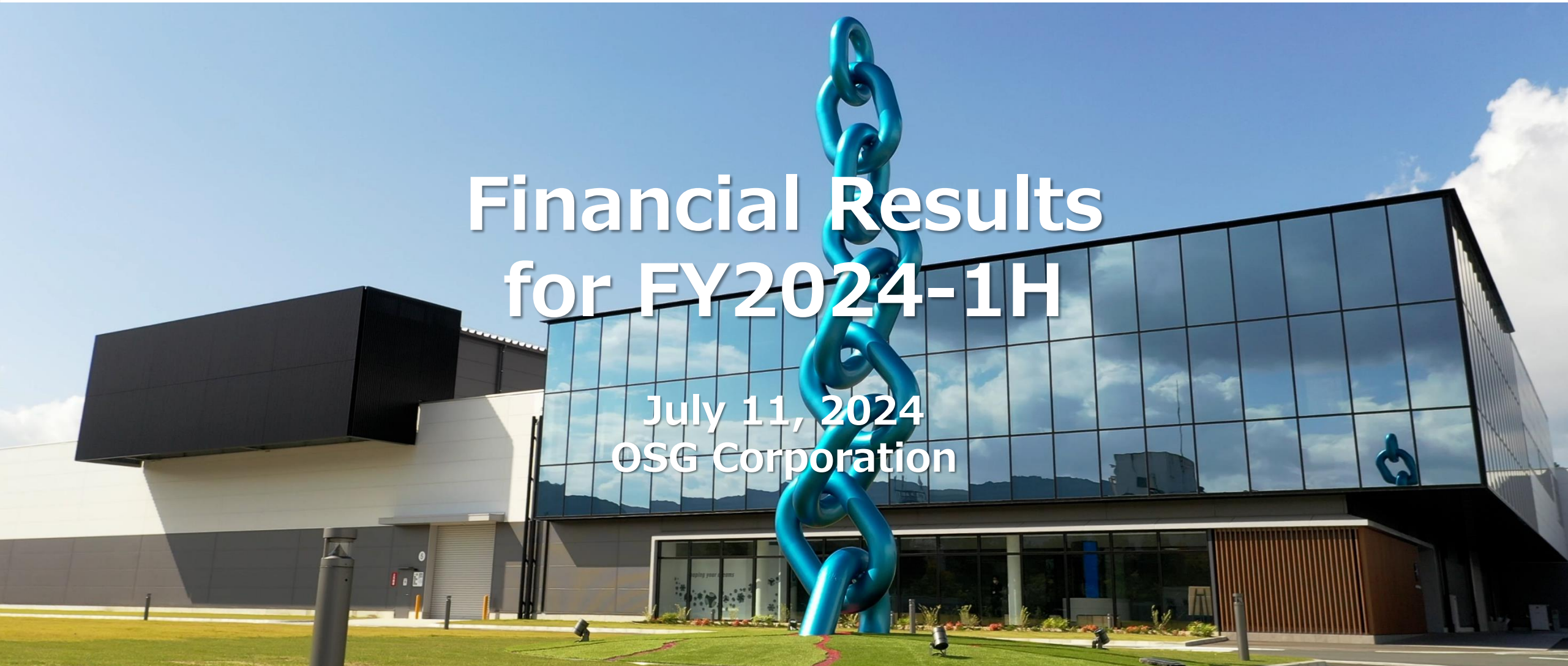




shaping your dreams

Financial Results for FY2024-1H

July 11, 2024
OSG Corporation

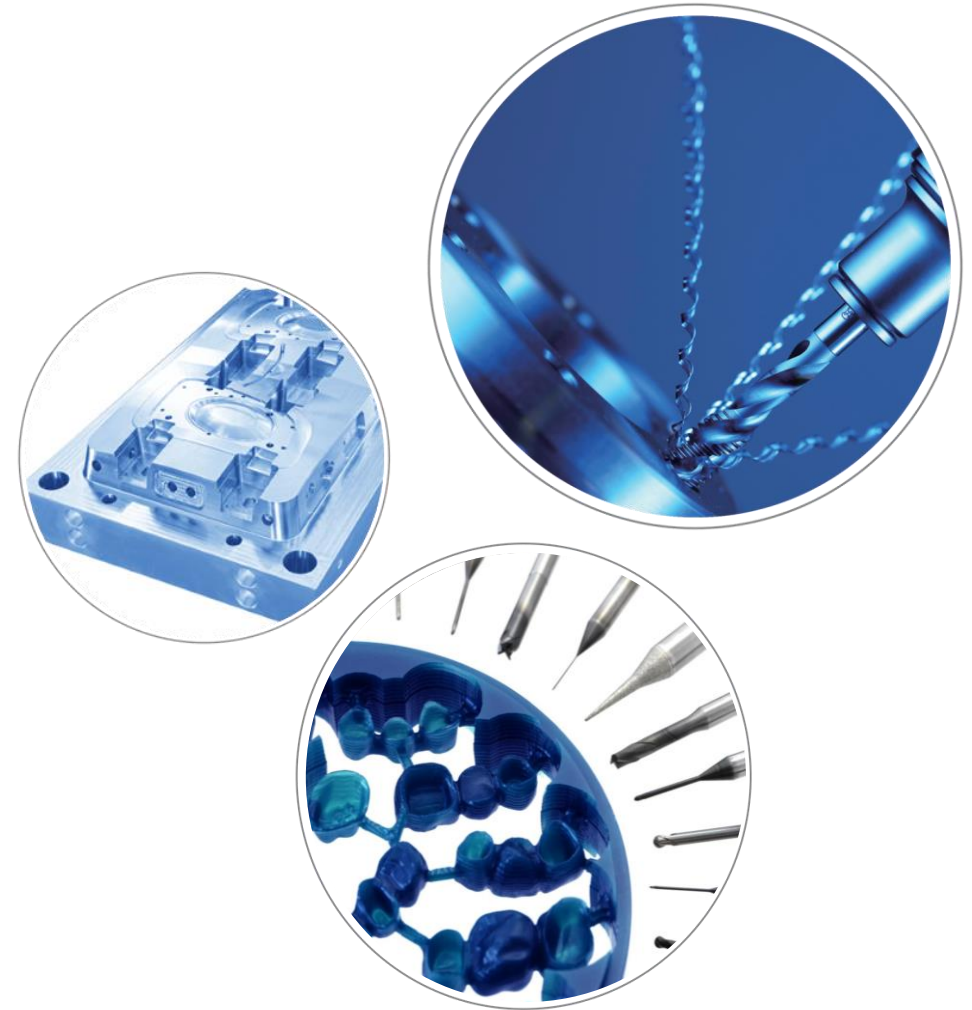


- ◆ P2-3 [Company Overview](#)
- ◆ P4-5 [Financial Summary](#)
- ◆ P6-7 [Review of FY24-1Q](#)
- ◆ P8-9 [Sales to Customer
by Geographical Segment](#)
- ◆ P10-11 [Operating Income
by Geographical Segment](#)
- ◆ P12 [Overseas Sales Ratio](#)
- ◆ P13-14 [Net Sales
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focused on cost of capital and stock price awareness](#)

Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	13,044 million yen
Employees	7,558 (consolidated) 1,903 (non-consolidated)
Listed Market	TSE Prime & NSE Premier (securities 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

更新なし

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

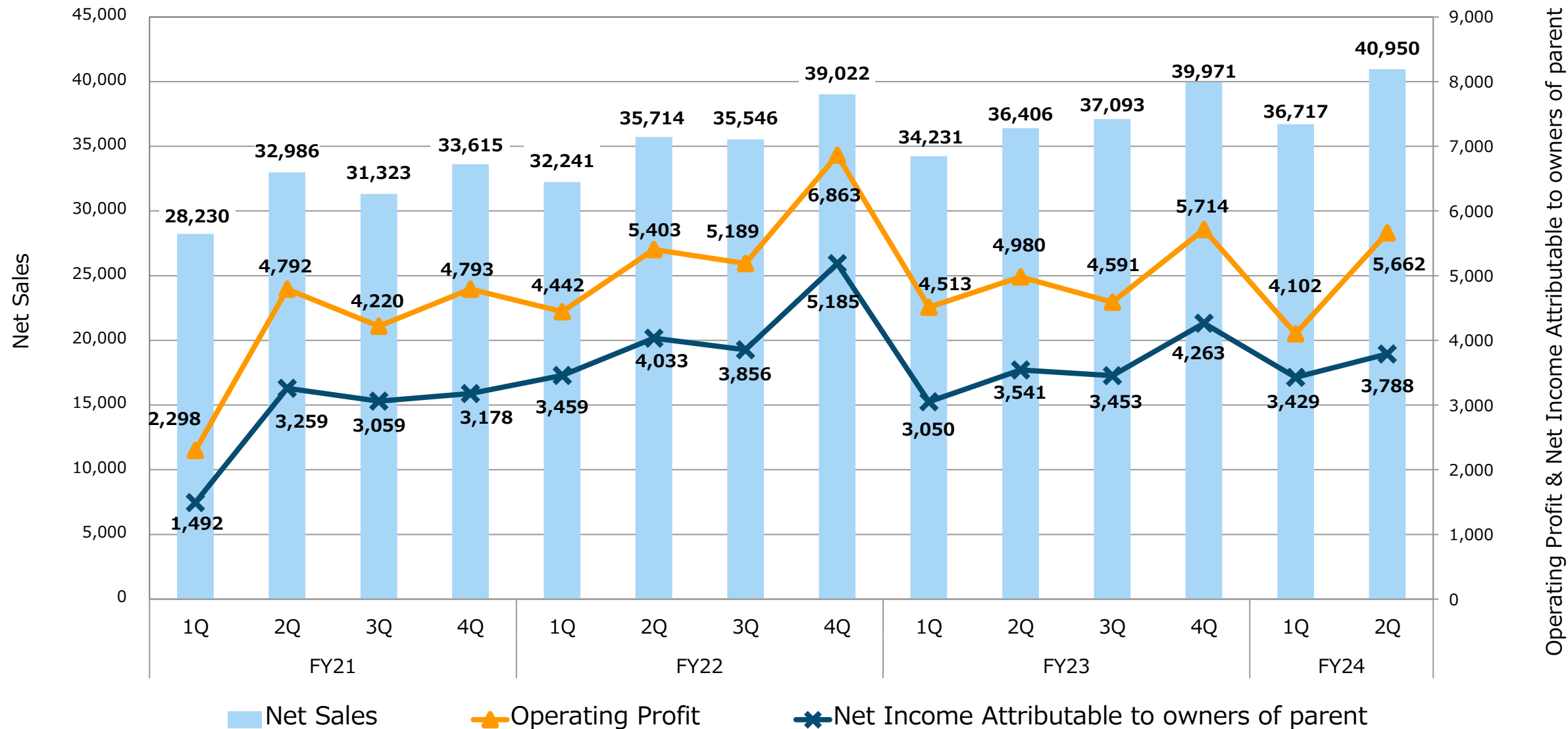
(Millions of yen)

