



shaping your dreams

Financial Results for FY2020 – 2Q

July 10, 2020
OSG Corporation

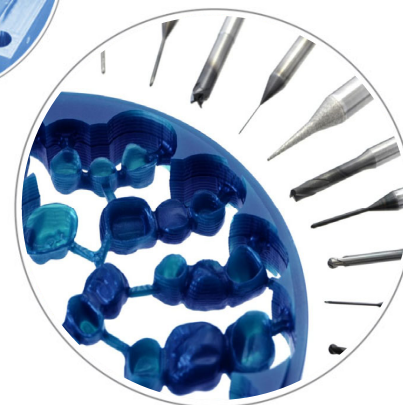
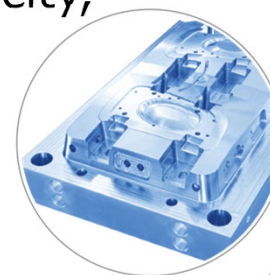
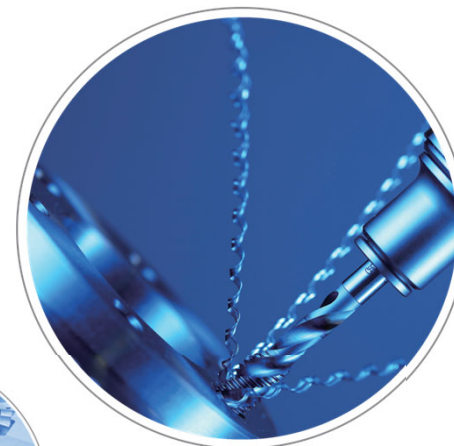


- ◆ P2-3 Company Overview
- ◆ P4-5 Financial Summary
- ◆ P6-7 Review of FY20-2Q
- ◆ P8-9 Sales to Customer
- ◆ P10-11 Operating Income
- ◆ P12 Overseas Sales Ratio
- ◆ P13 Operation Profit Variation
- ◆ P14-15 Net Sales
by Product Segment
- ◆ P16 B/S Overview • EBITDA

- ◆ P17 Cash Flow Overview
- ◆ P18 Capital Investment
- ◆ P19 Exchange Rate
- ◆ P20 Dividends Per Share
- ◆ P21 Expansion
of Overseas Business
- ◆ P22 OSG's ESG
- ◆ P23 Management Target
- ◆ P24 Selected Financial Data

Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	12,223 million yen
Employees	7,328 (consolidated) 1,883 (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

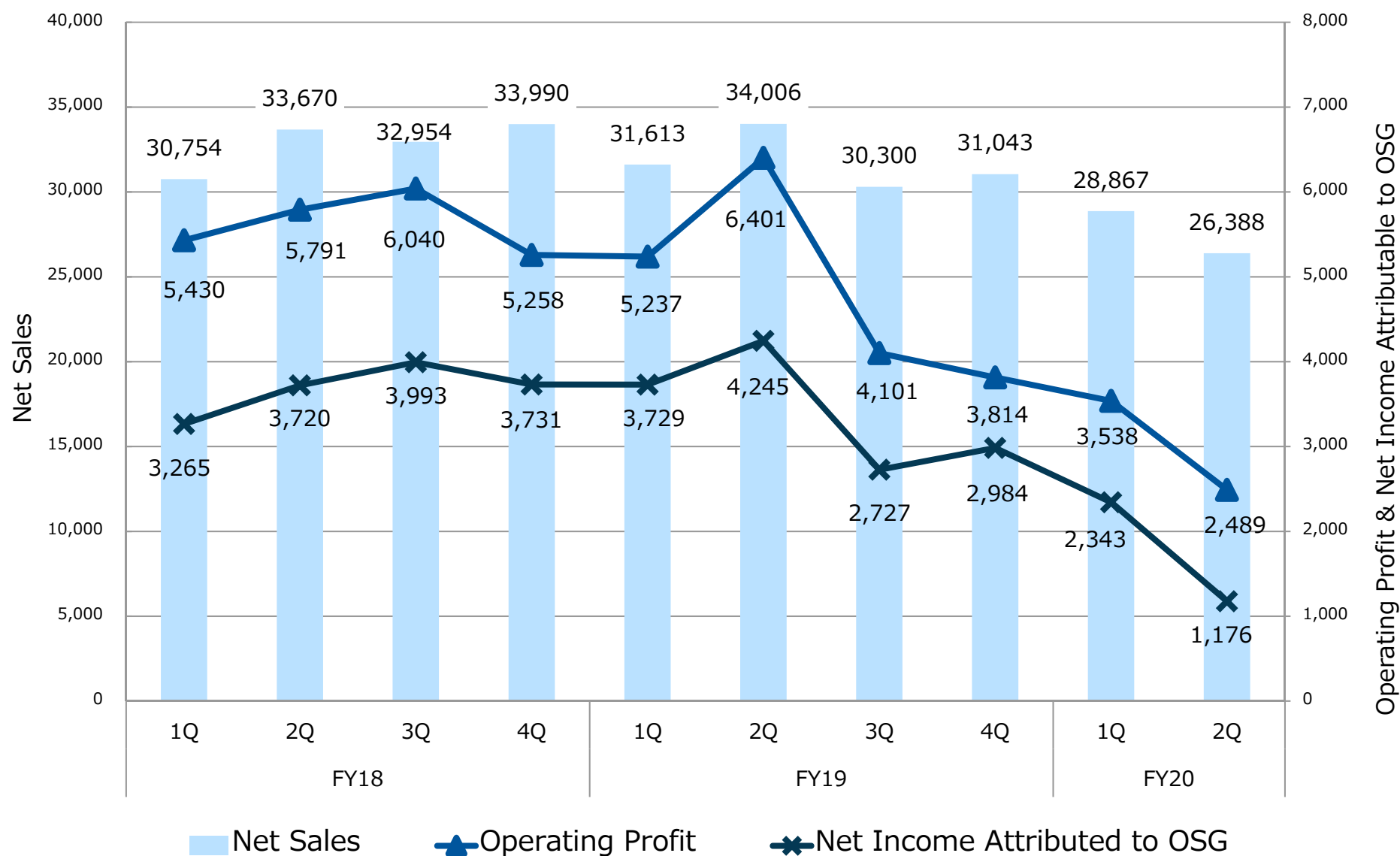
(Millions of yen)

	FY19-1H	FY20-1H	Change	FY20 fcst. Annual	Progress Rate
Net Sales	65,620	55,256	-15.8%	-	-
Operating Profit	11,638	6,027	-48.2%	-	-
OPM	17.7%	10.9%	-	-	-
Ordinary Profit	12,098	5,964	-50.7%	-	-
Net Profit Attributable to OSG	7,974	3,519	-55.9%	-	-
EPS(yen)	81.39	36.19	-55.5%	-	-

※The consolidated financial forecast for this fiscal year has been pending because it is logically difficult to accurately calculate the effects of the new coronavirus situation at this stage. The company shall swiftly announce the financial forecast whenever it becomes possible to disclose.

