



shaping your dreams

Financial Results for FY2023-1Q

April 6, 2023
OSG Corporation

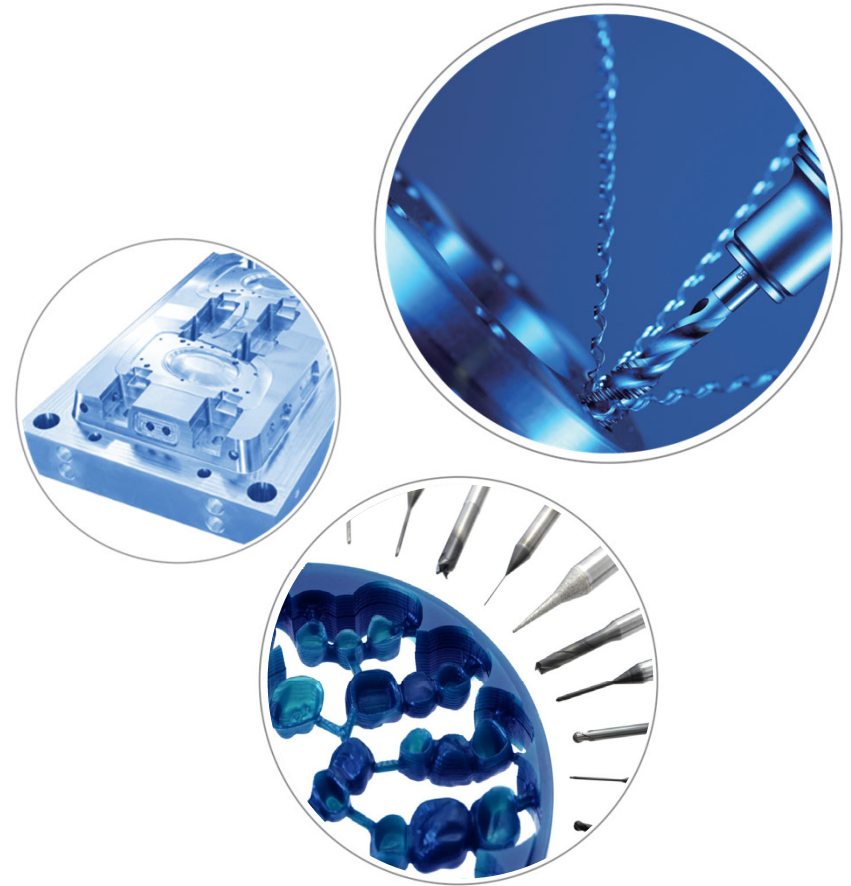


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Management Plan

Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	13,044 million yen
Employees	7,521 (consolidated) 1,897 (non-consolidated)
Stock listed	Prime Market (stock code 6136)



Note regarding forecast

This material includes forward-looking statements based on information available at the time of release.

The forecasts and other forward-looking statements are not guarantees of future performance. Actual financial results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

