



shaping your dreams

Financial Results for FY2022

January 12, 2023
OSG Corporation

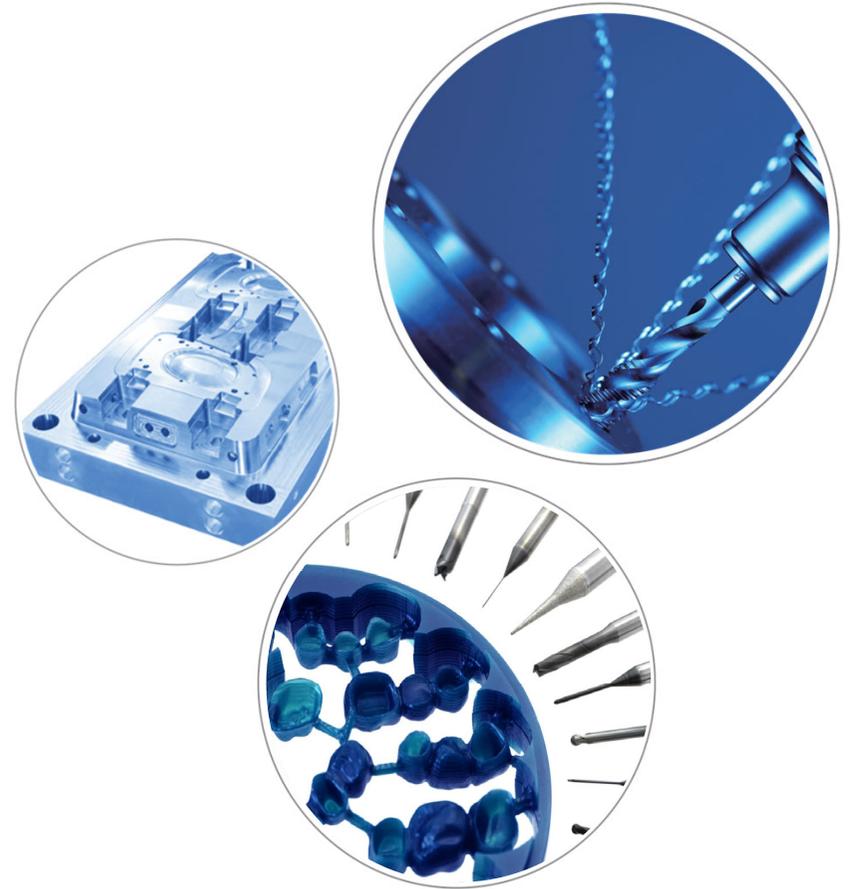


- ◆ P2-3 Company Overview
- ◆ P4-5 Financial Summary
- ◆ P6-7 Review of FY22
- ◆ P8-9 Sales to Customer
- ◆ P10-11 Operating Income
- ◆ P12 Overseas Sales Ratio
- ◆ P13-14 Net Sales
by Product Segment
- ◆ P15 B/S Overview · EBITDA

- ◆ P16 Operation Profit Variation
- ◆ P17 Cash Flow Overview
- ◆ P18 Capital Investment
- ◆ P19 Forecast for FY23
- ◆ P20 Exchange Rate
- ◆ P21 Selected Financial Data
- ◆ P22 Expansion of Overseas
Business
- ◆ P23-33 Medium-term
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	7,543 (consolidated) 1,899 (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.

