



shaping your dreams

Financial Results for FY2021

January 12, 2022
OSG Corporation

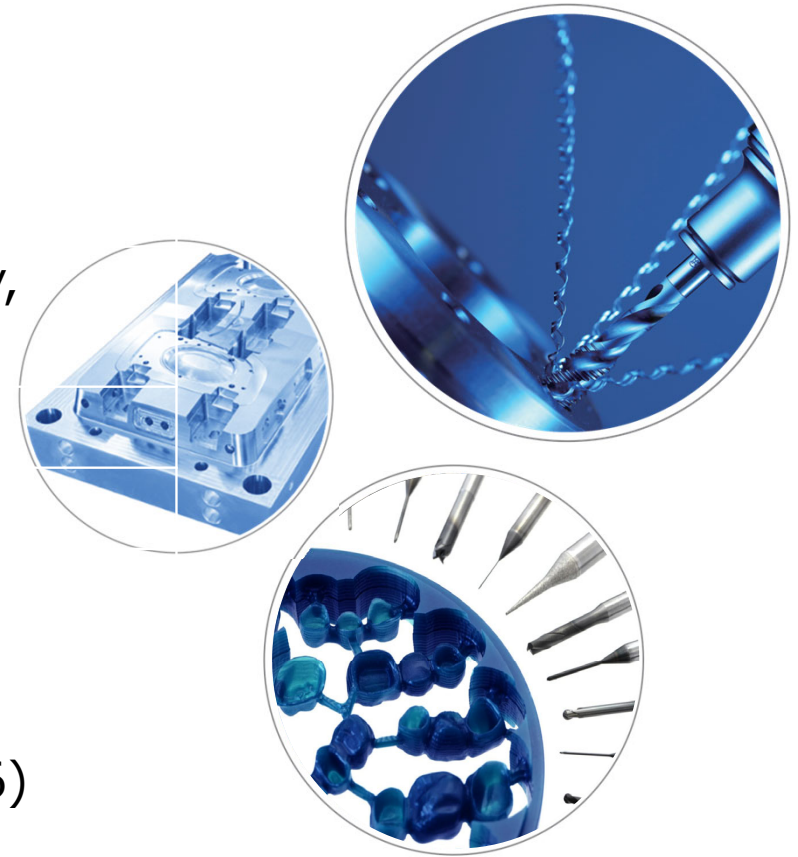


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Business

Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	12,239 million yen
Employees	7,489 (consolidated) 1,914 (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.

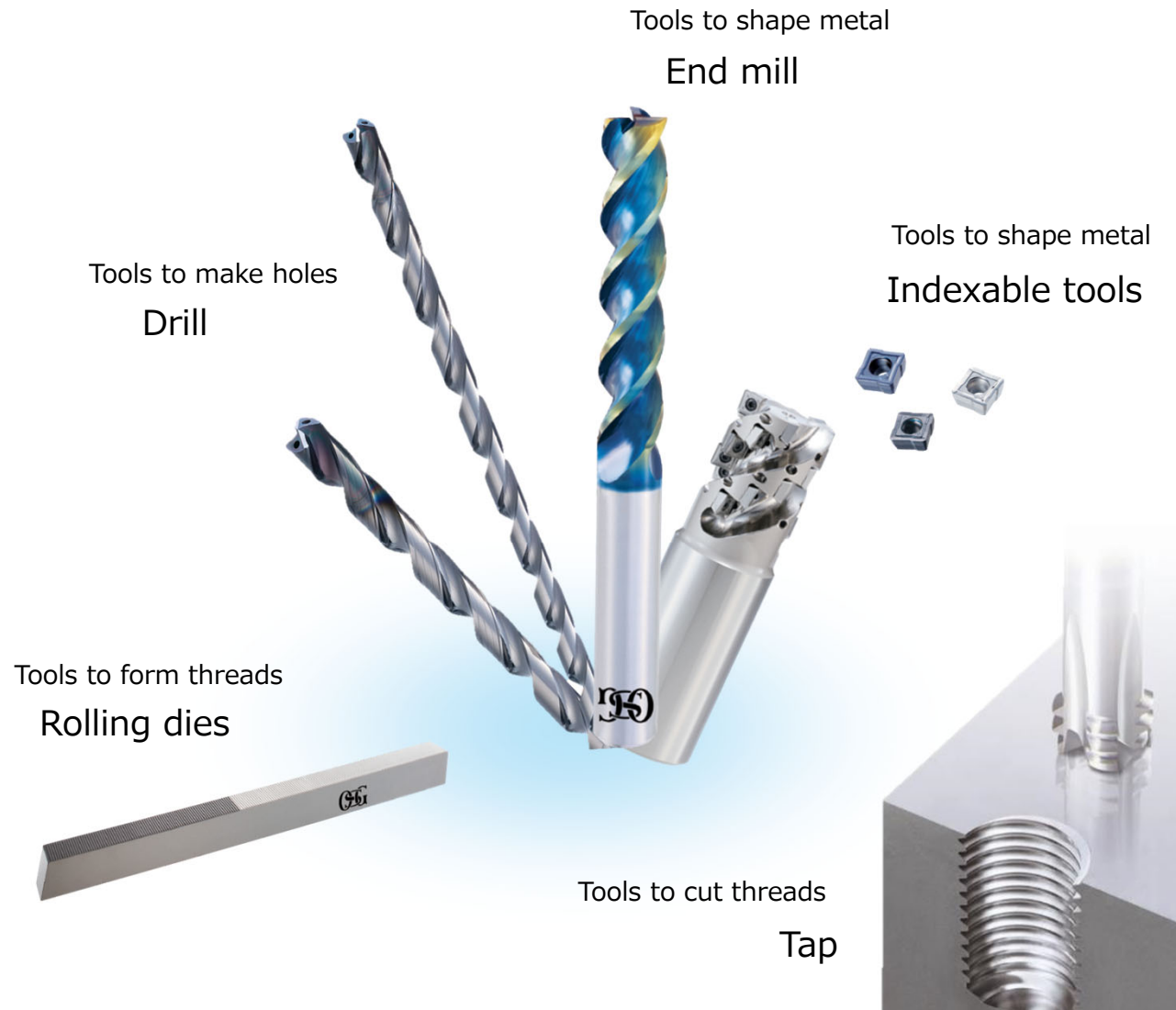
Company Overview

Products

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

Strength

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



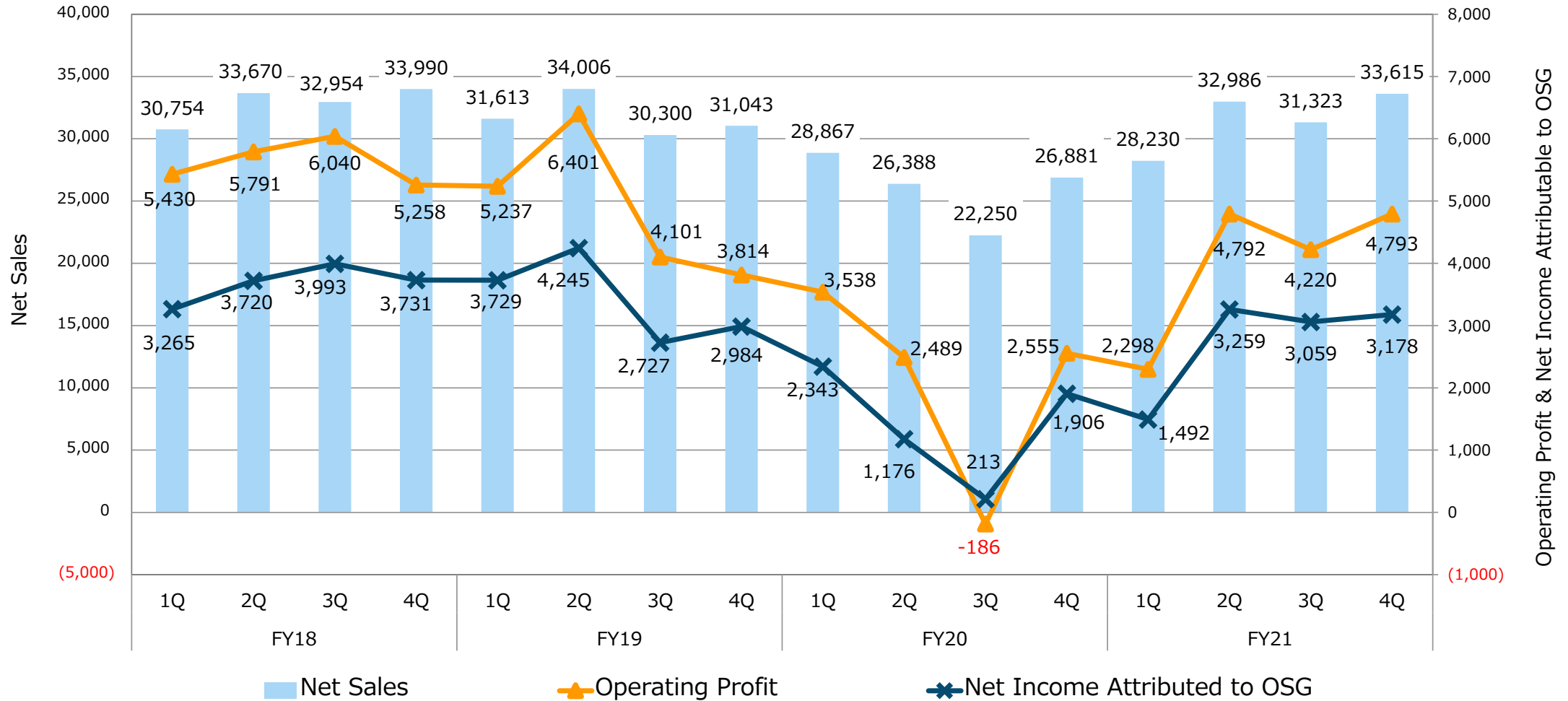
Financial Summary

(Millions of yen)

