



shaping your dreams

Financial Results for FY2024-1Q

April 4, 2024
OSG Corporation

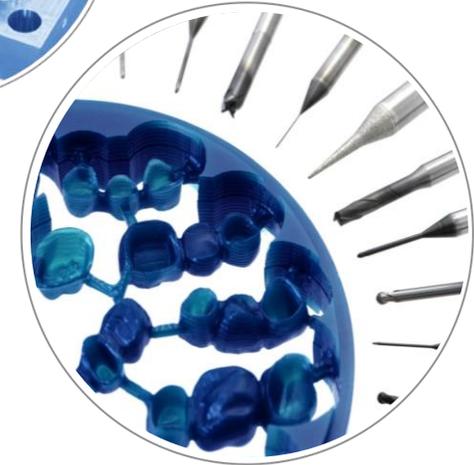
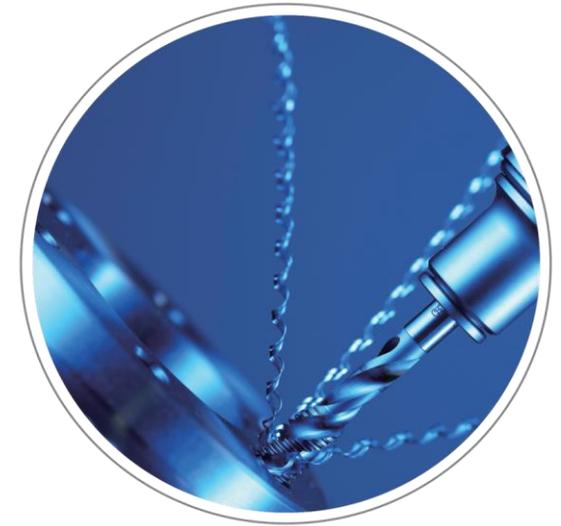
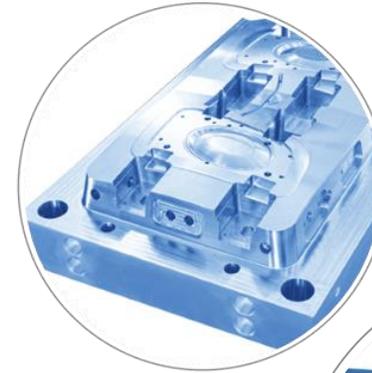


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Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	13,044 million yen
Employees	7,552 (consolidated) 1,878 (non-consolidated)
Stock listed	Prime Market in Tokyo Stock Exchange Premier Market in Nagoya Stock Exchange (stock code 6136)



Note regarding forecast

- This material includes forward-looking statements based on information available at the time of release.
- The forecasts and other forward-looking statements are not guarantees of future performance. Actual financial results may differ from the above forecasts due to known and unknown risks, uncertainties and other factors.

Company Overview

Products

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

Strength

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



Financial Summary

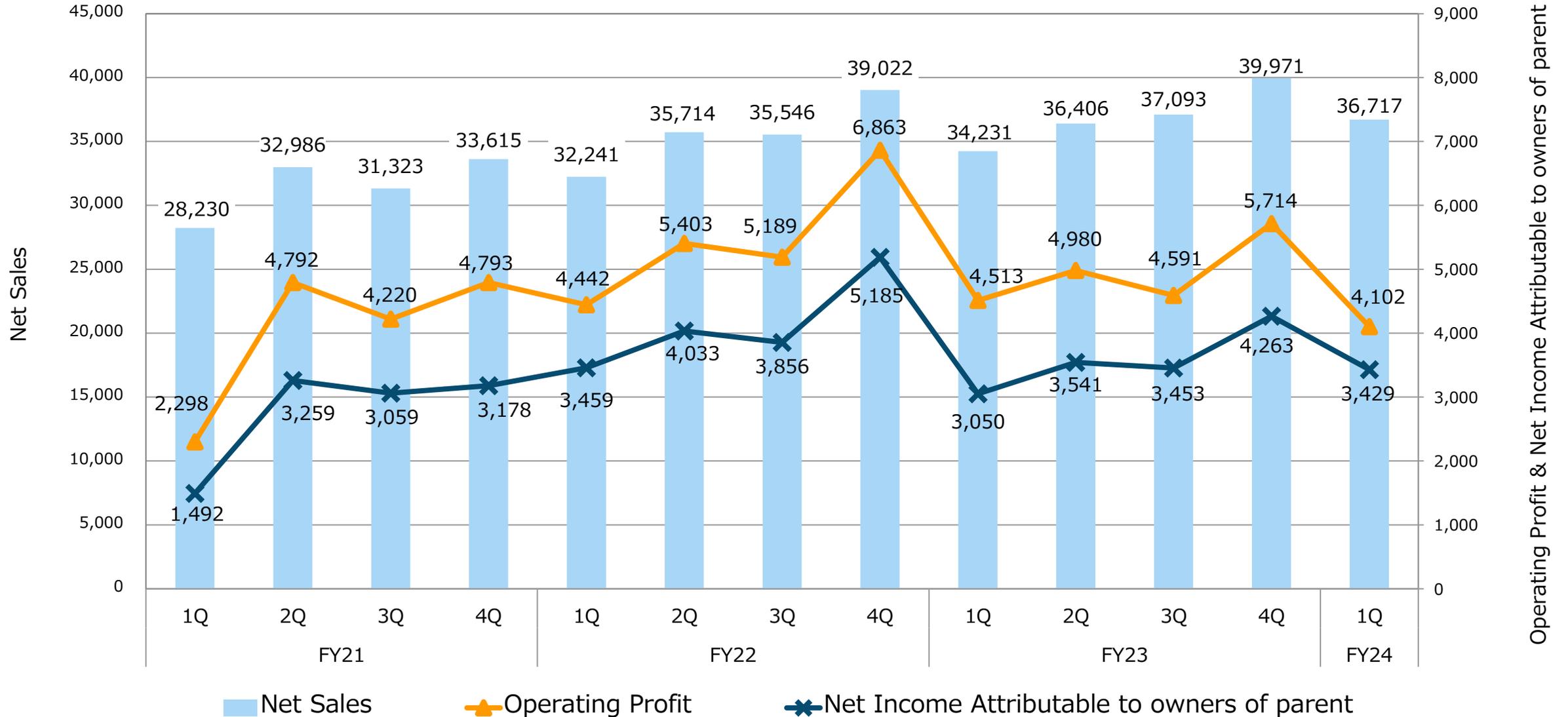
(Millions of yen)

	FY23-1Q	FY24-1Q	Change	FY24-1H Forecast	Progress Rate
Net Sales	34,231	36,717	+7.3%	76,000	48.3%
Operating Profit	4,513	4,102	-9.1%	10,500	39.1%
OPM	13.2%	11.2%	-	13.8%	-
Ordinary Income	4,880	4,949	+1.4%	10,600	46.7%
Net Profit Attributable to OSG	3,050	3,429	+12.4%	7,200	47.6%
EPS(yen)	31.86	36.30	+13.9%	76.83	-



Financial Summary

(Millions of yen)



Review of FY24-1Q

Record Sales in The 1st Quarter Driven by Aircraft Industry in Europe and the Americas.

Decrease in Profits Due to Inventory Adjustment in Japan.

Index & Capital Investment Results

—EBITDA	6.9 billion yen	(-2.7% YoY)
—EBITDA Margin	18.9%	(-1.9pts YoY)
—Free Cash Flow	4 billion yen	(+1.2 billion yen YoY)
—ROA (Operating Income Basis)	6.4%	(-1.6pts YoY)
—ROE	7.6%	(+0.2pts YoY)
—Equity Ratio	67.5%	(-5.1pts from the end of FY23)
—CAPEX	4.1 billion yen	
—Depreciation	2.8 billion yen	



Review of FY24-1Q

The Americas

Business conditions have uncertainty, but main industries such as aircraft and automobile continues to remain strong.

Europe/Africa

Aircraft industry continues to remain strong. Sales to distributors and the general parts industry also keep the same level as last year. The automobile industry continues to recover.

Asia

Greater China continues to be stagnated, but some industries sign to bottom out. In South Asia, the performance in India and Thailand is strong.

Japan

Inventory adjustment is underway in the general parts industry, but the automobile industry reduces production. Domestic plants continue to adjust the production.

