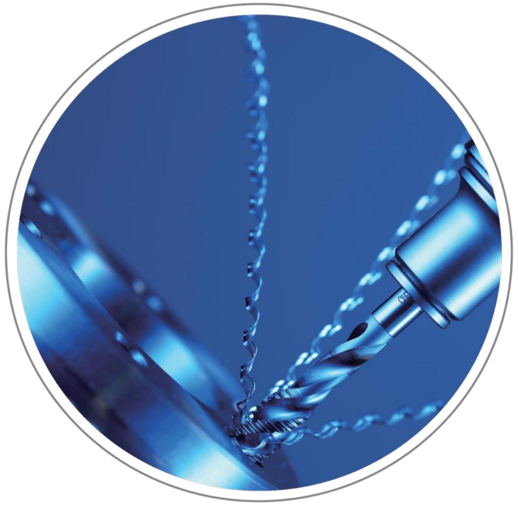
shaping your dreams

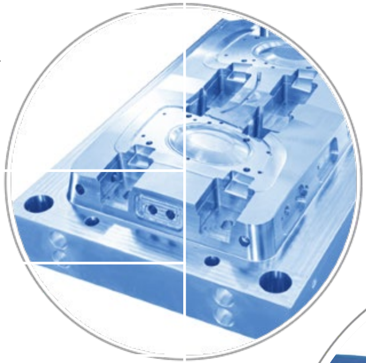
Financial Results for FY2021 – 3Q

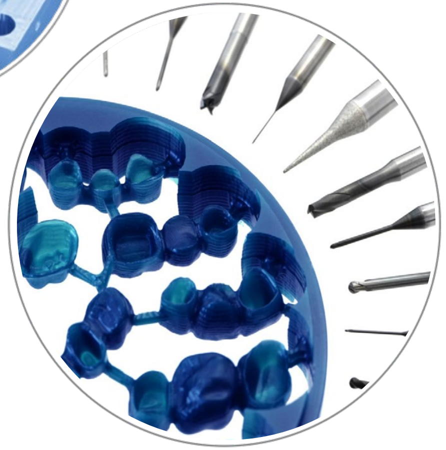
October 8, 2021
OSG Corporation

Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	12,239 million yen
Employees	7,427 (consolidated) 1,926 (non-consolidated)
Stock listed	1st 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.