Financial Summary

(Millions of yen)



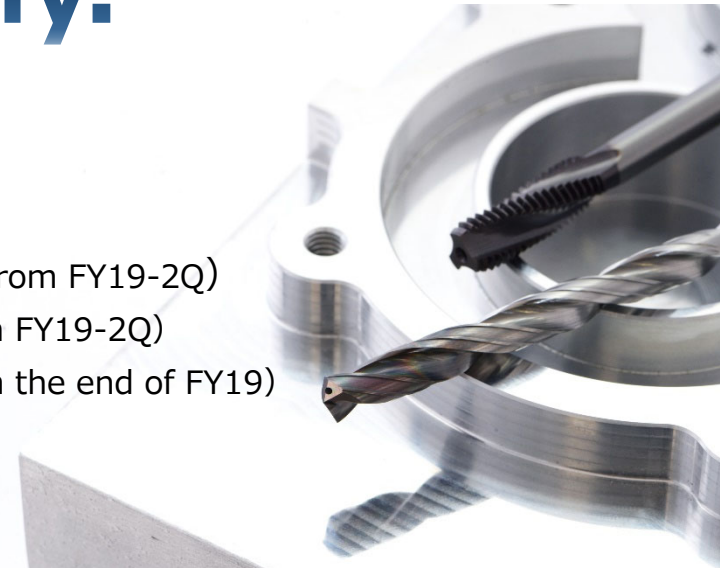
Review of FY20-2Q

The lockdown impact has become serious.

Demand for cutting tools has dropped significantly.

➤ Index&Capital Investment Results

—EBITDA	11.1 billion yen	(decreased by 31.4% from FY19-2Q)
—EBITDA Margin	20.2%	(4.6pts decreased from FY19-2Q)
—Equity ratio	64.7%	(3.1pts decreased from the end of FY19)
—CAPEX	6.8 billion yen	
—Depreciation	5.1 billion yen	



Review of FY20-2Q

The Americas

2Q ended in the black due to cost reduction efforts.
Hope a gradually recovering in the 2H.

Asia

Chinese manufacturing has been showing a recovery trend.
India and Southeast Asia are still in a tough situation.
Having concern about US-Chine relations.

Europe/Africa

Lockdown had an impact on our business.
Outlook is still unpredictable.

Japan

The tough situation has continued due to the reduction of automobile production.
Hope bottom-out in the 2H.

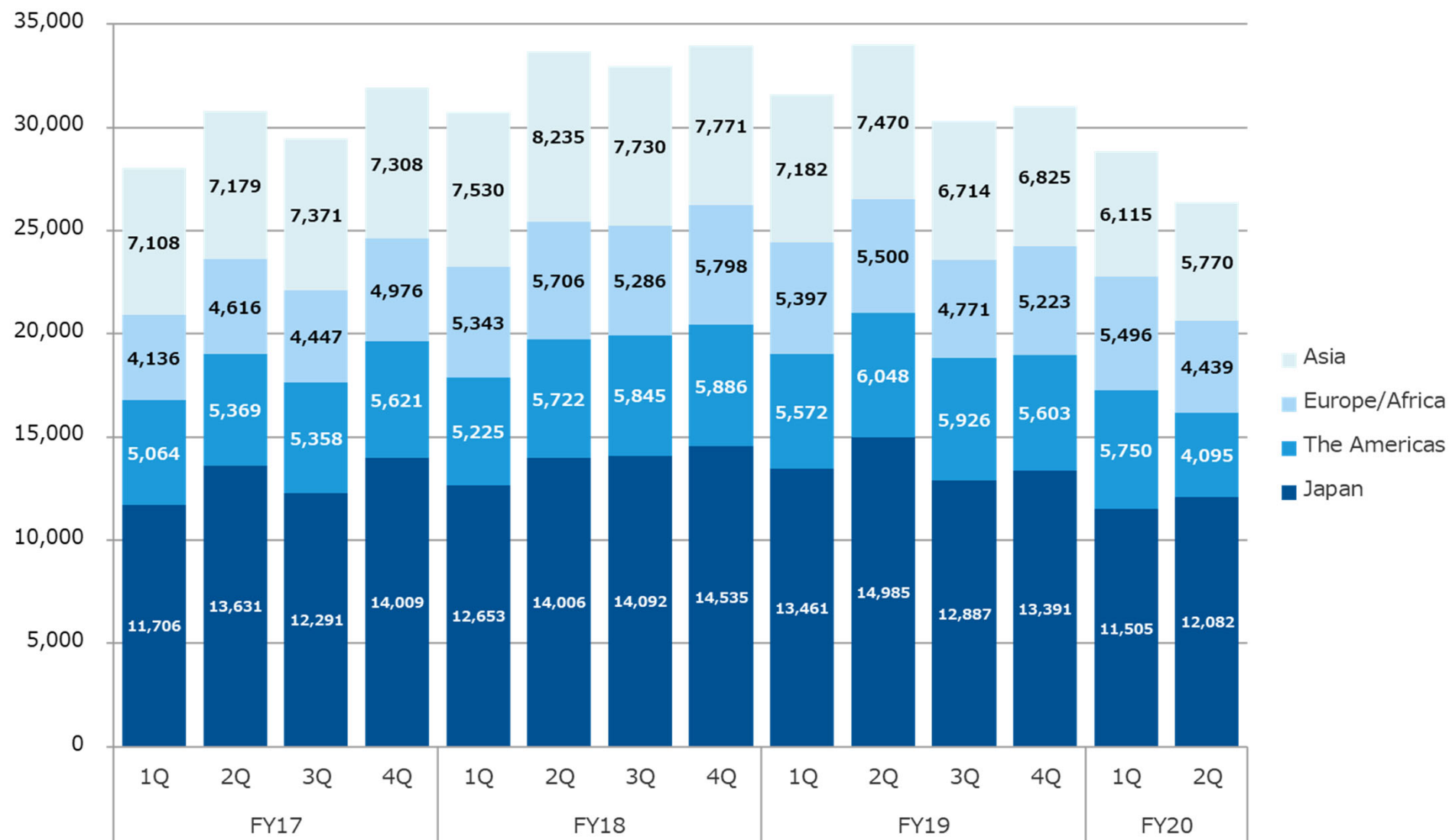


Sales to Customer

	FY19-1H	FY20-1H	Change		(Millions of yen) Change in local currency
Japan	28,447	23,588	-4,858	-17.1%	-
The Americas	11,621	9,846	-1,775	-15.3%	-13.8%
Europe/Africa	10,898	9,935	-963	-8.8%	-7.3%
Asia	14,653	11,885	-2,767	-18.9%	-16.3%
Consolidated	65,620	55,256	-10,364	-15.8%	-