Sales to Customer by Geographical Segment

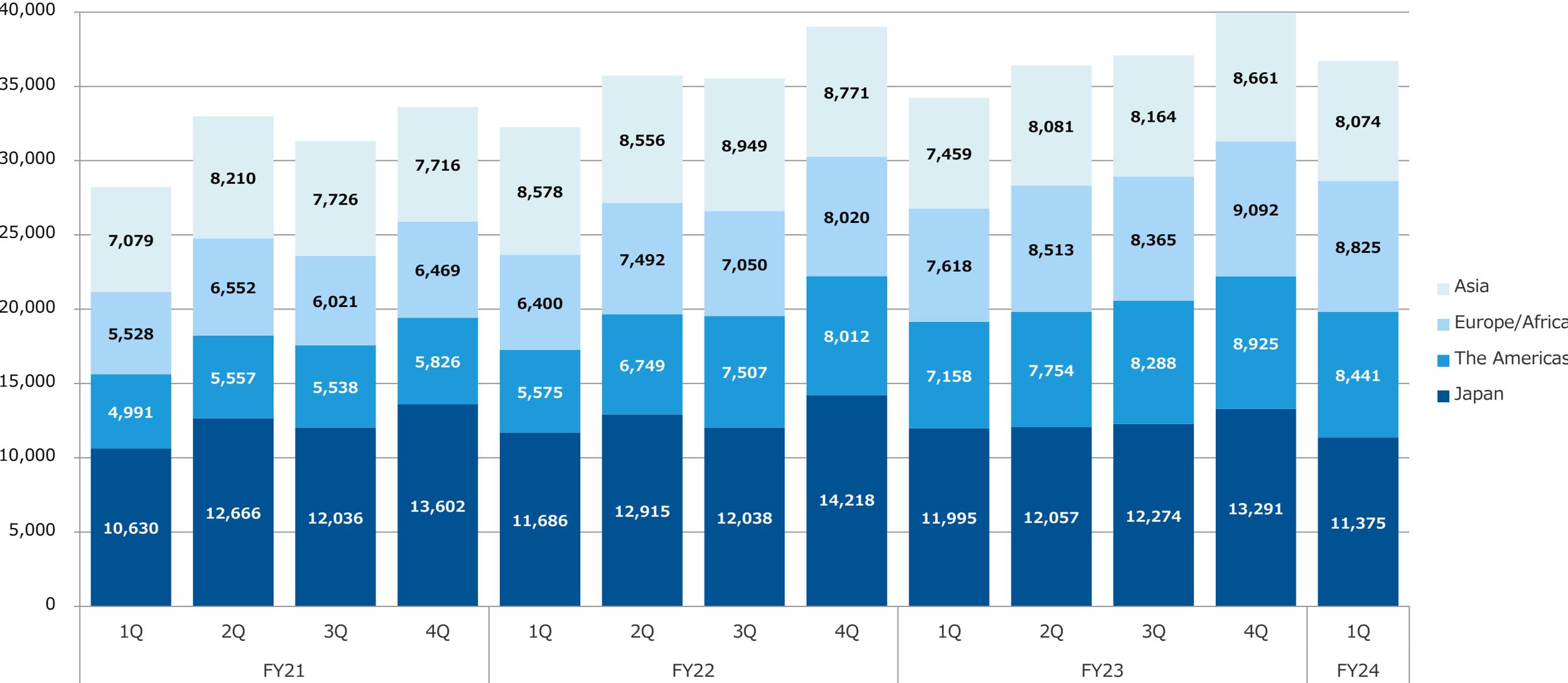
(Millions of yen)

Change
in local
currency

	FY23-1Q	FY24-1Q	Change		
Japan	11,995	11,375	-620	-5.2%	-
The Americas	7,158	8,441	1,283	+17.9%	+6.6%
Europe/Africa	7,618	8,825	1,207	+15.8%	+3.8%
Asia	7,459	8,074	615	+8.3%	+1.6%
Consolidated	34,231	36,717	2,485	+7.3%	-

Sales to Customer by Geographical Segment

(Millions of yen)



Operating Income by Geographical Segment

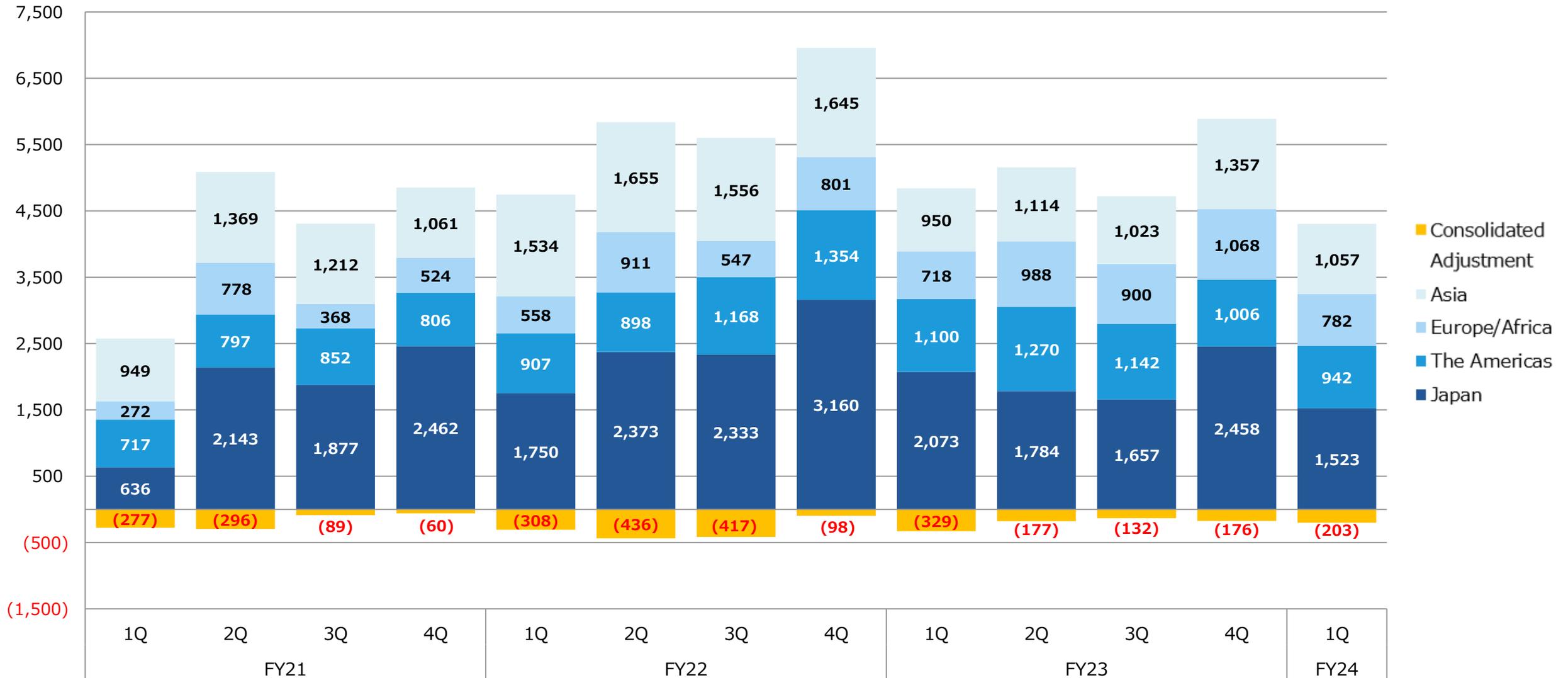
(Millions of yen)

	FY23-1Q	Component ratio	FY24-1Q	Component ratio	Change		OPM(*)
Japan	2,073	42.8%	1,523	35.4%	-550	-26.6%	8.9%
The Americas	1,100	22.7%	942	21.9%	-157	-14.3%	11.0%
Europe/Africa	718	14.8%	782	18.2%	64	+8.9%	8.7%
Asia	950	19.6%	1,057	24.6%	106	+11.2%	12.0%
Total	4,843	-	4,306	-	-537	-11.1%	9.9%
Eliminations	-329	-	-203	-	125	-	-
Consolidated	4,513	-	4,102	-	-411	-9.1%	11.2%

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

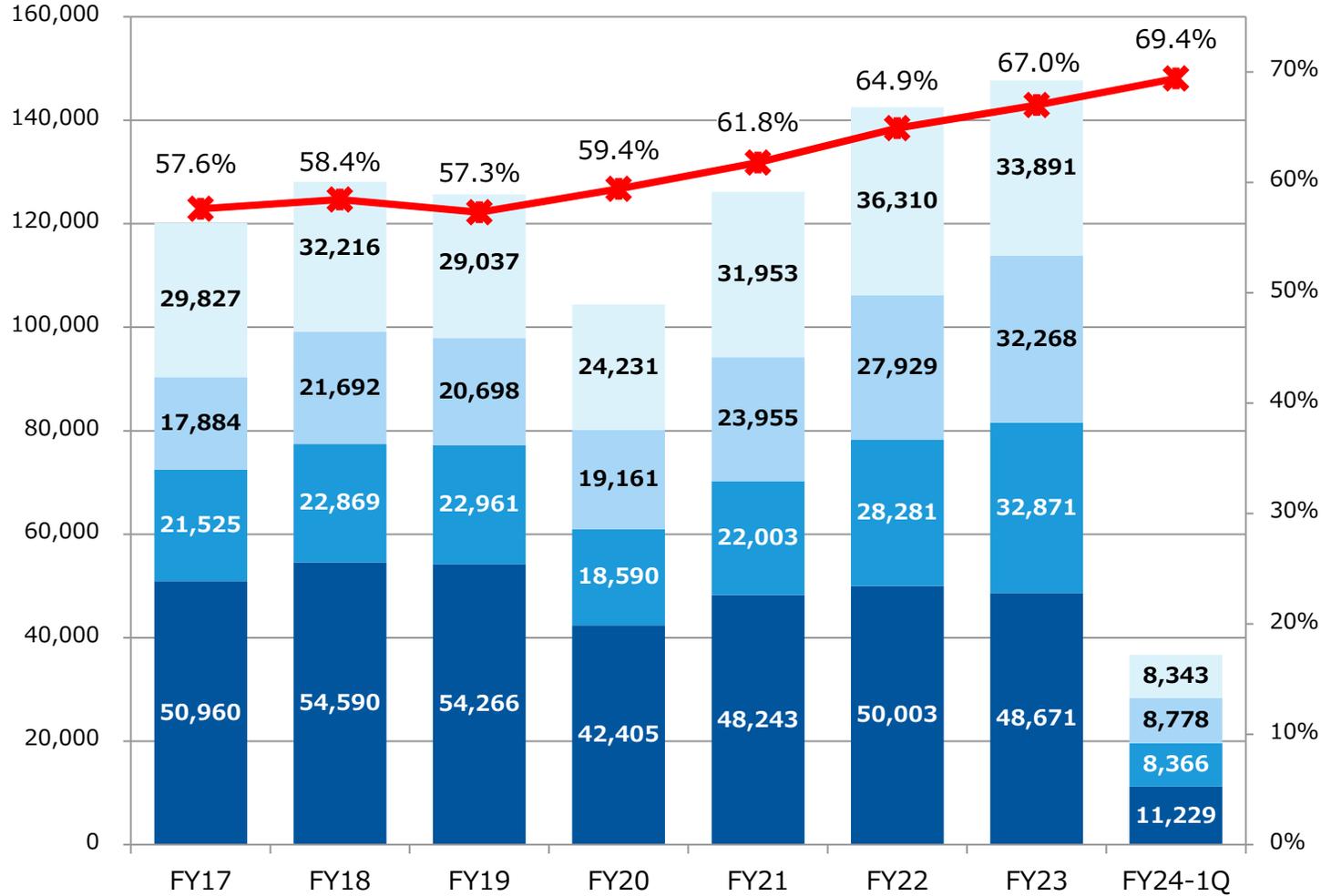
Operating Income by Geographical Segment

