



*shaping your dreams*

# Financial Results for FY2023-1H

July 6, 2023  
OSG Corporation

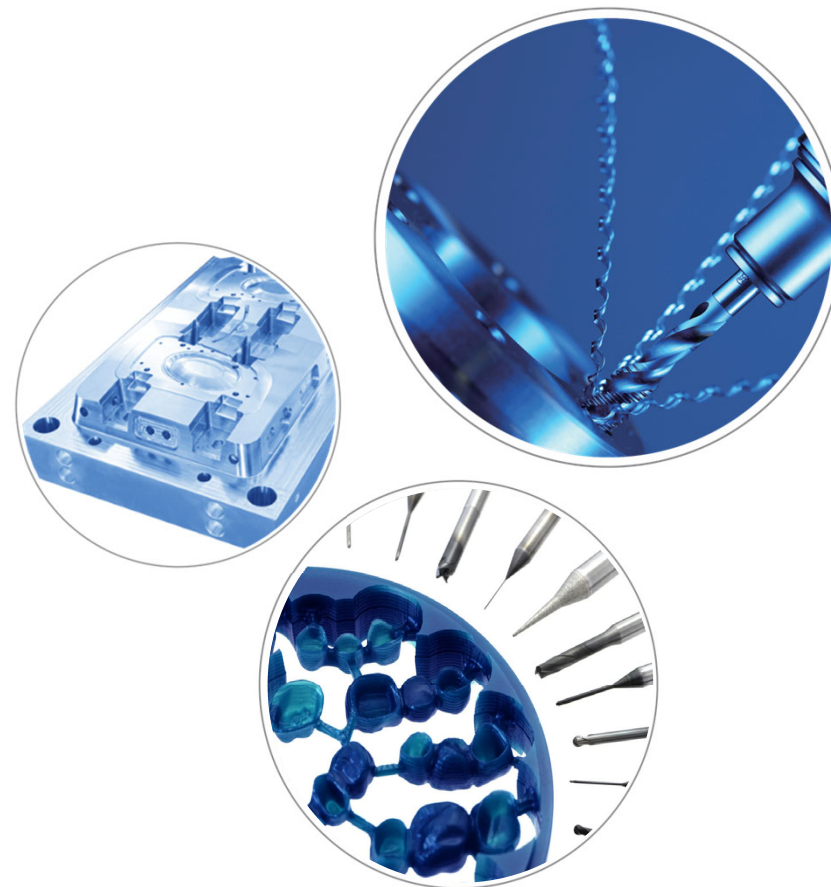


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# Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	13,044 million yen
Employees	7,594 (consolidated) 1,928 (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.