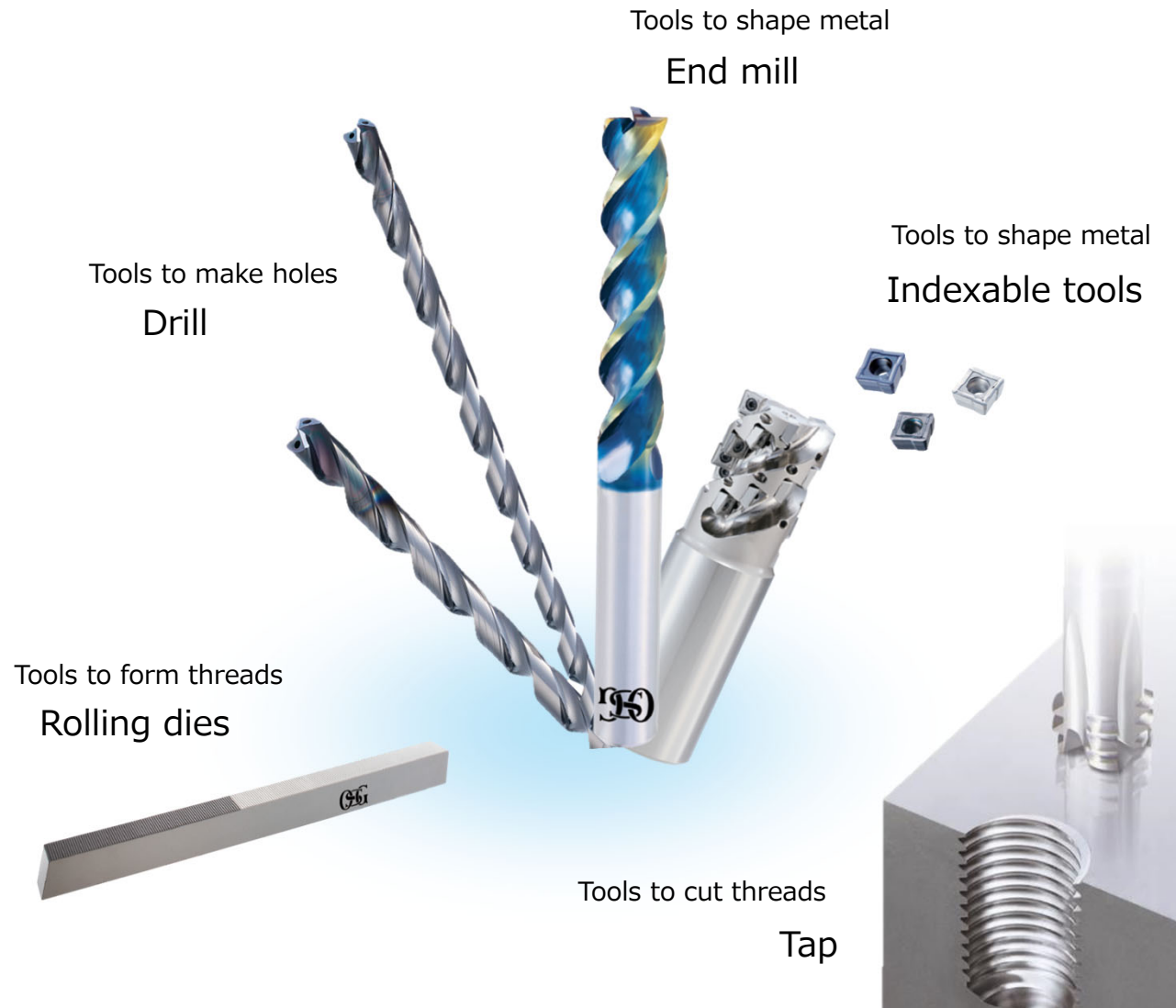
Company Overview

Products

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

Strength

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



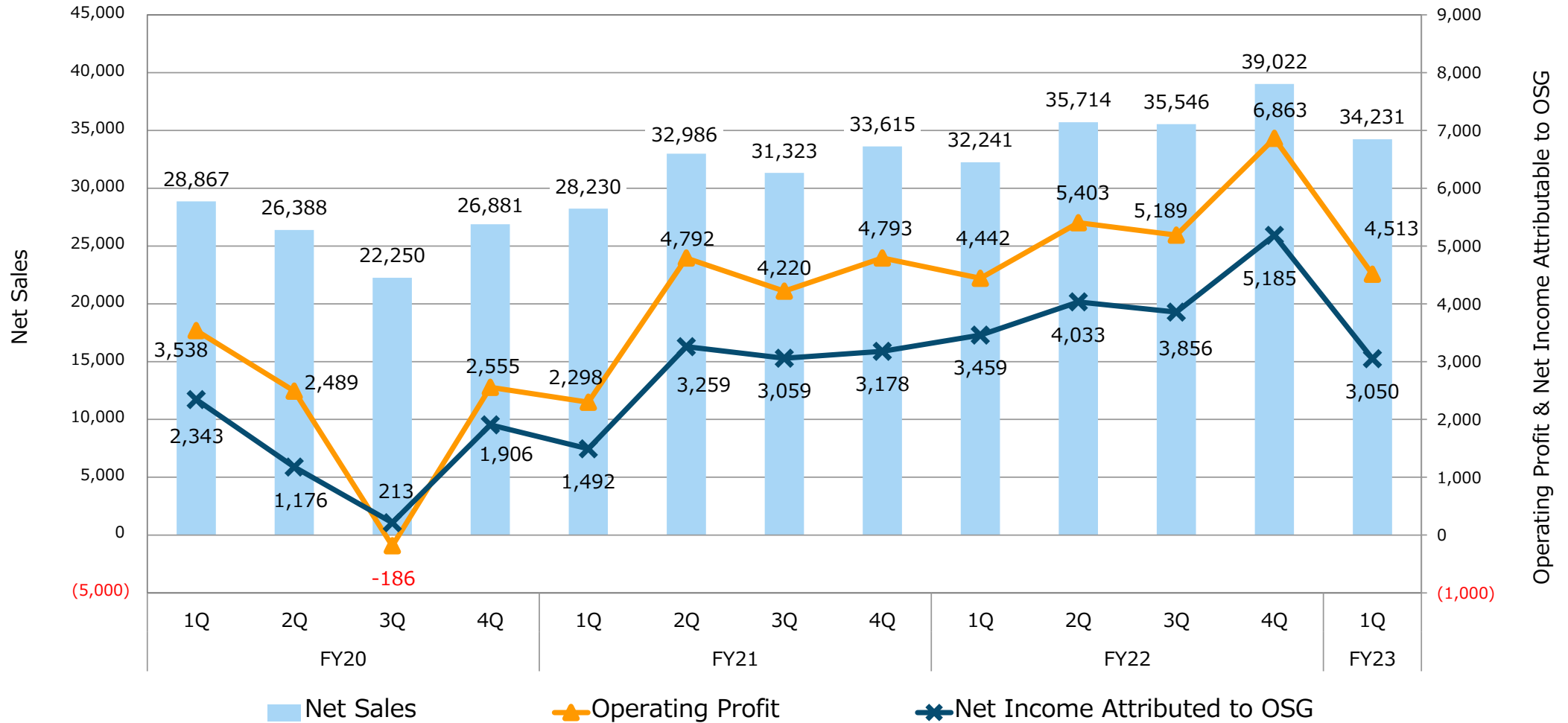
Financial Summary

(Millions of yen)

	FY22-1Q	FY23-1Q	Change	FY23-1H Forecast	Progress Rate
Net Sales	32,241	34,231	+6.2%	68,000	50.3%
Operating Profit	4,442	4,513	+1.6%	11,000	41.0%
OPM	13.8%	13.2%	-	11.7%	-
Ordinary Profit	4,788	4,880	+1.9%	11,000	44.4%
Net Profit Attributable to OSG	3,459	3,050	-11.8%	7,600	40.1%
EPS(yen)	35.53	31.86	-10.3%	79.40	-

Financial Summary

(Millions of yen)



Review of FY23-1Q

China's Economic Slowdown Impacted, but the Americas and Europe Performing Well Recovery Progressing in Key Industries

➤ Index & Capital Investment Results

—EBITDA	7.1 billion yen	(Increased by 2.1% from FY22-1Q)
—EBITDA Margin	20.8%	(0.8pts decreased from FY22-1Q)
—Free Cash Flow	-8.0 billion yen	(Increased by 14.5% from FY22-1Q)
—ROE	7.4%	(2.2pts decreased from FY22-1Q)
—Equity Ratio	73.8%	(1.8pts increased from the end of FY22)
—CAPEX	2.7 billion yen	
—Depreciation	2.6 billion yen	



Review of FY23-1Q

The Americas

Although business conditions are uncertain, trends in the aircraft and automobile industries are recovering.

Europe / Africa

Sales to distributors were favorable. Trends in the general industrial and aircraft industries continue to be strong.

Asia

China's economic slowdown due to lower occupancy rates among customers affected by COVID-19 and Chinese New Year. Trends in the rest of Asia were strong and weak from country to country.

Japan

There is a lull in trends for the general parts industry. Trends in the aircraft and automobile industries continue to be challenging.

Sales to Customer

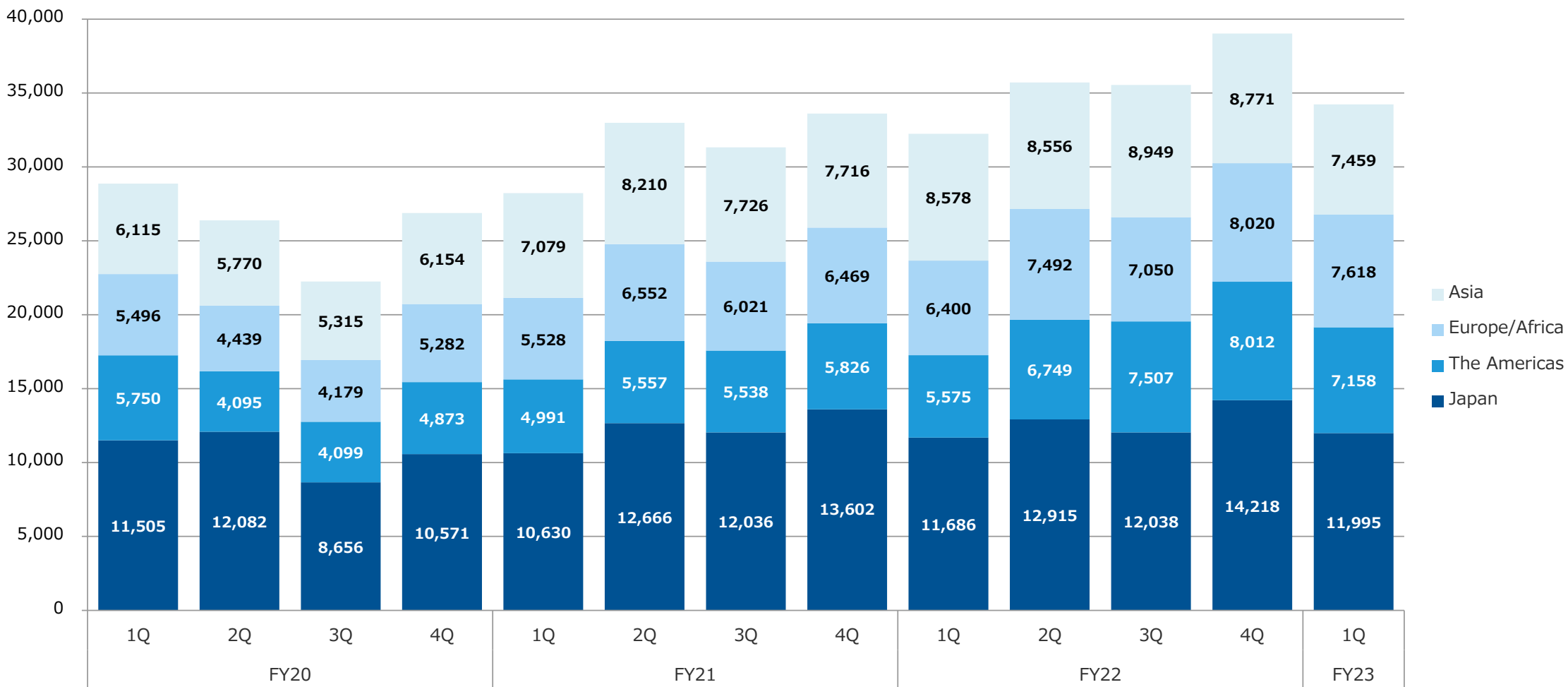
(Millions of yen)

Change
in local
currency

	FY22-1Q	FY23-1Q	Change		
Japan	11,686	11,995	309	+2.6%	-
The Americas	5,575	7,158	1,582	+28.4%	+11.3%
Europe/Africa	6,400	7,618	1,217	+19.0%	+9.5%
Asia	8,578	7,459	-1,119	-13.1%	-19.5%
Consolidated	32,241	34,231	1,990	+6.2%	-

Sales to Customer

(Millions of yen)