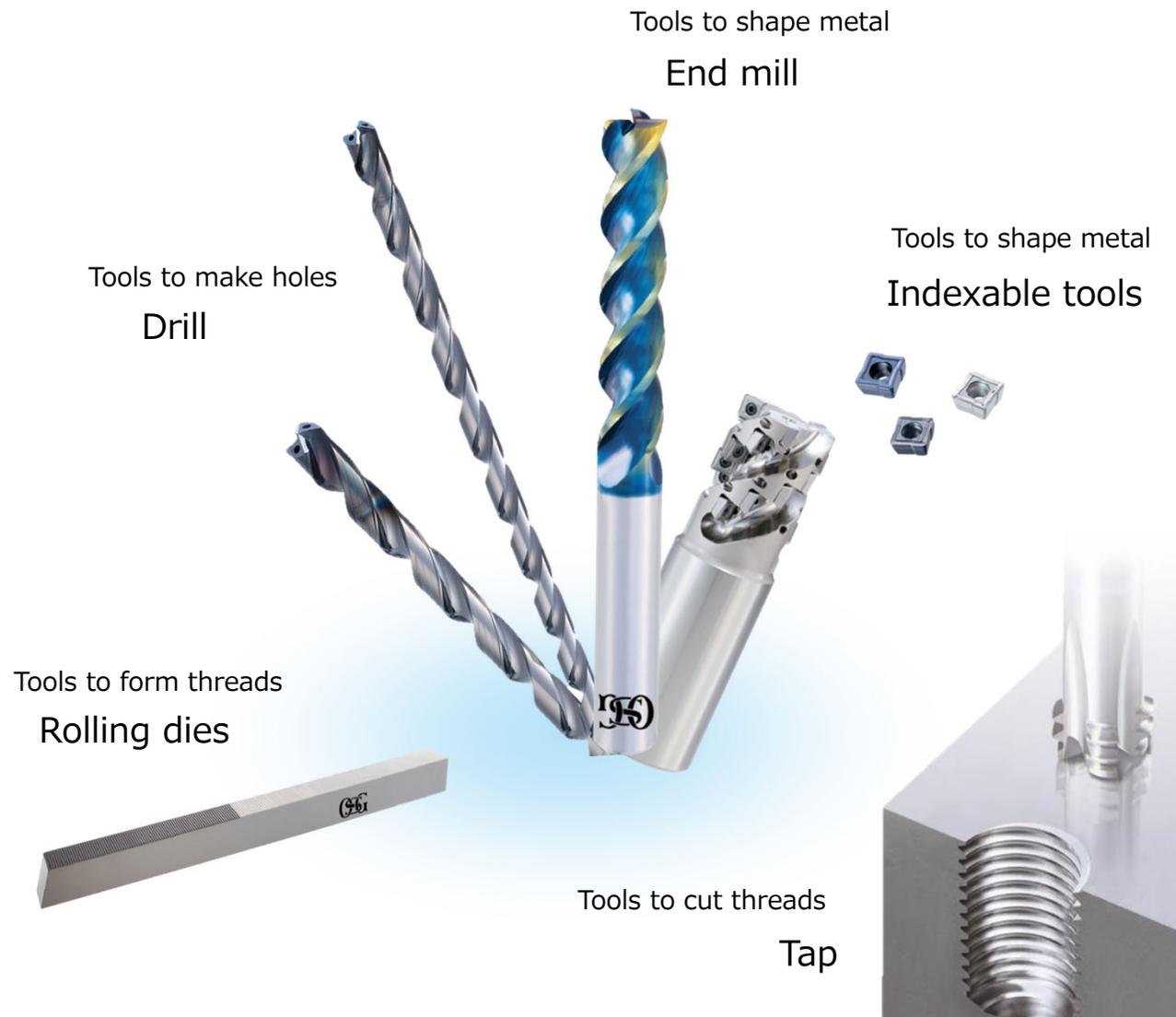
Company Overview

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



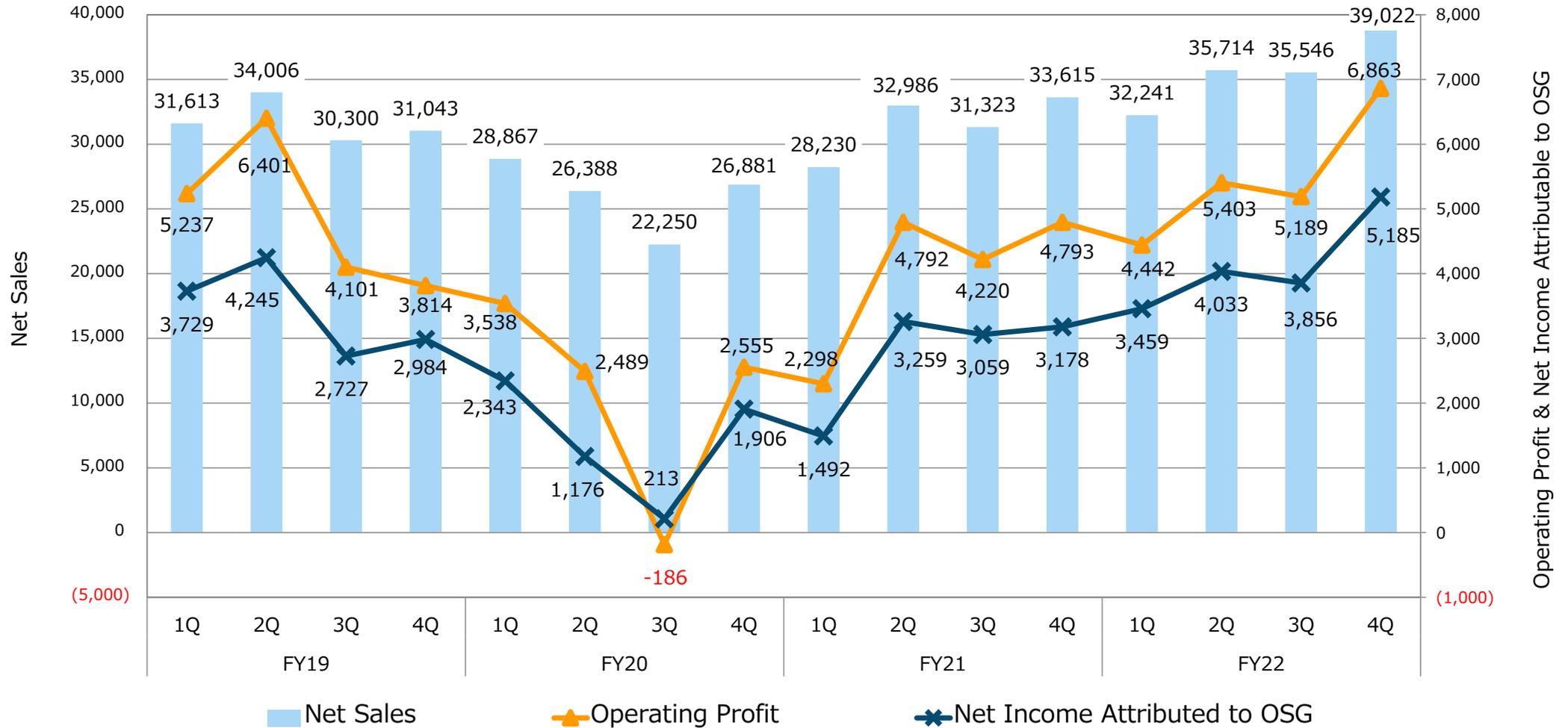
Financial Summary

(Millions of yen)

	FY21	FY22	Change	FY22 fcst. Annual	Progress Rate
Net Sales	126,156	142,525	+12.9%	135,000	105.6%
Operating Profit	16,105	21,898	+35.9%	20,200	108.4%
OPM	12.8%	15.4%	-	14.9%	-
Ordinary Profit	16,141	23,648	+46.5%	20,200	117.1%
Net Profit Attributable to OSG	10,989	16,534	+50.4%	13,600	121.6%
EPS(yen)	112.63	171.54	+52.3%	140.77	-

Financial Summary

(Millions of yen)



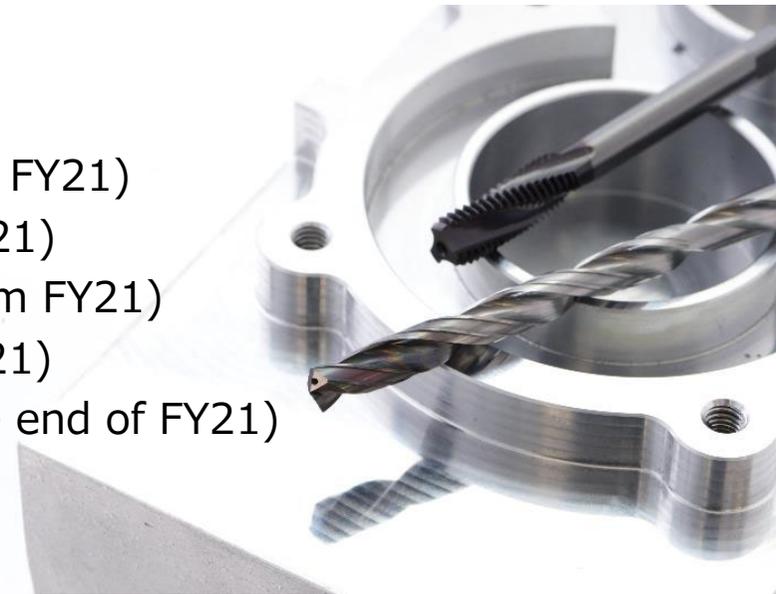
Review of FY22-4Q

Sales of taps and drills are leading.

Sales, ordinary income, and net income reached record high.

➤ Index & Capital Investment Results

—EBITDA	32.3 billion yen	(Increased by 21.3% from FY21)
—EBITDA Margin	22.7%	(1.5pts increased from FY21)
—Free Cash Flow	8.0 billion yen	(Decreased by -60.0% from FY21)
—ROE	10.7%	(2.7pts increased from FY21)
—Equity Ratio	72.0%	(3.4pts increased from the end of FY21)
—CAPEX	8.6 billion yen	
—Depreciation	10.4 billion yen	



Review of FY22-4Q

The Americas

The aircraft industry is recovering. North America remained strong. Latin America is performing well. Sales and profits reached record highs.

Europe / Africa

the distributors, and for the general industries remained strong. Sales and profits reached record high due in part to the recovery of the aircraft industry.

Asia

In Greater China, the impact of Covid-19 remains. Other Asian regions were firm. Sales and profits in Asia reached record highs.

Japan

Sales for general industries increased, especially taps. Sales of standard items for machine parts remained strong.

Sales to Customer

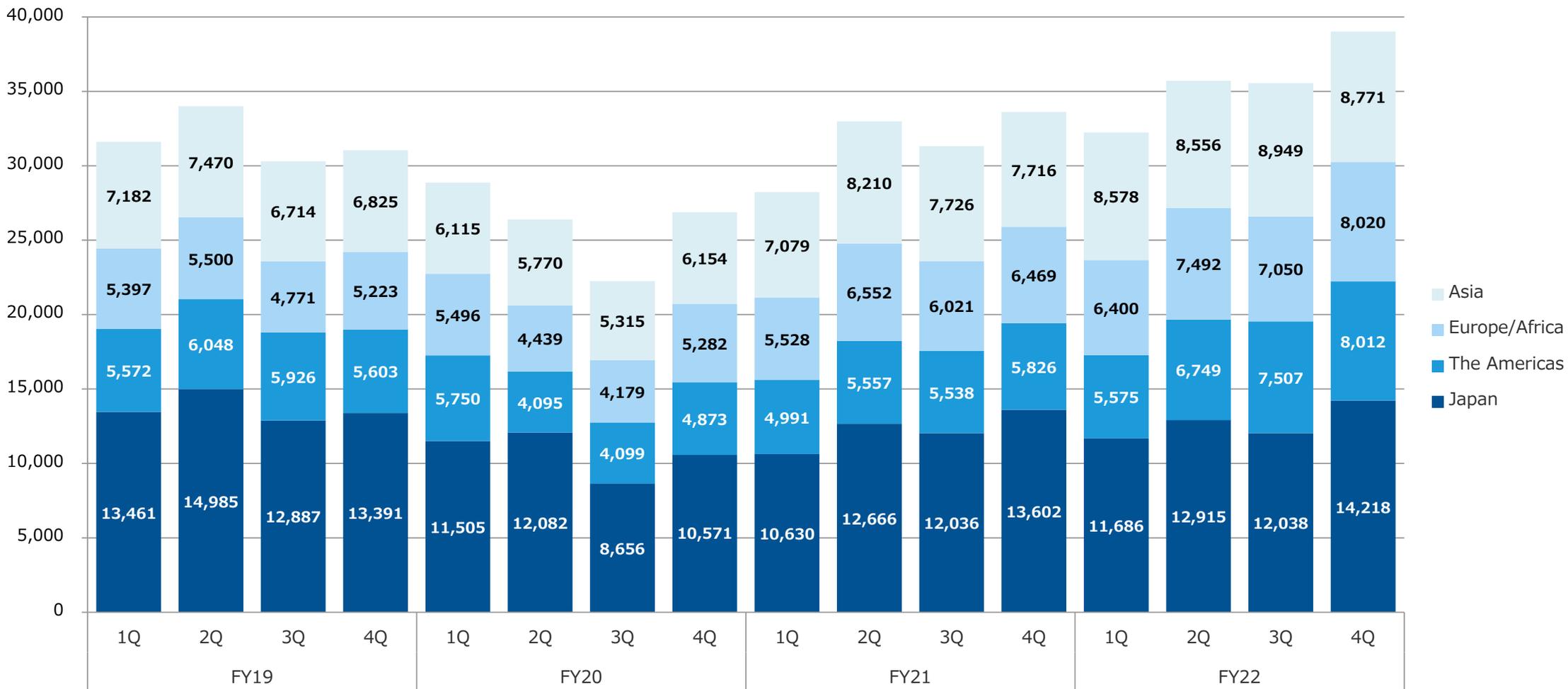
(Millions of yen)