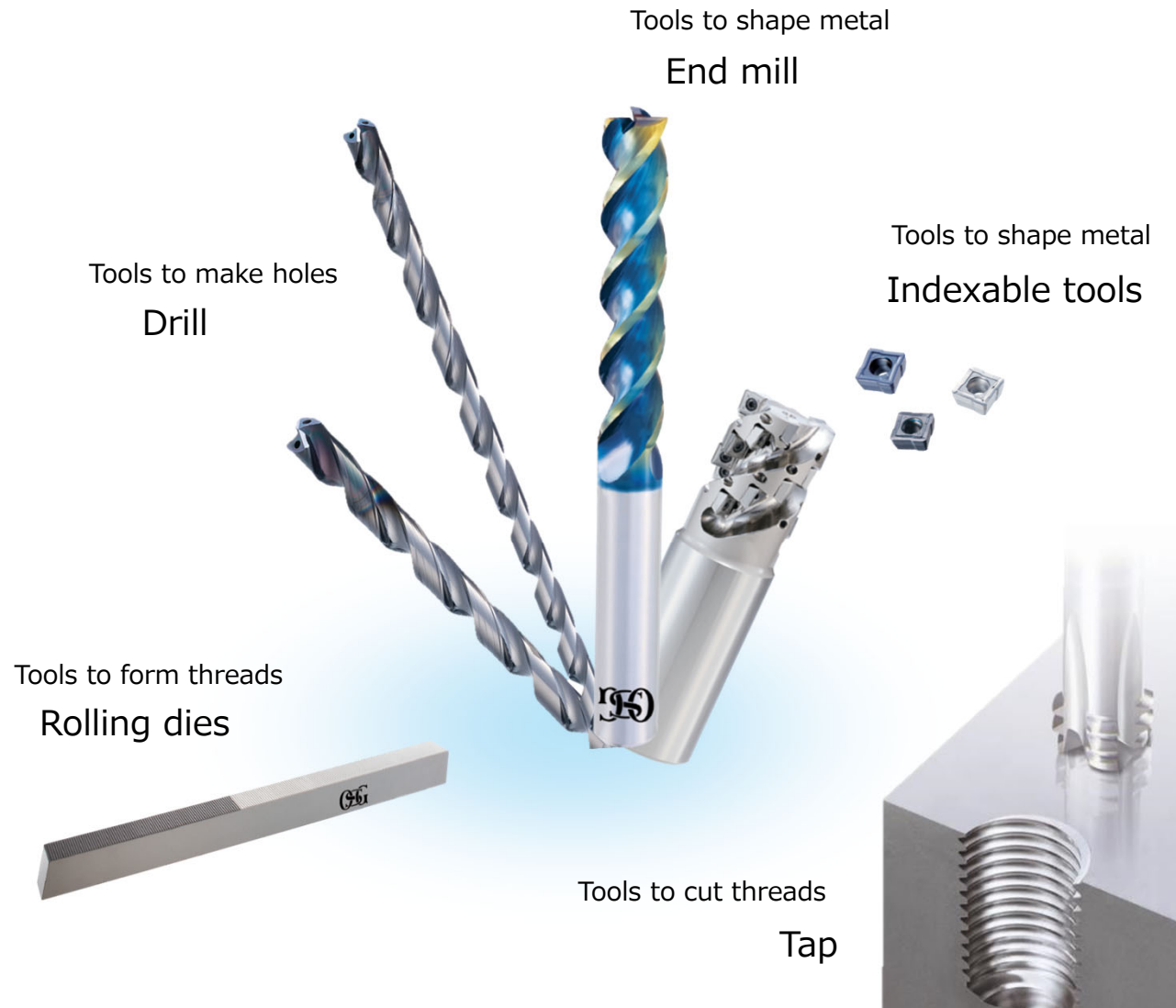
# Company Overview

## 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 32 countries



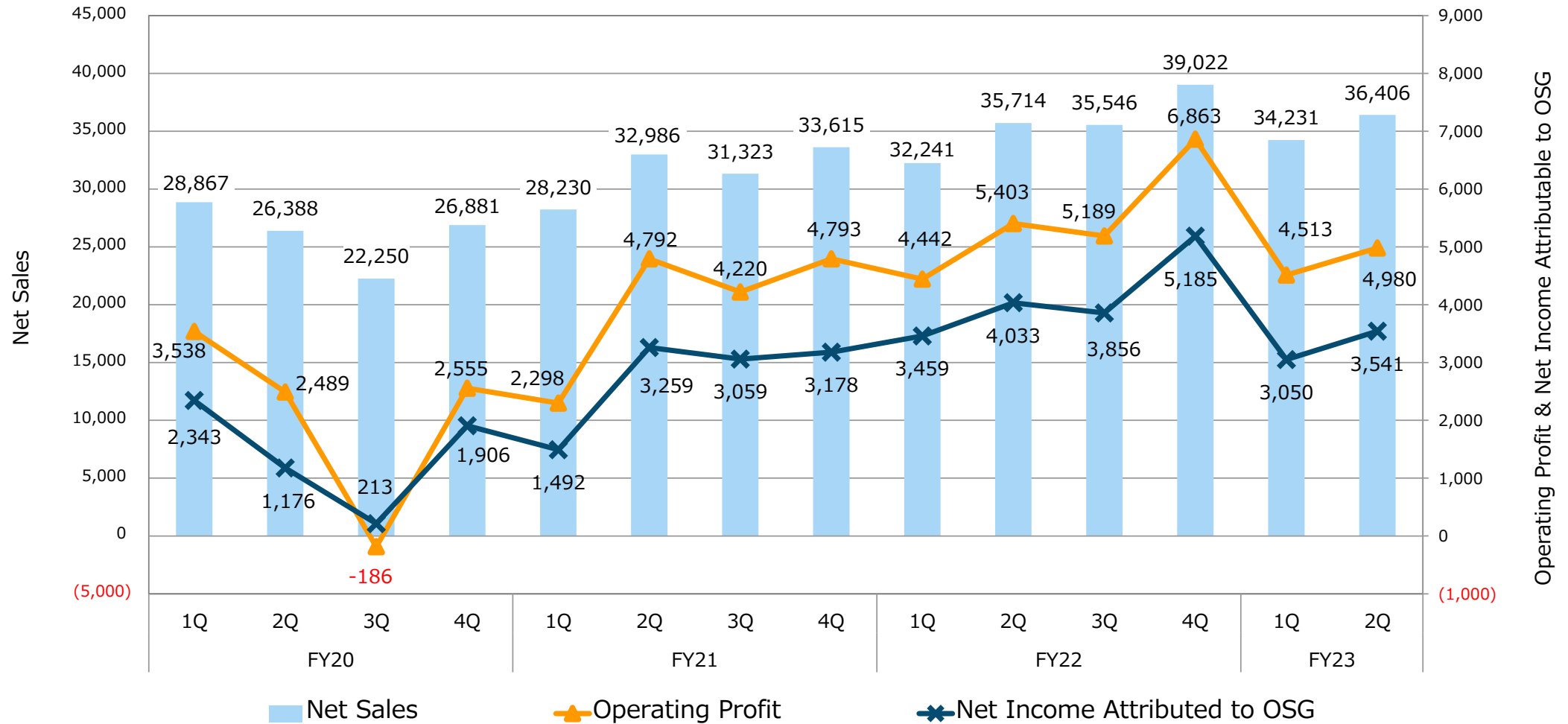
# Financial Summary

(Millions of yen)

	FY22-1H	FY23-1H	Change	FY23-1H Forecast	Progress Rate
Net Sales	67,956	70,638	+3.9%	68,000	103.9%
Operating Profit	9,845	9,494	-3.6%	11,000	86.3%
OPM	14.5%	13.4%	-	16.1%	-
Ordinary Profit	10,629	10,166	-4.4%	11,000	92.4%
Net Profit Attributable to OSG	7,492	6,591	-12.0%	7,600	86.7%
EPS(yen)	77.26	68.82	-10.9%	79.40	-

# Financial Summary

(Millions of yen)





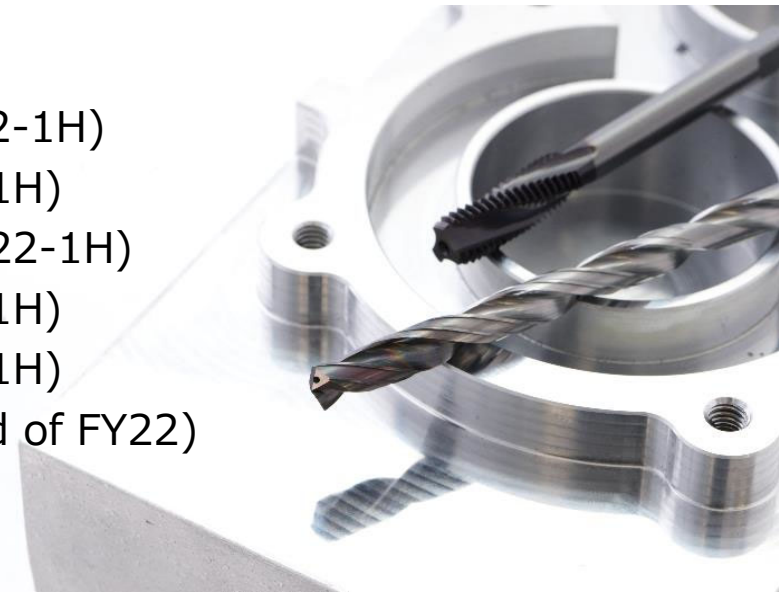
# Review of FY23-1H

## America and Europe performing strong

## The economic situation in Greater China is still slowing down

### ➤ Index & Capital Investment Results

—EBITDA	14.8 billion yen	(decreased by 0.6% from FY22-1H)
—EBITDA Margin	21.0%	(1.0pts decreased from FY22-1H)
—Free Cash Flow	3.4 billion yen	(decreased by 48.7% from FY22-1H)
—ROA	8.3%	(0.9pts decreased from FY22-1H)
—ROE	7.9%	(2.1pts decreased from FY22-1H)
—Equity Ratio	73.8%	(1.8pts increased from the end of FY22)
—CAPEX	4.7 billion yen	
—Depreciation	5.3 billion yen	



# Review of FY23-1Q

## The Americas

Although there is uncertainty about business conditions, Aircraft industry continues to recover.

The energy industry is also performing well.

## Europe / Africa

The distributor, general industry and aircraft industry remained strong.

The automotive industry also continues to recover.

## Asia

China's economic slowdown impacted continues.

South Asia's performance varies from country to country.

## Japan

Sales to the general industry stagnated. The aircraft industry continues to face a tough situation.

Show signs of recovery in the automotive industry.



# Sales to Customer

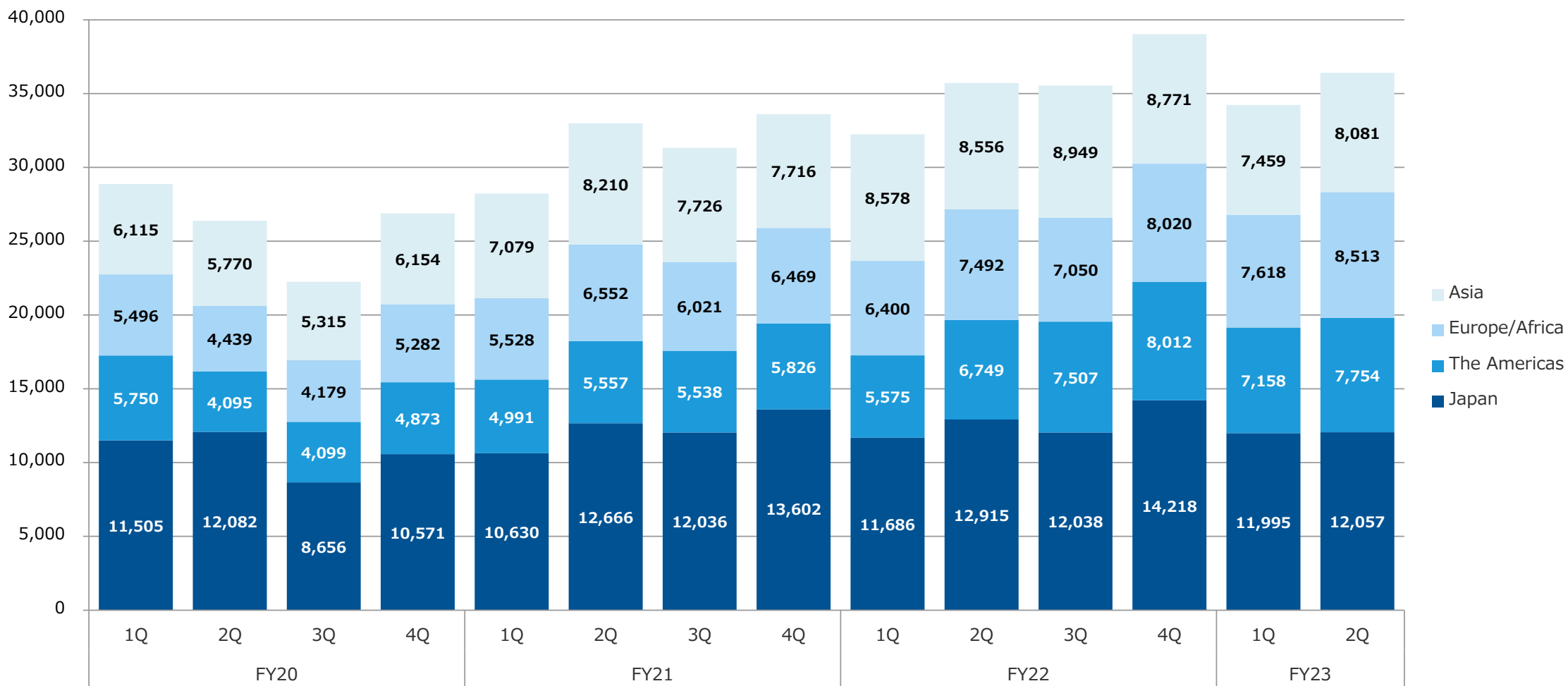
(Millions of yen)

