



shaping your dreams

Financial Results for FY2024-3Q

October 10, 2024
OSG Corporation

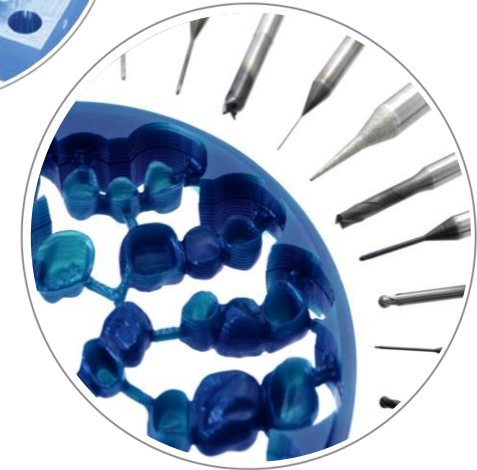
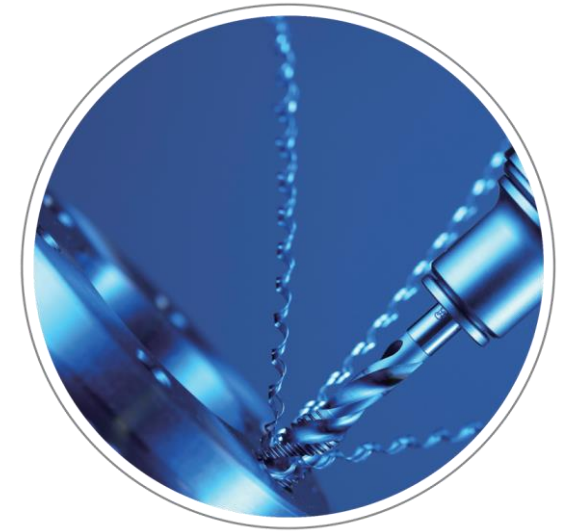
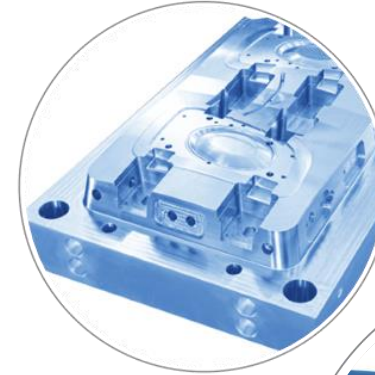


- ◆ P2-3 [Company Overview](#)
- ◆ P4-5 [Financial Summary](#)
- ◆ P6-7 [Review of FY24-3Q](#)
- ◆ P8-9 [Sales to Customer
by Geographical Segment](#)
- ◆ P10-11 [Operating Income
by Geographical Segment](#)
- ◆ P12 [Overseas Sales Ratio](#)
- ◆ P13-14 [Net Sales
by Product Segment](#)
- ◆ P15 [B/S Overview · EBITDA](#)

- ◆ P16 [Operating Profit Variation](#)
- ◆ P17 [Capital Investment](#)
- ◆ P18 [Forecast for FY24](#)
- ◆ P19 [Exchange Rate](#)
- ◆ P20 [Selected Financial Data](#)
- ◆ P21 [Expansion of Overseas
Business](#)
- ◆ P22-29 [Medium-term
Management Plan](#)
- ◆ P30-32 [Measures toward achieving management
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	7,663 (consolidated) 1,892 (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)

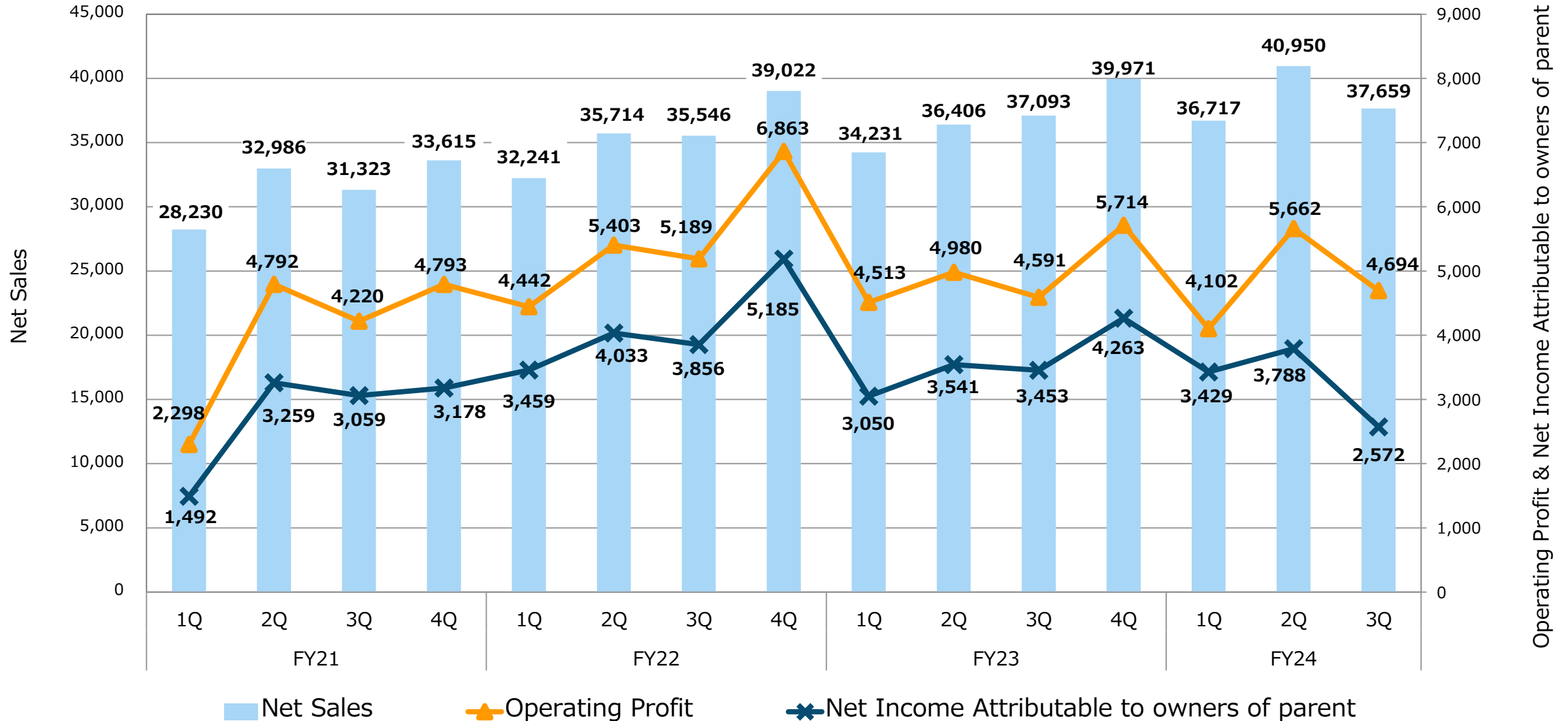
	FY23 3Q	FY24 3Q	Change	Forecast For FY24 *revised	Progress Rate
Net Sales	107,731	115,326	+7.0%	153,000	75.4%
Operating Profit	14,085	14,459	+2.7%	19,000	76.1%
OPM	13.1%	12.5%	-	12.4%	-
Ordinary Income	15,270	14,912	-2.3%	19,500	76.5%
Net Profit Attributable to OSG	10,044	9,790	-2.5%	13,000	75.3%
EPS(yen)	104.84	106.71	+1.8%	144.11	-

*cf : P18 Forecast for FY24 (revised version)



Financial Summary

(Millions of yen)

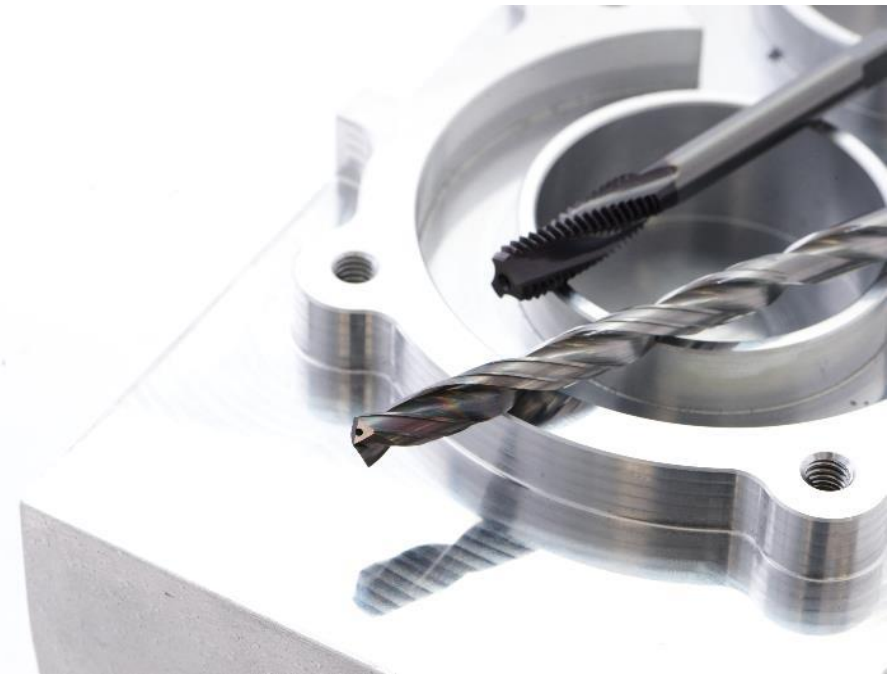


Review of FY24-3Q

**Record high sales by foreign exchange impact,
slight increase in profit due to higher labor costs.**

Index & Capital Investment Results

—EBITDA	23.8 billion yen	(+4.4% YoY)
—EBITDA Margin	20.7%	(-0.5pts YoY)
—Free Cash Flow	48 billion yen	(-30 billion yen YoY)
—ROA	7.7%	(-0.3pts YoY)
(Operating Income Basis)		
—ROE	7.5%	(-0.4pts YoY)
—Equity Ratio	65.1%	(-7.5pts from the end of FY23)
—CAPEX	11.2 billion yen	
—Depreciation	8.6 billion yen	



Review of FY24-3Q

The Americas

Business conditions have uncertainly. The aircraft industry is affected by production cuts by Boeing. The automobile industry is slowing down trend.

