



shaping your dreams

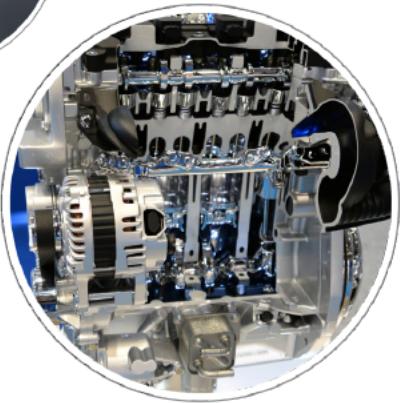
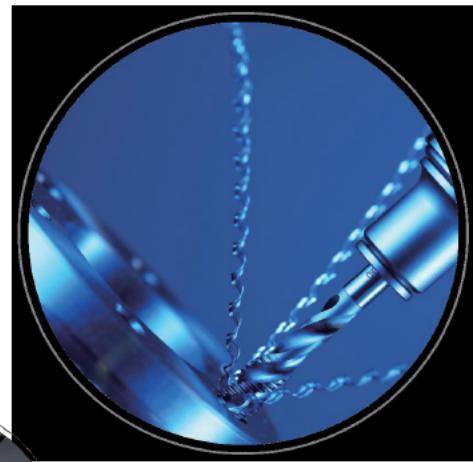
Financial Results for FY2019 - 1Q

April, 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 Capital investment
 - ◆ P18 NEO Shinshiro Factory
 - ◆ P19 Forecast for FY19
 - ◆ P20 Exchange Rate
 - ◆ P21 Dividends Per Share
 - ◆ P22 Expansion
of Overseas Business
 - ◆ P23-25 Basic Strategies
 - ◆ P26 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	7,094 (consolidated) 1,796 (non-consolidated)
Stock listed	1 st 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



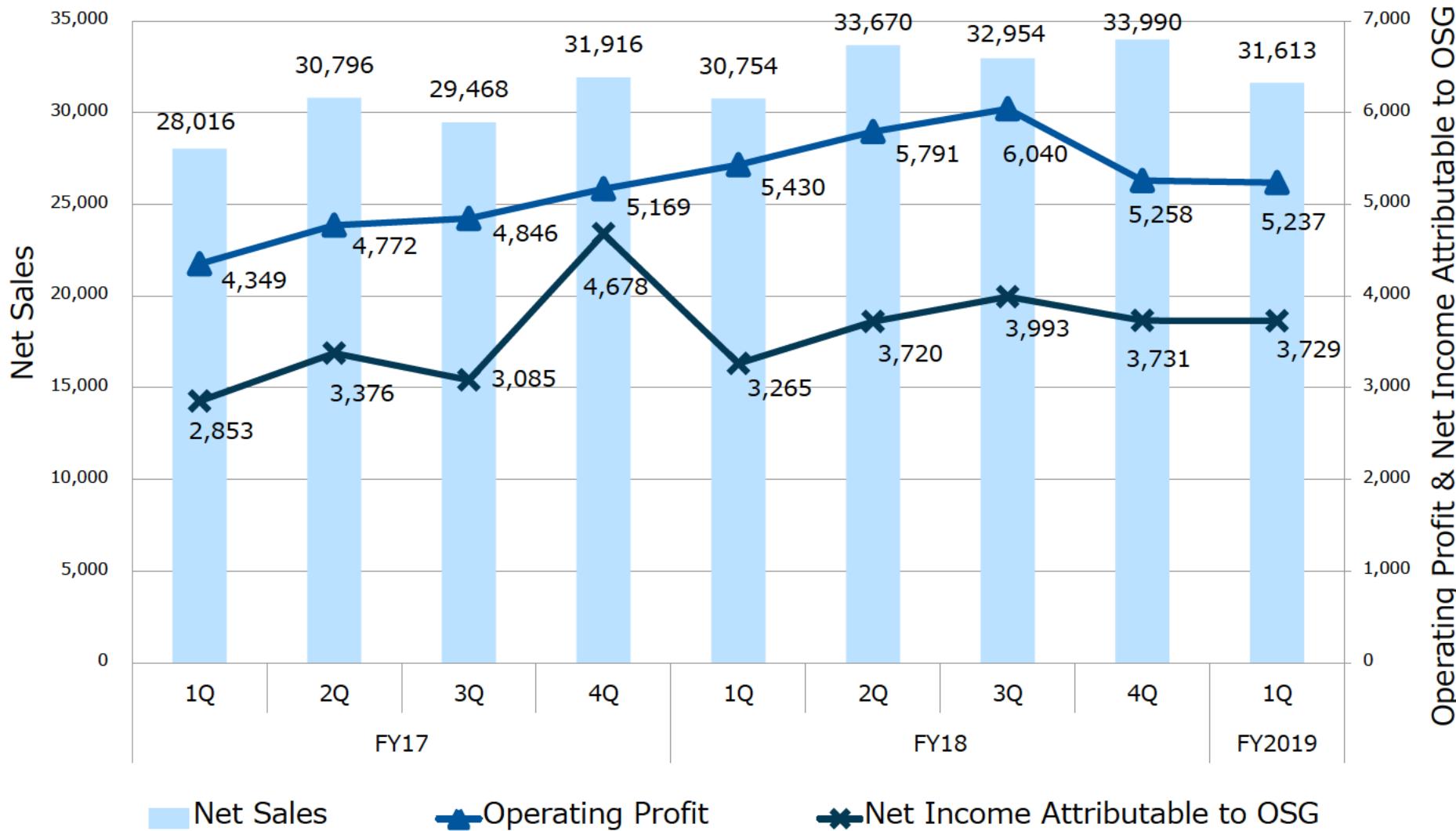
Financial Summary

(Millions of yen)

	FY18-Q1	FY19-Q1	Change	FY19-1H Forecast	Progress Rate
Net Sales	30,754	31,613	+2.8%	67,500	47%
Operating Profit	5,430	5,237	-3.6%	11,900	44%
OPM	17.7%	16.6%	-	17.6%	-
Ordinary Profit	5,382	5,551	+3.1%	11,900	47%
Net Profit Attributable to OSG	3,265	3,729	+14.2%	7,600	49%
EPS(yen)	33.48	38.06	+13.7%	77.57	-

Financial Summary

(Millions of yen)



Review of FY19-1Q

**RECORD SETTING PERFORMANCE
IN THE FIRST QUARTER**

**Aiming for our next step of growth,
we will sustain to expand
our further capacity.**

➤ Index & Capital Investment Results

—EBITDA	7.4 billion yen	(decreased by 1.6% over FY18-1Q)
—EBITDA Margin	23.7%	(decreased by 1.0pt over FY18-1Q)
—Equity ratio	70.0%	(decreased by 0.4pts over FY18)
—CAPEX	3.8 billion yen	(annual forecast of 22 billion yen)
—Depreciation	2.2 billion yen	(annual forecast of 9.7 billion yen)



Review of FY19-1Q

The Americas

The U.S. has performed well at **Aircraft and Distribution**.

