

# OSG Corporation

January 6, 2004

## Summary of Consolidated Financial Report for the Fiscal Year Ended November 30, 2003

Stock listings: Tokyo and Nagoya stock exchange - 1<sup>st</sup> section  
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### Consolidated Financial Highlights

Year ended November 30	Millions of yen		%change
	2003	2002	
Net sales	54,618	49,983	9.3
Operating income	7,424	3,224	130.2
Ordinary income	6,704	2,465	171.9
Net income (loss)	4,510	(1,678)	-
Net income to total shareholders' equity	12.5%	(4.6%)	
Total assets	73,886	74,429	
Total shareholders' equity	37,028	35,025	
Shareholders' equity/total assets	50.1%	47.1%	
	Yen		
Shareholders' equity per share	401.34	363.89	
Net income (loss) per share	46.92	(17.25)	
Net income (loss) per share, diluted	45.72	-	
Consolidated cash flow	Millions of yen		
Operating activities	9,239	6,968	
Investing activities	(2,519)	(2,493)	
Financing activities	(6,442)	(2,850)	
Cash and cash equivalents, end of year	4,638	4,407	

### Forecast of Consolidated Results for the Six Months Ending May 31, 2004 and the Year Ending November 30, 2004

	(Millions of yen, except for per share data)	
	Six months ending May 31, 2004	Year ending November 30, 2003
Net sales	30,000	60,600
Ordinary income	4,800	10,000
Net income	2,500	5,400
Net income per share (yen)	-	56.65

Consolidated Balance Sheet  
 OSG Corporation and consolidated subsidiaries  
 November 30, 2003 and 2002

Assets	Millions of yen				Change
	FY2003		FY2002		
<b>Current Assets</b>					
Cash and time deposits	4,752		4,826		
Notes and accounts receivable	11,609		11,407		
Marketable securities	15		80		
Inventories	14,300		12,052		
Deferred tax assets	1,060		391		
Other	1,389		2,003		
Allowance for doubtful accounts	(120)		(186)		
<b>Total current assets</b>	<b>33,007</b>	<b>44.7%</b>	<b>30,576</b>	<b>41.1%</b>	<b>2,431</b>
<b>Fixed Assets</b>					
<b>Tangible Fixed Asset</b>					
Building and structures	9,762		10,177		
Machinery and equipment	13,678		15,452		
Land	9,112		9,344		
Contraction in progress	886		440		
Other	1,109		1,238		
<b>Total tangible fixed asset</b>	<b>34,549</b>	<b>46.8%</b>	<b>36,652</b>	<b>49.2%</b>	<b>(2,102)</b>
<b>Intangible Fixed Asset</b>					
Goodwill	420		589		
Other	387		295		
<b>Total intangible fixed asset</b>	<b>807</b>	<b>1.1%</b>	<b>885</b>	<b>1.2%</b>	<b>(77)</b>
<b>Investments and Other Assets</b>					
Investment securities	3,068		3,309		
Capital contribution	115		68		
Long-term loans receivable	50		177		
Deferred tax assets	1,239		1,769		
Other	1,351		1,390		
Allowance for doubtful accounts	(304)		(401)		
<b>Total investments and other assets</b>	<b>5,521</b>	<b>7.4%</b>	<b>6,315</b>	<b>8.5%</b>	<b>(794)</b>
<b>Total fixed assets</b>	<b>40,878</b>	<b>55.3%</b>	<b>43,853</b>	<b>58.9%</b>	<b>(2,975)</b>
<b>Total</b>	<b>73,886</b>	<b>100.0%</b>	<b>74,429</b>	<b>100.0%</b>	<b>(543)</b>

Yen amounts are rounded down to the nearest million.

Consolidated Balance Sheet  
 OSG Corporation and consolidated subsidiaries  
 November 30, 2003 and 2002