Europe/Africa

Although business confidence is weak, the aircraft industry is strong. The automobile industry is uncertainly.

Asia

Greater China is on a gradual recovery trends. In South Asia, the automobile is tough situation, the performance in India is remain strong.

Japan

The automobile industry remain reduces production. Domestic plants continue to adjust the production.

Sales to Customer by Geographical Segment

(Millions of yen)

Change
in local
currency

FY23
3Q

FY24
3Q

Change

Japan

36,327

36,512

184

+0.5%

-

The Americas

23,200

26,240

3,040

+13.1%

+3.2%

Europe/Africa

24,497

27,102

2,605

+10.6%

+0.9%

Asia

23,705

25,470

1,765

+7.4%

+0.7%

Consolidated

107,731

115,326

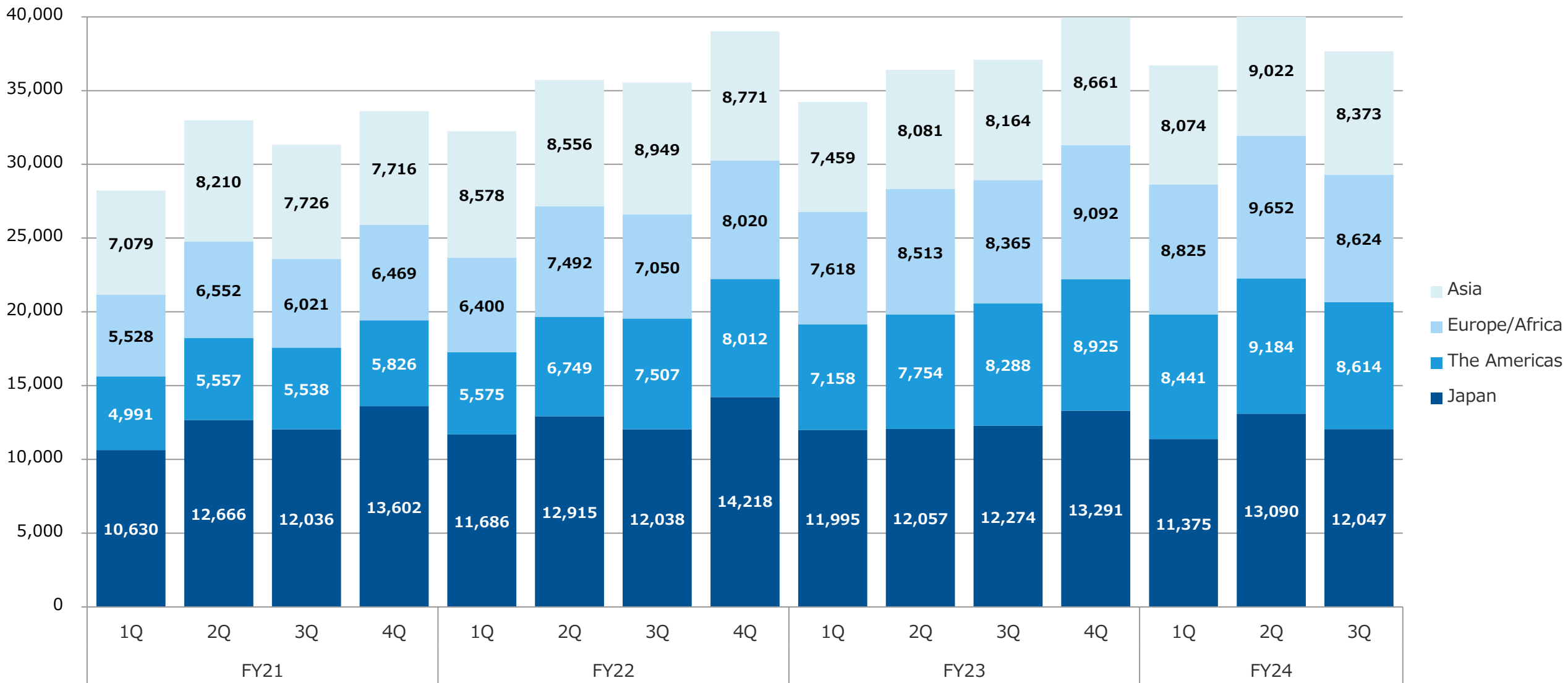
7,595

+7.1%

-

Sales to Customer by Geographical Segment

(Millions of yen)



Operating Income by Geographical Segment

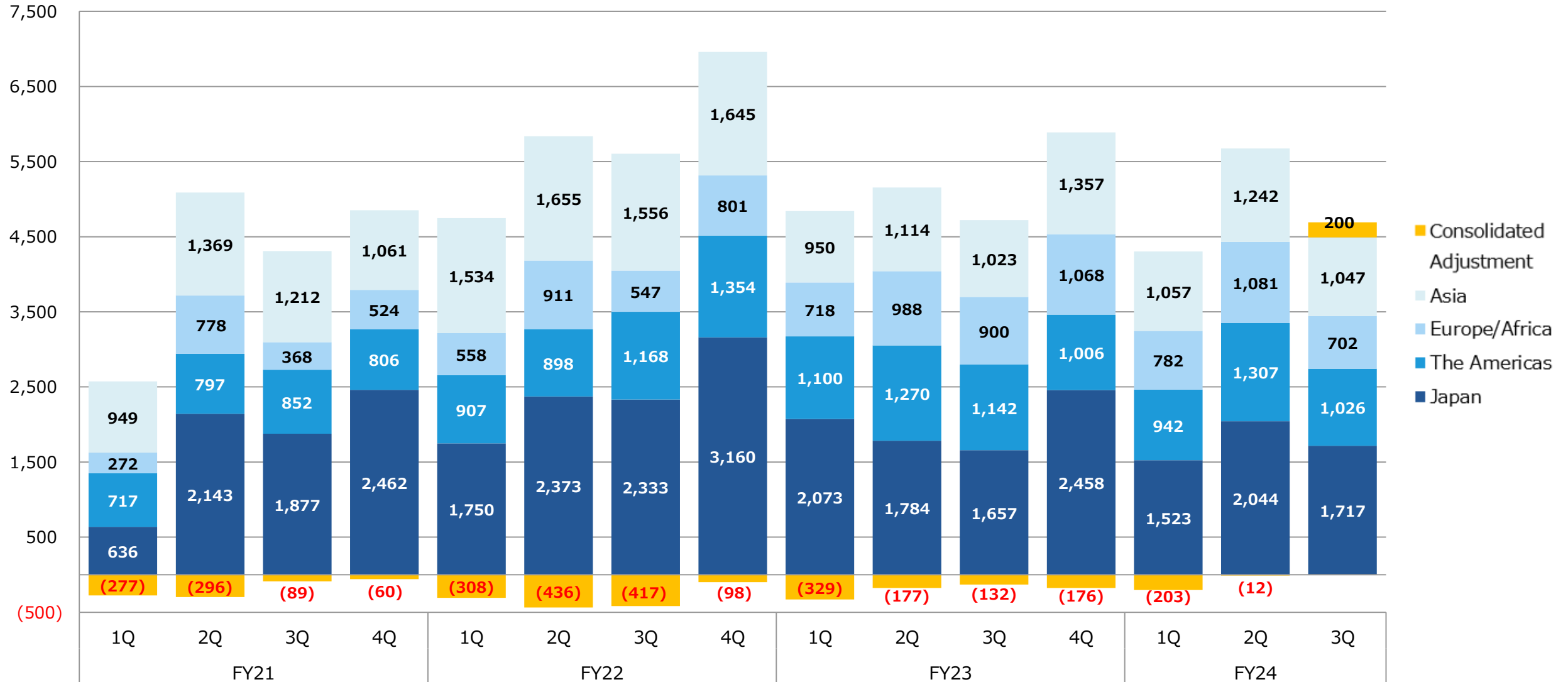
(Millions of yen)

	FY23 3Q	Component ratio	FY24 3Q	Component ratio	Change		OPM(*)
Japan	5,516	37.5%	5,284	36.5%	-231	-4.2%	9.7%
The Americas	3,513	23.9%	3,276	22.6%	-236	-6.7%	12.2%
Europe/Africa	2,606	17.7%	2,566	17.7%	-40	-1.5%	9.4%
Asia	3,088	21.0%	3,347	23.1%	258	+8.4%	11.8%
Total	14,725	-	14,475	-	-250	-1.7%	10.6%
Eliminations	-639	-	-15	-	624	-	-
Consolidated	14,085	-	14,459	-	374	+2.7%	12.5%

