

TOKO-
TON SENGEN
NEEDS & ECOLOGY & HEART
とことん宣言

Financial Results for FY2010-1Q

 **OSG CORPORATION**

March, 2010
OSG CORPORATION



TOKO-TON SPIRIT
NEEDS & ECOLOGY & DEVOTION
TOTAL COMMITMENT

Year 2008 marked OSG's 70th anniversary. Since our establishment, OSG has strived to provide useful products and services for our global customers. Marking our 70th anniversary as a turning point, OSG declared a new guideline for conducting business called – "Toko-ton Spirit," which means "Total Commitment". This commitment is one, in which, all OSG employees, in unity, will totally commit to every situation according to the following:



Committed to Customer Needs

Anytime and Anywhere, assisting customers in machining improvements and cost reduction.



Committed to the Environment

Striving in the development of environmentally safe products.



Committed to Communication

The motto is Tool Communication.

Assisting in the selection and application of the proper tool as well as providing excellent after-sales service.

OSG at glance

1. Products

- Consumable cutting tools used in machine tools
- World top market share (28%) in taps

2. Strengths

- High-value added cutting tools
- Excellent after-sales service
- Global sales & service network across 25 countries

3. Dividend policy

- Maintain over 30% payout ratio (consolidated)

4. Growth strategies

- Global market development
- Industrial market expansion
- Product lineup expansion
- M&A strategies

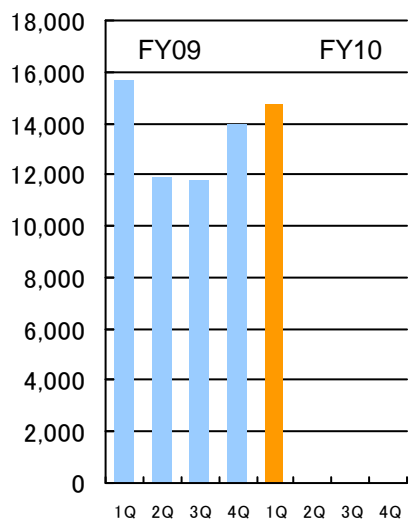


Financial summary for FY2010-1Q

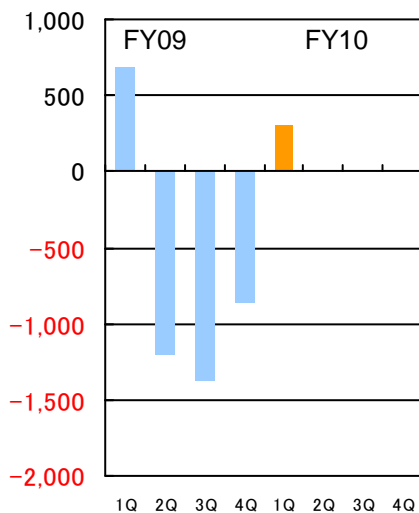
(Millions of yen)

	09/1Q	10/1Q	Change		09 results
Net sales	15,641	14,729	-912	-5.8%	53,325
Operating profit	690	302	-388	-56.3%	-2,735
OPM	4.4%	2.1%	-	-	-
Ordinary profit	442	223	-219	-49.4%	-2,703
Net profit	-556	126	682	-	-3,769
Operating CF	-144	2,368	2,512	-	6,049
EPS(yen)	-5.78	1.31	7.09	-	-39.22

