



*shaping your dreams*

# Financial Results for FY2019 - 2Q

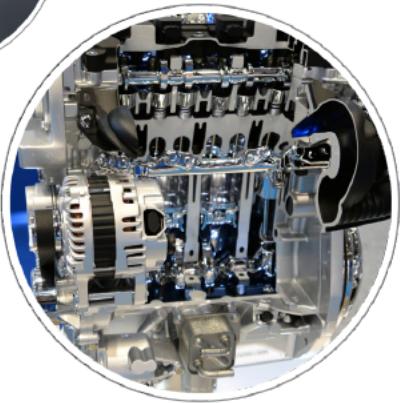
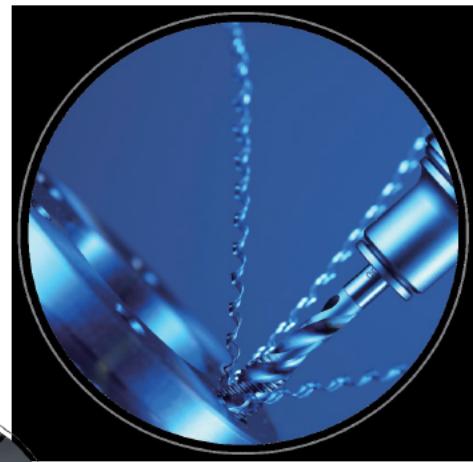
July, 2019  
OSG Corporation

- ◆ P2-3 Company Overview
  - ◆ P4-5 Financial Summary
  - ◆ P6-7 Review of FY19-1Q
  - ◆ P8-9 Sales to Customer
  - ◆ P10-11 Operating Income
  - ◆ P12 Overseas Sales Ratio
  - ◆ P13 Operation Profit Variation
  - ◆ P14-15 Net Sales  
by Product Segment
  - ◆ P16 B/S Overview • EBITDA
- 
- ◆ P17 Cash Flow Overview
  - ◆ P18 Capital investment
  - ◆ P19 NEO Shinshiro Factory
  - ◆ P20 Forecast for FY19
  - ◆ P21 Exchange Rate
  - ◆ P22 Dividends Per Share
  - ◆ P23 Expansion  
of Overseas Business
  - ◆ P24-26 Basic Strategies
  - ◆ P27 Selected Financial Data



# Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	12,124 million yen
Employees	7,184 (consolidated) 1,846 (non-consolidated)
Stock listed	1 <sup>st</sup> Section of Tokyo and Nagoya Stock Exchange (stock code 6136)



## 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.

# Company Overview

## Products

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

## Strength

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

Tools to make holes

Drill

Tools to shape metal

End mill

Tools to cut threads

Tap

Tools to form threads

Rolling dies

Tools to shape metal

Indexable tools



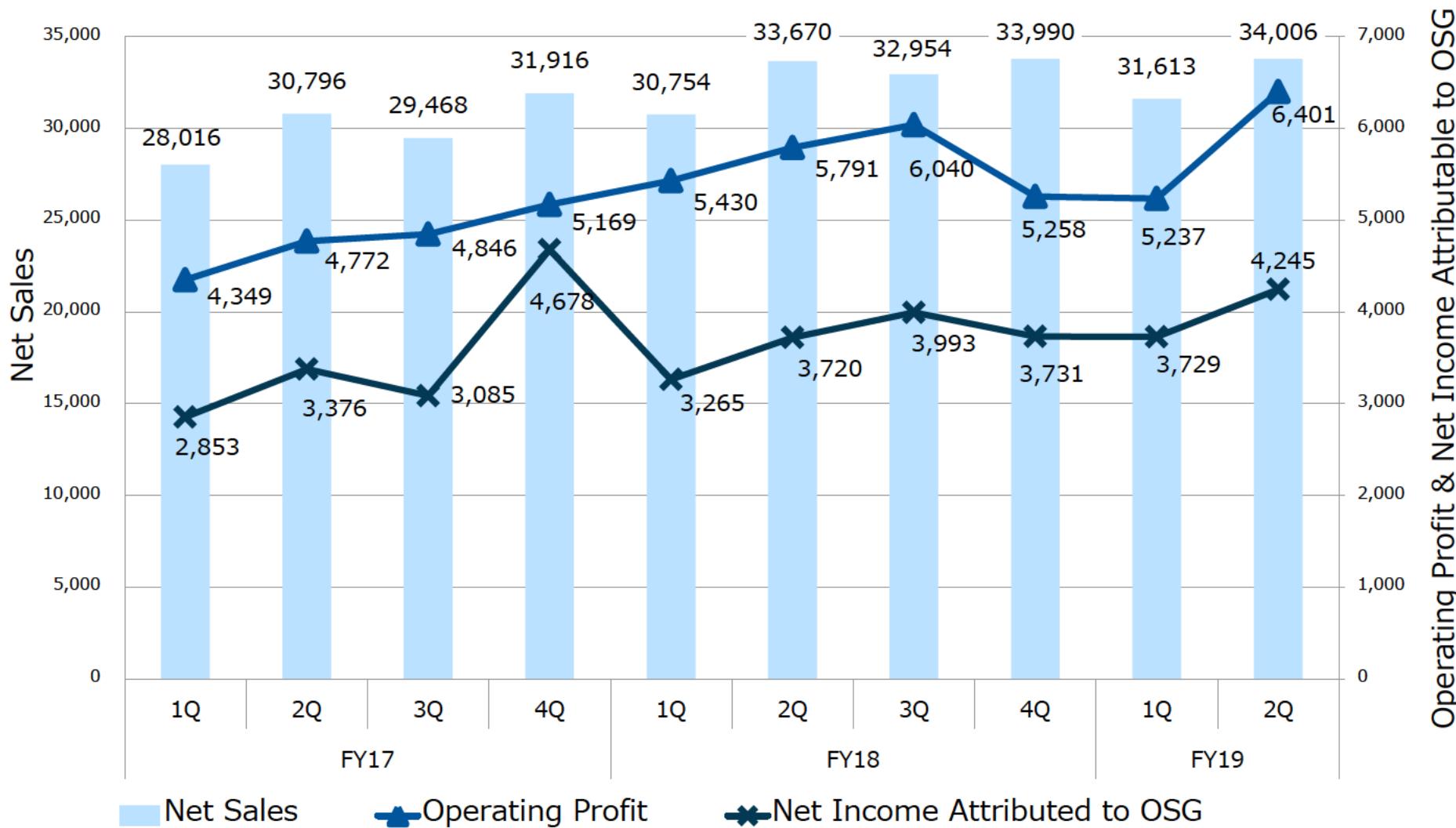
# Financial Summary

(Millions of yen)

	FY18-1H	FY19-1H	Change	FY19 fcst. Annual	Progress Rate
Net Sales	64,424	65,620	+1.9%	137,000	47.9%
Operating Profit	11,221	11,638	+3.7%	24,000	48.5%
OPM	17.4%	17.7%	-	17.5%	-
Ordinary Profit	11,078	12,098	+9.2%	24,000	50.4%
Net Profit Attributable to OSG	6,985	7,974	+14.2%	15,300	52.1%
EPS(yen)	71.55	81.39	+13.8%	156.15	—

# Financial Summary

(Millions of yen)



# Review of FY19-2Q

**Net sales, operating profits,  
ordinary profits, and net profit  
reached RECORD HIGH  
in the first half of the year.**

➤ Index & Capital Investment Results

—EBITDA	16.2 billion yen	(Increased by 4.1% over FY18-2Q)
—EBITDA Margin	24.8%	(Increased by 0.6pt over FY18-2Q)
—Equity ratio	68.8%	(Decreased by 1.6pts over FY18)
—CAPEX	8.6 billion yen	(Annual forecast of 22 billion yen)
—Depreciation	4.6 billion yen	(Annual forecast of 9.7 billion yen)



# Review of FY19-2Q

## The Americas

The U.S. has continuously performed well at **Aircraft**. The operating profit in Brazil has greatly increased.



## Europe/Africa

**All Europe** has sustained their strong performance on the local currency bases even though Euro is getting weaker.

## Asia

China seems to be bottoming out. **India and Thai** have the satisfactory sales.