The operating profit in Brazil has been continuously increasing.



Europe/Africa

Germany, Italy, and Eastern Europe have sustained their strong performance on the local currency bases.
Northern Europe shows their recovery.

Asia

The performance in China is slowing down.

India and Thailand have the satisfactory sales.

Japan

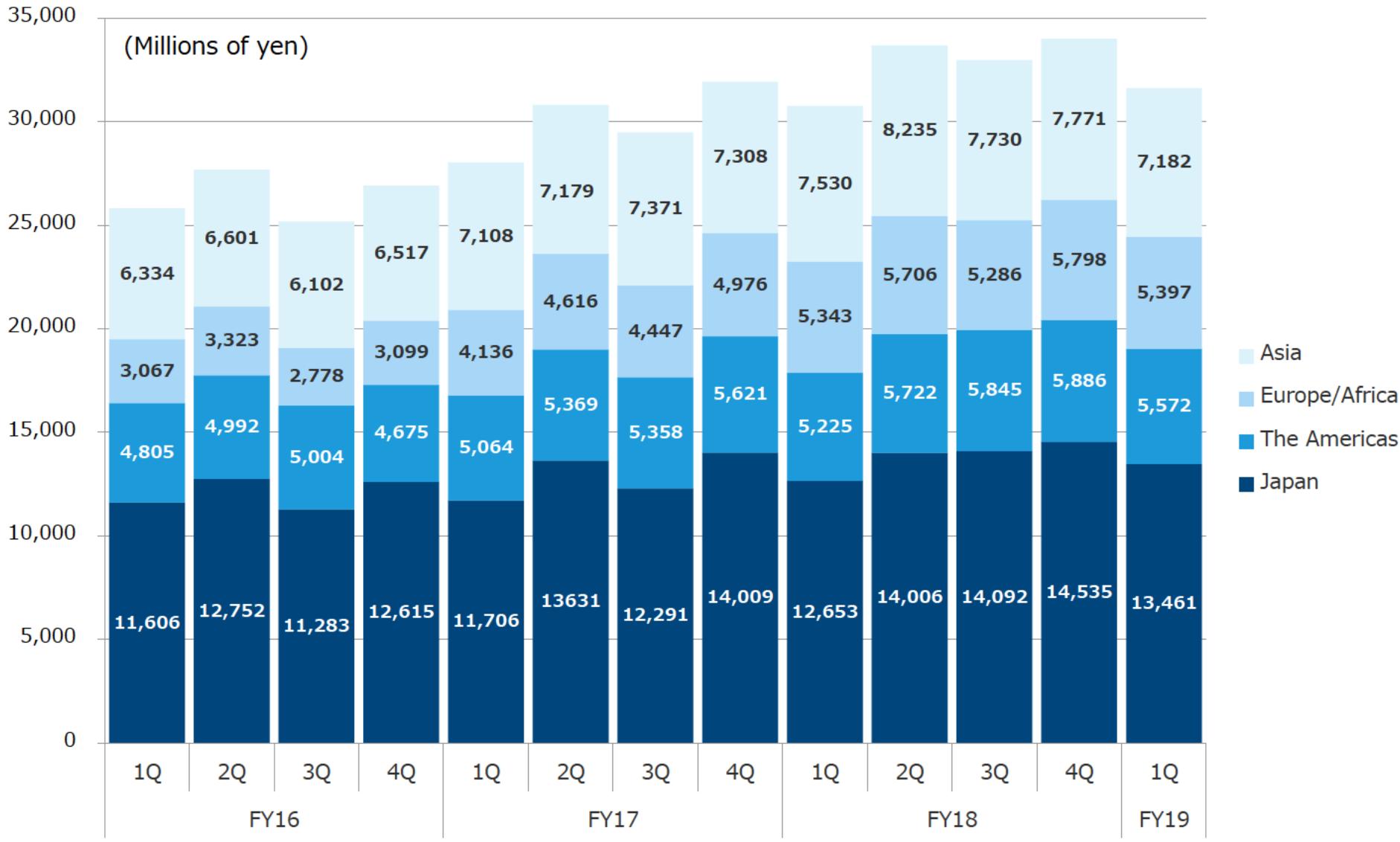
The domestic sales are picking up.
The factories have been **fully operating**.

Sales to Customer

(Millions of yen)

	FY18-1Q	FY19-1Q	Change	Change in local currency
Japan	12,653	13,461	807	+6.4%
The Americas	5,225	5,572	346	+6.6% +7.4%
Europe/Africa	5,343	5,397	53	+1.0% +8.9%
Asia	7,530	7,182	-348	-4.6% -1.1%
Consolidated	30,754	31,613	859	+2.8%