	FY23-1H	FY24-1H	Change	FY24-1H Forecast	Progress Rate
Net Sales	70,638	77,667	+10.0%	76,000	102.2%
Operating Profit	9,494	9,765	+2.9%	10,500	93.0%
OPM	13.4%	12.6%	-	13.8%	-
Ordinary Income	10,166	10,868	+6.9%	10,600	102.5%
Net Profit Attributable to OSG	6,591	7,217	+9.5%	7,200	100.2%
EPS(yen)	68.82	77.40	+12.5%	76.83	-



Financial Summary

(Millions of yen)



Review of FY24-1H

**Record-high 1H sales driven
by the aircraft industry in Europe and the Americas.
Slight increase in profit due to higher labor costs.**

Index & Capital Investment Results

—EBITDA	15.9 billion yen	(+4.6% YoY)
—EBITDA Margin	20.5%	(-1.1pts YoY)
—Free Cash Flow	7.2 billion yen	(+3.7 billion yen YoY)
—ROA	7.5%	(-0.8pts YoY)
(Operating Income Basis)		
—ROE	8.0%	(+0.1pts YoY)
—Equity Ratio	66.9%	(-5.7pts from the end of FY23)
—CAPEX	7.5 billion yen	
—Depreciation	5.7 billion yen	



Review of FY24-1H

The Americas

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

Europe/Africa

Although business confidence is weak, the aircraft industry is strong. The automobile industry also continues to recover.

Asia

Greater China is on a gradual recovery trend. India is performing well, however regarding other countries, it varies by country.

Japan

Inventory adjustments continue in the general parts industry, but the automotive industry is affected by production cuts. Domestic plants continue to adjust production.

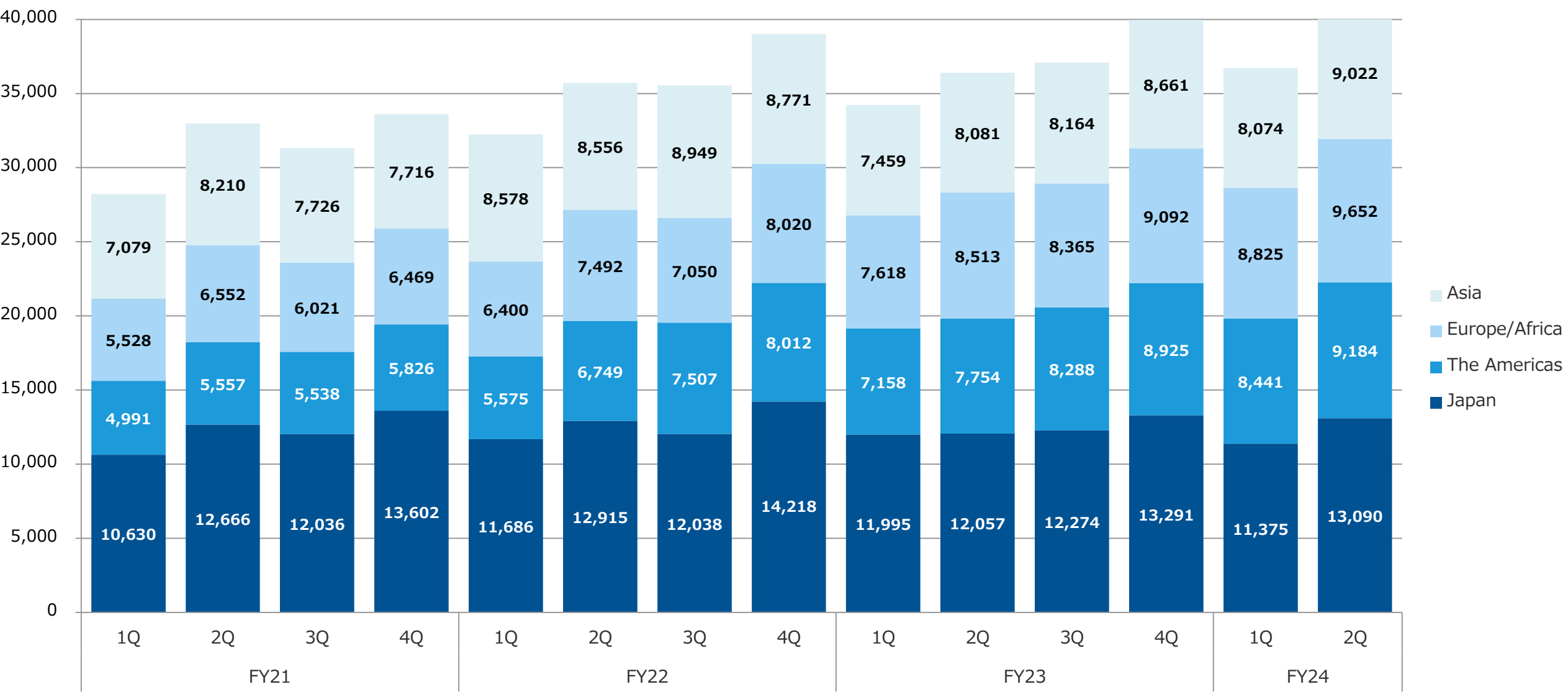
Sales to Customer by Geographical Segment

(Millions of yen)

	FY23-1H	FY24-1H	Change		Change in local currency
Japan	24,053	24,465	412	+1.7%	-
The Americas	14,912	17,626	2,714	+18.2%	+5.2%
Europe/Africa	16,132	18,478	2,346	+14.5%	+2.3%
Asia	15,540	17,097	1,556	+10.0%	+1.9%
Consolidated	70,638	77,667	7,029	+10.0%	-

Sales to Customer by Geographical Segment

(Millions of yen)



Operating Income by Geographical Segment

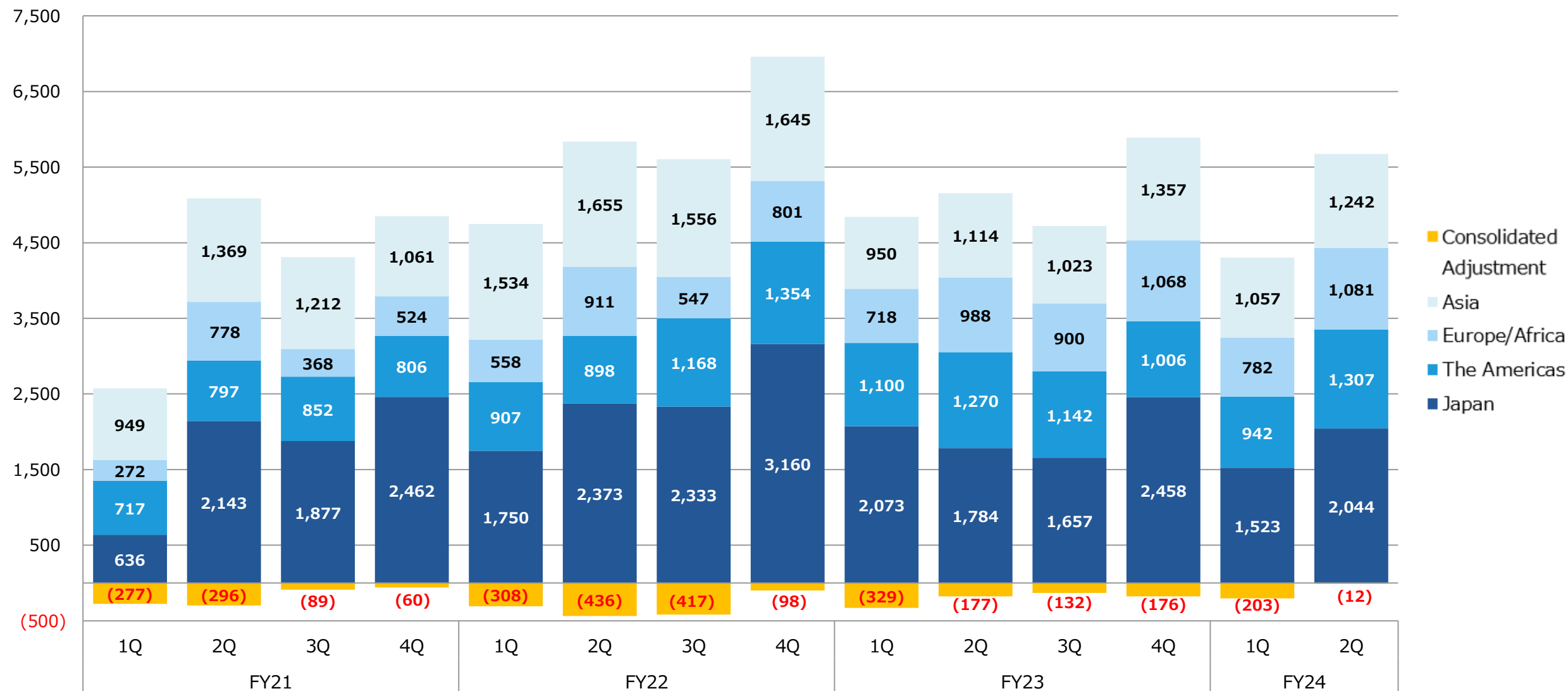
(Millions of yen)