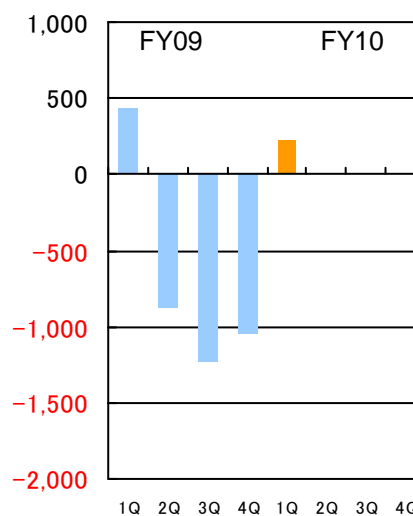
Net sales



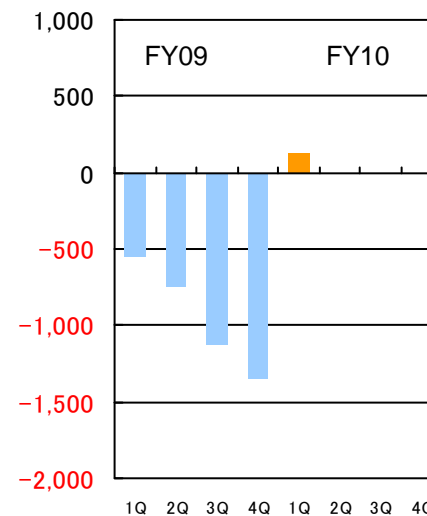
Operating profit



Ordinary profit



Net profit



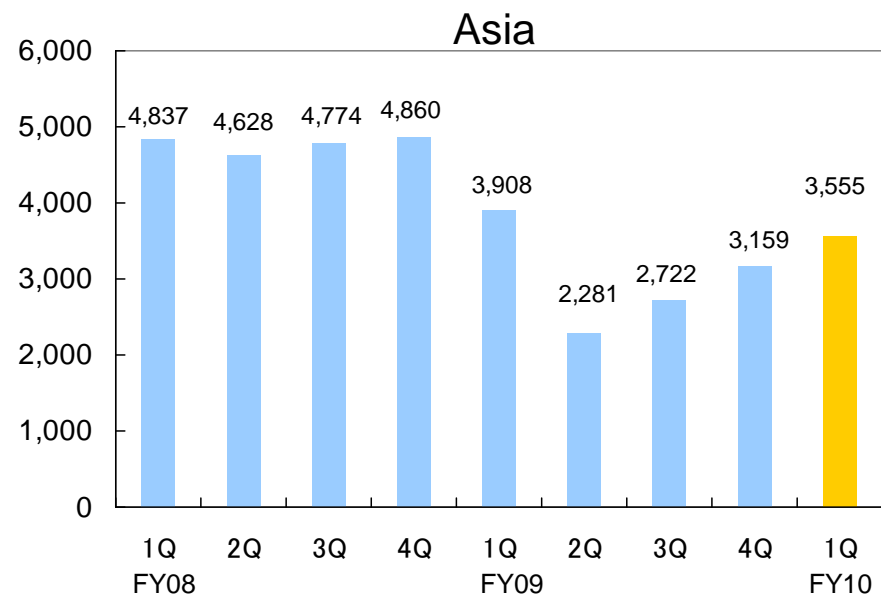