Sales to Customer

(Millions of yen)



Operating Income

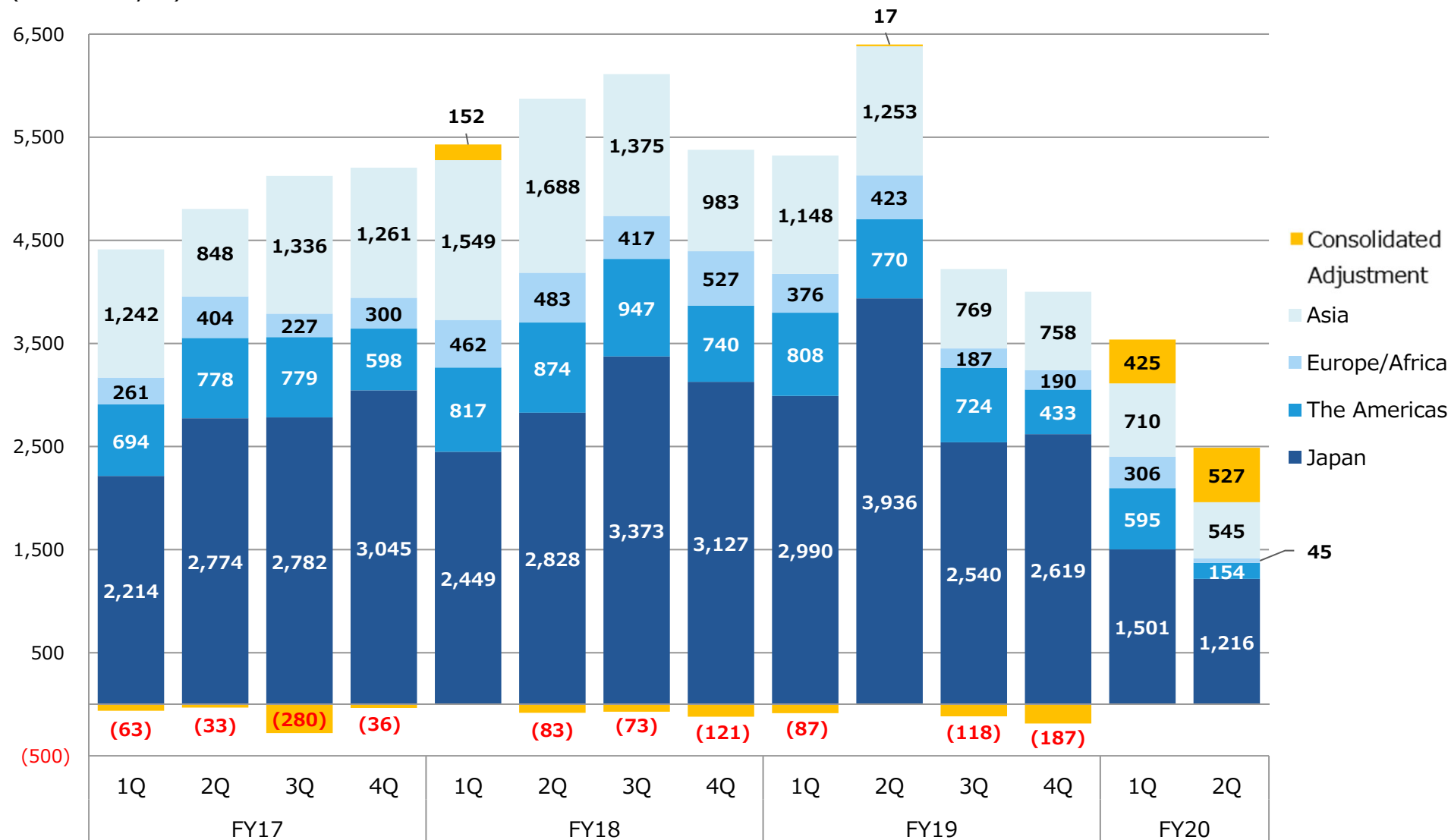
(Millions of yen)

	FY19-1H	Area percentage	FY20-1H	Area percentage	Change		OPM *
Japan	6,927	59.2%	2,718	53.6%	-4,208	-60.8%	8.5%
The Americas	1,578	13.5%	750	14.8%	-828	-52.5%	7.5%
Europe/Africa	800	6.8%	351	6.9%	-449	-56.1%	3.5%
Asia	2,402	20.5%	1,256	24.8%	-1,146	-47.7%	9.8%
Total	11,708	-	5,075	-	-6,632	-56.7%	7.8%
Eliminations	-69	-	952	-	1,022	-	-
Consolidated	11,638	-	6,027	-	-5,610	-48.2%	10.9%