	FY20	FY21	Change	FY21 fcst. Annual	Progress Rate
Net Sales	104,388	126,156	+20.9%	122,000	103.4%
Operating Profit	8,396	16,105	+91.8%	15,000	107.4%
OPM	8.0%	12.8%	-	12.3%	-
Ordinary Profit	8,950	16,141	+80.3%	15,200	106.2%
Net Profit Attributable to OSG	5,639	10,989	+94.9%	10,000	109.9%
EPS(yen)	57.94	112.63	+94.4%	102.51	-

Financial Summary

(Millions of yen)



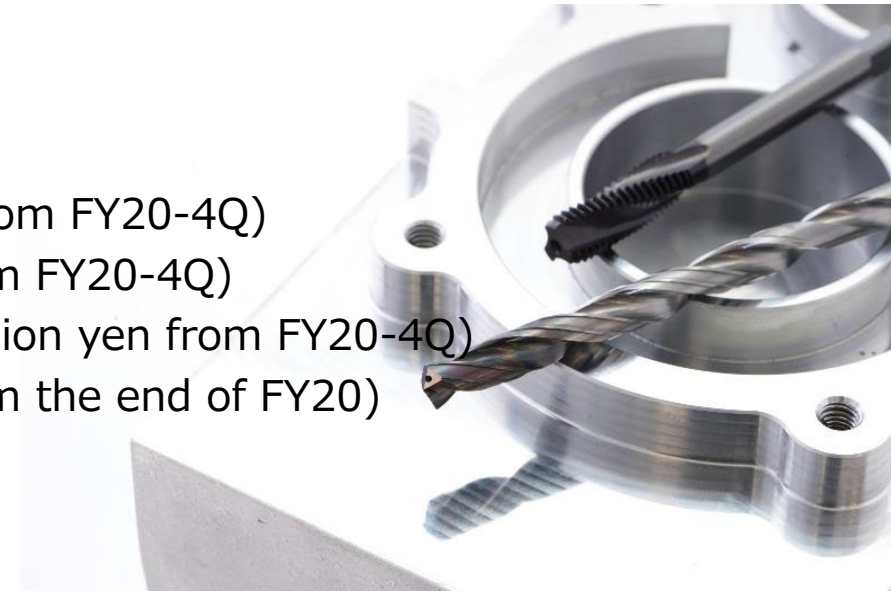
Review of FY21-4Q

Despite uncertainties of the external environment, tap sales reached a record high.

Sales of drills from FY2021-2Q also reached a record level.

➤ Index & Capital Investment Results

—EBITDA	26.6 billion yen	(Increased by 41% from FY20-4Q)
—EBITDA Margin	21.2%	(3.1pts increased from FY20-4Q)
—Free Cash Flow	20.0 billion yen	(Increased by 20.1billion yen from FY20-4Q)
—Equity Ratio	68.6%	(4.0pts increased from the end of FY20)
—CAPEX	5.5 billion yen	
—Depreciation	10.5 billion yen	



Review of FY21-4Q



The Americas

Although supply chain issues affected production activities, increased sales and cost reductions resulted in higher sales and profits.

Asia

In China, despite the impact of power outages, sales and profits increased due to the continued strong sales of semiconductors and electronic components in Asia as a whole.

Europe/Africa

Sales and profits increased due to strong performance in the manufacturing sector, excluding aircraft; the impact of COVID-19 Omicron on the economy is a concern.

Japan

Both sales and profits increased as demand from industries other than the automobile sector remained strong, despite the continued impact of production adjustments in the automobile sector.

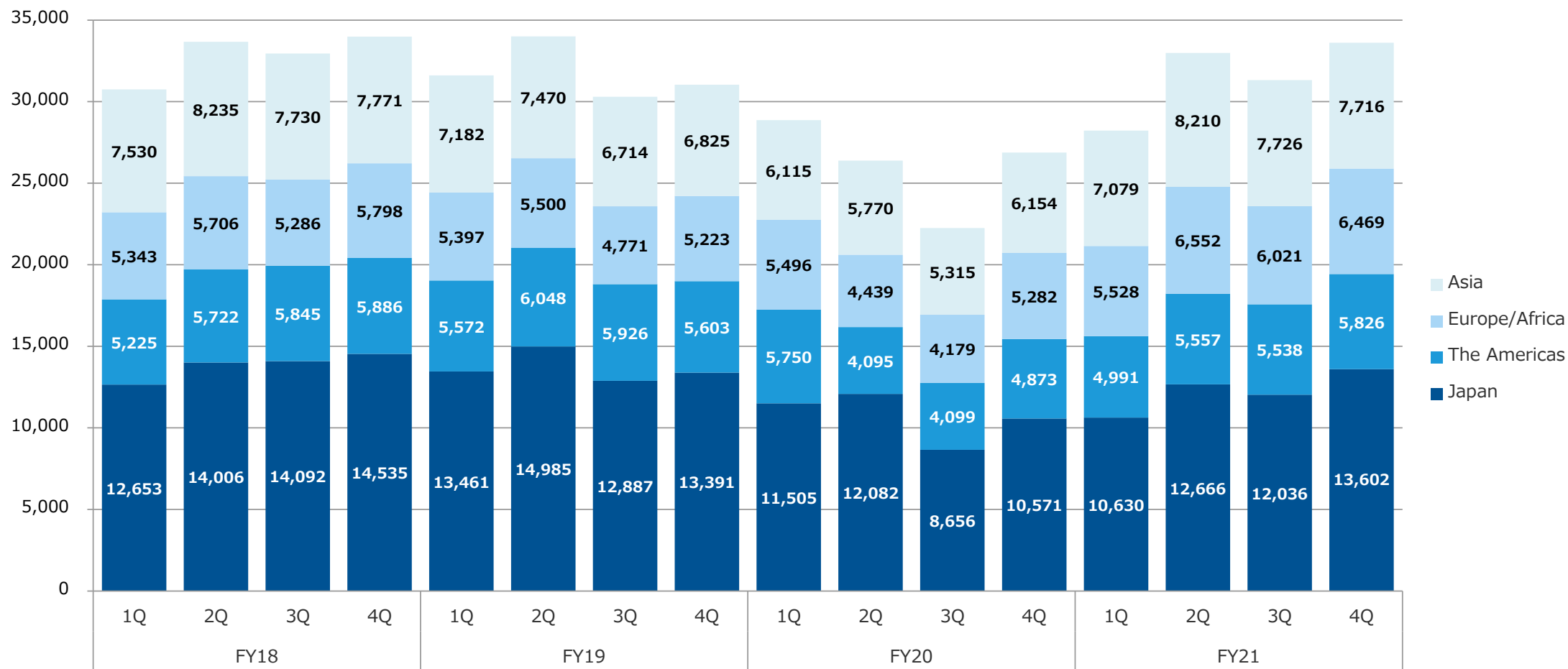
Sales to Customer

(Millions of yen)

	FY20	FY21	Change		Change in local currency
Japan	42,816	48,935	6,118	+14.3%	-
The Americas	18,818	21,915	3,096	+16.5%	+13.8%
Europe/Africa	19,396	24,573	5,176	+26.7%	+19.6%
Asia	23,356	30,732	7,376	+31.6%	+22.9%
Consolidated	104,388	126,156	21,767	+20.9%	-

Sales to Customer

(Millions of yen)



Operating Income

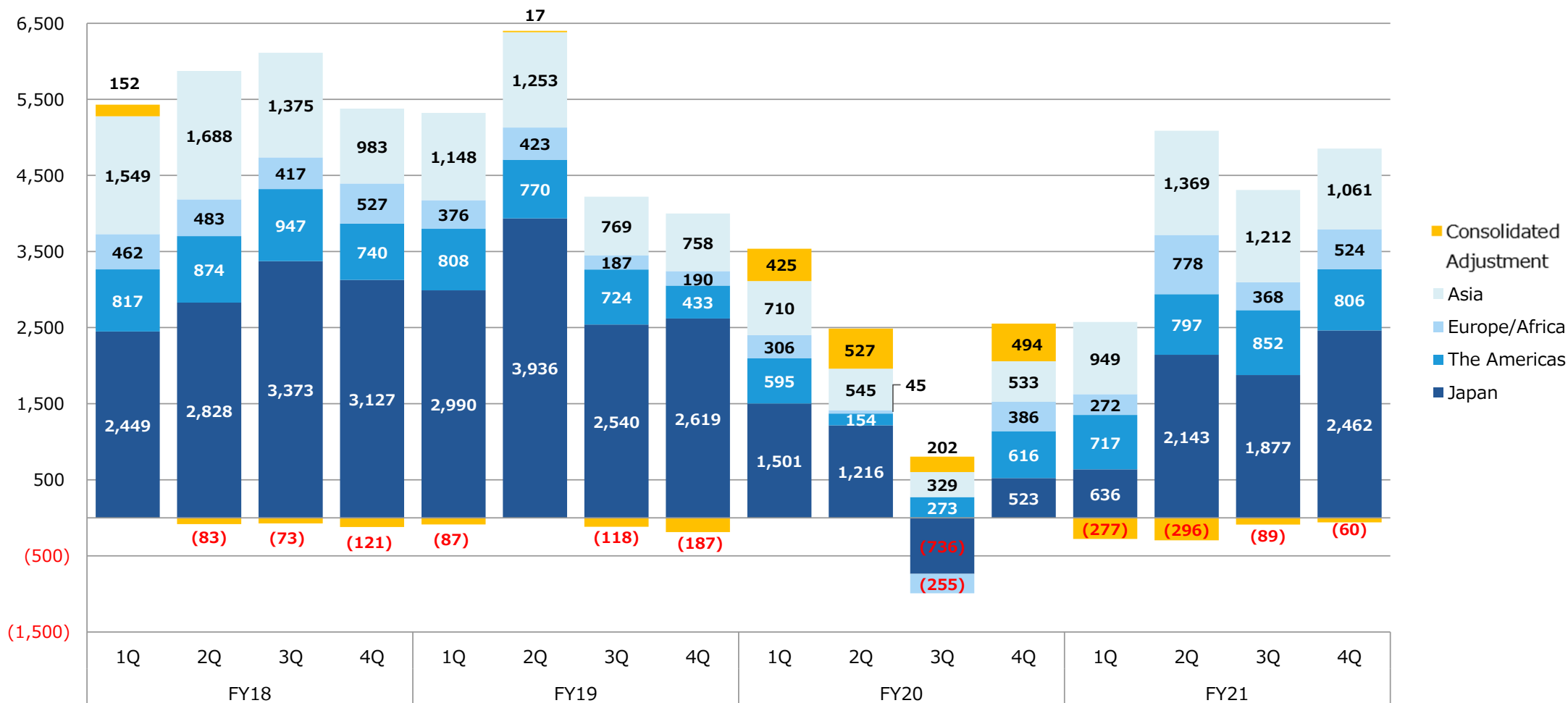
(Millions of yen)