Change
in local
currency

	FY21	FY22	Change		
Japan	48,935	50,858	1,923	+3.9%	-
The Americas	21,915	27,845	5,929	+27.1%	+6.3%
Europe/Africa	24,573	28,964	4,391	+17.9%	+10.9%
Asia	30,732	34,856	4,123	+13.4%	+1.6%
Consolidated	126,156	142,525	16,368	+13.0%	-

Sales to Customer

(Millions of yen)



Operating Income

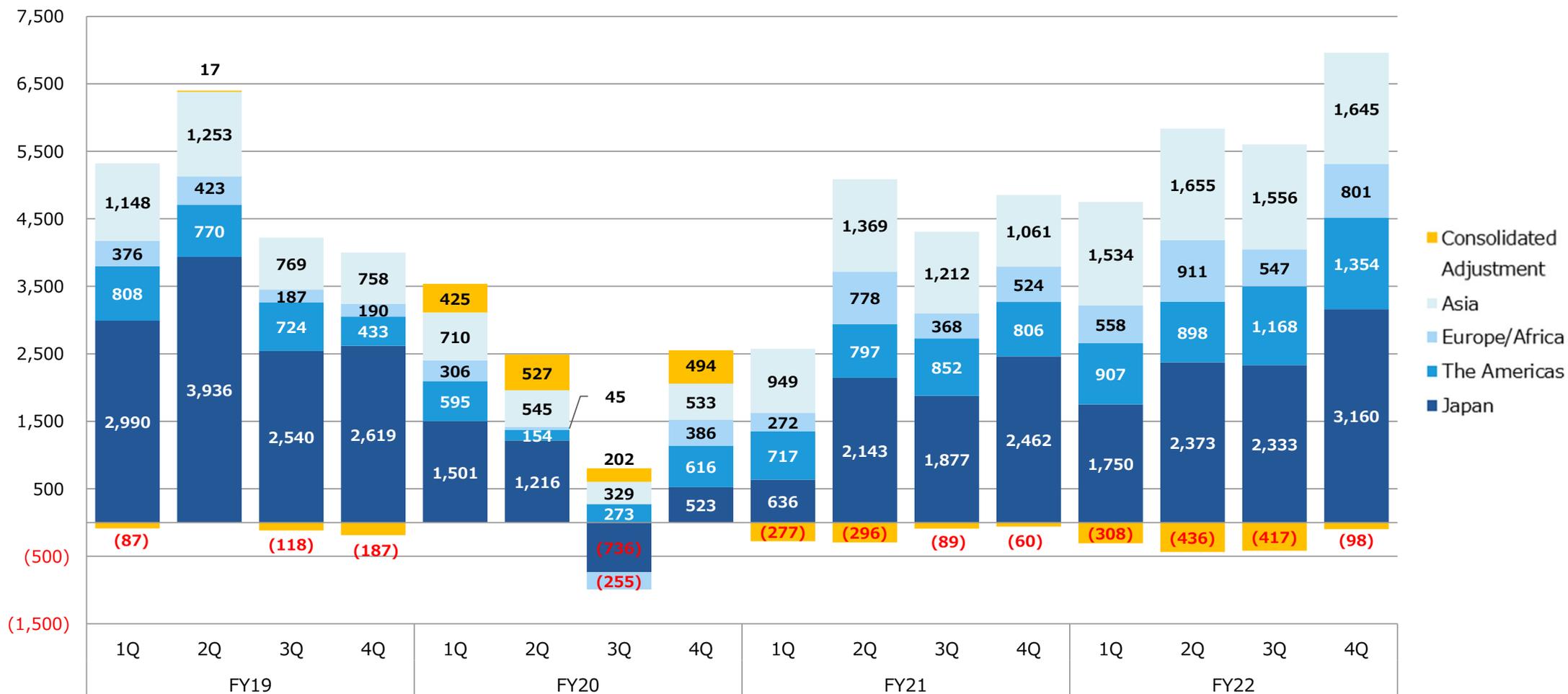
(Millions of yen)

	FY21	Area percentage	FY22	Area percentage	Change		OPM(*)
Japan	7,119	42.3%	9,617	41.5%	2,498	+35.1%	13.1%
The Americas	3,173	18.9%	4,327	18.7%	1,154	+36.4%	15.0%
Europe/Africa	1,943	11.5%	2,820	12.2%	876	+45.1%	9.6%
Asia	4,592	27.3%	6,392	27.6%	1,800	+39.2%	16.6%
Total	16,829	-	23,158	-	6,329	+37.6%	13.6%
Eliminations	-723	-	-1,260	-	-536	-	-
Consolidated	16,105	-	21,898	-	5,792	+36.0%	15.4%

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

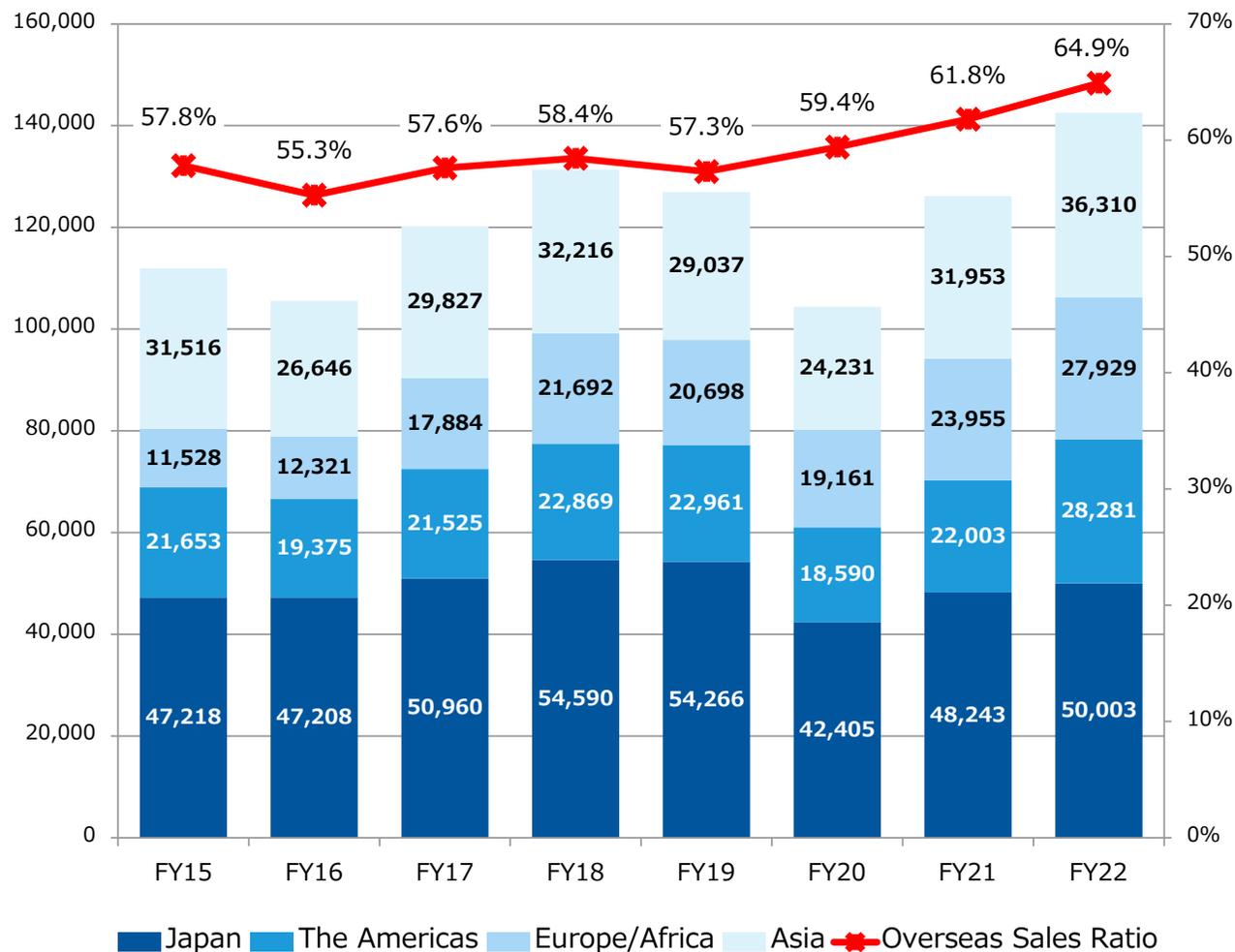
Operating Income

(Millions of yen)