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

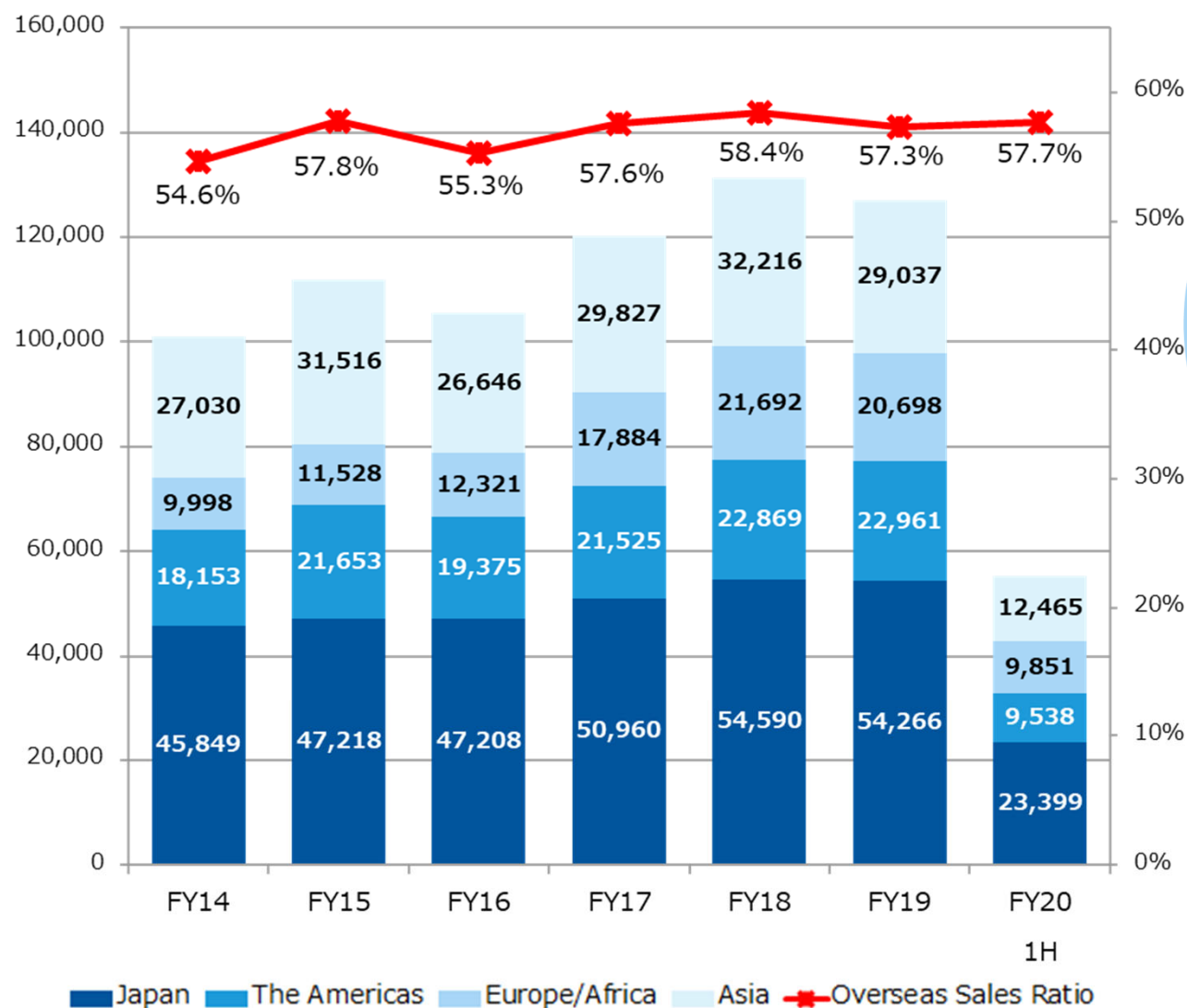
Operating Income

(Millions of yen)

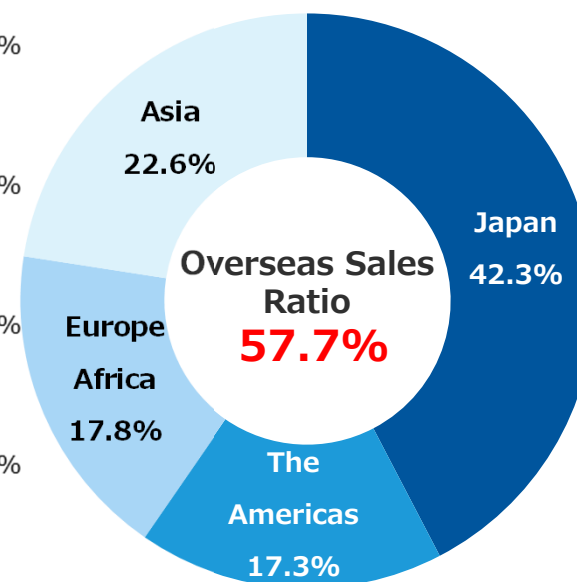


Overseas Sales Ratio

(Millions of yen)

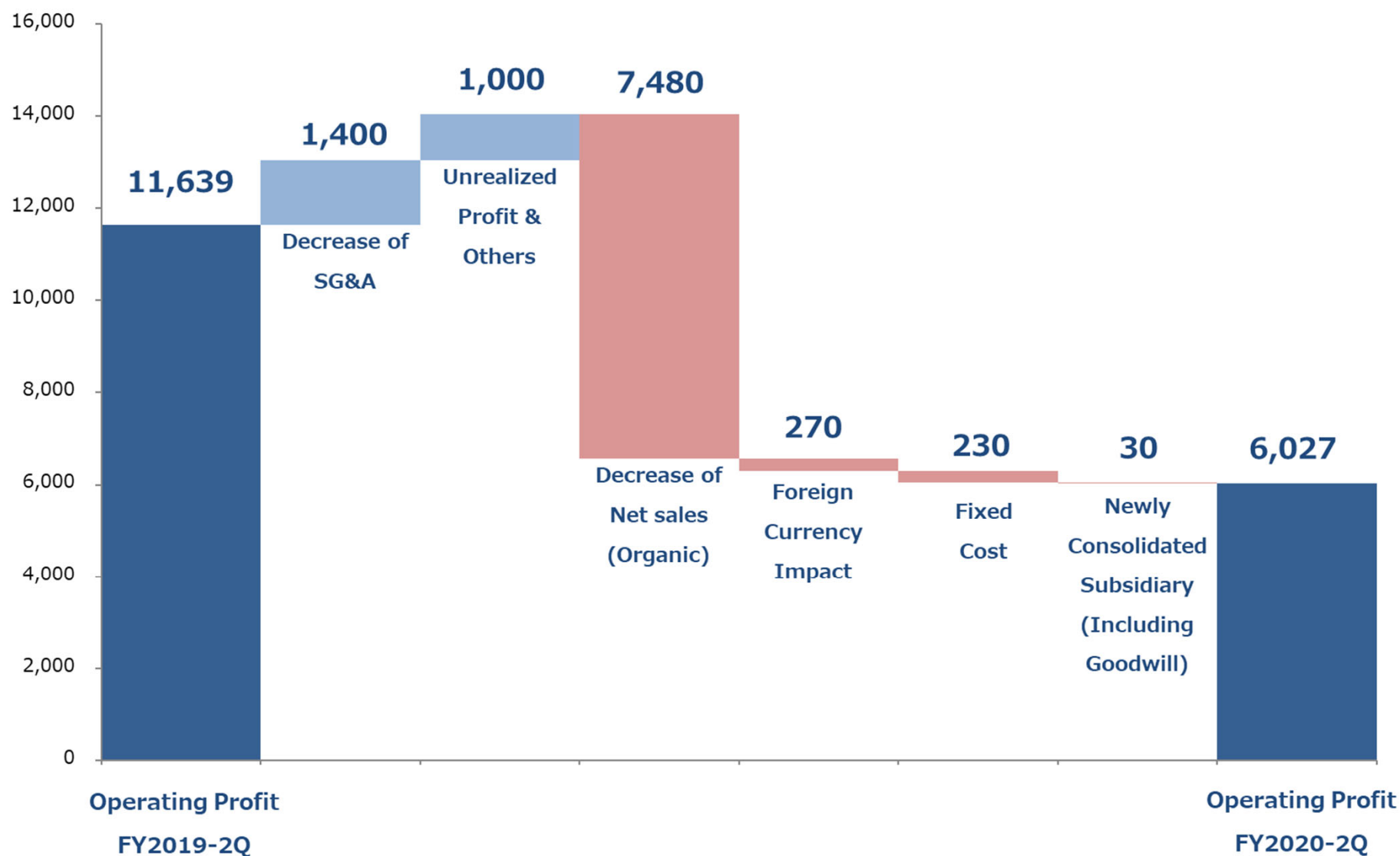


FY2019-1H



Operation Profit Variation

(Millions of yen)