	FY23-1H	Component ratio	FY24-1H	Component ratio	Change		OPM(*)
Japan	3,858	38.6%	3,567	35.7%	-291	-7.5%	9.9%
The Americas	2,371	23.7%	2,250	22.6%	-120	-5.1%	12.5%
Europe/Africa	1,706	17.1%	1,863	18.7%	157	+9.2%	9.9%
Asia	2,065	20.6%	2,299	23.0%	234	+11.3%	12.2%
Total	10,001	-	9,981	-	-20	-0.2%	10.9%
Eliminations	-507	-	-215	-	291	-	-
Consolidated	9,494	-	9,765	-	270	+2.9%	12.6%

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

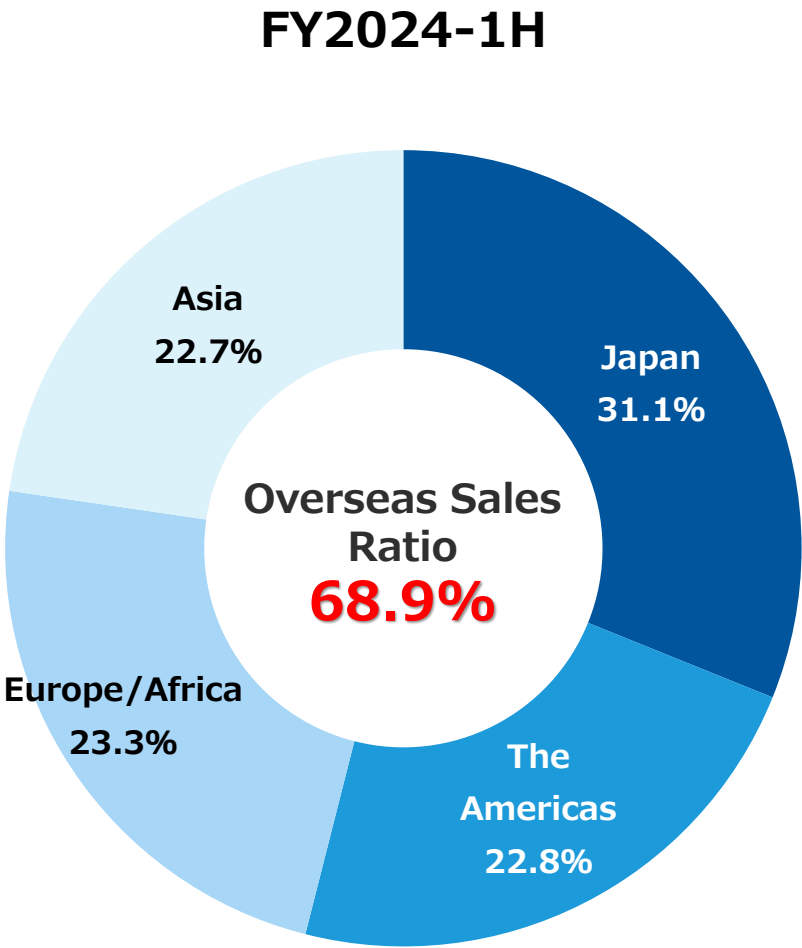
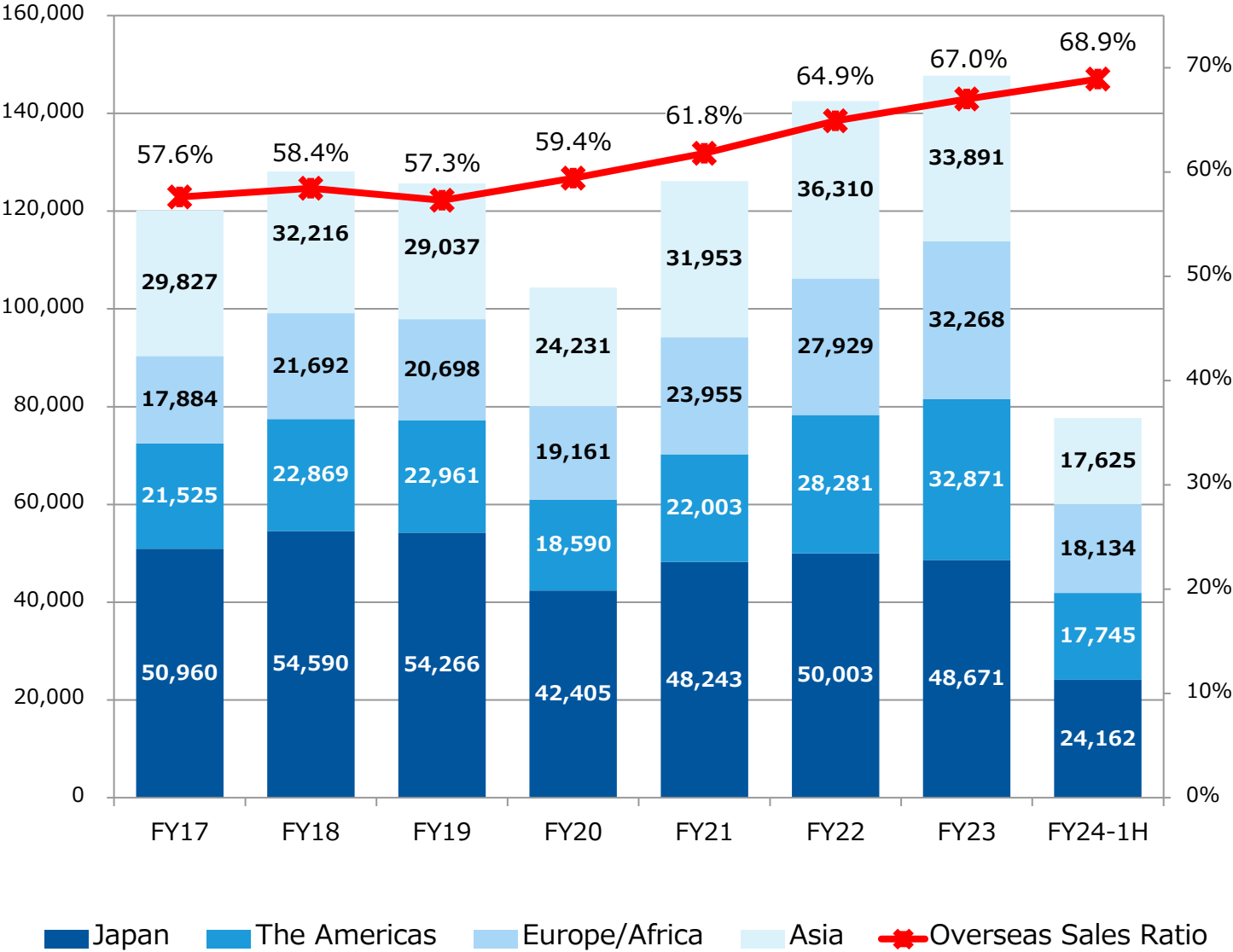
Operating Income by Geographical Segment

(Millions of yen)



Overseas Sales Ratio

(Millions of yen)



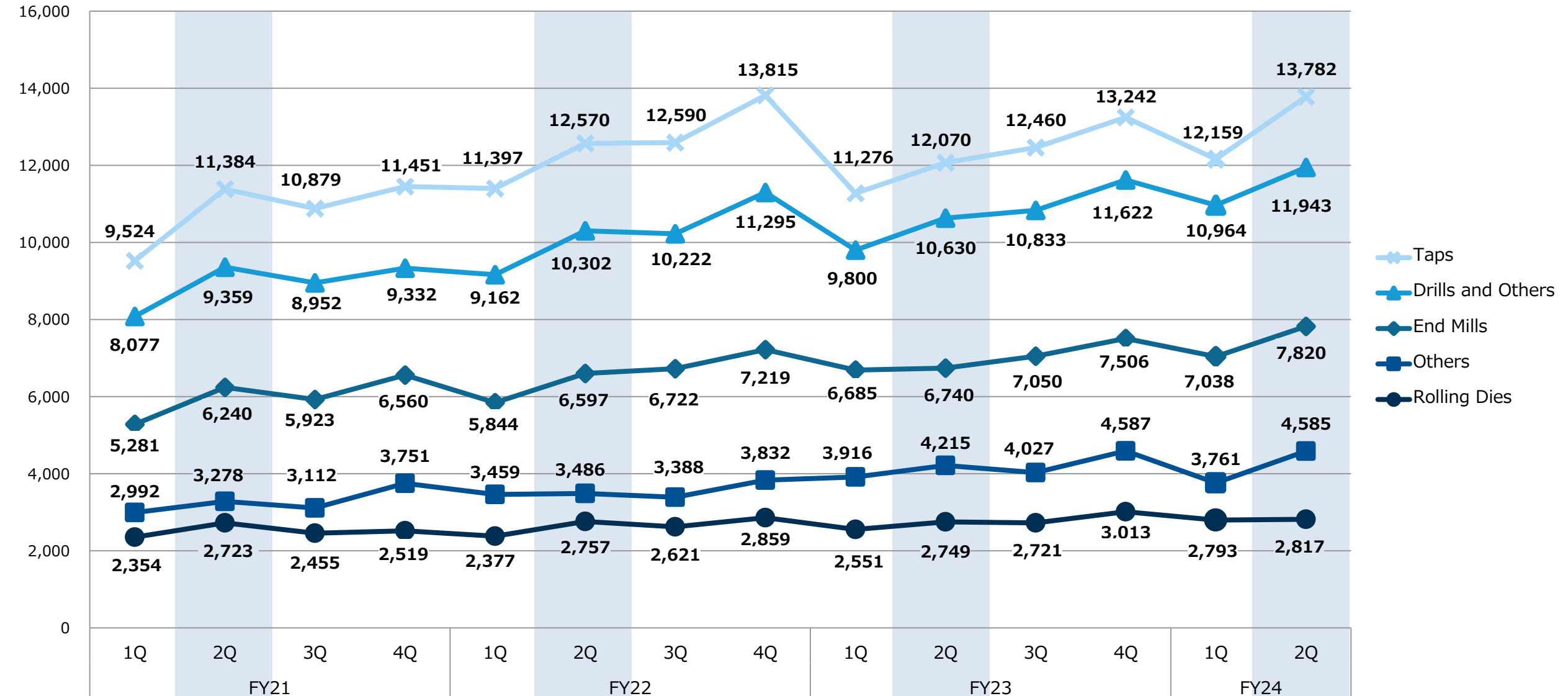
Net Sales by Product Segment

(Millions of yen)

