

# Consolidated Summary Report for the Fiscal year ended November 30, 2004

January 5, 2005

Company name : OSG Corporation  
 Shares Listed : Tokyo stock exchange 1st section (Code number 6136)  
                   : Nagoya stock exchange 1st section  
 Location of the head office : Aichi Prefecture  
 Representative: : Teruhide Osawa, President  
 Contact person: : Koji Sonobe, Controller  
                   TEL: 0533-82-1113 URL <http://www.osg-ir.com>  
 Date of the meeting of the Board : Wednesday, January 5, 2005  
 of Directors for FY 2004 financial results

## 1. Results of FY2004 (December 1, 2003 - November 30, 2004)

### (1) Consolidated financial results (Amounts less than one million yen are omitted)

	Net Sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2004	65,975	20.8	11,029	48.6	10,529	57.0
FY2003	54,618	9.3	7,424	130.2	6,704	171.9

	Net income		Net income per share - basic	Net income per share - diluted	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	Million yen	%	Yen	Yen	%	%	%
FY2004	5,647	25.2	60.32	55.66	14.6	13.6	16.0
FY2003	4,510	-	46.92	45.72	12.5	9.0	12.3

Note 1: Equity in earnings of affiliated companies: FY 2004 ¥138 million, FY2003 ¥12 million.

Note 2: Average number of shares issued and outstanding in each year (consolidated): FY2004 91,356,755 shares  
 FY2003 93,290,137 shares

Note 3: Whether or not to change the accounting method: No

Note 4: Regarding net sales, operating income, ordinary income and net income, the right figures show percentage of changes from the previous year.

### (2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of Shareholder's equity	Shareholders' equity per share
	Million yen	Million yen	%	yen
FY2004	81,150	40,464	49.9	442.03
FY2003	73,886	37,028	50.1	401.34

Note: Numbers of shares issued and outstanding at the end of each year (consolidated)  
 <FY2004> 91,233,289 shares, <FY2003> 91,932,783 shares

### (3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash & cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
FY2004	11,585	(7,496)	(2,870)	6,112
FY2003	9,239	(2,519)	(6,442)	4,638

- (4) Scope of consolidation and equity method  
 Number of Consolidated subsidiaries 41 companies  
 Number of affiliated companies accounted for under the equity method 2 companies
- (5) Changes in scope of consolidation and equity method  
 Consolidated subsidiaries (increase) 7 (decrease) 0  
 Affiliated companies accounted for under the equity method (increase) 0 (decrease) 0

2. Business forecast for the year ending November 30, 2005  
 (December 1, 2004 - November 30, 2005)

	Net sales	Operating income	Ordinary income	Net income
	Million yen	Million yen	Million yen	yen
Semi-Annual	36,900	7,100	7,000	3,700
Annual	74,800	14,000	13,800	7,400

(Reference) Prospected net income per share (annual) : 79.61 yen

[Note regarding forecast]

The above forecasts for operating results are based on information available at the time this report was released. These forecasts and other forward-looking statements are not guarantees of future performance. Actual operating results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

## 2. Management policy

### 1. Basic policy and vision

In keeping with our corporate vision of contributing to the advance of manufacturing on a global scale, our basic policy consists of four major components, as follows:

- 1) Companies must remain ever-conscious of their social responsibilities and supply products that are truly needed by their customers.
- 2) For their employees, they must offer suitable work and a better life.
- 3) For their shareholders, they must strive for the stable allocation of fair dividends.
- 4) For themselves, they must endeavor to heighten their trustworthiness in society at large, carry out sound management, and evolve into world-class enterprises.

Under this policy, we aspire to be the kind of company that fully lives up to the expectations and trust of its customers, employees, shareholders, and general public.

#### Fundamental Policy for the Distribution of Earnings

We consider the distribution of earnings to shareholders as one of our key management tasks. We aim for a payout ratio of at least 30% on the consolidated basis, and intend to make dividend payments in line with this ratio while also taking account of such matters as cash flow and financial position. For the fiscal year under review, we paid interim dividends of ¥8 per share and intend to pay a year-end dividend of ¥10 per share, based on our performance.

Regarding free cash flow, we accord top priority to investment in areas that heighten corporate value, such as the expansion of our current core business and the global development of operations. We also acquire the Company's own shares as appropriate for the distribution of earnings to our shareholders and are working to increase our investment efficiency as viewed from the long-term perspective. During the year under review, we acquired 1,533 thousand shares of the Company's own shares.