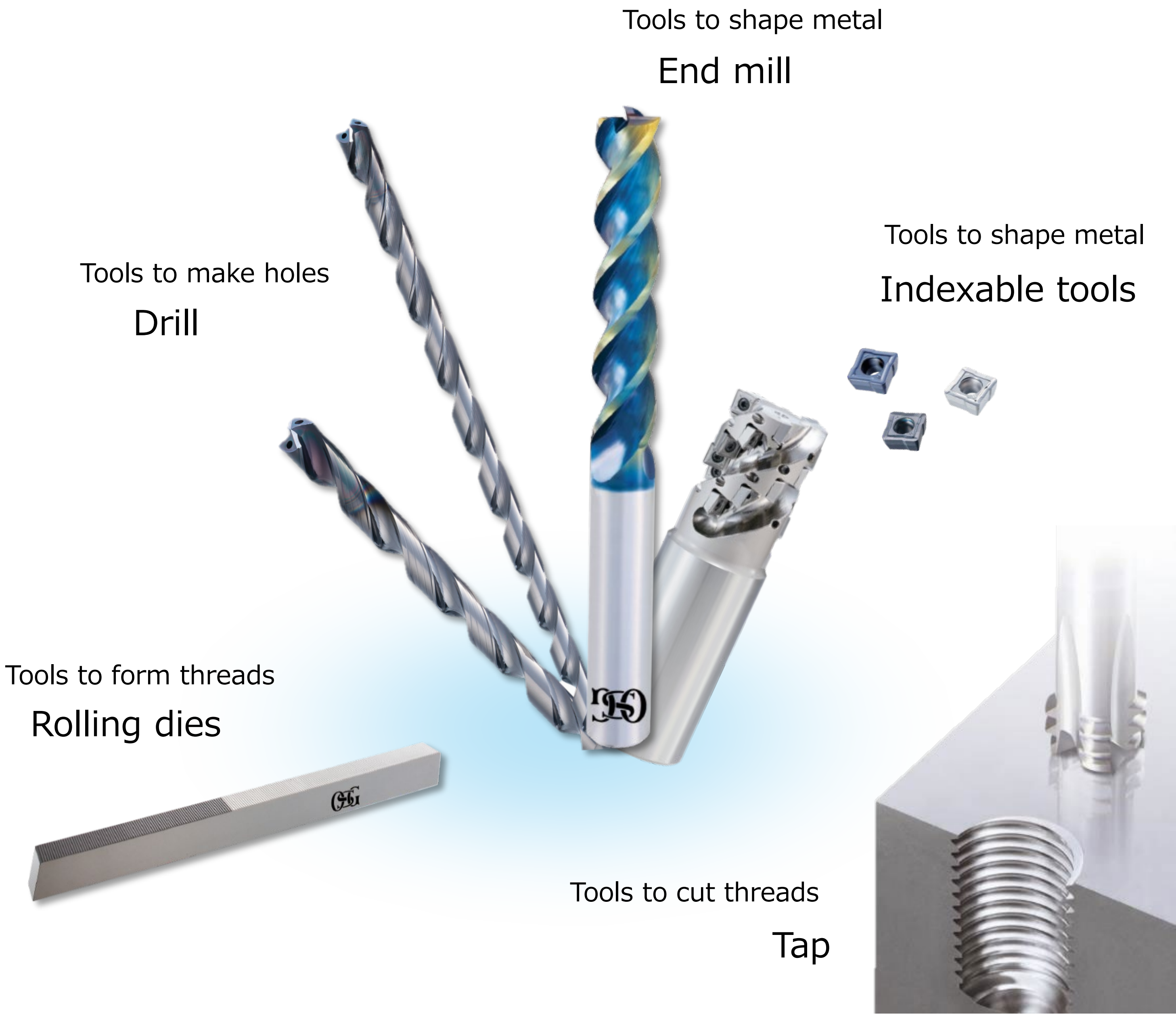
Company Overview

Products

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

Strength

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



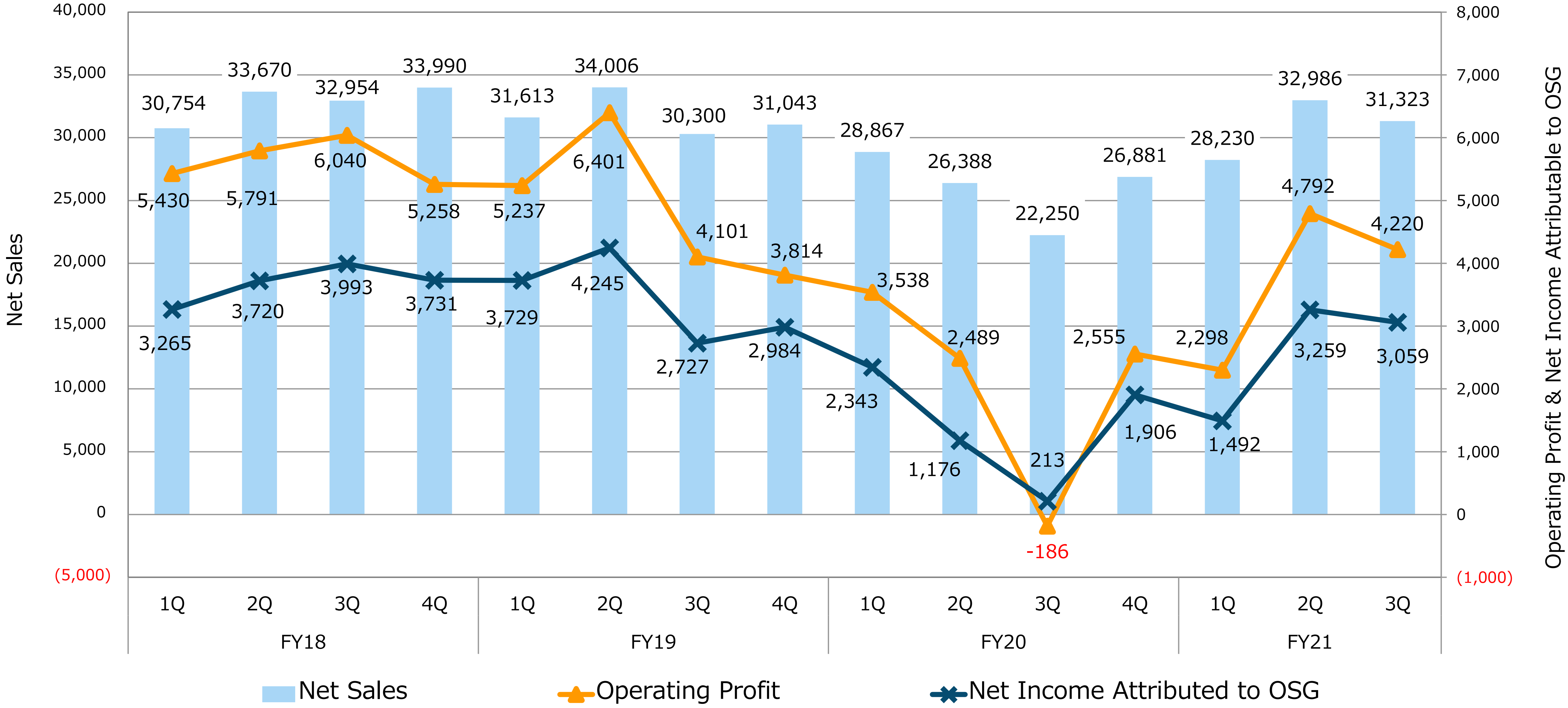
Financial Summary

(Millions of yen)

	FY20-3Q	FY21-3Q	Change	FY21 fcst. Annual	Progress Rate
Net Sales	77,506	92,541	+19.4%	122,000	75.9%
Operating Profit	5,841	11,311	+93.7%	15,000	75.4%
OPM	7.5%	12.2%	-	12.3%	-
Ordinary Profit	6,049	11,406	+88.6%	15,200	75.0%
Net Profit Attributable to OSG	3,733	7,811	+109.2%	10,000	78.1%
EPS(yen)	38.36	80.07	+108.7%	102.51	-

Financial Summary

(Millions of yen)



Review of FY21-3Q

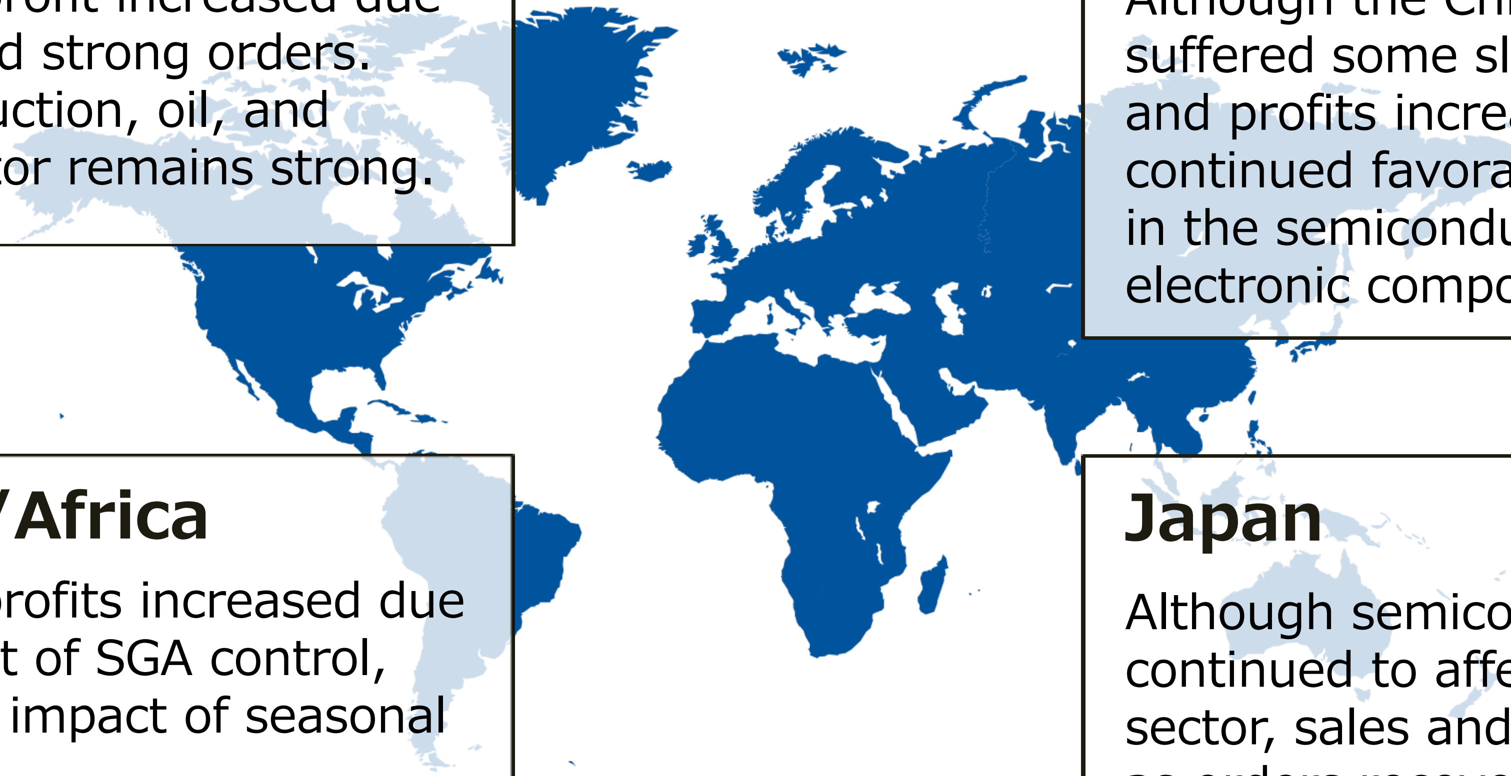
Despite uncertainties in the external environment, orders remained steady.

Profit recovered in line with increase in sales.

➢ <u>Index＆Capital Investment Results</u>

―EBITDA	19.2 billion yen	(Increased by 41.2% from FY20-3Q)
―EBITDA Margin	20.8%	(3.2pts increased from FY20-3Q)
―Free Cash Flow	14.4 billion yen	(Increased by 442.5% from FY20-3Q)
―Equity Ratio	68.7%	(4.1pts increased from the end of FY20)
―CAPEX	3.8 billion yen	
―Depreciation	7.9 billion yen	

Review of FY21-3Q



The Americas

Sales and profit increased due to continued strong orders. The construction, oil, and mining sector remains strong.

Asia

Although the Chinese economy suffered some slowdown, sales and profits increased due to continued favorable conditions in the semiconductor and electronic components.

Europe/Africa

Sales and profits increased due to the effect of SGA control, despite the impact of seasonal factors.