(Millions of yen)



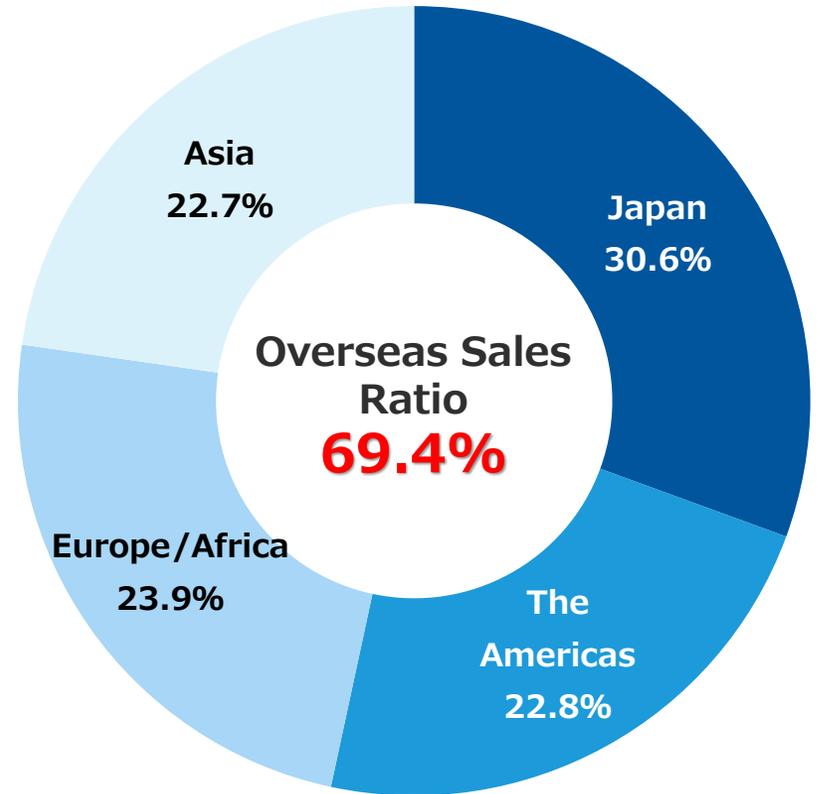
Overseas Sales Ratio

(Millions of yen)



■ Japan
 ■ The Americas
 ■ Europe/Africa
 ■ Asia
 ✖ Overseas Sales Ratio

FY2024-1Q



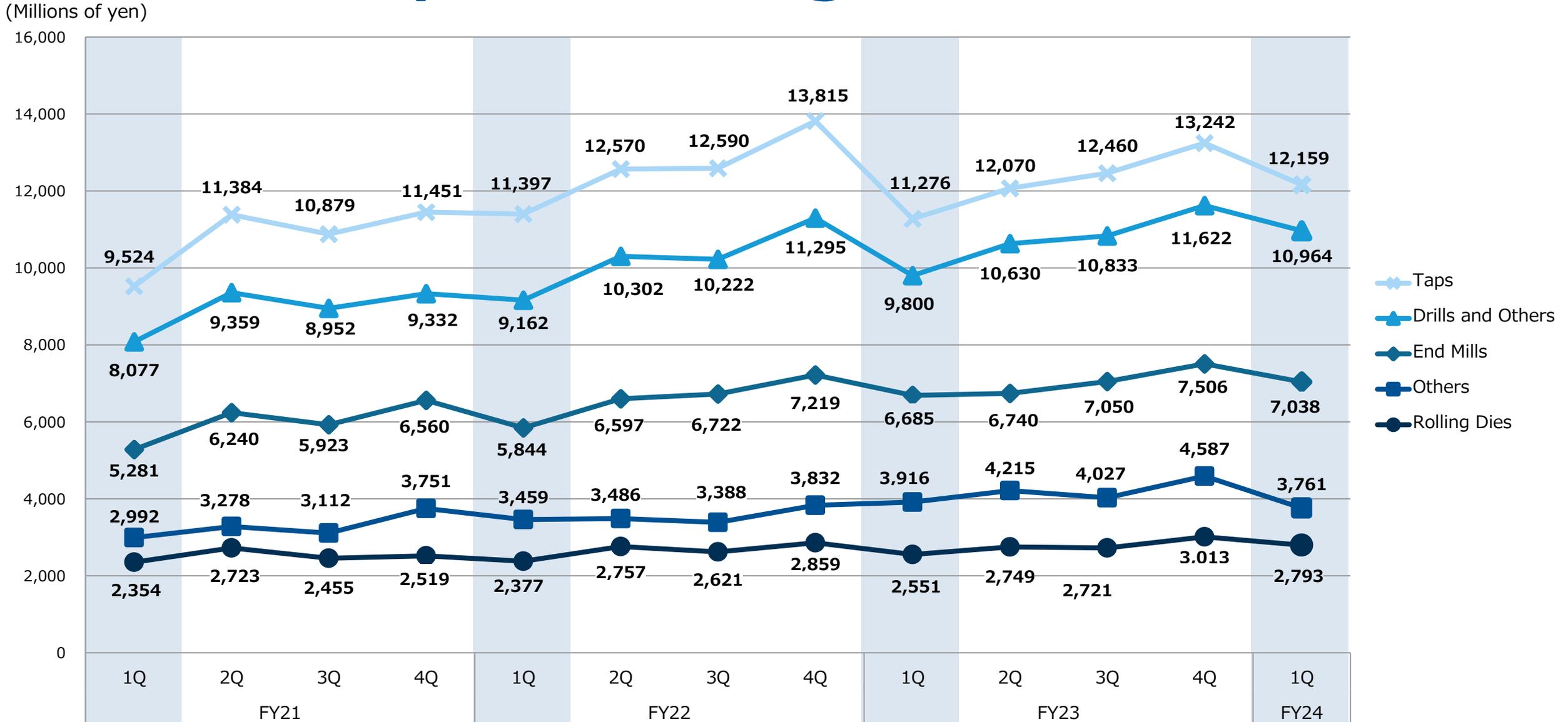
Net Sales by Product Segment

(Millions of yen)

		FY23						FY24		Change	
		1Q	2Q	3Q	4Q	Total		1Q			
Precision Tools	Taps	11,276	12,070	12,460	13,242	49,050	33.2%	12,159	33.1%	882	7.8%
	End mills	6,685	6,740	7,050	7,506	27,983	18.9%	7,038	19.2%	352	5.3%
	Drills and Others	9,800	10,630	10,833	11,622	42,886	29.0%	10,964	29.9%	1,163	11.9%
	Rolling dies	2,551	2,749	2,721	3,013	11,035	7.5%	2,793	7.6%	242	9.5%
	Gauges	457	480	513	518	1,968	1.3%	459	1.3%	2	0.6%
		30,771	32,671	33,579	35,902	132,924	90.0%	33,415	91.0%	2,643	8.6%
Other	Machine	1,320	1,359	1,428	1,735	5,843	4.0%	1,161	3.2%	-158	-12.0%
	Other	2,139	2,375	2,085	2,333	8,934	6.0%	2,139	5.8%	0	0.0%
		3,459	3,735	3,514	4,069	14,778	10.0%	3,301	9.0%	-157	-4.6%
Total		34,231	36,406	37,093	39,971	147,703	100%	36,717	100%	2,485	7.3%