	FY20	Area percentage	FY21	Area percentage	Change		OPM(*)
Japan	2,505	37.1%	7,119	42.3%	4,613	+184.2%	10.4%
The Americas	1,640	24.3%	3,173	18.9%	1,533	+93.5%	14.1%
Europe/Africa	482	7.1%	1,943	11.5%	1,460	+302.8%	7.9%
Asia	2,119	31.4%	4,592	27.3%	2,473	+116.7%	13.8%
Total	6,747	-	16,829	-	10,081	+149.4%	11.3%
Eliminations	1,649	-	-723	-	-2,372	-	-
Consolidated	8,396	-	16,105	-	7,708	+91.8%	12.8%

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

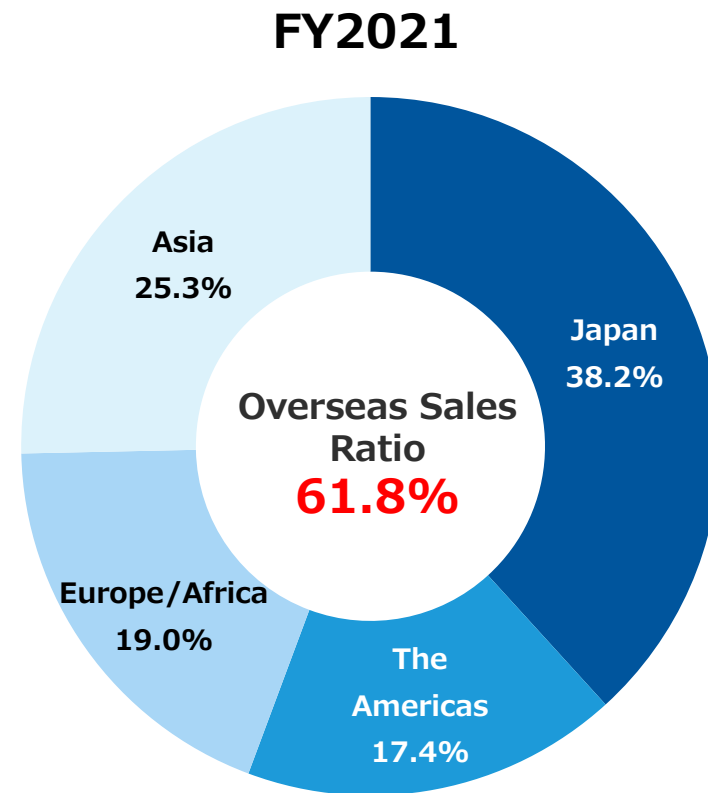
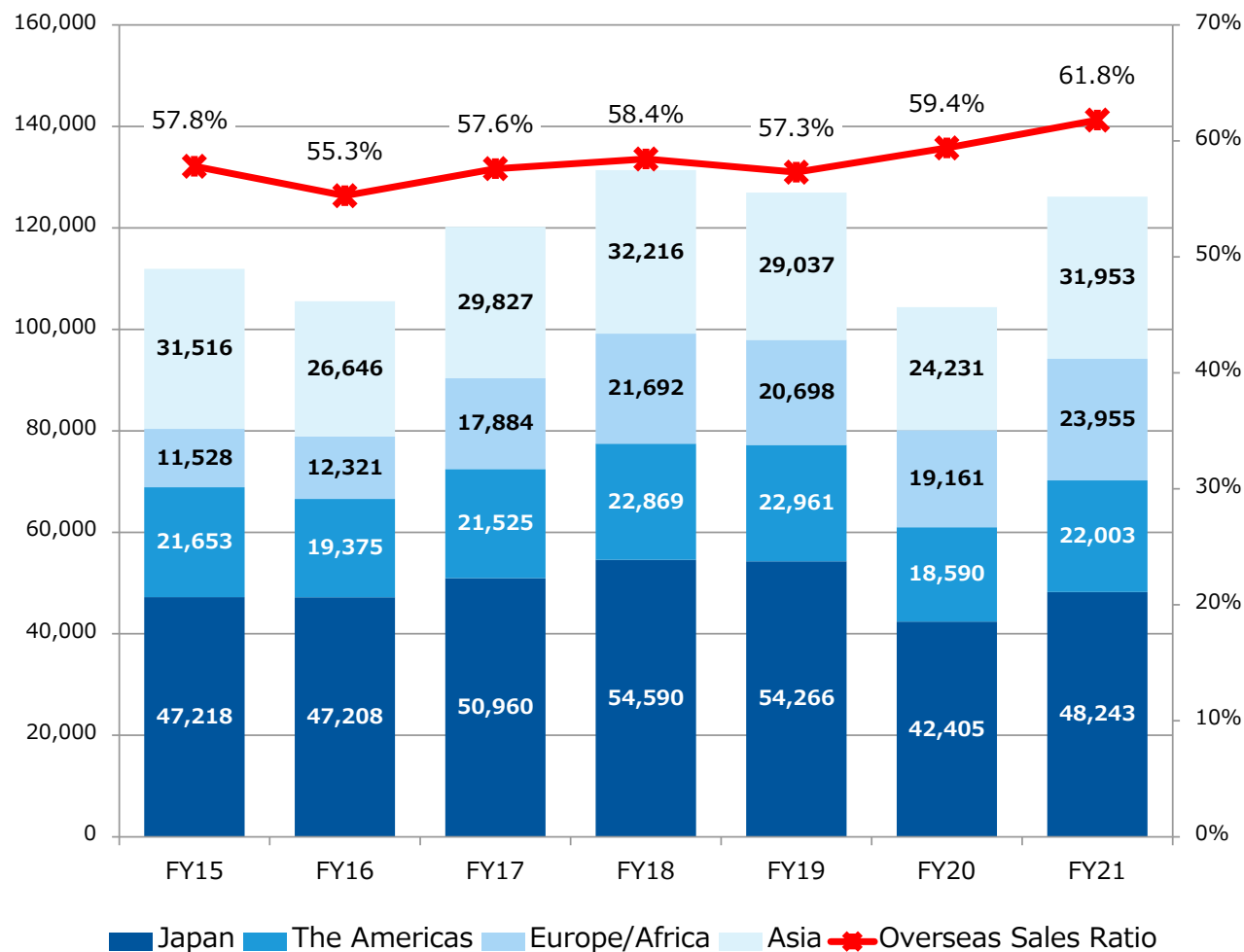
Operating Income

(Millions of yen)



Overseas Sales Ratio

(Millions of yen)



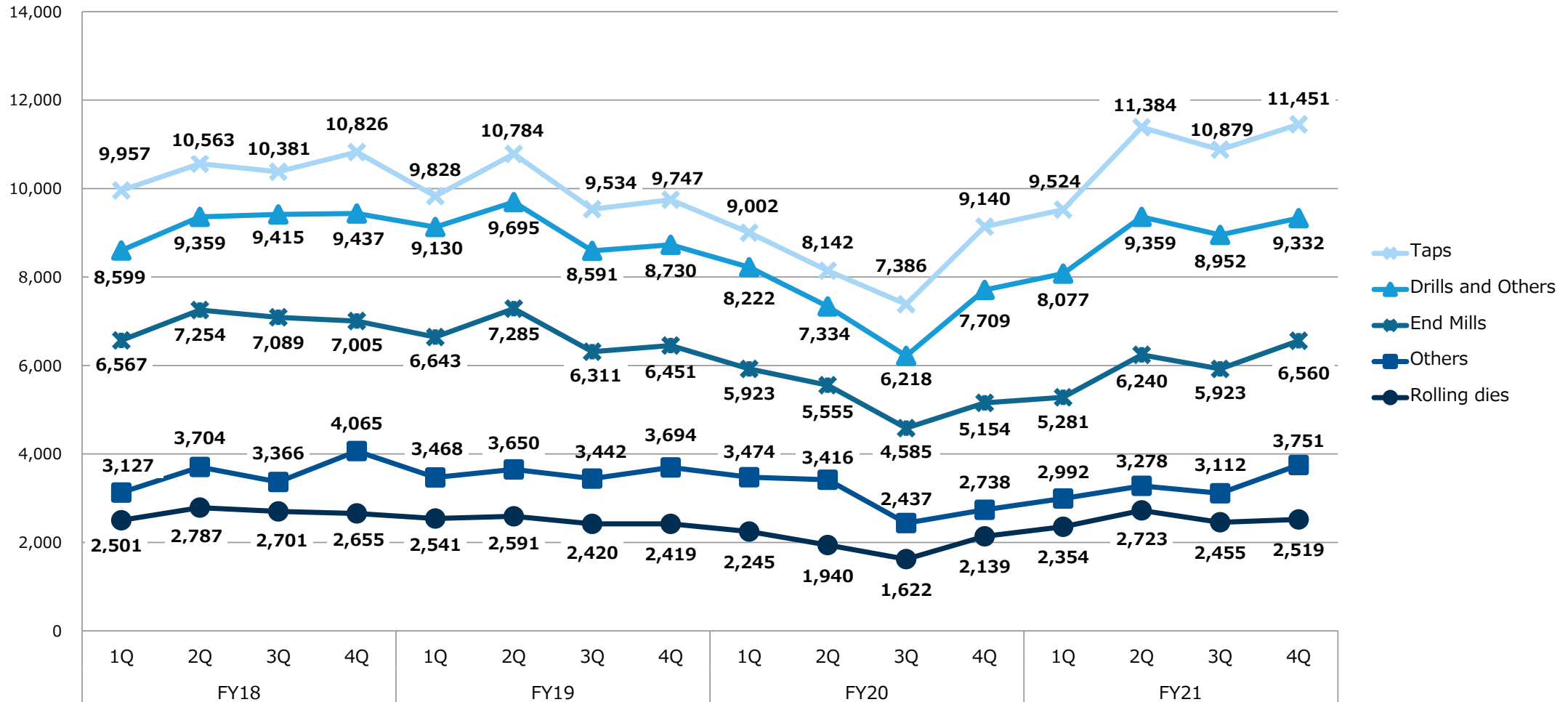
Net Sales by Product Segment

(Millions of yen)