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

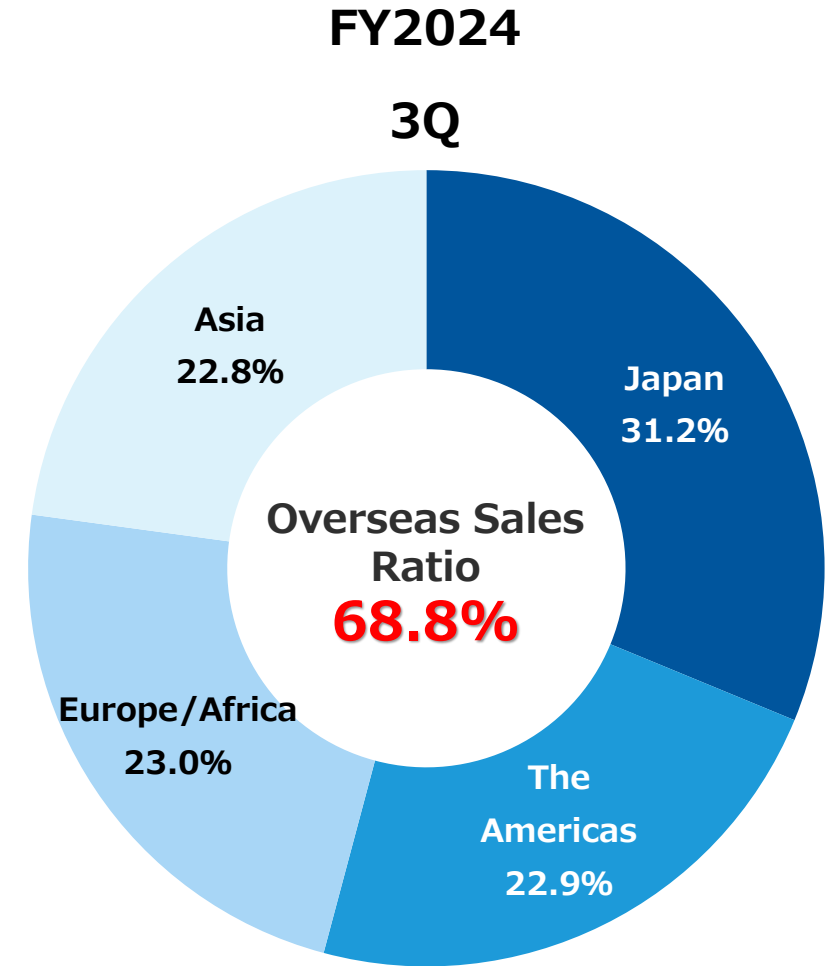
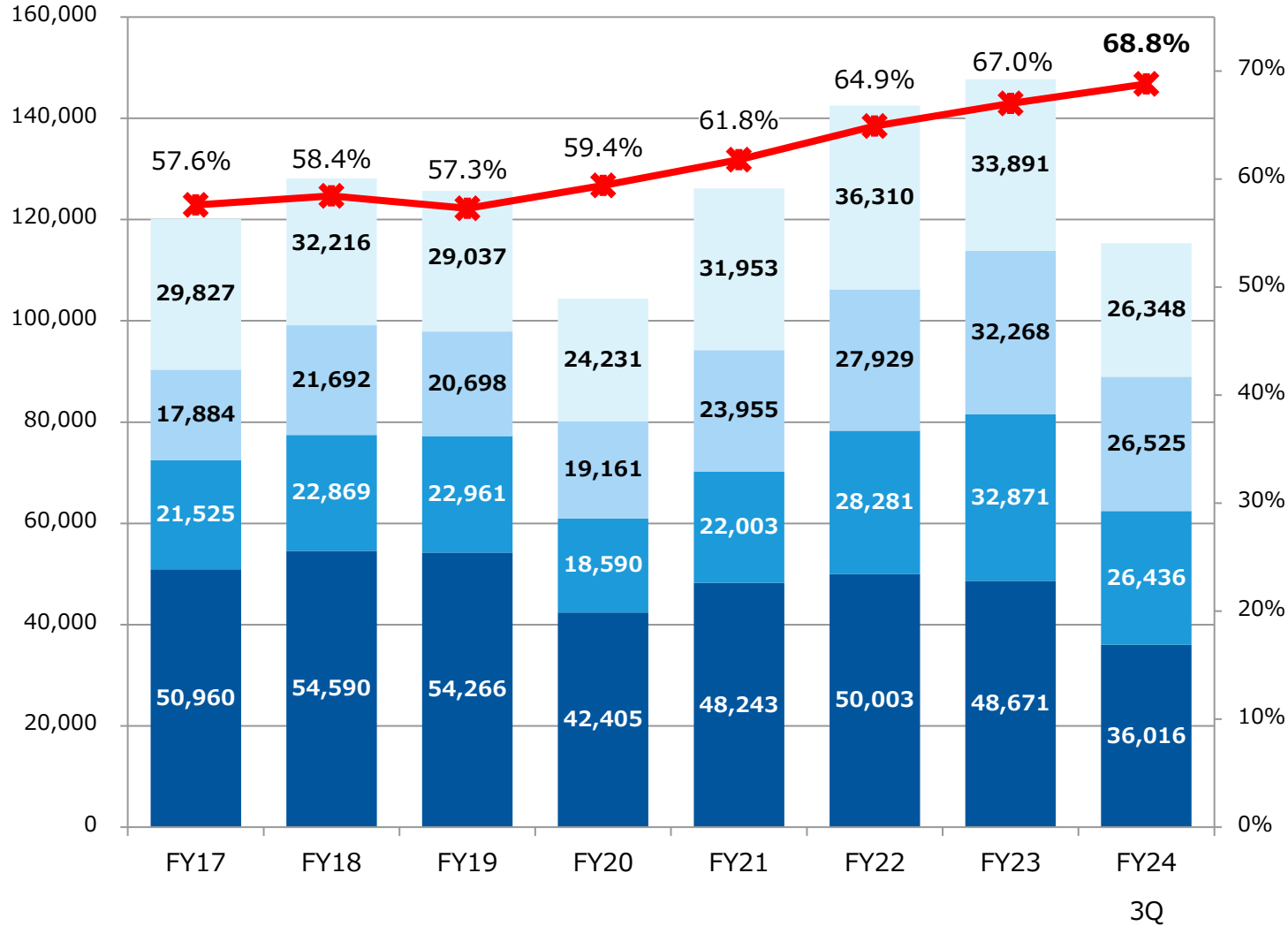
Operating Income by Geographical Segment

(Millions of yen)



Overseas Sales Ratio

(Millions of yen)



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



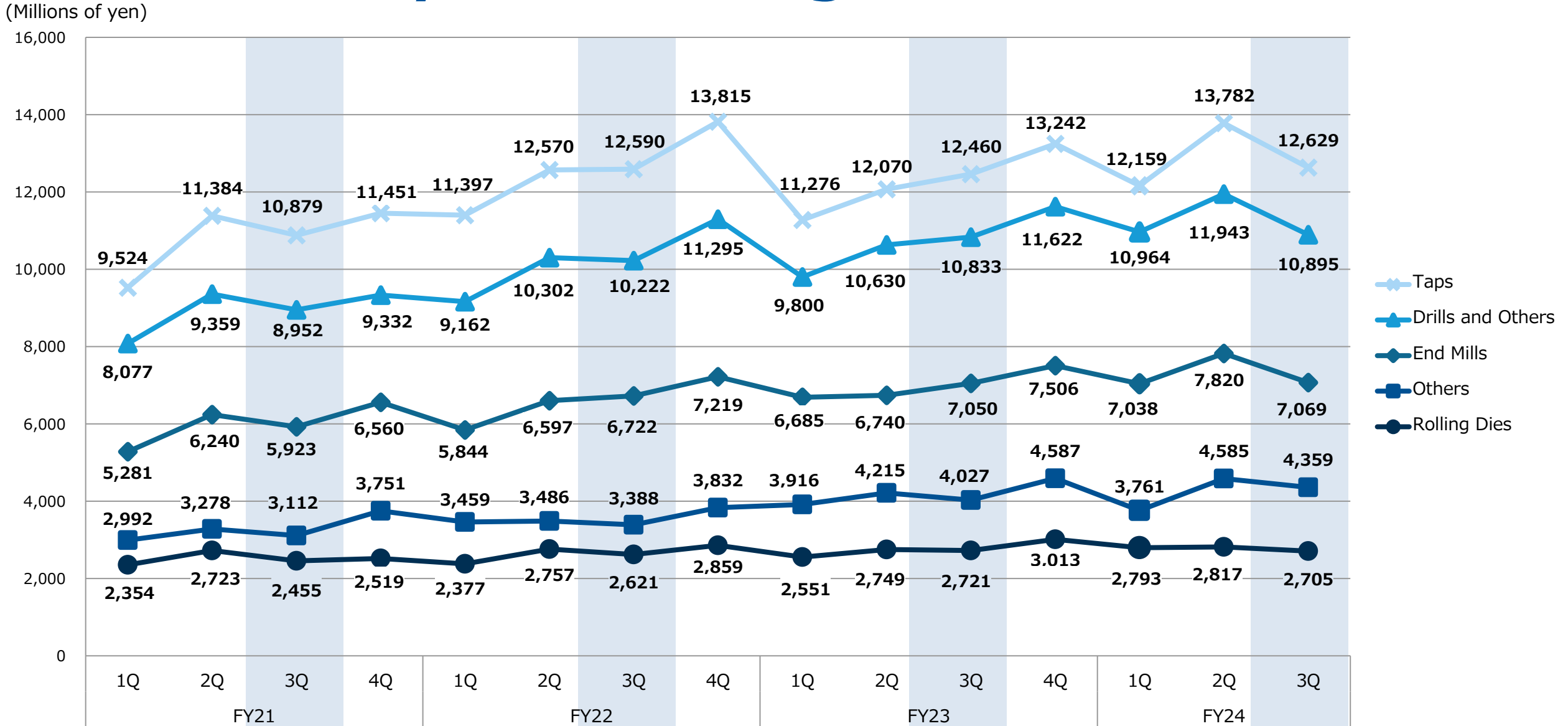
Net Sales by Product Segment

(Millions of yen)

