

Consolidated Summary Report

FY2007 First Quarter

Mar 26, 2007

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: Norio Ishikawa, President
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1. Results of FY2007 first quarter (December 1, 2006 - February 28, 2007)

(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	%
FY2007 first quarter	21,334	(4.6)	3,189	(-15.7)	3,181	(-14.0)	1,728	(-20.2)
FY2006 first quarter	20,392	(18.4)	3,782	(38.2)	3,699	(43.1)	2,164	(40.1)
FY2006	88,862		15,455		14,940		7,917	

	Net income per share	Net income per share
	- basic	- diluted
	Yen	Yen
FY2007 first quarter	17.70	17.70
FY2006 first quarter	22.11	22.09
FY2006	81.00	80.97

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

[Operating results for FY2007 first quarter]

In the precision machine tools industry, business continued its upward trend, thanks to the steady demand from the automotive and aerospace industries. The whole OSG Group has been receiving high demand both in domestic and overseas markets, but the sales for the first quarter FY2007 resulted in small growth compared with the same period last year, reflecting inventory adjustments in Japan and some regions in overseas.

Regarding operations by geographical segments, sales in Japan and Asian countries decreased, in the meantime, the sales in Europe improved greatly. Operating income in Europe also achieved high growth, but the other regions decreased. The overseas sales ratio continued to expand to 43.6% for this period, compared with 42.2% in the same period last year.

Looking at performance by products, sales of the core products, taps, and high-speed steel end mills, declined and sales of carbide end mills and carbide drills advanced. Especially, carbide drills, which has been focusing on cultivating automotive market, are keeping high growth rate.

As a result, net sales for the first quarter FY2007 increased 4.6%, compared with the same period last year, to ¥21,334 million, operating income decreased 15.7% to ¥3,189 million, ordinary income declined 14.0% to ¥3,181 million, and net income decreased 20.2% to ¥1,728 million.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Million yen	Million yen	%	yen
FY2007 first quarter	124,705	68,480	49.1	626.87
FY2006 first quarter	99,129	54,979	55.5	563.15
FY2006	122,451	66,961	49.1	615.07

(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
FY2007 first quarter	2,396	(3,152)	880	6,419
FY2006 first quarter	(987)	(3,484)	4,546	6,413
FY2006	9,546	(30,616)	20,699	6,155

[Financial Condition]

(Consolidated cash flows)

Cash and cash equivalents at the end of FY2007 first quarter amounted to ¥6,419 million, ¥263 million more than at the end of FY2006.

<Operating cash flow>

Net cash provided by operating activities was ¥2,396 million (used ¥987 million in the same period last year). The main components were income before income taxes amounted to ¥3,134 million, and such noncash items as depreciation and amortization amounted to ¥1,622 million and change in notes and accounts receivable amounted to ¥1,325 million and decrease in accrued expenses amounted to ¥1,447 and income taxes paid amounted to ¥1,410 million.

<Investing cash flow>

Net cash used in investing activities was ¥3,152 million (¥331 million up from the same period last year). The main components were payments for acquisitions of property, plant and equipment totaling ¥3,067 million. For example, investment for plant and machinery in the factories in Japan and Korea to increase productivity.

<Financing cash flow>

Net cash provided by financing activities amounted to ¥880 million (¥3,665 million down from the same period last year). The major inflows included an increase in short-term borrowings totaling ¥6,004 million, and the main outflow consisted of repayment of long-term debt amounted to ¥3,872 million and dividends paid amounted to ¥1,291 million.

(Reference: 1)

Unconsolidated financial results

(December 1, 2006 - February 28, 2007)

(Amounts less than one million yen are omitted)

	Net Sales	Operating income	Ordinary income	Net income
	Million yen	Million yen	Million yen	Million yen
FY2007 first quarter	10,800	809	1,144	2,676

	Total assets	Shareholders' equity
	Million yen	Million yen
FY2007 first quarter	88,142	45,754

2. Business forecast for the year ending November 30, 2007

(December 1, 2006 - November 30, 2007)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	yen
Semi-Annual	46,700	8,000	7,600	4,200	43.00
Annual	94,200	16,500	15,700	8,700	89.07

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, 2007

(December 1, 2006 - November 30, 2007)

	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	23,300	2,400	2,600	3,500	12.00	-	-
Annual	47,500	5,300	5,800	5,500	-	14.00	26.00