Sales to Customer



Operating Income

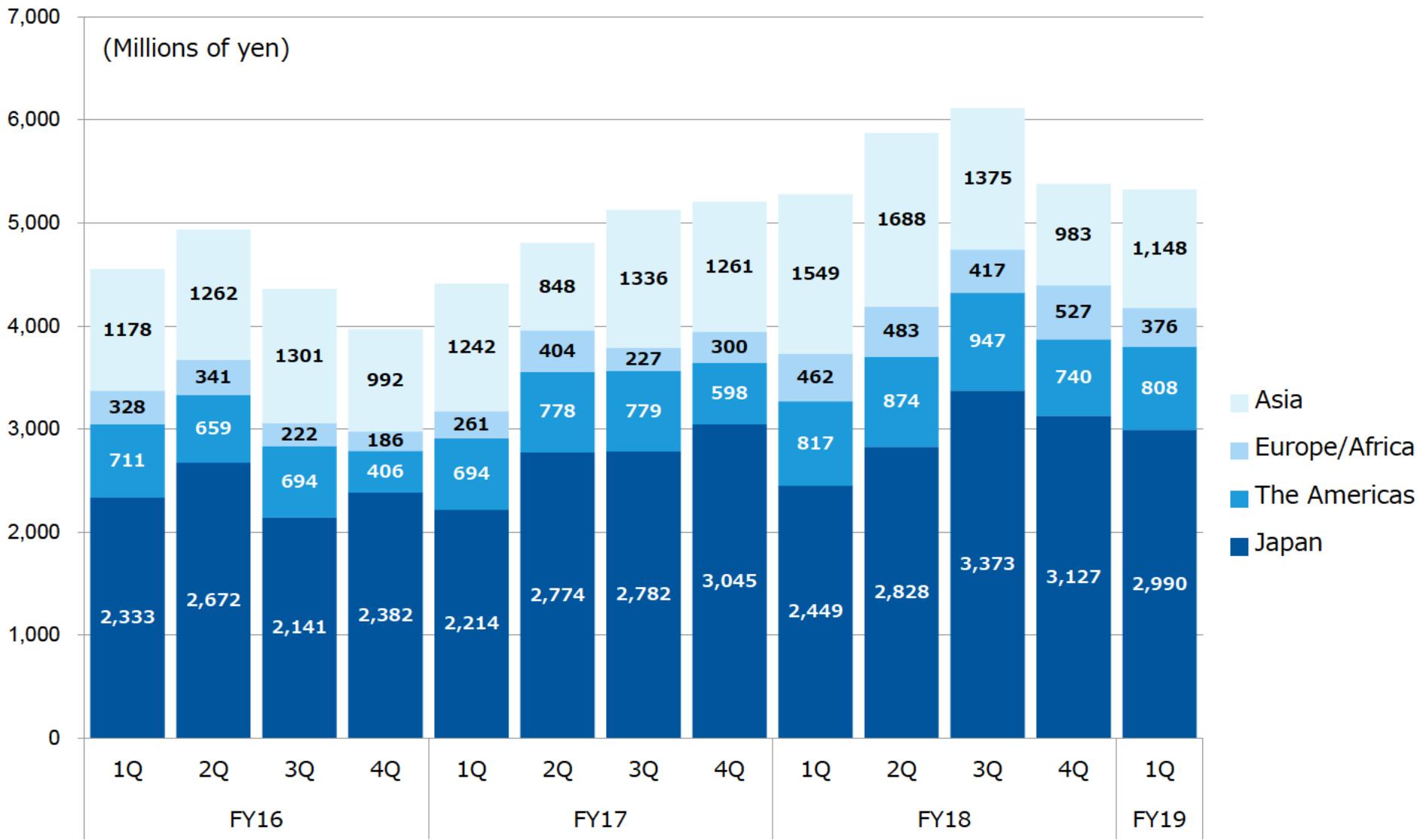
(Millions of yen)

	FY18-1Q	Area percentage	FY19-1Q	Area percentage	Change	OPM*
Japan	2,449	46.4%	2,990	56.2%	541	+22.1%
The Americas	817	15.5%	808	15.2%	-8	-1.1%
Europe/Africa	462	8.8%	376	7.1%	-85	-18.6%
Asia	1,549	29.3%	1,148	21.6%	-400	-25.8%
Total	5,278	-	5,324	-	46	+0.9%
Eliminations	152	-	-87	-	-239	-
Consolidated	5,430	-	5,237	-	-192	-3.6%

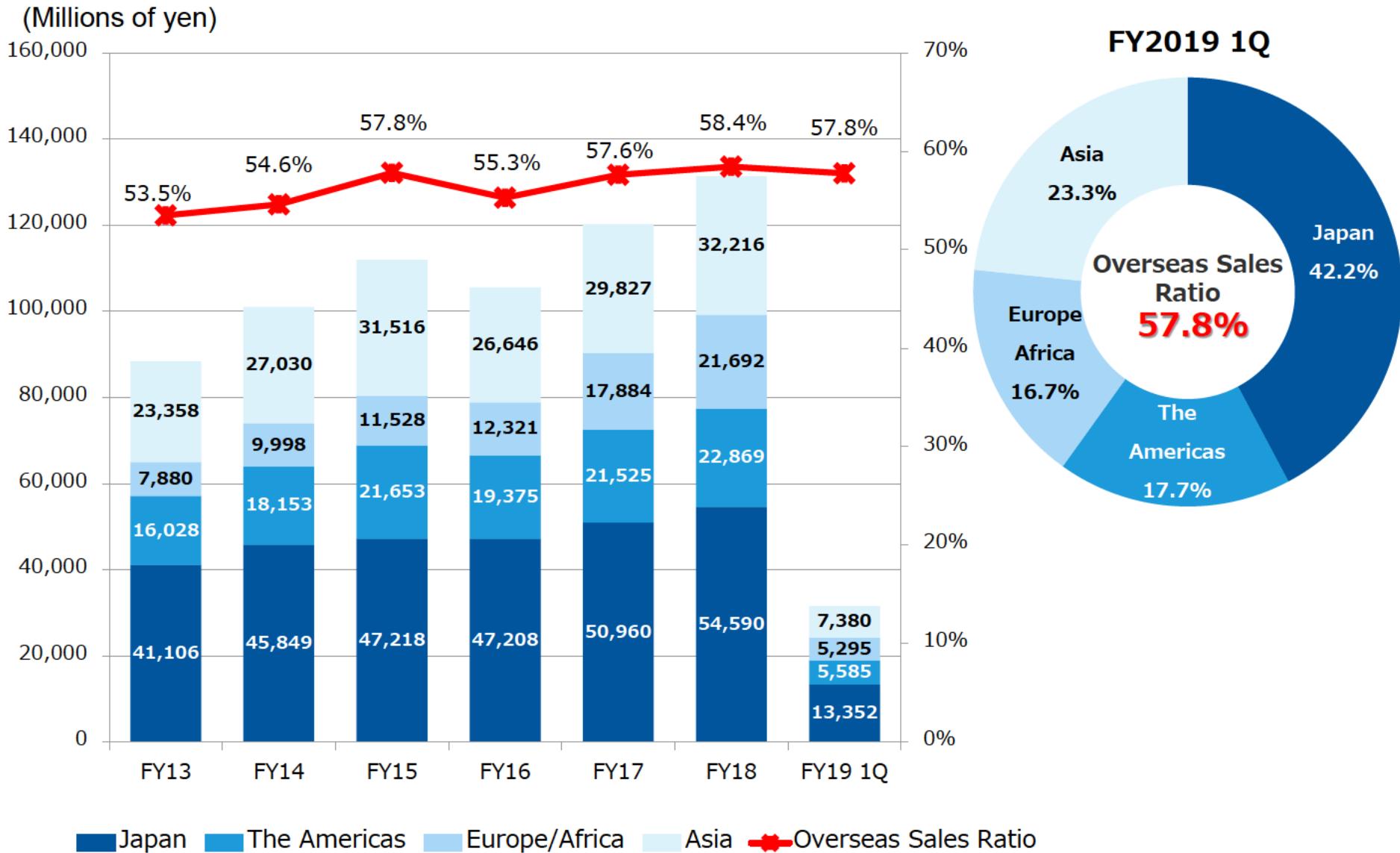
* Operating profits margin
as % of sales (external sales + interarea transfers)