Change  
in local  
currency

	FY22-1H	FY23-1H	Change		
Japan	24,601	24,053	-548	-2.2%	-
The Americas	12,325	14,912	2,587	+21.0%	+9.4%
Europe/Africa	13,893	16,132	2,238	+16.1%	+8.0%
Asia	17,135	15,540	-1,594	-9.3%	-13.5%
Consolidated	67,956	70,638	2,682	+3.9%	

# Sales to Customer

(Millions of yen)



# Operating Income

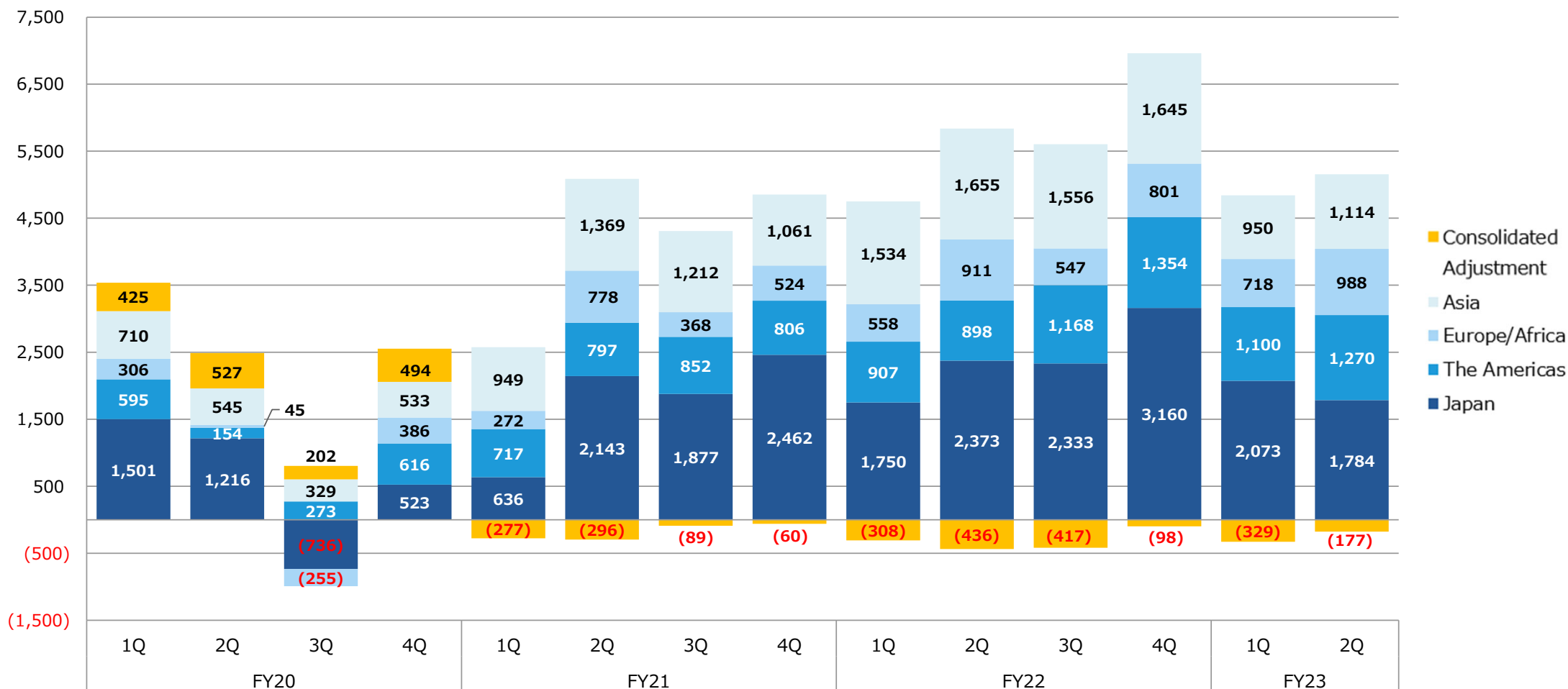
(Millions of yen)

	FY22-1H	Area percentage	FY23-1H	Area percentage	Change		OPM(*)
Japan	4,123	38.9%	3,858	38.6%	-265	-6.4%	10.9%
The Americas	1,805	17.0%	2,371	23.7%	565	+31.3%	15.3%
Europe/Africa	1,470	13.9%	1,706	17.1%	235	+16.0%	10.5%
Asia	3,190	30.1%	2,065	20.6%	-1,124	-35.2%	11.8%
Total	10,590	-	10,001	-	-588	-5.6%	11.8%
Eliminations	-744	-	-507	-	237	-	-
Consolidated	9,845	-	9,494	-	-350	-3.6%	13.4%

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

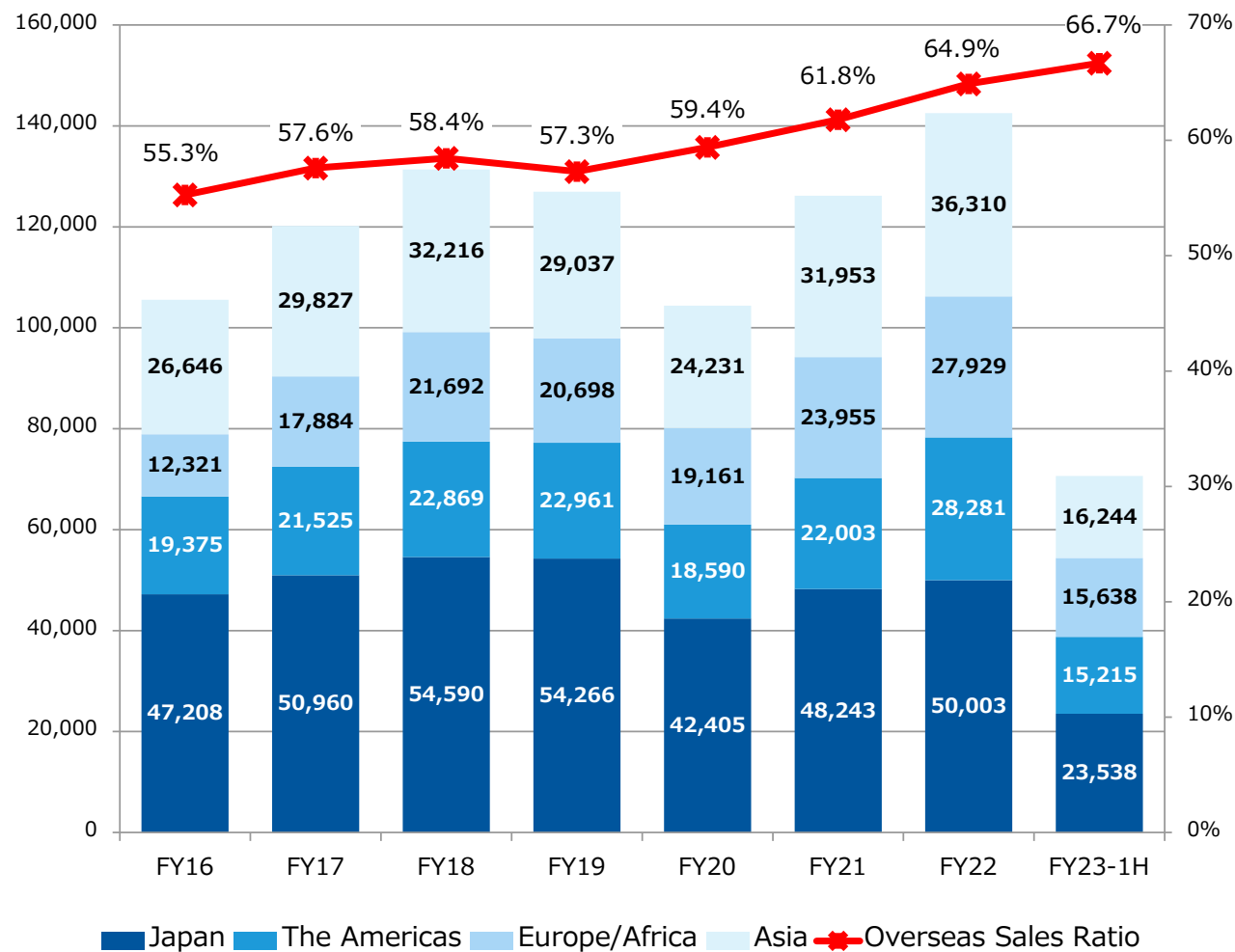
# Operating Income

(Millions of yen)