		FY23						FY24				Change	
		1Q	2Q	3Q	4Q	1H		1Q	2Q	1H			
Precision Tools	Taps	11,276	12,070	12,460	13,242	23,346	33.1%	12,159	13,782	25,942	33.4%	2,595	11.1%
	End mills	6,685	6,740	7,050	7,506	13,426	19.0%	7,038	7,820	14,859	19.1%	1,432	10.7%
	Drills and Others	9,800	10,630	10,833	11,622	20,431	28.9%	10,964	11,943	22,908	29.5%	2,476	12.1%
	Rolling dies	2,551	2,749	2,721	3,013	5,300	7.5%	2,793	2,817	5,611	7.2%	310	5.9%
	Gauges	457	480	513	518	937	1.3%	459	658	1,118	1.4%	180	19.3%
			30,771	32,671	33,579	35,902	63,443	89.8%	33,415	37,022	70,438	90.7%	6,995
Other	Machine	1,320	1,359	1,428	1,735	2,679	3.8%	1,161	1,493	2,655	3.4%	-24	-0.9%
	Other	2,139	2,375	2,085	2,333	4,515	6.4%	2,139	2,434	4,573	5.9%	58	1.3%
			3,459	3,735	3,514	4,069	7,194	10.2%	3,301	3,927	7,229	9.3%	34
Total		34,231	36,406	37,093	39,971	70,638	100%	36,717	40,950	77,667	100%	7,029	10.0%

Net Sales by Product Segment

(Millions of yen)

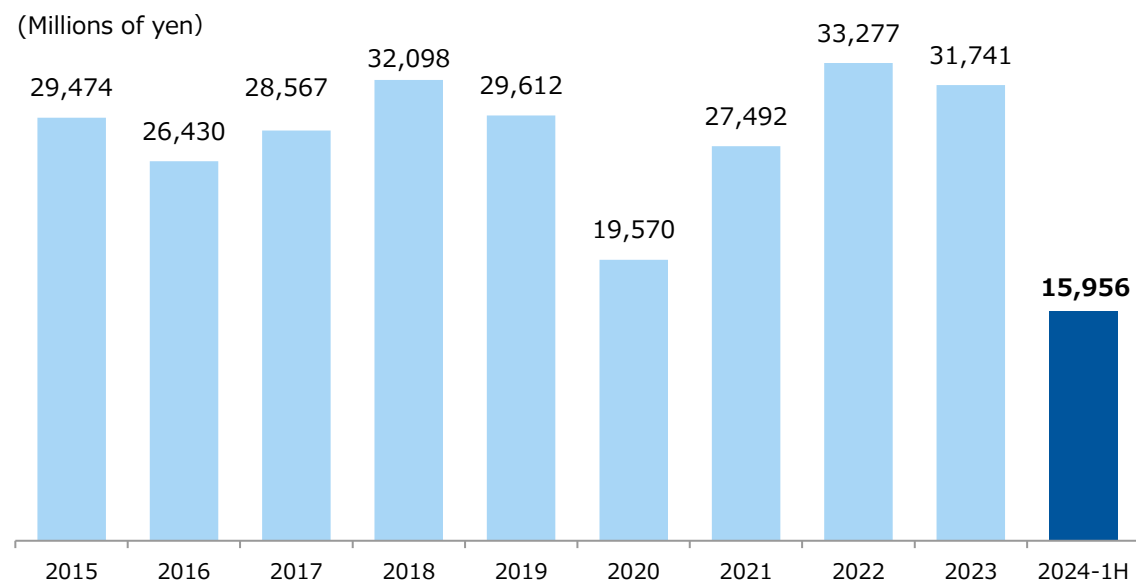


B/S Overview • EBITDA

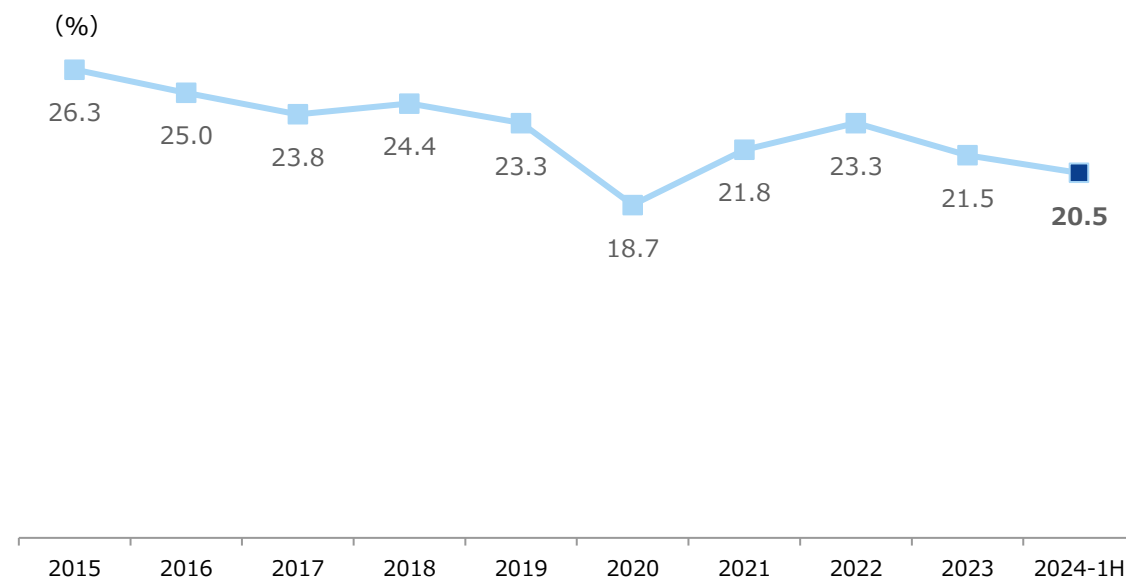
(Millions of yen)

	FY23	FY24-1H		FY23	FY24-1H
Equity Ratio (%)	72.6	66.9	Cash and Time Deposits	57,970	71,857
Receivable Turnover Period (Days)	70.8	65.6	Interest-bearing Debt	28,676	49,422
Inventory Turnover Period (months)	4.7	4.5	Net Cash	29,293	22,434

EBITDA

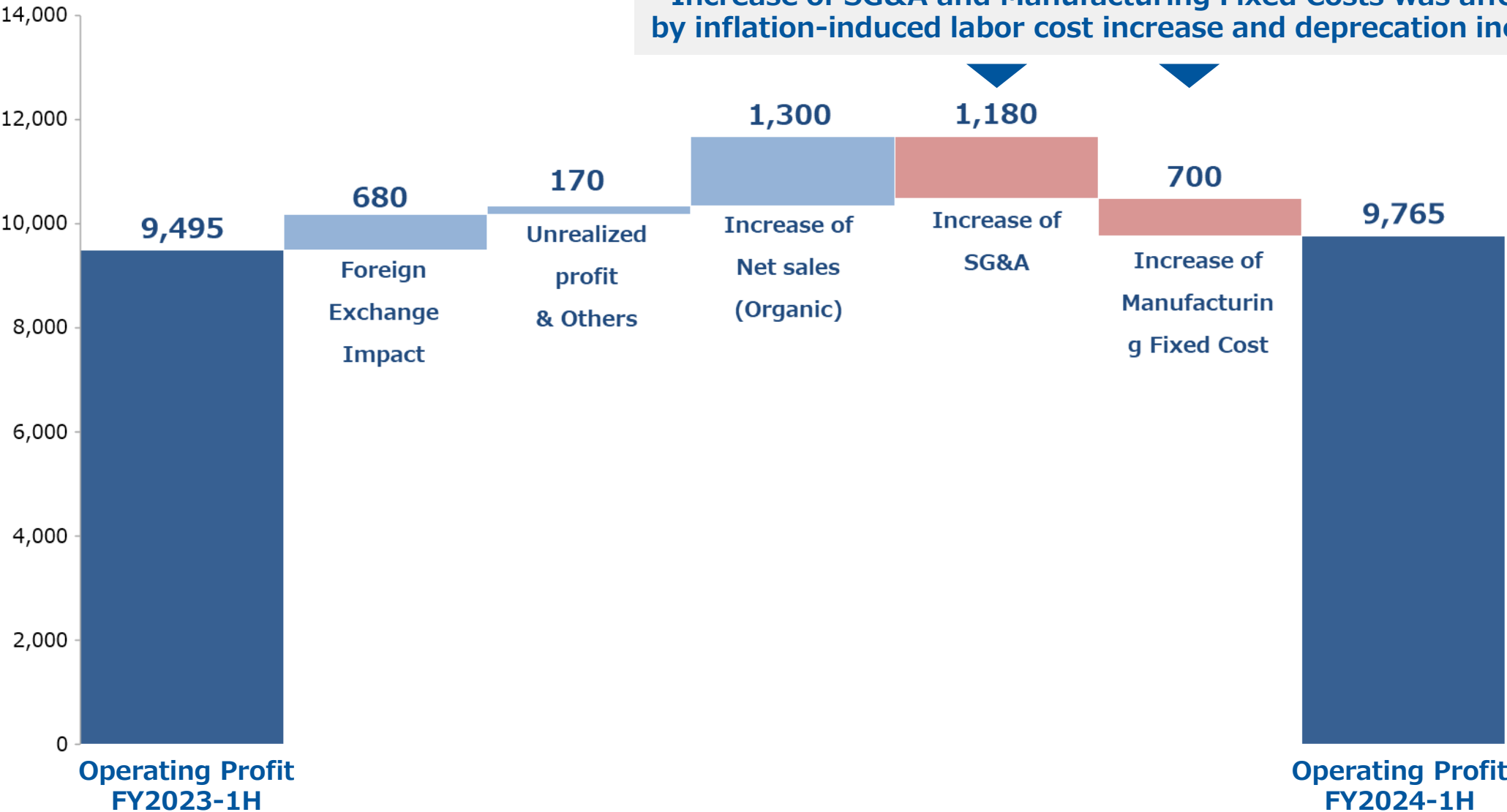


EBITDA Margin



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



Cash Flow Overview

(Millions of yen)

