

Consolidated Summary Report for Fiscal 2006 FY2006 First Quarter

Mar 27, 2006

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 FY2006 first quarter (December 1, 2005 - February 28, 2006)

(1) Consolidated operating 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	%
FY2006 first quarter	20,392	(18.4)	3,782	(38.2)	3,699	(43.1)	2,164	(40.1)
FY2005 first quarter	17,230	(19.1)	2,736	(29.9)	2,585	(36.0)	1,544	(27.6)
FY2005	78,130		14,125		13,887		8,758	

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
FY2006 first quarter	22.11	22.09
FY2005 first quarter	16.76	15.72
FY2005	89.10	86.90

Note: The figures in parentheses show percentage of changes from the first quarter of the previous fiscal year.

[Operating results for FY2006 first quarter]

During FY2006 first quarter, both sales and income increased as compared to the same period last year.

Demand of precision machine tools has continued its upward trends due to steady orders from the automotive and machine industries. The Group also enjoyed steady orders in a whole region, for all of our main products, such as taps, end mills, drills, and rolling dies, etc.

With regard to the geographical segment, sales in all areas advanced, including Japan, the Americas, Europe, and Asia. Especially, the Americas and Asia show high growth rate. In the meantime, operating income in Asia increased reflected by good business result in China and Korea. The Americas, including USA, Mexico and Brazil, also achieved high growth rate in the operating income. The overseas ratio rose to 42.2% from 38.2% at the end of the last year.

Regarding product segments, taps, which we succeeded in improvement of productivity and high quality carbide drill, which is developing automotive market, achieved high percentage of growth rate.

As a result, consolidated sales in the FY 2006 first quarter increased 18.4% to ¥20,392 million, operating income increased 38.2% to ¥3,782 million, ordinary income increased 43.1% to ¥3,699 million, and net income increased 40.1% to ¥2,164 million.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Million yen	Million yen	%	yen
FY2006 first quarter	99,129	54,979	55.5	563.15
FY2005 first quarter	81,010	43,766	54.0	462.76
FY2005	93,598	54,647	58.4	554.90

(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
FY2006 first quarter	(987)	(3,484)	4,546	6,413
FY2005 first quarter	(1,676)	(1,599)	2,288	5,113
FY2005	7,820	(7,200)	(897)	6,075

[Financial Condition]

(Consolidated cash flows)

Cash and cash equivalents at the end of FY2006 first quarter amounted to ¥6,413 million, ¥338 million more than at the end of FY2005.

<Operating cash flow>

Net cash used by operating activities was ¥987 million (¥689 million down from the same period last year). The main components were income before income taxes amounted to ¥3,668 million, and such noncash items as depreciation and amortization amounted to ¥1,312 million and change in inventory amounted to ¥1,338 million and decrease in accrued expenses amounted to ¥1,456 and income taxes paid amounted to ¥2,786.

<Investing cash flow>

Net cash used in investing activities was ¥3,484 million (¥1,884 million down from the same period last year). The main components were payments for acquisitions of property, plant and equipment totaling ¥3,588 million. For example, investment for plant and machinery in the factories in Japan, U.S.A., Korea, and Taiwan.

<Financing cash flow>

Net cash provided in financing activities amounted to ¥4,546 million (¥2,257 million up from the same period last year). The major inflows included an increase in short-term borrowings totaling ¥3,651 million, proceeds from long-term debt amounted to ¥3,732 million and the main outflow consisted of payment for purchase of treasury stock amounted to ¥1,004 million, and dividends paid amounted to ¥1,501 million.

(Reference: 1)

Unconsolidated financial results

(December 1, 2005 - February 28, 2006)

(Amounts less than one million yen are omitted)

	Net Sales	Operating income	Ordinary income	Net income
	Million yen	Million yen	Million yen	Million yen
FY2006 first quarter	11,170	1,330	1,770	1,275

	Total assets	Shareholders' equity
	Million yen	Million yen
FY2006 first quarter	66,746	42,984

2. Business forecast for the year ending November 30, 2006

(December 1, 2005 - November 30, 2006)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	yen
Semi-Annual	45,000	8,800	8,500	4,800	49.17
Annual	91,200	17,900	17,400	9,700	99.36