We strive to make effective use of retained earnings to reinforce and expand our new product development and setup for production and sales inside and outside Japan as part of our efforts to strengthen our financial health and business base in the long term.

### Matters Regarding Reduction in Share Trading Unit

We regard reducing the share trading unit as an effective means of expanding the base of individual investors and increasing the liquidity of our shares. A meeting of our board held on June 11, 2004 decided upon a reduction in the number of shares per unit from 1,000 to 100, and the trading unit of shares of the Company was lowered to 100 as of August 2, 2004. This step is anticipated to further increase the liquidity of our shares and expand the base of individual investors.

### Targeted Management Goals

To maximize our corporate value, we have posted the goals of a return on equity (ROE) of 14% and operating margin of 20% (both on the consolidated basis). We hope to attain these goals by increasing profit through the effective use of Group resources, making the most of our assets, compressing our liabilities, and otherwise raising our management efficiency.

### Medium- and Long-Term Management Strategies and Tasks

First, we are aiming to be an all-around, globally-active tool manufacturer. More specifically, we want to bring the ratio of overseas sales to net sales to at least 50% by the establishment of a structure enabling production, procurement, and sales in the optimal markets wherever they are around the world through the organic linkage of overseas production and sales bases. The scope of activity of many industries, most importantly the auto industry and IT-related industries, are already extensively globalized. In the process of globalization, the tool requirements are shifting to higher standards of quality and performance with procurement arrangements premised on global schemes for supply and technical support.

Under these circumstances, we are constructing a distinctive setup for support that seamlessly integrates our sales and manufacturing locations in 22 countries around the world. Through the skillful use of our second plant in China, which went into operation in the second half of the year under review, we plan to bolster our cost-competitiveness and put China squarely on our side.

Second, we are aiming at reducing costs substantially, shortening lead-times, and meeting all delivery deadlines by revising all production and business processes. Manufacturers are demanding a more diverse supply of tools in smaller quantities as

well as delivery within a shorter time frame. Under these circumstance, we are aiming at reducing lead time and meeting all deadlines and to this end are thoroughly reviewing our production process under the direction of our OSG Production System (OPS) Division.

Third, we shall continue to promote environment-aware management as a social imperative through the creation of products that reflect concern for the environment. Under our second environmental plan, which was initiated in December 2002, we are taking approaches that are not confined to the mitigation of environmental impact but extend to environmental preservation and improvement at all stages of the product life cycle. In more specific terms, our objectives include dry cutting (i.e., without use of oil), the reduction of waste, and recycling.

Fourth, we are developing human resources capable of acting on the global stage. The growth of borderless, globalized business operations demands personnel with such capabilities. We view it as indispensable to employ people who can understand other cultures and customs and who are capable of doing business on an equal footing with other globalized firms anywhere in the world. In our efforts to develop human resources with global skills, we are building up our Group personnel data bank (which now contains about 4,000 entries), promoting programs of interchange with overseas offices, and sending employees abroad for study.

Fifth, we are reinforcing our capabilities to develop new products. It is essential that we strengthen our competitiveness to cope with demand for higher levels of performance and precision in machine tools and other equipment as well as the emergence of newly developed materials. We have begun to take action in implementing a far-reaching reconstruction of our development process with a view to the solid apprehension of customer needs and timely creation.

Basic Recognition of Corporate Governance Principles and the Implementation of Related Policies

Basic Recognition of Corporate Governance Principles

In our perception, the thrust of principles pertaining to improved corporate governance

lies in an increase in the trustworthiness, fairness, and soundness of corporate management and a rise in corporate value through the assurance of management transparency, morality, information disclosure, and accountability to society.

#### Measures Related to Corporate Governance

In February 2003, we took certain measures to revitalize our board of directors, including reducing the number of directors and shortening their period in office from two years to one in the interest of facilitating prompter and smoother decision-making as well as a surer response to changes in the business climate. At the same time, we instated a new operating officer system to reinforce business execution. Our new board has a membership of eight and board meetings are held regularly once a month with and extraordinary board meetings held as necessary, enabling quick decision-making on the part of management and a careful monitoring of the execution of business activities. The 12 corporate executive officers (four of whom also serve on the board) are appointed by the board and flexibly and promptly carry out their duties..