Japan

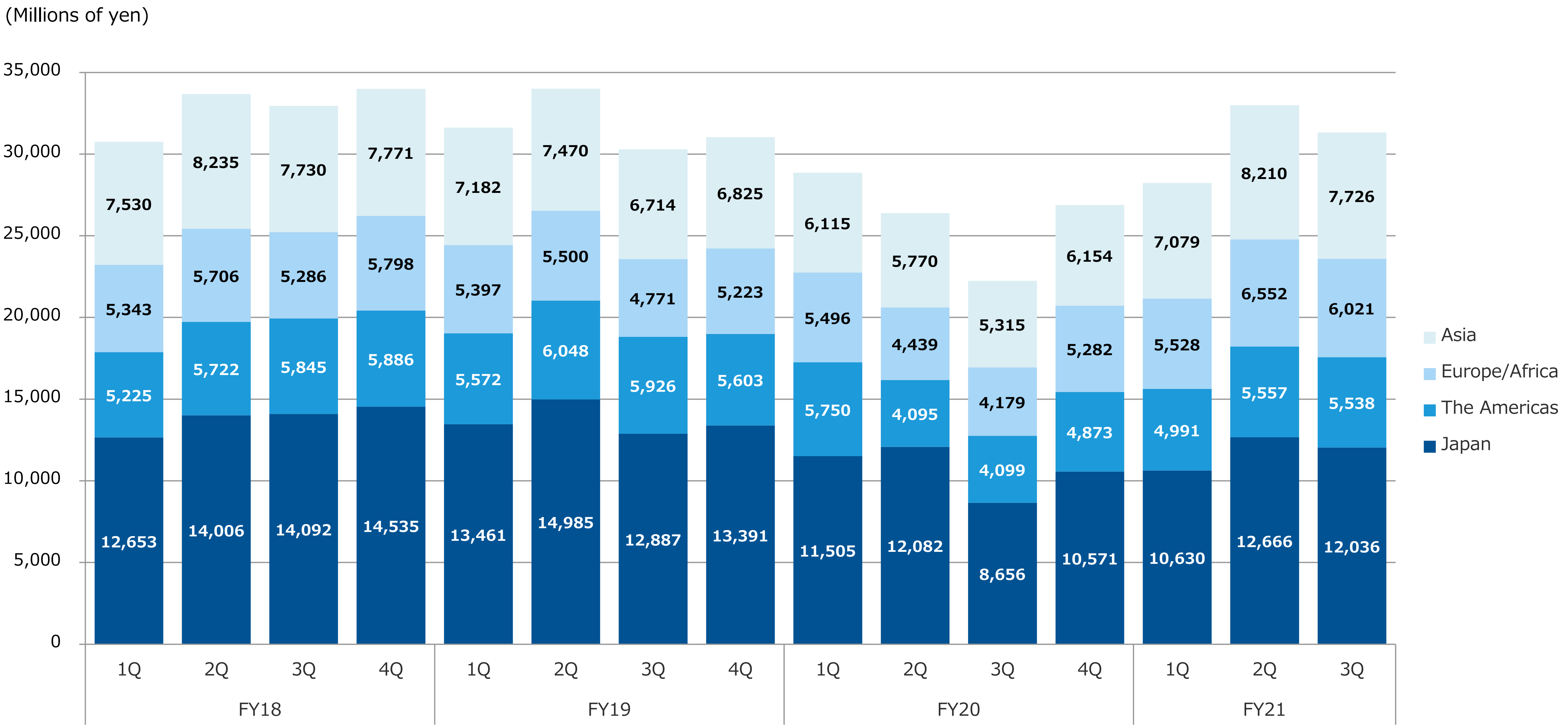
Although semiconductor shortages continued to affect the automotive sector, sales and profit increased as orders recovered to FY2019 levels.

Sales to Customer

(Millions of yen)

	FY20-3Q	FY21-3Q	Change		Change in local currency
Japan	32,244	35,332	3,088	+9.6%	-
The Americas	13,945	16,088	2,142	+15.4%	+14.9%
Europe/Africa	14,114	18,103	3,988	+28.3%	+20.9%
Asia	17,201	23,016	5,814	+33.8%	+25.5%
Consolidated	77,506	92,541	15,034	+19.4%	-

Sales to Customer



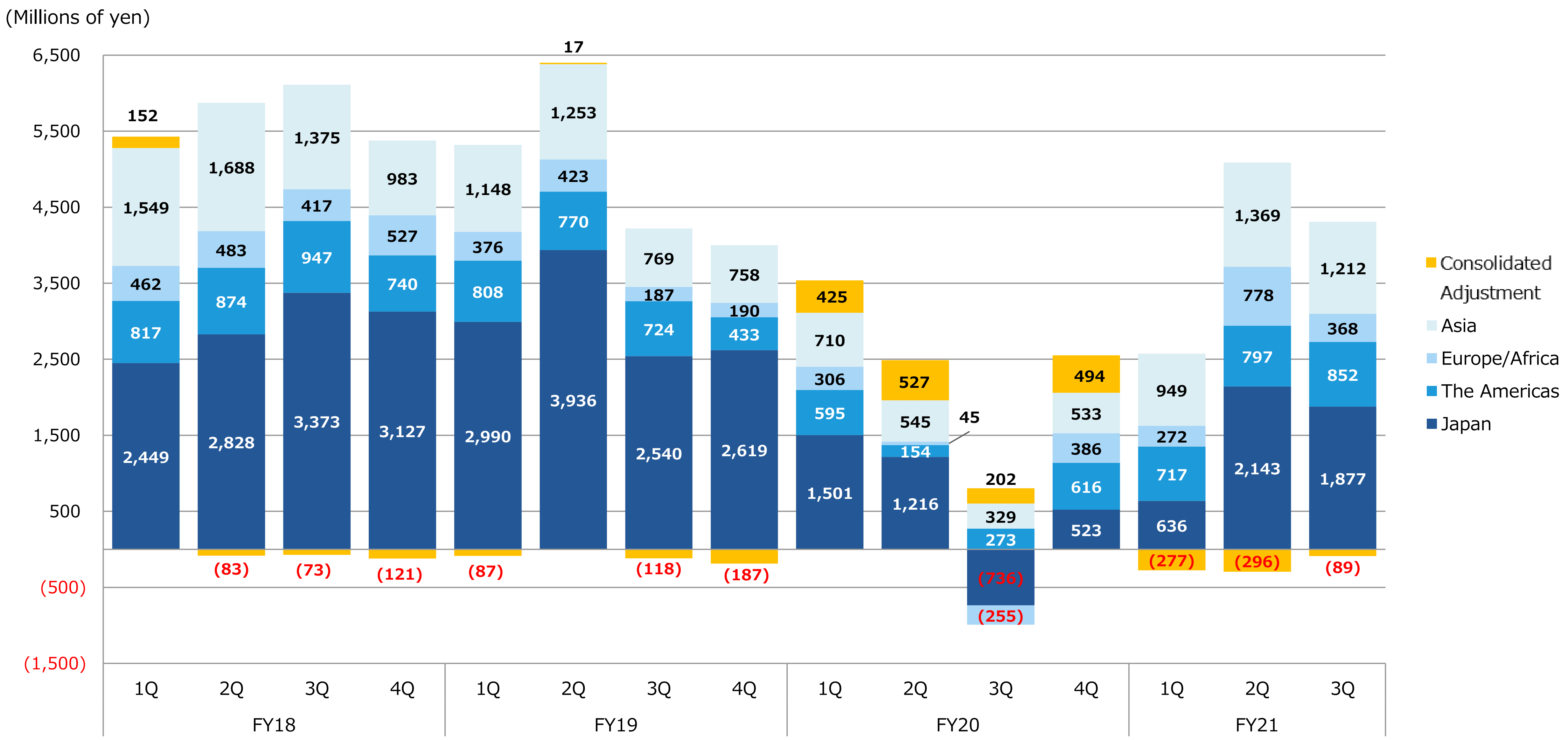
Operating Income

(Millions of yen)