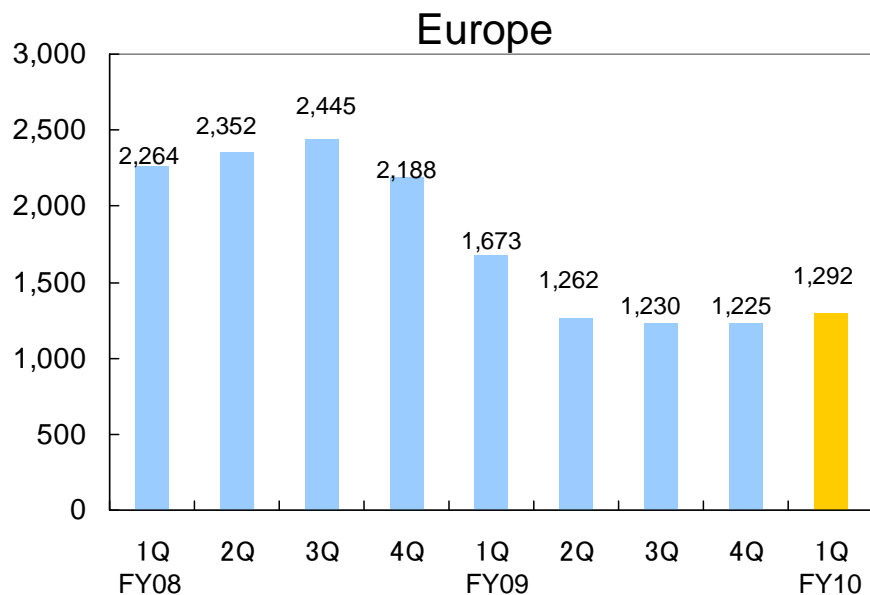
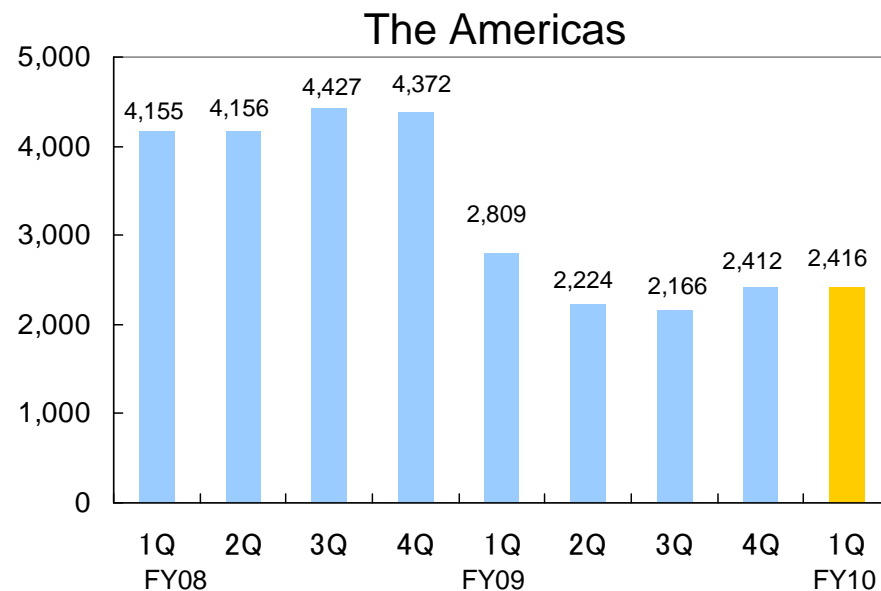
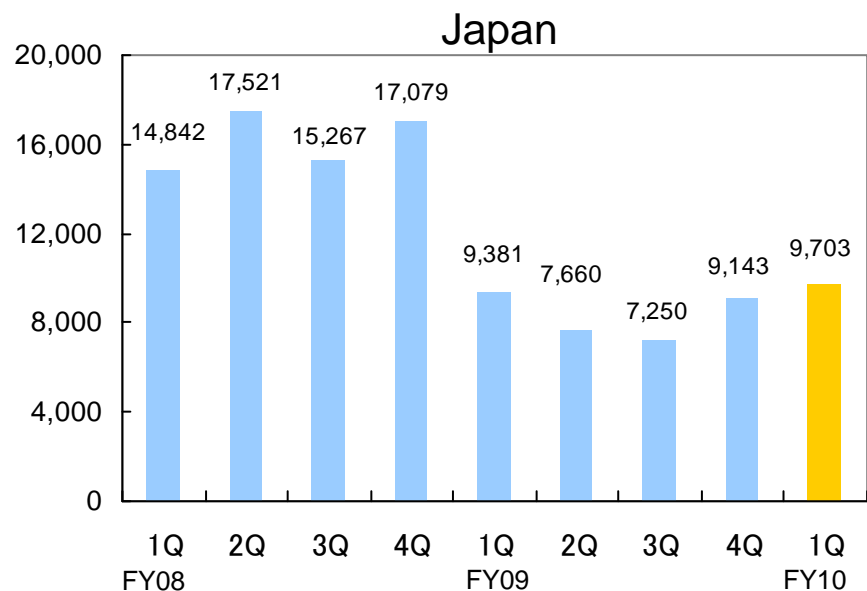
Operations by geographical segment