		FY20						FY21						Change	
		1Q	2Q	3Q	4Q	Total		1Q	2Q	3Q	4Q	Total			
Precision Tools	Taps	9,002	8,142	7,386	9,140	24,530	31.6%	9,524	11,384	10,879	11,451	43,239	34.4%	9,568	28.4%
	End mills	5,923	5,555	4,585	5,154	16,064	20.7%	5,281	6,240	5,923	6,560	24,006	18.9%	2,787	13.1%
	Drills and Others	8,222	7,334	6,218	7,709	21,775	28.1%	8,077	9,359	8,952	9,332	35,711	28.5%	6,237	21.2%
	Rolling dies	2,245	1,940	1,622	2,139	5,808	7.5%	2,354	2,723	2,455	2,519	10,025	8.1%	2,105	26.5%
	Gauges	461	455	398	397	1,314	1.7%	373	445	448	480	1,747	1.4%	35	2.1%
		25,854	23,426	20,211	24,541	69,493	89.7%	25,611	30,153	28,659	30,344	114,769	91.2%	20,734	22.1%
Other	Machine	1,149	1,139	501	703	2,789	3.6%	956	1,006	864	1,346	4,173	3.1%	680	19.5%
	Other	1,864	1,822	1,537	1,637	5,224	6.7%	1,663	1,826	1,799	1,924	7,213	5.7%	352	5.1+%
		3,013	2,961	2,039	2,340	8,013	10.3%	2,619	2,833	2,663	3,271	11,387	8.8%	1,032	10.0%
Total		28,867	26,388	22,250	26,881	77,506	100%	28,230	32,986	31,323	33,615	126,156	100%	21,767	20.1%

Net Sales by Product Segment

(Millions of yen)



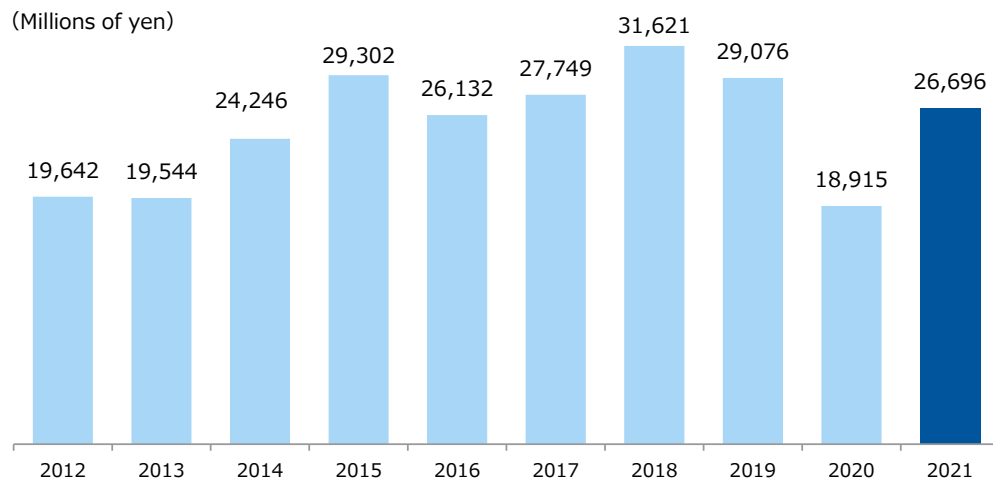
B/S Overview • EBITDA

(Millions of yen)

	FY20	FY21		FY20	FY21
Equity Ratio (%)	64.6	68.6	Cash and Time Deposits	37,807	46,795
Receivable Turnover Period (Days)	69	68	Debt	41,769	30,751
Inventory Turnover Period (months)	4.9	4.1	Net Cash	-3,962	16,043

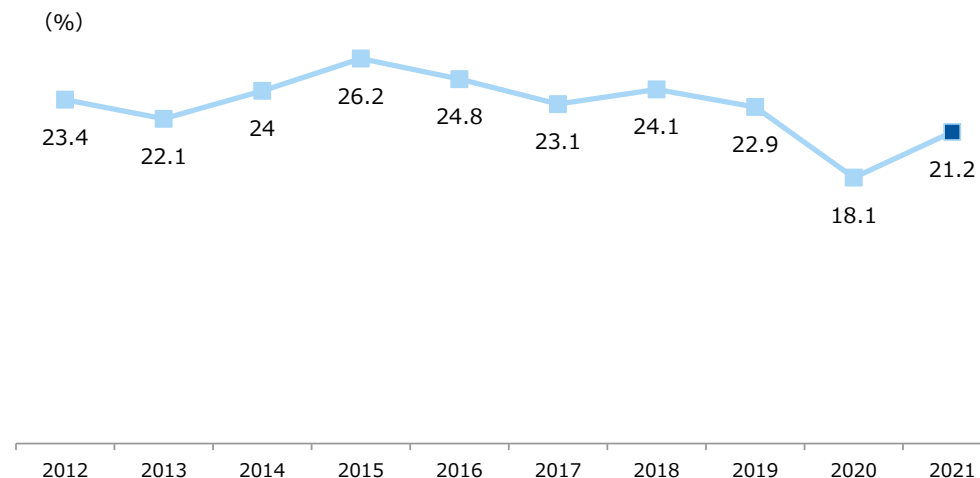
EBITDA

(Millions of yen)



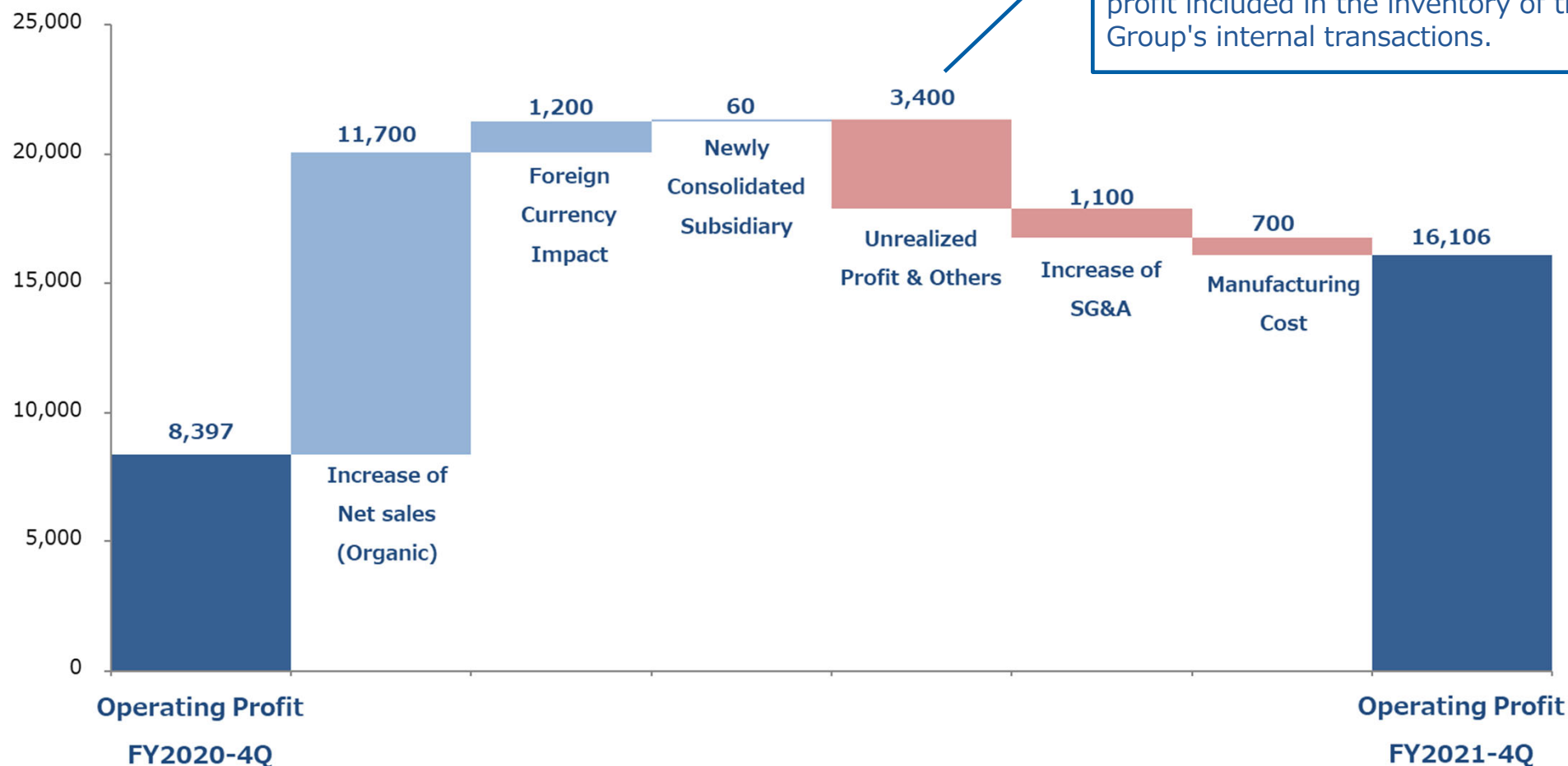
EBITDA Margin

(%)



Operation Profit Variation

(Millions of yen)



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.