Net Sales by Product Segment



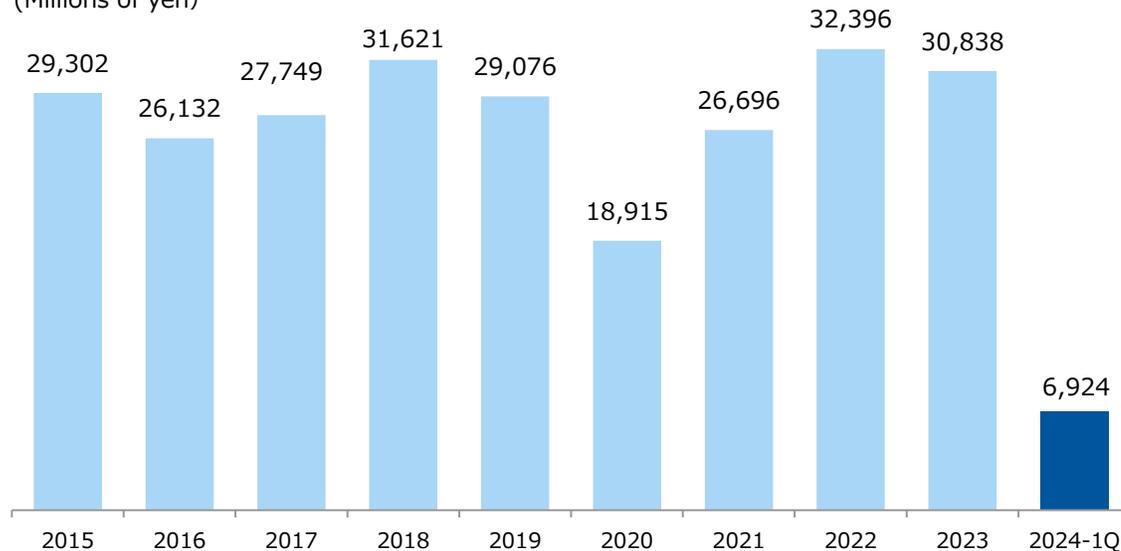
B/S Overview • EBITDA

(Millions of yen)

	FY23	FY24-1Q		FY23	FY24-1Q
Equity Ratio (%)	72.6	67.5	Cash and Time Deposits	57,970	63,243
Receivable Turnover Period (Days)	70.8	69.1	Interest-bearing Debt	28,676	49,765
Inventory Turnover Period (months)	4.7	4.7	Net Cash	29,293	13,477

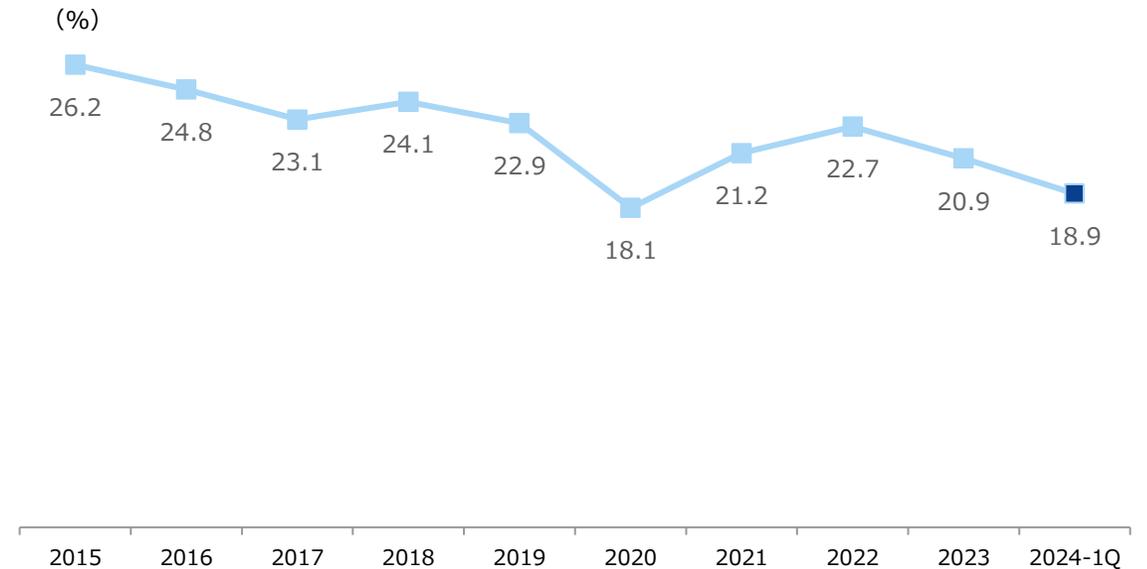
EBITDA

(Millions of yen)



EBITDA Margin

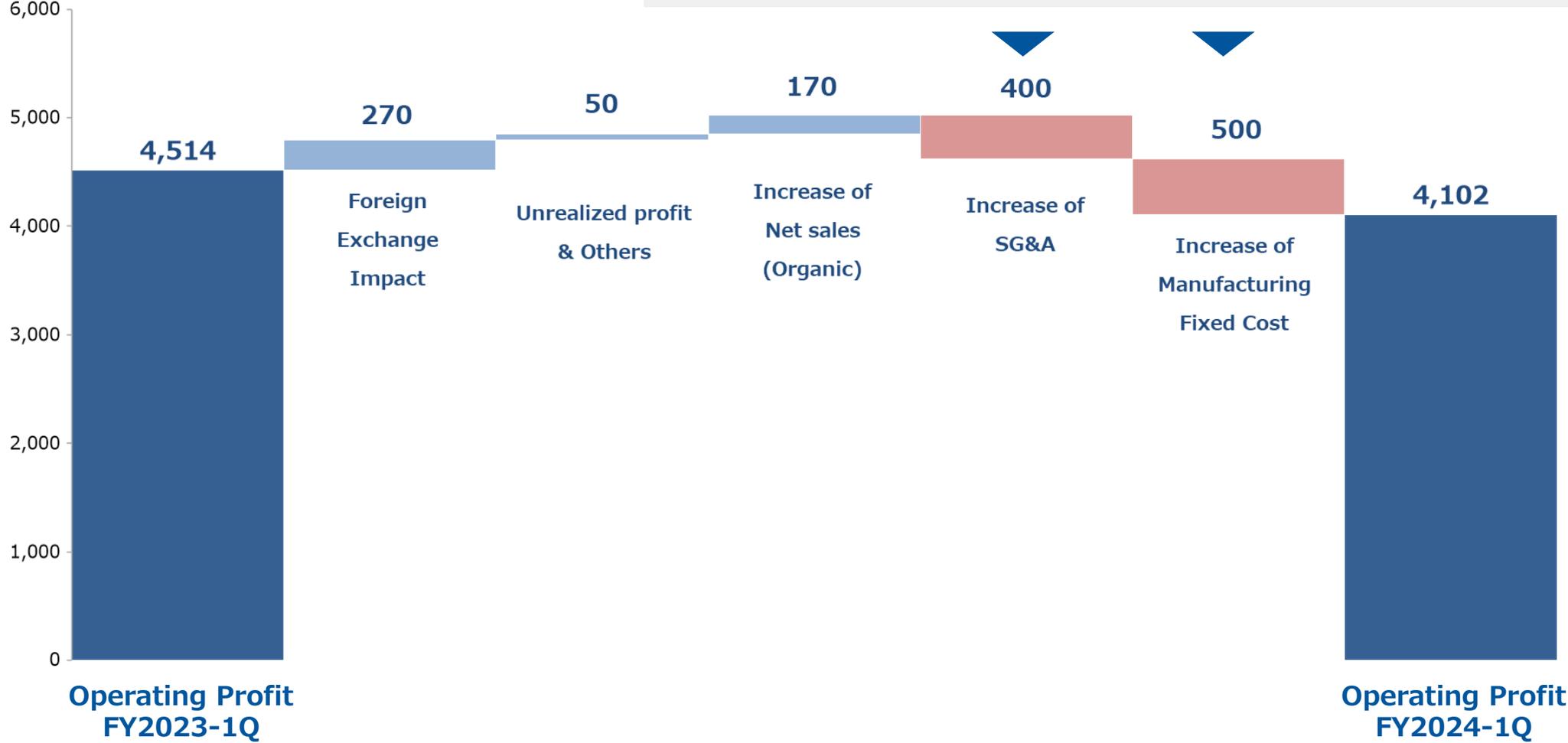
(%)



Operating Profit Variation

(Millions of yen)

Increase of SG&A and Manufacturing Fixed Costs was affected by inflation-induced labor cost increase and depreciation increase



