

July 25, 2006

OSG Corporation

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Stock code: 6136 (Tokyo and Nagoya stock exchanges, 1st Section)

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Tungaloy Corporation

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OSG and Tungaloy Decide on Capital and Business Alliance

OSG Corporation and Tungaloy Corporation today announced that in separate meetings of their board of directors, a decision was taken to form a capital and business alliance between the two companies. Details are as follows.

1. Background to and Purpose of Alliance

Japan's special alloy and carbide tool manufacturers recognize that there is little hope of achieving substantial growth in the domestic market in the medium term. As a result, both types of manufacturers have shifted the main thrust of their operations overseas, endeavoring to strengthen and expand those operations. Their main overseas competitors, however, have used M&A strategies and reorganizations to rapidly develop operations globally, resulting in an intensified competitive environment.

Conversely, OSG Corporation's growth strategy has been to expand its product lineup, develop materials for carbide tools, and broaden the fields in which its technology can be applied. Tungaloy Corporation's expansion path has been based on based on widening its product line up while establishing and strengthening its international sales organization.

Under these circumstances, OSG Corporation and Tungaloy Corporation came to the conclusion that a comprehensive collaboration under a capital and business alliance was

necessary for both companies to heighten their competitiveness and continue to develop their businesses. Maintaining mutual respect for the independence and autonomy of their individual businesses, the two partners intend to work together as one corporate group (OSG/Tungaloy Group), aiming to become the top global comprehensive tool manufacturer.

2. Name and Details of the Business Alliance

1. The business tie-up will be called the “OSG Tungaloy Global Alliance.”
2. The partners have no duplication in their product lineups and will aim to be “best partners” to achieve the following synergies.
 - (1) Complementary sales items
 - (2) Expanded and improved product series
 - (3) Diversification of customer services
 - (4) Joint sales strategies
 - (5) Mutual effective use of business resources, etc.

The specific details of the business alliance are as follows:

Sale Network in Japan

- Sales through retail sales channels will be done with due consideration to past practices, and carried out as usual for the time being.
- For direct sales to customers, the two partners will take a comprehensive sales approach (Sharing information on customers, full turnkey) targeting sales expansion.

International Sales

- The partners will target sales growth as a Group, offering complementary products.
- The two companies will implement Group policies and a common sales outlet strategy in all their sales subsidiaries and representative sales outlets, and plan to jointly use or own sales subsidiaries and representative sales outlets in some regions.
- When entering markets in new countries or regions, the companies will establish joint sales subsidiaries.
- The partners will share the service centers they have overseas, seeking to strengthen customers services.

Technology Exchange and Joint Development

- The two companies will proactively exchange technology in the areas of development,

production, and service, working to strengthen product competitiveness.

Division of Labor in Production

• For fields in which the companies offer common products, the partners will consider integrating production for some of their products and employing division of labor strategies to make effective use of their production resources.

3. Details of Capital Alliance

Acquisition of Tungaloy Corporation stock by OSG Corporation

A capital alliance is being formed to further strengthen the business alliance.

OSG Corporation will acquire the stock of Tungaloy Corporation from Nomura Principal Finance Co., Ltd. (NPF). Following this transaction, OSG Corporation will hold 19.18% of the outstanding shares of Tungaloy Corporation while NPF will own 75.57%.

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| (1) Ownership before share acquisition: | 0 shares (0%) |
| (2) Shares acquired: | 6,750 shares
(Acquisition price: ¥15,660 million) |
| (3) Ownership after share acquisition: | 6,750 shares (19.18%) |

4. Outlines of OSG Corporation and Tungaloy Corporation

OSG Corporation

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|------------------------|---|
| (1) Main business: | Manufacture and sales of precision cutting tools, primarily taps and end mills. |
| (2) Corporate History: | March 1938 Established Osawa Screw Grinding Co., Ltd., commencing manufacture and sales of taps and dies.
June 1963 Changed corporate name to OSG Corporation.
Dec. 1970 Listed on 2 nd Section of Tokyo Stock Exchange.
June 1981 Transferred to 1 st Section of TSE, listed on 1 st Section of Nagoya Stock Exchange. |
| (3) Head office: | 3-22, Honnogahara, Toyokokawa, Aichi Prefecture |
| (4) Representative: | Teruhide Osawa |
| (5) Paid in capital: | ¥10,404 million |
| (6) Net sales: | ¥78,130 million (Consolidated basis, fiscal year ended Nov. 2005) |

- (7) Ordinary income: ¥13,887 (Same as above)
- (8) Net income: ¥8,758 million (Same as above)
- (9) Net assets: ¥54,647 million (Same as above)
- (10) Total assets: ¥93,598 million (Same as above)
- (11) Outstanding shares: 98,955,226 shares (At November 30, 2005)

Tungaloy Corporation

(1) Main business: Manufacture and sales of carbide tools.

- (2) Corporate History:
 - Dec. 1934 Shibaura Engineering Works Co., Ltd. and Tokyo Electric Company co-invested in founding Special Alloy Tools Co., Ltd.
 - March 1937 Became a plant manufacturing special alloy tools for Shibaura Mazda Industry Co., Ltd.
 - Aug. 1942 Merged with Tokyo Shibaura Electric Co., Ltd.
 - Feb. 1950 Spun off from Toshiba under eliminating of excessive concentration of economic power law. New name: Tungaloy Industry Co., Ltd.
 - June 1958 Corporate name revised to Toshiba Tungaloy Co., Ltd.
 - Aug. 1970 Listed on 2nd Section of Tokyo Stock Exchange.
 - June 1981 Transferred to 1st Section of TSE.
 - Feb. 2004 Delisted through management buyout (MBO).
 - April 2004 Corporate name revised to Tungaloy Corporation.

- (3) Head office: Solid Square 580, Horikawa-cho, Saiwai-ku, Kawasaki, Kanagawa Prefecture.
- (4) Representative: Akihiro Tokunaga
- (5) Paid in capital: ¥8,000 million
- (6) Net sales: ¥46,146 million (Consolidated basis, fiscal year ended March 2006)
- (7) Ordinary income: ¥6,504 (Same as above)
- (8) Net income: ¥3,970 million (Same as above)
- (9) Net assets: ¥26,292 million (Same as above)
- (10) Total assets: ¥47,826 million (Same as above)
- (11) Outstanding shares: 35,200 shares (At March 31, 2006)

5. Schedule

July 25, 2006	OSG Corporation and Tungaloy Corporation conclude capital and business alliance.
Aug. 18, 2006	Exchange of shares.

6. Impact on Performance of OSG Corporation

The business alliance will have no impact on the performance of OSG Corporation in the fiscal year ending November 2006. The influence on future performances will be reflected in the Company's performance forecasts based on the progress of the capital and business alliance.