shaping your dreams

Another Record Year

Annual Report 2015

Year ended November 30, 2015

OSG Corporation

PROFILE

OSG manufactures and sells a comprehensive range of consumable tools used mainly in machine tools and controls the biggest share of the world market for taps, which it has produced since its founding in 1938.

Throughout its history, OSG has continually improved the technology behind its high-quality, high-performance products, as well as its ability to respond effectively to the needs of its customers. It has contributed to industrial development worldwide by supplying cutting tools as core manufacturing equipment for use in a wide range of industries, including automotive and aerospace.

As of November 2015, the OSG Group consists of 14 consolidated subsidiaries in Japan and 38 overseas, and employs a total 5,569 staff at business sites in 29 countries. OSG has achieved record net sales and operating income in two consecutive years.

OSG will continue to work toward ever more ambitious goals,
shaping customers' dreams into reality.

CONTENTS

Aiming for a third year of extraordinary performance

SALES — 10% UP
¥111,918 million

GROSS PROFIT — 16% UP
¥50,052 million

OPERATING INCOME — 24% UP
¥21,597 million

NET INCOME — 25% UP
¥12,518 million

NET INCOME PER SHARE — 25% UP
¥131.78

EBITDA — 20% UP
¥29,302 million

EBITDA MARGIN — 2.2pt UP
26.2%

ROE — 1.2pt UP
12.9%

EQUITY RATIO — 1.8pt UP
66.1%

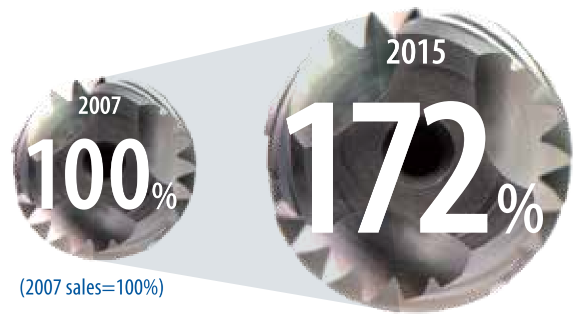
We have the tools to succeed

Our continuing challenge is to grow and develop an even bigger global presence. We will approach this challenge by constantly increasing the value we provide, including further development of our groundbreaking advanced technology, and new innovations achieved through communication with our customers. We will work globally to find solutions that enable our customers to fulfill their aspirations.

BUSINESS MODEL

Our distinctive business model integrates engineering, manufacturing and sales. We create knowledge and expertise through face-to-face communication with our customers about tools, and we use that know-how to produce superior products. This business model is the driving force that allows us not only to create highly competitive tailored products, but also to apply our technology to high-quality catalog products. By combining tailored and catalog products, we aim to become the global top manufacturer of hole-making cutting tools.

REGRINDING SALES GROWTH

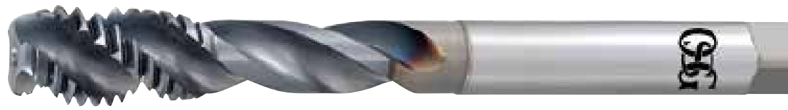


(2007 sales=100%)

SUSTAINABLE TOOLS

Every product and service that we supply is backed by our active commitment to efficient resource use and care for the environment. Our regrinding and recoating services are especially effective in reducing waste, while conserving rare metals and other natural resources. We are expanding these services globally as part of our contribution to cost savings for our customers.

29 COUNTRIES



GLOBAL NETWORK

OSG established its first overseas subsidiary in the United States in 1968. Since then, we have built a global manufacturing, sales, and technical support network linking 29 countries worldwide. With an international business history spanning more than 45 years, we have extensive experience in the development of new markets, as well as a strong team of people with a deep understanding of international business. We will use these assets to build an even stronger presence in global markets.

SUPPLY CAPABILITIES

CAPITAL EXPENDITURE

YoY 70 %UP

We are one of the few tool manufacturers to handle all processes from raw materials to coating using our own technology. This capacity is vital to our ability to supply products that meet our customers' expectations in terms of quality and performance. It also differentiates our products and services from those offered by our competitors. We are continually expanding and improving our production facilities in Japan and overseas to create a global network of optimally located sites.

FINANCIAL FOUNDATION

We will continue our efforts to maintain a sound financial structure and improve our earnings base by strengthening our marketing efforts worldwide, thereby raising the factory operating rate.

CREDIT RATINGS (R&I)

(As of June 24, 2015)

A- → A

Global Presence

As a comprehensive cutting tool manufacturer, we make products that at a fundamental level contribute to enhancing people's quality of life. Through continuous growth, we have established a production, sales and technical support network spanning 29 countries. Our corporate aim is to continue to expand our operations globally and strengthen our contribution to the manufacturing industries in the world.

Tool Communication

To OSG, there is a close link between tools and communication. Not only is active two-way communication with customers an essential part of our product development, it is also vital when we assist them in the selection and application of tools, and provide after-sales service. Thus, communication is key to the success of our operations and to our commitment to develop ever-better products. Moreover, the excellent results brought by the use of high-quality tools help to enhance business relationships.

TO OUR SHAREHOLDERS

Supporting manufacturing processes as a bridge to a more prosperous future

Despite China's economic slowdown since the summer, the world economy remained generally strong in fiscal 2015 (from December 1, 2014 to November 30, 2015). Under our three-year management plan, "The Next Stage 14" (2014–2016), the entire OSG organization worked to evaluate and propose optimal processing methods to major users, while also expanding sales of our "A Brand" catalog products. As a result of these efforts, we set new records for both net sales and income—and achieved our three-year management target for operating income target a year ahead of schedule.

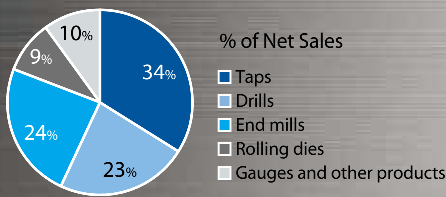
In line with our basic policy of maintaining a dividend payout ratio of 30% or higher, we set the annual dividend for the year ended November 30, 2015 at ¥46 per share, consisting of an interim dividend of ¥26 and a final dividend of ¥20.

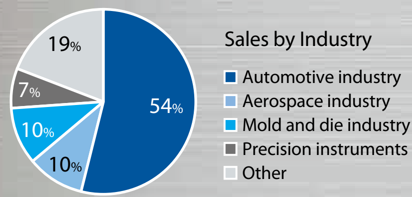
By developing not only tools to meet today's needs, but also providing processing optimization services, OSG has become the preferred means by which customers reach their highest aspirations. I believe that we are contributing to the improvement of living standards and the creation of a more prosperous society around the world through our support for the processes used to make all manner of manufactured goods. As a bridge to a better future for society, OSG will continue to improve its corporate value by further enhancing its tools and services to support manufacturing processes worldwide.

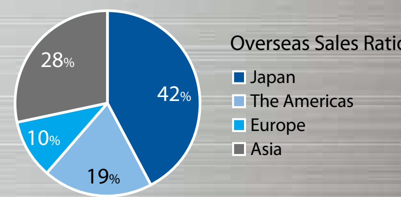
Throughout all of our endeavors, we are grateful for the continuing cooperation and support of our stakeholders.

Teruhide Osawa
Chairman and CEO

OSG AT A GLANCE

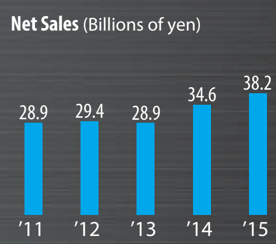






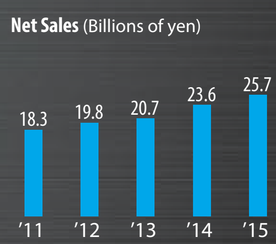
TAPS

Taps cut screw threads on the inside surfaces of holes, creating the “female” half (nut) of the screw. High precision is vital, particularly in areas such as automotive engines, which require precision screws. We offer a full range of diameters from small to large and with specifications suitable for a wide variety of uses. OSG has top market share for taps in Japan and around the world.



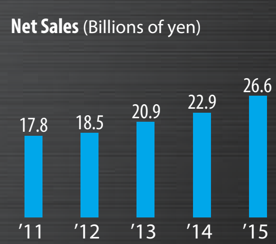
DRILLS

Drills are used to make holes in a wide range of surfaces. We have received high acclaim for our development of high-precision, high-value-added products for use in automotive and aircraft part manufacture, which demands advanced processing techniques and zero margin of error.



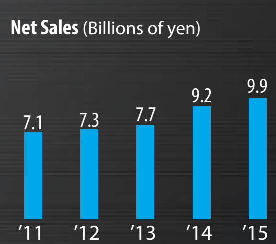
END MILLS

End mills are used to cut and contour molds for plastic parts, for instance for electric home appliances, as well as die-casting dies for automotive parts and stamping molds. To meet today’s demanding requirements, such as smaller size, lower weight and reduced cost, we are currently developing new products that utilize our advanced proprietary coating technology.



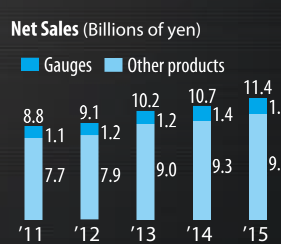
ROLLING DIES

Thread rolling dies are used to copy threading onto metal bars to make “male” screws (bolts); the process consists of rolling the bar between two thread rolling dies tightly pressed to each side. OSG manufactures cylindrical and flat rolling dies for screws, worms and serrations, thread rolling planetary dies and counter-flow rolling dies, in accordance with their intended use.



GAUGES AND OTHER PRODUCTS

Gauges are used to inspect the final dimension of holes and threads. We started to market screw thread gauges for ISO-class specifications soon after JIS (Japan Industrial Standards) introduced the ISO gauge standard. OSG provides not only gauges but also a gauge calibration service to meet customer demand.



AN INTERVIEW WITH THE PRESIDENT

Challenge, uncertainty, and steady growth

We aim to accelerate our growth toward new targets and achieve another record year.

Norio Ishikawa
President and COO

Q. 1

Would you begin by summarizing OSG's performance in the year ended November 2015 and sharing your assessment of the results?

A. 1

In fiscal 2014, we became the first Japanese cutting tool manufacturer to achieve net sales of ¥100 billion. We set new targets for net sales and operating income in fiscal 2015, which we later raised to ¥112.8 billion and ¥21.5 billion, respectively, and implemented a variety of initiatives to work toward those targets. I would sum up fiscal 2015 as a year in which our performance was boosted by strong demand from the automotive and aerospace industry. This allowed us to achieve our initial targets at the end of the first half of the year, so we were able to increase our targets for the whole year.

Despite the impact of China's economic slowdown in the fourth quarter, our net sales for the whole of fiscal 2015 set a new record for the second straight year with 10.8% year-on-year growth to ¥111.9 billion. This result reflects excellent sales of our products, specifically taps, which OSG has produced since its founding, and carbide tools, our current focus. Operating income also set a new record for the second straight year, with a 24.0% year-on-year increase to ¥21.5 billion. This growth resulted from high operating rates in domestic and overseas plants, and, to some extent, also the effect of a weaker yen. As a result, we reached our three-year management target of ¥21 billion one year ahead of schedule. We also set a new record for our overseas sales ratio, which reached 57.8%.

These excellent results were made possible by continuing investment over many years in human resources, research and development, and production facilities. I also see the results as proof that our overseas business operations are achieving steady qualitative and quantitative growth. However, there were also aspects of our activities in fiscal 2015 that will require careful reflection.

Q. 2 So, then, in what ways could your performance have been better?

A. 2 We caused problems for customers because our supply capacity for carbide tools lagged behind the buoyant demand. We intend to resolve this issue not only by expanding our production facilities, but also by improving the efficiency of our production and sales systems. For example, we will make better use of sales data, and we will further improve our logistics systems. We are determined to achieve our new management targets for fiscal 2016 by working steadily toward these goals.

Q. 3 What are your new management targets for fiscal 2016?

A. 3 Our management targets for fiscal 2016 are net sales of ¥117 billion and operating income of ¥23 billion. We regard these targets as the half-way point toward the realization of our medium-term vision, which calls for net sales of ¥150 billion and operating income of ¥30 billion in fiscal 2020. We face a number of challenges, including uncertainty about the world economy and the strengthening of the yen, which means that these will not be easy targets to achieve. However, we will focus our total corporate resources on the achievement of another record year through initiatives based on our core policy centered on new customer development and our flagship product strategy.

Q. 4 Could you explain your core strategy in a little more detail?

A. 4 OSG excels above all in the supply of tailored products created through a process of face-to-face communication that allows us to identify each customer's processing needs and recommend optimal processing methods. However, we need a large sales staff to achieve sales growth using this method. That is why we also need to sell catalog products with the cooperation of outside distributors. To achieve balanced growth in sales of both tailored and catalog products, we have adopted a dual approach based on our core strategy of developing major users, and on our flagship product strategy.

Specifically, we develop new customers and increase our share of sales to each customer by proposing optimized and highly efficient processing methods to users with extensive tool requirements, and by supplying products based on technology that is more advanced than that of our competitors. This approach allows us to expand sales of tailored products. At the same time, we are working to increase our market share in the volume zone for each of our flagship product categories by marketing these products under the "A Brand" label. The A Brand is our gateway to increased overall sales of catalog products, especially in overseas markets.

These efforts to win orders for OSG products are not limited to our sales force, alone. OSG has a corporate culture that encourages cooperative efforts by our sales, engineering and manufacturing teams in Japan and overseas. The aim of these activities is to provide services that ensure customer satisfaction so that our customers will continue to see us as a trusted partner.

Q. 5

What steps are you taking to expand your global market share?

A. 5

We will strengthen our marketing efforts aimed toward the automotive industry, which is our biggest source of orders and is expected to show continuing growth in the future. We are focusing in particular on emerging countries, including China, Southeast Asia, India, Mexico, Eastern Europe and Turkey. OSG has achieved growth in the past by providing fine-tuned services to end users on a face-to-face basis. We will ensure the continuity of this approach by building factories, especially in emerging countries, and by establishing inventory centers in various locations to enhance customer convenience.

