

# FY2008 Third Quarter Consolidated Financial Results (December 1, 2007 – August 31, 2008)

September 24, 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  
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## 1. Consolidated Results for FY2008 Third Quarter (December 1, 2007 – August 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 third-quarter	72,016	4.3	11,089	-1.4	10,667	-1.5	6,068	-0.6
FY2007 third-quarter	69,046	4.0	11,243	-9.2	10,824	-10.0	6,102	-10.4
FY2007	94,164	-	15,356	-	14,570	-	8,013	-

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
FY2008 third-quarter	62.95	-
FY2007 third-quarter	62.64	-
FY2007	82.42	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
FY2008 third-quarter	128,342	72,803	51.4	684.40
FY2007 third-quarter	127,699	72,393	50.7	666.66
FY2007	127,044	71,823	50.6	667.01

(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 third-quarter	8,797	-9,722	388	6,607
FY2007 third-quarter	10,684	-7,434	-2,873	6,986
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		29.00
FY2008 Forecast		17.00	

## 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	9,300	16.0

	Net income per share
Annual	96.49

#### 4. Others

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

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

##### 1. Unconsolidated Results for FY2008 Third Quarter (December 1, 2007 – August 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 third-quarter	35,515	1.7	2,666	-19.7	3,920	1.6	4,935	10.9
FY2007 third-quarter	34,917	-0.3	3,322	-20.1	3,858	-18.8	4,452	38.8
FY2007	48,661	-	4,637	-	5,823	-	5,885	-

	Net income per share – basic
	Yen
FY2008 third-quarter	51.21
FY2007 third-quarter	45.70
FY2007	60.53

(2)Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	yen
FY2008 third-quarter	89,572	47,524	53.1	493.10
FY2007 third-quarter	86,013	45,153	52.5	465.05
FY2007	86,686	45,580	52.6	472.86

##### 2. Forecast of Unconsolidated 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	49,000	0.7	3,900	-15.9	5,500	-5.6	7,400	25.7