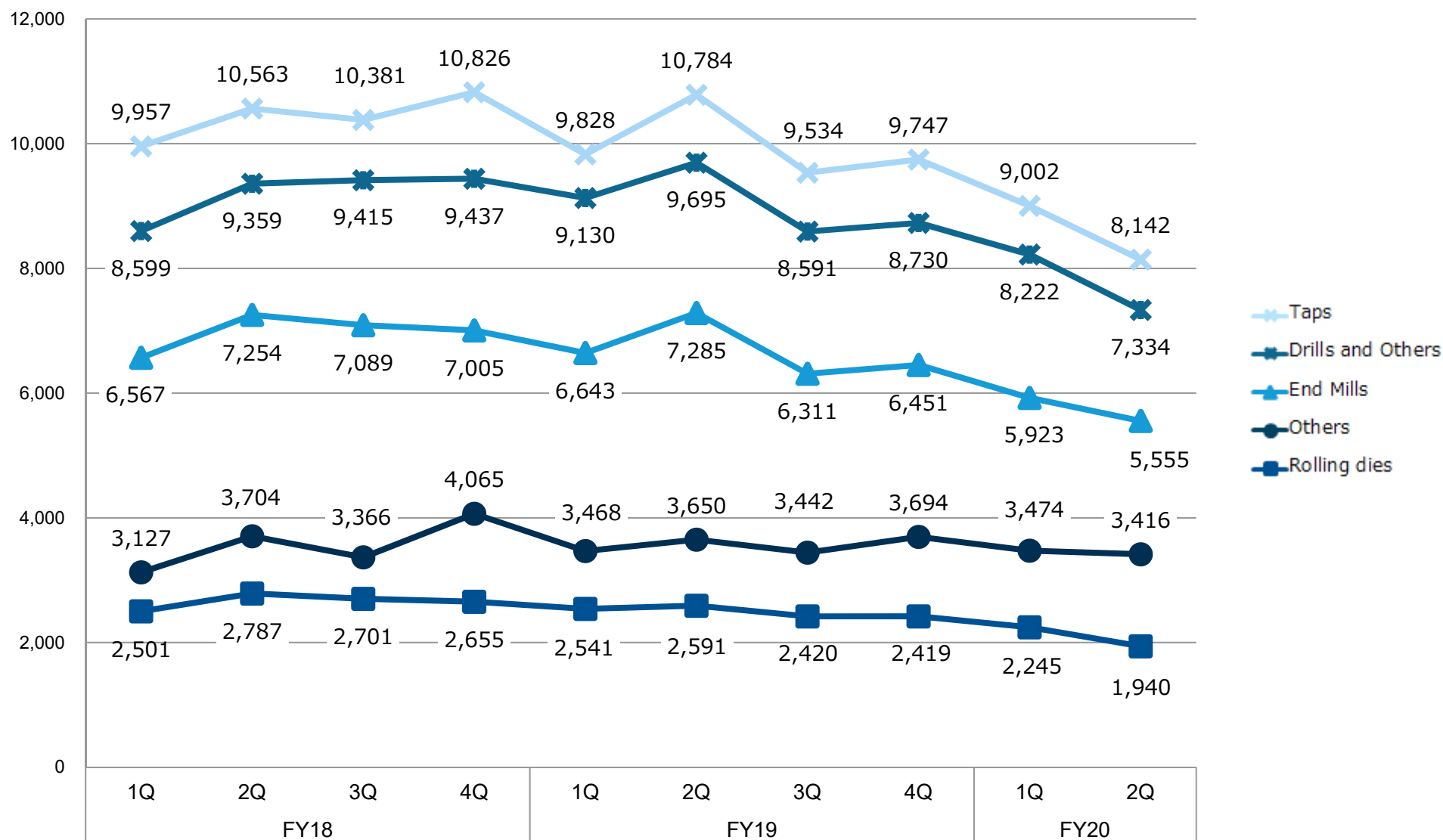
Net Sales by Product Segment

(Millions of yen)

		FY19						FY20				Change	
		1Q	2Q	3Q	4Q	1H		1Q	2Q	1H			
Precision Tools	Taps	9,928	10,784	9,534	9,747	20,612	31.4%	9,002	8,142	17,144	31.0%	-3,468	-16.8%
	End mills	6,643	7,285	6,311	6,451	13,928	21.2%	5,923	5,555	11,479	20.8%	-2,449	-17.6%
	Drills and Others	9,130	9,695	8,591	8,730	18,826	28.7%	8,222	7,334	15,556	28.2%	-3,269	-17.4%
	Rolling dies	2,541	2,591	2,420	2,419	5,132	7.8%	2,245	1,940	4,185	7.6%	-947	-18.5%
	Gauges	478	491	454	522	969	1.5%	461	455	916	1.7%	-53	-5.5%
		28,622	30,847	27,311	27,871	59,470	90.6%	25,854	23,426	49,281	89.3%	-10,189	-17.1%
Other	Machine	907	1,097	1,013	1,133	2,004	3.1%	1,149	1,139	2,288	4.0%	283	14.1%
	Other	2,083	2,061	1,974	2,038	4,145	6.3%	1,864	1,822	3,686	6.7%	-458	-11.1%
		2,990	3,158	2,988	3,172	6,149	9.4%	3,013	2,961	5,974	10.8%	-174	-2.8%
Total		31,613	34,006	30,300	31,043	65,620	100%	28,867	26,388	55,256	100%	-10,364	-15.8%

Net Sales by Product Segment

(Millions of yen)