We have identified the aerospace industry as a second major source of growth, and as an area in which we need to achieve substantial sales expansion. We will increase sales by offering highly efficient high-precision tools for processes involving a high degree of difficulty, including not only

FY2014–FY2016
Three-year Management Plan
The Next Stage 14

Long-term vision:
Leading global manufacturer of hole-making cutting tools

Global leader in market share for taps, end mills, drills, and rolling dies

20% operating profit margin

Medium-term vision:
To become a key global player with ¥150 billion in sales by fiscal 2020

Basic Strategies:

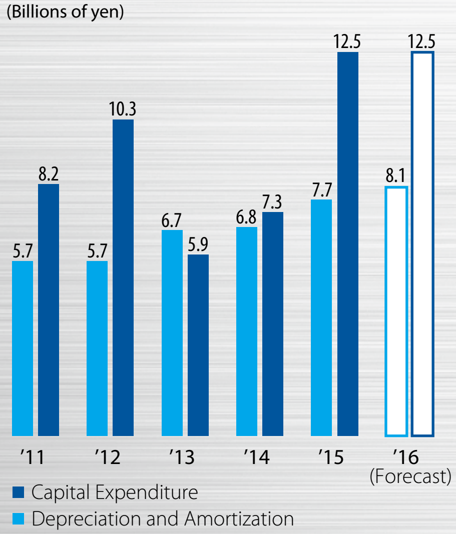
Development of New Customers

Flagship Products Strategy

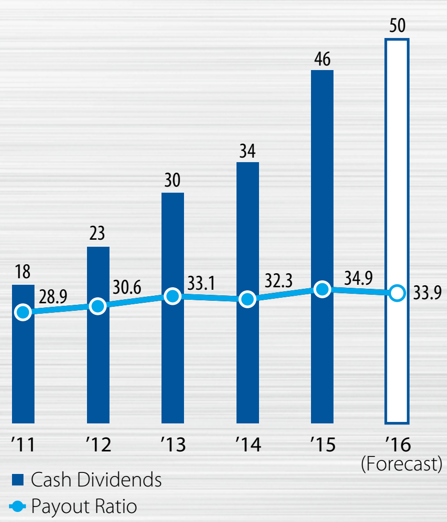
diamond-coated tools, but also tools for use with stainless steel and titanium alloys, and tools that allow high-speed processing of aluminum. From an environmental protection perspective, aircraft manufacturers are working to reduce carbon dioxide emissions by using lighter, stronger materials. This trend is expected to intensify. As aircraft production expands, the improvement of processing efficiency is also likely to become a priority. Light, strong materials tend to be very difficult to process, and OSG aims to achieve major sales growth by using its advanced technology to develop tools and propose optimal processing methods. We will also focus on the development of production systems to meet the needs of customers engaged in small-lot production of large product ranges.

Another strategic focus will be dynamic M&A activity, including acquisition of companies that would offset deficiencies in our capabilities. By using those companies to develop new customers and expand our business areas, we are determined to ensure our future growth and become the global top manufacturer of hole-making cutting tools.

Capital Expenditure/
Depreciation and Amortization
(Billions of yen)



Cash Dividends/Payout Ratio
(Yen/%)



Q. 6 What are your thoughts on the outlook for fiscal 2016 and your activities in the coming year?

A. 6 Current conditions make forecasting about the world economy extremely difficult, and those conditions are likely to continue. China's economic slowdown since the summer of 2015 has also applied the brakes to tool demand. However, we anticipate a gradual recovery, and we will therefore continue to invest our management resources dynamically in plant and facilities and M&A, while monitoring the levels needed to achieve our sales target of ¥150 billion in the year ending November 2020, as set down in our medium-term vision.

One of the issues that arose in fiscal 2015 was inadequate supply capacity for carbide tools. We will increase our capacity to meet expanding world demand for these products by prioritizing allocation of management resources to this area. We are building a new plant in Takeo City, Saga Prefecture to increase the production capacity of Nihon Hard Metal, a wholly owned Japanese subsidiary specializing in the production of cemented carbides and other materials. This plant will commence production in fall 2016. We will also increase production capacity for carbide products at our plant in Göppingen, Germany and establish a new technical center to develop tools to meet customer needs. In Mexico, we are building a second plant and technical center in Silao City, Guanajuato to strengthen our regrinding and recoating business. In India, we are currently rebuilding our Kolkata Plant, which functions as an export base. We also plan to rebuild our Pune Plant as a manufacturing base for carbide products for the Indian domestic market. In addition to this expansion of our global production capacity, we will also implement sweeping process reforms at all levels from materials development to coating and after-sales service. These initiatives will create optimized production and sales structures capable of meeting customer requirements in terms of both supply capacity and delivery lead times.

Q. 7 Please share your ideas about your capital policy going forward, and your thinking on shareholder returns.

A. 7 When determining our policy on shareholder returns, which we recognize as a very important priority, we take a range of factors into account, including the need to retain earnings to strengthen our corporate structure and fund capital investment to ensure continuing growth. Our basic policy is to maintain a dividend payout ratio of at least 30% of consolidated net income. We will continue our efforts to provide appropriate returns to our shareholders, while also managing our activities to ensure future success, including the provision of funds for M&A. We hope that shareholders will continue to understand and support this policy.

Norio Ishikawa
President and COO

AEROSPACE INDUSTRY

Process Support for Advanced Aircraft Parts

For many years, OSG has supplied tools for use in the processing of aircraft parts in Japan, the United States, Canada, Brazil, Europe, and other markets. We have built a reputation as a versatile supplier with wide-ranging expertise and experience in the area of tools that can process difficult-to-cut materials, such as CFRPs (carbon fiber-reinforced plastics) and titanium oxides. We aim to enhance that reputation further by expanding our activities at the Advanced Manufacturing Research Centre (AMRC).

Promotion to AMRC Tier 1

Since joining the AMRC in September 2013, OSG has earned recognition for its advanced technology and ability to work on a wide range of projects. In June 2015, it was promoted to AMRC Tier 1. There are approximately 20 Tier 1 companies, the elite members of the AMRC, while another 60 companies are classed as general participants at the Tier 2 level. OSG is the only Japanese cutting tool manufacturer to achieve Tier 1 status.

In addition to participation in the AMRC as a director, an OSG representative will also attend AMRC technical board meetings. OSG is determined to fulfill its role as a Tier 1 member by stationing engineers at the AMRC and proposing projects. We will also further refine our advanced technology through intensive participation in various projects.

Enhancing Our Reputation for Advanced Technology

CFRPs are used to reduce the weight of aircraft, such as the Boeing 787 and the Airbus A350. The types of CFRPs used and their processing properties vary according to their locations in aircraft. As a result, a wide range of tools is needed to process these materials optimally. OSG is building a solid presence within the AMRC, in part because of the need for its technology and experience for important projects relating to the processing of CFRPs and titanium. Another reason for OSG’s excellent reputation is its self-sufficiency in all related areas, including materials, tool design, and coatings. Promotion to Tier 1 has dramatically expanded our opportunities to demonstrate our capabilities in the aerospace sector. We will continue to contribute to the growth and success of the global aerospace industry by monitoring information about industry trends and applying that information to product development.

AMRC

Established as a partnership by the British Government, the University of Sheffield and private sector corporations, such as Boeing, the Advanced Manufacturing Research Centre is the world’s biggest advanced aerospace research facility. Its research activities encompass numerous fields, including basic materials research, as well as machining and casting of CFRPs, titanium and other materials. Over 80 companies are currently involved, including Boeing, Rolls Royce, Airbus, Spirit Aerospace, and BAE Systems.

AUTOMOTIVE INDUSTRY

Capturing Demand Generated by Rapid Growth of the Mexican Automotive Industry

Advance of Japanese Automotive Manufacturers and Suppliers into Mexico

In 2014, Mexico overtook Brazil, where production is stagnating, to become the biggest motor vehicle producer in Latin America and the seventh biggest in the world. Supplementary investment in Mexico has accelerated in the past 2–3 years under the Economic Partnership Agreement Japan and Mexico signed in 2004. A growing number of Japanese companies have established business operations in Mexico, and today around 80 companies have built new factories, especially in the central Mexican state of Guanajuato.

Fine-Tuned Services in Locations Close to Customers

OSG is currently building a second plant in Guanajuato in preparation for further growth in the Mexican automotive industry market. It will become operational around June 2016. In addition to regrinding and recoating equipment, the new plant will also have an inventory center, educational facilities, a technical service center, and demonstration rooms. Its role will be to increase our share of buoyant demand in Mexico by providing fine-tuned services in a location that is convenient for customers. Mexico has important advantages, including its proximity to the massive U.S. market, as well as low labor costs compared with Brazil and China. We anticipate sustained growth for the Mexican automotive industry, and we will continue our efforts to expand our market share in Mexico by strengthening our production, marketing and service structures.

A BRAND

A BRAND Advantages Reflected in Growth of A CLUB Memberships

The A Brand Strategy

We aggregated our flagship products into the A Brand as a way of increasing our market share in the volume zone. The A Brand is the key to the expansion of sales of catalog products, especially in overseas markets.

Note: OSG defines a flagship product as a product that combines high added value with strong price competitiveness and is targeted toward the volume zone.

Optimal Efficiency

Our A Brand products embody everything that we have learned about customer needs through our efforts to build relationships with major users. They also embody the full potential of technology that we have accumulated through decades of research. These products have gained an excellent reputation for performance that far surpasses our competitors' products.

In fiscal 2015, we added the ADF range of carbide flat drills with new coatings to the A Brand. Orders have exceeded expectations. In fiscal 2016, we will target further growth in A Brand sales by expanding the A Brand with the addition of new taps, drills, end mills and indexable tools.

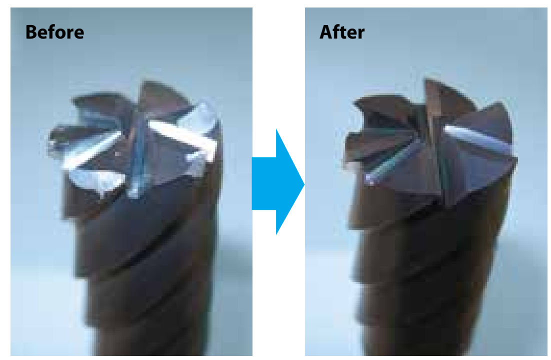
The popularity of A Brand products has risen year by year thanks to their excellent efficiency and reasonable pricing. This is reflected in a global increase in applications to join the A Club, which is made up of distribution networks that handle A Brand products.

Following the establishment of a three-point declaration in 1996, in which the Company set out to become a "Global Presence," an "Environment-friendly Company," and a "Promoter of Total Employee Health," OSG has actively engaged in environmental protection activities.

Regrinding and Recoating

Used Tools Restored to Same Sharpness as New Products

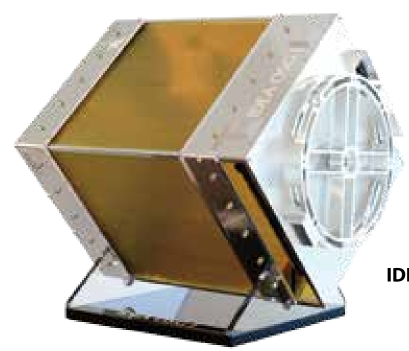
Tool reconditioning services provided by the OSG Group restore used tools to the same sharpness as new products. Because even worn cutting tools and rolling dies can be restored to new condition, reconditioning is more economical for customers than the purchase of new tools. Reconditioning also helps to reduce waste and ensure effective utilization of limited natural resources, including the rare metals used in the manufacture of tools. With regrinding facilities in 14 overseas countries, the OSG Group can respond to customer needs worldwide.



Removal of Space Debris

OSG is helping to monitor space debris.

Space debris has become a threat to communication, weather, and GPS satellites. OSG has become the official sponsor for Astroscale, a company dedicated to development and launch of IDEA OSG 1, the first satellite with a mission to collect and monitor data on sub-millimeter sized space debris. OSG is also involved in the processing of some of the components that will be used in the satellite.



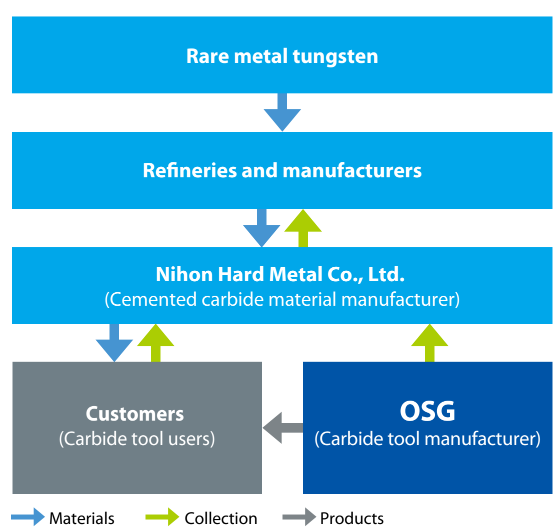
IDEA OSG 1

Promotion of Carbide Tool Recycling

Effective Utilization of Valuable Resources

Raw materials of carbide tools include rare metals such as tungsten and cobalt. OSG Group promotes recycling of carbide tools. For customers' CSR activities and zero-emission promotion, we utilize these resources by collecting end-of-life tools from our customers and recycling rare metals.