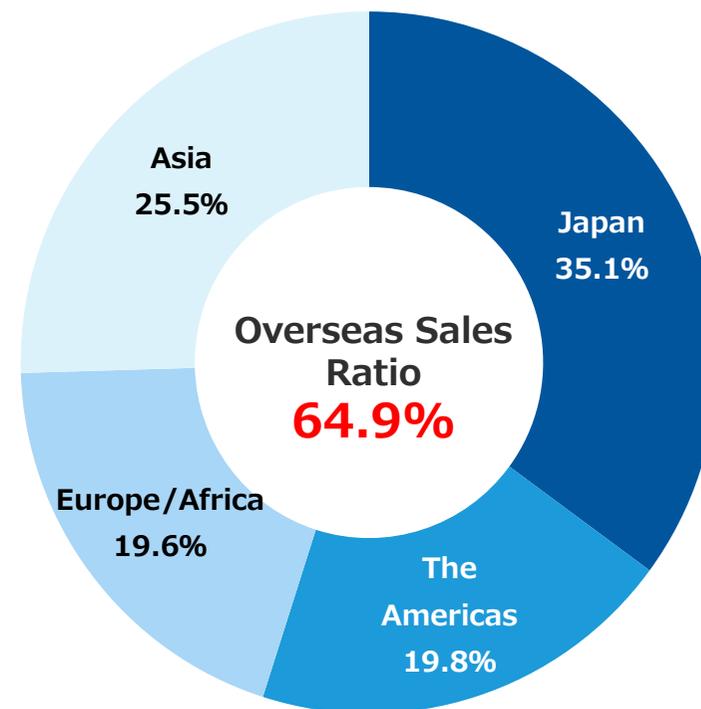


Overseas Sales Ratio

(Millions of yen)



FY2022



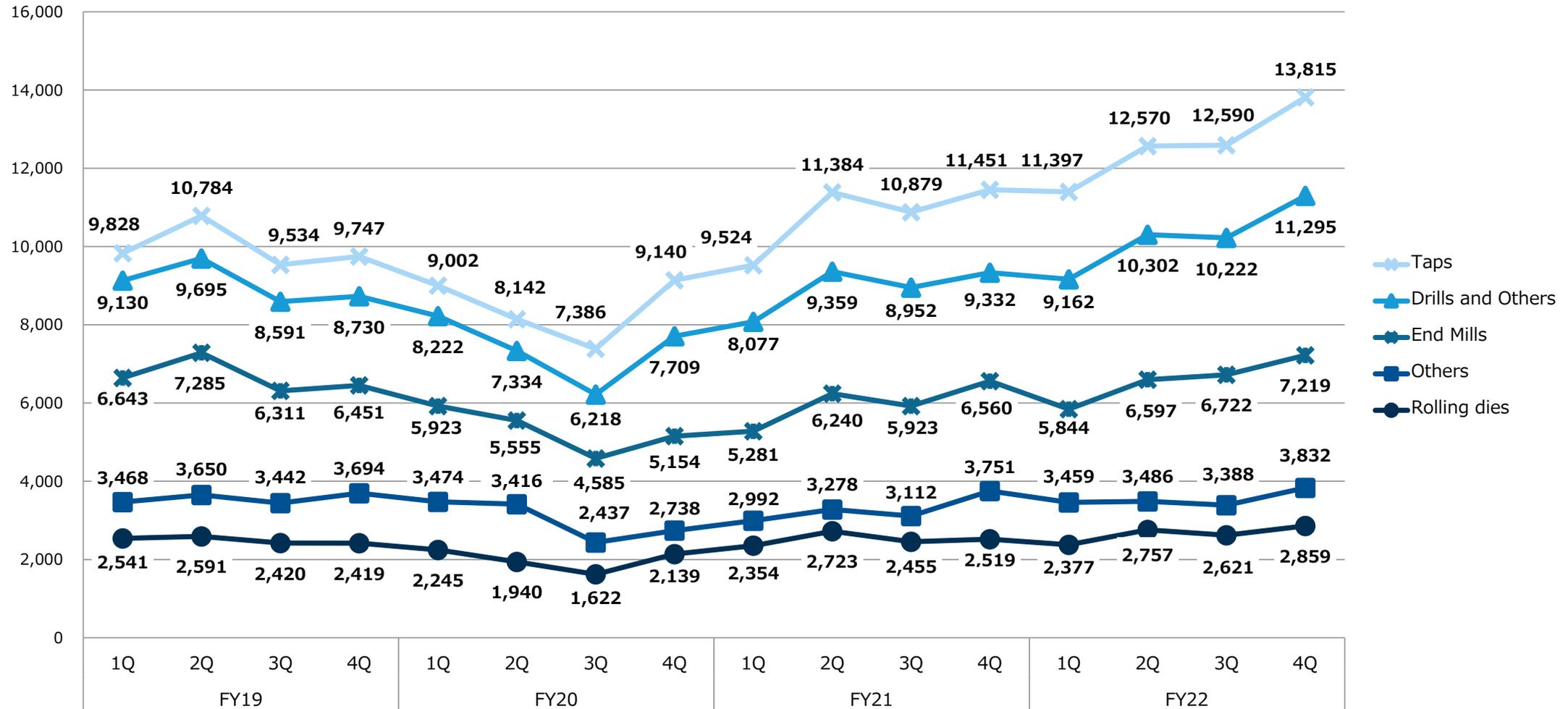
Net Sales by Product Segment

(Millions of yen)

		FY21						FY22						Change	
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total				
Precision Tools	Taps	9,524	11,384	10,879	11,451	43,239	34.3%	11,397	12,570	12,590	13,815	50,374	35.3%	7,134	16.5%
	End mills	5,281	6,240	5,923	6,560	24,006	19.0%	5,844	6,597	6,722	7,219	26,383	18.5%	2,376	9.9%
	Drills and Others	8,077	9,359	8,952	9,332	35,721	28.3%	9,162	10,302	10,222	11,295	40,982	28.9%	5,261	14.7%
	Rolling dies	2,354	2,723	2,455	2,519	10,052	8.0%	2,377	2,757	2,621	2,859	10,616	7.4%	563	5.6%
	Gauges	373	445	448	480	1,747	1.4%	449	524	488	529	1,991	1.4%	243	14.0%
		25,611	30,153	28,659	30,344	114,769	91.0%	29,231	32,751	32,646	35,719	130,348	91.5%	15,579	13.6%
Other	Machine	956	1,006	864	1,346	4,173	3.3%	783	1,008	893	1,222	3,907	2.7%	-266	-6.4%
	Other	1,663	1,826	1,799	1,924	7,213	5.7%	2,227	1,953	2,007	2,080	8,269	5.8%	1,055	14.6%
		2,619	2,833	2,663	3,271	11,387	9.0%	3,010	2,962	2,900	3,303	12,176	8.5%	789	6.9%
Total		28,230	32,986	31,323	33,615	126,156	100%	32,241	35,714	35,546	39,022	142,525	100%	16,368	13.0%

Net Sales by Product Segment

(Millions of yen)