Operating Income

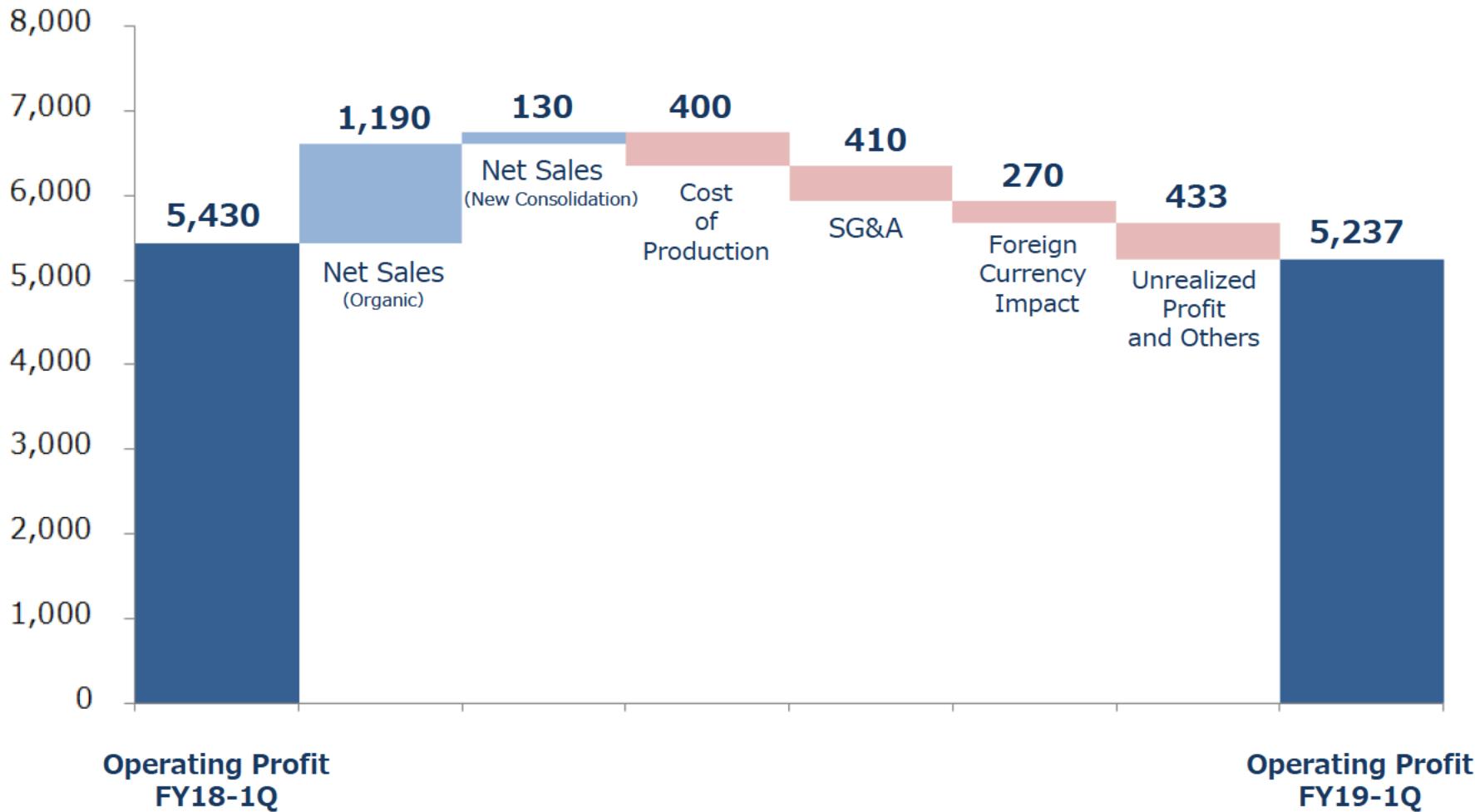


Overseas Sales Ratio



Operation Profit Variation

(Millions of yen)



Net Sales by Product Segment

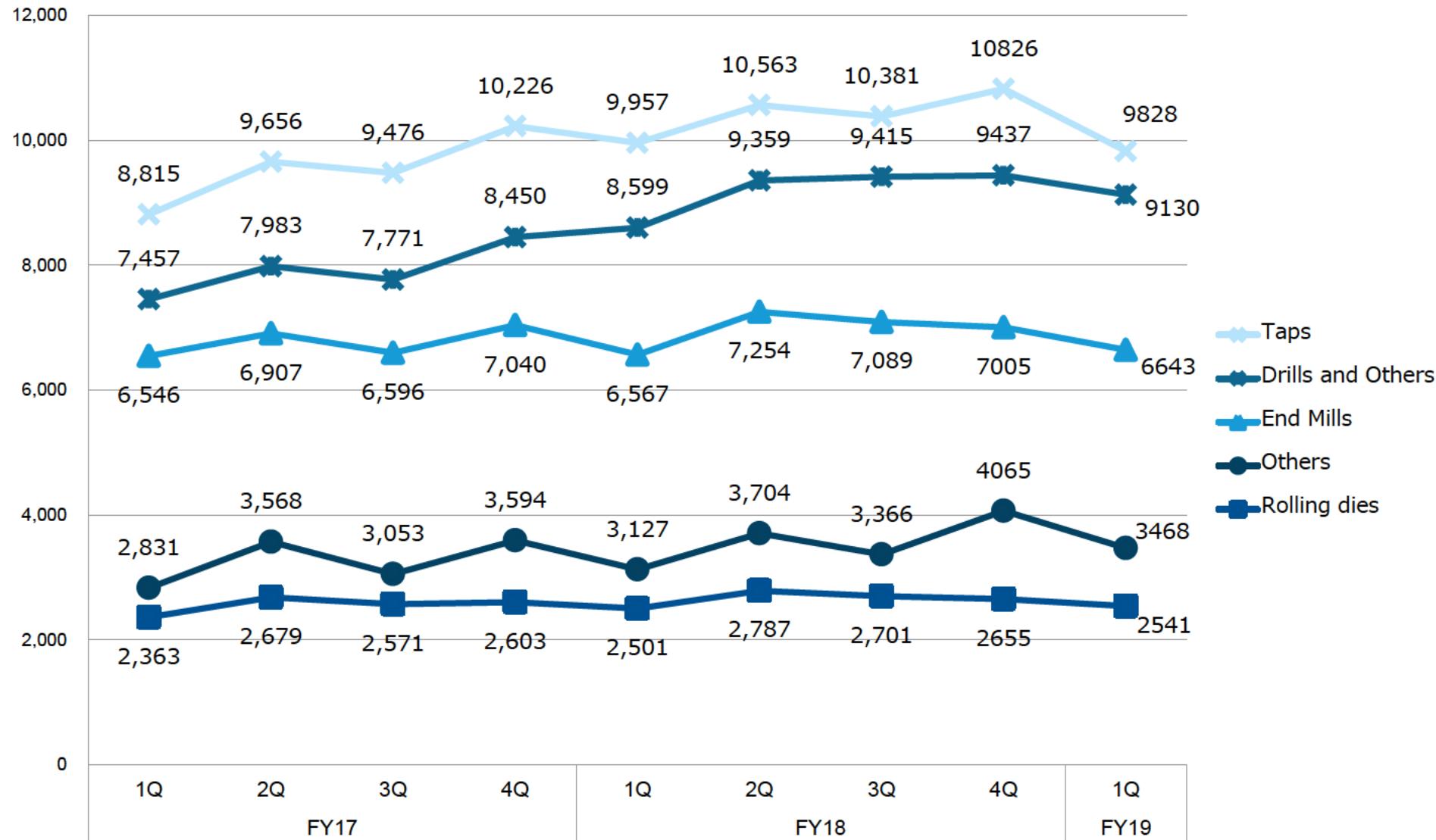
(Millions of yen)