Carbide Material Recycling System



FINANCIAL SECTION

CONTENTS

FIVE-YEAR SUMMARY

	Millions of yen					Thousands of U.S. dollars
For the Year	2011	2012	2013	2014	**2015**	**2015**
Net sales	¥ 80,959	¥ 84,084	¥ 88,379	¥ 101,032	**¥ 111,918**	**$ 909,902**
Domestic	40,696	43,686	41,106	45,850	**47,218**	**383,886**
Overseas	40,264	40,398	47,273	55,182	**64,700**	**526,016**
Cost of sales	48,439	49,382	52,777	58,062	**61,866**	**502,976**
Selling, general and administrative expenses	20,215	20,748	22,775	25,554	**28,455**	**231,341**
Operating income	12,305	13,954	12,827	17,416	**21,597**	**175,585**
Net income	5,905	7,138	8,619	9,990	**12,518**	**101,772**
At Year-end						
Total assets	104,374	121,690	134,503	142,302	**155,130**	**1,261,220**
Total equity	65,348	71,471	87,622	100,943	**113,638**	**923,886**
Capital expenditure	8,225	10,284	5,876	7,327	**12,487**	**101,520**
Depreciation and amortization	5,657	5,688	6,716	6,830	**7,705**	**62,642**
Per Share	Yen					U.S. dollars
Equity	625.14	679.01	842.71	963.15	**1,079.12**	**8.77**
Net income	62.18	75.16	90.76	105.20	**131.78**	**1.07**
Diluted net income	—	70.67	82.80	95.96	**120.25**	**0.98**
Cash dividends	18.00	23.00	30.00	34.00	**46.00**	**0.37**
Payout ratio (%)	28.9	30.6	33.1	32.3	**34.9**	
EBITDA	Millions of yen					Thousands of U.S. dollars
EBITDA	17,962	19,642	19,544	24,246	**29,302**	**238,228**
EBITDA margin (%)	22.2	23.4	22.1	24.0	**26.2**	
Major Operating Ratios						
Equity ratio (%)	56.9	53.0	59.5	64.3	**66.1**	
Return on equity (%)	10.1	11.5	11.9	11.7	**12.9**	
Sales by Products						
Taps	28,906	29,379	28,924	34,655	**38,240**	**310,894**
End mills	17,838	18,473	20,858	22,886	**26,554**	**215,886**
Drills and other cutting tools	18,285	19,839	20,725	23,601	**25,744**	**209,301**
Rolling dies	7,067	7,281	7,682	9,166	**9,922**	**80,667**
Gauges	1,137	1,176	1,232	1,419	**1,539**	**12,512**
Other products	7,726	7,936	8,958	9,305	**9,919**	**80,642**
Total	¥ 80,959	¥ 84,084	¥ 88,379	¥ 101,032	**¥ 111,918**	**$ 909,902**

Basic Philosophy

Our corporate philosophy of "tool communication" is reflected in our fundamental management principles, which call for fair and transparent business activities guided both by regulatory compliance and a social conscience. We believe that this philosophy also contributes to the sustainable growth of OSG and to the enhancement of our corporate value. Good corporate governance, including the maintenance of an efficient and transparent management organization and the establishment of systems to ensure the accurate, timely and fair disclosure of information, is vital to achievement of these goals. That is why we regard the continuing enhancement of corporate governance as a vital management priority.

Our approach to the enhancement of corporate governance is based on the OSG Philosophy, a specific code of conduct designed to optimize our corporate ethical standards. We have raised awareness of compliance by disseminating this philosophy to all directors, executive officers and employees of OSG Corporation and OSG Group companies.

Corporate Governance Structure

Overview

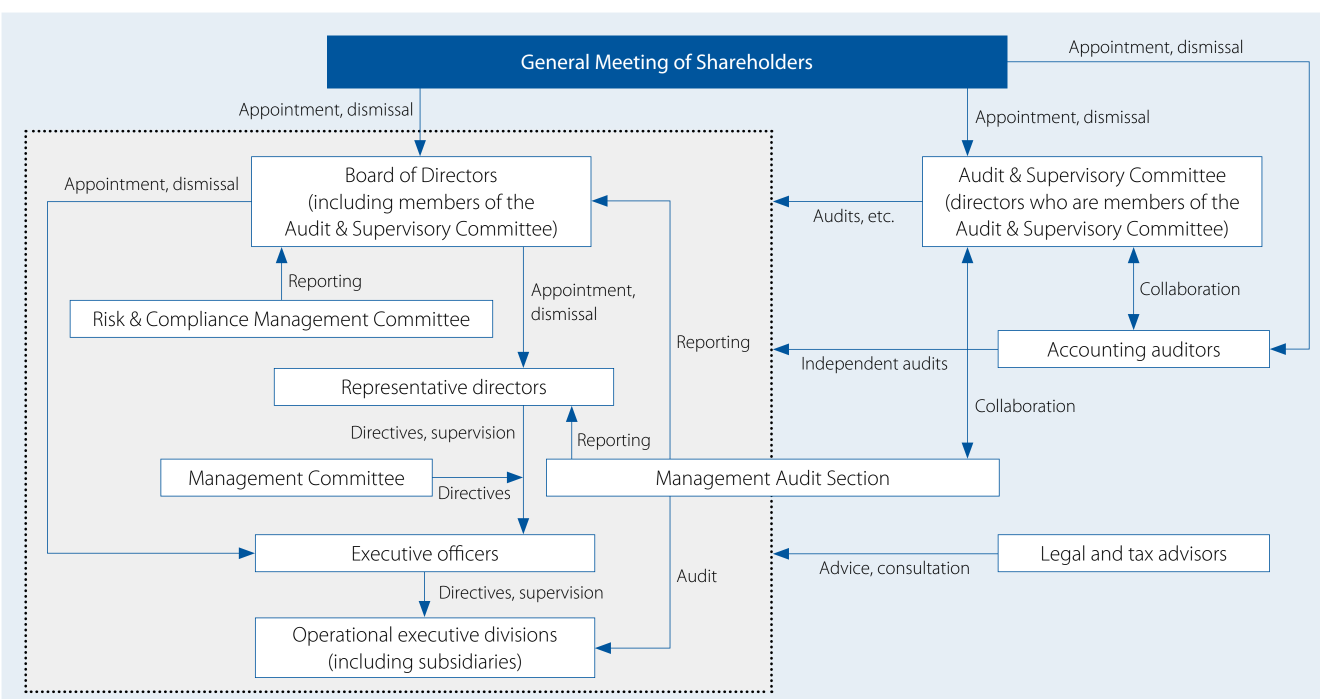
Pursuant to a motion passed at the 103rd regular general meeting of shareholders on February 20, 2016, OSG Corporation was restructured as of the end of that meeting from a company with auditors to a company with an audit & supervisory committee. Outside directors make up the majority of the Audit & Supervisory Committee created as a result of this change. By appointing multiple outside directors, we will be able to improve the supervisory functions of the Board of Directors and further strengthen our corporate governance. Following the transition to the new structure, our Board of Directors now consists of 16 directors, including the six directors who are members of the Audit & Supervisory Committee. The Audit & Supervisory Committee consists of six directors, including four outside directors.

Meetings of the Board of Directors are normally convened once a month, but special meetings may be held if necessary. In addition to deliberating on important matters and making management decisions, the Board of Directors also supervises the performance of business operations.

We have adopted an executive officer system to ensure an appropriate response to changing business conditions, clarify operational executive functions and responsibilities, and improve speed and flexibility in the performance of business operations.

Executive officers, heads of divisions, and directors (excluding members of the Audit & Supervisory Committee) participate in lively discussions at monthly meetings of the Management Committee. The main purpose of these meetings is to disseminate management policies and business plans adopted by the Board of Directors, and to hear reports about business operations from executive officers and heads of divisions.

Corporate Governance Structure



Reasons for the Adoption of the Current Corporate Governance Structure

By establishing this structure, we have enhanced the capacity of the Board of Directors to make decisions and supervise operational performance. We have also created a management organization that will ensure improved management efficiency and effective strategic decision-making.

The six directors, including four outside directors, who make up the Audit & Supervisory Committee supervise the performance of duties by the directors, except those serving on the Audit & Supervisory Committee. Their responsibilities also include operational and financial auditing. Our four outside directors are independent officers as defined in the exchange listing rules. By allocating four of the six positions on the Audit & Supervisory Committee to these highly independent outside directors, we have created an environment that allows the Committee to supervise management effectively. We believe that this governance structure confirms and ensures transparent and appropriate management.

Development of Internal Control Systems

In June 2006, we strengthened our internal control systems by establishing the Management Audit Section, which reports directly to the President. Under the Basic Policy on the Development of Internal Control Systems, which was adopted through a resolution of the Board of Directors in February 2016, we have formulated corporate ethical guidelines, risk management rules and other internal regulations for OSG Corporation and its subsidiaries to ensure that all directors and employees comply fully with laws and regulations and the Articles of Incorporation. We also set up internal control systems capable of earning and retaining the confidence of our stakeholders.

Agreements Limiting Liability

Under the provisions of Article 427(1) of the Companies Act, OSG Corporation enters into agreements limiting liability with its directors (excluding executive directors, etc.). These agreements limit directors' liabilities for damages under the provisions of Article 423(1) of the Act to the minimum amounts stipulated in Article 425(1) of the Act. This limitation of liability applies only if directors (excluding executive directors, etc.) have performed their duties in good faith and without gross negligence.

Development of Risk Management Systems

In addition to efforts to enhance the transparency and fairness of our corporate management through timely disclosure, we have also established risk management regulations as the basis for a risk management framework designed to ensure financial soundness and good business ethics. In addition, we have created a Risk and Compliance Management Committee to coordinate effective and efficient risk management measures under these regulations. The Risk and Compliance Management Committee formulates basic risk management policies, and considers and implements timely countermeasures as required after assessing the significance and urgency of risks.

Internal Audits, Audits by the Audit & Supervisory Committee, and Independent Audits

Internal Audits

The task of the Management Audit Section is to strengthen internal control functions by verifying that the operations of the OSG Group are being performed in an appropriate manner. Management Audit Section staff regularly check activities for compatibility with management policies, internal regulations and other requirements. They also work with the Audit & Supervisory Committee and the independent auditors to ensure the soundness of business activities and the reliability of financial reports, and to improve internal control functions.

Audits by the Audit & Supervisory Committee

The six directors on the Audit & Supervisory Committee attend important meetings, including meetings of the Board of Directors and Management Committee, to audit and supervise the performance of duties by directors. The Audit & Supervisory Committee formulates audit guidelines and plans according to standards it has adopted, surveys the operations and assets of OSG Corporation, and seeks business reports from subsidiaries as required.

We have further strengthened management supervisory functions. We also ensured and enhanced the transparency and appropriateness of management by appointing outside directors to four positions on the Audit & Supervisory Committee.

Independent Audits

OSG has an audit agreement with an audit corporation, Deloitte Touche Tohmatsu LLC, which conducts audits of the OSG Group, including OSG Corporation and its subsidiaries, in accordance of the audit plan. After completing these audits, the auditors discuss their findings with management. The audit corporation also provides regular reports to the Audit & Supervisory Committee.

Relationships among Internal Audits, Audit & Supervisory Committee Audits and Independent Audits, and between these Audits and the Internal Audit Organization

Regular sharing of information and views has strengthened cooperation between the internal audit organization, in the form of the Management Audit Section, and the Audit & Supervisory Committee and the independent auditors. Representatives of the

Audit & Supervisory Committee and the independent auditors also attend mid-year and year-end stocktaking by manufacturing units. In principle, they also attend audits of overseas subsidiaries.

Outside Directors

We have strengthened management supervisory functions and ensured the transparency and appropriateness of management by appointing four outside directors. All four are members of the Audit & Supervisory Committee. There are no specific standards or guidelines for the appointment of outside directors. However, such appointments are based on comprehensive judgments with reference to the listing guidelines and other rules of the Tokyo Stock Exchange. Care is taken to ensure that there are no conflicts of interest with ordinary shareholders.

BUSINESS RISKS AND OTHER RISKS

Demand Risks Arising from the Economic Situation in the Market

The products of the OSG Group are used in a wide range of industries, and sold in Japan, other Asian countries, Europe and the Americas. The Group's business performance and financial position could therefore be affected by reduced demand in the relevant industries, and by economic recessions in Japan and other parts of the world.

Risks Relating to Exchange Rate Fluctuations

The OSG Group uses forward exchange contracts to hedge against the risk of exchange rate fluctuations. However, it is possible that the Group's business performance and financial position could be affected by exchange rate fluctuations.

Risks Relating to Changes in Raw Material Prices

The main products of the OSG Group are cutting tools, made primarily from carbide alloys, high-speed steel and die steel. The raw materials used include rare metals, such as cobalt, vanadium, molybdenum and tungsten. Rare metals must be obtained from a limited range of sources and suppliers, and market prices can fluctuate dramatically. Such fluctuations may affect the procurement costs of the OSG Group.

We endeavor to reflect raw material price increases in our product prices. However, this could affect the Group's business performance, since there may be a time lag between increases in raw material prices and adjustments to selling prices, and because it is not always possible to fully pass on increases in raw material prices.

Risks Relating to Overseas Business Expansion

Major users in automotive industries and other sectors are relocating operations overseas. The OSG Group is responding by developing business operations in the Americas, Europe, Asia and elsewhere, and by establishing production and sales systems in optimal locations close to its markets. The business performance and financial position of the OSG Group could be affected if its operations are impeded as a result of changes to legal and tax systems or shifts in social and political conditions in other countries.

Risks Relating to Price Fluctuation of Marketable Securities

The OSG Group owns marketable securities, such as stock. The business performance and fiscal position of the OSG Group could be affected if the price of these securities falls.

Risks Relating to Earthquakes and Other Natural Disasters

The head office and production and R&D facilities of the OSG Group are concentrated in the Higashi-Mikawa district of Aichi Prefecture. The business performance and fiscal position of the OSG Group could be affected if this area is struck by a natural disaster, such as a major earthquake.

Results of Operations

Net Sales

In fiscal 2015 (December 1, 2014 to November 30, 2015), the world economy remained on a gradual recovery trend, despite heightened fears of an economic slowdown in China. The U.S. economy was bullish thanks to the continuing expansion of personal consumption expenditure. Consumer spending also helped to maintain gradual recovery trends in the major European economies, including the United Kingdom, Germany and France. China and other Asian emerging countries maintained reasonable growth performance, albeit at a lower level than in the past. In Japan, consumption remained flat in the wake of a consumption tax increase, but generally firm export trends helped to sustain the recovery.

Overseas demand was generally firm in fiscal 2015, although stagnation in the Chinese market affected the OSG Group's business activities toward the end of the period. The Japanese market also continued to recover, and in addition to strong real demand from the automotive and aerospace industries, which are major users of OSG products, there were also strong distribution inventory movements.