## Japan

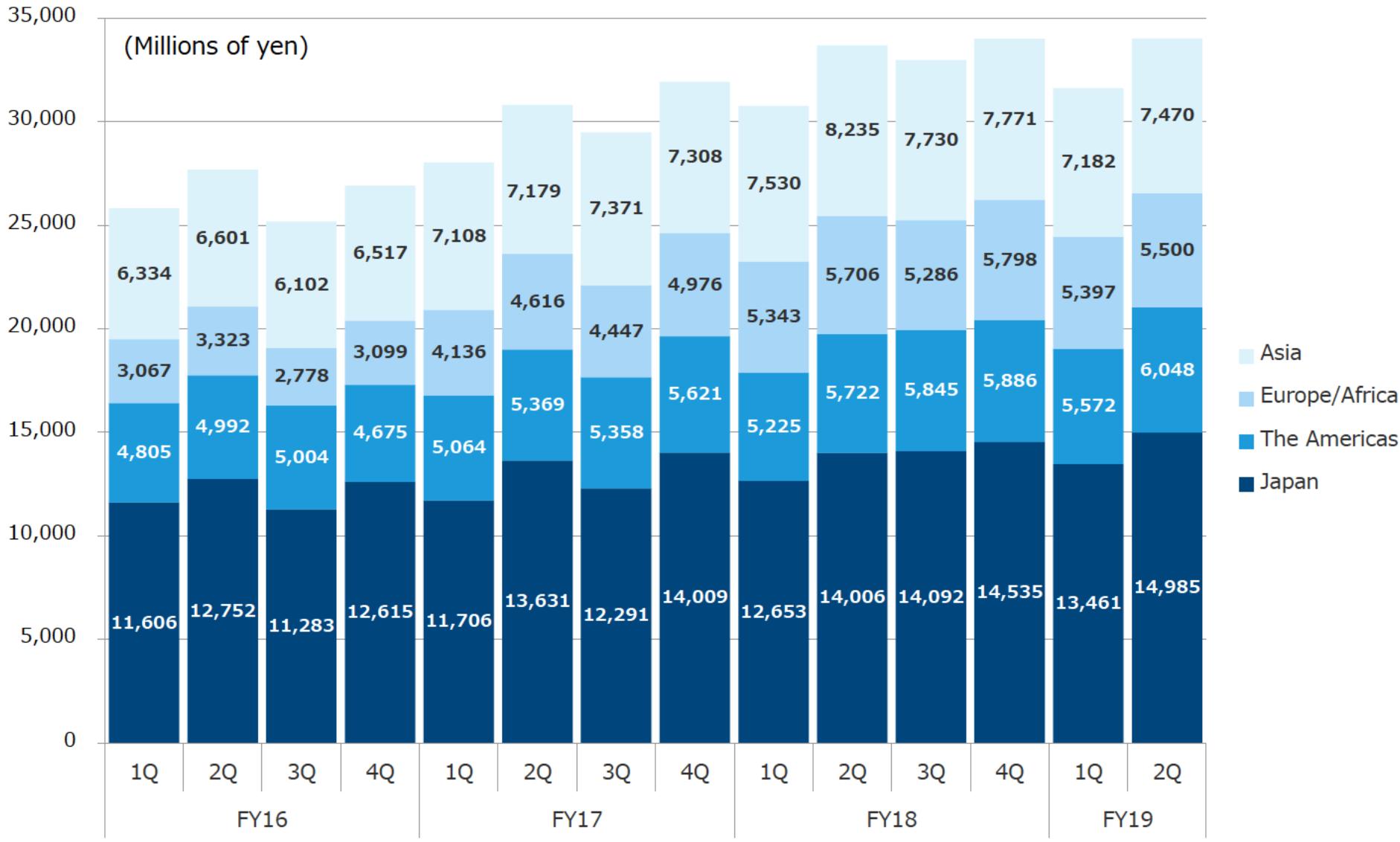
The domestic sales are picking up. The factories have been **actively operating**.

# Sales to Customer

(Millions of yen)

	FY18-1H	FY19-1H	Change	Change in local currency
Japan	26,660	28,447	1,787	+6.7%
The Americas	10,948	11,621	673	+6.2% +5.8%
Europe/Africa	11,050	10,898	-151	-1.4% +6.0%
Asia	15,765	14,653	-1,112	-7.1% -3.5%
Consolidated	64,424	65,620	1,195	+1.9%

# Sales to Customer



# Operating Income

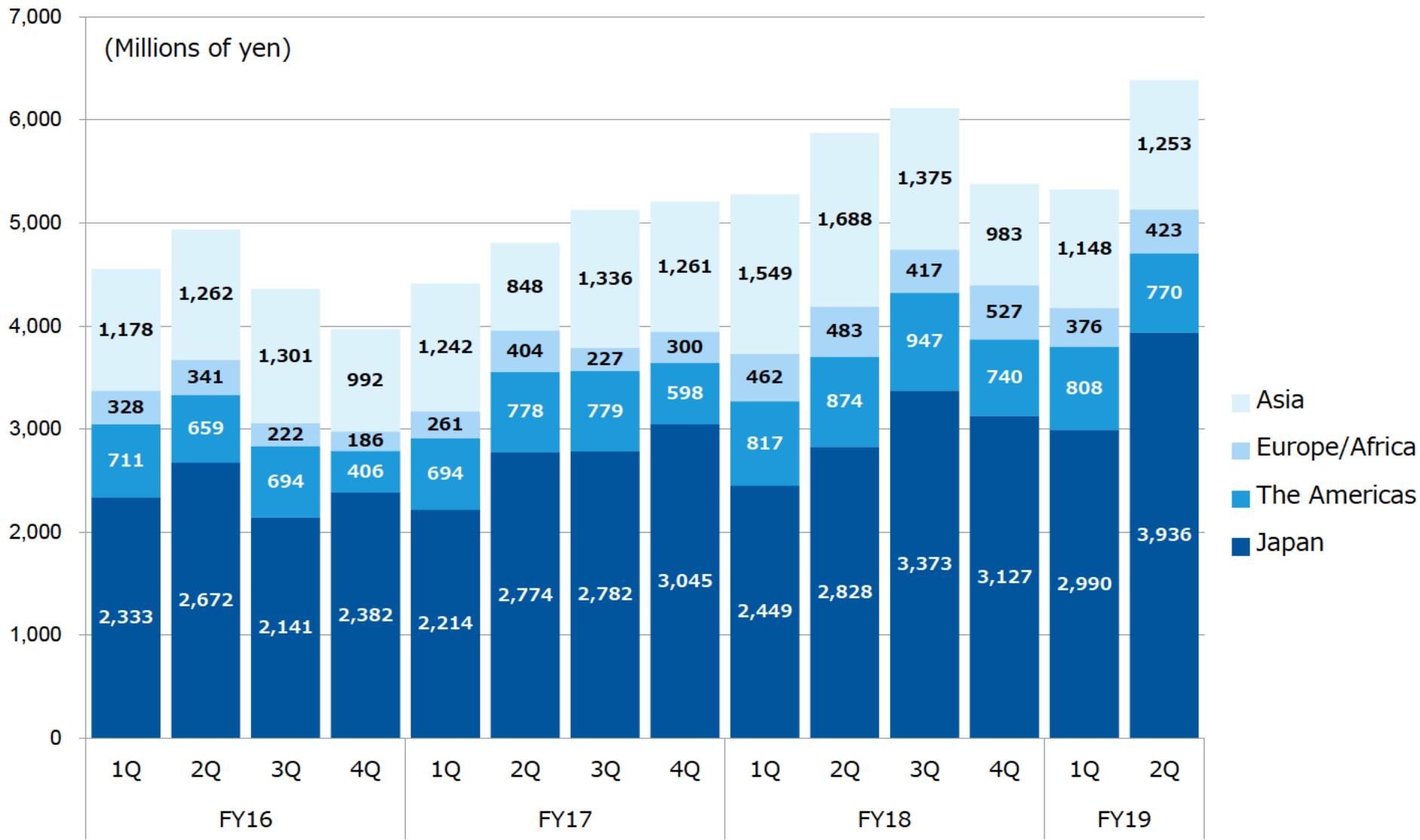
(Millions of yen)