		FY18					FY2019		Change		
		1Q	2Q	3Q	4Q	Total	1Q				
Precision Tools	Taps	9,957	10,563	10,381	10,826	41,729	32%	9,828	31%	-128	-1.3%
	End mills	6,567	7,254	7,089	7,005	27,917	21%	6,643	21%	75	1.2%
	Drills and Others	8,599	9,359	9,415	9,437	36,811	28%	9,130	29%	531	6.2%
	Rolling dies	2,501	2,787	2,701	2,655	10,645	8%	2,541	8%	40	1.6%
	Gauges	407	431	463	454	1,757	1%	478	2%	70	17.2%
		28,033	30,396	30,051	30,379	118,860	90%	28,622	91%	589	2.1%
Other	Machine	706	935	721	1,206	3,570	3%	907	3%	201	28.5%
	Other	2,014	2,337	2,181	2,404	8,938	7%	2,083	6%	68	3.4%
		2,720	3,273	2,903	3,611	12,508	10%	2,990	9%	270	9.9%
Total		30,754	33,670	32,954	33,990	131,368	100%	31,613	100%	859	2.8%



Net Sales by Product Segment

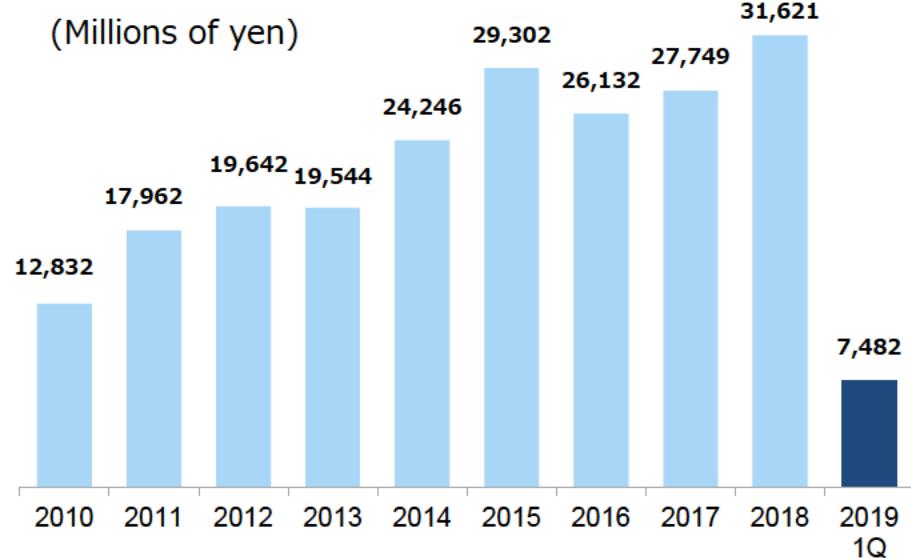
(Millions of yen)



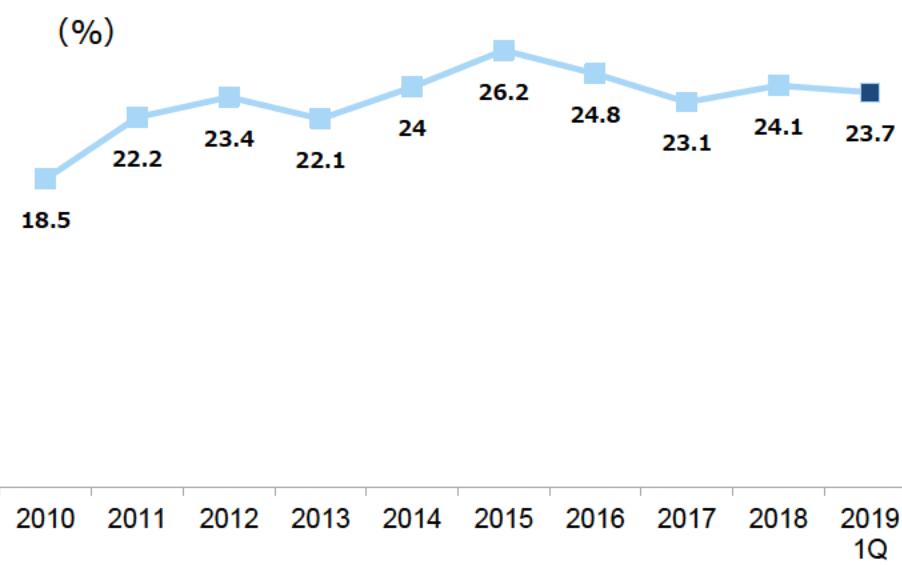
B/S Overview • EBITDA

	FY18	FY19 1Q	FY18	FY19 1Q
Equity ratio (%)	70.4	70.0	Cash and time deposits	24,406
Receivable turnover period (Days)	70	69	Debt	15,612
Inventory turnover period (months)	3.6	3.8	Net Cash	8,793
				24,572
				20,877
				3,695