We responded to this environment by expanding our sales and distribution networks and increasing our production capacity for carbide products. These efforts produced higher sales, especially in the core categories of taps and carbide products, and net sales increased by 10.8% year on year to ¥111,918 million. The overseas sales ratio rose from 54.6% in fiscal 2014 to 57.8%, in part because of the effect of exchange rate fluctuations on foreign currency translations.

Cost and Profits

Higher net sales resulted in a 6.6% year-on-year rise in the cost of sales to ¥61,866 million. The gross profit margin improved by 2.2 percentage points to 44.7%, thanks to higher operating rates at key production sites in Japan and overseas, as well as higher export margins resulting from exchange rate factors. Selling, general and administrative expenses (SG&A) were ¥2,900 million higher at ¥28,455 million because of increases in employee wages and bonuses and the effect of foreign currency translation. The ratio of SG&A to net sales rose by 0.1 percentage point year on year to 25.4%.

Because of the increase in net sales and the improvement in the gross profit margin, operating income increased by 24.0% to ¥21,597 million.

Regional Overview

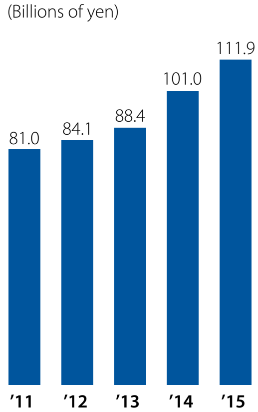
Japan

Market conditions were generally firm. Demand remained high in the automotive industry, which is a major user of OSG products, and there was also an increase in sales to the aerospace industry, as well as strong export demand. In addition to increased demand for taps, which are a major OSG line, there was also an improvement in export margins as the yen settled at a lower level after the correction of its previous overvaluation. These factors helped to raise both net sales and operating income over the previous year's levels. Net sales were 7.3% higher at ¥67,840 million, while operating income increased by 22.4% to ¥11,401 million.

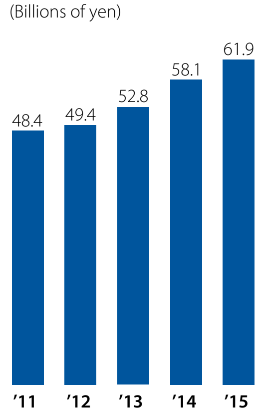
The Americas

North America is a key market for OSG. While there were signs of a slowdown toward the end of the year, demand from major users in the automotive and aerospace industries remained generally strong. In Brazil despite the continuing stagnation of the domestic economy, our performance indicators began to recover thanks to firm trends in the aerospace sector and improved export margins resulting from the weakness of the Brazilian real. Net sales and

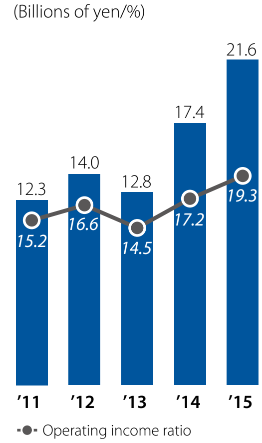
Net Sales
(Billions of yen)



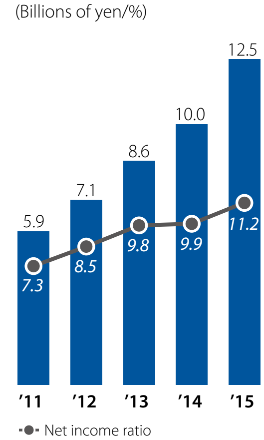
Cost of Sales
(Billions of yen)



Operating Income
(Billions of yen/%)



Net Income
(Billions of yen/%)



operating income for the Americas segment as a whole both increased year on year as a result of higher sales of carbide end mills and carbide drills, combined with the effects of foreign currency translations. Net sales increased by 19.5% year on year to ¥21,984 million, and operating income by 74.0% to ¥3,488 million.

Europe

Continuing strong demand from the aerospace sector helped to sustain an improving trend in performance indicators for Europe, despite a stagnating trend in the automotive industry. In regions where OSG has a relatively low market share, we gave priority to the reinforcement of our marketing capabilities. We aim to lift our market share by increasing sales of new products in existing markets, and by expanding our sales networks in new markets, such as Eastern Europe and Turkey. Increased demand from the aerospace industry was reflected in growth of carbide end mills, a core product, as well increased sales of taps, and both net sales and operating income were higher year on year. In fiscal 2015, five additional subsidiaries in European countries, including Germany, Turkey and Romania, were consolidated. Net sales increased by 15.1% year on year to ¥11,413 million, and operating income by 10.7% to ¥1,247 million.

Asia

Our business results for China stagnated toward the end of the period under the impact of a slowdown in the automotive sector, which is the biggest user of OSG products, combined with escalating price competition. In South Korea, stagnation in the automotive sector was offset by strong demand from smartphone manufacturers, allowing us to achieve growth in both sales and income. Market conditions continued to recover in Taiwan and Thailand. Net sales and operating income for the Asian segment as a whole were both higher year on year, thanks to increased demand for carbide products, including drills and end mills used in smartphone manufacturing. Foreign currency translations also helped to boost earnings. Net sales were 17.6% higher year on year at ¥32,857 million, while operating income increased by 18.5% to ¥6,296 million.

Net Income

In fiscal 2015, OSG recorded net other expenses of ¥233 million, compared with net other income of ¥4 million in fiscal 2014. The main factor influencing these figures was foreign currency translations. There was a foreign exchange loss of ¥183 million in fiscal 2015, compared with a gain of ¥650 million in fiscal 2014.

As a result, net income before adjustment for income taxes and minority interests amounted to ¥21,364 million, a year-on-year increase of 22.6%. Total income taxes were ¥1,173 million higher at ¥7,226 million, which is equivalent to a corporate tax rate of 33.8% after the application of tax effects based on net income before adjustment for income taxes and minority interests.

Minority interests increased by ¥243 million to ¥1,620 million. This amount consists mainly of income attributable to minority shareholders in subsidiaries in Japan, Asia and Europe.

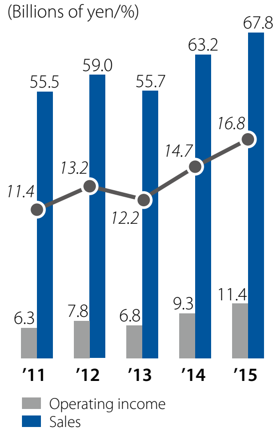
On this basis, net income amounted to ¥12,518 million, a year-on-year increase of 25.3%. Net income per share was ¥26.58 higher year on year at ¥131.78. Return on equity (ROE) improved by 1.2 percentage points to 12.9%.

Financial Position

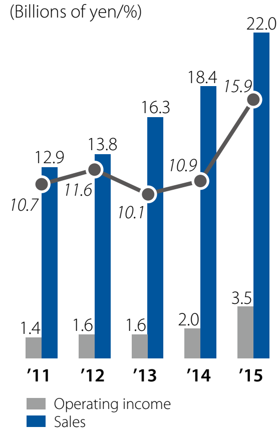
Assets

Total assets as of November 30, 2015, amounted to ¥155,130 million, an increase of ¥12,827 million compared with the position a year earlier. Despite a reduction in cash and deposits, current assets were ¥3,232 million higher year on year to ¥78,692 million due to increases in inventories and other items. Fixed assets

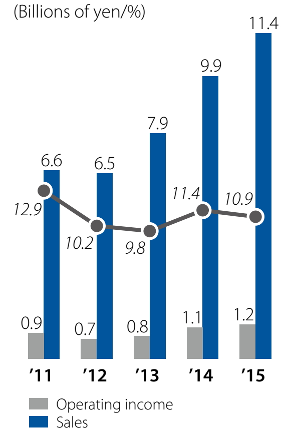
Sales and Operating Income in Japan
(Billions of yen/%)



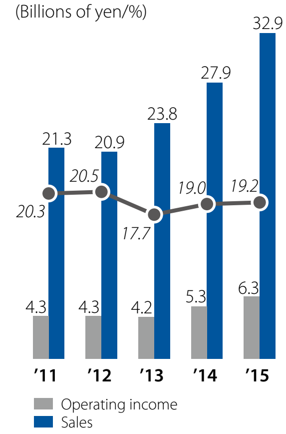
Sales and Operating Income in the Americas
(Billions of yen/%)



Sales and Operating Income in Europe
(Billions of yen/%)



Sales and Operating Income in Asia
(Billions of yen/%)



increased by ¥9,595 million from the position at the end of fiscal 2014 to ¥76,438 million. This was mainly attributable to higher figures for machinery and equipment and land.

Liabilities and Equity

Total liabilities as of November 30, 2015 amounted to ¥41,492 million, an increase of ¥133 million from the position at the end of fiscal 2014. Current liabilities were ¥1,279 million higher at ¥23,515 million because of increases in notes and accounts payable and other items. Long-term liabilities were ¥1,146 million lower at ¥17,977 million, mainly because of a reduction in long-term accounts payable.

Net assets as of November 30, 2015 were ¥12,694 million higher year on year at ¥113,638 million. This resulted mainly from increases in foreign currency translation adjustments, retained earnings from net income, and minority interests. As a result, the equity ratio rose from 64.3% at the end of fiscal 2014 to 66.1%.

Cash Flows

At ¥19,402 million, the balance of consolidated cash and cash equivalents as of November 30, 2015 was ¥2,072 million below the level at the end of fiscal 2014.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was ¥100 million lower year on year at ¥19,589 million. The main factors affecting this result included an increase in net income before adjustment for income taxes and minority interests, and higher expenditure resulting from increases in corporation tax paid and inventory assets.

Net Cash Used in Investing Activities

Net cash used in investing activities was ¥16,976 million, an increase of ¥13,857 million from the previous year's figure. The main factors were capital expenditure on production facilities, and the placement of funds in time deposits.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to ¥6,217 million, a reduction of ¥6,597 million from the previous year's figure. The main factors were dividend payments and an increase in repayments of long-term accounts payable. There was reduction in repayments of long-term debt.

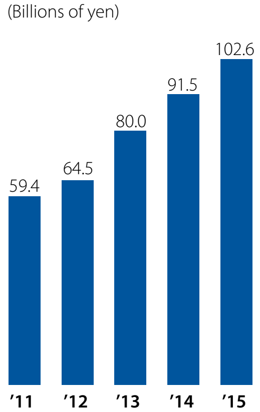
Dividend Policy

We regard the distribution of income to shareholders as an important management priority. Our policy is to maintain a consolidated payout ratio of 30% or higher, while taking a range of factors, including cash flows and our financial position, into account.

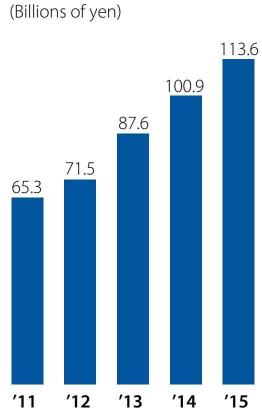
Our basic policy on the distribution of the surplus calls for the payment of an interim and final dividend each year. The interim dividend is set by the Board of Directors, and the final dividend by the General Meeting of Shareholders.

The final dividend for fiscal 2015 was set at ¥20 per share. This amount is the result of a comprehensive judgment based on our consolidated results, the outlook for the business environment and our earnings, and other factors. Together with the interim dividend of ¥26, this brought the total annual dividend for to ¥46 per share, a year-on-year increase of ¥12. Retained earnings are used mainly for capital expenditure, research and development investment, and the expansion of the operating organization. We are working to improve our corporate value by strengthening our financial structure and business base from a long-term perspective.

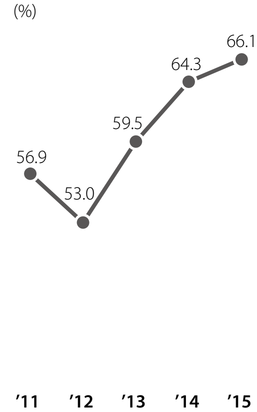
Total Shareholders' Equity
(Billions of yen)



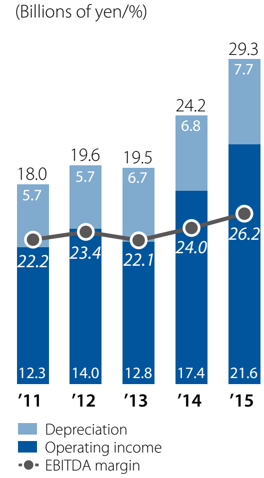
Total Equity
(Billions of yen)



Equity Ratio
(%)



EBITDA
(Billions of yen/%)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of OSG Corporation:

We have audited the accompanying consolidated balance sheet of OSG Corporation and its consolidated subsidiaries as of November 30, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OSG Corporation and its consolidated subsidiaries as of November 30, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