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, 2006

(December 1, 2005 - November 30, 2006)

	Net sales	Operating income	Ordinary income	Net income	Dividend per share		
					Interim	end of the year	total
	Million yen	Million yen	Million yen	Million yen	yen	yen	yen
Semi-Annual	25,000	3,700	4,100	2,600	12.00	-	-
Annual	50,800	7,600	8,100	5,000	-	16.00	28.00

Estimation of net income per share (Annual) : ¥51.21

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 FY2006 First Quarter
- Consolidated Summary Statement of Income FY2006 First Quarter
- Consolidated Summary Statement of Cash Flows FY2006 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)				
	FY2006 First Quarter	FY2005 First Quarter	Change		FY2005
Current Assets					
Cash and time deposits	6,530	5,300	1,229		6,219
Notes and accounts receivable	15,891	13,485	2,406		16,136
Inventories	21,239	15,931	5,308		19,523
Other	4,130	2,345	1,785		3,620
Allowance for doubtful accounts	(215)	(155)	(60)		(206)
Total current assets	47,576	36,906	10,670	28.9%	45,294
Fixed Assets					
Tangible Fixed Asset					
Building and structures	12,269	10,888	1,380		12,047
Machinery and equipment	16,217	13,946	2,270		15,086
Land	9,843	9,622	220		9,787
Other	4,926	2,388	2,537		3,123
Total tangible fixed asset	43,255	36,846	6,409	17.4%	40,045
Intangible Fixed Asset					
Goodwill	1,014	623	391		959
Other	767	611	155		781
Total intangible fixed asset	1,782	1,235	546	44.2%	1,741
Investments and Other Assets					
Investment securities	3,859	3,399	459		3,771
Other	2,888	2,904	(15)		2,961
Allowance for doubtful accounts	(233)	(282)	48		(216)
Total investments and other assets	6,514	6,022	492	8.2%	6,517
Total fixed assets	51,552	44,104	7,448	16.9%	48,303
Total	99,129	81,010	18,118	22.4%	93,598

Consolidated Summary Balance Sheet
OSG Corporation

Liabilities and Capital	(Millions of yen : amounts less than one million yen are omitted)				
	FY2006 First Quarter	FY2005 First Quarter	Change		FY2005
Current Liabilities					
Notes and accounts payable	4,919	4,371	548		5,269
Short-term borrowings	9,468	6,566	2,902		5,697
Long-term borrowings, current portion	4,155	511	3,643		571
Income taxes payable	1,468	943	524		2,983
Accrued expenses	3,703	3,252	450		5,139
Other	2,256	1,927	329		1,690
Total current liabilities	25,970	17,572	8,398	47.8%	21,351
Long-term Liabilities					
Bonds	50	3,230	(3,180)		50
Long-term borrowings	7,899	7,548	350		7,852
Liabilities for employees' retirement benefits	2,954	2,898	55		3,055
Retirement allowance for directors and corporate auditors	69	282	(212)		68
Other	937	833	103		836
Total long-term liabilities	11,910	14,792	(2,882)	(19.5%)	11,862
Total liabilities	37,881	32,364	5,516	17.0%	33,213
Minority Interests	6,268	4,879	1,388	28.5%	5,736
Shareholders' Equity					
Common stock	10,404	10,404	-	-	10,404
Capital surplus	14,380	13,195	1,185	9.0%	14,380
Retained earnings	32,729	26,134	6,595	25.2%	32,356
Unrealized gain on available-for-sale securities	1,229	806	423	52.5%	1,026
Foreign currency translation adjustments	(1,909)	(4,047)	2,138	(52.8%)	2,670
Treasury stock	(1,855)	(2,726)	871	(32.0%)	850
Total shareholders' equity	54,979	43,766	11,213	25.6%	54,647
Total	99,129	81,010	18,118	22.4%	93,598