In addition, we hold monthly management conferences with the participation of directors, corporate executive officers, and general managers of divisions (some of whom also serve as corporate executive officers). This management conference is held to convey the management policies and business plans determined by the board meeting and discuss the findings of business status reports made by corporate executive officers and general managers of divisions.

OSG applies the system of corporate auditors, who number three (one full-time corporate auditor and two corporate auditors, including one outside corporate auditor). The auditors hold meetings as necessary, and also attend such important meetings as board meetings and management conferences to confirm the status of director's business execution activities.

As for disclosure, we strive for the prompt release of corporate and financial information, and are developing vigorous investor relations activities for the widespread provision of data to investors and shareholders.

### 3. Results of Operations and Financial Position

#### 1. Results of Operations

##### (1) Outline of Operations for the Year Ended November 30, 2004

During the year under review, the global economy exhibited a general tone of expansion in spite of the uncertainty associated with rising prices for crude oil and raw materials, thanks to the lift provided by the expansion of the Chinese economy and firm recovery of the U.S. economy. The Japanese economy, too, achieved a smooth recovery supported by the favorable trend in exports and burgeoning private-sector capital investment. In the auto industry, the main customer of our Group, business was brisk as demand swelled against the background of a jump in sales of compact automobiles to cope with the tightening of environmental regulations and diversifying preferences among customers.

With regard to domestic marketing, our Auto World Division and Development Division led efforts to identify needs among automakers and other major clients. We completely changed our marketing style from "product sales" to "proposal-oriented sales" through the extensive use of OS Cubic, a marketing tool. We think our rigorous proposal-oriented marketing activities were behind the increased orders and deepened bonds of trust.

In the United States, we established Cutting Tool Innovations, Inc. (CTI), in November 2003 and instated a setup capable of addressing a wide range of carbide tool needs. In the field of forming tools, we acquired Sterling Die, Inc. (SDI), in June 2004 and made arrangements for the cultivation of the U.S. market as the sole forming tool manufacturer with a plant in the U.S.

In Europe, we completed the acquisition of a sales agency in Italy and made provisions for full-fledged sales in what is the second-ranked cutting tool and mold and die market in Europe, after that of Germany. Germany is also Europe's biggest automobile market, and OSG GmbH, the wholly-owned subsidiary we founded in that country in February 2003, commenced regular sales activities.

In Asia, we increased the our sales and technical corps staff in such cities as Shanghai, Dalian, Guangzhou, Shenzhen, and Tianjin in order to bolster our support for the auto and mold and die industries in China. OSG (Shanghai) Precision Tools Co., Ltd., our

second Chinese plant established in the Songjiang special industrial zone in a suburb of Shanghai, went into operation in the second half of the year under review. In Taiwan as well, we expanded our production facilities to keep abreast of the mounting demand for tools driven by booming business in the digital home appliance, IT, and auto industries.

As for product-specific strategy, we mounted a campaign for expanding sales of high-speed steel products to further increase our share of this market and strengthen our ties with customers in it. This campaign led to a massive receipt of orders for such products. At the same time, we took a number of other steps for swift adaptation to the market needs, including widening the assortment offered in the WX carbide end mill series, adding new sizes in the FTO-GDXL (highly competitive long drills for opening deep oblique holes in crankshafts), and bringing ultra-small products (small-diameter fluteless Nu-Roll taps) to the market.

Meanwhile, as demand for small-sized hard disk drives (HDDs) is increasing at a fast pace, demand for Micro Stix, our patented ultra-small screw for recess-type LH Stix, is increasing drastically.

In domestic manufacturing, we launched efforts aimed at the construction of our own efficient production management system, OSG Production System (OPS), based on the Toyota production management system. We upgraded our tap plant—the world's biggest—aiming to attain even higher quality and productivity. Toward the goal of attaining higher efficiency through the consolidation of design operations, we created the C4 Project (the four Cs being "challenge," "clear," "clever," and "creative"), and completed preparations for its launch on December 1, 2004.

As a result, net sales for the year under review increased 20.8% to ¥65,975 million. Ordinary income increased 57.0% to ¥10,529 million. Net income increased 25.2% to ¥5,647 million.