		FY23						FY24						Change	
		1Q	2Q	3Q	4Q	3Q YTD		1Q	2Q	3Q	3Q YTD				
Precision Tools	Taps	11,276	12,070	12,460	13,242	35,807	33.2%	12,159	13,782	12,629	38,571	33.4%	2,763	7.7%	
	End mills	6,685	6,740	7,050	7,506	20,477	19.0%	7,038	7,820	7,069	21,928	19.0%	1,450	7.1%	
	Drills and Others	9,800	10,630	10,833	11,622	31,264	29.0%	10,964	11,943	10,895	33,803	29.3%	2,538	8.1%	
	Rolling dies	2,551	2,749	2,721	3,013	8,022	7.4%	2,793	2,817	2,705	8,316	7.2%	294	3.7%	
	Gauges	457	480	513	518	1,450	1.3%	459	658	528	1,646	1.4%	196	13.5%	
		30,771	32,671	33,579	35,902	97,022	90.1%	33,415	37,022	33,828	104,266	90.4%	7,243	7.5%	
Other	Machine	1,320	1,359	1,428	1,735	4,108	3.8%	1,161	1,493	1,554	4,209	3.7%	101	2.5%	
	Other	2,139	2,375	2,085	2,333	6,600	6.1%	2,139	2,434	2,276	6,850	5.9%	249	3.8%	
		3,459	3,735	3,514	4,069	10,709	9.9%	3,301	3,927	3,831	11,060	9.6%	351	3.3%	
Total		34,231	36,406	37,093	39,971	107,731	100%	36,717	40,950	37,659	115,326	100%	7,595	7.1%	



Net Sales by Product Segment

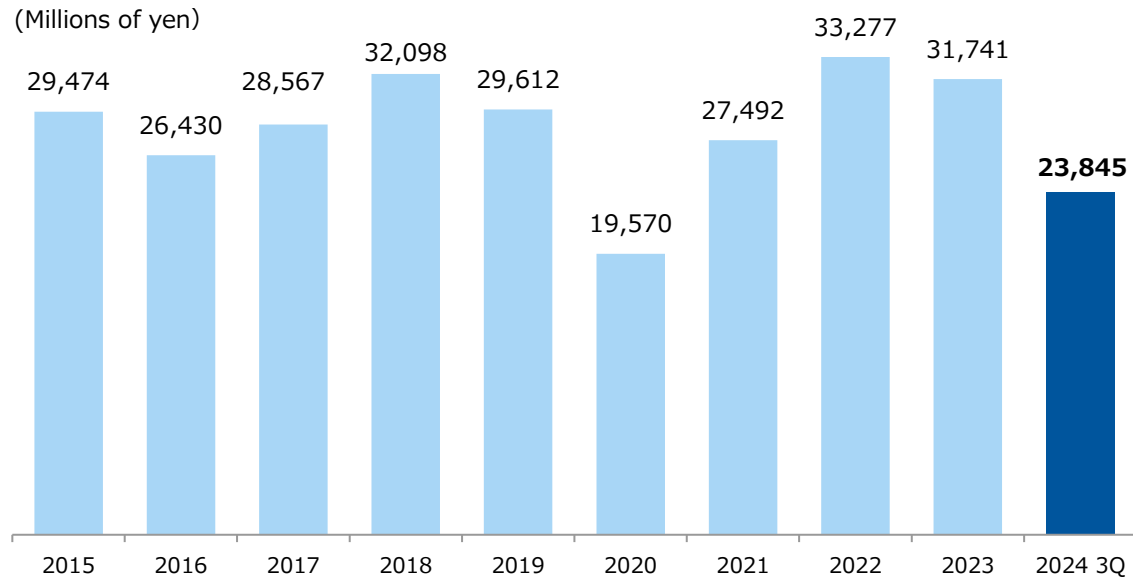


B/S Overview • EBITDA

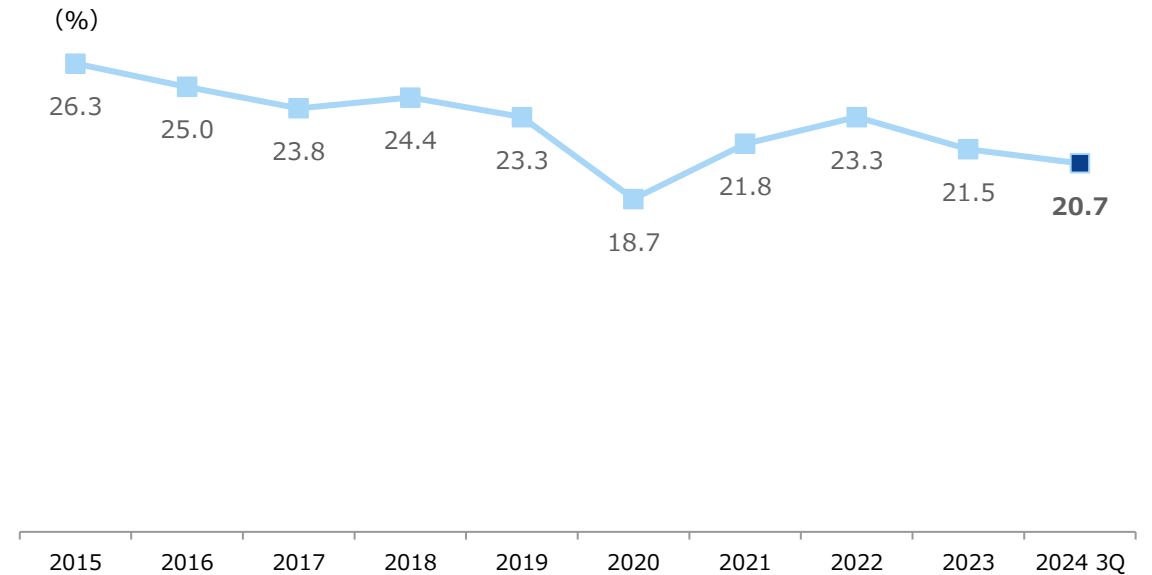
(Millions of yen)

	FY23	FY24 3Q		FY23	FY24 3Q
Equity Ratio (%)	72.6	65.1	Cash and Time Deposits	57,970	54,806
Receivable Turnover Period (Days)	70.8	63.1	Interest-bearing Debt	28,676	49,156
Inventory Turnover Period (months)	4.7	4.4	Net Cash	29,293	5,650