Capital Investment

FY24 Capital Investment Forecast

15.0 billion yen

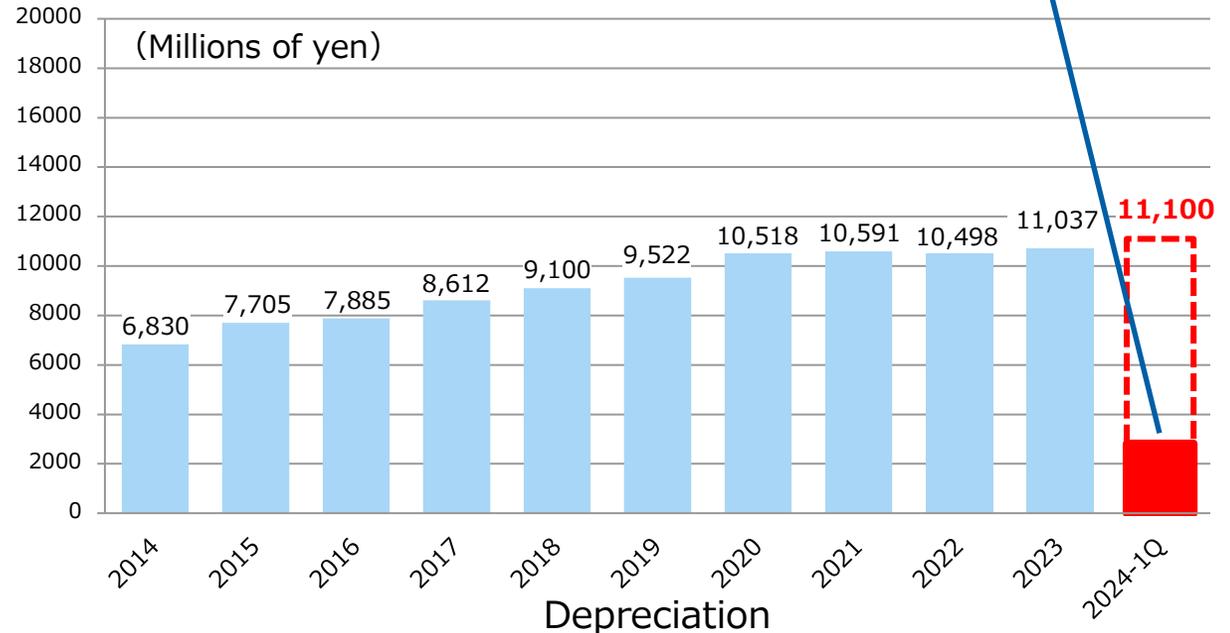
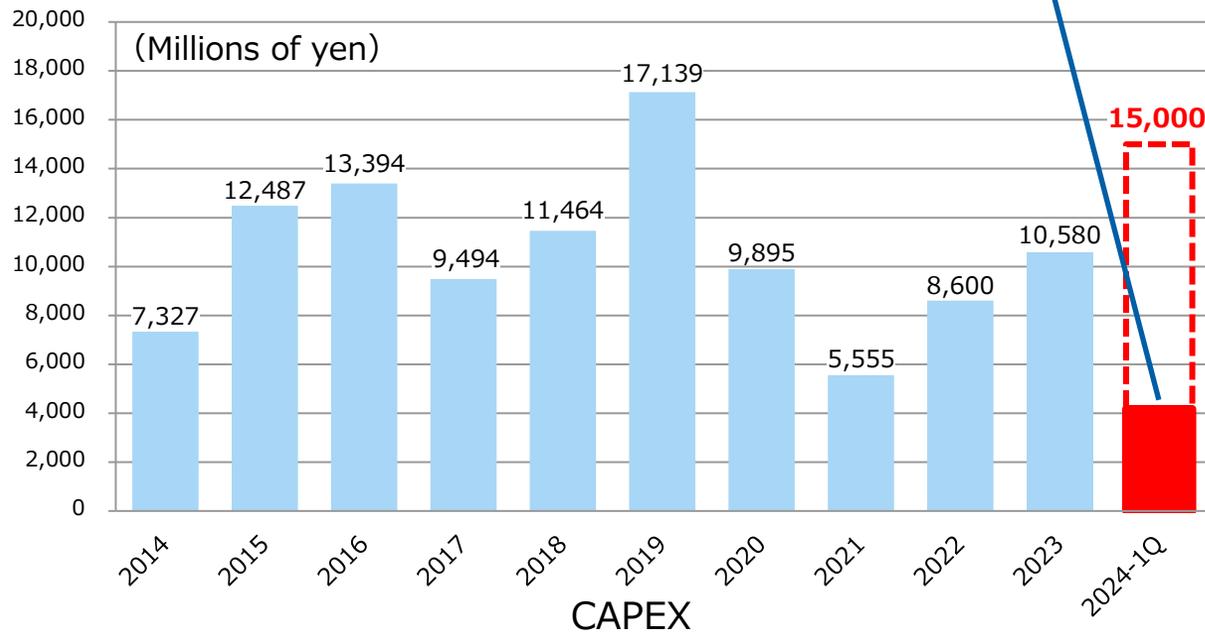
Breakdown



Establishment of new factory of SD MFG. Company and enhancement of machinery and equipment, of which 2 billion yen was not received in FY23.

CAPEX : 4,169

Depreciation : 2,821

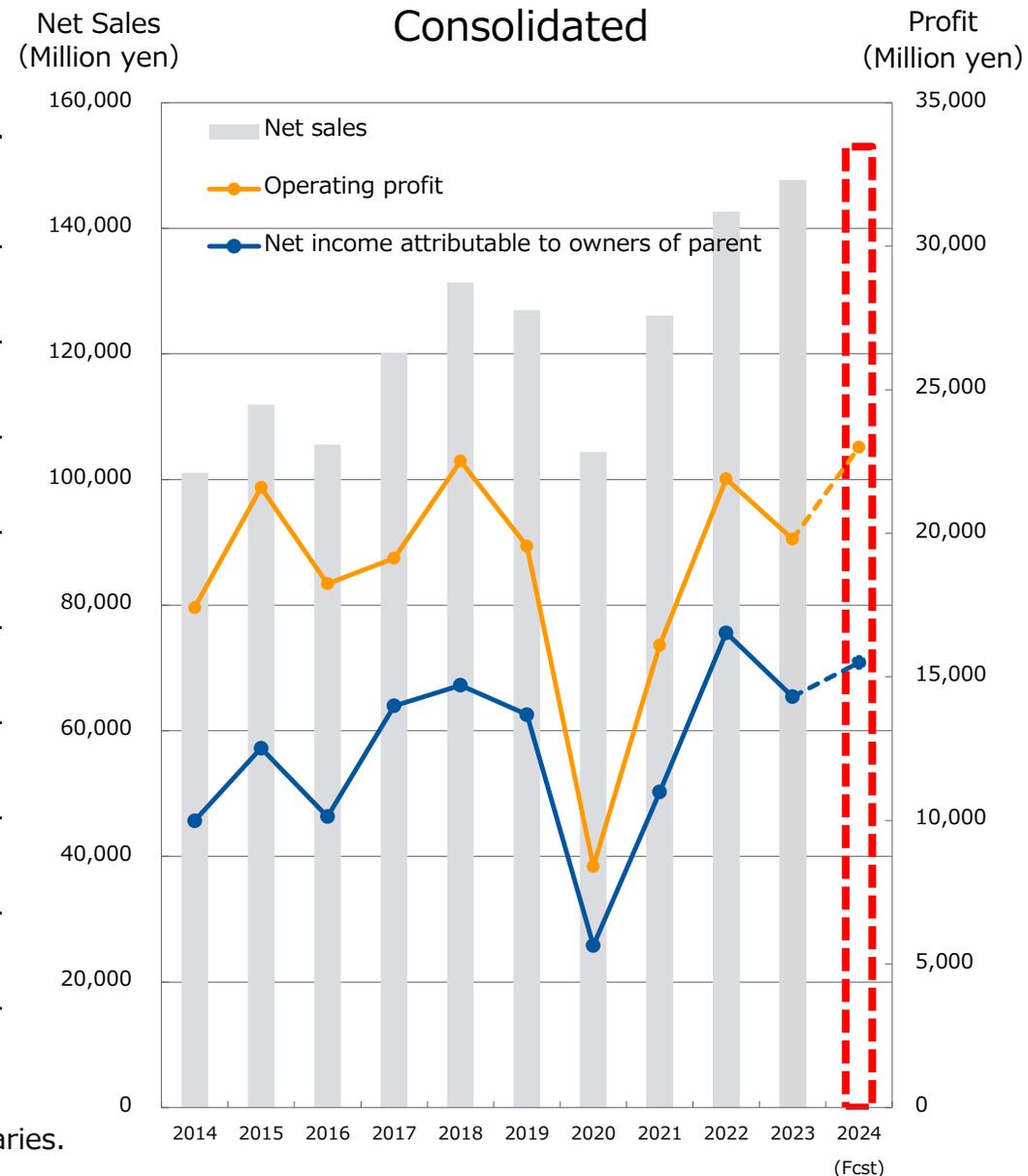


Forecast for FY24

	Consolidated		Parent Company	
	Amount (Millions of yen)	Growth	Amount (Millions of yen)	Growth
Net sales	153,000	+3.6%	58,000	+4.8%
Operating profit	23,000	+16.2%	5,800	+7.8%
as % of sales	15.0%	-	10.0%	-
Ordinary income	23,000	+7.7%	9,900	*-1.3%
as % of sales	15.0%	-	17.1%	-
Net income attributable to owners of parent	15,500	+8.3%	8,200	+9.3%
as % of sales	10.1%	-	14.1%	-
EPS (yen)	170.08	+13.9%	89.94	14.9%

Exchange rate FY2024(Fcst.) : 1US\$=138.00yen 1Euro=150.00yen

*Decrease in Parent Company's Ordinary income is due to a decrease in dividends from subsidiaries.