Liabilities and Capital	Millions of yen				Change
	FY2003		FY2002		
<b>Current Liabilities</b>					
Notes and accounts payable	3,464		2,880		
Short-term borrowings	1,956		7,513		
Long-term borrowings, current portion	1,066		2,665		
Income taxes payable	1,320		709		
Accrued expenses	4,081		3,689		
Deferred tax liabilities	1		109		
Other	1,013		1,110		
<b>Total current liabilities</b>	<b>12,903</b>	<b>17.5%</b>	<b>18,678</b>	<b>25.1%</b>	<b>(5,775)</b>
<b>Long-term Liabilities</b>					
Bonds	7,630		652		
Long-term borrowings	7,879		11,366		
Liabilities for employees' retirement benefits	2,962		3,087		
Retirement allowance for directors and corporate auditors	308		519		
Deferred tax liabilities	389		405		
Other	478		333		
<b>Total long-term liabilities</b>	<b>19,648</b>	<b>26.6%</b>	<b>16,364</b>	<b>22.0%</b>	<b>3,284</b>
<b>Total liabilities</b>	<b>32,551</b>	<b>44.1%</b>	<b>35,042</b>	<b>47.1%</b>	<b>(2,490)</b>
<b>Minority Interests</b>	<b>4,306</b>	<b>5.8%</b>	<b>4,361</b>	<b>5.8%</b>	<b>(55)</b>
<b>Shareholders' Equity</b>					
Common stock	10,404	14.1%	10,404	14.0%	-
Additional paid-in capital	12,084	16.4%	12,055	16.2%	29
Retained earnings	21,465	29.0%	17,206	23.1%	4,259
Unrealized gain on available-for-sale securities	494	0.7%	177	0.2%	316
Foreign currency translation adjustments	(4,039)	(5.5%)	(3,667)	(4.9%)	(371)
Treasury stock	(3,381)	(4.6%)	(1,150)	(1.5%)	(2,231)
<b>Total shareholders' equity</b>	<b>37,028</b>	<b>50.1%</b>	<b>35,025</b>	<b>47.1%</b>	<b>2,002</b>
<b>Total</b>	<b>73,886</b>	<b>100.0%</b>	<b>74,429</b>	<b>100.0%</b>	<b>(543)</b>

Consolidated Statement of Operations  
 OSG Corporation and consolidated subsidiaries  
 Years ended November 30, 2003 and 2002

	Millions of yen				Change
	FY2003		FY2002		
Net Sales	54,618	100.0%	49,983	100.0%	4,635
Cost of Sales	34,499	63.2%	34,375	68.8%	124
Gross profit	20,118	36.8%	15,607	31.2%	4,511
Selling, General and administrative expenses	12,694	23.2%	12,383	24.8%	311
Operating income	7,424	13.6%	3,224	6.4%	4,199
Other Income					
Interest income	68		73		
Dividend income	24		38		
Purchase discount	53		64		
Other - net	405		297		
Total other income	552	1.0%	474	0.9%	77
Other Expenses					
Interest expense	300		393		
Sales discount	499		513		
Other - net	472		326		
Total other expenses	1,271	2.3%	1,233	2.4%	38
Ordinary income	6,704	12.3%	2,465	4.9%	4,239
Extraordinary gains					
Gain on sales of property, plant and equipment	154		221		
Gain on sales of securities	319		143		
Reversal of retirement allowance for directors and corporate auditors	22		-		
Reversal of liabilities for employees' retirement benefits	22		-		
Other - net	26		41		
Total extraordinary gain	545	1.0%	406	0.8%	139
Extraordinary losses					
Loss on disposal of property plant and equipment	221		76		
Loss on sales of property, plant and equipment	88		20		
Write down of securities	3		1,768		
Loss from evaluation of golf membership	113		110		
Provision for retirement allowance for directors and corporate auditors, prior service cost	43		-		
Retirement benefits for directors and corporate officers	100		22		
Loss on closure of factory	-		495		
Impairment of goodwill	-		272		
Other - net	31		21		
Total extraordinary loss	603	1.1%	2,789	5.6%	(2,186)
Income before income taxes	6,647	12.2%	82	0.1%	6,564
Income taxes - current	2,116	3.9%	995	2.0%	1,121
Income taxes - deferred	(493)	(0.9%)	416	0.8%	(909)
Minority interests	513	0.9%	349	0.7%	164
Net income	4,510	8.3%	(1,678)	(3.4%)	6,188

Consolidated Statement of Cash Flows  
 OSG Corporation and consolidated subsidiaries  
 Years ended November 30, 2003 and 2002