Estimation of net income per share (Annual) : ¥56.31

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 FY2007 First Quarter
- Consolidated Summary Statement of Income FY2007 First Quarter
- Consolidated Summary Statement of Cash Flows FY2007 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)				
	FY2007 First Quarter	FY2006 First Quarter	Change		FY2006
Current Assets					
Cash and time deposits	6,539	6,530	8		6,321
Notes and accounts receivable	16,868	15,891	977		17,901
Inventories	22,306	21,239	1,067		21,557
Other	3,205	4,130	(925)		3,371
Allowance for doubtful accounts	(191)	(215)	24		(191)
Total current assets	48,728	47,576	1,152	2.4%	48,961
Fixed Assets					
Tangible Fixed Asset					
Building and structures	17,516	12,269	5,246		14,111
Machinery and equipment	18,915	16,217	2,698		18,287
Land	11,161	9,843	1,318		10,289
Other	4,488	4,926	(437)		7,501
Total tangible fixed asset	52,082	43,255	8,826	20.4%	50,190
Intangible Fixed Asset					
Goodwill	1,107	1,014	92		1,150
Other	1,081	767	314		850
Total intangible fixed asset	2,189	1,782	407	22.9%	2,000
Investments and Other Assets					
Investment securities	19,223	3,859	15,363		18,901
Other	2,728	2,888	(160)		2,630
Allowance for doubtful accounts	(247)	(233)	(13)		(231)
Total investments and other assets	21,704	6,514	15,190	233.2%	21,299
Total fixed assets	75,976	51,552	24,423	47.4%	73,490
Total	124,705	99,129	25,575	25.8%	122,451

Consolidated Summary Balance Sheet
OSG Corporation

Liabilities and Net Assets	(Millions of yen : amounts less than one million yen are omitted)				
	FY2007 First Quarter	FY2006 First Quarter	Change	FY2006	
Current Liabilities					
Notes and accounts payable	4,778	4,919	(141)	5,039	
Short-term borrowings	21,687	9,468	12,219	15,650	
Long-term borrowings, current portion	4,962	4,155	807	8,142	
Income taxes payable	1,449	1,468	(18)	1,677	
Accrued expenses	3,664	3,703	(38)	5,155	
Other	2,912	2,256	655	2,664	
Total current liabilities	39,455	25,970	13,485	51.9%	38,329
Long-term Liabilities					
Bonds	-	50	(50)	-	
Long-term borrowings	15,152	7,899	7,253	15,582	
Liabilities for employees' retirement benefits	696	2,954	(2,258)	694	
Retirement allowance for directors and corporate auditors	33	69	(36)	38	
Other	886	937	(50)	845	
Total long-term liabilities	16,768	11,910	4,858	40.8%	17,161
Total liabilities	56,224	37,881	18,343	48.4%	55,490
Minority Interests	-	6,268	-	-	-
Shareholders' Equity					
Common stock	-	10,404	-	-	
Capital surplus	-	14,380	-	-	
Retained earnings	-	32,729	-	-	
Unrealized gain on available-for-sale securities	-	1,229	-	-	
Foreign currency translation adjustments	-	(1,909)	-	-	
Treasury stock	-	(1,855)	-	-	
Total shareholders' equity	-	54,979	-	-	-
Total	-	99,129	-	-	-
Net Assets					
Shareholders' Equity					
Common stock	10,404	-	-	10,404	
Capital surplus	14,351	-	-	14,351	
Retained earnings	37,672	-	-	37,300	
Treasury stock	(1,789)	-	-	(1,786)	
Total shareholders' equity	60,638	-	-	60,269	
Other items					
Unrealized gain on available-for-sale securities	1,052	-	-	909	
Net unrealized gain on derivative financial instruments	(2)	-	-	1	
Foreign currency translation adjustments	(456)	-	-	(1,099)	
Total	593	-	-	(188)	
Minority Interests	7,248	-	-	6,879	
Total net assets	68,480	-	-	66,961	
Total liabilities and net assets	124,705	-	-	122,451	