	FY18-1H	Area percentage	FY19-1H	Area percentage	Change	OPM*
Japan	5,278	47.3%	6,927	59.2%	1,649	+31.2%
The Americas	1,691	15.2%	1,578	13.5%	-112	-6.7%
Europe/Africa	945	8.5%	800	6.8%	-145	-15.4%
Asia	3,237	29.0%	2,402	20.5%	-835	-25.8%
Total	11,153	-	11,708	-	555	+5.0%
Eliminations	68	-	-69	-	-138	-
Consolidated	11,221	-	11,638	-	417	+3.7%

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

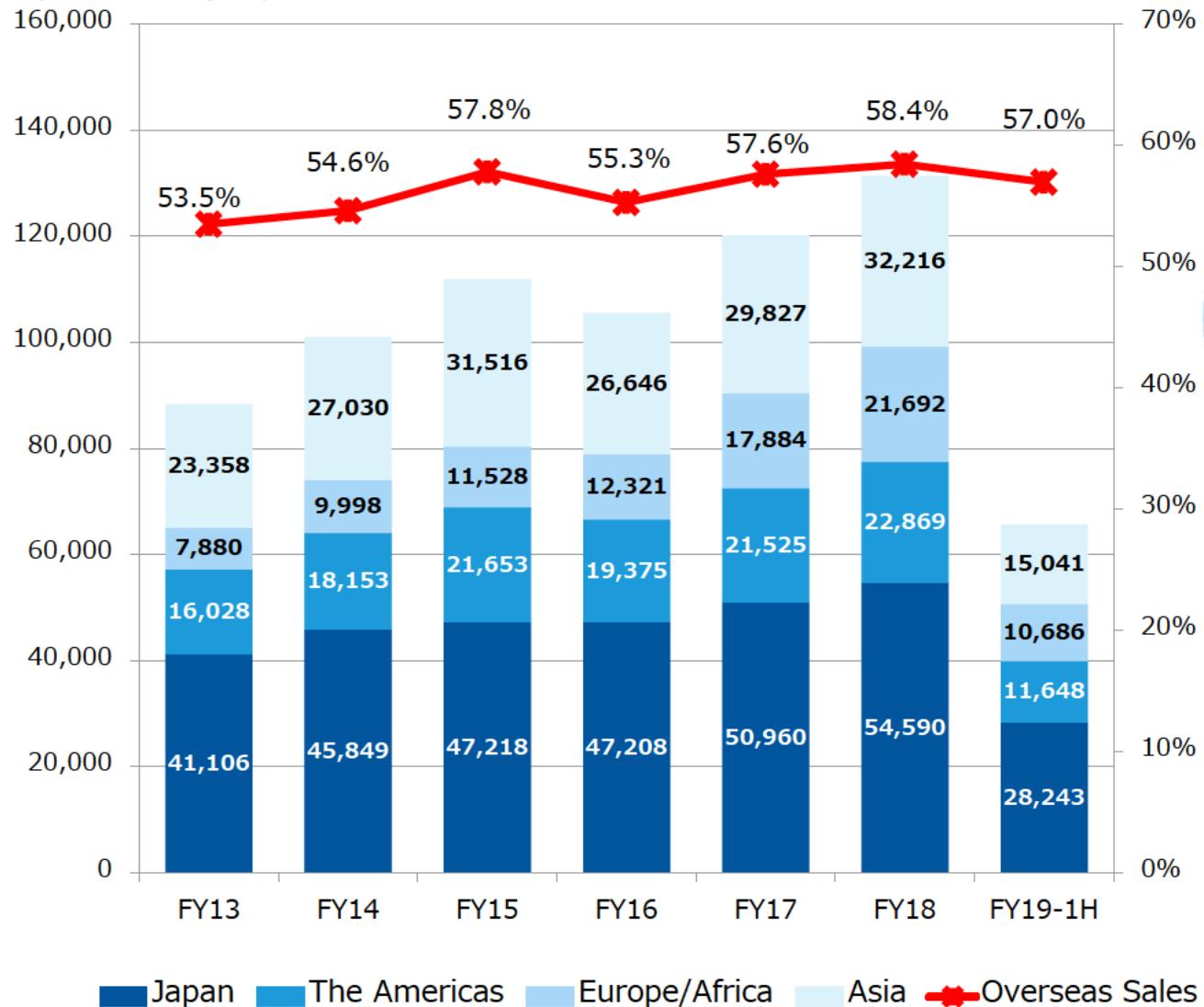


# Operating Income

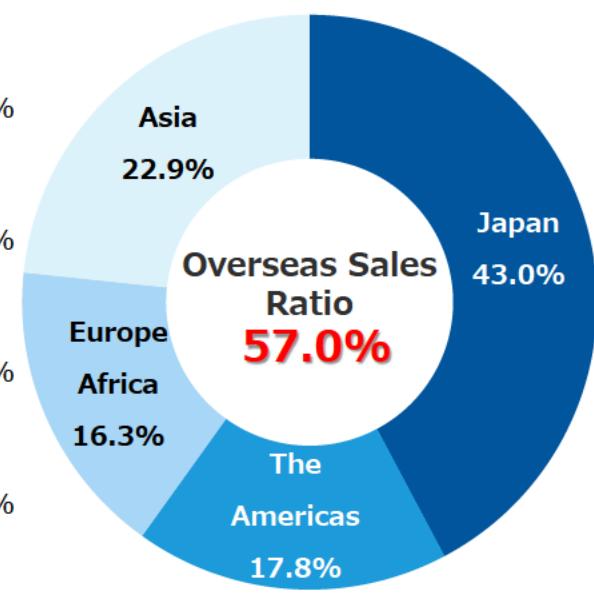


# Overseas Sales Ratio

(Millions of yen)