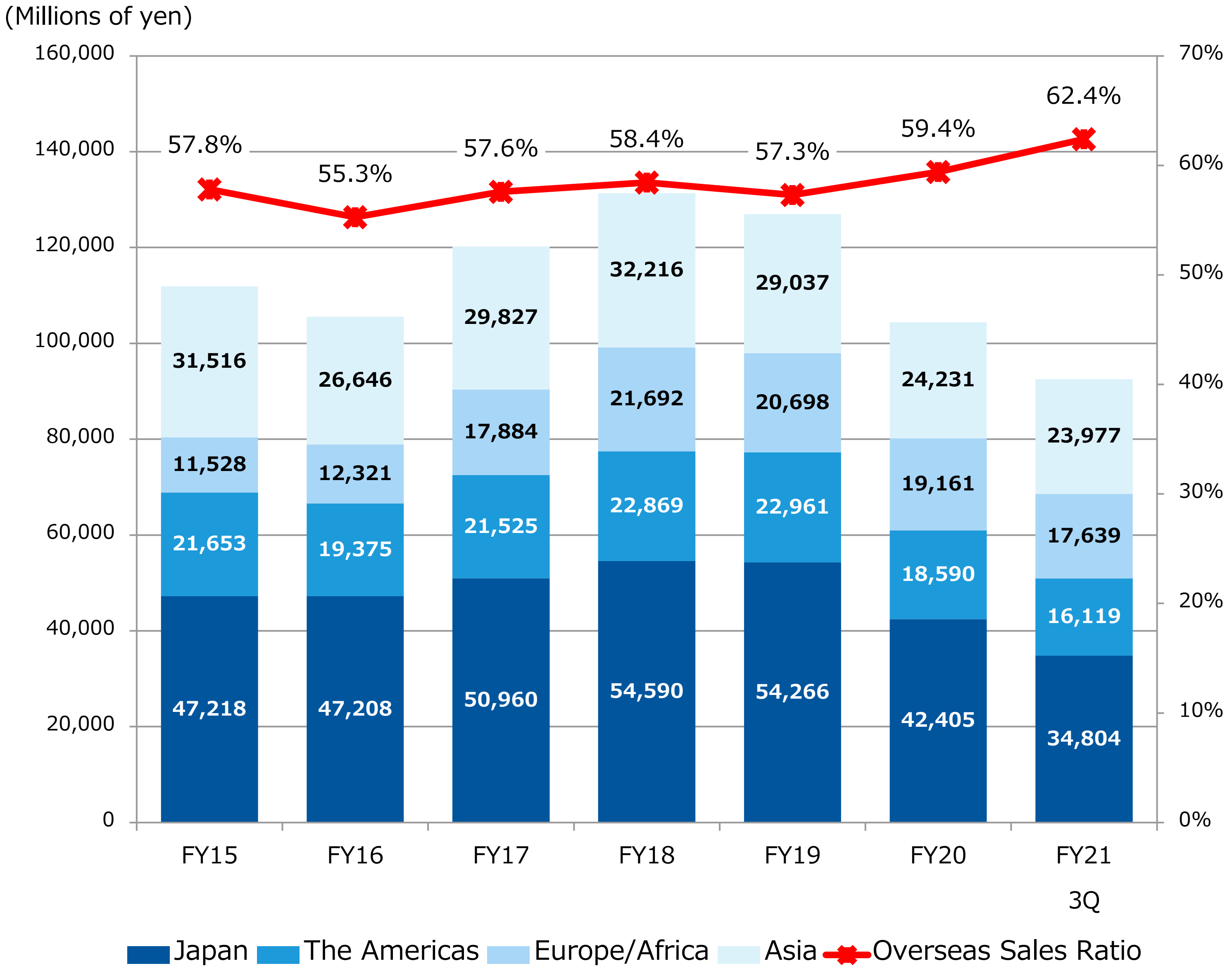
	FY20-3Q	Area percentage	FY21-3Q	Area percentage	Change		OPM(*)
Japan	1,981	42.3%	4,656	38.9%	2,675	+135.0%	9.4%
The Americas	1,023	21.8%	2,367	19.8%	1,344	+131.3%	14.3%
Europe/Africa	95	2.0%	1,419	11.9%	1,323	+1383.8%	7.8%
Asia	1,585	33.8%	3,531	29.5%	1,945	+122.7%	14.2%
Total	4,686	-	11,975	-	7,288	+155.5%	11.0%
Eliminations	1,154	-	-663	-	-1,817	-	-
Consolidated	5,841	-	11,311	-	5,470	+93.7%	12.2%

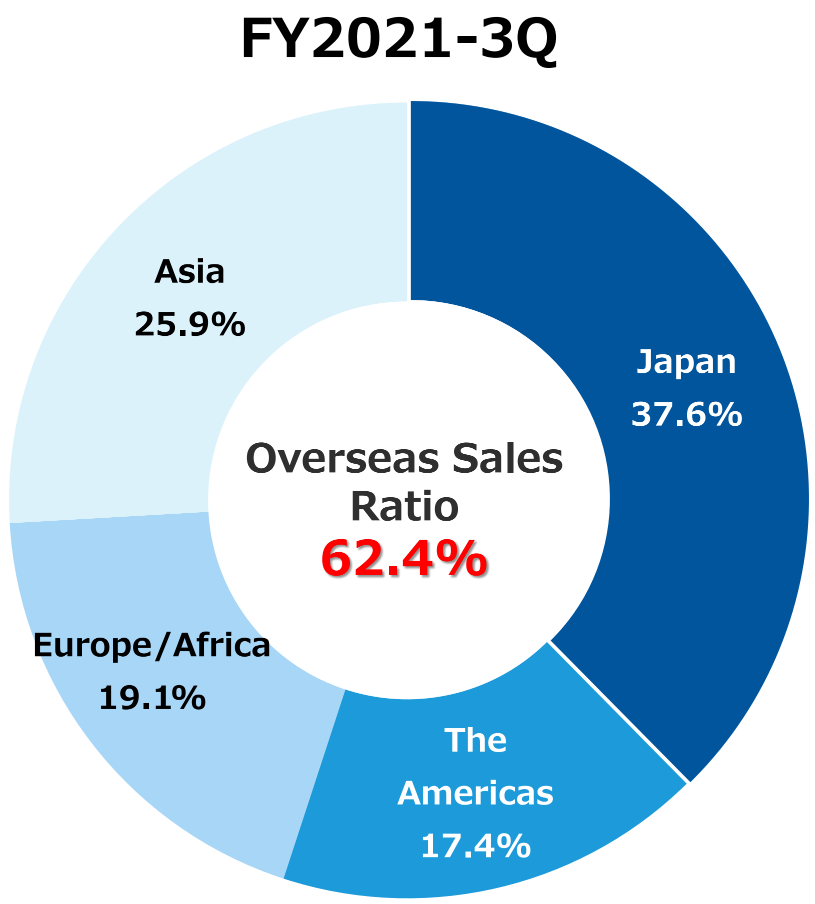
* Operating profits margin as % of sales (external sales + internalarea transfers)

