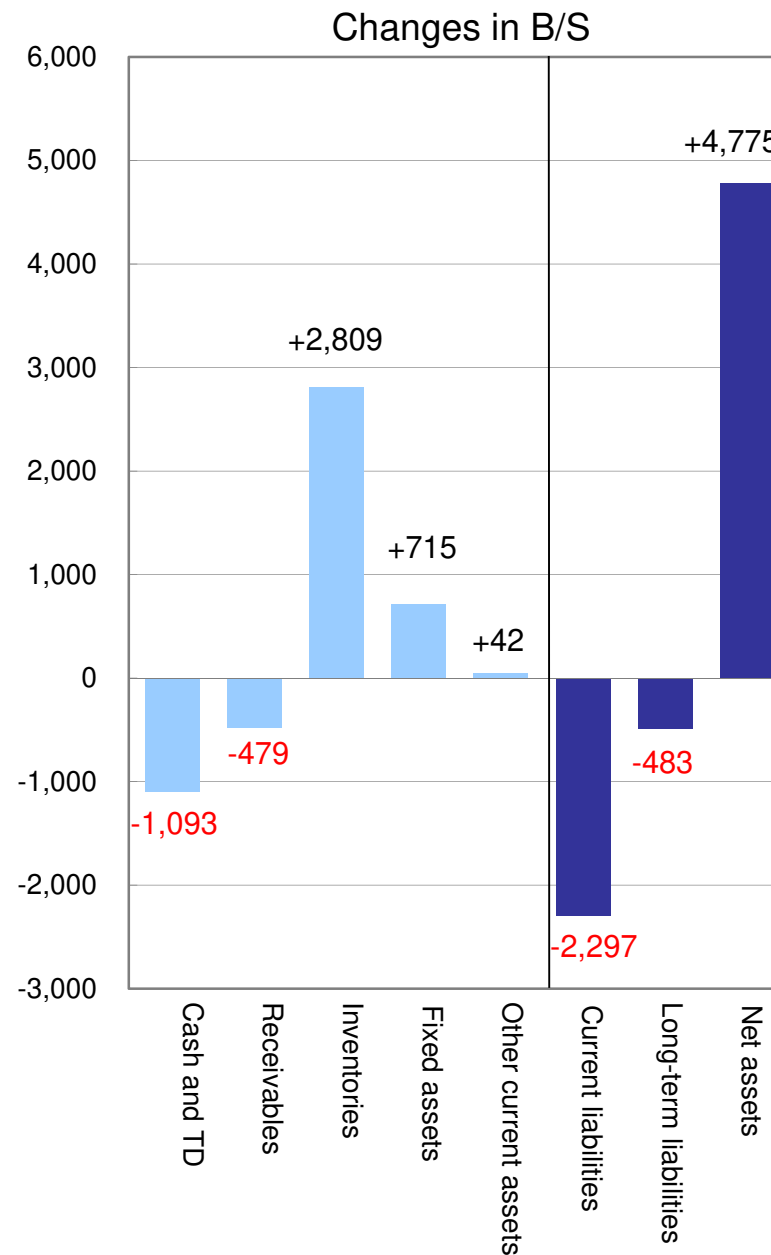
11 B/S overview

	17/11E	18/08E	Change
Cash and time deposits	21,204	20,111	-1,093
Receivables	23,961	23,482	-479
Inventories	34,850	37,660	2,809
Other current assets	4,051	4,093	42
Fixed assets	82,642	83,358	715
Total assets	166,712	168,707	1,994
Total current liabilities	21,826	19,529	-2,297
Total long-term liabilities	16,491	16,008	-483
Total net assets	128,394	133,169	4,775
Total liabilities and net assets	166,712	168,707	1,994

Equity ratio	69.5%	71.4%	
Receivable turnover period	73	66	days
Inventory turnover period	3.5	3.5	months

Cash and time deposits	21,204	20,111	-1,093
Debt	16,325	15,631	-694
Net Cash	4,879	4,480	-398

(Millions of yen)



12 Forecast for FY2018

(Millions of yen)

Financial forecast

	Consolidated		Parent company	
	Amount	Growth	Amount	Growth
Net Sales	130,000	+8.2%	59,500	+9.4%
Operating profit	23,000	+20.2%	8,000	+13.3%
as % of sales	17.7%		13.4%	
Ordinary profit	23,000	+20.1%	10,400	+18.9%
as % of sales	17.7%		17.5%	
Net profit attributable to OSG	14,500	+3.6%	8,000	-0.6%
as % of sales	11.2%		13.4%	
EPS(yen)	148.39		81.85	
CAPEX	11,000			
Depreciation	9,500			

