

# Consolidated Summary Report for Fiscal 2005 First Quarter, ended February 28, 2005

Company name: OSG Corporation  
 Shares Listed: Tokyo stock exchange 1st section (Code number 6136)  
 Nagoya stock exchange 1st section  
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## 1. Results of FY2005 first quarter (December 1, 2004 - February 28, 2005)

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

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2005 first quarter	17,230	( 19.1)	2,736	( 29.9 )	2,585	( 36.0 )	1,544	( 27.6 )
FY2004 first quarter	14,471	( - )	2,107	( - )	1,901	( - )	1,210	( - )
FY2004	65,975		11,029		10,529		5,647	

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
FY2005 first quarter	16.76	15.72
FY2004 first quarter	13.17	12.11
FY2004	60.32	55.66

Note: The figures in parentheses show percentage of changes from the FY2004 first quarter.

#### [Operating results for FY2005 first quarter]

During FY2005 first quarter, net sales and operating income advanced in both domestic and overseas market thanks to a continuous strong demand.

Sales increased mainly in automotive industry in Japan, aviation industry in the U.S., and automotive industry in Europe. In Asia, sales also grew mainly in automotive and IT industry in Korea, automobile, motorcycle, and IT industry in Southeast Asia and IT-related industry and heavy electrical machinery in China.

As well as growing sales in all of our main product segments, carbide drill enjoyed a brisk business not only in Japan but also in the world because the new products improved visibility of the whole carbide drill series in the market.

With regard to the geographical segment, sales in all regions advanced in this term. Especially, both the Americas which finished reorganization of production bases and strengthened marketing system and China which continued to enjoy expansion of the market, achieved high percentage gain.

As a result, consolidated sales in the FY 2005 first quarter increased 19.1% to ¥17,230 million, operating income increased 29.9% to ¥2,736 million, ordinary income increased 36.0% to ¥2,585 million, and net income increased 27.6% to ¥1,544 million

### (2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Million yen	Million yen	%	yen
FY2005 first quarter	81,010	43,766	54.0	462.76
FY2004 first quarter	74,368	37,273	50.1	405.70
FY2004	81,150	40,464	49.9	442.03

### (3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash & cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2005 first quarter	(1,676)	(1,599)	2,288	5,113
FY2004 first quarter	(97)	(1,443)	1,485	4,698
FY2004	11,585	(7,496)	(2,870)	6,112

#### [Consolidated financial condition]

Total assets at the end of FY2005 first quarter amounted to ¥81,010 million, ¥139 million less than at the end of FY2004. This was primarily due to a decrease of ¥549 million in current assets including a decrease of cash and time deposits and an increase of inventories, and also due to an increase of ¥445 million in fixed assets including an increase of building and structures.

Total liabilities was decreased ¥3,666 million from the end of FY2004. This was because bonds decreased ¥2,930 million due to the convertible bonds with rights being shifted to stock in this quarter. As the treasury stock was used on this shifting, additional paid-in capital was increased and treasury stock was decreased in the shareholders' equity.

(Consolidated cash flows)

Cash and cash equivalents at the end of FY2005 first quarter amounted to ¥5,113 million, ¥998 million less than at the end of FY2004.

<Operating cash flow>

Net cash provided by operating activities was ¥1,676 million. The main components were income before income taxes and minority interest amounted to ¥2,716 million and such noncash items as depreciation and amortization and change in inventories, and other payment amounted to ¥2,936 million including income tax paid, etc.

<Investing cash flow>

Net cash used in investing activities was ¥1,599 million. The main components were payments for acquisitions of property plant and equipment totaling ¥1,709 million and the purchase of stock in subsidiaries totaling ¥149 million.

<Financing cash flow>

Net cash used in financing activities amounted to ¥2,288 million. The major outflows included an increase in short-term borrowings totaling ¥3,366 million, repayment of long-term borrowings amounted to ¥149 million and dividends paid amounted to ¥830 million.