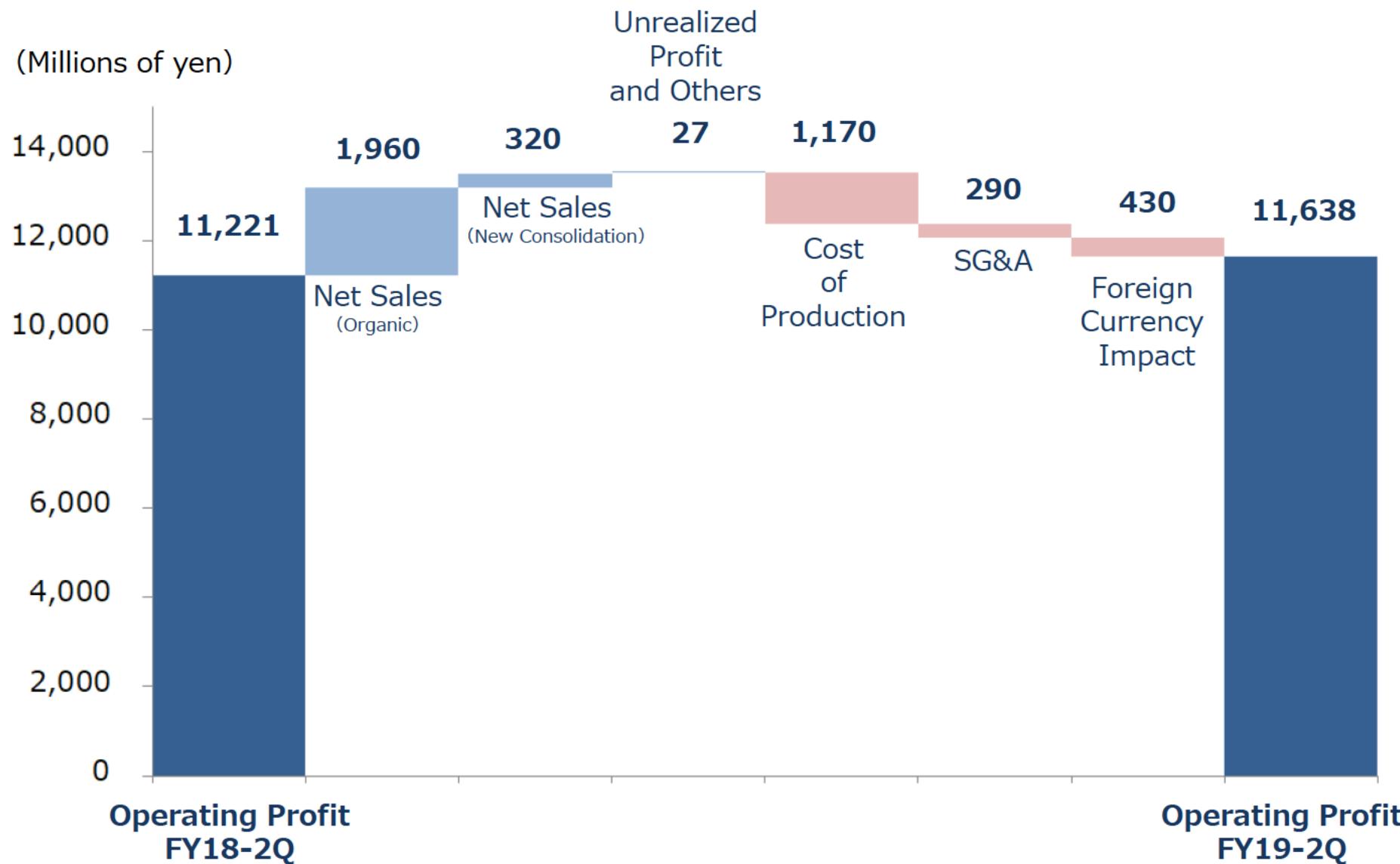


FY2019-1H



# Operation Profit Variation

(Millions of yen)



# Net Sales by Product Segment

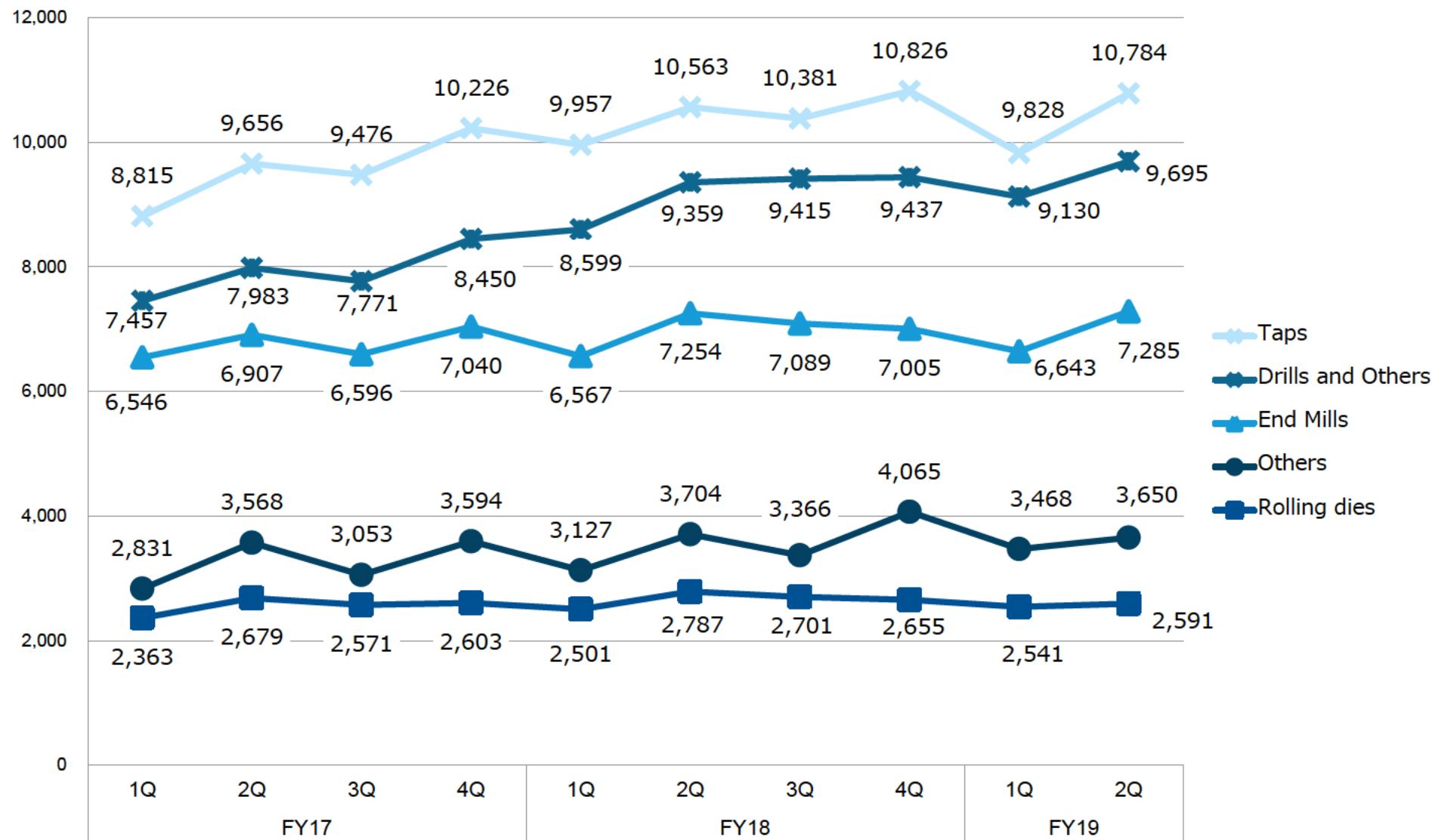
(Millions of yen)

		FY18						FY2019				Change	
		1Q	2Q	3Q	4Q	Total		1Q	2Q	1H			
Precision Tools	Taps	9,957	10,563	10,381	10,826	41,729	32%	9,828	10,784	20,612	31%	91	0.4%
	End mills	6,567	7,254	7,089	7,005	27,917	21%	6,643	7,285	13,928	21%	106	0.8%
	Drills and Others	8,599	9,359	9,415	9,437	36,811	28%	9,130	9,695	18,826	29%	867	4.8%
	Rolling dies	2,501	2,787	2,701	2,655	10,645	8%	2,541	2,591	5,132	8%	-155	-2.9%
	Gauges	407	431	463	454	1,757	1%	478	491	969	1%	130	15.5%
		28,033	30,396	30,051	30,379	118,860	90%	28,622	30,847	59,470	90%	1,040	1.8%
Other	Machine	706	935	721	1,206	3,570	3%	907	1,097	2,004	3%	362	22.1%
	Other	2,014	2,337	2,181	2,404	8,938	7%	2,083	2,061	4,145	7%	-207	-4.8%
		2,720	3,273	2,903	3,611	12,508	10%	2,990	3,158	6,149	10%	155	2.6%
Total		30,754	33,670	32,954	33,990	131,368	100%	31,613	34,006	65,620	100%	1,195	1.9%



# Net Sales by Product Segment

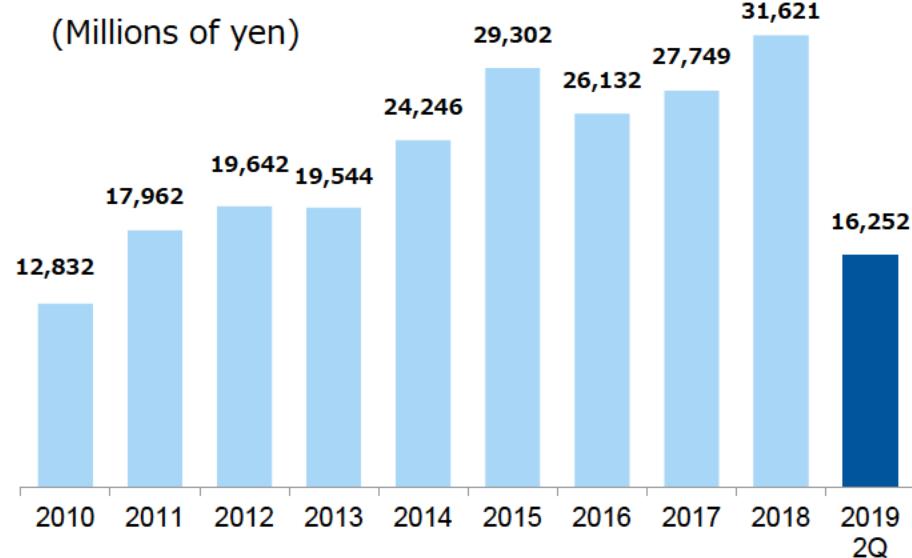
(Millions of yen)