Consolidated Summary Statement of Income
OSG Corporation

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

	FY2006	FY2005	Change		FY2005
	First Quarter	First Quarter			
Net Sales	20,392	17,230	3,162	18.4%	78,130
Cost of Sales	12,095	10,507	1,588	15.1%	47,783
Gross profit	8,297	6,722	1,574	23.4%	30,346
Selling, General and administrative expenses	4,515	3,986	528	13.3%	16,220
Operating income	3,782	2,736	1,045	38.2%	14,125
Other Income					
Interest income	29	16	13		78
Other - net	163	91	71		737
Total other income	192	108	84	78.5%	815
Other Expenses					
Interest expense	71	46	25		205
Other - net	203	212	(8)		848
Total other expenses	275	258	16	6.5%	1,054
Ordinary income	3,699	2,585	1,113	43.1%	13,887
Extraordinary gain	48	178	(130)	(73.1%)	748
Extraordinary loss	79	47	31	65.8%	159
Income before income taxes	3,668	2,716	951	35.0%	14,476
Income taxes - current	1,231	1,004	226	22.6%	4,882
Minority interests	272	167	105	62.9%	836
Net income	2,164	1,544	619	40.1%	8,758

Consolidated Summary Statement of Cash Flows
OSG Corporation

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

	FY2006	FY2005	FY2005
	First Quarter	First Quarter	
Operating Activities:			
Income before income taxes	3,668	2,716	14,476
Depreciation and amortization	1,312	1,095	5,182
Change in allowances	(80)	(147)	(151)
Other noncash items	12	8	(569)
Change in notes and accounts receivable	670	240	(1,719)
Change in inventories	(1,338)	(980)	(3,977)
Change in notes and account payable	(571)	(253)	283
Decrease in accrued expenses	(1,456)	(1,137)	402
Income taxes - paid	(2,786)	(2,936)	(5,577)
Other	(418)	(283)	(530)
Total:	(987)	(1,676)	7,820
Investing Activities:			
Acquisitions of property, plant and equipment	(3,588)	(1,709)	(7,850)
Proceeds from sales of property, plant and equipment	36	22	430
Payment for purchase of subsidiaries' stock	-	(149)	(171)
Other	67	235	390
Net cash provided (used) in investing activities	(3,484)	(1,599)	(7,200)
Financing Activities:			
Change in short-term borrowings	3,651	3,366	2,357
Proceeds from long-term debt	3,732	3	744
Repayment of long-term borrowings	(187)	(149)	(707)
Purchase of treasury stock	(1,004)	(4)	(611)
Dividends paid	(1,501)	(830)	(1,889)
Other	(143)	(95)	(791)
Net cash provided (used) in financing activities	4,546	2,288	(897)
Effect of exchange rate change on cash and cash equivalents	162	(11)	239
Net increase (decrease) in cash and cash equivalents	236	(998)	(36)
Cash and cash equivalents at beginning of year	6,075	6,112	6,112
Cash and cash equivalents of Newly consolidated subsidiaries at beginning of year	101	-	-
Cash and cash equivalents at end of year	6,413	5,113	6,075

Operations by Geographical Segment

Results for FY2006 First Quarter (Dec. 1, 2005 through Feb. 28, 2006)

Millions of yen

	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	11,939	3,577	1,123	3,752	20,392	-	20,392
Interarea transfers	2,881	82	10	263	3,237	(3,237)	-
Total sales	14,820	3,660	1,133	4,015	23,630	(3,237)	20,392
Operating expenses	12,577	3,031	1,030	3,072	19,711	(3,101)	16,610
Operating income	2,243	628	103	943	3,918	(136)	3,782

(Reference)

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

Sales to Foreign Customers

Results for FY2006 First Quarter (Dec. 1, 2005 through Feb. 28, 2006)

Millions of yen

	The Americas	Europe	Asia	Other	Total
Foreign sales	3,517	1,191	3,878	16	8,603
Net sales					20,392
Ratio of foreign sales to net sales	17.3%	5.8%	19.0%	0.1%	42.2%

(Reference)

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%

Net sales, broken down by Products Segment

Millions of yen

	FY2006 First Quarter	FY2005 First Quarter
Cutting tools:		
Thread-cutting tools	6,472	4,995
Milling cutters	5,474	5,134
Other cutting tools	3,973	3,036
Total	15,921	13,167
Forming tools	1,980	1,687
Measuring tools	333	300
Other		
Machine	553	567
LHS	275	410
Other	1,328	1,097
Total	2,157	2,075
Total	20,392	17,230