EBITDA



EBITDA Margin



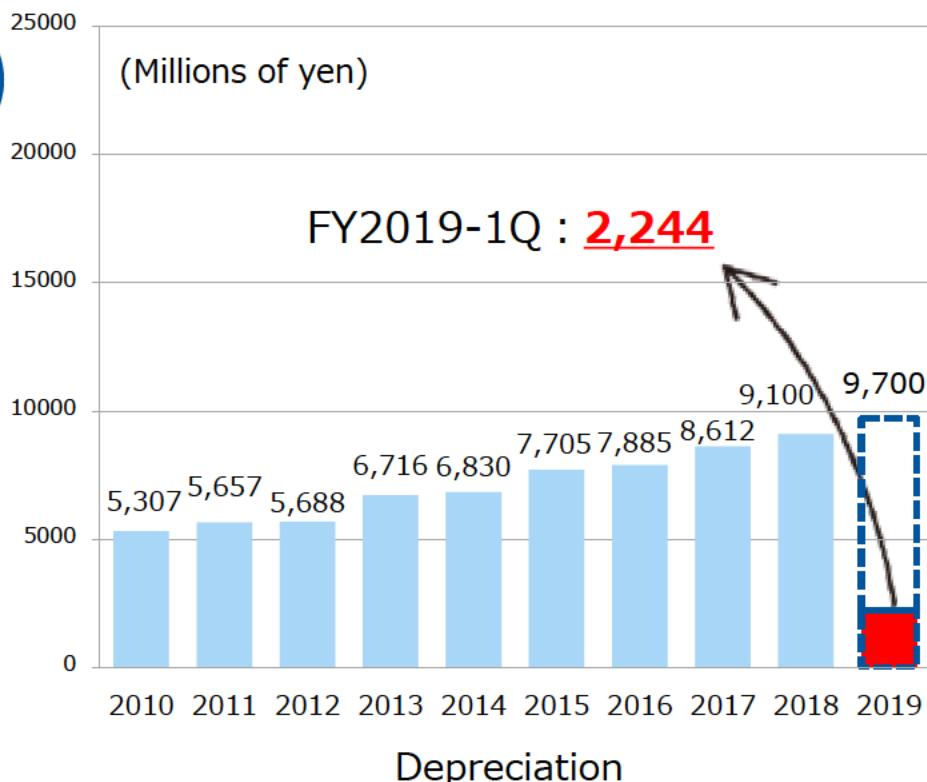
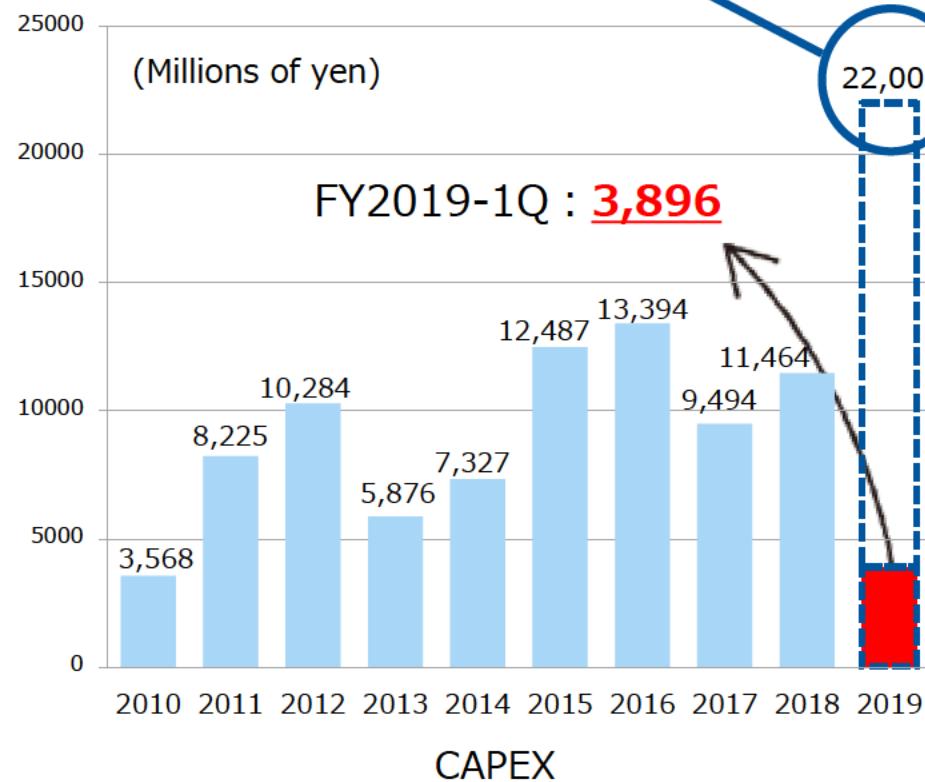
Capital Investment