Operating Income

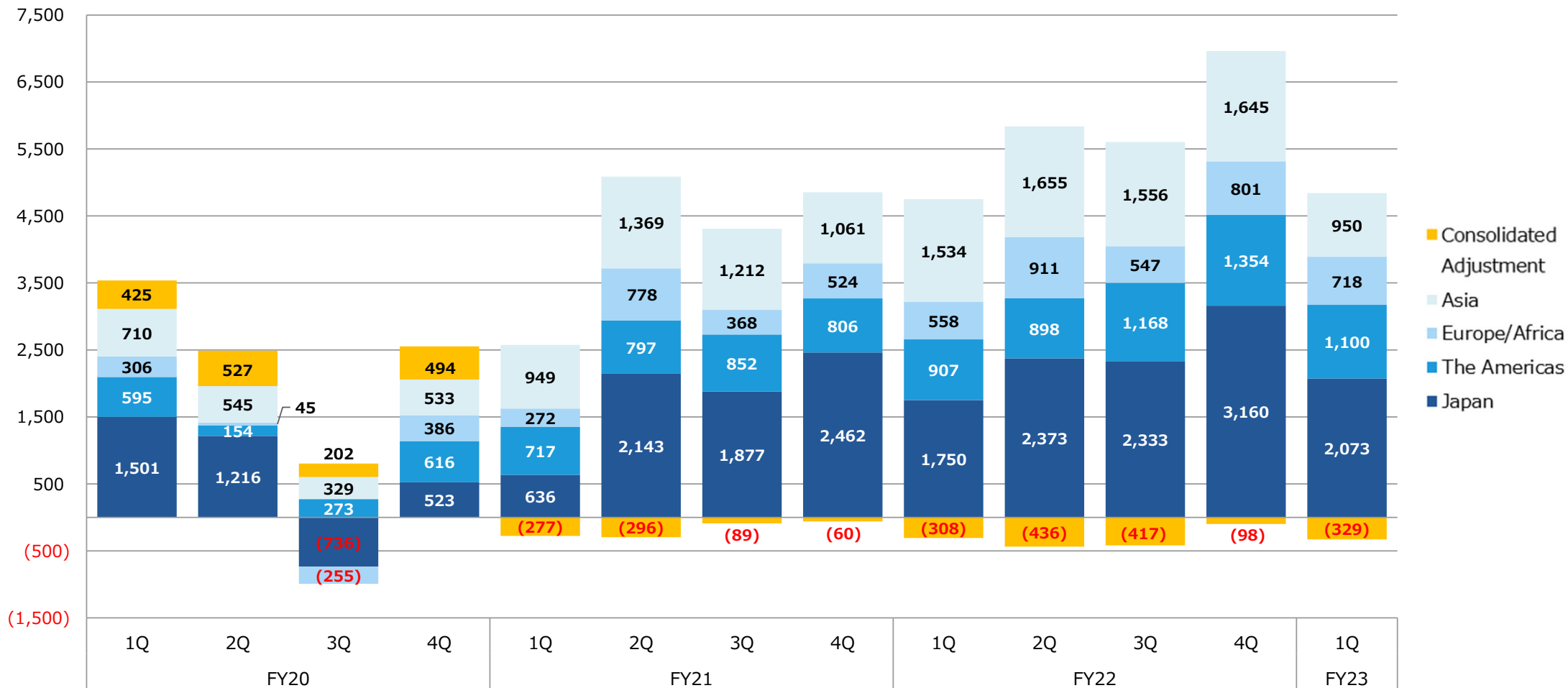
(Millions of yen)

	FY22-1Q	Area percentage	FY23-1Q	Area percentage	Change		OPM(*)
Japan	1,750	36.8%	2,073	42.8%	323	+18.5%	11.6%
The Americas	907	19.1%	1,100	22.7%	193	+21.3%	15.1%
Europe/Africa	558	11.8%	718	14.8%	159	+28.5%	9.4%
Asia	1,534	32.3%	950	19.6%	-583	-38.0%	11.3%
Total	4,750	-	4,843	-	92	+1.9%	11.7%
Eliminations	-308	-	-329	-	-20	-	-
Consolidated	4,442	-	4,513	-	71	+1.6%	13.2%

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

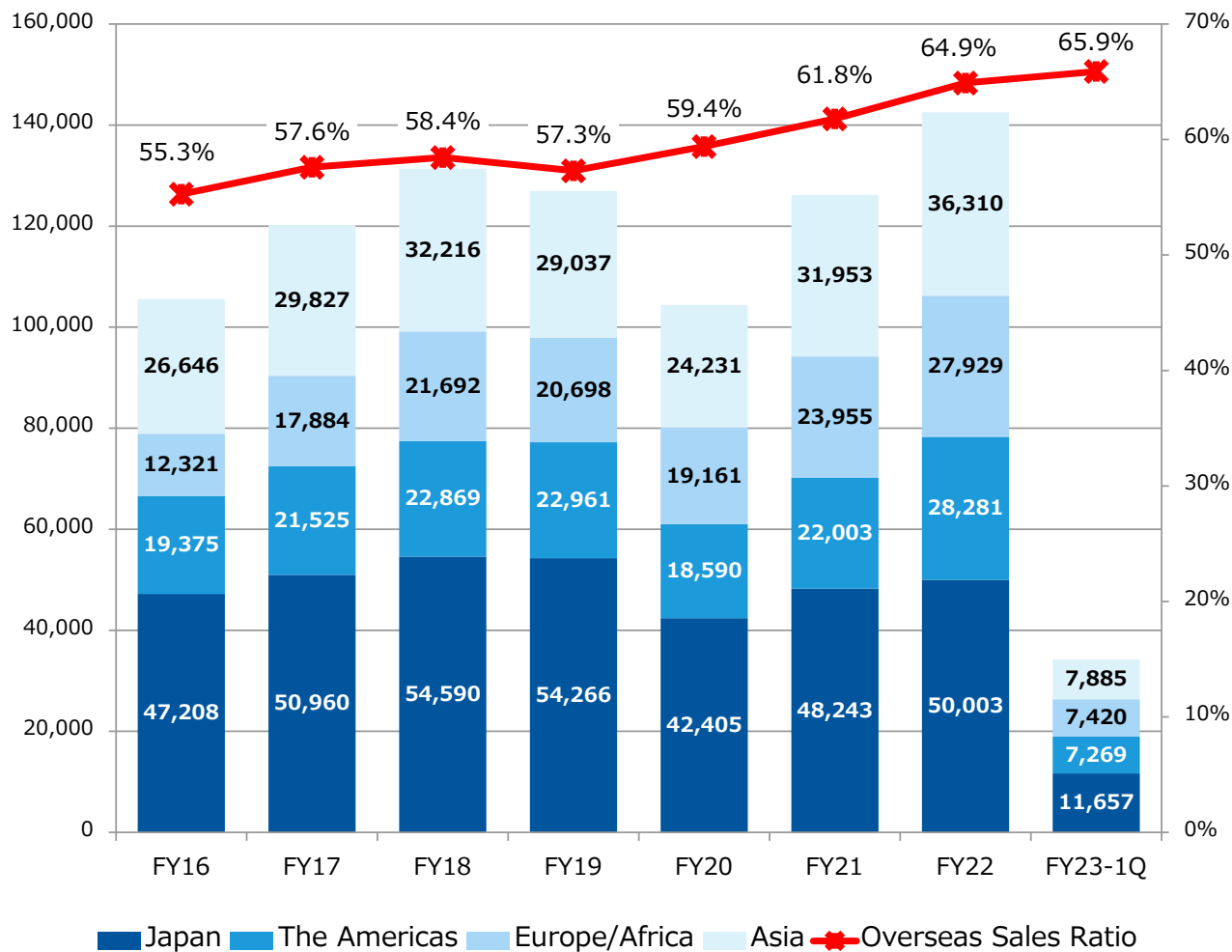
Operating Income

(Millions of yen)

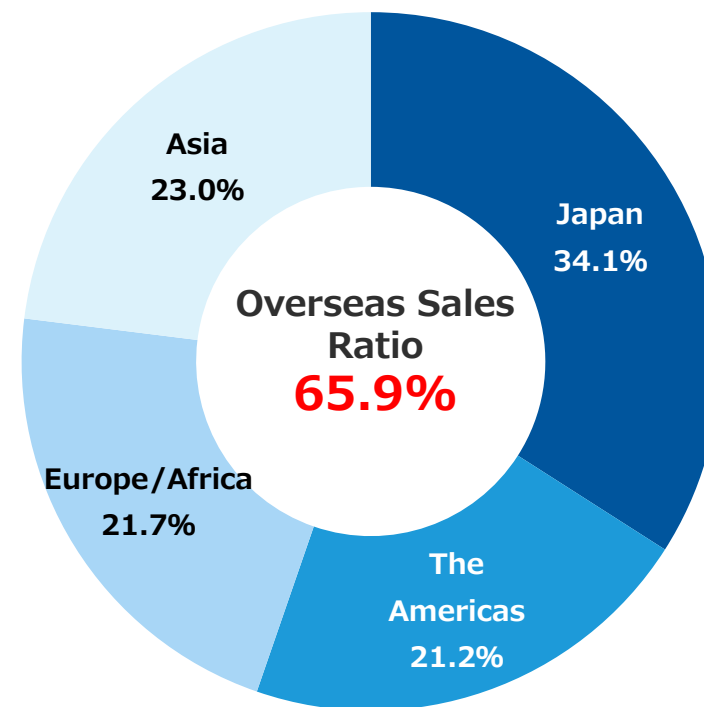


Overseas Sales Ratio

(Millions of yen)