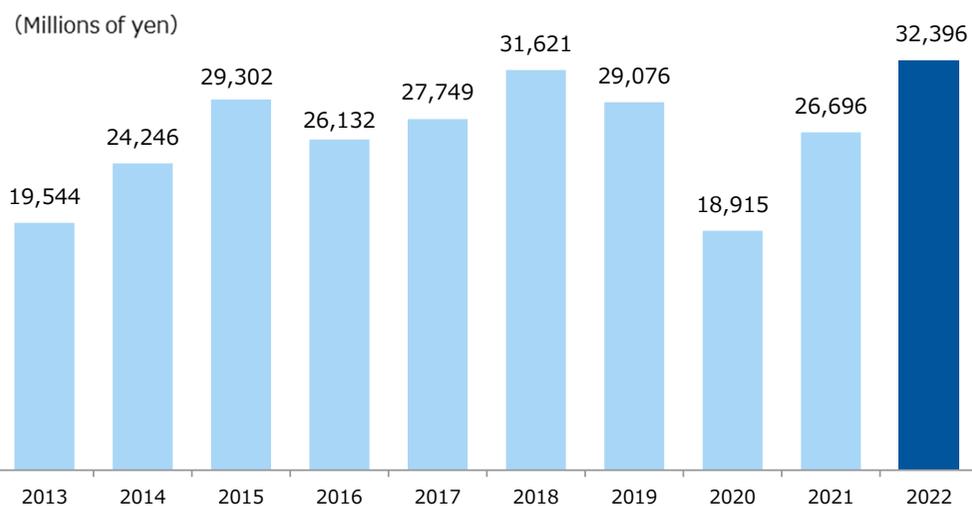


B/S Overview • EBITDA

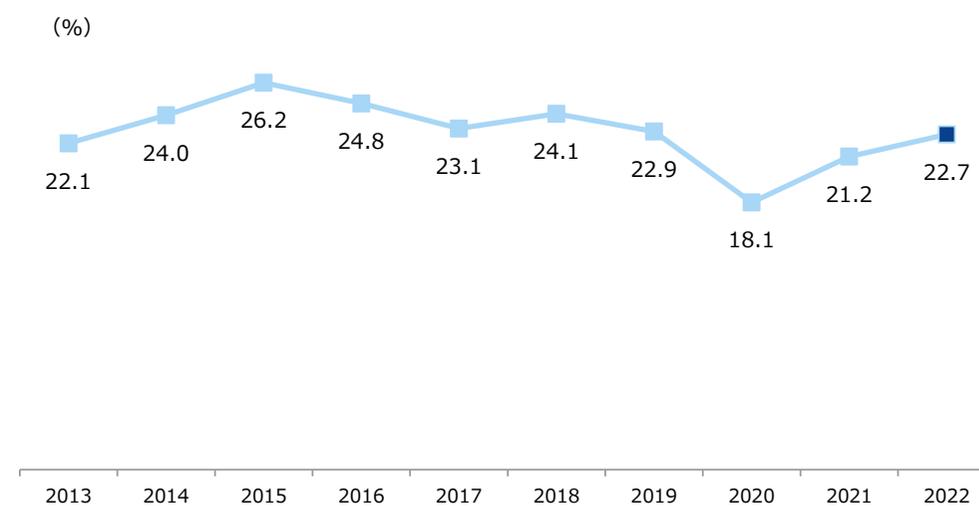
(Millions of yen)

	FY21	FY22		FY21	FY22
Equity Ratio (%)	68.6	72.0	Cash and Time Deposits	46,795	46,697
Receivable Turnover Period (Days)	68.1	68.9	Debt	30,751	25,570
Inventory Turnover Period (months)	4.1	4.4	Net Cash	16,043	21,126

EBITDA

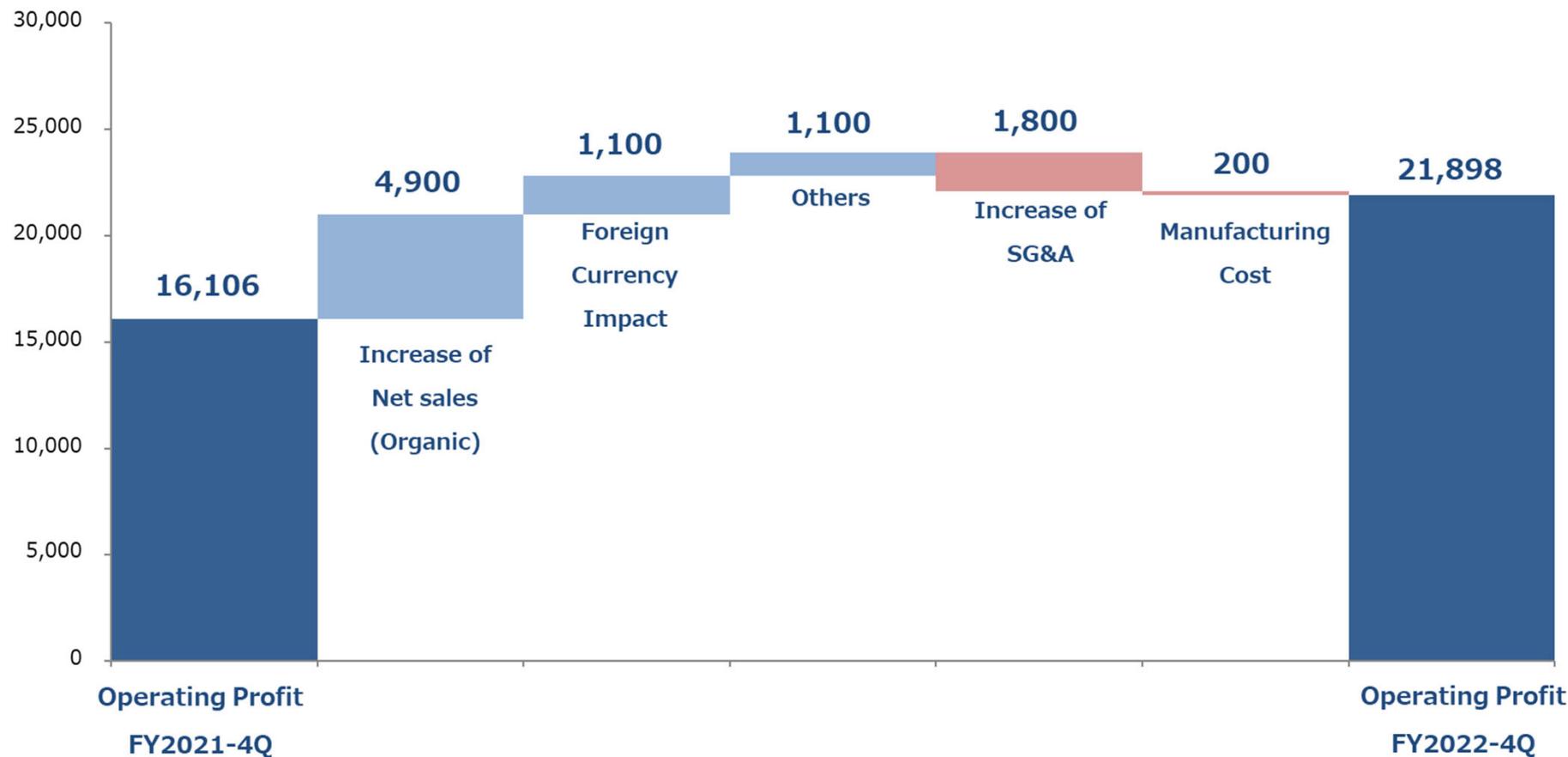


EBITDA Margin



Operation Profit Variation

(Millions of yen)



(※) Due to the application of the "Accounting Standard for Revenue Recognition," sales discounts, which were recorded as non-operating expenses until the previous period, are deducted from sales in the current period. As a result, operating profit decreased by 380 million yen in the first half of 2022, but there is no impact on ordinary profit.

Cash Flow Overview

(Millions of yen)	FY18	FY19	FY20	FY21	FY22	Change
Income before income taxes	22,567	19,845	8,896	16,354	23,378	7,023
Depreciation and amortization	9,100	9,522	10,518	10,591	10,498	-92
Change in notes and accounts receivable	-1,494	1,902	2,832	-2,448	-1,466	982
Change in inventories	-3,854	-6,319	1,822	1,864	-5,269	-7,133
Change in notes and accounts payable	768	453	-1,555	243	247	3
Change in accrued expenses	593	115	-1,704	1,227	853	-373
Income taxes - paid	-7,359	-6,503	-4,743	-2,703	-7,645	-4,942
Other, net	-196	244	972	1,853	-420	-2,273
Net cash provided by operating activities	20,125	19,261	17,038	26,982	20,175	-6,806
Acquisitions of property, plant and equipment	-11,464	-17,139	-9,895	-5,555	-8,600	-3,044
Purchase of shares of subsidiaries	-620	-1,158	-2,054	-346	-981	-634
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-	-3,266	-	-	-
Payments for time deposits and proceeds from refund of time deposits	-1,307	-532	-583	-1,455	-2,595	-1,139
Other, net	41	-1,485	-1,332	395	5	-390
Net cash used in investing activities	-13,351	-20,314	-17,133	-6,961	-12,170	-5,209
Free cash flow	6,773	-1,053	-94	20,021	8,004	-12,016
Change in interest-bearing debt	305	6,258	14,692	-11,586	-4,197	7,389
Dividends paid	-4,581	-4,709	-3,439	-2,440	-4,357	-1,916
Dividends paid to non-controlling interests	-416	-525	-298	-323	-359	-36
Proceeds from issuance of bonds	-	5,000	-	-	-	-
Purchase of treasury stock	-4	-1,899	-1	-2	-5,953	-5,961
Other, net	-26	-660	-1,293	89	127	38
Net cash used in financing activities	-4,723	3,465	9,658	-14,264	-14,740	-476
Effect of exchange rate change on cash and cash equivalents	-333	-690	-88	1,224	3,098	1,873
Net increase (decrease) in cash and cash equivalents	1,716	1,721	9,475	6,981	-3,637	-10,618
Cash and cash equivalents from newly consolidated subsidiaries	229	437	120	73	-	-73
Cash and cash equivalents at end of period	21,545	23,704	33,299	40,354	36,717	-3,637