(Millions of yen)

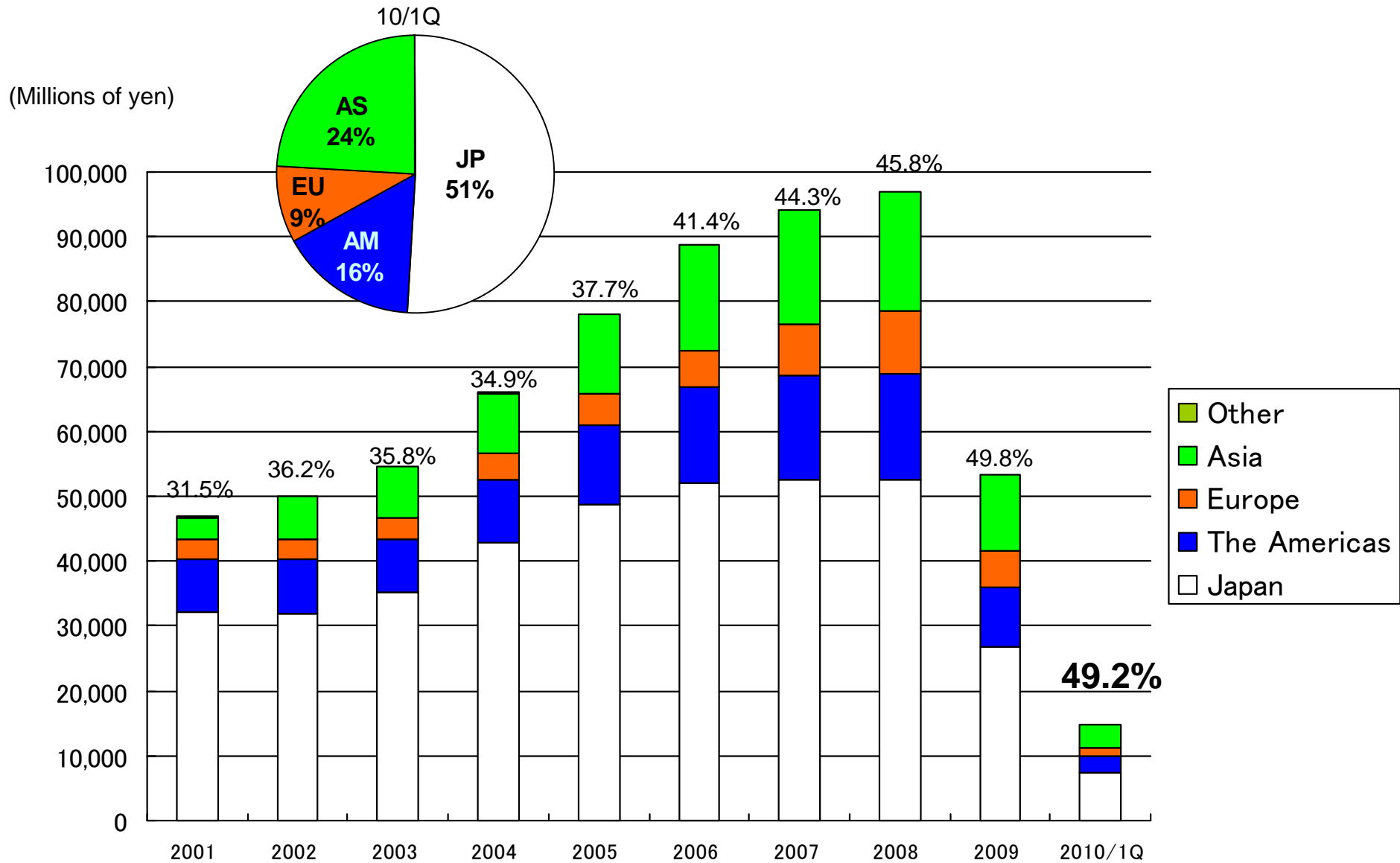
		09/1Q	10/1Q	Change		Change in local currency
Japan	Net Sales	9,381	9,703	322	+3.4%	-
	O.P	-557	-511	46	-	-
	O.P.M	-5.9%	-5.3%			
The Americas	Net Sales	2,809	2,416	-393	-14.0%	-13.5%
	O.P	200	118	-82	-41.0%	-40.5%
	O.P.M	7.1%	4.9%			
Europe	Net Sales	1,673	1,292	-381	-22.8%	-26.2%
	O.P	156	73	-83	-53.2%	-55.8%
	O.P.M	9.3%	5.7%			
Asia	Net Sales	3,908	3,555	-353	-9.0%	-8.4%
	O.P	706	603	-103	-14.6%	-14.2%
	O.P.M	18.1%	17.0%			
Total	Net Sales	17,773	16,968	-805		
	O.P	506	284	-222		
Eliminations	Net Sales	-2,131	-2,239	-108		
	O.P	184	17	-167		
Consolidated	Net Sales	15,641	14,729	-912	-5.8%	-
	O.P	690	302	-388	-56.3%	-
	O.P.M	4.4%	2.1%			

Operations by geographical segment

(Millions of yen)



