

# FY2008 Semi-Annual Consolidated Financial Results (December 1, 2007 – May 31, 2008)

June 30, 2008

Company name : OSG Corporation  
 Shares Listed : 1st section of Tokyo and Nagoya Stock Exchanges  
 Code Number : 6136  
 Location of the head office : Aichi Prefecture  
 Representative: : Norio Ishikawa, President  
 Contact person: : Koji Sonobe, Managing Director  
 TEL: 0533-82-1113 URL <http://www.osg-ir.com>  
 Filing date of financial statements : August 19, 2008  
 Payment date of cash dividends : August 1, 2008

## 1. Consolidated Results for FY2008 Semi-Annual (December 1, 2007 – May 31, 2008)

(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	%
FY2008 semi-annual	48,374	5.8	7,559	3.3	7,099	-1.7	3,814	-3.5
FY2007 semi-annual	45,731	3.5	7,317	-11.9	7,222	-9.2	3,953	-8.9
FY2007	94,164	-	15,356	-	14,570	-	8,013	-

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
FY2008 semi-annual	39.58	-
FY2007 semi-annual	40.53	-
FY2007	82.42	-

Reference: Equity in earnings of affiliates

FY2008 semi-annual : -, FY2007 semi-annual : 49 million yen, FY2007 : 49 million yen

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
FY2008 semi-annual	124,756	70,286	51.1	661.27
FY2007 semi-annual	124,053	69,342	50.2	641.25
FY2007	127,044	71,823	50.6	667.01

Reference: Equity FY2008 semi-annual : 63,739 million yen, FY2007 semi-annual : 62,263 million yen, FY2007: 64,295 million yen

## (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
FY2008 semi-annual	6,649	-7,716	-307	5,495
FY2007 semi-annual	8,513	-5,025	-3,370	6,424
FY2007	16,733	-9,019	-6,821	7,323

## 2. Cash Dividends

	Cash dividends per share		
	Interim	Year-end	Annual
	Yen	Yen	Yen
FY2007	12.00	14.00	26.00
FY2008 Result	12.00		26.00
FY2008 Forecast		14.00	

## 3. Forecast of Consolidated Results for FY2008 (December 1, 2007 – November 30, 2008)

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Annual	96,500	2.5	14,600	-4.9	14,000	-3.9	7,400	-7.7

	Net income per share
Annual	76.77

#### 4. Others

- (1) Changes in significant subsidiaries during the period: No  
(changes in specified subsidiaries resulting in changes in scope of consolidation)
- (2) Adoption of the simplified method as the accounting standard No
- (3) Changes in accounting methods from the previous fiscal year No

#### Reference : Overview of the Unconsolidated Financial Results

##### 1. Unconsolidated Results for FY2008 Semi-Annual (December 1, 2007 – May 31, 2008)

(1)Unconsolidated 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	%
FY2008 semi-annual	24,174	3.5	1,817	-19.5	2,872	-2.4	4,052	2.2
FY2007 semi-annual	23,352	-0.3	2,257	-19.6	2,942	-10.4	3,964	81.4
FY2007	48,661	-	4,637	-	5,823	-	5,885	-

	Net income per share - basic
	Yen
FY2008 semi-annual	42.04
FY2007 semi-annual	40.64
FY2007	60.53

(2)Unconsolidated financial position

	Total assets		Net assets		Equity ratio		Equity per share	
	Million yen	%	Million yen	%	%	yen		
FY2008 semi-annual	90,064		48,428		53.8	502.42		
FY2007 semi-annual	87,312		45,956		52.6	473.31		
FY2007	86,686		45,580		52.6	472.86		

Reference: Equity FY2008 semi-annual : 48,428 million yen, FY2007 semi-annual : 45,956 million yen, FY2007 : 45,580 million yen

##### 2. Forecast of Unconsolidated Results for FY2008 (December 1, 2007 – November 30, 2008)

Annual	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
	49,000	0.7	3,900	-15.9	5,500	-5.6	5,700	-3.2

	Net income per share
	Yen
Annual	59.13

[Note regarding forecast]

The above forecasts for financial 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.