## (2) Outline of Operations by Segment for the Year Ended November 30, 2004

### 1) Geographical Segments

#### Japan

In Japan, supported by a burgeoning demand from the auto industry as well as the IT- and digital-related equipment and machine tool industries, proactive capital investment backed by favorable corporate performance, and firm exports, sales reached ¥51,026 million, up 20.9% from the previous year. In earnings as well, our pursuit of more efficient production and cost reductions was reflected in an operating income of ¥7,970 million, up 46.6% from the previous year.

#### The Americas

Supported by strong personal consumption accompanying an upturn in employment, the U.S. auto industry and industry in general showed a steady tone. The Group enjoyed smooth sales in North America, and sales by our manufacturing subsidiaries in Mexico and Brazil in North America remained high. This enabled us to post sales of ¥10,027 million, up 17.7%, and operating income of ¥1,171 million, up 155.2%.

#### Europe

In Europe, personal consumption sagged due to the harsh employment climate. Although external demand made a moderate recovery, internal demand was less capable of rebounding and lacked the momentum for real recovery. In this situation, our Group pursued aggressive sales strategies, mainly targeting the auto industry, in various European countries and managed to achieve sales of ¥3,910 million, up 22.4%, and operating income of ¥523 million, up 30.1%.

#### Asia

In Thailand, Singapore, and other countries of Southeast Asia, business was brisk in the IT- and digital-related, motorcycle, and automotive-related industries. In China, the pace of capital investment and building construction has begun to slow, partly because of a tight monetary policy, and automobile sales have also seen sluggish growth; however, the influence of this policy is thought to be limited. Under these circumstances, we implemented positive-minded sales measures, including increasing our visits to customers in East and Southeast Asia and expanding our regional scope of activity. As a result, sales were ¥9,391 million, up 21.5%, and operating income was ¥1,289 million,

up 21.8%.

## 2) Segments by Type of Business

This Group specializes in the production and sale of cutting and other precision machine tools. Our business may be broadly divided into the precision tool division and other divisions. As the precision tool division accounts for more than 90% of our sales and operating profit and loss, it was decided to omit an account of our results by type of business segments in this report, and present one in terms of product segments, as follows.

### Cutting tools segment

In the cutting tools segment, we recorded sales of ¥50,230 million, up 19.6%, thanks to a substantial increase in orders from the automotive-related industry, digital home appliances industries, and communications equipment-related industries, all of which enjoyed a strong demand. On the marketing side, We deployed sales campaigns aimed at automakers and other large-scale users, and succeeded in expanding our sales of carbide drills as well as carbide end mills, taps, and other carbide tools. Furthermore, we extended our sales of our conventional high-speed steel tools and increased those of high-speed steel taps and end mills.

### Forming tools segment

In the forming tools segment, sales reached ¥5,824 million, up 12.0%. We strengthened our marketing activities, through the aggressive development of sales to such major customers as automakers and automotive component manufacturers. We increased our sales in the Americas upon acquisition of Sterling Die, Inc. (SDI), a U.S.-based forming tools manufacturer .

### Measuring tools segment

In the measuring tools segment, sales amounted to ¥1,164 million, up 18.7%. Because there are mounting needs for higher degrees of precision to support higher levels of industrial product quality, the inspection of finished product quality is becoming increasingly important. This need is behind the firmly based demand for measuring tools used for the inspection of screw part precision. Sales increased thanks to successful marketing strategies, including an expansion of our product assortment to cope with more complex screw operations and the start of rental service for gauges.

## Other segments

Our sales in other segments came to ¥8,755 million, up 35.7%. The year saw a steep increase in sales of machine tools due to the demand associated with capital investment. In addition, sales of Micro Stix, our ultra-small screw, increased, thanks to advances in the miniaturization of computer HDDs and further expansion of demand from the non-computer products such as digital versatile disk (DVD) recorders.

### 3) Projects for the Year Ending November 30, 2005

In the current fiscal year, we anticipate that world economic growth to slow down gradually as a result of such developments as a slowing of business in the Americas due to interest rate hikes and the lessening impact of tax reductions in the United States, an adjustment in production in the IT- and digital-related equipment fields in Asia as a whole, and continued efforts to curtail economic overheating in China. Our projections also take into account a rise in production costs due to high for crude oil and raw materials prices and exchange rate fluctuations. As such, there is no predicting what results the business climate will yield.