Overseas sales ratio



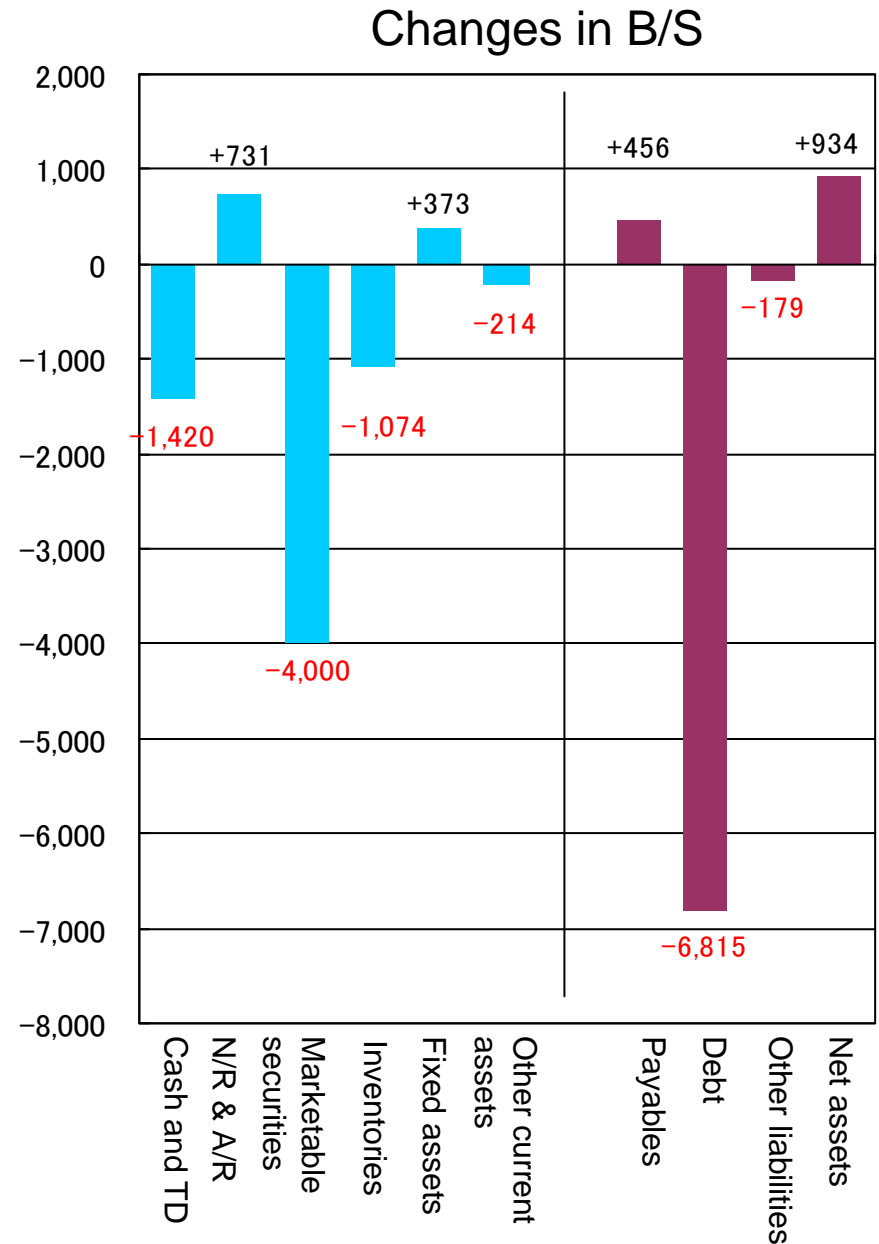
B/S overview

(Millions of yen)

	09/11E	10/2E	Changes
Cash & TD	13,995	12,575	-1,420
N/R & A/R	11,543	12,274	731
Marketable securities	9,000	5,000	-4,000
Inventories	20,573	19,499	-1,074
Other current assets	2,731	2,517	-214
Fixed assets	55,536	55,909	373
Total assets	113,382	107,777	-5,605
Total current liabilities	27,628	21,449	-6,179
Total long-term liabilities	24,018	23,659	-359
Total net assets	61,734	62,668	934
Total liabilities and net assets	113,382	107,777	-5,605

Equity ratio	49.3%	52.6%	
Receivable turnover period	79	76	days
Inventory turnover period	4.7	4.0	months

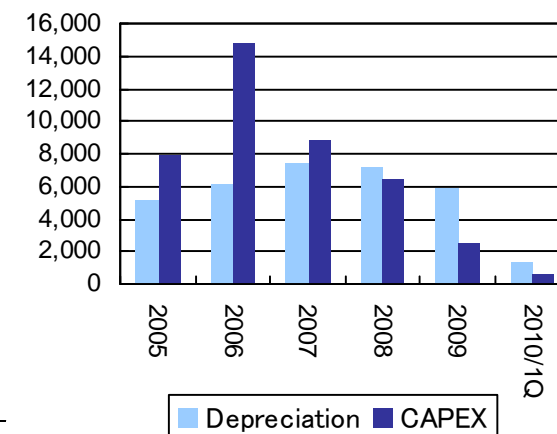
Cash and TD	22,995	17,575	-5,420
Debt	41,230	34,415	-6,815
Net Cash	-18,235	-16,840	1,395