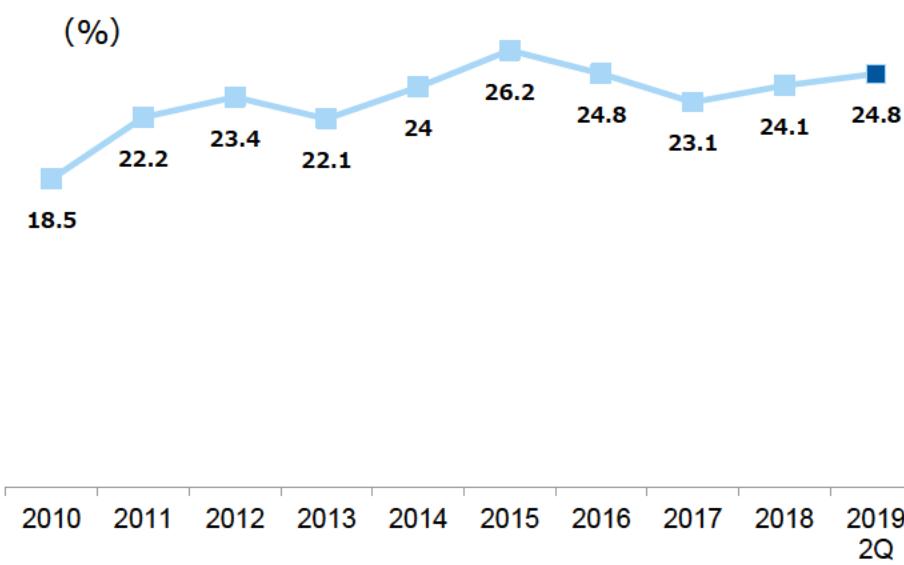
# B/S Overview • EBITDA

	FY18	FY19 2Q	FY18	FY19 2Q
Equity ratio (%)	70.4	68.8	Cash and time deposits	24,406
Receivable turnover period (Days)	70	66	Debt	15,612
Inventory turnover period (months)	3.6	3.7	Net Cash	8,793
				29,498
				23,840
				5,658

EBITDA



EBITDA Margin



# Cash Flow Overview

	FY17	FY18	FY18 1H	19 1H	Change
Income before taxes	21,086	22,567	11,078	12,098	1,020
Depreciation	8,612	9,100	4,397	4,614	217
Change in A/R	-1,690	-1,494	-634	553	1,187
Change in inventories	-1,147	-3,854	-1,627	-3,029	-1,401
Change in A/P	-253	768	758	452	-306
Change in accrued expenses	584	593	16	-325	-342
Other-net	-1,846	-196	-447	-733	-285
Income taxes paid	-4,525	-7,359	-4,044	-3,629	415
<b>Operating cash flow</b>	<b>20,820</b>	<b>20,125</b>	<b>9,495</b>	<b>10,001</b>	<b>505</b>
Capital expenditures	-9,494	-11,464	-4,580	-8,670	-4,089
Purchase of subsidiaries' stock	-1,728	-620	-532	-441	91
Payment of time deposits	-86	-1,307	-525	326	851
Other-net	3,742	41	-287	-316	-28
<b>Investing cash flow</b>	<b>-7,566</b>	<b>-13,351</b>	<b>-5,927</b>	<b>-9,100</b>	<b>-3,173</b>
<b>Free cash flow</b>	<b>13,254</b>	<b>6,773</b>	<b>3,568</b>	<b>900</b>	<b>-2,668</b>
Change in interest-bearing debt	-6,132	305	-514	3,163	3,683
Purchase of treasury stock	-5	-4	-1	-2	-0
Cash dividends paid	-4,411	-4,581	-2,427	-2,453	-26
Proceeds from issuance of bonds	-	-	-	5,000	5,000
Dividends paid to minority shareholders	-367	-416	-220	-222	-1
Other-net	-219	-26	-26	-713	-687
<b>Financing cash flow</b>	<b>-11,137</b>	<b>-4,723</b>	<b>-3,190</b>	<b>4,777</b>	<b>7,967</b>
Foreign currency translation adjustments	540	-333	-391	-600	-208
Net increase(decrease) in cash	2,658	1,716	-13	5,077	5,090
Cash of newly consolidated subsidiaries, beginning of year	300	229	229	437	207
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	84	-	-	-	-
<b>Cash, end of year</b>	<b>19,598</b>	<b>21,545</b>	<b>19,814</b>	<b>27,059</b>	<b>7,245</b>



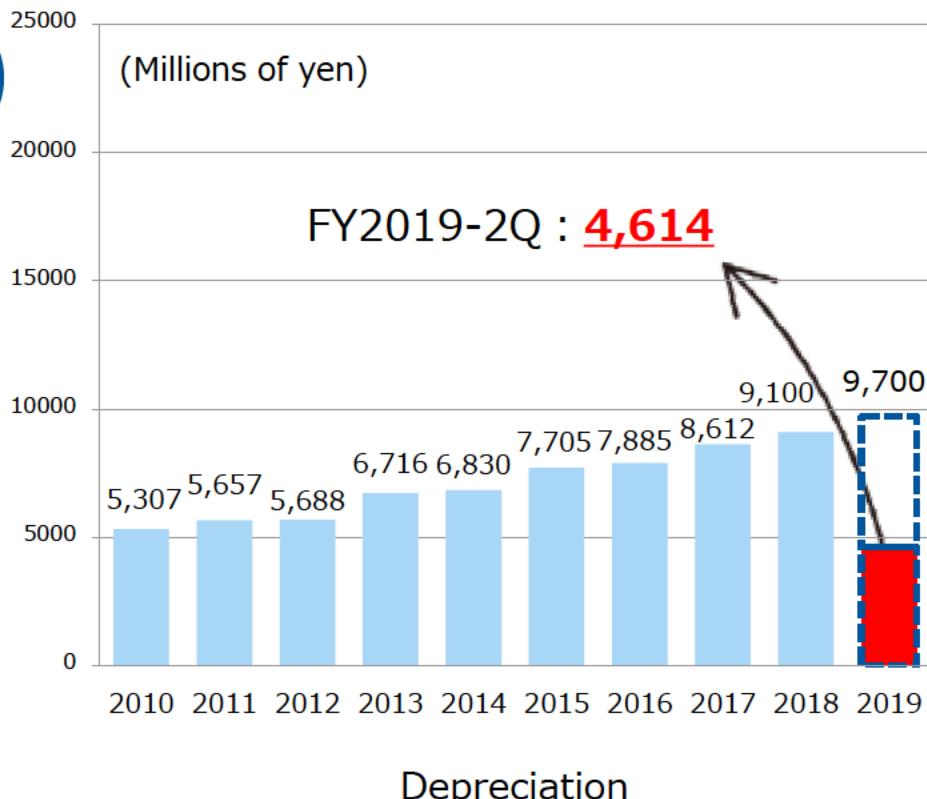
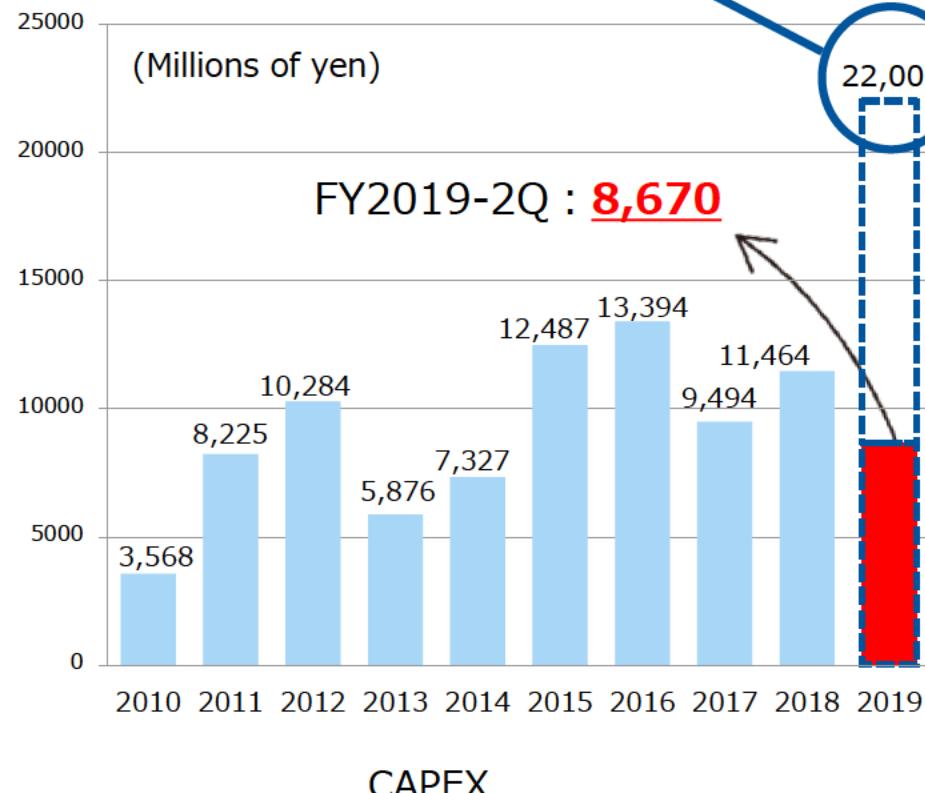
# Capital Investment