(Reference: 1)

Unconsolidated financial results

(December 1, 2004 - February 28, 2005)

(Amounts less than one million yen are omitted)

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2005 first quarter	10,262	(-)	1,013	(-)	1,428	(-)	1,163	(-)

	Total assets	Shareholders' equity
	Million yen	Million yen
FY2005 first quarter	60,830	38,760

2. Business forecast for the year ending November 30, 2005

(December 1, 2004 - November 30, 2005)

	Net sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen
Semi-Annual	36,900	7,000	3,700	39.12
Annual	74,800	13,800	7,400	76.79

Note: Estimated net income per share has been recalculated based on a change in the number of the shares.

(Reference: 2)

Unconsolidated business forecast for the year ending November 30, 2005

(December 1, 2004 - November 30, 2005)

	Net sales	Ordinary income	Net income	Dividend per share		
				Interim	end of the year	total
	Million yen	Million yen	Million yen	yen		
Semi-Annual	22,300	3,800	2,200	10.00	-	-
Annual	45,100	7,300	4,100	-	10.00	20.00

Estimation of net income per share (Annual) : ¥42.38

Note: Estimated net income per share has been recalculated based on a change in the number of the shares.

[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.

[Attached documents]

- Consolidated Summary Balance Sheet FY2005 First Quarter
- Consolidated Summary Statement of Income FY2005 First Quarter
- Consolidated Summary Cash Flows FY2005 First Quarter
- Operations by Geographical Segment
- Sales to Foreign Customers
- Net sales, broken down by Products Segment

Consolidated Summary Balance Sheet  
OSG Corporation

Assets	(Millions of yen : amounts less than one million yen are omitted)			
	FY2005 First Quarter	FY2004 First Quarter	Change	FY2004
<b>Current Assets</b>				
Cash and time deposits	5,300	4,872	428	6,269
Notes and accounts receivable	13,485	12,109	1,375	13,772
Marketable securities	0	15	(14)	1
Inventories	15,931	14,421	1,509	15,069
Other	2,345	2,837	(492)	2,518
Allowance for doubtful accounts	(155)	(176)	20	(176)
<b>Total current assets</b>	<b>36,906</b>	<b>34,079</b>	<b>2,826 8.3%</b>	<b>37,455</b>
<b>Fixed Assets</b>				
<b>Tangible Fixed Asset</b>				
Building and structures	10,888	9,582	1,305	10,575
Machinery and equipment	13,946	13,421	524	13,718
Land	9,622	8,822	800	9,614
Other	2,388	1,696	692	2,492
<b>Total tangible fixed asset</b>	<b>36,846</b>	<b>33,522</b>	<b>3,323 9.9%</b>	<b>36,400</b>
<b>Intangible Fixed Asset</b>				
Goodwill	623	773	(149)	752
Other	611	372	239	556
<b>Total intangible fixed asset</b>	<b>1,235</b>	<b>1,145</b>	<b>(89) 7.8%</b>	<b>1,309</b>
<b>Investments and Other Assets</b>				
Investment securities	3,399	3,194	205	3,458
Other	2,904	2,691	213	2,798
Allowance for doubtful accounts	(282)	(265)	(16)	(272)
<b>Total investments and other assets</b>	<b>6,022</b>	<b>5,620</b>	<b>401 7.1%</b>	<b>5,984</b>
<b>Total fixed assets</b>	<b>44,104</b>	<b>40,289</b>	<b>3,814 9.5%</b>	<b>43,694</b>
<b>Total</b>	<b>81,010</b>	<b>74,368</b>	<b>6,641 8.9%</b>	<b>81,150</b>