Cash Flow Overview

	FY17	FY18	FY19	FY20	FY21	Change
Income before income taxes	21,086	22,567	19,845	8,896	16,354	7,458
Depreciation and amortization	8,612	9,100	9,522	10,518	10,591	73
Change in notes and accounts receivable	-1,690	-1,494	1,902	2,832	-2,448	-5,281
Change in inventories	-1,147	-3,854	-6,319	1,822	1,864	42
Change in notes and accounts payable	-253	768	453	-1,555	243	1,799
Change in accrued expenses	584	593	115	-1,704	1,227	2,931
Income taxes - paid	-4,525	-7,359	-6,503	-4,743	-2,703	2,039
Other, net	-1,846	-196	244	972	1,853	880
Net cash provided by operating activities	20,820	20,125	19,261	17,038	26,982	9,943
Purchase of property, plant and equipment	-9,494	-11,464	-17,139	-9,895	-5,555	4,339
Payment for purchase of subsidiaries' stock	-1,073	-620	-1,158	-2,054	-346	1,708
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-655	-	-	-3,266	-	3,266
Payments for time deposits and proceeds from withdrawal of time deposits	-86	-1,307	-532	-583	-1,455	-872
Other, net	3,742	41	-1,485	-1,332	395	1,728
Net cash used in investing activities	-7,566	-13,351	-20,314	-17,133	-6,961	10,171
Free cash flow	13,254	6,773	-1,053	-94	20,021	20,115
Change in interest-bearing debt	-6,132	305	6,258	14,692	-11,586	-26,279
Dividends paid	-4,411	-4,581	-4,709	-3,439	-2,440	998
Dividends paid to non-controlling interests	-367	-416	-525	-298	-323	-24
Proceeds from issuance of bonds	-	-	5,000	-	-	-
Purchase of treasury stock	-5	-4	-1,899	-1	-2	-1
Other, net	-219	-26	-660	-1,293	89	1,382
Net cash (used in) provided by financing activities	-11,137	-4,723	3,465	9,658	-14,264	-23,923
Effect of exchange rate change on cash and cash equivalents	540	-333	-690	-88	1,224	1,313
Net increase (decrease) in cash and cash equivalents	2,658	1,716	1,721	9,475	6,981	-2,494
Cash and cash equivalents from newly consolidated subsidiaries	300	229	437	120	73	-46
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	84	-	-	-	-	-
Cash and cash equivalents at end of period	19,598	21,545	23,704	33,299	40,354	7,054

