

FY2018 First Quarter Consolidated Financial Results (December 1, 2017 - February 28, 2018)

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: : Hideyuki Ohashi, Executive Officer
 TEL: 81-533-82-1113 URL https://www.osg.co.jp/en/about_us/ir/

1. Consolidated Results for FY2018 First Quarter (December 1, 2017 - February 28, 2018)

(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 | % |
| FY2018 first-quarter | 30,754 | 9.8 | 5,430 | 24.8 | 5,382 | 21.8 | 3,265 | 14.5 |
| FY2017 first-quarter | 28,016 | 8.5 | 4,349 | -9.2 | 4,417 | -1.4 | 2,853 | 5.5 |

(Note) Comprehensive income FY2018 first-quarter: 1,540 million yen (-67.3%)

FY2017 first-quarter: 4,707 million yen (- %)

| | Net income per share | Diluted net income per share |
|----------------------|----------------------|------------------------------|
| | Yen | Yen |
| FY2018 first-quarter | 33.48 | 32.95 |
| FY2017 first-quarter | 31.69 | 28.79 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| FY2018 first-quarter | 164,131 | 128,290 | 70.6 |
| FY2017 | 166,712 | 128,394 | 69.5 |

(Reference) Equity FY2018 first-quarter: 115,915 million yen FY2017: 115,810 million yen

2. Dividends

| | Dividends per share | | |
|-----------------|---------------------|----------|--------|
| | End of Q2 | Year-end | Annual |
| | Yen | Yen | Yen |
| FY2017 | 21.00 | 25.00 | 46.00 |
| FY2018 forecast | 22.00 | 24.00 | 46.00 |

3. Forecast of Consolidated Results for FY2018 (December 1, 2017 - November 30, 2018)

| | 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 |
| Semi-Annual | 64,000 | 8.8 | 10,500 | 15.1 | 10,500 | 14.3 | 6,500 | 4.3 | 66.65 |
| Annual | 130,000 | 8.2 | 22,000 | 15.0 | 22,000 | 14.9 | 13,500 | -3.5 | 138.42 |

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):
- | | |
|-----------------------|-------------------|
| FY2018 first-quarter: | 97,853,340 shares |
| FY2017: | 97,853,340 shares |
- (ii) Number of treasury stock at the end of each period:
- | | |
|-----------------------|----------------|
| FY2018 first-quarter: | 149,627 shares |
| FY2017: | 668,765 shares |
- (iii) Average number of shares outstanding in each period:
- | | |
|-----------------------|-------------------|
| FY2018 first-quarter: | 97,526,697 shares |
| FY2017 first-quarter: | 90,024,820 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) | | |
|---|---|---|----------------|
| | FY2017 As of Nov. 30, 2017 | FY2018 first-quarter As of Feb. 28, 2018 | Change |
| Current Assets | | | |
| Cash and time deposits | 21,204 | 17,872 | |
| Notes and accounts receivable | 23,961 | 23,709 | |
| Marketable securities | 0 | 26 | |
| Merchandise and finished goods | 22,946 | 22,734 | |
| Work in process | 5,686 | 6,277 | |
| Raw materials and supplies | 6,217 | 6,471 | |
| Other | 4,292 | 4,283 | |
| Allowance for doubtful accounts | (240) | (232) | |
| Total current assets | 84,069 | 81,144 | (2,925) |
| Fixed Assets | | | |
| Tangible Assets | | | |
| Building and structures | 20,178 | 19,869 | |
| Machinery and equipment | 30,891 | 29,834 | |
| Land | 15,102 | 14,993 | |
| Other | 3,449 | 4,234 | |
| Total tangible assets | 69,622 | 68,932 | (689) |
| Intangible Assets | | | |
| Goodwill | 3,517 | 3,697 | |
| Other | 784 | 759 | |
| Total intangible assets | 4,301 | 4,456 | 154 |
| Investments and Other Assets | | | |
| Investment securities | 5,119 | 5,102 | |
| Other | 3,986 | 4,880 | |
| Allowance for doubtful accounts | (387) | (385) | |
| Total investments and other assets | 8,718 | 9,598 | 879 |
| Total fixed assets | 82,642 | 82,987 | 344 |
| Total | 166,712 | 164,131 | (2,580) |

Consolidated Summary Balance Sheet
OSG Corporation

| Liabilities and Net Assets | (Million yen : amounts less than one million yen are omitted) | | |
|--|---|---|----------------|
| | FY2017 As of Nov. 30, 2017 | FY2018 first-quarter As of Feb. 28, 2018 | Change |
| Current Liabilities | | | |
| Notes and accounts payable | 5,325 | 5,199 | |
| Short-term loans payable | 1,909 | 2,641 | |
| Current portion of long-term loans payable | 421 | 476 | |
| Income taxes payable | 3,458 | 1,874 | |
| Reserve for employees' bonuses | 451 | 1,538 | |
| Reserve for directors' bonuses | 385 | 65 | |
| Other | 9,874 | 7,013 | |
| Total current liabilities | 21,826 | 18,808 | (3,018) |
| Long-term Liabilities | | | |
| Convertible bonds | 3,150 | 2,300 | |
| Long-term borrowings | 10,844 | 11,149 | |
| Retirement allowance for directors | 53 | 24 | |
| Liabilities for employees' retirement benefits | 395 | 524 | |
| Other | 2,047 | 3,034 | |
| Total long-term liabilities | 16,491 | 17,032 | 540 |
| Total liabilities | 38,318 | 35,840 | (2,477) |
| Shareholders' Equity | | | |
| Common stock | 11,954 | 11,954 | |
| Capital surplus | 13,492 | 13,492 | |
| Retained earnings | 90,308 | 91,029 | |
| Treasury stock | (1,229) | (268) | |
| Total shareholders' equity | 114,526 | 116,207 | 1,681 |
| Accumulated other comprehensive income | | | |
| Unrealized gain on available-for-sale securities | 2,019 | 1,959 | |
| Deferred loss on derivatives under hedge accounting | (0) | (0) | |
| Foreign currency translation adjustments | (735) | (2,252) | |
| Total accumulated other comprehensive income | 1,283 | (292) | (1,576) |
| Subscription rights to shares | 13 | 13 | - |
| Noncontrolling interests | 12,570 | 12,362 | (208) |
| Total net assets | 128,394 | 128,290 | (103) |
| Total liabilities and net assets | 166,712 | 164,131 | (2,580) |