FY19 Capital Investment Forecast

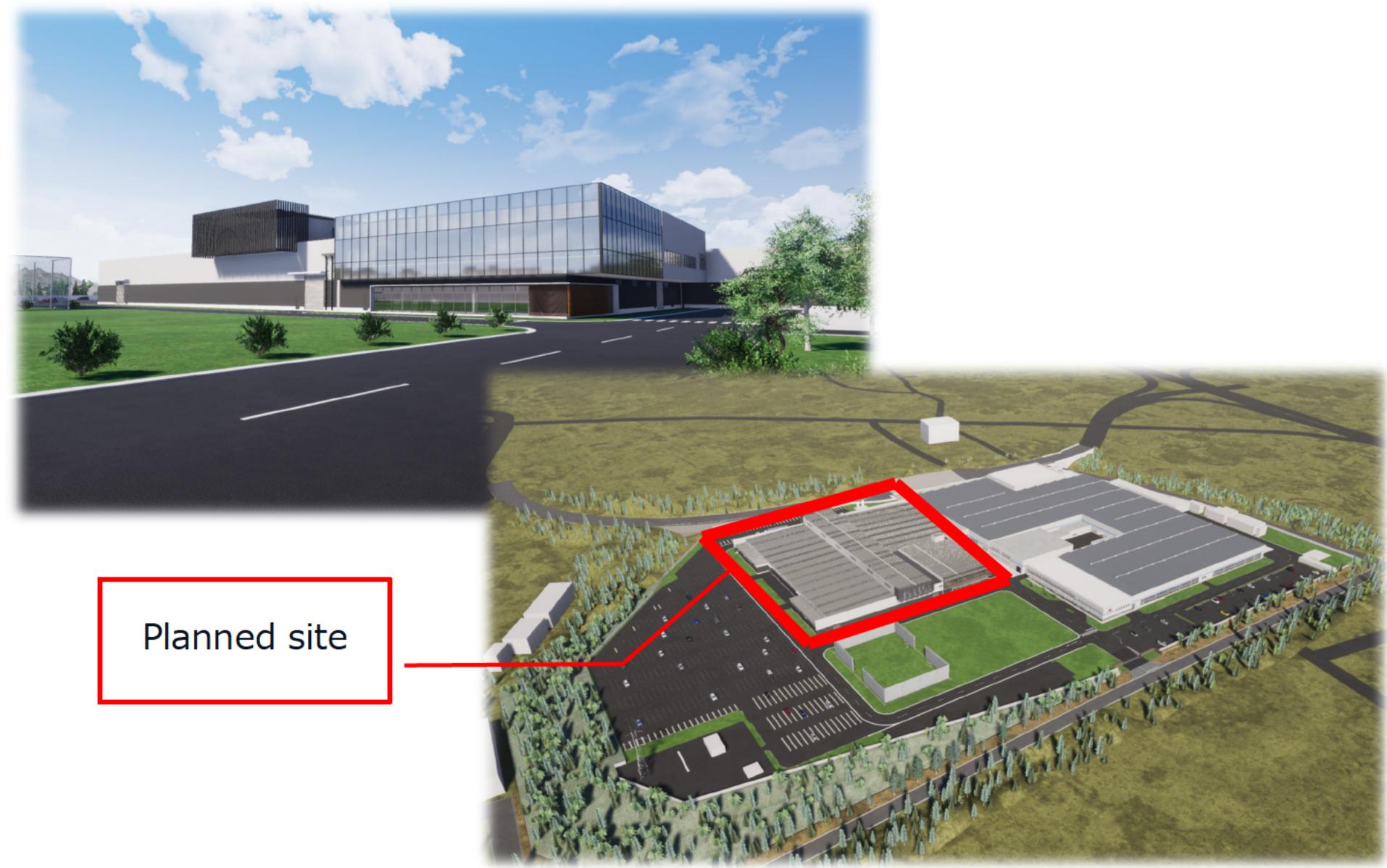
22 billion yen

Breakdown

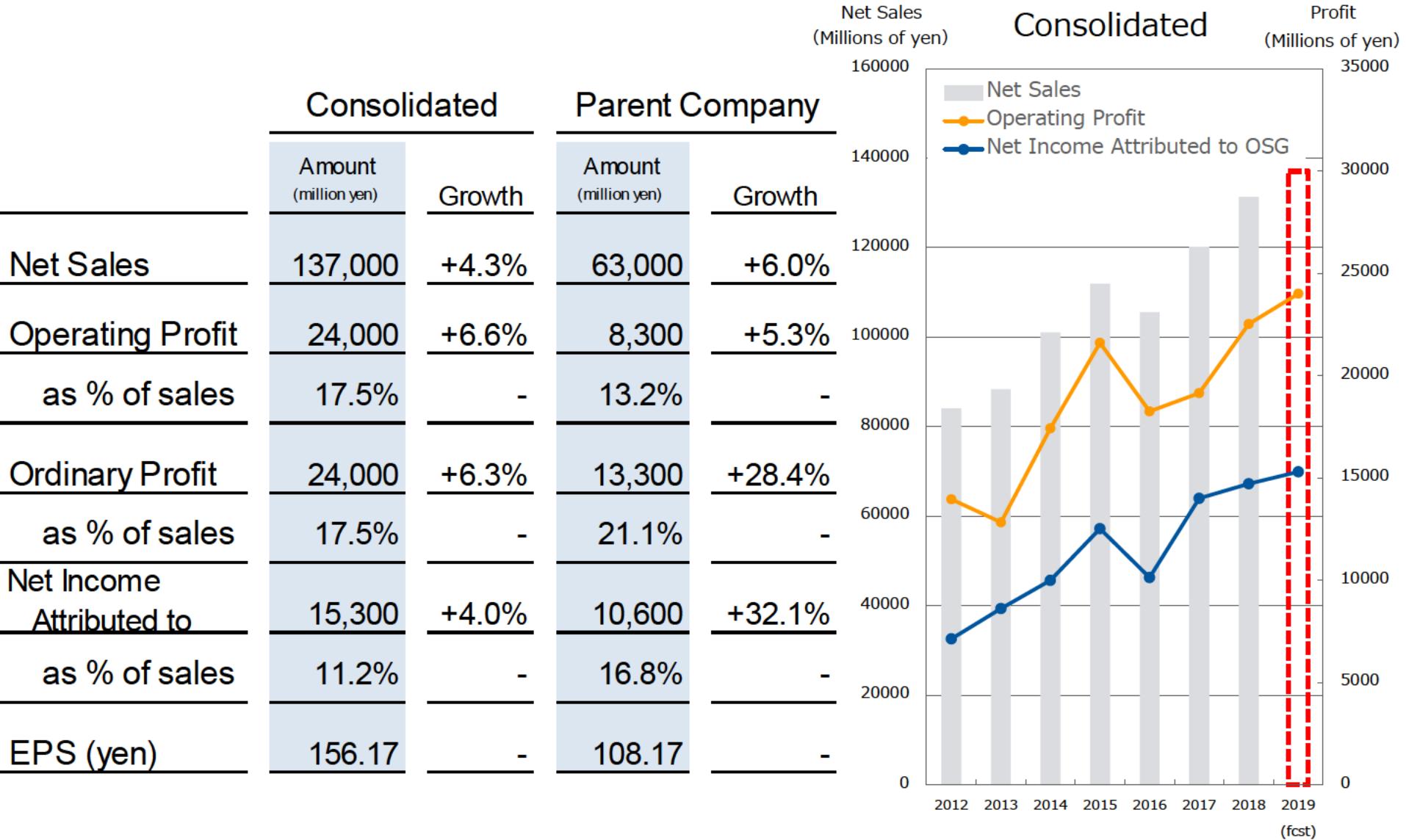
- NEO Shinshiro Factory (Japan)… Starting the operation in May, 2020
- Mexico Factory
- Taiwan Factory
- New building of AMAMCO in the U.S.