Operating Income



Overseas Sales Ratio



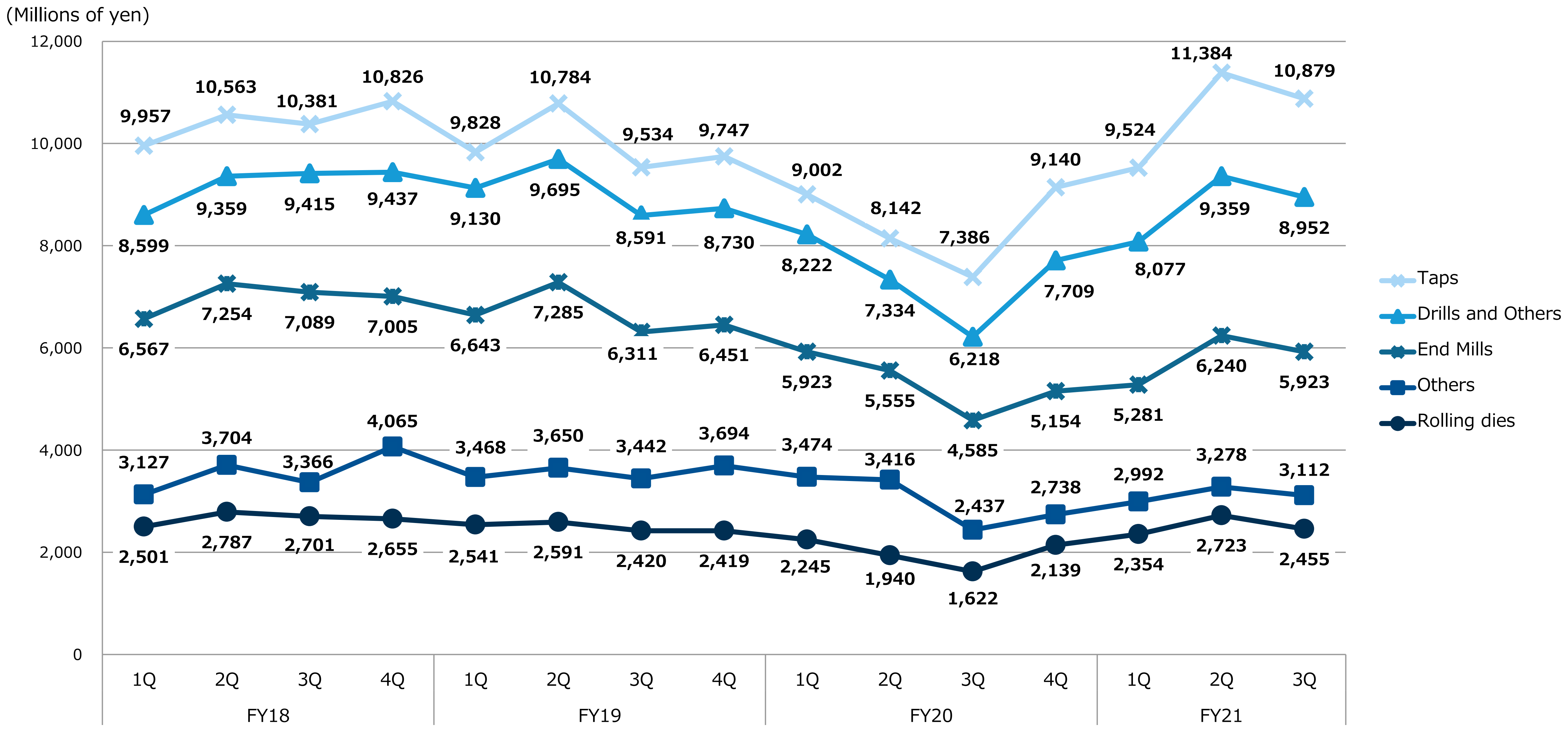


Net Sales by Product Segment

(Millions of yen)

		FY20						FY21					Change	
		1Q	2Q	3Q	4Q	3Q		1Q	2Q	3Q	3Q			
Precision Tools	Taps	9,002	8,142	7,386	9,140	24,530	31.6%	9,524	11,384	10,879	31,788	34.4%	7,257	29.6%
	End mills	5,923	5,555	4,585	5,154	16,064	20.7%	5,281	6,240	5,923	17,446	18.9%	1,382	8.6%
	Drills and Others	8,222	7,334	6,218	7,709	21,775	28.1%	8,077	9,359	8,952	26,388	28.5%	4,613	21.2%
	Rolling dies	2,245	1,940	1,622	2,139	5,808	7.5%	2,354	2,723	2,455	7,533	8.1%	1,725	29.7%
	Gauges	461	455	398	397	1,314	1.7%	373	445	448	1,267	1.4%	-47	-3.6%
		25,854	23,426	20,211	24,541	69,493	89.7%	25,611	30,153	28,659	84,424	91.2%	14,931	21.5%
Other	Machine	1,149	1,139	501	703	2,789	3.6%	956	1,006	864	2,826	3.1%	37	1.3%
	Other	1,864	1,822	1,537	1,637	5,224	6.7%	1,663	1,826	1,799	5,289	5.7%	65	1.2%
		3,013	2,961	2,039	2,340	8,013	10.3%	2,619	2,833	2,663	8,116	8.8%	102	1.3%
Total		28,867	26,388	22,250	26,881	77,506	100%	28,230	32,986	31,323	92,541	100%	15,034	19.4%

Net Sales by Product Segment



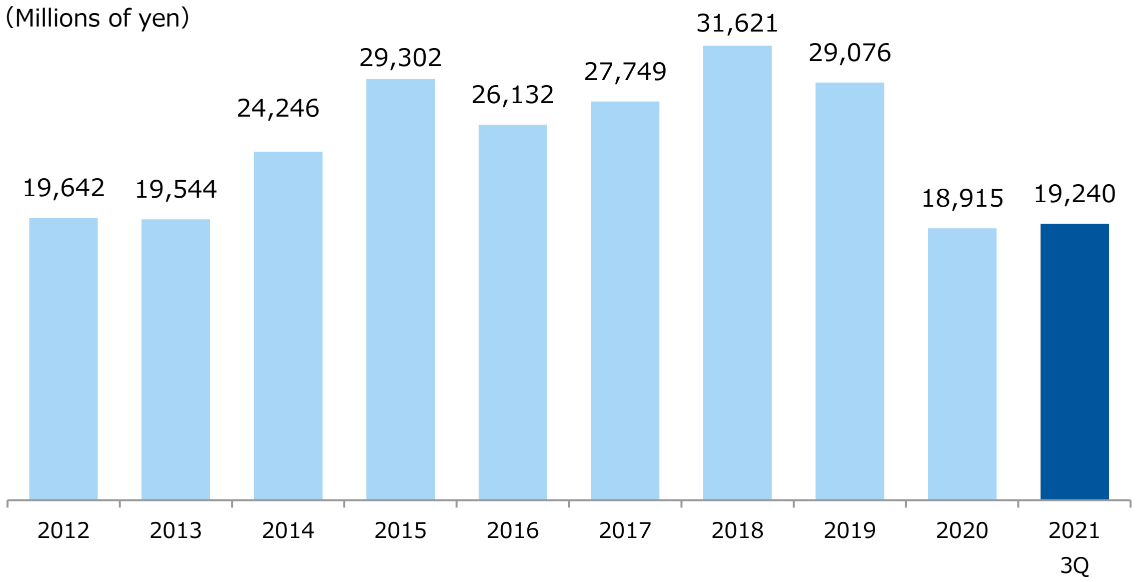
B/S Overview・EBITDA

(Millions of yen)