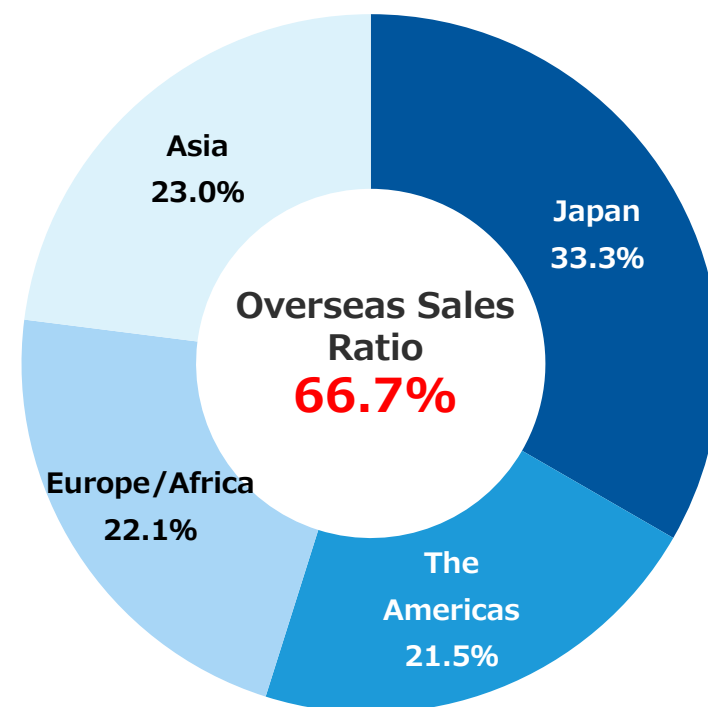


# Overseas Sales Ratio

(Millions of yen)



**FY2023-1H**



# Net Sales by Product Segment

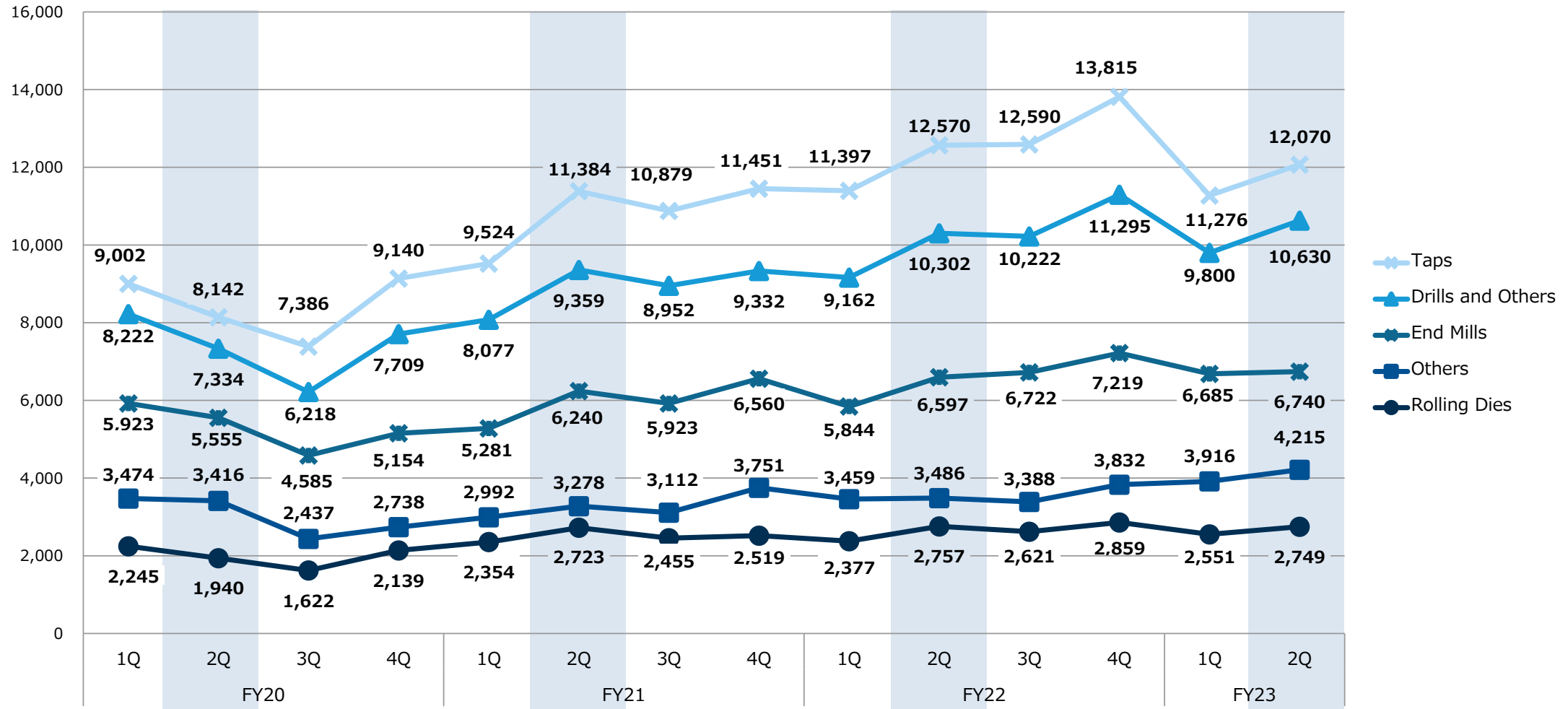
(Millions of yen)

		FY22						FY23				Change	
		1Q	2Q	3Q	4Q	1H		1Q	2Q	1H			
Precision Tools	Taps	11,397	12,570	12,590	13,815	23,967	35.3%	11,276	12,070	23,346	33.1%	-620	-2.6%
	End mills	5,844	6,597	6,722	7,219	12,441	18.3%	6,685	6,740	13,426	19.0%	984	7.9%
	Drills and Others	9,162	10,302	10,222	11,295	19,465	28.6%	9,800	10,630	20,431	28.9%	966	5.0%
	Rolling dies	2,377	2,757	2,621	2,859	5,135	7.6%	2,551	2,749	5,300	7.5%	165	3.2%
	Gauges	449	524	488	529	973	1.4%	457	480	937	1.3%	-36	-3.7%
		29,231	32,751	32,646	35,719	61,983	91.2%	30,771	32,671	63,443	89.8%	1,460	2.4%
Other	Machine	783	1,008	893	1,222	1,791	2.6%	1,320	1,359	2,679	3.8%	887	49.5%
	Other	2,227	1,953	2,007	2,080	4,181	6.2%	2,139	2,375	4,515	6.4%	334	8.0%
		3,010	2,962	2,900	3,303	5,973	8.8%	3,459	3,735	7,194	10.2%	1,221	20.5%
Total		32,241	35,714	35,546	39,022	67,956	100%	34,231	36,406	70,638	100%	2,682	3.9%



# Net Sales by Product Segment

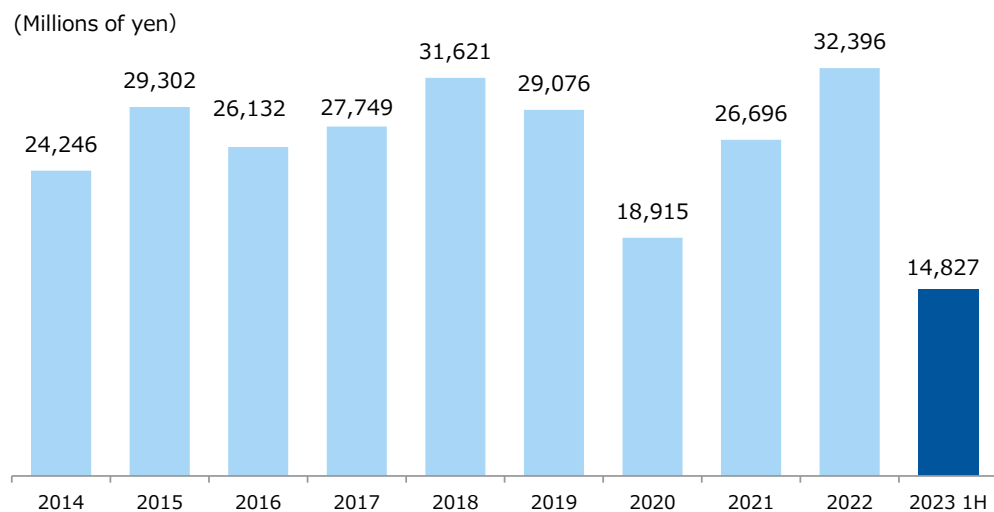
(Millions of yen)