Cash flow overview

	FY07	FY08	FY09	09/1Q	10/1Q	Change
Income before taxes	14,344	10,204	-3,926	286	229	-57
Depreciation	7,444	7,135	5,848	1,441	1,313	-128
Loss (gain) on sales of securities	-58	1,796	-0	-0	0	0
Loss on valuation of securities	0	1,386	11	12	0	-12
Liability for employees' retirement benefits	-227	-92	-23	-15	8	23
Change in A/R	-1,360	-702	6,003	3,611	-556	-4,167
Change in inventories	-824	-1,497	888	-2,149	1,286	3,435
Change in A/P	-148	1,022	-2,775	-621	377	998
Other-net	2,128	239	-1,678	-1,388	-50	1,338
Income taxes paid	-4,566	-8,838	-2,135	-1,321	-239	1,082
Income Taxes refund	-	-	3,836	-	-	-
Operating cash flow	16,733	10,653	6,049	-144	2,368	2,512
Capital expenditures	-8,783	-6,455	-2,547	-996	-558	438
Purchase of subsidiaries' stock	-549	-990	-146	-48	0	48
Purchase of securities	-73	-3,034	-8	-2	-2	0
Sales of securities	57	13,888	0	0	0	0
Other-net	329	-1,731	-1,932	-1,050	-339	711
Investing cash flow	-9,019	1,678	-4,633	-2,096	-899	1,197
Change in interest-bearing debt	-2,272	-1,723	6,994	6,878	-6,892	-13,770
Cash dividends paid	-2,533	-2,502	-1,162	-1,068	-267	801
Purchase of treasury stock	-1,890	-20	-172	-170	-0	170
Other-net	-126	-253	-190	-146	-90	56
Financing cash flow	-6,821	-4,500	5,470	5,492	-7,251	-12,743
Foreign currency translation adjustments	276	-635	-626	-776	108	884
Net increase(decrease) in cash	1,168	7,195	6,259	2,474	-5,673	-8,147
Cash of newly consolidated subsidiaries, beginning of year	0	38	0	0	0	0
Cash, end of year	7,323	14,557	20,816	17,032	15,143	-1,889

CAPEX and depreciation



Cash flow management

- Operating CF 2,368 mill yen
- Inventory decrease
1,286 mill yen
- Decrease in debt
6,892 mill yen

Forecast for FY2010

Financial forecast for FY2010 (As of Jan 2010)

	1H forecast		Annual forecast	
	Amount	Growth	Amount	Growth
Net Sales	29,200	6.0%	63,000	18.1%
Operating profit	600	-	3,600	-
as % of sales	2.1%		5.7%	
Ordinary profit	300	-	2,900	-
as % of sales	1.0%		4.6%	
Net profit	0	-	1,200	-
as % of sales	0.0%		1.9%	
EPS (yen)	0.00		12.49	
CAPEX	-		2,500	
Depreciation	-		5,400	

