

FY2018 Semi-Annual Consolidated Financial Results (December 1, 2017 - May 31, 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
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1. Consolidated Results for FY2018 Semi-Annual (December 1, 2017 - May 31, 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 semi-annual	64,424	9.5	11,221	23.0	11,078	20.6	6,985	12.1
FY2017 semi-annual	58,813	10.0	9,121	-7.3	9,187	-2.9	6,229	7.1

(Note) Comprehensive income FY2018 semi-annual : 4,932 million yen (-37.7%)
 FY2017 semi-annual : 7,912 million yen (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2018 semi-annual	71.55	70.48
FY2017 semi-annual	69.19	62.85

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY2018 semi-annual	169,166	131,907	70.4
FY2017	166,712	128,394	69.5

(Reference) Equity FY2018 semi-annual: 119,156 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	22.00		
FY2018 forecast		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
Annual	130,000	8.2	22,000	15.0	22,000	14.9	13,500	-3.5	138.26

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 semi-annual: | 97,981,921 shares |
| FY2017: | 97,853,340 shares |
- (ii) Number of treasury stock at the end of each period:
- | | |
|---------------------|----------------|
| FY2018 semi-annual: | 107,628 shares |
| FY2017: | 668,765 shares |
- (iii) Average number of shares outstanding in each period:
- | | |
|---------------------|-------------------|
| FY2018 semi-annual: | 97,639,081 shares |
| FY2017 semi-annual: | 90,029,543 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 semi-annual As of May 31, 2018	Change
Current Assets			
Cash and time deposits	21,204	21,892	
Notes and accounts receivable	23,961	24,225	
Marketable securities	0	0	
Merchandise and finished goods	22,946	22,627	
Work in process	5,686	6,648	
Raw materials and supplies	6,217	6,844	
Other	4,292	4,220	
Allowance for doubtful accounts	(240)	(206)	
Total current assets	84,069	86,252	2,182
Fixed Assets			
Tangible Assets			
Building and structures	20,178	19,681	
Machinery and equipment	30,891	29,992	
Land	15,102	14,991	
Other	3,449	4,642	
Total tangible assets	69,622	69,308	(313)
Intangible Assets			
Goodwill	3,517	3,508	
Other	784	696	
Total intangible assets	4,301	4,205	(96)
Investments and Other Assets			
Investment securities	5,119	4,792	
Other	3,986	4,998	
Allowance for doubtful accounts	(387)	(390)	
Total investments and other assets	8,718	9,399	681
Total fixed assets	82,642	82,913	270
Total	166,712	169,166	2,453

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 semi-annual As of May 31, 2018	Change
Current Liabilities			
Notes and accounts payable	5,325	5,901	
Short-term loans payable	1,909	1,221	
Current portion of long-term loans payable	421	1,141	
Income taxes payable	3,458	2,478	
Reserve for employees' bonuses	451	542	
Reserve for directors' bonuses	385	112	
Other	9,874	9,773	
Total current liabilities	21,826	21,172	(653)
Long-term Liabilities			
Convertible bonds	3,150	2,020	
Long-term borrowings	10,844	10,561	
Retirement allowance			
for directors and corporate auditors	53	67	
Liabilities for employees' retirement benefits	395	517	
Other	2,047	2,919	
Total long-term liabilities	16,491	16,086	(405)
Total liabilities	38,318	37,259	(1,059)
Shareholders' Equity			
Common stock	11,954	12,059	
Capital surplus	13,492	13,597	
Retained earnings	90,308	94,694	
Treasury stock	(1,229)	(190)	
Total shareholders' equity	114,526	120,160	5,633
Accumulated other comprehensive income			
Unrealized gain on			
available-for-sale securities	2,019	1,739	
Deferred loss on			
derivatives under hedge accounting	(0)	(0)	
Foreign currency translation adjustments	(735)	(2,742)	
Total accumulated other comprehensive income	1,283	(1,003)	(2,287)
Subscription rights to shares	13	13	-
Noncontrolling interests	12,570	12,737	166
Total net assets	128,394	131,907	3,513
Total liabilities and net assets	166,712	169,166	2,453

Consolidated Summary Statement of Income
OSG Corporation

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

	FY2017 semi-annual (2016/12/1 - 2017/5/31)	FY2018 semi-annual (2017/12/1 - 2018/5/31)	Change
Net Sales	58,813	64,424	5,610
Cost of Sales	34,336	36,495	2,159
Gross profit	24,476	27,928	3,451
Selling, general and administrative expenses	15,354	16,706	1,352
Operating income	9,121	11,221	2,099
Other Income			
Interest income	79	92	
Dividend income	48	48	
Foreign exchange gain	133	-	
Other	387	515	
Total other income	649	656	7
Other Expenses			
Interest expense	60	61	
Sales discounts	351	398	
Foreign exchange loss	-	224	
Other	171	115	
Total other expenses	584	800	216
Ordinary income	9,187	11,078	1,890
Extraordinary gain	315	-	(315)
Income before income taxes	9,502	11,078	1,575
Income taxes			
Current	2,899	3,584	
Deferred	16	(18)	
Total income taxes	2,915	3,565	650
Net income	6,587	7,512	924
Net income attributable to noncontrolling interests	358	526	168
Net income attributable to OSG Corporation	6,229	6,985	756