	Net income per share
	Yen
Annual	76.78

[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 third-quarter As of Aug. 31, 2008	Changes	FY2007 third-quarter As of Aug. 31, 2007
<b>Current Assets</b>				
Cash and time deposits	7,460	7,264	(196)	7,129
Notes and accounts receivable	19,861	18,824	(1,037)	18,850
Inventories	22,617	23,595	977	23,230
Other	2,802	3,358	556	2,820
Allowance for doubtful accounts	(215)	(187)	28	(212)
<b>Total current assets</b>	<b>52,525</b>	<b>52,854</b>	<b>329 0.6%</b>	<b>51,817</b>
<b>Fixed Assets</b>				
<b>Tangible Assets</b>				
Building and structures	18,247	17,263	(984)	18,919
Machinery and equipment	18,435	17,396	(1,039)	19,207
Land	11,125	10,698	(426)	11,323
Other	2,982	3,592	610	3,099
<b>Total tangible assets</b>	<b>50,790</b>	<b>48,950</b>	<b>(1,840) (3.6%)</b>	<b>52,549</b>
<b>Intangible Assets</b>				
Goodwill	1,260	1,095	(165)	1,027
Other	1,690	2,454	763	1,329
<b>Total intangible assets</b>	<b>2,951</b>	<b>3,549</b>	<b>598 20.3%</b>	<b>2,357</b>
<b>Investments and Other Assets</b>				
Investment securities	17,752	19,769	2,016	18,003
Other	3,263	3,439	176	3,216
Allowance for doubtful accounts	(238)	(220)	18	(245)
<b>Total investments and other assets</b>	<b>20,777</b>	<b>22,987</b>	<b>2,210 10.6%</b>	<b>20,974</b>
<b>Total fixed assets</b>	<b>74,518</b>	<b>75,487</b>	<b>968 1.3%</b>	<b>75,881</b>
<b>Total</b>	<b>127,044</b>	<b>128,342</b>	<b>1,297 1.0%</b>	<b>127,699</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 third-quarter As of Aug. 31, 2008	Changes	FY2007 third-quarter As of Aug. 31, 2007
<b>Current Liabilities</b>				
Notes and accounts payable	5,347	5,370	23	5,784
Short-term borrowings	14,958	17,304	2,346	20,262
Long-term borrowings, current portion	3,338	3,899	560	4,805
Income taxes payable	2,941	1,358	(1,582)	1,466
Accrued expenses	5,546	4,666	(880)	3,871
Other	2,657	2,501	(156)	2,055
<b>Total current liabilities</b>	<b>34,790</b>	<b>35,099</b>	<b>309</b> 0.9%	<b>38,245</b>
<b>Long-term Liabilities</b>				
Long-term borrowings	18,772	18,767	(5)	15,542
Liabilities for employees' retirement benefits	469	382	(87)	513
Retirement allowance for directors and corporate auditors	39	44	4	37
Other	1,148	1,245	96	966
<b>Total long-term liabilities</b>	<b>20,430</b>	<b>20,438</b>	<b>8</b> 0.0%	<b>17,059</b>
<b>Total liabilities</b>	<b>55,220</b>	<b>55,538</b>	<b>318</b> 0.6%	<b>55,305</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	46,325	3,552	40,870
Treasury stock	(3,677)	(3,692)	(15)	(2,796)
<b>Total shareholders' equity</b>	<b>63,851</b>	<b>67,388</b>	<b>3,536</b> 5.5%	<b>62,828</b>
<b>Other items</b>				
Unrealized gain on available-for-sale securities	674	115	(559)	812
Deferred gain on derivatives under hedge accounting	1	8	7	9
Foreign currency translation adjustments	(232)	(1,551)	(1,318)	1,077
<b>Total</b>	<b>443</b>	<b>(1,427)</b>	<b>(1,871)</b> (421.5%)	<b>1,900</b>
<b>Minority Interests</b>	<b>7,528</b>	<b>6,842</b>	<b>(686)</b> (9.1%)	<b>7,664</b>
<b>Total net assets</b>	<b>71,823</b>	<b>72,803</b>	<b>979</b> 1.4%	<b>72,393</b>
<b>Total liabilities and net assets</b>	<b>127,044</b>	<b>128,342</b>	<b>1,297</b> 1.0%	<b>127,699</b>

Consolidated Summary Statement of Income  
OSG Corporation

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

	FY2007 third-quarter 2006/12/1- 2007/8/31	FY2008 third-quarter 2007/12/1- 2008/8/31	Changes		FY2007 2006/12/1- 2007/11/30
Net Sales	69,046	72,016	2,970	4.3%	94,164
Cost of Sales	42,660	44,687	2,027	4.8%	58,159
Gross profit	26,386	27,329	943	3.6%	36,004
Selling, general and administrative expenses	15,142	16,240	1,097	7.2%	20,647
Operating income	11,243	11,089	(154)	(1.4%)	15,356
Other Income					
Interest income	111	127	15		173
Other - net	550	681	131		669
Total other income	662	809	147	22.3%	843
Other Expenses					
Interest expense	433	517	83		615
Other - net	647	714	66		1,014
Total other expenses	1,081	1,231	150	13.9%	1,629
Ordinary income	10,824	10,667	(157)	(1.5%)	14,570
Extraordinary gain	197	105	(91)	(46.4%)	207
Extraordinary loss	176	166	(9)	(5.5%)	433
Income before income taxes	10,845	10,606	(239)	(2.2%)	14,344
Income taxes	4,003	3,842	(160)	(4.0%)	5,413
Minority interests	740	696	(43)	(5.9%)	917
Net income	6,102	6,068	(34)	(0.6%)	8,013