Estimated sales growth

Japan +22.9% The Americas +8.9% Europe +5.4% Asia+16.1%

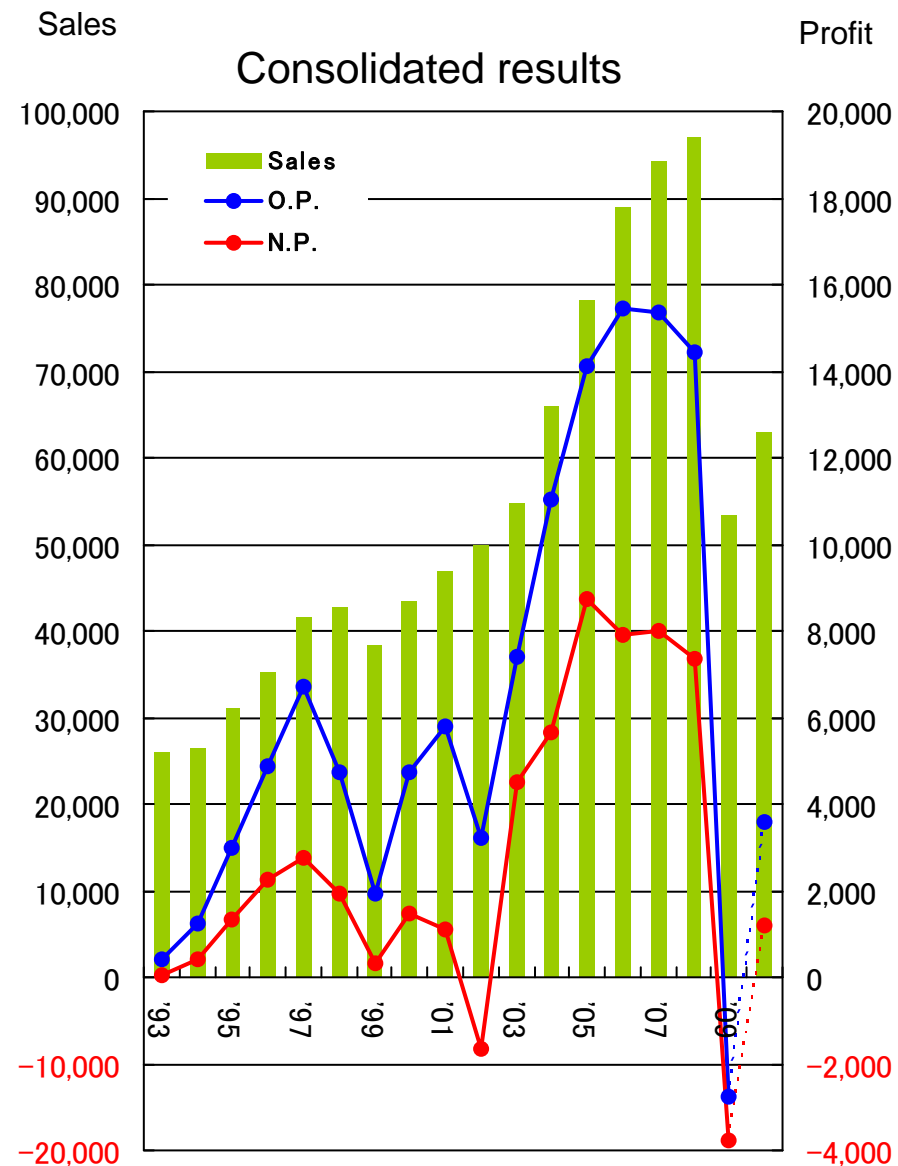
Exchange rate

FY2010/1Q result : 1US\$= 90.12yen 1Euro=132.60yen

FY2010 forecast : 1US\$= 90.00yen 1Euro=130.00yen

Dividend forecast

	Interim	Year-end	Annual
Dividend per share (yen)	0.00	4.00	4.00



Appendix

Appx.1 Consolidated balance sheet

	2009-11	2010-02	Change		2009-11	2010-02	Change
Current Assets	57,845	51,867	-5,978	Current Liabilities	27,628	21,449	-6,179
Cash & time deposits	13,995	12,575	-1,420	N/P & A/P	2,417	2,873	456
N/R & A/R	11,543	12,274	731	Short-term borrowings	16,395	10,018	-6,377
Marketable securities	9,000	5,000	-4,000	LT borrowings, current portion	3,581	3,573	-8
Inventories	20,573	19,499	-1,074	Income taxes payable	406	502	96
Other	2,885	2,680	-205	Accrued expenses	3,486	2,389	-1,097
Allowance for doubtful accounts	-154	-163	-9	Other	1,340	2,091	751
				Long-term Liabilities	24,018	23,659	-359
Fixed Assets	55,536	55,909	373	Borrowings	21,254	20,824	-430
PP&E	42,465	42,035	-430	Liabilities for employees' retirement benefits	272	283	11
Intangible assets	2,881	3,030	149	Other	2,491	2,551	60
Investments & other	10,188	10,843	655	Total Liabilities	51,647	45,109	-6,538
				Total Equity	61,734	62,668	934
Current ratio	209%	242%		Common stock	10,404	10,404	0
Quick ratio	125%	139%		Cappital surplus	14,197	14,197	0
Equity capital	55,931	56,683	+752	Retained earnings	42,471	42,309	-162
Equity ratio	49.3%	52.6%		Treasury stock	-3,870	-3,870	0
Equity per share	582.19	590.02	+7.83	Deferred gain on derivatives under hedge account	0	0	0
Interest-bearing debt	41,230	34,415	-6,815	Foreign currency translation adjustments	-7,374	-6,825	549
Net Cash	-18,235	-16,840	+1,395	Minority interests	5,803	5,984	181
Total	113,382	107,777	-5,605	Total	113,382	107,777	-5,605

Appx.2 Consolidated income statement

	FY2009										FY2010		Change	
	1Q		2Q		3Q		4Q		Total		1Q			
		%		%		%		%		%		%		%
Net sales	15,641	100.0	11,898	100.0	11,787	100.0	13,999	100.0	53,325	100.0	14,729	100.0	-912	-5.8
Cost of sales	10,172	65.0	9,085	76.4	9,216	78.2	10,730	76.6	39,203	73.5	10,371	70.4	199	+2.0
Gross profit	5,469	35.0	2,813	23.6	2,570	21.8	3,270	23.4	14,122	26.5	4,357	29.6	-1,112	-20.3
SG&A expenses	4,778	30.5	4,009	33.7	3,942	33.4	4,128	29.5	16,857	31.6	4,055	27.5	-723	-15.1
Operating profit	690	4.4	-1,195	-10.0	-1,372	-11.6	-858	-6.1	-2,735	-5.1	302	2.1	-388	-56.3
Non-operating profit	205		607		483		343		1,638		232		27	
Non-operating expenses	454		286		341		525		1,606		311		-143	
Ordinary profit	442	2.8	-875	-7.4	-1,230	-10.4	-1,040	-7.4	-2,703	-5.1	223	1.5	-219	-49.4
Extraordinary gain	5		3		3		52		63		43		38	
Extraordinary loss	161		13		91		1,022		1,287		37		-124	
Profit before taxes	286	1.8	-885	-7.4	-1,319	-11.2	-2,008	-14.3	-3,926	-7.4	229	1.6	-57	-19.9
Income taxes	716		-147		-255		-705		-391		-49		-765	
Minority interests	126		5		62		41		234		153		27	
Net profit	-556	-3.6	-744	-6.3	-1,125	-9.5	-1,344	-9.6	-3,769	-7.1	126	0.9	682	-122.7