	FY20	FY21	FY22	FY23	FY23-1H	FY24-1H	Change
Income before income taxes	8,896	16,354	23,378	20,747	9,707	10,869	1,162
Depreciation and amortization	10,518	10,591	10,498	11,037	5,332	5,706	373
Change in notes and accounts receivable	2,832	-2,448	-1,466	-480	-150	1,638	1,788
Change in inventories	1,822	1,864	-5,269	-2,776	-2,776	1,022	3,798
Change in notes and accounts payable	-1,555	243	247	-56	-407	-451	-43
Change in accrued expenses	-1,704	1,227	853	77	-623	-766	-143
Income taxes - paid	-4,743	-2,703	-7,645	-7,909	-4,363	-2,813	1,550
Other, net	972	1,853	-420	1,990	852	311	-540
Net cash provided by operating activities	17,038	26,982	20,175	23,331	7,570	15,517	7,946
Acquisitions of property, plant and equipment	-9,895	-5,555	-8,600	-10,580	-4,774	-7,582	-2,807
Purchase of shares of subsidiaries	-2,054	-346	-981	-1,037	-1,007	-128	878
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-3,266	-	-	-	-	-	-
Proceeds from sale of investments in capital of subsidiaries resulting in change in scope of consolidation	-	-	-	552	524	-	-524
Payments for time deposits and proceeds from refund of time deposits	-583	-1,455	-2,595	2,511	1,514	-516	-2,031
Other, net	-1,332	395	5	10	182	-81	-263
Net cash used in investing activities	-17,133	-6,961	-12,170	-8,543	-4,085	-8,308	-4,223
Free cash flow	-94	20,021	8,004	14,787	3,485	7,208	3,772
Change in interest-bearing debt	14,692	-11,586	-4,197	3,044	-1,496	20,449	21,946
Dividends paid	-3,439	-2,440	-4,357	-6,220	-3,541	-3,067	474
Dividends paid to non-controlling interests	-298	-323	-359	-305	-168	-157	10
Purchase of treasury stock	-1	-2	-5953	-3	-1	-10,389	-10,387
Other, net	-1,293	89	127	-345	68	-2,486	-2,554
Net cash used in financing activities	9,658	-14,264	-14,740	-3,831	-5,139	4,349	9,489
Effect of exchange rate change on cash and cash equivalents	-88	1,224	3,098	1,975	498	1,481	983
Net increase (decrease) in cash and cash equivalents	9,475	6,981	-3,637	12,931	-1,156	13,039	14,195
Cash and cash equivalents from newly consolidated subsidiaries	120	73	-	73	73	42	-31
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	-	-	-	-	21	21
Cash and cash equivalents at end of period	33,299	40,354	36,717	49,722	35,634	62,826	27,192