Consolidated Summary Balance Sheet  
OSG Corporation

Liabilities and Capital	(Millions of yen : amounts less than one million yen are omitted)				
	FY2005 First Quarter	FY2004 First Quarter	Change		FY2004
<b>Current Liabilities</b>					
Notes and accounts payable	4,371	3,707	664		4,749
Short-term borrowings	6,566	4,585	1,980		3,266
Long-term borrowings, current portion	511	857	(346)		573
Income taxes payable	943	787	156		3,006
Accrued expenses	3,252	2,783	469		4,578
Other	1,927	1,045	881		1,847
<b>Total current liabilities</b>	<b>17,572</b>	<b>13,766</b>	<b>3,806</b>	<b>27.6%</b>	<b>18,021</b>
<b>Long-term Liabilities</b>					
Bonds	3,230	7,615	(4,385)		6,160
Long-term borrowings	7,548	7,589	(41)		7,675
Liabilities for employees' retirement benefits	2,898	2,840	58		2,987
Retirement allowance for directors and corporate auditors	282	320	(38)		306
Other	833	787	45		879
<b>Total long-term liabilities</b>	<b>14,792</b>	<b>19,152</b>	<b>(4,360)</b>	<b>(22.8%)</b>	<b>18,009</b>
<b>Total liabilities</b>	<b>32,364</b>	<b>32,919</b>	<b>(554)</b>	<b>(1.7%)</b>	<b>36,030</b>
<b>Minority Interests</b>	<b>4,879</b>	<b>4,176</b>	<b>703</b>	<b>16.8%</b>	<b>4,654</b>
<b>Shareholders' Equity</b>					
Common stock	10,404	10,404	-	-	10,404
Additional paid-in capital	13,195	12,084	1,110	9.2%	12,333
Retained earnings	26,134	21,934	4,199	19.1%	25,636
Unrealized gain (loss) on available-for-sale securities	806	676	129	19.2%	737
Foreign currency translation adjustments	(4,047)	(4,389)	341	(7.8%)	(3,842)
Treasury stock	(2,726)	(3,437)	711	(20.7%)	(4,804)
<b>Total shareholders' equity</b>	<b>43,766</b>	<b>37,273</b>	<b>6,492</b>	<b>17.4%</b>	<b>40,464</b>
<b>Total</b>	<b>81,010</b>	<b>74,368</b>	<b>6,641</b>	<b>8.9%</b>	<b>81,150</b>

Consolidated Summary Statement of Income  
OSG Corporation

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

	FY2005	FY2004	Change		FY2004
	First Quarter	First Quarter			
Net Sales	17,230	14,471	2,758	19.1%	65,975
Cost of Sales	10,507	9,155	1,351	14.8%	40,807
Gross profit	6,722	5,315	1,407	26.5%	25,168
Selling, General and administrative expenses	3,986	3,208	778	24.3%	14,139
Operating income	2,736	2,107	629	29.9%	11,029
Other Income					
Interest income	16	9	7		52
Other - net	91	61	30		478
Total other income	108	70	37	52.8%	530
Other Expenses					
Interest expense	46	46	0		200
Other - net	212	229	(17)		831
Total other expenses	258	276	(17)	(6.4%)	1,031
Ordinary income	2,585	1,901	684	36.0%	10,529
Extraordinary gain					
Gain on sales of property, plant and equipment	178	34	144		55
Total extraordinary gain	178	34	144	424.4%	55
Extraordinary loss					
Loss on disposal of property plant and equipment	47	14	33		272
Total extraordinary loss	47	14	33	236.8%	272
Income before income taxes	2,716	1,921	795	41.4%	10,312
Income taxes - current	1,004	603	400	66.4%	4,069
Minority interests	167	107	59	55.8%	594
Net income	1,544	1,210	334	27.6%	5,647