February 20, 2016

Member of
Deloitte Touche Tohmatsu Limited

CONSOLIDATED BALANCE SHEET

OSG Corporation and Consolidated Subsidiaries
November 30, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 14)	**¥ 19,402**	¥ 21,474	**$ 157,740**
Time deposits (Notes 7 and 14)	**2,070**	1,074	**16,829**
Notes and accounts receivable (Note 14):			
Trade notes	**3,443**	3,603	**27,992**
Trade accounts	**18,077**	18,026	**146,967**
Other	**627**	560	**5,098**
Allowance for doubtful accounts	**(189)**	(209)	**(1,537)**
Total	**21,958**	21,980	**178,520**
Inventories (Note 5)	**30,674**	26,721	**249,382**
Deferred tax assets (Note 10)	**2,238**	1,807	**18,195**
Prepaid expenses and other current assets (Note 4)	**2,350**	2,404	**19,106**
Total current assets	**78,692**	75,460	**639,772**
Property, Plant and Equipment (Notes 7 and 19)**:**			
Land	**15,108**	13,578	**122,829**
Buildings and structures	**41,441**	39,248	**336,919**
Machinery and equipment	**101,811**	93,492	**827,732**
Tools, furniture, and fixtures	**7,241**	6,509	**58,870**
Construction in progress	**1,969**	2,240	**16,008**
Other	**32**	39	**260**
Total	**167,602**	155,106	**1,362,618**
Accumulated depreciation	**(104,325)**	(98,916)	**(848,171)**
Net property, plant and equipment	**63,277**	56,190	**514,447**
Investments and Other Assets:			
Investment securities (Notes 4 and 14)	**6,279**	5,432	**51,049**
Investments in unconsolidated subsidiaries and associated companies (Note 14)	**2,672**	1,621	**21,724**
Goodwill	**533**	193	**4,333**
Other intangible assets	**722**	1,110	**5,870**
Deferred tax assets (Note 10)	**412**	460	**3,350**
Other assets	**2,543**	1,836	**20,675**
Total investments and other assets	**13,161**	10,652	**107,001**
TOTAL	**¥ 155,130**	¥ 142,302	**$ 1,261,220**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term borrowings (Notes 6, 7, and 14)	**¥ 4,053**	¥ 3,934	**$ 32,951**
Current portion of long-term debt (Notes 6, 7, and 14)	**446**	524	**3,626**
Notes and accounts payable (Notes 7 and 14):			
Trade notes	**805**	816	**6,545**
Trade accounts	**4,175**	3,344	**33,943**
Other	**1,863**	1,193	**15,146**
Total	**6,843**	5,353	**55,634**
Income taxes payable (Note 14)	**3,486**	3,751	**28,342**
Accrued expenses	**7,749**	7,168	**63,000**
Deferred tax liabilities (Note 10)	**8**	—	**65**
Other current liabilities	**930**	1,506	**7,561**
Total current liabilities	**23,515**	22,236	**191,179**
Long-Term Liabilities:			
Long-term debt (Notes 3, 6, 7, and 14)	**15,697**	15,551	**127,618**
Liability for employees' retirement benefits (Note 8)	**245**	262	**1,992**
Retirement allowances for directors and Audit & Supervisory Board members	**51**	46	**415**
Deferred tax liabilities (Note 10)	**1,222**	945	**9,935**
Other long-term liabilities (Note 3)	**762**	2,319	**6,195**
Total long-term liabilities	**17,977**	19,123	**146,155**
Contingent Liabilities (Notes 13 and 16)			
Equity (Notes 6, 9, and 20)**:**			
Common stock:			
Authorized—			
200,000 thousand shares at November 30, 2015 and 2014			
Issued—			
95,955 thousand shares at November 30, 2015 and 2014	**10,404**	10,404	**84,585**
Capital surplus	**12,091**	12,052	**98,301**
Retained earnings	**75,720**	66,838	**615,610**
Treasury stock—at cost			
909 thousand and 998 thousand shares at November 30, 2015 and 2014, respectively	**(1,105)**	(1,210)	**(8,984)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**2,710**	2,045	**22,033**
Deferred gain on derivatives under hedge accounting	**2**	—	**16**
Foreign currency translation adjustments	**2,745**	1,329	**22,317**
Total	**102,567**	91,458	**833,878**
Minority interests	**11,071**	9,485	**90,008**
Total equity	**113,638**	100,943	**923,886**
TOTAL	**¥ 155,130**	¥ 142,302	**$ 1,261,220**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

OSG Corporation and Consolidated Subsidiaries
Year Ended November 30, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net Sales	**¥ 111,918**	¥ 101,032	**$ 909,902**
Cost of Sales (Note 12)	**61,866**	58,062	**502,976**
Gross profit	**50,052**	42,970	**406,926**
Selling, General and Administrative Expenses (Notes 11 and 12)	**28,455**	25,554	**231,341**
Operating income	**21,597**	17,416	**175,585**
Other Income (Expenses):			
Interest and dividend income	**405**	276	**3,293**
Interest expense	**(122)**	(249)	**(992)**
Foreign exchange (loss) gain	**(183)**	650	**(1,488)**
Sales discount	**(661)**	(631)	**(5,374)**
Write-down of investments in unconsolidated subsidiaries and associated companies (Note 4)	**(40)**	(110)	**(325)**
Provision for doubtful accounts for unconsolidated subsidiaries and associated companies	**(107)**	—	**(870)**
Loss on liquidation of a subsidiary	**—**	(31)	**—**
Equity in earnings of associated companies	**4**	4	**33**
Other—net	**471**	95	**3,829**
Other (expenses) income—net	**(233)**	4	**(1,894)**
Income before Income Taxes and Minority Interests	**21,364**	17,420	**173,691**
Income Taxes (Note 10)**:**			
Current	**7,465**	6,191	**60,691**
Deferred	**(239)**	(138)	**(1,943)**
Total income taxes	**7,226**	6,053	**58,748**
Net Income before Minority Interests	**14,138**	11,367	**114,943**
Minority Interests in Net Income	**1,620**	1,377	**13,171**
Net Income	**¥ 12,518**	¥ 9,990	**$ 101,772**

	Yen		U.S. dollars
Per Share of Common Stock (Notes 2(t) and 18)**:**			
Basic net income	**¥ 131.78**	¥ 105.20	**$ 1.07**
Diluted net income	**120.25**	95.96	**0.98**
Cash dividends applicable to the year	**46.00**	34.00	**0.37**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OSG Corporation and Consolidated Subsidiaries
Year Ended November 30, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net Income before Minority Interests	**¥ 14,138**	¥ 11,367	**$ 114,943**
Other Comprehensive Income (Note 17)**:**			
Unrealized gain on available-for-sale securities	**662**	321	**5,382**
Deferred gain on derivatives under hedge accounting	**2**	—	**16**
Foreign currency translation adjustments	**(2,049)**	5,318	**(16,659)**
Share of other comprehensive income in associates	**7**	2	**57**
Total other comprehensive income	**(1,378)**	5,641	**(11,204)**
Comprehensive Income	**¥ 12,760**	¥ 17,008	**$ 103,739**
Total Comprehensive Income Attributable to:			
Owners of the parent	**¥ 11,288**	¥ 14,669	**$ 91,772**
Minority interests	**1,472**	2,339	**11,967**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OSG Corporation and Consolidated Subsidiaries
Year Ended November 30, 2015

	Thousands		
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus
Balance, December 1, 2013	94,961	¥ 10,404	¥ 14,198
Net income	—	—	—
Cash dividends, ¥34 per share	—	—	—
Purchase of treasury stock	(4)	—	—
Retirement of treasury stock	—	—	(2,146)
Net change in the year	—	—	—
Balance, November 30, 2014	94,957	10,404	12,052
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	—
Adjustment of retained earnings due to change in fiscal year of consolidated subsidiaries	—	—	—
Net income	—	—	—
Cash dividends, ¥46 per share	—	—	—
Purchase of treasury stock	**(3)**	—	—
Disposal of treasury stock	**91**	—	**39**
Net change in the year	—	—	—
Balance, November 30, 2015	**95,045**	**¥ 10,404**	**¥ 12,091**

	Common Stock	Capital Surplus
Balance, November 30, 2014	$ 84,585	$ 97,984
Adjustment of retained earnings for newly consolidated subsidiaries	—	—
Adjustment of retained earnings due to change in fiscal year of consolidated subsidiaries	—	—
Net income	—	—
Cash dividends, $0.37 per share	—	—
Purchase of treasury stock	—	—
Disposal of treasury stock	—	**317**
Net change in the year	—	—
Balance, November 30, 2015	**$ 84,585**	**$ 98,301**

See notes to consolidated financial statements.

Millions of yen

	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income: Unrealized Gain on Available-for-Sale Securities	Accumulated Other Comprehensive Income: Deferred Gain on Derivatives under Hedge Accounting	Accumulated Other Comprehensive Income: Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
	¥ 61,566	¥ (4,838)	¥ 1,728	—	¥ (3,033)	¥ 80,025	¥ 7,597	¥ 87,622
	9,990	—	—	—	—	9,990	—	9,990
	(3,229)	—	—	—	—	(3,229)	—	(3,229)
	—	(7)	—	—	—	(7)	—	(7)
	(1,489)	3,635	—	—	—	—	—	—
	—	—	317	—	4,362	4,679	1,888	6,567
	66,838	(1,210)	2,045	—	1,329	91,458	9,485	100,943
	(113)	—	—	—	—	(113)	—	(113)
	845	—	—	—	—	845	—	845
	12,518	—	—	—	—	12,518	—	12,518
	(4,368)	—	—	—	—	(4,368)	—	(4,368)
	—	(6)	—	—	—	(6)	—	(6)
	—	111	—	—	—	150	—	150
	—	—	665	¥ 2	1,416	2,083	1,586	3,669
	¥ 75,720	¥ (1,105)	¥ 2,710	¥ 2	¥ 2,745	¥ 102,567	¥ 11,071	¥ 113,638

Thousands of U.S. dollars (Note 1)

	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income: Unrealized Gain on Available-for-Sale Securities	Accumulated Other Comprehensive Income: Deferred Gain on Derivatives under Hedge Accounting	Accumulated Other Comprehensive Income: Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
	$ 543,399	$ (9,837)	$ 16,626	—	$ 10,805	$ 743,562	$ 77,114	$ 820,676
	(919)	—	—	—	—	(919)	—	(919)
	6,870	—	—	—	—	6,870	—	6,870
	101,772	—	—	—	—	101,772	—	101,772
	(35,512)	—	—	—	—	(35,512)	—	(35,512)
	—	(49)	—	—	—	(49)	—	(49)
	—	902	—	—	—	1,219	—	1,219
	—	—	5,407	$ 16	11,512	16,935	12,894	29,829
	$ 615,610	$ (8,984)	$ 22,033	$ 16	$ 22,317	$ 833,878	$ 90,008	$ 923,886

CONSOLIDATED STATEMENT OF CASH FLOWS

OSG Corporation and Consolidated Subsidiaries
Year Ended November 30, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Operating Activities:			
Income before income taxes and minority interests	**¥ 21,364**	¥ 17,420	**$ 173,691**
Adjustments for:			
Income taxes—paid	**(7,964)**	(4,564)	**(64,748)**
Depreciation and amortization	**7,705**	6,831	**62,642**
Amortization of goodwill, net of negative goodwill	**171**	64	**1,390**
Write-down of investments in unconsolidated subsidiaries and associated companies	**40**	110	**325**
Loss on liquidation of a subsidiary	**—**	31	**—**
Equity in earnings of associated companies	**(4)**	(4)	**(33)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in notes and accounts receivable	**226**	(934)	**1,837**
(Increase) decrease in inventories	**(2,302)**	527	**(18,715)**
Increase (decrease) in notes and accounts payable	**592**	(269)	**4,813**
Increase in accrued expenses	**292**	787	**2,374**
Decrease in liability for employees' retirement benefits	**(30)**	(41)	**(244)**
Increase (decrease) in retirement allowances for directors and Audit & Supervisory Board members	**4**	(9)	**33**
(Increase) decrease in interest and dividends receivable	**(7)**	11	**(57)**
Increase in allowance for doubtful accounts	**91**	24	**740**
Decrease in interest payable	**(1)**	(31)	**(8)**
Other—net	**(588)**	(264)	**(4,780)**
Net cash provided by operating activities	**19,589**	19,689	**159,260**
Investing Activities:			
Payments for time deposits	**(6,317)**	(1,501)	**(51,358)**
Proceeds from refunds of time deposits	**5,122**	7,636	**41,642**
Purchases of investment securities	**(108)**	(7)	**(878)**
Acquisitions of property, plant, and equipment	**(12,487)**	(7,327)	**(101,520)**
Acquisitions of intangible assets	**(323)**	(299)	**(2,626)**
Proceeds from sales of property, plant, and equipment	**90**	66	**732**
Payments for purchases of subsidiaries' stock	**(2,138)**	(1,109)	**(17,382)**
Other—net	**(815)**	(578)	**(6,626)**
Net cash used in investing activities	**(16,976)**	(3,119)	**(138,016)**
Financing Activities:			
(Decrease) increase in short-term borrowings—net	**(135)**	679	**(1,098)**
Proceeds from long-term debt	**752**	20	**6,114**
Repayments of long-term debt (Note 3)	**(516)**	(10,083)	**(4,195)**
Repayments of long-term accounts payable (Note 3)	**(1,390)**	—	**(11,301)**
Dividends paid	**(4,368)**	(3,224)	**(35,512)**
Dividends paid to minority shareholders	**(553)**	(200)	**(4,496)**
Purchases of treasury stock	**(7)**	(7)	**(57)**
Other—net	**—**	1	**—**
Net cash used in financing activities	**(6,217)**	(12,814)	**(50,545)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(855)**	915	**(6,951)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(4,459)**	4,671	**(36,252)**
Cash and Cash Equivalents of Newly Consolidated Subsidiaries, Beginning of Year	**183**	—	**1,488**
Increase in Cash and Cash Equivalents Due to Change in Fiscal Year of Consolidated Subsidiaries	**2,204**	—	**17,919**
Cash and Cash Equivalents, Beginning of Year	**21,474**	16,803	**174,585**
Cash and Cash Equivalents, End of Year	**¥ 19,402**	¥ 21,474	**$ 157,740**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OSG Corporation and Consolidated Subsidiaries
Year Ended November 30, 2015

1. BASIS FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which OSG Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥123 to $1, the approximate rate of exchange at November 30, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements as of November 30, 2015, include the accounts of the Company and its 52 significant (46 in 2014) subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Effective December 1, 2014, six subsidiaries were newly consolidated due to increases in their materiality. Prior years' accounts of the newly consolidated subsidiaries were not retrospectively adjusted in the consolidated financial statements. The effect of the newly consolidated subsidiaries was included in the adjustment of retained earnings in the consolidated statement of changes in equity as of December 1, 2014. PRIMUS COATING, S.A. de C.V., which was accounted for by the equity method in 2014, became a consolidated subsidiary after its capital increased during the year ended November 30, 2015.

Investments in three associated companies were accounted for by the equity method in 2015 and 2014. Effective the year ended November 30, 2015, PRIMUS COATING TENNESSEE, LLC was newly established and accounted for by the equity method.

Investments in the remaining 22 (20 in 2014) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost and the fair value of the net assets of the acquired subsidiaries at the date of the acquisition are accounted for as goodwill. Goodwill arising from domestic consolidated companies is amortized by the straight-line method over five years and that from foreign consolidated companies over 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Prior to December 1, 2014, the accounts of those subsidiaries that have fiscal periods differing from that of the parent company had been adjusted for significant transactions to properly reflect their financial positions at November 30 of each year and their results of operations for the years then ended.