Capital Investment

FY23 Capital Investment Forecast

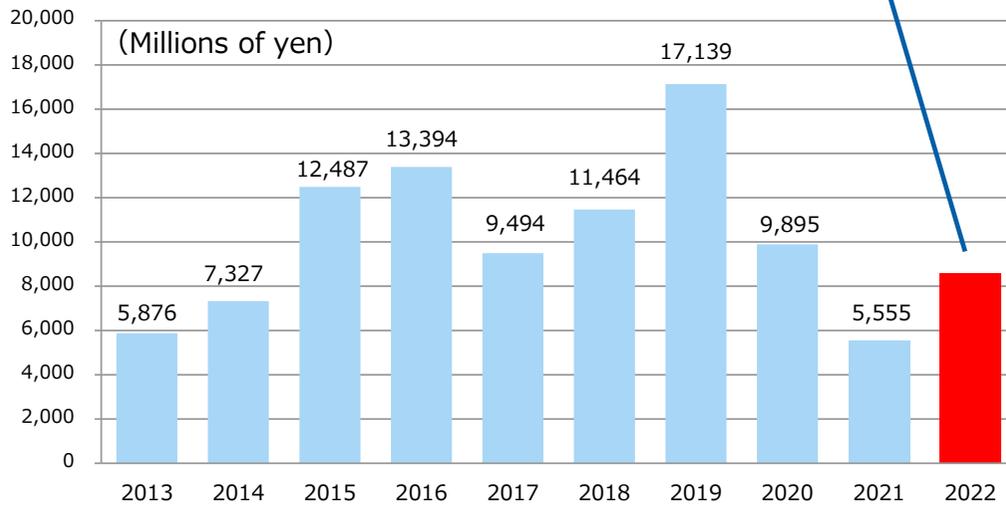
12.5 billion yen

Breakdown

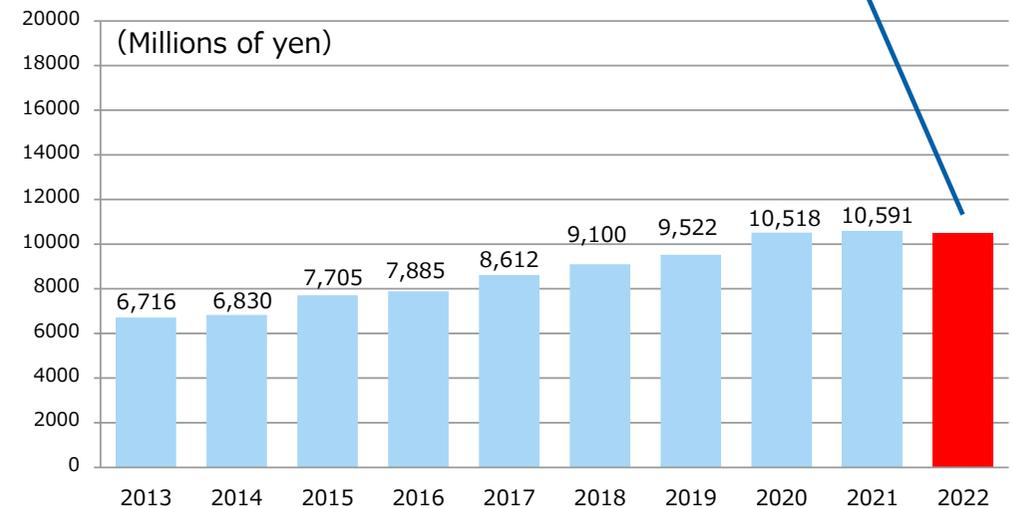
Mainly for renewal and enhancement of machinery and equipment, of which 1 billion yen was not received in FY22.

CAPEX : 8,600

Depreciation : 10,498



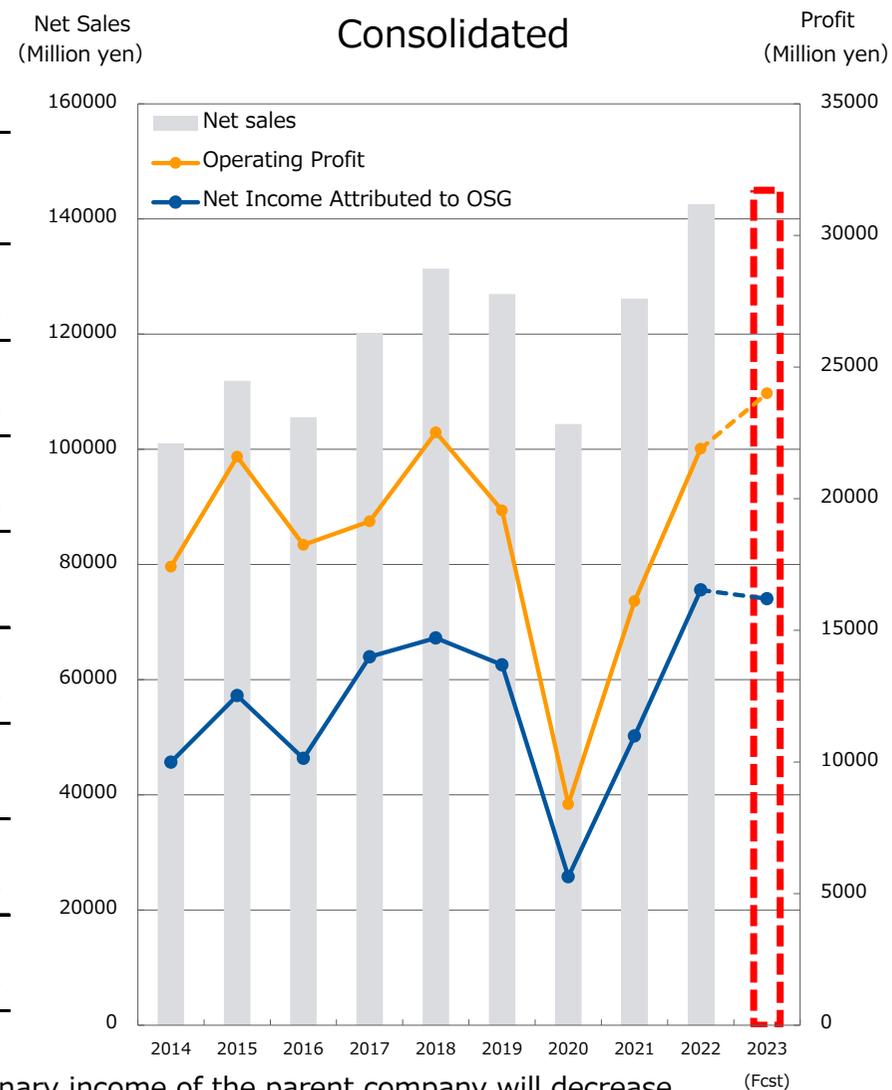
CAPEX



Depreciation

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)	169.33	-	99.27	-



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

*Since no special dividends will be paid by group companies to the parent company, ordinary income of the parent company will decrease.