Consolidated Summary Statement of Cash Flows  
OSG Corporation

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

	FY2005	FY2004	FY2004
	First Quarter	First Quarter	
<b>Operating Activities:</b>			
Income before income taxes and minority interest	2,716	1,921	10,312
Depreciation and amortization	1,095	1,028	4,445
Change in allowances	(147)	(71)	41
Other noncash items	8	22	(63)
Change in notes and accounts receivable	240	(484)	(1,727)
Change in inventories	(980)	41	(365)
Change in notes and account payable	(253)	253	1,013
Income taxes - paid	(2,936)	(1,170)	(2,797)
Other	(1,420)	(1,639)	726
<b>Total:</b>	<b>(1,676)</b>	<b>(97)</b>	<b>11,585</b>
<b>Investing Activities:</b>			
Acquisitions of property, plant and equipment	(1,709)	(736)	(6,183)
Proceeds from sales of property, plant and equipment	22	59	137
Proceeds (payment) for purchase of subsidiaries' stock	(149)	(569)	(1,028)
Other	235	(197)	(422)
<b>Net cash used in investing activities</b>	<b>(1,599)</b>	<b>(1,443)</b>	<b>(7,496)</b>
<b>Financing Activities:</b>			
Change in short-term borrowings	3,366	2,519	1,142
Proceeds from long-term debt	3	1	531
Repayment of long-term borrowings	(149)	(368)	(1,131)
Purchase of treasury stock	(4)	(56)	(2,018)
Dividends paid	(830)	(538)	(1,274)
Other	(95)	(73)	(120)
<b>Net cash used in financing activities</b>	<b>2,288</b>	<b>1,485</b>	<b>(2,870)</b>
Effect of exchange rate change on cash and cash equivalents	(11)	(5)	114
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(998)</b>	<b>(61)</b>	<b>1,331</b>
Cash and cash equivalents at beginning of year	6,112	4,638	4,638
Cash and cash equivalents of Newly consolidated subsidiaries at beginning of year	-	121	141
<b>Cash and cash equivalents at end of year</b>	<b>5,113</b>	<b>4,698</b>	<b>6,112</b>

## Operations by Geographical Segment

Results for FY2005 First Quarter (Dec. 1, 2004 through Feb. 28, 2005)

Millions of yen

	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	10,738	2,778	1,049	2,664	17,230	-	17,230
Interarea transfers	2,173	71	0	165	2,411	(2,411)	-
Total sales	12,911	2,849	1,050	2,830	19,642	(2,411)	17,230
Operating expenses	11,189	2,454	906	2,411	16,962	(2,468)	14,493
Operating income	1,722	394	144	418	2,680	56	2,736

(Reference)

Results for FY2004 First Quarter (Dec. 1, 2003 through Feb. 29, 2004)

Millions of yen

	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	9,712	2,040	815	1,903	14,471	-	14,471
Interarea transfers	1,763	50	0	27	1,841	(1,841)	-
Total sales	11,475	2,091	816	1,930	16,313	(1,841)	14,471
Operating expenses	9,871	1,971	744	1,652	14,240	(1,876)	12,364
Operating income	1,603	120	71	277	2,072	34	2,107

## Sales to Foreign Customers

Results for FY2005 First Quarter (Dec. 1, 2004 through Feb. 28, 2005)

Millions of yen

	The Americas	Europe	Asia	Other	Total
Foreign sales	2,782	1,086	2,704	10	6,584
Net sales					17,230
Ratio of foreign sales to net sales	16.1%	6.3%	15.7%	0.1%	38.2%

(Reference)

Results for FY2004 First Quarter (Dec. 1, 2003 through Feb. 29, 2004)

Millions of yen

	The Americas	Europe	Asia	Other	Total
Foreign sales	2,011	890	2,281	11	5,195
Net sales					14,471
Ratio of foreign sales to net sales	13.9%	6.1%	15.8%	0.1%	35.9%

## Net sales, broken down by Products Segment

Millions of yen

	FY2005 First Quarter	FY2004 First Quarter
Cutting tools:		
Thread-cutting tools	4,995	4,186
Milling cutters	5,134	4,273
Other cutting tools	3,036	2,544
Total	13,167	11,005
Forming tools	1,687	1,275
Measuring tools	300	247
Other		
Machine	567	730
LHS	410	288
Other	1,097	924
Total	2,075	1,943
Total	17,230	14,471