FY19 Capital Investment Forecast

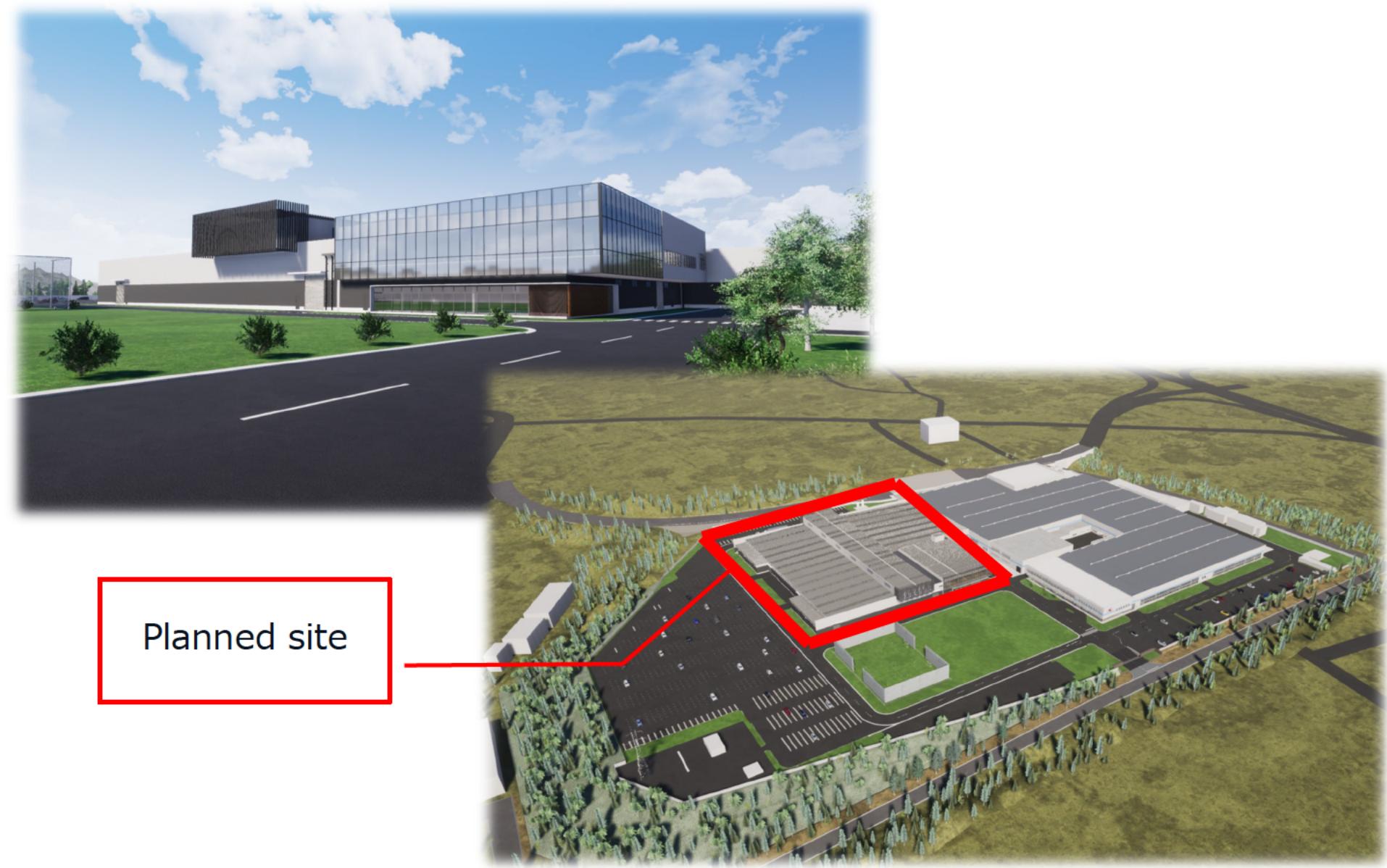
**22 billion yen**

## Breakdown

- NEO Shinshiro Factory (Japan)… Starting the operation in May, 2020
- Mexico Factory
- Taiwan Factory
- New building of AMAMCO in the U.S.