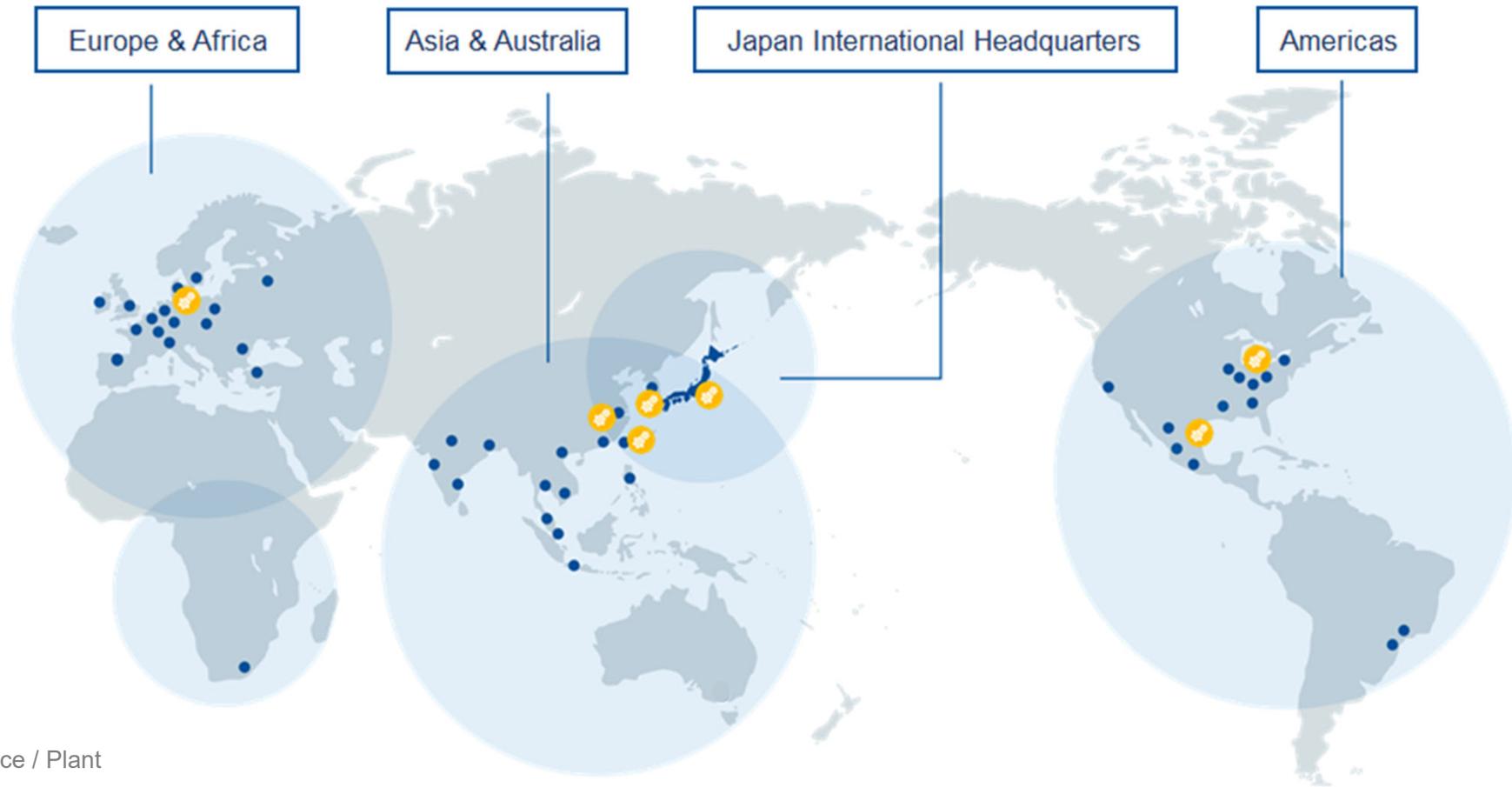
Exchange Rate

	1US\$	1Euro	1RMB
FY17	112.33 JPY	126.2 JPY	16.59 JPY
FY18	110.53 JPY	130.68 JPY	16.74 JPY
FY19	109.36 JPY	122.53 JPY	15.86 JPY
FY20	106.94 JPY	121.60 JPY	15.41 JPY
FY21	109.41 JPY	130.04 JPY	16.94 JPY
FY22	130.61 JPY	137.60 JPY	19.42 JPY

Appx.1 Selected Financial Data (Consolidated)

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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
Sales growth	(%)	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	21%	13%
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
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
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
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
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
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
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%
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%
Operating income	(%)	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	15.4%
Ordinary income	(%)	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	16.6%
Net income	(%)	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	11.6%
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
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
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
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
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
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
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
ROE	(%)	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.7%
Equity ratio	(%)	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	72.0%
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

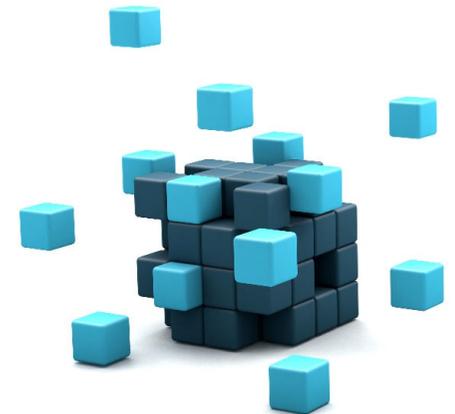
FY2022 - FY2024

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.



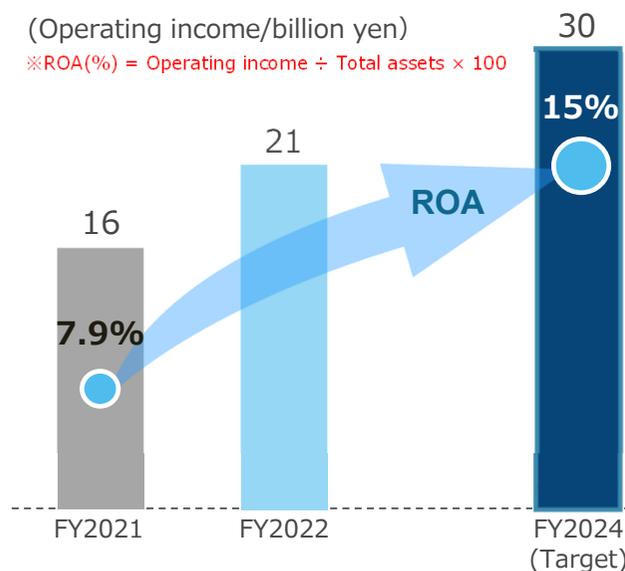
**Beyond the Limit
2022-2024 (Stage1)**

**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



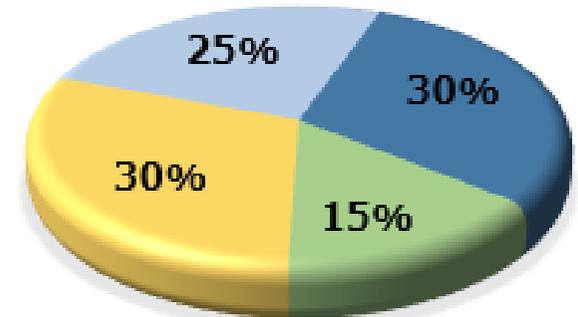
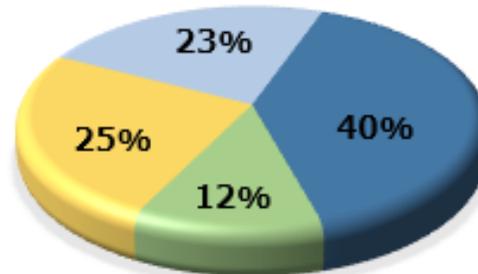
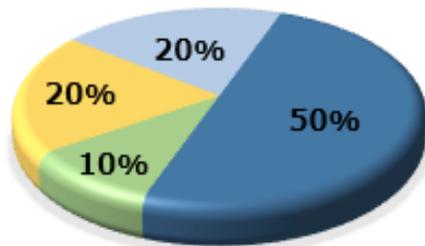
Target-Industry Portfolio