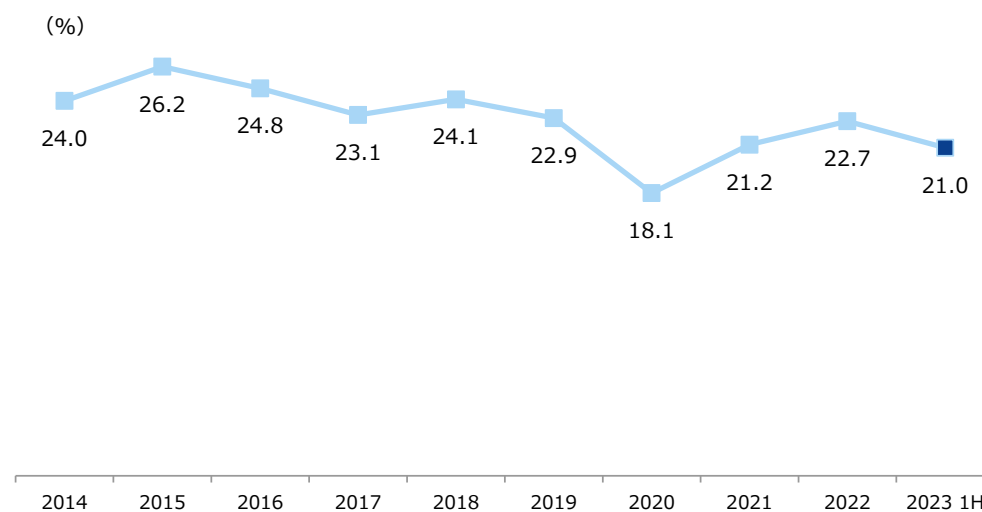
# B/S Overview • EBITDA

				(Millions of yen)	
	FY22	FY23-1H		FY22	FY23-1H
Equity Ratio (%)	72.0	73.8	Cash and Time Deposits	46,697	44,370
Receivable Turnover Period (Days)	68.9	70.2	Debt	25,570	23,849
Inventory Turnover Period (months)	4.4	4.7	Net Cash	21,126	20,521

## EBITDA

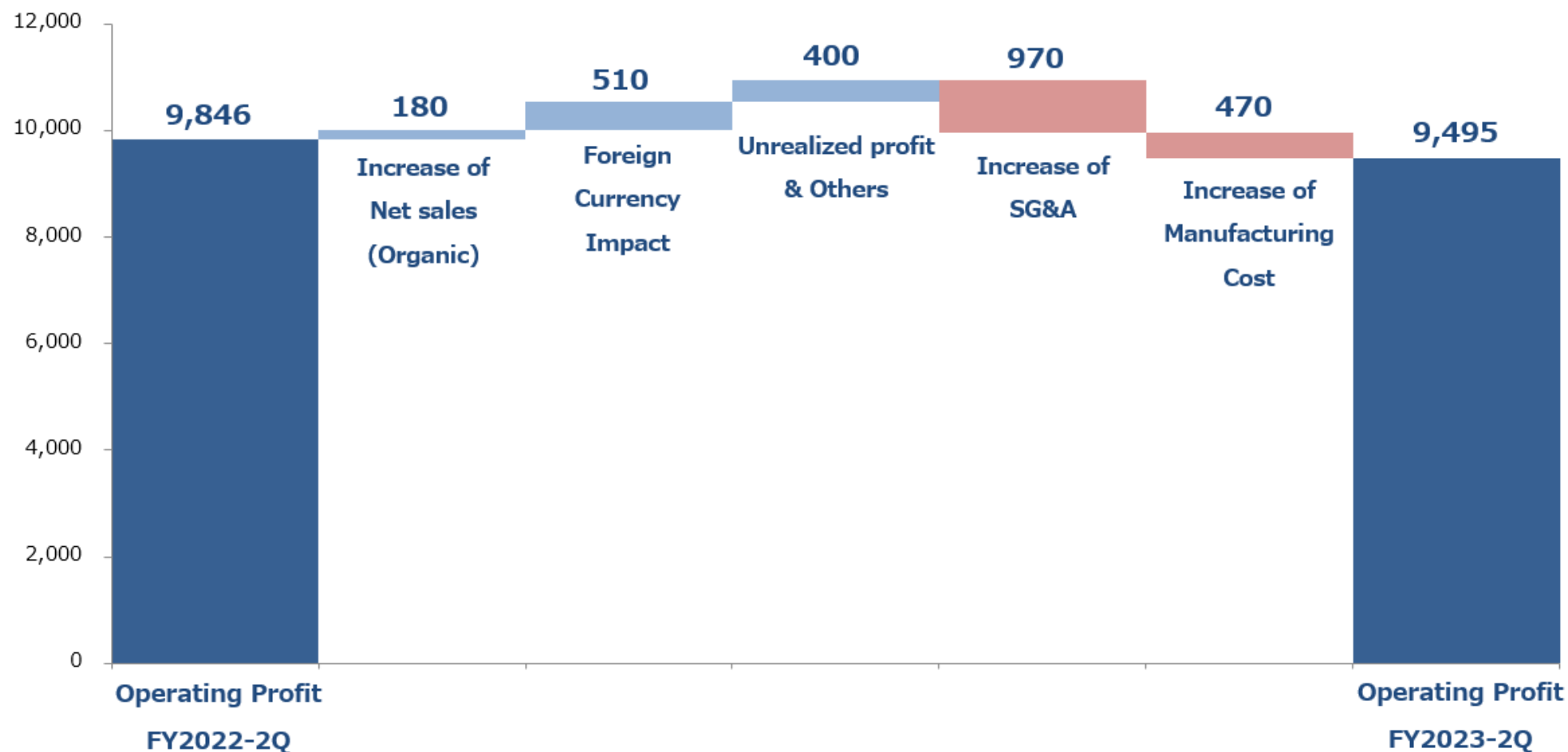


## EBITDA Margin



# Operation Profit Variation

(Millions of yen)



# Cash Flow Overview

(Millions of yen)	FY19	FY20	FY21	FY22	FY22-1H	FY23-1H	Change
Income before income taxes	19,845	8,896	16,354	23,378	10,629	9,707	-922
Depreciation and amortization	9,522	10,518	10,591	10,498	5,071	5,332	261
Change in notes and accounts receivable	1,902	2,832	-2,448	-1,466	292	-150	-443
Change in inventories	-6,319	1,822	1,864	-5,269	-1,390	-2,776	-1,385
Change in notes and accounts payable	453	-1,555	243	247	-431	-407	23
Change in accrued expenses	115	-1,704	1,227	853	209	-623	-832
Income taxes - paid	-6,503	-4,743	-2,703	-7,645	-4,102	-4,363	-261
Other, net	244	972	1,853	-420	-796	852	1,648
Net cash provided by operating activities	19,261	17,038	26,982	20,175	9,482	7,570	-1,911
Acquisitions of property, plant and equipment	-17,139	-9,895	-5,555	-8,600	-3,795	-4,774	-979
Purchase of shares of subsidiaries	-1,158	-2,054	-346	-981	-428	-1,007	-578
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	-532	-583	-1,455	-2,595	1,551	1,514	-36
Other, net	-1,485	-1,332	395	5	-17	182	199
Net cash used in investing activities	-20,314	-17,133	-6,961	-12,170	-2,689	-4,085	-1,396
Free cash flow	-1,053	-94	20,021	8,004	6,793	3,485	-3,307
Change in interest-bearing debt	6,258	14,692	-11,586	-4,197	-3,102	-1,496	1,605
Dividends paid	-4,709	-3,439	-2,440	-4,357	-2,148	-3,541	-1,393
Dividends paid to non-controlling interests	-525	-298	-323	-359	-190	-168	22
Proceeds from issuance of bonds	5,000	-	-	-	-	-	-
Purchase of treasury stock	-1,899	-1	-2	-5953	-4885	-1	4,883
Other, net	-660	-1,293	89	127	-3	68	71
Net cash used in financing activities	3,465	9,658	-14,264	-14,740	-10,329	-5,139	5,189
Effect of exchange rate change on cash and cash equivalents	-690	-88	1,224	3,098	2,265	498	-1,766
Net increase (decrease) in cash and cash equivalents	1,721	9,475	6,981	-3,637	-1,271	-1,156	114
Cash and cash equivalents from newly consolidated subsidiaries	437	120	73	-	-	73	73
Cash and cash equivalents at end of period	23,704	33,299	40,354	36,717	39,083	35,634	-3,448