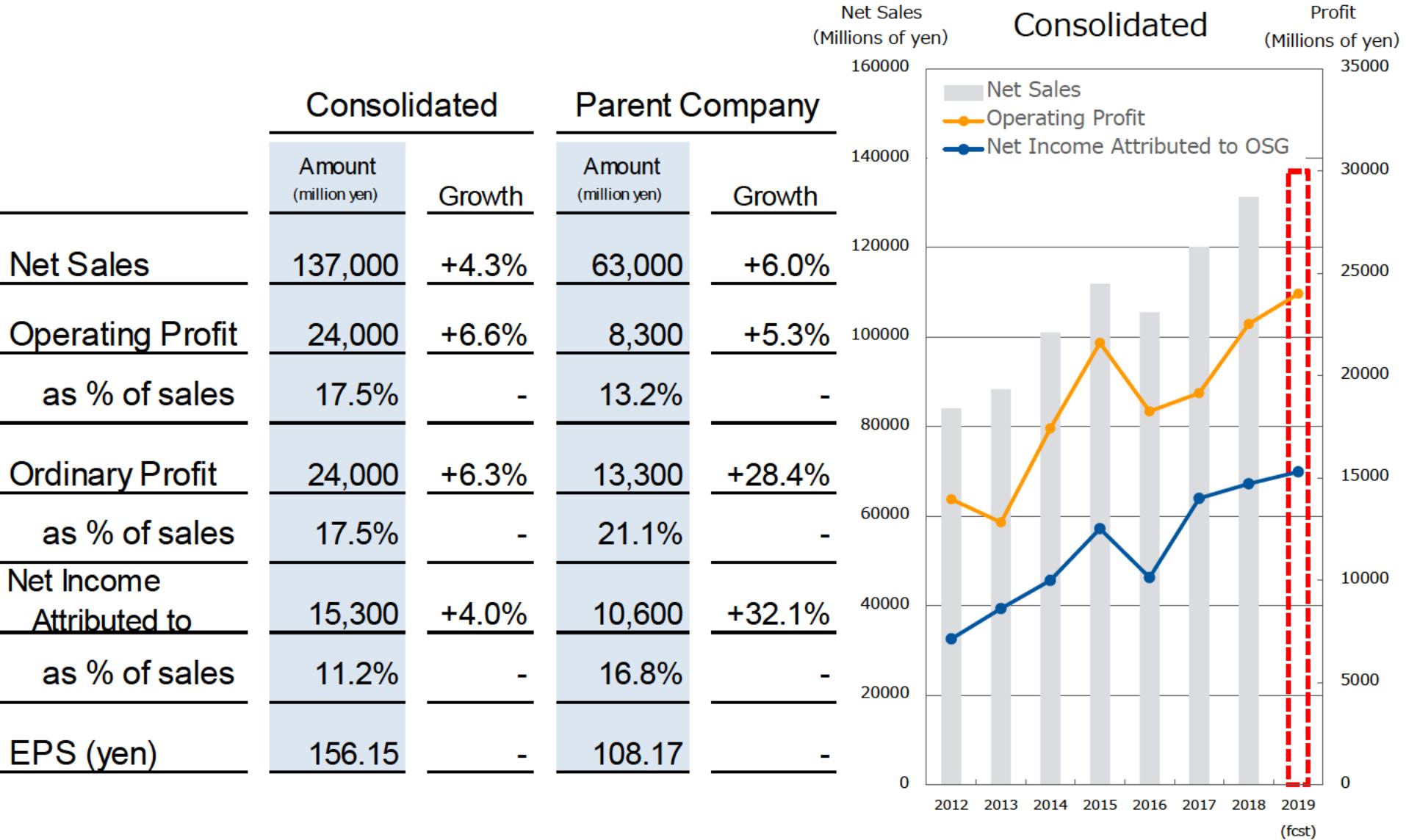


# NEO Shinshiro Factory



Planned site

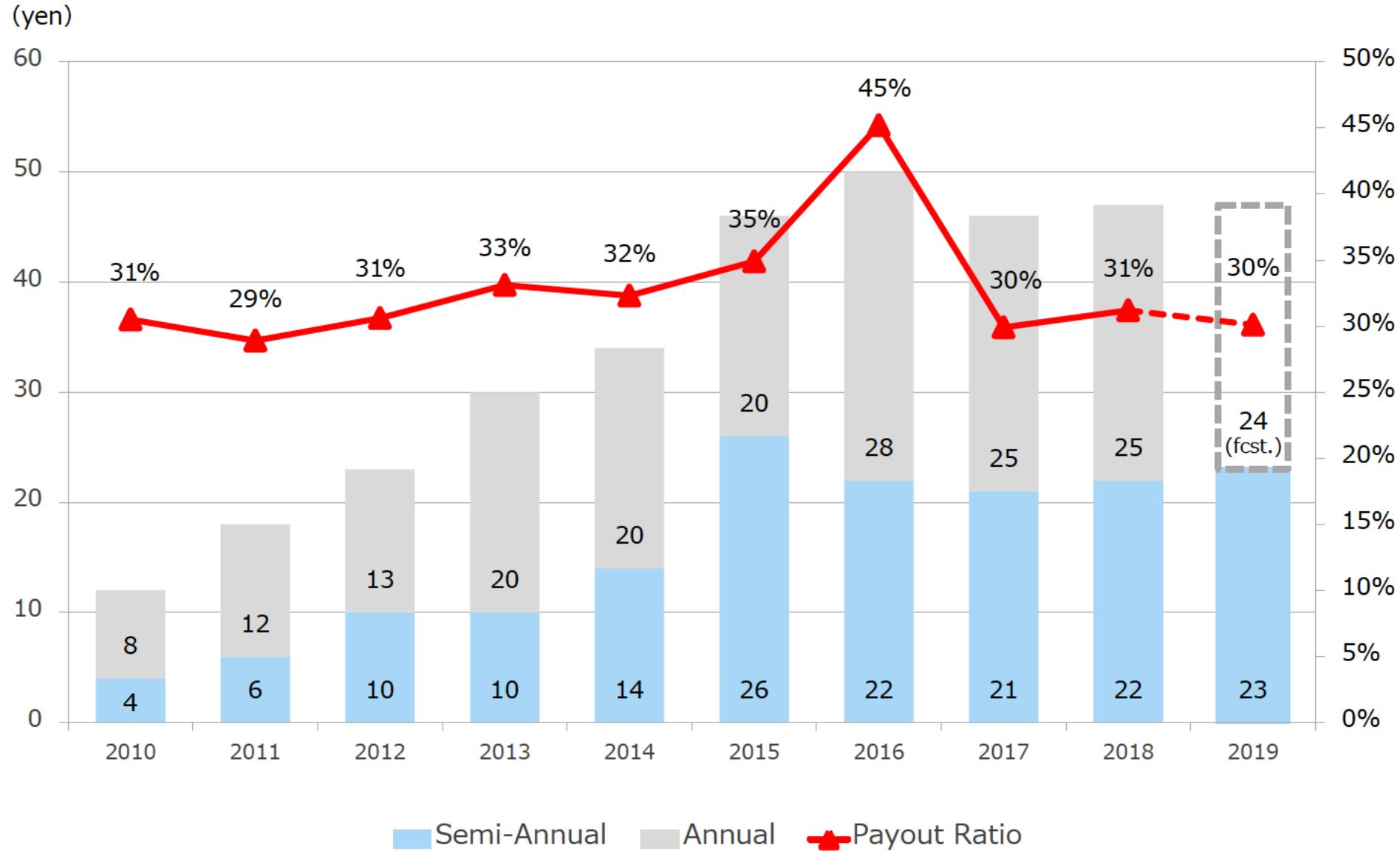
# Forecast for FY19



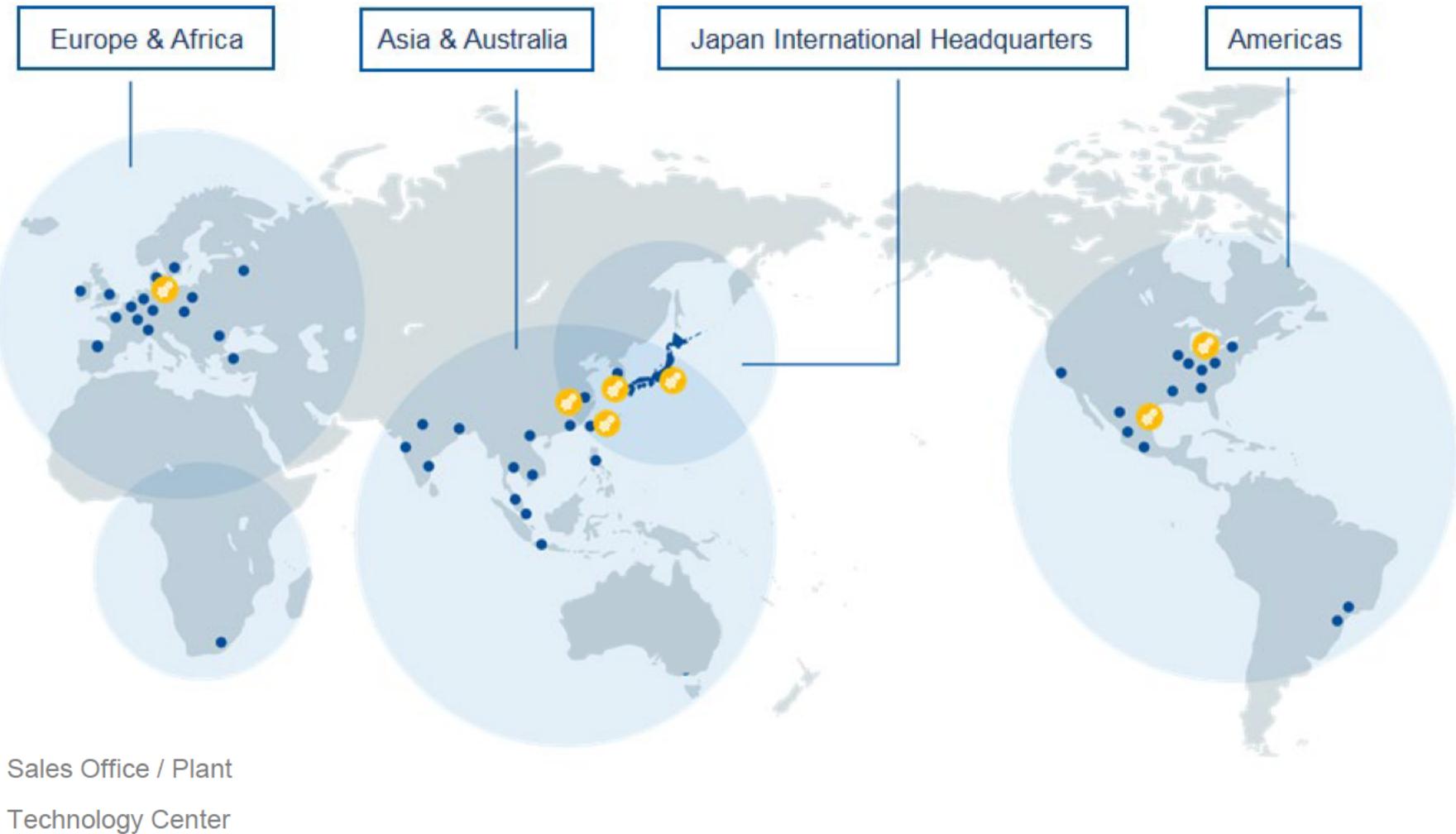
# Exchange Rate

	1US\$	1Euro	1RMB
FY17 2Q	112.88 JPY	121.34 JPY	16.41 JPY
FY17	112.33 JPY	126.20 JPY	16.59 JPY
FY18 2Q	108.91 JPY	131.82 JPY	17.11 JPY
FY18	110.53 JPY	130.68 JPY	16.74 JPY
FY19 2Q	110.51 JPY	124.82 JPY	16.31 JPY
FY19 (forecast)	105.00 JPY	125.00 JPY	16.00 JPY

# Dividends Per Share



# Expansion of Overseas Business



# Basic Strategies – The Next Stage 17

## Major end-users

- ✓ Focus on the automotive industry
- ✓ Position the aircraft as a key industry as the automotive
- ✓ Develop new end-users in future fields

### ➤METHOD

Face more customers, and suggest total solutions to meet their demands

- ‘Best delivery time’ and ‘Cost competitiveness’
- Expand technical centers globally
- M&A (maximize synergy effect)



# Basic Strategies – The Next Stage 17

## Catalogue item sales



The A Brand

- ✓ For more customers at the industry of general engineering and mold & die all over the world

### ➤ METHOD

Contributing to customers' productivity by providing cost-performance tools timely

- Expand carbide items range
- Establish strong 'A-Club' distribution networks in each region
- Strengthen inventory policy and supply chain



# Management Target – The Next Stage 17

## Management Target for FY2020

Net sales

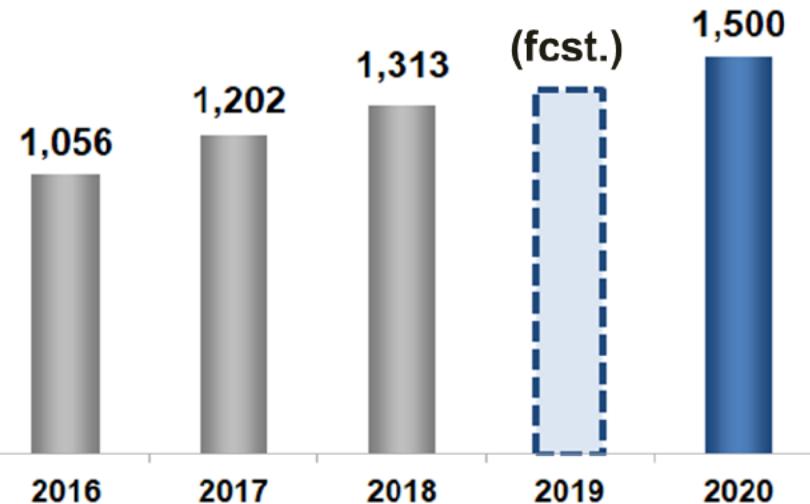
150 billion yen

Operating profit

30 billion yen

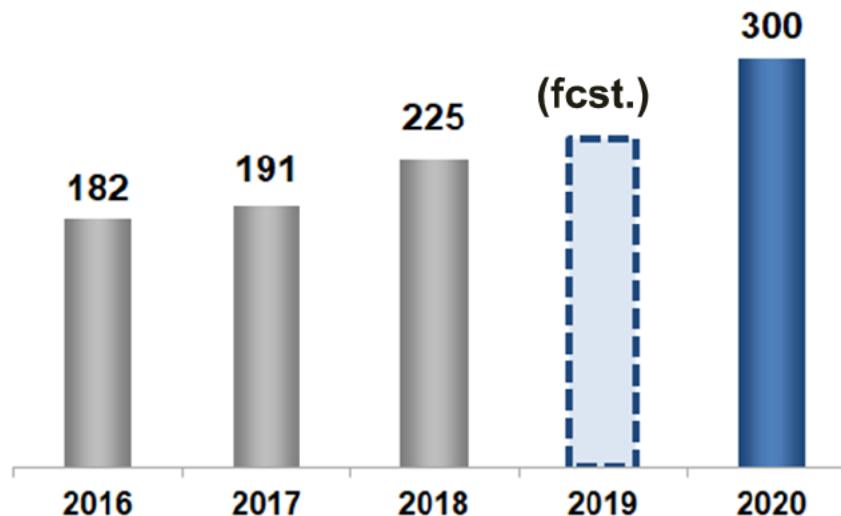
【Net sales】

bil. yen



【Operating profit】

bil. yen



# Appx.1 Selected Financial Data (Consolidated)

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019-1H
Net sales	(mil.yen)	53,325	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	131,368	65,620
Sales growth	(%)	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	9%	2%
Cost of sales	(mil.yen)	39,203	44,605	48,439	49,381	52,777	58,061	61,865	59,179	69,711	74,833	36,980
Gross profit	(mil.yen)	14,122	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	56,535	28,640
SG&A expenses	(mil.yen)	16,857	17,383	20,214	20,747	22,774	25,554	28,454	28,135	31,349	34,015	17,001