FY2023-1Q



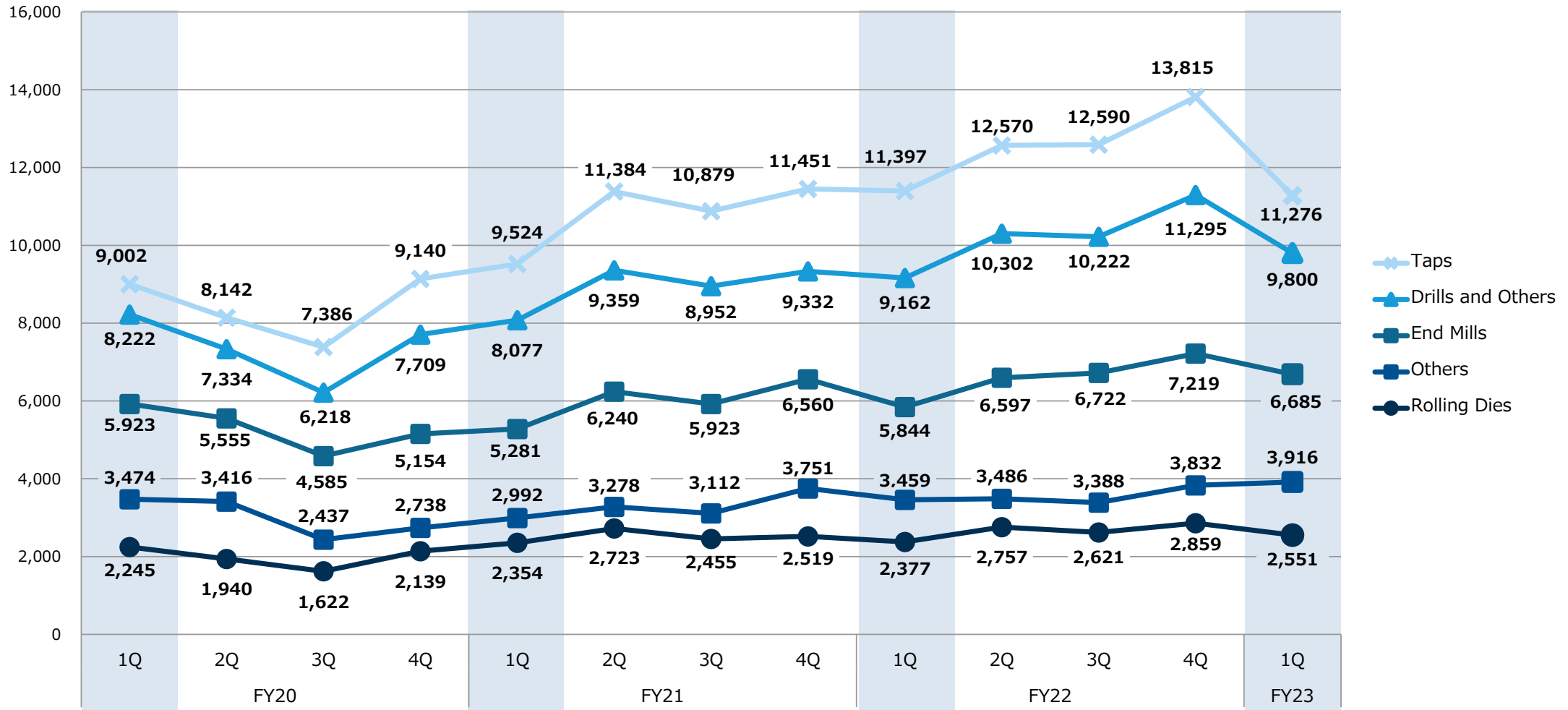
Net Sales by Product Segment

(Millions of yen)

		FY22						FY23		Change	
		1Q	2Q	3Q	4Q	Total		1Q			
Precision Tools	Taps	11,397	12,570	12,590	13,815	50,374	35.3%	11,276	32.9%	-120	-1.1%
	End mills	5,844	6,597	6,722	7,219	26,383	18.5%	6,685	19.5%	841	14.4%
	Drills and Others	9,162	10,302	10,222	11,295	40,982	28.9%	9,800	28.6%	638	7.0%
	Rolling dies	2,377	2,757	2,621	2,859	10,616	7.4%	2,551	7.5%	173	7.3%
	Gauges	449	524	488	529	1,991	1.4%	457	1.3%	7	1.7%
		29,231	32,751	32,646	35,719	130,348	91.5%	30,771	89.8%	1,540	5.3%
Other	Machine	783	1,008	893	1,222	3,907	2.7%	1,320	3.9%	537	68.6%
	Other	2,227	1,953	2,007	2,080	8,269	5.8%	2,139	6.3%	-87	-3.9%
		3,010	2,962	2,900	3,303	12,176	8.5%	3,459	10.2%	449	14.9%
Total		32,241	35,714	35,546	39,022	142,525	100%	34,231	100%	1,990	6.2%

Net Sales by Product Segment

(Millions of yen)



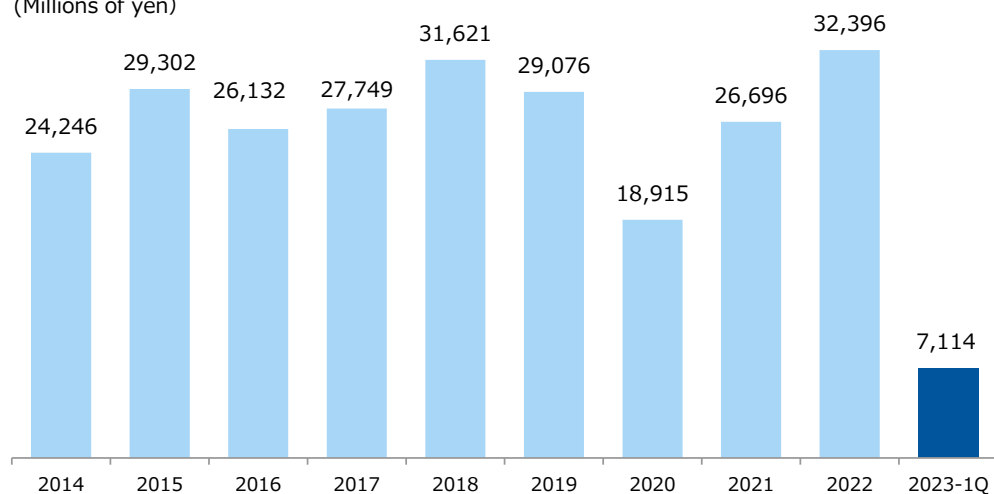
B/S Overview • EBITDA

(Millions of yen)

	FY22	FY23-1Q		FY22	FY23-1Q
Equity Ratio (%)	72.0	73.8	Cash and Time Deposits	46,697	41,223
Receivable Turnover Period (Days)	68.9	67.9	Debt	25,570	24,906
Inventory Turnover Period (months)	4.4	4.7	Net Cash	21,126	16,316

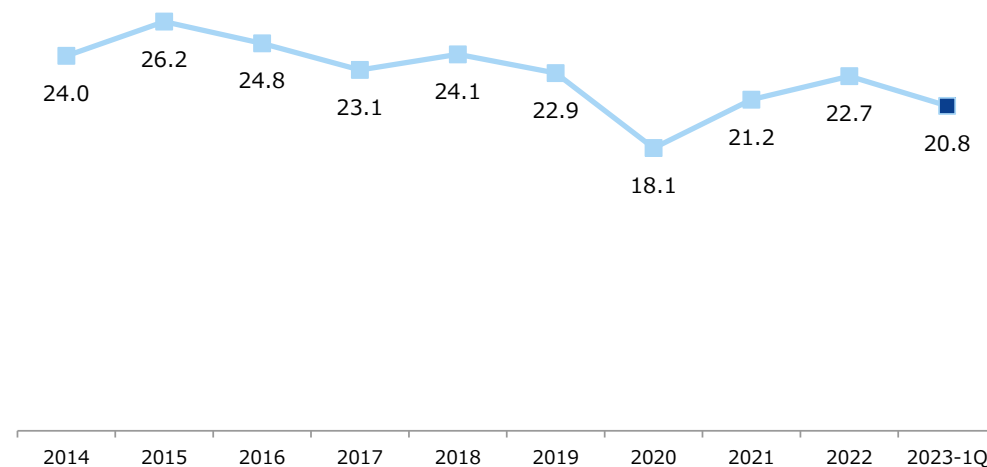
EBITDA

(Millions of yen)