# Capital Investment

## FY23 Capital Investment Forecast

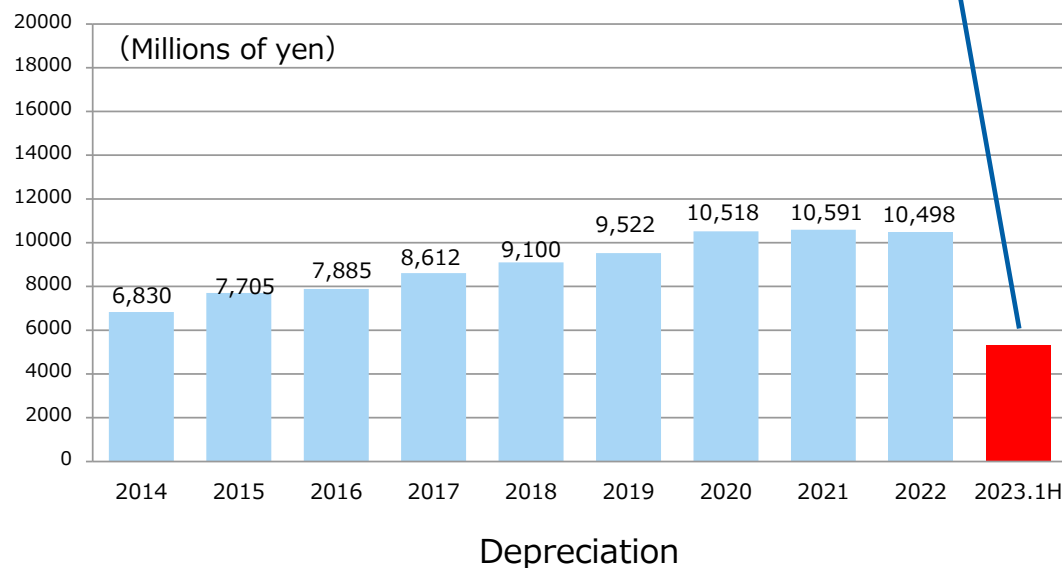
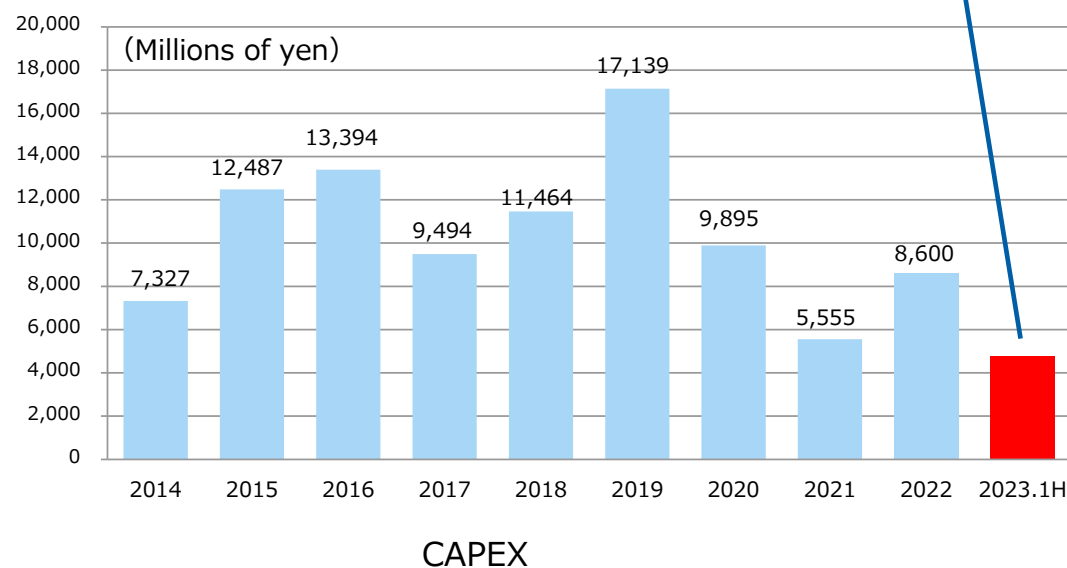
**12.5 billion yen**