In the automotive-related industries, which are the principal users of manufacturing tools, Japan's leading automakers will presumably promote the further expansion of their overseas production bases. Thus, automobile production will continue to increase on a global basis. In the machine tool industry, too, a significant decline in performance is not expected as its business with automotive-related industries is expected to hold steady, although such factors as the restrictive monetary policy in China and the adjustment of production in the digital equipment industries should act to slacken demand. In light of this outlook, we think the demand for manufacturing tools will stay firm, supported by the deep-seated need of the automotive-related industries, our main client, and the mold and die industry.

On the marketing front, we are determined to raise our Group power even higher by continuing to pursue unswervingly customer-oriented sales and making effective use of our energies through the coordinated efforts of our network of marketing and production bases in 22 countries around the world, our most vital asset. We are also going to aggressively cultivate the market by continuing to bring to the market new products to match customer needs. At the same time, we shall work for further cost reductions at manufacturing sites and in all other divisions.

On these assumptions, we are projecting net sales of ¥74,800 million, up 13.4%, ordinary income of ¥13,800 million, up 31.1%, and net income of ¥7,400 million, up 31.0%.

**\*\* A note about projected results**

The above estimates were made based on the information available as of the date of this release and certain assumptions regarding uncertain factors which may affect the Company's operating results in the future. Actual results could differ significantly from the above estimates because of subsequent changes in circumstances.

Consolidated Summary Balance Sheet  
OSG Corporation

Assets	(Millions of yen : amounts less than one million yen are omitted)				
	FY2004		FY2003		Change
	As of Nov. 30, 2004		As of Nov. 30, 2003		
<b>Current Assets</b>					
Cash and time deposits	6,269		4,752		
Notes and accounts receivable	13,772		11,609		
Marketable securities	1		15		
Inventories	15,069		14,300		
Deferred tax assets	1,318		1,060		
Other	1,200		1,389		
Allowance for doubtful accounts	(176)		(120)		
<b>Total current assets</b>	<b>37,455</b>	<b>46.2%</b>	<b>33,007</b>	<b>44.7%</b>	<b>4,448</b>
<b>Fixed Assets</b>					
<b>Tangible Fixed Asset</b>					
Building and structures	10,575		9,762		
Machinery and equipment	13,718		13,678		
Land	9,614		9,112		
Construction in progress	1,333		886		
Other	1,159		1,109		
<b>Total tangible fixed asset</b>	<b>36,400</b>	<b>44.8%</b>	<b>34,549</b>	<b>46.8%</b>	<b>1,850</b>
<b>Intangible Fixed Asset</b>					
Goodwill	752		420		
Other	556		387		
<b>Total intangible fixed asset</b>	<b>1,309</b>	<b>1.6%</b>	<b>807</b>	<b>1.1%</b>	<b>501</b>
<b>Investments and Other Assets</b>					
Investment securities	3,458		3,068		
Capital contribution	90		115		
Long-term loan receivable	49		50		
Deferred tax assets	1,197		1,239		
Other	1,460		1,351		
Allowance for doubtful accounts	(272)		(304)		
<b>Total investments and other assets</b>	<b>5,984</b>	<b>7.4%</b>	<b>5,521</b>	<b>7.4%</b>	<b>463</b>
<b>Total fixed assets</b>	<b>43,694</b>	<b>53.8%</b>	<b>40,878</b>	<b>55.3%</b>	<b>2,815</b>
<b>Total</b>	<b>81,150</b>	<b>100.0%</b>	<b>73,886</b>	<b>100.0%</b>	<b>7,263</b>