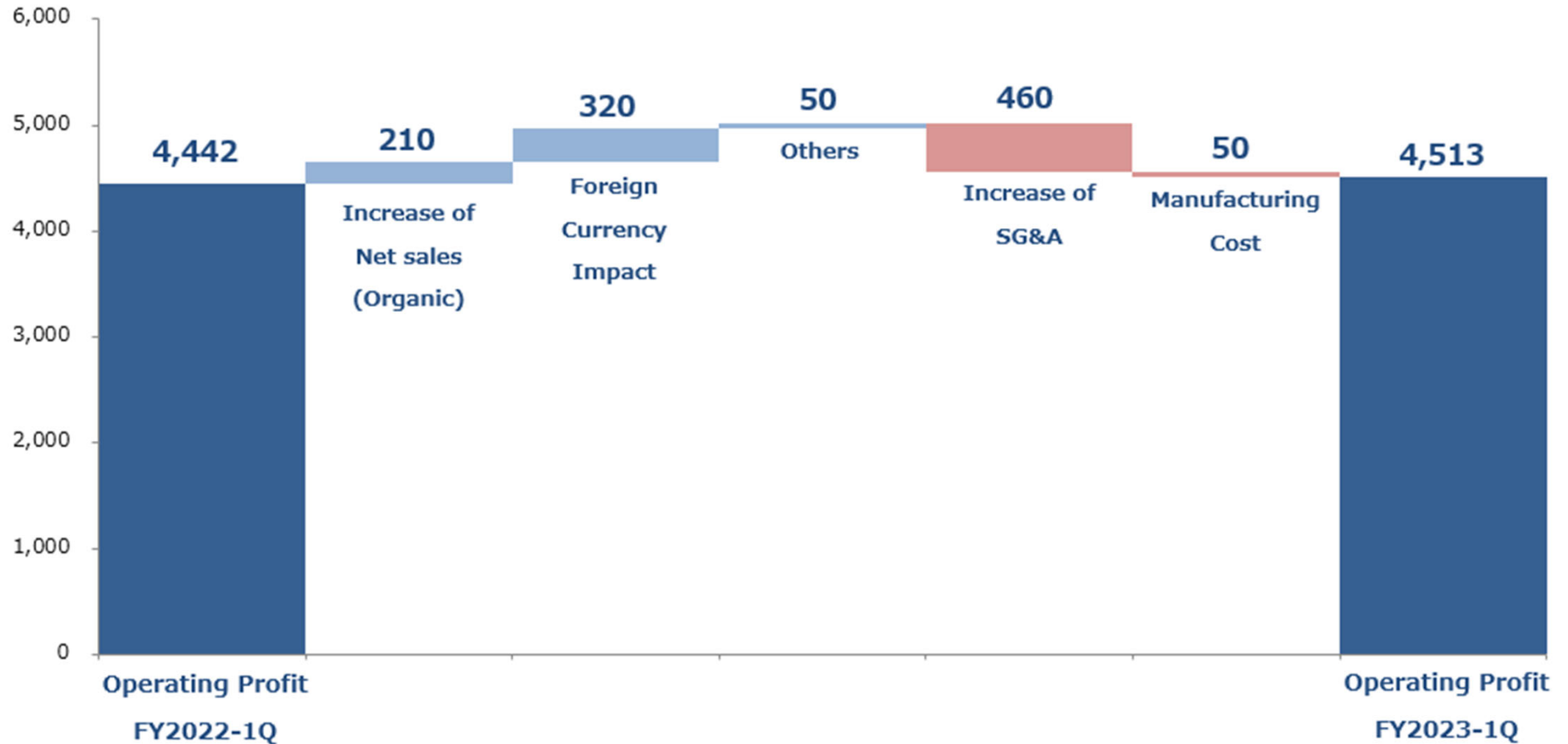
EBITDA Margin

(%)



Operation Profit Variation

(Millions of yen)



Capital Investment

FY23 Capital Investment Forecast

12.5 billion yen

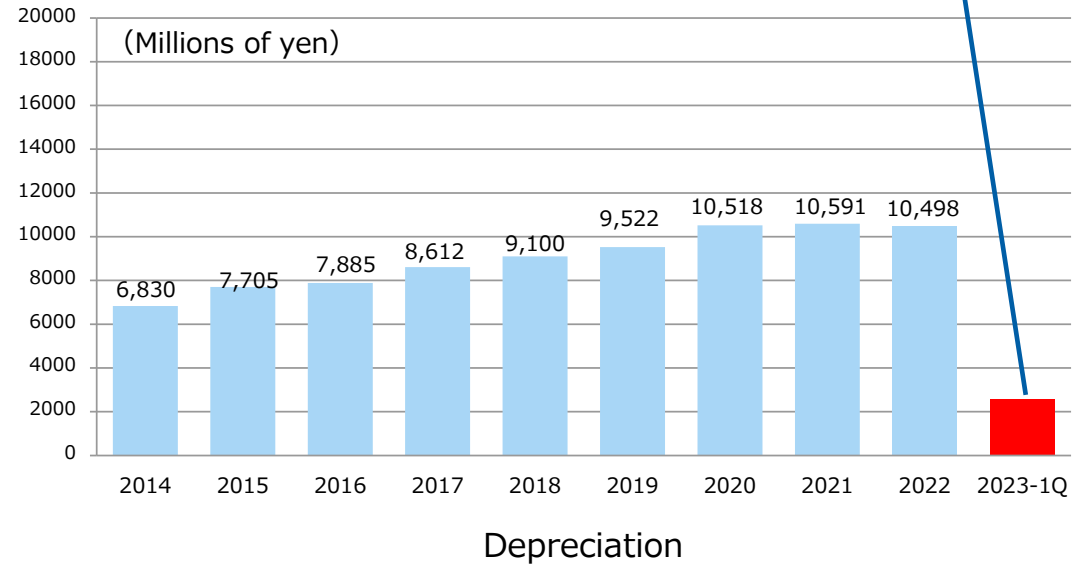
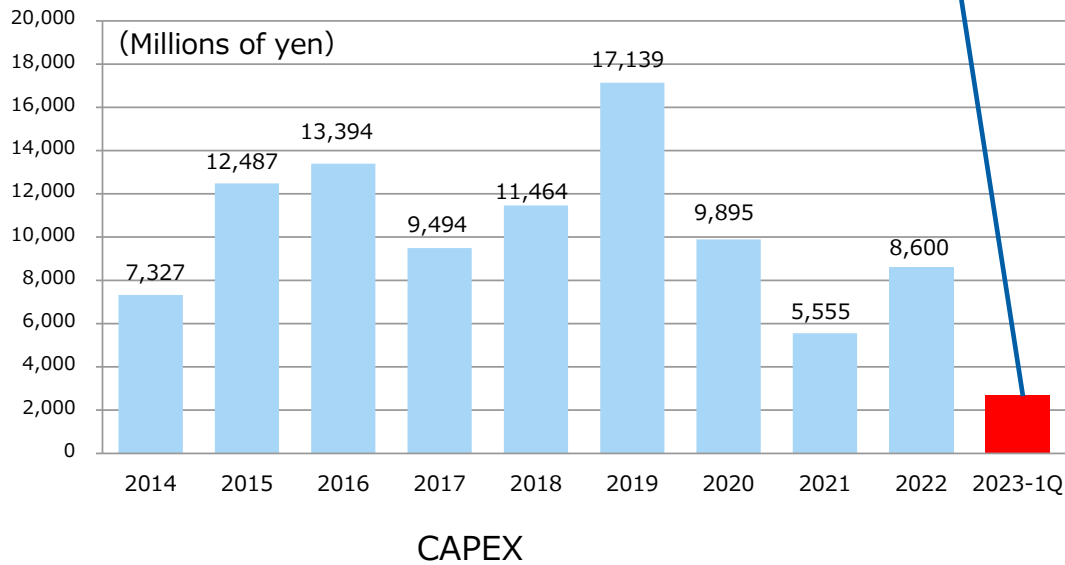
Breakdown



Mainly for renewal and enhancement of machinery and equipment, of which 1 billion yen was not received in FY22.