	Millions of yen	
	FY2003	FY2002
<b>Operating Activities:</b>		
Income before income taxes and minority interest	6,647	82
Depreciation and amortization	4,642	5,279
Amortization on goodwill	43	113
Impairment of good will	-	272
Provision for doubtful receivables	(21)	122
Change in liability for employees' retirement benefits	(124)	(26)
Change in retirement allowance for directors and corporate auditors	(210)	31
Loss on disposals of property, plant and equipment	221	76
Write-down of investment securities	3	1,768
Gain on sales of securities	(319)	(143)
Interest and dividend income	(93)	(112)
Interest expense	300	393
Equity in losses (earnings) of subsidiaries & affiliates	(12)	33
Change in notes and accounts receivable	(212)	659
Change in inventories	(1,184)	1,185
Change in notes and account payable	778	(1,121)
Increase in accrued expenses	398	181
Other	182	231
Sub-total	11,040	9,029
Interest and dividend income received	113	135
Interest expense paid	(303)	(385)
Income taxes - paid	(1,610)	(1,810)
Net cash provided by operating activities	9,239	6,968
<b>Investing Activities:</b>		
Payments for time deposits	(233)	(475)
Proceeds from refund of time deposits	523	880
Purchases of marketable securities	0	(1,215)
Proceeds from sales of marketable securities	76	1,421
Purchases of investment securities	(25)	(108)
Proceeds from sales of investment securities	840	577
Acquisitions of property, plant and equipment	(3,284)	(4,128)
Proceeds from sales of property, plant and equipment	285	598
Proceeds (payment) for purchase of subsidiaries' stock	(592)	437
Other	(110)	(482)
Net cash used in investing activities	(2,519)	(2,493)
<b>Financing Activities:</b>		
Change in short-term borrowings	(5,404)	(1,267)
Proceeds from long-term debt	438	7,037
Repayment of long-term borrowings	(5,423)	(2,043)
Proceeds from issuance of bonds	6,985	-
Redemption of bonds	-	(5,000)
Dividends paid	(944)	(590)
Dividends paid to minority shareholders	(114)	(37)
Purchase of treasury stock	(2,324)	(982)
Other	344	34
Net cash used in financing activities	(6,442)	(2,850)
Effect of exchange rate change on cash and cash equivalents	(55)	77
Net increase (decrease) in cash and cash equivalents	222	1,702
Cash and cash equivalents at beginning of year	4,407	2,270
Cash and cash equivalents of Newly consolidated subsidiaries at beginning of year	8	433
Cash and cash equivalents at end of year	4,638	4,407

## **Operations by Geographical Segment**

Results for the year ended November 30, 2003

Millions of yen

	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	35,550	8,373	3,176	7,518	54,618	-	54,618
Interarea transfers	6,663	144	18	208	7,035	(7,035)	-
Total sales	42,213	8,518	3,195	7,727	61,654	(7,035)	54,618
Operating expenses	36,776	8,058	2,792	6,668	54,295	(7,100)	47,194
Operating income	5,437	459	402	1,059	7,358	65	7,424
Assets	62,463	7,606	3,227	11,500	84,798	(10,911)	73,886

Results for the year ended November 30, 2002

Millions of yen

	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	32,377	8,744	2,559	6,301	49,983	-	49,983
Interarea transfers	5,940	285	8	242	6,476	(6,476)	-
Total sales	38,318	9,029	2,568	6,544	56,460	(6,476)	49,983
Operating expenses	36,182	9,213	2,318	5,807	53,522	(6,763)	46,758
Operating income	2,136	(184)	249	736	2,937	286	3,224
Assets	61,536	8,717	2,700	11,649	84,605	(10,175)	74,429

## **Sales to Foreign Customers**

Results for the year ended November 30, 2003

Millions of yen

	The Americas	Europe	Asia	Other	Total
Foreign sales	8,177	3,487	7,802	63	19,531
Net sales					54,618
Ratio of foreign sales to net sales	15.0%	6.4%	14.3%	0.1%	35.8%

Results for the year ended November 30, 2002

Millions of yen

	The Americas	Europe	Asia	Other	Total
Foreign sales	8,501	2,935	6,618	57	18,113
Net sales					49,983
Ratio of foreign sales to net sales	17.0%	5.9%	13.2%	0.1%	36.2%

## **Net sales, broken down by Products Segment**

Millions of yen

	FY2003	FY2002	Change	%change
Cutting tools:				
Thread-cutting tools	16,426	15,442	984	6.4%
Milling cutters	16,184	14,829	1,355	9.1%
Other cutting tools	9,375	8,408	967	11.5%
Total	41,986	38,680	3,306	8.5%
Forming tools	5,198	4,581	617	7.2%
Measuring tools	981	934	47	5.0%
Other	6,451	5,516	935	16.9%
Total	54,618	49,983	4,635	9.3%