Consolidated Summary Statement of Cash Flows  
OSG Corporation

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

	FY2007 third-quarter 2006/12/1- 2007/8/31	FY2008 third-quarter 2007/12/1- 2008/8/31	FY2007 2006/12/1- 2007/11/30
<b>Operating Activities:</b>			
Income before income taxes	10,845	10,606	14,344
Depreciation and amortization	5,282	5,252	7,444
Change in liability for employees' retirement benefits	(198)	(40)	(227)
Change in allowances	(18)	(44)	120
Other noncash items	52	91	316
Change in notes and accounts receivable	(30)	456	(1,360)
Change in inventories	(920)	(1,579)	(824)
Change in notes and account payable	213	222	(148)
Change in accrued expenses	(1,330)	(830)	288
Income taxes - paid	(4,035)	(4,991)	(4,566)
Other	824	(346)	1,346
Net cash provided by operating activities	10,684	8,797	16,733
<b>Investing Activities:</b>			
Acquisitions of property, plant and equipment	(7,499)	(4,970)	(8,783)
Proceeds from sales of property, plant and equipment	316	204	385
Purchases of investment securities	(70)	(3,032)	(73)
Payment for purchase of subsidiaries' stock	(597)	(424)	(549)
Other	415	(1,500)	2
Net cash used in investing activities	(7,434)	(9,722)	(9,019)
<b>Financing Activities:</b>			
Change in short-term borrowings	4,513	2,396	(667)
Proceeds from long-term debt	2,276	3,000	7,302
Repayment of long-term borrowings	(5,886)	(2,248)	(8,907)
Purchase of treasury stock	(1,010)	(15)	(1,890)
Dividends paid	(2,523)	(2,494)	(2,533)
Other	(242)	(249)	(124)
Net cash provided by (used in) financing activities	(2,873)	388	(6,821)
Effect of exchange rate change on cash and cash equivalents	454	(201)	276
Net increase (decrease) in cash and cash equivalents	831	(739)	1,168
Cash and cash equivalents at beginning of year	6,155	7,323	6,155
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	-	22	-
Cash and cash equivalents at end of year	6,986	6,607	7,323

## Operations by Geographical Segment

Results for FY2007 third-quarter (Dec. 1, 2006 through Aug. 31, 2007)

	Millions of yen						
	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	38,969	12,150	5,577	12,349	69,046	-	69,046
Interarea transfers	8,549	229	24	640	9,444	(9,444)	-
Total sales	47,519	12,379	5,601	12,990	78,490	(9,444)	69,046
Operating expenses	41,455	10,528	4,742	10,606	67,333	(9,530)	57,802
Operating income	6,063	1,850	858	2,384	11,157	86	11,243

Results for FY2008 third-quarter (Dec. 1, 2007 through Aug. 31, 2008)

	Millions of yen						
	Japan	The Americas	Europe	Asia	Total	Eliminations	Consolidated
Sales to customers	39,168	12,412	7,041	13,393	72,016	-	72,016
Interarea transfers	8,461	325	20	845	9,652	(9,652)	-
Total sales	47,630	12,738	7,061	14,239	81,669	(9,652)	72,016
Operating expenses	42,573	10,891	5,863	11,673	71,001	(10,074)	60,927
Operating income	5,056	1,847	1,197	2,565	10,667	421	11,089

(Reference)

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

	Millions of yen						
	Japan	The Americas	Europe	Asia	Total	Eliminations	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 third-quarter (Dec. 1, 2006 through Aug. 31, 2007)

	Millions of yen					
	The Americas	Europe	Asia	Other	Total	
Foreign sales	11,942	5,832	12,898	29	30,703	
Net sales					69,046	
Ratio of foreign sales to net sales	17.3%	8.4%	18.7%	0.1%	44.5%	

Results for FY2008 third-quarter (Dec. 1, 2007 through Aug. 31, 2008)

	Millions of yen					
	The Americas	Europe	Asia	Other	Total	
Foreign sales	12,188	7,323	13,899	3	33,414	
Net sales					72,016	
Ratio of foreign sales to net sales	16.9%	10.2%	19.3%	0.0%	46.4%	

(Reference)

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

	Millions of yen					
	The Americas	Europe	Asia	Other	Total	
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	
	FY2007 third-quarter (2006/12/1 - 2007/8/31)	FY2008 third-quarter (2007/12/1 - 2008/8/31)
Cutting tools:		
Taps	20,687	22,463
Endmills	17,796	18,123
Drills and other cutting tools	14,336	16,061
Total	52,820	56,648
Forming tools	6,265	6,082
Measuring tools	1,182	1,115
Other	8,777	8,169
Total	69,046	72,016