CAPEX : 2,700

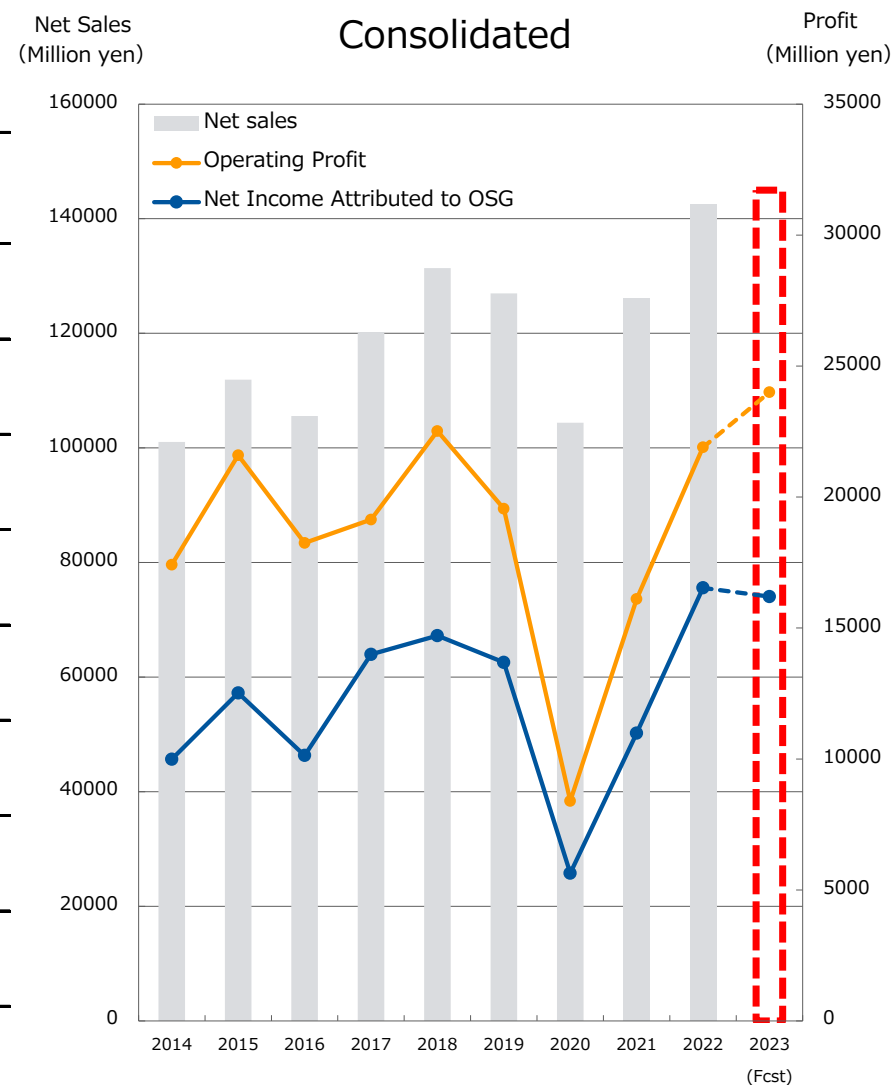
Depreciation : 2,600



Forecast for FY23

	Consolidated		Parent Company	
	Amount (Millions of yen)	Growth	Amount (Millions of yen)	Growth
Net Sales	145,000	+1.7%	58,000	+1.8%
Operating Profit	24,000	+9.6%	6,900	+2.5%
as % of sales	16.6%	-	11.9%	-
Ordinary Profit	24,000	+1.5%	11,000	-16.3%
as % of sales	16.6%	-	19.0%	-
Net Income Attributed to OSG	16,200	-2.0%	9,500	-9.0%
as % of sales	11.2%	-	16.4%	-
EPS (yen)	169.24	-	99.21	-

*Exchange rate FY2023(Fcst.) : 1US\$=130.00yen 1Euro=137.00yen



Exchange Rate

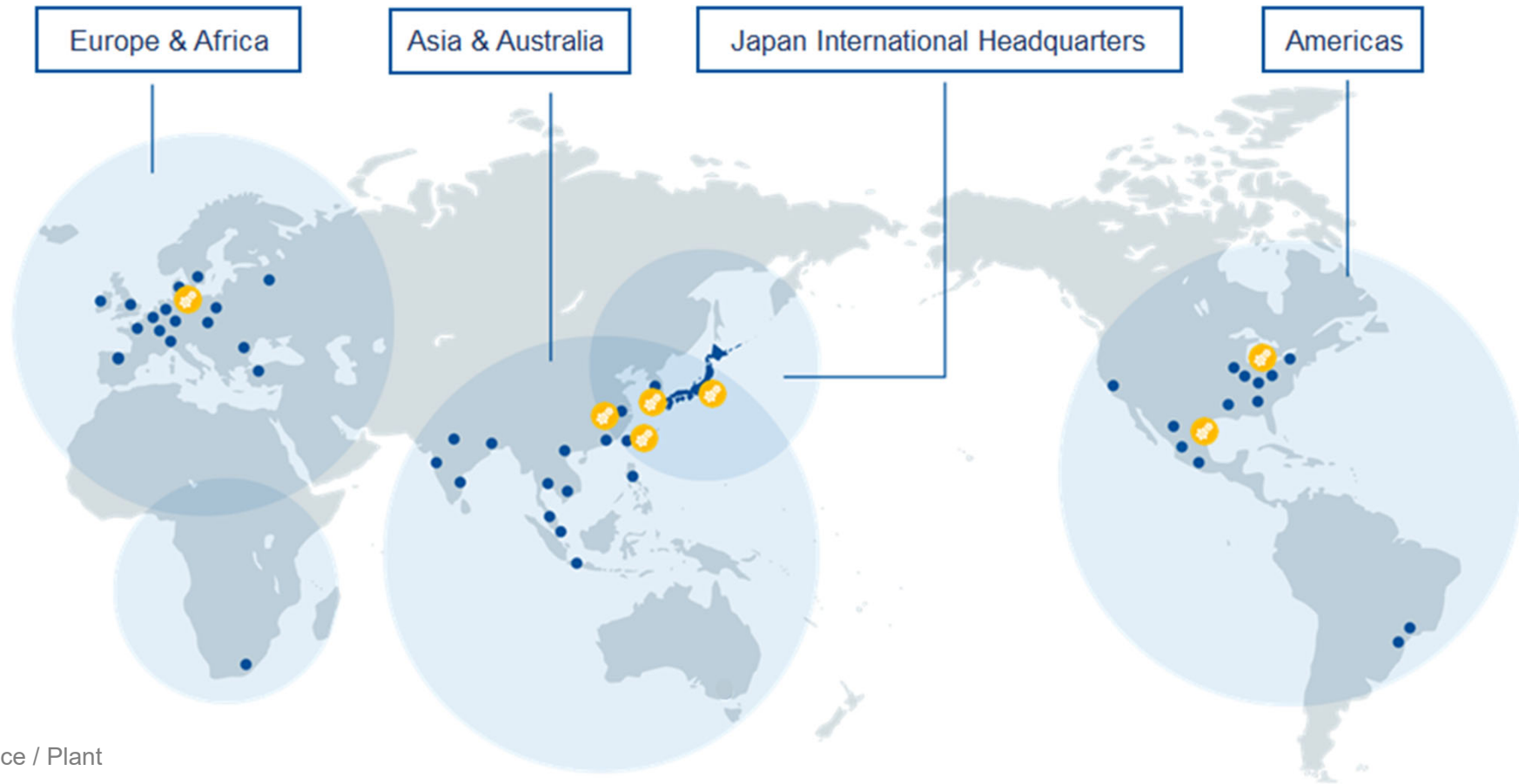
(Yen)

	1US\$	1Euro	1RMB
FY20 1Q	109.35	121.05	15.65
FY20	106.94	121.53	15.41
FY21 1Q	104.74	127.53	16.13
FY21	109.41	130.04	16.94
FY22 1Q	115.34	129.50	18.16
FY22	130.61	137.60	19.42
FY23 1Q	133.17	142.55	19.30

Appx.1 Selected Financial Data (Consolidated)