Capital Investment

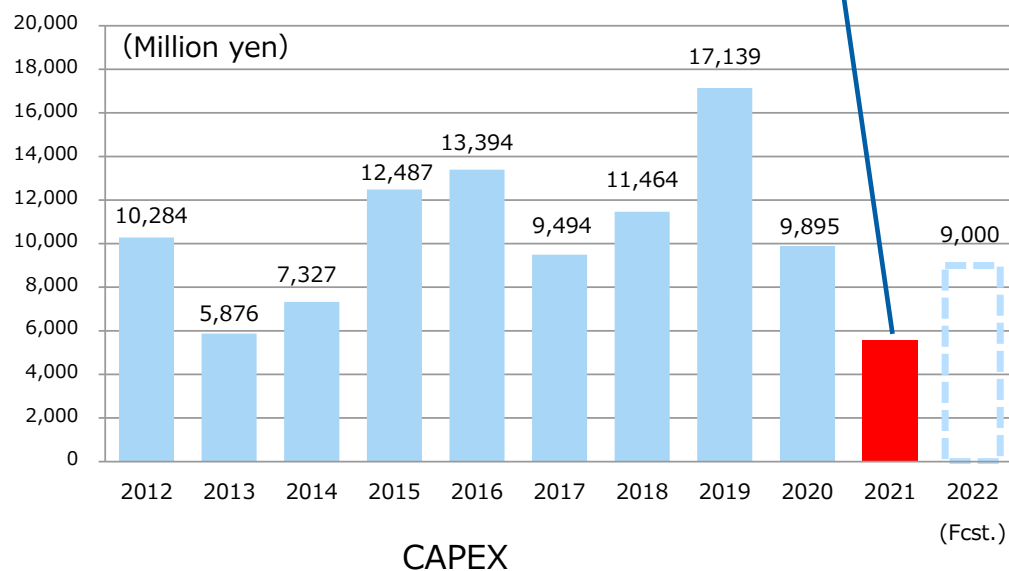
FY22 Capital Investment Forecast

9.0 billion yen

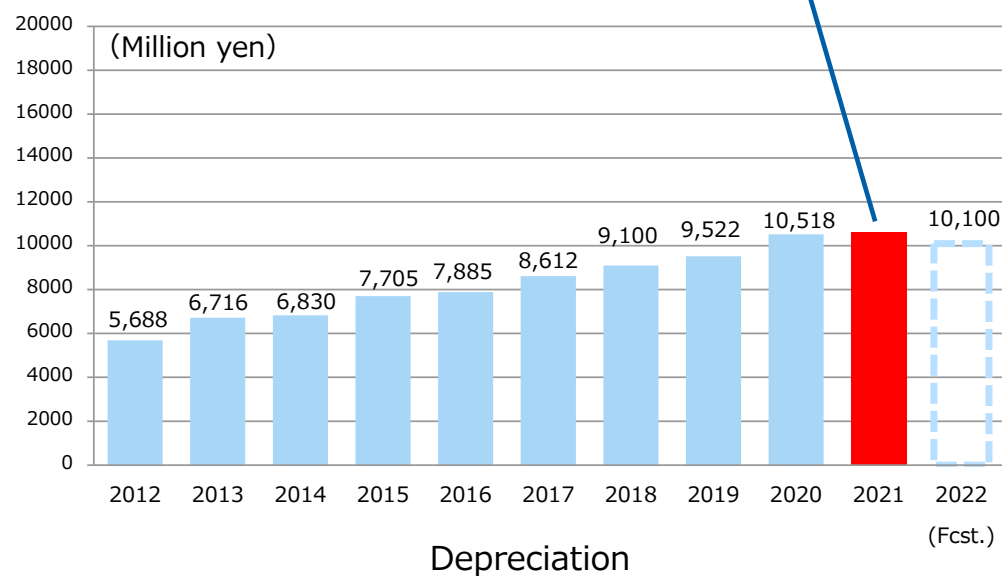
Breakdown

Mainly renewal and enhancement of machinery and equipment

CAPEX : 5,555



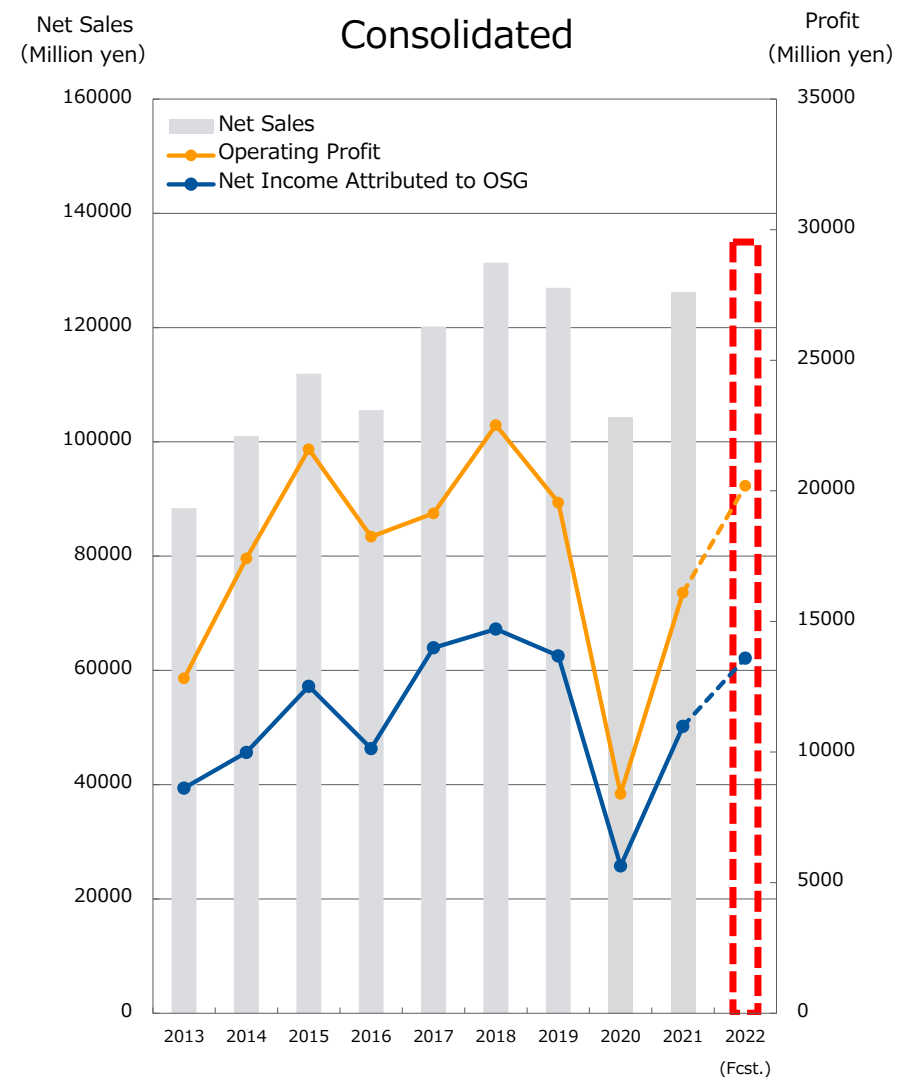
Depreciation : 10,591



Forecast for FY22

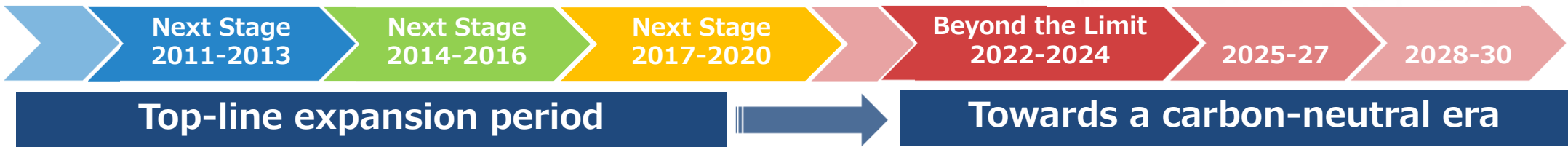
	Consolidated		Parent Company	
	Amount (million yen)	Growth	Amount (million yen)	Growth
Net Sales	135,000	+7.0%	56,000	+7.5%
Operating Profit	20,200	+25.4%	6,000	+22.7%
as % of sales	15.0%	-	10.7%	-
Ordinary Profit	20,200	+25.1%	10,600	+60.1%
as % of sales	15.0%	-	18.9%	-
Net Income Attributed to	13,600	+23.8%	8,700	+70.3%
as % of sales	10.1%	-	15.5%	-
EPS (yen)	139.25	-	89.05	-

*Exchange rate FY2022(Fcst.) : 1US\$=115.00yen 1Euro=130.00yen



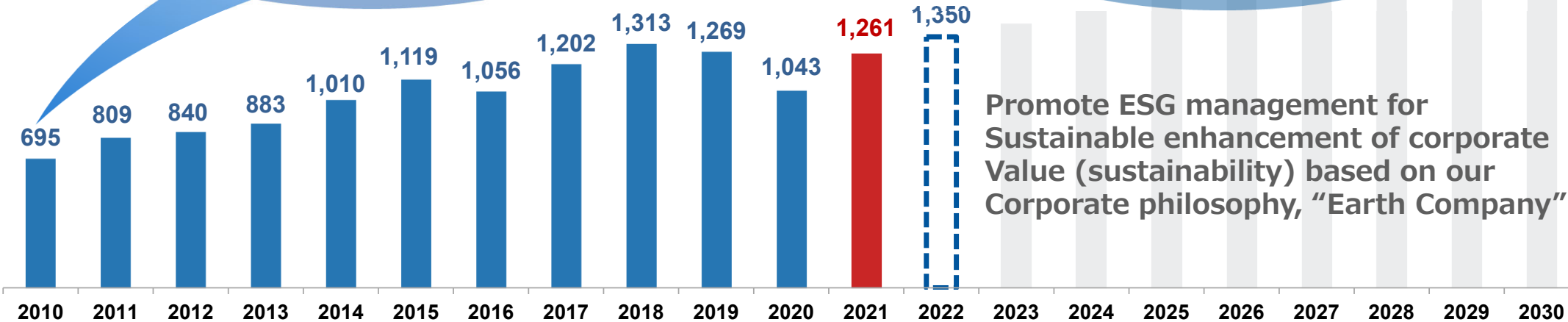
New Medium-term Management Plan 「Beyond the Limit 2024」

Long-term Vision



Become the world's top manufacturer of holmaking cutting tools

To become an essential player that contributes to the global manufacturing industry

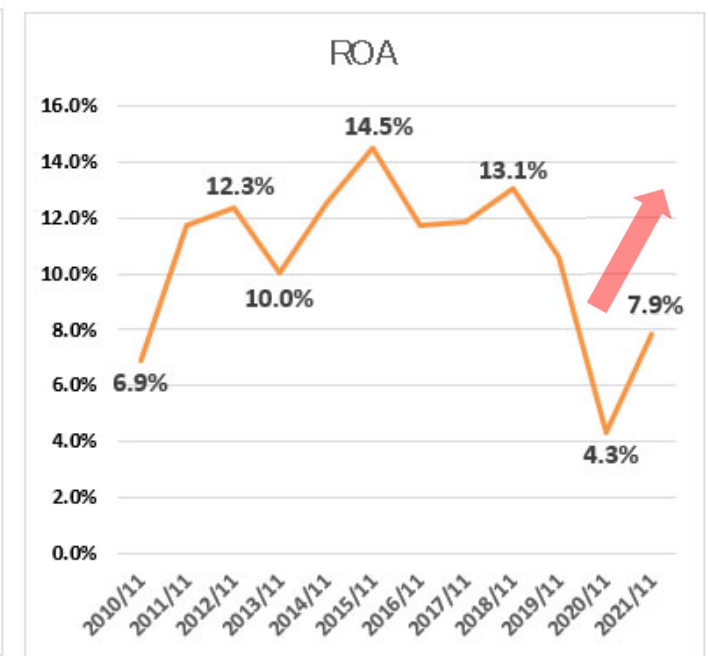
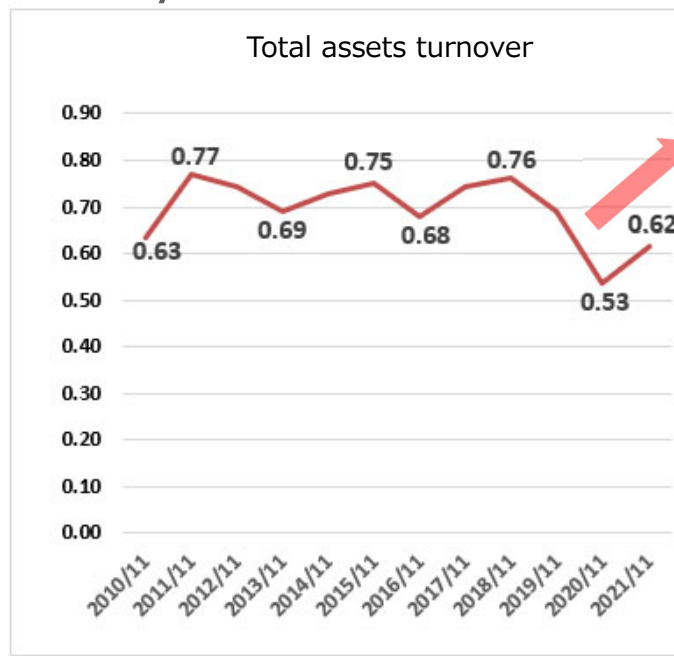
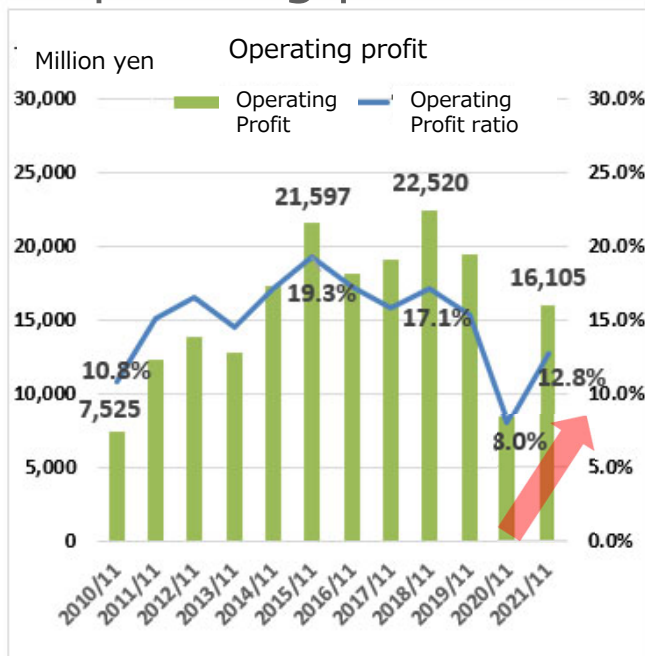


Promote ESG management for Sustainable enhancement of corporate Value (sustainability) based on our Corporate philosophy, "Earth Company"

Medium-term Management targets

(Fiscal Year Ending November 30, 2024)

- ROA (based on operating profit) 15%
- Operating profit : 30 billion yen



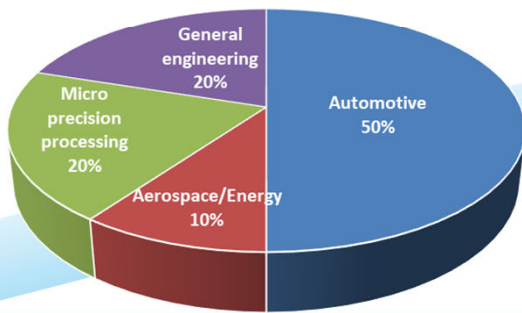
The sales division (including group sales companies) aims to improve the operating margin while the manufacturing division (including group manufacturing companies) aims to improve the total asset turnover rate. We will strive to improve ROA based on consolidated operating profit by multiplying the two.