Capital Investment

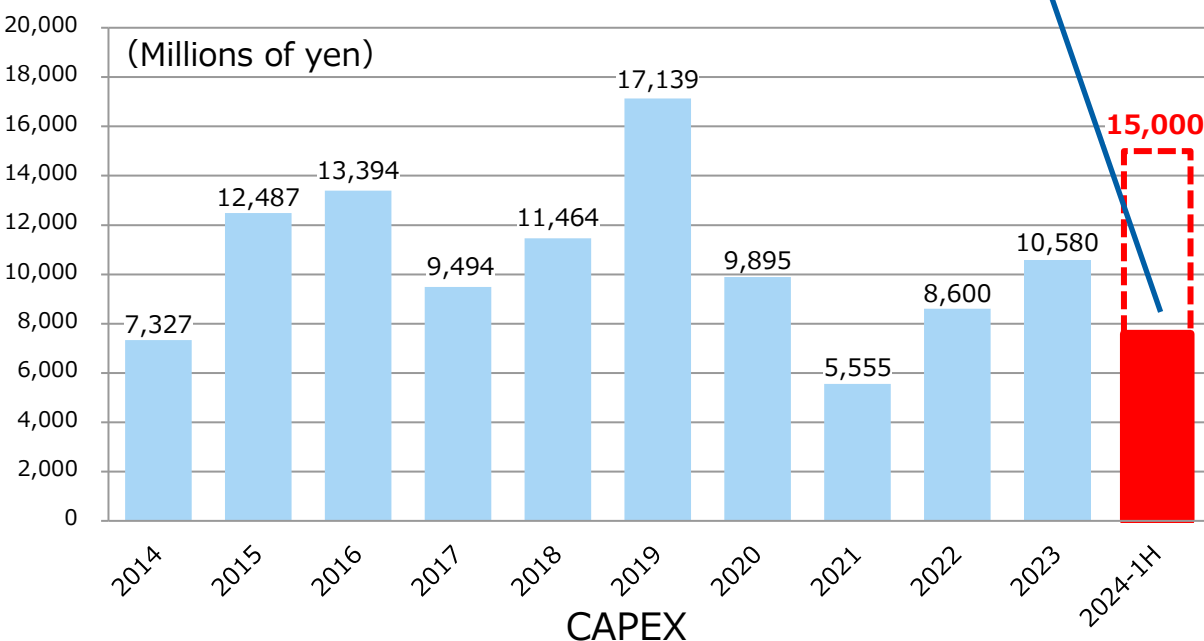
FY24 Capital Investment Forecast

15.0 billion yen

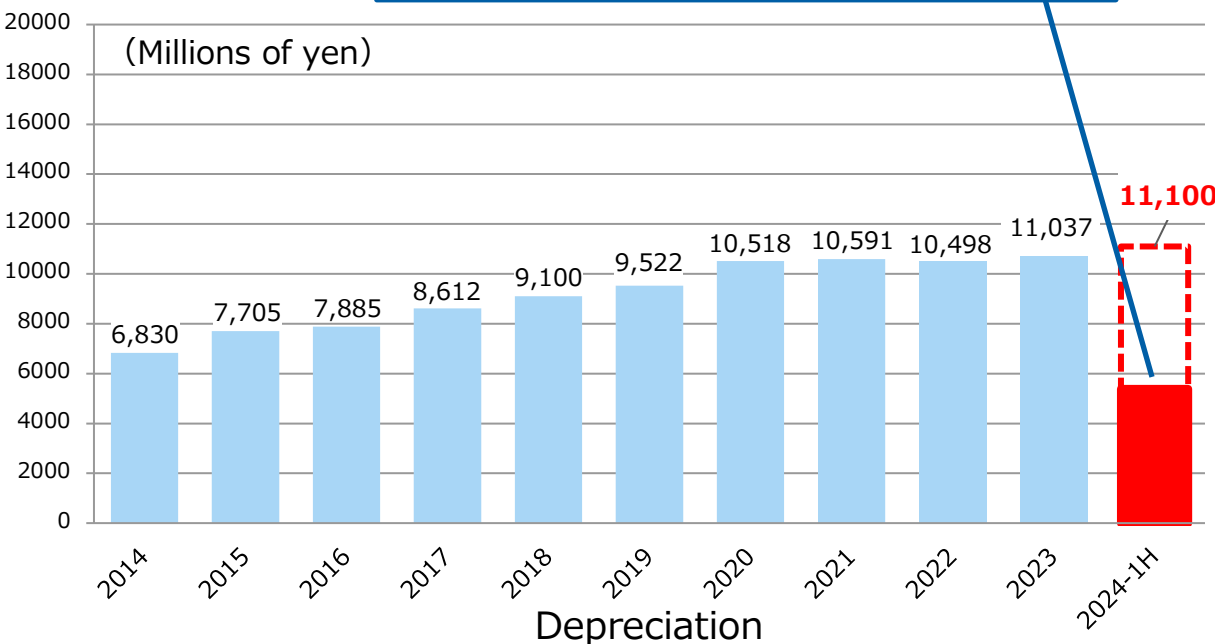
Breakdown

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 : 7,582



Depreciation : 5,706

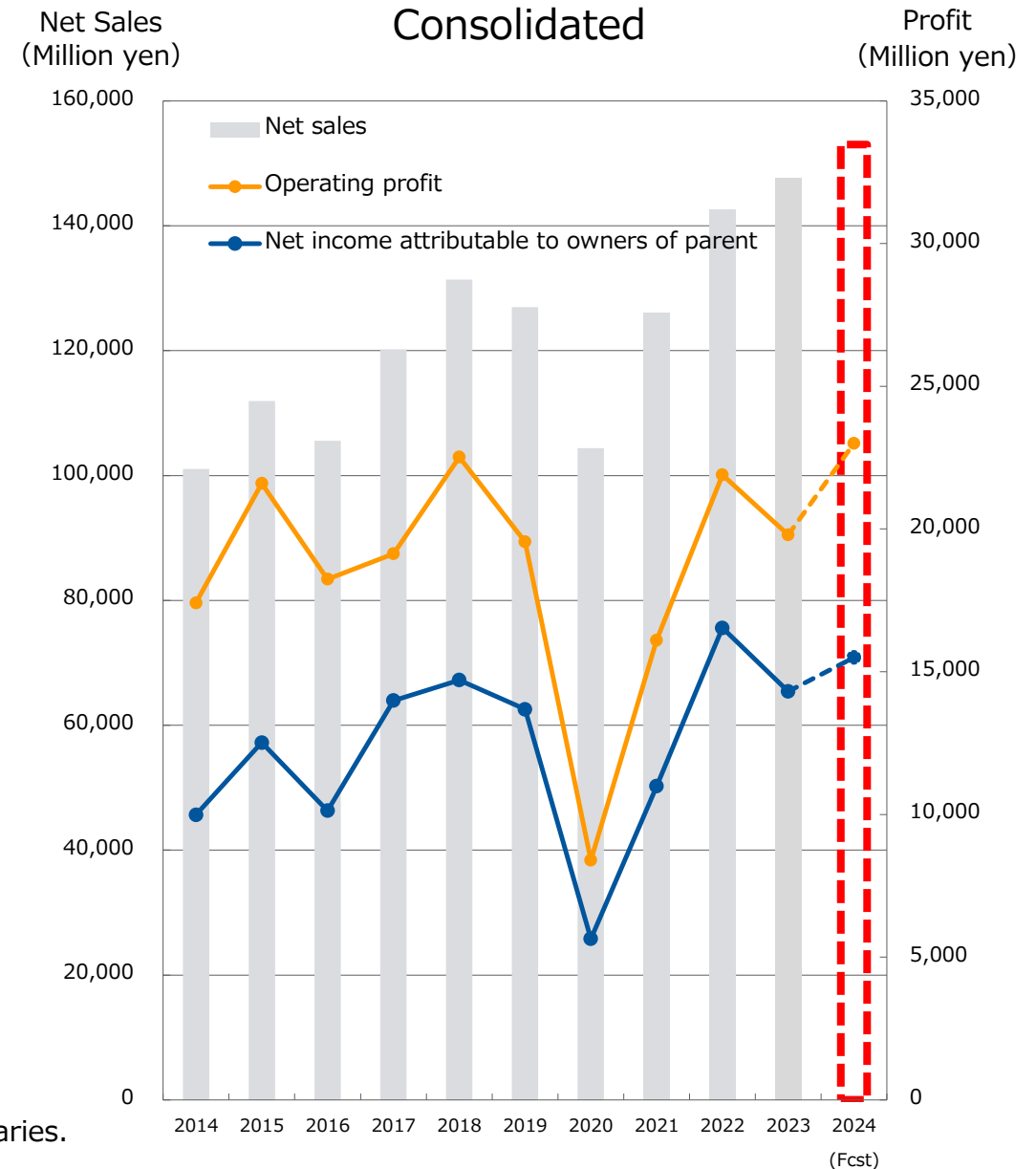


Forecast for FY24

	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)	171.25	+13.9%	90.56	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

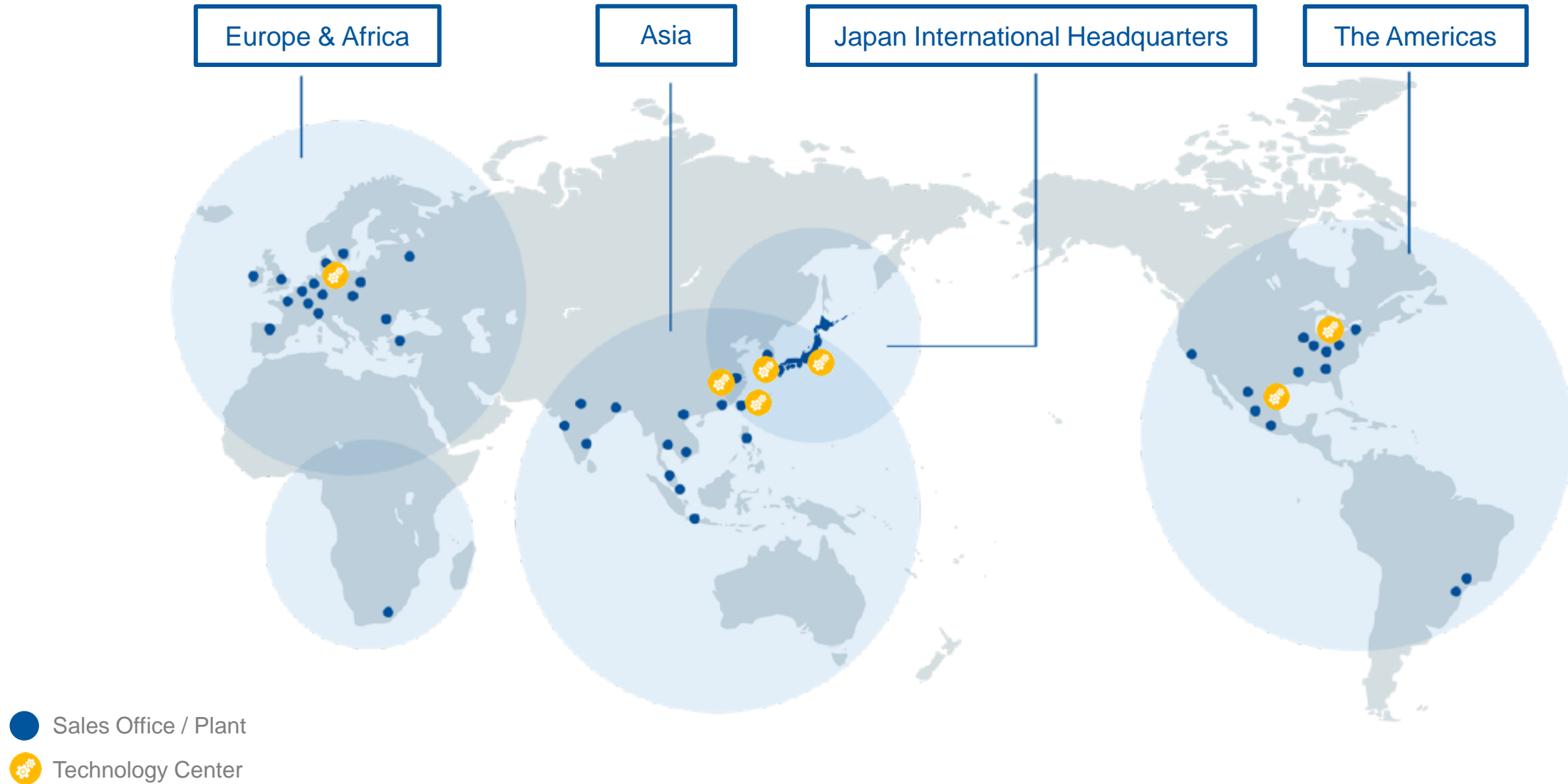
(Yen)

	1US\$	1Euro	1RMB
FY21 2Q	107.27	129.69	16.55
FY21	109.41	130.04	16.94
FY22 2Q	120.91	130.04	18.75
FY22	130.61	137.60	19.42
FY23 2Q	134.49	145.24	19.40
FY23	140.44	151.87	19.79
FY24 2Q	150.85	163.58	20.90

Selected Financial Data (Consolidated)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024-1H
Net sales	(mil.yen)	101,031	111,917	105,561	120,198	131,368	126,964	104,388	126,156	142,525	147,703	77,667
Sales growth rate	(%)	14.3%	10.8%	-5.7%	13.9%	9.3%	-3.4%	-18.0%	20.9%	13.0%	3.6%	10.0%
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	45,797
Gross profit	(mil.yen)	42,970	50,051	46,382	50,486	56,535	53,682	38,673	49,186	59,065	60,448	31,870
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	22,104
Operating income	(mil.yen)	17,415	21,597	18,246	19,137	22,520	19,554	8,396	16,105	21,898	19,800	9,765
Ordinary income	(mil.yen)	17,568	21,510	17,813	19,144	22,567	19,710	8,950	16,141	23,648	21,350	10,868
Net income	(mil.yen)	9,989	12,518	10,134	13,993	14,710	13,686	5,639	10,989	16,534	14,307	7,217
Gross profit margin	(%)	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	39.0%	41.4%	40.9%	41.0%
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%	28.5%
Operating income margin	(%)	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	15.4%	13.4%	12.6%
Ordinary income margin	(%)	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	16.6%	14.5%	14.0%
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	150.85
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	163.58
Total assets	(mil.yen)	142,302	155,129	156,081	166,712	178,020	190,414	200,112	209,757	228,852	250,124	270,494
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	180,964
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	77.40
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	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	1,992.89
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	93,258
ROA (operating income basis)	(%)	12.6%	14.5%	11.7%	11.9%	13.1%	10.6%	4.3%	7.9%	10.0%	8.3%	7.5%
ROE	(%)	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.7%	8.3%	8.0%
Equity ratio	(%)	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	72.0%	72.6%	66.9%
Total asset turnover ratio		0.73	0.75	0.68	0.74	0.76	0.69	0.53	0.62	0.65	0.62	0.60
Operating CF	(mil.yen)	19,688	19,588	16,333	20,820	20,310	19,261	17,038	26,982	20,175	23,331	15,517
Investing CF	(mil.yen)	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133	-6,961	-12,170	-8,543	-8,308
Financing CF	(mil.yen)	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-14,264	-14,740	-3,831	4,349
Cash flow margin	(%)	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%	21.4%	14.2%	15.8%	20.0%

Expansion of Overseas Business





shaping your dreams



Medium-term Management Plan

Beyond the Limit 2024

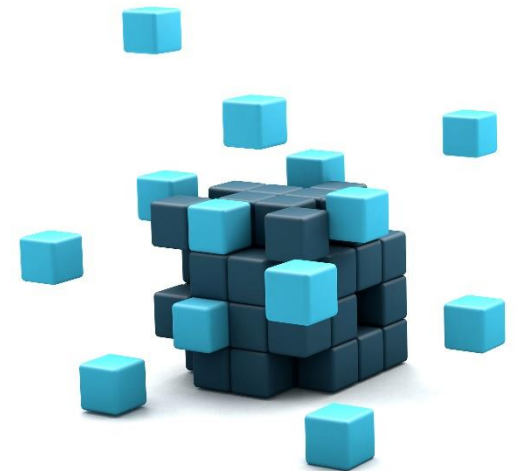
FY2022 - FY2024

Beyond the Limit



Long-term Vision

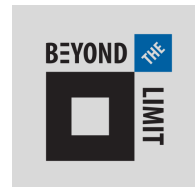
**To become an essential player
that contributes to the global manufacturing
industry towards a carbon-neutral era**