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023-1Q
Net sales	(mil.yen)	84,083	88,378	101,031	111,917	105,561	120,198	131,368	126,964	104,388	126,156	142,525	34,231
Sales growth	(%)	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	21%	13%	6%
Cost of sales	(mil.yen)	49,381	52,777	58,061	61,865	59,179	69,711	74,833	73,281	65,715	76,969	83,459	20,093
Gross profit	(mil.yen)	34,702	35,601	42,970	50,051	46,382	50,486	56,535	53,682	38,673	49,186	59,065	14,137
SG&A expenses	(mil.yen)	20,747	22,774	25,554	28,454	28,135	31,349	34,015	34,128	30,276	33,081	37,166	9,623
Operating income	(mil.yen)	13,954	12,827	17,415	21,597	18,246	19,137	22,520	19,554	8,396	16,105	21,898	4,513
Ordinary income	(mil.yen)	13,695	13,910	17,568	21,510	17,813	19,144	22,567	19,710	8,950	16,141	23,648	4,880
Net income	(mil.yen)	7,138	8,619	9,989	12,518	10,134	13,993	14,710	13,686	5,639	10,989	16,534	3,050
Gross profit margin	(%)	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	39.0%	41.4%	41.3%
SG&A as % of sales	(%)	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%	26.9%	29.0%	26.2%	26.1%	28.1%
Operating income	(%)	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	15.4%	13.2%
Ordinary income	(%)	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	16.6%	14.3%
Net income	(%)	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	11.6%	8.9%
Average FX rate: 1USD	(yen)	78.89	93.16	102.98	121.03	109.78	112.33	110.53	109.36	106.94	109.41	130.61	133.17
Average FX rate: 1Euro	(yen)	102.63	122.62	139.37	134.92	121.39	126.20	130.68	122.53	121.60	130.04	137.60	142.55
Total assets	(mil.yen)	121,689	134,503	142,302	155,129	156,081	166,712	178,020	190,414	200,112	209,757	228,852	221,848
Total shareholders' equity	(mil.yen)	64,482	80,024	91,458	102,566	92,216	115,810	125,332	129,078	129,338	143,811	164,659	163,634
Net income	(yen)	75.16	90.76	105.20	131.78	110.59	153.70	150.47	140.06	57.94	112.63	171.54	31.86
Cash dividends (end of Q2)	(yen)	10.00	10.00	14.00	26.00	22.00	21.00	22.00	23.00	11.00	14.00	23.00	-
(year-end)	(yen)	13.00	20.00	20.00	20.00	28.00	25.00	25.00	24.00	11.00	22.00	37.00	-
Total shareholders' equity	(yen)	679.01	842.71	963.15	1,079.12	1,024.34	1,191.65	1,279.29	1,328.08	1,327.22	1,472.45	1,721.14	1,708.69
Average number of shares	(ths)	94,966	94,963	94,959	94,991	91,640	91,044	97,761	97,716	97,335	97,573	96,388	95,720
ROA	(%)	11.5%	10.0%	12.6%	14.5%	11.7%	11.9%	13.1%	10.6%	4.3%	7.9%	10.0%	8.0%
ROE	(%)	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.7%	7.4%
Equity ratio	(%)	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	72.0%	73.8%
Operating CF	(mil.yen)	12,286	16,171	19,688	19,588	16,333	20,820	20,310	19,261	17,038	26,982	20,175	-
Investing CF	(mil.yen)	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133	-6,961	-12,170	-
Financing CF	(mil.yen)	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-14,264	-14,740	-
Cash flow margin	(%)	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%	21.4%	14.2%	-

Expansion of Overseas Business



- Sales Office / Plant
- Technology Center



shaping your dreams



Medium-term Management Plan

Beyond the Limit 2024

FY2022 - FY2024

Beyond the Limit



Long-term Vision

**To become an essential player
that contributes to the global manufacturing
industry towards a carbon-neutral era**



Basic Strategy

Strengthen business efficiency and build a corporate structure capable of generating stable profits



- We have divided our long-term vision into three stages, the first three years in which we will strengthen our corporate structure, in order to transform ourselves into an essential player that contributes to the global manufacturing industry,
- In each of the three stages, we will change the composition of our customer portfolio by 2030 in order to respond to changes in the social environment.
- Toward the era of carbon neutrality, we will work together with group companies to enhance corporate value by optimizing the entire group.

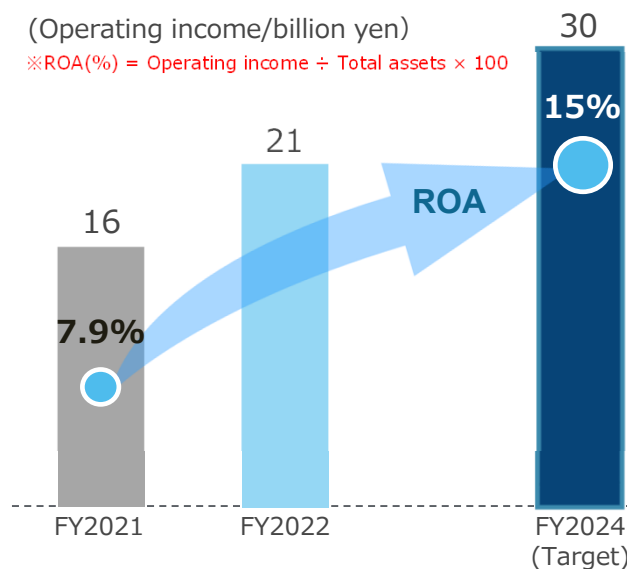
**Beyond the Limit
2022-2024 (Stage1)**

**Beyond the Limit
2025-2027 (Stage2)**

**Beyond the Limit
2028-2030 (Stage3)**

(Operating income/billion yen)

※ROA(%) = Operating income ÷ Total assets × 100



**Medium-Term
Management Targets**
(Fiscal year ending November 30, 2024)

ROA (Operating income basis)
15%
Operating Income
30 billion yen

**Achieve
40% share**
in the global tap
market

**Portfolio by Customer
in micro precision machining**
Over 30%
Become a company that
contributes to the carbon
neutrality



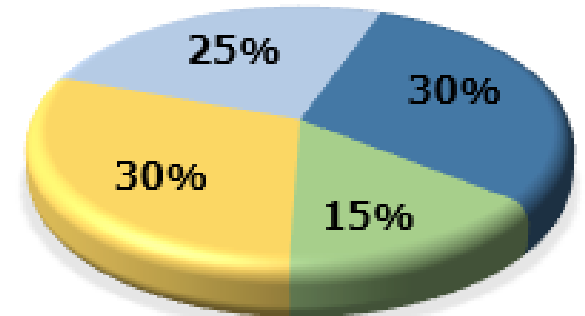
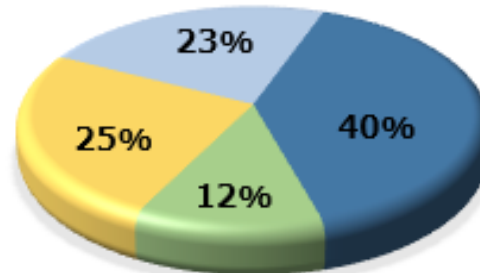
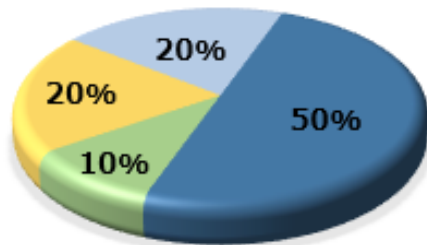
Target-Industry Portfolio



Beyond the Limit
2022-2024 (Stage1)

Beyond the Limit
2025-2027 (Stage2)

Beyond the Limit
2028-2030 (Stage3)