EBITDA



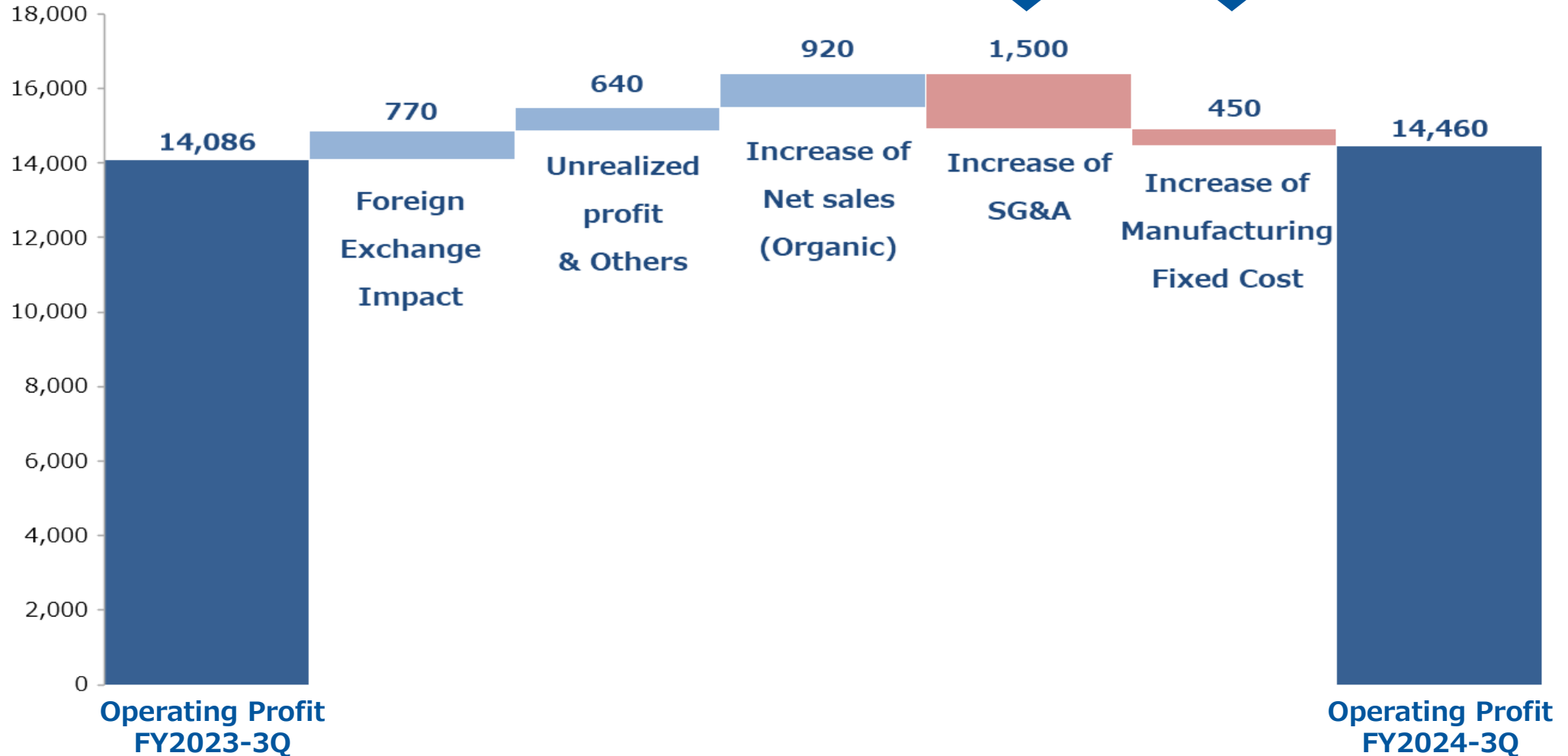
EBITDA Margin



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



Capital Investment

FY24 Capital Investment Forecast

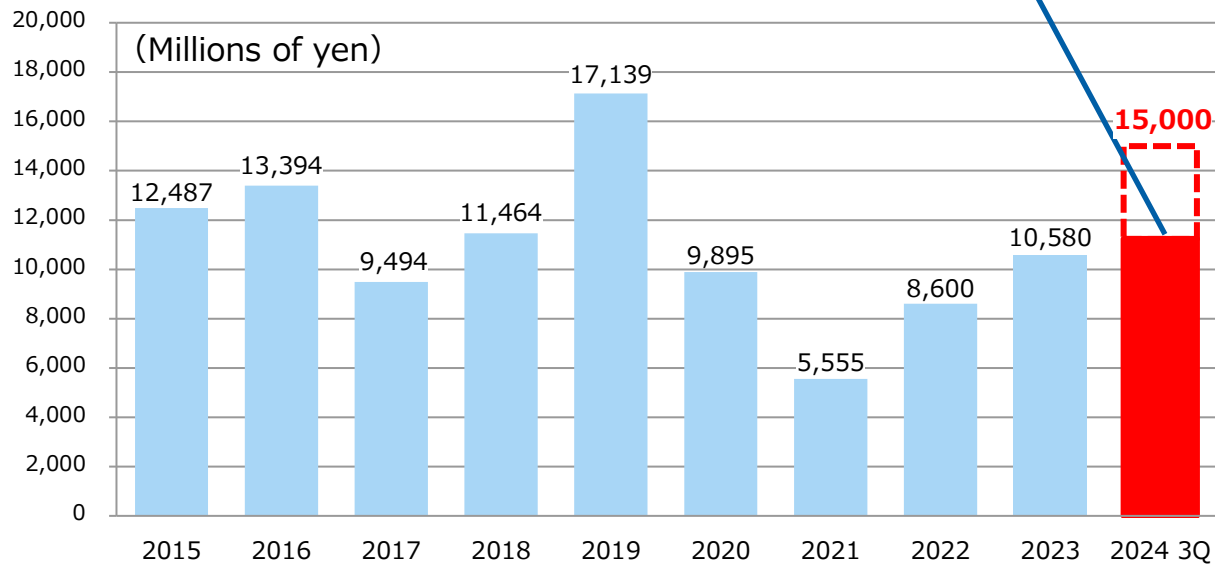
15.0 billion yen

Breakdown

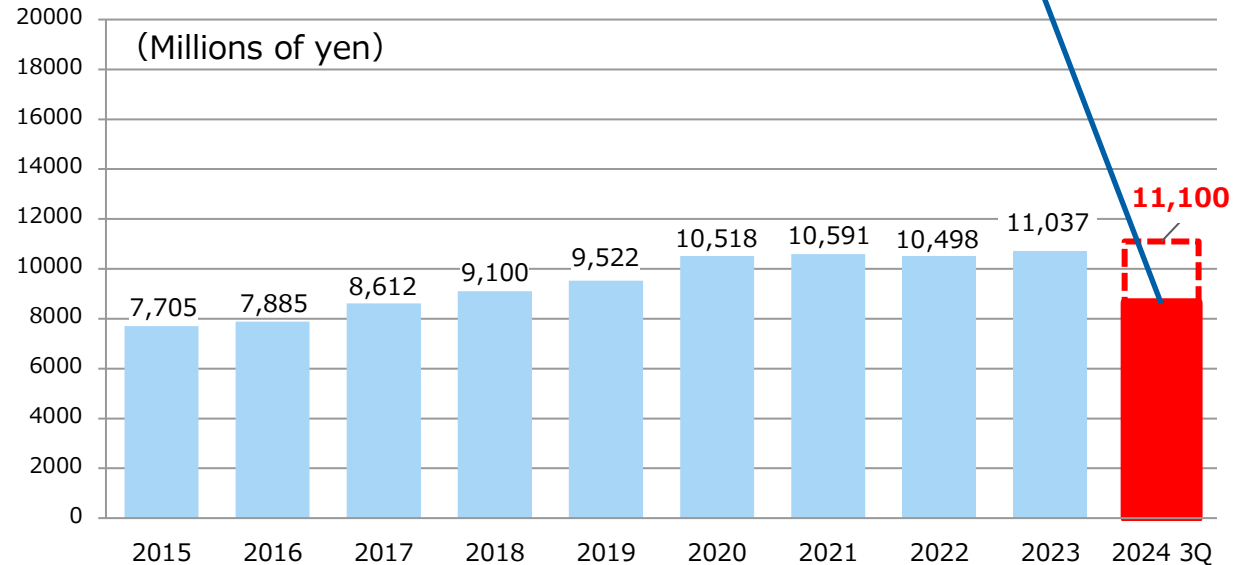
Establishment of new factory of SD MFG. Company and enhancement of machinery and equipment, of which 2 billion yen was not received in FY23.

CAPEX : 11,238

Depreciation : 8,655



CAPEX



Depreciation



Forecast for FY24 (revised version)

(Millions of yen)

Consolidated	Forecast	Forecast	Change		Parent Company	Forecast	Forecast	Change	
	for FY24 at Previous	for FY24 at Latest				For FY24 at Previous	For FY24 at Latest		
Net Sales	153,000	153,000	-	-	Net Sales	58,000	55,000	-3,000	-5.2%
Operating Profit	23,000	19,000	-4,000	-17.4%	Operating Profit	5,800	5,000	-800	-13.8%
as % of sales	15.0%	12.4%	-2.6%	-	as % of sales	10.0%	9.1%	-0.9%	-
Ordinary Profit	23,000	19,500	-3,500	-15.2%	Ordinary Profit	9,900	10,200	300	+3.0%
Net Income Attributed to OSG	15,500	13,000	-2,500	-16.1%	Net Income	8,200	8,300	100	+1.2%
EPS (yen)	171.25	144.11	-27.14	-15.8%	EPS (yen)	89.94	91.97	2.03	+2.3%
Final Dividend	32.00	32.00	-	-					
Payout Ratio	35.0%	41.6%	+6.6%	-					

*Exchange rate FY2024(Fcst.) : 1US\$=150.00yen 1Euro=162.00yen



Exchange Rate

(Yen)

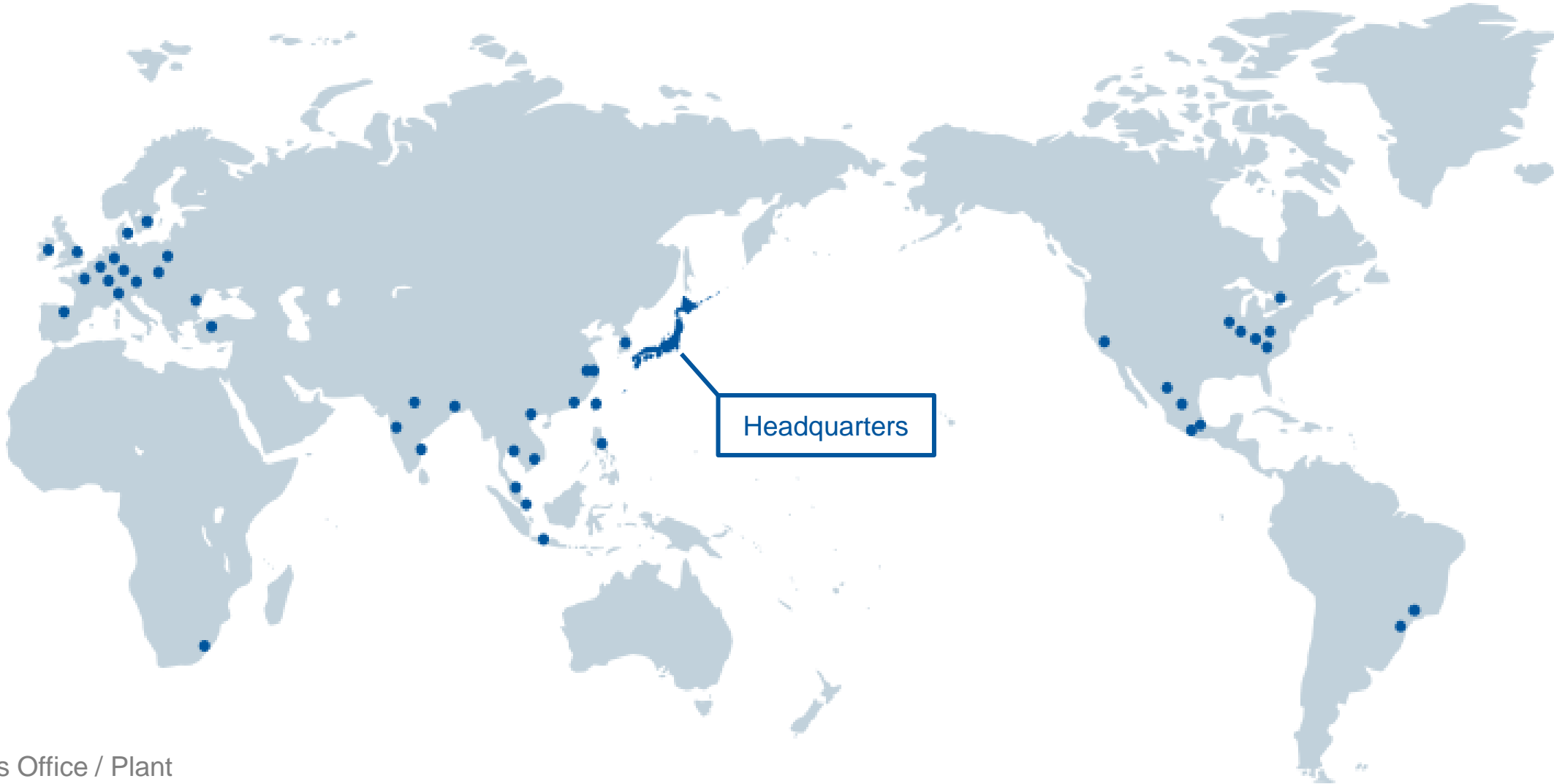
	1US\$	1Euro	1RMB
FY21 3Q	108.18	129.94	16.71
FY21	109.41	130.04	16.94
FY22 3Q	126.15	135.31	19.20
FY22	130.61	137.60	19.42
FY23 3Q	137.68	149.36	19.56
FY23	140.44	151.87	19.79
FY24 3Q	151.49	164.35	20.99