Basic Strategy

Medium-term management plan to transform the company into an essential player that contributed to the global manufacturing industry

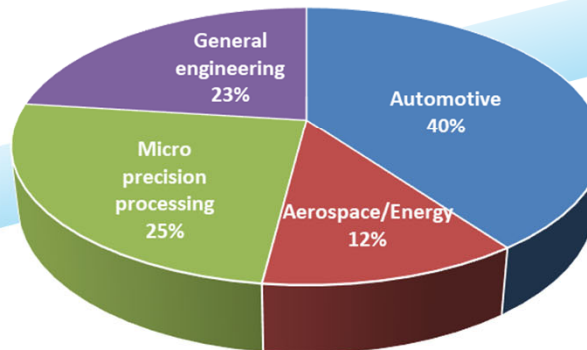
Beyond the Limit 2022-2024 (Stage1)

- Improve profitability and business efficiency to create a strong corporate structure
- A Brand sales rate 30%
- Coating and tool reconditioning rate 10%
- Expand sales for micro precision ratio 10%
- Expand sales in the energy industry
- Establish a sales and production system that makes full use of digital technology



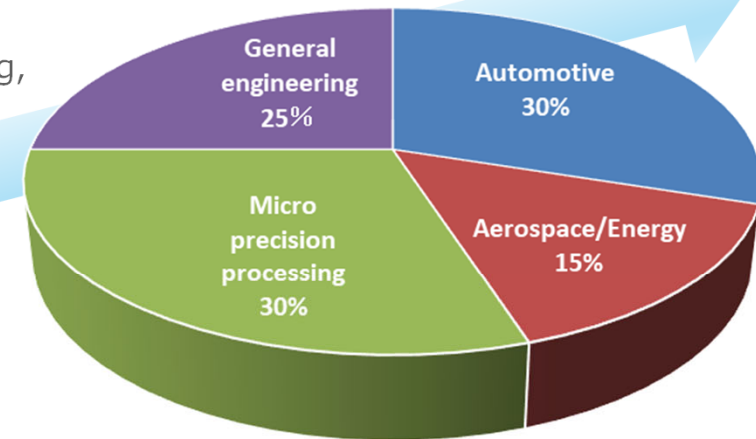
Beyond the Limit 2025-2027 (Stage2)

- Achieve 40% share in the global tap market
- A Brand sales rate 40%
- Coating and tool reconditioning ratio 15%
- Global expansion of digital manufacturing/optimize local production
- Expand sales in micro precision machining, energy and aerospace industries



Beyond the Limit 2028-2030 (Stage3)

- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers



Basic strategy (Key Indicators)

【A Brand Ratio】

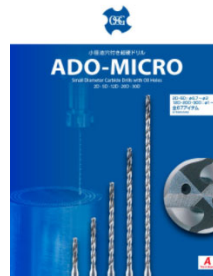
Set the following targets as the ratio of A Brand sales to total sales of taps, drills and end mills

FY11/2021 Actual	18%
FY11/2024 Target	30%
FY11/2027 Target	40%

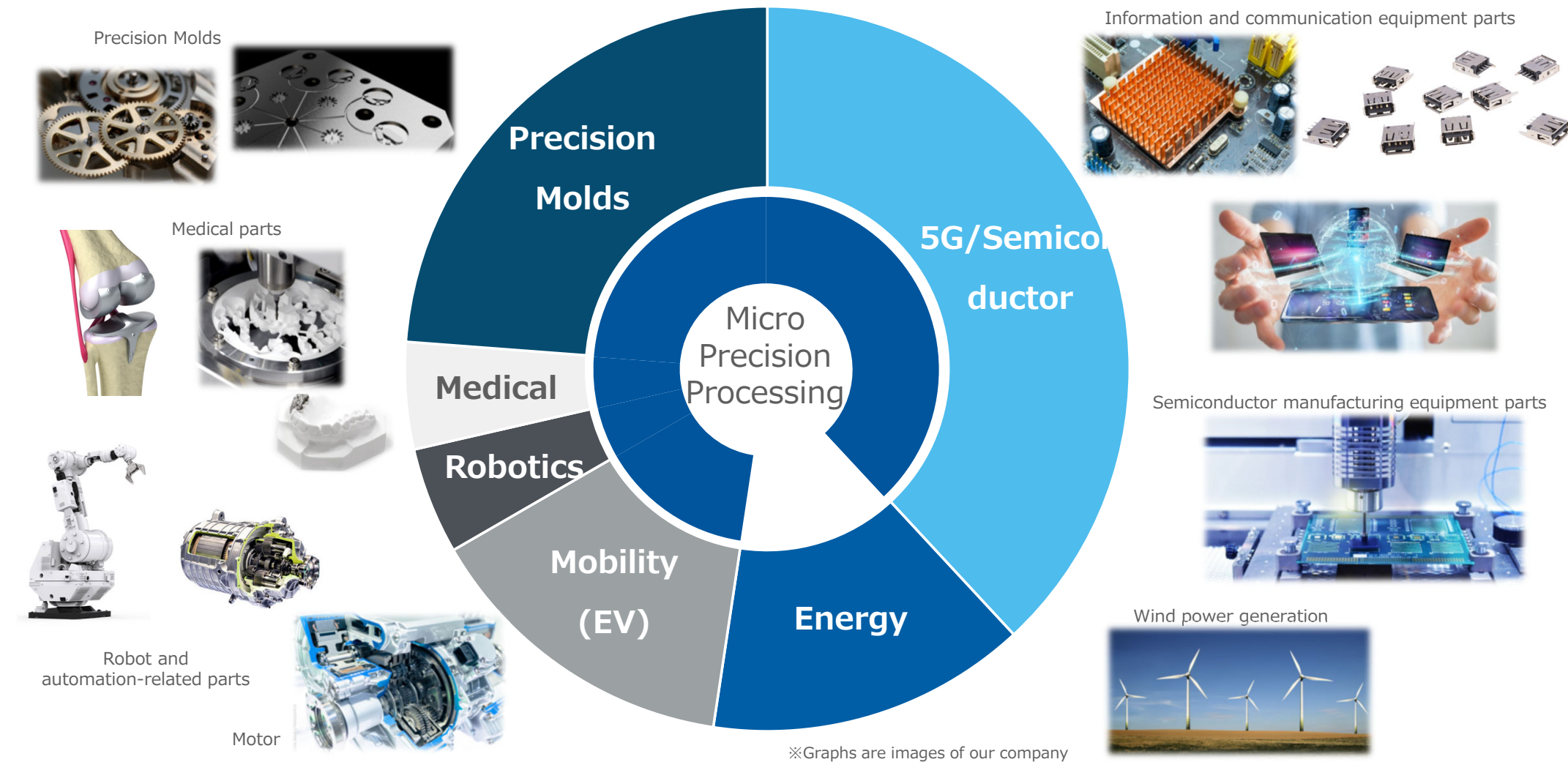


【Sales for Micro Precision Processing】

FY11/2021 Actual	16%
FY11/2024 Target	20%
FY11/2027 Target	25%
FY11/2030 Target	30%



Business opportunities and growth area



Coating and Tool Reconditioning

The OSG Group engages in recycling initiatives through reconditioning and recoating of tools, and we strive to maintain a business model that contributes to a sound material-cycle society.

OSG Design Center Aoyama Seisakusho Co., Ltd.

Development of tools that lead to a reduction in environmental impact through the reduction of cycle time in customers' production activities. Worn tools are reused through regrinding. The company operates in 20 countries around the world.

OSG Coating Service Co., Ltd.

Coating improves wear resistance and processing efficiency to maximize tool life. In addition, worn tools can be re-coated to reduce environmental impact. OSG Coating Service is expanding its market presence under the Primus Coat brand worldwide.

Nihon Hard Metal Co., Ltd.

As a manufacturer of cemented carbide materials, Nihon Hard Metal supplies high quality and high value-added cemented carbide materials. Nihon Hard Metal also promotes the reduction of waste through recycling of cemented carbide tools.

Coat-X Japan Co., Ltd.

Coat-X Japan Co., Ltd., a joint venture launched in August 2021 with Coat-X, a Swiss venture company, will begin its water-resistant coating business in early FY2022 for medical and electronic components other than cutting tools.

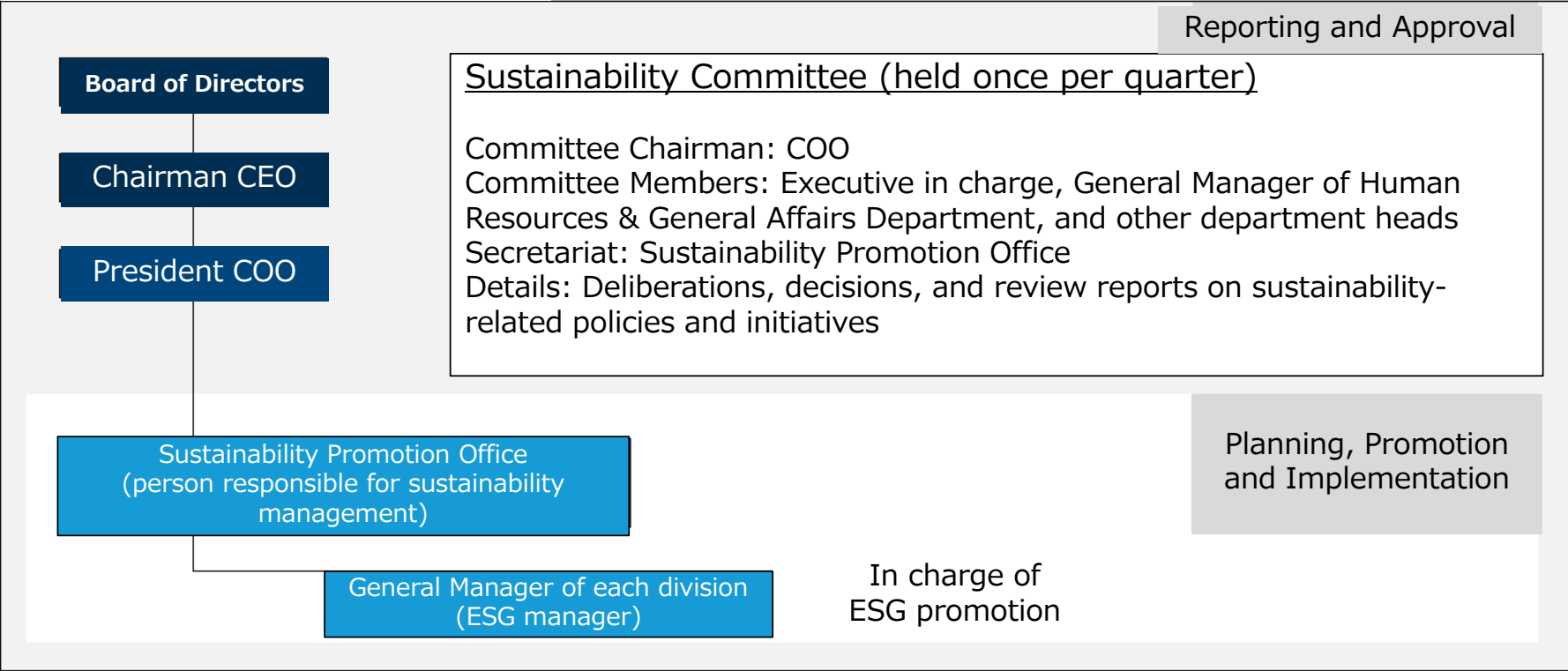


Promotion of ESG Management

Basic Sustainability Policy

The OSG Group aims to contribute to the sustainable development of society as an essential player that contributes to sustainable manufacturing industries around the world through its unique, high value-added products and services.