## Breakdown

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

**CAPEX : 4,774**

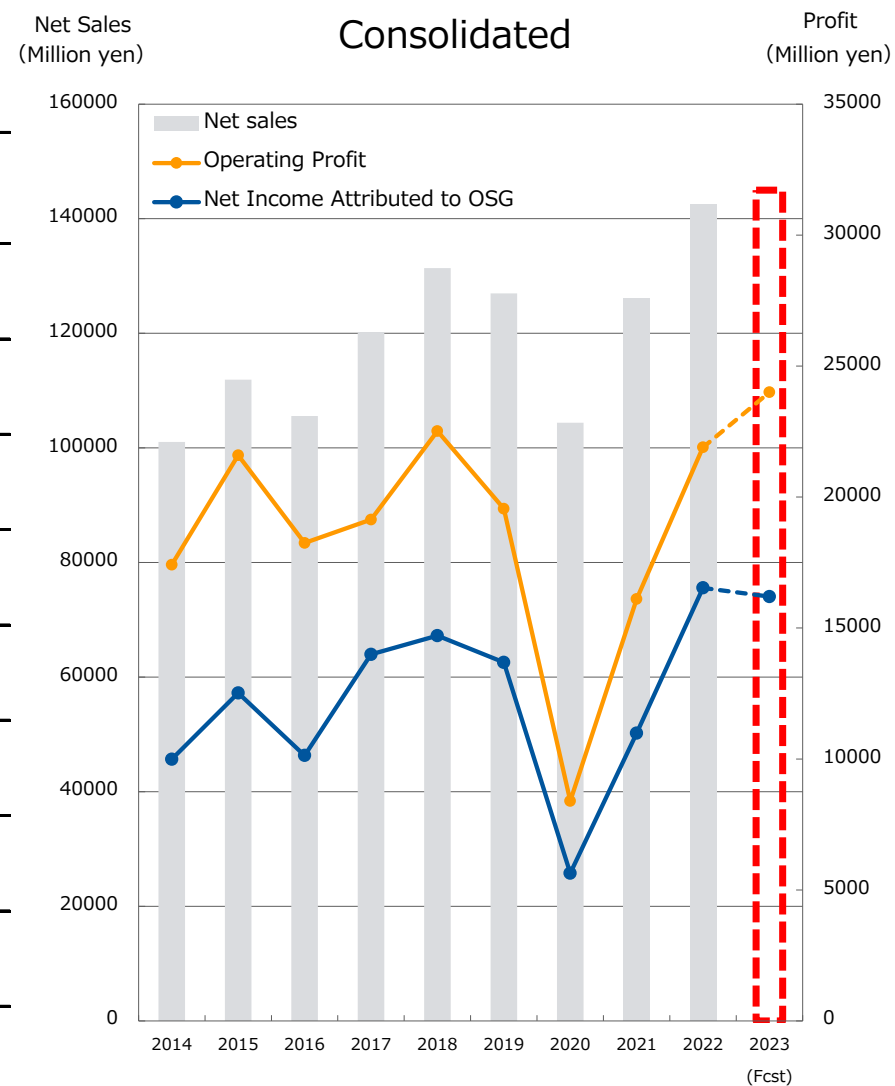
**Depreciation : 5,332**



# 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

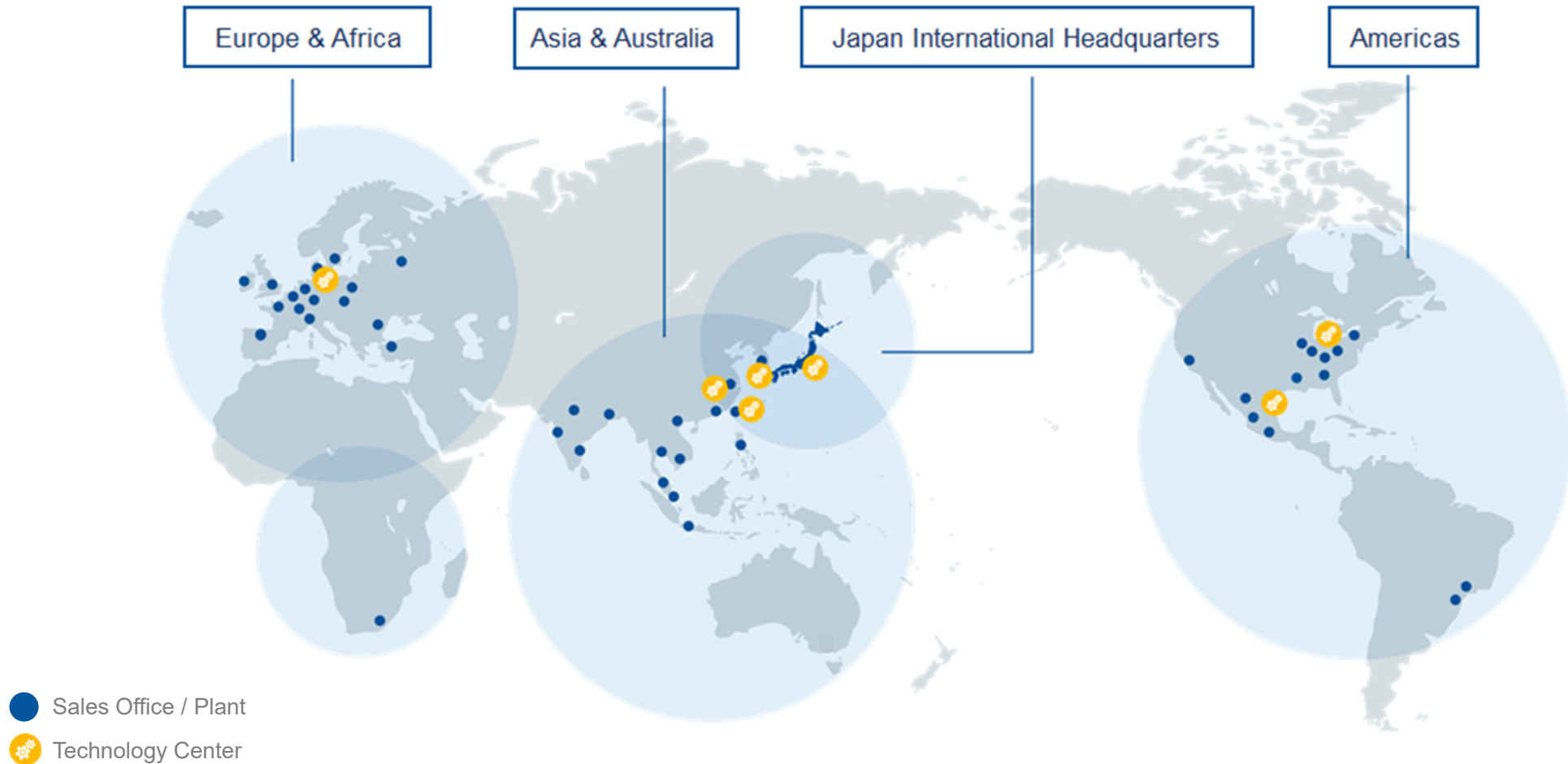
(Yen)

	1US\$	1Euro	1RMB
FY20 2Q	108.55	119.64	15.39
FY20	106.94	121.60	15.41
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

# Appx.1 Selected Financial Data (Consolidated)

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023-1H
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	70,638
Sales growth	(%)	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	21%	13%	3%
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	41,701
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	28,936
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	19,442
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	9,494
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	10,166
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	6,591
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%	41.0%
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%	27.5%
Operating income	(%)	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	15.4%	13.4%
Ordinary income	(%)	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	16.6%	14.4%
Net income	(%)	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	11.6%	9.3%
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	134.49
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	145.24
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	230,752
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	170,374
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	68.82
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	28.00
(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	1,777.67
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	95,767
ROA	(%)	11.5%	10.0%	12.6%	14.5%	11.7%	11.9%	13.1%	10.6%	4.3%	7.9%	10.0%	8.3%
ROE	(%)	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.7%	7.9%
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	7,570
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	-4,085
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	-5,139
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%	10.7%

# Expansion of Overseas Business





*shaping your dreams*



# Medium-term Management Plan

## Beyond the Limit 2024

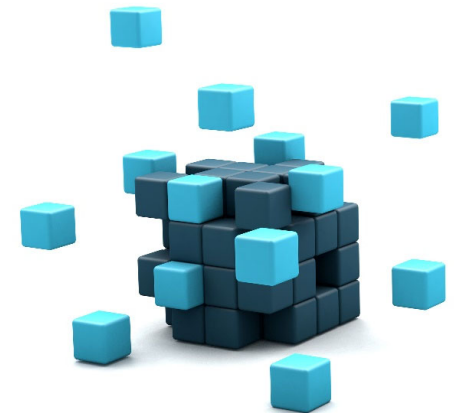
FY2022 - FY2024

# 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.



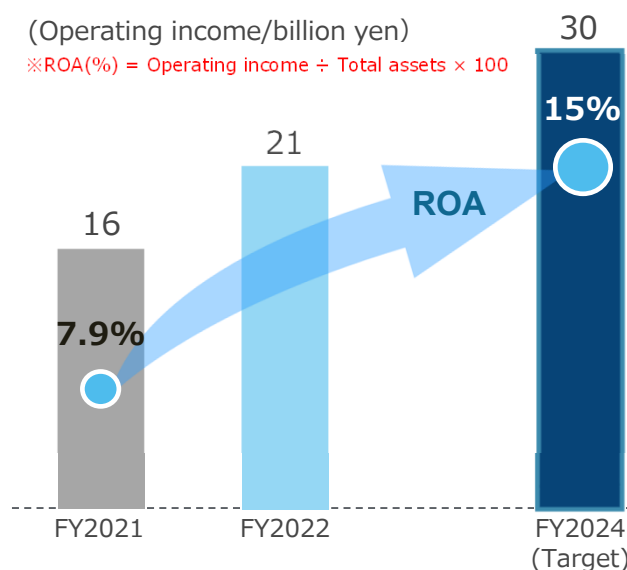
**Beyond the Limit**  
**2022-2024 (Stage1)**

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

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

(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

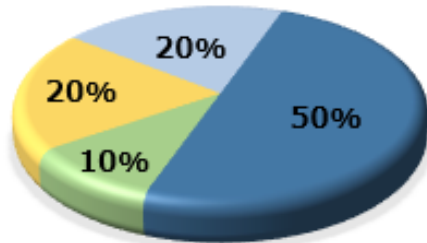
**Portfolio by Customer**  
in micro precision machining  
**over 30%**  
Become a company that  
contributes to the carbon  
neutrality



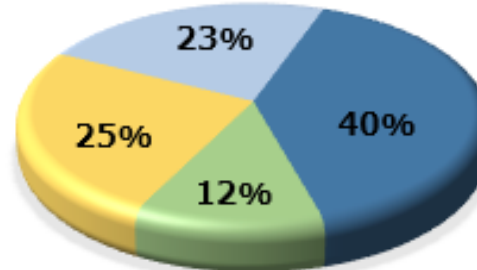
# Target-Industry Portfolio



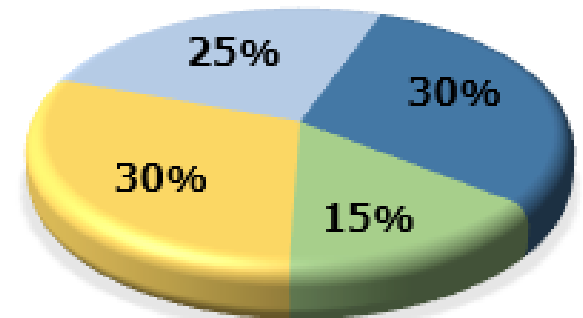
**Beyond the Limit  
2022-2024 (Stage1)**