NEO Shinshiro Factory



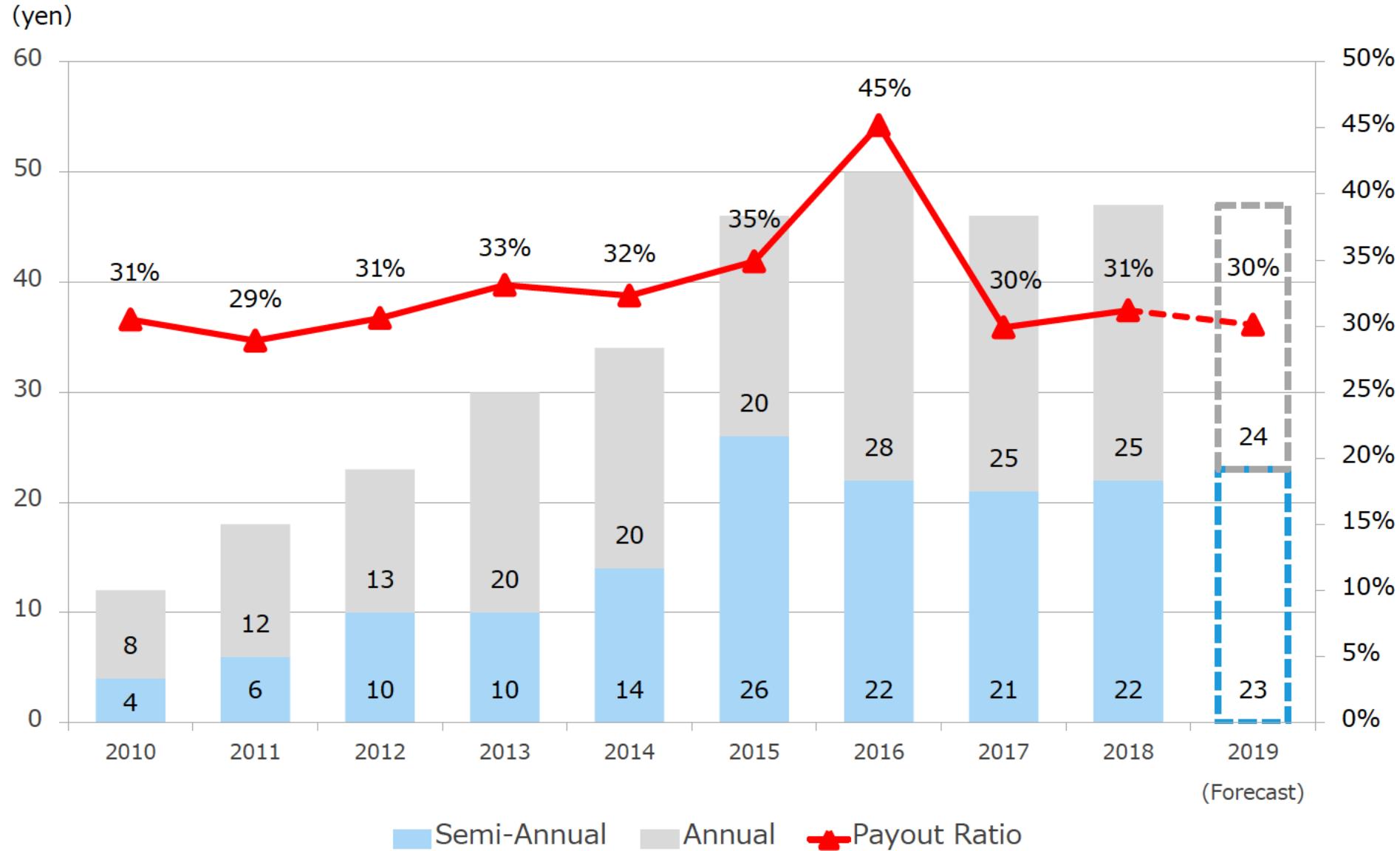
Forecast for FY19



Exchange Rate

	1US\$	1Euro	1RMB
FY17 1Q	114.29円	121.14円	16.59円
FY17	112.33円	126.20円	16.59円
FY18 1Q	109.72円	133.77円	17.15円
FY18	110.53円	130.68円	16.74円
FY19 1Q	110.28円	126.08円	16.34円
FY19 (forecast)	105.00円	125.00円	16.00円

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

A

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

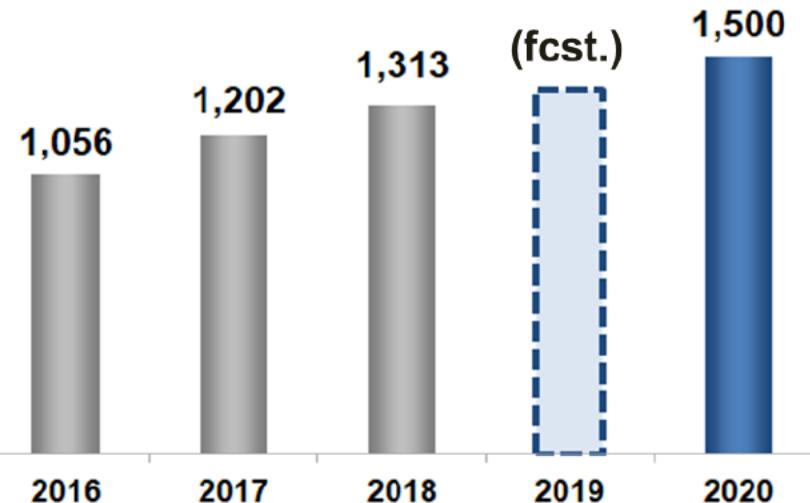
150 billion yen

Operating profit

30 billion yen

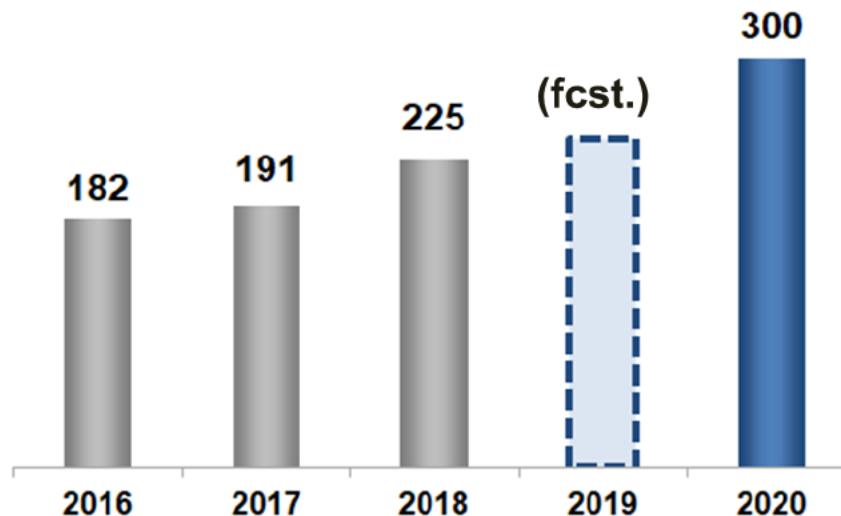
【Net sales】

bil. yen



【Operating profit】

bil. yen



Appx.1 Selected Financial Data (Consolidated)

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
		(mil.yen)											1Q
Net sales		97,024	53,325	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	131,368	31,613
Sales growth	(%)	3%	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	9%	3%
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	74,833	18,017
Gross profit	(mil.yen)	36,574	14,122	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	56,535	13,596
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	34,015	8,358
Operating income	(mil.yen)	14,416	-2,735	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	22,520	5,237
Ordinary income	(mil.yen)	13,505	-2,703	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	22,567	5,551
Net income	(mil.yen)	7,376	-3,769	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	14,710	3,729
Margins:													
Gross profit margin	(%)	37.7%	26.5%	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	43.0%
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%	25.9%	26.4%
Operating income	(%)	14.9%	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	16.6%
Ordinary income	(%)	13.9%	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	17.6%
Net income	(%)	7.6%	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	11.8%
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	110.53	110.28
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	130.68	126.08
Total assets	(mil.yen)	122,383	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,054	180,221
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	125,332	126,083
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	150.47	38.06
Cash dividends (end of Q2) (year-end)	(yen)	12.00	0.00	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00	22.00	23.00(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	1,279.29	1,286.97
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	97,761	97,969
Key financial ratios:													
ROE	(%)	11.5%	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	-
Equity ratio	(%)	52.5%	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	70.0%
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	20,310	-
Investing CF	(mil.yen)	1,678	-4,633	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-
Financing CF	(mil.yen)	-4,500	5,470	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723	-
Cash flow margin	(%)	11.0%	11.3%	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	-