Consolidated Summary Balance Sheet  
OSG Corporation

Assets	(Millions of yen : amounts less than one million yen are omitted)			
	FY2007 As of Nov. 30, 2007	FY2008 semi-annual As of May. 31, 2008	Changes	FY2007 semi-annual As of May. 31, 2007
<b>Current Assets</b>				
Cash and time deposits	7,460	5,891	(1,569)	6,544
Notes and accounts receivable	19,861	18,678	(1,182)	18,667
Inventories	22,617	21,859	(757)	21,604
Other	2,802	3,049	247	2,619
Allowance for doubtful accounts	(215)	(177)	38	(206)
<b>Total current assets</b>	<b>52,525</b>	<b>49,301</b>	<b>(3,223) (6.1%)</b>	<b>49,228</b>
<b>Fixed Assets</b>				
<b>Tangible Assets</b>				
Building and structures	18,247	17,333	(913)	18,866
Machinery and equipment	18,435	17,621	(814)	18,812
Land	11,125	10,622	(502)	11,153
Other	2,982	2,821	(160)	2,997
<b>Total tangible assets</b>	<b>50,790</b>	<b>48,400</b>	<b>(2,390) (4.7%)</b>	<b>51,830</b>
<b>Intangible Assets</b>				
Goodwill	1,260	1,121	(139)	1,059
Other	1,690	2,214	523	1,181
<b>Total intangible assets</b>	<b>2,951</b>	<b>3,335</b>	<b>384 13.0%</b>	<b>2,241</b>
<b>Investments and Other Assets</b>				
Investment securities	17,752	20,817	3,064	18,175
Other	3,263	3,140	(122)	2,811
Allowance for doubtful accounts	(238)	(239)	(0)	(234)
<b>Total investments and other assets</b>	<b>20,777</b>	<b>23,718</b>	<b>2,941 14.2%</b>	<b>20,753</b>
<b>Total fixed assets</b>	<b>74,518</b>	<b>75,454</b>	<b>935 1.3%</b>	<b>74,824</b>
<b>Total</b>	<b>127,044</b>	<b>124,756</b>	<b>(2,288) (1.8%)</b>	<b>124,053</b>

Consolidated Summary Balance Sheet  
OSG Corporation

Liabilities and Net Assets

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

	FY2007 As of Nov. 30, 2007	FY2008 semi-annual As of May. 31, 2008	Changes	FY2007 semi-annual As of May. 31, 2007
<b>Current Liabilities</b>				
Notes and accounts payable	5,347	5,100	(247)	5,126
Short-term borrowings	14,958	14,550	(407)	20,109
Long-term borrowings, current portion	3,338	3,890	551	4,696
Income taxes payable	2,941	2,089	(851)	2,287
Accrued expenses	5,546	5,567	21	4,872
Other	2,657	2,340	(316)	2,246
<b>Total current liabilities</b>	<b>34,790</b>	<b>33,539</b>	<b>(1,252) (3.6%)</b>	<b>39,338</b>
<b>Long-term Liabilities</b>				
Long-term borrowings	18,772	19,326	554	13,727
Liabilities for employees' retirement benefits	469	435	(34)	689
Retirement allowance for directors and corporate auditors	39	41	1	35
Other	1,148	1,126	(22)	921
<b>Total long-term liabilities</b>	<b>20,430</b>	<b>20,929</b>	<b>499 2.4%</b>	<b>15,372</b>
<b>Total liabilities</b>	<b>55,220</b>	<b>54,469</b>	<b>(750) (1.4%)</b>	<b>54,710</b>
<b>Shareholders' Equity</b>				
Common stock	10,404	10,404	-	10,404
Capital surplus	14,351	14,351	-	14,351
Retained earnings	42,773	45,238	2,465	39,886
Treasury stock	(3,677)	(3,680)	(3)	(2,793)
<b>Total shareholders' equity</b>	<b>63,851</b>	<b>66,313</b>	<b>2,461 3.9%</b>	<b>61,848</b>
<b>Other items</b>				
Unrealized gain on available-for-sale securities	674	736	61	926
Net unrealized gain on derivative financial instruments	1	19	17	15
Foreign currency translation adjustments	(232)	(3,329)	(3,096)	(526)
<b>Total</b>	<b>443</b>	<b>(2,573)</b>	<b>(3,017) (679.7%)</b>	<b>415</b>
<b>Minority Interests</b>	<b>7,528</b>	<b>6,546</b>	<b>(982) (13.0%)</b>	<b>7,079</b>
<b>Total net assets</b>	<b>71,823</b>	<b>70,286</b>	<b>(1,537) (2.1%)</b>	<b>69,342</b>
<b>Total liabilities and net assets</b>	<b>127,044</b>	<b>124,756</b>	<b>(2,288) (1.8%)</b>	<b>124,053</b>