Exchange Rate

(Yen)

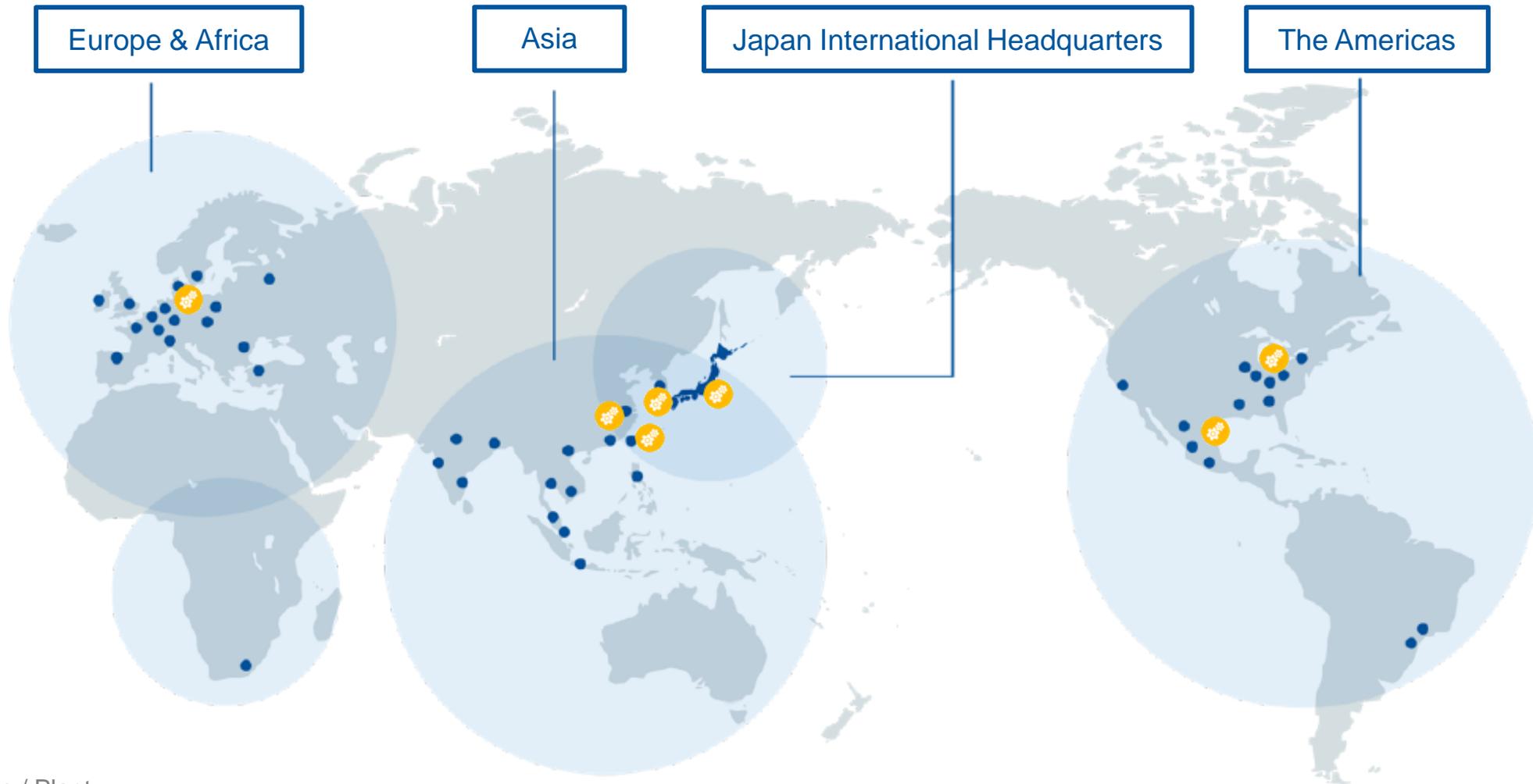
	1US\$	1Euro	1RMB
FY21 1Q	104.74	127.53	16.13
FY21	109.41	130.04	16.94
FY22 1Q	115.34	129.50	18.16
FY22	130.61	137.60	19.42
FY23 1Q	133.17	142.55	19.30
FY23	140.44	151.87	19.79
FY24 1Q	146.68	160.11	20.44



Selected Financial Data (Consolidated)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024-1Q
Net sales	(mil.yen)	101,031	111,917	105,561	120,198	131,368	126,964	104,388	126,156	142,525	147,703	36,717
Sales growth rate	(%)	14.3%	10.8%	-5.7%	13.9%	9.3%	-3.4%	-18.0%	20.9%	13.0%	3.6%	7.3%
Cost of sales	(mil.yen)	58,061	61,865	59,179	69,711	74,833	73,281	65,715	76,969	83,459	87,254	21,928
Gross profit	(mil.yen)	42,970	50,051	46,382	50,486	56,535	53,682	38,673	49,186	59,065	60,448	14,788
SG&A expenses	(mil.yen)	25,554	28,454	28,135	31,349	34,015	34,128	30,276	33,081	37,166	40,648	10,685
Operating income	(mil.yen)	17,415	21,597	18,246	19,137	22,520	19,554	8,396	16,105	21,898	19,800	4,102
Ordinary income	(mil.yen)	17,568	21,510	17,813	19,144	22,567	19,710	8,950	16,141	23,648	21,350	4,949
Net income	(mil.yen)	9,989	12,518	10,134	13,993	14,710	13,686	5,639	10,989	16,534	14,307	3,429
Gross profit margin	(%)	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	39.0%	41.4%	40.9%	40.3%
SG&A to Sales ratio	(%)	25.3%	25.4%	26.7%	26.1%	25.9%	26.9%	29.0%	26.2%	26.1%	27.5%	29.1%
Operating income margin	(%)	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	15.4%	13.4%	11.2%
Ordinary income margin	(%)	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	16.6%	14.5%	13.5%
Net income margin	(%)	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	11.6%	9.7%	9.3%
Average FX rate: 1USD	(yen)	102.98	121.03	109.78	112.33	110.53	109.36	106.94	109.41	130.61	140.44	146.68
Average FX rate: 1Euro	(yen)	139.37	134.92	121.39	126.20	130.68	122.53	121.60	130.04	137.60	151.87	160.11
Total assets	(mil.yen)	142,302	155,129	156,081	166,712	178,020	190,414	200,112	209,757	228,852	250,124	264,276
Total shareholders' equity	(mil.yen)	91,458	102,566	92,216	115,810	125,332	129,078	129,338	143,811	164,659	181,561	178,344
Net income per share	(yen)	105.20	131.78	110.59	153.70	150.47	140.06	57.94	112.63	171.54	149.29	36.30
Cash dividends per share (end of Q2)	(yen)	14.00	26.00	22.00	21.00	22.00	23.00	11.00	14.00	23.00	28.00	-
(year-end)	(yen)	20.00	20.00	28.00	25.00	25.00	24.00	11.00	22.00	37.00	32.00	-
Total shareholders' equity per share	(yen)	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	1,892.35	1,913.19
Average number of shares	(ths)	94,959	94,991	91,640	91,044	97,761	97,716	97,335	97,573	96,388	95,838	94,470
ROA (operating income basis)	(%)	12.6%	14.5%	11.7%	11.9%	13.1%	10.6%	4.3%	7.9%	10.0%	8.3%	6.4%
ROE	(%)	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.7%	8.3%	7.6%
Equity ratio	(%)	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	72.0%	72.6%	67.5%
Total asset turnover ratio		0.73	0.75	0.68	0.74	0.76	0.69	0.53	0.62	0.65	0.62	0.57
Operating CF	(mil.yen)	19,688	19,588	16,333	20,820	20,310	19,261	17,038	26,982	20,175	23,331	3,950
Investing CF	(mil.yen)	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133	-6,961	-12,170	-8,543	-3,507
Financing CF	(mil.yen)	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-14,264	-14,740	-3,831	4,994
Cash flow margin	(%)	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%	21.4%	14.2%	15.8%	10.8%

