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OSG Corporation

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### **Three Year Management Plan “The Next Stage 07”**

OSG has announced its three year management plan of FY2007 to 2009 “The Next Stage 07.” The outline of the plan is as follows;

#### **Background of the plan**

OSG has developed a Global Initiative for all OSG domestic and international subsidiaries to promote policies based on OSG’s slogan “Global Company.” These initiatives include:

- Provide hardware and software which will contribute to manufacturing industries globally
- Expand cross border business and maintain appropriate profit for continuous growth
- Promote environment and shareholder friendly management practices and policies

Thanks to these initiatives, OSG has expanded its business and presence in the Global market.

In order for the OSG group companies to achieve further growth, management resources will be fully utilized and total optimization of all group companies and employees will be strongly promoted.

The purpose of the three year management plan (FY2007-2009) is to realize the vision “to become the world No.2 cutting tool manufacturer” by making full use of management resources and promoting its capital and business alliance with Tungaloy Corporation, which was announced in July, 2006.

#### **Management Strategy**

##### **1. Basic Strategy**

OSG Group will promote the following basic strategies and increase its corporate value by full use of group management resources.

- Promote policies to increase overseas sales and target 48% of overseas sales ratio in 2009.
- Maximize management results in cooperation with Tungaloy in the global market.
- Enhance cost competitiveness, develop new products for global market, and achieve a competitive advantage over competitors.
- Maximize operating cash flow.
- Achieve transparency within the organization by clarifying growth strategies and promoting Mieruka (visualization) of results.

## **2. Product Strategy**

OSG Group will place an added emphasis on automotive, mold & die, and aerospace industries. New product development and service improvements will target customer needs within each industry.

### *Automotive Industry*

By utilizing OSG's existing relationships with automotive customers who have used and trusted OSG taps, the OSG Group will work to promote and expand the sales of carbide drills, PCD tools, and forming tools.

### *Mold & Die Industry*

The OSG Group will enhance its competitiveness in the plastic mold market and enter the large mold markets, such as stamping and die casting. OSG Group will be promoting both OSG products and Tungaloy products.

### *Aerospace Industry*

The OSG Group will develop new products specifically engineered for new aerospace materials and focus on sales efforts within this market.

## **3. Production Strategy**

The OSG Group will promote total optimization of production capacity in manufacturing facilities locate in over 11 countries.

- Establish an OSG global quality assurance system by 2008.
- Produce products at the most suitable locations globally.
- Enhance competitiveness by producing products with the shortest lead time.

## **4. R & D Strategy**

The OSG Group will concentrate its management resources on high value-added technology in growing markets.

- Develop new coating technology.
- Develop new materials and enhance product competitiveness.
- Develop control software for in-house machinery, increase manufacturing capacity of current facilities and continually improve on manufacturing technology.

## 5. Marketing Strategy

- Emphasis the development of the Asian market with expand sales efforts and production bases.
- Promote sales in Europe and the Americas and obtain more market share.

## 6. Operation Strategy

- Gather information globally and consider M&A opportunities which contribute to product expansion and sales channel expansion for the automotive industry.
- Promote employee development for global operations.

## **Management Target**

OSG Group objective is to achieve the following consolidated financial results in 2009.

Sales	106.5 billion yen
Operating Income	21 billion yen
Operating Income Margin	19.7%
Overseas Sales Ratio	48%