Effective December 1, 2014, 15 consolidated subsidiaries including OSG USA, Inc. changed their fiscal year end to November 30 and 16 consolidated subsidiaries including OSG Royco, S.A. de C.V. provisionally closed their accounts at November 30 for the consolidation to enable a fairer presentation of the consolidated financial statements. As a result, the results for the incremental two-month period of these subsidiaries were directly recorded in retained earnings in the consolidated statement of changes in equity as of December 1, 2014.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income (See Note 2 (v)).

(c) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in the equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income (See Note 2 (v)).

(d) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and short-term investments, all of which mature or become due within three months of the date of acquisition.

(e) Inventories

The inventories of the Company and domestic consolidated subsidiaries are stated at the lower of cost, determined principally by the average method, or net selling value.

The inventories of foreign consolidated subsidiaries are stated at the lower of cost, determined principally by the average method or first-in first-out method, or net selling value.

(f) Marketable and Investment Securities

Marketable and investment securities are classified and accounted for as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(g) Allowance for Doubtful Accounts

To provide for the loss from doubtful accounts, the Company and domestic consolidated subsidiaries determine allowance for doubtful accounts using the historical rate of actual losses for normal receivables and the estimated irrecoverable amount for specific doubtful receivables after considering the recoverability of each account. Foreign consolidated subsidiaries record allowance for doubtful accounts based on the estimated bad debt expense.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and domestic consolidated subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Foreign consolidated subsidiaries mainly utilize the straight-line method. The range of useful lives is principally three to 50 years for buildings and structures and principally four to 12 years for machinery and equipment.

(i) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. In 2015 and 2014, the Group did not recognize any impairment losses.

(j) Other Intangible Assets

Intangible assets are amortized by the straight-line method.

(k) Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and the audit and supervisory board ("Audit & Supervisory Board") members are accrued at the year-end to which such bonuses are attributable.

(l) Liability for Employees' Retirement Benefits

The Company has a defined contribution plan for a majority of employees and an unfunded retirement benefit plan for certain employees. Certain consolidated subsidiaries have funded or unfunded defined benefit pension plans, unfunded retirement benefit plans, and defined contribution plans. The Company and certain consolidated subsidiaries, which have defined benefit plans, applied the simplified method to record the liability at the amount that would be paid if the employees retired at the consolidated balance sheet date. Certain subsidiaries, which have defined benefit pension plans, account for the liability for retirement benefits based on projected benefit obligations and plan assets at the consolidated balance sheet date.

(m) Retirement Allowances for Directors and Audit & Supervisory Board Members

Certain domestic consolidated subsidiaries provide for retirement allowances to directors and Audit & Supervisory Board members. The liability is recorded at the amount that would be paid if they retired at the consolidated balance sheet date in accordance with internal policies.

(n) R&D Costs

R&D costs are charged to costs and expenses as incurred.

(o) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective December 1, 2008. In addition, the Group continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

(p) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

(q) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(r) Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rates.

(s) Derivatives and Hedging Activities

The Company and certain subsidiaries use derivative financial instruments to manage their exposure to fluctuations in foreign exchange. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until the maturity of the hedged transactions.

Foreign currency exchange forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value, and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted transactions are also measured at the fair value, but unrealized gains/losses are deferred until the underlying transactions are completed.

(t) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(u) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

(v) New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements—In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet—In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income—In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised accounting standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (a), (b), (c), and (e) above from December 1, 2015, and for (d) above for a business combination which occurs on or after December 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. CHANGE IN PRESENTATION

Prior to December 1, 2014, long-term accounts payable were included in long-term debt on the consolidated balance sheet. Since this fiscal year ended November 30, 2015, the amount decreased significantly due to the repayment of long-term accounts payable, including the current portion thereof in the amount of ¥1,390 million ($35,512 thousand), and such amount is included in the other long-term liabilities on the consolidated balance sheet as of November 30, 2015. The amount of long-term accounts payable as of November 30, 2014, which had been included in long-term debt, was ¥1,247 million and reclassified to other long-term liabilities.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable securities, which were included in other current assets, and investment securities at November 30, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Current:			
Debt securities	**¥ 78**	¥ 1	**$ 634**
Total	**¥ 78**	¥ 1	**$ 634**
Noncurrent:			
Equity securities	**¥ 6,158**	¥ 5,248	**$ 50,065**
Debt securities	**121**	184	**984**
Total	**¥ 6,279**	¥ 5,432	**$ 51,049**

The costs and aggregate fair values of securities at November 30, 2015 and 2014, were as follows:

	Millions of yen			
November 30, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥ 2,626**	**¥ 3,420**	**—**	**¥ 6,046**
Debt securities	**196**	**3**	**—**	**199**

	Millions of yen			
November 30, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 2,546	¥ 2,659	¥ 69	¥ 5,136
Debt securities	183	2	—	185

	Thousands of U.S. dollars			
November 30, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$ 21,349**	**$ 27,805**	**—**	**$ 49,154**
Debt securities	**1,594**	**24**	**—**	**1,618**

Information on available-for-sale securities which were sold during the year ended November 30, 2015, is as follows:

	Millions of yen		
November 30, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥ 32**	**¥ 18**	**—**
Total	**¥ 32**	**¥ 18**	**—**

No available-for-sale securities were sold during the year ended November 30, 2014.

	Thousands of U.S. dollars		
November 30, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$ 260**	**$ 146**	**—**
Total	**$ 260**	**$ 146**	**—**

Impairment losses on investments in unconsolidated subsidiaries for the years ended November 30, 2015 and 2014, were ¥40 million ($325 thousand) and ¥110 million, respectively.

5. INVENTORIES

Inventories at November 30, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Merchandise	**¥ 6,045**	¥ 5,099	**$ 49,146**
Finished products	**13,248**	10,948	**107,707**
Work in process	**5,297**	4,874	**43,065**
Raw materials	**4,908**	4,703	**39,903**
Supplies	**1,176**	1,097	**9,561**
Total	**¥ 30,674**	¥ 26,721	**$ 249,382**

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at November 30, 2015 and 2014, mainly consisted of notes to banks and bank overdrafts. The weighted-average interest rates on short-term borrowings were 1.1% as of November 30, 2015, and 1.3% as of November 30, 2014.

Long-term debt at November 30, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unsecured zero-coupon convertible bonds with stock acquisition rights, due 2022	**¥ 14,850**	¥ 15,000	**$ 120,732**
Borrowings from banks and other financial institutions, due serially to 2017 with weighted-average interest rates of 2.1% (2015) and 2.1% (2014)	**1,293**	1,075	**10,512**
Total	**16,143**	16,075	**131,244**
Less: Portion due within one year	**(446)**	(524)	**(3,626)**
Long-term debt, less current portion	**¥ 15,697**	¥ 15,551	**$ 127,618**

The stock acquisition rights issued with the zero-coupon convertible bonds entitle the holders to acquire shares of the Company's common stock through March 21, 2022, at the conversion price of ¥1,640.6 ($13.3) per share at November 30, 2015. If all these outstanding stock acquisition rights had been exercised at November 30, 2015, 9,051,567 shares of common stock would have been issued.

However, prior to October 4, 2021, the stock acquisition rights may be exercised by the holder of a bond during any particular calendar quarter (or, in case of the calendar quarter commencing on October 1, 2021, until October 3, 2021) only if the closing price of the shares for any 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 120% of the conversion price in effect on the last trading day of such immediately preceding calendar quarter.

The conversion price is subject to adjustments to reflect stock splits and certain other events.

Effective December 1, 2015, the conversion price is ¥1,635.2 ($13.29) in accordance with the moving strike clause of the convertible bonds.

The annual maturities of long-term debt at November 30, 2015, for the next five years and thereafter were as follows:

Years ending November 30	Millions of yen	Thousands of U.S. dollars
2016	**¥ 446**	**$ 3,626**
2017	**847**	**6,886**
2018	**—**	**—**
2019	**—**	**—**
2020	**—**	**—**
2021 and thereafter	**14,850**	**120,732**
Total	**¥ 16,143**	**$ 131,244**

7. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for notes and accounts payable of ¥273 million ($2,220 thousand), short-term borrowings of ¥67 million ($545 thousand), and long-term debt (including current portion) of ¥743 million ($6,041 thousand) as of November 30, 2015, were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 935	$ 7,602
Property, plant, and equipment:		
Land	325	2,642
Buildings and structures	1,697	13,797
Machinery and equipment	1,890	15,366
Tools, furniture, and fixtures	169	1,373
Total	¥ 5,016	$ 40,780

8. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Company has a defined contribution plan for a majority of employees and an unfunded retirement benefit plan for certain employees. Certain consolidated subsidiaries have funded or unfunded defined benefit pension plans, unfunded retirement benefit plans, and defined contribution plans. The Company and certain consolidated subsidiaries that have defined benefit plans applied the simplified method to record the liability at the amount that would be paid if the employees retired at the consolidated balance sheet date. Contributions to the defined contribution plans for the years ended November 30, 2015 and 2014, were ¥675 million ($5,488 thousand) and ¥617 million, respectively.

(1) The changes in defined benefit obligation for the years ended November 30, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 232	¥ 215	$ 1,886
Current service cost	10	8	81
Interest cost	6	4	49
Actuarial losses	40	1	325
Benefits paid	(43)	(15)	(349)
Others	11	18	89
Balance at end of year	¥ 256	¥ 231	$ 2,081

(2) The changes in plan assets for the years ended November 30, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 265	¥ 214	$ 2,154
Expected return on plan assets	8	5	65
Actuarial (losses) gain	(1)	0	(8)
Contributions from the employer	54	41	439
Benefits paid	(43)	(15)	(350)
Others	12	20	98
Balance at end of year	¥ 295	¥ 265	$ 2,398

(3) The changes in liability for retirement benefits for which the simplified method was applied to record the liability for the years ended November 30, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 262**	¥ 296	**$ 2,130**
Retirement benefit costs	**211**	152	**1,716**
Benefits paid	**(67)**	(26)	**(545)**
Contributions to pension funds	**(160)**	(167)	**(1,301)**
Others	**(1)**	7	**(8)**
Balance at end of year	**¥ 245**	¥ 262	**$ 1,992**

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Defined benefit obligation	**¥ 1,097**	¥ 940	**$ 8,919**
Plan assets	**(963)**	(794)	**(7,829)**
Total	**134**	146	**1,090**
Unfunded defined benefit obligation	**71**	82	**577**
Net liability arising from defined benefit obligation	**¥ 205**	¥ 228	**$ 1,667**

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Liability for retirement benefits	**¥ 245**	¥ 262	**$ 1,992**
Asset for retirement benefits	**(40)**	(34)	**(325)**
Net liability arising from defined benefit obligation	**¥ 205**	¥ 228	**$ 1,667**

(5) The components of net periodic benefit costs for the years ended November 30, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥ 10**	¥ 8	**$ 81**
Interest cost	**6**	4	**49**
Expected return on plan assets	**(8)**	(4)	**(65)**
Recognized actuarial losses	**41**	0	**333**
Retirement benefit costs calculated by the simplified method	**211**	152	**1,716**
Net periodic benefit costs	**¥ 260**	¥ 160	**$ 2,114**

(6) Plan assets

a. Components of plan assets

Plan assets as of November 30, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments and investment trusts	**51.52%**	51.30%
Equity investments	**11.75**	10.04
Cash and cash equivalents	**17.71**	22.22
Others	**19.02**	16.44
Total	**100.00%**	100.00%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the years ended November 30, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	1.75%	2.25%
Expected rate of return on plan assets	2.00%	2.00%

The Company and certain domestic consolidated subsidiaries participate in a multi-employer plan for which the Group cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Company and the consolidated subsidiaries. Therefore, it is accounted for using the same method as a defined contribution plan.

The contributions to such multi-employer plan, which are accounted for using the same method as a defined contribution plan, were ¥575 million ($4,675 thousand) and ¥566 million for the years ended November 30, 2015 and 2014, respectively.

(1) The funded status of the multi-employer plan as of March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		
	2015	2014	2015
Plan assets	¥ 141,420	¥ 126,998	$ 1,149,756
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	(157,294)	(146,473)	(1,278,813)
Net balance	¥ (15,874)	¥ (19,475)	$ 129,057

The net balance above is mainly caused by past service cost of ¥21,108 million ($171,610 thousand) for 2015 and ¥21,774 million for 2014, and surplus brought forward of ¥5,234 million ($42,553 thousand) for 2015 and ¥2,299 million for 2014. Past service cost under the plan is amortized on a straight-line basis over 20 years.

(2) The contribution ratio of the Group in the multi-employer plan for the years ended March 31, 2015 and 2014, was as follows:

	2015	2014
The contribution ratio of the Group in the multi-employer plan	9.08%	8.71%

The ratios above do not represent the actual actuarial liability ratio of the Group.

On February 23, 2015, the dissolution of the multi-employer plan in which the Group participates was approved by the board of representatives of the multi-employer plan. The dissolution proceedings are in process and to be completed on November 1, 2016. No additional contributions to the plan due to the dissolution is expected.