Expansion of Overseas Business



- Sales Office / Plant
- ⚙️ Technology Center



shaping your dreams



Medium-term Management Plan

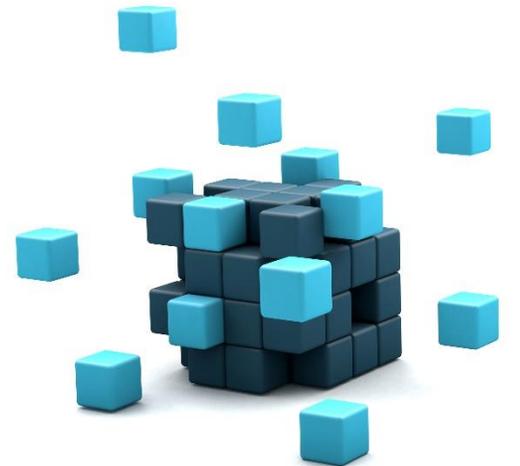
Beyond the Limit 2024

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

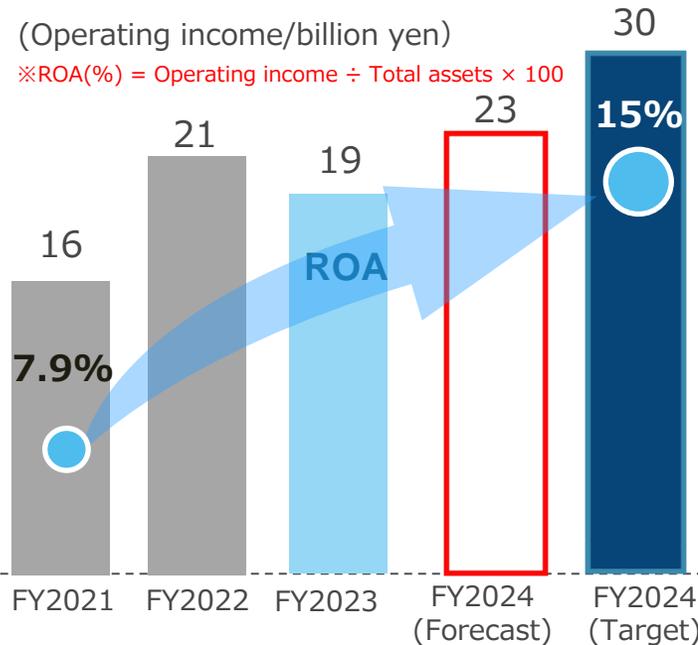
Strengthen business efficiency and build a corporate structure capable of generating stable profits

- 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)**



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

ROA (Operating income basis)
15%

Operating Income
30 billion yen

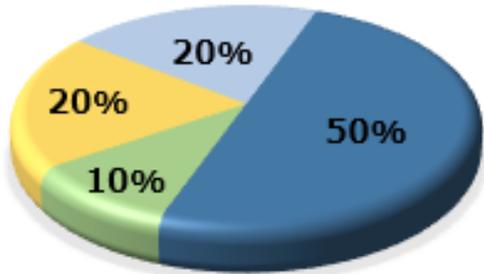
**Achieve
40% share**
in the global tap
market

**Portfolio by Customer
in micro precision machining**

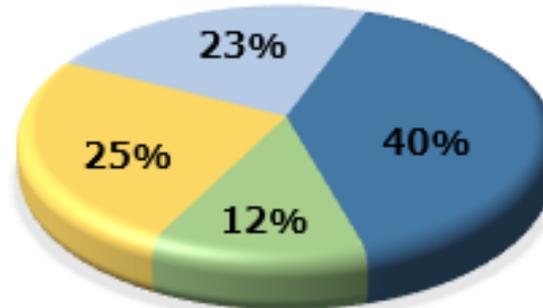
Over 30%
Become a company that
contributes to the carbon
neutrality

Target-Industry Portfolio

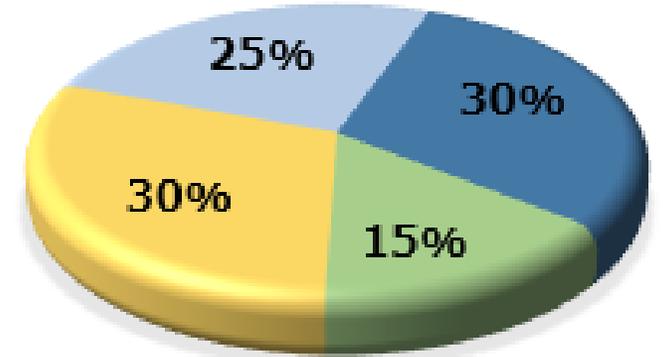
Beyond the Limit
2022-2024 (Stage1)



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 32% (revised upward from 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

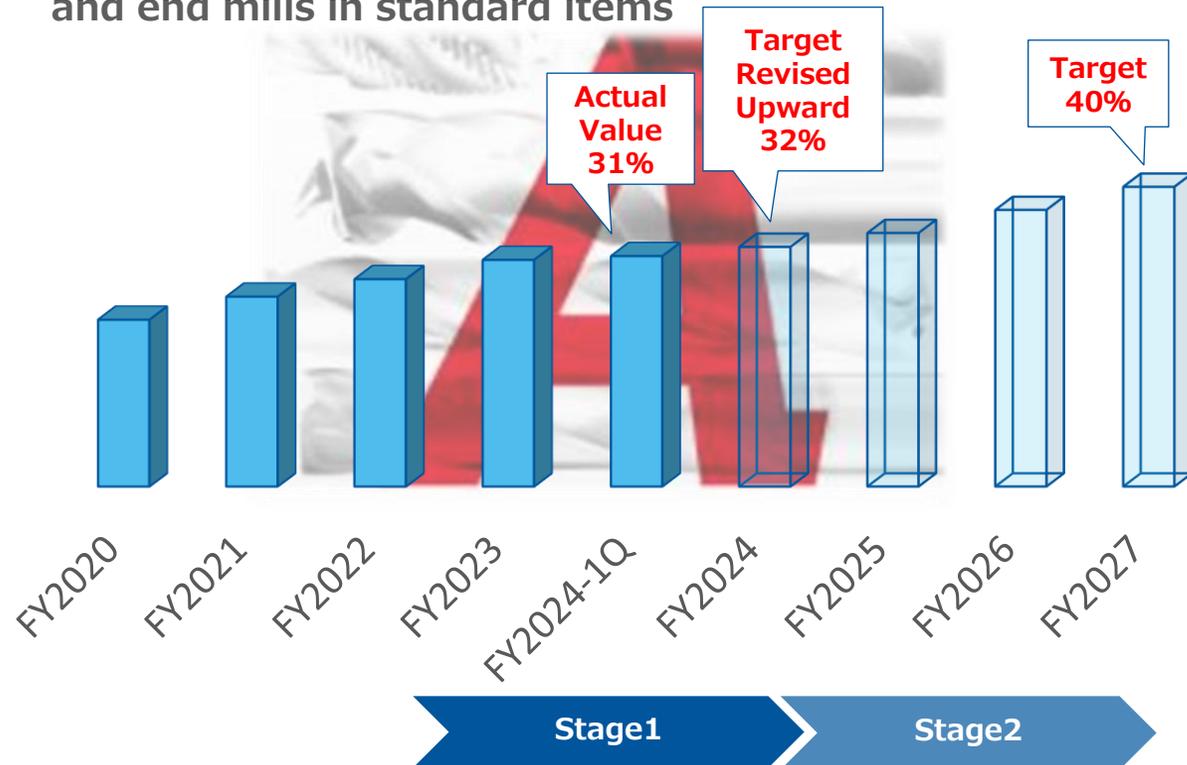
- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers

Progress of Basic Strategy

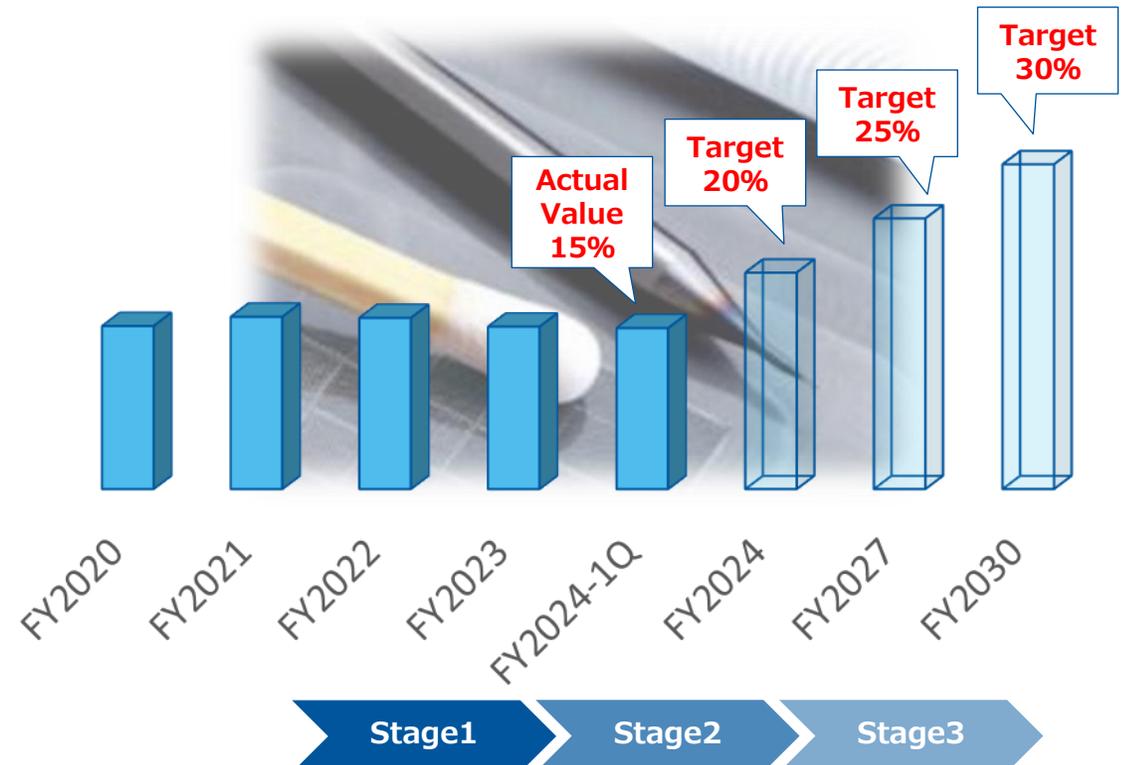
Sales of A-brand products grew, especially overseas, and new customers were acquired in the micro-precision machining field.