Exchange rate

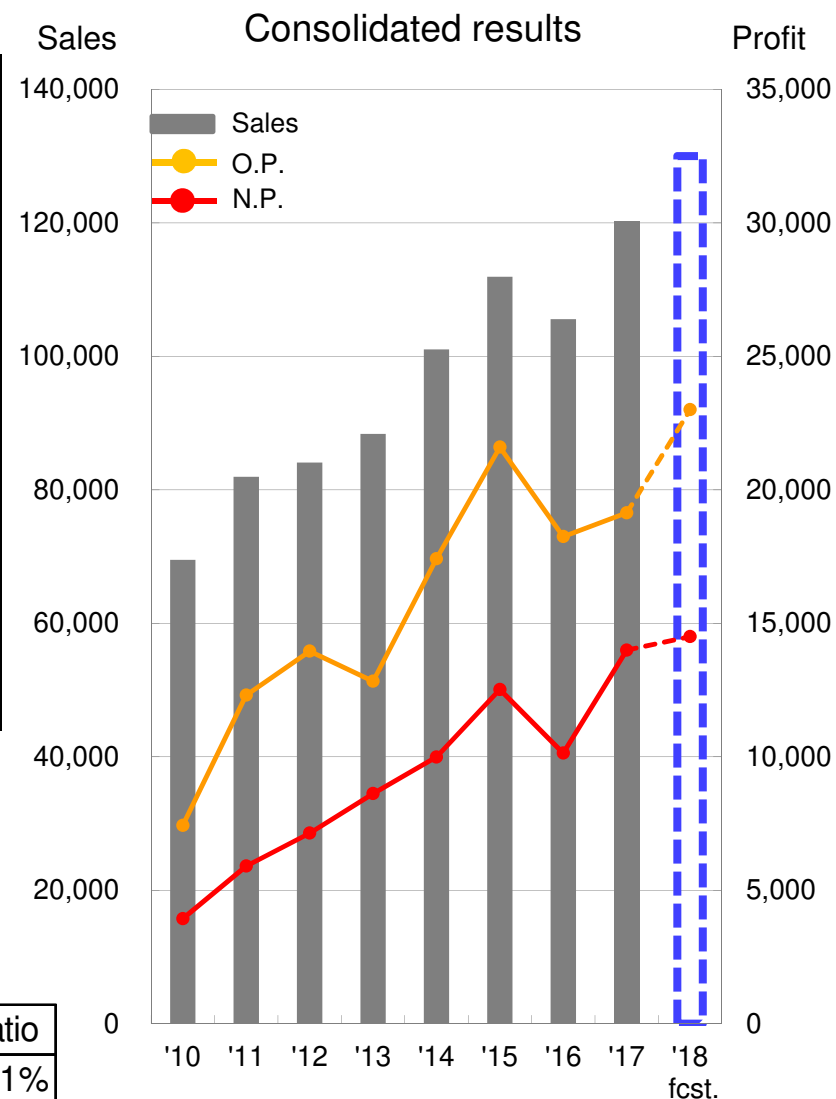
FY17-3Q result : 1US\$=112.23yen 1Euro=124.11yen

FY18-3Q result : 1US\$=109.56yen 1Euro=130.93yen

FY18 forecast : 1US\$=110.00yen 1Euro=130.00yen

Dividend forecast

Dividend per share (yen)	Interim	Year-end	Annual	Payout ratio
FY2018	22.00	24.00	46.00	31%



13 Expansion of overseas business



- Sales Locations
- Manufacturing Locations

33 countries
17 countries

 -Technical Center

7 countries

14 Appx.1 Selected financial data (consolidated)

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
Net sales	(mil.yen)	97,024	53,325	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	97,378
Sales growth	(%)	3%	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	10%
Cost of sales	(mil.yen)	60,449	39,203	44,605	48,439	49,381	52,777	58,061	61,865	59,179	69,711	55,128
Gross profit	(mil.yen)	36,574	14,122	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	42,250
SG&A expenses	(mil.yen)	22,158	16,857	17,383	20,214	20,747	22,774	25,554	28,454	28,135	31,349	24,988
Operating income	(mil.yen)	14,416	-2,735	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	17,262
Ordinary income	(mil.yen)	13,505	-2,703	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	17,223
Net income	(mil.yen)	7,376	-3,769	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	10,979
Margins:												
Gross profit margin	(%)	37.7%	26.5%	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.4%
SG&A as % of sales	(%)	22.8%	31.6%	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.7%
Operating income	(%)	14.9%	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.7%
Ordinary income	(%)	13.9%	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.7%
Net income	(%)	7.6%	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.3%
Average FX rate: 1USD	(yen)	107.32	94.94	89.29	80.71	78.89	93.16	102.98	121.03	109.78	112.33	109.56
Average FX rate: 1Euro	(yen)	161.90	128.83	120.65	112.80	102.63	122.62	139.37	134.92	121.39	126.20	130.93
Total assets	(mil.yen)	122,383	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	168,707
Total shareholders' equity	(mil.yen)	64,251	55,931	57,117	59,367	64,482	80,024	91,458	102,566	92,216	115,810	120,510
Per share:												
Net income	(yen)	76.53	-39.22	39.34	62.18	75.16	90.76	105.20	131.78	110.59	153.70	112.36
Cash dividends (interim)	(yen)	12.00	0.00	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00	22.00(fcst)
(year end)	(yen)	12.00	3.00	8.00	12.00	13.00	20.00	20.00	20.00	28.00	25.00	24.00(fcst)
Total shareholders' equity	(yen)	666.71	582.19	601.44	625.14	679.01	842.71	963.15	1,079.12	1,024.34	1,191.65	1,231.07
Average number of shares	(ths)	96,371	96,071	94,969	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,715
Key financial ratios:												
ROE	(%)	11.5%	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	-
Equity ratio	(%)	52.5%	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	71.4%
Cash flow:												
Operating CF	(mil.yen)	10,653	6,049	14,095	11,344	12,286	16,171	19,688	19,588	16,333	20,820	-
Investing CF	(mil.yen)	1,678	-4,633	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-
Financing CF	(mil.yen)	-4,500	5,470	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-
Cash flow margin	(%)	11.0%	11.3%	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	-