Consolidated Statement of Comprehensive Income
OSG Corporation

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

	FY2017 semi-annual (2016/12/1 - 2017/5/31)	FY2018 semi-annual (2017/12/1 - 2018/5/31)	Change
Net Income	6,587	7,512	924
Other Comprehensive Income			
Unrealized gain (loss) on available-for-sale securities	409	(277)	
Deferred gain on derivatives under hedge accounting	0	0	
Foreign currency translation adjustments	908	(2,304)	
Share of other comprehensive income in associates	7	1	
Total other comprehensive income	1,324	(2,580)	(3,904)
Comprehensive Income	7,912	4,932	(2,980)

(Breakdown)

Comprehensive Income attributable to OSG Corporation	7,265	4,702
Comprehensive Income attributable to noncontrolling interests	647	229

Consolidated Summary Statement of Cash Flows
OSG Corporation

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

	FY2017 semi-annual (2016/12/1 - 2017/5/31)	FY2017 semi-annual (2017/12/1 - 2018/5/31)
Operating Activities:		
Income before income taxes	9,502	11,078
Depreciation and amortization	4,137	4,397
Amortization of goodwill	251	245
Interest and dividend income	(128)	(140)
Interest expense	60	61
Equity in loss (earnings) of an associated company	(0)	24
Gain on sales of tangible assets	(315)	-
Change in notes and accounts receivable	(1,242)	(634)
Change in inventories	(131)	(1,627)
Change in notes and accounts payable	(593)	758
Change in accrued expenses	(10)	16
Other - net	364	(728)
Sub-total	11,896	13,451
Interest and dividend income received	132	148
Interest expense paid	(63)	(58)
Payments for directors' retirement benefits and condolence money	(1,017)	-
Income taxes - paid	(1,739)	(4,044)
Net cash provided by operating activities	9,207	9,495
Investing Activities:		
Payments for time deposits	(973)	(1,571)
Proceeds from refund of time deposits	975	1,045
Acquisitions of property, plant and equipment	(5,581)	(4,580)
Proceeds from sales of property, plant and equipment	977	65
Purchases of investment securities	(32)	(236)
Proceeds from sales of investment securities	677	-
Payment for purchase of subsidiaries' stock	(225)	(532)
Payment for purchase of subsidiaries' stock resulting in change in scope of consolidation	(655)	-
Other - net	(191)	(116)
Net cash used in investing activities	(5,030)	(5,927)
Financing Activities:		
Change in short-term borrowings - net	(1,780)	(650)
Proceeds from long-term borrowings	556	382
Repayments of long-term borrowings	(318)	(245)
Payment for purchase of subsidiaries' stock resulting in no change in scope of consolidation	(151)	(26)
Purchase of treasury stock	(2)	(1)
Dividends paid	(2,492)	(2,427)
Dividends paid to noncontrolling interests	(194)	(220)
Net cash (used in) provided by financing activities	(4,383)	(3,190)
Effect of exchange rate change on cash and cash equivalents	77	(391)
Net increase (decrease) in cash and cash equivalents	(128)	(13)
Cash and cash equivalents at beginning of year	16,555	19,598
Cash and cash equivalents from newly consolidated subsidiaries	300	229
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	84	-
Cash and cash equivalents at end of period	16,812	19,814

Operations by Geographical Segment

Results for FY2018 semi-annual (Dec. 1, 2017 through May 31, 2018)

Million yen

	Japan	The Americas	Europe/ Africa	Asia	Total	Eliminations	Consolidated
Sales to customers	26,660	10,948	11,050	15,765	64,424	-	64,424
Interarea transfers	9,992	182	107	1,401	11,682	(11,682)	-
Total sales	36,652	11,130	11,157	17,167	76,107	(11,682)	64,424
Operating income	5,278	1,691	945	3,237	11,153	68	11,221

(Reference)

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

Net sales by Product Segment

Million yen

	FY2017 semi-annual (2016/12/1 - 2017/5/31)	FY2018 semi-annual (2017/12/1 - 2018/5/31)
Cutting tools:		
Taps	18,472	20,520
End mills	13,453	13,822
Drills and other cutting tools	15,441	17,959
Total	47,367	52,302
Rolling dies	5,043	5,288
Gauges	767	839
Other	5,634	5,994
Total	58,813	64,424