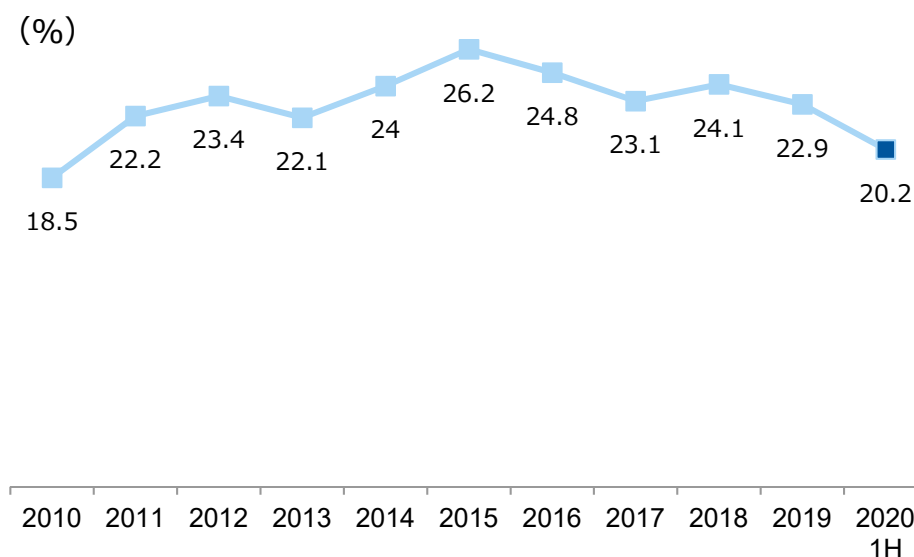
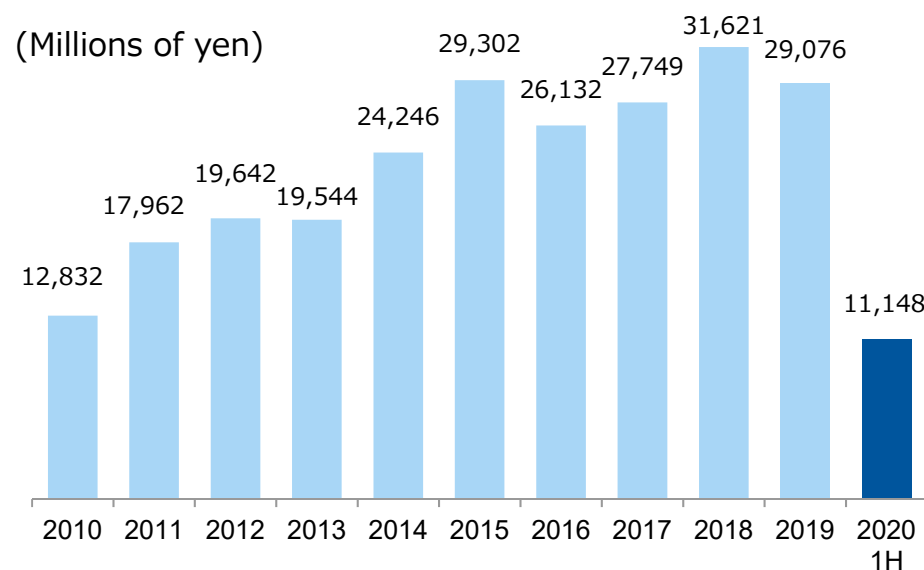


B/S Overview • EBITDA

				(Millions of yen)	
	FY19	FY20-2Q		FY19	FY20-2Q
Equity ratio (%)	67.8	64.7	Cash and time deposits	26,950	33,125
Receivable turnover period (Days)	64	61	Debt	26,782	41,069
Inventory turnover period (months)	4.2	4.9	Net Cash	168	-7,944

EBITDA

EBITDA Margin



Cash Flow Overview

	FY17	FY18	FY19	FY19 1H	FY20 1H
Income before taxes	21,086	22,567	19,845	12,098	5,964
Depreciation	8,612	9,100	9,522	4,614	5,120
Change in A/R	-1,690	-1,494	1,902	553	3,669
Change in inventories	-1,147	-3,854	-6,319	-3,029	-760
Change in A/P	-253	768	453	452	-1,476
Change in accrued expenses	584	593	115	-325	-1,371
Other-net	-1,846	-196	244	-733	70
Income taxes paid	-4,525	-7,359	-6,503	-3,629	-3,087
Operating cash flow	20,820	20,125	19,261	10,001	8,129
Capital expenditures	-9,494	-11,464	-17,139	-8,670	-6,809
Purchase of subsidiaries' stock	-1,073	-620	-1,158	-441	-64
Purchase of subsidiaries' stock resulting in change in scope of consolidation	-655	-	-	-	-3,244
Payment of time deposits	-86	-1,307	-532	326	-154
Other-net	3,742	41	-1,485	-316	-1,259
Investing cash flow	-7,566	-13,351	-20,314	-9,100	-11,532
Free cash flow	13,254	6,773	-1,053	900	-3,402
Change in interest-bearing debt	-6,132	305	6,258	3,168	13,651
Cash dividends paid	-4,411	-4,581	-4,709	-2,453	-2,353
Dividends paid to minority shareholders	-367	-416	-525	-222	-154
Proceeds from issuance of bonds	-	-	5,000	5,000	0
Purchase of treasury stock	-5	-4	-1,899	-2	-0
Other-net	-219	-26	-660	-713	-1,145
Financing cash flow	-11,137	-4,723	3,465	4,777	9,997
Foreign currency translation adjustments	540	-333	-690	-600	-388
Net increase(decrease) in cash	2,658	1,716	1,721	5,077	6,206
Cash of newly consolidated subsidiaries, beginning of year	300	229	437	437	120
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	84	-	-	-	-
Cash, end of year	19,598	21,545	23,704	27,059	30,030