**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

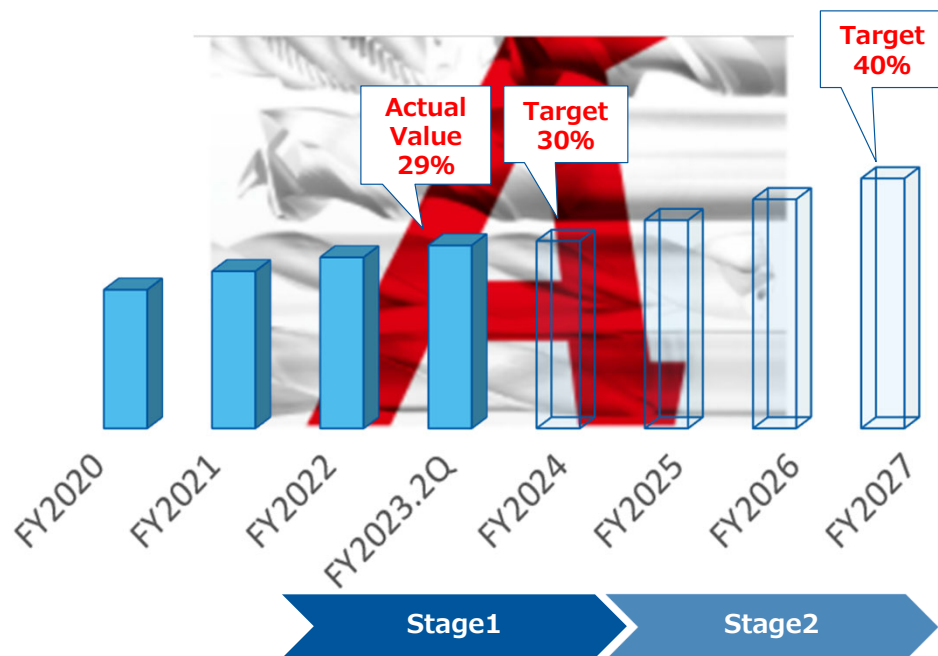
- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers

# Progress of Basic Strategy

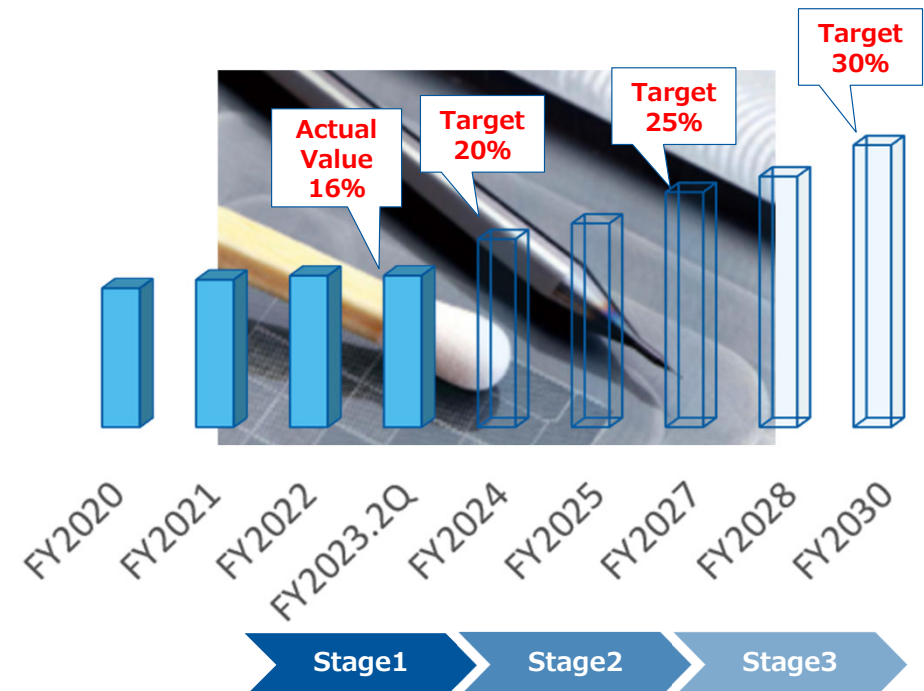
Sales of A-brand products grew, especially overseas, and new customers were acquired in the micro-precision machining field.

## A Brand sales rate

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



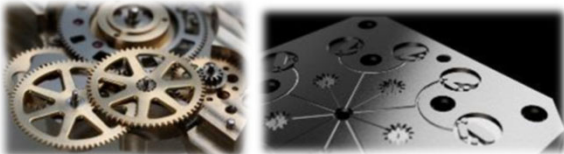
## Sales rate in micro precision machining



# Business Opportunities and Growth Area



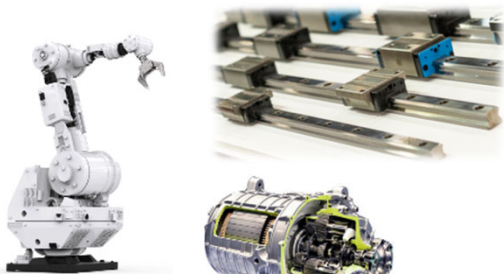
Precision Molds



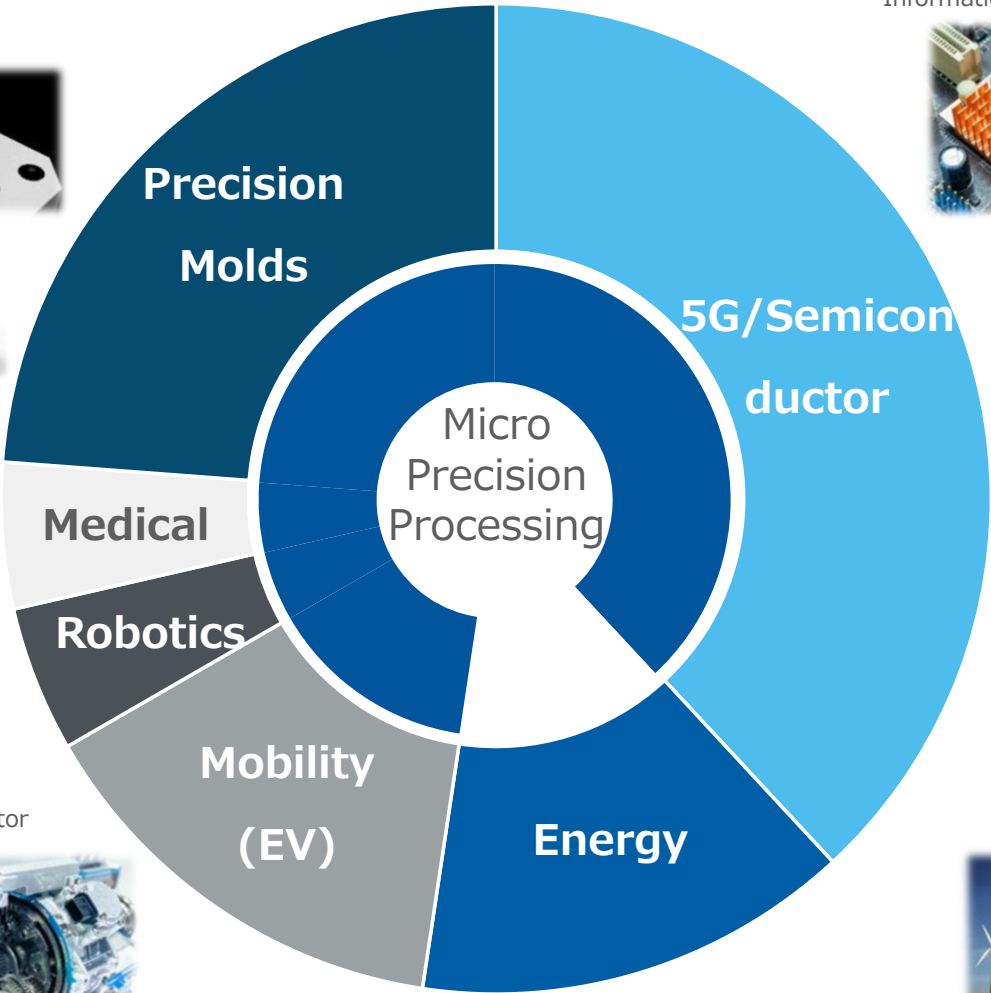
Medical parts



Robotics, automation-related and machine parts



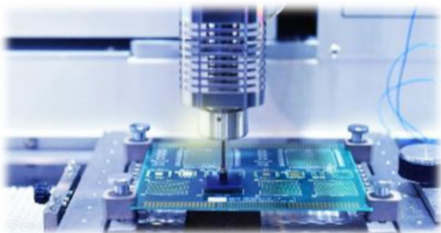
Motor



Information and communication equipment parts



Semiconductor manufacturing equipment parts



Wind power generation



※Graphs are images of our company



# 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.