Consolidated Summary Balance Sheet  
OSG Corporation

Liabilities and Capital	(Millions of yen : amounts less than one million yen are omitted)				
	FY2004		FY2003		Change
	As of Nov. 30, 2004		As of Nov. 30, 2003		
<b>Current Liabilities</b>					
Notes and accounts payable	4,749		3,464		
Short-term borrowings	3,266		1,956		
Bonds, current portion	627		-		
Long-term borrowings, current portion	573		1,066		
Income taxes payable	3,006		1,320		
Accrued expenses	4,578		4,081		
Deferred tax liabilities	-		1		
Other	1,220		1,013		
<b>Total current liabilities</b>	<b>18,021</b>	<b>22.2%</b>	<b>12,903</b>	<b>17.5%</b>	<b>5,118</b>
<b>long-term Liabilities</b>					
Bonds	6,160		7,630		
Long-term borrowings	7,675		7,879		
Liabilities for employees' retirement benefits	2,987		2,962		
Retirement allowance for directors and corporate auditors	306		308		
Deferred tax liabilities	404		389		
Other	474		478		
<b>Total long-term liabilities</b>	<b>18,009</b>	<b>22.2%</b>	<b>19,648</b>	<b>26.6%</b>	<b>(1,639)</b>
<b>Total liabilities</b>	<b>36,030</b>	<b>44.4%</b>	<b>32,551</b>	<b>44.1%</b>	<b>3,478</b>
<b>Minority Interests</b>	<b>4,654</b>	<b>5.7%</b>	<b>4,306</b>	<b>5.8%</b>	<b>348</b>
<b>Shareholders' Equity</b>					
Common stock	10,404	12.8%	10,404	14.1%	-
Capital surplus	12,333	15.2%	12,084	16.4%	248
Retained earnings	25,636	31.6%	21,465	29.0%	4,170
Unrealized gain on available-for-sale securities	737	0.9%	494	0.7%	243
Foreign currency translation adjustments	(3,842)	(4.7%)	(4,039)	(5.5%)	196
Treasury stock	(4,804)	(5.9%)	(3,381)	(4.6%)	(1,422)
<b>Total shareholders' equity</b>	<b>40,464</b>	<b>49.9%</b>	<b>37,028</b>	<b>50.1%</b>	<b>3,436</b>
<b>Total</b>	<b>81,150</b>	<b>100.0%</b>	<b>73,886</b>	<b>100.0%</b>	<b>7,263</b>

Consolidated Summary Statement of Income  
OSG Corporation

(Millions of yen : amounts less than one million yen are omitted)

	FY2004		FY2003		Change
	2003/12/1- 2004/11/30		2002/12/1- 2003/11/30		
Net Sales	65,975	100.0%	54,618	100.0%	11,357
Cost of Sales	40,807	61.9%	34,499	63.2%	6,307
Gross profit	25,168	38.1%	20,118	36.8%	5,050
Selling, General and administrative expenses	14,139	21.4%	12,694	23.2%	1,444
Operating income	11,029	16.7%	7,424	13.6%	3,605
Other Income					
Interest income	52		68		
Dividend income	30		24		
Purchase discount	51		53		
Equity in earnings of subsidiaries and affiliates	138		12		
Other - net	257		393		
Total other income	530	0.8%	552	1.0%	(21)
Other Expenses					
Interest expense	200		300		
Sales discount	576		499		
Other - net	254		472		
Total other expenses	1,031	1.5%	1,271	2.3%	(240)
Ordinary income	10,529	16.0%	6,704	12.3%	3,824
Extraordinary gain					
Gain on sales of property, plant and equipment	34		154		
Gain on sales of securities	5		319		
Gain on reversal of the provision of retirement lump-sum payment to directors	-		22		
Gain on reversal of allowance for employee retirement benefits due to change of the regulation	-		22		
Gain from the prior-term adjustment	14		-		
Other - net	-		26		
Total extraordinary gain	55	0.1%	545	1.0%	(490)
Extraordinary loss					
Loss on disposal of property plant and equipment	148		221		
Loss on sales of property, plant and equipment	28		88		
Write down of securities	0		3		
Loss from evaluation of golf membership	36		113		
Charge for full amount of past service costs of retirement allowances for directors and corporate auditors	-		43		
Retirement lump-sum payment to directors	-		100		
Loss from the prior-term adjustment	55		-		
Other - net	2		31		
Total extraordinary loss	272	0.4%	603	1.1%	(331)
Income before income taxes	10,312	15.7%	6,647	12.2%	3,664
Income taxes - current	4,474	6.8%	2,116	3.9%	2,357
Income taxes - deferred	(404)	(0.6%)	(493)	(0.9%)	88
Minority interests	594	0.9%	513	0.9%	81
Net income	5,647	8.6%	4,510	8.3%	1,137

Consolidated Summary Statement of Cash Flows  
OSG Corporation

(Millions of yen : amounts less than one million yen are omitted)