Basic Strategy

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

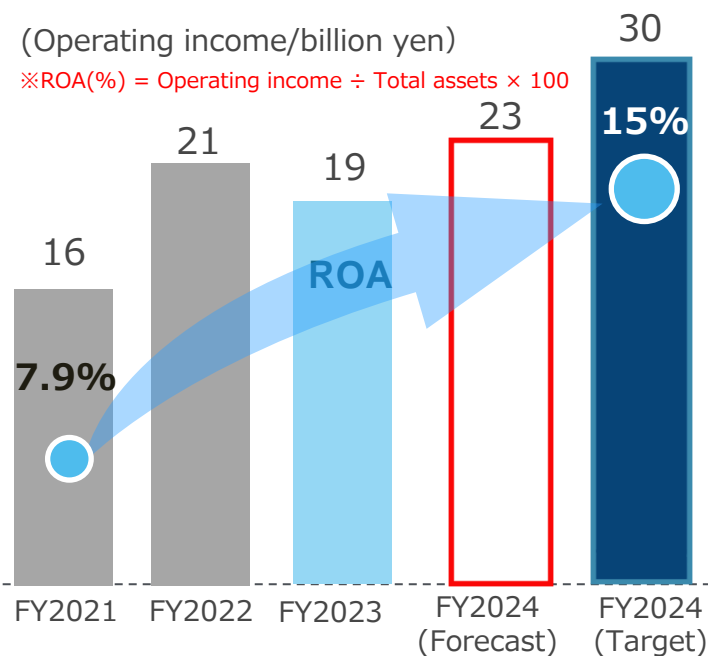
- We have divided our long-term vision into three stages, the first three years in which we will strengthen our corporate structure, in order to transform ourselves into an essential player that contributes to the global manufacturing industry,
- In each of the three stages, we will change the composition 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

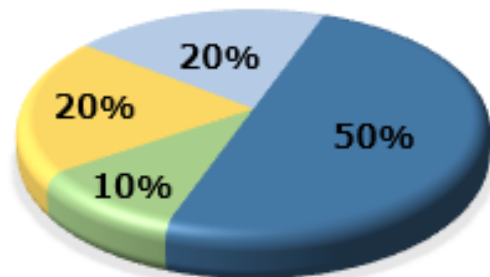
**Achieve
40% share**
in the global tap
market

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

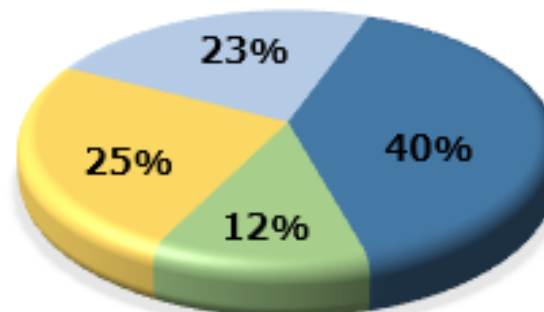


Target-Industry Portfolio

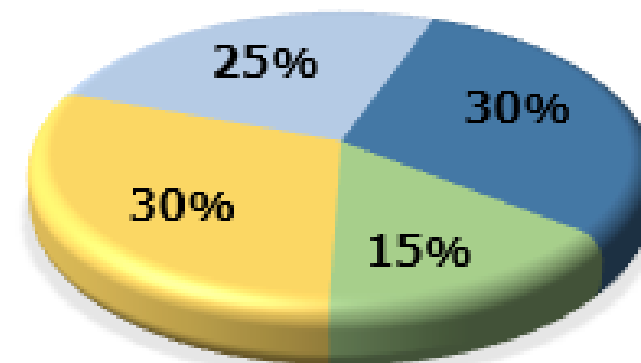
Beyond the Limit
2022-2024 (Stage1)



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

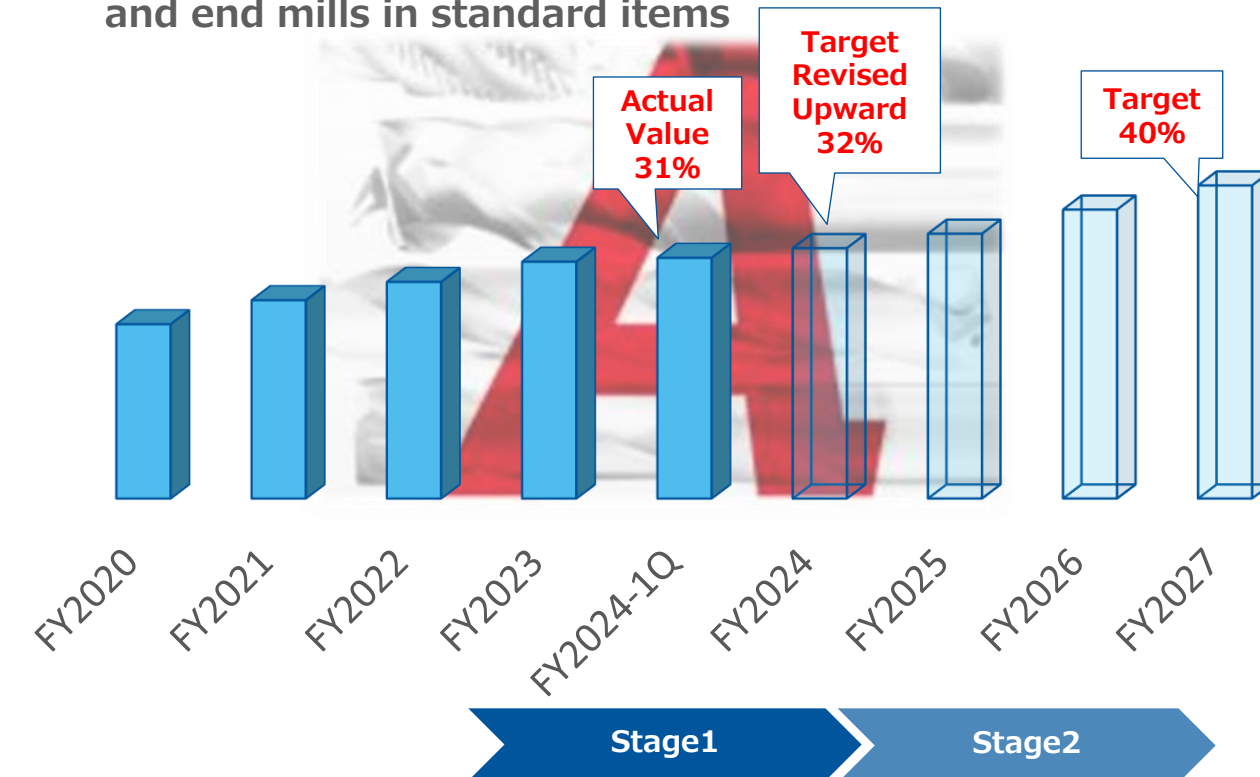
- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers

Progress of Basic Strategy

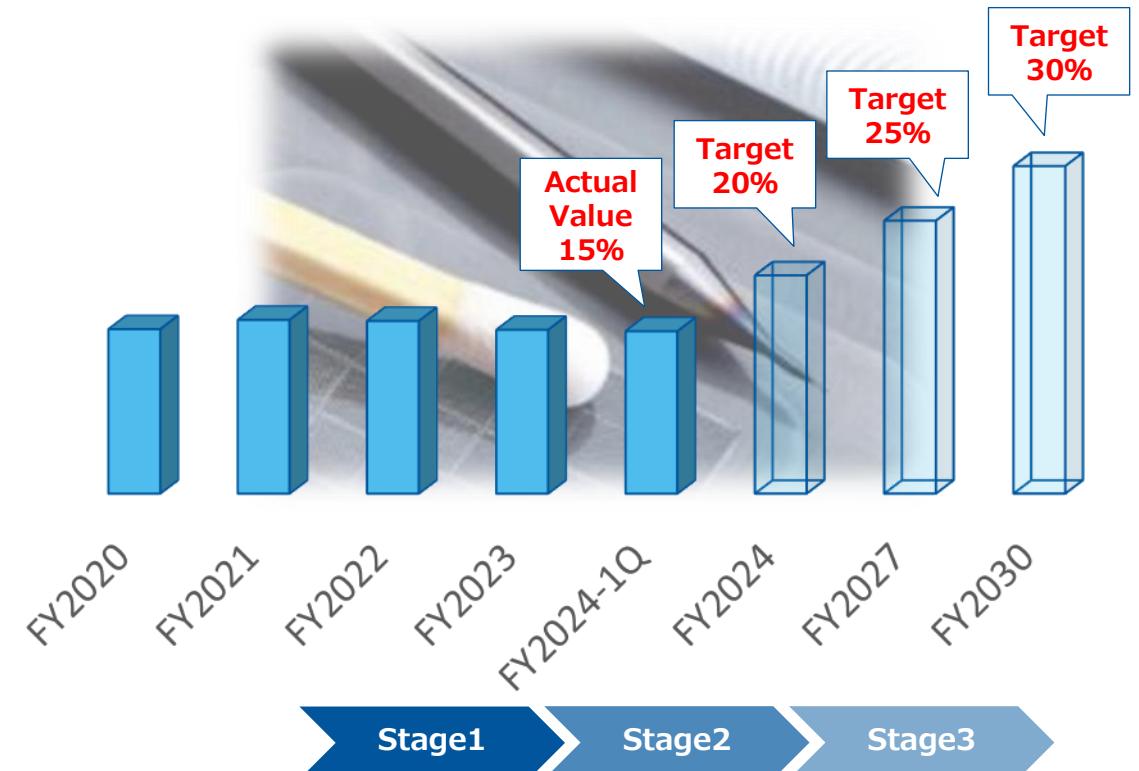
Sales of A-brand products grew, especially overseas, and new customers were acquired in the micro-precision machining field.