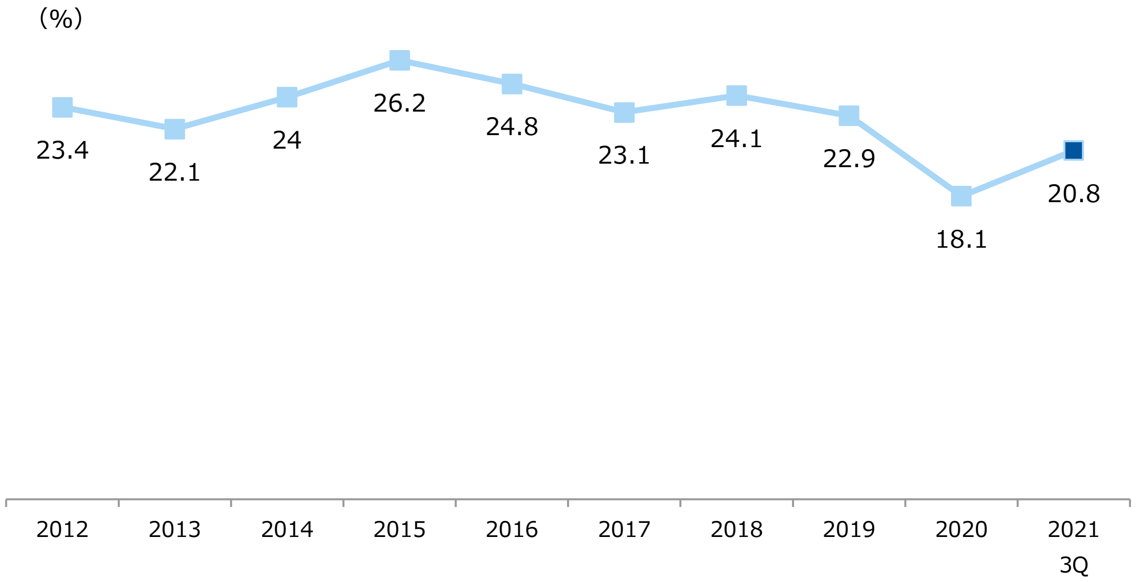
	FY20	FY21-3Q
Equity Ratio (%)	64.6	68.7
Receivable Turnover Period (Days)	69	65
Inventory Turnover Period (months)	4.9	4.2

	FY20	FY21-3Q
Cash and Time Deposits	37,807	40,630
Debt	41,769	31,226
Net Cash	-3,962	9,403

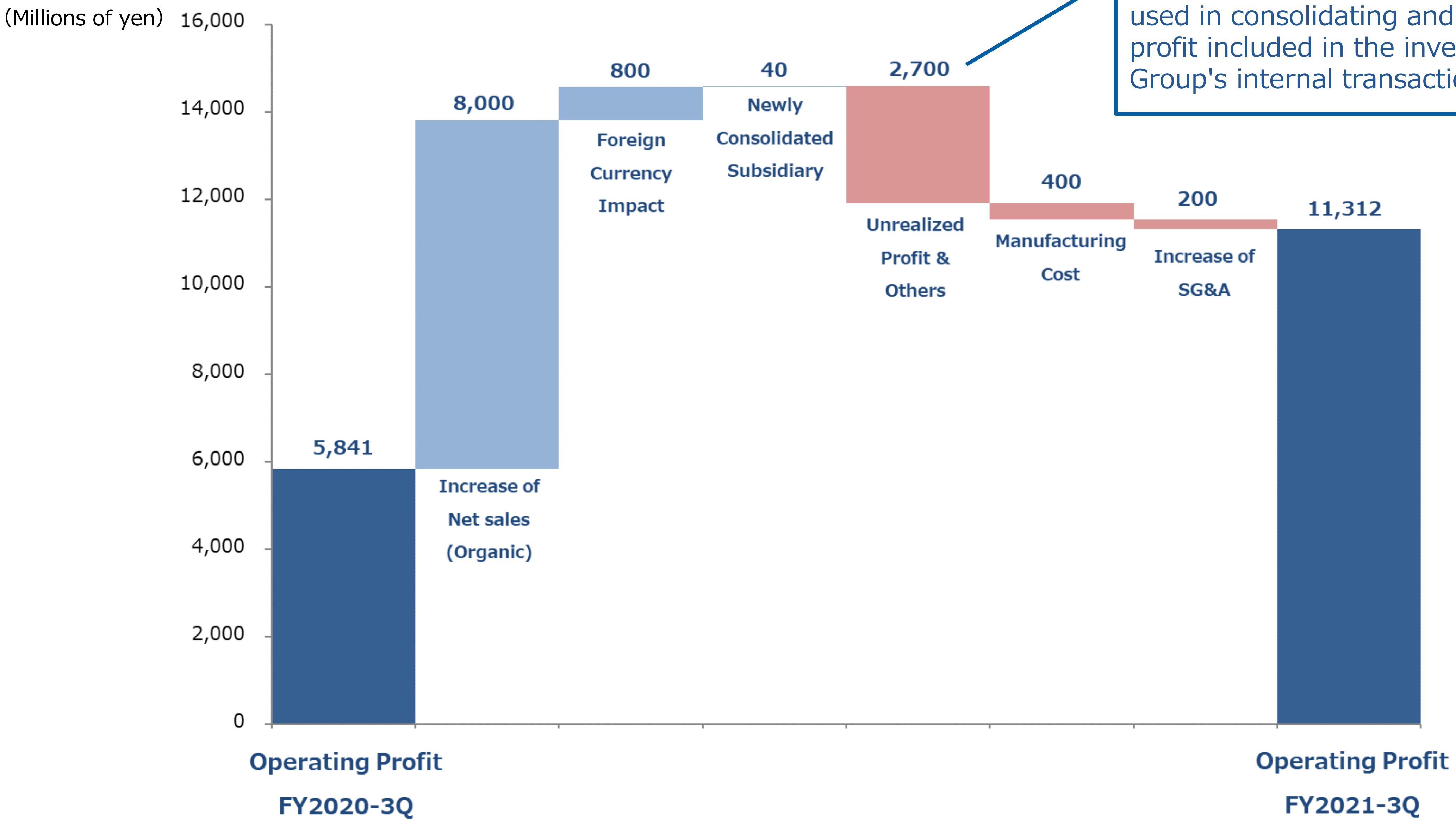
EBITDA



EBITDA Margin



Operation Profit Variation



This drop derives from mainly the impact of an improvement in the gross profit margin used in consolidating and eliminating the profit included in the inventory of the Group's internal transactions.