Capital Investment

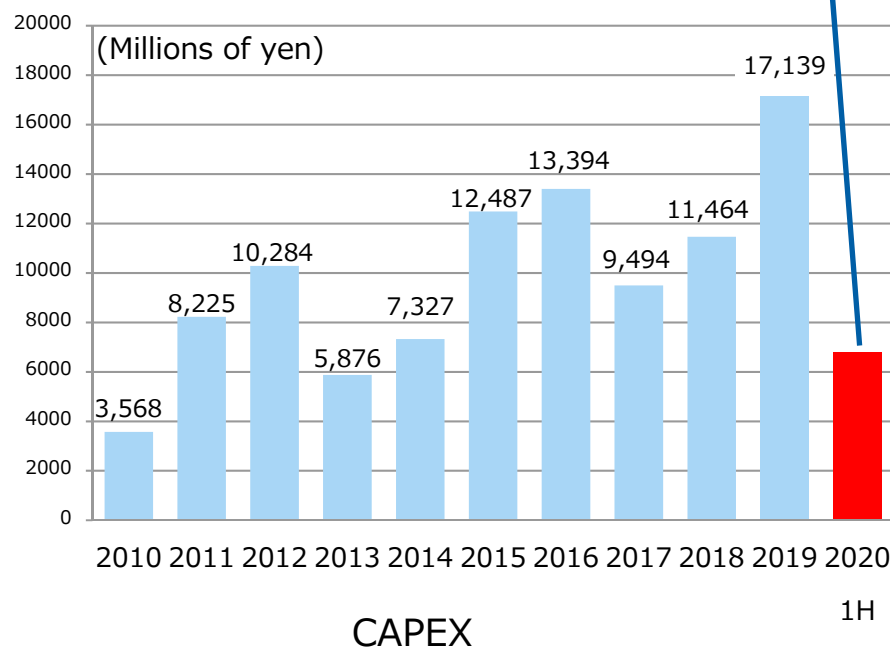
FY20 Capital Investment Forecast

9.3 billion yen

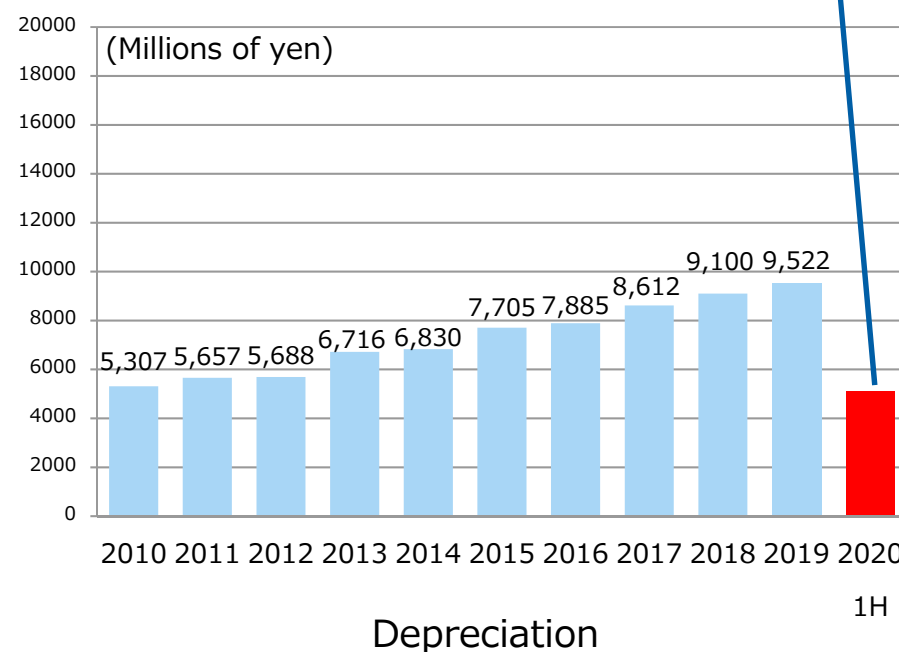
Breakdown

NEO Shinshiro Factory (Japan)
Mexico Factory
New building of AMAMCO in the U.S.