Selected Financial Data (Consolidated)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 3Q
Net sales	(mil.yen)	101,031	111,917	105,561	120,198	131,368	126,964	104,388	126,156	142,525	147,703	115,326
Sales growth rate	(%)	14.3%	10.8%	-5.7%	13.9%	9.3%	-3.4%	-18.0%	20.9%	13.0%	3.6%	7.1%
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	67,838
Gross profit	(mil.yen)	42,970	50,051	46,382	50,486	56,535	53,682	38,673	49,186	59,065	60,448	47,488
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	33,028
Operating income	(mil.yen)	17,415	21,597	18,246	19,137	22,520	19,554	8,396	16,105	21,898	19,800	14,459
Ordinary income	(mil.yen)	17,568	21,510	17,813	19,144	22,567	19,710	8,950	16,141	23,648	21,350	14,912
Net income	(mil.yen)	9,989	12,518	10,134	13,993	14,710	13,686	5,639	10,989	16,534	14,307	9,790
Gross profit margin	(%)	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	39.0%	41.4%	40.9%	41.2%
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%	28.6%
Operating income margin	(%)	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	15.4%	13.4%	12.5%
Ordinary income margin	(%)	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	16.6%	14.5%	12.9%
Net income margin	(%)	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	11.6%	9.7%	8.5%
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	151.49
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	164.35
Total assets	(mil.yen)	142,302	155,129	156,081	166,712	178,020	190,414	200,112	209,757	228,852	250,124	253,190
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	164,769
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	106.71
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	1,902.06
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	91,751
ROA (operating income basis)	(%)	12.6%	14.5%	11.7%	11.9%	13.1%	10.6%	4.3%	7.9%	10.0%	8.3%	7.7%
ROE	(%)	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.7%	8.3%	7.5%
Equity ratio	(%)	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	72.0%	72.6%	65.1%
Total asset turnover ratio		0.73	0.75	0.68	0.74	0.76	0.69	0.53	0.62	0.65	0.62	0.61
Operating CF	(mil.yen)	19,688	19,588	16,333	20,820	20,310	19,261	17,038	26,982	20,175	23,331	-
Investing CF	(mil.yen)	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133	-6,961	-12,170	-8,543	-
Financing CF	(mil.yen)	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-14,264	-14,740	-3,831	-
Cash flow margin	(%)	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%	21.4%	14.2%	15.8%	-

Expansion of Overseas Business



● Sales Office / Plant





shaping your dreams



Medium-term Management Plan

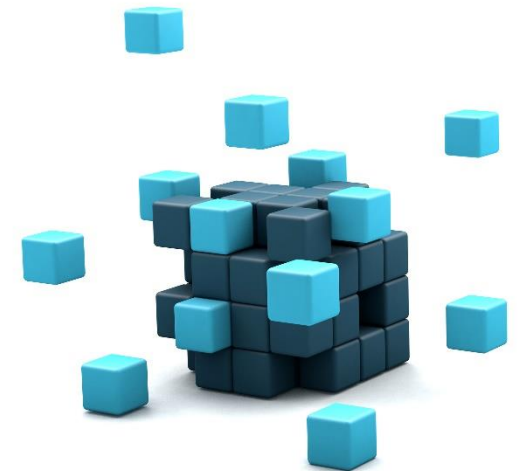
Beyond the Limit 2024

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

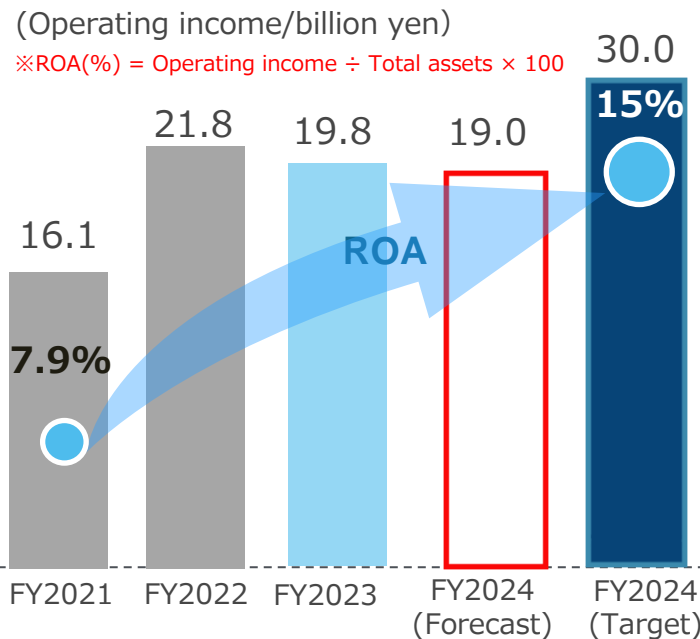
Strengthen business efficiency and build a corporate structure capable of generating stable profits

- 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)

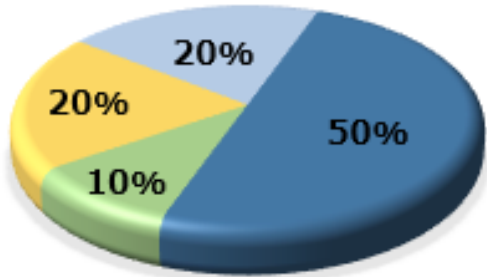
ROA (Operating income basis)
15%
Operating Income
30 billion yen

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

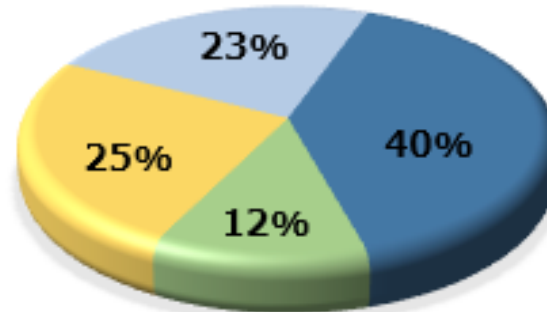
**Portfolio by Customer
in micro precision machining**
over 30%
Become a company that
contributes to the carbon
neutrality

Target-Industry Portfolio

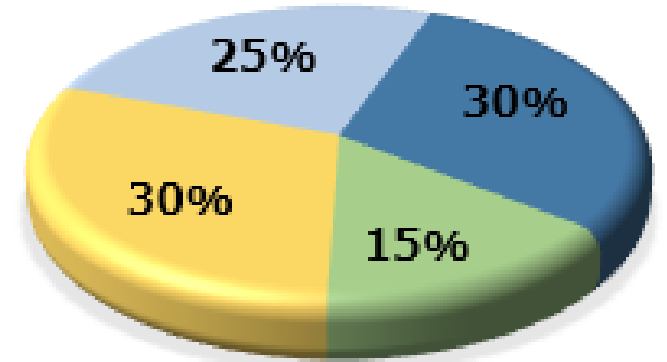
**Beyond the Limit
2022-2024 (Stage1)**



**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

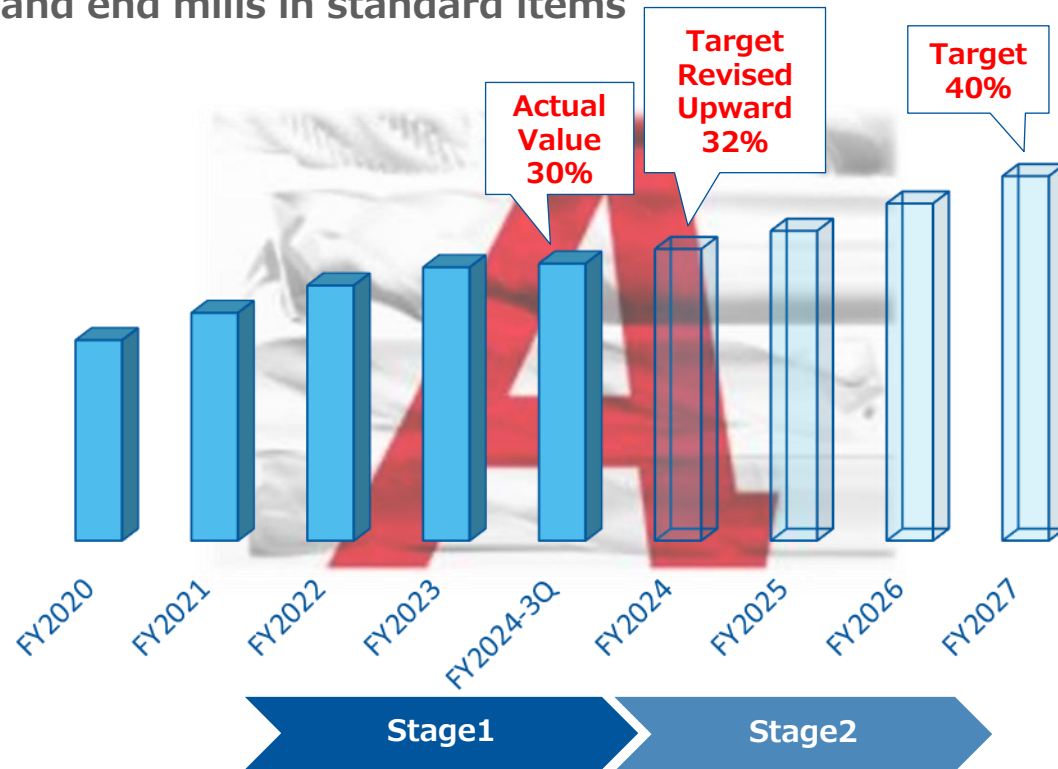
- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers

Progress of Basic Strategy

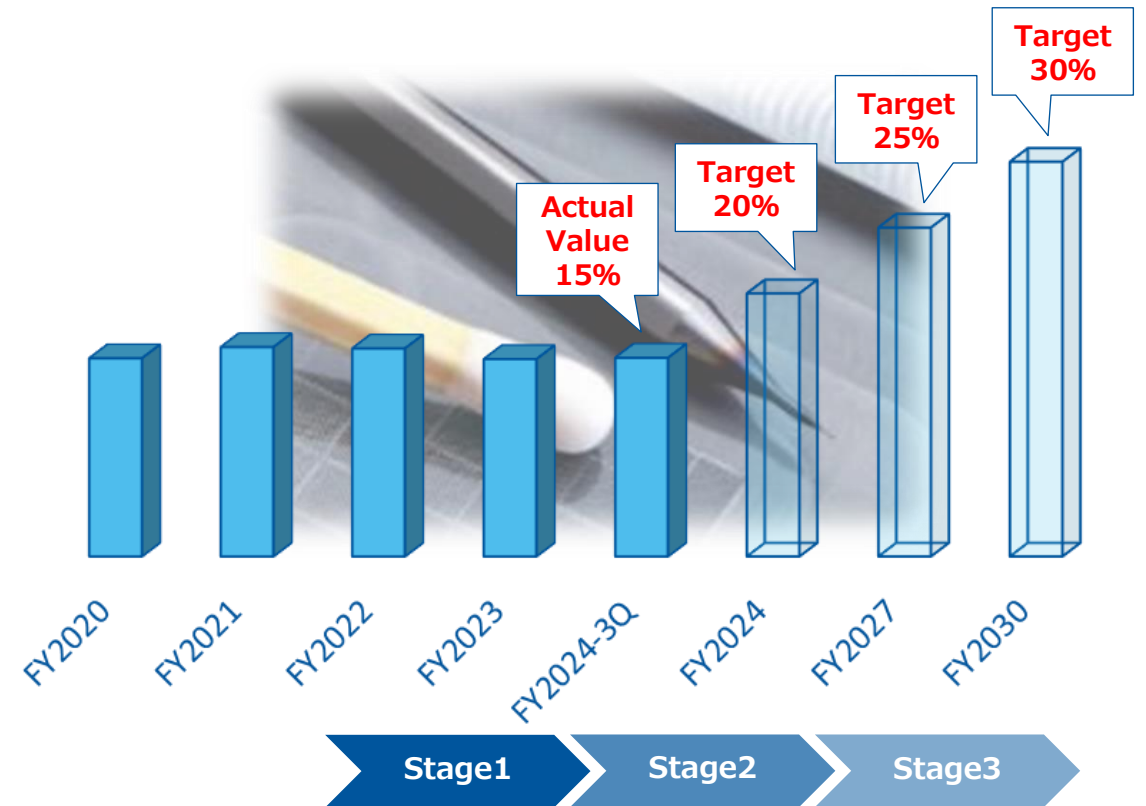
Sales of A-brand products grew, especially overseas. In the micro-precision field, the ratio of sales for micro-precision machining remained unchanged due to an increase in the ratio of sales of large diameter tools for aircraft and other applications, despite progress in acquiring new customers.