Capital Investment

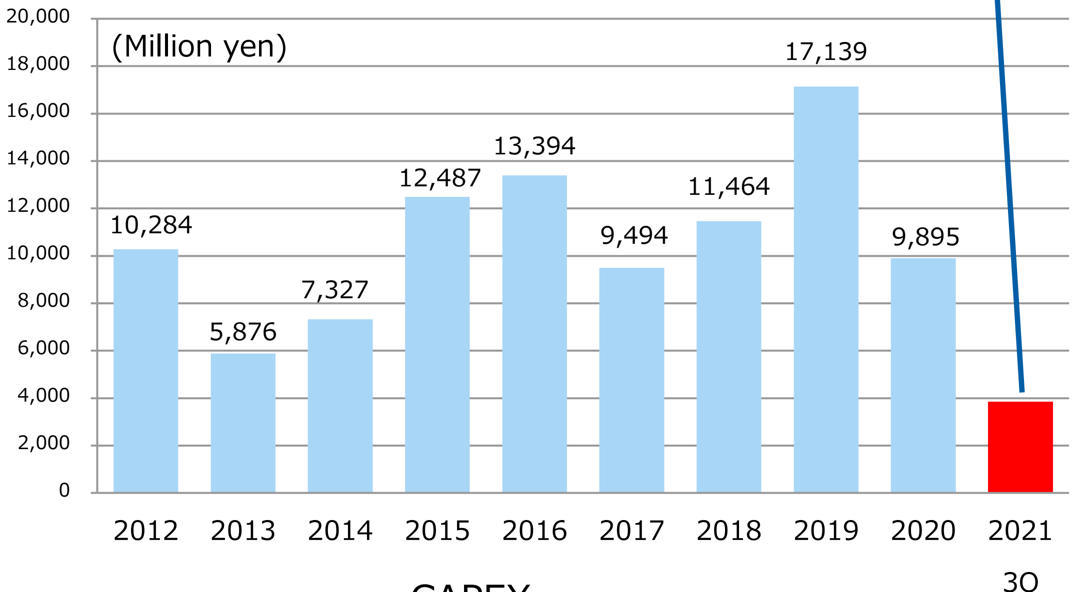
FY21 Capital Investment Forecast

6.0 billion yen

Breakdown

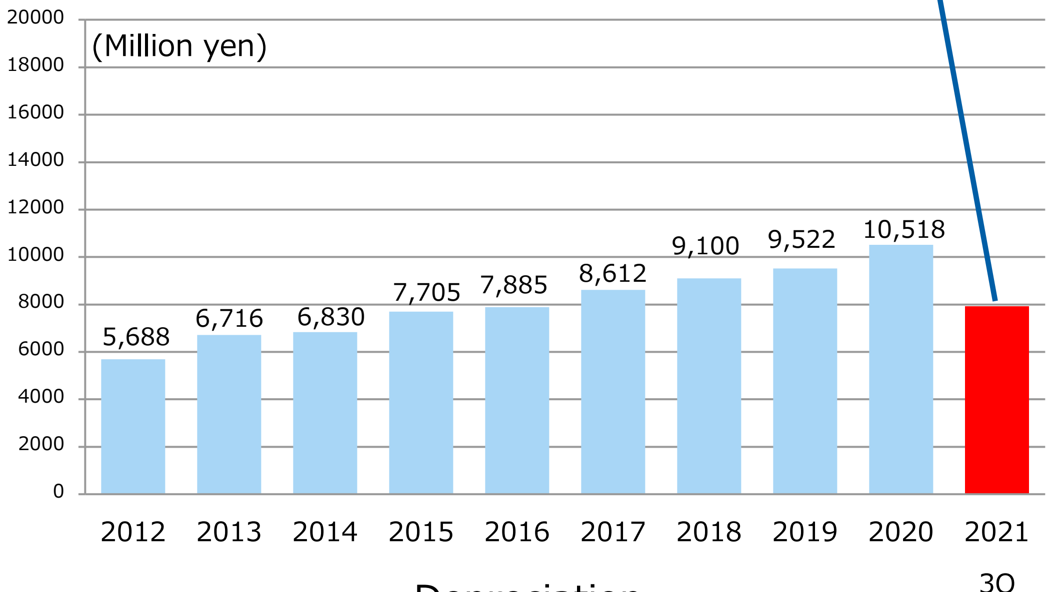
Due to focus on improving cash flow,
we will reduce Capex this year except investing on replacing old machines and IT related matters.