Consolidated Summary Statement of Income
OSG Corporation

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

| | FY2017 first-quarter (2016/12/1 - 2017/2/28) | FY2018 first-quarter (2017/12/1 - 2018/2/28) | Change |
|---|---|---|--------|
| Net Sales | 28,016 | 30,754 | 2,737 |
| Cost of Sales | 16,233 | 17,371 | 1,138 |
| Gross profit | 11,783 | 13,382 | 1,599 |
| Selling, general and administrative expenses | 7,433 | 7,951 | 518 |
| Operating income | 4,349 | 5,430 | 1,080 |
| Other Income | | | |
| Interest income | 43 | 38 | |
| Dividend income | 38 | 22 | |
| Foreign exchange gain | 36 | - | |
| Subsidy income | - | 118 | |
| Gain on sales of investment securities | 89 | - | |
| Other | 173 | 171 | |
| Total other income | 382 | 351 | (30) |
| Other Expenses | | | |
| Interest expense | 29 | 27 | |
| Sales discounts | 167 | 192 | |
| Foreign exchange loss | - | 134 | |
| Other | 117 | 44 | |
| Total other expenses | 313 | 399 | 85 |
| Ordinary income | 4,417 | 5,382 | 964 |
| Income before income taxes | 4,417 | 5,382 | 964 |
| Income taxes | | | |
| Current | 1,476 | 2,120 | |
| Deferred | (174) | (224) | |
| Total income taxes | 1,301 | 1,895 | 593 |
| Net income | 3,116 | 3,487 | 370 |
| Net income attributable to noncontrolling interests | 263 | 221 | (41) |
| Net income attributable to OSG Corporation | 2,853 | 3,265 | 412 |

Consolidated Statement of Comprehensive Income
OSG Corporation

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

| | FY2017 first-quarter (2016/12/1 - 2017/2/28) | FY2018 first-quarter (2017/12/1 - 2018/2/28) | Change |
|---|---|---|---------|
| Net Income | 3,116 | 3,487 | 370 |
| Other Comprehensive Income | | | |
| Unrealized gain (loss) on available-for-sale securities | 423 | (53) | |
| Deferred gain on derivatives under hedge accounting | 1 | 0 | |
| Foreign currency translation adjustments | 1,165 | (1,893) | |
| Share of other comprehensive income in associates | 1 | 0 | |
| Total other comprehensive income | 1,591 | (1,947) | (3,538) |
| Comprehensive Income | 4,707 | 1,540 | (3,167) |
| (Breakdown) | | | |
| Comprehensive Income attributable to OSG Corporation | 4,119 | 1,682 | |
| Comprehensive Income attributable to noncontrolling interests | 587 | (141) | |

Operations by Geographical Segment

Results for FY2018 first-quarter (Dec. 1, 2017 through Feb. 28, 2018)

Million yen

| | Japan | The Americas | Europe/ Africa | Asia | Total | Eliminations | Consolidated |
|---------------------|--------|--------------|-------------------|-------|--------|--------------|--------------|
| Sales to customers | 12,653 | 5,225 | 5,343 | 7,530 | 30,754 | - | 30,754 |
| Interarea transfers | 4,532 | 88 | 61 | 672 | 5,355 | (5,355) | - |
| Total sales | 17,186 | 5,314 | 5,405 | 8,203 | 36,109 | (5,355) | 30,754 |
| Operating income | 2,449 | 817 | 462 | 1,549 | 5,278 | 152 | 5,430 |

(Reference)

Results for FY2017 first-quarter (Dec. 1, 2016 through Feb. 28, 2017)

Million yen

| | Japan | The Americas | Europe/ Africa | Asia | Total | Eliminations | Consolidated |
|---------------------|--------|--------------|-------------------|-------|--------|--------------|--------------|
| Sales to customers | 11,706 | 5,064 | 4,136 | 7,108 | 28,016 | - | 28,016 |
| Interarea transfers | 4,349 | 43 | 20 | 489 | 4,902 | (4,902) | - |
| Total sales | 16,056 | 5,107 | 4,157 | 7,597 | 32,919 | (4,902) | 28,016 |
| Operating income | 2,214 | 694 | 261 | 1,242 | 4,413 | (63) | 4,349 |

Net sales by Product Segment

Million yen

| | FY2017 first-quarter (2016/12/1 - 2017/2/28) | FY2018 first-quarter (2017/12/1 - 2018/2/28) |
|--------------------------------|---|---|
| Cutting tools: | | |
| Taps | 8,815 | 9,957 |
| End mills | 6,546 | 6,567 |
| Drills and other cutting tools | 7,457 | 8,599 |
| Total | 22,819 | 25,124 |
| Rolling dies | 2,363 | 2,501 |
| Gauges | 363 | 407 |
| Other | 2,468 | 2,720 |
| Total | 28,016 | 30,754 |