Appx.3 Selected financial data (consolidated)

For the year:		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/1Q
Net sales	(mill.yen)	43,504	46,842	49,983	54,618	65,975	78,130	88,862	94,164	97,024	53,325	14,729
Sales growth	(%)	13%	8%	7%	9%	21%	18%	14%	6%	3%	-45%	-6%
Cost of sales	(mill.yen)	28,717	30,091	34,375	34,499	40,807	47,783	54,376	58,159	60,449	39,203	10,371
Gross profit	(mill.yen)	14,787	16,750	15,607	20,118	25,168	30,346	34,485	36,004	36,574	14,122	4,357
SG&A expenses	(mill.yen)	10,065	10,974	12,383	12,694	14,139	16,220	19,030	20,647	22,158	16,857	4,055
Operating income	(mill.yen)	4,722	5,776	3,224	7,424	11,029	14,125	15,455	15,356	14,416	-2,735	302
Ordinary income	(mill.yen)	4,236	5,661	2,465	6,704	10,529	13,887	14,940	14,570	13,505	-2,703	223
Net income	(mill.yen)	1,461	1,111	-1,678	4,510	5,647	8,758	7,917	8,013	7,376	-3,769	126
Margins:												
Gross profit margin	(%)	34.0%	35.8%	31.2%	36.8%	38.1%	38.8%	38.8%	38.2%	37.7%	26.5%	29.6%
SG&A as % of sales	(%)	23.1%	23.4%	24.8%	23.2%	21.4%	20.8%	21.4%	21.9%	22.8%	31.6%	27.5%
Operating income	(%)	10.9%	12.4%	6.4%	13.6%	16.7%	18.0%	17.4%	16.3%	14.9%	-5.1%	2.1%
Ordinary income	(%)	9.7%	12.1%	4.9%	12.3%	16.0%	17.8%	16.8%	15.5%	13.9%	-5.1%	1.5%
Net income	(%)	3.4%	2.4%	-3.4%	8.3%	8.6%	11.2%	8.9%	8.5%	7.6%	-7.1%	0.9%
Total assets	(mill.yen)	79,681	71,261	74,429	73,886	81,150	93,598	122,451	127,044	122,383	113,382	107,777
Total shareholders' equity	(mill.yen)	42,316	37,683	35,025	37,028	40,464	54,647	60,081	64,295	64,251	55,931	55,683
Per share:												
Net income	(yen)	14.57	11.14	-17.25	46.92	60.32	89.10	81.00	82.42	76.53	-39.22	1.31
Cash dividends (interim)	(yen)	0.00	0.00	0.00	4.00	8.00	10.00	12.00	12.00	12.00	0.00	0.00(fcst)
(year end)	(yen)	6.00	6.00	6.00	6.00	10.00	16.00	14.00	14.00	12.00	3.00	4.00(fcst)
Total shareholders' equity	(yen)	422.08	381.80	363.89	401.34	442.03	554.90	615.07	667.01	666.71	582.19	590.02
Numbers of shares issued	(ths)	100,255	98,700	96,255	91,933	91,233	98,079	97,681	96,393	96,371	96,071	96,071
Key financial ratios:												
ROE	(%)	3.6%	2.8%	-4.6%	12.5%	14.6%	18.4%	13.8%	12.9%	11.5%	-6.3%	-
Equity ratio	(%)	53.1%	52.9%	47.1%	50.1%	49.9%	58.4%	49.1%	50.6%	52.5%	49.3%	52.6%
Cash flow:												
Operating CF	(mill.yen)	8,649	6,116	6,968	9,239	11,585	7,820	9,546	16,733	10,653	6,049	2,368
Investing CF	(mill.yen)	-1,405	-3,429	-2,493	-2,519	-7,496	-7,200	-30,616	-9,019	1,678	-4,633	-899
Financing CF	(mill.yen)	-2,173	-9,651	-2,850	-6,442	-2,870	-897	20,699	-6,821	-4,500	5,470	-7,251
Cash flow margin	(%)	19.9%	13.1%	13.9%	16.9%	17.6%	10.0%	10.7%	17.8%	11.0%	11.3%	16.1%