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

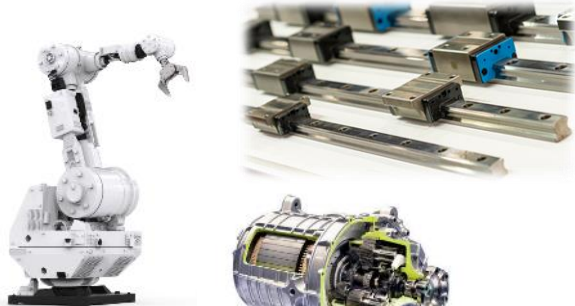
Precision Molds



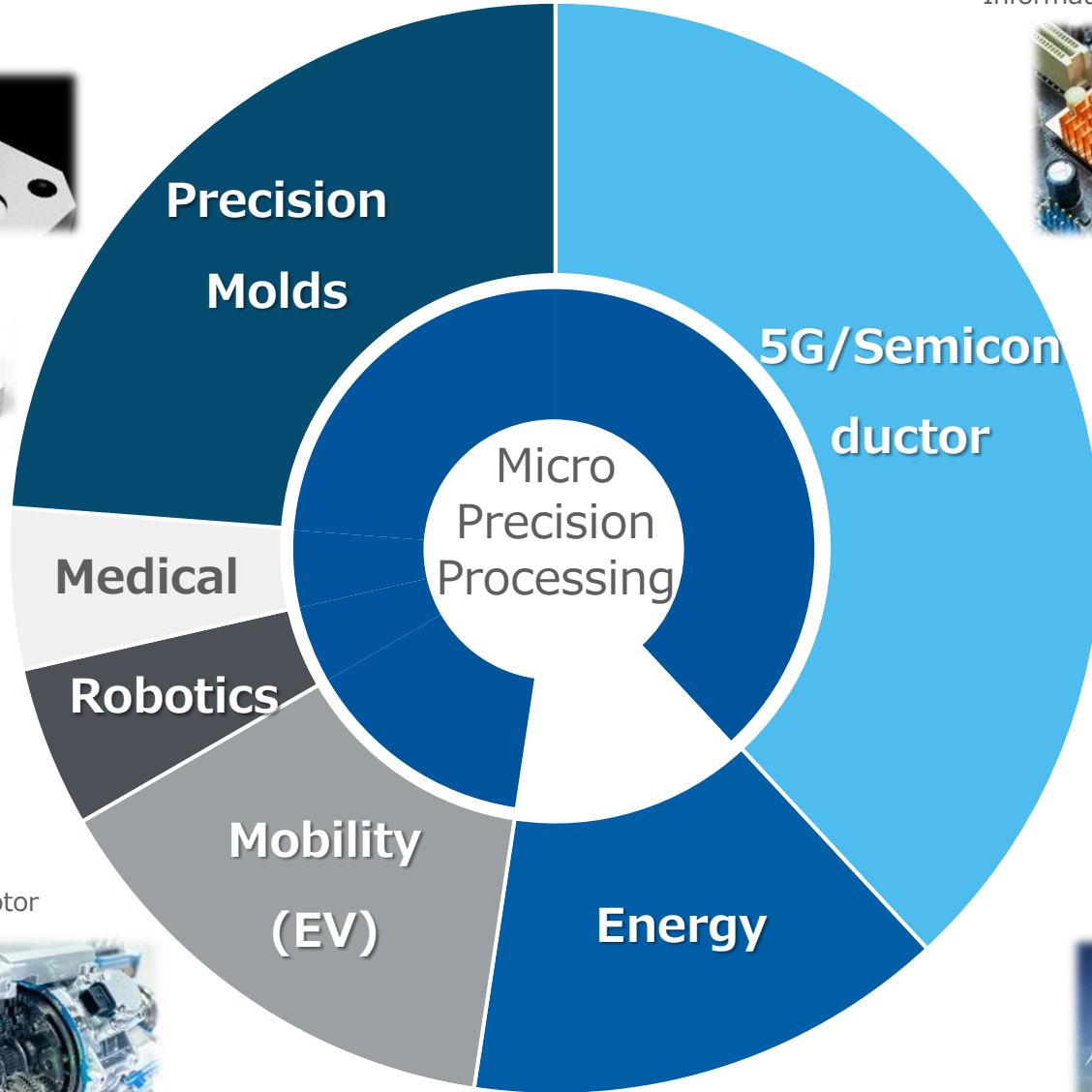
Medical parts



Robotics, automation-related and machine parts



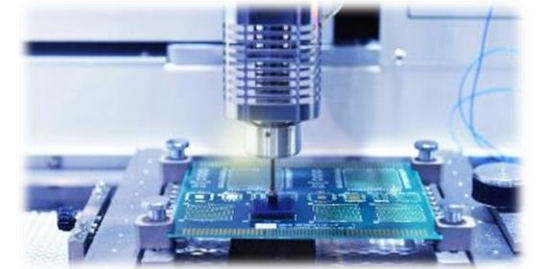
Motor



Information and communication equipment parts



Semiconductor manufacturing equipment parts



Wind power generation

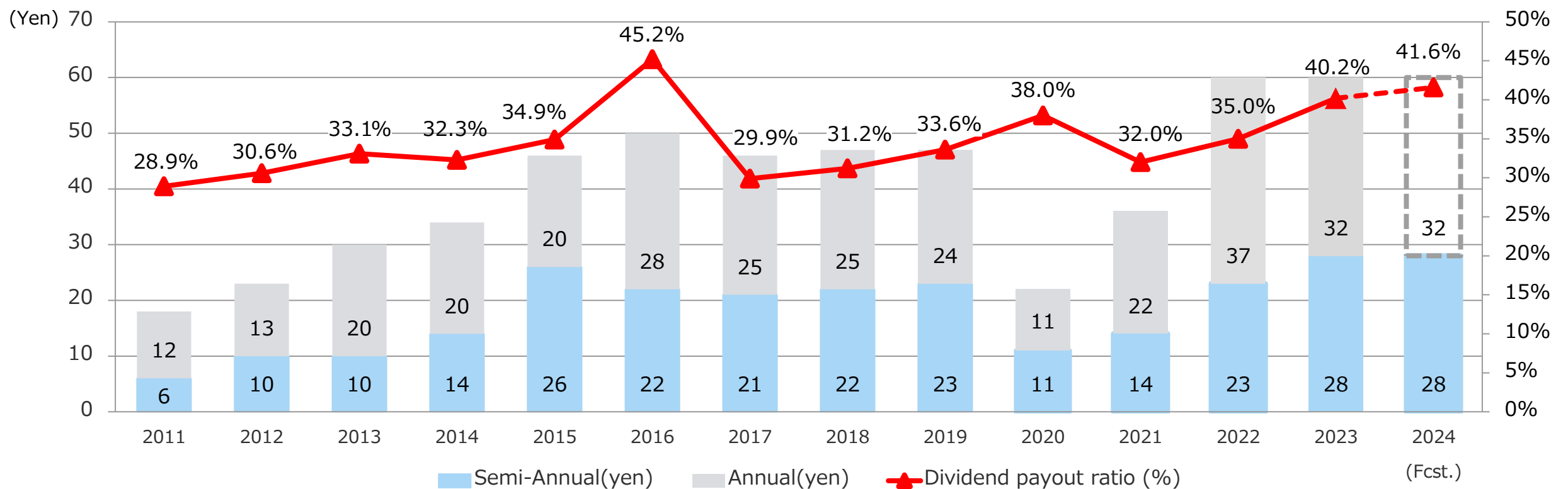


※Graphs are images of our company

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

※ 7.5%

※ Annualized results for the Q3 of 2024

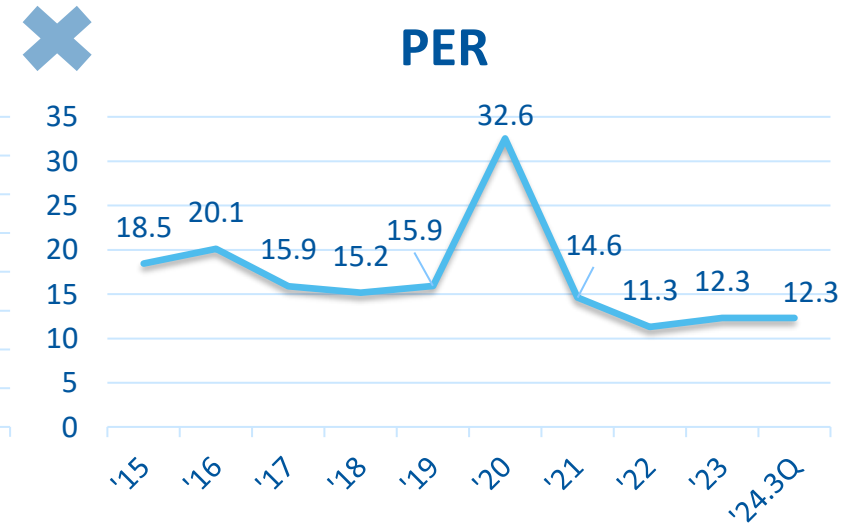
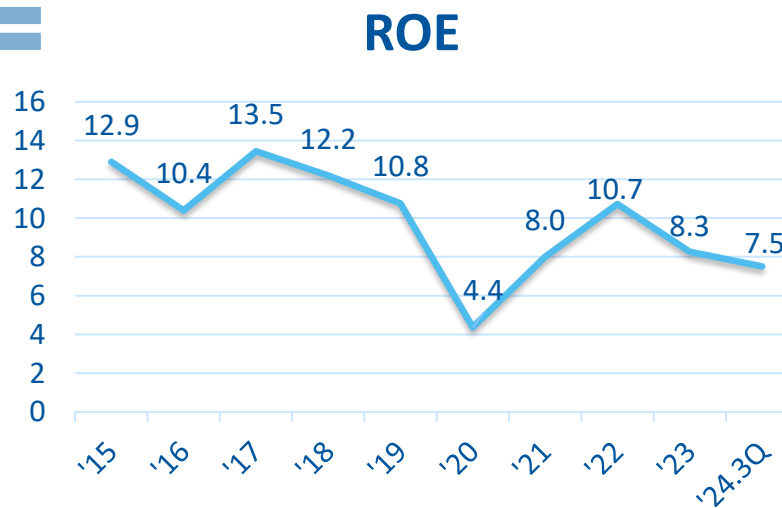
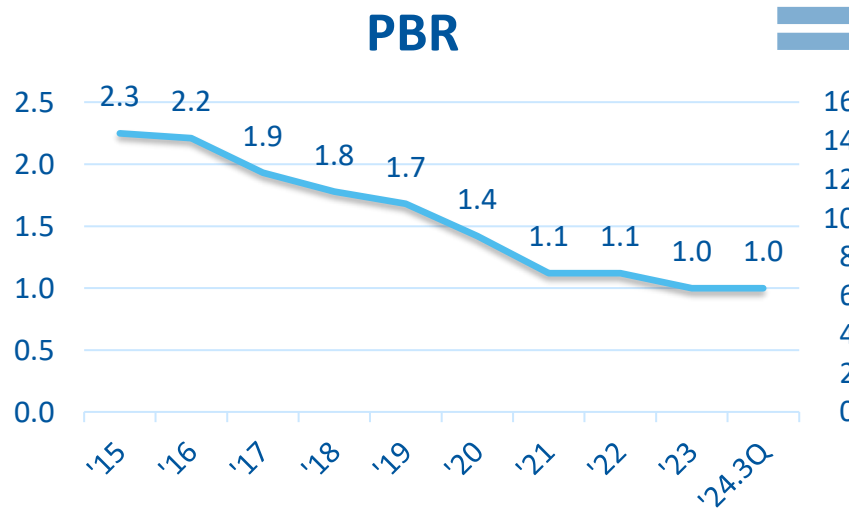
Cost of Equity including expected growth rate (=Inverse of PER)

7.7%

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)

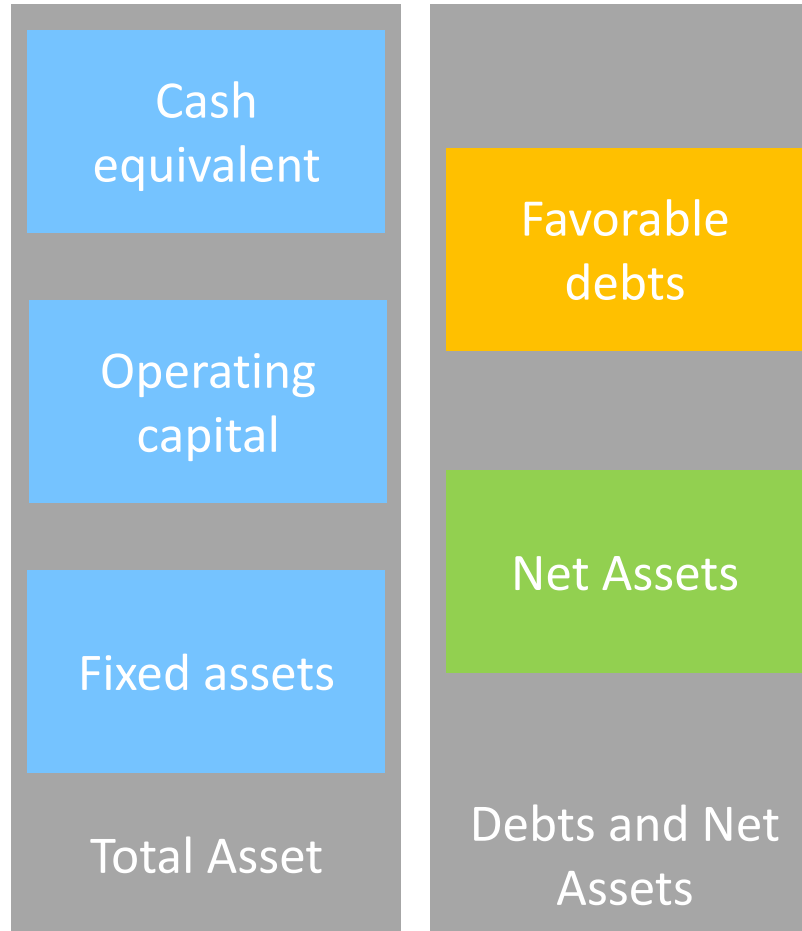
*Equity Spread = ROE – Cost of Equity



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.

- ✓ Growth investments (M&A, R&D, Capital investment) and shareholder returns.
- ✓ Review of cash allocation within the group.
- ✓ shorten CCC and generate cash. (Inventory reduction, review of collection and payment sites)
- ✓ Capital investment benchmarked against depreciation.
- ✓ Reduction of policy shareholdings.



- ✓ WACC reduction through debt utilization.
- ✓ Optimize capital structure.

- ✓ Reducing the Cost of Shareholders' Equity through IR Activities.
- ✓ Strengthen shareholder returns. (increase dividend payout ratio, share buybacks)