■ Automotive
 ■ Aerospace
 ■ Micro precision machining
 ■ General Industry

Basic Strategy

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

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

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



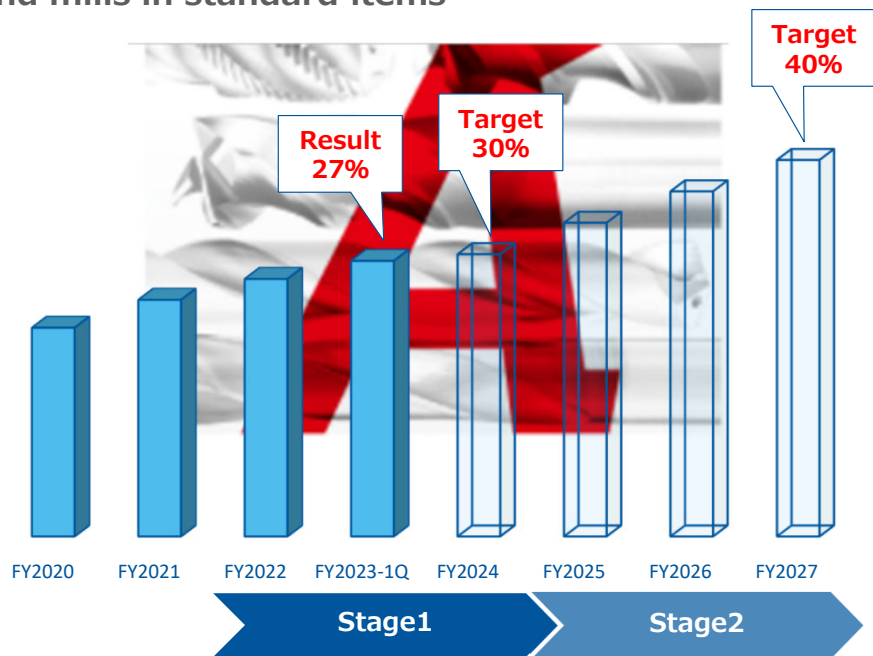
Progress of Basic Strategy



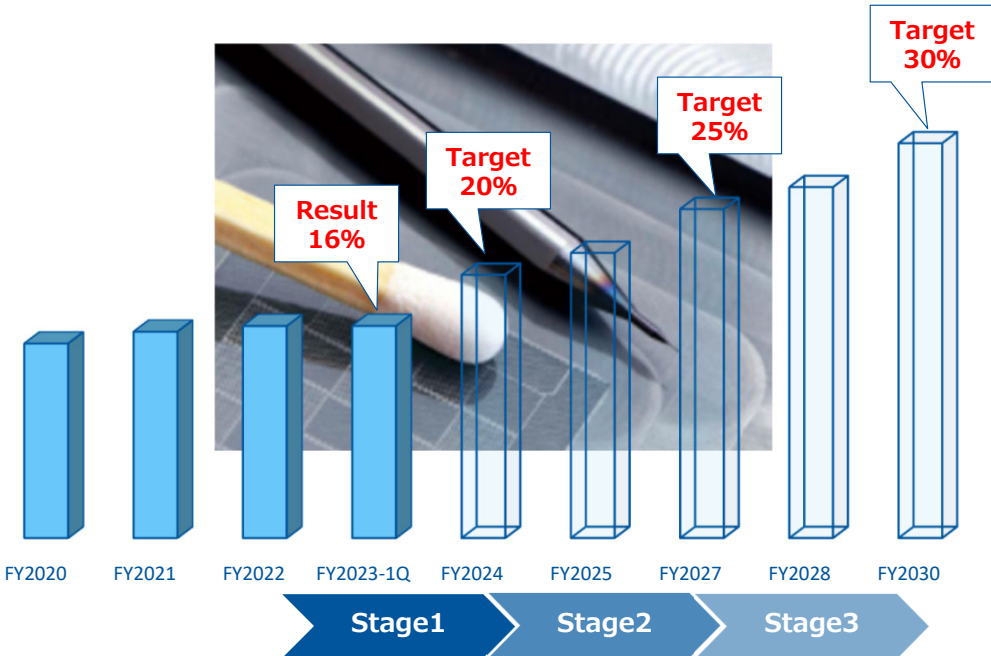
Sales of A-brand products grew, especially overseas, and new customers were acquired in the micro-precision machining field.

A Brand sales rate

A-brand product sales as a percentage of sales of taps, drills, and end mills in standard items

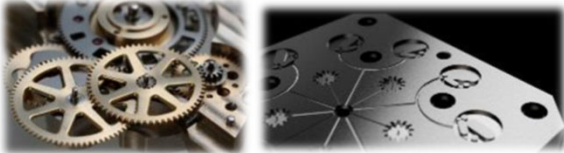


Sales rate in micro precision machining



Business Opportunities and Growth Area

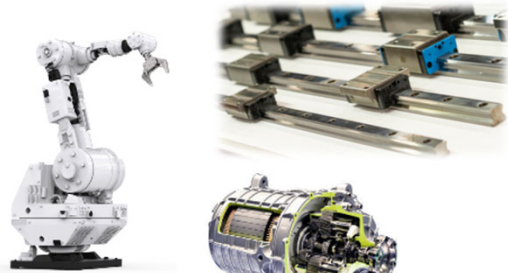
Precision Molds



Medical parts



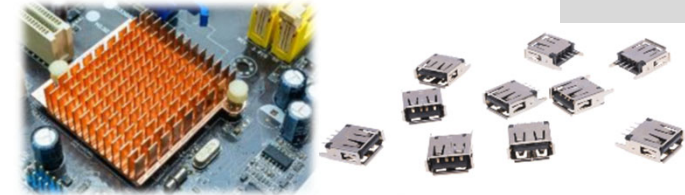
Robotics, automation-related and machine parts



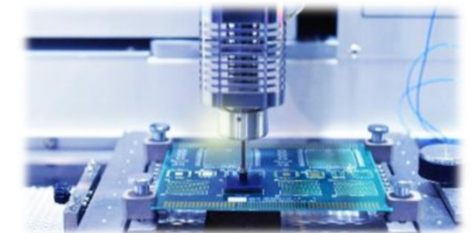
Motor



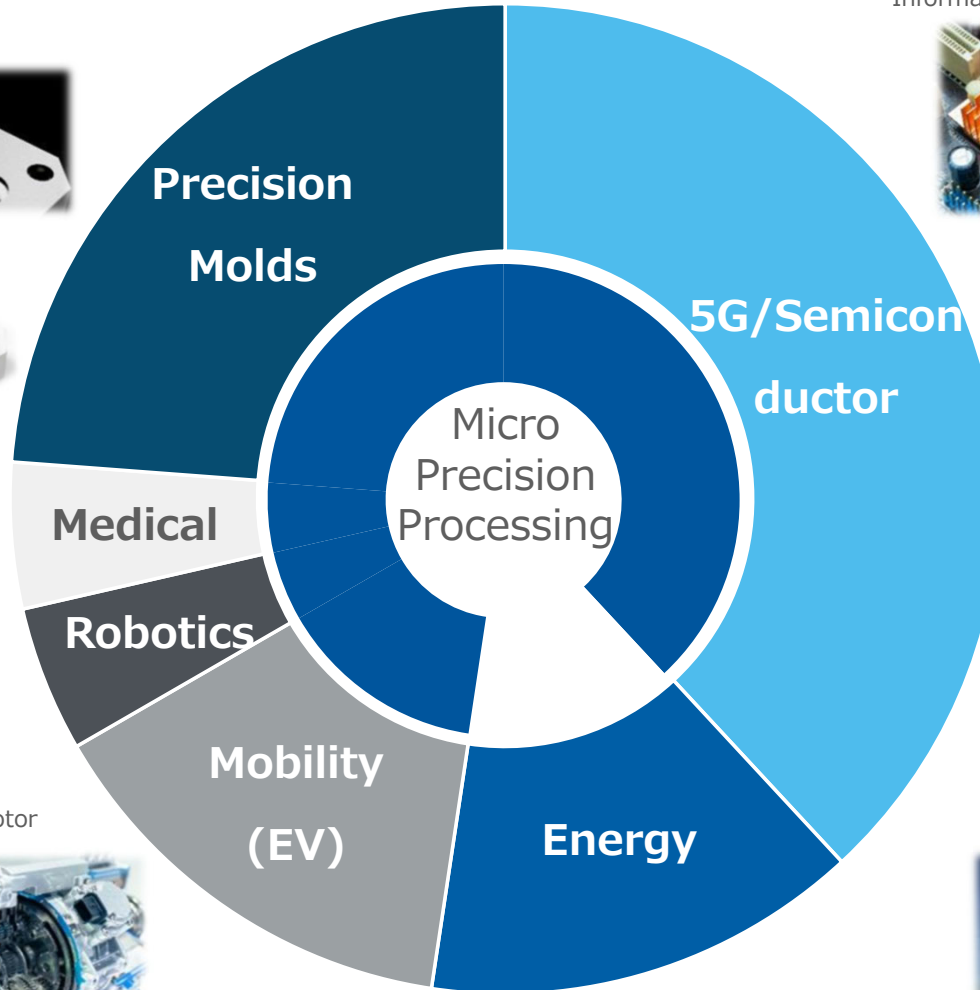
Information and communication equipment parts



Semiconductor manufacturing equipment parts



Wind power generation



※Graphs are images of our company

Promotion of ESG Management

Basic Sustainability Policy

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

In addition, the Group's CO2 emissions reduction target is to achieve a 30% reduction in CO2 emissions by FY2030 vs. FY2019, and to achieve CN by FY2050.

Recognized as a Health and Productivity Management Organization Recognition Program -White 500



In recognition of our health management initiatives, we were certified as a Health and Productivity Management Organization Recognition Program -White 500 in March 2023.

◇ What is the Certification System for white 500?

A Health and Productivity Management Organization Recognition Program is a system that honors corporations that consider employee health management from a managerial perspective and strategically implement it.

The top 500 companies are recognized as White 500 companies.

Promotion of ESG Management

Received an Award of Excellent Company of Safety and Health

In January 2023, we were certified as an excellent company for safety and health in recognition of our efforts in safety and health activities.



◇What is Excellent Company of Safety and Health?

Excellent company of Safety and Health is one that has been recognized by Ministry of Health, Labour Standards for maintaining and improving high standards of safety and health through proactive measures to ensure the safety and health of its workers.

To receive this award, in addition to basic requirements such as no serious violations of occupational health and safety laws in the past three years, a company must be actively engaged in a wide range of areas, including measures to maintain and promote workers' health, mental health, overwork, and safety management.

Shareholder Return Policy



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