Consolidated Summary Statement of Income
OSG Corporation

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

	FY2007	FY2006	Change		FY2006
	First Quarter	First Quarter			
Net Sales	21,334	20,392	941	4.6%	88,862
Cost of Sales	13,178	12,095	1,082	9.0%	54,376
Gross profit	8,156	8,297	(140)	(1.7%)	34,485
Selling, General and Administrative expenses	4,967	4,515	452	10.0%	19,030
Operating income	3,189	3,782	(592)	(15.7%)	15,455
Other Income					
Interest income	38	29	9		150
Other - net	297	163	133		637
Total other income	335	192	142	74.1%	787
Other Expenses					
Interest expense	128	71	56		450
Other - net	215	203	11		850
Total other expenses	343	275	68	24.7%	1,301
Ordinary income	3,181	3,699	(518)	(14.0%)	14,940
Extraordinary gain	78	48	30	63.6%	443
Extraordinary loss	125	79	46	58.7%	407
Income before income taxes	3,134	3,668	(533)	(14.6%)	14,976
Income taxes	1,149	1,231	(81)	(6.6%)	5,893
Minority interests	256	272	(16)	(5.9%)	1,165
Net income	1,728	2,164	(436)	(20.2%)	7,917

Consolidated Summary Statement of Cash Flows
OSG Corporation

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

	FY2007 First Quarter	FY2006 First Quarter	FY2006
Operating Activities:			
Income before income taxes	3,134	3,668	14,976
Depreciation and amortization	1,622	1,312	6,120
Loss on impairment	-	-	56
Change in allowances	(175)	(80)	(2,187)
Other noncash items	22	12	97
Change in notes and accounts receivable	1,325	670	(833)
Change in inventories	(521)	(1,338)	(1,274)
Change in notes and account payable	(463)	(571)	(670)
Decrease in accrued expenses	(1,447)	(1,456)	(48)
Income taxes - paid	(1,410)	(2,786)	(6,216)
Other	310	(418)	(473)
Net cash provided by (used in) operating activities	2,396	(987)	9,546
Investing Activities:			
Purchases of investment securities	(62)	(1)	(15,669)
Acquisitions of property, plant and equipment	(3,067)	(3,588)	(14,840)
Proceeds from sales of property, plant and equipment	133	36	431
Payment for purchase of subsidiaries' stock	(27)	-	(819)
Other	(129)	68	281
Net cash used in investing activities	(3,152)	(3,484)	(30,616)
Financing Activities:			
Change in short-term borrowings	6,004	3,651	9,735
Proceeds from long-term debt	169	3,732	16,279
Repayment of long-term borrowings	(3,872)	(187)	(1,335)
Proceeds from bonds	-	-	15,500
Redemption of bonds	-	-	(15,500)
Purchase of treasury stock	(2)	(1,004)	(1,015)
Dividends paid	(1,291)	(1,501)	(2,734)
Other	(127)	(143)	(229)
Net cash provided by financing activities	880	4,546	20,699
Effect of exchange rate change on cash and cash equivalents	139	162	348
Net increase (decrease) in cash and cash equivalents	263	236	(22)
Cash and cash equivalents at beginning of year	6,155	6,075	6,075
Cash and cash equivalents of Newly consolidated subsidiaries at beginning of year	-	101	101
Cash and cash equivalents at end of year	6,419	6,413	6,155

Operations by Geographical Segment

Results for FY2007 First Quarter (Dec. 1, 2006 through Feb. 28, 2007)

Millions of yen

	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	12,179	3,762	1,665	3,726	21,334	-	21,334
Interarea transfers	2,393	60	7	164	2,626	(2,626)	-
Total sales	14,573	3,823	1,672	3,891	23,961	(2,626)	21,334
Operating expenses	12,974	3,318	1,456	3,148	20,897	(2,751)	18,145
Operating income	1,599	505	216	743	3,063	125	3,189

(Reference)

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

Sales to Foreign Customers

Results for FY2007 First Quarter (Dec. 1, 2006 through Feb. 28, 2007)

Millions of yen

	The Americas	Europe	Asia	Other	Total
Foreign sales	3,696	1,736	3,866	13	9,312
Net sales					21,334
Ratio of foreign sales to net sales	17.3%	8.1%	18.1%	0.1%	43.6%

(Reference)

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%

Net sales, broken down by Products Segment

Millions of yen

	FY2007 First Quarter	FY2006 First Quarter
Cutting tools:		
Thread-cutting tools	6,296	6,472
Milling cutters	5,654	5,474
Other cutting tools	4,716	3,973
Total	16,667	15,921
Forming tools	1,924	1,980
Measuring tools	376	333
Other		
Machine	698	553
LHS	305	275
Other	1,362	1,328
Total	2,366	2,157
Total	21,334	20,392