Consolidated Summary Statement of Income  
 OSG Corporation

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

	FY2007 semi-annual 2006/12/1- 2007/5/31	FY2008 semi-annual 2007/12/1- 2008/5/31	Changes		FY2007 2006/12/1- 2007/11/30
Net Sales	45,731	48,374	2,642	5.8%	94,164
Cost of Sales	28,339	29,958	1,618	5.7%	58,159
Gross profit	17,392	18,415	1,023	5.9%	36,004
Selling, general and administrative expenses	10,074	10,856	781	7.8%	20,647
Operating income	7,317	7,559	242	3.3%	15,356
Other Income					
Interest income	71	84	12	17.3%	173
Other - net	594	388	(206)	(34.7%)	669
Total other income	666	473	(193)	(29.1%)	843
Other Expenses					
Interest expense	277	338	61	22.1%	615
Other - net	484	595	111	22.9%	1,014
Total other expenses	761	933	172	22.6%	1,629
Ordinary income	7,222	7,099	(123)	(1.7%)	14,570
Extraordinary gain	160	75	(85)	(53.0%)	207
Extraordinary loss	144	151	6	4.4%	433
Income before income taxes	7,238	7,023	(215)	(3.0%)	14,344
Income taxes	2,797	2,751	(46)	(1.7%)	5,413
Minority interests	486	457	(29)	(6.0%)	917
Net income	3,953	3,814	(138)	(3.5%)	8,013

Consolidated Summary Statement of Cash Flows  
OSG Corporation

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

	FY2007 semi-annual 2006/12/1- 2007/5/31	FY2008 semi-annual 2007/12/1- 2008/5/31	FY2007 2006/12/1- 2007/11/30
<b>Operating Activities:</b>			
Income before income taxes and minority interest	7,238	7,023	14,344
Depreciation and amortization	3,394	3,436	7,444
Amortization of good will	61	68	153
Loss on liquidation of subsidiaries	47	-	47
Loss on cancellation of lease contracts	-	-	81
Loss on change holding ratio of subsidiary	-	-	25
Provision for doubtful receivables	16	(6)	30
Change in liability for directors' bonuses	(110)	(128)	27
Change in liability for employees' retirement benefits	(6)	20	(227)
Change in retirement allowance for directors and corporate auditors	(3)	2	0
Loss on disposals of property, plant and equipment	70	34	150
Gain on sales of property, plant and equipment	(95)	(42)	(134)
Gain on sales of securities	(58)	(0)	(58)
Interest and dividend income	(77)	(93)	(212)
Interest expense	277	338	615
Equity in earnings of affiliates	(49)	-	(49)
Change in notes and accounts receivable	(504)	(120)	(1,360)
Change in inventories	104	(562)	(824)
Change in notes and accounts payable	(106)	378	(148)
Change in accrued expenses	(200)	204	288
Other - net	733	(495)	1,504
Sub-total	10,731	10,057	21,700
Interest and dividend income received	78	90	211
Interest expense paid	(280)	(321)	(611)
Income taxes - paid	(2,015)	(3,177)	(4,566)
Net cash provided by operating activities	8,513	6,649	16,733
<b>Investing Activities:</b>			
Payments for time deposits	(3)	(326)	(49)
Proceeds from refund of time deposits	49	9	79
Proceeds from sales of marketable securities	1	0	1
Purchases of investment securities	(63)	(3,030)	(73)
Proceeds from sales of investment securities	277	14	57
Acquisitions of property, plant and equipment	(5,512)	(3,659)	(8,783)
Proceeds from sales of property, plant and equipment	199	419	385
Purchase of intangible assets	-	(659)	(1,018)
Payment for purchase of subsidiaries' stock	(257)	(430)	(549)
Payment for purchase of affiliates' stock	(74)	-	(74)
Proceeds from sales of affiliates' stock	756	-	976
Other - net	(398)	(54)	29
Net cash used in investing activities	(5,025)	(7,716)	(9,019)
<b>Financing Activities:</b>			
Change in short-term borrowings - net	4,475	(240)	(667)
Proceeds from long-term debt	274	3,000	7,302
Repayment of long-term borrowings	(5,603)	(1,543)	(8,907)
Dividends paid	(1,370)	(1,347)	(2,533)
Dividends paid to minority shareholders	(139)	(173)	(246)
Purchase of treasury stock	(1,007)	(3)	(1,890)
Other - net	-	-	121
Net cash used in financing activities	(3,370)	(307)	(6,821)
Effect of exchange rate change on cash and cash equivalents	151	(453)	276
Net increase (decrease) in cash and cash equivalents	268	(1,827)	1,168
Cash and cash equivalents at beginning of year	6,155	7,323	6,155
Cash and cash equivalents at end of year	6,424	5,495	7,323