CAPEX : **6,809**



Depreciation : **5,120**

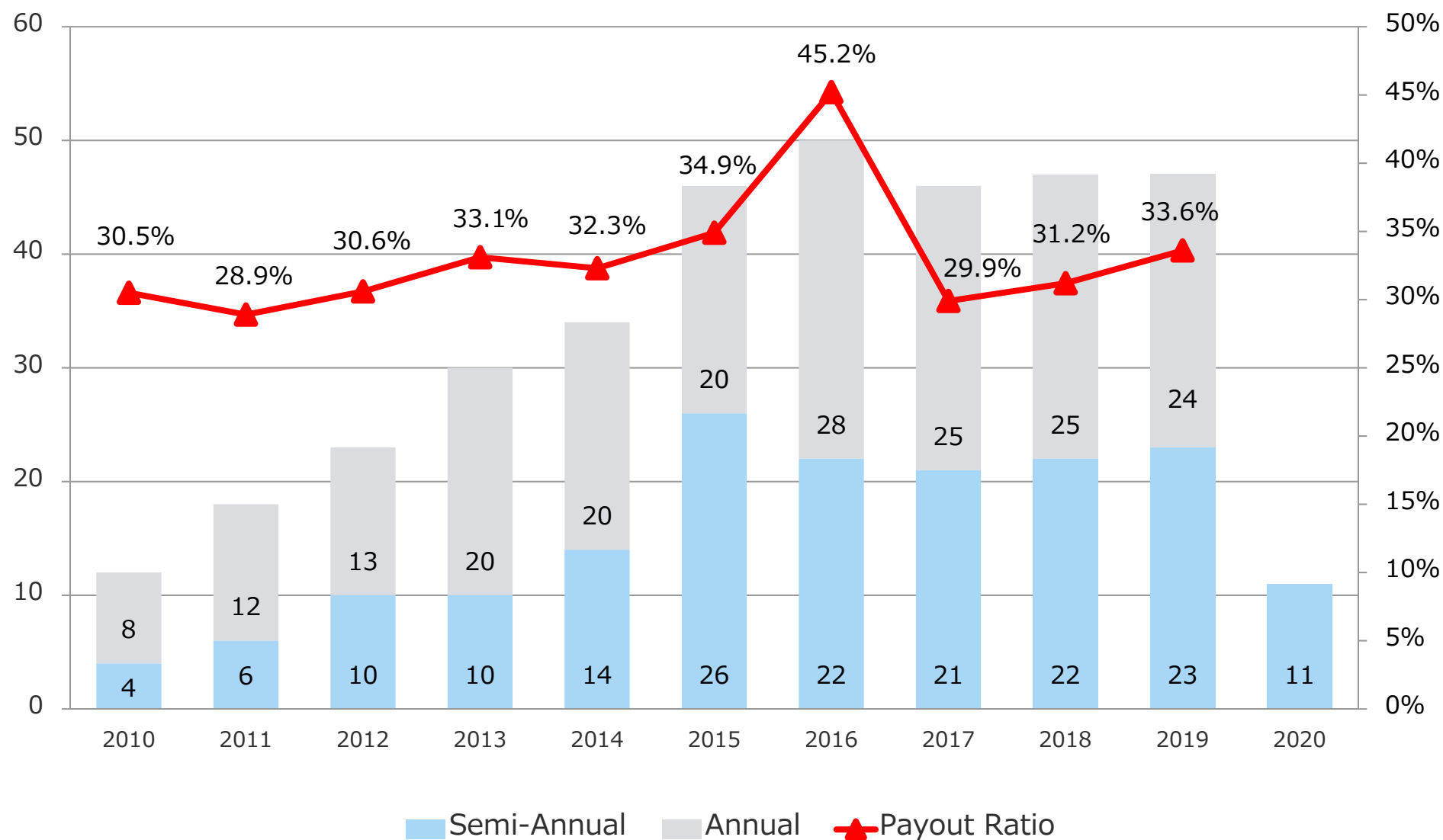


Exchange Rate

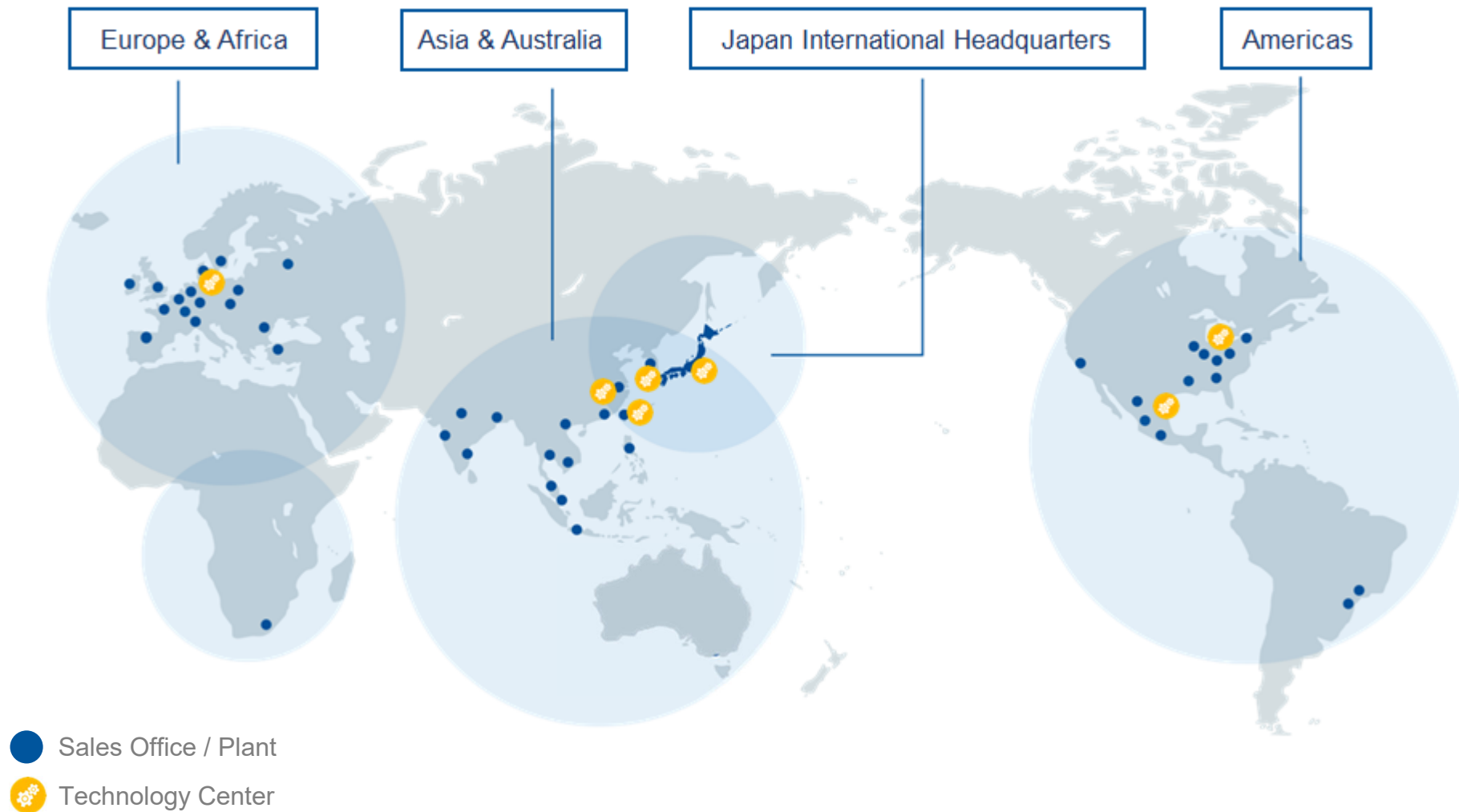
	1US\$	1Euro	1RMB
FY18 2Q	108.91 JPY	131.82 JPY	17.11 JPY
FY18	110.53 JPY	130.68 JPY	16.74 JPY
FY19 2Q	110.51 JPY	124.82 JPY	16.31 JPY
FY19	109.36 JPY	122.53 JPY	15.86 JPY
FY20 2Q	108.55 JPY	119.64 JPY	15.39 JPY

Dividends Per Share

(yen)



Expansion of Overseas Business



E

- OSG Corporation and 7 other group company factories have acquired ISO14001.
- Introduced an environmental accounting system based on the environmental accounting guidelines of the Ministry of the Environment to measure the environmental costs and the effects.
- Established a system to properly dispose of waste, and have achieved a recycling rate of over 99% since 2005.
- We collect used tools from customers and recycle carbide tools.

S

- Support for balancing medical treatment and work: Established a company policy that does not require notification of the disease name to the company.
- Work flextime and Work near home: It is possible to work in a close office and work flexibly.
- Expand support for hiring people with disabilities: A new support team has established within the General Affairs Department since June 2020.
- OSG quality system certification system: Introducing an original system that certifies that the quality control from material arrival to product shipment and after-sales follow-up is equivalent to that of a factory in Japan.

G

- Risk Management: Risk and Compliance Management Committee has established to strengthen BCP.
- Internal reporting system: Introducing a system to receive internal and external reporting, and provide appropriate process of consultation.
- Information security: Established an internal system and information security policy for dealing with information leak etc.

Management Target – 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)

Catalogue item sales

- ✓ 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 regions
- Strengthen inventory policy and supply chain



Management Target for FY2020

Net sales

1,500 billion yen

Operating profit

300 billion yen

It is expected that the achievement of the target will probably be delayed from the fiscal year ending November 2021. However we will continue to challenge for sustainable growth by promoting our basic strategies globally.

Appx.1 Selected Financial Data (Consolidated)

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 1H	2019	2020 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	126,964	55,256
Sales growth	(%)	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	9%	2%	-3%	-16%
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	73,281	33,333
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	53,682	21,922
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	34,128	15,894
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	19,554	6,027
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	19,710	5,964
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	13,686	3,519
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%	42.3%	39.7%
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%	26.9%	28.8%
Operating income	(%)	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	17.7%	15.4%	10.9%
Ordinary income	(%)	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	18.4%	15.5%	10.8%
Net income	(%)	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	12.2%	10.8%	6.4%
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	109.36	108.55
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	122.53	119.64
Total assets	(mil.yen)	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,020	138,896	190,414	195,209
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	129,078	126,257
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	140.06	36.19
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	23.00	11.00
(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	-
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	1,328.08	1,297.18
Average number of shares	(ths)	96,130	95,904	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,176	97,984	97,716	97,267
ROE	(%)	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	12.6%	10.8%	5.5%
Equity ratio	(%)	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	68.8%	67.8%	64.7%
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	19,261	8,129
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	-20,314	-11,532
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	3,465	9,997
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%	15.1%	14.7%