Operating income	(mil.yen)	-2,735	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	22,520	11,638
Ordinary income	(mil.yen)	-2,703	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	22,567	12,098
Net income	(mil.yen)	-3,769	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	14,710	7,974
<b>Margins:</b>												
Gross profit margin	(%)	26.5%	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	43.6%
SG&A as % of sales	(%)	31.6%	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%	25.9%
Operating income	(%)	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	17.7%
Ordinary income	(%)	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	18.4%
Net income	(%)	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	12.2%
Average FX rate: 1USD	(yen)	94.94	89.29	80.71	78.89	93.16	102.98	121.03	109.78	112.33	110.53	110.51
Average FX rate: 1Euro	(yen)	128.83	120.65	112.80	102.63	122.62	139.37	134.92	121.39	126.20	130.68	124.82
Total assets	(mil.yen)	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,054	138,896
Total shareholders' equity	(mil.yen)	55,931	57,117	59,367	64,482	80,024	91,458	102,566	92,216	115,810	125,332	127,326
<b>Per share:</b>												
Net income	(yen)	-39.22	39.34	62.18	75.16	90.76	105.20	131.78	110.59	153.70	150.47	81.39
Cash dividends (end of Q2)	(yen)	0.00	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00	22.00	23.00(fcst.)
(year-end)	(yen)	3.00	8.00	12.00	13.00	20.00	20.00	20.00	28.00	25.00	25.00	24.00(fcst.)
Total shareholders' equity	(yen)	582.19	601.44	625.14	679.01	842.71	963.15	1,079.12	1,024.34	1,191.65	1,279.29	1,299.20
Average number of shares	(ths)	96,071	94,969	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,761	97,984
<b>Key financial ratios:</b>												
ROE	(%)	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	12.6%
Equity ratio	(%)	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	68.8%
<b>Cash flow:</b>												
Operating CF	(mil.yen)	6,049	14,095	11,344	12,286	16,171	19,688	19,588	16,333	20,820	20,310	10,001
Investing CF	(mil.yen)	-4,633	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-9,100
Financing CF	(mil.yen)	5,470	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723	4,777
Cash flow margin	(%)	11.3%	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	15.2%