**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



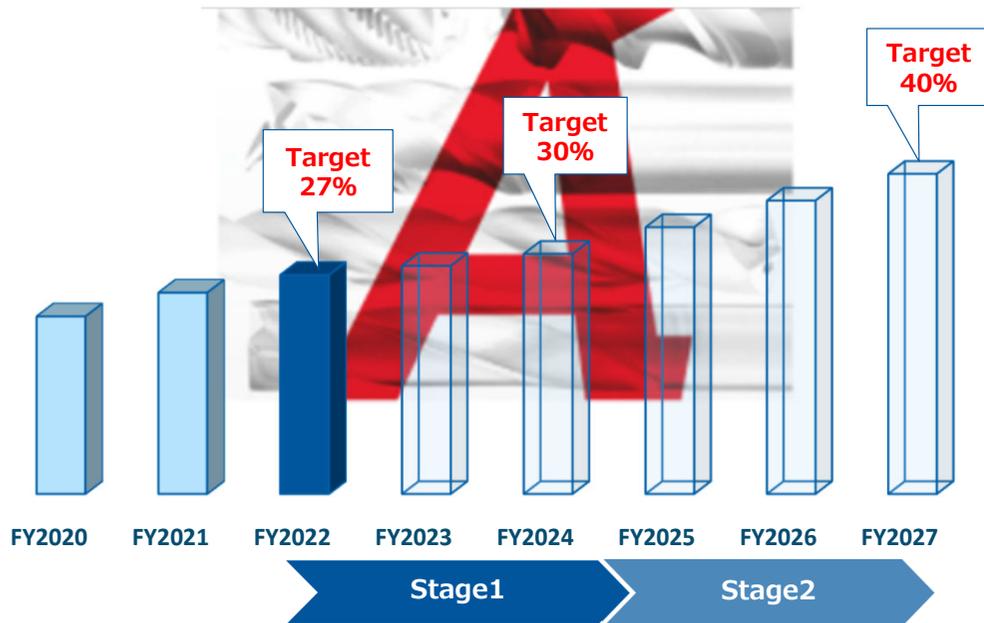
Progress of Basic Strategy



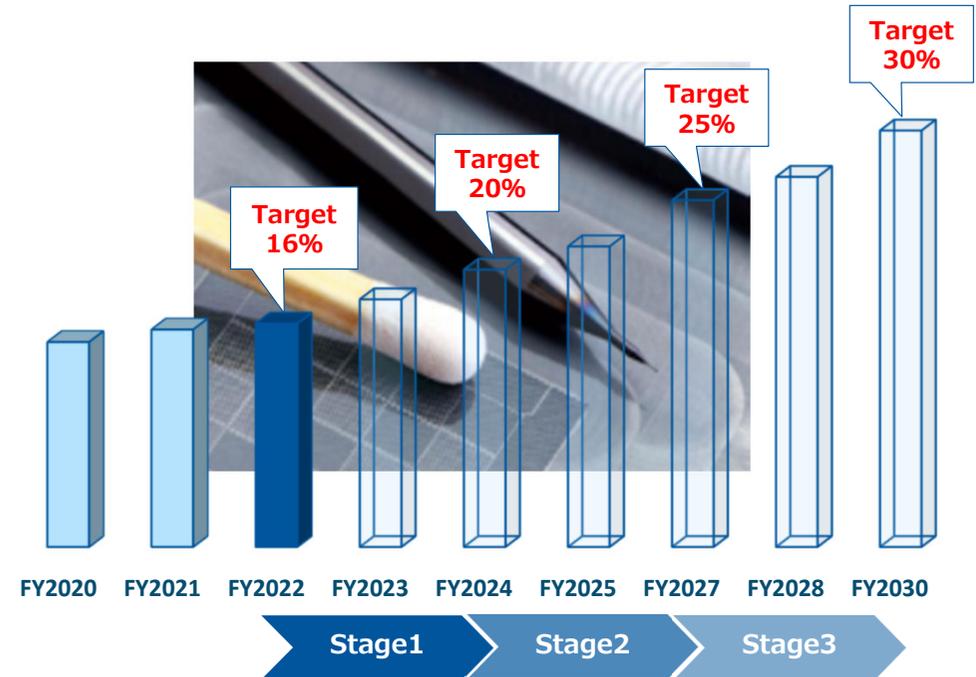
Sales of A-brand products grew, especially overseas, and new customers were acquired in the micro-precision machining field.

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



Construction of New Cemented Carbide End Mill Plant

For maximize carbide end mill production capacity, the Oike Plant will be reconstructed into an automated plant incorporating digitalization. In addition, a new plant to be built by group subsidiary S.D. Seisakujo. will be a plant that can handle small-lot production, further strengthening the supply system for cemented carbide end mills through the group division of labor.(We are considering issuing green bonds to fundraising the construction of the new Oike plant.)

New Oike Plant Image of completion *Construction company selection in progress
Construction to begin in 2024

SD Seisakujo Image of completion
Construction to begin in 2023



Plans to obtain certification for environmental performance



Business Opportunities and Growth Area



Precision Molds



Medical parts



Robotics, automation-related and machine parts



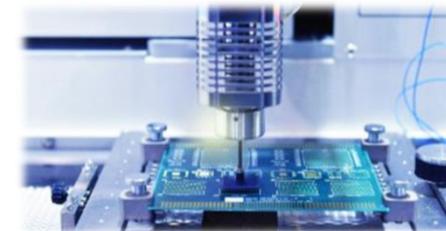
Motor



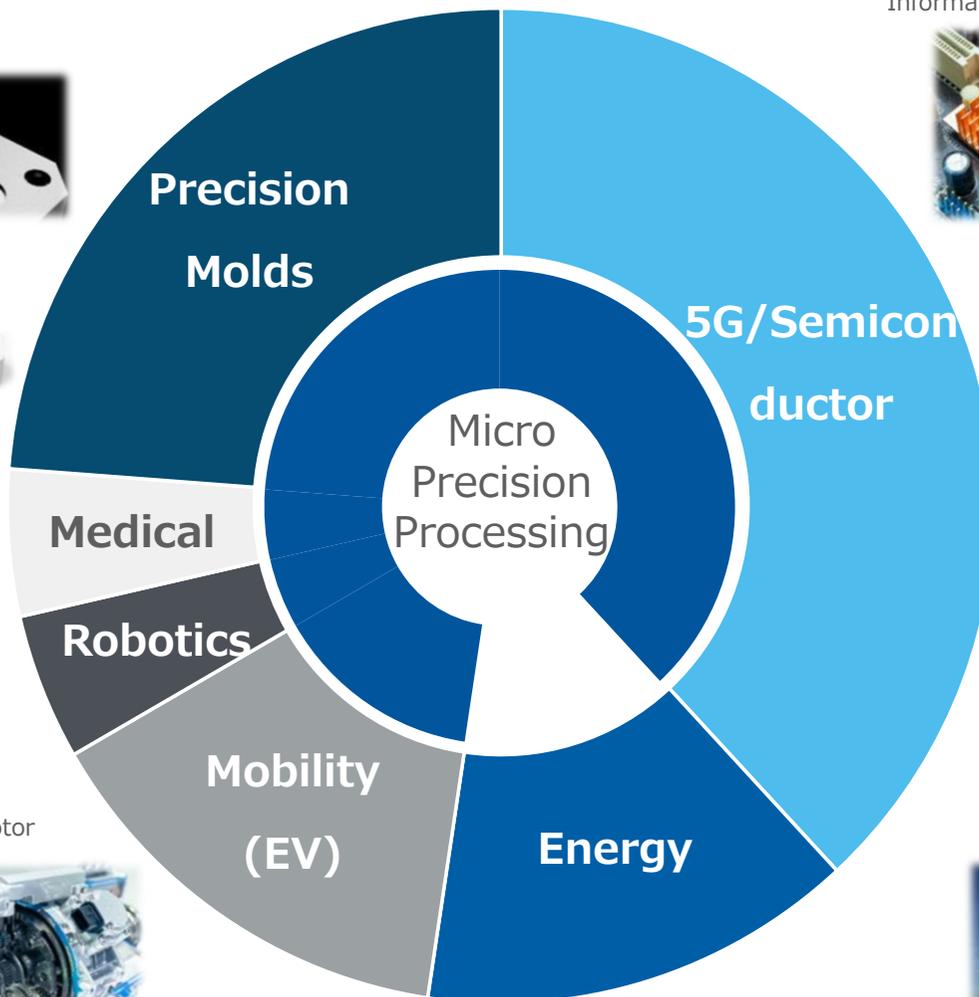
Information and communication equipment parts



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.

Eco-friendly tool New product "A-XPF"



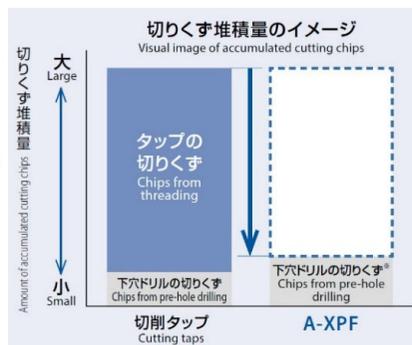
➤ Highly efficient multi-purpose forming tap "A-XPF"

The forming taps do not produce chips. This reduces the amount of time machines need to be stopped for tool changes or to remove accumulated chips due to chip production, thereby improving the efficiency of customers' equipment operation and reducing power consumption.

In addition, the reduction of chip removal work, which often relies on manual labor, can be expected to "improve the work environment. A-XPF also be recommended for heat-treated steel, which has been avoided because it is complex to tapping, and the range of materials and cutting conditions that be adapted to the customer's machining environment has expanded.

タップ加工のトラブル TOP3 Tapping Troubles		
No.1	折損・欠け Breakage and chipping	26%
No.2	ねじ精度の不良 Dimensional error	17%
No.3	むしれ、かじり等 Galling	14%
	その他 Others	43%

当社コミュニケーションダイヤルへの相談実績より
Source: OSG Technical Consultation Division



Agreement signed for implementation of farm-based off-site PPA services.



AgriGascom company and CHUBU Electric Power Miraiz sign an agreement to implement a farm-based off-site PPA services.

The electricity generated by OSG's dedicated solar power plant will be supplied to four factories, including OSG's Ooike Plant (Toyokawa City, Aichi Prefecture), as an off-site PPA service starting in the spring of 2023 for 20 years. OSG will be able to reduce emissions by approximately 2,000 tons per year using CO2-free electricity obtained from a dedicated solar power plant.



➤ What is Off-site PPA ?

The solar power generation in which a solar power plant of another company is installed outside the company's premises, from which electricity is transmitted to the company via a retail electricity provider for use by the company.



A special subsidiary company “OSG Active Co.”

In order to play a role in OSG's ESG management through employment of people with disabilities, “OSG Active Co.” started as a special subsidiary on December 13, 2022.

By becoming independent from the parent company and becoming a special subsidiary, we are able to create an environment that takes into consideration the disability symptoms and characteristics of people with disabilities. This will also contribute to achieving the legally mandated employment ratio of the parent company, OSG.

OSG is the only company for establish special subsidiary in Toyokawa City, Aichi and **the first in the cutting tool industry.**

Although the company will start with six people with disabilities and four staff members, we will continue our activities so that each and every one of them can shine and play an active role in their respective workplaces.

➤ What is special subsidiary company?

A special subsidiary is a company established to promote and stabilize the employment of people with disabilities.

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.