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, including (1) having a board of directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the total aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On July 31, 2014, the Company retired its 3,000 thousand treasury stocks based on the resolution of board of directors on July 10, 2014.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 34.9% and 37.3% for the years ended November 30, 2015 and 2014, respectively. The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at November 30, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Retirement benefits for employees	**¥ 80**	¥ 128	**$ 650**
Retirement allowances for directors and Audit & Supervisory Board members	**16**	15	**130**
Unrealized gains on inventories and property, plant, and equipment	**1,827**	1,183	**14,854**
Tax loss carryforwards	**145**	145	**1,179**
Enterprise taxes payable	**204**	237	**1,659**
Bad debt allowance	**102**	124	**829**
Depreciation	**86**	81	**699**
Write-down of inventories	**417**	333	**3,390**
Write-down of memberships	**35**	42	**285**
Write-down of securities	**469**	520	**3,813**
Other	**830**	980	**6,748**
Deferred tax assets subtotal	**4,211**	3,788	**34,236**
Less valuation allowance	**(720)**	(797)	**(5,854)**
Total	**3,491**	2,991	**28,382**
Deferred tax liabilities:			
Deferred gains on property, plant, and equipment	**99**	104	**805**
Unrealized gains on available-for-sale securities	**645**	461	**5,244**
Depreciation in foreign subsidiaries	**1,001**	825	**8,138**
Other	**326**	279	**2,650**
Total	**2,071**	1,669	**16,837**
Net deferred tax assets	**¥ 1,420**	¥ 1,322	**$ 11,545**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended November 30, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	**34.9%**	37.3%
Expenses not deductible for income tax purposes	**2.3**	1.9
Income not taxable for income tax purposes	**(0.2)**	(0.2)
Per capita tax	**0.2**	0.3
Lower income tax rates applicable to income in certain foreign countries	**(3.9)**	(5.1)
Amortization of goodwill	**0.3**	0.1
Unrecognized deferred taxes on unrealized intercompany profit	**(0.1)**	0.3
Net change in valuation allowance	**0.0**	0.3
Other—net	**0.3**	(0.2)
Actual effective tax rate	**33.8%**	34.7%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after December 1, 2015, to approximately 32.4% and for the fiscal year beginning on or after December 1, 2016, to approximately 31.7%. The effect of this change on the consolidated statement of income for the year ended November 30, 2015, was immaterial.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended November 30, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Depreciation	**¥ 1,566**	¥ 1,428	**$ 12,732**
Net periodic benefit costs	**408**	350	**3,317**
Provision for bonuses to directors and Audit & Supervisory Board members	**637**	450	**5,179**
Salaries and bonuses to employees	**11,185**	9,944	**90,935**
Sales incentives	**767**	754	**6,236**
Amortization of goodwill	**171**	64	**1,390**
Other	**13,721**	12,564	**111,552**
Total	**¥ 28,455**	¥ 25,554	**$ 231,341**

12. R&D COSTS

R&D costs charged to costs and expenses were ¥1,495 million ($12,154 thousand) and ¥1,460 million for the years ended November 30, 2015 and 2014, respectively.

13. LEASES

(As Lessee)

The Group leases certain machinery, equipment, tools, furniture, and fixtures as a lessee.

Future minimum payments under noncancelable operating leases subsequent to November 30, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥ 189**	¥ 136	**$ 1,536**
[amount of sublease]	**[11]**	[9]	**[89]**
Due after one year	**282**	294	**2,293**
[amount of sublease]	**[31]**	[16]	**[252]**
Total	**¥ 471**	¥ 430	**$ 3,829**
[amount of sublease]	**[42]**	[25]	**[341]**

Pro forma Information of Leased Property Whose Lease Inception Was before November 30, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before November 30, 2008, to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective December 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before November 30, 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars	
November 30, 2015	Machinery and Equipment	Total	Machinery and Equipment	Total
Acquisition cost	**¥ —**	**¥ —**	**$ —**	**$ —**
Accumulated depreciation	**—**	**—**	**—**	**—**
Net leased property	**¥ —**	**¥ —**	**$ —**	**$ —**

	Millions of yen	
November 30, 2014	Machinery and Equipment	Total
Acquisition cost	¥ 179	¥ 179
Accumulated depreciation	148	148
Net leased property	¥ 31	¥ 31

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥ —**	¥ 31	**$ —**
Due after one year	**—**	—	**—**
Total	**¥ —**	¥ 31	**$ —**

Depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Depreciation expense	**¥ 2**	¥ 25	**$ 16**
Interest expense	**0**	2	**0**

Depreciation expenses are computed by the straight-line method, and interest expenses are computed by the interest method.

Total lease payments under finance leases accounted for as operating lease transactions for the years ended November 30, 2015 and 2014, were ¥2 million ($16 thousand) and ¥30 million, respectively.

(As Lessor)

Expected lease revenues to be received under the noncancelable operating leases subsequent to November 30, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥ 88**	¥ 74	**$ 716**
[amount of sublease]	**[88]**	[74]	**[716]**
Due after one year	**157**	127	**1,276**
[amount of sublease]	**[157]**	[127]	**[1,276]**
Total	**¥ 245**	¥ 201	**$ 1,992**
[amount of sublease]	**[245]**	[201]	**[1,992]**

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt, including bank loans and bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, the positions are hedged by using forward foreign currency contracts in accordance with internal policy. Marketable and investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts in accordance with internal policy.

Derivatives mainly include forward foreign currency contracts and interest rate and currency swaps which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and from changes in foreign currency exchange and interest rates of debt. Please see Note 15 for more details about derivatives.

(3) Risk Management for Financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of customers to identify default risk of customers at an early stage. Please see Note 15 for more details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of November 30, 2015.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to risks resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risks are hedged principally by forward foreign currency contracts. In addition, when foreign currency trade receivables and payables are expected from forecasted transactions, forward foreign currency contracts may be used under the limited contract term of one year.

Certain consolidated subsidiaries utilize interest rate and currency swaps to hedge market risks from changes in foreign currencies and interest rates.

Marketable and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Internal guidelines stating the basic principles for derivative transactions have been prepared and are required to be followed. Reconciliation of the transactions and balances with customers is made, and the transaction data is reported to the director in charge of the operations and the management meeting on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Company manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the finance group.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 15 for details of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of yen		
November 30, 2015	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	**¥ 19,402**	**¥ 19,402**	**—**
Time deposits	**2,070**	**2,070**	**—**
Trade notes and accounts receivable	**21,520**	**21,520**	**—**
Marketable and investment securities	**6,245**	**6,245**	**—**
Total	**¥ 49,237**	**¥ 49,237**	**—**
Short-term borrowings	**¥ 4,053**	**¥ 4,053**	**—**
Trade notes and accounts payable	**4,980**	**4,980**	**—**
Income taxes payable	**3,486**	**3,486**	**—**
Long-term debt, including current portion	**16,143**	**23,876**	**¥ (7,733)**
Total	**¥ 28,662**	**¥ 36,395**	**¥ (7,733)**

	Millions of yen		
November 30, 2014	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 21,474	¥ 21,474	—
Time deposits	1,074	1,074	—
Trade notes and accounts receivable	21,629	21,629	—
Marketable and investment securities	5,321	5,321	—
Total	¥ 49,498	¥ 49,498	—
Short-term borrowings	¥ 3,934	¥ 3,934	—
Trade notes and accounts payable	4,160	4,160	—
Income taxes payable	3,751	3,751	—
Long-term debt, including current portion	16,075	19,990	¥ (3,915)
Total	¥ 27,920	¥ 31,835	¥ (3,915)

	Thousands of U.S. dollars		
November 30, 2015	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	**$ 157,740**	**$ 157,740**	**—**
Time deposits	**16,829**	**16,829**	**—**
Trade notes and accounts receivable	**174,959**	**174,959**	**—**
Marketable and investment securities	**50,772**	**50,772**	**—**
Total	**$ 400,300**	**$ 400,300**	**—**
Short-term borrowings	**$ 32,951**	**$ 32,951**	**—**
Trade notes and accounts payable	**40,488**	**40,488**	**—**
Income taxes payable	**28,342**	**28,342**	**—**
Long-term debt, including current portion	**131,244**	**194,114**	**$ (62,870)**
Total	**$ 233,025**	**$ 295,895**	**$ (62,870)**

Cash and Cash Equivalents and Time Deposits

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and Investment Securities

The fair values of equity securities are measured at the quoted market price of the stock exchange for the equity instruments. Information about the fair value of marketable and investment securities by classification is included in Note 4.

Trade Notes and Accounts Receivable and Payable, Short-Term Borrowings, and Income Taxes Payable

The carrying values of trade notes and accounts receivable and payable, short-term borrowings, and income taxes payable approximate fair value because of their short maturities.

Long-Term Debt

The fair value of long-term debt is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate. The fair value of convertible bonds is measured at the market price obtained from financial institutions.

Derivatives

Fair value information for derivatives is included in Note 15.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 112**	¥ 112	**$ 911**
Investments in unconsolidated subsidiaries and associated companies	**2,672**	1,621	**21,724**
Other assets	**22**	21	**179**

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen			
November 30, 2015	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through 10 Years	Due After 10 Years
Cash and cash equivalents	**¥ 19,402**	**¥ —**	**¥ —**	**—**
Time deposits	**2,070**	**—**	**—**	**—**
Trade notes and accounts receivable	**21,520**	**—**	**—**	**—**
Available-for-sale securities with contractual maturities	**78**	**14**	**100**	**—**
Total	**¥ 43,070**	**¥ 14**	**¥ 100**	**—**

	Thousands of U.S. dollars			
November 30, 2015	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through 10 Years	Due After 10 Years
Cash and cash equivalents	**$157,740**	**$ —**	**$ —**	**—**
Time deposits	**16,829**	**—**	**—**	**—**
Trade notes and accounts receivable	**174,959**	**—**	**—**	**—**
Available-for-sale securities with contractual maturities	**634**	**114**	**813**	**—**
Total	**$350,162**	**$ 114**	**$ 813**	**—**

Please see Note 6 for annual maturities of long-term debt and Note 13 for obligations under finance leases.

15. DERIVATIVES

The Company and certain subsidiaries enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

Certain consolidated subsidiaries utilize interest rate and currency swaps to hedge market risks from changes in foreign currencies and interest rates.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company and subsidiaries do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company and subsidiaries have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting is Not Applied

	Millions of yen			
November 30, 2015	Contract Amount	Contract Amount Due After One Year	Fair Value	Unrealized Gains (Losses)
Foreign currency forward contracts:				
Selling U.S. dollars	**¥ 2,660**	**¥ —**	**¥ (23)**	**¥ (23)**
Selling Euro	**255**	**—**	**9**	**9**
Interest rate and currency swaps: (fixed rate payment, floating rate receipt)	**997**	**792**	**32**	**32**

	Millions of yen			
November 30, 2014	Contract Amount	Contract Amount Due After One Year	Fair Value	Unrealized Losses
Foreign currency forward contracts:				
Buying Yen	¥ 312	—	¥ (5)	¥ (5)
Selling U.S. dollars	1,173	—	(126)	(126)

	Thousands of U.S. dollars			
November 30, 2015	Contract Amount	Contract Amount Due After One Year	Fair Value	Unrealized Gains (Losses)
Foreign currency forward contracts:				
Selling U.S. dollars	**$ 21,626**	**$ —**	**$ (187)**	**$ (187)**
Selling Euro	**2,073**	**—**	**73**	**73**
Interest rate and currency swaps: (fixed rate payment, floating rate receipt)	**8,106**	**6,439**	**260**	**260**

Derivative Transactions to Which Hedge Accounting is Applied

	Millions of yen			
November 30, 2015	Hedged Item	Contract Amount	Contract Amount Due After One Year	Fair Value
Foreign currency forward contracts:				
Buying Euro	**Payables**	**¥ 40**	**—**	**¥ (1)**
Selling U.S. dollars	**Receivables**	**4,527**	**—**	**4**
Selling Euro	**Receivables**	**14**	**—**	**0**

	Thousands of U.S. dollars			
November 30, 2015	Hedged Item	Contract Amount	Contract Amount Due After One Year	Fair Value
Foreign currency forward contracts:				
Buying Euro	**Payables**	**$ 325**	**—**	**$ (8)**
Selling U.S. dollars	**Receivables**	**36,805**	**—**	**33**
Selling Euro	**Receivables**	**114**	**—**	**0**

16. CONTINGENT LIABILITIES

At November 30, 2015, the Group had contingent liabilities for notes endorsed with recourse of ¥56 million ($455 thousand).

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended November 30, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 860**	¥ 417	**$ 6,991**
Reclassification adjustments to profit or loss	**(18)**	—	**(146)**
Amount before income tax effect	**842**	417	**6,845**
Income tax effect	**(180)**	(96)	**(1,463)**
Total	**¥ 662**	¥ 321	**$ 5,382**
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	**¥ 3**	¥ —	**$ 24**
Amount before income tax effect	**3**	—	**24**
Income tax effect	**(1)**	—	**(8)**
Total	**¥ 2**	¥ —	**$ 16**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ (2,049)**	¥ 5,318	**$ (16,659)**
Total	**¥ (2,049)**	¥ 5,318	**$ (16,659)**
Share of other comprehensive income in associates:			
Gains arising during the year	**¥ 7**	¥ 2	**$ 57**
Total	**¥ 7**	¥ 2	**$ 57**
Total other comprehensive income	**¥ (1,378)**	¥ 5,641	**$ (11,204)**

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended November 30, 2015 and 2014, is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. dollars
For the year ended November 30, 2015	Net Income	Weighted-Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥ 12,518**	**94,991**	**¥ 131.78**	**$ 1.07**
Effect of dilutive securities:				
Convertible bonds	**—**	**9,108**		
Diluted EPS				
Net income for computation	**¥ 12,518**	**104,099**	**¥ 120.25**	**$ 0.98**

	Millions of yen	Thousands of Shares	Yen
For the year ended November 30, 2014	Net Income	Weighted-Average Shares	EPS
Basic EPS			
Net income available to common shareholders	¥ 9,990	94,959	¥ 105.20
Effect of dilutive securities:			
Convertible bonds	—	9,143	
Diluted EPS			
Net income for computation	¥ 9,990	104,102	¥ 95.96

19. RELATED-PARTY TRANSACTIONS

The Company's Audit & Supervisory Board member is a representative director of ONOCOM Co., Ltd., which engages in the construction business. The Company purchased properties and repair and maintenance services from ONOCOM Co., Ltd. for the year ended November 30, 2014, in the amount of ¥1,049 million. The amount was determined based on a quotation and the past experience with construction, and the payment term was determined considering the construction period. The balance of accounts payable to ONOCOM Co., Ltd at November 30, 2014, was ¥69 million. Such transactions during the year ended November 30, 2015, were immaterial.