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

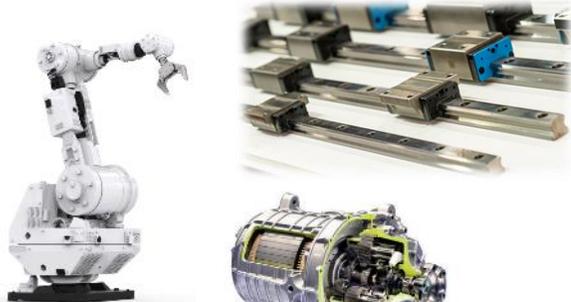
Precision Molds



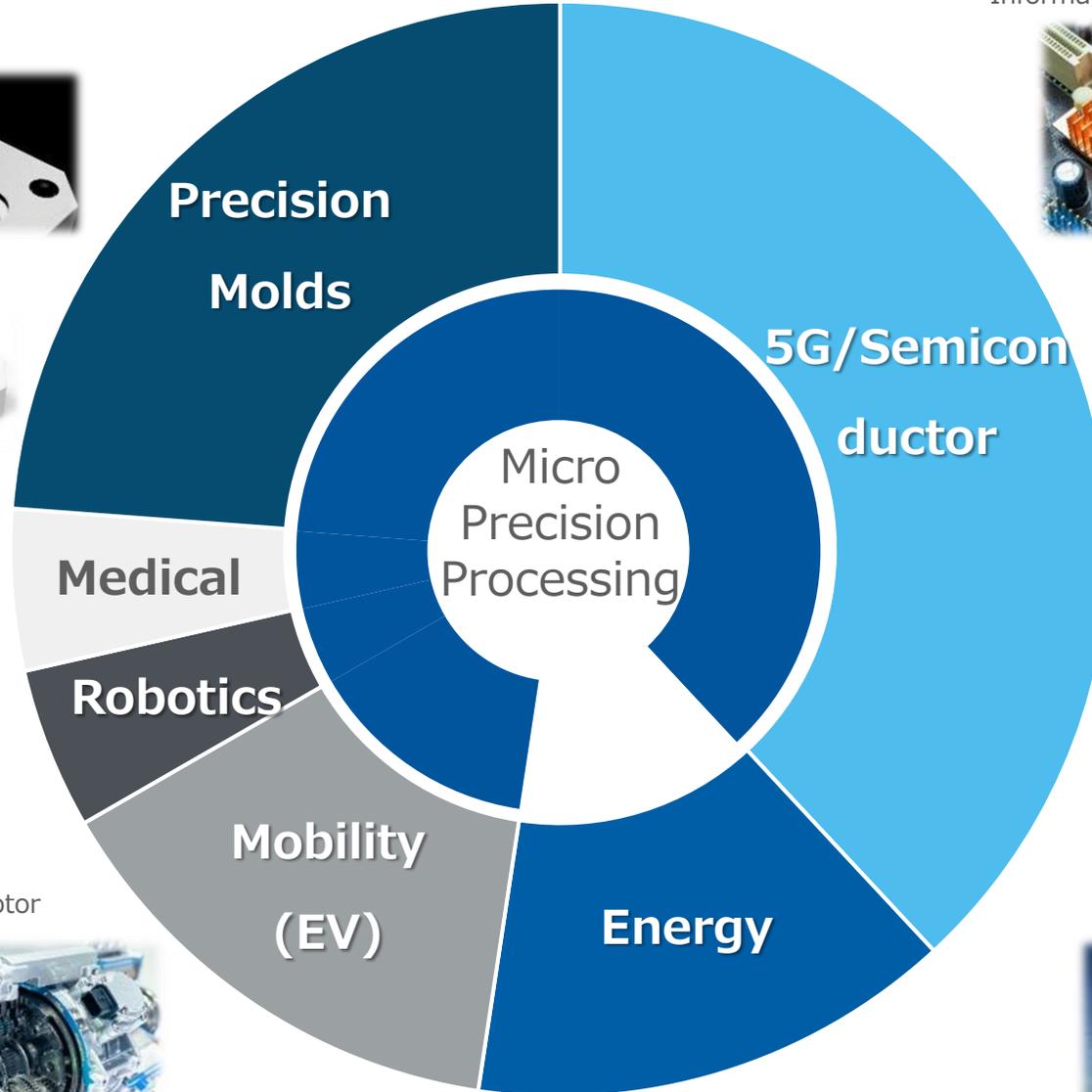
Medical parts



Robotics, automation-related and machine parts



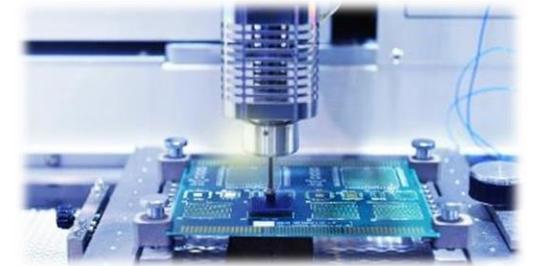
Motor



Information and communication equipment parts



Semiconductor manufacturing equipment parts



Wind power generation

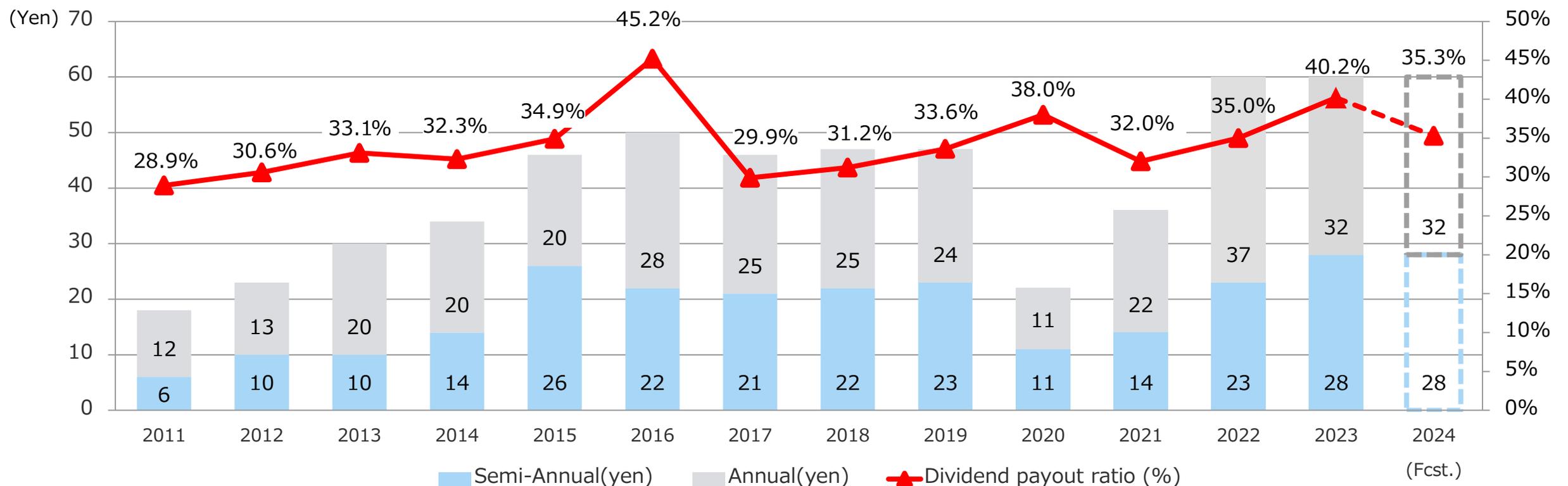


※Graphs are images of our company

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 resolved to purchase treasury stocks to 22 billion yen or 15 million shares on December 5th, 2023. We also issued the Convertible Bonds to finance it.



Overview of Convertible Bonds

	Zero Coupon Convertible Bonds due 2030
Issuer	OSG Corporation (the "Company")
Securities Offered	Zero Coupon Convertible Bonds due 2030 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>)
Maturity	7 years
Issue Size	JPY22,000,000,000
Announcement Date	December 5, 2023
Pricing Date	December 5, 2023
Closing Date	December 21, 2023
Maturity Date	December 20, 2030
Coupon	0%
Offer Price	103.5%
Issue Price	101.0%
Redemption at Maturity Price	100.0%
Initial Conversion Price	JPY2,096.0
Use of Proceeds	The net proceeds from the issue of the Bonds with Stock Acquisition Rights are estimated to be approximately ¥22 billion after deducting expenses. The Company intends to apply the net proceeds towards the repurchase of Shares to maximise corporate value by improving capital efficiency.
Repurchase of Shares	Up to ¥22.0 billion / Up to 15,000,000 shares from December 6, 2023 to November 29, 2024 Market purchase (including an off-auction purchase transaction) on the Tokyo Stock Exchange (Note) The purchase order may not be implemented, in whole or in part, depending on market conditions and other factors.
Lock-up Period	For a period beginning on the execution date of the subscription agreement and ending on the date 180 calendar days after the Closing Date for the Company
Bookrunners	Nomura International plc / SMBC Nikko Capital Markets Limited