## Operations by Geographical Segment

Results for FY2007 semi-annual (Dec. 1, 2006 through May 31, 2007)

	Japan	The Americas	Europe	Asia	Total	Eliminations	Millions of yen Consolidated
Sales to customers	26,409	7,843	3,564	7,914	45,731	-	45,731
Interarea transfers	5,468	149	13	415	6,046	(6,046)	-
Total sales	31,878	7,992	3,577	8,330	51,778	(6,046)	45,731
Operating expenses	27,755	6,915	3,040	6,792	44,504	(6,089)	38,414
Operating income	4,122	1,076	537	1,537	7,273	43	7,317

Results for FY2008 semi-annual (Dec. 1, 2007 through May 31, 2008)

	Japan	The Americas	Europe	Asia	Total	Eliminations	Millions of yen Consolidated
Sales to customers	26,763	8,103	4,597	8,909	48,374	-	48,374
Interarea transfers	5,599	208	19	555	6,382	(6,382)	-
Total sales	32,363	8,311	4,616	9,465	54,756	(6,382)	48,374
Operating expenses	28,896	7,070	3,863	7,739	47,571	(6,756)	40,814
Operating income	3,466	1,240	752	1,725	7,185	374	7,559

(Reference)

Results for FY2007 (Dec. 1, 2006 through Nov. 30, 2007)

	Japan	The Americas	Europe	Asia	Total	Eliminations	Millions of yen Consolidated
Sales to customers	53,349	16,477	7,454	16,882	94,164	-	94,164
Interarea transfers	12,155	317	54	869	13,396	(13,396)	-
Total sales	65,504	16,795	7,508	17,752	107,560	(13,396)	94,164
Operating expenses	56,877	14,282	6,399	14,752	92,311	(13,504)	78,807
Operating income	8,627	2,512	1,109	3,000	15,249	107	15,356

## Sales to Foreign Customers

Results for FY2007 semi-annual (Dec. 1, 2006 through May 31, 2007)

	The Americas	Europe	Asia	Other	Total	Millions of yen
Foreign sales	7,708	3,730	8,251	18	19,708	
Net sales					45,731	
Ratio of foreign sales to net sales	16.9%	8.2%	18.0%	0.0%	43.1%	

Results for FY2008 semi-annual (Dec. 1, 2007 through May 31, 2008)

	The Americas	Europe	Asia	Other	Total	Millions of yen
Foreign sales	7,975	4,764	9,236	2	21,978	
Net sales					48,374	
Ratio of foreign sales to net sales	16.5%	9.8%	19.1%	0.0%	45.4%	

(Reference)

Results for FY2007 (Dec. 1, 2006 through Nov. 30, 2007)

	The Americas	Europe	Asia	Other	Total	Millions of yen
Foreign sales	16,202	7,800	17,675	37	41,716	
Net sales					94,164	
Ratio of foreign sales to net sales	17.2%	8.3%	18.8%	0.0%	44.3%	

**Net sales by Products Segment**

	Millions of yen	
	FY2008 semi-annual (2007/12/1 - 2008/5/31)	Changes from FY2007 semi-annual
Cutting tools:		
Taps	14,686	8.9%
Endmills	12,422	4.0%
Drills and other cutting tools	10,828	14.0%
Total	37,937	8.6%
Forming tools	4,035	-3.3%
Measuring tools	744	-5.3%
Other	5,657	-3.1%
Total	48,374	5.8%