CAPEX : 3,849



CAPEX

Depreciation : 7,928

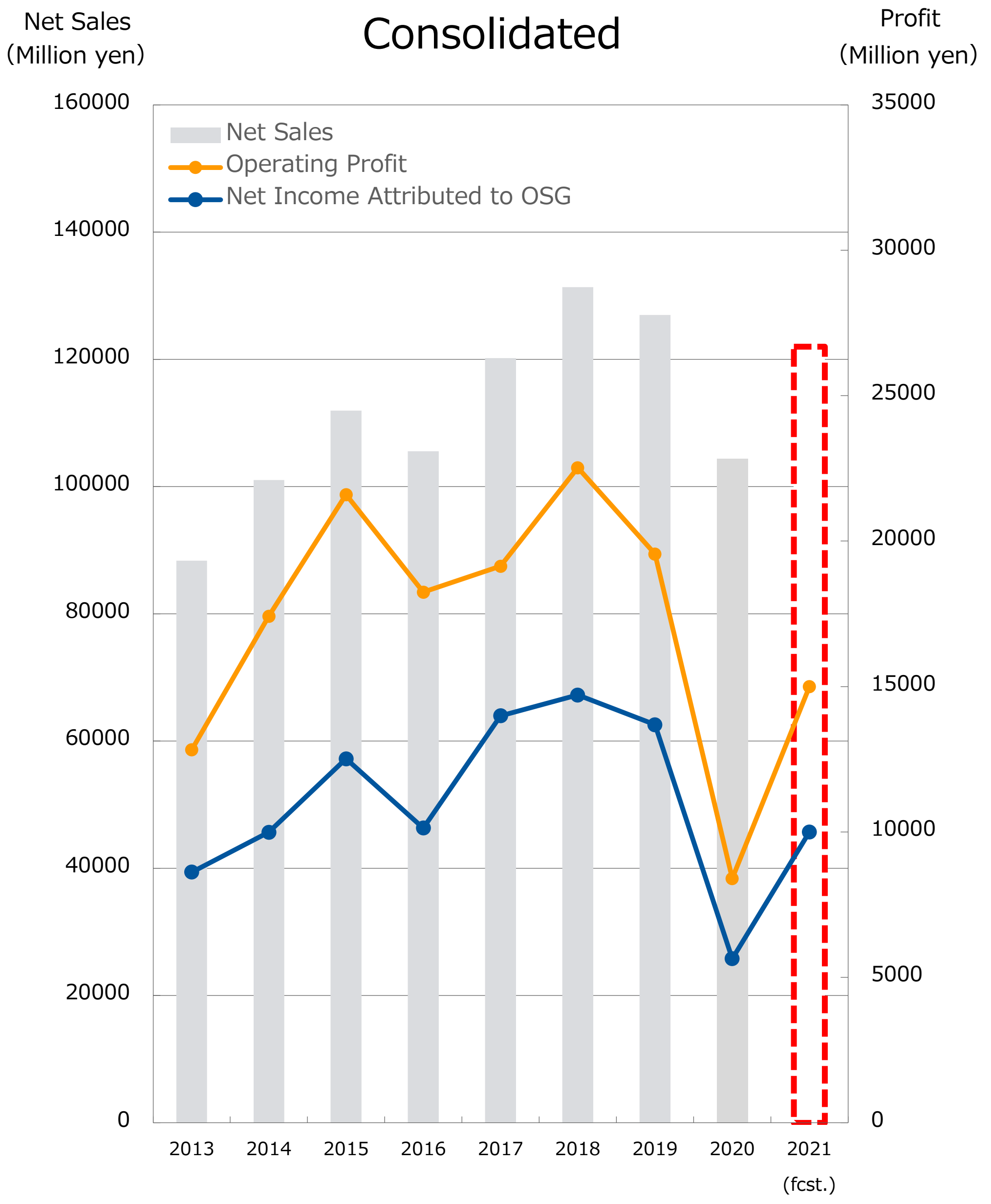


Depreciation

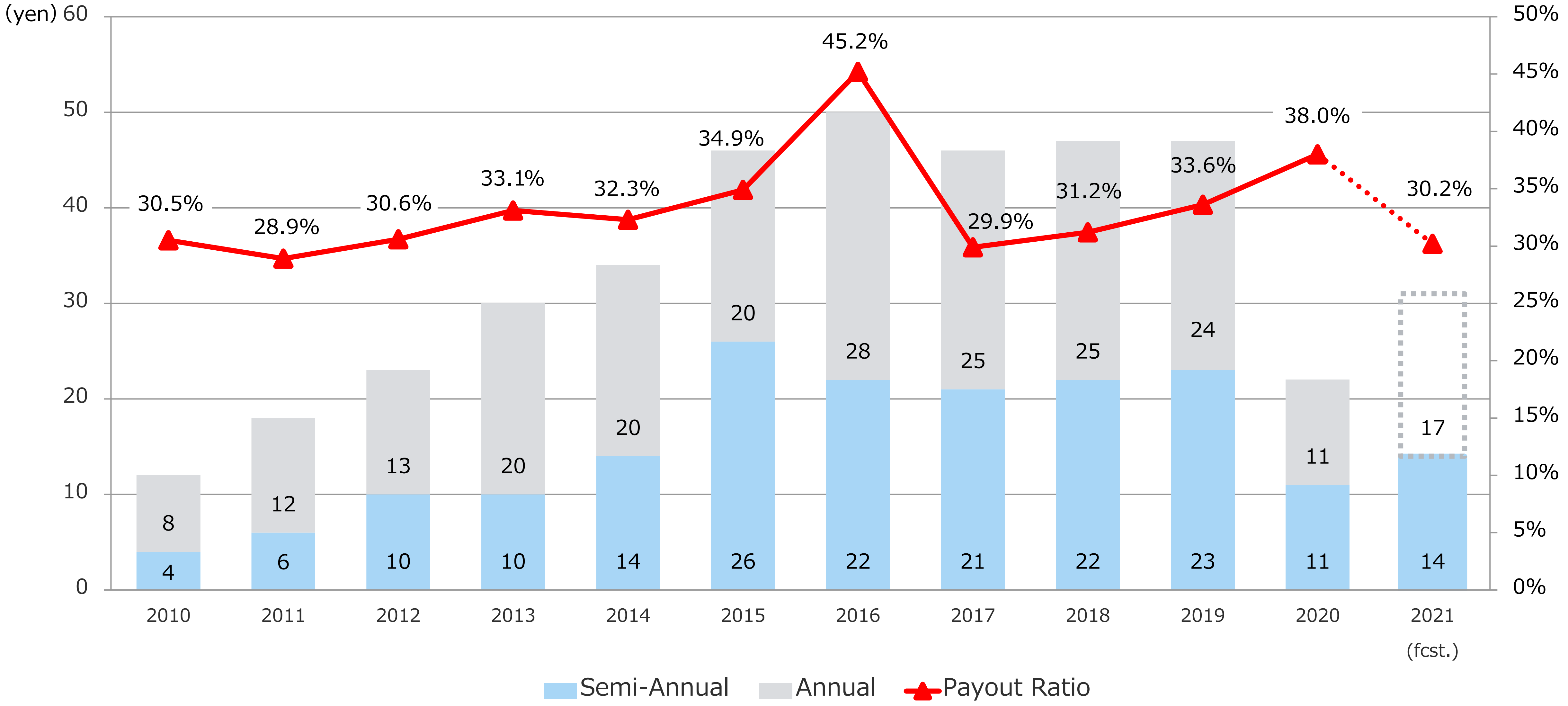
Forecast for FY21

	Consolidated		Parent Company	
	Amount (million yen)	Growth	Amount (million yen)	Growth
Net Sales	122,000	+16.9%	51,000	+16.5%
Operating Profit	15,000	+78.6%	4,500	+153.3%
as % of sales	12.3%	-	8.8%	-
Ordinary Profit	15,200	+69.8%	6,300	+16.3%
as % of sales	12.5%	-	12.4%	-
Net Income Attributed to	10,000	+77.3%	4,600	-1.2%
as % of sales	8.2%	-	9.0%	-
EPS (yen)	102.51	-	47.14	-

*Exchange rate FY2021(fcst.) : 1US$=108.00yen 1Euro=130.00yen



Dividends Per Share



Management Policy for FY21

- Increase the market share of standard products by expanding sales of “The A Brand” products.

- Looking ahead to the EV era, we will develop markets such as molds, IT products, and medical.

- By utilizing the NEO Shinshiro factory, we will review the production method drastically of carbide taps and drills.

- Win orders through global collaborations and activities that integrate sales, engineering and manufacturing.

- Prioritizing orders in PMI with companies that have joined the group through M & A.

- Net Sales of 122 billion yen
  Operating Profit of 15 billion yen

- Operating Profit Ratio over 12%

- CAPEX 6.0 billion

- Free Cash Flow of over 110 billion yen

OSG's ESG

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.

Exchange Rate

	1US$	1Euro	1RMB
FY19 3Q	109.55 JPY	123.36 JPY	16.53 JPY
FY19	109.36 JPY	122.53 JPY	15.86 JPY
FY20 3Q	107.66 JPY	120.95 JPY	15.32 JPY
FY20	106.94 JPY	121.60 JPY	15.41 JPY
FY21 3Q	108.18 JPY	129.94 JPY	16.71 JPY

Appx.1 Selected Financial Data (Consolidated)

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021-3Q
Net sales	(mil.yen)	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	131,368	126,964	104,388	92,541
Sales growth	(%)	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	19%
Cost of sales	(mil.yen)	44,605	48,439	49,381	52,777	58,061	61,865	59,179	69,711	74,833	73,281	65,715	56,862
Gross profit	(mil.yen)	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	56,535	53,682	38,673	35,678
SG&A expenses	(mil.yen)	17,383	20,214	20,747	22,774	25,554	28,454	28,135	31,349	34,015	34,128	30,276	24,366
Operating income	(mil.yen)	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	22,520	19,554	8,396	11,311
Ordinary income	(mil.yen)	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	22,567	19,710	8,950	11,406
Net income	(mil.yen)	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	14,710	13,686	5,639	7,811
Gross profit margin	(%)	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	38.6%
SG&A as % of sales	(%)	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%	26.9%	29.0%	26.3%
Operating income	(%)	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.2%
Ordinary income	(%)	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.3%
Net income	(%)	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.4%
Average FX rate: 1USD	(yen)	89.29	80.71	78.89	93.16	102.98	121.03	109.78	112.33	110.53	109.36	106.94	108.18
Average FX rate: 1Euro	(yen)	120.65	112.80	102.63	122.62	139.37	134.92	121.39	126.20	130.68	122.53	121.60	129.94
Total assets	(mil.yen)	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,020	190,414	200,112	202,466
Total shareholders' equity	(mil.yen)	57,117	59,367	64,482	80,024	91,458	102,566	92,216	115,810	125,332	129,078	129,338	139,105
Net income	(yen)	39.34	62.18	75.16	90.76	105.20	131.78	110.59	153.70	150.47	140.06	57.94	80.07
Cash dividends (end of Q2)	(yen)	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00	22.00	23.00	11.00	14.00
(year-end)	(yen)	8.00	12.00	13.00	20.00	20.00	20.00	28.00	25.00	25.00	24.00	11.00	-
Total shareholders' equity	(yen)	601.44	625.14	679.01	842.71	963.15	1,079.12	1,024.34	1,191.65	1,279.29	1,328.08	1,327.22	1,424.71
Average number of shares	(ths)	95,904	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,761	97,716	97,335	97,548
ROE	(%)	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	7.7%
Equity ratio	(%)	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.7%
Operating CF	(mil.yen)	14,095	11,344	12,286	16,171	19,688	19,588	16,333	20,820	20,310	19,261	17,038	18,809
Investing CF	(mil.yen)	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133	-4,398
Financing CF	(mil.yen)	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-13,808
Cash flow margin	(%)	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%	20.3%