A Brand sales rate

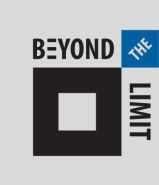
A-brand product sales as a percentage of sales of taps, drills, and end mills in standard items



Sales rate in micro precision machining



Business Opportunities and Growth Area



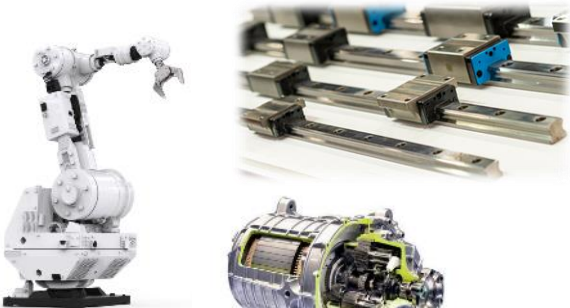
Precision Molds



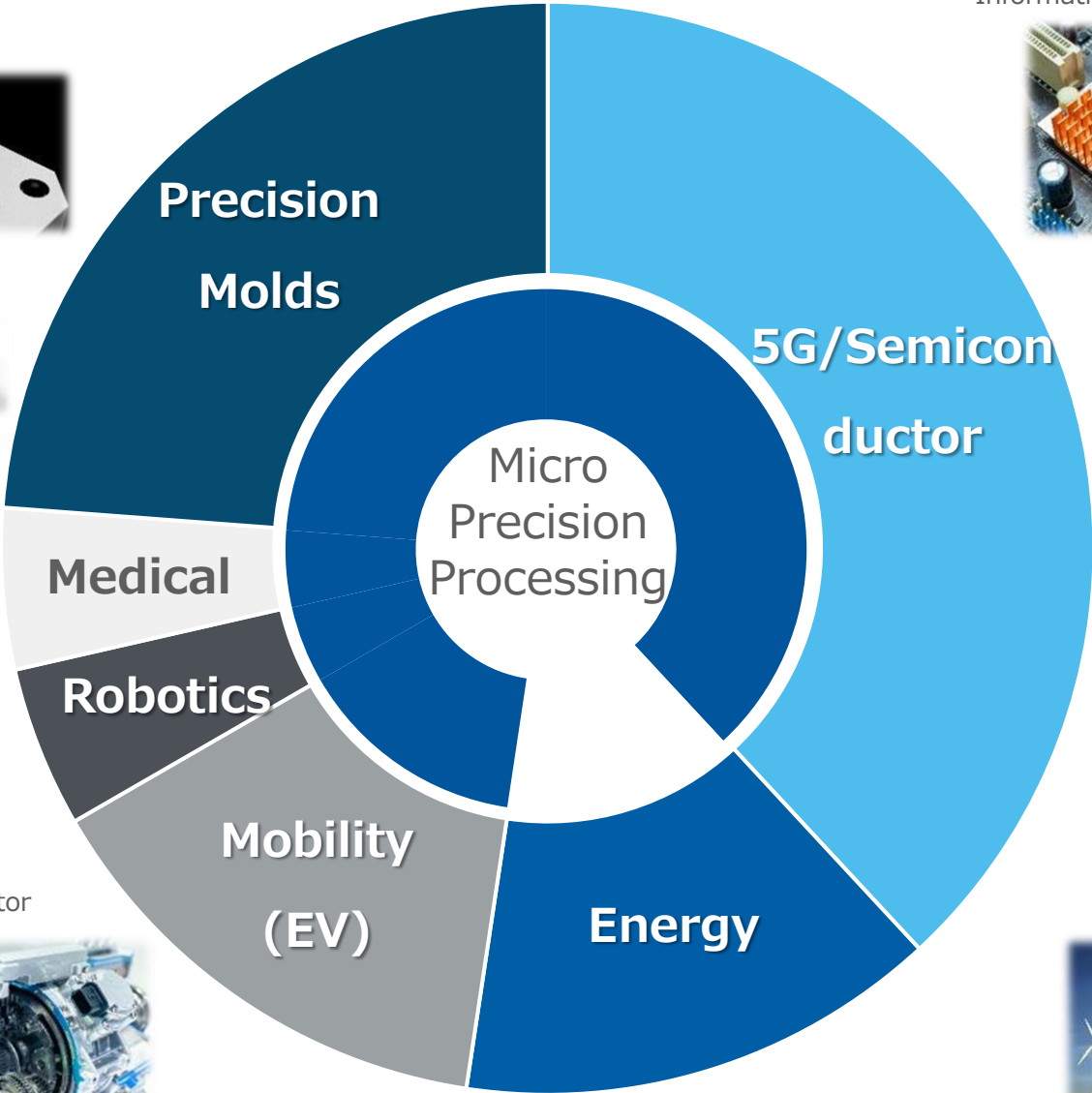
Medical parts



Robotics, automation-related and machine parts



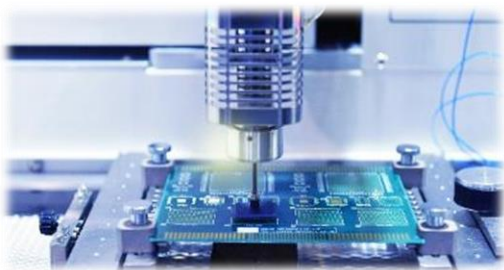
Motor



Information and communication equipment parts



Semiconductor manufacturing equipment parts



Wind power generation



※Graphs are images of our company

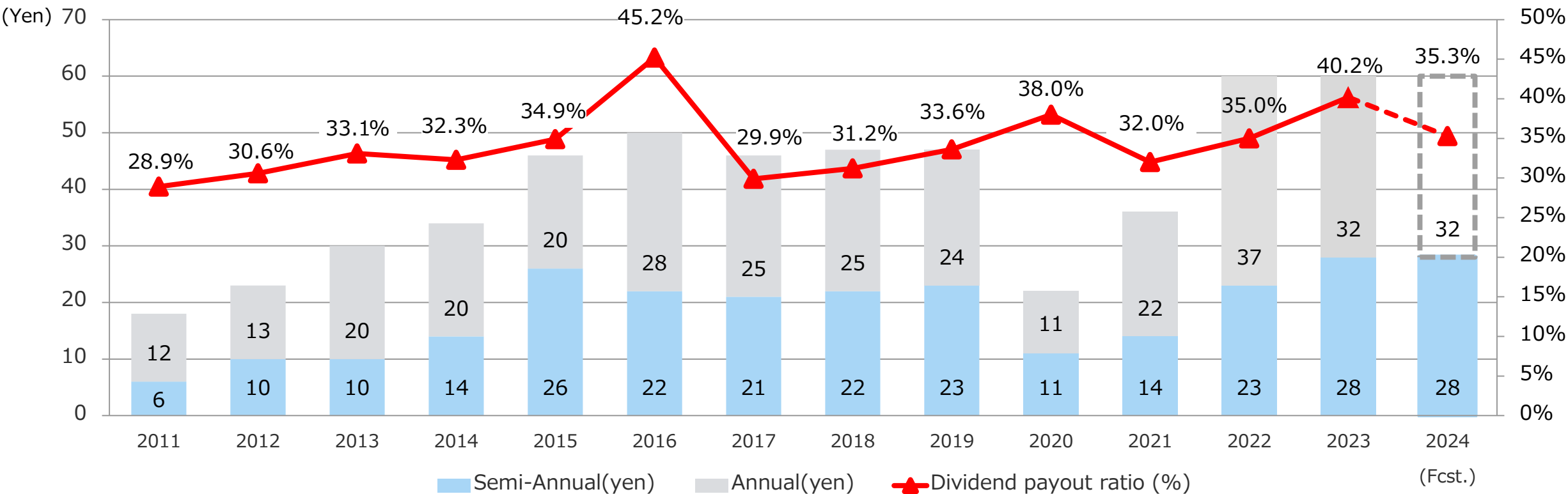


Shareholder Return Policy



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



shaping your dreams



**Measures toward achieving management focused
on cost of capital and stock price awareness**

Analysis of Current Situation

PBR

Approx. 1

ROE

※8.0%

※ Annualized results for the first half of 2024

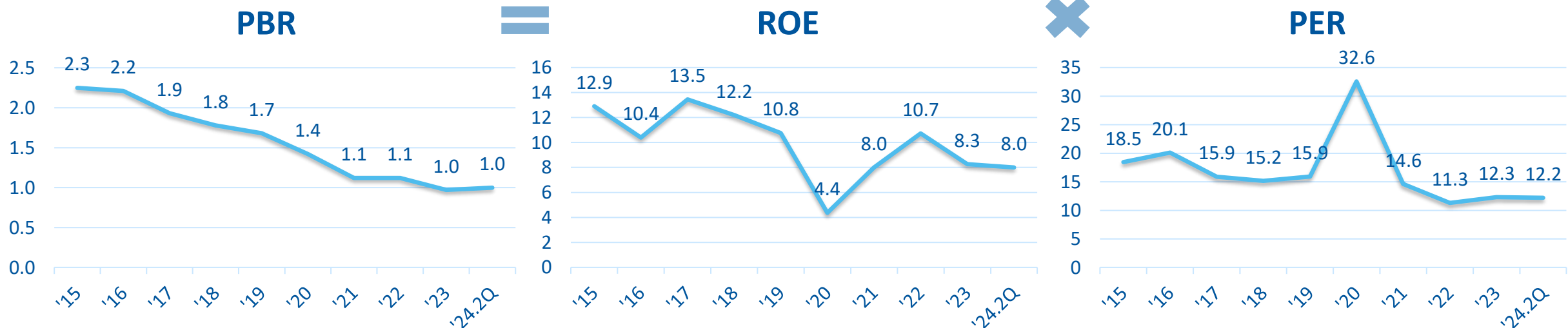
**Cost of Equity
including expected growth rate
(=Inverse of PER)**

約8%

The PBR ratio has been declining and it is currently around 1x. Its components, ROE and PER, are also on a downward trend.

⇒ Aim for ROE that exceeds the cost of equity while reducing it. (= *Maximize equity spread)

*Equity Spread = ROE – Cost of Equity



BS management actions to improve

Numerical targets will be announced in Stage 2 of the new medium-term management plan, which is disclosed at the time of the announcement of financial results for the fiscal year ending November 30, 2024.