	FY2004	FY2003
	2003/12/1- 2004/11/30	2002/12/1- 2003/11/30
<b>Operating Activities:</b>		
Income before income taxes and minority interest	10,312	6,647
Depreciation and amortization	4,445	4,642
Amortization on goodwill	75	43
Provision for doubtful receivables	30	(21)
Change in liability for employees' retirement benefits	14	(124)
Change in retirement allowance for directors and corporate auditors	(3)	(210)
Loss on disposals of property, plant and equipment	148	221
Write-down of investment securities	0	3
Gain on sales of securities	(5)	(319)
Interest and dividend income	(83)	(93)
Interest expense	200	300
Equity in earnings of subsidiaries & affiliates	(138)	(12)
Change in notes and accounts receivable	(1,727)	(212)
Change in inventories	(365)	(1,184)
Change in notes and account payable	1,013	778
Change in accrued expenses	423	398
Other - net	116	182
Sub-total	14,457	11,040
Interest and dividend income received	128	113
Interest expense paid	(203)	(303)
Income taxes - paid	(2,797)	(1,610)
Net cash provided by operating activities	11,585	9,239
<b>Investing Activities:</b>		
Payments for time deposits	(277)	(233)
Proceeds from refund of time deposits	244	523
Purchases of marketable securities	(0)	(0)
Proceeds from sales of marketable securities	12	76
Purchases of investment securities	(21)	(25)
Proceeds from sales of investment securities	18	840
Acquisitions of property, plant and equipment	(6,183)	(3,284)
Proceeds from sales of property, plant and equipment	137	285
Payment for purchase of subsidiaries' stock	(1,028)	(592)
Payment for purchase of affiliated companies' stock	(50)	-
Other - net	(348)	(110)
Net cash used in investing activities	(7,496)	(2,519)
<b>Financing Activities:</b>		
Change in short-term borrowings - net	1,142	(5,404)
Proceeds from long-term debt	531	438
Repayment of long-term borrowings	(1,131)	(5,423)
Issuance of convertible bonds	-	6,985
Dividends paid	(1,274)	(944)
Dividends paid to minority shareholders	(120)	(114)
Purchase of treasury stock	(2,018)	(2,324)
Other - net	-	344
Net cash used in financing activities	(2,870)	(6,442)
Effect of exchange rate change on cash and cash equivalents	114	(55)
Net increase (decrease) in cash and cash equivalents	1,331	222
Cash and cash equivalents at beginning of year	4,638	4,407
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	141	8
Cash and cash equivalents at end of year	6,112	4,638

## Operations by Geographical Segment

Results for FY2004 (Dec. 1, 2003 through Nov. 30, 2004)

	Millions of yen						
	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	43,174	9,847	3,903	9,050	65,975	-	65,975
Interarea transfers	7,851	179	7	341	8,379	(8,379)	-
Total sales	51,026	10,027	3,910	9,391	74,355	(8,379)	65,975
Operating expenses	43,055	8,855	3,386	8,101	63,399	(8,453)	54,946
Operating income	7,970	1,171	523	1,289	10,956	73	11,029
Assets	67,405	8,772	4,269	14,559	95,007	(13,856)	81,150

Results for FY2003 (Dec. 1, 2002 through Nov. 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

## Sales to Foreign Customers

Results for FY2004 (Dec. 1, 2003 through Nov. 30, 2004)

	Millions of yen						
	The Americas	Europe	Asia	Other	Total		
Foreign sales	9,591	4,073	9,338	33	23,037		
Net sales						65,975	
Ratio of foreign sales to net sales	14.5%	6.2%	14.1%	0.1%	34.9%		

Results for FY2003 (Dec. 1, 2002 through Nov. 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%		

## Net sales, broken down by Products Segment

	Millions of yen			
	FY2004	FY2003	Change	%change
Cutting tools:				
Thread-cutting tools	19,105	16,426	2,679	16.3 %
Milling cutters	19,371	16,184	3,187	19.7
Other cutting tools	11,754	9,375	2,379	25.4
Total	50,230	41,986	8,244	19.6
Forming tools	5,824	5,198	626	12.0
Measuring tools	1,164	981	183	18.7
Other:				
Machine	2,656	1,664	992	59.6
LHS	1,617	1,143	474	41.4
Other	4,481	3,643	838	23.0
Total	8,755	6,451	2,304	35.7
Total	65,975	54,618	11,357	20.8