Sustainability Promotion Structure



Selected Important Issues(materiality)

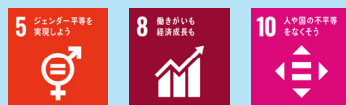
Initiatives to Address Climate Change

We have expressed our support for the TCFD and are working to adapt to the business impacts of climate change, promote business activities that contribute to a decarbonized society, and reduce greenhouse gas emissions.



Creating a Rewarding Work Environment

We will create an environment in which each and every employee can take pride and fulfillment in his or her work, and in which diversity can be utilized to maximize their abilities.



Efforts to Employ People with Disabilities

In June 2021, we established the "Special Subsidiary Preparation Team" with the vision of establishing a special subsidiary in the future. As employees working together, we are developing an environment in which people with disabilities can work, taking consideration of their aptitude and symptoms.



Health and Safety Management

As a "health company," we consider the safety and health of our employees to be an important management issue, and promote the "promotion of employee health" and the "creation of a comfortable and safe work environment."



Sustainable Development of Local Communities (1) Initiatives for Sports Promotion

We support local professional sports as the top sponsor of the Higashi Mikawa professional basketball team, the San-En Neo-Phoenix.

We also play a role in revitalizing the local community by holding events inviting people to watch the games for free.



Sustainable Development of the Local Community (2) Support for Medical Institutions and Facilities

In support of the response to the new coronavirus, we donated protective clothing and masks to medical personnel, and cooperated in the operation of vaccinations at workplaces in neighboring areas. We are contributing to the creation of warm communities by regularly donating furniture and other equipment to support facilities for the disabled.



Enhancement of Corporate Governance

The Board of Directors is composed of a majority of highly independent outside directors, which enables the Board to fully exercise its management oversight function. In addition, from the perspective of diversity, one woman was nominated as a candidate for outside director at the General Meeting of Shareholders held in February. As a mechanism to enhance corporate governance, we share the action guidelines for compliance with corporate ethics throughout the Group and are working to raise awareness.



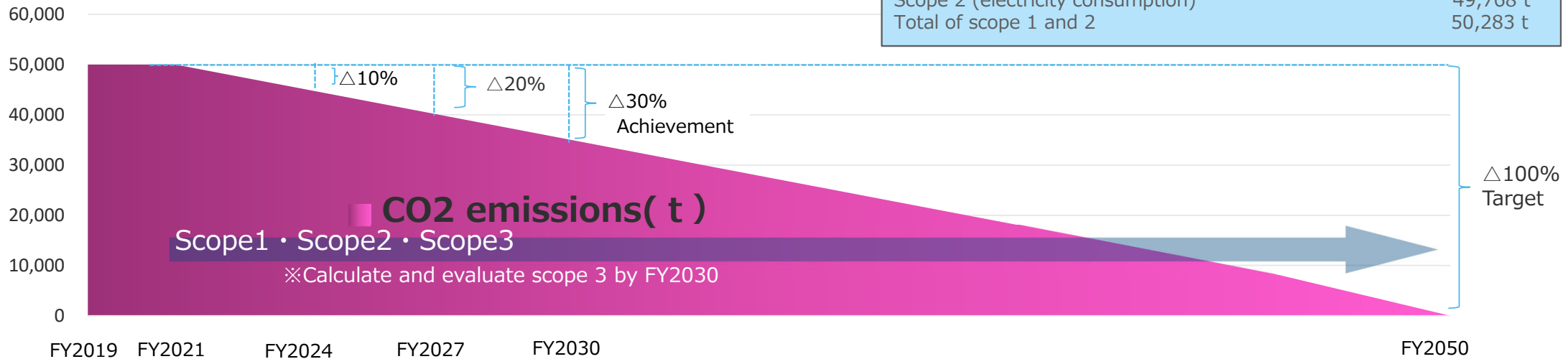
Sustainable Finance

In order to monitor and disclose information on the status of KPI achievement, we have contracted "ESG evaluation-based financing." In addition, we will consider introducing sustainable finance such as "sustainability-linked loans" and "green bonds" when raising funds for investment, and make efforts to advance ESG/SDGs management.



Carbon Neutral Declaration

Image of CO2 reduction to achieve the target



STEP 1 Reduce (energy saving))

Energy conservation in manufacturing processes

Installation of high-efficiency equipment and initiatives to improve energy efficiency in production activities at our factories

Investment in high-efficiency equipment that meets a sufficient level of energy conservation to achieve carbon neutrality

Research and development of new processes for energy conservation

STEP 2 Create

Utilization of clean energy

Introduction of solar power generation equipment, etc.

Introduction of equipment and initiatives to convert electricity used in company business activities to clean energy.

STEP 3 Utilize

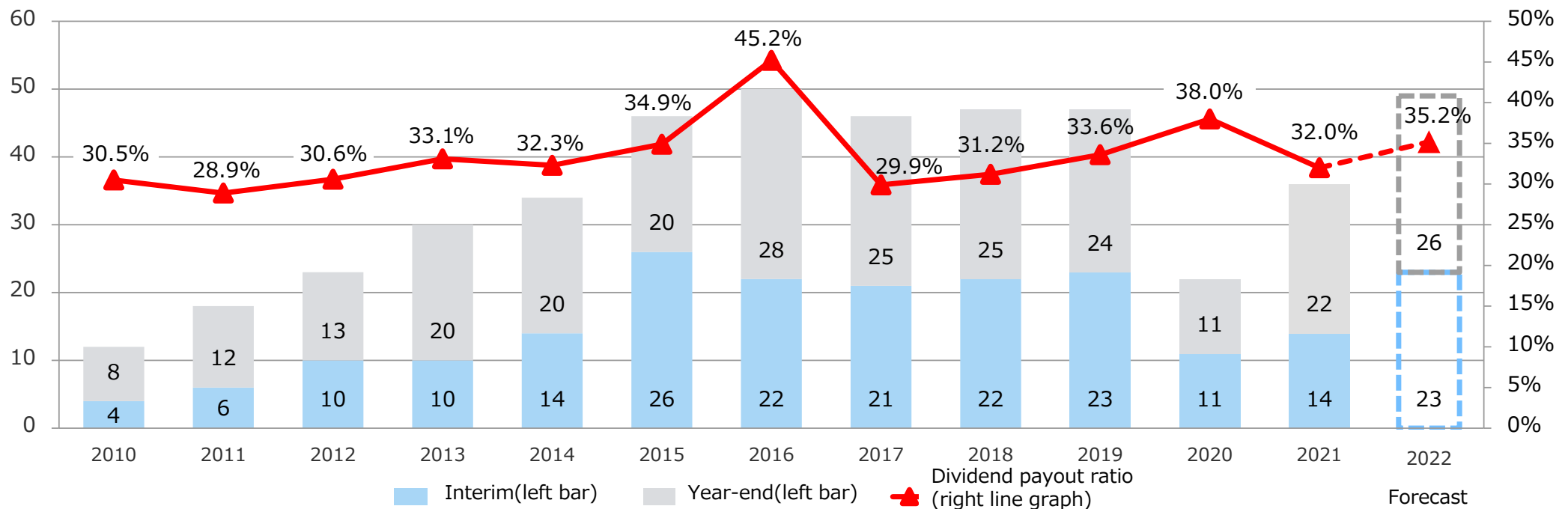
CO2-free electricity

Purchase of electricity derived from renewable energy sources

Consider carbon offset platforms

Shareholder Return Policy

The dividend payout ratio will be increased from the current commitment of 30% to 35% from FY2022. In the future, we will aim for a payout ratio of 40% while monitoring trends in our business performance. In addition, we will make decisions on share repurchases in consideration of capital conditions, business performance trends, our stock price level, growth investment opportunities, and improvement of capital efficiency.



Exchange Rate

	1US\$	1Euro	1RMB
FY16	109.78 JPY	121.39 JPY	16.54 JPY
FY17	112.33 JPY	126.20 JPY	16.59 JPY
FY18	110.53 JPY	130.68 JPY	16.74 JPY
FY19	109.36 JPY	122.53 JPY	15.86 JPY
FY20	106.94 JPY	121.60 JPY	15.41 JPY
FY21	109.41 JPY	130.04 JPY	16.94 JPY

Appx.1 Selected Financial Data (Consolidated)

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	126,156
Sales growth	(%)	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	21%
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	76,969
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	49,186
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	33,081
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	16,105
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	16,141
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	10,989
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%	39.0%
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%	26.2%
Operating income	(%)	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%
Ordinary income	(%)	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%
Net income	(%)	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%
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	109.41
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	130.04
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	209,757
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	143,811
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	112.63
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	22.00
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	1,472.45
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	97,573
ROE	(%)	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%
Equity ratio	(%)	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%
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	26,982
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	-6,961
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	-14,264
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%	21.4%

Expansion of Overseas Business