20. SUBSEQUENT EVENTS

a. Appropriation of retained earnings

The following appropriation of retained earnings at November 30, 2015, was approved at the Company's shareholders' meeting held on February 20, 2016:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥20 ($0.16) per share	**¥ 1,901**	**$ 15,455**

b. Stock option plan

At the Board of Directors' meeting held on January 20, 2016, the following stock option plan for directors and key employees of the Company and certain subsidiaries was approved:

Date of issuance	March 1, 2016
Total number of stock options	16,620 (100 shares per stock option)
Issue price	¥800 per stock option (¥8 per share)
Total number of shares granted	1,662,000 shares of common stock
Total amount of shares issued upon exercise of stock options	¥3,364 million
Paid in capital to be allocated to common stock upon exercise of stock option	¥1,012 per share
Exercise period	From March 1, 2019 to February 28, 2023
Granted person and number of stock option granted	10 directors of the Company: 8,000 stock options 117 employees of the Company: 6,440 stock options 21 directors of subsidiaries: 1,900 stock options 14 employees of subsidiaries: 280 stock options

c. Purchase of treasury stock

At the Board of Directors meeting held on January 20, 2016, the following acquisition plan for treasury stocks was approved to increase capital efficiency and flexibility:

Type of stock	Common stock
Total number of shares to purchase	2,000,000 shares maximum
Total amount of treasury stocks	¥4,600 million maximum
Purchase period	From January 21, 2016 to March 31, 2016
Purchase from market	· Tokyo stock exchange ToSTNeT-3 · Discretionary purchase contract

The Company acquired 659,800 shares from the market in the amount of ¥1,286 million ($10,456 thousand) during the period from January 21, 2016 to January 31, 2016.

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group is engaged in the manufacture and sale of cutting tools for industrial applications and has key entities in each region in Japan, the Americas (USA, Canada, Mexico and Brazil), Europe (UK, Belgium, France, Netherlands, Denmark, Spain, Germany, Italy, Romania, and Turkey), and Asia (China, Singapore, Thailand, Taiwan, South Korea, India and Indonesia). Such key entities are independent management units, which develop and execute a comprehensive regional product strategy. Therefore, the Group consists of four regional segments (Japan, the Americas, Europe, and Asia).

2. Methods of Measurement for the Amounts of Sales, Profit, Assets, and Other Items for Each Reportable Segment
The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about Sales, Profit, Assets, and Other Items

	Millions of yen						
	Reportable Segment						
2015	Japan	The Americas	Europe	Asia	Total	Reconciliations	Consolidated
Sales							
Sales to external customers	**¥ 48,151**	**¥ 21,758**	**¥ 11,382**	**¥ 30,627**	**¥ 111,918**	**—**	**¥ 111,918**
Intersegment sales or transfers	**19,689**	**226**	**31**	**2,230**	**22,176**	**¥ (22,176)**	**—**
Total	**¥ 67,840**	**¥ 21,984**	**¥ 11,413**	**¥ 32,857**	**¥ 134,094**	**¥ (22,176)**	**¥ 111,918**
Segment profit	**¥ 11,401**	**¥ 3,488**	**¥ 1,247**	**¥ 6,296**	**¥ 22,432**	**¥ (835)**	**¥ 21,597**
Segment assets	**90,580**	**22,097**	**11,909**	**54,955**	**179,541**	**(24,411)**	**155,130**
Other:							
Depreciation and amortization	**4,209**	**794**	**249**	**2,619**	**7,871**	**(166)**	**7,705**
Amortization of goodwill	**—**	**—**	**189**	**—**	**189**	**—**	**189**
Amount of investment in equity of affiliates	**153**	**12**	**—**	**—**	**165**	**—**	**165**
Increase in property, plant, and equipment and intangible assets	**6,653**	**1,390**	**471**	**5,606**	**14,120**	**(631)**	**13,489**

	Millions of yen						
	Reportable Segment						
2014	Japan	The Americas	Europe	Asia	Total	Reconciliations	Consolidated
Sales							
Sales to external customers	¥ 46,660	¥ 18,236	¥ 9,879	¥ 26,257	¥ 101,032	—	¥ 101,032
Intersegment sales or transfers	16,587	163	39	1,678	18,467	¥ (18,467)	—
Total	¥ 63,247	¥ 18,399	¥ 9,918	¥ 27,935	¥ 119,499	¥ (18,467)	¥ 101,032
Segment profit	¥ 9,312	¥ 2,005	¥ 1,126	¥ 5,315	¥ 17,758	¥ (342)	¥ 17,416
Segment assets	87,151	19,894	8,320	47,439	162,804	(20,502)	142,302
Other:							
Depreciation and amortization	3,890	655	225	2,174	6,944	(113)	6,831
Amortization of goodwill	24	—	58	—	82	—	82
Amount of investment in equity of affiliates	131	(1)	—	—	130	—	130
Increase in property, plant, and equipment and intangible assets	5,007	918	167	1,563	7,655	(88)	7,567

2015	Thousands of U.S. dollars Reportable Segment Japan	The Americas	Europe	Asia	Total	Reconciliations	Consolidated
Sales							
Sales to external customers	**$ 391,471**	**$ 176,894**	**$ 92,537**	**$ 249,000**	**$ 909,902**	**—**	**$ 909,902**
Intersegment sales or transfers	**160,073**	**1,838**	**252**	**18,130**	**180,293**	**$ (180,293)**	**—**
Total	**$ 551,544**	**$ 178,732**	**$ 92,789**	**$ 267,130**	**$ 1,090,195**	**$ (180,293)**	**$ 909,902**
Segment profit	**$ 92,691**	**$ 28,358**	**$ 10,138**	**$ 51,187**	**$ 182,374**	**$ (6,789)**	**$ 175,585**
Segment assets	**736,423**	**179,650**	**96,821**	**446,789**	**1,459,683**	**(198,463)**	**1,261,220**
Other:							
Depreciation and amortization	**34,220**	**6,455**	**2,024**	**21,293**	**63,992**	**(1,350)**	**62,642**
Amortization of goodwill	**—**	**—**	**1,537**	**—**	**1,537**	**—**	**1,537**
Amount of investment in equity of affiliates	**1,244**	**97**	**—**	**—**	**1,341**	**—**	**1,341**
Increase in property, plant, and equipment and intangible assets	**54,090**	**11,301**	**3,829**	**45,577**	**114,797**	**(5,130)**	**109,667**

Notes:
1. The reconciliation amount for segment profit, segment assets, depreciation and increase in property, plant, equipment, and intangible assets is the elimination of intersegment transactions.
2. Segment profit is reconciled to operating income in the consolidated statement of income.

Associated Information

1. Information about products and services

	Millions of yen **2015** Taps	End mills	Drills and other	Rolling dies	Gauges	Other	Total
Sales to external customers	**¥ 38,240**	**¥ 26,554**	**¥ 25,744**	**¥ 9,922**	**¥ 1,539**	**¥ 9,919**	**¥ 111,918**

	Millions of yen 2014 Taps	End mills	Drills and other	Rolling dies	Gauges	Other	Total
Sales to external customers	¥ 34,655	¥ 22,886	¥ 23,601	¥ 9,166	¥ 1,419	¥ 9,305	¥ 101,032

	Thousands of U.S. dollars **2015** Taps	End mills	Drills and other	Rolling dies	Gauges	Other	Total
Sales to external customers	**$ 310,894**	**$ 215,886**	**$ 209,301**	**$ 80,667**	**$ 12,512**	**$ 80,642**	**$ 909,902**

2. Geographical information

(1) Sales

Millions of yen

2015

Japan	USA	Other Americas	Europe	China	Other Asia	Other	Total
¥ 47,218	**¥ 16,859**	**¥ 4,795**	**¥ 11,528**	**¥ 12,780**	**¥ 18,738**	**¥ 0**	**¥ 111,918**

Millions of yen

2014

Japan	USA	Other Americas	Europe	China	Other Asia	Other	Total
¥ 45,850	¥ 13,351	¥ 4,802	¥ 9,998	¥ 11,569	¥ 15,461	¥ 1	¥ 101,032

Thousands of U.S. dollars							
2015							
Japan	USA	Other Americas	Europe	China	Other Asia	Other	Total
$ 383,886	**$ 137,065**	**$ 38,984**	**$ 93,724**	**$ 103,902**	**$ 152,341**	**$ 0**	**$ 909,902**

Note: Sales are classified by country or area based on the location of customers.

(2) Property, plant, and equipment

Millions of yen					
2015					
Japan	The Americas	Europe	Korea	Other Asia	Total
¥ 33,845	**¥ 6,117**	**¥ 1,713**	**¥ 10,795**	**¥ 10,807**	**¥ 63,277**

Millions of yen					
2014					
Japan	The Americas	Europe	Korea	Other Asia	Total
¥ 31,455	¥ 5,145	¥ 1,522	¥ 7,983	¥ 10,085	¥ 56,190

Thousands of U.S. dollars					
2015					
Japan	The Americas	Europe	Korea	Other Asia	Total
$ 275,163	**$ 49,731**	**$ 13,927**	**$ 87,764**	**$ 87,862**	**$ 514,447**

3. Information about goodwill and negative goodwill by reportable segment

	Millions of yen					
	2015					
	Japan	The Americas	Europe	Asia	Corporate/ Elimination	Total
Amortization of goodwill	—	—	**¥ 189**	—	—	**¥ 189**
Amount of goodwill at November 30, 2015	—	—	**¥ 533**	—	—	**¥ 533**

	Millions of yen					
	2014					
	Japan	The Americas	Europe	Asia	Corporate/ Elimination	Total
Amortization of goodwill	¥ 24	—	¥ 58	—	—	¥ 82
Amount of goodwill at November 30, 2014	—	—	¥ 193	—	—	¥ 193

	Thousands of U.S. dollars					
	2015					
	Japan	The Americas	Europe	Asia	Corporate/ Elimination	Total
Amortization of goodwill	—	—	**$ 1,537**	—	—	**$ 1,537**
Amount of goodwill at November 30, 2015	—	—	**$ 4,333**	—	—	**$ 4,333**

The amount and amortization of negative goodwill allocated by business combinations completed before December 1, 2010, are as follows:

	Millions of yen					
	2015					
	Japan	The Americas	Europe	Asia	Corporate/ Elimination	Total
Amortization of negative goodwill	**—**	**¥ 2**	**—**	**¥ 16**	**—**	**¥ 18**
Amount of negative goodwill at November 30, 2015	**—**	**¥ 7**	**—**	**¥ 32**	**—**	**¥ 39**

	Millions of yen					
	2014					
	Japan	The Americas	Europe	Asia	Corporate/ Elimination	Total
Amortization of negative goodwill	—	¥ 2	—	¥ 16	—	¥ 18
Amount of negative goodwill at November 30, 2014	—	¥ 9	—	¥ 48	—	¥ 57

	Thousands of U.S. dollars					
	2015					
	Japan	The Americas	Europe	Asia	Corporate/ Elimination	Total
Amortization of negative goodwill	**—**	**$ 16**	**—**	**$ 130**	**—**	**$ 146**
Amount of negative goodwill at November 30, 2015	**—**	**$ 57**	**—**	**$ 260**	**—**	**$ 317**

BOARD OF DIRECTORS

(February 20, 2016)

Directors

Chairman Chief Executive Officer	**Teruhide Osawa**
President Chief Operating Officer	**Norio Ishikawa**
Managing Director	**Masatoshi Sakurai**
Managing Director	**Koji Sonobe**
Managing Director	**Toru Endo**
Managing Director	**Nobuaki Osawa**
Managing Director	**Tetsuro Hayasaka**
Managing Director	**Jiro Osawa**
Managing Director	**Toshitaka Yoshizaki**
Managing Director	**Hideaki Osawa**
Director (Audit & Supervisory Committee Member)	**Gohei Osawa**
Director (Audit & Supervisory Committee Member)	**Takeo Nakagawa***
Director (Audit & Supervisory Committee Member)	**Hiroyuki Ohmori***
Director (Audit & Supervisory Committee Member)	**Koji Kato**
Director (Audit & Supervisory Committee Member)	**Kyoshiro Ono***
Director (Audit & Supervisory Committee Member)	**Yoshiyuki Sakaki***

* Outside Director

Executive Officers

Executive Officer	**Taeil Chung**
Executive Officer	**Koji Takeo**
Executive Officer	**Mike Grantham**
Executive Officer	**Kazumasa Koike**
Executive Officer	**Mitsuyoshi Hikosaka**
Executive Officer	**Hiromi Ohno**
Executive Officer	**Jeffrey Tennant**
Executive Officer	**Yasutaka Yoneda**

INVESTOR INFORMATION

(November 30, 2015)

Corporate Data

Date Established:
March 26, 1938

Capital:
¥10,404,381,114

Headquarters:
3-22, Honnogahara, Toyokawa,
Aichi Prefecture 442-8543, Japan
URL: http://www.osg.co.jp/
http://www.osg-global.jp/
Telephone: (+81) 533-82-1113
Fax: (+81) 533-82-1131

Number of Employees:
5,569 (Consolidated)

Number of Shares of Common Stock Issued and Outstanding:
95,955,226 shares

Minimum Purchasing Unit of Shares:
100 shares

Number of Shareholders:
8,301

Transfer Agent for Shares:
Sumitomo Mitsui Trust Bank, Limited

Major Shareholders

	Number of Shares Held (Thousands)	Percent Ownership (%)
The Master Trust Bank of Japan, Co., Ltd. (Trust Account)	4,285	4.51
State Street Bank and Trust Company	3,941	4.15
OSG Agent Association	2,926	3.08
Japan Trustee Services Bank, Ltd. (Trust Account)	2,700	2.84
OSG Stock Holding Association	2,389	2.51
The Bank of New York, Non-Treaty Jasdec Account	2,321	2.44
Sumitomo Mitsui Banking Corporation	2,100	2.21
Toyota Motor Corporation	2,100	2.21
Osawa Scientific Studies Grants Foundation	2,073	2.18
The Nomura Trust and Banking Co., Ltd. (investment Trust Account)	1,695	1.78

Stock Listings

Tokyo Stock Exchange, Nagoya Stock Exchange shaping your dreams

OSG Corporation

3-22, Honnogahara, Toyokawa, Aichi Prefecture 442-8543, Japan
URL: http://www.osg.co.jp/
http://www.osg-global.jp/

VEGETABLE OIL INK

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